Doing Business

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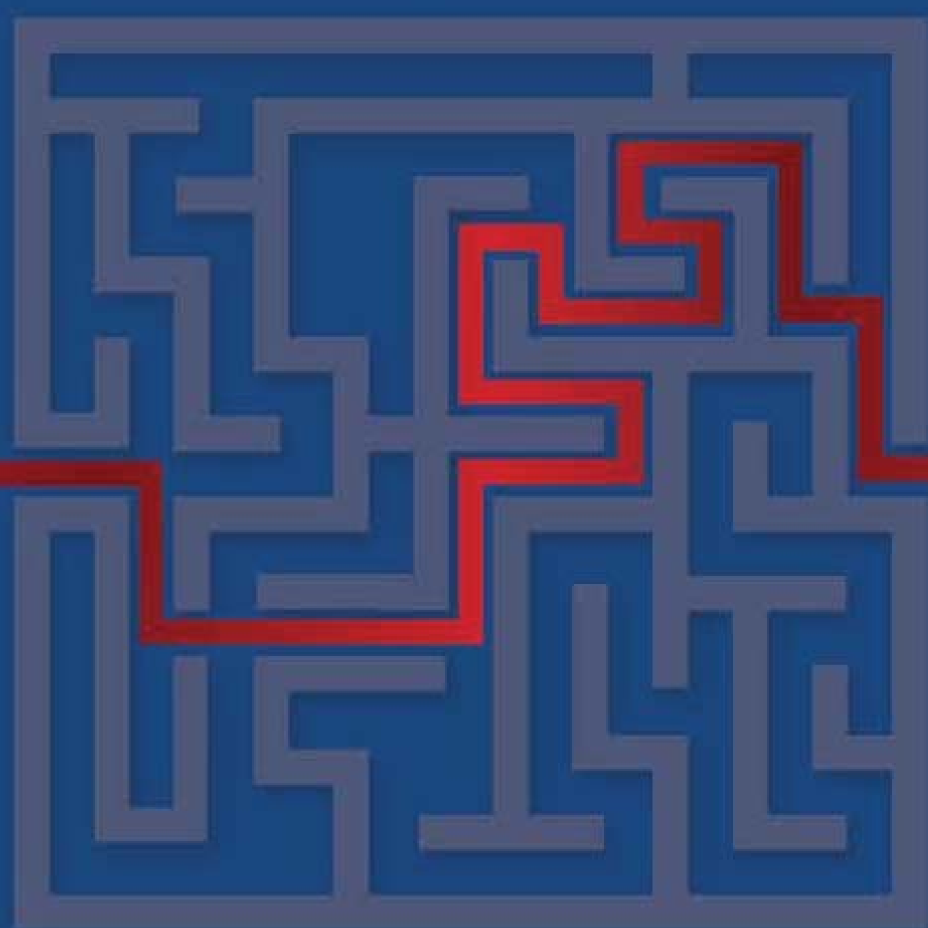
Doing Business 2014

Understanding Regulations for Small and Medium-Size Enterprises



Comparing Business Regulations for Domestic Firms in 189 Economies

11TH EDITION

A World Bank Group Corporate Flagship

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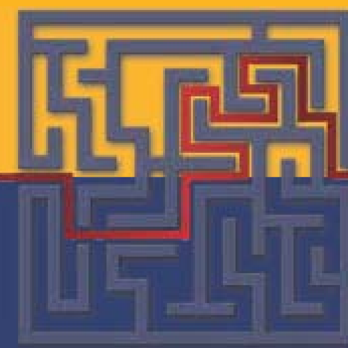


Doing Business 2014 is the 11th in a series of annual reports investigating the regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 189 economies—from Afghanistan to Zimbabwe—and over time.

Regulations affecting 11 areas of the life of a business are covered: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and employing workers. The employing workers data are not included in this year's ranking on the ease of doing business.

Data in *Doing Business 2014* are current as of June 1, 2013. The indicators are used to analyze economic outcomes and identify what reforms of business regulation have worked, where and why.

Preface

A thriving private sector—with new firms entering the market, creating jobs and developing innovative products—contributes to a more prosperous society. Governments play a crucial role in supporting a dynamic ecosystem for firms. They set the rules that establish and clarify property rights, reduce the cost of resolving disputes and increase the predictability of economic transactions. Without good rules that are evenly enforced, entrepreneurs have a harder time starting and growing the small and medium-size firms that are the engines of growth and job creation for most economies around the world.

Doing Business 2014 is the 11th in a series of annual reports benchmarking the regulations that affect private sector firms, in particular small and medium-size enterprises. The report presents quantitative indicators on 11 areas of business regulation for 189 economies. Four economies have been added this year—Libya, Myanmar, San Marino and South Sudan. The data are current as of June 2013.

The *Doing Business* project aims to deliver a body of knowledge that will catalyze reforms and help improve the quality of the rules underpinning the activities of the private sector. This matters because in a global economy characterized by constant change and transformation, it makes a difference whether the rules are sensible or excessively burdensome, whether they create perverse incentives or help establish a level playing field, whether they safeguard transparency and encourage adequate levels of competition. To have a tool that allows economies to track progress over time and with respect to each other in the development of the building blocks of a good business environment is crucial for the creation of a more prosperous world, with increased opportunities for everyone

We have been excited to see a global convergence toward good practices in business regulations. The data show that economies in all regions of the world and of all income levels have made important strides in improving the quality of the rules underpinning private sector activity. This year the findings have been even more encouraging—low-income economies have improved their business regulations at twice the rate that high-income economies have.

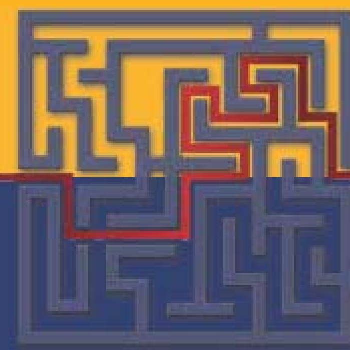
These developments support the twin World Bank Group goals of ending extreme poverty and boosting shared prosperity. By providing useful insights into good practices worldwide in business regulations, *Doing Business* helps mobilize policy makers to reduce the cost and complexity of government procedures and to improve the quality of institutions. Such change serves the underprivileged the most—where more firms enter the formal sector, entrepreneurs have a greater chance to grow their businesses and produce jobs, and workers are more likely to enjoy the benefit of regulations such as social protections and safety regulations.

We encourage you to give feedback on the *Doing Business* website (http://www.doingbusiness.org) and join the conversation as we shape the project in the years to come to make it a more effective mechanism for better business regulation.

Sincerely,

Sri Mulyani Indrawati
Managing Director
World Bank Group

Overview



Regulation is a reality from the beginning of a firm's life to the end (figure 1.1). Navigating it can be complex and costly. On average around the world, starting a business takes 7 procedures, 25 days and costs 32% of income per capita in fees. But while it takes as little as 1 procedure, half a day and almost nothing in fees in New Zealand, an entrepreneur must wait 208 days in Suriname and 144 in República Bolivariana de Venezuela.

And this is just the tip of the iceberg. Consider what the new firm must go through to complete other transactions at the average level of time and effort required around the world. Preparing, filing and paying the firm's annual taxes could take up another 268 hours of its staff's time. Exporting just one shipment of its final products could take 6 documents, 22 days and more than $1,500. If the firm needs a simple warehouse, getting the facility ready to start operating could take 26 procedures and 331 days more—to buy the land, register its ownership, build the warehouse and get electricity and other utility connections. Having sorted out these initial formalities, if the firm becomes embroiled in a legal dispute with one of its suppliers or customers, resolving the dispute could mean being stuck in court for 622 days, with costs amounting to 35% of the value of the claim.

To operate and expand, the firm will need financing—from shareholders or from creditors. Raising money in the capital market is easier and less costly where minority shareholders feel protected from self-interested transactions by large shareholders. Good corporate governance rules can provide this kind of protection. But among the 189 economies covered by *Doing Business*, 46 still have only very limited requirements for disclosing majority shareholders' conflicts of interest—or none at all. This undermines trust in the system, making it less likely that investors will take a minority stake in a firm.

Similarly, creditors need guarantees that their loans will be repaid. Information about potential borrowers and solid legal rights for creditors play an important part in providing those guarantees. Yet institutions providing these are not universal among the 189 economies: 35 have no credit bureau or registry that distributes information about borrowers, and 124 lack a modern collateral registry where a creditor can check whether a movable asset being pledged as collateral has any other liens on it. If despite all efforts the firm ends up insolvent, having institutions in place that enable creditors to recover their assets is also important. On average around the world, creditors recover no more than 35% of their initial loan in case of bankruptcy as measured by *Doing Business*.

In many parts of the world in recent years, *Doing Business* data show that there has been remarkable progress in removing some of the biggest bureaucratic obstacles to private sector activity. Yet small and medium-size enterprises still are subject to burdensome regulations and vague rules that are unevenly applied and that impose inefficiencies on the enterprise sector. This curtails the overall competitiveness of economies and their potential for creating jobs.

WHAT DOES *DOING BUSINESS* MEASURE—AND WHO PERFORMS WELL?

Through its indicators *Doing Business* measures and tracks changes in the

- In 2012/13, 114 economies implemented 238 regulatory reforms making it easier to do business—18% more reforms than in the previous year.
- If economies around the world followed the best practice in regulatory processes for starting a business, entrepreneurs would spend 45.4 million fewer days each year satisfying bureaucratic requirements.
- Ukraine, Rwanda, the Russian Federation, the Philippines and Kosovo are among the economies improving the most in 2012/13 in areas tracked by *Doing Business*.
- Reforms reducing the complexity and cost of regulatory processes continue to be the most common. Less than a third of the reforms recorded by *Doing Business* in 2012/13—and in the years since 2009—focused on strengthening legal institutions.
- Sub-Saharan Africa is home to 9 of the 20 economies narrowing the gap with the regulatory frontier the most since 2009. Low-income economies narrowed this gap twice as much as high-income economies did.
- Economies that improve in areas measured by *Doing Business* are on average more likely than others to also implement reforms in other areas—such as governance, health, education and gender equality.
- Economies that perform well on *Doing Business* indicators do not necessarily have smaller governments.

FIGURE 1.1 Regulations as measured by *Doing Business* affect firms throughout their life cycle

regulations applying to domestic small and medium-size companies, operating in the largest business city of each economy, in 10 areas in their life cycle: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The aggregate ranking on the ease of doing business is based on these indicators. *Doing Business* also documents regulations on employing workers, which are not included in the aggregate ranking. In addition, *Doing Business* tracks good practices around the world to provide insights into how governments have improved the regulatory environment in the past in the areas that it measures (see table 1.5 at the end of this overview).

Regulations that protect consumers, shareholders and the public without overburdening firms help create an environment where the private sector can thrive. Sound business regulation requires both efficient procedures and strong institutions that establish transparent and enforceable rules. *Doing Business* measures both these elements: through indicators relating to the strength of legal institutions relevant to business regulation and through indicators relating to the complexity and cost of regulatory processes. The indicators in the first group measure the strength of the legal and regulatory framework for getting credit, protecting investors, enforcing contracts and resolving insolvency. Those in the second group measure the cost and efficiency of regulatory processes for starting a business, dealing with construction permits, getting electricity, registering property, paying taxes and trading across borders. Based on time-and-motion case studies from the perspective of the business, these indicators measure the procedures, time and cost required to complete a transaction in accordance with the relevant regulations (for a detailed explanation of the *Doing Business* methodology, see the data notes and the chapter "About *Doing Business*").

Doing Business is not about less regulation but about better regulation. Accordingly, some *Doing Business* indicators give a higher score for better and more developed regulation, as the protecting investors indicators do for stricter disclosure requirements for related-party transactions. Other indicators, such as those on dealing with construction permits, automatically assign the lowest score to economies that have no regulations in the area being measured or do not apply their regulations (considered "no practice" economies), penalizing them for lacking appropriate regulation.

The economies ranking highest on the ease of doing business therefore are not those with no regulation but those whose governments have managed to create a regulatory system that facilitates interactions in the marketplace and protects important public interests without unnecessarily hindering the development of the private sector—in other words, a regulatory system with strong institutions and low transactions costs (table 1.1). These economies all have both a well-developed private sector and a reasonably efficient regulatory system that has managed to strike a sensible balance between the protections that good rules provide and the need to have a dynamic private sector unhindered by excessively burdensome regulations.

WHERE IS THE REGULATORY GAP WIDER?

To complement the ease of doing business ranking, a relative measure, *Doing Business 2012* introduced the distance to frontier, an absolute measure of business regulatory efficiency. This measure aids in assessing how much the regulatory environment for local entrepreneurs improves in absolute terms over time by showing the distance of each economy to the "frontier," which represents the best performance by any economy observed on each of the *Doing Business* indicators since 2003 or the year in which data for the indicator were first collected. Because the distance to frontier is an absolute measure, it can be used for comparisons over time. The measure is normalized to range between 0 and 100, with 100 representing the frontier. A higher score indicates a more efficient business environment and stronger legal institutions (for a detailed description of the methodology, see the chapter on the ease of doing business and distance to frontier).

Analysis based on the distance to frontier measure shows that on average across all regions, economies are closest

TABLE 1.1 Rankings on the ease of doing business

Rank	Economy	DB2014 reforms	Rank	Economy	DB2014 reforms	Rank	Economy	DB2014 reforms
1	Singapore	2	64	St. Lucia	0	127	Honduras	0
2	Hong Kong SAR, China	1	65	Italy	3	128	Egypt, Arab Rep.	0
3	New Zealand	1	66	Trinidad and Tobago	1	129	Kenya	0
4	United States	0	67	Ghana	0	130	Bangladesh	1
5	Denmark	0	68	Kyrgyz Republic	0	131	Bosnia and Herzegovina	0
6	Malaysia	3	69	Turkey	3	132	Uganda	1
7	Korea, Rep.	1	70	Azerbaijan	3	133	Yemen, Rep.	0
8	Georgia	1	71	Antigua and Barbuda	0	134	India	0
9	Norway	0	72	Greece	3	135	Ecuador	1
10	United Kingdom	2	73	Romania	3	136	Lesotho	1
11	Australia	1	74	Vanuatu	1	137	Cambodia	0
12	Finland	0	75	Czech Republic	1	138	West Bank and Gaza	1
13	Iceland	1	76	Mongolia	3	139	Mozambique	2
14	Sweden	1	77	Dominica	0	140	Burundi	6
15	Ireland	0	78	Moldova	3	141	Bhutan	2
16	Taiwan, China	0	79	Guatemala	3	142	Sierra Leone	0
17	Lithuania	2	80	Seychelles	0	143	Tajikistan	2
18	Thailand	1	81	San Marino	0	144	Liberia	2
19	Canada	0	82	St. Vincent and the Grenadines	0	145	Tanzania	2
20	Mauritius	3	83	Zambia	1	146	Uzbekistan	6
21	Germany	0	84	Bahamas, The	2	147	Nigeria	0
22	Estonia	1	85	Sri Lanka	4	148	Madagascar	2
23	United Arab Emirates	3	86	Kosovo	3	149	Sudan	0
24	Latvia	4	87	Morocco	3	150	Gambia, The	1
25	Macedonia, FYR	6	88	Uruguay	1	151	Iraq	0
26	Saudi Arabia	0	89	Croatia	5	152	Iran, Islamic Rep.	0
27	Japan	0	90	Albania	1	153	Algeria	0
28	Netherlands	2	91	Barbados	0	154	Burkina Faso	1
29	Switzerland	0	92	Russian Federation	5	155	Mali	0
30	Austria	0	93	Serbia	0	156	Micronesia, Fed. Sts.	0
31	Portugal	1	94	Jamaica	3	157	Togo	3
32	Rwanda	8	95	Maldives	1	158	Comoros	1
33	Slovenia	1	96	China	2	159	Lao PDR	1
34	Chile	1	97	Solomon Islands	0	160	Djibouti	3
35	Israel	2	98	Namibia	0	161	Suriname	2
36	Belgium	0	99	Vietnam	2	162	Bolivia	0
37	Armenia	2	100	Palau	2	163	Gabon	3
38	France	1	101	St. Kitts and Nevis	0	164	Afghanistan	2
39	Cyprus	0	102	Costa Rica	2	165	Syrian Arab Republic	0
40	Puerto Rico (U.S.)	0	103	Malta	1	166	Equatorial Guinea	0
41	South Africa	1	104	Kuwait	1	167	Côte d'Ivoire	4
42	Peru	0	105	Nepal	1	168	Cameroon	0
43	Colombia	2	106	Belize	0	169	São Tomé and Príncipe	0
44	Montenegro	2	107	Grenada	0	170	Zimbabwe	0
45	Poland	2	108	Philippines	3	171	Malawi	1
46	Bahrain	1	109	Paraguay	1	172	Timor-Leste	0
47	Oman	0	110	Pakistan	0	173	Mauritania	1
48	Qatar	1	111	Lebanon	0	174	Benin	2
49	Slovak Republic	0	112	Ukraine	8	175	Guinea	3
50	Kazakhstan	2	113	Papua New Guinea	0	176	Niger	2
51	Tunisia	0	114	Marshall Islands	0	177	Haiti	0
52	Spain	1	115	Guyana	1	178	Senegal	1
53	Mexico	3	116	Brazil	0	179	Angola	0
54	Hungary	0	117	Dominican Republic	0	180	Guinea-Bissau	1
55	Panama	4	118	El Salvador	1	181	Venezuela, RB	1
56	Botswana	1	119	Jordan	0	182	Myanmar	1
57	Tonga	1	120	Indonesia	1	183	Congo, Dem. Rep.	3
58	Bulgaria	0	121	Cape Verde	2	184	Eritrea	0
59	Brunei Darussalam	1	122	Kiribati	0	185	Congo, Rep.	3
60	Luxembourg	0	123	Swaziland	2	186	South Sudan	0
61	Samoa	0	124	Nicaragua	2	187	Libya	0
62	Fiji	0	125	Ethiopia	0	188	Central African Republic	1
63	Belarus	4	126	Argentina	1	189	Chad	1

Note: The rankings for all economies are benchmarked to June 2013 and reported in the country tables. This year's rankings on the ease of doing business are the average of the economy's percentile rankings on the 10 topics included in this year's aggregate ranking. The number of reforms excludes those making it more difficult to do business.
Source: Doing Business database.

to the frontier—or best practice—in the area of starting a business. And they are furthest from the frontier on average in resolving insolvency. Starting a business is also the area where all regions are closest together, in line with the evidence on convergence presented later in the overview. Performance in such areas as getting credit, enforcing contracts and resolving insolvency varies considerably across regions.

Across most areas measured by *Doing Business*, OECD high-income economies are closer to the frontier on average than those of any other region (figure 1.2). The exceptions are starting a business and registering property, where Europe and Central Asia is slightly ahead. Sub-Saharan African economies are furthest from the frontier on average in 6 of the 10 areas measured by *Doing Business*: starting a business, getting electricity, paying taxes, trading across borders, protecting investors and resolving insolvency

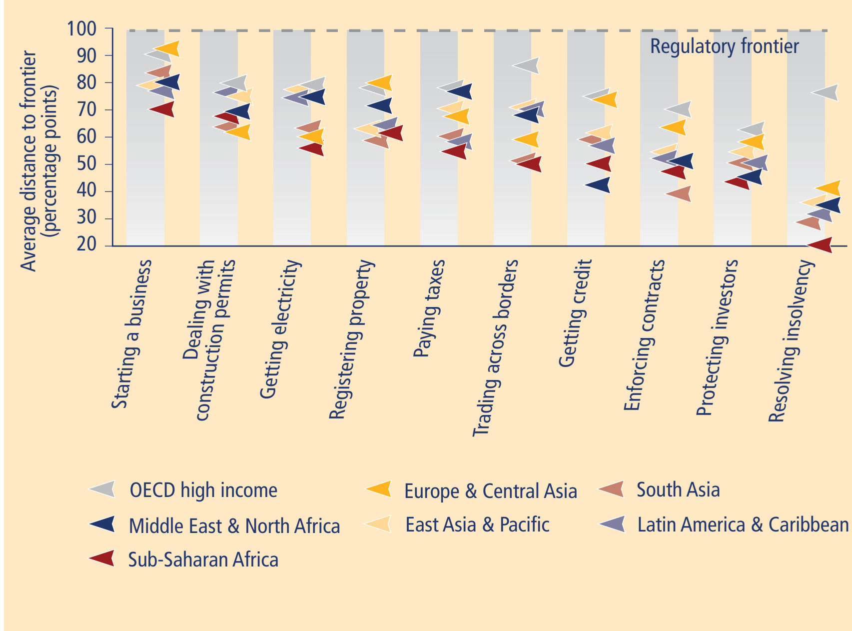
Regional performance varies considerably across the areas measured by *Doing Business*. In several areas Europe and Central Asia has an average performance similar to that of OECD high-income economies. But in dealing with construction permits this region is further from the regulatory frontier than any other. East Asia and the Pacific follows Europe and Central Asia closely in some areas but outperforms that region in dealing with construction permits, getting electricity, paying taxes and trading across borders. Latin America and the Caribbean has a performance remarkably similar to that of East Asia and the Pacific except in paying taxes.

The Middle East and North Africa has a very diverse performance. In some areas, such as paying taxes, it is almost as close to the frontier as OECD high-income economies. In other areas, such as getting credit, the Middle East and North Africa has the lowest performance among regions. South Asia has a gap with the frontier similar to that of Sub-Saharan Africa in most areas, though it substantially outperforms that region in 3 areas—starting a business, resolving insolvency and getting credit.

The distance to frontier measure provides one perspective on variation in performance across areas of regulation measured by *Doing Business*. Rankings of economies in these areas provide another. The ease of doing business ranking is just one number—aggregating an average of more than 300 data points for each economy. Not surprisingly, the full set of rankings and data across *Doing Business* topics for an economy can present a very different picture than the aggregate ranking (figure 1.3). Take Estonia, which stands at 22 in the ease of doing business ranking. Its rankings on individual topics range from 7 in trading across borders to 68 in protecting investors. Japan's lowest 3 rankings (in paying taxes, starting a business and dealing with construction permits) average 117, while its highest 3 (in resolving insolvency, protecting investors and trading across borders) average 13. Japan's ranking on the overall ease of doing business is 27. Three economies added to the *Doing Business* sample this year—Libya, Myanmar and South Sudan—show similar variation across topics (box 1.1).

This variation can point to important regulatory obstacles for firms. An economy may make it easy to start a business, for example. But if getting financing is difficult, the constraints will hamper the growth of new firms, discouraging entrepreneurship.

FIGURE 1.2 OECD high-income economies are closest to the frontier in regulatory practice



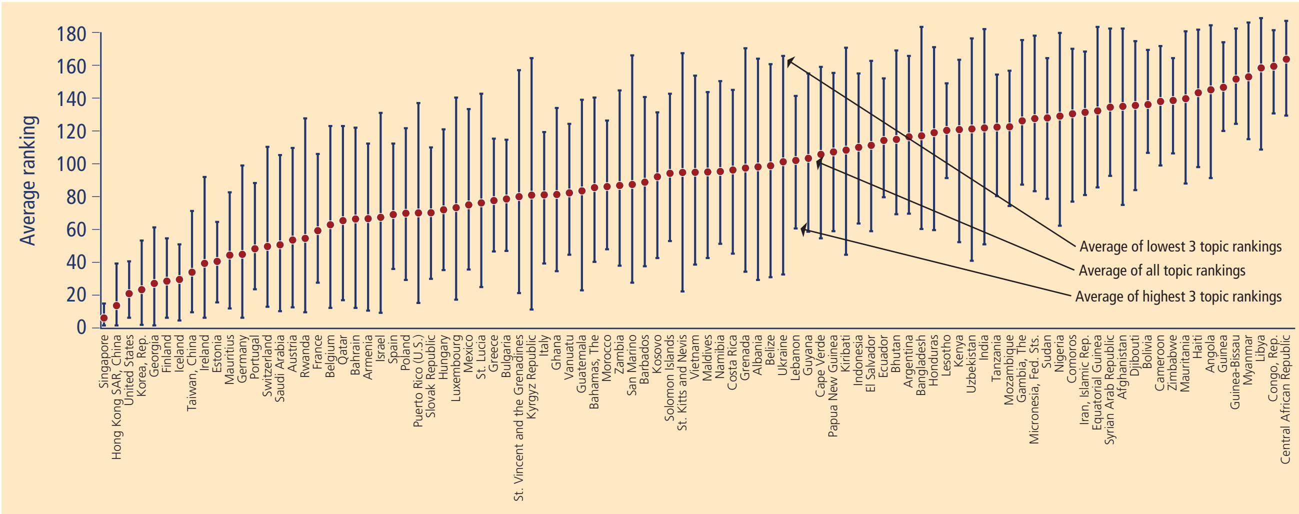
Source: Doing Business database.

WHAT IS THE BIGGER PICTURE?

Doing Business recognizes that the state plays a fundamental role in private sector development. Governments support economic activity by establishing and enforcing rules that clarify property rights and reduce the cost of resolving disputes, that increase the predictability of economic interactions and that provide contractual partners with core protections against abuse. So it is no surprise to find that there is no evidence suggesting that economies that do well on *Doing Business* indicators tend to have governments driven by a "smaller government" philosophy. Indeed, the data suggest otherwise. It is generally the bigger governments (as measured by government consumption expenditure as a percentage of GDP), not the small ones, that tend to provide more of the protections and efficient rules promoted by *Doing Business*.

Economies performing well on *Doing Business* indicators include examples with large governments as well as those

FIGURE 1.3 An economy's regulatory environment may be more business-friendly in some areas than in others



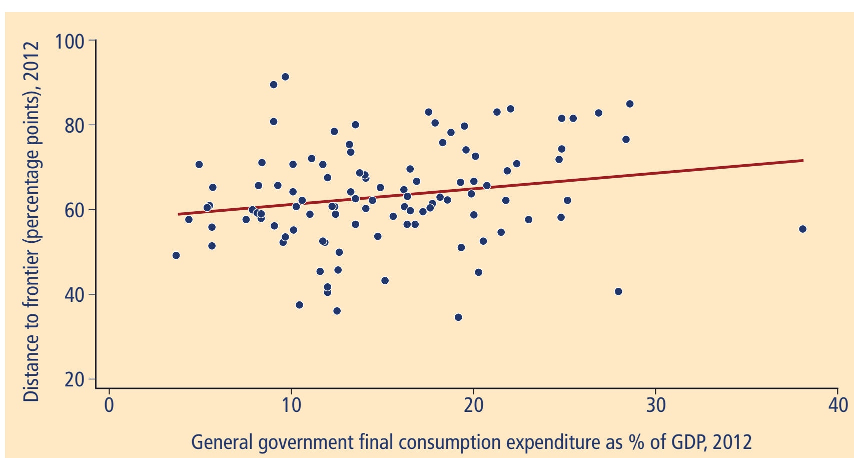
Note: Rankings reflected are those on the 10 *Doing Business* topics included in this year's aggregate ranking on the ease of doing business. Figure is illustrative only; it does not include all 189 economies covered by this year's report. See the country tables for rankings on the ease of doing business and each *Doing Business* topic for all economies.
Source: Doing Business database.

with small ones. Denmark, with among the largest governments in the world, is number 5 in the ease of doing business ranking; the Netherlands, also with one of the largest governments, is number 28. Hong Kong SAR, China, with a relatively small government, is number 2 in the ranking. Economies performing poorly on *Doing Business* indicators also include examples with large and small governments. Zimbabwe, with a large government relative to GDP, ranks at 170; Equatorial Guinea, with a small government, ranks at 166. Nevertheless, on average economies with smaller governments do not perform better on *Doing Business* indicators than those with larger governments (figure 1.4).

Moreover, economies performing well on *Doing Business* indicators are on average more inclusive along at least 2 dimensions. They tend to have smaller informal sectors, meaning that more people have access to the formal market and can benefit from such regulations as social protections and workplace safety regulations (figure 1.5). And they are more likely to have gender equality under the law as measured by the World Bank Group's *Women, Business and the Law* indicators.[1] These 2 aspects of inclusiveness reflect in part a desire by governments to more effectively allocate resources. This means not hampering the productivity of formal businesses through overly burdensome rules. And it means not needlessly depriving the economy of the skills and contributions of women. Overall, economies with smarter business regulations are more likely to nurture an environment conducive to greater economic inclusion.

No set of indicators can possibly capture the full complexity of a particular reality—in the case of the *Doing Business* indicators, that faced by entrepreneurs as they go about their activities while attempting to comply with the rules established by government. Having a state-of-the-art business registry has less impact on job creation or private sector investment in an economy if roads are lacking, crime is

FIGURE 1.4 Good performance on *Doing Business* indicators is not associated with smaller governments



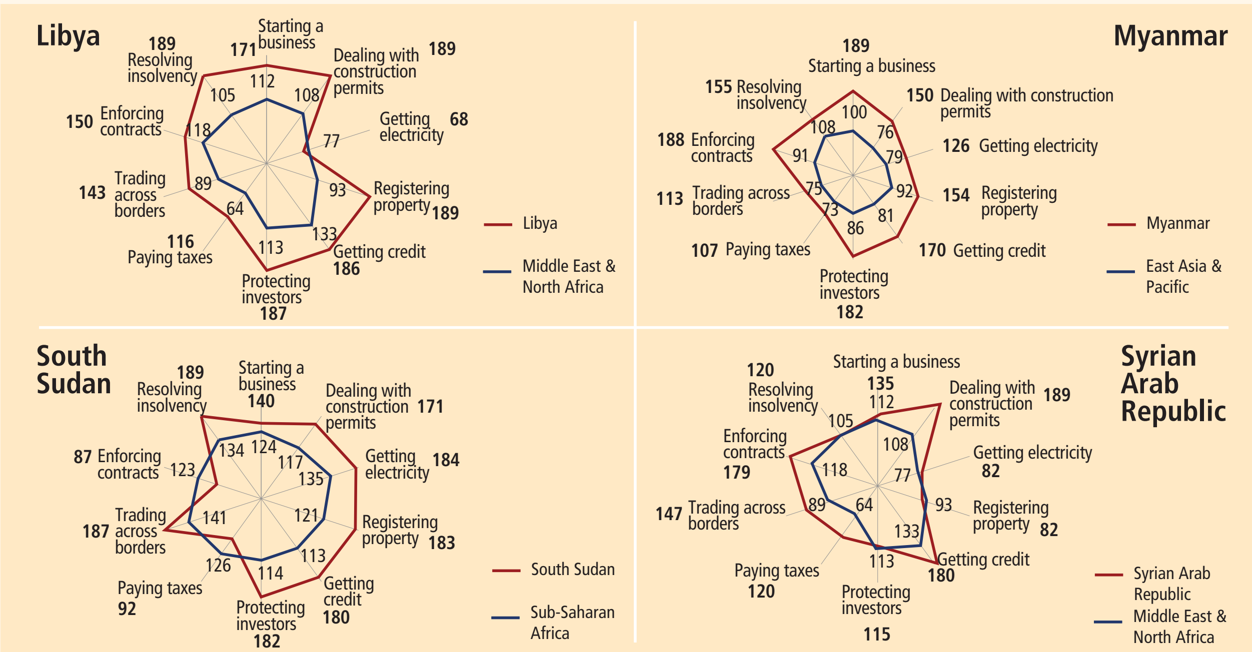
Note: The correlation between the distance to frontier and government expenditure is 0.20 and significantly different from zero.
Source: Doing Business database; World Bank, World Development Indicators database.

BOX 1.1 The right time to improve business regulations

For the first time, this year's report measures business regulations in Libya, Myanmar and South Sudan, economies that emerged from conflict or are starting to open up to the global economy after years of isolation. This is the right time to improve business regulations. Old laws and regulations still apply in Myanmar, including the Companies Act of 1914, the Code of Civil Procedure of 1908 and the Evidence Act, 1872. In Libya the civil code and the civil and commercial procedure codes all date back to 1953. In South Sudan the challenge is not updating old laws and regulations but creating new ones from scratch. This process takes time. Yet since independence in 2011, South Sudan has passed a company law, tax law and insolvency law.

Doing Business provides baseline data that can help inform policy makers designing laws and their implementation. Data in this year's report show that these 3 economies rank among the bottom 10 on the ease of doing business. Although their performance varies somewhat across *Doing Business* topics, the data consistently show that these economies have complex and costly regulatory procedures and weak institutions relevant to business regulation (see figure). But in all 3 economies new laws are under discussion that may affect future editions of the *Doing Business* data. *Doing Business* will continue to measure and monitor potential improvements.

There are many areas for regulatory improvement in fragile and conflict-affected states
Global ranking, by *Doing Business* topic



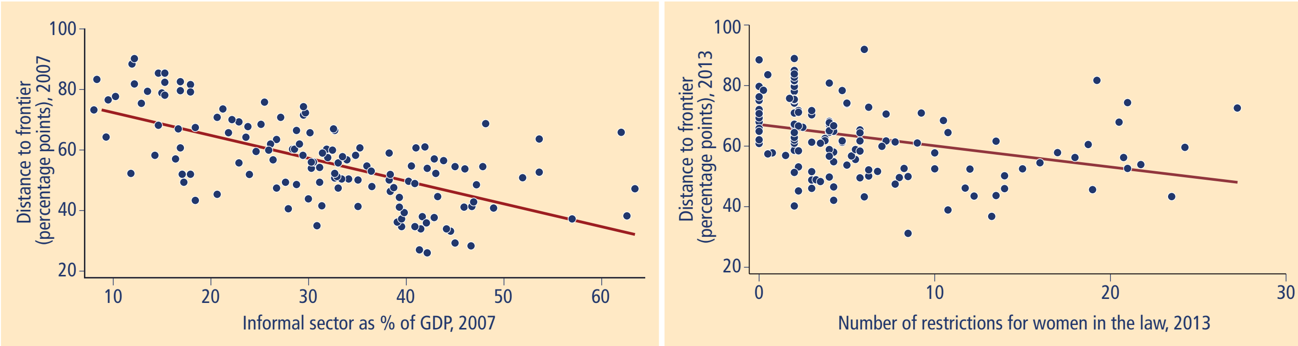
Note: Numbers are economy and regional average rankings, with 1 denoting the highest ranking on a topic and 189 the lowest.
Source: Doing Business database.

In economies affected by conflict, reforming business regulations is almost always a difficult task—even as firms often face increasing challenges in the business regulatory environment. Civil strife, a substantial weakening in the state's ability to enforce the law and other characteristics of conflict-affected states often bring about a substantial worsening of the conditions in which the private sector operates. The Syrian Arab Republic was the economy that showed the greatest deterioration in 2012/13 in the areas measured by *Doing Business*. The time and cost associated with trading across borders increased substantially, for example, and no building permits are being issued in Damascus, making it impossible to legally build new construction.

Yet there is encouraging news from other fragile and conflict-affected states. A recently published report, *Doing Business in the g7+ 2013*, shows that all economies in the g7+ group have improved their business regulatory environment since 2005, narrowing the gap with the best performance observed globally by *Doing Business*.[a] Sierra Leone, Burundi, Guinea-Bissau, Timor-Leste, Côte d'Ivoire, Togo and the Solomon Islands are all among the 50 economies making the biggest improvements between 2005 and 2012.

a. A special report, *Doing Business in the g7+ 2013* compares business regulations in economies of the g7+ group: Afghanistan, Burundi, the Central African Republic, Chad, the Comoros, the Democratic Republic of Congo, Côte d'Ivoire, Guinea, Guinea-Bissau, Haiti, Liberia, Papua New Guinea, Sierra Leone, the Solomon Islands, South Sudan, Timor-Leste and Togo. The g7+ group is a country-owned and country-led global mechanism established in April 2010 to monitor, report and draw attention to the unique challenges faced by fragile states.

FIGURE 1.5 Good performers on *Doing Business* indicators are likely to be more inclusive—with a smaller informal sector and greater gender equality under the law



Note: The correlation between the distance to frontier and the size of the informal sector is –0.65. The correlation between the distance to frontier and the number of restrictions for women in the law is –0.34. Both relationships are significant at the 1% level after controlling for income per capita. The number of restrictions for women in the law refers to those measured by *Women, Business and the Law*, a data set capturing 47 legal restrictions on women's employment and entrepreneurship.
Source: Doing Business database; Schneider, Buehn and Montenegro 2010; World Bank Group, *Women, Business and the Law* database.

rampant and state capture or corruption is the norm. To understand the challenges faced by businesses, the *Doing Business* rankings and underlying data therefore need to be used in conjunction with other information. Of course, sound business regulations are not the only thing on which a thriving business environment depends. Other areas beyond the focus of *Doing Business* are also important—including stable macroeconomic policy, a well-educated workforce and well-developed infrastructure, just to name a few.

WHAT GAINS WERE ACHIEVED IN 2012/13?

Reforming in any area of government policy is a challenge. Business regulation is no exception. Implementing regulatory changes often requires agreement among multiple agencies in a government. Consider a one-stop shop for business registration. Creating one involves coordination across the business registry, the statistical office, the municipal tax office and the state tax office, to name just a few. But 96 economies have nevertheless done so.

Governments undertake such reforms because reducing the complexity and cost of regulatory processes or strengthening legal institutions relevant to business regulation brings many benefits. Governments benefit from cost savings because the new systems often are easier to maintain (though setting up a new system involves an initial fixed cost). Firms benefit from more streamlined and less costly processes or more reliable institutions. And economies as a whole benefit from new firm start-ups, more jobs, growth in trade and greater overall economic dynamism (see the chapter on research on the effects of business regulations).

In 2012/13 such efforts continued around the world: 114 economies implemented 238 regulatory reforms making it easier to do business, about 18% more reforms than in the previous year. This is the second highest number of reforms implemented in a year since the financial crisis of 2009.

Inroads in reducing formalities

The results of these reforms are tangible. They can be quantified by adding up all the regulatory procedures, payments and documents required for a small to medium-size firm to complete a set of transactions—such as to start a business, register property and so on—in every economy covered by *Doing Business*. In 2012 such formalities would have come to a total of 21,272 and taken 248,745 days to complete (table 1.2). Thanks to the regulatory reforms undertaken in 2012/13, this regulatory maze now contains about 300 (1.3%) fewer formalities than in 2012.[2] Compared with 2005, the first year in which data for 9 of the 10 *Doing Business* indicator sets were first collected, the number of formalities has fallen by about 2,400 (11%) and the time by about 40,000 days.

These calculations are for a hypothetical case taking 1 firm through all procedures measured by *Doing Business* in every economy covered. But some economies are much larger than others, and in these economies the burden of poor regulation affects a larger number of firms. 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.[3] 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 dealt with 18.7 million different procedures and spent 46.9 million days to get incorporated. But if all 107 economies followed best practice in regulatory processes for starting a business, these new firms would have had to spend only 1.5 million days dealing with the local bureaucracy, leaving them a greater share of their time and entrepreneurial energy to devote to their new business. In other words, because not all economies followed best practice, entrepreneurs spent an extra 45.4 million days satisfying bureaucratic requirements.

Patterns across regions

Patterns of regulatory reform vary across regions. In 2012/13 South Asia had the largest share of economies (75%) with

TABLE 1.2 Total formalities, time and cost to complete one transaction in every economy

	2012	2013	Savings
Starting a business			
Procedures (number)	1,393	1,335	58
Time (days)	5,590	4,700	890
Cost (US$)	203,765	201,648	2,117
Minimum capital (US$)	523,148	480,337	42,811
Dealing with construction permits			
Procedures (number)	2,865	2,777	88
Time (days)	33,532	31,951	1,581
Cost (US$)	2,773,595	2,570,251	203,344
Getting electricity			
Procedures (number)	1,010	1,002	8
Time (days)	20,651	20,625	26
Cost (US$)	5,640,846	5,506,263	134,583
Registering property			
Procedures (number)	1,105	1,090	15
Time (days)	10,082	9,488	594
Cost (US$)	5,476,360	5,543,489	–67,129
Paying taxes			
Payments (number per year)	5,141	5,046	95
Time (hours per year)	50,804	50,607	197
Trading across borders			
Documents to export (number)	1,174	1,175	–1
Time to export (days)	4,171	4,132	39
Cost to export (US$ per container)	278,546	286,385	–7,839
Documents to import (number)	1,372	1,369	3
Time to import (days)	4,702	4,661	41
Cost to import (US$ per container)	334,393	344,573	–10,180
Enforcing contracts			
Procedures (number)	7,212	7,207	5
Time (days)	117,847	117,489	358
Resolving insolvency			
Time (years)	460	454	6
	2012	**2013**	**Total savings**
Total formalities (number)	21,272	21,001	271
Total time (days)	248,745	243,283	5,462
Total cost (US$)	15,230,653	14,932,946	297,707

Source: Doing Business database.

regulatory reforms in at least 1 area measured by *Doing Business*.[4] Europe and Central Asia, continuing its steady pace of regulatory reform, had the second largest share (73%), closely followed by Sub-Saharan Africa (66%). In East Asia and the Pacific 60% of economies had at least 1 regulatory reform, while in Latin America and the Caribbean only 53% did. The Middle East and North Africa had the smallest share of economies implementing regulatory reforms in at least 1 area (40%), a development that is partly linked to the current political turmoil in the region.

As in previous years, reforms aimed at reducing the complexity and cost of regulatory processes were more common around the world than those focused on strengthening legal institutions relevant to business regulation (figure 1.6). In South Asia, for example, 75% of economies implemented at least 1 reform reducing regulatory complexity and cost, while only 25% had at least 1 aimed at strengthening legal institutions. The pattern is similar across all other regions except East Asia and the Pacific.

WHO IMPROVED THE MOST IN 2012/13?

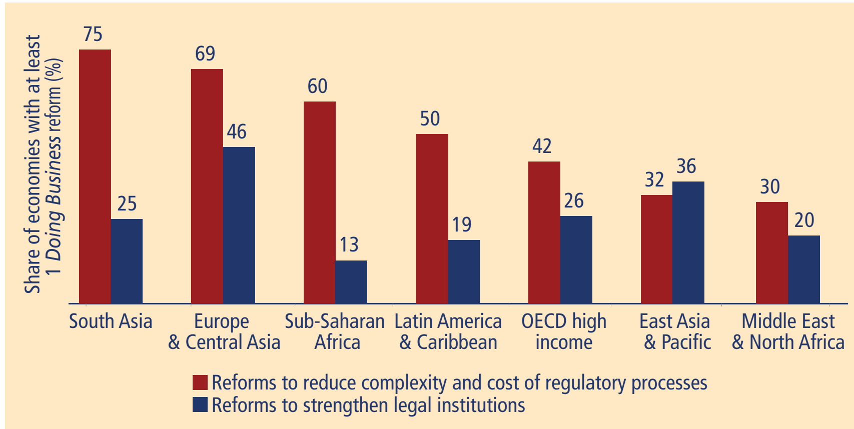
In 2012/13, 29 economies implemented in net 3 or more reforms improving their business regulatory systems or related institutions as measured by *Doing Business*. These 29 include economies from all income groups: high income (5), upper middle income (9), lower middle income (12) and low income (3). And they include economies from all regions.

Among the 29 economies, 10 stand out as having narrowed the distance to frontier the most: Ukraine, Rwanda, the Russian Federation, the Philippines, Kosovo, Djibouti, Côte d'Ivoire, Burundi, the former Yugoslav Republic of Macedonia and Guatemala (table 1.3). Five of these—Burundi, Guatemala, FYR Macedonia, Rwanda and Ukraine—have placed among the economies improving the most in previous years. Together, 10 economies implemented 49 reforms making it easier to do business in 2012/13. Of these reforms, 38 were aimed at reducing the complexity and cost of regulatory processes and 11 at strengthening legal institutions.

Ukraine was the top improver in 2012/13, implementing reforms in 8 of the 10 areas measured by *Doing Business*. Ukraine made starting a business easier by eliminating a separate procedure for registration with the statistical office and abolishing the fee for value added tax registration. It made dealing with construction permits easier by instituting a risk-based approval system that streamlined procedures for simpler buildings with fewer risk factors. And an amendment to the property rights law simplifying the process for registering ownership rights to real estate made both dealing with construction permits and registering property easier.

In addition, Ukraine's private credit bureau (IBCH) began collecting data on firms from banks, expanding the information available to creditors and debtors. The introduction of simpler forms for value added tax and the unified social contribution reduced the time required for tax compliance. The implementation of the new customs code reduced the time to export and import. And an amendment to the bankruptcy law made resolving insolvency easier.

FIGURE 1.6 Reforms reducing regulatory complexity and cost continued to be more common in 2012/13



Note: Reforms to reduce the complexity and cost of regulatory processes are those in the areas of starting a business, dealing with construction permits, getting electricity, registering property, paying taxes and trading across borders. Reforms to strengthen legal institutions are those in the areas of getting credit, protecting investors, enforcing contracts and resolving insolvency.
Source: Doing Business database.

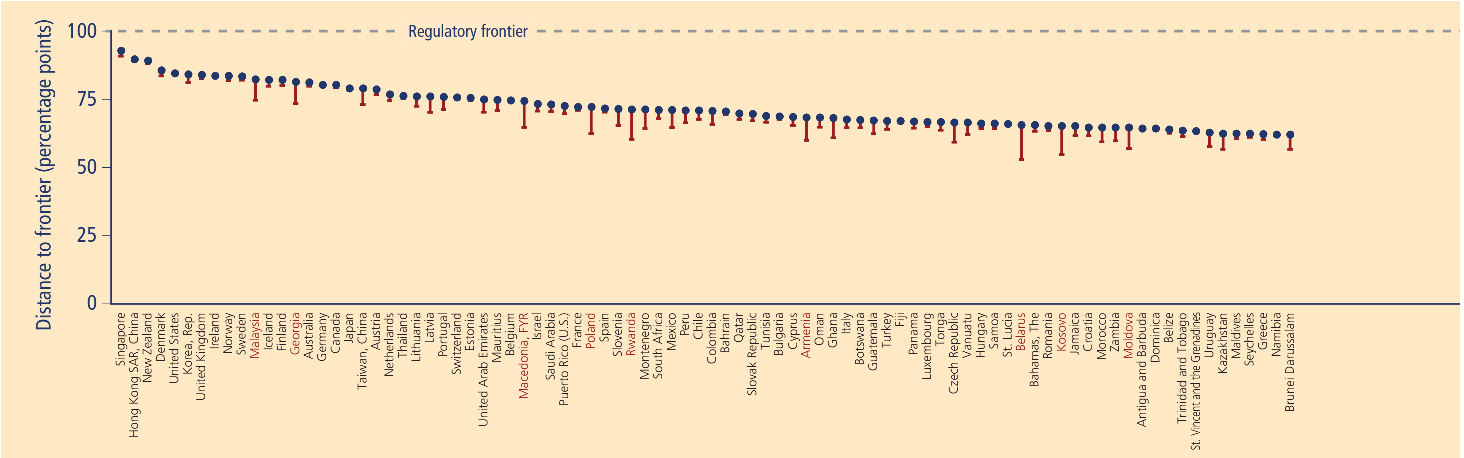
Dealing with construction permits was the most common area of regulatory reform among the top improvers. Nine

TABLE 1.3 The 10 economies improving the most across 3 or more areas measured by *Doing Business* in 2012/13

			Reforms making it easier to do business									
		Ease of doing business rank	Starting a business	Dealing with construction permits	Getting electricity	Registering property	Getting credit	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts	Resolving insolvency
1	Ukraine	112	√	√	√	√	√		√	√		√
2	Rwanda	32	√	√		√	√	√	√	√		√
3	Russian Federation	92	√	√	√	√				√		
4	Philippines	108		√			√		√			
5	Kosovo	86	√	√		√						
6	Djibouti	160	√				√					√
7	Côte d'Ivoire	167	√	√		√					√	
8	Burundi	140	√	√	√	√			√	√		
9	Macedonia, FYR	25		√	√	√	√	√	√			
10	Guatemala	79	√	√					√			

Note: Economies are selected on the basis of the number of their reforms and ranked on how much they improved in the distance to frontier measure. First, *Doing Business* selects the economies that implemented reforms making it easier to do business in 3 or more of the 10 topics included in this year's aggregate ranking. Regulatory reforms 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 improvement in their distance to frontier score from the previous year. The improvement in their score is calculated not by using the data published in 2012 but by using comparable data that capture data revisions. The choice of the most improved economies is determined by the largest improvements in the distance to frontier score among those with at least 3 reforms.
Source: Doing Business database.

FIGURE 1.7 How far have economies moved toward the frontier in regulatory practice since 2009?



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 2003 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). Six economies were added in subsequent years. The vertical bars show the change in the distance to frontier from 2009 to 2013. The 20 economies improving the most are highlighted in red.
Source: Doing Business database.

of the 10 made changes in this area. Improvements in construction permitting often show results only after a long lag following the approval of new laws or systems. In Russia it took more than a decade for the national urban planning code of 1997 to be implemented in Moscow. The mayor finally adopted the code in April 2011, replacing multiple ad hoc regulations. But builders in Moscow are only now experiencing the positive effects of its implementation. In Guatemala City the municipality expanded the one-stop shop for construction permitting to include the water company, EMPAGUA, in 2012.

Property registration was another common focus, with 7 of the top improvers implementing changes in this area. The Rwanda Natural Resources Authority implemented a systematic land registration program, and now 90% of properties in the country are registered. In March 2013 Burundi established a one-stop shop for property transfers.

Guatemala, FYR Macedonia, the Philippines, Rwanda and Ukraine simplified the process of paying taxes for firms. Expanding or introducing online filing and payment systems and simplifying tax forms were the most common features of the reforms in these economies.

Other top improvers enhanced insolvency legislation, strengthened the legal rights of creditors or increased the scope of credit information available. The Philippines improved credit information sharing by guaranteeing borrowers' right to access their data in the country's largest credit bureau. In FYR Macedonia new amendments to the Law on Contractual Pledge, adopted in June 2012, allow more flexibility in the design of debt agreements using movable collateral. And in Djibouti a new commercial code that replaced the one from 1986 strengthened the legal rights of creditors and improved the insolvency framework.

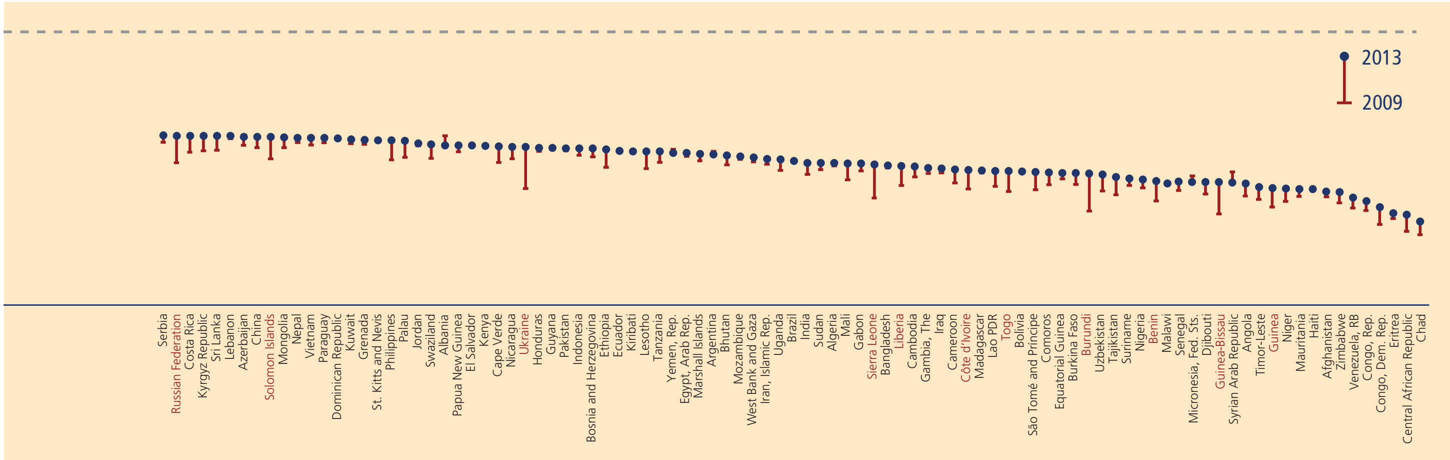
Improvements to the import and export process were also common. Russia introduced a new data interchange system in 2009 enabling traders to submit customs declarations and supporting documents electronically. The number of users has since grown, and it is now the most popular method of submitting customs declarations. Rwanda implemented an electronic single-window system in January 2013 at the Rusumo border post with Tanzania, the post used to access the port of Dar es Salaam. Connected to such institutions as the Rwanda Bureau of Standards and the Rwanda Development Board, the system allows traders to receive verifications and approvals electronically.

Four economies among the 10 top improvers reduced the complexity and cost of getting an electricity connection. Russia made obtaining a connection simpler and less costly by streamlining procedures and setting standard connection tariffs.

Only 2 of the 10 top improvers strengthened the protections of minority investors—Rwanda and FYR Macedonia. And only 1 made enforcing contracts easier—Côte d'Ivoire, by introducing a specialized commercial court.

WHO IMPROVED THE MOST IN THE PAST 5 YEARS?

Many of the top improvers in 2012/13 have been actively reforming business regulations for several years. This year's report presents the global trends since 2009. That year was chosen for 2 main reasons. First, starting with 2009 provides 5 annual data points, allowing analysis of medium-term improvements. And second, it means that the distance to frontier measure can be used to analyze the improvement across all 10 topics now included in the ease of doing business ranking, since 2009 was the first



year in which data were collected for the getting electricity indicators.

Regulations have become more business-friendly over time, but for a large number of economies there is ample room for more improvement. On average since 2009, the 183 economies included in the analysis have narrowed the gap with the regulatory frontier by 3.1 percentage points (figure 1.7). In 2009 these economies were 41.3 percentage points from the frontier on average, with the closest economy 9.3 percentage points away and the furthest one 72.3 percentage points away. Now these 183 economies are 38.1 percentage points from the frontier on average, with the closest economy 7.8 percentage points away and the furthest economy 68.8 percentage points away.

Two-thirds of the reforms recorded by *Doing Business* in the past 5 years focused on reducing the complexity and cost of regulatory processes; the remaining third sought to strengthen the institutional framework for business regulation. Among the 183 economies, only 7 implemented no changes in any of the areas measured by *Doing Business*—Antigua and Barbuda, Bolivia, Eritrea, Iraq, Kiribati, the Federated States of Micronesia and the United States. Except for the United States, these are economies that typically rank low on the ease of doing business.

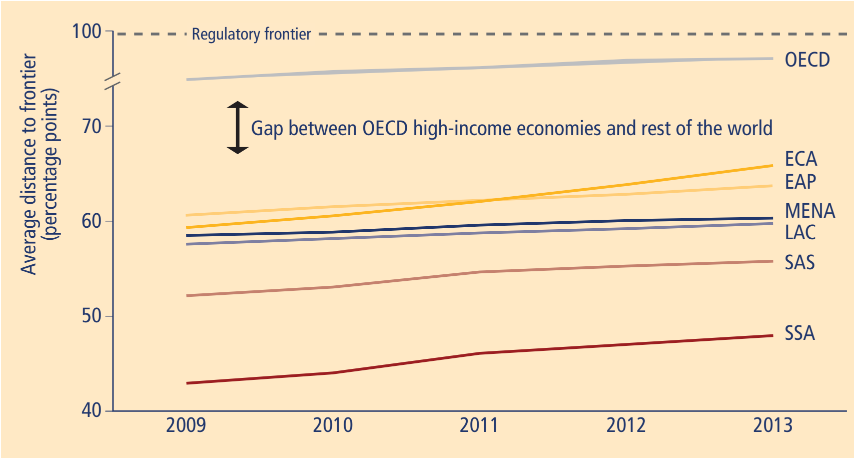
In some economies the absence of regulatory reforms may reflect a turbulent political and institutional environment, which sharply limits the government's ability to focus on creating a more business-friendly regulatory environment. Civil conflicts, widespread poverty and serious constraints in administrative capacity may make it difficult, for example, to strengthen creditors' rights, create a more efficient judicial system or expand the range of protections afforded to minority shareholders. In other economies, however, the issue is not capacity or resource constraints but the policy choices the authorities have made, often biased against the private sector. In these economies the distance to frontier measure reveals a significant worsening in the quality of the business regulatory environment over the past several years, with small and medium-size enterprises facing a growing number of cumbersome restrictions and distortions.

Improvement across regions and income groups

Since 2009 all regions of the world and economies at all income levels have improved their business regulations on average. Moreover, improvement is happening where it is most needed. The regions where regulatory processes are longer and costlier and regulatory institutions are weaker are also those where the biggest improvements have occurred. Over the past 5 years Sub-Saharan Africa reduced the gap with the regulatory frontier by 3 times as much as OECD high-income economies did (figure 1.8). And low-income economies improved their average distance to frontier score at twice the rate that high-income economies did (figure 1.9). Part of the explanation is that high-income economies were much closer to the frontier to start with and therefore had less room to improve. But low-income economies have nevertheless made an important effort to improve business regulations since 2009.

Business regulatory reform is particularly relevant in low-income economies. Information presented in this year's report shows the link between better business regulations and economic growth (see the chapter on research on the effects of business regulations). Moreover, recent research shows that economic growth remains the most important factor in determining the pace of income growth for poor people.[5] Together, this evidence indicates that having sensible business

FIGURE 1.8 All regions are improving in the areas measured by *Doing Business*

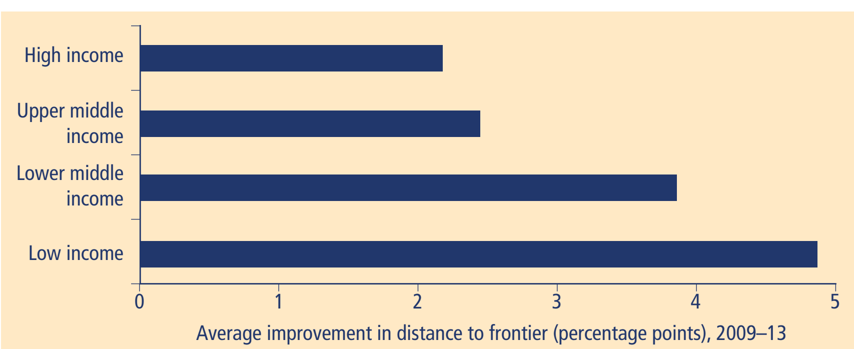


Note: The distance to frontier measure shows how far on average an economy is at a point in time from the best performance achieved by any economy on each *Doing Business* indicator since 2003 or the first year in which data for the indicator were collected. The measure is normalized to range between 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. EAP = East Asia and the Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; OECD = OECD high income; SAS = South Asia; SSA = Sub-Saharan Africa.
Source: Doing Business database.

regulations contributes to reducing poverty and boosting shared prosperity, the twin goals of the World Bank Group.

Across regions, starting a business emerges as the area with the largest share of reforms since 2009. Among these economies resolving insolvency and paying taxes are the areas with the highest shares of reformers. A similar pattern can be seen in Europe and Central Asia, where 73% of economies reformed in resolving insolvency and 85% in paying taxes. These reform choices partly reflect the response to the global financial crisis, which created a pressing need to streamline insolvency processes and lighten the burden of tax administration on the enterprise sector.

FIGURE 1.9 Low-income economies have narrowed the gap with the regulatory frontier the most since 2009



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 2003 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 income group classifications for 2013. Six economies were added in subsequent years.
Source: Doing Business database.

Beyond starting a business, different regions focused their regulatory reform efforts on different areas. In Sub-Saharan Africa the second greatest area of focus since 2009 has been trading across borders, while in South Asia economies were more likely to focus on registering property. In East Asia and the Pacific and Latin America and the Caribbean the focus was on paying taxes, and in the Middle East and North Africa on getting credit.

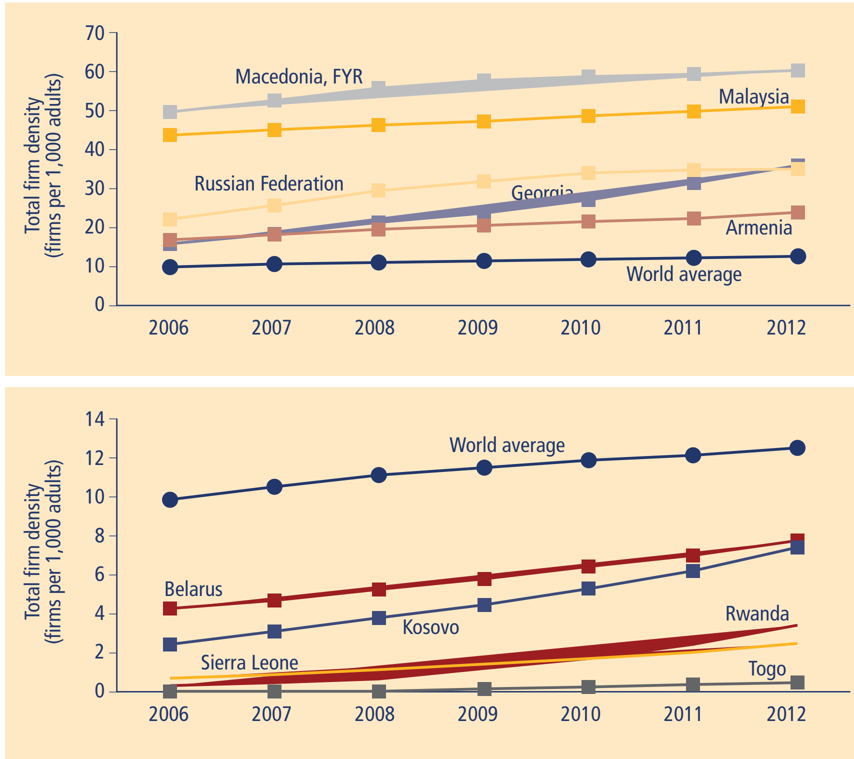
Although starting a business has been the most common area of regulatory reform, it is not the area with the biggest improvements at the regional level since 2009—mainly because the starting point in 2009 was already closer to the regulatory frontier than it was in other areas. OECD high-income economies narrowed the gap with the frontier the most in resolving insolvency, Europe and Central Asia in paying taxes, South Asia in registering property, and the Middle East and North Africa, East Asia and the Pacific and Sub-Saharan Africa in getting credit.

The 20 economies narrowing the gap the most

Of the 20 economies narrowing the gap with the regulatory frontier the most since 2009, 9 are in Sub-Saharan Africa, 8 are in Europe and Central Asia, 2 are in East Asia and the Pacific, and 1 is an OECD high-income economy (figure 1.7). None are in the Middle East and North Africa or Latin America and the Caribbean, the regions that consistently have smaller numbers of reformers. Among the 20 economies are both small and large economies as well as economies at all income levels, though there is a higher incidence of low- and lower-middle-income economies. Together over the past 5 years, these 20 economies implemented 253 regulatory reforms making it easier to do business, about 20% of the global total for the period. Two of them—Ukraine and Rwanda—implemented at least 1 regulatory reform in every area measured by *Doing Business*. In line with the global trend, starting a business was the most common area of regulatory reform among the 20 economies, followed by paying taxes.

The 20 economies narrowing the regulatory gap the most are dynamic in other ways as well. Overall, new firm creation in these economies has at least kept pace with the world average in recent years. Total firm density—the number of firms per 1,000 adults—has steadily increased (figure 1.10). In Russia, for example, the number of firms per 1,000 adults grew from 22 in 2006 to 35 in 2012. In a few of the Sub-Saharan African economies the number increased more than 10-fold. In Rwanda the number of firms per 1,000 adults rose from 0.3 to 3.4. While this is still substantially below the world average of 12.4, the increase over time is impressive. Globally, both total firm density and new firm density (the number of new firms created per 1,000 adults) are significantly correlated with performance on the *Doing Business* indicators (figure 1.11).

FIGURE 1.10 A steady increase in total firm density among economies narrowing the regulatory gap the most since 2009



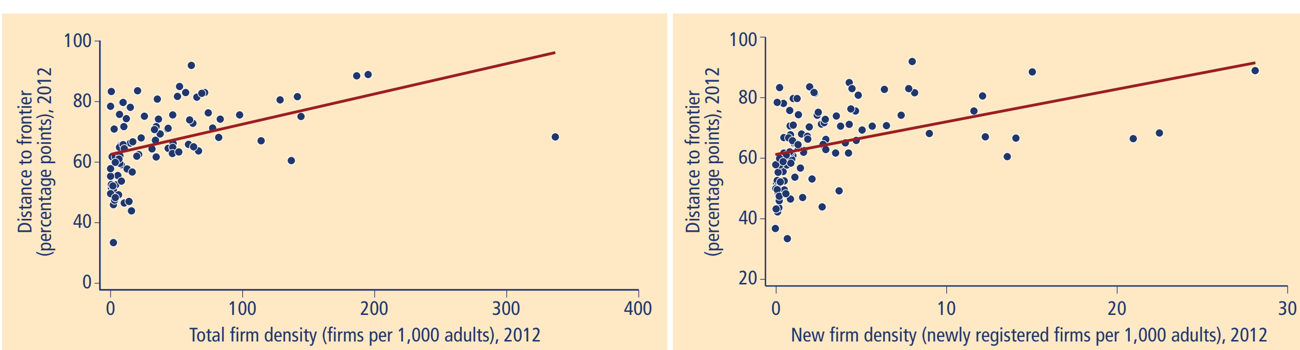
Note: Data refer to limited liability companies. Other economies among the 20 narrowing the regulatory gap the most are excluded from the figure because of missing data.
Source: World Bank Group Entrepreneurship Snapshots, 2013 edition.

IN WHAT AREAS HAS THE GAP BEEN NARROWING THE MOST?

Among the more encouraging trends shown by *Doing Business* data over the past decade is the gradual convergence in economies' performance in the areas tracked by the indicators. Economies with the weakest regulatory institutions and the most complex and costly regulatory processes tend to undertake regulatory reform less often. But when they do, they focus on the areas where their regulatory performance is worse, slowly but steadily beginning to adopt some of the better practices seen among the best performers. Here is an example: In 2005 the time to start a business in the economies ranking in the worst quartile on this indicator averaged 113 days. Among the best 3 quartiles it averaged 29 days. Today that gap is substantially narrower. While the difference is still substantial at 33 days, it is considerably smaller than the 85 days in 2005 (figure 1.12).

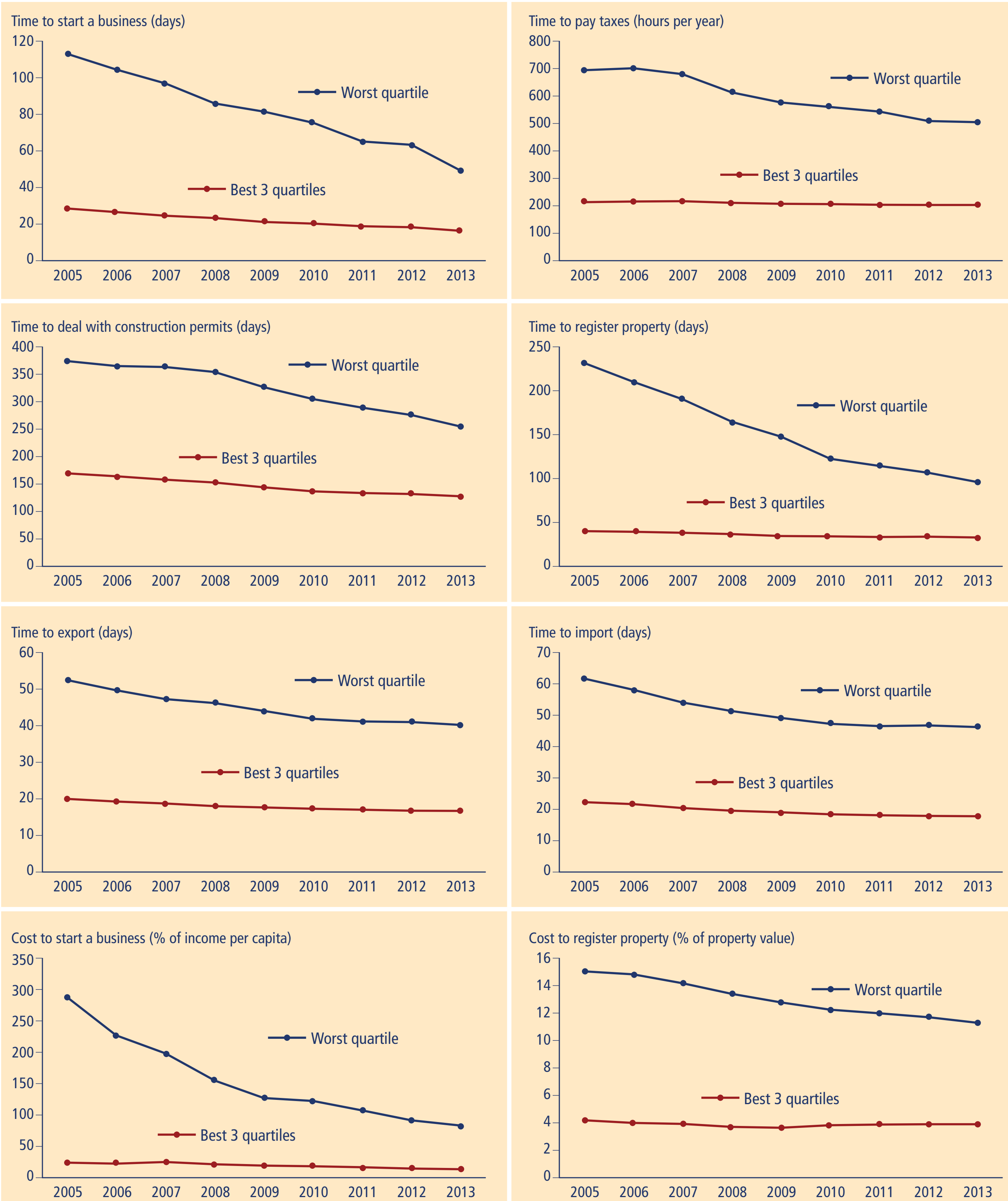
Similar trends can be seen in other indicators measuring the complexity and cost

FIGURE 1.11 Greater firm density in economies closer to the regulatory frontier



Note: The correlation between the distance to frontier and total firm density is 0.44. The correlation between the distance to frontier and new firm density is 0.43. Both correlations are significant at the 1% level. Data refer to limited liability companies.
Source: Doing Business database; World Bank Group Entrepreneurship Snapshots, 2013 edition.

FIGURE 1.12 Strong convergence across economies since 2005
Averages by group



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.

of regulatory processes. These trends are wholly in keeping with the World Bank Group's mandate of helping to narrow the differences between high- and upper-middle-income economies at relatively advanced stages of development and low- or lower-middle-income economies facing more adverse circumstances. Accelerating this convergence is at the heart of effective development policies, and the improvements in performance on *Doing Business* indicators by economies around the world are an encouraging sign.

A similar convergence can be seen when the data are aggregated by region. While OECD high-income economies continue to have the strongest legal institutions and the least complex and costly regulatory processes on average, Europe and Central Asia has been narrowing the gap with their performance, more so than any other region. To a great extent this reflects efforts by the 8 economies joining the European Union in 2004, which have largely continued on a path of comprehensive and ambitious economic and institutional reforms. In the period leading up to EU entry the incentive was to meet the entry criteria. But after 2004 the emphasis shifted to ensuring that they could compete with their more developed high-income partners. Thus in 2012, for example, Poland was the economy that had narrowed the gap with the regulatory frontier the most over the previous year, among all 185 economies ranked. This suggests that the economic integration in the European Union over the past decade has been an effective mechanism in promoting convergence. Indeed, Poland is now classified as a high-income economy, a remarkable achievement over 2 decades.

Every region has a leading champion in the scope of improvements made since 2005—whether Poland for OECD high-income economies, China for East Asia and the Pacific or Colombia for Latin America and the Caribbean. And this year a small country in Sub-Saharan Africa, Rwanda, overtook another small country—Georgia, in Europe and Central Asia—as the economy advancing furthest toward the regulatory frontier since 2005 (table 1.4).

DO *DOING BUSINESS* REFORMS GO HAND IN HAND WITH OTHER REFORMS?

Since its inception in 2003 *Doing Business* has recorded more than 2,100 regulatory reforms making it easier to do business, about 25% of which have been inspired or informed by the report and the associated database.[6] Most economies that undertake regulatory reforms as recorded by *Doing Business* do so as part of a broader reform agenda. Data show that governments investing resources in *Doing Business* reforms in the past decade have also introduced many policy changes in other important areas.

One such area is governance. Data show that improvements in the areas measured by *Doing Business* are positively correlated with changes in general regulatory quality, a key element of the overall quality of governance. This suggests that economies reforming in areas tracked by *Doing Business* are likely to be reforming regulation more broadly, not just business regulation. There is also a positive association between improvements in *Doing Business* indicators and improvements in rule of law and control of corruption. This result is confirmed using other data sources as well. Economies that have improved their performance on *Doing Business* indicators have also improved their performance on governance measures such as those published by Transparency International, Freedom House and the World Bank, in its Country Policy and Institutional Assessments (CPIA) (figure 1.13).[7]

Another such area is health and education. Economies that implement reforms in areas measured by *Doing Business* also improve health and education at least as fast on average as economies not focusing on such reforms (figure 1.14). This relationship is assessed using the Human Development Index and its components on health and education.[8] The result suggests that a focus on improving the quality of the regulatory framework underpinning private sector activity need not imply a simultaneous lack of attention to improvements in health and education. The cost to amend a company or secured transactions law, or to create a one-stop shop for company incorporation, is insignificant compared with the cost to build a hospital or university. There is no evidence to support the view that progress in one policy area necessarily preempts progress in others.

In addition, many economies implementing reforms in areas measured by *Doing Business* are also putting in place measures to improve gender equality. Among the 42 economies identified by *Women, Business and the Law* as having moved their laws and regulations toward greater gender equality over the past 2 years, 65% also reformed in areas tracked by *Doing Business* during the same period.

WHAT IS IN THIS YEAR'S REPORT?

This year's report presents for the first time a separate chapter about research on the effects of business regulations. There is a rapidly growing body of empirical research examining the impact of improvements in many of the regulatory areas tracked by the *Doing Business* indicators, and this chapter provides a useful—and encouraging—synthesis. This year's report also presents an expanded data set. It includes 189 economies, featuring for the first time data for Libya, Myanmar, San Marino and South Sudan.

Like previous reports, this year's report includes case studies. These focus on good practices in 6 of the areas measured by *Doing Business* indicator sets, with a particular focus on e-government and online government services. The case studies look at the role of minimum capital requirements in starting a business; risk-based inspections in dealing with construction permits; the cost structure in getting electricity; single-window systems in trading across borders; e-filing and e-payment in paying taxes; and e-courts in enforcing contracts. In choosing case studies and describing attempts in different parts of the world to implement better practices, the report has attempted to illustrate experiences and highlight processes with broad relevance for governments considering similar reforms. There are potentially useful

TABLE 1.4 The 50 economies narrowing the distance to frontier the most since 2005

			Distance to frontier (percentage points)			
	Economy	Region	2005	2013	Improvement	Total regulatory reforms[a]
1	Rwanda	SSA	37.4	70.5	33.1	34
2	Georgia	ECA	48.4	80.8	32.3	36
3	Belarus	ECA	41.1	67.1	26.0	29
4	Ukraine	ECA	38.2	61.3	23.1	26
5	Macedonia, FYR	ECA	54.3	74.2	19.9	31
6	Burkina Faso	SSA	30.6	50.0	19.4	20
7	Kyrgyz Republic	ECA	44.9	63.7	18.8	14
8	Tajikistan	ECA	30.8	48.4	17.6	14
9	Burundi	SSA	33.2	50.6	17.4	21
10	Egypt, Arab Rep.	MENA	38.0	55.1	17.1	23
11	Mali	SSA	34.3	51.2	16.9	16
12	Sierra Leone	SSA	37.3	54.1	16.8	20
13	China	EAP	45.0	60.9	15.9	18
14	Poland	OECD	57.6	73.4	15.8	22
15	Azerbaijan	ECA	49.0	64.6	15.6	18
16	Colombia	LAC	55.1	70.3	15.2	27
17	Ghana	SSA	52.0	67.0	15.0	12
18	Guinea-Bissau	SSA	32.9	47.2	14.2	7
19	Croatia	ECA	49.1	63.2	14.0	23
20	Côte d'Ivoire	SSA	36.5	50.2	13.7	14
21	Guatemala	LAC	51.1	64.7	13.6	18
22	Kazakhstan	ECA	48.4	61.8	13.5	20
23	Armenia	ECA	56.2	69.7	13.5	23
24	Madagascar	SSA	41.9	54.2	12.3	19
25	Mauritius	SSA	61.4	73.5	12.0	23
26	Angola	SSA	32.5	44.5	12.0	9
27	Senegal	SSA	35.7	47.6	12.0	11
28	Morocco	MENA	52.0	63.9	11.8	18
29	Russian Federation	ECA	49.9	61.6	11.6	22
30	Togo	SSA	36.7	48.1	11.3	9
31	Yemen, Rep.	MENA	43.9	55.1	11.2	7
32	Saudi Arabia	MENA	60.1	71.3	11.1	19
33	Lao PDR	EAP	37.2	48.3	11.1	12
34	Czech Republic	OECD	57.6	68.7	11.1	22
35	Moldova	ECA	54.5	65.6	11.1	21
36	Timor-Leste	EAP	27.9	38.8	10.9	6
37	India	SAS	40.7	51.3	10.6	17
38	Mozambique	SSA	45.0	55.5	10.5	12
39	Niger	SSA	31.8	42.3	10.5	11
40	Peru	LAC	60.0	70.4	10.4	19
41	São Tomé and Principe	SSA	35.7	46.0	10.3	5
42	Costa Rica	LAC	49.7	60.0	10.3	12
43	Malaysia	EAP	71.4	81.6	10.2	17
44	Uzbekistan	ECA	38.2	48.3	10.0	19
45	Slovenia	OECD	60.0	70.0	10.0	17
46	Lesotho	SSA	46.0	56.0	10.0	9
47	Zambia	SSA	54.8	64.8	10.0	10
48	Mexico	LAC	61.9	71.8	9.9	19
49	Cambodia	EAP	40.3	50.1	9.8	8
50	Solomon Islands	EAP	51.3	61.0	9.8	5

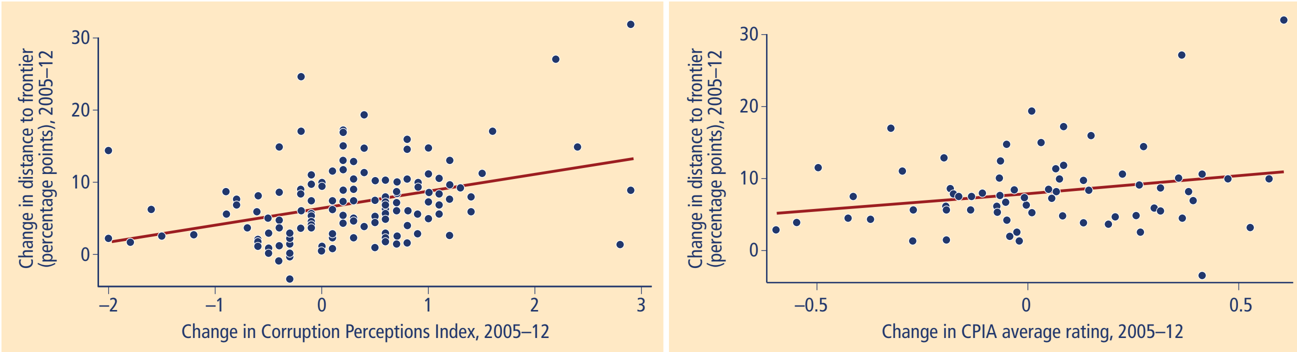
Note: Rankings are based on the absolute difference for each economy between its distance to frontier in 2005 and that in 2013. The data refer to the 174 economies included in *Doing Business* 2006 (2005). Fifteen economies were added in subsequent years. The distance to frontier measure shows how far on average an economy is at a point in time from the best performance achieved by any economy on each *Doing Business* indicator since 2003 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. EAP = East Asia and the Pacific; ECA = Eastern Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; OECD = OECD high income; SAS = South Asia; SSA = Sub-Saharan Africa.
a. Reforms making it easier to do business as recorded by Doing Business since 2005.
Source: Doing Business database.

TABLE 1.5 Good practices around the world, by *Doing Business* topic

Topic	Practice	Economies[a]	Examples
Making it easy to start a business	Putting procedures online	109	Azerbaijan; Chile; Costa Rica; Hong Kong SAR, China; FYR Macedonia; New Zealand; Peru; Singapore
	Having no minimum capital requirement	99	Cape Verde; Greece; Kazakhstan; Kenya; Kosovo; Lithuania; Mexico; Mongolia; Morocco; Netherlands; Serbia; United Kingdom; West Bank and Gaza
	Having a one-stop shop	96	Bahrain; Benin; Burkina Faso; Burundi; Côte d'Ivoire; Georgia; Guatemala; Republic of Korea; Kosovo; Peru; Vietnam
Making it easy to deal with construction permits	Having comprehensive building rules	140	Azerbaijan; Comoros; France; Taiwan, China
	Using risk-based building approvals	87	Belize; Estonia; Indonesia; Namibia
	Having a one-stop shop	36	Burundi; Guatemala; Malaysia; Montenegro
Making it easy to obtain an electricity connection	Streamlining approval processes (utility obtains excavation permit or right of way if required)	107[b]	Armenia; Austria; Cambodia; China; Kuwait; Malaysia; Panama
	Providing transparent connection costs and processes	103[c]	France; Germany; Ireland; Netherlands; Trinidad and Tobago
	Reducing the financial burden of security deposits for new connections	98	Argentina; Austria; Brazil; Kyrgyz Republic; Latvia; Mozambique; Nepal; Russian Federation
	Ensuring the safety of internal wiring by regulating the electrical profession rather than the connection process	41	Denmark; Germany; Iceland; Japan; San Marino
Making it easy to register property	Using an electronic database for encumbrances	116	Chile; Denmark; Jamaica; Republic of Korea; Sweden
	Offering cadastre information online	51	Colombia; Finland; Malaysia; South Africa; United Kingdom
	Offering expedited procedures	18	Kazakhstan; Mongolia; Nicaragua; Portugal; Romania
	Setting fixed transfer fees	10	Georgia; New Zealand; Russian Federation; Rwanda; Slovak Republic
Making it easy to get credit	*Legal rights*		
	Allowing out-of-court enforcement	124	Australia; Guatemala; India; Peru; Russian Federation; Serbia; Sri Lanka
	Allowing a general description of collateral	92	Cambodia; Canada; Nigeria; Puerto Rico (U.S.); Romania; Rwanda; Singapore
	Maintaining a unified registry	65	Afghanistan; Bosnia and Herzegovina; Ghana; Honduras; Montenegro; New Zealand; Romania
	Credit information		
	Distributing data on loans below 1% of income per capita	128	Brazil; Bulgaria; Germany; Kenya; Malaysia; Sri Lanka; Tunisia
	Distributing both positive and negative credit information	109	China; Croatia; India; Italy; Jordan; Panama; South Africa
	Distributing credit information from retailers or utilities as well as financial institutions	57	Fiji; Lithuania; Nicaragua; Rwanda; Saudi Arabia; Spain
Protecting investors	Allowing rescission of prejudicial related-party transactions[d]	74	Brazil; Ghana; Iceland; India; Mauritius; Rwanda
	Regulating approval of related-party transactions	62	Belarus; Bulgaria; France; Thailand; United Kingdom
	Requiring detailed disclosure	52	Hong Kong SAR, China; New Zealand; Singapore; United Arab Emirates; Vietnam
	Allowing access to all corporate documents during the trial	47	Chile; Ireland; Israel; Slovak Republic; Tanzania
	Requiring external review of related-party transactions	43	Australia; Arab Republic of Egypt; Sweden; Turkey; Zimbabwe
	Allowing access to all corporate documents *before* the trial	31	Greece; Indonesia; Japan; South Africa; Timor-Leste
	Defining clear duties for directors	30	Colombia; Kuwait; Malaysia; Mexico; Slovenia; United States
Making it easy to pay taxes	Allowing self-assessment	160	Argentina; Canada; China; Rwanda; Sri Lanka; Turkey
	Allowing electronic filing and payment	76	Australia; Colombia; India; Lithuania; Malta; Mauritius; Tunisia
	Having one tax per tax base	55	FYR Macedonia; Namibia; Paraguay; United Kingdom
Making it easy to trade across borders	Allowing electronic submission and processing	151[e]	Greece; Lao PDR; South Africa; Uruguay
	Using risk-based inspections[f]	134	Botswana; Georgia; Mauritania; United States
	Providing a single window[f]	73[g]	Azerbaijan; Colombia; Mexico; Mozambique
Making it easy to enforce contracts	Maintaining specialized commercial court, division or judge	90	Canada; Côte d'Ivoire; Hungary; Luxembourg; Mauritius; Togo
	Allowing electronic filing of complaints	17	Austria; Israel; Malaysia; United Arab Emirates; United States
Making it easy to resolve insolvency	Requiring professional or academic qualifications for insolvency administrators by law	110	The Bahamas; Belarus; Colombia; Namibia; Poland; United Kingdom
	Allowing creditors' committees a say in insolvency proceeding decisions	109	Australia; Bulgaria; Philippines; United States; Uzbekistan
	Specifying time limits for the majority of insolvency procedures	97	Albania; Italy; Japan; Republic of Korea; Lesotho; Ukraine
	Providing a legal framework for out-of-court workouts	84	Argentina; Hong Kong SAR, China; Latvia; Philippines; Romania

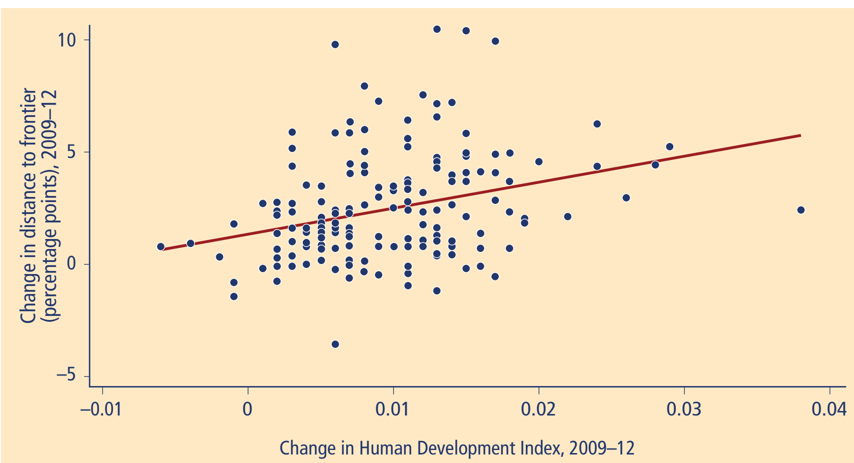
a. Among 189 economies surveyed, unless otherwise specified.
b. Among 154 economies surveyed.
c. Based on data from *Doing Business 2013*.
d. Rescission is the right of parties involved in a contract to return to a state identical to that before they entered into the agreement.
e. Forty-four have a full electronic data interchange system, 107 a partial one.
f. Among 181 economies surveyed.
g. Eighteen have a single-window system that links all relevant government agencies, 55 a system that does so partially.
Source: Doing Business database.

FIGURE 1.13 Improvements in *Doing Business* indicators are positively correlated with improvements in institutional and governance measures



Note: For years before 2009 the distance to frontier data exclude the getting electricity indicators because data for these indicators are not available. The correlation between the change in the distance to frontier and the change in the Corruption Perceptions Index is 0.36. The correlation between the change in the distance to frontier and the change in the CPIA average rating is 0.23. Both relationships are significant at the 5% level after controlling for income per capita. The CPIA data refer to 77 economies covered in 2005.
Source: Doing Business database; Transparency International data; World Bank data.

FIGURE 1.14 Economies making it easier to do business are also improving human development, including education and health



Note: The correlation between the change in the distance to frontier and the change in the Human Development Index is 0.31. The relationship is significant at the 1% level after controlling for income per capita.
Source: Doing Business database; United Nations Development Programme data.

lessons to be learned from the experiences of others.

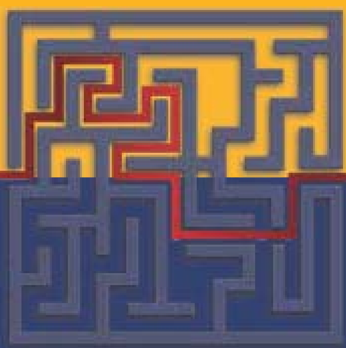
The kind of data delivered by *Doing Business* over the years has sustained the interest of policy makers. One reason is that implementing coherent economic policies in the face of a rapidly changing global economy and an uncertain economic outlook is a great challenge. Many of the factors shaping the environment in which economic policies are formulated lie well outside the control of most policy makers, especially those in the developing world; global interest rates, the international prices of primary commodities, the quality of macroeconomic management in the larger economies, are all examples that come to mind. But the rules and regulations that governments choose to put in place to underpin private sector activity are largely homemade. Whether the rules are sensible or excessively burdensome, whether they create perverse incentives or help establish a level playing field, whether they safeguard transparency and encourage adequate competition—all this is largely within the control of governments. As governments over the past decade have increasingly understood the importance of business regulation as a driving force of competitiveness, they have turned to *Doing Business* as a repository of actionable data providing useful insights into good practices worldwide (table 1.5).

NOTES

1. See http://wbl.worldbank.org for more information about the *Women, Business and the Law* project.
2. Formalities include procedures in starting a business, dealing with construction permits, getting electricity, registering property and enforcing contracts; documents in trading across borders; and payments in paying taxes. The reduction is the difference between the total number captured in *Doing Business 2013* and that captured in *Doing Business 2014*, across all economies covered by *Doing Business*.
3. The total number of firms registered exceeds 3.1 million, but because *Doing Business* focuses only on limited liability companies a subset of firms was chosen here.
4. The share of economies with 1 or more regulatory reforms of any type might not be the same as the sum of the share of economies with at least 1 reform to strengthen legal institutions and the share with at least 1 reform to reduce the complexity and cost of regulatory processes (see figure 1.6) because economies can have reforms of both types.

5. Dollar, Kleineberg and Kraay 2013.
6. These are reforms for which *Doing Business* is aware that information provided by the *Doing Business* report was used in shaping the reform agenda.
7. One of the 16 questions in the CPIA uses *Doing Business* indicators as guideposts.
8. The correlation between the change in the distance to frontier and the change in the health component of the Human Development Index is 0.28. The correlation between the change in the distance to frontier and the change in the schooling component of the Human Development Index is 0.16. Both relationships are significant at the 1% level after controlling for income per capita.

About *Doing Business*: measuring for impact



- The choice of indicators for *Doing Business* has been guided by economic research and firm-level data.
- *Doing Business* captures several important dimensions of the regulatory environment as it applies to local firms.
- In constructing the indicators *Doing Business* uses 2 types of data—data that come from readings of laws and regulations and data that measure the complexity and cost of regulatory processes.
- The indicators are developed around standardized case scenarios with specific assumptions. One such assumption is the location of a business in the largest business city of the economy.
- The objective of *Doing Business*: regulations designed to be efficient, accessible to all who use them and simple in their implementation.
- Over the past 11 years more than 25,000 professionals in 189 economies have assisted in providing the data that inform the *Doing Business* indicators.

Sound business regulations are important for a thriving private sector—and a thriving private sector is important for overall development. In the developing world the private sector is the largest employer, providing an estimated 90% of jobs.[1] Having the right business regulations and related institutions is therefore essential for the health of an economy.[2]

This is the 11th *Doing Business* report. Before the first report was produced, in 2003, few measures of business regulations existed, and even fewer that were globally comparable. Earlier efforts from the 1980s and 1990s drew on perceptions data. These expert or business surveys focused on broad aspects of the business environment and often captured the experiences of businesses. These surveys often lacked the specificity and cross-country comparability that *Doing Business* provides—by focusing on well-defined transactions, laws and institutions rather than generic, perceptions-based questions on the business environment.

Doing Business measures business regulations for local firms. The project focuses on small and medium-size companies operating in the largest business city of an economy. Based on standardized case studies, it presents quantitative indicators on the regulations that apply to firms at different stages of their life cycle. The results for each economy can be benchmarked to those for 188 other economies and over time.

De jure rules, such as those that are the focus of *Doing Business*, can be measured in a standardized way and are directly amenable to policy reforms. But these measures may not reflect the de facto experiences of firms. Data collected through firm-level surveys can better measure actual experiences. Over the years the choice of indicators for *Doing Business* has therefore been guided by economic research and firm-level data, in particular from the World Bank Enterprise Surveys. These surveys provide data highlighting the main obstacles to business activity as reported by entrepreneurs in more than 120 economies. Among the factors that the surveys have identified as important to businesses have been access to finance and electricity—inspiring the design of the *Doing Business* indicators on getting credit and getting electricity.

The design of the *Doing Business* indicators has also drawn on theoretical insights gleaned from extensive research literature. One early inspiration was a background paper for the World Bank's *World Development Report 2002: Building Institutions for Markets*, which created an index measuring the efficiency of judicial systems.[3] This paper contributed to a new stream of research literature in law and economics. The background papers developing the methodology for each of the *Doing Business* indicator sets are part of this research stream.[4] These papers established the importance of the rules and regulations that *Doing Business* measures for such economic outcomes as trade volumes, foreign direct investment, market capitalization in stock exchanges and private credit as a percentage of GDP.

Rules and regulations are under the direct control of policy makers—and policy makers intending to change the set of incentives under which businesses operate will often start by changing rules and regulations that have an impact on firm behavior. *Doing Business* goes beyond identifying an existing problem in the regulatory framework and points to specific regulations or regulatory procedures that may lend themselves to regulatory reform. And its quantitative measures of business regulations enable research on how specific regulations affect firm behavior and economic outcomes.

The first *Doing Business* report covered 5 topics and 133 economies. This year's report covers 11 topics and 189 economies. Ten topics are included in both the aggregate ranking on the ease of doing business and the distance to frontier measure.[5] The *Doing Business* methodology makes it possible to update the indicators in a relatively inexpensive and replicable way.

The project has benefited from feedback from governments, academics, practitioners and independent reviewers—most recently an independent panel appointed by the president of the World Bank Group. The panel's recommendations came too late for significant changes to this year's report, but the project will explore options for improvement in coming editions. To this end, operational oversight for the project will be moved to the Development Economics Vice Presidency of the World Bank Group, to strengthen synergies between *Doing Business* and other World Bank Group flagship reports. The initial goal remains: to provide an objective basis for understanding and improving the regulatory environment for business.

WHAT *DOING BUSINESS* COVERS

Doing Business captures several important dimensions of the regulatory environment as it applies to local firms. It provides quantitative measures of regulations for starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. *Doing Business* also measures regulations on employing workers.

This year's report does not present rankings of economies on the employing workers indicators or include the topic in the aggregate ranking on the ease of doing business. It does present the data on the employing workers indicators. Additional data on labor regulations collected in 189 economies are available on the *Doing Business* website.[6]

An emphasis on smart regulations

Doing Business is not about eliminating the role of the state from private sector development. On the contrary, *Doing Business* recognizes that the state has a fundamental role in private sector development. A key premise of *Doing Business* is that economic activity requires good rules. These include rules that establish and clarify property rights, reduce the cost of resolving disputes, increase the predictability of economic interactions and provide contractual partners with core protections against abuse. The objective is to have regulations designed to be efficient, accessible to all who use them and simple in their implementation.

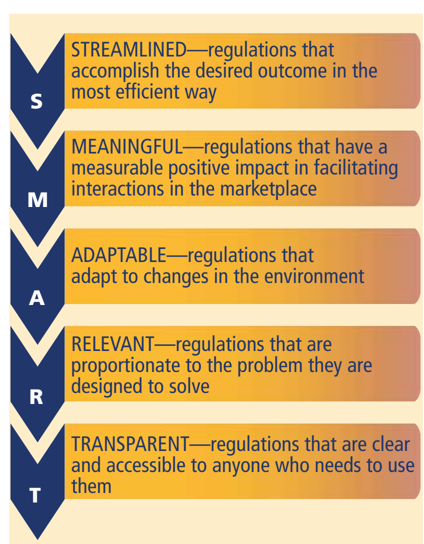
Accordingly, some *Doing Business* indicators give a higher score for better and more developed regulation, as the protecting investors indicators do for stricter disclosure requirements for related-party transactions. Other indicators, such as those on dealing with construction permits, automatically assign the lowest score to economies that have no regulations in the area measured or do not apply their regulations (considered "no practice" economies), penalizing them for lacking appropriate regulation. Still others give a higher score for a simplified way of applying regulation with lower compliance costs for firms—as the starting a business indicators do, for example, if firms can comply with business start-up formalities in a one-stop shop or through a single online filing portal. And finally, some indicators recognize economies that apply a risk-based approach to regulation as a way to address environmental and social concerns—that is, by imposing greater regulatory requirements on activities that pose a higher risk to the population and lesser regulatory requirements on lower-risk activities.

Among the 30 economies ranking highest on the ease of doing business, a substantial number—Canada, Denmark, Germany, Japan, the Republic of Korea, New Zealand, Norway, Sweden—come from a tradition of the government having quite a prominent presence in the economy, including through setting out rules to regulate different aspects of private sector activity. Yet all these economies perform well not only on the *Doing Business* indicators but also in other international data sets capturing dimensions of competitiveness. The economies performing best in the *Doing Business* rankings therefore are not those with no regulation but those whose governments have managed to create rules that facilitate interactions in the marketplace without needlessly hindering the development of the private sector. Ultimately, *Doing Business* is about smart regulations, and these can be provided only by a well-functioning state (figure 2.1).

Two types of data

In constructing the indicators the *Doing Business* project uses 2 types of data. The first comes from readings of laws and regulations in each economy. The *Doing Business* team, in collaboration with local expert respondents, examines the company law to find, for example, the disclosure requirements for related-party transactions. It reads the civil law to find the number of procedures necessary to resolve a commercial sale dispute through local courts. It reviews the labor code to find data on a range of issues concerning employer-employee relations. And it plumbs other legal instruments for other key pieces of data used in the indicators, several of which have a large legal dimension. Indeed, about three-quarters of the

FIGURE 2.1 How does *Doing Business* define SMART business regulations?



data used in *Doing Business* are of this type and are easily verifiable against the law. The local expert respondents play a vital role in corroborating the *Doing Business* team's understanding and interpretation of rules and laws.

Data of the second type serve as inputs into indicators on the complexity and cost of regulatory processes. These indicators measure the efficiency in achieving a regulatory goal, such as the number of procedures to obtain a building permit or the time taken to grant legal identity to a business. In this group of indicators cost estimates are recorded from official fee schedules where applicable. Time estimates often involve an element of judgment by respondents who routinely administer the relevant regulations or undertake the relevant transactions. To construct the time indicators, a regulatory process such as starting a business is broken down into clearly defined steps and procedures (for more details, see the discussion on methodology in this chapter). In constructing the starting a business indicators *Doing Business* builds on Hernando de Soto's pioneering work in applying the time-and-motion approach in the 1980s to show the obstacles to setting up a garment factory on the outskirts of Lima.[7]

In developing the data of this second type, the *Doing Business* team conducts several rounds of interaction with the expert respondents—through conference calls, written correspondence and visits by the team—until there is convergence on the final answer.[8] For data of the first type, because they are based on the law, there is less need for convergence and for a larger sample of experts to ensure accuracy.

WHAT *DOING BUSINESS* DOES NOT COVER

The *Doing Business* data have key limitations that should be kept in mind by those who use them.

Limited in scope

The *Doing Business* indicators are limited in scope. In particular:

- *Doing Business* does not measure the full range of factors, policies and institutions that affect the quality of the business environment in an economy or its national competitiveness. It does not, for example, capture aspects of security, the prevalence of bribery and corruption, market size, macroeconomic stability (including whether the government manages its public finances in a sustainable way), the state of the financial system, the state of the rental or resale property market or the level of training and skills of the labor force.
- Even within the relatively small set of indicators included in *Doing Business*, the focus is deliberately narrow. The getting electricity indicators, for example, capture the procedures, time and cost involved for a business to obtain a permanent electricity connection to supply a standardized warehouse, but they do not attempt to measure the reliability of the electricity supply itself. Through these indicators *Doing Business* thus provides a narrow perspective on the range of infrastructure challenges that firms face, particularly in the developing world. It does not address the extent to which inadequate roads, rail, ports and communications may add to firms' costs and undermine competitiveness (except to the extent that the quality of ports and roads is measured through the trading across borders indicators). *Doing Business* covers 11 areas of a company's life cycle, through 11 specific sets of indicators (table 2.1). Similar to the indicators on getting electricity, those on starting a business or protecting investors do not cover all aspects of commercial legislation. And those on employing workers do not cover all areas of labor regulation; for example, they do not measure regulations addressing health and safety issues at work or the right of collective bargaining.
- *Doing Business* does not attempt to measure all costs and benefits of a particular law or regulation to society as a whole. The paying taxes indicators, for example, measure the total tax rate, which in isolation is a cost to businesses. The indicators do not measure, nor are they intended to measure, the benefits of the social and economic programs funded through tax revenues. Measuring business laws and regulations provides one input into the debate on the regulatory burden associated with achieving regulatory objectives. Those objectives can differ across economies. *Doing Business* provides a starting point for this discussion.

Limited to standardized case scenarios

A key consideration for the *Doing Business* indicators is that they should ensure

TABLE 2.1 *Doing Business*—benchmarking 11 areas of business regulation

Complexity and cost of regulatory processes	
Starting a business	Procedures, time, cost and paid-in minimum capital requirement
Dealing with construction permits	Procedures, time and cost
Getting electricity	Procedures, time and cost
Registering property	Procedures, time and cost
Paying taxes	Payments, time and total tax rate
Trading across borders	Documents, time and cost
Strength of legal institutions	
Getting credit	Movable collateral laws and credit information systems
Protecting investors	Disclosure and liability in related-party transactions
Enforcing contracts	Procedures, time and cost to resolve a commercial dispute
Resolving insolvency	Time, cost, outcome and recovery rate
Employing workers	Flexibility in the regulation of employment

Note: The employing workers indicators are not included in this year's ranking on the ease of doing business nor in the calculation of distance to frontier or any data on the strength of legal institutions included in figures in the report.

comparability of the data across a global set of economies. The indicators are therefore developed around standardized case scenarios with specific assumptions. One such assumption is the location of a notional business—the subject of the *Doing Business* case study—in the largest business city of the economy. The reality is that business regulations and their enforcement very often differ within a country, particularly in federal states and large economies. But gathering data for every relevant jurisdiction in each of the 189 economies covered by *Doing Business* would be far too costly.

Doing Business recognizes the limitations of the standardized case scenarios and assumptions. But while such assumptions come at the expense of generality, they also help ensure the comparability of data. For this reason it is common to see limiting assumptions of this kind in economic indicators. Inflation statistics, for example, are often based on prices of a set of consumer goods in a few urban areas, since collecting nationally representative price data at high frequencies would be prohibitively costly in many countries. To capture regional variation in the business environment within economies, *Doing Business* has complemented its global indicators with subnational studies in some economies where resources and interest have come together (box 2.1).

Some *Doing Business* topics include complex areas, and so it is important that the standardized cases are carefully defined. For example, the standardized case scenario usually involves a limited liability company or its legal equivalent. The considerations in defining this assumption are twofold. First, private limited liability companies are, empirically, the most prevalent business form for firms with more than one owner in many economies around the world. Second, this choice reflects the focus of *Doing Business* on expanding opportunities for entrepreneurship: investors are encouraged to venture into business when potential losses are limited to their capital participation.

Limited to the formal sector

The *Doing Business* indicators assume that entrepreneurs have knowledge of and comply with applicable regulations.

BOX 2.1 Comparing regulations at the local level: *Subnational Doing Business*

Subnational Doing Business expands the *Doing Business* analysis beyond the largest business city of an economy. It captures differences in regulations or in the implementation of national laws across locations within an economy (as in India) or a region (as in South East Europe). Projects are undertaken at the request of governments.

Subnational Doing Business produces disaggregated data on business regulations in locations where information has been nonexistent or where national data are insufficient to fully assess the regulatory environment. But it is more than a data collection exercise. *Subnational Doing Business* has proved to be a strong motivator for regulatory reform:

- *Subnational Doing Business* involves multiple interactions with government partners at national, regional and municipal levels, resulting in local ownership and capacity building.
- The data produced are comparable across locations within the economy and internationally, enabling locations to benchmark their results both locally and globally. Comparisons of locations that are within the same economy and therefore share the same legal and regulatory framework can be revealing: local officials find it hard to explain why doing business is more difficult in their jurisdiction than in a neighboring one.
- Pointing out good practices that exist in some locations but not others in an economy helps policy makers recognize the potential for achieving a regulatory performance far better than that suggested by the ranking captured in the global *Doing Business* report. This can prompt discussions of regulatory reform across different levels of government, providing opportunities for local governments and agencies to learn from one another.
- *Subnational Doing Business* indicators are actionable, because most of the areas measured are within governments' mandate. In addition, the reports provide policy recommendations and examples of good practice that are easy to replicate because of the shared legal traditions and institutions.

Since 2005 subnational reports have covered 355 cities in 55 economies, including Brazil, China, India, Kenya, Morocco, Pakistan and the Philippines.[a] This year subnational studies were completed in Colombia and Italy, and a report covering one data set was produced for Hargeisa (Somaliland). Studies are ongoing in 15 cities and 3 ports in the Arab Republic of Egypt, in 31 states and the Federal District in Mexico and in 36 states and the Federal Capital Territory in Nigeria. In addition, 2 regional reports were published this year:

- *Doing Business in the g7+*, comparing business regulations in economies of the g7+ group—Afghanistan, Burundi, the Central African Republic, Chad, the Comoros, the Democratic Republic of Congo, Côte d'Ivoire, Guinea, Guinea-Bissau, Haiti, Liberia, Papua New Guinea, Sierra Leone, the Solomon Islands, South Sudan, Timor-Leste and Togo.[b] The g7+ group is a country-owned and country-led global mechanism established in April 2010 to monitor, report and draw attention to the unique challenges faced by fragile states.
- *Doing Business in the East African Community*, covering Burundi, Kenya, Rwanda, Tanzania and Uganda.

a. Subnational reports are available on the *Doing Business* website at http://www.doingbusiness.org/subnational.
b. *Doing Business* does not collect data for Somalia, also a member of the g7+ group.

In practice, entrepreneurs may not know what needs to be done or how to comply, and may lose considerable time in trying to find out. Or they may deliberately avoid compliance altogether—by not registering for social security, for example. Where regulation is particularly onerous, levels of informality tend to be higher.[9] Compared with their formal sector counterparts, firms in the informal sector typically grow more slowly, have poorer access to credit and employ fewer workers—and these workers remain outside the protections of labor law.[10] Firms in the informal sector are also less likely to pay taxes.

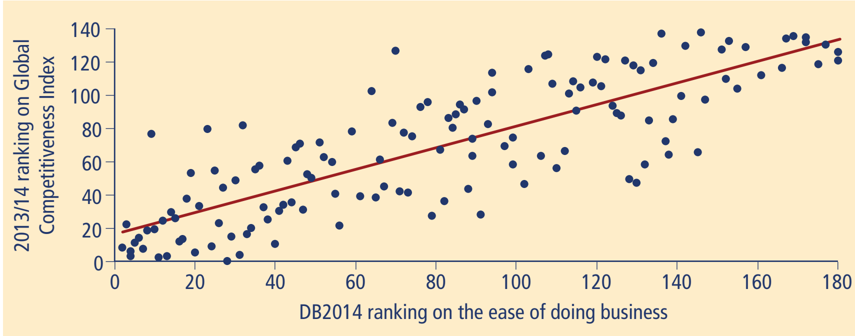
Doing Business measures one set of factors that help explain the occurrence of informality and give policy makers insights into potential areas of regulatory reform. Gaining a fuller understanding of the broader business environment, and a broader perspective on policy challenges, requires combining insights from *Doing Business* with data from other sources, such as the World Bank Enterprise Surveys.[11]

WHY THIS FOCUS?

Why does *Doing Business* focus on the regulatory environment for small and medium-size enterprises? These enterprises are key drivers of competition, growth and job creation, particularly in developing economies. But in these economies up to 65% of output is produced in the informal sector, often because of excessive bureaucracy and regulation—and in the informal sector firms lack access to the opportunities and protections that the law provides. Even firms operating in the formal sector might not all have equal access to these opportunities and protections.

Where regulation is burdensome and competition limited, success tends to depend on whom one knows. But where regulation is transparent, efficient and implemented in a simple way, it becomes easier for aspiring entrepreneurs to compete on an equal footing and to innovate and expand. In this sense *Doing Business* values good rules as a key to social inclusion. Enabling growth—and ensuring that all people, regardless of income level, can participate in its benefits—requires an environment where new entrants with drive and good ideas can get started in business and where good firms can invest and grow, thereby creating more jobs.

FIGURE 2.2 A strong correlation between *Doing Business* rankings and World Economic Forum rankings on global competitiveness



Note: Relationships are significant at the 1% level after controlling for income per capita.
Source: Doing Business database; WEF 2013.

Doing Business functions as a barometer of the regulatory environment for domestic businesses. To use a medical analogy, *Doing Business* is similar to a cholesterol test. A cholesterol test does not tell us everything about our health. But our cholesterol level is easier to measure than our overall health, and the test provides us with important information, warning us when we need to adjust our behavior. Similarly, *Doing Business* does not tell us everything we need to know about the regulatory environment for domestic businesses. But its indicators cover aspects that are more easily measured than the entire regulatory environment, and they provide important information about where change is needed.

To test whether *Doing Business* serves as a proxy for the broader business environment and for competitiveness, one approach is to look at correlations between the *Doing Business* rankings and other major economic benchmarks. Closest to *Doing Business* in what it measures is the set of indicators on product market regulation compiled by the Organisation for Economic Co-operation and Development (OECD). These indicators are designed to help assess the extent to which the regulatory environment promotes or inhibits competition. They include measures of the extent of price controls, the licensing and permit system, the degree of simplification of rules and procedures, the administrative burdens and legal and regulatory barriers, the prevalence of discriminatory procedures and the degree of government control over business enterprises.[12] These indicators—for the 39 countries that are covered, several of them large emerging markets—are correlated with the *Doing Business* rankings (the correlation here is 0.49).

There is a high correlation (0.84) between the *Doing Business* rankings and the rankings on the World Economic Forum's Global Competitiveness Index, a much broader measure capturing such factors as macroeconomic stability, aspects of human capital, the soundness of public institutions and the sophistication of the business community (figure 2.2).[13] For several of these factors the Global Competitiveness Index uses data collected by other organizations. For others it uses primary data, collected through surveys of the business community's perceptions of the business environment.[14] Self-reported experiences with business regulations, such as those captured by the Global Competitiveness Index, often vary much more within economies (across respondents in the same economy) than across economies, suggesting that different firms experience the same regulatory environment in very different ways.[15]

DOING BUSINESS AS A BENCHMARKING EXERCISE

By capturing key dimensions of regulatory regimes, *Doing Business* provides a rich opportunity for benchmarking. Such a benchmarking exercise is necessarily incomplete, just as the *Doing Business* data are limited in scope. It is useful when it aids judgment, but not when it supplants judgment.

Since 2006 *Doing Business* has sought to provide 2 perspectives on the data that it collects: it presents "absolute" indicators for each economy for 10 of the 11 regulatory topics that it addresses, and it provides rankings of economies for these 10 topics, by topic and also in the aggregate. Judgment is required in interpreting these measures for any economy and in determining an economically sensible and politically feasible path for regulatory reform.

Reviewing the *Doing Business* rankings in isolation may reveal unexpected results. Some economies may rank unexpectedly high on some topics. And some economies that have had rapid growth or attracted a great deal of investment may rank lower than others that appear to be less dynamic. As economies develop, they may add to or improve on regulations that protect investor and property rights. Many also tend to streamline existing regulations and prune outdated ones. One finding of *Doing Business* is that dynamic and growing economies continually reform and update their business regulations and the implementation of those regulations, while many poor economies still work with regulatory systems dating to the late 1800s.

For reform-minded governments, how much the regulatory environment for local entrepreneurs improves in an absolute sense matters far more than their economy's ranking relative to other economies. To aid in assessing the absolute level of regulatory performance and how it improves over time, this year's report again presents the distance to frontier measure. This measure shows the distance of each economy to the "frontier," which represents the highest performance observed on each of the indicators across all economies included in *Doing Business* since 2003.

At any point in time the distance to frontier measure shows how far an economy is from the highest performance. And comparing an economy's score at 2 points in time allows users to assess the absolute change over time in the economy's regulatory environment as measured by *Doing Business*, rather than simply the change in the economy's performance relative to others. In this way the distance to frontier measure complements the yearly ease of doing business ranking, which compares economies with one another at a point in time.

Doing Business uses a simple averaging approach for weighting component indicators and calculating rankings and the distance to frontier measure. Other approaches were explored, including using principal components and unobserved components.[16] They turn out to yield results nearly identical to those of simple averaging. In the absence of a strong theoretical framework that assigns different weights to the topics covered for the 189 economies by *Doing Business*, the simplest method is used: weighting all topics equally and, within each topic, giving equal weight to each of the topic components.[17]

Each topic covered by *Doing Business* relates to a different aspect of the business regulatory environment. The rankings of each economy vary, often substantially, across topics, indicating that strong performance by an economy in one area of regulation can coexist with weak performance in another. A quick way to assess the variability of an economy's regulatory performance across the different areas is to look at the topic rankings (see the country tables). Guatemala, for example, stands at 79 in the overall ease of doing business ranking. Its ranking is 13 on the ease of getting credit, 23 on the ease of registering property and 34 on the ease of getting electricity. At the same time, it has a ranking of 116 on the ease of trading across borders, 145 on the ease of starting a business and 157 on the strength of investor protections (see figure 1.3 in the overview).

HOW GOVERNMENTS USE *DOING BUSINESS*

Doing Business offers policy makers a benchmarking tool useful in stimulating policy debate, both by exposing potential challenges and by identifying good practices and lessons learned. Despite the narrow focus of the indicators, the initial debate in an economy on the results they highlight typically turns into a deeper discussion on their relevance to the economy and on areas where business regulatory reform is needed, including areas well beyond those measured by *Doing Business*.

Part of a broad approach to policy reform

Many of the *Doing Business* indicators can be considered "actionable." For example, governments have direct control over the minimum capital requirement for new firms. They can invest in company and property registries to increase the efficiency of these public agencies. They can improve the efficiency of tax administration by adopting the latest technologies to facilitate the preparation, filing and payment of taxes by the business community. And they can undertake court reforms to shorten delays in the enforcement of contracts. But some *Doing Business* indicators capture procedures, time and costs that involve private sector participants, such as lawyers, notaries, architects, electricians or freight forwarders. Governments may have little influence in the short run over the fees these professions charge, though much can be achieved by strengthening professional licensing regimes and preventing anticompetitive behavior. And governments have no control over the geographic location of their economy, a factor that can adversely affect businesses.

While *Doing Business* indicators are actionable, this does not necessarily mean that they are all "action-worthy" in a particular context. Business regulatory reforms are one element of a strategy aimed at improving competitiveness and establishing a solid foundation for sustainable economic growth. There are many other important goals to pursue—such as effective management of public finances, adequate attention to education and training, adoption of the latest technologies to boost economic productivity and the quality of public services, and appropriate regard for air and water quality to safeguard people's health. Governments have to decide what set of priorities best fits the needs they face. To say that governments should work toward a sensible set of rules for private sector activity (as embodied, for example, in the *Doing Business* indicators) does not suggest that doing so should come at the expense of other worthy policy goals.

There is no evidence that *Doing Business* reforms are crowding out reforms in other areas, such as in fiscal policy or in health and education. Indeed, governments are increasingly recognizing that improving competitiveness and creating a better climate for private sector activity requires actions across a broad front, addressing factors and policies that extend well beyond those captured by the *Doing Business* indicators.

Over several years of engaging with authorities in a large number of economies, the *Doing Business* team has never seen a case where the binding constraint to, say, improvements in tax administration or contract enforcement was the feverish pace of reforms in other policy areas. Increasingly, the opposite seems to be the case, with governments recognizing the synergies of multifaceted reforms across a broad range of areas. Moreover, because the areas measured by *Doing Business* indicators encompass many government departments—typically including the ministries of justice, commerce, industry, finance, trade and energy, to name just a few—the administrative burden of regulatory reforms is more equitably shared.

Another factor has also helped sustain the interest of policy makers in the *Doing Business* data. Implementing coherent economic policies in the face of a rapidly changing global economy and an uncertain economic outlook is a great challenge. Many of the factors shaping the environment in which economic policies are formulated lie well outside the control of most policy makers, especially those in the developing world. But the rules and regulations that governments put in place to underpin private sector activity are largely homemade. Whether these rules are sensible or excessively burdensome, whether they create perverse incentives or help establish a level playing field, whether they safeguard transparency and encourage adequate competition—all this is largely within the control of governments.

Insights into good practices

As governments over the past decade have increasingly understood the importance of business regulation as a driving force of competitiveness, they have turned to *Doing Business* as a repository of actionable, objective data providing unique insights into good practices worldwide. Reform-minded governments seeking success stories in business regulation find examples in *Doing Business* (box 2.2). Saudi Arabia, for example, used the company law of France as a model for revising its own law. Many African governments may look to Mauritius—the region's strongest performer on *Doing Business* indicators—as a source of good practices to inspire regulatory reforms in their own countries. Governments shared knowledge of business regulations before the *Doing Business* project began. But *Doing Business* made it easier by creating a common language comparing business regulations around the world.

Over the past decade governments worldwide have been actively improving the regulatory environment for domestic companies. Most reforms relating to *Doing Business* topics have been nested in broader reform programs aimed at enhancing economic competitiveness, as in Colombia, Kenya, Liberia and the Russian Federation. In structuring reform programs for the business environment, governments use multiple data sources and indicators. This recognizes the reality that the *Doing Business* data on their own provide an incomplete roadmap for successful business regulatory reforms.[18] It also reflects the need to respond to many stakeholders

BOX 2.2 How economies have used *Doing Business* in regulatory reform programs

To ensure the coordination of efforts across agencies, such economies as Brunei Darussalam, Colombia and Rwanda have formed regulatory reform committees, reporting directly to the president. These committees use the *Doing Business* indicators as one input to inform their programs for improving the business environment. More than 45 other economies have formed such committees at the interministerial level. In East and South Asia they include the Republic of Korea; Malaysia; the Philippines; Taiwan, China; and Vietnam. In the Middle East and North Africa: Morocco, Saudi Arabia and the United Arab Emirates. In Europe and Central Asia: Croatia, Georgia, Kazakhstan, Kosovo, the Kyrgyz Republic, the former Yugoslav Republic of Macedonia, Moldova, Montenegro, Poland, the Russian Federation, Tajikistan, Ukraine and Uzbekistan. In Sub-Saharan Africa: Botswana, Burundi, the Central African Republic, the Comoros, the Democratic Republic of Congo, the Republic of Congo, Côte d'Ivoire, Guinea, Kenya, Liberia, Malawi, Mali, Nigeria, Sierra Leone, Togo and Zambia. And in Latin America: Chile, Costa Rica, the Dominican Republic, Guatemala, Mexico, Panama and Peru.

Since 2003 governments have reported more than 530 regulatory reforms that have been informed by *Doing Business*.[a] Many economies share knowledge on the regulatory reform process related to the areas measured by *Doing Business*. Among the most common venues for this knowledge sharing are peer-to-peer learning events—workshops where officials from different governments across a region or even across the globe meet to discuss the challenges of regulatory reform and to share their experiences. In recent years such events have taken place in Panama and Colombia (for Latin America and the Caribbean), in South Africa (for Sub-Saharan Africa), in Georgia (for Europe and Central Asia), in Malaysia (for East Asia and the Pacific) and in Morocco (for the Middle East and North Africa).

a. These are reforms for which *Doing Business* is aware that information provided by the *Doing Business* report was used in shaping the reform agenda.

and interest groups, all of whom bring important issues and concerns to the reform debate.

When the World Bank Group engages with governments on the subject of improving the investment climate, the dialogue aims to encourage the critical use of the *Doing Business* data—to sharpen judgment and promote broad-based reforms that enhance the investment climate rather than a narrow focus on improving the *Doing Business* rankings. The World Bank Group uses a vast range of indicators and analytics in this policy dialogue, including its Global Poverty Monitoring Indicators, World Development Indicators, Logistics Performance Indicators and many others. The open data initiative has made data for many such indicators conveniently available to the public at http://data.worldbank.org.

METHODOLOGY AND DATA

The *Doing Business* data are based on domestic laws and regulations as well as administrative requirements. The data cover 189 economies—including small economies and some of the poorest economies, for which little or no data are available in other data sets. (For a detailed explanation of the *Doing Business* methodology, see the data notes.) *Doing Business* uses 4 main sources of information: *Doing Business* respondents, the relevant laws and regulations, the governments of the economies covered and the World Bank Group regional staff.

Doing Business respondents

Over the past 11 years more than 25,000 professionals in 189 economies have assisted in providing the data that inform the *Doing Business* indicators. This year's report draws on the inputs of more than 10,200 professionals.[19] Table 21.2 in the data notes lists the number of respondents for each indicator set. The *Doing Business* website shows the number of respondents for each economy and each indicator. Respondents are professionals who routinely administer or advise on the legal and regulatory requirements covered in each *Doing Business* topic. They are selected on the basis of their expertise in the specific areas covered by *Doing Business*. Because of the focus on legal and regulatory arrangements, most of the respondents are legal professionals such as lawyers, judges or notaries. The credit information questionnaire is completed by officials of the credit registry or bureau. Freight forwarders, accountants, architects, engineers and other professionals answer the questionnaires related to trading across borders, taxes and construction permits. Certain public officials (such as registrars from the commercial or property registry) also provide information that is incorporated into the indicators.

Doing Business does not survey firms for 2 main reasons. The first relates to the frequency with which firms engage in the transactions captured by the indicators, which is generally low. For example, a firm goes through the start-up process once in its existence, while an incorporation lawyer may carry out several dozen such transactions in a year. The incorporation lawyers and other experts providing information to *Doing Business* are therefore better able to assess the process of starting a business than are individual firms. The second reason is that the *Doing Business* questionnaires mostly gather legal information, which firms are unlikely to be fully familiar with. For example, few firms will know about all the many legal procedures involved in resolving a commercial dispute through the courts, even if they have gone through the process themselves. But a litigation lawyer would have no difficulty in identifying all the necessary steps.

The annual data collection exercise is an update of the database. The *Doing Business* team and the contributors examine the extent to which the regulatory framework has changed in ways relevant for the features captured by the indicators. The data collection process should therefore be seen as adding each year to an existing stock of knowledge reflected in the previous year's report, not as creating an entirely new data set. Here is an example: In *Doing Business 2012* and *Doing Business 2013* there were an average of 13 economies for which changes in legislation affected the scores embedded in the protecting investors indicators. For all other economies the protecting investors data remained unchanged.

Relevant laws and regulations

Most of the *Doing Business* indicators are based on laws and regulations. *Doing Business* respondents both fill out written questionnaires and provide references to the relevant laws, regulations and fee schedules, aiding data checking and quality assurance. Having representative samples of respondents is not an issue, as the texts of the relevant laws and regulations are collected and answers checked for accuracy. For example, the *Doing Business* team will examine the commercial code of Greece to confirm the paid-in minimum capital requirement, look at the banking law of Ghana to see whether borrowers have the right to access their data at the credit bureau and read the tax code of Guatemala to find applicable tax rates. Indeed, 72% of the data embedded in the *Doing Business* indicators are based on a reading of the law. In principle in these cases, as long as there are no issues of language, the role of the contributors is largely advisory—helping in the corroboration of the *Doing Business* team's understanding of the laws and regulations—and there are quickly diminishing returns to an expansion in their number.

For the other 28% of the data the team conducts extensive consultations with multiple contributors to minimize measurement error. For some indicators—for example, those on dealing with construction permits, enforcing contracts and resolving insolvency—the time component and part of the cost component (where fee schedules are lacking) are based on actual practice rather than the law on the books. This introduces a degree of judgment. The *Doing Business* approach has therefore been to work with legal practitioners or professionals who regularly undertake the transactions involved. Following the standard methodological approach for time-and-motion studies, *Doing Business* breaks down each process or transaction, such as starting a business or registering a building, into separate steps to ensure a better estimate of time. The time estimate for each step is given by practitioners with significant and routine experience in the transaction. When time estimates differ, further interactions with respondents are pursued to converge on one estimate or a narrow range that reflects the majority of applicable cases.

Governments and World Bank Group regional staff

After receiving the completed questionnaires from the *Doing Business* respondents, verifying the information against the law and conducting follow-up inquiries to ensure that all relevant information is captured, the *Doing Business* team shares the preliminary findings of the report with governments through the Board of Executive Directors and the regional staff of the World Bank Group (figure 2.3). Through this process government authorities and local World Bank Group staff in the 189 economies covered can alert the team about, for example, regulatory reforms not picked up by the respondents or additional achievements of regulatory reforms already captured in the database. In response to such feedback, the *Doing Business* team turns to the local private sector experts for further consultation and, as needed, corroboration. In addition, the team responds formally to the comments of governments or regional staff and provides explanations of the scoring decisions.

Improvements to the methodology

The methodology has undergone continual improvement over the years. For enforcing contracts, for example, the amount of the disputed claim in the case study was increased from 50% of income per capita to 200% after the first year of data collection, as it became clear that smaller claims were unlikely to go to court. Another change related to starting a business. The minimum capital requirement can be an obstacle for potential entrepreneurs. *Doing Business* measured the required minimum capital regardless of whether it had to be paid up front or not. In many economies only part of the minimum capital has to be paid up front. To reflect the relevant barrier to entry, the paid-in minimum capital has been used rather than the required minimum capital.

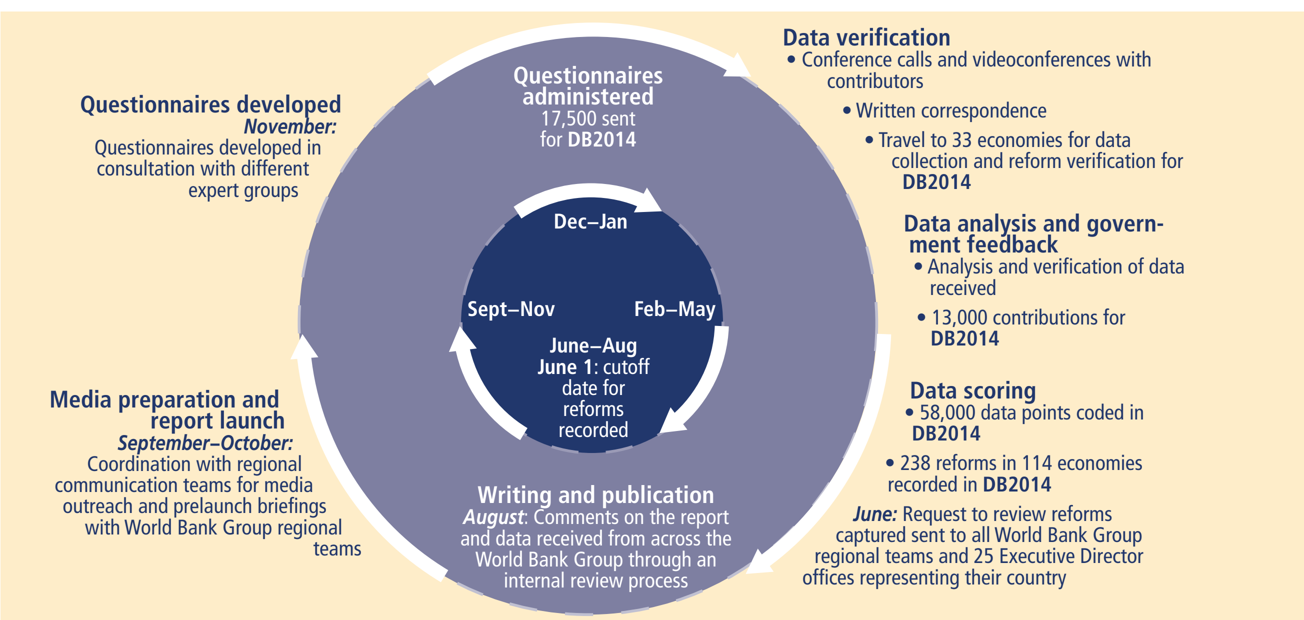
This year's report includes an update in the methodology for 2 indicator sets—paying taxes and trading across borders. For trading across borders, documents that are required purely for purposes of preferential treatment are no longer included in the list of documents (for example, a certificate of origin if the use is only to qualify for a preferential tariff rate under trade agreements). For paying taxes, the value of fuel taxes is no longer included in the total tax rate because of the difficulty of computing these small taxes. Fuel taxes continue to be counted in the number of payments.

In addition, the rule establishing that each procedure must take at least 1 day was removed for procedures that can be fully completed online in just a few hours. When the indicators were first developed in 2002, online procedures were not widespread globally. In the ensuing years there has been an impressive acceleration in the adoption by governments and the private sector of the latest information and communication technologies for the provision of various services. While at the time *Doing Business* did not see the need to create a separate rule to account for online procedures, the widespread use of the new technologies today suggests that such distinction is now justified and the *Doing Business* methodology was changed this year to reflect the practice. This change affects the time indicator for starting a business, dealing with construction permits and registering property.[20] For procedures that can be fully completed online, the duration is now set at half a day rather than a full day.

Data adjustments

All changes in methodology are explained in the data notes as well as on the *Doing Business* website. In addition, data time series for each indicator and economy are available on the website, beginning with the first year the indicator or economy was included in the report. To provide a comparable time series for research, the data set is back-calculated to adjust for changes in methodology, including those

FIGURE 2.3 The *Doing Business* data collection cycle



described in the previous section, and any revisions in data due to corrections. The data set is not back-calculated for year-to-year revisions in income per capita data (that is, when the income per capita data are revised by the original data sources, *Doing Business* does not update the cost measures for previous years). The website also makes available all original data sets used for background papers.

Information on data corrections is provided in the data notes and on the website. A transparent complaint procedure allows anyone to challenge the data. Over the past year the team received and responded to more than 140 queries on the data. These queries led to corrections of less than 8.5% of the data points. If errors are confirmed after a data verification process, they are expeditiously corrected.

NOTES

1. World Bank 2005; Stampini and others 2011.
2. See, for example, Alesina and others (2005); Perotti and Volpin (2005); Fisman and Sarria-Allende (2010); Antunes and Cavalcanti (2007); Barseghyan (2008); Klapper, Lewin and Quesada Delgado (2009); Freund and Bolaky (2008); Chang, Kaltani and Loayza (2009); Helpman, Melitz and Rubinstein (2008); Klapper, Laeven and Rajan (2006); World Bank (2005); and Ardagna and Lusardi (2010).
3. Djankov, La Porta and others 2001.
4. These papers include Djankov and others (2002); Djankov and Shleifer (2007); Djankov and others (2008); Djankov and Pham (2010); Djankov and others (2003); Djankov and others (2008); Botero and others (2004); and Djankov and others (2010).
5. For more details on how the aggregate ranking is created, see the chapter on the ease of doing business and distance to frontier.
6. http://www.doingbusiness.org.
7. De Soto 2000.
8. Questionnaires are administered annually to local experts in 189 economies to collect and update the data. The local experts for each economy are listed on the *Doing Business* website (http://www.doingbusiness.org) and in the acknowledgments at the end of this report.
9. Kaplan, Piedra and Seira 2011; Cuñat and Melitz 2007; Micco and Pagés 2006; Cardenas and Rozo 2009; Dulleck, Frijters and Winter-Ebmer 2006; Ciccone and Papaioannou 2007; Klapper, Lewin and Quesada Delgado 2009; Branstetter and others 2013; Bruhn 2011, 2013; Sharma 2009.
10. Schneider 2005; La Porta and Shleifer 2008.
11. http://www.enterprisesurveys.org.
12. OECD, "Indicators of Product Market Regulation," http://www.oecd.org/. The measures are aggregated into 3 broad families that capture state control, barriers to entrepreneurship and barriers to international trade and investment. The 39 countries included in the OECD market regulation indicators are Australia, Austria, Belgium, Brazil, Canada, Chile, China, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, India, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Russia, the Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.
13. The World Economic Forum's *Global Competitiveness Report* uses *Doing Business* data sets on starting a business, employing workers, protecting investors and getting credit (legal rights), representing 7 of a total of 113 different indicators (or 6.19%).
14. The World Economic Forum constructs much of the Global Competitiveness Index mainly from secondary data. For example, it uses macroeconomic data from the International Monetary Fund's World Economic Outlook database, penetration rates for various technologies from the International Telecommunication Union, school enrollment rates and public health indicators from the World Bank's World Development Indicators database and indicators from other such sources, including *Doing Business*. It also supplements the secondary data with some primary data, collected from relatively small-sample opinion surveys of enterprise managers (Executive Opinion Surveys), for components accounting for 64% of the indicators captured in the index. By contrast, the *Doing Business* indicators are based entirely on primary data.
15. Hallward-Driemeier, Khun-Jush and Pritchett (2010), analyzing data from World Bank Enterprise Surveys for Sub-Saharan Africa, show that de jure measures such as *Doing Business* indicators are virtually uncorrelated with ex post firm-level responses, providing evidence that deals rather than rules prevail in Africa. The authors find that the gap between de jure and de facto conditions grows with the formal regulatory burden. The evidence also shows that more burdensome processes open up more space for making deals and that firms may not incur the official costs of compliance but still pay to avoid them.
16. A technical note on the different aggregation and weighting methods is available on the *Doing Business* website (http://www.doingbusiness.org).
17. For more details, see the chapter on the ease of doing business and distance to frontier.
18. One study using *Doing Business* indicators illustrates the difficulties in using highly disaggregated indicators to identify reform priorities (Kraay and Tawara 2011).
19. While about 10,200 contributors provided data for this year's report, many of them completed a questionnaire for more than one *Doing Business* indicator set. Indeed, the total number of contributions received for this year's report is more than 13,000, which represents a true measure of the inputs received. The average number of contributions per indicator set and economy is just over 6. For more details, see http://www.doingbusiness.org/contributors/doing-business.
20. For getting electricity the rule that each procedure must take a minimum of 1 day still applies because in practice there are no cases in which procedures can be fully completed online in less than a day. For example, even though in some cases it is possible to apply for an electricity connection online, additional requirements mean that the process cannot be completed in less than 1 day.

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