

Doing Business 2016

Measuring Regulatory Quality and Efficiency

responsabilité juridique

bureau de crédit единое окно

прозрачность 一站式服务

شفافية تحديد مهل زمنية oficina de crédito

balcão único

在线服务 collateral registry

реестр залогового обеспечения single window liability

مكتب الائتمان one stop shop

services en ligne

transparência

сроки
征信中心
servicios en línea

реорганизация

credit bureau

reorganización

سجل الضمانات

transparencia

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设置办理时限

responsabilidad jurídica

مسؤولية

重组

reorganization

registro de garantías

نافذة موحد

transparency

COMPARING BUSINESS REGULATION FOR DOMESTIC FIRMS IN 189 ECONOMIES



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Doing Business 2016

Measuring Regulatory Quality and Efficiency



COMPARING BUSINESS REGULATION FOR DOMESTIC FIRMS IN 189 ECONOMIES
A World Bank Group Flagship Report

Doing Business 2016



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Doing Business 2016 is the 13th in a series of annual reports investigating the regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulation and the protection of property rights that can be compared across 189 economies—from Afghanistan to Zimbabwe—and over time.

Doing Business measures aspects of regulation affecting 11 areas of the life of a business. Ten of these areas are included in this year’s ranking on the ease of doing business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. *Doing Business* also measures features of labor market regulation, which is not included in this year’s ranking.

Data in *Doing Business 2016* are current as of June 1, 2015. The indicators are used to analyze economic outcomes and identify what reforms of business regulation have worked, where and why.

This publication presents selected content from *Doing Business 2016*. The full report can be downloaded from the *Doing Business* website at <http://www.doingbusiness.org>.

Doing Business 2016



Foreword

Over the 13 years since its inception the *Doing Business* report has become one of the world's most influential policy publications. It is an annual report on the state of health of economies based on detailed diagnostics not of the relatively more visible features (such as growth) and various macroeconomic parameters (such as the public debt) but of underlying and embedded characteristics—such as the regulatory system, the efficacy of the bureaucracy and the nature of business governance. An economy's scores on *Doing Business* indicators are somewhat akin to a measure of concentrations of various proteins and minerals in the human blood. They may not seem important to the lay observer, but they have huge long-run implications for an economy's health, performance and growth.

Since 2003 *Doing Business* has been publishing annual quantitative data on the main regulatory constraints affecting domestic small and medium-size enterprises throughout their life cycle. This year's report presents data for 189 economies and aggregates information from 10 areas of business regulation—starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency—to develop an overall ease of doing business ranking. Data are also collected on the regulation of labor markets but these are not part of the overall ranking.

EVOLUTION OF THE METHODOLOGY

Given the importance of *Doing Business* and the responsibility that comes with it, and also in the light of the 2013 report of the Independent Panel on *Doing Business*, chaired by Trevor Manuel, it was decided that we would use two years to revise and improve the measurement of the ease of doing business in different economies. This is the second and last year of this major revision exercise and that gives this year's report a special significance.

The research on which regulatory constraints are most important for firms and how to best measure them continues to evolve. Since the first *Doing Business* report was published in 2003, the team has implemented a number of methodological improvements, expanding the coverage of regulatory areas measured and enhancing the relevance and the depth of the indicators. While initially the report was focused largely on measuring efficiency and the costs of compliance with business regulations, over the past two years there has been a systematic effort to capture different dimensions of quality in most indicator sets. This year's report introduces new measures of regulatory quality in the indicator sets on dealing with construction permits, getting electricity, registering property and enforcing contracts. It also presents a significantly expanded data set for the labor market regulation indicators to cover certain dimensions of job quality,

such as the availability of paid sick leave, on-the-job training and unemployment insurance for workers. In addition, the methodology for the trading across borders indicators has been revamped to increase their relevance.

Studies show that creating a regulatory milieu that enables private enterprises, especially small firms, to function and be creative has a large positive impact on job creation and is therefore good for the economy. Yet the growth and efficiency of small firms have been constrained by many factors, including access to finance, lack of managerial and technological capacities and, importantly for this report, the quality of the regulatory environment.

Demographic projections of the rising number of working-age people in low-income and some middle-income economies have given rise to both hope and concern. The latter takes the form of alarming accounts of how, because of this “demographic dividend,” we will have to create new jobs for all the new working-age youngsters. What is often forgotten is that there is no reason to presume that they will all be supplying their labor. If we can provide a good regulatory environment and some entrepreneurial training, many of them will be on the other side of the market, demanding instead of supplying labor. In other words, the same new working-age population can create new jobs and supply new labor. Hence, at this juncture the World Bank Group’s *Doing Business* report can be viewed as a small but serious intellectual contribution to this challenge.

A WORD OF CAUTION

When using this report, it is important to understand its strengths and limitations. A major advantage of *Doing Business* is the comparability of data across the world’s economies thanks to the use of

standardized case scenarios with well-specified assumptions. The report not only highlights the extent of regulatory obstacles to firms through the compilation of quantitative data for more than 40 sub-indicators but also identifies the source of business environment constraints. This helps governments identify well-defined areas of action and design reform agendas. In addition, the majority of *Doing Business* indicators are based on a reading of the law, which makes the indicators “actionable”—as the law is well within the sphere of influence of policy makers and is thus amenable to change.

While this method has the advantage of transparency, it has one inevitable shortcoming. It is not feasible to design a case study that will be an equally good fit for all the world’s economies. Because the report aims to have a global coverage, the choice of indicators is partly constrained by the data that can realistically be collected in some of the least developed economies of the world.

Furthermore, *Doing Business* covers a limited number of regulatory constraints. And it does not measure many aspects of the business environment that matter to firms, investors and the overall economy. For example, the report does not attempt to capture a number of dimensions of macroeconomic stability, the prevalence of corruption, antitrust policies or the skills of the workforce, important as all these factors are for establishing a foundation for sustainable economic development. Even within the relatively small set of indicators included in *Doing Business* the focus is deliberately narrow. The trading across borders indicators, for example, capture the time and cost for document preparation and compliance with border procedures to export and import goods; they do not measure the costs associated with international transport or tariff and nontariff barriers. Therefore, policy makers wishing to implement regulatory reforms can use *Doing*

Business as a starting point for identifying necessary reforms but should by no means stop at what is measured by the report.

There is indeed a risk in this, which is important to acknowledge. When we measure certain dimensions of the performance of an agent, such as a government, that has to perform multiple tasks, there is a risk of diverting a disproportionate amount of effort to the tasks that are measured while ignoring others that may be equally important. There is an important literature in economics that, while not dealing directly with this, formalizes and draws our attention to this problem.¹ We can see this problem arise in other domains, such as when teachers’ salaries are indexed by student evaluation scores; there is a risk that this will dampen the incentive for creativity, which is harder to measure. Ranking universities often leads them to try to game the system and move resources and effort away from some important but unmeasurable dimensions to the narrower tasks that are tracked and measured.

This is a risk that we have to contend with whenever we make an effort to rank agents who perform multiple tasks, or more tasks than can be measured. The hope is that governments, like individual agents, are inspired by more than narrowly focused optimization.² They can then treat these scores not as targets that ought to be maximized to the exclusion of all else, but as indicative of how they are performing on an important dimension of economic life—to wit, business governance—and use them to do better in ways that may or may not be possible to measure but that lead to better lives for their citizens.

WHAT DO THE DOING BUSINESS DATA SHOW?

A quick look at the list of economies at the top of the ease of doing business ranking reveals that the best 30 performers are

1. See Holmstrom and Milgrom (1991); and Laffont and Martimort (2009, ch. 5).

2. This is discussed in the context of economic governance in Bowles (2004, ch. 14).

not those with little regulation but those with good rules that allow efficient and transparent functioning of businesses and markets while protecting the public interest. Data in this year's report also show that economies that have efficient regulatory processes as measured by *Doing Business* have high regulatory quality. In addition, the economies that rank high on *Doing Business* indicators tend to perform well in other international data sets, such as the Global Competitiveness Index and Transparency International's Corruption Perceptions Index.

OECD high-income economies have the best scores on average, yet there are good practices in business regulation in every region. In 2014/15, 122 economies implemented at least one reform in the areas measured by *Doing Business*—for a total of 231 reforms. Europe and Central Asia has the largest share of economies

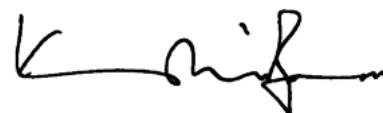
that implemented at least one reform and accounts for 3 of the 10 top improvers.

Analysis of the *Doing Business* data for the past 12 years shows encouraging signs of convergence toward best practices, as lower-income economies have improved more in the areas measured by the report than high-income economies that started with a fairly strong regulatory framework when *Doing Business* was first launched in 2003. Among the areas measured by the report, starting a business has seen the most improvements. In 2003 it took an average of 51 days worldwide to start a business; by 2015 this number had been more than halved, to 21 days.

Since its launch in 2003 the *Doing Business* report has inspired hundreds of regulatory reforms worldwide. In the past 12 years more than 2,600 reforms have been recorded globally in the

areas measured by the report. *Doing Business* has been praised by some and criticized by others. Indeed, there is no unique way to measure one of the most complex dimensions of the economy: the regulatory burden for firms. To ensure transparency, *Doing Business* publishes the methodology used for the development of each indicator and the disaggregated data online. This allows users to apply their own judgment on how to best analyze the data, including by constructing alternative rankings using a different set of weights for the individual indicators.

As we continue our work on improving the report's methodology, we welcome your ideas on how to strengthen the diagnostics of business environment constraints and make *Doing Business* a more effective tool to promote better regulatory practices.



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Chief Economist
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Washington, DC



Overview

Societies need regulation—and businesses, as part of society, are no exception. Without the rules that underpin their establishment, operation and dissolution, modern businesses cannot exist. And where markets left to themselves would produce poor outcomes, well-designed regulation can ensure outcomes that are socially optimal and likely to leave everyone better off.

Regulation can lead to fairer outcomes by correcting for imbalances in power between different players. For example, an unregulated labor market is unlikely to produce socially optimal outcomes for both employers and employees; balanced regulation can allow flexibility for employers while providing protections for workers. Regulation can also address asymmetries in information—such as those in the credit market, where borrowers are likely to have more information about their ability to repay a loan than lenders do.

In addition, regulation can enable the provision of public goods that markets cannot provide and without which markets cannot operate. For example, a well-designed land administration system, by providing reliable information on the ownership of property, makes it possible for the property market to exist and to operate. It is no surprise that land markets barely function in countries with no property registry, such as Libya and Timor-Leste.

And regulation can induce market players to consider the impact of their actions on

others. Take the example of a business that becomes insolvent. Without regulation, creditors each have an incentive to grab as much of the insolvent firm's assets as they can, even if it is in their collective interest to see the firm restructured.

Doing Business focuses on regulations and regulatory processes involved in setting up and operating a business. It analyzes those that address asymmetries in information (such as credit market regulations), those that balance asymmetries in bargaining power (such as labor market regulations) and those that enable the provision of public goods or services (such as business or property registration).

Countless transactions are required to set up and operate a business. When starting a new business, entrepreneurs need to establish a legal entity separate from themselves to limit their liability and to allow the business to live beyond the life of its owners—a process requiring commercial registration. To operate their business, entrepreneurs may need a simple way to export and import; they may need to obtain a building permit or acquire property to expand their business; they may need to resolve a commercial dispute through the courts; and they are very likely to need an inflow of funds through credit or new equity. Regulation is at the heart of all these transactions. If well designed, regulation can facilitate these transactions and allow businesses to operate effectively; if badly designed, it can make completing these transactions difficult.

- This year's *Doing Business* report continues a two-year process of introducing improvements in 8 of 10 *Doing Business* indicator sets—to complement the emphasis on the efficiency of regulation with a greater focus on its quality.
- New data show that efficiency and quality go hand in hand. Economies that have a faster and less costly process for connecting to the electrical grid also tend to have a more reliable electricity supply. Property transfers are faster and less costly in economies with a good land administration system. Commercial disputes are resolved more efficiently by courts using internationally recognized good practices. And economies where the formalities to build a warehouse can be completed more simply, quickly and inexpensively have on average better-quality building regulation.
- Information technology is part of good business regulation. In the past year alone *Doing Business* recorded 50 reforms establishing or improving online tools for regulatory processes.
- Overall in the past year, 122 economies implemented at least one regulatory reform in the areas measured by *Doing Business*—231 reforms in total.
- Economies in all regions and income groups have improved the quality and efficiency of business regulation. But lower-income economies have improved more in the areas measured by *Doing Business* than high-income economies have—there is convergence.

Indeed, regulation can overburden businesses, making it virtually impossible for them to operate. Consider business registration. If the process is too complex—as in Equatorial Guinea, where completing the formalities to start a business takes 18 procedures and 135 days—it can deter entrepreneurs from even starting a new business. And if resolving a commercial dispute takes too much time—such as the 1,402 days in Guatemala—it can reduce the number of potential clients and suppliers for a company. Where courts are inefficient, firms are more likely to do business only with people they know. How regulations and regulatory processes are designed makes all the difference.

By expanding the scope of the indicators—a process started in last year's report and continued in this year's—*Doing Business* provides further clarity on the differences between well-designed and badly designed regulation. New data on the quality of regulation make it easier to identify where regulation is enabling businesses to thrive and where it is enabling rent seeking.

WHAT DOES DOING BUSINESS MEASURE—AND HOW IS IT CHANGING?

Measuring the quality of regulation is not new for *Doing Business*; some indicator sets have always addressed aspects of regulatory quality, such as those on getting credit and protecting minority investors. But the improvements being introduced in *Doing Business* indicators are increasing the emphasis on the quality of regulation as a complement to the initial emphasis on its efficiency. Last year's report expanded the indicator sets for three topics to capture aspects of quality; this year's report introduces changes in the indicator sets for five others, in most cases also by expanding them to measure quality as well as efficiency (figure 1.1).

There are different ways to assess the quality of regulation. One way is to evaluate the process leading to the creation of new regulations, by looking at such aspects as whether consultations take place with stakeholders or whether regulatory impact assessments are carried out. Another is to analyze the perceptions of citizens or experts about a government's ability to formulate sound policies and regulations and implement them in a predictable fashion.

Doing Business uses a different approach to measuring the quality of regulation. It focuses on whether an economy has in place the rules and processes that can lead to good outcomes, linked in each case to *Doing Business* measures of efficiency. In the area of dealing with construction permits, for example, *Doing Business* now measures the quality of building regulations and the qualification requirements for the people reviewing building plans as well as the efficiency (as measured by time and cost) of the process for completing all the formalities to build a warehouse. *Doing Business* does not assess the process for designing

building regulations; instead, it gauges whether an economy has the kind of building regulations and quality controls that enable well-constructed buildings.

Doing Business continues to focus on regulation that affects domestic small and medium-size enterprises, operating in the largest business city of an economy, across 11 areas.¹ Ten of these areas—starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency—are included in the distance to frontier score and ease of doing business ranking. The distance to frontier score captures the gap between an economy's performance and a measure of best practice across the entire sample of 36 indicators, where 100 is the frontier and 0 is the furthest from the frontier. *Doing Business* also analyzes labor market regulation, which is not included in the distance to frontier score or ease of doing business ranking.²

FIGURE 1.1 What *Doing Business* continues to cover and what it is adding and changing



While *Doing Business* has always measured some aspects of regulatory quality, its original indicators have focused mainly on measuring regulatory efficiency, such as by recording the procedures, time and cost to start a business or to register a property transfer. These are important aspects to measure. Different research papers have shown the importance of these measures for economic outcomes.³ According to one study, for example, a reform that simplified business registration in Mexican municipalities increased registration by 5% and wage employment by 2.2%—and, as a result of increased competition, reduced the income of incumbent businesses by 3%.⁴ Other studies have analyzed the importance of trade logistics costs. Research using World Bank Enterprise Survey data shows that reductions over time in the cost of importing lead to an increase in the share of firms' material inputs that are of foreign origin.⁵

Other research papers show the importance of well-designed credit market regulations and well-functioning court systems for debt recovery. For example, mandatory credit reporting systems improve financial intermediation and access, particularly when used in conjunction with credit information systems.⁶ In India the establishment of debt recovery tribunals reduced nonperforming loans by 28% and lowered interest rates on larger loans, suggesting that faster processing of debt recovery cases cut the cost of credit.⁷ Research also shows that a badly designed tax system can be a big deterrent for businesses. After a tax reform in Brazil, business licensing among retail firms rose by 13%.⁸

But measuring quality in the same areas where *Doing Business* previously measured only efficiency is also important. To see why, we can compare data for the registering property indicators for two countries: Saudi Arabia, where the property transfer process is fast but opaque, and France, where the process is slow but

the land administration system is of high quality.

In Saudi Arabia transferring a commercial property from one company to another takes less than a week and costs nothing in fees. But new data collected by *Doing Business* this year on the quality of land administration systems show that the Saudi system lacks transparency and the mechanisms for resolving land disputes are complex. Information either is not accessible to everyone or can be obtained only in person. And resolving a land dispute over tenure rights between two local businesses in Riyadh takes more than three years.

France has the opposite situation. *Doing Business* data show that the property transfer process is long and costly: transferring a commercial property takes 49 days on average and costs 6.1% of the property value. But the new data collected by *Doing Business* show that the land administration system has strong standards of transparency and effective mechanisms for dispute resolution. Thanks to fully digital records at the mapping agency (cadastre), anyone can consult maps and verify boundaries. Information about documents and fees for property transfers can be found online and on public boards. And resolving a land dispute over tenure rights between two local businesses in Paris takes between one and two years.

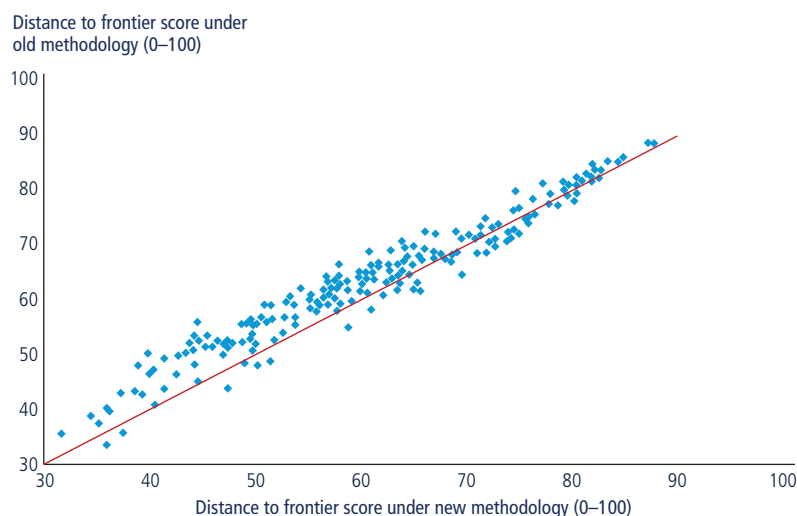
Besides expanding the scope of indicator sets to measure aspects of regulatory quality, this year *Doing Business* is changing the methodology for the trading across borders indicators to increase their policy relevance. The case study now reflects different assumptions about the traded product. For the export process *Doing Business* now focuses on the product of comparative advantage for each economy and its natural trading partner for that product. This allows consideration of a large range of products while before only six were possible. It also ensures that

the indicators measuring the time and cost to export focus on the product that is most relevant for each economy. For the import process *Doing Business* now analyzes the import of auto parts by each economy from its largest trading partner for that product—a change based in part on the premise that while economies export only products in which they have comparative advantage, every economy imports a little bit of everything. Auto parts were chosen for the import process because they are a commonly traded product that normally requires no special inspections or licenses—and therefore are typical of manufactured products. Another important change is that the mode of transport is no longer restricted to sea transport. Instead, the most common mode of transport for the product and partner is used.

The expectation is that the new *Doing Business* indicators will provide useful information for researchers and policy makers, just as the older indicators have done. According to one observer, “the main achievement of the *Doing Business* project has been to shed light and create a more informed debate on a range of differences in laws and regulations across countries in areas where little was known on a systematic basis before the project began.”⁹

While the changes being introduced this year are substantive, there is a strong correlation at the aggregate level between this year's data under the old methodology and the same data under the new one (figure 1.2). This is not surprising, since the changes are additions or modifications within existing indicator sets and there is a positive correlation between the old and new measures in *Doing Business*. But even with a high correlation there can still be relatively large shifts in ranking in some cases. This is particularly likely for economies in the middle of the distribution, in part because they are more closely bunched and small shifts in their distance to frontier scores

FIGURE 1.2 Distance to frontier scores remain similar under the new methodology



Source: *Doing Business* database.

Note: The figure compares distance to frontier scores based on this year's data computed using the old (*Doing Business 2015*) methodology with scores based on the same data computed using the new methodology. The differences between the two series are in dealing with construction permits, getting electricity, registering property, protecting minority investors, trading across borders and enforcing contracts. The 45-degree line shows where the scores under the old and new methodologies are equal. The correlation between the two scores is 0.97.

will therefore tend to have a greater impact on their positions relative to other economies.

The *Doing Business* website presents comparable data for this year and last, making it possible to assess the extent to which there has been an improvement in business regulation in any economy. Moreover, because most of the changes in methodology involve adding new measures of quality within existing indicator sets rather than revising existing measures of efficiency, data for two-thirds of the current indicators (24 of 36) remain comparable over time. The full series are available on the website.

WHERE IS REGULATION MORE BUSINESS-FRIENDLY?

Singapore continues to be the economy with the most business-friendly regulation (table 1.1). And while there was some reordering of economies within the top 20 in the ease of doing business ranking, the list remains very similar to last year's: 18 economies stayed on the

list, while 2 entered this year (Lithuania and the former Yugoslav Republic of Macedonia) and 2 were nudged out (Georgia and Switzerland). Economies in the top 20 continued to improve their business regulatory environment in the past year. For example, Hong Kong SAR, China, made four regulatory reforms in the areas measured by *Doing Business*. One was implemented at the Companies Registry, which also serves as the main collateral registry for movable property. The registry launched a full-scale electronic filing service on March 3, 2015, and now security interests can be registered, amended, renewed and canceled online. New Zealand provides another example: Vector, the electricity distribution utility, cut six days from the time needed to provide external connection works to customers.

The 20 economies at the top of the ease of doing business ranking perform well not only on the *Doing Business* indicators but also in international data sets capturing other dimensions of competitiveness. The economies performing best in the *Doing Business* rankings therefore are

not those with no regulation but those whose governments have managed to create rules that facilitate interactions in the marketplace without needlessly hindering the development of the private sector. Moreover, even outside the top 20 economies there is a strong association between performance in the ease of doing business ranking and performance on measures of competitiveness and of quality of government and governance. Economies that rank well on the ease of doing business also score well on such measures as the Global Competitiveness Index and Transparency International's Corruption Perceptions Index.¹⁰

The distance to frontier scores underlying the ease of doing business rankings reveal some regional patterns. OECD high-income economies have the highest distance to frontier scores on average, indicating that this regional group has the most business-friendly regulation overall (figure 1.3). But good practices in business regulation can be found in almost all regions. In six of the seven regions the highest distance to frontier score is above 70. The difference between the best and worst scores in a region can be substantial, however, especially in Sub-Saharan Africa, the Middle East and North Africa and East Asia and the Pacific.

WHAT IS THE RELATIONSHIP BETWEEN EFFICIENCY AND QUALITY?

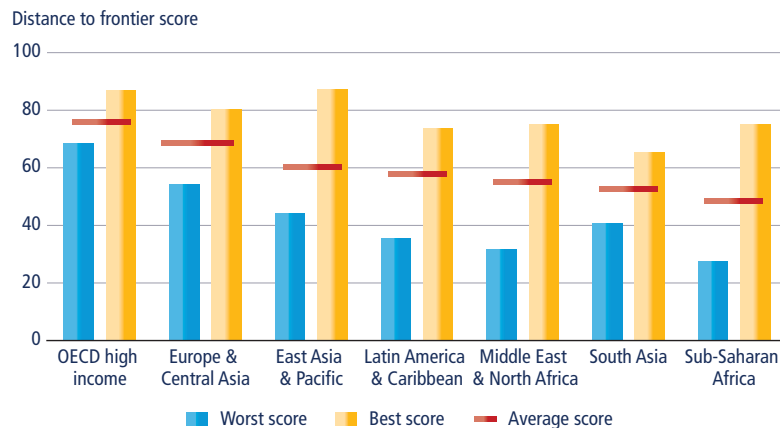
While measuring aspects of the quality of regulation is not new for *Doing Business*, the two-year process of introducing improvements that was launched in last year's report represents a systematic effort to include measures of quality in most of the indicator sets. This year's report introduces new measures of regulatory quality in four indicator sets: dealing with construction permits, getting electricity, registering property and enforcing contracts. Last year's report added a measure of regulatory quality to the indicator set for resolving insolvency

TABLE 1.1 Ease of doing business ranking								
Rank	Economy	DTF score	Rank	Economy	DTF score	Rank	Economy	DTF score
1	Singapore	87.34	64	Jamaica	67.27 ↑	127	Cambodia	55.22 ↑
2	New Zealand	86.79 ↑	65	Bahrain	66.81 ↑	128	Maldives	55.04
3	Denmark	84.40 ↑	66	Kosovo	66.22 ↑	129	West Bank and Gaza	54.83 ↑
4	Korea, Rep.	83.88	67	Kyrgyz Republic	66.01 ↑	130	India	54.68 ↑
5	Hong Kong SAR, China	83.67 ↑	68	Qatar	65.97 ↑	131	Egypt, Arab Rep.	54.43 ↑
6	United Kingdom	82.46 ↑	69	Panama	65.74	132	Tajikistan	54.19 ↑
7	United States	82.15	70	Oman	65.40 ↑	133	Mozambique	53.98 ↑
8	Sweden	81.72 ↑	71	Bhutan	65.21 ↑	134	Lao PDR	53.77 ↑
9	Norway	81.61 ↑	72	Botswana	64.98 ↑	135	Grenada	53.46 ↑
10	Finland	81.05 ↑	73	South Africa	64.89	136	Palau	53.43
11	Taiwan, China	80.55 ↑	74	Tunisia	64.88 ↑	137	Guyana	51.83
12	Macedonia, FYR	80.18 ↑	75	Morocco	64.51 ↑	138	Pakistan	51.69 ↑
13	Australia	80.08	76	San Marino	64.21 ↑	139	Tanzania	51.62 ↑
14	Canada	80.07 ↑	77	St. Lucia	64.20 ↑	140	Marshall Islands	51.58
15	Germany	79.87 ↑	78	Tonga	64.13	141	Malawi	51.03 ↑
16	Estonia	79.49 ↑	79	Bosnia and Herzegovina	63.71 ↑	142	Côte d'Ivoire	50.93 ↑
17	Ireland	79.15 ↑	80	Malta	63.70 ↑	143	Burkina Faso	50.81 ↑
18	Malaysia	79.13 ↑	81	Guatemala	63.49 ↑	143	Mali	50.81 ↑
19	Iceland	78.93 ↑	82	Saudi Arabia	63.17 ↑	145	Papua New Guinea	50.74 ↑
20	Lithuania	78.88 ↑	83	Ukraine	63.04 ↑	146	Ethiopia	49.73 ↑
21	Austria	78.38 ↑	84	Brunei Darussalam	62.93 ↑	147	Sierra Leone	49.69 ↑
22	Latvia	78.06 ↑	84	China	62.93 ↑	148	Micronesia, Fed. Sts.	49.67
23	Portugal	77.57 ↑	86	El Salvador	62.76 ↑	149	Kiribati	49.50
24	Georgia	77.45 ↑	87	Uzbekistan	62.60 ↑	150	Togo	49.03 ↑
25	Poland	76.45 ↑	88	Fiji	62.58 ↑	151	Gambia, The	48.99 ↑
26	Switzerland	76.04 ↑	88	Trinidad and Tobago	62.58	152	Burundi	48.82 ↑
27	France	75.96 ↑	90	Vietnam	62.10 ↑	153	Senegal	48.57 ↑
28	Netherlands	75.94	91	Dominica	61.44 ↑	154	Comoros	48.22 ↑
29	Slovak Republic	75.62 ↑	92	Uruguay	61.21 ↑	155	Zimbabwe	48.17 ↑
29	Slovenia	75.62 ↑	93	Dominican Republic	61.16 ↑	156	Suriname	47.69 ↑
31	United Arab Emirates	75.10 ↑	94	Vanuatu	61.08 ↑	157	Bolivia	47.47 ↑
32	Mauritius	75.05 ↑	95	Seychelles	61.05 ↑	158	Benin	47.15 ↑
33	Spain	74.86 ↑	96	Samoa	60.70 ↑	159	Sudan	46.97 ↑
34	Japan	74.72	97	Albania	60.50	160	Niger	46.37 ↑
35	Armenia	74.22 ↑	97	Zambia	60.50	161	Iraq	46.06
36	Czech Republic	73.95 ↑	99	Nepal	60.41 ↑	162	Gabon	45.99
37	Romania	73.78 ↑	100	Paraguay	60.19	163	Algeria	45.72 ↑
38	Bulgaria	73.72 ↑	101	Kuwait	60.17 ↑	164	Madagascar	45.68 ↑
38	Mexico	73.72 ↑	101	Namibia	60.17 ↑	165	Guinea	45.54 ↑
40	Croatia	72.71 ↑	103	Philippines	60.07 ↑	166	São Tomé and Príncipe	45.50 ↑
41	Kazakhstan	72.68 ↑	104	Antigua and Barbuda	59.70	167	Myanmar	45.27 ↑
42	Hungary	72.57 ↑	105	Swaziland	59.10 ↑	168	Mauritania	44.74 ↑
43	Belgium	72.50 ↑	106	Bahamas, The	59.00 ↑	169	Nigeria	44.69 ↑
44	Belarus	72.33 ↑	107	Sri Lanka	58.96 ↑	170	Yemen, Rep.	44.54 ↑
45	Italy	72.07 ↑	108	Kenya	58.24 ↑	171	Djibouti	44.25 ↑
46	Montenegro	71.85 ↑	109	Indonesia	58.12 ↑	172	Cameroon	44.11 ↑
47	Cyprus	71.78 ↑	110	Honduras	58.06 ↑	173	Timor-Leste	44.02
48	Chile	71.49 ↑	111	St. Vincent and the Grenadines	57.91 ↑	174	Bangladesh	43.10 ↑
49	Thailand	71.42 ↑	112	Solomon Islands	57.86 ↑	175	Syrian Arab Republic	42.56
50	Peru	71.33	113	Jordan	57.84 ↑	176	Congo, Rep.	41.88 ↑
51	Russian Federation	70.99 ↑	114	Ghana	57.69 ↑	177	Afghanistan	40.58
52	Moldova	70.97 ↑	114	Lesotho	57.69 ↑	178	Guinea-Bissau	40.56 ↑
53	Israel	70.56	116	Brazil	57.67 ↑	179	Liberia	40.19 ↑
54	Colombia	70.43 ↑	117	Ecuador	57.47 ↑	180	Equatorial Guinea	40.03
55	Turkey	69.16	118	Iran, Islamic Rep.	57.44 ↑	181	Angola	39.64 ↑
56	Mongolia	68.83 ↑	119	Barbados	56.85	182	Haiti	39.56 ↑
57	Puerto Rico (U.S.)	68.73	120	Belize	56.83 ↑	183	Chad	38.22 ↑
58	Costa Rica	68.55 ↑	121	Argentina	56.78	184	Congo, Dem. Rep.	38.14 ↑
59	Serbia	68.41 ↑	122	Uganda	56.64 ↑	185	Central African Republic	36.26 ↑
60	Greece	68.38 ↑	123	Lebanon	56.39	186	Venezuela, RB	35.51
61	Luxembourg	68.31	124	St. Kitts and Nevis	55.83 ↑	187	South Sudan	34.78
62	Rwanda	68.12	125	Nicaragua	55.78 ↑	188	Libya	31.77
63	Azerbaijan	67.80 ↑	126	Cabo Verde	55.54 ↑	189	Eritrea	27.61 ↑

Source: *Doing Business* database.

Note: The rankings are benchmarked to June 2015 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. For the economies for which the data cover two cities, scores are a population-weighted average for the two cities. An arrow indicates an improvement in the score between 2014 and 2015 (and therefore an improvement in the overall business environment as measured by *Doing Business*), while the absence of one indicates either no improvement or a deterioration in the score. The score for both years is based on the new methodology.

FIGURE 1.3 Big gaps between the highest and lowest distance to frontier scores in some regions



Source: *Doing Business* database.

and expanded those in the indicator sets for getting credit and protecting minority investors.

Doing Business measures the quality of regulation by analyzing whether the regulatory infrastructure needed for a transaction to be successfully completed is in place. *Doing Business* does not measure the quality of the outcome related to that regulation. For example, *Doing Business* measures the quality of building regulations and controls by assessing whether building plans are approved by staff with the right qualifications and whether the necessary inspections take place. It does not assess whether the warehouse that gets constructed in the end is of good quality. The following discussion looks at the relationship between efficiency and quality through the lens of *Doing Business* data. *Doing Business* focuses on specific case studies and measures particular aspects of business regulation. The results should be interpreted with that framework in mind.

Efficiency and quality linked at the aggregate level

Analysis shows that efficiency and quality go hand in hand: economies that have efficient regulatory processes as measured by *Doing Business* also tend to

have good regulatory quality (figure 1.4). Economies can be broadly divided into four groups:

- Economies able to achieve both efficiency and quality in business regulation.
- Economies where both efficiency and quality are far from ideal—with regulatory transactions that are complex and expensive and that in the end do not accomplish their objectives. In these economies regulation is seen as a rent-seeking activity rather than as something that provides a useful service to citizens and the business community.
- Economies where regulatory processes are fast and inexpensive but lack quality. These are likely to be economies that started out in the second group and then improved regulatory efficiency but have yet to improve regulatory quality. Most economies are in this group and the first one.
- Economies where the quality of regulation is high but the processes for implementing it remain complex. Very few economies are currently in this group; those with low regulatory efficiency tend to also have low regulatory quality.

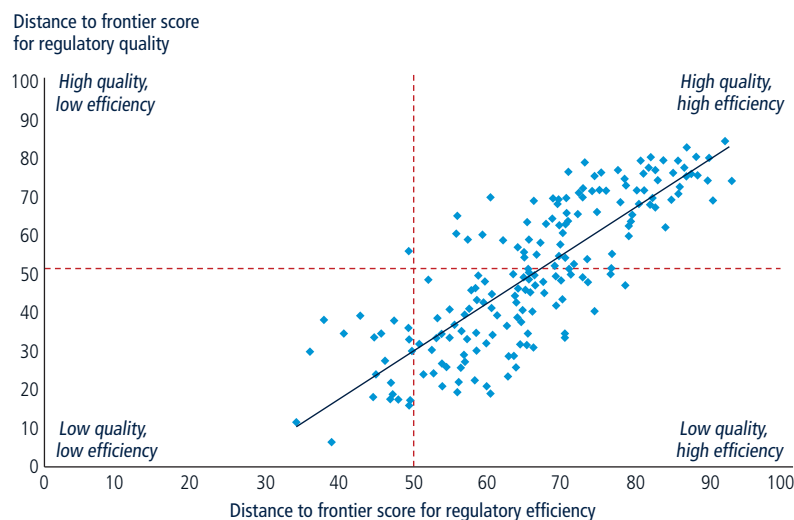
An example from Denmark illustrates how regulatory efficiency and quality go together and in fact reinforce each other

in a virtuous cycle. The country's state-of-the-art land registry provides both efficient registration of property transfers and valuable property titles, thanks to its transparent, accurate information and complete geographic coverage. Because the registration is so efficient (requiring only three procedures and four days), people are more likely to register property transfers—helping to maintain the accuracy of the registry's data and the quality of land administration. And because the registry is therefore so reliable, the process of registering a property transfer can be kept simple, fast and inexpensive.

By contrast, Greece exhibits a vicious cycle in its land administration system. To transfer property, a local buyer has to complete 10 different procedures—a process that takes 20 days and costs 4.9% of the property value. Beyond the efficiency issues, there are also quality issues. For example, there are no official cadastral maps for the municipality of Athens, and very little of the privately owned land across the country is mapped in the cadastre. Transparency is poor, with no separate mechanism for filing a complaint at the property registry and no up-to-date statistics about the number of land transactions in Athens. And there is no specific compensation mechanism to cover for losses incurred by someone who engaged in good faith in a property transaction based on erroneous information from the registry.

So the advantages of using the registry are low and the costs (in both time and money) are high—a big deterrent to formally registering property transfers. And lack of formal registration reinforces the poor quality of the information maintained at the registry, making it difficult to complete property transfers simply, quickly and inexpensively. But there are prospects for breaking the vicious cycle: cadastral maps are being developed by the National Cadastre and Mapping Agency and should cover Athens by 2020. These may strengthen the

FIGURE 1.4 Regulatory efficiency and regulatory quality go hand in hand



Source: *Doing Business* database.

Note: The distance to frontier score for regulatory efficiency is the aggregate score for the procedures (where applicable), time and cost indicators from the following indicator sets: starting a business (also including the minimum capital requirement indicator), dealing with construction permits, getting electricity, registering property, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The distance to frontier score for regulatory quality is the aggregate score for getting credit and protecting minority investors as well as the regulatory quality indices from the indicator sets on dealing with construction permits, getting electricity, registering property, enforcing contracts and resolving insolvency. The correlation between the two scores is 0.82.

certainty of property rights, benefiting investors and citizens alike.

Registering property is not the only area where Greece lags; enforcing contracts is another. Resolving a commercial dispute through the courts takes longer in Greece than in any other European country—about 1,580 days, or more than four years, through the Athens First-Instance Single-Member Court. Worldwide, only three economies have a longer process: Guinea-Bissau, Suriname and Afghanistan. In Greece litigants spend much of that time simply waiting for the first hearing. In fact, a case filed before the competent court in October 2015 would not be heard by a judge until 2018. Yet there has been an effort to improve the quality of judicial processes (such as by introducing electronic filing, as reported in last year's report). Indeed, new data show that case management techniques are widely used in Greece; the country receives 4.5 of 6 possible points on the case management index, one of the components of the new quality of judicial processes index. But adjournments remain common, leading

to considerable delays. The improvement in quality has yet to show results in measures of efficiency.

Greece faces similar challenges in resolving insolvency, where the efficiency of regulation has yet to catch up with the quality. Greece receives 12 of 16 possible points on the strength of insolvency framework index, indicating that its insolvency law complies with most internationally recognized good practices. Nevertheless, creditors can expect to recover only 34.9% of the estate value of an insolvent firm, and the process takes three and half years.

On average, economies perform better on measures of efficiency than on measures of quality. Less than 10% of the economies covered have a lower distance to frontier score for efficiency than for quality. Most of these economies are in Europe and Central Asia, which has the smallest average gap between efficiency and quality. The largest gaps are in the Middle East and North Africa, where the average gap is more than 20

points and the difference between the two measures is as large as 39 points for Iraq and 30 for the Republic of Yemen (figure 1.5). This evidence that regulatory quality lags behind regulatory efficiency is important—because both a higher level of regulatory efficiency and a higher level of regulatory quality are associated separately with a lower level of corruption.¹¹

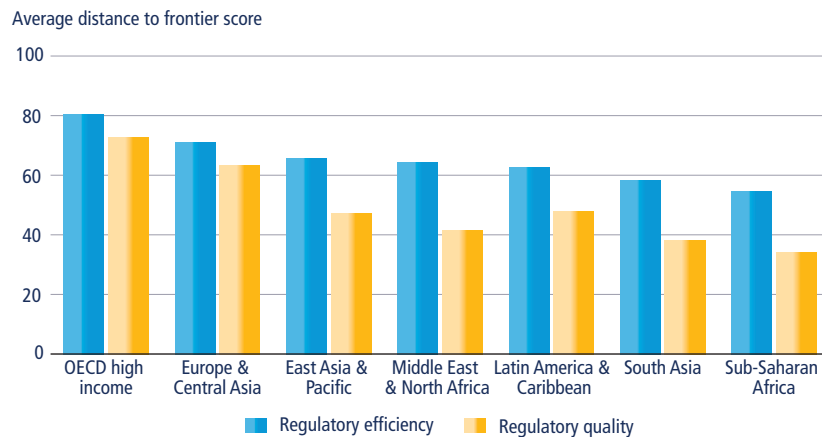
Patterns across indicator sets

While the efficiency and quality of regulation go hand in hand at the aggregate level, analyzing the data for individual *Doing Business* topics reveals clearer patterns. Three case studies in this year's report (on dealing with construction permits, getting electricity and enforcing contracts) and two in last year's report (on registering property and resolving insolvency) discuss in detail the link between efficiency and quality in mixed indicator sets—those including both efficiency measures and quality measures.

In getting electricity the main pattern is clear: economies with a simpler, faster and less costly process for connecting to the electrical grid also tend to have a more reliable electricity supply. The Republic of Korea, for example, has the simplest and fastest process worldwide for getting a new electricity connection, and it is one of the few economies with the highest possible score on the new reliability of supply and transparency of tariffs index. Businesses in Seoul typically have less than an hour of power outages a year, and they can receive compensation if power isn't restored within a certain amount of time. The utility uses automated systems for monitoring outages and restoring service. And an independent regulator oversees the sector and makes sure that changes in electricity tariffs are communicated ahead of time.

At the opposite end of the spectrum is Liberia, which has the longest process for getting a new connection. Once connected, customers in Liberia typically experience more than an hour of power outages each week. In addition, the utility still uses

FIGURE 1.5 The biggest gaps between regulatory efficiency and regulatory quality are in the Middle East and North Africa



Source: *Doing Business* database.

Note: The distance to frontier score for regulatory efficiency is the aggregate score for the procedures (where applicable), time and cost indicators from the following indicator sets: starting a business (also including the minimum capital requirement indicator), dealing with construction permits, getting electricity, registering property, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The distance to frontier score for regulatory quality is the aggregate score for getting credit and protecting minority investors as well as the regulatory quality indices from the indicator sets on dealing with construction permits, getting electricity, registering property, enforcing contracts and resolving insolvency.

manual systems to monitor outages and restore service, there is no independent regulatory body, electricity tariffs are not published online, and there is no financial incentive for the utility to minimize power cuts. As a result, Liberia receives 0 of 8 possible points on the reliability of supply and transparency of tariffs index.

Another aspect is revealed by data on the price of electricity for commercial users—new data collected by *Doing Business* this year but not included in the distance to frontier score or the ease of doing business ranking. Electricity tariffs for commercial customers typically range from 10 to 30 cents per kilowatt-hour, but prices in some economies are much higher. Tariffs need to strike a balance—remaining affordable to customers while still enabling the utility to recover costs and make a profit. The data show that Korea has a relatively low electricity price, at 10 cents per kilowatt-hour (or 10% of annual income per capita as the monthly bill for the case study warehouse).¹² In Liberia, by contrast, electricity supply is not only unreliable; it is also very expensive—at 56 cents per kilowatt-hour (37 times

annual income per capita as the monthly bill for the case study warehouse). Indeed, Liberia's electricity price is the highest in Sub-Saharan Africa and among the highest in the world.

For the registering property topic, the data show that economies with simpler, faster and less costly processes for property transfers also have on average the highest-quality land administration systems. Along with Denmark, Lithuania is among those that combine high efficiency and high quality. A property transfer from one local entrepreneur to another can be completed in less than three days at a cost of 0.8% of the property value. Supporting this efficiency is a high-quality land administration system. Property records are fully digital and provide complete coverage of private land in Lithuania. Entrepreneurs interested in buying a property can use the electronic database to check for encumbrances and the geographic information system to verify the boundaries. They can also get information online about land ownership, fees for property transactions and statistics about land transactions. In addition,

the legal framework reflects good practices for preventing and resolving land disputes. For example, the law requires verification of the identity of the parties to a property transaction, and there is a national database that can be used for this purpose. The law also requires a review of the documents for a property transaction to verify that they are legally valid.

At the other extreme are land administration systems in which low efficiency is coupled with low quality. In Haiti, for example, completing a property transfer from one local entrepreneur to another takes more than 10 months and costs 7.1% of the property value. While projects are under way to modernize the land administration system, the country still lacks a geographic information system and a database to check for encumbrances. Databases on land ownership and maps are not linked, and there are no unique identifying numbers used for land plots. Most of the information at the land registry—such as on service standards and the fees and documents required in property transactions—is not publicly available or must be requested in person. Haiti lacks a national database to verify the identity of the parties to a land transaction. It also lacks a specific compensation mechanism to cover any losses incurred in a property transaction because of errors by the property registry.

For the enforcing contracts topic, data show that court systems that are efficient are also likely to have high-quality judicial processes. For example, resolving a commercial dispute through the Singapore District Court takes just 150 days, the shortest time recorded worldwide, and costs 25.8% of the value of the claim. Efficient dispute resolution is paired with good institutions (such as specialized courts), effective case management and sophisticated court automation tools. And litigants can submit their claim online, pay court fees online and serve the initial summons electronically. Singapore receives the highest score worldwide

on the new quality of judicial processes index, 15.5 of 18 possible points.

There are also examples of slow and costly dispute resolution paired with low-quality judicial processes. Myanmar is one such example. A local business trying to enforce a contract through the courts in Myanmar would spend more than three years doing so, and pay fees amounting to more than half the value in dispute. Moreover, the country's court system has no case management, no court automation and no specialized commercial courts or small claims courts—all aspects reflected in Myanmar's low score on the quality of judicial processes index (3). But alternative dispute resolution is being developed: arbitration and mediation are both recognized ways of resolving a commercial dispute, and arbitration in Myanmar is regulated through a dedicated law.

In resolving insolvency, quality and efficiency are again linked: where there is a good legal framework for insolvency, creditors recover a larger share of their credit at the end of the insolvency process. Finland is a good illustration. Resolving insolvency there takes 11 months on average and costs 4% of the debtor's estate, and the most likely outcome is that the company will be sold as a going concern. The average recovery rate for creditors is 90.1 cents on the dollar. This high recovery rate is paired with a high score on the strength of insolvency framework index. The Finnish insolvency law includes a range of good practices. For example, it allows debtors to avoid preferential and undervalued transactions; it permits post-commencement finance and grants such finance priority only over ordinary unsecured creditors; and it allows all creditors to vote in judicial reorganization proceedings.

In São Tomé and Príncipe, however, insolvent companies and their creditors confront both poor efficiency and low quality. The insolvency process takes 6.2 years on average, costs 22% of the

debtor's estate and is most likely to end with the company being sold piecemeal. The insolvency law lacks important good practices: there are no judicial reorganization proceedings, the legal framework does not establish the availability or priority of post-commencement finance, and creditors cannot participate in the appointment of the insolvency representative or the approval of asset sales.

For dealing with construction permits, data show the same pattern as for the other topics. Economies with a more efficient construction permitting system also have better quality control and safety mechanisms. Conversely, in some economies poor regulatory quality accompanies poor regulatory efficiency. One example is Gabon, which receives only 5 of 15 possible points on the new building quality control index. Its building regulations are not easily accessible, and they stipulate only the list of documents required for a building permit, not the fees or preapprovals needed. The country has adequate mechanisms for quality control before construction but not for quality control during and after construction. While building permit applications are reviewed by a qualified architect or engineer, no inspections are legally required during construction—and final inspections, while required, do not occur in practice. Moreover, none of the parties involved in a construction project are held legally liable for structural problems that come to light once the building is occupied, nor is anyone required to obtain insurance to cover potential problems. Data also show that Gabon has an inefficient construction permitting process: completing all the formalities to build a warehouse takes 329 days.

Some economies manage to achieve the best of both worlds, designing and implementing a construction permitting system that is both efficient and good quality. One of them is FYR Macedonia. Its administrative procedures for dealing with construction permits are very efficient: completing the formalities to build

a warehouse takes only 74 days. The country also has robust quality control and safety mechanisms, earning it 14 of 15 possible points on the building quality control index. All documents required in construction permitting are specified and accessible online—along with the list of agencies to visit, the fees to pay and the preapprovals to obtain. A certified architect reviews and approves building permit applications, and mandatory inspections are carried out both during and after construction. And clearly defined liability regimes and insurance requirements are in place.

BUSINESS REGULATION AND THE INTERNET

The proliferation of information and communication technologies has transformed how businesses operate and how they are regulated in every region of the world. The internet provides a new platform for delivering government information and services—and new opportunities for enhancing the efficiency and transparency of public administration. Indeed, the internet is a tool that governments can use to support businesses at every stage in their life cycle, whether applying for a business permit, registering property, paying taxes or trading internationally.

The potential of online regulatory solutions

By simplifying regulatory processes such as business incorporation, web-based resources can promote private sector development. Cross-country data analysis shows a strong positive association between new firm density and the availability of electronic platforms for incorporation.¹³

Beyond starting a business, the internet offers many opportunities for efficiency gains in other areas of business regulation measured by *Doing Business*. Among the 189 economies covered by *Doing Business*, more than 80% (152 in total) use web-based applications to process

export and import documents. Banks in more than 75% of economies with a credit registry or bureau use online platforms to access credit information. And in more than 40% of economies the tax authorities allow businesses to file taxes online—and the majority of businesses actually do it.

These uses of the internet make a difference for businesses. Where electronic platforms are widely used in regulatory processes, entrepreneurs spend less time on compliance. For example, there is a strong negative correlation between the time it takes to transfer property and the availability of online access to land information.¹⁴ With the changes in methodology introduced this year, the internet has become a more integral part of the good practices measured by *Doing Business*.

But use of the internet to streamline business regulation remains largely confined to more developed economies. Data for nine *Doing Business* topics show that OECD high-income economies and Europe and Central Asia make the greatest use of online systems in regulatory processes (figure 1.6). In Sub-Saharan Africa, by contrast, very few economies use electronic platforms in business regulation. Of the nine possible regulatory transactions included in the analysis, Australia, Denmark and Estonia enable entrepreneurs to complete eight or more online. The Central African Republic, the Republic of Congo and Equatorial Guinea are among the few economies where none of these transactions can be completed online.

Continued growth in electronic services

Given the potential economic opportunities from the use of electronic services, it is no surprise that many of the reforms captured by *Doing Business* in 2014/15 focused on introducing or enhancing electronic platforms and services. In the past year 18 economies established or improved online tax payment systems, 13 introduced or enhanced web-based

systems to streamline cross-border trade, and another 11 encouraged electronic business registration. In addition, 6 economies established or improved online tools for registering property, and 2 did the same for enforcing contracts.

Many governments use the internet for tax collection and payment—with the aim of reducing the scope for bureaucratic discretion and even corruption and increasing the tax system's transparency, efficiency and cost-effectiveness. Electronic tax collection also helps simplify tax compliance.¹⁵ After Rwanda made the use of its electronic filing and payment system compulsory in 2014/15, the time required for a business to prepare, file and pay taxes fell by 10 hours, from 119 hours a year to 109. Among other economies introducing or enhancing electronic systems in 2014/15, Costa Rica facilitated online payment of corporate income tax and Malaysia made electronic filing compulsory for contributions to the Employees Provident Fund by employers with 50 or more employees.

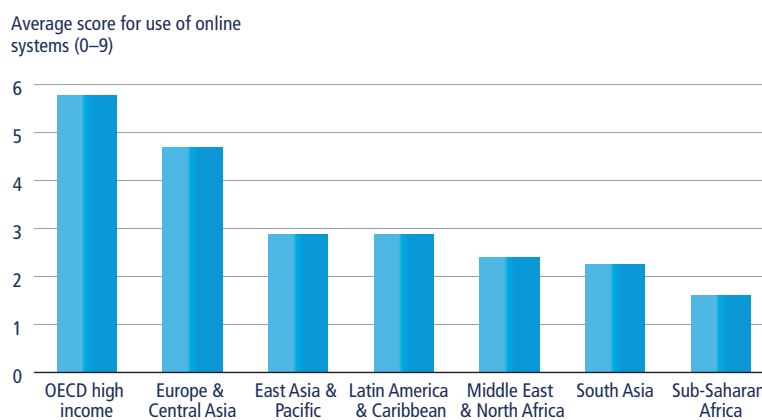
Since 2006 the use of electronic tax filing and payment systems has increased substantially in several regions of the world, with the most remarkable progress

in Europe and Central Asia. Sub-Saharan Africa remains the region with the smallest share of economies using electronic filing or payment (figure 1.7). Worldwide, less than 15 economies introduced or enhanced electronic systems for filing or paying taxes between 2008 and 2011. But an average of 15 economies a year have introduced such changes since 2012—with 19 doing so in 2013.

Introducing or enhancing web-based systems was a common feature of reforms making it easier to start a business in 2014/15. Uganda introduced an online system for obtaining a trading license. Belarus improved online services and expanded the geographic coverage of online registration.

Several economies digitized procedures for trading across borders in 2014/15. Suriname implemented an automated customs data management system—fully operational by July 2015—that allows the electronic submission of customs declarations and supporting documents for exports and imports. Other economies also introduced or improved systems allowing electronic submission and processing of trade-related documents (for exports, imports or both), including The Bahamas, Benin, Brazil, Côte

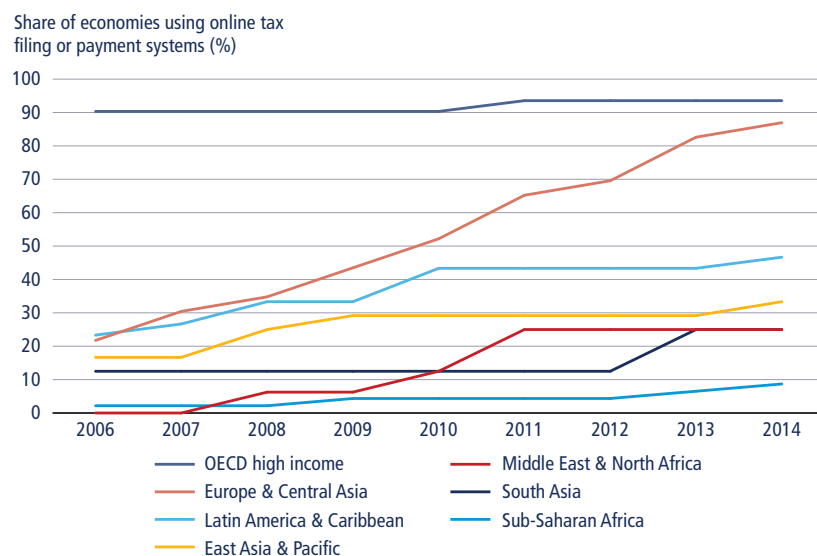
FIGURE 1.6 OECD high-income economies and Europe and Central Asia make the greatest use of online systems in regulatory processes



Source: *Doing Business* database.

Note: The score shows the average number of areas in which online systems are in use, out of a possible total of nine areas: online business registration, online submission of construction plans, online submission of applications for an electricity connection, online information on land, online access to credit information for banks, electronic movable collateral registries, online tax payment, electronic submission of trade documents and electronic filing of court cases.

FIGURE 1.7 Economies in Europe and Central Asia show the most progress in adopting electronic tax filing and payment



Source: *Doing Business* database.

d'Ivoire, Ghana, Guatemala, Madagascar, Mauritania, Suriname, Tajikistan, Tanzania and Togo.

Some economies explored the use of web-based resources to make registering property easier in 2014/15. Bhutan introduced a computerized land information system connecting each municipality to the cadastre. Georgia and Italy used online technology to improve contract enforcement. Both economies introduced an electronic filing system for commercial cases, making it possible for attorneys to submit the initial summons online.

A broader role in governance

Beyond the applications in regulatory processes, the internet serves as an important tool for more participatory democratic practices and inclusive development. The internet has made it easier for the general public to monitor government budgets, projects and activities as well as to access different kinds of regulatory information. It can be used to promote more direct interactions between governments and citizens as well as to empower citizens to influence local governance in their community. And

as a new platform for public disclosure of regulatory reforms (and for soliciting feedback on these reforms), the internet has also transformed the process of crafting business regulations (box 1.1).¹⁶

Yet while the internet has the potential to promote inclusiveness, reduce corruption and improve regulatory efficiency, its impact on the quality of domestic governance is subject to political, infrastructural, social and economic factors. For example, the success of online solutions depends on an enabling political environment that supports and protects free speech. Most importantly, the vast majority of the world's population still lacks access to the internet and is thus cut off from these tools and innovations.

WHERE DID BUSINESS REGULATION IMPROVE THE MOST IN 2014/15?

In 2014/15, 122 economies implemented at least one regulatory reform in the areas measured by *Doing Business*—231 reforms in total (figure 1.8). Europe and Central Asia again had the largest share

of economies implementing at least one reform—and it accounts for 3 of the 10 top improvers. The region with the second largest share of economies with at least one reform has typically been Sub-Saharan Africa. But in the past year, for the first time, it was South Asia. Nevertheless, Sub-Saharan Africa is still home to 5 of the 10 top improvers. These 10—the economies showing the most notable improvement in performance on the *Doing Business* indicators in 2014/15—are Costa Rica, Uganda, Kenya, Cyprus, Mauritania, Uzbekistan, Kazakhstan, Jamaica, Senegal and Benin.

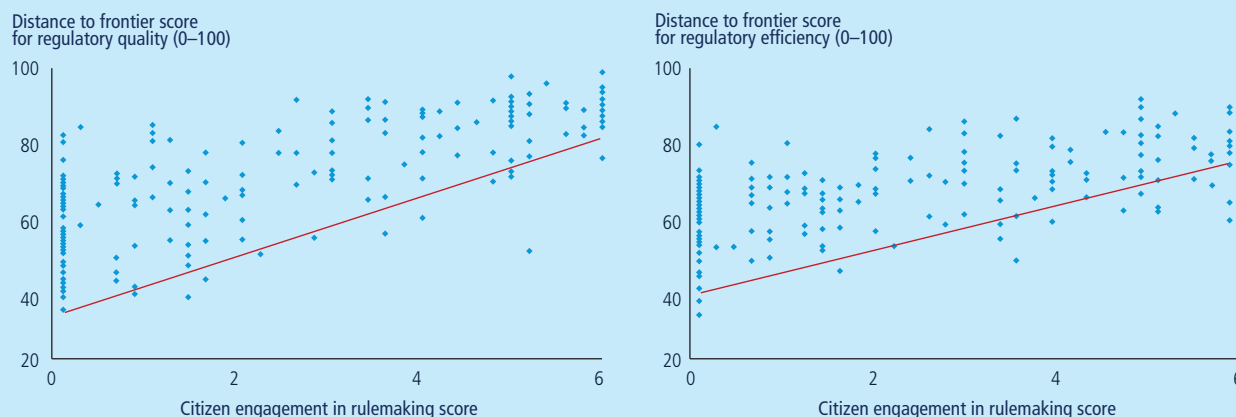
The new data on the quality of regulation make it possible to analyze whether the regulatory reforms implemented in the past year are more likely to improve regulatory efficiency, regulatory quality or both (table 1.2). Analysis shows that in the areas where *Doing Business* indicators have traditionally measured the complexity and cost of regulatory processes, reforms implemented in the past year continued to focus on increasing efficiency. *Doing Business* registered no reform improving regulatory quality in the area of dealing with construction permits. Only 2 of 22 economies with a reform in the area of registering property improved regulatory quality: Switzerland introduced a national electronic land information system, while Vanuatu introduced a specific and separate complaint mechanism for customers of the Land Registry and Surveyor's Office by appointing a land ombudsman. And only 2 of 22 economies with a reform in the area of getting electricity had an improvement in quality: the utility in Oman started fully recording the duration and frequency of outages, while Cambodia increased power generation capacity.

In the areas where *Doing Business* indicators have traditionally measured the strength of legal institutions, reforms were more likely to be aimed at improving regulatory quality. This was the case for the majority of reforms making it easier to enforce contracts or resolve

BOX 1.1 Business regulation and transparency in rulemaking

The quality and efficiency of business regulation are linked to the level of consultation around new regulations and the extent to which their possible impacts—economic, social and environmental—are considered before their adoption. A new global database, *Citizen Engagement in Rulemaking*, tracks the extent to which governments publicize proposed regulations and invite input on their scope and language from a wide range of stakeholders. The database also tracks how governments analyze possible impacts of new regulations and whether they consider alternatives to regulation. Analysis of the data shows that greater transparency during the rulemaking process and stronger consultation practices are highly and significantly associated with greater regulatory quality and efficiency as measured by *Doing Business* (see figure).

Good regulatory practices go hand in hand with regulatory quality and efficiency



Sources: *Doing Business* database; *Citizen Engagement in Rulemaking* database (<http://rulemaking.worldbank.org>), World Bank Group.

Note: The citizen engagement in rulemaking score is based on the following components: whether governments publish the text of proposed regulations publicly before their enactment; whether policy makers allow the general public to provide comments on proposed regulation; whether policy makers report publicly on the results of this consultation; whether governments conduct an impact assessment of proposed regulations; whether a specialized body is tasked with reviewing regulatory impact assessments conducted by other agencies; and whether regulatory impact assessments are made public. The correlation between the citizen engagement in rulemaking score and the distance to frontier score for regulatory quality is 0.60. The correlation between the citizen engagement in rulemaking score and the distance to frontier score for regulatory efficiency is 0.70. Relationships are significant at the 1% level after controlling for income per capita.

The transparency of rulemaking varies across regions and income levels. In 96% of OECD high-income economies the government publishes proposed regulations, conducts thorough consultations on the draft text and provides assessments of potential impacts before the regulations are adopted. In Poland, for example, all proposed regulations are published on the same website and consultations are held on the draft text. After the consultation process, rulemaking bodies provide a public report with responses to the comments received. Regulatory agencies and ministries assess the potential impacts of proposed regulations—including the economic, social and environmental impacts. The assessment is distributed with the proposed text of regulations and forms part of the consultation process.

By contrast, only a third of low-income economies conduct public consultations on proposed regulations, and they typically use less technologically advanced methods to do so. In Mozambique, for example, government officials publish proposed regulations in a federal journal and distribute drafts directly to specific stakeholders. In Afghanistan, Ethiopia and Niger policy makers hold public meetings to discuss proposed regulatory changes. Very few low- or lower-middle-income economies have a dedicated website for public engagement on proposed regulations, and those that do have newly implemented systems, such as in Kenya, Myanmar and Vietnam.

Among regions, the Middle East and North Africa has the lowest average level of transparency and engagement around rulemaking, with Morocco being a notable exception. In Latin America and the Caribbean there is a clear divide between two groups: while Caribbean and Central American economies tend to consult only targeted stakeholders, larger economies such as Brazil, Colombia and Mexico have more open and systematic consultation processes.

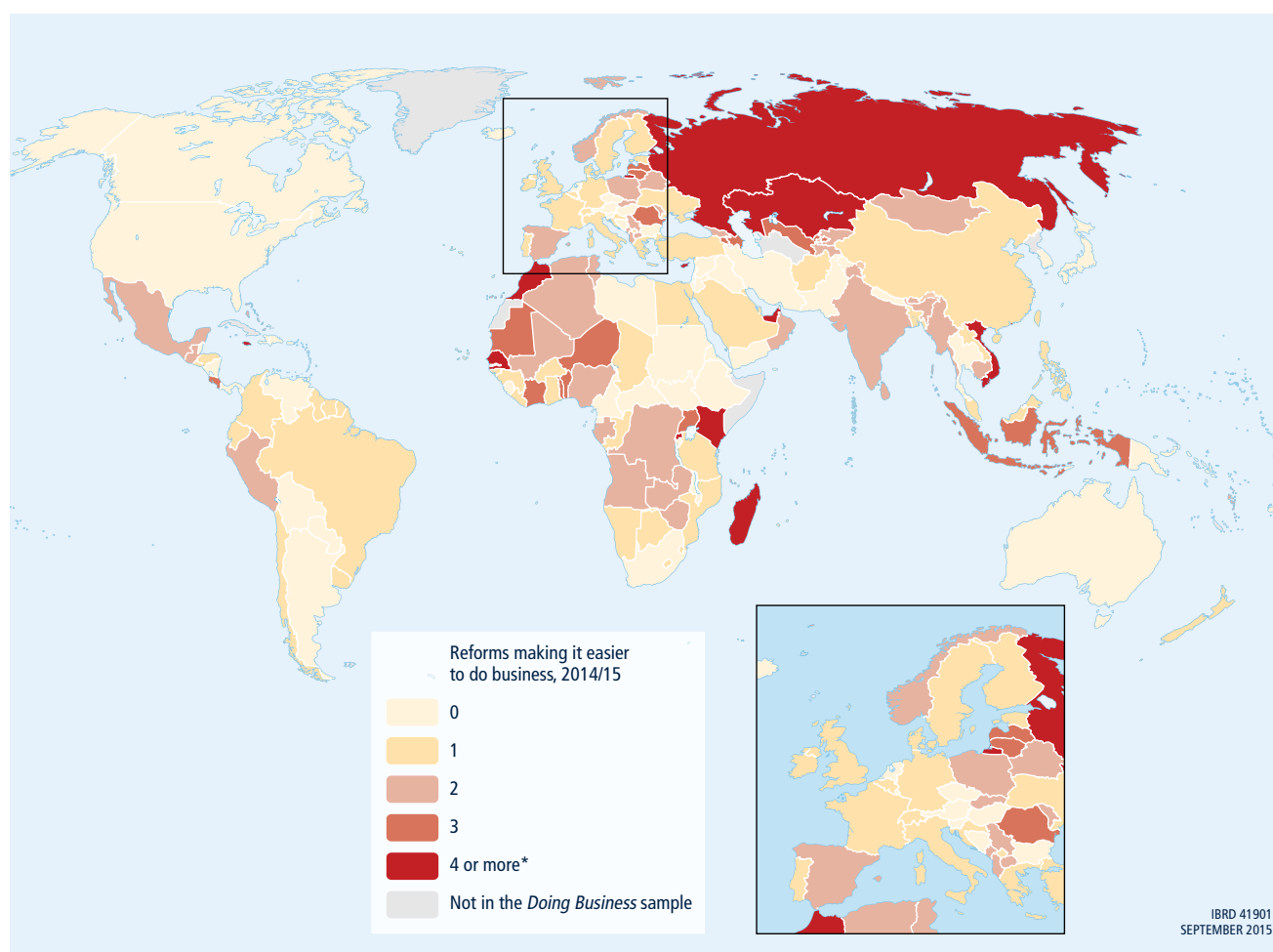
Source: *Citizen Engagement in Rulemaking* database (<http://rulemaking.worldbank.org>), World Bank Group.

insolvency. In Côte d'Ivoire, for example, a new law that entered into force on June 20, 2014, introduced substantial

changes in alternative dispute resolution. Before the new law, the only form of alternative dispute resolution available

was mandatory conciliation, regulated by a law dating to 1993. The new law made

FIGURE 1.8 Again in the past year, Europe and Central Asia had the largest share of economies making it easier to do business



Source: *Doing Business* database.

* Only 12 economies implemented 4 or more reforms: Kazakhstan (7); Rwanda (6); Cyprus (5); the Russian Federation (5); Vietnam (5); Hong Kong SAR, China (4); Jamaica (4); Kenya (4); Madagascar (4); Morocco (4); Senegal (4); and the United Arab Emirates (4).

voluntary mediation available in both commercial and civil cases.

In Chile a new insolvency act that came into force on October 9, 2014, established specialized courts with exclusive

jurisdiction over insolvency cases. The new act also clarified and streamlined all provisions related to reorganization and liquidation. In addition, it emphasized the reorganization of viable businesses as a preferred alternative to liquidation. Beyond these changes, Chile created a public office responsible for the general administration of insolvency proceedings. The Superintendence of Insolvency supervises all activities by insolvency representatives and auctioneers during insolvency proceedings and informs the creditors and the court of any irregularities observed during the proceedings.

TABLE 1.2 More reforms recorded by *Doing Business* in 2014/15 were aimed at improving regulatory efficiency than regulatory quality

Topic	Reforms improving regulatory efficiency	Reforms improving regulatory quality
Dealing with construction permits	17	0
Getting electricity	20	2
Registering property	20	2
Enforcing contracts	2	9
Resolving insolvency	2	7
Total	61	20

Source: *Doing Business* database.

Note: The analysis covers only the *Doing Business* topics for which there are indicators of both regulatory quality and regulatory efficiency.

For a full discussion of the reform patterns and top improvers this year, see

the chapter on reforming the business environment.

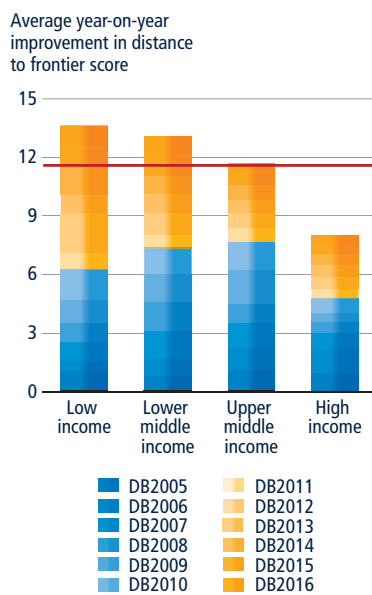
HOW HAS BUSINESS REGULATION CHANGED OVER THE PAST 12 YEARS?

Among the trends revealed by *Doing Business* data, one of the more encouraging ones is the steady improvement in the areas tracked by the indicators. Economies in all income groups and in all regions have improved the quality and efficiency of business regulation. But lower-income economies have improved more in the areas measured by *Doing Business* than high-income economies have—there is convergence (figure 1.9).

There is a similar story of convergence among regions. OECD high-income economies had the smallest average improvement in the distance to frontier score over the past 12 years because their scores were already quite high in 2004. Europe and Central Asia had the biggest improvement, followed by Sub-Saharan Africa (figure 1.10). The Middle East and North Africa had the third biggest improvement. Most of the improvement in that region took place before 2010, however, while in recent years the pace has been fairly slow.

Some areas of business regulation measured by *Doing Business* saw more improvement than others. Starting a business clearly stands out as the area with the biggest improvement (figure 1.11). In the past 12 years more economies implemented regulatory reforms in this area than in any other measured by *Doing Business*. The second biggest improvement was in getting credit. Reforms in this area are not common, but when they do occur they are likely to introduce overarching changes, such as establishing a new credit registry or bureau or developing a new secured transactions system. The smallest improvement was in the area of enforcing contracts, where reforms are relatively uncommon

FIGURE 1.9 Lower-income economies have made bigger improvements over time in the quality and efficiency of business regulation



Source: *Doing Business* database.

Note: The red line shows the average global improvement in the distance to frontier score since 2004. The measure is normalized to range from 0 to 100, with 100 representing the frontier. Because of changes over the years in methodology and in the economies and indicators included, the improvements are measured year on year using pairs of consecutive years with comparable data.

because reforming a judicial system can be a long and complicated task.

Who improved the most overall?

Globally, Georgia improved the most in the areas measured by *Doing Business* over the past 12 years, followed closely by Rwanda. During this period output per capita in Georgia increased by 66% and business density more than tripled.¹⁷ Many factors contributed to this improvement in economic outcomes, and the effort to make it easier for local entrepreneurs to do business may have been one of them. Georgia made improvements in all 10 areas included in the aggregate distance to frontier score, through 39 regulatory reforms.

During this 12-year period Georgia eliminated the paid-in minimum capital requirement for starting a business,

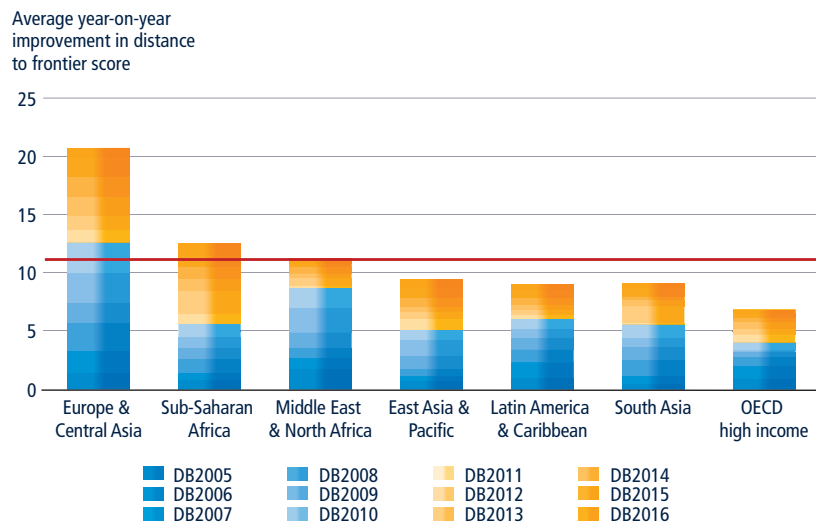
established a one-stop shop for construction permitting, reduced the fees for getting a new electricity connection, eliminated notarization requirements for registering property, improved its credit information system by implementing a new law on personal data protection, introduced electronic systems for paying taxes, modernized its dispute resolution system for enforcing contracts and adopted an insolvency law introducing both reorganization and liquidation proceedings—to name just a few of the important changes.

Among the most notable reforms are those strengthening minority investor protections. In June 2007 Georgia amended its securities law to enhance approval and disclosure requirements for related-party transactions. In 2009 it introduced provisions allowing shareholders greater access to corporate information during a trial. Finally, in 2011 Georgia introduced new requirements relating to the approval of related-party transactions. Georgia still has room to improve, however, as it performs less well on the new components of the protecting minority investors indicators (introduced in last year's report) than on the older ones.

Who improved the most in each region?

Just as Georgia stands out in Europe and Central Asia for having made big strides toward better and more efficient business regulation, at least one economy stands out in every other region for its improvement in the areas measured by *Doing Business*: Rwanda in Sub-Saharan Africa; Colombia in Latin America and the Caribbean; the Arab Republic of Egypt in the Middle East and North Africa; China in East Asia and the Pacific; India in South Asia; and Poland in the OECD high-income group (figure 1.12). Still, while reforming in the areas measured by *Doing Business* is important, doing so is not enough to guarantee sound economic policies or to ensure economic growth or development. While

FIGURE 1.10 Europe and Central Asia has made a substantially bigger improvement in business regulation over time than any other region



Source: *Doing Business* database.

Note: The red line shows the average global improvement in the distance to frontier score since 2004. The measure is normalized to range from 0 to 100, with 100 representing the frontier. Because of changes over the years in methodology and in the economies and indicators included, the improvements are measured year on year using pairs of consecutive years with comparable data.

Doing Business reforms have many potential positive effects, these effects can be undermined by such factors as political instability, macroeconomic instability and civil conflict. Being recognized as a regional top improver does not mean that these economies have exemplary business regulation; instead, it shows that thanks to serious efforts in regulatory reform over several years, they made the biggest advances toward the frontier in regulatory practice.

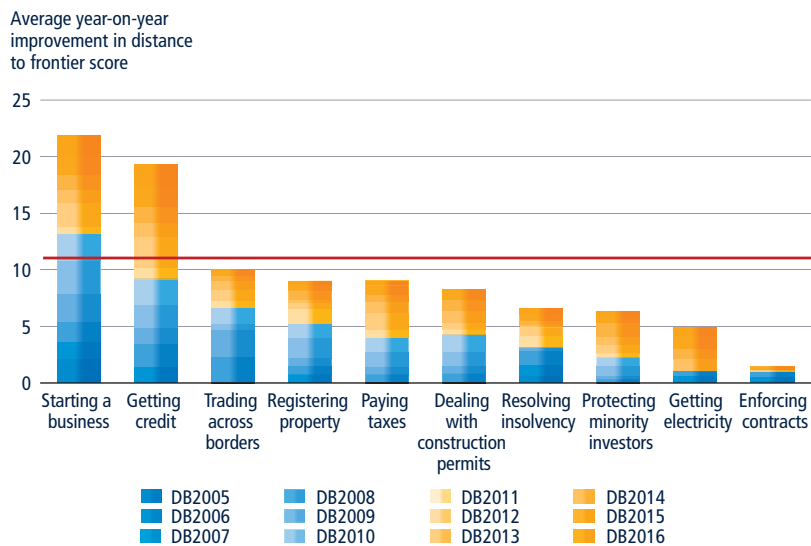
Rwanda made reforms in all areas measured by *Doing Business*. Two areas stand out: registering property and getting credit. Rwanda made registering a property transfer easier through three important steps. In January 2008 it reduced both the cost and the time for the process—by replacing the 6% registration fee with a flat rate, regardless of the property value, and by creating a centralized service in the tax authority to speed up the issuance of the certificate of good standing. In August 2008 Rwanda made further improvements in the registration process that again reduced the

time required to transfer property. Finally, in June 2012 Rwanda eliminated the requirement for a tax clearance certificate

and implemented the web-based Land Administration Information System for processing land transactions—an effort that also improved the quality of land administration.

Rwanda made getting credit easier by improving both its credit information system and its legal framework for secured transactions. The country started reforming its credit information system as early as 2004. That year it made a big investment in information technology systems to enable banks to transmit credit data electronically—essential so that the credit information system could actually exist. In addition, the credit registry started to include microfinance institutions as a source of information. In 2010 Rwanda granted borrowers the right to inspect their own credit report and began requiring loans of all sizes to be reported to the credit bureau and the central bank’s credit registry. In 2011 the credit bureau started to collect and distribute information from utility companies, and both the credit bureau and the credit registry also started to distribute more than two

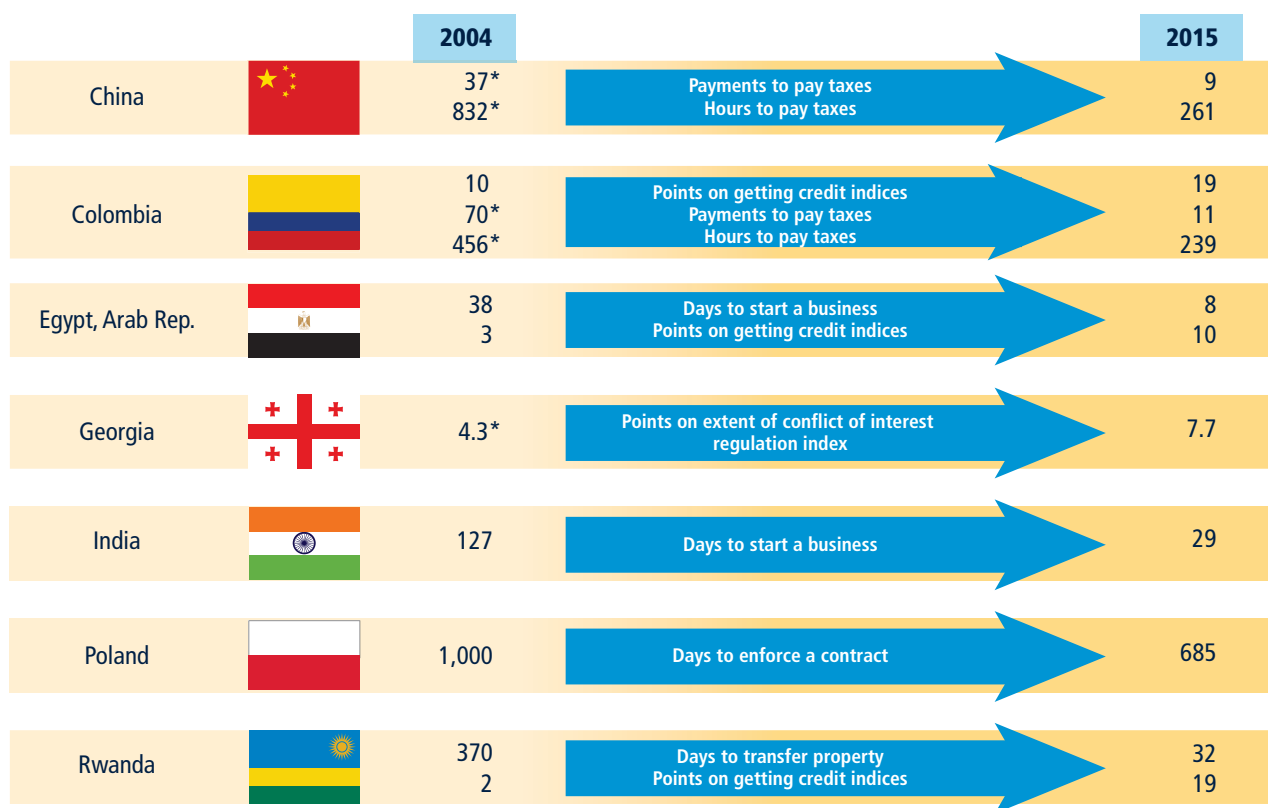
FIGURE 1.11 Worldwide, economies have improved regulatory processes the most in the area of starting a business



Source: *Doing Business* database.

Note: The red line shows the average global improvement in the distance to frontier score since 2004. The measure is normalized to range from 0 to 100, with 100 representing the frontier. Because of changes over the years in methodology and in the economies and indicators included, the improvements are measured year on year using pairs of consecutive years with comparable data.

FIGURE 1.12 Economies in every region have made big strides in business regulation



Source: *Doing Business* database.

Note: The getting credit indices are the strength of legal rights and depth of credit information indices. The scores for 2004 on these indices are of a possible 16 points; those for 2015 are of a possible 20 points.

* Data are for 2005.

years of historical information. And in the past year the credit bureau introduced a credit scoring service, further improving Rwanda's credit information system.

Rwanda began strengthening its secured transactions system in 2009, when it introduced provisions allowing a wider range of assets to be used as collateral, permitting a general description of debts and obligations in a security agreement, allowing out-of-court enforcement of collateral and granting secured creditors absolute priority within bankruptcy. It also created a new collateral registry. More recently, in 2013 Rwanda provided greater flexibility on the types of debts and obligations that can be secured through a collateral agreement.

Colombia made the biggest improvement in the distance to frontier score in Latin

America and the Caribbean over the past 12 years. It has reformed in all areas measured by *Doing Business*, most notably in the areas of paying taxes and getting credit. The milestone reforms making it easier to pay taxes centered on making electronic filing available and more useful to firms. In 2010, for example, Colombia established mandatory electronic filing and payment for some of the major taxes. Colombia improved access to credit last year by adopting a new secured transactions law that takes a functional approach to secured transactions and by establishing a centralized, notice-based collateral registry. The law broadens the range of assets that can be used as collateral, allows a general description of assets granted as collateral, establishes clear priority rules inside bankruptcy for secured creditors, sets out grounds for relief from a stay of enforcement actions

by secured creditors during reorganization procedures and allows out-of-court enforcement of collateral. Thanks to these changes, Colombia is now one of only three economies with a perfect score on the strength of legal rights index.

In the Middle East and North Africa, Egypt had the biggest increase in the distance to frontier score over the past 12 years, though most of the gains occurred in the first half of that period, before 2009. The most dramatic improvements were made in the area of starting a business. In 2004 Egypt introduced computerized company contract models for use in business incorporation and created a single access point for business registration with approval in 24 hours. In 2007 Egypt lowered registration fees, improved the process at the one-stop shop and reduced the minimum capital requirement. In 2009 Egypt

further reduced the minimum capital requirement in February, then abolished it in April. Finally, in 2010 it reduced the cost to start a business. Another area of big improvement is getting credit. The credit bureau I-score was established in 2007 and later improved. Borrowers' right to inspect their own data in the credit bureau was guaranteed in 2008, and the credit bureau added retailers to its database in 2009.

In East Asia and the Pacific, China stands out with the biggest improvement in the distance to frontier score over the past 12 years. Business tax reform contributed a great deal to that accomplishment. In 2008 China made paying taxes easier and less costly for companies by unifying the criteria and accounting methods for tax deductions and by reducing the corporate income tax rate. And in 2009 a new corporate income tax law unified the tax regimes for domestic and foreign enterprises and clarified the calculation of taxable income for corporate income tax purposes.

India is the South Asian economy recording the biggest increase in the distance to frontier score since 2004. One of the areas of greatest improvement has been starting a business. In 2004 India cut time from the process for obtaining a permanent account number (an identification number for firms), and in 2006 it speeded up the process for obtaining a tax registration number. In 2010 India established an online system for value added tax registration and replaced the physical stamp previously required with an online version. And in the past year India eliminated the paid-in minimum capital requirement and streamlined the process for starting a business. More reforms are ongoing—in starting a business and other areas measured by *Doing Business*—though the full effects have yet to be felt (box 1.2).

Among OECD high-income economies, Poland stands out as having made substantial improvements over the past 12 years in areas measured by *Doing Business*. The most notable ones relate

to the functioning of courts as reflected in the enforcing contracts and resolving insolvency indicators. In 2007 Poland improved its insolvency process by tightening professional requirements for administrators and introducing lower limits on trustees' pay. In 2009 an amendment to its bankruptcy law introduced the option of a prebankruptcy reorganization procedure for financially distressed companies. And in 2011 an amendment to its bankruptcy and reorganization law simplified court procedures and extended more rights to secured creditors. Poland started reforms making it easier to enforce contracts as early as 2005, by amending its civil procedure code. In 2007 it introduced stricter rules of procedure to increase the speed and efficiency of court proceedings. Finally, in 2012 Poland further amended its civil procedure code and appointed more judges to commercial courts.

BOX 1.2 Doing business in India—the path toward regulatory reform

In 2014 the government of India launched an ambitious program of regulatory reform aimed at making it easier to do business. Spanning a range of areas measured by *Doing Business*, the program represents a great deal of effort to create a more business-friendly environment, particularly in Delhi and Mumbai.

One important focus is to make starting a business easier. In May 2015 the government adopted amendments to the Companies Act that eliminated the minimum capital requirement. Now Indian entrepreneurs no longer need to deposit 100,000 Indian rupees (\$1,629)—equivalent to 111% of income per capita—in order to start a local limited liability company. The amendments also ended the requirement to obtain a certificate to commence business operations, saving business founders an unnecessary step and five days. Several other initiatives to simplify the start-up process were still ongoing on June 1, 2015, the cutoff date for this year's data collection. These include developing a single application form for new firms and introducing online registration for tax identification numbers.

Another focus is to make the process for getting a new electricity connection simpler and faster. Toward that end the utility in Delhi eliminated an internal wiring inspection by the Electrical Inspectorate—and now instead of two inspections for the same purpose, there is only one. The utility also combined the external connection works and the final switching on of electricity in one procedure. The utility in Mumbai reduced the procedures and time for connecting to electricity by improving internal work processes and coordination. It combined several steps into one procedure—the inspection and installation of the meter, the external connection works and the final connection. Now companies can get connected to the grid, and get on with their business, 14 days sooner than before.

Improvements have also been initiated in other areas measured by *Doing Business*. To make dealing with construction permits easier, for example, a single-window system for processing building permit applications is being started in Mumbai—with the promise of greatly reducing the associated bureaucratic burden once fully implemented. And online systems for filing and paying taxes are being further improved to simplify tax compliance.

Fostering an environment more supportive of private sector activity will take time. But if the efforts are sustained over the next several years, they could lead to substantial benefits for Indian entrepreneurs—along with potential gains in economic growth and job creation.

WHAT IS IN THIS YEAR'S REPORT?

This year's report presents seven case studies. Five focus on legal and regulatory features covered by new or expanded indicators being introduced this year—in the areas of dealing with construction permits, getting electricity, registering property, trading across borders and enforcing contracts. The other two analyze other areas of interest in the historical data set.

The case study on dealing with construction permits analyzes the new data for the building quality control index. The results show that high-income economies have on average better quality control and safety mechanisms. The case study also finds that economies with greater efficiency and quality in their construction permitting system tend to have a lower incidence of corruption.

The case study on getting electricity focuses on both the new reliability of electricity supply and transparency of tariffs index and the price of electricity consumption. It finds that economies that have a more reliable electricity supply also tend to have a more efficient process for getting a new electricity connection.

The registering property case study analyzes one of the features covered by the new quality of land administration index: the digital capabilities of the land registry and cadastre. The case study shows that property transfers have become more efficient in economies that introduced digital systems in their land registry, their cadastre or both.

The case study on trading across borders presents the new methodology for this indicator set. It analyzes the trade patterns captured in the indicators and discusses the main patterns in the data on the time and cost to export and import. The case study finds that economies in customs unions tend to have more streamlined trade processes. Finally, the

enforcing contracts case study presents the new data on the quality of judicial processes and discusses regional patterns and recent reforms in this area.

Beyond these five case studies covering new features, a case study on starting a business analyzes the involvement of third parties such as lawyers and notaries in company formation. It finds that where third parties are involved the cost is higher. A case study on resolving insolvency focuses on post-commencement finance—new funds obtained by a company after it enters an insolvency process, when an inflow of funds can be crucial in preserving the company's viability. Comparing legal provisions on post-commencement finance around the world, the case study finds that businesses are more likely to survive an insolvency process in economies where post-commencement finance is well regulated.

Finally, this year's report presents a summary of some of the research recently published in academic law journals that relates to the four sets of *Doing Business* indicators whose focus is essentially on the law—getting credit (legal rights of borrowers and lenders), protecting minority investors, enforcing contracts and resolving insolvency. There are close links between these indicators and the literature. For example, the literature emphasizes the importance of having effective mechanisms of alternative dispute resolution as a way to minimize the case backlog in courts—and this inspired the expansion of the enforcing contracts indicators to also cover arbitration and voluntary mediation this year. *Doing Business* will continue to monitor the literature in both law and economics to identify good practices and inform policy makers undertaking legal and regulatory reform efforts.

NOTES

1. For 11 economies the data are also collected for the second largest business city (see table 13A.1 at the end of the data notes).
2. This year's report also introduces an expanded methodology for the labor market regulation indicators, as discussed in the data notes.

3. The papers cited here are just a few examples of research done in the areas measured by *Doing Business*. Since 2003, when the *Doing Business* report was first published, 2,182 research articles discussing how regulation in the areas measured by *Doing Business* influences economic outcomes have been published in peer-reviewed academic journals. Another 6,296 working papers have been posted online.
4. Bruhn 2011.
5. Amin and Islam 2014.
6. Giannetti and Jentzsch 2013.
7. Visaria 2009.
8. Monteiro and Assunção 2012.
9. Besley 2015, p. 106.
10. Relationships are significant at the 1% level after controlling for income per capita. The correlation between the ease of doing business ranking and the Global Competitiveness Index is 0.84. The correlation between the ease of doing business ranking and the Corruption Perceptions Index is 0.75.
11. Relationships are significant at the 1% level after controlling for income per capita. The correlation between the distance to frontier score for regulatory efficiency and the Corruption Perceptions Index is 0.77. The correlation between the distance to frontier score for regulatory quality and the Corruption Perceptions Index is 0.66.
12. This corresponds to a monthly consumption of 26,880 kilowatt-hours.
13. The relationship is significant at the 1% level after controlling for income per capita. New firm density is the number of newly registered limited liability companies per 1,000 working-age people (ages 15–64).
14. The relationship is significant at the 1% level after controlling for income per capita.
15. UNPAN 2012.
16. UNPAN 2012.
17. According to the World Bank's World Development Indicators database, output per capita in Georgia increased from \$4,346 in 2004 to \$7,233 in 2014 (in constant 2011 international dollars) (<http://data.worldbank.org/indicator>). And according to the World Bank Group's Entrepreneurship Database, business density rose from 1.35 firms per 1,000 adults in 2005 to 4.86 in 2012 (<http://www.doingbusiness.org/data/exploretopics/entrepreneurship>).



About *Doing Business*

Economic activity requires sensible rules that encourage firm start-up and growth and avoid creating distortions in the marketplace. *Doing Business* focuses on the rules and regulations that can help the private sector thrive—because without a dynamic private sector, no economy can provide a good, and sustainable, standard of living for people. *Doing Business* measures the presence of rules that establish and clarify property rights, minimize the cost of resolving disputes, increase the predictability of economic interactions and provide contractual partners with core protections against abuse.

The *Doing Business* data highlight the important role of the government and government policies in the day-to-day life of domestic small and medium-size firms. The objective is to encourage regulations that are designed to be efficient, accessible to all who use them and simple in their implementation. Where regulation is burdensome, it diverts the energies of entrepreneurs away from developing their businesses. But where regulation is efficient, transparent and implemented in a simple way, it becomes easier for businesses to innovate and expand—and easier for aspiring entrepreneurs to compete on an equal footing. Indeed, *Doing Business* values good rules as a key to social inclusion. Enabling growth—and ensuring that all people, regardless of income level, can participate in its benefits—requires an environment where new entrants with drive and good ideas can get started in business and where good firms can invest and grow.

Doing Business was designed with two main types of users in mind: policy makers and researchers.¹ It is a tool that governments can use to design sound business regulatory policies. Nevertheless, the *Doing Business* data are limited in scope and should be complemented with other sources of information. *Doing Business* focuses on a few specific rules relevant to the specific case studies analyzed. These rules and case studies are chosen to be illustrative of the business regulatory environment, but they are not a comprehensive description of that environment. *Doing Business* is also an important source of information for researchers. It provides a unique data set that enables analysis aimed at better understanding the role of business regulation in economic development.

WHAT DOES *DOING BUSINESS* MEASURE?

Doing Business captures several important dimensions of the regulatory environment as it applies to local firms. It provides quantitative indicators on regulation for starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency (table 2.1). *Doing Business* also measures features of labor market regulation. This year's report does not present rankings of economies on the labor market regulation indicators or include the topic in the aggregate distance to frontier score or

- *Doing Business* measures aspects of business regulation affecting domestic small and medium-size firms in 11 areas across 189 economies. Ten of these areas—starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency—are included in the distance to frontier score and ease of doing business ranking. *Doing Business* also measures features of labor market regulation, which is not included in these two measures.
- *Doing Business* does not capture other aspects of the business environment, such as security, market size, macroeconomic stability and the prevalence of bribery and corruption.
- The *Doing Business* methodology is based on standardized case scenarios in the largest business city of each economy. In addition, for 11 economies a second city is covered.
- The subnational *Doing Business* studies complement the global report by going beyond the largest business city in selected economies.
- *Doing Business* relies on four main sources of information: the relevant laws and regulations, *Doing Business* respondents, the governments of the economies covered and the World Bank Group regional staff.

ranking on the ease of doing business. It does present the data for these indicators.

Four sets of indicators—dealing with construction permits, getting electricity, registering property and enforcing contracts—have been expanded for this year's report to measure aspects of regulatory quality. One indicator set—trading across borders—has been redesigned to increase the relevance of what is measured. (For details on what is new in these indicator sets, see the chapter on what is changing in *Doing Business*.)

How the indicators are selected

The choice of the 11 sets of *Doing Business* indicators has been guided by economic research and firm-level data, particularly data from the World Bank Enterprise Surveys.² These surveys provide data highlighting the main obstacles to business activity as reported by entrepreneurs in more than 135 economies. For example, among the factors that the surveys have identified as important to businesses have been access to finance and access to electricity—inspiring the design of the *Doing Business* indicators on getting credit and getting electricity.

The design of the *Doing Business* indicators has also been informed by theoretical insights gleaned from extensive research and the literature on the role of institutions in enabling economic development. In addition, the background papers developing the methodology for each of the *Doing Business* indicator sets have established the importance of the rules and regulations that *Doing Business* focuses on for such economic outcomes as trade volumes, foreign direct investment, market capitalization in stock exchanges and private credit as a percentage of GDP.³

Two aggregate measures

Doing Business presents data both for individual indicators and for two aggregate measures—the distance to frontier score and the ease of doing business ranking—to provide different perspectives on the data. The distance to frontier

TABLE 2.1 What *Doing Business* measures—11 areas of business regulation

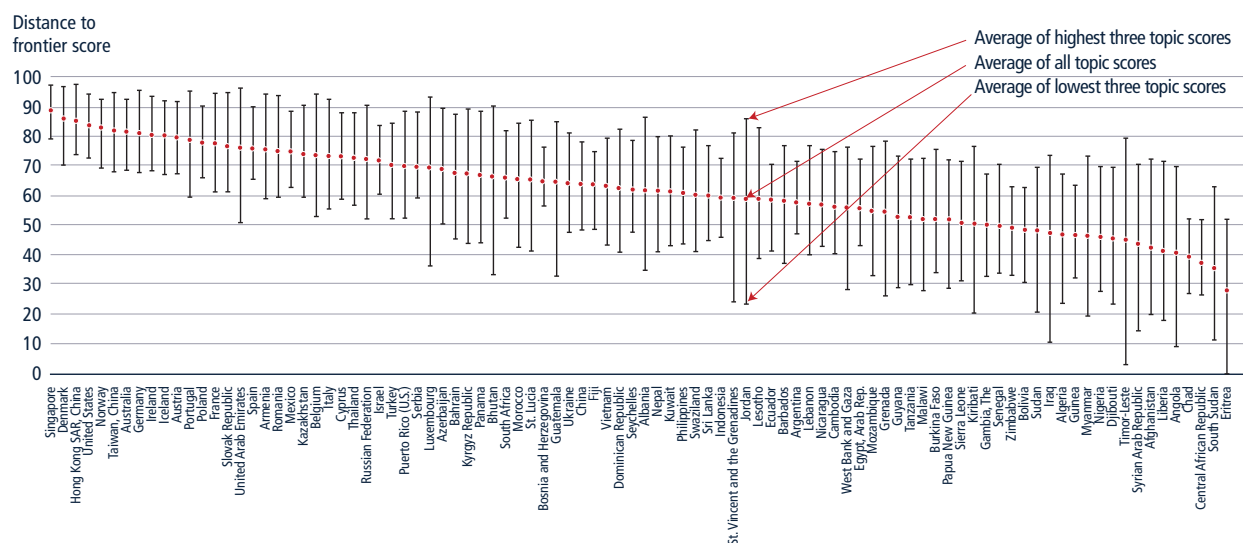
Indicator set	What is measured
Starting a business	Procedures, time, cost and paid-in minimum capital to start a limited liability company
Dealing with construction permits	Procedures, time and cost to complete all formalities to build a warehouse and the quality control and safety mechanisms in the construction permitting system
Getting electricity	Procedures, time and cost to get connected to the electrical grid, the reliability of the electricity supply and the cost of electricity consumption
Registering property	Procedures, time and cost to transfer a property and the quality of the land administration system
Getting credit	Movable collateral laws and credit information systems
Protecting minority investors	Minority shareholders' rights in related-party transactions and in corporate governance
Paying taxes	Payments, time and total tax rate for a firm to comply with all tax regulations
Trading across borders	Time and cost to export the product of comparative advantage and import auto parts
Enforcing contracts	Time and cost to resolve a commercial dispute and the quality of judicial processes
Resolving insolvency	Time, cost, outcome and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency
Labor market regulation	Flexibility in employment regulation and aspects of job quality

score aids in assessing the absolute level of regulatory performance and how it improves over time. This measure shows the distance of each economy to the "frontier," which represents the best performance observed on each of the indicators across all economies in the *Doing Business* sample since 2005 or the third year in which data were collected for the indicator. (For indicators calculated as scores, such as the strength of legal rights index or the quality of land administration index, the frontier is set at the highest possible value.) This allows users both to see the gap between a particular economy's performance and the best performance at any point in time and to assess the absolute change in the economy's regulatory environment over time as measured by *Doing Business*. The distance to frontier is first computed for each topic and then averaged across all topics to compute the aggregate distance to frontier score. The ranking on the ease of doing business complements the distance to frontier score by providing information about an economy's performance

in business regulation relative to the performance of other economies as measured by *Doing Business*.

For each topic covered and for all topics, *Doing Business* uses a simple averaging approach for weighting component indicators, calculating rankings and determining the distance to frontier score.⁴ Each topic covered by *Doing Business* relates to a different aspect of the business regulatory environment. The distance to frontier scores and rankings of each economy vary, often substantially, across topics, indicating that strong performance by an economy in one area of regulation can coexist with weak performance in another (figure 2.1). A quick way to assess the variability of an economy's regulatory performance is to look at its distance to frontier scores across topics (see the country tables). The Kyrgyz Republic, for example, has an overall distance to frontier score of 66.01, meaning that it is two-thirds of the way from the worst to the best performance. Its distance to frontier score is 92.94 for

FIGURE 2.1 An economy’s regulatory environment may be more business-friendly in some areas than in others



Source: Doing Business database.

Note: The distance to frontier scores reflected are those for the 10 Doing Business topics included in this year’s aggregate distance to frontier score. The figure is illustrative only; it does not include all 189 economies covered by this year’s report. See the country tables for the distance to frontier scores for each Doing Business topic for all economies.

starting a business, 90.59 for registering property and 79.98 for dealing with construction permits. At the same time, it has a distance to frontier score of 34.66 for resolving insolvency, 43.95 for getting electricity and 49.49 for enforcing contracts.

WHAT DOES DOING BUSINESS NOT MEASURE?

Doing Business does not cover many important policy areas, and even within the areas it covers its scope is narrow (table 2.2). Doing Business does not measure the full range of factors, policies and institutions that affect the quality of an economy’s business environment or its national competitiveness. It does not, for example, capture aspects of security, market size, macroeconomic stability, the state of the financial system, the prevalence of bribery and corruption or the level of training and skills of the labor force.

Even within the relatively small set of indicators included in Doing Business, the focus is deliberately narrow. The trading across borders indicators, for

example, capture the time and cost required for the logistical process of exporting and importing goods, but they do not measure the cost of tariffs or of the international transport. Thus through these indicators Doing Business provides a narrow perspective on the infrastructure challenges that firms face, particularly in the developing world. It does not address the extent to which inadequate roads, rail, ports

and communications may add to firms’ costs and undermine competitiveness (except to the extent that the trading across borders indicators indirectly measure the quality of ports). Similar to the indicators on trading across borders, those on starting a business or protecting minority investors do not cover all aspects of commercial legislation. And while Doing Business measures only a few aspects within each area that it covers, business regulation reforms should not focus just on these aspects, because those that it does not measure are still important.

Doing Business does not attempt to measure all costs and benefits of a particular law or regulation to society as a whole. For example, the paying taxes indicators measure the total tax rate, which, in isolation, is a cost to businesses. The indicators do not measure, nor are they intended to measure, the benefits of the social and economic programs funded through tax revenues. Measuring quality and efficiency in business regulation provides one input into the debate on the regulatory burden associated with achieving regulatory objectives. These

TABLE 2.2 What Doing Business does not cover

Examples of areas not covered

- Macroeconomic stability
- State of the financial system
- Level of training and skills of the labor force
- Prevalence of bribery and corruption
- Market size
- Security

Examples of aspects not included within the areas covered

- In paying taxes, personal income tax rates
- In getting credit, the monetary policy stance and the associated ease or tightness of credit conditions for firms
- In trading across borders, export or import tariffs and subsidies

objectives can differ across economies. *Doing Business* provides a starting point for this discussion and should be used in conjunction with other data sources.

WHAT ARE THE STRENGTHS AND LIMITATIONS OF THE METHODOLOGY?

The *Doing Business* methodology was designed to be an easily replicable way to benchmark certain aspects of business regulation. It has advantages and limitations that should be understood when using the data (table 2.3).

A key consideration for the *Doing Business* indicators is that they should ensure comparability of the data across a global set of economies. The indicators are therefore developed around standardized case scenarios with specific assumptions. One such assumption is the location of a notional business—the subject of the *Doing Business* case study—in the largest business city of the economy. The reality is that business regulations and their enforcement may differ within a country, particularly in federal states and large economies. But gathering data for every relevant jurisdiction in each of the 189 economies covered by *Doing Business* would be infeasible. Nevertheless, where policy makers are interested in generating data at the local level, beyond the largest business city, *Doing Business* has complemented its global indicators with subnational studies (box 2.1). And starting in last year's report, *Doing Business* has extended its coverage to the second largest business city in economies with a population of more than 100 million as of 2013.

Doing Business recognizes the limitations of the standardized case scenarios and assumptions. But while such assumptions come at the expense of generality, they also help ensure the comparability of data. For this reason it is common to see limiting assumptions of this kind in economic indicators.

TABLE 2.3 Advantages and limitations of the *Doing Business* methodology

Feature	Advantages	Limitations
Use of standardized case scenarios	Makes the data comparable across economies and the methodology transparent	Reduces the scope of the data and means that only regulatory reforms in the areas measured can be systematically tracked
Focus on largest business city ^a	Makes the data collection manageable (cost-effective) and the data comparable	Reduces the representativeness of the data for an economy if there are significant differences across locations
Focus on domestic and formal sector	Keeps the attention on where regulations are relevant and firms are most productive—the formal sector	Fails to reflect reality for the informal sector—important where that is large—or for foreign firms where they face a different set of constraints
Reliance on expert respondents	Ensures that the data reflect the knowledge of those with the most experience in conducting the types of transactions measured	Results in indicators that do not measure the variation in experiences among entrepreneurs
Focus on the law	Makes the indicators “actionable”—because the law is what policy makers can change	Fails to reflect the reality that where systematic compliance with the law is lacking, regulatory changes will not achieve the full results desired

a. In economies with a population of more than 100 million as of 2013, *Doing Business* covers business regulation in both the largest business city and the second largest one.

Some *Doing Business* topics are complex, and so it is important that the standardized cases are carefully defined. For example, the standardized case scenario usually involves a limited liability company or its legal equivalent. There are two reasons for this assumption. First, private, limited liability companies are the most prevalent business form for firms with more than one owner in many economies around the world. Second, this choice reflects the focus of *Doing Business* on expanding opportunities for entrepreneurship: investors are encouraged to venture into business when potential losses are limited to their capital participation.

Another assumption underlying the *Doing Business* indicators is that entrepreneurs have knowledge of and comply with applicable regulations. In practice, entrepreneurs may not know what needs to be done or how to comply and may lose considerable time trying to find out. Alternatively, they may deliberately avoid compliance altogether—by not registering for social security, for example. Where regulation is particularly onerous, firms may opt for bribery and other informal arrangements intended to bypass the

rules—an aspect that helps explain differences between the de jure data provided by *Doing Business* and the de facto insights offered by World Bank Enterprise Surveys.⁵ In economies with particularly burdensome regulation, levels of informality tend to be higher. Compared with their formal sector counterparts, firms in the informal sector typically grow more slowly, have poorer access to credit and employ fewer workers—and these workers remain outside the protections of labor law.⁶ Firms in the informal sector are also less likely to pay taxes. *Doing Business* measures one set of factors that help explain the occurrence of informality and give policy makers insights into potential areas of regulatory reform.

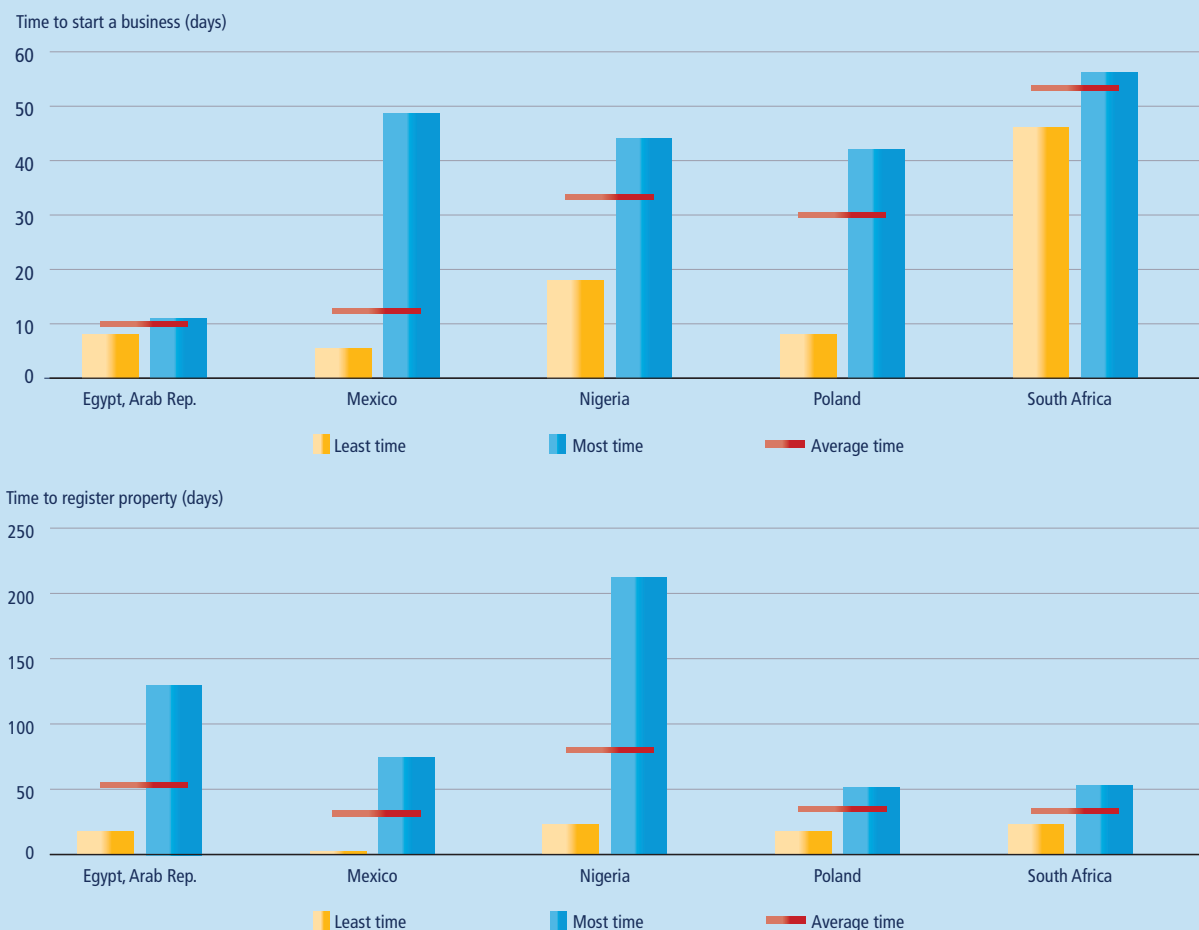
Rules and regulations fall under the direct control of policy makers—and they are often where policy makers start when intending to change the set of incentives under which businesses operate. *Doing Business* not only shows where problems exist in the regulatory framework; it also points to specific regulations or regulatory procedures that may lend themselves to reform. And its quantitative measures enable research on how specific regulations

BOX 2.1 Comparing regulation at the local level: subnational *Doing Business* studies

The subnational *Doing Business* studies expand the *Doing Business* analysis beyond the largest business city of an economy. They measure variation in regulations or in the implementation of national laws across locations within an economy (as in South Africa) or a region (as in Central America). Projects are undertaken at the request of governments.

Data collected by subnational studies over the past two years show that there can be substantial variation within an economy (see figure). In Mexico in 2013, for example, registering a property transfer took as few as 2 days in Colima and as many as 74 in Mexico City. Indeed, within the same economy one can find locations that perform as well as economies ranking in the top 20 on the ease of registering property and locations that perform as poorly as economies ranking in the bottom 40 on that indicator.

Different locations, different regulatory processes, same economy



Source: Subnational *Doing Business* database.

Note: The average time shown for each economy is based on all locations covered by the data: 15 locations and governorates in the Arab Republic of Egypt in 2013, 31 states and Mexico City in Mexico in 2013, 36 cities in Nigeria in 2014, 18 cities in Poland in 2014 and 9 cities in South Africa in 2015.

The subnational *Doing Business* studies create disaggregated data on business regulation. But they go beyond a data collection exercise. They have proved to be strong motivators for regulatory reform at the local level:

- The data produced are comparable across locations within the economy and internationally, enabling locations to benchmark their results both locally and globally. Comparisons of locations that are within the same economy and therefore share the same legal and regulatory framework can be revealing: local officials find it hard to explain why doing business is more difficult in their jurisdiction than in a neighboring one.

(continued)

BOX 2.1 Comparing regulation at the local level: subnational *Doing Business* studies (continued)

- Pointing out good practices that exist in some locations but not others within an economy helps policy makers recognize the potential for replicating these good practices. This can prompt discussions of regulatory reform across different levels of government, providing opportunities for local governments and agencies to learn from one another and resulting in local ownership and capacity building.

Since 2005 subnational reports have covered 437 locations in 65 economies, including Colombia, the Arab Republic of Egypt, Italy, the Philippines and Serbia. Fifteen economies—including Indonesia, Mexico, Nigeria and the Russian Federation—have undertaken two or more rounds of subnational data collection to measure progress over time. This year subnational studies were completed in the Dominican Republic, Poland, South Africa, Spain and six countries in Central America. Ongoing studies include those in Afghanistan (5 cities), Kenya (10 cities), Mexico (31 states and Mexico City) and the United Arab Emirates (3 emirates).

Subnational reports are available on the Doing Business website at <http://www.doingbusiness.org/subnational>.

affect firm behavior and economic outcomes.

Many of the *Doing Business* indicators can be considered “actionable,” measuring aspects over which governments have direct control. For example, governments can reduce (or even eliminate) the minimum capital requirement for new firms. They can invest in company and property registries to increase the efficiency of these public agencies. They can improve the efficiency of tax administration by adopting the latest technologies to facilitate the preparation, filing and payment of taxes by businesses. And they can undertake court reforms to shorten delays in the enforcement of contracts. On the other hand, some *Doing Business* indicators capture costs that involve private sector participants, such as lawyers, notaries, architects, electricians or freight forwarders—costs over which governments may have little influence in the short run.

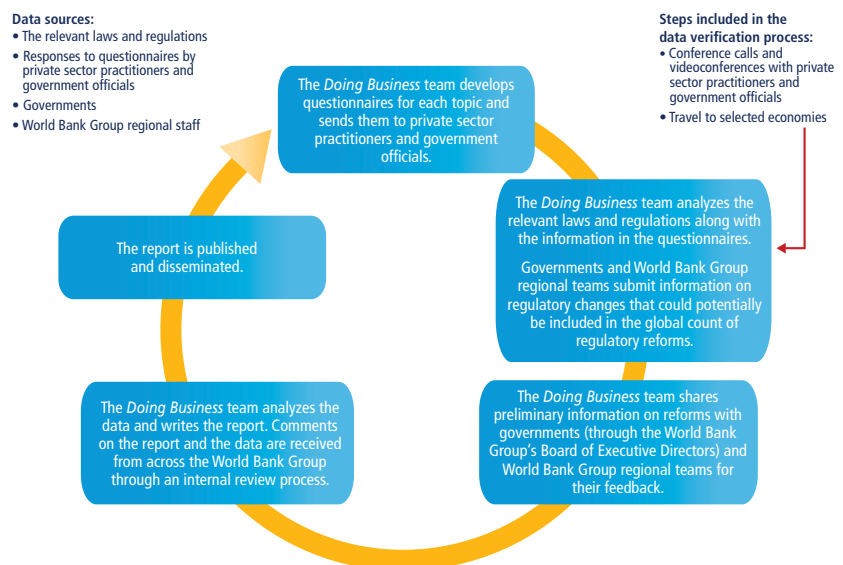
While many *Doing Business* indicators are actionable, this does not necessarily mean that they are always “action-worthy” in a particular context.⁷ And *Doing Business* data do not indicate which indicators are more “action-worthy” than others. Business regulation reforms are one element of a strategy aimed at improving competitiveness and establishing a solid foundation for sustainable economic growth. There are many other important goals to pursue—such as effective

management of public finances, adequate attention to education and training, adoption of the latest technologies to boost economic productivity and the quality of public services, and appropriate regard for air and water quality to safeguard people’s health. Governments have to decide what set of priorities best fits the needs they face. To say that governments should work toward a sensible set of rules for private sector activity does not suggest that they should be doing so at the expense of other worthy economic and social goals.

HOW ARE THE DATA COLLECTED?

The *Doing Business* data are based on a detailed reading of domestic laws and regulations as well as administrative requirements. The data cover 189 economies—including small economies and some of the poorest economies, for which little or no data are available in other data sets. The data are collected through several rounds of interaction with expert respondents (both private sector practitioners and government officials)—through responses to questionnaires,

FIGURE 2.2 How *Doing Business* collects and verifies the data



conference calls, written correspondence and visits by the team. *Doing Business* relies on four main sources of information: the relevant laws and regulations, *Doing Business* respondents, the governments of the economies covered and the World Bank Group regional staff (figure 2.2). For a detailed explanation of the *Doing Business* methodology, see the data notes.

Relevant laws and regulations

Most of the *Doing Business* indicators are based on laws and regulations. Indeed, around two-thirds of the data embedded in the *Doing Business* indicators are based on a reading of the law. Besides filling out written questionnaires, *Doing Business* respondents provide references to the relevant laws, regulations and fee schedules. The *Doing Business* team collects the texts of the relevant laws and regulations and checks questionnaire responses for accuracy. For example, the team will examine the commercial code to confirm the paid-in minimum capital requirement, look at the legislation to see whether borrowers have the right to access their data at the credit bureau and read the tax code to find applicable tax rates. (*Doing Business* makes these and other types of laws available on the *Doing Business* law library website.)⁸ Because of the extensive data checking, which involves an annual update of an established database, having very large samples of respondents is not necessary for these types of questions. In principle, the role of the contributors is largely advisory—helping the *Doing Business* team in finding and understanding the laws and regulations—and there are quickly diminishing returns to an expanded number of contributors.

For the rest of the data the team conducts extensive consultations with multiple contributors to minimize measurement error. For some indicators—for example, those on dealing with construction permits, enforcing contracts and resolving insolvency—the time component and part of the

cost component (where fee schedules are lacking) are based on actual practice rather than the law on the books. This introduces a degree of judgment by respondents on what actual practice looks like. When respondents disagree, the time indicators reported by *Doing Business* represent the median values of several responses given under the assumptions of the standardized case.

Doing Business respondents

Over the past 13 years more than 33,000 professionals in 189 economies have assisted in providing the data that inform the *Doing Business* indicators.⁹ This year's report draws on the inputs of more than 11,400 professionals.¹⁰ Table 13.2 in the data notes lists the number of respondents for each indicator set. The *Doing Business* website shows the number of respondents for each economy and each indicator set.

Respondents are professionals who routinely administer or advise on the legal and regulatory requirements in the specific areas covered by *Doing Business*, selected on the basis of their expertise in these areas. Because of the focus on legal and regulatory arrangements, most of the respondents are legal professionals such as lawyers, judges or notaries. In addition, officials of the credit bureau or registry complete the credit information questionnaire. Freight forwarders, accountants, architects, engineers and other professionals answer the questionnaires related to trading across borders, paying taxes and dealing with construction permits. Certain public officials (such as registrars from the company or property registry) also provide information that is incorporated into the indicators.

The *Doing Business* approach has been to work with legal practitioners or other professionals who regularly undertake the transactions involved. Following the standard methodological approach for time-and-motion studies, *Doing Business* breaks down each process or

transaction, such as starting a business or registering a building, into separate steps to ensure a better estimate of time. The time estimate for each step is given by practitioners with significant and routine experience in the transaction.

Doing Business does not survey firms for two main reasons. The first relates to the frequency with which firms engage in the transactions captured by the indicators, which is generally low. For example, a firm goes through the start-up process once in its existence, while an incorporation lawyer may carry out 10 such transactions each month. The incorporation lawyers and other experts providing information to *Doing Business* are therefore better able to assess the process of starting a business than are individual firms. They also have access to the latest regulations and practices, while a firm may have faced a different set of rules when incorporating years before. The second reason is that the *Doing Business* questionnaires mostly gather legal information, which firms are unlikely to be fully familiar with. For example, few firms will know about all the many legal procedures involved in resolving a commercial dispute through the courts, even if they have gone through the process themselves. But a litigation lawyer should have little difficulty in providing the requested information on all the procedures.

Governments and World Bank Group regional staff

After receiving the completed questionnaires from the *Doing Business* respondents, verifying the information against the law and conducting follow-up inquiries to ensure that all relevant information is captured, the *Doing Business* team shares the preliminary descriptions of regulatory reforms with governments (through the World Bank Group's Board of Executive Directors) and with regional staff of the World Bank Group. Through this process government authorities and World Bank Group staff working on

most of the economies covered can alert the team about, for example, regulatory reforms not picked up by the respondents or additional achievements of regulatory reforms already captured in the database. In response to such feedback, the *Doing Business* team turns to the local private sector experts for further consultation and, as needed, corroboration. In addition, the team responds formally to the comments of governments or regional staff and provides explanations of the scoring decisions.

Data adjustments

Information on data corrections is provided in the data notes and on the *Doing Business* website. A transparent complaint procedure allows anyone to challenge the data. From November 2014 to October 2015 the team received and responded to more than 170 queries on the data. If changes in data are confirmed, they are immediately reflected on the website.

7. One study using *Doing Business* indicators illustrates the difficulties in using highly disaggregated indicators to identify reform priorities (Kraay and Tawara 2013).
8. For the law library website, see <http://www.doingbusiness.org/law-library>.
9. The annual data collection exercise is an update of the database. The *Doing Business* team and the contributors examine the extent to which the regulatory framework has changed in ways relevant for the features captured by the indicators. The data collection process should therefore be seen as adding each year to an existing stock of knowledge reflected in the previous year's report, not as creating an entirely new data set.
10. While more than 11,400 contributors provided data for this year's report, many of them completed a questionnaire for more than one *Doing Business* indicator set. Indeed, the total number of contributions received for this year's report is more than 14,100 which represents a true measure of the inputs received. The average number of contributions per indicator set and economy is just under seven. For more details, see <http://www.doingbusiness.org/contributors/doing-business>.

NOTES

1. The focus of the *Doing Business* indicators remains the regulatory regime faced by domestic firms engaging in economic activity in the largest business city of an economy. *Doing Business* was not initially designed to inform decisions by foreign investors, though investors may in practice find the data useful as a proxy for the quality of the national investment climate. Analysis done in the World Bank Group's Global Indicators Group has shown that countries that have sensible rules for domestic economic activity also tend to have good rules for the activities of foreign subsidiaries engaged in the local economy.
2. For more on the World Bank Enterprise Surveys, see the website at <http://www.enterprisesurveys.org>.
3. These papers are available on the *Doing Business* website at <http://www.doingbusiness.org/methodology>.
4. For getting credit, indicators are weighted proportionally, according to their contribution to the total score, with a weight of 60% assigned to the strength of legal rights index and 40% to the depth of credit information index. In this way each point included in these indices has the same value independent of the component it belongs to. Indicators for all other topics are assigned equal weights. For more details, see the chapter on the distance to frontier and ease of doing business ranking.
5. Hallward-Driemeier and Pritchett 2015.
6. Schneider 2005; La Porta and Shleifer 2008.



What is changing in *Doing Business*?

Good practices in business regulation have evolved since the *Doing Business* indicators were first developed in 2003. Some changes have come, for example, as new technologies have transformed the ways governments interact with citizens and the business community. The new developments have created a need to expand and update the *Doing Business* methodology. In addition, the original *Doing Business* indicators are by nature limited in scope, and expanding the methodology allows opportunities to reduce the limitations. While the *Doing Business* report has introduced changes in methodology of varying degrees every year, this year's report and last year's have implemented more substantive improvements. These changes reflect consultations that have taken place over the years with World Bank Group staff, country governments and the private sector and are being implemented against the background of the findings presented in 2013 by the Independent Panel on *Doing Business*.¹

As part of these changes, 8 of 10 sets of *Doing Business* indicators are being improved over a two-year period (table 3.1). The improvements are aimed at addressing two main concerns. First, in indicator sets that primarily measure the efficiency of a transaction or service provided by a government agency (such as registering property), the focus is being expanded to also cover aspects of the quality of that service. And second, in indicator sets that already measure some aspects of the quality of regulation (such as protecting minority investors),

the focus is being expanded to include additional good practices in the areas covered. In addition, some changes are aimed at increasing the relevance of indicators (such as the trading across borders indicators).

INTRODUCING NEW MEASURES OF QUALITY

Efficiency in regulatory transactions is important. Many research papers have highlighted the positive effect of efficiency improvements in areas measured by *Doing Business* on such economic outcomes as firm or job creation.² But increasing efficiency may have little impact if the service provided is of poor quality. For example, the ability to complete a property transfer quickly and inexpensively is important, but if the land

- This year's report introduces improvements in 5 of 10 *Doing Business* indicator sets. Part of an effort begun in last year's report, the changes have two main goals. The first is to expand the focus of indicator sets that primarily measure the efficiency of a transaction or service to also cover aspects of the quality of that service. The second is to expand the focus of indicator sets that already measure some aspects of the quality of regulation to include recent good practices in the areas covered.
- This year's report adds indicators of quality to four indicator sets: registering property, dealing with construction permits, getting electricity and enforcing contracts.
- In addition, the trading across borders indicators have been revised to increase their relevance. The underlying case study now focuses on the top export product for each economy, on auto parts as its import product and on its largest trading partner for the export and import products.

TABLE 3.1 Timeline of the changes in *Doing Business*

Doing Business 2015

Broadening the scope of indicator sets

- Getting credit
- Protecting minority investors
- Resolving insolvency

Doing Business 2016

Broadening the scope of indicator sets

- Registering property
- Dealing with construction permits
- Getting electricity
- Enforcing contracts

Increasing the relevance of indicator sets

- Trading across borders

records are unreliable or other features of the property rights regime are flawed, the property title will have little value.

Yet measures of the quality of business regulation at the micro level are scarce. By expanding its focus on regulatory quality, *Doing Business* will thus open a new area for research. The aim is to help develop greater understanding of the importance of the quality of business regulation and its link to regulatory efficiency and economic outcomes.

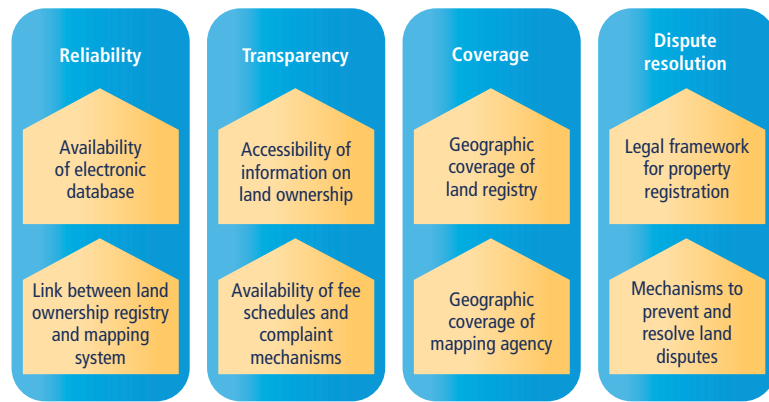
In this year's report four indicator sets are being expanded to also measure regulatory quality: registering property, dealing with construction permits, getting electricity, and enforcing contracts. A similar expansion for the paying taxes indicator set is being considered for next year. The new indicators being introduced emphasize the importance of having the right type of regulation. In general, economies with less regulation or none at all will have a lower score on the new indicators.

Registering property

The registering property indicator set assesses the efficiency of land administration systems by measuring the procedures, time and cost to transfer a property from one company to another. This year's report adds a new indicator to also encompass aspects of the quality of these systems. The quality of land administration index measures the reliability, transparency and geographic coverage of land administration systems as well as aspects of dispute resolution for land issues (figure 3.1). This new indicator is included in the distance to frontier score and therefore affects the ease of doing business ranking.

Ensuring the reliability of information on property titles is a crucial function of land administration systems. To measure how well these systems are performing this function, data for the quality of land administration index record the practices used in collecting, recording, storing and

FIGURE 3.1 What is being added to registering property



processing information on land parcels and property titles. Higher scores are given for practices that support data reliability, such as unifying, standardizing and synchronizing records across different sources and putting in place the necessary infrastructure to reduce the risk of errors.

The indicator also measures the transparency of information in land administration systems around the world. New data record whether land-related information is made publicly available, whether procedures and property transactions are transparent and whether information on fees for public services is easily accessible.

In addition, the indicator measures the coverage levels attained by land registration and mapping systems. A land administration system that does not cover the country's entire territory is unable to guarantee the protection of property rights in areas that lack institutionalized information on land. The result is a dual system, with both formal and informal land markets. To be enforceable, all transactions need to be publicly verified and authenticated at the land registry.

Finally, the indicator allows comparative analysis of land dispute resolution across economies. It measures the accessibility of conflict resolution mechanisms and the extent of liability for the entities or agents recording land transactions.

The quality of land administration index accounts for a quarter of the distance to frontier score for registering property, and the distance to frontier scores under the old and new methodologies are significantly correlated (figure 3.2). For a complete discussion of the methodology for the registering property indicators, see the data notes. For an analysis of the data for the indicators, see the case study on registering property.

Dealing with construction permits

The indicator set on dealing with construction permits measures the procedures, time and cost to comply with the formalities to build a warehouse—including obtaining necessary licenses and permits, completing required notifications and inspections, and obtaining utility connections. A new indicator added to the set in this year's report—the building quality control index—expands the coverage to also encompass good practices in construction regulation (figure 3.3). This new indicator is part of the distance to frontier score and therefore affects the ease of doing business ranking.

The building quality control index looks at important issues facing the building community. One is the need for clarity in the rules, to ensure that regulation of construction can fulfill the vital function of helping to protect the public from faulty building practices. To assess this

FIGURE 3.2 Comparing the distance to frontier scores for registering property under the old and new methodologies



Source: *Doing Business* database.
 Note: Both distance to frontier scores are based on data for 2014. The 45-degree line shows where the scores under the old and new methodologies are equal. The correlation between the two scores is 0.96.

characteristic, the indicator examines how clearly the building code or building regulations specify the requirements for obtaining a building permit and how easily accessible the regulations are.

Beyond measuring the clarity and accessibility of regulations, the building quality control index assesses the effectiveness of inspection systems. Good inspection systems are critical to ensuring public safety. They can ensure that buildings comply with proper safety standards, reducing the chances of structural faults. And requirements that technical experts review the proposed plans before construction even begins can reduce the risk

of structural failures later on. The indicator covers quality control at three stages: before, during and after construction.

A measure of quality control before construction looks at one point: whether a licensed engineer or architect must verify that the architectural plans and drawings comply with the building regulations. Measures of quality control during construction examine two points: what types of inspections (if any) are required by law during construction; and whether inspections required by law are actually carried out (or, if not required by law, commonly occur in practice). Measures of quality control after construction also examine

two points: whether a final inspection is required by law to verify that the building was built in accordance with the approved plans and the building regulations; and whether the final inspection required by law is actually carried out (or, if not required by law, commonly occurs in practice).

The professionals who conduct the inspections play a vital part in ensuring that buildings meet safety standards. So it is important that these professionals be certified and that they have the necessary technical qualifications. And if safety violations or construction flaws occur despite their efforts, it is important to have a well-defined liability and insurance structure to cover losses resulting from any structural faults.

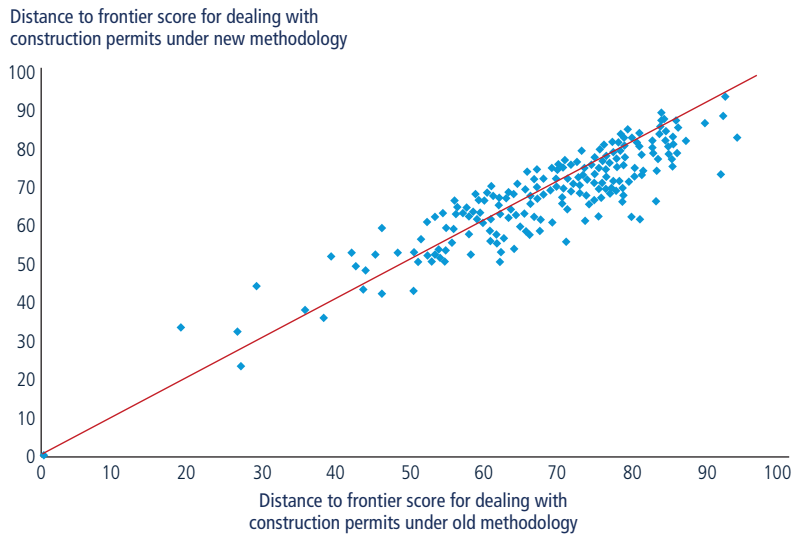
The building quality control index covers several points relating to these issues: what the qualification requirements are for the professionals responsible for reviewing and approving the architectural plans and for those authorized to supervise or inspect the construction; which parties are held legally liable for construction flaws or problems affecting the structural safety of the building once occupied; and which parties are required by law to obtain an insurance policy to cover possible flaws or problems affecting the structural safety of the building once occupied.

The new index accounts for a quarter of the distance to frontier score for dealing with construction permits, and the distance to frontier scores under the old and new methodologies are significantly correlated (figure 3.4). For a complete discussion of the methodology for the indicators on dealing with construction permits, see the data notes. For a fuller discussion of the new indicator and an analysis of the associated data, see the case study on dealing with construction permits.

FIGURE 3.3 What is being added to dealing with construction permits



FIGURE 3.4 Comparing the distance to frontier scores for dealing with construction permits under the old and new methodologies



Source: *Doing Business* database.

Note: Both distance to frontier scores are based on data for 2014. The 45-degree line shows where the scores under the old and new methodologies are equal. The correlation between the two scores is 0.92.

Getting electricity

The indicator set on getting electricity measures the efficiency of the process for obtaining an electricity connection for a standardized warehouse—as reflected in the procedures, time and cost required. While the efficiency of the connection process has proved to be a useful proxy for the overall efficiency of the electricity sector, these measures cover only a small part of the sector's performance. Beyond the complexity and high cost of getting an electricity connection, inadequate or unreliable power supply and the price of electricity consumption are

also perceived as important constraints on business activity, particularly in the developing world. To offer a more complete view of the electricity distribution sector, this year's report adds two new indicators, the reliability of supply and transparency of tariffs index and the price of electricity (figure 3.5). While the first indicator is included in the distance to frontier score and ease of doing business ranking, the second one is not.

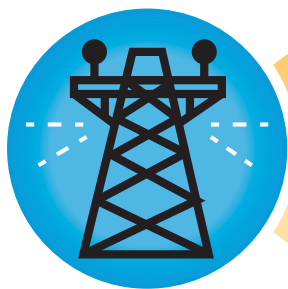
To assess the reliability of the electricity supply, *Doing Business* measures both the duration and the frequency of

power outages. To do so, it uses the system average interruption duration index (SAIDI) and the system average interruption frequency index (SAIFI). SAIDI measures the average total duration of outages, and SAIFI the average number of outages, experienced by a customer over the course of a year. These two measures are typically recorded by utility companies, but collecting the data can be challenging because their availability and quality depend on the utilities' ability (and resources) to collect the underlying information.

The SAIDI and SAIFI measures are used to highlight extreme cases of power outages (as measured against a threshold defined by *Doing Business*). For economies where power outages are not extreme, the quality of monitoring and the role of the monitoring agency or regulator become the crucial factors being measured. Data for the reliability of supply and transparency of tariffs index record the methods used by electricity distribution companies to monitor power outages and restore power supply and the role of the regulator in monitoring outages. Data also record the existence of financial deterrents to limit outages.

Beyond a reliable electricity supply, transparency around tariffs is also important for customers, to enable them to forecast the cost of their energy consumption and deal effectively with future price increases. Thus the new index also measures the accessibility of tariffs to customers and the level of transparency around changes in tariff rates.

FIGURE 3.5 What is being added to getting electricity



- Duration and frequency of power outages
- Tools to monitor power outages
- Tools to restore power supply
- Regulatory monitoring of utilities' performance
- Financial deterrents aimed at limiting outages
- Transparency and accessibility of tariffs
- Price of electricity consumption

To measure the price of electricity consumption, *Doing Business* records the total monthly electricity bill for a standardized warehouse that stores goods and operates in the largest business city of the economy (in 11 economies it also collects data for the second largest business city). The price of electricity is presented in cents per kilowatt-hour. (The data on the price of electricity are available on the

FIGURE 3.6 Comparing the distance to frontier scores for getting electricity under the old and new methodologies



Source: *Doing Business* database.

Note: Both distance to frontier scores are based on data for 2014. The 45-degree line shows where the scores under the old and new methodologies are equal. The correlation between the two scores is 0.88.

Doing Business website, at <http://www.doingbusiness.org>.)

The reliability of supply and transparency of tariffs index accounts for a quarter of the distance to frontier score for getting electricity, and the distance to frontier scores under the old and new methodologies are significantly correlated (figure 3.6). For a detailed discussion of the methodology for the getting electricity indicators, see the data notes. For a comprehensive presentation of the new indicators and an analysis of the data, see the case study on getting electricity.

Enforcing contracts

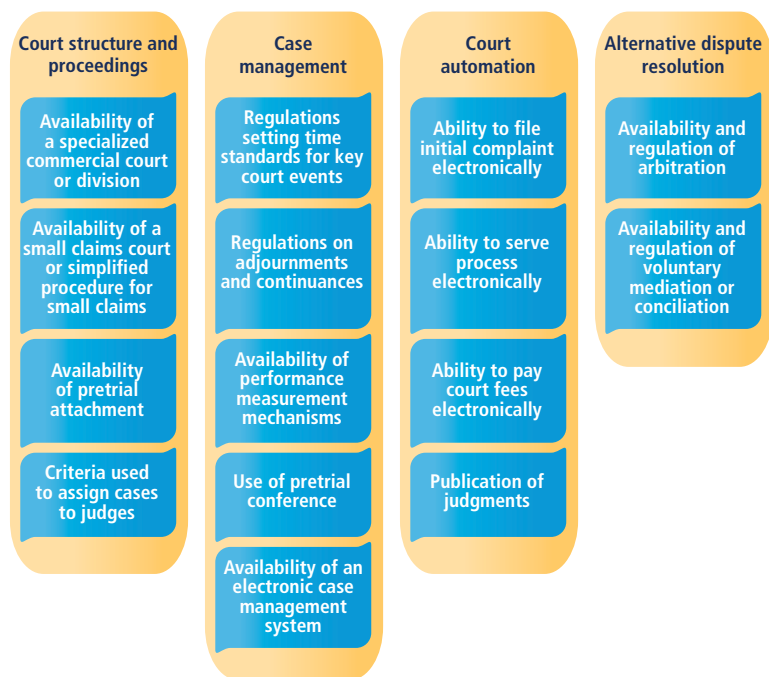
The enforcing contracts indicators have focused on the efficiency of the commercial court system, measuring the procedures, time and cost to resolve a commercial dispute between two firms. This year’s report expands the indicator set to also cover aspects of the quality of judicial processes, focusing on well-established good practices that promote quality and efficiency in the court system (figure 3.7).

The aim is to capture new and more actionable aspects of the judicial system in each economy, providing a picture of

judicial efficiency that goes beyond the time and cost associated with resolving a dispute. Advances in technology and in mechanisms for alternative dispute resolution have changed the face of judiciaries worldwide and led to the evolution of new good practices. Expanding the scope of the enforcing contracts indicators to cover the use of such practices ensures the continued relevance of these indicators.

A new indicator, the quality of judicial processes index, measures whether an economy has adopted a series of good practices across four main areas: court structure and proceedings, case management, court automation and alternative dispute resolution. For court structure and proceedings the indicator records several aspects, including whether there is a specialized commercial court or division and whether a small claims court or simplified procedure for small claims is available. For case management the indicator records, for example, whether there are regulations setting time standards for

FIGURE 3.7 What is being added to enforcing contracts



key court events and whether electronic case management is available.

For court automation the indicator covers such aspects as whether the initial complaint can be filed electronically, whether process can be served electronically and whether the court fees can be paid electronically. And for alternative dispute resolution the indicator records the availability of arbitration and voluntary mediation or conciliation and aspects of the regulation of these methods of dispute resolution.

The quality of judicial processes index, which replaces the indicator on the number of procedures to enforce a contract, accounts for a third of the distance to frontier score for enforcing contracts. Analysis shows significant correlation between the distance to frontier scores under the old and new methodologies (figure 3.8). The data notes provide a detailed discussion of the methodology for the enforcing contracts indicators, while the case study on enforcing contracts provides a more complete

discussion of the new indicator and an analysis of the underlying data.

INCREASING THE RELEVANCE OF INDICATORS

Using feedback from academics, policy makers and other data users, *Doing Business* continually improves its indicators with the aim of maintaining their relevance. This year's report introduces substantial changes to the trading across borders indicators to increase their usefulness for policy and research.

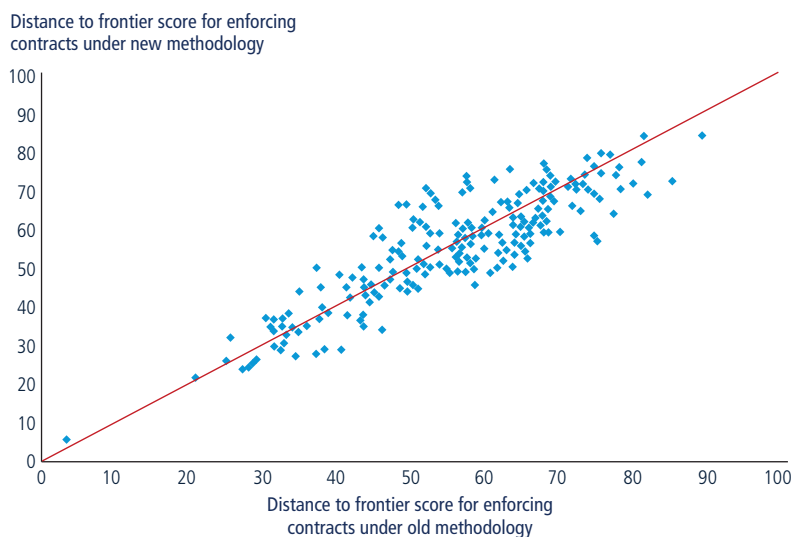
The trading across borders indicators measure the time and cost (excluding tariffs) associated with exporting and importing a shipment of goods to and from the economy's main trading partner. In past years' reports the standardized case study assumed that the goods were one of six preselected products. This represented an important shortcoming, especially for the export process: while economies tend to import a bit of everything, they export only products of comparative advantage.

To increase the relevance of the trading across borders indicators, this year's report changes the standardized case study to assume different traded products for the import and export process. In the new case study each economy imports a shipment of 15 metric tons of containerized auto parts from its natural import partner—the economy from which it imports the largest value (price times quantity) of auto parts. And each economy exports the product of its comparative advantage (defined by the largest export value) to its natural export partner—the economy that is the largest purchaser of this product. To identify the trading partners and export product for each economy, *Doing Business* collected data on trade flows for the most recent four-year period from international databases such as the United Nations Commodity Trade Statistics Database (UN Comtrade).

The new case study also reflects new assumptions about the mode of transport used in trading across borders. In the previous case study, trade was assumed to be conducted by sea, with the implication that calculations of time and cost for landlocked economies included those associated with border processes in transit economies. In the new case study, natural trading partners may be neighboring economies that can be accessed by land. Thus trade is assumed to be conducted by the most widely used mode of transport (whether sea, land, air or some combination of these), and any time and cost attributed to an economy are those incurred while the shipment is within that economy's geographic borders.

Because the new methodology also allows for regional trade, it emphasizes the importance of customs unions. One economy receiving a better score under the new methodology is Croatia, which is part of the European Union (figure 3.9). In the new case study Croatia both exports to a fellow EU member (Austria) and imports from one (Germany), and documentary and border compliance therefore take very little time and cost

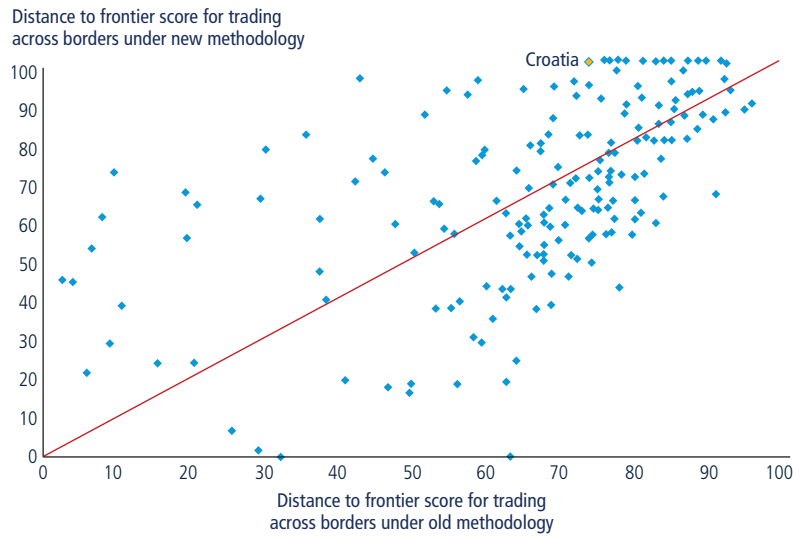
FIGURE 3.8 Comparing the distance to frontier scores for enforcing contracts under the old and new methodologies



Source: *Doing Business* database.

Note: Both distance to frontier scores are based on data for 2014. The 45-degree line shows where the scores under the old and new methodologies are equal. The correlation between the two scores is 0.87.

FIGURE 3.9 Comparing the distance to frontier scores for trading across borders under the old and new methodologies



Source: *Doing Business* database.

Note: Both distance to frontier scores are based on data for 2014. The 45-degree line shows where the scores under the old and new methodologies are equal. The correlation between the two scores is 0.56.

as measured by *Doing Business*. In the old case study, by contrast, Croatia's export and import partners were outside the European Union, resulting in much greater measures of the time and cost for documentary and border compliance.

This year's report also introduces two other changes for the trading across borders indicators. First, it is no longer assumed that payment is made through a letter of credit. And second, while data on the documents needed to export and import are still collected, these data are no longer included when calculating the ranking on the ease of trading across borders—because for traders, what matters in the end is the time and cost to trade.

The time and cost for documentary and border compliance to export and import are part of the distance to frontier score and therefore affect the ease of doing business ranking. The time and cost for domestic transport to export and import are not included in the distance to frontier score, though the data for these indicators are published in this year's report. For a fuller discussion of the methodology for

the trading across borders indicators, see the data notes. For an analysis of the data for the indicators, see the case study on trading across borders.

CHANGES UNDER CONSIDERATION

The paying taxes indicators measure the taxes and mandatory contributions that a medium-size company must pay in a given year as well as the administrative burden of paying taxes and contributions. The indicators now measure only the administrative burden associated with preparing, filing and paying three major types of taxes (profit taxes, consumption taxes and labor taxes). But the postfiling process—involving tax audits, tax refunds and tax appeals—can also impose a substantial administrative burden on firms. An expansion of the paying taxes indicator set to include measures of the postfiling process is under consideration for next year's report.

A new indicator would capture the process and time related to auditing tax

returns for correctness, which may involve desk audits, field audits or inspections; the process and time involved in claiming refunds of value added taxes; and the administrative process and time related to the first level of the tax appeal process.

For a complete discussion of the methodology for the paying taxes indicators, see the data notes.

NOTES

1. For more information on the Independent Panel on *Doing Business* and its work, see its website at <http://www.dbrpanel.org>.
2. For more details, see the chapter in *Doing Business 2014* on research on the effects of business regulations.



Reforming the business environment in 2014/15

- *Doing Business* has recorded more than 2,600 regulatory reforms making it easier to do business since 2004.
- In the year ending June 1, 2015, 122 economies implemented at least one such reform in areas measured by *Doing Business*—231 in total.
- Among reforms to reduce the complexity and cost of regulatory processes, those in the area of starting a business were the most common in 2014/15, just as in the previous year. The next most common were reforms in the areas of paying taxes, getting electricity and registering property.
- Among reforms to strengthen legal institutions in 2014/15, the largest number was recorded in the area of getting credit and the smallest in the area of resolving insolvency.
- Members of the Organization for the Harmonization of Business Law in Africa were particularly active: 14 of the 17 economies implemented business regulation reforms in the past year—29 in total. Twenty-four of these reforms reduced the complexity and cost of regulatory processes, while the other five strengthened legal institutions.
- Sub-Saharan Africa alone accounted for about 30% of the regulatory reforms making it easier to do business in 2014/15, followed closely by Europe and Central Asia.

Every year a growing number of researchers provide new insights into the relationship between changes in domestic business regulation and important markers of economic prosperity—such as the number of new businesses in an economy, the average size of companies, the productivity of those companies and average incomes nationwide.

While there are many determinants of economic growth, there is mounting evidence that improving the regulatory environment for domestic small and medium-size businesses can make a difference. Recent research shows that moving from the lowest quartile of improvement in business regulation to the highest one is associated with an increase of around 0.8 percentage points in an economy's annual GDP per capita growth rate.¹ New research evidence also suggests that an important determinant of firm entry is the ease of paying taxes, regardless of the corporate tax rate. A study of 118 economies over six years found that a 10% reduction in the administrative burden of tax compliance—as measured by the number of tax payments per year and the time required to pay taxes—led to a 3% increase in annual business entry rates.²

Clear regulations and simple bureaucratic processes are important in part because they mitigate risks for entrepreneurs, new and experienced alike. Research evidence shows that reforms intended to encourage new business entry also help existing businesses grow. In the Russian

Federation, for example, research found that streamlining licensing procedures and reducing the number of state inspections required for small businesses helped these businesses increase annual sales in regions with strong government institutions.³ Simplifying licensing requirements in these regions is associated with a 4.5 percentage point increase in annual sales growth, while reducing the number of state inspections per business led to a 12 percentage point increase.

While there is clear evidence that streamlining regulatory procedures can encourage business entry, business growth and rising incomes, it is just as important to identify any obstacles that could prevent regulatory reform from delivering these benefits. Regulatory reform is only as effective as its implementation. Without a robust and efficient judicial system, entrepreneurs cannot trust that the rights and responsibilities articulated in new laws and regulations will be respected in practice. Not surprisingly, researchers have found that stronger legal systems are positively correlated with greater creation, growth and productivity of businesses.

One way that a strong legal system supports the creation and growth of businesses is by improving contract enforcement. According to recent research in 38 European countries, legal systems that resolve incoming cases quickly are strongly correlated with confidence in contract enforcement.⁴ Where contract enforcement is reliable, hiring new people or purchasing new equipment is less

risky.⁵ In turn, acquiring new employees and capital eases business entry and facilitates business growth.

The importance of a robust legal system to a thriving business environment is particularly evident at the subnational level, where varied implementation of national policies in different court jurisdictions can help identify the effect of regulatory reforms. For example, recent research in Spain found that provinces with more efficient judicial systems had larger firms as well as higher rates of firm entry.⁶ In fact, if the least efficient provincial court improved to the level of the most efficient one, its province would see a relative increase in firm size of 0.6-2.8% and a relative increase in business entry rate of 8.8-9.5%.

These findings are supported by similar research in other countries. One study focused on Italy, where resolving a commercial dispute through the courts in 2013 took an average of 1,210 days as measured by *Doing Business*—about three times as long as for a similar case in Germany or the United Kingdom.⁷ So it is perhaps unsurprising that firms in Italy are 40% smaller on average than those in other European countries. Research found that halving the length of civil proceedings in Italian courts would lead to an 8-12% increase in average firm size in the municipalities affected. Conversely, if the performance of the most efficient municipal court declined to the level of the least efficient one, this would be likely to reduce the average firm size in that municipality by 23%.

The relationship between judicial quality and firm size has also been established in Mexico, where strong judicial systems are correlated with greater firm size in terms of output, employment and fixed assets.⁸ Research shows that if the Mexican state with the worst judicial quality improved its performance to match that of the state with the best judicial quality, the average firm size in that state would double. Perhaps unsurprisingly, Mexican states with better courts also have more

productive businesses—and it is estimated that the productivity gains associated with moving from worst to best practice in judicial quality would increase state GDP by as much as 8%.

Of course, the judicial system is not the only public institution that can influence the implementation of regulatory reform for small businesses. In Russia, for example, evidence shows that regulatory reform to encourage business entry was most successful in regions with greater government transparency, a more educated citizenry and greater fiscal autonomy.⁹ In a region meeting these criteria, the probability of fully implementing reforms was expected to be 8 percentage points higher, and the probability of meeting business entry targets 11 percentage points higher. Moreover, the share of new firms using illegitimate business licenses was expected to be 52 percentage points lower in a good-governance region.

Beyond high-quality government institutions, this body of research underlines the importance of political will for the success of reform efforts. In Tanzania, for example, the government's Property and Business Formalization Program was a landmark initiative aimed at bringing street vendors into the formal business sector.¹⁰ Because of conflicting priorities, however, the program was never implemented. Its future success will depend on renewed political commitment.

Research has revealed many potential benefits of a business-friendly regulatory environment, including greater business entry and stronger business growth and productivity. Studies have also underlined the institutional and political obstacles that prevent promising regulatory reforms from fully materializing. As researchers continue to probe the relationship between regulatory reform and its outcomes, the *Doing Business* indicators continue to contribute to this area of analysis.

WHO IMPROVED THE MOST IN 2014/15?

In the year from June 1, 2014, to June 1, 2015, *Doing Business* recorded 231 regulatory reforms making it easier to do business—with 122 economies implementing at least one. About 71% of these reforms were aimed at reducing the complexity and cost of regulatory processes, while the rest were focused on strengthening legal institutions (table 4.1). This pattern, similar to that in previous years, reflects the greater difficulty of implementing legal reforms and the time required to change the way that legal institutions function.

Sub-Saharan Africa alone accounted for about 30% of the regulatory reforms making it easier to do business in 2014/15, followed closely by Europe and Central Asia. Moreover, Europe and Central Asia had both the largest share of economies implementing at least one reform and the largest average number of regulatory reforms per economy, with 2.3 (figure 4.1). Nine economies in the region implemented at least three reforms; Kazakhstan accounted for the largest number, with seven. Latin America and the Caribbean and East Asia and the Pacific had the smallest shares of economies implementing regulatory reforms, and the OECD high-income group the smallest average number of reforms per economy (only 0.7). The Middle East and North Africa was also among the regions with a small number of reforms per economy (1.1). That said, Morocco and the United Arab Emirates each implemented four.

The 10 economies showing the most notable improvement in performance on the *Doing Business* indicators in 2014/15 were Costa Rica, Uganda, Kenya, Cyprus, Mauritania, Uzbekistan, Kazakhstan, Jamaica, Senegal and Benin (table 4.2). These countries together implemented 39 business regulation reforms across 10 of the areas measured by *Doing Business*. Senegal (with four reforms) and Benin (with three) join the list of top improvers for the second

TABLE 4.1 Reforms making it easier to do business in 2014/15 and in the past five years

Area of reform	Number of reforms in 2014/15	Average annual number of reforms in past five years	Economy improving the most in area in 2014/15
<i>Complexity and cost of regulatory processes</i>			
Starting a business	45	46	Myanmar
Dealing with construction permits	17	18	Serbia
Getting electricity	22	14	Oman
Registering property	22	22	Saudi Arabia
Paying taxes	40	33	Serbia
Trading across borders	19	20	Armenia
<i>Strength of legal institutions</i>			
Getting credit—legal rights	10	11	Costa Rica
Getting credit—credit information	22	21	Kenya and Uganda
Protecting minority investors	14	16	Honduras
Enforcing contracts	11	12	Italy
Resolving insolvency	9	16	Cyprus

Source: Doing Business database.

consecutive year. Senegal made starting a business easier by reducing the minimum capital requirement. The electricity utility in Senegal made getting a new connection less time-consuming by streamlining the review of applications and the process for the final connection as well as by reducing the time needed to obtain an excavation permit. The utility also lowered the security deposit required. In addition, Senegal

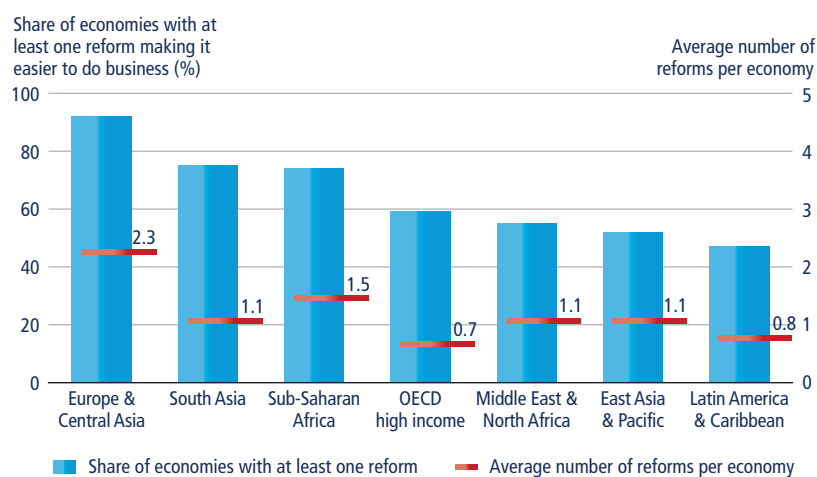
made property transfers less costly by lowering the property transfer tax. Senegal also made enforcing contracts easier, by introducing a law that regulates judicial and conventional voluntary mediation. Among other changes, Benin made dealing with construction permits less time-consuming by establishing a one-stop shop and reducing the number of signatories required on building permits.

Among the 10 top improvers, Costa Rica made the biggest advance toward the regulatory frontier, thanks to three business regulation reforms. The electricity utility in Costa Rica made getting a new connection easier by reducing the time required for preparing the design of the external connection works and for installing the meter and starting the flow of electricity. In addition, Costa Rica improved access to credit by adopting a new secured transactions law that establishes a functional secured transactions system and a modern, centralized, notice-based collateral registry. The law also broadens the range of assets that can be used as collateral, allows a general description of assets granted as collateral and permits out-of-court enforcement of collateral. Finally, Costa Rica made it easier to pay taxes by promoting the use of its electronic filing and payment system for corporate income tax and general sales tax.

Overall, the 10 top improvers implemented the most regulatory reforms in the area of starting a business, followed by getting credit, getting electricity and registering property. Among the five that are Sub-Saharan African economies, all implemented reforms aimed at improving company registration processes. Kenya reduced the time it takes to assess and pay stamp duty. Mauritania eliminated the minimum capital requirement, while Senegal lowered it. Uganda introduced an online system for obtaining trading licenses. Benin and Uganda both reduced business incorporation fees.

These five Sub-Saharan African economies also introduced changes in other areas. Kenya made property transfers faster by improving electronic document management at the land registry and introducing a unified form for registration. Kenya also improved access to credit information, by passing legislation that allows the sharing of positive information and by expanding borrower coverage. In Uganda the electricity utility reduced delays for new connections by deploying additional customer service engineers and reducing the time needed

FIGURE 4.1 Europe and Central Asia had the largest share of economies making it easier to do business in 2014/15



Source: Doing Business database.

TABLE 4.2 The 10 economies improving the most across three or more areas measured by *Doing Business* in 2014/15

Economy	Ease of doing business rank	Reforms making it easier to do business									
		Starting a business	Dealing with construction permits	Getting electricity	Registering property	Getting credit	Protecting minority investors	Paying taxes	Trading across borders	Enforcing contracts	Resolving insolvency
Costa Rica	58			✓		✓		✓			
Uganda	122	✓		✓		✓					
Kenya	108	✓		✓	✓	✓					
Cyprus	47			✓		✓		✓		✓	✓
Mauritania	168	✓				✓			✓		
Uzbekistan	87	✓			✓	✓					
Kazakhstan	41	✓	✓		✓	✓	✓			✓	✓
Jamaica	64	✓	✓					✓			✓
Senegal	153	✓		✓	✓					✓	
Benin	158	✓	✓						✓		

Source: *Doing Business* database.

Note: Economies are selected on the basis of the number of their reforms and ranked on how much their distance to frontier score improved. First, *Doing Business* selects the economies that implemented reforms making it easier to do business in 3 or more of the 10 areas included in this year's aggregate distance to frontier score. Regulatory changes making it more difficult to do business are subtracted from the number of those making it easier. Second, *Doing Business* ranks these economies on the increase in their distance to frontier score from the previous year. The improvement in their score is calculated not by using the data published in 2014 but by using comparable data that capture data revisions and methodology changes. The choice of the most improved economies is determined by the largest improvements in the distance to frontier score among those with at least three reforms.

for the inspection and meter installation. By eliminating inefficiencies, the utilities in Kenya and Senegal also reduced the time required for getting new connections.

Besides Costa Rica, Jamaica is the only other economy in Latin America and the Caribbean that made it to the list of 10 top improvers. Jamaica made starting a business easier by launching an electronic interface between the Companies Office and the Tax Administration. It made dealing with construction permits easier by implementing a new workflow for processing building permit applications. Jamaica made paying taxes both easier and less costly by encouraging taxpayers to pay their taxes online, introducing an employment tax credit and increasing the depreciation rate for industrial buildings. At the same time, however, Jamaica also introduced a minimum business tax, raised the contribution rate for the national insurance scheme and increased the rates for stamp duty, the property tax, the property transfer tax and the education tax. Finally, Jamaica made resolving insolvency easier by introducing a formal reorganization procedure; introducing provisions to facilitate the continuation of

the debtor's business during insolvency proceedings and allow creditors greater participation in important decisions during the proceedings; and establishing a public office responsible for the general administration of insolvency proceedings.

Three of the 10 top improvers reformed their contract enforcement system. Both Cyprus and Kazakhstan introduced fast-track simplified procedures for small claims. In addition, Kazakhstan streamlined the rules for enforcement proceedings. Three of the top improvers implemented reforms aimed at improving their insolvency framework in 2014/15, up from only one in the previous year. Mauritania and Benin are the only top improvers that reformed their international trade practices. Mauritania reduced the time for documentary and border compliance for importing, while Benin reduced the time for border compliance for both exporting and importing by further developing its electronic single-window system.

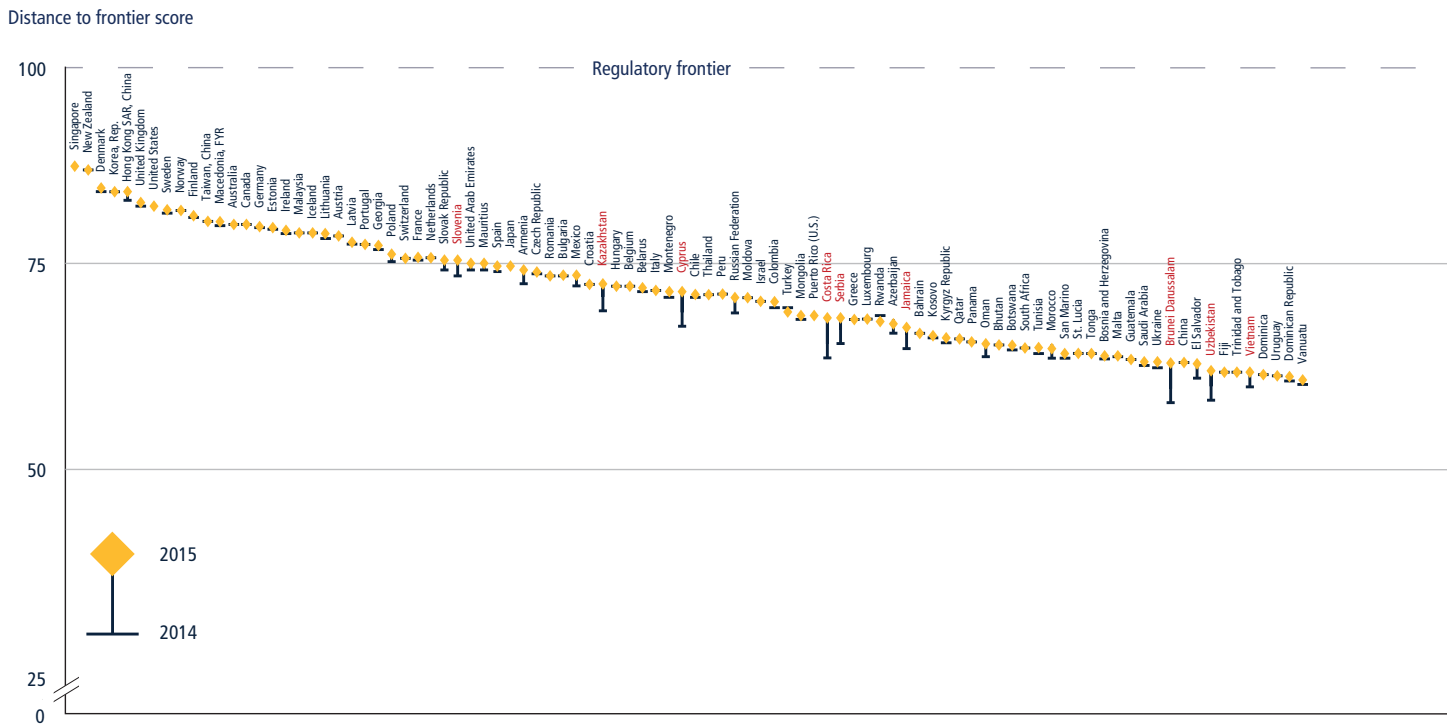
Being recognized as top improvers does not mean that these 10 economies have exemplary business regulation; instead, it shows that thanks to serious efforts in

regulatory reform in the past year, they made the biggest advances toward the frontier in regulatory practice (figure 4.2). By contrast, among the three economies worldwide that are closest to the frontier, Singapore implemented no reforms in 2014/15 in the areas measured by *Doing Business* while New Zealand and Denmark implemented one reform each. Conversely, three other economies that made substantial advances toward the frontier—Myanmar, Brunei Darussalam and the Democratic Republic of Congo—are not considered top improvers because they implemented fewer than three reforms making it easier to do business, with two each.

HIGHLIGHTS OF REFORMS REDUCING REGULATORY COMPLEXITY AND COST

In 2014/15, 106 economies implemented 165 reforms aimed at reducing the complexity and cost of regulatory processes. Almost 30% of the reforms were in Sub-Saharan Africa. Among the areas tracked by *Doing Business* indicators, starting a business accounted for

FIGURE 4.2 How far have economies moved toward the frontier in regulatory practice since 2014?



Source: *Doing Business* database.

Note: The distance to frontier score shows how far on average an economy is at a point in time from the best performance achieved by any economy on each *Doing Business* indicator since 2005 or the third year in which data for the indicator were collected. The measure is normalized to range from 0 to 100, with 100 representing the frontier. The vertical bars show the change in the distance to frontier score from 2014 to 2015; for more details, see the note to table 1.1 in the overview. The 25 economies improving the most are highlighted in red.

the largest number of these reforms, followed by paying taxes, getting electricity and registering property. The fewest were in trading across borders and dealing with construction permits. The reforms in all these areas allow entrepreneurs to save on the time and cost of regulatory compliance—and these time and cost savings translate directly into greater profitability for private businesses and greater fiscal productivity for governments.

Moreover, economies that implemented reforms reducing the complexity and cost of regulatory processes in one area measured by *Doing Business* were also likely to do so in at least one other. Indeed, more than 40% of these economies had reforms reducing regulatory complexity and cost in at least two areas, and more than 20% had such reforms in at least three areas. Starting a business, as the area with the largest number of reforms

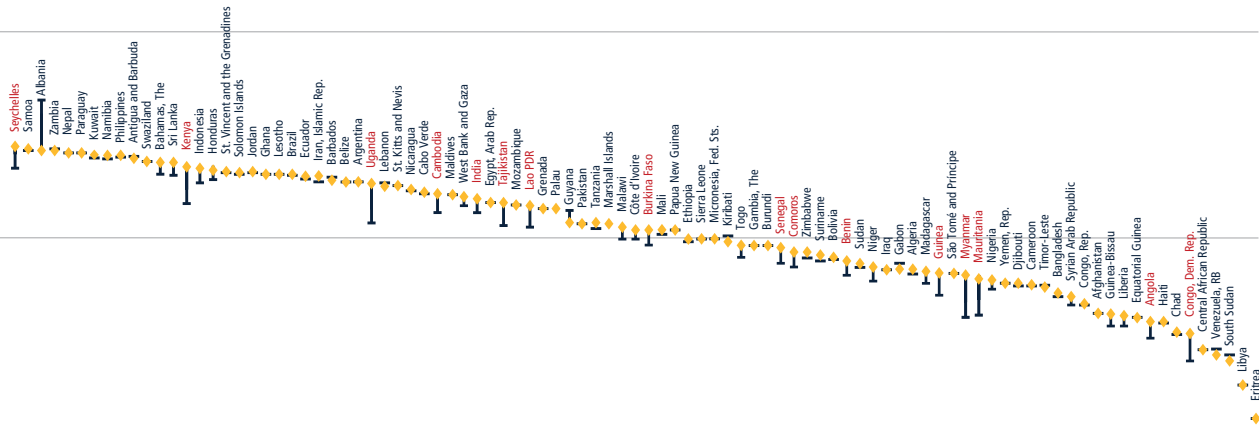
recorded by *Doing Business*, is the most likely to be paired with other areas. For example, more than half the economies with a reform in the area of dealing with construction permits also had a reform in the area of starting a business. So did more than half the economies that had a reform in the area of getting electricity. And more than a third of economies that reformed in the area of registering property also reformed their company start-up process.

Streamlining business incorporation

Economies across all regions continue to streamline the formalities for registering a business. In 2014/15, 45 economies made starting a business easier by reducing the procedures, time or cost associated with the process. Some reduced or eliminated the minimum capital requirement—including Gabon, Guinea, Kuwait, Mauritania, Myanmar, Niger and Senegal. Others stopped requiring a company seal

to do business—such as Azerbaijan; Hong Kong SAR, China; and Kazakhstan. And still others considerably reduced the time required to register a company, including the former Yugoslav Republic of Macedonia, Mongolia and Sweden.

Myanmar made the biggest improvement in the ease of starting a business in 2014/15. Besides eliminating its minimum capital requirement, it also lowered incorporation fees and abolished the requirement to have separate temporary and permanent certificates of incorporation. FYR Macedonia, another economy that notably improved the ease of starting a business, established an electronic one-stop shop for registering all new firms. The registration is done entirely on an electronic platform through a certified government agent, who is authorized to prepare an application, draft and review company deeds, and convert paper documents into a digital format. Once all the



information is prepared, the agent digital-ly signs the forms and submits the entire registration packet to the Central Register on behalf of the company founders. The new process eliminated the requirement for notary services to register a business, thereby reducing the number of procedures, time and cost required for start-up. FYR Macedonia now ranks number two on the ease of starting a business, after New Zealand.

In recent years substantial regulatory reform efforts have been undertaken by the 17 member states of the Organization for the Harmonization of Business Law in Africa, known by its French acronym OHADA (box 4.1). Among other things, the organization has encouraged member states to reduce their minimum capital requirements. Four member states passed national legislation to this effect in 2013/14. Seven did so in 2014/15, resulting in substantial reductions in

the capital required (figure 4.3). The Democratic Republic of Congo reduced its minimum capital requirement from 500% of income per capita in 2014 to 11%—and Burkina Faso reduced its requirement from 308% of income per capita to 29%.

OHADA also recommends that national governments eliminate the requirement for the use of notary services in company registration. The majority of member states have followed this recommendation, allowing companies to register at a one-stop shop either online or in person without resorting to the use of notary services. But many entrepreneurs in OHADA economies still prefer to solicit notary services both out of habit and to ensure that the registration process runs smoothly. As experience in other economies shows, the practice of using notary services can be deeply rooted in the start-up process and business habits can

take time to change (for more on this, see the case study on starting a business).

Consolidating procedures for building permits

In 2014/15, 17 economies reformed their construction permitting process. Several of them streamlined internal review processes for building permit applications, making them faster and more efficient. Benin created a one-stop shop for building permits that began operating in January 2015 and reduced the number of signatories required on building permits from five to two. Sri Lanka created a working group of different agencies involved in issuing building permits so that applicants no longer need to obtain approvals from them separately. The United Arab Emirates combined civil defense approvals with the building permit application process.

BOX 4.1 OHADA members continue to systematically improve their business environment

OHADA is a supranational entity that governs certain aspects of doing business in 17 West and Central African countries.^a Member states voluntarily sacrifice some sovereign authority in order to establish a homogeneous cross-border regulatory regime for business. The aim is to promote investment in West and Central Africa, particularly foreign investment.^b

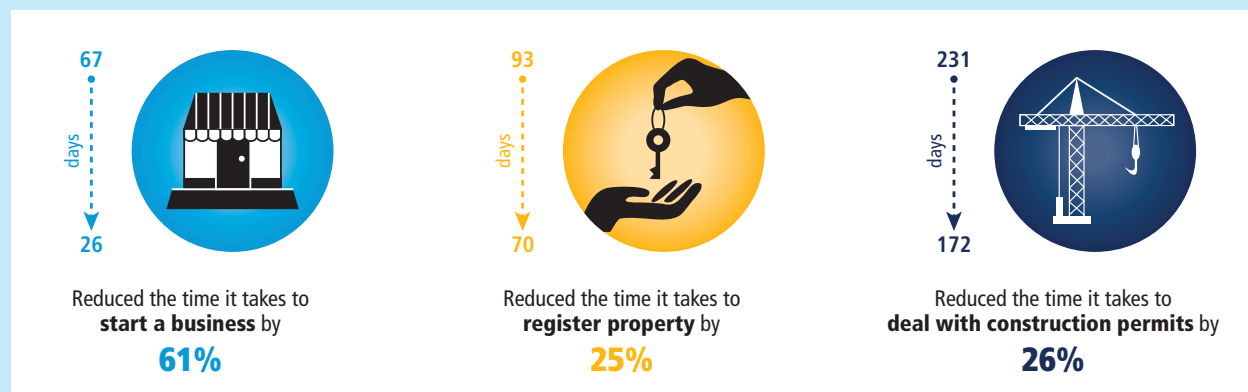
Efforts by OHADA member states to streamline and standardize regulatory processes have helped make it easier to do business. In 2014/15 *Doing Business* recorded business regulation reforms in 14 of the 17 OHADA member states—29 in total. Twenty-four of these reforms reduced the complexity and cost of regulatory processes, while the other five strengthened legal institutions. Only Cameroon, the Central African Republic and Equatorial Guinea did not reform in any of the areas measured by *Doing Business* in the past year.

Nearly a third of the business regulation reforms implemented by OHADA members in 2014/15 made it easier for entrepreneurs to start a business. Seven OHADA members reduced their minimum capital requirement—Burkina Faso, the Comoros, the Democratic Republic of Congo, Gabon, Guinea, Niger and Senegal. Benin made starting a business less costly by reducing the fees to file company documents at its one-stop shop. Togo reduced the fees to register with the tax authority.

At the same time, six OHADA members implemented reforms making it less costly to register a property transfer. Chad, the Republic of Congo, Côte d'Ivoire, Gabon and Senegal lowered their property transfer tax rates. Guinea-Bissau lowered its property registration tax. Three other OHADA members implemented reforms making it easier to deal with construction permits. Benin established a one-stop shop and reduced the number of signatories required for a building permit. The Democratic Republic of Congo halved the cost of the permit itself. Niger reduced the time required to obtain a water connection for a business.

These ongoing efforts have paid off. Since 2006 OHADA members have reduced the time to start a business by more than 60% on average, the time to register property by 25% and the time to deal with construction permits by 26% (see figure). The overall time to start a business, register property and deal with construction permits has fallen by 31% on average, and the overall cost by 68%.

OHADA members have made big improvements in the average efficiency of some regulatory processes since 2006



Source: *Doing Business* database.

Other regulatory reforms implemented in OHADA members in 2014/15 made it easier to get electricity or trade across borders. The utility in Senegal made getting an electricity connection easier by reducing the time needed to obtain an excavation permit. The utility in Togo streamlined the process for getting a new connection through several initiatives—including by establishing a single window where customers can pay all fees at once—and also reduced the size of the security deposit required. Côte d'Ivoire made it easier to trade across borders by streamlining the documentation required for certain imports.

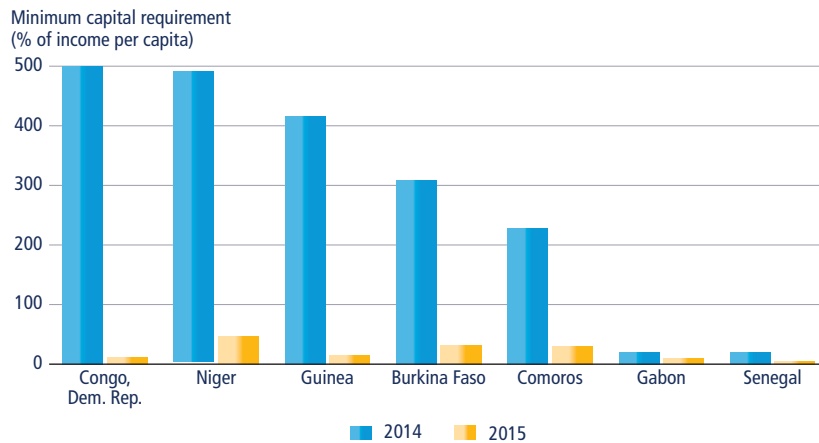
Among the reforms aimed at strengthening legal institutions in 2014/15, Mali and Niger improved access to credit information by formalizing the licensing process and role for domestic credit bureaus. Côte d'Ivoire and Senegal made contract enforcement more efficient by introducing laws regulating judicial and conventional voluntary mediation.

Reforming legal institutions is not an easy undertaking and commonly takes years to yield noticeable results. But improving the quality, efficiency and reliability of courts and legal frameworks in the OHADA member states would boost investor confidence and thus help to accelerate growth and development.

a. The 17 members of OHADA are Benin, Burkina Faso, Cameroon, the Central African Republic, Chad, the Comoros, the Democratic Republic of Congo, the Republic of Congo, Côte d'Ivoire, Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Mali, Niger, Senegal and Togo.

b. Dickerson 2005.

FIGURE 4.3 Seven OHADA member states reduced their minimum capital requirement in 2014/15



Source: Doing Business database.

Azerbaijan was among those making the biggest improvements in the ease of dealing with construction permits. The country initiated a series of changes in January 2013, when its new Urban Planning and Construction Code came into effect. The new construction code consolidated previous construction legislation, streamlined procedures related to the issuance of building permits and established official time limits for certain procedures. A decree adopted in November 2014 resulted in the creation of a one-stop shop for building permits, housed at the Ministry of Emergency Situations.

Before the creation of the one-stop shop, applicants for a building permit in Azerbaijan had to obtain technical approval for designs from six separate agencies.¹¹ Now they can obtain all the preapprovals required through a single interaction at the Ministry of Emergency Situations. Representatives of different agencies are located at the ministry and able to issue all the required clearances, including ecology, sanitation and epidemiology, and fire and seismic safety. In addition, the newly streamlined process eliminated the requirement to register the approved project documentation with the State Supervision Agency for Construction Safety. As a result of the

one-stop shop, seven procedures were consolidated into one (figure 4.4).

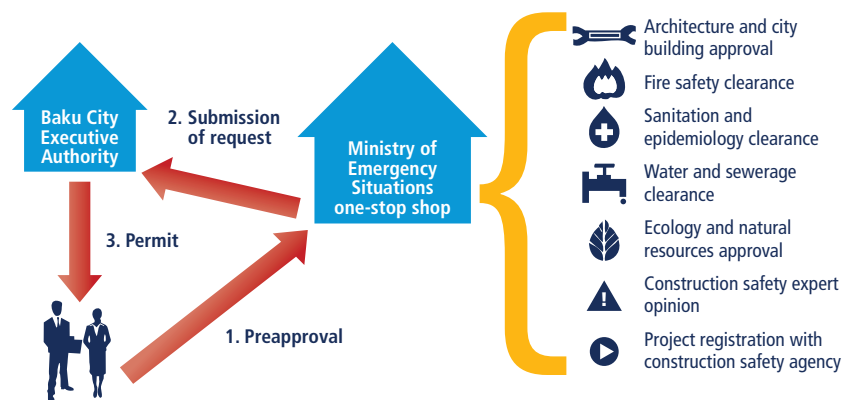
Technical experts at the one-stop shop have 30 days to examine all the application materials for a building permit. An application is normally reviewed within 20 days. If the review turns up any shortcomings, the applicant is contacted directly to make any necessary changes within 10 days. Otherwise, the building permit is issued within three months.

Making access to electricity faster and more efficient

Doing Business recorded 22 reforms making it easier to get electricity in 2014/15. Most of the reforms reduced the number of days required to complete a certain procedure, including those in Botswana; Cyprus; Taiwan, China; Togo; and Vietnam. Togo undertook a range of initiatives to expedite new electricity connections (figure 4.5). Among other changes, its electricity utility, Compagnie Energie Electrique du Togo (CEET), established a single window to process applications for commercial customers. This new system fast-tracked document processing, substantially reducing the number of days required to get an electricity connection.

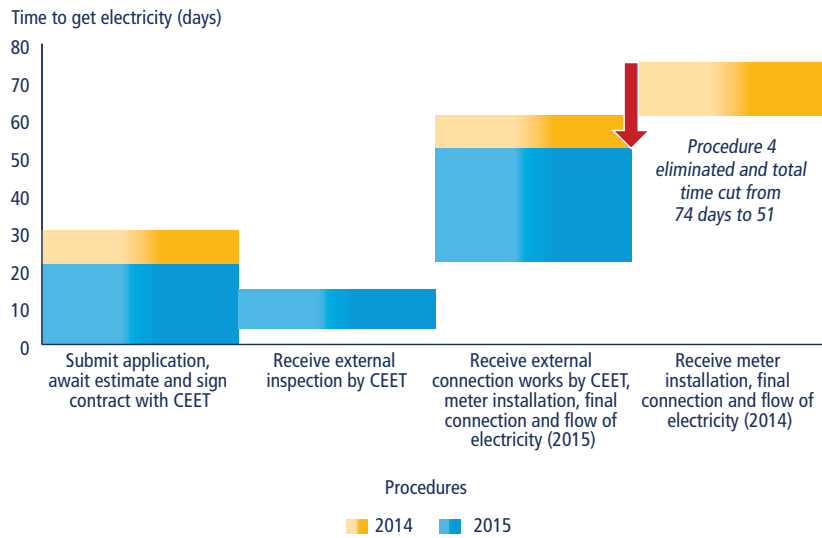
To further reduce the time needed to get a new connection, Togo introduced legal time requirements that CEET must meet when processing new applications and providing connection estimates. To meet the time objectives, the utility company hired more engineers in 2014/15. It also improved communication with customers. For example, the utility began to publish information online and to distribute pamphlets outlining all the requirements for applying for a new connection. As a result, the number of incomplete and unprocessed applications has decreased.

FIGURE 4.4 Azerbaijan's one-stop shop combined seven procedures into a single step in 2014/15



Source: Doing Business database.

FIGURE 4.5 Togo reduced the time required to obtain an electricity connection by a third



Source: Doing Business database.

In addition, regulatory changes have reduced the number of interactions required between CEET and its customers when they apply for an electricity connection. Customers can now pay connection fees, security deposits and subscription contract fees all at once. In addition, the external connection works and meter installation can now be completed through a single interaction with the utility.

Elsewhere, utilities in India and Russia reduced the time required to obtain an electricity connection by eliminating redundant inspections, while utilities in such countries as Senegal undertook commitments to process new applications more quickly. The utility in Delhi eliminated an inspection of internal wiring by the Electrical Inspectorate, cutting out the need for additional customer interactions with other agencies. Now the utility is the only agency certifying the safety standards of the internal works. In Russia utility companies in Moscow and St. Petersburg signed cooperation agreements with electricity providers and became the sole agencies checking metering

devices, thereby eliminating redundant inspections. The utility in Senegal, by hiring more personnel, reduced the time needed to review applications and issue technical studies.

Another common feature of electricity reforms in the past year was improvement in the efficiency of distribution utilities' internal processes. For example, in December 2014 the utility in Botswana began to enforce service delivery timelines for its customer services team, leading to a reduction in the time required to connect to electricity from 121 days to 77. The utility also started to maintain a readily available stock of distribution transformers. By eliminating the need to wait for transformers imported from overseas, this led to a further reduction in the time required.

Other economies made getting an electricity connection easier by eliminating redundant approval requirements. Myanmar substantially reduced the time for getting a new connection in Yangon by eliminating the need for the Ministry of Electric Power to issue national-level approvals for each connection request.

In Cambodia and Oman changes were made to improve the reliability of power supply. In January 2015 the utility in Oman began recording the duration and frequency of outages to compute the annual system average interruption duration index (SAIDI) and system average interruption frequency index (SAIFI).¹² This enabled the utility to analyze outage data, identify and eliminate inefficiencies and accurately assess the impact of these initiatives on the distribution network.

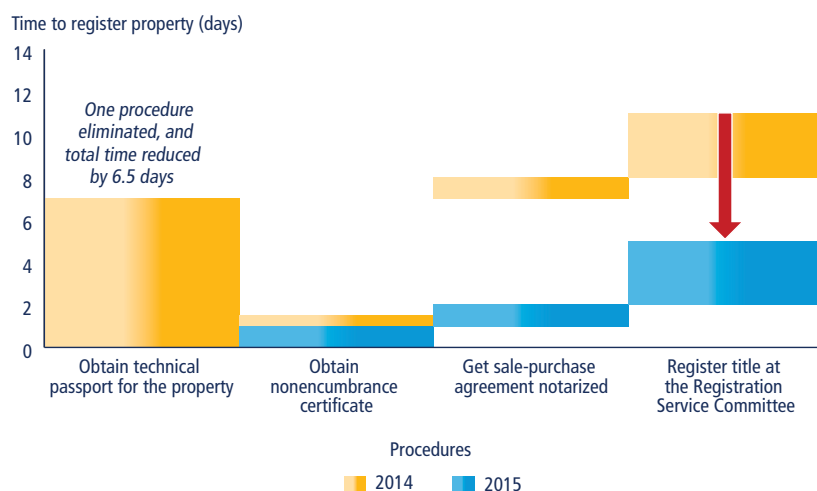
Integrating property registration systems

Twenty-two economies made registering a property transfer easier in 2014/15. The most common improvements included reducing property transfer taxes, combining or eliminating registration procedures, integrating electronic platforms, introducing expedited procedures and making general gains in administrative efficiency.

Kazakhstan and Bhutan were among the economies that made the biggest improvements in the ease of registering property in 2014/15. In December 2014 Kazakhstan eliminated the need to obtain an updated technical passport for a property transfer as well as the requirement to get the seller's and buyer's incorporation documents notarized. These measures eliminated one procedure and reduced the time required for a property transfer by 6.5 days (figure 4.6).

Bhutan launched an online land transaction system, E-Saktor, in 2014. The new system connects the databases of the Thimphu Municipality and the National Land Commission. This has helped streamline internal procedures by allowing users to check information on property boundaries and ownership. In addition, the system allows land transactions to be submitted electronically to the National Land Commission for approval. Landowners can use the online platform to see whether all transactions related to their land are carried out in accordance with legal requirements. Thanks

FIGURE 4.6 Kazakhstan made registering a property transfer faster and easier



Source: Doing Business database.

to improved communication between the municipality and the National Land Commission, the land registry was able to enhance its services and reduce the time required to transfer property by 15 days.

Among regions, Sub-Saharan Africa accounted for the most reforms relating to the transfer of property in 2014/15. For example, Nigeria reduced the consent fee and stamp duty paid during a property transfer. Cabo Verde, Chad, the Republic of Congo, Côte d'Ivoire, Gabon, Guinea-Bissau, Madagascar and Senegal made property transfers less costly by lowering property transfer taxes.

Six economies in Europe and Central Asia simplified property transfers by eliminating unnecessary procedures and reducing the time required to complete separate registration formalities. For example, Belarus and Russia introduced effective time limits for the state registration of a property transfer. Latvia introduced a new application form for the state registration, eliminating the requirement to submit a statement of the buyer's shareholders as a separate document. Uzbekistan introduced a new form for property records, which incorporated information on all encumbrances, restrictions

and tax arrears. The adoption of the new form eliminated the requirement to obtain three separate nonencumbrance certificates.

Introducing electronic filing for tax compliance

Spain was among the economies that made the greatest advances in tax payment systems in 2014/15. It implemented a comprehensive tax reform program in 2014 aimed at supporting entrepreneurs and encouraging investment. The objective was both to streamline and simplify tax compliance and to reduce the effective tax burden on businesses. In the same year Spain launched Cl@ve, an integrated online platform for the entire public administrative sector. The new system made accessing electronic services provided by public agencies substantially easier.

Among other things, the new system introduced a new way of submitting tax returns online and retrieving historical data electronically. It also provides individualized information on tax procedures. In addition, in 2014 Spain simplified compliance with value added tax (VAT) obligations by introducing a single electronic form within the Cl@ve system. The new system also enables

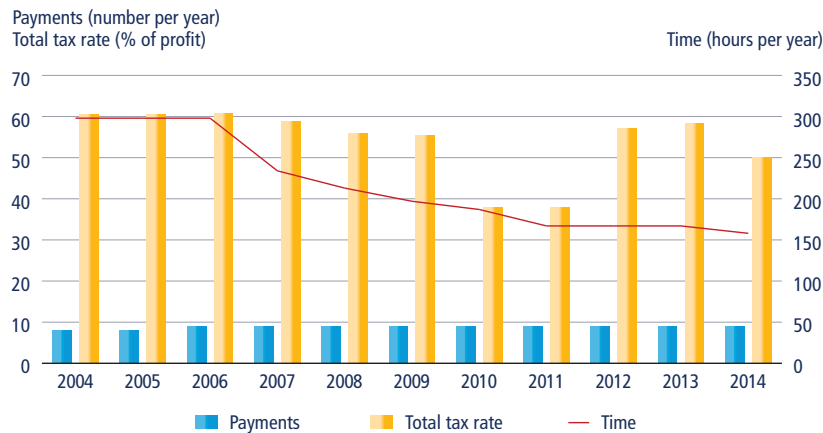
taxpayers to retrieve previous years' VAT forms electronically and use them to automatically populate some of the fields in the current year's forms. In addition, Spain extended and promoted the use of electronic invoicing beginning in January 2013,¹³ though the majority of companies started using electronic invoices only in fiscal 2014. Altogether, these initiatives have made it easier to comply with VAT obligations and file VAT returns.

In line with its intention to reduce the tax burden on domestic enterprises, Spain reduced the corporate income tax rate for new companies incorporated on or after January 1, 2013.¹⁴ Subsequently, it reduced the effective rate for capital gains tax from 24% to 8%. Spain also reduced the environmental tax rate in 2014. These changes to the corporate tax regime reduced the total tax rate (figure 4.7). At the same time, however, other measures limited the deductibility of certain expenses to broaden the tax base for corporate income tax.

The most common feature of reforms in the area of paying taxes over the past year was the implementation or enhancement of electronic filing and payment systems. Besides Spain, 17 other economies introduced or enhanced systems for filing and paying taxes online (see table 4A.1 at the end of this chapter). Taxpayers in these economies now file tax returns electronically, spending less time to prepare, file and pay taxes. Beyond saving businesses time, electronic filing also helps prevent human errors in returns. And by increasing transparency, electronic filing limits opportunities for corruption and bribery.

Four economies—The Gambia; Hong Kong SAR, China; Maldives; and Vietnam—took other measures to simplify compliance with tax obligations. For example, The Gambia improved its bookkeeping system for VAT accounts to better track the input and output records required for filing VAT returns.

FIGURE 4.7 Spain has made complying with tax obligations easier for companies



Source: *Doing Business* database.

Other economies directed efforts at reducing the financial burden of taxes on businesses and keeping tax rates at a reasonable level to encourage development of the private sector and formalization of businesses. This is particularly important for small and medium-size enterprises, which contribute to growth and job creation but do not add significantly to tax revenue.¹⁵ Seventeen economies reduced profit tax rates in fiscal 2014. Norway reduced the corporate income tax rate from 28% to 27%. Portugal made paying taxes less costly by both lowering the corporate income tax rate and increasing the allowable amount of the loss carried forward. Brunei Darussalam, Greece, Jamaica, Mozambique, the Slovak Republic and Vietnam also reduced the effective financial burden of profit taxes on companies by introducing changes to tax depreciation rules or deductions.

The Bahamas, Greece, Malaysia, Russia and Spain reduced taxes other than profit and labor taxes. Malaysia reduced the property tax rate from 12% to 10% of the annual rental value for commercial properties for 2014. Greece made insurance premiums fully tax deductible in addition to reducing property tax rates. Finally, some economies eliminated smaller taxes. Mexico abolished the business flat tax, and Kosovo abandoned the practice of levying an annual business license fee.

In most economies where the authorities have opted to reduce the tax burden on the business community, they have also attempted to broaden the tax base and protect government revenue. In a few cases in recent years, particularly in economies where tax rates are very high, the motivation has been more closely linked to reducing distortions, such as high levels of tax evasion or a sizable informal sector.

Unleashing international trade

In the area of trading across borders, the reforms recorded by *Doing Business* in 2014/15 span a wide range—from building or improving hard or soft infrastructure for trade to joining customs unions, digitizing documentation and introducing risk-based inspection systems. These varied endeavors highlight the complexity of international trade. They also speak to changes introduced this year in the methodology used to measure the time and cost for trading across borders. Under the new methodology *Doing Business* also considers trade over land between neighboring economies, adding a new feature of reform: regional trade facilitation agreements.

Brazil is among the economies investing in electronic systems to facilitate trade. An online platform has minimized bureaucracy and streamlined transactions, reducing customs clearance time for exporters

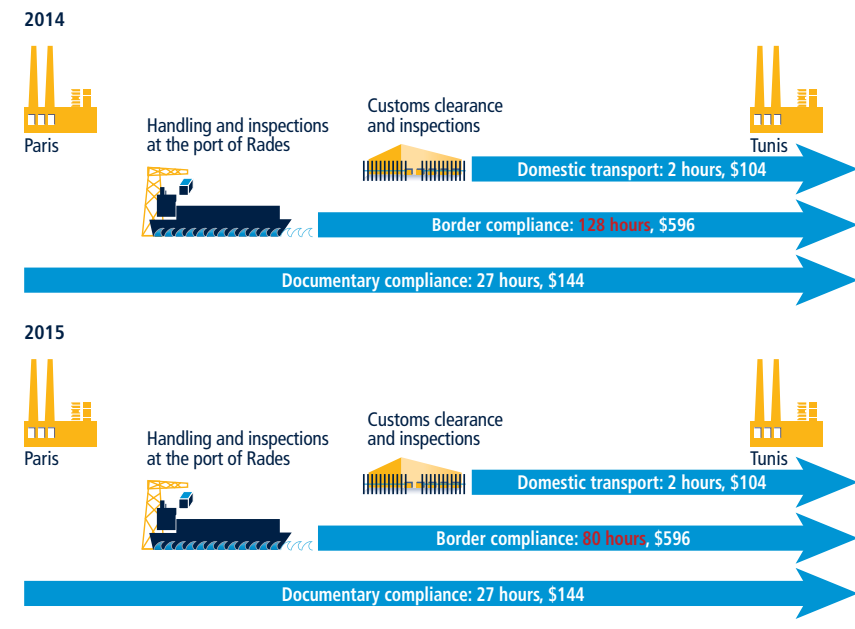
in both São Paulo and Rio de Janeiro in 2014/15. The Bureau of Foreign Trade and Secretariat of the Federal Revenue began implementing the electronic system in April 2014 to link customs, tax and administrative agencies involved in exporting. The system now allows exporters to submit declarations and other related documents electronically rather than in hard copy. Although hard copies are still accepted during this first year of the program, most exporters have completely converted to the new electronic system.

Yet the full potential of digitization and electronic data interchange systems is not realized immediately. Implementing the systems takes time and involves changes in operational practices, in training and, in some cases, in the work habits of staff. Benin successfully implemented an electronic single-window system in 2012. In the past year, however, it considerably expanded the digitization of trade procedures for both exports and imports through the single window. The customs authority is now required to accept only electronic supporting documents for the single invoice and other documents submitted before the customs declaration. This resulted in a substantial reduction of time for customs procedures—three years after the launch of the online platform.

Tunisia also improved international trade practices in the past year. The country facilitated trade through the port of Rades by increasing the efficiency of its state-owned port handling company and by investing in port infrastructure. One important structural improvement at the port was the extension of the dock to increase terminal capacity. The improvements in hard and soft infrastructure at the port reduced border compliance time for both exporting and importing, saving traders in Tunisia 48 hours per shipment (figure 4.8).

Guatemala and Tanzania are among economies that improved soft infrastructure for trade by allowing electronic submission and processing of documents as well as by using online platforms for the exchange

FIGURE 4.8 Port improvements cut 48 hours from the time for importing auto parts from Paris to Tunis



Source: *Doing Business* database.

of information between agencies involved in international trade. On February 2014 Guatemala launched the “Customs without Paper” program to promote the electronic submission of customs documents through a web portal and to eliminate the submission of hard copies. Online submission of customs declarations for exports and imports has been compulsory for Guatemalan traders since January 2015. The program was rolled out gradually: it started at the Puerto Barrios customs office in March 2014 and was fully implemented in all customs offices by July 2015. Tanzania implemented an online system for processing trade-related documents in July 2014. The Tanzania Customs Integrated System (TANCIS) links several agencies, eliminating the need for traders to visit these agencies in person.

HIGHLIGHTS OF REFORMS STRENGTHENING LEGAL INSTITUTIONS

In 2014/15, 53 economies implemented reforms aimed at strengthening legal institutions and streamlining legal frameworks,

amounting to 66 reforms in total. The largest number of reforms was recorded in the area of getting credit. Of the 32 reforms in this area, 14 were implemented in Sub-Saharan Africa. About 64% of the reforms in the area of enforcing contracts were implemented in Europe and Central Asia, along with 4 of the 9 reforms in the area of resolving insolvency. No insolvency reforms were recorded in the Middle East and North Africa or South Asia in 2014/15. Finally, 14 reforms were implemented in the area of protecting minority investors.

By contrast with the reforms reducing the complexity and cost of regulatory processes, those strengthening legal institutions reflect no clear pattern of pairing. Only 9 of the 53 economies that strengthened legal institutions in one area measured by *Doing Business* also did so in another.

Strengthening frameworks for secured transactions

Ten economies reformed secured transactions legislation or strengthened creditors’ rights in bankruptcy procedures in 2014/15. Most of these reforms were aimed at developing a geographically

unified, online collateral registry. This kind of reform makes it easier for creditors to provide loans to small and medium-size enterprises that lack real estate and can provide only movable assets as collateral. As a result of recent reforms, pledges over movable assets in Costa Rica, El Salvador and Hong Kong SAR, China, can now be registered online by the contracting parties or their representatives. In Costa Rica and El Salvador rights created under financial leases, factoring agreements and sales with retention of title are also documented in this registry.

In Madagascar a new law broadened the range of assets that can be used as collateral by including future assets. The new law also allows a general description of assets granted as collateral as well as a general description of debts and obligations. Mexico and Russia also introduced new legislation allowing a general description of assets granted as collateral.

Costa Rica improved the legal rights of borrowers and lenders the most in the past year. Public officials developed a sound legal framework to support the implementation of a modern secured transactions system. Thanks to a new law on movable property guarantees, all types of movable assets, present and future, may now be used as collateral to secure a loan.¹⁶ The law also regulates functional equivalents to more traditional securities, such as assignments of receivables and sales with retention of title. In addition, it allows out-of-court enforcement of collateral, through both public auction and private sale (table 4.3). This means that if a debtor should default, a secured creditor can now recover the unpaid loan without going to court. The creditor can do so through any type of asset sale, rather than being restricted to cumbersome public auctions. Similar legislative changes were adopted by El Salvador. By approving their new laws, Costa Rica and El Salvador joined Colombia, Honduras and Jamaica as pioneers of the modern secured

TABLE 4.3 Costa Rica's previous and new legal frameworks for secured transactions

Previous framework	New framework
<i>Is there a functional secured transactions system?</i>	
No.	Yes.
<i>Is the collateral registry unified or centralized geographically for the entire economy?</i>	
No.	Yes.
<i>Is the collateral registry notice-based?</i>	
No.	Yes.
<i>Does the registry have a modern online system (such as for registrations and amendments)?</i>	
No.	Yes.
<i>Can security rights in future assets be described in general terms?</i>	
No, detailed description of the assets required by law.	Yes, general description allowed by law.
<i>Can security rights in a combined category of assets be described in general terms?</i>	
No, detailed description of the assets required by law.	Yes, general description allowed by law.
<i>Can security rights in a single category of assets be described in general terms?</i>	
No, detailed description of the assets required by law.	Yes, general description allowed by law.
<i>Can parties agree to enforce the security rights out of court?</i>	
No, out-of-court enforcement not permissible by law.	Yes, out-of-court enforcement of the collateral allowed.

Source: Doing Business database.

transactions system in the Southern Hemisphere.

Costa Rica also launched a centralized, web-based collateral registry in May 2015. The registry allows online access to register movable collateral as well as to modify, update or cancel existing registrations. It also allows the general public to conduct online searches, thus promoting transparency in secured lending by alerting third parties to existing rights in assets.

Advancing credit information systems

Twenty-two economies implemented reforms improving their credit information system in 2014/15. Kenya and Uganda made the largest improvement in credit reporting by expanding borrower coverage. The credit reference bureau in Kenya started to collect positive credit information in addition to negative credit information in 2014 and expanded its borrower coverage to 14.8% of the adult population as of January 2015.

Similarly, the credit bureau or registry in the Lao People's Democratic Republic, Mauritania, Rwanda, Uganda and Vietnam expanded coverage to at least 5% of the adult population.

Afghanistan, the Comoros, Guyana, Lesotho and the Seychelles all established a new credit bureau or registry in 2014/15. Afghanistan's central bank launched the country's first credit registry, which banks can consult before issuing new loans. The new registry in the Comoros began distributing information on bank loans and outstanding payments in November 2014. The new credit bureaus in Guyana and Lesotho—the first for both countries—started full operations in May 2015. The new registry in the Seychelles facilitates the exchange of credit information by distributing both positive and negative data on firms and individuals and by providing online access for banks and other financial institutions.

Five economies improved their regulatory framework for credit reporting, three of

them by adopting regulations enabling the creation of new credit bureaus. Latvia adopted a credit bureau law with the aim of promoting responsible borrowing and lending while protecting the rights of borrowers. The law sets out a legal framework for establishing, organizing and supervising credit information bureaus. Namibia improved access to credit information by legally guaranteeing borrowers' right to inspect their own data. Peru fully implemented its new law on personal data protection, which requires stronger safeguards in the administration of borrowers' personal data.

Two member states of the Central Bank of West African States (BCEAO), Mali and Niger, adopted the Uniform Law on the Regulation of Credit Information Bureaus—joining Côte d'Ivoire and Senegal, which did so in 2013/14. In addition, in January 2015 BCEAO selected the joint venture Creditinfo VoLo as the accredited company to operate the new credit information bureau in the member countries. The bureau is expected to be fully operational very soon.

Sub-Saharan Africa was the region with the largest number of reforms focused on improving the availability of credit information. In Rwanda, Zambia and Zimbabwe credit scoring was introduced as a value added service to banks and other financial institutions, supporting their ability to assess the creditworthiness of potential borrowers.

Elsewhere, credit bureaus in Cyprus and the Kyrgyz Republic began distributing both positive and negative credit information on borrowers—and the one in Cyprus began reporting five years of credit history on both borrowers and guarantors to banks and other financial institutions. In Mongolia the credit registry started distributing credit data from retailers and utility companies. Lao PDR began requiring loans of all sizes to be included in the credit registry's database.

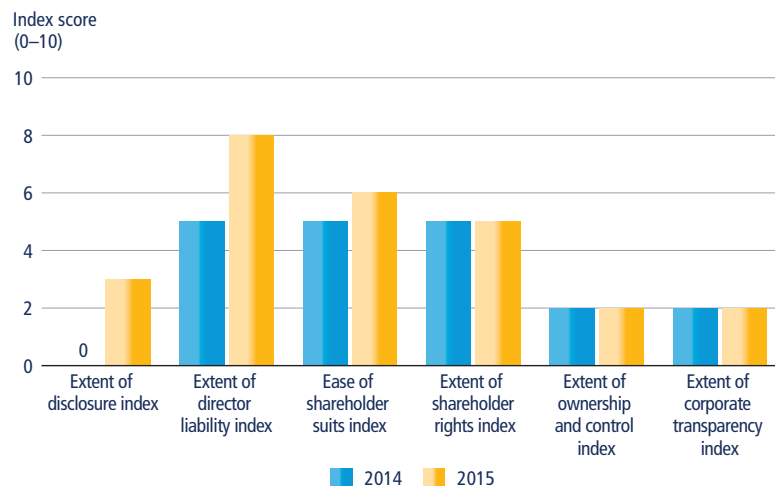
Protecting rights of minority shareholders

Honduras made the most noteworthy improvement in minority investor protections in 2014/15. Five years ago several pieces of legislation in Honduras were quite old; some had not been updated since 1948.¹⁷ The June 2014 Law for the Creation of Jobs, Fostering of Private Initiative, Formalization of Businesses and Protection of Investor Rights therefore marked an important milestone in reforming the business environment in Honduras. The 2014 law, which amends several articles of the Honduran Code of Commerce, directly addresses the approval of related-party transactions, shareholders' right to initiate an action and sue directors, and their right to inspect certain internal company documents before initiating any formal legal action.

The new law introduces several other improvements in minority investor protections. It stipulates that transactions representing more than 5% of a company's assets must be authorized by its shareholders and that interested directors must abstain from voting in this case. It also prohibits shareholders who have a self-interest contrary to that of the company from voting on related resolutions. In addition, the new law allows the court to declare a transaction involving a conflict of interest void if plaintiffs can show that the transaction resulted in a financial loss to the company and its shareholders.¹⁸ As a result of these and other amendments, Honduras improved its score on all three indices measuring the regulation of conflicts of interest inside companies (figure 4.9).

Thirteen other economies also strengthened minority investor protections in 2014/15. Among them, Albania introduced a requirement for immediate disclosure of related-party transactions to the public. Spain adopted a law amending its Capital Companies Act with the aim of improving corporate governance. The amendment directly addresses shareholders' rights and role in important

FIGURE 4.9 Honduras strengthened minority investor protections in 2014/15 for the first time in more than 10 years



Source: *Doing Business* database.

corporate decisions—for example, requiring shareholders' approval for major sales of company assets. Lithuania adopted amendments to its Stock Company Law that prohibit subsidiaries from acquiring and owning shares issued by their parent company, resulting in greater clarity of ownership and interests. Kazakhstan introduced amendments to its Joint Stock Company law requiring disclosure of information about transactions with related parties within 72 hours.

Elsewhere, Madagascar amended its Law on Commercial Companies to require directors with a conflict of interest to fully disclose the nature of their interest to the board of directors. Nigeria introduced new rules requiring that related-party transactions be subject to external review and to approval by disinterested shareholders. Rwanda updated its company law to allow holders of 10% of a company's share capital to call for an extraordinary meeting of shareholders and to require board members to disclose information about their other directorships and their primary employment.

Introducing mechanisms of alternative dispute resolution

Doing Business recorded 11 reforms making it easier to enforce contracts in 2014/15. As

in the previous year, the implementation of electronic filing was a common feature of the reforms. Two economies—Georgia and Italy—made their courts more efficient by introducing electronic systems. As a result, litigants can now file initial complaints electronically. Besides expediting the filing and service process, electronic filing systems in courts also increase transparency, limit opportunities for corruption and prevent the loss, destruction or concealment of court records.

Overall, however, the implementation of alternative dispute resolution (ADR) mechanisms was the most common feature of reforms in contract enforcement in the past year. The availability of ADR creates a better environment for business.¹⁹ ADR processes lower the direct and indirect costs that businesses incur in enforcing contracts and resolving disputes—and provide redress more quickly and inexpensively than mainstream court processes, especially where cost is driven by formal procedures. ADR can also improve the efficiency of court systems by reducing the backlog of disputes before the courts. Three economies—Côte d'Ivoire, Latvia and Senegal—increased the efficiency of their judiciary in 2014/15 by introducing consolidated laws on specific ADR mechanisms. These initiatives led to higher scores on the new quality of judicial

processes index for all three economies (figure 4.10).

Côte d'Ivoire has made reforms in the judiciary a priority in recent years. By 2012 Côte d'Ivoire had created specialized commercial courts to deal with business disputes and appointed professional judges to work with lay judges. These measures reduced the time to resolve a dispute as measured by *Doing Business* from 770 days in 2011 to 585 days in 2013. By mid-2014 Côte d'Ivoire had introduced further improvements by adopting a law regulating conventional and judicial mediation in both commercial and civil cases. It also established several institutions to provide mediation services.

Latvia adopted a new law consolidating provisions that regulate arbitration. Previously, arbitration had been regulated by a few provisions scattered across different legislative instruments and therefore was scarcely used. Latvia also adopted a comprehensive new law on mediation. The law introduces incentives for parties to attempt mediation, including a partial refund of state fees if mediation is successfully completed. Having all substantial and procedural provisions regulating

commercial arbitration or mediation in one source makes these mechanisms more accessible, and increasing accessibility may lead to broader use of ADR.

Other reforms that improved the ease of enforcing contracts in 2014/15 focused on increasing access to justice and facilitating the resolution of small disputes. Cyprus and Kazakhstan introduced simplified procedures to handle small claims, reducing backlog at the main trial court and contributing to procedural efficiency. These simplified procedures provide a mechanism for quick and inexpensive resolution of legal disputes involving small sums of money. Small claims courts and procedures usually use informal hearings, simplified rules of evidence and more streamlined rules of civil procedure. They also typically allow the parties to represent themselves, keeping institutional litigators out of court.

Saving viable businesses through reorganization

In 2014/15 *Doing Business* recorded 9 reforms making it easier to resolve insolvency. Caribbean economies continued to make remarkable progress. In the previous year Trinidad and Tobago and St. Kitts and Nevis had modernized their insolvency frameworks. In 2014/15 Jamaica and St. Vincent and the Grenadines adopted new insolvency laws. A common feature of these reforms was the introduction of in-court reorganization mechanisms as an alternative to liquidation, so that insolvent companies can continue to operate. All four economies have also updated their liquidation proceedings, bringing them into closer conformity with international good practices.

The new Insolvency Act of Jamaica, adopted in October 2014, serves as a good illustration of the Caribbean reform agenda. The new act introduced the option of reorganization for commercial entities. A debtor or an insolvency representative can present a reorganization proposal to all or only some of the

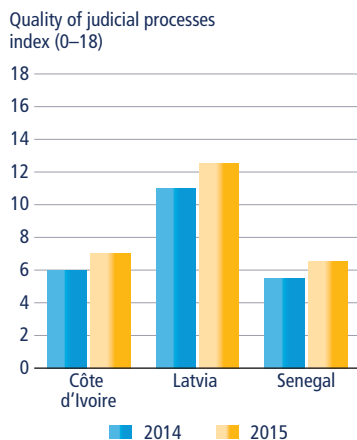
creditors. The filing of a proposal or of an intent to submit a proposal automatically puts on hold all other actions against the debtor. Among other improvements, the new act follows international good practices on facilitating the continuous operation of debtors during insolvency proceedings. It also allows courts to invalidate undervalued transactions concluded by debtors within a year before insolvency proceedings are commenced, permits the insolvency representative to request new financing after the proceedings are commenced and grants priority to claims of post-commencement creditors. Adoption of the new act substantially improved Jamaica's score on the strength of insolvency framework index (table 4.4).

Most other insolvency reforms recorded by *Doing Business* in 2014/15 also focused on introducing new reorganization procedures or improving the existing reorganization framework. Chile and Cyprus introduced court-supervised reorganization procedures. Kazakhstan began allowing creditors to commence reorganization proceedings, while Rwanda introduced protections for creditors who vote against a reorganization plan. Romania introduced time limits on the reorganization process.

Several insolvency reforms recorded in 2014/15 were aimed at facilitating the continuation of the debtor's business during insolvency proceedings. Cyprus and Rwanda introduced provisions allowing the invalidation of preferential and undervalued transactions concluded by the debtor before the commencement of insolvency proceedings. Chile prohibited the termination of contracts on the grounds of insolvency.

The change in Chile came as part of a new insolvency law that took effect in October 2014. The new law streamlined all provisions related to reorganization and liquidation proceedings, emphasizing the reorganization of viable businesses as a preferred alternative to liquidation. Following international good

FIGURE 4.10 ADR initiatives in three countries helped improve their scores on the new quality of judicial processes index



Source: *Doing Business* database.

TABLE 4.4 Jamaica's previous and new legal frameworks for insolvency

Previous framework	New framework
<i>Can a debtor initiate reorganization proceedings?</i>	
No reorganization available.	Yes.
<i>Do creditors vote on the reorganization plan?</i>	
No reorganization available.	Yes, and only creditors whose rights are affected by the proposed plan vote on it.
<i>How do creditors vote on the reorganization plan?</i>	
No reorganization available.	Creditors are divided into classes and the plan is approved by a simple majority of creditors in each class.
<i>Can a debtor obtain credit after the commencement of insolvency proceedings?</i>	
No specific provisions.	New financing after the commencement of insolvency proceedings is available, and creditors providing post-commencement finance are granted priority over claims of existing creditors.
<i>Can a court invalidate undervalued transactions concluded before insolvency?</i>	
No specific provisions.	Yes.

Source: *Doing Business* database.

practices, the new law improved creditors' participation in the insolvency proceedings and introduced many new provisions on reorganization, including minimum standards and voting procedures. It also created a public office responsible for the general administration of proceedings and established specialized courts with exclusive jurisdiction over insolvency cases.

Changing labor market regulation

The *Doing Business* indicators on labor market regulation have historically measured the flexibility of the regulatory framework as it relates to hiring, work scheduling and redundancy. Over the past two years the coverage of the indicators has been expanded to also capture different aspects of job quality. In 2014/15 *Doing Business* recorded several reforms relating to workers' eligibility for different benefits as well as workplace equality and social protection. For example, Morocco implemented an unemployment insurance scheme, while Georgia and New Zealand increased the length of paid maternity leave.

Four economies revised hiring rules in 2014/15. Germany introduced a first-ever national minimum wage. Ecuador

prohibited fixed-term contracts for permanent tasks, while Lao PDR capped the duration of renewable fixed-term contracts (previously unlimited) at 36 months. Latvia continued to relax its labor market regulation by increasing the maximum duration of a single fixed-term contract from 36 months to 60.

Four economies changed rules governing dismissals. Italy adopted new legislation to simplify redundancy rules and encourage out-of-court reconciliation of dismissals, reducing the time and cost to resolve labor disputes. Lao PDR eliminated the requirement to seek third-party approval when dismissing fewer than 10 employees and reduced severance payments for employees with 5 and 10 years of tenure. Croatia eliminated the requirement to retrain or reassign employees before they can be made redundant. And Portugal introduced priority rules applying to individual dismissals. These regulations provide employers with several criteria to use when making decisions on dismissals, with performance being the most important one.

In addition, three economies made important changes to their labor laws in 2014/15. Belarus amended provisions relating to

wage regulation, labor arbitration, the calculation of overtime pay and grounds for the termination of employment. It also lifted prohibitions on concurrent employment. Italy adopted the Jobs Act in December 2014, which provides an overarching framework for changes in unemployment insurance, employment contracts, and maternity and paternity leave. FYR Macedonia amended provisions governing social contributions, employment contracts, annual leave, overtime work, health inspections and labor disputes.

NOTES

1. Divanbeigi and Ramalho 2015.
2. Braunerhjelm and Eklund 2014.
3. Yakovlev and Zhuravskaya 2013.
4. Ippoliti, Melcarne and Ramello 2014.
5. Dougherty 2014.
6. Garcia-Posada and Mora-Sanguinetti 2015.
7. Giacomelli and Menon 2013.
8. Dougherty 2014.
9. Yakovlev and Zhuravskaya 2013.
10. Lyons 2013.
11. The six agencies are the State Examination Head Office, the State Fire Control Service, the State Supervision Agency for Construction Safety, the Engineering Geological Center, the Ministry of Ecology and Natural Resources, and the Hygiene and Epidemiology Center at the Ministry of Public Health.
12. SAIDI is the average total duration of outages over the course of a year for each customer served, while SAIFI is the average number of service interruptions experienced by a customer in a year. *Doing Business* records these measures for the largest business city of each economy and, in 11 economies, for the second largest business city as well.
13. See Royal Decree 1619/2012.
14. The rate was reduced from the standard rate of 30% to a special rate of 15% for the first €300,000 and 20% thereafter.
15. Ayyagari, Demircuc-Kunt and Maksimovic 2011; Fox and Murray 2013.
16. Ley de Garantías Mobiliarias was passed by the Costa Rican Congress on May 7, 2014, and entered into force on May 20, 2015.
17. World Bank 2010, p. 50.
18. See articles 151, 210 and 222 of the Honduran Code of Commerce, as amended.
19. Rozdeiczner and Alvarez de la Campa 2006.

TABLE 4A.1 Who reduced regulatory complexity and cost or strengthened legal institutions in 2014/15—and what did they do?

Feature	Economies	Some highlights
<i>Making it easier to start a business</i>		
Simplified preregistration and registration formalities (publication, notarization, inspection, other requirements)	Algeria; Angola; Azerbaijan; Belarus; Benin; Brunei Darussalam; Cambodia; Democratic Republic of Congo; Ecuador; Estonia; Germany; India; Jamaica; Kazakhstan; Kenya; Moldova; Mongolia; Morocco; Myanmar; Slovak Republic; Sweden; Togo; Ukraine	Angola reduced the fees to register a company. Estonia began allowing minimum capital to be deposited at the time of company registration. Kenya launched government service centers offering company preregistration services in major towns. Myanmar eliminated the need for separate temporary and permanent certificates of incorporation.
Abolished or reduced minimum capital requirement	Burkina Faso; Comoros; Democratic Republic of Congo; Gabon; Guinea; India; Kuwait; Mauritania; Myanmar; Niger; Senegal	India eliminated its minimum capital requirement. Kuwait reduced its requirement.
Introduced or improved online procedures	Belarus; Denmark; Indonesia; Lithuania; FYR Macedonia; Norway; Russian Federation (Moscow); San Marino; Uganda; Ukraine; Uzbekistan	Uganda introduced an online system for obtaining a trading license. Belarus expanded the geographic coverage of online registration and improved online services.
Cut or simplified postregistration procedures (tax registration, social security registration, licensing)	Cambodia; Hong Kong SAR, China; Indonesia (Jakarta); Philippines; Rwanda; Sri Lanka; Uzbekistan; Vietnam	Hong Kong SAR, China, eliminated the requirement for a company seal. Rwanda eliminated the need for new companies to open a bank account in order to register for VAT.
Created or improved one-stop shop	Benin; Cambodia; Slovak Republic; Uzbekistan	Benin reduced the fees for filing documents with the one-stop shop. Cambodia simplified company name checks at the one-stop shop.
<i>Making it easier to deal with construction permits</i>		
Streamlined procedures	Algeria; Armenia; Azerbaijan; Benin; Jamaica; Kazakhstan; Mauritius; Niger; Sri Lanka; Turkey; United Arab Emirates; West Bank and Gaza	Algeria eliminated the legal requirement to provide a certified copy of a property title when applying for a building permit. Sri Lanka streamlined the internal review process for building permit applications.
Reduced time for processing permit applications	Benin; Georgia; Jamaica; Montenegro; Sri Lanka	Georgia reduced the official time limit for issuing building permits from 10 days to 5. Montenegro finished implementing amendments to the Law on Spatial Planning and Construction, which established a 30-day time limit for issuing building permits.
Adopted new building regulations	Armenia; Azerbaijan; Rwanda; Serbia	Rwanda adopted a new building code and new urban planning regulations in May 2015.
Improved building quality control process	Armenia; Serbia	Armenia exempted lower-risk projects from requirements for approval by an independent expert and for technical supervision of construction.
Introduced or improved one-stop shop	Azerbaijan; Benin	Azerbaijan established a one-stop shop for issuing preapprovals for project documentation. Benin established a one-stop shop and reduced the number of signatories required for a building permit.
Reduced fees	Democratic Republic of Congo; Serbia	The Democratic Republic of Congo halved the cost to obtain a building permit. Serbia eliminated the land development tax for warehouses.
<i>Making it easier to get electricity</i>		
Improved process efficiency	Bhutan; Botswana; Costa Rica; Cyprus; Hong Kong SAR, China; Kenya; Lithuania; Malta; Morocco; Myanmar; New Zealand; Poland; Taiwan, China; Uganda; United Arab Emirates; Vietnam	The utility in Kenya reduced delays for new connections by enforcing service delivery timelines and hiring contractors for meter installation. The utility in Poland reduced delays in processing applications for new connections by increasing human resources and enforcing the legal time limit to issue technical conditions.
Improved regulation of connection processes and costs	Russian Federation; Senegal	The tariff setting committees for Moscow and St. Petersburg revised the connection fee structure, reducing the cost of getting a new connection. In Senegal the utility reduced the security deposit by revising the calculation formula.
Facilitated more reliable power supply and transparency of tariffs	Cambodia; Oman	The utility in Oman started fully recording the duration and frequency of outages to compute annual SAIDI and SAIFI.
Streamlined approval process	India; Togo	In Delhi the utility eliminated the internal wiring inspection by the Electrical Inspectorate. In Mumbai the utility improved internal work processes and coordination, reducing the procedures and time to connect to electricity.

TABLE 4A.1 Who reduced regulatory complexity and cost or strengthened legal institutions in 2014/15—and what did they do?

Feature	Economies	Some highlights
<i>Making it easier to register property</i>		
Computerized procedures	Belgium; Bhutan; Kenya; Kyrgyz Republic; Saudi Arabia; Switzerland	Bhutan introduced a new computerized land information system connecting the municipality to the cadastre. Switzerland introduced a national database to check for encumbrances.
Reduced taxes or fees	Cabo Verde; Chad; Republic of Congo; Côte d'Ivoire; Gabon; Guinea-Bissau; Madagascar; Nigeria; Senegal	The Republic of Congo lowered the property transfer tax from 15% of the property value to 7%. Senegal reduced the property transfer tax from 10% of the property value to 5%.
Combined or eliminated procedures	Kazakhstan; Latvia; Morocco; Uzbekistan	Latvia introduced a new application form for property transfers. Kazakhstan eliminated the requirements to obtain a technical passport for a property transfer and to get the seller's and buyer's incorporation documents notarized. Morocco established electronic communication links between different tax authorities.
Increased transparency	Vanuatu	Vanuatu introduced a specific and separate mechanism for complaints by appointing a land ombudsman.
Introduced fast-track procedures	Belarus	Belarus introduced a fast-track procedure for property registration.
Set effective time limits	Russian Federation	Russia passed a new law setting shorter time limits for property transfer procedures.
<i>Making it easier to pay taxes</i>		
Introduced or enhanced electronic systems	Costa Rica; Cyprus; Indonesia; Jamaica; Malaysia; Montenegro; Morocco; Mozambique; Peru; Poland; Rwanda; Serbia; Slovak Republic; Spain; Tajikistan; Uruguay; Vietnam; Zambia	Serbia introduced an online system for filing and paying VAT and social security contributions in 2014. Indonesia introduced an online system for filing and paying social security contributions.
Reduced profit tax rate	Angola; Bangladesh; Brunei Darussalam; Finland; France; The Gambia; Guatemala; Hong Kong SAR, China; Jamaica; Norway; Portugal; Slovak Republic; Spain; Swaziland; Tunisia; United Kingdom; Vietnam	Norway reduced the corporate income tax rate from 28% to 27% for 2014. Tunisia reduced the corporate income tax rate from 30% to 25% for the same year. Spain reduced the corporate income tax rate for companies incorporated after January 1, 2013, from the standard rate of 30% to 15% for the first €300,000 and 20% thereafter.
Reduced labor taxes and mandatory contributions	China (Shanghai); Colombia; France; Greece; Indonesia; Mexico; Romania; United Kingdom	Romania reduced the social security contribution rate paid by employers from 20.8% to 15.8% from October 1, 2014.
Allowed more deductible expenses or depreciation	Brunei Darussalam; Greece; Jamaica; Mozambique; Portugal; Slovak Republic; Vietnam	Portugal allowed 100% of loss carried forward to be deducted for the calculation of taxable profit from January 1, 2014. Brunei Darussalam increased the initial capital allowance for industrial buildings from 20% to 40% and the annual allowance from 4% to 20% for 2014.
Reduced taxes other than profit tax and labor taxes	The Bahamas; Greece; Malaysia; Russian Federation; Spain	Malaysia reduced the property tax rate from 12% to 10% of the annual rental value for commercial properties for 2014.
Merged or eliminated taxes other than profit tax	Brunei Darussalam; Kosovo; Mexico; Serbia	Mexico abolished the business flat tax on January 1, 2014. Serbia abolished the urban land usage fee starting January 1, 2014.
Simplified tax compliance process	The Gambia; Hong Kong SAR, China; Maldives; Vietnam	The Gambia improved its bookkeeping system for VAT accounts to better track the requisite input and output records for filing VAT returns. Vietnam reduced the number of VAT filings for companies with an annual turnover of 50 billion dong (about \$2.3 million) or less from monthly to quarterly.
<i>Making it easier to trade across borders</i>		
Introduced or improved electronic submission and processing of documents	The Bahamas; Benin; Brazil; Côte d'Ivoire; Ghana; Guatemala; Madagascar; Mali; Mauritania; Suriname; Tajikistan; Tanzania; Togo	Brazil implemented the electronic SISCOMEX Portal system, reducing the time required for customs clearance and document preparation and submission for exports. Tajikistan made it possible to submit customs declarations electronically for both exports and imports.
Introduced or improved risk-based inspections	Albania	Albania implemented a risk-based inspection system at Port of Durres and reduced border compliance time for exports.
Strengthened transport or port infrastructure	Madagascar; Tunisia; Vanuatu	Vanuatu invested in infrastructure at the port of Vila, increasing the port's efficiency for imports.
Improved port procedures	Oman; Qatar	Oman reduced port handling time for exports and imports by transferring cargo operations from Sultan Qaboos Port to Sohar Port.
Entered a customs union with major trading partner	Armenia	Armenia joined the Eurasian Economic Union, leading to reductions in the time and cost for document preparation, customs clearance and inspections in trade (export and import) with Russia.
Reduced documentary burden	Mauritania	Mauritania eliminated requirements for two import documents.

TABLE 4A.1 Who reduced regulatory complexity and cost or strengthened legal institutions in 2014/15—and what did they do?

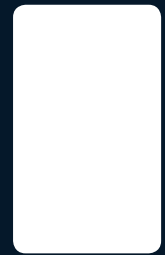
Feature	Economies	Some highlights
<i>Strengthening legal rights of borrowers and lenders</i>		
Created a unified or modern collateral registry for movable property	Costa Rica; El Salvador; Hong Kong SAR, China; Indonesia; Liberia; Russian Federation; Uzbekistan	El Salvador established a registry for security interests in movable property as part of its registry of commerce.
Allowed general description of assets granted as collateral	El Salvador; Kazakhstan; Mexico; Russian Federation; Uzbekistan	Mexico implemented new laws allowing a general description of assets granted as collateral.
Expanded range of movable assets that can be used as collateral	El Salvador; Madagascar; Mexico; Russian Federation; Uzbekistan	Madagascar introduced a new law broadening the range of assets that can be used as collateral to secure a loan.
Introduced a functional secured transactions system	Costa Rica; El Salvador	Costa Rica adopted a new law establishing a modern legal framework for secured transactions, including functional equivalents to loans secured with movable property.
Allowed out-of-court enforcement of security	Costa Rica; El Salvador	El Salvador adopted a new law allowing secured creditors to enforce their security interest out of court, through a public or private auction.
<i>Improving the sharing of credit information</i>		
Established a new credit bureau or registry	Afghanistan; Comoros; Guyana; Lesotho; Seychelles	Afghanistan's central bank established a new credit registry that banks can consult to assess the creditworthiness of consumer and commercial borrowers.
Expanded scope of information collected and reported by credit bureau or registry	Cyprus; Kyrgyz Republic; Lao PDR; Mongolia; West Bank and Gaza	In the Kyrgyz Republic the credit bureau Ishenim began distributing information related to on-time loan repayment patterns in its credit reports.
Improved regulatory framework for credit reporting	Latvia; Mali; Namibia; Niger; Peru	Latvia adopted a credit bureau law setting out a legal framework for establishing, licensing and supervising credit information bureaus.
Introduced bureau or registry credit scores as a value added service	Rwanda; Zambia; Zimbabwe	Rwanda's credit bureau implemented a credit scoring service in May 2015.
Expanded borrower coverage by credit bureau or registry	Kenya; Lao PDR; Mauritania; Rwanda; Uganda; Vietnam	Kenya expanded the number of borrowers listed by its credit reference bureau with information on their borrowing history from the past five years to more than 5% of the adult population.
<i>Strengthening minority investor protections</i>		
Increased disclosure requirements for related-party transactions	Albania; Azerbaijan; Honduras; Kazakhstan; Madagascar; Nigeria	Albania introduced a requirement for immediate disclosure of the terms of related-party transactions as well as the nature and object of the conflict of interest. Nigeria introduced new rules requiring that related-party transactions be subject to external review and to approval by disinterested shareholders.
Enhanced access to information in shareholder actions	Honduras; Kazakhstan; Zimbabwe	Kazakhstan introduced provisions making it easier for shareholders to compel broad categories of documents at trial without having to identify specific dates and titles.
Increased director liability	Honduras; Ireland; FYR Macedonia	Honduras introduced a new law allowing shareholders representing at least 5% of a company's share capital to bring an action for damages against its directors.
Expanded shareholders' role in company management	Arab Republic of Egypt; Kazakhstan; Lithuania; Rwanda; Spain; United Arab Emirates	Spain introduced provisions requiring a general meeting of shareholders to decide on the acquisition or disposal of assets representing more than a quarter of a company's total assets.
<i>Making it easier to enforce contracts</i>		
Expanded the framework for alternative dispute resolution	Côte d'Ivoire; Latvia; Senegal	Côte d'Ivoire, Latvia and Senegal introduced laws regulating voluntary mediation. Latvia also passed a new arbitration law.
Expanded court automation	Armenia; United Arab Emirates	Armenia introduced a computerized system that randomly assigns cases to judges in the Yerevan Court of First Instance. The United Arab Emirates implemented an electronic notification system allowing the initial summons to be served electronically.
Introduced a small claims court or a dedicated procedure for small claims	Cyprus; Kazakhstan	Cyprus and Kazakhstan both introduced a fast-track procedure for small claims and allow litigants to represent themselves during this procedure.
Introduced electronic filing	Georgia; Italy	Georgia and Italy both introduced an electronic filing system for commercial cases, allowing attorneys to submit the initial summons online.
Made enforcement of judgment more efficient	Croatia; Romania	Croatia introduced an electronic system to handle public sales. Romania expanded the role of the bailiff and made the use of an electronic auction registry mandatory.

TABLE 4A.1 Who reduced regulatory complexity and cost or strengthened legal institutions in 2014/15—and what did they do?

Feature	Economies	Some highlights
<i>Making it easier to resolve insolvency</i>		
Improved provisions on treatment of contracts during insolvency	Chile; Jamaica; Romania; Rwanda; St. Vincent and the Grenadines; Vietnam	Chile made continuation of the debtor's business during insolvency proceedings easier by prohibiting termination of contracts on the grounds of insolvency.
Improved the likelihood of successful reorganization	Chile; Cyprus; Jamaica; Kazakhstan; Romania; St. Vincent and the Grenadines	Kazakhstan introduced provisions allowing debtors to apply for post-commencement finance with corresponding priority rules and allowing creditors to initiate reorganization proceedings.
Regulated the profession of insolvency administrators	Jamaica; Moldova; St. Vincent and the Grenadines; Vietnam	Moldova created governing and supervisory bodies for the profession of insolvency administrators, introduced a licensing system and stricter admission rules and created a centralized registry of authorized insolvency administrators.
Introduced a new restructuring procedure	Cyprus; Jamaica; St. Vincent and the Grenadines	Cyprus established a reorganization procedure for insolvent but viable companies.
Streamlined and shortened time frames for insolvency proceedings	Chile; Romania; Vietnam	Romania introduced shorter time frames for several stages of reorganization proceedings as well as a three-year time limit for implementing the reorganization plan.
Strengthened creditors' rights	Cyprus; Jamaica; St. Vincent and the Grenadines	Jamaica granted individual creditors the right to request information from the insolvency representative on the debtor's business and financial affairs.
<i>Changing labor legislation</i>		
Altered hiring rules	Ecuador; Germany; Lao PDR; Latvia	Germany introduced a minimum wage. Latvia increased the maximum duration of a single fixed-term contract from 36 months to 60.
Altered work scheduling rules	Belarus; Hungary; FYR Macedonia	Hungary adopted legislation limiting the operating hours for retail shops.
Changed redundancy cost or procedures	Croatia; Italy; Lao PDR; Portugal	Lao PDR eliminated the requirement for third-party approval before an employer can dismiss one worker or a group of nine workers and reduced the severance payment for employees with 5 and 10 years of tenure.
Reformed legislation regulating worker protection and social benefits	Belarus; Italy; FYR Macedonia; Morocco	Morocco implemented an unemployment insurance scheme.

Source: *Doing Business* database.

Note: Reforms affecting the labor market regulation indicators are included here but do not affect the ranking on the ease of doing business.



Doing Business 2016 is the 13th in a series of annual reports investigating the regulations that enhance business activity and those that constrain it. The report provides quantitative indicators covering 11 areas of the business environment in 189 economies. The goal of the *Doing Business* series is to provide objective data for use by governments in designing sound business regulatory policies and to encourage research on the important dimensions of the regulatory environment for firms.

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