A World Bank Group Flagship Report

13TH EDITION

Doing Business 2016

Measuring Regulatory Quality and Efficiency

Regional Profile 2016

Europe and Central Asia (ECA)

COMPARING BUSINESS REGULATION FOR DOMESTIC FIRMS IN 189 ECONOMIES

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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 minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labor market regulation. Doing Business 2016 presents the data for the labor market regulation indicators in an annex. The report does not present rankings of economies on labor market regulation indicators or include the topic in the aggregate distance to frontier score or ranking on the ease of doing business.

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, 32 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 32 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, 2015 (except for the paying taxes indicators, which cover the period January–December 2014).

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 2016* presents the indicators, analyzes their relationship with economic outcomes and recommends regulatory reforms. The data, along with information on ordering the *Doing Business 2016* report, are available on the *Doing Business* website at http://www.doingbusiness.org.

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CHANGES IN *DOING BUSINESS 2016*

As part of a two-year update in methodology, *Doing Business 2016* expands the focus of five indicator sets (dealing with construction permits, getting electricity, registering property, enforcing contracts and labor market regulation), substantially revises the methodology for one indicator set (trading across borders) and implements small updates to the methodology for another (protecting minority investors).

The indicators on dealing with construction permits now include an index of the quality of building regulation and its implementation. The getting electricity indicators now include a measure of the price of electricity consumption and an index of the reliability of electricity supply and transparency of tariffs. Starting this year, the registering property indicators include an index of the quality of the land administration system in each economy in addition to the indicators on the number of procedures and the time and cost to transfer property. And for enforcing contracts an index of the quality and efficiency of judicial processes has been added while the indicator on the number of procedures to enforce a contract has been dropped.

The scope of the labor market regulation indicator set has also been expanded, to include more areas capturing aspects of job quality. The labor market regulation indicators continue to be excluded from the aggregate distance to frontier score and ranking on the ease of doing business.

The case study underlying the trading across borders indicators has been changed to increase its relevance. For each economy the export product and partner are now determined on the basis of the economy's comparative advantage, the import product is auto parts, and the import partner is selected on the basis of which economy has the highest trade value in that product. The indicators continue to measure the time and cost to export and import.

Beyond these changes there is one other update in methodology, for the protecting minority investors indicators. A few points for the extent of shareholder governance index have been fine-tuned, and the index now also measures aspects of the regulations applicable to limited companies rather than privately held joint stock companies.

For more details on the changes, see the "What is changing in *Doing Business*?" chapter starting on page 27 of the *Doing Business 2016* report. For more details on the data and methodology, please see the "Data Notes" chapter starting on page 119 of the *Doing Business 2016* report. For more details on the distance to frontier metric, please see the "Distance to frontier and ease of doing business ranking" chapter in this profile.

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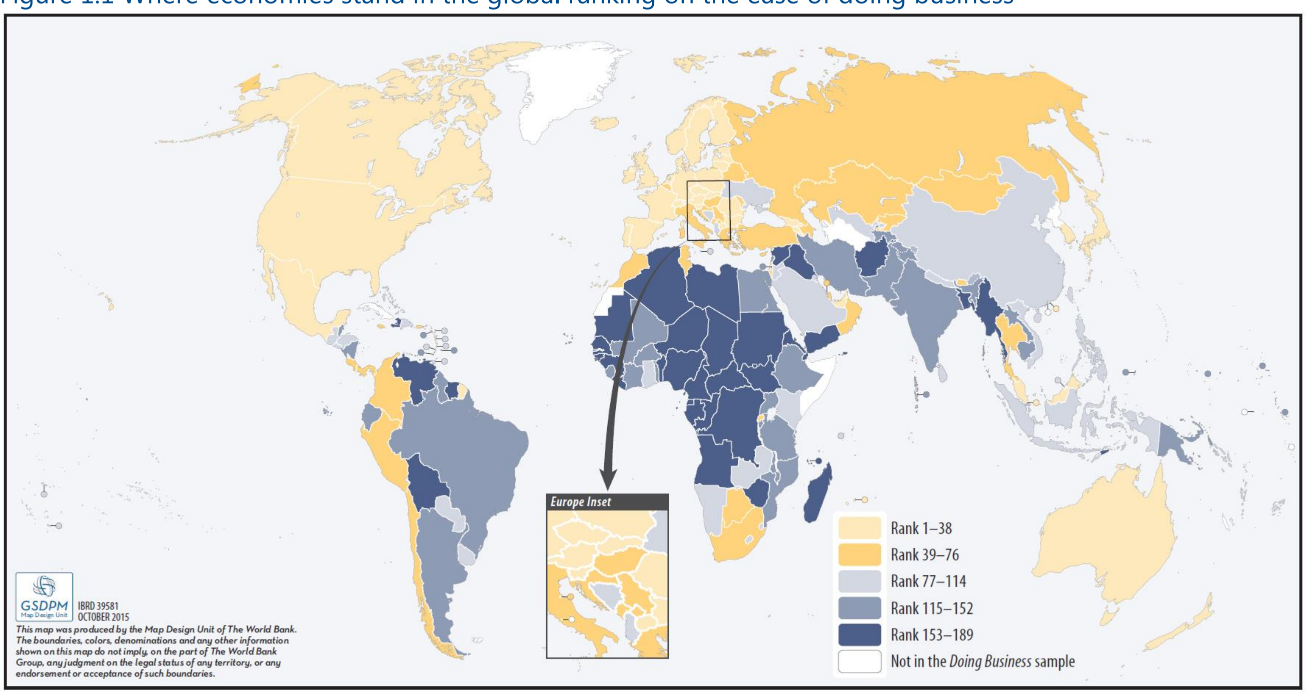
For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. Doing Business provides an aggregate ranking on the ease of doing business based on indicator sets that measure 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 ranking. Doing Business presents results for 2 aggregate measures: the distance to frontier score and the ease of doing business ranking. The ranking of economies is determined by sorting the aggregate distance to frontier scores, rounded to two decimals. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. (See the chapter on the distance to frontier and ease of doing business).

The 10 topics included in the ranking in *Doing Business* 2016: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The labor market regulation indicators are not included in this year's aggregate ease of doing business ranking, but the data are presented in the economy profile.

The ease of doing business ranking compares economies with one another; the distance to frontier score benchmarks economies with respect to regulatory best practice, showing the absolute distance to the best performance on each Doing Business indicator. When compared across years, the distance to frontier score shows how much the regulatory environment for local entrepreneurs in an economy has changed over time in absolute terms, while the ease of doing business ranking can show only how much the regulatory environment has changed relative to that in other economies.

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



Source: Doing Business database.

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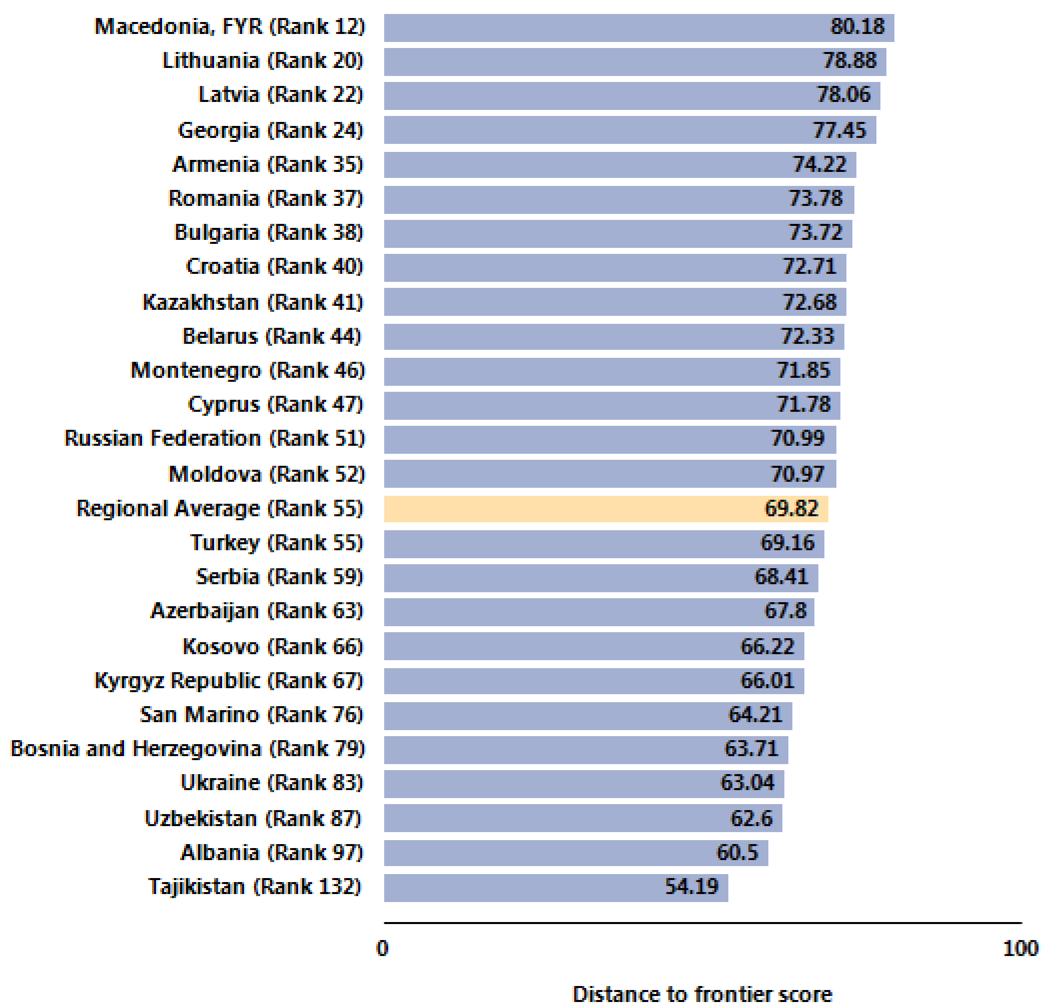
For policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful. Also useful is to know how it ranks compared with other economies in the region and compared with the regional average (figure 1.2). Another perspective is provided by the regional average rankings on the topics included in the ease of doing business ranking (figure 1.3) and the distance to frontier scores (figures 1.4 and 1.5).

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



Note: The rankings are benchmarked to June 2015 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.
Source: Doing Business database.

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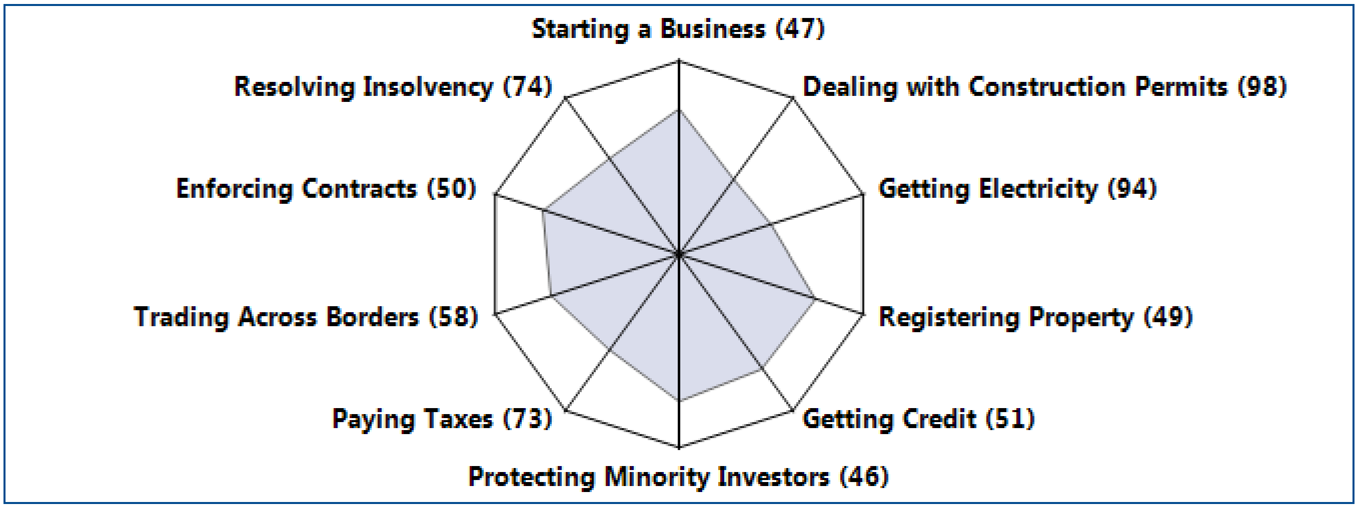
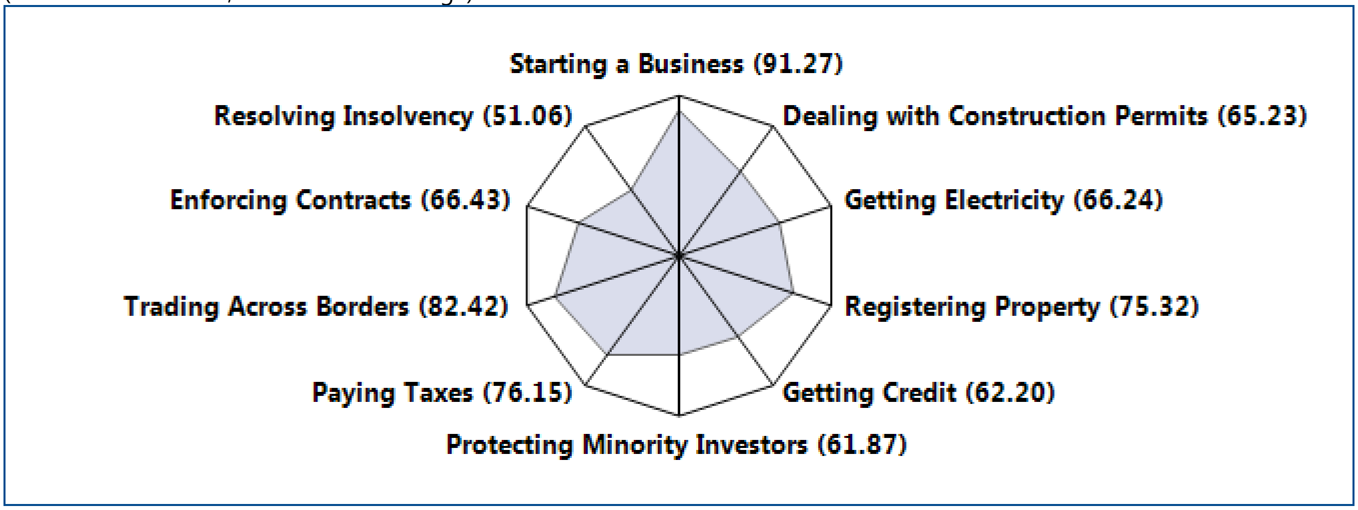
Figure 1.3 Rankings on *Doing Business* topics - Europe and Central Asia (ECA)
(Scale: Rank 189 center, Rank 1 outer edge)
Regional average ranking



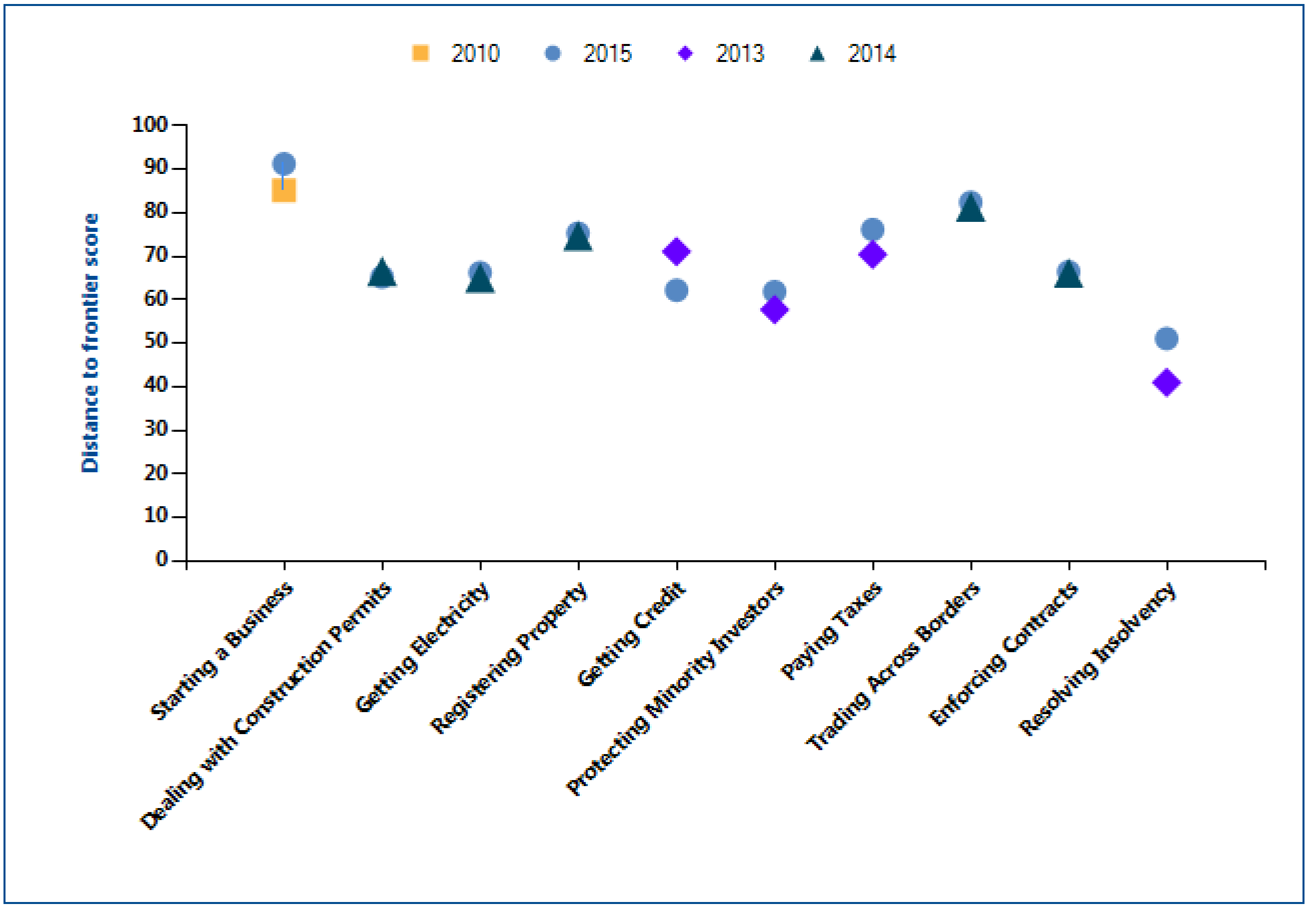
Source: Doing Business database.

Figure 1.4 Distance to frontier scores on *Doing Business* topics - Europe and Central Asia (ECA)
(Scale: Score 0 center, Score 100 outer edge)



Note: The rankings are benchmarked to June 2015 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.
Source: Doing Business database.

Figure 1.5 How far has Europe and Central Asia (ECA) come in the areas measured by *Doing Business*?



Source: Doing Business database.
Note: The distance to frontier score shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator. Starting a business is comparable to 2010. Getting credit, protecting minority investors, paying taxes and resolving insolvency had methodology changes in 2014 and thus are only comparable to 2013. Dealing with construction permits, registering property, trading across borders, enforcing contracts and getting electricity had methodology changes in 2015 and thus are only comparable to 2014. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). See the data notes starting on page 119 of the *Doing Business 2016* report for more details on the distance to frontier score.

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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)	175 (Bosnia and Herzegovina)	2 (Macedonia, FYR)	47	1 (New Zealand)
Starting a Business (DTF Score)	63.52 (Bosnia and Herzegovina)	99.86 (Macedonia, FYR)	91.27	99.96 (New Zealand)
Procedures (number)	12.0 (Bosnia and Herzegovina)	1.0 (Macedonia, FYR)	4.7	1.0 (New Zealand*)
Time (days)	67.0 (Bosnia and Herzegovina)	1.0 (Macedonia, FYR)	10.0	0.5 (New Zealand)
Cost (% of income per capita)	21.5 (Tajikistan)	0.1 (Macedonia, FYR*)	4.8	0.0 (Slovenia)
Paid-in min. capital (% of income per capita)	29.8 (San Marino)	0.0 (20 Economies*)	3.8	0.0 (105 Economies*)
Dealing with Construction Permits (rank)	189 (Albania)	10 (Macedonia, FYR)	98	1 (Singapore)
Dealing with Construction Permits (DTF Score)	0.00 (Albania)	83.14 (Macedonia, FYR)	65.23	92.97 (Singapore)
Procedures (number)	27.0 (Tajikistan*)	7.0 (Georgia)	15.9	7.0 (5 Economies*)
Time (days)	617.0 (Cyprus)	48.0 (Georgia)	176.3	26.0 (Singapore)
Cost (% of warehouse value)	19.3 (Bosnia and Herzegovina)	0.2 (Georgia)	4.4	0.0 (Qatar)
Building quality control index (0-15)	0.0 (Albania)	14.0 (4 Economies*)	11.2	15.0 (New Zealand)

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
Getting Electricity (rank)	177 (Tajikistan)	10 (San Marino)	94	1 (Korea, Rep.)
Getting Electricity (DTF Score)	34.79 (Tajikistan)	90.63 (San Marino)	66.24	99.88 (Korea, Rep.)
Procedures (number)	9.0 (Tajikistan)	3.0 (3 Economies*)	5.7	3.0 (14 Economies*)
Time (days)	263.0 (Ukraine)	45.0 (San Marino)	118.5	18.0 (Korea, Rep.*)
Cost (% of income per capita)	1,393.1 (Uzbekistan)	51.2 (Kazakhstan)	440.2	0.0 (Japan)
Reliability of supply and transparency of tariff index (0-8)	0.0 (4 Economies*)	8.0 (Lithuania*)	4.7	8.0 (18 Economies*)
Registering Property (rank)	107 (Albania)	2 (Lithuania)	49	1 (New Zealand)
Registering Property (DTF Score)	58.47 (Albania)	93.04 (Lithuania)	75.32	94.46 (New Zealand)
Procedures (number)	9.0 (Uzbekistan*)	1.0 (Georgia)	5.4	1.0 (4 Economies*)
Time (days)	69.0 (Montenegro)	1.0 (Georgia)	22.0	1.0 (3 Economies*)
Cost (% of property value)	10.4 (Cyprus)	0.0 (Belarus)	2.6	0.0 (Saudi Arabia)
Quality of the land administration index (0-30)	7.5 (Tajikistan)	28.5 (Lithuania)	19.4	28.5 (3 Economies*)
Getting Credit (rank)	181 (San Marino)	7 (3 Economies*)	51	1 (New Zealand)
Getting Credit (DTF Score)	5.00 (San Marino)	85.00 (3 Economies*)	62.20	100.00 (New Zealand)
Strength of legal rights index (0-12)	1.0 (Tajikistan*)	12.0 (Montenegro)	6.2	12.0 (3 Economies*)
Depth of credit information index (0-8)	0.0 (San Marino)	8.0 (3 Economies*)	6.3	8.0 (26 Economies*)
Credit registry coverage (% of adults)	15.9 (Romania)	95.2 (Kosovo)	23.8	100.0 (Portugal)
Credit bureau coverage (% of adults)	9.9 (Bosnia and Herzegovina)	100.0 (Croatia*)	37.4	100.0 (22 Economies*)
Protecting Minority Investors (rank)	122 (San Marino)	8 (Albania)	46	1 (3 Economies*)
Protecting Minority Investors (DTF Score)	45.00 (San Marino)	73.33 (Albania)	61.87	83.33 (3 Economies*)

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
Strength of minority investor protection index (0-10)	4.5 (San Marino)	7.3 (Albania)	6.2	8.3 (3 Economies*)
Extent of conflict of interest regulation index (0-10)	4.0 (Ukraine)	7.7 (4 Economies*)	6.1	9.3 (Singapore*)
Extent of shareholder governance index (0-10)	3.0 (San Marino)	8.0 (Bulgaria*)	6.3	8.0 (4 Economies*)
Paying Taxes (rank)	172 (Tajikistan)	7 (Macedonia, FYR)	73	1 (United Arab Emirates*)
Paying Taxes (DTF Score)	43.53 (Tajikistan)	94.17 (Macedonia, FYR)	76.15	99.44 (United Arab Emirates*)
Payments (number per year)	51.0 (Kyrgyz Republic)	5.0 (Georgia*)	19.2	3.0 (Hong Kong SAR, China*)
Time (hours per year)	423.0 (Bulgaria)	52.0 (San Marino)	232.7	55.0 (Luxembourg)
Total tax rate (% of profit)	81.8 (Tajikistan)	12.9 (Macedonia, FYR)	34.8	25.9 (Ireland)
Trading Across Borders (rank)	170 (Russian Federation)	1 (Romania*)	58	1 (16 Economies*)
Trading Across Borders (DTF Score)	37.39 (Russian Federation)	100.00 (Romania*)	82.42	100.00 (16 Economies*)
Time to export: Border compliance (hours)	133 (Kazakhstan)	0 (3 Economies*)	28	0 (15 Economies*)
Cost to export: Border compliance (USD)	1,125 (Russian Federation)	0 (4 Economies*)	219	0 (18 Economies*)
Time to export: Documentary compliance (hours)	174 (Uzbekistan)	1 (3 Economies*)	31	0 (Jordan)
Cost to export: Documentary compliance (USD)	500 (Russian Federation)	0 (3 Economies*)	144	0 (20 Economies*)
Time to import: Border compliance (hours)	111 (Uzbekistan)	0 (4 Economies*)	23	0 (19 Economies*)
Cost to import: Border compliance (USD)	1,125 (Russian Federation)	0 (8 Economies*)	202	0 (28 Economies*)
Time to import: Documentary compliance (hours)	174 (Uzbekistan)	1 (5 Economies*)	27	1 (21 Economies*)

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
Cost to import: Documentary compliance (USD)	500 (Russian Federation)	0 (8 Economies*)	108	0 (30 Economies*)
Enforcing Contracts (rank)	143 (Cyprus)	3 (Lithuania)	50	1 (Singapore)
Enforcing Contracts (DTF Score)	48.59 (Cyprus)	79.79 (Lithuania)	66.43	84.91 (Singapore)
Time (days)	1,100.0 (Cyprus)	225.0 (Uzbekistan)	480.7	150.0 (Singapore)
Cost (% of claim)	47.0 (Kyrgyz Republic)	13.9 (San Marino)	26.2	9.0 (Iceland)
Quality of judicial processes index (0-18)	4.5 (Kyrgyz Republic)	15.5 (Macedonia, FYR)	10.5	15.5 (3 Economies*)
Resolving Insolvency (rank)	163 (Kosovo)	17 (Cyprus)	74	1 (Finland)
Resolving Insolvency (DTF Score)	20.30 (Kosovo)	79.04 (Cyprus)	51.06	93.81 (Finland)
Recovery rate (cents on the dollar)	8.3 (Ukraine)	71.4 (Cyprus)	38.3	92.9 (Japan)
Time (years)	4.5 (Turkey)	1.4 (Montenegro)	2.3	0.4 (Ireland)
Cost (% of estate)	42.0 (Ukraine)	5.0 (San Marino)	13.2	1.0 (Norway)
Strength of insolvency framework index (0-16)	0.0 (Kosovo)	15.0 (Bosnia and Herzegovina)	9.7	15.0 (4 Economies*)

* 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).
Note: The global best performer on time for paying taxes is defined as the lowest time recorded among all economies in the DB2016 sample that levy the 3 major taxes: profit tax, labor taxes and mandatory contributions, and VAT or sales tax.
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 can 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 registration 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 (or within 3 months). The ranking of economies on the ease of starting a business is determined by sorting their distance to frontier scores for starting a business. These scores are the simple average of the distance to frontier scores for each of the component indicators.

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 limited liability company, located in the largest business city[1], is 100% domestically owned with between 10 and 50 employees.
- Conducts general commercial or industrial activities.
- Has a start-up capital of 10 times income per capita.
- 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[1]

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 recorded as ½ day.

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

No professional fees unless services required by law

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

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

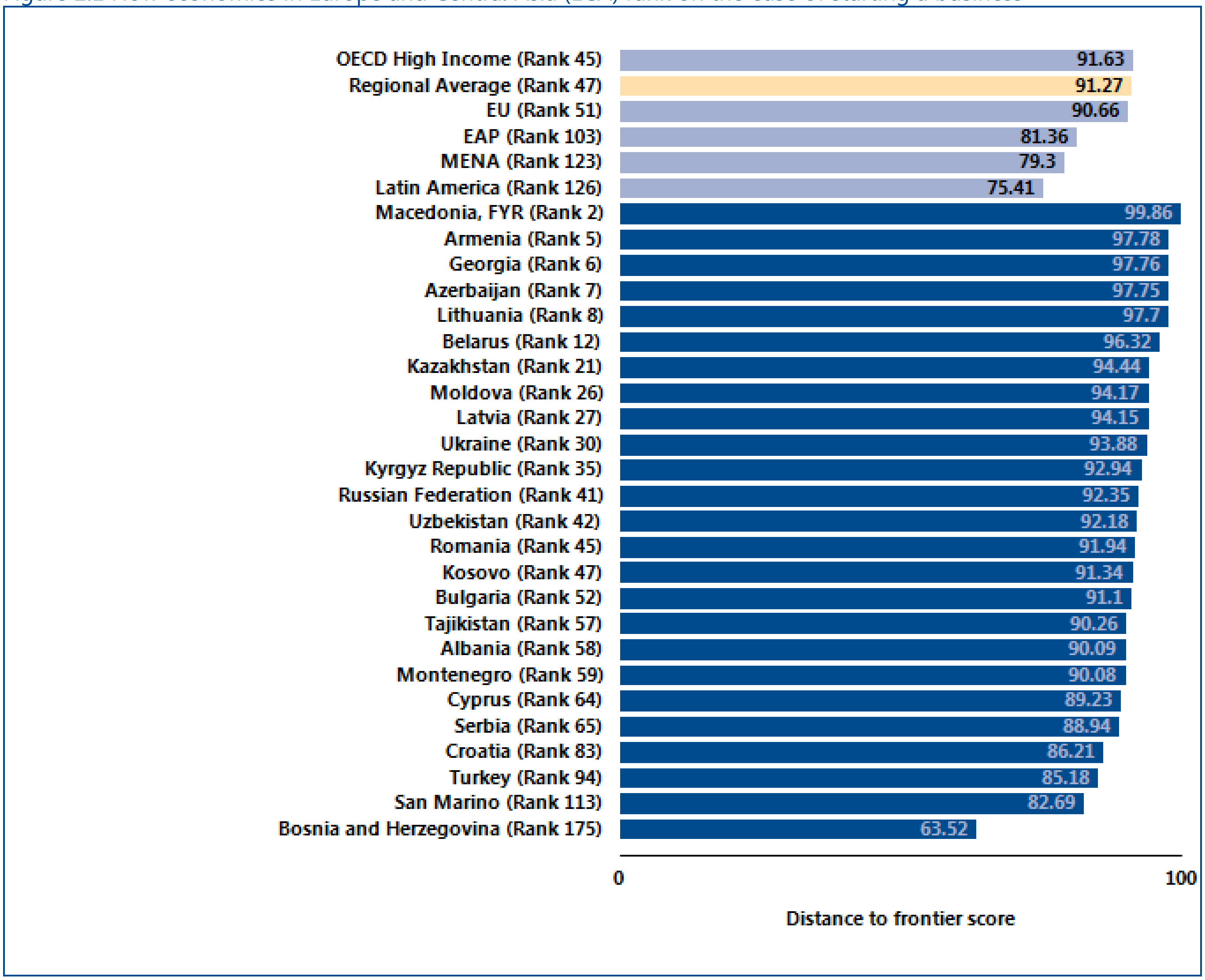
[1] For the 11 economies with a population of more than 100 million, data for a second city have been added.

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



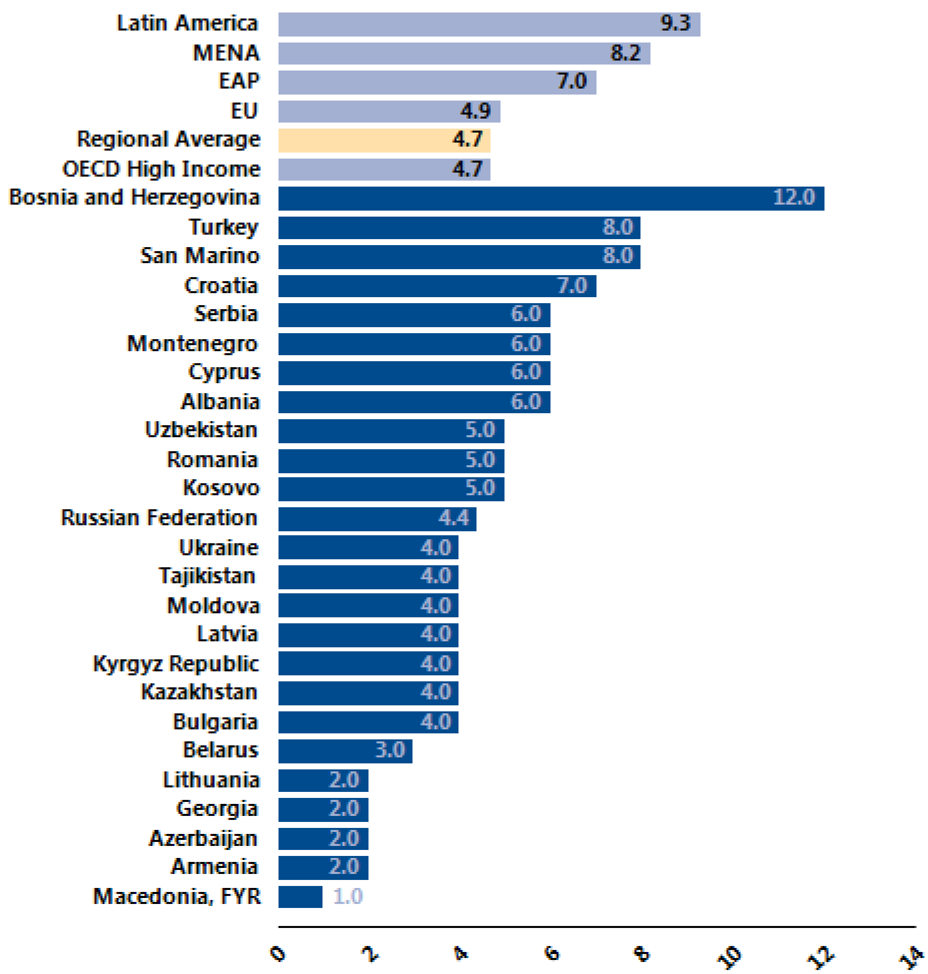
Source: Doing Business database.

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)



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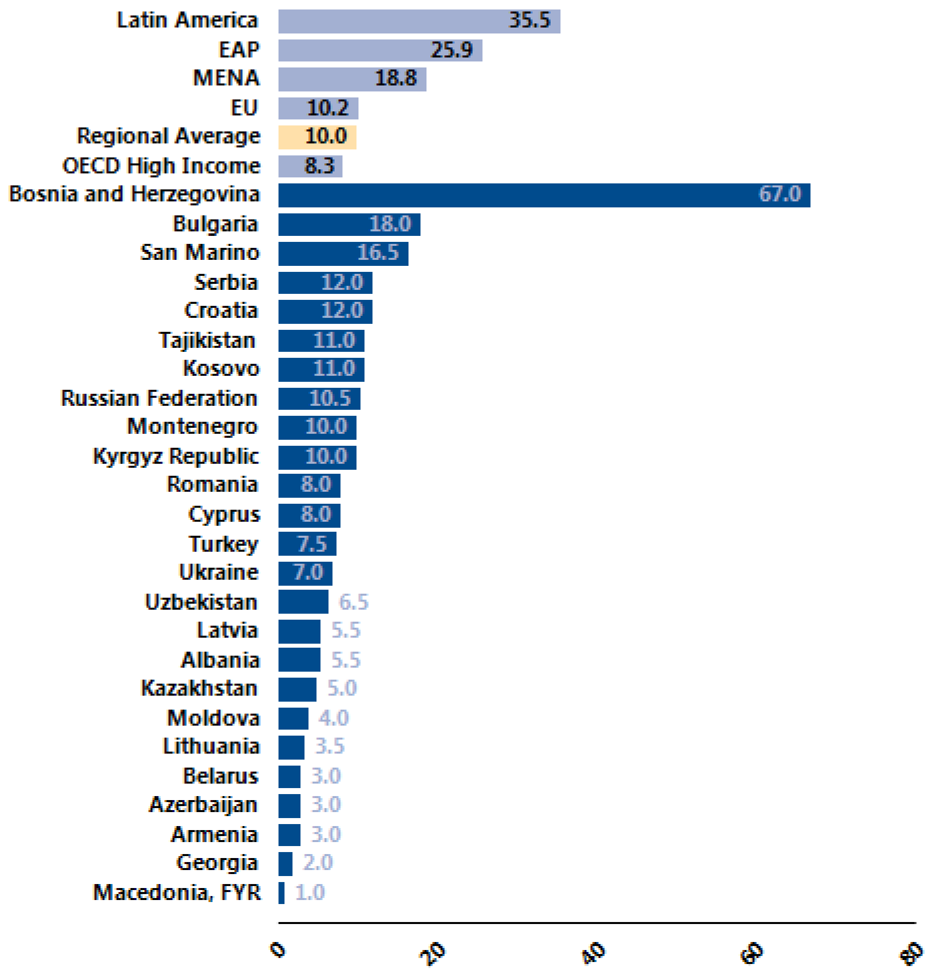
Time (days)



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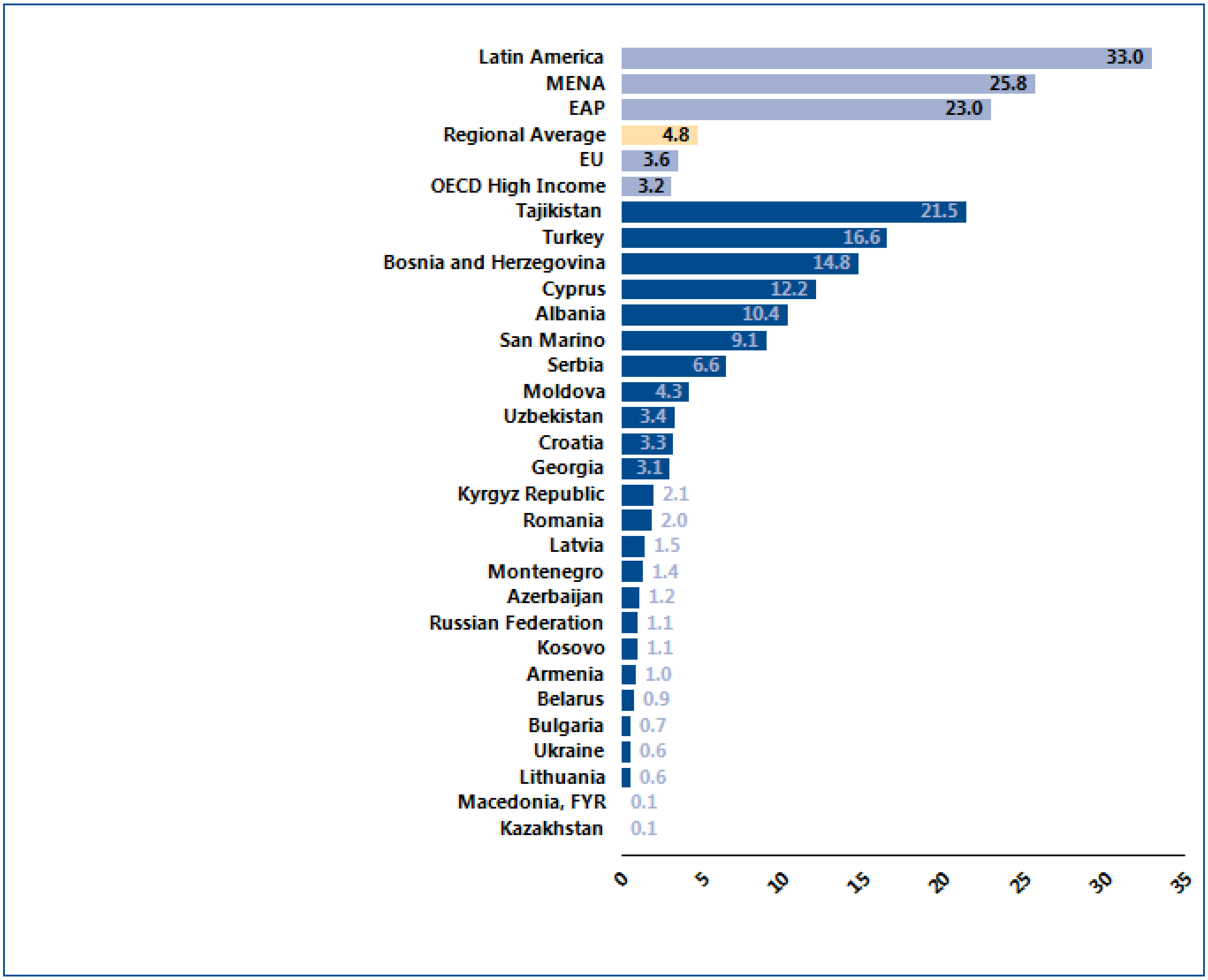
Cost (% of income per capita)



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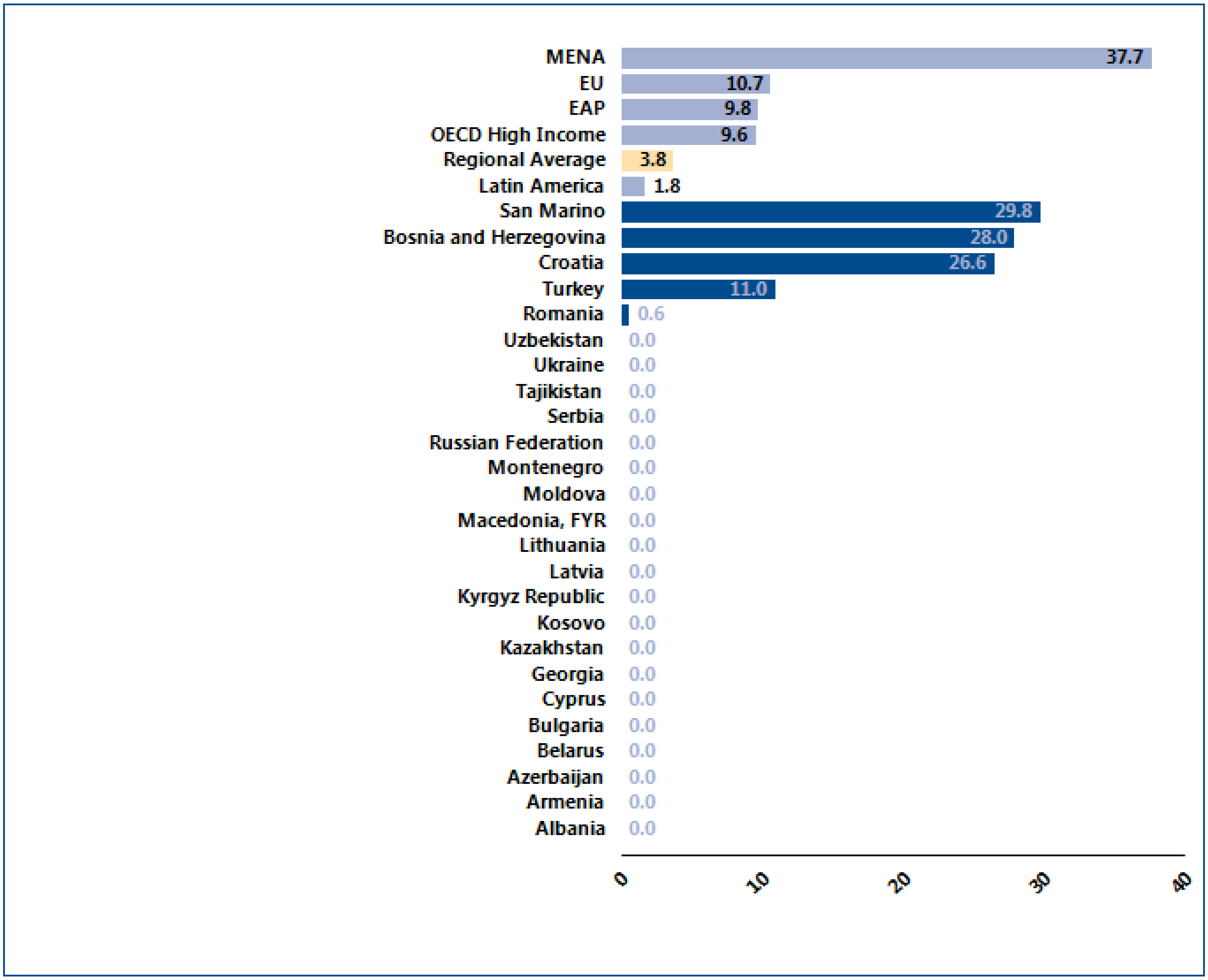
Paid-in minimum capital (% of income per capita)



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 DB2011 to DB2016

DB year	Economy	Reform
DB2016	*Azerbaijan*	Azerbaijan made starting a business easier by abolishing the requirement to use a corporate seal.
DB2016	*Belarus*	Belarus made starting a business simpler by expanding the geographic coverage of online registration and improving online services.
DB2016	*Kazakhstan*	Kazakhstan made starting a business simpler by eliminating registration fees for small and medium-size firms, shortening registration times and eliminating the legal requirement to use a company seal.
DB2016	*Lithuania*	Lithuania made starting a business easier by introducing online VAT registration.
DB2016	*Moldova*	Moldova made starting a business easier by eliminating an inspection by the Territorial State Fiscal Inspectorate.
DB2016	*Macedonia, FYR*	The former Yugoslav Republic of Macedonia made starting a business simpler by introducing compulsory online registration carried out by certified agents.
DB2016	*Russian Federation*	The Russian Federation made starting a business in Moscow easier by reducing the number of days required to open a corporate bank account.
DB2016	*San Marino*	San Marino made starting a business easier by encouraging the use of the online system for obtaining the operator code and business license.
DB2016	*Ukraine*	Ukraine made starting a business easier by reducing the time required for VAT registration and by eliminating business registration fees.
DB2016	*Uzbekistan*	Uzbekistan made starting a business easier by introducing an online one-stop shop and streamlining registration

DB year	Economy	Reform
		procedures.
DB2015	*Albania*	Albania made starting a business easier by lowering registration fees.
DB2015	*Armenia*	Armenia made starting a business easier by streamlining postregistration procedures.
DB2015	*Azerbaijan*	Azerbaijan made starting a business easier by reducing the time to obtain an electronic signature for online tax registration.
DB2015	*Bulgaria*	Bulgaria made starting a business easier by lowering registration fees.
DB2015	*Croatia*	Croatia made starting a business easier by reducing notary fees.
DB2015	*Lithuania*	Lithuania made starting a business easier by eliminating the need to have a company seal and speeding up the value added tax (VAT) registration at the State Tax Inspectorate.
DB2015	*Latvia*	Latvia made starting a business more difficult by increasing registration fees, bank fees and notary fees.
DB2015	*Moldova*	Moldova made starting a business easier by abolishing the minimum capital requirement.
DB2015	*Macedonia, FYR*	The former Yugoslav Republic of Macedonia made starting a business easier by making online registration free of charge.
DB2015	*Russian Federation*	The Russian Federation made starting a business easier by eliminating the requirement to deposit the charter capital before company registration as well as the requirement to notify tax authorities of the opening of a bank account. This reform applies to both Moscow and St. Petersburg.
DB2015	*Tajikistan*	Tajikistan made starting a business easier by enabling the Statistics Agency to issue the statistics code for the new business at the time of registration.
DB2015	*Turkey*	Turkey made starting a business more difficult by increasing the notary and company registration fees.
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.

DB year	Economy	Reform
DB2014	*Kazakhstan*	Kazakhstan made starting a business easier by reducing the time it takes to register a company at the Public Registration Center.
DB2014	*Kosovo*	Kosovo made starting a business easier by creating a one-stop shop for incorporation.
DB2014	*Lithuania*	Lithuania made starting a business easier by creating a new form of limited liability company with no minimum capital requirement.
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	*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.
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	*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

DB year	Economy	Reform
		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.
DB2012	*Montenegro*	Montenegro made starting a business easier by implementing a one-stop shop.
DB2012	*Uzbekistan*	Uzbekistan made starting a business easier by reducing the minimum capital requirement, eliminating 1 procedure and reducing the cost of registration.
DB2012	*Ukraine*	Ukraine made starting a business easier by eliminating the requirement to obtain approval for a new corporate seal.
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.
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	*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	*Georgia*	Georgia simplified business start-up by eliminating the requirement to visit a bank to pay the registration fees.

DB year	Economy	Reform
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	*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.
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	*Bulgaria*	Bulgaria eased business start-up by reducing the minimum capital requirement from 5,000 leva ($3,250) to 2 leva ($1.30).
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	*Lithuania*	Lithuania tightened the time limit for completing the registration of a company.
DB2011	*Kyrgyz Republic*	The Kyrgyz Republic eased business start-up by eliminating the requirement to have the signatures of company founders notarized.
DB2011	*Macedonia, FYR*	FYR Macedonia made it easier to start a business by further improving its one-stop shop.
DB2011	*Ukraine*	Ukraine eased business start-up by substantially reducing the minimum capital requirement.
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	*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.
DB2011	*Montenegro*	Montenegro eliminated several procedures for business start-up by introducing a single registration form for submission to the tax administration.
DB2010	*Montenegro*	Montenegro made starting a business easier by simplifying the postregistration process—including tax, social security and employment registration—as well as the process of obtaining a municipal license.
DB2010	*Serbia*	Serbia made starting a business easier by creating a one-stop shop for company registration.

DB year	Economy	Reform
DB2010	*Tajikistan*	Tajikistan made starting a business easier by reducing the minimum capital requirement and speeding up the issuance of tax identification numbers.
DB2010	*Macedonia, FYR*	FYR Macedonia made starting a business easier by integrating procedures at a one-stop shop.
DB2010	*Moldova*	Moldova made starting a business easier by implementing an expedited company registration service and making the authentication of specimen signatures when opening a corporate bank account optional.
DB2010	*Kyrgyz Republic*	The Kyrgyz Republic made starting a business easier by eliminating the minimum capital requirement, reducing the registration time and abolishing certain postregistration fees as well as the need to open a bank account before registration.
DB2010	*Kazakhstan*	Kazakhstan made starting a business easier by simplifying documentation requirements and eliminating the requirement to register at the local tax office.
DB2010	*Bulgaria*	Bulgaria made starting a business easier by reducing the paid-in minimum capital requirement and enhancing efficiency at the company registry.
DB2010	*Belarus*	Belarus made starting a business easier by simplifying registration formalities, abolishing the minimum capital requirement, limiting the role of notaries and eliminating the need for approval of the company seal.
DB2010	*Armenia*	Armenia made starting a business easier by making the registration forms available online and by eliminating the minimum capital requirement and the requirement to obtain approval from the National Police Department to prepare the company seal.
DB2010	*Albania*	Albania made business start-up easier by making registration electronic and enhancing capacity at the registry, reducing the minimum capital requirement and eliminating the requirement to register at the chamber of commerce.

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 all procedures required for a business in the construction industry to build a warehouse along with the time and cost to complete each procedure. In addition, this year Doing Business introduces a new measure, the building quality control index, evaluating the quality of building regulations, the strength of quality control and safety mechanisms, liability and insurance regimes, and professional certification requirements.

The ranking of economies on the ease of dealing with construction permits is determined by sorting their distance to frontier scores for dealing with construction permits. These scores are the simple average of the distance to frontier scores for each of the component indicators.

To make the data comparable across economies, several assumptions about the construction company, the warehouse project and the utility connections are used.

Assumptions about the construction company

The construction company (BuildCo):

- Is a limited liability company (or its legal equivalent).
- Operates in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is 100% domestically and privately owned with five owners, none of whom is a legal entity.
- Is fully licensed and insured to carry out construction projects, such as building warehouses.

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 and sewerage

Registering and selling the warehouse after its completion

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 recorded as ½ day

Procedure considered completed once final document is received

No prior contact with officials

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

Official costs only, no bribes

Building quality control index (0-15)

Sum of the scores of six component indices:

Quality of building regulations (0-2)

Quality control before construction (0-1)

Quality control during construction (0-3)

Quality control after construction (0-3)

Liability and insurance regimes (0-2)

Professional certifications (0-4)

The construction company (BuildCo) (*continued*):

- Has 60 builders and other employees, all of them nationals with the technical expertise and professional experience necessary to obtain construction permits and approvals.
- Has at least one employee who is a licensed architect or engineer and registered with the local association of architects or engineers. BuildCo is not assumed to have any other employees who are technical or licensed experts, such as geological or topographical experts.
- Has paid all taxes and taken out all necessary insurance applicable to its general business activity (for example, accidental insurance for construction workers and third-person liability).
- Owns the land on which the warehouse will be built and will sell the warehouse upon its completion.
- Is valued at 50 times income per capita.

Assumptions about the warehouse

- The warehouse:
- Will be used for general storage activities, such as storage of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- Will have two stories, both above ground, with a total constructed area of approximately 1,300.6 square meters (14,000 square feet). Each floor will be 3 meters (9 feet, 10 inches) high.
- Will have road access and be located in the periurban area of the economy's largest business city (that is, on the fringes of the city but still within its official limits). For 11 economies the data are also collected for the second largest business city.
- Will not be located in a special economic or industrial zone. Will be located on a land plot of approximately 929 square meters (10,000 square feet) that is 100% owned by BuildCo and is accurately registered in the cadastre and land registry.
- Will be a new construction (there was no previous construction on the land), with no trees, natural water sources, natural reserves or historical monuments of any kind on the plot.
- Will have complete architectural and technical plans prepared by a licensed architect. If preparation of the plans requires such steps as obtaining further documentation or getting prior approvals from external agencies, these are counted as procedures.
- Will include all technical equipment required to be fully operational.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

Assumptions about the utility connections

The water and sewerage connections:
- Will be 150 meters (492 feet) from the existing water source and sewer tap. If there is no water delivery infrastructure in the economy, a borehole will be dug. If there is no sewerage infrastructure, a septic tank in the smallest size available will be installed or built.

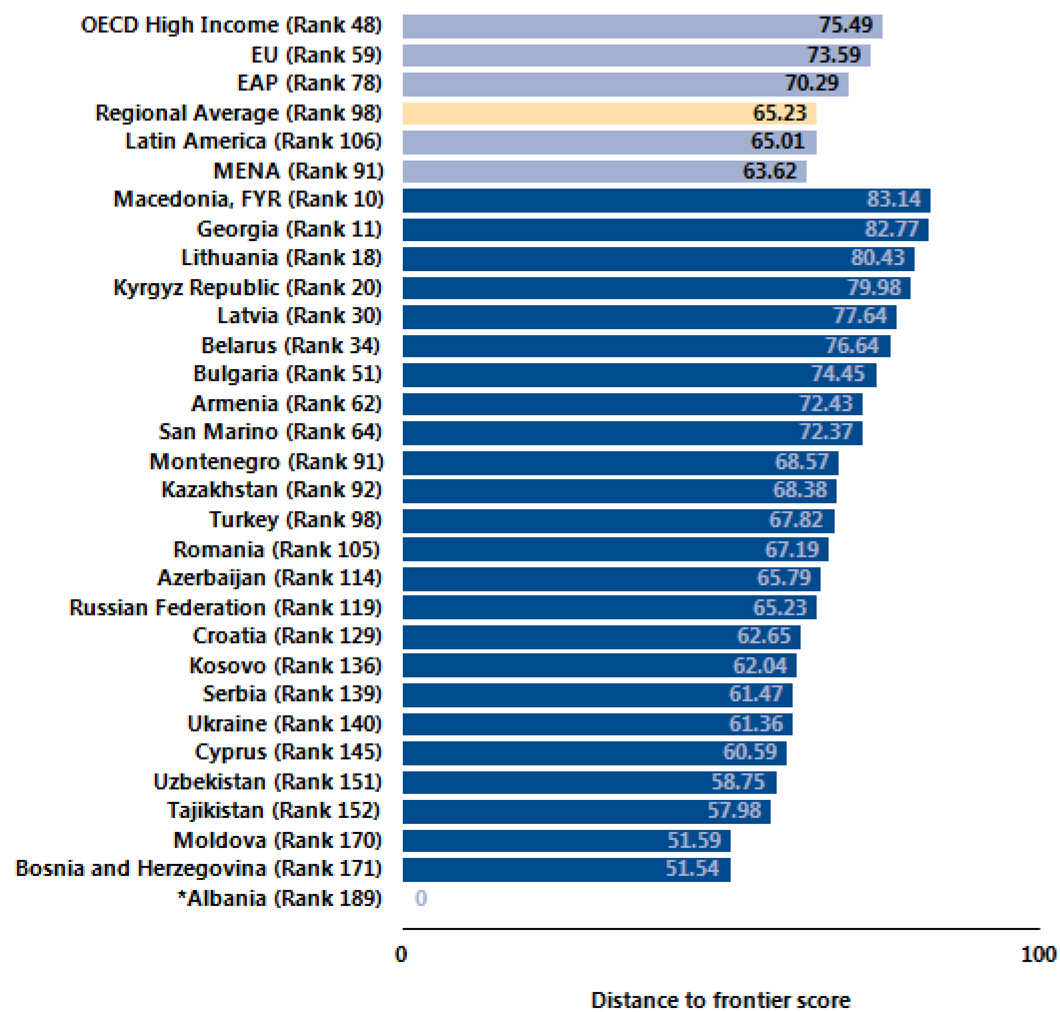
- Will not require water for fire protection reasons; a fire extinguishing system (dry system) will be used instead. If a wet fire protection system is required by law, it is assumed that the water demand specified below also covers the water needed for fire protection.
- Will have an average water use of 662 liters (175 gallons) a day and an average wastewater flow of 568 liters (150 gallons) a day. Will have a peak water use of 1,325 liters (350 gallons) a day and a peak wastewater flow of 1,136 liters (300 gallons) a day.
- Will have a constant level of water demand and wastewater flow throughout the year.
- Will be 1 inch in diameter for the water connection and 4 inches in diameter for the sewerage connection.

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



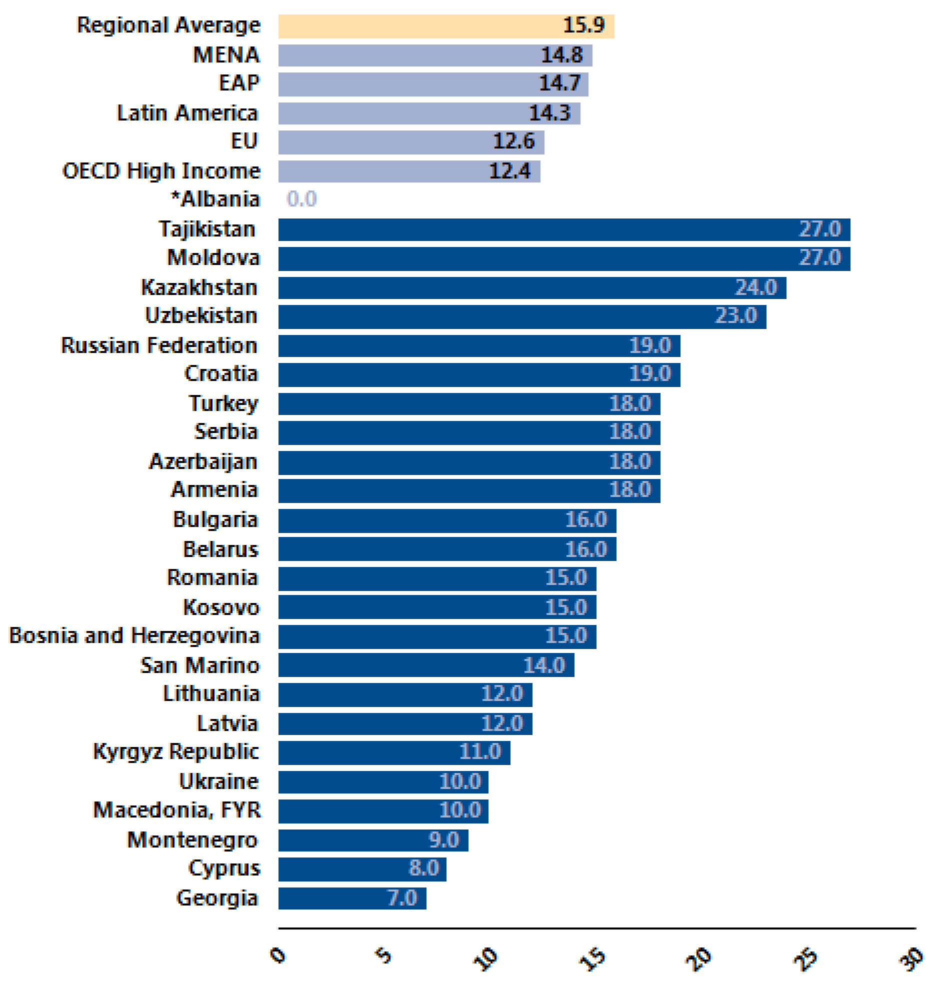
Source: Doing Business database.

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.

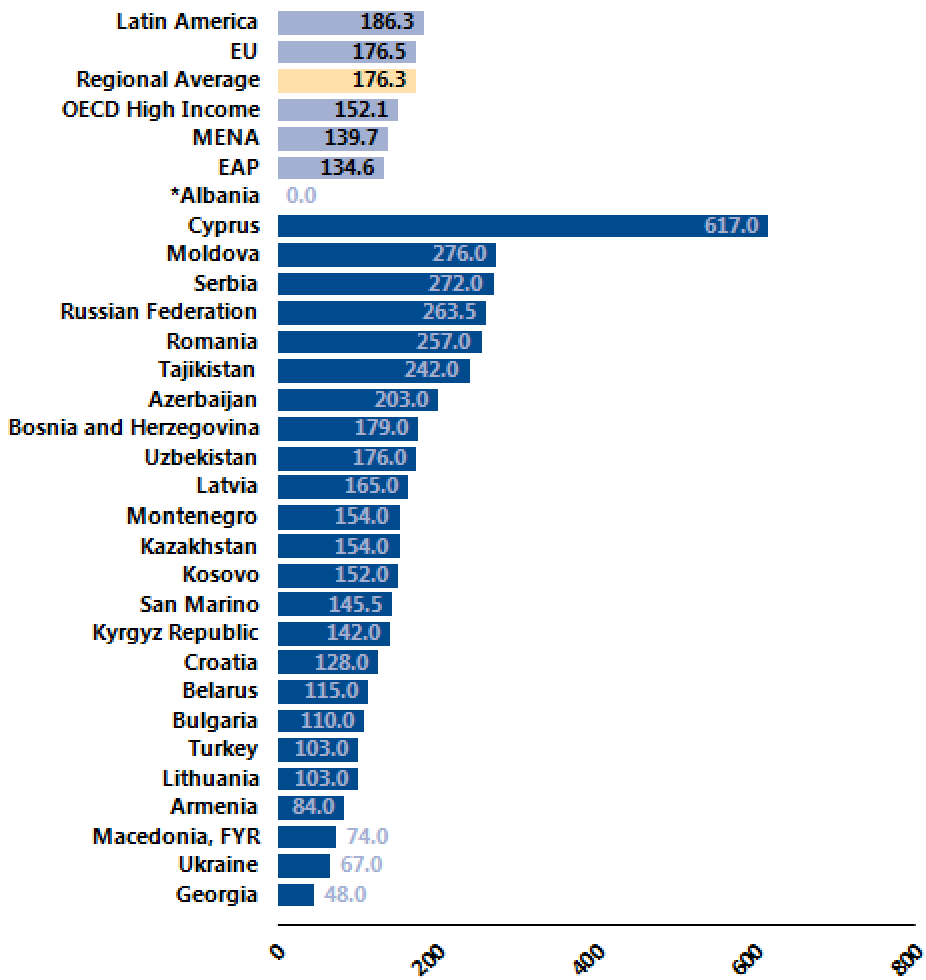
Figure 3.2 What it takes to comply with formalities to build a warehouse in economies in Europe and Central Asia (ECA)

Procedures (number)



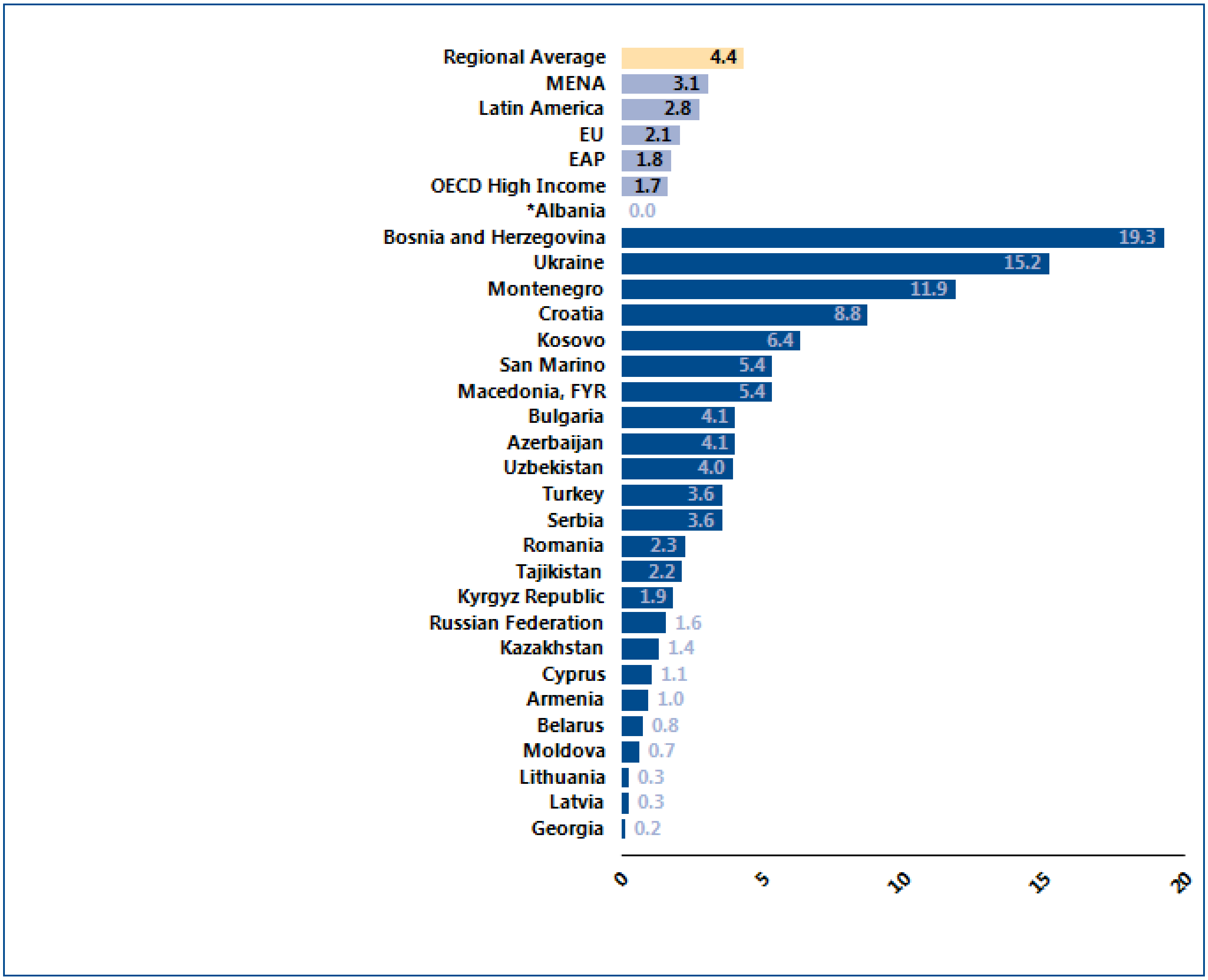
DEALING WITH CONSTRUCTION PERMITS

Time (days)



DEALING WITH CONSTRUCTION PERMITS

Cost (% of warehouse value)

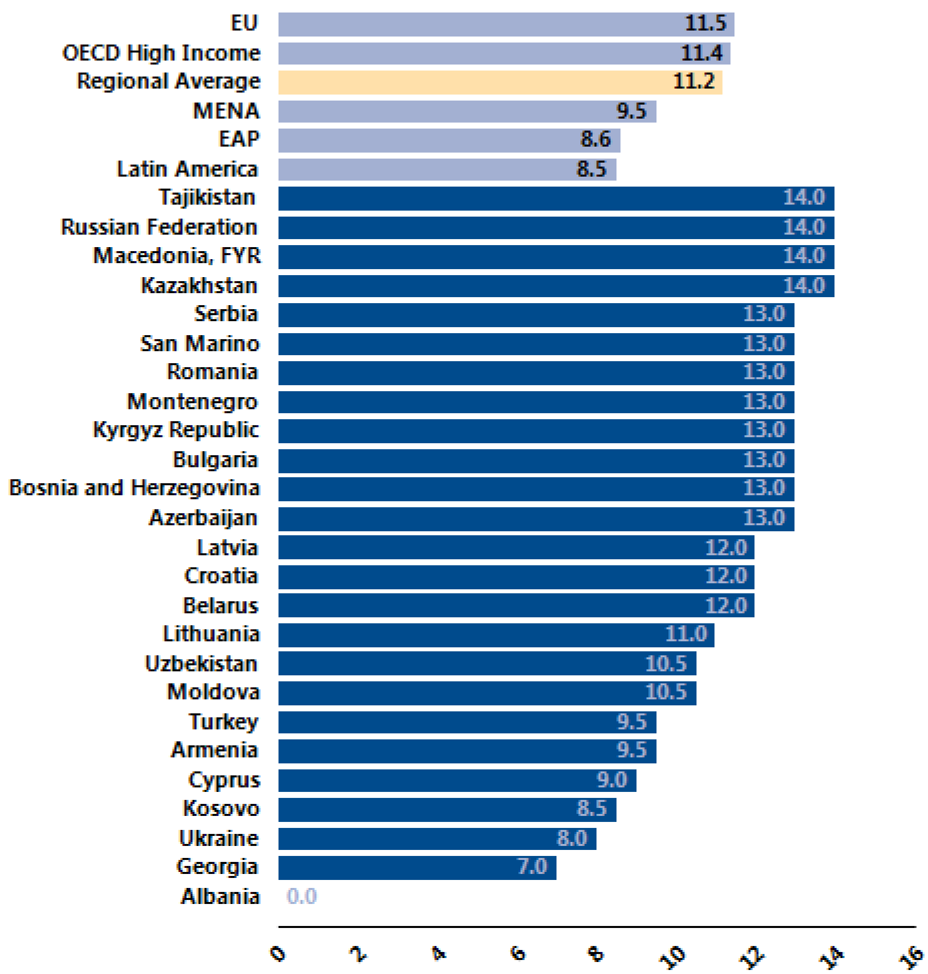


* Indicates a "no practice" mark. If an economy has no laws or regulations covering a specific area—for example, insolvency—it receives a "no practice" mark. Similarly, an economy receives a "no practice" or "not possible" mark if regulation exists but is never used in practice or if a competing regulation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

Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

Building Quality Control Index (0-15)



* Indicates a "no practice" mark. 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.
Note: The index ranges from 0 to 15, with higher values indicating better quality control and safety mechanisms in the construction permitting system. The indicator is based on the same case study assumptions as the measures of efficiency.
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 DB2011 to DB2016

DB year	Economy	Reform
DB2016	*Albania*	Albania made dealing with construction permits more difficult by suspending the issuance of building permits.
DB2016	*Armenia*	Armenia made dealing with construction permits easier by exempting lower-risk projects from requirements for approval of the architectural drawings by an independent expert and for technical supervision of the construction.
DB2016	*Azerbaijan*	Azerbaijan made dealing with construction permits easier by establishing a one-stop shop for issuing preapprovals for project documentation.
DB2016	*Georgia*	Georgia made dealing with construction permits easier by reducing the time needed for issuing building permits.
DB2016	*Kazakhstan*	Kazakhstan made dealing with construction permits easier by eliminating the requirement to obtain a topographic survey of the land plot.
DB2016	*Latvia*	Latvia made dealing with construction permits more time-consuming by increasing the time required to obtain a building permit—despite having streamlined the process by having the building permit issued together with the architectural planning conditions.
DB2016	*Montenegro*	Montenegro made dealing with construction permits easier by reducing the time needed to issue building permits.
DB2016	*Serbia*	Serbia made dealing with construction permits less costly by eliminating the land development tax for warehouses. On the other hand, it also introduced a mandatory inspection of foundation works.

DB year	Economy	Reform
DB2016	*Turkey*	Turkey made dealing with construction permits easier by streamlining the process to obtain the fire clearance.
DB2015	*Albania*	Albania made dealing with construction permits easier by resuming the issuance of construction permits and by consolidating the land permit and construction permit into a single construction development permit.
DB2015	*Croatia*	Croatia made dealing with construction permits easier by reducing the requirements and fees for building permits and carrying out the final building inspection more promptly.
DB2015	*Kosovo*	Kosovo made dealing with construction permits easier by establishing a new phased inspection scheme and substantially reducing the building permit fee.
DB2015	*Lithuania*	Lithuania made dealing with construction permits easier by reducing the time required for processing building permit applications.
DB2015	*Montenegro*	Montenegro made dealing with construction permits substantially less costly by reducing the fee for the provision of utilities on construction land and eliminating the fee for obtaining urban development and technical requirements from the municipality.
DB2015	*Tajikistan*	Tajikistan made dealing with construction permits less costly by reducing the fee to obtain the architectural planning assignment.
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	*Kosovo*	Kosovo made dealing with construction permits easier by eliminating the requirement for validation of the main construction project, eliminating fees for technical approvals from the municipality and reducing the building permit fee.
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

DB year	Economy	Reform
		building and by authorizing the municipality to register the building on behalf of the owner.
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	*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.
DB2013	*Russian Federation*	Russia made obtaining a construction permit simpler by eliminating requirements for several preconstruction approvals.
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
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.
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.

DB year	Economy	Reform
DB2012	*Armenia*	Armenia made dealing with construction permits easier by eliminating the requirement to obtain an environmental impact assessment for small projects.
DB2011	*Kazakhstan*	Kazakhstan made dealing with construction permits easier by implementing a one-stop shop related to technical conditions for utilities.
DB2011	*Croatia*	Croatia replaced the location permit and project design confirmation with a single certificate, simplifying and speeding up the construction permitting process.
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.
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.
DB2010	*Tajikistan*	Tajikistan made dealing with construction permits easier and less time consuming by eliminating several procedures.
DB2010	*Montenegro*	Montenegro improved its construction permitting system by implementing a new construction law, reducing the number of procedures, providing for new mechanisms of building permit approval and building control and introducing a risk-based approval system in which small-scale projects are handled by the local municipality.
DB2010	*Uzbekistan*	Uzbekistan made dealing with construction permits less costly by reducing the building permit fees.
DB2010	*Georgia*	Georgia made dealing with construction permits easier by simplifying the process of obtaining confirmation from utilities, introducing a risk-based approval process for building permits and setting new time limits for issuance of the occupancy certificate.
DB2010	*Kazakhstan*	Kazakhstan made dealing with construction permits easier by eliminating the requirement to pay for a new electrical connection, tightening time limits for the issuance of

DB year	Economy	Reform
		building permits and reducing the cost of topographic surveys.
DB2010	*Croatia*	Croatia improved its construction permitting process through the operation of a one-stop shop and enforcement of the building code.
DB2010	*Kyrgyz Republic*	The Kyrgyz Republic made dealing with construction permits easier by streamlining the fee structure, introducing a risk-based system of approval and construction supervision, allowing low-risk projects to take responsibility for construction supervision and simplifying the process of obtaining utility connections.
DB2010	*Macedonia, FYR*	FYR Macedonia reduced the time required for dealing with construction permits through changes in the permitting process.
DB2010	*Romania*	Romania made dealing with construction permits more costly by introducing a new fee.
DB2010	*Belarus*	Belarus made dealing with construction permits easier by simplifying the environmental and project design approval processes.
DB2010	*Bosnia and Herzegovina*	Bosnia and Herzegovina improved its construction permitting system by reducing the time needed to register a new building at the courts and land cadastre.

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. In addition, this year Doing Business adds two new measures: the reliability of supply and transparency of tariffs index (included in the aggregate distance to frontier score and ranking on the ease of doing business) and the price of electricity (omitted from these aggregate measures). The ranking of economies on the ease of getting electricity is determined by sorting their distance to frontier scores for getting electricity. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, several assumptions are used.

Assumptions about the warehouse

The warehouse:

- Is owned by a local entrepreneur.
- Is located in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is located in an area where similar warehouses are typically located. In this area a new electricity connection is not eligible for a special investment promotion regime (offering special subsidization or faster service, for example), and located in an area with no physical constraints. For example, the property is not near a railway.
- Is a new construction and is being connected to electricity for the first time.

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

The reliability of supply and transparency of tariffs index

Sum of the scores of six component indices:

Duration and frequency of outages

Tools to monitor power outages

Tools to restore power supply

Regulatory monitoring of utilities' performance

Financial deterrents aimed at limiting outages

Transparency and accessibility of tariffs

Price of electricity (cents per kilowatt-hour)*

Price based on monthly bill for commercial warehouse in case study

**Price of electricity is not included in the calculation of distance to frontier nor ease of doing business ranking*

The warehouse (*continued)*:

- Has two stories, both above ground, with a total surface area of approximately 1,300.6 square meters (14,000 square feet). The plot of land on which it is built is 929 square meters (10,000 square feet).
- Is used for storage of goods.

Assumptions about the electricity connection

The electricity connection:

- Is a permanent one.
- Is a three-phase, four-wire Y, 140-kilovolt-ampere (kVA) (subscribed capacity) connection (where the voltage is 120/208 V, the current would be 400 amperes; where it is 230/400 B, the current would be nearly 200 amperes).
- Is 150 meters long. The connection is to either the low-voltage or the medium-voltage distribution network and either overhead or underground, whichever is more common in the area where the warehouse is located.
- Requires works that involve the crossing of a 10-meter road (such as by excavation or overhead lines) but are all carried out on public land. There is no crossing of other owners' private property because the warehouse has access to a road.
- Includes only a negligible length in the customer's private domain.
- Will supply monthly electricity consumption of 26,880 kilowatt-hours (kWh).
- Does not involve work to install the internal electrical wiring. This has already been completed, up to and including the customer's service panel or switchboard and installation of the meter base.

Assumptions about the monthly consumption

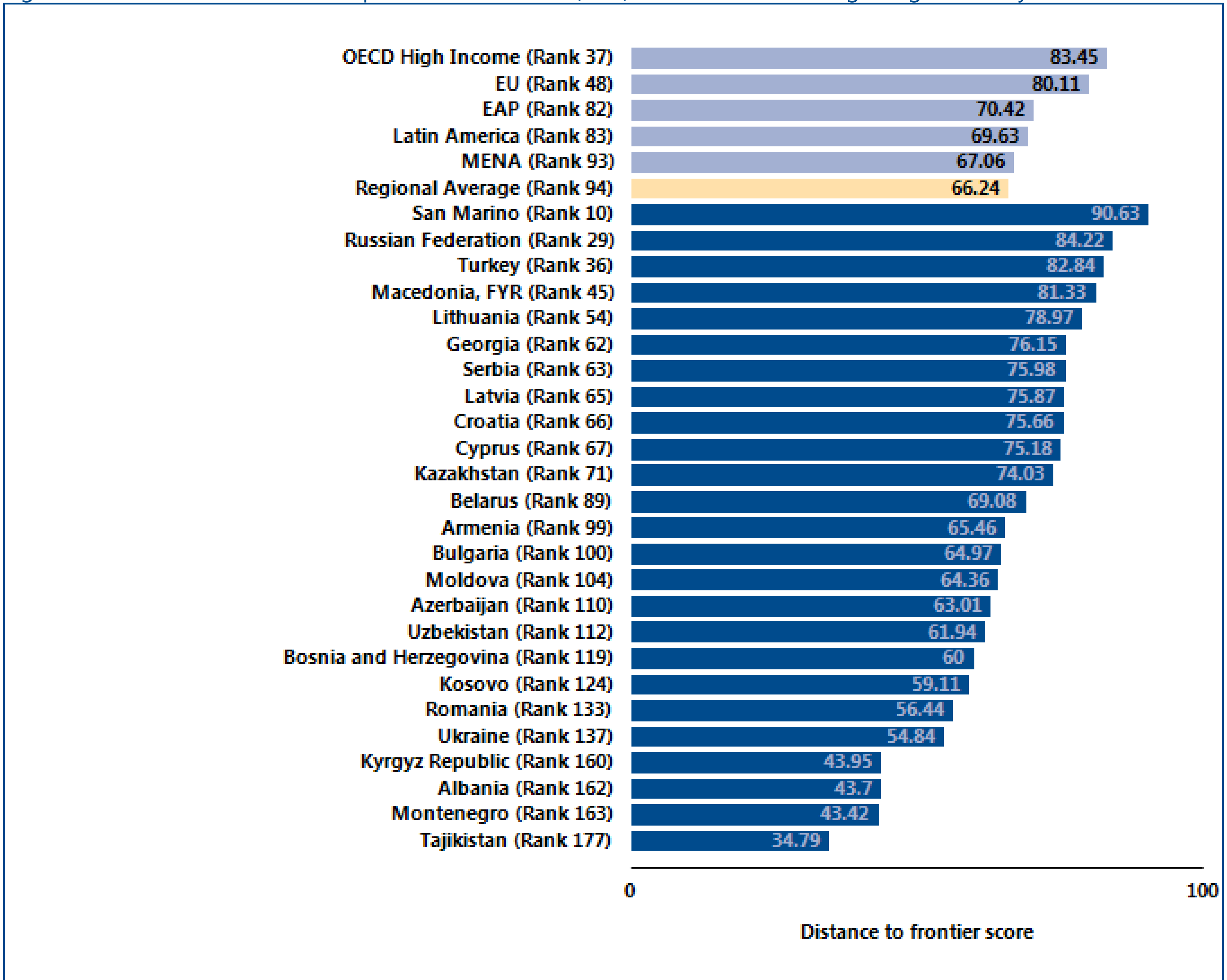
- It is assumed that the warehouse operates 8 hours a day for 30 days a month, with equipment utilized at 80% of capacity on average, and that there are no electricity cuts (assumed for simplicity). The subscribed capacity of the warehouse is 140 kVA, with a power factor of 1 (1 kVA = 1 kW). The monthly energy consumption is therefore 26,880 kWh, and the hourly consumption 112 kWh (26,880 kWh/30 days/8 hours).
- If multiple electricity suppliers exist, the warehouse is served by the cheapest supplier.
- Tariffs effective in March of the current year are used for calculation of the price of electricity for the warehouse.

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



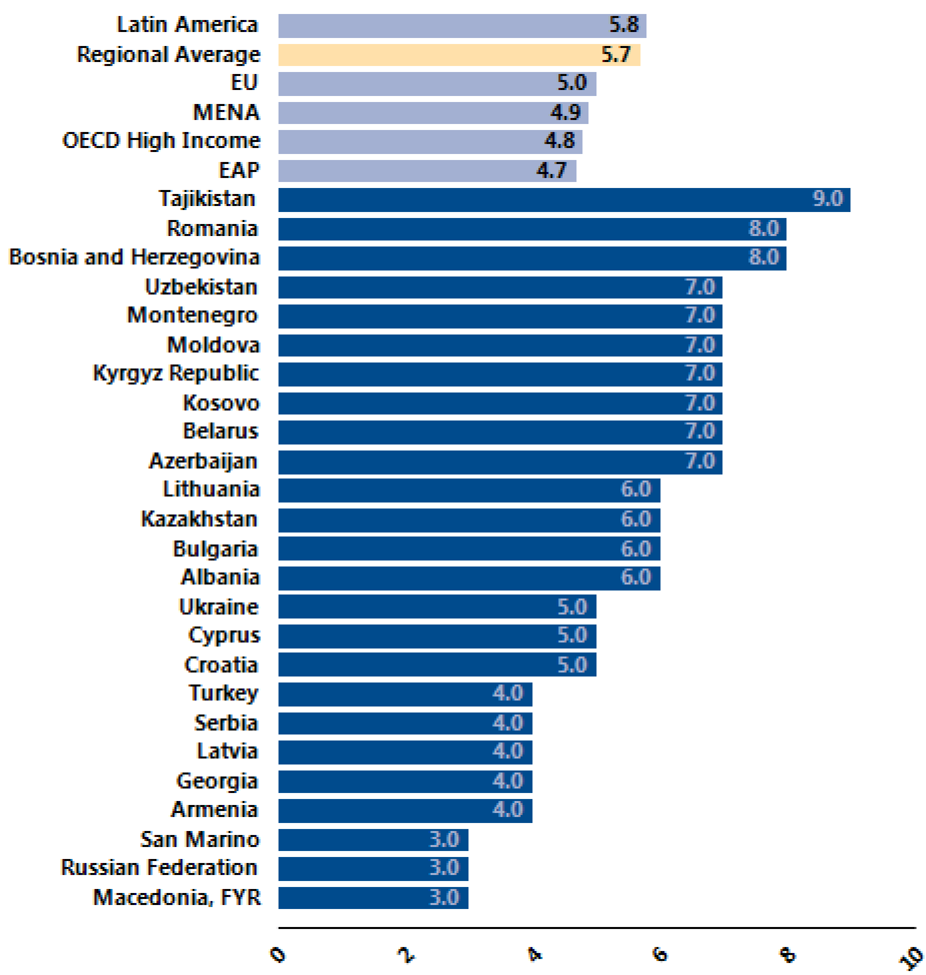
Source: Doing Business database.

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.

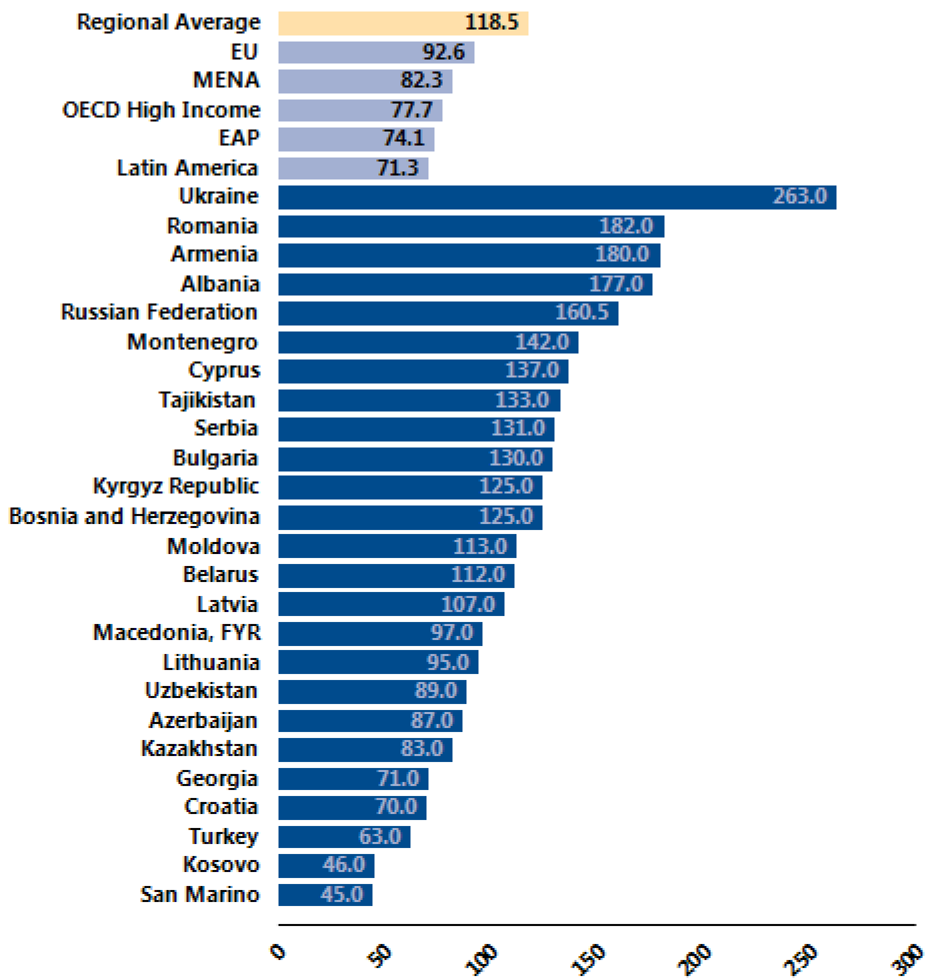
Figure 4.2 What it takes to get an electricity connection in economies in Europe and Central Asia (ECA)

Procedures (number)



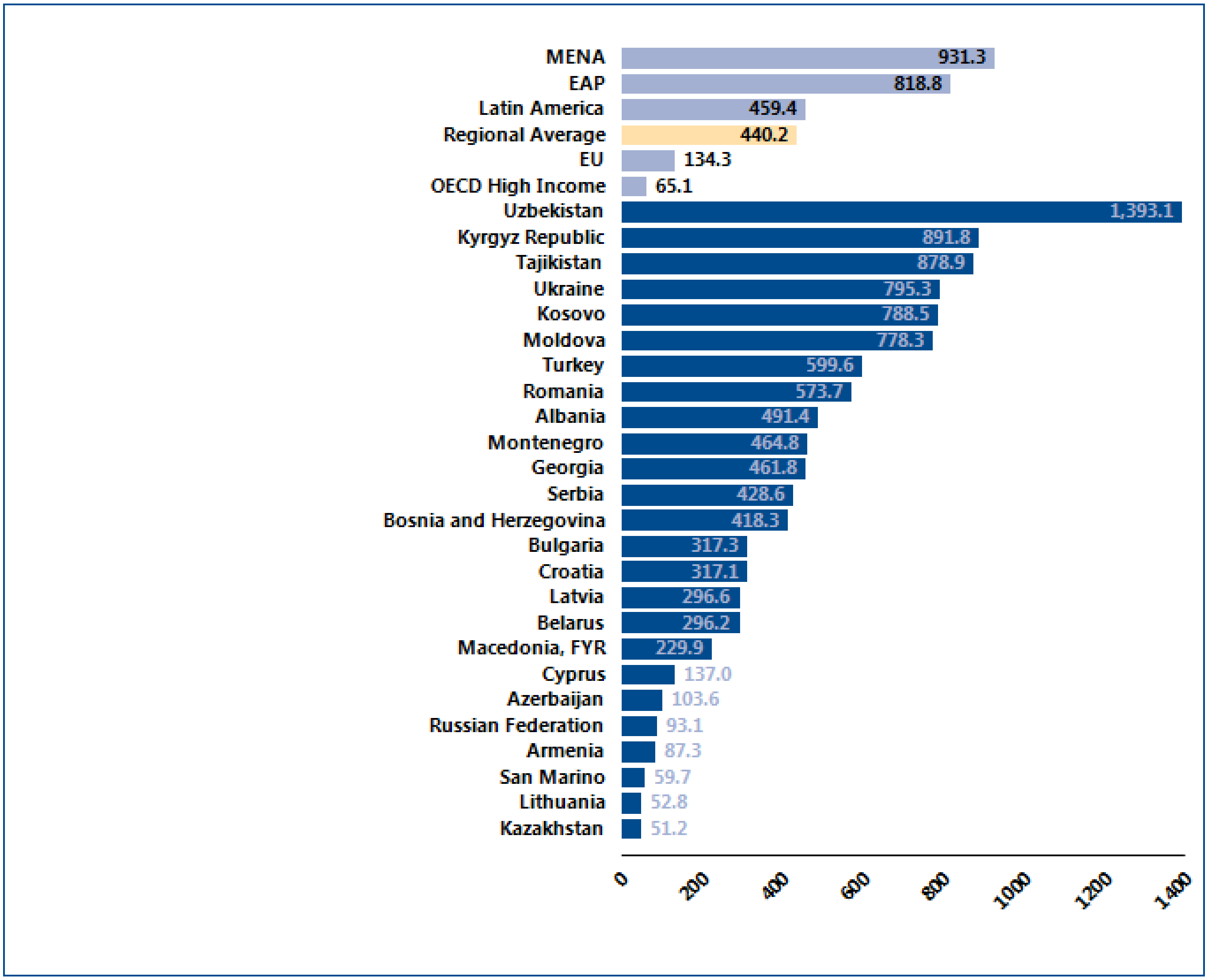
GETTING ELECTRICITY

Time (days)



GETTING ELECTRICITY

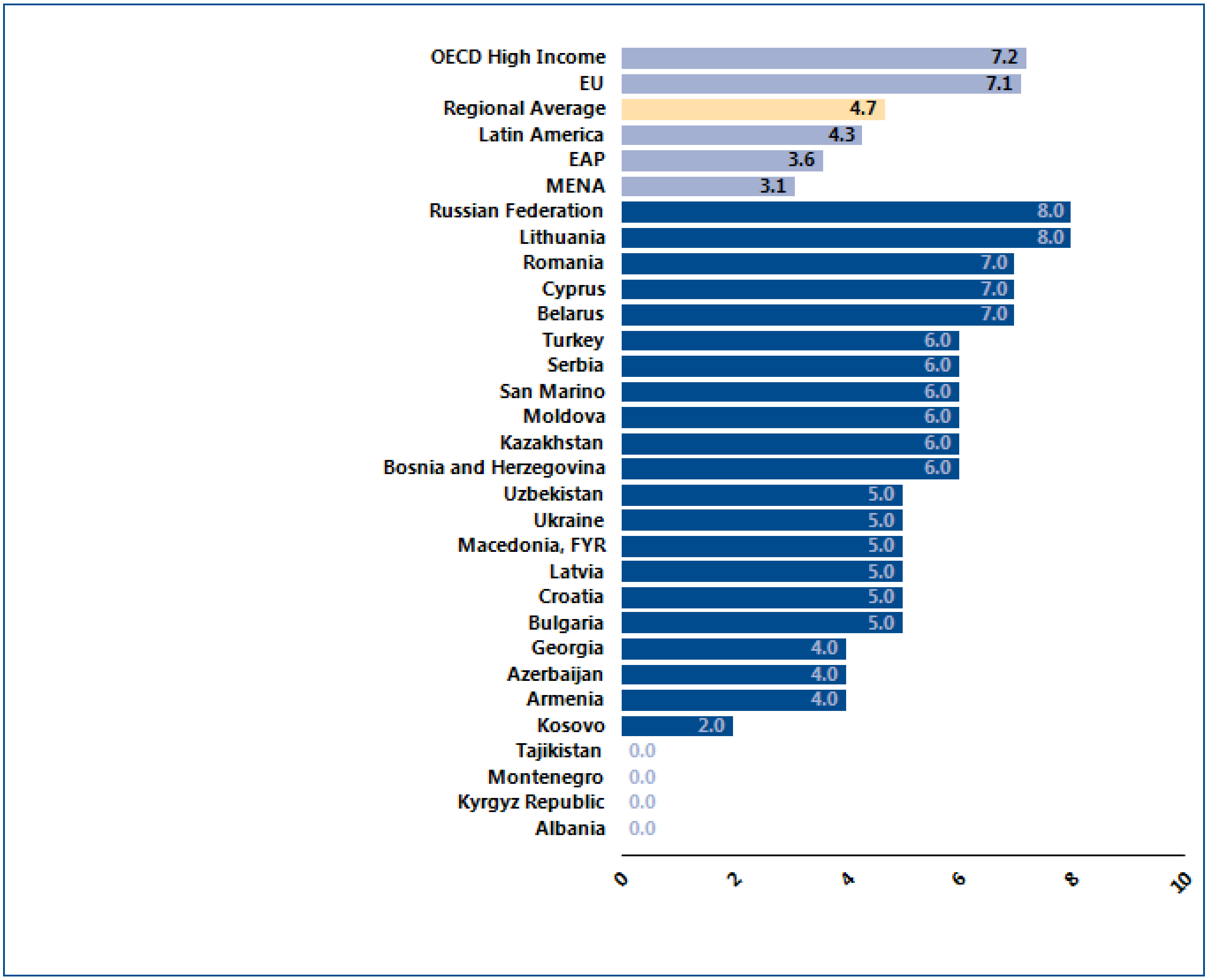
Cost (% of income per capita)



Source: Doing Business database.

GETTING ELECTRICITY

Reliability of supply and transparency of tariff index (0-8)



Source: Doing Business database.
Note: The index ranges from 0 to 8, with higher values indicating greater reliability of electricity supply and greater transparency of tariffs.

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 DB2011 to DB2016

DB year	Economy	Reform
DB2016	*Cyprus*	The utility in Cyprus made getting electricity easier by reducing the time required for obtaining a new connection.
DB2016	*Lithuania*	The utility in Lithuania has reduced the time of the connection works by enforcing the legal time limit to perform the external connection works.
DB2016	*Russian Federation*	Russia made the process of obtaining an electricity connection simpler, faster and less costly by eliminating a meter inspection by electricity providers and revising connection tariffs. This reform applies to both Moscow and St. Petersburg.
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.
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

DB year	Economy	Reform
		network and reducing connection fees.
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.

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. In addition, this year *Doing Business* adds a new measure to the set of registering property indicators, an index of the quality of the land administration system in each economy. The ranking of economies on the ease of registering property is determined by sorting their distance to frontier scores for registering property. These scores are the simple average of the distance to frontier scores for each of the component indicators. 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 and perform general commercial activities and are located in the economy's largest business city[2].
- Have 50 employees each, all of whom are nationals.

The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value and entire property will be transferred.
- 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, 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.

WHAT THE REGISTERING PROPERTY INDICATORS MEASURE

Procedures to legally transfer title on immovable property (number)

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

Registration in the economy's largest business city[2]

Postregistration (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 recorded as ½ day.

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

Quality of land administration index (0-30)

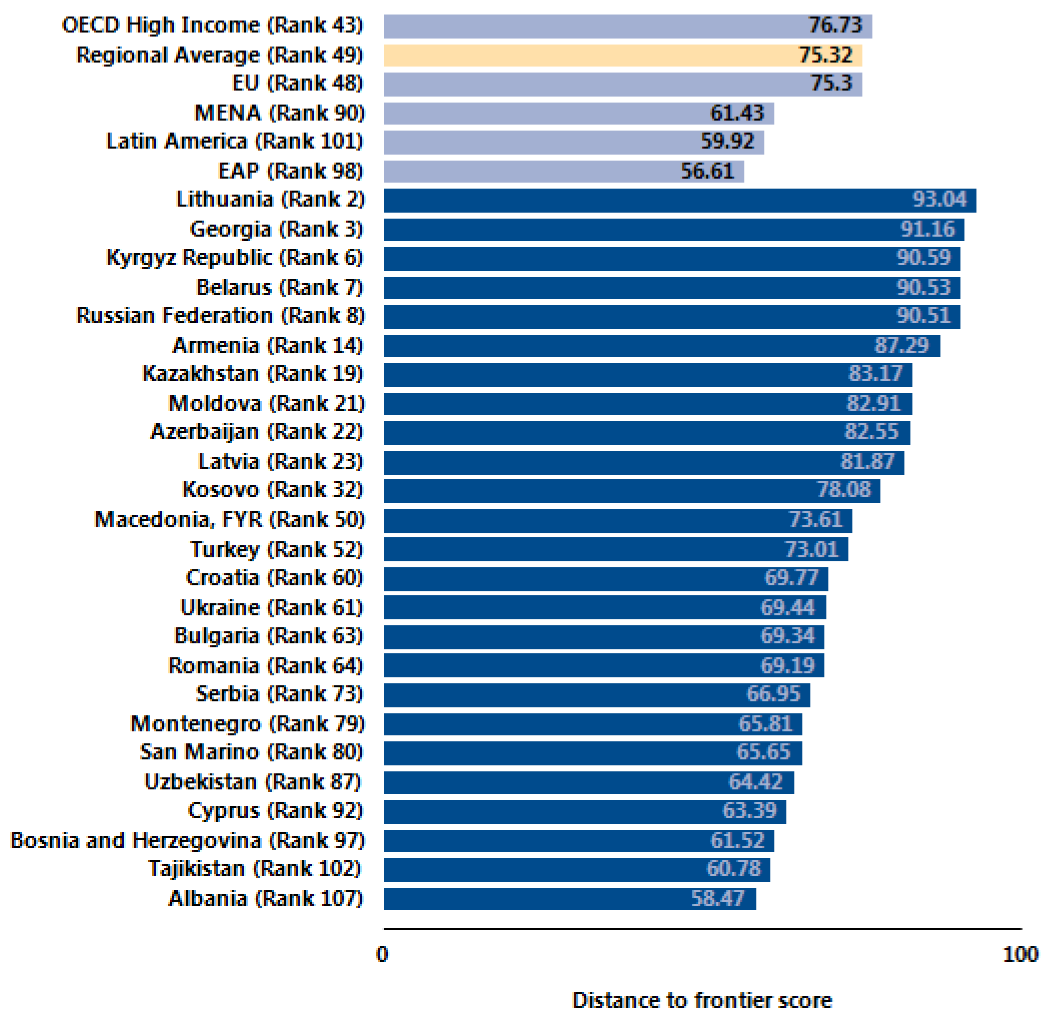
[2] For the 11 economies with a population of more than 100 million, data for a second city have been added.

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



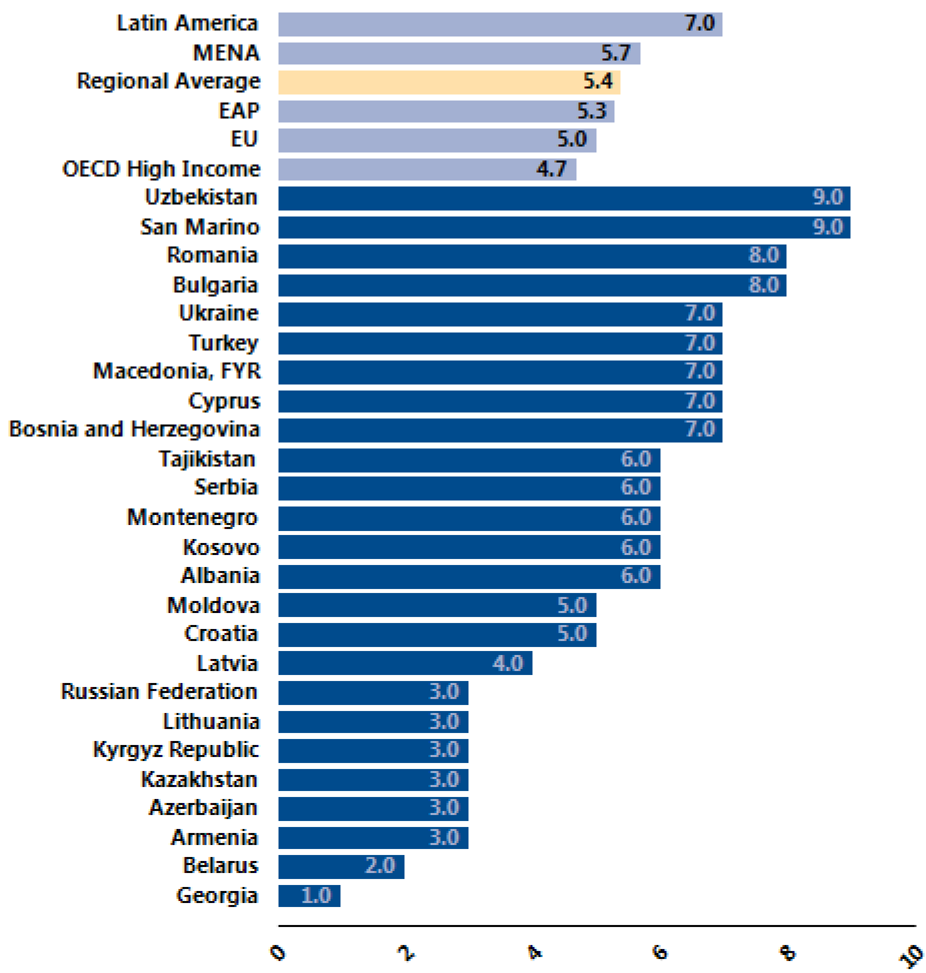
Source: Doing Business database.

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.

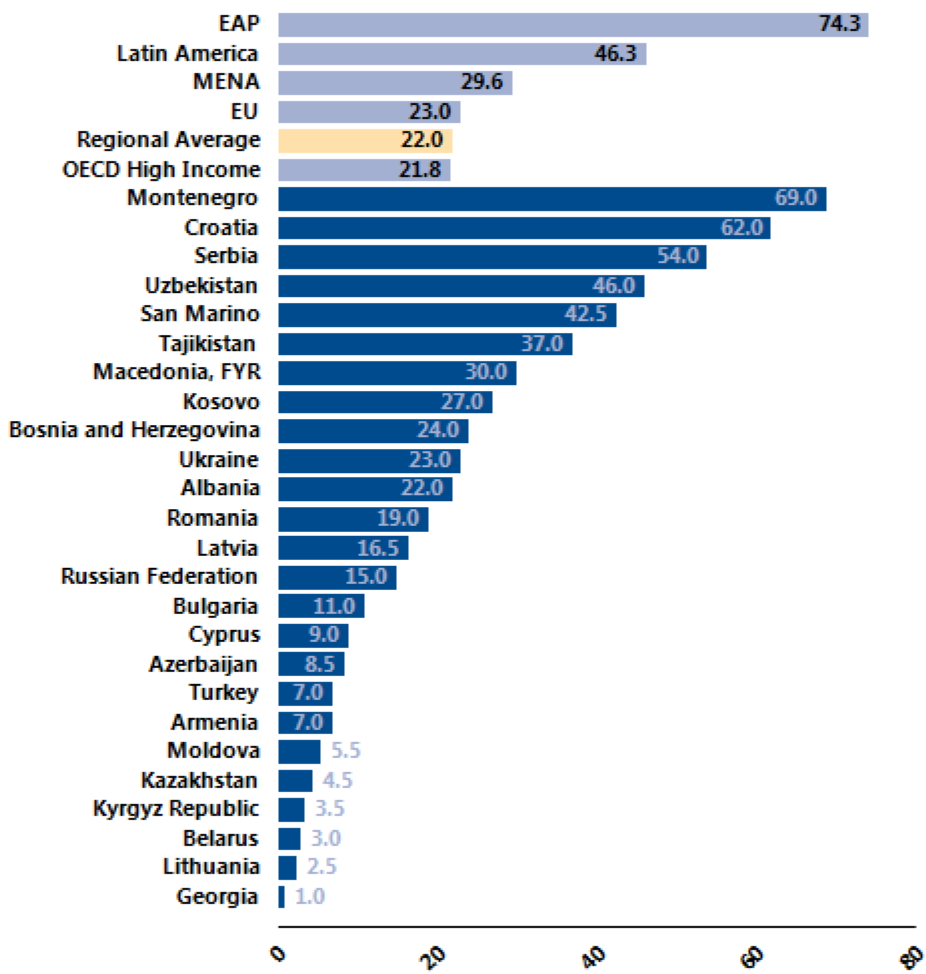
Figure 5.2 What it takes to register property in economies in Europe and Central Asia (ECA)

Procedures (number)



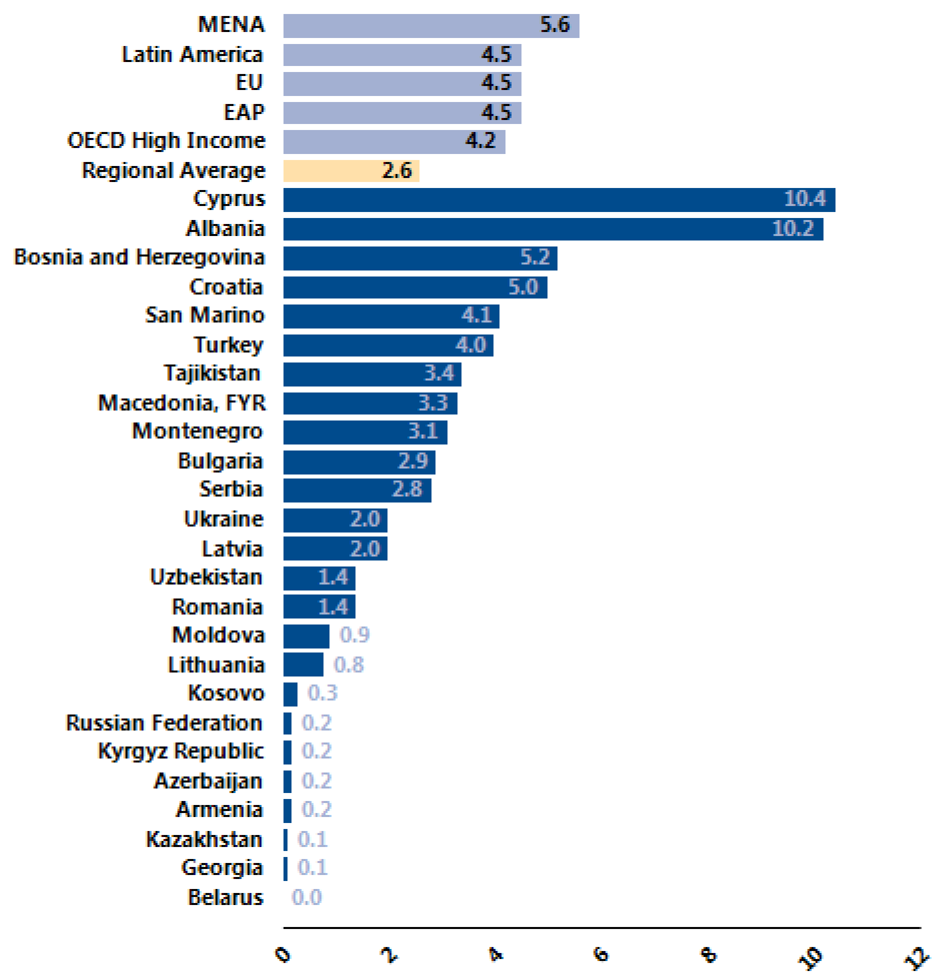
REGISTERING PROPERTY

Time (days)



REGISTERING PROPERTY

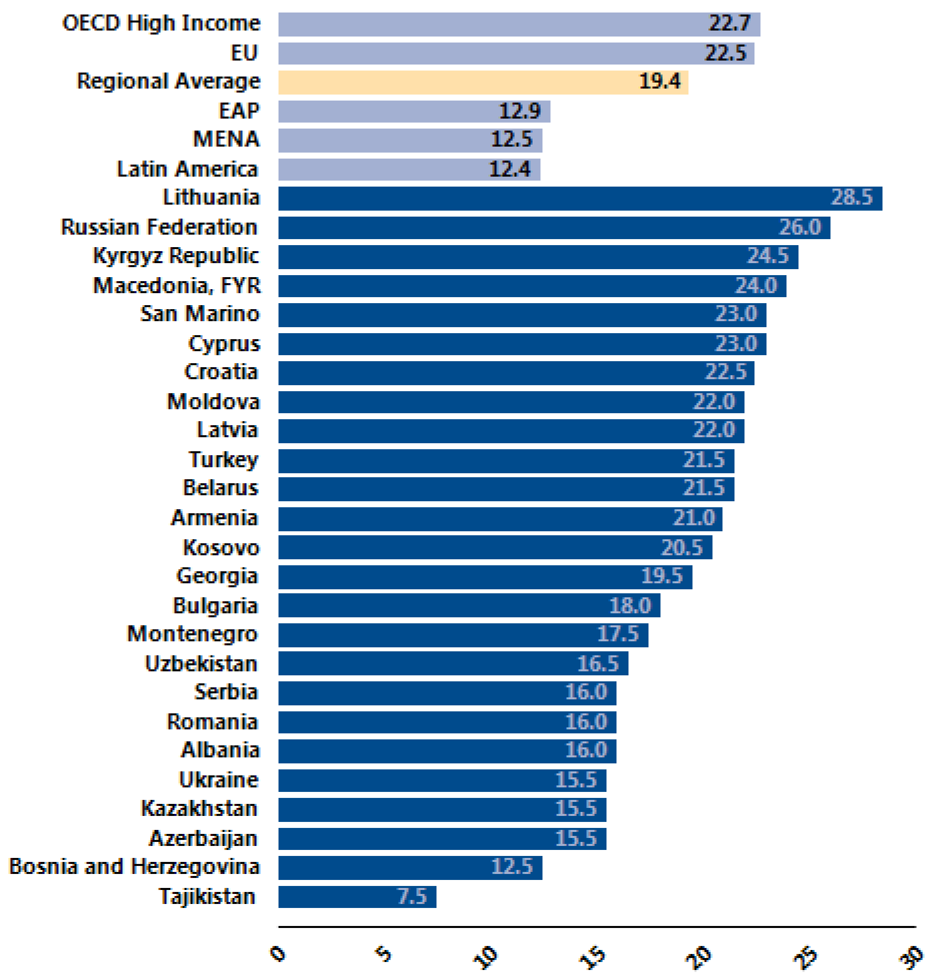
Cost (% of property value)



* Indicates a "no practice" mark. 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.
Source: Doing Business database.

REGISTERING PROPERTY

Quality of Land Administration Index (0-30)



* Indicates a "no practice" mark. 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.
Source: Doing Business database.
Note: The index ranges from 0 to 30, with higher values indicating better quality of the land administration system.

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 DB2011 to DB2016

DB year	Economy	Reform
DB2016	*Belarus*	Belarus made transferring property easier by introducing a new expedited procedure.
DB2016	*Kazakhstan*	Kazakhstan made transferring property easier by eliminating the requirement to obtain a technical passport for the transfer and to have the seller's and buyer's incorporation documents notarized.
DB2016	*Kyrgyz Republic*	The Kyrgyz Republic made transferring property easier by introducing an online procedure for obtaining the nonencumbrance certificates.
DB2016	*Latvia*	Latvia made transferring property easier by introducing a new application form for transfers.
DB2016	*Russian Federation*	Russia made transferring property easier by reducing the time required for property registration. This reform applies to both Moscow and St. Petersburg.
DB2016	*Uzbekistan*	Uzbekistan made transferring property easier by eliminating the requirement to provide several different nonencumbrance certificates, though it also increased the costs associated with property transfers.
DB2015	*Albania*	Albania made transferring property easier by establishing effective time limits and computerizing the records on immovable property.
DB2015	*Azerbaijan*	Azerbaijan made transferring property easier by introducing an online procedure for obtaining the nonencumbrance

DB year	Economy	Reform
		certificate.
DB2015	*Kazakhstan*	Kazakhstan made registering property easier by introducing effective time limits and an expedited procedure.
DB2015	*Kosovo*	Kosovo made transferring property more difficult by increasing the fee for the registration of property transactions.
DB2015	*Russian Federation*	The Russian Federation made transferring property easier by eliminating the requirement for notarization and introducing tighter time limits for completing the property registration. This reform applies to both Moscow and St. Petersburg.
DB2015	*San Marino*	San Marino made transferring property easier by lowering the property registration tax rate.
DB2015	*Serbia*	Serbia made transferring property more difficult by eliminating the expedited procedure for registering a property transfer.
DB2014	*Belarus*	Belarus made transferring property easier by introducing a fast-track procedure for property registration.
DB2014	*Kazakhstan*	Kazakhstan made it easier to transfer property by introducing a fast-track procedure for property registration.
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.
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	*Montenegro*	Montenegro made registering property easier by introducing a notary system.
DB2014	*Russian Federation*	Russia made transferring property easier by streamlining

DB year	Economy	Reform
		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.
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 effective time limit for processing transfer applications at the land cadastre in Kiev.
DB2012	*Serbia*	Serbia made transferring property quicker by offering an expedited option.
DB2012	*Russian Federation*	Russia made registering property transfers easier by eliminating the requirement to obtain cadastral passports on land plots.
DB2012	*Macedonia, FYR*	FYR Macedonia made registering property easier by reducing notary fees and enforcing time limits.
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	*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.

DB year	Economy	Reform
DB2012	*Albania*	Albania made property registration easier by setting time limits for the land registry to register a title.
DB2011	*Bosnia and Herzegovina*	Bosnia and Herzegovina reduced delays in property registration at the land registry in Sarajevo.
DB2010	*Bulgaria*	Bulgaria reduced the time required to register property by launching an integrated web-based property register making it possible to check the ownership and cadastre status of properties online.
DB2010	*Macedonia, FYR*	FYR Macedonia made registering property easier by setting new time limits for registering a title deed at the real estate cadastre and by making it possible to obtain a nonencumbrance certificate from the real estate registry rather than through the court.
DB2010	*Kyrgyz Republic*	The Kyrgyz Republic made registering property easier by simplifying documentation requirements and making notarization optional.
DB2010	*Moldova*	Moldova made registering property easier and less time consuming by eliminating the requirement for a cadastral sketch.
DB2010	*Romania*	Romania speeded up property registration by introducing expedited procedures at the land registry and the cadastre.
DB2010	*Russian Federation*	Russia reduced the time required to register property by introducing cadastral passports in place of the previously required inventory documents and cadastral maps.
DB2010	*Tajikistan*	Tajikistan made transferring property more costly by increasing the state duty for property transactions.
DB2010	*Belarus*	Belarus continued to improve the property registration process by increasing efficiency at the land registry in Minsk, which reduced the time required to verify ownership, and by eliminating the requirement to have incorporation documents notarized during property transfers.

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 borrowers and lenders in collateral and bankruptcy laws. Credit information systems enable lenders' rights 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 credit registry or a 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 two case scenarios, Case A and Case B, 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 (for more details on each case, see the Data Notes section of the *Doing Business 2016* report). These scenarios assume that the borrower:

- Is a private limited liability company.

Has its headquarters and only base of operations in the largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.

- Has up to 50 employees.
- Is 100% domestically owned, as is the lender.

The ranking of economies on the ease of getting credit is determined by sorting their distance to frontier scores for getting credit. These scores are the distance to frontier score for the strength of legal rights index and the depth of credit information index.

WHAT THE GETTING CREDIT INDICATORS MEASURE

Strength of legal rights index (0–12)

Rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

Depth of credit information index (0–8)

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

Credit bureau coverage (% of adults)

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

Credit registry coverage (% of adults)

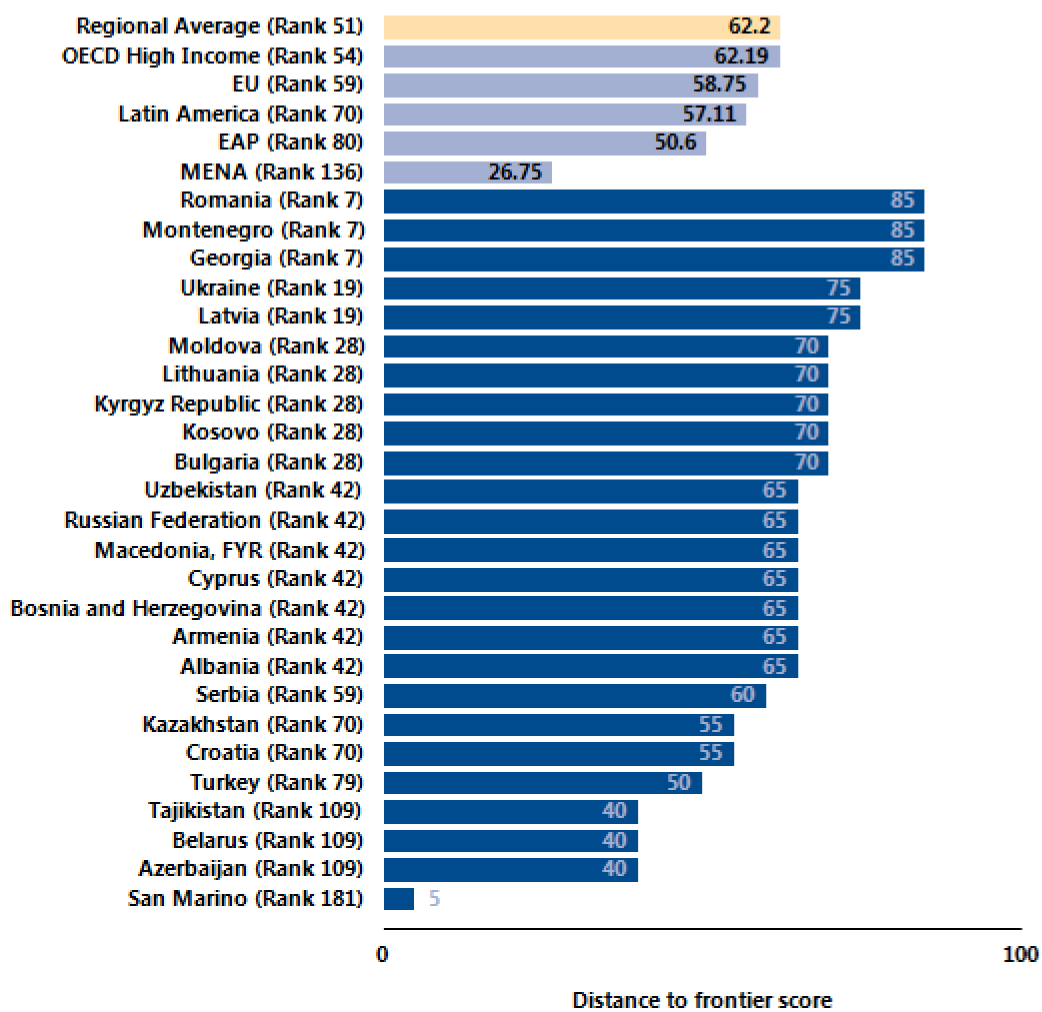
Number of individuals and firms listed in credit registry as percentage of adult population

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

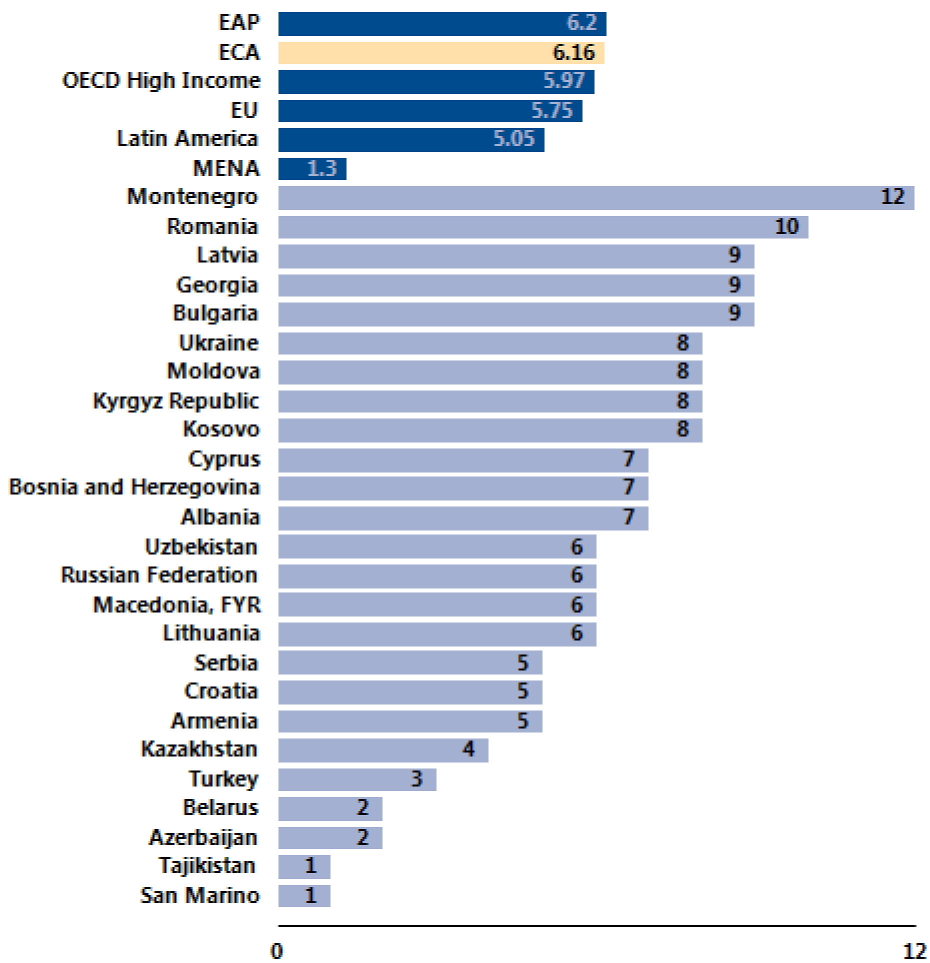


Source: Doing Business database.

GETTING CREDIT

Another way to assess how well regulations and institutions support lending and borrowing in the region is to see where the region stands in the distribution of scores across regions. Figure 6.2 highlights the score on the strength of legal rights index for Europe and Central Asia (ECA) and comparators on the strength of legal rights index. Figure 6.3 shows the same thing for the depth of credit information index.

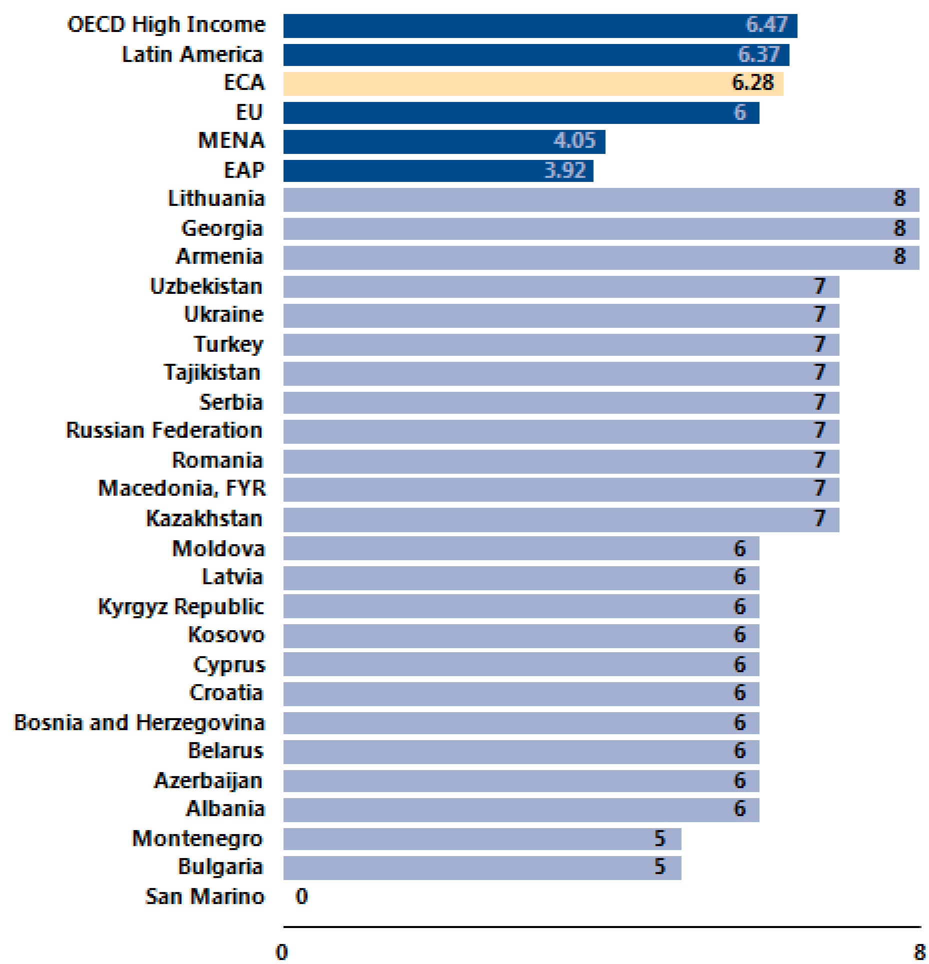
Figure 6.2 How strong are legal rights for borrowers and lenders?
Region scores on strength of legal rights index



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 much credit information is shared—and how widely?

Region scores on depth of credit information index



Note: Higher scores indicate the availability of more credit information, from either a credit registry or a credit bureau, to facilitate lending decisions. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.
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 DB2011 to DB2016

DB year	Economy	Reform
DB2016	*Cyprus*	Cyprus improved access to credit information by allowing credit bureaus to collect and report positive credit information and to report credit histories for both borrowers and guarantors.
DB2016	*Kazakhstan*	Kazakhstan improved access to credit by adopting a new law on secured transactions allowing a general description of a combined category of assets granted as collateral.
DB2016	*Kyrgyz Republic*	In the Kyrgyz Republic the credit bureau improved access to credit information by beginning to distribute both positive and negative credit information.
DB2016	*Latvia*	Latvia improved its credit information system through a new law governing the licensing and functioning of credit bureaus.
DB2016	*Russian Federation*	Russia improved access to credit by adopting a new law on secured transactions that established a centralized collateral registry and allows a general description of a combined category of assets granted as collateral. This reform applies to both Moscow and St. Petersburg.
DB2016	*Uzbekistan*	Uzbekistan improved access to credit by adopting new laws on secured transactions that allow a general description of assets granted as collateral and establish a modern, unified, notice-based collateral registry.
DB2015	*Albania*	Albania weakened its secured transactions system through an amendment to the Securing Charges Law that does not allow intangible assets to be secured with a nonpossessory pledge.
DB2015	*Cyprus*	Cyprus improved its credit information system by adopting a central bank directive eliminating the minimum threshold for

DB year	Economy	Reform
		loans to be included in credit bureaus' databases.
DB2015	*Tajikistan*	Tajikistan improved access to credit information by beginning to provide credit scores.
DB2014	*Georgia*	Georgia improved its credit information system by implementing a new law on personal data protection.
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 agreement of the assets pledged as collateral and permitting out-of-court enforcement.
DB2014	*Latvia*	Latvia improved its credit information system by adopting a new law regulating the public credit registry.
DB2014	*Moldova*	Moldova strengthened its secured transactions system by introducing new grounds for relief from an automatic stay during insolvency and restructuring proceedings.
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	*Tajikistan*	Tajikistan improved access to credit information by establishing a private credit bureau.
DB2014	*Ukraine*	Ukraine improved access to credit information by collecting 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.
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.

DB year	Economy	Reform
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.
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	*Tajikistan*	Access to credit using movable property in Tajikistan became more complicated because the movable collateral registry stopped its operations in January, 2011.
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	*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	*Armenia*	Armenia improved its credit information system by introducing a requirement to collect and distribute information from utility companies.
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.

DB year	Economy	Reform
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.
DB2010	*Macedonia, FYR*	FYR Macedonia's public credit bureau improved its database and expanded its coverage by including more information and lowering the minimum threshold for loans reported.
DB2010	*Kyrgyz Republic*	The Kyrgyz Republic strengthened its secured transactions system through amendments to its civil code and pledge law making secured lending more flexible, allowing a general description of encumbered assets and of debts and obligations and providing for the automatic extension of a security right to proceeds of the original asset.
DB2010	*Latvia*	Latvia's new public credit registry started sharing data on loans, improving access to credit information.
DB2010	*Azerbaijan*	Azerbaijan's public credit registry improved the credit information system by providing banks with online access to its database, increasing the data available on borrowers and introducing penalties for banks that send information that is late or incorrect.
DB2010	*Armenia*	Armenia improved its credit information system through a new law establishing a legal and regulatory framework for the activities of credit bureaus, including collecting credit information and preparing credit reports.
DB2010	*Turkey*	Turkey's private credit bureau added firms to its database, improving access to credit information.
DB2010	*Tajikistan*	Tajikistan improved its credit information system through a new law allowing the creation of a private credit bureau.
DB2010	*Serbia*	Serbia improved access to credit information by guaranteeing by law borrowers' right to inspect their own data.

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 MINORITY INVESTORS

Protecting minority investors matters for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. 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 protection of minority investors from conflicts of interest through one set of indicators and shareholders' rights in corporate governance through another. The ranking of economies on the strength of minority investor protections is determined by sorting their distance to frontier scores for protecting minority investors. These scores are the simple average of the distance to frontier scores for the extent of conflict of interest regulation index and the extent of shareholder governance index. 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 MINORITY INVESTORS INDICATORS MEASURE

Extent of disclosure index (0–10)

Review and approval requirements for related-party transactions ; Disclosure requirements for related-party transactions

Extent of director liability index (0–10)

Ability of minority shareholders to sue and hold interested directors liable for prejudicial related-party transactions; Available legal remedies (damages, disgorgement of profits, fines, imprisonment, rescission of the transaction)

Ease of shareholder suits index (0–10)

Access to internal corporate documents; Evidence obtainable during trial and allocation of legal expenses

Extent of conflict of interest regulation index (0–10)

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

Extent of shareholder rights index (0-10)

Shareholders' rights and role in major corporate decisions

Extent of ownership and control index (0-10)

Governance safeguards protecting shareholders from undue board control and entrenchment

Extent of corporate transparency index (0-10)

Corporate transparency on ownership stakes, compensation, audits and financial prospects

Extent of shareholder governance index (0–10)

Simple average of the extent of shareholders rights, extent of ownership and control and extent of corporate transparency indices

Strength of investor protection index (0–10)

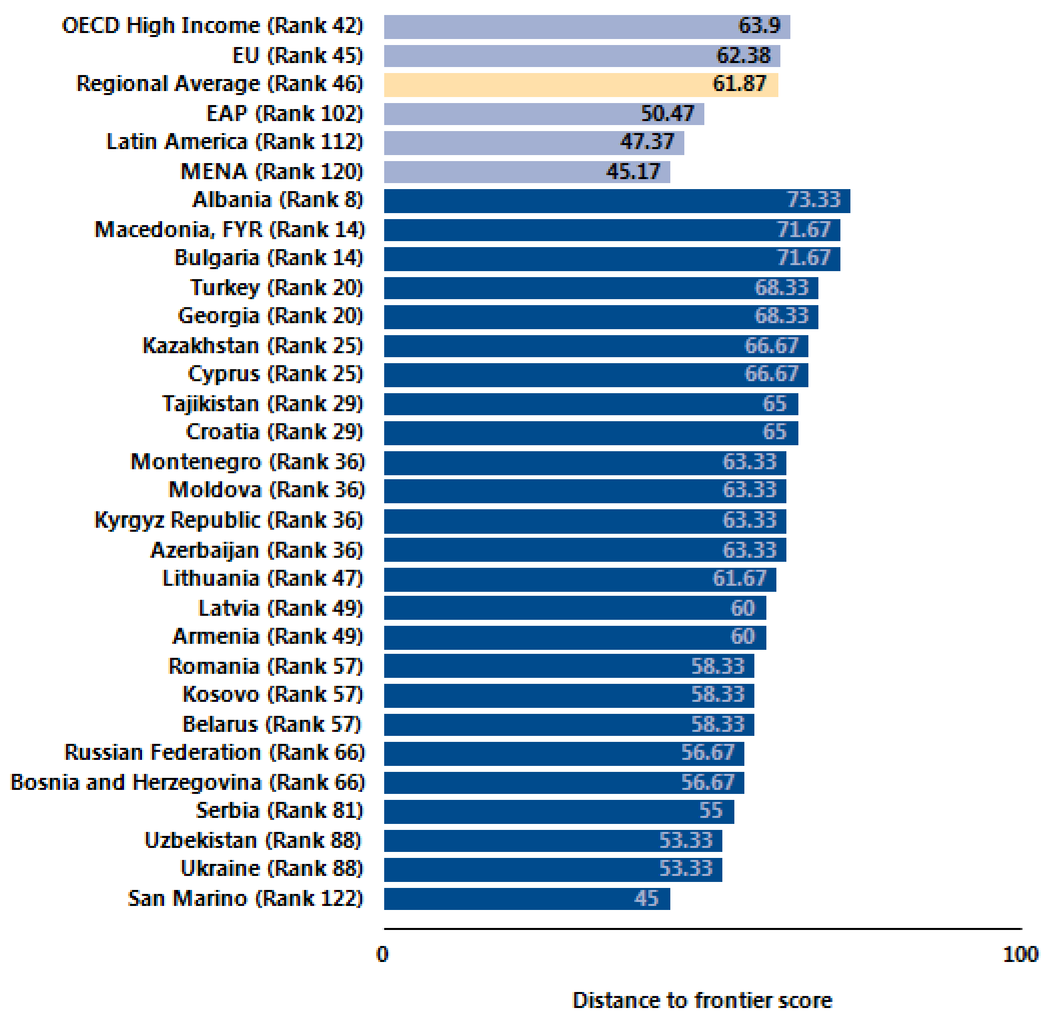
Simple average of the extent of conflict of interest regulation and extent of shareholder governance indices

PROTECTING MINORITY 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



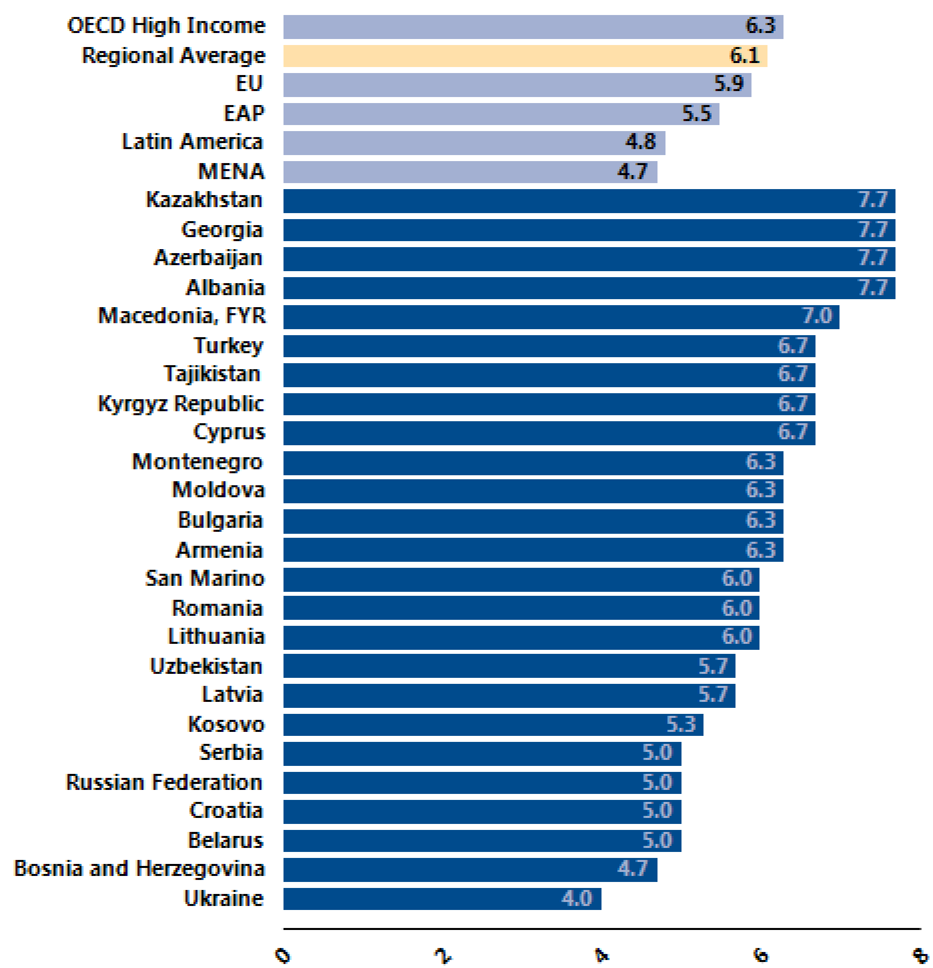
Source: Doing Business database.

PROTECTING MINORITY INVESTORS

The strength of minority investor protection index is the average of the extent of conflict of interest regulation index and the extent of shareholder governance index. The index ranges from 0 to 10, rounded to the nearest decimal place, with higher values indicating stronger minority investor protections. Figures 7.2 and 7.3 highlight the scores on the various minority investor protection indices for Europe and Central Asia (ECA). Comparing the scores across the region and with averages both for the region and for comparator regions can provide useful insights.

Figure 7.2 How extensive are conflict of interest regulations?

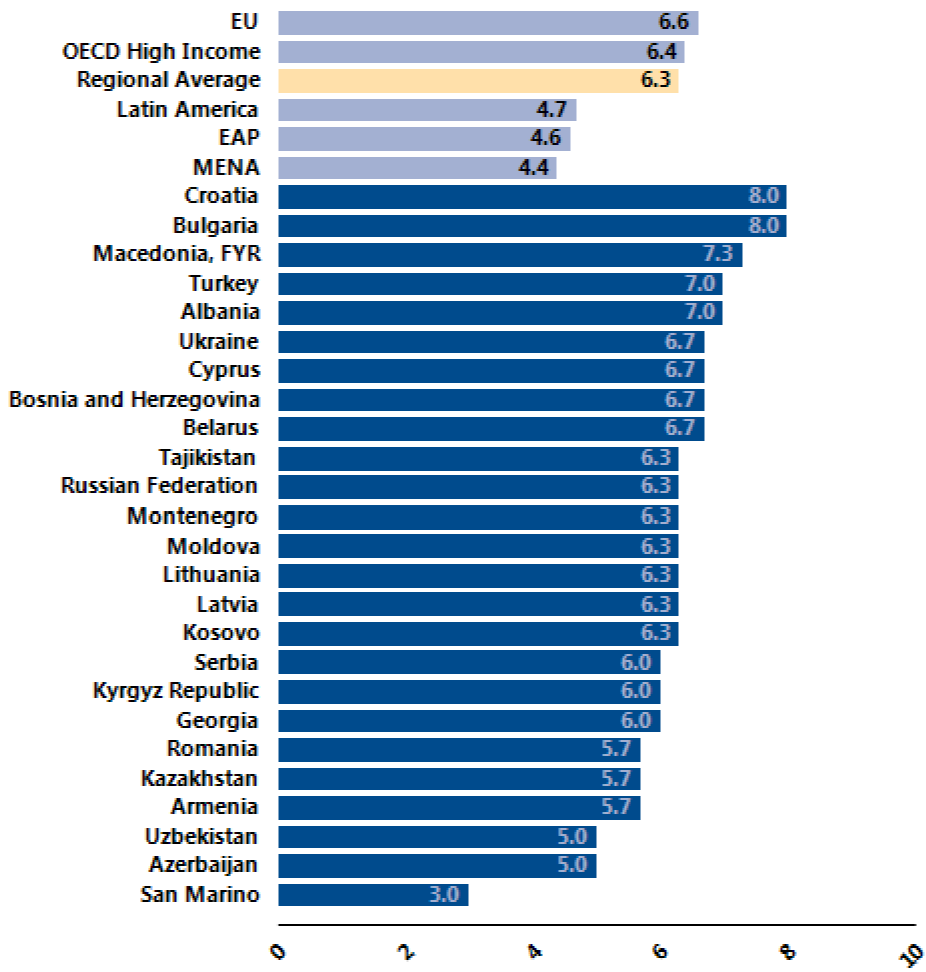
Extent of conflict of interest regulation index (0-10)



Note: Higher values indicate stronger regulation of conflicts of interest.
Source: Doing Business database.

Figure 7.3 How extensive is shareholder governance?

Extent of shareholder governance index (0-10)



Note: Higher scores indicate stronger rights of shareholders in corporate governance.
Source: Doing Business database.

PROTECTING MINORITY 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 minority investor protections may move ahead on different fronts—such as through new or amended company laws, securities regulations or revisions to court procedures. What minority 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 minority investor protections—or not?
By *Doing Business* report year DB2011 to DB2016

DB year	Economy	Reform
DB2016	*Albania*	Albania strengthened minority investor protections by introducing legal requirements for immediate disclosure of related-party transactions to the public.
DB2016	*Azerbaijan*	Azerbaijan strengthened minority investor protections by introducing requirements that related-party transactions undergo external review and be voted on by disinterested shareholders.
DB2016	*Kazakhstan*	Kazakhstan strengthened minority investor protections through new provisions requiring both immediate disclosure of related-party transactions and detailed disclosure in annual financial statements; expanding the way evidence can be obtained at trial; requiring that a change in the rights associated with shares be subject to approval by a vote of two-thirds of the affected shares; prohibiting subsidiaries from acquiring shares issued by their parent company; and requiring disclosure of information about board members' other directorships as well as their primary employment.
DB2016	*Lithuania*	Lithuania strengthened minority investor protections by prohibiting subsidiaries from acquiring shares issued by their parent company.
DB2016	*Macedonia, FYR*	FYR Macedonia strengthened minority investor protections by providing for both fines and imprisonment of interested directors in prejudicial related-party transactions.

DB year	Economy	Reform
DB2015	*Macedonia, FYR*	The former Yugoslav Republic of Macedonia strengthened minority investor protections by requiring prior review of related-party transactions by an external auditor.
DB2015	*Uzbekistan*	Uzbekistan strengthened minority investor protections by introducing a requirement for public joint stock companies to disclose information about related-party transactions in their annual report; setting higher standards for disclosure of such transactions to the board of directors; and establishing the right of shareholders to receive all documents related to such transactions.
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 investigate alleged prejudicial conflicts of interest.
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.

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.
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.
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.
DB2010	*Macedonia, FYR*	FYR Macedonia strengthened investor protections by introducing regulations on the approval of related-party transactions, increasing disclosure requirements in the annual report and making it easier to sue directors in cases where related-party transactions harm the company.
DB2010	*Ukraine*	Ukraine strengthened investor protections through a new joint stock companies law enhancing approval requirements for related-party transactions, increasing disclosure requirements in the annual report and making it easier to sue directors in cases where related-party transactions harm the company.

DB year	Economy	Reform
DB2010	*Tajikistan*	Tajikistan strengthened investor protections through amendments to the joint stock companies law enhancing disclosure requirements for related-party transactions, increasing director liability in cases where related-party transactions harm the company and allowing shareholders to request the rescission of such transactions.

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. The level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. Firms in economies that rank better on the ease of paying taxes in the *Doing Business* study tend to perceive both tax rates and tax administration as less of an obstacle to business according to the World Bank Enterprise Survey research.

What do the indicators cover?

Using a case scenario, *Doing Business* records the taxes and mandatory contributions that a medium-size company must pay in a given year as well as measures of 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 of economies on the ease of paying taxes is determined by sorting their distance to frontier scores on the ease of paying taxes. These scores are the simple average of the distance to frontier scores for each of the component indicators, with a threshold and a nonlinear transformation applied to one of the component indicators, the total tax rate[3]. The financial statement variables have been updated to be proportional to 2012 income per capita; previously they were proportional to 2005 income per capita. To make the data comparable across economies, several assumptions are used.

- TaxpayerCo is a medium-size business that started operations on January 1, 2013.
- 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.
- 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.

WHAT THE PAYING TAXES INDICATORS MEASURE

Tax payments for a manufacturing company in 2014 (number per year adjusted for electronic and 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 before all taxes)

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

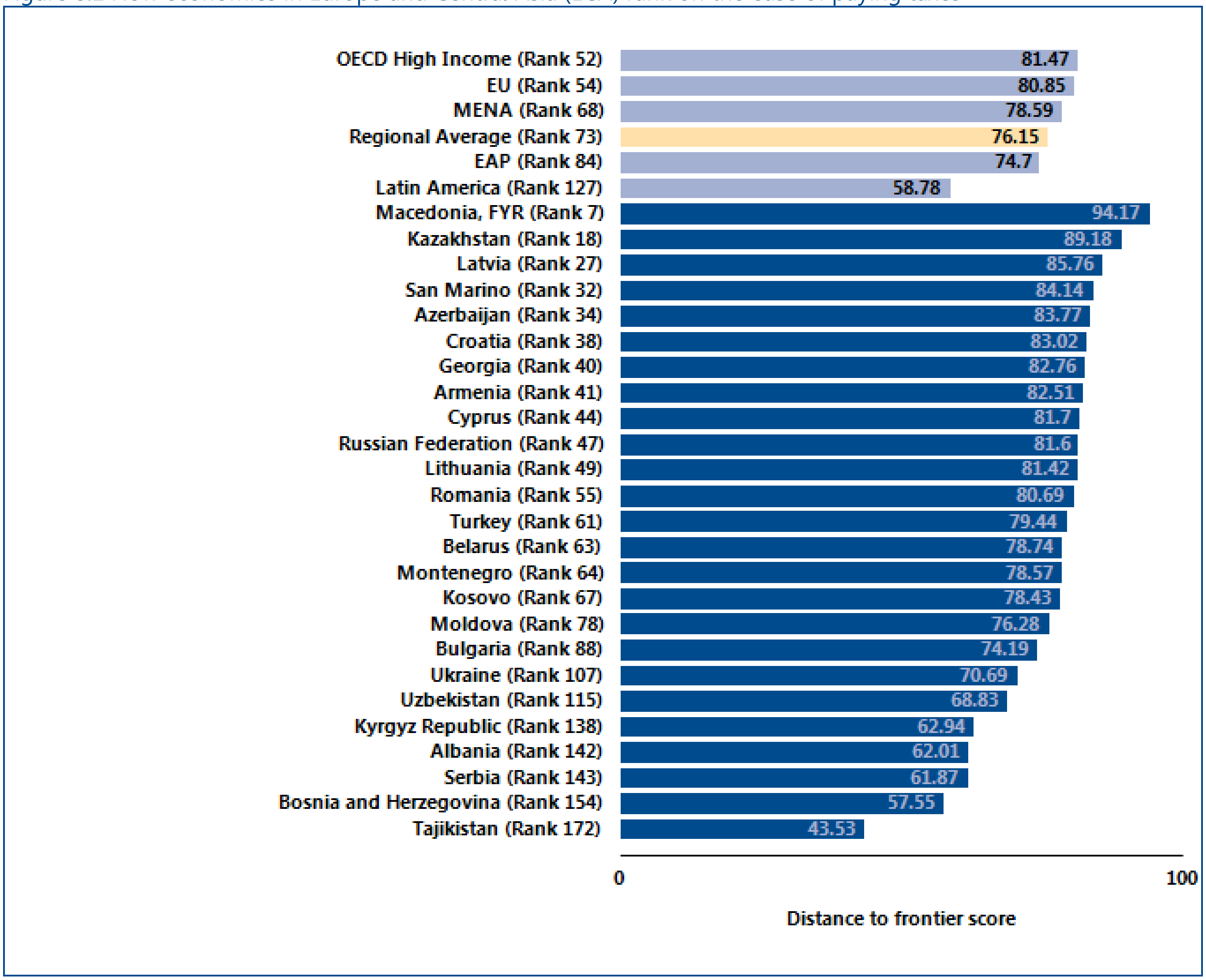
[3] The nonlinear distance to frontier for the total tax rate is equal to the distance to frontier for the total tax rate to the power of 0.8. The threshold is defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis up to and including *Doing Business 2015*, which is 26.1%. All economies with a total tax rate below this threshold receive the same score as the economy at the threshold.

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 provides a useful benchmark.

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



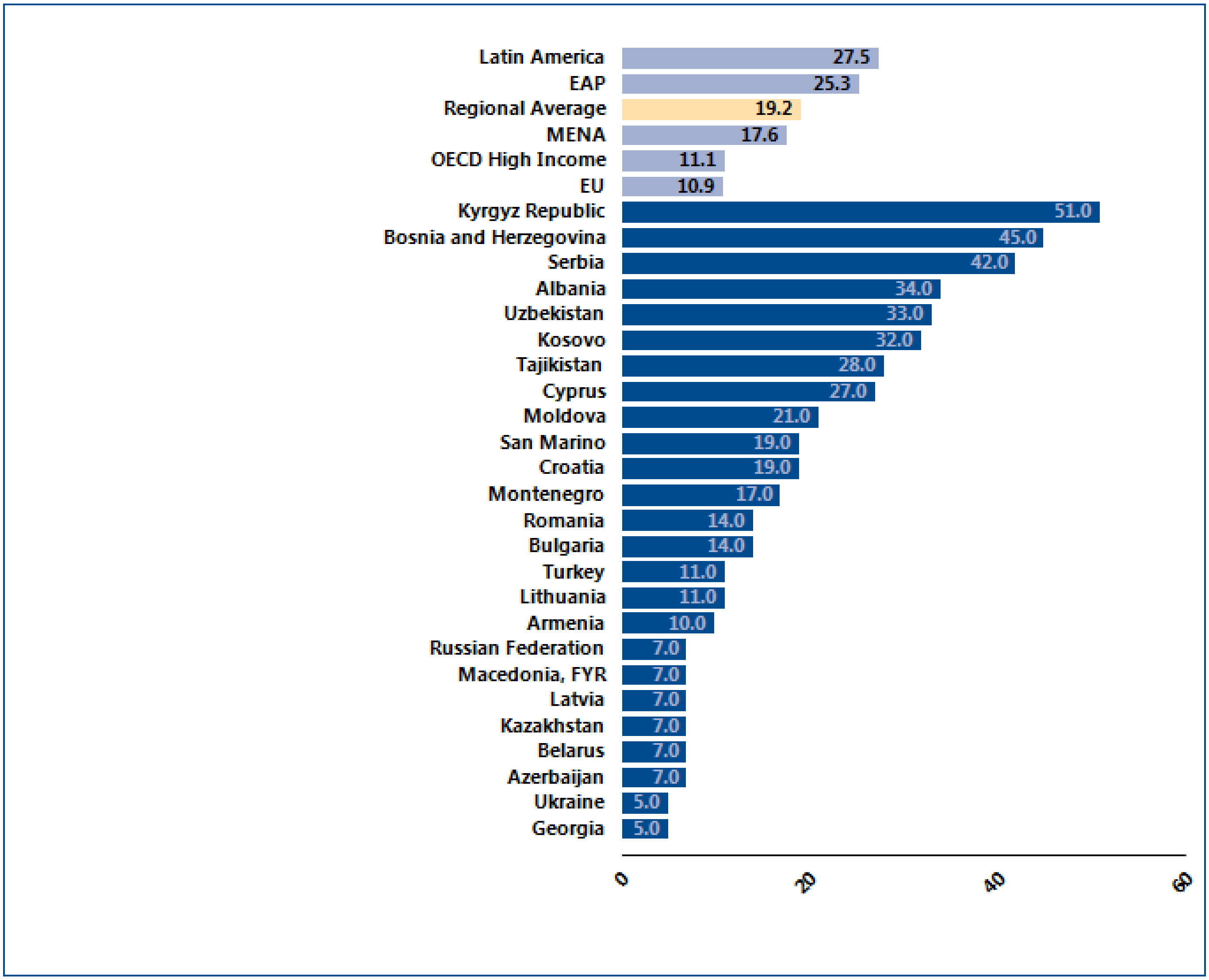
Note: All economies with a total tax rate below the threshold of 26.1% applied in DB2015, receive the same distance to frontier score for the total tax rate (a distance to frontier score of 100 for the total tax rate) for the purpose of calculating the ranking on the ease of paying taxes.
Source: Doing 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 and pay taxes the 3 major taxes (corporate income tax, VAT or sales tax and labor taxes and mandatory contributions)—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.

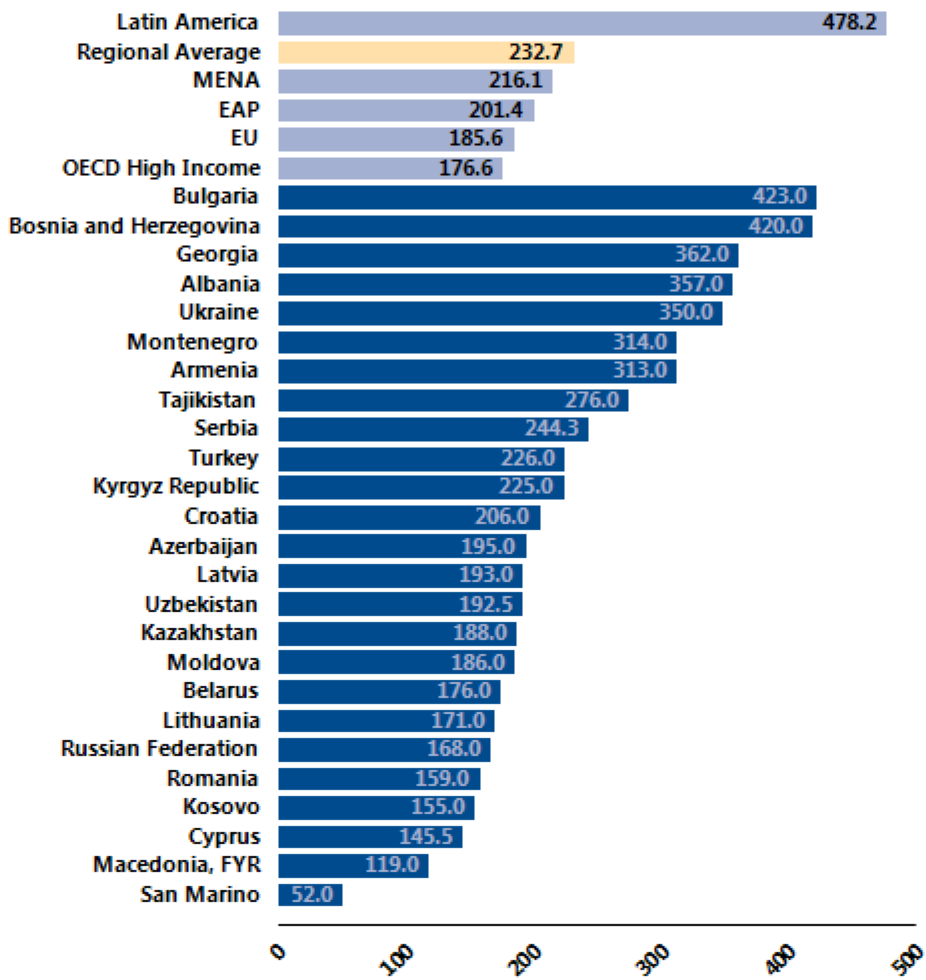
Figure 8.2 How easy is it to pay taxes in economies in Europe and Central Asia (ECA)—and what are the total tax rates?

Payments (number per year)



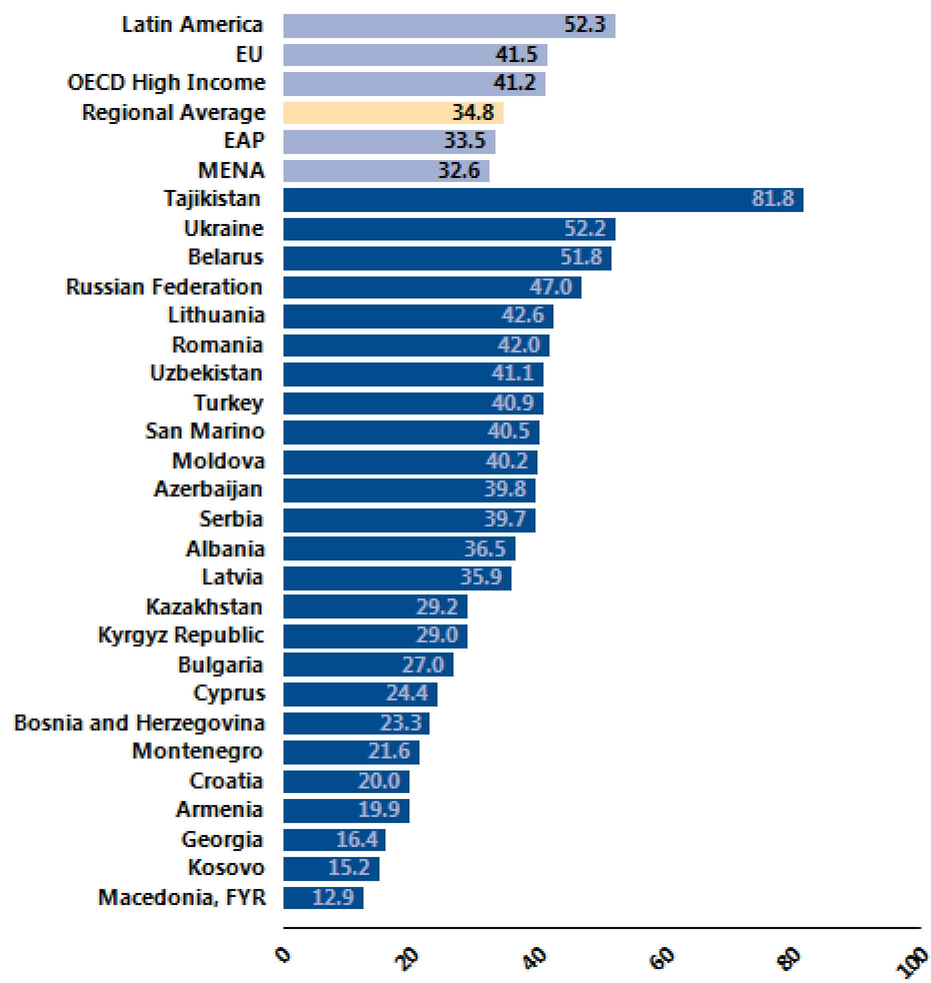
PAYING TAXES

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 compliance with tax obligations 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 DB2011 to DB2016

DB year	Economy	Reform
DB2016	*Cyprus*	Cyprus made paying taxes easier for companies by facilitating online payment of corporate income tax. At the same time, Cyprus raised the contribution rate for social insurance paid by employers, lowered the tax brackets for the social contribution fund, raised the rate on interest income and increased the vehicle tax.
DB2016	*Kosovo*	Kosovo made paying taxes easier for companies by abolishing the annual business license fee.
DB2016	*Latvia*	Latvia made paying taxes more complicated for companies by eliminating the possibility of deducting bad debt provisions. On the other hand, Latvia reduced the rate for social security contributions paid by employers.
DB2016	*Montenegro*	Montenegro made paying taxes easier for companies by introducing an electronic system for filing and paying labor taxes—though it also extended the application of the “crisis tax” for an indefinite period on income exceeding €720 a month.
DB2016	*Romania*	Romania made paying taxes less costly for companies by reducing the rate for social security contributions and the rate for accident risk fund contributions paid by employers.
DB2016	*Russian Federation*	Russia made paying taxes less costly for companies by excluding movable property from the corporate property tax base—though it also raised the wage ceiling used in calculating social contributions. These changes apply to both Moscow and St. Petersburg. In addition, the cadastral value of

DB year	Economy	Reform
		land in Moscow was updated.
DB2016	*Serbia*	Serbia made paying taxes easier for companies by introducing an electronic system for filing and paying VAT and social security contributions as well as by abolishing the urban land usage fee. On the other hand, Serbia increased the property tax and environmental tax rates.
DB2016	*Tajikistan*	Tajikistan made paying taxes easier for companies by introducing an electronic filing and payment system for corporate income tax, VAT and labor taxes. On the other hand, it increased real estate tax fees.
DB2015	*Albania*	Albania made paying taxes more costly for companies by increasing the corporate income tax rate.
DB2015	*Azerbaijan*	Azerbaijan made paying taxes easier for companies by introducing an electronic system for filing and paying social insurance contributions.
DB2015	*Belarus*	Belarus made paying taxes easier for companies by introducing an electronic system for filing and paying contributions for the obligatory insurance for work accidents—and by simplifying the filing requirements for corporate income tax and VAT. On the other hand, it increased the ecological tax rate and made bad debt provisions nondeductible for purposes of the corporate income tax.
DB2015	*Cyprus*	Cyprus made paying taxes easier for companies by reducing the number of provisional tax installments for corporate income tax.
DB2015	*Croatia*	Croatia made paying taxes more complicated for companies by raising the health insurance contribution rate, increasing the Croatian Chamber of Commerce fees and introducing more detailed filing requirements for VAT. On the other hand, it abolished the contribution to the Croatian Chamber of Commerce.
DB2015	*Kazakhstan*	Kazakhstan made paying taxes more complicated for companies by introducing a mandatory contribution to the National Chamber of Entrepreneurs and by increasing the

DB year	Economy	Reform
		vehicle and environmental taxes.
DB2015	*Latvia*	Latvia made paying taxes easier for companies by simplifying the VAT return, enhancing the electronic system for filing corporate income tax returns and reducing employers' social security contribution rate.
DB2015	*Moldova*	Moldova made paying taxes easier for companies by introducing an electronic system for filing and paying social security contributions. On the other hand, it increased the minimum salary used for calculating the environmental tax liability. Furthermore, Moldova increased the employers' health insurance contribution rate and introduced new filing requirements for VAT.
DB2015	*Romania*	Romania made paying taxes easier for companies, with the majority now using the electronic system for filing and paying taxes.
DB2015	*Tajikistan*	Tajikistan made paying taxes easier for companies by introducing an electronic system for filing and paying corporate income tax, VAT and labor taxes.
DB2015	*Turkey*	Turkey made paying taxes more costly for companies by increasing employers' social security contribution rate.
DB2015	*Ukraine*	Ukraine made paying taxes easier for companies by introducing an electronic system for filing and paying labor taxes. On the other hand, it increased the environmental tax.
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 with disabilities—though it also temporarily abolished the forestry tax.
DB2014	*Croatia*	Croatia made paying taxes easier for companies by

DB year	Economy	Reform
		introducing an electronic system for social security contributions and by reducing the rates for the forest and Chamber of Commerce contributions.
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	*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	*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	*Serbia*	Serbia made paying taxes more costly for companies by increasing the corporate income tax.
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 and vehicle tax rates.
DB2014	*Ukraine*	Ukraine made paying taxes easier for companies by simplifying tax returns and further improving its electronic filing system.
DB2014	*Uzbekistan*	Uzbekistan made paying taxes easier for companies by eliminating some small taxes.
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

DB year	Economy	Reform
		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	*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.
DB2013	*Ukraine*	Ukraine made paying taxes easier by implementing electronic filing and payment for medium-size and large enterprises.
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.
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	*Turkey*	Turkey lowered the social security contribution rate for companies by offering them a 5% rebate

DB year	Economy	Reform
DB2012	*Russian Federation*	Russia increased the social security contribution rate for employers.
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	*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	*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	*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	*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.
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

DB year	Economy	Reform
		companies by introducting a tourist fee.
DB2011	*Ukraine*	Ukraine eased tax compliance by introducing and continually enhancing an electronic filing system for value added tax.
DB2011	*Tajikistan*	Tajikistan lowered its corporate income tax rate.
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	*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	*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.
DB2011	*Montenegro*	An amendment to Montenegro's corporate income tax law removed the obligation for advance payments and abolished the construction land charge.
DB2010	*Kosovo*	Kosovo made paying taxes less costly for companies by reducing the corporate income tax rate.
DB2010	*Uzbekistan*	Uzbekistan made paying taxes easier for companies through a new tax code combining corporate income tax provisions.
DB2010	*Montenegro*	Montenegro made paying taxes less costly for companies by reducing the corporate income tax rate and employers' social security contribution rates.
DB2010	*Moldova*	Moldova made paying taxes less costly for companies by reducing employers' social security contribution rate.
DB2010	*Macedonia, FYR*	FYR Macedonia made paying taxes easier and less costly for companies by clarifying social security payments and reducing employers' social security contribution rates.

DB year	Economy	Reform
DB2010	*Romania*	Romania made paying taxes more costly for companies by increasing labor taxes.
DB2010	*Russian Federation*	Russia made paying taxes less costly for companies by reducing the corporate income tax rate.
DB2010	*Lithuania*	Lithuania made paying taxes more costly for companies by increasing the corporate income tax rate.
DB2010	*Kazakhstan*	Kazakhstan made paying taxes less costly for companies by reducing social tax rates and the corporate income tax rate.
DB2010	*Kyrgyz Republic*	The Kyrgyz Republic made paying taxes less costly for companies by reducing the rates of several taxes, including the corporate income tax.
DB2010	*Belarus*	Belarus made paying taxes easier and less costly for companies by encouraging the use of electronic systems, reducing the number of payments for the property tax, adjusting the ecological tax rates and lowering turnover tax rates.

Note: For information on reforms in earlier years (back to DB2006), 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.

What do the indicators cover?

Doing Business records the time and cost associated with the logistical process of exporting and importing goods. Under the new methodology introduced this year, *Doing Business* measures the time and cost (excluding tariffs) associated with three sets of procedures—documentary compliance, border compliance and domestic transport—within the overall process of exporting or importing a shipment of goods. The ranking of economies on the ease of trading across borders is determined by sorting their distance to frontier scores for trading across borders. These scores are the simple average of the distance to frontier scores for the time and cost for documentary compliance and border compliance to export and import.

To make the data comparable across economies, a few assumptions are made about the traded goods and the transactions:

Time

- Time is measured in hours, and 1 day is 24 hours (for example, 22 days are recorded as 22 × 24 = 528 hours). If customs clearance takes 7.5 hours, the data are recorded as is. Alternatively, suppose that documents are submitted to a customs agency at 8:00 a.m., are processed overnight and can be picked up at 8:00 a.m. the next day. In this case the time for customs clearance would be recorded as 24 hours because the actual procedure took 24 hours.

WHAT THE TRADING ACROSS BORDERS INDICATORS MEASURE FOR IMPORT & EXPORT

Documentary compliance – cost (US$) & time (hours)

Obtain, prepare and submit documents:

-During transport, clearance, inspections and port or border handling in origin economy

-Required by origin, transit and destination economies

Covers all documents by law and in practice

Border compliance – cost (US$) & time (hours)

Customs clearance and inspections

Inspections by other agencies

Port or border handling

Obtaining, preparing and submitting documents during clearance, inspections and port or border handling

Domestic transport*

Loading and unloading of shipment

Transport between warehouse and terminal/port

Transport between terminal/port and border

Obtaining, preparing and submitting documents during domestic transport

Traffic delays and road police checks while shipment is en route

* Although *Doing Business* collects and publishes data on the time and cost for domestic transport, it does not use these data in calculating the distance to frontier score for trading across borders or the ranking on the ease of trading across borders.

Cost

- Insurance cost and informal payments for which no receipt is issued are excluded from the costs recorded. Costs are reported in U.S. dollars. Contributors are asked to convert local currency into U.S. dollars based on the exchange rate prevailing on the day they answer the questionnaire.

Assumptions of the case study

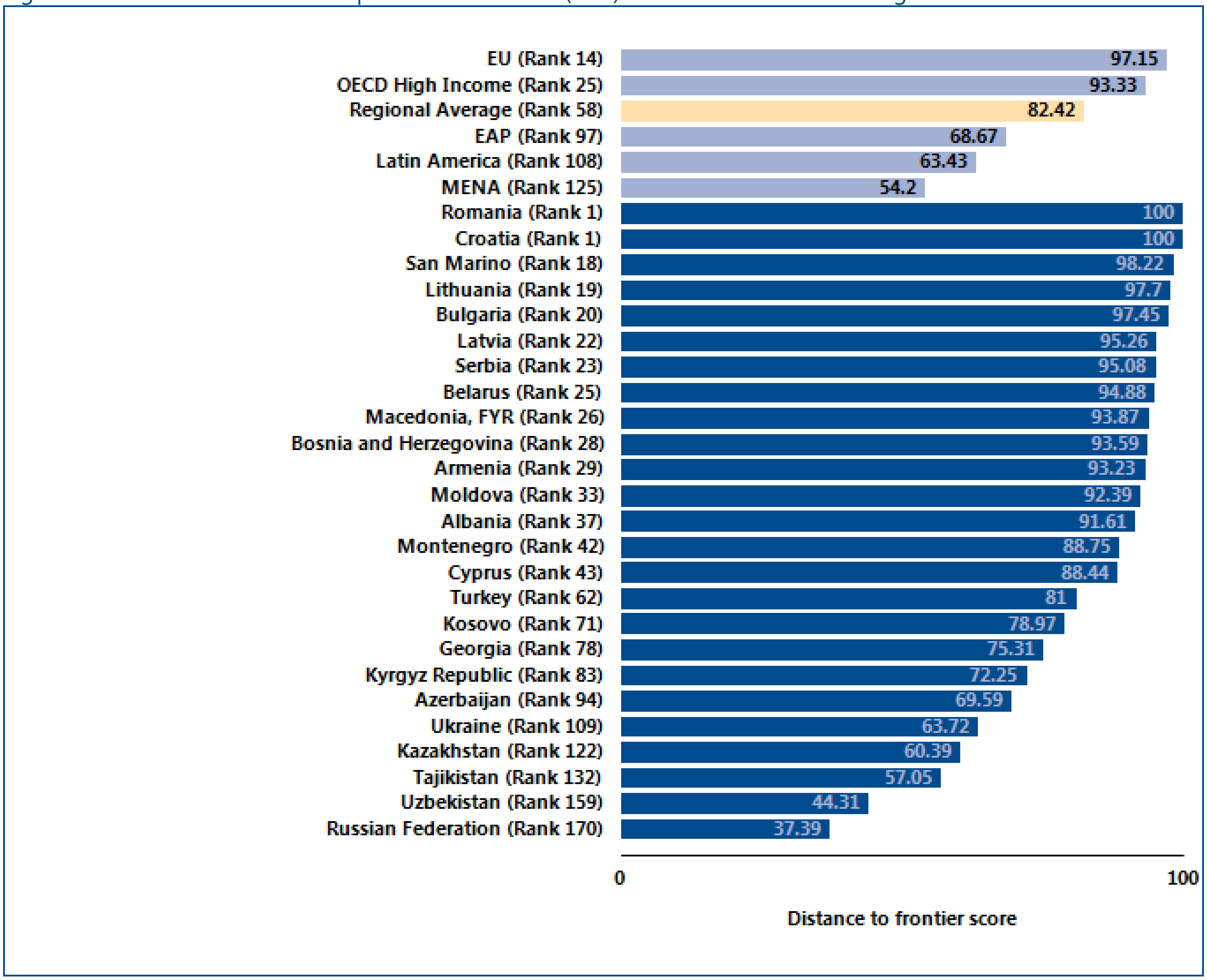
- For each of the 189 economies covered by *Doing Business*, it is assumed that a shipment travels from a warehouse in the largest business city of the exporting economy to a warehouse in the largest business city of the importing economy. For 11 economies the data are also collected, under the same case study assumptions, for the second largest business city.
- The import and export case studies assume different traded products. It is assumed that each economy imports a standardized shipment of 15 metric tons of containerized auto parts (HS 8708) from its natural import partner—the economy from which it imports the largest value (price times quantity) of auto parts. It is assumed that each economy exports the product of its comparative advantage (defined by the largest export value) to its natural export partner—the economy that is the largest purchaser of this product. Precious metal and gems, live animals and pharmaceuticals are excluded from the list of possible export products, however, and the second largest product category is considered as needed.
- To identify the trading partners and export product for each economy, *Doing Business* collected data on trade flows for the most recent four-year period from international databases such as the United Nations Commodity Trade Statistics Database (UN Comtrade). For economies for which trade flow data were not available, data from ancillary government sources (various ministries and departments) and World Bank Group country offices were used to identify the export product and natural trading partners.
- A shipment is a unit of trade. Export shipments do not necessarily need to be containerized, while import shipments of auto parts are assumed to be containerized.
- Shipping cost based on weight is assumed to be greater than shipping cost based on volume.
- If government fees are determined by the value of the shipment, the value is assumed to be $50,000.
- The product is new, not secondhand or used merchandise.
- The exporting firm is responsible for hiring and paying for a freight forwarder or customs broker (or both) and pays for all costs related to international shipping, domestic transport, clearance and mandatory inspections by customs and other government agencies, port or border handling, documentary compliance fees and the like for exports. The importing firm is responsible for the above costs for imports.
- The mode of transport is the one most widely used for the chosen export or import product and the trading partner, as is the seaport, airport or land border crossing.
- All electronic submissions of information requested by any government agency in connection with the shipment are considered to be documents obtained, prepared and submitted during the export or import process.
- A port or border is defined as a place (seaport, airport or land border crossing) where merchandise can enter or leave an economy.
- Government agencies considered relevant are agencies such as customs, port authorities, road police, border guards, standardization agencies, ministries or departments of agriculture or industry, national security agencies and any other government authorities.

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



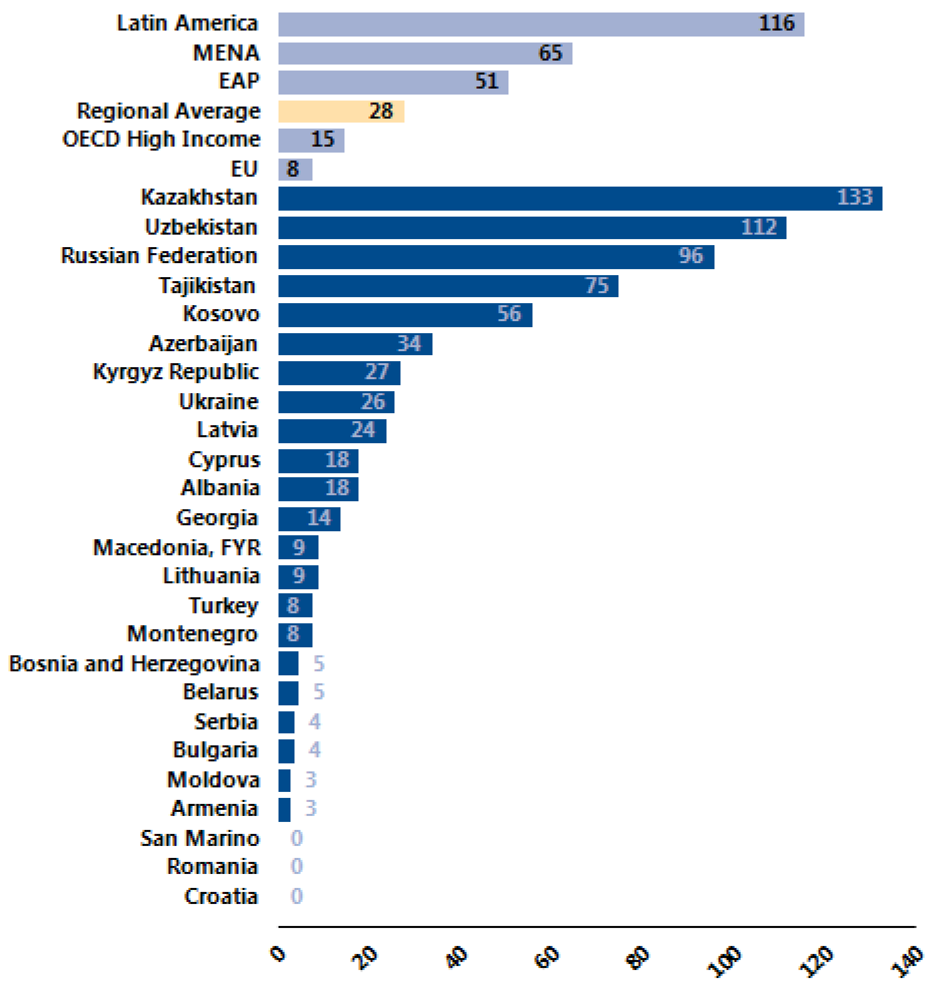
Source: Doing Business database.

TRADING ACROSS BORDERS

The indicators reported here are for trading a shipment of goods by the most widely used mode of transport (whether sea, land, air or some combination of these). The information on the time and cost to complete export and import is collected from local freight forwarders, customs brokers and traders. Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

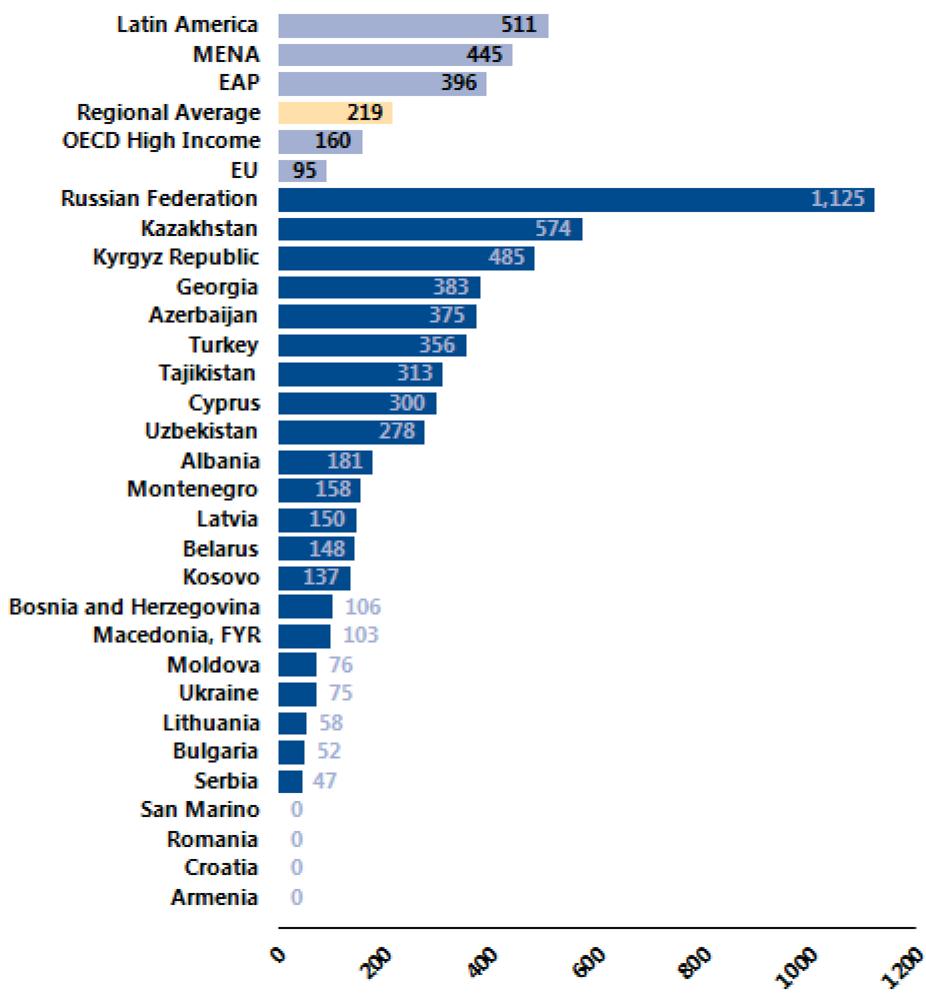
Figure 9.2 What it takes to trade across borders in economies in Europe and Central Asia (ECA)

Time to export: Border compliance (hours)



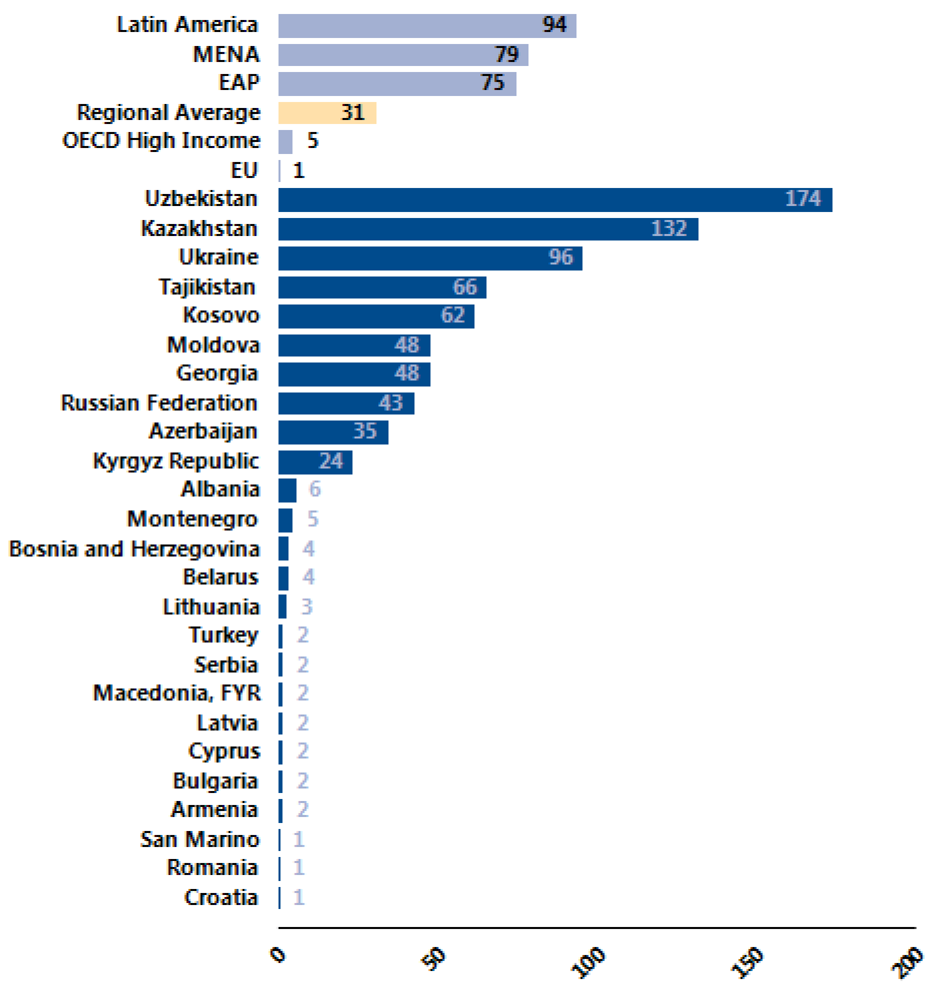
TRADING ACROSS BORDERS

Cost to export: Border compliance (USD)



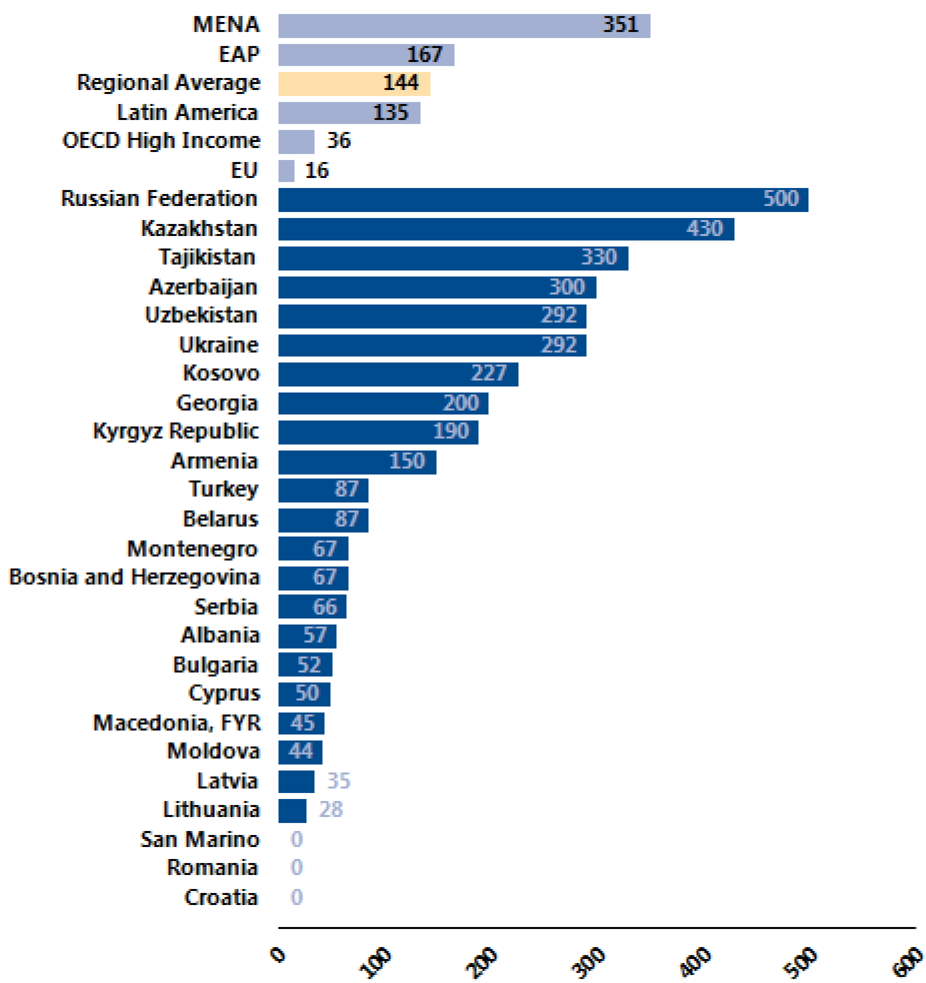
TRADING ACROSS BORDERS

Time to export: Documentary compliance (hours)



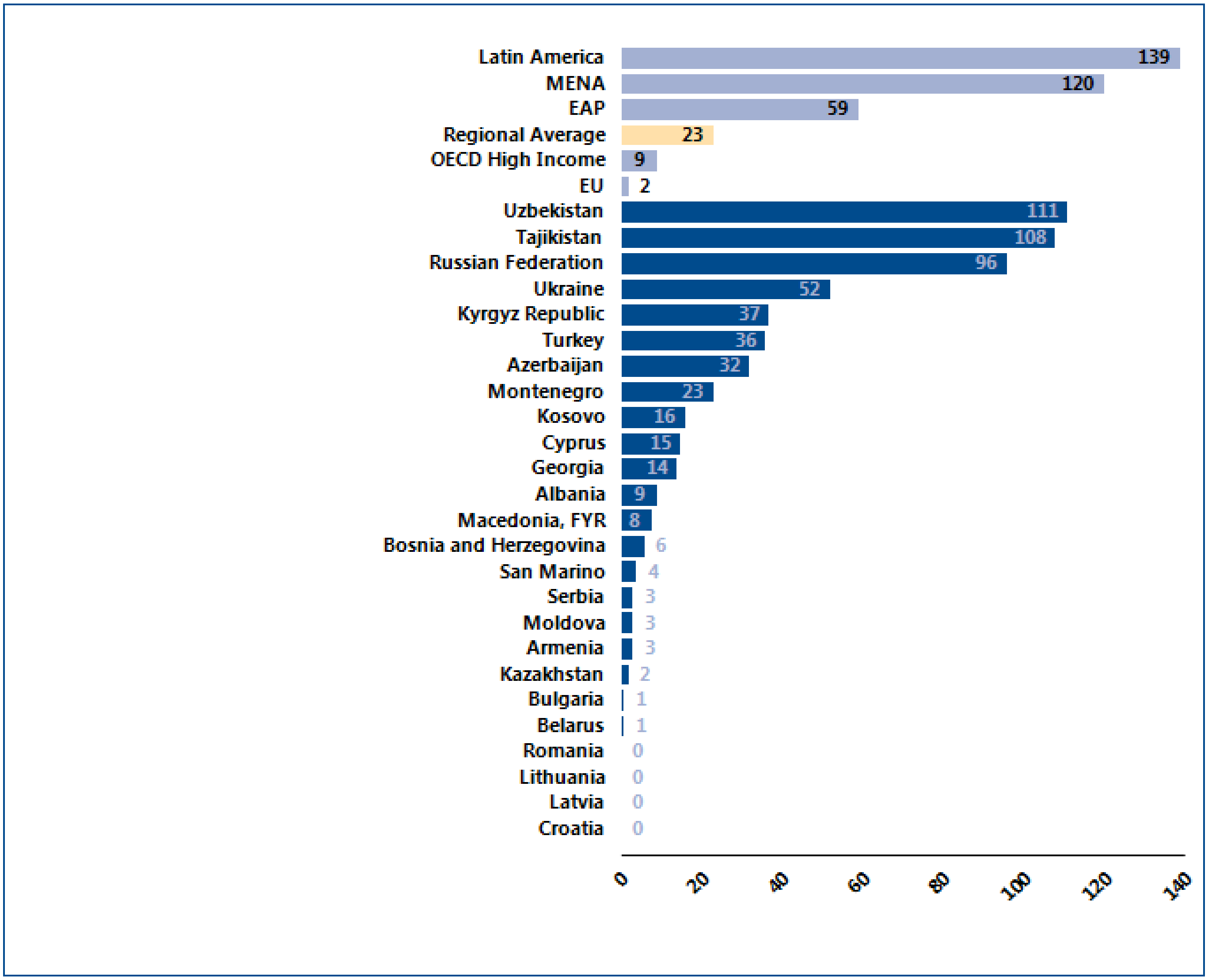
TRADING ACROSS BORDERS

Cost to export: Documentary compliance (USD)



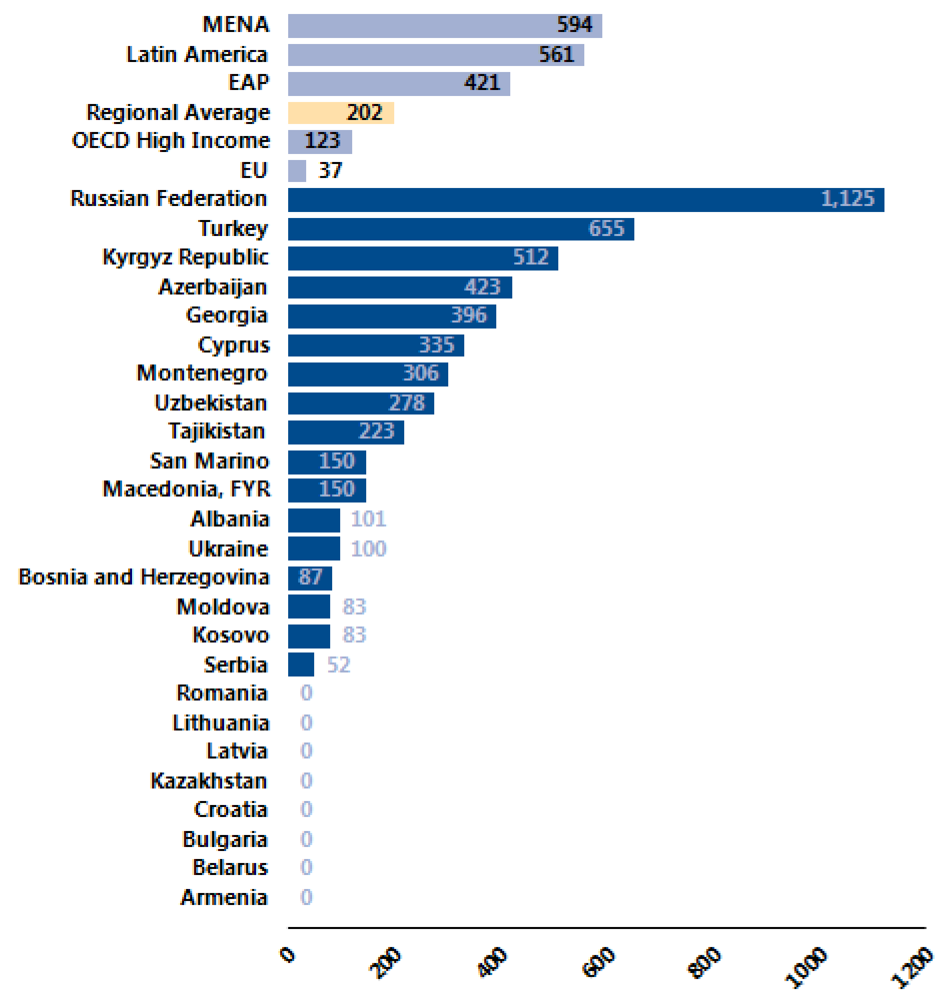
TRADING ACROSS BORDERS

Time to import: Border compliance (hours)



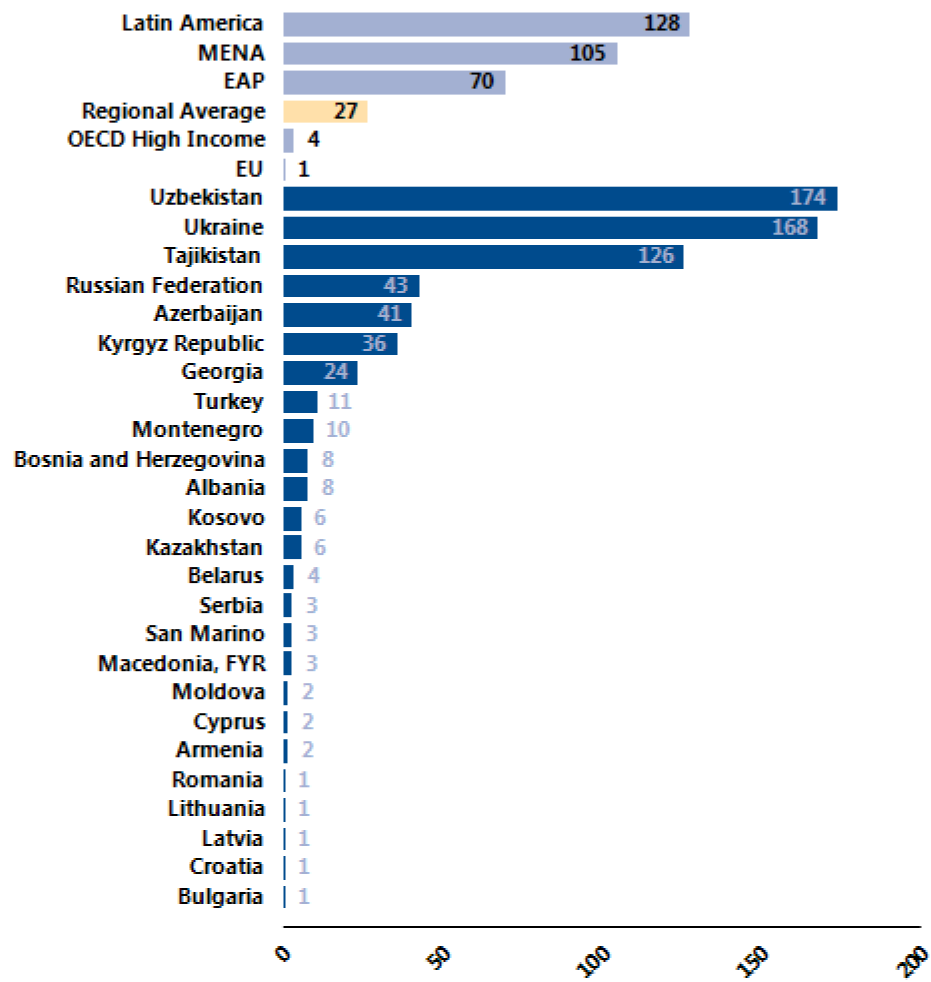
TRADING ACROSS BORDERS

Cost to import: Border compliance (USD)



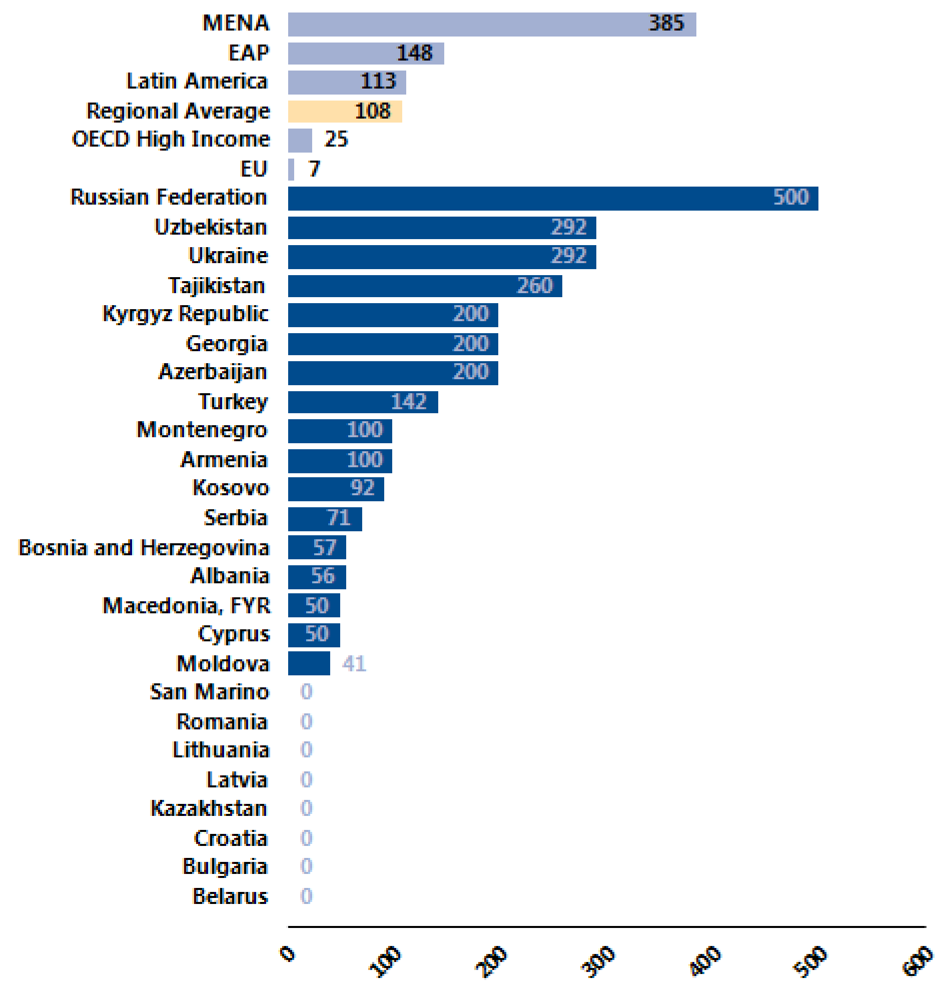
TRADING ACROSS BORDERS

Time to import: Documentary compliance (hours)



TRADING ACROSS BORDERS

Cost to import: Documentary compliance (USD)



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 DB2011 to DB2016

DB year	Economy	Reform
DB2016	*Albania*	Albania made exporting easier by implementing an electronic risk-based inspection system, which reduced the time for border compliance.
DB2016	*Armenia*	Armenia reduced the time and cost for documentary and border compliance for trade with the Russian Federation by joining the Eurasian Economic Union.
DB2016	*Tajikistan*	Tajikistan made trading across borders easier by making it possible to submit customs declarations electronically.
DB2015	*Croatia*	Croatia made trading across borders easier by implementing a new electronic customs system.
DB2015	*Kazakhstan*	Kazakhstan made trading across borders easier by opening a new border station and railway link that helped reduce congestion at the border with China.
DB2015	*Uzbekistan*	Uzbekistan made trading across borders easier by reducing the number of documents to export and import and by making it possible to submit documents electronically.
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

DB year	Economy	Reform
		of the European Union.
DB2014	*Latvia*	Latvia made trading across borders easier by reducing the 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.
DB2013	*Georgia*	Georgia reduced the time to export and import by creating customs clearance zones.
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.
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.
DB2012	*Bulgaria*	Bulgaria made trading across borders faster by introducing online submission of customs declaration forms.
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.

DB year	Economy	Reform
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 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.
DB2011	*Belarus*	Belarus reduced the time to trade by introducing electronic declaration of exports and imports.
DB2010	*Kyrgyz Republic*	The Kyrgyz Republic made trading across borders easier and less time consuming by eliminating some previously required documents and simplifying inspection procedures.
DB2010	*Azerbaijan*	Azerbaijan reduced the clearance and border crossing time for goods by streamlining and regrouping agencies behind a single customs service window.
DB2010	*Belarus*	Belarus reduced the transit time for trade by implementing a risk-based inspection system and improving operations at the border crossing.
DB2010	*Georgia*	Georgia reduced the cost of trade and simplified the documentation requirements for exporting and importing.
DB2010	*Albania*	Albania reduced the time needed for customs clearance of imports by implementing the ASYCUDA World electronic data interchange system and by purchasing scanners.
DB2010	*Armenia*	Armenia reduced the time required for trading across borders by encouraging greater competition in the banking and transport sectors and customs brokerage service industry and by reducing the number of goods requiring inspection and the number of documents needed to clear goods.

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 time and cost for resolving a standardized commercial dispute through a local first-instance court. In addition, this year it introduces a new measure, the quality of judicial processes index, evaluating whether each economy has adopted a series of good practices that promote quality and efficiency in the court system. This new index replaces the indicator on procedures, which was eliminated this year. The ranking of economies on the ease of enforcing contracts is determined by sorting their distance to frontier scores. These scores are the simple average of the distance to frontier scores for each of the component indicators

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 dispute concerns a lawful transaction between two businesses (Seller and Buyer), both located in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- The buyer orders custom-made goods, then fails to pay.
- The value of the dispute is 200% of the income per capita or the equivalent in local currency of USD 5,000, whichever is greater.
- The seller sues the buyer before the court with jurisdiction over commercial cases worth 200% of income per capita or $5,000.
- 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

Time required to enforce a contract through the courts (calendar days)

Time to file and serve the case

Time for trial and to obtain the judgment

Time to enforce the judgment

Cost required to enforce a contract through the courts (% of claim)

Attorney fees

Court fees

Enforcement fees

Quality of judicial processes index (0-18)

Court structure and proceedings (0-5)

Case management (0-6)

Court automation (0-4)

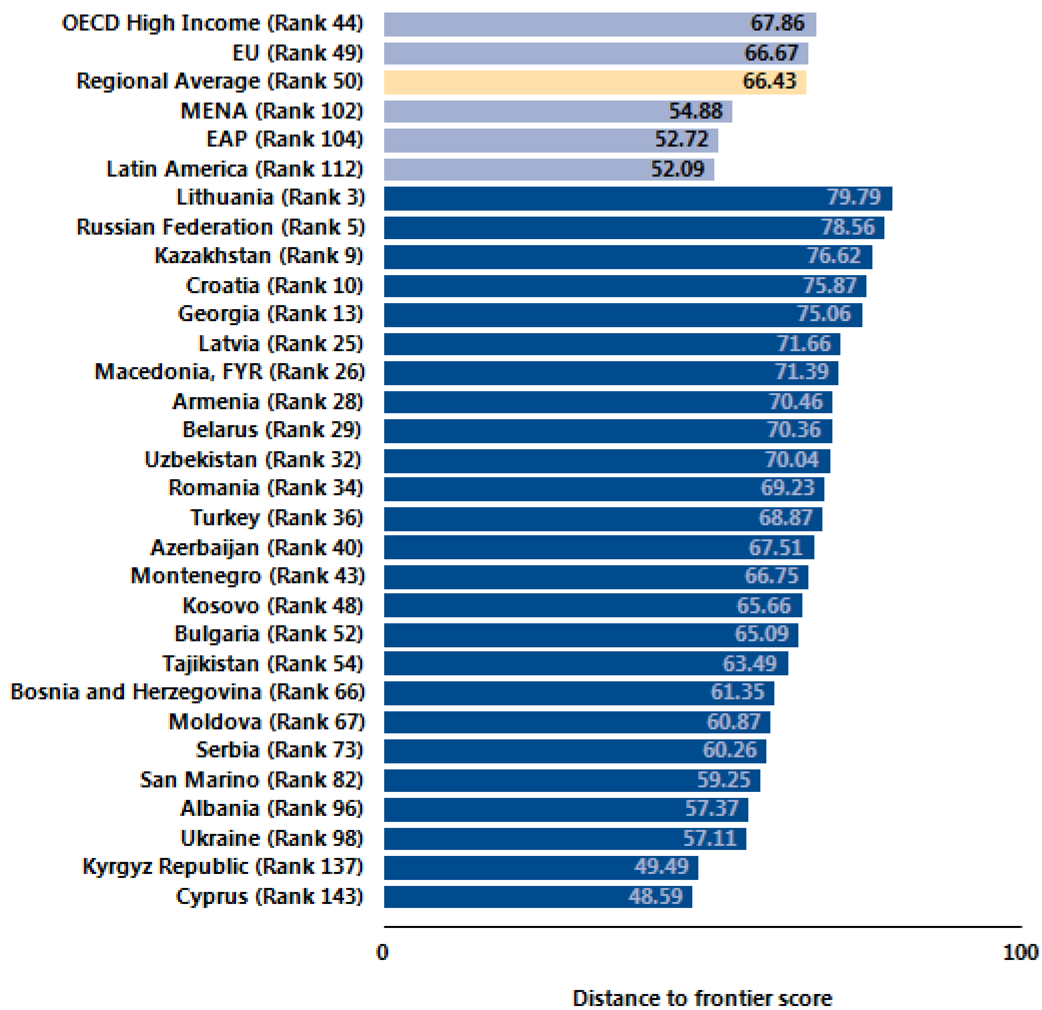
Alternative dispute resolution (0-3)

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



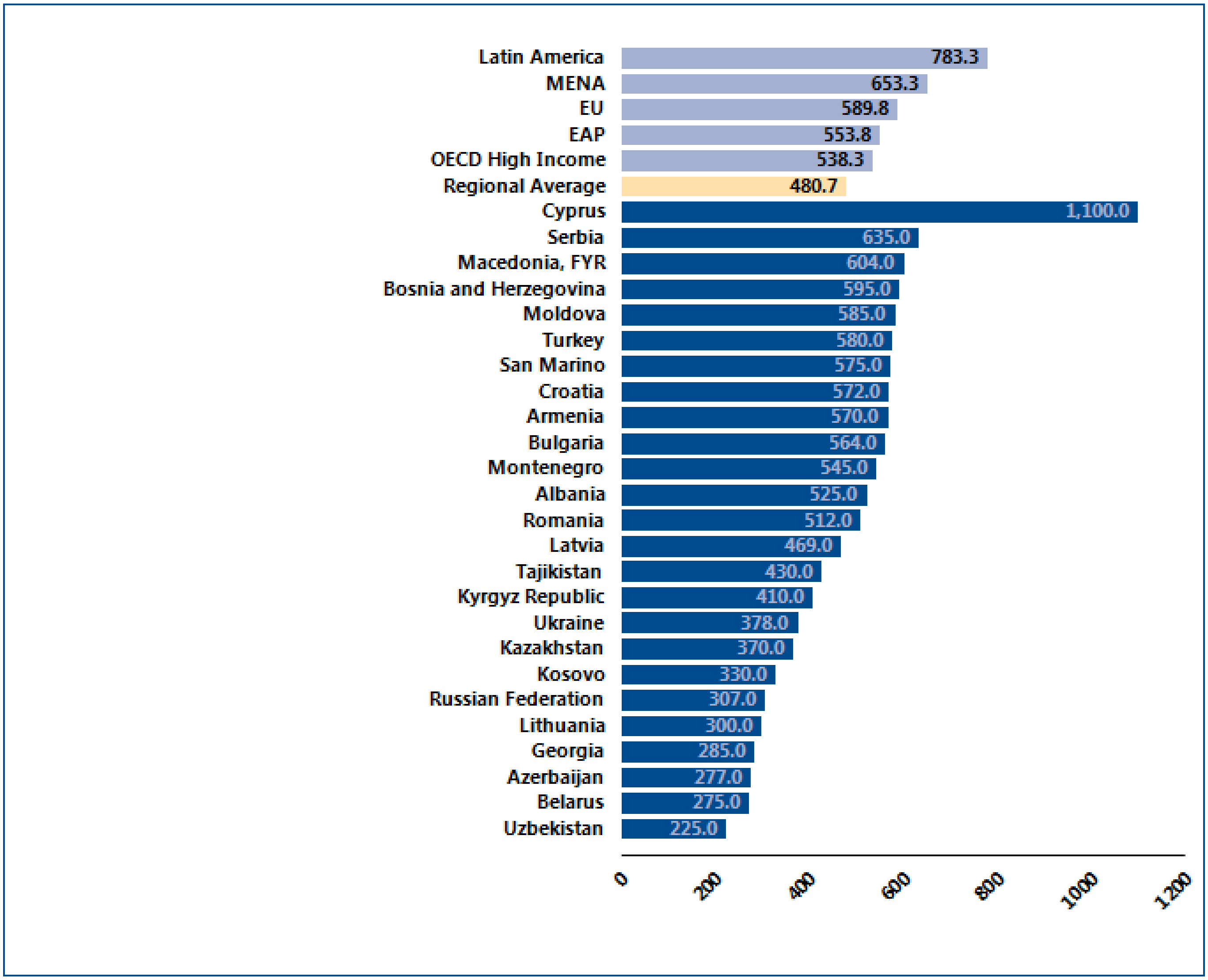
Source: Doing Business database.

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 time, the cost and quality of judicial processes index (figure 10.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

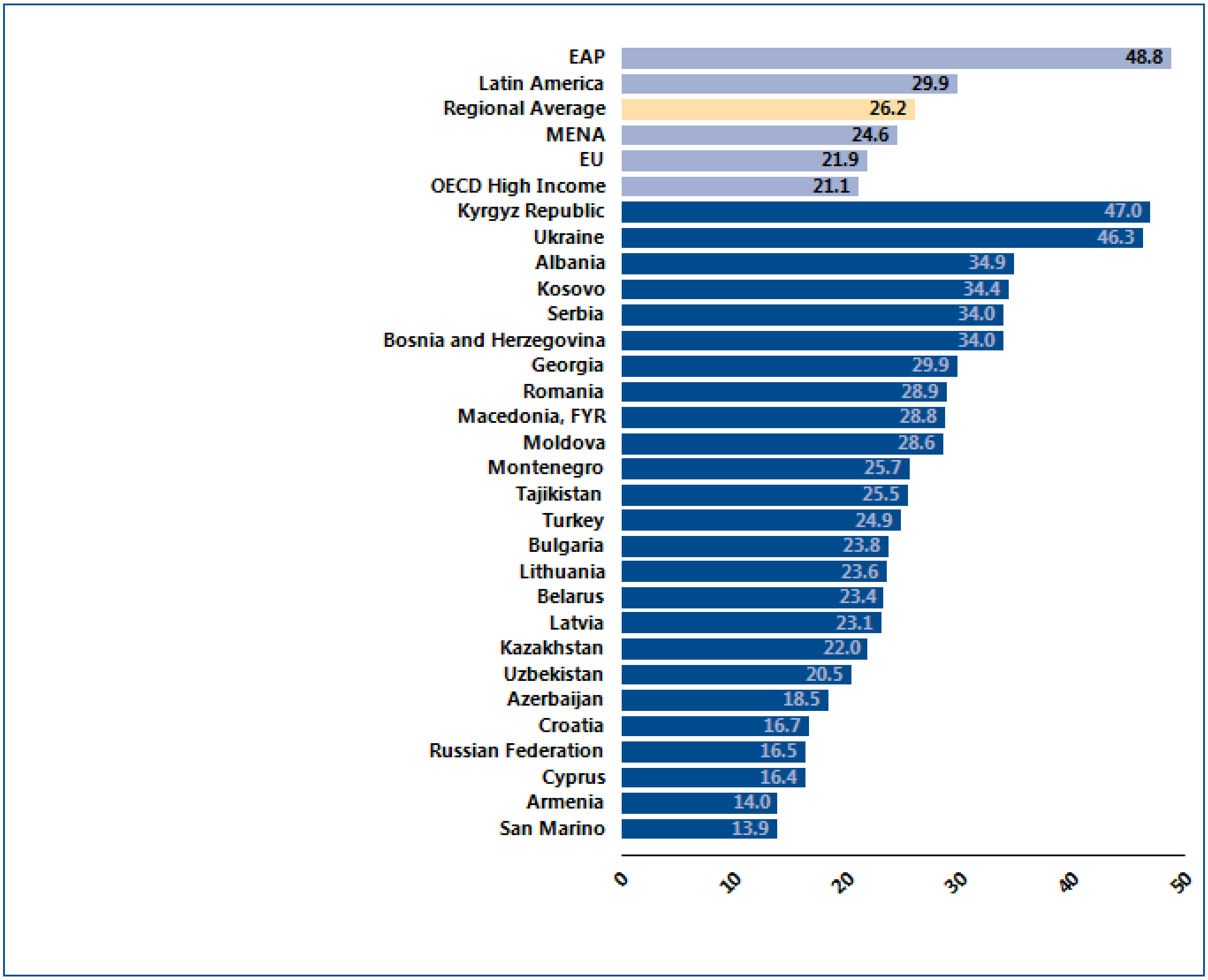
Figure 10.2 What it takes to enforce a contract through the courts in economies in Europe and Central Asia (ECA)

Time (days)



ENFORCING CONTRACTS

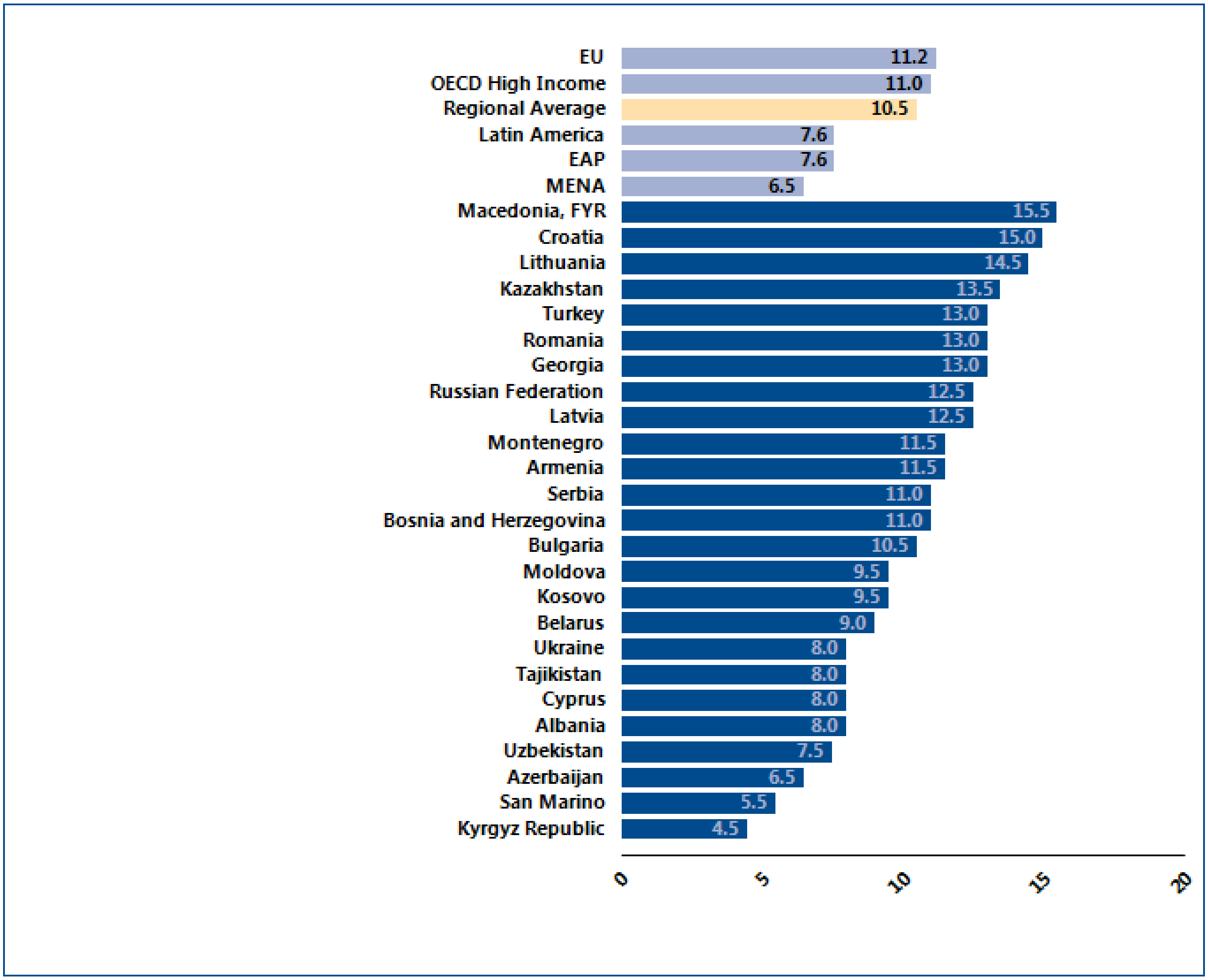
Cost (% of claim)



Source: Doing Business database.

ENFORCING CONTRACTS

Quality of Judicial Processes Index (0-18)



Source: Doing Business database.
Note: Higher values indicate more efficient judicial processes.

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 DB2011 to DB2016

DB year	Economy	Reform
DB2016	*Armenia*	Armenia made enforcing contracts easier through a new law requiring that cases be assigned to judges randomly—and through a fully automated system—in courts throughout the country.
DB2016	*Cyprus*	Cyprus made enforcing contracts easier by introducing a fast-track simplified procedure for claims worth less than €3,000.
DB2016	*Georgia*	Georgia made enforcing contracts easier by introducing an electronic filing system for court users.
DB2016	*Croatia*	Croatia made enforcing contracts easier by introducing an electronic system to handle public sales of movable assets and by streamlining the enforcement process as a whole.
DB2016	*Kazakhstan*	Kazakhstan made enforcing contracts easier by introducing a simplified fast-track procedure for small claims and by streamlining the rules for enforcement proceedings.
DB2016	*Latvia*	Latvia made enforcing contracts easier by restructuring its courts and by introducing comprehensive specialized laws regulating domestic arbitration and voluntary mediation.
DB2016	*Romania*	Romania made enforcing contracts easier by transferring some enforcement responsibilities from the court to the bailiff, by making it easier for the bailiff to obtain information from third parties and by making use of the electronic auction registry mandatory.
DB2015	*Kazakhstan*	Kazakhstan made enforcing contracts easier by introducing an electronic filing system for court users.
DB2015	*Kosovo*	Kosovo made enforcing contracts easier by introducing a private bailiff system.

DB year	Economy	Reform
DB2015	*Lithuania*	Lithuania made enforcing contracts easier by introducing an electronic filing system for court users.
DB2015	*Turkey*	Turkey made enforcing contracts easier by introducing an electronic filing system for court users.
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.
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.
DB2012	*Ukraine*	Ukraine amended legislation to streamline commercial dispute resolution and increase the efficiency of enforcement procedures.
DB2012	*Russian Federation*	Russia made filing a commercial case easier by introducing an electronic case filing system.
DB2012	*Moldova*	Moldova made enforcement of judgments more efficient by introducing private bailiffs.
DB2012	*Belarus*	Belarus modified its code of economic procedure, altering the time frames for commercial dispute resolution.
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.

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 clarifying 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 sustainably grow the economy.

What do the indicators cover?

Doing Business studies the time, cost and outcome of insolvency proceedings involving domestic legal entities. These variables are used to calculate the recovery rate, which is recorded as cents on the dollar recovered by secured creditors through reorganization, liquidation or debt enforcement (foreclosure or receivership) proceedings. To determine the present value of the amount recovered by creditors, *Doing Business* uses the lending rates from the International Monetary Fund, supplemented with data from central banks and the Economist Intelligence Unit.

In addition, *Doing Business* evaluates the adequacy and integrity of the existing legal framework applicable to liquidation and reorganization proceedings through the strength of insolvency framework index. The index tests whether economies adopted internationally accepted good practices in four areas: commencement of proceedings, management of debtor's assets, reorganization proceedings and creditor participation.

The ranking of economies on the ease of resolving insolvency is determined by sorting their distance to frontier scores for resolving insolvency. These scores are the simple average of the distance to frontier scores for the recovery rate and the strength of insolvency framework index. The Resolving Insolvency indicator does not measure insolvency proceedings of individuals and financial institutions. The data are derived from questionnaire responses by local insolvency practitioners and verified through a study of laws and regulations as well as public information on bankruptcy systems.

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

- Measures the cents on the dollar recovered by secured creditors
- Outcome for the business (survival or not) determines the maximum value that can be recovered
- Official costs of the insolvency proceedings are deducted
- Depreciation of furniture is taken into account
- Present value of debt recovered

Strength of insolvency framework index (0-16)

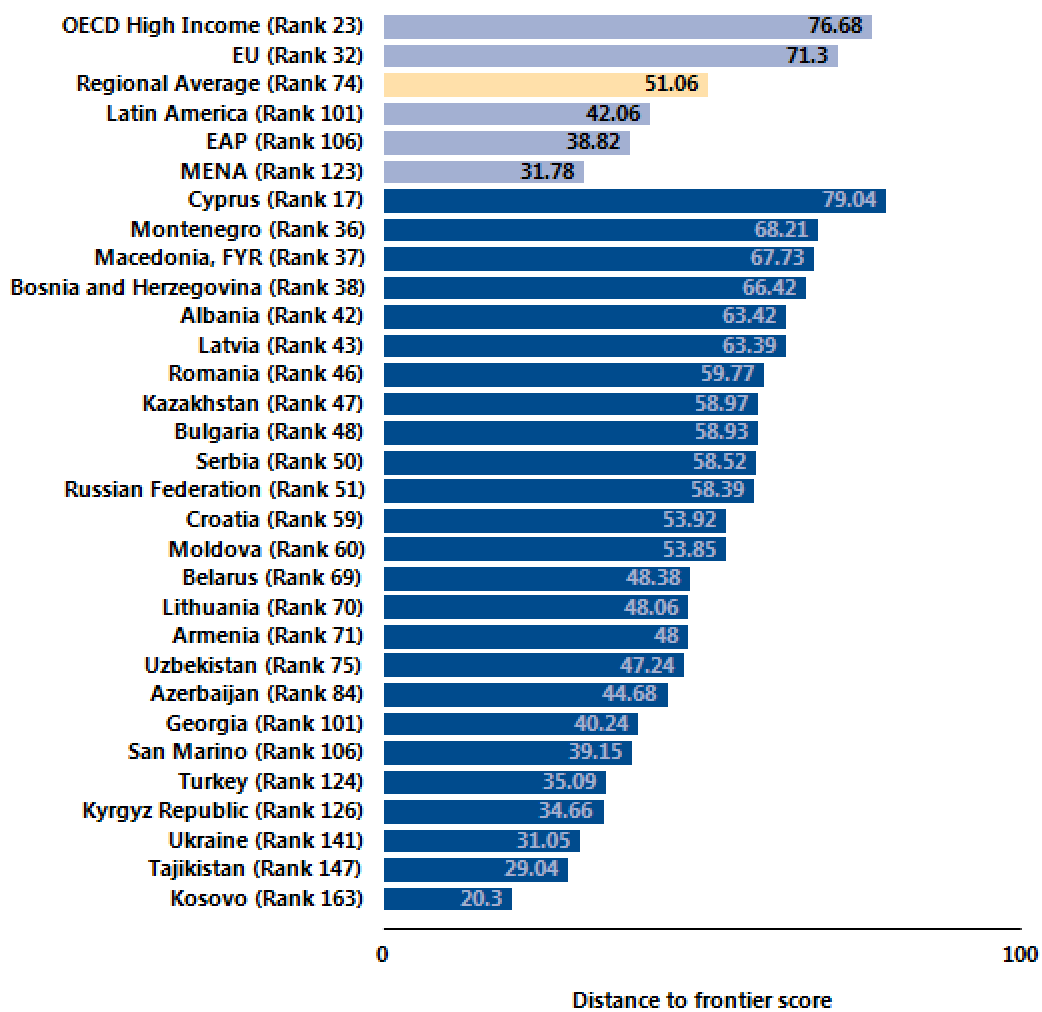
- Sum of the scores of four component indices:
- Commencement of proceedings index (0-3)
- Management of debtor's assets index (0-6)
- Reorganization proceedings index (0-3)
- Creditor participation index (0-4)

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

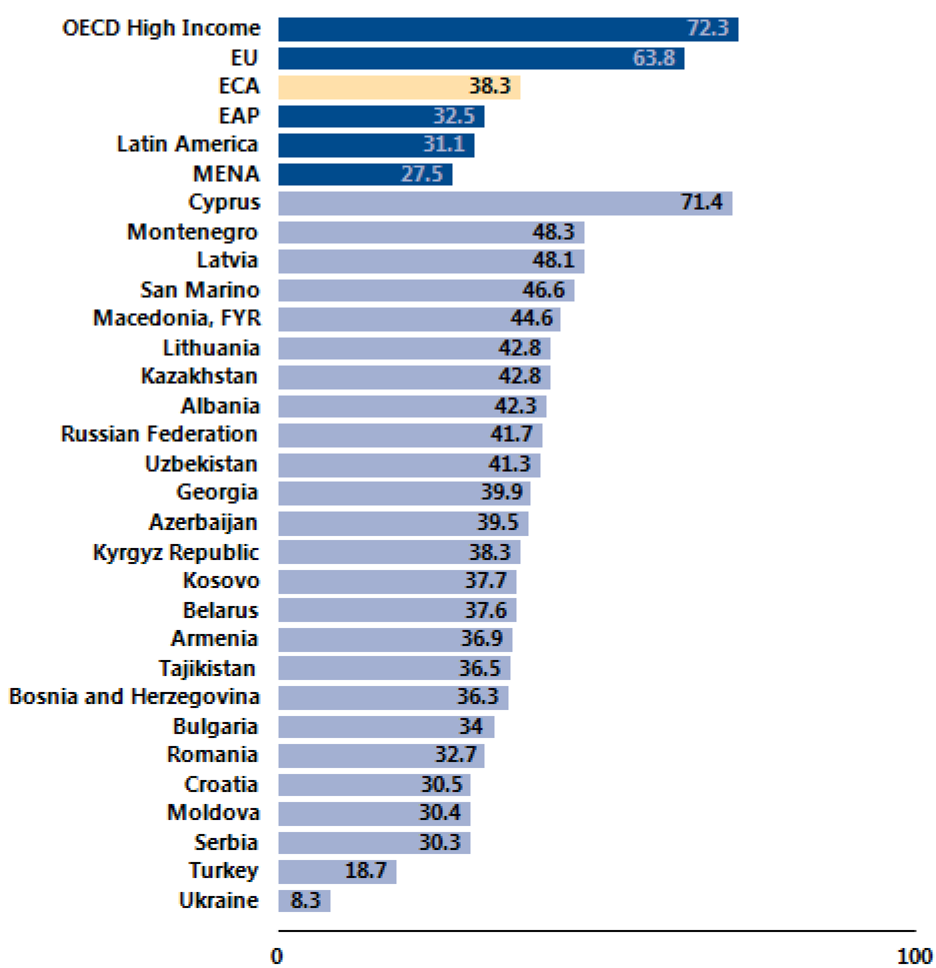


Source: Doing Business database.

RESOLVING INSOLVENCY

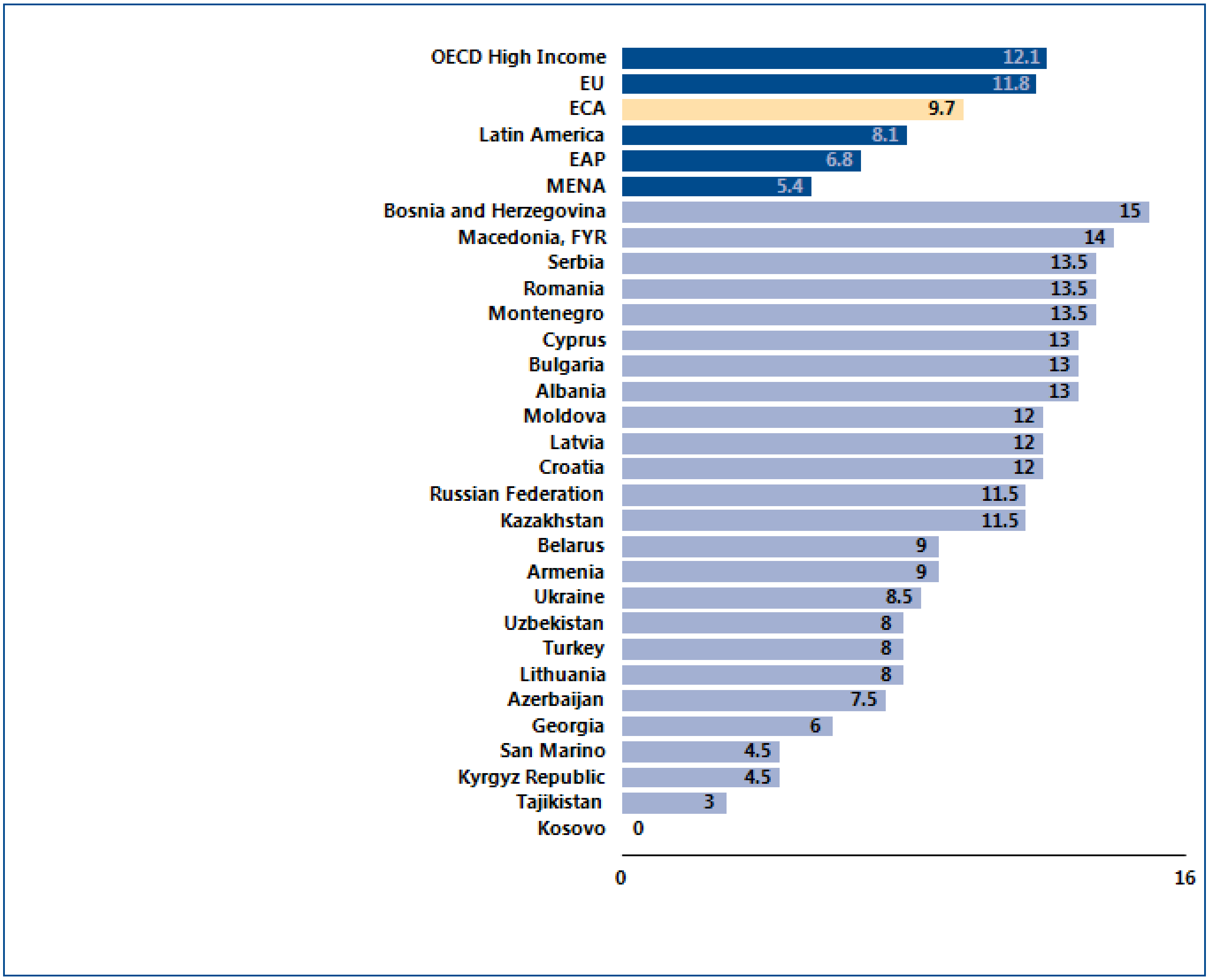
The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show the average recovery rate and the average strength of insolvency framework index (figure 11.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

Figure 11.2 How efficient is the insolvency process in economies in Europe and Central Asia (ECA)
Recovery Rate (0–100)



Source: Doing Business database.

Total Strength of Insolvency Framework index (0-16)



Source: Doing Business database.
* Indicates a "no practice" mark. See the data notes for details. 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.
Source: Doing Business database.
Note: Higher values indicate insolvency legislation that is better designed for rehabilitating viable firms and liquidating nonviable ones.

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 DB2011 to DB2016

DB year	**Economy**	**Reform**
DB2016	*Cyprus*	Cyprus made resolving insolvency easier by introducing a reorganization procedure as well as provisions to facilitate the continuation of the debtor's business during insolvency proceedings and allow creditors greater participation in important decisions during the proceedings.
DB2016	*Kazakhstan*	Kazakhstan made resolving insolvency easier by allowing creditors to initiate reorganization proceedings and encouraging sales of assets as a going concern. Kazakhstan also improved its bankruptcy regime, by explicitly authorizing post-commencement finance and granting it priority over existing unsecured claims.
DB2016	*Moldova*	Moldova improved its insolvency system by introducing a licensing system for insolvency administrators, by increasing qualification requirements to include a professional exam as well as training and by establishing supervisory bodies to regulate the profession of insolvency administrators.
DB2016	*Romania*	Romania improved its insolvency system by introducing time limits for the observation period (during which a reorganization plan must be confirmed or a declaration of bankruptcy made) and for the implementation of the reorganization plan; by introducing additional minimum voting requirements for the approval of the reorganization plan; and by clarifying rules on voidable transactions and on payment priority for claims of post-commencement creditors.
DB2015	*Kazakhstan*	Kazakhstan made resolving insolvency easier by clarifying and simplifying provisions on liquidation and reorganization, introducing the concept of creditors' meetings, expanding the rights of creditors during insolvency proceedings, authorizing payment in kind to secured creditors and clarifying the process for submitting creditors' claims.

DB year	Economy	Reform
DB2015	*Macedonia, FYR*	The former Yugoslav Republic of Macedonia made resolving insolvency easier by establishing a framework for electronic auctions of debtors' assets, streamlining and tightening the time frames for insolvency proceedings and the appeals process and establishing a framework for out-of-court restructurings.
DB2014	*Bulgaria*	Bulgaria made resolving insolvency easier by expanding the basis for commencement of insolvency proceedings and making it easier to void suspect transactions.
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 shareholders and directors of the insolvent company.
DB2014	*Croatia*	Croatia made resolving insolvency easier by introducing an expedited out-of-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 of the insolvency process.
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 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,

DB year	Economy	Reform
		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.
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.
DB2012	*Serbia*	Serbia adopted legislation introducing professional requirements for insolvency administrators and regulating their compensation.
DB2012	*Ukraine*	Ukraine amended its legislation on enforcement, introducing more guarantees for secured creditors.
DB2012	*Romania*	Romania amended its insolvency law to shorten the duration of insolvency proceedings.
DB2012	*Macedonia, FYR*	FYR Macedonia increased the transparency of bankruptcy proceedings through amendments to its company and bankruptcy laws.

DB year	Economy	Reform
DB2012	*Moldova*	Moldova amended its insolvency law to grant priority to secured creditors.
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	*Bulgaria*	Bulgaria amended its commerce act to extend further rights to secured creditors and increase the transparency of insolvency proceedings.
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.
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	*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 for out-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	*Russian Federation*	Russia introduced a series of legislative measures in 2009 to improve creditor rights and the insolvency system.
DB2011	*Romania*	Substantial amendments to Romania's bankruptcy laws—introducing, among other things, a procedure for out-of-court workouts—made dealing with insolvency easier.
DB2011	*Serbia*	Serbia passed a new bankruptcy law that introduced out-of-court workouts and a unified reorganization procedure.
DB2010	*Tajikistan*	Tajikistan improved its insolvency process by amending its

DB year	Economy	Reform
		insolvency law to reduce the duration and cost of proceedings.
DB2010	*Russian Federation*	Russia enhanced its insolvency process by introducing several changes to its insolvency law to speed up the liquidation procedure and strengthen the legal status of secured creditors.
DB2010	*Lithuania*	Lithuania made resolving insolvency easier through amendments to the Enterprise Bankruptcy Law.
DB2010	*Romania*	Romania made resolving insolvency more difficult by requiring that a percentage of recovered amounts be transferred to a fund for reimbursing the expenses of insolvency administrators in cases where the debtor has no assets.
DB2010	*Albania*	Albania improved its insolvency process through a new insolvency law introducing statutory time limits during the insolvency procedure, specifying professional qualifications for insolvency administrators, establishing an agency to regulate the profession of administrators and introducing a simplified insolvency procedure for small businesses

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.

DISTANCE TO FRONTIER AND EASE OF DOING BUSINESS RANKING

Doing Business presents results for two aggregate measures: the distance to frontier score and the ease of doing business ranking, which is based on the distance to frontier score. The ease of doing business ranking compares economies with one another; the distance to frontier score benchmarks economies with respect to regulatory best practice, showing the absolute distance to the best performance on each *Doing Business* indicator. When compared across years, the distance to frontier score shows how much the regulatory environment for local entrepreneurs in an economy has changed over time in absolute terms, while the ease of doing business ranking can show only how much the regulatory environment has changed relative to that in other economies.

Distance to Frontier

The distance to frontier score captures the gap between an economy's performance and a measure of best practice across the entire sample of 36 indicators for 10 *Doing Business* topics (the labor market regulation indicators are excluded). For starting a business, for example, the former Yugoslav Republic of Macedonia and New Zealand have the smallest number of procedures required (1), and New Zealand the shortest time to fulfill them (0.5 days). Slovenia has the lowest cost (0.0), and Australia, Colombia and 103 other economies have no paid-in minimum capital requirement (table 14.1 in the *Doing Business 2016* report).

Calculation of the distance to frontier score

Calculating the distance to frontier score for each economy involves two main steps. In the first step individual component indicators are normalized to a common unit where each of the 36 component indicators y (except for the total tax rate) is rescaled using the linear transformation (worst − y)/(worst − frontier). In this formulation the frontier represents the best performance on the indicator across all economies since 2005 or the third year in which data for the indicator were collected. Both the best performance and the worst performance are established every five years based on the *Doing Business* data for the year in which they are established, and remain at that level for the five years regardless of any changes in data in interim years. Thus an economy may set the frontier for an indicator even though it is no longer at the frontier in a subsequent year.

For scores such as those on the strength of legal rights index or the quality of land administration index, the frontier is set at the highest possible value. For the total tax rate, consistent with the use of a threshold in calculating the rankings on this indicator, the frontier is defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis up to and including *Doing Business 2015*. For the time to pay taxes the frontier is defined as the lowest time recorded among all economies that levy the three major taxes: profit tax, labor taxes and mandatory contributions, and value added tax (VAT) or sales tax. For the different times to trade across borders, the frontier is defined as 1 hour even though in many economies the time is less than that.

In the same formulation, to mitigate the effects of extreme outliers in the distributions of the rescaled data for most component indicators (very few economies need 700 days to complete the procedures to start a business, but many need 9 days), the worst performance is calculated after the removal of outliers. The definition of outliers is based on the distribution for each component indicator. To simplify the process two rules were defined: the 95th percentile is used for the indicators with the most dispersed distributions (including minimum capital, number of payments to pay taxes, and the time and cost indicators), and the 99th percentile is used for number of procedures. No outlier is removed for component indicators bound by definition or construction, including legal index scores (such as the depth of credit information index, extent of conflict of interest regulation index and strength of insolvency framework index) and the recovery rate (figure 14.1).

In the second step for calculating the distance to frontier score, the scores obtained for individual indicators for each economy are aggregated through simple averaging into one distance to frontier score, first for each topic and then across all 10 topics: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly identical to the simple average 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[5].

An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. All distance to frontier calculations are based on a maximum of five decimals. However, indicator ranking calculations and the ease of doing business ranking calculations are based on two decimals.

The difference between an economy's distance to frontier score in any previous year and its score in 2015 illustrates the extent to which the economy has closed the gap to the regulatory frontier over time. And in any given year the score measures how far an economy is from the best performance at that time.

Treatment of the total tax rate

The total tax rate component of the paying taxes indicator set enters the distance to frontier calculation in a different way than any other indicator. The distance to frontier score obtained for the total tax rate is transformed in a nonlinear fashion before it enters the distance to frontier score for paying taxes. As a result of the nonlinear transformation, an increase in the total tax rate has a smaller impact on the distance to frontier score for the total tax rate—and therefore on the distance to frontier score for paying taxes—for economies with a below-average total tax rate than it would have had before this approach was adopted in *Doing Business 2015* (line B is smaller than line A in figure 14.2 of the *Doing Business 2016* report). And for economies with an extreme total tax rate (a rate that is very high relative to the average), an increase has a greater impact on both these distance to frontier scores than it would have had before (line D is bigger than line C in figure 14.2 of the *Doing Business 2016* report).

The nonlinear transformation is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in an economy's overall tax system. Instead, it is mainly empirical in nature. The nonlinear transformation along with the threshold reduces the bias in the indicator 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). In addition, it acknowledges the need of economies to collect taxes from firms.

Calculation of scores for economies with 2 cities covered

For each of the 11 economies in which *Doing Business* collects data for the second largest business city as well as the largest one, the distance to frontier score is calculated as the population-weighted average of the distance to frontier scores for these two cities (table 13.1). This is done for the aggregate score, the scores for each topic and the scores for all the component indicators for each topic.

[4] See Djankov, Manraj and others (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] For getting credit, indicators are weighted proportionally, according to their contribution to the total score, with a weight of 60% assigned to the strength of legal rights index and 40% to the depth of credit information index. Indicators for all other topics are assigned equal weights

Table 13.1 Weights used in calculating the distance to frontier scores for economies with 2 cities covered

Economy	City	Weight (%)
Bangladesh	Dhaka	78
	Chittagong	22
Brazil	São Paulo	61
	Rio de Janeiro	39
China	Shanghai	55
	Beijing	45
India	Mumbai	47
	Delhi	53
Indonesia	Jakarta	78
	Surabaya	22
Japan	Tokyo	65
	Osaka	35
Mexico	Mexico City	83
	Monterrey	17
Nigeria	Lagos	77
	Kano	23
Pakistan	Karachi	65
	Lahore	35
Russian Federation	Moscow	70
	St. Petersburg	30
United States	New York	60
	Los Angeles	40

Source: United Nations, Department of Economic and Social Affairs, Population Division, World Urbanization Prospects, 2014 Revision. http://esa.un.org/unpd/wup/CD-ROM/Default.aspx.

Economies that improved the most across 3 or more *Doing Business* topics in 2014/15

Doing Business 2016 uses a simple method to calculate which economies improved the ease of doing business the most. First, it selects the economies that in 2014/15 implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year's aggregate distance to frontier score. Changes making it more difficult to do business are subtracted from the total number of those making it easier to do business. Twenty-four economies meet this criterion: Armenia; Azerbaijan; Benin; Costa Rica; Côte d'Ivoire; Cyprus; Hong Kong SAR, China; Indonesia; Jamaica; Kazakhstan; Kenya; Lithuania; Madagascar; Mauritania; Morocco; Romania; the Russian Federation; Rwanda; Senegal; Togo; Uganda; the United Arab Emirates; Uzbekistan; and Vietnam. Second, *Doing Business* sorts these economies on the increase in their distance to frontier score from the previous year using comparable data.

Selecting the economies that implemented regulatory reforms in at least three topics and had the biggest improvements in their distance to frontier scores is intended to highlight economies with ongoing, broad-based reform programs. The improvement in the distance to frontier score is used to identify the top improvers because this allows a focus on the absolute improvement—in contrast with the relative improvement shown by a change in rankings—that economies have made in their regulatory environment for business.

Ease of *Doing Business* ranking

The ease of doing business ranking ranges from 1 to 189. The ranking of economies is determined by sorting the aggregate distance to frontier scores, rounded to 2 decimals.

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Doing Business 2016 is the 13th in a series of annual reports investigating the regulations that enhance business activity and those that constrain it. The report provides quantitative indicators covering 11 areas of the business environment in 189 economies. The goal of the *Doing Business* series is to provide objective data for use by governments in designing sound business regulatory policies and to encourage research on the important dimensions of the regulatory environment for firms.

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