

2007 2012 2011  
 2005 2009 2004  
 2008 2006 2010 2013

- Enforcing contracts is easiest in Luxembourg, where it takes 321 days and 26 procedures and costs 9.7% of the value of the claim.
- From June 2011 to June 2012 *Doing Business* recorded 11 reforms making it easier to enforce contracts.
- In the past year Poland improved the most in the ease of enforcing contracts.
- Bhutan has advanced the furthest toward the frontier in regulatory practice in contract enforcement since 2005. Among the 10 economies making the greatest progress in this period, 6 are in Sub-Saharan Africa.
- Introducing specialized commercial courts or divisions was the most common feature of reforms making it easier to enforce contracts in the past 8 years.

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

## Enforcing contracts

A judicial system that provides effective commercial dispute resolution is crucial to a healthy economy.<sup>1</sup> Without one, firms risk finding themselves operating in an environment where compliance with contractual obligations is not the norm. While using alternative dispute resolution systems may have benefits, *Doing Business* focuses on how public institutions function in the case of a commercial dispute.<sup>2</sup> *Doing Business* measures the time, cost and procedural complexity of resolving a commercial lawsuit between 2 domestic businesses. The dispute involves the breach of a sales contract worth twice the income per capita of the economy. The case study assumes that the court hears arguments on the merits and that an expert provides an opinion on the quality of the goods in dispute. This distinguishes the case from simple debt enforcement. The time, cost and procedures are measured from the perspective of an entrepreneur (the plaintiff) pursuing the standardized case through local courts.

Efficiency in this process matters. A study in Eastern Europe found that in countries with slower courts, firms on average tend to have less bank financing for new investment. The study shows that reforms in other areas, such as creditors' rights, help increase bank lending only if contracts can be enforced before the courts.<sup>3</sup> Another recent study, analyzing 98 developing economies, suggests that foreign direct investment tends to be greater where the cost of contract enforcement in debt collection and property eviction cases is lower, particularly when the host economy is more indebted.<sup>4</sup>

Among the 185 economies covered by *Doing Business*, Luxembourg has the top ranking on the ease of enforcing contracts (table 17.1). But contract enforcement is fastest in Singapore, where it takes only 150 days to resolve the standardized case measured by *Doing Business* (table 17.2).

### WHO REFORMED IN ENFORCING CONTRACTS IN 2011/12?

From June 2011 to June 2012 *Doing Business* recorded 11 reforms making it easier to enforce contracts and 1 making it more difficult (table 17.3). Brazil, Rwanda and Saudi Arabia improved electronic systems in their courts. Such systems offer multiple benefits. By allowing litigants to file complaints electronically in commercial cases, they can speed up the filing and service process. They can prevent the

TABLE 17.1 Where is enforcing contracts easiest—and where most difficult?

Easiest	RANK	Most difficult	RANK
Luxembourg	1	Syrian Arab Republic	176
Korea, Rep.	2	Central African Republic	177
Iceland	3	Benin	178
Norway	4	Honduras	179
Germany	5	Suriname	180
United States	6	São Tomé and Príncipe	181
Austria	7	Bangladesh	182
France	8	Angola	183
Finland	9	India	184
Hong Kong SAR, China	10	Timor-Leste	185

Note: Rankings are the average of the economy's rankings on the procedures, time and cost to resolve a commercial dispute through the courts. See the data notes for details.

Source: *Doing Business* database.

**TABLE 17.2 Who makes enforcing contracts easy—and who does not?**

Procedures (number of steps)			
Fewest		Most	
Ireland	21	Armenia	49
Singapore	21	Guinea	49
Rwanda	23	Kuwait	50
Austria	25	Belize	51
Belgium	26	Iraq	51
Luxembourg	26	Oman	51
Netherlands	26	Timor-Leste	51
Czech Republic	27	Kosovo	53
Hong Kong SAR, China	27	Sudan	53
Iceland	27	Syrian Arab Republic	55

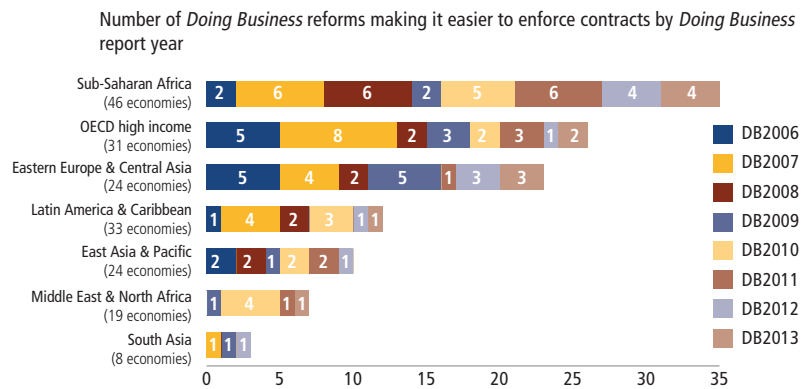
Time (days)			
Fastest		Slowest	
Singapore	150	Sri Lanka	1,318
Uzbekistan	195	Barbados	1,340
New Zealand	216	Trinidad and Tobago	1,340
Bhutan	225	Colombia	1,346
Korea, Rep.	230	India	1,420
Rwanda	230	Bangladesh	1,442
Azerbaijan	237	Guatemala	1,459
Kyrgyz Republic	260	Afghanistan	1,642
Namibia	270	Guinea-Bissau	1,715
Russian Federation	270	Suriname	1,715

Cost (% of claim)			
Least		Most	
Bhutan	0.1	Comoros	89.4
Iceland	8.2	Malawi	94.1
Luxembourg	9.7	Cambodia	103.4
Norway	9.9	Papua New Guinea	110.3
Korea, Rep.	10.3	Zimbabwe	113.1
China	11.1	Indonesia	139.4
Slovenia	12.7	Mozambique	142.5
Portugal	13.0	Congo, Dem. Rep.	147.6
Finland	13.3	Sierra Leone	149.5
Russian Federation	13.4	Timor-Leste	163.2

Source: *Doing Business* database.

loss, destruction or concealment of court records. And they can increase transparency and limit opportunities for corruption in the judiciary. Even more beneficial is the use of computerized systems for case management. Case management,

**FIGURE 17.1 Sub-Saharan Africa continues to lead in number of contract enforcement reforms**



Note: An economy can be considered to have only 1 *Doing Business* reform per topic and year. The data sample for DB2006 (2005) includes 174 economies. The sample for DB2013 (2012) also includes The Bahamas, Bahrain, Barbados, Brunei Darussalam, Cyprus, Kosovo, Liberia, Luxembourg, Malta, Montenegro and Qatar, for a total of 185 economies.

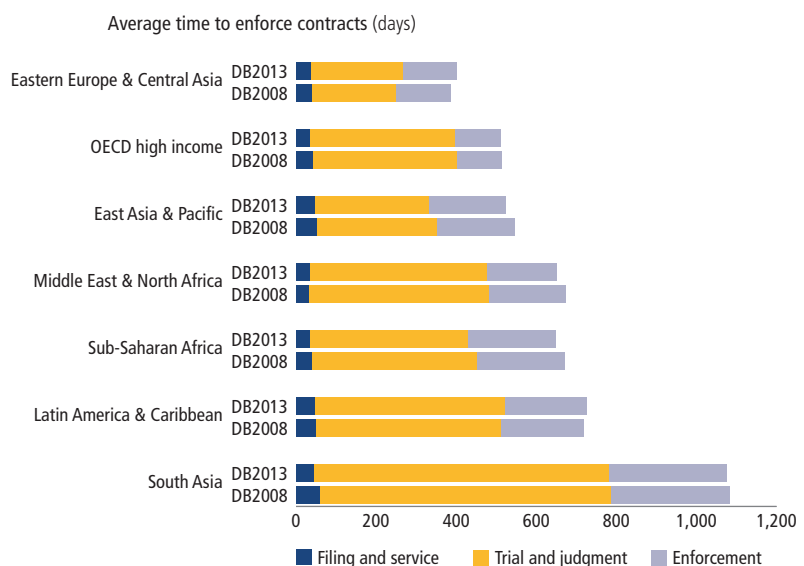
Source: *Doing Business* database.

which involves monitoring and managing cases in the court docket from the filing of the claim until the judgment is issued, has proved to be an effective tool for reducing procedural delays at court and for monitoring the performance of judges and court officers.

Increasing the specialization of judges, divisions or courts in commercial cases has been a common feature of reforms

to increase court efficiency in recent years. Two economies implemented such reforms in the past year. Liberia launched a specialized commercial court in November 2011 and has already appointed 3 new judges for the court. Cameroon created specialized commercial divisions within its courts of first instance. Benin appointed more judges and bailiffs in commercial courts. And it introduced the

**FIGURE 17.2 Contract enforcement has become faster in most regions**



Note: To ensure an accurate comparison, the figure shows data for the same sample of 178 economies for both DB2008 (2007) and DB2013 (2012) and uses the regional classifications that apply in 2012. The economies added to the *Doing Business* sample after 2007 and therefore excluded here are The Bahamas, Bahrain, Barbados, Cyprus, Kosovo, Malta and Qatar. DB2008 data are adjusted for any data revisions and changes in methodology.

Source: *Doing Business* database.

**TABLE 17.3 Who made enforcing contracts easier in 2011/12—and what did they do?**

Feature	Economies	Some highlights
Increased procedural efficiency at main trial court	Georgia; Poland; Slovak Republic; Turkey	The Slovak Republic amended its civil procedure code to simplify and speed up proceedings and to limit obstructive tactics by the parties to a case.
Introduced or expanded computerized case management system	Brazil; Rwanda; Saudi Arabia	Saudi Arabia expanded the computerization of its courts and introduced an electronic filing system for commercial cases, allowing attorneys to submit a summons online through a dedicated website.
Significantly increased number of judges	Benin; Liberia; Poland	Poland appointed more judges and bailiffs in commercial courts.
Made enforcement of judgment more efficient	Poland; Serbia	Serbia introduced private bailiffs.
Introduced specialized commercial court	Cameroon; Liberia	Liberia launched a specialized commercial court in November 2011 and has appointed 3 new judges for the court.

Source: *Doing Business* database.

concept of managing judges as well as enforcement judges.

Serbia made it easier to enforce contracts by introducing a private bailiff system, providing competitive options for enforcing a binding decision. The winning party in a commercial case may now choose between private and court bailiffs to carry out enforcement proceedings.

Georgia, Poland, the Slovak Republic and Turkey amended the procedural rules applying to commercial cases, mainly to simplify and speed up proceedings and to limit obstructive tactics by the parties to a case. New legislation adopted in January 2012 by the Slovak Republic imposes new individual deadlines on the parties at different stages of the proceedings. For example, courts are now obliged to

deliver a complaint to the defendant in less than 60 days.

### WHAT HAVE WE LEARNED FROM 8 YEARS OF DATA?

In the past 8 years *Doing Business* recorded 116 reforms that helped improve court efficiency in commercial dispute resolution. Sub-Saharan Africa had the most reforms, with 35 (figure 17.1). But Eastern Europe and Central Asia, the region where contract enforcement is the fastest on average (figure 17.2), had the largest share of economies with such reforms: 15 of 24 economies in the region implemented at least 1.

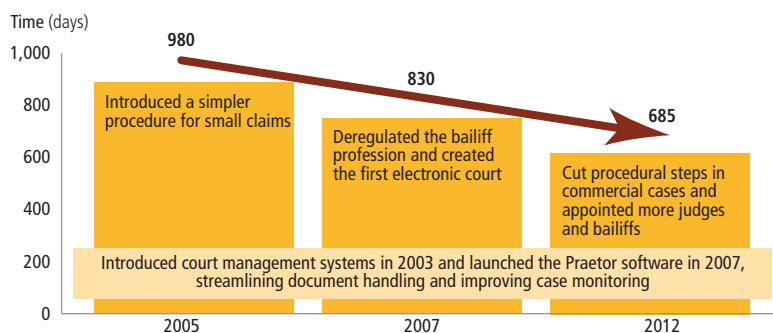
Some economies introduced specialized commercial courts. Others overhauled the organization of their courts or their system of judicial case management for commercial dispute resolution. In the past

year the implementation of electronic filing systems was among the most common improvements recorded by *Doing Business*. Today 19 economies allow electronic filing of complaints, including 12 OECD high-income economies. Among all OECD high-income economies, the average time for filing and service fell by 9 days between 2007 and 2012 (see figure 17.2).

Specialized courts tend to improve efficiency.<sup>5</sup> Creating specialized commercial courts can result in faster and less costly contract enforcement, particularly where the commercial caseload is large. Today 82 of the 185 economies covered by *Doing Business* have a dedicated stand-alone court, a specialized commercial section within an existing court or specialized judges within a general civil court. In 7 Sub-Saharan African economies that introduced commercial courts or sections in the past 10 years—the Democratic Republic of Congo, Ghana, Lesotho, Mauritania, Mozambique, Nigeria and Rwanda—the average time to resolve the standardized case measured by *Doing Business* dropped by more than 5 months.

Poland improved the most in the ease of enforcing contracts in the past year and is also among the 10 economies advancing the furthest toward the frontier in regulatory practice in this area since 2005 (table 17.4). In 2003 resolving a commercial dispute in Warsaw took 1,000 days. Today, thanks to extensive efforts, it takes 685 (figure 17.3).

**FIGURE 17.3 How Poland cut the time to enforce contracts by a third in Warsaw**



Source: *Doing Business* database.

What did Poland do? In 2007 it started deregulating the bailiff profession, increasing the number of service providers. That same year it created its first electronic court, in Lublin; the new court, which processes cases and assigns them to judges in only 2-3 weeks on average, has already dealt with more than 3 million cases. In a parallel effort Poland launched an information technology system in 2003, then the Praetor software in 2007, improving the internal operations of courts over time. The software system facilitates the circulation of documents

**TABLE 17.4 Who has narrowed the distance to frontier in enforcing contracts the most since 2005?**

Most improved	Improvement in distance to frontier (percentage points)
Bhutan	35 (31→66)
Gambia, The	14 (50→64)
Poland	13 (50→63)
Botswana	11 (56→67)
Georgia	11 (59→70)
Mozambique	10 (29→39)
Nigeria	8 (48→56)
Lesotho	7 (44→51)
Mali	6 (43→49)
Portugal	6 <sup>a</sup> (64→70)

*Note:* The distance to frontier measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator since 2005—in this case for the enforcing contracts indicators. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). The data refer to the 174 economies included in *Doing Business 2006* (2005). Eleven economies were added in subsequent years. The first column lists the top 10 most improved economies in order; the second shows the absolute improvement in the distance to frontier between 2005 and 2012.

a. Ethiopia, FYR Macedonia and Malaysia also have an improvement of 6 percentage points.

*Source:* *Doing Business* database.

within the court and allows users to trace the history of the decision stage for particular documents. By 2007 the implementation of these court management systems had already reduced the backlog of cases by 36% compared with 2004.

Efforts are ongoing. In May 2012 Poland amended its civil procedure code, eliminating separate procedural steps in commercial cases. Poland also appointed more judges and bailiffs to the district and regional commercial courts, expanded the role of judges in managing processes (particularly in the introduction of evidence), expanded the responsibilities of assistant judges (such as in overseeing bailiffs and enforcing court judgments), allowed new electronic processes and introduced economic incentives for debtors to comply with judgments.

## NOTES

This topic note was written by Joyce Antone Ibrahim and Julien Vilquin.

1. Ramello and Voigt 2012.
2. World Bank Facility for Investment Climate Advisory Services 2011.
3. Safavian and Sharma 2007.
4. Ahlquist and Prakash 2010.
5. Botero and others 2003.