12TH EDITION

Doing Business 2015

Going Beyond Efficiency

Regional Profile 2015

European Union (EU)

COMPARING BUSINESS REGULATIONS FOR DOMESTIC FIRMS IN 189 ECONOMIES

A World Bank Group Flagship Report

WORLD BANK GROUP

1818 H Street NW, Washington, DC 20433
Telephone: 202-473-1000; Internet: www.worldbank.org

1 2 3 4 17 16 15 14

ISBN (paper): 978-1-4648-0351-2
ISBN (electronic): 978-1-4648-0352-9
DOI: 10.1596/978-1-4648-0351-2
ISSN: 1729-2638

Cover design: Corporate Visions, Inc.

CONTENTS

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.

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, 26 in Eastern Europe and Central Asia, 20 in the Middle East and North Africa and 8 in South Asia, as well as 31 OECD high-income economies. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

This regional profile presents the *Doing Business* indicators for economies in European Union (EU). It also shows the regional average, the best performance globally for each indicator and data for the following comparator regions: East Asia and the Pacific (EAP), Middle East and North Africa (MENA), Latin America and OECD High Income. The data in this report are current as of June 1, 2014 (except for the paying taxes indicators, which cover the period January–December 2013).

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 2015* presents the indicators, analyzes their relationship with economic outcomes and recommends regulatory reforms. The data, along with information on ordering the *Doing Business 2015* report, are available on the *Doing Business* website at http://www.doingbusiness.org.

THE BUSINESS ENVIRONMENT

CHANGES IN *DOING BUSINESS 2015*

As part of a 2-year update in methodology, *Doing Business 2015* incorporates 7 important changes. First, the ease of doing business ranking as well as all topic-level rankings are now computed on the basis of distance to frontier scores (see the chapter on the distance to frontier and ease of doing business ranking). Second, for the 11 economies with a population of more than 100 million, data for a second city have been added to the data set and the ranking calculation. These economies are Bangladesh, Brazil, China, India, Indonesia, Japan, Mexico, Nigeria, Pakistan, the Russian Federation and the United States. Third, for getting credit, the methodology has been revised for both the strength of legal rights index and the depth of credit information index. The number of points has been increased in both indices, from 10 to 12 for the strength of legal rights index and from 6 to 8 for the depth of credit information index. In addition, only credit bureaus and registries that cover at least 5% of the adult population can receive a score on the depth of credit information index.

Fourth, the name of the protecting investors indicator set has been changed to protecting minority investors to better reflect its scope—and the scope of the indicator set has been expanded to include shareholders' rights in corporate governance beyond related-party transactions. Fifth, the resolving insolvency indicator set has been expanded to include an index measuring the strength of the legal framework for insolvency. Sixth, the calculation of the distance to frontier score for paying taxes has been changed. The total tax rate component now enters the score in a nonlinear fashion, in an approach different from that used for all other indicators (see the chapter on the distance to frontier and ease of doing business ranking).

Finally, the name of the employing workers indicator set has been changed to labor market regulation, and the scope of this indicator set has also been changed. The indicators now focus on labor market regulation applying to the retail sector rather than the manufacturing sector, and their coverage has been expanded to include regulations on labor disputes and on benefits provided to workers. The labor market regulation indicators continue to be excluded from the aggregate distance to frontier score and ranking on the ease of doing business.

Beyond these changes there are 3 other updates in methodology. For paying taxes, the financial statement variables have been updated to be proportional to 2012 income per capita; previously they were proportional to 2005 income per capita. For enforcing contracts, the value of the claim is now set at twice the income per capita or $5,000, whichever is greater. For dealing with construction permits, the cost of construction is now set at 50 times income per capita (before, the cost was assessed by the *Doing Business* respondents). In addition, this indicator set no longer includes the procedures for obtaining a landline telephone connection.

For more details on the changes, please see the "What is changing in *Doing Business*?" chapter starting on page 24 of the *Doing Business 2015* report. For more details on the data and methodology, please see the "Data Notes" chapter starting on page 114 of the *Doing Business 2015* 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.

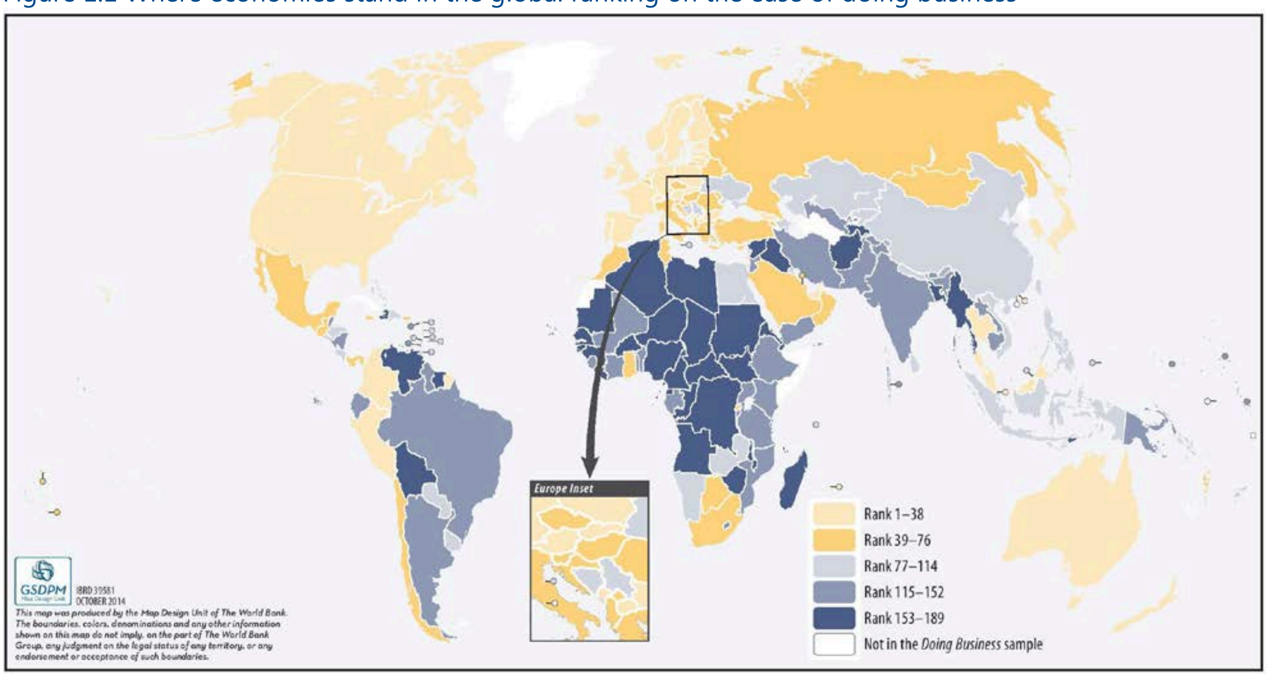
THE BUSINESS ENVIRONMENT

For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. *Doing Business* provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 189 by the ease of doing business ranking. This year's report 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 (DTF) scores. 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. (see the distance to frontier chapter in this profile for more details).

The 10 topics included in the index in *Doing Business 2015*: 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 aggregate ranking on the ease of doing business benchmarks each economy's performance on the indicators against that of all other economies in the *Doing Business* sample (figure 1.1). While this ranking tells much about the business environment in an economy, it does not tell the whole story. The ranking on the ease of doing business, and the underlying indicators, do not measure all aspects of the business environment that matter to firms and investors or that affect the competitiveness of the economy. Still, a high ranking does mean that the government has created a regulatory environment conducive to operating a business.

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

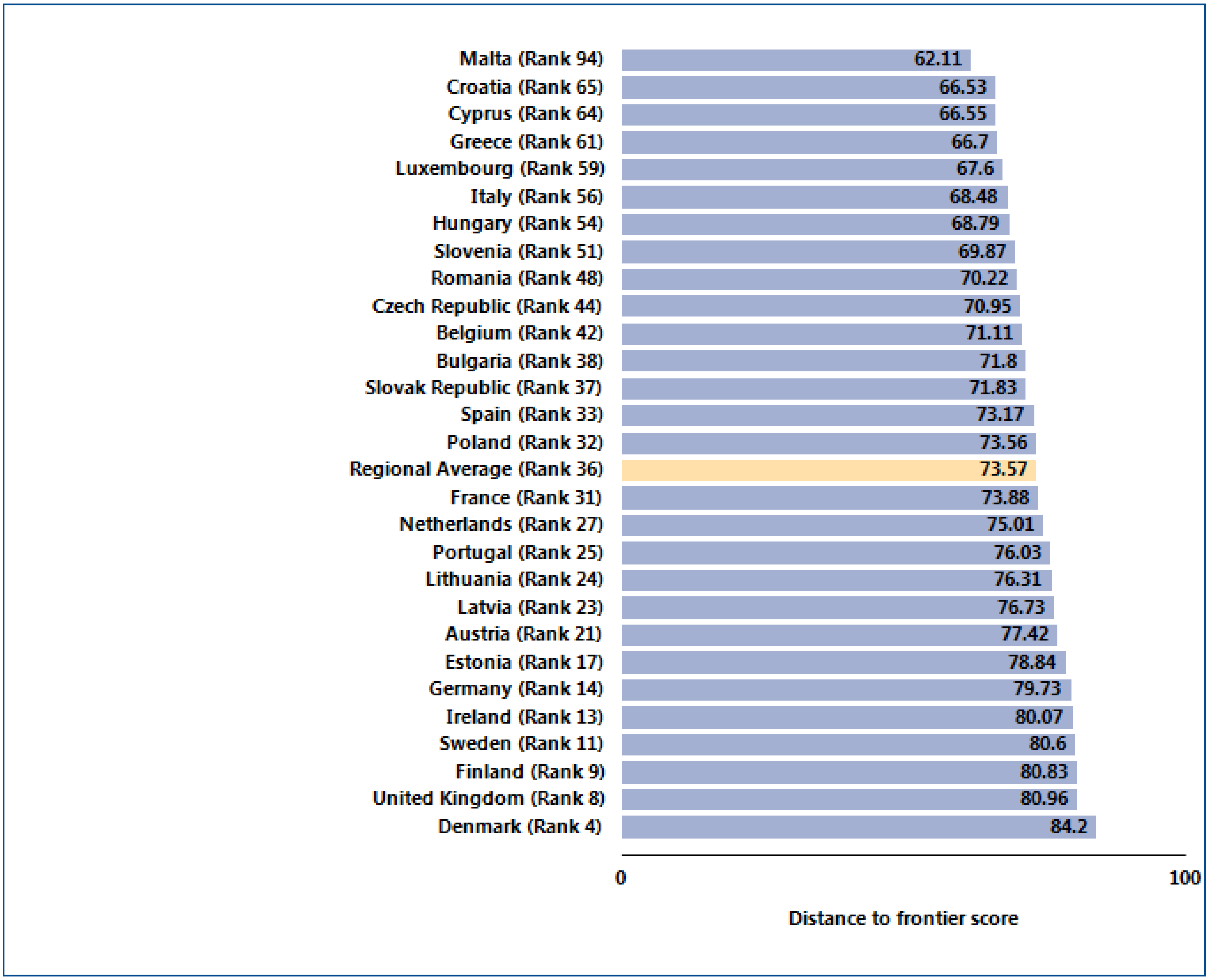


Source: Doing Business database.

THE BUSINESS ENVIRONMENT

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

Figure 1.2 How economies in European Union (EU) rank on the ease of doing business

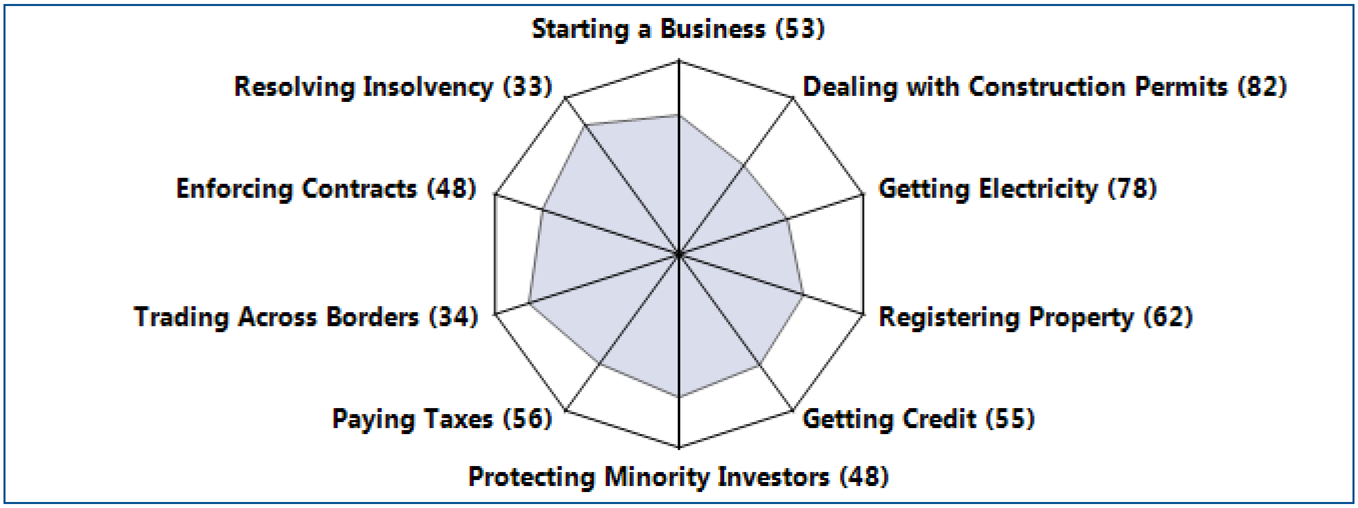


Note: The rankings are benchmarked to June 2014 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance 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.

THE BUSINESS ENVIRONMENT

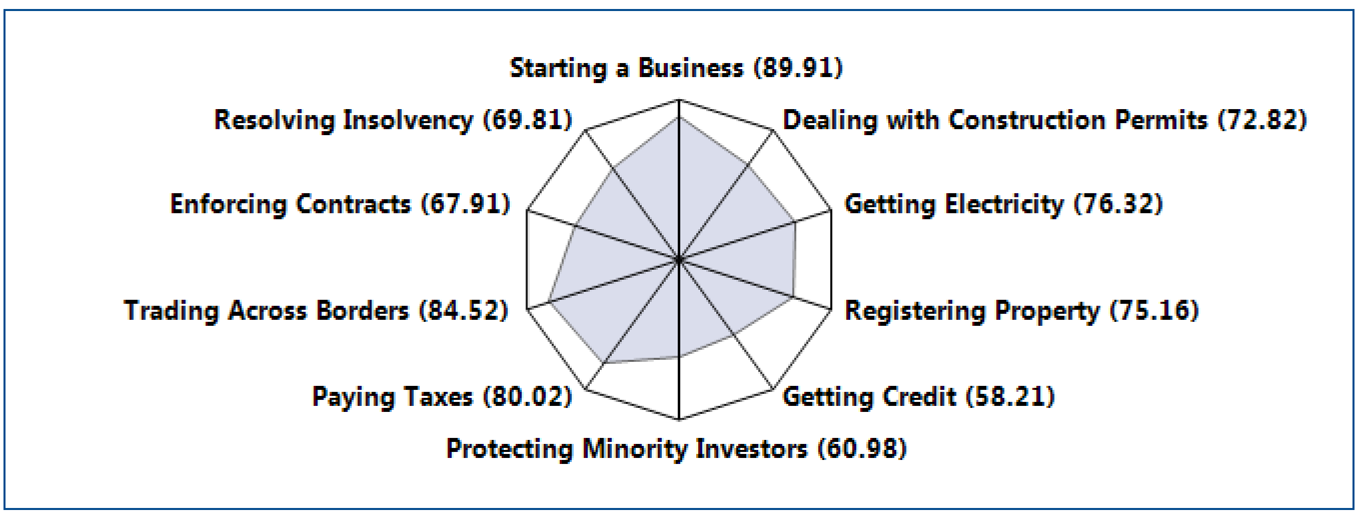
Figure 1.3 Rankings on *Doing Business* topics - European Union (EU)
(Scale: Rank 189 center, Rank 1 outer edge)

Regional average ranking



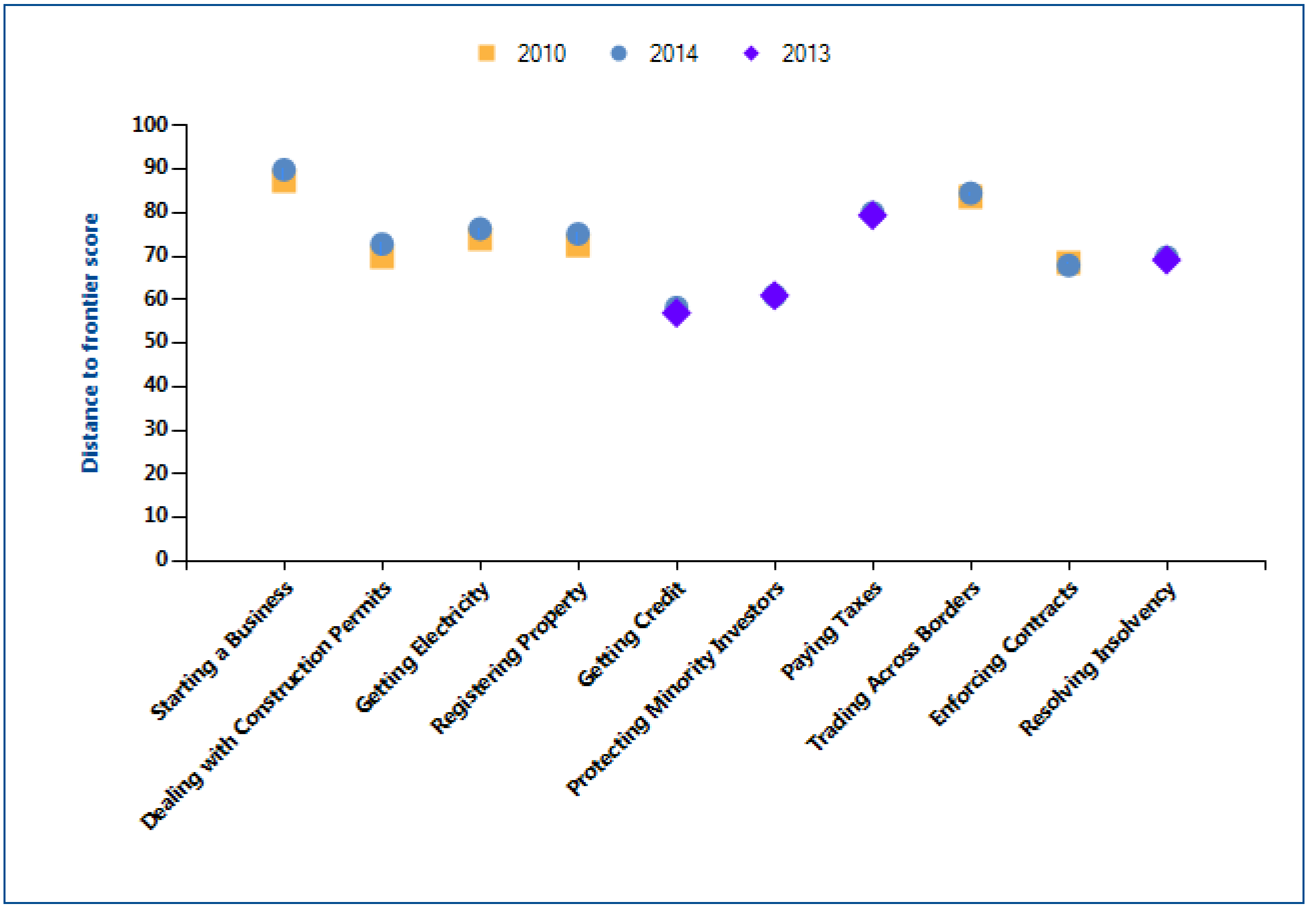
Source: Doing Business database.

Figure 1.4 Distance to frontier scores on *Doing Business* topics - European Union (EU)
(Scale: Score 0 center, Score 100 outer edge)



Note: The rankings are benchmarked to June 2014 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 European Union (EU) come in the areas measured by *Doing Business*?



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 since 2010, except for getting credit, paying taxes, protecting minority investors and resolving insolvency which had methodology changes in 2014 and thus are only comparable to 2013. The score is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). See the chapter distance to frontier and the ease of doing business ranking at the end of this profile for more details.
Source: Doing Business database.

THE BUSINESS ENVIRONMENT

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

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

Table 1.1 Summary of *Doing Business* indicators for European Union (EU)

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
Starting a Business (rank)	136 (Malta)	10 (Portugal)	53	1 (New Zealand)
Starting a Business (DTF Score)	75.29 (Malta)	96.27 (Portugal)	89.91	99.96 (New Zealand)
Procedures (number)	11.0 (Malta)	2.0 (Slovenia)	5.1	1.0 (New Zealand*)
Time (days)	34.5 (Malta)	2.5 (Portugal)	11.6	0.5 (New Zealand)
Cost (% of income per capita)	14.1 (Italy)	0.0 (Slovenia)	4.1	0.0 (Slovenia)
Paid-in min. capital (% of income per capita)	54.0 (Hungary)	0.0 (12 Economies*)	11.3	0.0 (112 Economies*)
Dealing with Construction Permits (rank)	178 (Croatia)	5 (Denmark)	82	1 (Hong Kong SAR, China)
Dealing with Construction Permits (DTF Score)	44.97 (Croatia)	89.84 (Denmark)	72.82	95.53 (Hong Kong SAR, China)
Procedures (number)	24.0 (Czech Republic)	7.0 (3 Economies*)	12.6	5.0 (Hong Kong SAR, China)
Time (days)	677.0 (Cyprus)	64.0 (Denmark*)	174.4	26.0 (Singapore)
Cost (% of warehouse value)	10.9 (Croatia)	0.1 (Slovak Republic)	2.3	0.0 (Qatar*)
Getting Electricity (rank)	171 (Romania)	3 (Germany)	78	1 (Korea, Rep.)
Getting Electricity	46.03 (Romania)	98.37 (Germany)	76.32	99.83 (Korea, Rep.)

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
(DTF Score)				
Procedures (number)	7.0 (Romania)	3.0 (3 Economies*)	4.9	3.0 (12 Economies*)
Time (days)	252.0 (Hungary)	23.0 (Austria)	105.0	18.0 (Korea, Rep.*)
Cost (% of income per capita)	496.1 (Romania)	20.8 (Poland)	141.7	0.0 (Japan)
Registering Property (rank)	171 (Belgium)	8 (Denmark)	62	1 (Georgia)
Registering Property (DTF Score)	42.27 (Belgium)	92.61 (Denmark)	75.16	99.88 (Georgia)
Procedures (number)	10.0 (Greece)	1.0 (Sweden*)	5.0	1.0 (4 Economies*)
Time (days)	109.5 (Slovenia)	1.0 (Portugal)	25.6	1.0 (3 Economies*)
Cost (% of property value)	12.7 (Belgium)	0.0 (Slovak Republic)	4.5	0.0 (4 Economies*)
Getting Credit (rank)	171 (Malta)	7 (Romania)	55	1 (New Zealand)
Getting Credit (DTF Score)	10.00 (Malta)	85.00 (Romania)	58.21	100.00 (New Zealand)
Strength of legal rights index (0-12)	2 (3 Economies*)	10 (Romania*)	6	12 (3 Economies*)
Depth of credit information index (0-8)	4 (Cyprus*)	8 (4 Economies*)	6	8 (23 Economies*)
Credit registry coverage (% of adults)	1.3 (Germany)	100.0 (Portugal)	18.3	100.0 (Portugal)
Credit bureau coverage (% of adults)	6.8 (Cyprus)	100.0 (7 Economies*)	52.4	100.0 (23 Economies*)
Protecting Minority Investors (rank)	117 (Luxembourg)	4 (United Kingdom)	48	1 (New Zealand)
Protecting Minority Investors (DTF Score)	46.67 (Luxembourg)	78.33 (United Kingdom)	60.98	81.67 (New Zealand)
Extent of conflict of interest regulation index (0-10)	4.0 (Hungary)	8.3 (United Kingdom*)	5.9	9.3 (Singapore*)
Extent of shareholder governance index (0-10)	5.0 (Luxembourg*)	7.8 (France)	6.3	7.8 (France*)
Strength of minority investor protection index (0-10)	4.7 (Luxembourg)	7.8 (United Kingdom)	6.1	8.2 (New Zealand)

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
Paying Taxes (rank)	141 (Italy)	6 (Ireland)	56	1 (United Arab Emirates*)
Paying Taxes (DTF Score)	62.13 (Italy)	95.07 (Ireland)	80.02	99.44 (United Arab Emirates*)
Payments (number per year)	29.0 (Cyprus)	6.0 (Sweden)	11.7	3.0 (Hong Kong SAR, China*)
Time (hours per year)	454.0 (Bulgaria)	55.0 (Luxembourg)	189.2	55.0 (Luxembourg)
Trading Across Borders (rank)	86 (Croatia)	4 (Sweden)	34	1 (Singapore)
Trading Across Borders (DTF Score)	74.25 (Croatia)	93.06 (Sweden)	84.52	96.47 (Singapore)
Documents to export (number)	6 (Croatia*)	2 (Ireland*)	4	2 (Ireland*)
Time to export (days)	19.0 (Italy)	6.0 (Denmark*)	11.6	6.0 (5 Economies*)
Cost to export (US$ per container)	1,525.0 (Slovak Republic)	600.0 (Latvia)	1,042.1	410.0 (Timor-Leste)
Documents to import (number)	7 (4 Economies*)	2 (Ireland*)	5	2 (Ireland*)
Time to import (days)	19.0 (Hungary)	5.0 (3 Economies*)	10.6	4.0 (Singapore)
Cost to import (US$ per container)	1,505.0 (Slovak Republic)	625.0 (Finland)	1,079.5	440.0 (Singapore)
Enforcing Contracts (rank)	155 (Greece)	2 (Luxembourg)	48	1 (Singapore)
Enforcing Contracts (DTF Score)	43.60 (Greece)	85.70 (Luxembourg)	67.91	89.54 (Singapore)
Time (days)	1,580.0 (Greece)	300.0 (Lithuania)	576.0	150.0 (Singapore)
Cost (% of claim)	39.9 (United Kingdom)	9.7 (Luxembourg)	21.5	9.0 (Iceland)
Procedures (number)	43.0 (Cyprus)	21.0 (Ireland)	32.4	21.0 (Singapore*)
Resolving Insolvency (rank)	86 (Malta)	1 (Finland)	33	1 (Finland)
Resolving Insolvency (DTF Score)	44.78 (Malta)	93.85 (Finland)	69.81	93.85 (Finland)
Time (years)	4.0 (Slovak Republic)	0.4 (Ireland)	2.0	0.4 (Ireland)
Cost (% of estate)	22.0 (Italy)	3.5 (3 Economies*)	10.3	1.0 (Norway)
Recovery rate (cents on the dollar)	30.5 (Croatia)	90.2 (Finland)	62.1	92.9 (Japan)

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
Strength of insolvency framework index (0-16)	6.0 (Cyprus)	15.0 (Germany*)	11.6	15.0 (5 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).
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)

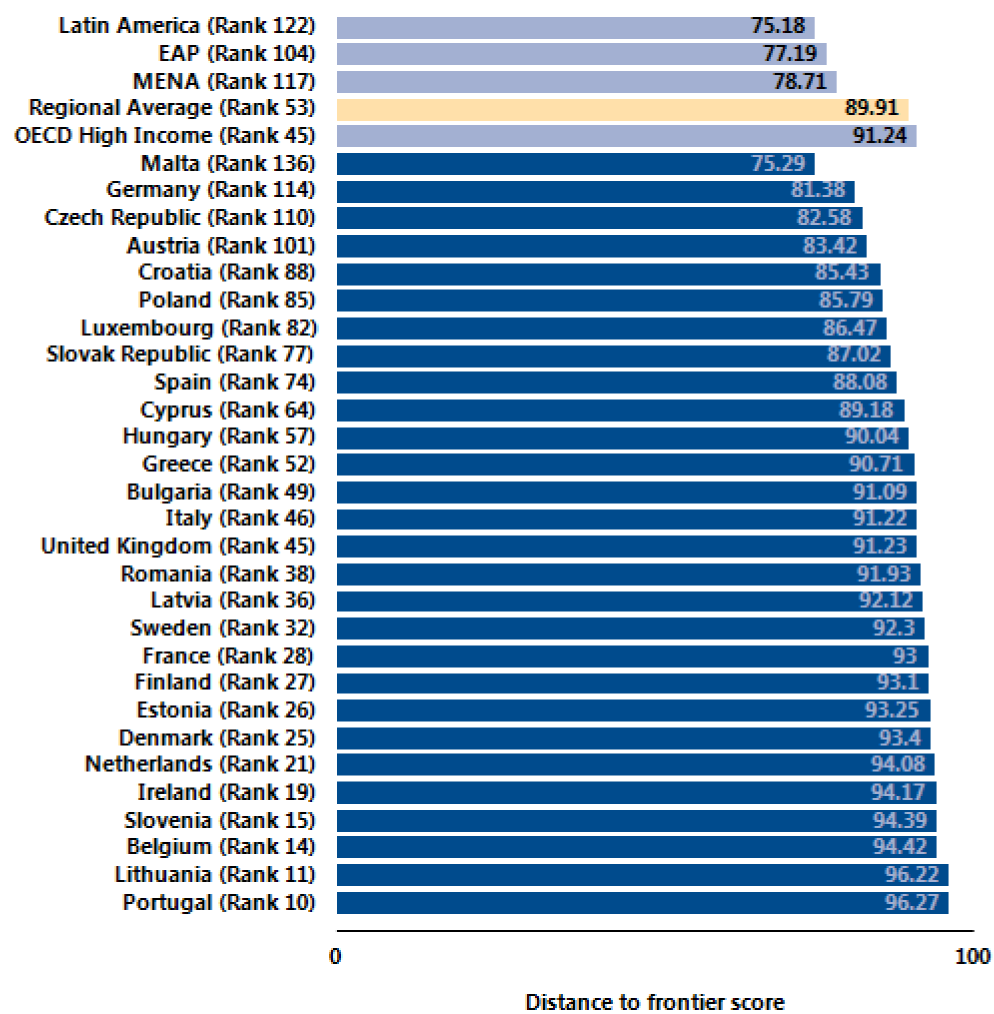
[1] For the 11 economies with a population of more than 100 million, data for a second city have been added.

STARTING A BUSINESS

Where do the region's economies stand today?

How easy is it for entrepreneurs in economies in European Union (EU) 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 European Union (EU) rank on the ease of starting a business



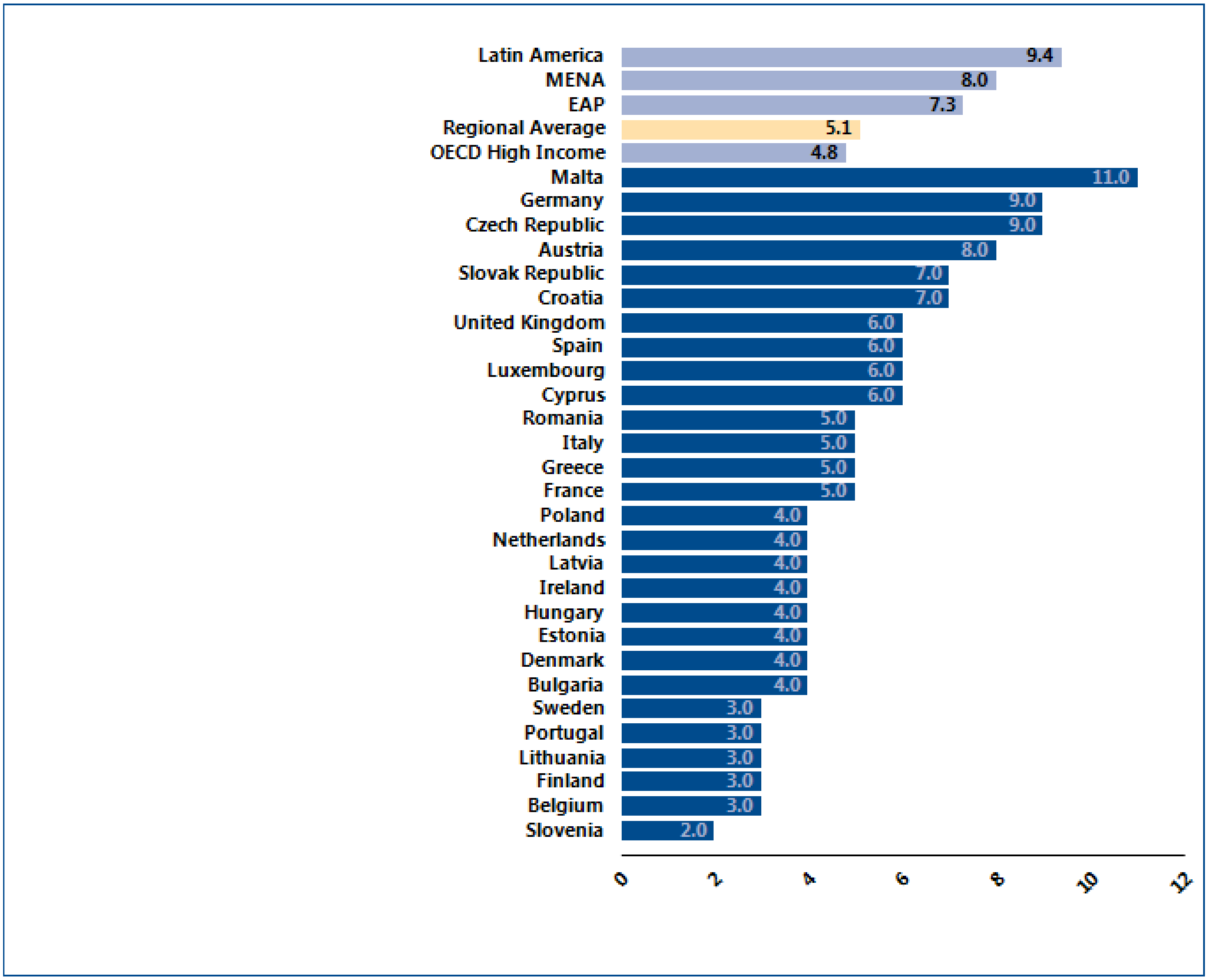
Source: Doing Business database.

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.

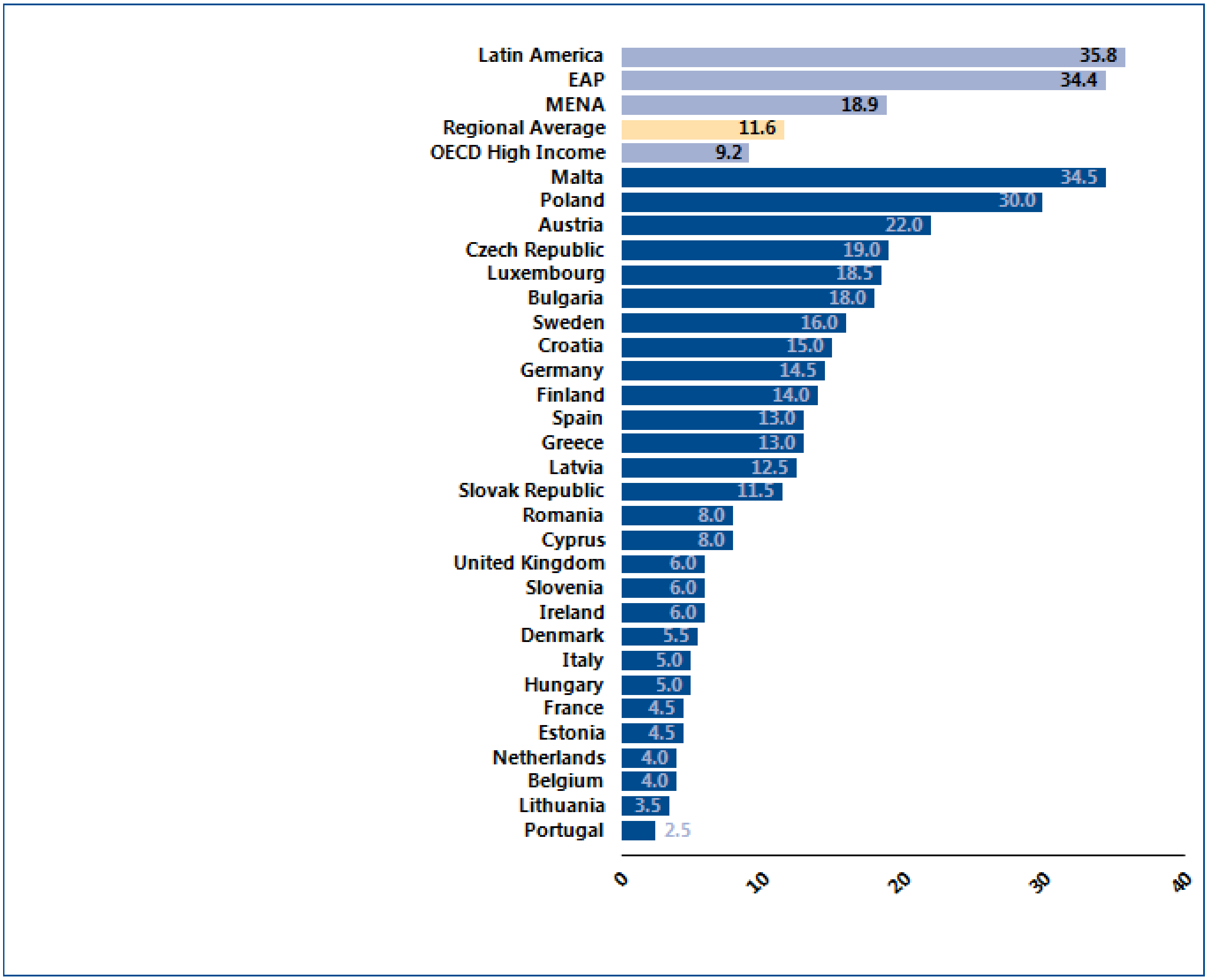
Figure 2.2 What it takes to start a business in economies in European Union (EU)

Procedures (number)



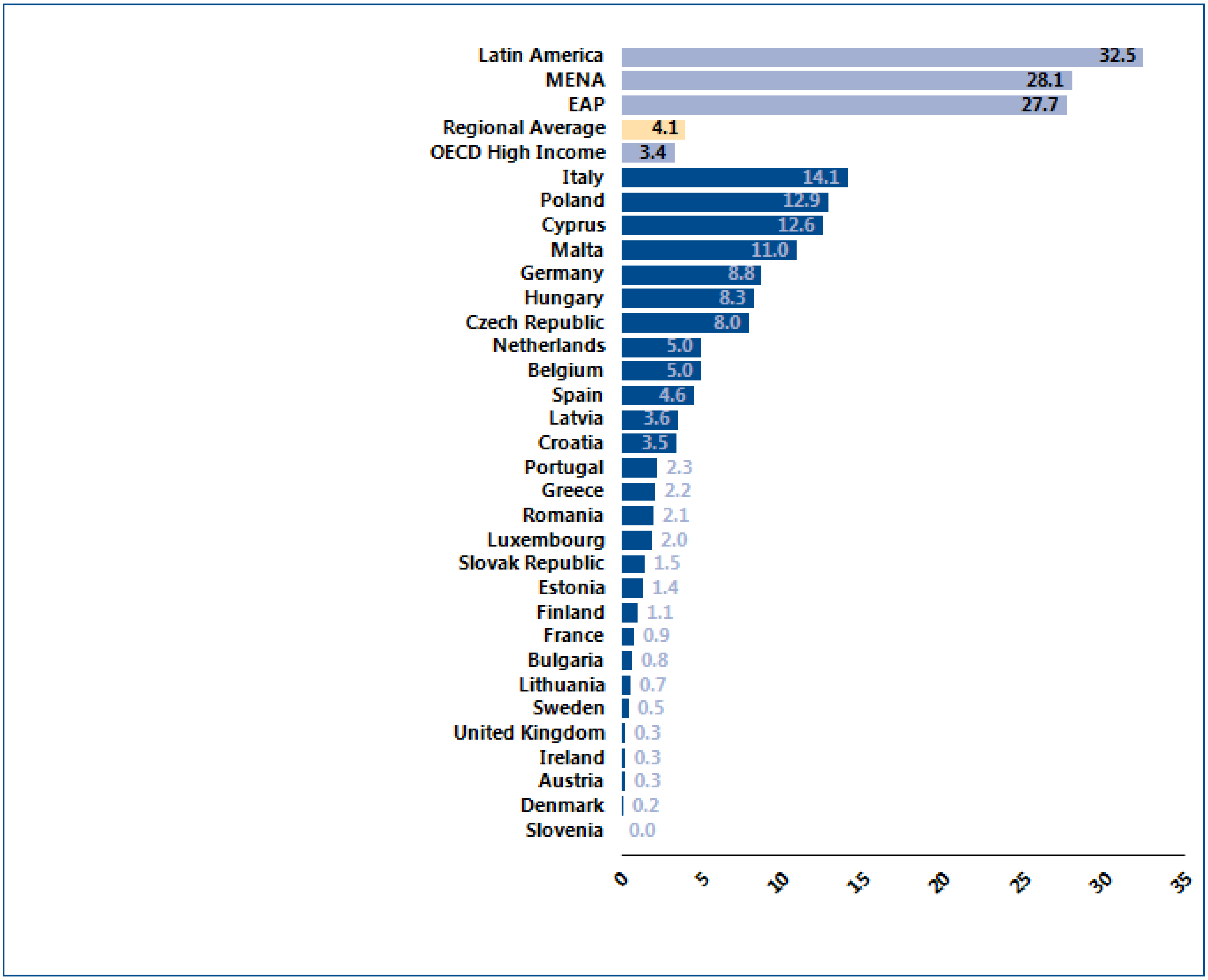
STARTING A BUSINESS

Time (days)



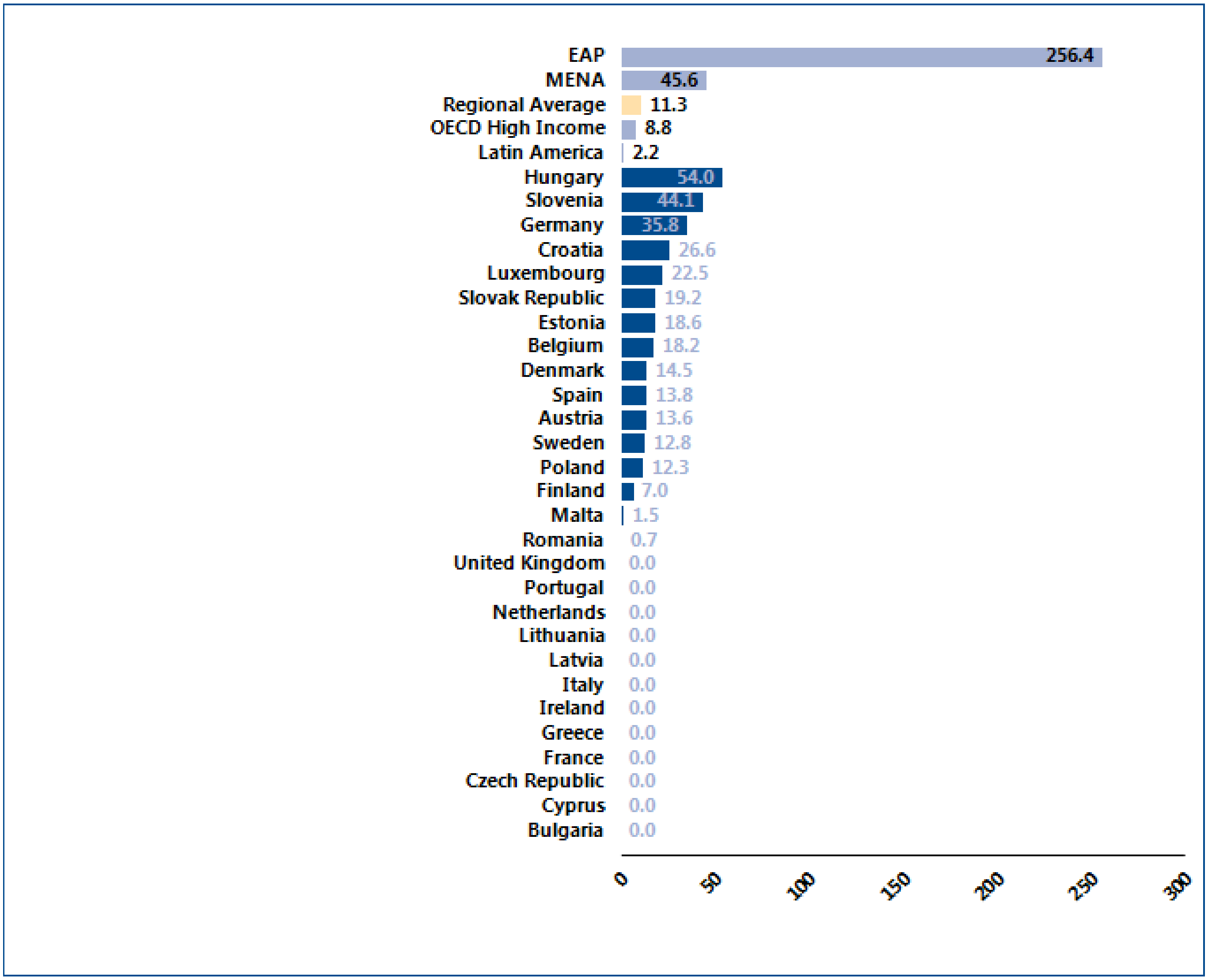
STARTING A BUSINESS

Cost (% of income per capita)



STARTING A BUSINESS

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



Source: Doing Business database.

STARTING A BUSINESS

What are the changes over time?

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

What business registration reforms has *Doing Business* recorded in European Union (EU) (table 2.1)?

Table 2.1 How have economies in European Union (EU) made starting a business easier—or not?
By *Doing Business* report year DB2010 to DB2015

DB year	Economy	Reform
DB2015	*Austria*	Austria made starting a business easier by reducing the minimum capital requirement, which in turn reduced the paid-in minimum capital requirement, and by lowering notary fees.
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	*Czech Republic*	The Czech Republic made starting a business easier by substantially reducing the minimum capital requirement and the paid-in minimum capital requirement.
DB2015	*Denmark*	Denmark made starting a business easier by reducing the paid-in minimum capital requirement.
DB2015	*France*	France made starting a business easier by reducing the time it takes to register a company at the one-stop shop (Centre de Formalités des Entreprises).
DB2015	*Germany*	Germany made starting a business more difficult by increasing notary fees.
DB2015	*Greece*	Greece made starting a business easier by lowering registration costs.
DB2015	*Hungary*	Hungary made starting a business more difficult by increasing the paid-in minimum capital requirement.
DB2015	*Italy*	Italy made starting a business easier by reducing both the minimum capital requirement and the paid-in minimum capital requirement and by streamlining registration procedures.
DB2015	*Latvia*	Latvia made starting a business more difficult by increasing registration fees, bank fees and notary fees.

DB year	Economy	Reform
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	*Malta*	Malta made starting a business easier by creating an electronic link between the Registrar of Companies and the Inland Revenue Department to facilitate issuance of a tax identification number.
DB2015	*Slovak Republic*	The Slovak Republic made starting a business easier by reducing the time needed to register with the district court and eliminating the need (and therefore the fee) for the verification of signatures by a notary public.
DB2015	*Spain*	Spain made starting a business easier by introducing an electronic system linking several public agencies and thereby simplifying business registration.
DB2015	*United Kingdom*	The United Kingdom made starting a business easier by speeding up tax registration.
DB2014	*Croatia*	Croatia made starting a business easier by introducing a new form of limited liability company with a lower minimum capital requirement and simplified incorporation procedures.
DB2014	*Greece*	Greece made starting a business easier by introducing a simpler form of limited liability company and abolishing the minimum capital requirement for such companies.
DB2014	*Latvia*	Latvia made starting a business easier by making it possible to file the applications for company registration and value added tax registration simultaneously at the commercial registry.
DB2014	*Lithuania*	Lithuania made starting a business easier by creating a new form of limited liability company with no minimum capital requirement.
DB2014	*Netherlands*	The Netherlands made starting a business easier by abolishing the minimum capital requirement.
DB2014	*Poland*	Poland made starting a business easier by eliminating the requirement to register the new company at the National Labor Inspectorate and the National Sanitary Inspectorate.
DB2014	*Portugal*	Portugal made starting a business easier by eliminating the requirement to report to the Ministry of Labor.
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	*Slovak Republic*	The Slovak Republic made starting a business more difficult by adding a new procedure for establishing a limited liability company.
DB2014	*Spain*	Spain made starting a business easier by eliminating the

DB year	Economy	Reform
		requirement to obtain a municipal license before starting operations and by improving the efficiency of the commercial registry.
DB2014	*United Kingdom*	The United Kingdom made starting a business easier by providing model articles for use in preparing memorandums and articles of association.
DB2013	*Bulgaria*	Bulgaria made starting a business easier by reducing the cost of registration.
DB2013	*Hungary*	Hungary made starting a business more complex by increasing the registration fees for limited liability companies and adding a new tax registration at the time of incorporation.
DB2013	*Ireland*	Ireland made starting a business easier by introducing a new online facility for business registration.
DB2013	*Lithuania*	Lithuania made starting a business easier by introducing online registration for limited liability companies and eliminating the notarization requirement for incorporation documents.
DB2013	*Netherlands*	The Netherlands made starting a business easier by eliminating the requirement for a declaration of nonobjection by the Ministry of Justice before incorporation.
DB2013	*Romania*	Romania made starting a business easier by reducing the time required to obtain a clearance certificate from the fiscal administration agency.
DB2013	*Slovak Republic*	The Slovak Republic made starting a business easier by speeding up the processing of applications at the one-stop shop for trading licenses, income tax registration and health insurance registration.
DB2012	*Greece*	Greece made starting a business easier by implementing an electronic platform that interconnects several government agencies.
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	*Portugal*	Portugal made starting a business easier by allowing company founders to choose the amount of minimum capital and make their paid-in capital contribution up to 1 year after the company's creation, and by eliminating the stamp tax on company's share capital subscriptions.
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	*Spain*	Spain eased the process of starting a business by reducing the cost to start a business and decreasing the minimum capital requirement.

DB year	Economy	Reform
DB2011	*Bulgaria*	Bulgaria eased business start-up by reducing the minimum capital requirement from 5,000 leva ($3,250) to 2 leva ($1.30).
DB2011	*Croatia*	Croatia eased business start-up by allowing limited liability companies to file their registration application with the court registries electronically through the notary public.
DB2011	*Denmark*	Denmark eased business start-up by reducing the minimum capital requirement for limited liability companies from 125,000 Danish kroner ($22,850) to 80,000 Danish kroner ($14,620).
DB2011	*Germany*	Germany eased business start-up by increasing the efficiency of communications between the notary and the commercial registry and eliminating the need to publish an announcement in a newspaper.
DB2011	*Italy*	Italy made starting a business easier by enhancing an online registration system.
DB2011	*Lithuania*	Lithuania tightened the time limit for completing the registration of a company.
DB2011	*Luxembourg*	Luxembourg eased business start-up by speeding up the delivery of the business license.
DB2011	*Slovenia*	Slovenia made starting a business easier through improvements to its one-stop shop that allowed more online services.
DB2011	*Sweden*	Sweden cut the minimum capital requirement for limited liability companies by half, making it easier to start a business.
DB2010	*Bulgaria*	Bulgaria made starting a business easier by reducing the paid-in minimum capital requirement and enhancing efficiency at the company registry.
DB2010	*Germany*	Germany made starting a business easier by reducing the minimum capital requirement to a symbolic amount.
DB2010	*Hungary*	Hungary made starting a business easier by implementing online registration, with registration confirmed 1 hour after application.
DB2010	*Luxembourg*	Luxembourg made starting a business easier by allowing entrepreneurs to reserve a company name online and by eliminating the capital duty.
DB2010	*Poland*	Poland made starting a business easier by reducing the minimum capital requirement and consolidating company registration with registration with the tax, social security and statistics authorities.
DB2010	*Slovenia*	Slovenia made starting a business easier by speeding up company registration, combining tax registration with company registration through the automated e-Vem system and abolishing the requirement for a company seal.

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

DEALING WITH CONSTRUCTION PERMITS

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

What do the indicators cover?

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

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, *Doing Business* uses several assumptions about the business and the warehouse, including the utility connections.

The business:

- Is a limited liability company operating in the construction business and located in the largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added. Is domestically owned and operated.
- Has 60 builders and other employees.

The warehouse:

- Is valued at 50 times income per capita.
- Is a new construction (there was no previous construction on the land).
- Will have complete architectural and technical plans prepared by a licensed architect or engineer.
- Will be connected to water and sewerage (sewage system, septic tank or their equivalent). The connection to each utility network will be 150 meters (492 feet) long.
- Will be used for general storage, such as of books or stationery (not for goods requiring special conditions).
- Will take 30 weeks to construct (excluding all administrative/regulatory requirement delays).

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

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are 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)

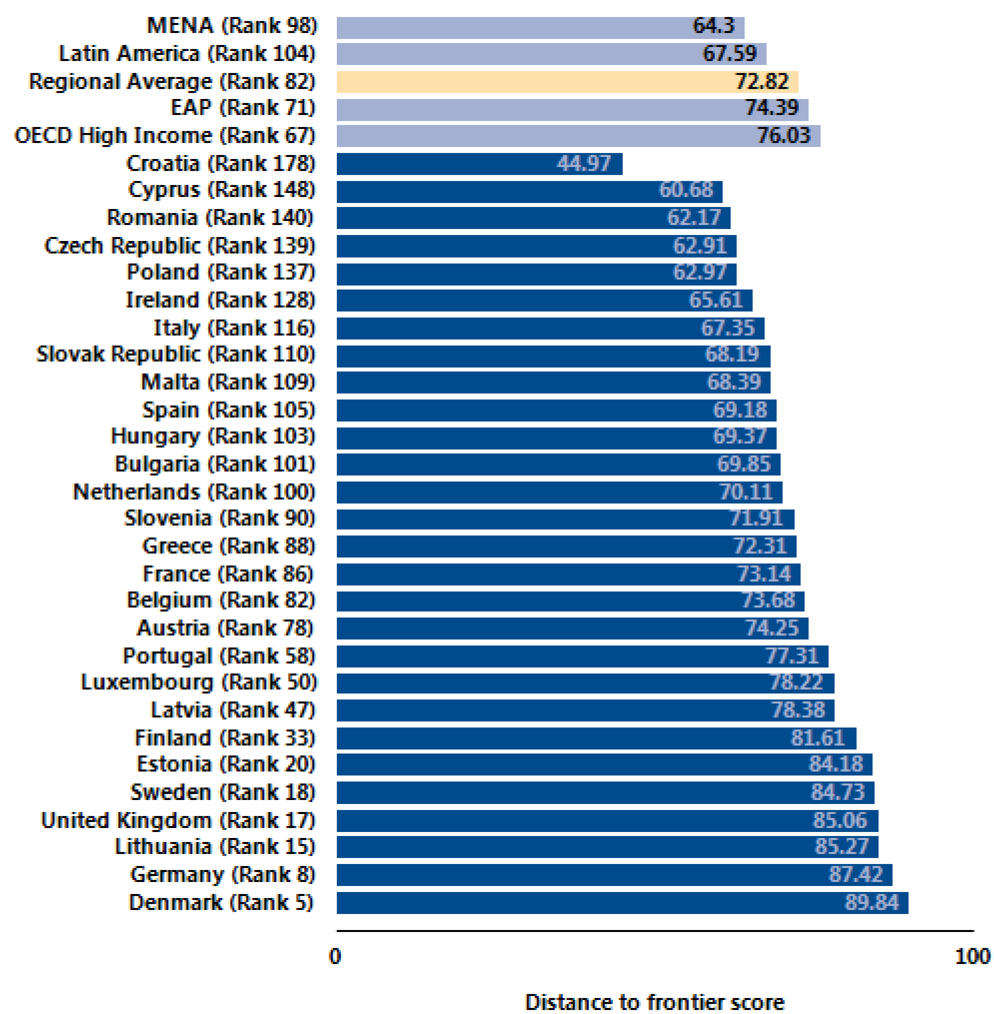
Official costs only, no bribes

DEALING WITH CONSTRUCTION PERMITS

Where do the region's economies stand today?

How easy it is for entrepreneurs in economies in European Union (EU) 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 European Union (EU) rank on the ease of dealing with construction permits



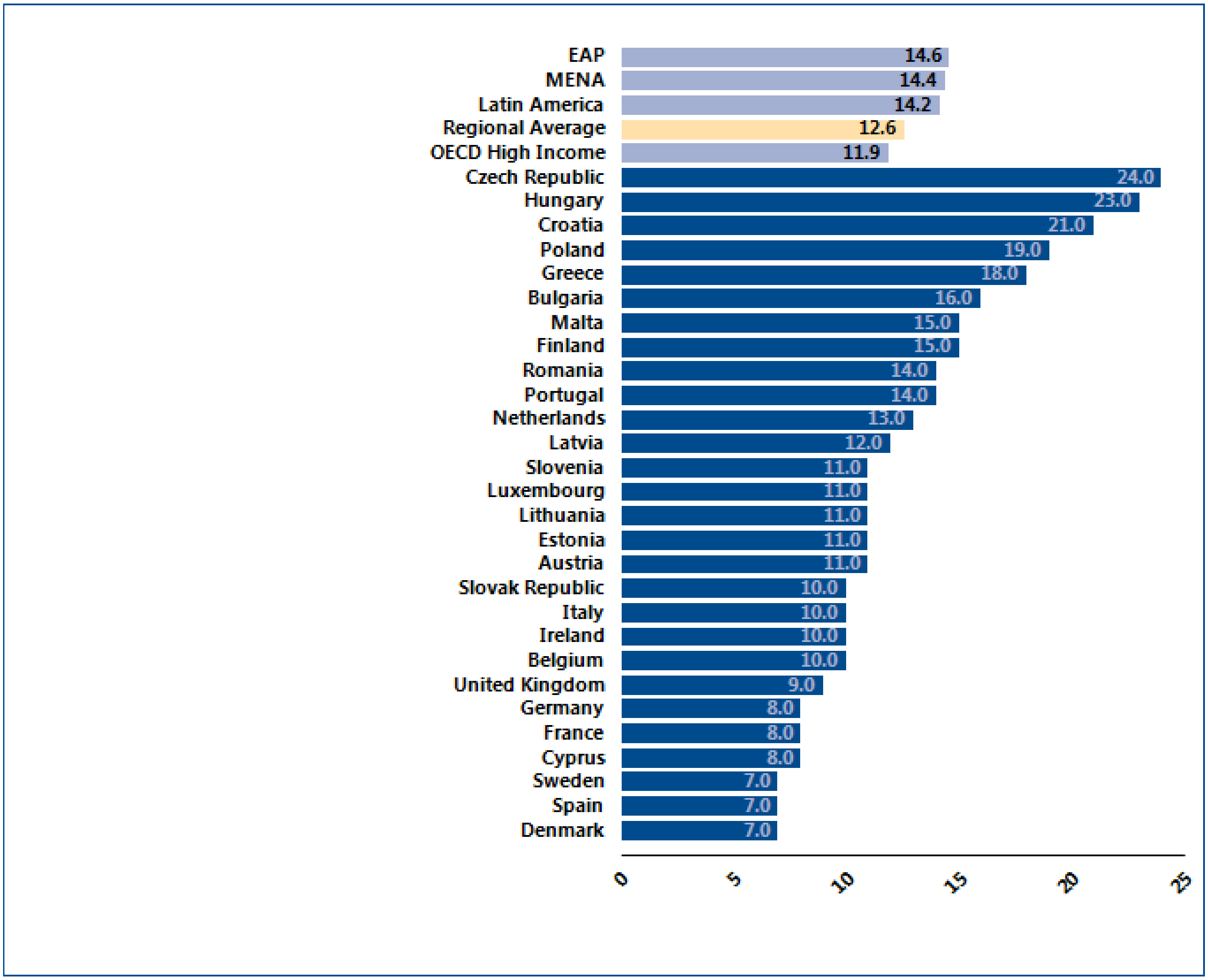
Source: Doing Business database.

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.

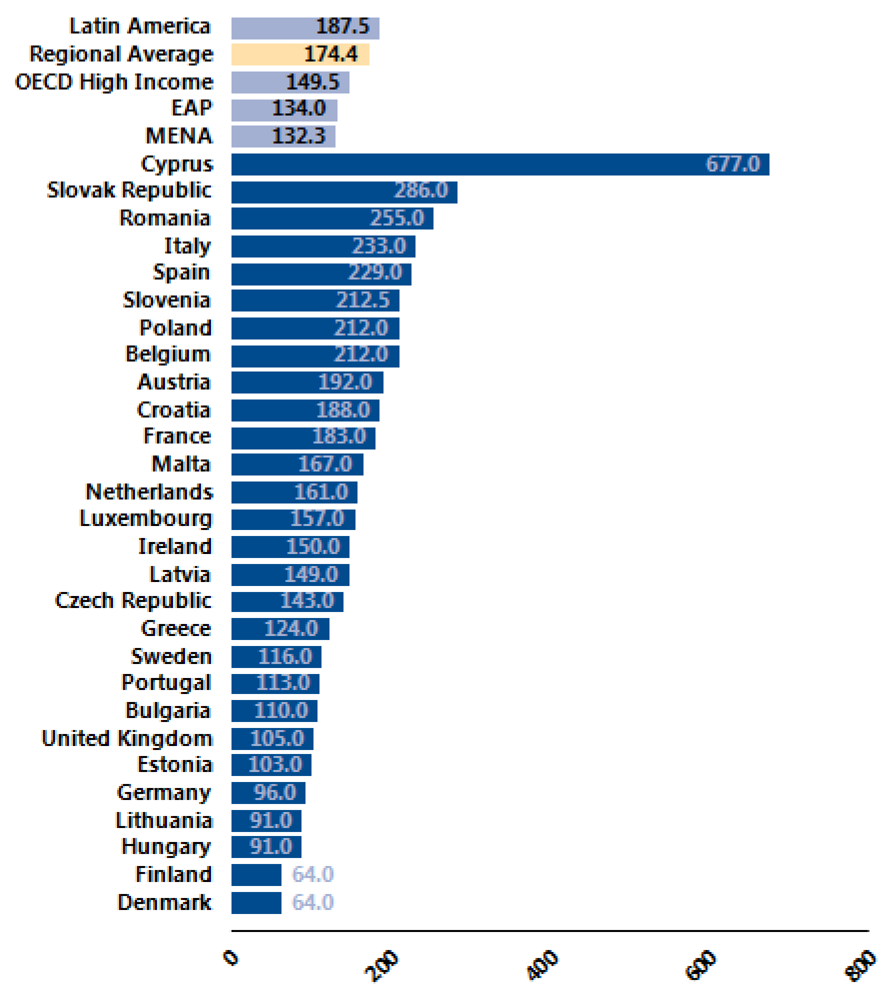
Figure 3.2 What it takes to comply with formalities to build a warehouse in economies in European Union (EU)

Procedures (number)



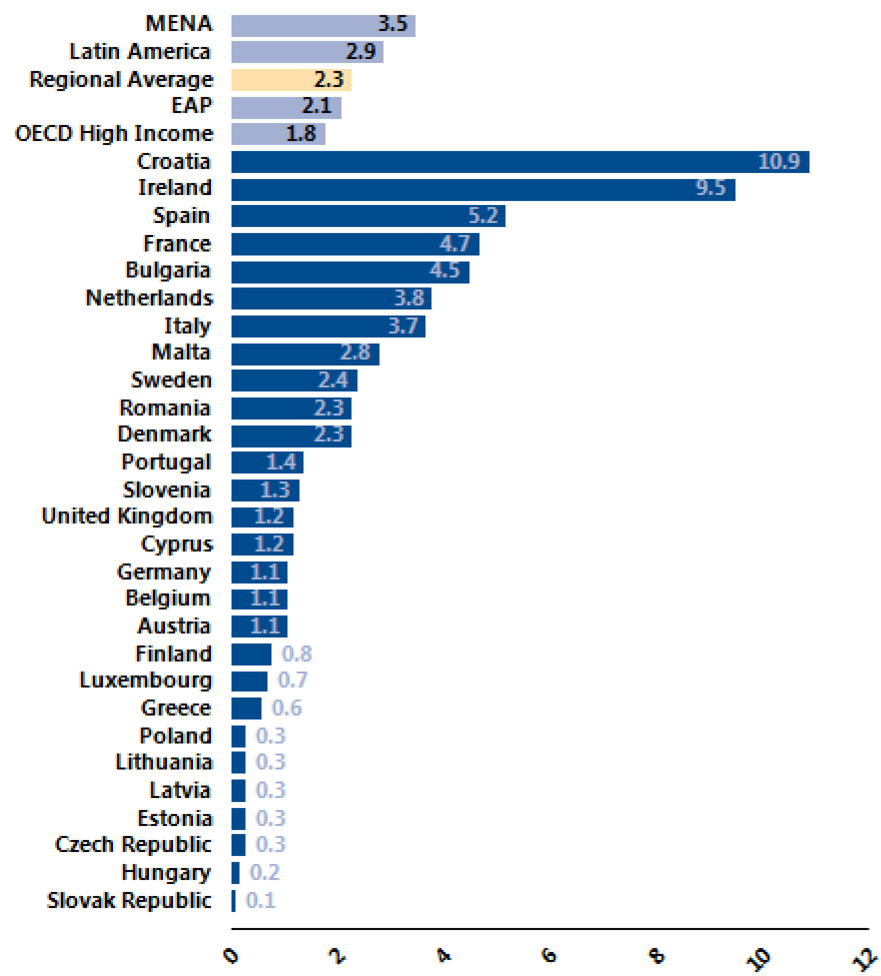
DEALING WITH CONSTRUCTION PERMITS

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

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 European Union (EU) (table 3.1)?

Table 3.1 How have economies in European Union (EU) made dealing with construction permits easier—or not?
By *Doing Business* report year DB2010 to DB2015

DB year	Economy	Reform
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	*Lithuania*	Lithuania made dealing with construction permits easier by reducing the time required for processing building permit applications.
DB2014	*Denmark*	Denmark made dealing with construction permits more costly by increasing the fee for building permits.
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	*Malta*	Malta made dealing with construction permits less costly by significantly reducing the building permit fees.
DB2014	*Poland*	Poland made dealing with construction permits easier by eliminating the requirement to obtain a description of the geotechnical documentation of the land.
DB2014	*Slovenia*	Slovenia made dealing with construction permits easier by eliminating the requirement to obtain project conditions from the water and sewerage provider.
DB2013	*Greece*	Greece reduced the time required to obtain a construction permit by introducing strict time limits for processing permit applications at the municipality.
DB2013	*Netherlands*	The Netherlands made dealing with construction permits

DB year	Economy	Reform
		simpler by merging several approvals and implementing an online application system.
DB2013	*Portugal*	Portugal made obtaining construction permits easier by implementing strict time limits to process urban projects and simplifying the associated procedures.
DB2012	*Portugal*	Portugal made dealing with construction permits easier by streamlining its inspection system.
DB2012	*United Kingdom*	The United Kingdom made dealing with construction permits easier by increasing efficiency in the issuance of planning permits.
DB2011	*Croatia*	Croatia replaced the location permit and project design confirmation with a single certificate, simplifying and speeding up the construction permitting process.
DB2011	*Estonia*	Estonia made dealing with construction permits more complex by increasing the time for obtaining design criteria from the municipality.
DB2011	*Hungary*	Hungary implemented a time limit for the issuance of building permits.
DB2011	*Portugal*	Portugal made it easier dealing with construction permits by implementing the 95 day time limit for the approval of project designs.
DB2011	*Romania*	Romania amended regulations related to construction permitting to reduce fees and expedite the process.
DB2010	*Croatia*	Croatia improved its construction permitting process through the operation of a one-stop shop and enforcement of the building code.
DB2010	*Czech Republic*	The Czech Republic streamlined its construction permitting process by reducing the internal processing time for registering new plots.
DB2010	*Netherlands*	The Netherlands improved its construction regulation process through a new spatial planning law.
DB2010	*Portugal*	Portugal made dealing with construction permits easier by introducing an improved fire safety appraisal system for new construction projects and faster registration of new buildings.

DB year	Economy	Reform
DB2010	*Romania*	Romania made dealing with construction permits more costly by introducing a new fee.
DB2010	*United Kingdom*	The United Kingdom made dealing with construction permits easier and less time consuming through wider use of approved inspectors.

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

GETTING ELECTRICITY

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

What do the indicators cover?

Doing Business records all procedures required for a local business to obtain a permanent electricity connection and supply for a standardized warehouse, as well as the time and cost to complete them. These procedures include applications and contracts with electricity utilities, clearances from other agencies and the external and final connection works. The ranking 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.

The warehouse:

- Is owned by a local entrepreneur, located in the economy's largest business city, in an area where other warehouses are located. For the 11 economies with a population of more than 100 million, data for a second city have been added.
- Is not in a special economic zone where the connection would be eligible for subsidization or faster service.
- Is located in an area with no physical constraints (ie. property not near a railway).
- Is a new construction being connected to electricity for the first time.
- Is 2 stories, both above ground, with a total surface of about 1,300.6 square meters (14,000 square feet), is built on a plot of 929 square meters (10,000 square feet), is used for storage of refrigerated goods.

The electricity connection:

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

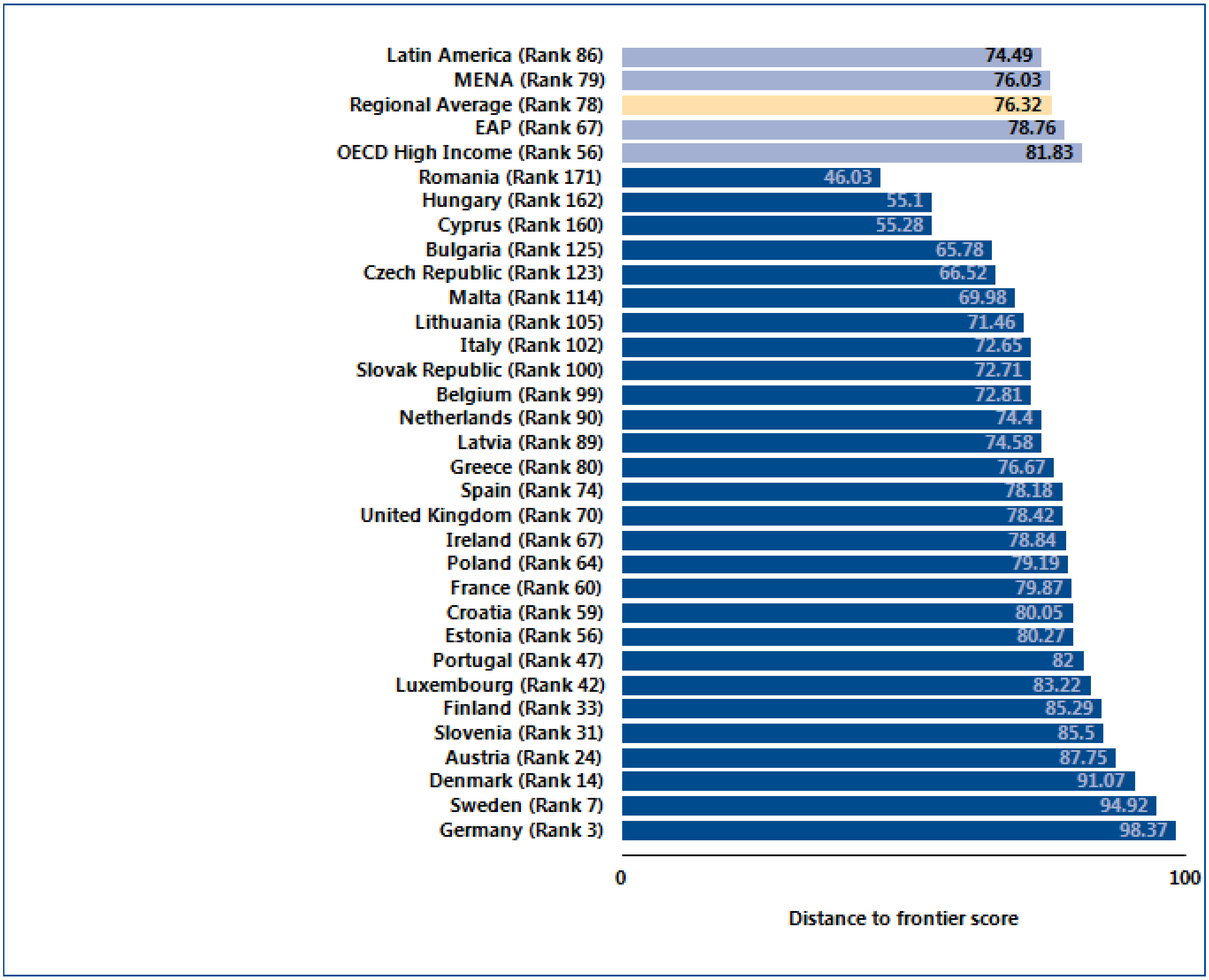
- Is 150 meters long and 3-phase, 4-wire Y, 140-kilovolt-ampere (kVA) (subscribed capacity).
- Is to either the low-voltage or the medium-voltage distribution network and either overhead or underground, whichever is more common in the area where the warehouse is located. Included only negligible length in the customer's private domain.
- Requires crossing of a 10-meter road but all the works are carried out in a public land, so there is no crossing into other people's private property.
- Involves installing one electricity meter. The monthly electricity consumption will be 26880 kilowatt hour (kWh). Internal electrical wiring has been completed.

GETTING ELECTRICITY

Where do the region's economies stand today?

How easy is it for entrepreneurs in economies in European Union (EU) 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 European Union (EU) rank on the ease of getting electricity



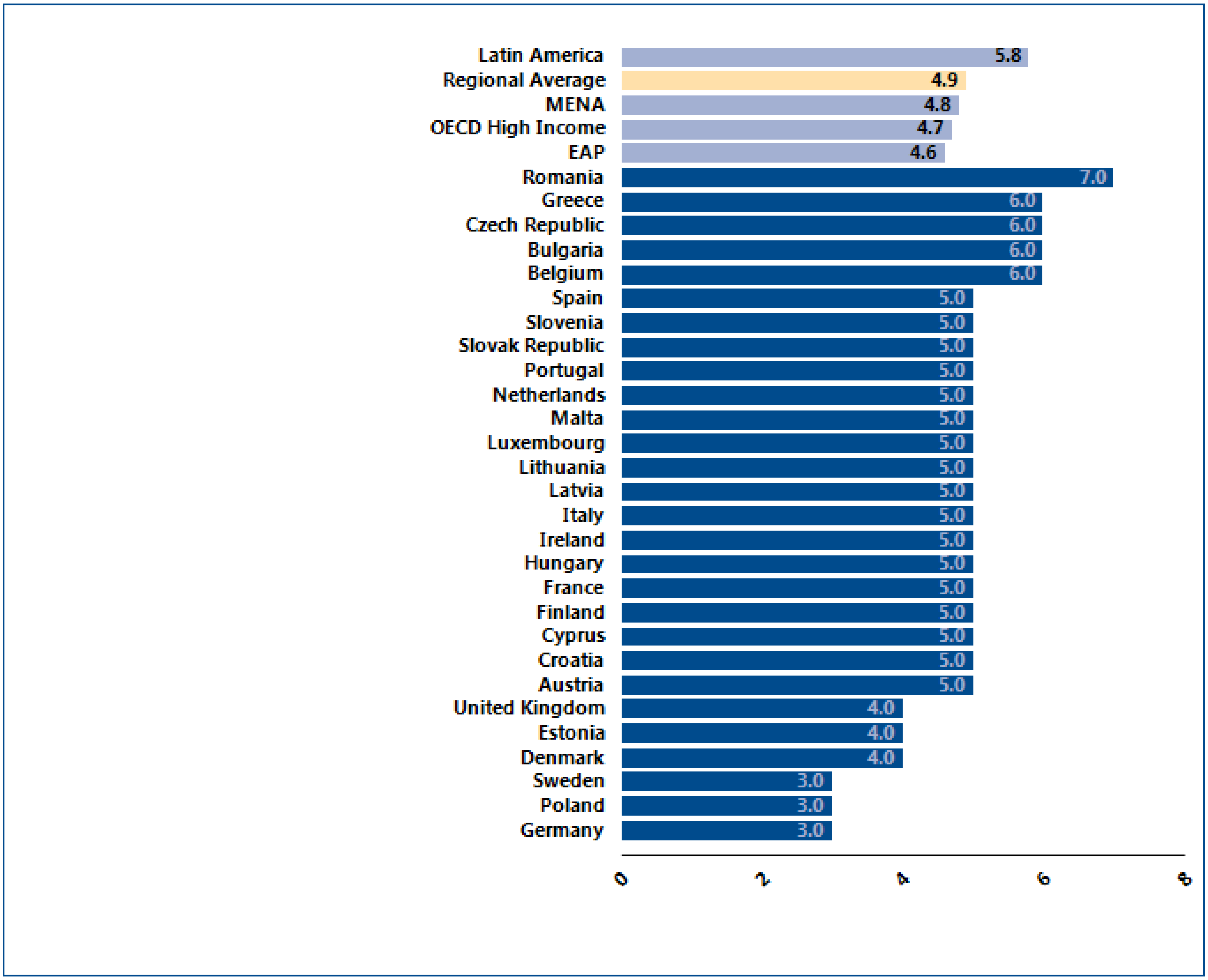
Source: Doing Business database.

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.

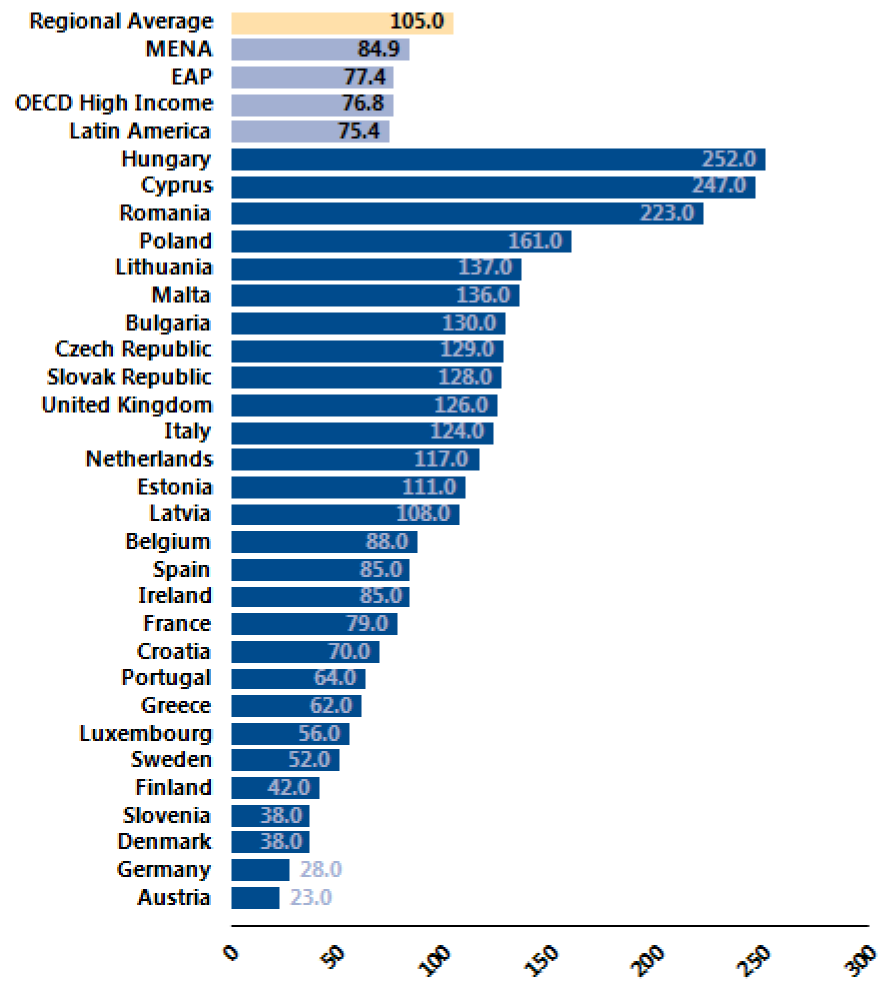
Figure 4.2 What it takes to get an electricity connection in economies in European Union (EU)

Procedures (number)



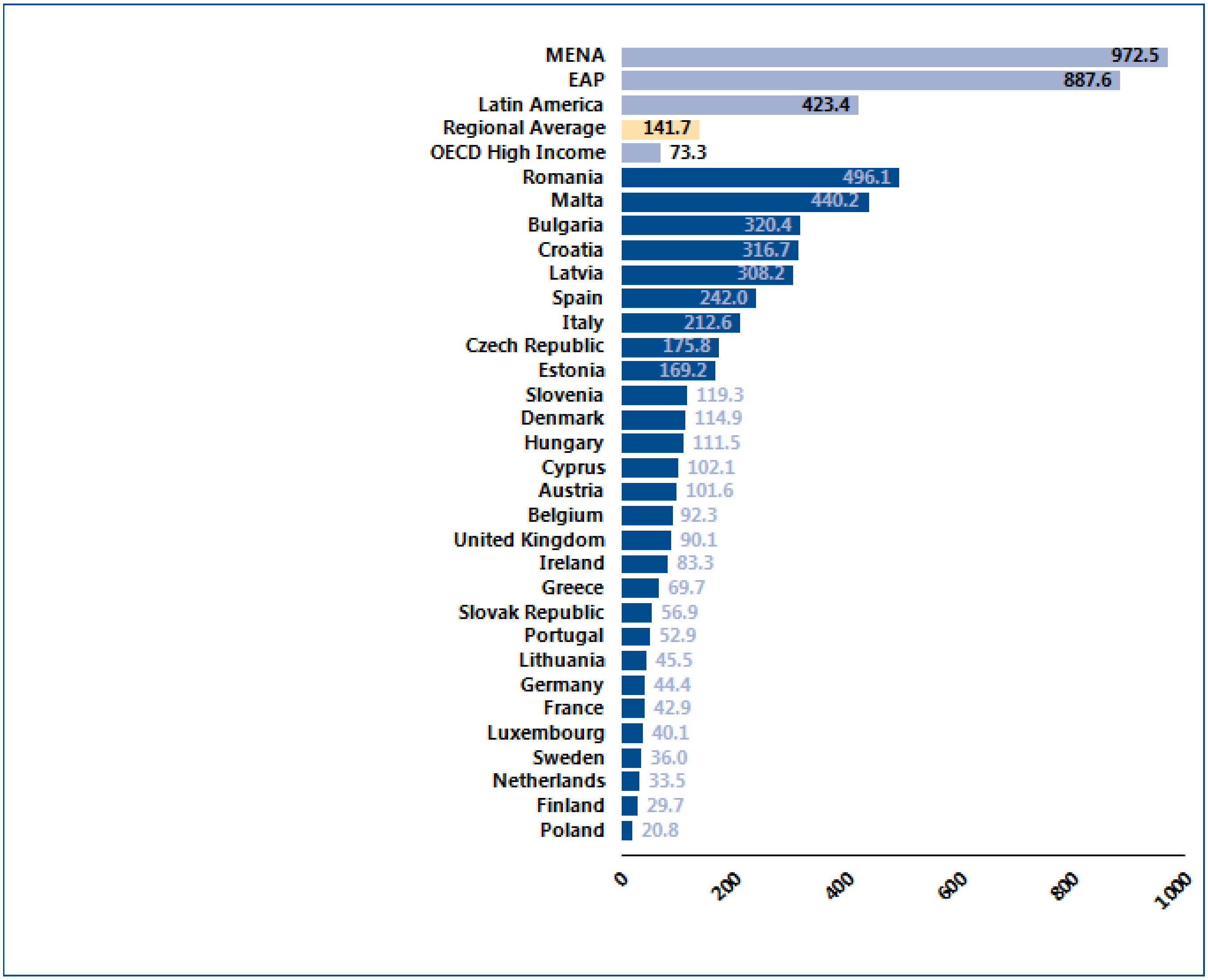
GETTING ELECTRICITY

Time (days)



GETTING ELECTRICITY

Cost (% of income per capita)



Source: Doing Business database.

GETTING ELECTRICITY

What are the changes over time?

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

Table 4.1 How have economies in European Union (EU) made getting electricity easier—or not?
By *Doing Business* report year DB2010 to DB2015

DB year	Economy	Reform
DB2015	*Poland*	Poland made getting electricity less costly by revising the fee structure for new connections.
DB2013	*Italy*	Italy made getting electricity easier and less costly by improving the efficiency of the utility Acea Distribuzione 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.

Source: Doing Business database.

REGISTERING PROPERTY

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

What do the indicators cover?

Doing Business records the full sequence of procedures necessary for a business to purchase property from another business and transfer the property title to the buyer's name. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it. The ranking 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.
- 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.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Property will be transferred in its entirety.
- Is located in a periurban commercial zone, and no rezoning is required.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Consists of 557.4 square meters (6,000 square feet) of land and a 10-year-old, 2-story warehouse of 929 square meters (10,000 square feet). The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. There is no heating system.

WHAT THE REGISTERING PROPERTY INDICATORS MEASURE

Procedures to legally transfer title on immovable property (number)

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

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

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

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are 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

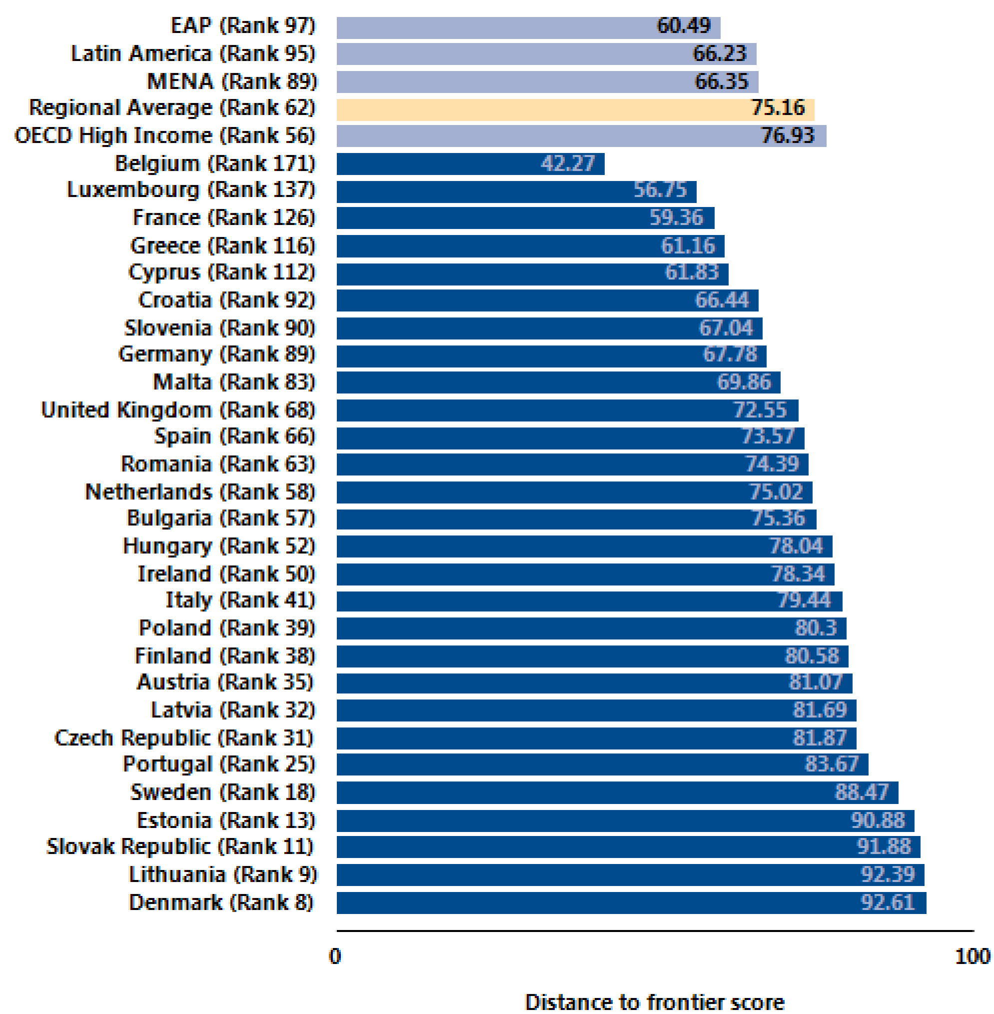
[2] For the 11 economies with a population of more than 100 million, data for a second city have been added.

REGISTERING PROPERTY

Where do the region's economies stand today?

How easy is it for entrepreneurs in economies in European Union (EU) 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 European Union (EU) rank on the ease of registering property



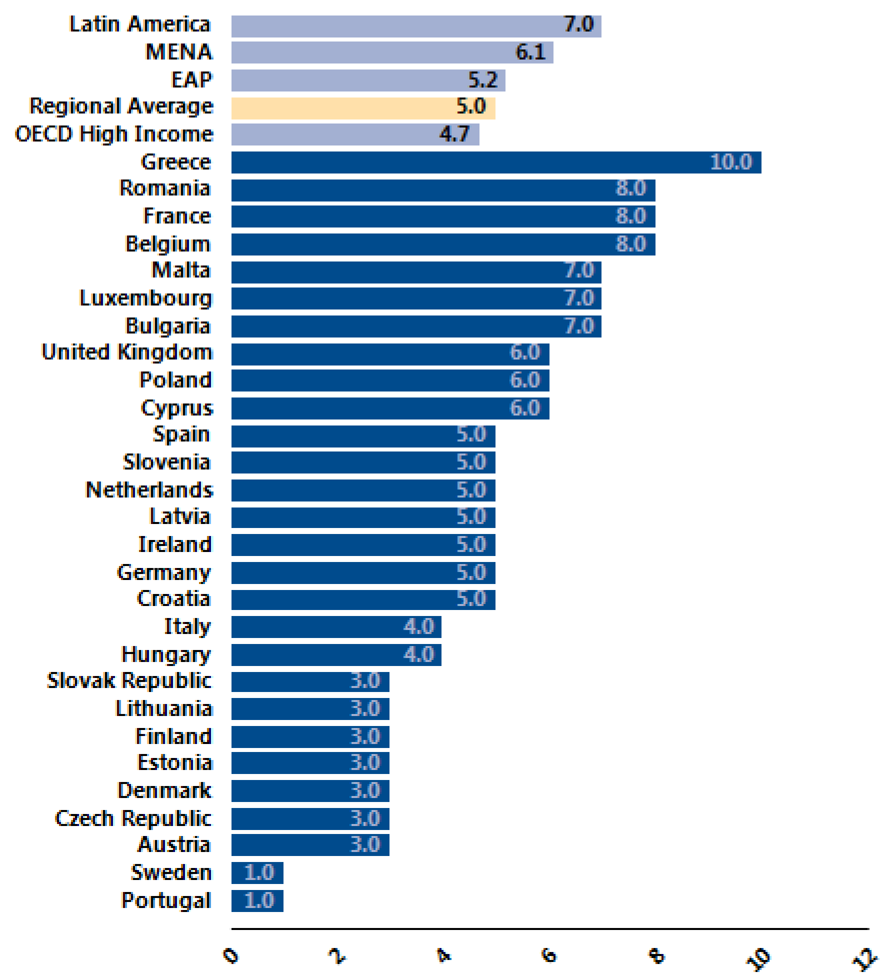
Source: Doing Business database.

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.

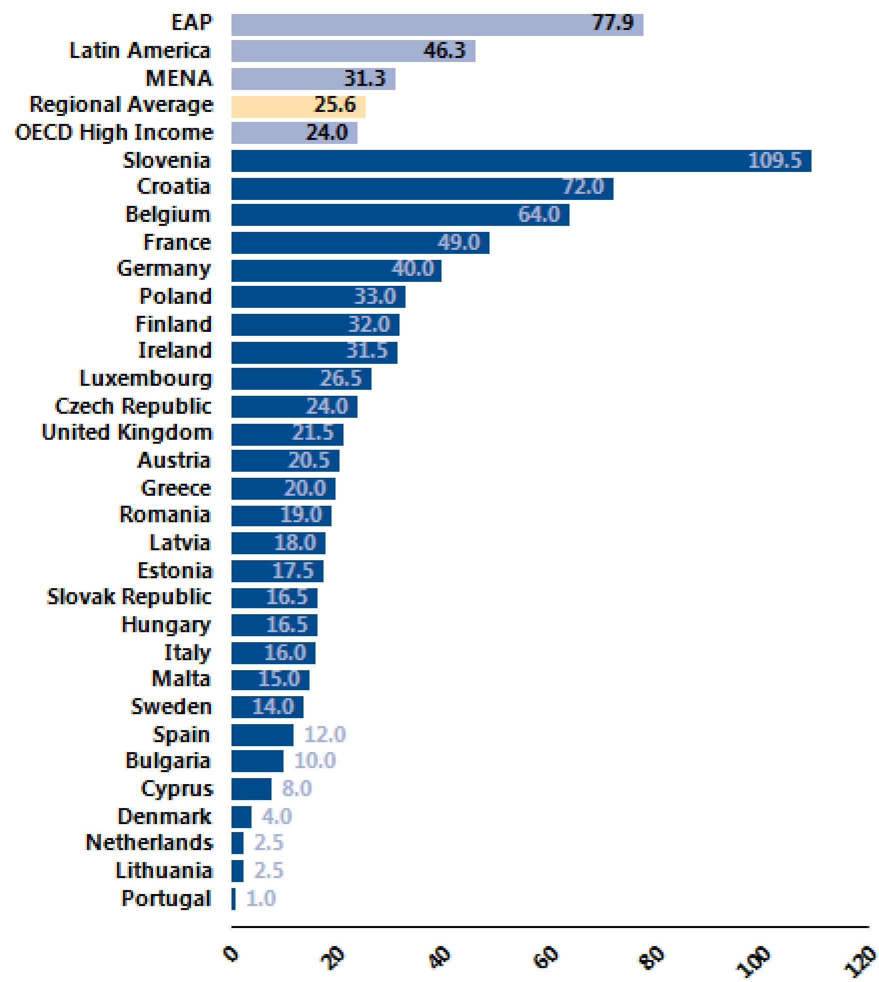
Figure 5.2 What it takes to register property in economies in European Union (EU)

Procedures (number)



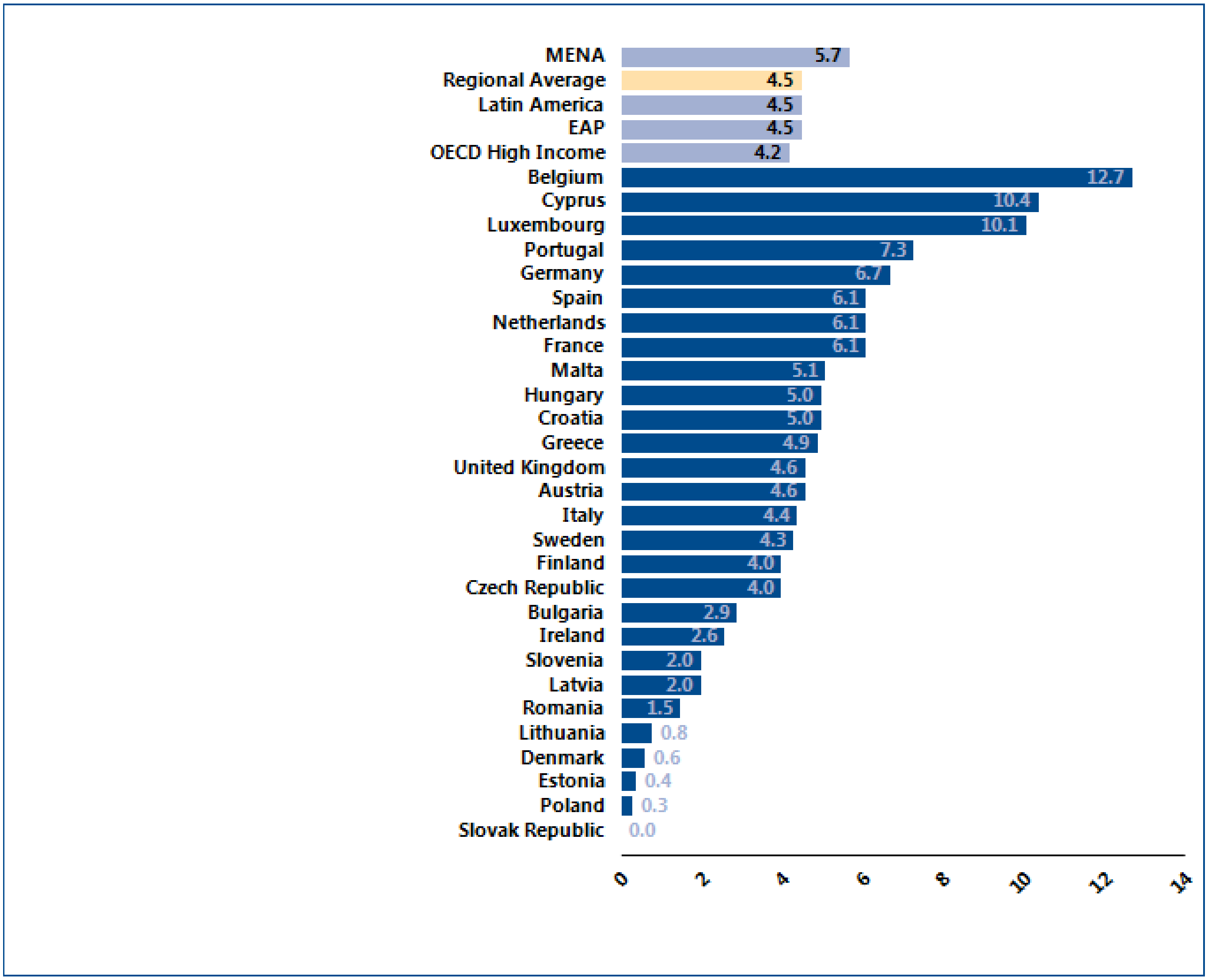
REGISTERING PROPERTY

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

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 European Union (EU) (table 5.1)?

Table 5.1 How have economies in European Union (EU) made registering property easier—or not?
By *Doing Business* report year DB2010 to DB2015

DB year	Economy	Reform
DB2015	*Germany*	Germany made it more expensive to register property by increasing the property transfer tax.
DB2015	*Greece*	Greece made it easier to transfer property by reducing the property transfer tax and removing the requirement for the municipal tax clearance certificate.
DB2015	*Ireland*	Ireland made transferring property easier by enhancing its computerized system at the land registry and implementing an online system for the registration of title.
DB2015	*Poland*	Poland made transferring property easier by introducing online procedures and reducing notary fees.
DB2015	*Spain*	Spain made transferring property easier by reducing the property transfer tax rate.
DB2015	*Sweden*	Sweden made registering property easier by fully implementing a new system for property registration.
DB2014	*Czech Republic*	The Czech Republic made transferring property more costly by increasing the property transfer tax rate.
DB2014	*France*	France made transferring property easier by speeding up the registration of the deed of sale at the land registry.
DB2014	*Italy*	Italy made transferring property easier by eliminating the requirement for an energy performance certificate for commercial buildings with no heating system.

DB year	Economy	Reform
DB2014	*Netherlands*	The Netherlands made transferring property easier by increasing the efficiency of the title search process.
DB2014	*United Kingdom*	The United Kingdom made transferring property easier by introducing electronic lodgment for property transfer applications.
DB2013	*Cyprus*	Cyprus made property transfers faster by computerizing its land registry.
DB2013	*Czech Republic*	The Czech Republic made registering property easier by allowing the cadastral office online access to the commercial registry's database and thus eliminating the need to obtain a paper certificate from the registry before applying for registration at the cadastre.
DB2013	*Denmark*	Denmark made registering property easier by introducing electronic submission of property transfer applications at the land registry.
DB2013	*Ireland*	Ireland made property transfers less costly by introducing a single stamp duty rate for transfers of nonresidential property. It also extended compulsory registration to all property in Ireland.
DB2013	*Italy*	Italy made transferring property easier by digitizing cadastral maps of properties and making the maps available to notaries online.
DB2013	*Poland*	Poland made property registration faster by introducing a new caseload management system for the land and mortgage registries and by continuing to digitize the records of the registries.
DB2013	*Sweden*	In Sweden property transfers became more time consuming during implementation of a new information technology system at the land registry.
DB2012	*Belgium*	Belgium made property registration quicker for entrepreneurs by setting time limits and implementing its "e-notariat" system.

DB year	Economy	Reform
DB2012	*Czech Republic*	The Czech Republic speeded up property registration by computerizing its cadastral office, digitizing all its data and introducing electronic communications with notaries.
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	*Slovenia*	Slovenia made transferring property easier and less costly by introducing online procedures and reducing fees.
DB2012	*Sweden*	Sweden increased the cost of transferring property between companies.
DB2011	*Austria*	Austria made it easier to transfer property by requiring online submission of all applications to register property transfers.
DB2011	*Belgium*	Belgium's capital city, Brussels, made it more difficult to transfer property by requiring a clean-soil certificate.
DB2011	*Denmark*	Computerization of Denmark's land registry cut the number of procedures required to register property by half.
DB2011	*Greece*	Greece made transferring property more costly by increasing the transfer tax from 1% of the property value to 10%.
DB2011	*Hungary*	Hungary reduced the property registration fee by 6% of the property value.
DB2011	*Poland*	Poland eased property registration by computerizing its land registry.
DB2011	*Portugal*	Portugal established a one-stop shop for property registration.
DB2011	*Slovenia*	Greater computerization in Slovenia's land registry reduced delays in property registration by 75%.
DB2011	*Sweden*	Sweden made registering property easier by eliminating the requirement to obtain a preemption waiver from the municipality

DB year	Economy	Reform
DB2010	*Belgium*	Belgium made transferring property easier by setting statutory time limits for some procedures.
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	*Czech Republic*	The Czech Republic made registering property easier through ongoing reorganization of the registry combined with computerization.
DB2010	*Estonia*	Estonia made registering property easier by computerizing property records at the land registry and thereby enabling notaries to carry out the process online.
DB2010	*France*	France made transferring property easier and less time consuming by more fully implementing an online system that enables notaries to obtain encumbrance and ownership documents from the land registry electronically.
DB2010	*Ireland*	Ireland made registering property easier by reducing the maximum chargeable stamp duty for property transactions.
DB2010	*Portugal*	Portugal speeded up property registration through computerization at the registry backed by an amendment to the registry code making the use of notaries optional.
DB2010	*Romania*	Romania speeded up property registration by introducing expedited procedures at the land registry and the cadastre.
DB2010	*United Kingdom*	The United Kingdom speeded up property registration by introducing automatic electronic processing of the land transaction return.

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 2015* 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)[3]

Rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

Depth of credit information index (0–8)[4]

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 private credit bureau as percentage of adult population

Credit registry coverage (% of adults)

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

[3] For the legal rights index, 2 new points are added in *Doing Business 2015* for new data collected to assess the overall legal framework for secured transactions and the functioning of the collateral registry.

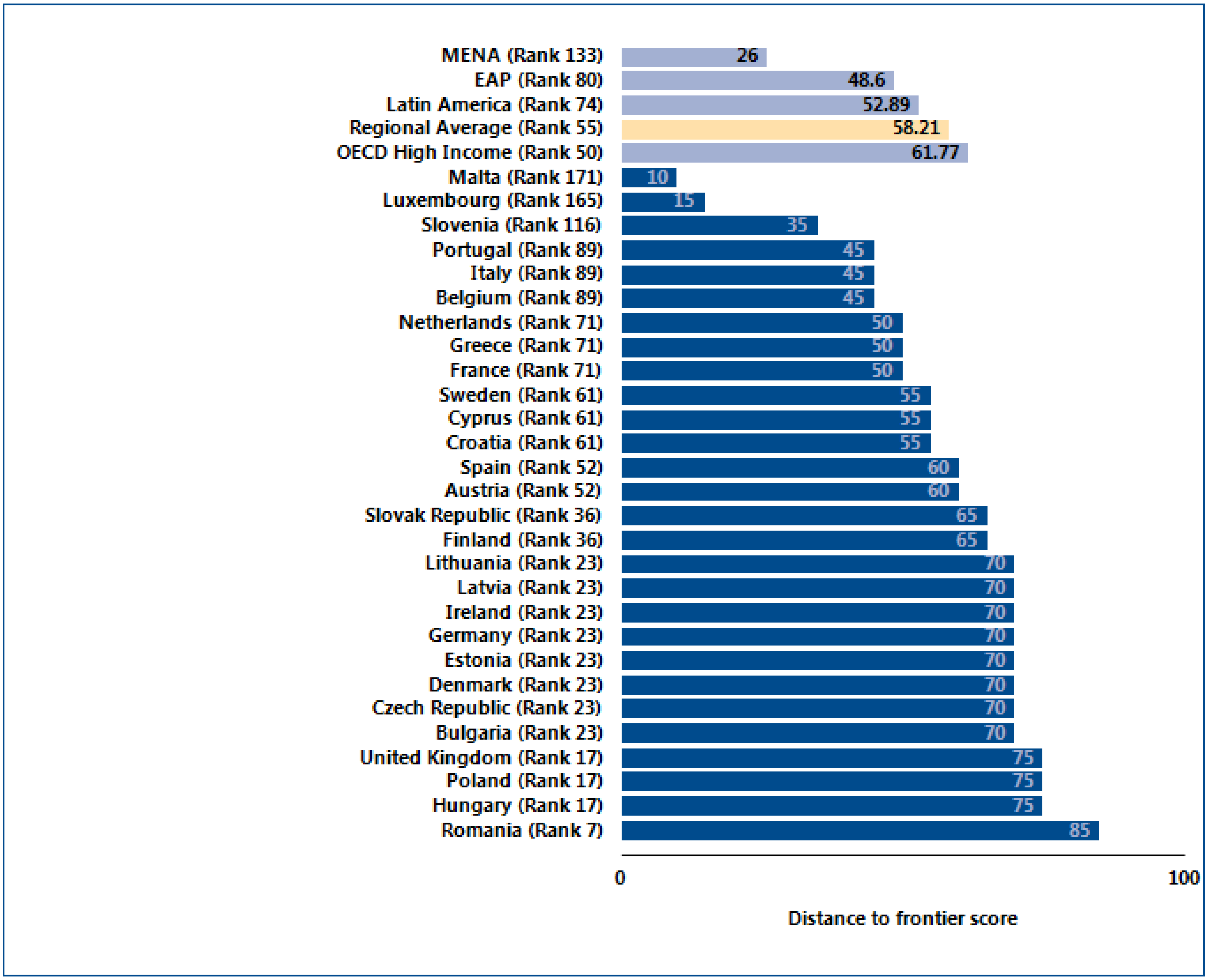
[4] For the credit information index, 2 new points are added in *Doing Business 2015* for new data collected on accessing borrowers' credit information online and availability of credit scores.

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 European Union (EU) 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 European Union (EU) rank on the ease of getting credit



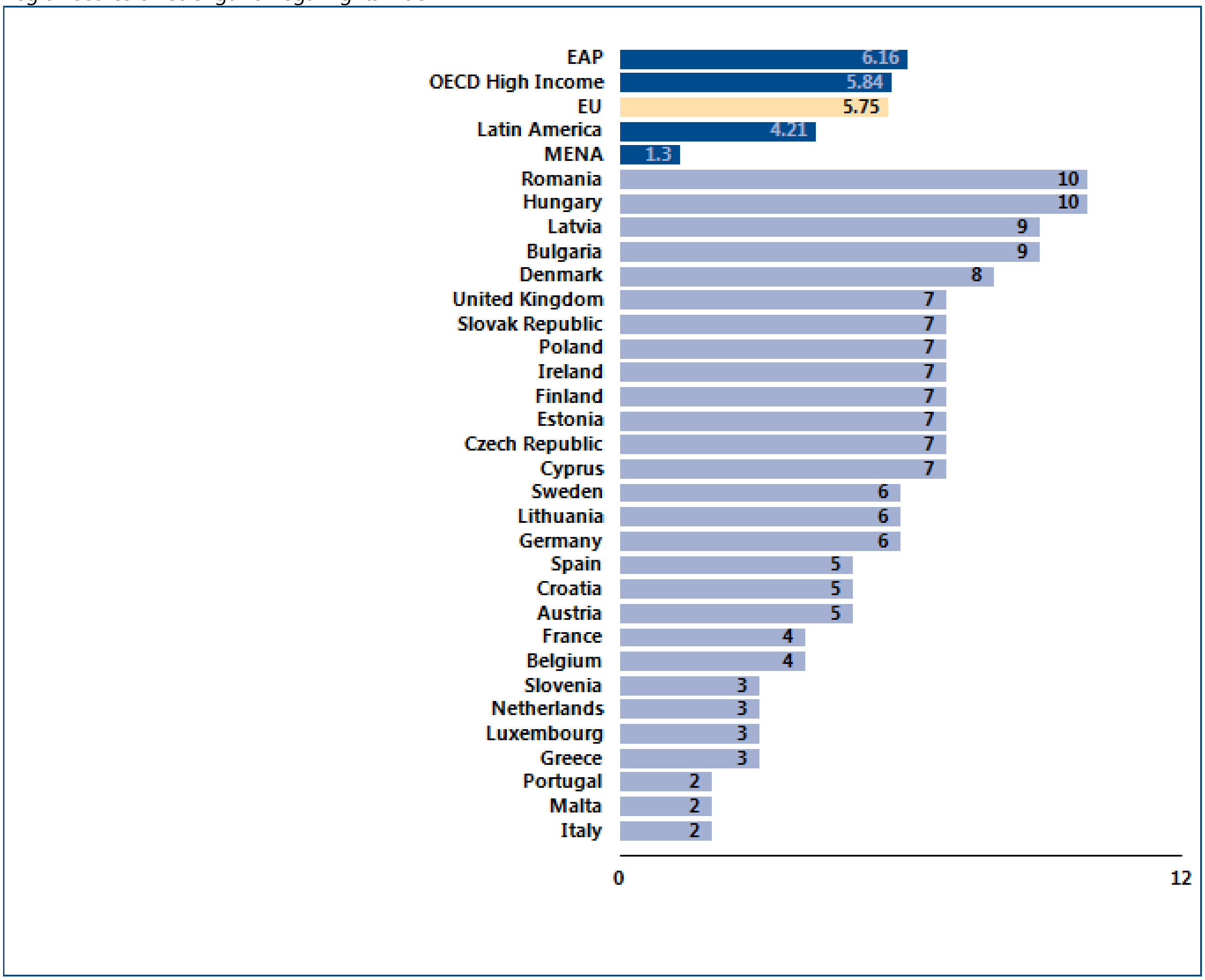
Source: Doing Business database.

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 European Union (EU) 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?

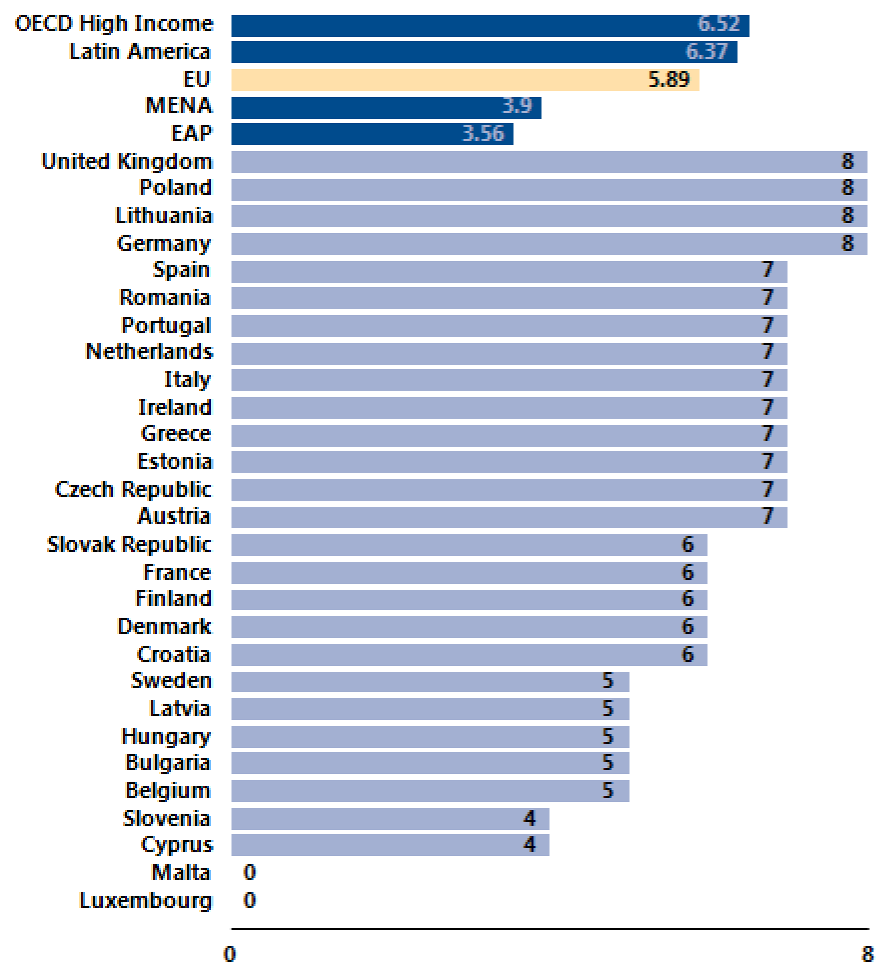
Region scores on strength of legal rights index



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 European Union (EU) (table 6.1)?

Table 6.1 How have economies in European Union (EU) made getting credit easier—or not?
By *Doing Business* report year DB2010 to DB2015

DB year	Economy	Reform
DB2015	*Cyprus*	Cyprus improved its credit information system by adopting a central bank directive eliminating the minimum threshold for loans to be included in credit bureaus' databases.
DB2015	*Czech Republic*	The Czech Republic improved access to credit by adopting a new legal regime on secured transactions that allows the registration of receivables at the collateral registry and permits out-of-court enforcement of collateral.
DB2015	*Hungary*	Hungary improved access to credit by adopting a new legal regime on secured transactions that implements a functional approach to secured transactions, extends security interests to the products and proceeds of the original asset and establishes a modern, notice-based collateral registry.
DB2015	*Ireland*	Ireland improved its credit information system by passing a new act that provides for the establishment and operation of a credit registry.
DB2015	*Slovak Republic*	The Slovak Republic improved its credit information system by implementing a new law on the protection of personal data.
DB2014	*Latvia*	Latvia improved its credit information system by adopting a new law regulating the public credit registry.
DB2014	*Lithuania*	Lithuania strengthened its secured transactions system by broadening the range of movable assets that can be used as collateral, allowing a general description in the security agreement of the assets pledged as collateral and permitting out-of-court enforcement.
DB2014	*Netherlands*	The Netherlands weakened its secured transactions system through an amendment to the Collection of State Taxes Act

DB year	Economy	Reform
		that grants priority outside bankruptcy to tax claims over secured creditors' claims.
DB2013	*Hungary*	Hungary improved access to credit information by passing its first credit bureau law mandating the creation of a database with positive credit information on individuals.
DB2013	*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.
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	*Hungary*	Hungary reduced the amount of credit information available from private credit bureaus by shortening the period for retaining data on defaults and late payments (if repaid) from 5 years to 1 year.
DB2012	*Slovak Republic*	The Slovak Republic improved its credit information system by guaranteeing by law the right of borrowers to inspect their own data.
DB2011	*Cyprus*	Cyprus improved access to credit information by establishing its first private credit bureau.
DB2011	*Estonia*	Estonia improved access to credit by amending the Code of Enforcement Procedure and allowing out-of-court enforcement of collateral by secured creditors.
DB2011	*Lithuania*	Lithuania's private credit bureau now collects and distributes positive information on borrowers.
DB2010	*Greece*	Greece's private credit bureau, Tiresias, expanded the amount of information it distributes in credit reports, improving access to credit information.
DB2010	*Latvia*	Latvia's new public credit registry started sharing data on loans, improving access to credit information.

DB year	Economy	Reform
DB2010	*Poland*	Poland improved access to credit information by starting to collect and distribute information on firms. Poland also strengthened its secured transactions system through an amendment to the 1996 Act on Registered Pledges and the Pledges Register allowing all legal persons, including foreign entities, to hold a security interest in the form of a pledge.
DB2010	*Sweden*	Sweden strengthened its secured transactions system through changes to the Rights of Priority Act that give secured creditors' claims priority in cases of debtor default outside bankruptcy.

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)

Sum of the extent of disclosure, extent of director liability and ease of shareholder indices, divided by 3

Extent of shareholder rights index (0-10.5)

Shareholders' rights and role in major corporate decisions

Strength of governance structure index (0-10.5)

Governance safeguards protecting shareholders from undue board control and entrenchment

Extent of corporate transparency index (0-9)

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

Extent of shareholder governance index (0–10)

Sum of the extent of shareholders rights, strength of governance structure and extent of corporate transparency indices, divided by 3

Strength of investor protection index (0–10)

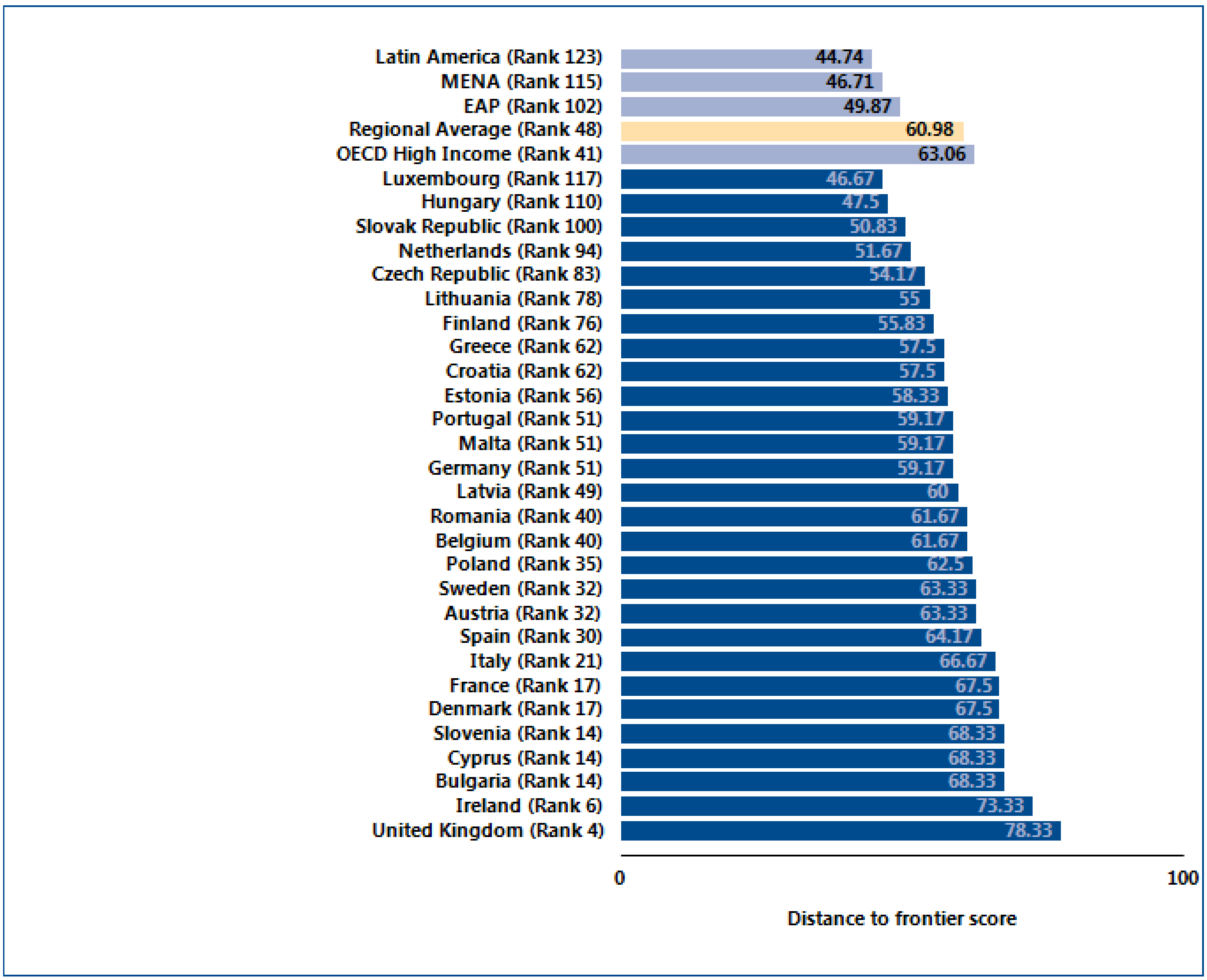
Simple average of the extent of conflict of interest regulation and extent of shareholder governance indices

PROTECTING MINORITY INVESTORS

Where do the region's economies stand today?

How strong are investor protections against self-dealing in economies in European Union (EU)? 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 European Union (EU) rank on the strength of investor protection index



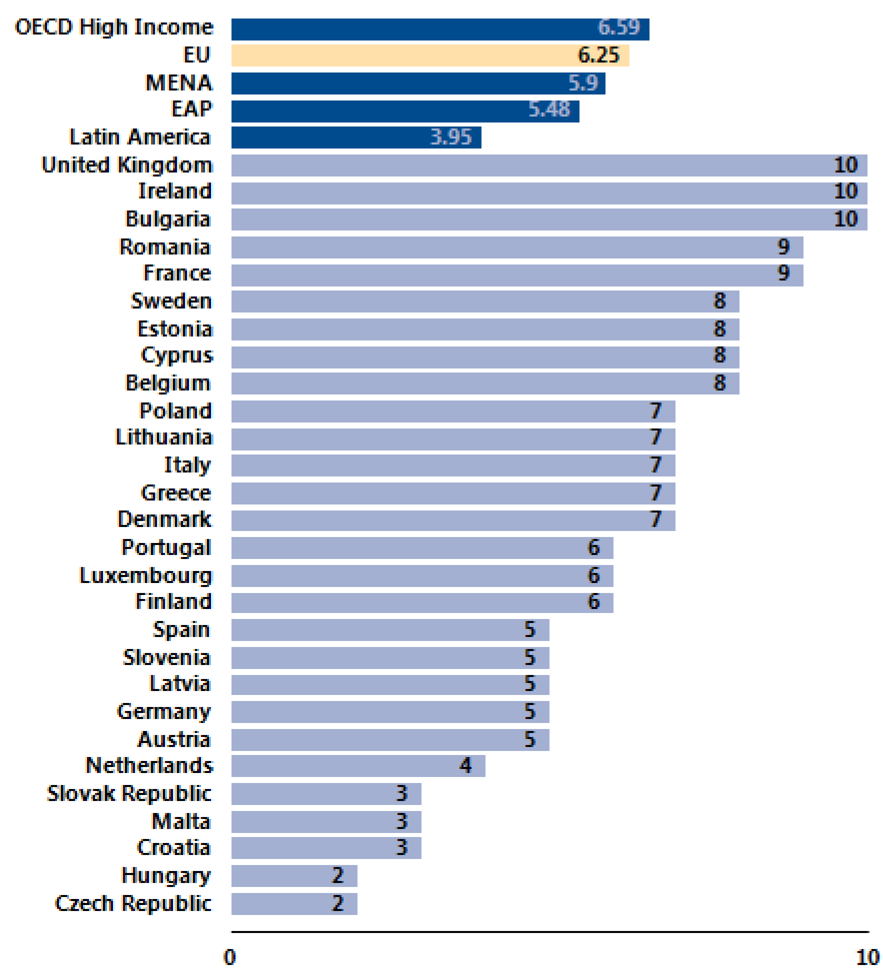
Source: Doing Business database.

PROTECTING MINORITY INVESTORS

But the overall ranking on the strength of minority investor protection index tells only part of the story. Economies may offer strong protections in some areas but not others. Figures 7.2 through 7.7 highlight the scores on the various minority investor protection indices for European Union (EU) in 2014. Higher scores indicate stronger minority investor protections. Comparing the scores across the region on the strength of investor protection index and with averages both for the region and for comparator regions can provide useful insights.

Figure 7.2 How extensive are disclosure requirements?

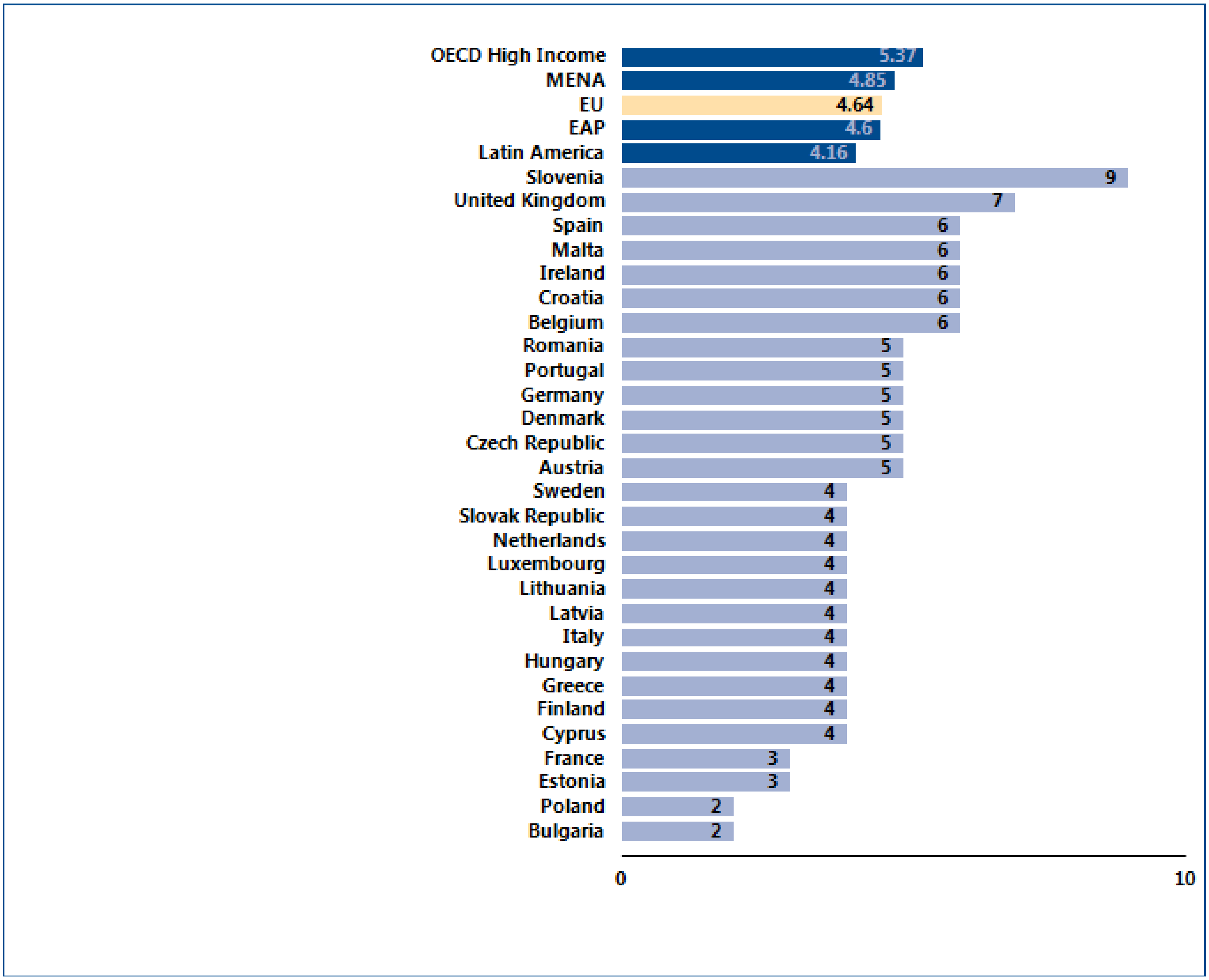
Extent of disclosure index (0–10)



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

Figure 7.3 How extensive is the liability regime for directors?

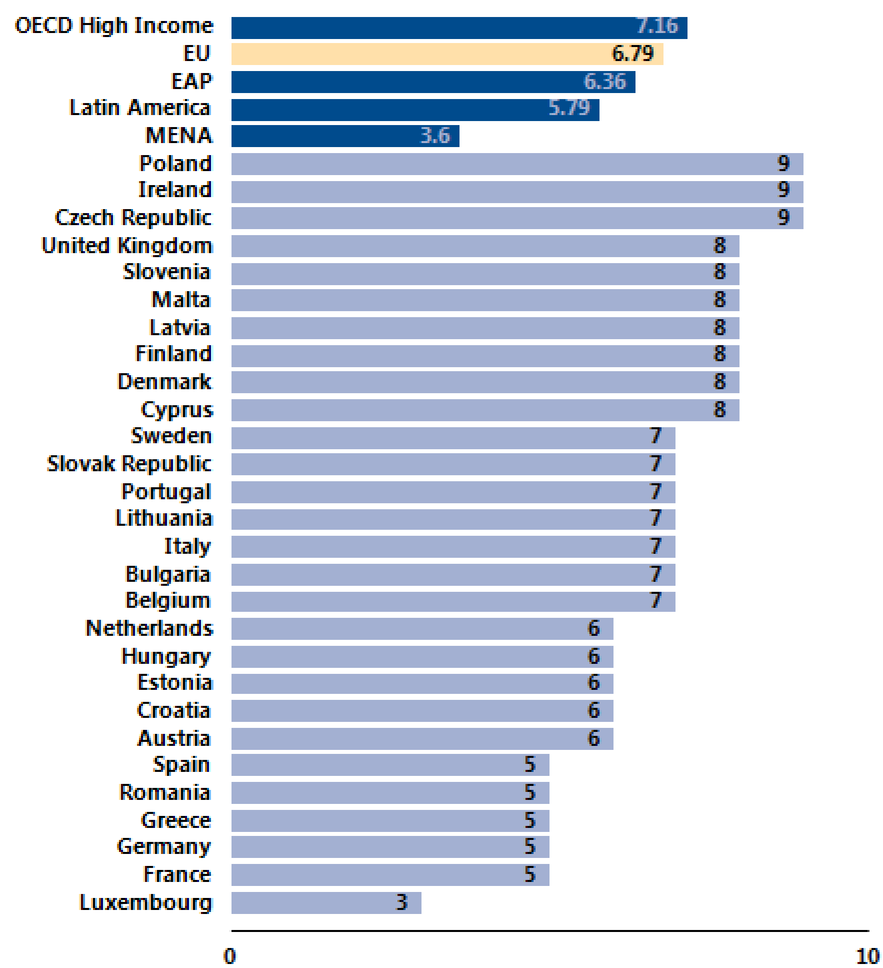
Extent of director liability index (0–10)



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

Figure 7.4 How easy is accessing internal corporate documents?

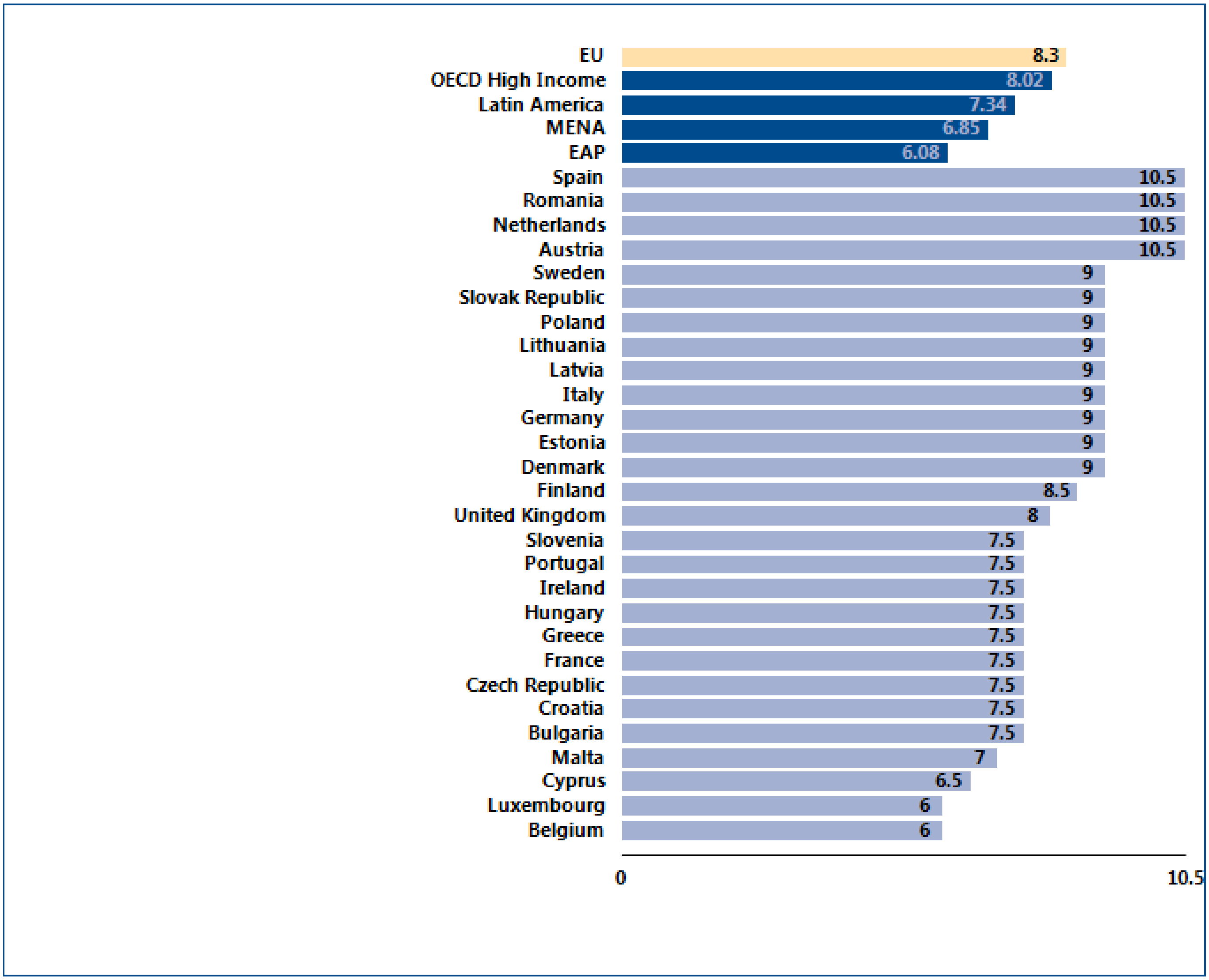
Extent of shareholder suits index (0–10)



Note: Higher scores indicate greater minority shareholder access to evidence before and during trial.
Source: Doing Business database.

Figure 7.5 How extensive are shareholder rights?

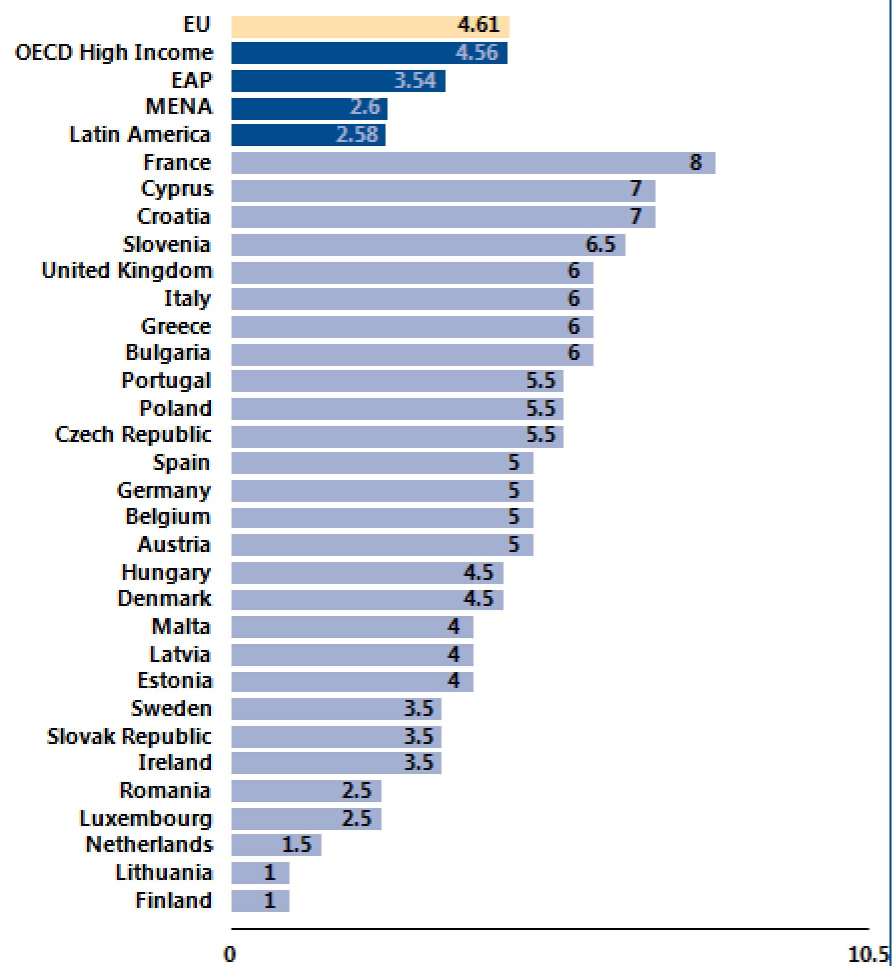
Extent of shareholder rights index (0–10.5)



Note: The higher the score, the stronger the protections.
Source: Doing Business database.

Figure 7.6 How strong is the governance structure?

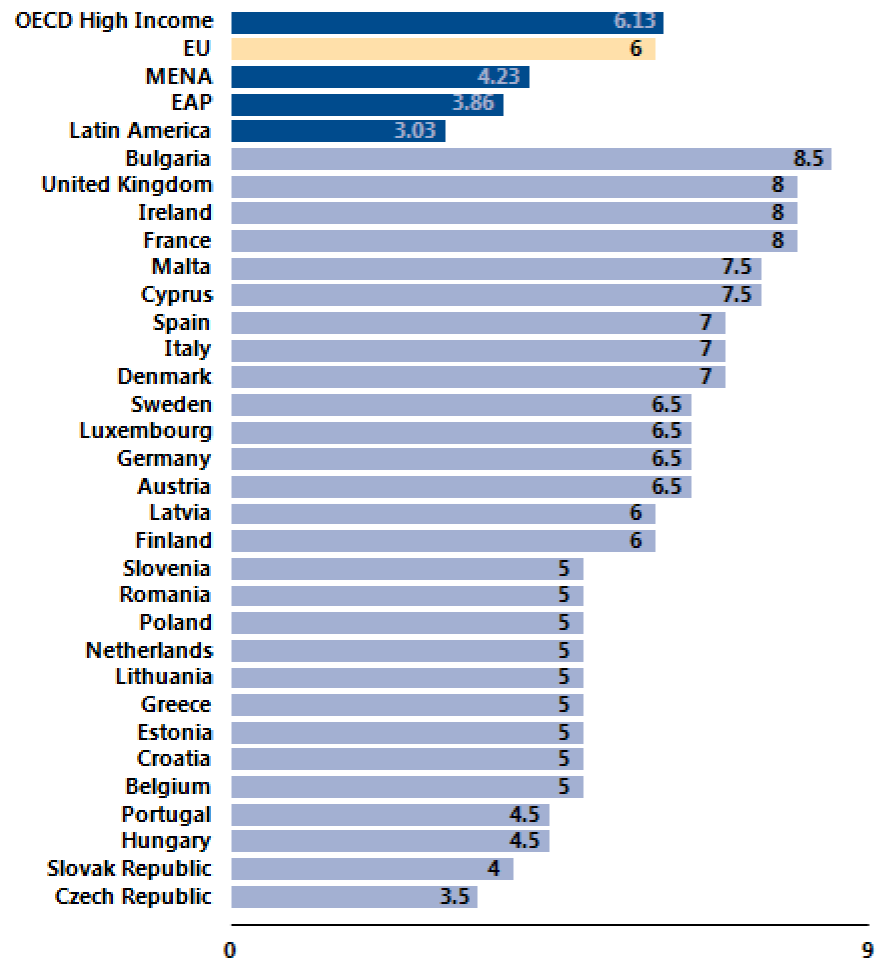
Strength of governance structure index (0–10.5)



Note: Higher scores indicate more stringent governance structure requirements.
Source: Doing Business database.

Figure 7.7 How extensive is corporate transparency?

Extent of corporate transparency index (0–9)



Note: Higher scores indicate greater transparency.
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 European Union (EU) (table 7.1)?

Table 7.1 How have economies in European Union (EU) strengthened minority investor protections—or not?
By *Doing Business* report year DB2010 to DB2015

DB year	Economy	Reform
DB2014	*Greece*	Greece strengthened investor protections by introducing a requirement for director approval of related-party transactions.
DB2013	*Greece*	Greece strengthened investor protections by requiring greater immediate and annual disclosure of material related-party transactions.
DB2013	*Netherlands*	The Netherlands strengthened investor protections through a new law regulating the approval of related-party transactions.
DB2013	*Slovenia*	Slovenia strengthened investor protections through a new law regulating the approval of related-party transactions.
DB2012	*Cyprus*	Cyprus strengthened investor protections by requiring greater corporate disclosure to the board of directors, to the public and in the annual report.
DB2012	*Lithuania*	Lithuania strengthened investor protections by introducing greater requirements for corporate disclosure to the public and in the annual report.
DB2011	*Sweden*	Sweden strengthened investor protections by requiring greater corporate disclosure and regulating the approval of transactions between interested parties.

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* measures the taxes and mandatory contributions that a medium-size company must pay in a given year as well as the administrative burden of paying taxes and contributions. This case scenario uses a set of financial statements and assumptions about transactions made over the year. Information is also compiled on the frequency of filing and payments as well as time taken to comply with tax laws. The ranking 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[5]. 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, 2012.
- 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.

WHAT THE PAYING TAXES INDICATORS MEASURE

Tax payments for a manufacturing company in 2013 (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

- 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.

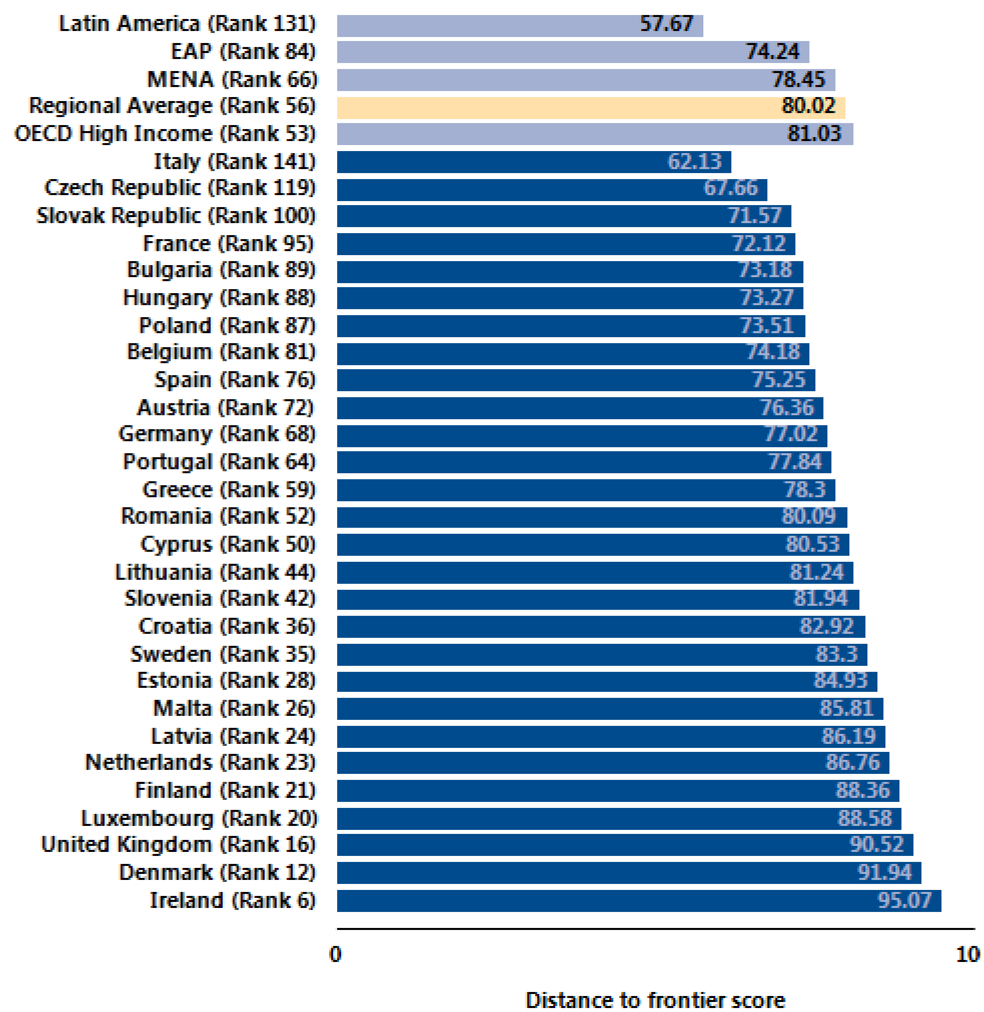
[5] The nonlinear distance to frontier for the total tax rate is equal to the distance to frontier for the total tax rate to the power of 0.8. The threshold is defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis. It is calculated and adjusted on a yearly basis. The threshold is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the lower end of the distribution of tax rates levied on medium-size enterprises in the manufacturing sector as observed through the paying taxes indicators. This reduces the bias in the indicators toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). This year's threshold is 26.1%.

PAYING TAXES

Where do the region's economies stand today?

What is the administrative burden of complying with taxes in economies in European Union (EU)—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 European Union (EU) rank on the ease of paying taxes



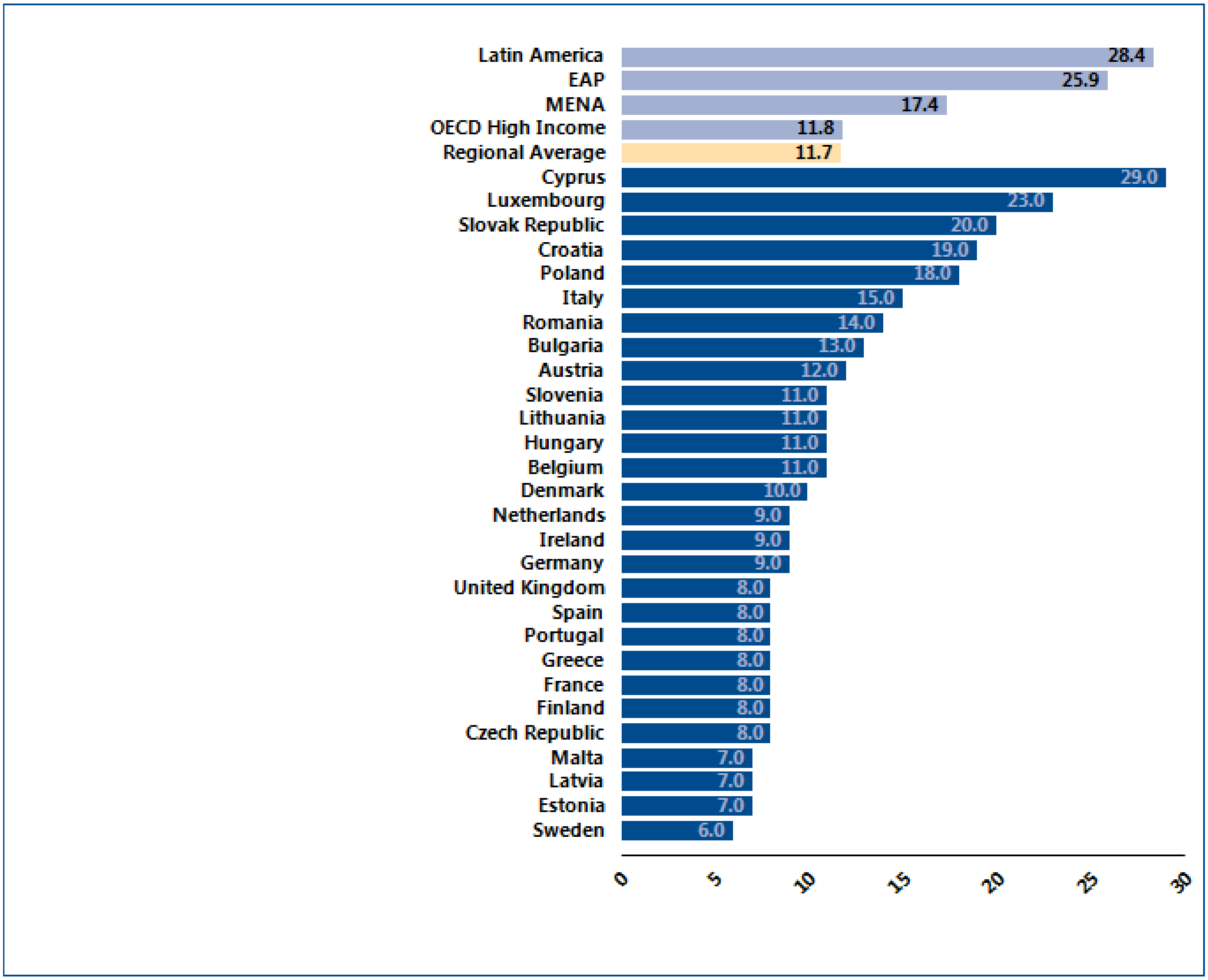
Note: All economies with a total tax rate below the threshold of 26.1% applied in DB2015, receive the same distance to frontier score for the total tax rate (a distance to frontier score of 100 for the total tax rate) for the purpose of calculating the ranking on the ease of paying taxes.
Source: Doing 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.

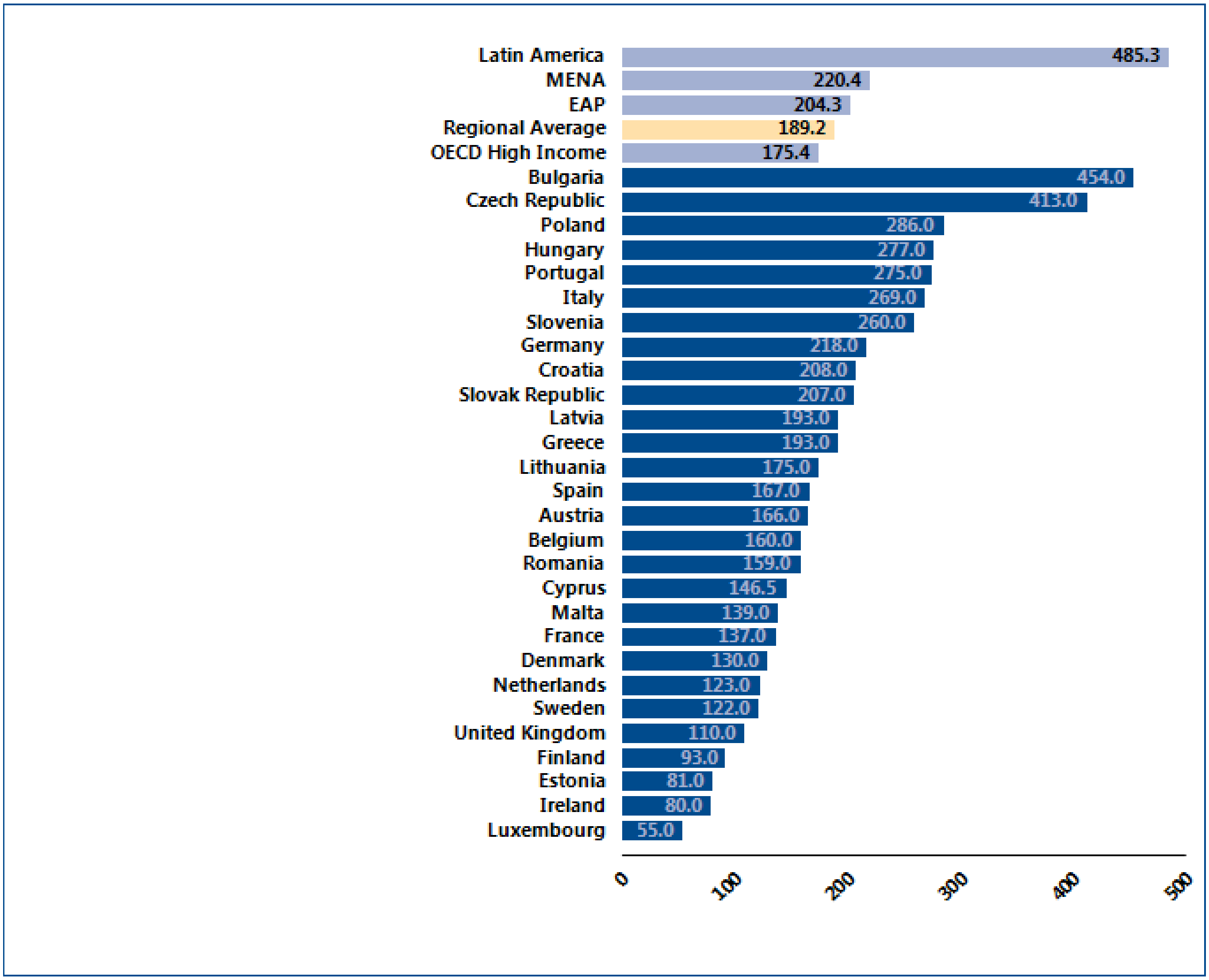
Figure 8.2 How easy is it to pay taxes in economies in European Union (EU)—and what are the total tax rates?

Payments (number per year)



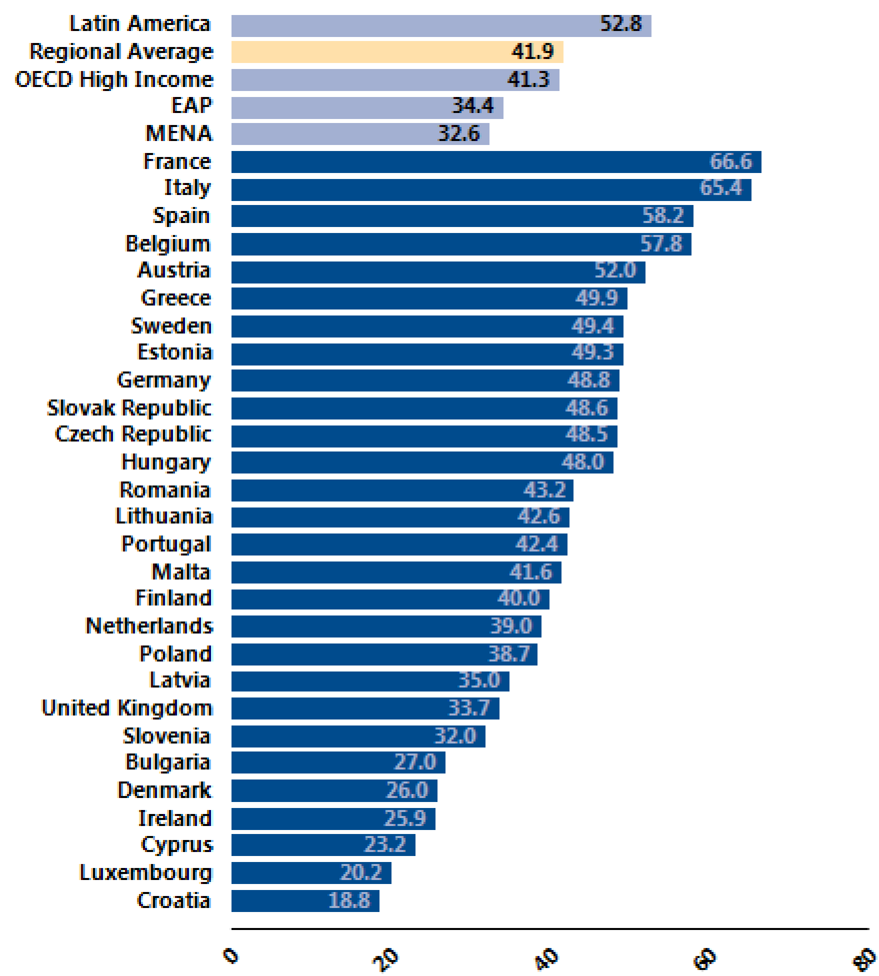
PAYING TAXES

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 European Union (EU) (table 8.1)?

Table 8.1 How have economies in European Union (EU) made paying taxes easier—or not?
By *Doing Business* report year DB2010 to DB2015

DB year	Economy	Reform
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	*Cyprus*	Cyprus made paying taxes easier for companies by reducing the number of provisional tax installments for corporate income tax.
DB2015	*Hungary*	Hungary made paying taxes easier and less costly for companies by abolishing the special tax that had been temporarily introduced in 2010 and by reducing the vehicle tax rate.
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	*Portugal*	Portugal made paying taxes less costly for companies by reducing the corporate income tax rate and introducing a reduced corporate tax rate for a portion of the taxable profits of qualifying small and medium-size enterprises.
DB2015	*Romania*	Romania made paying taxes easier for companies, with the majority now using the electronic system for filing and paying taxes.

DB year	Economy	Reform
DB2015	*Spain*	Spain made paying taxes less costly for companies by reducing the statutory corporate income tax rate.
DB2015	*United Kingdom*	The United Kingdom made paying taxes less costly for companies by reducing the corporate income tax rate. On the other hand, it increased the landfill tax.
DB2014	*Croatia*	Croatia made paying taxes easier for companies by introducing an electronic system for social security contributions and by reducing the rates for the forest and Chamber of Commerce contributions.
DB2014	*Greece*	Greece made paying taxes more costly for companies by increasing the corporate income tax rate—though it also reduced the employers' contribution rate to the social security fund.
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	*Slovak Republic*	The Slovak Republic made paying taxes more costly for companies by increasing the corporate income tax rate and by adjusting land appraisal values.
DB2014	*Sweden*	Sweden made paying taxes less costly for companies by reducing the corporate income tax rate.
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	*Czech Republic*	The Czech Republic made paying taxes faster for companies by promoting the use of electronic facilities.

DB year	Economy	Reform
DB2013	*Germany*	Germany made paying taxes more convenient for companies by canceling ELENA procedures and implementing electronic filing and payment system for most taxes.
DB2013	*Hungary*	Hungary made paying taxes easier for companies by abolishing the community tax. At the same time, Hungary increased health insurance contributions paid by the employer.
DB2013	*Poland*	Poland made paying taxes easier for companies by promoting the use of electronic filing and payment systems—though it also made paying taxes more costly by increasing social security contributions.
DB2013	*Slovak Republic*	The Slovak Republic made paying taxes easier for companies by implementing electronic filing and payment of social security and health insurance contributions.
DB2013	*Slovenia*	Slovenia made paying taxes easier and less costly for companies by implementing electronic filing and payment of social security contributions and by reducing the corporate income tax rate.
DB2013	*United Kingdom*	The United Kingdom made paying taxes less costly for companies by reducing the corporate income tax rate.
DB2012	*Czech Republic*	The Czech Republic revised its tax legislation to simplify provisions relating to administrative procedures and relationships between tax authorities and taxpayers.
DB2012	*Estonia*	In Estonia a municipal sales tax introduced in Tallinn made paying taxes costlier for firms, though a later parliamentary measure abolished local sales taxes effective January 1, 2012.
DB2012	*Finland*	Finland simplified reporting and payment for the value added tax and labor tax.
DB2012	*Greece*	Greece reduced its corporate income tax rate.
DB2012	*Hungary*	Hungary made paying taxes costlier for firms by introducing a sector-specific surtax

DB year	Economy	Reform
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.
DB2011	*Bulgaria*	Bulgaria reduced employer contribution rates for social security.
DB2011	*Croatia*	Croatia made paying taxes more difficult and costly for companies by introducting a tourist fee.
DB2011	*Czech Republic*	The Czech Republic simplified its labor tax processes and reduced employer contribution rates for social security.
DB2011	*Estonia*	Estonia increased the unemployment insurance contribution rate.
DB2011	*Hungary*	Hungary simplified taxes and tax bases.
DB2011	*Lithuania*	Lithuania reduced corporate tax rates.
DB2011	*Netherlands*	The Netherlands reduced the frequency of filing and paying value added taxes from monthly to quarterly and allowed small entities to use their annual accounts as the basis for computing their corporate income tax.
DB2011	*Portugal*	Portugal introduced a new social security code and lowered corporate tax rates.
DB2011	*Romania*	Romania introduced tax changes, including a new minimum tax on profit, that made paying taxes more costly for companies.
DB2011	*Slovenia*	Slovenia abolished its payroll tax and reduced its corporate income tax rate.
DB2011	*Sweden*	Sweden reduced profit and payroll tax rates
DB2010	*Belgium*	Belgium made paying taxes easier for companies by making electronic filing mandatory for medium-size businesses.
DB2010	*Czech Republic*	The Czech Republic made paying taxes easier for companies

DB year	Economy	Reform
		by making electronic filing mandatory for all taxes and introducing a single tax institution and unified filing.
DB2010	*Finland*	Finland made paying taxes easier and less costly for companies by extending electronic filing and reducing employers' social security contribution rates.
DB2010	*Lithuania*	Lithuania made paying taxes more costly for companies by increasing the corporate income tax rate.
DB2010	*Poland*	Poland made paying taxes easier and less costly for companies by simplifying its value added tax law and reducing employers' social security contribution rates.
DB2010	*Romania*	Romania made paying taxes more costly for companies by increasing labor taxes.
DB2010	*Spain*	Spain made paying taxes easier and less costly for companies by improving efficiency in the electronic filing and payment system and reducing the corporate income tax rate.

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. Research shows that exporters in developing countries gain more from a 10% drop in their trading costs than from a similar reduction in the tariffs applied to their products in global markets.

What do the indicators cover?

Doing Business measures the time and cost (excluding tariffs and the time and cost for sea transport) associated with exporting and importing a standard shipment of goods by sea transport, and the number of documents necessary to complete the transaction. The indicators cover predefined stages such as documentation requirements and procedures at customs and other regulatory agencies as well as at the port. They also cover trade logistics, including the time and cost of inland transport to the largest business city. The ranking 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 each of the component indicators. To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the traded goods. The business:

- Is located in the economy's largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.
- Is a private, limited liability company, domestically owned and does not operate with special export or import privileges.
- Conducts export and import activities, but does not have any special accreditation authorized economic operator status.

WHAT THE TRADING ACROSS BORDERS INDICATORS MEASURE

Documents required to export and import (number)

Bank documents

Customs clearance documents

Port and terminal handling documents

Transport documents

Time required to export and import (days)

Obtaining, filling out and submitting all the documents

Inland transport and handling

Customs clearance and inspections

Port and terminal handling

Does not include sea transport time

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

All documentation

Inland transport and handling

Customs clearance and inspections

Port and terminal handling

Official costs only, no bribes

The traded product:

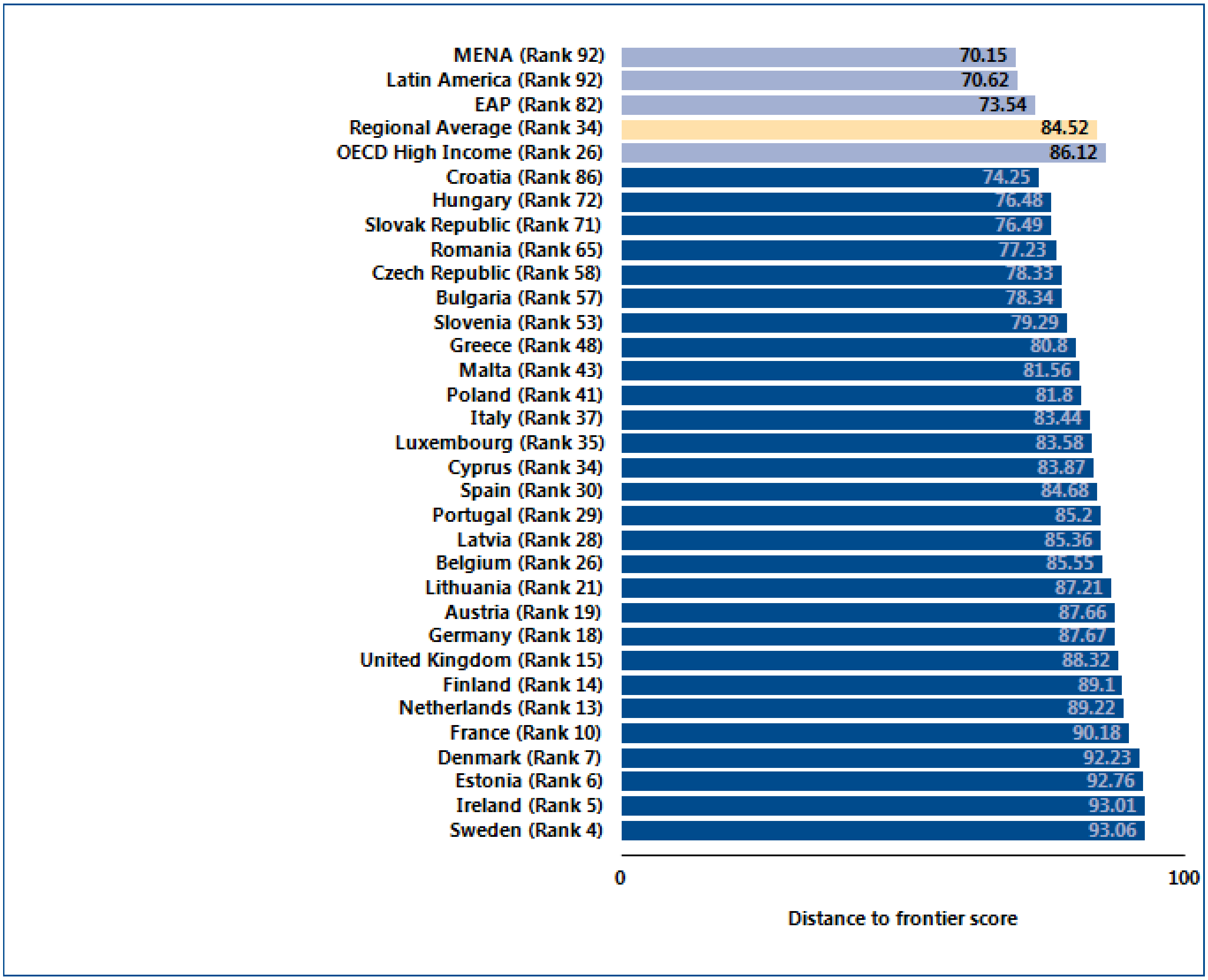
- Is not hazardous nor includes military items.
- Does not require refrigeration or any other special environment.
- Do not require any special phytosanitary or environmental safety standards other than accepted international standards.
- Is one of the economy's leading export or import products.
- Is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

TRADING ACROSS BORDERS

Where do the region's economies stand today?

How easy it is for businesses in economies in European Union (EU) 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 European Union (EU) rank on the ease of trading across borders



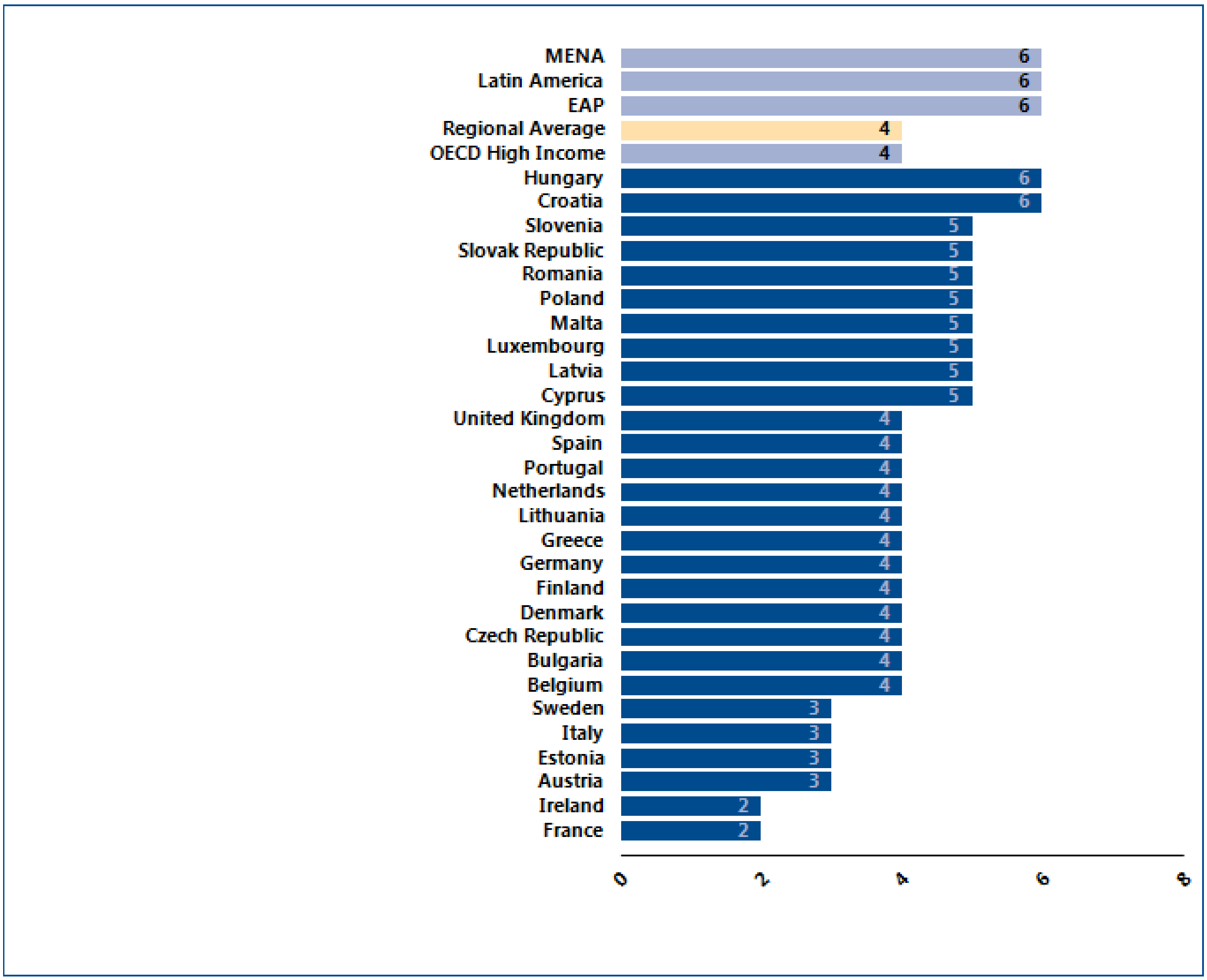
Source: Doing Business database.

TRADING ACROSS BORDERS

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

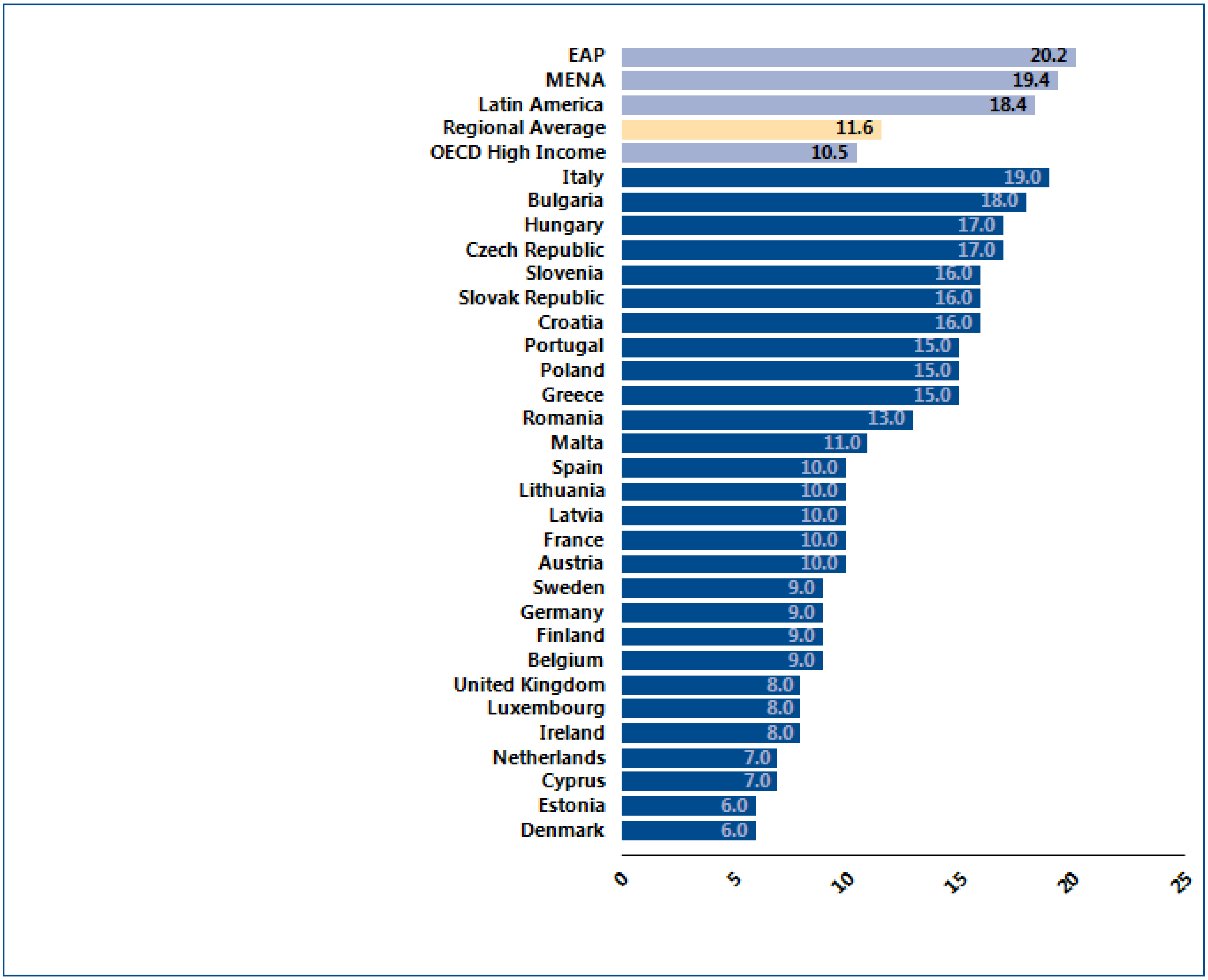
Figure 9.2 What it takes to trade across borders in economies in European Union (EU)

Documents to export (number)



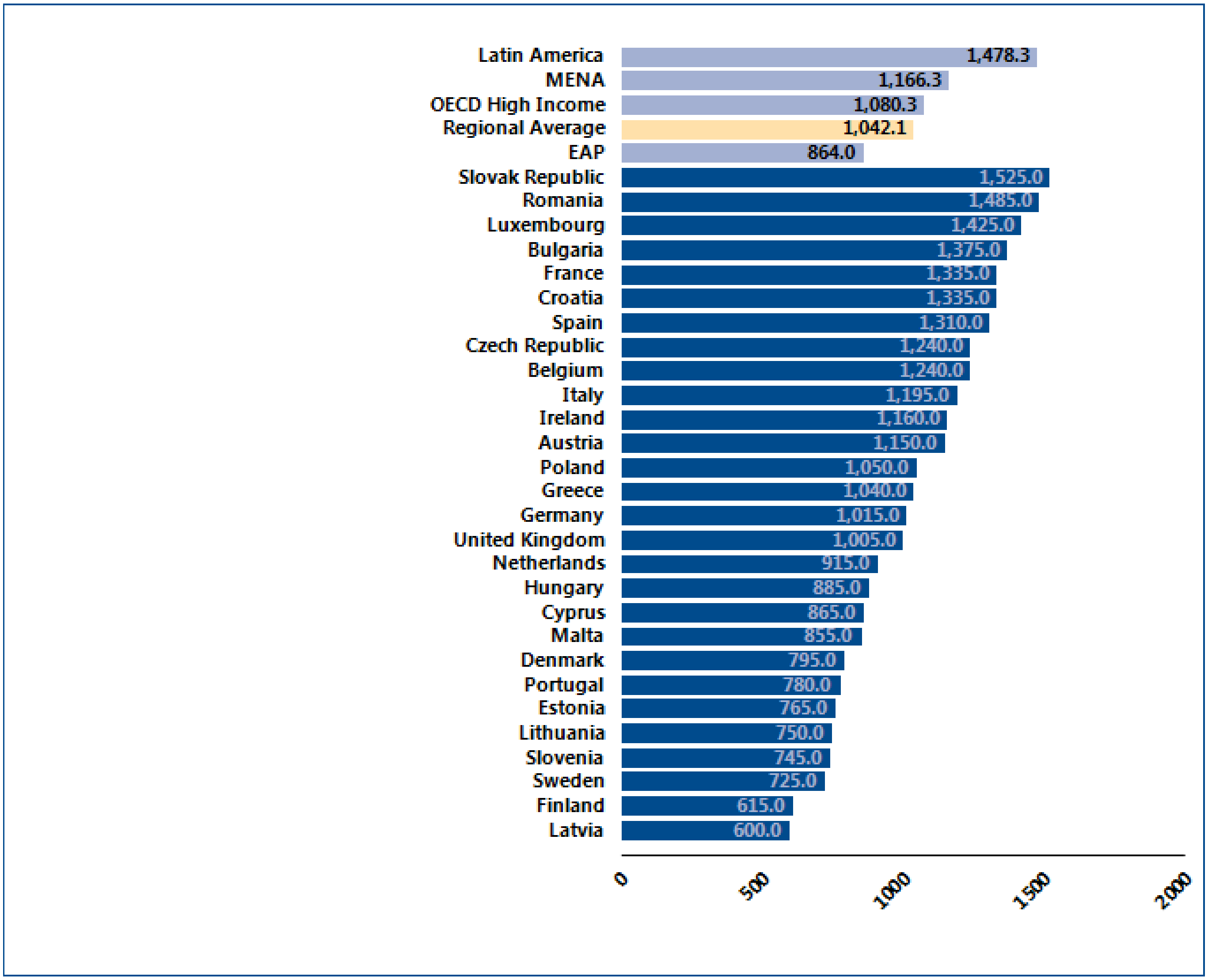
TRADING ACROSS BORDERS

Time to export (days)



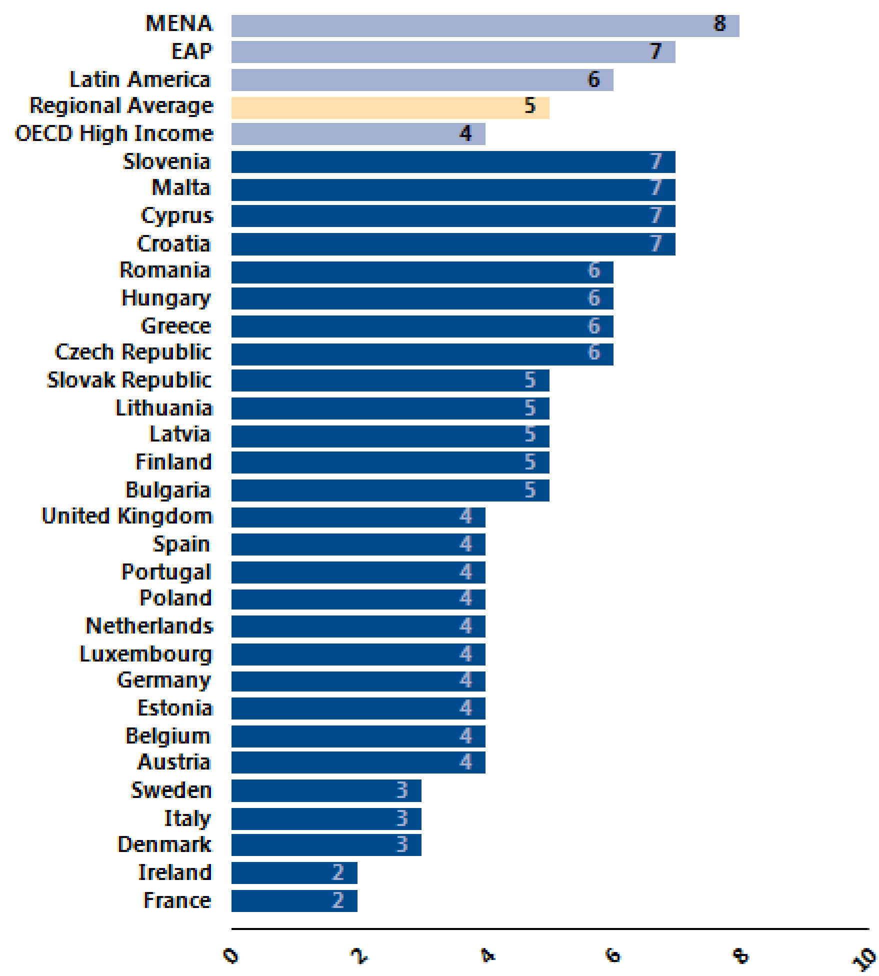
TRADING ACROSS BORDERS

Cost to export (US$ per container)



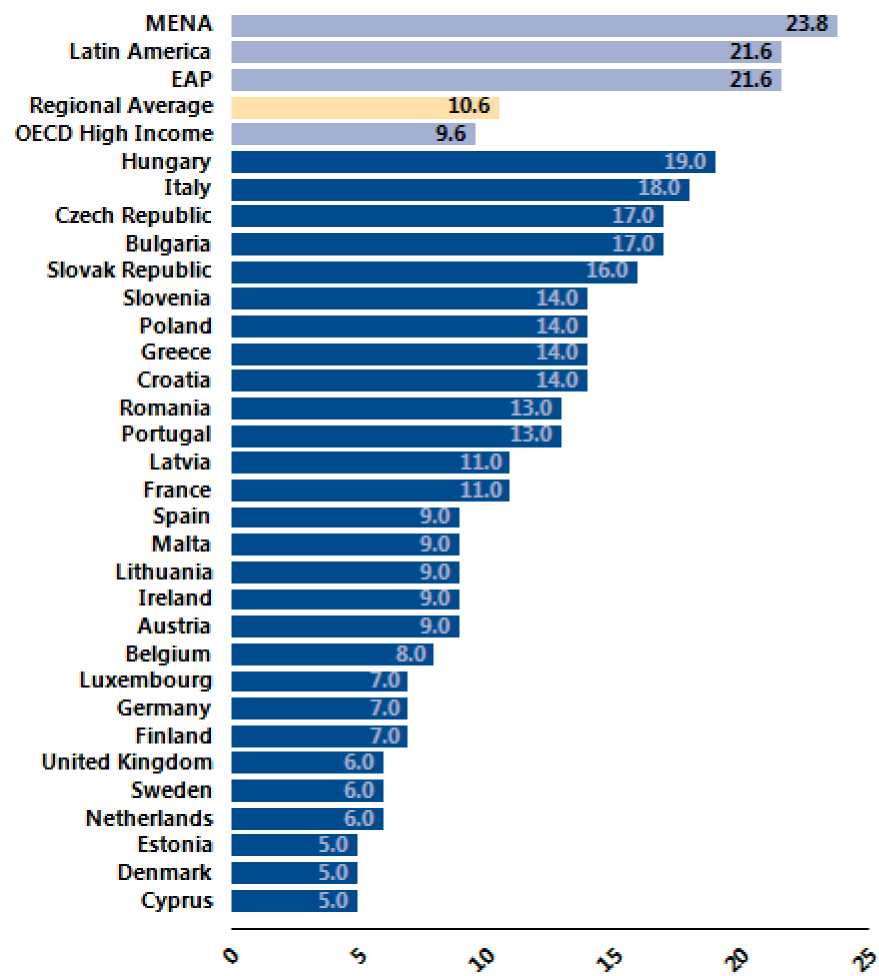
TRADING ACROSS BORDERS

Documents to import (number)



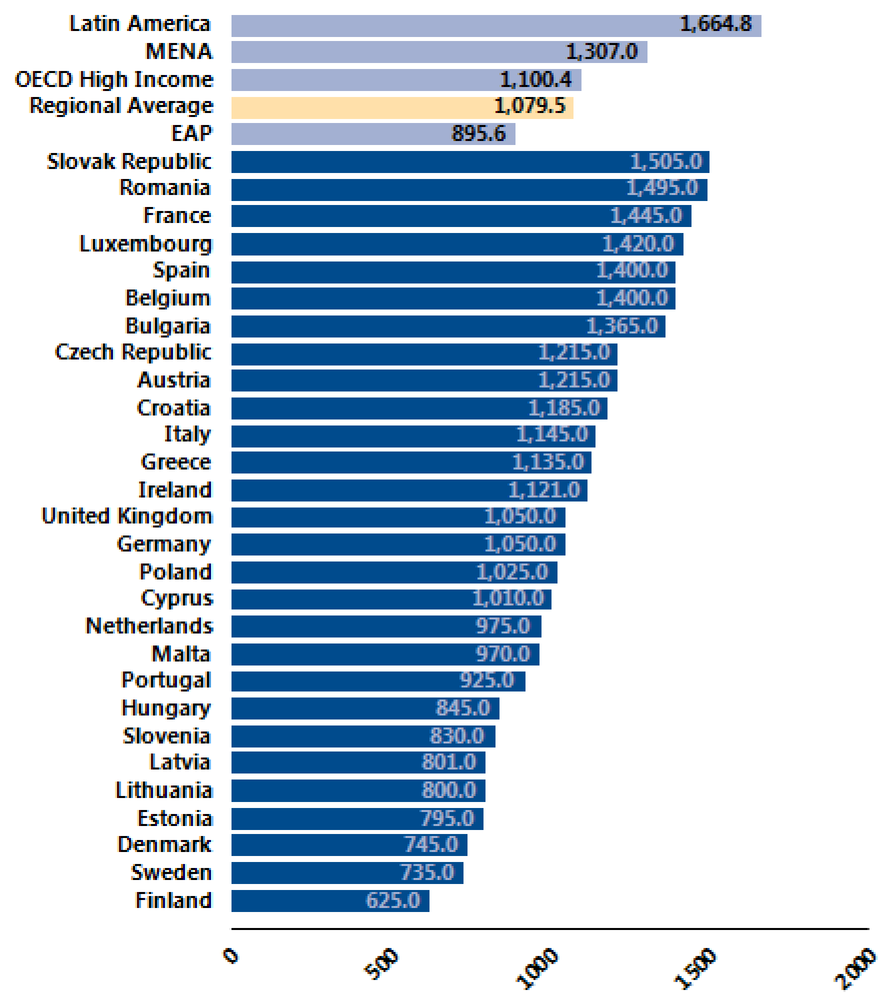
TRADING ACROSS BORDERS

Time to import (days)



TRADING ACROSS BORDERS

Cost to import (US$ per container)



Source: Doing Business database.

TRADING ACROSS BORDERS

What are the changes over time?

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

Table 9.1 How have economies in European Union (EU) made trading across borders easier—or not?
By *Doing Business* report year DB2010 to DB2015

DB year	Economy	Reform
DB2015	*Croatia*	Croatia made trading across borders easier by implementing a new electronic customs system.
DB2015	*Poland*	Poland made trading across borders easier by implementing a new terminal operating system at the port of Gdansk.
DB2014	*Croatia*	Croatia made trading across borders easier by improving the physical and information system infrastructure at the port of Rijeka and by streamlining export customs procedures in preparation for accession to the Common Transit Convention of the European Union.
DB2014	*Greece*	Greece made trading across borders easier by implementing a system allowing electronic submission of customs declarations for exports.
DB2014	*Latvia*	Latvia made trading across borders easier by reducing the number of documents required for importing.
DB2013	*Czech Republic*	The Czech Republic reduced the time to export and import by allowing electronic submission of customs declarations and other documents.
DB2013	*Hungary*	Hungary reduced the time to export and import by allowing electronic submission of customs declarations and other documents.
DB2013	*Netherlands*	The Netherlands made importing easier by introducing a new web-based system for cargo release at the port terminals in

DB year	Economy	Reform
		Rotterdam.
DB2013	*Portugal*	Portugal made trading across borders easier by implementing an electronic single window for port procedures.
DB2013	*Spain*	Spain reduced the time to import by further expanding the use of electronic submission of customs declarations and improving the sharing of information among customs and other agencies.
DB2012	*Belgium*	Belgium made trading across borders faster by improving its risk-based profiling system for imports.
DB2012	*Bulgaria*	Bulgaria made trading across borders faster by introducing online submission of customs declaration forms.
DB2012	*Poland*	Poland made trading across borders faster by implementing electronic preparation and submission of customs documents.
DB2012	*Slovenia*	Slovenia made trading across borders faster by introducing online submission of customs declaration forms.
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	*Spain*	Spain streamlined the documentation for imports by including tax-related information on its single administrative document.
DB2010	*Portugal*	Portugal reduced the time required for customs clearance through staff training and improvements in customs procedures.
DB2010	*Slovak Republic*	The Slovak Republic reduced the time for trading across borders by introducing more electronic systems for customs administration.

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

ENFORCING CONTRACTS

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

What do the indicators cover?

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

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

- The seller and buyer are located in the economy's largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.
- The buyer orders custom-made goods, then fails to pay.
- The seller sues the buyer before a competent court.

  The value of the claim is 200% of the income per capita or the equivalent in local currency of USD 5,000, whichever is greater.

- The seller requests a pretrial attachment to secure the claim.
- The dispute on the quality of the goods requires an expert opinion.
- The judge decides in favor of the seller; there is no appeal.
- The seller enforces the judgment through a public sale of the buyer's movable assets.

WHAT THE ENFORCING CONTRACTS INDICATORS MEASURE

Procedures to enforce a contract through the courts (number)

Steps to file and serve the case

Steps for trial and judgment

Steps to enforce the judgment

Time required to complete procedures (calendar days)

Time to file and serve the case

Time for trial and obtaining judgment

Time to enforce the judgment

Cost required to complete procedures (% of claim)

Average attorney fees

Court costs

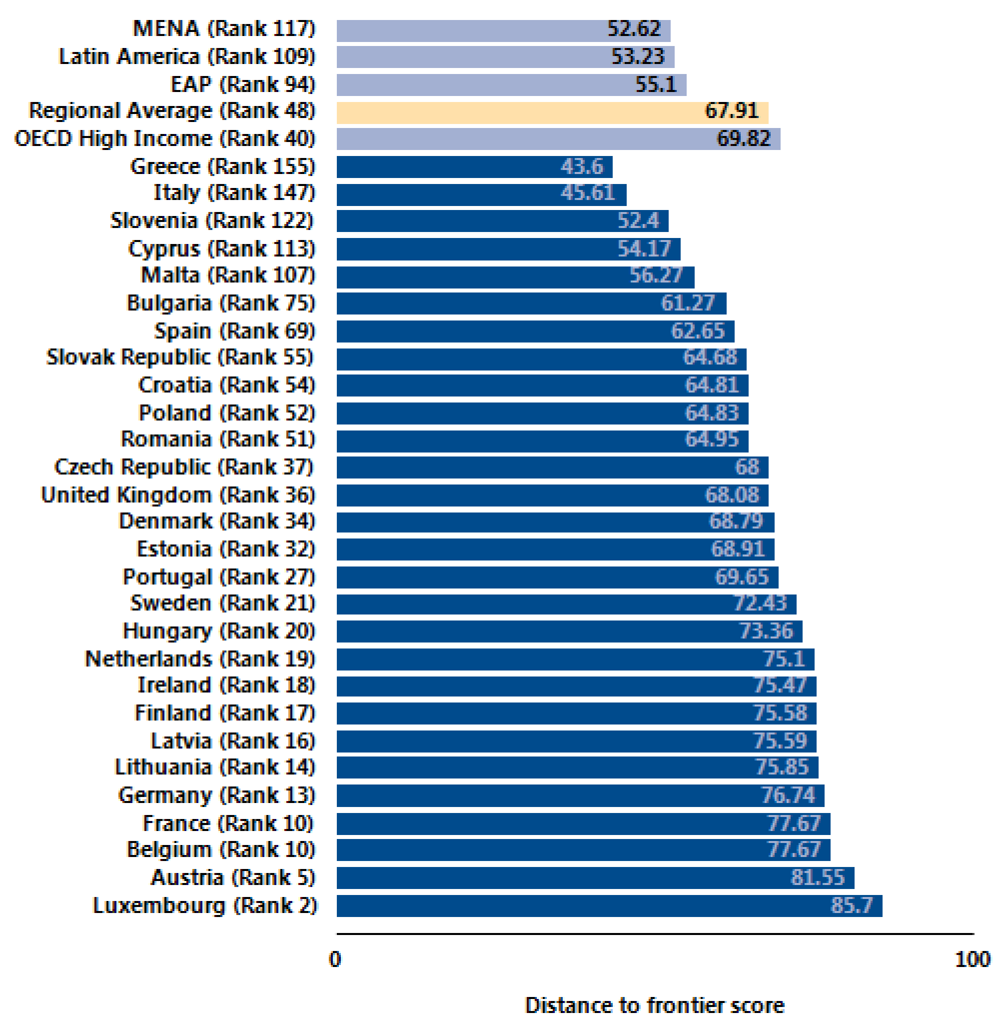
Enforcement costs

ENFORCING CONTRACTS

Where do the region's economies stand today?

How efficient is the process of resolving a commercial dispute through the courts in economies in European Union (EU)? 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 European Union (EU) rank on the ease of enforcing contracts



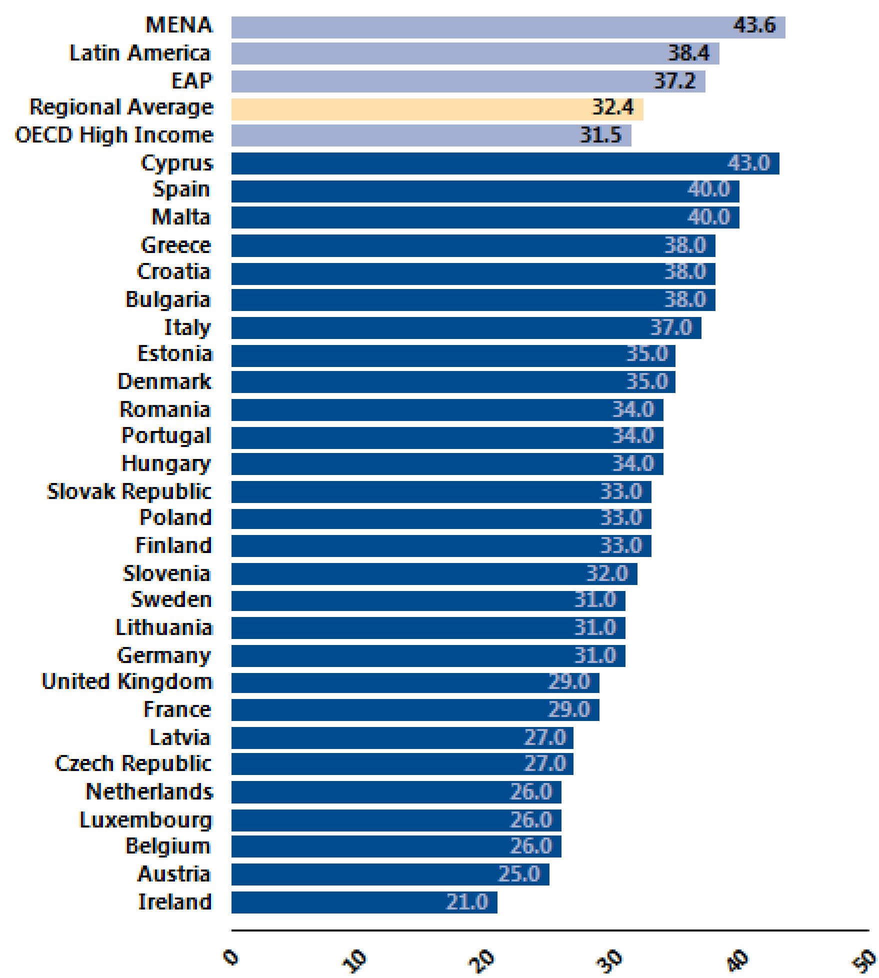
Source: Doing Business database.

ENFORCING CONTRACTS

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

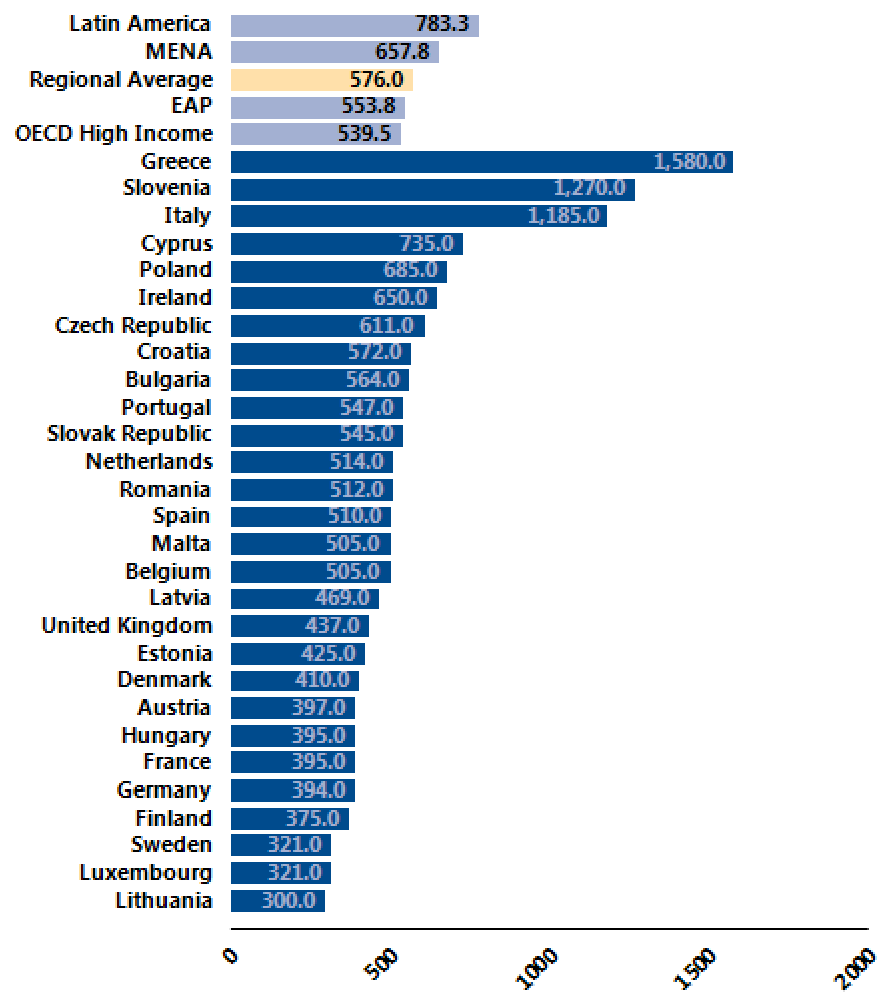
Figure 10.2 What it takes to enforce a contract through the courts in economies in European Union (EU)

Procedures (number)



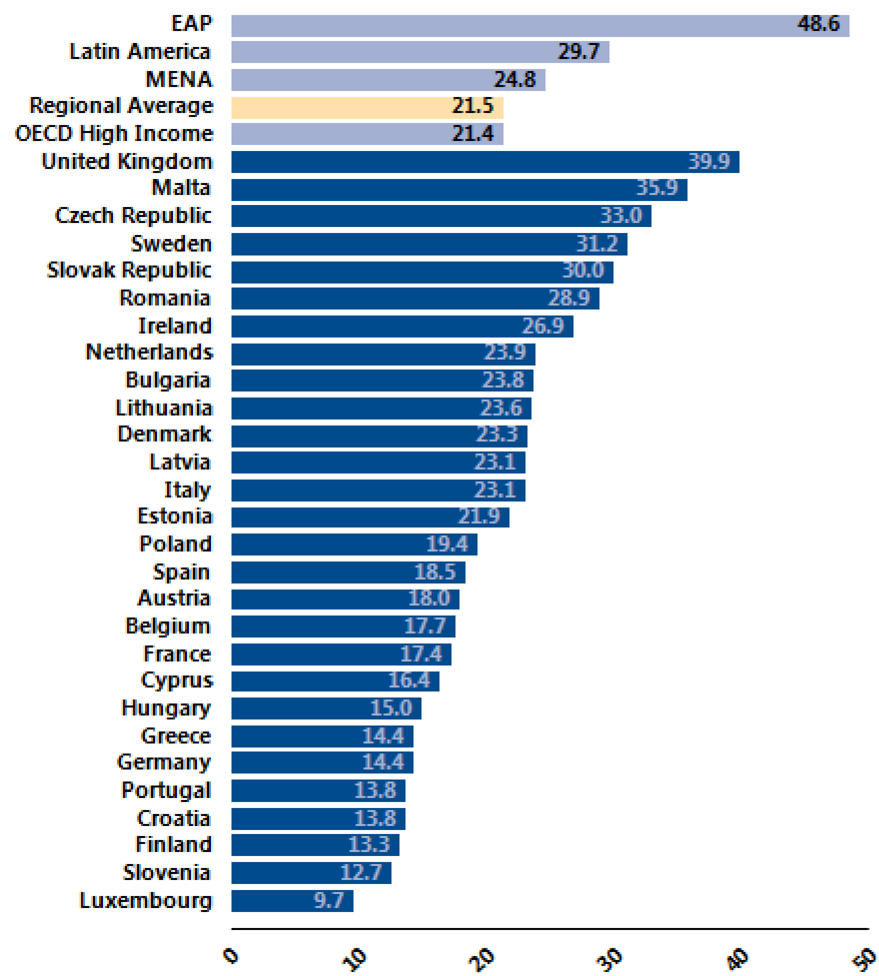
ENFORCING CONTRACTS

Time (days)



ENFORCING CONTRACTS

Cost (% of claim)



Source: Doing Business database.

ENFORCING CONTRACTS

What are the changes over time?

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

Table 10.1 How have economies in European Union (EU) made enforcing contracts easier—or not?
By *Doing Business* report year DB2010 to DB2015

DB year	Economy	Reform
DB2015	*Czech Republic*	The Czech Republic made enforcing contracts easier by amending its civil procedure code and modifying the monetary jurisdictions of its courts.
DB2015	*Greece*	Greece made enforcing contracts easier by introducing an electronic filing system for court users.
DB2015	*Ireland*	Ireland made enforcing contracts easier by modifying the monetary jurisdictions of its courts.
DB2015	*Lithuania*	Lithuania made enforcing contracts easier by introducing an electronic filing system for court users.
DB2015	*Portugal*	Portugal made enforcing contracts easier by adopting a new code of civil procedure designed to reduce case backlogs, streamline court procedures, enhance the role of judges and speed up the resolution of standard civil and commercial disputes.
DB2014	*Croatia*	Croatia made enforcing contracts easier by streamlining litigation proceedings and transferring certain enforcement procedures from the courts to state agencies.
DB2014	*Czech Republic*	The Czech Republic made enforcing contracts easier by simplifying and speeding up the proceedings for the execution and enforcement of judgments.
DB2014	*Estonia*	Estonia made enforcing contracts easier by lowering court fees.
DB2014	*Italy*	Italy made enforcing contracts easier by regulating attorneys' fees and streamlining some court proceedings.
DB2014	*Romania*	Romania made enforcing contracts easier by adopting a new

DB year	Economy	Reform
		civil procedure code that streamlines and speeds up all court proceedings.
DB2013	*Poland*	Poland made enforcing contracts easier by amending the civil procedure code and appointing more judges to commercial courts.
DB2013	*Slovak Republic*	The Slovak Republic made enforcing contracts easier by adopting several amendments to the code of civil procedure intended to simplify and speed up proceedings as well as to limit obstructive tactics by the parties to a case.
DB2011	*United Kingdom*	The United Kingdom improved the process for enforcing contracts by modernizing civil procedures in the commercial court.
DB2010	*Portugal*	Portugal reduced the time and improved the procedures for contract enforcement by allowing electronic filing for the initiation of a suit and by reducing the need for intervention by the judge in the enforcement of a judgment.
DB2010	*Sweden*	Sweden made contract enforcement faster through new legislation introducing more stringent timelines for civil cases. It also improved the process by reinforcing the role of the judge in actively managing cases, amending evidence rules, requiring permission to appeal courts' decisions and reviewing statutory fees for enforcing judgments.

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

RESOLVING INSOLVENCY

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

What do the indicators cover?

Doing Business studies the time, cost and outcome of insolvency proceedings involving domestic legal entities. These variables are used to calculate the recovery rate, which is recorded as cents on the dollar recouped by secured creditors through reorganization, liquidation or debt enforcement (foreclosure) 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 if 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 the Resolving Insolvency indicator is based on the recovery rate and the total score of 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 survey 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, 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)

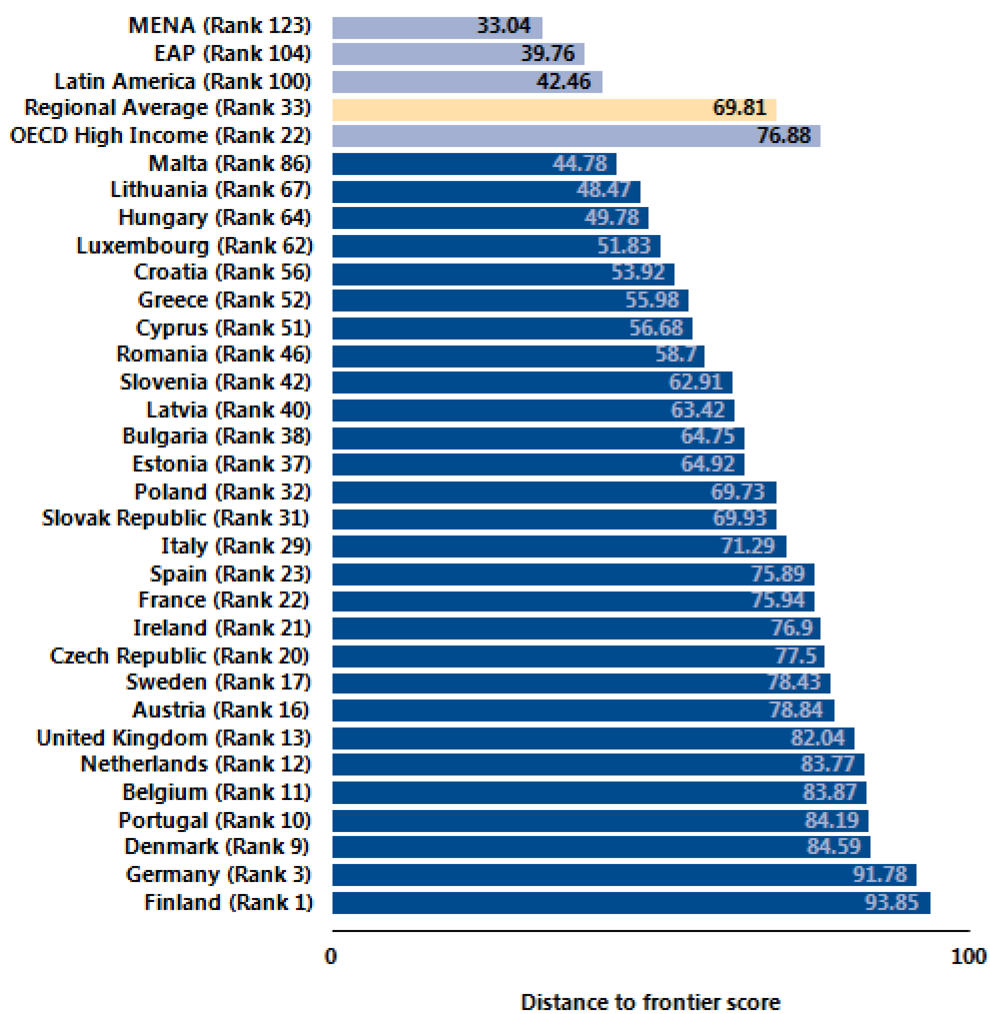
Creditor participation index (0-4)

RESOLVING INSOLVENCY

Where do the region's economies stand today?

How efficient are insolvency proceedings in economies in European Union (EU)? 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 European Union (EU) rank on the ease of resolving insolvency



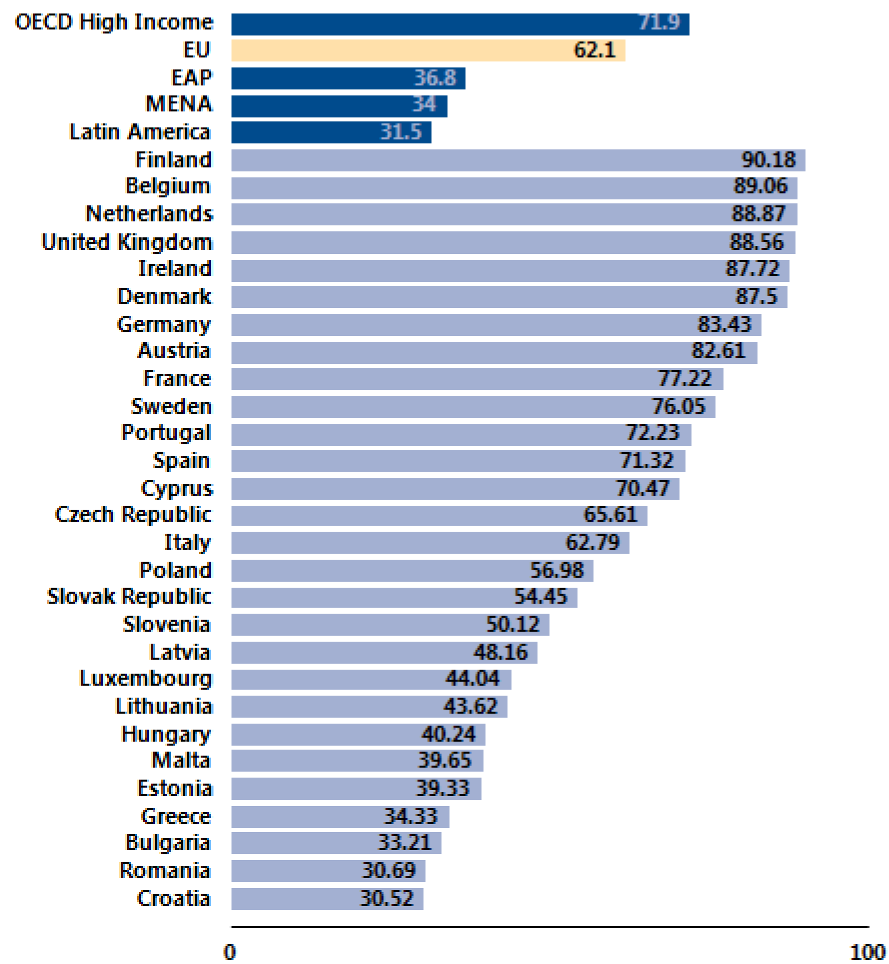
Source: Doing Business database.

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.

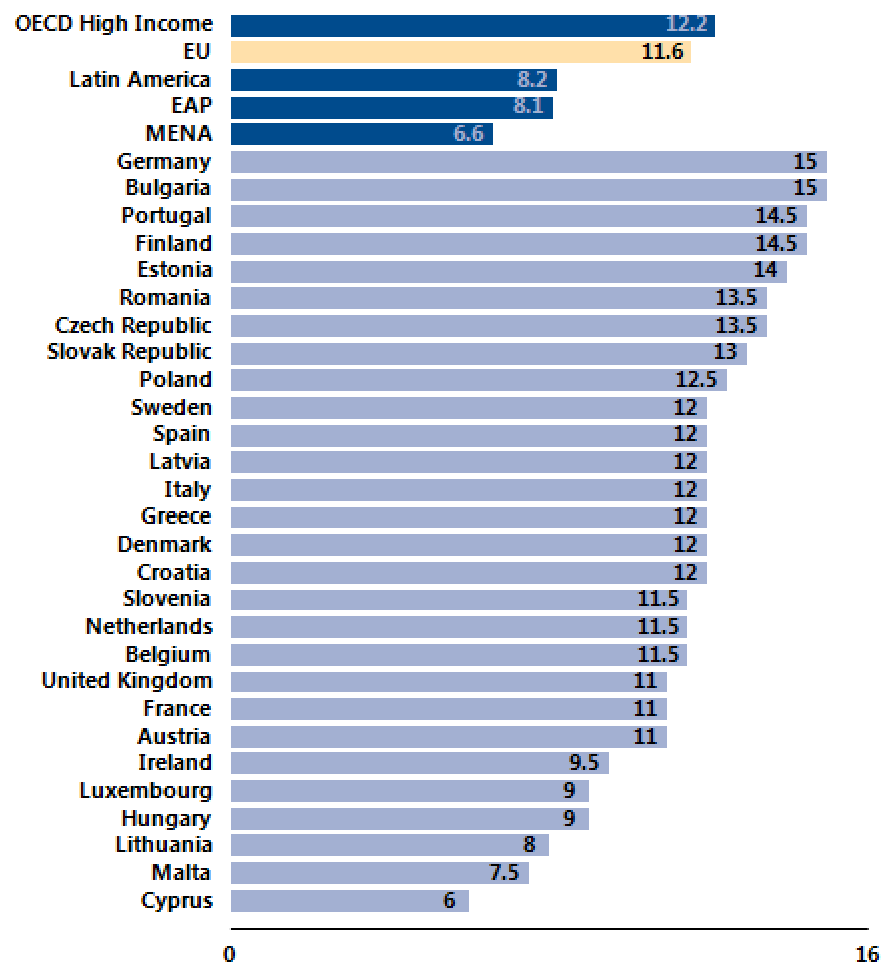
Figure 11.2 How efficient is the insolvency process in economies in European Union (EU)

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.

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 European Union (EU) (table 11.1)?

Table 11.1 How have economies in European Union (EU) made resolving insolvency easier—or not?
By *Doing Business* report year DB2010 to DB2015

DB year	Economy	Reform
DB2015	*Belgium*	Belgium made resolving insolvency more difficult by establishing additional requirements for commencing reorganization proceedings, including the submission of documents verified by external parties.
DB2015	*Slovenia*	Slovenia made resolving insolvency easier by introducing a simplified reorganization procedure for small companies and a preventive restructuring procedure for medium-size and large ones, by allowing creditors greater participation in the management of the debtor and by establishing provisions for an increase in share capital through debt-equity swaps.
DB2015	*Spain*	Spain made resolving insolvency easier by introducing new rules for out-of-court restructuring, introducing provisions applicable to prepackaged reorganizations and making insolvency proceedings more public.
DB2014	*Croatia*	Croatia made resolving insolvency easier by introducing an expedited outof- court restructuring procedure.
DB2014	*Italy*	Italy made resolving insolvency easier through an amendment to its bankruptcy code that introduces a stay period for enforcement actions while the debtor is preparing a restructuring plan, makes it easier to convert from one type of restructuring proceeding to another, facilitates continued operation by the debtor during restructuring and imposes stricter requirements on auditors evaluating a restructuring plan.
DB2013	*Germany*	Germany strengthened its insolvency process by adopting a new insolvency law that facilitates in-court restructurings of distressed companies and increases participation by creditors.
DB2013	*Greece*	Greece enhanced its insolvency process by abolishing the conciliation procedure and introducing a new rehabilitation proceeding.

DB year	Economy	Reform
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	*Poland*	Poland strengthened its insolvency process by updating guidelines on the information and documents that need to be included in the bankruptcy petition and by granting secured creditors the right to take over claims encumbered with financial pledges in case of liquidation.
DB2013	*Portugal*	Portugal made resolving insolvency easier by introducing a new insolvency law that expedites liquidation procedures and creates fast-track mechanisms both in and out of court.
DB2013	*Slovak Republic*	The Slovak Republic improved its insolvency process by redefining the roles and powers of creditors and trustees, strengthening the rights of secured creditors and redefining rules for the conversion of restructuring into a bankruptcy proceeding.
DB2013	*Slovenia*	Slovenia strengthened its insolvency process by requiring that the debtor offer creditors payment of at least 50% of the claims within 4 years; giving greater power to the creditors' committee in a bankruptcy proceeding; prohibiting insolvency administrators from allowing relatives to render services associated with the bankruptcy proceeding; and establishing fines for members of management that violate certain obligations or prohibitions.
DB2013	*Spain*	Spain strengthened its insolvency process by making workouts easier, offering more protections for refinancing agreements, allowing conversion from reorganization into liquidation at any time, allowing reliefs of the stay under certain circumstances and permitting the judge to determine whether an asset of the insolvent company is necessary for its continued operation.
DB2012	*Austria*	Austria passed a new law that simplifies restructuring proceedings and gives preferential consideration to the interests of the debtors.
DB2012	*Bulgaria*	Bulgaria amended its commerce act to extend further rights to secured creditors and increase the transparency of insolvency proceedings.

DB year	Economy	Reform
DB2012	*Denmark*	Denmark introduced new rules on company reorganization, which led to the elimination of the suspension-of-payments regime.
DB2012	*France*	France passed a law that enables debtors to implement a restructuring plan with financial creditors only, without affecting trade creditors.
DB2012	*Italy*	Italy introduced debt restructuring and reorganization procedures as alternatives to bankruptcy proceedings and extended further rights to secured creditors during insolvency proceedings.
DB2012	*Latvia*	Latvia adopted a new insolvency law that streamlines and expedites the insolvency process and introduces a reorganization option for companies.
DB2012	*Lithuania*	Lithuania amended its reorganization law to simplify and shorten reorganization proceedings, grant priority to secured creditors and introduce professional requirements for insolvency administrators.
DB2012	*Poland*	Poland amended its bankruptcy and reorganization law to simplify court procedures and extend more rights to secured creditors.
DB2012	*Romania*	Romania amended its insolvency law to shorten the duration of insolvency proceedings.
DB2012	*Slovenia*	Slovenia simplified and streamlined the insolvency process and strengthened professional requirements for insolvency administrators.
DB2011	*Belgium*	Belgium introduced a new law that will promote and facilitate the survival of viable businesses experiencing financial difficulties.
DB2011	*Czech Republic*	The Czech Republic made it easier to deal with insolvency by introducing further legal amendments to restrict setoffs in insolvency cases and suspending for some insolvent debtors the obligation to file for bankruptcy.
DB2011	*Estonia*	Amendments to Estonia’s recent insolvency law increased the chances that viable businesses will survive insolvency by improving procedures and changing the qualification requirements for insolvency administrators.
DB2011	*Hungary*	Amendments to Hungary’s bankruptcy law encourage insolvent companies to consider reaching agreements with creditors out of court so as to avoid bankruptcy.

DB year	Economy	Reform
DB2011	*Latvia*	Latvia introduced a mechanism forout-of-court settlement of insolvencies to alleviate pressure on courts and tightened some procedural deadlines.
DB2011	*Lithuania*	Lithuania introduced regulations relating to insolvency administrators that set out clear rules of liability for violations of law.
DB2011	*Romania*	Substantial amendments to Romania's bankruptcy laws—introducing, among other things, a procedure for out-of-court workouts—made dealing with insolvency easier.
DB2011	*Spain*	Spain amended its regulations governing insolvency proceedings with the aim of reducing the cost and time. The new regulations also introduced out-of-court workouts.
DB2011	*United Kingdom*	Amendments to the United Kingdom's insolvency rules streamline bankruptcy procedures, favor the sale of the firm as a whole and improve the calculation of administrators' fees.
DB2010	*Estonia*	Estonia enhanced its insolvency process by establishing a new reorganization procedure to enable financially distressed companies to restructure their debt and apply other means to restore financial health and profitability.
DB2010	*France*	France enhanced its insolvency process by encouraging preinsolvency workouts and eliminating the requirement that a public auctioneer provide the estimation of the debtor's assets.
DB2010	*Germany*	Germany enhanced its insolvency process through the Act on the Implementation of Measures to Stabilize the Financial Market (Finanzmarktstabilisierungsgesetz), which removed the requirement for potentially viable companies to file for immediate insolvency in cases of overindebtedness.
DB2010	*Lithuania*	Lithuania made resolving insolvency easier through amendments to the Enterprise Bankruptcy Law.
DB2010	*Poland*	Poland enhanced its insolvency process through an amendment to its bankruptcy law introducing the option of a prebankruptcy reorganization procedure for financially distressed companies.
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.

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

This year's report presents results for 2 aggregate measures: the distance to frontier score and the ease of doing business ranking, which for the first time this year 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 31 indicators for 10 *Doing Business* topics (the labor market regulation indicators are excluded). For starting a business, for example, Canada 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 110 other economies have no paid-in minimum capital requirement (see table 15.1 in the *Doing Business 2015* report).

Calculation of the distance to frontier score

Calculating the distance to frontier score for each economy involves 2 main steps. First, individual component indicators are normalized to a common unit where each of the 31 component indicators y (except for the total tax rate) is rescaled using the linear transformation (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 after data for the indicator were collected for the first time. For legal indicators such as those on getting credit or protecting minority investors, 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. For the time to pay taxes the frontier is defined as the lowest time recorded among all economies that levy the 3 major taxes: profit tax, labor taxes and mandatory contributions, and value added tax (VAT) or sales tax. In addition, the cost to export and cost to import for each year are divided by the GDP deflator, to take the general price level into account when benchmarking these absolute-cost indicators across economies with different inflation trends. The base year for the deflator is 2013 for all economies.

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, 2 rules were defined: the 95th percentile is used for the indicators with the most dispersed distributions (including time, cost, minimum capital and number of payments to pay taxes), and the 99th percentile is used for number of procedures and number of documents to trade. No outlier was 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 (see figure 15.1 in the *Doing Business 2015* report).

Second, for each economy the scores obtained for individual indicators are aggregated through simple averaging into one distance to frontier score, first for each topic and then across all 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*[6]. Thus *Doing Business* uses the simplest

[6] See Djankov, Manraj and others (2005). Principal components and unobserved components methods yield a ranking nearly identical to

method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components[7].

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 5 decimals. However, indicator ranking calculations and the ease of doing business ranking calculations are based on 2 decimals. The difference between an economy's distance to frontier score in any previous year and its score in 2014 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

This year, for the first time, 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 in the calculation done in previous years (line B is smaller than line A in figure 15.2 in the *Doing Business 2015* 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 before (line D is bigger than line C in figure 15.2).

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 for which a second city was added in this year's report, the distance to frontier score is calculated as the population-weighted average of the distance to frontier scores for the 2 cities covered (table 12.1). This is done for the aggregate score, the scores for each topic and the scores for all the component indicators for each topic.

TABLE 12.1 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 "File 12: Population of Urban Agglomerations with 300,000 Inhabitants or More in 2014, by Country, 1950–

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.

[7] 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.

2030 (thousands)," http://esa.un.org/unpd/wup/CD-ROM/Default.aspx.

Economies that improved the most across 3 or more *Doing Business* topics in 2013/14

Doing Business 2015 uses a simple method to calculate which economies improved the ease of doing business the most. First, it selects the economies that in 2013/14 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. Twenty-one economies meet this criterion: Azerbaijan; Benin; the Democratic Republic of Congo; Côte d'Ivoire; the Czech Republic; Greece; India; Ireland; Kazakhstan; Lithuania; the former Yugoslav Republic of Macedonia; Poland; Senegal; the Seychelles; Spain; Switzerland; Taiwan, China; Tajikistan; Togo; Trinidad and Tobago; and the United Arab Emirates. 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 3 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.

RESOURCES ON THE *DOING BUSINESS* WEBSITE

Current features
News on the *Doing Business* project
http://www.doingbusiness.org

Rankings
How economies rank—from 1 to 189
http://www.doingbusiness.org/rankings

Data
All the data for 189 economies—topic rankings, indicator values, lists of regulatory procedures and details underlying indicators
http://www.doingbusiness.org/data

Reports
Access to *Doing Business* reports as well as subnational and regional reports, reform case studies and customized economy and regional profiles
http://www.doingbusiness.org/reports

Methodology
The methodologies and research papers underlying *Doing Business*
http://www.doingbusiness.org/methodology

Research
Abstracts of papers on *Doing Business* topics and related policy issues
http://www.doingbusiness.org/research

Business reforms
Short summaries of DB2015 business regulation reforms, lists of reforms since DB2008 and a ranking simulation tool
http://www.doingbusiness.org/reforms

Historical data
Customized data sets since DB2004
http://www.doingbusiness.org/custom-query

Law library
Online collection of business laws and regulations
http://www.doingbusiness.org/law-library

Contributors
More than 10,700 specialists in 189 economies who participate in *Doing Business*
http://www.doingbusiness.org/contributors/doing-business

Entrepreneurship data
Data on business density (number of newly registered companies per 1,000 working-age people) for 139 economies
http://www.doingbusiness.org/data/exploretopics/entrepreneurship

Distance to frontier
Data benchmarking 189 economies to the frontier in regulatory practice
http://www.doingbusiness.org/data/distance-to-frontier

Distance to frontier
Data benchmarking 189 economies to the frontier in regulatory practice
http://www.doingbusiness.org/data/distance-to-frontier

***Doing Business* iPhone App**
Doing Business at a Glance—presenting the full report, rankings and highlights for each topic for the iPhone, iPad and iPod touch
http://www.doingbusiness.org/specialfeatures/

ISBN 978-1-4648-0351-2

www.doingbusiness.org

SKU 210351

WORLD BANK GROUP