Doing Business

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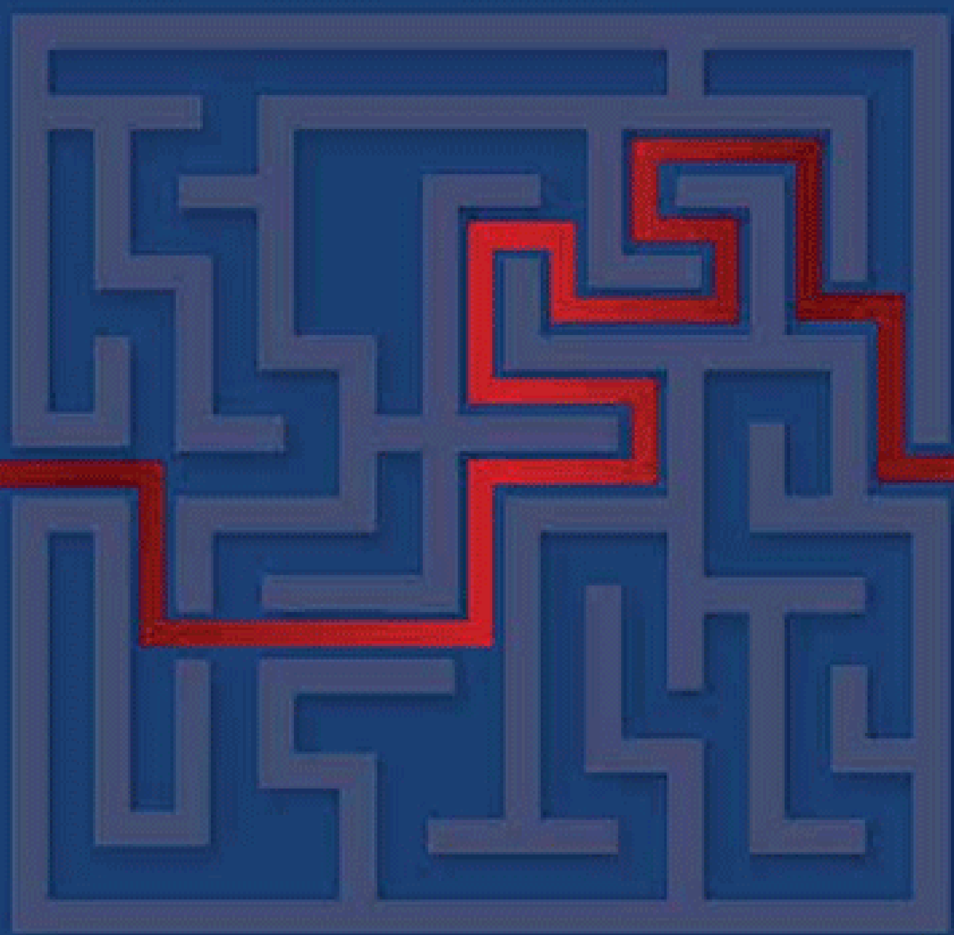
Doing Business 2014

Regional Profile:

Europe and Central Asia (ECA)



Comparing Business Regulations for Domestic Firms in 189 Economies

11TH EDITION

A World Bank Group Corporate Flagship

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INTRODUCTION

Doing Business sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 11 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, resolving insolvency and employing workers.

In a series of annual reports *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, over time. The data set covers 47 economies in Sub-Saharan Africa, 33 in Latin America and the Caribbean, 25 in East Asia and the Pacific, 25 in Eastern Europe and Central Asia, 20 in the Middle East and North Africa and 8 in South Asia, as well as 31 OECD high-income economies. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

This regional profile presents the *Doing Business* indicators for economies in Europe and Central Asia (ECA). It also shows the regional average, the best performance globally for each indicator and data for the following comparator regions: European Union (EU), Latin America, East Asia and the Pacific (EAP), Middle East and North Africa (MENA) and OECD High Income. The data in this report are current as of June 1, 2013 (except for the paying taxes indicators, which cover the period January–December 2012).

The *Doing Business* methodology has limitations. Other areas important to business—such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders and getting electricity), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions—are not directly studied by *Doing Business*. The indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policy makers in designing regulatory reform.

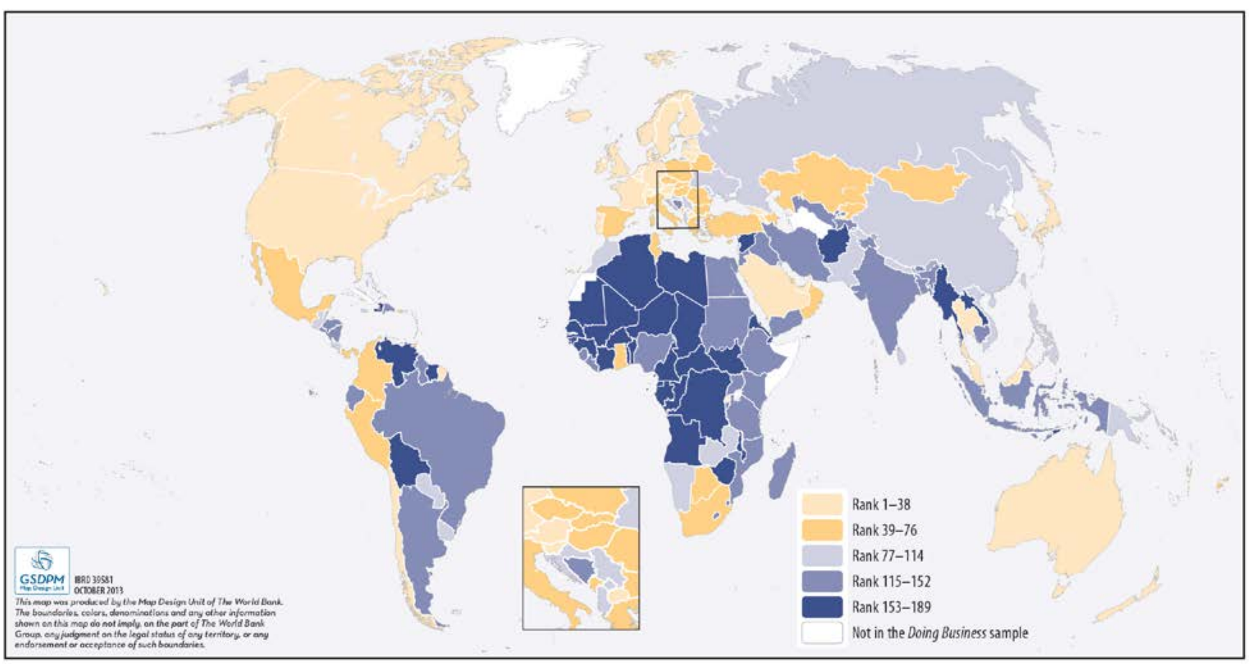
More information is available in the full report. *Doing Business 2014* presents the indicators, analyzes their relationship with economic outcomes and recommends regulatory reforms. The data, along with information on ordering the *Doing Business 2014* report, are available on the *Doing Business* website at http://www.doingbusiness.org.

THE BUSINESS ENVIRONMENT

For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. *Doing Business* provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 189 by the ease of doing business index. For each economy the index is calculated as the ranking on the simple average of its percentile rankings on each of the 10 topics included in the index in *Doing Business 2014*: 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 ranking on each topic is the simple average of the percentile rankings on its component indicators (see the data notes for more details).

The aggregate ranking on the ease of doing business benchmarks each economy's performance on the indicators against that of all other economies in the *Doing Business* sample (figure 1.1). While this ranking tells much about the business environment in an economy, it does not tell the whole story. The ranking on the ease of doing business, and the underlying indicators, do not measure all aspects of the business environment that matter to firms and investors or that affect the competitiveness of the economy. Still, a high ranking does mean that the government has created a regulatory environment conducive to operating a business.

Figure 1.1 Where economies stand in the global ranking on the ease of doing business

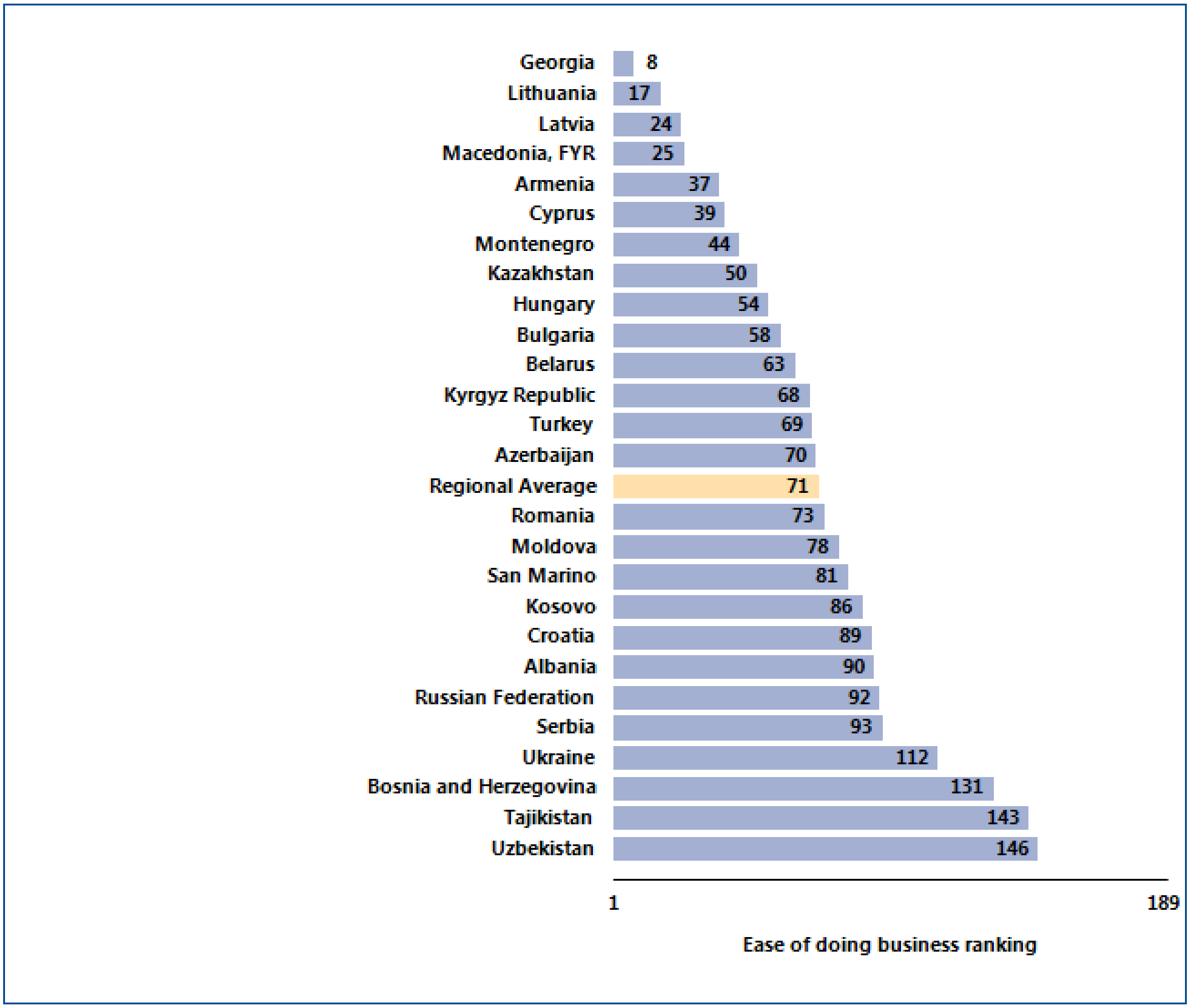


Source: Doing Business database.

THE BUSINESS ENVIRONMENT

For policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful. Also useful is to know how it ranks compared with other economies in the region and compared with the regional average (figure 1.2). Another perspective is provided by the regional average rankings on the topics included in the ease of doing business index (figure 1.3).

Figure 1.2 How economies in Europe and Central Asia (ECA) rank on the ease of doing business

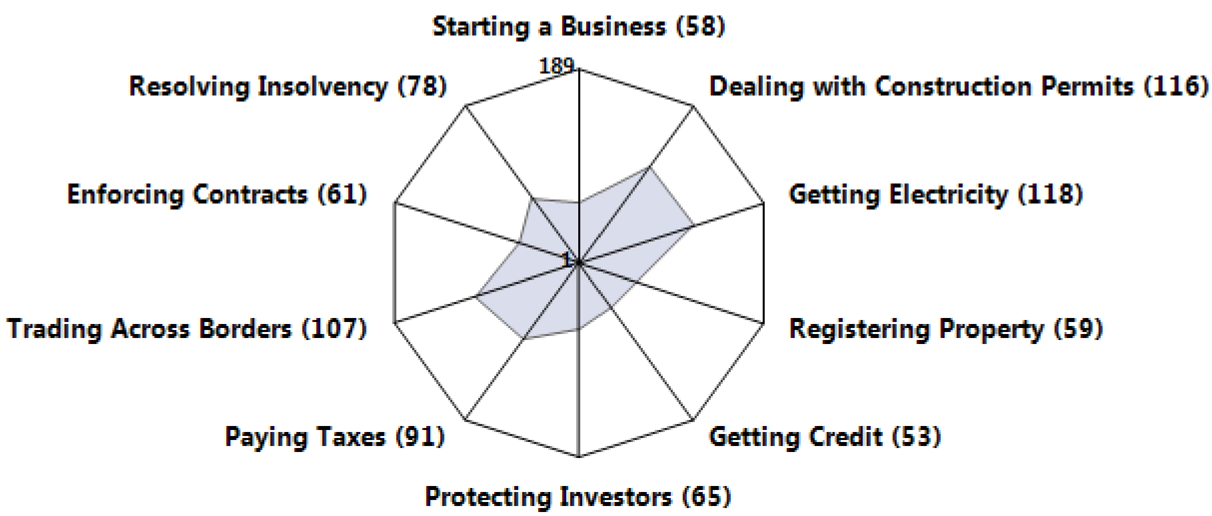


*The economy with the best performance globally is included as a benchmark.
Source: Doing Business database.

THE BUSINESS ENVIRONMENT

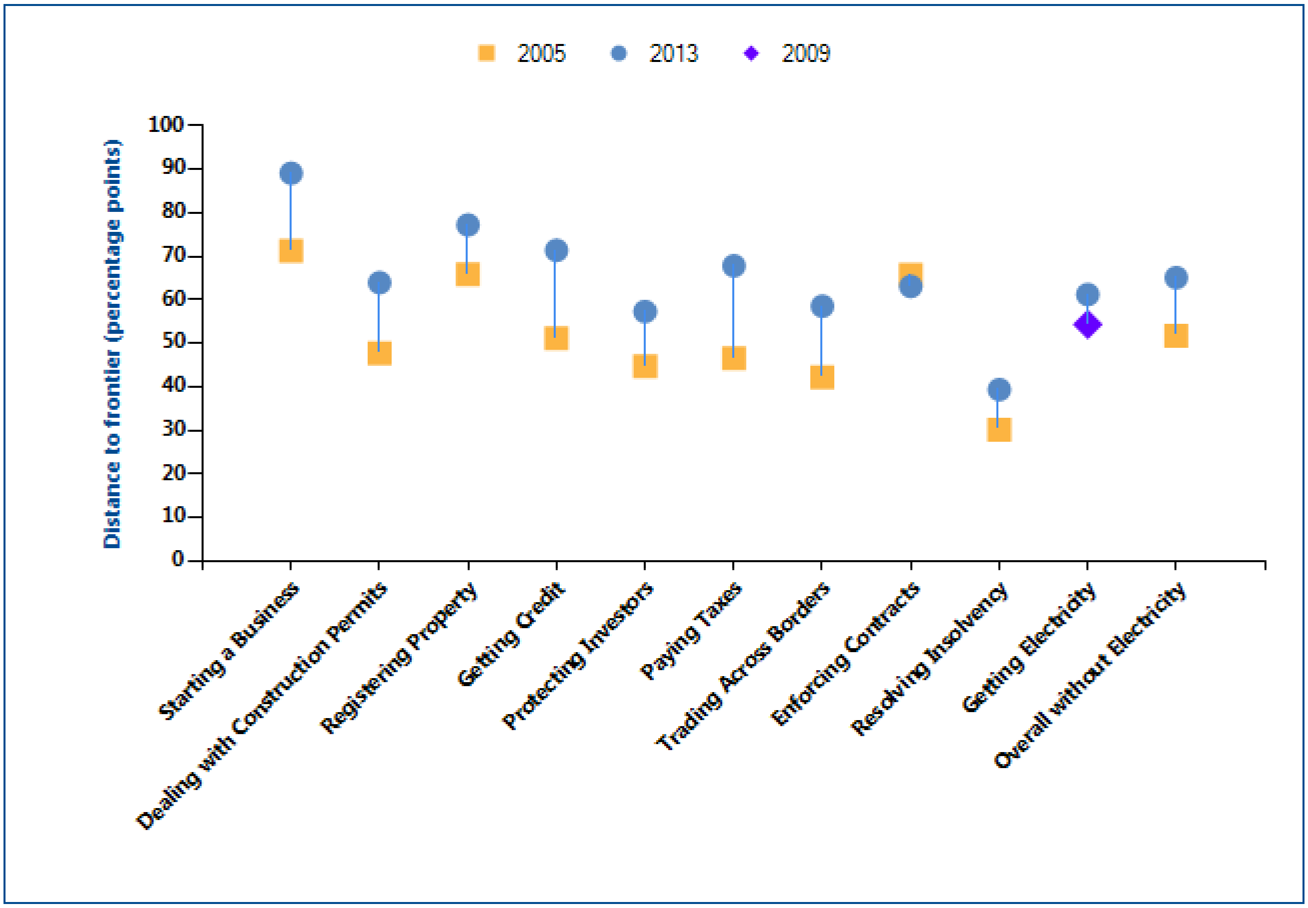
Figure 1.3 How Europe and Central Asia (ECA) ranks on *Doing Business* topics

Regional average ranking



Source: Doing Business database.

Figure 1.4 How far has Europe and Central Asia (ECA) come in the areas measured by Doing Business?



Note: The distance to frontier measure shows how far on average a region is from the best performance achieved by any region on each *Doing Business* indicator since 2005, except for the getting electricity indicators, which were introduced in 2009. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). The overall distance to frontier is the average of the distance to frontier in the first 9 indicator sets shown in the figure and does not include getting electricity. Data on the overall distance to frontier including getting electricity is available at http://www.doingbusiness.org/data/distance-to-frontier. See the data notes for more details on the distance to frontier measure.
Source: Doing Business database.

THE BUSINESS ENVIRONMENT

Just as the overall ranking on the ease of doing business tells only part of the story, so do changes in that ranking. Yearly movements in rankings can provide some indication of changes in an economy's regulatory environment for firms, but they are always relative. An economy's ranking might change because of developments in other economies. An economy that implemented business regulation reforms may fail to rise in the rankings (or may even drop) if it is passed by others whose business regulation reforms had a more significant impact as measured by *Doing Business*.

The absolute values of the indicators tell another part of the story (table 1.1). Policy makers can learn much by comparing the indicators for their economy with those for the lowest- and highest-scoring economies in the region as well as those for the best performers globally. These comparisons may reveal unexpected strengths in an area of business regulation—such as a regulatory process that can be completed with a small number of procedures in a few days and at a low cost.

Table 1.1 Summary of *Doing Business* indicators for Europe and Central Asia (ECA)

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
Starting a Business (rank)	174 (Bosnia and Herzegovina)	6 (Armenia)	58	1 (New Zealand)
Procedures (number)	11 (Bosnia and Herzegovina)	2 (4 Economies*)	5	1 (New Zealand)*
Time (days)	40.0 (San Marino)	2.0 (Georgia)*	13.0	1.0 (New Zealand)
Cost (% of income per capita)	25.6 (Tajikistan)	0.6 (Kazakhstan)	6.7	0.0 (Slovenia)
Paid-in Min. Capital (% of income per capita)	29.1 (Bosnia and Herzegovina)	0.0 (19 Economies*)	3.5	0.0 (112 Economies*)
Dealing with Construction Permits (rank)	189 (Albania)	2 (Georgia)	116	1 (Hong Kong SAR, China)
Procedures (number)	36 (Russian Federation)	9 (3 Economies*)	18	6 (Hong Kong SAR, China)
Time (days)	677.0 (Cyprus)	73.0 (Ukraine)	192.3	26.0 (Singapore)
Cost (% of income per capita)	1,433.5 (Serbia)	9.2 (Hungary)	327.1	1.1 (Qatar)
Getting Electricity (rank)	186 (Tajikistan)	10 (San Marino)	118	1 (Iceland)
Procedures (number)	10 (Ukraine)	3 (San Marino)*	6	3 (10 Economies*)
Time (days)	277 (Ukraine)	45 (San Marino)	146	17 (Germany)
Cost (% of income per	2,256.4 (Kyrgyz	48.1 (Lithuania)	486.6	0.0 (Japan)

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
capita)	Republic)			
Registering Property (rank)	158 (San Marino)	1 (Georgia)	59	1 (Georgia)
Procedures (number)	14 (Uzbekistan)	1 (Georgia)	6	1 (4 Economies*)
Time (days)	102.5 (Croatia)	2.0 (Georgia)	26.5	1.0 (New Zealand)*
Cost (% of property value)	11.1 (Albania)	0.0 (Georgia)*	2.8	0.0 (5 Economies*)
Getting Credit (rank)	186 (San Marino)	(4 Economies*)	53	1 (Malaysia)*
Strength of legal rights index (0-10)	2 (3 Economies*)	10 (3 Economies*)	7	10 (10 Economies*)
Depth of credit information index (0-6)	2 (Cyprus)	6 (4 Economies*)	5	6 (31 Economies*)
Public registry coverage (% of adults)	11.8 (Romania)	73.6 (Latvia)	33.9	100.0 (Portugal)*
Private bureau coverage (% of adults)	2.1 (Tajikistan)	100.0 (Croatia)*	48.2	100.0 (22 Economies*)
Protecting Investors (rank)	157 (Croatia)	14 (Albania)	65	1 (New Zealand)
Extent of disclosure index (0-10)	1 (Croatia)	10 (Bulgaria)	6	10 (10 Economies*)
Extent of director liability index (0-10)	0 (Belarus)*	9 (Albania)	5	10 (Cambodia)
Ease of shareholder suits index (0-10)	3 (Kosovo)*	7 (6 Economies*)	6	10 (3 Economies*)
Strength of investor protection index (0-10)	3.3 (Croatia)*	7.3 (Albania)	5.7	9.7 (New Zealand)
Paying Taxes (rank)	178 (Tajikistan)	18 (Kazakhstan)	91	1 (United Arab Emirates)
Payments (number per year)	69 (Tajikistan)	5 (Georgia)	26	3 (Hong Kong SAR, China)*
Time (hours per year)	454 (Bulgaria)	52 (San Marino)	246	12 (United Arab Emirates)
Trading Across Borders (rank)	189 (Uzbekistan)	15 (Lithuania)	107	1 (Singapore)
Documents to export (number)	12 (Uzbekistan)*	4 (4 Economies*)	7	2 (Ireland)*
Time to export (days)	81 (Kazakhstan)	7 (Cyprus)	25	6 (5 Economies*)

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
Cost to export (US$ per container)	8,650 (Tajikistan)	600 (Latvia)	2,109	450 (Malaysia)
Documents to import (number)	14 (Uzbekistan)	4 (Georgia)*	8	2 (Ireland)*
Time to import (days)	95 (Uzbekistan)	5 (Cyprus)	26	4 (Singapore)
Cost to import (US$ per container)	10,250 (Tajikistan)	730 (Albania)	2,339	440 (Singapore)
Enforcing Contracts (rank)	138 (Kosovo)	10 (Russian Federation)	61	1 (Luxembourg)
Time (days)	735 (Cyprus)	195 (Uzbekistan)	441	150 (Singapore)
Cost (% of claim)	43.8 (Ukraine)	13.4 (Russian Federation)	25.3	0.1 (Bhutan)
Procedures (number)	53 (Kosovo)	27 (Latvia)	37	21 (Singapore)*
Resolving Insolvency (rank)	162 (Ukraine)	24 (Cyprus)	78	1 (Japan)
Time (years)	4.0 (Kyrgyz Republic)	1.4 (Montenegro)*	2.3	0.4 (Ireland)
Cost (% of estate)	42 (Ukraine)	5 (San Marino)	13	1 (Norway)
Recovery rate (cents on the dollar)	8.2 (Ukraine)	70.5 (Cyprus)	37.1	92.8 (Japan)

* Two or more economies share the top ranking on this indicator. A number shown in place of an economy's name indicates the number of economies that share the top ranking on the indicator. For a list of these economies, see the *Doing Business* website (http://www.doingbusiness.org).
Source: Doing Business database.

STARTING A BUSINESS

Formal registration of companies has many immediate benefits for the companies and for business owners and employees. Legal entities outlive their founders. Resources are pooled as several shareholders join forces to start a company. Formally registered companies have access to services and institutions from courts to banks as well as to new markets. And their employees can benefit from protections provided by the law. An additional benefit comes with limited liability companies. These limit the financial liability of company owners to their investments, so personal assets of the owners are not put at risk.

Where governments make this process easy, more entrepreneurs start businesses in the formal sector, creating more good jobs and generating more revenue for the government.

What do the indicators cover?

Doing Business measures the ease of starting a business in an economy by recording all procedures officially required or commonly done in practice by an entrepreneur to start up and formally operate an industrial or commercial business—as well as the time and cost required to complete these procedures. It also records the paid-in minimum capital that companies must deposit before registration. The ranking on the ease of starting a business is the simple average of the percentile rankings on the 4 component indicators: procedures, time, cost and paid-in minimum capital requirement.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the procedures. It assumes that all information is readily available to the entrepreneur and that there has been no prior contact with officials. It also assumes that the entrepreneur will pay no bribes. And it assumes that the business:

- Is a 100% domestically owned limited liability company, located in the largest business city.
- Has between 10 and 50 employees.
- Conducts general commercial or industrial activities.
- Has a start-up capital of 10 times income per capita and has a turnover of at least 100 times income per capita.
- Does not qualify for any special benefits.
- Does not own real estate.

WHAT THE STARTING A BUSINESS INDICATORS MEASURE

Procedures to legally start and operate a company (number)

Preregistration (for example, name verification or reservation, notarization)

Registration in the economy's largest business city

Postregistration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day (2 procedures cannot start on the same day). Procedures that can be fully completed online are an exception to this rule.

Procedure considered completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of income per capita)

Official costs only, no bribes

No professional fees unless services required by law

Paid-in minimum capital (% of income per capita)

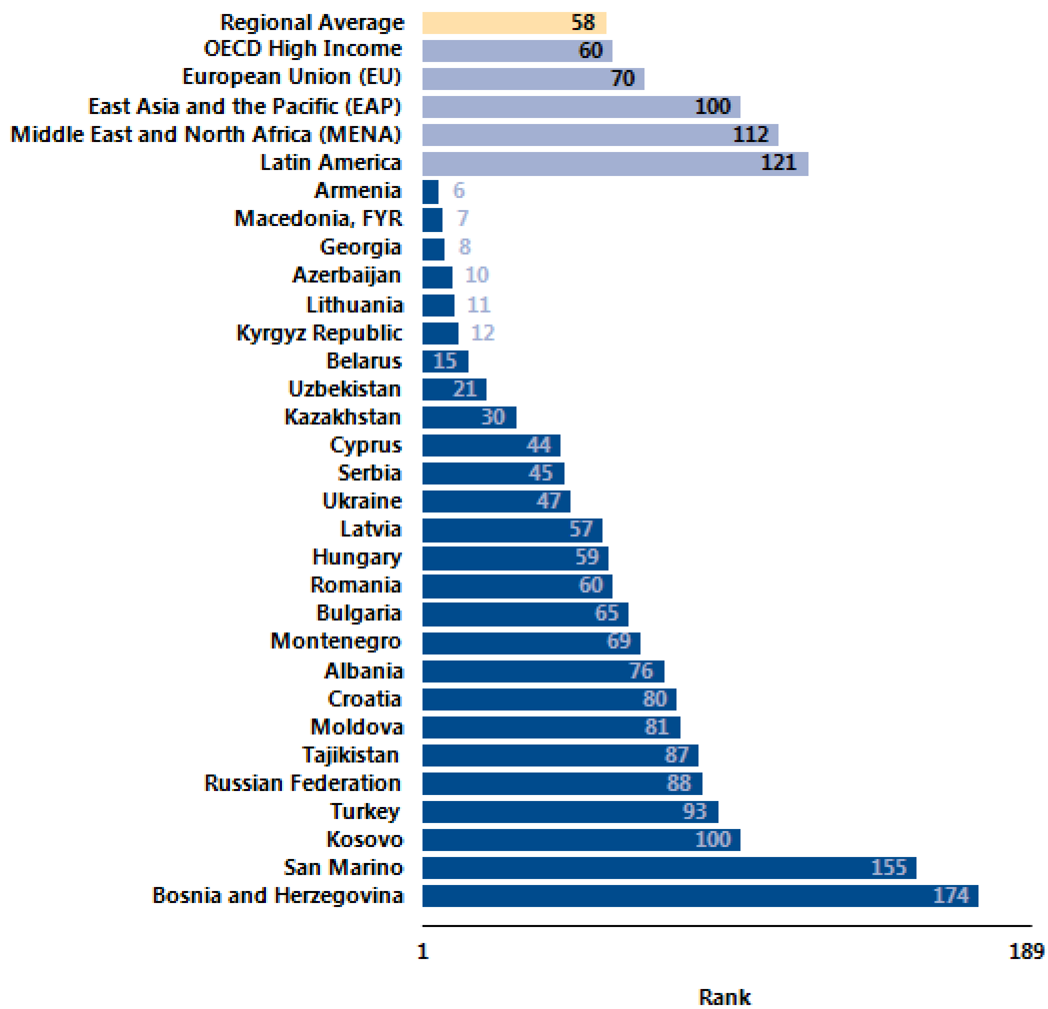
Funds deposited in a bank or with a notary before registration (or within 3 months)

STARTING A BUSINESS

Where do the region's economies stand today?

How easy is it for entrepreneurs in economies in Europe and Central Asia (ECA) to start a business? The global rankings of these economies on the ease of starting a business suggest an answer (figure 2.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 2.1 How economies in Europe and Central Asia (ECA) rank on the ease of starting a business



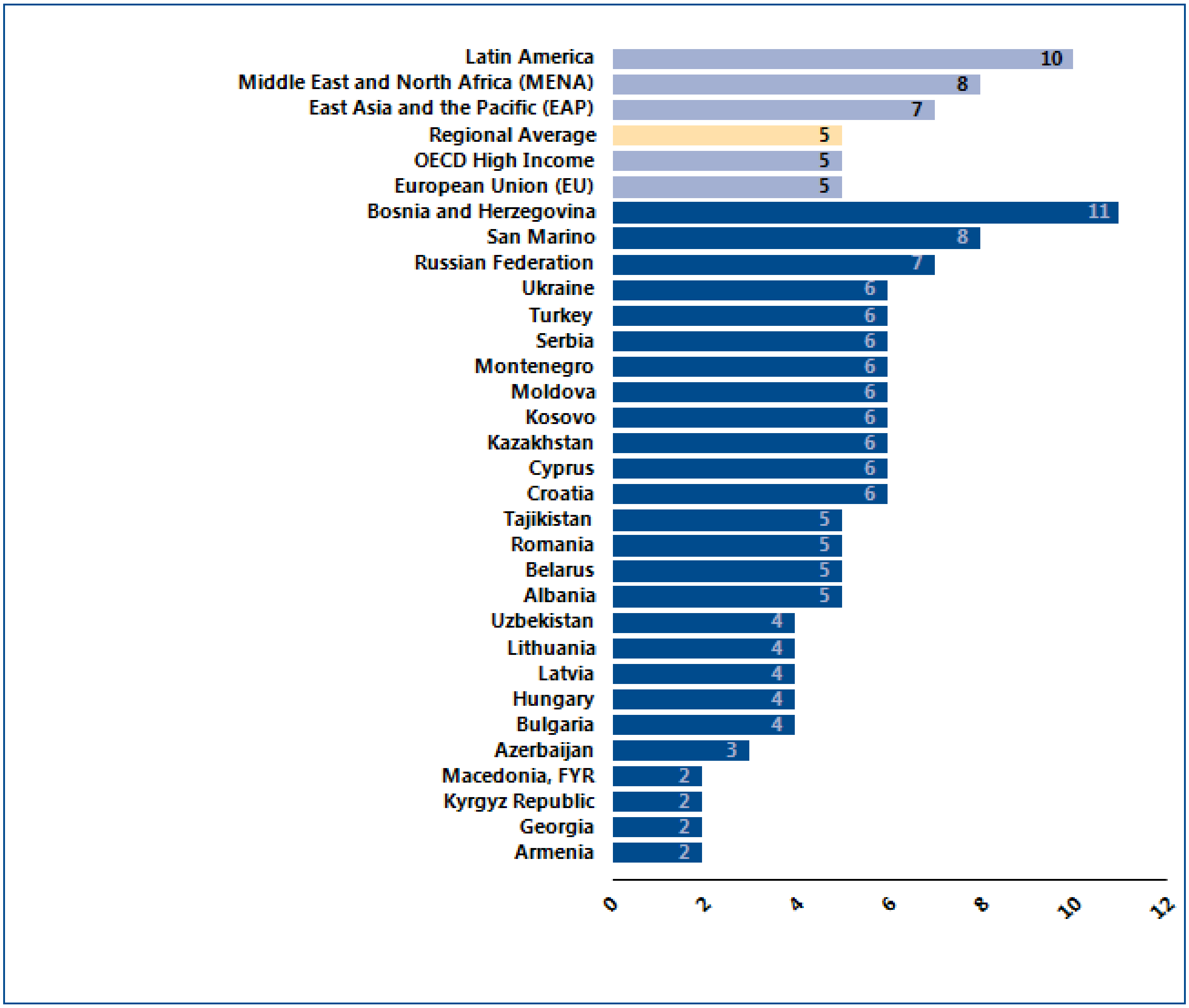
Source: Doing Business database.

STARTING A BUSINESS

The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to start a business in each economy in the region: the number of procedures, the time, the cost and the paid-in minimum capital requirement (figure 2.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

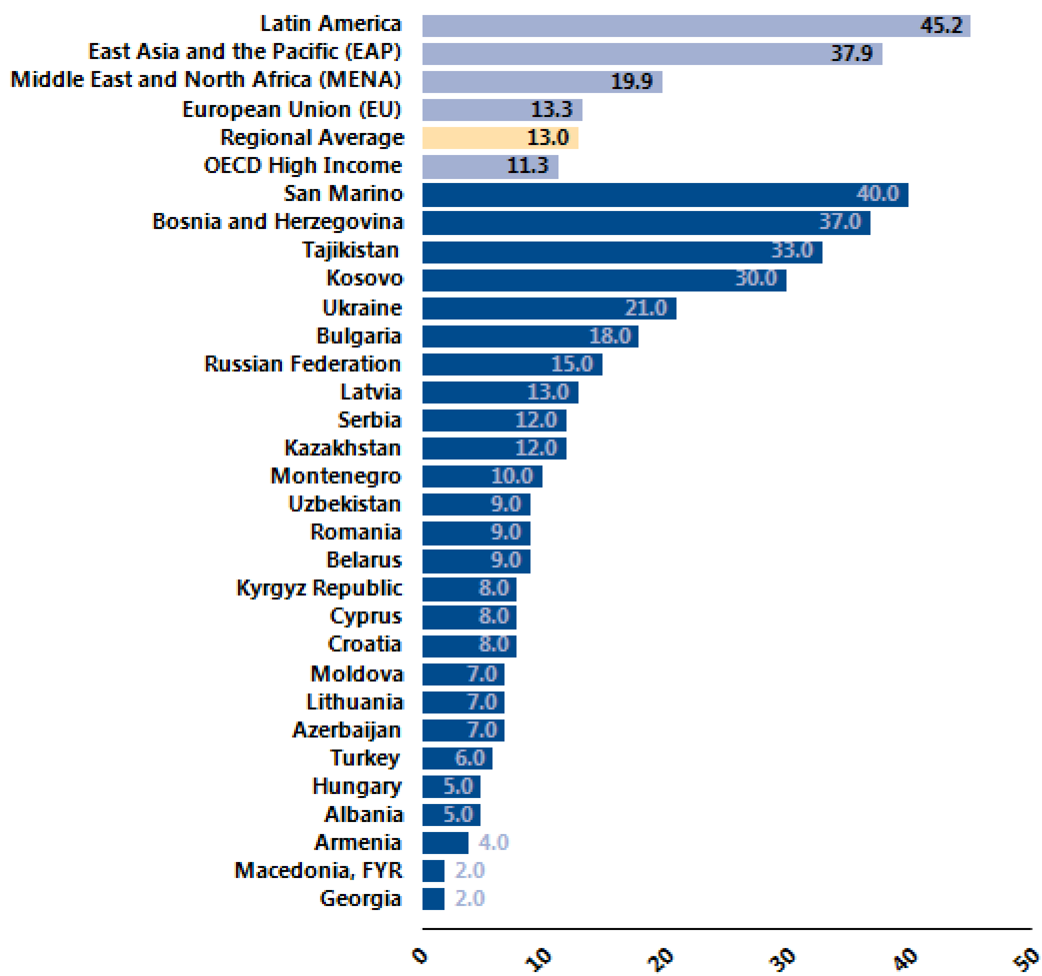
Figure 2.2 What it takes to start a business in economies in Europe and Central Asia (ECA)

Procedures (number)



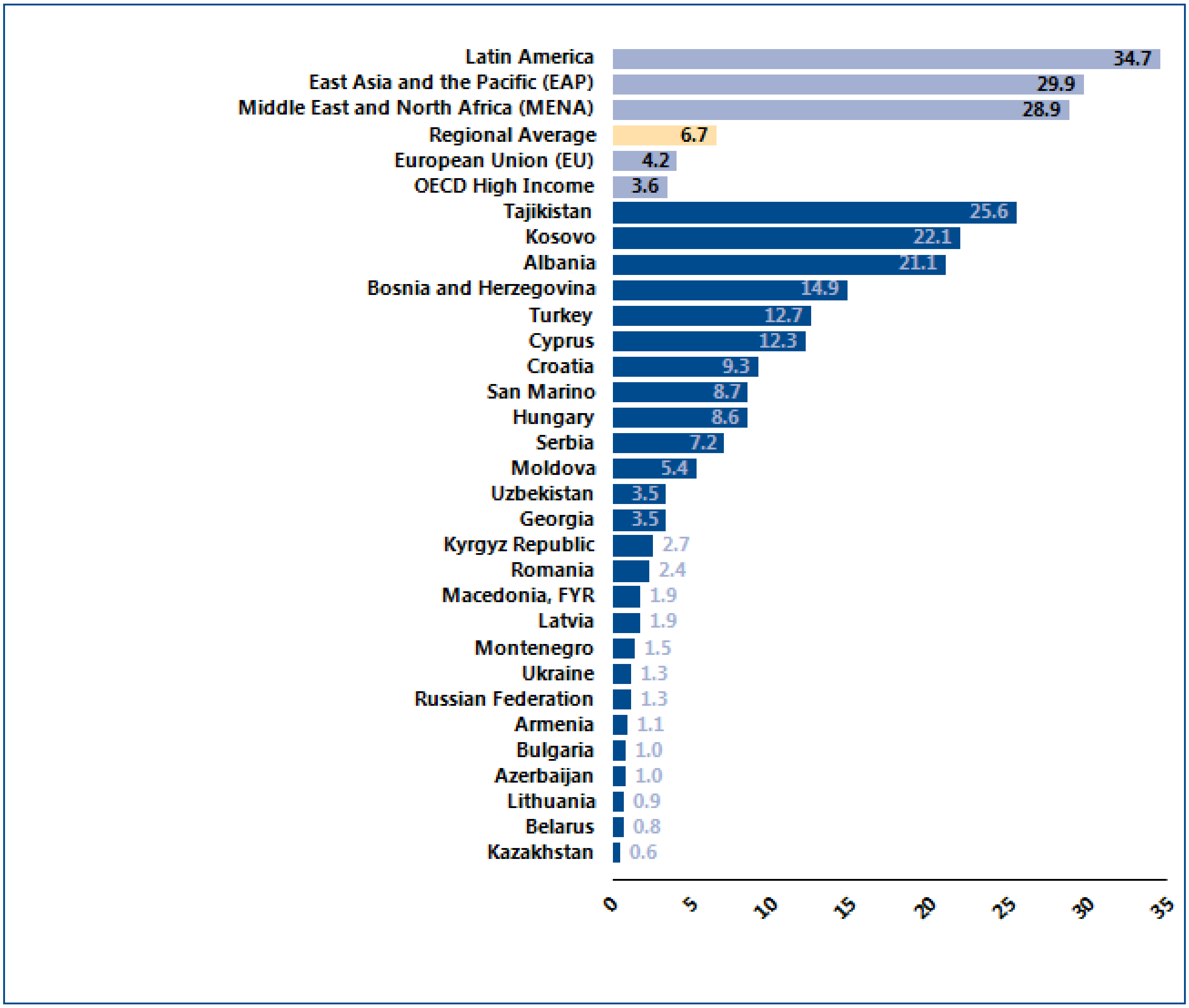
STARTING A BUSINESS

Time (days)



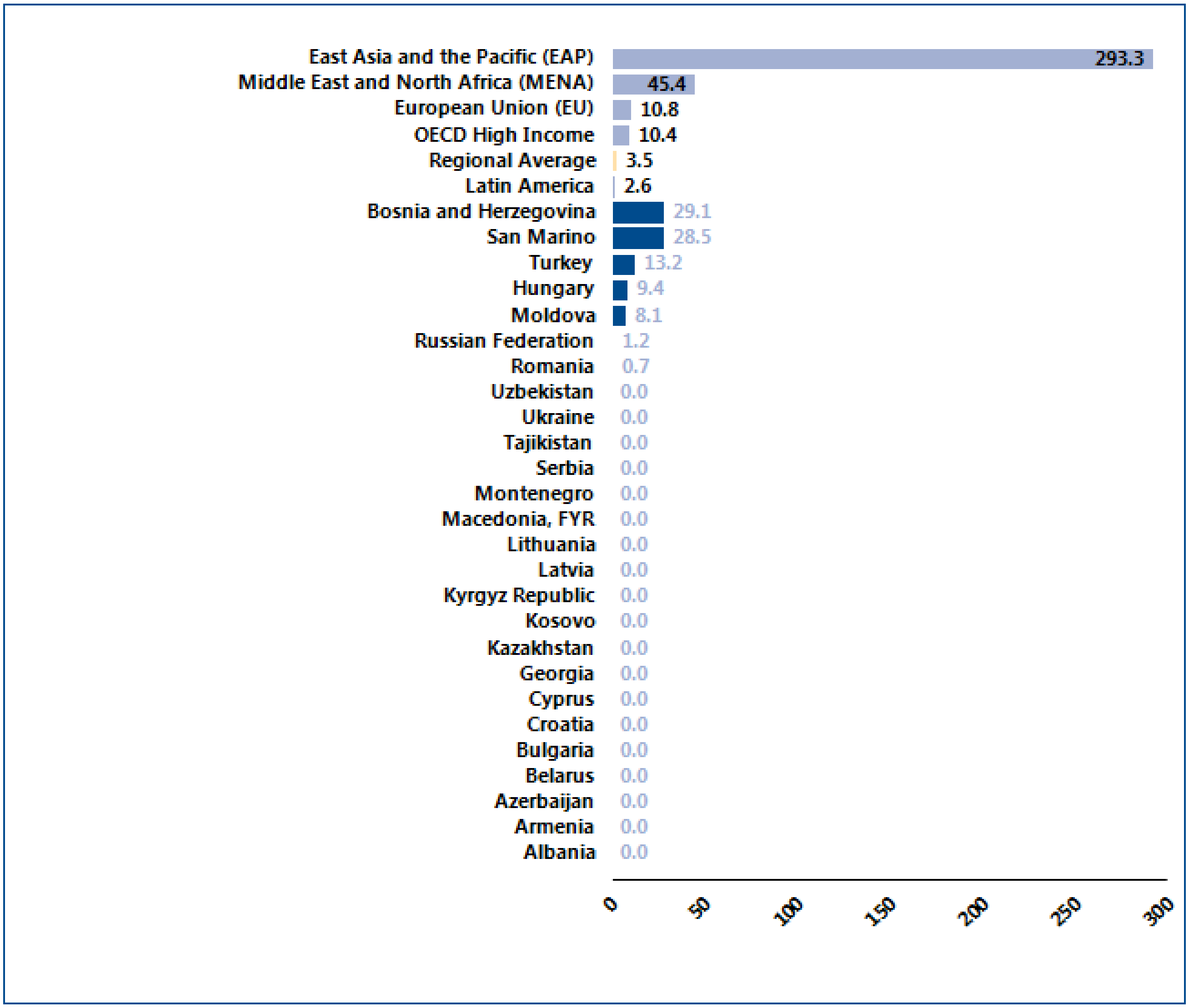
STARTING A BUSINESS

Cost (% of income per capita)



STARTING A BUSINESS

Paid-in minimum capital (% of income per capita)



Source: Doing Business database.

STARTING A BUSINESS

What are the changes over time?

Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology, and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages—and often as part of a larger regulatory reform program. Among the benefits have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities.

What business registration reforms has *Doing Business* recorded in Europe and Central Asia (ECA) (table 2.1)?

Table 2.1 How have economies in Europe and Central Asia (ECA) made starting a business easier—or not?
By *Doing Business* report year

DB year	Economy	Reform
DB2008	*Azerbaijan*	The requirement to obtain approval of the company seal design by the Ministry of Justice was abolished.
DB2008	*Belarus*	Belarus implemented a one-stop shop combining company registration, the approval of the seal draft, registrations with tax, statistical and social security authorities, and the state insurance company at the State Register.
DB2008	*Croatia*	Croatia made starting a business easier by enhancing the services through better implementation of the one-stop shop.
DB2008	*Georgia*	Pursuant to amendments to the Georgian law on entrepreneurs, tax authorities are now responsible for state and tax registration. In addition, the paid-in capital requirement was abolished.
DB2008	*Hungary*	A new Company Act and a new Corporate Procedure Act introduced standardized forms, a "silent-is-consent" rule, and electronic registration.
DB2008	*Macedonia, FYR*	The country eliminated the paid-in minimum capital requirement and is working on online registration system for business start-up.
DB2008	*Moldova*	Moldova made starting a business simpler by eliminating the requirement to obtain permission from the State Inspectorate of Labor before starting a business. The State Registration Chamber has started to receive on-line applications on (www.mdi.gov.md) for reservation of enterprises names and issue of Extracts from the State Register.
DB2008	*Romania*	Romania made starting a business more cumbersome by implementing several laws resulting in more steps and more time for business start-up.
DB2008	*Tajikistan*	The license regime was simplified, reducing the number of business activities subject to government approval.

DB year	Economy	Reform
DB2008	*Uzbekistan*	Substantive review at the registry was eliminated, internal proceedings were simplified and clear rules for refusal of registration were established. Social insurance registration can now be done in a one-stop shop within 1 working day.
DB2009	*Albania*	Consolidation of tax, health insurance and labor registration into a single application, making publication online and reducing registration cost.
DB2009	*Azerbaijan*	One stop shop for completing registration requirement was created reducing the number of procedures, days and cost.
DB2009	*Belarus*	A unified registry database was created, time limit on registration time was introduced, and minimum capital was reduced resulting in substantial time reduction and minimum capital requirement's reduction by half.
DB2009	*Bulgaria*	Commercial registration centralized electronic database was created consolidating and substantially reducing the number of registration procedures, and other registration formalities were cut.
DB2009	*Georgia*	Amendments to the Law on Entrepreneurs eliminated the requirement for minimum capital, abolished the company seal and the company charter and made the use of notaries optional
DB2009	*Hungary*	The new laws reduced the minimum capital requirements by about 80% and introduced online filing and publication and made the use of notaries optional.
DB2009	*Kyrgyz Republic*	One stop shop was created that streamlined and simplified business registration processes and other formalities were eliminated such as proof of residence reducing the number of procedures tremendously.
DB2009	*Macedonia, FYR*	The one-stop shop system was updated to carry out full range of business start-up processes reducing the number of procedures and days.
DB2009	*Moldova*	New laws on LLC and registration simplified the business registration requirement resulting in time reduction by half.
DB2010	*Albania*	Albania eased the process of business start-up by making the registration electronic and enhancing the capacity at the registry, reducing the minimum capital requirement from ALL 100 000 to ALL 100, and eliminating the requirement to register at the Chamber of Commerce.
DB2010	*Armenia*	Armenia has eased business start up by removing minimum capital requirement and the need for obtaining an approval from the National Police Department to prepare the company seal, and making the registration forms available on-line
DB2010	*Belarus*	Belarus eased the business start- up process by simplifying the registration formalities, abolishing the minimum capital

DB year	Economy	Reform
		requirement, limiting the notary role, and removing the need for a company seal approval.
DB2010	*Bulgaria*	Bulgaria eased the process of business start-up by reducing the paid-in minimum capital requirement to 23.9% of GNI pc and enhancing the efficiency at the company registry.
DB2010	*Hungary*	Hungary further simplified the start up process by implementing on-line registration with confirmation of registration requiring one hour from application.
DB2010	*Kazakhstan*	Kazakhstan simplified the business start up process by simplifying documentation requirements and abolishing the requirement to register at the local tax office.
DB2010	*Kyrgyz Republic*	The Kyrgyz Republic eased the business start-up process by eliminating the minimum capital requirement, reducing the registration time and abolishing various post-registration fees, as well as the need to open a bank account before registration.
DB2010	*Macedonia, FYR*	Macedonia simplified business start up by integrating procedures at a one stop shop
DB2010	*Moldova*	Moldova eased the business start up process by implementing an expedited company registration service and made the process of authentication of specimens of signatures when opening a corporate bank account optional.
DB2010	*Tajikistan*	Tajikistan eased the business start up process by reducing the minimum capital requirement and speeding up the time to obtain a tax identification number
DB2010	*Serbia*	Serbia eased the business start up process by putting in place a one stop- shop for company registration.
DB2010	*Montenegro*	Montenegro eased business start up by simplifying the post-registration process including the registration for taxes, social security and employment, as well as the process to obtain the municipal license.
DB2011	*Bulgaria*	Bulgaria eased business start-up by reducing the minimum capital requirement from 5,000 leva ($3,250) to 2 leva ($1.30).
DB2011	*Croatia*	Croatia eased business start-up by allowing limited liability companies to file their registration application with the court registries electronically through the notary public.
DB2011	*Kazakhstan*	Kazakhstan eased business start-up by reducing the minimum capital requirement to 100 tenge ($0.70) and eliminating the need to have the memorandum of association and company charter notarized.
DB2011	*Kyrgyz Republic*	The Kyrgyz Republic eased business start-up by eliminating the requirement to have the signatures of company founders notarized.

DB year	Economy	Reform
DB2011	*Lithuania*	Lithuania tightened the time limit for completing the registration of a company.
DB2011	*Macedonia, FYR*	FYR Macedonia made it easier to start a business by further improving its one-stop shop.
DB2011	*Tajikistan*	Tajikistan made starting a business easier by creating a one-stop shop that consolidates registration with the state and the tax authority.
DB2011	*Ukraine*	Ukraine eased business start-up by substantially reducing the minimum capital requirement.
DB2011	*Montenegro*	Montenegro eliminated several procedures for business start-up by introducing a single registration form for submission to the tax administration.
DB2011	*Kosovo*	Kosovo made business start-up more difficult by replacing the tax number previously required with a “fiscal number,” which takes longer to issue and requires the tax administration to first inspect the business premises.
DB2012	*Armenia*	Armenia made starting a business easier by establishing a one-stop shop that merged the procedures for name reservation, business registration and obtaining a tax identification number and by allowing for online company registration.
DB2012	*Bosnia and Herzegovina*	Bosnia and Herzegovina made starting a business easier by replacing the required utilization permit with a simple notification of commencement of activities and by streamlining the process for obtaining a tax identification number.
DB2012	*Georgia*	Georgia simplified business start-up by eliminating the requirement to visit a bank to pay the registration fees.
DB2012	*Latvia*	Latvia made starting a business easier by reducing the minimum capital requirement and introducing a common application for value added tax and company registration.
DB2012	*Moldova*	Moldova made starting a business easier by implementing a one-stop shop.
DB2012	*Romania*	Romania made starting a business more difficult by requiring a tax clearance certificate for a new company’s headquarters before company registration.
DB2012	*Tajikistan*	Tajikistan made starting a business easier by allowing entrepreneurs to pay in their capital up to 1 year after the start of operations, thereby eliminating the requirements related to opening a bank account.
DB2012	*Turkey*	Turkey made starting a business less costly by eliminating notarization fees for the articles of association and other documents.

DB year	Economy	Reform
DB2012	*Ukraine*	Ukraine made starting a business easier by eliminating the requirement to obtain approval for a new corporate seal.
DB2012	*Uzbekistan*	Uzbekistan made starting a business easier by reducing the minimum capital requirement, eliminating 1 procedure and reducing the cost of registration.
DB2012	*Montenegro*	Montenegro made starting a business easier by implementing a one-stop shop.
DB2013	*Albania*	Albania made starting a business easier by making the notarization of incorporation documents optional.
DB2013	*Belarus*	Belarus made starting a business more difficult by increasing the cost of business registration and the cost to obtain a company seal.
DB2013	*Bulgaria*	Bulgaria made starting a business easier by reducing the cost of registration.
DB2013	*Hungary*	Hungary made starting a business more complex by increasing the registration fees for limited liability companies and adding a new tax registration at the time of incorporation.
DB2013	*Kazakhstan*	Kazakhstan made starting a business easier by eliminating the requirement to pay in minimum capital within 3 months after incorporation.
DB2013	*Lithuania*	Lithuania made starting a business easier by introducing online registration for limited liability companies and eliminating the notarization requirement for incorporation documents.
DB2013	*Macedonia, FYR*	FYR Macedonia made starting a business easier by simplifying the process for obtaining a company seal.
DB2013	*Romania*	Romania made starting a business easier by reducing the time required to obtain a clearance certificate from the fiscal administration agency.
DB2013	*Ukraine*	Ukraine made starting a business easier by eliminating the minimum capital requirement for company incorporation as well as the requirement to have incorporation documents notarized.
DB2013	*Uzbekistan*	Uzbekistan made starting a business easier by introducing an online facility for name reservation and eliminating the fee to open a bank account for small businesses.
DB2013	*Serbia*	Serbia made starting a business easier by eliminating the paid-in minimum capital requirement.
DB2013	*Kosovo*	Kosovo made starting a business easier by eliminating the minimum capital requirement and business registration fee and streamlining the business registration process.

DB year	Economy	Reform
DB2014	*Armenia*	Armenia made starting a business easier by eliminating the company registration fees.
DB2014	*Azerbaijan*	Azerbaijan made starting a business easier by introducing free online registration services and eliminating preregistration formalities.
DB2014	*Belarus*	Belarus made starting a business easier by reducing the registration fees and eliminating the requirement for an initial capital deposit at a bank before registration.
DB2014	*Croatia*	Croatia made starting a business easier by introducing a new form of limited liability company with a lower minimum capital requirement and simplified incorporation procedures.
DB2014	*Kazakhstan*	Kazakhstan made starting a business easier by reducing the time required to register a company at the Public Registration Center.
DB2014	*Latvia*	Latvia made starting a business easier by making it possible to file the applications for company registration and value added tax registration simultaneously at the commercial registry.
DB2014	*Lithuania*	Lithuania made starting a business easier by creating a new form of limited liability company with no minimum capital requirement.
DB2014	*Romania*	Romania made starting a business easier by transferring responsibility for issuing the headquarters clearance certificate from the Fiscal Administration Office to the Trade Registry.
DB2014	*Russian Federation*	Russia made starting a business easier by abolishing the requirement to have the bank signature card notarized before opening a company bank account.
DB2014	*Tajikistan*	Tajikistan made starting a business more difficult by requiring preliminary approval from the tax authority and the submission of additional documents at registration.
DB2014	*Turkey*	Turkey made starting a business more difficult by increasing the minimum capital requirement.
DB2014	*Ukraine*	Ukraine made starting a business easier by eliminating the requirement for registration with the statistics authority and by eliminating the cost for value added tax registration.
DB2014	*Uzbekistan*	Uzbekistan made starting a business easier by abolishing the paid-in minimum capital requirement and by eliminating the requirement to have signature samples notarized before opening a bank account.
DB2014	*Kosovo*	Kosovo made starting a business easier by creating a one-stop shop for incorporation.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

Regulation of construction is critical to protect the public. But it needs to be efficient, to avoid excessive constraints on a sector that plays an important part in every economy. Where complying with building regulations is excessively costly in time and money, many builders opt out. They may pay bribes to pass inspections or simply build illegally, leading to hazardous construction that puts public safety at risk. Where compliance is simple, straightforward and inexpensive, everyone is better off.

What do the indicators cover?

Doing Business records the procedures, time and cost for a business in the construction industry to obtain all the necessary approvals to build a simple commercial warehouse in the economy's main city, connect it to basic utilities and register the property so that it can be used as collateral or transferred to another entity.

The ranking on the ease of dealing with construction permits is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the warehouse, including the utility connections.

The business:

- Is a limited liability company operating in the construction business and located in the largest business city.
- Is domestically owned and operated.
- Has 60 builders and other employees.

The warehouse:

- Is a new construction (there was no previous construction on the land).
- Has complete architectural and technical plans prepared by a licensed architect or engineer.
- Will be connected to water, sewerage (sewage system, septic tank or their equivalent) and a fixed telephone line.
- The connection to each utility network will be 10 meters (32 feet, 10 inches) long.
- Will be used for general storage, such as of books or stationery (not for goods requiring special conditions).
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

WHAT THE DEALING WITH CONSTRUCTION PERMITS INDICATORS MEASURE

Procedures to legally build a warehouse (number)

Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates

Submitting all required notifications and receiving all necessary inspections

Obtaining utility connections for water, sewerage and a land telephone line

Registering the warehouse after its completion (if required for use as collateral or for transfer of warehouse)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are an exception to this rule.

Procedure completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of income per capita)

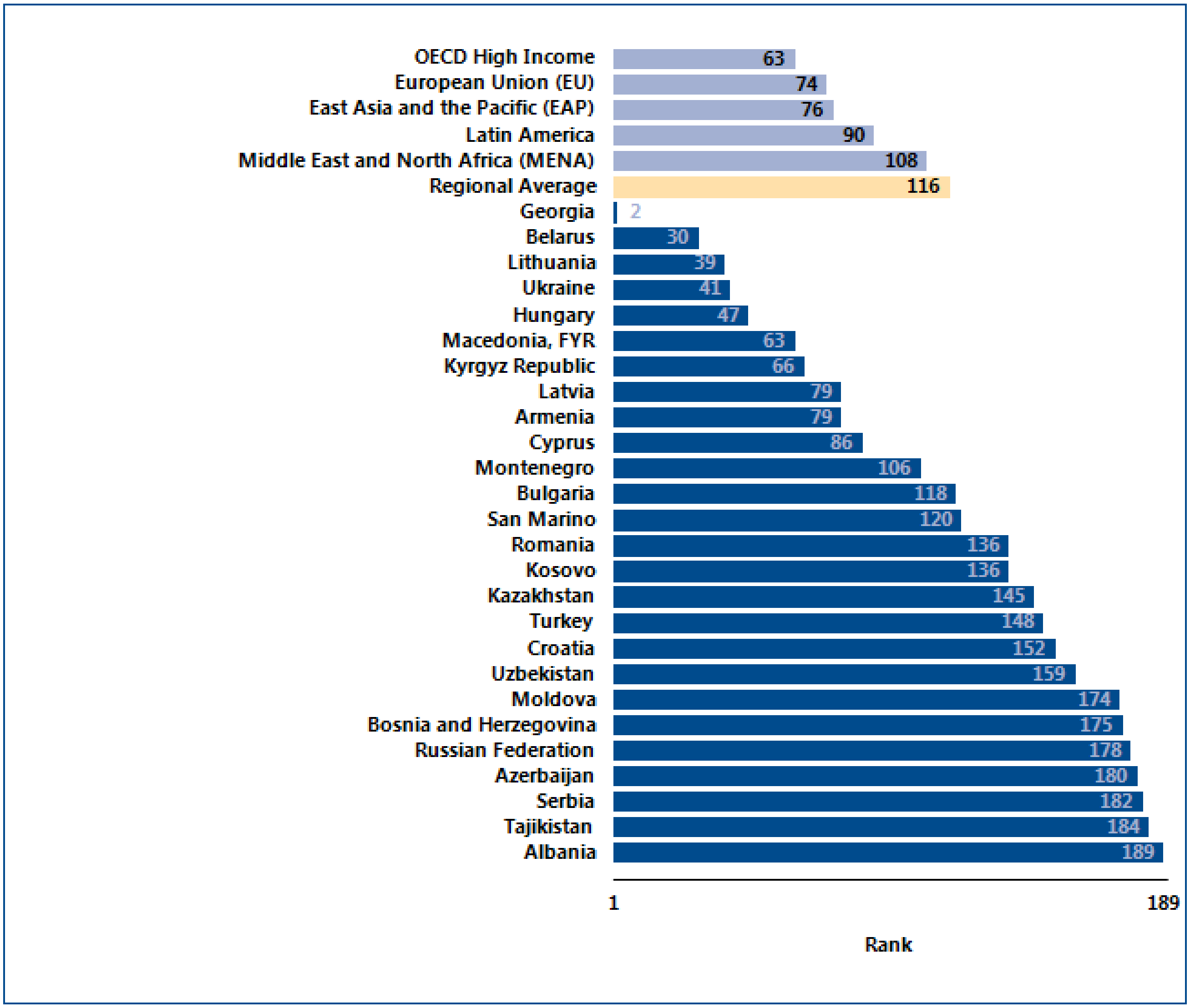
Official costs only, no bribes

DEALING WITH CONSTRUCTION PERMITS

Where do the region's economies stand today?

How easy it is for entrepreneurs in economies in Europe and Central Asia (ECA) to legally build a warehouse? The global rankings of these economies on the ease of dealing with construction permits suggest an answer (figure 3.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 3.1 How economies in Europe and Central Asia (ECA) rank on the ease of dealing with construction permits



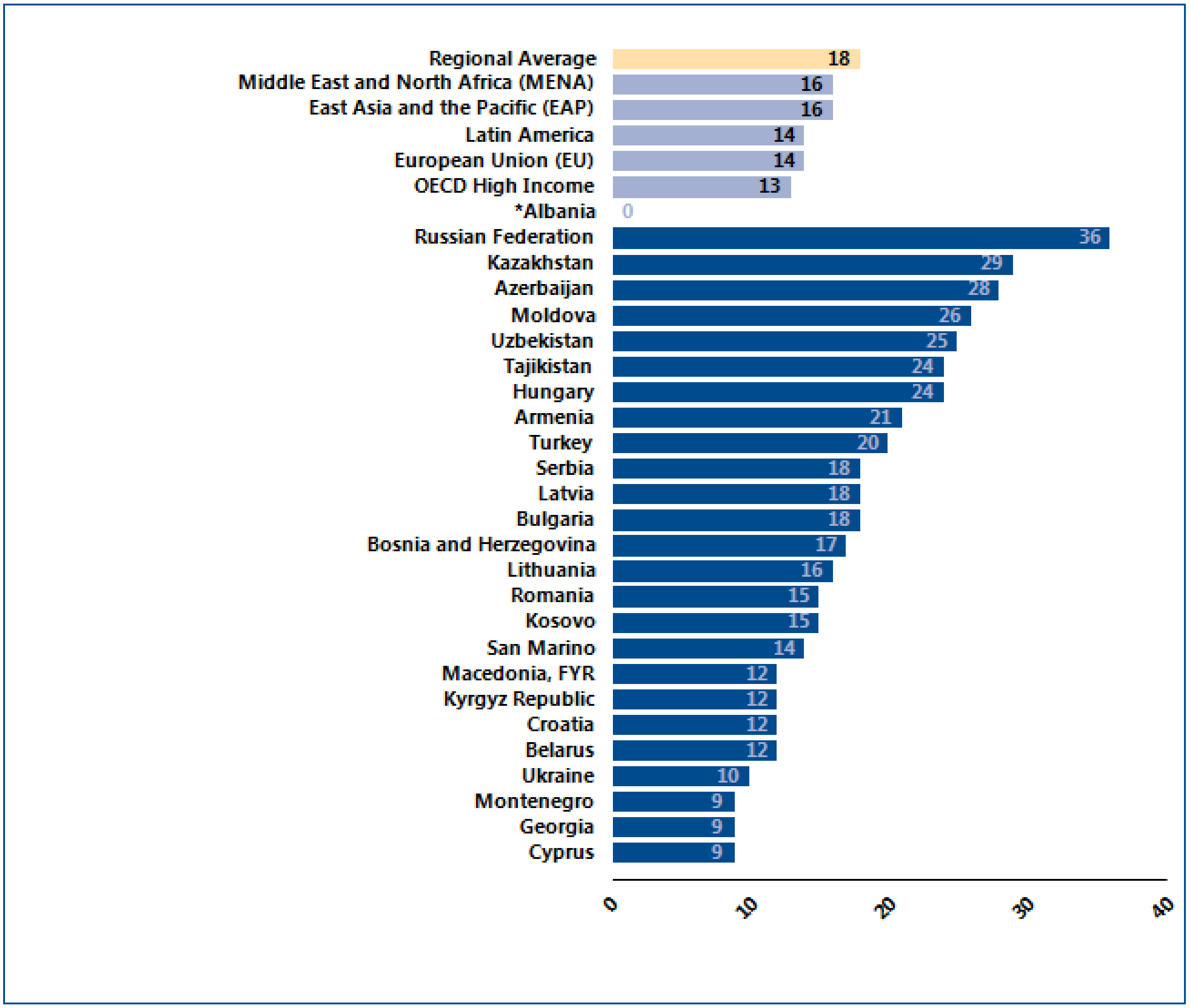
Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to comply with formalities to build a warehouse in each economy in the region: the number of procedures, the time and the cost (figure 3.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

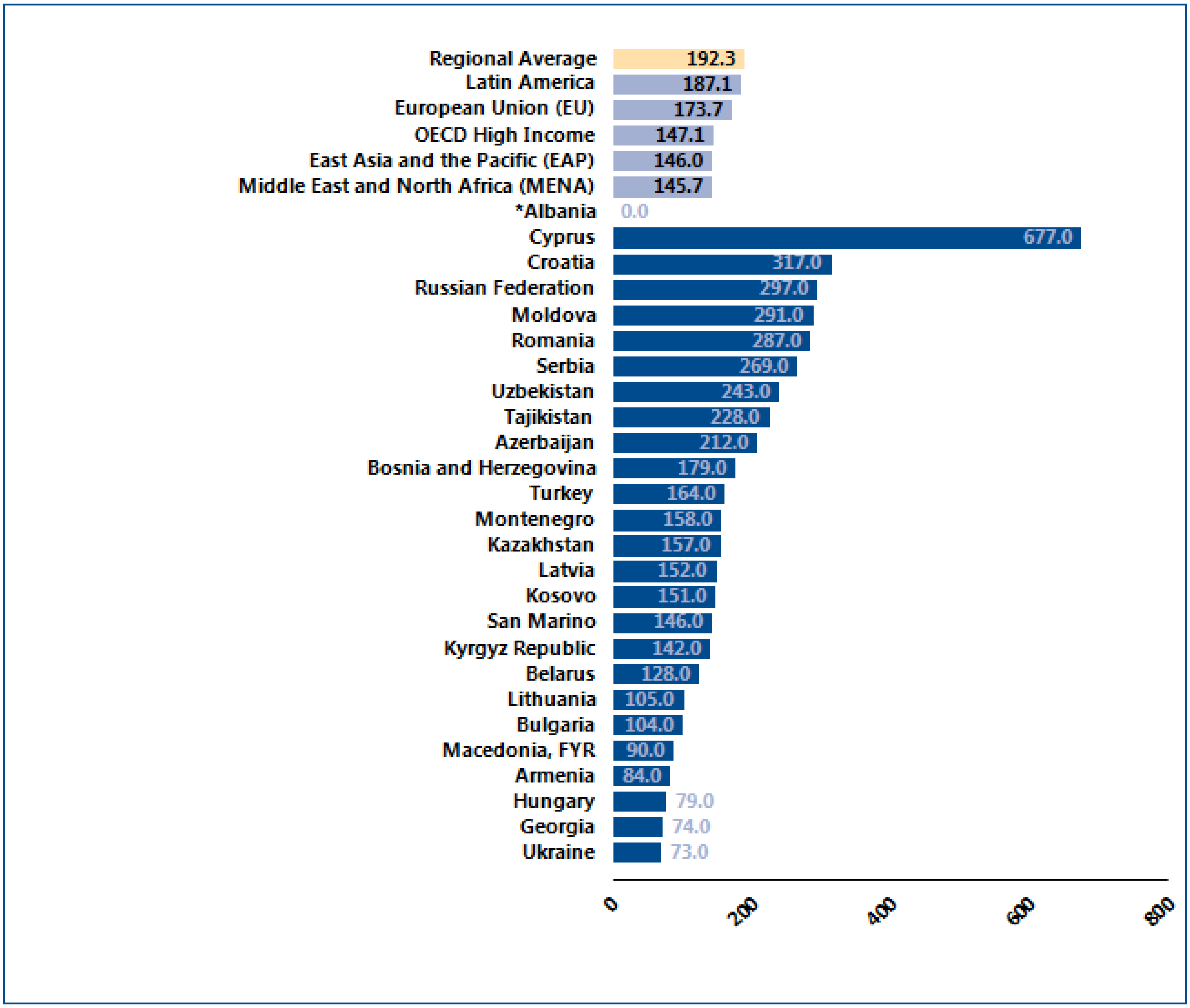
Figure 3.2 What it takes to comply with formalities to build a warehouse in economies in Europe and Central Asia (ECA)

Procedures (number)



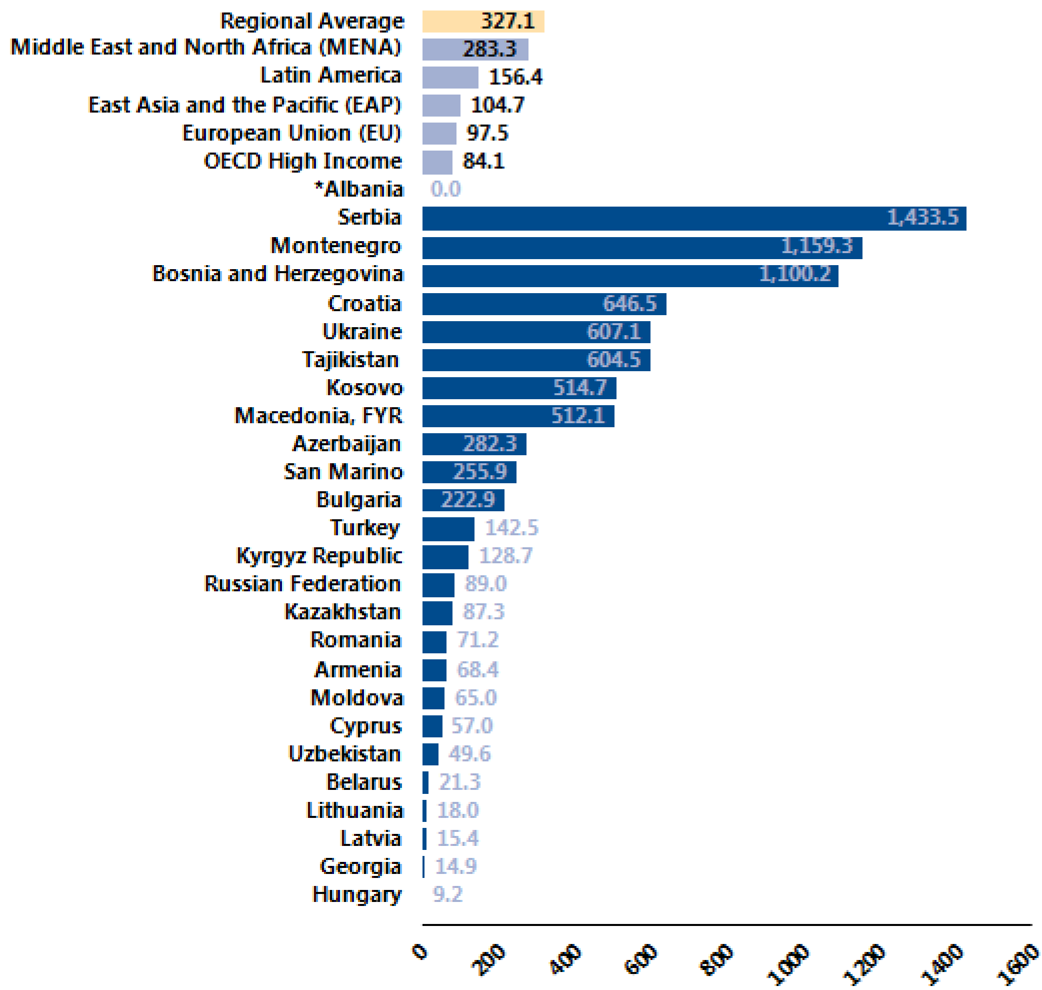
DEALING WITH CONSTRUCTION PERMITS

Time (days)



DEALING WITH CONSTRUCTION PERMITS

Cost (% of income per capita)



* Indicates a "no practice" mark. See the data notes for details.
Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

What are the changes over time?

Smart regulation ensures that standards are met while making compliance easy and accessible to all. Coherent and transparent rules, efficient processes and adequate allocation of resources are especially important in sectors where safety is at stake. Construction is one of them. In an effort to ensure building safety while keeping compliance costs reasonable, governments around the world have worked on consolidating permitting requirements. What construction permitting reforms has *Doing Business* recorded in Europe and Central Asia (ECA) (table 3.1)?

Table 3.1 How have economies in Europe and Central Asia (ECA) made dealing with construction permits easier—or not?
By *Doing Business* report year

DB year	Economy	Reform
DB2008	*Bulgaria*	Bulgaria made obtaining a construction permit clearer by adopting new legislations.
DB2008	*Georgia*	Georgia made obtaining construction permits easier by implementing a one-stop shop for utility connections, simplifying the procedures of obtaining an occupancy permit, and eliminated several documents required during the permitting process.
DB2008	*Macedonia, FYR*	FYR Macedonia made obtaining contruction permits faster by reducing the time to issue land ownership certificate.
DB2008	*Russian Federation*	The Russian Federation made dealing with construction permits more expensive by increasing the cost, and at the same time implemented several laws that reduces steps and time to obtain a construction permit.
DB2009	*Armenia*	In May 2008, Mayor of Yerevan abolished 'charitable contributions' paid to obtain the right to design (APZ). This is a significant reduction AMD 3,000,000, especially given that it was not stipulated in any laws or normative acts, and served as severe impediment to obtaining a building permit
DB2009	*Belarus*	Belarus made obtaining construction permits easier by revising the statutory time-limits for obtaining pre-approval clearances and building permit. As the result the overall time was reduced by 140 days. At the meantime, the building permit fees were eliminated thus cut total cost by BYR 575,000.

DB year	Economy	Reform
DB2009	*Bosnia and Herzegovina*	An administrative reform in obtaining cadastre and land book registry led to overall time reduction by 171 days. Costs for new telephone connection was reduced by Telecom provider by BAM 15.
DB2009	*Bulgaria*	Bulgaria made obtaining a construction permit more complicated by increasing the fees, time and procedures for obtaining approvals of construction related procedures.
DB2009	*Croatia*	A new Building Code, enforced in October 2007 eliminated 5 procedures that are no longer required under the simplified process of building permit approval. However, new changes caused an administrative backlog for obtaining building and occupancy permits and increased the overall time by 20 days.
DB2009	*Kyrgyz Republic*	Kyrgyzstan introduced a one-stop shop for the pre-design and building permit approval stages that relieved companies and individuals of the burden of dealing with multiple agencies at the stages of obtaining designing permit (APZ), construction license, and occupancy permit. Also, the new laws provide for stricter definition of time-limits backed by silence-is-consent rule. The clarification of responsibilities of construction authorities and local municipalities significantly reduces the need for overlapping procedures.
DB2009	*Tajikistan*	Administrative backlogs in Tajikistan increased time for obtaining the location permit by 60 days and increased fees by TJS 593.
DB2009	*Ukraine*	All new construction projects are now obliged to pay an infrastructure tax which increases the overall cost by UAH 212,865.7. Administrative backlog caused by delayed signing of First Deputy Head of Kiev City increase time by 33 days.
DB2009	*Serbia*	An administrative backlog at the Construction Department of Belgrade Municipality increased the time for obtaining building permits by 75 days.
DB2009	*Montenegro*	To follow the best practices set by EU, Ministry of Economy and Ministry of Tourism and Environmental Protection introduced stricter compliance requirements. However, it led to administrative backlog and increase of time by 43 days. Cost was increased by EUR 6,466 due to new methodology of calculation

DB year	Economy	Reform
DB2010	*Belarus*	Belarus eased the process of dealing with construction permits by simplifying the project ecological expertise approval process and project design approval.
DB2010	*Bosnia and Herzegovina*	Bosnia and Herzegovina improved its building permitting system by reducing the time to register a new building at the courts and land cadastre.
DB2010	*Croatia*	Croatia eased the process of dealing with construction permits with the operation of a one stop shop and enforcement of the building code.
DB2010	*Georgia*	Georgia eased the process of dealing with construction permits with the introduction of a simplified process of obtaining confirmation from utilities, risk-based process of approval for building permits, and new time-limits for the occupancy certificate stage.
DB2010	*Kazakhstan*	Kazakhstan eased the process of dealing with construction permits by eliminating the requirement to pay for new electrical connection, reduced the time-limits for building permits, and reduced cost to obtain topographic surveys.
DB2010	*Kyrgyz Republic*	The Kyrgyz Republic has eased the process of dealing with construction permits by streamlining the fee structure, introducing a risk-based system of approval and building control, allowing for low risk projects to undertake their internal building control process, and simplifying the process of obtaining utilities connections.
DB2010	*Macedonia, FYR*	FYR Macedonia has been reforming the dealing with construction permit process resulting in time reduction.
DB2010	*Romania*	Cost of construction in Romania was increased because of a new fee equal to 0.05% of project value.
DB2010	*Tajikistan*	Tajikistan introduced changes that resulted in a less difficult construction permitting process with reduced procedures and time.
DB2010	*Uzbekistan*	Uzbekistan made obtaining construction permit less expensive by reducing the building permit fees.
DB2010	*Montenegro*	Montenegro improved the process of dealing with construction permits with a new construction law implemented, reducing procedures, providing for new mechanisms of construction permit approval and building

DB year	Economy	Reform
		control process in general, and introducing a risk-based system of approval, where small scale projects are controlled by local municipalities.
DB2011	*Croatia*	Croatia replaced the location permit and project design confirmation with a single certificate, simplifying and speeding up the construction permitting process.
DB2011	*Hungary*	Hungary implemented a time limit for the issuance of building permits.
DB2011	*Kazakhstan*	Kazakhstan made dealing with construction permits easier by implementing a one-stop shop related to technical conditions for utilities.
DB2011	*Romania*	Romania amended regulations related to construction permitting to reduce fees and expedite the process.
DB2011	*Russian Federation*	Russia eased construction permitting by implementing a single window for all procedures related to land use.
DB2011	*Ukraine*	Ukraine made dealing with construction permits easier by implementing national and local regulations that streamlined procedures.
DB2011	*Uzbekistan*	Uzbekistan increased all fees for procedures relating to construction permits.
DB2012	*Albania*	In Albania dealing with construction permits became more difficult because the main authority in charge of issuing building permits has not met since April 2009.
DB2012	*Armenia*	Armenia made dealing with construction permits easier by eliminating the requirement to obtain an environmental impact assessment for small projects.
DB2012	*Bosnia and Herzegovina*	Bosnia and Herzegovina made dealing with construction permits easier by fully digitizing and revamping its land registry and cadastre.
DB2012	*Macedonia, FYR*	FYR Macedonia made dealing with construction permits easier by transferring oversight processes to the private sector and streamlining procedures.
DB2013	*Russian Federation*	Russia made obtaining a construction permit simpler by eliminating requirements for several preconstruction approvals.

DB year	Economy	Reform
DB2013	*Turkey*	Turkey made dealing with construction permits easier by eliminating the requirement to build a shelter in nonresidential buildings with a total area of less than 1,500 square meters.
DB2013	*Montenegro*	Montenegro made construction permitting less costly by reducing the cost of pre-construction and post-construction procedures
DB2014	*Azerbaijan*	Azerbaijan adopted a new construction code that streamlined procedures relating to the issuance of building permits and established official time limits for some procedures.
DB2014	*Latvia*	Latvia made dealing with construction permits easier by introducing new time limits for issuing a building permit and by eliminating the Public Health Agency's role in approving building permits and conducting inspections.
DB2014	*Macedonia, FYR*	FYR Macedonia made dealing with construction permits easier by reducing the time required to register a new building and by authorizing the municipality to register the building on behalf of the owner.
DB2014	*Russian Federation*	Russia made dealing with construction permits easier by eliminating several requirements for project approvals from government agencies and by reducing the time required to register a new building.
DB2014	*Turkey*	Turkey reduced the time required for dealing with construction permits by setting strict time limits for granting a lot plan and by reducing the documentation requirements for an occupancy permit.
DB2014	*Ukraine*	Ukraine made dealing with construction permits easier by introducing a risk-based approval system, eliminating requirements for certain approvals and technical conditions and simplifying the process for registering real estate ownership rights.
DB2014	*Montenegro*	Montenegro made dealing with construction permits easier by introducing a one-stop shop and imposing strict time limits for the issuance of approvals.
DB2014	*Kosovo*	Kosovo made dealing with construction permits easier by eliminating the requirement for validation of the main construction project, eliminating fees for technical approvals

DB year	Economy	Reform
		from the municipality and reducing the building permit fee.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

GETTING ELECTRICITY

Access to reliable and affordable electricity is vital for businesses. To counter weak electricity supply, many firms in developing economies have to rely on self-supply, often at a prohibitively high cost. Whether electricity is reliably available or not, the first step for a customer is always to gain access by obtaining a connection.

What do the indicators cover?

Doing Business records all procedures required for a local business to obtain a permanent electricity connection and supply for a standardized warehouse, as well as the time and cost to complete them. These procedures include applications and contracts with electricity utilities, clearances from other agencies and the external and final connection works. The ranking on the ease of getting electricity is the simple average of the percentile rankings on its component indicators: procedures, time and cost. To make the data comparable across economies, several assumptions are used.

The warehouse:

- Is located in the economy's largest business city, in an area where other warehouses are located.
- Is not in a special economic zone where the connection would be eligible for subsidization or faster service.
- Has road access. The connection works involve the crossing of a road or roads but are carried out on public land.
- Is a new construction being connected to electricity for the first time.
- Has 2 stories, both above ground, with a total surface of about 1,300.6 square meters (14,000 square feet), and is built on a plot of 929 square meters (10,000 square feet).

The electricity connection:

- Is a 3-phase, 4-wire Y, 140-kilovolt-ampere (kVA) (subscribed capacity) connection.
- Is 150 meters long.
- Is to either the low-voltage or the medium-voltage distribution network and either overhead or underground, whichever is more common in the economy and in the area where the warehouse is located. The length of any connection in the customer's private domain is negligible.
- Requires crossing of a 10-meter road but all the works are carried out in a public land, so there is no crossing into other people's private property.

WHAT THE GETTING ELECTRICITY INDICATORS MEASURE

Procedures to obtain an electricity connection (number)

Submitting all relevant documents and obtaining all necessary clearances and permits

Completing all required notifications and receiving all necessary inspections

Obtaining external installation works and possibly purchasing material for these works

Concluding any necessary supply contract and obtaining final supply

Time required to complete each procedure (calendar days)

Is at least 1 calendar day

Each procedure starts on a separate day

Does not include time spent gathering information

Reflects the time spent in practice, with little follow-up and no prior contact with officials

Cost required to complete each procedure (% of income per capita)

Official costs only, no bribes

Excludes value added tax

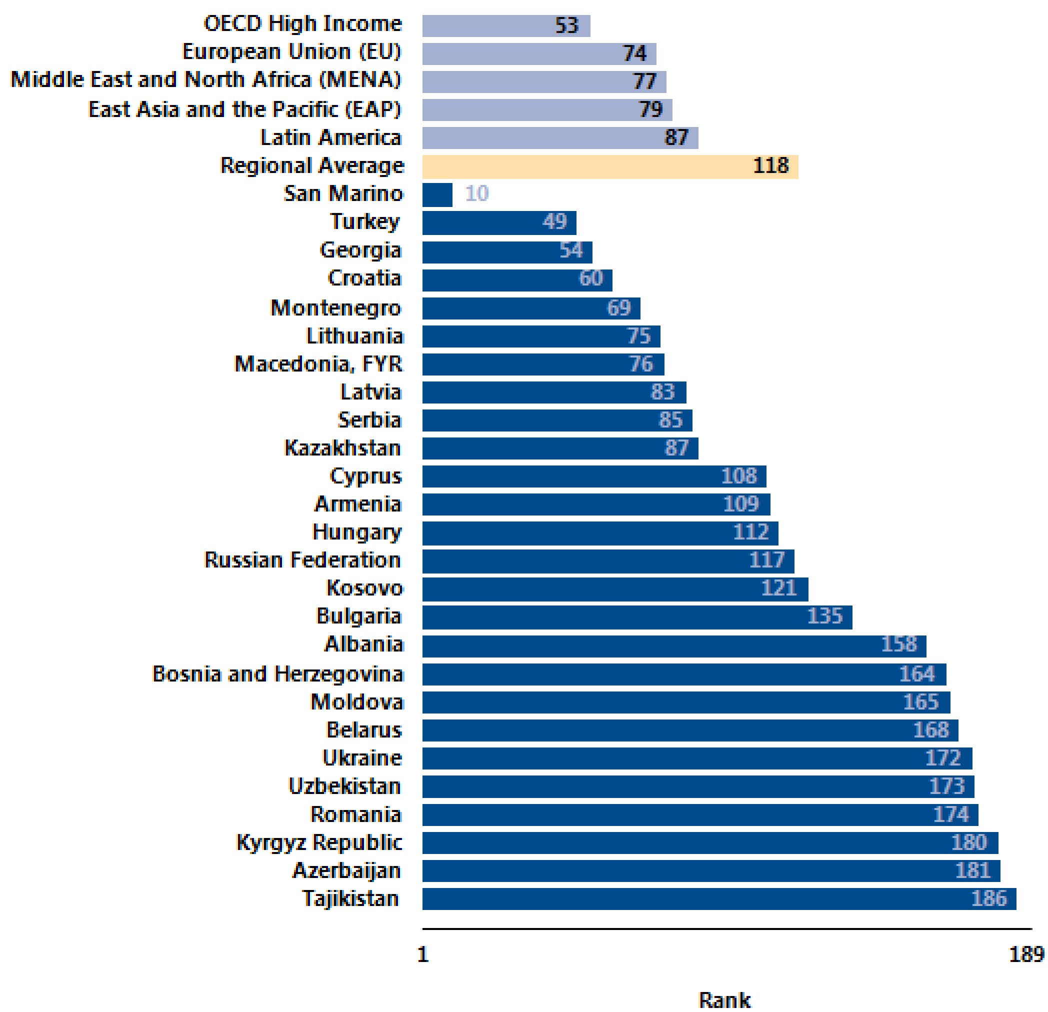
- Involves installing one electricity meter. The monthly electricity consumption will be 0.07 gigawatt-hour (GWh). The internal electrical wiring has been completed.

GETTING ELECTRICITY

Where do the region's economies stand today?

How easy is it for entrepreneurs in economies in Europe and Central Asia (ECA) to connect a warehouse to electricity? The global rankings of these economies on the ease of getting electricity suggest an answer (figure 4.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 4.1 How economies in Europe and Central Asia (ECA) rank on the ease of getting electricity



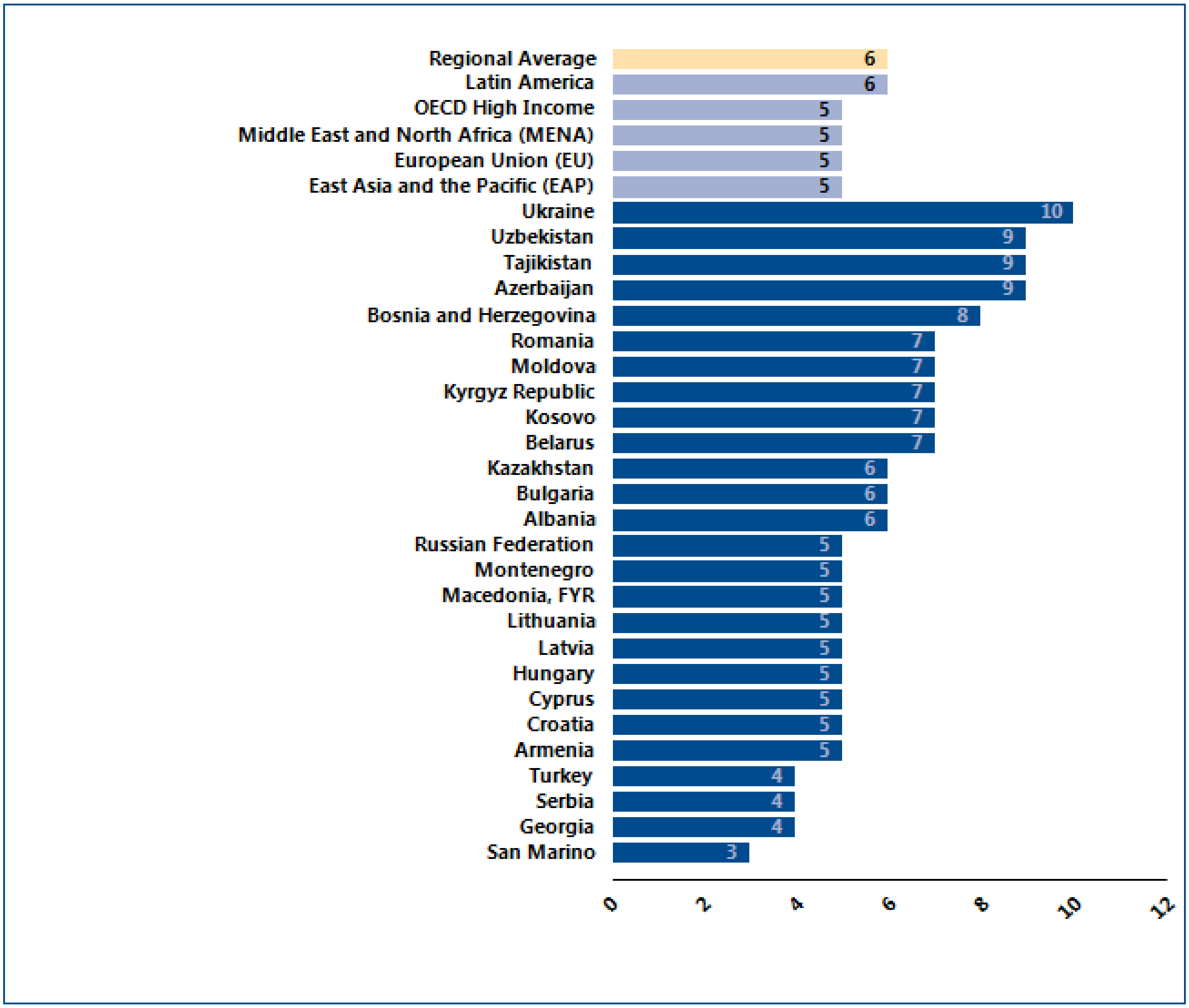
Source: Doing Business database.

GETTING ELECTRICITY

The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to get a new electricity connection in each economy in the region: the number of procedures, the time and the cost (figure 4.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

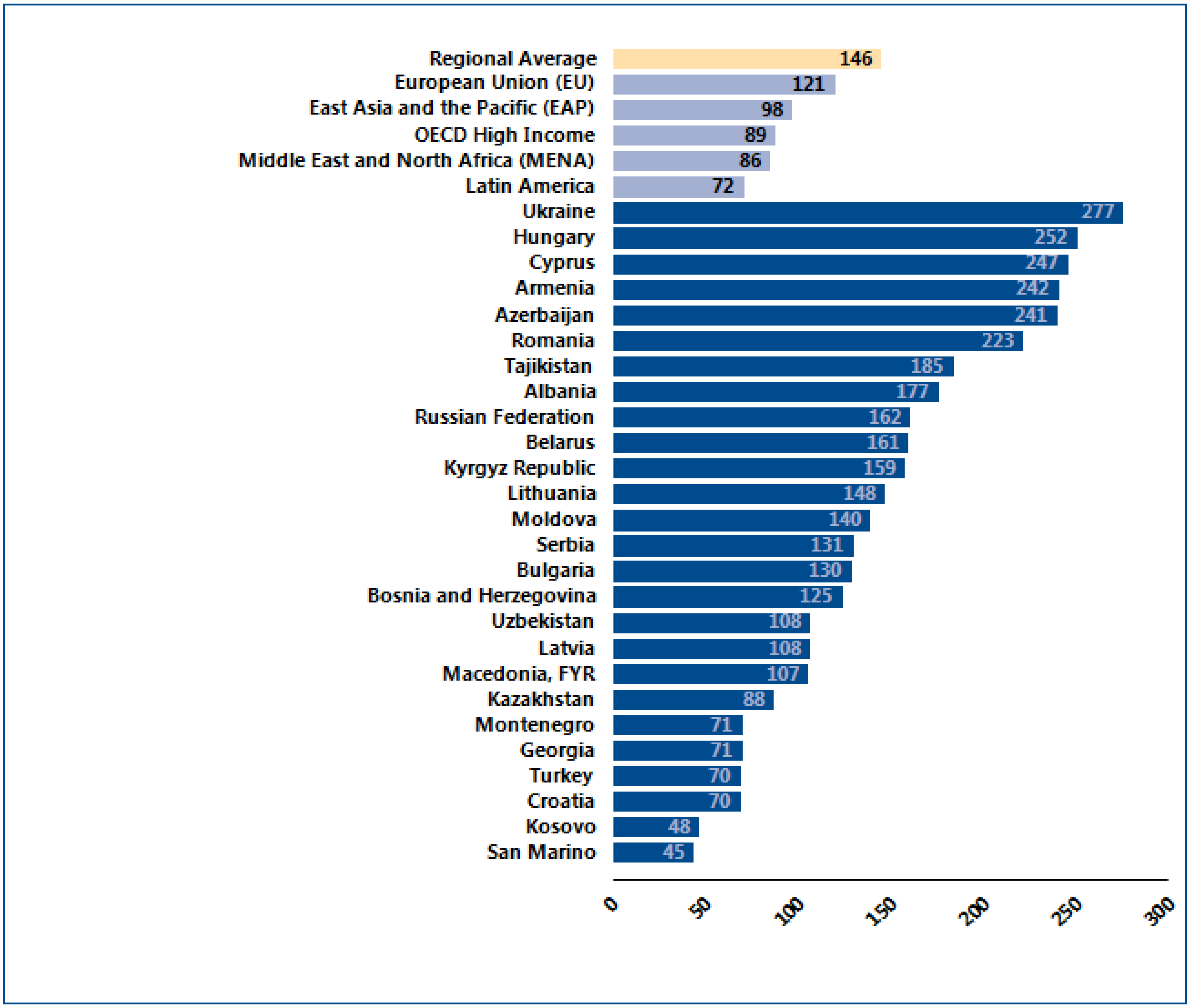
Figure 4.2 What it takes to get an electricity connection in economies in Europe and Central Asia (ECA)

Procedures (number)



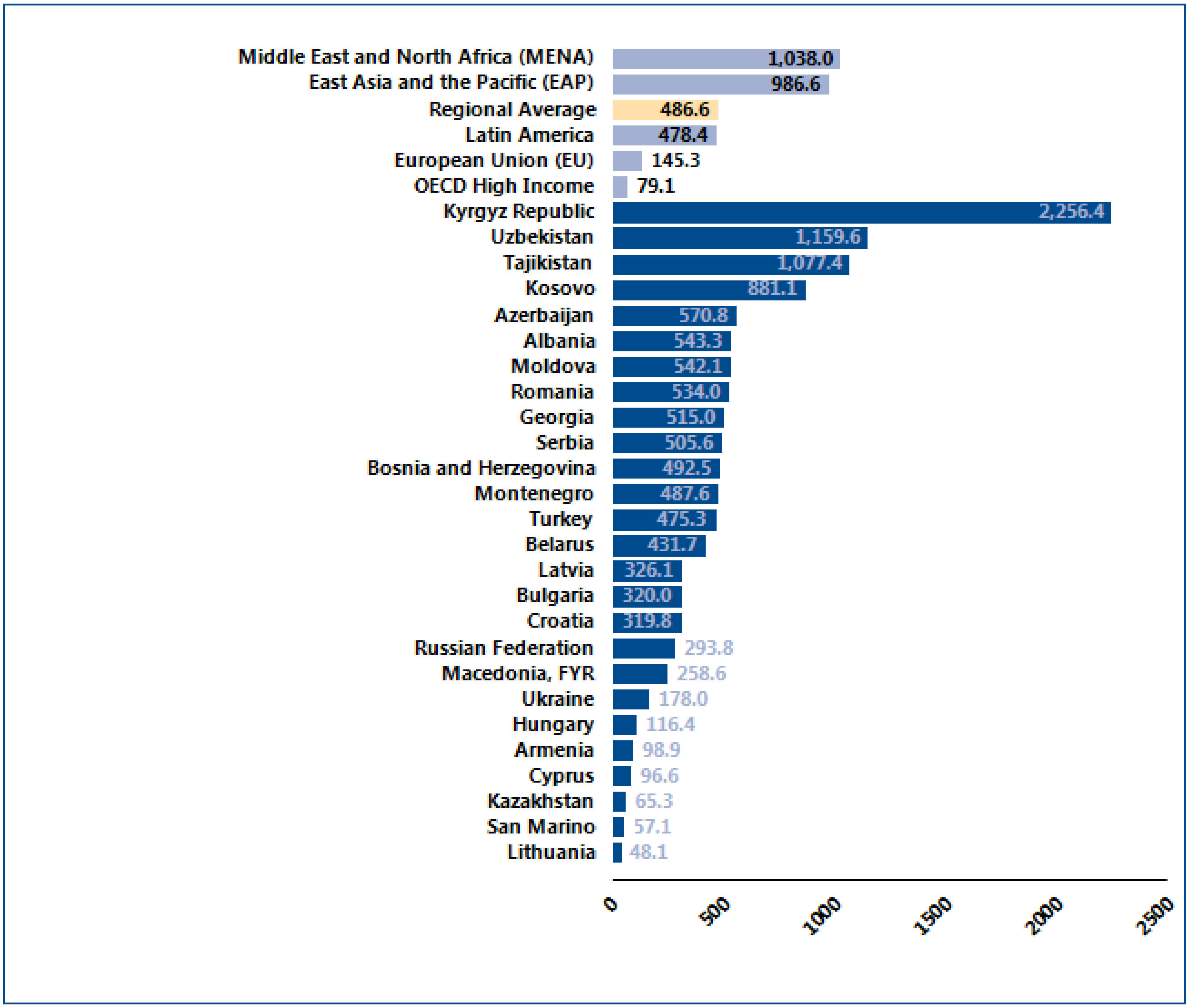
GETTING ELECTRICITY

Time (days)



GETTING ELECTRICITY

Cost (% of income per capita)



Source: Doing Business database.

GETTING ELECTRICITY

What are the changes over time?

Obtaining an electricity connection is essential to enable a business to conduct its most basic operations. In many economies the connection process is complicated by the multiple laws and regulations involved—covering service quality, general safety, technical standards, procurement practices and internal wiring installations. In an effort to ensure safety in the connection process while keeping connection costs reasonable, governments around the world have worked to consolidate requirements for obtaining an electricity connection. What reforms in getting electricity has *Doing Business* recorded in Europe and Central Asia (ECA) (table 4.1)?

Table 4.1 How have economies in Europe and Central Asia (ECA) made getting electricity easier—or not?
By *Doing Business* report year

DB year	Economy	Reform
DB2012	*Latvia*	Latvia made getting electricity faster by introducing a simplified process for approval of external connection designs.
DB2012	*Lithuania*	Lithuania made getting electricity more difficult by abolishing the one-stop shop for obtaining technical conditions for utility services.
DB2012	*Russian Federation*	Russian Federation made getting electricity less costly by revising the tariffs for connection.
DB2013	*Armenia*	Armenia made getting electricity easier by streamlining procedures and reducing connection fees.
DB2013	*Georgia*	Georgia made getting electricity easier by simplifying the process of connecting new customers to the distribution network and reducing connection fees.
DB2014	*Belarus*	Belarus made getting electricity easier by speeding up the process of issuing technical specifications and excavation permits and by reducing the time needed to connect to the electricity network.
DB2014	*Macedonia, FYR*	FYR Macedonia made getting electricity easier by reducing the time required to obtain a new connection and by setting fixed connection fees per kilowatt (kW) for connections requiring a capacity below 400 kW.
DB2014	*Russian Federation*	Russia made getting electricity simpler and less costly by setting standard connection tariffs and eliminating many procedures previously required.
DB2014	*Turkey*	Turkey made getting electricity easier by eliminating external inspections and reducing some administrative costs.
DB2014	*Ukraine*	Ukraine made getting electricity easier by streamlining the process for obtaining a new connection.

Source: Doing Business database.

REGISTERING PROPERTY

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. And where property is informal or poorly administered, it has little chance of being accepted as collateral for loans—limiting access to finance.

What do the indicators cover?

Doing Business records the full sequence of procedures necessary for a business to purchase property from another business and transfer the property title to the buyer's name. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it. The ranking on the ease of registering property is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in the periurban area of the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Consists of 557.4 square meters (6,000 square feet) of land and a 10-year-old, 2-story warehouse of 929 square meters (10,000 square feet). The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. There is no heating system. The property will be transferred in its entirety.

WHAT THE REGISTERING PROPERTY INDICATORS MEASURE

Procedures to legally transfer title on immovable property (number)

Preregistration procedures (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)

Registration procedures in the economy's largest business city

Postregistration procedures (for example, filing title with the municipality)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are an exception to this rule.

Procedure considered completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of property value)

Official costs only, no bribes

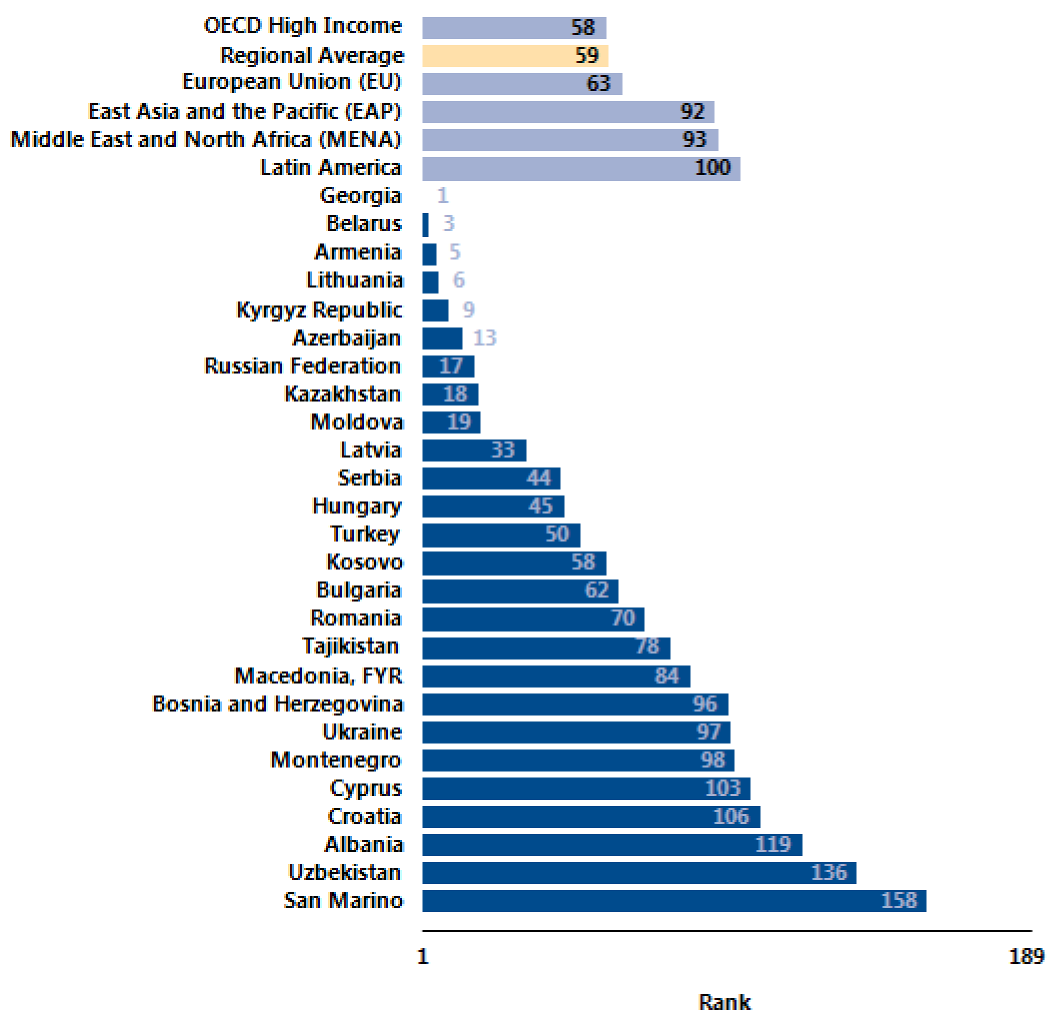
No value added or capital gains taxes included

REGISTERING PROPERTY

Where do the region's economies stand today?

How easy is it for entrepreneurs in economies in Europe and Central Asia (ECA) to transfer property? The global rankings of these economies on the ease of registering property suggest an answer (figure 5.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 5.1 How economies in Europe and Central Asia (ECA) rank on the ease of registering property



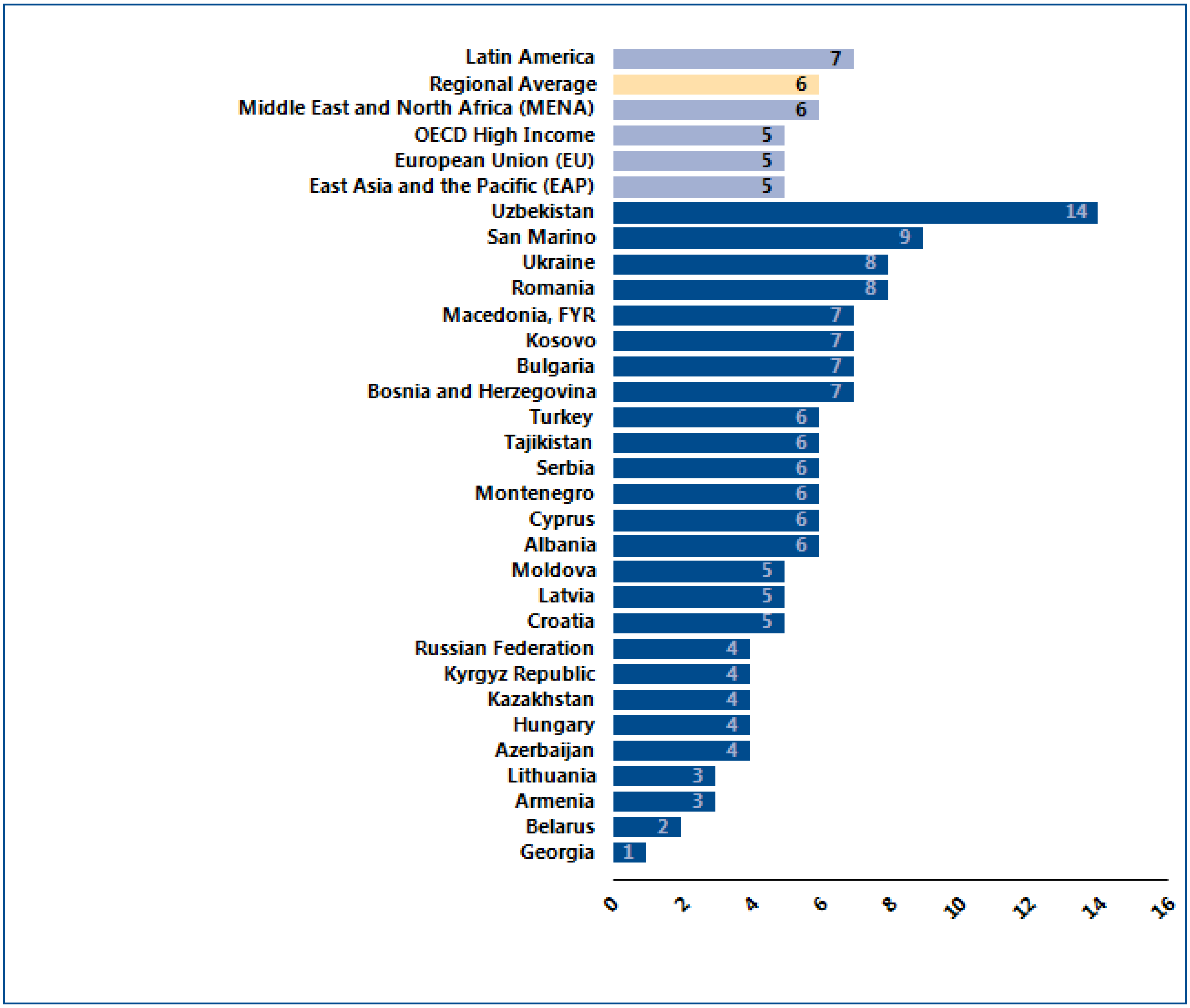
Source: Doing Business database.

REGISTERING PROPERTY

The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to complete a property transfer in each economy in the region: the number of procedures, the time and the cost (figure 5.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

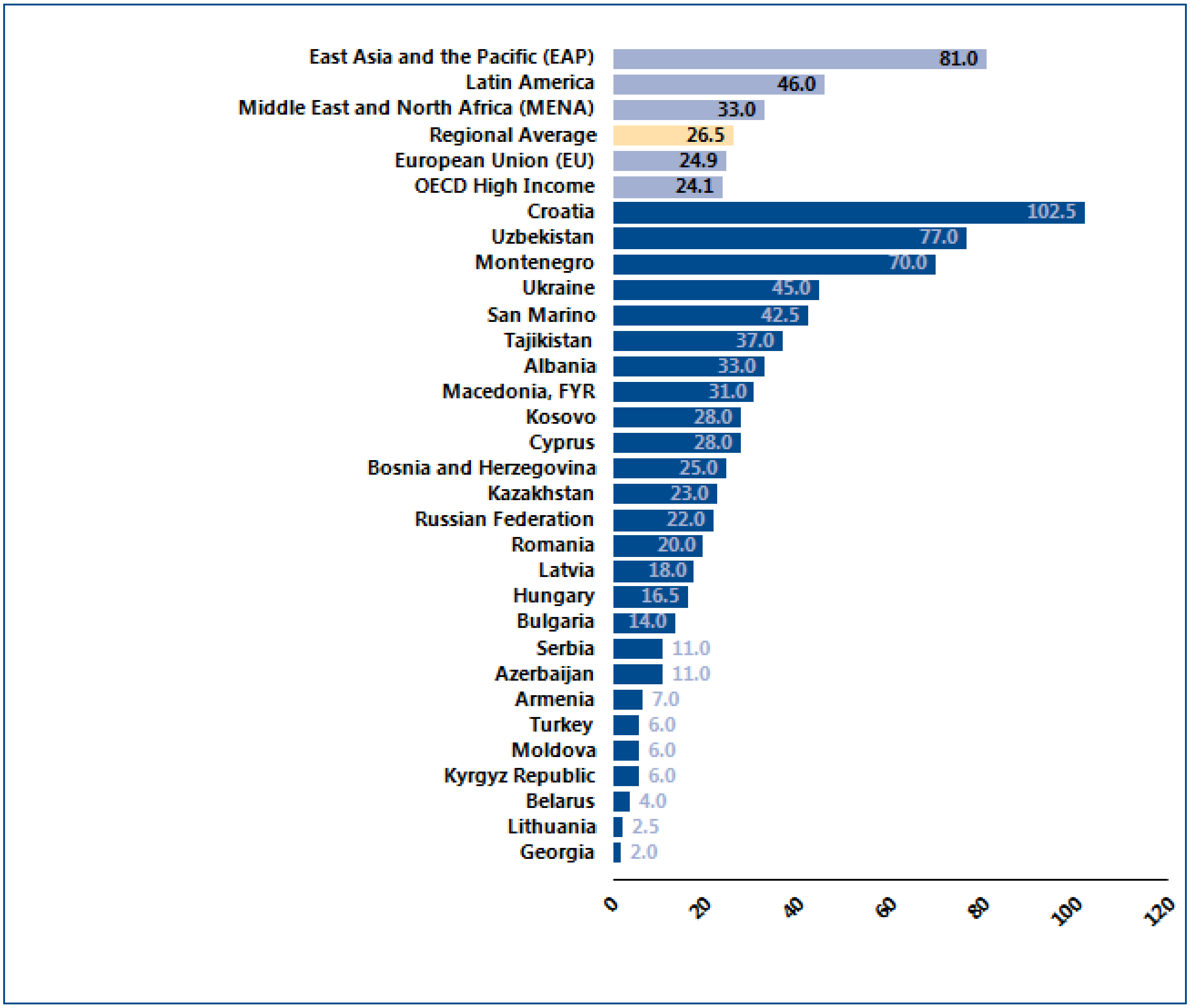
Figure 5.2 What it takes to register property in economies in Europe and Central Asia (ECA)

Procedures (number)



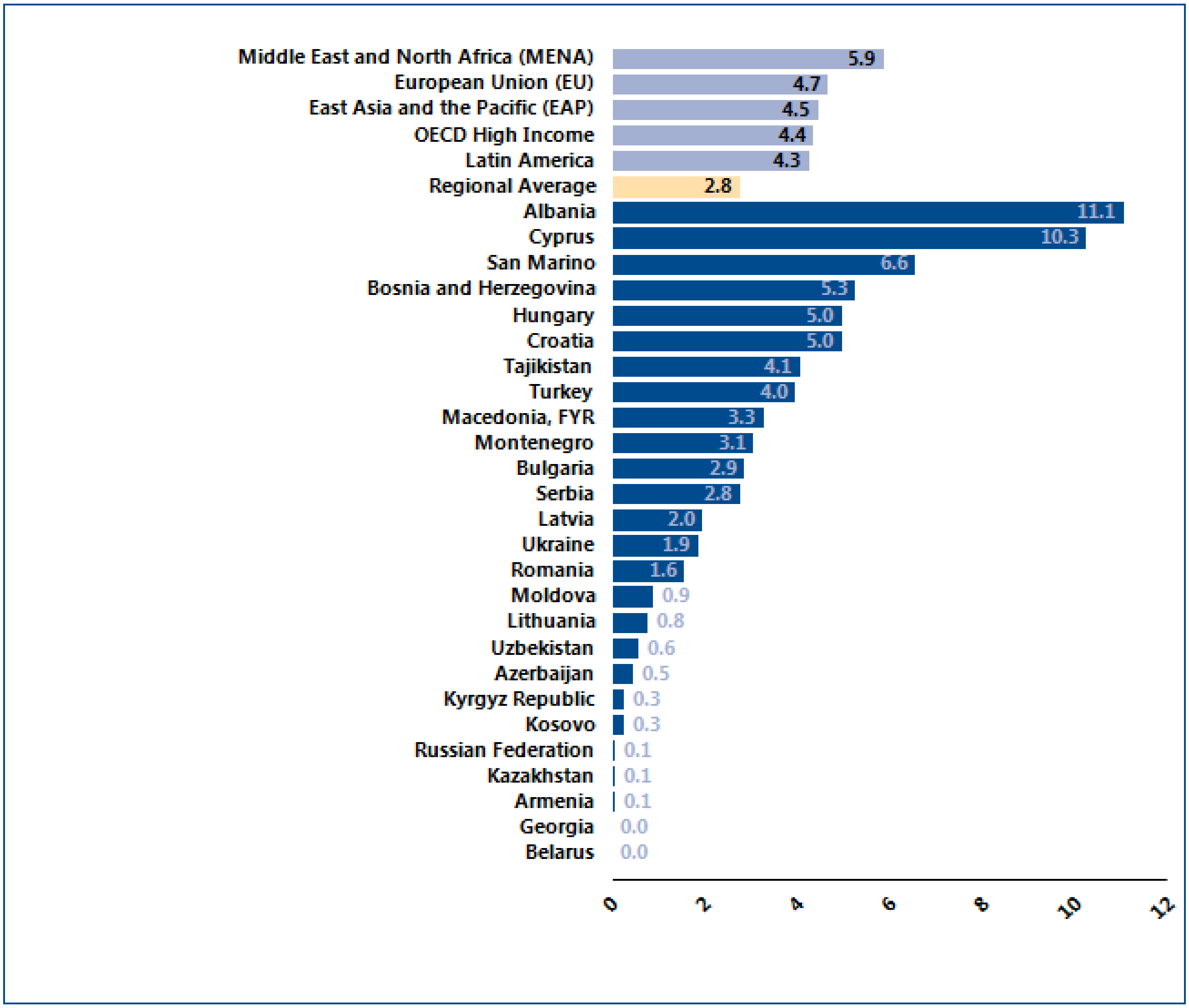
REGISTERING PROPERTY

Time (days)



REGISTERING PROPERTY

Cost (% of property value)



* Indicates a "no practice" mark. See the data notes for details.
Source: Doing Business database.

REGISTERING PROPERTY

What are the changes over time?

Economies worldwide have been making it easier for entrepreneurs to register and transfer property—such as by computerizing land registries, introducing time limits for procedures and setting low fixed fees. Many have cut the time required substantially—enabling buyers to use or mortgage their property earlier. What property registration reforms has *Doing Business* recorded in Europe and Central Asia (ECA) (table 5.1)?

Table 5.1 How have economies in Europe and Central Asia (ECA) made registering property easier—or not?
By *Doing Business* report year

DB year	Economy	Reform
DB2008	*Croatia*	Property registration time has been reduced gradually due to ongoing reforms at the Land Registry.
DB2008	*Georgia*	Georgia made registering property simpler by eliminating the need to have the sale agreement notarized and reducing time to obtain an entrepreneurial registry excerpt of seller's/purchaser's registration from the district court.
DB2008	*Hungary*	The process for registering property was sped up by opening a second registry office in Budapest. The time needed to submit an application to the Land Registry Office and register the title decreased.
DB2008	*Kyrgyz Republic*	The Kyrgyz Republic made registering property more costly by increasing the registration fees.
DB2008	*Uzbekistan*	Uzbekistan made registering property simpler and cheaper by introducing a formula to calculate the fee to notarize a property sale agreement taking into account the minimum wage.
DB2009	*Azerbaijan*	Azerbaijan introduced a new unified registry reducing the number of procedures from 7 to 4. The State Register Service also introduced the option of expediting 2 out of 4 procedures , it is now possible to register property in 11 days.
DB2009	*Belarus*	Belarus created a unified registry and introduced a broad administrative simplification program that introduced strict time limits at the registry and computerized its property records. As a result, registration time in Minsk decreased from

DB year	Economy	Reform
		231 to 21 days.
DB2009	*Bosnia and Herzegovina*	The computerization of files at the Land Registry in Sarajevo has sped the process of registration. As a result, the time to register a title now ranges between 1 month and 6 months, down from 308.
DB2009	*Georgia*	The Georgian National Agency of Public Registry (NAPR) has developed an online business registry which eliminates the requirement for legal entities to obtain several pre-registration documents. This reform has reduced the number of procedures required to register a property from 5 to 2, and time from 5 to 2 days. Moreover, the agency further simplified and reduced the registration fees to a single rate of GEL 50.
DB2009	*Hungary*	A new registry office operating in Budapest has reduced the total time to register a title in Budapest. Increased internal cooperation among these agencies reduced the total time to register property from 63 to 17 days.
DB2009	*Kazakhstan*	The new Law on State Registration created a new unified registry for all lands and buildings and introduced Public Service Centres as competent authorities for property transactions in the country. The law has eliminated a number of previous requirements and the number of procedures went down from 8 to 5, while time went down from 52 to 40 days.
DB2009	*Latvia*	The State Land Service introduced an online database allowing the employees of the registry to check the cadastral value of the real estate. This resulted in the removal of 1 procedure, bringing the total number to 7, and the total time from 54 to 50
DB2009	*Lithuania*	Lithuania merged the procedure of obtaining the certificate for transaction with the notarization procedure. As a result of this reform, the number of procedures went down from 3 to 2.
DB2009	*Macedonia, FYR*	The new Law on Cadastre reduced the time needed to register property by increasing the staff in the Cadastre office.

DB year	Economy	Reform
		As a result of this increased processing capacity, the time to obtain a copy from the cadastre sheet and the time to obtain the new title deed went down, bringing the total time to register a propeerty from 98 to 66.
DB2009	*Serbia*	Serbia amended the Tax Property Law to reduce the property transfer tax from 5% to 2.5% of property value. As a result, the cost to transfer a property in Serbia decreased from 5.37% to 2.85% of property value.
DB2010	*Belarus*	Belarus continues to improve the process of property registration with increased efficiency at the Land Registry in Minsk resulting in faster processing time required to verify ownership, and the notarization of incorporation documents is no longer required.
DB2010	*Bulgaria*	An integrated web-based property register providing online access to the ownership and cadastre status of the properties decreased the total time to register property in Bulgaria.
DB2010	*Kyrgyz Republic*	The Kyrgyz Republic further eased the process of property registration by simplifying documentation requirements , making surveying requirements and notarization optional.
DB2010	*Macedonia, FYR*	FYR Macedonia eased the process of property registration with new time limits at the Real Estate Cadastre decreasing the average time to register a title deed by 8 days, while non-encumbrance certificate can now be obtained from the Real Estate Registry instead of through court.
DB2010	*Moldova*	Moldova made it easier to register property by removing the requirement of cadastral sketch leading to a reduction in procedures from 6 to 5 and days from 48 to 5.
DB2010	*Romania*	Romania sped the process of registering property by introductng expedited procedures at the Land Registry and the Cadastre.
DB2010	*Russian Federation*	The Russian Federation sped up the process of registering property by introducing new documentation requirements such as cadastral passports in lieu of inventory documents

DB year	Economy	Reform
		and cadastral maps.
DB2010	*Tajikistan*	The state duty for the property transfer has increased fourfold, increasing the cost to register property in Tajikistan by 4.5% of the property value
DB2011	*Bosnia and Herzegovina*	Bosnia and Herzegovina reduced delays in property registration at the land registry in Sarajevo.
DB2011	*Hungary*	Hungary reduced the property registration fee by 6% of the property value.
DB2012	*Albania*	Albania made property registration easier by setting time limits for the land registry to register a title.
DB2012	*Belarus*	Belarus simplified property transfer by doing away with the requirement to obtain the municipality's approval for transfers of most commercial buildings in Minsk.
DB2012	*Latvia*	Latvia made transferring property easier by allowing electronic access to municipal tax databases that show the tax status of property, eliminating the requirement to obtain this information in paper format.
DB2012	*Macedonia, FYR*	FYR Macedonia made registering property easier by reducing notary fees and enforcing time limits.
DB2012	*Russian Federation*	Russia made registering property transfers easier by eliminating the requirement to obtain cadastral passports on land plots.
DB2012	*Serbia*	Serbia made transferring property quicker by offering an expedited option.
DB2013	*Bosnia and Herzegovina*	Bosnia and Herzegovina made it easier to transfer property between companies by computerizing the commercial registry.
DB2013	*Cyprus*	Cyprus made property transfers faster by computerizing its land registry.
DB2013	*Ukraine*	Ukraine made property transfers faster by introducing an

DB year	Economy	Reform
		effective time limit for processing transfer applications at the land cadastre in Kiev.
DB2014	*Belarus*	Belarus made transferring property easier by introducing a fast-track procedure for property registration.
DB2014	*Kazakhstan*	Kazakhstan made transferring property easier by introducing a fast-track procedure for property registration.
DB2014	*Macedonia, FYR*	FYR Macedonia made property registration faster and less costly by digitizing the real estate cadastre and eliminating the requirement for an encumbrance certificate.
DB2014	*Russian Federation*	Russia made transferring property easier by streamlining procedures and implementing effective time limits for processing transfer applications.
DB2014	*Turkey*	Turkey made transferring property more costly by increasing the registration and several other fees.
DB2014	*Ukraine*	Ukraine made transferring property easier by streamlining procedures and revamping the property registration system.
DB2014	*Uzbekistan*	Uzbekistan made transferring property easier by reducing the notary fees.
DB2014	*Montenegro*	Montenegro made registering property easier by introducing a notary system.
DB2014	*Kosovo*	Kosovo made transferring property easier by introducing a new notary system and by combining procedures for drafting and legalizing sale and purchase agreements.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

GETTING CREDIT

Two types of frameworks can facilitate access to credit and improve its allocation: credit information systems and the borrowers and lenders' rights in collateral and bankruptcy laws. Credit information systems enable lenders to view a potential borrower's financial history (positive or negative)—valuable information to consider when assessing risk. And they permit borrowers to establish a good credit history that will allow easier access to credit. Sound collateral laws enable businesses to use their assets, especially movable property, as security to generate capital—while strong creditors' rights have been associated with higher ratios of private sector credit to GDP.

What do the indicators cover?

Doing Business assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a public credit registry or a private credit bureau. The strength of legal rights index measures whether certain features that facilitate lending exist within the applicable collateral and bankruptcy laws. *Doing Business* uses case scenarios to determine the scope of the secured transactions system, involving a secured borrower and a secured lender and examining legal restrictions on the use of movable collateral. These scenarios assume that the borrower:

- Is a private, incorporated, limited liability company.
- Has its headquarters and only base of operations in the largest business city.
- Has up to 100 employees.
- Is 100% domestically owned, as is the lender.

The ranking on the ease of getting credit is based on the percentile rankings on the sum of its component indicators: the depth of credit information index and the strength of legal rights index.

WHAT THE GETTING CREDIT INDICATORS MEASURE

Strength of legal rights index (0–10)

Protection of rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

Depth of credit information index (0–6)

Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

Public credit registry coverage (% of adults)

Number of individuals and firms listed in public credit registry as percentage of adult population

Private credit bureau coverage (% of adults)

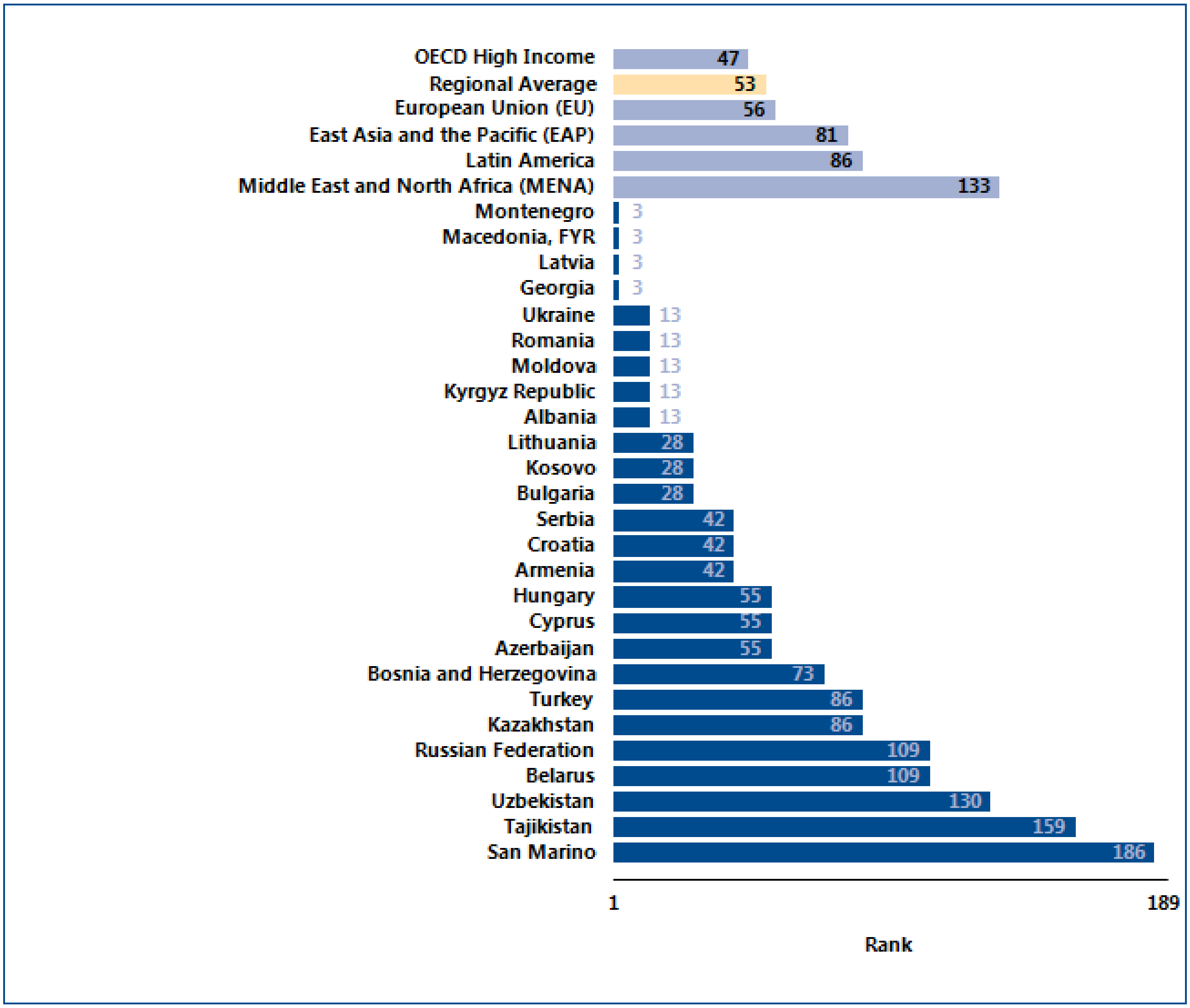
Number of individuals and firms listed in largest private credit bureau as percentage of adult population

GETTING CREDIT

Where do the region's economies stand today?

How well do the credit information systems and collateral and bankruptcy laws in economies in Europe and Central Asia (ECA) facilitate access to credit? The global rankings of these economies on the ease of getting credit suggest an answer (figure 6.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 6.1 How economies in Europe and Central Asia (ECA) rank on the ease of getting credit



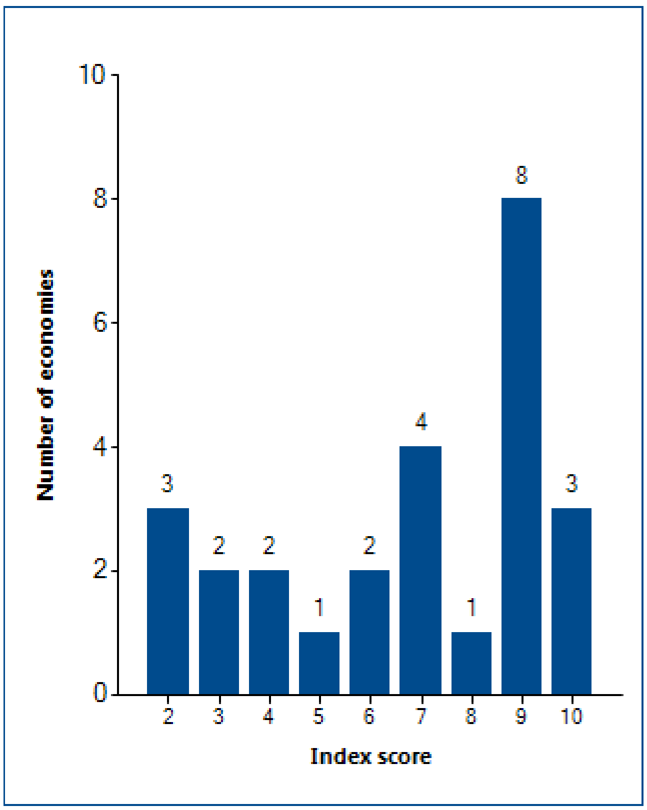
Source: Doing Business database.

GETTING CREDIT

Another way to assess how well regulations and institutions support lending and borrowing in the region is to look at the distribution of its economies by their scores on the getting credit indicators. Figure 6.2 shows how many economies in the region received a particular score on the strength of legal rights index. Figure 6.3 shows the same thing for the depth of credit information index. Higher scores indicate stronger legal rights for borrowers and lenders and more credit information.

Figure 6.2 How strong are legal rights for borrowers and lenders in economies in Europe and Central Asia (ECA)?

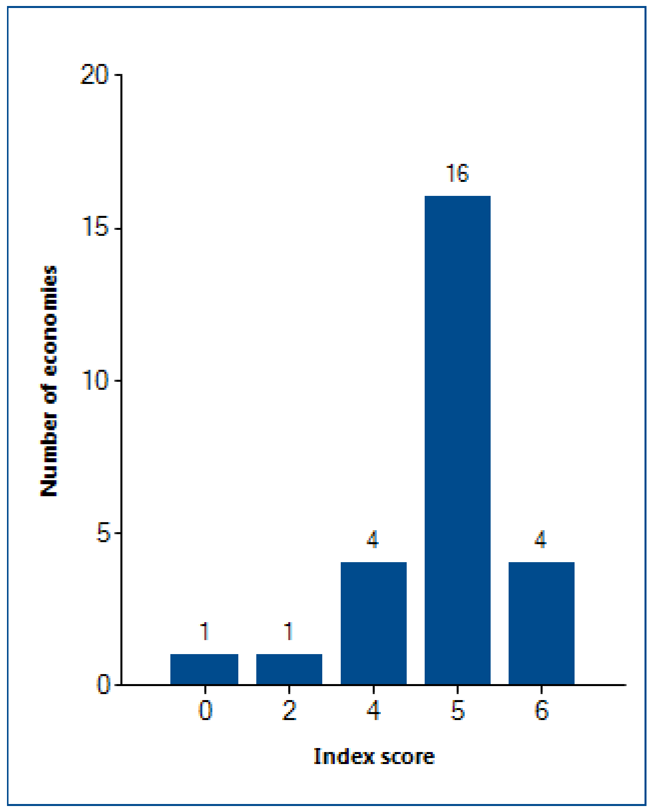
Number of economies in region with each score on strength of legal rights index (0–10)



Note: Higher scores indicate that collateral and bankruptcy laws are better designed to facilitate access to credit.
Source: Doing Business database.

Figure 6.3 How extensive—and how accessible—is credit information in economies in Europe and Central Asia (ECA)?

Number of economies in region with each score on depth of credit information index (0–6)



Note: Higher scores indicate the availability of more credit information, from either a credit registry or a credit bureau, to facilitate lending decisions.
Source: Doing Business database.

GETTING CREDIT

What are the changes over time?

When economies strengthen the legal rights of lenders and borrowers under collateral and bankruptcy laws, and increase the scope, coverage and accessibility of credit information, they can increase entrepreneurs' access to credit. What credit reforms has *Doing Business* recorded in Europe and Central Asia (ECA) (table 6.1)?

Table 6.1 How have economies in Europe and Central Asia (ECA) made getting credit easier—or not?
By *Doing Business* report year

DB year	Economy	Reform
DB2008	*Armenia*	A private credit bureau started operating on February 1, 2007. It distributes credit information about firms and individuals, has no minimum loan requirement and guarantees all borrowers access to their credit reports.
DB2008	*Croatia*	Access to credit for businesses was significantly improved by implementing a unified system of securities registry and setting up a new private credit bureau, HROK. In addition, a unified collateral registry which is centralized geographically became operational in Croatia strengthening access to credit and the secured transaction regime.
DB2008	*Georgia*	Adding retailers, utilities and trade creditors as suppliers of information, the private credit bureau now collects credit data from 17 out of Georgia 's 18 banks, microfinance institutions, cell phone and electricity companies, in addition to the courts. The Doing Business credit information index rose from 3 to 4.
DB2008	*Romania*	Parties may agree to out-of court-enforcement of the security right when the security agreement is signed.
DB2008	*Russian Federation*	A private bureau, National Bureau of Credit Histories (NBKI), started operations in March 2006. A draft of the law dates back to 1992, but only increased consumer lending and the requirement for banks to submit credit data, made the reform possible.
DB2009	*Albania*	Albania made getting access to credit information easier by establishing its first credit bureau and facilitating access to credit for firms and individuals.
DB2009	*Azerbaijan*	The National Bank of Azerbaijan eliminated the minimum loan threshold to report loans to the public credit registry in

DB year	Economy	Reform
		September 2007. The public registry now records information on all loans extended by the financial system, thus more than doubling the coverage of borrowers with a credit history.
DB2009	*Belarus*	The public credit registry in Belarus eliminated the minimum loan requirement to report credits to the registry's database in May 2008. The registry now captures information on all credits extended by the financial system, more than doubling the quantity of borrowers with a credit history. New regulations in Belarus also guarantee the right of borrowers to inspect the data stored in the credit registry. Borrowers can now verify the accurateness of their credit information, improving the quality of the information distributed by the credit registry.
DB2009	*Georgia*	The private credit bureau in Georgia now distributes full information, including on-time repayment patterns and outstanding loans amounts, contributing to a 20 times increase in coverage and allowing banks a better understanding of the payment patterns of potential borrowers. New regulations also guarantee the right of borrowers to inspect the data registered in the private credit bureau, helping improve the quality and accuracy of credit information in Georgia. In addition, Georgia amended its Civil Code on 5 points relating to secured transactions; its new provisions were in effect as of December 2007. The most notable change for the Legal Rights index is that parties may now agree to out-of-court enforcement of the creditor's security right when the security agreement is signed.
DB2009	*Kazakhstan*	Kazakhstan's private credit bureau is adding 2 new suppliers of information a month, including retailers such as furniture companies and utilities like the gas company. Coupled to a credit boom, coverage shot up by 80%. Now even consumers who do not have a bank account or a credit card can build a credit history, improving their chances to obtain credit in the future.
DB2009	*Macedonia, FYR*	In Macedonia, FYR, the new law on Personal Data protection guarantees that borrowers can review the data stored in the public credit registry. Borrowers can now check their credit information, improving the quality and accurateness of the information in the registry.
DB2009	*Moldova*	IMoldova approved a new credit bureau law to facilitate the creation of a private credit bureau. The bureau will distribute credit information that banks can use to evaluate the

DB year	Economy	Reform
		creditworthiness of potential borrowers.
DB2009	*Ukraine*	Ukraine created a new private credit bureau. Banks can now obtain credit information from potential borrowers to evaluate their creditworthiness.
DB2009	*Uzbekistan*	With the ambition to facilitate the access of more borrowers to credits, Inter Bank Kredit Bureau has started collecting since November 2005 information on the repayment pattern of individual borrowers as well as firms. This will allow for better information on borrowers repayment patterns and help develop a culture of sharing credit information.
DB2009	*Montenegro*	Montenegro created a new public credit registry, increasing coverage of borrowers from 0 to 30%. The new public credit registry will facilitate access to credit by providing credit information on borrowers to lenders.
DB2010	*Armenia*	Armenia strengthened access to credit information with a new law establishing a legal framework for the activities of credit bureaus, as well as the regulation of credit information collection and the preparation of credit reports.
DB2010	*Azerbaijan*	The Public Credit Registry in Azerbaijan enhanced access to credit information by allowing online access of the database to banks, more data available on borrowers, and introduced penalties for banks that send information that is late or incorrect.
DB2010	*Kyrgyz Republic*	Kyrgyz Republic enhanced access to credit with an amendment to its Civil Code and Pledge Law to make secured lending more flexible, and allow general description of encumbered assets, as well as general description of debts and obligations. Furthermore, amendments to the Civil Code provide for an automatic extension of the security right to proceeds of the original asset.
DB2010	*Latvia*	Latvia's new public credit registry started sharing data on loans thus improving access to credit information.
DB2010	*Macedonia, FYR*	The Public Credit Bureau in FYR Macedonia increased its coverage due to an improved database, inclusion of more information, and a lower minimum loan threshold.
DB2010	*Tajikistan*	Tajikistan's new "Law on Credit Histories" improves its access to credit information because it allows for the creation of a

DB year	Economy	Reform
		private credit bureau
DB2010	*Turkey*	Turkey's private credit bureau now includes firms in its database.
DB2010	*Serbia*	Serbia's new Law on Personal Data Protection guarantees by law that borrowers can inspect their own data, thus improving access to credit information.
DB2011	*Azerbaijan*	Azerbaijan improved access to credit by establishing an online platform allowing financial institutions to provide information to, and retrieve it from, the public credit registry.
DB2011	*Belarus*	Belarus enhanced access to credit by facilitating the use of the pledge as a security arrangement and providing for out-of-court enforcement of the pledge on default.
DB2011	*Cyprus*	Cyprus improved access to credit information by establishing its first private credit bureau.
DB2011	*Georgia*	Georgia improved access to credit by implementing a central collateral registry with an electronic database accessible online.
DB2011	*Lithuania*	Lithuania's private credit bureau now collects and distributes positive information on borrowers.
DB2012	*Armenia*	Armenia improved its credit information system by introducing a requirement to collect and distribute information from utility companies.
DB2012	*Bulgaria*	Bulgaria made access to credit information more difficult by stopping the distribution of credit reports to financial institutions by the private credit bureau (Experian).
DB2012	*Croatia*	In Croatia the private credit bureau started to collect and distribute information on firms, improving the credit information system.
DB2012	*Georgia*	Georgia expanded access to credit by amending its civil code to broaden the range of assets that can be used as collateral.
DB2012	*Hungary*	Hungary reduced the amount of credit information available from private credit bureaus by shortening the period for retaining data on defaults and late payments (if repaid) from 5 years to 1 year.

DB year	Economy	Reform
DB2012	*Macedonia, FYR*	FYR Macedonia improved its credit information system by establishing a private credit bureau.
DB2012	*Moldova*	Moldova improved its credit information system by establishing its first private credit bureau.
DB2012	*Tajikistan*	Access to credit using movable property in Tajikistan became more complicated because the movable collateral registry stopped its operations in January, 2011.
DB2013	*Bosnia and Herzegovina*	Bosnia and Herzegovina made access to credit information more difficult by stopping the private credit bureau's collection of credit information on individuals.
DB2013	*Georgia*	Georgia strengthened its secured transactions system through an amendment to the civil code allowing a security interest to extend to the products, proceeds and replacement of collateral.
DB2013	*Hungary*	Hungary improved access to credit information by passing its first credit bureau law mandating the creation of a database with positive credit information on individuals.
DB2013	*Kazakhstan*	Kazakhstan strengthened secured creditor rights by introducing new grounds for relief from an automatic stay during rehabilitation proceedings.
DB2013	*Romania*	Romania strengthened its legal framework for secured transactions by allowing the automatic extension of security interests to the products, proceeds and replacement of collateral.
DB2013	*Uzbekistan*	Uzbekistan improved access to credit information by guaranteeing borrowers' right to inspect their personal data.
DB2013	*Montenegro*	Montenegro improved access to credit information by guaranteeing borrowers' right to inspect their personal data.
DB2014	*Georgia*	Georgia improved its credit information system by implementing a new law on personal data protection.
DB2014	*Latvia*	Latvia improved its credit information system by adopting a new law regulating the public credit registry.
DB2014	*Lithuania*	Lithuania strengthened its secured transactions system by broadening the range of movable assets that can be used as collateral, allowing a general description in the security

DB year	Economy	Reform
		agreement of the assets pledged as collateral and permitting out-of-court enfor
DB2014	*Macedonia, FYR*	FYR Macedonia strengthened its secured transactions system by providing more flexibility on the description of assets in a collateral agreement and on the types of debts and obligations that can be secured.
DB2014	*Moldova*	Moldova strengthened its secured transactions system by introducing new grounds for relief from an automatic stay during insolvency and restructuring proceedings.
DB2014	*Tajikistan*	Tajikistan improved access to credit information by establishing a private credit bureau.
DB2014	*Ukraine*	Ukraine improved access to credit information by beginning to collect data on firms from financial institutions.
DB2014	*Uzbekistan*	Uzbekistan improved access to credit information by expanding the scope of credit information and requiring that more than 2 years of historical data be collected and distributed.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

PROTECTING INVESTORS

Protecting investors matters for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. If the laws do not protect minority shareholders, investors may be reluctant to provide funding to companies through the purchase of shares unless they become the controlling shareholders. Effective regulations define related-party transactions precisely, promote clear and efficient disclosure requirements, require shareholder participation in major decisions of the company and set detailed standards of accountability for company insiders.

What do the indicators cover?

Doing Business measures the strength of minority shareholder protections against directors' use of corporate assets for personal gain—or self-dealing. The indicators distinguish 3 dimensions of investor protections: transparency of related-party transactions (extent of disclosure index), liability for self-dealing (extent of director liability index) and minority shareholders' access to evidence before and during (ease of shareholder suits index). The ranking on the strength of investor protection index is the simple average of the percentile rankings on these 3 indices. To make the data comparable across economies, a case study uses several assumptions about the business and the transaction.

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders).
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

The transaction involves the following details:

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.
- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to Buyer.
- Shareholders sue the interested parties and the members of the board of directors.

WHAT THE PROTECTING INVESTORS INDICATORS MEASURE

Extent of disclosure index (0–10)

Approval process for related-party transactions

Disclosure requirements in case of related-party transactions

Extent of director liability index (0–10)

Ability of minority shareholders to file a direct or derivative lawsuit

Ability of minority shareholders to hold interested parties and members of the approving body liable for prejudicial related-party transactions

Available legal remedies (damages, disgorgement of profits, fines, imprisonment and rescission of the transaction)

Ease of shareholder suits index (0–10)

Access to internal corporate documents (directly or through a government inspector)

Documents and information available during trial

Strength of investor protection index (0–10)

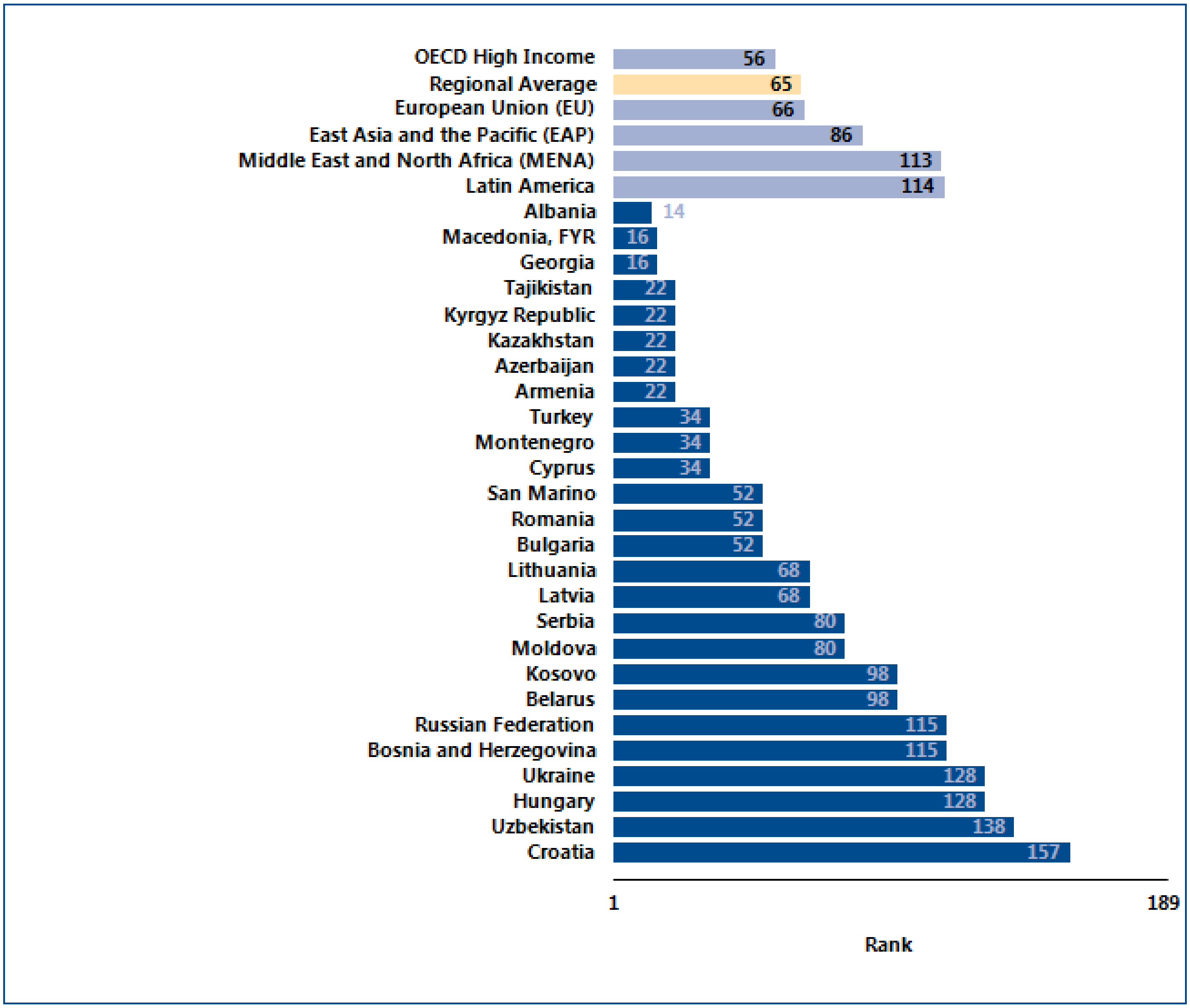
Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices

PROTECTING INVESTORS

Where do the region's economies stand today?

How strong are investor protections against self-dealing in economies in Europe and Central Asia (ECA)? The global rankings of these economies on the strength of investor protection index suggest an answer (figure 7.1). While the indicator does not measure all aspects related to the protection of minority investors, a higher ranking does indicate that an economy's regulations offer stronger investor protections against self-dealing in the areas measured.

Figure 7.1 How economies in Europe and Central Asia (ECA) rank on the strength of investor protection index



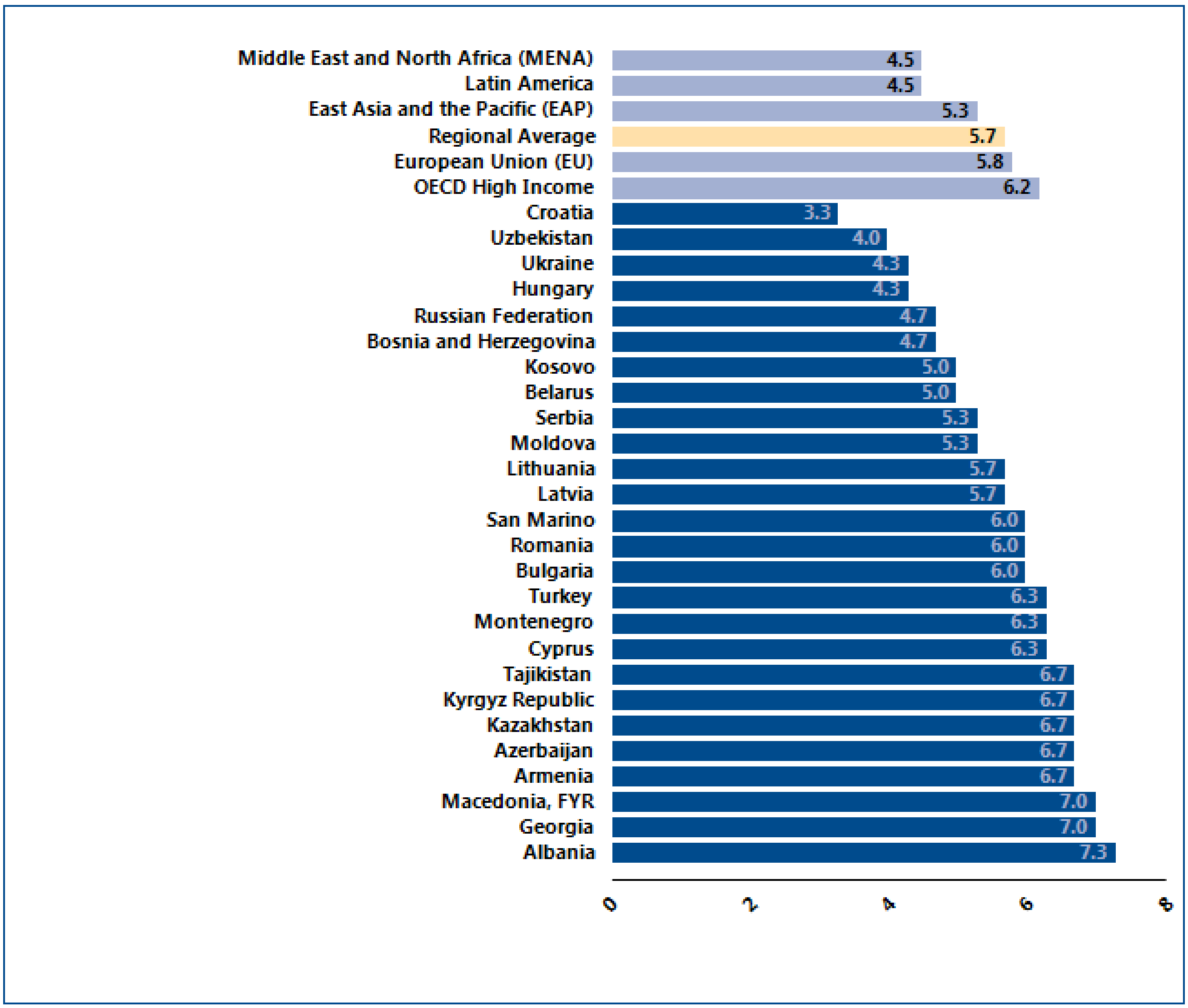
Source: Doing Business database.

PROTECTING INVESTORS

But the overall ranking on the strength of investor protection index tells only part of the story. Economies may offer strong protections in some areas but not others. So the number of economies in Europe and Central Asia (ECA) that have a certain score recorded on the extent of disclosure, extent of director liability and ease of shareholder suits indices may also be revealing (figure 7.2). Higher scores indicate stronger investor protections. Comparing the scores across the region on the strength of investor protection index and with averages both for the region and for comparator regions can provide useful insights.

Figure 7.2 How strong are investor protections in economies in Europe and Central Asia (ECA)?

Strength of investor protection index (0–10)

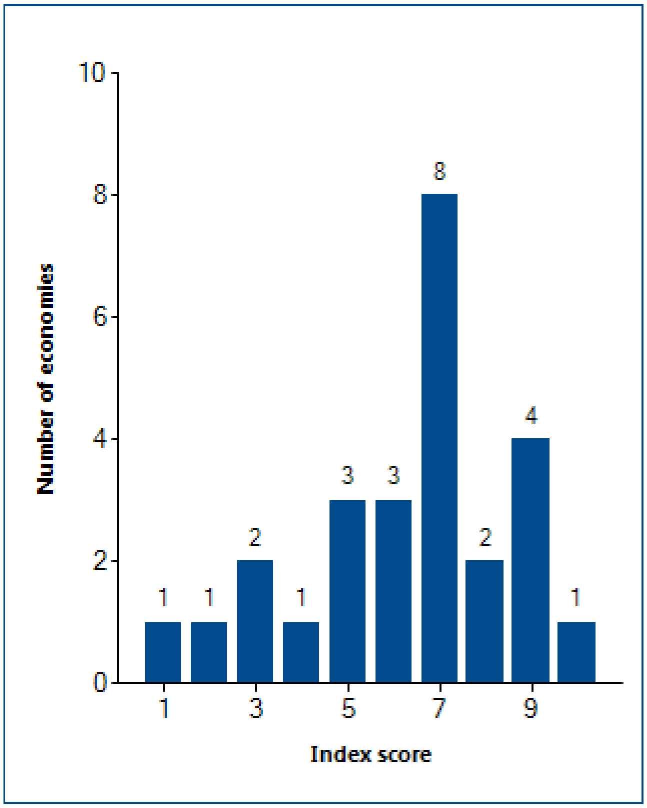


Source: Doing Business database.

PROTECTING INVESTORS

Extent of disclosure index (0–10)

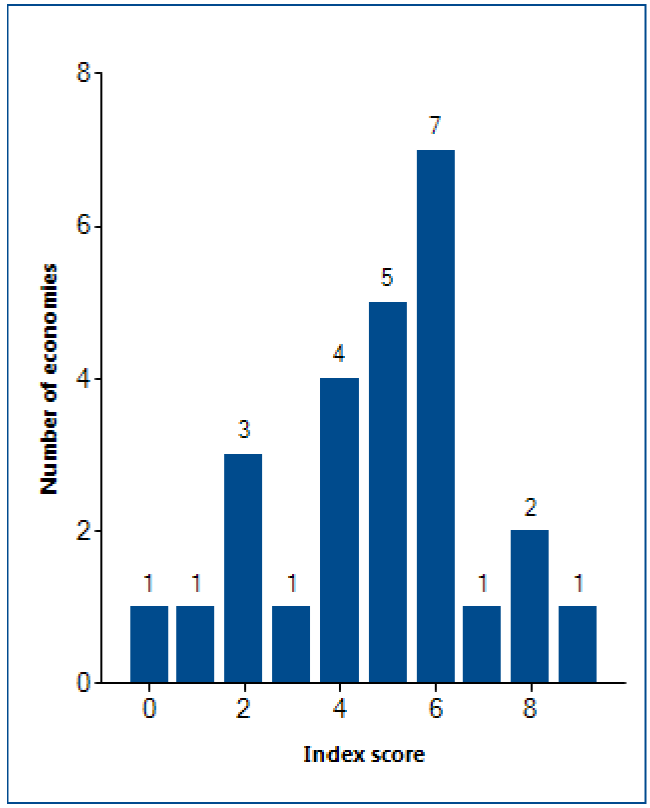
Number of economies in region with each score on extent of disclosure index (0–10)



Note: Higher scores indicate greater disclosure.
Source: Doing Business database.

Extent of director liability index (0–10)

Number of economies in region with each score on extent of director liability index (0–10)

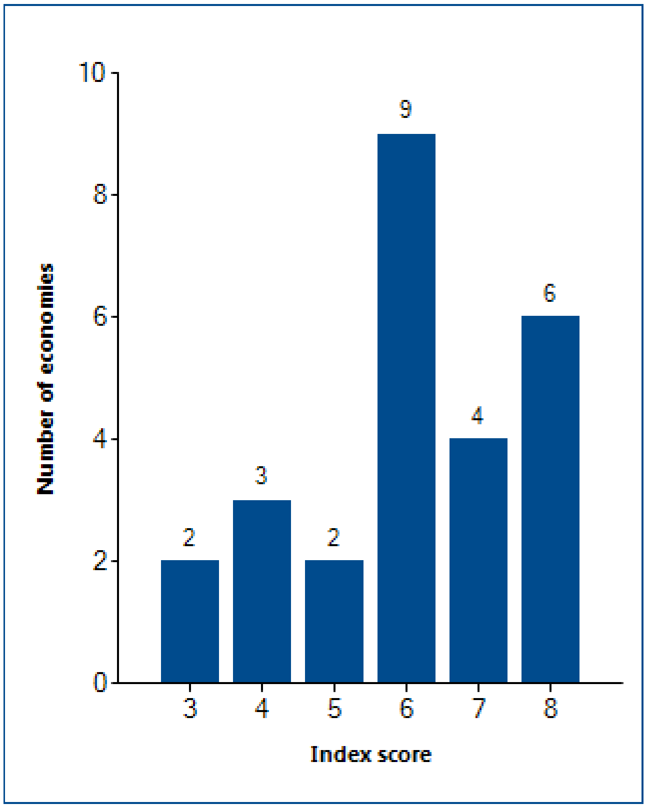


Note: Higher scores indicate greater liability of directors.
Source: Doing Business database.

PROTECTING INVESTORS

Ease of shareholder suits index (0–10)

Number of economies in region with each score on ease of shareholder suits index (0–10)



Note: Higher scores indicate greater powers of shareholders to challenge the transaction.
Source: Doing Business database.

PROTECTING INVESTORS

What are the changes over time?

Economies with the strongest protections of minority investors from self-dealing require detailed disclosure and define clear duties for directors. They also have well-functioning courts and up-to-date procedural rules that give minority shareholders the means to prove their case and obtain a judgment within a reasonable time. So reforms to strengthen investor protections may move ahead on different fronts—such as through new or amended company laws, securities regulations or revisions to court procedures. What investor protection reforms has *Doing Business* recorded in Europe and Central Asia (ECA) (table 7.1)?

Table 7.1 How have economies in Europe and Central Asia (ECA) strengthened investor protections—or not?
By *Doing Business* report year

DB year	Economy	Reform
DB2008	*Belarus*	Belarus strengthened investor protections by regulating the approval and increasing disclosure requirements for related-party transactions.
DB2008	*Georgia*	Georgia strengthened investor protections by amending its securities law to better regulate the approval and disclosure requirements of related-party transactions.
DB2009	*Albania*	Albania strengthened investor protections by regulating the approval and disclosure requirements of related-party transactions and by reinforcing director duties and available remedies.
DB2009	*Azerbaijan*	Azerbaijan strengthened investor protections by regulating the approval of related-party transactions and expanding remedies available against liable directors.
DB2009	*Kyrgyz Republic*	The Kyrgyz Republic strengthened investor protections by granting minority investors standing to undertake legal actions to protect their rights as shareholders, by requiring an independent assessment of the transaction before its approval and by increasing remedies in case of director negligence.
DB2009	*Tajikistan*	Tajikistan strengthened investor protections by regulating the approval and increasing disclosure requirements of related-party transactions, and by allowing minority investors to initiate suits against directors on behalf of the company in order to defend their rights as shareholders.

DB year	Economy	Reform
DB2009	*Turkey*	Turkey strengthened investor protections by requiring that an independent body (auditor) assess transactions between interested parties as a prior step to approval.
DB2010	*Macedonia, FYR*	FYR Macedonia increased investors' protection by regulating the approval of transactions between interested parties, increasing disclosure requirements in the annual report and making it easier to sue directors in cases of prejudicial transactions between interested parties.
DB2010	*Tajikistan*	Tajikistan strengthened investor protections with amendments brought to the Joint Stock Companies law that increased the transparency obligations related to the conclusion of transactions where there is a conflict of interest, and allow for greater director liability, and gives shareholders the possibility to request that harmful related party transactions be rescinded.
DB2010	*Ukraine*	Ukraine enhanced the protection of investors by adopting a new law on Joint Stock Companies that regulates approval of transactions between interested parties, increases disclosure requirements in the annual report, and makes it easier to sue directors in cases of prejudicial transactions between interested parties.
DB2011	*Georgia*	Georgia strengthened investor protections by allowing greater access to corporate information during the trial.
DB2011	*Kazakhstan*	Kazakhstan strengthened investor protections by requiring greater corporate disclosure in company annual reports.
DB2011	*Tajikistan*	Tajikistan strengthened investor protections by requiring greater corporate disclosure in the annual report and greater access to corporate information for minority investors.
DB2012	*Belarus*	Belarus strengthened investor protections by introducing requirements for greater corporate disclosure to the board of directors and to the public.
DB2012	*Cyprus*	Cyprus strengthened investor protections by requiring greater corporate disclosure to the board of directors, to the public and in the annual report.

DB year	Economy	Reform
DB2012	*Georgia*	Georgia strengthened investor protections by introducing requirements relating to the approval of transactions between interested parties.
DB2012	*Kazakhstan*	Kazakhstan strengthened investor protections by regulating the approval of transactions between interested parties and making it easier to sue directors in cases of prejudicial transactions between interested parties.
DB2012	*Lithuania*	Lithuania strengthened investor protections by introducing greater requirements for corporate disclosure to the public and in the annual report.
DB2013	*Armenia*	Armenia strengthened investor protections by introducing a requirement for shareholder approval of related-party transactions, requiring greater disclosure of such transactions in the annual report and making it easier to sue directors when such transactions are prejudicial.
DB2013	*Moldova*	Moldova strengthened investor protections by allowing the rescission of prejudicial related-party transactions.
DB2013	*Tajikistan*	Tajikistan strengthened investor protections by making it easier to sue directors in cases of prejudicial related-party transactions.
DB2013	*Kosovo*	Kosovo strengthened investor protections by introducing a requirement for shareholder approval of related-party transactions, requiring greater disclosure of such transactions in the annual report and making it easier to sue directors when such transactions are prejudicial.
DB2014	*Macedonia, FYR*	FYR Macedonia strengthened investor protections by allowing shareholders to request the rescission of unfair related-party transactions and the appointment of an auditor to investigate alleged irregularities in the company's activities.
DB2014	*Turkey*	Turkey strengthened investor protections through a new commercial code that requires directors found liable in abusive related-party transactions to disgorge their profits and that allows shareholders to request the appointment of an auditor to investigat

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

PAYING TAXES

Taxes are essential. They fund the public amenities, infrastructure and services that are crucial for a properly functioning economy. But the level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. According to *Doing Business* data, in economies where it is more difficult and costly to pay taxes, larger shares of economic activity end up in the informal sector—where businesses pay no taxes at all.

What do the indicators cover?

Using a case scenario, *Doing Business* measures the taxes and mandatory contributions that a medium-size company must pay in a given year as well as the administrative burden of paying taxes and contributions. This case scenario uses a set of financial statements and assumptions about transactions made over the year. Information is also compiled on the frequency of filing and payments as well as time taken to comply with tax laws. The ranking on the ease of paying taxes is the simple average of the percentile rankings on its component indicators: number of annual payments, time and total tax rate, with a threshold being applied to the total tax rate.[1] To make the data comparable across economies, several assumptions about the business and the taxes and contributions are used.

- TaxpayerCo is a medium-size business that started operations on January 1, 2011.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government.

WHAT THE PAYING TAXES INDICATORS MEASURE

Tax payments for a manufacturing company in 2012 (number per year adjusted for electronic or joint filing and payment)

Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)

Method and frequency of filing and payment

Time required to comply with 3 major taxes (hours per year)

Collecting information and computing the tax payable

Completing tax return forms, filing with proper agencies

Arranging payment or withholding

Preparing separate tax accounting books, if required

Total tax rate (% of profit)

Profit or corporate income tax

Social contributions and labor taxes paid by the employer

Property and property transfer taxes

Dividend, capital gains and financial transactions taxes

Waste collection, vehicle, road and other taxes

- Taxes and mandatory contributions include corporate income tax, turnover tax and all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

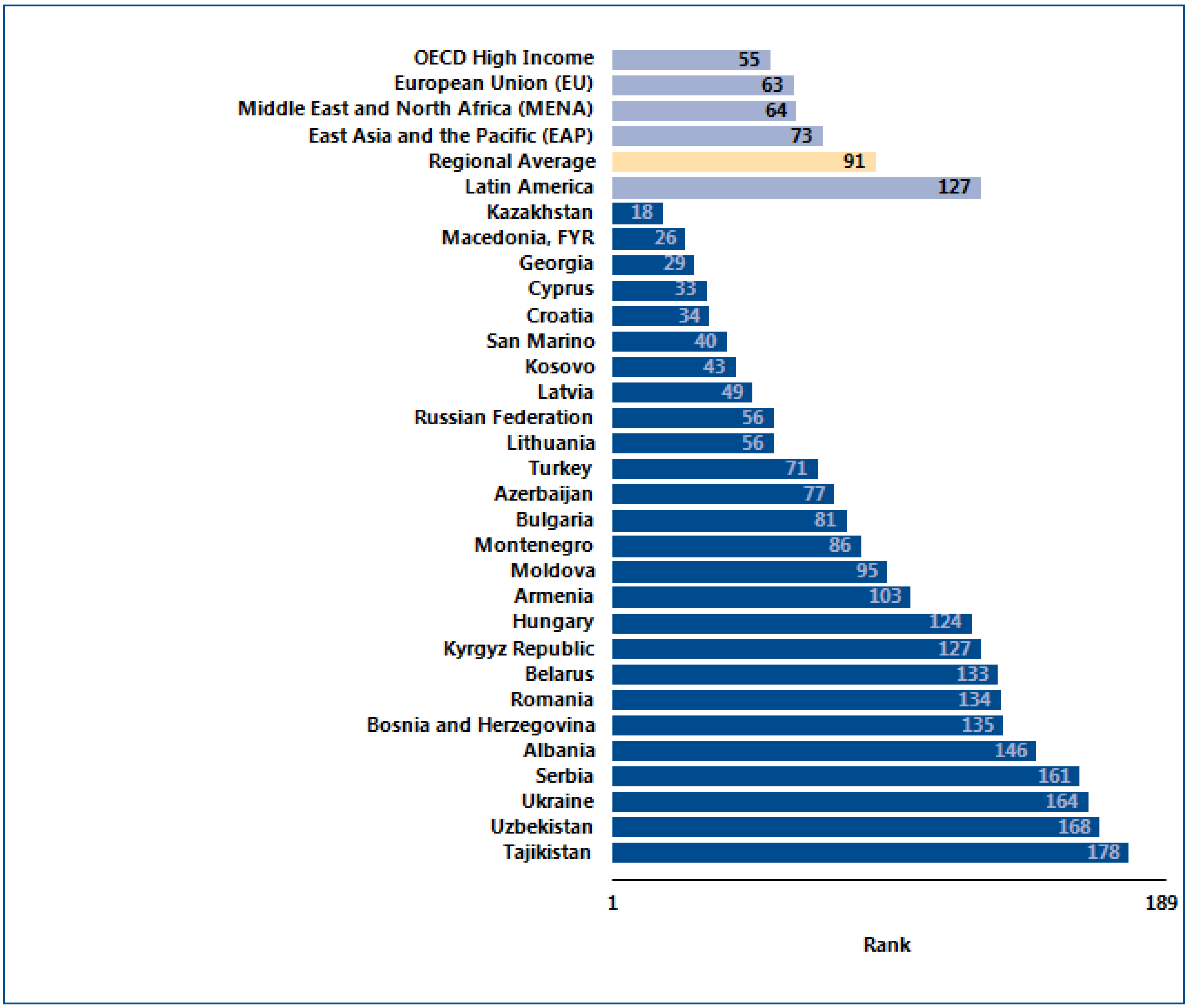
[1] The threshold is defined as the highest total tax rate among the top 15% of economies in the ranking on the total tax rate. It is calculated and adjusted on a yearly basis. The threshold is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the lower end of the distribution of tax rates levied on medium-size enterprises in the manufacturing sector as observed through the paying taxes indicators. This reduces the bias in the indicators toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). This year's threshold is 25.5%.

PAYING TAXES

Where do the region's economies stand today?

What is the administrative burden of complying with taxes in economies in Europe and Central Asia (ECA)—and how much do firms pay in taxes? The global rankings of these economies on the ease of paying taxes offer useful information for assessing the tax compliance burden for businesses (figure 8.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 8.1 How economies in Europe and Central Asia (ECA) rank on the ease of paying taxes



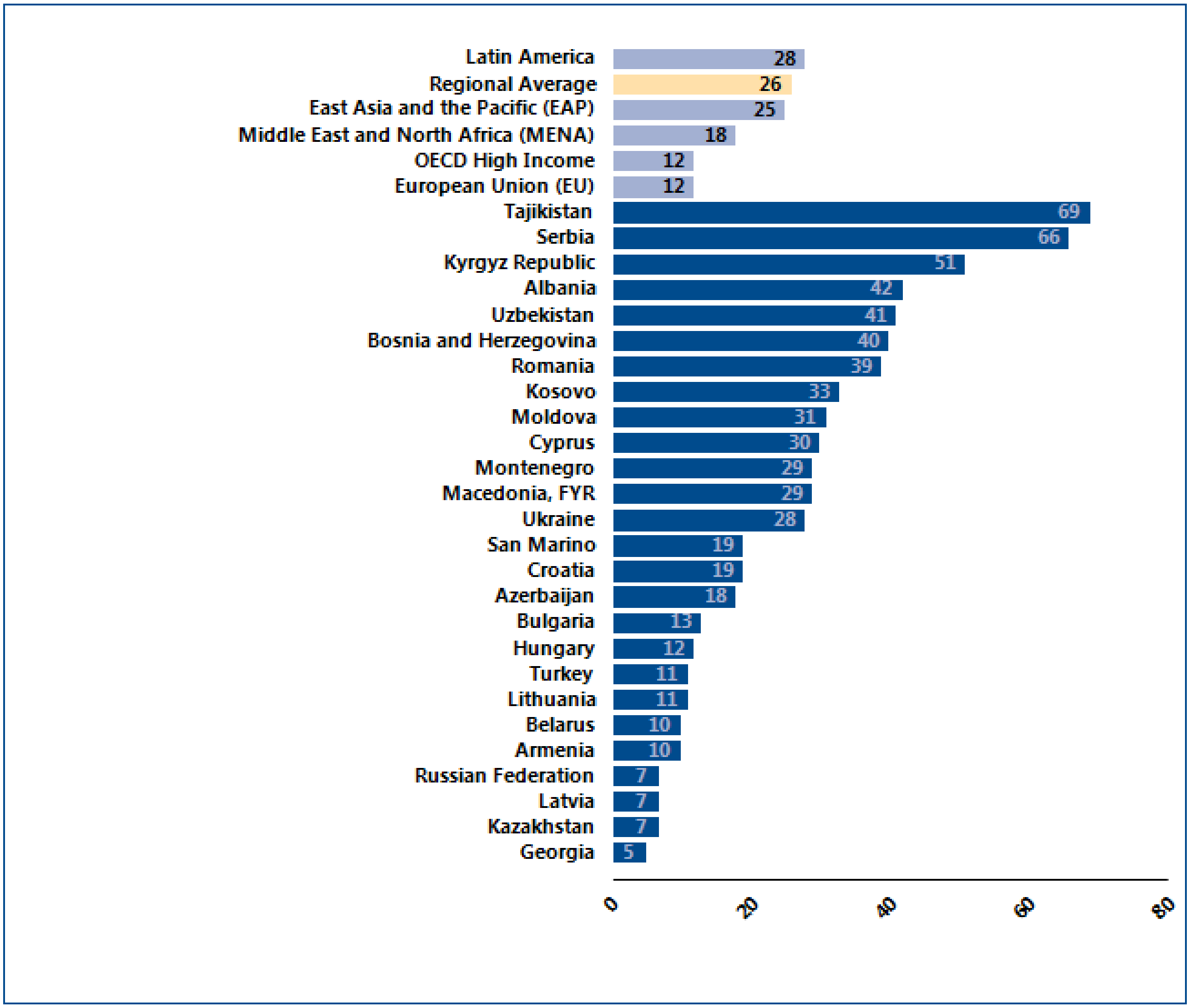
Note: For all economies with a total tax rate below the threshold of 25.5% applied in DB2014, the total tax rate is set at 25.5% for the purpose of calculating the ranking on the ease of paying taxes.
Source: Doing Business database.

PAYING TAXES

The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to comply with tax regulations in each economy in the region—the number of payments per year and the time required to prepare and file taxes—as well as the total tax rate (figure 8.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

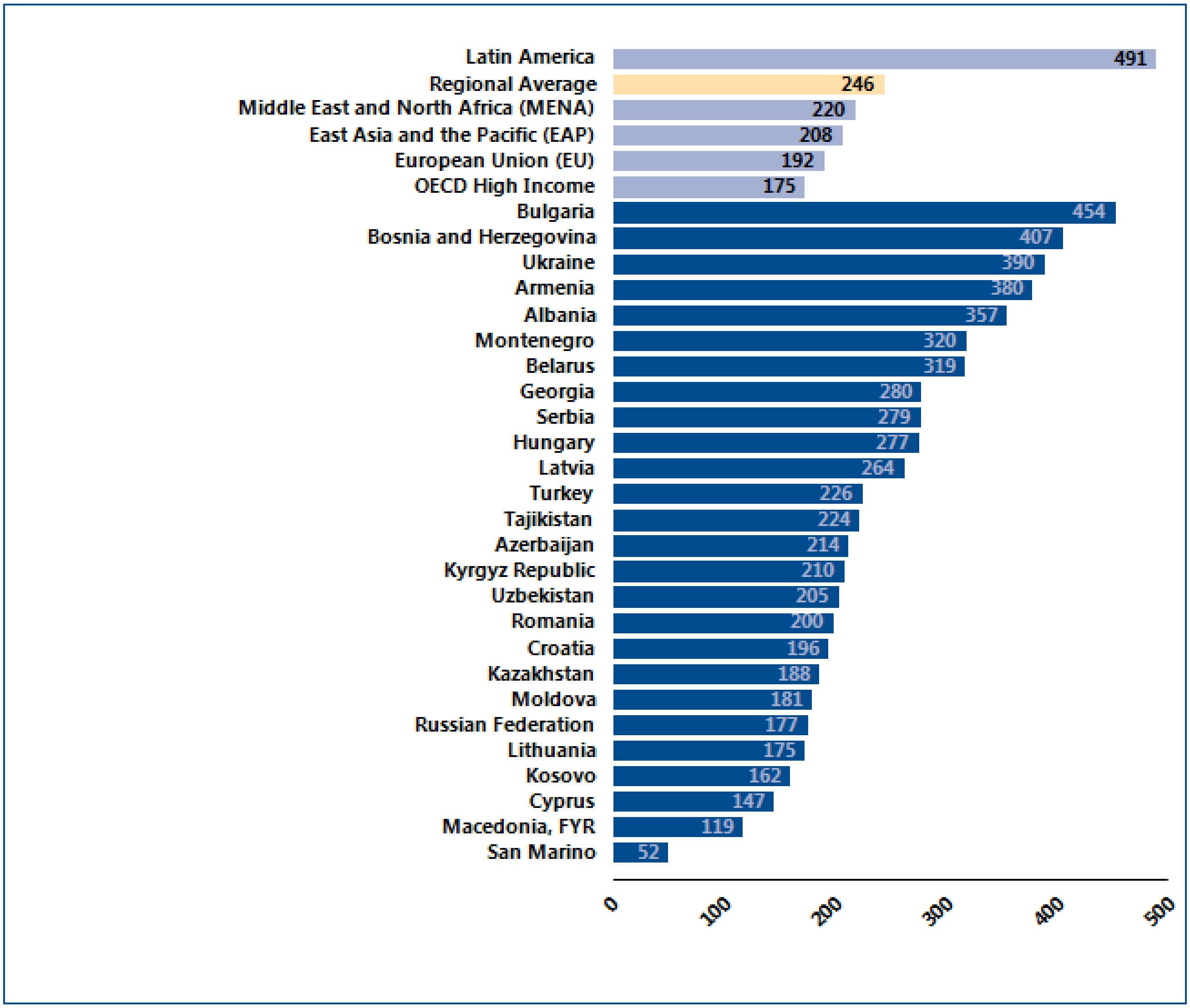
Figure 8.2 How easy is it to pay taxes in economies in Europe and Central Asia (ECA)—and what are the total tax rates?

Payments (number per year)



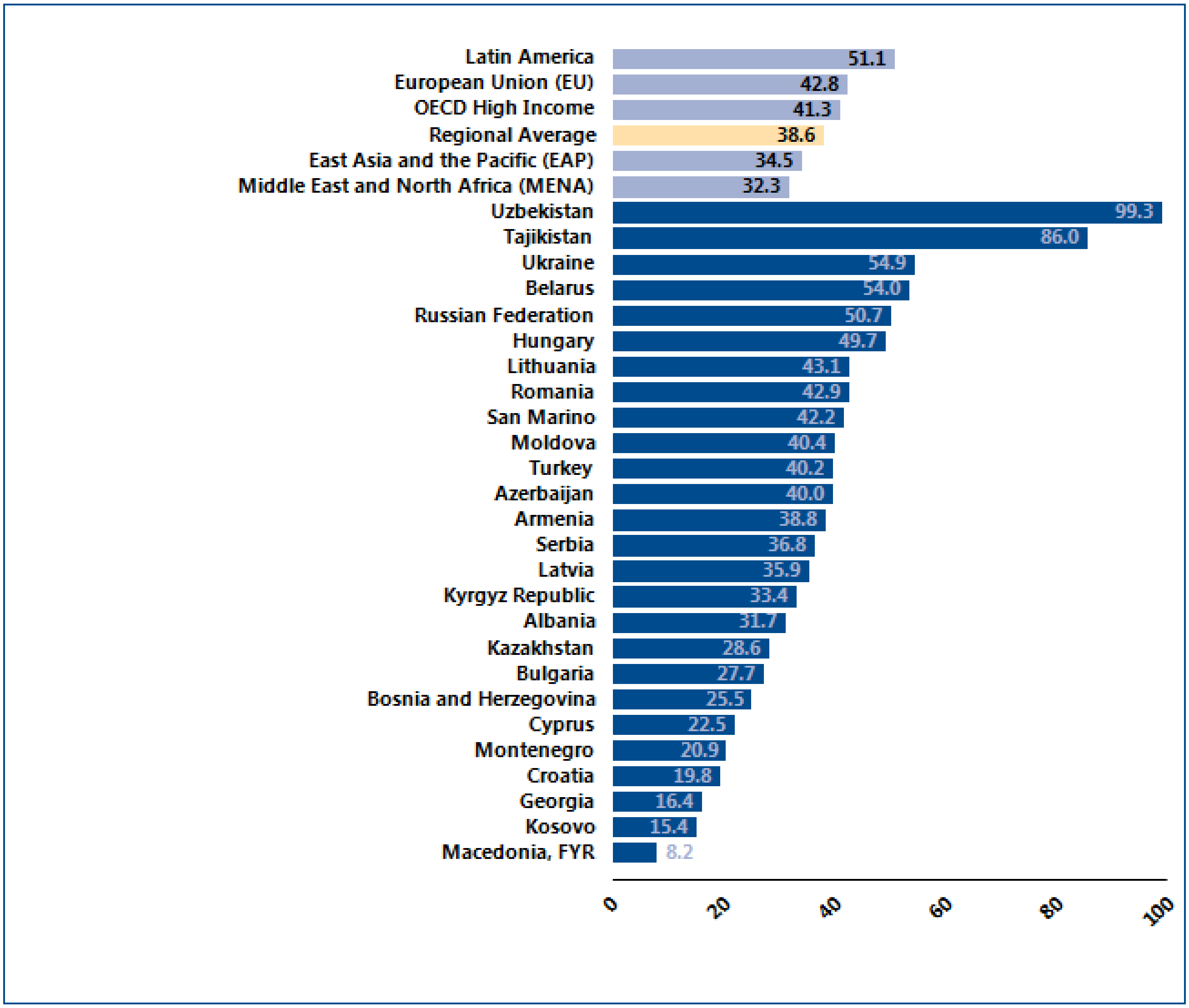
PAYING TAXES

Time (hours per year)



PAYING TAXES

Total tax rate (% of profit)



Source: Doing Business database.

PAYING TAXES

What are the changes over time?

Economies around the world have made paying taxes faster and easier for businesses—such as by consolidating filings, reducing the frequency of payments or offering electronic filing and payment. Many have lowered tax rates. Changes have brought concrete results. Some economies simplifying tax payment and reducing rates have seen tax revenue rise. What tax reforms has *Doing Business* recorded in Europe and Central Asia (ECA) (table 8.1)?

Table 8.1 How have economies in Europe and Central Asia (ECA) made paying taxes easier—or not?
By *Doing Business* report year

DB year	Economy	Reform
DB2008	*Albania*	Albania reduced the tax burden for companies by reducing the corporate income tax rate
DB2008	*Azerbaijan*	Azerbaijan reduced the tax burden for companies by reducing the corporate income tax rate and eased the system of tax payment through the introduction of e-filing and e-payment
DB2008	*Bulgaria*	Bulgaria reduced the tax burden for companies by reducing the corporate income tax rate and the social security contribution and eased the system of tax payment through the diffusion of e-filing and e-payment
DB2008	*Hungary*	Hungary made it more costly for company to pay taxes by increasing the health insurance contribution rate.
DB2008	*Kazakhstan*	Kazakhstan made paying taxes easier by lowering sanctions for late payments of taxes
DB2008	*Kyrgyz Republic*	Kyrgyz Republic reduced the tax burden for companies by reducing the corporate income tax rate and abolishing social security contributions
DB2008	*Macedonia, FYR*	Macedonia reduced the tax burden for companies by reducing CIT and made it easier to pay taxes for companies by introducing electronic facilities for tax filing and payment
DB2008	*Moldova*	Moldova reduced the tax burden for companies by reducing the corporate income tax rate
DB2008	*Romania*	Romania reduced the tax burden for companies by reducing

DB year	Economy	Reform
		social security contributions rate
DB2008	*Turkey*	Turkey reduced the tax burden for companies by reducing the CIT and the tax on interest rate.
DB2008	*Uzbekistan*	Uzbekistan reduced the tax burden for companies by reducing the CIT and the unified social payment. It eased the oayment of taxes by abolishing the ecology tax and reducing the number of payment required for CIT
DB2009	*Albania*	Corporate income tax rate reduced from 20% to 10% effective 1/1/2008
DB2009	*Azerbaijan*	Online filing and payment system introduced with advanced accounting software systems for calculation. Computer stations provided for users without computer facilities.
DB2009	*Belarus*	(Chernobyl) tax (3%) and unemployment (1%) which are paid by the employer have been abolished. The simplified tax system for small businesses has been amended.
DB2009	*Bosnia and Herzegovina*	Corporate income tax rate has been reduced from 30% to 10%, effective 1 January 2008. Profit distribution (including dividends) is now tax-exempt. Tax losses can now be carried forward for 5 years.
DB2009	*Bulgaria*	New Corporate Income Tax and Value Added Tax Acts introduced. Additional annual VAT return abolished. Employer share of of social security reduced by 5%.
DB2009	*Georgia*	Effective January 1, 2008, the corporate income tax rate was reduced to 15% from 20% and the social tax has been abolished.
DB2009	*Macedonia, FYR*	Effective 1 January 2008, the corporate income tax has been reduced from 155 to 10%.
DB2009	*Ukraine*	Several social security tax rates were adjusted s follows: pension fund (from 33.2% to 31.8%), social security fund (from 1.5% to 2.9%) and social insurance for accidents at work (2.18% to 2.29%).

DB year	Economy	Reform
DB2010	*Belarus*	Belarus has eased the payment of taxes with enhanced usage of electronic systems, impacting tax compliance time, while adjustment of the ecological tax rates, reduction of turnover tax rates, and reduction of the number of payments for property tax have also reduced the tax burden for business.
DB2010	*Kazakhstan*	Kazakhstan reduced the tax burden on companies by reducing the social tax for 2008 and by reducing the corporate income tax rate from 30% to 10% for 2009.
DB2010	*Kyrgyz Republic*	The Kyrgyz Republic has eased the tax burden on business by reducing several taxes including the corporate income tax.
DB2010	*Lithuania*	Lithuania has increased the tax burden on business by raising corporate income tax from 15% to 20%.
DB2010	*Macedonia, FYR*	FYR Macedonia has clarified social security payments according to five types, and has reduced social security rates.
DB2010	*Moldova*	Moldova has eased the burden of taxes on business reducing the social security taxes as paid by the employer
DB2010	*Romania*	Romania has added to the tax burden on businesses by increasing labor taxes.
DB2010	*Russian Federation*	Russia eased the tax burden on companies by reducing the corporate income tax rate from 24% to 20%.
DB2010	*Uzbekistan*	Uzbekistan introduced a new tax code combining corporate income tax (CIT) provisions.
DB2010	*Montenegro*	Montenegro has reduced the tax burden on business and employment by cutting corporate income tax by almost half to 9%, and social security rates to 12% for 2009 and 9% for 2010.
DB2010	*Kosovo*	Kosovo eased the tax burden on businesses by reducing the corporate income tax rate from 20% to 10% in 2009.
DB2011	*Albania*	Albania made it easier and less costly for companies to pay taxes by amending several laws, reducing social security contributions and introducing electronic filing and payment.

DB year	Economy	Reform
DB2011	*Azerbaijan*	A revision of Azerbaijan's tax code lowered several tax rates, including the profit tax rate, and simplified the process of paying corporate income tax and value added tax.
DB2011	*Belarus*	Reductions in the turnover tax, social security contributions and the base for property taxes along with continued efforts to encourage electronic filing made it easier and less costly for companies in Belarus to pay taxes.
DB2011	*Bosnia and Herzegovina*	Bosnia and Herzegovina simplified its labor tax processes, reduced employer contribution rates for social security and abolished its payroll tax.
DB2011	*Bulgaria*	Bulgaria reduced employer contribution rates for social security.
DB2011	*Croatia*	Croatia made paying taxes more difficult and costly for companies by introducting a tourist fee.
DB2011	*Hungary*	Hungary simplified taxes and tax bases.
DB2011	*Lithuania*	Lithuania reduced corporate tax rates.
DB2011	*Macedonia, FYR*	FYR Macedonia lowered tax costs for businesses by requiring that corporate income tax be paid only on distributed profits.
DB2011	*Moldova*	Moldova reduced employer contribution rates for social security.
DB2011	*Romania*	Romania introduced tax changes, including a new minimum tax on profit, that made paying taxes more costly for companies.
DB2011	*Tajikistan*	Tajikistan lowered its corporate income tax rate.
DB2011	*Ukraine*	Ukraine eased tax compliance by introducing and continually enhancing an electronic filing system for value added tax.
DB2011	*Montenegro*	An amendment to Montenegro's corporate income tax law removed the obligation for advance payments and abolished the construction land charge.

DB year	Economy	Reform
DB2012	*Armenia*	Armenia made tax compliance easier for firms by reducing the number of payments for social security contributions and corporate income, property and land taxes and by introducing mandatory electronic filing and payment for major taxes.
DB2012	*Belarus*	Belarus abolished several taxes, including turnover and sales taxes, and simplified compliance with corporate income, value added and other taxes by reducing the frequency of filings and payments and facilitating electronic filing and payment.
DB2012	*Georgia*	Georgia made paying taxes easier for firms by simplifying the reporting for value added tax and introducing electronic filing and payment of taxes.
DB2012	*Hungary*	Hungary made paying taxes costlier for firms by introducing a sector-specific surtax
DB2012	*Kyrgyz Republic*	The Kyrgyz Republic made paying taxes costlier for firms by introducing a real estate tax, though it also reduced the sales tax rate.
DB2012	*Romania*	Romania made paying taxes easier for companies by introducing an electronic payment system and a unified return for social security contributions. It also abolished the annual minimum tax.
DB2012	*Russian Federation*	Russia increased the social security contribution rate for employers.
DB2012	*Turkey*	Turkey lowered the social security contribution rate for companies by offering them a 5% rebate
DB2012	*Ukraine*	Ukraine made paying taxes easier and less costly for firms by revising and unifying tax legislation, reducing corporate income tax rates and unifying social security contributions.
DB2012	*Montenegro*	Montenegro made paying taxes easier and less costly for firms by abolishing a tax, reducing the social security contribution rate and merging several returns into a single unified one.

DB year	Economy	Reform
DB2013	*Albania*	Albania made paying taxes easier for companies by abolishing the vehicle tax and encouraging electronic filing for taxes.
DB2013	*Belarus*	Belarus made paying taxes easier and less costly for companies by reducing the profit tax rate and encouraging the use of electronic filing and payment systems.
DB2013	*Bosnia and Herzegovina*	Bosnia and Herzegovina eased the administrative burden of filing and paying social security contributions by implementing electronic filing and payment systems.
DB2013	*Croatia*	Croatia made paying taxes less costly for companies by reducing the health insurance contribution rate.
DB2013	*Cyprus*	Cyprus made paying taxes more costly for companies by increasing the special defense contribution rate on interest income and introducing a private sector special contribution and a fixed annual fee for companies registered in Cyprus. At the same time, it simplified tax compliance by introducing electronic filing for corporate income tax.
DB2013	*Georgia*	Georgia made paying taxes easier for companies by enhancing the use of electronic systems and providing more services to taxpayers.
DB2013	*Hungary*	Hungary made paying taxes easier for companies by abolishing the community tax. At the same time, Hungary increased health insurance contributions paid by the employer.
DB2013	*Moldova*	Moldova made paying taxes more costly for companies by reintroducing the corporate income tax—but also made tax compliance easier by encouraging electronic filing and payment.
DB2013	*Russian Federation*	Russia eased the administrative burden of taxes for firms by simplifying compliance procedures for value added tax and by promoting the use of tax accounting software and electronic services.

DB year	Economy	Reform
DB2013	*Ukraine*	Ukraine made paying taxes easier by implementing electronic filing and payment for medium-size and large enterprises.
DB2014	*Albania*	Albania made paying taxes easier by allowing corporate income tax to be paid quarterly.
DB2014	*Armenia*	Armenia made paying taxes easier by merging the employee and employer social contributions and individual income tax into one unified income tax.
DB2014	*Bosnia and Herzegovina*	Bosnia and Herzegovina introduced a penalty for failure to employ the required minimum number of people in special categories—though it also temporarily abolished the forestry tax.
DB2014	*Croatia*	Croatia made paying taxes easier for companies by introducing an electronic system for social security contributions and by reducing the rates for the forest and Chamber of Commerce contributions.
DB2014	*Macedonia, FYR*	FYR Macedonia made paying taxes easier for companies by encouraging the use of electronic filing and payment systems for corporate income and value added taxes.
DB2014	*Moldova*	Moldova made paying taxes easier for companies by introducing an electronic filing and payment system for the value added tax, corporate income tax, land improvement tax and tax on immovable property.
DB2014	*Romania*	Romania made paying taxes easier and less costly for companies by reducing the payment frequency for the firm tax from quarterly to twice a year and by reducing the vehicle tax rate.
DB2014	*Tajikistan*	Tajikistan made paying taxes easier and less costly for companies by reducing the corporate income tax rate, merging the minimal income tax with the corporate income tax and abolishing the retail sales tax. At the same time, Tajikistan increased the land
DB2014	*Ukraine*	Ukraine made paying taxes easier for companies by simplifying tax returns and further improving its electronic

DB year	**Economy**	**Reform**
		filing system.
DB2014	*Uzbekistan*	Uzbekistan made paying taxes easier for companies by eliminating some small taxes.
DB2014	*Serbia*	Serbia made paying taxes more costly for companies by increasing the corporate income tax.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

TRADING ACROSS BORDERS

In today's globalized world, making trade between economies easier is increasingly important for business. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Research shows that exporters in developing countries gain more from a 10% drop in their trading costs than from a similar reduction in the tariffs applied to their products in global markets.

What do the indicators cover?

Doing Business measures the time and cost (excluding tariffs and the time and cost for sea transport) associated with exporting and importing a standard shipment of goods by sea transport, and the number of documents necessary to complete the transaction. The indicators cover procedural requirements such as documentation requirements and procedures at customs and other regulatory agencies as well as at the port. They also cover trade logistics, including the time and cost of inland transport to the largest business city. The ranking on the ease of trading across borders is the simple average of the percentile rankings on its component indicators: documents, time and cost to export and import.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the traded goods.

The business:

- Is of medium size and employs 60 people.
- Is located in the periurban area of the economy's largest business city.
- Is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the economy.

The traded goods:

- Are not hazardous nor do they include military items.
- Do not require refrigeration or any other special environment.
- Do not require any special phytosanitary or environmental safety standards other than accepted international standards.
- Are one of the economy's leading export or import products.
- Are transported in a dry-cargo, 20-foot full container load.

WHAT THE TRADING ACROSS BORDERS INDICATORS MEASURE

Documents required to export and import (number)

Bank documents

Customs clearance documents

Port and terminal handling documents

Transport documents

Time required to export and import (days)

Obtaining, filling out and submitting all the documents

Inland transport and handling

Customs clearance and inspections

Port and terminal handling

Does not include sea transport time

Cost required to export and import (US$ per container)

All documentation

Inland transport and handling

Customs clearance and inspections

Port and terminal handling

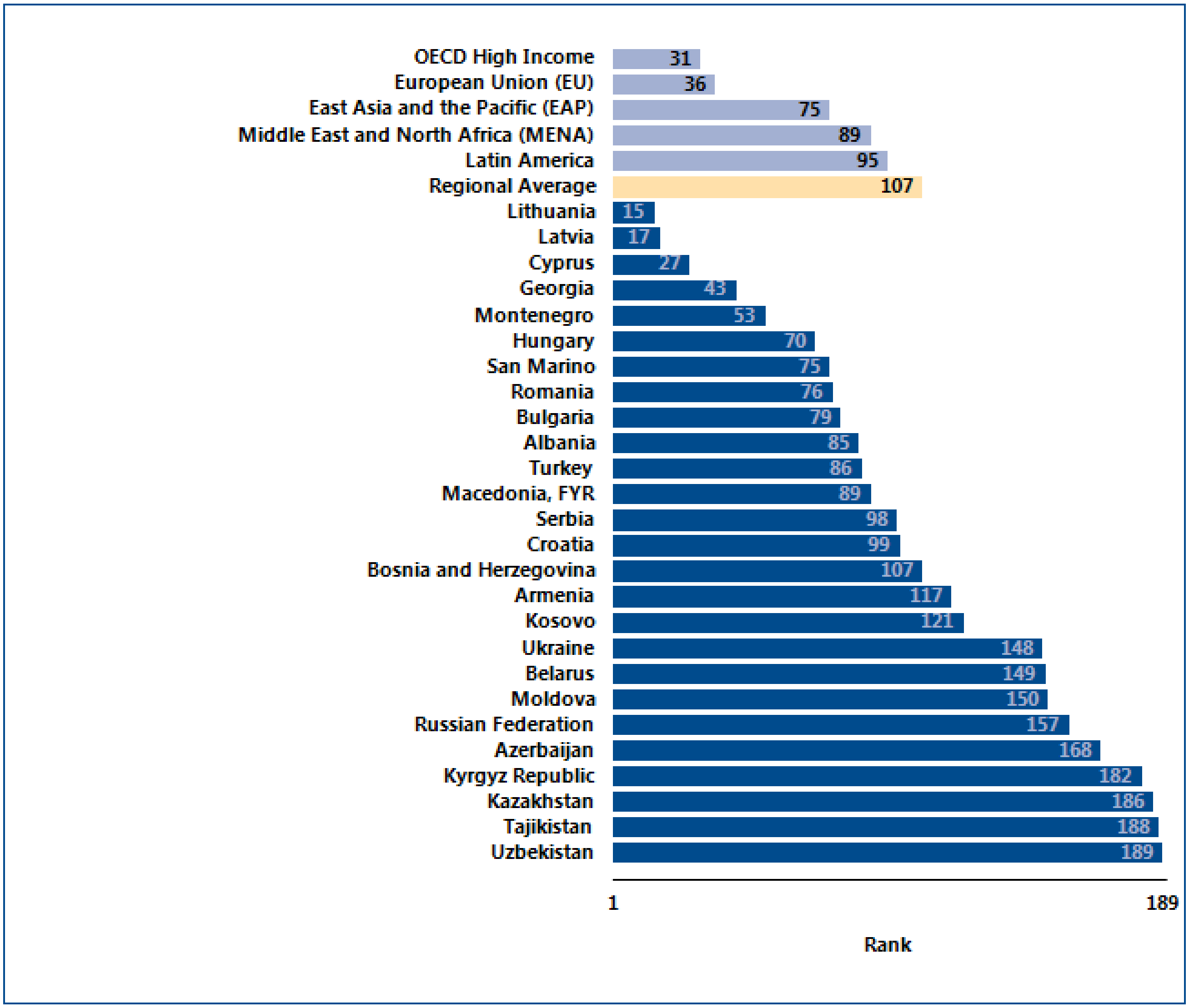
Official costs only, no bribes

TRADING ACROSS BORDERS

Where do the region's economies stand today?

How easy it is for businesses in economies in Europe and Central Asia (ECA) to export and import goods? The global rankings of these economies on the ease of trading across borders suggest an answer (figure 9.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 9.1 How economies in Europe and Central Asia (ECA) rank on the ease of trading across borders



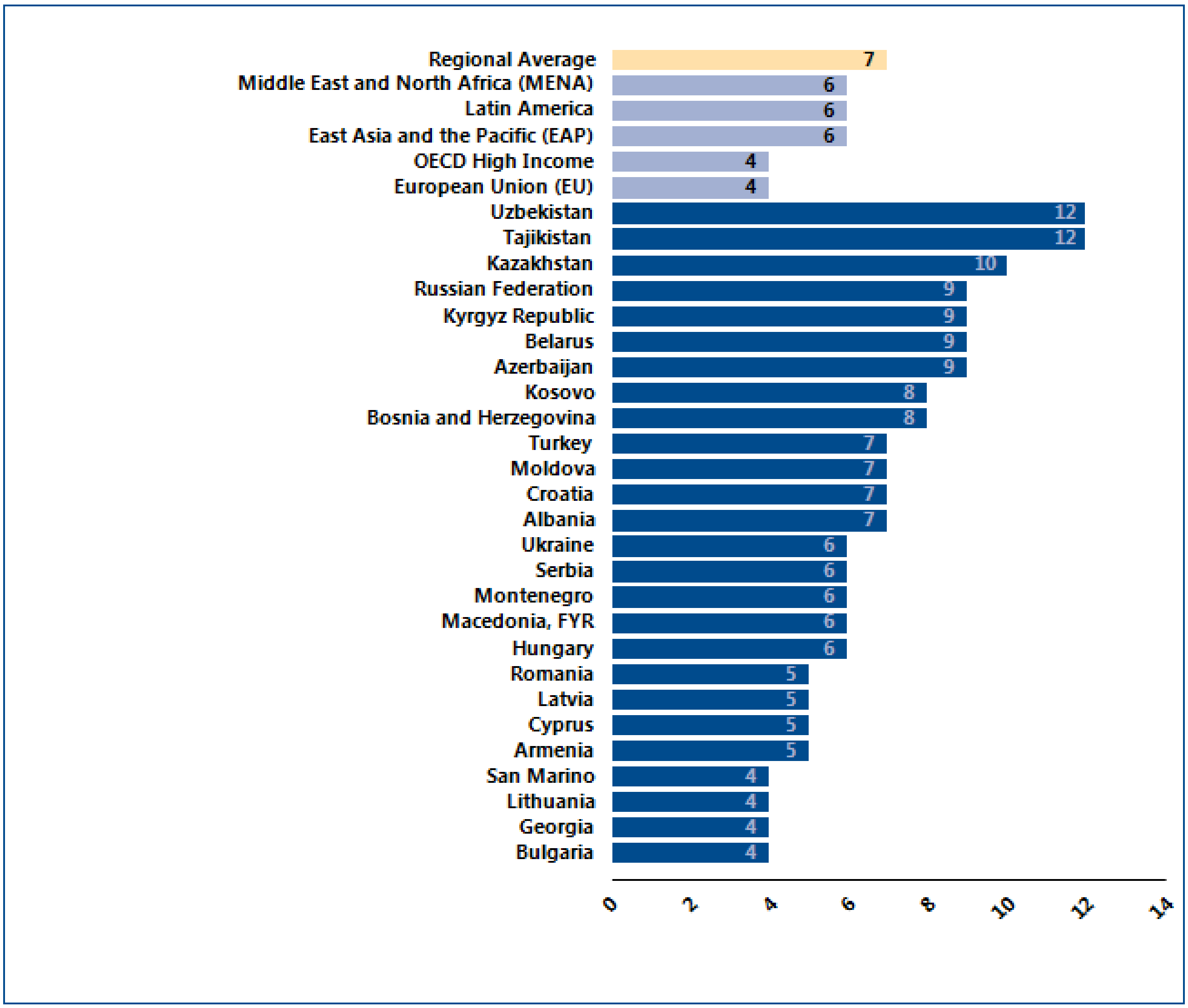
Source: Doing Business database.

TRADING ACROSS BORDERS

The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to export or import a standard container of goods in each economy in the region: the number of documents, the time and the cost (figure 9.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

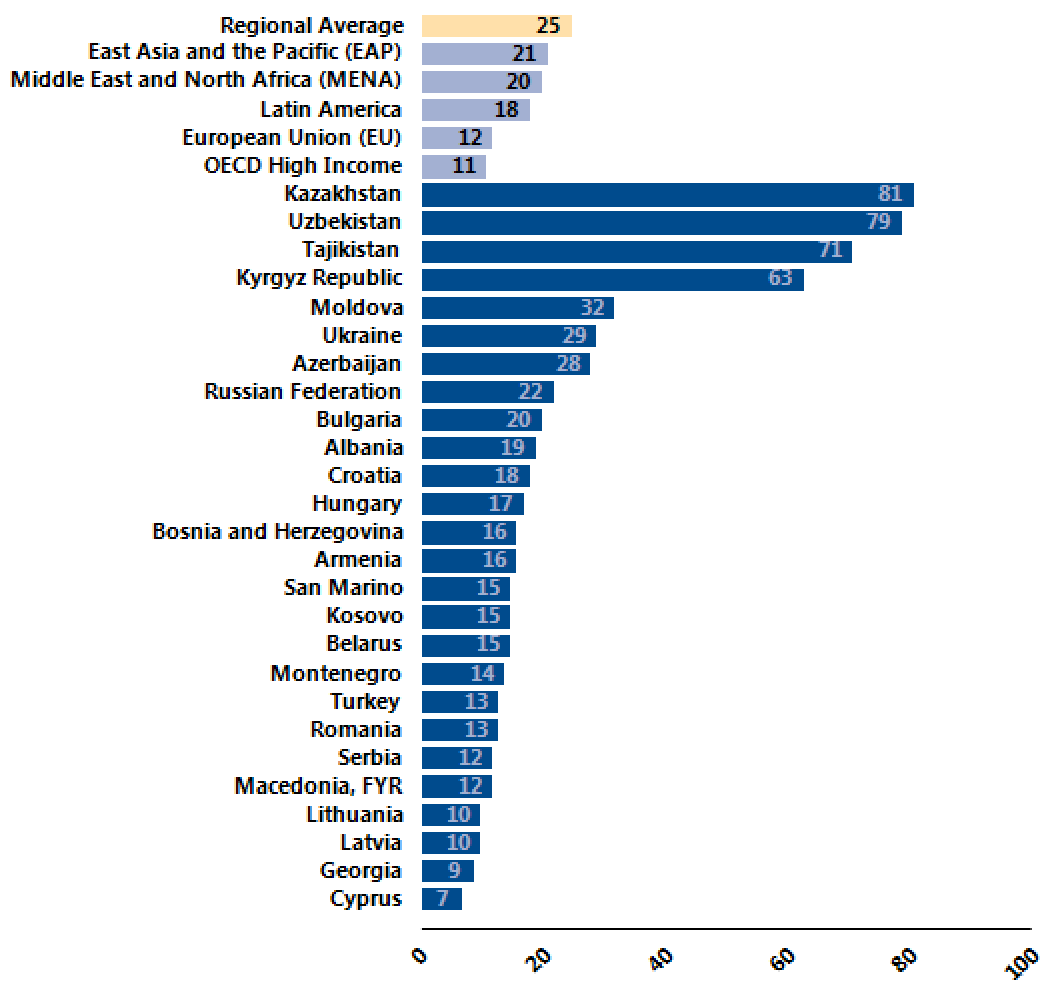
Figure 9.2 What it takes to trade across borders in economies in Europe and Central Asia (ECA)

Documents to export (number)



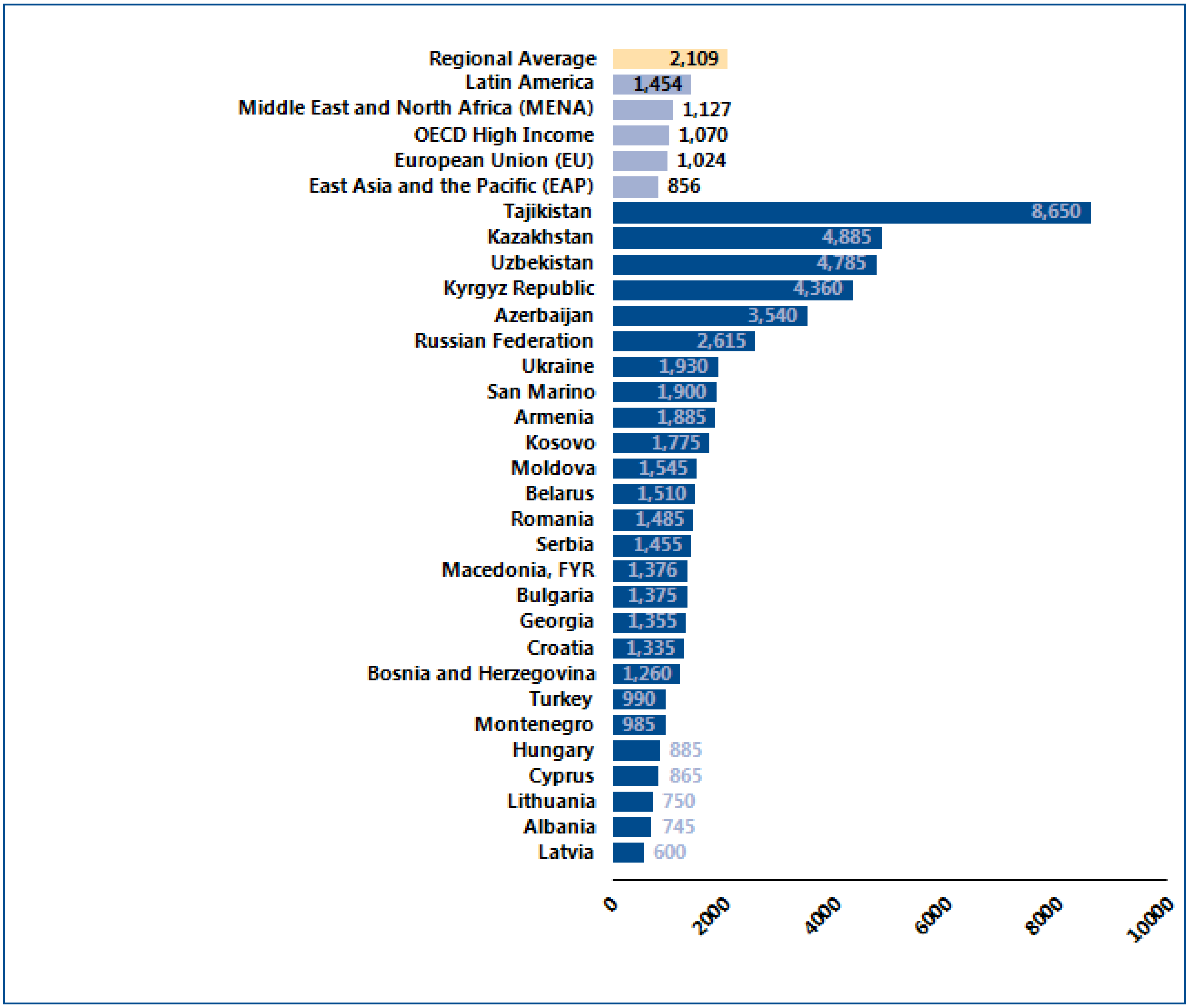
TRADING ACROSS BORDERS

Time to export (days)



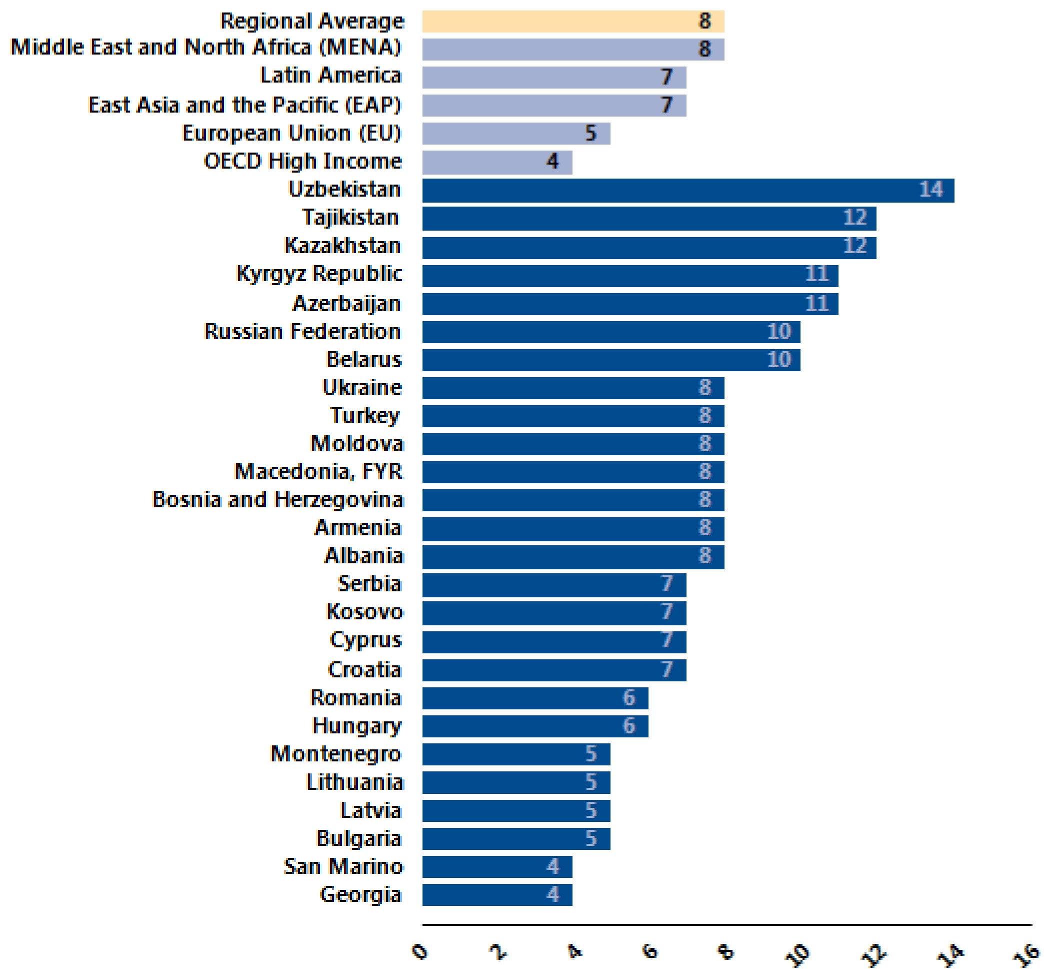
TRADING ACROSS BORDERS

Cost to export (US$ per container)



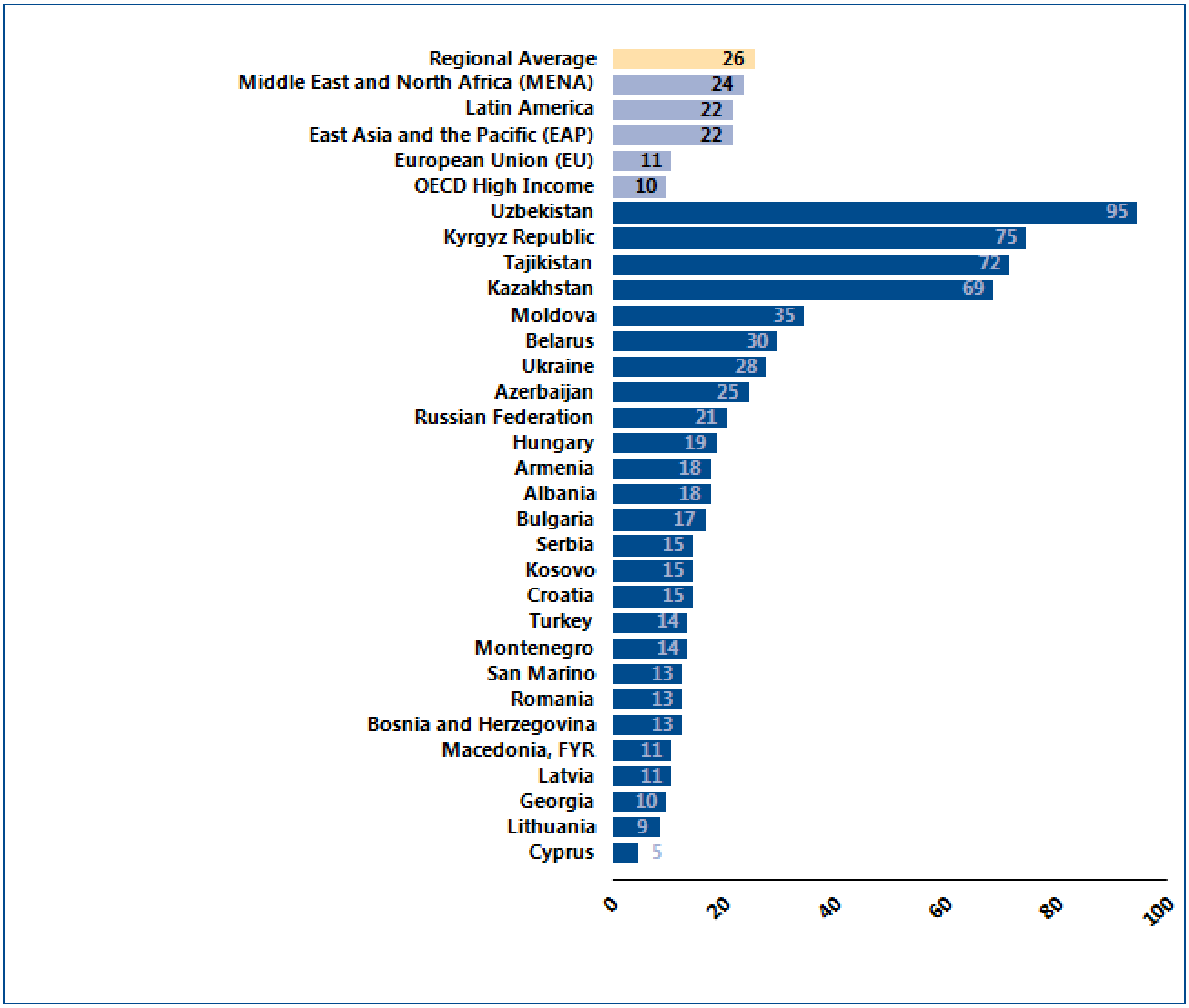
TRADING ACROSS BORDERS

Documents to import (number)



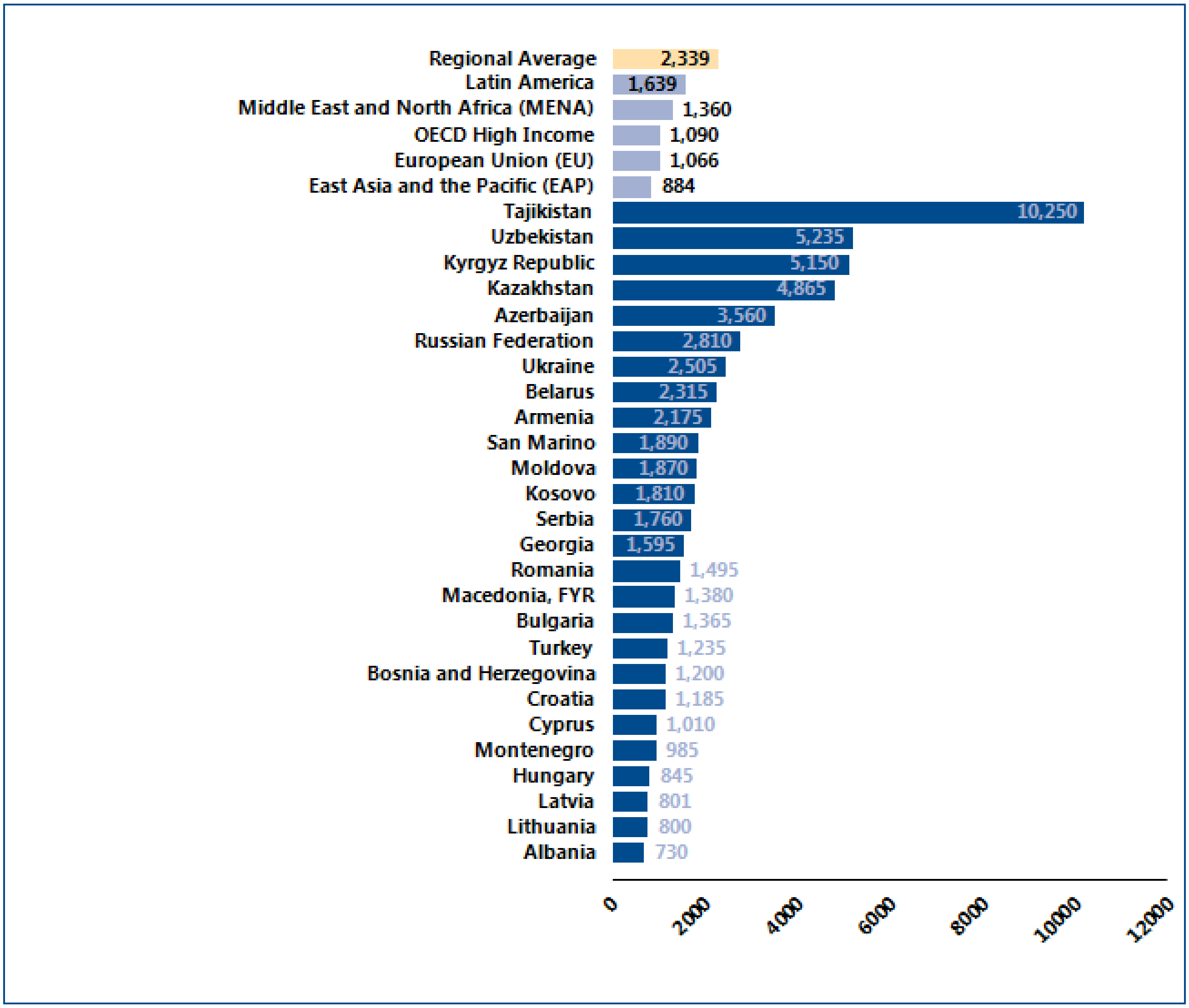
TRADING ACROSS BORDERS

Time to import (days)



TRADING ACROSS BORDERS

Cost to import (US$ per container)



Source: Doing Business database.

TRADING ACROSS BORDERS

What are the changes over time?

In economies around the world, trading across borders as measured by Doing Business has become faster and easier over the years. Governments have introduced tools to facilitate trade—including single windows, risk-based inspections and electronic data interchange systems. These changes help improve their trading environment and boost firms' international competitiveness. What trade reforms has Doing Business recorded in Europe and Central Asia (ECA) (table 9.1)?

Table 9.1 How have economies in Europe and Central Asia (ECA) made trading across borders easier—or not? By *Doing Business* report year

DB year	Economy	Reform
DB2008	*Armenia*	Armenia eased trade due to implementing an EDI system ("Direct Trader Input") that enables customs brokers to submit customs declarations via electronic submission directly to the Customs offices.
DB2008	*Bosnia and Herzegovina*	BH eased trade due to implementation of a comprehensive customs reforms project involving the enacting of a new customs law and establishing a new customs administration. In addition, an EDI system has been implemented.
DB2008	*Turkey*	Turkey eased trade by introducing an Electronic Data Interchange, improving IT infrastructure and training of some 2500 Customs officers and 14,000 traders. These developments took place due to Customs Modernization Project.
DB2009	*Belarus*	A new regulations for customs and banking export and import time dropped.
DB2009	*Croatia*	Ongoing port infrastructure improvements decreased export and import time.
DB2009	*Macedonia, FYR*	Rationalization of the customs fee schedule, permit structure, improved risk based inspections, simplification of a customs procedure, and abolishment of a document led to a decrease in export and import time, as well as 1 document.
DB2009	*Ukraine*	Due to port infrastructure and services improvements, the import time decreased.

DB year	Economy	Reform
DB2010	*Albania*	With the implementation of ASYCUDA World and the purchase of scanners, the total import customs clearance time has been reduced in Albania.
DB2010	*Armenia*	Armenia has sped the process of trading across borders by encouraging greater competition in the banking, transportation sectors, customs brokerage service industry, as well as reducing the number of goods requiring inspection and streamlining the number of documents necessary to clear goods.
DB2010	*Azerbaijan*	Azerbaijan decreased the time required to clear goods and cross its borders by streamlining and regrouping various agencies behind a single customs service window.
DB2010	*Belarus*	Implementation of a risk-based management system and improvement of border crossing operations reduced transit time for trade in Belarus.
DB2010	*Georgia*	Georgia has significantly decreased the cost of trade as well as simplified the documentation requirements to import and export.
DB2010	*Kyrgyz Republic*	The Kyrgyz Republic simplified and sped up trading across borders with the elimination of 6 previously required documents, and with the simplification of inspection procedures.
DB2011	*Armenia*	Armenia made trading easier by introducing self-declaration desks at customs houses and warehouses, investing in new equipment to improve border operations and introducing a risk management system.
DB2011	*Belarus*	Belarus reduced the time to trade by introducing electronic declaration of exports and imports.
DB2011	*Kazakhstan*	Kazakhstan speeded up trade through efforts to modernize customs, including implementation of a risk management system and improvements in customs automation.
DB2011	*Latvia*	Latvia reduced the time to export and import by introducing

DB year	Economy	Reform
		electronic submission of customs declarations.
DB2011	*Lithuania*	Lithuania reduced the time to import by introducing, in compliance with EU law, an electronic system for submitting customs declarations.
DB2011	*Montenegro*	Montenegro's customs administration simplified trade by eliminating the requirement to present a terminal handling receipt for exporting and importing.
DB2012	*Bulgaria*	Bulgaria made trading across borders faster by introducing online submission of customs declaration forms.
DB2012	*Russian Federation*	Russia made trading across borders easier by reducing the number of documents needed for each export or import transaction and lowering the associated cost.
DB2012	*Ukraine*	Ukraine made trading across borders more difficult by introducing additional inspections for customs clearance of imports.
DB2013	*Georgia*	Georgia reduced the time to export and import by creating customs clearance zones.
DB2013	*Hungary*	Hungary reduced the time to export and import by allowing electronic submission of customs declarations and other documents.
DB2013	*Uzbekistan*	Uzbekistan reduced the time to export by introducing a single window for customs clearance and reduced the number of documents needed for each import transaction.
DB2014	*Azerbaijan*	Azerbaijan made trading across borders easier by streamlining internal customs procedures.
DB2014	*Croatia*	Croatia made trading across borders easier by improving the physical and information system infrastructure at the port of Rijeka and by streamlining export customs procedures in preparation for accession to the Common Transit Convention of the European Un
DB2014	*Latvia*	Latvia made trading across borders easier by reducing the

DB year	Economy	Reform
		number of documents required for importing.
DB2014	*Russian Federation*	Russia made trading across borders easier by implementing an electronic system for submitting export and import documents and by reducing the number of physical inspections.
DB2014	*Ukraine*	Ukraine made trading across borders easier by releasing customs declarations more quickly and reducing the number of physical inspections.
DB2014	*Uzbekistan*	Uzbekistan made trading across borders easier by eliminating the need to register import contracts with customs, tightening the time limits for banks to register export or import contracts and reducing the number of export documents required.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

ENFORCING CONTRACTS

Effective commercial dispute resolution has many benefits. Courts are essential for entrepreneurs because they interpret the rules of the market and protect economic rights. Efficient and transparent courts encourage new business relationships because businesses know they can rely on the courts if a new customer fails to pay. Speedy trials are essential for small enterprises, which may lack the resources to stay in business while awaiting the outcome of a long court dispute.

What do the indicators cover?

Doing Business measures the efficiency of the judicial system in resolving a commercial dispute before local courts. Following the step-by-step evolution of a standardized case study, it collects data relating to the time, cost and procedural complexity of resolving a commercial lawsuit. The ranking on the ease of enforcing contracts is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

The dispute in the case study involves the breach of a sales contract between 2 domestic businesses. The case study assumes that the court hears an expert on the quality of the goods in dispute. This distinguishes the case from simple debt enforcement. To make the data comparable across economies, *Doing Business* uses several assumptions about the case:

- The seller and buyer are located in the economy's largest business city.
- The buyer orders custom-made goods, then fails to pay.
- The seller sues the buyer before a competent court.
- The value of the claim is 200% of income per capita.
- The seller requests a pretrial attachment to secure the claim.
- The dispute on the quality of the goods requires an expert opinion.
- The judge decides in favor of the seller; there is no appeal.
- The seller enforces the judgment through a public sale of the buyer's movable assets.

WHAT THE ENFORCING CONTRACTS INDICATORS MEASURE

Procedures to enforce a contract through the courts (number)

Steps to file and serve the case

Steps for trial and judgment

Steps to enforce the judgment

Time required to complete procedures (calendar days)

Time to file and serve the case

Time for trial and obtaining judgment

Time to enforce the judgment

Cost required to complete procedures (% of claim)

Average attorney fees

Court costs

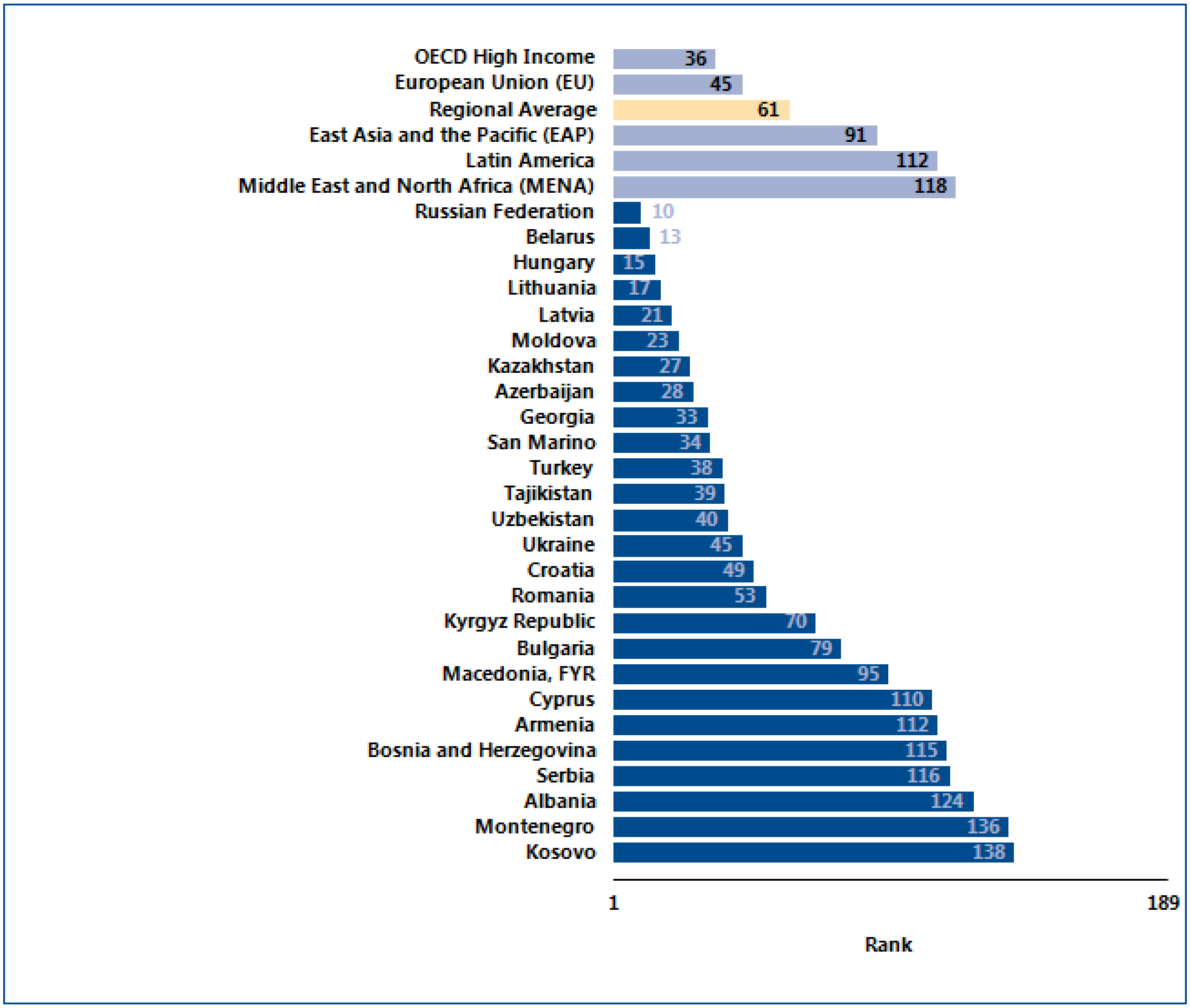
Enforcement costs

ENFORCING CONTRACTS

Where do the region's economies stand today?

How efficient is the process of resolving a commercial dispute through the courts in economies in Europe and Central Asia (ECA)? The global rankings of these economies on the ease of enforcing contracts suggest an answer (figure 10.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 10.1 How economies in Europe and Central Asia (ECA) rank on the ease of enforcing contracts



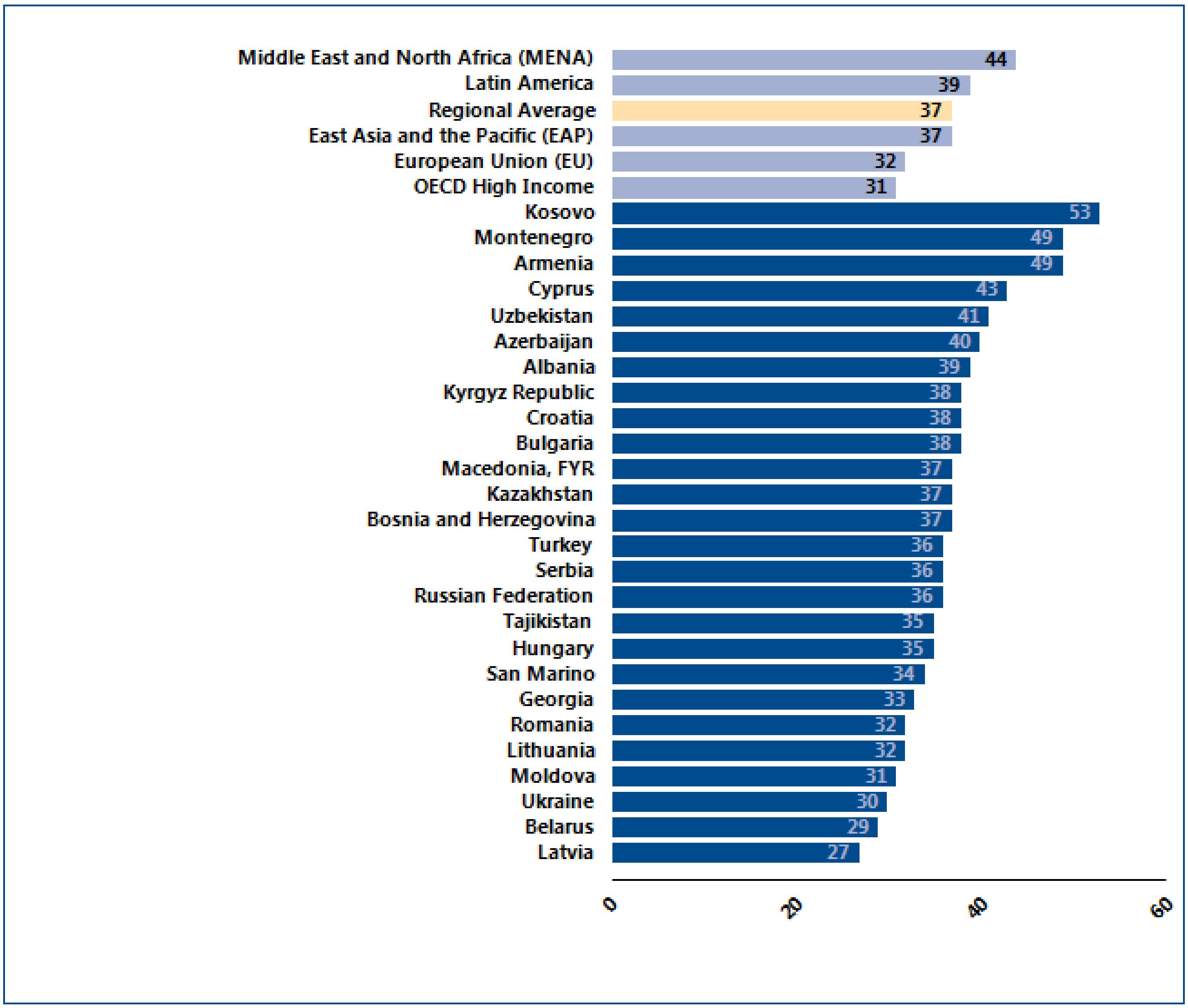
Source: Doing Business database.

ENFORCING CONTRACTS

The indicators underlying the rankings may also be revealing. Data collected by *Doing Business* show what it takes to enforce a contract through the courts in each economy in the region: the number of procedures, the time and the cost (figure 10.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

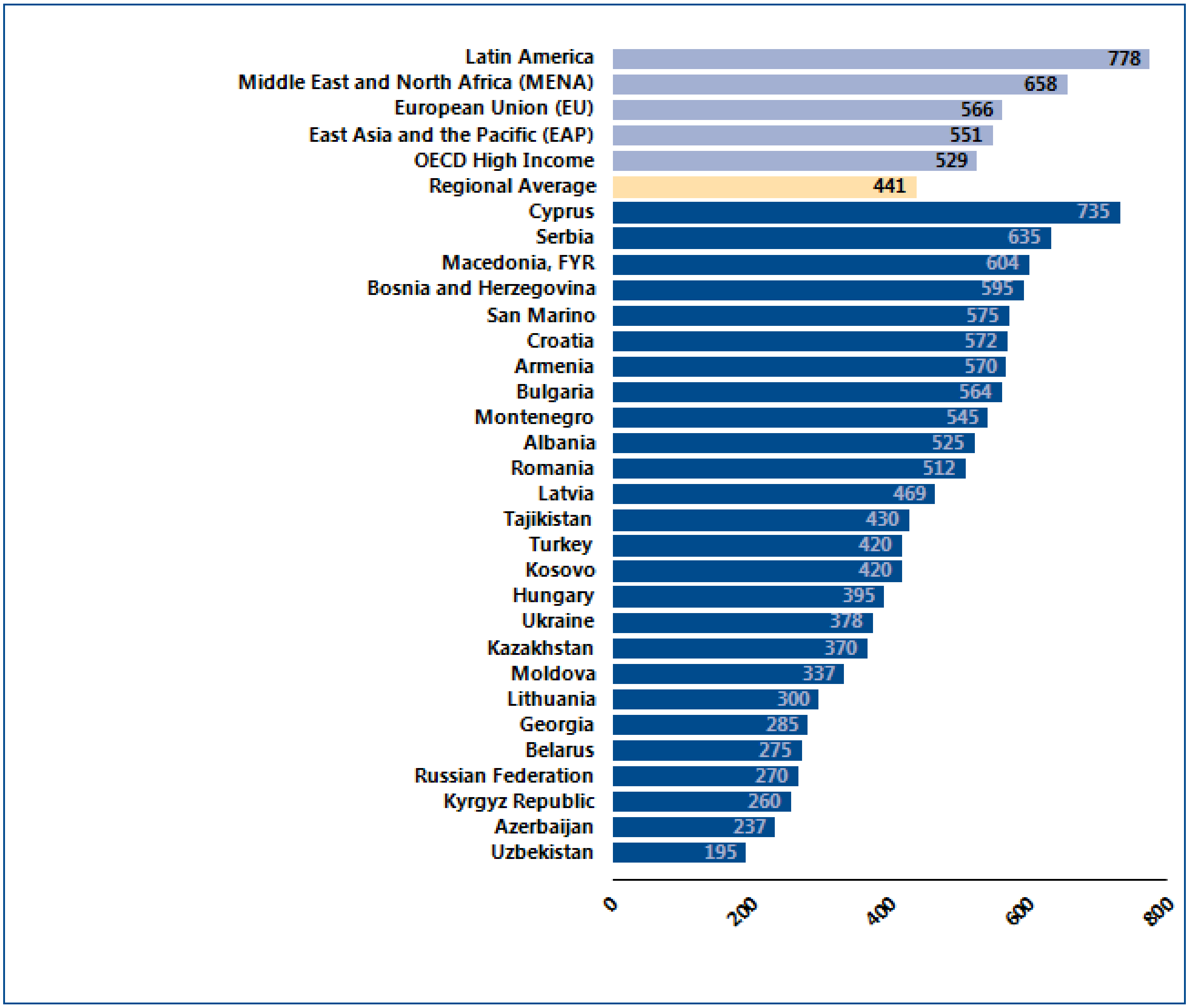
Figure 10.2 What it takes to enforce a contract through the courts in economies in Europe and Central Asia (ECA)

Procedures (number)



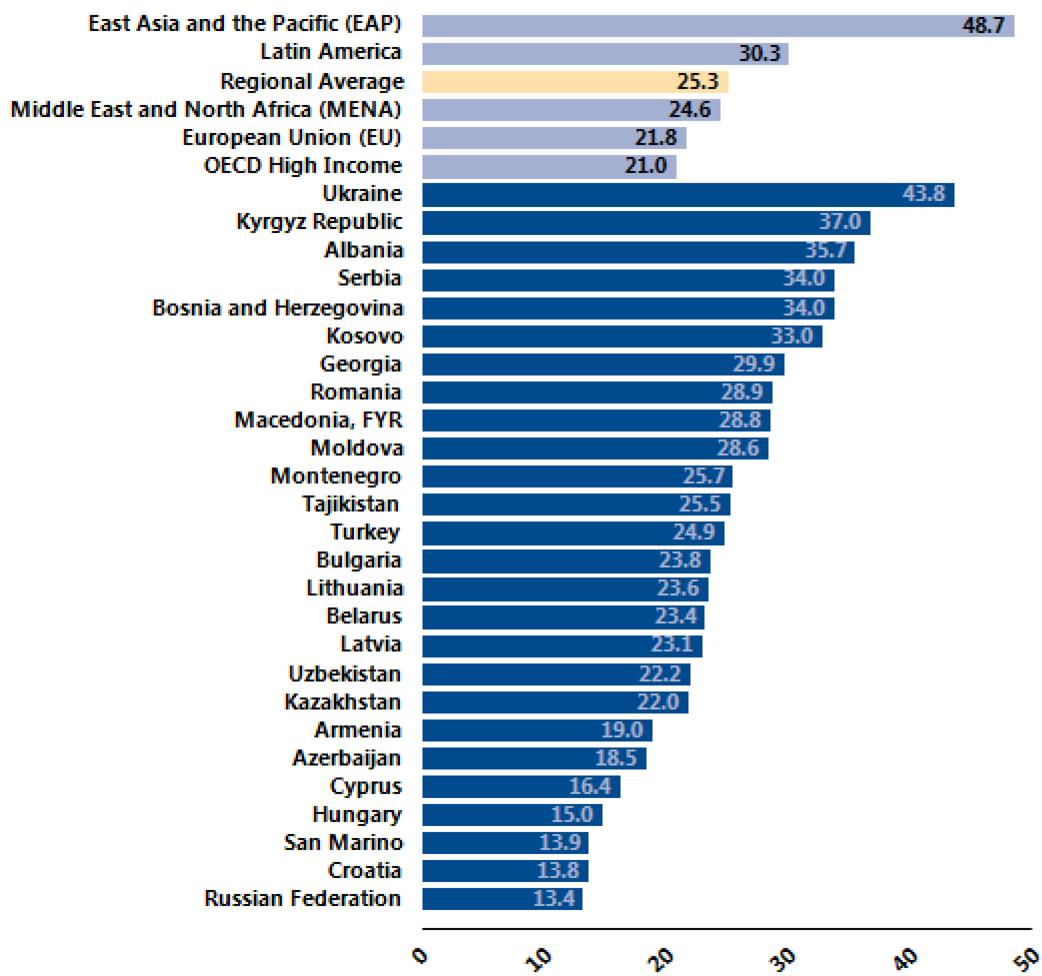
ENFORCING CONTRACTS

Time (days)



ENFORCING CONTRACTS

Cost (% of claim)



Source: Doing Business database.

ENFORCING CONTRACTS

What are the changes over time?

Economies in all regions have improved contract enforcement in recent years. A judiciary can be improved in different ways. Higher-income economies tend to look for ways to enhance efficiency by introducing new technology. Lower-income economies often work on reducing backlogs by introducing periodic reviews to clear inactive cases from the docket and by making procedures faster. What reforms making it easier (or more difficult) to enforce contracts has *Doing Business* recorded in Europe and Central Asia (ECA) (table 10.1)?

Table 10.1 How have economies in Europe and Central Asia (ECA) made enforcing contracts easier—or not?
By *Doing Business* report year

DB year	Economy	Reform
DB2008	*Bulgaria*	Bulgaria introduced changes to the judicial system, increasing transparency and appointing private bailiffs.
DB2008	*Moldova*	Moldova updated its civil procedure law to make it compliant with international standards and took measures to reduce corruption.
DB2009	*Armenia*	Armenia reorganized its court system, introducing a dynamic threshold pegged to the minimum wage between lower and higher jurisdictions. Overhauling the procedural code and introducing rules to frontload evidence decreases procedural complexity and moved Armenia's ranking 2 places up.
DB2009	*Azerbaijan*	Azerbaijan created a second commercial court in Baku, increasing the number of specialized judges from 5 to 9. The time to enforce a contract through the courts decreased from 267 to 237 days.
DB2009	*Bulgaria*	Bulgaria amended many provisions of its civil code, reforming rules for evidence and default judgment. The minimum threshold for the lower jurisdiction was revised upward and powers given to the last instance civil court to select which cases to hear, limiting abuse of the appeals process.
DB2009	*Macedonia, FYR*	Macedonia continued to equip courts systematically with electronic case management systems. The commercial court in Skopje began operating, improving Macedonia's ranking by 12 places.
DB2009	*Romania*	Romania simplified the enforcement of judgments by abolishing the need of an enforcement order. It also made the attachment of credit balances and accounts receivable available, diminishing enforcement time by one month.

DB year	Economy	Reform
DB2011	*Georgia*	Georgia made the enforcement of contracts easier by streamlining the procedures for public auctions, introducing private enforcement officers and modernizing its dispute resolution system.
DB2012	*Belarus*	Belarus modified its code of economic procedure, altering the time frames for commercial dispute resolution.
DB2012	*Moldova*	Moldova made enforcement of judgments more efficient by introducing private bailiffs.
DB2012	*Russian Federation*	Russia made filing a commercial case easier by introducing an electronic case filing system.
DB2012	*Ukraine*	Ukraine amended legislation to streamline commercial dispute resolution and increase the efficiency of enforcement procedures.
DB2013	*Georgia*	Georgia made enforcing contracts easier by simplifying and speeding up the proceedings for commercial disputes.
DB2013	*Moldova*	Moldova made the process of enforcing a contract more difficult by abolishing the specialized economic court.
DB2013	*Turkey*	Turkey made enforcing contracts easier by introducing a new civil procedure law.
DB2013	*Serbia*	Serbia made enforcing contracts easier by introducing a private bailiff system.
DB2014	*Croatia*	Croatia made enforcing contracts easier by streamlining litigation proceedings and transferring certain enforcement procedures from the courts to state agencies.
DB2014	*Romania*	Romania made enforcing contracts easier by adopting a new civil procedure code that streamlines and speeds up all court proceedings.
DB2014	*Uzbekistan*	Uzbekistan made enforcing contracts easier by introducing an electronic filing system for court users.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

RESOLVING INSOLVENCY

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in the speedy return of businesses to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses and thereby improve growth and sustainability in the economy overall.

What do the indicators cover?

Doing Business studies the time, cost and outcome of insolvency proceedings involving domestic entities. It does not measure insolvency proceedings of individuals and financial institutions. The data are derived from survey responses by local insolvency practitioners and verified through a study of laws and regulations as well as public information on bankruptcy systems.

The ranking on the ease of resolving insolvency is based on the recovery rate, which is recorded as cents on the dollar recouped by creditors through reorganization, liquidation or debt enforcement (foreclosure) proceedings. The recovery rate is a function of time, cost and other factors, such as lending rate and the likelihood of the company continuing to operate.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the case. It assumes that the company:

- Is a domestically owned, limited liability company operating a hotel.
- Operates in the economy's largest business city.
- Has 201 employees, 1 main secured creditor and 50 unsecured creditors.
- Has a higher value as a going concern—and that the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation.

WHAT THE RESOLVING INSOLVENCY INDICATORS MEASURE

Time required to recover debt (years)

Measured in calendar years

Appeals and requests for extension are included

Cost required to recover debt (% of debtor's estate)

Measured as percentage of estate value

Court fees

Fees of insolvency administrators

Lawyers' fees

Assessors' and auctioneers' fees

Other related fees

Outcome

Whether business continues operating as a going concern or business assets are sold piecemeal

Recovery rate for creditors (cents on the dollar)

Measures the cents on the dollar recovered by creditors

Present value of debt recovered

Official costs of the insolvency proceedings are deducted

Depreciation of furniture is taken into account

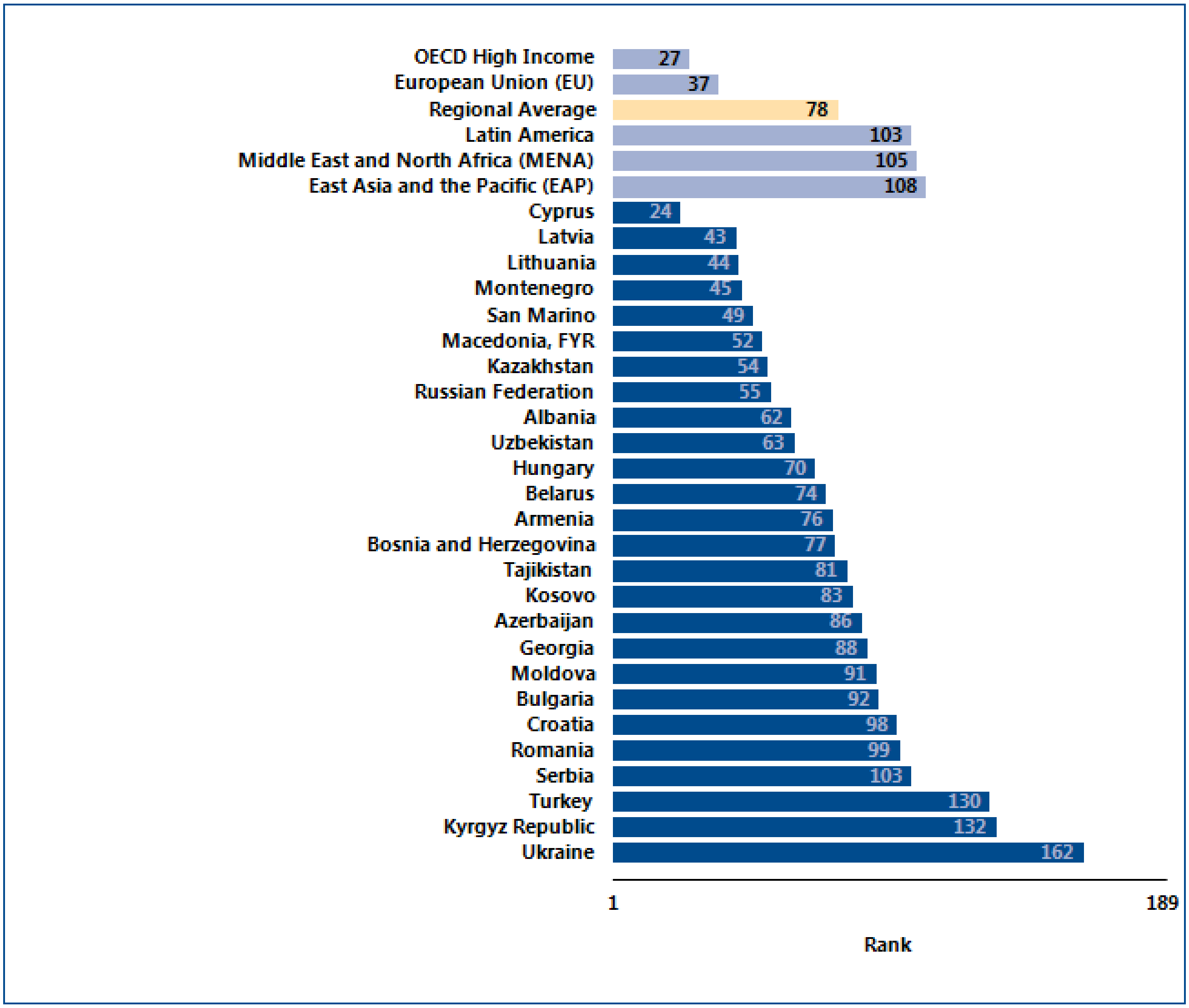
Outcome for the business (survival or not) affects the maximum value that can be recovered

RESOLVING INSOLVENCY

Where do the region's economies stand today?

How efficient are insolvency proceedings in economies in Europe and Central Asia (ECA)? The global rankings of these economies on the ease of resolving insolvency suggest an answer (figure 11.1). The average ranking of the region and comparator regions provide a useful benchmark for assessing the efficiency of insolvency proceedings. Speed, low costs and continuation of viable businesses characterize the top-performing economies.

Figure 11.1 How economies in Europe and Central Asia (ECA) rank on the ease of resolving insolvency



Source: Doing Business database.

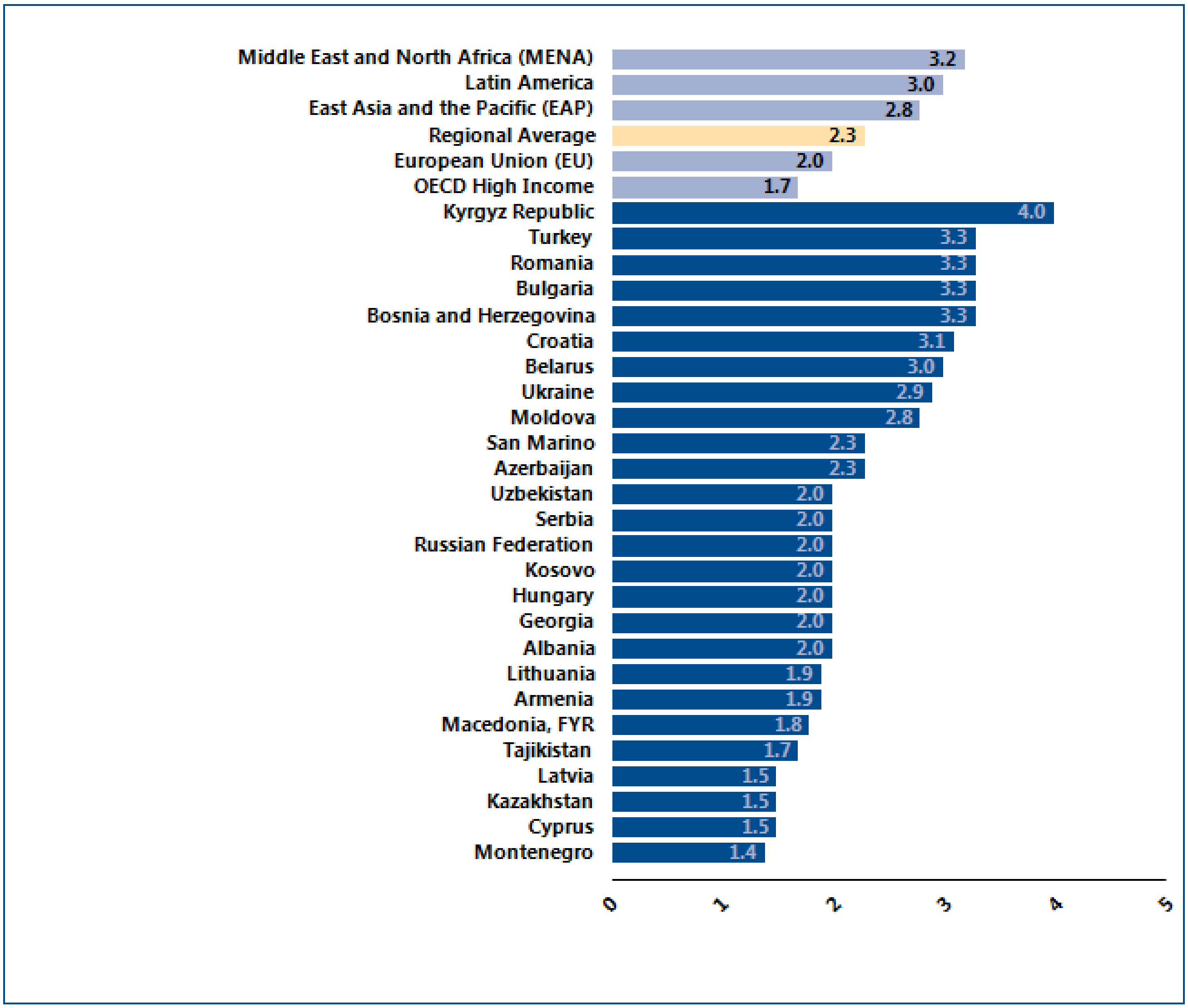
RESOLVING INSOLVENCY

The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show the average time and cost required to resolve insolvency as well as the average recovery rate (figure 11.2).

Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

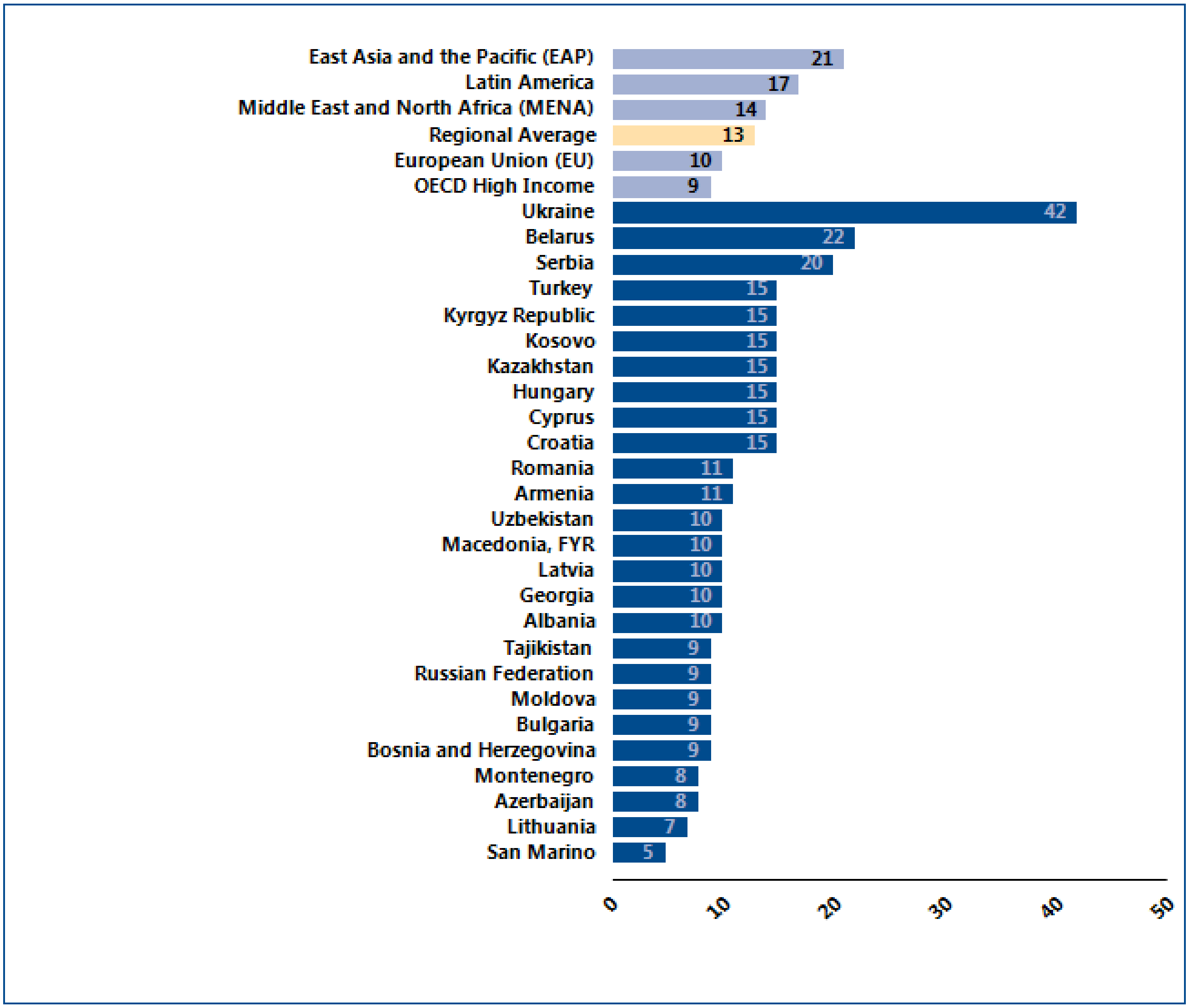
Figure 11.2 How efficient is the insolvency process in economies in Europe and Central Asia (ECA)

Time (years)



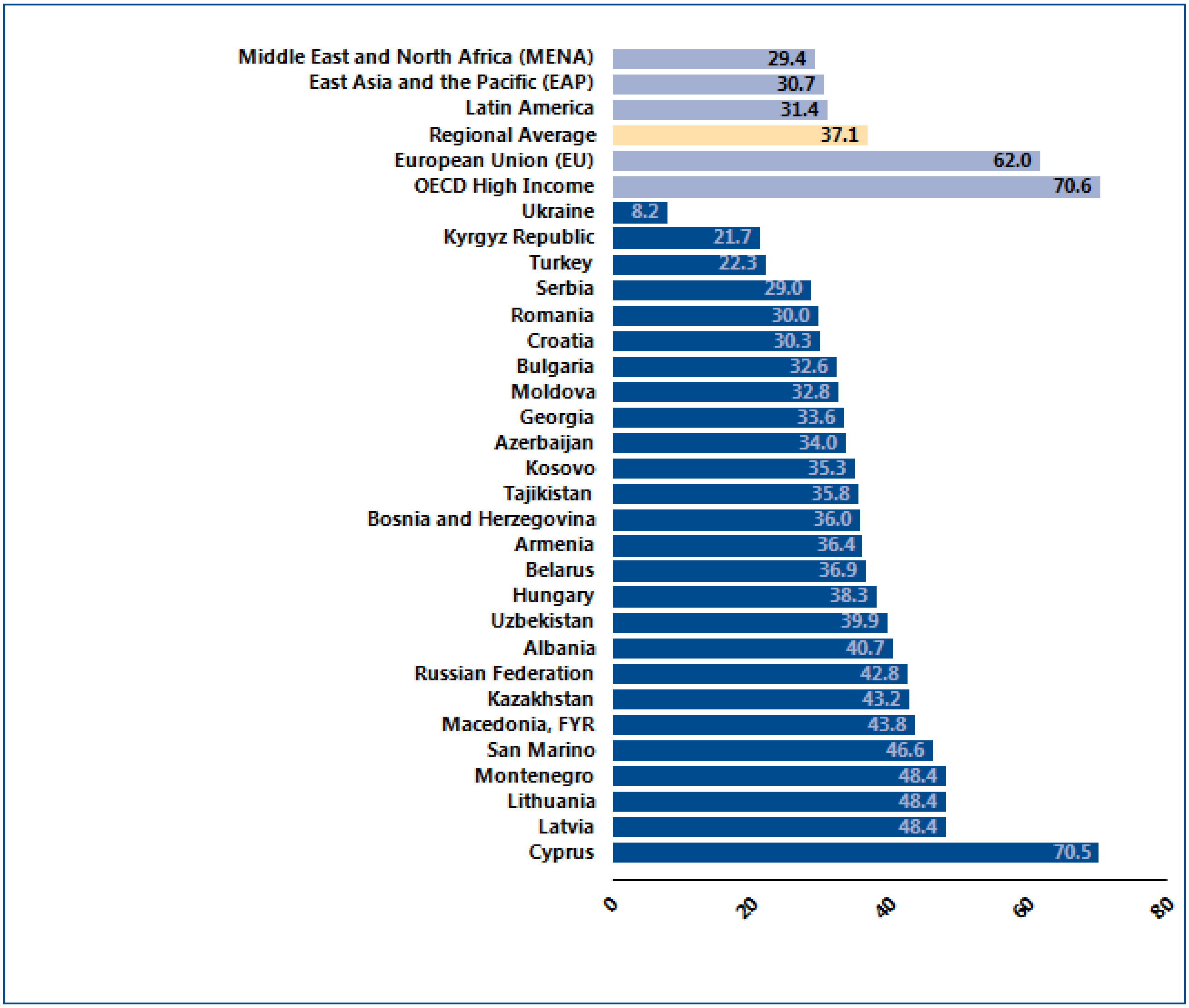
RESOLVING INSOLVENCY

Cost (% of estate)



RESOLVING INSOLVENCY

Recovery rate (cents on the dollar)



* Indicates a "no practice" mark. See the data notes for details.
Source: Doing Business database.

RESOLVING INSOLVENCY

What are the changes over time?

A well-balanced bankruptcy system distinguishes companies that are financially distressed but economically viable from inefficient companies that should be liquidated. But in some insolvency systems even viable businesses are liquidated. This is starting to change. Many recent reforms of bankruptcy laws have been aimed at helping more of the viable businesses survive. What insolvency reforms has *Doing Business* recorded in Europe and Central Asia (ECA) (table 11.1)?

Table 11.1 How have economies in Europe and Central Asia (ECA) made resolving insolvency easier—or not?
By *Doing Business* report year

DB year	**Economy**	**Reform**
DB2008	*Armenia*	Armenia adopted a new bankruptcy Law with the aim of improving its reorganization proceedings. It also set a time limit for judges to approve a reorganization plan.
DB2008	*Croatia*	Croatia amended its Insolvency Act to regulate the profession of bankruptcy administrators.
DB2008	*Georgia*	Georgia adopted an insolvency law that introduces both reorganization and liquidation proceedings and introduceds shorter time limits for the completion of each stage of the bankruptcy process. The law also institutes provisions for regulating the appointment of bankruptcy trustees and it empowers creditors.
DB2008	*Hungary*	Hungary amended its bankruptcy legislation to grant secured creditors priority over their pledged security.
DB2008	*Uzbekistan*	Uzbekistan adopted legislation on the voluntary liquidation of private companies.
DB2009	*Bosnia and Herzegovina*	Bosnia and Herzegovina strengthened professional requirements for trustees.
DB2009	*Bulgaria*	Bulgaria passed 2 laws: the Civil Procedure Code and the Law for the Commercial Registry. The Civil Procedure Code specifies that the Supreme Cassation Court has the discretion to decide whether or not to hear a case. The Law for Commercial Registry specifies that major decisions and rulings of the bankruptcy court are posted on the commercial registry's website. These changes are expected to reduce delays and allows for faster resolution of bankruptcy.
DB2009	*Latvia*	Latvia passed a new insolvency law which allows for the first time financially distressed companies to continue operating by pursuing reorganization. The reform also strengthened the qualification standards for bankruptcy administrators.

DB year	Economy	Reform
DB2010	*Albania*	Albania's new insolvency law introduced statutory time limits during the insolvency procedure, specified professional qualifications for insolvency administrators, and established an Agency of Insolvency Supervision to regulate the profession of insolvency administrators. A simplified procedure of insolvency for small businesses was introduced, as well.
DB2010	*Lithuania*	Lithuania eased the process of closing a business with the introduction of amendments to the Enterprise Bankruptcy Law.
DB2010	*Romania*	Romania amended its insolvency law with the immediate impact of increasing costs of insolvency procedures by 1.5%, which are to be transferred to a fund that reimburses the expenses of insolvency administrators in cases where the debtor has no assets.
DB2010	*Russian Federation*	The Russian Federation introduced several changes to its insolvency law to speed up the liquidation procedure and strengthen the legal status of secured creditors.
DB2010	*Tajikistan*	Tajikistan passed an amendment to its insolvency law aiming to reduce statutory times and cost of the proceedings.
DB2011	*Belarus*	Belarus amended regulations governing the activities of insolvency administrators and strengthened the protection of creditor rights in bankruptcy.
DB2011	*Georgia*	Georgia improved insolvency proceedings by streamlining the regulation of auction sales.
DB2011	*Hungary*	Amendments to Hungary's bankruptcy law encourage insolvent companies to consider reaching agreements with creditors out of court so as to avoid bankruptcy.
DB2011	*Kyrgyz Republic*	The Kyrgyz Republic streamlined insolvency proceedings and updated requirements for administrators, but new formalities added to prevent abuse of proceedings made closing a business more difficult.
DB2011	*Latvia*	Latvia introduced a mechanism forout-of-court settlement of insolvencies to alleviate pressure on courts and tightened some procedural deadlines.
DB2011	*Lithuania*	Lithuania introduced regulations relating to insolvency administrators that set out clear rules of liability for violations of law.
DB2011	*Romania*	Substantial amendments to Romania's bankruptcy laws—introducing, among other things, a procedure for out-of-

DB year	Economy	Reform
		court workouts—made dealing with insolvency easier.
DB2011	*Russian Federation*	Russia introduced a series of legislative measures in 2009 to improve creditor rights and the insolvency system.
DB2011	*Serbia*	Serbia passed a new bankruptcy law that introduced out-of-court workouts and a unified reorganization procedure.
DB2012	*Armenia*	Armenia amended its bankruptcy law to clarify procedures for appointing insolvency administrators, reduce the processing time for bankruptcy proceedings and regulate asset sales by auction.
DB2012	*Bulgaria*	Bulgaria amended its commerce act to extend further rights to secured creditors and increase the transparency of insolvency proceedings.
DB2012	*Latvia*	Latvia adopted a new insolvency law that streamlines and expedites the insolvency process and introduces a reorganization option for companies.
DB2012	*Lithuania*	Lithuania amended its reorganization law to simplify and shorten reorganization proceedings, grant priority to secured creditors and introduce professional requirements for insolvency administrators.
DB2012	*Macedonia, FYR*	FYR Macedonia increased the transparency of bankruptcy proceedings through amendments to its company and bankruptcy laws.
DB2012	*Moldova*	Moldova amended its insolvency law to grant priority to secured creditors.
DB2012	*Romania*	Romania amended its insolvency law to shorten the duration of insolvency proceedings.
DB2012	*Ukraine*	Ukraine amended its legislation on enforcement, introducing more guarantees for secured creditors.
DB2012	*Serbia*	Serbia adopted legislation introducing professional requirements for insolvency administrators and regulating their compensation.
DB2012	*Montenegro*	Montenegro passed a new bankruptcy law that introduces reorganization and liquidation proceedings, introduces time limits for these proceedings and provides for the possibility of recovery of secured creditors' claims and settlement before completion of the entire bankruptcy procedure.
DB2013	*Belarus*	Belarus enhanced its insolvency process by exempting the previously state-owned property of a privatized company from the bankruptcy proceeding, requiring that immovable

DB year	Economy	Reform
		property not sold in the auction be offered to creditors for purchase and allowing immovable property to be sold without proof of state registration in a bankruptcy auction if there are no funds to pay for the registration.
DB2013	*Georgia*	Georgia expedited the process of resolving insolvency by establishing or tightening time limits for all insolvency-related procedures, including auctions.
DB2013	*Kazakhstan*	Kazakhstan strengthened its insolvency process by introducing an accelerated rehabilitation proceeding, extending the period for rehabilitation, expanding the powers of and improving qualification requirements for insolvency administrators, changing requirements for bankruptcy filings, extending the rights of creditors, changing regulations related to the continuation of operations, introducing a time limit for adopting a rehabilitation plan and adding court supervision requirements.
DB2013	*Lithuania*	Lithuania made resolving insolvency easier by establishing which cases against the company's property shall be taken to the bankruptcy court, tightening the time frame for decisions on appeals, abolishing the court's obligation to individually notify creditors and other stakeholders about restructuring proceedings and setting new time limits for creditors to file claims.
DB2013	*Moldova*	Moldova strengthened its insolvency process by extending the duration of the reorganization proceeding and refining the qualification requirements for insolvency administrators.
DB2013	*Uzbekistan*	Uzbekistan strengthened its insolvency process by introducing new time limits for insolvency proceedings and new time limits and procedures for the second auction and by making it possible for businesses to continue operating throughout the liquidation proceeding.
DB2013	*Serbia*	Serbia strengthened its insolvency process by introducing private bailiffs, reducing the starting prices for the sale of assets, prohibiting appeals, expediting service of process and adopting an electronic registry for injunctions to make public all prohibitions on the disposal or pledge of movable or immovable property.
DB2014	*Belarus*	Belarus improved its insolvency process through a new insolvency law that, among other things, changes the appointment process for insolvency administrators and encourages the sale of assets in insolvency. The law also regulates the liability of sharehold

DB year	Economy	Reform
DB2014	*Croatia*	Croatia made resolving insolvency easier by introducing an expedited outof- court restructuring procedure.
DB2014	*Moldova*	Moldova made resolving insolvency easier by introducing new restructuring mechanisms, reducing opportunities for appeals, adding moratorium provisions and establishing strict statutory periods for several stages of the insolvency proceeding.
DB2014	*Ukraine*	Ukraine made resolving insolvency easier by strengthening the rights of secured creditors, introducing new rehabilitation procedures and mechanisms, making it easier to invalidate suspect transactions and shortening the statutory periods for several steps

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

DATA NOTES

The indicators presented and analyzed in Doing Business measure business regulation and the protection of property rights—and their effect on businesses, especially small and medium-size domestic firms. First, the indicators document the complexity of regulation, such as the number of procedures to start a business or to register and transfer commercial property. Second, they gauge the time and cost to achieve a regulatory goal or comply with regulation, such as the time and cost to enforce a contract, go through bankruptcy or trade across borders. Third, they measure the extent of legal protections of property, for example, the protections of investors against looting by company directors or the range of assets that can be used as collateral according to secured transactions laws. Fourth, a set of indicators documents the tax burden on businesses. Finally, a set of data covers different aspects of employment regulation. The 11 sets of indicators measured in Doing Business were added over time, and the sample of economies expanded.

The data for all sets of indicators in *Doing Business 2014* are for June 2013.[2]

Methodology

The *Doing Business* data are collected in a standardized way. To start, the *Doing Business* team, with academic advisers, designs a questionnaire. The questionnaire uses a simple business case to ensure comparability across economies and over time—with assumptions about the legal form of the business, its size, its location and the nature of its operations. Questionnaires are administered to more than 10,200 local experts, including lawyers, business consultants, accountants, freight forwarders, government officials and other professionals routinely administering or advising on legal and regulatory requirements (table 21.2). These experts have several rounds of interaction with the *Doing Business* team, involving conference calls, written correspondence and visits by the team. For *Doing Business 2014* team members visited 33 economies to verify data and recruit respondents. The data from questionnaires are subjected to numerous rounds of verification, leading to revisions or expansions of the information collected.

ECONOMY CHARACTERISTICS

Gross national income per capita

Doing Business 2014 reports 2012 income per capita as published in the World Bank's *World Development Indicators 2013*. Income is calculated using the Atlas method (current U.S. dollars). For cost indicators expressed as a percentage of income per capita, 2012 gross national income (GNI) in U.S. dollars is used as the denominator. GNI data were not available from the World Bank for Afghanistan, The Bahamas, Bahrain, Barbados, Brunei Darussalam, Djibouti, the Islamic Republic of Iran, Kuwait, Libya, Myanmar, New Zealand, Oman, San Marino, the Syrian Arab Republic, West Bank and Gaza, and the Republic of Yemen. In these cases GDP or GNP per capita data and growth rates from other sources, such as the International Monetary Fund's World Economic Outlook database and the Economist Intelligence Unit, were used.

Region and income group

Doing Business uses the World Bank regional and income group classifications, available at http://data.worldbank.org/about/country-classifications. The World Bank does not assign regional classifications to high-income economies. For the purpose of the *Doing Business* report, high-income OECD economies are assigned the "regional" classification *OECD high income*. Figures and tables presenting regional averages include economies from all income groups (low, lower middle, upper middle and high income).

Population

Doing Business 2014 reports midyear 2012 population statistics as published in *World Development Indicators 2013*.

The *Doing Business* methodology offers several advantages. It is transparent, using factual information

[2] The data for paying taxes refer to January – December 2012.

about what laws and regulations say and allowing multiple interactions with local respondents to clarify potential misinterpretations of questions. Having representative samples of respondents is not an issue; *Doing Business* is not a statistical survey, and the texts of the relevant laws and regulations are collected and answers checked for accuracy. The methodology is inexpensive and easily replicable, so data can be collected in a large sample of economies. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. Finally, the data not only highlight the extent of specific regulatory obstacles to business but also identify their source and point to what might be reformed. Information on the methodology for each *Doing Business* topic can be found on the *Doing Business* website at http://www.doingbusiness.org/methodology.

Limits to what is measured

The Doing Business methodology has 5 limitations that should be considered when interpreting the data. First, the collected data refer to businesses in the economy's largest business city (which in some economies differs from the capital) and may not be representative of regulation in other parts of the economy. To address this limitation, subnational *Doing Business* indicators were created (box 21.1). Second, the data often focus on a specific business form—generally a limited liability company (or its legal equivalent) of a specified size—and may not be representative of the regulation on other businesses, for example, sole proprietorships. Third, transactions described in a standardized case scenario refer to a specific set of issues and may not represent the full set of issues a business encounters. Fourth, the measures of time involve an element of judgment by the expert respondents. When sources indicate different estimates, the time indicators reported in *Doing Business* represent the median values of several responses given under the assumptions of the standardized case.

Finally, the methodology assumes that a business has full information on what is required and does not waste time when completing procedures. In practice, completing a procedure may take longer if the business lacks information or is unable to follow up promptly. Alternatively, the business may choose to disregard some burdensome procedures. For both reasons the time delays reported in *Doing Business 2014* would differ from the recollection of entrepreneurs reported in the World Bank Enterprise Surveys or other perception surveys.

This year *Doing Business* completed subnational studies in Colombia, Italy and the city of Hargeisa (Somaliland) and is currently updating indicators in Egypt, Mexico and Nigeria. *Doing Business* also published regional studies for the g7+ and the East African Community. 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. The member countries included in the report are 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 subnational studies point to differences in business regulation and its implementation—as well as in the pace of regulatory reform—across cities in the same economy. For several economies subnational studies are now periodically updated to measure change over time or to expand geographic coverage to additional cities. This year that is the case for all the subnational studies published.

Changes in what is measured

The methodology for 2 indicator sets—trading across borders and paying taxes—was updated this year. 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 taxes in a consistent way across all economies covered. The fuel tax amounts are in most cases very small, and measuring these amounts is often complicated because they depend on fuel consumption. Fuel taxes continue to be counted in the number of payments.

In a change involving several indicator sets, 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. This change affects the time indicator for starting a business, dealing with construction permits and registering property.[3] For procedures that can be fully completed online, the duration is now set at half a day rather than a full day.

The threshold for the total tax rate introduced in 2011 for the purpose of calculating the ranking on the ease of paying taxes was updated. All economies with a total tax rate below the threshold (which is calculated and adjusted on a yearly basis) receive the same ranking on the total tax rate indicator. The threshold is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the lower end of the distribution of tax rates levied on medium-size enterprises in the manufacturing sector as observed through the paying taxes indicators. This reduces the bias in the indicators toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). This year the threshold is 25,5%.

Data challenges and revisions

Most laws and regulations underlying the *Doing Business* data are available on the *Doing Business* website at http://www.doingbusiness.org. All the sample questionnaires and the details underlying the indicators are also published on the website. Questions on the methodology and challenges to data can be submitted through the website's "Ask a Question" function at http://www.doingbusiness.org.

Ease of doing business and distance to frontier

Doing Business 2014 presents results for 2 aggregate measures: the aggregate ranking on the ease of doing business and the distance to frontier measure. The ease of doing business ranking compares economies with one another, while the distance to frontier measure benchmarks economies to the frontier in regulatory practice, measuring the absolute distance to the best performance on each indicator. Both measures can be used for comparisons over time. When compared across years, the distance to frontier measure shows how much the regulatory environment for local entrepreneurs in each economy has changed over time in absolute terms, while the ease of doing business ranking can show only relative change.

Ease of doing business

The ease of doing business index ranks economies from 1 to 189. For each economy the ranking is calculated as the simple average of the percentile rankings on each of the 10 topics included in the index in *Doing Business 2014*: 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 employing workers indicators are not included in this year's aggregate ease of doing business ranking.

Construction of the ease of doing business index

Here is one example of how the ease of doing business index is constructed. In Denmark it takes 4 procedures, 5.5 days and 0.2% of annual income per capita in fees to open a business. The minimum capital requirement is 24% of annual income per capita. On these 4 indicators Denmark ranks in the 12th, 11th, 1st and 79th percentiles. So on average Denmark ranks in the 25th percentile on the ease of starting a business. It ranks in the 21st percentile on getting credit, 19th percentile on paying taxes, 27th percentile on enforcing contracts, 5th percentile on resolving insolvency and so on. Higher rankings indicate simpler regulation and stronger protection of property rights. The simple average of Denmark's percentile rankings on all topics is 17th. When all economies are ordered by their average percentile rankings, Denmark stands at 5 in the aggregate ranking on the ease of doing business.

More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly identical to the simple average

[3] 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.

used by *Doing Business*.[4] Thus, *Doing Business* uses the simplest method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components.

If an economy has no laws or regulations covering a specific area—for example, insolvency—it receives a "no practice" mark. Similarly, an economy receives a "no practice" or "not possible" mark if regulation exists but is never used in practice or if a competing regulation prohibits such practice. Either way, a "no practice" mark puts the economy at the bottom of the ranking on the relevant indicator.

The ease of doing business index is limited in scope. It does not account for an economy's proximity to large markets, the quality of its infrastructure services (other than services related to trading across borders and getting electricity), the strength of its financial system, the security of property from theft and looting, macroeconomic conditions or the strength of underlying institutions.

Variability of economies' rankings across topics

Each indicator set measures a different aspect of the business regulatory environment. The rankings of an economy can vary, sometimes significantly, across indicator sets. The average correlation coefficient between the 10 indicator sets included in the aggregate ranking is 0.38, and the coefficients between any 2 sets of indicators range from 0.18 (between getting electricity and getting credit) to 0.58 (between trading across borders and resolving insolvency and between trading across borders and getting electricity). These correlations suggest that economies rarely score universally well or universally badly on the indicators.

Consider the example of Canada. It stands at 19 in the aggregate ranking on the ease of doing business. Its ranking is 2 on starting a business, 4 on protecting investors, and 8 on paying taxes. But its ranking is only 58 on enforcing contracts, 116 on dealing with construction permits and 145 on getting electricity.

Variation in performance across the indicator sets is not at all unusual. It reflects differences in the degree of priority that government authorities give to particular areas of business regulation reform and the ability of different government agencies to deliver tangible results in their area of responsibility.

Distance to frontier measure

A drawback of the ease of doing business ranking is that it can measure the regulatory performance of economies only relative to the performance of others. It does not provide information on how the absolute quality of the regulatory environment is improving over time. Nor does it provide information on how large the gaps are between economies at a single point in time.

The distance to frontier measure is designed to address both shortcomings, complementing the ease of doing business ranking. This measure illustrates the distance of an economy to the "frontier," and the change in the measure over time shows the extent to which the economy has closed this gap. The frontier is a score derived from the most efficient practice or highest score achieved on each of the component indicators in 10 *Doing Business* indicator sets (excluding the employing workers indicators) by any economy. In starting a business, for example, Canada and New Zealand have achieved the highest performance on the number of procedures required (1) and on the time (0.5 days), Denmark and Slovenia on the cost (0% of income per capita) and Chile, Zambia and 99 other economies on the paid-in minimum capital requirement (0% of income per capita) (table 22.2).

Calculating the distance to frontier for each economy involves 2 main steps. First, individual indicator scores are normalized to a common unit: except for the total tax rate, each of the 31 component indicators y is rescaled to (max − y)/(max − min), with the minimum value (min) representing the frontier—the highest performance on that indicator across all economies since 2003 or the first year the indicator was collected.[5] For the total tax rate, consistent with the calculation of

[4] See Simeon Djankov, Darshini Manraj, Caralee McLiesh and Rita Ramalho, "*Doing Business* Indicators: Why Aggregate, and How to Do It" (World Bank, Washington, DC, 2005). Principal components and unobserved components methods yield a ranking nearly identical to that from the simple average method because both these methods assign roughly equal weights to the topics, since the pairwise correlations among indicators do not differ much. An alternative to the simple average method is to give different weights to the topics, depending on which are considered of more or less importance in the context of a specific economy.

[5] Even though scores for the distance to frontier are calculated from 2005, data from as early as 2003 are used to define the frontier

the rankings, the frontier is defined as the total tax rate at the 15th percentile of the overall distribution of total tax rates for all years. Second, 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 topics. An economy's distance to frontier is indicated on a scale from 0 to 100, where 0 represents the lowest performance and 100 the frontier.

The maximum (max) and minimum (min) observed values are computed for all economies included in the *Doing Business* sample since 2003 and for all years (from 2003 to 2013). To mitigate the effects of extreme outliers in the distributions of the rescaled data (very few economies need 694 days to complete the procedures to start a business, but many need 9 days), the maximum (max) is defined as the 95th percentile of the pooled data for all economies and all years for each indicator. The exceptions are the getting credit, protecting investors and resolving insolvency indicators, whose construction precludes outliers. In addition, the cost to export and cost to import for each year are divided by the GDP deflator, so as to take the general price level into account when benchmarking these absolute-cost indicators across economies with different inflation trends. The base year for the deflator is 2013 for all economies.

The difference between an economy's distance to frontier score in any previous year and its score in 2013 illustrates the extent to which the economy has closed the gap to the frontier over time. And in any given year the score measures how far an economy is from the highest performance at that time.

Take Colombia, which has a score of 70.5 on the distance to frontier measure for 2014. This score indicates that the economy is 29.5 percentage points away from the frontier constructed from the best performances across all economies and all years. Colombia was further from the frontier in 2009, with a score of 66.2. The difference between the scores shows an improvement over time.

The distance to frontier measure can also be used for comparisons across economies in the same year, complementing the ease of doing business ranking. For example, Colombia stands at 63 this year in the ease of doing business ranking, while Peru, which is 29.3 percentage points from the frontier, stands at 42.

Economies that improved the most across 3 or more Doing Business topics in 2012/13

Doing Business 2014 uses a simple method to calculate which economies improved the most in the ease of doing business. First, it selects the economies that in 2012/13 implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year's ease of doing business ranking.[6] Twenty-nine economies meet this criterion: Azerbaijan, Belarus, Burundi, Côte d'Ivoire, Croatia, Djibouti, Gabon, Guatemala, Guinea, Italy, Kosovo, Latvia, the former Yugoslav Republic of Macedonia, Malaysia, Mauritius, Mexico, Moldova, Mongolia, Morocco, Panama, the Philippines, the Republic of Congo, Romania, the Russian Federation, Rwanda, Sri Lanka, Ukraine, Uzbekistan and the United Arab Emirates. Second, Doing Business sorts these economies on the increase in their distance to frontier measure from the previous year using comparable data.

Selecting the economies that implemented regulatory reforms in at least 3 topics and improved the most in the distance to frontier measure is intended to highlight economies with ongoing, broadbased reform programs. The criterion for identifying the top improvers was changed from last year. The improvement in ease of doing business ranking is no longer used. The improvement in the distance to frontier measure is used instead because under this measure economies are sorted according to their absolute improvement instead of relative improvement.

[6] *Doing Business* reforms making it more difficult to do business are subtracted from the total number of those making it easier to do business.

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