

12TH EDITION

Doing Business 2015

Going Beyond Efficiency



DOING BUSINESS 2015

GOING BEYOND EFFICIENCY



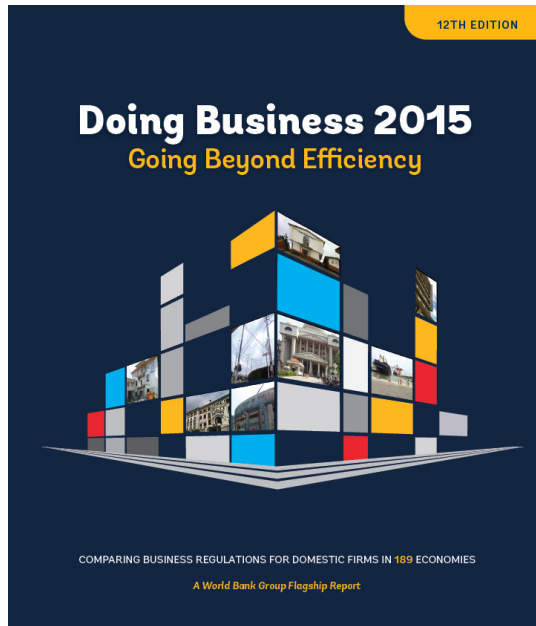
WORLD BANK GROUP

Global Indicators Group
DEVELOPMENT ECONOMICS

Augusto Lopez Claros, Director, Global Indicators Group

WTO, Geneva
November 5, 2014

What does *Doing Business* measure?

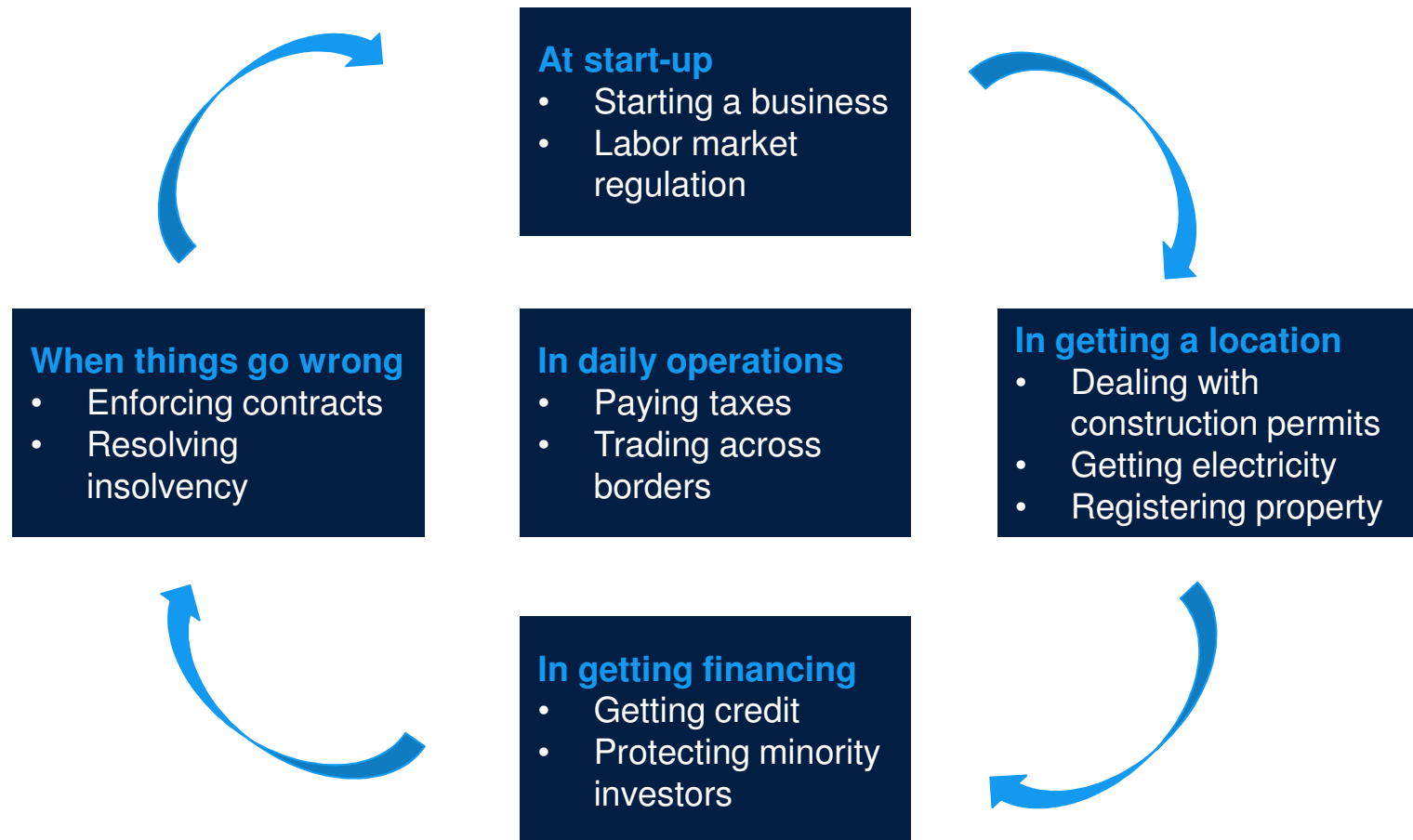


Doing Business indicators:

- ✓ 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, and the second largest business city in countries with more than 100 million inhabitants.
- ✓ Are focused on the formal sector.

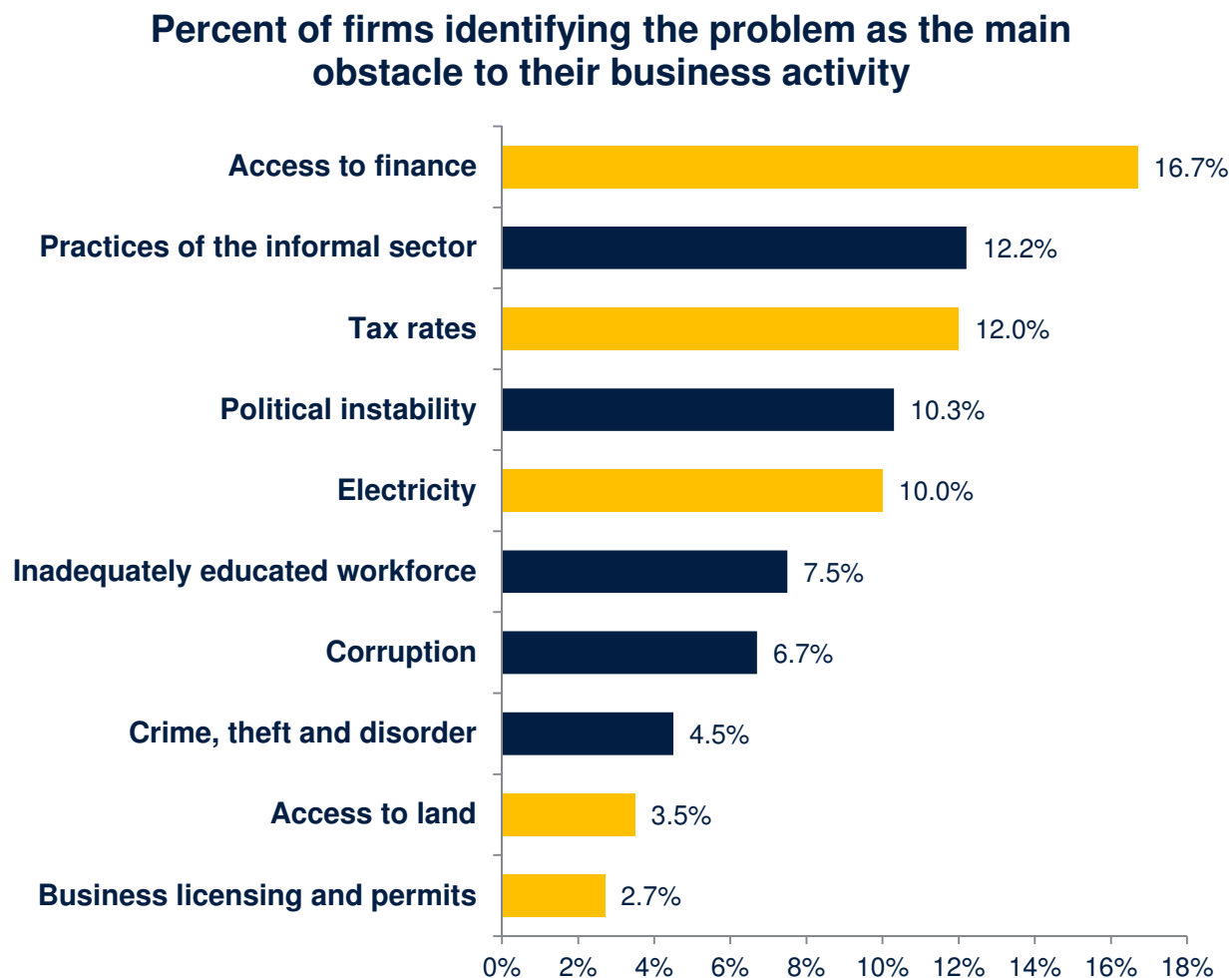
DO NOT measure all aspects of the business environment such as security, macroeconomic stability, prevalence of bribery and corruption, level of training and skills of the labor force, proximity to markets, regulations specific to foreign investment or the state of the financial system.

The 11 areas of business regulation measured by *Doing Business* affect firms throughout their life cycle



Doing Business indicators reflect on some of the most important obstacles firms face

- Based on *Enterprise Surveys* in 135 countries around the world
- Direct responses from representative samples of the private sector
- *Access to finance*, *and tax rates* are the top obstacles across the developing world



Source: Enterprise Surveys database

Legal sources of information for the *Doing Business* indicators

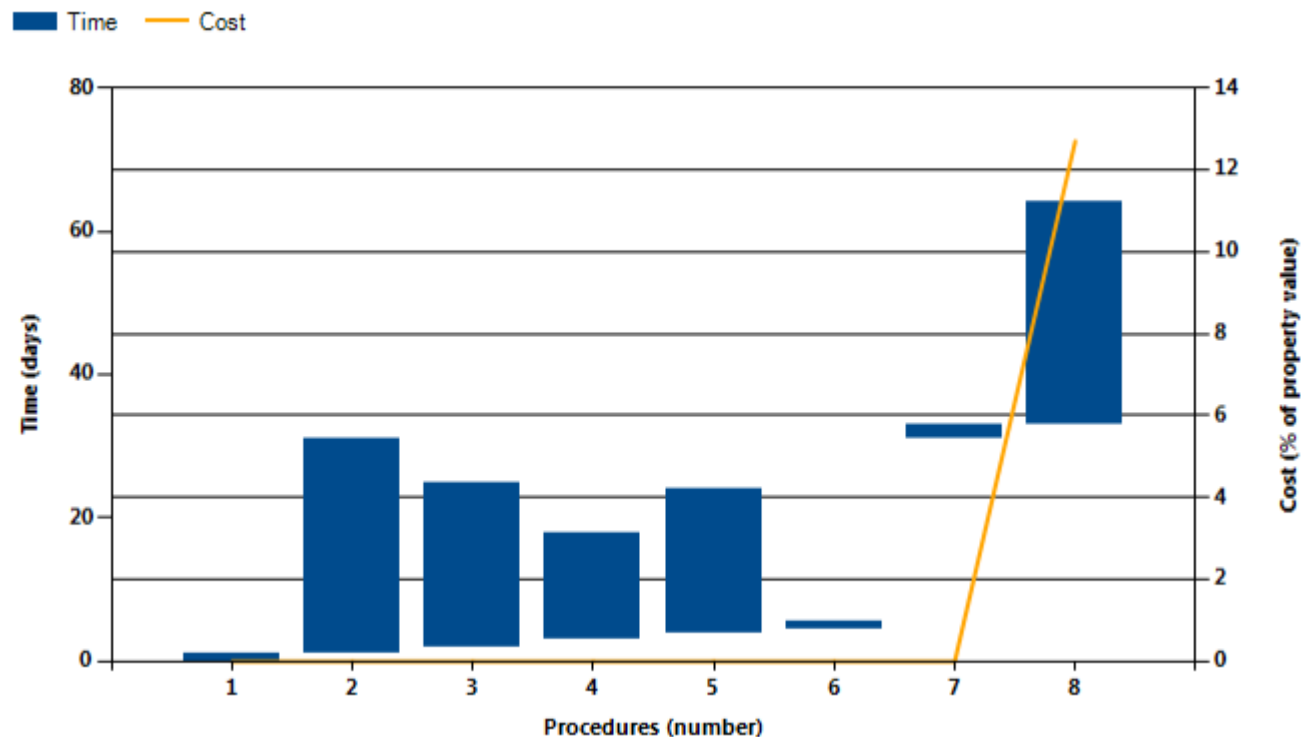
- **Civil Code** – property rights, contractual obligations, pledge regimes
- **Commercial Code** – company creation procedures, minimum paid-in capital requirements, shareholder rights, winding-up provisions
- **Tax Code** – applicable taxes and contributions
- **Secured Transactions Law** – creation 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

The *Doing Business* Law Library is the largest free online collection of business laws and regulations: more than 5,088 business regulatory references can be found at <http://www.doingbusiness.org/law-library>

Time and motion indicators focus on the process

Example: The complexity and time it takes to register property varies significantly among economies

Registering property in **Belgium** requires 8 procedures, takes 64 days and costs 12.7% of the property value.

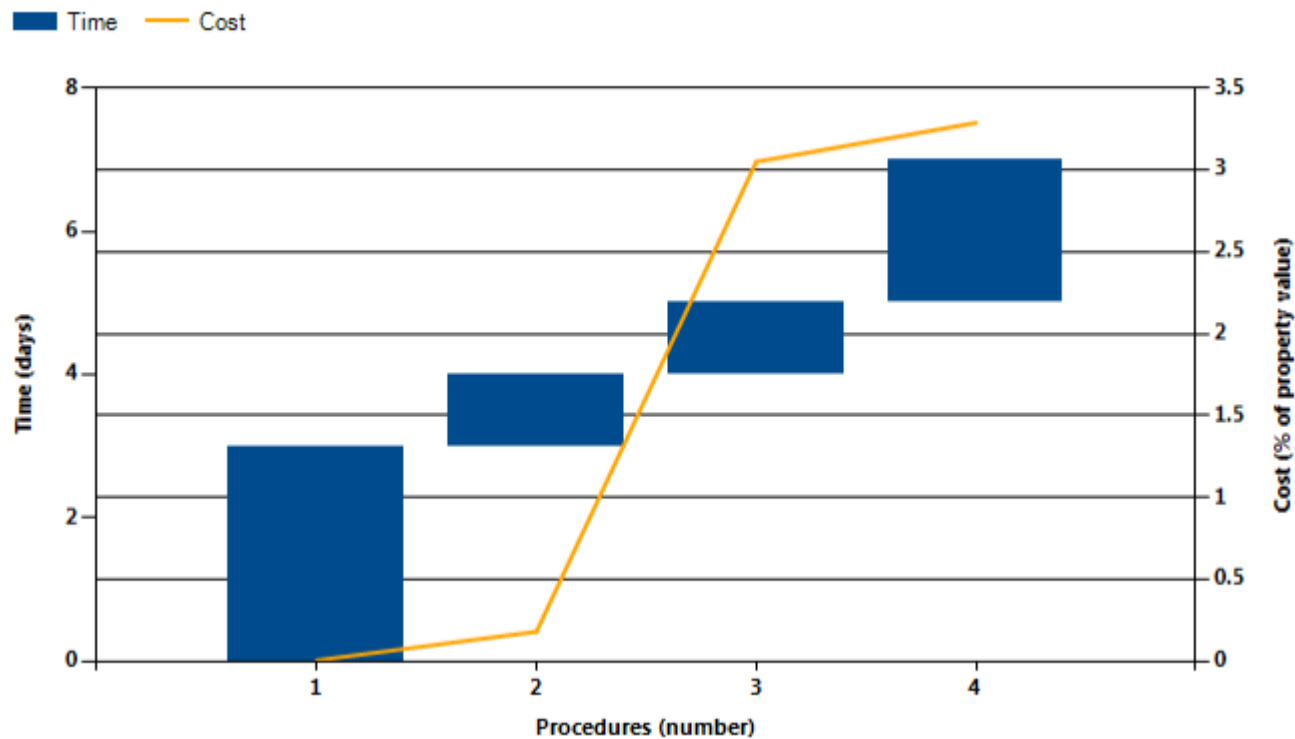


- Measure procedural efficiency of the regulatory process
- Follow the entrepreneur from the beginning to the end of a basic transaction
- Record every step of the process, and the associated time and cost
- 5 • Gather all the relevant laws, regulations, decrees and fee schedules

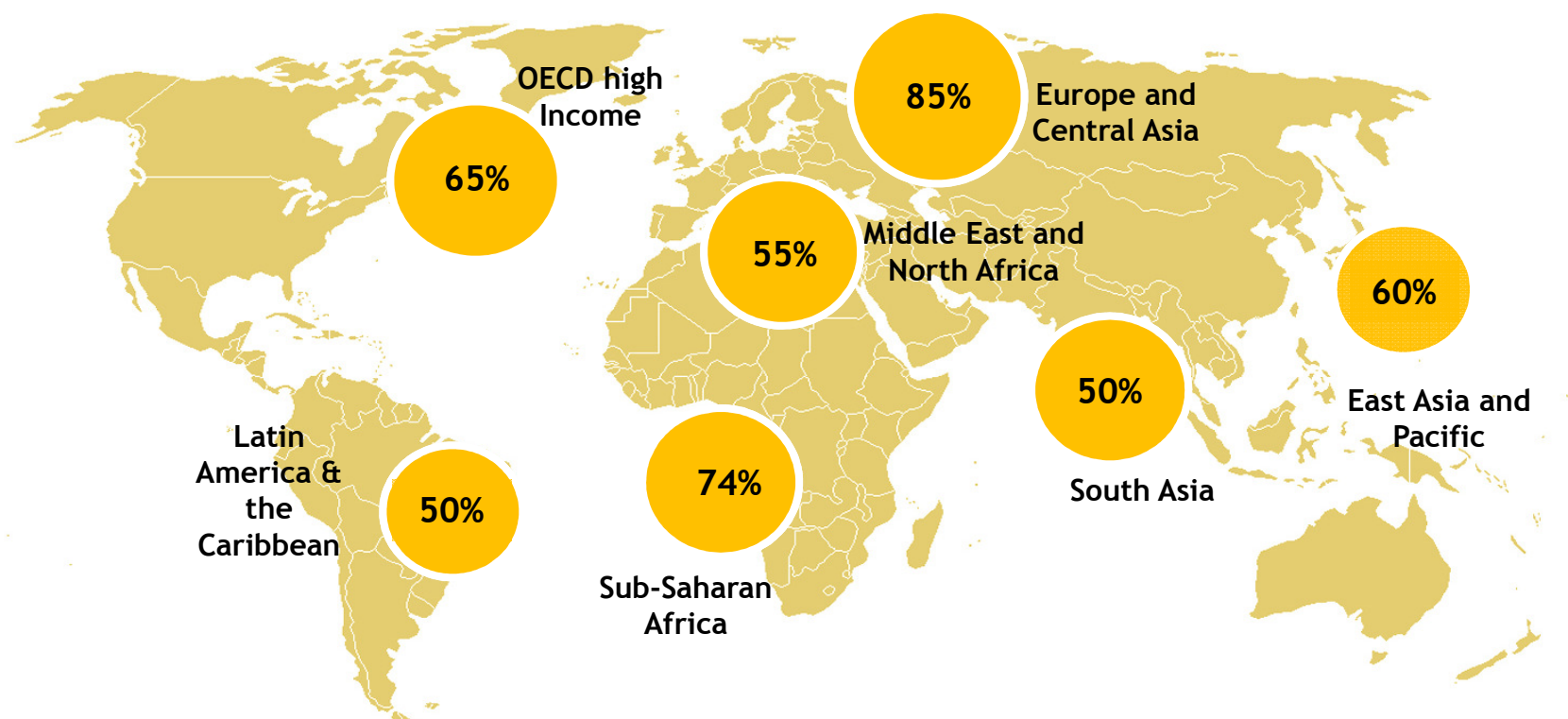
Time and motion indicators focus on the process

Example: The complexity and time it takes to register property varies significantly among economies

Registering property in Peru requires 4 procedures, takes 6.5 days and costs 3.3% of the property value.

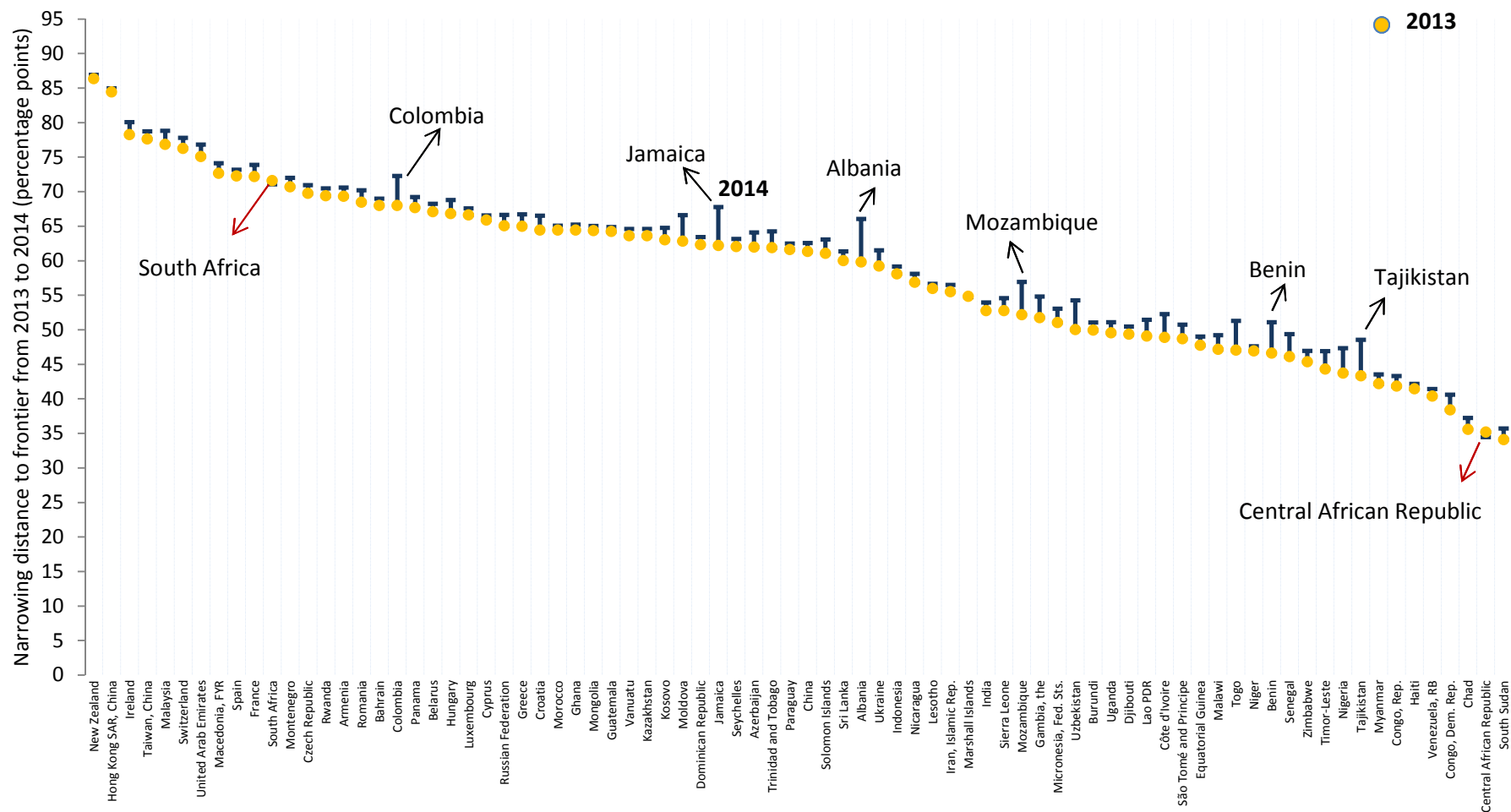


Share of economies implementing at least one reform making it easier to do business in 2013/2014



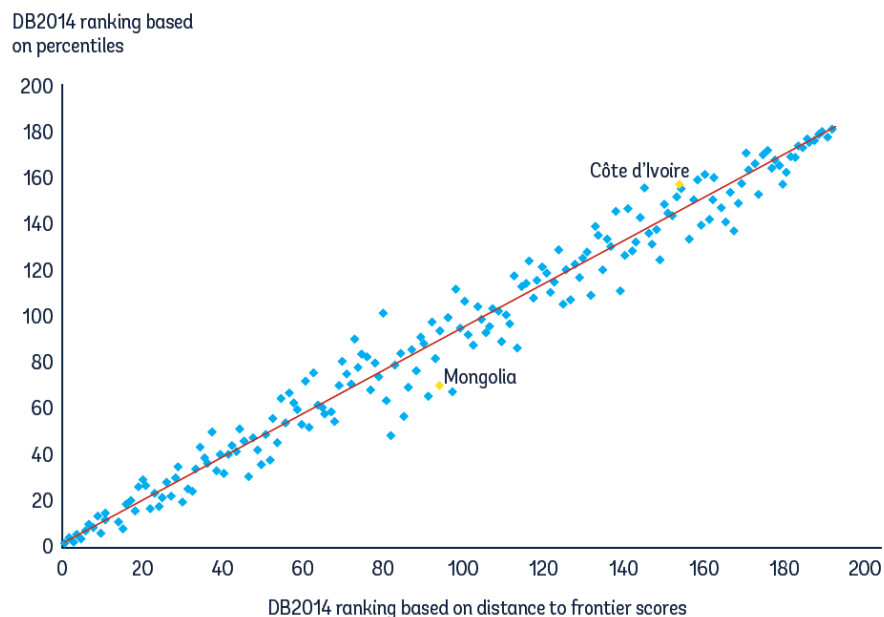
Worldwide, 123 economies implemented 230 reforms in 2013/2014, with 145 reforms aimed at reducing the complexity and cost of complying with business regulation, and 85 reforms aimed at strengthening legal institutions.

The metric on “distance to frontier”: tracking economies’ progress over time



New computation of ranking - from percentile ranking to DTF ranking

The difference of the two ranking calculations (based on DB2014 data)



Source: *Doing Business* database.

Note: The correlation between the distance to frontier ranking and the percentile ranking is 0.99.

The correlation between the distance to frontier ranking and the percentile ranking is 99%.

- The distance to frontier measure benchmarks economies with respect to a measure of regulatory best practice—showing the gap between each economies' performance and the best performance on each indicator.
- Although the ranking generated from the distance to frontier scores and the percentile rank are highly correlated, the distance to frontier measure captures more information than the percentile rank because it includes not only the ordering of economies but also how far apart they are.
- Economies with higher variance across topics are more likely to have a less favorable classification in the distance to frontier rank than in the percentile rank.

Ease of doing business ranking – Top 50 economies

Rank	Economy	DTF score	Rank	Economy	DTF score
1	Singapore	88.27	26	Thailand	75.27
2	New Zealand	86.91	27	Netherlands	75.01
3	Hong Kong SAR, China	84.97	28	Mauritius	74.81
4	Denmark	84.20	29	Japan	74.80
5	Korea, Rep.	83.40	30	Macedonia, FYR	74.11
6	Norway	82.40	31	France	73.88
7	United States	81.98	32	Poland	73.56
8	United Kingdom	80.96	33	Spain	73.17
9	Finland	80.83	34	Colombia	72.29
10	Australia	80.66	35	Peru	72.11
11	Sweden	80.60	36	Montenegro	72.02
12	Iceland	80.27	37	Slovak Republic	71.83
13	Ireland	80.07	38	Bulgaria	71.80
14	Germany	79.73	39	Mexico	71.53
15	Georgia	79.46	40	Israel	71.25
16	Canada	79.09	41	Chile	71.24
17	Estonia	78.84	42	Belgium	71.11
18	Malaysia	78.83	43	South Africa	71.08
19	Taiwan, China	78.73	44	Czech Republic	70.95
20	Switzerland	77.78	45	Armenia	70.60
21	Austria	77.42	46	Rwanda	70.47
22	United Arab Emirates	76.81	47	Puerto Rico (U.S.)	70.35
23	Latvia	76.73	48	Romania	70.22
24	Lithuania	76.31	49	Saudi Arabia	69.99
25	Portugal	76.03	50	Qatar	69.96

Second city added to the data set for 11 economies

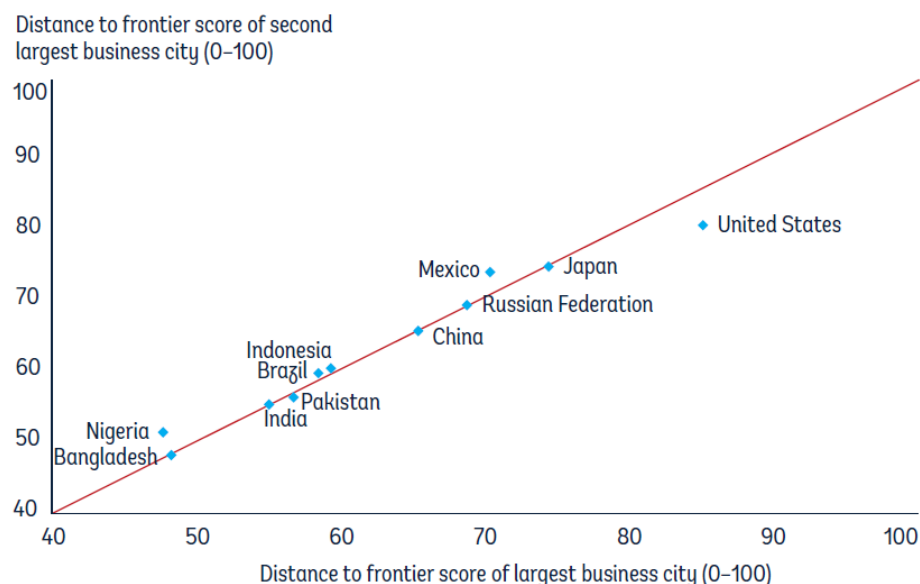
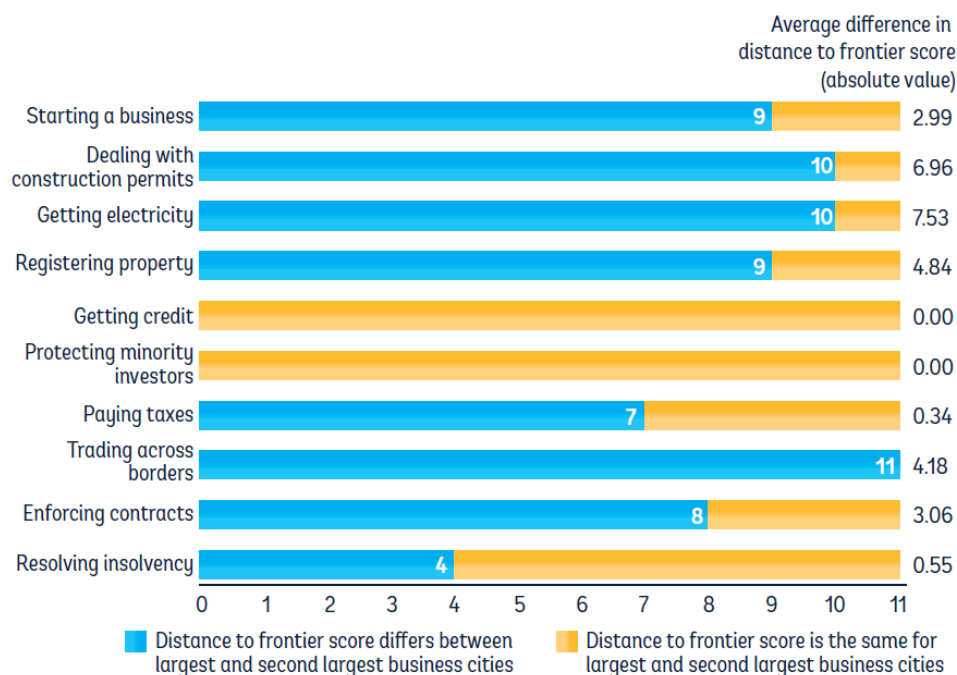


For economies with more than 100 million inhabitants, an extra city was added to the *Doing Business* measures.

These economies are: Bangladesh, Brazil, China, India, Indonesia, Japan, Mexico, Nigeria, Pakistan, the Russian Federation, and the United States.

Small differences between cities within large economies

Indicators measuring the strength of legal institutions show less difference between cities within economies than those measuring the complexity and cost of regulatory processes



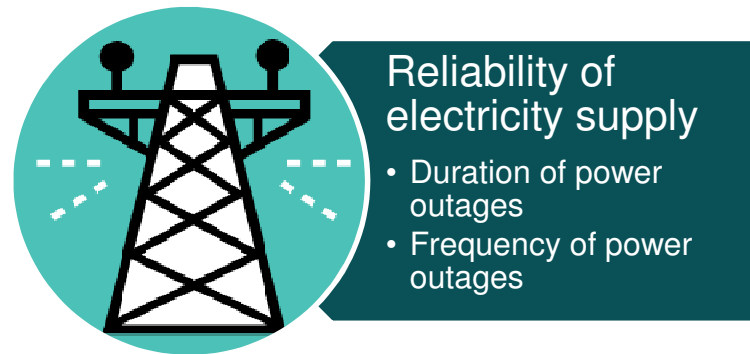
Small differences in the distance to frontier score between cities in the same economy

Note: The figure shows data for the 11 large economies for which Doing Business covers both the largest and the second largest business city.
 Source: Doing Business database.

Changes planned for *Doing Business 2016* – Getting Electricity indicator

A new indicator will assess the reliability of electricity supply by measuring both the duration and the frequency of power outages:

- The indicator will use the system average interruption duration index (SAIDI) and the system average interruption frequency index (SAIFI).
- SAIDI is the average total duration of outages over the course of a year for each customer served, while SAIFI is the average number of service interruptions experienced by a customer in a year.



Changes planned for *Doing Business 2016* – Registering Property indicator

The indicator set will be expanded to cover the reliability, transparency and geographic coverage of land management systems as well as dispute resolution for land issues:

Reliability

Data on reliability assess whether the land registry and mapping system (cadastre) have adequate infrastructure to guarantee high standards and reduce the risk of errors. Reliable land administration systems can provide up-to-date information that is sufficient to make meaningful inferences on ownership.

Transparency

Data on transparency record whether the land administration system makes land-related information publicly available. This can inform the public about transaction possibilities and foster the development of a unified and more efficient land market.

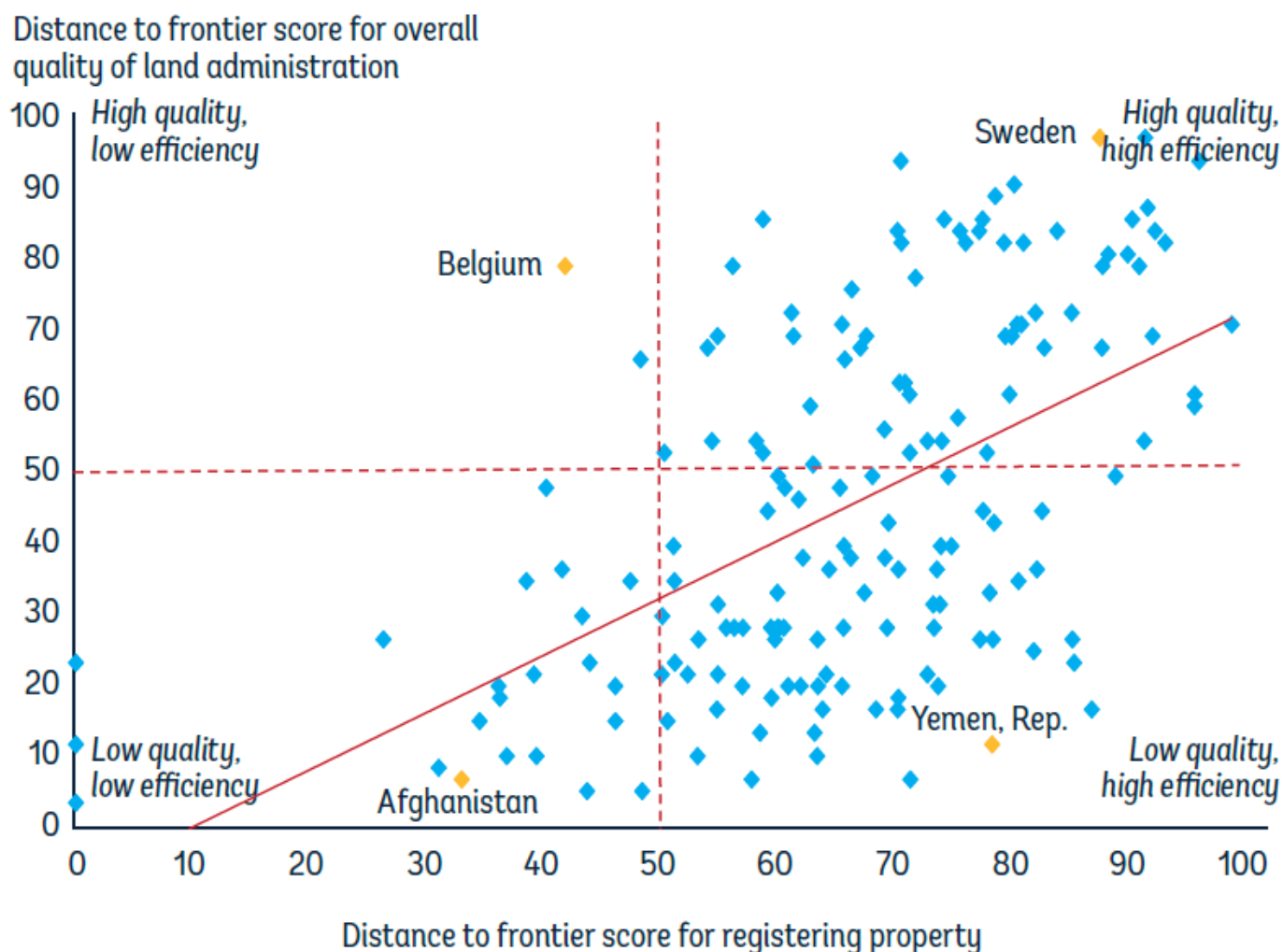
Coverage

Data on coverage assess the extent to which the land registry and mapping system (cadastre) provide complete geographic coverage of privately held land parcels. To be accessible to third parties, and thus enforceable to anyone, all transactions need to be publicly verified and authenticated at the registry.

Dispute resolution

Data on dispute resolution measure the accessibility of conflict resolution mechanisms and the extent of liability for entities or agents recording land transactions. Unclear responsibilities in land transactions lead to more land disputes, diverting land from productive uses. Clear responsibilities can help keep the number of unresolved disputes low.

Better land administration system, faster property transfers



Note: The figure compares the distance to frontier score for the existing registering property indicators with the distance to frontier score for the new indicator on the quality of land administration (to be published for the first time in *Doing Business 2016*). The data for the new indicator are obtained through a set of questions on reliability, transparency, coverage and dispute resolution. For example, an economy receives 1 point if it has a functional electronic database for encumbrances, 1 point if it makes the documents and fee schedules for property registration publicly available (online or on public boards), 1 point if it compiles statistics on land transactions and makes them publicly available, and so on. The correlation between the 2 distance to frontier scores is 0.56. The relationship is significant at the 1% level after controlling for income per capita.

Source: *Doing Business* database.

Reforms making it easier to start a business were once again most common in 2013/14 – and show results over time in reduced delays...

2005

It was possible to start a business in less than 20 days in only **41 economies***, mostly in North America and Northern and Central Europe

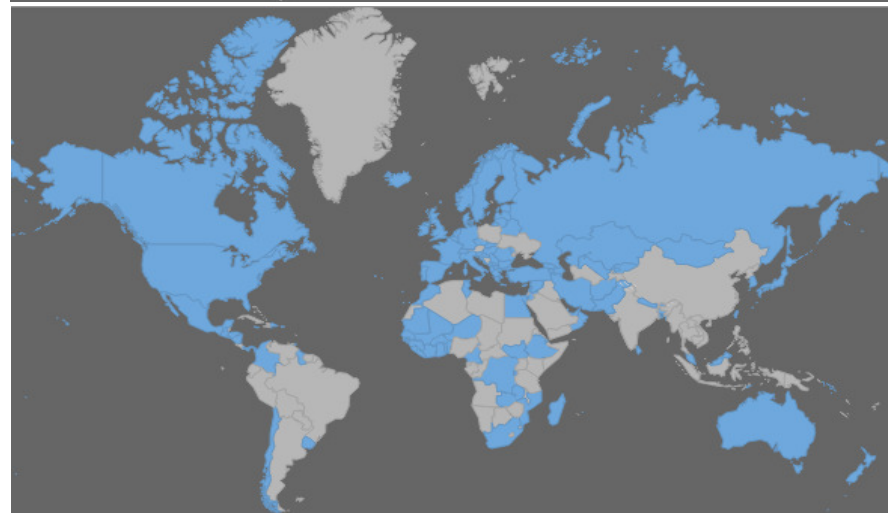
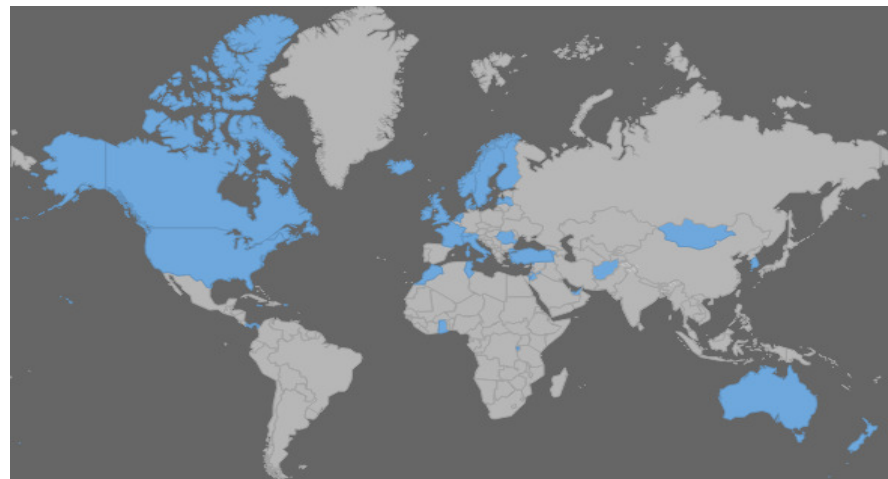
**EU in 2005: 10 economies*

2014*

Now, the time to start a business is less than 20 days for entrepreneurs in **127 economies***

**EU in 2014: 25 economies*

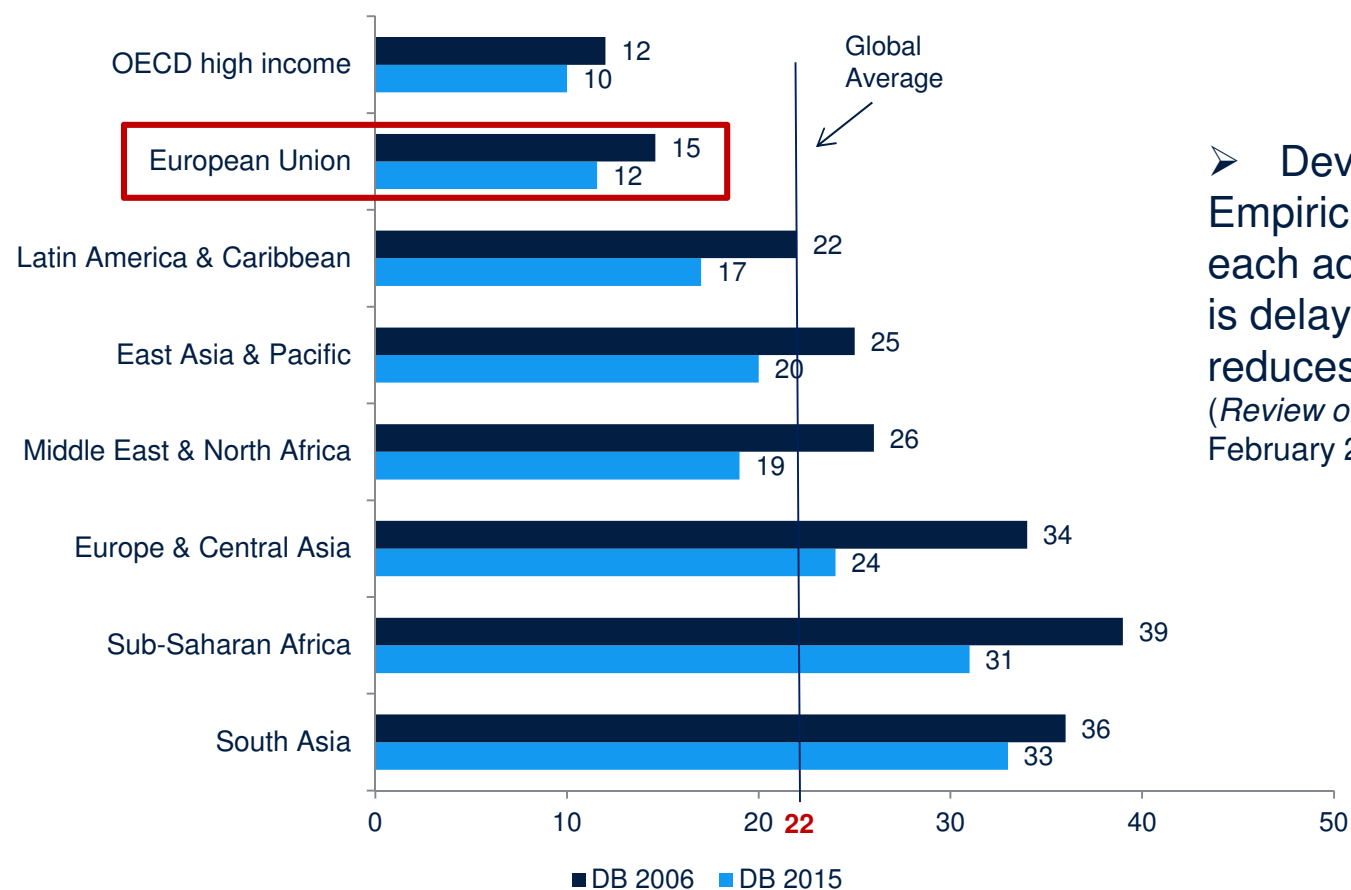
**Based on samples of 174 economies in 2005 and 189 economies in 2014*



Development impact: Countries that regulate entry more heavily have greater corruption and larger unofficial economies, but not better quality of public or private goods. (Quarterly Journal of Economics, February 2002, Djankov, La Porta, Lopez de Silanes, Shleifer.)

Developing economies around the world have reduced delays for exporting and importing through seaport

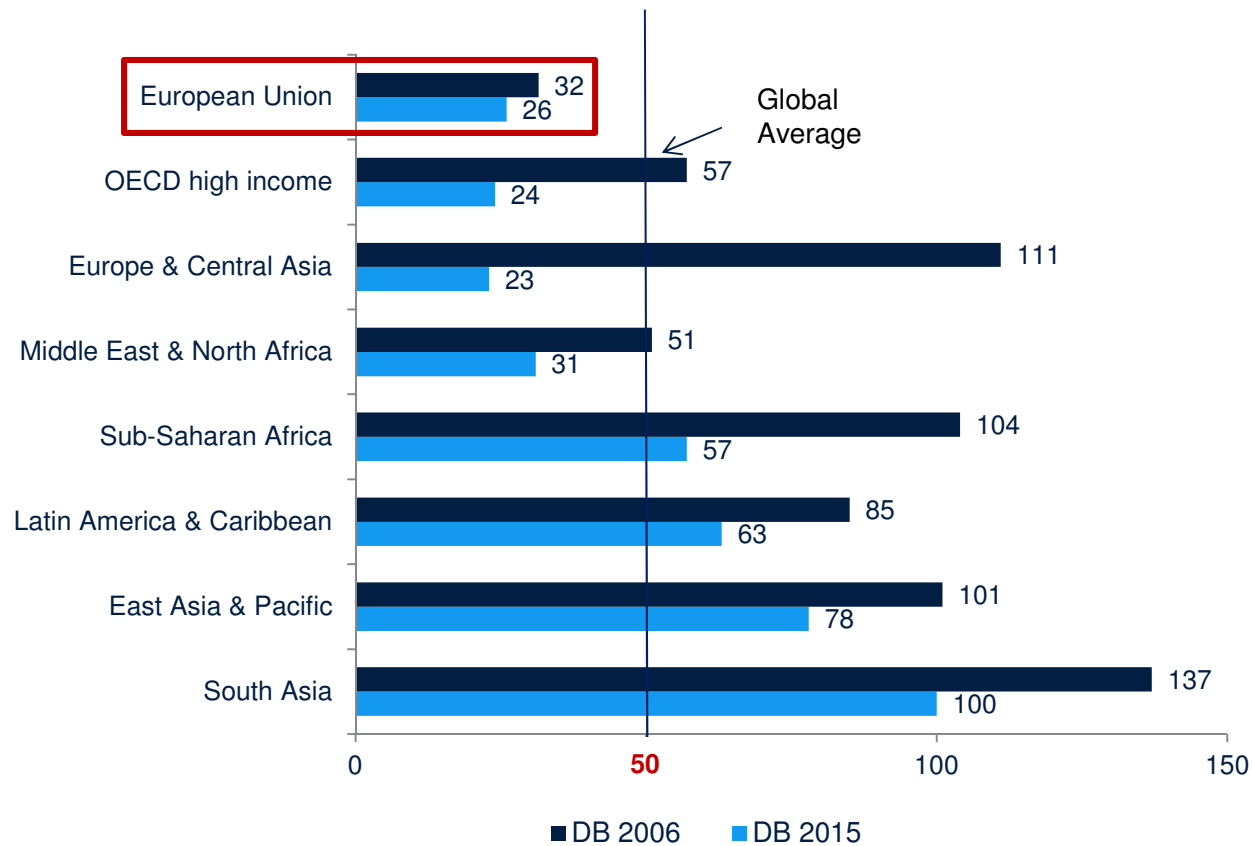
Time to export (days)



➤ Development impact: Empirical evidence shows that each additional day that a product is delayed prior to being shipped reduces trade by more than 1%.
(*Review of Economies and Statistics*, February 2010, Djankov, Freund and Pham)

All regions have reduced the time it takes to transfer property between local firms

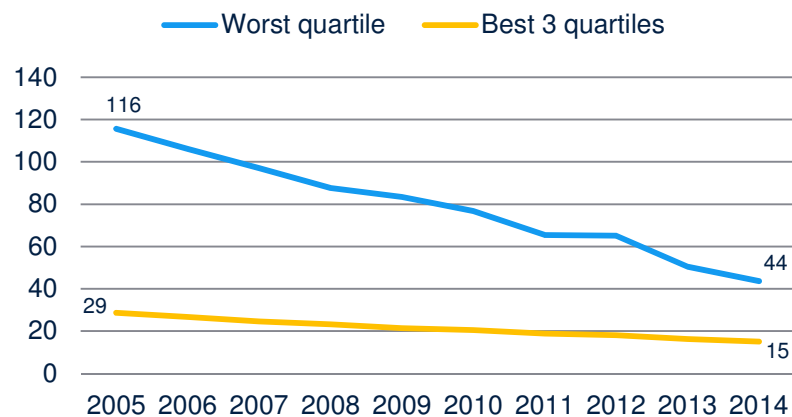
Average time to register property (days)



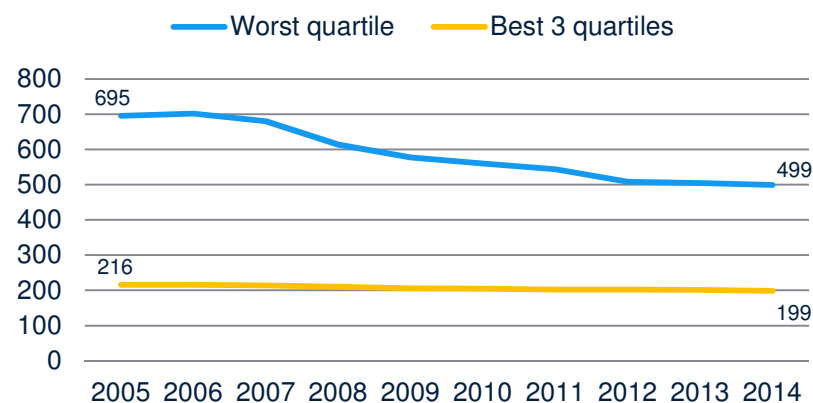
Strong convergence across economies since 2005

Averages by group

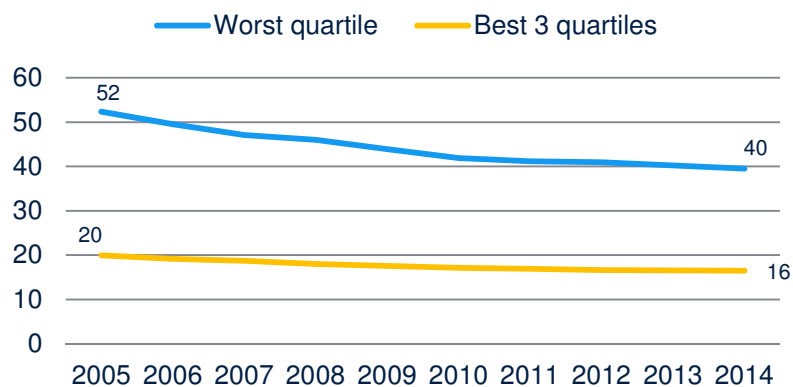
Time to start a business (days)



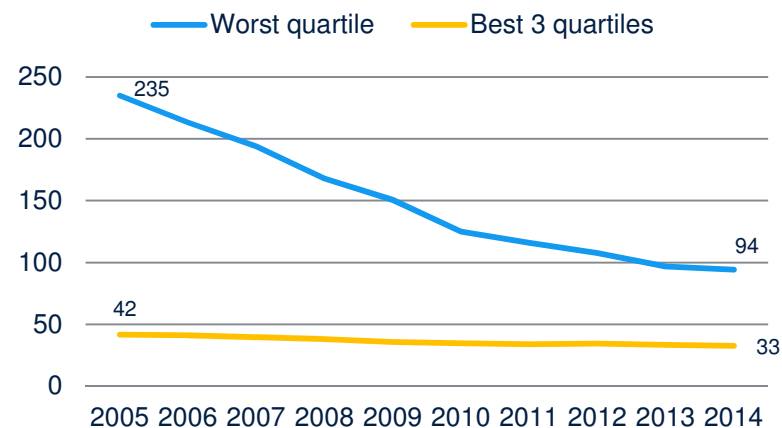
Time to pay taxes (hours per year)



Time to export (days)

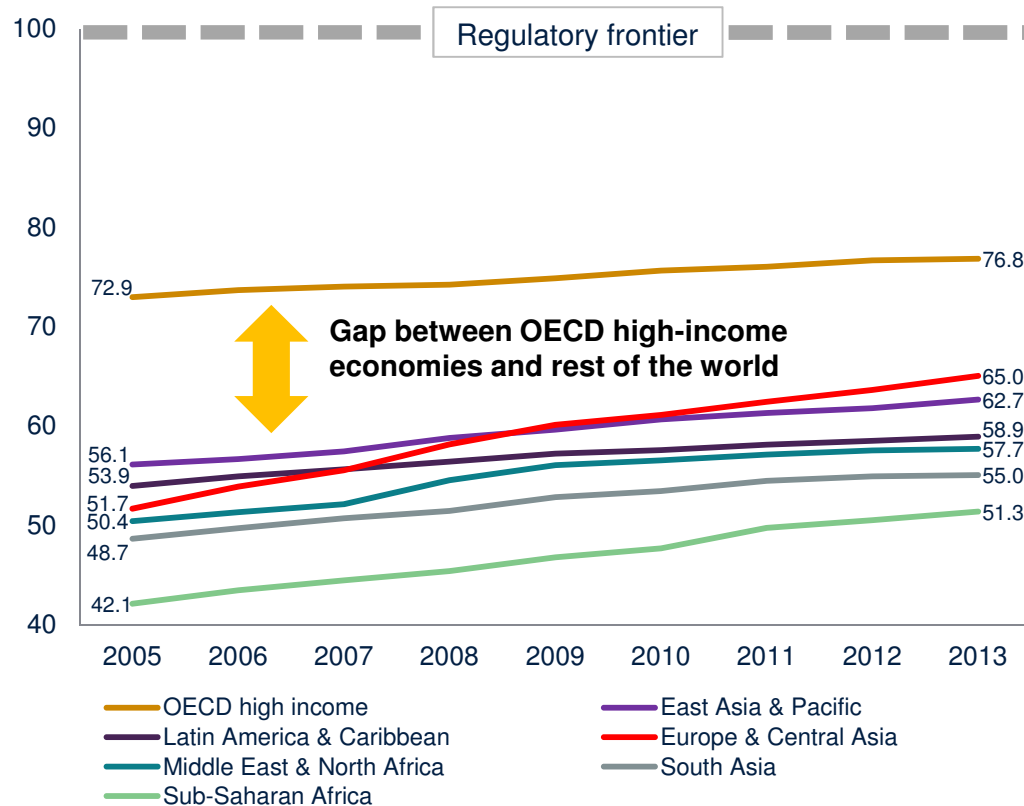


Time to register property (days)



Note: Economies are ranked in quartiles by performance in 2005 on the indicator shown. The data refer to the 174 economies included in *Doing Business 2006* (2005). Fifteen economies were added in subsequent years.
 Source: *Doing Business* database.

Europe & Central Asia is the region that has improved its business environment the most over the years – from 2005 to 2013 as well as from 2013 to 2014



Regions	DTF DB2014	DTF DB2015	Change in DTF
OECD high income	76.08	76.47	0.39
Europe & Central Asia	65.11	66.67	1.56
East Asia & Pacific	62.42	63.19	0.77
Latin America & Caribbean	59.92	60.66	0.74
Middle East & North Africa	58.92	59.23	0.31
South Asia	54.05	54.56	0.51
Sub-Saharan Africa	50.76	51.87	1.11

Note: The distance to frontier measure shows how far on average an economy is at a point in time from the best performance achieved by any economy on each *Doing Business* indicator since 2005 or the first year in which data for the indicator were collected. The measure is normalized to range between 0 and 100, with 100 representing the frontier. The data refer to the 183 economies included in *Doing Business 2010* (2009) and to the regional classifications for 2013. Six economies were added in subsequent years. Source: *Doing Business* database.

Following *Doing Business* best practices would significantly decrease the time to start a business

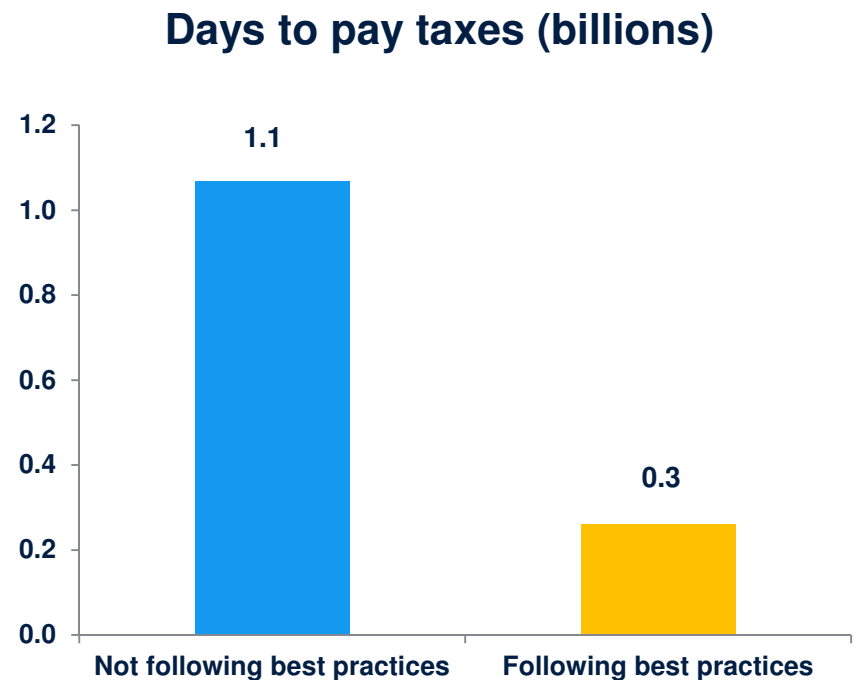
- In the 107 economies covered by both *Doing Business* and the World Bank's Entrepreneurship Database, an estimated 3.1 million limited liability companies were newly registered in 2012 alone.
- Assuming that they followed the rules and regulations for company incorporation in their home economy as measured by *Doing Business*, these 3.1 million firms together spent 40.7 million days to get incorporated.
- Because not all economies followed best practice, entrepreneurs spent an extra 39.2 million days satisfying bureaucratic requirements (this figure was 45.4 million days in 2013).



Source: World Bank's Entrepreneurship Database; *Doing Business* database.

Following *Doing Business* best practices would also significantly decrease the time to pay taxes

- In the 93 economies covered by both *Doing Business* and the World Bank's Entrepreneurship Database, an estimated 28.6 million limited liability companies were in operation in 2012.
- Assuming that they followed the rules and regulations for paying taxes in their home economy as measured by *Doing Business*, these firms together spent 1.1 billion days to file their taxes.
- Time saved if economies followed the best practices in paying taxes → 751 million days



Source: World Bank's Entrepreneurship Database ; *Doing Business* database.

Dealing with red tape

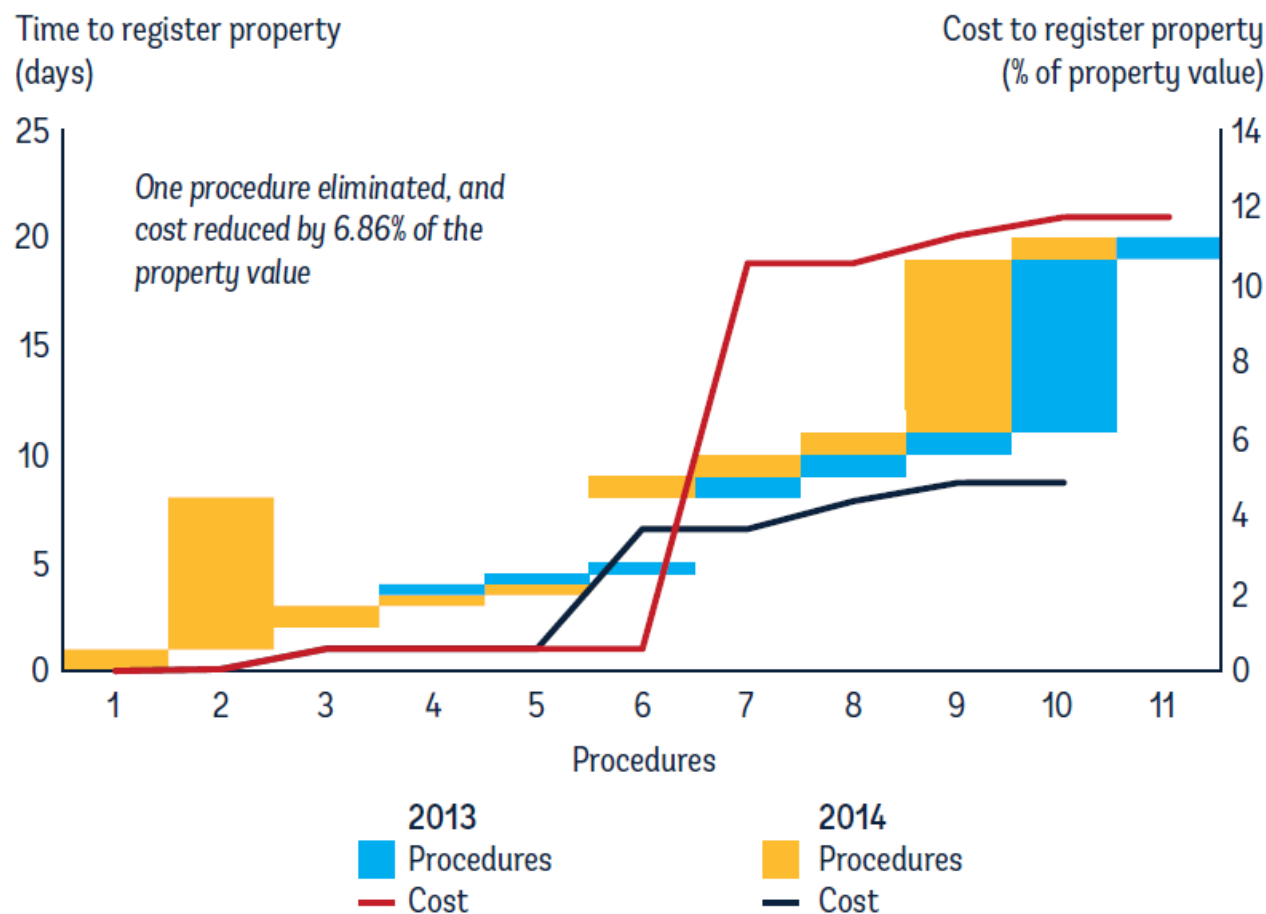
- In 2013/2014, we estimate that around **4.3 million years of working days could have been saved** if governments had applied best practice in regulating business entry, transferring property, importing, exporting, resolving commercial disputes through the courts and paying business taxes.
- This corresponds to **43 years of uninterrupted work** (365 days a year, with no breaks) by an army of 100,000 workers.

**To put things in perspective:
this is equivalent to building 13 Panama Canals every year.**



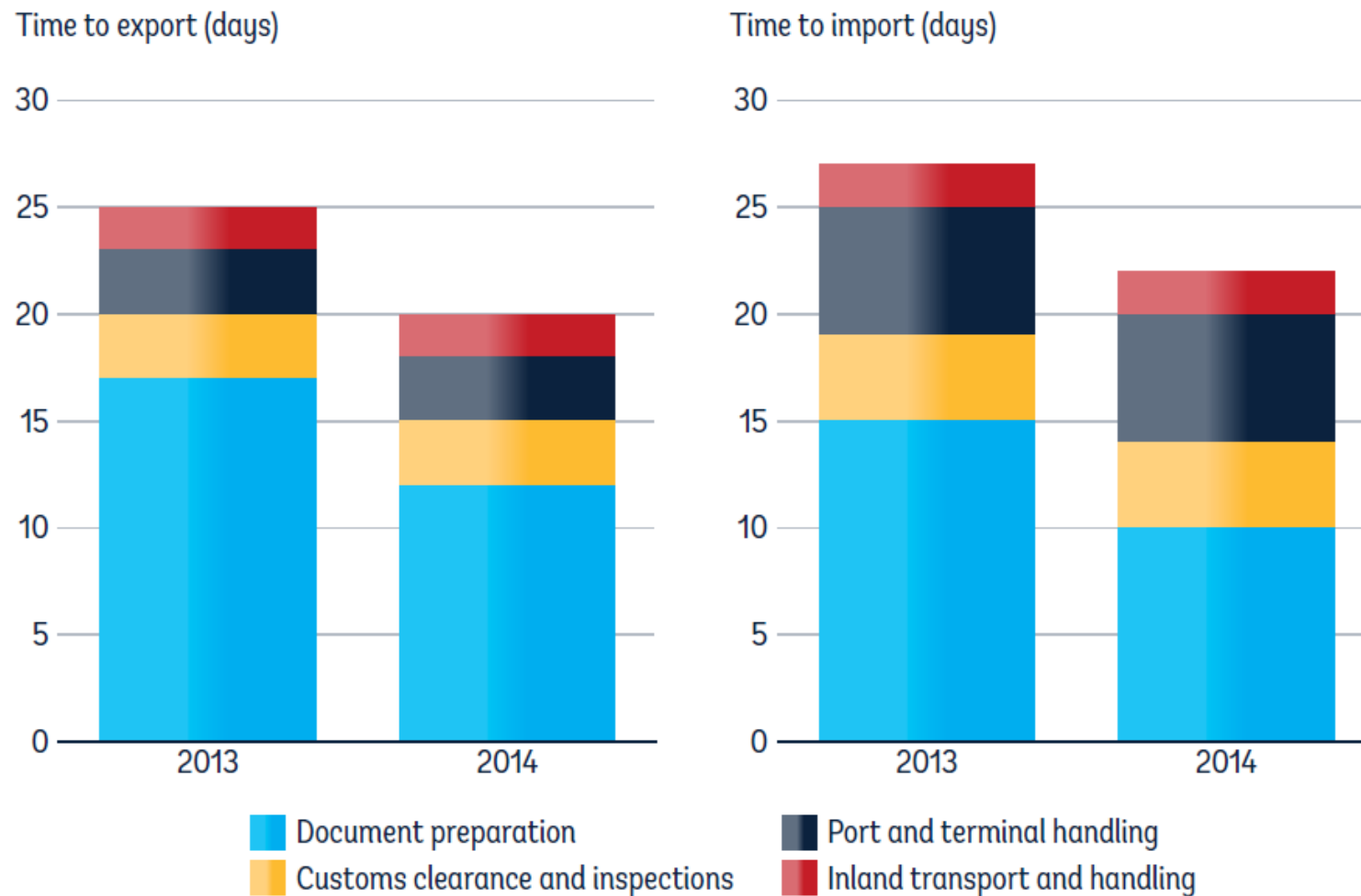
Source: <http://panamalogisticsnews.com/>

Greece made registering property both easier and less expensive



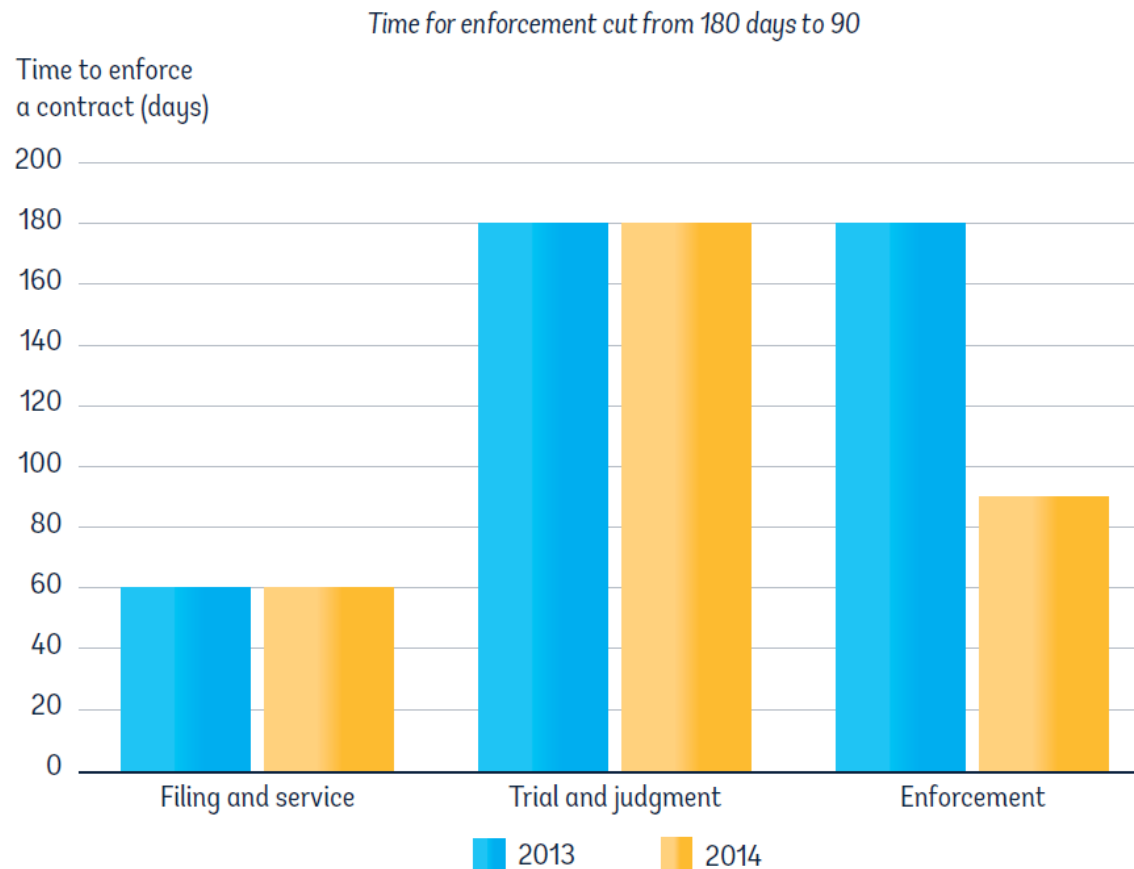
Note: In 2014 procedures 3, 4 and 5 occur simultaneously with procedure 2 (although procedures may take place simultaneously, they cannot start on the same day). Procedure 6 starts after procedure 2.
Source: Doing Business database.

Myanmar reduced the time to export and import by abolishing license requirements for many types of goods



Source: Doing Business database.

Kosovo cut the time for enforcing judgments in half by introducing a private bailiff service



Source: Doing Business database.

Legal indicators focus on the strength of legal institutions:

- Measuring the strength of the legal and regulatory framework
- Assessing specific features of local business laws, the civil law, collateral and bankruptcy laws, or the labor code

THANK YOU!

Questions



www.doingbusiness.org

A screenshot of the World Bank Group's 'Doing Business' website. The page features a dark blue header with the 'DOING BUSINESS' logo and navigation links. The main content area highlights the 'Doing Business 2015' report, listing key findings such as Singapore's top ranking and improvements in regulatory frameworks. There are also sections for 'Explore Economy Data', 'Subnational Data', 'Distance to Frontier', and a 'Reform Simulator'. The footer includes social media links and a 'STAY CONNECTED!' section.