

Doing Business

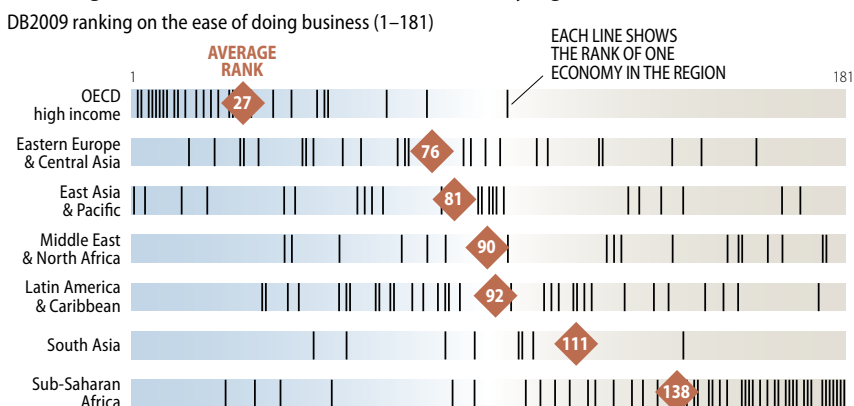
2009

DOING BUSINESS 2009

COMPARING REGULATION IN 181 ECONOMIES

Overview

FIGURE 1.1
Which regions have some of the most business-friendly regulations?



Source: Doing Business database.

For the fifth year in a row Eastern Europe and Central Asia led the world in *Doing Business* reforms. Twenty-six of the region's 28 economies implemented a total of 69 reforms. Since 2004 *Doing Business* has been tracking reforms aimed at simplifying business regulations, strengthening property rights, opening up access to credit and enforcing contracts by measuring their impact on 10 indicator sets.¹ Nearly 1,000 reforms with an impact on these indicators have been captured. Eastern Europe and Central Asia has accounted for a third of them.

The region surpassed East Asia and Pacific in the average ease of doing business in 2007—and maintained its place this year (figure 1.1). Four of its

economies—Georgia, Estonia, Lithuania and Latvia—are among the top 30 in the overall *Doing Business* ranking.

Rankings on the ease of doing business do not tell the whole story about an economy's business environment. The indicator does not account for all factors important for doing business—for example, macroeconomic conditions, infrastructure, workforce skills or security. But improvement in an economy's ranking does indicate that its government is creating a regulatory environment more conducive to operating a business. In Eastern Europe and Central Asia many economies continue to do so—and economies in the region once again dominate the list of top *Doing Business* reformers

in 2007/08. New this year: reforms in the region are moving eastward as 4 newcomers join the top 10 list of reformers: Azerbaijan, Albania, the Kyrgyz Republic and Belarus (table 1.1).

Many others reformed as well. Worldwide, 113 economies implemented 239 reforms making it easier to do business between June 2007 and June 2008. That is the most reforms recorded in a single year since the *Doing Business* project started. In the past year reformers focused on easing business start-up, lightening the tax burden, simplifying import and export regulation and improving credit information systems.

Across regions, East Asia had the biggest pickup in the pace of reform.

TABLE 1.1
The top 10 reformers in 2007/08

Economy	Starting a business	Dealing with construction permits	Employing workers	Registering property	Getting credit	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts	Closing a business
Azerbaijan	✓		✓	✓	✓	✓	✓		✓	
Albania	✓				✓	✓	✓			
Kyrgyz Republic	✓	✓				✓				
Belarus	✓	✓		✓	✓		✓	✓		
Senegal	✓			✓				✓		
Burkina Faso		✓	✓	✓			✓			
Botswana	✓					✓		✓		
Colombia	✓	✓					✓	✓		✓
Dominican Republic	✓			✓			✓	✓		
Egypt	✓	✓		✓	✓	✓		✓		

Note: Economies are ranked on the number and impact of reforms. First, *Doing Business* selects the economies that implemented reforms making it easier to do business in 3 or more of the *Doing Business* topics. Second, it ranks these economies on the increase in rank on the ease of doing business from the previous year. The larger the improvement, the higher the ranking as a reformer.

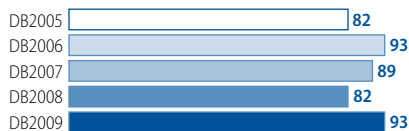
Source: Doing Business database.

FIGURE 1.2

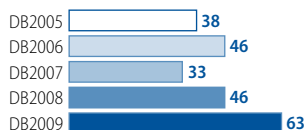
Eastern European and Central Asian economies—leaders in *Doing Business* reforms

Share of economies with at least 1 reform making it easier to do business in past 5 years (%) by *Doing Business* report year

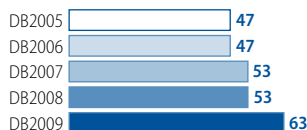
Eastern Europe & Central Asia (28 economies)



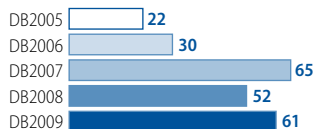
East Asia & Pacific (24 economies)



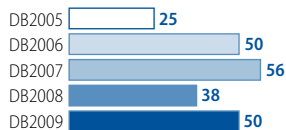
Middle East & North Africa (19 economies)



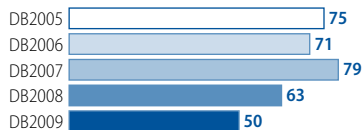
Sub-Saharan Africa (46 economies)



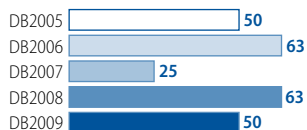
Latin America & Caribbean (32 economies)



OECD high income (24 economies)



South Asia (8 economies)



Source: *Doing Business* database.

Two-thirds of its economies reformed, up from less than half last year (figure 1.2). The Middle East and North Africa continued its upward trend, with two-thirds of its economies reforming. In a region once known for prohibitive entry barriers, 2 countries—Tunisia and Yemen—eliminated the minimum capital requirement for starting a business, while Jordan reduced it from 30,000 Jordanian dinars to 1,000.

Sub-Saharan Africa continued its upward trend in reform too: 28 economies implemented 58 reforms, more than in any year since *Doing Business* began tracking reforms. Two West African countries led the way, Senegal and Burkina Faso. In Latin America, Colombia and the Dominican Republic were the most active. OECD high-income economies saw a slowdown in reform. So did South Asia.

Azerbaijan is the top reformer for 2007/08. A one-stop shop for business start-up began operating in January 2008, halving the time, cost and number of procedures to start a business. Business registrations increased by 40% in the first 6 months. Amendments to the labor code made employment regulation more flexible by allowing the use of fixed-term contracts for permanent tasks, easing restrictions on working hours and eliminating the need for reassignment in case of redundancy dismissals. And property transfers can now be completed in 11 days—down from 61 before—thanks to a unified property registry for land and real estate transactions.

That's not all. Azerbaijan eliminated the minimum loan cutoff of \$1,100 at the credit registry, more than doubling the number of borrowers covered. Minority shareholders enjoy greater protection, thanks to amendments to the civil code and a new regulation on related-party transactions. Such transactions now are subject to stricter requirements for disclosure to the supervisory board and in annual reports. Moreover, interested parties involved in a related-party transaction harmful to the company must cover the damages and pay back

personal profits.

Taxpayers in Azerbaijan now take advantage of online filing and payment of taxes, saving more than 500 hours a year on average in dealing with paperwork. And a new economic court in Baku helped speed contract enforcement. With the number of judges looking at commercial cases increasing from 5 to 9, the average time to resolve a case declined by 30 days.

Albania is the runner-up, with reforms in 4 of the areas measured by *Doing Business*. A new company law strengthened the protection of minority shareholder rights. The law tightened approval and disclosure requirements for related-party transactions and, for the first time, defined directors' duties. It also introduced greater remedies to pursue if a related-party transaction is harmful to the company. Albania made start-up easier by taking commercial registration out of the court and creating a one-stop shop. Companies can now start a business in 8 days—it used to take more than a month. The country's first credit registry opened for business. And tax reforms halved the corporate income tax rate to 10%.

AFRICA—MORE REFORM THAN EVER BEFORE

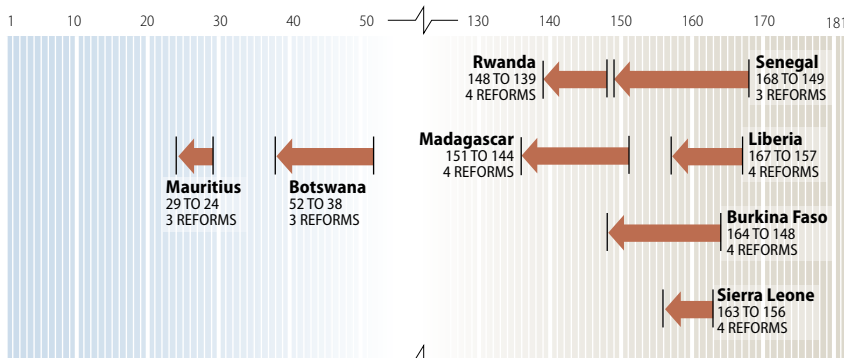
Economies in Africa implemented more *Doing Business* reforms in 2007/08 than in any previous year covered. And 3 of the top 10 reformers are African: Senegal, Burkina Faso and Botswana. Three postconflict countries—Liberia, Rwanda and Sierra Leone—are reforming fast too (figure 1.3). Mauritius, the country with the region's most favorable business regulations, continues to reform, and this year joins the top 25 on the ease of doing business.

This focus on reform comes after several years of record economic growth in Africa. Annual growth has averaged nearly 6% in the past decade, thanks to better macroeconomic conditions and greater peace on the continent. With more economic opportunities, regulatory

FIGURE 1.3

Who reformed the most in Africa in 2007/08?

Improvement in the ranking on the ease of doing business, DB2008–DB2009

Source: *Doing Business* database.

constraints on businesses have become more pressing. Governments increasingly focus on reducing these constraints. And reformers recognize that bringing more economic activity to the formal sector through business and job creation is the most promising way to reduce poverty.²

Rwanda is one example of the dividends of peace and good macroeconomic policies. The country has been among the most active reformers of business regulation worldwide this decade. In 2001 it introduced a new labor law as part of the national reconstruction program. In 2002 it started property titling reform. In 2004 reformers simplified customs, improved the credit registry and undertook court reforms. In 2007 Rwanda continued with property registration and customs. Some reforms took longer to implement. For example, judicial reforms were initiated in 2001, but it was not until 2008 that the necessary laws were passed and new commercial courts started functioning.³

Most African reformers focused on easing start-up and reducing the cost of importing and exporting. There is room to do more. Entrepreneurs in Africa still face greater regulatory and administrative burdens, and less protection of property and investor rights, than entrepreneurs in any other region. The upside: reform in such circumstances can send a strong signal of governments' commitment to sound institutions and policies, catalyzing investor interest.

EASING ENTRY—ONCE AGAIN THE MOST POPULAR REFORM

Making it easier to start a business continued to be the most popular *Doing Business* reform in 2007/08. Forty-nine economies simplified start-up and reduced the cost (figure 1.4). These are among the 115 economies—more than half the world's total—that have reformed in this area over the past 5 years. The second most popular were reforms to simplify taxes and their administration. Third were reforms to ease trade. In all 3 areas much can be achieved with administrative reforms.

Reforms in other areas can be harder, particularly if they require legal changes or involve difficult political tradeoffs. Only 12 economies reformed their judicial system. Seven amended collateral or secured transactions laws. Six amended labor regulations to make them more flexible; 9 opted for more rigidity.

The 3 boldest reforms driving the biggest improvements in the *Doing Business* indicators (table 1.2):

- Albania's increase in investor protections
- Yemen's easing of business start-up
- The Dominican Republic's tax reform.

REFORM CONTINUES AMONG BEST PERFORMERS

Singapore continues to rank at the top on the ease of doing business, followed by New Zealand, the United States and Hong Kong (China) (table 1.3). And reform continues. Five of the top 10 economies implemented reforms that had an impact on the *Doing Business* indicators in 2007/08. Singapore further simplified its online business start-up service. New Zealand introduced a single online procedure for business start-up, lowered the corporate income tax and implemented a new insolvency act. Hong Kong (China) streamlined construction permitting as part of a broader reform of its licensing regime. Denmark implemented tax reforms. And entrepreneurs in Toronto, Canada, can now start a business with just one procedure.

This continuing reform is not surprising. Many high-income economies have institutionalized regulatory reform, setting up programs to systematically target red tape. Examples include the "Be the Smart Regulator" program in Hong Kong (China), Simplex in Portugal, the Better Regulation Executive in the United Kingdom, Actal in the Netherlands and Kafka in Belgium. To identify priorities, these governments routinely ask businesses what needs reform. Belgium reformed business registration after 2,600 businesses identified it as a major problem in 2003. Starting a business there used to take 7 procedures and nearly 2 months. Today it takes 3

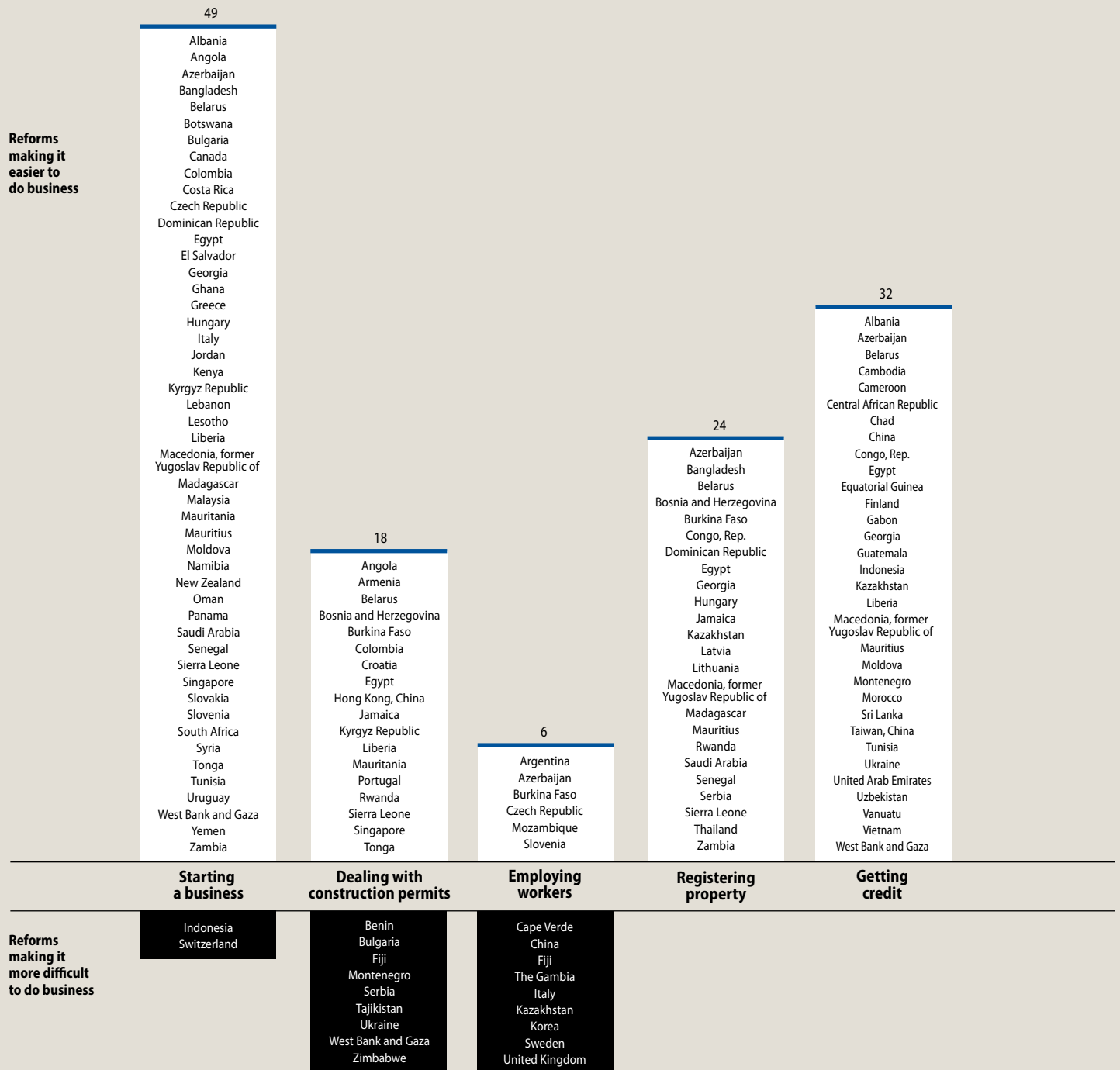
TABLE 1.2

Top reformers in 2007/08 by indicator set

Starting a business	Yemen
Dealing with construction permits	Kyrgyz Republic
Employing workers	Burkina Faso
Registering property	Belarus
Getting credit	Cambodia
Protecting investors	Albania
Paying taxes	Dominican Republic
Trading across borders	Senegal
Enforcing contracts	Mozambique
Closing a business	Poland

Source: *Doing Business* database.

FIGURE 1.4
239 reforms in 2007/08 made it easier to do business—26 made it more difficult



Source: Doing Business database.

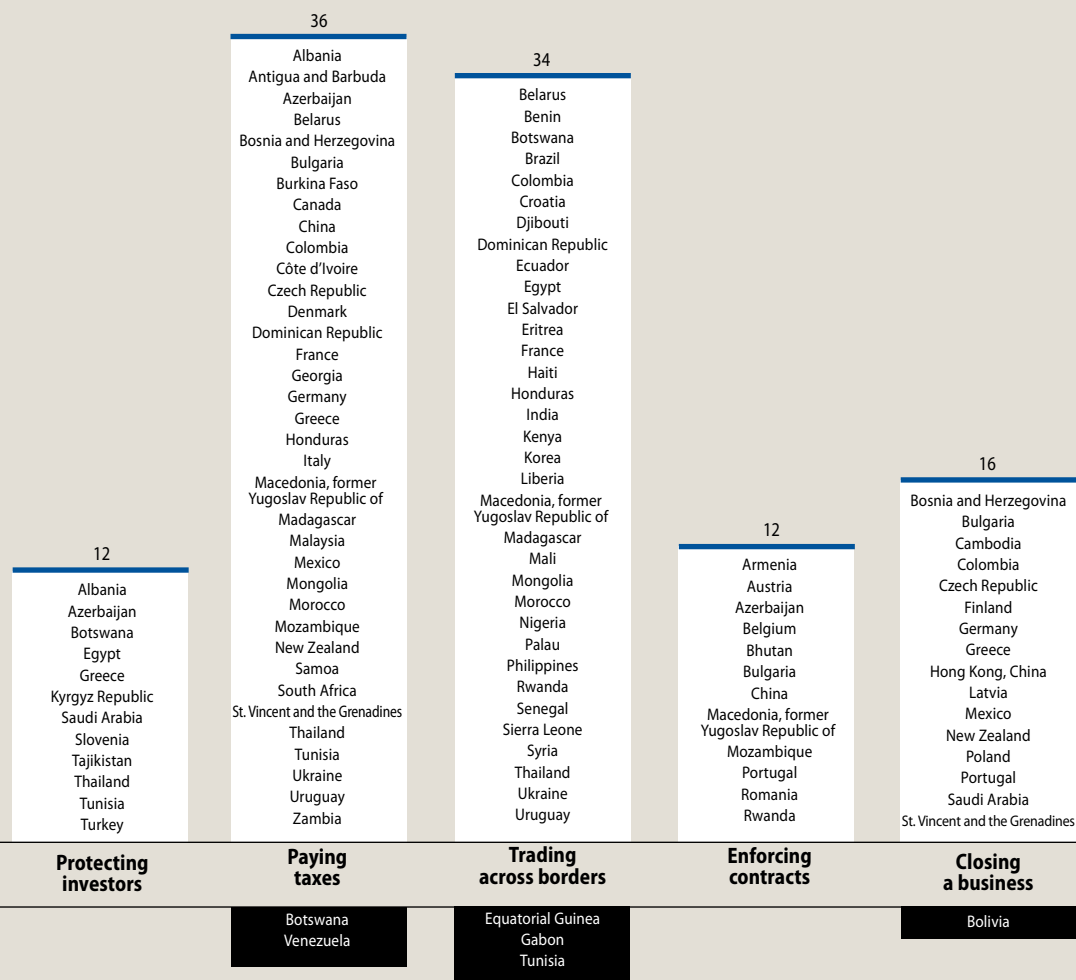


TABLE 1.3
Rankings on the ease of doing business

2009 RANK	2008 RANK	ECONOMY	2009 RANK	2008 RANK	ECONOMY	2009 RANK	2008 RANK	ECONOMY
1	1	Singapore	62	53	Peru	122	120	India
2	2	New Zealand	63	62	Jamaica	123	119	Lesotho
3	3	United States	64	56	Samoa	124	122	Bhutan
4	4	Hong Kong, China	65	59	Italy	125	126	Brazil
5	5	Denmark	66	61	St. Vincent and the Grenadines	126	121	Micronesia
6	6	United Kingdom	67	63	St. Kitts and Nevis	127	124	Tanzania
7	7	Ireland	68	99	Kyrgyz Republic	128	129	Morocco
8	8	Canada	69	68	Maldives	129	127	Indonesia
9	10	Australia	70	80	Kazakhstan	130	128	Gambia, The
10	9	Norway	71	79	Macedonia, former Yugoslav Republic of	131	132	West Bank and Gaza
11	11	Iceland				132	130	Algeria
12	12	Japan	72	77	El Salvador	133	134	Honduras
13	19	Thailand	73	81	Tunisia	134	131	Malawi
14	13	Finland	74	70	Dominica	135	150	Cambodia
15	21	Georgia	75	65	Czech Republic	136	133	Ecuador
16	24	Saudi Arabia	76	72	Poland	137	140	Syria
17	14	Sweden	77	74	Pakistan	138	145	Uzbekistan
18	17	Bahrain	78	69	Belize	139	148	Rwanda
19	16	Belgium	79	75	Kiribati	140	136	Philippines
20	25	Malaysia	80	71	Trinidad and Tobago	141	139	Mozambique
21	15	Switzerland	81	76	Panama	142	138	Iran
22	18	Estonia	82	78	Kenya	143	137	Cape Verde
23	22	Korea	83	90	China	144	151	Madagascar
24	29	Mauritius	84	73	Grenada	145	144	Ukraine
25	20	Germany	85	115	Belarus	146	141	Suriname
26	27	Netherlands	86	135	Albania	147	142	Sudan
27	23	Austria	87	82	Ghana	148	164	Burkina Faso
28	28	Lithuania	88	83	Brunei	149	168	Senegal
29	26	Latvia	89	85	Solomon Islands	150	149	Bolivia
30	30	Israel	90	84	Montenegro	151	143	Gabon
31	32	France	91	88	Palau	152	146	Iraq
32	35	South Africa	92	87	Vietnam	153	153	Djibouti
33	97	Azerbaijan	93	86	Marshall Islands	154	147	Haiti
34	33	St. Lucia	94	91	Serbia	155	152	Comoros
35	31	Puerto Rico	95	89	Papua New Guinea	156	163	Sierra Leone
36	37	Slovakia	96	106	Greece	157	167	Liberia
37	38	Qatar	97	110	Dominican Republic	158	154	Zimbabwe
38	52	Botswana	98	123	Yemen	159	156	Tajikistan
39	34	Fiji	99	98	Lebanon	160	166	Mauritania
40	36	Chile	100	101	Zambia	161	155	Côte d'Ivoire
41	50	Hungary	101	94	Jordan	162	161	Afghanistan
42	40	Antigua and Barbuda	102	103	Sri Lanka	163	159	Togo
43	39	Tonga	103	92	Moldova	164	158	Cameroon
44	41	Armenia	104	93	Seychelles	165	162	Lao PDR
45	44	Bulgaria	105	95	Guyana	166	160	Mali
46	54	United Arab Emirates	106	107	Croatia	167	165	Equatorial Guinea
47	47	Romania	107	96	Nicaragua	168	169	Angola
48	43	Portugal	108	100	Swaziland	169	157	Benin
49	46	Spain	109	113	Uruguay	170	170	Timor-Leste
50	45	Luxembourg	110	104	Bangladesh	171	172	Guinea
51	48	Namibia	111	105	Uganda	172	171	Niger
52	49	Kuwait	112	116	Guatemala	173	173	Eritrea
53	66	Colombia	113	102	Argentina	174	175	Venezuela
54	64	Slovenia	114	125	Egypt	175	176	Chad
55	51	Bahamas, The	115	108	Paraguay	176	177	São Tomé and Príncipe
56	42	Mexico	116	109	Ethiopia	177	174	Burundi
57	57	Oman	117	118	Costa Rica	178	178	Congo, Rep.
58	55	Mongolia	118	114	Nigeria	179	179	Guinea-Bissau
59	60	Turkey	119	117	Bosnia and Herzegovina	180	180	Central African Republic
60	67	Vanuatu	120	112	Russian Federation	181	181	Congo, Dem. Rep.
61	58	Taiwan, China	121	111	Nepal			

Note: The rankings for all economies are benchmarked to June 2008 and reported in the country tables. Rankings on the ease of doing business are the average of the economy's rankings on the 10 topics covered in *Doing Business 2009*. Last year's rankings are presented in italics. These are adjusted for changes in the methodology, data corrections and the addition of 3 new economies.

Source: *Doing Business* database.

procedures and 4 days. New business registrations increased by 30% in 2 years. In Portugal 86 of the 257 initiatives of the Simplex program came from discussions with businesses.

Simplifying regulation helps businesses and governments alike. In Portugal the “on the spot” registration reform saved entrepreneurs 230,000 days a year in waiting time.⁴ And the government saves money. The United Kingdom estimated an annual administrative burden for businesses of £13.7 billion in 2005. Easing such burdens would allow businesses to expand faster and generate savings that governments could use to enhance public services.

FIVE YEARS OF *DOING BUSINESS* REFORM

The key to regulatory reform? Commitment. For many economies the reforms captured in *Doing Business* reflect a broader, sustained commitment to improving their competitiveness. Among these systematic reformers: Azerbaijan, Georgia and the former Yugoslav Republic of Macedonia in Eastern Europe and Central Asia. France and Portugal among the OECD high-income economies. Egypt and Saudi Arabia in the Middle East and North Africa. India in South Asia. China and Vietnam in East Asia. Colombia, Guatemala and Mexico in Latin America. And Burkina Faso, Ghana, Mauritius, Mozambique and Rwanda in Africa. Each of these countries has reformed in at least 5 of the areas covered by *Doing Business*, implementing up to 22 reforms in one country over the past 5 years.

Several reformers were motivated by growing competitive pressure related to joining common markets or trade agreements, such as the European Union (the former Yugoslav Republic of Macedonia) or the U.S.–Central America Free Trade Agreement (Guatemala). Others saw a need to facilitate local entrepreneurship (Azerbaijan, Colombia, Egypt) or diversify their economy (Mauritius, Saudi Arabia). And others faced the daunting task of reconstructing their economy

after years of conflict (Rwanda).

Many of the reformers started by learning from others. Egypt looked to India for information technology solutions. Colombia took Ireland as an example. As the country’s trade minister, Luis Guillermo Plata, put it, “It’s not like baking a cake where you follow the recipe. No. We are all different. But we can take certain things, certain key lessons, and apply those lessons and see how they work in our environment.”

Several now serve as examples to others. The Azerbaijan reformers visited Georgia and Latvia. Angola has requested legal and technical assistance based on the Portuguese model of business start-up.

The most active reformers did not shy away from broad reform programs. Since 2005 Georgia has introduced a new company law and customs code, a new property registry that replaced a confusing system requiring duplicate approvals by multiple agencies, the country’s first credit information bureau and large-scale judicial reforms. Egypt has implemented one-stop shops for import and export and business start-up, undertaken sweeping tax reforms, continually improved its credit information systems and modified the listing rules of the Cairo Stock Exchange. Colombia has strengthened investor protections through stricter disclosure rules, amended insolvency laws and reformed customs. And its one-stop shop for business start-up has served as an inspiration to others in the region.

Among emerging market reformers, India has focused on technology, implementing electronic registration of new businesses, an electronic collateral registry and online submission of customs forms and payments. China has focused on easing access to credit. In 2006 a new credit registry allowed more than 340 million citizens to have credit histories for the first time. A new company law lowered the minimum capital requirement and strengthened investor protections. And in 2007 a new property law expanded the range of assets that can be used as collateral. Mexico

has focused on strengthening investor protections through a new securities law while continually reducing bureaucracy at the state level.

REGULATORY REFORM— WHAT ARE THE BENEFITS?

Of Egypt’s estimated 25 million urban properties, only 7% were formally registered in 2005. Six months after reforms of its property registry, title registration increased and revenue rose by 39%.⁵ After reforms of the property registry in Tegucigalpa, Honduras, the registry received 65% more registration applications between July and December of 2007 than in the same period of 2006.

Similarly, a reduction in the minimum capital requirement was followed by an increase in new company registrations of 55% in Georgia and 81% in Saudi Arabia. Georgia now has 15 registered businesses per 100 people—comparable to numbers in such economies as Malaysia and Singapore.

Initial results like these show that reforms are leading to change on the ground. Confirming this are the findings of an increasing number of studies using the *Doing Business* data to analyze the effect of regulatory burdens on such outcomes as informality, job creation, productivity, economic growth and poverty reduction.⁶

Research generally finds that countries with burdensome regulation have larger informal sectors, higher unemployment rates and slower economic growth. More recent research gives first insights into the impact of reforms. One study reports some of the payoffs of reforms in Mexico: the number of registered businesses rose by nearly 6%, employment increased by 2.6%, and prices fell by 1% thanks to competition from new entrants.⁷ Another study finds that increasing the flexibility of labor regulations in India would reduce job informality in the retail sector by a third.⁸

But nothing says more than the experience of the people affected. Janet, who runs a business producing baskets

in Kigali, Rwanda, says, “I have survivors, I have widows, I have women whose husbands are in prison. To see them sitting under one roof weaving and doing business together is a huge achievement . . . these women are now together earning an income.”⁹

NOTES

1. *Doing Business* records only reforms relevant to the 10 indicator sets. Legal changes are counted once the respective legislation and implementing decrees, if applicable, are effective. Administrative reforms such as the introduction of time limits must be fully implemented.
2. Narayan and others (2000).
3. Hertveldt (2008).
4. Ramos (2008).
5. Haidar (2008).
6. The data on the regulation of entry, for example, have been used in 168 articles published in refereed journals and more than 200 research working papers. The data on the efficiency of court proceedings have been used in 54 articles and 86 working papers. Altogether, the data generated by the *Doing Business* project have been used in 325 published articles and 742 working papers.
7. Bruhn (2008).
8. Amin (forthcoming).
9. This example is from the World Bank's *Doing Business: Women in Africa* (2008a), a collection of case studies of African entrepreneurs.