

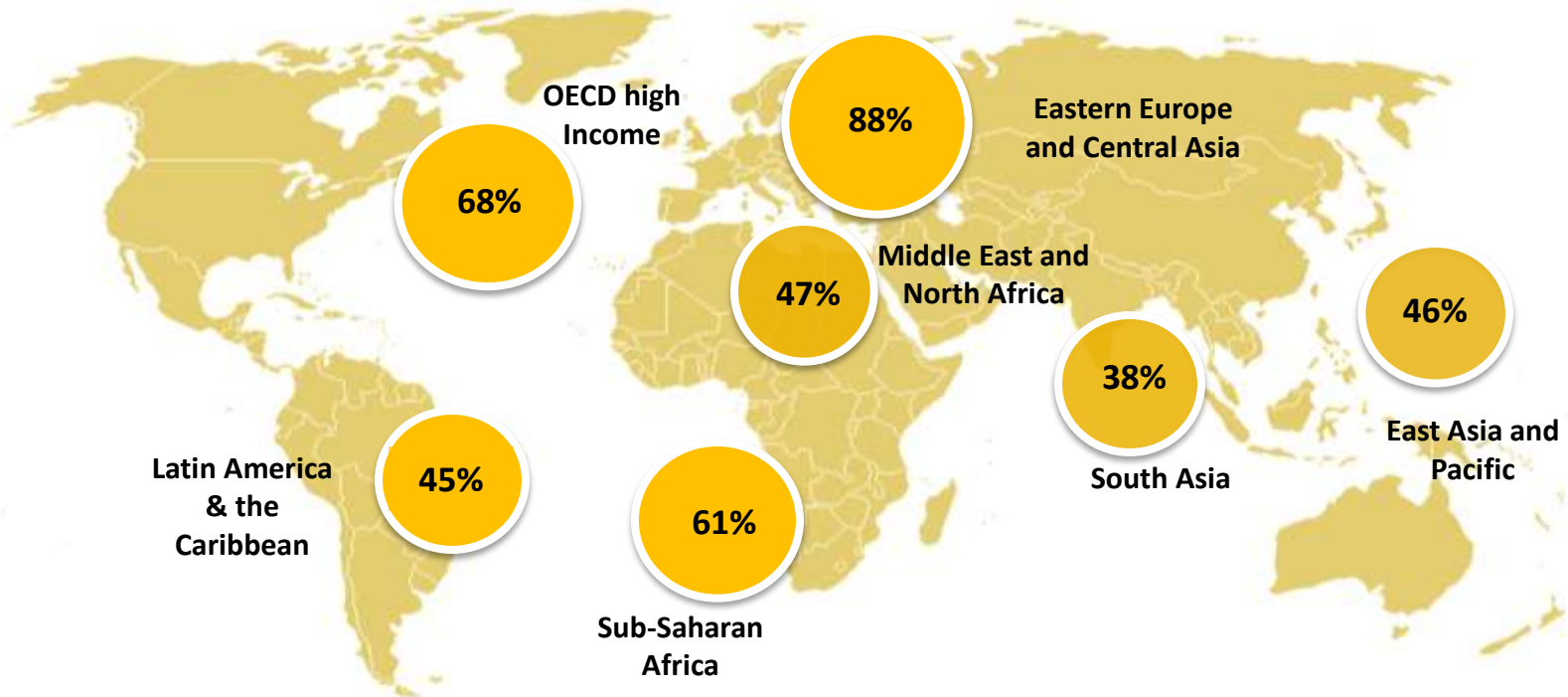
# Doing Business 2013

## *Smarter Regulations for Small and Medium-sized Enterprises*

**Augusto Lopez-Claros**  
**alopezclaros@ifc.org**

December 2012

# Pace of reforms remains strong in 2011/12: share of economies with at least one reform making it easier to do business



Worldwide, 108 economies implemented 201 reforms in 2011/2012.

While in 2005/2006 only 33% of the economies of Sub-Saharan Africa implemented business regulation reforms, in 2011/2012 61% of the economies reformed

# Reforms making it easier to start a business were once again most common in 2011/12 – and show results over time in reduced delays...

## 2005

It was possible to start a business in less than 20 days in only **40 economies**, mostly in North America and Northern and Central Europe



## 2012\*

Now, the time to start a business is less than 20 days for entrepreneurs in **105 economies**

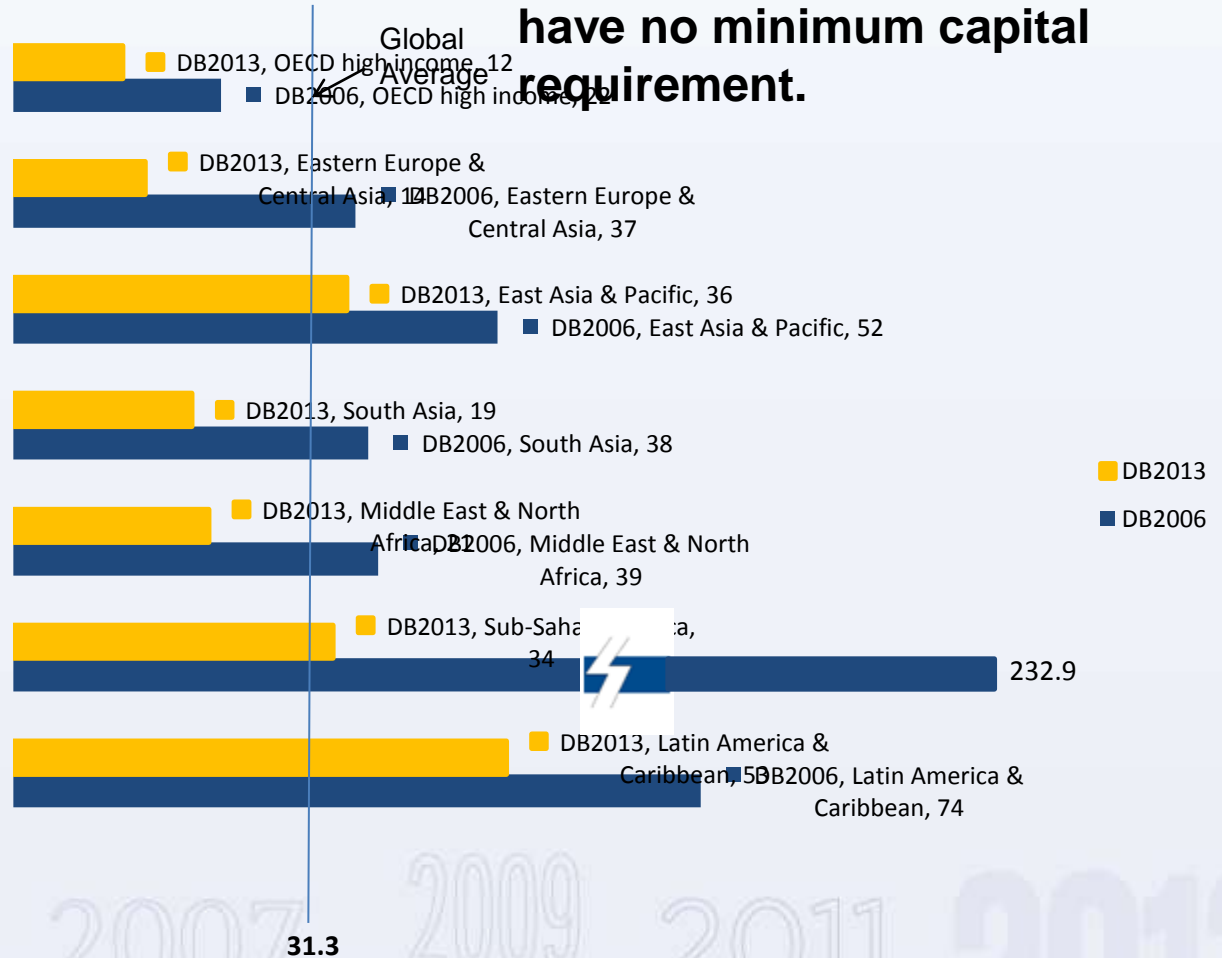


*\*Based on samples of 174 economies in 2005 and 185 economies in 2012*

**Development impact:** Countries that regulate entry more heavily have greater corruption and larger unofficial economies, but not better quality of public or private goods. (Quarterly Journal of Economics, February 2002, Djankov, La Porta, Lopez de Silanes, Shleifer.)

# ... and big reductions in the cost to start a business around the world

❖ As of 2012, 91 economies have no minimum capital requirement.

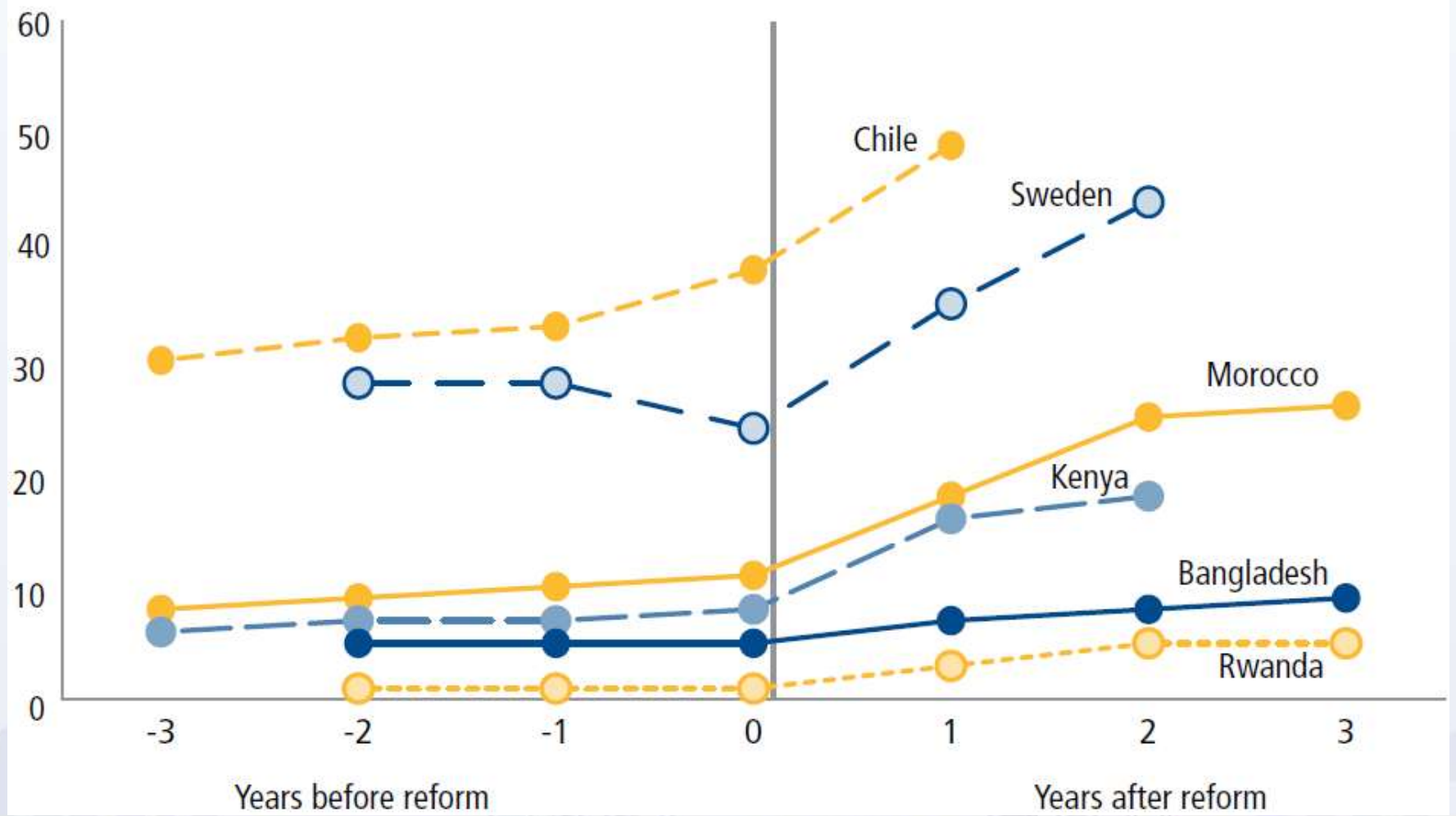


2004 2005 2007 2009 2011 2013

# More new firms are registered after reforms making it easier to start a business

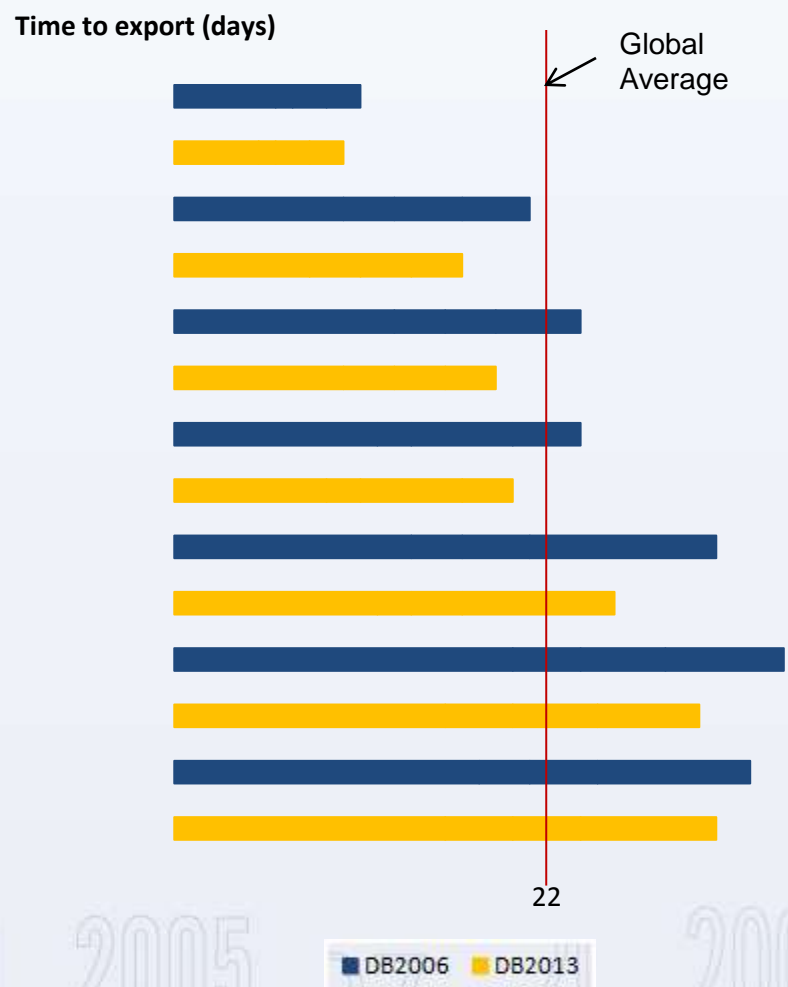
Number of newly registered firms (thousands)

Source: World Bank Group Entrepreneurship Snapshots, 2012 edition.





# Developing economies around the world have reduced delays for exporting and importing through seaport

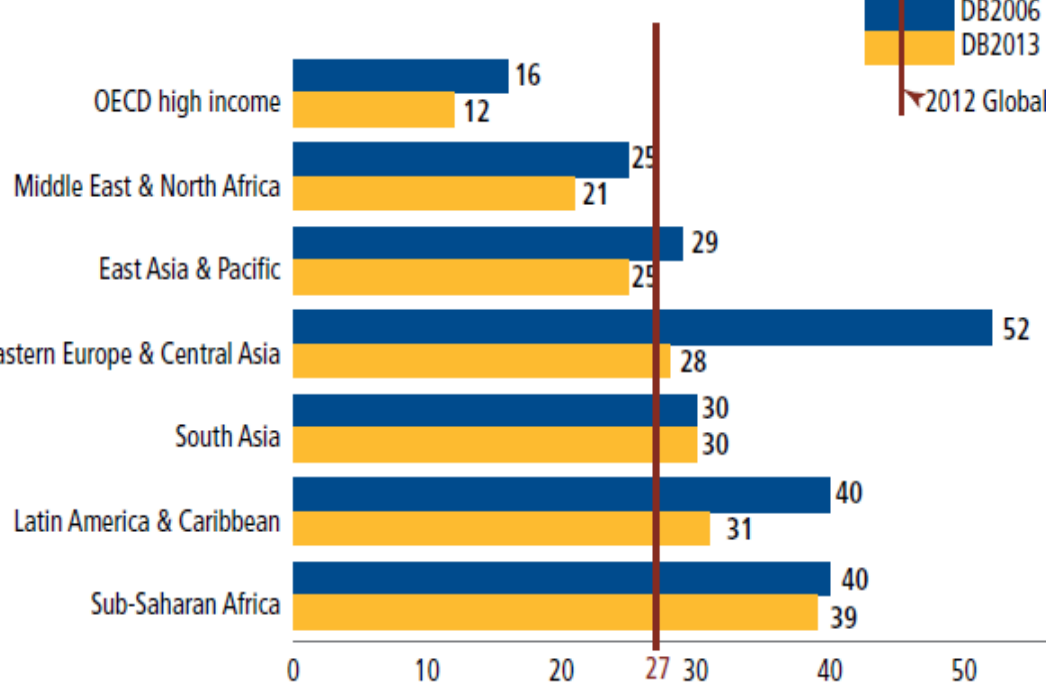


❖ **Sub-Saharan African** economies have reformed 63 times in trading across borders, reducing time to import and export

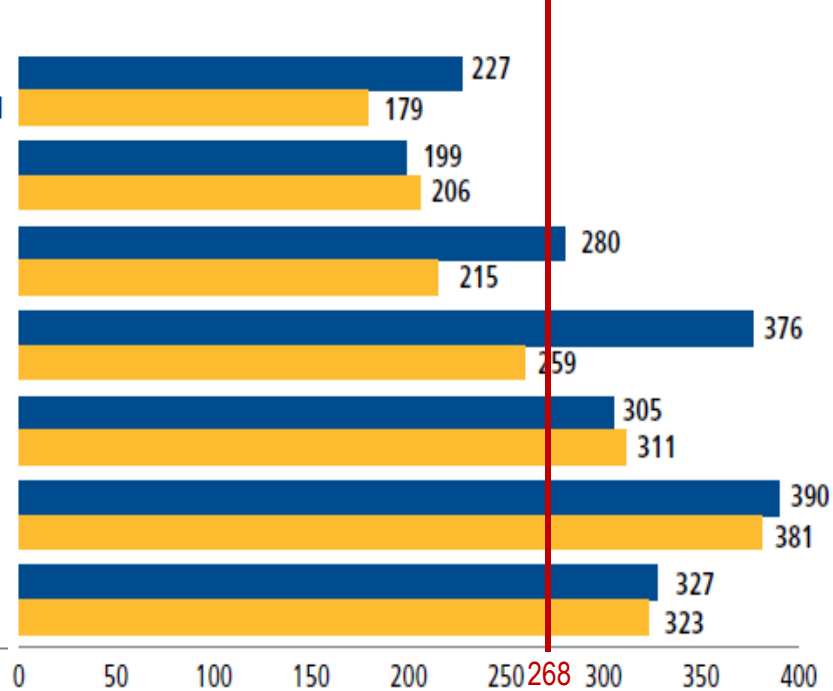
❖ **Development impact:** Empirical evidence shows that each additional day that a product is delayed prior to being shipped reduces trade by more than one percent. (Review of Economics and Statistics, November 2008, Djankov, Freund and Pham)

# Reforms have reduced the time to prepare, file and pay taxes worldwide to 27 payments and 268 hours per year

Payments (number per year)

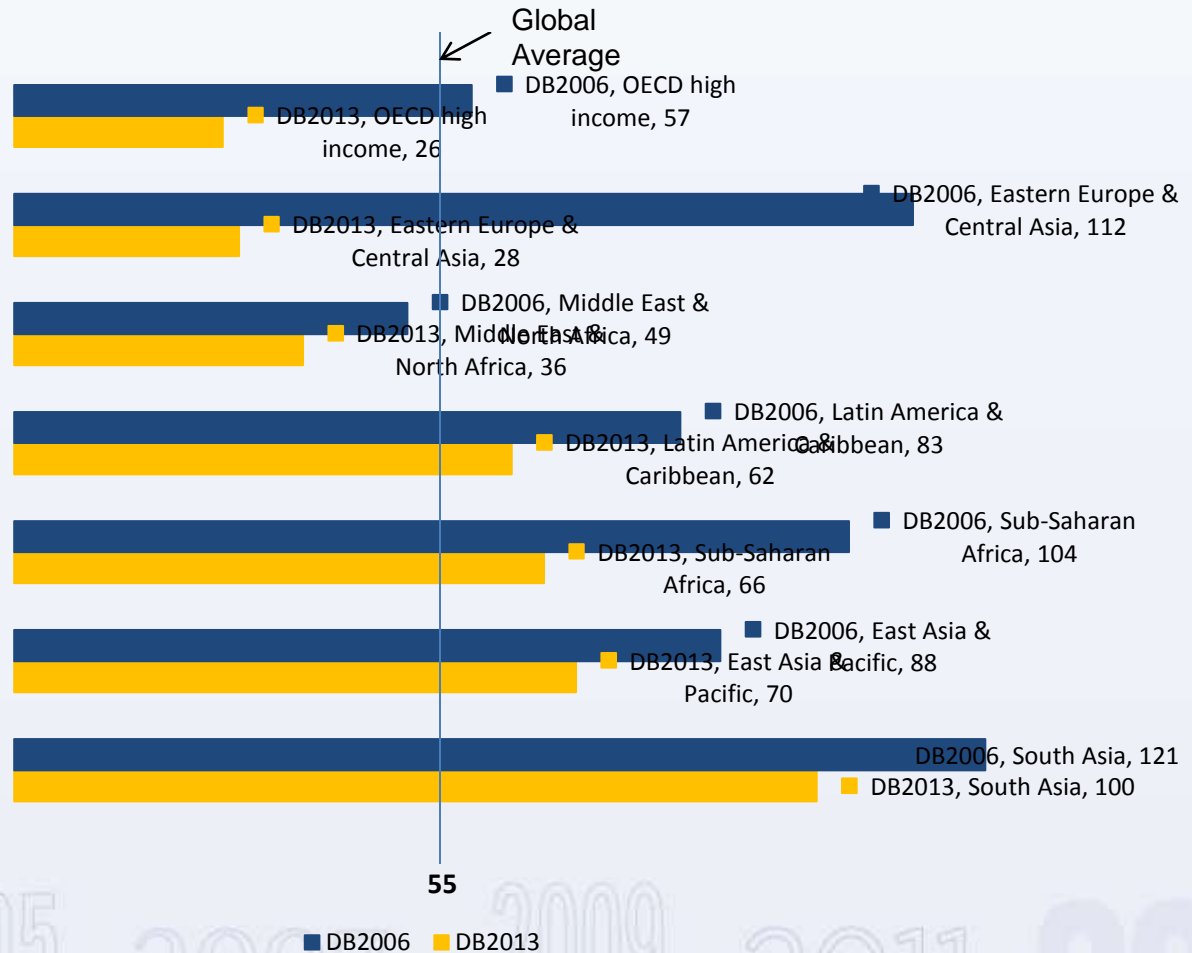


Time (hours per year)



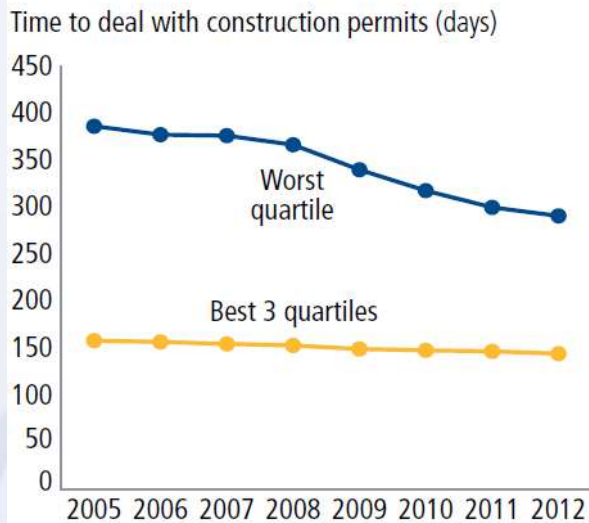
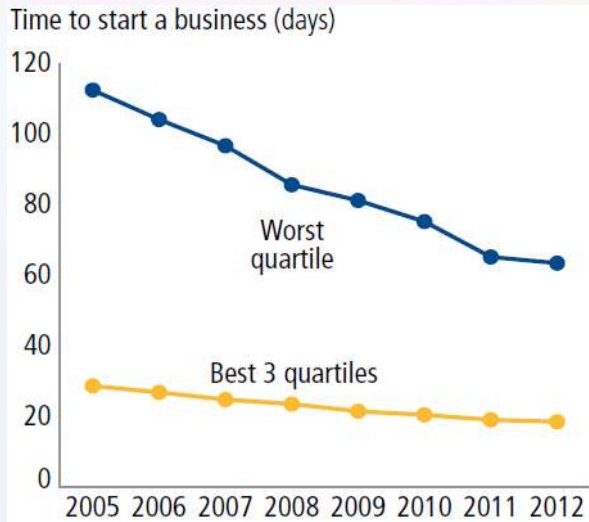
# All regions have reduced the time it takes to transfer property between local firms

Average time to register property (days)

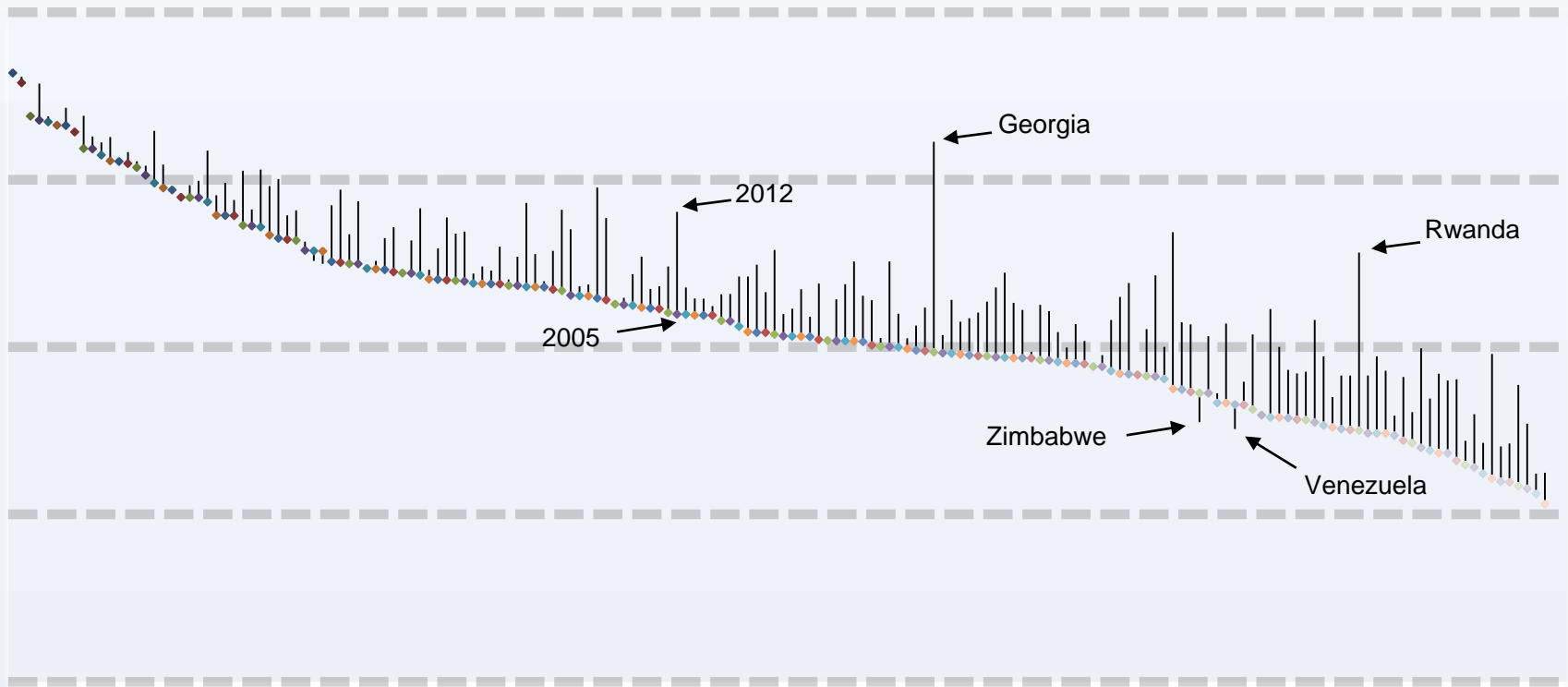




# Strong convergence across economies since 2005

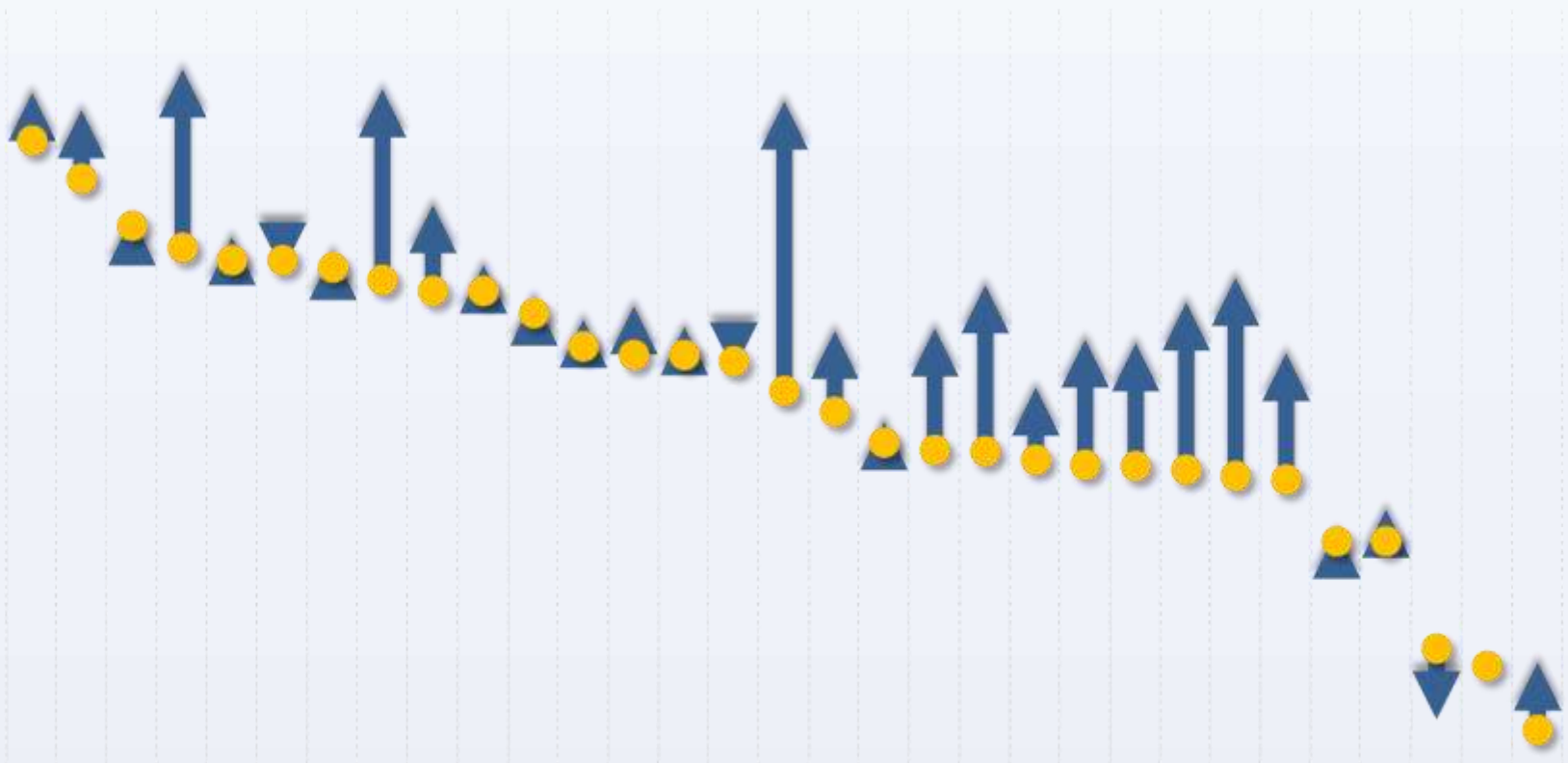


# Almost all economies are closer to the frontier in regulatory practice today than they were in 2005



# While some economies in the region have made significant progress in narrowing the distance to the frontier, others are lagging

Distance to Frontier, 2005-2012



Bahamas, The and Barbados were not included in *Doing Business* 2006 report.

# 6 economies from Latin America and the Caribbean are among the 50 economies narrowing the distance to frontier the most since 2005

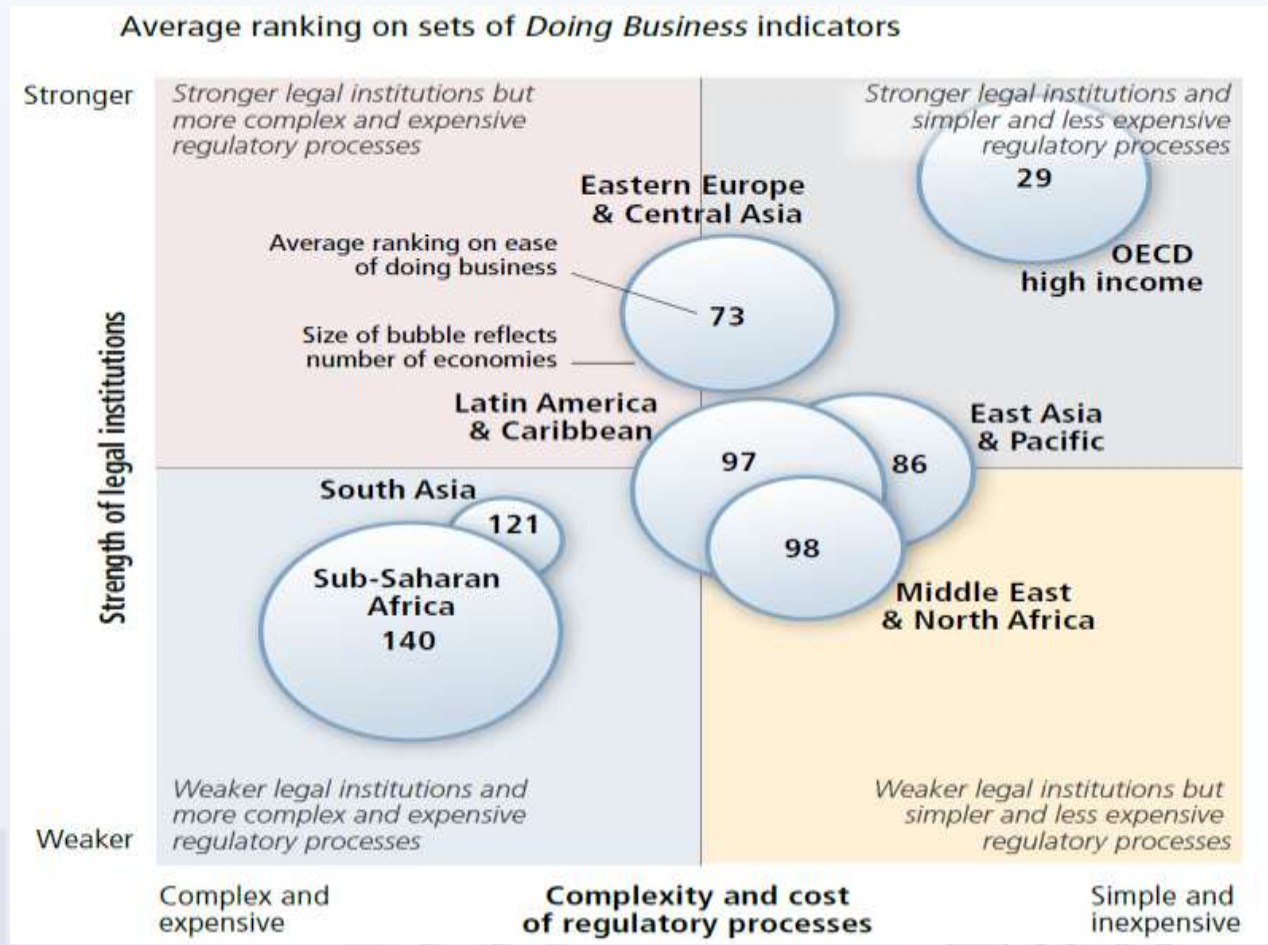
Rank	Economy	Region	Improvement (percentage points)
1	Georgia	ECA	31.6
2	Rwanda	SSA	26.5
3	Belarus	ECA	23.5
4	Burkina Faso	SSA	18.5
5	Macedonia, FYR	ECA	17.4
6	Egypt, Arab Rep.	MENA	16.3
7	Mali	SSA	15.8
8	Colombia	LAC	15.3
9	Tajikistan	ECA	15.2
10	Kyrgyz Republic	ECA	14.8
11	Sierra Leone	SSA	14.7
12	China	EAP	14.3
13	Azerbaijan	ECA	12.9
14	Croatia	ECA	12.8
15	Ghana	SSA	12.7
16	Burundi	SSA	12.6
17	Poland	OECD	12.3
18	Guinea-Bissau	SSA	12.2
19	Armenia	ECA	12.2
20	Ukraine	ECA	12.0
21	Kazakhstan	ECA	11.9
22	Senegal	SSA	11.5
23	Cambodia	EAP	11.1
24	Angola	SSA	11.0
25	Mauritius	SSA	10.9

Rank	Economy	Region	Improvement (percentage points)
26	Saudi Arabia	MENA	10.7
27	India	SAS	10.6
28	Guatemala	LAC	10.4
29	Madagascar	SSA	10.3
30	Morocco	MENA	10.1
31	Yemen, Rep.	MENA	10.1
32	Peru	LAC	10.1
33	Mozambique	SSA	10.0
34	Czech Republic	OECD	9.8
35	Timor-Leste	EAP	9.7
36	Côte d'Ivoire	SSA	9.5
37	Togo	SSA	9.5
38	Slovenia	OECD	9.5
39	Mexico	LAC	9.4
40	Niger	SSA	9.4
41	Nigeria	SSA	9.0
42	Portugal	OECD	9.0
43	Solomon Islands	EAP	8.9
44	Uruguay	LAC	8.8
45	Dominican Republic	LAC	8.8
46	Taiwan, China	EAP	8.8
47	São Tomé and Príncipe	SSA	8.7
48	France	OECD	8.6
49	Bosnia and Herzegovina	ECA	8.4
50	Albania	ECA	8.3



# Economies that rank high on the ease of doing business tend to combine efficient regulatory processes with strong legal institutions

OECD high-income economies have the most business-friendly regulatory environment on both dimensions

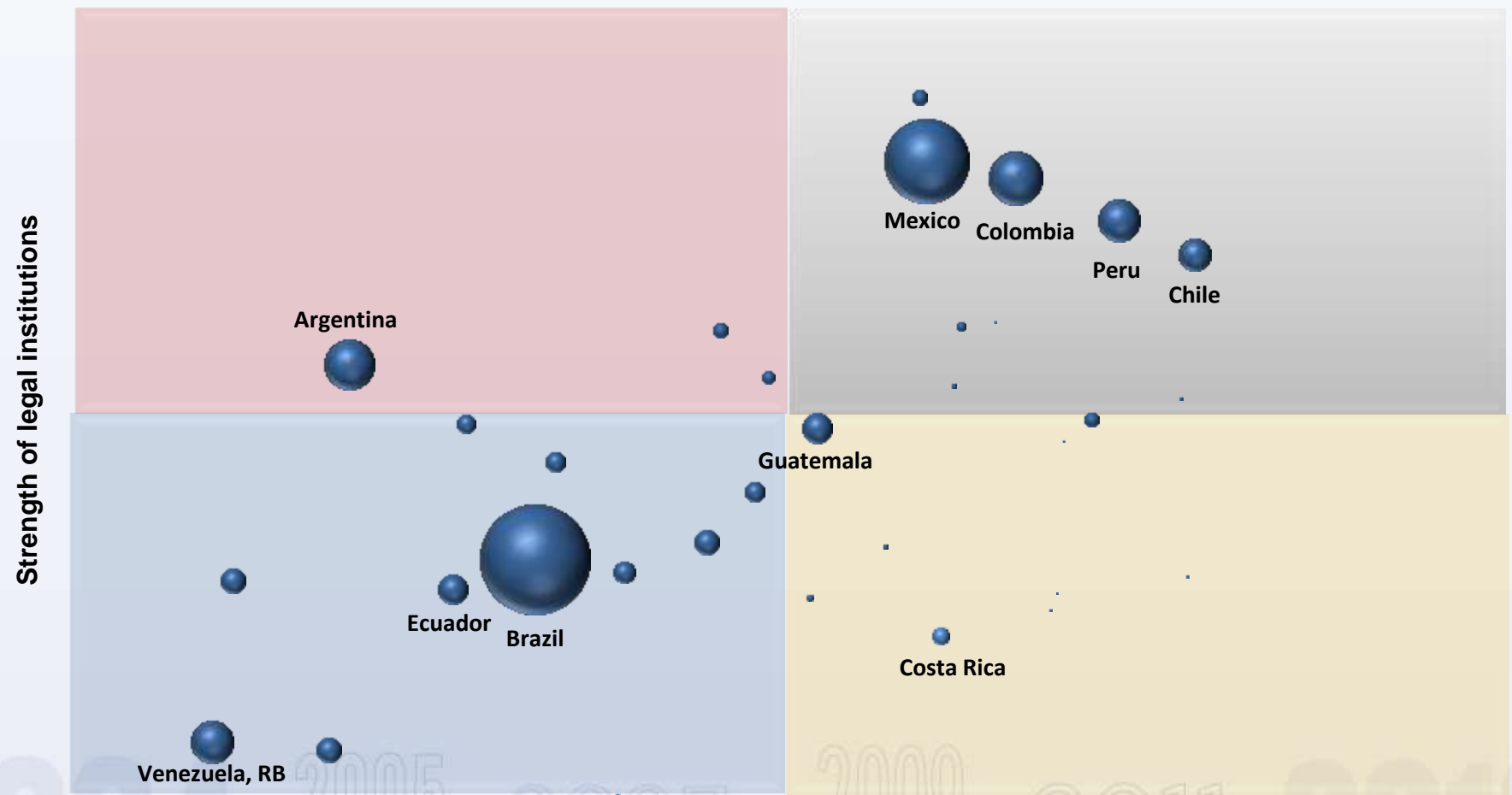




# Economies in the Latin America and Caribbean region vary considerably in both the strength of legal institutions and complexity of regulatory processes

*Stronger legal institutions but more expensive regulatory processes*

*Stronger legal institutions and less expensive regulatory processes*



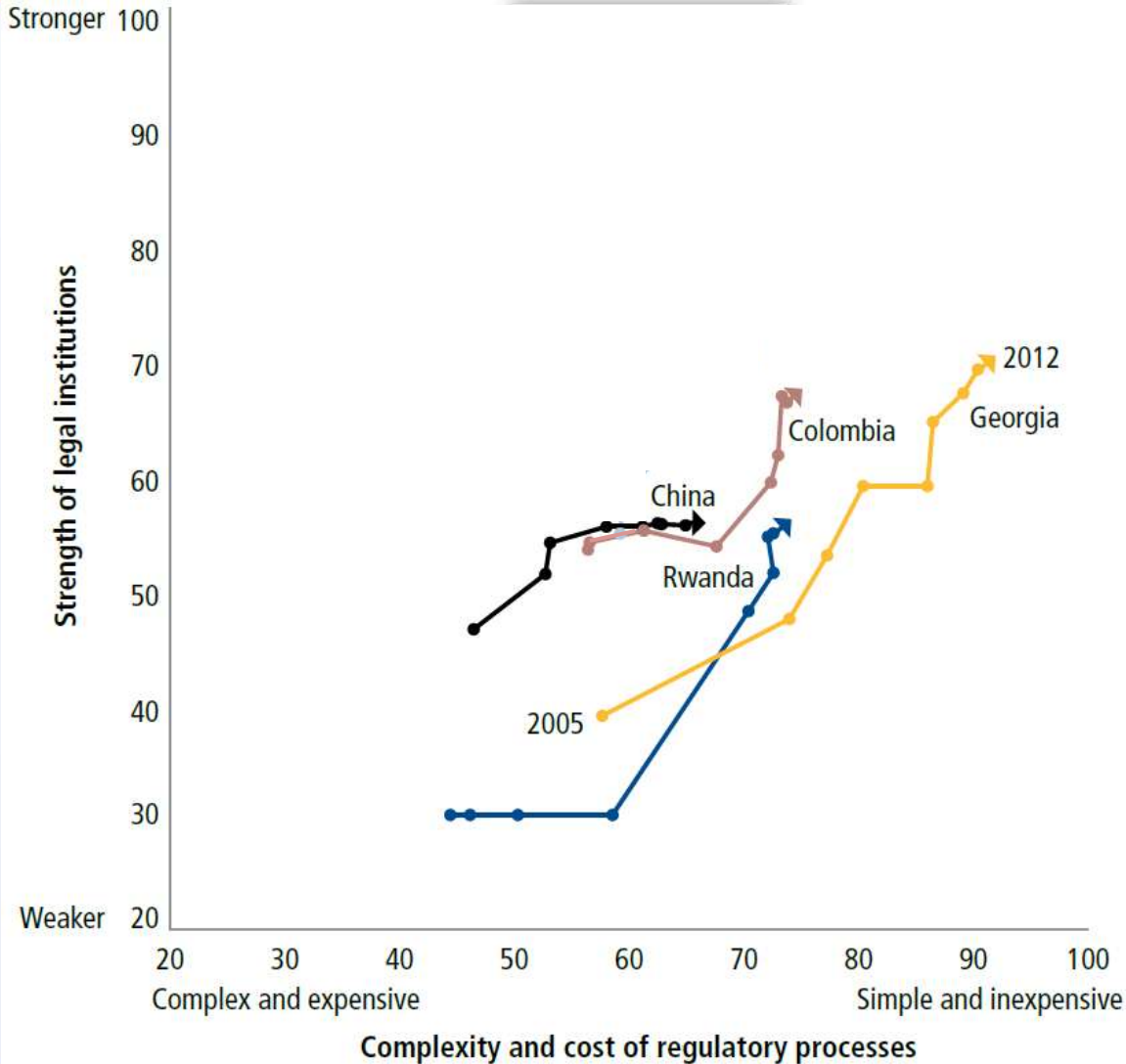
*Weaker legal institutions and more expensive regulatory processes*

*Weaker legal institutions but less expensive regulatory processes*

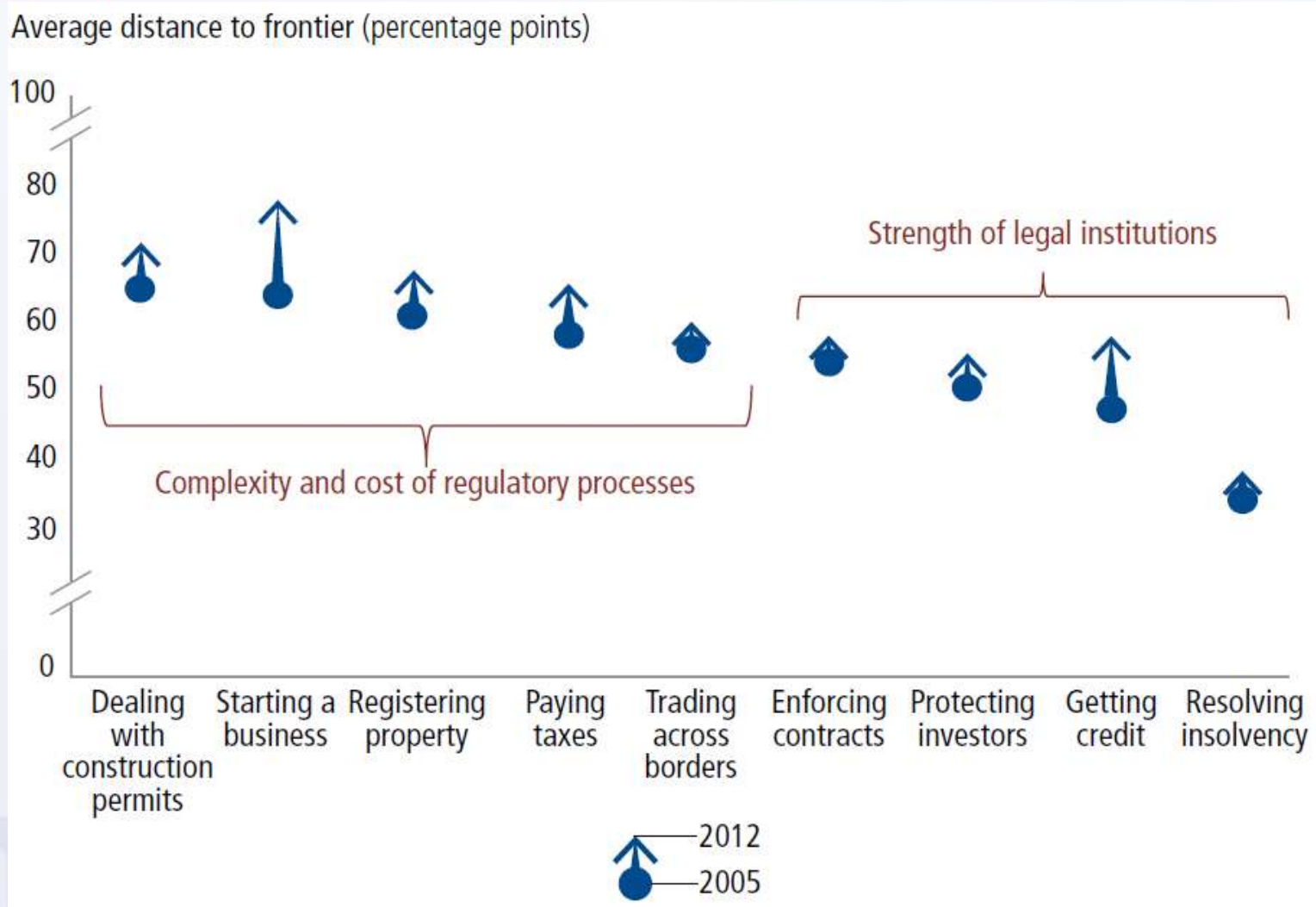
**Complexity and cost of regulatory processes**

● Bubble size reflects population

# Different economies have followed a variety of regulatory reform paths

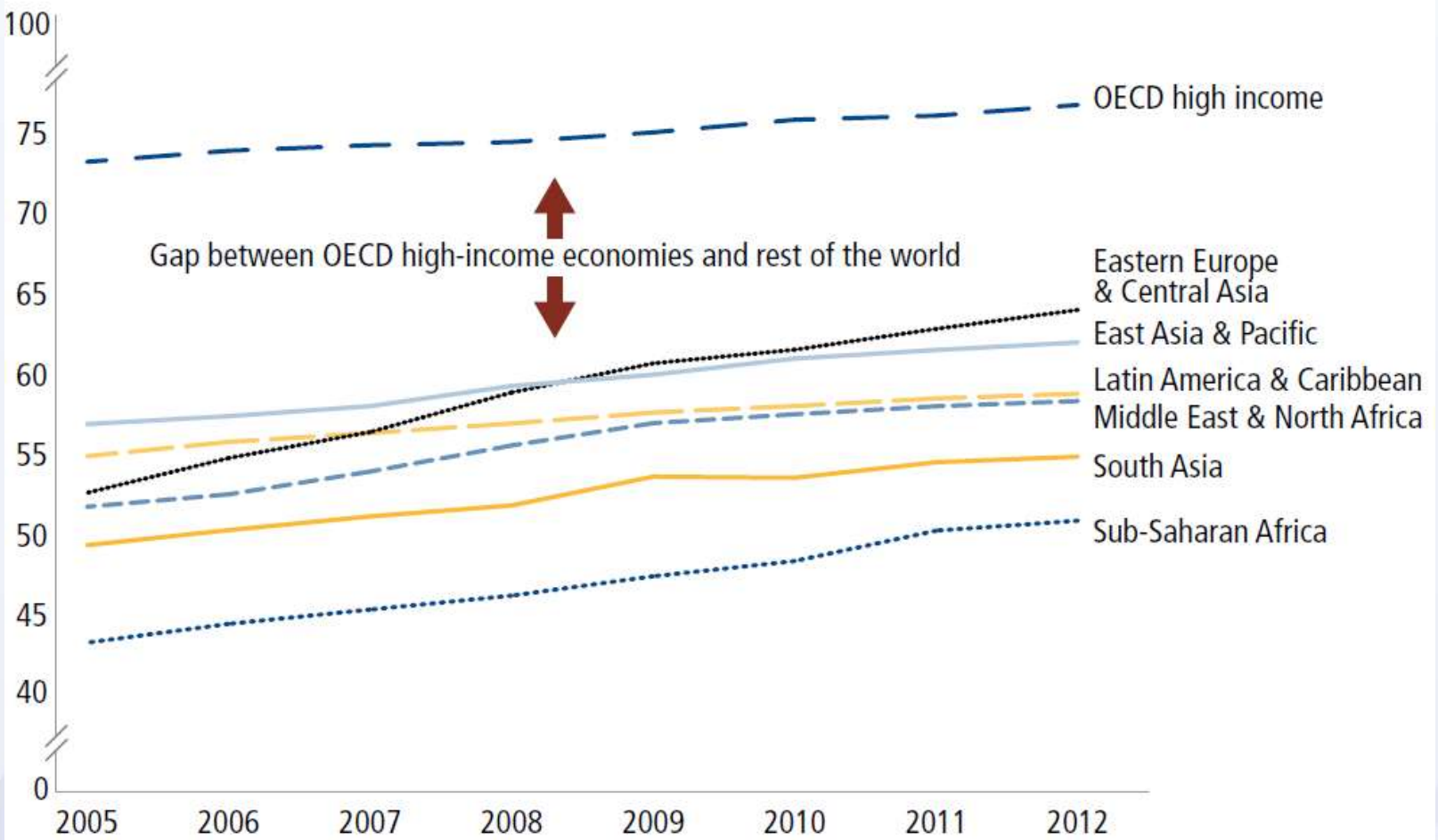


# Globally, reforms have focused more on reducing the complexity and cost of regulatory practices than on strengthening legal institutions

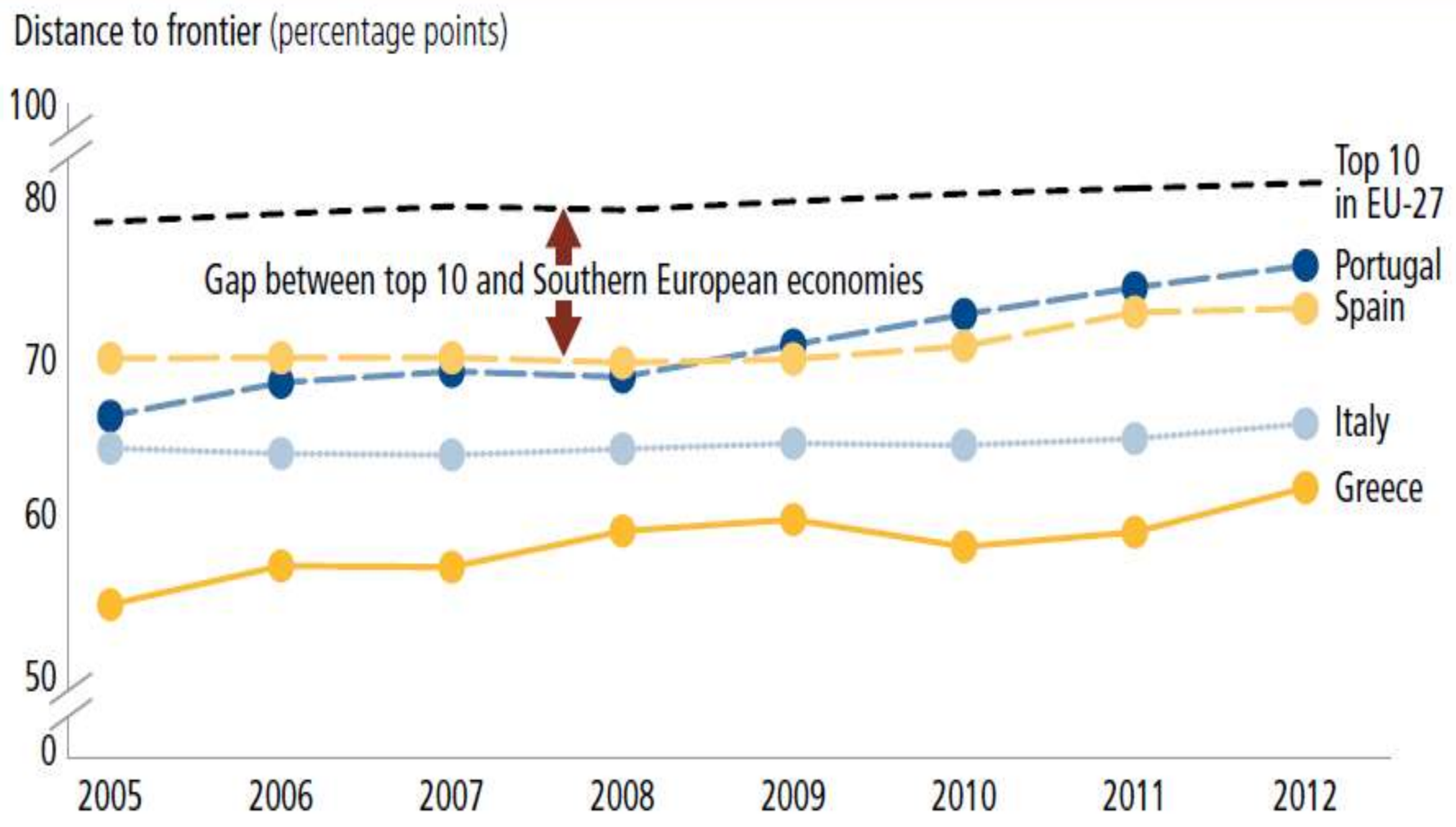


# Doing business is easier today than in 2005, particularly in Eastern Europe and Central Asia and Sub-Saharan Africa

Average distance to frontier (percentage points)



# In Southern Europe, an acceleration in the pace of regulatory reform

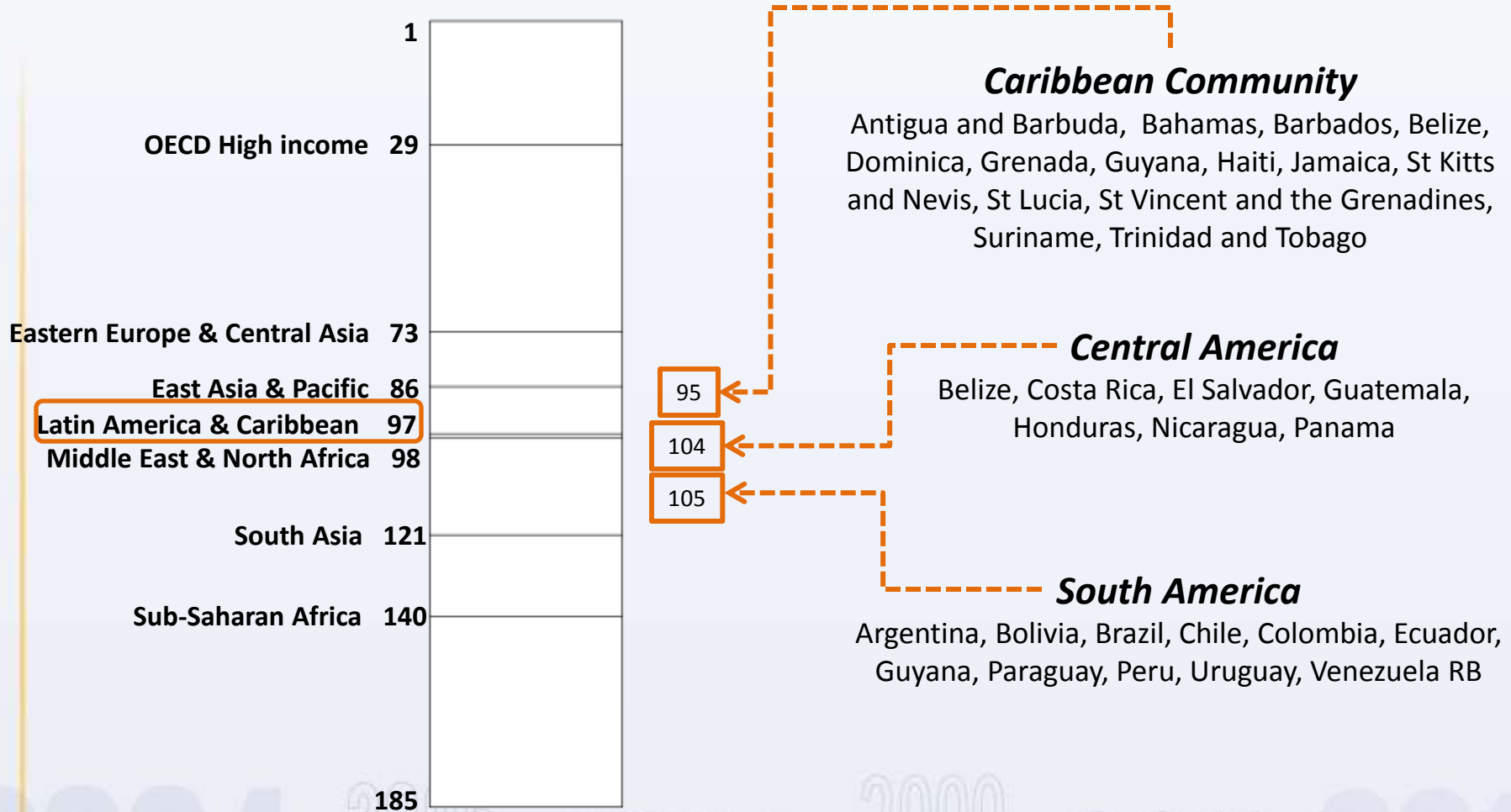




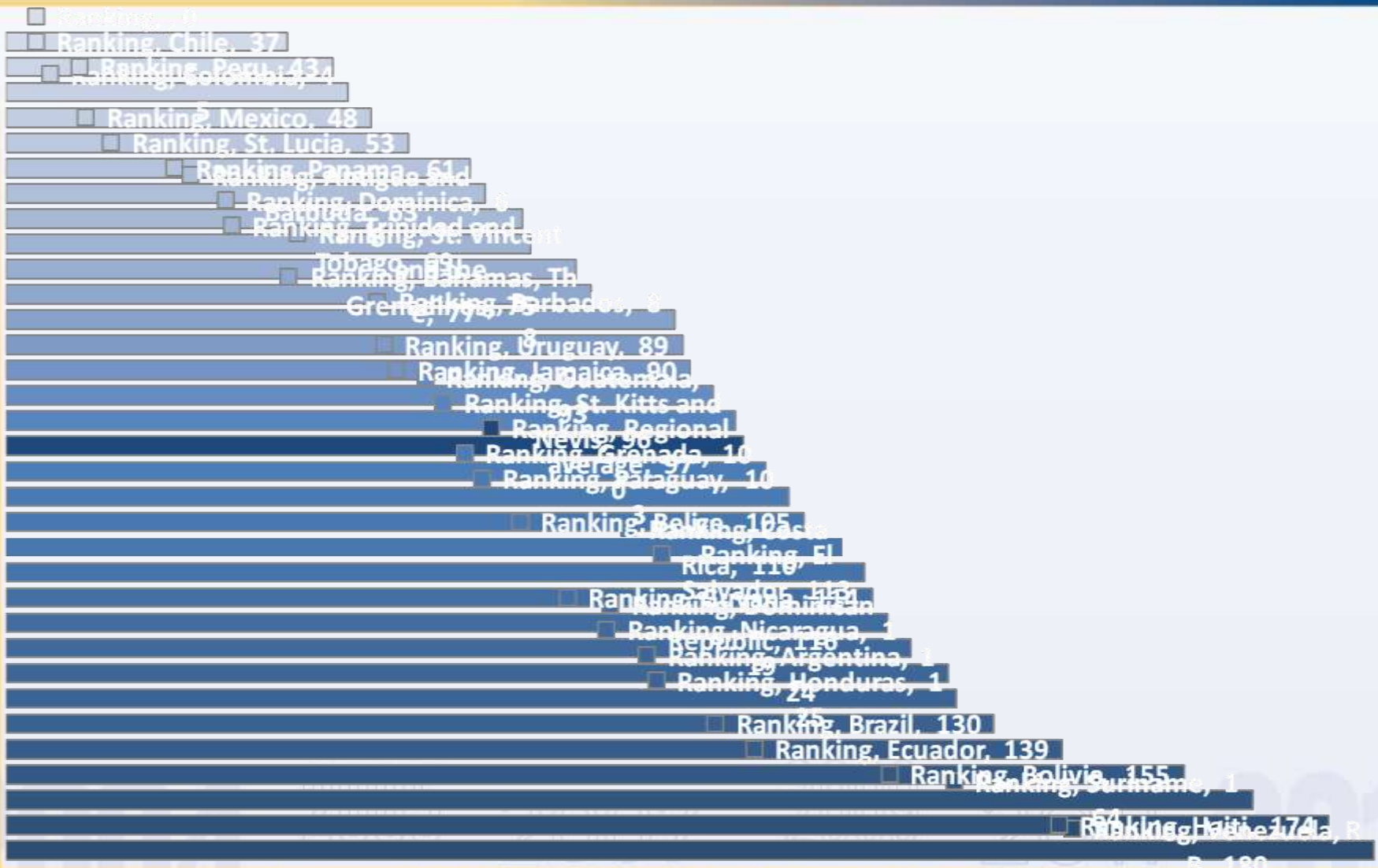
# 10 economies improving the most across 3 or more areas measured by *Doing Business* in 2011/12

		Ease of Doing Business rank	Starting a Business	Dealing with construction permits	Getting electricity	Registering property	Getting credit	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts	Resolving insolvency
1	Poland	55				√			√		√	√
2	Sri Lanka	81	√			√	√			√		
3	Ukraine	137	√			√			√			
4	Uzbekistan	154	√				√			√		√
5	Burundi	159	√	√		√				√		
6	Costa Rica	110	√	√			√		√			
7	Mongolia	76	√				√	√				
8	Greece	78		√				√				√
9	Serbia	86	√								√	√
10	Kazakhstan	49	√				√					√

# Latin America and Caribbean economies on average rank near the middle in the global ease of doing business

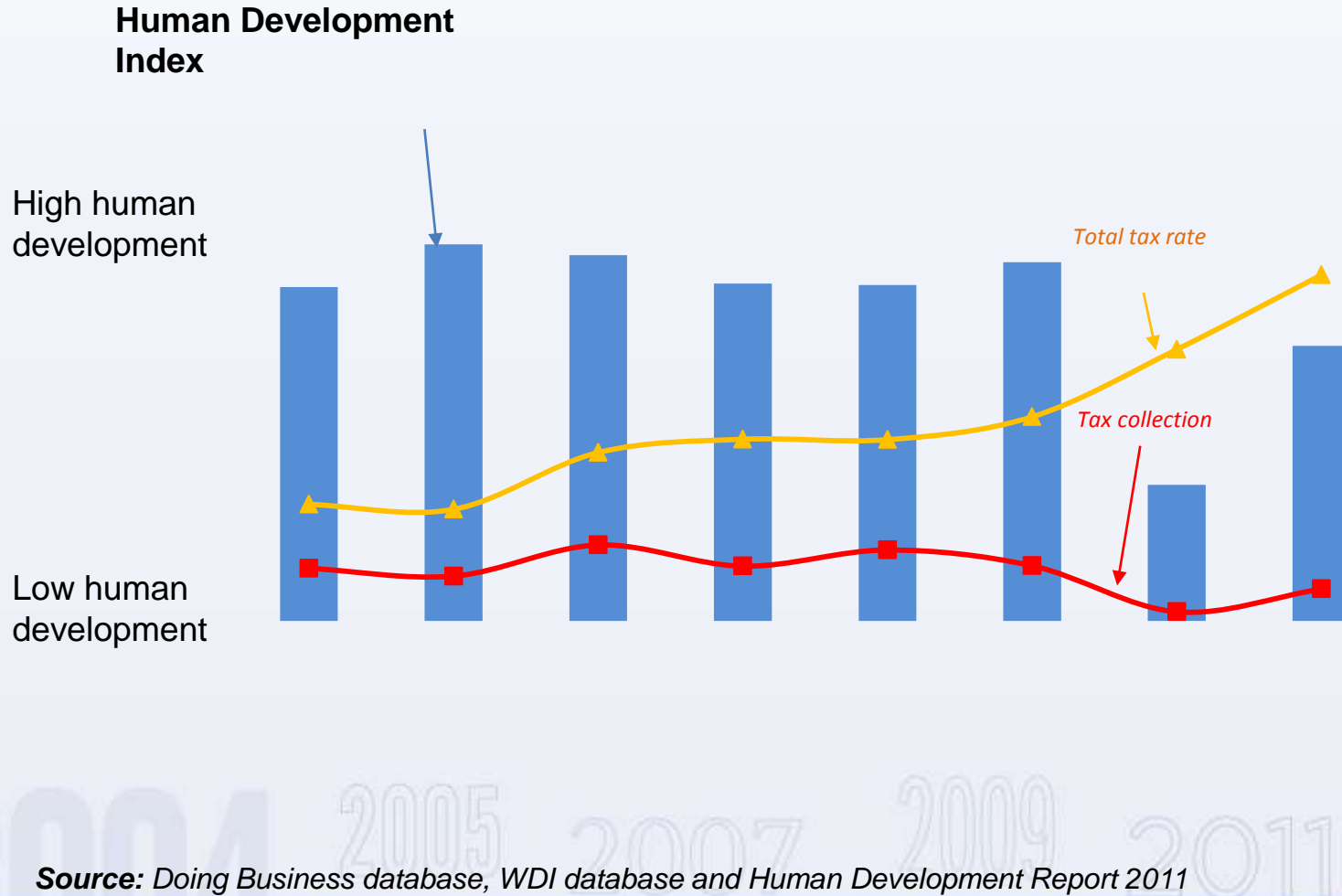


# Latin America and the Caribbean ranking in the ease of doing business in 2011/12



# High tax rates do not always lead to high tax revenue or good public services

Tax collection (% of GDP)  
 Total tax rate (% of profit)



Source: Doing Business database, WDI database and Human Development Report 2011

# APEC : sharing goals and experience using Doing Business indicators

Action plan launched

Interim target of 5% improvement

2012 APEC Economic Policy Report focusing on members' work in the 5 priority areas

APEC-wide target of 25% improvement

2009

2010

2011

2012

2013

2014

2015

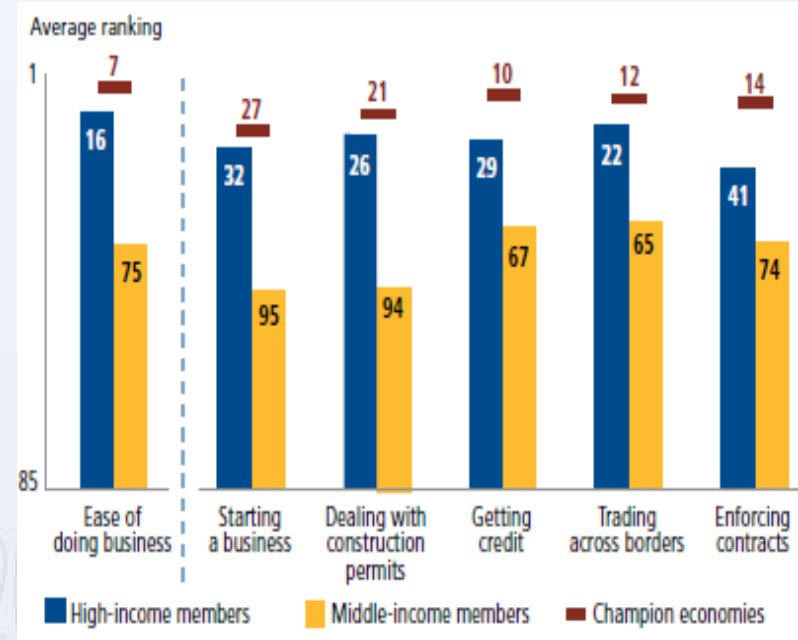
## Phase 1 (2009–11)

Champion economies share experience with successful reforms and systems

## Phase 2 (2012–15)

Champion economies provide diagnostics and facilitate capacity building for members committed to reform

- Identifies **champion economies** to lead capacity building activities
- For example, U.S. assisting Thailand in starting a business; Korea assisting Indonesia and Peru in enforcing contracts.
- In 2009-2012, improved their performance on the 5 indicator sets by 11.5% on average.
- But wide variation within APEC in the ease of doing business and in the rate of progress  
→ by enhancing cooperation, moving closer to APEC-wide goal.

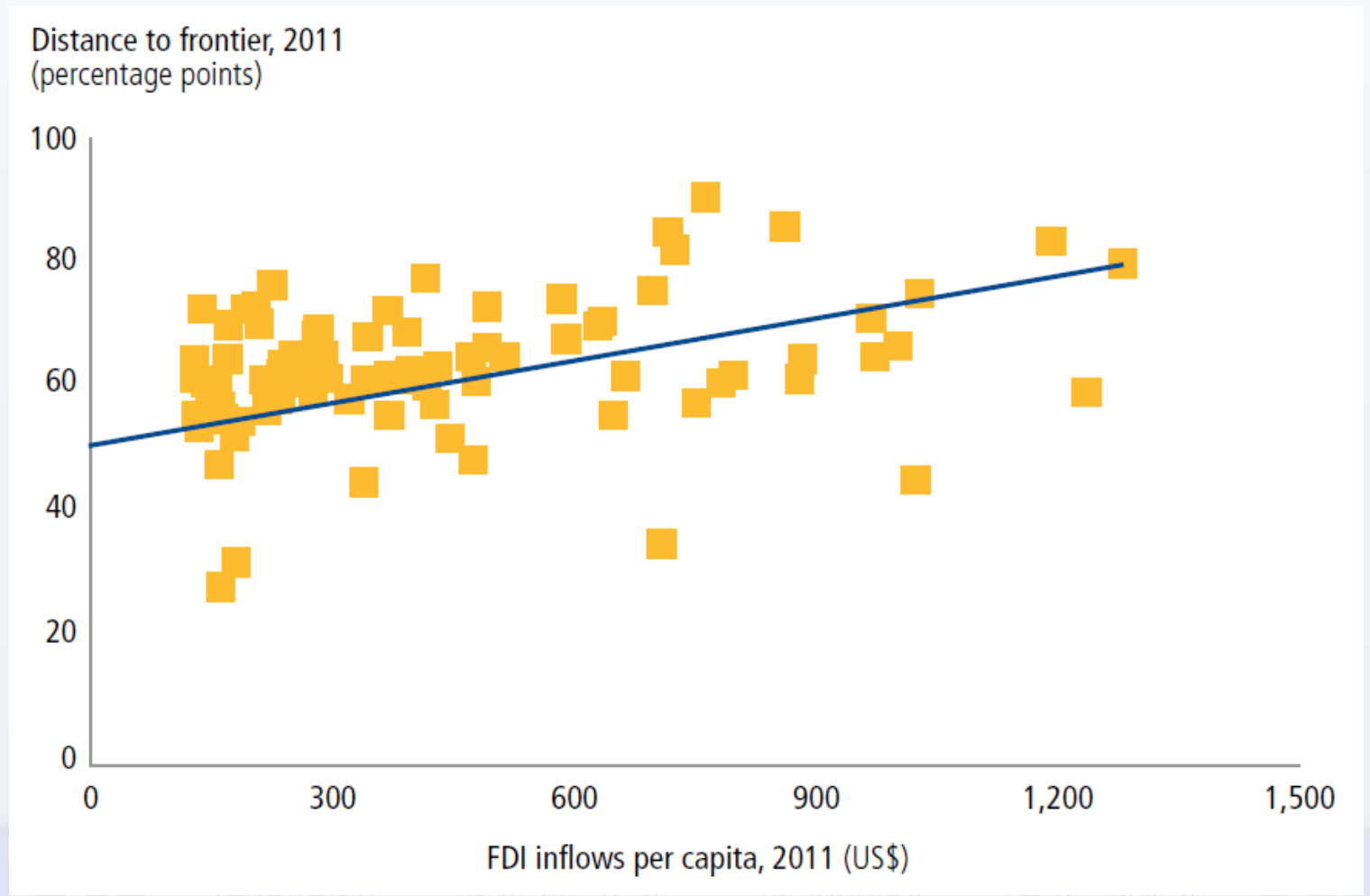




# Research associates *Doing Business* with Foreign Direct Investment (FDI) flows

- Improvements in Doing Business are often associated with an increase in FDI flows by policymakers and in the press
- Research conducted for DB 2013 finds statistical evidence supporting the association (see subsequent graph)
- On average, a 1 percentage point difference in regulatory quality is associated with a difference in annual FDI flows of \$250 - \$500 million
- Doing Business indicators also have a correlation of 57% with measures of FDI-specific regulations
- These findings suggest that countries with friendly regulation for domestic firms tend to also have friendly regulation for foreign firms – supporting the association between Doing Business and FDI

# Better regulation is correlated with more FDI



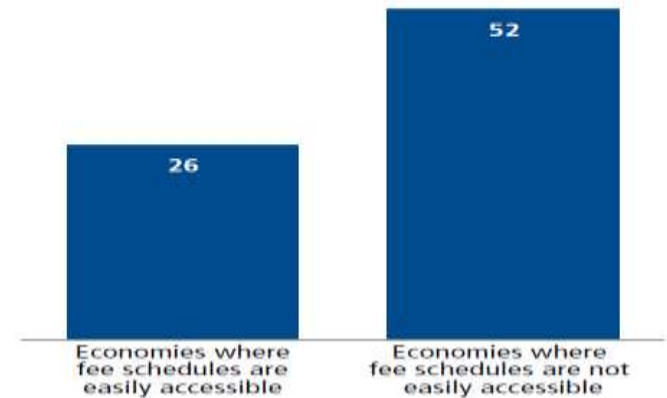
# How transparent is Business Regulation?

Easy Access to information empowers citizens to monitor the quality of government services and the use of public resources:

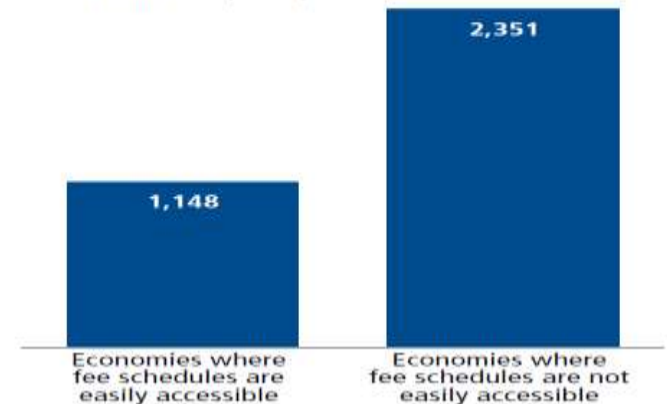
- In Sub-Saharan and the Middle East and North African important regulatory information can often only be obtained by meeting with an official
- OECD high-income economies most consistent in providing easy access to regulatory information through websites or printed brochures
- Accessibility of regulatory information varies with income level and internet penetration **but resources are not the only explanation**
- Access to information is easier in economies with greater political rights and greater political accountability
- Economies providing greater access to information also tend to have more efficient regulatory processes and lower regulatory compliance costs

FIGURE 8.4 Incorporation and electricity connection fees are lower in economies with greater disclosure of fee schedules and structures

Average cost to start a business  
 (% of income per capita)



Average cost to connect to electricity  
 (% of income per capita)



# Doing Business: a dynamic project in constant evolution

- A **growing indicator set**: from 5 initial data sets (*Starting a Business, Employing Workers, Enforcing Contracts, Getting Credit, Resolving Insolvency*) to 11 indicators
- **Number of economies** covered increasing from 133 to 185: Barbados and Malta added in *DB13*
- Inclusion of a new measure to illustrate change over time of the regulatory environment for local businesses in each economy - the **distance to frontier**
- Continuous improvements to Doing Business **indicator methodology**
  - Ongoing methodology review of the *Employing Workers Index* (EWI)
  - Establishment of a threshold for minimum tax rate in the *Paying Taxes* indicator
- Expansion of **Subnational Doing Business** studies: 54 economies, 335 cities, covered since 2005
  - Recent examples include Mexico, Russia, Indonesia, Southeast Europe, Italy, Kenya
- A **growing body of research** on how specific areas of business regulation – and regulatory reforms in those areas – relate to social and economic outcomes
  - Over 1,245 articles in peer-reviewed academic journals refer to the DB data
- Focus on specific economies and themes through **case studies** (Mexico, Macedonia, United Kingdom, Colombia, Latvia, Rwanda, FDI, Transparency)

# Possible future innovations

- ✚ Expand coverage of indicators beyond largest business city, particularly in large federal countries
- ✚ Broaden definition of particular indicators (e.g., protecting investors, getting electricity)
- ✚ Broaden coverage of indicators to other areas not currently covered
- ✚ Think of alternative ways of presenting the data, over and above aggregate rankings
- ✚ Expand the scope of engagement with users on methodology issues.



# Thank you. For more information: www.doingbusiness.org

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NEW GLOBAL REPORT

### Doing Business 2013

- » Poland is the most improved economy this year
- » Singapore is first on ease of doing business
- » See how economies have improved over time
- » New data on entrepreneurship, good practice & transparency
- » Download the report (PDF, 3.2MB)

### Explore Economy Data

- OR -

OTHER OPTIONS

- ▶ Get all data
- ▶ Use reform simulator

The **Doing Business** project provides objective measures of business regulations for local firms in 185 economies and selected cities at the subnational level. [ABOUT US >](#)

**2013 Doing Business Report**

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RECENT PUBLICATIONS

#### Subnational Doing Business

*Doing Business in Hargeisa 2012* provides an in-depth look at the business climate in Hargeisa, the largest economic center in Somaliland.

*Doing Business in Kenya 2012* analyzes four areas of business regulation across 13 cities. Malaba and Narok lead in the aggregate ranking.

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**Distance to Frontier**

See how economies have improved over time.

**Reform Simulator**

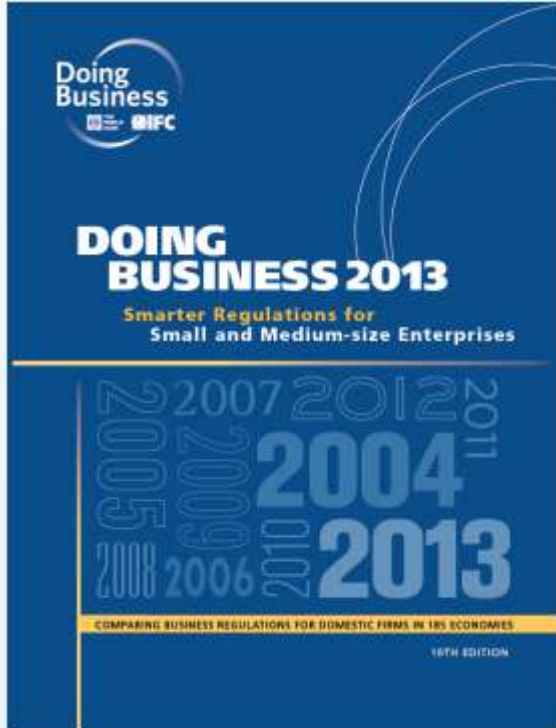
See the impact of reforms in the areas measured by Doing Business.

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# ANNEX I

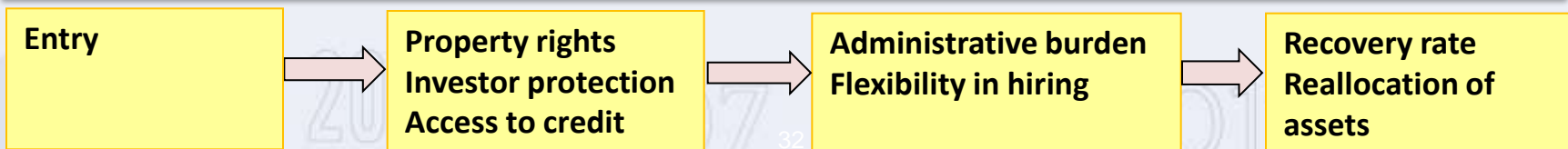
# Top 30 economies on the ease of doing business



- |   |                         |   |                          |
|---|-------------------------|---|--------------------------|
|    | 1. Singapore            |    | 16. Taiwan, China        |
|    | 2. Hong Kong SAR, China |    | 17. Canada               |
|    | 3. New Zealand          |    | 18. Thailand             |
|    | 4. United States        |    | 19. Mauritius            |
|    | 5. Denmark              |    | 20. Germany              |
|    | 6. Norway               |    | 21. Estonia              |
|    | 7. United Kingdom       |    | 22. Saudi Arabia         |
|    | 8. Korea, Rep.          |    | 23. Macedonia, FYR       |
|    | 9. Georgia              |    | 24. Japan                |
|    | 10. Australia           |    | 25. Latvia               |
|   | 11. Finland             |   | 26. United Arab Emirates |
|  | 12. Malaysia            |  | 27. Lithuania            |
|  | 13. Sweden              |  | 28. Switzerland          |
|  | 14. Iceland             |  | 29. Austria              |
|  | 15. Ireland             |  | 30. Portugal             |

# Doing Business indicators – 11 areas of business regulation (10 included in the DB2013 ranking), covering 185 economies

Start-up	Expansion	Operations	Insolvency
<ul style="list-style-type: none"> <li>• <b>Starting a business</b></li> </ul> <p><i>Minimum capital requirement, procedures, time and cost</i></p>	<ul style="list-style-type: none"> <li>• <b>Registering property</b> <i>Procedures, time and cost</i></li> <li>• <b>Getting credit</b> <i>Credit information systems</i> <i>Movable collateral laws</i></li> <li>• <b>Protecting investors</b> <i>Disclosure and liability in related party transactions</i></li> <li>• <b>Enforcing contracts</b> <i>Procedures, time and cost to resolve a commercial dispute</i></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Dealing with construction permits</b> <i>Procedures, time and cost</i></li> <li>• <b>Paying taxes</b> <i>Payments, time and Total Tax Rate</i></li> <li>• <b>Trading across borders</b> <i>Documents, time and cost</i></li> <li>• <b>Getting electricity</b> <i>Procedures, time and cost</i></li> <li>• Employing workers (annex)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Resolving insolvency</b> <i>Time, cost and recovery rate</i></li> </ul>





# Doing Business indicators – 11 areas of business regulation (10 included in the DB2013 ranking), covering 185 economies

## Complexity and cost of regulatory processes

Starting a business	Procedures, time, cost and paid-in minimum capital requirement
Dealing with construction permits	Procedures, time and cost
Getting electricity	Procedures, time and cost
Registering property	Procedures, time and cost
Paying taxes	Payments, time and total tax rate
Trading across borders	Documents, time and cost

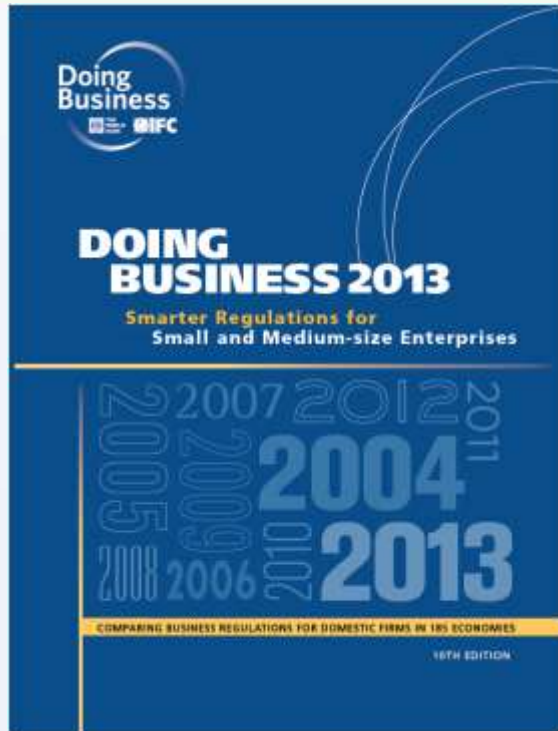
## Strength of legal institutions

Getting credit	Movable collateral laws and credit information systems
Protecting investors	Disclosure and liability in related-party transactions
Enforcing contracts	Procedures, time and cost to resolve a commercial dispute
Resolving insolvency	Time, cost, outcome and recovery rate
Employing workers <sup>a</sup>	Flexibility in the regulation of employment

a. The employing workers indicators are not included in this year's ranking on the ease of doing business nor in the calculation of any data on the strength of legal institutions included in figures in the report.



# What does *Doing Business* measure?



## Doing Business indicators:

- ✓ Focus on regulations relevant to the life cycle of a small to medium-sized domestic business.
- ✓ Are built on standardized case scenarios.
- ✓ Are measured for the most populous city in each country.
- ✓ Are focused on the formal sector.

**DO NOT** measure all aspects of the business environment such as macroeconomic stability, corruption, level of labor skills, proximity to markets, or of regulation specific to foreign investment or financial markets.

# How does *Doing Business* define SMART business regulations?

S

- STREAMLINED—regulations that accomplish the desired outcome in the most efficient way

M

- MEANINGFUL—regulations that have a measurable positive impact in facilitating interactions in the marketplace

A

- ADAPTABLE—regulations that adapt to changes in the environment

R

- RELEVANT—regulations that are proportionate to the problem they are designed to solve

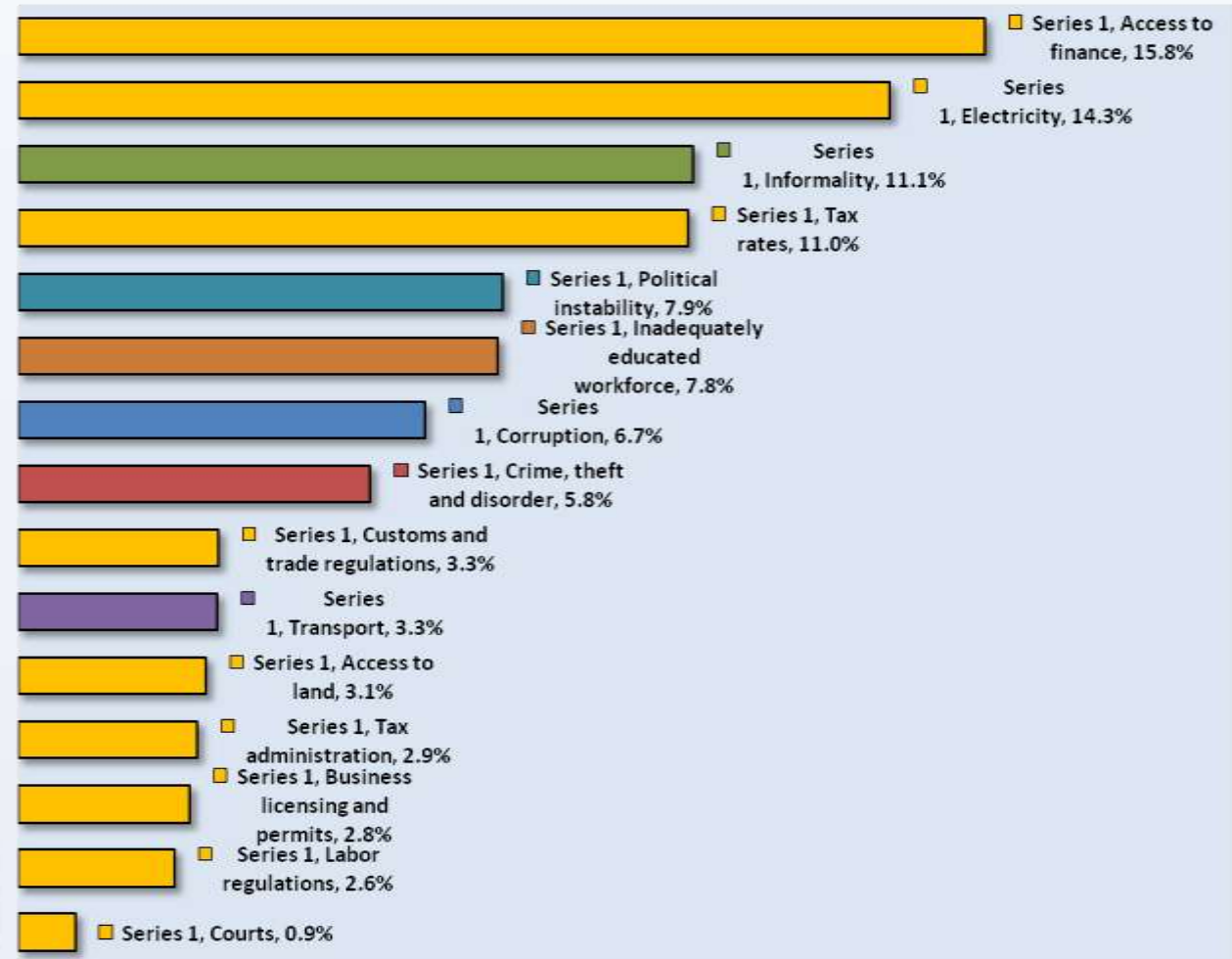
T

- TRANSPARENT—regulations that are clear and accessible to anyone who needs to use them

# Doing Business indicators reflect on some of the most important obstacles small and medium-sized firms face

- Based on *Enterprise Surveys* in 118 countries around the world
- Direct responses from representative samples of the private sector
- *Access to finance, electricity and informality* are the top obstacles across the developing world

Percent of firms identifying the problem as the main obstacle to their business activity



# More than 2000 reforms in 180 countries over the last 10 years

*And some of these reforms are...*

## *Starting a business (2011)*

- **Korea** implemented an online company registration system "Start Biz" that streamlined the procedures to start a business

## *Dealing with construction permits (2010)*

- **Paraguay** made dealing with construction permits easier by creating a new administrative structure and a better tracking system in the municipality of Asunción.

## *Enforcing contracts (2011)*

- **Malaysia** expanded its case management system, trained judges and monitored their performance, and improved the computerization of its courts by introducing a system making it possible to file complaints electronically

## *Protecting investors (2012)*

- **Greece** amended the stock exchange rules to increase investor protections by requiring greater immediate and annual disclosure of material related-party transactions

## *Paying taxes (2009)*

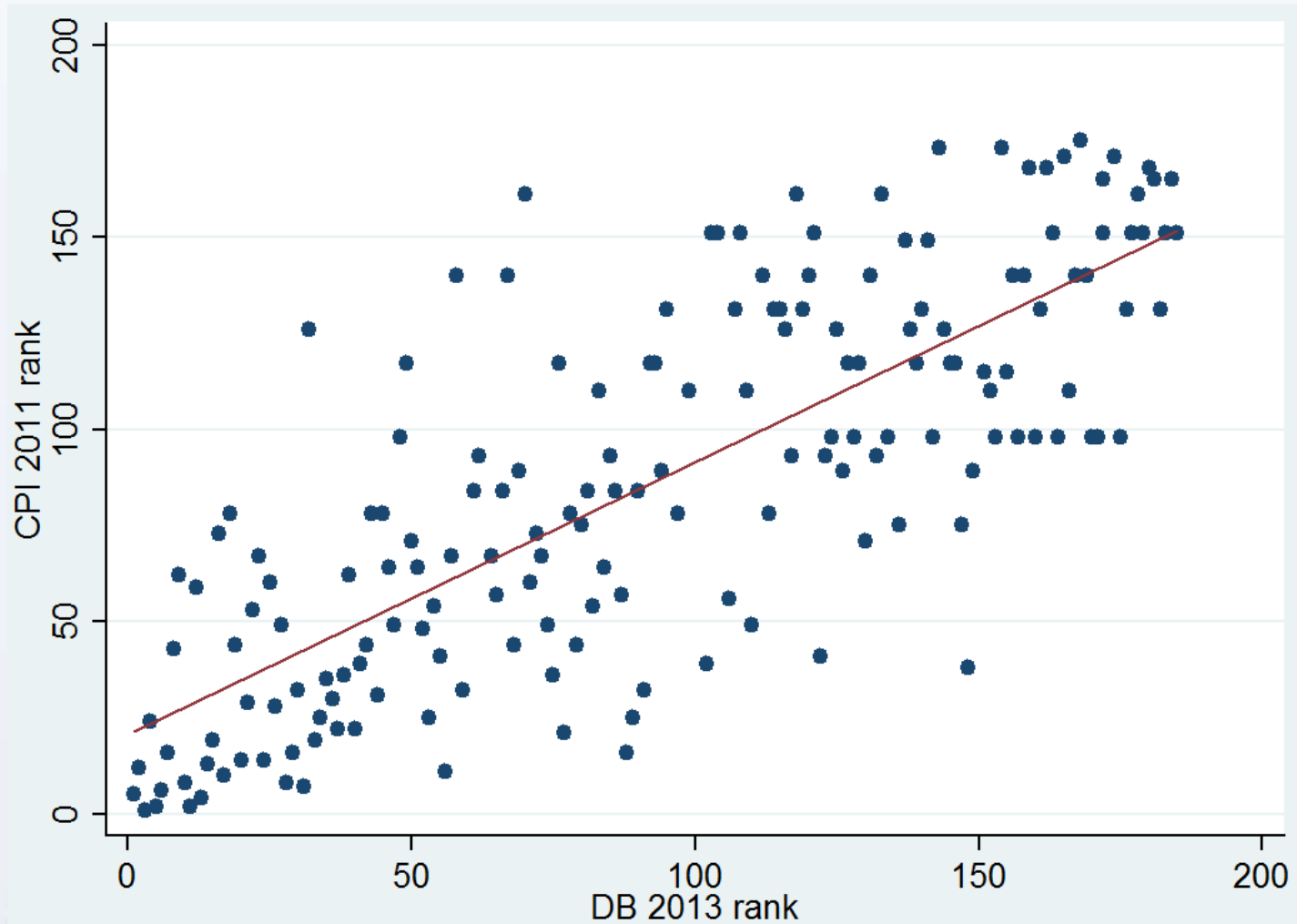
- **Colombia** implemented an electronic filing system of Corporate income tax and Value added tax.

## *Getting credit (2011)*

- **OHADA** (16 West African economies including Mali and Burkina Faso) amended the Uniform Act on secured transactions to broaden the range of assets that can be used as collateral, extend the security interest to the proceeds of the original asset and introduce the possibility of out-of-court enforcement.

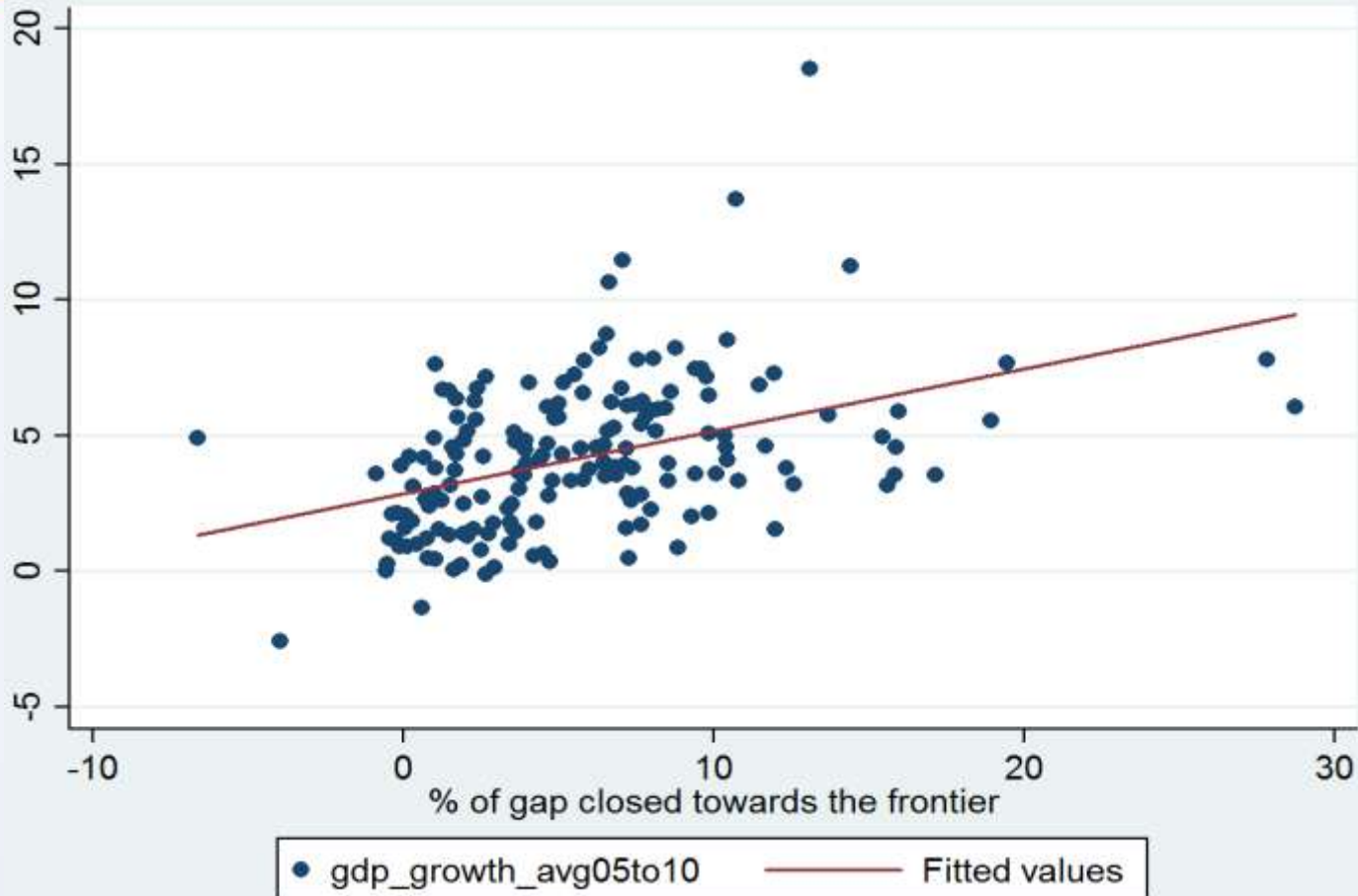
# Good business regulations and governance

2011 Corruption Perceptions Index vs. 2013 Ease of Doing Business Ranks





# Positive correlation between average GDP growth rates and improvements in distance to the frontier

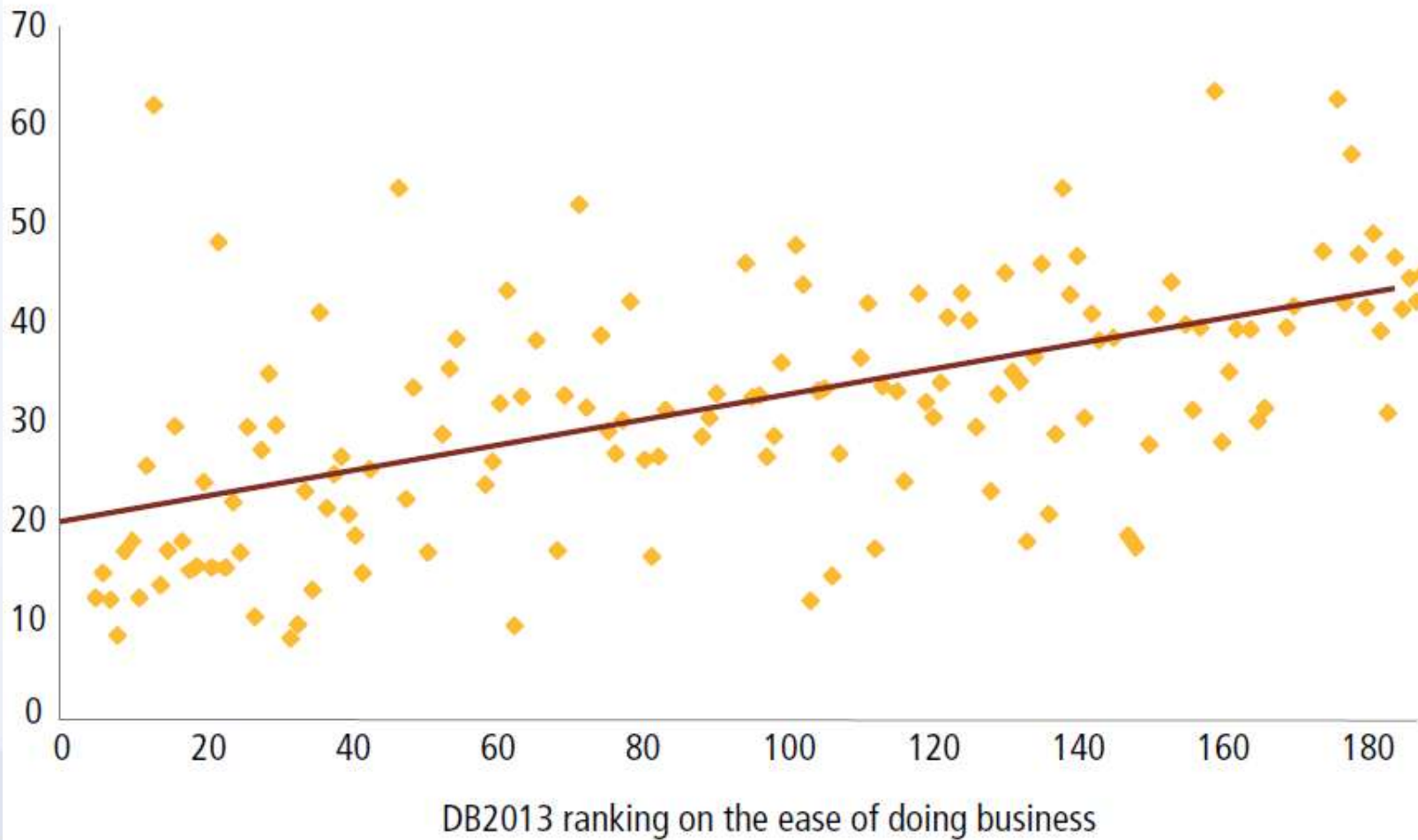


Source: World Development Indicators database. Doing Business database.

Note: The correlation holds and is significant at the 1% level after controlling for GDP per capita and oil exports as a percentage of GDP.

# Higher levels of informality are associated with lower Doing Business rankings

Informal sector  
as % of GDP, 2007



# A strong correlation between Doing Business rankings and World Economic Forum rankings on global competitiveness

