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Russia Lags in Fixing Business Conditions

By Derek Andersen

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Russia slipped in the latest annual ranking of business-friendly countries because its neighbors were more vigorous in improving conditions for businesses, said a report by the investment arm of the World Bank.

Russia slid from 120th place last year to 123rd in the new report by the International Finance Corporation, which examines a total of 183 economies in terms of laws and regulations that affect small and medium-sized companies.

Singapore topped the rating, while Chad was in last place.

Russia's slippage in the ranking is not indicative of new problems, said Svetlana Bagaudinova, co-author of the 2011 Doing Business report. Neighboring countries are reforming faster, which negatively impacts Russia's position, she said.

In fact, Russia warmed up to businesses compared with last year, she said.

"We should look at content and quality over ranking," Bagaudinova said. "There has been significant improvement, including in confidence."

In one of the good signs, the time necessary to receive a construction permit in Russia shortened from 704 days to 540 days in the past year, the report said. The task now requires 53 procedures, down from 54 last year, it said.

On the other hand, the cost of acquiring a permit went up to 4,141 percent of the average annual income in the country, almost doubling from last year, according to the report.

The International Finance Corporation also noted new creditor rights and insolvency legislation as improvements.

Nevertheless, Russia still lags behind its neighbors in those areas. It remains near the bottom of the regional rankings for Eastern Europe and Central Asia, with only Tajikistan, Ukraine and Uzbekistan beneath it.

As last year, Tajikistan was rated one of the world's top-10 reform leaders, jumping to 139th place from 152nd.

"Tajikistan is a post-Soviet, post-civil war government. That is a significant improvement, and it increases confidence," Bagaudinova said.

Belarus failed to retain its place in the august company of top reformers, after a meteoric climb from 82nd to 58th place in the previous report. It fell to 68th place this year. Nonetheless, Bagaudinova pointed to reforms in credit rights, taxation, cross-border trading and bankruptcy in that country.

The report, whose stated goal is to be a "benchmark" for overall economic health, analyzed the life cycle of a business — including government registration, obtaining credit, protecting investors and closing a business — to evaluate conditions for small to midsize, locally run businesses. It compared strictly quantifiable factors, without consideration of perception-based indicators.

When asked by The Moscow Times about the effects of corruption on the report's findings, Bagaudinova said "the aspect of informality" can be detected in the report.

The report, which was released last week, describes real time and costs for procedures without corrupt payments. Their influence can be judged by the variance of the report's findings from what is mandated by law, Bagaudinova said.

Doing Business came out less than a month after the World Economic Forum's Global Competitiveness Report, which gave Russia the same spot in its ranking as last year. The World Economic Forum, a nonprofit organization best known for its annual meetings in Davos, Switzerland, ranked Russia 63rd among 139 economies. It based its evaluation on broader criteria than those used in Doing Business, such as infrastructure, market efficiency and innovation.

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