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Sharonov Reports Progress for Business

By Irina Filatova

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Moscow made significant progress over the past year in easing conditions for doing business, a result that is expected to upgrade Russia in the World Bank's rankings of countries' attractiveness to investors, Deputy Mayor Andrei Sharonov said Tuesday.

The bank's experts have already started collecting information for its annual rankings, to be released in the fall, and "it's important that they see this progress and hear that entrepreneurs have really felt improvement," Sharonov said at a news conference.

Sharonov, who oversees the city's economic policy, said the role of Moscow is critical to upgrading the country in the rankings, as they are based primarily on the situation in the capitals of the countries measured.

Although rankings shouldn't be overemphasized, they shouldn't be ignored either, as they reflect the international business community's perception of Moscow, Sharonov said.

"You know that our position is not shining," he said. "We moved up eight rungs over the year

... but we're still very far from being ideal."

The World Bank upgraded Russia in its Doing Business ranking from the 120th place to 112th last year, a position the Kremlin hopes to dramatically improve over the next few years.

President Vladimir Putin last year ordered the government to ensure that the country makes it to 20th place by 2018. For that to happen, Russia will need, among other things, to simplify the bureaucracy entrepreneurs encounter when starting a new business.

Sharonov said Moscow had improved in some of those parameters in 2012. He said the reduction in the amount of time needed to get an electricity connection was the most impressive result.

"We managed to significantly cut the time for getting a 15-kilowatt electricity connection," he said. "Previously, this process was rather nontransparent and took three to six months. Now, the figure in almost all cases is 15 days. This figure is important for us also because the World Bank experts compiling the Doing Business rankings look at it."

City Hall is also working to ease the procedure for people who need a connection of up to 150 kilowatts.

"This is almost all small and medium-sized businesses — hundreds of thousands of companies," Sharonov said, adding that Moscow now has 450,000 commercial organizations and individual entrepreneurs.

Representatives of local business confirmed that life had become easier over the last year, with City Hall becoming more cooperative in resolving entrepreneurs' problems.

"The general atmosphere of mutual understanding between entrepreneurs and the city authorities has started to improve," said Dmitry Nesvetov, a board member at the Moscow branch of Opora, a lobbying group for small and medium-sized business.

In one effective measure, City Hall opened a center to help entrepreneurs resolve complicated situations, he said, adding that the formerly "deadlocked situation with providing electricity connections got off the ground."

However, Nesvetov said, a large number of problems are not being addressed properly.

Sharonov acknowledged that Moscow's position in many global rankings remains low.

In 2012, the city was 64th of 77 global financial centers in the semiannual rankings of competitiveness compiled by London-based think tank Z/Yen Group, City Hall's department for economic policy and city development revealed at a presentation.

However, the city's low rankings are often a result of a lack of awareness among foreign investors of how things look in reality, Sharonov said.

"In many cases, the situation is better than it is being viewed by the international business community," he said.

But Nesvetov said the real reason is not a lack of information but the nature of the Russian economy, more than half of which is state-controlled.

"This means that small and medium-sized business, involved primarily in consumer retail activity, is the only island of competition in the monopolized economy. ... Investors understand this perfectly well," he said.

Sharonov said that the two biggest obstacles facing local entrepreneurs are getting electricity connections and obtaining construction permits and that resolving those issues remains a priority for City Hall this year.

Municipal authorities will also work to facilitate registration of property and new firms.

"There's a chance to achieve progress in simplifying company registration this year, and I hope we'll see it in the rankings," Sharonov said.

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