Doing Business Learning Series
Doing Business 2019 – Results

Wednesday, December 5, 2018 | 10:00 - 11:00 AM (EST)
I. About *Doing Business*

II. Where *Doing Business* is easiest

III. Where *Doing Business* improved the most

IV. Training for Reform
The 11 areas of business regulation measured by *Doing Business* affect firms throughout their life cycle.
What does *Doing Business* measure?

*Doing Business* indicators:

- Focus on **regulations** relevant to the life cycle of a **small to medium**-size domestic business.

- Are built on **standardized** case scenarios.

- Are measured for the largest **business city** in each economy, and the second largest business city in countries with more than 100 million inhabitants as of 2013.

- Are focused on the **formal** sector.

> “The private sector is key to creating sustainable economic growth and ending poverty around the world. Fair, efficient, and transparent rules, which *Doing Business* promotes, are the bedrock of a vibrant economy and entrepreneurship environment. It’s critical for governments to accelerate efforts to create the conditions for private enterprise to thrive and communities to prosper.”

Jim Yong Kim, President of the World Bank Group
Time and motion indicators focus on the process Example: the complexity and time it takes to register property

- Measure **procedural efficiency** of the regulatory process
- Follow the entrepreneur **from the beginning to the end** of a basic transaction
- Record **every step** of the process, and the associated **time and cost**
- Gather **all** the relevant laws, regulations, decrees and fee schedules

- China ranks **27th** on the ease of registering property.

- Registering property in China requires **4 procedures**, takes **9 days** and costs **4.6%** of the property value.

- Meanwhile, China scores **23.5 out of 30** points on the quality of the land administration index.

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**Income per capita in China: US$ 8,690**


*Note*: Online procedures account for 0.5 days in the total time calculation.
Legal sources of information for the *Doing Business* indicators

Example: the ease of protecting minority investors

- **Civil Code**: property rights, contractual obligations, pledge regimes
- **Commercial Code**: company creation procedures, minimum paid-in capital requirements, shareholder rights, winding-up provisions
- **Tax Code**: applicable taxes and contributions
- **Secured Transactions Law**: creation and publicity of security interest, collateral regime
- **Civil Procedure Code**: litigation and courts system, judicial enforcement of a commercial dispute
- **Insolvency Law**: bankruptcy, insolvency, reorganization and liquidation procedures, priority rules
- **Labor Code**: hiring and redundancy of workers, definition of working hours

**For example:**

Malaysia ranks **2nd** on the ease of protecting minority investors

<table>
<thead>
<tr>
<th>Extent of disclosure index (0-10)</th>
<th>10.0</th>
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</thead>
<tbody>
<tr>
<td>Whose decision is sufficient to approve the Buyer-Seller transaction? (0-3)</td>
<td>Shareholders excluding interested parties</td>
</tr>
<tr>
<td>Must an external body review the terms of the transaction before it takes place? (0-1)</td>
<td>Yes</td>
</tr>
<tr>
<td>Must Mr. James disclose his conflict of interest to the board of directors? (0-2)</td>
<td>Full disclosure of all material facts</td>
</tr>
<tr>
<td>Must Buyer disclose the transaction in periodic filings (e.g. annual reports)? (0-2)</td>
<td>Disclosure on the transaction and on the conflict of interest</td>
</tr>
<tr>
<td>Must Buyer immediately disclose the transaction to the public? (0-2)</td>
<td>Disclosure on the transaction and on the conflict of interest</td>
</tr>
</tbody>
</table>

**Source:** Doing Business 2019.
16 years of *Doing Business*

*Doing Business* has identified 3,519 business reforms.

*Doing Business* has inspired 1,116 business reforms.

*Doing Business* has visited 169 economies.

*Doing Business* has received 131,791 contributions.
How *Doing Business* collects and verifies the data

**Questionnaire development**
- The *Doing Business* team updates the questionnaires and consults with internal and external experts.

**Data collection and analysis**
- The *Doing Business* team distributes the questionnaires and analyzes the relevant laws and regulations along with the information in the questionnaires.
- The *Doing Business* team travels to approximately 30 economies.
- The *Doing Business* team engages in conference calls, video conferences and in-person meetings with government officials and private sector practitioners.
- Governments and World Bank Group regional teams submit information on regulatory changes that could potentially be included in the global count of regulatory reforms.

**Data verification**
- The *Doing Business* team shares preliminary information on reforms with World Bank Group regional teams for their feedback.
- The *Doing Business* team analyzes the data and writes the report. Comments on the report and data are received from across the World Bank Group through an internal review process.

**Report launch**
- The report is published, followed by media outreach and findings dissemination.
I. About *Doing Business*

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III. Where *Doing Business* improved the most

IV. Training for Reform
Top 50 performers on the ease of doing business in 2017/18

<table>
<thead>
<tr>
<th>Rank</th>
<th>Economy</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>New Zealand</td>
<td>86.59</td>
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<tr>
<td>2</td>
<td>Singapore</td>
<td>85.24</td>
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<tr>
<td>3</td>
<td>Denmark</td>
<td>84.64</td>
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<tr>
<td>4</td>
<td>Hong Kong SAR, China</td>
<td>84.22</td>
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<tr>
<td>5</td>
<td>Korea, Rep.</td>
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<tr>
<td>6</td>
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<td>Norway</td>
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<tr>
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<tr>
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<tr>
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<td>Azerbaijan</td>
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</table>

<table>
<thead>
<tr>
<th>Rank</th>
<th>Economy</th>
<th>Score</th>
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<tr>
<td>26</td>
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<td>Montenegro</td>
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</table>

The 10 top economies in the ease of doing business ranking share common features of regulatory efficiency and quality.
An economy’s regulatory environment may be more business-friendly in some areas than in others.

Average range in top 50: **27.8 points**

Average range in bottom 50: **45.9 points**

- Average of all topic scores
- Average of the 3 highest topic scores
- Average of the 3 lowest topic scores

*Source: Doing Business database.*

*Note: The scores reflected are those for the 10 Doing Business topics included in this year’s ease of doing business score.*
Starting a business is the most popular area of reform

Reforms captured by Doing Business year (number)

Source: Doing Business database.
Overall, it is relatively easier to open a business than to close it. The area of resolving insolvency is the most challenging of all worldwide. Indeed, it is the area with the biggest gap between Sub-Saharan African economies and OECD high-income economies.

All regions perform **better in terms of regulatory efficiency compared to regulatory quality**

**Gaps between regulatory efficiency and regulatory quality are observed across all regions**

**Regions that perform well on regulatory efficiency are more likely to perform well on regulatory quality**

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Governments around the world set a new record in improving the regulatory environment for the domestic private sector in 2017/18.
Low-income and lower middle-income economies carried out 172 reforms in 2017/18

- Doing Business has recorded **3,519 regulatory reforms** making it easier to do business since 2004.
- **83%** of economies in Sub-Saharan Africa implemented reforms in 2017/18 (only **38%** in 2004/05).
- Developing economies implemented **82%** of all regulatory reforms in 2017/18.
Who **improved the most** across 3 or more areas measured by *Doing Business* in 2017/18?

<table>
<thead>
<tr>
<th>Economy</th>
<th>Ease of doing business rank</th>
<th>Change in ease of doing business score</th>
<th>Starting a business</th>
<th>Dealing with construction permits</th>
<th>Getting electricity</th>
<th>Registering property</th>
<th>Getting credit</th>
<th>Protecting minority investors</th>
<th>Paying taxes</th>
<th>Trading across borders</th>
<th>Enforcing contracts</th>
<th>Resolving insolvency</th>
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</tbody>
</table>

**Source:** *Doing Business* database.

Note: Economies are selected on the basis of the number of reforms and ranked on how much their ease of doing business score improved. First, *Doing Business* selects the economies that implemented reforms making it easier to do business in three or more of the 10 areas included in this year’s aggregate ease of doing business score. Regulatory changes 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 increase in their distance ease of doing business score from the previous year. The improvement in their score is calculated not by using the data published in 2017 but by using comparable data that capture data revisions and methodology changes. The choice of the most improved economies is determined by the largest improvements in the ease of doing business score among those with at least three reforms.
For instance, China reformed 7 areas measured by Doing Business in 2017/18 (1/2)

What did China do to improve its business environment in 2017/18? (I)

- **Starting a Business**
  - Launched online company registration; simplified social security registrations
  - Time to start a business (days):
    - 2016/17: 22.9
    - 2017/18: 8.6

- **Dealing with Construction Permits**
  - Streamlined permit issuing process; improved professional qualification requirements and access to information
  - Time to obtain a building permit (days):
    - 2016/17: 261.8
    - 2017/18: 155.1

- **Getting Electricity**
  - Expanded network capacity; offered free and faster low voltage connections
  - Cost to obtain a new electricity connection (% GNI per cap):
    - 2016/17: 356.0
    - 2017/18: 0.0

Ease of doing business score (0-100)

- 2017: 46
- 2018: 54.64

DB2019 rank: 46
For instance, China reformed 7 areas measured by *Doing Business* in 2017/18 (2/2)

What did China do to improve its business environment in 2017/18? (II)

**Registering Property**
- Streamlined administrative procedures; increased the reliability and transparency of the land administration system
- Time to register a property transfer (days):
  - 2016/17: 23.5
  - 2017/18: 9.0

**Protecting Minority Investors**
- Increased shareholders’ rights in corporate decisions; clarified ownership and control structures
- Extent of shareholder governance index (0-10):
  - 2016/17: 6.0
  - 2017/18: 6.7

**Paying Taxes**
- Abolished the business tax; allowed joint filing and payment of stamp duties; reduced compliance time; reduced housing fund rate (*Beijing only*)
- Time to pay taxes (hours per year):
  - 2016/17: 207
  - 2017/18: 142

**Trading Across Borders**
- Launched a single window; enabled risk-based inspections; increased transparency; encouraged competition
- Cost to import: Border compliance (USD):
  - 2016/17: 745
  - 2017/18: 326

Ease of doing business score (0-100)

<table>
<thead>
<tr>
<th>Year</th>
<th>DB2019 rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>54</td>
</tr>
<tr>
<td>2018</td>
<td>46</td>
</tr>
</tbody>
</table>

+8.64
What did Kenya do to improve its business environment in 2017/18?

**Registering Property**
- Introduced an online system to clear land rent rates
- Time to register a property transfer (days):
  - 2016/17: 61
  - 2017/18: 49

**Getting Credit**
- Established a new unified and notice-based collateral registry
- Strength of legal rights index (0-12):
  - 2016/17: 7
  - 2017/18: 10

**Protecting Minority Investors**
- Increased shareholders’ rights and role in major corporate decisions
- Extent of shareholder rights index (0-10):
  - 2016/17: 5
  - 2017/18: 7

**Paying Taxes**
- Merged all permits into a single unified business permit
- Time to pay taxes (hours per year):
  - 2016/17: 185.5
  - 2017/18: 179.5

**Resolving Insolvency**
- Granted creditors greater participation in the insolvency proceedings
- Strength of insolvency framework index (0-16):
  - 2016/17: 9
  - 2017/18: 13

Ease of doing business score (0-100):
- DB2019 rank: 61
Particularly, Kenya made registering property easier in 2017/18

Kenya made registering property easier by introducing an online system to clear land rent rates.

- The online land registration system for property transfer and other land transactions went fully online in Nairobi on April 2018.

- Nairobi fully digitized all the paper records and central registries. The system will be rolling out throughout the country as more registries are digitized.

![Time to transfer property between two local companies](chart)

Source: Doing Business database.
Europe and Central Asia has made the biggest improvement in business regulation over time

Average improvement in the ease of doing business score

Average global improvement since 2003/04: 13.5

Source: Doing Business database.
Note: The measure is normalized to range from 0 to 100, with 100 representing the best regulatory performance. Because of changes over the years in methodology and in the economies and indicators included, the improvements are measured year on year using pairs of consecutive years with comparable data.
Lower middle-income economies improved the most over time in the quality and efficiency of business regulations

Average year-on-year improvement in the ease of doing business score

Average global improvement since 2003/04: 14.3

Source: Doing Business database.
Note: The measure is normalized to range from 0 to 100, with 100 representing the best regulatory performance. Because of changes over the years in methodology and in the economies and indicators included, the improvements are measured year on year using pairs of consecutive years with comparable data.
For instance, Sub-Saharan Africa is **closing the gap** when it comes to starting a business and obtaining an electricity connection.

In 2006 the average time to start a business in Sub-Saharan Africa was **59** days; today it is **23** days, closer to the high-income economy average of **9** days.

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**Average time to start a business (days)**

- **Sub-Saharan Africa**
- **OECD high income**

**Average cost to obtain an electricity connection (% of income per capita)**

- **Sub-Saharan Africa**
- **OECD high income**

*Source: Doing Business 2019.*
Since 2004, reforms reduced the time of doing business across regions.

### Starting a Business

<table>
<thead>
<tr>
<th>Location</th>
<th>DB2006</th>
<th>DB2019</th>
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<tbody>
<tr>
<td>São Paulo</td>
<td>156 days</td>
<td>18.5 days</td>
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### Paying Taxes

<table>
<thead>
<tr>
<th>Location</th>
<th>DB2006</th>
<th>DB2019</th>
</tr>
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<tbody>
<tr>
<td>Istanbul</td>
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<td>170 hours</td>
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### Dealing with Construction Permits

<table>
<thead>
<tr>
<th>Location</th>
<th>DB2006</th>
<th>DB2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mumbai</td>
<td>195 days</td>
<td>99 days</td>
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### Registering Property

<table>
<thead>
<tr>
<th>Location</th>
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</thead>
<tbody>
<tr>
<td>Moscow</td>
<td>52 days</td>
<td>13 days</td>
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</table>

Source: Doing Business database.
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III. Where *Doing Business* improved the most

IV. **Training for Reform**
Training of government officials and better communication of regulatory changes are associated with a higher doing business score.

Source: Doing Business database.

Note: Economies that communicate regulatory changes in the areas of starting a business, dealing with construction permits, registering property, getting credit, protecting minority investors and paying taxes have higher average ease of doing business scores and implemented more business reforms in 2017/18. Economies that provide training to government officials in the areas of starting a business, registering property, getting electricity, paying taxes and trading across borders have higher average ease of doing business scores in 2017/18. Economies with a legal degree requirement for practicing lawyers, judges, insolvency representatives and law clerks have higher average ease of doing business scores in 2017/18. The relationships are significant at the 1% level after controlling for income per capita.
How is training associated with a higher ease of doing business score?

**SERVICE PROVIDERS**
- Judges, prosecutors, customs officials
- Improved productivity and capacity to serve customers

**CUSTOMERS**
- Improved understanding, clarity and trust in new regulations
- More likely to comply with the regulatory framework

**REGULATORY FRAMEWORK**
- More efficient
- Streamlined business regulation

Source: Doing Business database

Note: Economies that provide training to government officials in the areas of starting a business, registering property, getting electricity, paying taxes and trading across borders have higher average ease of doing business scores in 2017/18. Economies with a legal degree requirement for practicing lawyers, judges, insolvency representatives and law clerks have higher average ease of doing business scores in 2017/18. The relationships are significant at the 1% level after controlling for income per capita.
How is communication of regulatory changes through media campaigns related to better business regulation and more reforms?

Public communication of reforms

How?
- Broadcast ads
- Announcements
- Social media
- Mobile apps
- Websites

✅ Improves private sector compliance
✅ Holds the public sector accountable for regulatory violations

✅ More efficiency
✅ Better quality of business legislation
✅ More reforms

Source: Doing Business database
Note: Economies that communicate regulatory changes in the areas of starting a business, dealing with construction permits, registering property, getting credit, protecting minority investors and paying taxes have higher average ease of doing business scores and implemented more business reforms in 2017/18. The relationship is significant at the 1% level after controlling for income per capita.
The role of training in facilitating entrepreneurship and property rights

✓ Only 24% of economies require professional training for the business registry officers.

Training is associated with higher business and land registries efficiency

![Bar chart showing efficiency scores for business and land registries with and without training.]

Score for starting a business, registering property (0–100)

90
80
70
60
50

Training at the business registry
Training at the land registry

Source: Doing Business database.

Note: For training at the business registry, this relationship is significant at the 1% level after controlling for income per capita. For training at the land registry, this relationship is significant at the 5% level after controlling for income per capita.

✓ Many economies, mainly in OECD high-income, also provide training to entrepreneurs.

✓ Communication of changes at the business and land registries is also related to lower transaction completion times.

✓ Workshops are the most common channel for communicating changes to registry.

In economies where a dissemination campaign is used to communicate changes to the registry users, starting a business is on average 13 days faster and transferring a property is on average 19 days faster, comparing to the average time in economies where changes are not communicated.
Training for trade facilitation

✓ The ability of trade professionals to benefit from electronic systems largely depends on training and communication.

✓ Of the economies that implemented trade reforms in 2017/18, 85% regularly provide training to customs clearance officials.

✓ Training of clearance officials and customs brokers is positively associated with lower border and documentary compliance times.

✓ Workshops are the most commonly-used channel of communication to convey changes to customs officials and brokers.

✓ A majority of economies do not require a formal university degree to operate as a broker. Brokers are required to obtain a license in 75% of economies.

The average time to clear customs is 34% lower in economies where clearance officers receive regular training.

![Average time to complete customs clearance (hours)](chart)

Source: Doing Business database.
Note: Doing Business identified 128 economies where regular training (defined as occurring more than once a year) is provided to customs clearance officials. Doing Business identified 58 economies where such training is not provided.
THANK YOU!

www.doingbusiness.org
Annex

The *Doing Business* indicators
Why does **Starting a Business** matter?

**For the company**
- When firms formally register, they secure more **gains** in profits, **investments** and **productivity**.
- Informal entrepreneurs tend to employ fewer **workers** and have less **access to business financing** than their formal sector counterparts.
- Employees can benefit from **protections** provided by the law.

**For the economy**
- Where formal entrepreneurship is higher, **job creation** and **economic growth** also tend to be **higher**.
- Informal firms may deprive governments of **potential revenue** through income and labor taxes.
- Lower costs for business registration encourage **entrepreneurship** and enhance firm **productivity**.
What does **Starting a Business** measure?

Rankings are based on the distance to best regulatory performance for 7 indicators:

- Procedure Women (12.5%)
- Procedure Men (12.5%)
- Cost Women (12.5%)
- Cost Men (12.5%)
- Time Women (12.5%)
- Time Men (12.5%)
- Paid-in minimum capital (25%)

**25% Time**
Preregistration, registration and postregistration (in calendar days)

**25% Cost**
As % of income per capita, no bribes included

**25% Procedures**
Procedures are completed when final document is received

**25% Paid-in minimum capital**
Funds deposited in a bank or with a notary before registration (or up to three months after incorporation), as % of income per capita
Why does **Dealing with Construction Permits** matter?

**No regulation**
- If procedures are too complicated or costly, builders tend to proceed **without a permit**.
- An estimate of **60–80%** **building projects** in developing economies are undertaken without the proper permits and approvals.

**Sound regulation of construction**
- Helps strengthen **property rights**.
- **Protects the public** from faulty building practices.
- Contributes to the process of **capital formation**.

**Why does it matter?**
- Construction regulation is an important consideration for entrepreneurs when deciding **where to establish** their business.
- Construction costs are the **5th most important factor** determining the location of a start-up in the United States (according to the KPMG Competitive Alternatives data available at [www.competitivealternatives.com](http://www.competitivealternatives.com))
What does Dealing with Construction Permits measure?

- **Number of procedures to legally build a warehouse**
- **Time required to complete each procedure**
- **Cost required to complete each procedure**
- **Building quality control index (0-15)**

Every interaction with an external party (i.e. municipality, inspectors, utilities) is considered a procedure; Starts with the first filing of the application or request and is completed when final document or service is received (construction permits, inspections and utility connections).

- Time is recorded in calendar days; Captures the median duration of each procedure.
- Cost is recorded as a % of the warehouse value.
- Assesses the quality of building regulation and its implementation.

Rankings are based on scores for four indicators:
- Days to comply with formalities to build a warehouse.
- Cost to comply with formalities, as % of warehouse value.
- Steps to comply with formalities; completed when final document is received.
- Quality of building regulation and its implementation.
Why does Getting Electricity matters?

1. **Obtaining a new connection**: greater time and cost to get an electricity connection are associated with lower electrification rates (Geginat and Ramalho, 2015).

2. **Access to a reliable electricity supply**: eliminating electricity outages in Eastern Europe and Central Asia would increase GDP by 0.5% (Limi 2008). Moreover, resorting to self-supply through generators is significantly more expensive for firms (Foster and Steinbucks, 2009).

3. **Affordability of electricity tariffs**: electricity tariffs may hinder a firm where prices are high relative to income levels (Abeberese, 2016). In Liberia, the commercial tariff per kilowatt-hour (55 cents) is 4x higher than in Cote d’Ivoire.

4. **Safety**: Faulty wiring can cause direct harm or indirect injury due to fires or explosions (AlKhuzam, Arlet, Ereshchenko and Lopez Rocha, 2018)
What does Getting Electricity measure?

Efficiency of connection process + reliability of supply and transparency of tariff:

1. Procedures (number)
2. Time (calendar days)
3. Cost (% of income per capita)
4. Reliability of supply and transparency of tariff index (0-8 points)

Price of electricity (U.S. cents per kwh)
The price of electricity is not included in the index.
Why does Registering Property matter?

- **Real estate typically accounts for 50-75% of national wealth:**
  - In developing economies, only 30% of land is subject to a form of land registration.
  - Just 10% of land in Sub-Saharan Africa is registered.

- **Unregistered property is dead capital:**
  - Real estate holders will not risk investing on the property.
  - Lenders will not risk lending.
  - Government loses out on tax income.

- **Registered property enables increased financing and growth:**
  - Secure property rights lead to increased investment.
  - Greater credit potential and less costly to obtain finance.
  - Government: revenue increases & greater planning capacity.
What does Registering Property measure?

The indicator measures the transfer of a commercial warehouse between two domestic limited liability companies.

How is the indicator constructed?

Four sub-indicators:

- Days to transfer property between two local companies
- Cost to transfer property, as % of property value
- 25% Procedures
- Quality of land administration index
- Steps to transfer property so that it can be sold or used as collateral
- Reliability, transparency and coverage of land administration system; protection against land disputes; equal access to property rights
Why does Legal Rights matter?

Small and medium-size enterprises

- Affordable credit.
- Collateral.
- **Immovable property**: Most SMEs do not own real estate.
- **Movable property**: In developing countries movable property is not accepted as collateral due to a lack of legal framework.

Lenders

- The lender’s cost of capital, transaction costs to make the loan, and risks the loan will not be repaid.
- **Impact**: smaller availability, shorter loans at higher interest rates.
- If creditors have priority over other creditors or more bargaining power to force repayment or take control of the firm, they will extend credit on more favorable terms.
### Why does Credit Information matter?

**Reduced information asymmetries**

- Borrowers know their financial abilities and investment opportunities better than lenders do. The inability of lenders to **accurately assess the creditworthiness of borrowers** contributes to higher default rates and smaller loan portfolios.

- Credit reporting systems offer one way to minimize the problems of asymmetric information since past behavior is considered a reliable predictor of future behavior. A good credit history—sometimes referred to as **reputational collateral**—minimizes the perception of risk and can enable an individual or firm to gain access to financing.

**Greater access to credit for small firms**

- Lenders are also more likely to lend to larger firms, which may be more transparent as a result of more elaborate legal and accounting rules and regular publication of certified auditors' reports on financial transactions.

- With better, cheaper and faster access to credit information, lending officers can use accurate and objective data to make unbiased decisions in offering loans. And when they can assess the risk of default, banks have more incentive to **lend to individuals and small firms**.
Why does Credit Information matter?

Better borrower discipline

- When lenders are known to share information about customers’ credit records, borrowers know that defaults on loans from one lender may disrupt future access to credit from all other lenders. So borrowers have greater incentive to repay.

Support for bank supervision and credit risk monitoring

- Regulators often use information from credit bureaus and credit registries to assess whether current provisioning is adequate and to analyze developments in credit markets and interest rates. The results may guide changes in the legislation governing financial institutions.
- As more credit information becomes available, competition among banks and nonbank financial institutions should increase.
What does *Getting Credit* measure?
The strength of Legal Rights and depth of Credit Information

- Do lenders have credit information on entrepreneurs seeking credit?
- Is the law favorable to borrowers and lenders using movable assets as collateral?

**Getting Credit:** collateral rules and credit information

Rankings are based on scores for the sum of two indicators

- Regulations on nonpossessory security interests in movable property
- 100% Sum of strength of legal rights index (0–12) and depth of credit information index (0–8)

Scope, quality, and accessibility of credit information through credit bureaus and registries
Why does Protecting Minority Investors matter?

**Stronger rules, requirements and protections foster trust and confidence**

Stronger minority investor protection is associated with:

- ✓ Higher market capitalization
- ✓ Higher entry level to capital markets

### Market capitalization to GDP

- Score (0-100)

### Number of listed firms

- Score (0-100)


Note: Relationships remain significant when controlling for income per capita. Higher values on the strength of investor protection index indicate greater protection.
What does **Protecting Minority Investors** measure?

<table>
<thead>
<tr>
<th>Extent of disclosure index (0–10)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review and approval requirements for related-party transactions</td>
</tr>
<tr>
<td>Internal, immediate and periodic disclosure requirements for related-party transactions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Extent of shareholder rights index (0–10)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders’ rights and role in major corporate decisions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Extent of director liability index (0–10)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minority shareholders’ ability to sue and hold interested directors liable for prejudicial related-party transactions</td>
</tr>
<tr>
<td>Available legal remedies (damages, disgorgement of profits, fines, imprisonment, rescission of transactions)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Extent of ownership and control index (0–10)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance safeguards protecting shareholders from undue board control and entrenchment</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ease of shareholder suits index (0–10)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to internal corporate documents</td>
</tr>
<tr>
<td>Evidence obtainable during trial</td>
</tr>
<tr>
<td>Allocation of legal expenses</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Extent of corporate transparency index (0–10)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate transparency on significant owners, executive compensation, annual meetings and audits</td>
</tr>
</tbody>
</table>
Why does **Paying Taxes** matter?

**Taxes are the price we pay for a stable, more equitable society:**
- Funding for social programs and public investments
- Key to building effective government

**But tax rates and burdensome tax administration remain top obstacle to business**

**Challenges:**
- To choose level of tax rates and tax base
- To design tax compliance system that encourages taxpayer participation
What does Paying Taxes measure?

As applicable on a local medium-size company

- Total tax and contribution rate
- Number of payments
- Time (hours)
- Efficiency of postfiling processes
Why does Trading across Borders matter?

Simplification and harmonization of international trade procedures

- Access to international markets: economies of scale
- Economic growth – poverty reduction
- Participation in global supply chains
- Transfer of know-how
- Positive impact of single windows and digitalization on growth and increasing trade flows

Administrative and regulatory trade frameworks

- Required for safety and consumer protection but vary in efficiency from economy to economy
What does **Trading across Borders** measure?

Rankings are based on the scores for **eight indicators**

- **Time to import (hours)**
  1. Documentary compliance
  2. Border compliance

- **Time to export (hours)**
  3. Documentary compliance
  4. Border compliance

- **Cost to export (USD)**
  5. Documentary compliance
  6. Border compliance

- **Cost to import (USD)**
  7. Documentary compliance
  8. Border compliance

**Exporting the product of comparative advantage**

- 25% Time to export
- 25% Cost to export
- 25% Time to import
- 25% Cost to import

**Importing auto parts**

Note: The time and cost for domestic transport and the number of documents to export and import are measured but do not count for the rankings.
Why does **Enforcing Contracts** matter?

**Studies link efficient contract enforcement with:**

- **Increase in trade**
  - Firms in Brazil, Peru and the Philippines report that they would be willing to invest more if they had greater confidence in the courts.

- **Economic development and sustained growth**
  - A study focusing on Mexico found that states with better court systems have larger and more efficient firms.

- **Improved access to credit**
  - A study examining court efficiency in different provinces in Argentina and Brazil found that firms located in provinces with more effective courts have greater access to credit.
What does **Enforcing Contracts** measure?

Enforcing Contracts measures:

- the **time and cost** to resolve a commercial dispute through a local first instance court, and

- the **quality of judicial processes index**, which includes a series of good practices in the areas of court structure and proceedings, case management, court automation and alternative dispute resolution (ADR).
Why does **Resolving Insolvency** matter?

A good insolvency regime:

| • Helps creditors achieve **maximum value of assets**. |
| • Allows to **restructure viable businesses** and have efficient **closure of failed businesses**. |
| • Enhances **certainty** in the market and promotes **economic stability and growth**. |
| • Encourages lenders to **grant higher-risk loans**. |
| • Results in more employees **keeping their jobs**. |
| • Helps **preserve** the network of **suppliers and customers**. |
What does **Resolving Insolvency** measure?

**Recovery rate**

- Recovery rate is recorded as **cents on the dollar recovered by secured creditors** through reorganization, liquidation or debt enforcement (foreclosure or receivership) proceedings.
- The calculation is based on **the time, cost and outcome of insolvency proceedings** involving domestic entities under a specific case study.

**Strength of insolvency framework index**

- Measures the **quality of insolvency laws** applicable to liquidation and reorganization proceedings.
- Based on 4 components:
  1. **Commencement of proceedings index**
  2. **Management of debtor's assets index**
  3. **Reorganization proceedings index**
  4. **Creditor participation index**
Why does Labor Market Regulation matter?

Rigid labor laws can be an important constraint to Doing Business:

✓ Minimum wages.
✓ Complex worker dismissal procedures and high severance payments.
✓ Restrictions on overtime work.
✓ Poorly functioning labor dispute resolution system.

Under-regulation also has negative impacts:

✓ Lack of safety standards may lead to work accidents.
✓ Lack of laws on antidiscrimination and equal pay for equal work can undermine social cohesion.
What does Labor Market Regulation measure?

**Hiring**
- Fixed-term contracts availability & duration
- Minimum wage
- Probationary periods

**Redundancy rules & cost**
- Notification and approval requirements for dismissing 1 or 9 worker(s)
- Rules for retraining, reassignment, reemployment
- Notice and severance payment requirements

**Working hours**
- Maximum duration of the workweek
- Paid annual leave
- Restrictions & premium for night work, weekly holiday work & overtime work
- Restrictions on women’s night work

**Job quality**
- Unemployment protection
- Paid sick leave
- Maternity leave
- Equal treatment of men and women at the workplace