

Doing Business 2015

Going Beyond Efficiency



DOING BUSINESS 2015

GOING BEYOND EFFICIENCY



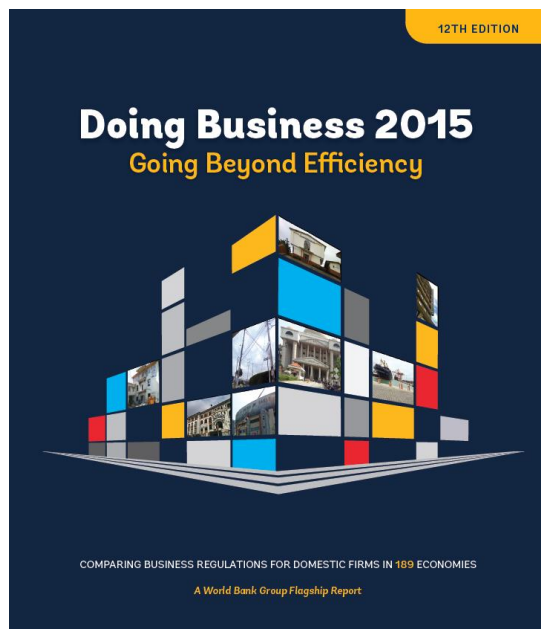
WORLD BANK GROUP

Global Indicators Group
DEVELOPMENT ECONOMICS

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What does *Doing Business* measure?



Doing Business indicators:

- ✓ Focus on regulations relevant to the life cycle of a small to medium-sized domestic business.
- ✓ Are built on standardized case scenarios.
- ✓ Are measured for the most populous city in each country, and the second largest business city in countries with more than 100 million inhabitants.
- ✓ Are focused on the formal sector.

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

What *Doing Business* continues to cover and what it is adding

What *Doing Business* continues to cover

- Procedures, time, cost and paid-in minimum capital to start a business
- Procedures, time and cost to complete all formalities to build a warehouse
- Procedures, time and cost to get connected to the electrical grid
- Procedures, time and cost to transfer a property
- Movable collateral laws and credit information systems
- Minority shareholders' rights in related-party transactions
- Payments, time and total tax rate for a firm to comply with all tax regulations
- Documents, time and cost to export and import by seaport
- Procedures, time and cost to resolve a commercial dispute
- Time, cost, outcome and recovery rate for a commercial insolvency

What this year's report adds

- More features on the strength of legal rights and depth of credit information
- More features on minority shareholders' rights
- A measure of the strength of the legal framework for insolvency
- An additional city in the 11 economies with a population of more than 100 million
- Ease of doing business ranking based on the distance to frontier score

What next year's report will add

- Measures of the quality of building regulations
- Measures of the reliability of the electricity supply
- Measures of the quality of the land administration system
- Measures of the postfiling process in paying taxes
- Measures of the quality of the judicial administration system

Methodology changes in *Doing Business 2015*

The *Doing Business 2015* report incorporates important changes, in order to expand the focus in indicator sets to also cover aspects of the **quality** of services and recent **good practices** in the areas covered.

1) Three indicators had **major revisions** of their methodology:

➤ **Getting credit**

- The methodology has been revised for both the strength of legal rights index and the depth of credit information index to cover more good practices
 1. *Strength of legal rights index* additionally covers: Integrated legal rights framework & more features of the collateral registry
 2. *Depth of credit information index* additionally covers: Existence of an online platform to exchange credit information & availability of credit scores

➤ **Protecting minority investors**

- The scope of the indicator set was expanded to also measure shareholders' rights in corporate governance beyond related-party transactions
 1. Shareholders' rights and role in major corporate decisions (extent of shareholder rights index)
 2. Governance structure (strength of governance structure index)
 3. Transparency (extent of corporate transparency index)
 4. Ease of shareholder suits index expanded to take into account the allocation of legal expenses

➤ **Resolving insolvency**

- This year's report introduces a new measure: the **strength of insolvency framework index**, evaluating the adequacy and integrity of the legal framework applicable to liquidation and reorganization proceedings.

Methodology changes in *Doing Business 2015*

- 2) **Minor changes** have been made to the Paying Taxes, Enforcing Contracts, and Dealing with Construction Permits indicators:
- **Dealing with construction permits**
 - The cost of construction is now set at 50 times income per capita (before, the cost was assessed by the *Doing Business* respondents);
 - The indicator set no longer includes the procedures for obtaining a landline telephone connection.
 - **Enforcing contracts**
 - The value of the claim is now set at twice the income per capita or \$5,000, whichever is higher.
 - **Paying taxes**
 - Financial statement variables have been updated to be proportional to 2012 income per capita (previously were proportional to 2005 income per capita);
 - Change in DTF ranking calculation: total tax rate component now enters the score in a nonlinear fashion (> approach different from that used for all other indicators).

Advantages and limitations of the *Doing Business* methodology

| Feature | Advantages | Limitations |
|---|--|--|
| Use of standardized case scenarios | Makes the data comparable across economies and the methodology transparent | Reduces the scope of the data and means that only regulatory reforms in the areas measured can be systematically tracked |
| Focus on largest business city ^a | Makes the data collection manageable (cost-effective) and the data comparable | Reduces the representativeness of the data for an economy if there are significant differences across locations |
| Focus on domestic and formal sector | Keeps the attention on where regulations are relevant and firms are most productive—the formal sector | Fails to reflect reality for the informal sector—important where that is large—or for foreign firms where they face a different set of constraints |
| Reliance on expert respondents | Ensures that the data reflect the knowledge of those with the most experience in conducting the types of transactions measured | Results in indicators that do not measure the variation in experiences among entrepreneurs |
| Focus on the law | Makes the indicators “actionable”—because the law is what policy makers can change | Fails to reflect the reality that where systematic compliance with the law is lacking, regulatory changes may not achieve the full desired results |

a. In economies with a population of more than 100 million, *Doing Business* covers business regulation in both the largest business city and the second largest one.

Second city added to the data set for 11 economies



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

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

New computation of ranking - from percentile ranking to DTF ranking

| Topic and indicator | Who sets the frontier | Frontier | Worst performance |
|--|---|----------|----------------------|
| Starting a business | | | |
| Procedures (number) | Canada; New Zealand | 1 | 18 ^a |
| Time (days) | New Zealand | 0.5 | 100 ^b |
| Cost (% of income per capita) | Slovenia | 0.0 | 200.0 ^b |
| Minimum capital (% of income per capita) | Australia; Colombia ^c | 0.0 | 400.0 ^b |
| Getting electricity | | | |
| Procedures (number) | Germany; Korea, Rep. ^d | 3 | 9 ^a |
| Time (days) | Korea, Rep. | 18 | 248 ^b |
| Cost (% of income per capita) | Japan | 0.0 | 8,100.0 ^b |
| Protecting minority investors | | | |
| Extent of conflict of interest regulation index (0-10) | No economy has attained the frontier yet. | 10 | 0 ^e |
| Extent of shareholder governance index (0-10) | No economy has attained the frontier yet. | 10 | 0 ^e |
| Enforcing contracts | | | |
| Procedures (number) | Singapore | 21 | 53 ^a |
| Time (days) | Singapore | 120 | 1,340 ^b |
| Cost (% of claim) | Bhutan | 0.1 | 89.0 ^b |

- a. Worst performance is defined as the 99th percentile among all economies in the *Doing Business* sample.
- b. Worst performance is defined as the 95th percentile among all economies in the *Doing Business* sample.
- c. One hundred and ten other economies also have a minimum capital requirement of 0.0.
- d. In 11 other economies it also takes only 3 procedures to get an electricity connection.
- e. Worst performance refers to the worst value recorded.

This year's report ranks economies based on the distance to frontier score.

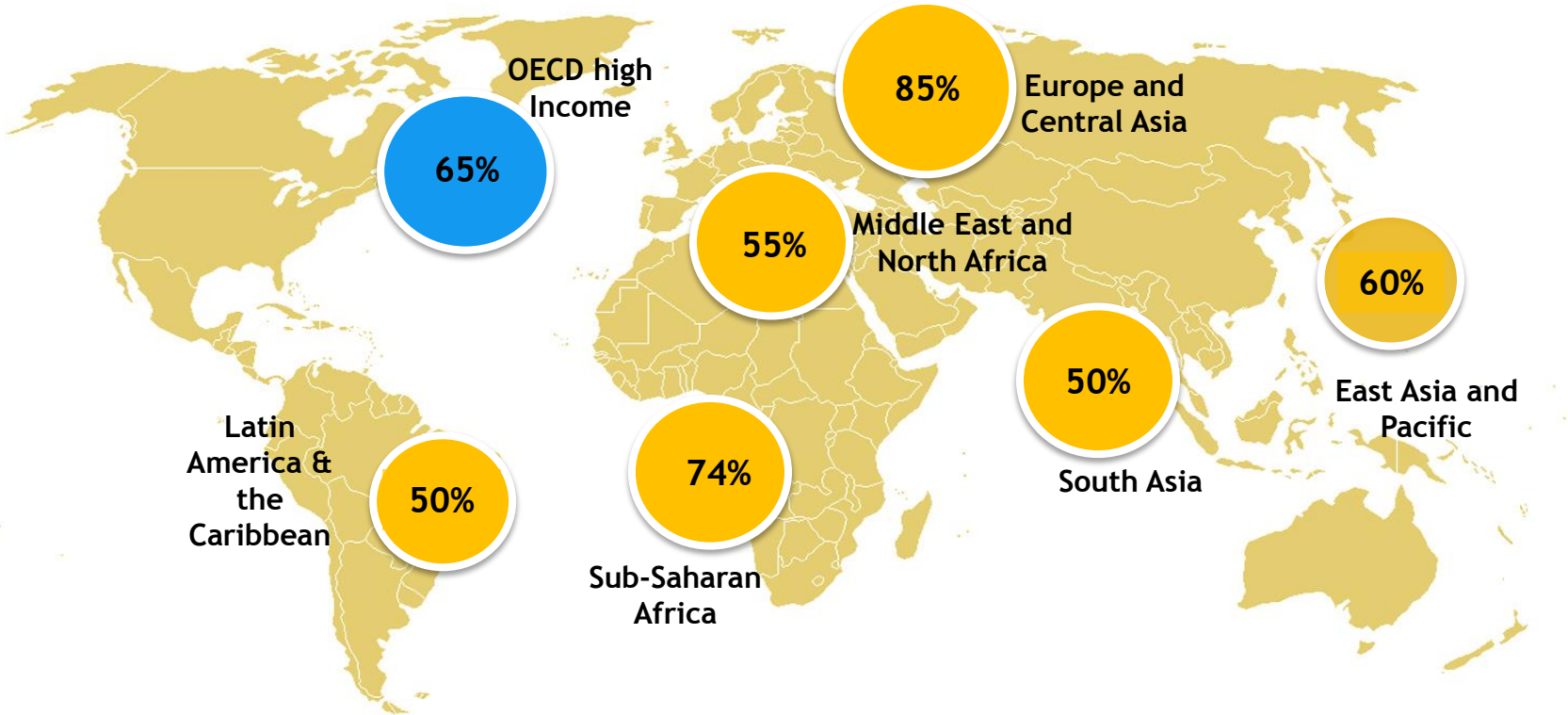
Calculating the distance to frontier score for each economy involves 2 main steps:

- 1) Individual component indicators are normalized to a common unit where each of the 31 component indicators y (except for the total tax rate) is rescaled using the linear transformation

$$\frac{(\text{worst} - y)}{(\text{worst} - \text{frontier})}$$

- 2) For each economy the scores obtained for individual indicators are aggregated through simple averaging into one distance to frontier score, first for each topic and then across all 10 topics.

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



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

10 economies improving the most across 3 or more areas measured by *Doing Business 2015*

| | Ease of doing business rank | Reforms making it easier to do business | | | | | | | | | |
|----------------------|-----------------------------|---|-----------------------------------|---------------------|----------------------|----------------|-------------------------------|--------------|------------------------|---------------------|----------------------|
| | | Starting a business | Dealing with construction permits | Getting electricity | Registering property | Getting credit | Protecting minority investors | Paying taxes | Trading across borders | Enforcing contracts | Resolving insolvency |
| Tajikistan | 166 | √ | √ | | | √ | | √ | | | |
| Benin | 151 | √ | | | | | √ | | √ | √ | |
| Togo | 149 | √ | | | √ | | √ | √ | | | |
| Côte d'Ivoire | 147 | √ | | | √ | √ | √ | | √ | | |
| Senegal | 161 | √ | √ | | √ | √ | √ | √ | | | |
| Trinidad and Tobago | 79 | √ | | | | √ | | | | | √ |
| Congo, Dem. Rep. | 184 | √ | | √ | | √ | √ | √ | | | |
| Azerbaijan | 80 | √ | | | √ | | | √ | | | |
| Ireland | 13 | | | | √ | √ | | | | √ | |
| United Arab Emirates | 22 | | | | √ | √ | √ | | | | |

Note: Economies are selected on the basis of the number of their reforms and ranked on how much their distance to frontier score improved. 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 distance to frontier score. Regulatory changes making it more difficult to do business are subtracted from the number of those making it easier. Second, *Doing Business* ranks these economies on the 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 2013 but by using comparable data that capture data revisions and methodology changes. The choice of the most improved economies is determined by the largest improvements in the distance to frontier score among those with at least 3 reforms.

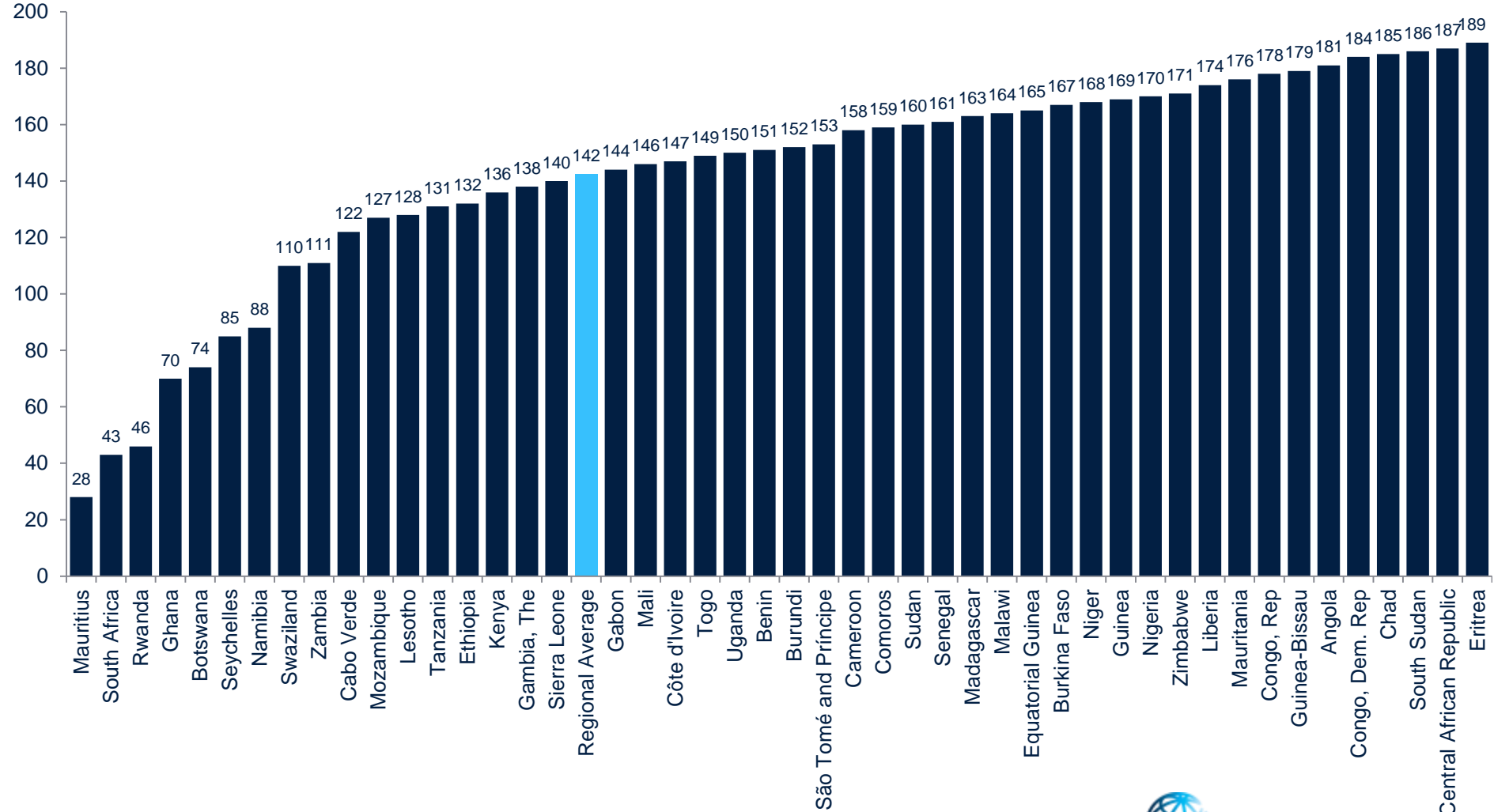
Source: *Doing Business* database.

SUB-SAHARAN AFRICA REGION



Mauritius and South Africa lead the regional ranking of Sub-Saharan Africa in the ease of doing business in 2013/14

Rank (1 – 189)



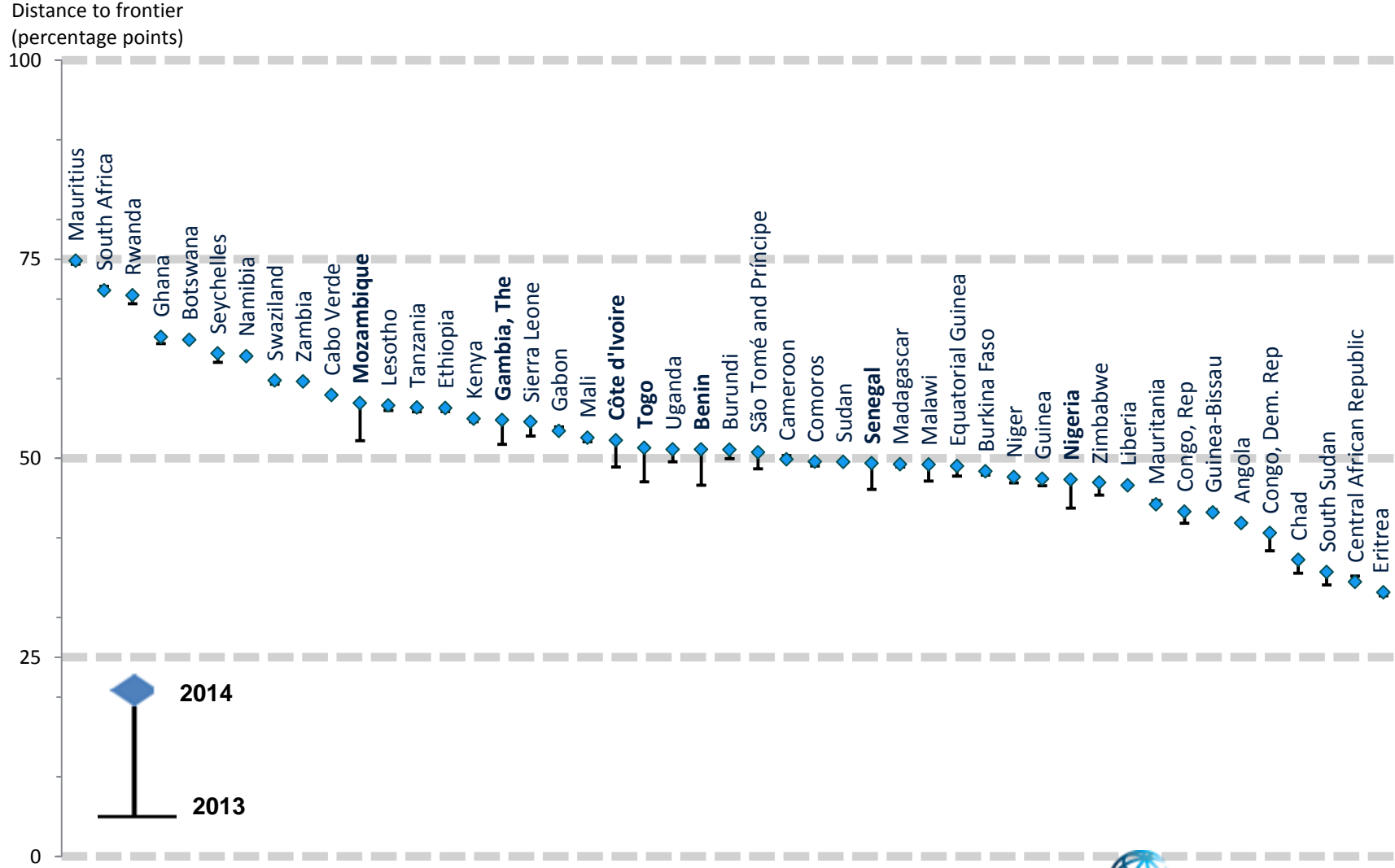
Several economies in Sub-Saharan Africa rank highly in the areas of business regulations measured by *Doing Business*

| Indicator | World's top ranked economies | Sub-Saharan Africa's top ranked economies |
|-----------------------------------|------------------------------|--|
| Starting a business | New Zealand | Burundi (18) São Tomé and Príncipe (23) |
| Dealing with construction permits | Hong Kong SAR, China | Namibia (25) Ethiopia (28) |
| Getting electricity | Korea, Rep | Mauritius (41) Cameroon (52) |
| Registering property | Georgia | Rwanda (15) Ghana (43) |
| Getting credit | New Zealand | Rwanda (4) Zambia (23) |
| Protecting minority investors | New Zealand | South Africa (17) Mauritius (28) |
| Paying taxes | United Arab Emirates/Qatar | Mauritius (13) South Africa (19) |
| Trading across borders | Singapore | Mauritius (17) Seychelles (42) |
| Enforcing contracts | Singapore | Cabo Verde (39) Mauritius (44) |
| Resolving Insolvency | Finland | South Africa (39) Mauritius (43) |

With a total of 75 reforms, 35 economies in Sub-Saharan Africa improved business regulations this year



Several economies in Sub-Saharan Africa made significant improvements in closing the gap to the frontier in 2013/2014



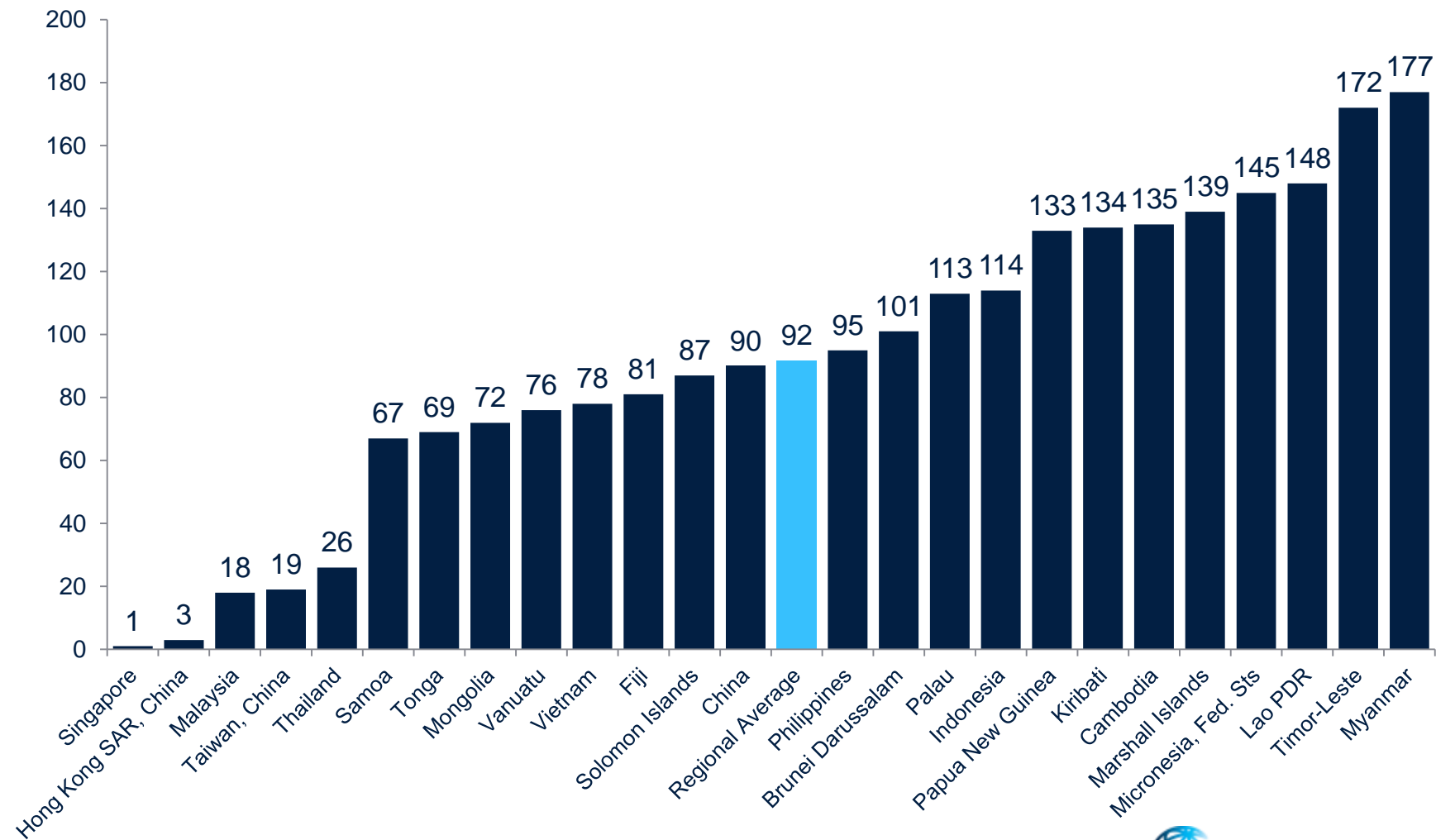
Source: Doing Business database.

EAST ASIA AND THE PACIFIC



Singapore and Hong Kong SAR (China) lead the regional ranking of East Asian and Pacific economies in the ease of doing business in 2013/14

Rank (1 – 189)



Several economies in East Asia and the Pacific rank highly in numerous areas of business regulations

| Indicator | World's top ranked economies | East Asia and Pacific's top ranked economies |
|-----------------------------------|------------------------------|--|
| Starting a business | New Zealand | Singapore (6) Hong Kong SAR, China (8) |
| Dealing with construction permits | Hong Kong SAR, China | Hong Kong SAR, China (1) Singapore (2) |
| Getting electricity | Korea, Rep | Taiwan, China (2) Singapore (11) |
| Registering property | Georgia | Palau (21) Singapore (24) |
| Getting credit | New Zealand | Cambodia (12) Singapore (17) |
| Protecting minority investors | New Zealand | Hong Kong SAR, China (2) Singapore (3) |
| Paying taxes | United Arab Emirates/Qatar | Hong Kong SAR, China (4) Singapore (5) |
| Trading across borders | Singapore | Hong Kong SAR, China (2) Malaysia (11) |
| Enforcing contracts | Singapore | Hong Kong SAR, China (6) Mongolia (24) |
| Resolving Insolvency | Finland | Taiwan, China (18) Singapore (19) |

Three East Asian and Pacific economies were among the top improvers in the areas measured by *Doing Business* in 2013/14

| Area of reform | Number of reforms in 2013/14 | Average annual number of reforms in past 5 years | Economy improving the most in area in 2013/14 |
|--|------------------------------|--|---|
| <i>Complexity and cost of regulatory processes</i> | | | |
| Starting a business | 45 | 45 | Timor-Leste |
| Dealing with construction permits | 16 | 19 | Croatia |
| Getting electricity | 12 | 12 ^a | Solomon Islands |
| Registering property | 21 | 22 | Greece |
| Paying taxes | 31 | 34 | Romania |
| Trading across borders | 20 | 23 | Myanmar |
| <i>Strength of legal institutions</i> | | | |
| Getting credit—legal rights | 9 | 10 | Colombia |
| Getting credit—credit information | 22 | 20 | Jamaica |
| Protecting minority investors | 30 | 14 | United Arab Emirates |
| Enforcing contracts | 15 | 13 | Kosovo |
| Resolving insolvency | 10 | 17 | Mozambique |
| Total | 231 | 21 | |

(230 counted as separate reforms)*

*Note: Because Jamaica implemented changes in the past year in both the strength of legal rights and depth of credit information components of getting credit, the table shows a total of 231 reforms for 2013/14, though only 230 are counted as separate reforms.

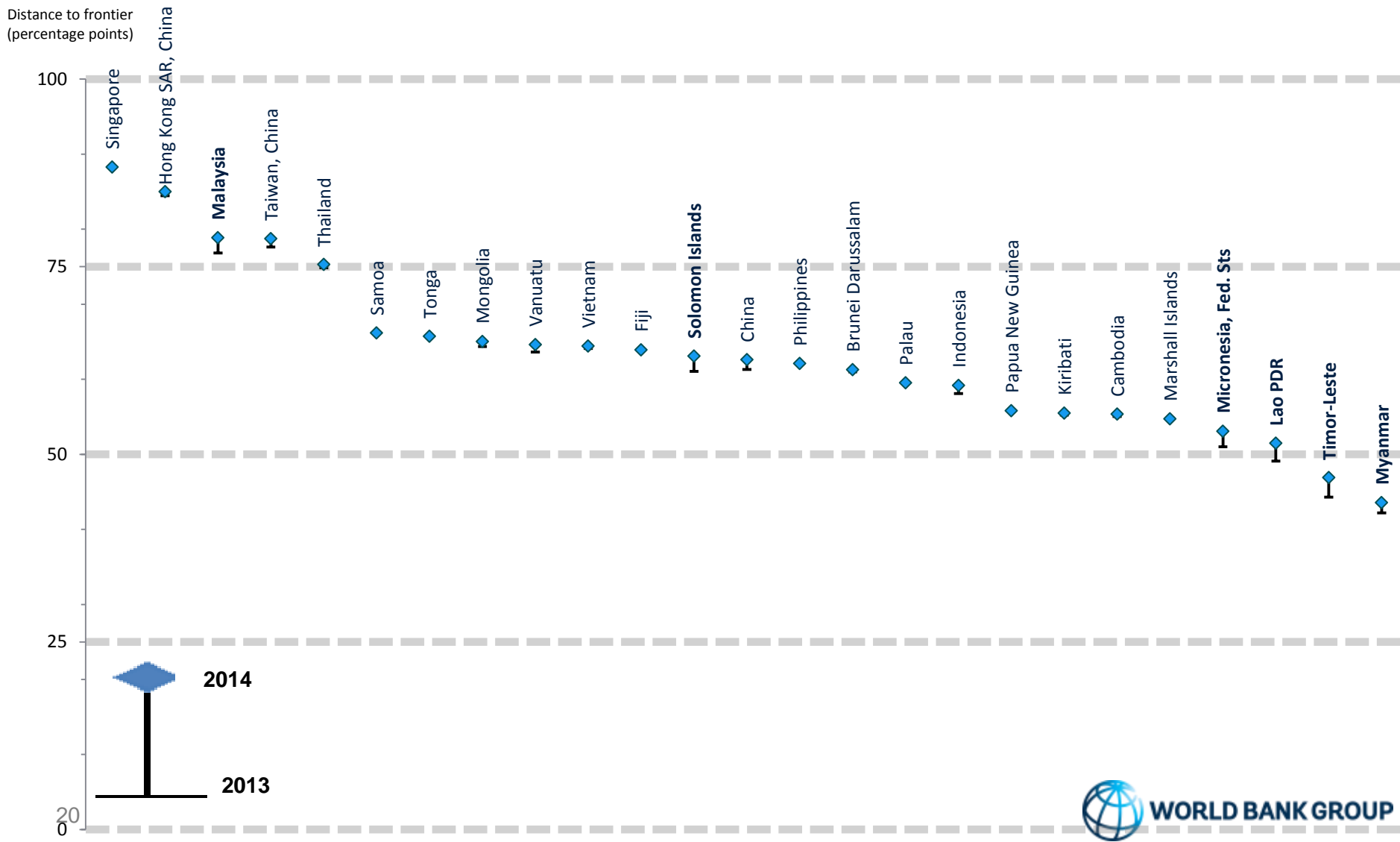
a. Refers to the average for the past 4 years.

Source: *Doing Business* database.

With a total of 24 reforms, 15 economies in East Asia and the Pacific improved business regulations this year



Several economies in East Asia and the Pacific made significant improvements in closing the gap to the frontier from 2013 to 2014

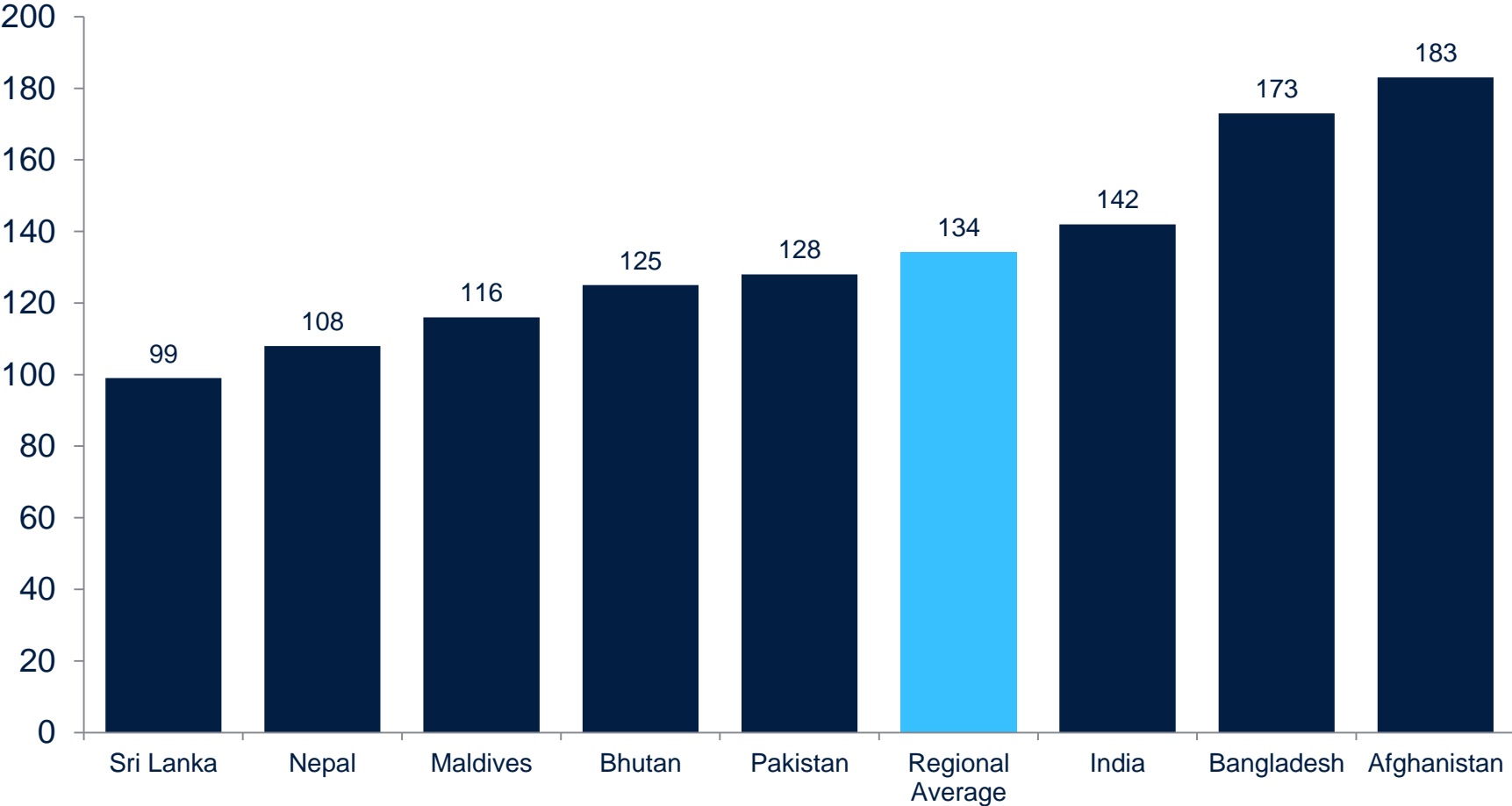


SOUTH ASIA



Sri Lanka and Nepal lead South Asia in the ease of doing business in 2013/14

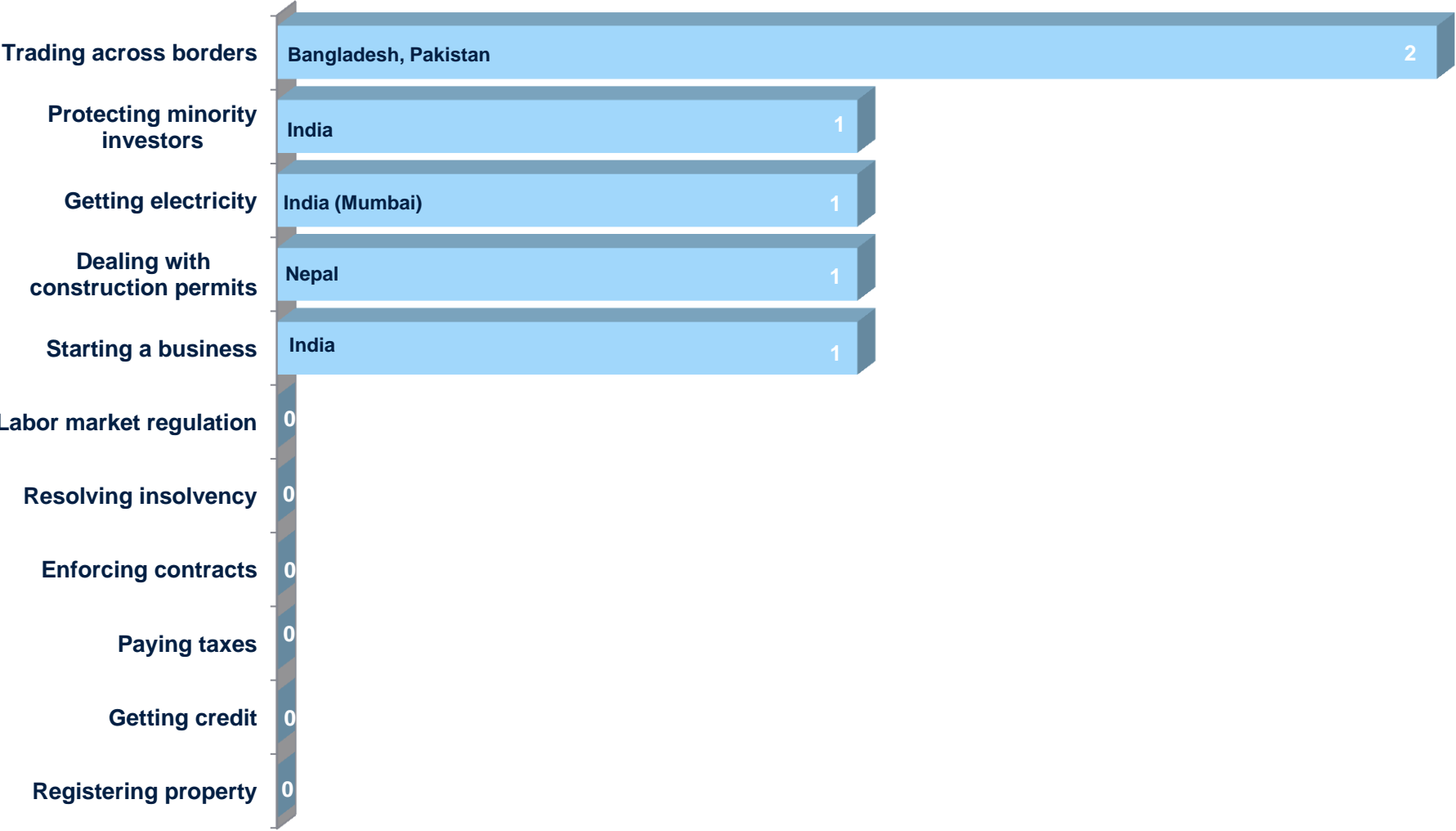
Rank (1 – 189)



Several South Asian economies rank highly in numerous areas of business regulations

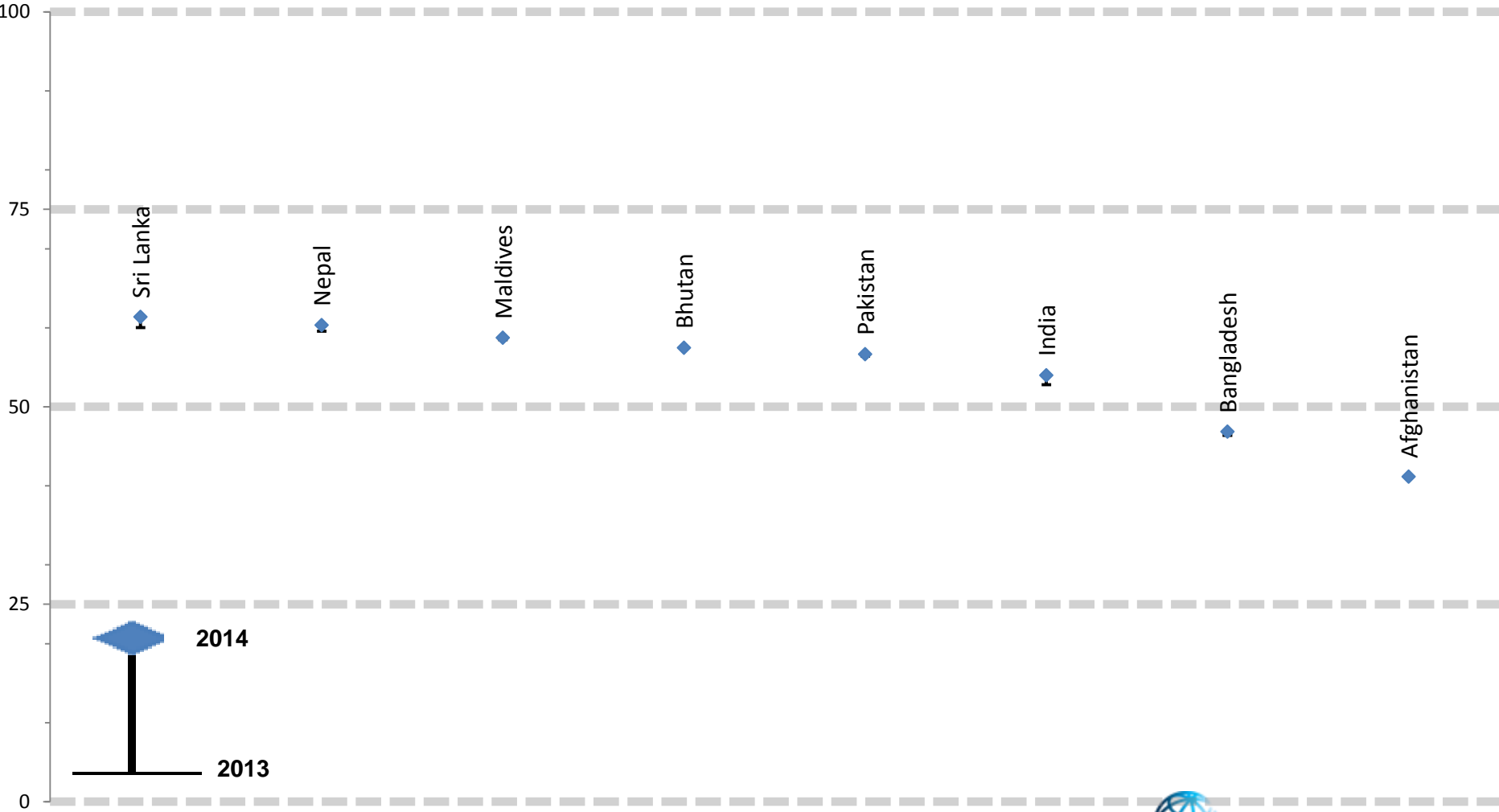
| Indicator | World's top ranked economies | South Asia's top ranked economies |
|-----------------------------------|------------------------------|-------------------------------------|
| Starting a business | New Zealand | Afghanistan (24) Maldives (50) |
| Dealing with construction permits | Hong Kong SAR, China | Maldives (24) Sri Lanka (60) |
| Getting electricity | Korea, Rep | Bhutan (72) Nepal (85) |
| Registering property | Georgia | Nepal (27) Bhutan (86) |
| Getting credit | New Zealand | India (36) Bhutan (71) |
| Protecting minority investors | New Zealand | India (7) Pakistan (21) |
| Paying taxes | United Arab Emirates/Qatar | Afghanistan (79) Bangladesh (83) |
| Trading across borders | Singapore | Sri Lanka (69) Pakistan (108) |
| Enforcing contracts | Singapore | Bhutan (74) Maldives (91) |
| Resolving Insolvency | Finland | Sri Lanka (72) Pakistan (78) |

With a total of 6 reforms, 4 economies in South Asia improved business regulations this year



Several economies in South Asia made improvements in closing the gap to the frontier in 2013/2014

Distance to frontier
(percentage points)



Source: Doing Business database.

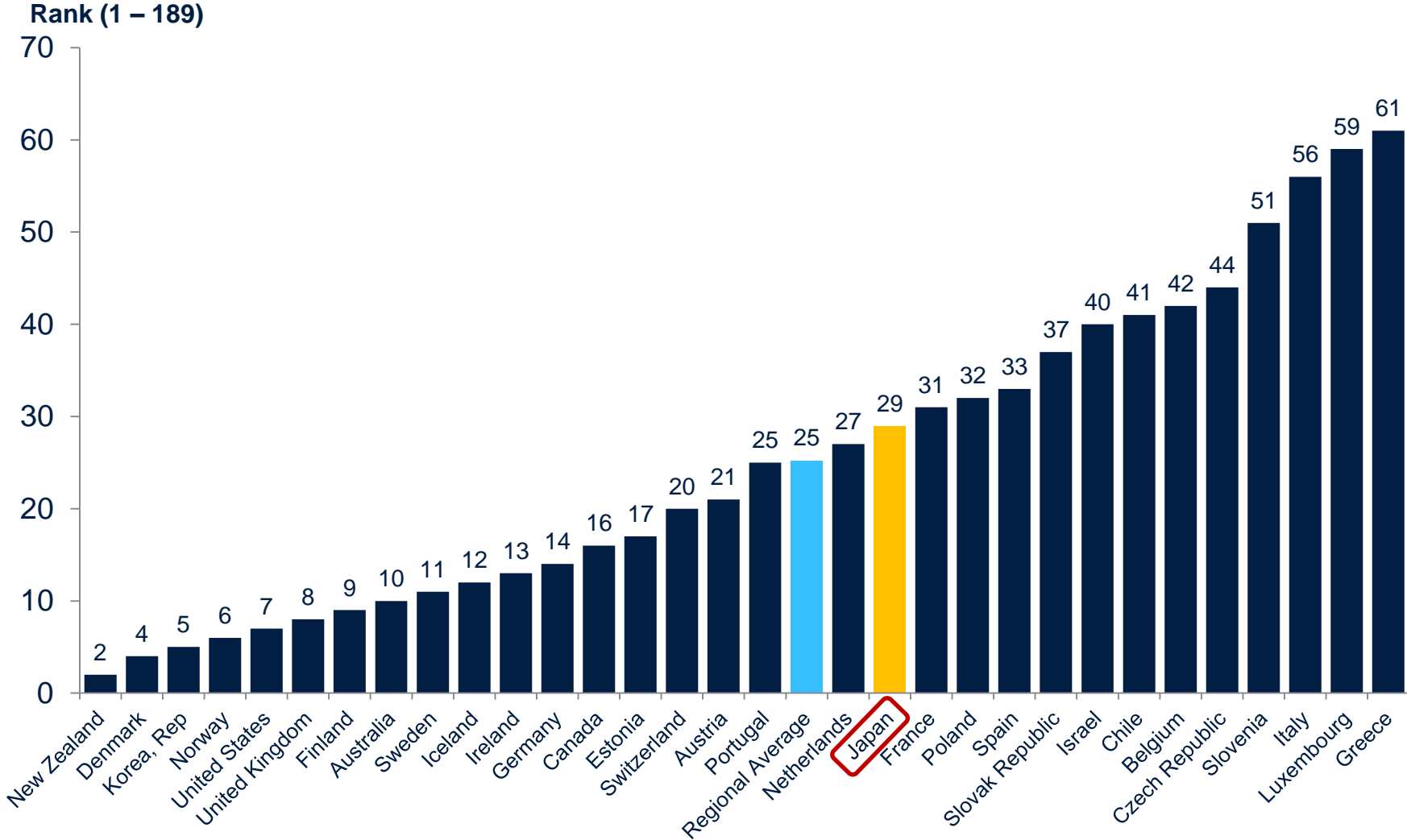
OECD HIGH INCOME ECONOMIES



27 of the top 50 economies in the ease of doing business ranking are OECD high-income economies

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

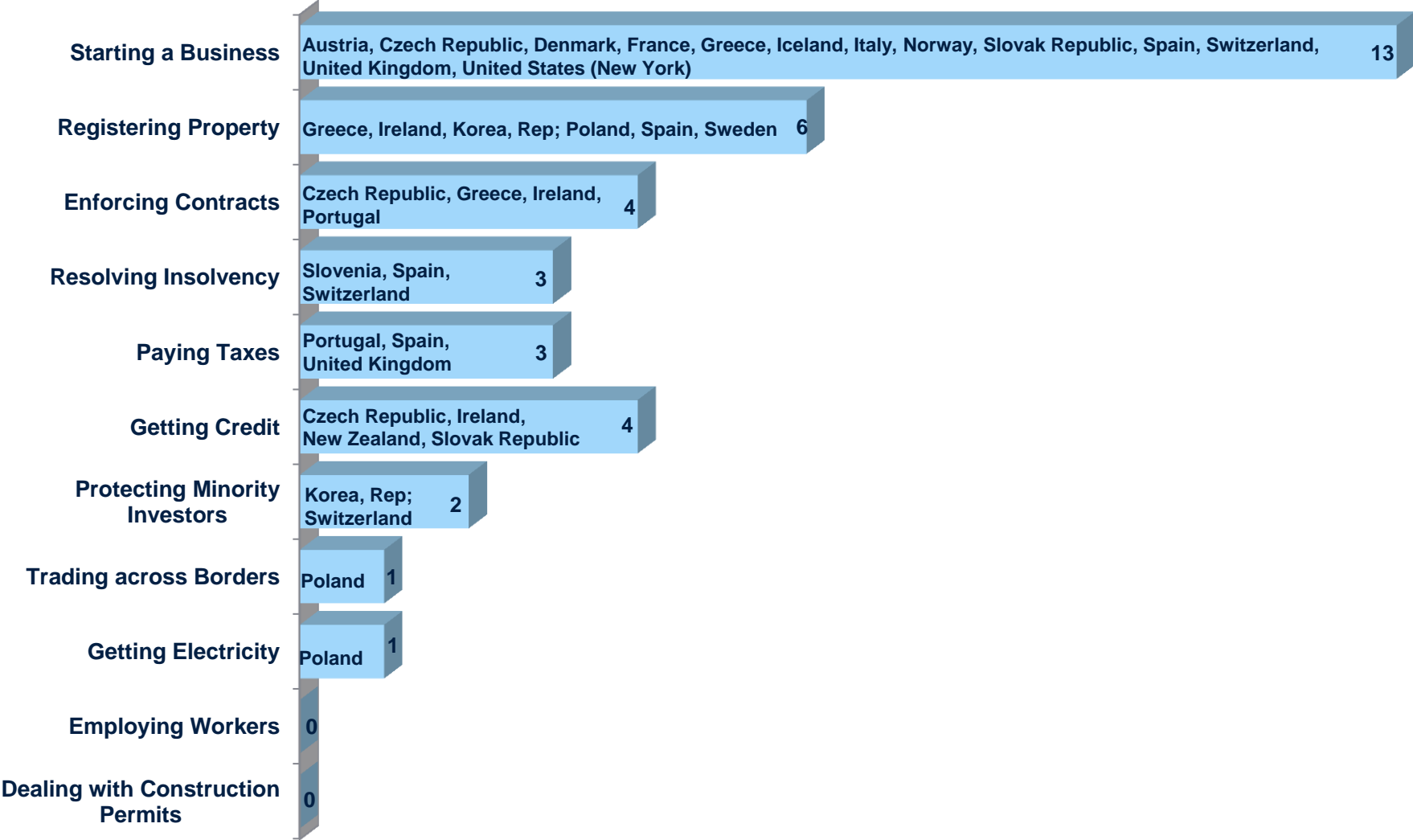
New Zealand and Denmark lead the ranking of OECD high-income economies in the ease of doing business



Several OECD high-income economies rank highly in numerous areas of business regulations

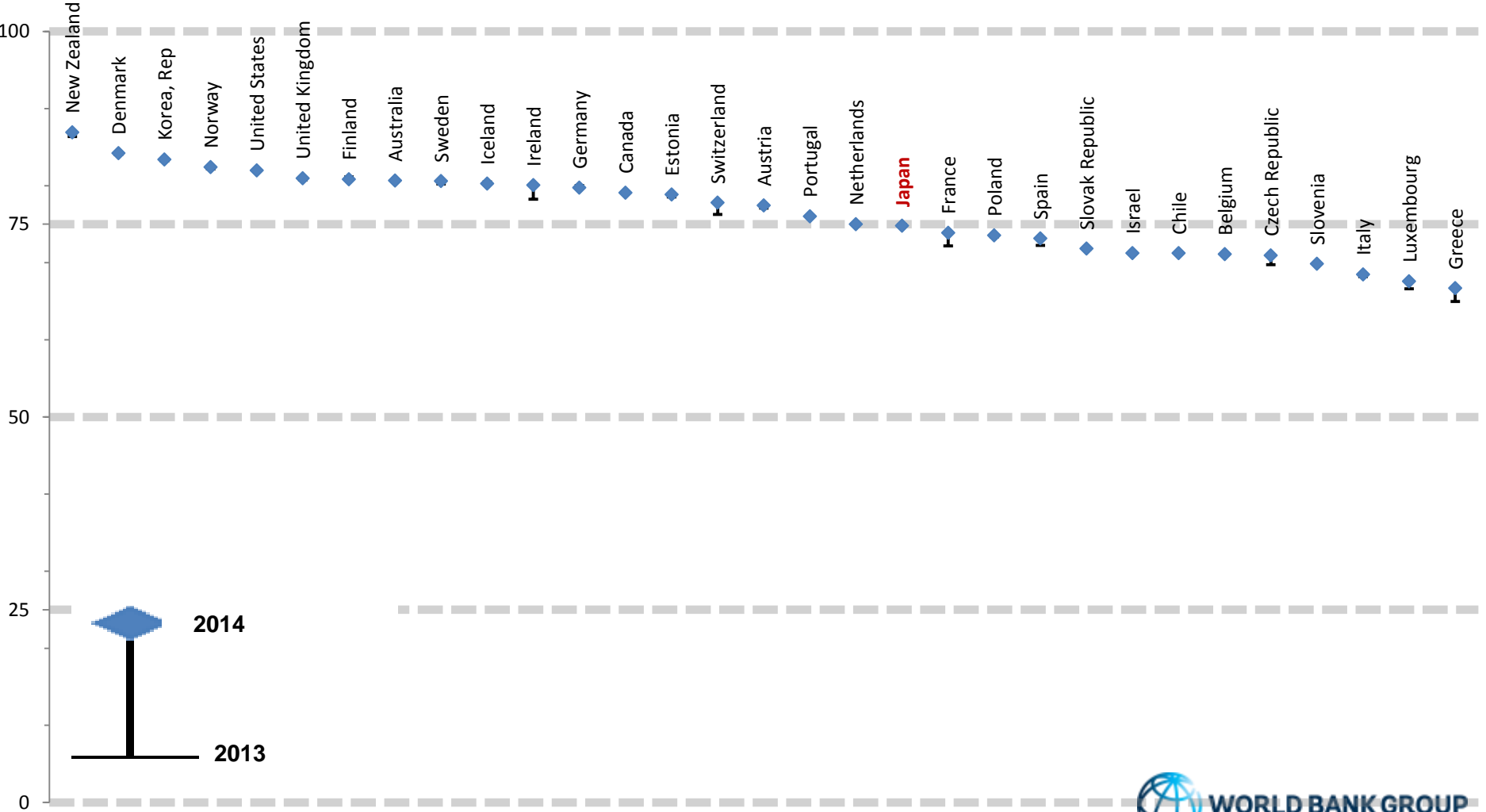
| Indicator | World's top ranked economies | OECD's top ranked economies |
|-----------------------------------|------------------------------|---------------------------------------|
| Starting a business | New Zealand | New Zealand (1) Canada (2) |
| Dealing with construction permits | Hong Kong SAR, China | Denmark (5) Germany (8) |
| Getting electricity | Korea, Rep | Korea, Rep. (1) Germany (3) |
| Registering property | Georgia | New Zealand (2) Norway (5) |
| Getting credit | New Zealand | New Zealand (1) United States (2) |
| Protecting minority investors | New Zealand | New Zealand (1) United Kingdom (4) |
| Paying taxes | United Arab Emirates/Qatar | Ireland (6) Canada (9) |
| Trading across borders | Singapore | Korea, Rep (3) Sweden (4) |
| Enforcing contracts | Singapore | Luxembourg (2) Iceland (3) |
| Resolving Insolvency | Finland | Finland (1) Japan (2) |

With a total of 37 reforms, 20 OECD high-income economies improved business regulations this year



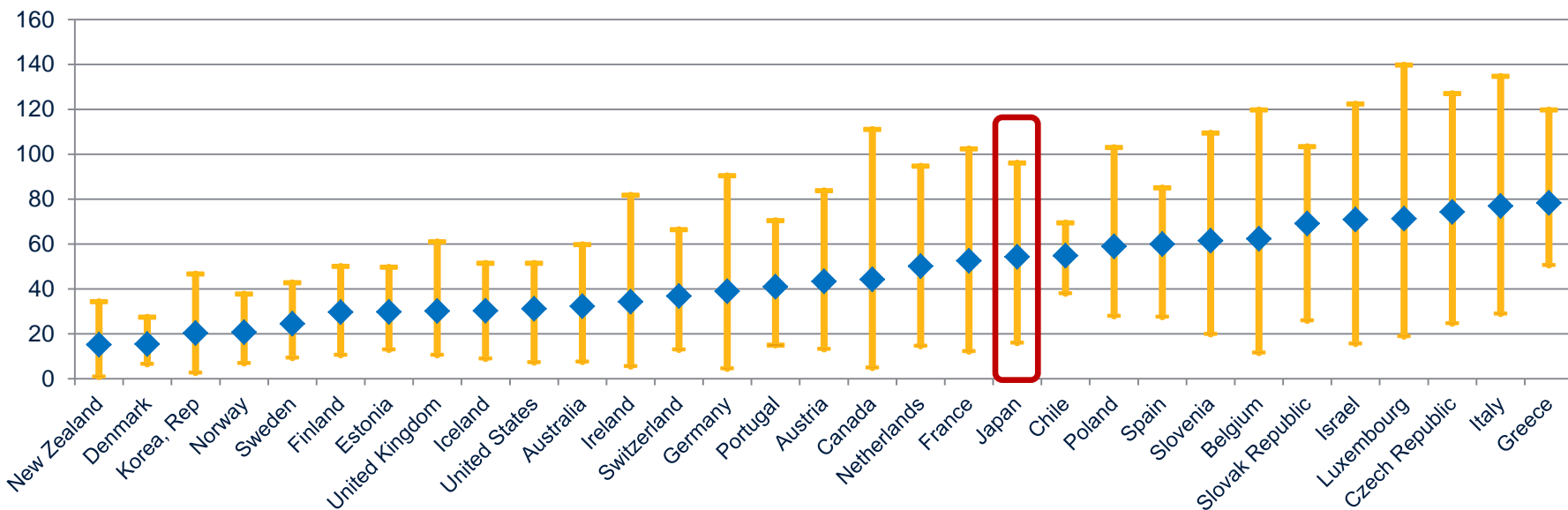
Several economies in OECD high-income economies made major improvements in closing the gap to the frontier in 2013/2014

Distance to frontier
(percentage points)



Source: Doing Business database.

Variability across areas of business regulation in OECD high-income economies



Japan ranks 29 on the ease of doing business, but in fact performance varies significantly across indicators.

Japan TOP 3 rankings:

- Resolving insolvency: 2
- Trading across borders: 20
- Enforcing contracts: 26

Japan BOTTOM 3 rankings:

- Starting a business: 83
- Dealing with construction permits: 83
- Paying taxes: 122

Ease of doing business rank and the distance to frontier measure evaluated by *Doing Business* for Japan in 2013/14

| Topics | DB2015 Rank | Change in Rank | DB2015 DTF (% points) | Change in DTF (% points) |
|-----------------------------------|-------------|----------------|-----------------------|--------------------------|
| Starting a Business | 83 | ↓ -5 | 86.21 | no change |
| Dealing with Construction Permits | 83 | no change | 73.30 | ↓ -0.07 |
| Getting Electricity | 28 | ↑ 1 | 86.51 | no change |
| Registering Property | 73 | ↓ -3 | 71.33 | ↑ 0.01 |
| Getting Credit | 71 | ↓ -4 | 50.00 | no change |
| Protecting Minority Investors | 35 | no change | 62.50 | no change |
| Paying Taxes | 122 | ↓ -8 | 67.19 | ↓ -1.34 |
| Trading Across Borders | 20 | no change | 87.23 | ↓ -0.03 |
| Enforcing Contracts | 26 | ↑ 1 | 69.95 | no change |
| Resolving Insolvency | 2 | no change | 93.74 | ↑ 0.03 |

FUTURE CHANGES



Changes planned for *Doing Business 2016*

Registering Property

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

Dealing with Construction Permits

- The indicator set will be expanded to measure **good practices** in construction regulation:
 - ✓ Does the building code follow good practices? Is it easily accessible?
 - ✓ Who approves the designs? How are inspections carried out before, during and after construction?
 - ✓ What qualifications are required for the professionals reviewing plans or conducting inspections? What are the rules on liability and insurance?

Getting Electricity

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

Paying Taxes

- The indicator set will be expanded to include measures of the **postfiling process**, such as tax audits, tax refunds and tax appeals.

Enforcing Contracts

- The indicator set will be expanded to cover aspects of **judicial quality** as well as aspects of **court infrastructure** that promote efficiency.

THANK YOU!

Questions



www.doingbusiness.org

The screenshot shows the homepage of the World Bank Group's Doing Business website. The header includes the World Bank Group logo, the text 'DOING BUSINESS MEASURING BUSINESS REGULATIONS', and a search bar. A navigation menu lists categories like DATA, RANKINGS, REPORTS, METHODOLOGY, RESEARCH, BUSINESS REFORMS, LAW LIBRARY, CONTRIBUTORS, ABOUT US, and PRESS. The main content area features a 'NEW GLOBAL REPORT' section for 'Doing Business 2015' with a list of key findings: Singapore is first on ease of doing business; entrepreneurs in 123 economies saw improvements in regulatory framework; Sub-Saharan Africa accounts for 5 of the 10 top improvers in 2013/14; Read case studies on implementing good practices; Coverage expanded to include 2 cities in 11 economies with more than 100 million inhabitants; and View main findings and download the report. To the right is an 'Explore Economy Data' section with dropdown menus for selecting an economy and a topic, and 'OTHER OPTIONS' like 'Get all data' and 'Use reform simulator'. Below this is a section for the '2015 Doing Business Report' with a 'DOWNLOAD NOW' button. The bottom section is divided into 'RECENT PUBLICATIONS' (featuring 'Doing Business 2015: Going Beyond Efficiency'), 'STAY CONNECTED!' (with social media icons and a 'Subscribe to get alerts' form), 'SUBNATIONAL REPORTS' (with 'Subnational Data', 'Distance to Frontier', and 'Reform Simulator' links), and 'INFOGRAPHIC' (featuring a 'DOING BUSINESS' infographic).