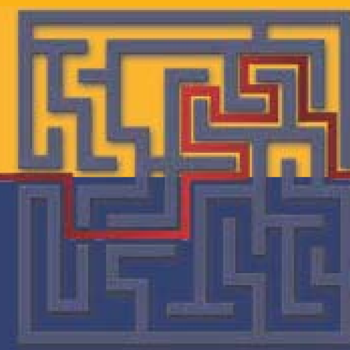
Overview



Regulation is a reality from the beginning of a firm's life to the end (figure 1.1). Navigating it can be complex and costly. On average around the world, starting a business takes 7 procedures, 25 days and costs 32% of income per capita in fees. But while it takes as little as 1 procedure, half a day and almost nothing in fees in New Zealand, an entrepreneur must wait 208 days in Suriname and 144 in República Bolivariana de Venezuela.

And this is just the tip of the iceberg. Consider what the new firm must go through to complete other transactions at the average level of time and effort required around the world. Preparing, filing and paying the firm's annual taxes could take up another 268 hours of its staff's time. Exporting just one shipment of its final products could take 6 documents, 22 days and more than $1,500. If the firm needs a simple warehouse, getting the facility ready to start operating could take 26 procedures and 331 days more—to buy the land, register its ownership, build the warehouse and get electricity and other utility connections. Having sorted out these initial formalities, if the firm becomes embroiled in a legal dispute with one of its suppliers or customers, resolving the dispute could mean being stuck in court for 622 days, with costs amounting to 35% of the value of the claim.

To operate and expand, the firm will need financing—from shareholders or from creditors. Raising money in the capital market is easier and less costly where minority shareholders feel protected from self-interested transactions by large shareholders. Good corporate governance rules can provide this kind of protection. But among the 189 economies covered by *Doing Business*, 46 still have only very limited requirements for disclosing majority shareholders' conflicts of interest—or none at all. This undermines trust in the system, making it less likely that investors will take a minority stake in a firm.

Similarly, creditors need guarantees that their loans will be repaid. Information about potential borrowers and solid legal rights for creditors play an important part in providing those guarantees. Yet institutions providing these are not universal among the 189 economies: 35 have no credit bureau or registry that distributes information about borrowers, and 124 lack a modern collateral registry where a creditor can check whether a movable asset being pledged as collateral has any other liens on it. If despite all efforts the firm ends up insolvent, having institutions in place that enable creditors to recover their assets is also important. On average around the world, creditors recover no more than 35% of their initial loan in case of bankruptcy as measured by *Doing Business*.

In many parts of the world in recent years, *Doing Business* data show that there has been remarkable progress in removing some of the biggest bureaucratic obstacles to private sector activity. Yet small and medium-size enterprises still are subject to burdensome regulations and vague rules that are unevenly applied and that impose inefficiencies on the enterprise sector. This curtails the overall competitiveness of economies and their potential for creating jobs.

WHAT DOES *DOING BUSINESS* MEASURE—AND WHO PERFORMS WELL?

Through its indicators *Doing Business* measures and tracks changes in the

- In 2012/13, 114 economies implemented 238 regulatory reforms making it easier to do business—18% more reforms than in the previous year.
- If economies around the world followed the best practice in regulatory processes for starting a business, entrepreneurs would spend 45.4 million fewer days each year satisfying bureaucratic requirements.
- Ukraine, Rwanda, the Russian Federation, the Philippines and Kosovo are among the economies improving the most in 2012/13 in areas tracked by *Doing Business*.
- Reforms reducing the complexity and cost of regulatory processes continue to be the most common. Less than a third of the reforms recorded by *Doing Business* in 2012/13—and in the years since 2009—focused on strengthening legal institutions.
- Sub-Saharan Africa is home to 9 of the 20 economies narrowing the gap with the regulatory frontier the most since 2009. Low-income economies narrowed this gap twice as much as high-income economies did.
- Economies that improve in areas measured by *Doing Business* are on average more likely than others to also implement reforms in other areas—such as governance, health, education and gender equality.
- Economies that perform well on *Doing Business* indicators do not necessarily have smaller governments.

FIGURE 1.1 Regulations as measured by *Doing Business* affect firms throughout their life cycle

regulations applying to domestic small and medium-size companies, operating in the largest business city of each economy, in 10 areas in their life cycle: 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 aggregate ranking on the ease of doing business is based on these indicators. *Doing Business* also documents regulations on employing workers, which are not included in the aggregate ranking. In addition, *Doing Business* tracks good practices around the world to provide insights into how governments have improved the regulatory environment in the past in the areas that it measures (see table 1.5 at the end of this overview).

Regulations that protect consumers, shareholders and the public without overburdening firms help create an environment where the private sector can thrive. Sound business regulation requires both efficient procedures and strong institutions that establish transparent and enforceable rules. *Doing Business* measures both these elements: through indicators relating to the strength of legal institutions relevant to business regulation and through indicators relating to the complexity and cost of regulatory processes. The indicators in the first group measure the strength of the legal and regulatory framework for getting credit, protecting investors, enforcing contracts and resolving insolvency. Those in the second group measure the cost and efficiency of regulatory processes for starting a business, dealing with construction permits, getting electricity, registering property, paying taxes and trading across borders. Based on time-and-motion case studies from the perspective of the business, these indicators measure the procedures, time and cost required to complete a transaction in accordance with the relevant regulations (for a detailed explanation of the *Doing Business* methodology, see the data notes and the chapter "About *Doing Business*").

Doing Business is not about less regulation but about better regulation. Accordingly, some *Doing Business* indicators give a higher score for better and more developed regulation, as the protecting investors indicators do for stricter disclosure requirements for related-party transactions. Other indicators, such as those on dealing with construction permits, automatically assign the lowest score to economies that have no regulations in the area being measured or do not apply their regulations (considered "no practice" economies), penalizing them for lacking appropriate regulation.

The economies ranking highest on the ease of doing business therefore are not those with no regulation but those whose governments have managed to create a regulatory system that facilitates interactions in the marketplace and protects important public interests without unnecessarily hindering the development of the private sector—in other words, a regulatory system with strong institutions and low transactions costs (table 1.1). These economies all have both a well-developed private sector and a reasonably efficient regulatory system that has managed to strike a sensible balance between the protections that good rules provide and the need to have a dynamic private sector unhindered by excessively burdensome regulations.

WHERE IS THE REGULATORY GAP WIDER?

To complement the ease of doing business ranking, a relative measure, *Doing Business 2012* introduced the distance to frontier, an absolute measure of business regulatory efficiency. This measure aids in assessing how much the regulatory environment for local entrepreneurs improves in absolute terms over time by showing the distance of each economy to the "frontier," which represents the best performance by any economy observed on each of the *Doing Business* indicators since 2003 or the year in which data for the indicator were first collected. Because the distance to frontier is an absolute measure, it can be used for comparisons over time. The measure is normalized to range between 0 and 100, with 100 representing the frontier. A higher score indicates a more efficient business environment and stronger legal institutions (for a detailed description of the methodology, see the chapter on the ease of doing business and distance to frontier).

Analysis based on the distance to frontier measure shows that on average across all regions, economies are closest

TABLE 1.1 Rankings on the ease of doing business

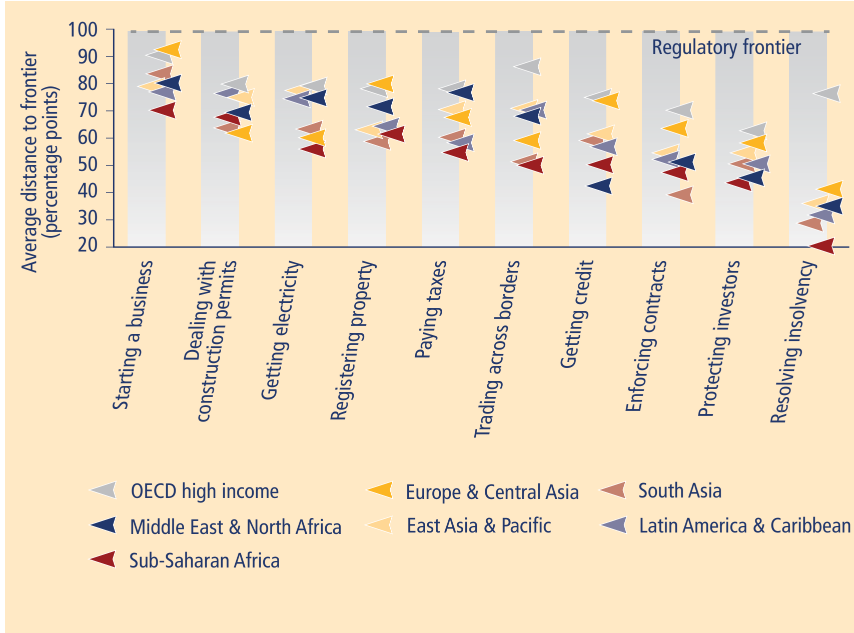
Rank	Economy	DB2014 reforms	Rank	Economy	DB2014 reforms	Rank	Economy	DB2014 reforms
1	Singapore	2	64	St. Lucia	0	127	Honduras	0
2	Hong Kong SAR, China	1	65	Italy	3	128	Egypt, Arab Rep.	0
3	New Zealand	1	66	Trinidad and Tobago	1	129	Kenya	0
4	United States	0	67	Ghana	0	130	Bangladesh	1
5	Denmark	0	68	Kyrgyz Republic	0	131	Bosnia and Herzegovina	0
6	Malaysia	3	69	Turkey	3	132	Uganda	1
7	Korea, Rep.	1	70	Azerbaijan	3	133	Yemen, Rep.	0
8	Georgia	1	71	Antigua and Barbuda	0	134	India	0
9	Norway	0	72	Greece	3	135	Ecuador	1
10	United Kingdom	2	73	Romania	3	136	Lesotho	1
11	Australia	1	74	Vanuatu	1	137	Cambodia	0
12	Finland	0	75	Czech Republic	1	138	West Bank and Gaza	1
13	Iceland	1	76	Mongolia	3	139	Mozambique	2
14	Sweden	1	77	Dominica	0	140	Burundi	6
15	Ireland	0	78	Moldova	3	141	Bhutan	2
16	Taiwan, China	0	79	Guatemala	3	142	Sierra Leone	0
17	Lithuania	2	80	Seychelles	0	143	Tajikistan	2
18	Thailand	1	81	San Marino	0	144	Liberia	2
19	Canada	0	82	St. Vincent and the Grenadines	0	145	Tanzania	2
20	Mauritius	3	83	Zambia	1	146	Uzbekistan	6
21	Germany	0	84	Bahamas, The	2	147	Nigeria	0
22	Estonia	1	85	Sri Lanka	4	148	Madagascar	2
23	United Arab Emirates	3	86	Kosovo	3	149	Sudan	0
24	Latvia	4	87	Morocco	3	150	Gambia, The	1
25	Macedonia, FYR	6	88	Uruguay	1	151	Iraq	0
26	Saudi Arabia	0	89	Croatia	5	152	Iran, Islamic Rep.	0
27	Japan	0	90	Albania	1	153	Algeria	0
28	Netherlands	2	91	Barbados	0	154	Burkina Faso	1
29	Switzerland	0	92	Russian Federation	5	155	Mali	0
30	Austria	0	93	Serbia	0	156	Micronesia, Fed. Sts.	0
31	Portugal	1	94	Jamaica	3	157	Togo	3
32	Rwanda	8	95	Maldives	1	158	Comoros	1
33	Slovenia	1	96	China	2	159	Lao PDR	1
34	Chile	1	97	Solomon Islands	0	160	Djibouti	3
35	Israel	2	98	Namibia	0	161	Suriname	2
36	Belgium	0	99	Vietnam	2	162	Bolivia	0
37	Armenia	2	100	Palau	2	163	Gabon	3
38	France	1	101	St. Kitts and Nevis	0	164	Afghanistan	2
39	Cyprus	0	102	Costa Rica	2	165	Syrian Arab Republic	0
40	Puerto Rico (U.S.)	0	103	Malta	1	166	Equatorial Guinea	0
41	South Africa	1	104	Kuwait	1	167	Côte d'Ivoire	4
42	Peru	0	105	Nepal	1	168	Cameroon	0
43	Colombia	2	106	Belize	0	169	São Tomé and Príncipe	0
44	Montenegro	2	107	Grenada	0	170	Zimbabwe	0
45	Poland	2	108	Philippines	3	171	Malawi	1
46	Bahrain	1	109	Paraguay	1	172	Timor-Leste	0
47	Oman	0	110	Pakistan	0	173	Mauritania	1
48	Qatar	1	111	Lebanon	0	174	Benin	2
49	Slovak Republic	0	112	Ukraine	8	175	Guinea	3
50	Kazakhstan	2	113	Papua New Guinea	0	176	Niger	2
51	Tunisia	0	114	Marshall Islands	0	177	Haiti	0
52	Spain	1	115	Guyana	1	178	Senegal	1
53	Mexico	3	116	Brazil	0	179	Angola	0
54	Hungary	0	117	Dominican Republic	0	180	Guinea-Bissau	1
55	Panama	4	118	El Salvador	1	181	Venezuela, RB	1
56	Botswana	1	119	Jordan	0	182	Myanmar	1
57	Tonga	1	120	Indonesia	1	183	Congo, Dem. Rep.	3
58	Bulgaria	0	121	Cape Verde	2	184	Eritrea	0
59	Brunei Darussalam	1	122	Kiribati	0	185	Congo, Rep.	3
60	Luxembourg	0	123	Swaziland	2	186	South Sudan	0
61	Samoa	0	124	Nicaragua	2	187	Libya	0
62	Fiji	0	125	Ethiopia	0	188	Central African Republic	1
63	Belarus	4	126	Argentina	1	189	Chad	1

Note: The rankings for all economies are benchmarked to June 2013 and reported in the country tables. This year's rankings on the ease of doing business are the average of the economy's percentile rankings on the 10 topics included in this year's aggregate ranking. The number of reforms excludes those making it more difficult to do business.
Source: Doing Business database.

to the frontier—or best practice—in the area of starting a business. And they are furthest from the frontier on average in resolving insolvency. Starting a business is also the area where all regions are closest together, in line with the evidence on convergence presented later in the overview. Performance in such areas as getting credit, enforcing contracts and resolving insolvency varies considerably across regions.

Across most areas measured by *Doing Business*, OECD high-income economies are closer to the frontier on average than those of any other region (figure 1.2). The exceptions are starting a business and registering property, where Europe and Central Asia is slightly ahead. Sub-Saharan African economies are furthest from the frontier on average in 6 of the 10 areas measured by *Doing Business*: starting a business, getting electricity, paying taxes, trading across borders, protecting investors and resolving insolvency

FIGURE 1.2 OECD high-income economies are closest to the frontier in regulatory practice



Source: Doing Business database.

Regional performance varies considerably across the areas measured by *Doing Business*. In several areas Europe and Central Asia has an average performance similar to that of OECD high-income economies. But in dealing with construction permits this region is further from the regulatory frontier than any other. East Asia and the Pacific follows Europe and Central Asia closely in some areas but outperforms that region in dealing with construction permits, getting electricity, paying taxes and trading across borders. Latin America and the Caribbean has a performance remarkably similar to that of East Asia and the Pacific except in paying taxes.

The Middle East and North Africa has a very diverse performance. In some areas, such as paying taxes, it is almost as close to the frontier as OECD high-income economies. In other areas, such as getting credit, the Middle East and North Africa has the lowest performance among regions. South Asia has a gap with the frontier similar to that of Sub-Saharan Africa in most areas, though it substantially outperforms that region in 3 areas—starting a business, resolving insolvency and getting credit.

The distance to frontier measure provides one perspective on variation in performance across areas of regulation measured by *Doing Business*. Rankings of economies in these areas provide another. The ease of doing business ranking is just one number—aggregating an average of more than 300 data points for each economy. Not surprisingly, the full set of rankings and data across *Doing Business* topics for an economy can present a very different picture than the aggregate ranking (figure 1.3). Take Estonia, which stands at 22 in the ease of doing business ranking. Its rankings on individual topics range from 7 in trading across borders to 68 in protecting investors. Japan's lowest 3 rankings (in paying taxes, starting a business and dealing with construction permits) average 117, while its highest 3 (in resolving insolvency, protecting investors and trading across borders) average 13. Japan's ranking on the overall ease of doing business is 27. Three economies added to the *Doing Business* sample this year—Libya, Myanmar and South Sudan—show similar variation across topics (box 1.1).

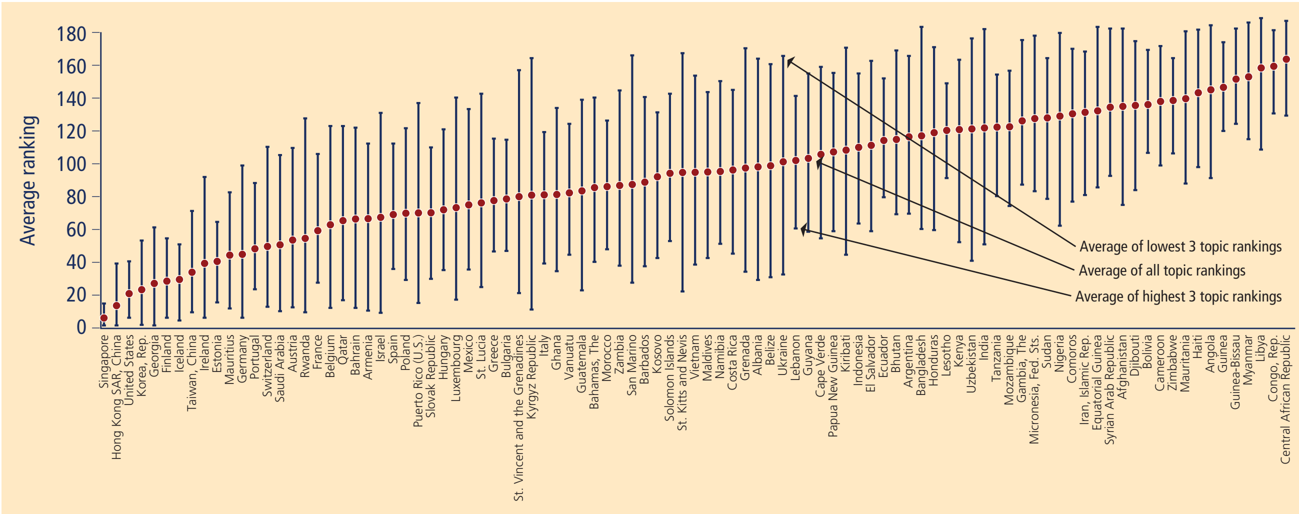
This variation can point to important regulatory obstacles for firms. An economy may make it easy to start a business, for example. But if getting financing is difficult, the constraints will hamper the growth of new firms, discouraging entrepreneurship.

WHAT IS THE BIGGER PICTURE?

Doing Business recognizes that the state plays a fundamental role in private sector development. Governments support economic activity by establishing and enforcing rules that clarify property rights and reduce the cost of resolving disputes, that increase the predictability of economic interactions and that provide contractual partners with core protections against abuse. So it is no surprise to find that there is no evidence suggesting that economies that do well on *Doing Business* indicators tend to have governments driven by a "smaller government" philosophy. Indeed, the data suggest otherwise. It is generally the bigger governments (as measured by government consumption expenditure as a percentage of GDP), not the small ones, that tend to provide more of the protections and efficient rules promoted by *Doing Business*.

Economies performing well on *Doing Business* indicators include examples with large governments as well as those

FIGURE 1.3 An economy's regulatory environment may be more business-friendly in some areas than in others



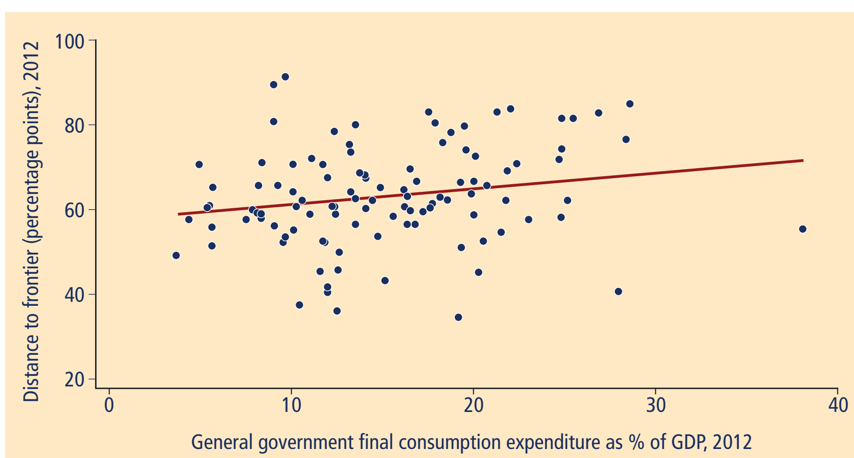
Note: Rankings reflected are those on the 10 *Doing Business* topics included in this year's aggregate ranking on the ease of doing business. Figure is illustrative only; it does not include all 189 economies covered by this year's report. See the country tables for rankings on the ease of doing business and each *Doing Business* topic for all economies.
Source: Doing Business database.

with small ones. Denmark, with among the largest governments in the world, is number 5 in the ease of doing business ranking; the Netherlands, also with one of the largest governments, is number 28. Hong Kong SAR, China, with a relatively small government, is number 2 in the ranking. Economies performing poorly on *Doing Business* indicators also include examples with large and small governments. Zimbabwe, with a large government relative to GDP, ranks at 170; Equatorial Guinea, with a small government, ranks at 166. Nevertheless, on average economies with smaller governments do not perform better on *Doing Business* indicators than those with larger governments (figure 1.4).

Moreover, economies performing well on *Doing Business* indicators are on average more inclusive along at least 2 dimensions. They tend to have smaller informal sectors, meaning that more people have access to the formal market and can benefit from such regulations as social protections and workplace safety regulations (figure 1.5). And they are more likely to have gender equality under the law as measured by the World Bank Group's *Women, Business and the Law* indicators.[1] These 2 aspects of inclusiveness reflect in part a desire by governments to more effectively allocate resources. This means not hampering the productivity of formal businesses through overly burdensome rules. And it means not needlessly depriving the economy of the skills and contributions of women. Overall, economies with smarter business regulations are more likely to nurture an environment conducive to greater economic inclusion.

No set of indicators can possibly capture the full complexity of a particular reality—in the case of the *Doing Business* indicators, that faced by entrepreneurs as they go about their activities while attempting to comply with the rules established by government. Having a state-of-the-art business registry has less impact on job creation or private sector investment in an economy if roads are lacking, crime is

FIGURE 1.4 Good performance on *Doing Business* indicators is not associated with smaller governments



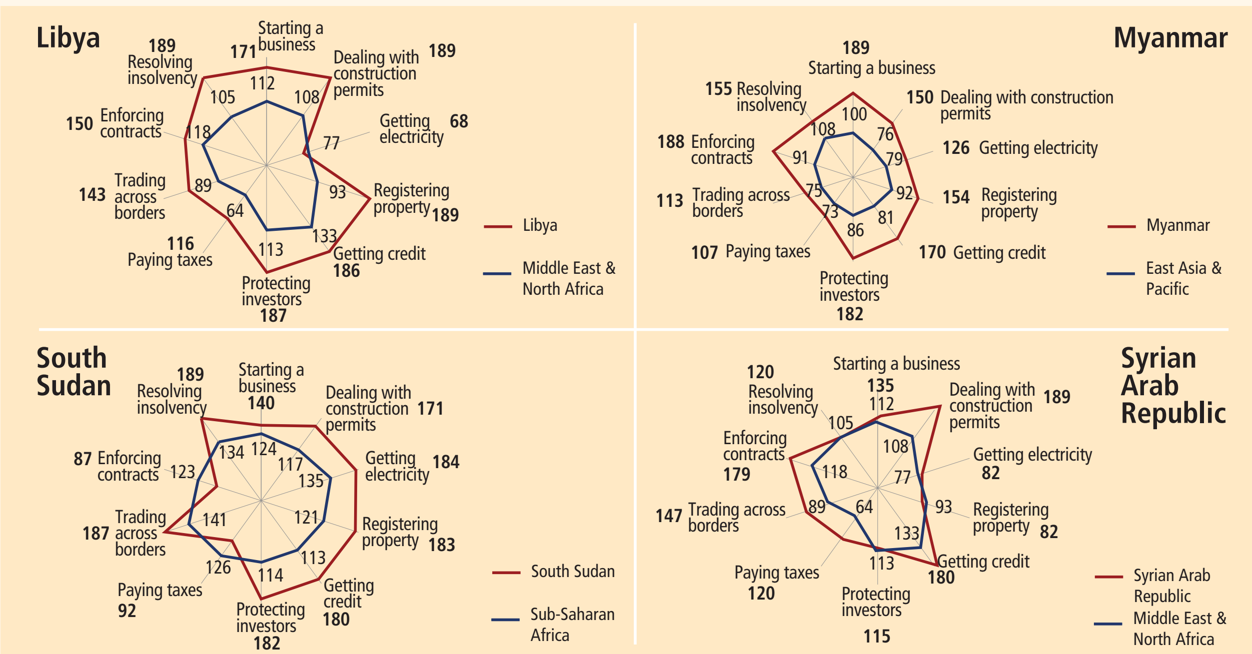
Note: The correlation between the distance to frontier and government expenditure is 0.20 and significantly different from zero.
Source: Doing Business database; World Bank, World Development Indicators database.

BOX 1.1 The right time to improve business regulations

For the first time, this year's report measures business regulations in Libya, Myanmar and South Sudan, economies that emerged from conflict or are starting to open up to the global economy after years of isolation. This is the right time to improve business regulations. Old laws and regulations still apply in Myanmar, including the Companies Act of 1914, the Code of Civil Procedure of 1908 and the Evidence Act, 1872. In Libya the civil code and the civil and commercial procedure codes all date back to 1953. In South Sudan the challenge is not updating old laws and regulations but creating new ones from scratch. This process takes time. Yet since independence in 2011, South Sudan has passed a company law, tax law and insolvency law.

Doing Business provides baseline data that can help inform policy makers designing laws and their implementation. Data in this year's report show that these 3 economies rank among the bottom 10 on the ease of doing business. Although their performance varies somewhat across *Doing Business* topics, the data consistently show that these economies have complex and costly regulatory procedures and weak institutions relevant to business regulation (see figure). But in all 3 economies new laws are under discussion that may affect future editions of the *Doing Business* data. *Doing Business* will continue to measure and monitor potential improvements.

There are many areas for regulatory improvement in fragile and conflict-affected states
Global ranking, by *Doing Business* topic



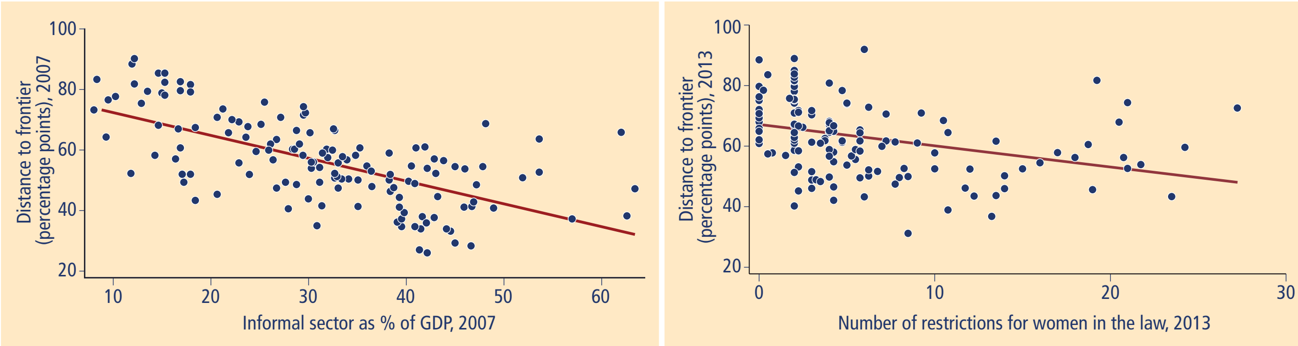
Note: Numbers are economy and regional average rankings, with 1 denoting the highest ranking on a topic and 189 the lowest.
Source: Doing Business database.

In economies affected by conflict, reforming business regulations is almost always a difficult task—even as firms often face increasing challenges in the business regulatory environment. Civil strife, a substantial weakening in the state's ability to enforce the law and other characteristics of conflict-affected states often bring about a substantial worsening of the conditions in which the private sector operates. The Syrian Arab Republic was the economy that showed the greatest deterioration in 2012/13 in the areas measured by *Doing Business.* The time and cost associated with trading across borders increased substantially, for example, and no building permits are being issued in Damascus, making it impossible to legally build new construction.

Yet there is encouraging news from other fragile and conflict-affected states. A recently published report, *Doing Business in the g7+ 2013*, shows that all economies in the g7+ group have improved their business regulatory environment since 2005, narrowing the gap with the best performance observed globally by *Doing Business.*[a] Sierra Leone, Burundi, Guinea-Bissau, Timor-Leste, Côte d'Ivoire, Togo and the Solomon Islands are all among the 50 economies making the biggest improvements between 2005 and 2012.

a. A special report, *Doing Business in the g7+ 2013* compares business regulations in economies of the g7+ group: Afghanistan, Burundi, the Central African Republic, Chad, the Comoros, the Democratic Republic of Congo, Côte d'Ivoire, Guinea, Guinea-Bissau, Haiti, Liberia, Papua New Guinea, Sierra Leone, the Solomon Islands, South Sudan, Timor-Leste and Togo. The g7+ group is a country-owned and country-led global mechanism established in April 2010 to monitor, report and draw attention to the unique challenges faced by fragile states.

FIGURE 1.5 Good performers on *Doing Business* indicators are likely to be more inclusive—with a smaller informal sector and greater gender equality under the law



Note: The correlation between the distance to frontier and the size of the informal sector is –0.65. The correlation between the distance to frontier and the number of restrictions for women in the law is –0.34. Both relationships are significant at the 1% level after controlling for income per capita. The number of restrictions for women in the law refers to those measured by *Women, Business and the Law*, a data set capturing 47 legal restrictions on women's employment and entrepreneurship.
Source: Doing Business database; Schneider, Buehn and Montenegro 2010; World Bank Group, *Women, Business and the Law* database.

rampant and state capture or corruption is the norm. To understand the challenges faced by businesses, the *Doing Business* rankings and underlying data therefore need to be used in conjunction with other information. Of course, sound business regulations are not the only thing on which a thriving business environment depends. Other areas beyond the focus of *Doing Business* are also important—including stable macroeconomic policy, a well-educated workforce and well-developed infrastructure, just to name a few.

WHAT GAINS WERE ACHIEVED IN 2012/13?

Reforming in any area of government policy is a challenge. Business regulation is no exception. Implementing regulatory changes often requires agreement among multiple agencies in a government. Consider a one-stop shop for business registration. Creating one involves coordination across the business registry, the statistical office, the municipal tax office and the state tax office, to name just a few. But 96 economies have nevertheless done so.

Governments undertake such reforms because reducing the complexity and cost of regulatory processes or strengthening legal institutions relevant to business regulation brings many benefits. Governments benefit from cost savings because the new systems often are easier to maintain (though setting up a new system involves an initial fixed cost). Firms benefit from more streamlined and less costly processes or more reliable institutions. And economies as a whole benefit from new firm start-ups, more jobs, growth in trade and greater overall economic dynamism (see the chapter on research on the effects of business regulations).

In 2012/13 such efforts continued around the world: 114 economies implemented 238 regulatory reforms making it easier to do business, about 18% more reforms than in the previous year. This is the second highest number of reforms implemented in a year since the financial crisis of 2009.

Inroads in reducing formalities

The results of these reforms are tangible. They can be quantified by adding up all the regulatory procedures, payments and documents required for a small to medium-size firm to complete a set of transactions—such as to start a business, register property and so on—in every economy covered by *Doing Business*. In 2012 such formalities would have come to a total of 21,272 and taken 248,745 days to complete (table 1.2). Thanks to the regulatory reforms undertaken in 2012/13, this regulatory maze now contains about 300 (1.3%) fewer formalities than in 2012.[2] Compared with 2005, the first year in which data for 9 of the 10 *Doing Business* indicator sets were first collected, the number of formalities has fallen by about 2,400 (11%) and the time by about 40,000 days.

These calculations are for a hypothetical case taking 1 firm through all procedures measured by *Doing Business* in every economy covered. But some economies are much larger than others, and in these economies the burden of poor regulation affects a larger number of firms. In the 107 economies covered by both *Doing Business* and the World Bank's Entrepreneurship Database, an estimated 3.1 million limited liability companies were newly registered in 2012 alone.[3] Assuming that they followed the rules and regulations for company incorporation in their home economy as measured by *Doing Business*, these 3.1 million firms together dealt with 18.7 million different procedures and spent 46.9 million days to get incorporated. But if all 107 economies followed best practice in regulatory processes for starting a business, these new firms would have had to spend only 1.5 million days dealing with the local bureaucracy, leaving them a greater share of their time and entrepreneurial energy to devote to their new business. In other words, because not all economies followed best practice, entrepreneurs spent an extra 45.4 million days satisfying bureaucratic requirements.

Patterns across regions

Patterns of regulatory reform vary across regions. In 2012/13 South Asia had the largest share of economies (75%) with

TABLE 1.2 Total formalities, time and cost to complete one transaction in every economy

	2012	2013	Savings
Starting a business			
Procedures (number)	1,393	1,335	58
Time (days)	5,590	4,700	890
Cost (US$)	203,765	201,648	2,117
Minimum capital (US$)	523,148	480,337	42,811
Dealing with construction permits			
Procedures (number)	2,865	2,777	88
Time (days)	33,532	31,951	1,581
Cost (US$)	2,773,595	2,570,251	203,344
Getting electricity			
Procedures (number)	1,010	1,002	8
Time (days)	20,651	20,625	26
Cost (US$)	5,640,846	5,506,263	134,583
Registering property			
Procedures (number)	1,105	1,090	15
Time (days)	10,082	9,488	594
Cost (US$)	5,476,360	5,543,489	–67,129
Paying taxes			
Payments (number per year)	5,141	5,046	95
Time (hours per year)	50,804	50,607	197
Trading across borders			
Documents to export (number)	1,174	1,175	–1
Time to export (days)	4,171	4,132	39
Cost to export (US$ per container)	278,546	286,385	–7,839
Documents to import (number)	1,372	1,369	3
Time to import (days)	4,702	4,661	41
Cost to import (US$ per container)	334,393	344,573	–10,180
Enforcing contracts			
Procedures (number)	7,212	7,207	5
Time (days)	117,847	117,489	358
Resolving insolvency			
Time (years)	460	454	6
	2012	**2013**	**Total savings**
Total formalities (number)	21,272	21,001	271
Total time (days)	248,745	243,283	5,462
Total cost (US$)	15,230,653	14,932,946	297,707

Source: Doing Business database.

regulatory reforms in at least 1 area measured by *Doing Business*.[4] Europe and Central Asia, continuing its steady pace of regulatory reform, had the second largest share (73%), closely followed by Sub-Saharan Africa (66%). In East Asia and the Pacific 60% of economies had at least 1 regulatory reform, while in Latin America and the Caribbean only 53% did. The Middle East and North Africa had the smallest share of economies implementing regulatory reforms in at least 1 area (40%), a development that is partly linked to the current political turmoil in the region.

As in previous years, reforms aimed at reducing the complexity and cost of regulatory processes were more common around the world than those focused on strengthening legal institutions relevant to business regulation (figure 1.6). In South Asia, for example, 75% of economies implemented at least 1 reform reducing regulatory complexity and cost, while only 25% had at least 1 aimed at strengthening legal institutions. The pattern is similar across all other regions except East Asia and the Pacific.

WHO IMPROVED THE MOST IN 2012/13?

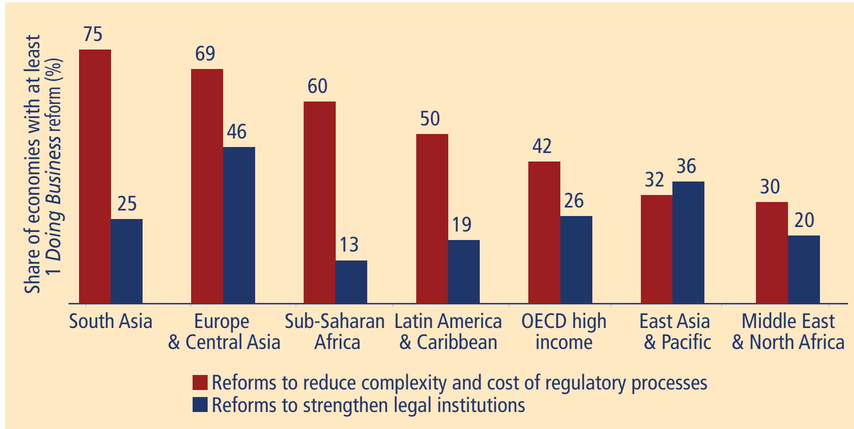
In 2012/13, 29 economies implemented in net 3 or more reforms improving their business regulatory systems or related institutions as measured by *Doing Business*. These 29 include economies from all income groups: high income (5), upper middle income (9), lower middle income (12) and low income (3). And they include economies from all regions.

Among the 29 economies, 10 stand out as having narrowed the distance to frontier the most: Ukraine, Rwanda, the Russian Federation, the Philippines, Kosovo, Djibouti, Côte d'Ivoire, Burundi, the former Yugoslav Republic of Macedonia and Guatemala (table 1.3). Five of these—Burundi, Guatemala, FYR Macedonia, Rwanda and Ukraine—have placed among the economies improving the most in previous years. Together, 10 economies implemented 49 reforms making it easier to do business in 2012/13. Of these reforms, 38 were aimed at reducing the complexity and cost of regulatory processes and 11 at strengthening legal institutions.

Ukraine was the top improver in 2012/13, implementing reforms in 8 of the 10 areas measured by *Doing Business*. Ukraine made starting a business easier by eliminating a separate procedure for registration with the statistical office and abolishing the fee for value added tax registration. It made dealing with construction permits easier by instituting a risk-based approval system that streamlined procedures for simpler buildings with fewer risk factors. And an amendment to the property rights law simplifying the process for registering ownership rights to real estate made both dealing with construction permits and registering property easier.

In addition, Ukraine's private credit bureau (IBCH) began collecting data on firms from banks, expanding the information available to creditors and debtors. The introduction of simpler forms for value added tax and the unified social contribution reduced the time required for tax compliance. The implementation of the new customs code reduced the time to export and import. And an amendment to the bankruptcy law made resolving insolvency easier.

FIGURE 1.6 Reforms reducing regulatory complexity and cost continued to be more common in 2012/13



Note: Reforms to reduce the complexity and cost of regulatory processes are those in the areas of starting a business, dealing with construction permits, getting electricity, registering property, paying taxes and trading across borders. Reforms to strengthen legal institutions are those in the areas of getting credit, protecting investors, enforcing contracts and resolving insolvency.
Source: Doing Business database.

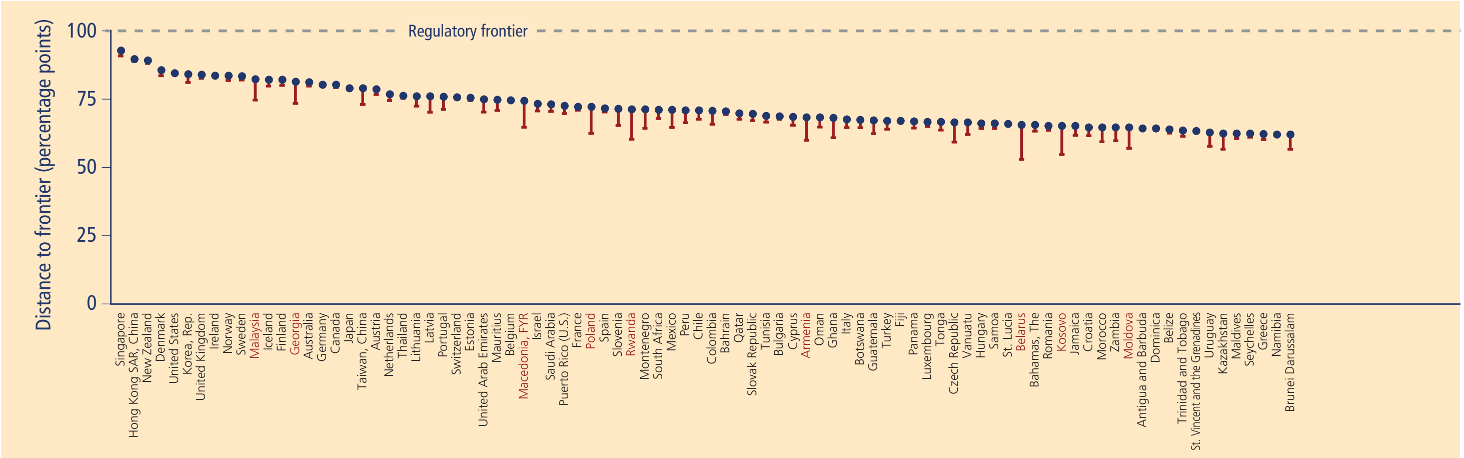
Dealing with construction permits was the most common area of regulatory reform among the top improvers. Nine

TABLE 1.3 The 10 economies improving the most across 3 or more areas measured by *Doing Business* in 2012/13

			Reforms making it easier to do business									
		Ease of doing business rank	Starting a business	Dealing with construction permits	Getting electricity	Registering property	Getting credit	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts	Resolving insolvency
1	Ukraine	112	√	√	√	√	√		√	√		√
2	Rwanda	32	√	√		√	√	√	√	√		√
3	Russian Federation	92	√	√	√	√				√		
4	Philippines	108		√			√		√			
5	Kosovo	86	√	√		√						
6	Djibouti	160	√				√					√
7	Côte d'Ivoire	167	√	√		√					√	
8	Burundi	140	√	√	√	√			√	√		
9	Macedonia, FYR	25		√	√	√	√	√	√			
10	Guatemala	79	√	√					√			

Note: Economies are selected on the basis of the number of their reforms and ranked on how much they improved in the distance to frontier measure. First, *Doing Business* selects the economies that implemented reforms making it easier to do business in 3 or more of the 10 topics included in this year's aggregate ranking. Regulatory reforms making it more difficult to do business are subtracted from the number of those making it easier. Second, *Doing Business* ranks these economies on the improvement in their distance to frontier score from the previous year. The improvement in their score is calculated not by using the data published in 2012 but by using comparable data that capture data revisions. The choice of the most improved economies is determined by the largest improvements in the distance to frontier score among those with at least 3 reforms.
Source: Doing Business database.

FIGURE 1.7 How far have economies moved toward the frontier in regulatory practice since 2009?



Note: The distance to frontier measure shows how far on average an economy is at a point in time from the best performance achieved by any economy on each *Doing Business* indicator since 2003 or the first year in which data for the indicator were collected. The measure is normalized to range between 0 and 100, with 100 representing the frontier. The data refer to the 183 economies included in *Doing Business 2010* (2009). Six economies were added in subsequent years. The vertical bars show the change in the distance to frontier from 2009 to 2013. The 20 economies improving the most are highlighted in red.
Source: Doing Business database.

of the 10 made changes in this area. Improvements in construction permitting often show results only after a long lag following the approval of new laws or systems. In Russia it took more than a decade for the national urban planning code of 1997 to be implemented in Moscow. The mayor finally adopted the code in April 2011, replacing multiple ad hoc regulations. But builders in Moscow are only now experiencing the positive effects of its implementation. In Guatemala City the municipality expanded the one-stop shop for construction permitting to include the water company, EMPAGUA, in 2012.

Property registration was another common focus, with 7 of the top improvers implementing changes in this area. The Rwanda Natural Resources Authority implemented a systematic land registration program, and now 90% of properties in the country are registered. In March 2013 Burundi established a one-stop shop for property transfers.

Guatemala, FYR Macedonia, the Philippines, Rwanda and Ukraine simplified the process of paying taxes for firms. Expanding or introducing online filing and payment systems and simplifying tax forms were the most common features of the reforms in these economies.

Other top improvers enhanced insolvency legislation, strengthened the legal rights of creditors or increased the scope of credit information available. The Philippines improved credit information sharing by guaranteeing borrowers' right to access their data in the country's largest credit bureau. In FYR Macedonia new amendments to the Law on Contractual Pledge, adopted in June 2012, allow more flexibility in the design of debt agreements using movable collateral. And in Djibouti a new commercial code that replaced the one from 1986 strengthened the legal rights of creditors and improved the insolvency framework.

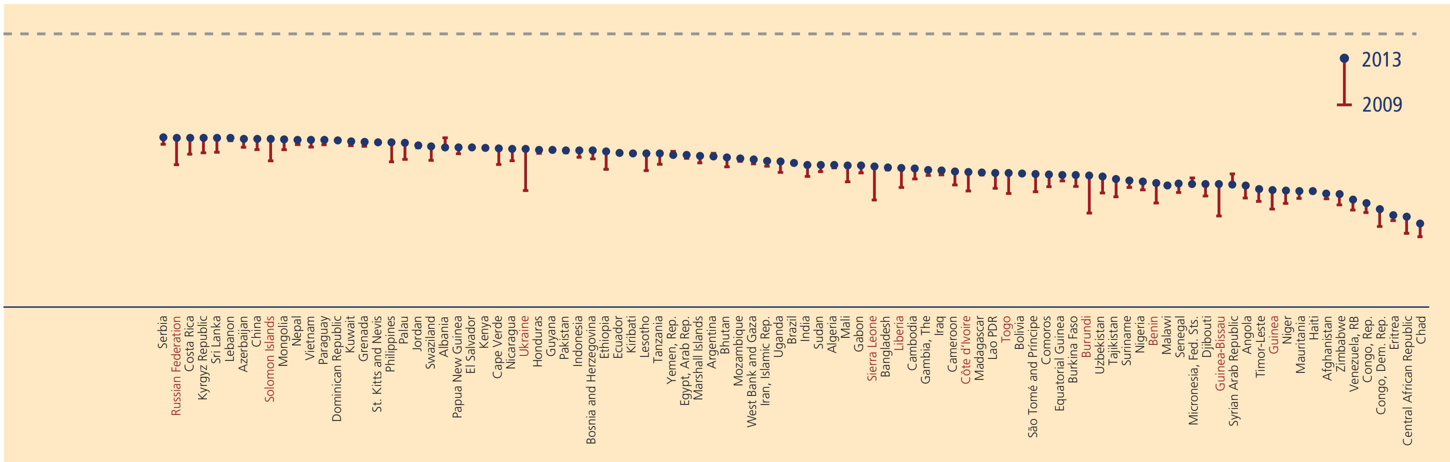
Improvements to the import and export process were also common. Russia introduced a new data interchange system in 2009 enabling traders to submit customs declarations and supporting documents electronically. The number of users has since grown, and it is now the most popular method of submitting customs declarations. Rwanda implemented an electronic single-window system in January 2013 at the Rusumo border post with Tanzania, the post used to access the port of Dar es Salaam. Connected to such institutions as the Rwanda Bureau of Standards and the Rwanda Development Board, the system allows traders to receive verifications and approvals electronically.

Four economies among the 10 top improvers reduced the complexity and cost of getting an electricity connection. Russia made obtaining a connection simpler and less costly by streamlining procedures and setting standard connection tariffs.

Only 2 of the 10 top improvers strengthened the protections of minority investors—Rwanda and FYR Macedonia. And only 1 made enforcing contracts easier—Côte d'Ivoire, by introducing a specialized commercial court.

WHO IMPROVED THE MOST IN THE PAST 5 YEARS?

Many of the top improvers in 2012/13 have been actively reforming business regulations for several years. This year's report presents the global trends since 2009. That year was chosen for 2 main reasons. First, starting with 2009 provides 5 annual data points, allowing analysis of medium-term improvements. And second, it means that the distance to frontier measure can be used to analyze the improvement across all 10 topics now included in the ease of doing business ranking, since 2009 was the first



year in which data were collected for the getting electricity indicators.

Regulations have become more business-friendly over time, but for a large number of economies there is ample room for more improvement. On average since 2009, the 183 economies included in the analysis have narrowed the gap with the regulatory frontier by 3.1 percentage points (figure 1.7). In 2009 these economies were 41.3 percentage points from the frontier on average, with the closest economy 9.3 percentage points away and the furthest one 72.3 percentage points away. Now these 183 economies are 38.1 percentage points from the frontier on average, with the closest economy 7.8 percentage points away and the furthest economy 68.8 percentage points away.

Two-thirds of the reforms recorded by *Doing Business* in the past 5 years focused on reducing the complexity and cost of regulatory processes; the remaining third sought to strengthen the institutional framework for business regulation. Among the 183 economies, only 7 implemented no changes in any of the areas measured by *Doing Business*—Antigua and Barbuda, Bolivia, Eritrea, Iraq, Kiribati, the Federated States of Micronesia and the United States. Except for the United States, these are economies that typically rank low on the ease of doing business.

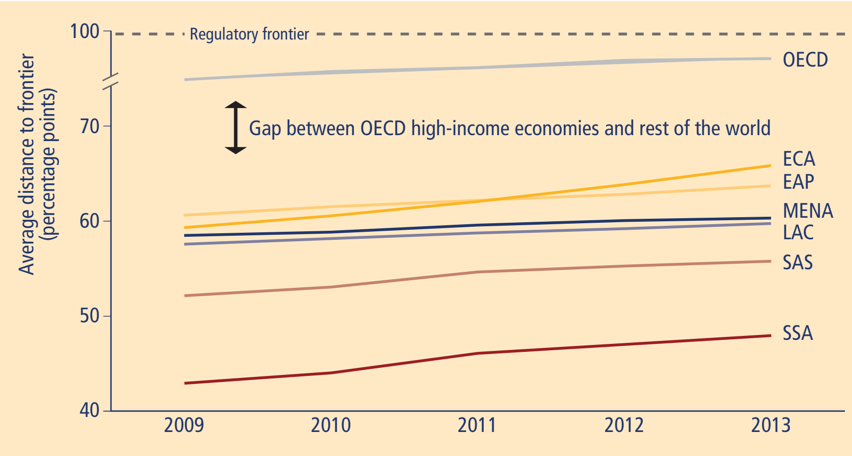
In some economies the absence of regulatory reforms may reflect a turbulent political and institutional environment, which sharply limits the government's ability to focus on creating a more business-friendly regulatory environment. Civil conflicts, widespread poverty and serious constraints in administrative capacity may make it difficult, for example, to strengthen creditors' rights, create a more efficient judicial system or expand the range of protections afforded to minority shareholders. In other economies, however, the issue is not capacity or resource constraints but the policy choices the authorities have made, often biased against the private sector. In these economies the distance to frontier measure reveals a significant worsening in the quality of the business regulatory environment over the past several years, with small and medium-size enterprises facing a growing number of cumbersome restrictions and distortions.

Improvement across regions and income groups

Since 2009 all regions of the world and economies at all income levels have improved their business regulations on average. Moreover, improvement is happening where it is most needed. The regions where regulatory processes are longer and costlier and regulatory institutions are weaker are also those where the biggest improvements have occurred. Over the past 5 years Sub-Saharan Africa reduced the gap with the regulatory frontier by 3 times as much as OECD high-income economies did (figure 1.8). And low-income economies improved their average distance to frontier score at twice the rate that high-income economies did (figure 1.9). Part of the explanation is that high-income economies were much closer to the frontier to start with and therefore had less room to improve. But low-income economies have nevertheless made an important effort to improve business regulations since 2009.

Business regulatory reform is particularly relevant in low-income economies. Information presented in this year's report shows the link between better business regulations and economic growth (see the chapter on research on the effects of business regulations). Moreover, recent research shows that economic growth remains the most important factor in determining the pace of income growth for poor people.[5] Together, this evidence indicates that having sensible business regulations contributes to reducing poverty

FIGURE 1.8 All regions are improving in the areas measured by *Doing Business*

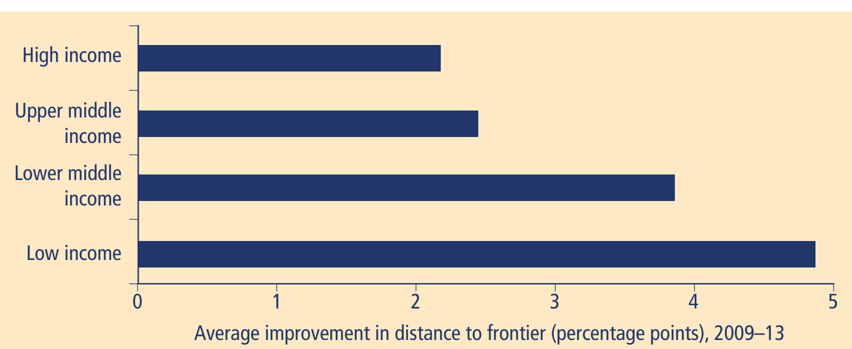


Note: The distance to frontier measure shows how far on average an economy is at a point in time from the best performance achieved by any economy on each *Doing Business* indicator since 2003 or the first year in which data for the indicator were collected. The measure is normalized to range between 0 and 100, with 100 representing the frontier. The data refer to the 183 economies included in *Doing Business 2010* (2009) and to the regional classifications for 2013. Six economies were added in subsequent years. EAP = East Asia and the Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; OECD = OECD high income; SAS = South Asia; SSA = Sub-Saharan Africa.
Source: Doing Business database.

and boosting shared prosperity, the twin goals of the World Bank Group.

Across regions, starting a business emerges as the area with the largest share of reforms since 2009. Among OECD high-income economies resolving insolvency and paying taxes are the areas with the highest shares of reformers. A similar pattern can be seen in Europe and Central Asia, where 73% of economies reformed in resolving insolvency and 85% in paying taxes. These reform choices partly reflect the response to the global financial crisis, which created a pressing need to streamline insolvency processes and lighten the burden of tax administration on the enterprise sector.

FIGURE 1.9 Low-income economies have narrowed the gap with the regulatory frontier the most since 2009



Note: The distance to frontier measure shows how far on average an economy is at a point in time from the best performance achieved by any economy on each *Doing Business* indicator since 2003 or the first year in which data for the indicator were collected. The measure is normalized to range between 0 and 100, with 100 representing the frontier. The data refer to the 183 economies included in *Doing Business 2010* (2009) and to the income group classifications for 2013. Six economies were added in subsequent years.
Source: Doing Business database.

Beyond starting a business, different regions focused their regulatory reform efforts on different areas. In Sub-Saharan Africa the second greatest area of focus since 2009 has been trading across borders, while in South Asia economies were more likely to focus on registering property. In East Asia and the Pacific and Latin America and the Caribbean the focus was on paying taxes, and in the Middle East and North Africa on getting credit.

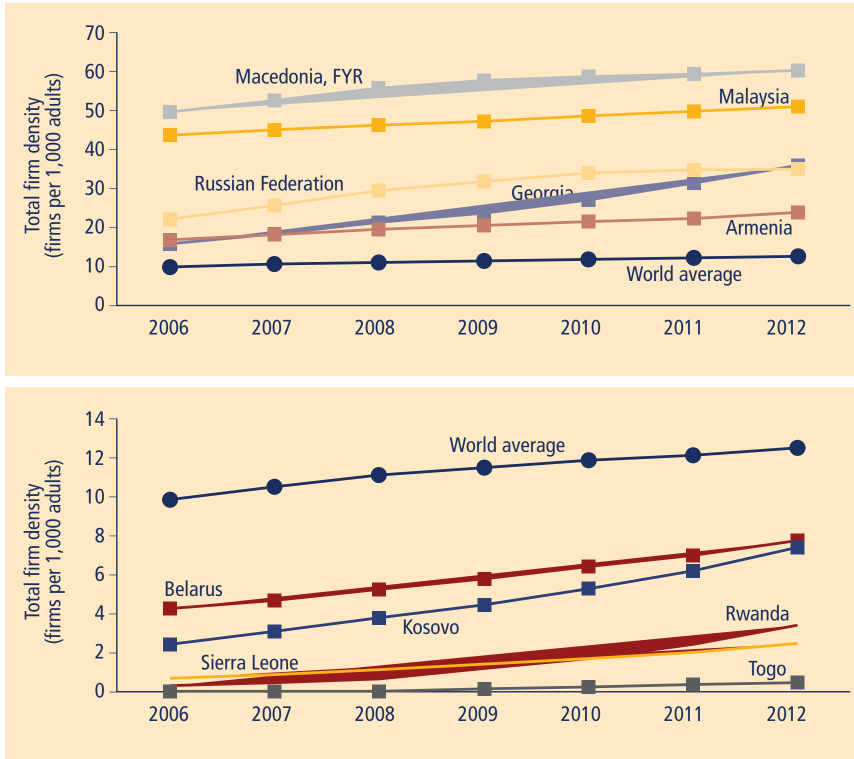
Although starting a business has been the most common area of regulatory reform, it is not the area with the biggest improvements at the regional level since 2009—mainly because the starting point in 2009 was already closer to the regulatory frontier than it was in other areas. OECD high-income economies narrowed the gap with the frontier the most in resolving insolvency, Europe and Central Asia in paying taxes, South Asia in registering property, and the Middle East and North Africa, East Asia and the Pacific and Sub-Saharan Africa in getting credit.

The 20 economies narrowing the gap the most

Of the 20 economies narrowing the gap with the regulatory frontier the most since 2009, 9 are in Sub-Saharan Africa, 8 are in Europe and Central Asia, 2 are in East Asia and the Pacific, and 1 is an OECD high-income economy (figure 1.7). None are in the Middle East and North Africa or Latin America and the Caribbean, the regions that consistently have smaller numbers of reformers. Among the 20 economies are both small and large economies as well as economies at all income levels, though there is a higher incidence of low- and lower-middle-income economies. Together over the past 5 years, these 20 economies implemented 253 regulatory reforms making it easier to do business, about 20% of the global total for the period. Two of them—Ukraine and Rwanda—implemented at least 1 regulatory reform in every area measured by *Doing Business*. In line with the global trend, starting a business was the most common area of regulatory reform among the 20 economies, followed by paying taxes.

The 20 economies narrowing the regulatory gap the most are dynamic in other ways as well. Overall, new firm creation in these economies has at least kept pace with the world average in recent years. Total firm density—the number of firms per 1,000 adults—has steadily increased (figure 1.10). In Russia, for example, the number of firms per 1,000 adults grew from 22 in 2006 to 35 in 2012. In a few of the Sub-Saharan African economies the number increased more than 10-fold. In Rwanda the number of firms per 1,000 adults rose from 0.3 to 3.4. While this is still substantially below the world average of 12.4, the increase over time is impressive. Globally, both total firm density and new firm density (the number of new firms created per 1,000 adults) are significantly correlated with performance on the *Doing Business* indicators (figure 1.11).

FIGURE 1.10 A steady increase in total firm density among economies narrowing the regulatory gap the most since 2009



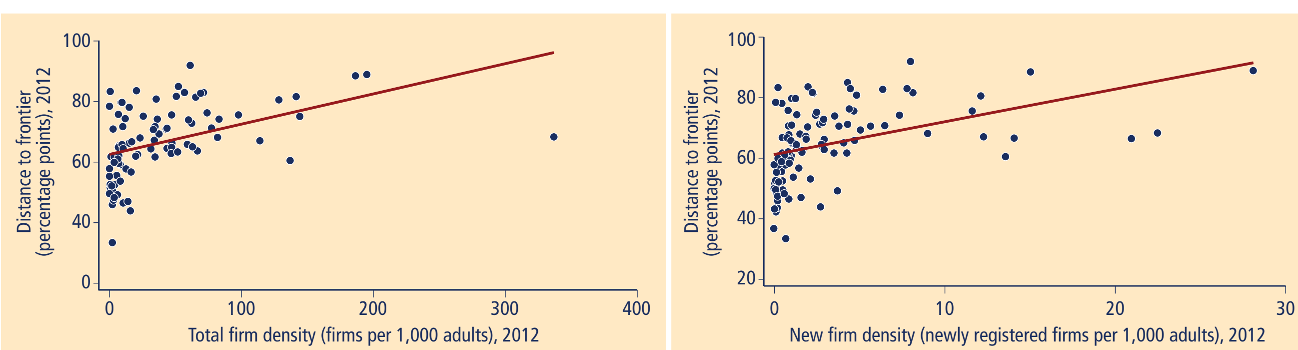
Note: Data refer to limited liability companies. Other economies among the 20 narrowing the regulatory gap the most are excluded from the figure because of missing data.
Source: World Bank Group Entrepreneurship Snapshots, 2013 edition.

IN WHAT AREAS HAS THE GAP BEEN NARROWING THE MOST?

Among the more encouraging trends shown by *Doing Business* data over the past decade is the gradual convergence in economies' performance in the areas tracked by the indicators. Economies with the weakest regulatory institutions and the most complex and costly regulatory processes tend to undertake regulatory reform less often. But when they do, they focus on the areas where their regulatory performance is worse, slowly but steadily beginning to adopt some of the better practices seen among the best performers. Here is an example: In 2005 the time to start a business in the economies ranking in the worst quartile on this indicator averaged 113 days. Among the best 3 quartiles it averaged 29 days. Today that gap is substantially narrower. While the difference is still substantial at 33 days, it is considerably smaller than the 85 days in 2005 (figure 1.12).

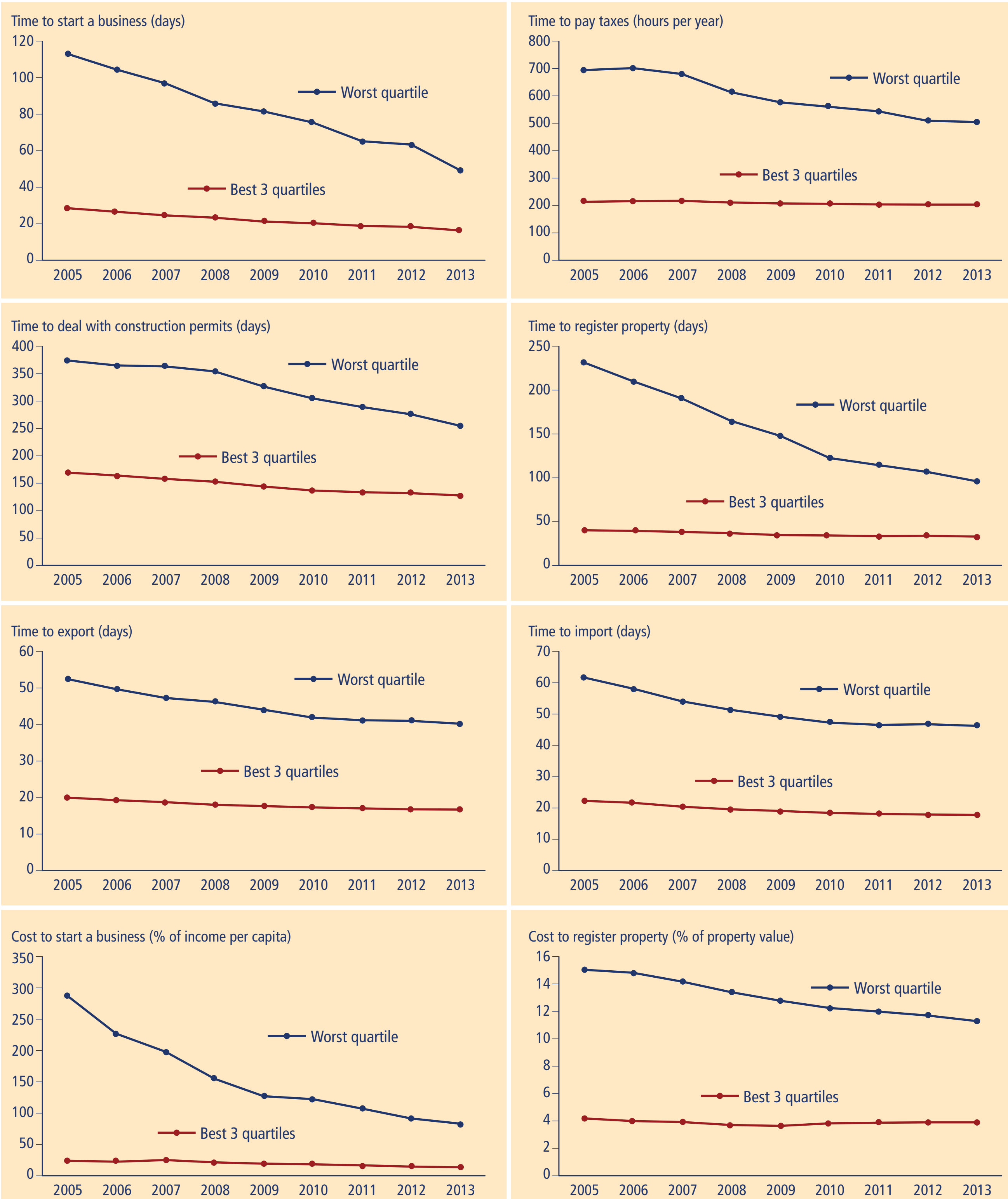
Similar trends can be seen in other indicators measuring the complexity and cost

FIGURE 1.11 Greater firm density in economies closer to the regulatory frontier



Note: The correlation between the distance to frontier and total firm density is 0.44. The correlation between the distance to frontier and new firm density is 0.43. Both correlations are significant at the 1% level. Data refer to limited liability companies.
Source: Doing Business database; World Bank Group Entrepreneurship Snapshots, 2013 edition.

FIGURE 1.12 Strong convergence across economies since 2005
Averages by group



Note: Economies are ranked in quartiles by performance in 2005 on the indicator shown. The data refer to the 174 economies included in *Doing Business 2006* (2005). Fifteen economies were added in subsequent years.
Source: Doing Business database.

of regulatory processes. These trends are wholly in keeping with the World Bank Group's mandate of helping to narrow the differences between high- and upper-middle-income economies at relatively advanced stages of development and low- or lower-middle-income economies facing more adverse circumstances. Accelerating this convergence is at the heart of effective development policies, and the improvements in performance on *Doing Business* indicators by economies around the world are an encouraging sign.

A similar convergence can be seen when the data are aggregated by region. While OECD high-income economies continue to have the strongest legal institutions and the least complex and costly regulatory processes on average, Europe and Central Asia has been narrowing the gap with their performance, more so than any other region. To a great extent this reflects efforts by the 8 economies joining the European Union in 2004, which have largely continued on a path of comprehensive and ambitious economic and institutional reforms. In the period leading up to EU entry the incentive was to meet the entry criteria. But after 2004 the emphasis shifted to ensuring that they could compete with their more developed high-income partners. Thus in 2012, for example, Poland was the economy that had narrowed the gap with the regulatory frontier the most over the previous year, among all 185 economies ranked. This suggests that the economic integration in the European Union over the past decade has been an effective mechanism in promoting convergence. Indeed, Poland is now classified as a high-income economy, a remarkable achievement over 2 decades.

Every region has a leading champion in the scope of improvements made since 2005—whether Poland for OECD high-income economies, China for East Asia and the Pacific or Colombia for Latin America and the Caribbean. And this year a small country in Sub-Saharan Africa, Rwanda, overtook another small country—Georgia, in Europe and Central Asia—as the economy advancing furthest toward the regulatory frontier since 2005 (table 1.4).

DO *DOING BUSINESS* REFORMS GO HAND IN HAND WITH OTHER REFORMS?

Since its inception in 2003 *Doing Business* has recorded more than 2,100 regulatory reforms making it easier to do business, about 25% of which have been inspired or informed by the report and the associated database.[6] Most economies that undertake regulatory reforms as recorded by *Doing Business* do so as part of a broader reform agenda. Data show that governments investing resources in *Doing Business* reforms in the past decade have also introduced many policy changes in other important areas.

One such area is governance. Data show that improvements in the areas measured by *Doing Business* are positively correlated with changes in general regulatory quality, a key element of the overall quality of governance. This suggests that economies reforming in areas tracked by *Doing Business* are likely to be reforming regulation more broadly, not just business regulation. There is also a positive association between improvements in *Doing Business* indicators and improvements in rule of law and control of corruption. This result is confirmed using other data sources as well. Economies that have improved their performance on *Doing Business* indicators have also improved their performance on governance measures such as those published by Transparency International, Freedom House and the World Bank, in its Country Policy and Institutional Assessments (CPIA) (figure 1.13).[7]

Another such area is health and education. Economies that implement reforms in areas measured by *Doing Business* also improve health and education at least as fast on average as economies not focusing on such reforms (figure 1.14). This relationship is assessed using the Human Development Index and its components on health and education.[8] The result suggests that a focus on improving the quality of the regulatory framework underpinning private sector activity need not imply a simultaneous lack of attention to improvements in health and education. The cost to amend a company or secured transactions law, or to create a one-stop shop for company incorporation, is insignificant compared with the cost to build a hospital or university. There is no evidence to support the view that progress in one policy area necessarily preempts progress in others.

In addition, many economies implementing reforms in areas measured by *Doing Business* are also putting in place measures to improve gender equality. Among the 42 economies identified by *Women, Business and the Law* as having moved their laws and regulations toward greater gender equality over the past 2 years, 65% also reformed in areas tracked by *Doing Business* during the same period.

WHAT IS IN THIS YEAR'S REPORT?

This year's report presents for the first time a separate chapter about research on the effects of business regulations. There is a rapidly growing body of empirical research examining the impact of improvements in many of the regulatory areas tracked by the *Doing Business* indicators, and this chapter provides a useful—and encouraging—synthesis. This year's report also presents an expanded data set. It includes 189 economies, featuring for the first time data for Libya, Myanmar, San Marino and South Sudan.

Like previous reports, this year's report includes case studies. These focus on good practices in 6 of the areas measured by *Doing Business* indicator sets, with a particular focus on e-government and online government services. The case studies look at the role of minimum capital requirements in starting a business; risk-based inspections in dealing with construction permits; the cost structure in getting electricity; single-window systems in trading across borders; e-filing and e-payment in paying taxes; and e-courts in enforcing contracts. In choosing case studies and describing attempts in different parts of the world to implement better practices, the report has attempted to illustrate experiences and highlight processes with broad relevance for governments considering similar reforms. There are potentially useful

TABLE 1.4 The 50 economies narrowing the distance to frontier the most since 2005

	Economy	Region	Distance to frontier (percentage points) 2005	2013	Improvement	Total regulatory reforms[a]
1	Rwanda	SSA	37.4	70.5	33.1	34
2	Georgia	ECA	48.4	80.8	32.3	36
3	Belarus	ECA	41.1	67.1	26.0	29
4	Ukraine	ECA	38.2	61.3	23.1	26
5	Macedonia, FYR	ECA	54.3	74.2	19.9	31
6	Burkina Faso	SSA	30.6	50.0	19.4	20
7	Kyrgyz Republic	ECA	44.9	63.7	18.8	14
8	Tajikistan	ECA	30.8	48.4	17.6	14
9	Burundi	SSA	33.2	50.6	17.4	21
10	Egypt, Arab Rep.	MENA	38.0	55.1	17.1	23
11	Mali	SSA	34.3	51.2	16.9	16
12	Sierra Leone	SSA	37.3	54.1	16.8	20
13	China	EAP	45.0	60.9	15.9	18
14	Poland	OECD	57.6	73.4	15.8	22
15	Azerbaijan	ECA	49.0	64.6	15.6	18
16	Colombia	LAC	55.1	70.3	15.2	27
17	Ghana	SSA	52.0	67.0	15.0	12
18	Guinea-Bissau	SSA	32.9	47.2	14.2	7
19	Croatia	ECA	49.1	63.2	14.0	23
20	Côte d'Ivoire	SSA	36.5	50.2	13.7	14
21	Guatemala	LAC	51.1	64.7	13.6	18
22	Kazakhstan	ECA	48.4	61.8	13.5	20
23	Armenia	ECA	56.2	69.7	13.5	23
24	Madagascar	SSA	41.9	54.2	12.3	19
25	Mauritius	SSA	61.4	73.5	12.0	23
26	Angola	SSA	32.5	44.5	12.0	9
27	Senegal	SSA	35.7	47.6	12.0	11
28	Morocco	MENA	52.0	63.9	11.8	18
29	Russian Federation	ECA	49.9	61.6	11.6	22
30	Togo	SSA	36.7	48.1	11.3	9
31	Yemen, Rep.	MENA	43.9	55.1	11.2	7
32	Saudi Arabia	MENA	60.1	71.3	11.1	19
33	Lao PDR	EAP	37.2	48.3	11.1	12
34	Czech Republic	OECD	57.6	68.7	11.1	22
35	Moldova	ECA	54.5	65.6	11.1	21
36	Timor-Leste	EAP	27.9	38.8	10.9	6
37	India	SAS	40.7	51.3	10.6	17
38	Mozambique	SSA	45.0	55.5	10.5	12
39	Niger	SSA	31.8	42.3	10.5	11
40	Peru	LAC	60.0	70.4	10.4	19
41	São Tomé and Principe	SSA	35.7	46.0	10.3	5
42	Costa Rica	LAC	49.7	60.0	10.3	12
43	Malaysia	EAP	71.4	81.6	10.2	17
44	Uzbekistan	ECA	38.2	48.3	10.0	19
45	Slovenia	OECD	60.0	70.0	10.0	17
46	Lesotho	SSA	46.0	56.0	10.0	9
47	Zambia	SSA	54.8	64.8	10.0	10
48	Mexico	LAC	61.9	71.8	9.9	19
49	Cambodia	EAP	40.3	50.1	9.8	8
50	Solomon Islands	EAP	51.3	61.0	9.8	5

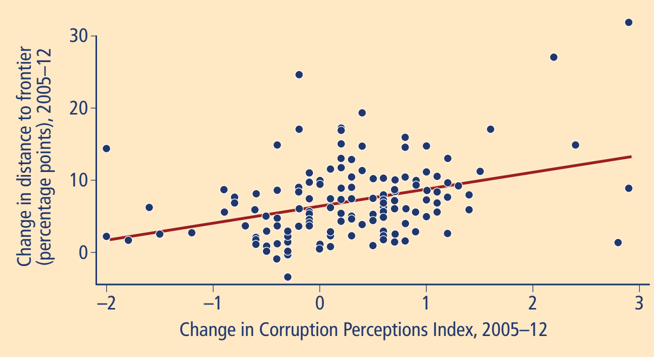
Note: Rankings are based on the absolute difference for each economy between its distance to frontier in 2005 and that in 2013. The data refer to the 174 economies included in *Doing Business* 2006 (2005). Fifteen economies were added in subsequent years. The distance to frontier measure shows how far on average an economy is at a point in time from the best performance achieved by any economy on each *Doing Business* indicator since 2003 or the first year in which data for the indicator were collected. The measure is normalized to range between 0 and 100, with 100 representing the frontier. EAP = East Asia and the Pacific; ECA = Eastern Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; OECD = OECD high income; SAS = South Asia; SSA = Sub-Saharan Africa.
a. Reforms making it easier to do business as recorded by Doing Business since 2005.
Source: Doing Business database.

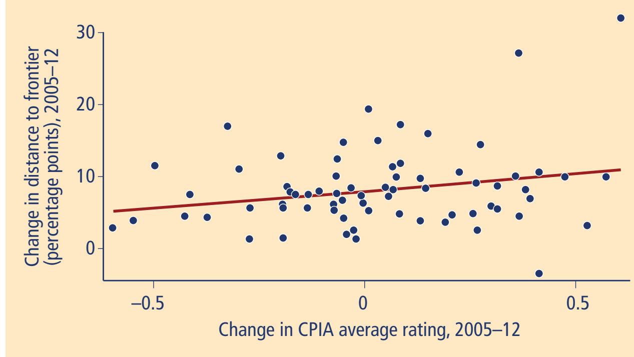
TABLE 1.5 Good practices around the world, by *Doing Business* topic

Topic	Practice	Economies[a]	Examples
Making it easy to start a business	Putting procedures online	109	Azerbaijan; Chile; Costa Rica; Hong Kong SAR, China; FYR Macedonia; New Zealand; Peru; Singapore
	Having no minimum capital requirement	99	Cape Verde; Greece; Kazakhstan; Kenya; Kosovo; Lithuania; Mexico; Mongolia; Morocco; Netherlands; Serbia; United Kingdom; West Bank and Gaza
	Having a one-stop shop	96	Bahrain; Benin; Burkina Faso; Burundi; Côte d'Ivoire; Georgia; Guatemala; Republic of Korea; Kosovo; Peru; Vietnam
Making it easy to deal with construction permits	Having comprehensive building rules	140	Azerbaijan; Comoros; France; Taiwan, China
	Using risk-based building approvals	87	Belize; Estonia; Indonesia; Namibia
	Having a one-stop shop	36	Burundi; Guatemala; Malaysia; Montenegro
Making it easy to obtain an electricity connection	Streamlining approval processes (utility obtains excavation permit or right of way if required)	107[b]	Armenia; Austria; Cambodia; China; Kuwait; Malaysia; Panama
	Providing transparent connection costs and processes	103[c]	France; Germany; Ireland; Netherlands; Trinidad and Tobago
	Reducing the financial burden of security deposits for new connections	98	Argentina; Austria; Brazil; Kyrgyz Republic; Latvia; Mozambique; Nepal; Russian Federation
	Ensuring the safety of internal wiring by regulating the electrical profession rather than the connection process	41	Denmark; Germany; Iceland; Japan; San Marino
Making it easy to register property	Using an electronic database for encumbrances	116	Chile; Denmark; Jamaica; Republic of Korea; Sweden
	Offering cadastre information online	51	Colombia; Finland; Malaysia; South Africa; United Kingdom
	Offering expedited procedures	18	Kazakhstan; Mongolia; Nicaragua; Portugal; Romania
	Setting fixed transfer fees	10	Georgia; New Zealand; Russian Federation; Rwanda; Slovak Republic
Making it easy to get credit	*Legal rights*		
	Allowing out-of-court enforcement	124	Australia; Guatemala; India; Peru; Russian Federation; Serbia; Sri Lanka
	Allowing a general description of collateral	92	Cambodia; Canada; Nigeria; Puerto Rico (U.S.); Romania; Rwanda; Singapore
	Maintaining a unified registry	65	Afghanistan; Bosnia and Herzegovina; Ghana; Honduras; Montenegro; New Zealand; Romania
	Credit information		
	Distributing data on loans below 1% of income per capita	128	Brazil; Bulgaria; Germany; Kenya; Malaysia; Sri Lanka; Tunisia
	Distributing both positive and negative credit information	109	China; Croatia; India; Italy; Jordan; Panama; South Africa
	Distributing credit information from retailers or utilities as well as financial institutions	57	Fiji; Lithuania; Nicaragua; Rwanda; Saudi Arabia; Spain
Protecting investors	Allowing rescission of prejudicial related-party transactions[d]	74	Brazil; Ghana; Iceland; India; Mauritius; Rwanda
	Regulating approval of related-party transactions	62	Belarus; Bulgaria; France; Thailand; United Kingdom
	Requiring detailed disclosure	52	Hong Kong SAR, China; New Zealand; Singapore; United Arab Emirates; Vietnam
	Allowing access to all corporate documents during the trial	47	Chile; Ireland; Israel; Slovak Republic; Tanzania
	Requiring external review of related-party transactions	43	Australia; Arab Republic of Egypt; Sweden; Turkey; Zimbabwe
	Allowing access to all corporate documents *before* the trial	31	Greece; Indonesia; Japan; South Africa; Timor-Leste
	Defining clear duties for directors	30	Colombia; Kuwait; Malaysia; Mexico; Slovenia; United States
Making it easy to pay taxes	Allowing self-assessment	160	Argentina; Canada; China; Rwanda; Sri Lanka; Turkey
	Allowing electronic filing and payment	76	Australia; Colombia; India; Lithuania; Malta; Mauritius; Tunisia
	Having one tax per tax base	55	FYR Macedonia; Namibia; Paraguay; United Kingdom
Making it easy to trade across borders	Allowing electronic submission and processing	151[e]	Greece; Lao PDR; South Africa; Uruguay
	Using risk-based inspections[f]	134	Botswana; Georgia; Mauritania; United States
	Providing a single window[f]	73[g]	Azerbaijan; Colombia; Mexico; Mozambique
Making it easy to enforce contracts	Maintaining specialized commercial court, division or judge	90	Canada; Côte d'Ivoire; Hungary; Luxembourg; Mauritius; Togo
	Allowing electronic filing of complaints	17	Austria; Israel; Malaysia; United Arab Emirates; United States
Making it easy to resolve insolvency	Requiring professional or academic qualifications for insolvency administrators by law	110	The Bahamas; Belarus; Colombia; Namibia; Poland; United Kingdom
	Allowing creditors' committees a say in insolvency proceeding decisions	109	Australia; Bulgaria; Philippines; United States; Uzbekistan
	Specifying time limits for the majority of insolvency procedures	97	Albania; Italy; Japan; Republic of Korea; Lesotho; Ukraine
	Providing a legal framework for out-of-court workouts	84	Argentina; Hong Kong SAR, China; Latvia; Philippines; Romania

a. Among 189 economies surveyed, unless otherwise specified.
b. Among 154 economies surveyed.
c. Based on data from *Doing Business 2013*.
d. Rescission is the right of parties involved in a contract to return to a state identical to that before they entered into the agreement.
e. Forty-four have a full electronic data interchange system, 107 a partial one.
f. Among 181 economies surveyed.
g. Eighteen have a single-window system that links all relevant government agencies, 55 a system that does so partially.
Source: Doing Business database.

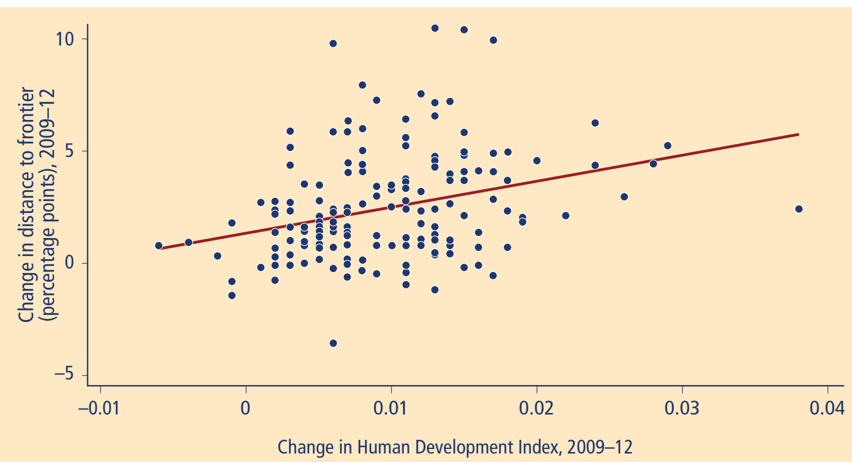
FIGURE 1.13 Improvements in *Doing Business* indicators are positively correlated with improvements in institutional and governance measures





Note: For years before 2009 the distance to frontier data exclude the getting electricity indicators because data for these indicators are not available. The correlation between the change in the distance to frontier and the change in the Corruption Perceptions Index is 0.36. The correlation between the change in the distance to frontier and the change in the CPIA average rating is 0.23. Both relationships are significant at the 5% level after controlling for income per capita. The CPIA data refer to 77 economies covered in 2005.
Source: Doing Business database; Transparency International data; World Bank data.

FIGURE 1.14 Economies making it easier to do business are also improving human development, including education and health



Note: The correlation between the change in the distance to frontier and the change in the Human Development Index is 0.31. The relationship is significant at the 1% level after controlling for income per capita.
Source: Doing Business database; United Nations Development Programme data.

lessons to be learned from the experiences of others.

The kind of data delivered by *Doing Business* over the years has sustained the interest of policy makers. One reason is that implementing coherent economic policies in the face of a rapidly changing global economy and an uncertain economic outlook is a great challenge. Many of the factors shaping the environment in which economic policies are formulated lie well outside the control of most policy makers, especially those in the developing world; global interest rates, the international prices of primary commodities, the quality of macroeconomic management in the larger economies, are all examples that come to mind. But the rules and regulations that governments choose to put in place to underpin private sector activity are largely homemade. Whether the rules are sensible or excessively burdensome, whether they create perverse incentives or help establish a level playing field, whether they safeguard transparency and encourage adequate competition—all this is largely within the control of governments. As governments over the past decade have increasingly understood the importance of business regulation as a driving force of competitiveness, they have turned to *Doing Business* as a repository of actionable data providing useful insights into good practices worldwide (table 1.5).

NOTES

1. See http://wbl.worldbank.org for more information about the *Women, Business and the Law* project.
2. Formalities include procedures in starting a business, dealing with construction permits, getting electricity, registering property and enforcing contracts; documents in trading across borders; and payments in paying taxes. The reduction is the difference between the total number captured in *Doing Business 2013* and that captured in *Doing Business 2014*, across all economies covered by *Doing Business*.
3. The total number of firms registered exceeds 3.1 million, but because *Doing Business* focuses only on limited liability companies a subset of firms was chosen here.
4. The share of economies with 1 or more regulatory reforms of any type might not be the same as the sum of the share of economies with at least 1 reform to strengthen legal institutions and the share with at least 1 reform to reduce the complexity and cost of regulatory processes (see figure 1.6) because economies can have reforms of both types.

5. Dollar, Kleineberg and Kraay 2013.
6. These are reforms for which *Doing Business* is aware that information provided by the *Doing Business* report was used in shaping the reform agenda.
7. One of the 16 questions in the CPIA uses *Doing Business* indicators as guideposts.
8. The correlation between the change in the distance to frontier and the change in the health component of the Human Development Index is 0.28. The correlation between the change in the distance to frontier and the change in the schooling component of the Human Development Index is 0.16. Both relationships are significant at the 1% level after controlling for income per capita.