Doing Business in Poland 2015

COMPARING BUSINESS REGULATIONS FOR DOMESTIC FIRMS IN 18 CITIES WITH 188 OTHER ECONOMIES

WORLD BANK GROUP
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Development Economics
What does *Doing Business* measure?

*Doing Business* indicators:

- Focus on regulations relevant to the life cycle of a small to medium-sized domestic business.
- Are built on standardized case scenarios.
- Are measured for the most populous city in each country.
- Are focused on the formal sector.

DO NOT measure all aspects of the business environment such as macroeconomic stability, corruption, level of labor skills, proximity to markets, or of regulation specific to foreign investment or financial markets.
Doing Business measures areas of regulation that are important throughout the life cycle of small and medium size firms.
Doing Business – an important component of overall competitiveness

Note: Relationships are significant at the 1% level after controlling for income per capita. 
Source: Doing Business database; World Economic Forum 2012.
Poland ranked 32 on the global ease of doing business in 2014, but performance varies significantly across indicators.

Poland TOP 3 rankings:
- Getting credit: 17
- Resolving insolvency: 32
- Protecting investors: 35

Poland BOTTOM 3 rankings:
- Starting a business: 85
- Paying taxes: 87
- Dealing with construction permits: 137
Poland has registered the most progress on the “distance to frontier” metric of any EU country.

Note: Malta, Cyprus and Luxemburg are excluded from this graph since they were added to the Doing Business data set after 2005. The data for 2014 does not take into account the methodology changes made to the Protecting Minority Investors indicator and the Resolving Insolvency indicator.
What do Subnational Doing Business (SNDB) reports add?

- Expand *Doing Business* indicators **beyond the largest business city** measured by the annual report.
- Capture **local differences** in regulations or enforcement.
- Provide information on **good practices** within the same country that can be easily replicated.
- Provide a tool for **locations** to tell their story and **to compete globally**.
- Combine *Doing Business* media appeal with active **participation of subnational governments** in the reform process.
Different locations, different regulatory processes, same country: Examples of property registration

Distance to frontier score for registering property (0–100)

90th percentile (88.16)

10th percentile (42.27)


4.84          |  57.00          |  58.40           |  78.41        |  59.76

29.38          |  64.52          |  72.75          |  80.49        |  73.62

55.14          |  76.67          |  79.03          |  82.79        |  88.71

Worst score  |  Best score  |  Average score
What does *Doing Business in Poland 2015* cover?

Four indicators in 18 cities from 16 voivodeships:

1. Starting a Business
2. Dealing with Construction Permits
3. Registering property
4. Enforcing contracts

Data collection done in partnership with the Polish Confederation Lewiatan
Doing Business in Poland 2015: what are the main findings?

- Polish entrepreneurs face different regulatory hurdles depending on where they establish their businesses. There are varying efficiency levels at the public agencies in charge of the 4 areas and discrepancies in the interpretation of national legislation.

- Smaller cities tend to do better overall across the 4 indicators: of the 18 cities measured, Bydgoszcz tops the aggregate ranking.

- However, several large cities rank at or near the top of individual indicators.

- No single city outperforms the others on all 4 indicators.

- Reform-minded local officials can make tangible improvements by replicating measures already successfully implemented in other cities in Poland.
No single city ranks at the top on all indicators

<table>
<thead>
<tr>
<th>City</th>
<th>Aggregate rank on 4 indicators</th>
<th>Ease of starting a business</th>
<th>Ease of dealing with construction permits</th>
<th>Ease of registering property</th>
<th>Ease of enforcing contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bydgoszcz</td>
<td>1</td>
<td>9</td>
<td>1</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Olsztyn</td>
<td>2</td>
<td>2</td>
<td>9</td>
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<td>1</td>
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<tr>
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<td>3</td>
<td>4</td>
<td>12</td>
<td>1</td>
<td>3</td>
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<td>Toruń</td>
<td>4</td>
<td>13</td>
<td>3</td>
<td>7</td>
<td>5</td>
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<tr>
<td>Opole</td>
<td>5</td>
<td>4</td>
<td>6</td>
<td>13</td>
<td>4</td>
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<td>6</td>
<td>1</td>
<td>15</td>
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<td>7</td>
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<tr>
<td>Rzeszów</td>
<td>7</td>
<td>17</td>
<td>2</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>Zielona Góra</td>
<td>8</td>
<td>14</td>
<td>10</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Łódź</td>
<td>9</td>
<td>9</td>
<td>5</td>
<td>8</td>
<td>14</td>
</tr>
<tr>
<td>Szczecin</td>
<td>10</td>
<td>18</td>
<td>7</td>
<td>6</td>
<td>12</td>
</tr>
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<td>Gorzów Wielkopolski</td>
<td>11</td>
<td>14</td>
<td>17</td>
<td>11</td>
<td>2</td>
</tr>
<tr>
<td>Katowice</td>
<td>12</td>
<td>9</td>
<td>11</td>
<td>16</td>
<td>13</td>
</tr>
<tr>
<td>Wrocław</td>
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<td>6</td>
<td>4</td>
<td>18</td>
<td>16</td>
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<tr>
<td>Lublin</td>
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<td>7</td>
<td>8</td>
<td>17</td>
<td>15</td>
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<td>Kielce</td>
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<td>16</td>
<td>13</td>
<td>15</td>
<td>11</td>
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<tr>
<td>Kraków</td>
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<td>7</td>
<td>18</td>
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<td>9</td>
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<td>Warsaw</td>
<td>17</td>
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<td>14</td>
<td>10</td>
<td>17</td>
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<tr>
<td>Gdańsk</td>
<td>18</td>
<td>2</td>
<td>16</td>
<td>14</td>
<td>18</td>
</tr>
</tbody>
</table>
Variability of performance across areas of business regulations reveals opportunities for improvement
It is four times faster and half as costly to register a business online

<table>
<thead>
<tr>
<th>City</th>
<th>LLCs registered with S24 system (Jun 2013-May 2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poznań</td>
<td>50%</td>
</tr>
<tr>
<td>Kielce</td>
<td>40%</td>
</tr>
<tr>
<td>Wrocław</td>
<td>33%</td>
</tr>
<tr>
<td>Kraków</td>
<td>31%</td>
</tr>
<tr>
<td>Rzeszów</td>
<td>30%</td>
</tr>
<tr>
<td>Lublin</td>
<td>29%</td>
</tr>
<tr>
<td>Warsaw</td>
<td>27%</td>
</tr>
<tr>
<td>Katowice</td>
<td>26%</td>
</tr>
<tr>
<td>Łódź</td>
<td>23%</td>
</tr>
<tr>
<td>Szczecin</td>
<td>23%</td>
</tr>
<tr>
<td>Opole</td>
<td>22%</td>
</tr>
<tr>
<td>Toruń</td>
<td>22%</td>
</tr>
<tr>
<td>Białystok</td>
<td>21%</td>
</tr>
<tr>
<td>Bydgoszcz</td>
<td>20%</td>
</tr>
<tr>
<td>Gdańsk</td>
<td>19%</td>
</tr>
<tr>
<td>Olsztyn</td>
<td>19%</td>
</tr>
<tr>
<td>Gorzów Wielkopolski</td>
<td>15%</td>
</tr>
<tr>
<td>and Zielona Góra</td>
<td></td>
</tr>
</tbody>
</table>

➢ In Poznan, most businesses register online but the uptake of the “S24” system is lower in other cities.
Warsaw maintains registration response times well within average despite having the busiest referendarz

Number of new LLCs registered per referendarz (June 2013-May 2014)

- Warsaw: 218
- Poznań: 178
- Rzeszów: 177
- Lublin: 118
- Wrocław: 114
- Katowice: 99
- Gdańsk: 96
- Szczecin: 92
- Kraków: 92
- Białystok: 83
- Kielce: 82
- Łódź: 73
- Opole: 68
- Toruń: 67
- Zielona Góra: 65
- Bydgoszcz: 63
- Olsztyn: 62
What can be improved: starting a business

Recommendations

- Improve efficiency at the National Court Register by adopting existing good practices
- Allow the use of standard articles of association for registration at the one-stop shop of the National Court Register
- Create a single online process for starting a business
- Assess the feasibility of replacing the civil law transaction tax with a business registration fee based on a cost recovery principle
- Eliminate the minimum capital requirement

Relevant Ministries/ Agencies*

Local level:
- District Court: National Court Register division
- Tax Office
- Statistical Office
- Social Insurance Office

National level:
- Ministry of Justice
- Ministry of Finance
- Central Statistical Office
- National Council of the Judiciary

*The list includes the main ministries and departments but additional departments or ministries might be implicated.
The many pre- and post-construction requirements make the process more complex than in other EU economies.

### Procedures (number)

- **Gdańsk, Gorzów Wielkopolski, Kielce, Olsztyn, Opole**
  - Before construction: 13
  - During construction: 7
  - After construction: 2
  - Total: 22

- **Katowice, Kraków, Lublin, Zielona Góra, Poland average**
  - Before construction: 12
  - During construction: 7
  - After construction: 2
  - Total: 21

- **Białystok, Łódź, Poznań, Toruń**
  - Before construction: 11
  - During construction: 7
  - After construction: 2
  - Total: 20

- **Bydgoszcz, Rzeszów, Szczecin, Warsaw, Wrocław**
  - Before construction: 10
  - During construction: 7
  - After construction: 2
  - Total: 19

- **Portugal**
  - Before construction: 4
  - During construction: 3
  - After construction: 4
  - Total: 14

- **Austria**
  - Before construction: 6
  - During construction: 1
  - After construction: 3
  - Total: 11

- **Germany**
  - Before construction: 2
  - During construction: 2
  - After construction: 1
  - Total: 8

- **Denmark**
  - Before construction: 3
  - During construction: 1
  - After construction: 2
  - Total: 7

- **Sweden**
  - Before construction: 4
  - During construction: 2
  - After construction: 1
  - Total: 7

### Countries
- **Sweden**
- **Denmark**
- **Germany**
- **Austria**
- **Portugal**
- **Bydgoszcz, Rzeszów, Szczecin, Warsaw, Wrocław**
- **Białystok, Łódź, Poznań, Toruń**
- **Gdańsk, Gorzów Wielkopolski, Kielce, Olsztyn, Opole**
- **Katowice, Kraków, Lublin, Zielona Góra, Poland average**
There are large variations among cities in the number of days required to deal with construction permits.

- Time to obtain all necessary preconstruction consents to apply for a building permit: 42.4 days (5 fastest cities), 80 days (5 slowest cities).
- Time to obtain a building permit: 16 days (5 fastest cities), 40 days (5 slowest cities).
- Time to obtain an occupancy permit: 36 days (5 fastest cities), 63 days (5 slowest cities).
What can be improved: dealing with construction permits

**Recommendations**

- Consolidate or eliminate pre-construction clearances
- Clarify and better communicate the construction permitting process and requirements
- Invest in advanced zoning systems
- Consolidate and simplify post-completion inspections and the issuance of the occupancy certificate
- Develop an electronic platform for the construction permit administration

**Relevant Ministries/ Agencies***

**Local level:**
- City Hall: Architecture department
- City Hall: Geodetic department
- City Hall: Urban Planning department
- County Building Inspectorate
- Public utility providers

**National level:**
- Ministry of Infrastructure and Development
- General Office of Building Control
- Head Office of Land Surveying and Cartography
- National Sanitary Inspectorate
- State Fire Service

*The list includes the main ministries and departments but additional departments or ministries might be implicated.*
While the procedures for transferring property are uniform across Poland, it can take 18 days to register property in Białystok, but 51 days to do so in Wrocław.
Registering with the Land and Mortgage Registry is the most time-consuming requirement

<table>
<thead>
<tr>
<th>City</th>
<th>Pre-registration</th>
<th>Registration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Białystok</td>
<td>7 1</td>
<td>10</td>
</tr>
<tr>
<td>Zielona Góra</td>
<td>8 1</td>
<td>10</td>
</tr>
<tr>
<td>Bydgoszcz</td>
<td>5 1</td>
<td>15</td>
</tr>
<tr>
<td>Poznań</td>
<td>5 1</td>
<td>20</td>
</tr>
<tr>
<td>Olsztyn</td>
<td>7 1</td>
<td>20</td>
</tr>
<tr>
<td>Toruń</td>
<td>4 1</td>
<td>25</td>
</tr>
<tr>
<td>Szczecin</td>
<td>4 1</td>
<td>25</td>
</tr>
<tr>
<td>Łódź</td>
<td>10 1</td>
<td>20</td>
</tr>
<tr>
<td>Warsaw</td>
<td>14 1</td>
<td>18</td>
</tr>
<tr>
<td>Rzeszów</td>
<td>7 1</td>
<td>25</td>
</tr>
<tr>
<td>Gorzów Wielkopolski</td>
<td>4 1</td>
<td>30</td>
</tr>
<tr>
<td>Gdańsk</td>
<td>7 1</td>
<td>30</td>
</tr>
<tr>
<td>Opole</td>
<td>7 1</td>
<td>30</td>
</tr>
<tr>
<td>Kraków</td>
<td>2.5 1</td>
<td>35</td>
</tr>
<tr>
<td>Katowice</td>
<td>8 1</td>
<td>30</td>
</tr>
<tr>
<td>Kielce</td>
<td>8 1</td>
<td>30</td>
</tr>
<tr>
<td>Lublin</td>
<td>14 1</td>
<td>30</td>
</tr>
<tr>
<td>Wrocław</td>
<td>10 1</td>
<td>40</td>
</tr>
</tbody>
</table>

- **Collecting the necessary preliminary data**
- **A notary executes the sale agreement**
- **Registration at the Land and Mortgage Registry**

Wrocław

Lublin

Kielce

Katowice

Gorzów Wielkopolski

Gdańsk

Opole

Kraków

Kielce

Lublin

Wrocław
What can be improved: registering property

Recommendations

- Optimize available resources to reduce delays at the Land and Mortgage Registry of the relevant court
- Move toward electronic registration
- Improve the interconnection between the Land and Mortgage Registry and the Cadastre
- Use a single identification number for property searches at the Land and Mortgage Registry and the Cadastre
- Improve public service delivery at the City Hall

Relevant Ministries/ Agencies*

**Local level:**
- District Court: Land and Mortgage Registry
- City Hall: Urban Planning department
- City Hall: Cadastre department

**National level:**
- Ministry of Justice
- National Council of the Judiciary

*The list includes the main ministries and departments but additional departments or ministries might be implicated.*
Enforcing a contract is easiest in Olsztyn—where it takes 328 days and costs 15.3% of the claim.
### What can be improved: enforcing contracts

#### Recommendations

- Establish a mediation culture among judges and litigants
- Expand court automation
- Ensure effective financial and human resource allocation within the courts
- Institutionalize good practices across commercial divisions

#### Relevant Ministries/ Agencies*

**Local level:**
- Regional Court: Commercial division
- Mediation centers

**National level:**
- Ministry of Justice
- National Council of the Judiciary
- Polish Council for the Alternative Methods of Disputes and Conflicts Resolution

*The list includes the main ministries and departments but additional departments or ministries might be implicated.*
Significant potential for improvement by emulation of good practices found across Poland.
In Mexico, the average time to register property decreased 50% in the slowest cities and by 88% in the fastest cities since 2007.
In Mexico, slower cities converge with faster cities: time to start a business
State of Mexico, Puebla and Quintana Roo are the states that most advanced towards the frontier of best regulatory practices from 2012 to 2014.
Dziękuję!

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