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News Release

Doing Business 2007: Singapore ranks first on the ease of doing business, China is a top reformer, but East Asia's pace of reform slips

WASHINGTON, D.C., September 6, 2006 – Doing business became easier in East Asian economies in 2005–2006, according to a new report by the World Bank and the International Finance Corporation (IFC). While 14 reforms in seven economies in the region reduced the time, cost, and hassle for businesses to comply with legal and administrative requirements, East Asia's overall progress in regulatory reforms lags behind all other regions except South Asia, a fall from fourth to sixth place.

Doing Business 2007: How to Reform finds that China picked up the pace of its reforms and made the group of top 10 reformers on the ease of doing business across 175 economies, implementing reforms to speed business registration and trading, ease access to credit, and strengthen investor protection. The top 10 reformers are, in order, Georgia, Romania, Mexico, China, Peru, France, Croatia, Guatemala, Ghana, and Tanzania.

Doing Business 2007 also ranks 175 economies on the ease of doing business—covering 20 more economies than last year's report. Singapore became the most business-friendly economy in the world in 2005–2006, as measured by the *Doing Business* indicators, after last year's winner, New Zealand, made business licensing more difficult. The runner-up economy in the region is Hong Kong (China) (5), followed by Thailand (18), Malaysia (25), Mongolia (45), Taiwan (China) (47), China (93), Vietnam (104), Philippines (126), Indonesia (135), and Cambodia (143). Lao PDR (159) and Timor-Leste (174) are ranked lowest in the region.

The top 30 economies in the world are, in order, Singapore, New Zealand, the United States, Canada, Hong Kong (China), the United Kingdom, Denmark, Australia, Norway, Ireland, Japan, Iceland, Sweden, Finland, Switzerland, Lithuania, Estonia, Thailand, Puerto Rico, Belgium, Germany, the Netherlands, Korea, Latvia, Malaysia, Israel, St. Lucia, Chile, South Africa, and Austria.

The rankings track indicators of the time and cost to meet government requirements in business start-up, operation, trade, taxation, and closure. They do not track variables such as market size, macroeconomic policy, quality of infrastructure, currency volatility, investor perceptions, or crime rates.

China—the top reformer in the region and fourth-ranked reformer globally—reduced the time to register a business from 48 to 35 days and cut the minimum capital required from 947 percent to 213 percent of income per capita, making it easier for entrepreneurs to start new businesses. It also established a credit information registry for consumer loans. Now 340 million citizens have credit histories, improving their access to credit. Amendments to the company law strengthened investor protections against insider dealings. And new online customs procedures reduced the time to import and export by two days, helping international competitiveness. Other notable reforms in East Asian economies:

- **Vietnam** cut the documents and time required to obtain building permits and allowed employers to use fixed-term contracts for any type of task, making hiring easier.
- **Cambodia** set time limits on obtaining business licenses—reducing delays by 66 days—and modernized customs, cutting time to export by seven days and time to import by 10 days.
- **Hong Kong** (China) improved investor protections by increasing the availability of internal company documents for inspection, boosting transparency. The time to import and export dropped from 16 and 13 days to only five days, after three new boundary bridges opened and customs documents were simplified and put online.
- **Lao PDR** introduced a new collateral law that eases access to credit by allowing businesses to use their movable assets as collateral without giving up possession. A new law set time limits on business registration, cutting start-up delays by 19 days.
- **Indonesia** reduced business start-up time from 151 to 97 days by speeding approval of the incorporation documents at the Ministry of Justice.
- **Thailand** amended its law on credit information, making it easier for lenders to evaluate the creditworthiness of borrowers, thereby improving access to credit.
- **Timor-Leste**, counter to the regional trend, made it more difficult to do business, refusing to grant any new licenses for construction firms.

"More progress is needed. East Asian countries would greatly benefit from new enterprises and jobs, which can come with more business-friendly regulations," said Michael Klein, World Bank-IFC vice president for financial and private sector development, and IFC chief economist.

The report finds that while East Asian economies impose the fewest regulatory obstacles on business after OECD countries, they are now reforming more slowly than all other regions except South Asia. Less than half of the East Asian economies introduced one or more reforms that improved the *Doing Business* indicators. By comparison, every Eastern European country reformed except Slovenia.

The greatest remaining obstacles in the region documented in the report are cumbersome start-up procedures and costly licensing requirements. For example, in Cambodia, it takes 10 procedures and 86 days to start a business. In the Philippines, it takes 23 procedures and 193 days and costs 113 percent of income per capita to meet the regulatory requirements to build a warehouse.

Doing Business allows policymakers to compare regulatory performance with other countries, learn from best practices globally, and prioritize reforms. "The annual *Doing Business* updates have already had an impact. The analysis has inspired and informed at least 48 reforms around the world. The lesson—what gets measured gets done," said Caralee McLiesh, an author of the report.

Globally the most popular reform in 2005–2006 was easing the regulations of business start-up. Forty-three countries simplified procedures, reducing costs and delays. The second most popular reform—implemented in 31 countries—was reducing tax rates and the administrative hassle of paying taxes.

Whatever reformers do, they should always ask the question, Who will benefit the most? If reforms are seen to benefit only foreign investors, or large investors, or bureaucrats-turned-investors, they reduce the legitimacy of the government. "Reforms should ease the burden on all businesses: small and large, domestic and foreign, rural and urban. This way there is no need to guess where the next boom in jobs will come from. Any business will have the opportunity to thrive," said Simeon Djankov, an author of the report.

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The Doing Business project is based on the efforts of more than 5,000 local experts – business consultants, lawyers, accountants, government officials, and leading academics around the world, who provided methodological support and review. The data, methodology, and names of contributors are publicly available online at http://www.doingbusiness.org.

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