The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

B2B: Becoming More Attractive to Investors: Opportunities for the Regions

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April 28, 2014



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The economic slowdown has prompted the Russian authorities to turn their attention to making the country more attractive to investors. In this process, Russia's regions are playing a prominent role. In terms of assessing how attractive investors find a region, one important factor is how simple it is in that region to obtain a construction permit and become connected to electric power networks.

At the same time, the measures that can be taken by the regional governments of constituent entities of the Russian Federation can take may be divided into two broad categories. One relates to opportunities for improving the way existing legal rules (both federal and local) are applied in practice. The second is for constituent entities of the Russian Federation to draw up and adopt their own legislation and legal regulations with the aim of reducing administrative barriers and simplifying existing procedures.

There is fairly broad awareness of the possibilities open to regional authorities with existing legislation, in terms of improving enforcement practices and reducing administrative barriers, corruption and bureaucracy. For example, in the Doing business in Russia sub-study jointly published by the World Bank and International Finance Corporation in 2012, it was noted that different enforcement practices applied in a different regions influence and affect how attractive each region is to investors.

At the same time, federal legislation grants the regions of the Russian Federation some fairly significant powers in the field of making legislation and adopting regulations.

An example is article 51 of the Russian Town-Planning Code. In part 7 of sub-clause 17, this article grants the constituent entities of the Russian Federation the opportunity to stipulate cases where there is no need to obtain a construction permit.

In terms of assessing how attractive investors find a region, one vital factor is how simple it is to obtain a construction permit in that region.

Several regions of Russia (Vologda, Leningrad, Sverdlovsk, Tyumen and Chelyabinsk) have made use of this possibility offered by the federal government to expand the list of situations in which no construction permit is required. In doing so, they have simplified the construction of various facilities which are auxiliary in nature.

For example, the above items of regional legislation have established that no construction permit is required for the construction of facilities for electric power networks rated in a voltage class of up to 20 kW. These facilities will now be substantially simpler and quicker to build.

In our opinion this is justified, since such facilities are generally, from a technical standpoint, auxiliary in nature, and they are actually built under a simplified procedure. In addition, they are constructed based on model designs using standard structural elements which do not affect the structural features and other features of reliability and safety of other major construction facilities (buildings or structures).

There is actually a double check when such facilities undergo the commissioning process by both state environmental regulators and authorities supervisory construction authorities. This is excessive.

At the same time, it appears that it is precisely during the commissioning process that state energy regulators carry out inspections to assess whether the design complies with regulatory and technical documents, whether installation and set-up work is of proper quality, and whether it will be possible for such networks subsequently to be operated in line with requirements for providing a safe service.

Thus, these amendments will help to simplify and speed up the construction process for facilities for electric power networks. As a result, it will be easier and cheaper to be connected to electric power networks.

Moreover, certain regulatory legal documents in some of the constituent entities of the Russian Federation mentioned above also provide for a simplified procedure for obtaining a construction permit for other engineering infrastructure. Examples include water pipes, sewers, low-pressure gas pipelines, heating networks, aerial masts and cable lines.

We have no doubt that this experience is positive. We consider that it should be extended to other constituent entities of the Russian Federation to simplify and reduce the cost of construction processes and infrastructure development.

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Original url:
https://www.themoscowtimes.com/2014/04/28/b2b-becoming-more-attractive-to-investors-opportunities-for-the-regions-a34782