



Starting a business

- Starting a business is easiest in New Zealand, where it takes 1 procedure, half a day, less than 1% of income per capita and no paid-in minimum capital.
- *Doing Business* recorded 51 reforms making it easier to start a business worldwide between June 2012 and June 2013 and 244 over the past 5 years.
- Greece made the biggest improvement in the ease of starting a business in the past year.
- Guinea-Bissau and Côte d'Ivoire are among the economies making the greatest progress toward the frontier in regulatory practice in starting a business since 2009.
- Most economies improving business start-up processes over the past 5 years focused on simplifying company registration.
- Among regions, Sub-Saharan Africa has improved business start-up processes the most since 2009.

For more information on good practices and research related to starting a business, visit <http://www.doingbusiness.org/data/exploretopics/starting-a-business>. For more on the methodology, see the section on starting a business in the data notes.

Starting a business is an act of faith. Many entrepreneurs invest and risk their personal savings in business plans they believe in. Starting a new business involves multiple unavoidable obstacles, but excessive bureaucracy should not be one of them—because entrepreneurship matters for economies' economic performance. In fact, there is a positive relationship between entrepreneurship, growth and job creation.¹ In 2007 young start-ups accounted for nearly 8 million of the 12 million new jobs created in the U.S. economy.²

Doing Business data measure the number of procedures, time, cost and paid-in minimum capital required for small and medium-size limited liability companies to formally operate. To make the data comparable across 189 economies, *Doing Business* uses a standardized business that is 100% domestically owned, has start-up capital equivalent to 10 times income per capita, engages in general industrial or commercial activities and employs between 10 and 50 people within the first month of operations.

Doing Business measures the main stages of starting a business: preregistration, registration and postregistration. Preregistration may involve checking the availability of the proposed company name, having a notary draft and notarize statutes and depositing minimum capital in a bank account. Registration includes procedures under the mandate of the commercial registry. Postregistration includes registering with tax authorities, obtaining a business license, buying and legalizing company books and obtaining a company seal. Although registration includes on average a low number of procedures, it is often the most costly part of starting a business. On the other hand,

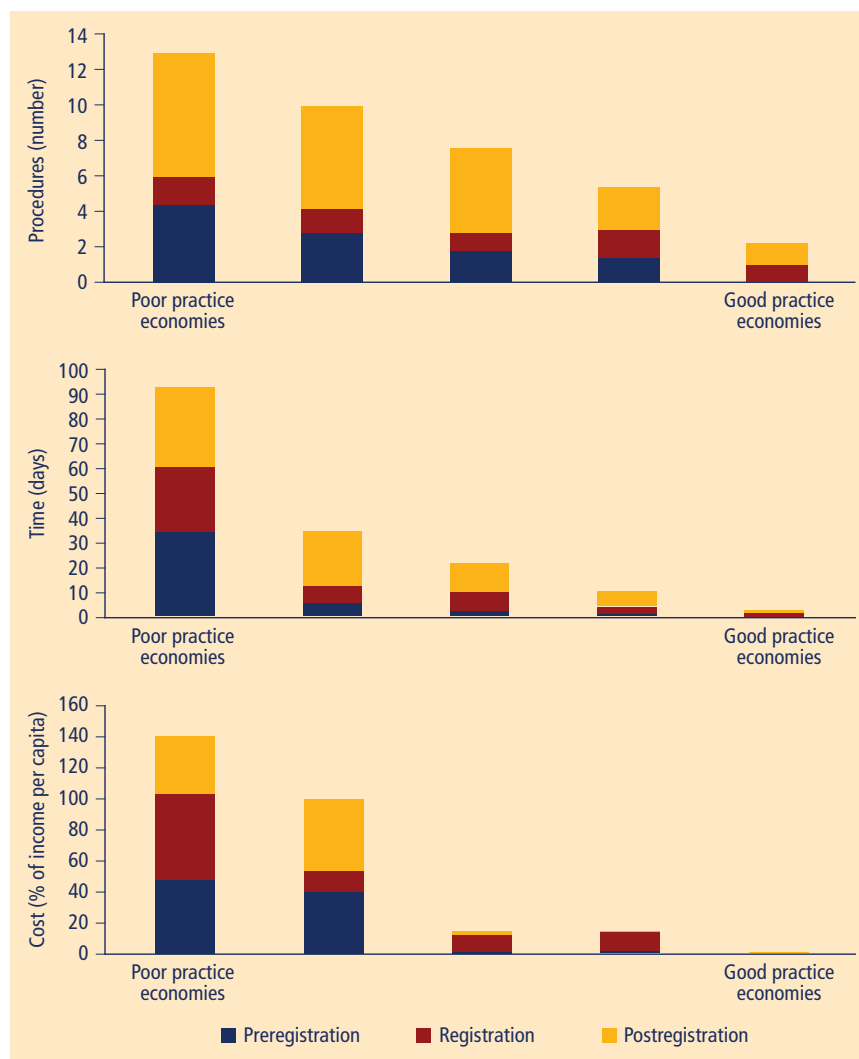
preregistration—nonexistent in economies following good practices—is generally the least time-consuming process measured by *Doing Business* (figure 10.1).

Starting a business is the *Doing Business* indicator set that has consistently had the most reforms each year, and economies have enjoyed the benefits of these reforms. Reforms making it easier to start a formal business are associated with increases in the number of newly registered firms and sustained gains in economic performance—including improvements in employment and productivity.³ In the Philippines start-up simplification in the municipality of San Jose de Buenavista reduced the number of procedures, time and cost to obtain business permits. These changes increased the number of registered businesses, generating revenue for the local government.⁴ Portugal's introduction of one-stop shops raised the number of registered enterprises by about 17% and created 7 new jobs a month for every 100,000 inhabitants.⁵ Peru's simplification of obtaining a start-up business license nearly quintupled business registrations between the year before and the year after, when 8,517 new firms were registered.⁶ Simplified business registration in Mexico increased the number of registered firms by 5% and employment by 2.2%.⁷ Informal business owners, particularly those with an entrepreneurial drive, were 14.3% more inclined to formally register their businesses.⁸

WHO REFORMED IN STARTING A BUSINESS IN 2012/13?

In 2012/13, 51 economies made it easier to start a business (table 10.1). Another 13 made it more difficult, mostly by

FIGURE 10.1 Postregistration procedures can be costly and time-consuming
Averages by ranking group



Note: Poor practice economies are the 5 lowest-ranked economies on the ease of starting a business. The second column represents the 5 economies ranked from 140 to 144 on the ease of starting a business. The third column represents the 5 economies ranked from 93 to 97. The fourth column represents the 5 economies ranked from 45 to 49. Good practice economies are the 5 top-ranked economies.

Source: *Doing Business* database.

increasing start-up costs and minimum capital requirements. Among those making it easier, several created online one-stop shops allowing entrepreneurs to register with different agencies through a single website.

For example, Côte d'Ivoire created a one-stop shop for firm creation and replaced the requirement to obtain a copy of founders' criminal records with a sworn declaration at the time of company registration. Other economies, including Costa Rica and Portugal,

simplified postregistration procedures. In Poland entrepreneurs no longer have to register new companies at the National Labor Inspectorate and National Sanitary Inspectorate. Globally, Greek entrepreneurs experienced the biggest improvement in the ease of starting a business in the past year. In 2012 the Greek government introduced a simpler type of limited liability company, called a private company, that is cheaper to incorporate (figure 10.2). A year later Greece abolished the minimum capital requirement.

WHAT HAVE WE LEARNED FROM 5 YEARS OF DATA?

Over the past 5 years *Doing Business* recorded 244 business registration reforms in 135 economies. All regions have actively reformed in the area of starting a business. Globally since 2009 the average time to start a business has fallen by about 13 days. By region, Sub-Saharan Africa has shown the most improvement, with the average time to start a business falling from 55 days to 30 (figure 10.3). Still, relative to other regions, the time to start a business in Sub-Saharan Africa remains high, leaving ample room for further improvement. OECD high-income and European and Central Asian economies remain the front runners on the ease of starting a business.

Economies sustaining reform efforts over time have considerably revamped their start-up processes, substantially improving their rankings on the ease of starting a business. Chile, for instance, has been an active reformer over the past 5 years. In 2010 it introduced an online system for company registration. In 2011 a new law required local governments to provide temporary or permanent working licenses to companies immediately upon request.⁹ That same year the Internal Revenue Service began authorizing electronic invoicing for companies that had obtained revenue identification numbers and initiated business activities—enabling entrepreneurs to legally operate immediately after formalizing their companies. Finally, in 2013 Chile introduced a law allowing entrepreneurs to register certain types of legal entities online and free of charge.¹⁰ As a result of these improvements, the time to register a business in Santiago fell from 27 days in 2009 to 5.5 in 2013.

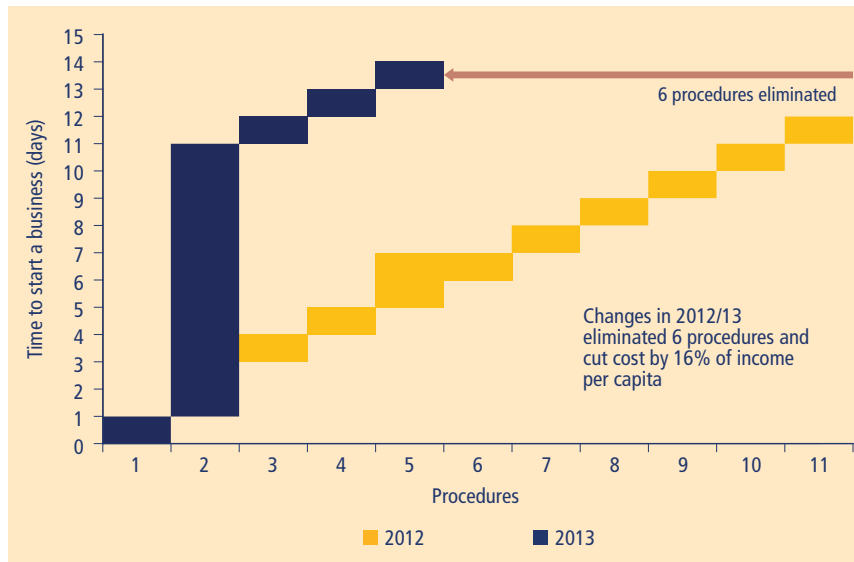
Armenia also has been continuously reforming its business incorporation regulations in recent years. Armenia established a one-stop shop in 2010, allowing electronic registration and merging procedures for reserving a business name, registering a business and issuing a tax identification number. In 2013 Armenia eliminated company registration fees. Azerbaijan, Bulgaria, Colombia, Côte d'Ivoire, Jordan, Lithuania, the former Yu-

TABLE 10.1 Who made starting a business easier in 2012/13—and what did they do?

Feature	Economies	Some highlights
Simplified preregistration and registration formalities (publication, notarization, inspection and other requirements)	Afghanistan; Armenia; Azerbaijan; Belarus; Bhutan; Republic of Congo; Gabon; Greece; Hong Kong SAR, China; Israel; Italy; Jamaica; Kazakhstan; Liberia; Lithuania; Malaysia; Moldova; Mongolia; Morocco; Nepal; Nicaragua; Niger; Romania; Russian Federation; Rwanda; Suriname; Swaziland; Trinidad and Tobago; Ukraine; Zambia	Hong Kong SAR, China abolished the capital duty levied on local companies. Morocco cut registration fees from 3,129 Moroccan dirhams to 1,700—about 6% of income per capita. Suriname adopted a new civil code, shortening the time to obtain a declaration of no objection and approval of the president from 500 days to 14.
Abolished or reduced minimum capital requirement	Cape Verde; Croatia; Djibouti; Greece; Kyrgyz Republic; Lithuania; Netherlands; Poland; West Bank and Gaza	Croatia, Greece and Lithuania introduced a new corporate form with no minimum capital requirement. The Netherlands eliminated the minimum capital requirement for limited liability companies.
Created or improved one-stop shop	Benin; Burundi; Costa Rica; Côte d'Ivoire; Guatemala; Guinea; Kosovo; Togo	Guatemala launched an electronic platform that allows new companies to register with the commercial registrar, tax authority, social security institute and Ministry of Labor through a single online form.
Cut or simplified postregistration procedures (tax registration, social security registration, licensing)	Afghanistan; Costa Rica; Kosovo; Panama; Poland; Portugal	Costa Rica eliminated the requirement to legalize accounting books and simplified legalization of corporate books. Panama eliminated the requirement to visit municipalities to obtain municipal taxpayer numbers.
Introduced or improved online procedures	Azerbaijan; Chile; Nepal; Panama	Chile introduced an online facility for business registration, allowing entrepreneurs to register certain types of legal entities online for free. Nepal introduced electronic filing of documents, reducing registration time from 15 days to 7.

Source: Doing Business database.

FIGURE 10.2 Greece made starting a business easier in 2012/13 by introducing a simpler type of limited liability company and abolishing the minimum capital requirement



Source: Doing Business database.

goslav Republic of Macedonia, Moldova, Mozambique, Peru, Portugal, the Slovak Republic and Ukraine are among other economies that have steadily improved business incorporation regulations. Common features of the most recent reforms

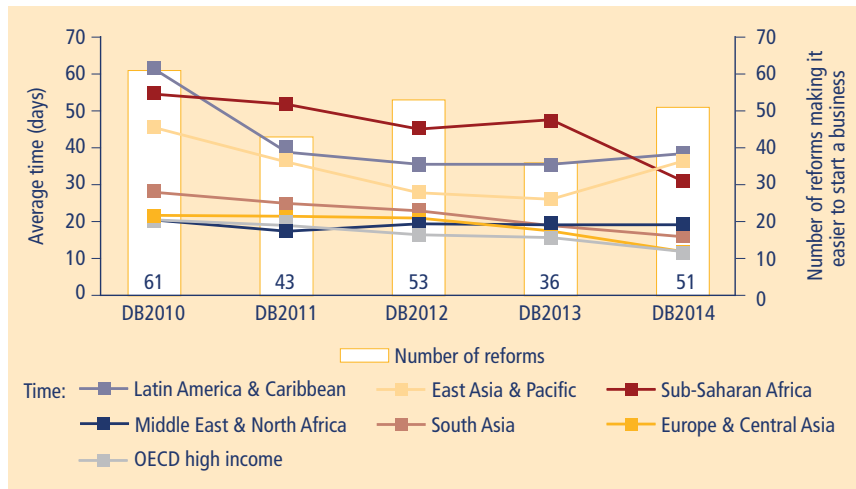
included making notarization of incorporation documents optional, introducing online features for company registration and creating and improving one-stop shops.

Since 2009 Guinea-Bissau and Côte d'Ivoire have been among the economies making the fastest advances toward the frontier in regulatory practice for starting a business (figure 10.4). In addition to previous reforms, in 2012 Côte d'Ivoire launched a one-stop shop for business incorporation, allowing entrepreneurs to register with the commercial registrar, tax authority and social security institute at the same time instead of visiting them separately.

Similarly, Guinea-Bissau created a one-stop shop for business creation in 2011. Launched on May 15, the Centro de Formalização de Empresas led to a significant reduction in the procedures, time and cost to register a business. Guinea-Bissau also eliminated the requirement to obtain a business license for low-risk activities. Instead, a simple declaration of commercial activities is required to be submitted at the one-stop shop. In addition, the requirement for a copy of the founders' criminal records was replaced by one for a sworn declaration, and the cost for the publication of the notice of incorporation was reduced.

Since 2009 the time and cost of starting a business has dropped worldwide. Simplifying registration has been the most

FIGURE 10.3 Sub-Saharan Africa has shown the greatest improvement in the time to start a business



Note: To ensure accurate comparisons, the figure shows data for the same 183 economies for all years, from DB2010 (2009) to DB2014 (2013). The economies added to the *Doing Business* sample after 2009 and so excluded here are Barbados, Libya, Malta, Myanmar, San Marino and South Sudan. This figure uses regional classifications for 2013.

Source: *Doing Business* database.

common feature of start-up reforms. Online services ranging from company name searches to business registration have lowered the time and cost of starting a business worldwide. Economies with the

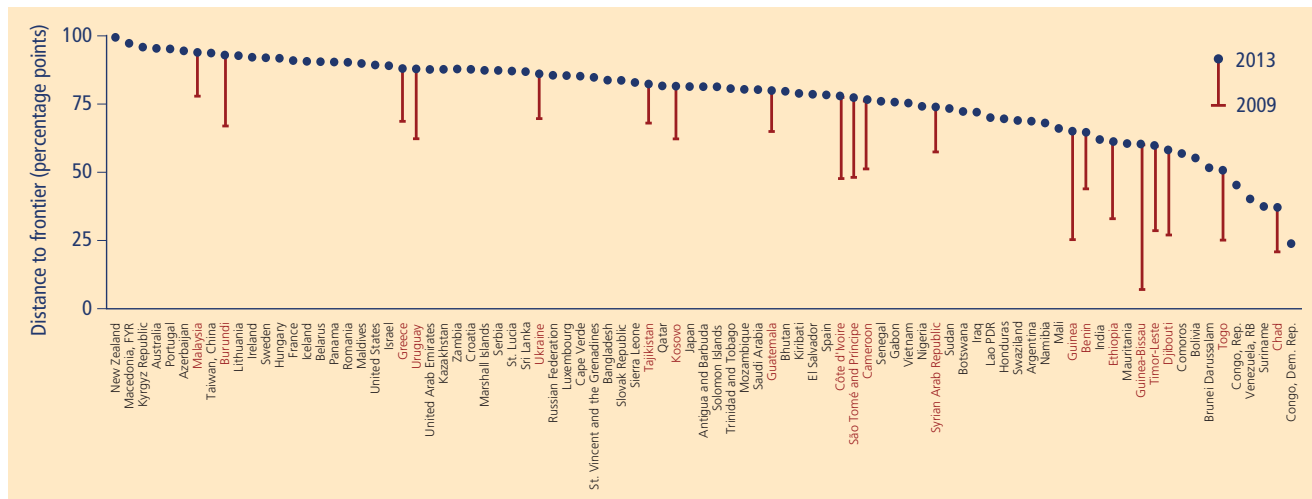
fastest business registration systems all offer at least some electronic services. More than 20 low- and lower-middle-income economies offer electronic services. In Liberia company name reservation

and business registration can be completed online in 1.5 days. In addition, Liberian entrepreneurs can track their application status online. In Rwanda the number of companies using the online business registration system has been steadily increasing since its creation in 2009. In India the director of a company can obtain an identification number online.

Over the past 5 years economies from all regions either lowered or eliminated registration costs. Benin and South Africa considerably reduced notary fees, while Spain exempted small and medium-size enterprises from the burdensome Asset Transfer and Legal Documented Acts Tax. Other economies simplified or eliminated preregistration requirements such as having company documents notarized and obtaining approvals from different agencies.

The past 5 years saw other changes as well. Lesotho, Mongolia and Uruguay simplified start-up processes by eliminating notarization requirements and introducing standardized articles of association. Bhutan and Romania simplified the process for obtaining a security clearance certificate. The Dominican Republic, Peru and the Philippines eliminated

FIGURE 10.4 Guinea-Bissau and Côte d'Ivoire are among the economies advancing the most toward the frontier in starting a business over the past 5 years



Note: The distance to frontier scores shown in the figure indicate how far each economy is from the best performance achieved by any economy on the starting a business indicators since DB2004 (2003). The scores are normalized to range between 0 and 100, with 100 representing the frontier. The data refer to the 183 economies included in DB2010 (though for practical reasons the figure does not show all 183). Barbados, Libya, Malta, Myanmar, San Marino and South Sudan were added in subsequent years. The vertical bars show the improvement in the 20 economies advancing the most toward the frontier in starting a business between 2009 and 2013.

Source: *Doing Business* database.

the requirement to obtain a document confirming payment of share capital in a bank. Ukraine eliminated the requirement to obtain approval for a corporate seal, and Suriname significantly reduced the time to obtain the president's approval for company incorporation.

Ninety-six economies have at least some type of one-stop shop for business registration, including 35 that established or improved theirs in the past 5 years. Ninety-nine economies require no paid-in minimum capital, and many others have lowered the requirement.¹¹

NOTES

This topic note was written by Valentina Saltane, Paula García Serna, Baria Nabil Daye and Fernanda Maretto de Barros.

1. Fritsch and Noseleit 2013.
2. Stangler and Litan 2009.
3. Motta, Oviedo and Santini 2010; Klapper and Love 2011.
4. Gumasing 2013.
5. Branstetter and others 2013. The study notes that the increase in the number of business registrations as a result of start-up reforms was largely due to the entry of marginal firms.
6. Mullainathan and Schnabl 2010.
7. Bruhn 2011.
8. Bruhn 2013.
9. Law No. 20.494.
10. Law No. 20.659.
11. For more information on minimum capital reforms, see the case study on minimum capital requirements.