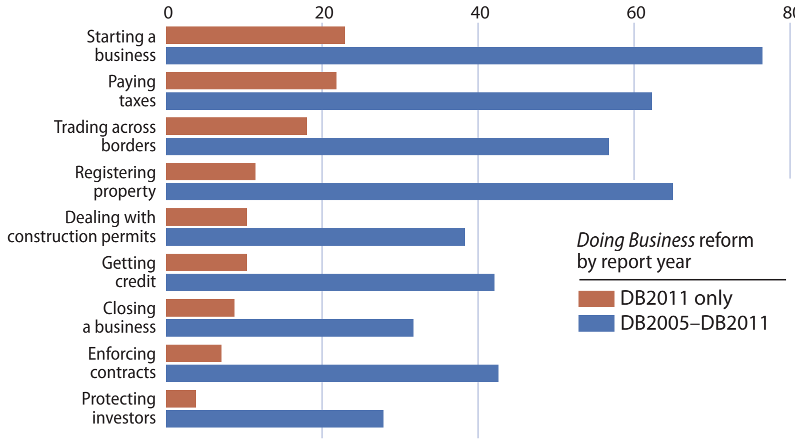
Executive summary

FIGURE 1.1

Easing start-up, payment of taxes and trade most popular in 2009/10

Share of economies with at least 1 *Doing Business* reform making it easier to do business, by topic (%)



Note: Not all indicators are covered for the full period. Paying taxes, trading across borders, dealing with construction permits and protecting investors were introduced in *Doing Business 2006*.
Source: Doing Business database.

Against the backdrop of the global financial and economic crisis, policy makers around the world took steps in the past year to make it easier for local firms to start up and operate. This is important. Throughout 2009/10 firms around the world felt the repercussions of what began as a financial crisis in mostly high-income economies and then spread as an economic crisis to many more. While some economies have been hit harder than others, how easy or difficult it is to start and run a business, and how efficient courts and insolvency proceedings are, can influence how firms cope with crises and how quickly they can seize new opportunities.

Between June 2009 and May 2010 governments in 117 economies implemented 216 business regulation reforms making it easier to start and operate a business, strengthening transparency and property rights and improving the efficiency of commercial dispute resolution and bankruptcy procedures. More than half those policy changes eased start-up, trade and the payment of taxes (figure 1.1).

Through indicators benchmarking 183 economies, *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 the regulations applying to domestic, primarily smaller companies through their life cycle, from start-up to closing (box 1.1). The results have stimulated policy debates in more than 80 economies and enabled a growing body of research on how firm-level regulation relates to economic outcomes across economies.[1] A fundamental premise of *Doing Business* is that economic activity requires good rules that are transparent and accessible to all.

Doing Business does not cover all factors relevant for business. For example, it does not evaluate macroeconomic conditions, infrastructure, workforce skills or security. Nor does it assess market regulation or the strength of financial systems, both key factors in understanding some of the underlying causes of the financial crisis. But where business regulation is transparent and efficient, opportunities are less likely to be based on per-

BOX 1.1

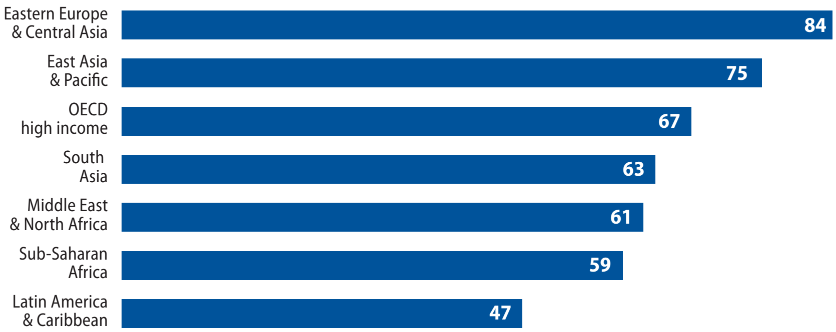
Measuring regulation throughout the life cycle of a local business

This year's aggregate ranking on the ease of doing business is based on indicator sets that measure and benchmark regulations affecting 9 areas in the life cycle of a business: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. *Doing Business* also looks at regulations on employing workers and, as a new initiative, getting electricity (neither of which is included in this year's aggregate ranking).[1]

Doing Business encompasses 2 types of data and indicators. "Legal scoring indicators," such as those on investor protections and legal rights for borrowers and lenders, provide a measure of legal provisions in the laws and regulations on the books. *Doing Business* gives higher scores in some areas for stronger property rights and investor protections, such as stricter disclosure requirements in related-party transactions. "Time and motion indicators," such as those on starting a business, registering property and dealing with construction permits, measure the efficiency and complexity in achieving a regulatory goal by recording the procedures, time and cost to complete a transaction in accordance with all relevant regulations from the point of view of the entrepreneur. Any interaction of the company with external parties such as government agencies counts as one procedure. Cost estimates are recorded from official fee schedules where these apply. For a detailed explanation of the *Doing Business* methodology, see Data notes.

1. The methodology underlying the employing workers indicators is being refined in consultation with relevant experts and stakeholders. The getting electricity indicators are a pilot data set. (For more detail, see the annexes on these indicator sets.) Aggregate rankings published in *Doing Business 2010* were based on 10 indicator sets and are therefore not comparable. Comparable rankings based on 9 topics for last year along with this year are presented in table 1.2 and on the *Doing Business* website (http://www.doingbusiness.org).

FIGURE 1.2
Seventy-five percent of economies in East Asia and the Pacific reformed business regulation in 2009/10
Share of economies with at least 1 *Doing Business* reform making it easier to do business (%)



Source: Doing Business database.

sonal connections or special privileges, and more economic activity is likely to take place in the formal economy, where it can be subject to beneficial regulations and taxation. Since 2003, when the *Doing Business* project started, policy makers in more than 75% of the world's economies have made it easier to start a business in the formal sector. A recent study using data collected from company registries in 100 economies over 8 years found that economies with efficient business registration systems have a higher firm entry rate and greater business density on average.[2]

Ultimately this is about people. The economic crisis has made it more important than ever to create new jobs and preserve existing ones. As the number of unemployed people reached 212 million in 2009, 34 million more than at the onset of the crisis in 2007,[3] job creation became a top priority for policy makers around the world. With public budgets tighter as a result of stimulus packages and contracting fiscal revenues, governments must now do more with less. Unleashing the job creation potential of small private enterprises is therefore vital.

Small and medium-size businesses indeed have great potential to create jobs. They account for an estimated 95% of firms and 60–70% of employment in OECD high-income economies and 60–80% of employment in such economies as Chile, China, South Africa and Thailand.[4] It makes sense for policy makers to help such businesses grow. Improving their regulatory environment is one way of supporting them.

Consider the story of Bedi Limited, a garment producer in Nakuru, Kenya.[5] After spending 18 months pursuing a trial order for school items from Tesco, one of the largest retail chains in the United Kingdom, Bedi lost out on the chance to become part of its global supply chain. Bedi had everything well planned to meet a delivery date set for July. But the goods were delayed at the port. When they arrived in the United Kingdom in August, it was too late. The back-to-school promotion was over. Changes to regulations and procedures can help improve the overall trade logistics environment, enabling companies like Bedi to capture such growth opportunities.

WHAT WERE THE TRENDS IN 2009/10?

For policy makers seeking to improve the regulatory environment for business, priorities varied across regions this past year.

QUICK RESPONSE TO CRISIS

The global crisis triggered major legal and institutional reforms in 2009/10. Facing rising numbers of insolvencies and debt disputes, 16 economies, mostly in Eastern Europe and Central Asia and the OECD high-income group, reformed their insolvency regimes, including Belgium, the Czech Republic, Hungary, Japan, the Republic of Korea, Romania, Spain, the United Kingdom and the Baltic states (table 1.1).[6] Particularly in times of economic distress, efficient court and bankruptcy procedures are needed to ensure that assets can be reallocated quickly and do not get stuck in court. Most of the reforms in this area focused on improving or introducing reorganization procedures to ensure that viable firms can continue operating. Before, it was common for insolvent firms in many economies of Eastern Europe and Central Asia to be liquidated even if they were still viable. Not surprisingly, the average recovery rate in the region as calculated by *Doing Business* is 33 cents on the dollar. In OECD high-income economies the average is 69 cents.

Swift action has been the name of the game in Eastern Europe and Central Asia. The region's policy makers have been the most active in implementing business regulation reforms as measured by *Doing Business* since 2004. This past year was no different, with 21 of 25 economies (84%) reforming business regulation. Besides improving insolvency procedures, making it easier for firms to start up and to pay taxes were popular measures—more than a third of the region's economies introduced changes in each of these areas. Less happened in some of the other areas, such as credit information systems. But thanks to 36 reforms in this area since 2004, such

TABLE 1.1
Economies improving the most in each *Doing Business* topic in 2009/10

Starting a business	Peru
Dealing with construction permits	Congo, Dem. Rep.
Registering property	Samoa
Getting credit	Ghana
Protecting investors	Swaziland
Paying taxes	Tunisia
Trading across borders	Peru
Enforcing contracts	Malawi
Closing a business	Czech Republic

Source: Doing Business database.

systems are already better developed. Average coverage is up from 3% of the adult population to 30%.

ECONOMIES IN EAST ASIA AND THE PACIFIC HIT THEIR STRIDE

For the first time in the 8 years of *Doing Business* reports, economies in East Asia and the Pacific were among the most active in making it easier for local firms to do business. Eighteen of 24 economies reformed business regulations and institutions—more than in any other year. The pace of *Doing Business* reforms had been steadily picking up since 2006, when only a third of the region's economies implemented such reforms. In the past year 75% did (figure 1.2).

Emerging-market economies such as Indonesia, Malaysia and Vietnam took the lead, easing start-up, permitting and property registration for small and medium-size firms and improving credit information sharing. Hong Kong SAR (China), after seeing the number of bankruptcy petitions rise from 10,918 in 2007 to 15,784 in 2009, is working on a new reorganization procedure.

The momentum in the region may continue. Recently leaders of the Asia-Pacific Economic Cooperation (APEC) organization launched an initiative aimed at making it easier for small and medium-size companies to do business through systematic peer learning and assistance across economies. The idea is that economies in the region that have benefited from making it easier to do business can now share their experience with others. The Korea Customs Service, for example, estimates that predictable cargo processing times and rapid turnover by ports provide a benefit of some $2 billion annually. Singapore's online registration system for new firms saves businesses an estimated $42 million annually.[7] Using firm surveys, planners identified 5 priority areas for the APEC initiative—starting a business, getting credit, trading across borders, enforcing contracts and dealing with permits. The goal is to improve regulatory performance in those areas as measured by *Doing Business* by 25% by 2015. Small Pacific island states, which face special challenges, have also been active, getting key support from donors.

TRADE FACILITATION POPULAR IN AFRICA AND THE MIDDLE EAST

About half of all trade facilitation reforms in 2009/10 took place in Sub-Saharan Africa (with 9) and the Middle East and North Africa (6). Several were motivated by regional integration. Some of these efforts built on existing initiatives such as the Southern African Customs Union. In East Africa single border controls speeded up crossings between Rwanda and Uganda. Different electronic data systems are still used by customs authorities in Kenya, Tanzania and Uganda. But efforts are under way to create a single interface between these systems. Overall, 27 of 46 Sub-Saharan African economies implemented *Doing Business* reforms, 49 in all.

In the Middle East and North Africa 11 of 18 economies implemented business regulation reforms, 22 in all. Six modernized customs procedures and port infrastructure to facilitate trade and align with international standards. These include Bahrain, the Arab Republic of Egypt and the United Arab Emirates.

ELECTRONIC SYSTEMS ON THE RISE AROUND THE GLOBE

In economies around the world, regardless of location and income level, policy makers adopted technology to make it easier to do business, lower transactions costs and increase transparency. In Latin America and the Caribbean, where 47% of economies implemented business regulation reforms in the past year, 23 of the 25 reforms simplified administrative processes. Many did so by introducing online procedures or synchronizing the operations of different agencies through electronic systems. In this way Brazil, Chile, Ecuador and Mexico simplified start-up, Colombia eased construction permitting, and Nicaragua made it easier to trade across borders.

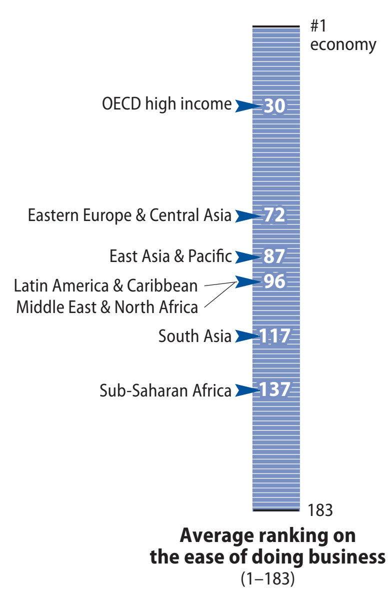
In South Asia, where 5 of 8 economies introduced changes (7 in all), India continued improvements to its electronic registration system for new firms by allowing online payment of stamp fees. Across Eastern Europe the implementation of European Union regulations encouraging electronic systems triggered such changes as the implementation of electronic customs systems in Latvia and Lithuania.

WHERE IS IT EASIEST TO DO BUSINESS?

Globally, doing business remains easiest in OECD high-income economies. In Sub-Saharan Africa and South Asia entrepreneurs have it hardest and property protections are weakest across the 9 areas of business regulation included in this year's ranking on the ease of doing business (figure 1.3).

Singapore retains the top ranking on the ease of doing business this year, followed by Hong Kong SAR (China), New Zealand, the United Kingdom, the United States, Denmark, Canada, Norway, Ireland and Australia (table 1.2). Change continued at the top. Among the top 25 economies, 18 made it even easier to do business this past year. Within the

FIGURE 1.3
Which regions have the most business-friendly environment in *Doing Business?*



Source: Doing Business database.

TABLE 1.2

Rankings on the ease of doing business

DB2011 RANK	*DB2010 RANK*	ECONOMY	DB2011 REFORMS	DB2011 RANK	*DB2010 RANK*	ECONOMY	DB2011 REFORMS	DB2011 RANK	*DB2010 RANK*	ECONOMY	DB2011 REFORMS
1	*1*	Singapore	0	**62**	*61*	Fiji	1	**123**	*116*	Russian Federation	2
2	*2*	Hong Kong SAR, China	2	**63**	*82*	Czech Republic	2	**124**	*122*	Uruguay	1
3	*3*	New Zealand	1	**64**	*56*	Antigua and Barbuda	0	**125**	*121*	Costa Rica	0
4	*4*	United Kingdom	2	**65**	*60*	Turkey	0	**126**	*130*	Mozambique	1
5	*5*	United States	0	**66**	*65*	Montenegro	3	**127**	*124*	Brazil	1
6	*6*	Denmark	2	**67**	*77*	Ghana	2	**128**	*125*	Tanzania	0
7	*9*	Canada	2	**68**	*64*	Belarus	4	**129**	*131*	Iran, Islamic Rep.	3
8	*7*	Norway	0	**69**	*68*	Namibia	0	**130**	*127*	Ecuador	1
9	*8*	Ireland	0	**70**	*73*	Poland	1	**131**	*128*	Honduras	0
10	*10*	Australia	0	**71**	*66*	Tonga	1	**132**	*142*	Cape Verde	3
11	*12*	Saudi Arabia	4	**72**	*62*	Panama	2	**133**	*132*	Malawi	2
12	*13*	Georgia	4	**73**	*63*	Mongolia	0	**134**	*135*	India	2
13	*11*	Finland	0	**74**	*69*	Kuwait	0	**135**	*133*	West Bank and Gaza	1
14	*18*	Sweden	3	**75**	*72*	St. Vincent and the Grenadines	0	**136**	*136*	Algeria	0
15	*14*	Iceland	0	**76**	*84*	Zambia	3	**137**	*134*	Nigeria	0
16	*15*	Korea, Rep.	1	**77**	*71*	Bahamas, The	0	**138**	*137*	Lesotho	0
17	*17*	Estonia	3	**78**	*88*	Vietnam	3	**139**	*149*	Tajikistan	3
18	*19*	Japan	1	**79**	*78*	China	1	**140**	*138*	Madagascar	2
19	*16*	Thailand	1	**80**	*76*	Italy	1	**141**	*139*	Micronesia, Fed. Sts.	0
20	*20*	Mauritius	1	**81**	*79*	Jamaica	1	**142**	*140*	Bhutan	1
21	*23*	Malaysia	3	**82**	*81*	Albania	1	**143**	*143*	Sierra Leone	3
22	*21*	Germany	1	**83**	*75*	Pakistan	1	**144**	*144*	Syrian Arab Republic	3
23	*26*	Lithuania	5	**84**	*89*	Croatia	2	**145**	*147*	Ukraine	3
24	*27*	Latvia	2	**85**	*96*	Maldives	1	**146**	*141*	Gambia, The	0
25	*22*	Belgium	1	**86**	*80*	El Salvador	0	**147**	*145*	Cambodia	1
26	*28*	France	0	**87**	*83*	St. Kitts and Nevis	0	**148**	*146*	Philippines	2
27	*24*	Switzerland	0	**88**	*85*	Dominica	0	**149**	*148*	Bolivia	0
28	*25*	Bahrain	1	**89**	*90*	Serbia	1	**150**	*150*	Uzbekistan	0
29	*30*	Israel	1	**90**	*87*	Moldova	1	**151**	*154*	Burkina Faso	4
30	*29*	Netherlands	1	**91**	*86*	Dominican Republic	0	**152**	*151*	Senegal	0
31	*33*	Portugal	2	**92**	*98*	Grenada	3	**153**	*155*	Mali	3
32	*31*	Austria	1	**93**	*91*	Kiribati	0	**154**	*153*	Sudan	0
33	*34*	Taiwan, China	2	**94**	*99*	Egypt, Arab Rep.	2	**155**	*152*	Liberia	0
34	*32*	South Africa	0	**95**	*92*	Seychelles	1	**156**	*158*	Gabon	0
35	*41*	Mexico	2	**96**	*106*	Solomon Islands	1	**157**	*156*	Zimbabwe	3
36	*46*	Peru	4	**97**	*95*	Trinidad and Tobago	0	**158**	*157*	Djibouti	0
37	*35*	Cyprus	0	**98**	*94*	Kenya	2	**159**	*159*	Comoros	0
38	*36*	Macedonia, FYR	2	**99**	*93*	Belize	0	**160**	*162*	Togo	0
39	*38*	Colombia	1	**100**	*101*	Guyana	3	**161**	*160*	Suriname	0
40	*37*	United Arab Emirates	2	**101**	*100*	Guatemala	0	**162**	*163*	Haiti	1
41	*40*	Slovak Republic	0	**102**	*102*	Sri Lanka	0	**163**	*164*	Angola	1
42	*43*	Slovenia	3	**103**	*108*	Papua New Guinea	1	**164**	*161*	Equatorial Guinea	0
43	*53*	Chile	2	**104**	*103*	Ethiopia	1	**165**	*167*	Mauritania	0
44	*47*	Kyrgyz Republic	1	**105**	*104*	Yemen, Rep.	0	**166**	*166*	Iraq	0
45	*42*	Luxembourg	1	**106**	*105*	Paraguay	1	**167**	*165*	Afghanistan	0
46	*52*	Hungary	4	**107**	*111*	Bangladesh	2	**168**	*173*	Cameroon	1
47	*49*	Puerto Rico	0	**108**	*123*	Marshall Islands	1	**169**	*168*	Côte d'Ivoire	1
48	*44*	Armenia	1	**109**	*97*	Greece	0	**170**	*172*	Benin	1
49	*48*	Spain	3	**110**	*110*	Bosnia and Herzegovina	2	**171**	*169*	Lao PDR	1
50	*39*	Qatar	0	**111**	*107*	Jordan	2	**172**	*170*	Venezuela, RB	1
51	*51*	Bulgaria	2	**112**	*117*	Brunei Darussalam	3	**173**	*171*	Niger	1
52	*50*	Botswana	0	**113**	*109*	Lebanon	1	**174**	*174*	Timor-Leste	1
53	*45*	St. Lucia	0	**114**	*114*	Morocco	1	**175**	*179*	Congo, Dem. Rep.	3
54	*55*	Azerbaijan	2	**115**	*113*	Argentina	0	**176**	*175*	Guinea-Bissau	1
55	*58*	Tunisia	2	**116**	*112*	Nepal	0	**177**	*177*	Congo, Rep.	1
56	*54*	Romania	2	**117**	*119*	Nicaragua	1	**178**	*176*	São Tomé and Principe	1
57	*57*	Oman	0	**118**	*126*	Swaziland	2	**179**	*178*	Guinea	0
58	*70*	Rwanda	3	**119**	*118*	Kosovo	0	**180**	*180*	Eritrea	0
59	*74*	Kazakhstan	4	**120**	*120*	Palau	0	**181**	*181*	Burundi	1
60	*59*	Vanuatu	0	**121**	*115*	Indonesia	3	**182**	*182*	Central African Republic	0
61	*67*	Samoa	1	**122**	*129*	Uganda	2	**183**	*183*	Chad	0

Note: The rankings for all economies are benchmarked to June 2010 and reported in the country tables. This year's rankings on the ease of doing business are the average of the economy's rankings on 9 topics (see box 1.1). Last year's rankings, shown in italics, are adjusted: they are based on the same 9 topics and reflect data corrections. The number of business regulation reforms includes all measures making it easier to do business.

Source: Doing Business database.

group of top 25, Sweden improved the most in the ease of doing business, rising from 18 to 14 in the rankings. It reduced the minimum capital requirement for business start-up, streamlined property registration and strengthened investor protections by increasing requirements for corporate disclosure and regulating the approval of transactions between interested parties.

Economies where it is easy for firms to do business often have advanced e-government initiatives. E-government kicked off in the 1980s, and economies with well-developed systems continue to improve them. Hong Kong SAR (China) and Singapore turned their one-stop shops for building permits into online systems in 2008. Denmark just introduced a new computerized land registration system. The United Kingdom recently introduced online filing at commercial courts.

Top-ranking economies also often use risk-based systems to focus their resources where they matter most, such as the supervision of complex building projects. Germany and Singapore are among the 85 economies that have fast-track permit application processes for small commercial buildings.

Finally, these economies tend to hold public servants accountable through performance-based systems. Australia, Singapore and the United States have used performance measures in the judiciary since the late 1990s. Malaysia introduced a performance index for judges in 2009. Case disposal rates are already improving.

MORE WAYS OF TRACKING CHANGE IN BUSINESS REGULATION

Every year *Doing Business* recognizes the 10 economies that improved the most in the ease of doing business in the previous year and introduced policy changes in 3 or more areas. This past year Kazakhstan took the lead (table 1.3). Kazakhstan amended its company law and introduced regulations to streamline business start-up and reduce the minimum capital requirement to 100 tenge ($0.70). It made dealing with construction permits less cumbersome by introducing several new building regulations in 2009, a new one-stop shop for construction-related formalities and a risk-based approach for permit approvals. Traders benefit from improvements to the automated customs information system and risk-based systems. Several trade-related documents, such as the bill of lading, can now be submitted online, and customs declarations can be sent in before the cargo arrives. Modernization efforts, already under way for several years, also include a risk management system to control goods crossing the national border and a modern inspection system (TC-SCAN) at the border crossing point shared with China. As a result, the time to export fell by 8 days, the time to import by 9 days and the number of documents required for trade by 1. Kazakhstan also increased the legal requirements for disclosure in related-party transactions. Thanks to the amendments to its company law, companies must describe transactions involving conflicts of interest in their annual report.

The runner-up this year was Rwanda, followed by Peru, Vietnam, Cape Verde, Tajikistan, Zambia, Hungary, Grenada and Brunei Darussalam.

Yearly movements in rankings can provide some indication of changes in an economy's regulatory environment for firms, but they are always relative. An economy's ranking might change because of developments in other economies. Moreover, year-to-year changes in rankings do not reflect how the business regulatory environment in an economy has changed over time.

To illustrate how the regulatory environment as measured by *Doing Business* has changed within economies over time, this year's report introduces a new measure. The DB change score provides a 5-year measure of how business regulations have changed in 174 economies.[8] It reflects all changes in an economy's

TABLE 1.3
The 10 economies improving the most in the ease of doing business in 2009/10

Economy	Starting a business	Dealing with construction permits	Registering property	Getting credit	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts	Closing a business
Kazakhstan	✔	✔			✔		✔		
Rwanda		✔		✔			✔		
Peru	✔	✔	✔				✔		
Vietnam	✔	✔		✔					
Cape Verde	✔		✔			✔			
Tajikistan	✔				✔	✔			
Zambia	✔						✔	✔	
Hungary		✔	✔			✔			✔
Grenada	✔		✔				✔		
Brunei Darussalam	✔					✔	✔		

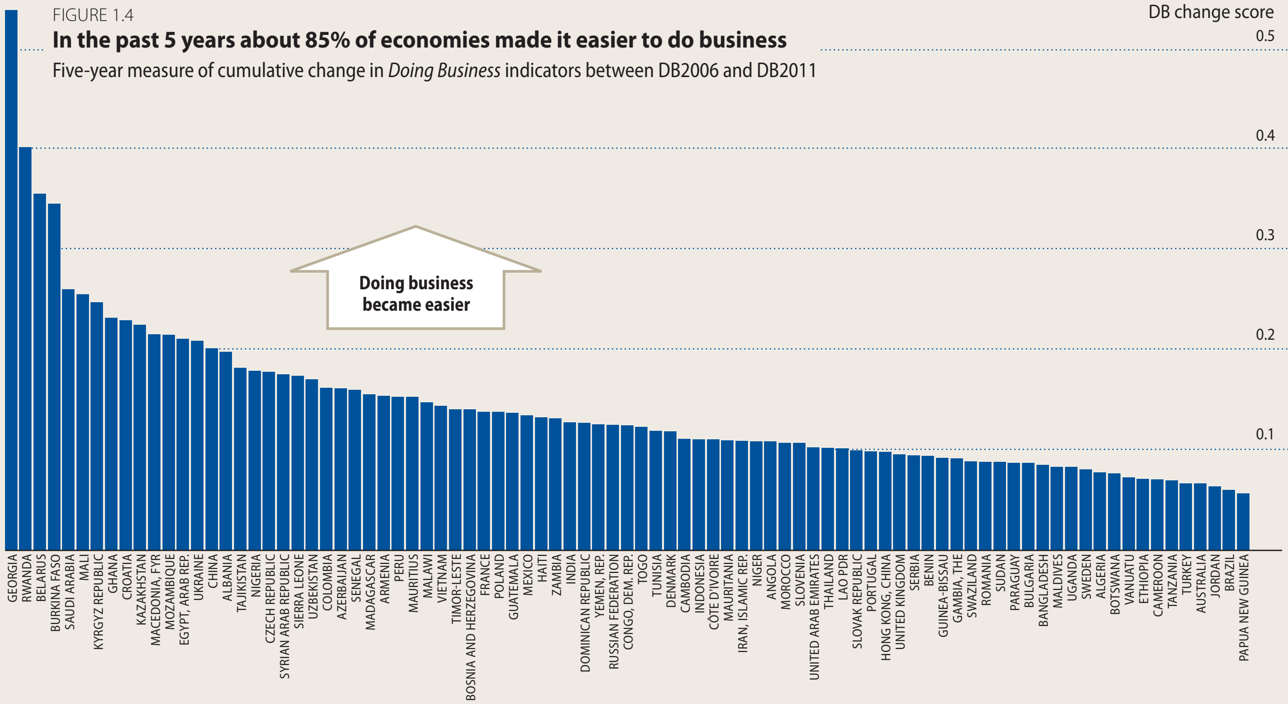
Note: Economies are ranked on the number and impact of reforms. First, *Doing Business* selects the economies that implemented reforms making it easier to do business in 3 or more of the 9 topics included in this year's aggregate ranking (see box 1.1). Second, it ranks these economies on the increase in their ranking on the ease of doing business from the previous year using comparable rankings. The larger the improvement, the higher the ranking as a reformer.

Source: Doing Business database.

FIGURE 1.4

In the past 5 years about 85% of economies made it easier to do business

Five-year measure of cumulative change in *Doing Business* indicators between DB2006 and DB2011



Note: The DB change score illustrates the level of change in the regulatory environment for local entrepreneurs as measured by 9 *Doing Business* indicator sets over a period of 5 years. This year's DB change score ranges from –0.1 to 0.54. More details on how the DB change score is constructed can be found in the Data notes.

Source: Doing Business database.

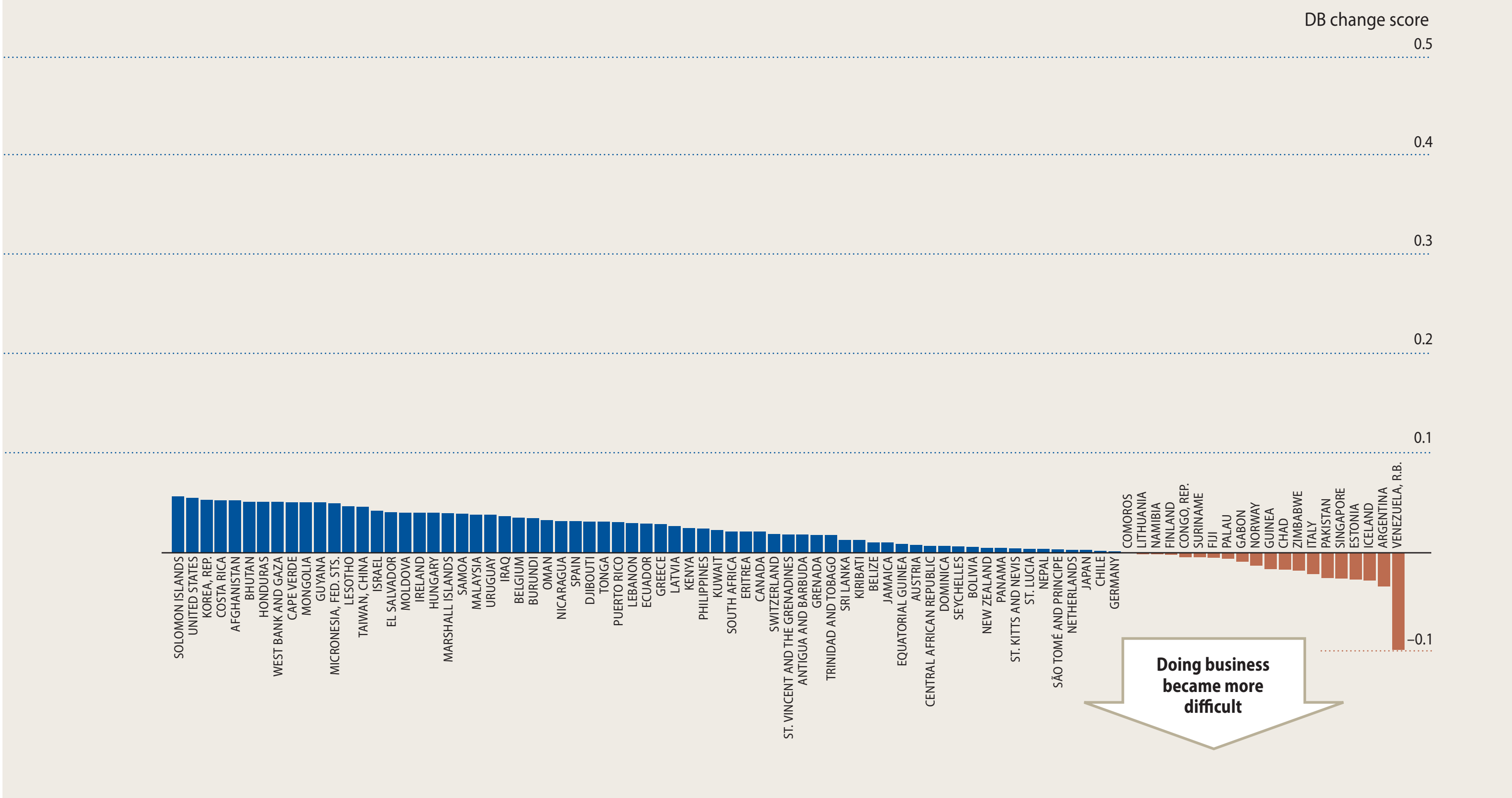
business regulation as measured by the *Doing Business* indicators—such as a reduction in the time to start a business thanks to a one-stop shop or an increase in the strength of investor protection index thanks to new stock exchange rules that tighten disclosure requirements for related-party transactions. The findings are encouraging: in about 85% of the 174 economies, doing business is now easier for local firms (figure 1.4).

The 10 economies that made the largest strides in making their regulatory environment more favorable to business are Georgia, Rwanda, Belarus, Burkina Faso, Saudi Arabia, Mali, the Kyrgyz Republic, Ghana, Croatia and Kazakhstan. All implemented more than a dozen *Doing Business* reforms over the 5 years. Several—including Georgia, Rwanda, Belarus, Burkina Faso, the Kyrgyz Republic, Croatia and Kazakhstan—have also been recognized as top 10 *Doing Business* reformers in previous years.

Rwanda, for example, was recognized last year. The cumulative improvement over the past 5 years as measured by the DB change score shows that this was not a one-time effort and that the changes introduced were substantial. Since 2005 Rwanda has implemented 22 business regulation reforms in the areas measured by *Doing Business*. Results show on the ground. In 2005 starting a business in Rwanda took 9 procedures and cost 223% of income per capita. Today entrepreneurs can register a new business in 3 days, paying official fees that amount to 8.9% of income per capita. More than 3,000 entrepreneurs took advantage of the efficient process in 2008, up from an average of 700 annually in previous years. Registering property in 2005 took more than a year (371 days), and the transfer fees amounted to 9.8% of the property value. Today the process takes 2 months and costs 0.4% of the value. A new company law adopted in 2009 strengthened investor protections by requiring greater corporate disclosure, increasing the liability of directors and improving shareholders' access to information.

Others, such as Ghana and Mali, took a steady approach, improving the business environment over several years. Ghana implemented measures in 6 areas. It created its first credit bureau, computerized the company registry and overhauled its property registration system, moving from a deed to a title registration system. The multiyear reform reduced the time to transfer property from 24 weeks to 5. The state now guarantees the title and its authenticity. Regulatory reforms in Mali picked up in recent years. Key achievements include customs reforms, a new one-stop shop for business start-up and amendments to the civil procedure code in 2009 that strengthened protections for minority shareholders and improved the (still lengthy) court procedures to resolve commercial disputes.

Some large emerging-market economies also made significant changes at a steady pace. China is one. Over several years China introduced 14 policy changes making it easier to do business, affecting 9 areas covered by *Doing Business*. In 2005 a new company law reduced what had been one of the world's highest minimum capital requirements from 1,236% of income per capita to 118%. In 2006 a new credit registry started operating. Today 64% of adults have a



credit history. In 2007, after 14 years of consultation, a new property rights law came into effect, offering equal protection to public and private property and expanding the range of assets that can be used as collateral.

India implemented 18 business regulation reforms in 7 areas. Many focused on technology—implementing electronic business registration, electronic filing for taxes, an electronic collateral registry and online submission of customs forms and payments. Changes also occurred at the subnational level. In India, as in other large nations, business regulations can vary among states and cities. While *Doing Business* focuses on the largest business city in an economy, it complements its national indicators with subnational studies, recognizing the interest of governments in these variations. According to *Doing Business in India*, 14 of the 17 Indian cities covered in the study implemented changes to ease business start-up, construction permitting and property registration between 2006 and 2009.[9]

The level of change depends not only on the pace of business regulation reform but also on the starting point. For example, Finland or Singapore, with efficient e-government systems in place and strong property rights protections by law, has less room for improvement. Others, such as Italy, implemented several regulatory reforms in areas where results might be seen only in the longer term, such as judiciary or insolvency reforms.

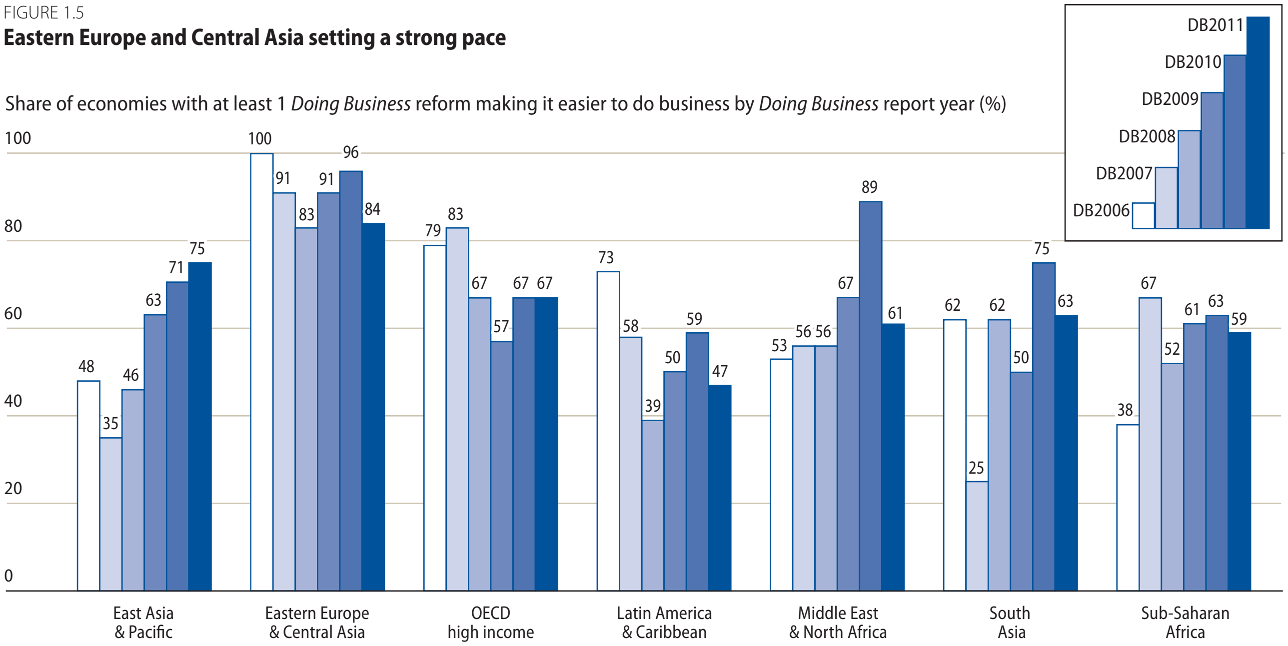
WHAT IS THE EFFECT ON FIRMS, JOBS AND GROWTH?

Rankings and the 5-year measure of cumulative change (DB change score) are still only indicative. Few would doubt the benefit of reducing red tape for business, particularly for small and medium-size businesses. But how do business regulation reforms affect the performance of firms and contribute to jobs and growth? A growing body of empirical research has established a link between the regulatory environment for firms and such outcomes as the level of informality, employment and growth across economies.[10] The broader economic impact of lowering barriers to entry has been especially well researched. But correlation does not mean causality. Other country-specific factors or other changes taking place simultaneously—such as macroeconomic reforms—may also have played a part.

How do we know whether things would have been any different without the regulatory reform? Some studies have been able to test this by investigating variations within a country over time, as when Colombia implemented a bankruptcy reform that streamlined reorganization procedures. Following the reform, viable firms were more likely to be reorganized than liquidated, and firms' recoveries improved.[11] Other studies investigated policy changes that affected only certain firms or groups. Using the unaffected group as a control, they found that reforms easing formal business entry in Colombia, India and Mexico led to an increase in new firm entry and competition.[12] Thanks to simplified municipal registration formalities for firms in Mexico, the number of registered businesses increased by 5%, and employment by 2.8%, in affected industries.

FIGURE 1.5
Eastern Europe and Central Asia setting a strong pace

Share of economies with at least 1 *Doing Business* reform making it easier to do business by *Doing Business* report year (%)



Note: Several economies have been reclassified to the OECD high-income group and are treated as if part of that group for the full period: the Czech Republic, Hungary and the Slovak Republic from Eastern Europe and Central Asia in 2008, and Poland and Slovenia in 2010; and Israel from the Middle East and North Africa in 2010. In addition, 15 additional economies were added to the sample between *Doing Business 2006* and *Doing Business 2011*.

Source: Doing Business database.

Other promising results are emerging. Using panel data from enterprise surveys, new research associates business regulation reforms in Eastern Europe and Central Asia with improved firm performance.[13] While such factors as macroeconomic reforms, technological improvements and firm characteristics may also influence productivity, the results are encouraging.

The region's economies were the most active in improving business regulation over the past 6 years, often in response to new circumstances such as the prospect of joining the European Union or, more recently, the financial crisis (figure 1.5). Some 93% of its economies eased business start-up, and 20 economies established one-stop shops. Starting a business in the region is now almost as easy as it is in OECD high-income economies. Immediate benefits for firms are often cost and time savings. In Georgia a 2009 survey found that the new start-up service center helped businesses save an average of 3.25% of profits—and this is just for registration services. For all businesses served, the direct and indirect savings amounted to $7.2 million.[14]

WHERE ARE THE OPPORTUNITIES IN DEVELOPING ECONOMIES?

More than 1,500 improvements to business regulations have been recorded by *Doing Business* in 183 economies since 2004. Increasingly, firms in developing economies are benefiting. In the past year about 66% of these economies made it easier to do business, up from only 34% of this group 6 years before. Compelling results are starting to show, as illustrated by Rwanda and Ghana, and these results have inspired others.

This is good news, because opportunities for regulatory reform remain. Entrepreneurs and investors in low- and lower-middle-income economies continue to face more bureaucratic formalities and weaker protections of property rights than their counterparts in high-income economies. Exporting, for example, requires 11 documents in the Republic of Congo but only 2 in France. Starting a business still costs 18 times as much in Sub-Saharan Africa as in OECD high-income economies (relative to income per capita). Many businesses in developing economies might simply opt out and remain in the informal sector. There they lack access to formal business credit and markets, and their employees receive fewer benefits and no protections. Globally, 1.8 billion people are estimated to be employed in the informal sector, more than the 1.2 billion in the formal sector.[15]

While overly complicated procedures can hinder business activity, so can the lack of institutions or regulations that protect property rights, increase transparency and enable entrepreneurs to make effective use of their assets. When institutions such as courts, collateral registries and credit information bureaus are inefficient or missing, the talented poor and entrepreneurs who lack connections, collateral and credit histories are most at risk of losing out.[16] So are women, because institutions and regulations such as credit bureaus and laws on movable collateral support the types of businesses that women typically run—small firms in low-capital-intensive industries in both the formal and the informal sector (box 1.2).[17]

Today only 1.3% of adults in low-income economies are covered by a credit bureau. Many micro, small and medium-size enterprises, which typically have

BOX 1.2
Encouraging women in business

Women make up more than 50% of the world's population but less than 30% of the labor force in some economies. This represents untapped potential. For policy makers seeking to increase women's participation in the economy, a good place to start is to ensure that institutions and laws are accessible to the types of businesses and jobs women currently hold.

Take credit bureaus. With the advent of microfinance institutions in the 1970s, poor women in some parts of the world were able to access credit for the first time. By 2006 more than 3,330 microfinance institutions had reached 133 million clients. Among these clients, 93 million had been in the poorest groups when they took their first loans, and 85% of the poorest were women. But only 42 of 128 credit bureaus in the world cover microfinance institutions, limiting the ability of their borrowers to build a credit history. A new World Bank Group project, *Women, Business and the Law,* looks into discrepancies such as these as well as regulations that explicitly differentiate on the basis of gender.[1]

A recent analysis of existing literature concludes that aspects of the business regulatory environment are estimated to disproportionately affect women in their decision to become an entrepreneur and their performance in running a formal business. Barriers to women's access to finance might drive their concentration in low-capital-intensive industries, which require less funding but also have less potential for growth and development. One possible barrier is that women may have less physical and "reputational" collateral than men.[2]

Women can benefit from laws facilitating the use of movable assets such as equipment or accounts receivable as security for loans. While women often lack legal title to land or buildings that could serve as collateral, they are more likely to have movable assets. In Sri Lanka women commonly hold wealth in the form of gold jewelry. Thankfully, this is accepted by banks as security for loans.[3]

Women often resort to informal credit, which involves high transactions costs. A recent study in Ghana reports that women, to ensure access to credit, invest considerable time in maintaining complex networks of informal credit providers.[4]

Improving firms' access to formal finance has been shown to pay off, by promoting entrepreneurship, innovation, better asset allocation and firm growth.[5] Everyone should be able to benefit, regardless of gender.

1. http://wbl.worldbank.org/.
2. Klapper and Parker (2010).
3. Pal (1997).
4. Schindler (2010).
5. World Bank (2008).

95% of their assets in movable property rather than real estate, cannot use those assets to raise funds to expand their business. But this is not so everywhere. While only 35% of Sub-Saharan African economies have laws encouraging the use of all types of assets as collateral, 71% of East Asian and Pacific and 68% of OECD high-income economies do. Seventy low- and lower-middle-income economies lack centralized collateral registries that tell creditors whether assets are already subject to the security right of another creditor. All this presents an opportunity for changes that can promote the growth of firms and employment.

WHAT'S NEXT?

Doing Business has been measuring business regulation from the perspective of local firms and tracking changes over time since 2003. Since its initiation, the project has introduced 5 new topics and added 50 economies to the sample. In the past year *Doing Business* has been working on 2 indicator sets—a new set on getting electricity and a refined one on employing workers.[18]

IDENTIFYING REGULATORY REFORM POSSIBILITIES IN GETTING ELECTRICITY

According to World Bank surveys of businesses, managers in 108 economies consider the availability and reliability of electricity to be the second most important constraint to their business activity, after access to finance. Studies have shown that poor electricity supply adversely affects the productivity of firms and the investments they make in their productive capacity.[19] But electricity services not only matter to businesses; they also are among the most regulated areas of economic activity. *Doing Business* measures how such regulations affect businesses when getting a new connection. The indicators complement data on access levels that exist outside the *Doing Business* report as well as other data on the availability and reliability of electricity supply and consumption prices. The new data allow objective comparison of the procedures, time and cost to obtain a new electricity connection across a wide range of economies. Some, such as Germany, Iceland and Thailand, perform well: a business with moderate electricity demand can get a connection in 40 days or less. But in the Czech Republic it can take 279 days, in Ukraine 309 and in the Kyrgyz Republic 337.

Analysis of the data presented in the annex on getting electricity sheds some light on both bottlenecks and possible starting points for dialogue on regulatory reform. In 100 of 176 economies connection costs are insufficiently transparent.[20] Utilities present customers with individual budgets rather than clearly regulated capital contribution formulas. This reduces the accountability of

BOX 1.3
Other World Bank indicator sets on business regulations

Women, Business and the Law (http://wbl.worldbank.org/)
Data on legal differentiation on the basis of gender in 128 economies, covering 6 areas

Investing Across Borders (http://iab.worldbank.org/)
Data on laws and regulations affecting foreign direct investment in 87 economies, covering 4 areas

Subnational Doing Business (http://www.doingbusiness.org/Subnational/)
Doing Business data comparing states and cities within economies (41 studies covering 299 cities)

World Bank Enterprise Surveys (http://www.enterprisesurveys.org/)
Business data on more than 100,000 firms in 125 economies, covering a broad range of business environment topics

utilities that provide a critical economic service, exposes customers to potential abuse and might mask excessively high utility cost structures. In many economies it is customers, not the utility, that must take on the complex process of coordinating clearances across multiple government agencies, because opportunities to streamline the coordination between the utility and other agencies are missed. In many middle-income economies customers also face unnecessarily complex procedural steps for fire and wiring safety checks, while some governments in Sub-Saharan Africa and the Middle East and North Africa omit requirements for such checks entirely.

These and other findings suggest that many governments and regulators could ease a critical bottleneck for businesses by encouraging reforms around the electricity connection process. Requiring more transparency in utility connection pricing and encouraging better interagency coordination could be a start.

REFINING THE EMPLOYING WORKERS INDICATORS

Maintaining and creating productive jobs and businesses is a priority for policy makers around the world, particularly in these times. Good labor regulation is flexible enough to help those currently unemployed or working in the informal sector to obtain new jobs in the formal sector. At the same time, it provides adequate protections for those already holding a job, so that their productivity is not stifled. Finding the right balance is no easy task.

To inform policy makers and researchers, *Doing Business* is working to refine the methodology for its employing workers indicators and expand the data set. Based on input from a consultative group of experts and stakeholders, new thresholds are being introduced to recognize minimum levels of protection in line with relevant conventions of the International Labour Organization—those for minimum wage, paid annual leave and the maximum number of working days per week. This provides a framework for balancing worker protection against employment restrictions in the areas covered by the indicators. In addition, new data are being collected on regulations according to length of job tenure (9 months, 1 year, 5 years and 10 years). The annex on employing workers presents initial findings from this work.

INITIATIVES COMPLEMENTING *DOING BUSINESS*

The World Bank Group has introduced additional benchmarking indicator sets that complement the perspectives of *Doing Business* (box 1.3). The *Women, Business and the Law* database, launched in March 2010, for the first time provides objective measures of differential treatment based on gender. *Investing Across Borders,* launched in July 2010, provides measures of business regulations from the perspective of foreign investors. Subnational *Doing Business* reports, introduced in 2004, provide insights into variations within large economies. Other World Bank Group initiatives provide valuable complementary data based on a different approach. These include the World Bank Enterprise Surveys.

As *Doing Business* continues to measure and track changes to business regulation around the world from the perspective of local firms, these and other data sets provide a rich base for policy makers and researchers alike to continually test and improve their understanding of what works and what does not—and why.

1. Some 656 articles have been published in peer-reviewed academic journals, and about 2,060 working papers are available through Google Scholar (http://scholar.google.com).
2. Klapper, Lewin and Quesada Delgado (2009). *Entry rate* refers to newly registered firms as a percentage of total registered firms. *Business density* is defined as the number of businesses as a percentage of the working-age population (ages 18–65).
3. International Labour Organization (ILO) data.
4. OECD (2004b); ILO and SERCOTEC (2010, p. 12); South Africa, Department of Trade and Industry (2004, p. 18); China, State Administration for Industry and Commerce, http://www.saic.gov.cn/english/; and Ayyagari, Beck and Demirgüç-Kunt (2007).
5. Bedi (2009).
6. In the United Kingdom, for example, 19,077 companies were liquidated in 2009, 22.8% more than in the previous year.
7. World Bank conference, “The Singapore Experience: Ingredients for Successful Nation-Wide eTransformation,” Singapore, September 30, 2009.
8. *Doing Business* has tracked regulatory reforms affecting businesses throughout their life cycle—from start-up to closing—in 174 or more economies since 2005. Between 2003 and 2005 *Doing Business* added 5 topics and increased the number of economies covered from 133 to 174. For more information on the motivation for the 5-year measure of cumulative change (DB change score), see About *Doing Business*. For more on how the measure is constructed, see Data notes.

9. World Bank (2009a).
10. For a comprehensive literature review on business start-up regulation as it relates to such economic outcomes as productivity and employment, see Djankov (2009b) and Motta, Oviedo and Santini (2010). See also Djankov, McLiesh and Ramalho (2006). More research can be found on the *Doing Business* website (http://www.doingbusiness.org/).
11. Giné and Love (2006).
12. Aghion and others (2008), Bruhn (2008), Kaplan, Piedra and Seira (2007) and Cardenas and Rozo (2009).
13. Amin and Ramalho (forthcoming). Using data on a panel of about 2,100 firms in 28 economies in Eastern Europe and Central Asia, the authors compare changes in labor productivity over time in reforming and nonreforming economies. The difference in the change in labor productivity between the 2 groups of economies is statistically significant at less than the 5% level. Differences in time-invariant factors such as firm composition or GDP per capita do not affect the results.
14. International Finance Corporation, "IFC Helps Simplify Procedures for Georgian Businesses to Save Time and Resources," accessed September 20, 2010, http://www.ifc.org/.
15. ILO data.
16. World Bank (2008).
17. Chhabra (2003) and Amin (2010).
18. Neither is included in this year's aggregate ranking on the ease of doing business.
19. See, for example, Calderon and Servén (2003), Dollar, Hallward-Driemeier and Mengistae (2005), Reinikka and Svensson (1999) and Eifert (2007). Using firm-level data, Iimi (2008) finds that in Eastern Europe and Central Asia eliminating electricity outages could increase GDP by 0.5–6%.
20. In these economies the fixed connection fee based on publicly available fee schedules represents less than 1% of the total cost of connection.