

## Executive summary

Over the past year a record number of governments in Sub-Saharan Africa changed their economy's regulatory environment to make it easier for domestic firms to start up and operate. In a region where relatively little attention was paid to the regulatory environment only 8 years ago, regulatory reforms making it easier to do business were implemented in 36 of 46 economies between June 2010 and May 2011. That represents 78% of economies in the region, compared with an average of 56% over the previous 6 years (figure 1.1).

Worldwide, regulatory reforms aimed at streamlining such processes as starting a business, registering property or dealing with construction permits are still the most common. But more and more economies are focusing their reform efforts on strengthening legal institutions such as courts and insolvency regimes and enhancing legal protections of investors and property rights. This shift has been particularly pronounced in low- and lower-middle-income economies,

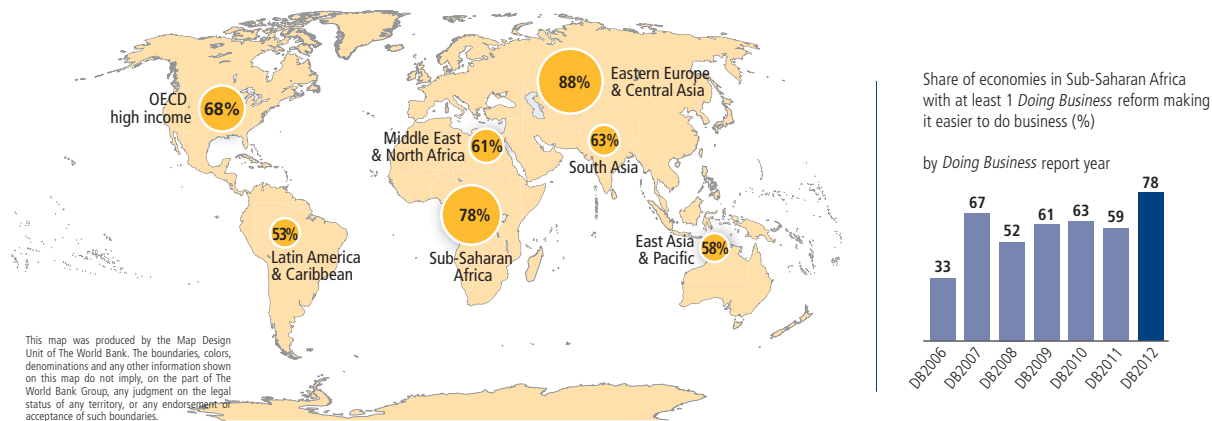
where 43% of all reforms recorded by *Doing Business* in 2010/11 focused on aspects captured by the getting credit, protecting investors, enforcing contracts and resolving insolvency indicators (figure 1.2).

Overall in 2010/11, governments in 125 economies implemented 245 institutional and regulatory reforms as measured by *Doing Business*—13% more than in the previous year (box 1.1). A faster pace of regulatory reform is good news for entrepreneurs in developing economies. Starting a business is a leap of faith under any circumstances. For the poor, starting a business or finding a job is an important way out of poverty.<sup>1</sup> In most parts of the world small and medium-size businesses are often the main job creators.<sup>2</sup> Yet entrepreneurs in developing economies tend to encounter greater obstacles than their counterparts in high-income economies. Finding qualified staff and dealing with lack of adequate infrastructure are among the challenges. Overly burdensome regulations and inefficient institutions that

discourage the creation and expansion of businesses compound the problems.

Through indicators benchmarking 183 economies, *Doing Business* measures and tracks changes in the regulations applying to domestic companies in 11 areas in their life cycle (box 1.2). A fundamental premise of *Doing Business* is that economic activity requires good rules that are transparent and accessible to all. Such regulations should be efficient, striking a balance between safeguarding some important aspects of the business environment and avoiding distortions that impose unreasonable costs on businesses. Where business regulation is burdensome and competition limited, success depends more on whom you know than on what you can do. But where regulations are relatively easy to comply with and accessible to all who need to use them, anyone with talent and a good idea should be able to start and grow a business in the formal sector.

**FIGURE 1.1** A large number of economies in Sub-Saharan Africa reformed business regulation in 2010/11  
Share of economies with at least 1 *Doing Business* reform making it easier to do business



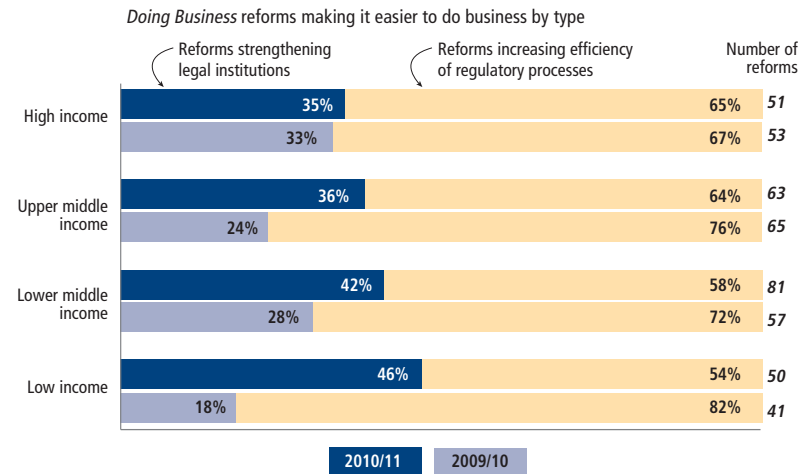
Source: *Doing Business* database.

Across regions, entrepreneurs in developing economies face a regulatory environment that is on average less business-friendly than those in OECD high-income economies. This means costlier and more bureaucratic procedures to start a business, deal with construction permits, register property, trade across borders and pay taxes. Getting an electricity connection, a new dimension in this year's ease of doing business ranking, costs more on average in Sub-Saharan Africa than in any other part of the world—more than 5,400% of income per capita (the average in OECD high-income economies is 93% of income per capita). Local businesses complete more complex formalities to get an electricity connection in many Eastern European and Central Asian economies than anywhere else in the world. But it is not just about complex formalities or red tape. A less business-friendly regulatory environment also means weaker legal protections of minority shareholders and weaker collateral laws and institutions such as courts, credit bureaus and collateral registries.

Globally, more efficient regulatory processes often go hand in hand with stronger legal institutions and property rights protections. There is an association between the strength of legal institutions and property rights protections in an economy as captured by several sets of *Doing Business* indicators (getting credit, protecting investors, enforcing contracts and resolving insolvency) and the complexity and cost of regulatory processes as captured by several others (starting a business, dealing with construction permits, getting electricity, registering property, paying taxes and trading across borders). OECD high-income economies, by a large margin, have the world's most business-friendly environment on both dimensions (figure 1.3). At the other end of the spectrum, economies in Sub-Saharan Africa and South Asia are most likely to have both weaker legal institutions and more complex regulatory processes as measured by *Doing Business*.

Some regions break away from the general trend. One is the Middle East and North Africa, a region where reform efforts over the past 6 years have focused mainly on simplifying regulation. Today economies in the region often combine relatively weaker legal institutions

**FIGURE 1.2** In 2010/11 economies worldwide increasingly focused reform efforts on strengthening legal institutions and property rights protections



Note: Reforms strengthening legal institutions are those in the areas of getting credit, protecting investors, enforcing contracts and resolving insolvency. Reforms increasing efficiency 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.

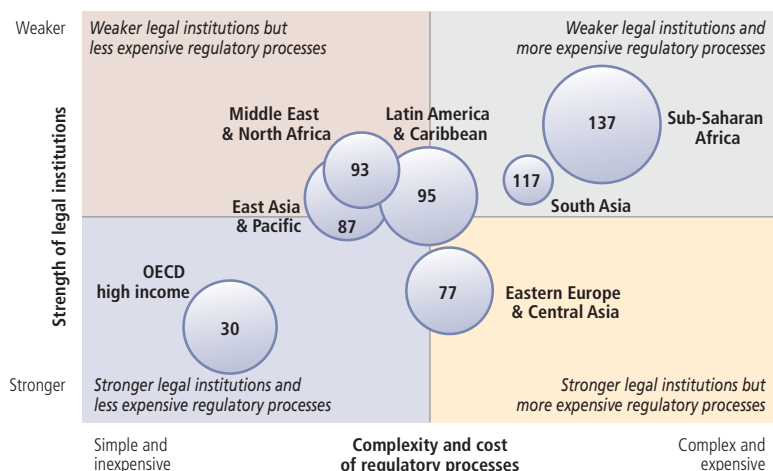
Source: *Doing Business* database.

#### BOX 1.1 Key findings in this year's report

- In Sub-Saharan Africa 36 of 46 governments improved their economy's regulatory environment for domestic businesses in 2010/11—a record number since 2005. This is good news for entrepreneurs in the region, where starting and running a business is still costlier and more complex than in any other region of the world.
- Worldwide, 125 economies implemented 245 reforms making it easier to do business in 2010/11, 13% more than in the previous year. In low- and lower-middle-income economies a greater share of these changes were aimed at strengthening courts, insolvency regimes and investor protections than in earlier years. The pickup in the pace of regulatory reform is especially welcome for small and medium-size businesses, the main job creators in many parts of the world.
- Against the backdrop of the global financial and economic crisis, more economies strengthened their insolvency regime in 2010/11 than in any previous year. Twenty-nine economies implemented insolvency reforms, up from 16 the previous year and 18 the year before. Most were OECD high-income economies or in Eastern Europe and Central Asia. Research has shown that effective insolvency systems can influence the cost of debt, access to credit, and both the ability of an economy to recover from a recession and the speed of its recovery.
- New data show the importance of access to regulatory information. Fee schedules, documentation requirements and information relating to commercial cases and insolvency proceedings are most easily accessible in OECD high-income economies and least accessible in Sub-Saharan Africa and the Middle East and North Africa. The rise in e-government initiatives around the world provides an opportunity to increase access to information and transparency.
- A new measure shows that over the past 6 years, 94% of 174 economies covered by *Doing Business* have made their regulatory environment more business-friendly. These economies moved closer to the "frontier," a synthetic measure based on the most business-friendly regulatory practices across 9 areas of business regulation—from starting a business to resolving insolvency.
- A broad, sustained approach to managing business regulation is common among the 20 economies that have the most business-friendly regulatory environment today and among those that made the greatest progress toward the "frontier" over the past 6 years. This year's report highlights the experiences of the Republic of Korea, the former Yugoslav Republic of Macedonia, Mexico and the United Kingdom. Korea just joined the top 10 economies on the ease of doing business after streamlining business entry, tax administration and contract enforcement. FYR Macedonia is among the economies that improved the most in the ease of doing business over the past year.
- The economies that improved the most in the ease of doing business in 2010/11—with improvements in 3 or more areas of regulation measured by *Doing Business*—are Morocco, Moldova, FYR Macedonia, São Tomé and Príncipe, Latvia, Cape Verde, Sierra Leone, Burundi, the Solomon Islands, Korea, Armenia, and Colombia.

**FIGURE 1.3 Stronger legal institutions and property rights protections are associated with more efficient regulatory processes**

Average ranking on sets of *Doing Business* indicators



Note: Strength of legal institutions refers to the average ranking in getting credit, protecting investors, enforcing contracts and resolving insolvency. Complexity and cost of regulatory processes refers to the average ranking in starting a business, dealing with construction permits, getting electricity, registering property, paying taxes and trading across borders. The size of the bubble reflects the number of economies in each region and the number is the average ranking on the ease of doing business for the region. Correlation results for individual economies are significant at the 1% level after controlling for income per capita.

Source: *Doing Business* database.

### BOX 1.2 Measuring regulation through the life cycle of a local business

This year's aggregate ranking on the ease of doing business is based on indicator sets that measure and benchmark regulations affecting 10 areas in the life cycle of a business: 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 looks at regulations on employing workers, which are not included in this year's aggregate ranking.

*Doing Business* encompasses 2 types of data and indicators. One set of indicators focuses on the strength of property rights and investor protections as measured by the treatment of a case scenario according to the laws and regulations on the books. *Doing Business* gives higher scores for stronger property rights and investor protections, such as stricter disclosure requirements in related-party transactions. The second set of indicators focuses on the cost and efficiency of regulatory processes such as starting a business, registering property and dealing with construction permits. 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 all relevant regulations. Any interaction of the company with external parties such as government agencies counts as 1 procedure. Cost estimates are recorded from official fee schedules where these apply. For a detailed explanation of the *Doing Business* methodology, see the data notes and the chapter "About *Doing Business*: measuring for impact."

with relatively more efficient regulatory processes. In Eastern Europe and Central Asia, by contrast, economies have on average slightly stronger legal institutions and less efficient regulatory processes. In this region reform efforts over the past 6 years have put greater emphasis on strengthening legal institutions and protection of property rights than those in the Middle East and North Africa.<sup>3</sup>

Policy makers worldwide recognize the role that entrepreneurs play in creating economic opportunities for themselves and for others, and often take measures to improve the investment climate and boost productivity growth. Investments in infrastructure—ports, roads, telecommunications—are seen as a vital ingredient of private sector development. In an increasingly complex global economy, investments

in education and training are critical. These investments typically take time to bear fruit. But economies that have made the transition from developing to high-income status have generally done so by boosting the skills and capabilities of their labor force. A critical way for policy makers to encourage entrepreneurship is by creating a regulatory environment conducive to the creation and growth of businesses—one that promotes rather than inhibits competition.<sup>4</sup>

### OPPORTUNITIES FOR GREATER ACCESS TO INFORMATION IN BUSINESS REGULATION

Institutions play a major role in private sector development. Courts, registries, tax agencies and credit information bureaus are essential to make markets work. How efficient and transparent they are matters greatly to business. To improve the efficiency of processes and institutions, governments around the world—regardless of national income level—are making greater use of technology. More than 100 of the 183 economies covered by *Doing Business* use electronic systems for services ranging from business registration to customs clearance to court filings.<sup>5</sup> This saves time and money for business and government alike. It also provides new opportunities to increase transparency as well as to facilitate access to information and compliance with regulation. But not all economies take advantage of the opportunities for openness provided by the new technologies. And at times fiscal constraints and budgetary priorities have prevented faster adoption of the latest technologies to improve the quality of public services.

This year *Doing Business* researched how businesses can access information essential for complying with regulations and formalities, such as documentation requirements for trade or fee schedules for business start-up, construction permitting or electricity connections. Because some economies lack fully developed information technology infrastructure, the research also explored whether economies used other means to make such information easily accessible, such as posting fee schedules at the relevant agency or disseminating them through public notices.

The findings are striking. In the majority of economies in Sub-Saharan Africa and the Middle East and North Africa, obtaining such information requires a meeting with an official. In all OECD high-income economies documentation requirements for trade are accessible online, at an agency or through public notices (figure 1.4). In the Middle East and North Africa this is the case in only about 30% of economies, and in Sub-Saharan Africa in less than 50% of economies. Documentation requirements for building permits are available online or through public notices in only about 40% of economies in these 2 regions.

Easier access to fee schedules and lower fees tend to go hand in hand. In economies where fee schedules are easily accessible, starting a business costs 18% of income per capita on average; where they are not, it costs 66% of income per capita on average (figure 1.5).

Beyond information that businesses need to comply with regulation, institutions such as courts provide information that helps increase transparency in the marketplace. Efficient and fair courts are essential for creating the trust needed for businesses to build

**WHAT WERE THE TRENDS IN BUSINESS REGULATION REFORMS AROUND THE WORLD IN 2010/11?**

In Sub-Saharan Africa measures to improve the regulatory environment for local businesses in 2010/11 included the first overhaul of a body of harmonized commercial laws in the region. The legal reform by the Organization for the Harmonization of Business Law in Africa (OHADA) required the consensus of its 16 member states.<sup>1</sup> This first stage simplified business entry and strengthened secured transaction laws.

Overall in Sub-Saharan Africa, regulatory reform agendas have been broadening. Thirteen economies implemented reforms making it easier to do business in 3 or more areas measured by *Doing Business*—from business entry to exit—including postconflict economies such as Burundi, Liberia and Sierra Leone. South Africa introduced a new company act streamlining business incorporation and a new reorganization procedure facilitating the rehabilitation of financially distressed companies.

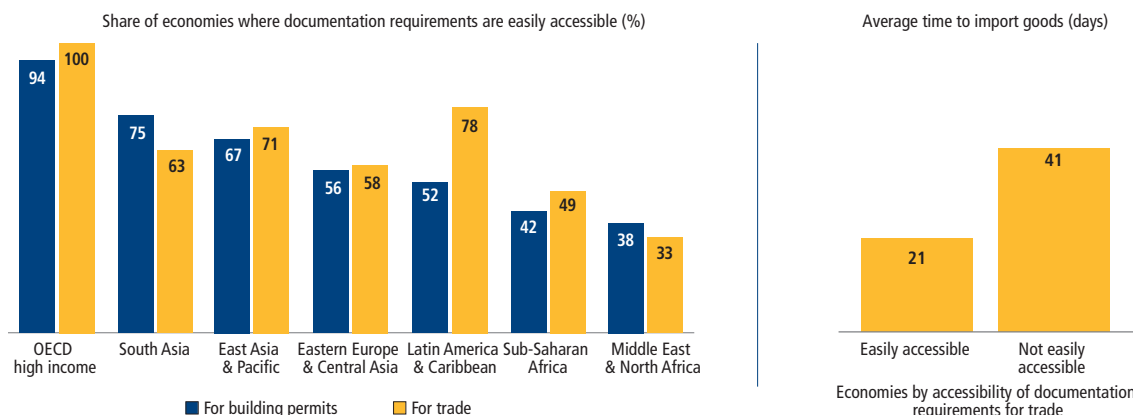
Against the backdrop of the global economic and financial crisis, changes to insolvency regimes continued across Europe and among OECD high-income economies elsewhere.<sup>2</sup> Worldwide, 29 economies improved insolvency regimes in 2010/11, more than in any previous year. These included Austria, Denmark, France, Italy, Poland, Slovenia and Switzerland as well as Bulgaria, Latvia, Lithuania, the former Yugoslav Republic of Macedonia, Moldova, Montenegro, Romania, Serbia and Ukraine. Iceland tightened approval requirements for related-party transactions. Greece, Portugal and Spain simplified business start-up.

In other regions the pace of regulatory reform was uneven. In the Middle East and North Africa 61% of economies implemented regulatory changes making it easier to do business. In Latin America and the Caribbean the 3 economies with the most business-friendly regulatory environments, Chile, Peru and Colombia, made them more so—each through regulatory reforms in 3 areas measured by *Doing Business*. But there were no such reforms in Ecuador or the majority of the Caribbean states.<sup>3</sup>

Malaysia was one of the economies that took the lead in East Asia and the Pacific, introducing electronic filing in its courts, setting up specialized civil and commercial courts in Kuala Lumpur and merging company, tax, social security and employment fund registrations at the one-stop shop for business start-up. Several small island states—the Solomon Islands, Tonga and Vanuatu—implemented regulatory reforms in 3 or more areas, often supported by donor programs. In South Asia the pace of regulatory reform remained steady over the past year. Sri Lanka and Bhutan were the most active. Sri Lanka implemented tax changes and tightened disclosure requirements for transactions involving a conflict of interest. Bhutan launched a public credit registry and streamlined business start-up.

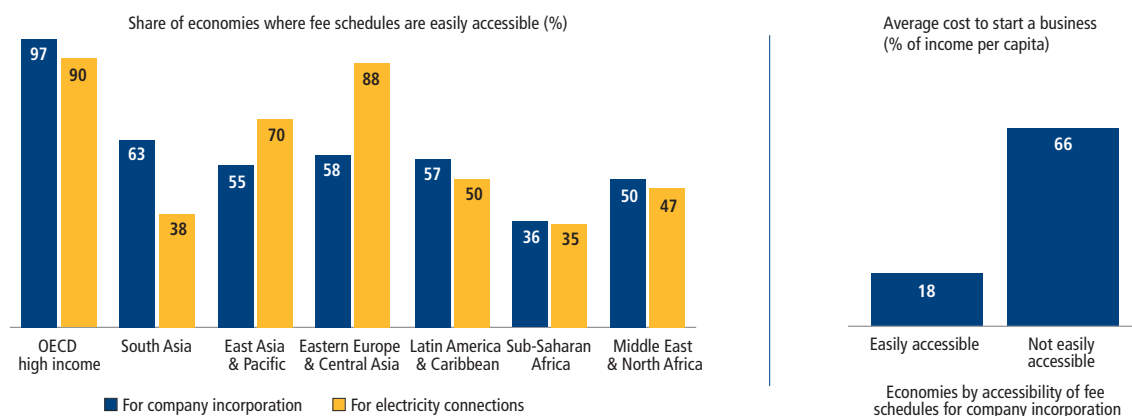
1. OHADA is a system of common business laws and implementing institutions adopted by treaties among 16 West and Central African nations. It was created by 14 initial member economies on October 17, 1993, in Port Louis, Mauritius.
2. According to the International Monetary Fund (IMF 2009), the financial crisis resulted in a sharp increase in corporate and household defaults and firm bankruptcies.
3. No reforms making it easier to do business were recorded for Antigua and Barbuda, The Bahamas, Dominica, Grenada, Haiti, Jamaica, St. Lucia, St. Vincent and the Grenadines, Suriname or Trinidad and Tobago in 2010/11.

**FIGURE 1.4** Access to documentation requirements for building permits and trading across borders easiest in OECD high-income economies



Note: Documentation requirements are considered easily accessible if they can be obtained through the website of the relevant authority or another government agency or through public notices, without a need for an appointment with an official. The data sample for building permits includes 159 economies, and that for trade 175 economies. Differences in the second panel are statistically significant at the 5% level after controlling for income per capita. Source: *Doing Business* database.

FIGURE 1.5 Easier access to fee schedules and lower fees tend to go hand in hand



Note: Fee schedules are considered easily accessible if they can be obtained through the website of the relevant authority or another government agency or through public notices, without a need for an appointment with an official. The data sample for incorporation includes 174 economies, and that for electricity connections 181 economies. Differences in the second panel are statistically significant at the 5% level after controlling for income per capita.

Source: *Doing Business* database.

new relationships and expand their markets—and for investors to invest. But it is not only their role in efficient enforcement that matters. *Doing Business* finds that in close to 75% of a sample of 151 economies, courts are required by law to publicize the initiation of insolvency proceedings.

## HOW THE TOP 20 ECONOMIES MANAGE BUSINESS REGULATION

The 20 economies with the most business-friendly regulation as reflected in their ranking on the ease of doing business are Singapore; Hong Kong SAR, China; New Zealand; the United States; Denmark; Norway; the United Kingdom; the Republic of Korea; Iceland; Ireland; Finland; Saudi Arabia; Canada; Sweden; Australia; Georgia; Thailand; Malaysia; Germany; and Japan (table 1.1). As noted elsewhere in this report, an economy's ranking on the ease of doing business does not tell the whole story about its business environment. The underlying indicators do not account for all factors important to doing business, such as macroeconomic conditions, market size, workforce skills and security. But they do capture some key aspects of the regulatory and institutional environment that matter for firms. These 20 economies have implemented effective yet streamlined procedures for regulatory processes such as starting a business and dealing with construction

permits as well as strong legal protections of property rights. They also periodically review and update business regulations as part of a broader competitiveness agenda and take advantage of new technologies through e-government initiatives.

Only 2 decades ago some of these 20 economies faced challenges similar to those in many lower-income economies today. Consider Norway's property registry. Today it is one of the world's most efficient. But in 1995 its paper records required 30 kilometers of shelving and were growing at a rate of 1 kilometer a year. Norway took steps to change this. First it merged the land department and survey information, then digitized title certificates. In 2002 it amended the 50-year-old Land Transfer Act to allow online titling. Online registration has been required by law since 2008.

Sweden undertook a systematic review of all regulations in the 1980s. Any unjustified requirements were cut in a "guillotine" initiative. (Mexico took a similar approach in the 1990s.) In Korea the Presidential Council on National Competitiveness, created in 2008, identified regulatory reform as 1 of 4 pillars to improve the economy's competitiveness, along with public sector innovation, investment promotion, and legal and institutional advancement. Reviewing Korea's business

regulations, the council found that 15% had not been revised since 1998. The council applied sunset clauses to more than 600 regulations and 3,500 administrative rules (see the case study on Korea).

Policy makers in some economies today consider regulatory reform a continual process and create dedicated committees or agencies such as Actal in the Netherlands and the Better Regulation Executive in the United Kingdom. These agencies not only routinely assess existing regulations. They also pay increasing attention to managing the flow of new regulations.

In the United Kingdom in 2005–10 a program reduced the burden of regulatory compliance on businesses by 25% according to the government.<sup>6</sup> That amounted to savings for firms equivalent to £3.5 billion. New initiatives are under way, such as the "one in, one out" system and the Red Tape Challenge (see the case study on the United Kingdom). The European Union has also targeted a 25% reduction in the administrative burden that regulation imposes on business. The underlying principle is to have "smart" regulation, dispensing with cumbersome and costly regulations that impair the private sector's capacity to innovate and grow while maintaining regulations that promote a level playing field.<sup>7</sup>

TABLE 1.1 Rankings on the ease of doing business

DB2012 rank	DB2011 rank <sup>a</sup>	Economy	DB2012 reforms	DB2012 rank	DB2011 rank <sup>a</sup>	Economy	DB2012 reforms	DB2012 rank	DB2011 rank <sup>a</sup>	Economy	DB2012 reforms
1	1	Singapore	0	62	59	Poland	2	123	119	Uganda	1
2	2	Hong Kong SAR, China	2	63	60	Ghana	0	124	123	Swaziland	1
3	3	New Zealand	1	64	70	Czech Republic	2	125	127	Bosnia and Herzegovina	2
4	4	United States	0	65	64	Dominica	0	126	120	Brazil	1
5	5	Denmark	1	66	69	Azerbaijan	0	127	125	Tanzania	1
6	7	Norway	0	67	71	Kuwait	0	128	130	Honduras	2
7	6	United Kingdom	1	68	76	Trinidad and Tobago	0	129	126	Indonesia	1
8	15	Korea, Rep.	3	69	91	Belarus	3	130	131	Ecuador	0
9	13	Iceland	2	70	67	Kyrgyz Republic	0	131	128	West Bank and Gaza	0
10	8	Ireland	0	71	73	Turkey	2	132	139	India	1
11	14	Finland	1	72	65	Romania	2	133	133	Nigeria	0
12	10	Saudi Arabia	1	73	68	Grenada	0	134	136	Syrian Arab Republic	1
13	12	Canada	1	74	81	Solomon Islands	4	135	135	Sudan	0
14	9	Sweden	0	75	66	St. Vincent and the Grenadines	0	136	134	Philippines	1
15	11	Australia	1	76	75	Vanuatu	3	137	144	Madagascar	2
16	17	Georgia	4	77	72	Fiji	0	138	138	Cambodia	1
17	16	Thailand	1	78	74	Namibia	1	139	132	Mozambique	0
18	23	Malaysia	3	79	78	Maldives	0	140	137	Micronesia, Fed. Sts.	0
19	19	Germany	0	80	79	Croatia	1	141	150	Sierra Leone	4
20	20	Japan	0	81	99	Moldova	4	142	146	Bhutan	2
21	31	Latvia	4	82	77	Albania	1	143	142	Lesotho	1
22	34	Macedonia, FYR	4	83	86	Brunei Darussalam	1	144	140	Iran, Islamic Rep.	0
23	21	Mauritius	0	84	80	Zambia	0	145	141	Malawi	2
24	18	Estonia	0	85	82	Bahamas, The	0	146	148	Mali	2
25	24	Taiwan, China	2	86	89	Mongolia	1	147	152	Tajikistan	1
26	22	Switzerland	2	87	83	Italy	1	148	143	Algeria	1
27	25	Lithuania	2	88	85	Jamaica	0	149	145	Gambia, The	3
28	27	Belgium	2	89	98	Sri Lanka	2	150	151	Burkina Faso	3
29	26	France	1	90	107	Uruguay	2	151	155	Liberia	3
30	30	Portugal	2	91	87	China	0	152	149	Ukraine	4
31	29	Netherlands	0	92	88	Serbia	2	153	147	Bolivia	0
32	28	Austria	1	93	92	Belize	1	154	157	Senegal	4
33	35	United Arab Emirates	2	94	115	Morocco	3	155	161	Equatorial Guinea	1
34	32	Israel	2	95	84	St. Kitts and Nevis	1	156	160	Gabon	1
35	36	South Africa	3	96	95	Jordan	2	157	156	Comoros	1
36	38	Qatar	2	97	93	Guatemala	0	158	153	Suriname	0
37	37	Slovenia	3	98	90	Vietnam	1	159	162	Mauritania	1
38	33	Bahrain	0	99	94	Yemen, Rep.	1	160	154	Afghanistan	1
39	41	Chile	3	100	101	Greece	2	161	165	Cameroon	2
40	49	Cyprus	1	101	97	Papua New Guinea	0	162	158	Togo	2
41	39	Peru	3	102	100	Paraguay	2	163	174	São Tomé and Príncipe	4
42	47	Colombia	3	103	109	Seychelles	2	164	159	Iraq	0
43	42	Puerto Rico (U.S.)	2	104	103	Lebanon	1	165	163	Lao PDR	0
44	45	Spain	1	105	96	Pakistan	0	166	164	Uzbekistan	1
45	50	Rwanda	3	106	102	Marshall Islands	0	167	170	Côte d'Ivoire	3
46	40	Tunisia	0	107	110	Nepal	1	168	169	Timor-Leste	2
47	58	Kazakhstan	1	108	105	Dominican Republic	1	169	177	Burundi	4
48	43	Slovak Republic	1	109	106	Kenya	1	170	167	Djibouti	1
49	53	Oman	3	110	108	Egypt, Arab Rep.	0	171	168	Zimbabwe	0
50	44	Luxembourg	0	111	104	Ethiopia	0	172	171	Angola	2
51	46	Hungary	0	112	112	El Salvador	1	173	172	Niger	1
52	48	St. Lucia	0	113	114	Argentina	0	174	166	Haiti	0
53	54	Mexico	3	114	113	Guyana	1	175	173	Benin	2
54	52	Botswana	0	115	111	Kiribati	0	176	181	Guinea-Bissau	2
55	61	Armenia	5	116	116	Palau	0	177	175	Venezuela, RB	0
56	56	Montenegro	3	117	117	Kosovo	0	178	176	Congo, Dem. Rep.	3
57	51	Antigua and Barbuda	0	118	122	Nicaragua	3	179	179	Guinea	1
58	62	Tonga	3	119	129	Cape Verde	3	180	178	Eritrea	0
59	57	Bulgaria	2	120	124	Russian Federation	4	181	180	Congo, Rep.	1
60	55	Samoa	0	121	121	Costa Rica	2	182	183	Central African Republic	3
61	63	Panama	1	122	118	Bangladesh	0	183	182	Chad	2

Note: The rankings for all economies are benchmarked to June 2011 and reported in the country tables. This year's rankings on the ease of doing business are the average of the economy's rankings on the 10 topics included in this year's aggregate ranking.

<sup>a</sup>Last year's rankings, shown in italics, are adjusted: they are based on 10 topics and reflect data corrections. The number of reforms excludes those making it more difficult to do business.

Source: Doing Business database.



Other initiatives share the objective of making business regulation effective at the lowest possible cost for business. In Sweden the government recently commissioned the Swedish Agency for Growth Policy Analysis to conduct studies on the effect of rules on the enterprise sector.<sup>8</sup> Canada and the United States have introduced impact assessments to prevent the introduction of regulations considered too costly to society.

At all levels, much attention is being paid to transparent policy making. Governments are making business regulation and the regulatory process accessible, helped in many cases by e-government initiatives. The United Kingdom invites comment on regulatory proposals on the website of the Better Regulation Executive.<sup>9</sup> Canada and the United States publish guidelines on the evaluation process underlying the cost-benefit analysis of new regulations.

### DIFFERENCES IN PERFORMANCE ACROSS AREAS OF BUSINESS REGULATION

The economies making such continued efforts, often over decades, often compare well with others across all 10 areas of business regulation included in this year's ease of doing business ranking—and they do so over time, reflecting a more consistent and comprehensive approach to business regulation. In many of the other economies, by contrast, the degree to which regulations and institutions are business-friendly varies fairly widely across different areas of regulation.<sup>10</sup>

This shows up in comparisons of an economy's 3 highest rankings on *Doing Business* topics with its 3 lowest rankings (figure 1.6). For example, Malaysia's top 3 rankings (on getting credit, protecting investors and trading across borders) average 11, while its lowest 3 (on dealing with construction permits, getting electricity and registering property) average 77.

For some economies this variance is due in part to the rapid pace of reform in some areas of business regulation. One such area is business entry: more than 80% of the 183 economies covered by *Doing Business* have made it easier to start a business since 2003. Among them is the Arab Republic of

Egypt, where starting a business is reasonably straightforward thanks to the implementation of an efficient one-stop shop. But dealing with construction permits takes about 7 months, and enforcing a contract through the courts takes almost 3 years on average. Egypt's top 3 rankings (on starting a business, getting credit and trading across borders) average 54, while its lowest 3 (on dealing with construction permits, paying taxes and enforcing contracts) average 149.

Indeed, reforms simplifying business entry have been high on the agenda since early on—particularly in common markets such as the European Union, where businesses are free to start and operate in any of the member states. Over time such business regulation reforms have increasingly been undertaken by low- and lower-middle-income economies. Many have been helped by peer learning among policy makers, which has picked up around the world. Every year corporate registrars from 31 economies meet to discuss challenges and solutions.<sup>11</sup> Representatives from Canada, which ranks number 3 on the ease of starting a business, are now advising economies as diverse as Indonesia and Peru. In 2010/11, 53 economies made it easier to start a business (figure 1.7). Since 2005 the number of economies where starting a business takes 20 days or less has increased from 41 to 98.

Improving the regulatory environment for business can be difficult and take time, particularly if the improvements involve substantial institutional or legal changes. Some require difficult political trade-offs. Outside pressures may be needed to push through legislative changes. So it is no surprise that times of crisis have often proved to be a time of opportunity. Against the backdrop of the global economic and financial crisis, the number of insolvency reforms increased over the past 3 years, particularly in Europe and among OECD high-income economies elsewhere.<sup>12</sup> In 2010/11, 29 economies around the world reformed their insolvency systems, more than in any previous year. Most focused on improving reorganization proceedings to allow viable firms to continue operating.

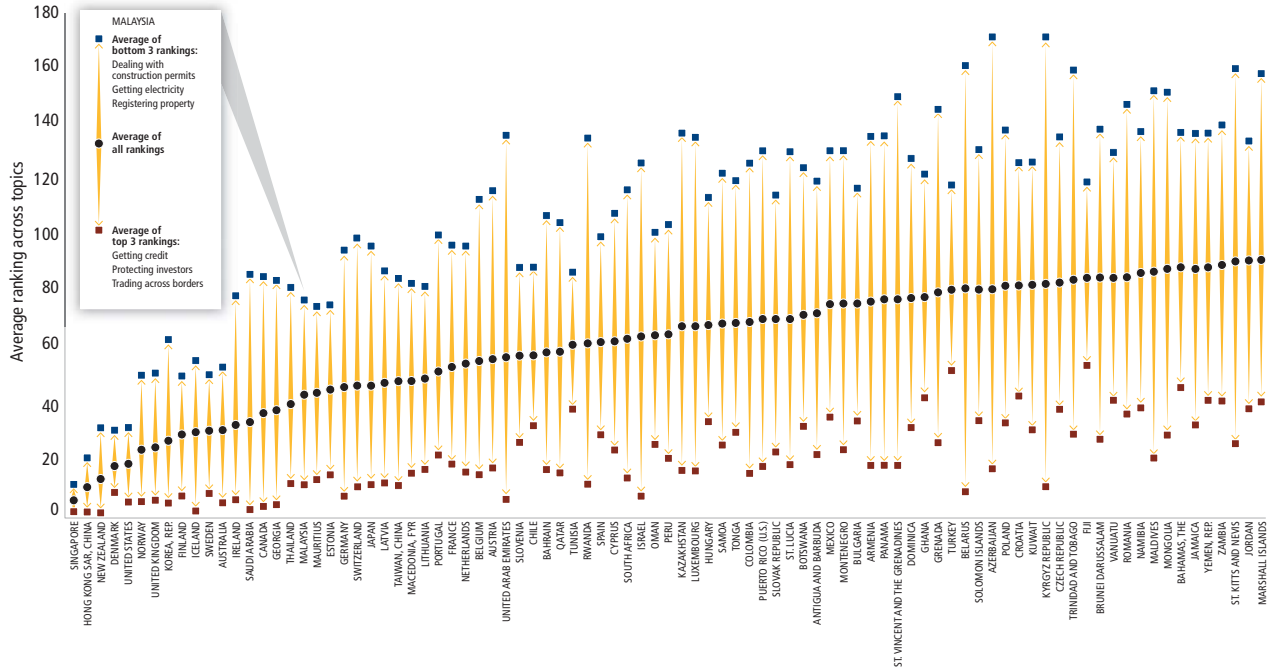
Differences across areas of business regulation provide an opportunity for policy makers interested in regulatory reform. Not surprisingly, different areas of business regulation interact. Some research suggests that business regulation reforms have greater impact if combined with effective regulation in other areas. For example, when India dismantled a strict licensing regime controlling business entry and production, the benefits were greater in states that had more flexible labor regulations. These states saw real output gains 17.8% larger than those in other states.<sup>13</sup> In Mexico researchers found that a municipal license reform across states increased new firm registrations by 5% and employment by 2.2%.<sup>14</sup> The effect was greater in states with less corruption and better governance.<sup>15</sup>

Beyond these country-specific studies, cross-country analysis found that a 10-day reduction in the time to start a business was associated with a 0.3 percentage point increase in the investment rate and a 0.36% increase in the GDP growth rate in relatively poor and well-governed economies.<sup>16</sup> Another study points to synergistic effects between institutional reforms that reduce the costs of high-quality production and trade reforms. In many developing economies production of high-quality output is a precondition for firms to become exporters. Institutional deficiencies that raise the costs of high-quality production therefore limit the positive effect that trade facilitation can have on income.<sup>17</sup>

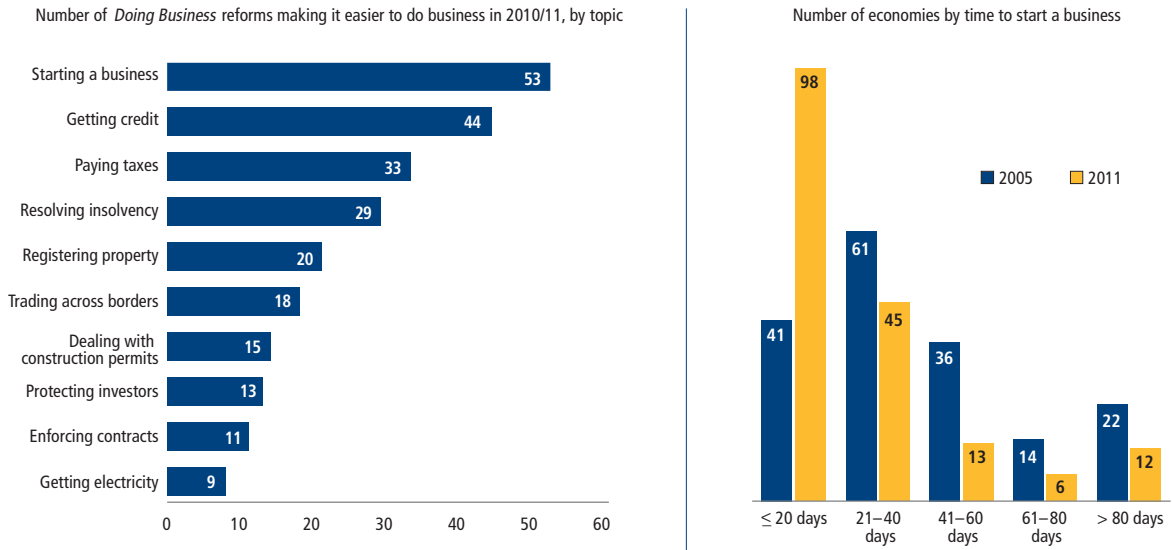
### CLOSING THE GAP—A GLOBAL TREND TOWARD BUSINESS-FRIENDLY REGULATION

Policy makers often keep an eye on relative rankings that compare economies at a point in time. But they increasingly recognize the importance of improvements within economies over time. And results from recent years are encouraging. In the past 6 years policy makers in 163 economies made domestic regulations more business-friendly (figure 1.8). They lowered barriers to entry, operation and exit and strengthened protections of property and investor rights. Only a few economies moved in the opposite direction. República Bolivariana de Venezuela

**FIGURE 1.6** An economy's regulatory environment may be business-friendly in some areas, less so in others  
 Within-economy variation in rankings across *Doing Business* topics

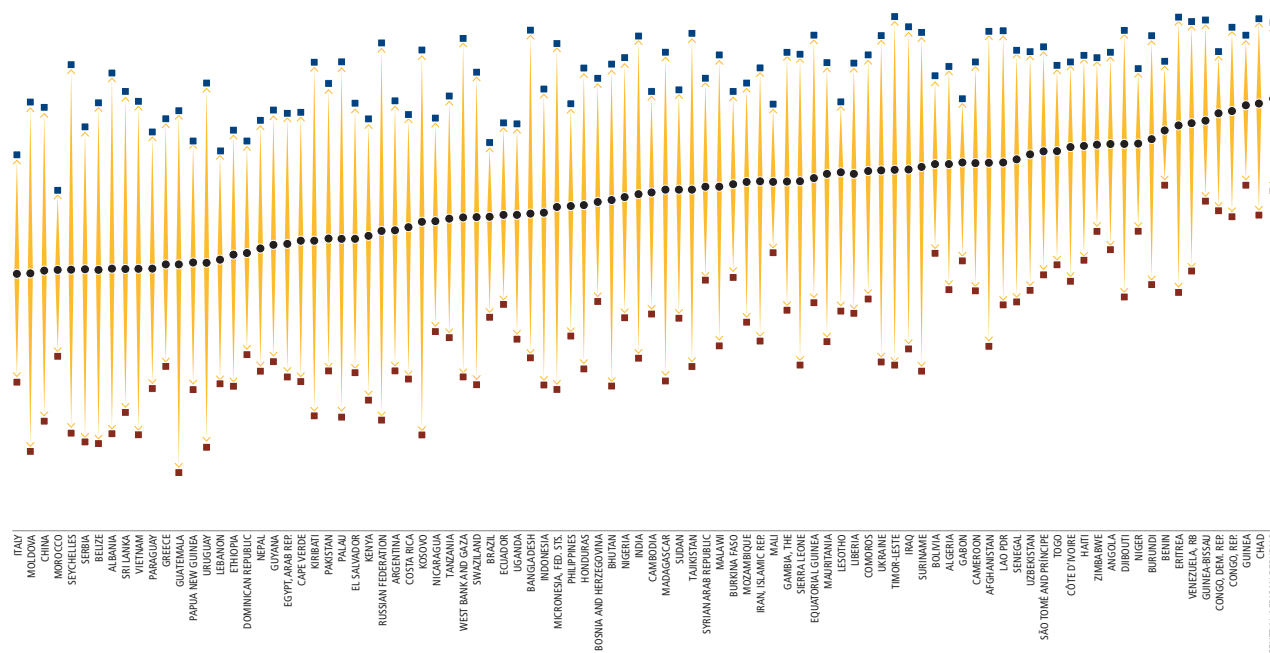


**FIGURE 1.7** Reforms making it easier to start a business were most common in 2010/11—and have shown results over time



Note: The data in the second panel refer to the 174 economies included in *Doing Business* 2006 (2005). Additional economies were added in subsequent years.  
 Source: *Doing Business* database.





Note: Figure illustrates the variability in the degree to which an economy's regulatory environment is business-friendly compared with other economies across different areas of regulation. The vertical bars show the distance between the average of the highest 3 topic rankings and the average of the lowest 3 for each of 183 economies across the 10 topics included in this year's aggregate ranking.

Source: *Doing Business* database.

and Zimbabwe went the furthest in making business regulation less business-friendly.

Some economies have gone particularly far in closing the gap with the regulatory systems of top-performing economies such as Singapore, New Zealand and the Northern European economies (figure 1.9). Many of them are developing economies that started off with relatively high levels of bureaucracy and weak protections of property rights as measured by *Doing Business*. In narrowing the gap, all these economies are moving closer to the frontier—a synthetic measure based on the most efficient practice or highest score observed for each indicator. For starting a business, for example, the bar is set by New Zealand on the time (1 day), Canada and New Zealand on the number of procedures (1), Denmark and Slovenia on the cost (0). Georgia, Norway, Portugal, Sweden and the United Arab Emirates set the bar on the number of procedures for registering property (1), France on the documents

required to export (2), Singapore on the time to enforce contracts (150 days). The frontier is thus a proxy for global good practice across all indicators.

Economies making the greatest progress toward the frontier have been able to do so thanks to broad regulatory reform programs covering multiple areas of regulation and embedded in a long-term competitiveness strategy (figure 1.10). China, for example, implemented policy changes across 9 areas of business regulation in the years since 2005. The changes included a new company law in 2005, a new credit registry in 2006 and, in 2007, the first bankruptcy law regulating the bankruptcy of private enterprises since 1949 (figure 1.11).

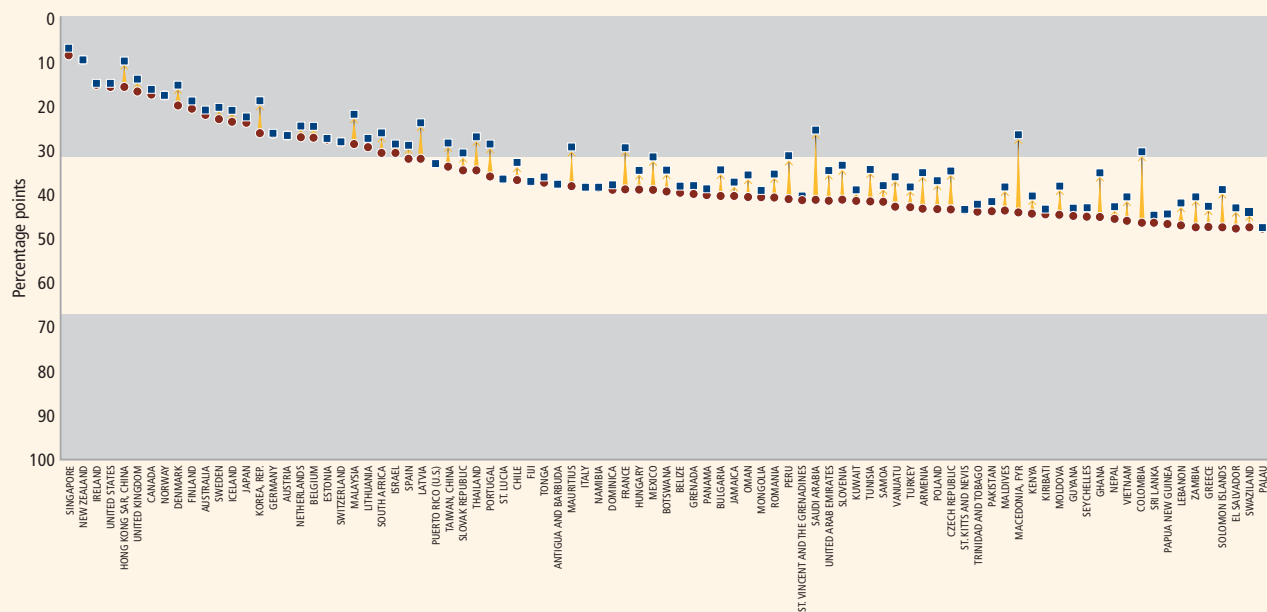
More economies are taking this broad approach. In 2010/11, 35 economies implemented reforms making it easier to do business in 3 or more areas measured by *Doing Business*—12 of them in 4 or more

areas. Four years before, only 10 reformed in 3 or more areas.

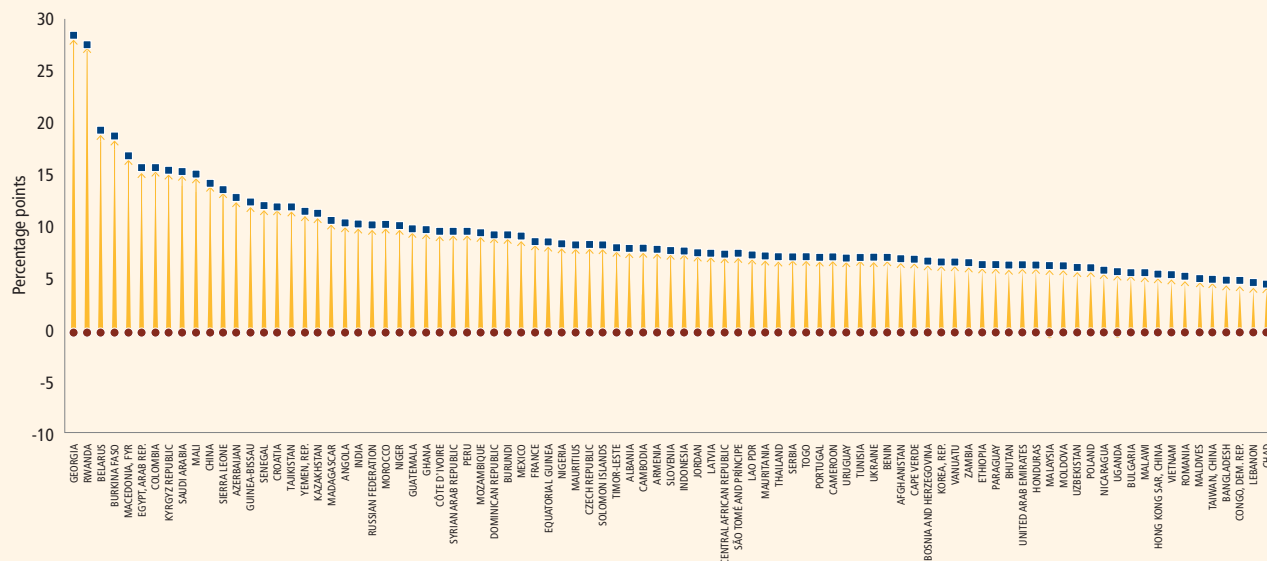
Also new are the comprehensive approach and high level of coordination and commitment that some developing and emerging market economies are bringing to regulatory reform. More than 2 dozen economies have put in place regulatory reform committees, often reporting directly to the president or prime minister—as in Colombia, Malaysia and Rwanda.<sup>18</sup> And they have not shied away from radical legal reforms. Economies making the greatest strides in creating a more business-friendly regulatory environment have been revamping their regulatory and administrative systems in multiple areas to encourage private sector activity (box 1.3).

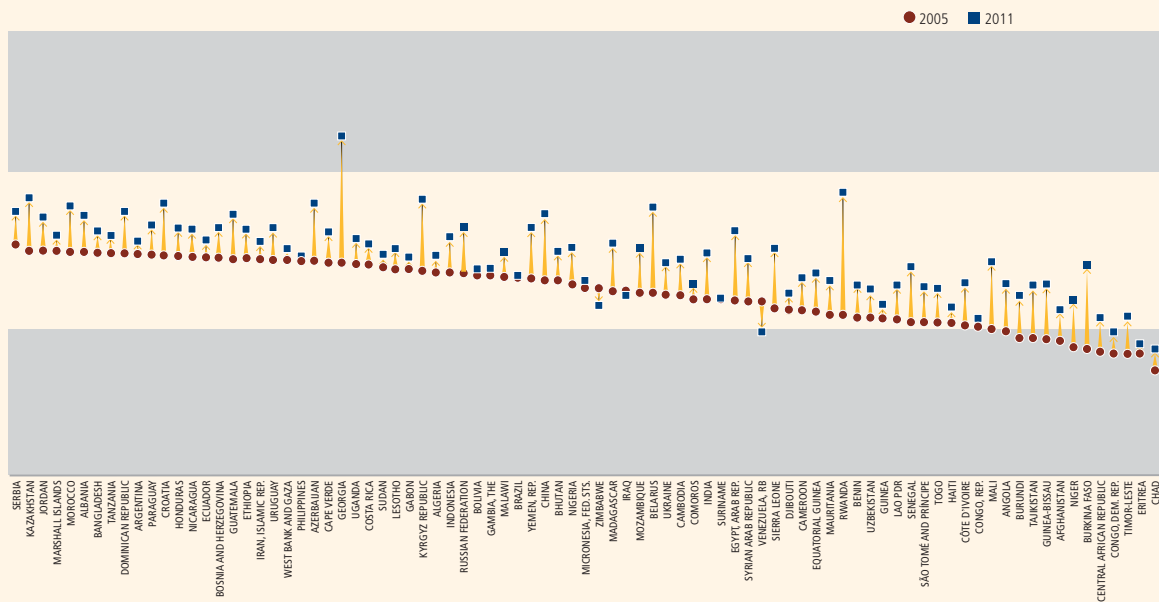
That more and more developing economies are serious about business regulation reform is encouraging. Such broad thinking is good news for entrepreneurs and governments alike.

**FIGURE 1.8** In the past 6 years 163 economies moved closer to the frontier in regulatory practice  
Distance to frontier, 2005 and 2011



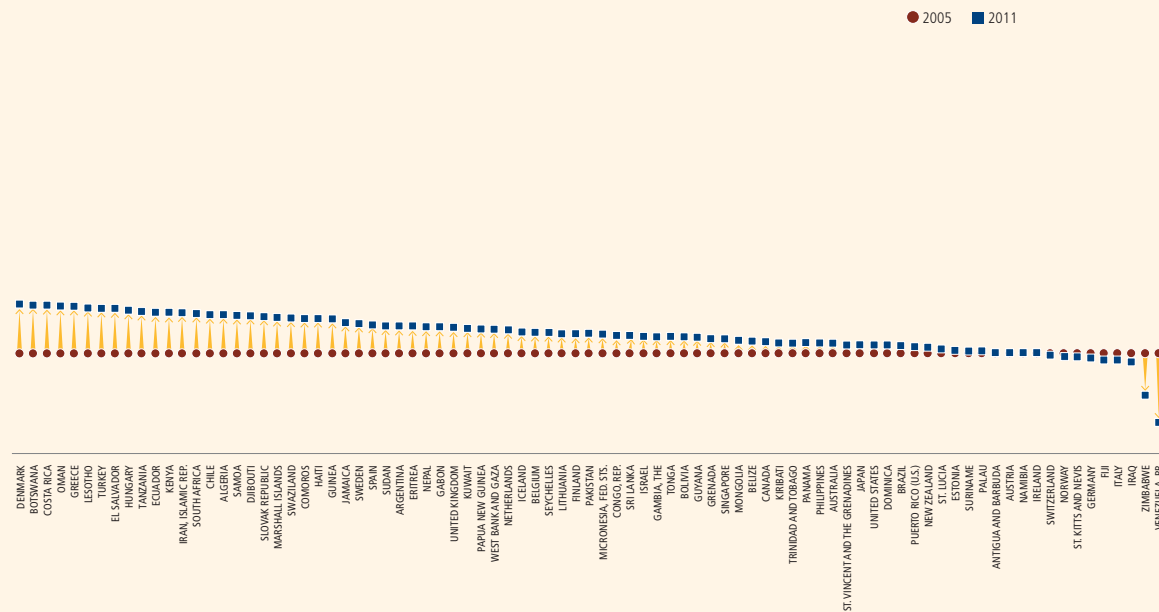
**FIGURE 1.9** Who advanced the most in closing the gap to the frontier?  
Progress in narrowing distance to frontier, 2005–11





Note: The distance to frontier measure illustrates the distance of an economy to the “frontier”—a synthetic measure based on the most efficient practice or highest score achieved by any economy on each of the indicators in 9 *Doing Business* indicator sets (excluding the employing workers and getting electricity indicators) since 2005. The vertical axis represents the distance to the frontier, and 0 the most efficient regulatory environment (frontier practice). The data refer to the 174 economies included in *Doing Business 2006* (2005). Additional economies were added in subsequent years.

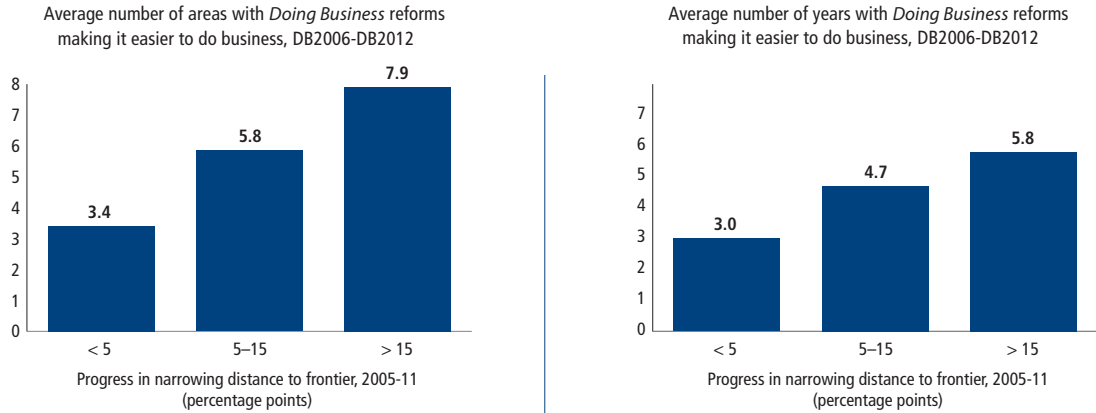
Source: *Doing Business* database.



Note: Figure shows the absolute difference for each economy between its distance to frontier in 2005 and that in 2011.

Source: *Doing Business* database.

**FIGURE 1.10 Economies with broader and more sustained business regulation reforms moved a greater distance toward the frontier**

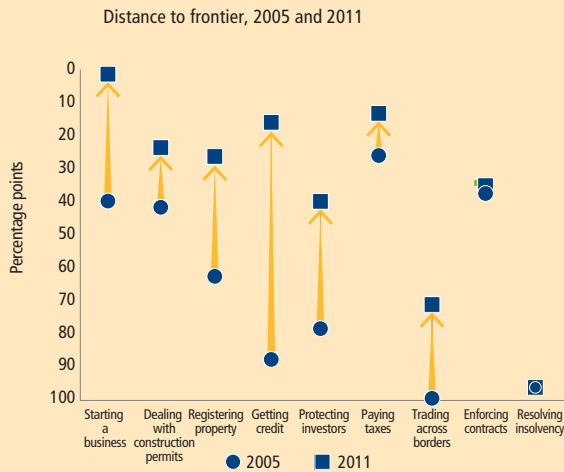


Note: The data refer to the 174 economies included in *Doing Business 2006* (2005). Additional economies were added in subsequent years.  
Source: *Doing Business* database.

**BOX 1.3 Broad approach to regulatory reform over time in Rwanda and Georgia**

Rwanda's broad and sustained approach to regulatory reform shows up in progress toward the frontier in a range of areas (see figure on Rwanda). The economy has undertaken ambitious land and judicial reforms, often years in the making. Since 2001 it has introduced new corporate, insolvency, civil procedure and secured transactions laws. And it has streamlined and remodeled institutions and processes for starting a business, registering property, trading across borders and enforcing a contract through the courts.

**Rwanda's broad approach to making regulation business-friendly**



Source: *Doing Business* database.

Georgia too has pursued broad-ranging business regulation reform (see figure on Georgia). Since 2005 the economy has introduced a new company law and customs code. A new property registry replaced a confusing system requiring duplicate approvals by multiple agencies. The economy's first credit information bureau and large-scale judicial reforms followed.

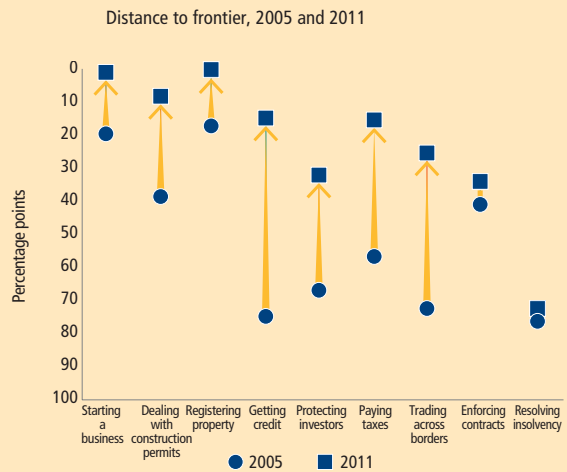
In 2008 Georgian firms recognized the low levels of bureaucracy and flexible business environment in enterprise surveys. Senior managers

reported spending less than 2% of their time dealing with government regulations, down from about 10% in 2002 and the smallest share among economies in Eastern Europe and Central Asia. Only 4% of firms expected to make informal payments to public officials to get things done, compared with a regional average of 17%.

Georgian firms participating in survey rounds in both 2005 and 2008 reported adding an average of 23 permanent workers (increasing the average from 61 to 84) during that period.<sup>1</sup> They also reported a big drop in visits from or required meetings with tax officials, from an average of 8 in 2005 to only 0.4 in 2008. This result may be related to a new tax code that took effect at the start of 2005, reducing the categories of taxes from 21 to 9.

Yet more remains to be done to improve the overall business environment. Enterprise surveys show that security and infrastructure remain among the top concerns of businesses in Georgia.

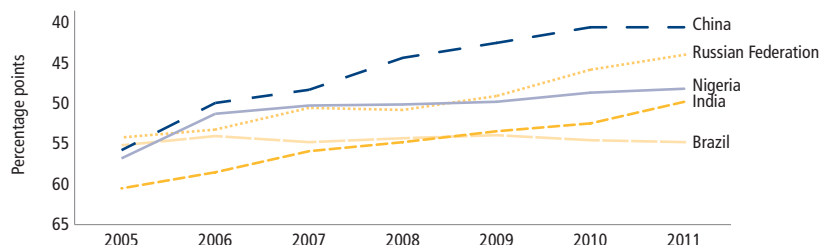
**How Georgia is closing the distance to the frontier**



Source: *Doing Business* database.

1. World Bank 2009c.

**FIGURE 1.11 China has been making steady progress toward the frontier**  
Distance to frontier, 2005–11



Source: *Doing Business* database.

Among the 12 economies improving the most in the ease of doing business in 2010/11, two-thirds are low- or lower-middle-income economies. All implemented regulatory reforms making it easier to do business in 3 or more of the 10 areas included in this year's aggregate ranking (table 1.2).

### THE ADVANTAGE OF BEING A LATE STARTER

Many economies have the advantage today of being able to learn from the experience of others. And many are already adopting good practices from other economies (table 1.3). To help identify such practices, this year *Doing Business* is electronically publishing topic chapters that provide an overview

of what has worked and why in 11 areas of business regulation, from business entry to exit. These chapters also provide insights into the importance of each area and show global trends.<sup>19</sup>

### WHAT TO EXPECT NEXT?

*Doing Business* has been measuring and tracking business regulation around the world for the past 9 years. During this time most economies have made their regulatory environment for local firms more business-friendly. Firms create jobs, and policy makers play a key role in creating a regulatory environment that encourages their creation, growth and investment.

A friendly competition has emerged as economies adopt proven regulatory practices from others. Lessons from others have proved invaluable for such economies as Colombia, Georgia, the former Yugoslav Republic of Macedonia and Rwanda. Within larger economies good practices can often be found across state borders (see the case study on Mexico).

Practitioners interested in learning from others have more resources to turn to. This year's topic chapters provide the basis for web content and a new online database on practices and experiences in business regulation reform around the world. A series of case studies will explore how economies have integrated regulatory reform into broader competitiveness strategies or approached regulatory reform more generally. This year's report presents the cases of Korea, FYR Macedonia, Mexico and the United Kingdom.

These expanding resources, including a growing time series of data on business regulation, are allowing more empirical research that sheds light on synergies among different areas of regulation and on the effect of regulatory reform on such economic outcomes as informality, corruption, employment and economic growth. The evidence is encouraging. It suggests that if key bottlenecks

**TABLE 1.2 Economies that improved the most across 3 or more areas measured by *Doing Business* in 2010/11**

	Ease of doing business rank			Reforms making it easier to do business									
	DB2012	DB2011	Improvement	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 Morocco	94	115	-21		√				√	√			
2 Moldova	81	99	-18	√				√				√	√
3 Macedonia, FYR	22	34	-12		√		√	√					√
4 São Tomé and Príncipe	163	174	-11	√	√		√				√		
5 Latvia	21	31	-10	√		√	√						√
Cape Verde	119	129	-10				√	√					√
6 Sierra Leone	141	150	-9					√			√	√	√
7 Burundi	169	177	-8		√				√	√			√
8 Solomon Islands	74	81	-7	√			√		√				√
Korea, Rep.	8	15	-7	√						√		√	
9 Armenia	55	61	-6	√	√			√		√			√
10 Colombia	42	47	-5	√						√			√

Note: Economies are ranked on the number of their net reforms and on how much they improved in the ease of doing business ranking. 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 (see box 1.2). Regulatory reforms making it more difficult to do business are subtracted from the number of those making it easier to do business. Second, *Doing Business* ranks these economies on the increase in their ranking on the ease of doing business from the previous year using comparable rankings. The larger the improvement, the higher the ranking as the most improved.

Source: *Doing Business* database.

TABLE 1.3 Good practices around the world, by <i>Doing Business</i> topic			
Topic	Practice	Economies <sup>a</sup>	Examples
Making it easy to start a business	Putting procedures online	110	Hong Kong SAR, China; Kuwait; FYR Macedonia; New Zealand; Peru; Puerto Rico (U.S.); Singapore
	Having a one-stop shop	83	Bahrain; Burkina Faso; Georgia; Republic of Korea; Uruguay; Vietnam
	Having no minimum capital requirement	82	Kenya; Madagascar; Portugal; Rwanda; United Arab Emirates; United Kingdom
Making it easy to deal with construction permits	Having an organized set of building rules	116	Croatia; Kenya; New Zealand; Republic of Yemen
	Using risk-based building approvals	86	Armenia; Germany; Mauritius; Singapore
	Having a one-stop shop	26	Bahrain; Chile; Hong Kong SAR, China; Rwanda
Making it easy to register property	Using an electronic database for encumbrances	108	Jamaica; Sweden; United Kingdom
	Setting effective time limits for registration	54	Botswana; Guatemala; Indonesia
	Offering cadastre information online	50	Denmark; Lithuania; Malaysia
	Offering expedited procedures	16	Azerbaijan; Bulgaria; Georgia
	Setting fixed transfer fees	15	New Zealand; Russian Federation; Rwanda
Making it easy to get credit	Allowing out-of-court enforcement	123	Australia; India; Nepal; Peru; Russian Federation; Serbia; Sri Lanka; United States
	Distributing data on loans below 1% of income per capita	119	Brazil; Bulgaria; Germany; Kenya; Malaysia; Sri Lanka; West Bank and Gaza
	Distributing both positive and negative credit information	100	China; Croatia; India; Italy; Jordan; Panama; South Africa
	Allowing a general description of collateral	91	Cambodia; Canada; Chile; Nigeria; Romania; Singapore; Vanuatu; Vietnam
	Maintaining a unified registry	68	Bosnia and Herzegovina; Guatemala; Honduras; Marshall Islands; Federated States of Micronesia; Montenegro; New Zealand; Romania; Solomon Islands
	Distributing credit information from retailers, trade creditors or utilities as well as financial institutions	54	Fiji; Lithuania; Nicaragua; Rwanda; Saudi Arabia; Spain
Protecting investors	Allowing rescission <sup>b</sup> of prejudicial related-party transactions	70	Brazil; Mauritius; Rwanda; United States
	Regulating approval of related-party transactions	60	France; Iceland; Indonesia; Lebanon; United Kingdom
	Requiring detailed disclosure	52	Hong Kong SAR, China; Israel; New Zealand; Singapore
	Allowing access to all corporate documents during the trial	45	Chile; Ireland; Morocco; Peru; Poland
	Defining clear duties for directors in case of related-party transactions	45	Colombia; Malaysia; Mexico; United States; Vietnam
	Requiring external review of related-party transactions	41	Australia; Burundi; Arab Republic of Egypt; Norway
	Allowing access to all corporate documents <i>before</i> the trial	31	Greece; Japan; South Africa; Sweden
Making it easy to pay taxes	Allowing self-assessment	145	Argentina; Canada; China; Arab Republic of Egypt; Rwanda; Sri Lanka; Turkey
	Allowing electronic filing and payment	66	Australia; Colombia; India; Lithuania; Mauritius; Singapore; Tunisia
	Having one tax per tax base	49	Hong Kong SAR, China; FYR Macedonia; Morocco; Namibia; Paraguay; United Kingdom
Making it easy to trade across borders <sup>c</sup>	Using electronic data interchange	130 <sup>d</sup>	Belize; Chile; Estonia; Pakistan; Turkey
	Using risk-based inspections	97	Morocco; Nigeria; Palau; Suriname; Vietnam
	Providing a single window	49 <sup>e</sup>	Colombia; Ghana; Republic of Korea; Singapore
Making it easy to enforce contracts	Making judgments publicly available	122 <sup>f</sup>	Australia; Austria; Chile; Dominican Republic; Greece; Mozambique; Nigeria; Uruguay
	Maintaining specialized commercial court, division or judge	87	Burkina Faso; France; Lesotho; Saudi Arabia; Sierra Leone; Singapore
	Allowing electronic filing of complaints	16	Australia; Republic of Korea; Malaysia; Russian Federation; United Kingdom
Making it easy to resolve insolvency	Allowing creditors' committees a say in relevant decisions	103	Bulgaria; Philippines; South Africa
	Requiring professional or academic qualifications for insolvency administrators by law	64	Cape Verde; Namibia
	Providing a legal framework for out-of-court workouts	45	Italy; Philippines

Note: Good practices making it easy to get electricity will be included in *Doing Business 2013*.

a. Among 183 economies surveyed, unless otherwise specified.

b. The right of parties involved in a contract to return to a state identical to that before they entered into the agreement.

c. Among 159 economies surveyed for electronic data interchange, 152 for risk-based inspections and 150 for single window.

d. Twenty-six have a full electronic data interchange system, 104 a partial one.

e. Twenty have a single-window system that links all relevant government agencies, 29 a system that does not.

f. Among 175 economies surveyed.

Source: *Doing Business* database; for starting a business, also World Bank (2009b).



are identified, targeted changes can have a substantial effect on new firm creation, productivity and employment. Because many regulations interact, implementing regulatory reform in several areas has synergistic effects. It is also important to recognize that regulatory reforms can take time to translate into changes in the economy.<sup>20</sup>

Other World Bank Group initiatives provide data complementing the *Doing Business* resources. Two global data sets support the exploration of other areas of analysis—one focusing on laws and regulations specific to women’s participation in the economy and the other on those relating to foreign companies’ engagement in the domestic economy.<sup>21</sup> Enterprise surveys covering 125 economies over 9 years allow researchers and policy makers to assess what the private sector looks like in an economy at a given time—in terms of firm size, sector of activity and geographic location.<sup>22</sup> Through direct interviews with more than 130,000 firms around the world, these surveys examine a range of issues relating to the business environment, including the biggest constraints as perceived by businesses.

The agenda for research into what regulations constitute binding constraints, what package of regulatory reforms is most effective and how these issues are shaped by the context in an economy is still unfinished. To stimulate new research in this area, *Doing Business* plans to hold a conference in the fall of 2012. Its aim will be to deepen our understanding of the links between business regulation reforms and broader economic outcomes.

## NOTES

1. Narayan and others 2000.
2. Ayyagari, Demirgüç-Kunt and Maksimovic 2011.
3. Only 27% of all regulatory reforms recorded by *Doing Business* for economies in the Middle East and North Africa over the past 6 years were in the areas of getting credit, protecting investors, enforcing contracts and resolving insolvency. In Eastern Europe and Central Asia 38% of all regulatory reforms recorded were in these areas.
4. Research shows that business regulations of the type measured by *Doing Business* affect the creation of new firms in the local market, the productivity levels of those firms and the creation of employment. Cross-country studies show that greater ease of entry is associated with a higher firm entry rate and greater business density on average. Encouraging evidence from economies as diverse as Colombia, India, Mexico and Portugal also supports these findings. For more on this and other relevant research, see the chapter “About *Doing Business*: measuring for impact.”
5. Public procurement, while not covered by any of the *Doing Business* indicators, is another area in which a growing number of governments are using electronic platforms. The aim is to increase transparency in the relationships between public officials and suppliers.
6. Nineteen U.K. government departments participated in the program, which started with an extensive quantification exercise in the summer of 2005. In May 2010 the target was met: a total cost reduction for businesses of £3.5 billion. Based on this experience, a new target was set: to cut the ongoing costs of regulation by another £6.5 billion by 2015 (<http://www.bis.gov.uk>).
7. European Commission 2011.
8. The assignment was to compile the latest research findings on regulatory burden, regulatory simplification and regulatory impact on business and to examine what effects direct and indirect costs have on businesses and the economy (Swedish Agency for Growth Policy Analysis 2010).
9. <http://www.businesslink.gov.uk>.
10. This pattern of relatively large variation across indicator sets is not specific to *Doing Business*. A similar pattern can be discerned in, for example, the World Economic Forum’s Global Competitiveness Index, a broader measure capturing such factors as macroeconomic stability, the soundness of public institutions, aspects of human capital and the sophistication of the business community. The United States and Japan, as leaders in technology, score extremely well on measures of innovation. But with large budget deficits and high levels of public debt, they do less well on measures of macroeconomic stability.
11. Some members of the Corporate Registrars Forum are Australia; Bangladesh; Bermuda; Botswana; the British Virgin Islands; Burkina Faso; Canada; the Cook Islands; Croatia; Hong Kong SAR, China; India; Jordan; FYR Macedonia; Malawi; Malaysia; Mauritius; Nepal; the Netherlands; New Zealand; Nigeria; Pakistan; Rwanda; Samoa; Singapore; South Africa; Sri Lanka; Tunisia; the United Arab Emirates; the United Kingdom; and Vanuatu. (<http://www.corporateregistersforum.org/member-jurisdictions>).
12. See also World Bank (2009a, 2010a).
13. Aghion and others 2008.
14. Bruhn 2011.
15. Kaplan, Piedra and Seira 2007.
16. Eifert 2009.
17. Rauch 2010.
18. These include economies across regions: In East and South Asia, India; Malaysia; Sri Lanka; Taiwan, China; Thailand; and Vietnam. In the Middle East and North Africa, Egypt; Morocco; Saudi Arabia; the United Arab Emirates; and the Republic of Yemen. In Eastern Europe and Central Asia, Georgia; Kazakhstan; the Kyrgyz Republic; Moldova; and Tajikistan. In Sub-Saharan Africa, Botswana; Burundi; the Central African Republic; the Comoros; the Democratic Republic of Congo; Kenya; Liberia; Malawi; Mali; and Zambia. And in Latin America, Guatemala; Mexico; and Peru.
19. Topic chapters are available on the *Doing Business* website (<http://www.doingbusiness.org>).
20. For more information on relevant research, see the chapter “About *Doing Business*: measuring for impact.”
21. The databases are Women, Business and the Law (<http://wbl.worldbank.org/>) and Investing Across Borders (<http://iab.worldbank.org/>).
22. World Bank Enterprise Surveys (<http://www.enterprisesurveys.org>).