



Regional Profile:  
**OECD High Income**

Doing business in a  
**more transparent world**

COMPARING REGULATION FOR DOMESTIC FIRMS IN 183 ECONOMIES

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## INTRODUCTION

*Doing Business* sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 10 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

In a series of annual reports *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time. The data set covers 46 economies in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 24 in East Asia and the Pacific, 24 in Eastern Europe and Central Asia, 18 in the Middle East and North Africa and 8 in South Asia, as well as 31 OECD high-income economies. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

This regional profile presents the *Doing Business* indicators for OECD high income. It also shows the regional average, the best performance globally for each indicator and data for the following comparator regions: European Union (EU), East Asia and the Pacific (EAP), Eastern Europe and Central Asia (ECA), South Asia (SA) and Latin America. The data in this report are

current as of June 1, 2011 (except for the paying taxes indicators, which cover the period January–December 2010).

The *Doing Business* methodology has limitations. Other areas important to business—such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders and getting electricity), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions—are not directly studied by *Doing Business*. The indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policy makers in designing regulatory reform.

More information is available in the full report. *Doing Business 2012* presents the indicators, analyzes their relationship with economic outcomes and recommends regulatory reforms. The data, along with information on ordering the *Doing Business 2012* report, are available on the *Doing Business* website at <http://www.doingbusiness.org>.



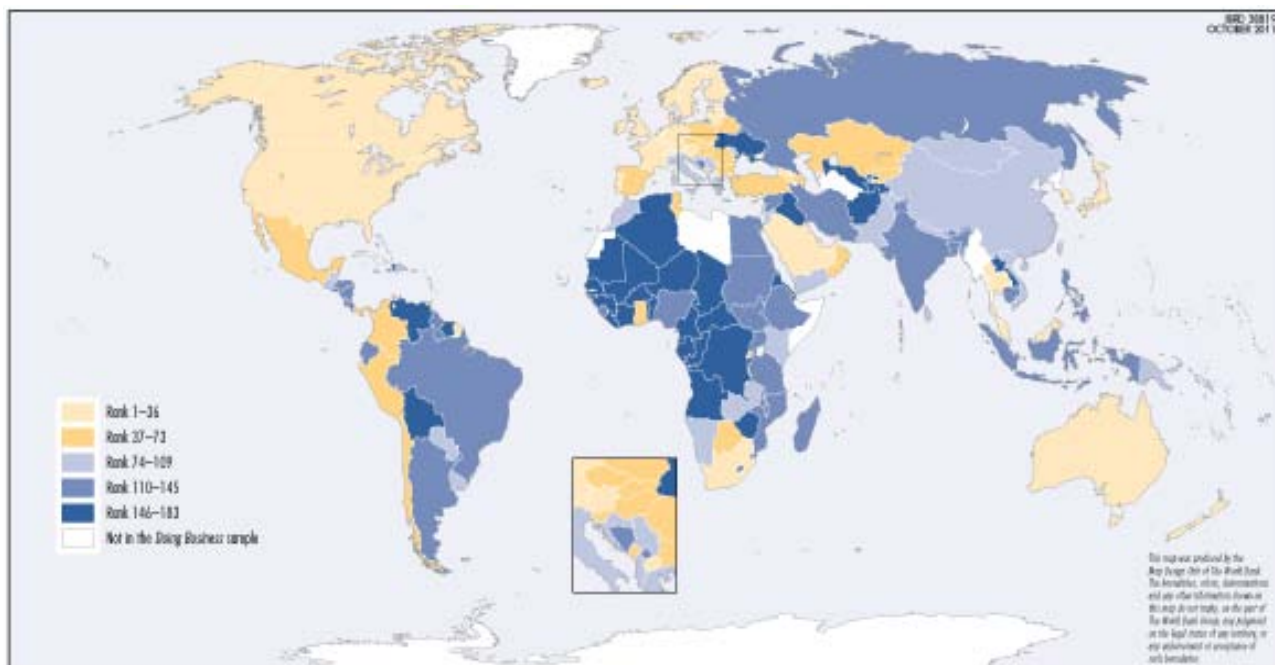
## THE BUSINESS ENVIRONMENT

For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. *Doing Business* provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 183 by the ease of doing business index. For each economy the index is calculated as the ranking on the simple average of its percentile rankings on each of the 10 topics included in the index in *Doing Business 2012*: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

The ranking on each topic is the simple average of the percentile rankings on its component indicators (see the data notes for more details).<sup>1</sup>

The aggregate ranking on the ease of doing business benchmarks each economy's performance on the indicators against that of all other economies in the *Doing Business* sample (figure 1.1). While this ranking tells much about the business environment in an economy, it does not tell the whole story. The ranking on the ease of doing business, and the underlying indicators, do not measure all aspects of the business environment that matter to firms and investors or that affect the competitiveness of the economy. Still, a high ranking does mean that the government has created a regulatory environment conducive to operating a business.

Figure 1.1 Where economies stand in the global ranking on the ease of doing business



Source: *Doing Business* database.

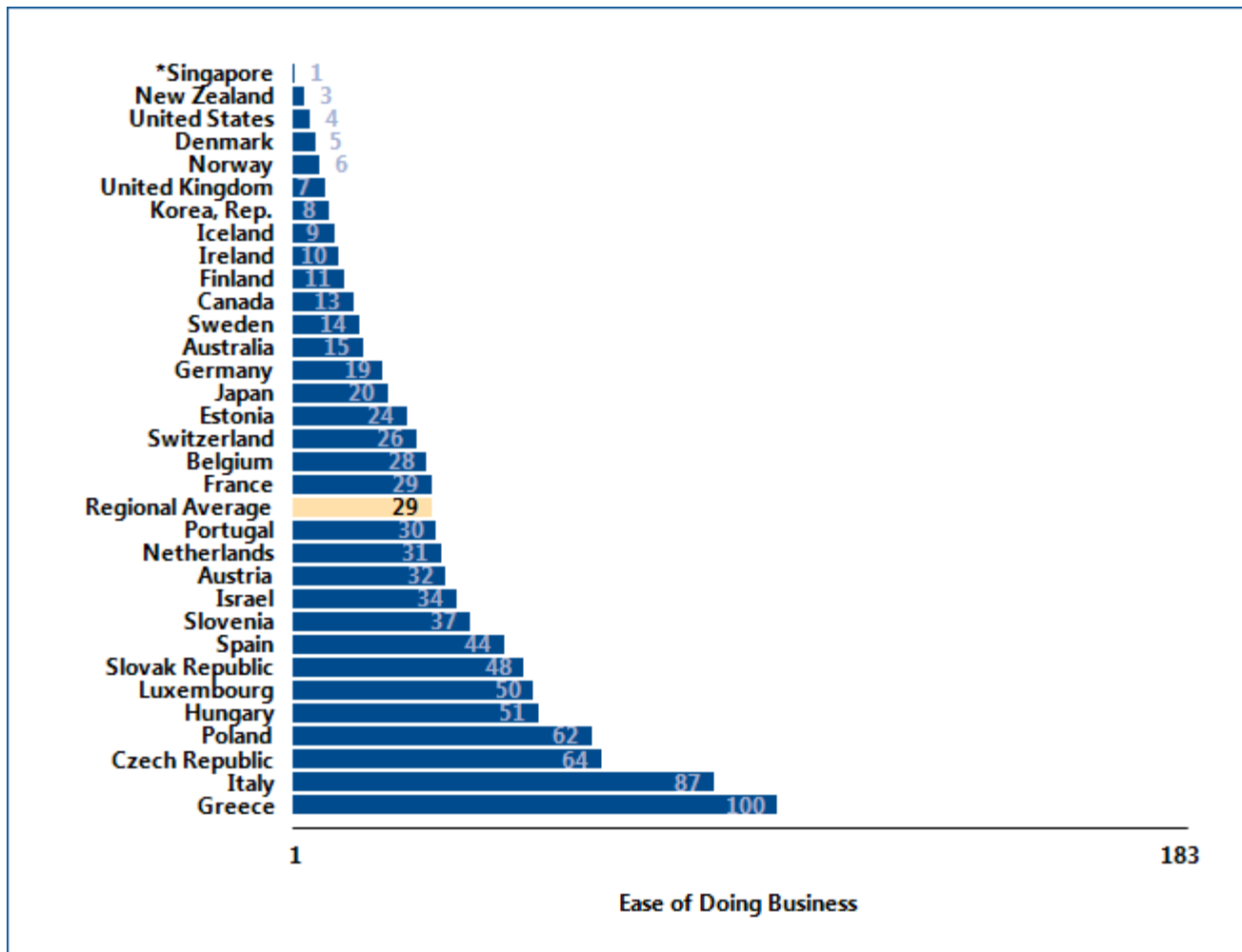
<sup>1</sup> Except for the ease of getting credit, for which the percentile rankings on its component indicators are weighted, the depth of credit information index at 37.5% and the strength of legal rights index at 62.5%.

## THE BUSINESS ENVIRONMENT

For policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful. Also useful is to know how it ranks compared with other economies in the region and compared with the

regional average (figure 1.2). Another perspective is provided by the regional average rankings on the topics included in the ease of doing business index (figure 1.3).

Figure 1.2 How economies in OECD high income rank on the ease of doing business



\*The economy with the best performance globally is included as a benchmark. In some cases 2 or more economies share the top ranking on an indicator.

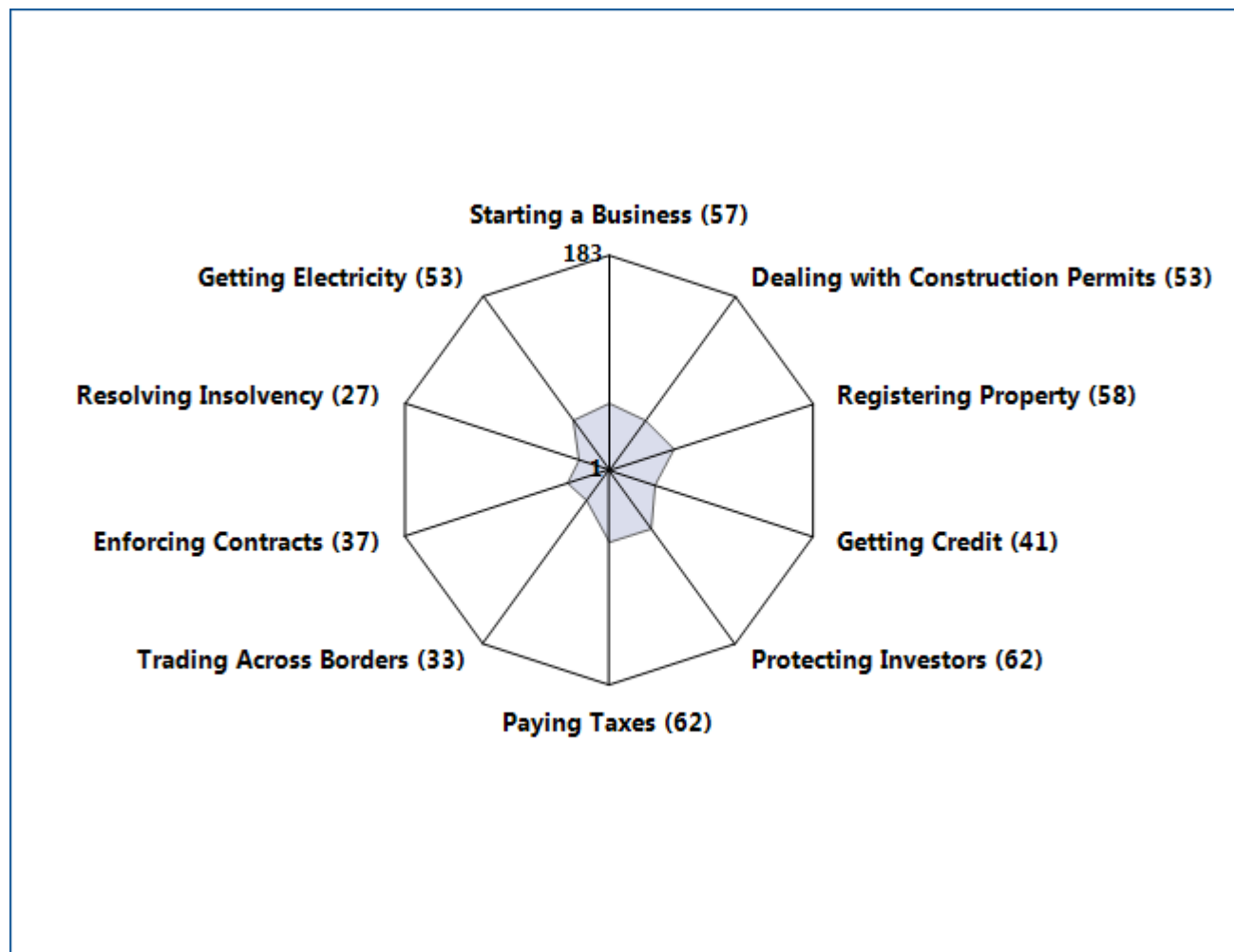
Note: For Dealing with Construction Permits, the data point on cost was corrected for Estonia. Rankings are adjusted once a year with each published report.

Source: *Doing Business* database.

## THE BUSINESS ENVIRONMENT

Figure 1.3 How OECD high income ranks on *Doing Business* topics

Regional average ranking



Source: *Doing Business* database.

## THE BUSINESS ENVIRONMENT

Just as the overall ranking on the ease of doing business tells only part of the story, so do changes in that ranking. Yearly movements in rankings can provide some indication of changes in an economy's regulatory environment for firms, but they are always relative. An economy's ranking might change because of developments in other economies. An economy that implemented business regulation reforms may fail to rise in the rankings (or may even drop) if it is passed by others whose business regulation reforms had a more significant impact as measured by *Doing Business*.

The absolute values of the indicators tell another part of the story (table 1.1). Policy makers can learn much by comparing the indicators for their economy with those for the lowest- and highest-scoring economies in the region as well as those for the best performers globally. These comparisons may reveal unexpected strengths in an area of business regulation—such as a regulatory process that can be completed with a small number of procedures in a few days and at a low cost.

Table 1.1 Summary of *Doing Business* indicators for OECD high income

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
<b>Starting a Business (rank)</b>	135 (Greece)	1 (New Zealand)	57	1 (New Zealand)
Procedures (number)	10 (Greece)	1 (New Zealand)*	5	1 (Canada)*
Time (days)	28 (Spain)	1 (New Zealand)	12	1 (New Zealand)
Cost (% of income per capita)	20.1 (Greece)	0.0 (Denmark)*	4.7	0 (Denmark)*
Paid-in Min. Capital (% of income per capita)	52.0 (Austria)	0.0 (New Zealand)*	14.1	(82 Economies*)
<b>Dealing with Construction Permits (rank)</b>	160 (Poland)	2 (New Zealand)	53	1 (Hong Kong SAR, China)
Procedures (number)	33 (Czech Republic)	5 (Denmark)	14	5 (Denmark)
Time (days)	301 (Poland)	26 (United States)	152	26 (Singapore)*
Cost (% of income per capita)	138.1 (Italy)	3.4 (Greece)	45.7	1.1 (Qatar)
<b>Getting Electricity (rank)</b>	156 (Canada)	1 (Iceland)	54	1 (Iceland)
Procedures (number)	8 (Canada)	3 (Sweden)*	5	3 (Germany)*
Time (days)	279 (Czech Republic)	17 (Germany)	103	17 (Germany)
Cost (% of income per capita)	327.2 (Italy)	0.0 (Japan)	92.8	0 (Japan)



Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
<b>Registering Property (rank)</b>	174 (Belgium)	3 (New Zealand)	59	3 (New Zealand)
Procedures (number)	11 (Greece)	1 (Portugal)*	5	1 (Portugal)*
Time (days)	152 (Poland)	1 (Portugal)	31	1 (Portugal)
Cost (% of property value)	12.7 (Belgium)	0.0 (Slovak Republic)	4.4	0 (Slovak Republic)
<b>Getting Credit (rank)</b>	150 (Luxembourg)	1 (United Kingdom)	41	1 (United Kingdom)*
Strength of legal rights index (0-10)	3 (Italy)*	10 (New Zealand)*	7	10 (New Zealand)*
Depth of credit information index (0-6)	4 (Slovak Republic)*	6 (United States)*	5	6 (Japan)*
Public registry coverage (% of adults)	1.3 (Germany)	86.2 (Portugal)	9.5	86.2 (Portugal)
Private bureau coverage (% of adults)	7.3 (Denmark)	100.0 (New Zealand)*	63.9	100 (New Zealand)*
<b>Protecting Investors (rank)</b>	166 (Switzerland)	1 (New Zealand)	63	1 (New Zealand)
Extent of disclosure index (0-10)	0 (Switzerland)	10 (New Zealand)*	6	10 (France)*
Extent of director liability index (0-10)	1 (France)	9 (New Zealand)*	5	9 (Singapore)*
Ease of shareholder suits index (0-10)	3 (Luxembourg)	10 (New Zealand)	7	10 (New Zealand)*
Strength of investor protection index (0-10)	3.0 (Switzerland)	9.7 (New Zealand)	6.0	9.7 (New Zealand)
<b>Paying Taxes (rank)</b>	134 (Italy)	5 (Ireland)	62	8 (Canada)
Payments (number per year)	33 (Israel)	4 (Norway)*	13	4 (Norway)
Time (hours per year)	557 (Czech Republic)	59 (Luxembourg)	186	59 (Luxembourg)
<b>Trading Across Borders (rank)</b>	95 (Slovak Republic)	3 (Estonia)	34	1 (Singapore)
Documents to export (number)	7 (New Zealand)	2 (France)	4	2 (France)
Time to export (days)	20 (Greece)*	5 (Denmark)*	10	5 (Hong Kong SAR, China)*
Cost to export (US\$ per container)	1610 (Canada)	540 (Finland)	1032	450 (Malaysia)

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
Documents to import (number)	7 (Slovak Republic)	2 (France)	5	2 (France)
Time to import (days)	25 (Greece)	5 (United States)*	11	4 (Singapore)
Cost to import (US\$ per container)	1674 (Iceland)	545 (Israel)	1085	435 (Malaysia)
<b>Enforcing Contracts (rank)</b>	158 (Italy)	1 (Luxembourg)	37	1 (Luxembourg)
Time (days)	1290 (Slovenia)	216 (New Zealand)	518	150 (Singapore)
Cost (% of claim)	33.0 (Czech Republic)	8.2 (Iceland)	19.7	0.1 (Bhutan)
Procedures (number)	41 (Italy)	21 (Ireland)	31	21 (Ireland)*
<b>Resolving Insolvency (rank)</b>	72 (Estonia)	1 (Japan)	27	1 (Japan)
Time (years)	4.0 (Slovak Republic)*	0.4 (Ireland)	1.7	0.4 (Ireland)
Cost (% of estate)	23 (Israel)	1 (Norway)	9	1 (Singapore)*
Recovery rate (cents on the dollar)	36.9 (Estonia)	92.7 (Japan)	68.2	92.7 (Japan)

Note: The methodology for the paying taxes indicators changed in *Doing Business 2012*; see the data notes for details. For these indicators, the best performer globally is the economy that has implemented the most efficient practices in its tax system and is not necessarily the one with the highest ranking.

\* Two or more economies share the top ranking on this indicator. A number shown in place of an economy's name indicates the number of economies that share the top ranking on the indicator. For a list of these economies, see the *Doing Business* website (<http://www.doingbusiness.org>).

Source: *Doing Business* database.

## STARTING A BUSINESS

Formal registration of companies has many immediate benefits for the companies and for business owners and employees. Legal entities can outlive their founders. Resources are pooled as several shareholders join forces to start a company. Formally registered companies have access to services and institutions from courts to banks as well as to new markets. And their employees can benefit from protections provided by the law. An additional benefit comes with limited liability companies. These limit the financial liability of company owners to their investments, so personal assets of the owners are not put at risk. Where governments make registration easy, more entrepreneurs start businesses in the formal sector, creating more good jobs and generating more revenue for the government.

### What do the indicators cover?

*Doing Business* measures the ease of starting a business in an economy by recording all procedures that are officially required or commonly done in practice by an entrepreneur to start up and formally operate an industrial or commercial business—as well as the time and cost required to complete these procedures. It also records the paid-in minimum capital that companies must deposit before registration (or within 3 months). The ranking on the ease of starting a business is the simple average of the percentile rankings on the 4 component indicators: procedures, time, cost and paid-in minimum capital requirement.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the procedures. It assumes that all information is readily available to the entrepreneur and that there has been no prior contact with officials. It also assumes that all government and nongovernment entities involved in the process function without corruption. And it assumes that the business:

- Is a limited liability company, located in the largest business city.
- Has between 10 and 50 employees.

### WHAT THE STARTING A BUSINESS

#### INDICATORS MEASURE

#### Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration in the economy's largest business city
- Postregistration (for example, social security registration, company seal)

#### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law

#### Paid-in minimum capital (% of income per capita)

- Deposited in a bank or with a notary before registration (or within 3 months)

- Conducts general commercial or industrial activities.
- Has a start-up capital of 10 times income per capita.
- Has a turnover of at least 100 times income per capita.
- Does not qualify for any special benefits.
- Does not own real estate.
- Is 100% domestically owned.

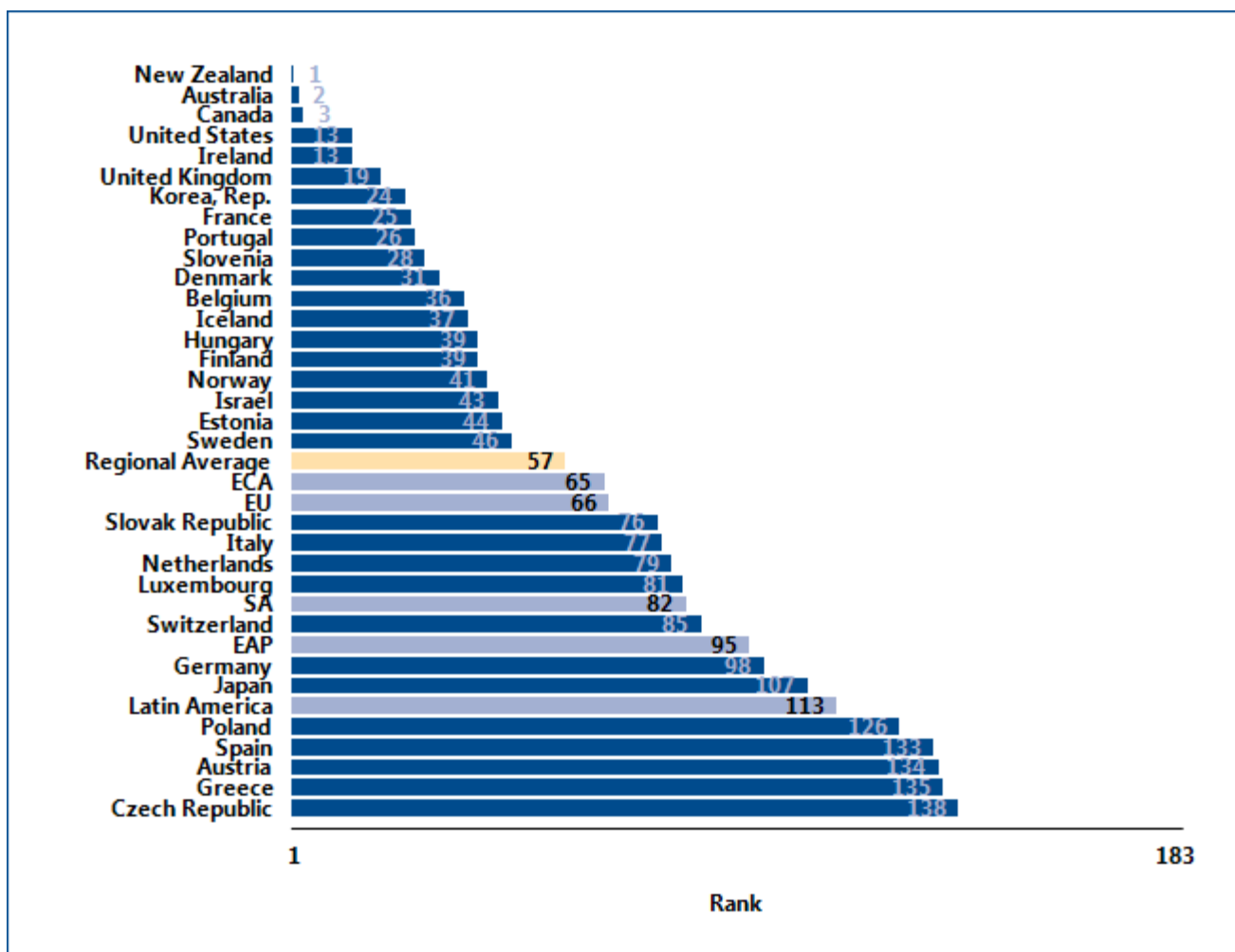
## STARTING A BUSINESS

### Where do the region's economies stand today?

How easy is it for entrepreneurs in economies in OECD high income to start a business? The global rankings of these economies on the ease of starting a business

suggest an answer (figure 2.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 2.1 How economies in OECD high income rank on the ease of starting a business



Source: *Doing Business* database.

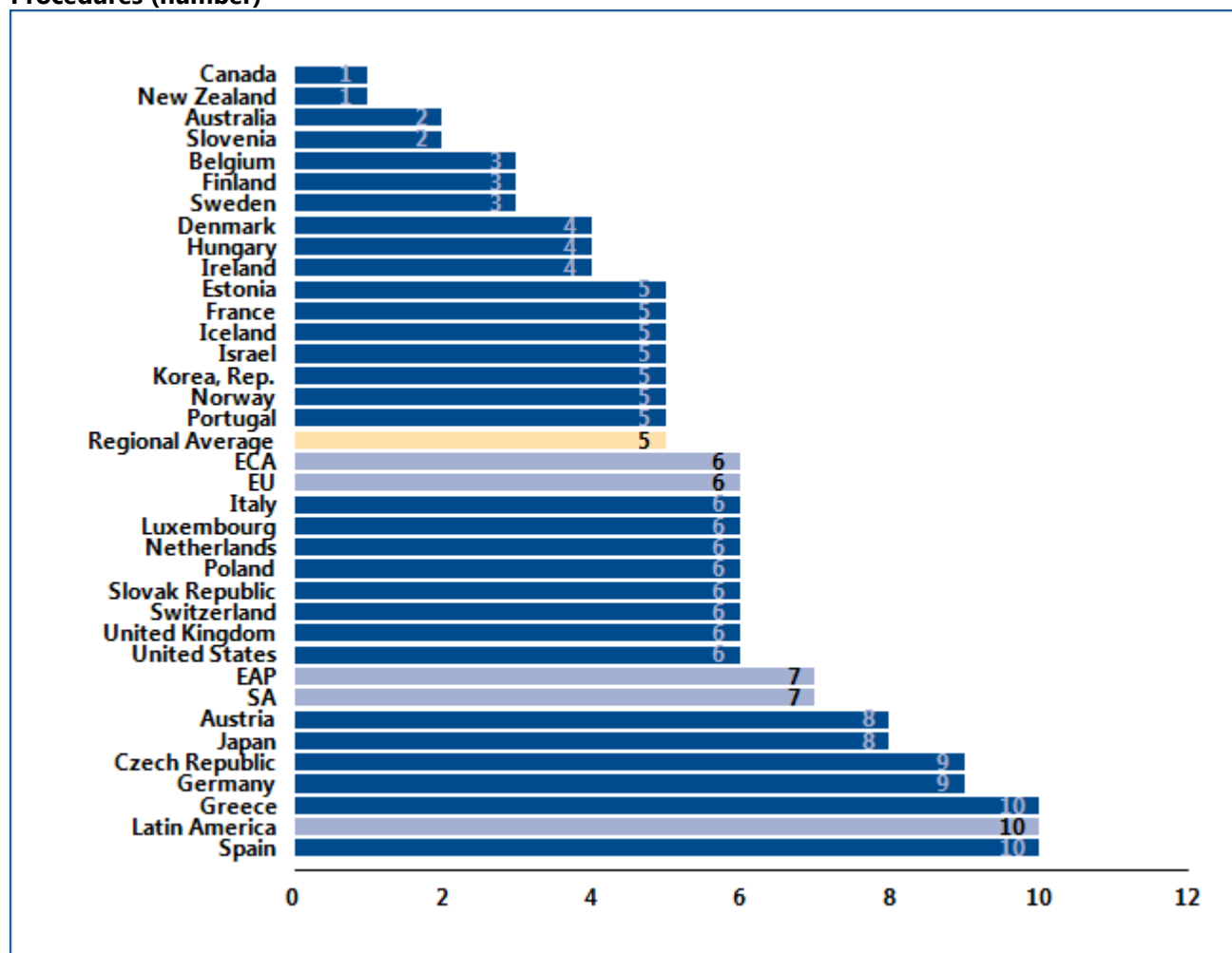
The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to start a business in each economy in the region: the number of procedures, the time, the cost

and the paid-in minimum capital requirement (figure 2.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

## STARTING A BUSINESS

Figure 2.2 What it takes to start a business in economies in OECD high income

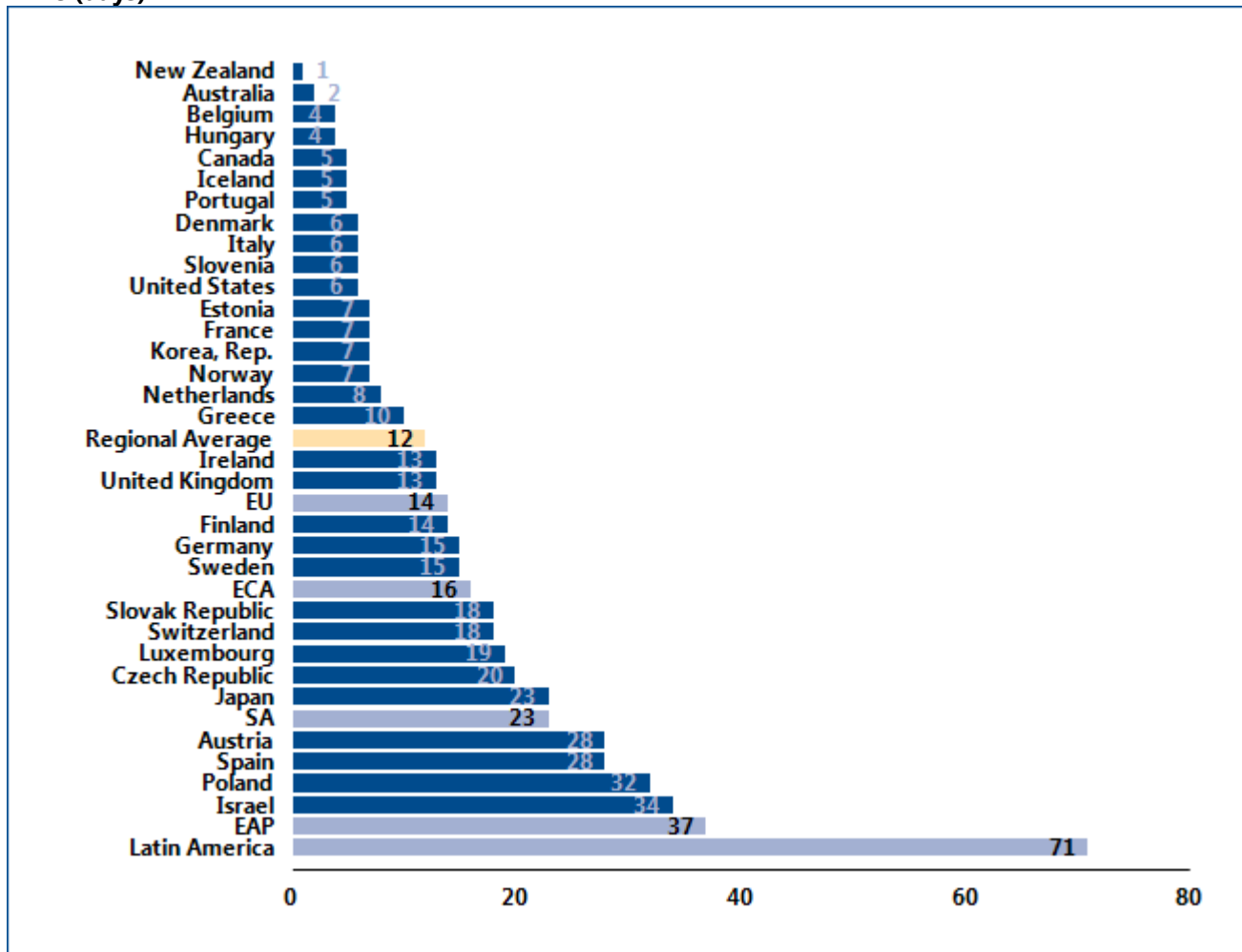
### Procedures (number)





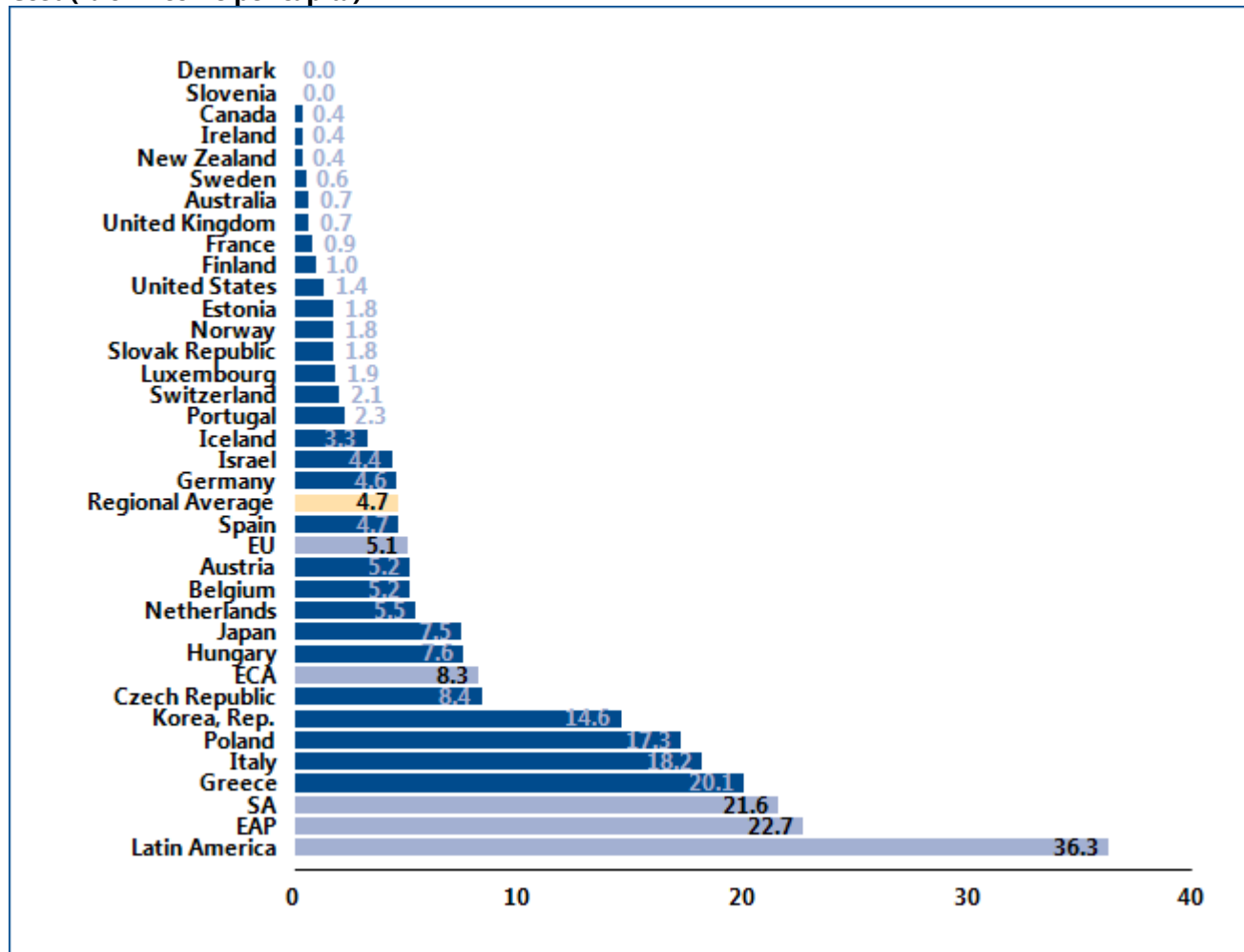
## STARTING A BUSINESS

Time (days)



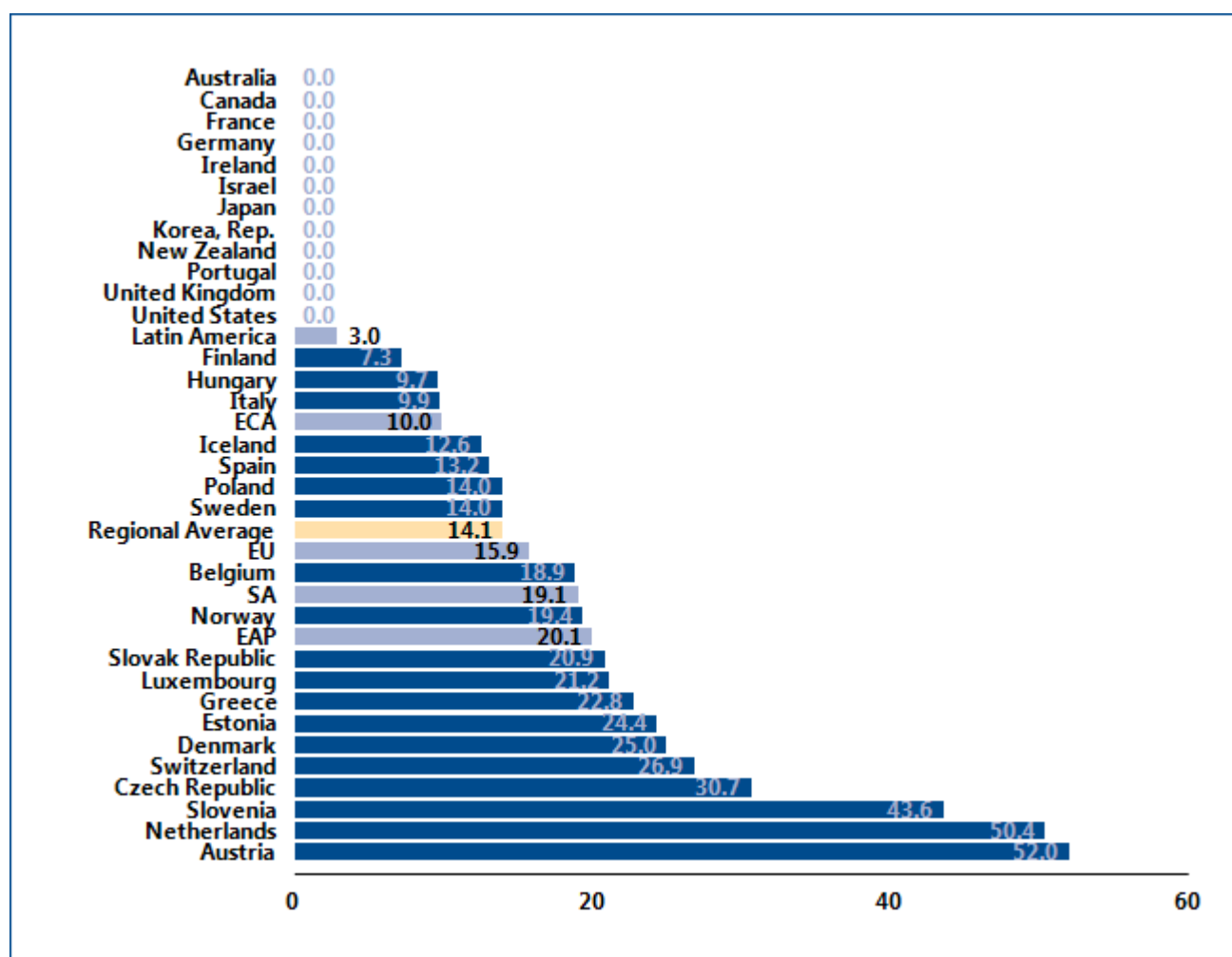
## STARTING A BUSINESS

## Cost (% of income per capita)



## STARTING A BUSINESS

## Paid-in minimum capital (% of income per capita)



Source: Doing Business database.

## STARTING A BUSINESS

### What are the changes over time?

Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology, and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in

stages—and often as part of a larger regulatory reform program. Among the benefits have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities.

What business registration reforms has *Doing Business* recorded in OECD high income (table 2.1)?

Table 2.1 How have economies in OECD high income made starting a business easier—or not?  
By *Doing Business* report year

DB Year	Economy	Reform
DB2012	<i>Greece</i>	Greece made starting a business easier by implementing an electronic platform that interconnects several government agencies.
DB2012	<i>Korea, Rep.</i>	Korea made starting a business easier by introducing a new online one-stop shop, Start-Biz.
DB2012	<i>Portugal</i>	Portugal made starting a business easier by allowing company founders to choose the amount of minimum capital and make their paid-in capital contribution up to 1 year after the company's creation, and by eliminating the stamp tax on company's share capital subscriptions.
DB2012	<i>Spain</i>	Spain eased the process of starting a business by reducing the cost to start a business and decreasing the minimum capital requirement.
DB2011	<i>Denmark</i>	Denmark eased business start-up by reducing the minimum capital requirement for limited liability companies from 125,000 Danish kroner (\$22,850) to 80,000 Danish kroner (\$14,620).
DB2011	<i>Germany</i>	Germany eased business start-up by increasing the efficiency of communications between the notary and the commercial registry and eliminating the need to publish an announcement in a newspaper.
DB2011	<i>Italy</i>	Italy made starting a business easier by enhancing an online registration system.
DB2011	<i>Luxembourg</i>	Luxembourg eased business start-up by speeding up the delivery of the business license.
DB2011	<i>Slovenia</i>	Slovenia made starting a business easier through improvements to its one-stop shop that allowed more online services.

DB Year	Economy	Reform
DB2011	<i>Sweden</i>	Sweden cut the minimum capital requirement for limited liability companies by half, making it easier to start a business.
DB2010	<i>Germany</i>	The business start-up process was eased by reducing the minimum capital requirement to a value that is merely symbolic.
DB2010	<i>Hungary</i>	Business start-up was simplified by implementing online registration and requiring confirmation of registration one hour after receipt of an application.
DB2010	<i>Korea, Rep.</i>	The business start-up process was simplified by eliminating the minimum capital requirement, removing the notary role, cutting taxes, putting time limits on value added tax registration, and making it possible to pay registration taxes online.
DB2010	<i>Luxembourg</i>	The business start-up process was eased by making it possible to reserve a company name online and abolishing capital duties.
DB2010	<i>Poland</i>	Business start-up was eased by reducing the minimum capital requirement from PLN 50,000 to PLN 5,000 and consolidating applications for company registration and registrations with the tax, social security, and statistics authorities.
DB2010	<i>Slovenia</i>	Business start-up was eased by shortening the time for company registration, allowing for simultaneous tax registration during company registration, and abolishing use of company seals.
DB2009	<i>Canada</i>	It is now possible to start a business by going on-line and completing 1 simple procedure.
DB2009	<i>Czech Republic</i>	The "Project Czech Point," where multiple registration-related documents could be obtained at one place, made it simpler to register a company. As a result, 3 procedures were merged into one and the number of days required for business start-up were reduced.
DB2009	<i>Greece</i>	The minimum capital requirement to start a business was cut by 80%, reduced capital tax and made publication of company statutes quicker.
DB2009	<i>Hungary</i>	The minimum capital requirement to start a business was reduced by around 80%, introduced online filing and made the use of notaries optional.
DB2009	<i>Italy</i>	A business can now be started through a single electronic filing.
DB2009	<i>New Zealand</i>	The business start up process can now be completed in one simple online registration in less than a day.



DB Year	Economy	Reform
DB2009	<i>Slovak Republic</i>	A one-stop shop for company registration was created, merging 4 procedures into 1, and reduced cost and time for business start-up.
DB2009	<i>Slovenia</i>	Business start-up was eased through single-access points that reduced the cost to establish limited liability companies and simplified administrative procedures. The number of procedures and the time required to start a company fell.
DB2009	<i>Switzerland</i>	The minimum capital requirement for starting a business was doubled from 10,000 to 20,000 SFR making it harder for new companies to start up.
DB2008	<i>Australia</i>	The registration fee was cut in half from 800 to 400 Australian Dollars, reducing cost, as measured by the Doing Business indicator.
DB2008	<i>Belgium</i>	An electronic registration and publication system was made available to all notaries. Introducing a single registration number, the new system makes publication in the State Gazette automatic. While the reform does not cover VAT and social security registrations, the new procedure cut registration time.
DB2008	<i>Czech Republic</i>	With the full implementation of the company registration reform, the time to register a new business decreased.
DB2008	<i>Estonia</i>	The commercial code was amended to introduce standard articles of association. If entrepreneurs use the model forms, company registration-done electronically and without notary involvement-can be completed in 1 day. A new, fixed fee schedule lowered registration costs.
DB2008	<i>Finland</i>	The new Finnish Companies Act reduced the minimum share capital from € 8.000 to €2.500, or from 27% of GNIpc to about 8%. The reform also simplified documentation requirements, replacing the deed of incorporation and the minutes of the constitutive meeting by a new, simplified agreement of association.
DB2008	<i>Hungary</i>	A new Company Act and a new Corporate Procedure Act introduced standardized forms, a "silent-is-consent" rule, and electronic registration.
DB2008	<i>Portugal</i>	Outdated start-up formalities were eliminated such as registering company books. Requirements for company registration were further simplified and an online incorporation system for use by lawyers became operational.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## DEALING WITH CONSTRUCTION PERMITS

Regulation of construction is critical to protect the public. But it needs to be efficient, to avoid excessive constraints on a sector that plays an important part in every economy. Where complying with building regulations is excessively costly in time and money, many builders opt out. They may pay bribes to pass inspections or simply build illegally, leading to hazardous construction that puts public safety at risk. Where compliance is simple, straightforward and inexpensive, everyone is better off.

### What do the indicators cover?

*Doing Business* records the procedures, time and cost for a business to obtain all the necessary approvals to build a simple commercial warehouse in the economy's largest business city, connect it to basic utilities and register the property so that it can be used as collateral or transferred to another entity.

The ranking on the ease of dealing with construction permits is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the warehouse, including the utility connections.

The business:

- Is a limited liability company operating in the construction business and located in the largest business city.
- Is domestically owned and operated.
- Has 60 builders and other employees.

The warehouse:

- Is a new construction (there was no previous construction on the land).
- Has complete architectural and technical plans prepared by a licensed architect.

### WHAT THE DEALING WITH CONSTRUCTION PERMITS INDICATORS MEASURE

#### Procedures to legally build a warehouse (number)

Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates

Completing all required notifications and receiving all necessary inspections

Obtaining utility connections for water, sewerage and a fixed telephone line

Registering the warehouse after its completion (if required for use as collateral or for transfer of the warehouse)

#### Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day

Procedure completed once final document is received

No prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

Official costs only, no bribes

- Will be connected to water, sewerage (sewage system, septic tank or their equivalent) and a fixed telephone line. The connection to each utility network will be 10 meters (32 feet, 10 inches) long.
- Will be used for general storage, such as of books or stationery (not for goods requiring special conditions).
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

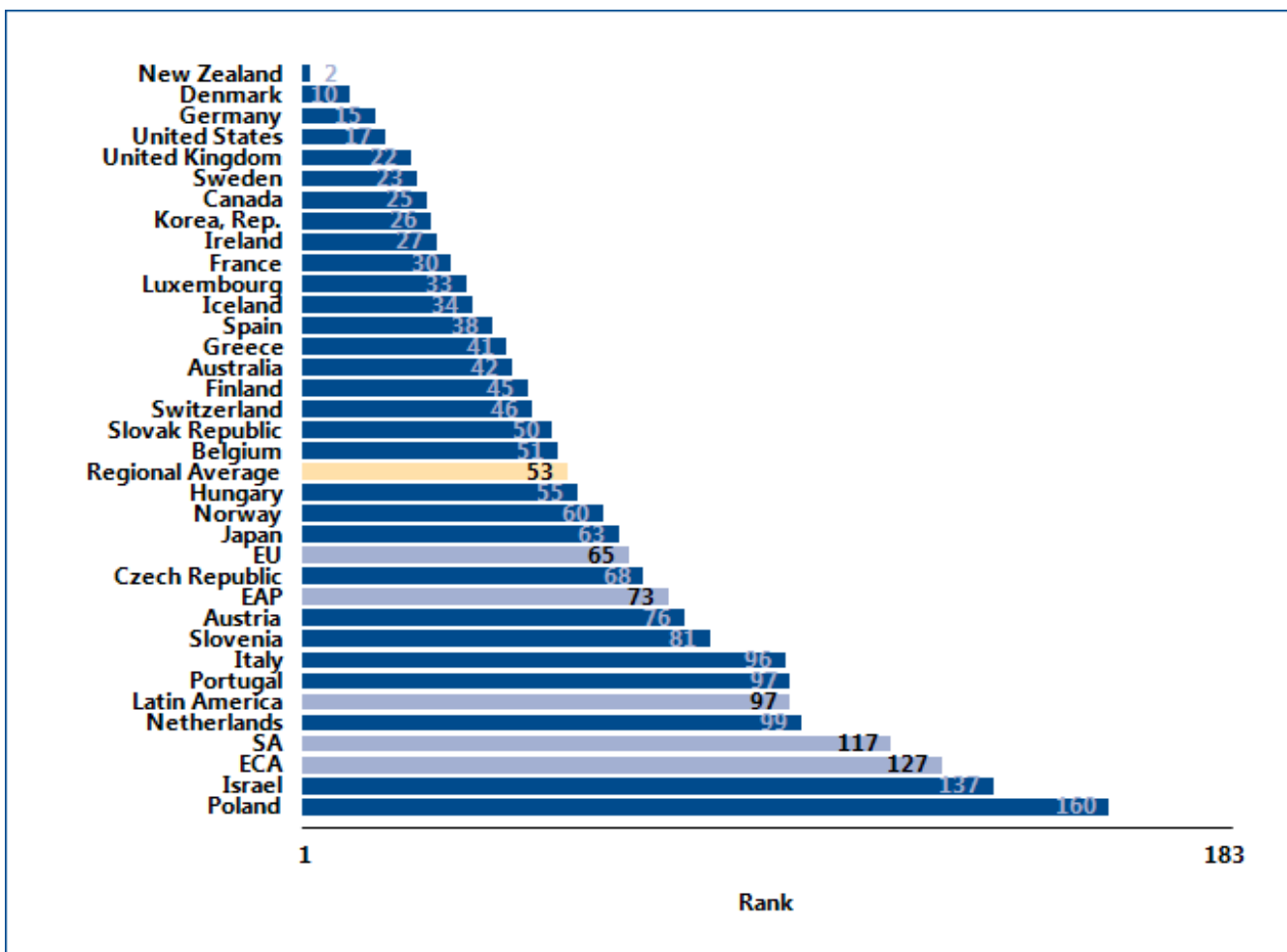
## DEALING WITH CONSTRUCTION PERMITS

### Where do the region's economies stand today?

How easy it is for entrepreneurs in economies in OECD high income to legally build a warehouse? The global rankings of these economies on the ease of dealing

with construction permits suggest an answer (figure 3.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 3.1 How economies in OECD high income rank on the ease of dealing with construction permits



Source: Doing Business database.

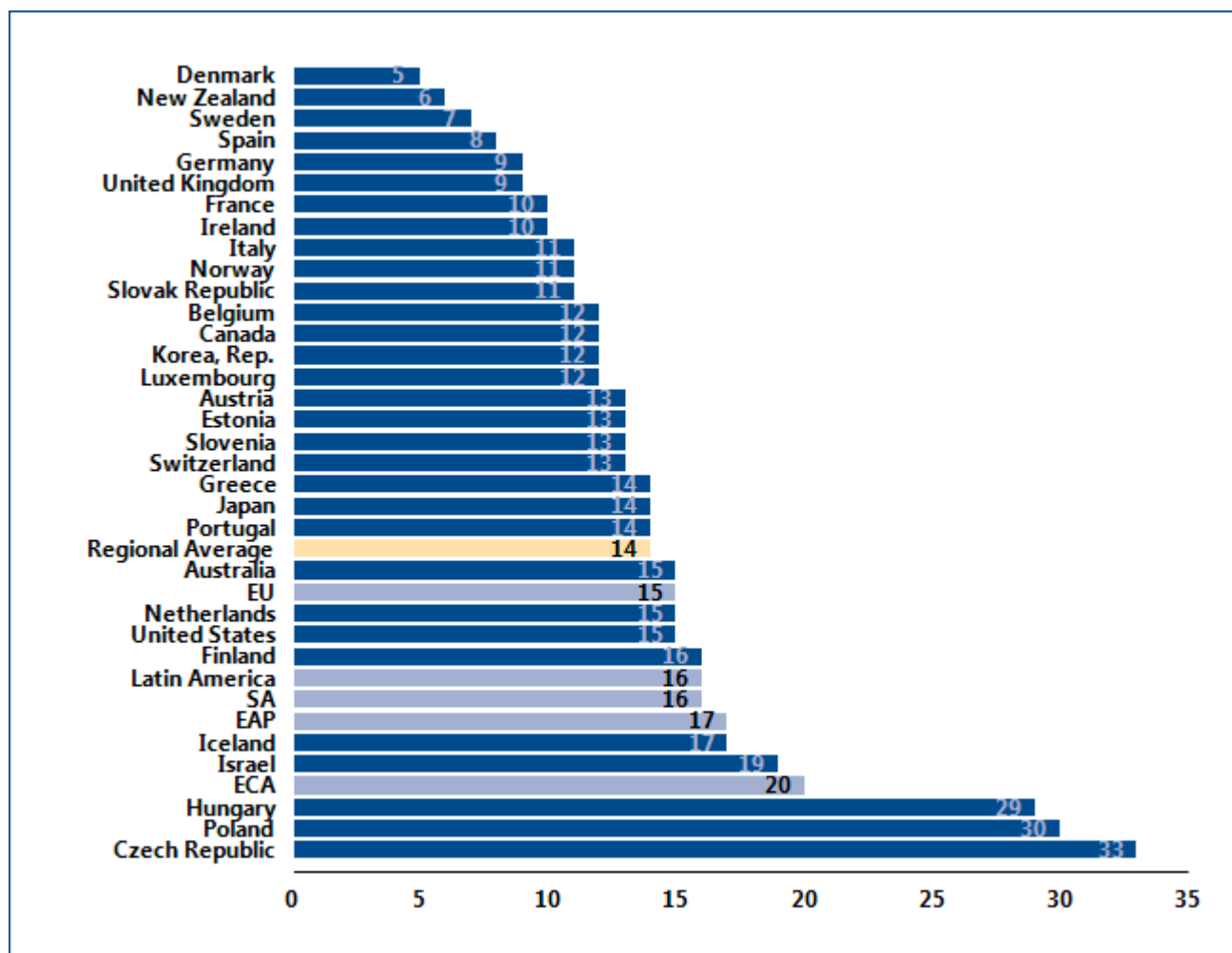
The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to comply with formalities to build a warehouse in each economy in the region: the number

of procedures, the time and the cost (figure 3.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

## DEALING WITH CONSTRUCTION PERMITS

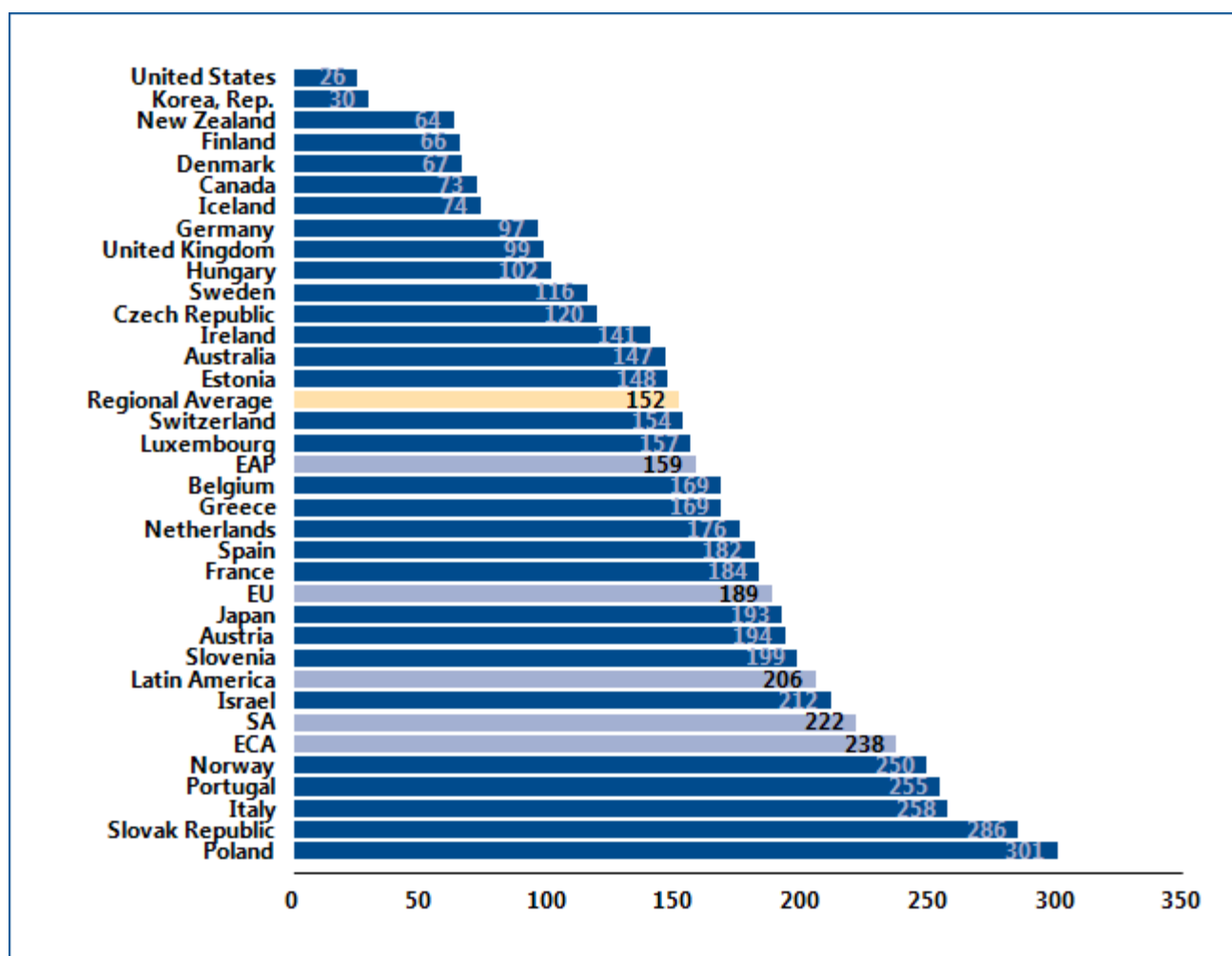
Figure 3.2 What it takes to comply with formalities to build a warehouse in economies in OECD high income

## Procedures (number)



## DEALING WITH CONSTRUCTION PERMITS

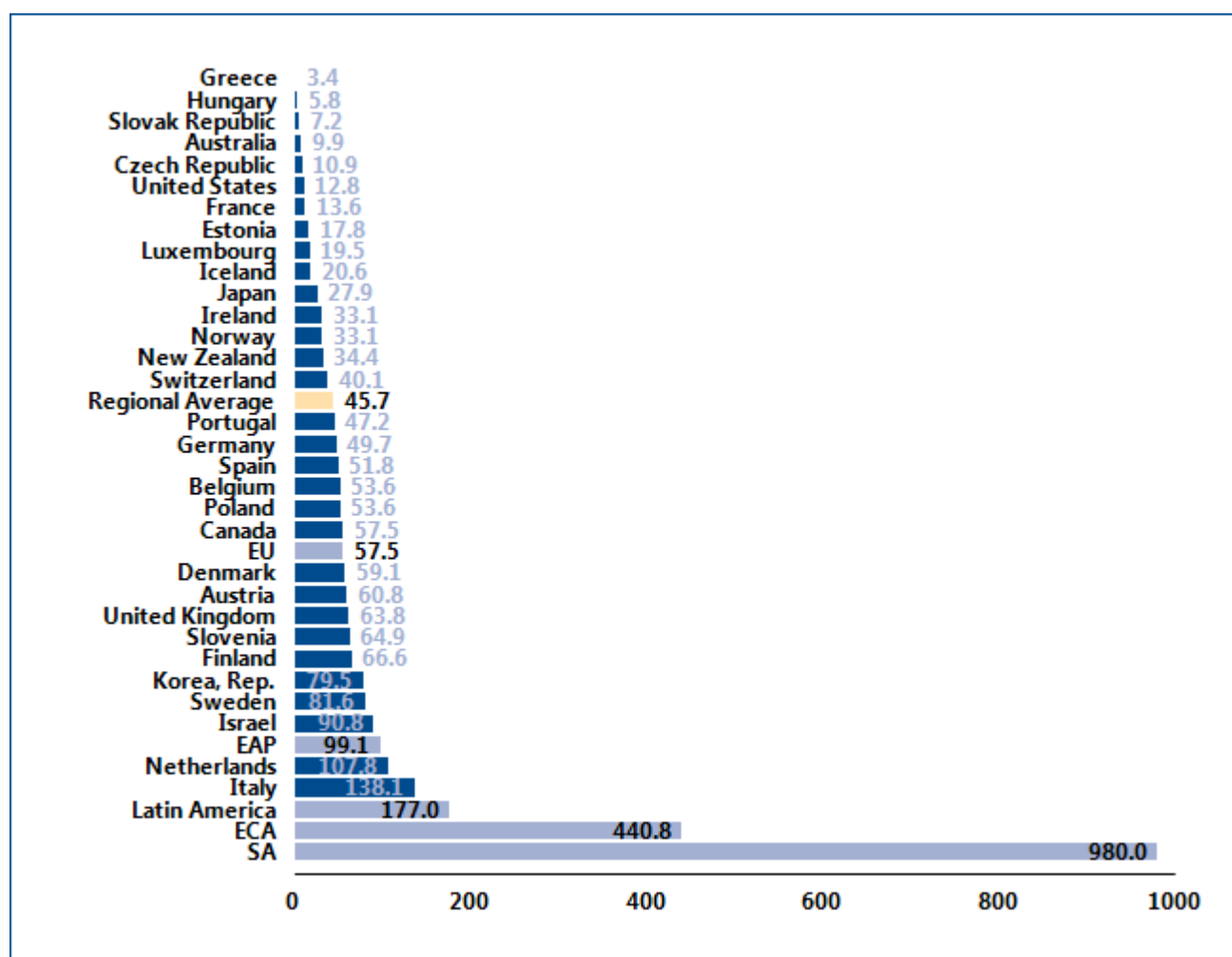
Time (days)





## DEALING WITH CONSTRUCTION PERMITS

## Cost (% of income per capita)



Note: For Dealing with Construction Permits, the data point on cost was corrected for Estonia.

Source: Doing Business database.

## DEALING WITH CONSTRUCTION PERMITS

### What are the changes over time?

Smart regulation ensures that standards are met while making compliance easy and accessible to all. Coherent and transparent rules, efficient processes and adequate allocation of resources are especially important in sectors where safety is at stake. Construction is one of them. In an effort to ensure

building safety while keeping compliance costs reasonable, governments around the world have worked on consolidating permitting requirements. What construction permitting reforms has *Doing Business* recorded in OECD high income (table 3.1)?

Table 3.1 How have economies in OECD high income made dealing with construction permits easier—or not?

By *Doing Business* report year

DB Year	Economy	Reform
DB2012	<i>Japan</i>	Japan made dealing with construction permits costlier by increasing inspection fees.
DB2012	<i>Portugal</i>	Portugal made dealing with construction permits easier by streamlining its inspection system.
DB2012	<i>United Kingdom</i>	The United Kingdom made dealing with construction permits easier by increasing efficiency in the issuance of planning permits.
DB2011	<i>Estonia</i>	Estonia made dealing with construction permits more complex by increasing the time for obtaining design criteria from the municipality.
DB2011	<i>Hungary</i>	Hungary implemented a time limit for the issuance of building permits.
DB2011	<i>Iceland</i>	Iceland made dealing with construction permits more costly by increasing the fees to obtain the design approval and receive inspections.
DB2010	<i>Czech Republic</i>	Construction permitting was streamlined by reducing the internal processing time for registering new plots.
DB2010	<i>Netherlands</i>	A new Spatial Planning Law was enacted to improve the construction regulation process.
DB2010	<i>New Zealand</i>	The fees related to the construction permitting process were increase.

DB Year	Economy	Reform
<b>DB2010</b>	<i>Portugal</i>	An improved fire safety appraisal system was introduced for new construction projects and faster registration of new buildings.
<b>DB2010</b>	<i>Slovenia</i>	Processes for dealing with construction permits were streamlined, such as lowering costs and no longer requiring a cadastre plan.
<b>DB2010</b>	<i>United Kingdom</i>	The process of dealing with construction permits was eased with wider use of approved inspectors, reducing the time and number of steps required.
<b>DB2009</b>	<i>Portugal</i>	An on-line application was introduced for construction permits.
<b>DB2008</b>	<i>Czech Republic</i>	The time to obtain licenses was reduced by passing a new Building Act and implementing several regulations aimed at simplifying the building process.

*Note:* For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

*Source:* *Doing Business* database.

## GETTING ELECTRICITY

Access to reliable and affordable electricity is vital for businesses. To counter weak electricity supply, many firms in developing economies have to rely on self-supply, often at a prohibitively high cost. Whether electricity is reliably available or not, the first step for a customer is always to gain access by obtaining a connection.

### What do the indicators cover?

*Doing Business* records all procedures required for a local business to obtain a permanent electricity connection and supply for a standardized warehouse, as well as the time and cost to complete them. These procedures include applications and contracts with electricity utilities, clearances from other agencies and the external and final connection works. The ranking on the ease of getting electricity is the simple average of the percentile rankings on its component indicators: procedures, time and cost. To make the data comparable across economies, several assumptions are used.

The warehouse:

- Is located in the economy's largest business city, in an area where other warehouses are located.
- Is not in a special economic zone where the connection would be eligible for subsidization or faster service.
- Has road access. The connection works involve the crossing of a road or roads but are carried out on public land.
- Is a new construction being connected to electricity for the first time.
- Has 2 stories, both above ground, with a total surface of about 1,300.6 square meters (14,000 square feet), and is built on a plot of 929 square meters (10,000 square feet).

The electricity connection:

- Is a 3-phase, 4-wire Y, 140-kilovolt-ampere (kVA) (subscribed capacity) connection.

### WHAT THE GETTING ELECTRICITY

#### INDICATORS MEASURE

#### Procedures to obtain an electricity connection (number)

Submitting all relevant documents and obtaining all necessary clearances and permits

Completing all required notifications and receiving all necessary inspections

Obtaining external installation works and possibly purchasing material for these works

Concluding any necessary supply contract and obtaining final supply

#### Time required to complete each procedure (calendar days)

Is at least 1 calendar day

Each procedure starts on a separate day

Does not include time spent gathering information

Reflects the time spent in practice, with little follow-up and no prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

Official costs only, no bribes

Excludes value added tax

- Is 150 meters long.
- Is to either the low-voltage or the medium-voltage distribution network and either overhead or underground, whichever is more common in the economy and in the area where the warehouse is located. The length of any connection in the customer's private domain is negligible.
- Involves installing one electricity meter. The monthly electricity consumption will be 0.07 gigawatt-hour (GWh). The internal electrical wiring has been completed.

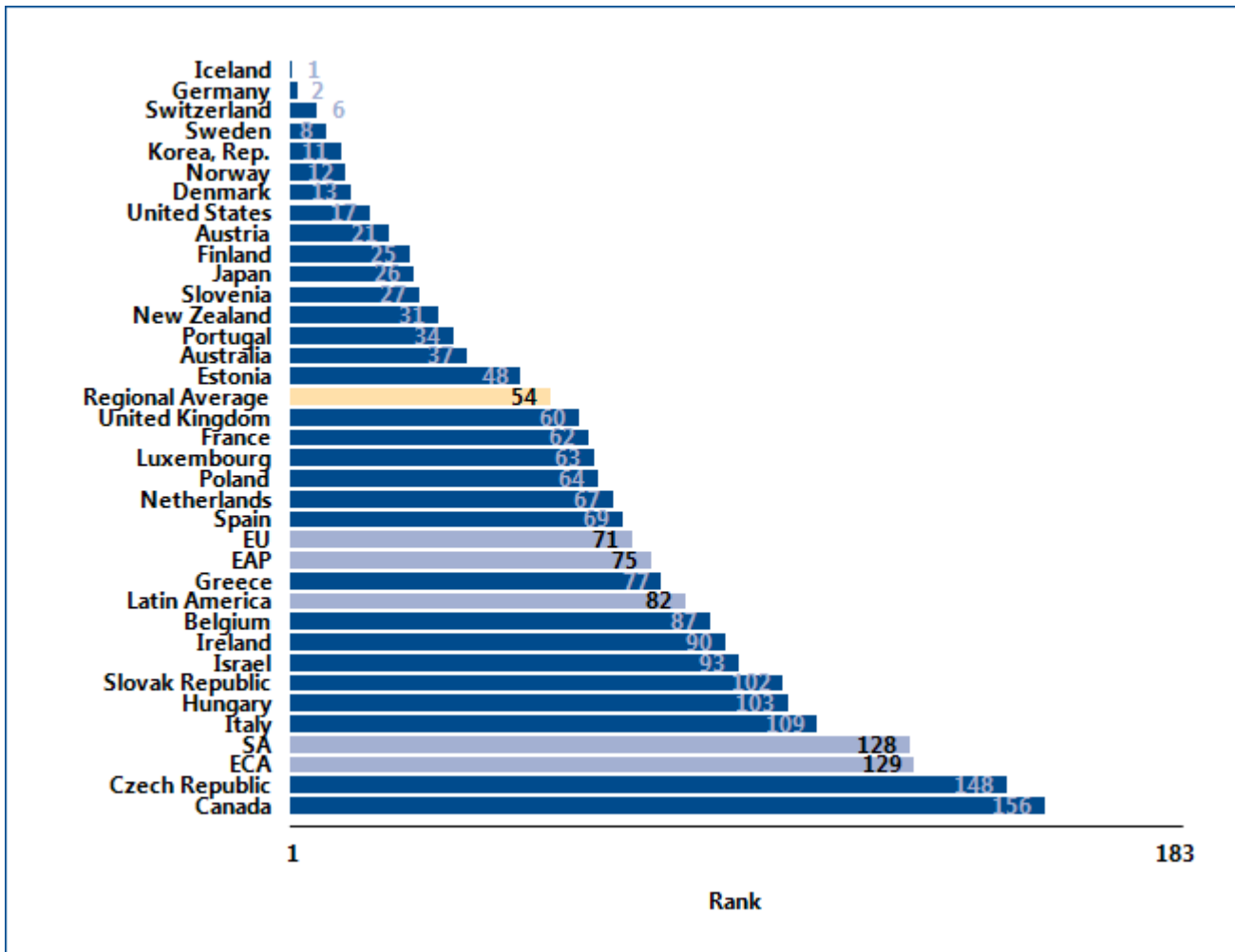
## GETTING ELECTRICITY

### Where do the region's economies stand today?

How easy is it for entrepreneurs in economies in OECD high income to connect a warehouse to electricity? The global rankings of these economies on the ease of

getting electricity suggest an answer (figure 4.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 4.1 How economies in OECD high income rank on the ease of getting electricity



Source: Doing Business database.

The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to get a new electricity connection in each economy in the region: the number of procedures, the

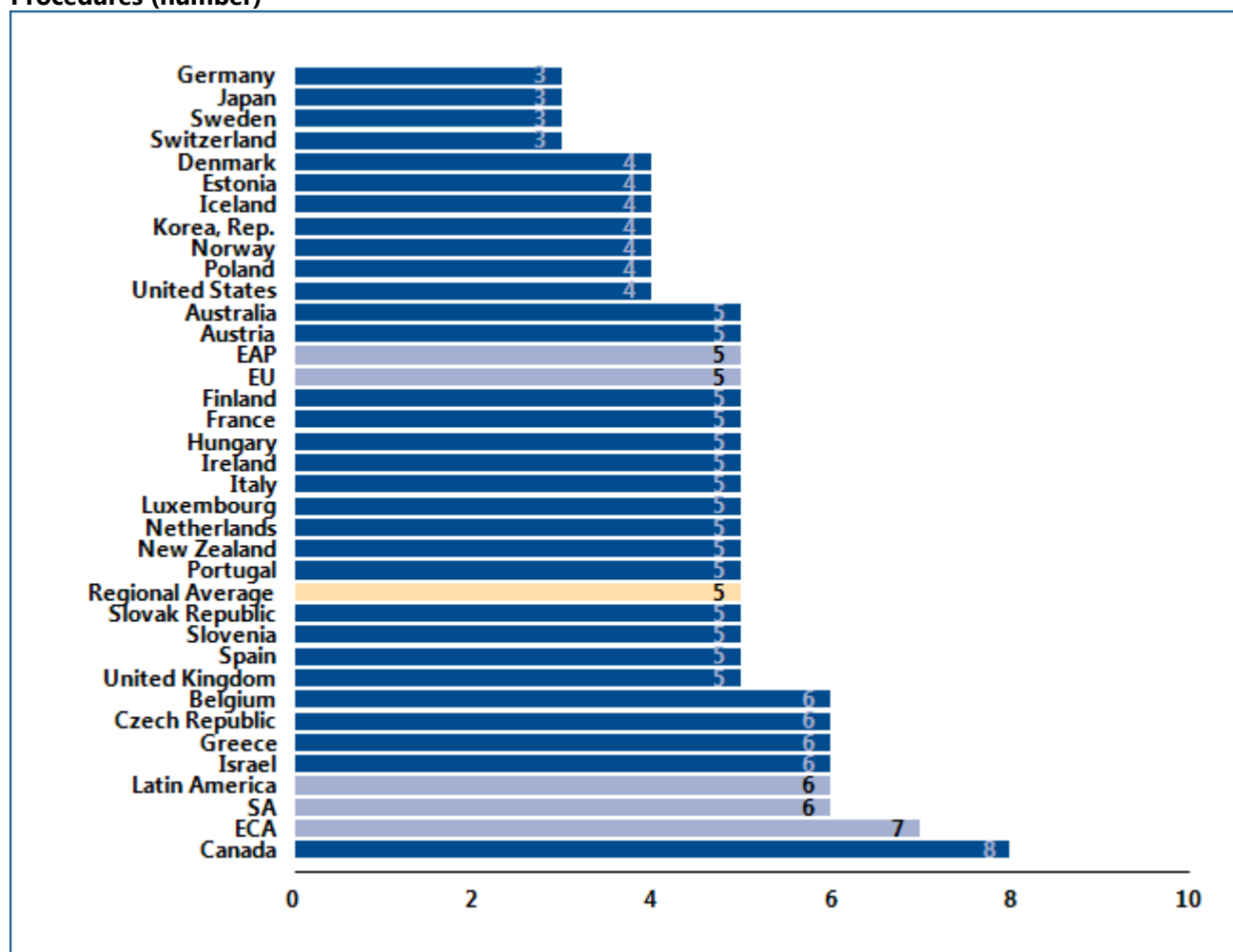
time and the cost (figure 4.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.



## GETTING ELECTRICITY

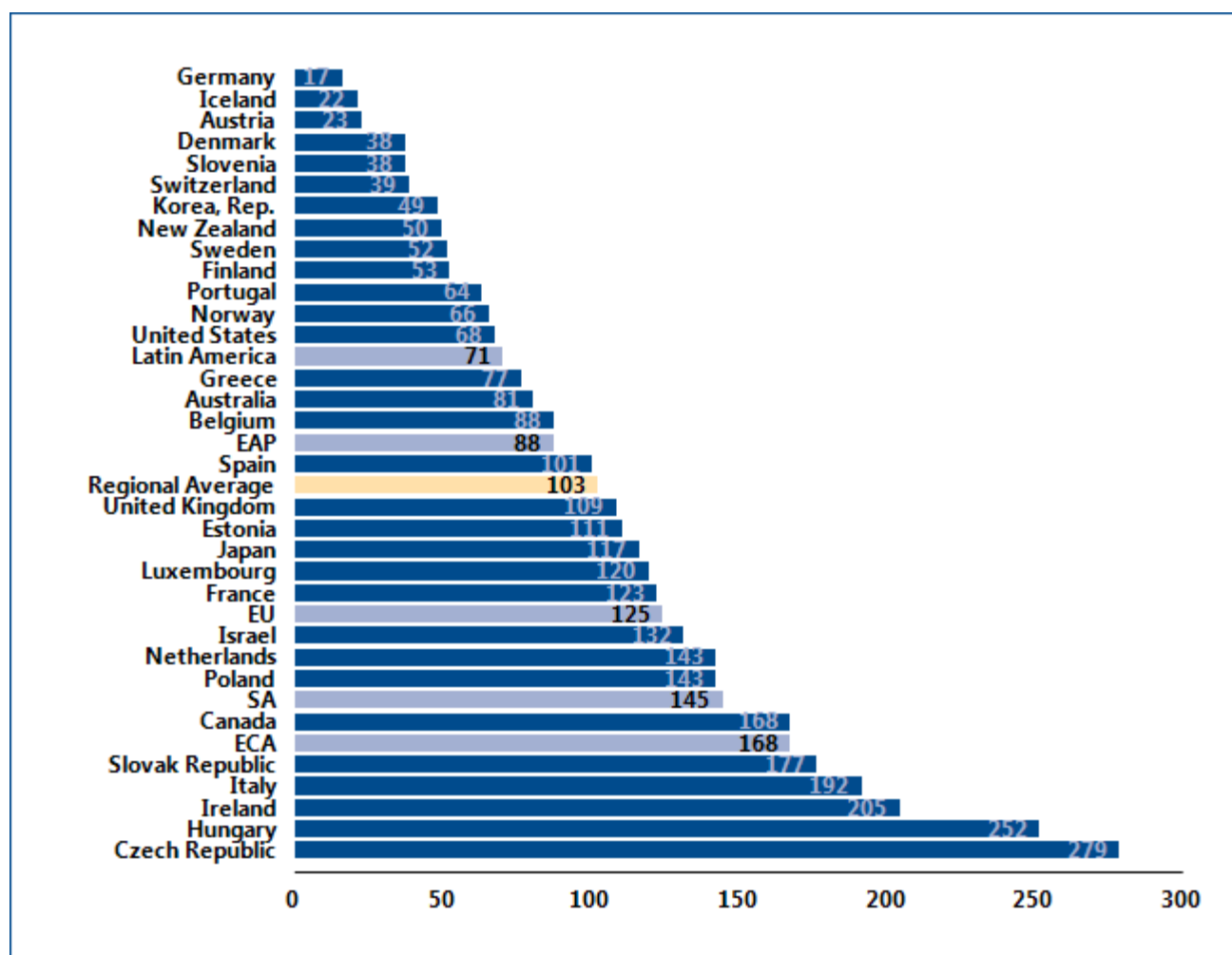
Figure 4.2 What it takes to get an electricity connection in economies in OECD high income

## Procedures (number)



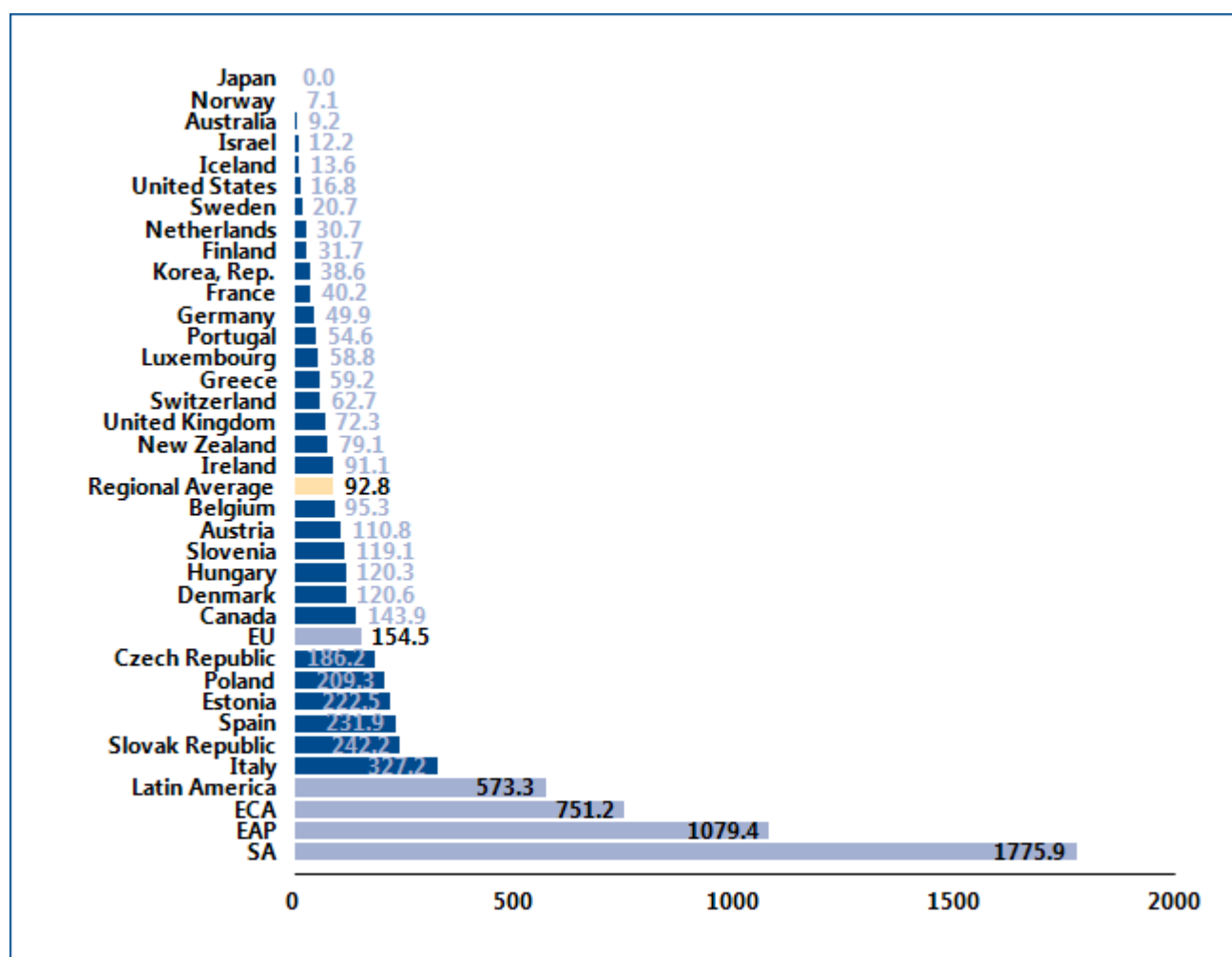
## GETTING ELECTRICITY

Time (days)



## GETTING ELECTRICITY

### Cost (% of income per capita)



Source: Doing Business database.

## REGISTERING PROPERTY

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. And where property is informal or poorly administered, it has little chance of being accepted as collateral for loans—limiting access to finance.

### What do the indicators cover?

*Doing Business* records the full sequence of procedures necessary for a business to purchase property from another business and transfer the property title to the buyer's name. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it. The ranking on the ease of registering property is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in the periurban area of the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.

### WHAT THE REGISTERING PROPERTY INDICATORS MEASURE

#### Procedures to legally transfer title on immovable property (number)

Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)

Registration in the economy's largest business city

Postregistration (for example, filing title with the municipality)

#### Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day

Procedure completed once final document is received

No prior contact with officials

#### Cost required to complete each procedure (% of property value)

Official costs only, no bribes

No value added or capital gains taxes included

- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Consists of 557.4 square meters (6,000 square feet) of land and a 10-year-old, 2-story warehouse of 929 square meters (10,000 square feet). The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

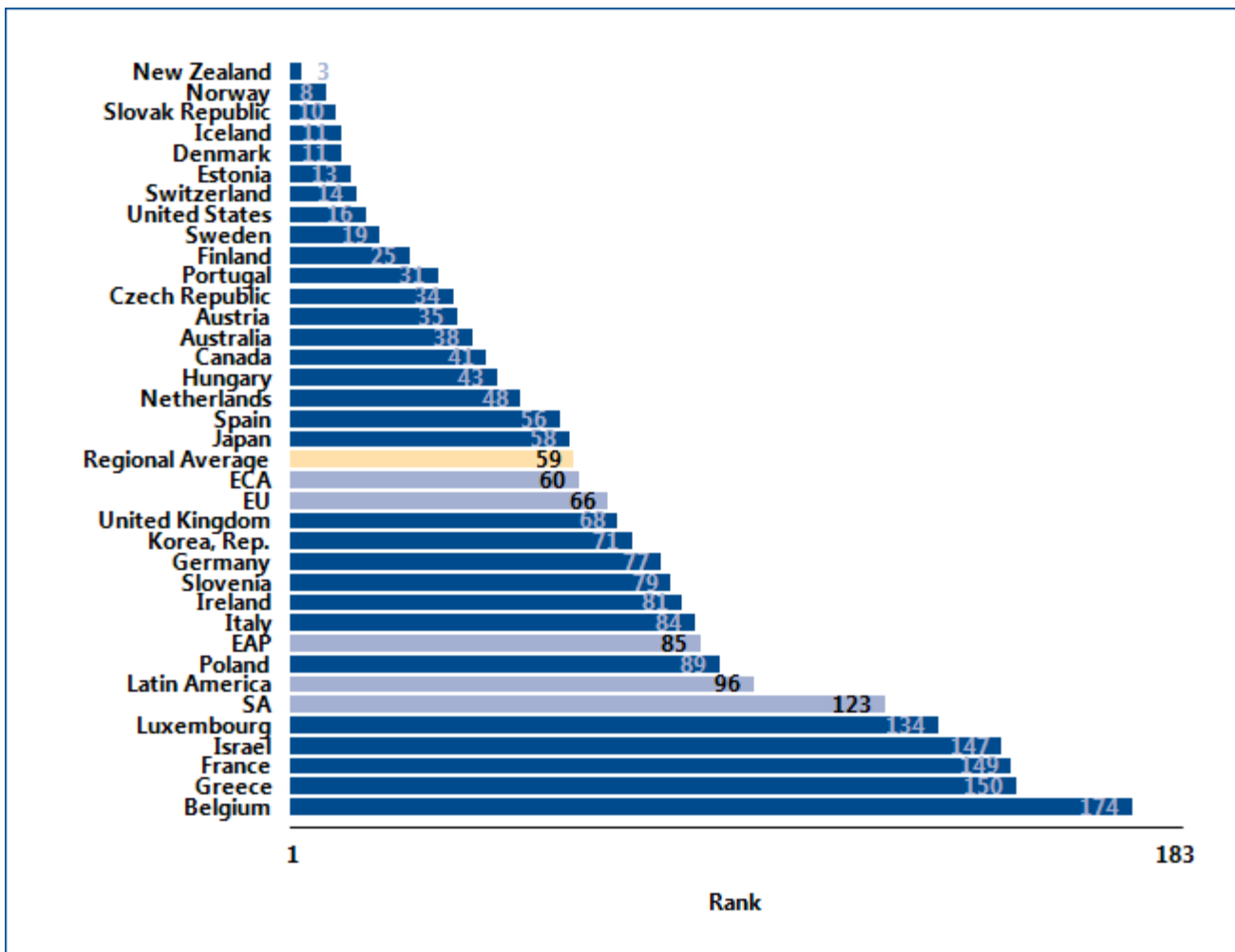
## REGISTERING PROPERTY

### Where do the region's economies stand today?

How easy is it for entrepreneurs in economies in OECD high income to transfer property? The global rankings of these economies on the ease of registering property

suggest an answer (figure 5.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 5.1 How economies in OECD high income rank on the ease of registering property



Source: Doing Business database.

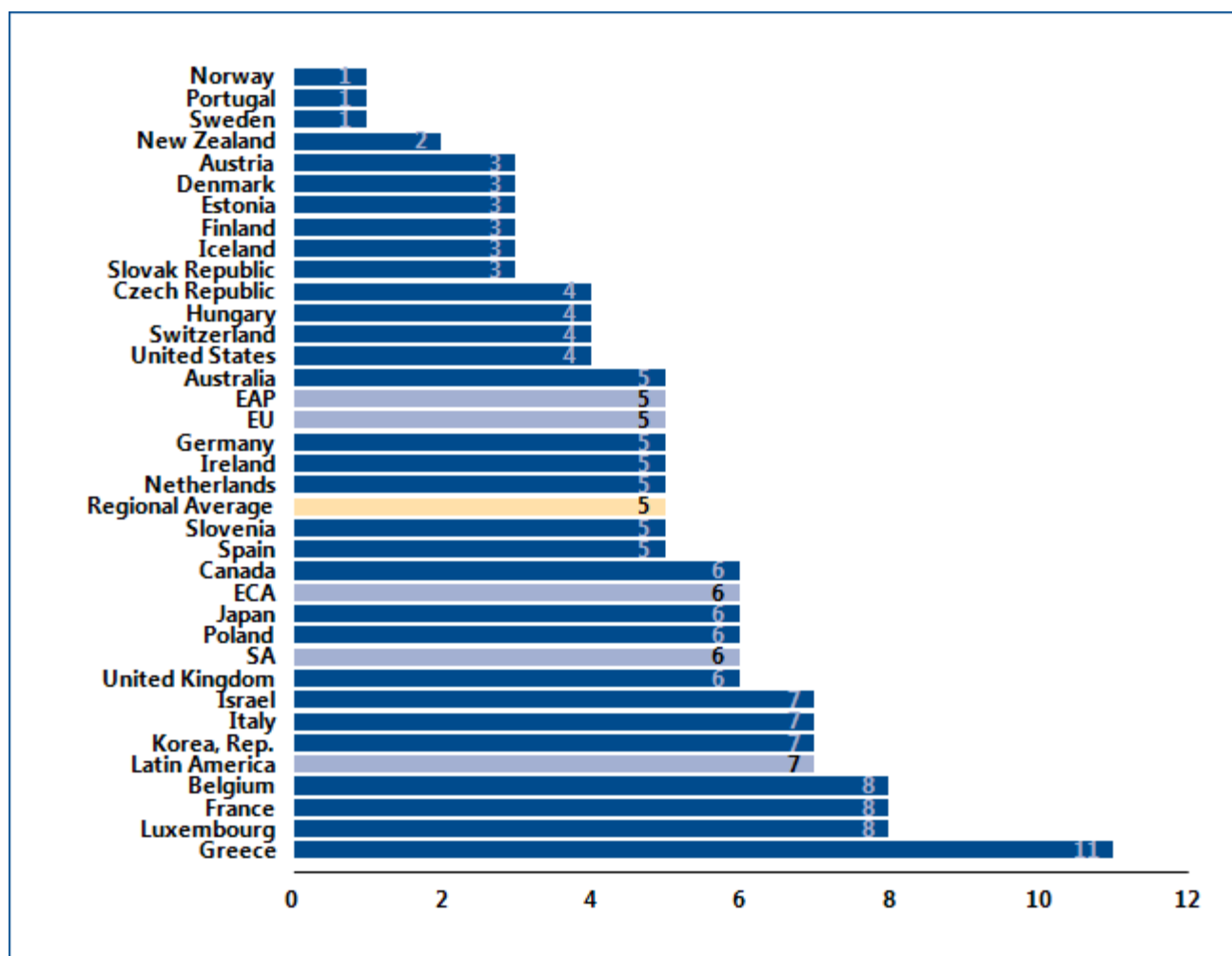
The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to complete a property transfer in each economy in the region: the number of procedures, the

time and the cost (figure 5.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

## REGISTERING PROPERTY

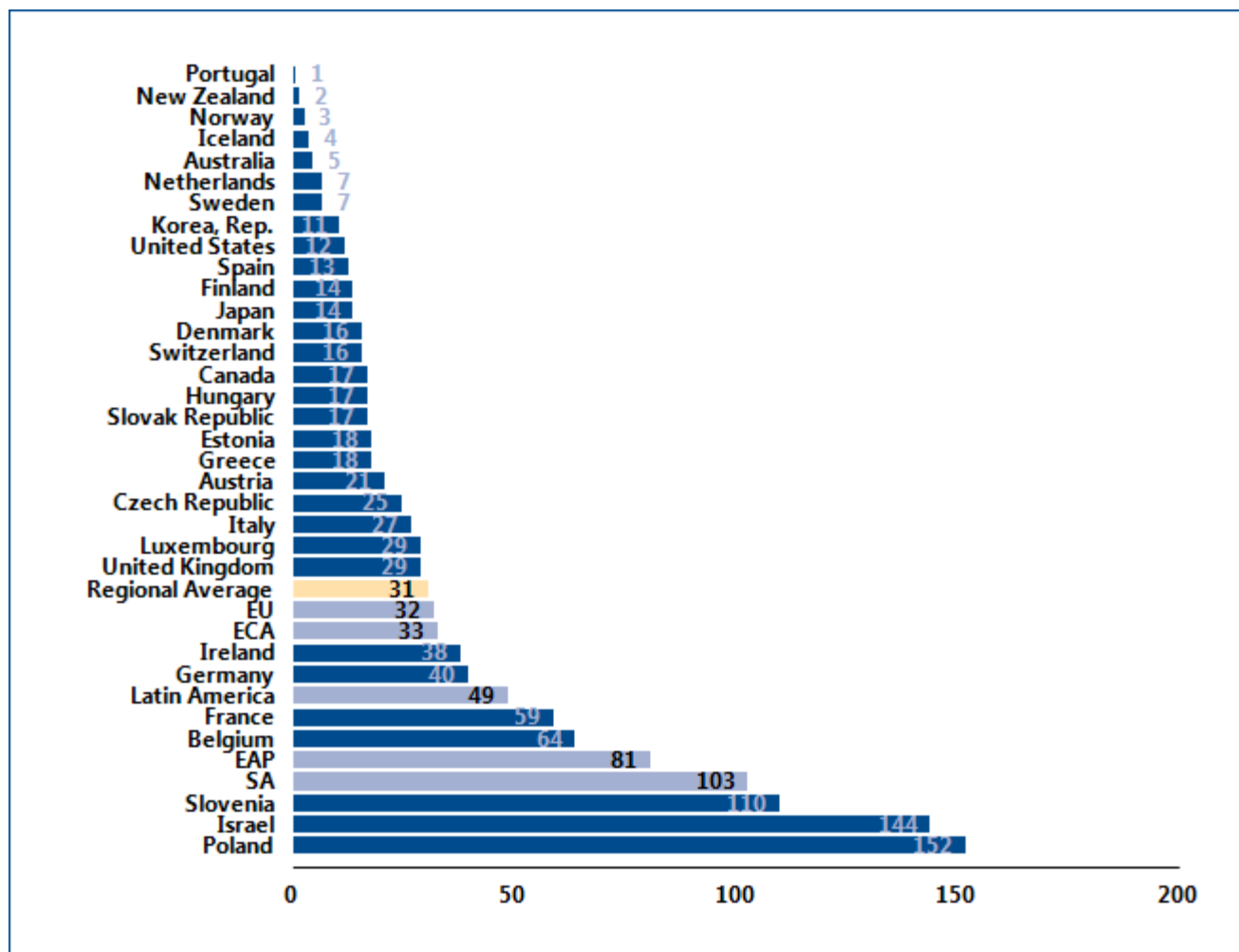
Figure 5.2 What it takes to register property in economies in OECD high income

### Procedures (number)



REGISTERING PROPERTY

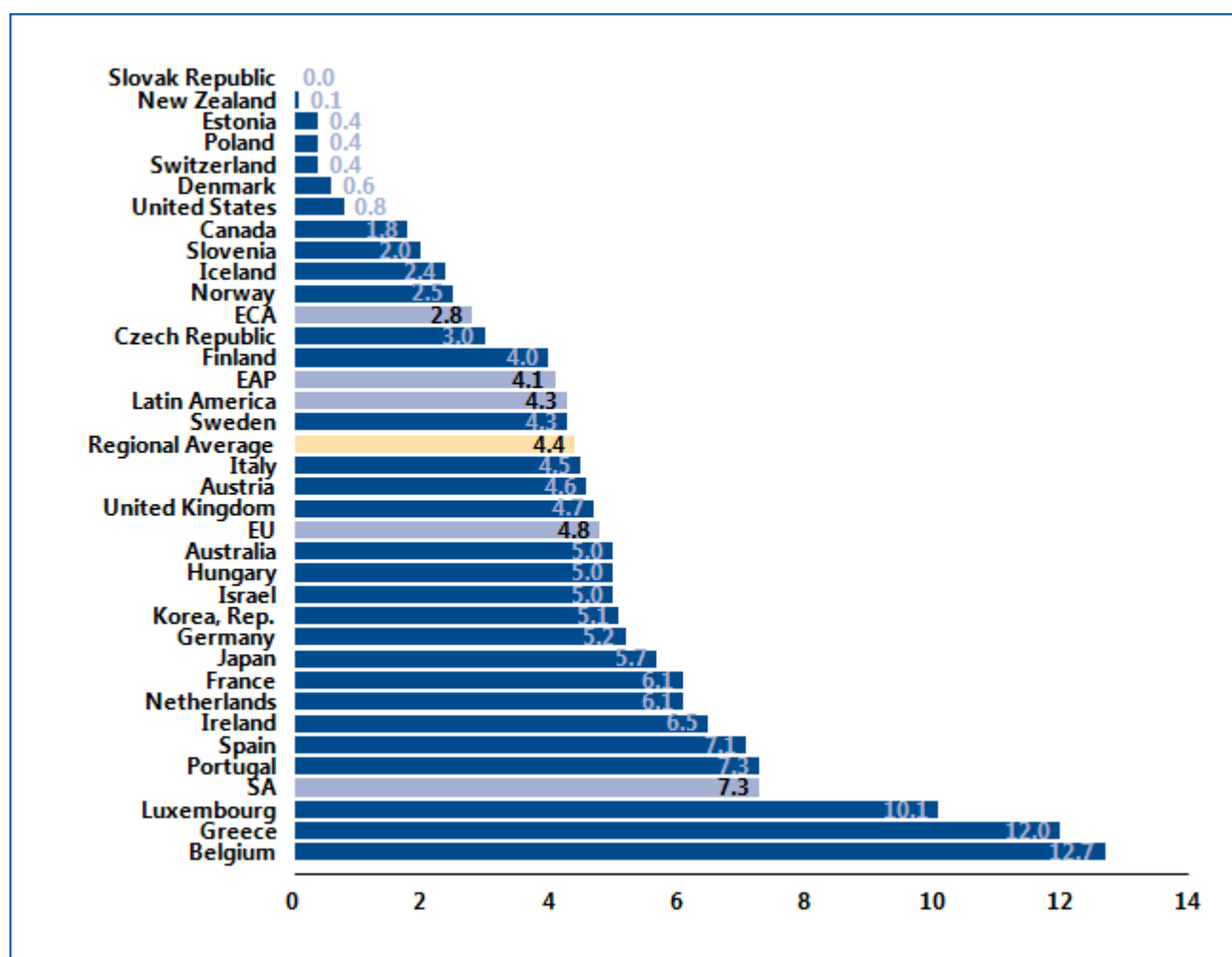
Time (days)





## REGISTERING PROPERTY

## Cost (% of property value)



\* Indicates a "no practice" mark. See the data notes for details.

Source: Doing Business database.

## REGISTERING PROPERTY

### What are the changes over time?

Economies worldwide have been making it easier for entrepreneurs to register and transfer property—such as by computerizing land registries, introducing time limits for procedures and setting low fixed fees. Many have cut the time required substantially—enabling

buyers to use or mortgage their property earlier. What property registration reforms has *Doing Business* recorded in OECD high income (table 5.1)?

Table 5.1 How have economies in OECD high income made registering property easier—or not?  
By *Doing Business* report year

DB Year	Economy	Reform
DB2012	<i>Belgium</i>	Belgium made property registration quicker for entrepreneurs by setting time limits and implementing its “e-notariat” system.
DB2012	<i>Czech Republic</i>	The Czech Republic speeded up property registration by computerizing its cadastral office, digitizing all its data and introducing electronic communications with notaries.
DB2012	<i>Slovenia</i>	Slovenia made transferring property easier and less costly by introducing online procedures and reducing fees.
DB2012	<i>Sweden</i>	Sweden increased the cost of transferring property between companies.
DB2011	<i>Austria</i>	Austria made it easier to transfer property by requiring online submission of all applications to register property transfers.
DB2011	<i>Belgium</i>	Belgium’s capital city, Brussels, made it more difficult to transfer property by requiring a clean-soil certificate.
DB2011	<i>Denmark</i>	Computerization of Denmark’s land registry cut the number of procedures required to register property by half.
DB2011	<i>Greece</i>	Greece made transferring property more costly by increasing the transfer tax from 1% of the property value to 10%.
DB2011	<i>Hungary</i>	Hungary reduced the property registration fee by 6% of the property value.

DB Year	Economy	Reform
DB2011	<i>Poland</i>	Poland eased property registration by computerizing its land registry.
DB2011	<i>Portugal</i>	Portugal established a one-stop shop for property registration.
DB2011	<i>Slovenia</i>	Greater computerization in Slovenia's land registry reduced delays in property registration by 75%.
DB2011	<i>Sweden</i>	Sweden made registering property easier by eliminating the requirement to obtain a preemption waiver from the municipality
DB2010	<i>Belgium</i>	Property transfers were eased by setting statutory time limits.
DB2010	<i>Czech Republic</i>	The property registration process was eased with an ongoing reorganization effort at the registry combined with computerization.
DB2010	<i>Estonia</i>	Property registration was eased with the computerization of records at the land registry, which also allowed notaries to register property online.
DB2010	<i>France</i>	A fuller electronic connection between notaries and the land registry reduced the time to transfer property in France and made it easier to obtain encumbrance and ownership documents from the registry.
DB2010	<i>Ireland</i>	Property registration was eased by reducing the maximum chargeable stamp duty for property transactions from 9 percent of the property value to 6 percent.
DB2010	<i>Portugal</i>	Property registration was sped up with computerization at the Registry and an amendment to the Registry Code making the use of notaries optional.
DB2010	<i>United Kingdom</i>	The lodging of a land transaction return is now processed automatically and electronically by the revenue and customs authority, reducing the time to register property.

DB Year	Economy	Reform
DB2009	<i>Hungary</i>	The time required to register property was reduced by opening a new property registration office in Budapest and increasing cooperation among government agencies.
DB2008	<i>France</i>	The new Tele@ctes system allows notaries to access the land registry electronically, reducing delays.
DB2008	<i>Germany</i>	Registration fees were increased on two fronts. First, a higher tax rate for property transfers and the statement of innocuousness is required in Berlin . Second, a higher fee is being charged to register a priority in the land register.
DB2008	<i>Hungary</i>	The process for registering property was sped up by opening a second registry office in Budapest. The time needed to submit an application to the Land Registry Office and register the title decreased.
DB2008	<i>Poland</i>	The cost for registering property was decreased by passing and implementing a Law on Registry fees which changed the fee scheme from a variable rate to a fixed fee schedule.
DB2008	<i>Portugal</i>	As part of a modernization initiative by the Portuguese government, real estate registries in Lisbon continue to be computerized for better efficiency. This digitalization has cut the time to register property significantly.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## GETTING CREDIT

Two types of frameworks can facilitate access to credit and improve its allocation: credit information systems and the legal rights of borrowers and lenders in collateral and bankruptcy laws. Credit information systems enable lenders to view a potential borrower's financial history (positive or negative)—valuable information to consider when assessing risk. And they permit borrowers to establish a good credit history that will allow easier access to credit. Sound collateral laws enable businesses to use their assets, especially movable property, as security to generate capital—while strong creditors' rights have been associated with higher ratios of private sector credit to GDP.

### What do the indicators cover?

*Doing Business* assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a public credit registry or a private credit bureau. The strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. *Doing Business* uses case scenarios to determine the scope of the secured transactions system, involving a secured borrower and a secured lender and examining legal restrictions on the use of movable collateral. These scenarios assume that the borrower:

- Is a private, limited liability company.
- Has its headquarters and only base of operations in the largest business city.

### WHAT THE GETTING CREDIT INDICATORS MEASURE

#### Strength of legal rights index (0–10)

Protection of rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

#### Depth of credit information index (0–6)

Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

#### Public credit registry coverage (% of adults)

Number of individuals and firms listed in public credit registry as percentage of adult population

#### Private credit bureau coverage (% of adults)

Number of individuals and firms listed in largest private credit bureau as percentage of adult population

- Has 100 employees.
- Is 100% domestically owned, as is the lender.

The ranking on the ease of getting credit is based on the percentile rankings on its component indicators: the depth of credit information index (weighted at 37.5%) and the strength of legal rights index (weighted at 62.5%).

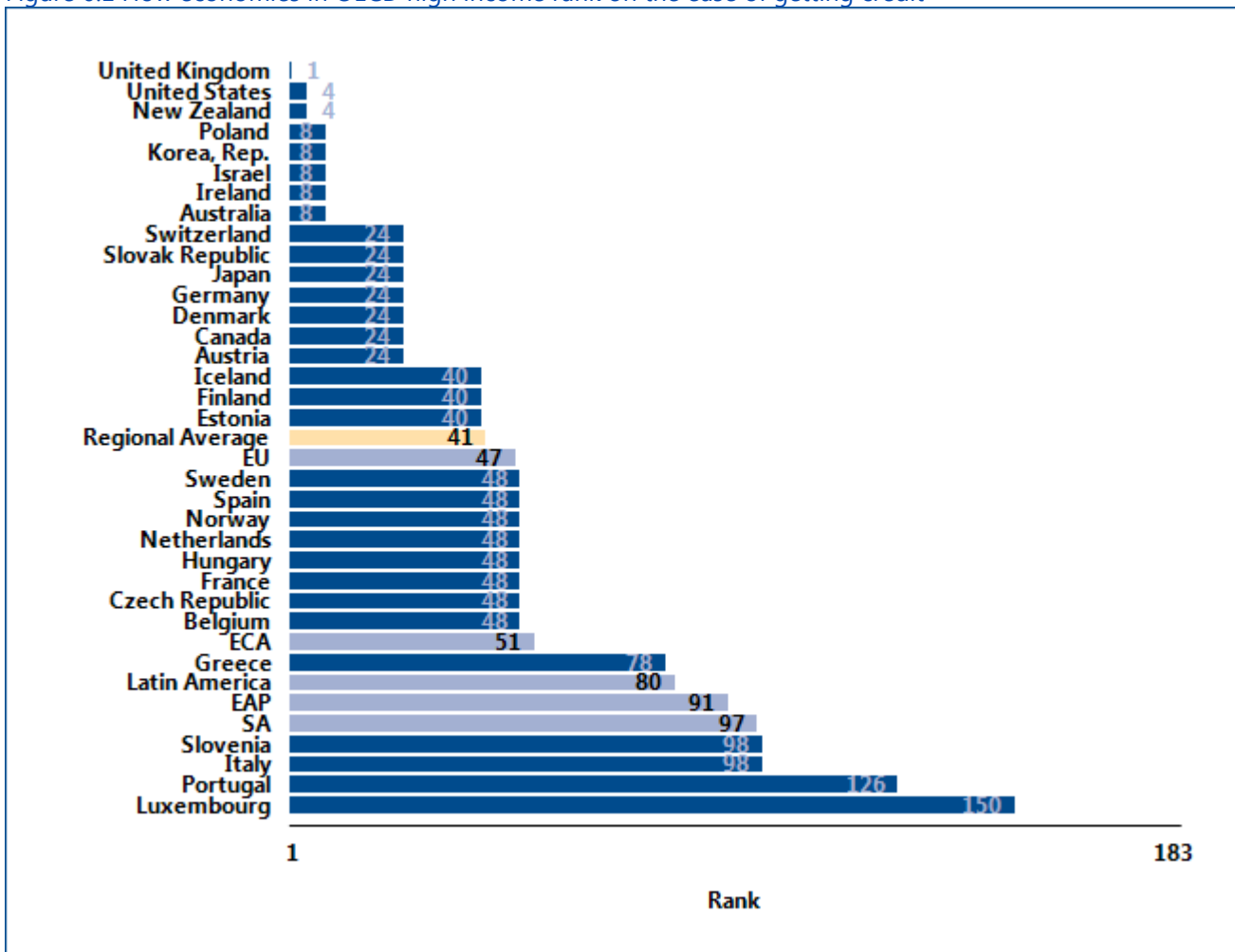
## GETTING CREDIT

### Where do the region's economies stand today?

How well do the credit information systems and collateral and bankruptcy laws in economies in OECD high income facilitate access to credit? The global rankings of these economies on the ease of getting

credit suggest an answer (figure 6.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 6.1 How economies in OECD high income rank on the ease of getting credit



Source: Doing Business database.

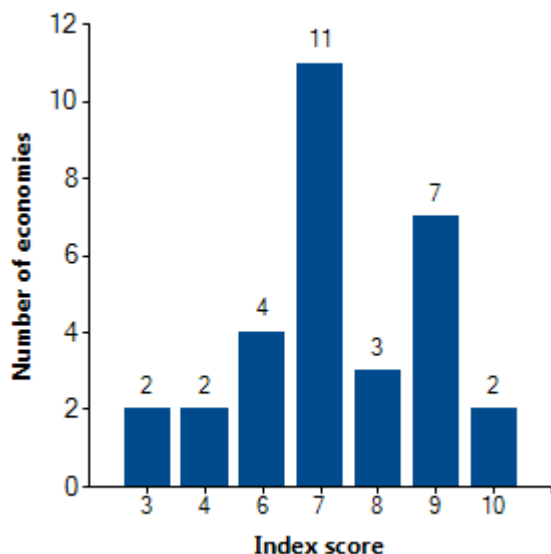
## GETTING CREDIT

Another way to assess how well regulations and institutions support lending and borrowing in the region is to look at the distribution of its economies by their scores on the getting credit indicators. Figure 6.2 shows how many economies in the region received a

particular score on the strength of legal rights index. Figure 6.3 shows the same thing for the depth of credit information index. Higher scores indicate stronger legal rights for borrowers and lenders and more credit information.

Figure 6.2 How strong are legal rights for borrowers and lenders in economies in OECD high income?

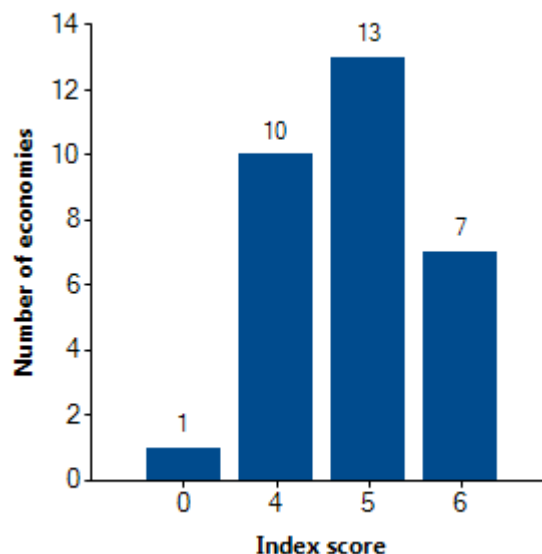
Number of economies in region with each score on strength of legal rights index (0–10)



Source: Doing Business database.

Figure 6.3 How extensive—and how accessible—is credit information in economies in OECD high income?

Number of economies in region with each score on depth of credit information index (0–6)



Source: Doing Business database.



## GETTING CREDIT

### What are the changes over time?

When economies strengthen the legal rights of lenders and borrowers under collateral and bankruptcy laws, and increase the scope, coverage and accessibility of

credit information, they can increase entrepreneurs' access to credit. What credit reforms has *Doing Business* recorded in OECD high income (table 6.1)?

Table 6.1 How have economies in OECD high income made getting credit easier—or not?  
By *Doing Business* report year

DB Year	Economy	Reform
DB2012	<i>Hungary</i>	Hungary reduced the amount of credit information available from private credit bureaus by shortening the period for retaining data on defaults and late payments (if repaid) from 5 years to 1 year.
DB2012	<i>Slovak Republic</i>	The Slovak Republic improved its credit information system by guaranteeing by law the right of borrowers to inspect their own data.
DB2011	<i>Estonia</i>	Estonia improved access to credit by amending the Code of Enforcement Procedure and allowing out-of-court enforcement of collateral by secured creditors.
DB2010	<i>Greece</i>	The private credit bureau, Tiresias, expanded the amount of information it distributes in its credit reports, enhancing access to credit information.
DB2010	<i>Poland</i>	Access to credit was improved by allowing all legal persons (including foreign entities) to hold or grant security interests.
DB2009	<i>Finland</i>	Regulations relating to the provision of credit information were consolidated into a single law.
DB2008	<i>France</i>	A nationwide online registry of all moveable collateral was launched. At this time it contains information for security rights in moveable property, and is being expanded to cover other assets as well.
DB2008	<i>Slovenia</i>	The public credit registry decreased the scope of the credit information collected, by increasing the minimum loan requirement from 0 to 500 Euros.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## PROTECTING INVESTORS

Investor protections matter for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. If the laws do not provide such protections, investors may be reluctant to invest unless they become the controlling shareholders. Strong regulations clearly define related-party transactions, promote clear and efficient disclosure requirements, require shareholder participation in major decisions of the company and set clear standards of accountability for company insiders.

### What do the indicators cover?

*Doing Business* measures the strength of minority shareholder protections against directors' use of corporate assets for personal gain—or self-dealing. The indicators distinguish 3 dimensions of investor protections: transparency of related-party transactions (extent of disclosure index), liability for self-dealing (extent of director liability index) and shareholders' ability to sue officers and directors for misconduct (ease of shareholder suits index). The ranking on the strength of investor protection index is the simple average of the percentile rankings on these 3 indices. To make the data comparable across economies, a case study uses several assumptions about the business and the transaction.

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders).
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

The transaction involves the following details:

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.

### WHAT THE PROTECTING INVESTORS INDICATORS MEASURE

#### Extent of disclosure index (0–10)

- Who can approve related-party transactions
- Disclosure requirements in case of related-party transactions

#### Extent of director liability index (0–10)

- Ability of shareholders to hold interested parties and members of the approving body liable in case of related-party transactions
- Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)
- Ability of shareholders to sue directly or derivatively

#### Ease of shareholder suits index (0–10)

- Documents and information available during trial
- Access to internal corporate documents (directly or through a government inspector)

#### Strength of investor protection index (0–10)

- Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices
- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to Buyer.
- Shareholders sue the interested parties and the members of the board of directors.

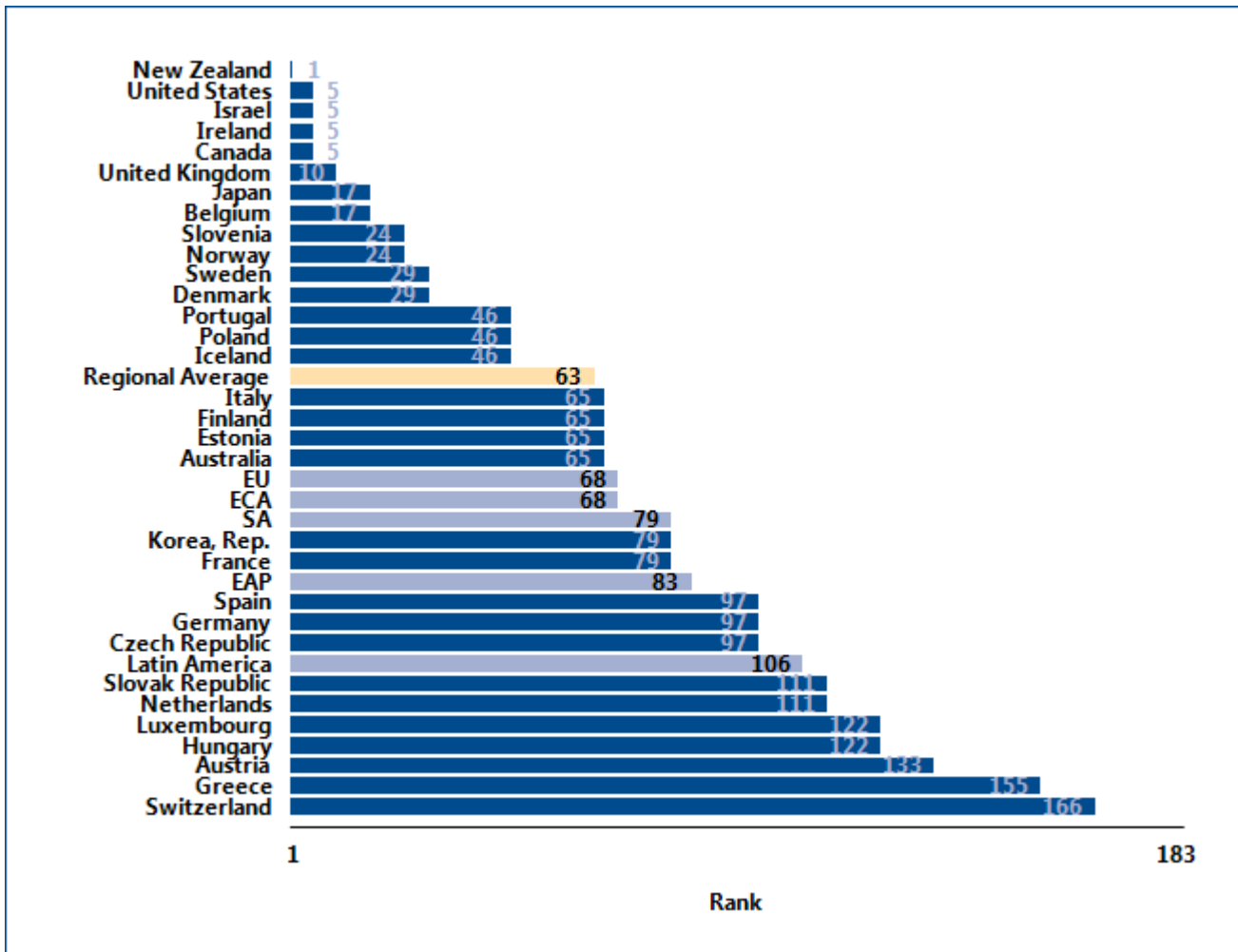
## PROTECTING INVESTORS

### Where do the region's economies stand today?

How strong are investor protections in economies in OECD high income? The global rankings of these economies on the strength of investor protection index suggest an answer (figure 7.1). While the indicator does not measure all aspects related to the

protection of minority investors, a higher ranking does indicate that an economy's regulations offer stronger investor protections against self-dealing in the areas measured.

Figure 7.1 How economies in OECD high income rank on the strength of investor protection index



Source: Doing Business database.

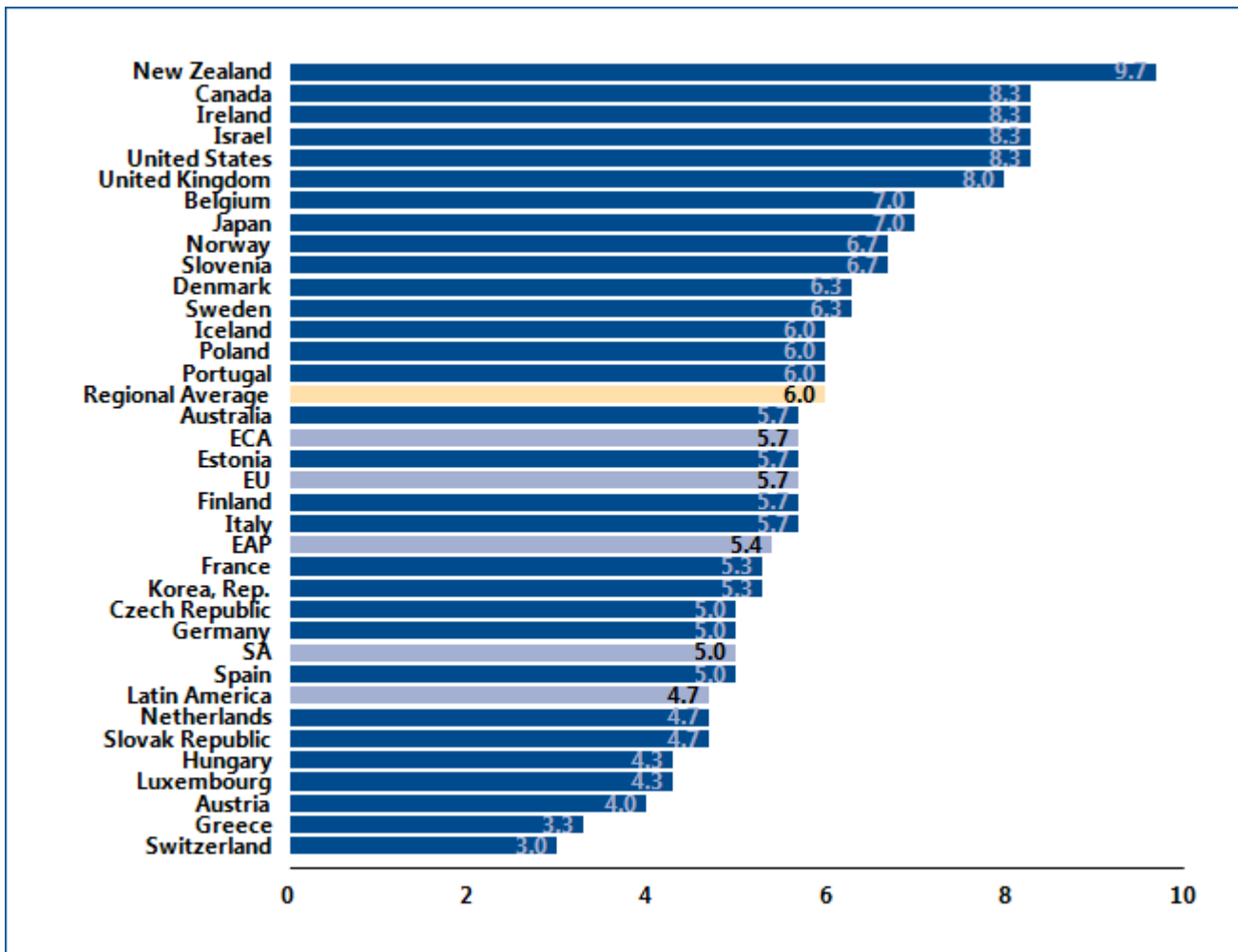
## PROTECTING INVESTORS

But the overall ranking on the strength of investor protection index tells only part of the story. Economies may offer strong protections in some areas but not others. So the scores recorded for economies in OECD high income on the extent of disclosure, extent of director liability and ease of shareholder suits indices

may also be revealing (figure 7.2). Higher scores indicate stronger investor protections. Comparing the scores across the region and with averages both for the region and for comparator regions can provide useful insights.

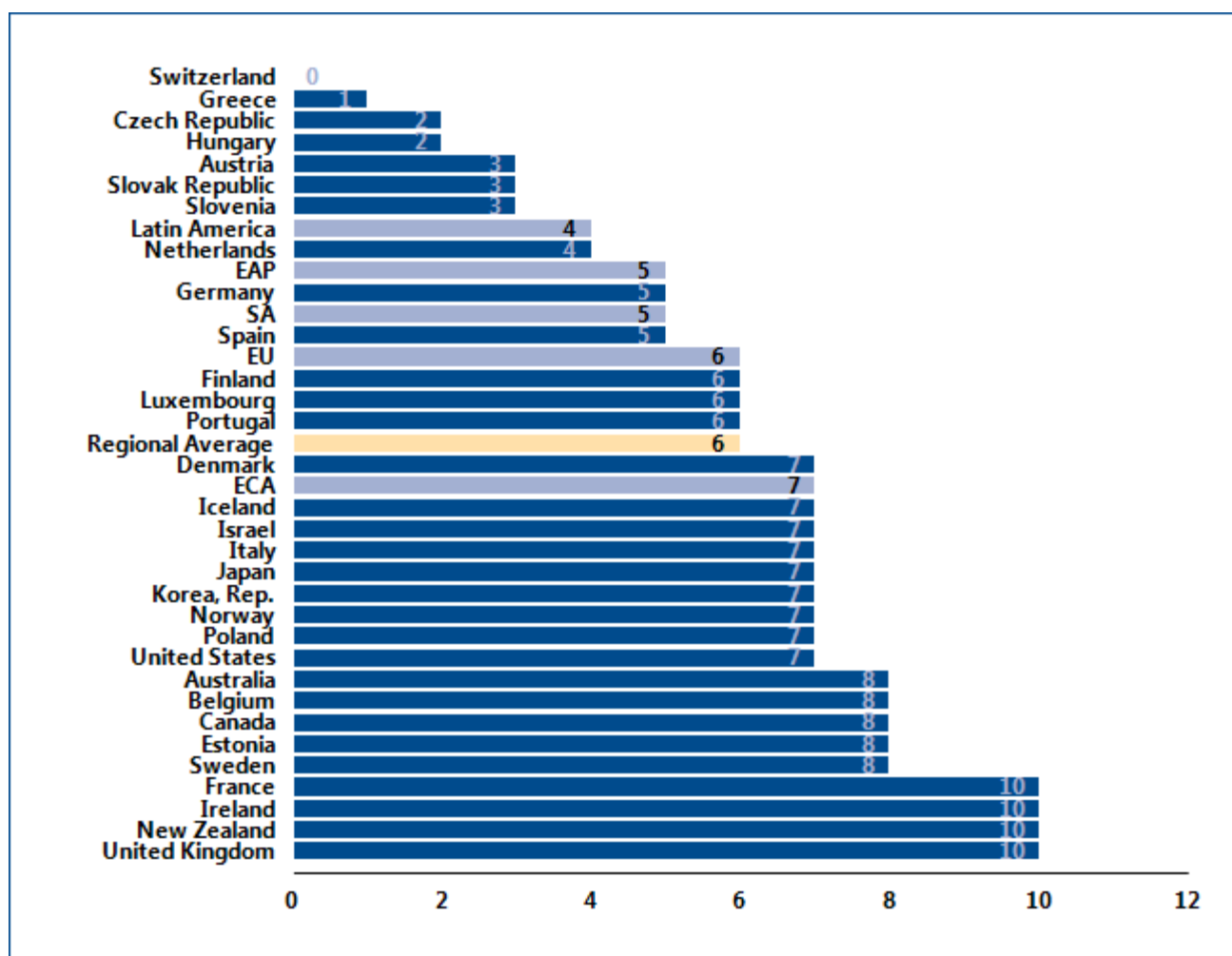
Figure 7.2 How strong are investor protections in economies in OECD high income?

### Strength of investor protection index (0–10)



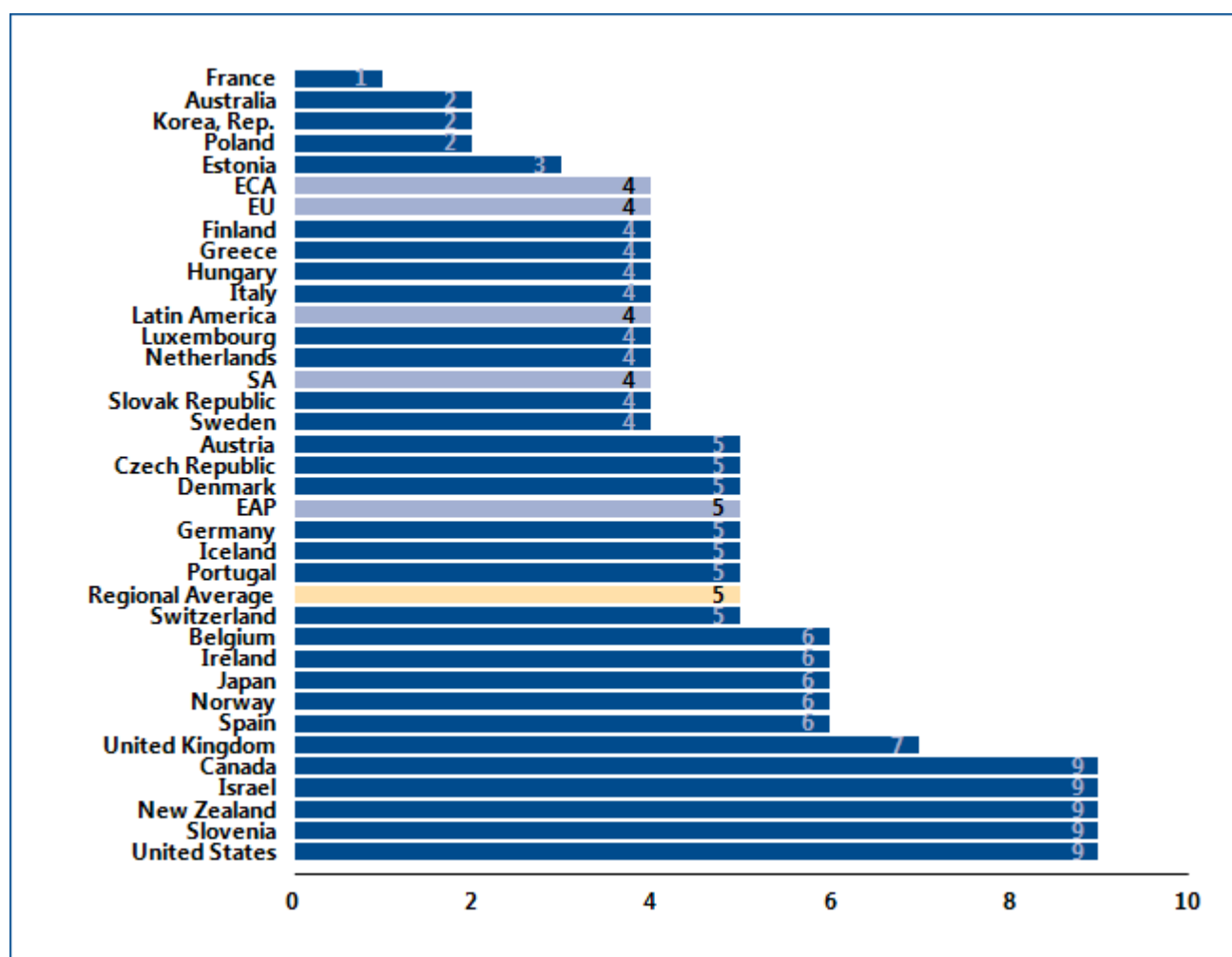
## PROTECTING INVESTORS

### Extent of disclosure index (0–10)



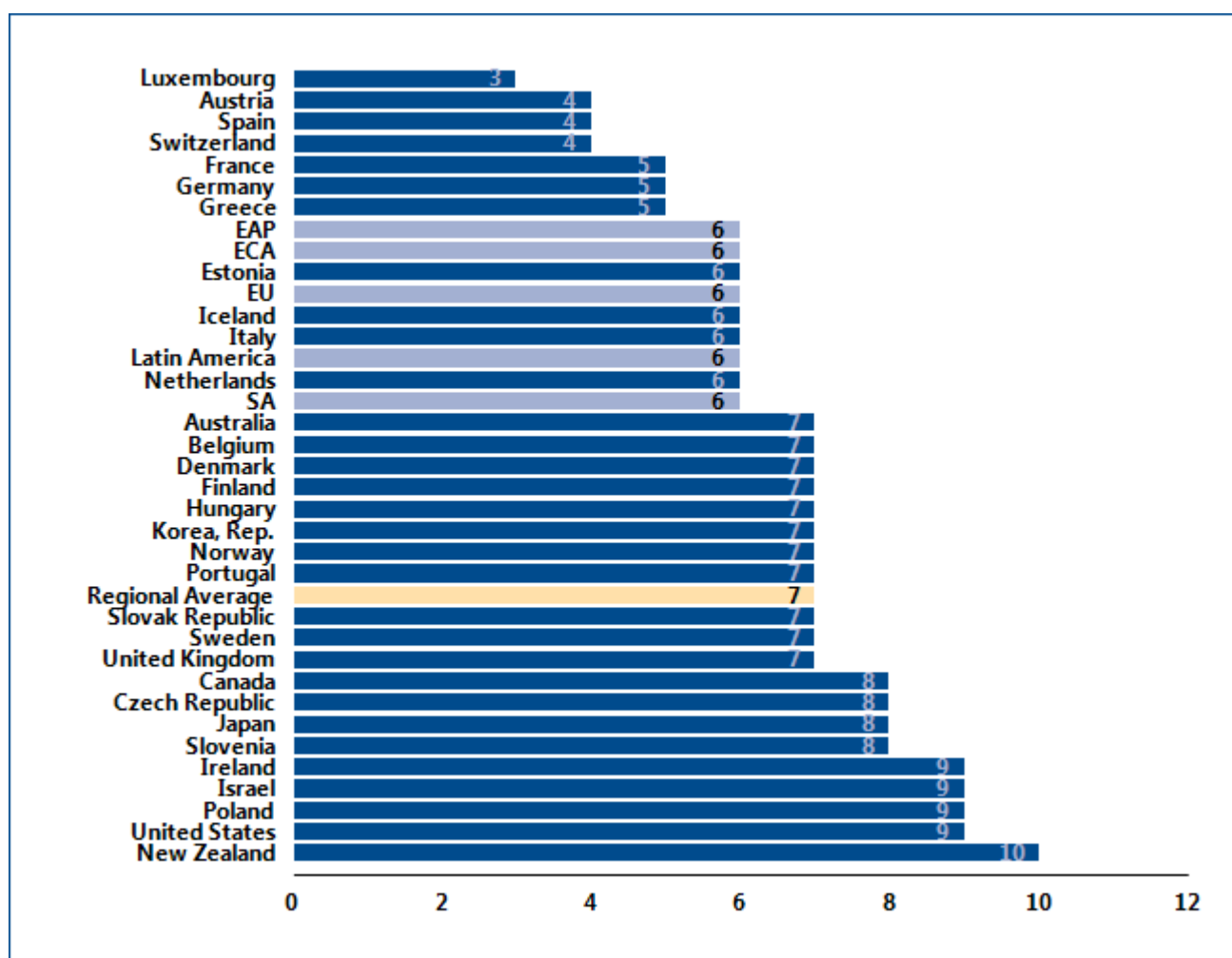
## PROTECTING INVESTORS

## Extent of director liability index (0–10)



## PROTECTING INVESTORS

### Ease of shareholder suits index (0–10)



Source: Doing Business database.

## PROTECTING INVESTORS

### What are the changes over time?

Economies with the strongest protections of minority investors from self-dealing require more disclosure and define clear duties for directors. They also have well-functioning courts and up-to-date procedural rules that give minority investors the means to prove their case and obtain a judgment within a reasonable

time. So reforms to strengthen investor protections may move ahead on different fronts—such as through new or amended company laws or revisions to court procedures. What investor protection reforms has *Doing Business* recorded in OECD high income (table 7.1)?

Table 7.1 How have economies in OECD high income strengthened investor protections—or not?  
By *Doing Business* report year

DB Year	Economy	Reform
DB2012	<i>Iceland</i>	Iceland strengthened investor protections by introducing new requirements relating to the approval of transactions between interested parties.
DB2011	<i>Sweden</i>	Sweden strengthened investor protections by requiring greater corporate disclosure and regulating the approval of transactions between interested parties.
DB2009	<i>Greece</i>	Director accountability was strengthened by making it easier for shareholders to sue directors for damages caused by related-party transactions.
DB2009	<i>Slovenia</i>	A new law protects minority investors by allowing them to sue directors on behalf of the company.
DB2008	<i>Iceland</i>	The country improved its ranking by 17 spots on the Protecting Investors index through extending requirements for immediate and annual disclosure to all nonlisted public corporations. Immediate and detailed disclosures to the public are required and governing rules for boards have been introduced.
DB2008	<i>Norway</i>	The regulation and definition of related-party transactions that shareholders must approve were expanded, strengthening protections already in force.



DB Year	Economy	Reform
DB2008	<i>Portugal</i>	An amendment to the Portuguese company code clarifies existing provisions on director's duties regarding related-party transactions and reforms the way directors can be held accountable. The threshold for filing a shareholder action on behalf of a listed company was lowered from 5% to 2% of share capital, making it easier for a shareholder to sue.
DB2008	<i>Slovenia</i>	A provision of the Companies Act was amended which requires a company to obtain a prior approval of the shareholders in case of 25% or more of the company's assets would be alienated.

*Note:* For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

*Source:* *Doing Business* database.

## PAYING TAXES

Taxes are essential. They fund the public amenities, infrastructure and services that are crucial for a properly functioning economy. But the level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. According to *Doing Business* data, in economies where it is more difficult and costly to pay taxes, larger shares of economic activity end up in the informal sector—where businesses pay no taxes at all.

### What do the indicators cover?

Using a case scenario, *Doing Business* measures 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. This case scenario uses a set of financial statements and assumptions about transactions made over the year. Information is also compiled on the frequency of filing and payments as well as time taken to comply with tax laws. The ranking on the ease of paying taxes is the simple average of the percentile rankings on its component indicators: number of annual payments, time and total tax rate, with a threshold being applied to the total tax rate.<sup>2</sup> To make the data comparable across economies, several assumptions about the business and the taxes and contributions are used.

- TaxpayerCo is a medium-size business that started operations on January 1, 2009.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government.

### WHAT THE PAYING TAXES INDICATORS MEASURE

#### Tax payments for a manufacturing company in 2010 (number per year adjusted for electronic or joint filing and payment)

Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)

Method and frequency of filing and payment

#### Time required to comply with 3 major taxes (hours per year)

Collecting information and computing the tax payable

Completing tax return forms, filing with proper agencies

Arranging payment or withholding

Preparing separate tax accounting books, if required

#### Total tax rate (% of profit before all taxes)

Profit or corporate income tax

Social contributions and labor taxes paid by the employer

Property and property transfer taxes

Dividend, capital gains and financial transactions taxes

Waste collection, vehicle, road and other taxes

- Taxes and mandatory contributions include corporate income tax, turnover tax and all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

<sup>2</sup> The threshold is defined as the highest total tax rate among the top 30% of economies in the ranking on the total tax rate. It will be calculated and adjusted on a yearly basis. The threshold is not based on any underlying theory. Instead, it is intended to mitigate the effect of very low tax rates on the ranking on the ease of paying taxes.

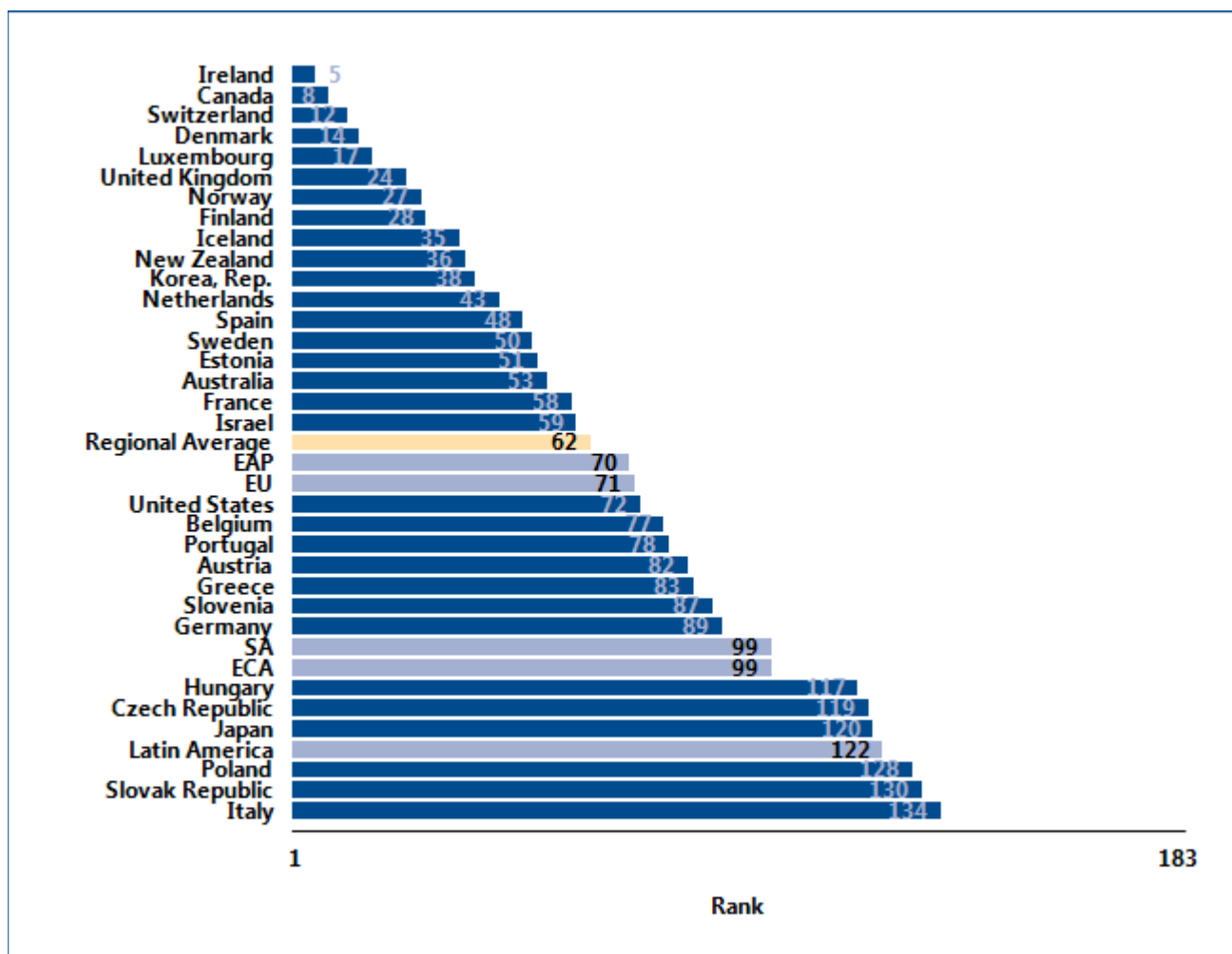
## PAYING TAXES

### Where do the region's economies stand today?

What is the administrative burden of complying with taxes in economies in OECD high income—and how much do firms pay in taxes? The global rankings of these economies on the ease of paying taxes offer

useful information for assessing the tax compliance burden for businesses (figure 8.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 8.1 How economies in OECD high income rank on the ease of paying taxes



Note: DB2012 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 32.5% applied in DB2012, the total tax rate is set at 32.5% for the purpose of calculating the ranking on the ease of paying taxes.

Source: *Doing Business* database.

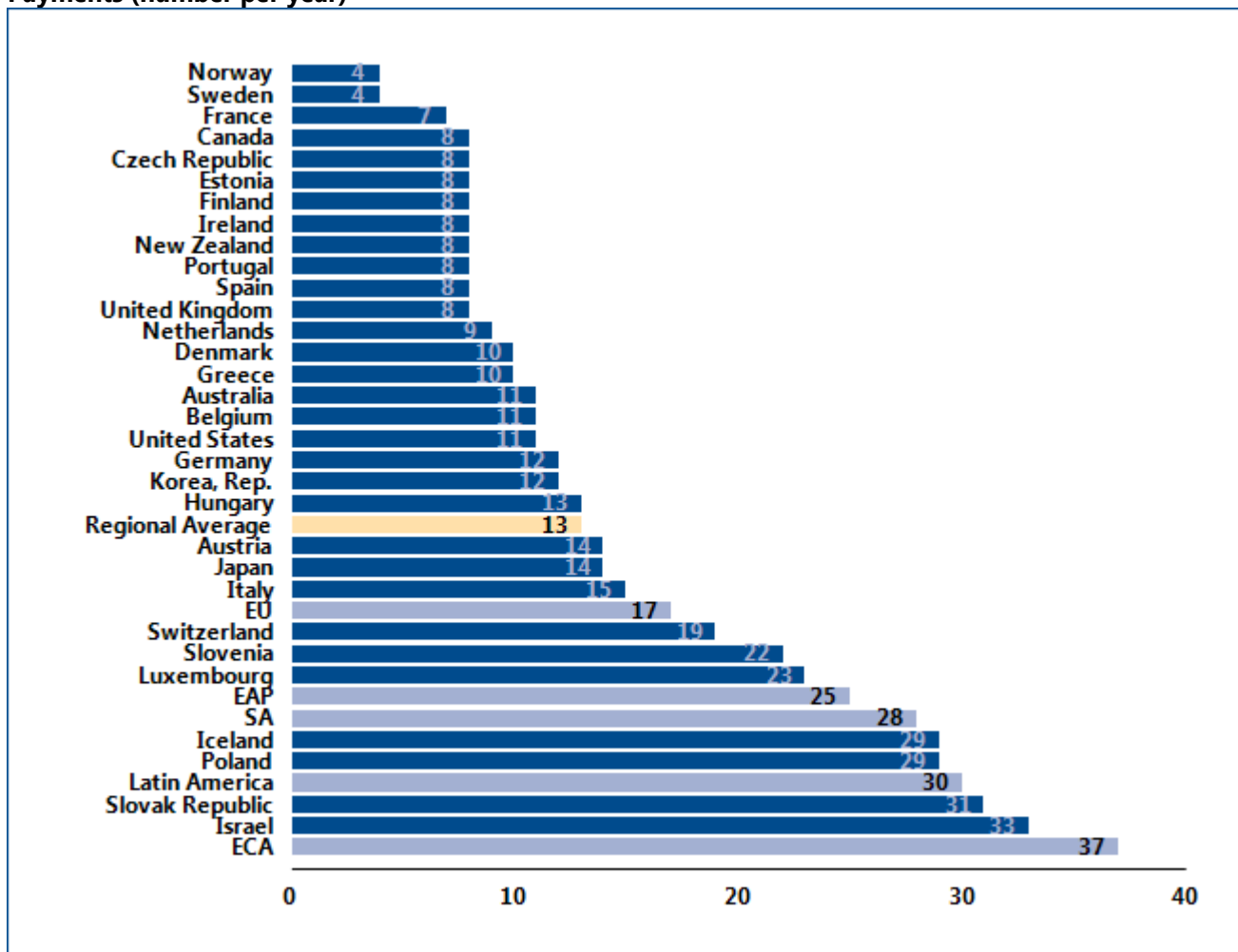
## PAYING TAXES

The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to comply with tax regulations in each economy in the region—the number of payments per year and the time required to prepare and file taxes—

as well as the total tax rate (figure 8.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

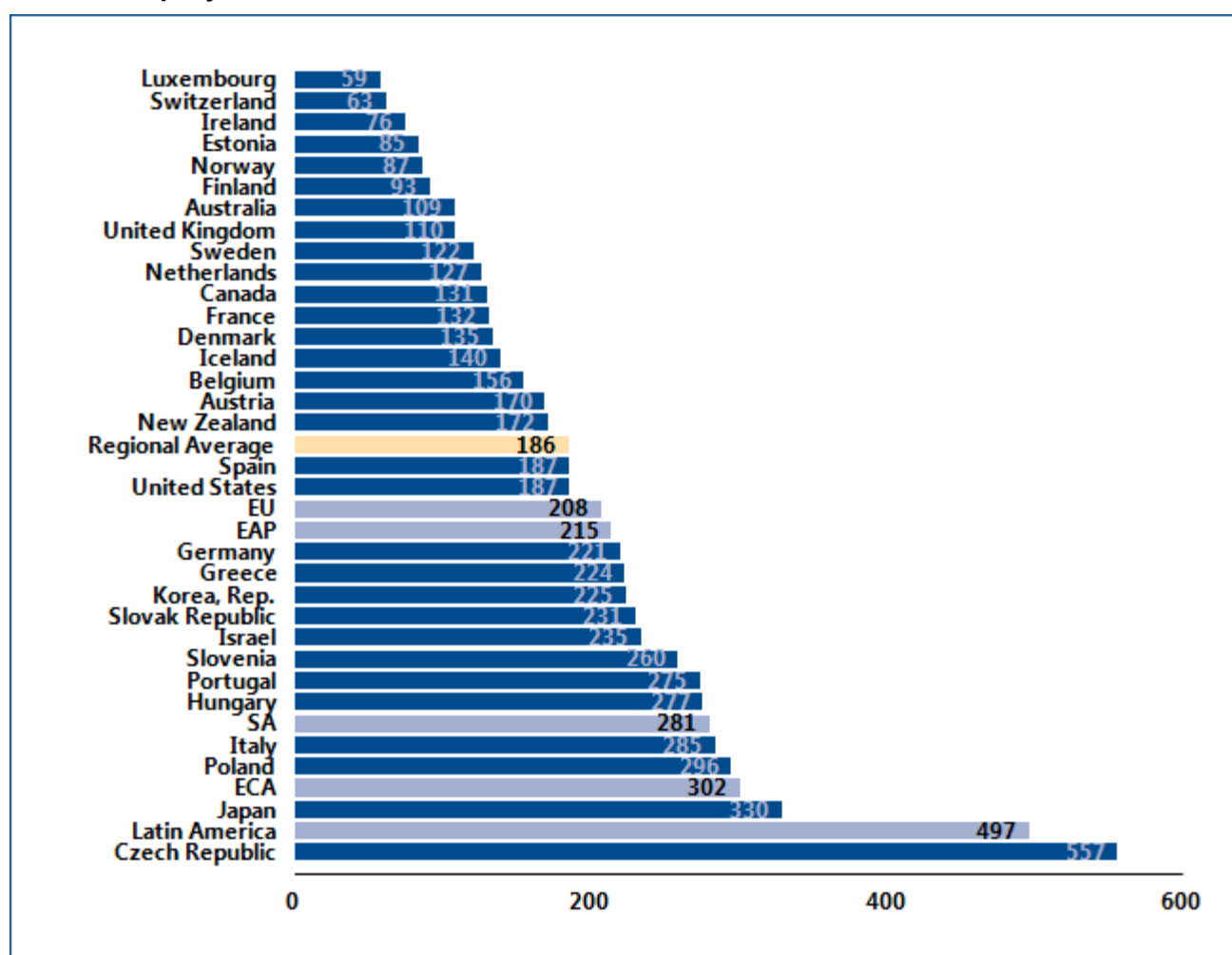
Figure 8.2 How easy is it to pay taxes in economies in OECD high income—and what are the total tax rates?

### Payments (number per year)



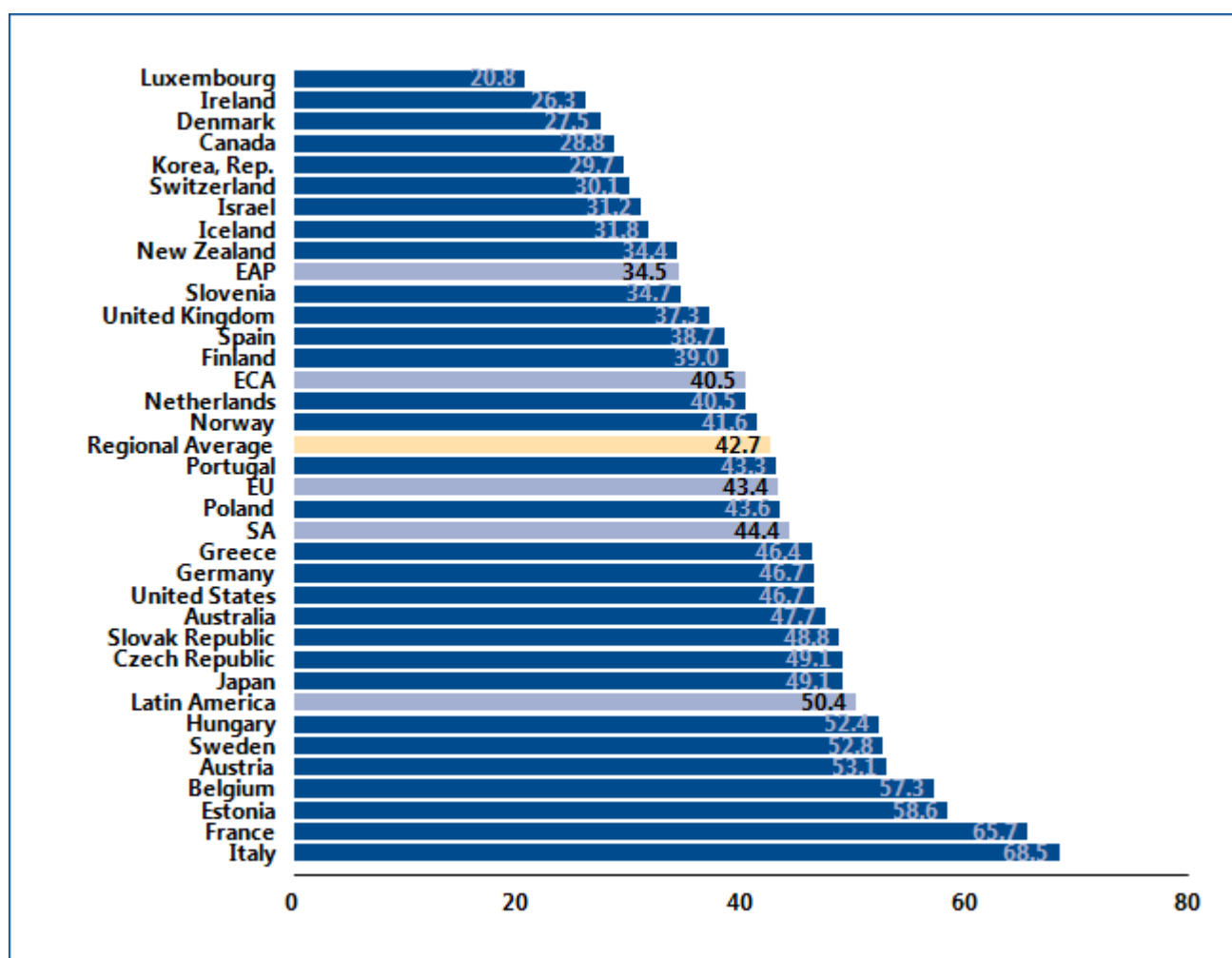
## PAYING TAXES

Time (hours per year)



## PAYING TAXES

## Total tax rate (% of profit)



Note: DB2012 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 32.5% applied in DB2012, the total tax rate is set at 32.5% for the purpose of calculating the ranking on the ease of paying taxes.

Source: *Doing Business* database.

## PAYING TAXES

### What are the changes over time?

Economies around the world have made paying taxes faster and easier for businesses—such as by consolidating filings, reducing the frequency of payments or offering electronic filing and payment. Many have lowered tax rates. Changes have brought

concrete results. Some economies simplifying tax payment and reducing rates have seen tax revenue rise. What tax reforms has *Doing Business* recorded in OECD high income (table 8.1)?

Table 8.1 How have economies in OECD high income made paying taxes easier—or not? By *Doing Business* report year

DB Year	Economy	Reform
DB2012	<i>Canada</i>	Canada made paying taxes easier and less costly for companies by reducing profit tax rates, eliminating the Ontario capital tax and harmonizing sales taxes.
DB2012	<i>Czech Republic</i>	The Czech Republic revised its tax legislation to simplify provisions relating to administrative procedures and relationships between tax authorities and taxpayers.
DB2012	<i>Estonia</i>	In Estonia a municipal sales tax introduced in Tallinn made paying taxes costlier for firms, though a later parliamentary measure abolished local sales taxes effective January 1, 2012.
DB2012	<i>Finland</i>	Finland simplified reporting and payment for the value added tax and labor tax.
DB2012	<i>Greece</i>	Greece reduced its corporate income tax rate.
DB2012	<i>Hungary</i>	Hungary made paying taxes costlier for firms by introducing a sector-specific surtax
DB2012	<i>Iceland</i>	Iceland made paying taxes easier and less costly for firms by abolishing a tax.
DB2012	<i>Korea, Rep.</i>	Korea eased the administrative burden of paying taxes for firms by merging several taxes, allowing 4 labor taxes and contributions to be paid jointly and continuing to increase the use of the online tax payment system.

DB Year	Economy	Reform
DB2012	<i>New Zealand</i>	New Zealand reduced its corporate income tax rate and fringe benefit tax rate.
DB2011	<i>Canada</i>	Canada harmonized the Ontario and federal tax returns and reduced the corporate and employee tax rates.
DB2011	<i>Czech Republic</i>	The Czech Republic simplified its labor tax processes and reduced employer contribution rates for social security.
DB2011	<i>Estonia</i>	Estonia increased the unemployment insurance contribution rate.
DB2011	<i>Hungary</i>	Hungary simplified taxes and tax bases.
DB2011	<i>Iceland</i>	Iceland increased the corporate income tax rate from 15% to 18% and raised social security and pension contribution rates.
DB2011	<i>Netherlands</i>	The Netherlands reduced the frequency of filing and paying value added taxes from monthly to quarterly and allowed small entities to use their annual accounts as the basis for computing their corporate income tax.
DB2011	<i>Portugal</i>	Portugal introduced a new social security code and lowered corporate tax rates.
DB2011	<i>Slovenia</i>	Slovenia abolished its payroll tax and reduced its corporate income tax rate.
DB2011	<i>United States</i>	In the United States the introduction of a new tax on payroll increased taxes on companies operating within the New York City metropolitan commuter transportation district.
DB2010	<i>Belgium</i>	The tax payment process and administration were improved by mandating electronic filing for medium-size businesses.
DB2010	<i>Czech Republic</i>	Paying taxes was made easier with mandatory electronic filing for all taxes, a single tax institution, and unified filing.
DB2010	<i>Finland</i>	Paying taxes was made easier by extending electronic filing to corporate income taxes and reduced the burden on business and the cost of employment by cutting labor taxes.



DB Year	Economy	Reform
DB2010	<i>Iceland</i>	The tax burden was eased on companies by reducing the corporate income tax rate from 18 percent to 15 percent.
DB2010	<i>Israel</i>	The corporate income tax rate was cut from 29 percent to 27 percent.
DB2010	<i>Korea, Rep.</i>	The tax burden was reduced on business by accelerating its corporate income tax reduction program from a five-year to a three-year program. The top rate will be cut from 25 percent to 20 percent by 2010.
DB2010	<i>Poland</i>	Social security taxes were cut for businesses, and the value added tax (VAT) law was simplified.
DB2010	<i>Spain</i>	The tax burden on business was eased by reducing the corporate income tax rate from 32.5 percent to 30 percent and increasing efficiency through an electronic filing and payment system.
DB2009	<i>Canada</i>	The country reduced the corporate income tax rate, abolished the surtax of 1.12% and increased the depreciation rate for various assets.
DB2009	<i>Denmark</i>	The corporate income tax rate was reduced from 28% to 25%.
DB2009	<i>France</i>	Electronic filing was made mandatory for social security contributions above €800,000.
DB2009	<i>Germany</i>	The corporate income tax was reduced from 25% to 15%, introduced straight-line depreciation for fixed assets and reduced trade tax while no longer allowing a deduction of the tax for corporate income tax.
DB2009	<i>Greece</i>	An electronic payment of social security tax was introduced.
DB2009	<i>Italy</i>	Business registration was simplified and the corporate income tax rate was reduced from 33% to 27.5% in addition to reducing the social security tax rates.
DB2009	<i>New Zealand</i>	The corporate income tax rate was reduced from 33% to 30%.

DB Year	Economy	Reform
DB2008	<i>Greece</i>	A new tax code reduced the profit tax scale, causing a decrease in the total tax rate measured by Doing Business of 1.6%.
DB2008	<i>Israel</i>	The capital investment law was reformed. It abolished its stamp duty, reduced corporate tax by 3%, VAT from 17% to 16.5% , and decreased the employer social security contribution.
DB2008	<i>Netherlands</i>	The process of paying taxes was simplified by introducing e-filing for social contributions. At the same time, tax costs were lowered by reducing corporate income tax, several social security contributions, real estate tax and Polder Board.
DB2008	<i>Portugal</i>	The corporate income tax was cut to 26.5% and the depreciation rate for computers was changed to 33%. Mandatory books are eliminated since June 29, 2006. The CIT-autonomous tax rate on representation expenses, such as company car expenses, and daily allowances was reduced.
DB2008	<i>Slovenia</i>	The corporate tax rate was lowered by 2%, with a plan to reduce by 1% every year until 2010.
DB2008	<i>Spain</i>	The corporate income tax rate was reduced from 35% to 32.5% for 2007. Since January 2007, small and medium-sized companies are subject to a reduction from the current reduced rate of 30% to 25%.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## TRADING ACROSS BORDERS

In today's globalized world, making trade between economies easier is increasingly important for business. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Research shows that exporters in developing countries gain more from a 10% drop in their trading costs than from a similar reduction in the tariffs applied to their products in global markets.

### What do the indicators cover?

*Doing Business* measures the time and cost (excluding tariffs) associated with exporting and importing a standard shipment of goods by ocean transport, and the number of documents necessary to complete the transaction. The indicators cover procedural requirements such as documentation requirements and procedures at customs and other regulatory agencies as well as at the port. They also cover trade logistics, including the time and cost of inland transport to the largest business city. The ranking on the ease of trading across borders is the simple average of the percentile rankings on its component indicators: documents, time and cost to export and import.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the traded goods.

The business:

- Is of medium size and employs 60 people.
- Is located in the periurban area of the economy's largest business city.
- Is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the economy.

The traded goods:

- Are not hazardous nor do they include military items.

### WHAT THE TRADING ACROSS BORDERS INDICATORS MEASURE

#### Documents required to export and import (number)

- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

#### Time required to export and import (days)

- Obtaining all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean transport time

#### Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes

- Do not require refrigeration or any other special environment.
- Do not require any special phytosanitary or environmental safety standards other than accepted international standards.
- Are one of the economy's leading export or import products.
- Are transported in a dry-cargo, 20-foot full container load.

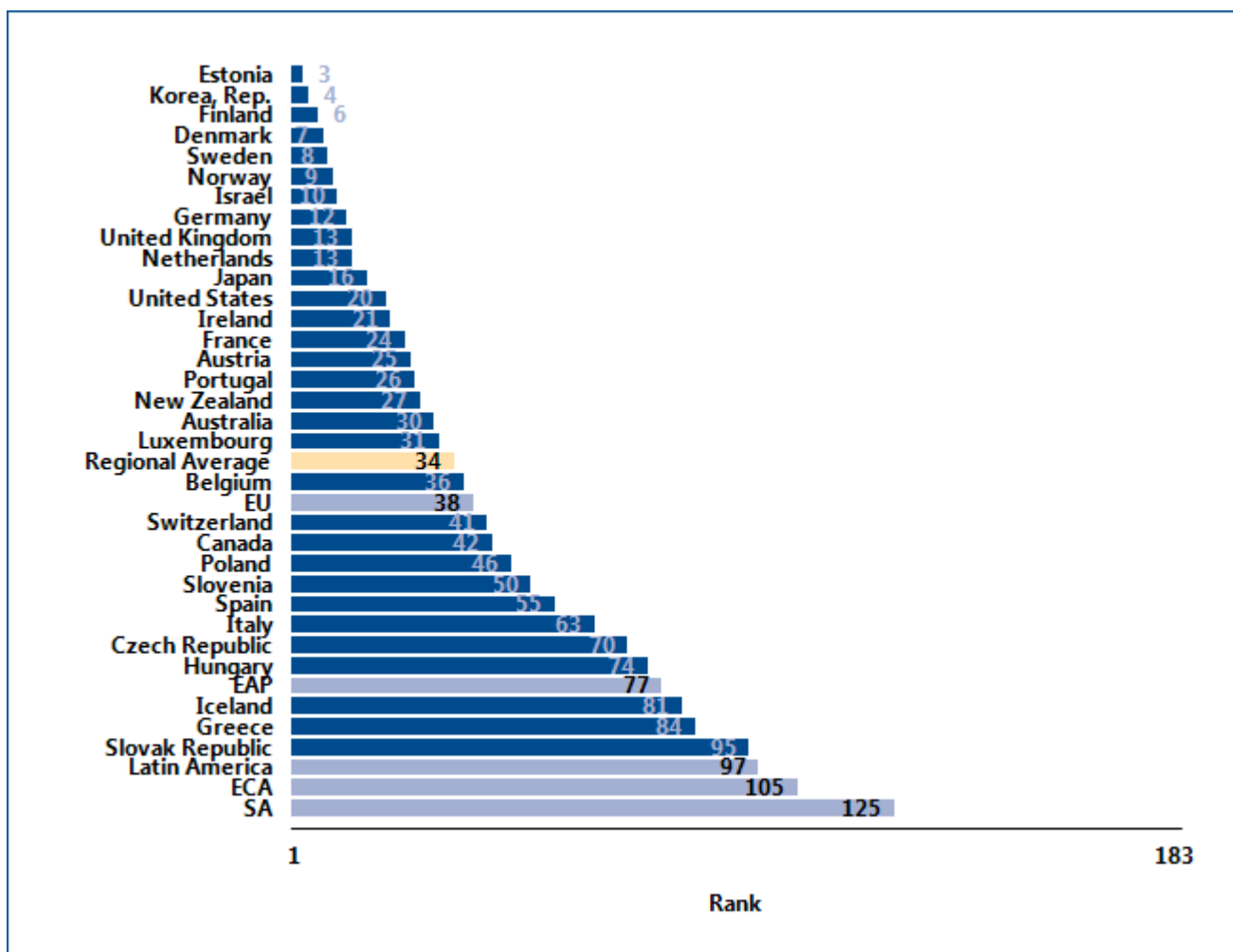
## TRADING ACROSS BORDERS

### Where do the region's economies stand today?

How easy it is for businesses in economies in OECD high income to export and import goods? The global rankings of these economies on the ease of trading

across borders suggest an answer (figure 9.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 9.1 How economies in OECD high income rank on the ease of trading across borders



Source: *Doing Business* database.

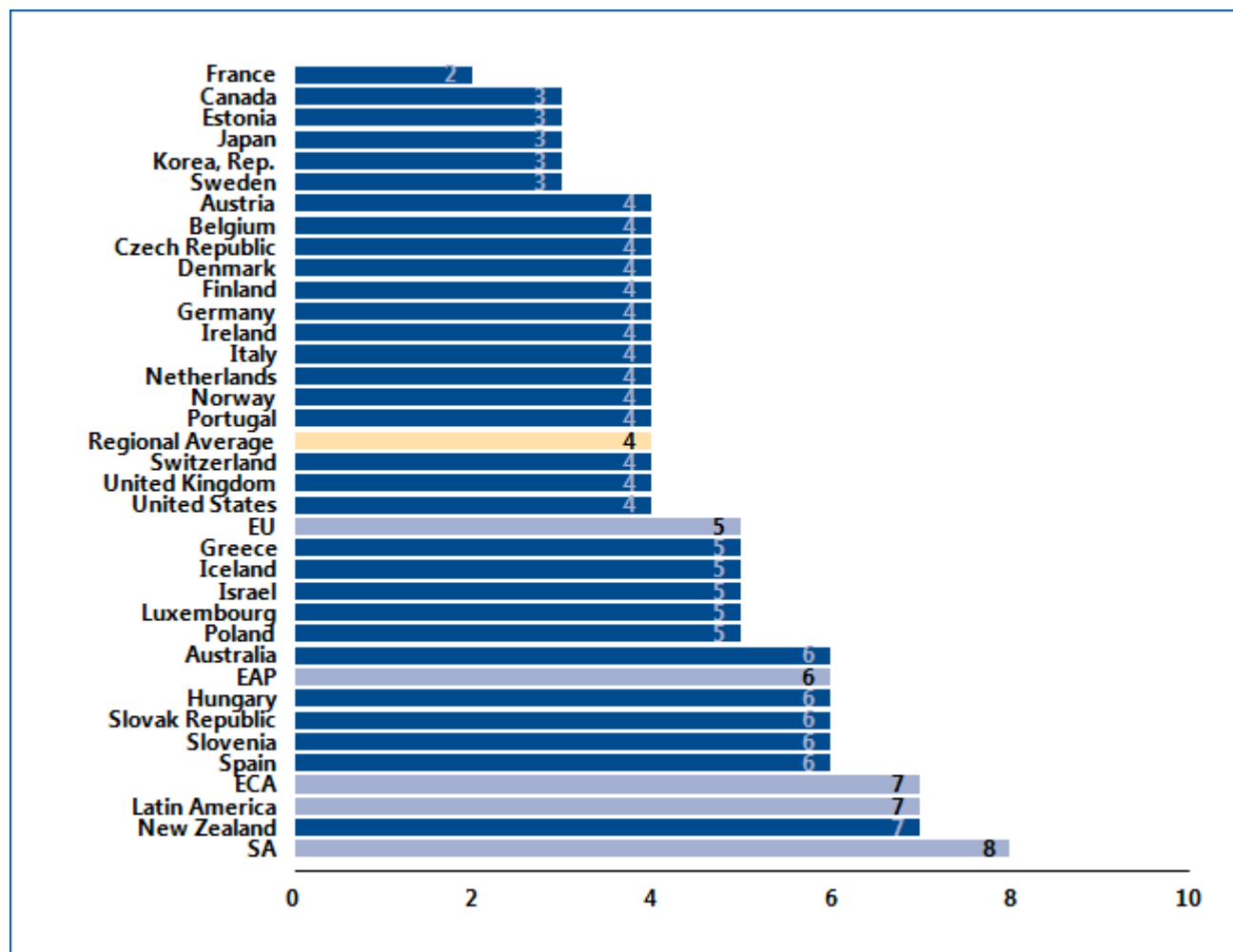
The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to export or import a standard container of goods in each economy in the region: the number of

documents, the time and the cost (figure 9.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

## TRADING ACROSS BORDERS

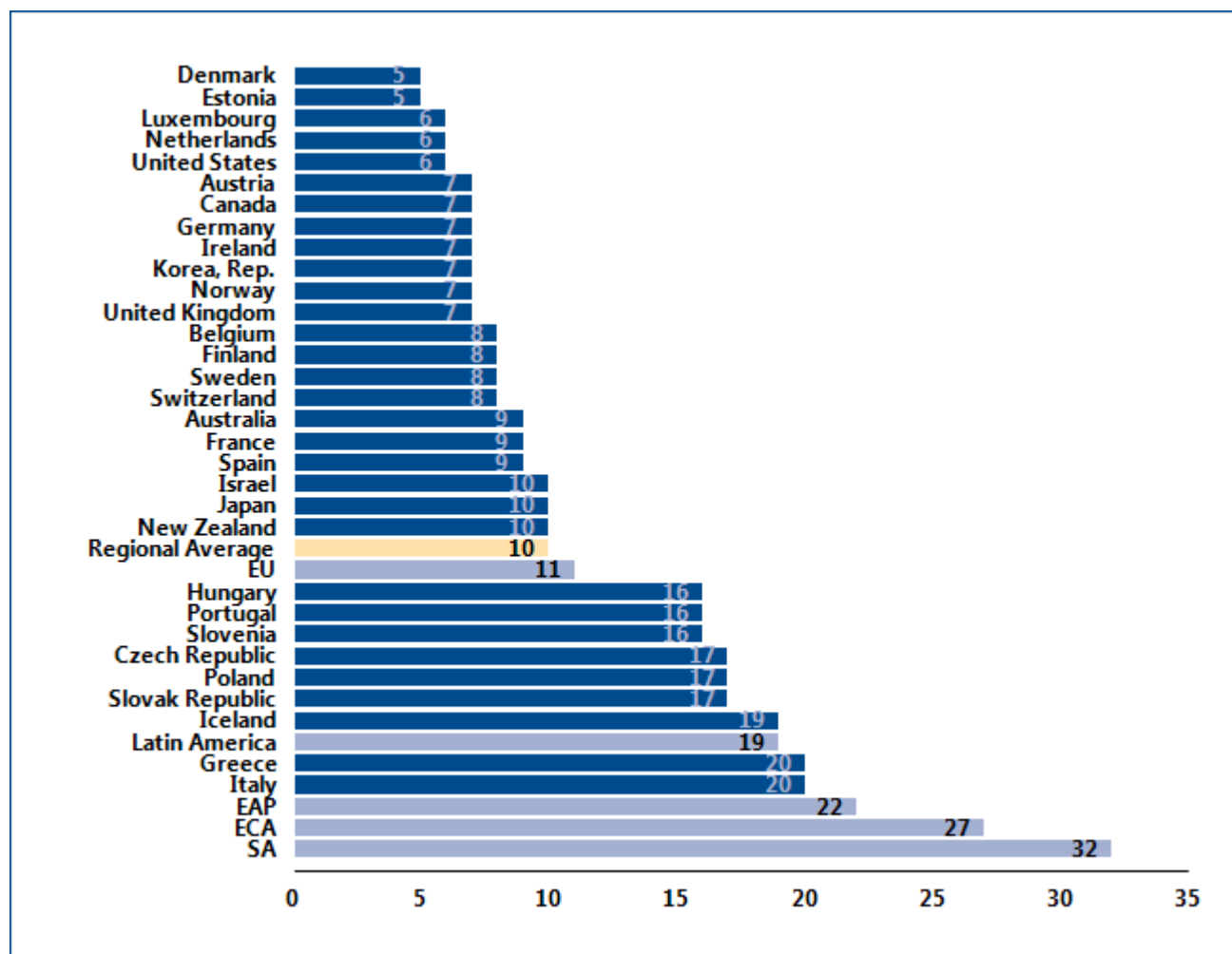
Figure 9.2 What it takes to trade across borders in economies in OECD high income

## Documents to export (number)



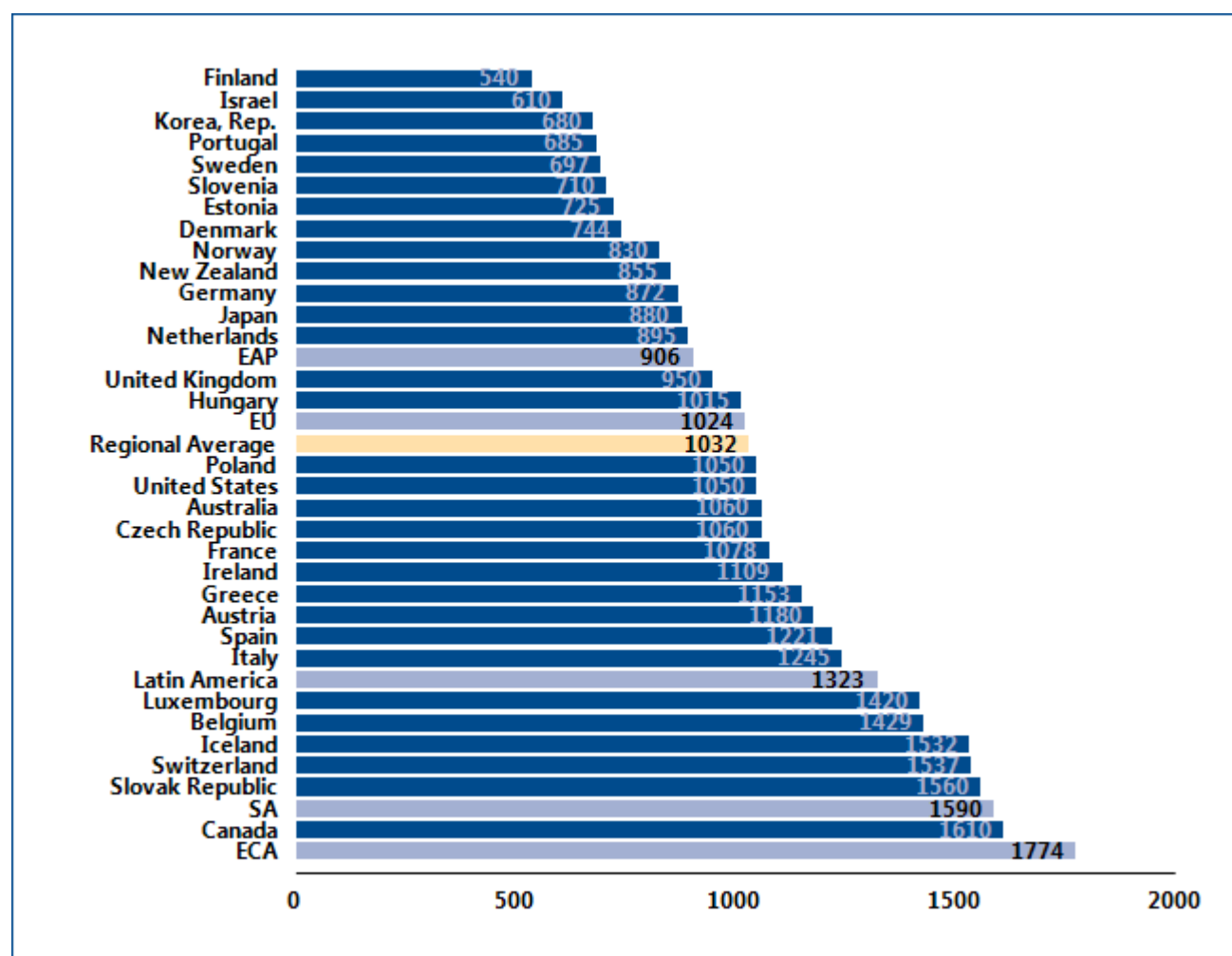
TRADING ACROSS BORDERS

Time to export (days)



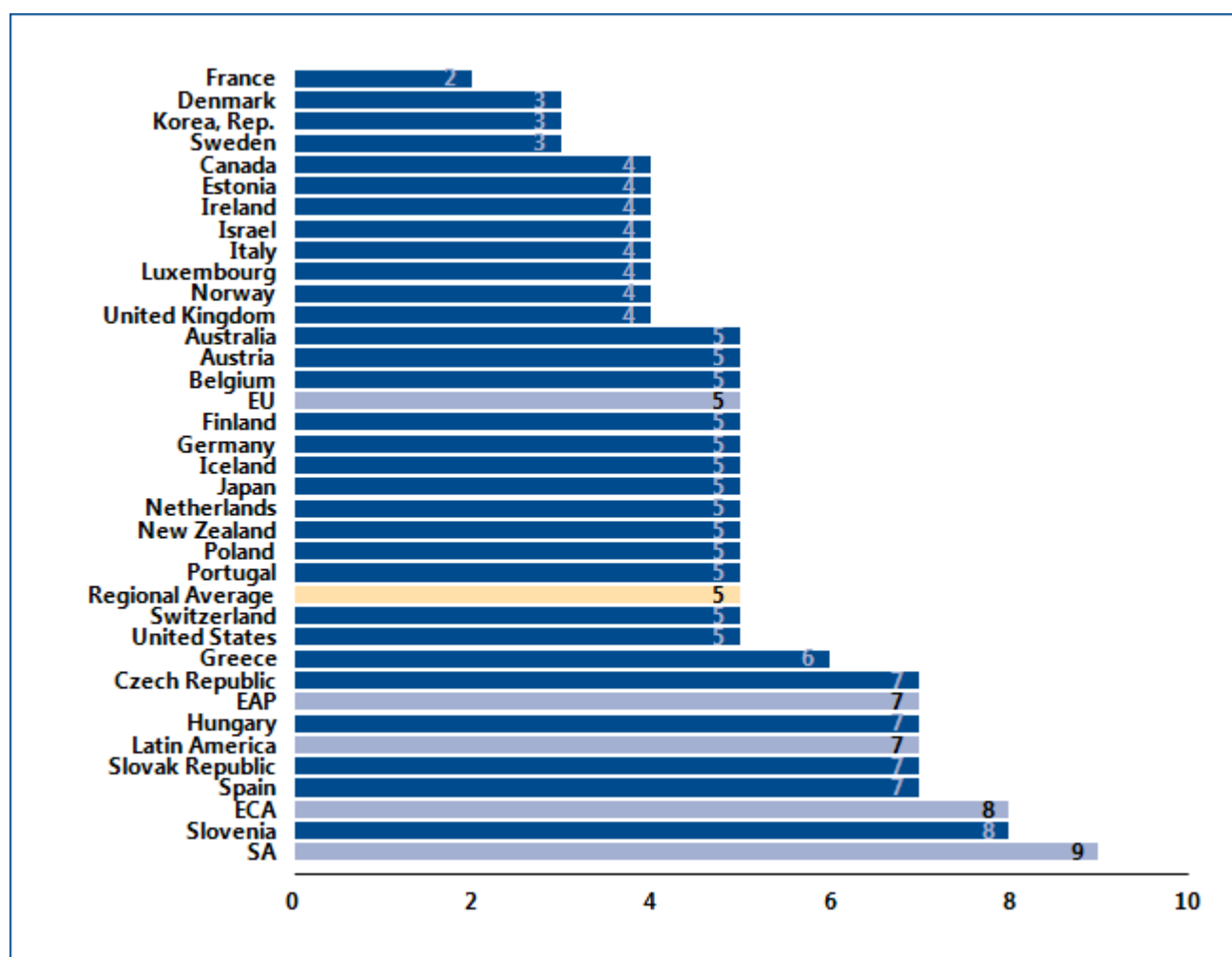
## TRADING ACROSS BORDERS

## Cost to export (US\$ per container)



TRADING ACROSS BORDERS

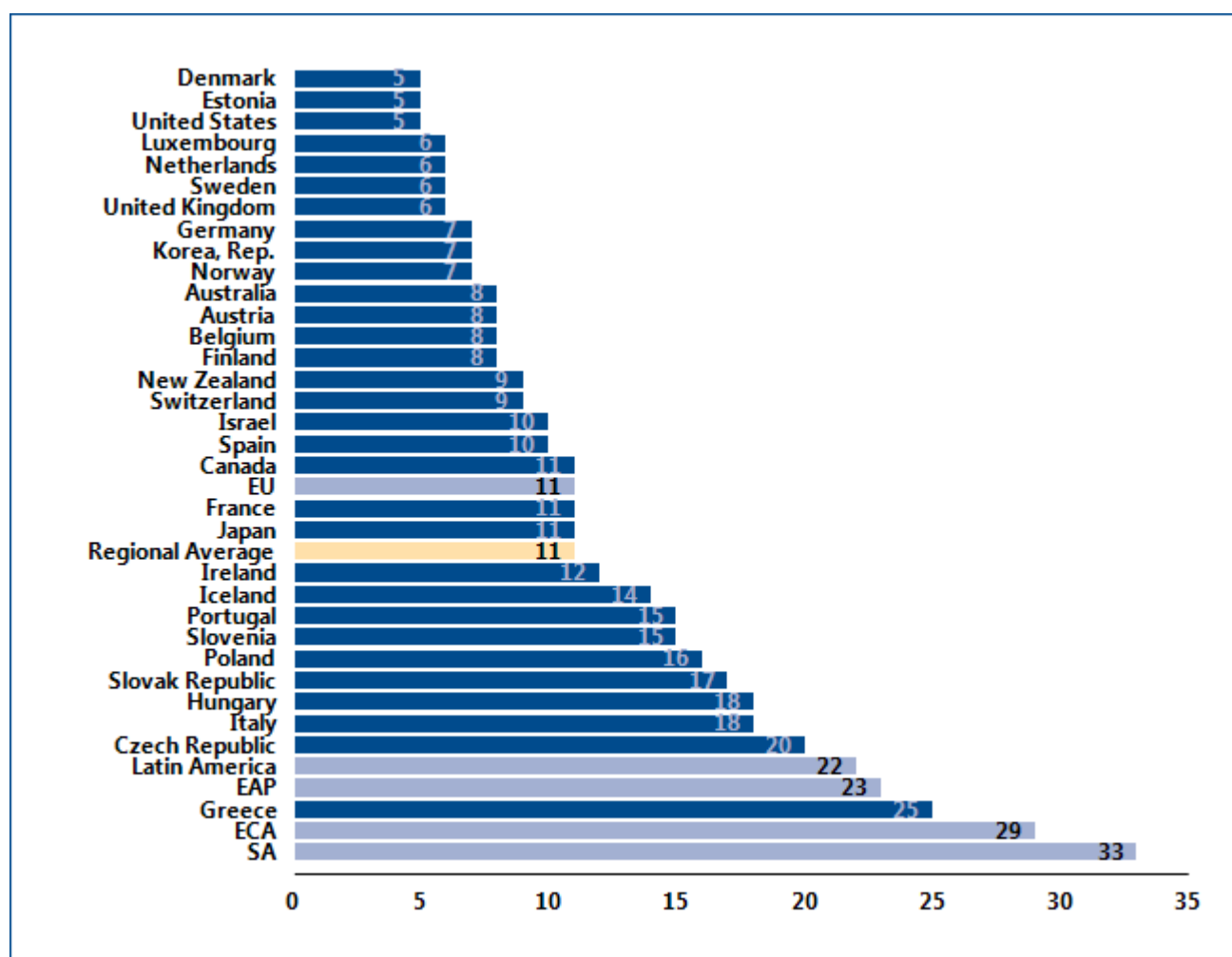
Documents to import (number)





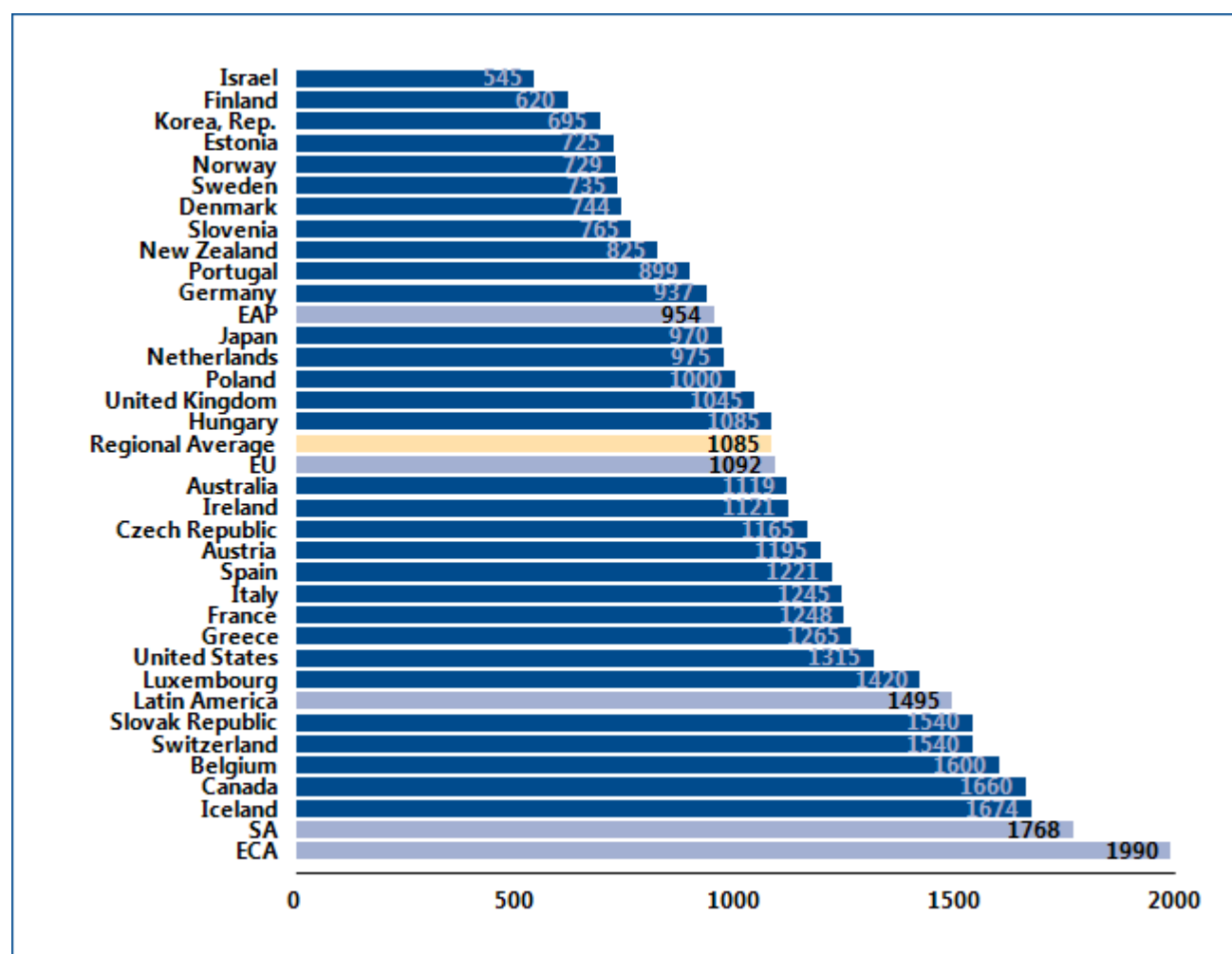
## TRADING ACROSS BORDERS

## Time to import (days)



## TRADING ACROSS BORDERS

## Cost to import (US\$ per container)



Source: Doing Business database.

## TRADING ACROSS BORDERS

### What are the changes over time?

In economies around the world, trading across borders as measured by *Doing Business* has become faster and easier over the years. Governments have introduced tools to facilitate trade—including single windows, risk-based inspections and electronic data interchange

systems. These changes help improve the trading environment and boost firms' international competitiveness. What trade reforms has *Doing Business* recorded in OECD high income (table 9.1)?

Table 9.1 How have economies in OECD high income made trading across borders easier—or not?  
By *Doing Business* report year

DB Year	Economy	Reform
DB2012	<i>Belgium</i>	Belgium made trading across borders faster by improving its risk-based profiling system for imports.
DB2012	<i>Israel</i>	Israel made trading across borders easier by changing the method used to calculate port fees.
DB2012	<i>Poland</i>	Poland made trading across borders faster by implementing electronic preparation and submission of customs documents.
DB2012	<i>Slovenia</i>	Slovenia made trading across borders faster by introducing online submission of customs declaration forms.
DB2011	<i>Israel</i>	Israel is expanding its electronic data interchange system and developing a single-window framework, allowing easier assembly of documents required by different authorities and reducing the time to trade.
DB2011	<i>Spain</i>	Spain streamlined the documentation for imports by including tax-related information on its single administrative document.
DB2010	<i>Portugal</i>	The efficiency of customs administration was improved through training for agents and enhanced customer service, reducing customs clearance times.
DB2010	<i>Slovak Republic</i>	Trading times were sped up with an electronic system for customs administration.

DB Year	Economy	Reform
DB2009	<i>France</i>	Customs clearance was made easier by introducing electronic filing and eliminating certain documents.
DB2009	<i>Korea, Rep.</i>	A U-customs system is being implemented that is an internet based system customs portal, which provides for an International Single Window.
DB2008	<i>Austria</i>	An electronic customs clearance system started working on January 1, 2007. It includes a risk management system that allows officials to target inspections enabling customs to focus on cargo deemed "risky." This has reduced the inspected cargo to 5% of total trade. As a result, customs clearance became much faster, currently taking on average one hour compared to one day in 2005.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## ENFORCING CONTRACTS

Well-functioning courts help businesses expand their network and markets. Without effective contract enforcement, people might well do business only with family, friends and others with whom they have established relationships. Where contract enforcement is efficient, firms are more likely to engage with new borrowers or customers, and they have greater access to credit.

### What do the indicators cover?

*Doing Business* measures the efficiency of the judicial system in resolving a commercial dispute before local courts. Following the step-by-step evolution of a standardized case study, it collects data relating to the time, cost and procedural complexity of resolving a commercial lawsuit. The ranking on the ease of enforcing contracts is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

The dispute in the case study involves the breach of a sales contract between 2 domestic businesses. The case study assumes that the court hears an expert on the quality of the goods in dispute. This distinguishes the case from simple debt enforcement. To make the data comparable across economies, *Doing Business* uses several assumptions about the case:

- The seller and buyer are located in the economy's largest business city.
- The buyer orders custom-made goods, then fails to pay.
- The seller sues the buyer before a competent court.
- The value of the claim is 200% of income per capita.
- The seller requests a pretrial attachment to secure the claim.

### WHAT THE ENFORCING CONTRACTS

#### INDICATORS MEASURE

#### Procedures to enforce a contract through the courts (number)

Any interaction between the parties in a commercial dispute, or between them and the judge or court officer

Steps to file and serve the case

Steps for trial and judgment

Steps to enforce the judgment

#### Time required to complete procedures (calendar days)

Time to file and serve the case

Time for trial and obtaining judgment

Time to enforce the judgment

#### Cost required to complete procedures (% of claim)

No bribes

Average attorney fees

Court costs, including expert fees

Enforcement costs

- The dispute on the quality of the goods requires an expert opinion.
- The judge decides in favor of the seller; there is no appeal.
- The seller enforces the judgment through a public sale of the buyer's movable assets.

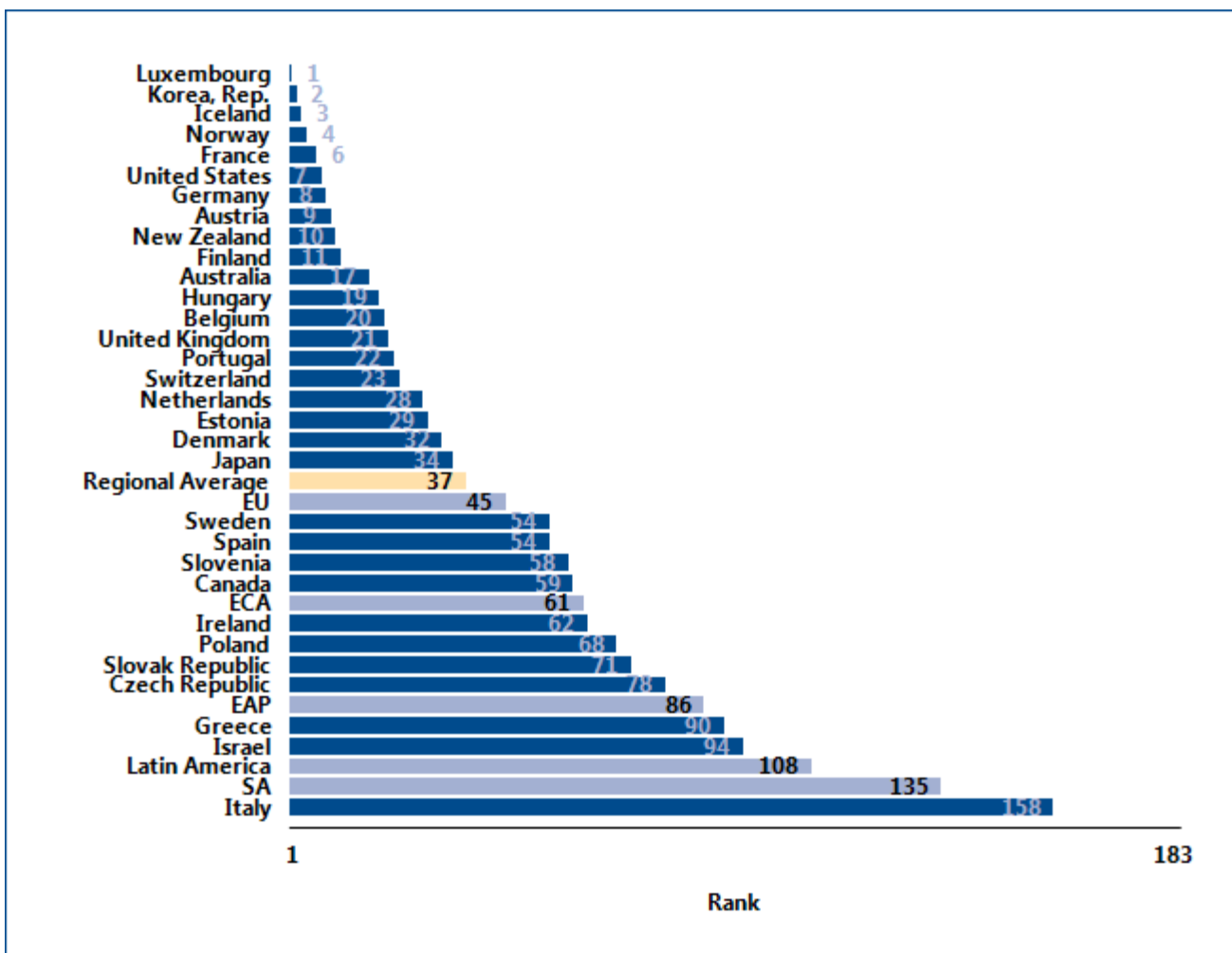
## ENFORCING CONTRACTS

### Where do the region's economies stand today?

How efficient is the process of resolving a commercial dispute through the courts in economies in OECD high income? The global rankings of these economies on

the ease of enforcing contracts suggest an answer (figure 10.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 10.1 How economies in OECD high income rank on the ease of enforcing contracts



Source: *Doing Business* database.

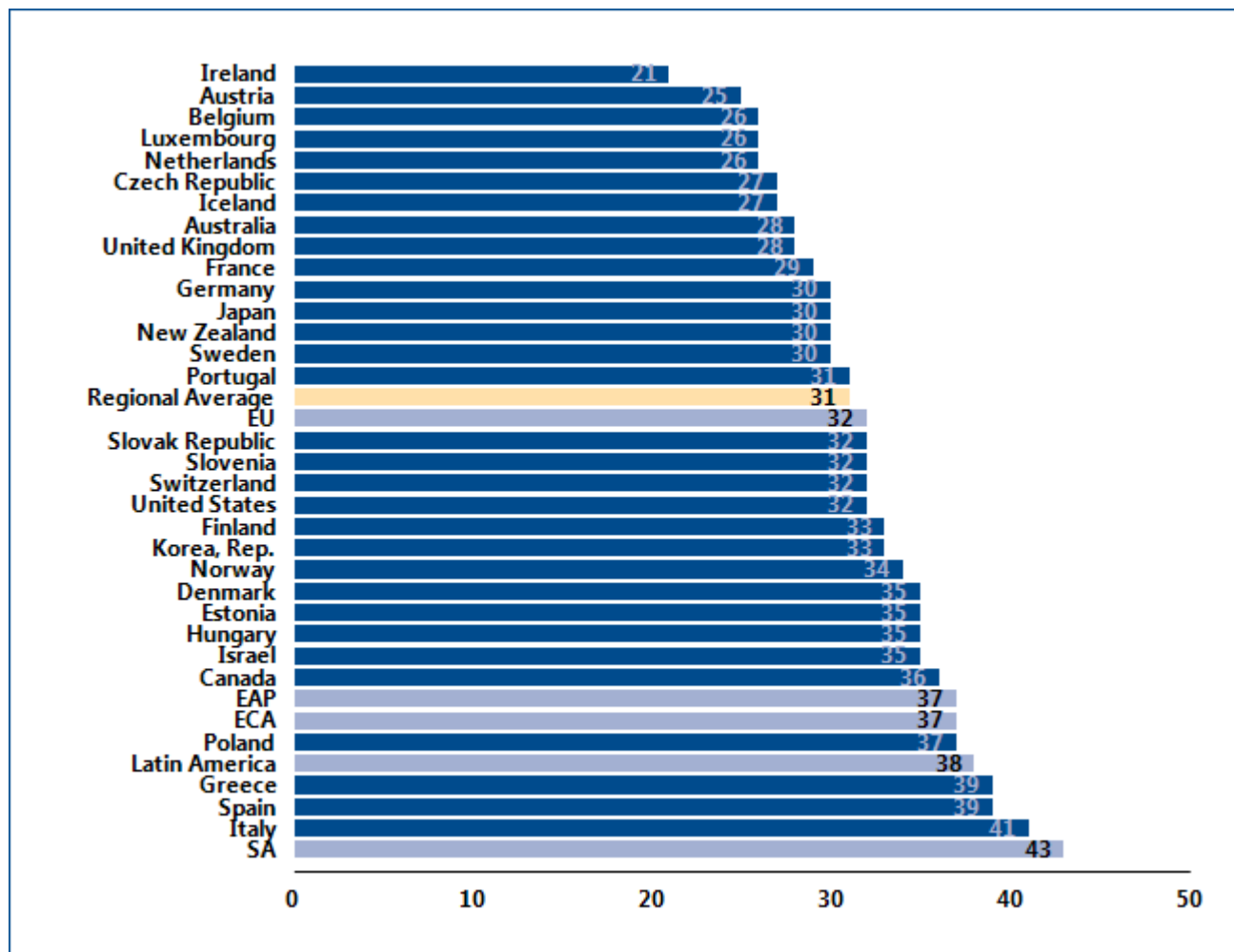
The indicators underlying the rankings may also be revealing. Data collected by *Doing Business* show what it takes to enforce a contract through the courts in each economy in the region: the number of

procedures, the time and the cost (figure 10.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

## ENFORCING CONTRACTS

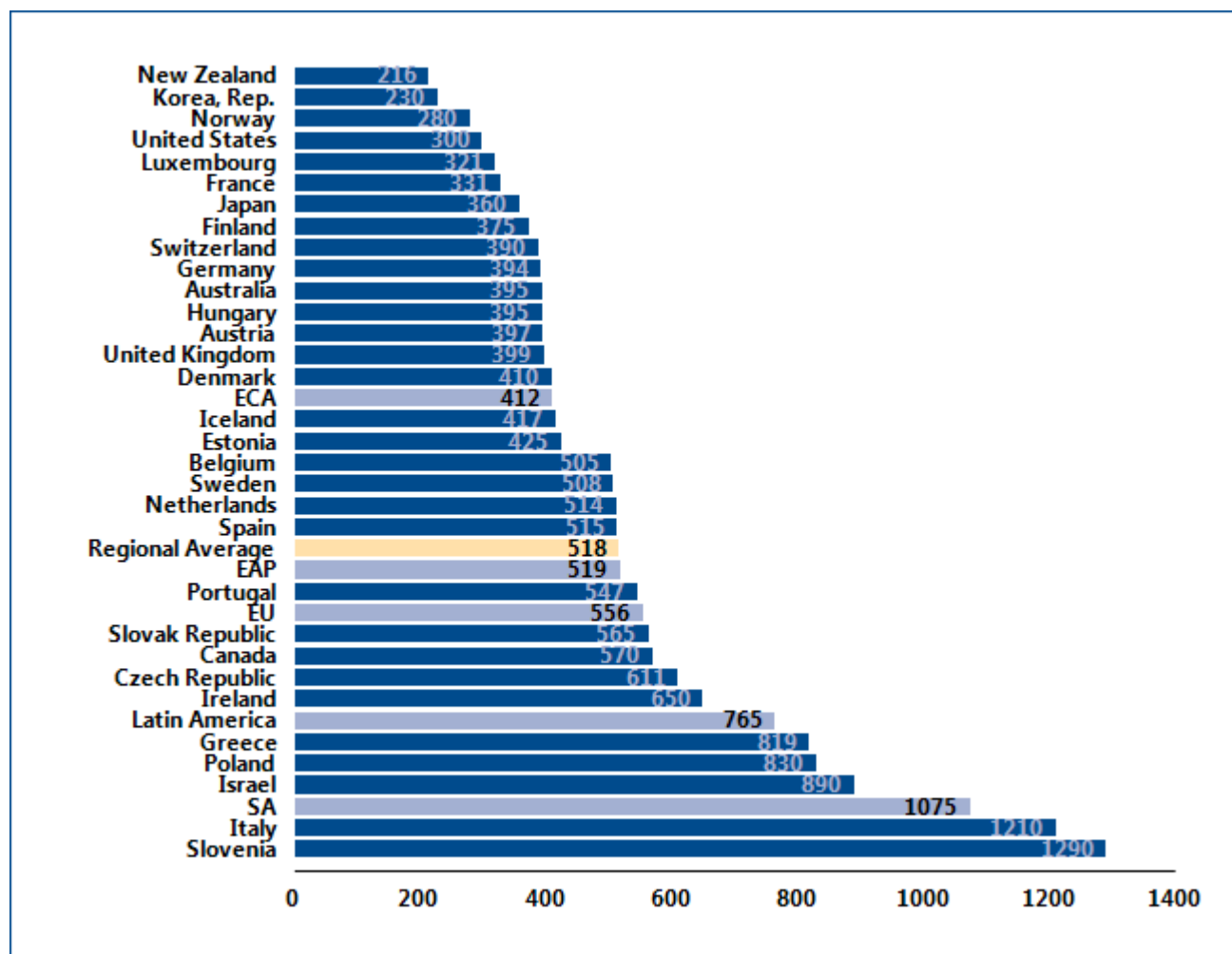
Figure 10.2 What it takes to enforce a contract through the courts in economies in OECD high income

## Procedures (number)



## ENFORCING CONTRACTS

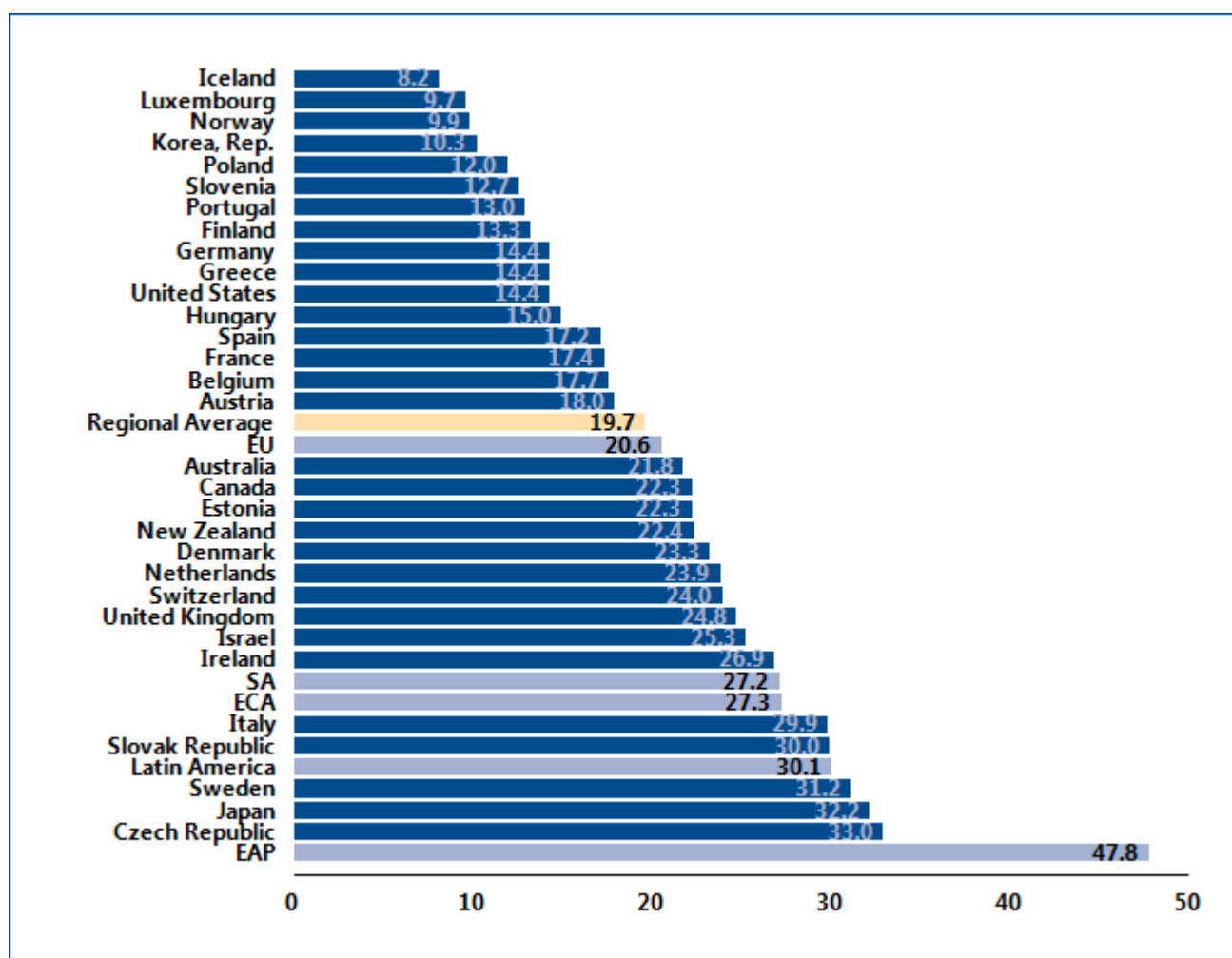
Time (days)





## ENFORCING CONTRACTS

Cost (% of claim)



Source: Doing Business database.

## ENFORCING CONTRACTS

### What are the changes over time?

Economies in all regions have improved contract enforcement in recent years. A judiciary can be improved in different ways. Higher-income economies tend to look for ways to enhance efficiency by introducing new technology. Lower-income economies often work on reducing backlogs by introducing

periodic reviews to clear inactive cases from the docket and by making procedures faster. What reforms making it easier (or more difficult) to enforce contracts has *Doing Business* recorded in OECD high income (table 10.1)?

Table 10.1 How have economies in OECD high income made enforcing contracts easier—or not?  
By *Doing Business* report year

DB Year	Economy	Reform
DB2012	<i>Korea, Rep.</i>	Korea made filing a commercial case easier by introducing an electronic case filing system.
DB2011	<i>Canada</i>	Canada increased the efficiency of the courts by expanding electronic document submission and streamlining procedures.
DB2011	<i>New Zealand</i>	New Zealand enacted new district court rules that make the process for enforcing contracts user friendly.
DB2011	<i>United Kingdom</i>	The United Kingdom improved the process for enforcing contracts by modernizing civil procedures in the commercial court.
DB2010	<i>Norway</i>	Contract enforcement was sped up with the introduction and monitoring of tighter deadlines.
DB2010	<i>Portugal</i>	The time was reduced and the procedures were improved for contract enforcement by enabling e-filing for the initiation of a suit and by lessening the need for a judge's intervention in the execution of judgment.
DB2009	<i>Austria</i>	Contract enforcement was sped up by introducing comprehensive electronic filing of court claims and correspondence between lawyers and the court in civil matters.
DB2009	<i>Belgium</i>	Contract enforcement was simplified by establishing fixed procedural calendars for written pleadings and introducing tighter deadlines for the delivery of expert opinions.
DB2009	<i>Portugal</i>	Debt collection for contract enforcement was facilitated by extending the use summary proceedings for lower amounts.
DB2008	<i>Poland</i>	The Code of Civil Procedure was changed with the aim of increasing speed and efficiency of court proceedings. Poland also reformed its enforcement of judgment laws.

DB Year	Economy	Reform
DB2008	<i>Portugal</i>	Simplified rules were introduced for small claims in simple debt collection cases. The rules allow the courts to decide a high number of cases based on one case, eliminate unnecessary procedural steps, force party cooperation and allow parties to submit written witness testimony. It is likely that cases will be decided faster and will be less costly.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## RESOLVING INSOLVENCY

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in the speedy return of businesses to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses and thereby improve growth and sustainability in the economy overall.

### What do the indicators cover?

*Doing Business* studies the time, cost and outcome of insolvency proceedings involving domestic entities. It does not measure insolvency proceedings of individuals and financial institutions. The data are derived from survey responses by local insolvency practitioners and verified through a study of laws and regulations as well as public information on bankruptcy systems.

The ranking on the ease of resolving insolvency is based on the recovery rate, which is recorded as cents on the dollar recouped by creditors through reorganization, liquidation or debt enforcement (foreclosure) proceedings. The recovery rate is a function of time, cost and other factors, such as lending rate and the likelihood of the company continuing to operate.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the case. It assumes that the company:

- Is a domestically owned, limited liability company operating a hotel.
- Operates in the economy's largest business city.

### WHAT THE RESOLVING INSOLVENCY INDICATORS MEASURE

#### Time required to recover debt (years)

Measured in calendar years

Appeals and requests for extension are included

#### Cost required to recover debt (% of debtor's estate)

Measured as percentage of estate value

Court fees

Fees of insolvency administrators

Lawyers' fees

Assessors' and auctioneers' fees

Other related fees

#### Recovery rate for creditors (cents on the dollar)

Measures the cents on the dollar recovered by creditors

Present value of debt recovered

Official costs of the insolvency proceedings are deducted

Depreciation of furniture is taken into account

Outcome for the business (survival or not) affects the maximum value that can be recovered

- Has 201 employees, 1 main secured creditor and 50 unsecured creditors.
- Has a higher value as a going concern—and the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation.

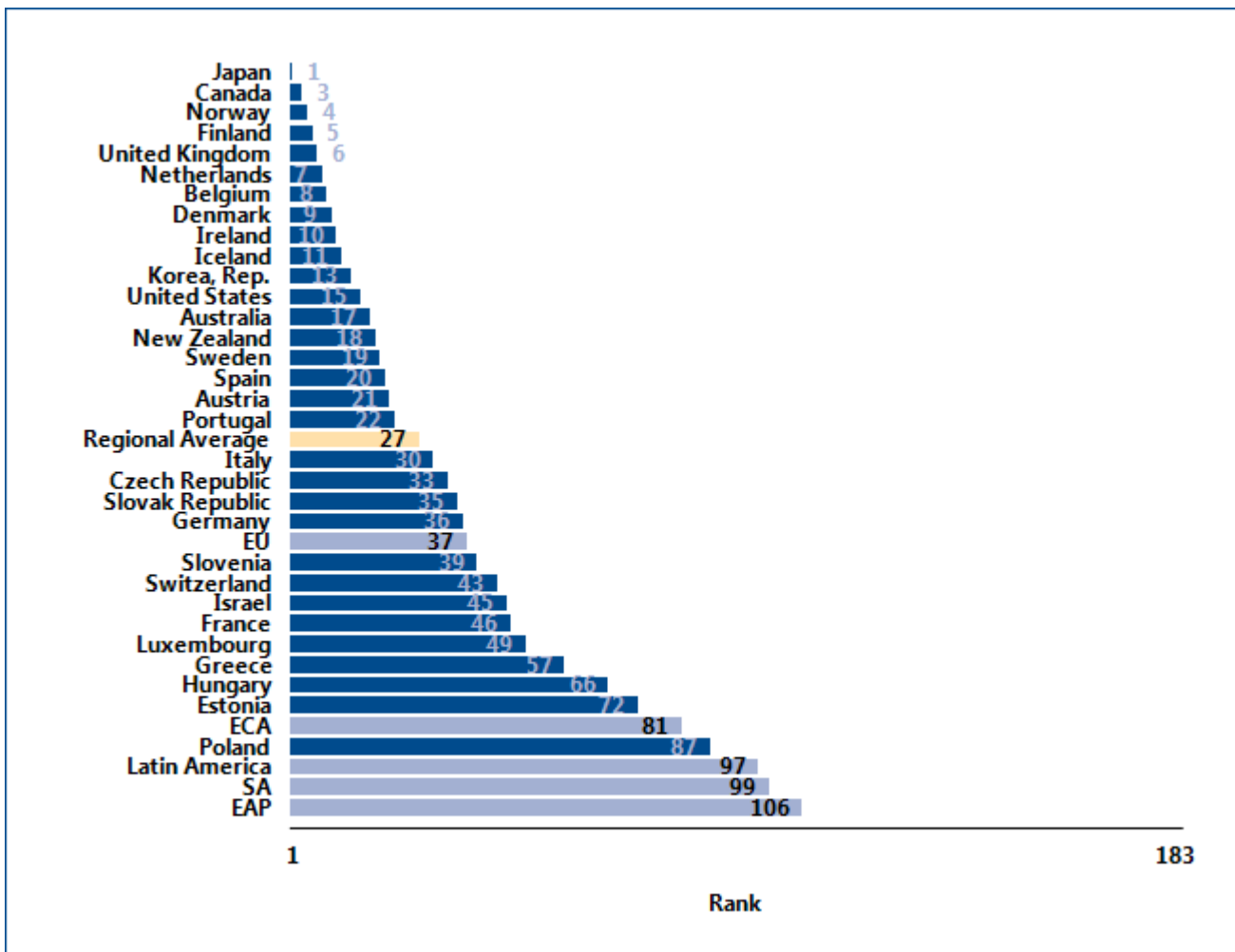
## RESOLVING INSOLVENCY

### Where do the region's economies stand today?

How efficient are insolvency proceedings in economies in OECD high income? The global rankings of these economies on the ease of resolving insolvency suggest an answer (figure 11.1). The average ranking of the region and comparator regions provide a useful

benchmark for assessing the efficiency of insolvency proceedings. Speed, low costs and continuation of viable businesses characterize the top-performing economies.

Figure 11.1 How economies in OECD high income rank on the ease of resolving insolvency



Source: *Doing Business* database.

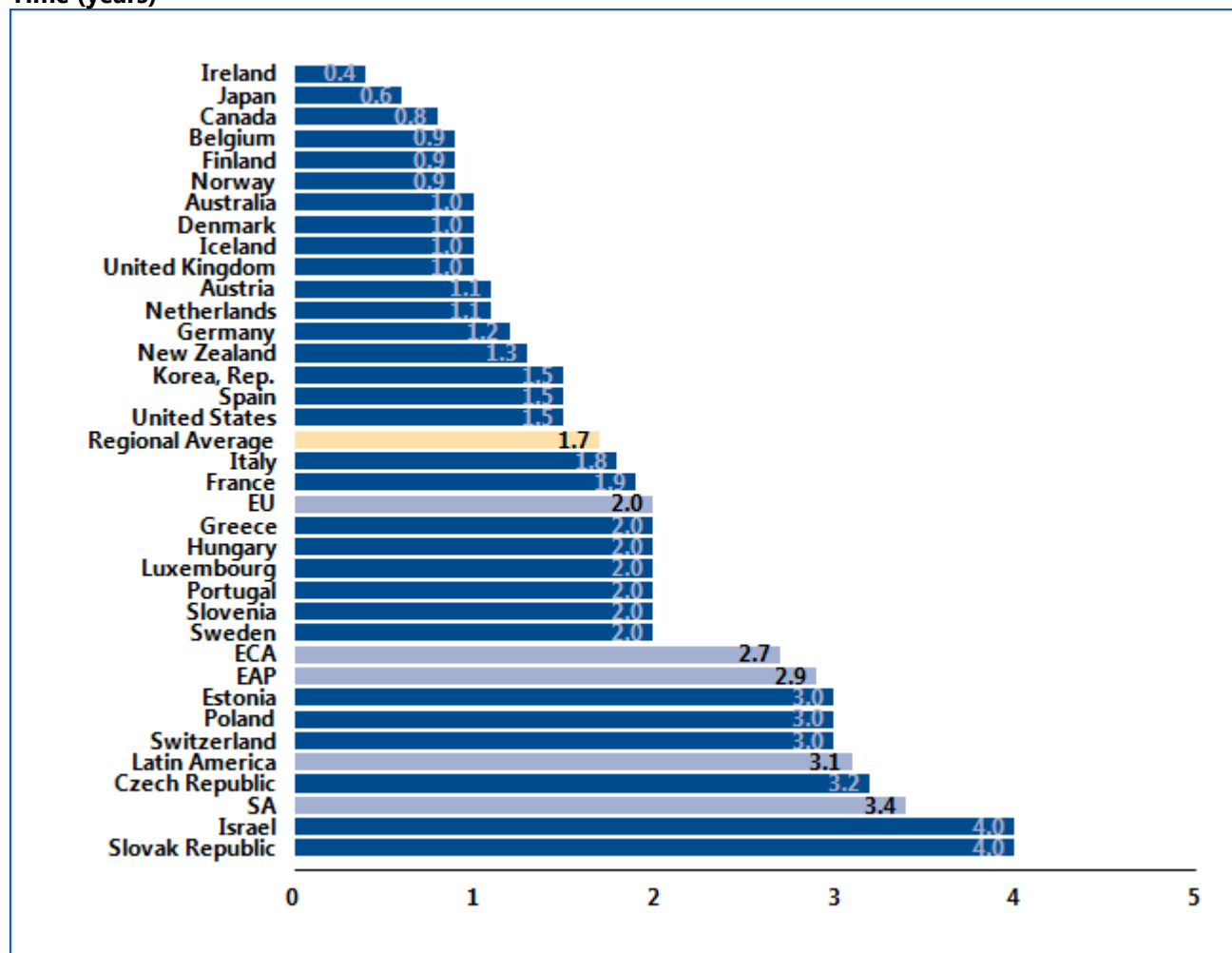
The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show the average time and cost required to resolve insolvency as well as the average recovery rate (figure 11.2).

Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

## RESOLVING INSOLVENCY

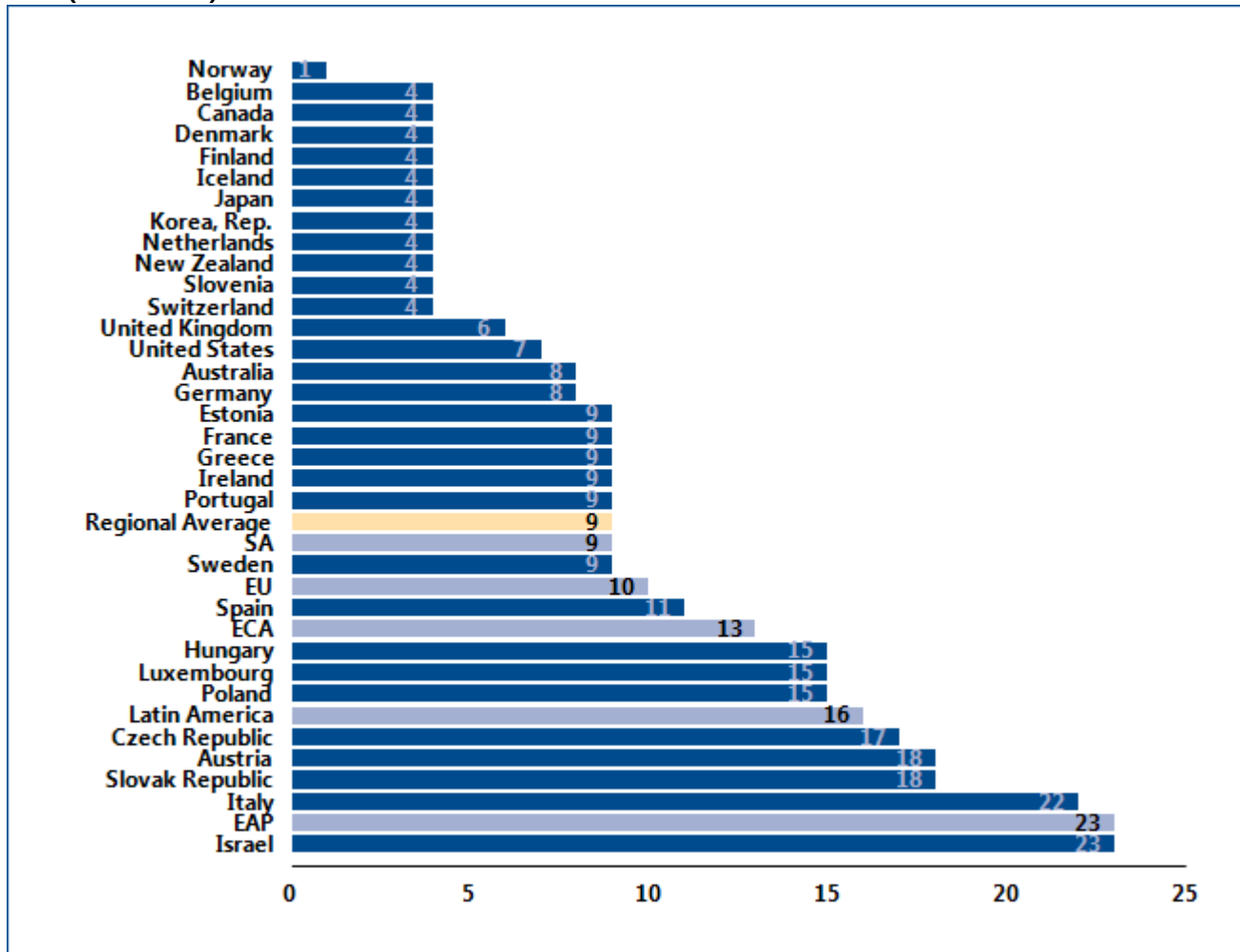
Figure 11.2 How efficient is the insolvency process in economies in OECD high income

Time (years)



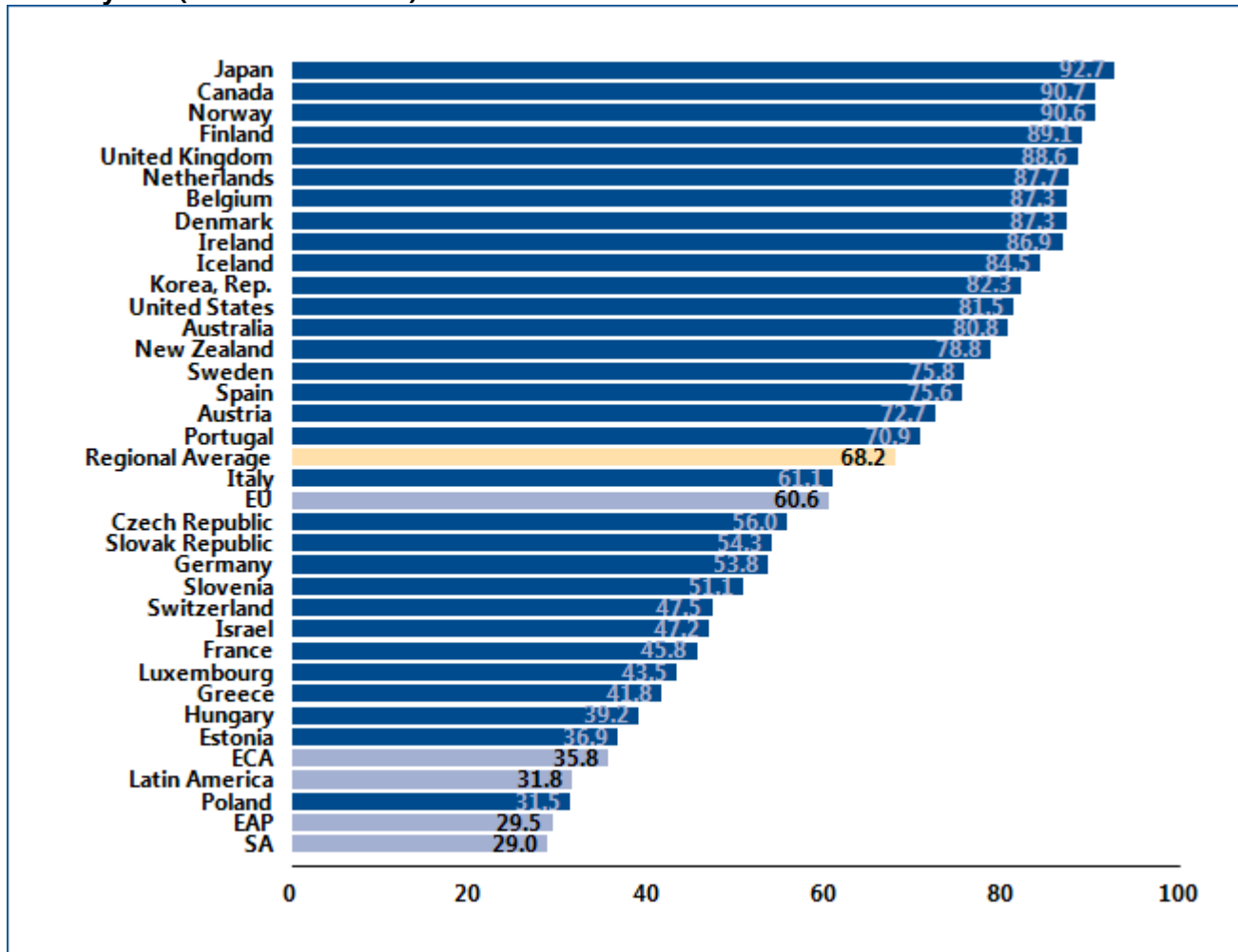
RESOLVING INSOLVENCY

Cost (% of estate)



## RESOLVING INSOLVENCY

Recovery rate (cents on the dollar)



\* Indicates a "no practice" mark. See the data notes for details.

Source: Doing Business database.



## RESOLVING INSOLVENCY

### What are the changes over time?

A well-balanced bankruptcy system distinguishes companies that are financially distressed but economically viable from inefficient companies that should be liquidated. But in some insolvency systems even viable businesses are liquidated. This is starting to

change. Many recent reforms of bankruptcy laws have been aimed at helping more of the viable businesses survive. What insolvency reforms has *Doing Business* recorded in OECD high income (table 11.1)?

Table 11.1 How have economies in OECD high income made resolving insolvency easier—or not?  
By *Doing Business* report year

DB Year	Economy	Reform
DB2012	<i>Australia</i>	Australia clarified the priority of claims of unsecured creditors over all shareholders' claims and introduced further regulation of the profession of insolvency practitioners.
DB2012	<i>Austria</i>	Austria passed a new law that simplifies restructuring proceedings and gives preferential consideration to the interests of the debtors.
DB2012	<i>Denmark</i>	Denmark introduced new rules on company reorganization, which led to the elimination of the suspension-of-payments regime.
DB2012	<i>France</i>	France passed a law that enables debtors to implement a restructuring plan with financial creditors only, without affecting trade creditors.
DB2012	<i>Israel</i>	Israel amended its courts law to establish specialized courts for dealing with economic matters.
DB2012	<i>Italy</i>	Italy introduced debt restructuring and reorganization procedures as alternatives to bankruptcy proceedings and extended further rights to secured creditors during insolvency proceedings.
DB2012	<i>Poland</i>	Poland amended its bankruptcy and reorganization law to simplify court procedures and extend more rights to secured creditors.
DB2012	<i>Slovenia</i>	Slovenia simplified and streamlined the insolvency process and strengthened professional requirements for insolvency administrators.
DB2012	<i>Switzerland</i>	Switzerland introduced a unified civil procedure code and made a number of changes to its federal bankruptcy law.
DB2011	<i>Belgium</i>	Belgium introduced a new law that will promote and facilitate the survival of viable businesses experiencing financial difficulties.

DB Year	Economy	Reform
DB2011	<i>Czech Republic</i>	The Czech Republic made it easier to deal with insolvency by introducing further legal amendments to restrict setoffs in insolvency cases and suspending for some insolvent debtors the obligation to file for bankruptcy.
DB2011	<i>Estonia</i>	Amendments to Estonia's recent insolvency law increased the chances that viable businesses will survive insolvency by improving procedures and changing the qualification requirements for insolvency administrators.
DB2011	<i>Hungary</i>	Amendments to Hungary's bankruptcy law encourage insolvent companies to consider reaching agreements with creditors out of court so as to avoid bankruptcy.
DB2011	<i>Japan</i>	Japan made it easier to deal with insolvency by establishing a new entity, the Enterprise Turnaround Initiative Corporation, to support the revitalization of companies suffering from excessive debt but professionally managed.
DB2011	<i>Korea, Rep.</i>	Korea made it easier to deal with insolvency by introducing post filing financing, granting super priority to the repayment of loans given to companies undergoing reorganization.
DB2011	<i>Spain</i>	Spain amended its regulations governing insolvency proceedings with the aim of reducing the cost and time. The new regulations also introduced out-of-court workouts.
DB2011	<i>United Kingdom</i>	Amendments to the United Kingdom's insolvency rules streamline bankruptcy procedures, favor the sale of the firm as a whole and improve the calculation of administrators' fees.
DB2010	<i>Estonia</i>	An act was adopted enabling distressed companies on the verge of insolvency to reorganize themselves, restructure their debt, and apply other measures to regain financial health and restore profitability.
DB2010	<i>France</i>	The insolvency process was improved by encouraging preinsolvency workouts and no longer requiring estimation of the value of assets by a public auctioneer.
DB2010	<i>Germany</i>	The recent Act on the Implementation of Measures to Stabilize the Financial Market (Finanzmarktstabilisierungsgesetz) removes the requirement for potentially viable companies to file for immediate insolvency in cases of overindebtedness.
DB2010	<i>Poland</i>	The process of dealing with distressed companies was eased with an amendment to its bankruptcy law introducing the option of prebankruptcy reorganization for companies facing financial difficulties.

DB Year	Economy	Reform
DB2009	<i>Finland</i>	The restructuring of Enterprises Act was revised making it easier for companies in distress to reorganize.
DB2009	<i>Germany</i>	It is easier for companies in distress to restructure by allowing the court to suspend enforcement against assets essential to the continuation of the business with the aim of keeping the company working as a going concern.
DB2009	<i>Greece</i>	A new bankruptcy law was passed that is expected to allow more companies in distress to emerge as going concerns.
DB2009	<i>New Zealand</i>	A reorganization procedure was introduced that should make it easier for companies in distress to emerge as going concerns.
DB2009	<i>Poland</i>	Bankruptcy procedures were strengthened through a new law on trustee licensing that tightens professional requirements for administrators. Obtaining a trustee's license now requires passing an exam in economics, law, finance, and management. The reform also limits trustees' pay to maximum 3 percent of the bankrupt estate's value, down from maximum 5 percent, increasing the recovery rate from 28 to 30 cents on the dollar.
DB2009	<i>Portugal</i>	Bankruptcy laws were reformed, eliminating the need to publish insolvency notices in newspapers, introducing fast-track procedures for small debtors and limiting procedural appeals.
DB2008	<i>Denmark</i>	Upon an evaluation of the insolvency system, using the 2007 Doing Business report, the Danish High Court found that many procedural delays were caused by the trustee. The new law provides measures for creditor and judicial monitoring of trustees' work, and institutes financial incentives for trustees to conduct proceedings more efficiently.
DB2008	<i>Italy</i>	The bankruptcy procedure was reorganized, giving larger powers to the trustee. The new rules are intended to favor going-concern transfers over piecemeal sales.
DB2008	<i>Portugal</i>	Fast-track procedures were created for the voluntary liquidation of commercial enterprises. Alleviating the administrative burden, an entrepreneur can now wind up a company at the registry office

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## DATA NOTES

The indicators presented and analyzed in *Doing Business* measure business regulation and the protection of property rights—and their effect on businesses, especially small and medium-size domestic firms. First, the indicators document the complexity of regulation, such as the number of procedures to start a business or to register and transfer commercial property. Second, they gauge the time and cost of achieving a regulatory goal or complying with regulation, such as the time and cost to enforce a contract, go through bankruptcy or trade across borders. Third, they measure the extent of legal protections of property, for example, the protections of investors against looting by company directors or the range of assets that can be used as collateral according to secured transactions laws. Fourth, a set of indicators documents the tax burden on businesses. Finally, a set of data covers different aspects of employment regulation.

The data for all sets of indicators in *Doing Business 2012* are for June 2011.<sup>3</sup>

### Methodology

The *Doing Business* data are collected in a standardized way. To start, the *Doing Business* team, with academic advisers, designs a questionnaire. The questionnaire uses a simple business case to ensure comparability across economies and over time—with assumptions about the legal form of the business, its size, its location and the nature of its operations. Questionnaires are administered through more than 9,028 local experts, including lawyers, business consultants, accountants, freight forwarders, government officials and other professionals routinely administering or advising on legal and regulatory requirements. These experts have several rounds of interaction with the *Doing Business* team, involving conference calls, written correspondence and visits by the team. For *Doing Business 2012* team members visited 40 economies to verify data and recruit respondents. The data from questionnaires are subjected to numerous rounds of verification, leading to revisions or expansions of the information collected.

<sup>3</sup> The data for paying taxes refer to January – December 2010.

## ECONOMY CHARACTERISTICS

### Gross national income (GNI) per capita

*Doing Business 2012* reports 2010 income per capita as published in the World Bank's *World Development Indicators 2011*. Income is calculated using the Atlas method (current US\$). For cost indicators expressed as a percentage of income per capita, 2010 GNI in U.S. dollars is used as the denominator. Data were not available from the World Bank for Afghanistan; Australia; The Bahamas; Bahrain; Brunei Darussalam; Canada; Cyprus; Djibouti; the Islamic Republic of Iran; Kuwait; New Zealand; Oman; Puerto Rico (territory of the United States); Qatar; Saudi Arabia; Suriname; Taiwan, China; the United Arab Emirates; West Bank and Gaza; and the Republic of Yemen. In these cases GDP or GNP per capita data and growth rates from the International Monetary Fund's World Economic Outlook database and the Economist Intelligence Unit were used.

### Region and income group

*Doing Business* uses the World Bank regional and income group classifications, available at <http://www.worldbank.org/data/countryclass>. The World Bank does not assign regional classifications to high-income economies. For the purpose of the *Doing Business* report, high-income OECD economies are assigned the "regional" classification *OECD high income*. Figures and tables presenting regional averages include economies from all income groups (low, lower middle, upper middle and high income).

### Population

*Doing Business 2012* reports midyear 2010 population statistics as published in *World Development Indicators 2011*.

The *Doing Business* methodology offers several advantages. It is transparent, using factual information about what laws and regulations say and allowing multiple interactions with local respondents to clarify potential misinterpretations of questions. Having representative samples of respondents is not an issue; *Doing Business* is not a statistical survey, and the texts of the relevant laws and regulations are collected and answers checked for accuracy. The methodology is inexpensive and easily replicable, so data can be collected in a large sample of economies. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. Finally, the data not only highlight the extent of specific regulatory obstacles to business but also identify their source and point to what might be reformed.

Information on the methodology for each *Doing Business* topic can be found on the *Doing Business* website at <http://www.doingbusiness.org/methodology/>.

## Limits to what is measured

The *Doing Business* methodology has 5 limitations that should be considered when interpreting the data. First, the collected data refer to businesses in the economy's largest business city and may not be representative of regulation in other parts of the economy. To address this limitation, subnational *Doing Business* indicators were created (see the section on subnational *Doing Business* indicators). Second, the data often focus on a specific business form—generally a limited liability company (or its legal equivalent) of a specified size—and may not be representative of the regulation on other businesses, for example, sole proprietorships. Third, transactions described in a standardized case scenario refer to a specific set of issues and may not represent the full set of issues a business encounters. Fourth, the measures of time involve an element of judgment by the expert respondents. When sources indicate different estimates, the time indicators reported in *Doing Business* represent the median values of several responses given under the assumptions of the standardized case.

Finally, the methodology assumes that a business has full information on what is required and does not waste time when completing procedures. In practice, completing a procedure may take longer if the

business lacks information or is unable to follow up promptly. Alternatively, the business may choose to disregard some burdensome procedures. For both reasons the time delays reported in *Doing Business 2012* would differ from the recollection of entrepreneurs reported in the World Bank Enterprise Surveys or other perception surveys.

## Subnational *Doing Business* indicators

This year *Doing Business* published a subnational study for the Philippines and a regional report for Southeast Europe covering 7 economies (Albania, Bosnia and Herzegovina, Kosovo, the former Yugoslav Republic of Macedonia, Moldova, Montenegro and Serbia) and 22 cities. It also published a city profile for Juba, in the Republic of South Sudan.

The subnational studies point to differences in business regulation and its implementation—as well as in the pace of regulatory reform—across cities in the same economy. For several economies subnational studies are now periodically updated to measure change over time or to expand geographic coverage to additional cities. This year that is the case for the subnational studies in the Philippines; the regional report in Southeast Europe; the ongoing studies in Italy, Kenya and the United Arab Emirates; and the projects implemented jointly with local think tanks in Indonesia, Mexico and the Russian Federation.

Besides the subnational *Doing Business* indicators, *Doing Business* conducted a pilot study this year on the second largest city in 3 large economies to assess within-country variations. The study collected data for Rio de Janeiro in addition to São Paulo in Brazil, for Beijing in addition to Shanghai in China and for St. Petersburg in addition to Moscow in Russia.

## Changes in what is measured

The methodology for 3 of the *Doing Business* topics was updated this year—getting credit, dealing with construction permits and paying taxes.

First, for getting credit, the scoring of one of the 10 components of the strength of legal rights index was amended to recognize additional protections of secured creditors and borrowers. Previously the highest score of 1 was assigned if secured creditors

were not subject to an automatic stay or moratorium on enforcement procedures when a debtor entered a court-supervised reorganization procedure. Now the highest score of 1 is also assigned if the law provides secured creditors with grounds for relief from an automatic stay or moratorium (for example, if the movable property is in danger) or sets a time limit for the automatic stay.

Second, because the ease of doing business index now includes the getting electricity indicators, procedures, time and cost related to obtaining an electricity connection were removed from the dealing with construction permits indicators.

Third, a threshold has been introduced for the total tax rate for the purpose of calculating the ranking on the ease of paying taxes. All economies with a total tax rate below the threshold (which will be calculated and adjusted on a yearly basis) will now receive the same ranking on the total tax rate indicator. The threshold is not based on any underlying theory. Instead, it is meant to emphasize the purpose of the indicator: to highlight economies where the tax burden on business is high relative to the tax burden in other economies. Giving the same ranking to all economies whose total tax rate is below the threshold avoids awarding economies in the scoring for having an unusually low total tax rate, often for reasons unrelated to government policies toward enterprises. For example, economies that are very small or that are rich in natural resources do not need to levy broad-based taxes.

## Data challenges and revisions

Most laws and regulations underlying the *Doing Business* data are available on the *Doing Business* website at <http://www.doingbusiness.org>. All the sample questionnaires and the details underlying the indicators are also published on the website. Questions on the methodology and challenges to data can be submitted through the website's "Ask a Question" function at <http://www.doingbusiness.org>.

## Ease of doing business and distance to frontier

This year's report presents results for 2 aggregate measures: the aggregate ranking on the ease of doing

business and a new measure, the "distance to frontier." While the ease of doing business ranking compares economies with one another at a point in time, the distance to frontier measure shows how much the regulatory environment for local entrepreneurs in each economy has changed over time.

### Ease of doing business

The ease of doing business index ranks economies from 1 to 183. For each economy the ranking is calculated as the simple average of the percentile rankings on each of the 10 topics included in the index in *Doing Business 2012*: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and, new this year, getting electricity. The employing workers indicators are not included in this year's aggregate ease of doing business ranking. In addition to this year's ranking, *Doing Business* presents a comparable ranking for the previous year, adjusted for any changes in methodology as well as additions of economies or topics.<sup>4</sup>

#### *Construction of the ease of doing business index*

Here is one example of how the ease of doing business index is constructed. In the Republic of Korea it takes 5 procedures, 7 days and 14.6% of annual income per capita in fees to open a business. There is no minimum capital required. On these 4 indicators Korea ranks in the 18<sup>th</sup>, 14<sup>th</sup>, 53<sup>rd</sup> and 0 percentiles. So on average Korea ranks in the 21<sup>st</sup> percentile on the ease of starting a business. It ranks in the 12<sup>th</sup> percentile on getting credit, 25<sup>th</sup> percentile on paying taxes, 8<sup>th</sup> percentile on enforcing contracts, 7<sup>th</sup> percentile on resolving insolvency and so on. Higher rankings indicate simpler regulation and stronger protection of property rights. The simple average of Korea's percentile rankings on all topics is 21<sup>st</sup>. When all economies are ordered by their average percentile

<sup>4</sup> In case of revisions to the methodology or corrections to the underlying data, the data are back-calculated to provide a comparable time series since the year the relevant economy or topic was first included in the data set. The time series is available on the *Doing Business* website (<http://www.doingbusiness.org>). The *Doing Business* report publishes yearly rankings for the year of publication as well as the previous year to shed light on year-to-year developments. Six topics and more than 50 economies have been added since the inception of the project. Earlier rankings on the ease of doing business are therefore not comparable.



rankings, Korea stands at 8 in the aggregate ranking on the ease of doing business.

More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly identical to the simple average used by *Doing Business*.<sup>5</sup> Thus, *Doing Business* uses the simplest method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components.<sup>6</sup>

If an economy has no laws or regulations covering a specific area—for example, insolvency—it receives a “no practice” mark. Similarly, an economy receives a “no practice” or “not possible” mark if regulation exists but is never used in practice or if a competing regulation prohibits such practice. Either way, a “no practice” mark puts the economy at the bottom of the ranking on the relevant indicator.

The ease of doing business index is limited in scope. It does not account for an economy’s proximity to large markets, the quality of its infrastructure services (other than services related to trading across borders and getting electricity), the strength of its financial system, the security of property from theft and looting, its macroeconomic conditions or the strength of underlying institutions.

#### *Variability of economies’ rankings across topics*

Each indicator set measures a different aspect of the business regulatory environment. The rankings of an economy can vary, sometimes significantly, across indicator sets. The average correlation coefficient between the 10 indicator sets included in the aggregate ranking is 0.36, and the coefficients between any 2 sets of indicators range from 0.17 (between protecting investors and getting electricity) to 0.57 (between starting a business and protecting

investors). These correlations suggest that economies rarely score universally well or universally badly on the indicators.

Consider the example of Canada. It stands at 12 in the aggregate ranking on the ease of doing business. Its ranking is 3 on both starting a business and resolving insolvency, and 5 on protecting investors. But its ranking is only 59 on enforcing contracts, 42 on trading across borders and 156 on getting electricity.

Variation in performance across the indicator sets is not at all unusual. It reflects differences in the degree of priority that government authorities give to particular areas of business regulation reform and the ability of different government agencies to deliver tangible results in their area of responsibility.

#### *Economies that improved the most across 3 or more Doing Business topics in 2010/11*

*Doing Business 2012* uses a simple method to calculate which economies improved the most in the ease of doing business. First, it selects the economies that in 2010/11 implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year’s ease of doing business ranking.<sup>7</sup> Thirty economies meet this criterion: Armenia, Burkina Faso, Burundi, Cape Verde, the Central African Republic, Chile, Colombia, the Democratic Republic of Congo, Côte d’Ivoire, The Gambia, Georgia, Korea, Latvia, Liberia, FYR Macedonia, Mexico, Moldova, Montenegro, Morocco, Nicaragua, Oman, Peru, Russian Federation, São Tomé and Príncipe, Senegal, Sierra Leone, Slovenia, the Solomon Islands, South Africa and Ukraine. Second, *Doing Business* ranks these economies on the increase in their ranking on the ease of doing business from the previous year using comparable rankings.

Selecting the economies that implemented regulatory reforms in at least 3 topics and improved the most in the aggregate ranking is intended to highlight economies with ongoing, broad-based reform programs.

<sup>5</sup> See Simeon Djankov, Darshini Manraj, Caralee McLiesh and Rita Ramalho, “*Doing Business* Indicators: Why Aggregate, and How to Do It” (World Bank, Washington, DC, 2005). Principal components and unobserved components methods yield a ranking nearly identical to that from the simple average method because both these methods assign roughly equal weights to the topics, since the pairwise correlations among indicators do not differ much. An alternative to the simple average method is to give different weights to the topics, depending on which are considered of more or less importance in the context of a specific economy.

<sup>6</sup> A technical note on the different aggregation and weighting methods is available on the *Doing Business* website (<http://www.doingbusiness.org>).

<sup>7</sup> *Doing Business* reforms making it more difficult to do business are subtracted from the total number of those making it easier to do business.

## RESOURCES ON THE *DOING BUSINESS* WEBSITE

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<http://www.doingbusiness.org>

### **Rankings**

How economies rank—from 1 to 183  
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