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Doing Business 2016

Measuring Regulatory Quality and Efficiency

Economy Profile 2016 Russian Federation



COMPARING BUSINESS REGULATION FOR DOMESTIC FIRMS IN 189 ECONOMIES



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INTRODUCTION

Doing Business sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 11 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labor market regulation. *Doing Business 2016* does not present rankings of economies on labor market regulation indicators or include the topic in the aggregate distance to frontier score or ranking on the ease of doing business.

In a series of annual reports *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 189 economies, from Afghanistan to Zimbabwe, over time. The data set covers 47 economies in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in East Asia and the Pacific, 25 in Eastern Europe and Central Asia, 20 in the Middle East and North Africa and 8 in South Asia, as well as 32 OECD high-income economies. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

This economy profile presents the *Doing Business* indicators for Russian Federation. To allow useful comparison, it also provides data for other selected

economies (comparator economies) for each indicator. The data in this report are current as of June 1, 2015 (except for the paying taxes indicators, which cover the period January–December 2014).

The *Doing Business* methodology has limitations. Other areas important to business—such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders and getting electricity), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions—are not directly studied by *Doing Business*. The indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policy makers in designing regulatory reform.

More information is available in the full report. *Doing Business 2016* presents the indicators, analyzes their relationship with economic outcomes and presents business regulatory reforms. The data, along with information on ordering *Doing Business 2016*, are available on the *Doing Business* website at <http://www.doingbusiness.org>.

CHANGES IN *DOING BUSINESS 2016*

As part of a two-year update in methodology, *Doing Business 2016* expands the focus of five indicator sets (dealing with construction permits, getting electricity, registering property, enforcing contracts and labor market regulation), substantially revises the methodology for one indicator set (trading across borders) and implements small updates to the methodology for another (protecting minority investors).

The indicators on dealing with construction permits now include an index of the quality of building regulation and its implementation. The getting electricity indicators now include a measure of the price of electricity consumption and an index of the reliability of electricity supply and transparency of tariffs. Starting this year, the registering property indicators include an index of the quality of the land administration system in each economy in addition to the indicators on the number of procedures and the time and cost to transfer property. And for enforcing contracts an index of the quality and efficiency of judicial processes has been added while the indicator on the number of procedures to enforce a contract has been dropped.

The scope of the labor market regulation indicator set has also been expanded, to include more areas capturing aspects of job quality. The labor market regulation indicators continue to be excluded from the aggregate distance to frontier score and ranking on the ease of doing business.

The case study underlying the trading across borders indicators has been changed to increase its relevance. For each economy the export product and partner are now determined on the basis of the economy's comparative advantage, the import product is auto parts, and the import partner is selected on the basis of which economy has the highest trade value in that product. The indicators continue to measure the time and cost to export and import.

Beyond these changes there is one other update in methodology, for the protecting minority investors indicators. A few points for the extent of shareholder governance index have been fine-tuned, and the index now also measures aspects of the regulations applicable to limited companies rather than privately held joint stock companies.

For more details on the changes, see the "What is changing in *Doing Business*?" chapter starting on page 27 of the *Doing Business 2016* report. For more details on the data and methodology, please see the "Data Notes" chapter starting on page 119 of the *Doing Business 2016* report. For more details on the distance to frontier metric, please see the "Distance to frontier and ease of doing business ranking" chapter in this profile.

THE BUSINESS ENVIRONMENT

For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. *Doing Business* provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 189 by the ease of doing business ranking. *Doing Business* presents results for 2 aggregate measures: the distance to frontier score and the ease of doing business ranking. The ranking of economies is determined by sorting the aggregate distance to frontier scores, rounded to two decimals. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. (See the chapter on the distance to frontier and ease of doing business).

The ease of doing business ranking compares economies with one another; the distance to frontier score benchmarks economies with respect to regulatory best practice, showing the absolute distance to the best performance on each *Doing Business* indicator. When compared across years, the distance to frontier score shows how much the regulatory environment for local entrepreneurs in an economy has changed over time in absolute terms, while the ease of doing business ranking can show only how much the regulatory environment has changed relative to that in other economies.

The 10 topics included in the ranking in *Doing Business 2016*: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The labor market regulation indicators are not included in this year's aggregate ease of doing business ranking, but the data are presented in this year's economy profile.

ECONOMY OVERVIEW

Region: Europe & Central Asia

Income category: High income

Population: 143,819,569

GNI per capita (US\$): 13,210

DB2016 rank: 51

DB2015 rank: 54*

Change in rank: 3

DB 2016 DTF: 70.99

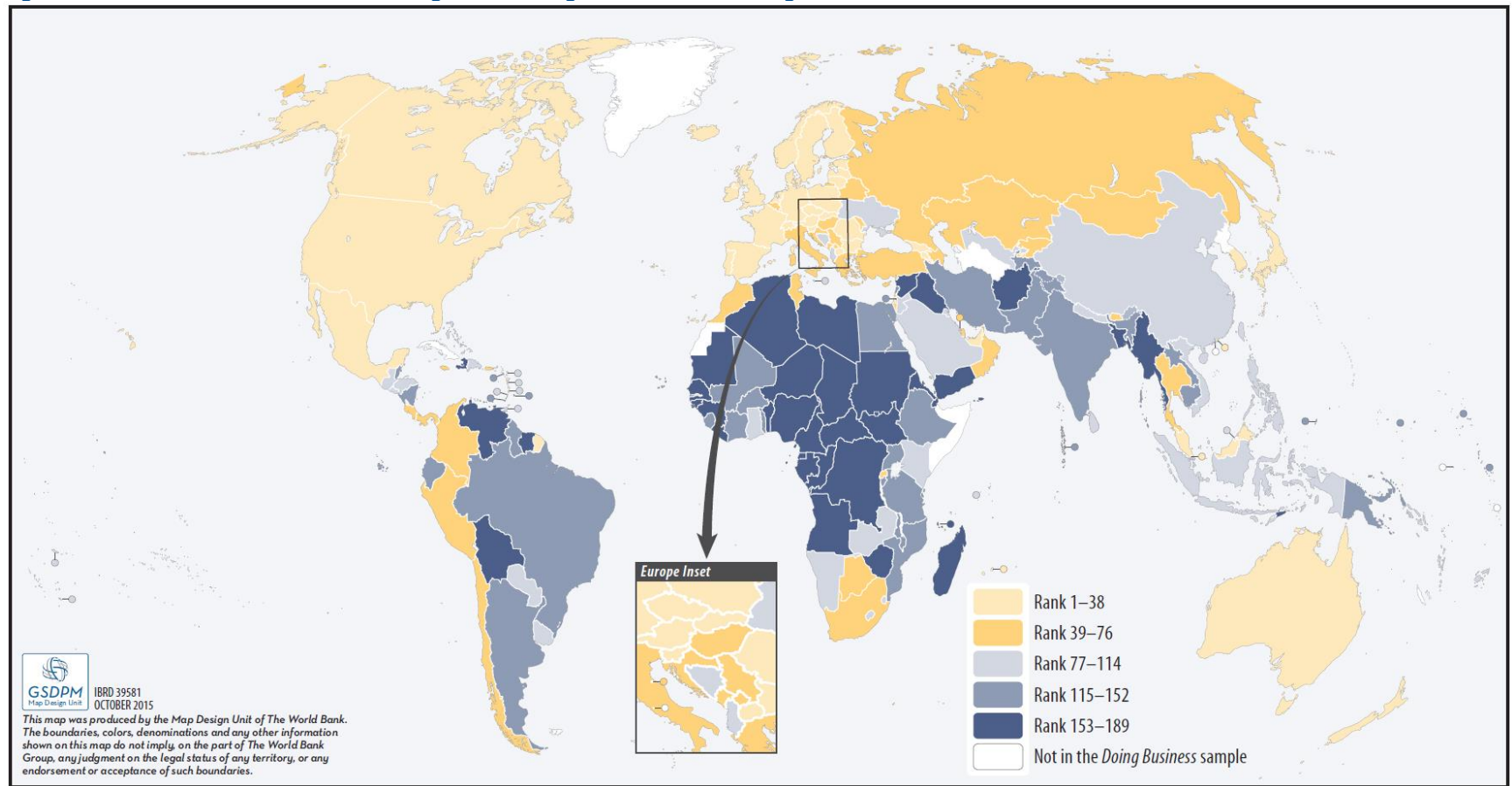
DB 2015 DTF: 69.26

Change in DTF: 1.73

* DB2015 ranking shown is not last year's published ranking but a comparable ranking for DB2015 that captures the effects of such factors as data revisions and the changes in methodology. See the data notes starting on page 119 of the *Doing Business 2016* report for sources and definitions.

THE BUSINESS ENVIRONMENT

Figure 1.1 Where economies stand in the global ranking on the ease of doing business



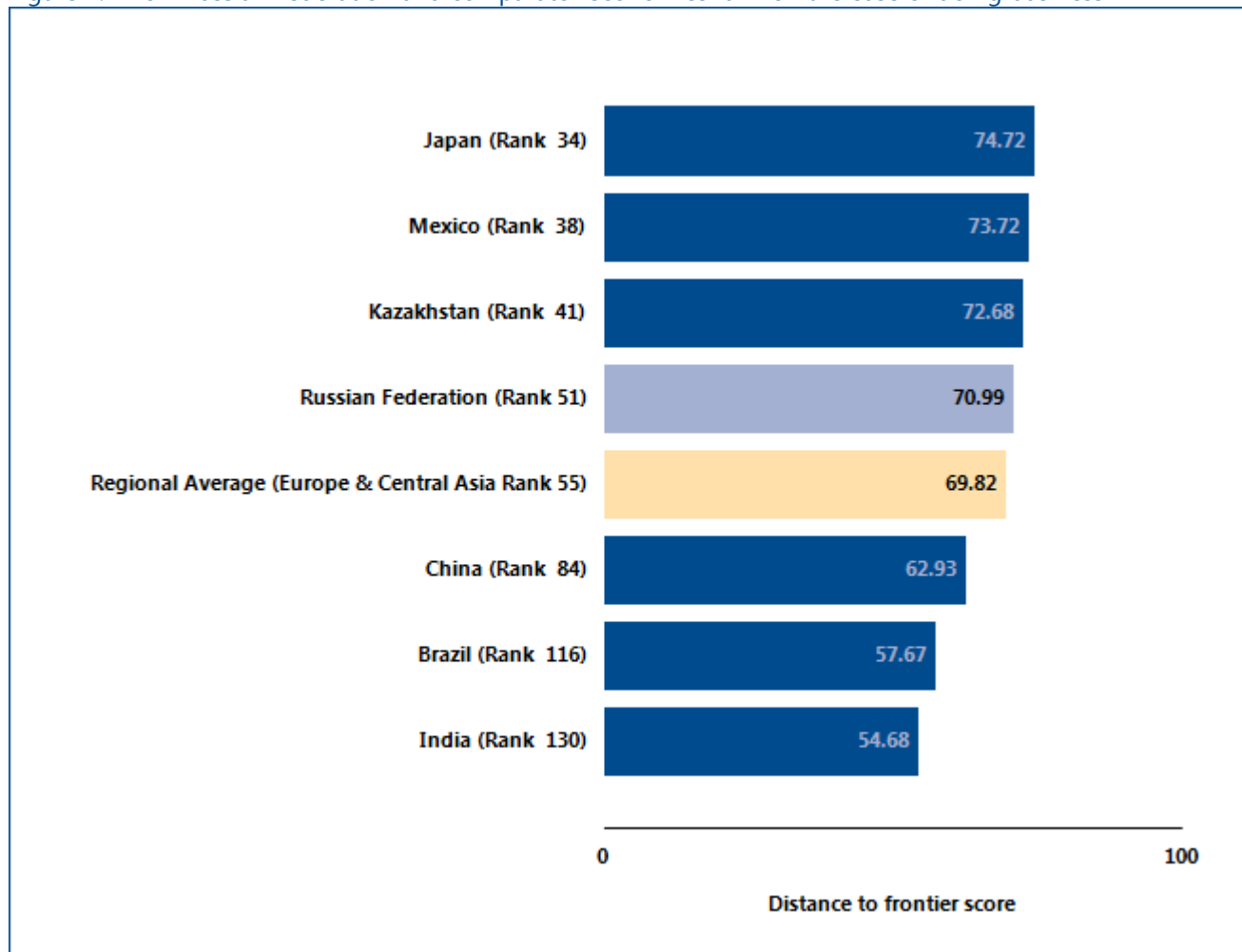
Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

For policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful. Also useful is to know how it ranks relative to comparator economies and relative to the

regional average (figure 1.2). The economy's rankings (figure 1.3) and distance to frontier scores (figure 1.4) on the topics included in the ease of doing business ranking provide another perspective.

Figure 1.2 How Russian Federation and comparator economies rank on the ease of doing business



Note: The rankings are benchmarked to June 2015 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.

Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

Figure 1.3 Rankings on *Doing Business* topics - Russian Federation

(Scale: Rank 189 center, Rank 1 outer edge)

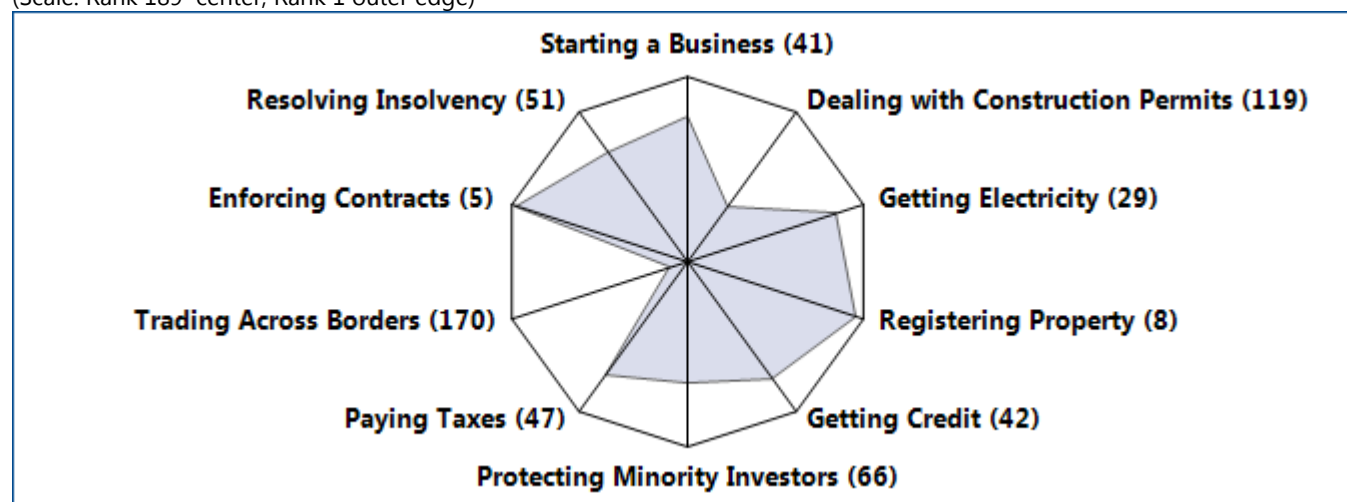
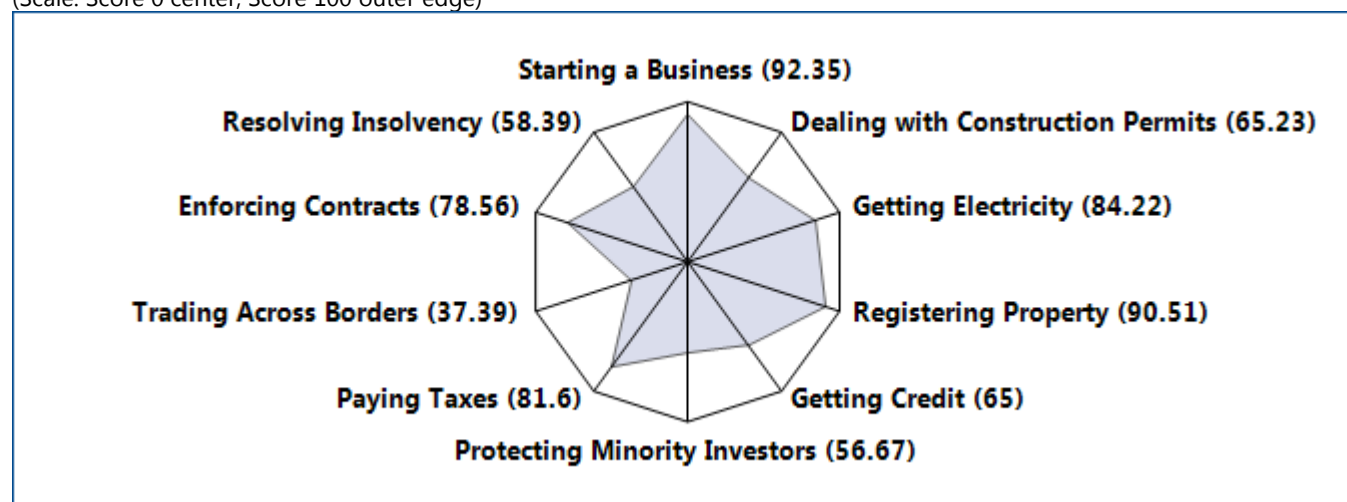


Figure 1.4 Distance to frontier scores on *Doing Business* topics - Russian Federation

(Scale: Score 0 center, Score 100 outer edge)



Source: *Doing Business* database.

Note: The rankings are benchmarked to June 2015 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.

THE BUSINESS ENVIRONMENT

Just as the overall ranking on the ease of doing business tells only part of the story, so do changes in that ranking. Yearly movements in rankings can provide some indication of changes in an economy's regulatory environment for firms, but they are always relative.

Moreover, year-to-year changes in the overall rankings do not reflect how the business regulatory environment in an economy has changed over time—or how it has changed in different areas. To aid in assessing such changes,

Doing Business introduced the distance to frontier score. This measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator.

Comparing the measure for an economy at 2 points in time allows users to assess how much the economy's regulatory environment as measured by *Doing Business* has changed over time—how far it has moved toward (or away from) the most efficient practices and strongest regulations in areas covered by *Doing Business* (figure 1.5).

Figure 1.5 How far has Russian Federation come in the areas measured by *Doing Business*?



Note: The distance to frontier score shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator. Starting a business is comparable to 2010. Getting credit, protecting minority investors, paying taxes and resolving insolvency had methodology changes in 2014 and thus are only comparable to 2013. Dealing with construction permits, registering property, trading across borders, enforcing contracts and getting electricity had methodology changes in 2015 and thus are only comparable to 2014. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). See the data notes starting on page 119 of the *Doing Business 2016* report for more details on the distance to frontier score. Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

The absolute values of the indicators tell another part of the story (table 1.1). The indicators, on their own or in comparison with the indicators of a good practice economy or those of comparator economies in the region, may reveal bottlenecks reflected in large numbers of procedures, long delays or high costs. Or they may reveal unexpected strengths in an area of business

regulation—such as a regulatory process that can be completed with a small number of procedures in a few days and at a low cost. Comparison of the economy's indicators today with those in the previous year may show where substantial bottlenecks persist—and where they are diminishing.

Table 1.1 Summary of *Doing Business* indicators for Russian Federation

Indicator	Russian Federation DB2016	Russian Federation DB2015	Moscow DB2016	Saint Petersburg DB2016	Brazil DB2016	China DB2016	India DB2016	Japan DB2016	Best performer globally DB2016
Starting a Business (rank)	41	34	--	--	174	136	155	81	New Zealand (1)
Starting a Business (DTF Score)	92.35	92.17	91.08	95.3	64.33	77.46	73.59	86.34	New Zealand (99.96)
Procedures (number)	4.4	4.4	5.0	3.0	11.0	11.0	12.9	8.0	New Zealand (1.00)*
Time (days)	10.5	11.2	12.0	7.0	83.0	31.4	29.0	10.2	New Zealand (0.50)
Cost (% of income per capita)	1.1	1.2	1.2	1.0	3.8	0.7	13.5	7.5	Slovenia (0.00)
Paid-in min. capital (% of income per capita)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	105 Economies (0.00)*
Dealing with Construction Permits (rank)	119	117	--	--	169	176	183	68	Singapore (1)
Dealing with Construction Permits (DTF Score)	65.23	65.17	66.5	62.28	51.92	48.29	32.47	71.65	Singapore (92.97)
Procedures (number)	19.0	19.0	19.0	19.0	18.2	22.0	33.6	12.0	5 Economies (7.00)*

Indicator	Russian Federation DB2016	Russian Federation DB2015	Moscow DB2016	Saint Petersburg DB2016	Brazil DB2016	China DB2016	India DB2016	Japan DB2016	Best performer globally DB2016
Time (days)	263.5	263.5	244.0	309.0	425.7	244.3	191.5	197.0	Singapore (26.00)
Cost (% of warehouse value)	1.6	1.6	1.7	1.3	0.4	7.2	26.0	0.6	Qatar (0.00)
Building quality control index (0-15)	14.0	14.0	14.0	14.0	9.4	9.0	11.0	10.0	New Zealand (15.00)
Getting Electricity (rank)	29	53	--	--	22	92	70	14	Korea, Rep. (1)
Getting Electricity (DTF Score)	84.22	77.89	85.43	81.41	85.5	68.66	74.56	89.88	Korea, Rep. (99.88)
Procedures (number)	3.0	4.0	3.0	3.0	4.0	5.5	5.0	3.4	14 Economies (3.00)*
Time (days)	160.5	175.2	150.0	185.0	43.6	143.2	90.1	97.7	Korea, Rep. (18.00)*
Cost (% of income per capita)	93.1	277.4	71.9	142.4	28.6	413.3	442.3	0.0	Japan (0.00)
Reliability of supply and transparency of tariff index (0-8)	8.0	8.0	8.0	8.0	5.6	6.0	5.5	8.0	18 Economies (8.00)*
Registering Property (rank)	8	8	--	--	130	43	138	48	New Zealand (1)
Registering Property (DTF Score)	90.51	90.12	90.51	90.51	52.48	75.02	50.29	73.91	New Zealand (94.46)
Procedures (number)	3.0	3.0	3.0	3.0	13.6	4.0	7.0	6.0	4 Economies (1.00)*
Time (days)	15.0	19.0	15.0	15.0	31.7	19.5	47.0	13.0	3 Economies (1.00)*
Cost (% of property value)	0.2	0.1	0.2	0.2	3.1	3.4	7.5	5.8	Saudi Arabia (0.00)
Quality of the land administration index (0-30)	26.0	26.0	26.0	26.0	13.6	17.0	7.0	24.5	3 Economies (28.50)*

Indicator	Russian Federation DB2016	Russian Federation DB2015	Moscow DB2016	Saint Petersburg DB2016	Brazil DB2016	China DB2016	India DB2016	Japan DB2016	Best performer globally DB2016
Getting Credit (rank)	42	61	--	--	97	79	42	79	New Zealand (1)
Getting Credit (DTF Score)	65	55	65	65	45	50	65	50	New Zealand (100)
Strength of legal rights index (0-12)	6.0	4.0	6.0	6.0	2.0	4.0	6.0	4.0	3 Economies (12.00)*
Depth of credit information index (0-8)	7.0	7.0	7.0	7.0	7.0	6.0	7.0	6.0	26 Economies (8.00)*
Credit registry coverage (% of adults)	0.0	0.0	0.0	0.0	55.1	89.5	0.0	0.0	Portugal (100.00)
Credit bureau coverage (% of adults)	70.2	64.6	70.2	70.2	79.0	0.0	22.0	100.0	22 Economies (100.00)*
Protecting Minority Investors (rank)	66	64	--	--	29	134	8	36	Singapore (1)*
Protecting Minority Investors (DTF Score)	56.67	56.67	56.67	56.67	65	43.33	73.33	63.33	Singapore (83.33)*
Strength of minority investor protection index (0-10)	5.7	5.7	5.7	5.7	6.5	4.3	7.3	6.3	3 Economies (8.30)*
Extent of conflict of interest regulation index (0-10)	5.0	5.0	5.0	5.0	5.7	5.0	6.7	7.0	Singapore (9.30)*
Extent of shareholder governance index (0-10)	6.3	6.3	6.3	6.3	7.3	3.7	8.0	5.7	4 Economies (8.00)*
Paying Taxes (rank)	47	50	--	--	178	132	157	121	United Arab Emirates (1)*
Paying Taxes (DTF Score)	81.6	80.63	81.55	81.7	40.85	64.46	56.14	67.16	United Arab Emirates (99.44)*
Payments (number per	7.0	7.0	7.0	7.0	9.6	9.0	33.0	14.0	Hong Kong SAR,

Indicator	Russian Federation DB2016	Russian Federation DB2015	Moscow DB2016	Saint Petersburg DB2016	Brazil DB2016	China DB2016	India DB2016	Japan DB2016	Best performer globally DB2016
year)									China (3.00)*
Time (hours per year)	168.0	168.0	168.0	168.0	2,600.0	261.0	243.0	330.0	Luxembourg (55.00)
Total tax rate (% of profit)	47.0	48.9	47.1	46.8	69.2	67.8	60.6	51.3	Ireland (25.90)
Trading Across Borders (rank)	170	169	--	--	145	96	133	52	Denmark (1)*
Trading Across Borders (DTF Score)	37.39	37.39	37.39	37.39	52.43	69.13	56.45	85.9	Denmark (100)*
Time to export: Border compliance (hours)	96	96	96	96	49	26	109	48	15 Economies (0.00)*
Cost to export: Border compliance (USD)	1,125	1,125	1,125	1,125	959	522	413	306	18 Economies (0.00)*
Time to export: Documentary compliance (hours)	43	43	43	43	42	21	41	3	Jordan (0.00)
Cost to export: Documentary compliance (USD)	500	500	500	500	226	85	102	15	20 Economies (0.00)*
Time to import: Border compliance (hours)	96	96	96	96	63	92	287	48	19 Economies (0.00)*
Cost to import: Border compliance (USD)	1,125	1,125	1,125	1,125	970	777	574	337	28 Economies (0.00)*
Time to import: Documentary compliance (hours)	43	43	43	43	146	66	63	3	21 Economies (1.00)*
Cost to import: Documentary compliance (USD)	500	500	500	500	107	171	145	23	30 Economies (0.00)*
Enforcing Contracts	5	5	--	--	45	7	178	51	Singapore (1)

Indicator	Russian Federation DB2016	Russian Federation DB2015	Moscow DB2016	Saint Petersburg DB2016	Brazil DB2016	China DB2016	India DB2016	Japan DB2016	Best performer globally DB2016
(rank)									
Enforcing Contracts (DTF Score)	78.56	78.56	79.04	77.44	66.48	77.56	32.41	65.26	Singapore (84.91)
Time (days)	307.0	307.0	310.0	300.0	731.0	452.8	1,420.0	360.0	Singapore (150.00)
Cost (% of claim)	16.5	16.5	15.0	20.0	20.7	16.2	39.6	23.4	Iceland (9.00)
Quality of judicial processes index (0-18)	12.5	12.5	12.5	12.5	13.1	14.1	7.5	7.5	3 Economies (15.50)*
Resolving Insolvency (rank)	51	44	--	--	62	55	136	2	Finland (1)
Resolving Insolvency (DTF Score)	58.39	59.06	58.16	58.92	52.68	55.43	32.59	93.75	Finland (93.81)
Recovery rate (cents on the dollar)	41.7	43.0	41.3	42.7	22.4	36.2	25.7	92.9	Japan (92.90)
Time (years)	2.0	2.0	2.0	1.8	4.0	1.7	4.3	0.6	Ireland (0.40)
Cost (% of estate)	9.0	9.0	9.0	9.0	12.0	22.0	9.0	3.5	Norway (1.00)
Outcome (0 as piecemeal sale and 1 as going concern)	0	0	0	0	1	0	0	1	
Strength of insolvency framework index (0-16)	11.5	11.5	11.5	11.5	13.0	11.5	6.0	14.0	4 Economies (15.00)*

Source: *Doing Business* database.

Note: DB2015 rankings shown are not last year's published rankings but comparable rankings for DB2015 that capture the effects of such factors as data revisions and changes to the methodology. The global best performer on time for paying taxes is defined as the lowest time recorded among all economies in the DB2016 sample that levy the 3 major taxes: profit tax, labor taxes and mandatory contributions, and VAT or sales tax. If an economy has no laws or regulations covering a specific area—for example, insolvency—it receives a “no practice” mark. Similarly, an economy receives a “no practice” mark if regulation exists but is never used in practice or if a competing regulation prohibits such practice. Either way, a “no practice” mark puts the economy at the bottom of the ranking on the relevant indicator. * Two or more economies share the top ranking on this indicator. A number shown in place of an economy's name indicates the number of economies that share the top ranking on the indicator. For a list of these economies, see the *Doing Business* website (<http://www.doingbusiness.org>).

STARTING A BUSINESS

Formal registration of companies has many immediate benefits for the companies and for business owners and employees. Legal entities can outlive their founders. Resources are pooled as several shareholders join forces to start a company. Formally registered companies have access to services and institutions from courts to banks as well as to new markets. And their employees can benefit from protections provided by the law. An additional benefit comes with limited liability companies. These limit the financial liability of company owners to their investments, so personal assets of the owners are not put at risk. Where governments make registration easy, more entrepreneurs start businesses in the formal sector, creating more good jobs and generating more revenue for the government.

What do the indicators cover?

Doing Business records all procedures officially required, or commonly done in practice, for an entrepreneur to start up and formally operate an industrial or commercial business, as well as the time and cost to complete these procedures and the paid-in minimum capital requirement. These procedures include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities. The ranking of economies on the ease of starting a business is determined by sorting their distance to frontier scores for starting a business. These scores are the simple average of the distance to frontier scores for each of the component indicators.

To make the data comparable across economies, several assumptions about the business and the procedures are used. It is assumed that any required information is readily available and that the entrepreneur will pay no bribes. Assumptions about the business:

- Is a limited liability company (or its legal equivalent), located in the largest business city and is 100% domestically owned¹ with five owners, none of whom is a legal entity.
- Has at least 10 and up to 50 employees, all of them domestic nationals.
- Performs general commercial or industrial activities.

WHAT THE STARTING A BUSINESS INDICATORS MEASURE

Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration in the economy's largest business city¹
- Postregistration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day (2 procedures cannot start on the same day). Procedures that can be fully completed online are recorded as ½ day.
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law or commonly used in practice

Paid-in minimum capital (% of income per capita)

- Deposited in a bank or with a notary before registration (or within 3 months)

- Has a start-up capital of 10 times income per capita and a turnover of at least 100 times income per capita.
- Has a company deed 10 pages long.
- Does not qualify for any special benefits.
- Leases the commercial plant or offices and is not a proprietor of real estate.

¹ For 11 economies the data are also collected for the second largest business city.

STARTING A BUSINESS

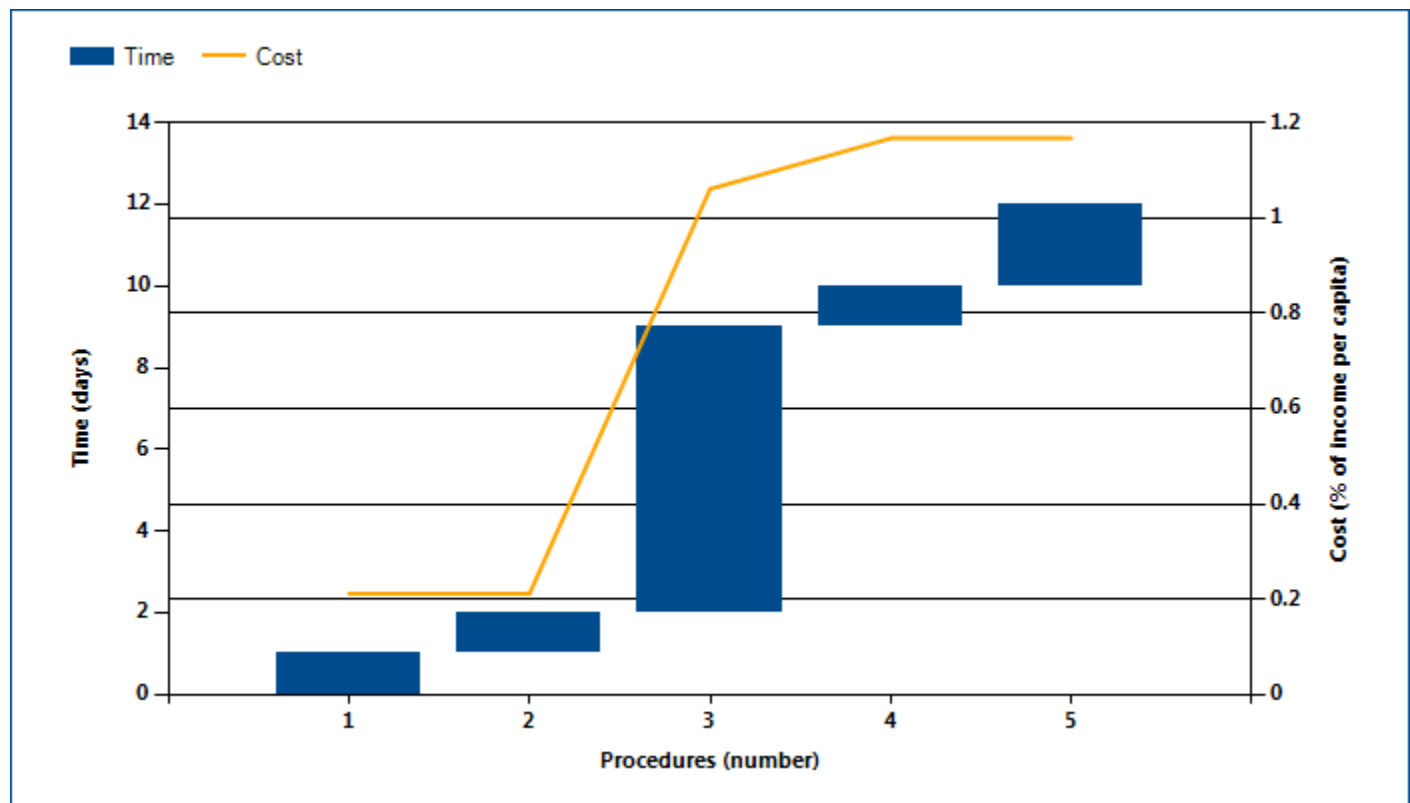
Where does the economy stand today?

What does it take to start a business in Russian Federation? According to data collected by *Doing Business*, starting a business there requires 4.40 procedures, takes 10.50 days, costs 1.10% of income per capita and requires paid-in minimum capital of 0.00% of income per capita (figure 2.1). Most indicator sets refer

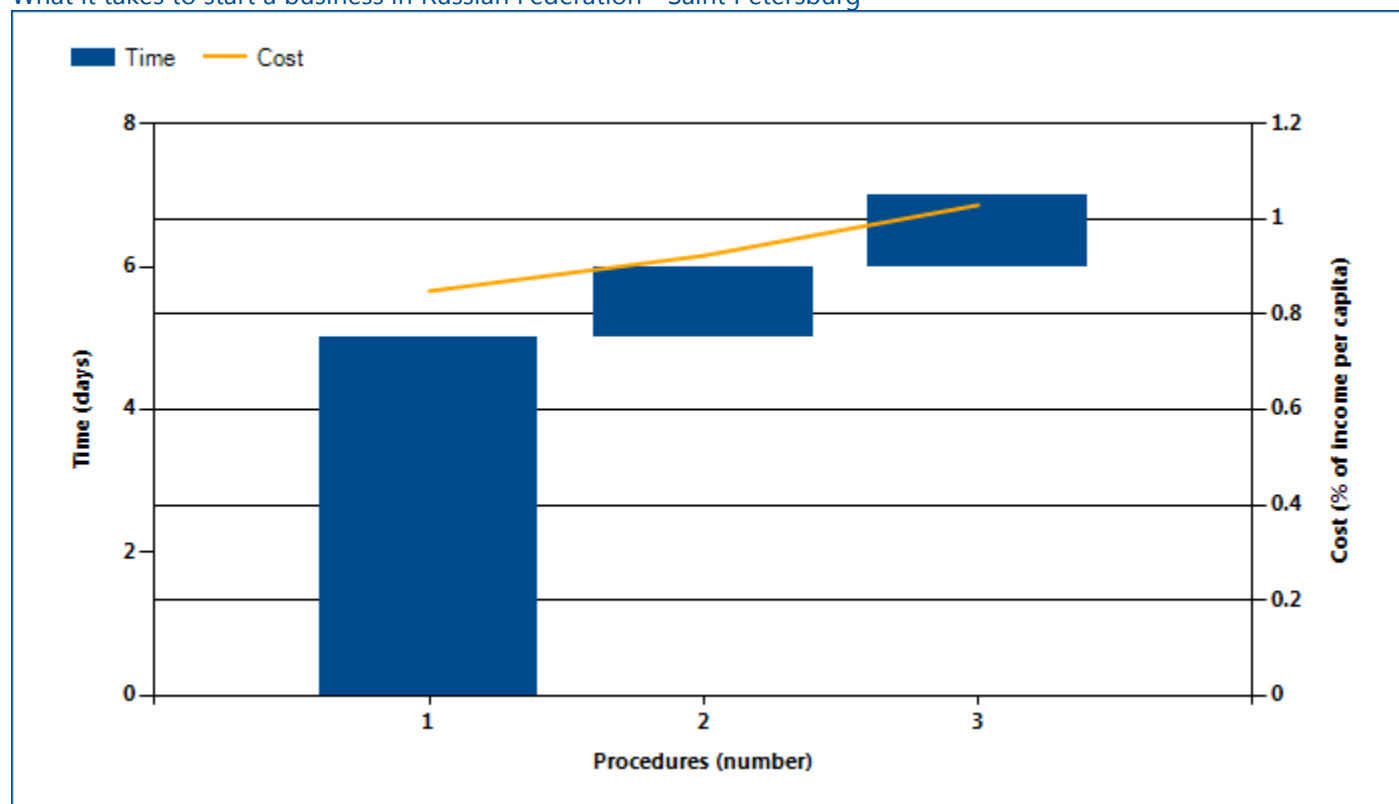
to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 2.1 What it takes to start a business in Russian Federation - Moscow

Paid-in minimum capital (% of income per capita): 0.00



What it takes to start a business in Russian Federation - Saint Petersburg



Source: *Doing Business* database.

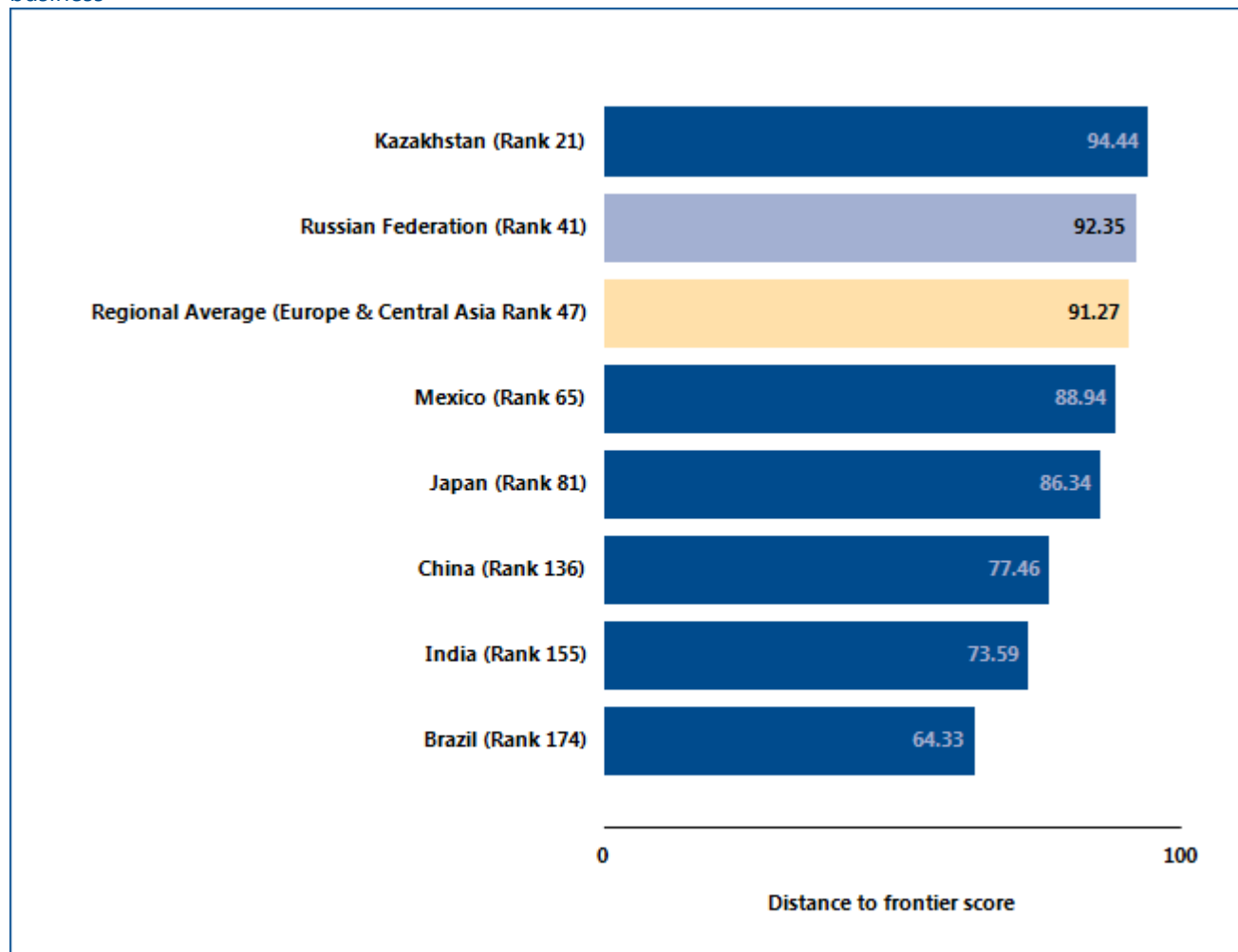
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the starting a business indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

STARTING A BUSINESS

Globally, Russian Federation stands at 41 in the ranking of 189 economies on the ease of starting a business (figure 2.2). The rankings for comparator economies and

the regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Russian Federation to start a business.

Figure 2.2 How Russian Federation and comparator economies rank on the ease of starting a business



Source: Doing Business database.

STARTING A BUSINESS

Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages—and

they often are part of a larger regulatory reform program. Among the benefits have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities.

What business registration reforms has *Doing Business* recorded in Russian Federation (table 2.1)?

Table 2.1 How has Russian Federation made starting a business easier—or not?
By *Doing Business* report year from DB2011 to DB2016

DB year	Reform
DB2014	Russia made starting a business easier by abolishing the requirement to have the bank signature card notarized before opening a company bank account.
DB2015	The Russian Federation made starting a business easier by eliminating the requirement to deposit the charter capital before company registration as well as the requirement to notify tax authorities of the opening of a bank account. This reform applies to both Moscow and St. Petersburg.
DB2016	The Russian Federation made starting a business in Moscow easier by reducing the number of days required to open a corporate bank account.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

STARTING A BUSINESS

What are the details?

Underlying the indicators shown in this chapter for Russian Federation is a set of specific procedures—the bureaucratic and legal steps that an entrepreneur must complete to incorporate and register a new firm. These are identified by *Doing Business* through collaboration with relevant local professionals and the study of laws, regulations and publicly available information on business entry in that economy. Following is a detailed summary of those procedures, along with the associated time and cost. These procedures are those that apply to a company matching the standard assumptions (the “standardized company”) used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators measure).

STANDARDIZED COMPANY

Legal form: Private Limited Liability Company (OOO)

Paid-in minimum capital requirement: RUB 0

City: Moscow, Saint Petersburg

Start-up Capital: 10 times GNI per capita

Table 2.2 Summary of time, cost and procedures for starting a business in Russian Federation - Moscow

No.	Procedure	Time to complete	Cost to complete
1	<p>Notarize company registration application</p> <p>Each founder must fill out and sign a standard registration application, which must be notarized. There is a stamp duty of RUB200 per copy. This cost does not include fees for technical work charged by notaries or lawyers if this application form is completed by them – the cost of RUB 200 assumes that the application form is filled out by the entrepreneur themselves. Fees of technical work by lawyer/notaries are only applicable in cases where there is a need to draft a charter, and thus are not applicable to the Starting a Business case study.</p> <p>Starting from May 5, 2014 this procedure ceased to be compulsory. If the founder is able to attend the Tax Service office and file all the documents in person, the application does not have to be notarized and the tax officer can certify the founder’s signature instead. However, this is possible only in case when all the founders are able to visit the Tax Service in person, otherwise the application must be notarized.</p> <p><i>Agency: Notary Public</i></p>	1 day	RUB 200 per copy
2	<p>Pay registration fee</p> <p>New company must pay a registration fee of RUB 4,000, and collect a payment receipt from a terminal machine. Business registration receipt is required for Procedure 4, registration with Federal Tax Service. The entire process takes only a few minutes, but it must be done in person. Payments can be made at the post office, any bank office, including Sberbank offices throughout Moscow, or at payment terminals at the Moscow Tax Service Office #46, where business registration is done.</p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>The registration service is free of charge only at Sberbank, all other entities charge a commission.</p> <p><i>Agency: Bank</i></p>		
3	<p>Register with the unified register at the Federal Tax Service on the local level, obtain state registration number and identification number of taxpayer (INN)</p> <p>The company must submit the following documents for registration:</p> <ul style="list-style-type: none"> • Resolution of the founders on the establishment of the company; • Charter (2 originals required, one is stamped by the Federal Tax Services and returned to applicants after the registration); • Notarized Registration Application; • Receipt of payment of the state registration fee (procedure 2). • Document Certifying the Physical Address of the New Company (this could be a lease agreement or a letter by the property owner of the leased property, certified with signature and building company's stamp. If the leasing office space is from an individual owner this document would need notarization.) <p>The tax authorities sometimes implement a number of additional requirements, and failure to comply may lead to the rejection of the application.</p> <p>At the time of application, the applicant receives a confirmation slip, which specifies the date that the registration will be complete and ready for pick up. This is always 5 working days (not counting the day of the application) after application. The registration fee is RUB 4,000.</p> <p>On the day of pick up, the applicant will receive a package of documents, including Abstract of the state registration, abstract of tax registration with a Tax Identification Number (TIN), one of the original company charters (that the applicant submitted) stamped by the government, and certificate of business entry in the unified State Register of Legal Entities. If the applicant does not pick the registration documents from the office, it is sent by mail.</p> <p>The procedure could also be done online http://www.nalog.ru/rn77/service/gosreg_eldocs/ - with electronic signature. However, obtaining online signature is costly and time consuming. In practice, most businesses do not utilize the online services. The online service has been available since 2012.</p> <p><i>Agency: Federal Tax Service</i></p>	7 days	RUB 4,000
4	<p>Make a company seal</p> <p>On 6 April 2015, the President of the Russian Federation signed Federal Law #82 that eliminates requirement for a company seal. However, in practice, majority of the businesses still obtain a company seal as part</p>	1 day	RUB 500

No.	Procedure	Time to complete	Cost to complete
	<p>of the process of starting a business. A company seal typically costs RUB 500.</p> <p><i>Agency: Seal-making service</i></p>		
5	<p>Open the company bank account</p> <p>According to the Central Bank of Russian Federation instruction No. 153-I from May 30, 2014, the following documents are required in order to open a business bank account:</p> <ul style="list-style-type: none"> • A certificate of state registration of the legal entity; • Founding documents of the legal entity; • Certificate of tax registration; • The license (permit) issued for a legal entity if such licenses (permits) are directly related to the capacity of the legal entity; • Bank signature card; • Documents confirming authorities of the persons defined in bank signature card; • Documents confirming authorities of the sole executive body of the legal entity. <p>In accordance with Article 22.1.10 of the Basic Principles of Russian Legislation on Notaries Public, the notary's fee for certification of signatures and bank cards is equal to RUB 200. The notary's total fee for such certification, including technical work, is approximately RUB 800 - 1200.</p> <p>The signature of the entrepreneur must be certified and registered by a bank. There is a special form (provided by the government) that must be completed for this procedure. Entrepreneurs have two options. They can either (a) have the signature form notarized and then it can be brought to the bank when opening the bank account, or (b) they can certify the signature of the entrepreneur at the bank, when opening a bank account.</p> <p>According to the Federal law No. 52-FZ on Introduction of Amendments to Parts One and Two of the Tax Code of the Russian Federation and Certain Legislative Acts of the Russian Federation, as of May 1, 2014 a company is not obliged to inform the Federal Tax Service on opening, closing or changing details of the company's bank account.</p> <p><i>Agency: Bank</i></p>	2 days	<p>free if done at the bank; RUB 200 (signatures and bank card) + RUB 1000 (notary fees) approximately if done with the notary</p>

* Takes place simultaneously with another procedure.

Source: Doing Business database.

Note: Online procedures account for 0.5 days in the total time calculation.

Summary of time, cost and procedures for starting a business in Russian Federation - Saint Petersburg

No.	Procedure	Time to complete	Cost to complete
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No.	Procedure	Time to complete	Cost to complete
1	<p>Pay the Registration Fee and Registration with the Unified State Register</p> <p>Documents needed to start a Business in Saint Petersburg: 1. Application for state registration of a legal entity upon its foundation; 2. Decision to found a company formalized by sole founder decision or protocol of the general meeting of founders; 3. Articles of incorporation of a legal entity (charter) (in two original copies – if filed in hard copy)</p> <p><i>Agency: the Unified State Register</i></p>	5 days	RUB 4,000
2	<p>Make a seal in a private company</p> <p>The company needs to make a company seal before opening a bank account. The cost of acquiring a company seal at the average market price is RUB 350</p> <p><i>Agency: Seal maker</i></p>	1 day	RUB 350
3	<p>Open a company bank account</p> <p>Fees may vary depending on the bank.</p> <p>According to the Federal law No. 52-FZ on Introduction of Amendments to Parts One and Two of the Tax Code of the Russian Federation and Certain Legislative Acts of the Russian Federation, as of May 1, 2014 a company is not obliged to inform the Federal Tax Service on opening, closing or changing details of the company's bank account. This is done automatically by the bank.</p> <p><i>Agency: Commercial Bank</i></p>	1 day	RUB 500

* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

Regulation of construction is critical to protect the public. But it needs to be efficient, to avoid excessive constraints on a sector that plays an important part in every economy. Where complying with building regulations is excessively costly in time and money, many builders opt out. They may pay bribes to pass inspections or simply build illegally, leading to hazardous construction that puts public safety at risk. Where compliance is simple, straightforward and inexpensive, everyone is better off.

What do the indicators cover?

Doing Business records all procedures required for a business in the construction industry to build a warehouse along with the time and cost to complete each procedure. In addition, this year *Doing Business* introduces a new measure, the building quality control index, evaluating the quality of building regulations, the strength of quality control and safety mechanisms, liability and insurance regimes, and professional certification requirements.

The ranking of economies on the ease of dealing with construction permits is determined by sorting their distance to frontier scores for dealing with construction permits. These scores are the simple average of the distance to frontier scores for each of the component indicators.

To make the data comparable across economies, several assumptions about the construction company, the warehouse project and the utility connections are used.

Assumptions about the construction company

The construction company (BuildCo):

- Is a limited liability company (or its legal equivalent).
- Operates in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is 100% domestically and privately owned.
- Has five owners, none of whom is a legal entity.
- Is fully licensed and insured to carry out construction projects, such as building warehouses.

WHAT THE DEALING WITH CONSTRUCTION PERMITS INDICATORS MEASURE

Procedures to legally build a warehouse (number)

Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates

Submitting all required notifications and receiving all necessary inspections

Obtaining utility connections for water and sewerage

Registering and selling the warehouse after its completion

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are recorded as ½ day

Procedure considered completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of warehouse value)

Official costs only, no bribes

Building quality control index (0-15)

Sum of the scores of six component indices:

Quality of building regulations (0-2)

Quality control before construction (0-1)

Quality control during construction (0-3)

Quality control after construction (0-3)

Liability and insurance regimes (0-2)

Professional certifications (0-4)

The construction company (BuildCo) (*continued*):

- Has 60 builders and other employees, all of them nationals with the technical expertise and professional experience necessary to obtain construction permits and approvals.
- Has at least one employee who is a licensed architect or engineer and registered with the local association of architects or engineers. BuildCo is not assumed to have any other employees who are technical or licensed experts, such as geological or topographical experts.
- Has paid all taxes and taken out all necessary insurance applicable to its general business activity (for example, accidental insurance for construction workers and third-person liability).
- Owns the land on which the warehouse will be built and will sell the warehouse upon its completion.
- Is valued at 50 times income per capita.

Assumptions about the warehouse

The warehouse:

- Will be used for general storage activities, such as storage of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- Will have two stories, both above ground, with a total constructed area of approximately 1,300.6 square meters (14,000 square feet). Each floor will be 3 meters (9 feet, 10 inches) high.
- Will have road access and be located in the periurban area of the economy's largest business city (that is, on the fringes of the city but still within its official limits). For 11 economies the data are also collected for the second largest business city.
- Will not be located in a special economic or industrial zone. Will be located on a land plot of approximately 929 square meters (10,000 square feet) that is 100% owned by BuildCo and is accurately registered in the cadastre and land registry.

- Will be a new construction (there was no previous construction on the land), with no trees, natural water sources, natural reserves or historical monuments of any kind on the plot.
- Will have complete architectural and technical plans prepared by a licensed architect. If preparation of the plans requires such steps as obtaining further documentation or getting prior approvals from external agencies, these are counted as procedures.
- Will include all technical equipment required to be fully operational.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

Assumptions about the utility connections

The water and sewerage connections:

- Will be 150 meters (492 feet) from the existing water source and sewer tap. If there is no water delivery infrastructure in the economy, a borehole will be dug. If there is no sewerage infrastructure, a septic tank in the smallest size available will be installed or built.
- Will not require water for fire protection reasons; a fire extinguishing system (dry system) will be used instead. If a wet fire protection system is required by law, it is assumed that the water demand specified below also covers the water needed for fire protection.
- Will have an average water use of 662 liters (175 gallons) a day and an average wastewater flow of 568 liters (150 gallons) a day. Will have a peak water use of 1,325 liters (350 gallons) a day and a peak wastewater flow of 1,136 liters (300 gallons) a day.
- Will have a constant level of water demand and wastewater flow throughout the year.
- Will be 1 inch in diameter for the water connection and 4 inches in diameter for the sewerage connection.

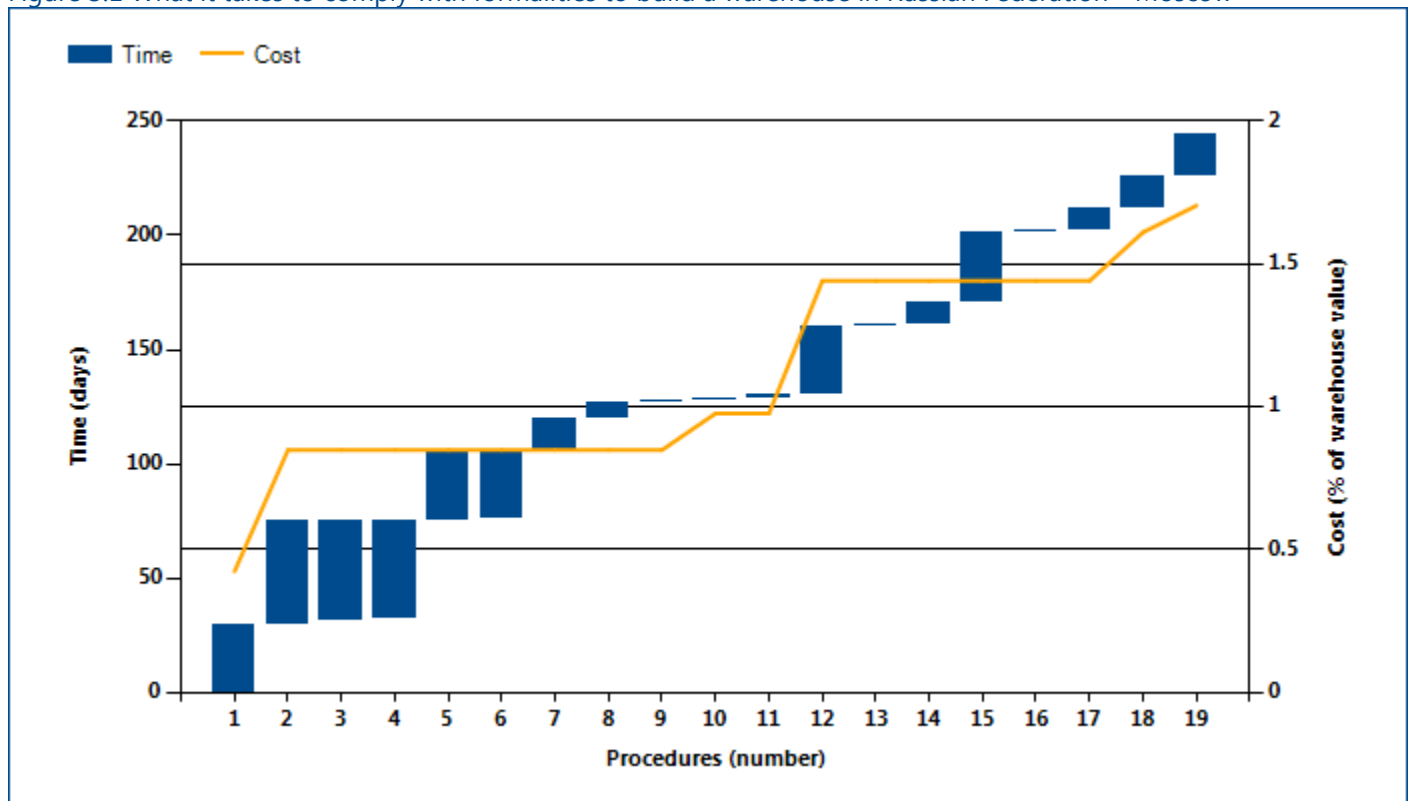
DEALING WITH CONSTRUCTION PERMITS

Where does the economy stand today?

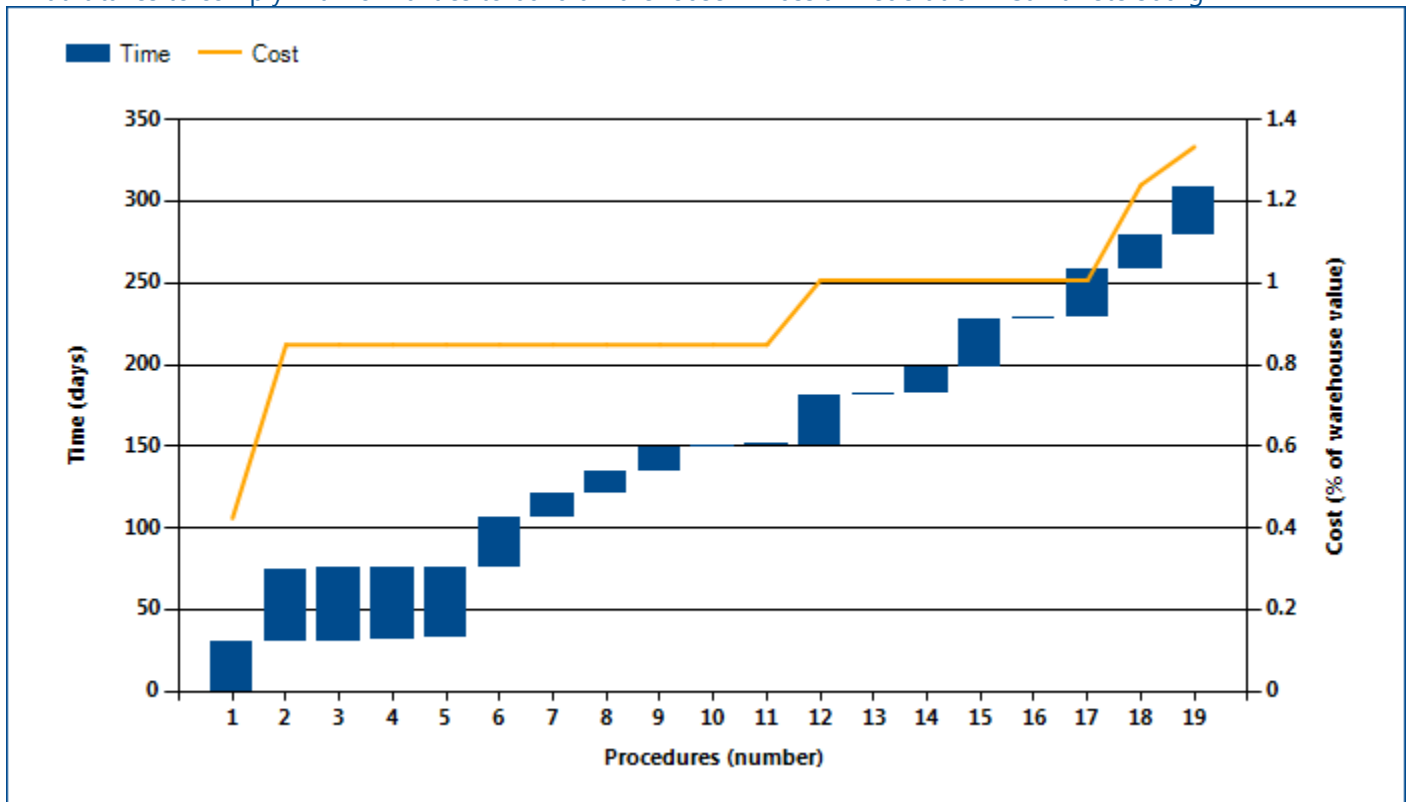
What does it take to comply with the formalities to build a warehouse in Russian Federation? According to data collected by *Doing Business*, dealing with construction permits there requires 19.00 procedures, takes 263.50 days and costs 1.60% of the warehouse value (figure 3.1). Most indicator sets refer to a case scenario in the largest

business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 3.1 What it takes to comply with formalities to build a warehouse in Russian Federation - Moscow



What it takes to comply with formalities to build a warehouse in Russian Federation - Saint Petersburg



Source: *Doing Business* database.

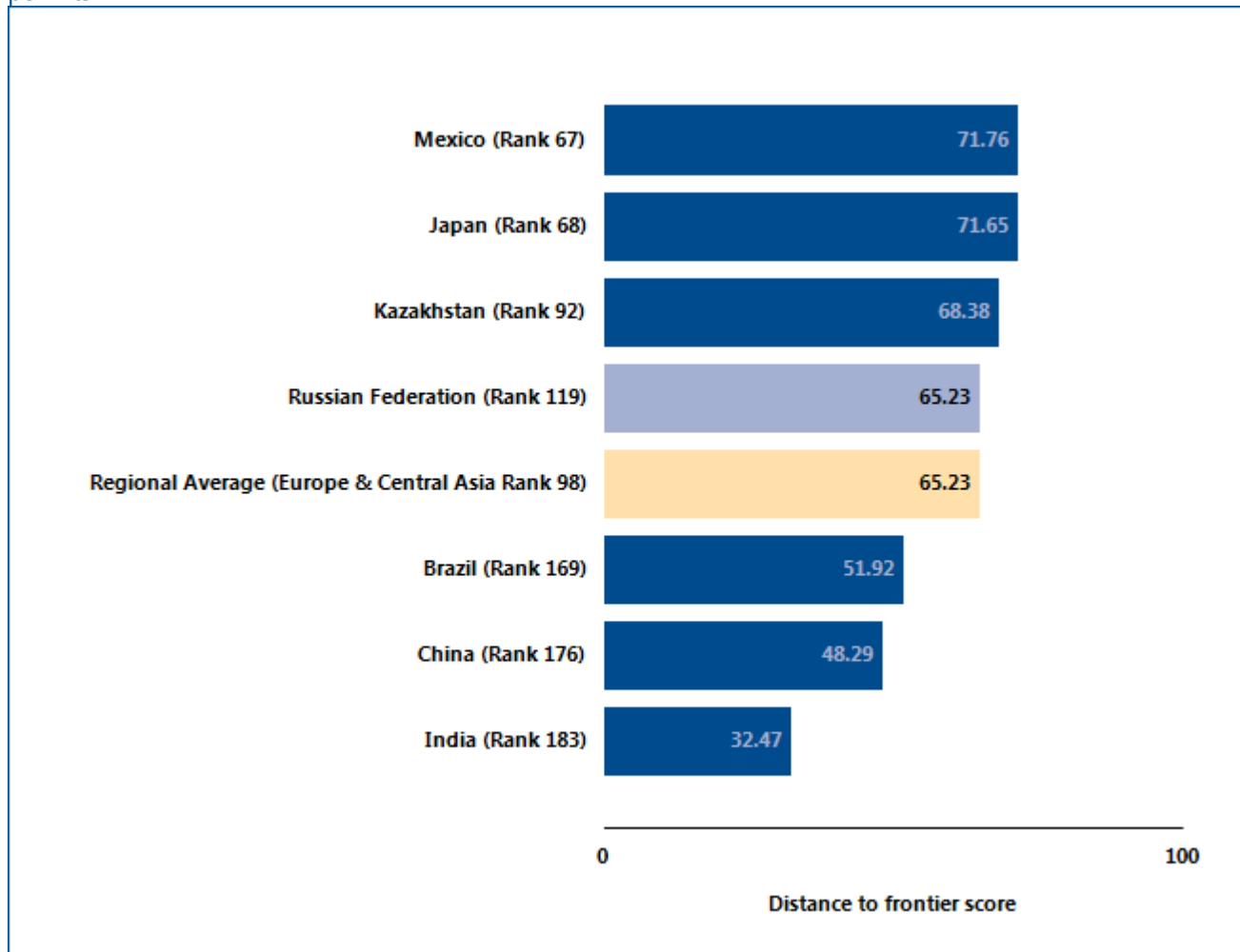
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the dealing with construction permits indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

DEALING WITH CONSTRUCTION PERMITS

Globally, Russian Federation stands at 119 in the ranking of 189 economies on the ease of dealing with construction permits (figure 3.2). The rankings for comparator economies and the regional average ranking

provide other useful information for assessing how easy it is for an entrepreneur in Russian Federation to legally build a warehouse.

Figure 3.2 How Russian Federation and comparator economies rank on the ease of dealing with construction permits



Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

Smart regulation ensures that standards are met while making compliance easy and accessible to all. Coherent and transparent rules, efficient processes and adequate allocation of resources are especially important in sectors where safety is at stake. Construction is one of them. In an effort to ensure building safety while keeping

compliance costs reasonable, governments around the world have worked on consolidating permitting requirements. What construction permitting reforms has *Doing Business* recorded in Russian Federation (table 3.1)?

Table 3.1 How has Russian Federation made dealing with construction permits easier—or not?
By *Doing Business* report year from DB2011 to DB2016

DB year	Reform
DB2011	Russia eased construction permitting by implementing a single window for all procedures related to land use.
DB2013	Russia made obtaining a construction permit simpler by eliminating requirements for several preconstruction approvals.
DB2014	Russia made dealing with construction permits easier by eliminating several requirements for project approvals from government agencies and by reducing the time required to register a new building.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

DEALING WITH CONSTRUCTION PERMITS

What are the details?

The indicators reported here for Russian Federation are based on a set of specific procedures—the steps that a company must complete to legally build a warehouse—identified by *Doing Business* through information collected from experts in construction licensing, including architects, civil engineers, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations. These procedures are those that apply to a company and structure matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

BUILDING A WAREHOUSE

Estimated value of warehouse : RUB 23,547,869

City : Moscow, Saint Petersburg

The procedures, along with the associated time and cost, are summarized below.

Table 3.2 Summary of time, cost and procedures for dealing with construction permits in Russian Federation - Moscow

No.	Procedure	Time to complete	Cost to complete
1	<p>Request a topographic survey of the land plot</p> <p>BuildCo must obtain a land survey at a scale of 1:500/1 by a specialized organization. A report is prepared as a result of the topographic survey with a layout of the building and structure.</p> <p><i>Agency: Private Organization</i></p>	30 days	RUB 100,000
2	<p>Request and obtain an engineering, geological and ecological survey and obtain Act of Moscow Geological - Geodesic Department</p> <p>Information about conditions of the land plot (geological, geodesic and ecological) is needed for project design. There are 5 types of mandatory engineering surveys. All or a few of them are requested, depending on the land plot and surrounding territorial conditions.</p> <p>In the Doing Business case, there could be 2 -- 3 types of surveys. Mosgorgeotrest conduct these surveys, but private licensed companies can also conduct these surveys but in that case, the companies are requested to get the results 'stamped' by Mosgorgeotrest.</p> <p><i>Agency: Mosgorgeotrest or Private Licensed Companies</i></p>	45 days	RUB 100,000
3	<p>* Request and obtain the development plan of land plot (GPZU) at the Moscow Architecture and City Planning Committee</p> <p>A one-stop shop has been implemented at the Moscow</p>	30 days	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>Architecture and City Planning Committee (MoskomArkhitektura) in order to deal with all procedures related to land. BuildCo does not have to visit each agency in order to obtain the documents. Rather, BuildCo applies for the copy of the development plan of the land plot at MoskomArkhitektura and they take care of all the steps.</p> <p>The procedure takes from 45-60 days.</p> <p><i>Agency: The Moscow Architecture and City Planning Committee</i></p>		
4	<p>* Request and obtain technical conditions for water and sewage</p> <p>The technical conditions are defined by the Moscow Water and Sewage Company.</p> <p>Under Government Regulation No. 83 dated February 13, 2006:</p> <ul style="list-style-type: none"> • A list of technical conditions must be prepared by the local government when preparing the city development plan of the land plot. • If the city development plan of the land plot does not contain this information, the technical conditions, as well as the information on payment for connection to such services, must be provided by the respective agency within 14 business days after receiving the request. However, in practice it takes longer. <p><i>Agency: Moscow Water and Sewage Company - Mosvodokanal</i></p>	30 days	no charge
5	<p>Obtain compliance certificate from Moscow Water and Sewage Company</p> <p>BuildCo must obtain approval of the final construction design from the Moscow Water and Sewage Company, which will verify if the final design is in compliance with the technical conditions.</p> <p><i>Agency: Moscow Water and Sewage Company - Mosvodokanal</i></p>	30 days	no charge
6	<p>* Request and obtain approval of the architectural and urban planning design</p> <p>Approval of the architectural and urban planning decision is required in order to have the approval of the facades and the location of the building by the chief architect of the city and subordinate agencies within the relevant municipality. Regulated by the Decree of the Government of Moscow № 284-PP dated 30 April 2014 (as amended).</p> <p>The required documents include:</p> <ol style="list-style-type: none"> 1) Scheme of the situational plan (based on 1:2000); 2) Urban planning scheme in combination with the scheme of the organization of the transport in the indicated territory (based on 1:500); 	30 days	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>3) Drawings of the façade (based on 1:200);</p> <p>4) The plan of the first floor, nonrecurring floors and underground levels (based on 1:200);</p> <p>5) Schemes of the slits showing the elevations (based 1:200).</p> <p><i>Agency: Moscomarchitectura</i></p>		
7	<p>Request and obtain permission for construction</p> <p>To obtain the building permit (permission for construction), BuildCo must submit the following documents to the Moscow State Committee of Construction Supervision:</p> <ul style="list-style-type: none"> • Application form • Documents confirming title to the land • Town (planning) plan of land • Relevant project documentation <p>After reforms implemented in 2006, the statutory time line of issuing the permit was reduced from 30 days to 10. The permit is free of charge.</p> <p><i>Agency: Moscow State Committee of Construction Supervision</i></p>	14 days	no charge
8	<p>Request and obtain an opening order of production of works from the Union of Administrative Technical Inspections (UATI)</p> <p>The construction company must obtain an order of conducting of construction works and for building the utility networks. It is possible to obtain the order at once or in stages, individually for each network and for each phase of construction. The list of required document to apply for this order are listed on the website oati.mos.ru. The order must be closed after completion of construction works.</p> <p><i>Agency: Union of Administrative Technical Inspections (UATI)</i></p>	7 days	no charge
9	<p>Notify the Moscow State Committee of Construction Supervision about the commencement of work</p> <p><i>Agency: Moscow State Committee of Construction Supervision</i></p>	1 day	no charge
10	<p>* Receive control-geodesic survey from Mosgorgeotrest</p> <p>Prior to beginning the construction, Mosgorgeotrest conducts topographic and geodesic surveys (geodesic base, general construction plan). This is conducted in order to verify the compliance of the project design documentation with the</p>	1 day	RUB 30,000

No.	Procedure	Time to complete	Cost to complete
	existing schemes of underground infrastructure lines. <i>Agency: Mosgorgeotrest</i>		
11	Receive random inspection during construction Construction activities are not interrupted during inspections. <i>Agency: Union of Administrative Technical Inspections (UATI)</i>	1 day	no charge
12	Connect to water and sewage services An agreement must be concluded between BuildCo and the Moscow Water and Sewage Company. The connection to water service is then installed. <i>Agency: Moscow Water and Sewage Company - Mosvodokanal</i>	30 days	RUB 109,259
13	Notify the Moscow State Committee of Construction Supervision about the commencement of work <i>Agency: Moscow State Committee of Construction Supervision</i>	1 day	no charge
14	Close the order on conducting of construction works from the Union of Administrative Technical Inspections (UATI) After the completion of construction works, it is mandatory to close the order on conducting of construction works from the Union of Administrative Technical Inspections (UATI). The documents required for the closing of the order are: 1. Proof of identity of the applicant. 2. Documents certifying the authority to act on behalf of the business entity. 3. The application of the established sample. The closing of the order on conducting of construction works is done within 8 business days. <i>Agency: Union of Administrative Technical Inspections (UATI)</i>	10 days	no charge
15	Request and convene Acceptance Commission BuildCo files application forms with the Moscow State Committee of Construction Supervision in order to convene the Acceptance Commission. The Commission includes representatives from different agencies, such as ecology, the prefecture, the local government, the sanitary services, the	30 days	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>company, and the designer. After the Commission has convened, BuildCo collects the signatures of all its members.</p> <p>The timeline established by Government of Moscow Resolution No. 530 (dated November 7, 2001) for the relevant authorities to appoint representatives to the Acceptance Commission is 10 days. The time required for approval of the building depends on the state of the building (whether it is ready to be occupied or not) and on the inspection results. In practice, this takes on average 30 days. The most difficult part is to convene the members of the Commission and gather their signatures for approval.</p> <p><i>Agency: Acceptance Commission</i></p>		
16	<p>Receive final inspection by Moscow State Committee of Construction Supervision</p> <p><i>Agency: Moscow State Committee of Construction Supervision</i></p>	1 day	no charge
17	<p>Request and receive the disposition on operation of building (occupancy permit)</p> <p><i>Agency: Moscow State Committee of Construction Supervision</i></p>	10 days	no charge
18	<p>Request and receive the technical plans / cadastre passports of the building</p> <p><i>Agency: Federal Agency for Technical Inventory</i></p>	14 days	RUB 40,000
19	<p>Register the building after completion in Rosreestr</p> <p>According to the Russian Federation Civil Code, the right to own and "create" immovable things, including buildings, is subject to state registration at the Unified State Register of rights to immovable assets and associated transactions.</p> <p>To complete the registration, BuildCo must submit an application, the real property plan, and approval of the building, confirming that real property has been built. Based on the order of the Federal Service for State Registration, Cadastre and Cartography (Rosreestr) on Moscow dated 08.15.2012, the time limit for completing the registration is 20 calendar days from the application date.</p>	18 days	RUB 22,000

No.	Procedure	Time to complete	Cost to complete
	Agency: Federal Service for State Registration, Cadastre and Cartography (Rosreestr)		

* Takes place simultaneously with another procedure.

Source: Doing Business database.

Note: Online procedures account for 0.5 days in the total time calculation.

Summary of time, cost and procedures for dealing with construction permits in Russian Federation - Saint Petersburg

No.	Procedure	Time to complete	Cost to complete
1	<p>Request a topographic survey of the land plot</p> <p>BuildCo must obtain a land survey at a scale of 1:500/1 by a specialized organization. A report is prepared as a result of the topographic survey with a layout of the building and structure.</p> <p>Agency: Specialized Organization</p>	30 days	RUB 100,000
2	<p>Request and obtain an engineering, geological and ecological survey of the land plot</p> <p>Information about conditions of the land plot (geological, geodesic and ecological) is needed for project design. There are 5 types of mandatory engineering surveys. All or a few of them are requested, depending on the land plot and surrounding territorial conditions. In the Doing Business case, there could be 2 -- 3 types of surveys.</p> <p>Engineering surveys are performed by private companies which belong to self-regulated organizations (SRO).</p> <p>Agency: Licensed Private Company</p>	45 days	RUB 100,000
3	<p>* Request and obtain technical conditions for water and sewage</p> <p>According to the applicable regulations, the technical conditions should be provided within 16 business days. However, in practice it takes about 45 days to obtain the technical conditions for the water and sewage connection.</p> <p>Agency: Saint-Petersburg Water and Sewage Company (Vodokanal)</p>	45 days	no charge
4	<p>* Request and obtain the development plan of land plot</p> <p>Development plan of the land plot is a mandatory document, which is required in order to receive state expertise of project documentation and to obtain a building permit. It is also required at the end of the construction in order to obtain the occupancy certificate.</p> <p>The applicant shall provide the land plot documents, preliminary</p>	30 days	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>drawings of the proposed construction and constituent documents (registration documents and other supporting documentation verifying the legal status of BuildCo).</p> <p><i>Agency: Saint-Petersburg Architecture and City Planning Committee</i></p>		
5	<p>* Request and obtain the decision of the State Administrative Technical Inspectorate on fencing the construction site</p> <p>The State Administrative Technical Inspectorate grants permission on fencing the construction site in order to maintain safety during construction.</p> <p><i>Agency: State Administrative Technical Inspectorate</i></p>	16 days	no charge
6	<p>Request terms of connection to utility networks and request a contract for water and sewage connection</p> <p>BuildCo submits the following documents to Vodokanal of Saint-Petersburg in order to request a water and sewage connection:</p> <ul style="list-style-type: none"> - Copies of constituent documents (registration documents and other supporting documentation verifying the legal status of BuildCo) - Cadastral plan of the land - Technical conditions for water and sewage - Estimated balance of water consumption and wastewater usage - Topographic map of the land on a scale of 1:500 - Urban development plan for the land <p><i>Agency: Saint-Petersburg Vodokanal</i></p>	30 days	no charge
7	<p>Request and obtain approval of the architectural and urban planning design by Saint-Petersburg Architecture and City Planning Committee (KGA)</p> <p>The Saint-Petersburg Architecture and City Planning Committee (KGA) and Chief Architect must approve the layout of the land plot and the architectural design.</p> <p><i>Agency: Saint-Petersburg Architecture and City Planning Committee (KGA)</i></p>	15 days	no charge
8	<p>Request and obtain permission for construction</p> <p>To obtain the building permit (permission for construction), BuildCo must submit the following documents to the State Agency of Construction Supervision and Expertise of Saint-Petersburg:</p> <ul style="list-style-type: none"> • Application form • Documents confirming title to the land • Town (planning) plan of land • Relevant project documentation <p>The permit is free of charge.</p>	14 days	no charge

No.	Procedure	Time to complete	Cost to complete
	<i>Agency: State Agency of Construction Supervision and Expertise of Saint-Petersburg</i>		
9	Request and obtain an opening order of production of works from the State Administrative Technical Inspectorate <i>Agency: State Administrative Technical Inspectorate</i>	14 days	no charge
10	Notify the State Agency of Construction Supervision and Expertise of Saint-Petersburg about commencement of construction works <i>Agency: State Agency of Construction Supervision and Expertise of Saint-Petersburg</i>	1 day	no charge
11	Receive inspection from the State Agency of Construction Supervision and Expertise The State Agency of Construction Supervision and Expertise of Saint-Petersburg will generally perform one inspection during construction. <i>Agency: State Agency of Construction Supervision and Expertise of Saint-Petersburg</i>	1 day	no charge
12	Obtain connection to water and sewage services BuildCo signs the contract prepared by the water and sewage company and requests the date of connection to water and sewage services. The water and sewage company will provide the connection according to the date specified in the contract. <i>Agency: Saint-Petersburg Vodocanal</i>	30 days	RUB 37,161
13	Notify the State Agency of Construction Supervision and Expertise of Saint-Petersburg about completion of construction works After the completion of construction BuildCo has to Notify the State Agency of Construction Supervision and Expertise of Saint-Petersburg about the completion of construction works. <i>Agency: State Agency of Construction Supervision and Expertise of Saint-Petersburg</i>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
14	<p>Close the order on conducting of construction works from the State Administrative Technical Inspectorate</p> <p>After the completion of construction works, it is mandatory to close the order on conducting of construction works from the State Administrative Technical Inspectorate.</p> <p>According to the Decree of the State administrative and technical inspection of the Government of St. Petersburg from January 22, 2008 N 4 "On Approval of Rules of earthwork, construction and repair work related to the improvement of St. Petersburg", the closing of the order on conducting of construction works shall be done within 12 business days (16 calendar days).</p> <p><i>Agency: State Administrative Technical Inspectorate</i></p>	16 days	no charge
15	<p>Request and convene Acceptance Commission</p> <p>BuildCo has to convene an "Acceptance Commission" through the State Agency of Construction Supervision and Expertise of Saint Petersburg in order to conduct a comprehensive final examination of the construction. "Acceptance Commission" usually involves all agencies that were involved in the preparation or approval of the architectural designs, supervision of construction, as well as various sub-contractors that were involved in the construction process.</p> <p><i>Agency: Acceptance Commission</i></p>	30 days	no charge
16	<p>Receive final inspection from the State Agency of Construction Supervision and Expertise</p> <p>After the completion of construction works, the State Agency of Construction Supervision and Expertise of Saint-Petersburg conducts a final inspection to verify if the building was built according to the approved design conditions.</p> <p><i>Agency: State Agency of Construction Supervision and Expertise of Saint-Petersburg</i></p>	1 day	no charge
17	<p>Request and receive the disposition on operation of the building (occupancy permit)</p> <p>In order to obtain permission to use the building, it is necessary to apply to the State Agency of Construction Supervision and Expertise of Saint-Petersburg with the following documents:</p> <ol style="list-style-type: none"> 1) land ownership documents 2) development plan of the land plot 3) building permit 4) a document confirming that the constructed building meets the requirements of technical regulations signed by the person responsible for conducting the construction works 5) a detailed map showing the location of the construction, location of 	30 days	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>the utility networks within the boundaries of the land plot and the schematic plan of the land plot. The document should be signed by the person responsible for conducting the construction works.</p> <p><i>Agency: State Agency of Construction Supervision and Expertise of Saint-Petersburg</i></p>		
18	<p>Request and obtain a technical plan of the building</p> <p>BuildCo has to provide technical and cadastral plans of the building in order to be able to register the building at the Federal Service for State Registration, Cadastre and Cartography.</p> <p>Preparation of the technical plan of the building can be done by either a licensed cadastral engineer or the Bureau of Technical Inventory. The preparation of the technical plan can take from 10 to 30 days.</p> <p><i>Agency: Cadastral Engineers / Bureau of Technical Inventory</i></p>	20 days	RUB 55,000
19	<p>Register the building at Rosreestr</p> <p>According to the Russian Federation Civil Code, the right to own and "create" immovable things, including buildings, is subject to state registration at the Unified State Register of rights to immovable assets and associated transactions.</p> <p><i>Agency: Federal Service for State Registration, Cadastre and Cartography (Rosreestr)</i></p>	30 days	RUB 22,000

* Takes place simultaneously with another procedure.

Source: Doing Business database.

Note: Online procedures account for 0.5 days in the total time calculation.

DEALING WITH CONSTRUCTION PERMITS

Building Quality Control Index

The building quality control index is the sum of the scores on the quality of building regulations, quality control before construction, quality control during construction, quality control after construction, liability and insurance regimes, and professional certifications indices.

The index ranges from 0 to 15, with higher values indicating better quality control and safety mechanisms in the construction permitting system.

The indicator is based on the same case study assumptions as the measures of efficiency.

Source: Doing Business database.

Table 3.3 Summary of time quality control and safety mechanisms in Russian Federation

	Answer (Moscow)	Score (Moscow)	Answer (Saint Petersburg)	Score (Saint Petersburg)
Building quality control index (0-15)		14.00		14.00
Quality of building regulations index (0-2)		2.00		2.00
In what way are the building regulations (including the building code) or any regulations dealing with construction permits made available? (0-1)	Available online.	1.0	Available online.	1.0
Which requirements for obtaining a building permit are clearly specified by the building regulations or by any accessible website, brochure or pamphlet? (0-1)	List of required documents; Fees to be paid; Required preapprovals.	1.0	List of required documents; Fees to be paid; Required preapprovals.	1.0
Quality control before construction index (0-1)		1.00		1.00
Who is part of the committee or team that reviews and approves building permit applications in the relevant permit-issuing agency? (0-1)	Licensed architect; Licensed engineer.	1.0	Licensed architect; Licensed engineer.	1.0
Quality control during construction index (0-3)		3.00		3.00
What types of inspections (if any) are required by law to be carried out during construction? (0-2)	Inspections by in-house engineer; Unscheduled inspections; Risk-based inspections.	2.0	Inspections by in-house engineer; Unscheduled inspections; Risk-based inspections.	2.0
Do legally mandated inspections occur in practice during construction? (0-1)	Mandatory inspections are always done in	1.0	Mandatory inspections are always done in	1.0

	Answer (Moscow)	Score (Moscow)	Answer (Saint Petersburg)	Score (Saint Petersburg)
	practice.		practice.	
Quality control after construction index (0-3)		3.00		3.00
Is there a final inspection required by law to verify that the building was built in accordance with the approved plans and regulations? (0-2)	Yes, final inspection is done by government agency; Yes, in-house engineer submits report for final inspection.	2.0	Yes, final inspection is done by government agency; Yes, in-house engineer submits report for final inspection.	2.0
Do legally mandated final inspections occur in practice? (0-1)	Final inspection always occurs in practice.	1.0	Final inspection always occurs in practice.	1.0
Liability and insurance regimes index (0-2)		1.00		1.00
Which parties (if any) are held liable by law for structural flaws or problems in the building once it is in use? (0-1)	Architect or engineer; Construction company.	1.0	Architect or engineer; Construction company.	1.0
Which parties (if any) are required by law to obtain an insurance policy to cover possible structural flaws or problems in the building once it is in use? (0-1)	No party is required by law to obtain insurance .	0.0	No party is required by law to obtain insurance .	0.0
Professional certifications index (0-4)		4.00		4.00
What are the qualification requirements for the professional responsible for verifying that the architectural plans or drawings are in compliance with existing building regulations? (0-2)	Minimum number of years of experience; University degree in architecture or engineering ; Passing a certification exam.	2.0	Minimum number of years of experience; University degree in architecture or engineering; Passing a certification exam.	2.0
What are the qualification requirements for the professional who supervises the construction on the ground? (0-2)	Minimum number of years of experience; University	2.0	Minimum number of years of experience; University	2.0

	Answer (Moscow)	Score (Moscow)	Answer (Saint Petersburg)	Score (Saint Petersburg)
	degree in engineering , constructio n or constructio n manageme nt; Passing a certification exam.		degree in engineering, construction or construction management; Passing a certification exam.	

Source: Doing Business database.

GETTING ELECTRICITY

Access to reliable and affordable electricity is vital for businesses. To counter weak electricity supply, many firms in developing economies have to rely on self-supply, often at a prohibitively high cost. Whether electricity is reliably available or not, the first step for a customer is always to gain access by obtaining a connection.

What do the indicators cover?

Doing Business records all procedures required for a local business to obtain a permanent electricity connection and supply for a standardized warehouse, as well as the time and cost to complete them. These procedures include applications and contracts with electricity utilities, clearances from other agencies and the external and final connection works. In addition, this year *Doing Business* adds two new measures: the reliability of supply and transparency of tariffs index (included in the aggregate distance to frontier score and ranking on the ease of doing business) and the price of electricity (omitted from these aggregate measures). The ranking of economies on the ease of getting electricity is determined by sorting their distance to frontier scores for getting electricity. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, several assumptions are used.

Assumptions about the warehouse

The warehouse:

- Is owned by a local entrepreneur.
- Is located in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is located in an area where similar warehouses are typically located. In this area a new electricity connection is not eligible for a special investment promotion regime (offering special subsidization or faster service, for example).
- Is located in an area with no physical constraints. For example, the property is not near a railway.
- Is a new construction and is being connected to electricity for the first time.

WHAT THE GETTING ELECTRICITY INDICATORS MEASURE

Procedures to obtain an electricity connection (number)

- Submitting all relevant documents and obtaining all necessary clearances and permits
- Completing all required notifications and receiving all necessary inspections
- Obtaining external installation works and possibly purchasing material for these works
- Concluding any necessary supply contract and obtaining final supply

Time required to complete each procedure (calendar days)

- Is at least 1 calendar day
- Each procedure starts on a separate day
- Does not include time spent gathering information
- Reflects the time spent in practice, with little follow-up and no prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- Excludes value added tax

The reliability of supply and transparency of tariffs index

- Sum of the scores of six component indices:
 - Duration and frequency of outages
 - Tools to monitor power outages
 - Tools to restore power supply
 - Regulatory monitoring of utilities' performance
 - Financial deterrents aimed at limiting outages
 - Transparency and accessibility of tariffs

Price of electricity (cents per kilowatt-hour)*

- Price based on monthly bill for commercial warehouse in case study

**Price of electricity is not included in the calculation of distance to frontier nor ease of doing business ranking*

The warehouse (*continued*):

- Has two stories, both above ground, with a total surface area of approximately 1,300.6 square meters (14,000 square feet). The plot of land on which it is built is 929 square meters (10,000 square feet).
- Is used for storage of goods.

Assumptions about the electricity connection

The electricity connection:

- Is a permanent one.
- Is a three-phase, four-wire Y, 140-kilovolt-ampere (kVA) (subscribed capacity) connection (where the voltage is 120/208 V, the current would be 400 amperes; where it is 230/400 B, the current would be nearly 200 amperes).
- Is 150 meters long. The connection is to either the low-voltage or the medium-voltage distribution network and either overhead or underground, whichever is more common in the area where the warehouse is located.
- Requires works that involve the crossing of a 10-meter road (such as by excavation or overhead lines) but are all carried out on public land. There is no crossing of other owners' private property because the warehouse has access to a road.
- Includes only a negligible length in the customer's private domain.
- Will supply monthly electricity consumption of 26,880 kilowatt-hours (kWh).
- Does not involve work to install the internal electrical wiring. This has already been completed, up to and including the customer's service panel or switchboard and installation of the meter base.

Assumptions about the monthly consumption

- It is assumed that the warehouse operates 8 hours a day for 30 days a month, with equipment utilized at 80% of capacity on average, and that there are no electricity cuts (assumed for simplicity). The subscribed capacity of the warehouse is 140 kVA, with a power factor of 1 (1 kVA = 1 kW). The monthly energy consumption is therefore 26,880 kWh, and the hourly consumption 112 kWh (26,880 kWh/30 days/8 hours).
- If multiple electricity suppliers exist, the warehouse is served by the cheapest supplier.
- Tariffs effective in March of the current year are used for calculation of the price of electricity for the warehouse.

GETTING ELECTRICITY

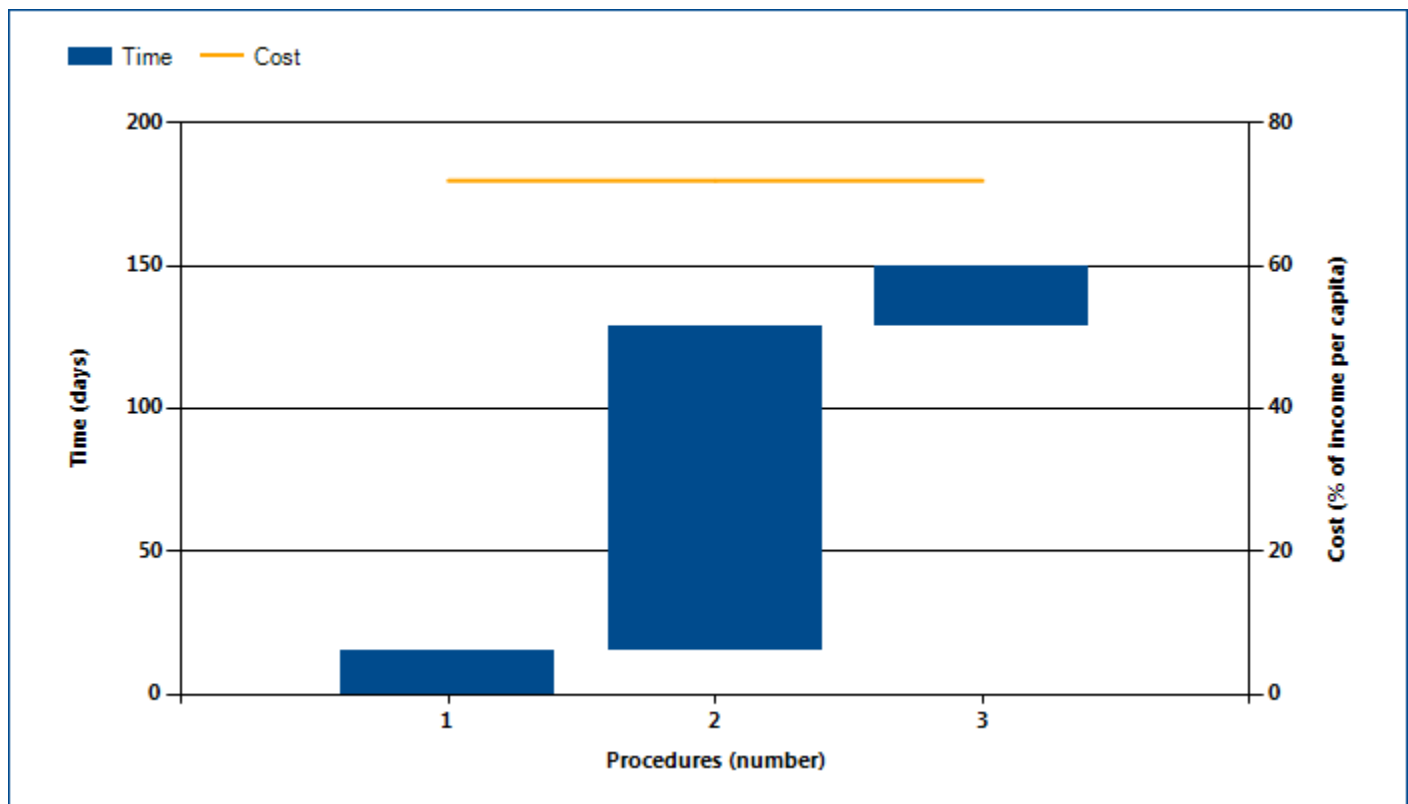
Where does the economy stand today?

What does it take to obtain a new electricity connection in Russian Federation? According to data collected by *Doing Business*, getting electricity there requires 3.00 procedures, takes 160.50 days and costs 93.10% of income per capita (figure 4.1).

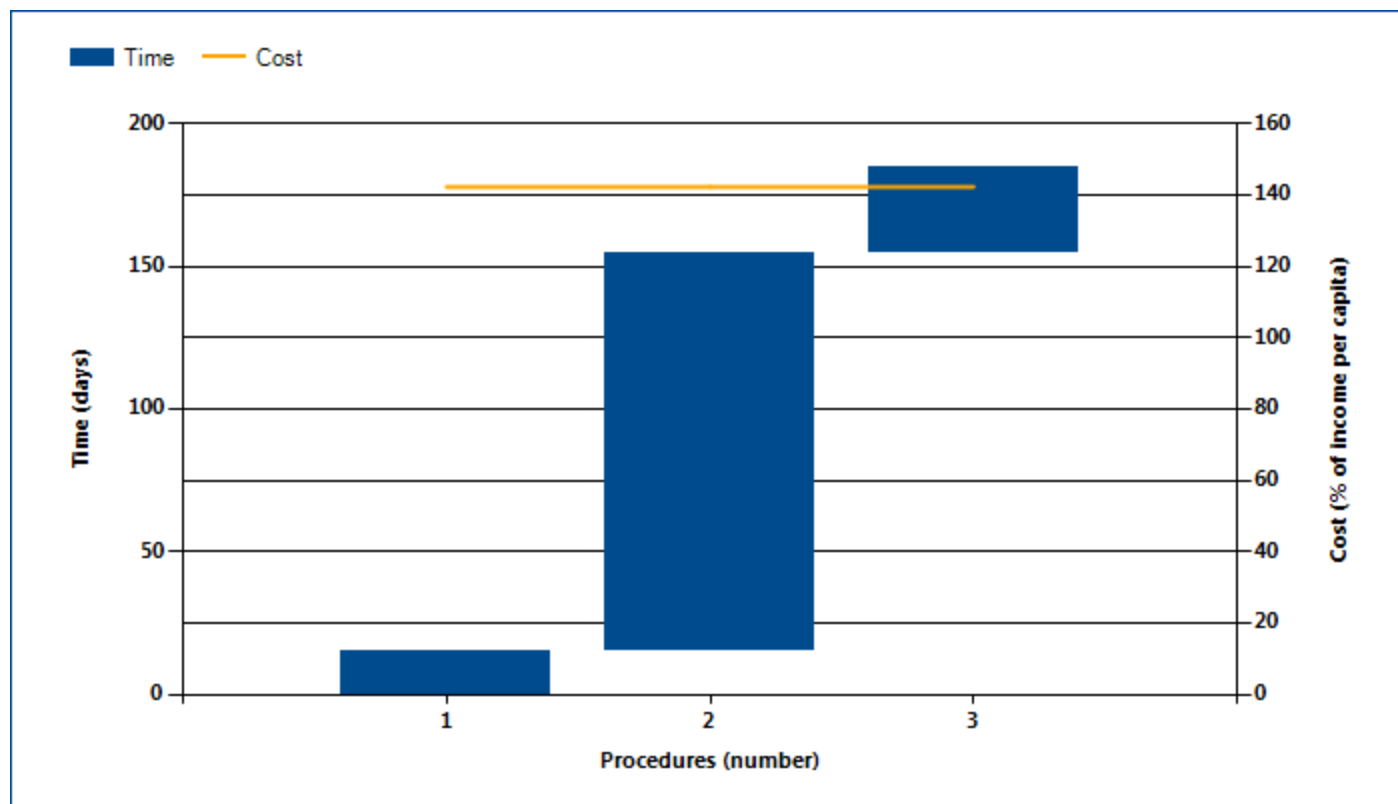
Most indicator sets refer to a case scenario in the largest

business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 4.1 What it takes to obtain an electricity connection in Russian Federation - Moscow



What it takes to obtain an electricity connection in Russian Federation - Saint Petersburg



Source: *Doing Business* database.

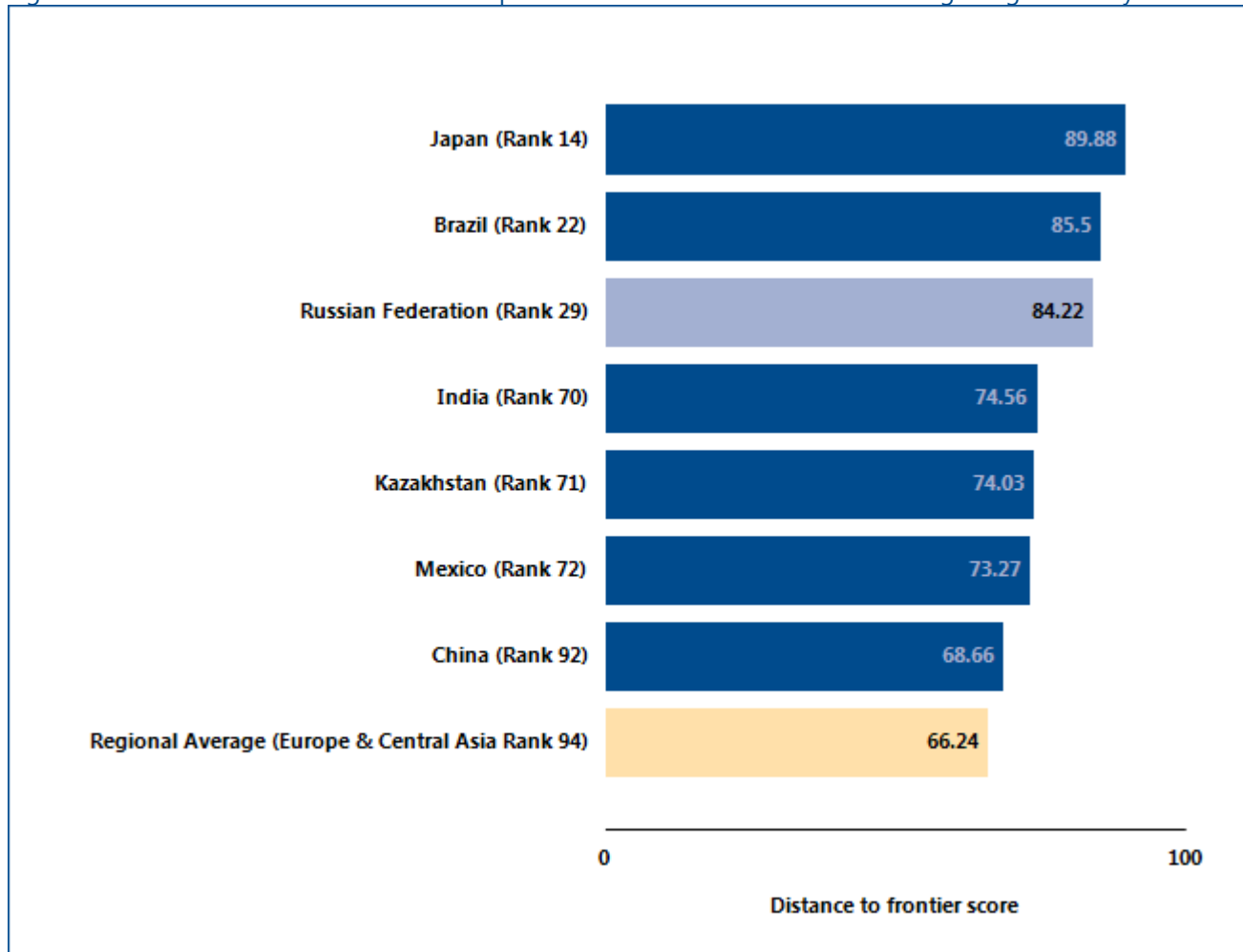
Note: Time shown in the figure above may not reflect simultaneity of procedures. For more information on the methodology of the getting electricity indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

GETTING ELECTRICITY

Globally, Russian Federation stands at 29 in the ranking of 189 economies on the ease of getting electricity (figure 4.2). The rankings for comparator economies and the regional average ranking provide another

perspective in assessing how easy it is for an entrepreneur in Russian Federation to connect a warehouse to electricity.

Figure 4.2 How Russian Federation and comparator economies rank on the ease of getting electricity



Source: Doing Business database.

GETTING ELECTRICITY

Obtaining an electricity connection is essential to enable a business to conduct its most basic operations. In many economies the connection process is complicated by the multiple laws and regulations involved—covering service quality, general safety, technical standards, procurement practices and internal wiring installations. In an effort to

ensure safety in the connection process while keeping connection costs reasonable, governments around the world have worked to consolidate requirements for obtaining an electricity connection. What reforms in getting electricity has *Doing Business* recorded in Russian Federation (table 4.1)?

Table 4.1 How has Russian Federation made getting electricity easier—or not?
By *Doing Business* report year from DB2011 to DB2016

DB year	Reform
DB2012	Russian Federation made getting electricity less costly by revising the tariffs for connection.
DB2014	Russia made getting electricity simpler and less costly by setting standard connection tariffs and eliminating many procedures previously required.
DB2016	Russia made the process of obtaining an electricity connection simpler, faster and less costly by eliminating a meter inspection by electricity providers and revising connection tariffs. This reform applies to both Moscow and St. Petersburg.

Source: *Doing Business* database.

GETTING ELECTRICITY

What are the details?

The indicators reported here for Russian Federation are based on a set of specific procedures—the steps that an entrepreneur must complete to get a warehouse connected to electricity by the local distribution utility—identified by *Doing Business*. Data are collected from the distribution utility, then completed and verified by electricity regulatory agencies and independent professionals such as electrical engineers, electrical contractors and construction companies. The electricity distribution utility surveyed is the one serving the area (or areas) in which warehouses are located. If there is a choice of distribution utilities, the one serving the largest number of customers is selected.

The procedures are those that apply to a warehouse and electricity connection matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). The procedures, along with the associated time and cost, are summarized below.

OBTAINING AN ELECTRICITY CONNECTION*

Name of utility - Moscow:	MOESK
Name of utility - Saint Petersburg:	Lenenergo (Ленэнерго)
Price of electricity (US cents per kWh) - Moscow:	12
Price of electricity (US cents per kWh) - Saint Petersburg:	10
City:	Moscow, Saint Petersburg

*Price is calculated as a monthly consumption of 26,880 kWh for business customers, based on a standardized case study adopted by the Getting Electricity methodology. *Doing Business* measures the price of electricity but does not include these data when calculating the distance to frontier score for getting electricity or the ranking on the ease of getting electricity.

Table 4.2 Summary of time, cost and procedures for getting electricity in Russian Federation

No.	Procedure	Time to complete	Cost to complete
1	<p>Submit application to MOESK, await technical conditions and sign connection contract</p> <p>If the required load is less than 750 KW an application for an electricity connection is submitted to a local office of MOESK. Above 750 KW an application is submitted to the central office of MOESK.</p> <p>The following documents are attached to the application: 1) Plan of the location of electrical equipment; 2) Plan of electrical cables with the justification of the required load; 3) a copy of the license of the firm which prepared the plan.</p> <p>Furthermore, the applicant should present documents certifying the legal status of the customer or his representative: a certificate from the</p>	15 calendar days	RUB 338,683.16

No.	Procedure	Time to complete	Cost to complete
	<p>Business Registry, a certificate from tax authorities, and document certifying the head of the organization.</p> <p>Once technical conditions are ready MOESK notifies the customer and a connection contract is signed.</p> <p>There is not external inspection for the preparation of the technical conditions.</p> <p>Application can be submitted in person or online on MOESK's electronic portal, http://utp.moesk.ru/my/ in a "personal cabinet". Alternatively, application can be mailed via regular post. On every stage of the application processing, the applicant receives a text-message notification to the cellular phone indicated on the application form. It is also possible to track the status of the application by visiting the online "personal cabinet".</p> <p><i>Agency: MOESK</i></p>		
2	<p>Await completion of external works by MOESK</p> <p>Upon receipt of the application and the duly signed agreement, the network organization will prepare project design for building a network for connection and obtain all approvals for construction work (such as, a permit required for the laying of underground or overhead lines), and carry out all the external works according to the contract and the technical specifications.</p> <p>Utility performs all work up to the land boundaries of the applicant and assumes the responsibility of the performed work, and the applicant is responsible for the performance of work within the boundaries of their plot.</p> <p>The applicant, if desired, designs and builds network only within the boundaries of their land on their own or entrusts this work to network organization under a separate contract.</p> <p>JSC "Moscow United Electric Grid" performs the following steps:</p> <ul style="list-style-type: none"> • the inclusion of the amount of work in the investment program of JSC "Moscow United Electric Grid"; • carrying out procurement procedures; 	114 calendar days	RUB 0

No.	Procedure	Time to complete	Cost to complete
	<ul style="list-style-type: none"> carrying out the physical works involving the installation of the substation. <p>Agency: MOESK</p>		
3	<p>Sign supply contract with Mosenergosbyt</p> <p>Customer visits Mosenergosbyt to conclude a supply contract.</p> <p>From February, 2014 it became possible to select a preferred supplier in the application form for a technological connection.</p> <p>Agency: Mosenergosbyt</p>	21 calendar days	RUB 0

* Takes place simultaneously with another procedure.

Source: Doing Business database.

Summary of time, cost and procedures for getting electricity in Russian Federation - Saint Petersburg

No.	Procedure	Time to complete	Cost to complete
1	<p>Submit application to Lenenergo and await technical conditions and connection contract</p> <p>The following documents are required to be submitted with general application for a connection:</p> <ol style="list-style-type: none"> Copy of the document confirming the ownership of the construction site and land plot; Map specifying location of electrical installations; A copy of the certificate on state registration and certificate of tax registration. A copy of company's charter as amended; Table with load calculations; Copy of the application template for an electricity connection; A copy of the document confirming the authority of the person signing the application. 	15 calendar days	RUB 670,563.56

No.	Procedure	Time to complete	Cost to complete
	<p>Once technical conditions are ready, the utility notifies the customer and a connection contract is signed.</p> <p>It became possible to submit application online since 2014.</p> <p><i>Agency: Lenenergo</i></p>		
2	<p>Await completion of external works by Lenenergo</p> <p>Upon receipt of the application and the duly signed agreement, the network organization will prepare project design for building a network for connection.</p> <p>The utility opens a competitive bid for subcontractors that is usually based on regions. The duration of the contract with subcontractors is usually for one year, although may vary. The winner of the tender will obtain all approvals for construction work (such as a permit required for the laying of underground or overhead lines), and carry out all the external works according to the contract and the technical specifications.</p> <p>They performs all work up to the land boundaries of the applicant and the utility company assumes responsibility of the performed work, and the applicant is responsible for the performance of work within the boundaries of their plot.</p> <p>Simultaneously, the applicant, designs and builds network only within the boundaries of their land.</p> <p><i>Agency: Lenenergo</i></p>	140 calendar days	RUB 0
3	<p>Sign supply contract and await supply of electricity</p> <p>After all inspections are completed the customer submits documents required for conclusion of an electricity supply contract. After the contract is signed the supply utility sends an order to the distribution utility to turn on the electricity.</p> <p>From February, 2014 it became possible to select a preferred supplier in the application form for a technological connection.</p> <p><i>Agency: Saint Petersburg Supply Company</i></p>	30 calendar days	RUB 0

* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

GETTING ELECTRICITY

Reliability of supply and transparency of tariffs index

The reliability of supply and transparency of tariffs index encompasses quantitative data on the duration and frequency of power outages as well as qualitative information on the mechanisms put in place by the utility for monitoring power outages and restoring power supply, the reporting relationship between the utility and the regulator for power outages, the transparency and accessibility of tariffs and whether the utility faces a financial deterrent aimed at limiting outages (such as a requirement to compensate customers or pay fines when outages exceed a certain cap).

The index ranges from 0 to 8, with higher values indicating greater reliability of electricity supply and greater transparency of tariffs.

Doing Business uses the system average interruption duration index (SAIDI) and the system average interruption frequency index (SAIFI) to measure the duration and frequency of power outages in the largest business city of each economy (for 11 economies the data are also collected for the second largest business city). SAIDI is the average total duration of outages over the course of a year for each customer served, while SAIFI is the average number of service interruptions experienced by a customer in a year. Annual data (covering the calendar year) are collected from distribution utility companies and national regulators on SAIDI and SAIFI. Both SAIDI and SAIFI estimates include load shedding.

Table 4.3 Reliability of Supply and Transparency of Tariff Index in Russian Federation

	Answer (Moscow)	Score (Moscow)	Answer (Saint Petersburg)	Score (Saint Petersburg)
Reliability of supply and transparency of tariff index (0-8)		8.00		8.00
Total duration and frequency of outages per customer a year (0-3)		3.00		3.00
System average interruption duration index (SAIDI)	0.0		0.0	
System average interruption frequency index (SAIFI)	0.0		0.0	
Mechanisms for monitoring outages (0-1)		1.0		1.0
Does the distribution utility use automated tools to monitor outages?	Yes		Yes	
Mechanisms for restoring service (0-1)		1.0		1.0
Does the distribution utility use automated tools to restore service?	Yes		Yes	
Regulatory monitoring (0-1)		1.00		1.00
Does a regulator—that is, an entity separate from the utility—monitor the utility's performance on reliability of supply?	Yes		Yes	

	Answer (Moscow)	Score (Moscow)	Answer (Saint Petersburg)	Score (Saint Petersburg)
Financial deterrents aimed at limiting outages (0-1)		1.00		1.00
Does the utility either pay compensation to customers or face fines by the regulator (or both) if outages exceed a certain cap?	Yes		Yes	
Communication of tariffs and tariff changes (0-1)		1.00		1.00
Are effective tariffs available online?	Yes		Yes	
Link to the website, if available online	http://www.mosenergosbyt.ru/website/faces/legals/tariffs-n-prices?_adf.ctrl-state=11iei8idwi_17&_afrcloop=457846438209203&		http://tarifspb.ru/tariffs/	
Are customers notified of a change in tariff ahead of the billing cycle?	Yes		Yes	

Source: *Doing Business* database.

Note: If data on power outages is not collected or if the SAIFI index or SAIDI index are above the threshold of 100, the economy is not eligible to obtain a score in the Reliability of Supply and Transparency of Tariff Index. If SAIDI and SAIFI are 12 (equivalent to an outage of one hour each month) or below, a score of 1 is assigned. If SAIDI and SAIFI are 4 (equivalent to an outage of one hour each quarter) or below, 1 additional point is assigned. Finally, if SAIDI and SAIFI are 1 (equivalent to an outage of one hour per year) or below, 1 more point is assigned. *Doing Business* measures the price of electricity but does not include these data when calculating the distance to frontier score for getting electricity or the ranking on the ease of getting electricity. The price of electricity is measured in cents per kilowatt-hour. On the basis of the assumptions about monthly consumption, a monthly bill for a commercial warehouse in the largest business city of the economy is computed for the month of March (for 11 economies the data are also collected for the second largest business city). As noted, the warehouse uses electricity 30 days a month, from 9:00 a.m. to 5:00 p.m., so different tariff schedules may apply if a time-of-use tariff is available.

REGISTERING PROPERTY

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. And where property is informal or poorly administered, it has little chance of being accepted as collateral for loans—limiting access to finance.

What do the indicators cover?

Doing Business records the full sequence of procedures necessary for a business to purchase property from another business and transfer the property title to the buyer's name. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it. In addition, this year *Doing Business* adds a new measure to the set of registering property indicators, an index of the quality of the land administration system in each economy. The ranking of economies on the ease of registering property is determined by sorting their distance to frontier scores for registering property. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned and perform general commercial activities and are located in the economy's largest business city².
- Have 50 employees each, all of whom are nationals.

The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value and entire property will be transferred.
- Is registered in the land registry or cadastral, or both, and is free of title disputes.

WHAT THE REGISTERING PROPERTY INDICATORS MEASURE

Procedures to legally transfer title on immovable property (number)

Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)

Registration in the economy's largest business city²

Postregistration (for example, filing title with the municipality)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are recorded as ½ day.

Procedure considered completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of property value)

Official costs only, no bribes

No value added or capital gains taxes included

Quality of land administration index (0-30)

- Is located in a periurban commercial zone, and no rezoning is required.
- Has no mortgages attached, has been under the same ownership for the past 10 years.
- Consists of 557.4 square meters (6,000 square feet) of land and a 10-year-old, 2-story warehouse of 929 square meters (10,000 square feet). The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. There is no heating system.

² For the 11 economies with a population of more than 100 million, data for a second city have been added.

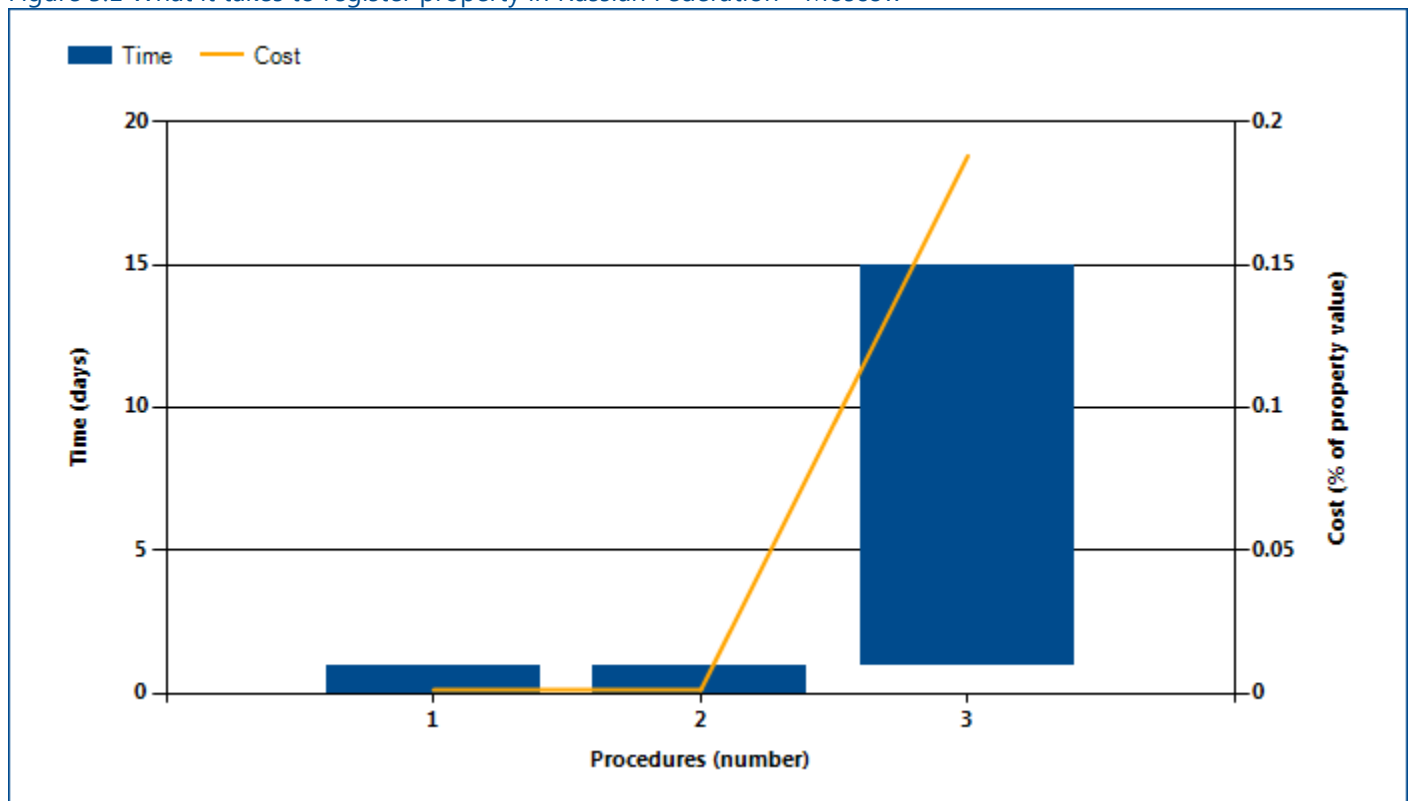
REGISTERING PROPERTY

Where does the economy stand today?

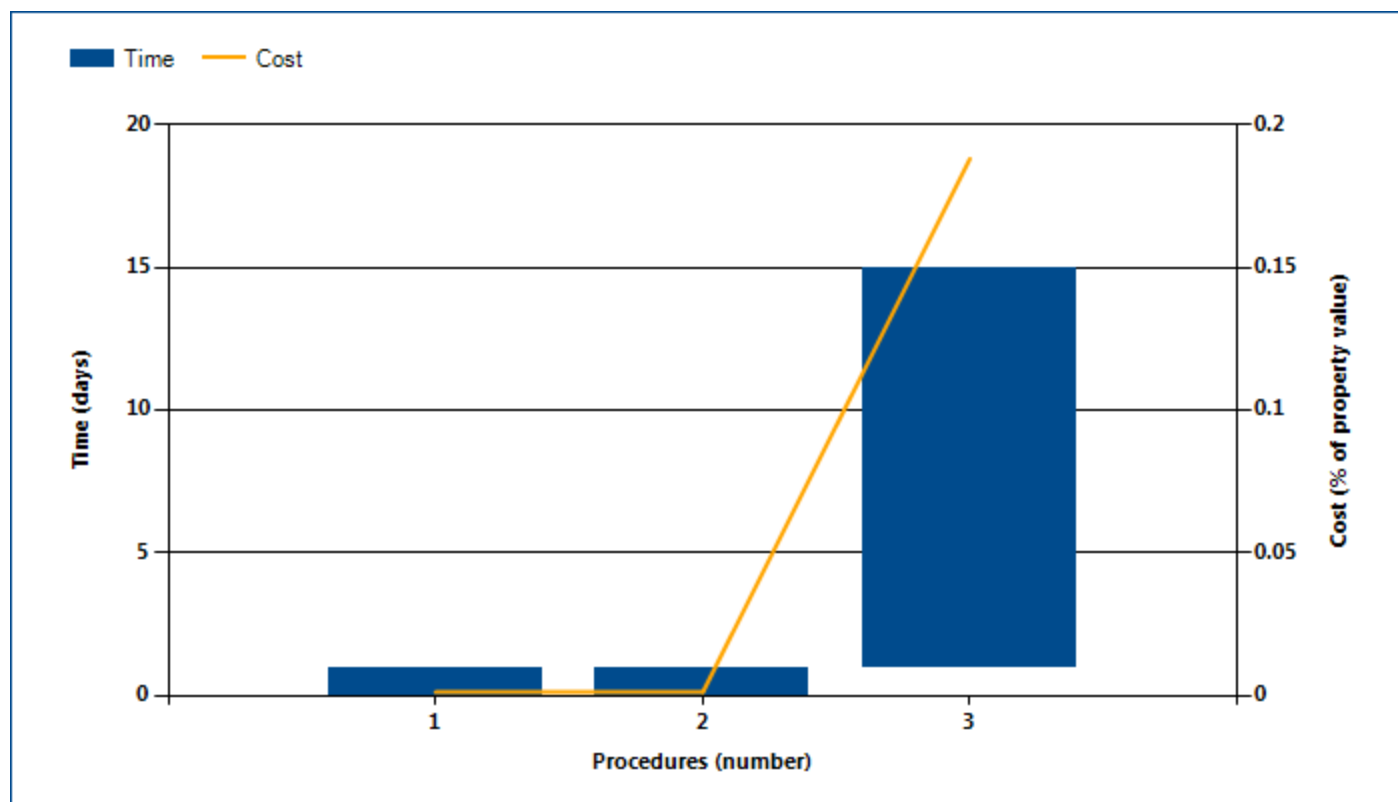
What does it take to complete a property transfer in Russian Federation? According to data collected by *Doing Business*, registering property there requires 3.00 procedures, takes 15.00 days and costs 0.20% of the property value (figure 5.1).

Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 5.1 What it takes to register property in Russian Federation - Moscow



What it takes to register property in Russian Federation - Saint Petersburg



Source: *Doing Business* database.

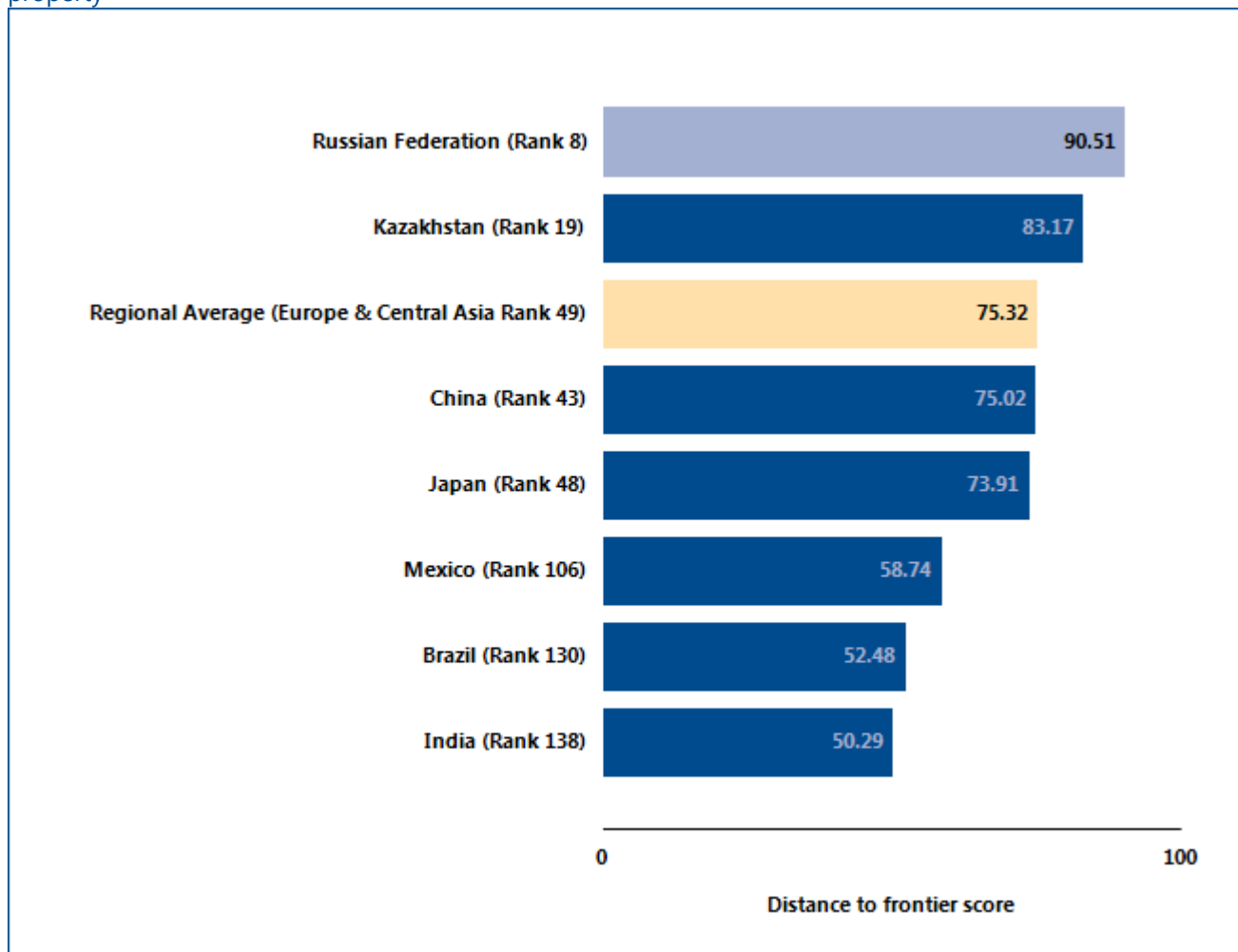
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the registering property indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

REGISTERING PROPERTY

Globally, Russian Federation stands at 8 in the ranking of 189 economies on the ease of registering property (figure 5.2). The rankings for comparator economies and

the regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Russian Federation to transfer property.

Figure 5.2 How Russian Federation and comparator economies rank on the ease of registering property



Source: Doing Business database.

REGISTERING PROPERTY

Economies worldwide have been making it easier for entrepreneurs to register and transfer property—such as by computerizing land registries, introducing time limits for procedures and setting low fixed fees. Many have cut

the time required substantially—enabling buyers to use or mortgage their property earlier. What property registration reforms has *Doing Business* recorded in Russian Federation (table 5.1)?

Table 5.1 How has Russian Federation made registering property easier—or not?
By *Doing Business* report year from DB2011 to DB2016

DB year	Reform
DB2012	Russia made registering property transfers easier by eliminating the requirement to obtain cadastral passports on land plots.
DB2014	Russia made transferring property easier by streamlining procedures and implementing effective time limits for processing transfer applications.
DB2015	The Russian Federation made transferring property easier by eliminating the requirement for notarization and introducing tighter time limits for completing the property registration. This reform applies to both Moscow and St. Petersburg.
DB2016	Russia made transferring property easier by reducing the time required for property registration. This reform applies to both Moscow and St. Petersburg.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

REGISTERING PROPERTY

What are the details?

The indicators reported here are based on a set of specific procedures—the steps that a buyer and seller must complete to transfer the property to the buyer's name—identified by *Doing Business* through information collected from local property lawyers, notaries and property registries. These procedures are those that apply to a transaction matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). The procedures, along with the associated time and cost, are summarized below.

STANDARD PROPERTY TRANSFER

Property value:	RUB 23,547,869
City:	Moscow, Saint Petersburg

Table 5.2 Summary of time, cost and procedures for registering property in Russian Federation Moscow

No.	Procedure	Time to complete	Cost to complete
1	<p>Buyer checks for encumbrances on property at the Federal Service for State Registration, Cadastre and Cartography</p> <p>Even though not mandatory by law, in practice most buyers do check for non-encumbrances on the property to prove the validity of the seller's title. The complete information on the property (ownership rights, encumbrances) can be obtained by the Buyer in two ways with equal legal power of each. In a form of the official document provided by the authorized agency (Rosreestr) and in electronic format.</p> <p>According to the Federal Law №122 the registration authority upon the official request for information on a property shall provide an official hard copy document with all information available in the Unified State Register of Real Estate Property within five (5 working) days.</p> <p>Alternatively, checking and verification ownership rights of the seller can be performed on-line on the main web page of the Federal Service for State Registration, Cadastre and Cartography (www.rosreestr.ru).</p> <p><i>Agency: Federal Service of State Registration, Cadastre and Cartography (Rosreestr)</i></p>	<p>- Less than a day for obtaining an electronic document - 5 working days for a hard copy document (simultaneous with procedure 1 & 3)</p>	<p>RUB 600 (for a hard copy) and RUB 300 (as an electronic document); RUB 900 (for an extraterritorial request of a hard copy document (in another region)); RUB 400 (for an extraterritorial request of an electronic document).</p>
2	<p>* Check for legal status and current conditions of the buyer at the Unified State Register of Legal Entities</p> <p>Legal entities will obtain extracts from the Unified State Register of Legal Entities, officially managed and maintained by the Federal Tax Service (FNS) (http://egrul.nalog.ru/#). Although Russian legislation does not establish the term of validity for the extracts, in practice most state authorities accept the extracts issued not earlier than 30 days before their submission to the respective state authority.</p>	<p>- Less than a day (online procedure) - Regular procedure - 5-7 days and Expedited procedure - 1</p>	<p>Electronic document - no charge. Official documents in hard copy - RUB 200 (regular procedure - 5-7 days) or RUB 400 (expedited</p>

No.	Procedure	Time to complete	Cost to complete
	Agency: Federal Tax Service (FNS)	working day(simultaneous with procedures 1)	procedure - 1 working day)
3	<p>Apply for state registration of title transfer in the Unified State Register of Rights to Real Estate</p> <p>The Russian Federation adopted the Federal Law #447-FZ. New provisions of the Law came into effect on December 22, 2014 and shortened effective time limits for the title registration from a maximum of 18 calendar days to 10 working days. As a result of the implementation of this time limit in practice, entrepreneur can now transfer property at the State Cadastre of Immovable Property within 10 working days.</p> <p>Agency: Federal Service of State Registration, Cadastre and Cartography (Rosreestr)</p>	10 working days (14 calendar days)	RUB 44,000: RUB 22,000 (building) + RUB 22,000 (land plot transfer)

* Takes place simultaneously with another procedure.

Source: Doing Business database.

Note: Online procedures account for 0.5 days in the total time calculation.

Summary of time, cost and procedures for registering property in Russian Federation Saint Petersburg

No.	Procedure	Time to complete	Cost to complete
1	<p>Buyer checks for encumbrances on property at the Federal Service for State Registration, Cadastre and Cartography</p> <p>Even though not mandatory by law, in practice most buyers do check for non-encumbrances on the property to prove the validity of the seller's title. The complete information on the property (ownership rights, encumbrances) can be obtained by the Buyer in two ways with equal legal power of each. In a form of the official document provided by the authorized agency (Rosreestr) and in electronic format.</p> <p>According to the Federal Law №122 the registration authority upon the official request for information on a property shall provide an official hard copy document with all information available in the Unified State Register of Real Estate Property within five (5 working) days. Alternatively, checking and verification ownership rights of the seller can be performed on-line on the main web page of the Federal Service for State Registration, Cadastre and Cartography (www.rosreestr.ru).</p> <p>Agency: Federal Service of State Registration, Cadastre and Cartography (Rosreestr)</p>	- Less than a day for obtaining an electronic document - 5 working days for a hard copy document (simultaneous with procedure 1 & 3)	RUB 600 (for a hard copy) and RUB 300 (as an electronic document); RUB 900 (for an extraterritorial request of a hard copy document (in another region)); RUB 400 (for an extraterritorial request of an electronic document).

No.	Procedure	Time to complete	Cost to complete
2	<p>* Check for legal status and current conditions of the buyer at the Unified State Register of Legal Entities</p> <p>Legal entities will obtain extracts from the Unified State Register of Legal Entities, officially managed and maintained by the Federal Tax Service (FNS) (http://egrul.nalog.ru/#). Although Russian legislation does not establish the term of validity for the extracts, in practice most state authorities accept the extracts issued not earlier than 30 days before their submission to the respective state authority.</p> <p><i>Agency: Unified State Register of Legal Entities</i></p>	<p>- Less than a day (online procedure) - Regular procedure - 5-7 days and - Expedited procedure - 1 working day(simultaneous with procedures 1)</p>	<p>Electronic document - no charge. Official documents in hard copy - RUB 200 (regular procedure - 5-7 days) or RUB 400 (expedited procedure - 1 working day)</p>
3	<p>Apply for state registration of title transfer in the Unified State Register of Rights to Real Estat</p> <p>The Russian Federation adopted the Federal Law #447-FZ. New provisions of the Law came into effect on December 22, 2014 and shortened effective time limits for the title registration from a maximum of 18 calendar days to 10 working days. As a result of the implementation of this time limit in practice, entrepreneur can now transfer property at the State Cadastre of Immovable Property within 10 working days.</p> <p><i>Agency: Federal Service of State Registration, Cadastre and Cartography (Rosreestr)</i></p>	<p>10 working days (14 calendar days)</p>	<p>RUB 44,000: RUB 22,000 (building) + RUB 22,000 (land plot transfer)</p>

* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: Doing Business database.

REGISTERING PROPERTY

Quality of land administration

The quality of land administration index is the sum of the scores on the reliability of infrastructure, transparency of information, geographic coverage and land dispute resolution indices.

The index ranges from 0 to 30, with higher values indicating better quality of the land administration system.

If private sector entities were unable to register property transfers in an economy between June 2014 and June 2015, the economy receives a “no practice” mark on the procedures, time and cost indicators. A “no practice” economy receives a score of 0 on the quality of land administration index even if its legal framework includes provisions related to land administration.

Table 5.3 Summary of quality of land administration in Russian Federation

	Answer (Moscow)	Score (Moscow)	Answer (Saint Petersburg)	Score (Saint Petersburg)
Quality of the land administration index (0-30)		26.00		26.00
Reliability of infrastructure index (0-8)		8.00		8.00
What is the institution in charge of immovable property registration?	Directorate General of the Federal Service of State Registration, Cadastre and Cartography in Moscow (Directorate General of Rosreestr in Moscow)		Department of Federal Service of State Registration, Cadastre and Cartography in St. Petersburg	
In what format are the majority of title or deed records kept in the largest business city—in a paper format or in a computerized format (scanned or fully digital)?	Computer/Fully digital	2.0	Computer/Fully digital	2.0
Is there an electronic database for checking for encumbrances (liens, mortgages, restrictions and the like)?	Yes	1.0	Yes	1.0
Institution in charge of the plans showing legal boundaries in the largest business city:	Directorate General of the Federal Service of State Registration,		Department of Federal Service of State Registration, Cadastre	

	Answer (Moscow)	Score (Moscow)	Answer (Saint Petersburg)	Score (Saint Petersburg)
	Cadastral and Cartography in Moscow (Directorate General of Rosreestr in Moscow)		and Cartograph y for St. Petersburg	
In what format are the majority of maps of land plots kept in the largest business city—in a paper format or in a computerized format (scanned or fully digital)?	Computer/Ful ly digital	2.0	Computer/ Fully digital	2.0
Is there an electronic database for recording boundaries, checking plans and providing cadastral information (geographic information system)?	Yes	1.0	Yes	1.0
Is the information recorded by the immovable property registration agency and the cadastral or mapping agency kept in a single database, in different but linked databases or in separate databases?	Different databases but linked	1.0	Different databases but linked	1.0
Do the immovable property registration agency and cadastral or mapping agency use the same identification number for properties?	Yes	1.0	Yes	1.0
Transparency of information index (0–6)		6.00		6.00
Who is able to obtain information on land ownership at the agency in charge of immovable property registration in the largest business city?	Freely accessible by anyone	1.0	Freely accessible by anyone	1.0
Is the list of documents that are required to complete any type of property transaction made publicly available—and if so, how?	Yes, online	0.5	Yes, online	0.5
Link for online access:	https://rosreestr.ru/site/fiz/zaregistrirovat-nedvizhimoe-imushchestvo-predstavleniye-dokumentov-na-gosudarstvennuyu-		http://to78.rosreestr.ru/registr/doc/ or https://rosreestr.ru/site/fiz/zaregistrirovat-nedvizhimoe-imushchestvo-	

	Answer (Moscow)	Score (Moscow)	Answer (Saint Petersburg)	Score (Saint Petersburg)
	registraciyu- prav/		/predstavle nie- dokumento v-na- gosudarstv ennuyu- registraciyu -prav/	
Is the applicable fee schedule for any property transaction at the agency in charge of immovable property registration in the largest business city made publicly available—and if so, how?	Yes, online	0.5	Yes, online	0.5
Link for online access:	https://rosreestr.ru/site/ur/zaregistrovat-nedvizhimoe-imushchestvo-/?price		http://to78.rosreestr.ru/registr/uplata_gos_posh/gosposhl/razm_gosposh_raspr or https://rosreestr.ru/site/ur/zaregistrovat-nedvizhimoe-imushchestvo-/?price	
Does the agency in charge of immovable property registration commit to delivering a legally binding document that proves property ownership within a specific time frame—and if so, how does it communicate the service standard?	Yes, online	0.5	Yes, online	0.5
Link for online access:	https://rosreestr.ru/site/fiz/zaregistrovat-nedvizhimoe-imushchestvo-/		http://to78.rosreestr.ru/registr/rights_1/tabls_rokov_ispgos_funktion/ or https://rosreestr.ru/site	

	Answer (Moscow)	Score (Moscow)	Answer (Saint Petersburg)	Score (Saint Petersburg)
			/fiz/zaregist rirovat- nedvizhimo e- imushchest vo-/	
Is there a specific and separate mechanism for filing complaints about a problem that occurred at the agency in charge of immovable property registration?	Yes	1.0	Yes	1.0
Contact information:	https://rosreestr.ru/wps/portal/p/cc_ib_support/cc_ib_complaint		https://rosreestr.ru/wps/portal/p/cc_ib_support/cc_ib_complaint	
Are there publicly available official statistics tracking the number of transactions at the immovable property registration agency?	Yes	0.5	Yes	0.5
Number of property transfers in the largest business city in 2014:	25,534,570 in total for the Russian Federation and 857,991 in Moscow.		479,610	
Who is able to consult maps of land plots in the largest business city?	Freely accessible by anyone	0.5	Freely accessible by anyone	0.5
Is the applicable fee schedule for accessing maps of land plots made publicly available—and if so, how?	Yes, online	0.5	Yes, online	0.5
Link for online access:	https://rosreestr.ru/site/ur/poluchit-svedeniya-iz-gkn/?price		http://to78.rosreestr.ru/kadastr/order/por_pred_kad_sved/ or https://rosreestr.ru/site/ur/poluchit-svedeniya-	

	Answer (Moscow)	Score (Moscow)	Answer (Saint Petersburg)	Score (Saint Petersburg)
			iz- gkn/?price	
Does the cadastral or mapping agency commit to delivering an updated map within a specific time frame—and if so, how does it communicate the service standard?	Yes, online	0.5	Yes, online	0.5
Link for online access:	https://rosreestr.ru/site/ur/poluchit-svideniya-iz-gkn/		http://to78.rosreestr.ru/kadastr/order/ or https://rosreestr.ru/site/ur/poluchit-svideniya-iz-gkn/	
Is there a specific and separate mechanism for filing complaints about a problem that occurred at the cadastral or mapping agency?	Yes	0.5	Yes	0.5
Contact information:	https://rosreestr.ru/wps/portal/p/cc_ib_support/cc_ib_complaint		https://rosreestr.ru/wps/portal/p/cc_ib_support/cc_ib_complaint	
Geographic coverage index (0–8)		4.00		4.00
Are all privately held land plots in the economy formally registered at the immovable property registry?	No	0.0	No	0.0
Are all privately held land plots in the largest business city formally registered at the immovable property registry?	Yes	2.0	Yes	2.0
Are all privately held land plots in the economy mapped?	No	0.0	No	0.0
Are all privately held land plots in the largest business city mapped?	Yes	2.0	Yes	2.0
Land dispute resolution index (0–8)		8.00		8.00
Does the law require that all property sale transactions be registered at the immovable property registry to	Yes	1.5	Yes	1.5

	Answer (Moscow)	Score (Moscow)	Answer (Saint Petersburg)	Score (Saint Petersburg)
make them opposable to third parties?				
Is the system of immovable property registration subject to a state or private guarantee?	Yes	0.5	Yes	0.5
Is there a specific compensation mechanism to cover for losses incurred by parties who engaged in good faith in a property transaction based on erroneous information certified by the immovable property registry?	Yes	0.5	Yes	0.5
Does the legal system require a control of legality of the documents necessary for a property transaction (e.g., checking the compliance of contracts with requirements of the law)?	Yes	0.5	Yes	0.5
If yes, who is responsible for checking the legality of the documents?	Registrar.		Registrar.	
Does the legal system require verification of the identity of the parties to a property transaction?	Yes	0.5	Yes	0.5
If yes, who is responsible for verifying the identity of the parties?	Registrar.		Registrar.	
Is there a national database to verify the accuracy of identity documents?	Yes	1.0	Yes	1.0
For a standard land dispute between two local businesses over tenure rights of a property worth 50 times gross national income (GNI) per capita and located in the largest business city, what court would be in charge of the case in the first instance?	Arbitration Court of the Moscow city		State Commercial ('Arbitrazhny') Court for St. Petersburg and Leningrad Region	
How long does it take on average to obtain a decision from the first-instance court for such a case (without appeal)?	Less than a year	3.0	Less than a year	3.0
Are there any statistics on the number of land disputes in the first instance?	Yes	0.5	Yes	0.5
Number of land disputes in the largest business city in 2014:	18739		2158 land disputes in St. Petersburg	

	Answer (Moscow)	Score (Moscow)	Answer (Saint Petersburg)	Score (Saint Petersburg)
			rg in 2014	

Source: *Doing Business* database.

GETTING CREDIT

Two types of frameworks can facilitate access to credit and improve its allocation: credit information systems and borrowers and lenders in collateral and bankruptcy laws. Credit information systems enable lenders' rights to view a potential borrower's financial history (positive or negative)—valuable information to consider when assessing risk. And they permit borrowers to establish a good credit history that will allow easier access to credit. Sound collateral laws enable businesses to use their assets, especially movable property, as security to generate capital—while strong creditors' rights have been associated with higher ratios of private sector credit to GDP.

What do the indicators cover?

Doing Business assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a credit registry or a credit bureau. The strength of legal rights index measures whether certain features that facilitate lending exist within the applicable collateral and bankruptcy laws. *Doing Business* uses two case scenarios, Case A and Case B, to determine the scope of the secured transactions system, involving a secured borrower and a secured lender and examining legal restrictions on the use of movable collateral (for more details on each case, see the Data Notes section of the *Doing Business 2016* report). These scenarios assume that the borrower:

- Is a private limited liability company.
- Has its headquarters and only base of operations in the largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.

WHAT THE GETTING CREDIT INDICATORS MEASURE

Strength of legal rights index (0–12)

Rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

Depth of credit information index (0–8)

Scope and accessibility of credit information distributed by credit bureaus and credit registries

Credit bureau coverage (% of adults)

Number of individuals and firms listed in largest credit bureau as percentage of adult population

Credit registry coverage (% of adults)

Number of individuals and firms listed in credit registry as percentage of adult population

- Has up to 50 employees.
- Is 100% domestically owned, as is the lender.

The ranking of economies on the ease of getting credit is determined by sorting their distance to frontier scores for getting credit. These scores are the distance to frontier score for the strength of legal rights index and the depth of credit information index.

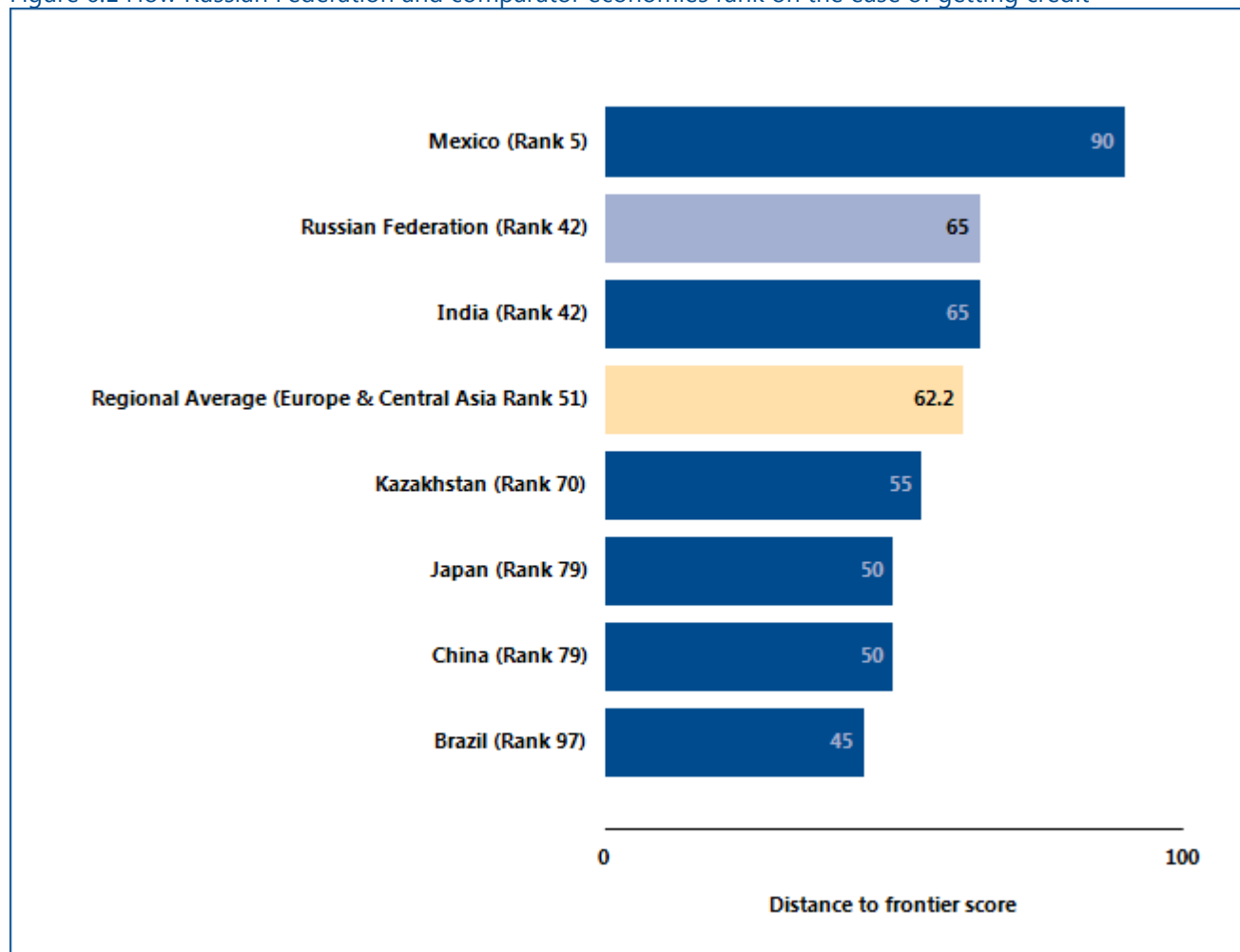
GETTING CREDIT

Where does the economy stand today?

How well do the credit information system and collateral and bankruptcy laws in Russian Federation facilitate access to credit? The economy has a score of 7.00 on the depth of credit information index and a score of 6.00 on the strength of legal rights index (see the summary of scoring at the end of this chapter for details). Higher scores indicate more credit information and stronger legal rights for borrowers and lenders.

Globally, Russian Federation stands at 42 in the ranking of 189 economies on the ease of getting credit (figure 6.1). The rankings for comparator economies provide useful information for assessing how well regulations and institutions in Russian Federation support lending and borrowing.

Figure 6.1 How Russian Federation and comparator economies rank on the ease of getting credit



Source: Doing Business database.

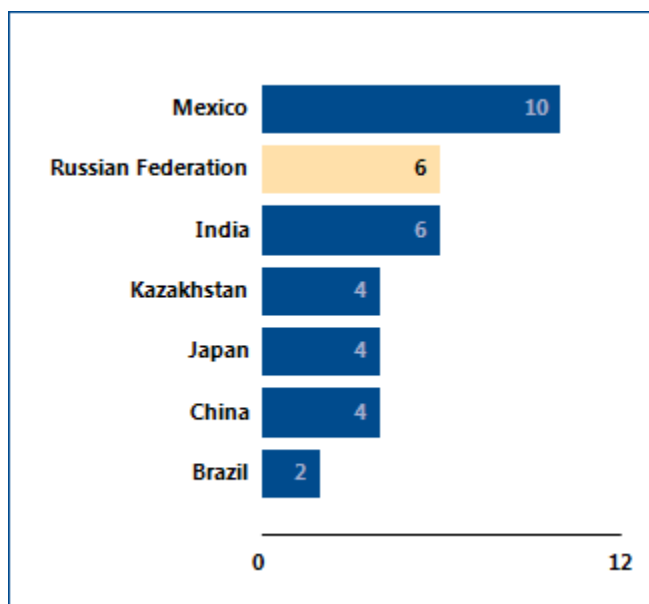
GETTING CREDIT

One way to put an economy's score on the getting credit indicators into context is to see where the economy stands in the distribution of scores across economies. Figure 6.2 highlights the score on the strength of legal

rights index for Russian Federation and shows the scores for comparator economies as well as the regional average score. Figure 6.3 shows the same for the depth of credit information index.

Figure 6.2 How strong are legal rights for borrowers and lenders?

Economy scores on strength of legal rights index

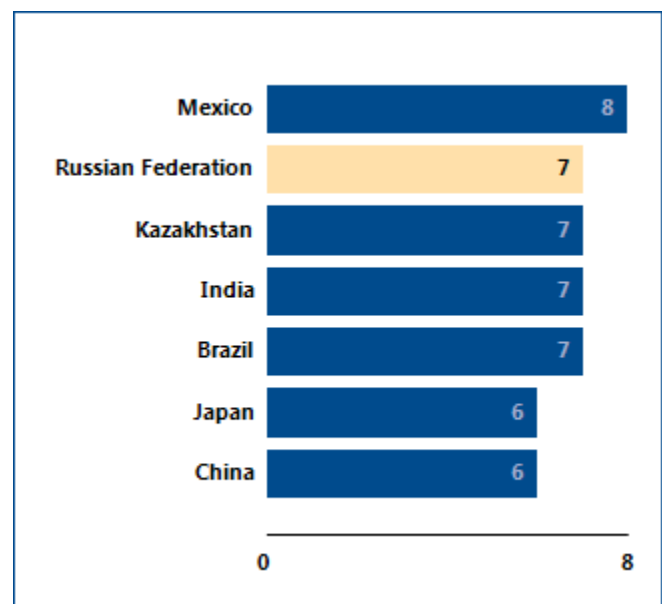


Source: *Doing Business* database.

Note: Higher scores indicate that collateral and bankruptcy laws are better designed to facilitate access to credit.

Figure 6.3 How much credit information is shared—and how widely?

Economy scores on depth of credit information index



Source: *Doing Business* database.

Note: Higher scores indicate the availability of more credit information, from either a credit registry or a credit bureau, to facilitate lending decisions. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.

GETTING CREDIT

When economies strengthen the legal rights of lenders and borrowers under collateral and bankruptcy laws, and increase the scope, coverage and accessibility of credit

information, they can increase entrepreneurs' access to credit. What credit reforms has *Doing Business* recorded in Russian Federation (table 6.1)?

Table 6.1 How has Russian Federation made getting credit easier—or not?
By *Doing Business* report year from DB2011 to DB2016

DB year	Reform
DB2016	Russia improved access to credit by adopting a new law on secured transactions that established a centralized collateral registry and allows a general description of a combined category of assets granted as collateral. This reform applies to both Moscow and St. Petersburg.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

GETTING CREDIT

What are the details?

The getting credit indicators reported here for Russian Federation are based on detailed information collected in that economy. The data on credit information sharing are collected through a survey of a credit registry and/or credit bureau (if one exists). To construct the depth of credit information index, a score of 1 is assigned for each of 8 features of the credit registry or credit bureau (see summary of scoring below).

The data on the legal rights of borrowers and lenders are gathered through a survey of financial lawyers and verified through analysis of laws and regulations as well as public sources of information on collateral and bankruptcy laws. For the strength of legal rights index, a score of 1 is assigned for each of 10 aspects related to legal rights in collateral law and 2 aspects in bankruptcy law.

Strength of legal rights index (0–12)	Moscow Index score: 6.00	Saint Petersburg Index score: 6.00
Does an integrated or unified legal framework for secured transactions that extends to the creation, publicity and enforcement of functional equivalents to security interests in movable assets exist in the economy?	No	No
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	No	No
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	Yes	Yes
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets?	No	No
Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	Yes	Yes
Is a collateral registry in operation for both incorporated and non-incorporated entities, that is unified geographically and by asset type, with an electronic database indexed by debtor's name?	Yes	Yes
Does a notice-based collateral registry exist in which all functional equivalents can be registered?	No	No
Does a modern collateral registry exist in which registrations, amendments, cancellations and searches can be performed online by any interested third party?	No	No
Are secured creditors paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	Yes	Yes

Strength of legal rights index (0–12)	Moscow Index score: 6.00	Saint Petersburg Index score: 6.00
Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated?	Yes	Yes
Are secured creditors subject to an automatic stay on enforcement when a debtor enters a court-supervised reorganization procedure? Does the law protect secured creditors' rights by providing clear grounds for relief from the stay and/or sets a time limit for it?	No	No
Does the law allow parties to agree on out of court enforcement at the time a security interest is created? Does the law allow the secured creditor to sell the collateral through public auction and private tender, as well as, for the secured creditor to keep the asset in satisfaction of the debt?	Yes	Yes

Depth of credit information index (0–8)	Credit bureau	Credit registry	Index score: 7.00
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative credit data distributed?	Yes	No	1
Are data from retailers or utility companies - in addition to data from banks and financial institutions - distributed?	No	No	0
Are at least 2 years of historical data distributed? (Credit bureaus and registries that distribute more than 10 years of negative data or erase data on defaults as soon as they are repaid obtain a score of 0 for this component.)	Yes	No	1
Are data on loan amounts below 1% of income per capita distributed?	Yes	No	1
By law, do borrowers have the right to access their data in the credit bureau or credit registry?	Yes	No	1
Can banks and financial institutions access borrowers' credit information online (for example, through an online platform, a system-to-system connection or both)?	Yes	No	1
Are bureau or registry credit scores offered as a value-added service to help banks and financial institutions assess the creditworthiness of borrowers?	Yes	No	1

Note: An economy receives a score of 1 if there is a "yes" to either bureau or registry. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.

Coverage	Credit bureau	Credit registry
Number of firms	1,500,000	0
Number of individuals	70,000,000	0
Total	71,500,000	0
Total percentage of adult population	70.20	0.00

Source: *Doing Business* database.

PROTECTING MINORITY INVESTORS

Protecting minority investors matters for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. Effective regulations define related-party transactions precisely, promote clear and efficient disclosure requirements, require shareholder participation in major decisions of the company and set detailed standards of accountability for company insiders.

What do the indicators cover?

Doing Business measures the protection of minority investors from conflicts of interest through one set of indicators and shareholders' rights in corporate governance through another. The ranking of economies on the strength of minority investor protections is determined by sorting their distance to frontier scores for protecting minority investors. These scores are the simple average of the distance to frontier scores for the extent of conflict of interest regulation index and the extent of shareholder governance index. To make the data comparable across economies, a case study uses several assumptions about the business and the transaction.

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders).
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

The transaction involves the following details:

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.
- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to Buyer.
- Shareholders sue the interested parties and the members of the board of directors.

WHAT THE PROTECTING MINORITY INVESTORS INDICATORS MEASURE

Extent of disclosure index (0–10)

Review and approval requirements for related-party transactions; Disclosure requirements for related-party transactions

Extent of director liability index (0–10)

Ability of minority shareholders to sue and hold interested directors liable for prejudicial related-party transactions; Available legal remedies (damages, disgorgement of profits, fines, imprisonment, rescission of the transaction)

Ease of shareholder suits index (0–10)

Access to internal corporate documents; Evidence obtainable during trial and allocation of legal expenses

Extent of conflict of interest regulation index (0–10)

Simple average of the extent of disclosure, extent of director liability and ease of shareholder indices

Extent of shareholder rights index (0–10)

Shareholders' rights and role in major corporate decisions

Extent of ownership and control index (0–10)

Governance safeguards protecting shareholders from undue board control and entrenchment

Extent of corporate transparency index (0–10)

Corporate transparency on ownership stakes, compensation, audits and financial prospects

Extent of shareholder governance index (0–10)

Simple average of the extent of shareholders rights, extent of ownership and control and extent of corporate transparency indices

Strength of investor protection index (0–10)

Simple average of the extent of conflict of interest regulation and extent of shareholder governance indices

PROTECTING MINORITY INVESTORS

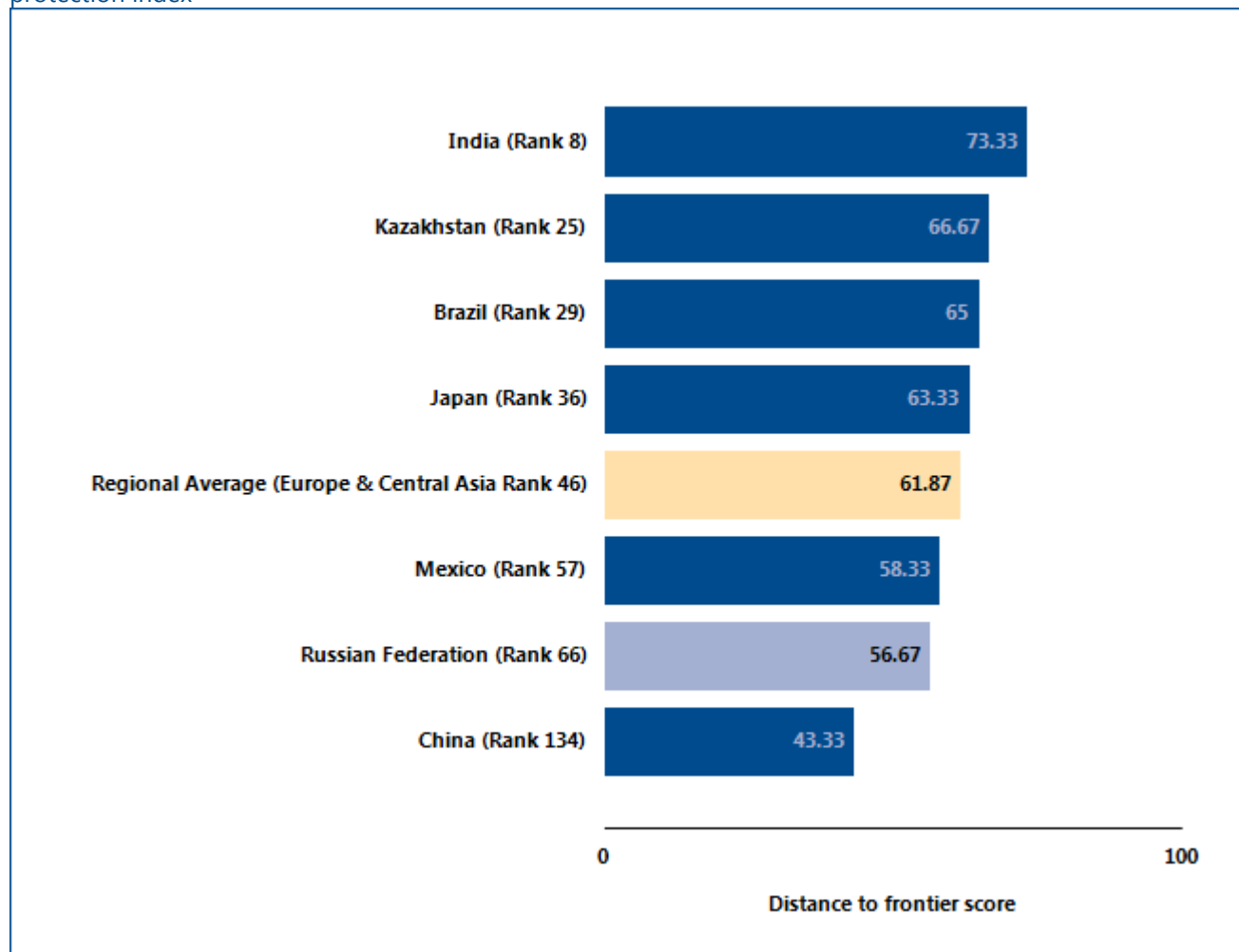
Where does the economy stand today?

How strong are minority investor protections against self-dealing in Russian Federation? The economy has a score of 5.70 on the strength of minority investor protection index, with a higher score indicating stronger protections.

Globally, Russian Federation stands at 66 in the ranking of 189 economies on the strength of minority investor

protection index (figure 7.1). While the indicator does not measure all aspects related to the protection of minority investors, a higher ranking does indicate that an economy's regulations offer stronger minority investor protections against self-dealing in the areas measured.

Figure 7.1 How Russian Federation and comparator economies perform on the strength of minority investor protection index



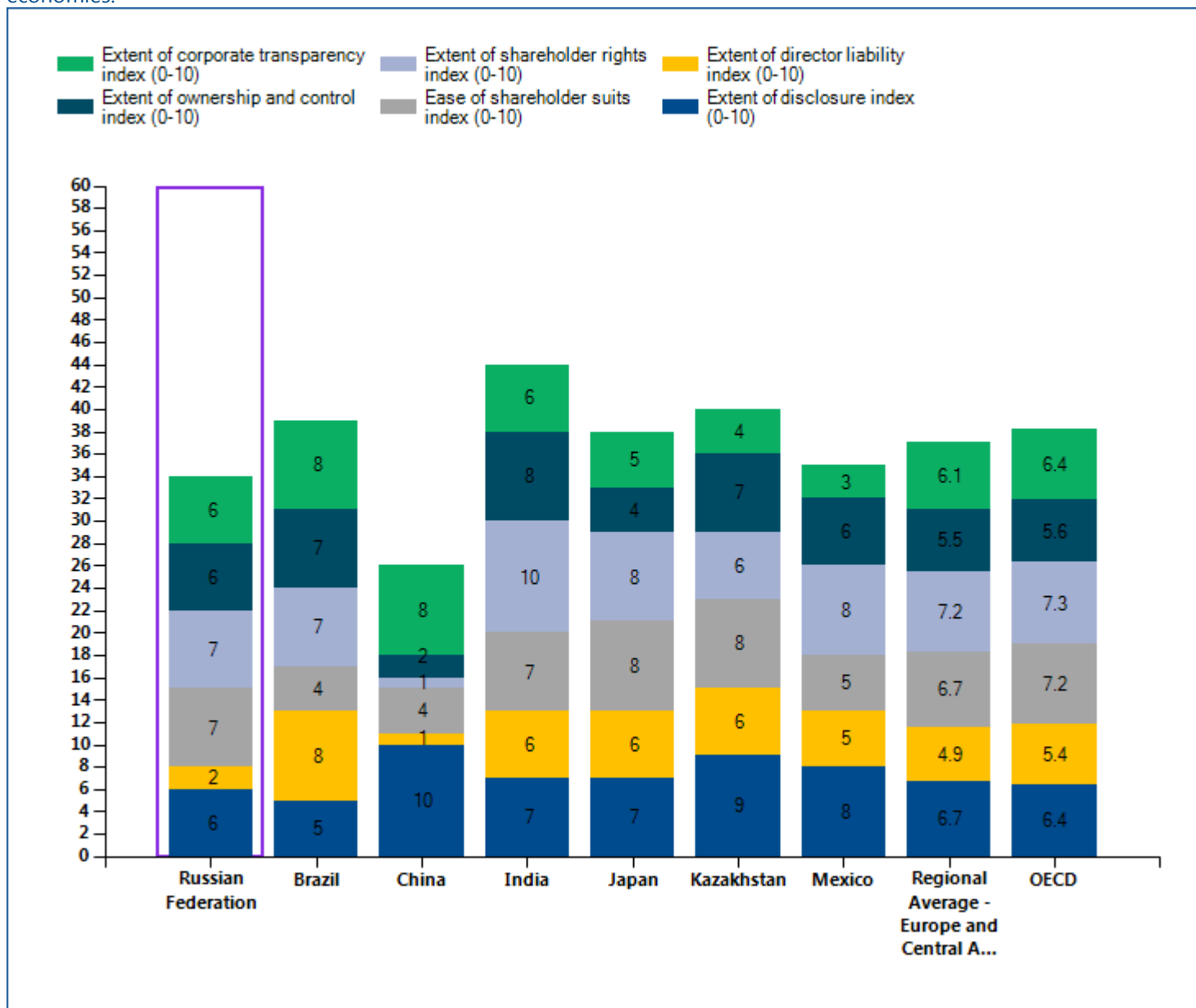
Source: Doing Business database.

PROTECTING MINORITY INVESTORS

One way to put an economy's scores on the protecting minority investors indicators into context is to see where the economy stands in the distribution of scores across comparator economies. Figure 7.2 highlights the scores on the various minority investor protection indices for Russian Federation.

A summary of scoring for the protecting minority investors indicators at the end of this chapter provides details on how the indices were calculated.

Figure 7.2 Summary of the various minority investor protection indices for Russian Federation and comparator economies.



Source: Doing Business database.

PROTECTING MINORITY INVESTORS

What are the details?

The protecting minority investors indicators reported here for Russian Federation are based on detailed information collected through a survey of corporate and securities lawyers about securities regulations, company laws and court rules of evidence and procedure. To construct the six indicators on minority investor protection, scores are assigned to each based on a range

of conditions relating to disclosure, director liability, shareholder suits, shareholder rights, ownership and control and corporate transparency in a standard case study (for more details, see the Data Notes section of the *Doing Business 2016* report). The summary below shows the details underlying the scores for Russian Federation.

Table 7.2 Summary of scoring for the protecting minority investors indicators in Russian Federation

	Answer (Moscow)	Score (Moscow)	Answer (Saint Petersburg)	Score (Saint Petersburg)
Strength of minority investor protection index (0-10)		5.70		5.70
Extent of conflict of interest regulation index (0-10)		5.00		5.00
Extent of disclosure index (0-10)		6.00		6.00
Which corporate body can provide legally sufficient approval for the Buyer-Seller transaction? (0-3)	Shareholders excluding interested parties	3.0	Shareholders excluding interested parties	3.0
Is disclosure by the interested director to the board of directors required? (0-2)	Existence of a conflict without any specifics	1.0	Existence of a conflict without any specifics	1.0
Is disclosure of the transaction in published periodic filings (annual reports) required? (0-2)	Disclosure on the transaction only	1.0	Disclosure on the transaction only	1.0
Is immediate disclosure of the transaction to the public and/or shareholders required? (0-2)	Disclosure on the transaction only	1.0	Disclosure on the transaction only	1.0
Must an external body review the terms of the transaction before it takes place? (0-1)	No	0.0	No	0.0
Extent of director liability index (0-10)		2.00		2.00
Can shareholders sue directly or derivatively for the damage caused by the Buyer-Seller transaction to the company? (0-1)	Yes	1.0	Yes	1.0
Can shareholders hold the interested director liable for the damage caused by the transaction to the company? (0-2)	Not liable	0.0	Not liable	0.0
Can shareholders hold members of the approving body liable for the damage caused by the transaction to the company? (0-2)	Liable if negligent	1.0	Liable if negligent	1.0
Must the interested director pay damages for the harm caused to the company upon a successful claim by a shareholder plaintiff? (0-1)	No	0.0	No	0.0
Must the interested director repay profits made from the transaction upon a successful claim by a shareholder plaintiff? (0-1)	No	0.0	No	0.0
Is the interested director fined and imprisoned or disqualified upon a successful claim by the shareholder plaintiff? (0-1)	No	0.0	No	0.0

Can a court void the transaction upon a successful claim by a shareholder plaintiff? (0-2)	Only in case of fraud or bad faith	0.0	Only in case of fraud or bad faith	0.0
Ease of shareholder suits index (0-10)		7.00		7.00
Before filing suit, can shareholders owning 10% of the company's share capital inspect the transaction documents? (0-1)	No	0.0	No	0.0
Can the plaintiff obtain any documents from the defendant and witnesses during trial? (0-3)	Any relevant document	3.0	Any relevant document	3.0
Can the plaintiff request categories of documents from the defendant without identifying specific ones? (0-1)	No	0.0	No	0.0
Can the plaintiff directly question the defendant and witnesses during trial? (0-2)	Yes	2.0	Yes	2.0
Is the level of proof required for civil suits lower than that of criminal cases? (0-1)	Yes	1.0	Yes	1.0
Can shareholder plaintiffs recover their legal expenses from the company? (0-2)	Yes if successful	1.0	Yes if successful	1.0
Extent of shareholder governance index (0-10)		6.30		6.30
Extent of shareholder rights index (0-10)		7.00		7.00
Does the sale of 51% of Buyer's assets require shareholder approval?	Yes	1.0	Yes	1.0
Can shareholders representing 10% of Buyer's share capital call for an extraordinary meeting of shareholders?	Yes	1.0	Yes	1.0
Must Buyer obtain its shareholders' approval every time it issues new shares?	No	0.0	No	0.0
Do shareholders automatically receive preemption rights every time Buyer issues new shares?	Yes	1.0	Yes	1.0
Must shareholders approve the election and dismissal of the external auditor?	Yes	1.0	Yes	1.0
Must changes to the voting rights of a class of shares be approved only by the holders of the affected shares?	No	0.0	No	0.0
Assuming that Buyer is a limited company, does the sale of 51% of Buyer's assets requires shareholder approval?	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, can shareholders representing 10% of Buyer's share capital call for an extraordinary meeting of shareholders?	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, must Buyer obtain its shareholders' approval every time it issues new shares?	No	0.0	No	0.0
Assuming that Buyer is a limited company, do shareholders automatically receive preemption rights every time Buyer issues new shares?	Yes	1.0	Yes	1.0
Extent of ownership and control index (0-10)		6.00		6.00
Is the CEO prohibited from also being chair of the board of directors?	Yes	1.0	Yes	1.0
Must the board of directors include independent and nonexecutive board members?	No	0.0	No	0.0
Can shareholders remove members of Buyer's board of directors without cause before the end of their term?	Yes	1.0	Yes	1.0
Must Buyer's board of directors include a separate audit committee?	No	0.0	No	0.0
Must a potential acquirer make a tender offer to all	Yes	1.0	Yes	1.0

shareholders upon acquiring 50% of Buyer?				
Must Buyer pay dividends within a maximum period set by law after the declaration date?	Yes	1.0	Yes	1.0
Is a subsidiary prohibited from acquiring shares issued by its parent company?	No	0.0	No	0.0
Assuming that Buyer is a limited company, can shareholders remove members of Buyer's board of directors without cause before the end of their term?	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of Buyer?	No	0.0	No	0.0
Assuming that Buyer is a limited company, must Buyer pay dividends within a maximum period set by law after the declaration date?	Yes	1.0	Yes	1.0
Extent of corporate transparency index (0-10)		6.00		6.00
Must Buyer disclose direct and indirect beneficial ownership stakes representing 5%?	No	0.0	No	0.0
Must Buyer disclose information about board members' other directorships as well as basic information on their primary employment?	Yes	1.0	Yes	1.0
Must Buyer disclose the compensation of individual managers?	No	0.0	No	0.0
Must a detailed notice of general meeting be sent 30 days before the meeting?	No	0.0	No	0.0
Can shareholders representing 5% of Buyer's share capital put items on the agenda for the general meeting?	Yes	1.0	Yes	1.0
Must Buyer's annual financial statements be audited by an external auditor?	Yes	1.0	Yes	1.0
Must Buyer disclose its audit reports to the public.	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, must a detailed notice of general meeting be sent 30 days before the meeting?	No	0.0	No	0.0
Assuming that Buyer is a limited company, can shareholders representing 5% of Buyer's share capital put items on the agenda for the general meeting?	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, must Buyer's annual financial statements be audited by an external auditor?	Yes	1.0	Yes	1.0

Source: Doing Business database.

PAYING TAXES

Taxes are essential. The level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. Firms in economies that rank better on the ease of paying taxes in the *Doing Business* study tend to perceive both tax rates and tax administration as less of an obstacle to business according to the World Bank Enterprise Survey research.

What do the indicators cover?

Using a case scenario, *Doing Business* records the taxes and mandatory contributions that a medium-size company must pay in a given year as well as measures of the administrative burden of paying taxes and contributions. This case scenario uses a set of financial statements and assumptions about transactions made over the year. Information is also compiled on the frequency of filing and payments as well as time taken to comply with tax laws. The ranking of economies on the ease of paying taxes is determined by sorting their distance to frontier scores on the ease of paying taxes. These scores are the simple average of the distance to frontier scores for each of the component indicators, with a threshold and a nonlinear transformation applied to one of the component indicators, the total tax rate³. All financial statement variables are proportional to 2012 income per capita. To make the data comparable across economies, several assumptions are used.

- TaxpayerCo is a medium-size business that started operations on January 1, 2013.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government.

WHAT THE PAYING TAXES INDICATORS MEASURE

Tax payments for a manufacturing company in 2014 (number per year adjusted for electronic and joint filing and payment)

Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)

Method and frequency of filing and payment

Time required to comply with 3 major taxes (hours per year)

Collecting information and computing the tax payable

Completing tax return forms, filing with proper agencies

Arranging payment or withholding

Preparing separate tax accounting books, if required

Total tax rate (% of profit before all taxes)

Profit or corporate income tax

Social contributions and labor taxes paid by the employer

Property and property transfer taxes

Dividend, capital gains and financial transactions taxes

Waste collection, vehicle, road and other taxes

- Taxes and mandatory contributions include corporate income tax, turnover tax and all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

³ The nonlinear distance to frontier for the total tax rate is equal to the distance to frontier for the total tax rate to the power of 0.8. The threshold is defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis up to and including *Doing Business 2015*, which is 26.1%. All economies with a total tax rate below this threshold receive the same score as the economy at the threshold.

PAYING TAXES

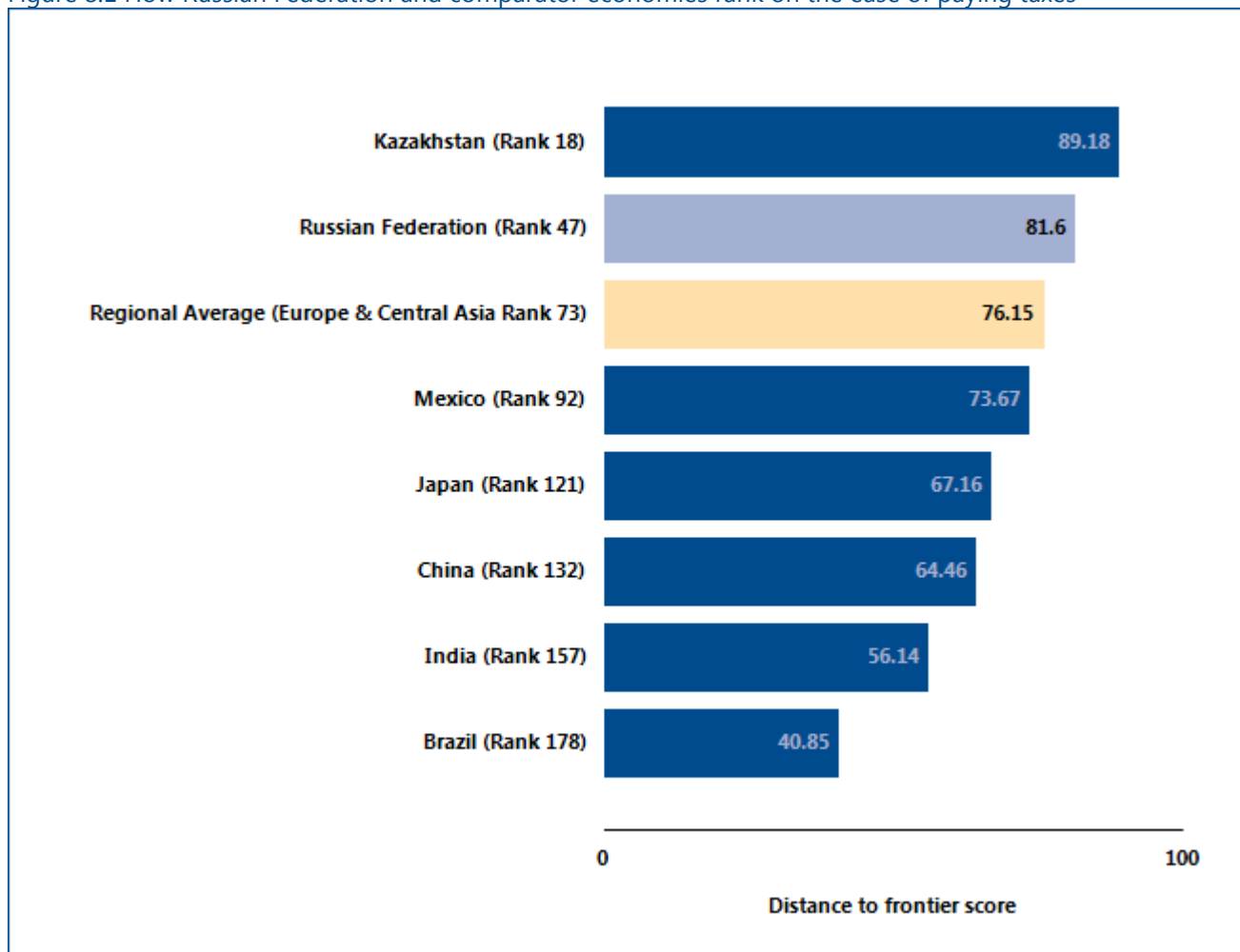
Where does the economy stand today?

What is the administrative burden of complying with taxes in Russian Federation—and how much do firms pay in taxes? On average, firms make 7.00 tax payments a year, spend 168.00 hours a year filing, preparing and paying taxes and pay total taxes amounting to 47.00% of profit (see the summary at the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted

average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Globally, Russian Federation stands at 47 in the ranking of 189 economies on the ease of paying taxes (figure 8.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing the tax compliance burden for businesses in Russian Federation.

Figure 8.1 How Russian Federation and comparator economies rank on the ease of paying taxes



Source: Doing Business database.

PAYING TAXES

Economies around the world have made paying taxes faster, easier and less costly for businesses—such as by consolidating payments and filings of taxes, offering electronic systems for filing and payment, establishing taxpayer service centers or allowing for more deductions

and exemptions. Many have lowered tax rates. Changes have brought concrete results. Some economies simplifying tax payment and reducing rates have seen tax revenue rise. What tax reforms has *Doing Business* recorded in Russian Federation (table 8.1)?

Table 8.1 How has Russian Federation made paying taxes easier—or not?
By *Doing Business* report year from DB2011 to DB2016

DB year	Reform
DB2012	Russia increased the social security contribution rate for employers.
DB2013	Russia eased the administrative burden of taxes for firms by simplifying compliance procedures for value added tax and by promoting the use of tax accounting software and electronic services.
DB2016	Russia made paying taxes less costly for companies by excluding movable property from the corporate property tax base—though it also raised the wage ceiling used in calculating social contributions. These changes apply to both Moscow and St. Petersburg. In addition, the cadastral value of land in Moscow was updated.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

PAYING TAXES

What are the details?

The indicators reported here for Russian Federation are based on the taxes and contributions that would be paid by a standardized case study company used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). Tax practitioners are asked to review a set of financial statements as well as a standardized list of assumptions and transactions that the company completed during its 2nd year of operation. Respondents are asked how much taxes and mandatory contributions the business must pay and how these taxes are filed and paid.

LOCATION OF STANDARDIZED COMPANY

City: Moscow, Saint Petersburg

The taxes and contributions paid are listed in the summary below, along with the associated number of payments, time and tax rate.

Table 8.2 Summary of tax rates and administration

Moscow: Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Pension fund contribution	1	online		0.22	gross salaries	24.19	
Corporate income tax	1	online	53	0.2	taxable profits	8.9	
Federal obligatory medical insurance fund contributions	0	online and jointly		0.051	gross salaries	5.49	
Social security insurance	1	online	76	0.029	gross salaries	3.12	
Accidents tax	0	online and jointly		0.025	gross salaries	2.82	
Property tax	1	online		0.022	book value of property	2.08	
Land tax	1	online		0.3%-1.5%	cadastral value of the land plot	0.47	

Moscow: Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Transport tax	1	online		various rates	engine capacity of vehicles	0.05	
Value Added Tax	1	online	39	0.18	value added	0	not included
Personal income tax	0	online and jointly		0.13	gross salaries	0	withheld
Totals	7.00		168.00			47.10	

Saint Petersburg: Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Pension fund contribution	1	online		0.22	gross salaries	24.19	
Corporate income tax	1	online	53	0.2	taxable profits	8.97	
Federal obligatory medical insurance fund contributions	0	online and jointly		0.051	gross salaries	5.49	
Social security insurance	1	online	76	0.029	gross salaries	3.12	
Accidents tax	0	online and jointly		0.025	gross salaries	2.82	
Property tax	1	online		0.022	book value of property	2.08	
Land tax	1	online		0.3%-1.5%	cadastral value of the land plot	0.09	
Transport tax	1	online		various rates	engine capacity of vehicles	0.05	
Value Added Tax	1	online	39	0.18	value added	0	not included
Personal income tax	0	online and jointly		0.13	gross salaries	0	withheld
Totals	7.00		168.00			46.80	

Source: Doing Business database.

TRADING ACROSS BORDERS

In today's globalized world, making trade between economies easier is increasingly important for business. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential.

What do the indicators cover?

Doing Business records the time and cost associated with the logistical process of exporting and importing goods. Under the new methodology introduced this year, *Doing Business* measures the time and cost (excluding tariffs) associated with three sets of procedures—documentary compliance, border compliance and domestic transport—within the overall process of exporting or importing a shipment of goods. The ranking of economies on the ease of trading across borders is determined by sorting their distance to frontier scores for trading across borders. These scores are the simple average of the distance to frontier scores for the time and cost for documentary compliance and border compliance to export and import.

To make the data comparable across economies, a few assumptions are made about the traded goods and the transactions:

Time

- Time is measured in hours, and 1 day is 24 hours (for example, 22 days are recorded as $22 \times 24 = 528$ hours). If customs clearance takes 7.5 hours, the data are recorded as is. Alternatively, suppose that documents are submitted to a customs agency at 8:00 a.m., are processed overnight and can be picked up at 8:00 a.m. the next day. In this case the time for customs clearance would be recorded as 24 hours because the actual procedure took 24 hours.

WHAT THE TRADING ACROSS BORDERS

INDICATORS MEASURE FOR IMPORT & EXPORT

Documentary compliance – cost (USD) & time (hours)

Obtain, prepare and submit documents:

- During transport, clearance, inspections and port or border handling in origin economy
- Required by origin, destination and transit economies

Covers all documents by law and in practice

Border compliance – cost (USD) & time (hours)

Customs clearance and inspections

Inspections by other agencies

Port or border handling

Obtaining, preparing and submitting documents during clearance, inspections and port or border handling

Domestic transport*

Loading and unloading of shipment

Transport between warehouse and terminal/port

Transport between terminal/port and border

Obtaining, preparing and submitting documents during domestic transport

Traffic delays and road police checks while shipment is en route

* Although *Doing Business* collects and publishes data on the time and cost for domestic transport, it does not use these data in calculating the distance to frontier score for trading across borders or the ranking on the ease of trading across borders.

Cost

- Insurance cost and informal payments for which no receipt is issued are excluded from the costs recorded. Costs are reported in U.S. dollars. Contributors are asked to convert local currency into U.S. dollars based on the exchange rate prevailing on the day they answer the questionnaire.

Assumptions of the case study

- For each of the 189 economies covered by *Doing Business*, it is assumed that a shipment travels from a warehouse in the largest business city of the exporting economy to a warehouse in the largest business city of the importing economy. For 11 economies the data are also collected, under the same case study assumptions, for the second largest business city.
- The import and export case studies assume different traded products. It is assumed that each economy imports a standardized shipment of 15 metric tons of containerized auto parts (HS 8708) from its natural import partner—the economy from which it imports the largest value (price times quantity) of auto parts. It is assumed that each economy exports the product of its comparative advantage (defined by the largest export value) to its natural export partner—the economy that is the largest purchaser of this product. Precious metal and gems, live animals and pharmaceuticals are excluded from the list of possible export products, however, and the second largest product category is considered as needed.
- To identify the trading partners and export product for each economy, *Doing Business* collected data on trade flows for the most recent four-year period from international databases such as the United Nations Commodity Trade Statistics Database (UN Comtrade). For economies for which trade flow data were not available, data from ancillary government sources (various ministries and departments) and World Bank Group country offices were used to identify the export product and natural trading partners.
- A shipment is a unit of trade. Export shipments do not necessarily need to be containerized, while import shipments of auto parts are assumed to be containerized.
- Shipping cost based on weight is assumed to be greater than shipping cost based on volume.
- If government fees are determined by the value of the shipment, the value is assumed to be \$50,000.
- The product is new, not secondhand or used merchandise.
- The exporting firm is responsible for hiring and paying for a freight forwarder or customs broker (or both) and pays for all costs related to international shipping, domestic transport, clearance and mandatory inspections by customs and other government agencies, port or border handling, documentary compliance fees and the like for exports. The importing firm is responsible for the above costs for imports.
- The mode of transport is the one most widely used for the chosen export or import product and the trading partner, as is the seaport, airport or land border crossing.
- All electronic submissions of information requested by any government agency in connection with the shipment are considered to be documents obtained, prepared and submitted during the export or import process.
- A port or border is defined as a place (seaport, airport or land border crossing) where merchandise can enter or leave an economy.
- Government agencies considered relevant are agencies such as customs, port authorities, road police, border guards, standardization agencies, ministries or departments of agriculture or industry, national security agencies and any other government authorities.

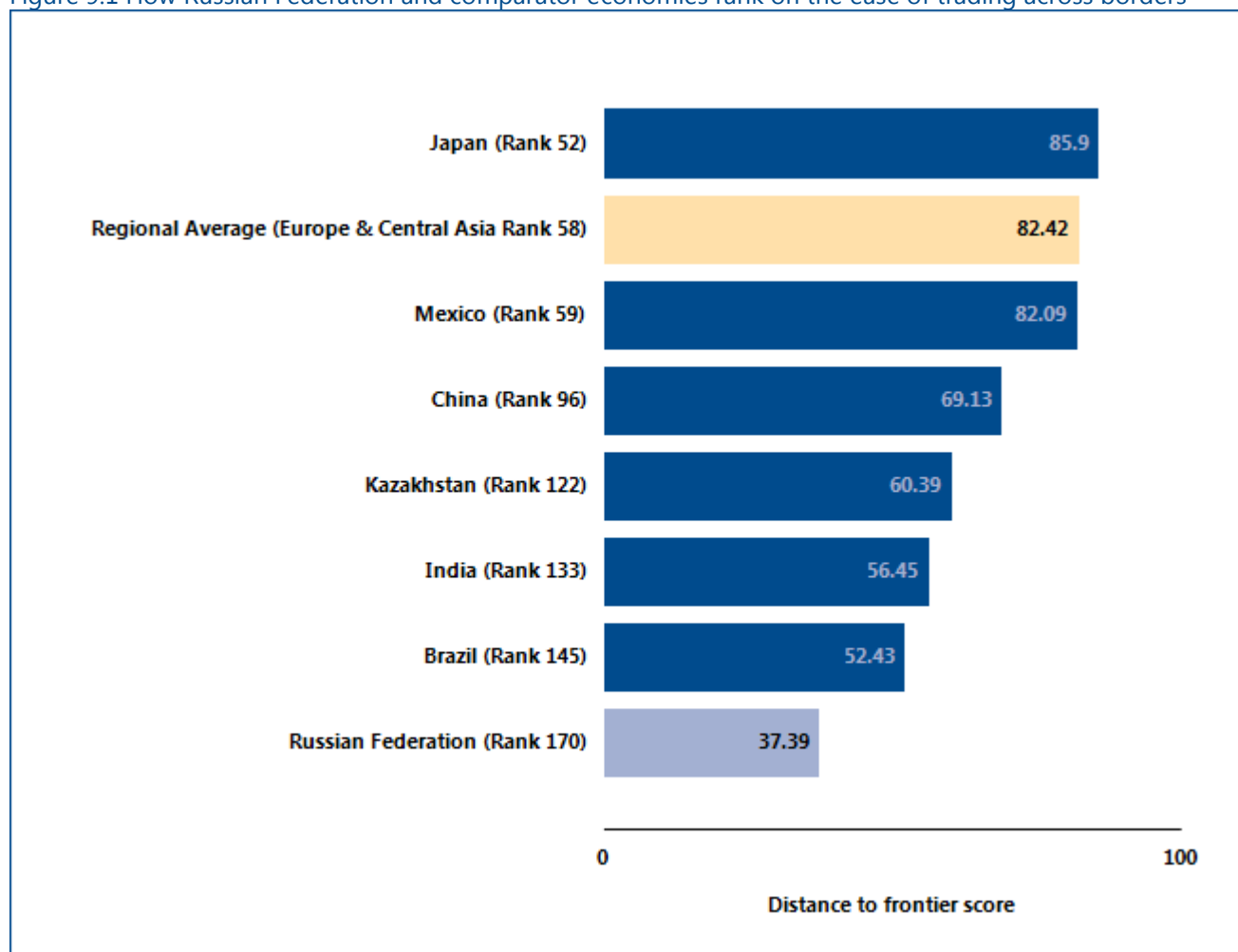
TRADING ACROSS BORDERS

Where does the economy stand today?

The Trading across Border indicator refers to a case study scenario of a warehouse in the largest business city of an economy (except for 11 economies for which the data are a population-weighted average of the 2 largest business cities) trading with the main import and export partner through the economy's main border crossing.

Globally, Russian Federation stands at 170 in the ranking of 189 economies on the ease of trading across borders (figure 9.1). For more information on distance to frontier and ease of doing business ranking, please see the Distance to frontier and ease of doing business ranking chapter.

Figure 9.1 How Russian Federation and comparator economies rank on the ease of trading across borders



Source: Doing Business database.

TRADING ACROSS BORDERS

In economies around the world, trading across borders as measured by *Doing Business* has become faster and easier over the years. Governments have introduced tools to facilitate trade—including single windows, risk-based inspections and electronic data interchange

systems. These changes help improve the trading environment and boost firms' international competitiveness. What trade reforms has *Doing Business* recorded in Russian Federation (table 9.1)?

Table 9.1 How has Russian Federation made trading across borders easier—or not?
By *Doing Business* report year from DB2011 to DB2016

DB year	Reform
DB2012	Russia made trading across borders easier by reducing the number of documents needed for each export or import transaction and lowering the associated cost.
DB2014	Russia made trading across borders easier by implementing an electronic system for submitting export and import documents and by reducing the number of physical inspections.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

TRADING ACROSS BORDERS

What are the details?

The indicators reported here for Russian Federation are based on a set of specific predefined procedures for trading a shipment of goods by the most widely used mode of transport (whether sea, land, air or some combination of these). The information on the time and cost to complete export and import is collected from local freight forwarders, customs brokers and traders.

LOCATION OF STANDARDIZED COMPANY

City: Moscow, Saint Petersburg

The details on the predefined set of procedures, and the associated time and cost, for exporting and importing a shipment of goods are listed in the summary below, along with the required documents.

Table 9.2 Summary of export and import time and cost for trading across borders in Russian Federation

	Moscow	Saint Petersburg	Europe & Central Asia
Time to export: Border compliance (hours)	96	96	28
Cost to export: Border compliance (USD)	1125	1125	219
Time to export: Documentary compliance (hours)	43	43	31
Cost to export: Documentary compliance (USD)	500	500	144
Time to import: Border compliance (hours)	96	96	23
Cost to import: Border compliance (USD)	1125	1125	202
Time to import: Documentary compliance (hours)	43	43	27
Cost to import: Documentary compliance (USD)	500	500	108

Source: Doing Business database.

Table 9.3 Summary of trading details, transport time and documents for trading across borders in Russian Federation

	Moscow		Saint Petersburg	
	Export	Import	Export	Import
Product	HS 72 : Iron and steel	HS 8708: Parts and accessories of motor vehicles	HS 72 : Iron and steel	HS 8708: Parts and accessories of motor vehicles
Trade partner	Italy	Germany	Italy	Germany
Domestic transport time (hours)	20	20	4	4
Domestic transport cost (USD)	958	958	246	246
Border	Saint Petersburg port	Saint Petersburg port	Saint Petersburg port	Saint Petersburg port
Distance (km)	724	724	8	8
Domestic transport speed (km/hour)	35.9	35.9	2.0	2.0
Domestic transport cost per distance (USD/km)	1.3	1.3	30.7	30.7

Source: Doing Business database.

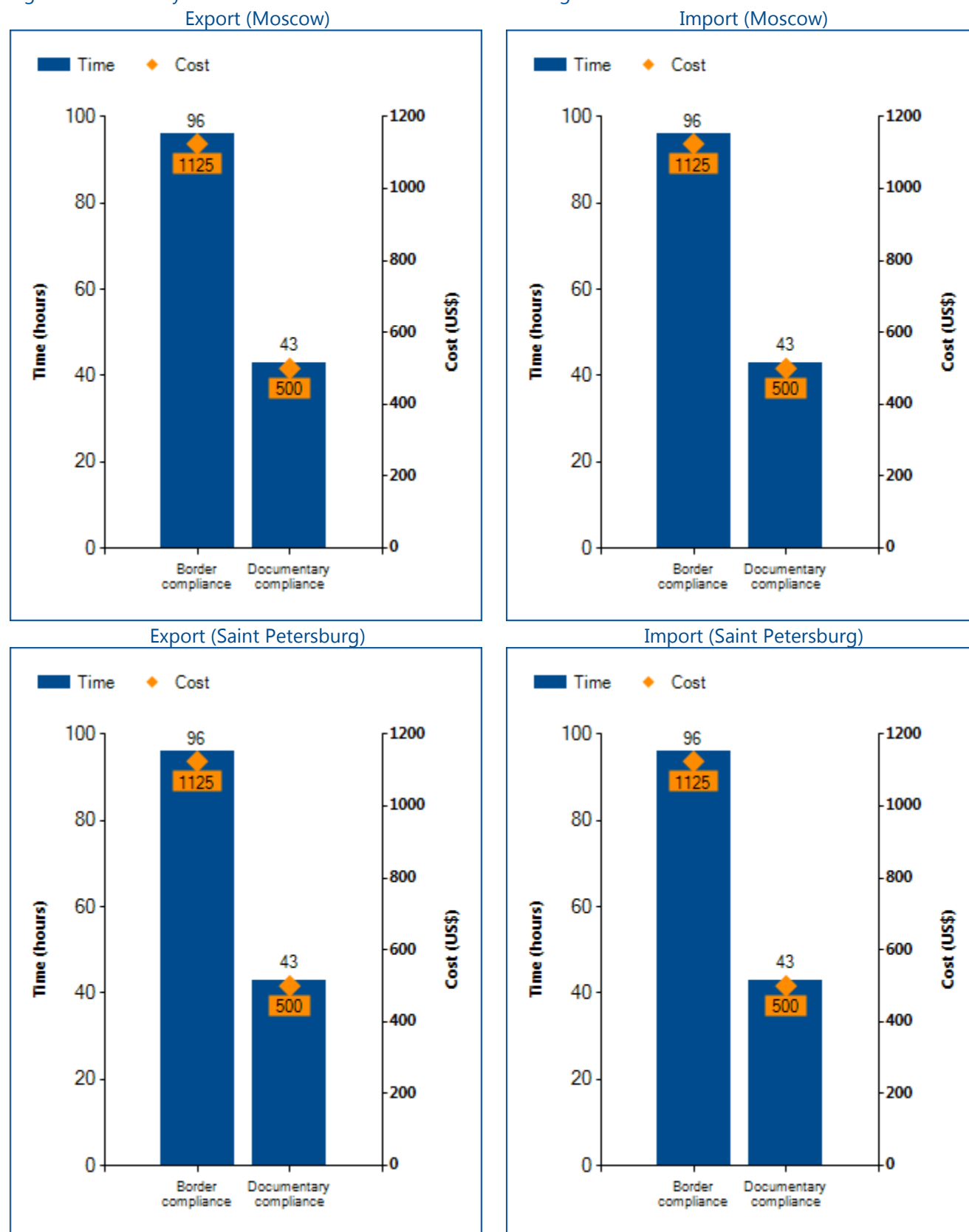
Documents to export
Acceptance order (priemnii akt)
Bill of lading (konosament)
Commercial invoice (schet-faktura)
Consignment note/ CMR waybill (tovarno-transportnaya nakladnaya)
Customs Export Declaration (tamojennaya deklaraciya)
Declaration of origin (Statement of manufacturer - zayavlenie proizvoditelya)/ Certificate of Origin
Export/loading order (eksportnoe/pogruzochnoe poruchenie)
Packing list (upakovochnii list)
Sales purchase contract (dogovor kupli-prodaji/kontrakt)
Documents to import
Acceptance order (priemo-sdatochnii order)

Bill of lading (konosament)
Certificate of conformity (sertifikat sootvetstviya)
Commercial invoice (schet-faktura)
Consignment note (tovarno-transportnaya nakladnaya)
Customs Import Declaration (tamojennaya deklaraciya)
Document of warehouse (dokument ucheta skalda)
Letter from the bank certifying opening of letter of credit (izveshenie/dokument banka podtverjdayushii otkritie akkreditiva)
Packing list (upakovochnii list)
Sales purchase contract (dogovor kupli-prodaji/kontrakt)

Source: *Doing Business* database.

Note: *Doing Business* continues to collect data on the number of documents needed to trade internationally. Unlike in previous years, however, these data are excluded from the calculation of the distance to frontier score and ranking. The time and cost for documentary compliance serve as better measures of the overall cost and complexity of compliance with documentary requirements than does the number of documents required.

Figure 9.2 Summary of Russian Federation on the ease of trading across borders



Source: Doing Business database.

ENFORCING CONTRACTS

Effective commercial dispute resolution has many benefits. Courts are essential for entrepreneurs because they interpret the rules of the market and protect economic rights. Efficient and transparent courts encourage new business relationships because businesses know they can rely on the courts if a new customer fails to pay. Speedy trials are essential for small enterprises, which may lack the resources to stay in business while awaiting the outcome of a long court dispute.

What do the indicators cover?

Doing Business measures the time and cost for resolving a standardized commercial dispute through a local first-instance court. In addition, this year it introduces a new measure, the quality of judicial processes index, evaluating whether each economy has adopted a series of good practices that promote quality and efficiency in the court system. This new index replaces the indicator on procedures, which was eliminated this year. The ranking of economies on the ease of enforcing contracts is determined by sorting their distance to frontier scores. These scores are the simple average of the distance to frontier scores for each of the component indicators.

The dispute in the case study involves the breach of a sales contract between 2 domestic businesses. The case study assumes that the court hears an expert on the quality of the goods in dispute. This distinguishes the case from simple debt enforcement. To make the data comparable across economies, *Doing Business* uses several assumptions about the case:

- The dispute concerns a lawful transaction between two businesses (Seller and Buyer), both located in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- The buyer orders custom-made goods, then fails to pay.

WHAT THE ENFORCING CONTRACTS INDICATORS MEASURE

Time required to enforce a contract through the courts (calendar days)

- Time to file and serve the case
- Time for trial and to obtain the judgment
- Time to enforce the judgment

Cost required to enforce a contract through the courts (% of claim)

- Attorney fees
- Court fees
- Enforcement fees

Quality of judicial processes index (0-18)

- Court structure and proceedings (0-5)
- Case management (0-6)
- Court automation (0-4)
- Alternative dispute resolution (0-3)

- The value of the dispute is 200% of the income per capita or the equivalent in local currency of USD 5,000, whichever is greater.
- The seller sues the buyer before the court with jurisdiction over commercial cases worth 200% of income per capita or \$5,000.
- The seller requests a pretrial attachment to secure the claim.
- The dispute on the quality of the goods requires an expert opinion.
- The judge decides in favor of the seller; there is no appeal.
- The seller enforces the judgment through a public sale of the buyer's movable assets.

ENFORCING CONTRACTS

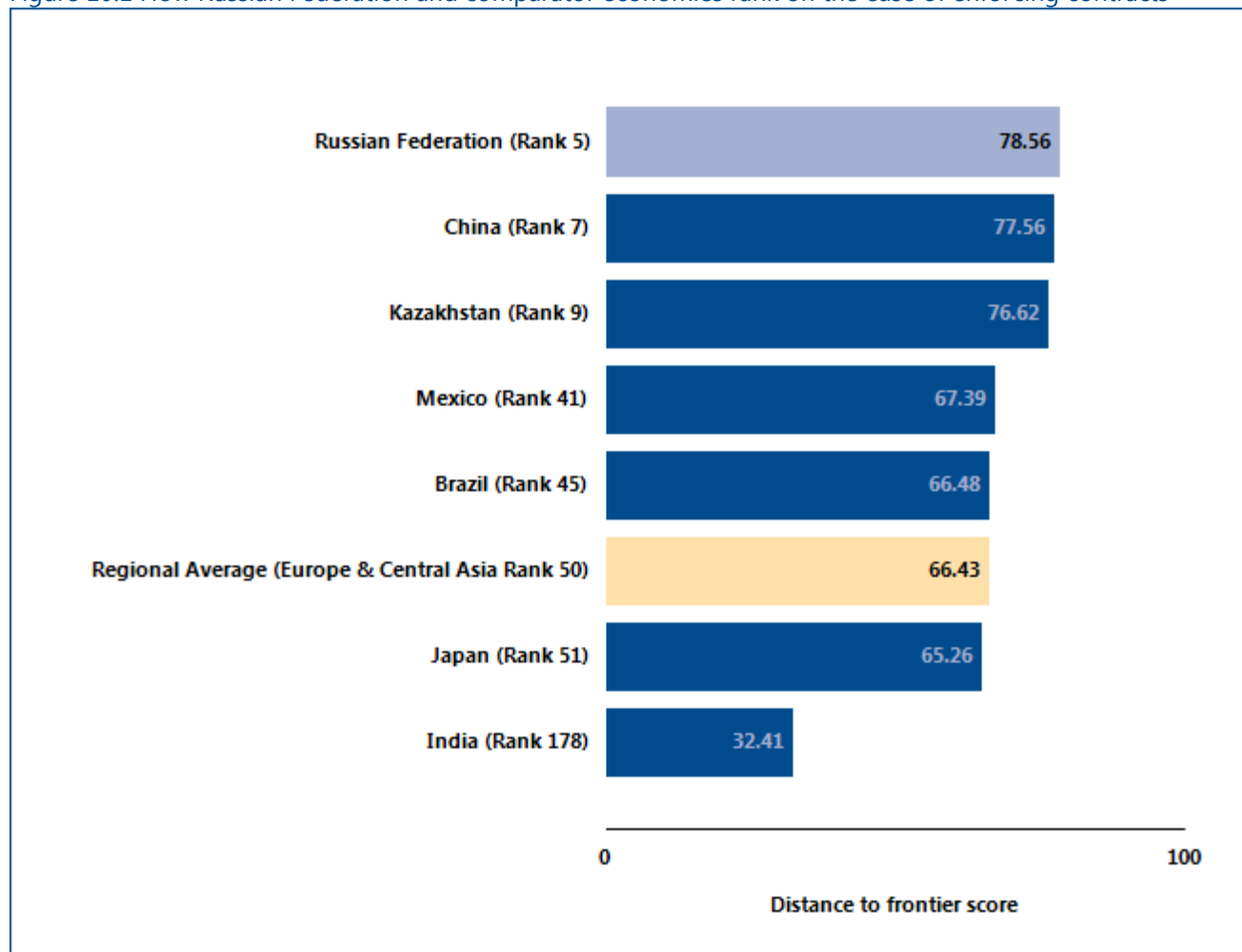
Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in Russian Federation? According to data collected by *Doing Business*, contract enforcement takes 307.00 days and costs 16.50% of the value of the claim. Most indicator sets refer to the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter

on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Globally, Russian Federation stands at 5 in the ranking of 189 economies on the ease of enforcing contracts (figure 10.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of contract enforcement in Russian Federation.

Figure 10.1 How Russian Federation and comparator economies rank on the ease of enforcing contracts



Source: *Doing Business* database.

ENFORCING CONTRACTS

Economies in all regions have improved contract enforcement in recent years. A judiciary can be improved in different ways. Higher-income economies tend to look for ways to enhance efficiency by introducing new technology. Lower-income economies often work on

reducing backlogs by introducing periodic reviews to clear inactive cases from the docket and by making contract enforcement faster. What reforms making it easier (or more difficult) to enforce contracts has *Doing Business* recorded in Russian Federation (table 10.1)?

Table 10.1 How has Russian Federation made enforcing contracts easier—or not?
By *Doing Business* report year from DB2011 to DB2016

DB year	Reform
DB2012	Russia made filing a commercial case easier by introducing an electronic case filing system.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

ENFORCING CONTRACTS

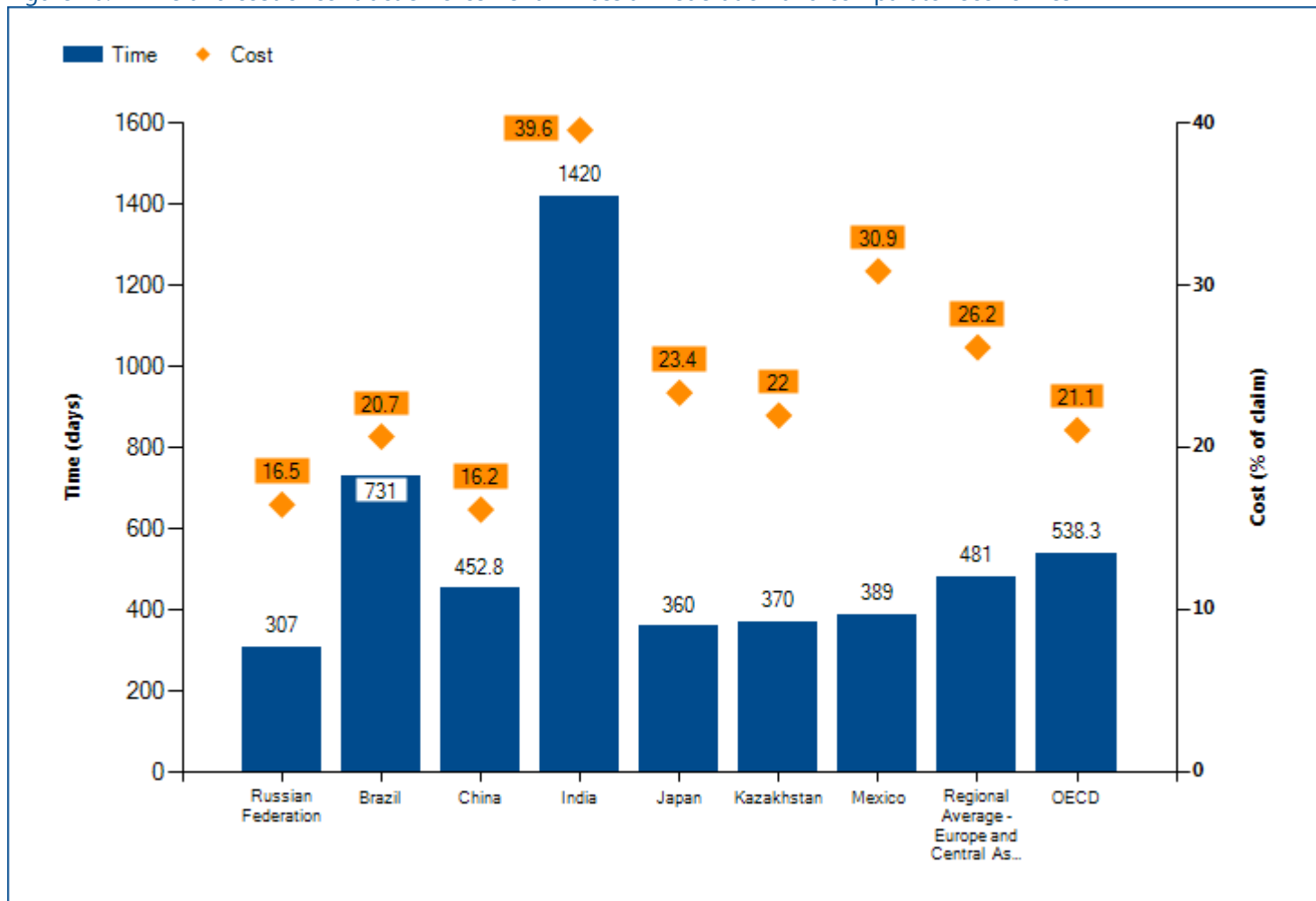
What are the details?

The data on time and cost reported here for Russian Federation are built by following the step-by-step evolution of a commercial sale dispute within the court, under the assumptions about the case described above (figure 10.2). The time and cost of resolving the standardized dispute are identified through study of the codes of civil procedure and other court regulations, as well as through questionnaires completed by local litigation lawyers (and, in a quarter of the economies covered by *Doing Business*, by judges as well).

ECONOMY DETAILS

Court name - Moscow:	Moscow Arbitrazh Court
Court name - Saint Petersburg:	Commercial (Arbitrazh) Court of St. Petersburg and Leningard
City:	Moscow, Saint Petersburg

Figure 10.2 Time and cost of contract enforcement in Russian Federation and comparator economies



Source: *Doing Business* database.

Table 10.2 Details on time and cost for enforcing contracts in Russian Federation

Indicator	Moscow	Saint Petersburg	Europe & Central Asia average
Time (days)	310.00	300.00	481
Filing and service	30.0	30.0	
Trial and judgment	160.0	150.0	
Enforcement of judgment	120.0	120.0	
Cost (% of claim)	15.00	20.00	26.2
Attorney fees (% of claim)	10.0	15.0	
Court fees (% of claim)	5.0	5.0	
Enforcement fees (% of claim)	0.0	0.0	

Source: Doing Business database.

ENFORCING CONTRACTS

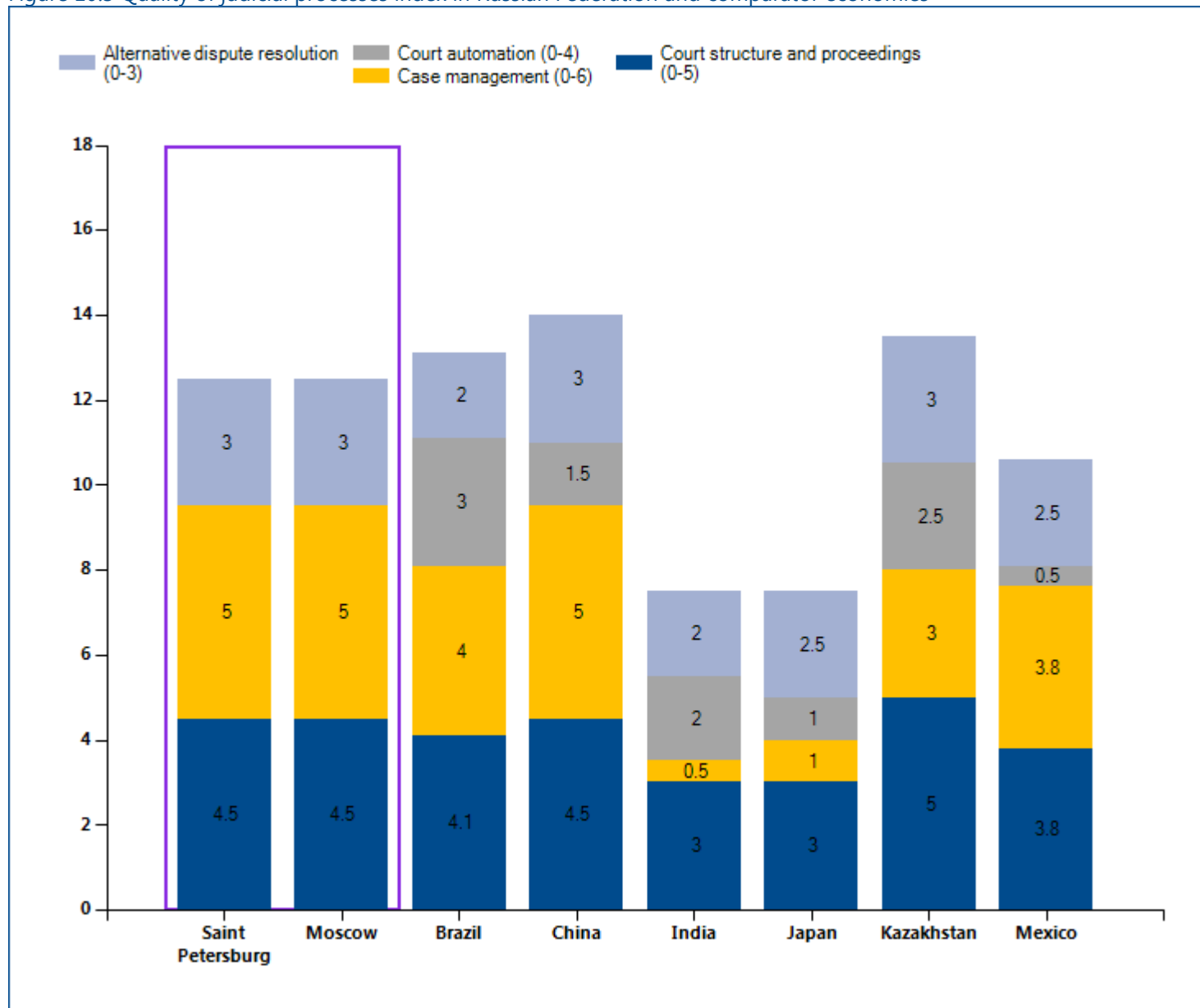
Quality of judicial processes index

The quality of judicial processes index measures whether each economy has adopted a series of good practices in its court system in four areas: court structure and proceedings, case management, court automation and alternative dispute resolution. The score on the quality of judicial processes index is the sum of the scores on these 4 sub-components. The index ranges from 0 to 18, with higher values indicating better, more efficient judicial processes.

The scores reported here show which of these good practices are available in Russian Federation.

This methodology was initially developed by Djankov and others (2003) and is adopted here with several changes. The quality of judicial processes index was introduced in *Doing Business 2016*. The good practices tested in this index were developed on the basis of internationally recognized good practices promoting judicial efficiency.

Figure 10.3 Quality of judicial processes index in Russian Federation and comparator economies



Source: Doing Business database.

Table 10.3 Details of the quality of judicial processes index in «dsGetData.Economy_Name»

	Answer (Moscow)	Score (Moscow)	Answer (Saint Petersburg)	Score (Saint Petersburg)
Quality of judicial processes index (0-18)		12.50		12.50
Court structure and proceedings (0-5)		4.5		4.5
1. Is there a court or division of a court dedicated solely to hearing commercial cases?	Yes	1.5	Yes	1.5
2. Small claims court		1.5		1.5
2.a. Is there a small claims court or a fast-track procedure for small claims?	Yes		Yes	
2.b. If yes, is self-representation allowed?	Yes		Yes	
3. Is pretrial attachment available?	Yes	1.0	Yes	1.0
4. Are new cases assigned randomly to judges?	Yes	0.5	Yes	0.5
Case management (0-6)		5.0		5.0
1. Time standards		1.0		1.0
1.a. Are there laws setting overall time standards for key court events in a civil case?	Yes		Yes	
1.b. If yes, are the time standards set for at least three court events?	Yes		Yes	
1.c. Are these time standards respected in more than 50% of cases?	Yes		Yes	
2. Adjournments		0.0		0.0
2.a. Does the law regulate the maximum number of adjournments that can be granted?	No		No	
2.b. Are adjournments limited to unforeseen and exceptional circumstances?	No		No	
2.c. If rules on adjournments exist, are they respected in more than 50% of cases?	n.a.		n.a.	
3. Can two of the following four reports be generated about the competent court: (i) time to disposition report; (ii) clearance rate report; (iii) age of pending cases report; and (iv) single case progress report?	Yes	1.0	Yes	1.0
4. Is a pretrial conference among the case management techniques used before the competent court?	Yes	1.0	Yes	1.0

	Answer (Moscow)	Score (Moscow)	Answer (Saint Petersburg)	Score (Saint Petersburg)
5. Are there any electronic case management tools in place within the competent court for use by judges?	Yes	1.0	Yes	1.0
6. Are there any electronic case management tools in place within the competent court for use by lawyers?	Yes	1.0	Yes	1.0
Court automation (0-4)		0.0		0.0
1. Can the initial complaint be filed electronically through a dedicated platform within the competent court?	No	0.0	No	0.0
2. Is it possible to carry out service of process electronically for claims filed before the competent court?	No	0.0	No	0.0
3. Can court fees be paid electronically within the competent court?	No	0.0	No	0.0
4. Publication of judgments		0.0		0.0
4.a Are judgments rendered in commercial cases at all levels made available to the general public through publication in official gazettes, in newspapers or on the internet or court website?	No		No	
4.b. Are judgments rendered in commercial cases at the appellate and supreme court level made available to the general public through publication in official gazettes, in newspapers or on the internet or court website?	No		No	
Alternative dispute resolution (0-3)		3.0		3.0
1. Arbitration		1.5		1.5
1.a. Is domestic commercial arbitration governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all its aspects?	Yes		Yes	
1.b. Are there any commercial disputes—aside from those that deal with public order or public policy—that cannot be submitted to arbitration?	No		No	
1.c. Are valid arbitration clauses or agreements usually enforced by the courts?	Yes		Yes	
2. Mediation/Conciliation		1.5		1.5
2.a. Is voluntary mediation or conciliation available?	Yes		Yes	

	Answer (Moscow)	Score (Moscow)	Answer (Saint Petersburg)	Score (Saint Petersburg)
2.b. Are mediation, conciliation or both governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all their aspects?	Yes		Yes	
2.c. Are there financial incentives for parties to attempt mediation or conciliation (i.e., if mediation or conciliation is successful, a refund of court filing fees, income tax credits or the like)?	Yes		Yes	

Source: Doing Business database.

RESOLVING INSOLVENCY

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in the speedy return of businesses to normal operation and increase returns to creditors. By clarifying the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses and sustainably grow the economy.

What do the indicators cover?

Doing Business studies the time, cost and outcome of insolvency proceedings involving domestic legal entities. These variables are used to calculate the recovery rate, which is recorded as cents on the dollar recovered by secured creditors through reorganization, liquidation or debt enforcement (foreclosure or receivership) proceedings. To determine the present value of the amount recovered by creditors, *Doing Business* uses the lending rates from the International Monetary Fund, supplemented with data from central banks and the Economist Intelligence Unit.

In addition, *Doing Business* evaluates the adequacy and integrity of the existing legal framework applicable to liquidation and reorganization proceedings through the strength of insolvency framework index. The index tests whether economies adopted internationally accepted good practices in four areas: commencement of proceedings, management of debtor's assets, reorganization proceedings and creditor participation.

The ranking of economies on the ease of resolving insolvency is determined by sorting their distance to frontier scores for resolving insolvency. These scores are the simple average of the distance to frontier scores for the recovery rate and the strength of insolvency framework index. The Resolving Insolvency indicator does not measure insolvency proceedings of individuals and financial institutions. The data are derived from questionnaire responses by local insolvency practitioners and verified through a study of laws and regulations as well as public information on bankruptcy systems.

WHAT THE RESOLVING INSOLVENCY INDICATORS MEASURE

Time required to recover debt (years)

Measured in calendar years

Appeals and requests for extension are included

Cost required to recover debt (% of debtor's estate)

Measured as percentage of estate value

Court fees

Fees of insolvency administrators

Lawyers' fees

Assessors' and auctioneers' fees

Other related fees

Outcome

Whether business continues operating as a going concern or business assets are sold piecemeal

Recovery rate for creditors

Measures the cents on the dollar recovered by secured creditors

Outcome for the business (survival or not) determines the maximum value that can be recovered

Official costs of the insolvency proceedings are deducted

Depreciation of furniture is taken into account

Present value of debt recovered

Strength of insolvency framework index (0-16)

Sum of the scores of four component indices:

Commencement of proceedings index (0-3)

Management of debtor's assets index (0-6)

Reorganization proceedings index (0-3)

Creditor participation index (0-4)

RESOLVING INSOLVENCY

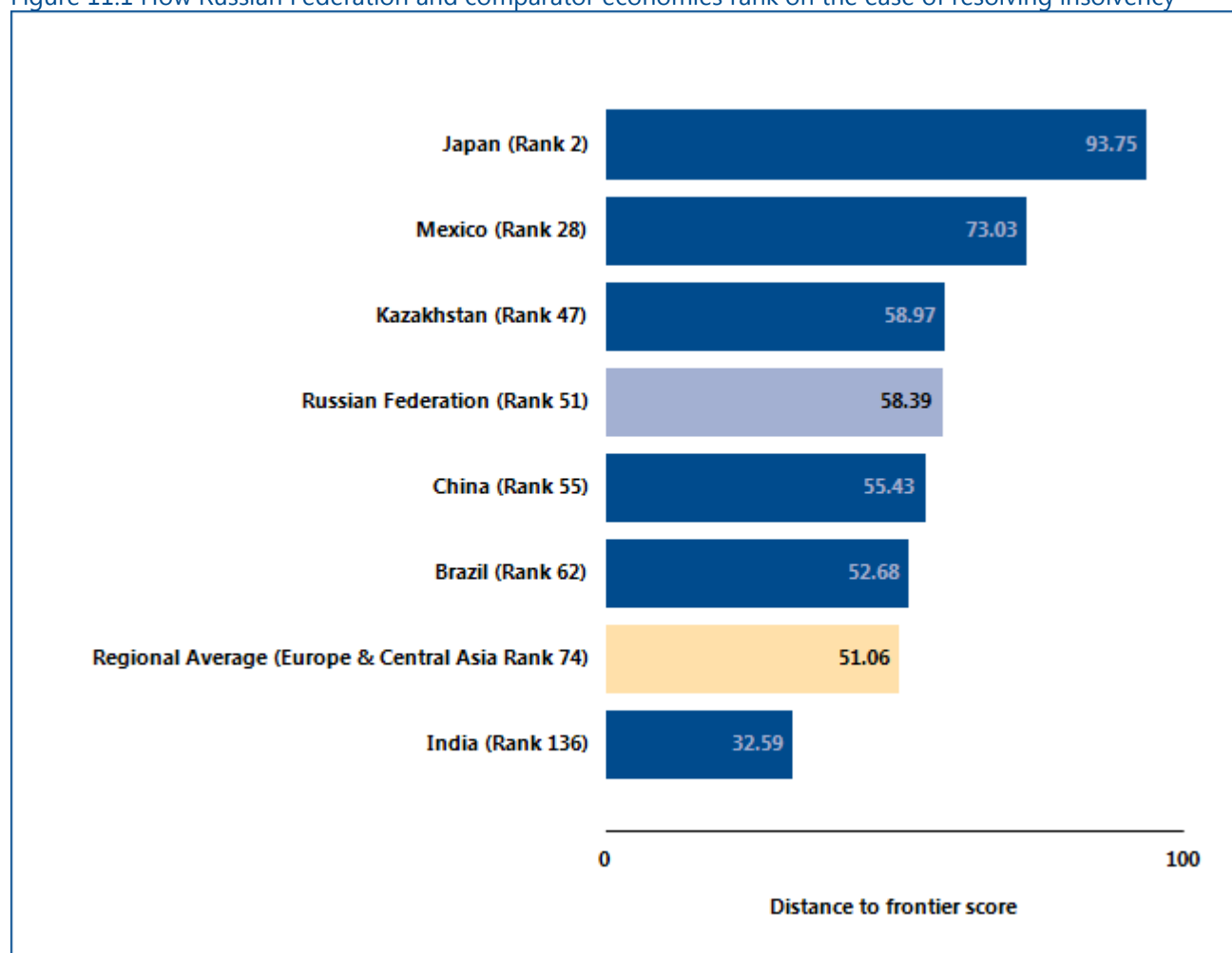
Where does the economy stand today?

According to data collected by *Doing Business*, resolving insolvency takes 2.00 years on average and costs 9.00% of the debtor's estate. The average recovery rate is 41.70 cents on the dollar. Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities.

Globally, Russian Federation stands at 51 in the ranking of 189 economies on the ease of resolving insolvency

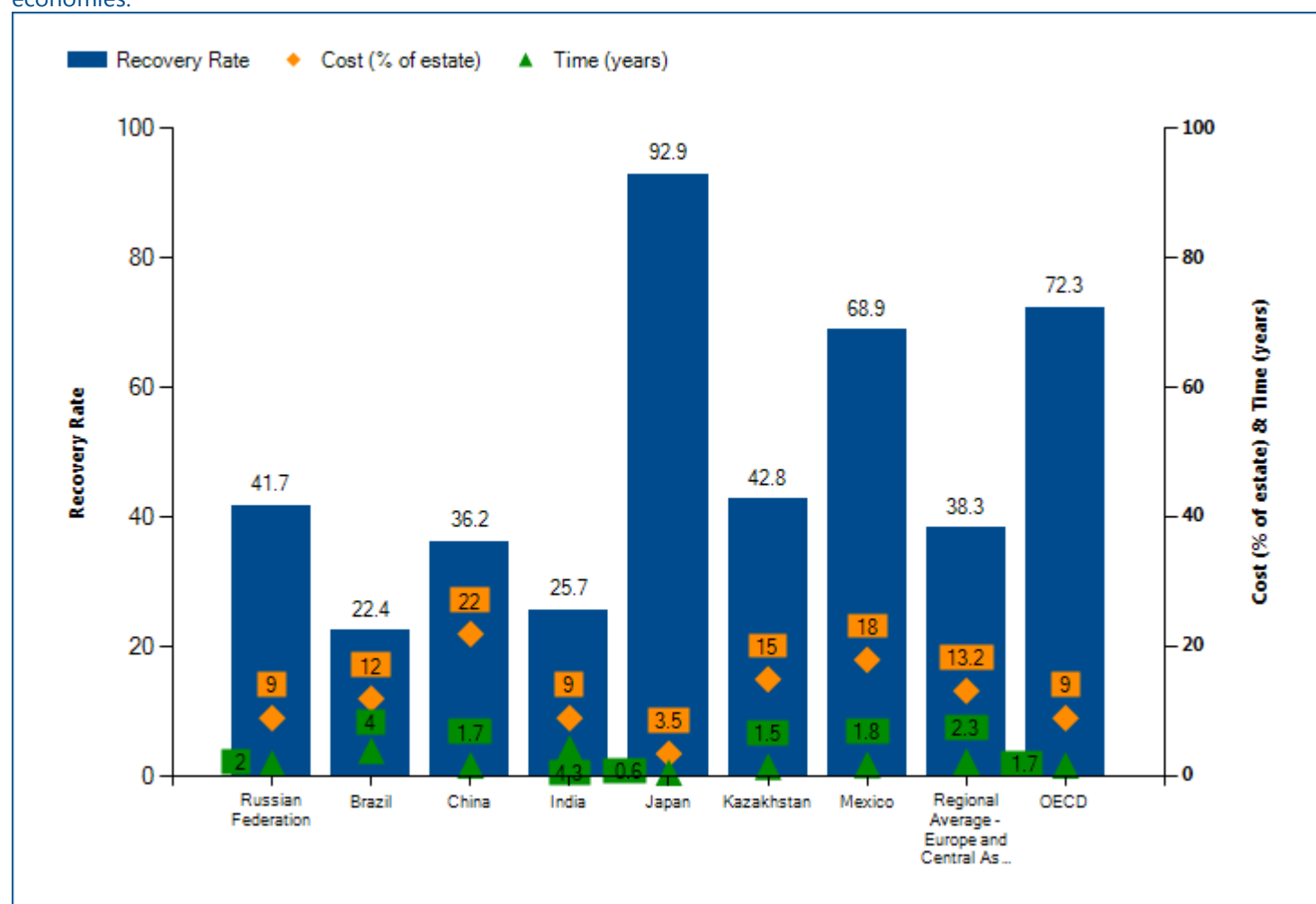
(figure 11.1). The resolving insolvency indicators are based on detailed information collected through questionnaires completed by insolvency experts, including lawyers, practitioners (administrators, trustees), accountants and judges. Data on the time, cost and outcome refer to the most likely in-court insolvency procedure applicable under specific case study assumptions. Data on provisions applicable to judicial liquidation and reorganization is based on the current law governing insolvency proceedings in each economy.

Figure 11.1 How Russian Federation and comparator economies rank on the ease of resolving insolvency



Source: *Doing Business* database.

Figure 11.2 Efficiency of proceedings - time, cost and recovery rate in Russian Federation and comparator economies.



Source: Doing Business database.

Note: The recovery rate is calculated based on the time, cost and outcome of insolvency proceedings involving domestic legal entities and is recorded as cents on the dollar recovered by secured creditors. The calculation takes into account the outcome: whether the business emerges from the proceedings as a going concern or the assets are sold piecemeal. Then the costs of the proceedings are deducted. Finally, the value lost as a result of the time the money remains tied up in insolvency proceedings is taken into account. The recovery rate is the present value of the remaining proceeds, based on end-2014 lending rates.

Table 11.1 Summary of data for the strength of insolvency framework index Russian Federation

		Answer	Explanation
Proceeding	Moscow, Saint Petersburg	liquidation	In accordance with Art. 9 of the Law on Insolvency (Bankruptcy), the management of Mirage must petition the court to declare the company bankrupt within 1 month of failing to pay the Bank's claims. The court will institute a supervisory procedure and will appoint a temporary administrator. Temporary administrator will convene the first creditors' meeting, where the creditors will decide whether to petition the court for liquidation or reorganization. Under the case study assumptions, creditors, most likely, will choose the liquidation procedure, because it is not likely that other procedures can lead to restoration of the debtor's solvency. On the contrary, in liquidation, the bank can partially satisfy its claims.
Outcome	Moscow, Saint Petersburg	piecemeal sale	Despite the fact that the value of the business will be higher if it is sold as a going concern, it will be difficult to find a buyer willing to purchase all the assets as a whole.
Time (in years)	Moscow, Saint Petersburg	2.0	In accordance with Article 51 of the Law on Insolvency (Bankruptcy), a bankruptcy case must be considered within 7 months of the day the petition was received by the arbitrazh court. Liquidation proceedings by law are limited to 6 months and can be extended by 6 more months (art. 124 of the Law on Insolvency (Bankruptcy)). Therefore, the time dictated by law is 19 months. However, in practice, liquidation proceedings are extended more than once and for longer periods. One reason for extension, for example, is that not all mechanisms were used to collect on the debt, and court decisions on this issue become effective only after appeals. Additionally, time is needed to execute judicial acts.
Cost (% of estate)	Moscow, Saint Petersburg	9.0	Total cost of the insolvency proceedings will be around 9% of the value of the estate, including: - Fees of attorneys will be around RUB 1,000,000 - Fees of temporary insolvency representative for the supervisory period (for 8 months) will be RUB 733,663. - Fees of insolvency representative during liquidation proceedings (for 16 months) will be RUB 1,202,057. - Payments for services of professionals hired by insolvency representatives (accountants, assessors) will be around RUB 1,000,000. - Other current expenses for insolvency proceedings (not counting expenses necessary to upkeep the assets of the debtor) will be around RUB 20,000 (publication of announcements, mailing fees, etc).
Recovery rate, Moscow: 41.3 cents on the dollar			
Recovery rate, Saint Petersburg: 42.7 cents on the dollar			

Source: Doing Business database.

RESOLVING INSOLVENCY

A well-balanced bankruptcy system distinguishes companies that are financially distressed but economically viable from inefficient companies that should be liquidated. But in some insolvency systems even viable businesses are liquidated. This is starting to

change. Many recent reforms of bankruptcy laws have been aimed at helping more of the viable businesses survive. What insolvency reforms has *Doing Business* recorded in Russian Federation (table 11.2)?

Table 11.2 How has Russian Federation made resolving insolvency easier—or not?
By *Doing Business* report year from DB2011 to DB2016

DB year	Reform
DB2011	Russia introduced a series of legislative measures in 2009 to improve creditor rights and the insolvency system.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

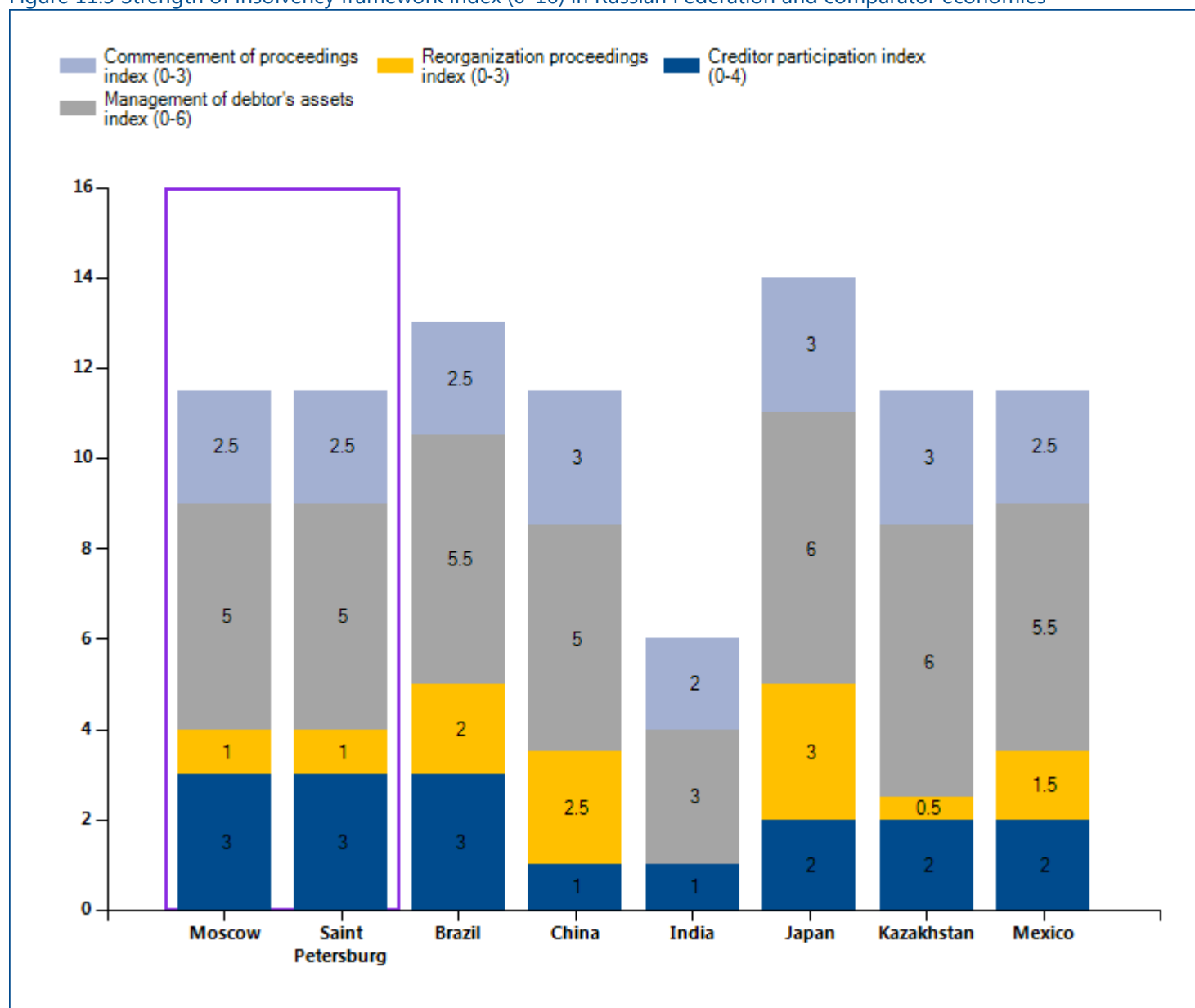
RESOLVING INSOLVENCY

Strength of resolving insolvency index

The strength of insolvency framework index is the sum of the scores on the commencement of proceedings index, management of debtor's assets index, reorganization proceedings index and creditor participation index. The index ranges from 0 to 16,

with higher values indicating insolvency legislation that is better designed for rehabilitating viable firms and liquidating nonviable ones. Russian Federation scores 11.50 out of 16 on the strength of resolving insolvency index.

Figure 11.3 Strength of insolvency framework index (0-16) in Russian Federation and comparator economies



Source: Doing Business database.

Note: Even if the economy's legal framework includes provisions related to insolvency proceedings (liquidation or reorganization), the economy receives 0 points for the strength of insolvency framework index, if time, cost and outcome indicators are recorded as "no practice".

Table 11.3 Summary of data for the strength of insolvency framework index Russian Federation

	Answer (Moscow)	Score (Moscow)	Answer (Saint Petersburg)	Score (Saint Petersburg)
Strength of insolvency framework index (0-16)		11.50		11.50
Commencement of proceedings index (0-3)		2.50		2.50
What procedures are available to a DEBTOR when commencing insolvency proceedings?	(a) Debtor may file for both liquidation and reorganization	1.0	(a) Debtor may file for both liquidation and reorganization	1.0
Does the insolvency framework allow a CREDITOR to file for insolvency of the debtor?	(b) Yes, but a creditor may file for liquidation only	0.5	(b) Yes, but a creditor may file for liquidation only	0.5
What basis for commencement of the insolvency proceedings is allowed under the insolvency framework?	(a) Debtor is generally unable to pay its debts as they mature	1.0	(a) Debtor is generally unable to pay its debts as they mature	1.0
Management of debtor's assets index (0-6)		5.00		5.00
Does the insolvency framework allow the continuation of contracts supplying essential goods and services to the debtor?	No	0.0	No	0.0
Does the insolvency framework allow the rejection by the debtor of overly burdensome contracts?	Yes	1.0	Yes	1.0
Does the insolvency framework allow avoidance of preferential transactions?	Yes	1.0	Yes	1.0
Does the insolvency framework allow avoidance of undervalued transactions?	Yes	1.0	Yes	1.0
Does the insolvency framework provide for the possibility of the debtor obtaining credit after commencement of insolvency proceedings?	Yes	1.0	Yes	1.0
Does the insolvency framework assign priority to post-commencement credit?	(b) Yes over ordinary unsecured	1.0	(b) Yes over ordinary unsecured	1.0

	Answer (Moscow)	Score (Moscow)	Answer (Saint Petersburg)	Score (Saint Petersburg)
	creditors but not over secured creditors		creditors but not over secured creditors	
Reorganization proceedings index (0-3)		1.00		1.00
Which creditors vote on the proposed reorganization plan?	(b) Only creditors whose rights are affected by the proposed plan	1.0	(b) Only creditors whose rights are affected by the proposed plan	1.0
Does the insolvency framework require that dissenting creditors in reorganization receive at least as much as what they would obtain in a liquidation?	No	0.0	No	0.0
Are the creditors divided into classes for the purposes of voting on the reorganization plan, does each class vote separately and are creditors in the same class treated equally?	No	0.0	No	0.0
Creditor participation index (0-4)		3.00		3.00
Does the insolvency framework require approval by the creditors for selection or appointment of the insolvency representative?	Yes	1.0	Yes	1.0
Does the insolvency framework require approval by the creditors for sale of substantial assets of the debtor?	Yes	1.0	Yes	1.0
Does the insolvency framework provide that a creditor has the right to request information from the insolvency representative?	No	0.0	No	0.0
Does the insolvency framework provide that a creditor has the right to object to decisions accepting or rejecting creditors' claims?	Yes	1.0	Yes	1.0

Source: Doing Business database.

LABOR MARKET REGULATION

Doing Business has historically studied the flexibility of regulation of employment, specifically as it relates to the areas of hiring, working hours and redundancy. This year *Doing Business* has expanded the scope of the labor market regulation indicators by adding 16 new questions, most of which focus on measuring job quality.

Over the period from 2007 to 2011 improvements were made to align the methodology for the labor market regulation indicators (formerly the employing workers indicators) with the letter and spirit of the International Labour Organization (ILO) conventions. Ten of the 189 ILO conventions cover areas now measured by *Doing Business* (up from four previously): employee termination, weekend work, holiday with pay, night work, protection against unemployment, sickness benefits, maternity protection, working hours, equal remuneration and labor inspections.

Between 2009 and 2011 the World Bank Group worked with a consultative group—including labor lawyers, employer and employee representatives, and experts from the ILO, the Organisation for Economic Co-operation and Development (OECD), civil society and the private sector—to review the methodology for the labor market regulation indicators and explore future areas of research.

A full report with the conclusions of the consultative group, along with the methodology it proposed, is available on the *Doing Business* website at: <http://www.doingbusiness.org/methodology/labor-market-regulation>.

Doing Business 2016 presents the data for the labor market regulation indicators in an annex. The report does not present rankings of economies on these indicators or include the topic in the aggregate distance to frontier score or ranking on the ease of doing business. Detailed data collected on labor market regulation are available on the *Doing Business* website (<http://www.doingbusiness.org>). The data on labor market regulation are based on a detailed questionnaire on employment regulations that is completed by local lawyers and public officials. Employment laws and

regulations as well as secondary sources are reviewed to ensure accuracy.

To make the data comparable across economies, several assumptions about the worker and the business are used.

The worker:

- Is a cashier in a supermarket or grocery store, age 19, with one year of work experience.
- Is a full-time employee.
- Is not a member of the labor union, unless membership is mandatory.

The business:

- Is a limited liability company (or the equivalent in the economy).
- Operates a supermarket or grocery store in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Has 60 employees.
- Is subject to collective bargaining agreements if such agreements cover more than 50% of the food retail sector and they apply even to firms that are not party to them.
- Abides by every law and regulation but does not grant workers more benefits than those mandated by law, regulation or (if applicable) collective bargaining agreements.

LABOR MARKET REGULATION

What are the details?

The data reported here for Russian Federation are based on a detailed survey of labor market regulation that is completed by local lawyers and public officials.

Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy.

Hiring

Data on hiring cover five areas: (i) whether fixed-term contracts are prohibited for permanent tasks; (ii) the maximum cumulative duration of fixed-term contracts; (iii) the minimum wage for a cashier, age 19, with one year of work experience; (iv) the ratio of the minimum

wage to the average value added per worker (the ratio of an economy's GNI per capita to the working-age population as a percentage of the total population), and (v) the availability of incentives for employers to hire employees under the age of 25*.

Hiring	Moscow Data	Saint Petersburg Data
Fixed-term contracts prohibited for permanent tasks?	Yes	Yes
Maximum length of a single fixed-term contract (months)	60 months	60 months
Maximum length of fixed-term contracts, including renewals (months)	60.0	60.0
Minimum wage applicable to the worker assumed in the case study (US\$/month)	420.7	264.9
Ratio of minimum wage to value added per worker	0.3	0.2
Incentives for employing workers under age 25?	No	No

Source: *Doing Business* database.

*A new question introduced in the *Doing Business 2016* report for the first time.

LABOR MARKET REGULATION

Working hours

Data on working hours cover nine areas: (i) the maximum number of working days allowed per week; (ii) the premium for night work (as a percentage of hourly pay); (iii) the premium for work on a weekly rest day (as a percentage of hourly pay); (iv) the premium for overtime work (as a percentage of hourly pay)*; (v) whether there are restrictions on night work; (vi) whether nonpregnant

and nonnursing women can work the same night hours as men*; (vii) whether there are restrictions on weekly holiday work; (viii) whether there are restrictions on overtime work*; and (ix) the average paid annual leave for workers with 1 year of tenure, 5 years of tenure, and 10 years of tenure.

Working Hours	Moscow Data	Saint Petersburg Data
Maximum number of working days per week	6.0	6.0
Premium for night work (% of hourly pay)	20.0	20.0
Premium for work on weekly rest day (% of hourly pay)	100.0	100.0
Premium for overtime work (% of hourly pay)	50.0	50.0
Restrictions on night work?	0.0	0.0
Whether nonpregnant and nonnursing women can work the same night hours as men	Yes	Yes
Restrictions on weekly holiday?	1.0	1.0
Restrictions on overtime work?	No	No
Paid annual leave for a worker with 1 year of tenure (working days)	22.0	22.0
Paid annual leave for a worker with 5 years of tenure (working days)	22.0	22.0
Paid annual leave for a worker with 10 years of tenure (working days)	22.0	22.0
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	22.0	22.0

Source: *Doing Business* database.

*A new question introduced in the *Doing Business 2016* report for the first time.

LABOR MARKET REGULATION

Redundancy rules

Data on redundancy cover nine areas: (i) the length of the maximum probationary period (in months) for permanent employees; (ii) whether redundancy is allowed as a basis for terminating workers; (iii) whether the employer needs to notify a third party (such as a government agency) to terminate one redundant worker; (iv) whether the employer needs to notify a third party to terminate a group of nine redundant workers; (v)

whether the employer needs approval from a third party to terminate one redundant worker; (vi) whether the employer needs approval from a third party to terminate a group of nine redundant workers; (vii) whether the law requires the employer to reassign or retrain a worker before making the worker redundant; (viii) whether priority rules apply for redundancies; and (ix) whether priority rules apply for reemployment.

Difficulty of redundancy index	Moscow Data	Saint Petersburg Data
Maximum length of probationary period (months)	3.0	3.0
Dismissal due to redundancy allowed by law?	Yes	Yes
Third-party notification if one worker is dismissed?	Yes	Yes
Third-party approval if one worker is dismissed?	No	No
Third-party notification if nine workers are dismissed?	Yes	Yes
Third-party approval if nine workers are dismissed?	No	No
Retraining or reassignment obligation before redundancy?	Yes	Yes
Priority rules for redundancies?	Yes	Yes
Priority rules for reemployment?	No	No

Source: Doing Business database.

LABOR MARKET REGULATION

Redundancy cost

Redundancy cost measures the cost of advance notice requirements and severance payments due when terminating a redundant worker, expressed in weeks of salary. The average value of notice requirements and

severance payments applicable to a worker with 1 year of tenure, a worker with 5 years and a worker with 10 years is considered. One month is recorded as 4 and 1/3 weeks.

Redundancy cost indicator (in salary weeks)	Moscow Data	Saint Petersburg Data
Notice period for redundancy dismissal for a worker with 1 year of tenure	8.7	8.7
Notice period for redundancy dismissal for a worker with 5 years of tenure	8.7	8.7
Notice period for redundancy dismissal for a worker with 10 years of tenure	8.7	8.7
Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	8.7	8.7
Severance pay for redundancy dismissal for a worker with 1 year of tenure	8.7	8.7
Severance pay for redundancy dismissal for a worker with 5 years of tenure	8.7	8.7
Severance pay for redundancy dismissal for a worker with 10 years of tenure	8.7	8.7
Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	8.7	8.7

Source: Doing Business database.

LABOR MARKET REGULATION

Job quality

Doing Business 2016 report presents, for the first time, data on 12 job quality areas: (i) whether the law mandates equal remuneration for work of equal value; (ii) whether the law mandates nondiscrimination based on gender in hiring, (iii) whether the law mandates paid or unpaid maternity leave; (iv) the minimum length of maternity leave in calendar days (minimum number of days that legally have to be paid by the government, the employer or both); (v) whether employees on maternity leave receive 100 % of wages; (vi) the availability of five fully paid days of sick leave a year; (vii) the availability of

on-the-job training at no cost to the employee; (viii) whether a worker is eligible for an unemployment protection scheme after one year of service; (ix) the minimum duration of the contribution period (in months) required for unemployment protection; (x) whether an employee can create or join a union; (xi) the availability of administrative or judicial relief in case of infringement of employees' rights; and (xii) the availability of a labor inspection system. If no maternity leave is mandated by law, parental leave is measured if applicable.

Job Quality	Moscow Data	Saint Petersburg Data
Equal remuneration for work of equal value?	No	No
Gender nondiscrimination in hiring?	No	No
Paid or unpaid maternity leave mandated by law?	Yes	Yes
Minimum length of maternity leave (calendar days)?	140.0	140.0
Receive 100% of wages on maternity leave?	Yes	Yes
Five fully paid days of sick leave a year?	Yes	Yes
On-the-job training?	No	No
Unemployment protection after one year of employment?	Yes	Yes
Minimum contribution period for unemployment protection (months)?	0.0	0.0
Can employee create or join union?	Yes	Yes
Administrative or judicial relief for infringement of employees' rights?	Yes	Yes
Labor inspection system?	Yes	Yes

Source: *Doing Business* database.

DISTANCE TO FRONTIER AND EASE OF DOING BUSINESS RANKING

Doing Business presents results for two aggregate measures: the distance to frontier score and the ease of doing business ranking, which is based on the distance to frontier score. The ease of doing business ranking compares economies with one another; the distance to frontier score benchmarks economies with respect to regulatory best practice, showing the absolute distance to the best performance on each *Doing Business* indicator. When compared across years, the distance to frontier score shows how much the regulatory environment for local entrepreneurs in an economy has changed over time in absolute terms, while the ease of doing business ranking can show only how much the regulatory environment has changed relative to that in other economies.

Distance to Frontier

The distance to frontier score captures the gap between an economy's performance and a measure of best practice across the entire sample of 36 indicators for 10 *Doing Business* topics (the labor market regulation indicators are excluded). For starting a business, for example, the former Yugoslav Republic of Macedonia and New Zealand have the smallest number of procedures required (1), and New Zealand the shortest time to fulfill them (0.5 days). Slovenia has the lowest cost (0.0), and Australia, Colombia and 103 other economies have no paid-in minimum capital requirement (table 14.1 in the *Doing Business 2016* report).

Calculation of the distance to frontier score

Calculating the distance to frontier score for each economy involves two main steps. In the first step individual component indicators are normalized to a common unit where each of the 36 component indicators y (except for the total tax rate) is rescaled using the linear transformation $(\text{worst} - y)/(\text{worst} - \text{frontier})$. In this formulation the frontier represents the best performance on the indicator across all economies since 2005 or the third year in which data for the indicator were collected. Both the best performance and the worst performance are established every five years based on the *Doing Business* data for the year in which they are established, and remain at that level for the five years regardless of any changes in data in interim years. Thus an economy may set the frontier for an indicator

even though it is no longer at the frontier in a subsequent year.

For scores such as those on the strength of legal rights index or the quality of land administration index, the frontier is set at the highest possible value. For the total tax rate, consistent with the use of a threshold in calculating the rankings on this indicator, the frontier is defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis up to and including *Doing Business 2015*. For the time to pay taxes the frontier is defined as the lowest time recorded among all economies that levy the three major taxes: profit tax, labor taxes and mandatory contributions, and value added tax (VAT) or sales tax. For the different times to trade across borders, the frontier is defined as 1 hour even though in many economies the time is less than that.

In the same formulation, to mitigate the effects of extreme outliers in the distributions of the rescaled data for most component indicators (very few economies need 700 days to complete the procedures to start a business, but many need 9 days), the worst performance is calculated after the removal of outliers. The definition of outliers is based on the distribution for each component indicator. To simplify the process two rules were defined: the 95th percentile is used for the indicators with the most dispersed distributions (including minimum capital, number of payments to pay taxes, and the time and cost indicators), and the 99th percentile is used for number of procedures. No outlier is removed for component indicators bound by definition or construction, including legal index scores (such as the depth of credit information index, extent of conflict of interest regulation index and strength of insolvency framework index) and the recovery rate.

In the second step for calculating the distance to frontier score, the scores obtained for individual indicators for each economy are aggregated through simple averaging into one distance to frontier score, first for each topic and then across all 10 topics: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly

identical to the simple average used by *Doing Business*⁴. Thus *Doing Business* uses the simplest method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components⁵.

An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. All distance to frontier calculations are based on a maximum of five decimals. However, indicator ranking calculations and the ease of doing business ranking calculations are based on two decimals.

The difference between an economy's distance to frontier score in any previous year and its score in 2015 illustrates the extent to which the economy has closed the gap to the regulatory frontier over time. And in any given year the score measures how far an economy is from the best performance at that time.

Treatment of the total tax rate

The total tax rate component of the paying taxes indicator set enters the distance to frontier calculation in a different way than any other indicator. The distance to frontier score obtained for the total tax rate is transformed in a nonlinear fashion before it enters the distance to frontier score for paying taxes. As a result of the nonlinear transformation, an increase in the total tax rate has a smaller impact on the distance to frontier score for the total tax rate—and therefore on the distance to frontier score for paying taxes—for economies with a below-average total tax rate than it would have had before this approach was adopted in *Doing Business 2015* (line B is smaller than line A in figure 14.2 in the *Doing Business 2016* report). And for economies with an extreme total tax rate (a rate that is very high relative to the average), an increase has a greater impact on both these distance to frontier scores than it would have had before (line D is bigger than line C in figure 14.2 in the *Doing Business 2016* report).

The nonlinear transformation is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in an economy's overall tax system. Instead, it is mainly empirical in nature. The nonlinear transformation along with the threshold reduces the bias in the indicator toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). In addition, it acknowledges the need of economies to collect taxes from firms.

Calculation of scores for economies with 2 cities covered

For each of the 11 economies in which *Doing Business* collects data for the second largest business city as well as the largest one, the distance to frontier score is calculated as the population-weighted average of the distance to frontier scores for these two cities (table 13.1). This is done for the aggregate score, the scores for each topic and the scores for all the component indicators for each topic.

⁴ See Djankov, Manraj and others (2005). Principal components and unobserved components methods yield a ranking nearly identical to that from the simple average method because both these methods assign roughly equal weights to the topics, since the pairwise correlations among indicators do not differ much. An alternative to the simple average method is to give different weights to the topics, depending on which are considered of more or less importance in the context of a specific economy.

⁵ For getting credit, indicators are weighted proportionally, according to their contribution to the total score, with a weight of 60% assigned to the strength of legal rights index and 40% to the depth of credit information index. Indicators for all other topics are assigned equal weights

Table 13.1 Weights used in calculating the distance to frontier scores for economies with 2 cities covered

Economy	City	Weight (%)
Bangladesh	Dhaka	78
	Chittagong	22
Brazil	São Paulo	61
	Rio de Janeiro	39
China	Shanghai	55
	Beijing	45
India	Mumbai	47
	Delhi	53
Indonesia	Jakarta	78
	Surabaya	22
Japan	Tokyo	65
	Osaka	35
Mexico	Mexico City	83
	Monterrey	17
Nigeria	Lagos	77
	Kano	23
Pakistan	Karachi	65
	Lahore	35
Russian Federation	Moscow	70
	St. Petersburg	30
United States	New York	60
	Los Angeles	40

Source: United Nations, Department of Economic and Social Affairs, Population Division, World Urbanization Prospects, 2014 Revision. <http://esa.un.org/unpd/wup/CD-ROM/Default.aspx>.

Economies that improved the most across 3 or more *Doing Business* topics in 2014/15

Doing Business 2016 uses a simple method to calculate which economies improved the ease of doing business the most. First, it selects the economies that in 2014/15

implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year's aggregate distance to frontier score. Changes making it more difficult to do business are subtracted from the total number of those making it easier to do business. Twenty-four economies meet this criterion: Armenia; Azerbaijan; Benin; Costa Rica; Côte d'Ivoire; Cyprus; Hong Kong SAR, China; Indonesia; Jamaica; Kazakhstan; Kenya; Lithuania; Madagascar; Mauritania; Morocco; Romania; the Russian Federation; Rwanda; Senegal; Togo; Uganda; the United Arab Emirates; Uzbekistan; and Vietnam. Second, *Doing Business* sorts these economies on the increase in their distance to frontier score from the previous year using comparable data.

Selecting the economies that implemented regulatory reforms in at least three topics and had the biggest improvements in their distance to frontier scores is intended to highlight economies with ongoing, broad-based reform programs. The improvement in the distance to frontier score is used to identify the top improvers because this allows a focus on the absolute improvement—in contrast with the relative improvement shown by a change in rankings—that economies have made in their regulatory environment for business.

Ease of *Doing Business* ranking

The ease of doing business ranking ranges from 1 to 189. The ranking of economies is determined by sorting the aggregate distance to frontier scores, rounded to 2 decimals.

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Doing Business 2016 is the 13th in a series of annual reports investigating the regulations that enhance business activity and those that constrain it. The report provides quantitative indicators covering 11 areas of the business environment in 189 economies. The goal of the *Doing Business* series is to provide objective data for use by governments in designing sound business regulatory policies and to encourage research on the important dimensions of the regulatory environment for firms.

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