

12TH EDITION

# Doing Business 2015

## Going Beyond Efficiency

**Economy Profile 2015**  
**Micronesia, Fed. Sts.**



COMPARING BUSINESS REGULATIONS FOR DOMESTIC FIRMS IN **189** ECONOMIES

*A World Bank Group Flagship Report*

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The World Bank  
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**ECONOMY OVERVIEW**

Region: East Asia & Pacific

Income category: Lower middle income

Population: 103,549

GNI per capita (US\$): 3,430

DB2015 rank: 145

DB2014 rank: 145\*

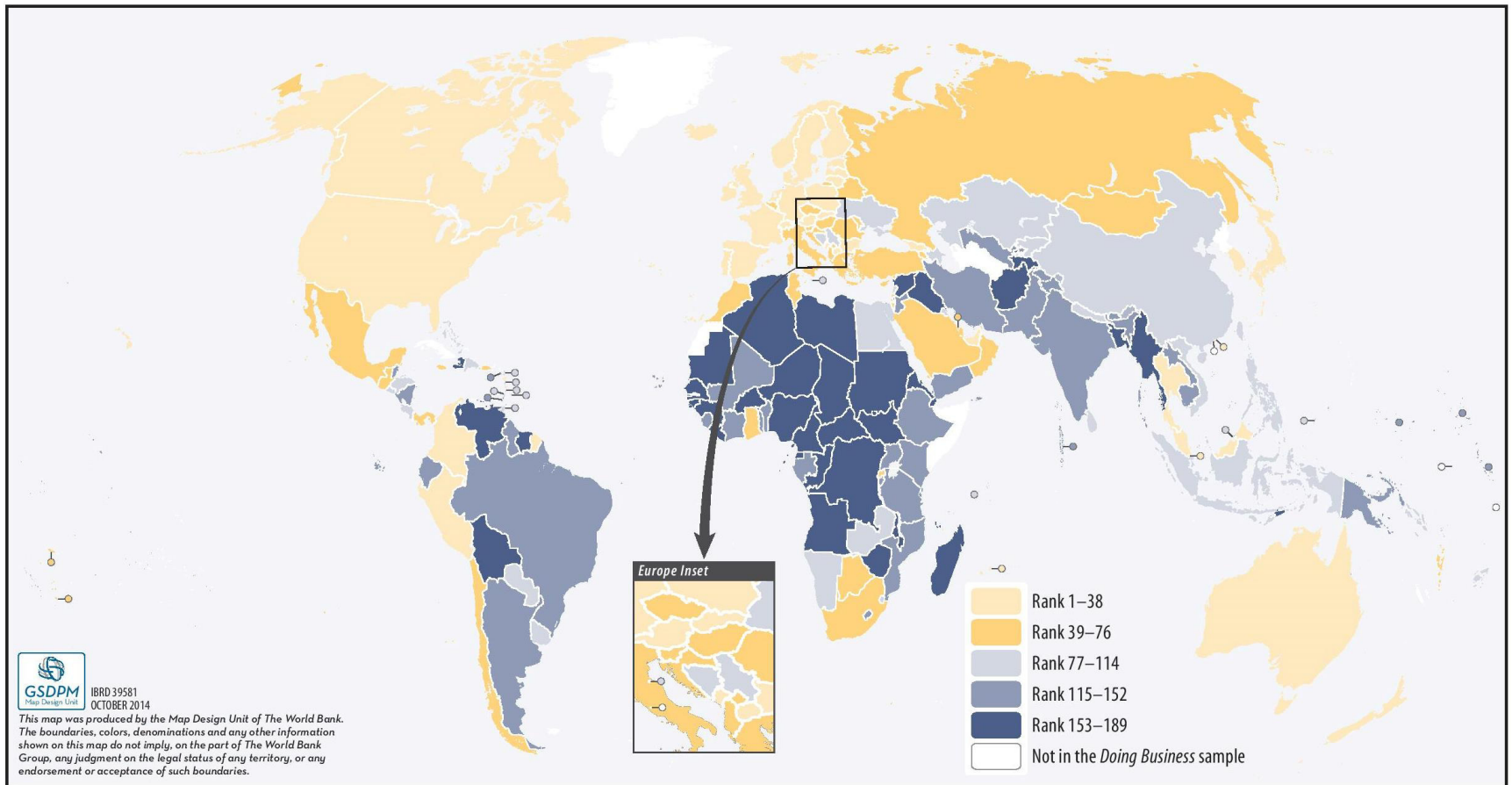
Change in rank: 0

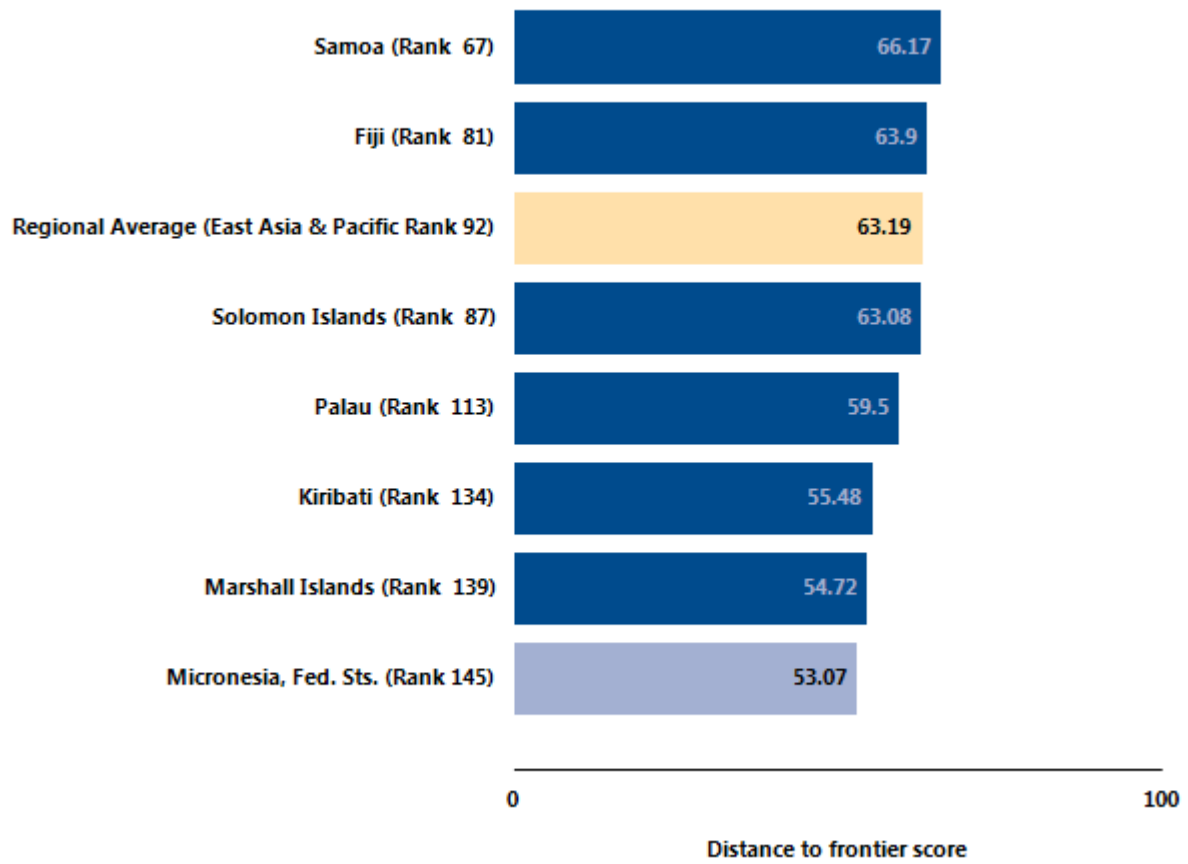
DB 2015 DTF: 53.1

DB 2014 DTF: 51

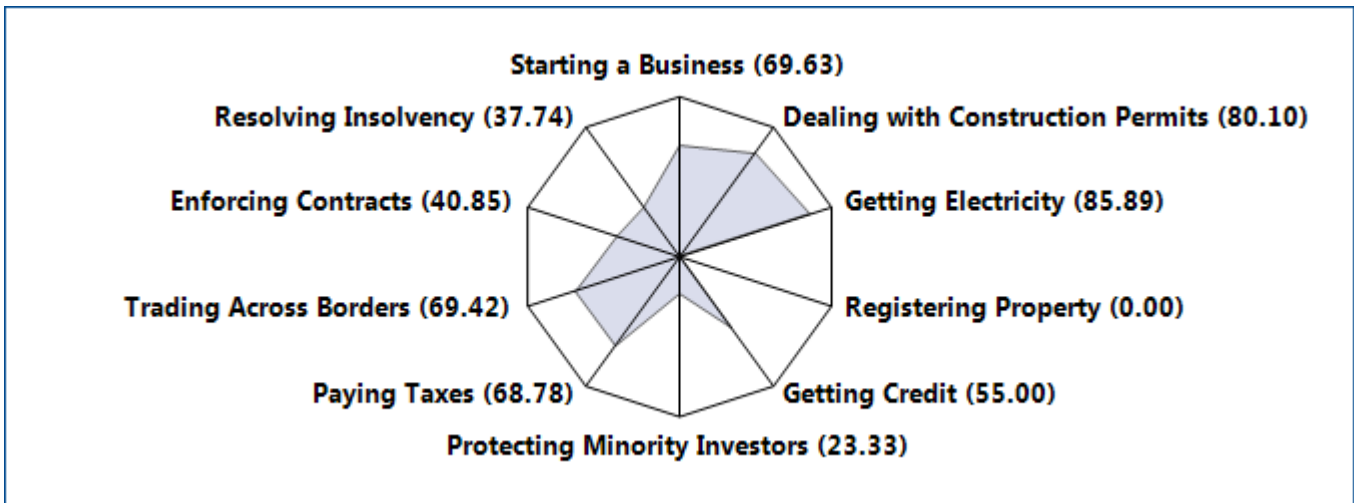
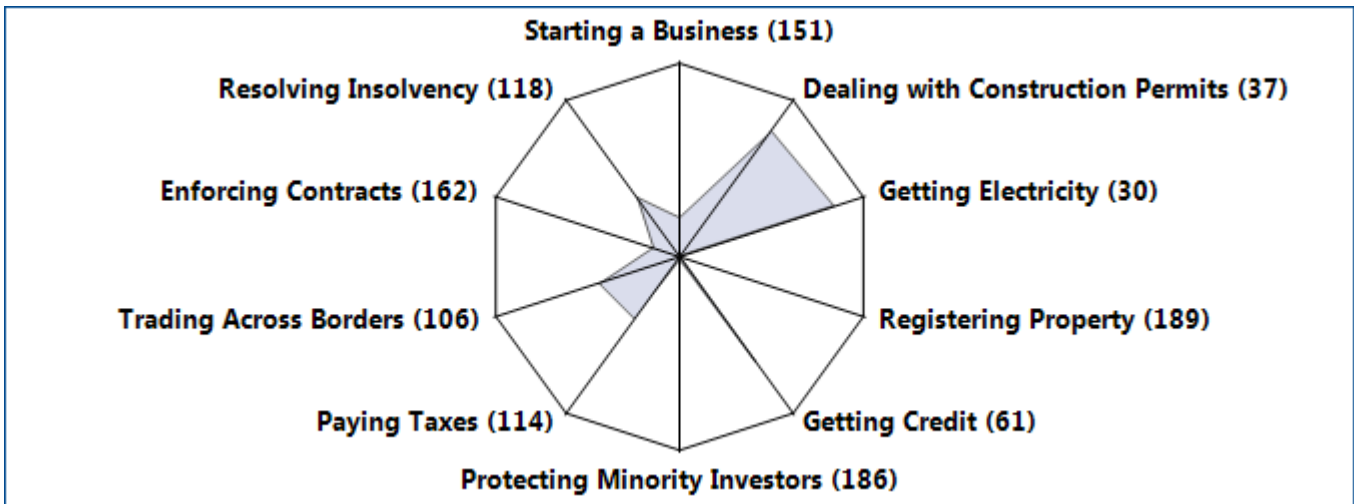
Change in DTF: 2.1

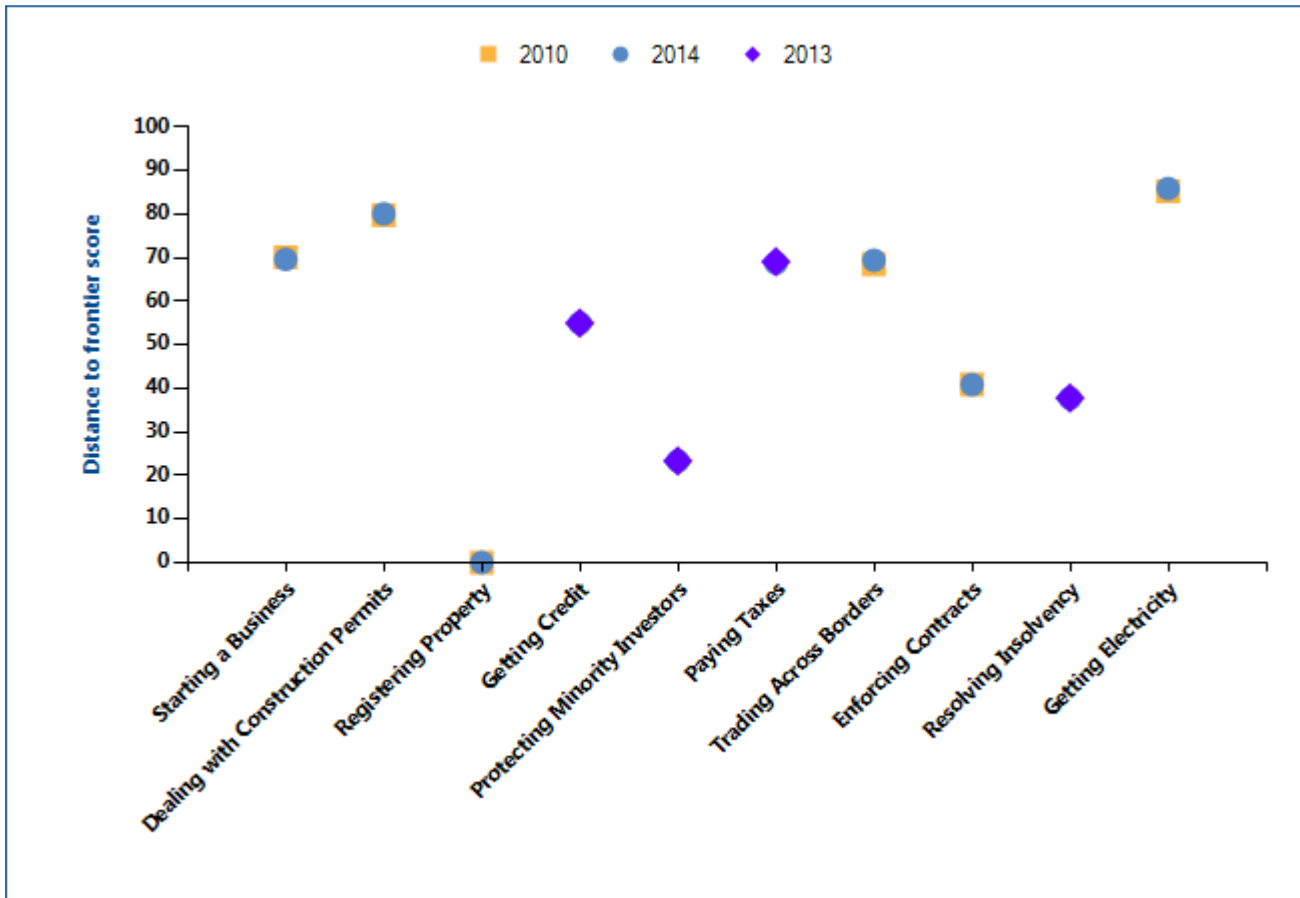
\* DB2014 ranking shown is not last year's published ranking but a comparable ranking for DB2014 that captures the effects of such factors as data corrections and the changes in methodology. See the data notes starting on page 114 of the *Doing Business 2015* report for sources and definitions.











Indicator	Micronesia, Fed. Sts. DB2015	Micronesia, Fed. Sts. DB2014	Fiji DB2015	Kiribati DB2015	Marshall Islands DB2015	Palau DB2015	Samoa DB2015	Solomon Islands DB2015	Best performer globally DB2015
Starting a Business (rank)	151	148	160	122	70	111	33	93	New Zealand (1)
Starting a Business (DTF Score)	69.63	69.66	67.79	79.74	88.37	81.83	92.28	84.60	New Zealand (99.96)
Procedures (number)									
Time (days)									
Cost (% of income per capita)									
Paid-in min. capital (% of income per capita)									
Dealing with Construction Permits (rank)	37	37	73	65	10	66	57	36	Hong Kong SAR, China (1)
Dealing with Construction Permits (DTF Score)	80.10	80.08	74.89	75.71	86.33	75.64	77.57	80.73	Hong Kong SAR, China (95.53)

Indicator	Micronesia, Fed. Sts. DB2015	Micronesia, Fed. Sts. DB2014	Fiji DB2015	Kiribati DB2015	Marshall Islands DB2015	Palau DB2015	Samoa DB2015	Solomon Islands DB2015	Best performer globally DB2015
Procedures (number)									
Time (days)									
Cost (% of warehouse value)									
Getting Electricity (rank)	30	125	75	167	68	98	20	45	Korea, Rep. (1)
Getting Electricity (DTF Score)	85.89	65.12	77.97	52.26	78.83	72.91	89.10	82.94	Korea, Rep. (99.83)
Procedures (number)									
Time (days)									
Cost (% of income per capita)									
Registering Property (rank)	189	189	64	139	189	21	48	156	Georgia (1)
Registering Property (DTF Score)	0.00	0.00	74.15	55.48	0.00	86.25	78.38	50.84	Georgia (99.88)
Procedures (number)									
Time (days)									
Cost (% of property value)									
Getting Credit (rank)	61	55	71	160	71	71	151	71	New Zealand (1)
Getting Credit (DTF Score)	55.00	55.00	50.00	20.00	50.00	50.00	25.00	50.00	New Zealand (100)

Indicator	Micronesia, Fed. Sts. DB2015	Micronesia, Fed. Sts. DB2014	Fiji DB2015	Kiribati DB2015	Marshall Islands DB2015	Palau DB2015	Samoa DB2015	Solomon Islands DB2015	Best performer globally DB2015
Strength of legal rights index (0-12)									
Depth of credit information index (0-8)									
Credit registry coverage (% of adults)									
Credit bureau coverage (% of adults)									
Protecting Minority Investors (rank)	186	185	110	154	183	183	71	92	New Zealand (1)
Protecting Minority Investors (DTF Score)	23.33	23.33	47.50	41.67	26.67	26.67	56.67	52.50	New Zealand (81.67)
Extent of conflict of interest regulation index (0-10)									
Extent of shareholder governance index (0-10)									
Strength of minority investor protection index (0-10)									
Paying Taxes (rank)	114	111	107	14	128	132	96	58	United Arab Emirates (1)*
Paying Taxes (DTF Score)	68.78	69.09	70.73	91.03	66.38	64.65	72.10	78.42	United Arab Emirates (99.44)*
Payments (number per year)									
Time (hours per year)									
Trading Across Borders	106	105	116	81	68	105	80	87	Singapore (1)

Indicator	Micronesia, Fed. Sts. DB2015	Micronesia, Fed. Sts. DB2014	Fiji DB2015	Kiribati DB2015	Marshall Islands DB2015	Palau DB2015	Samoa DB2015	Solomon Islands DB2015	Best performer globally DB2015
(rank)									
Trading Across Borders (DTF Score)	69.42	69.28	68.04	74.76	76.97	69.49	74.78	74.24	Singapore (96.47)
Documents to export (number)									
Time to export (days)									
Cost to export (US\$ per container)									
Cost to export (deflated US\$ per container)									
Documents to import (number)									
Time to import (days)									
Cost to import (US\$ per container)									
Cost to import (deflated US\$ per container)									
Enforcing Contracts (rank)	162	162	59	60	58	127	83	150	Singapore (1)
Enforcing Contracts (DTF Score)	40.85	40.85	64.34	64.15	64.41	51.28	59.54	44.63	Singapore (89.54)
Time (days)									
Cost (% of claim)									
Procedures (number)									
Resolving Insolvency (rank)	118	113	91	189	168	167	124	139	Finland (1)



## 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<sup>1</sup>

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

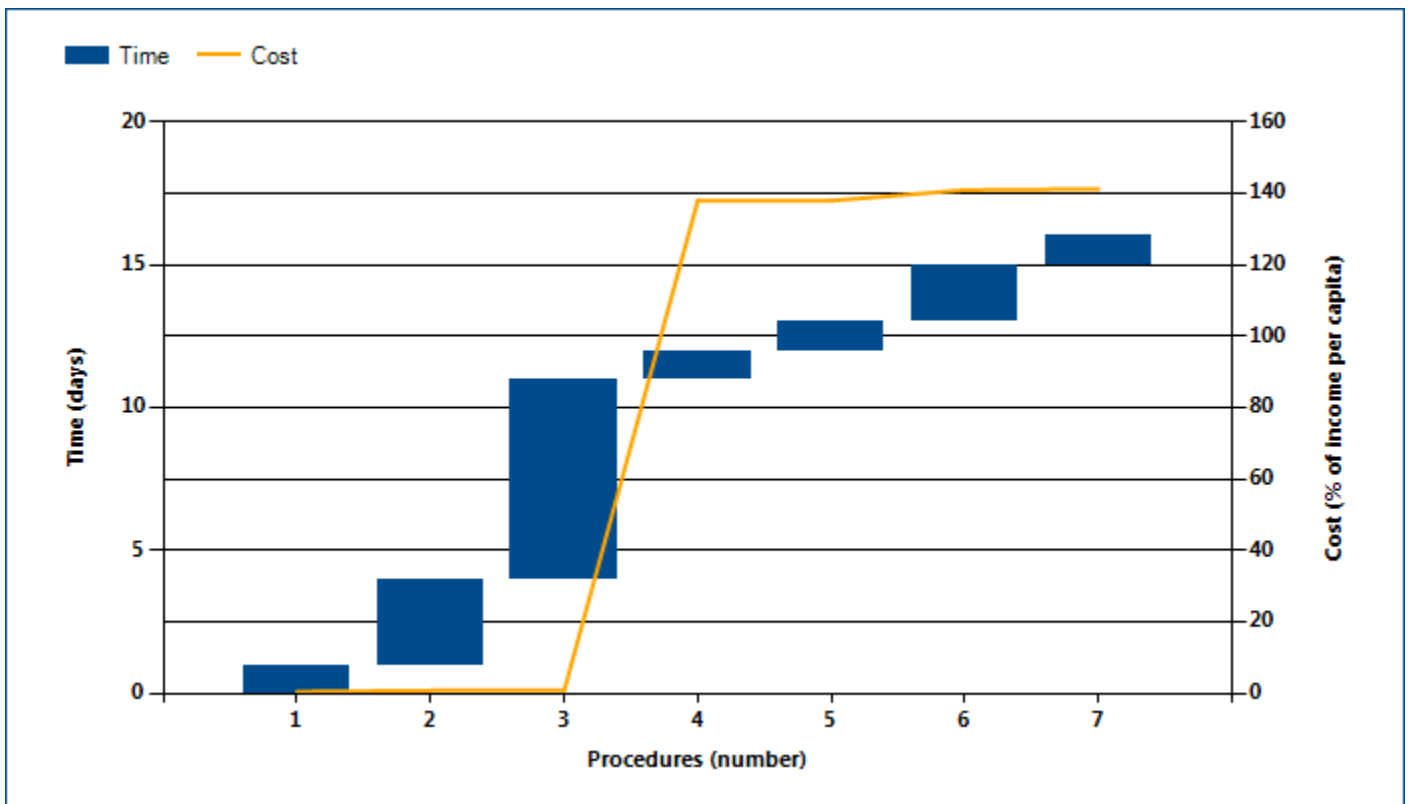
No professional fees unless services required by law

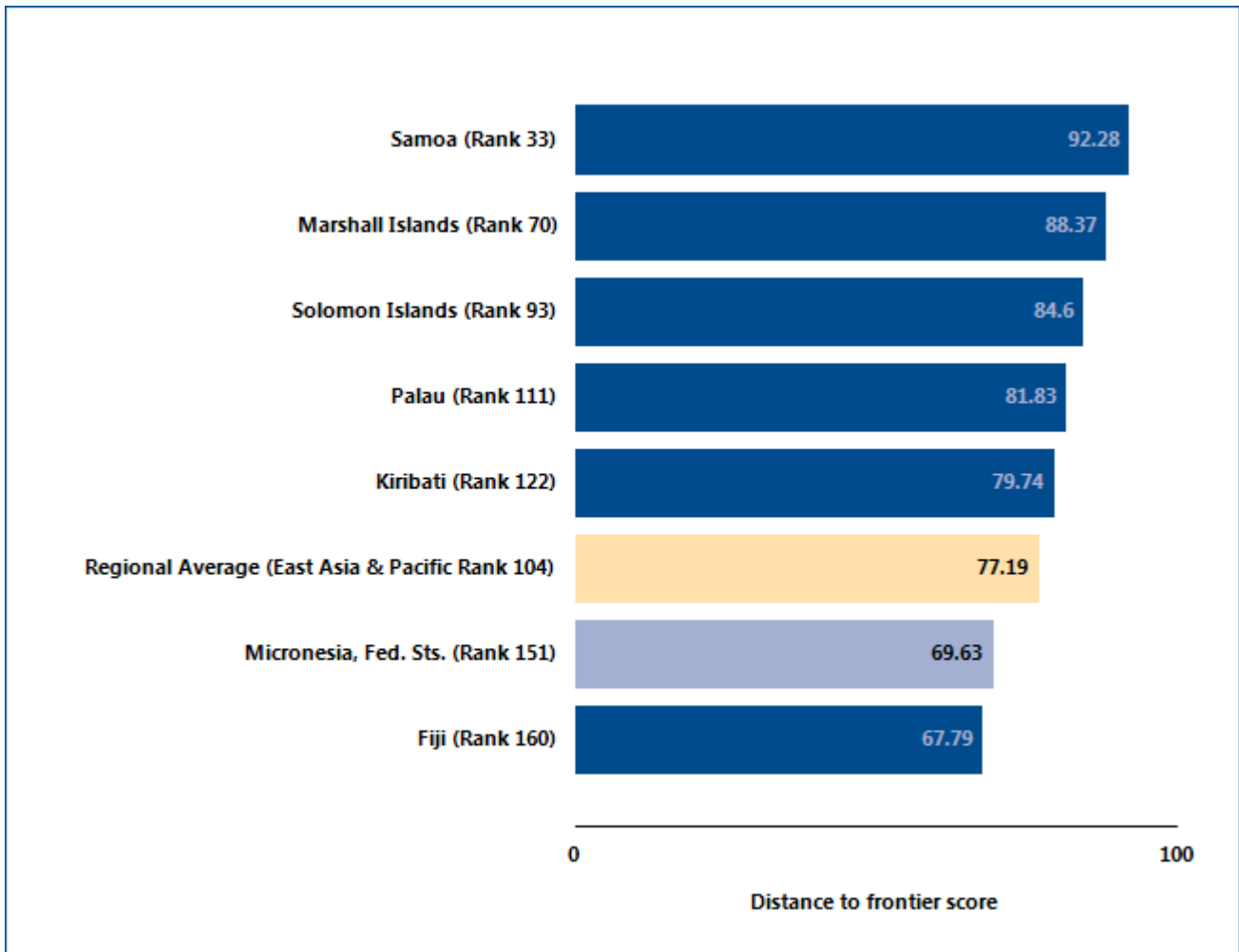
### Paid-in minimum capital (% of income per capita)

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

<sup>1</sup> For the 11 economies with a population of more than 100 million, data for a second city have been added.







**STANDARDIZED COMPANY**

Legal form: Limited Liability Company  
 Paid in minimum capital requirement: USD 0  
 City: Island of Pohnpei (Palikir/Kolonia)  
 Start-up Capital: 10 times GNI per capita

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Check the uniqueness of the proposed company name and reserve a name</b></p> <p>The Registrar of Corporations can perform a name search and reserve a corporate name for USD 20.</p> <p><i>Agency: Registrar of Corporations</i></p>		
2	<p><b>Notarize the company documents</b></p> <p>A notary must notarize the company documents.</p> <p><i>Agency: Notary</i></p>		
3	<p><b>File the incorporation documents with the Registrar of the Companies</b></p> <p>The Registrar of Companies reviews the incorporation documents, and if they are acceptable, transmits the documents and the certificate of incorporation to the governor for approval. Although the law does not mandate the use of an attorney for company incorporation, a professional is normally used to avoid rejection of the application. The articles of incorporation include the following:</p> <ul style="list-style-type: none"> <li>- Company name;</li> <li>- Period of duration;</li> <li>- Company purpose;</li> <li>- Total number of shares;</li> </ul>		

No.	Procedure	Time to complete	Cost to complete
	<ul style="list-style-type: none"> <li>- Address of the registered office;</li> <li>- Number of directors and their names and addresses.</li> </ul> <p>The fee for professional services, if used, is an additional USD 750.</p> <p><i>Agency: Registrar of Corporations</i></p>		
4	<p><b>Obtain the payment receipt (four duplicates) and pay the registration fee and license fee at the Finance Office of the state government</b></p> <p>Fee schedule for licenses:</p> <ul style="list-style-type: none"> <li>- Up to the first 10,000 authorized shares: USD 0.10 per share;</li> <li>- More than 10,000 and fewer than 100,000 authorized shares: USD 0.15 per share;</li> <li>- More than 100,000 authorized shares: USD 0.20 per share.</li> </ul> <p><i>Agency: Finance Office of the state government</i></p>		
5	<p><b>Obtain the certificate of corporation</b></p> <p>Business founders can obtain the certificate of corporation at the Commercial Registry at the Greffe du Tribunal.</p> <p><i>Agency: Commercial Registry at the Greffe du Tribunal</i></p>		
6	<p><b>Apply for a business license from the municipality</b></p> <p>Fee schedule for business license:</p> <ul style="list-style-type: none"> <li>- Retail: USD 100;</li> <li>- Manufacturing: USD 150;</li> <li>- Professional services: USD 300.</li> </ul> <p>The business license must be renewed every year.</p> <p><i>Agency: Municipality</i></p>		
7	<p><b>Register for social security</b></p> <p>Companies must register with the Social Security Administration to pay social security tax withheld from employees.</p> <p>Social security tax is filed quarterly. The applicant needs to file the following documents:</p> <ul style="list-style-type: none"> <li>- Application form;</li> </ul>		

No.	Procedure	Time to complete	Cost to complete
	<ul style="list-style-type: none"> <li>- Incorporation charter and company bylaws;</li> <li>- Incorporation certificate;</li> <li>- Business license;</li> <li>- Record of employees (names, social security number, payroll record).</li> </ul> <p>The Social Security Administration issues an employer identification card in a business day.</p> <p><i>Agency: Social Security Administration</i></p>		

**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 the warehouse)

**Time required to complete each procedure (calendar days)**

Does not include time spent gathering information

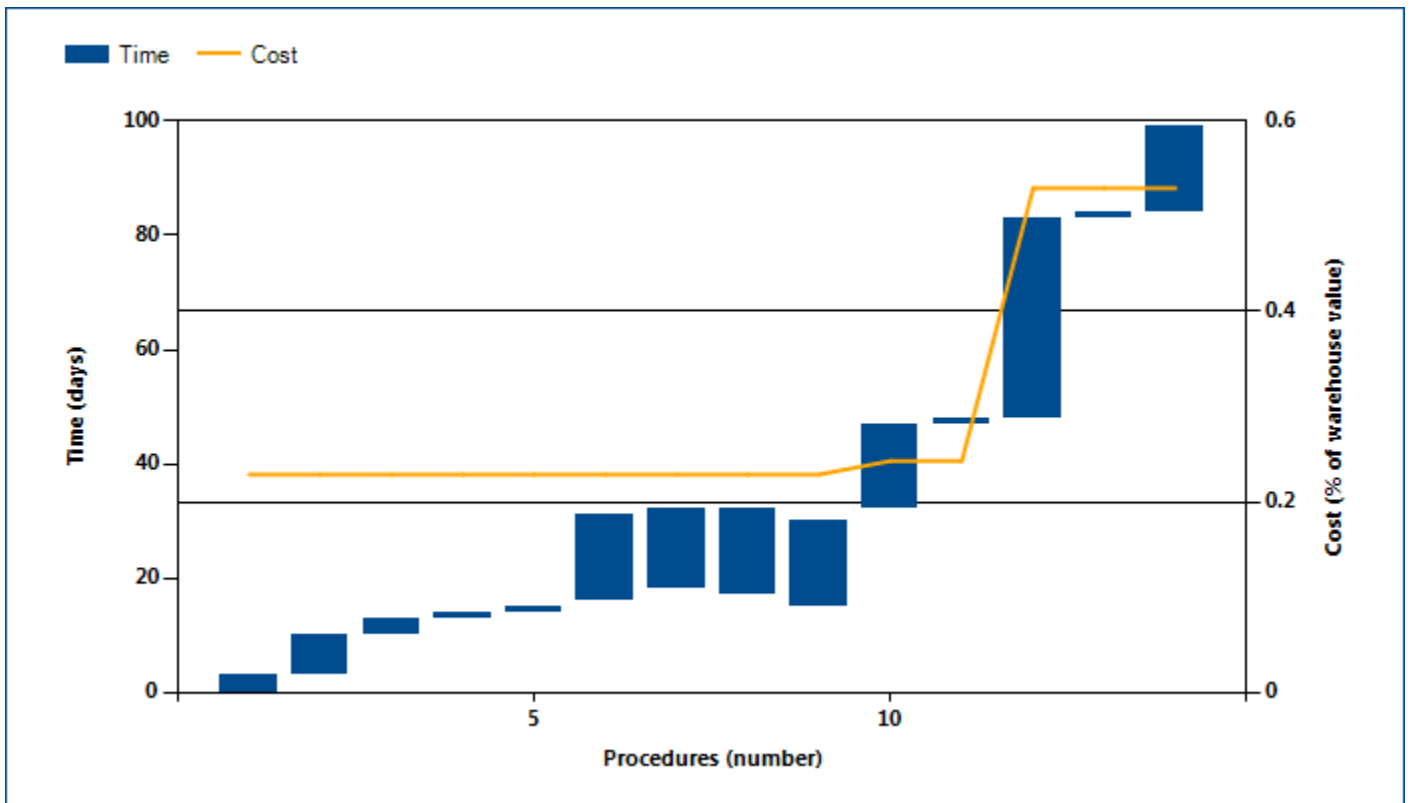
Each procedure starts on a separate day. Procedures that can be fully completed online are recorded as ½ day.

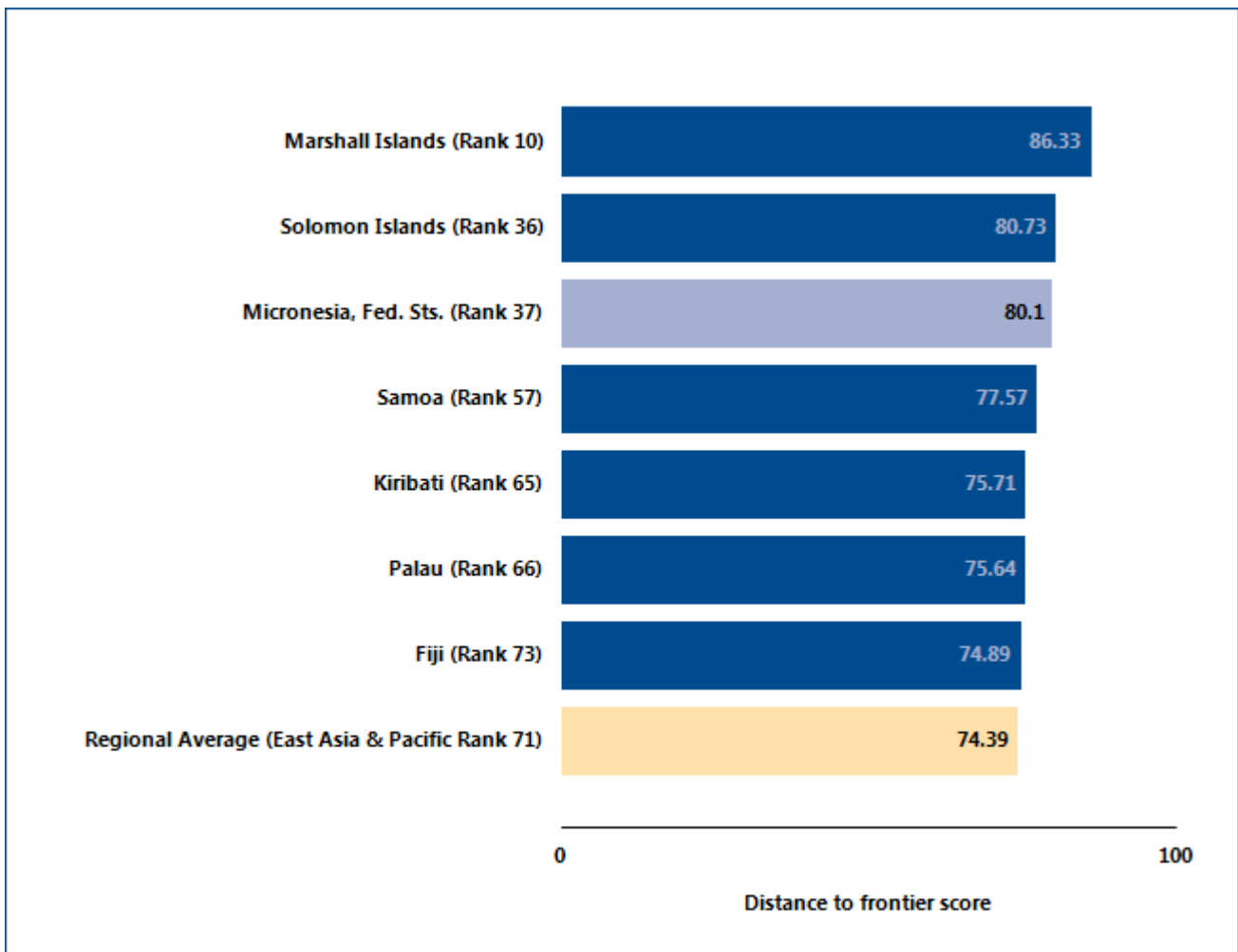
Procedure considered completed once final document is received

No prior contact with officials

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

Official costs only, no bribes







**BUILDING A WAREHOUSE**

Estimated cost of construction : USD 174,679

City : Island of Pohnpei (Palikir/Kolonia)

No.	Procedure	Time to complete	Cost to complete
1	<p>Request and obtain a new land survey</p> <p><i>Agency: Private Company</i></p>		
2	<p>Request and obtain a historic preservation clearance permit from the Office of Historic Preservation and Cultural Affairs</p> <p>An application form is filled out and submitted along with the following documents:</p> <ul style="list-style-type: none"> <li>+ A topographical map showing project location</li> <li>+ A plot plan that shows the project in relation to property boundaries</li> <li>+ Excavation and grading plans, where applicable</li> </ul> <p>If the project is likely to cause problems, the Historic Preservation Office (HPO) might visit the site during the building process. BuildCo must report anything it finds to the HPO.</p> <p><i>Agency: Office of Historic Preservation and Cultural Affairs (HPO)</i></p>		
3	<p>Receive inspection by the Department of Land and Natural Resources</p> <p>If the land is located in a well-known area, officials might not come to inspect.</p> <p><i>Agency: Department of Land and Natural Resources</i></p>		

No.	Procedure	Time to complete	Cost to complete
4	<p><b>Request earthmoving permit from the Environmental Protection Agency (EPA)</b></p> <p>Required documents are the HPO permit, lease, land owner's permission, and a full set of plans/drawings. The Environmental Protection Agency (EPA) determines whether the project should be raised at the board meeting. The board meets once a month. Generally EPA permits are required only for earthmoving or sewer installation.</p> <p>An earthmoving permit is required whenever earthworks are carried out by mechanical means. If deemed necessary by the EPA, a detailed plan must be submitted, indicating, but not limited to, the amount of earth to be moved, drainage, disposal, and erosion control. The EPA also carries out inspections if a septic tank is used, and the EPA requires plans of the tank and leach field. Prior to the issuance of any permits, a percolation test is also required for the area where the leach field is located.</p> <p><i>Agency: Environmental Protection Agency (EPA)</i></p>		
5	<p><b>Receive inspection from the Environmental Protection Agency (EPA)</b></p> <p>EPA inspects the sewerage system if a water tank is used.</p> <p><i>Agency: Environmental Protection Agency (EPA)</i></p>		
6	<p><b>Obtain earthmoving permit from the Environmental Protection Agency (EPA)</b></p> <p><i>Agency: Environmental Protection Agency (EPA)</i></p>		
7	<p><b>* Obtain land use application clearance from the Division Management and Administration of Public Trust Lands</b></p> <p><i>Agency: Division Management and Administration of Public Trust Lands</i></p>		
8	<p><b>* Obtain assessments from the local municipality where the project is located</b></p> <p><i>Agency: Municipality of Nett</i></p>		

No.	Procedure	Time to complete	Cost to complete
9	<p>Obtain assessment from the Division of Forestry and Marine</p> <p>Agency: Division of Forestry and Marine</p>		
10	<p>Obtain building permit from the Environmental Protection Agency (EPA)</p> <p>Agency: Environmental Protection Agency (EPA)</p>		
11	<p>Receive safety inspection</p> <p>Officials from the Ministry of Labor and Immigration may inspect the site if construction activity is in progress. It is mandatory to provide insurance for foreign workers. Insurance for local workers is voluntary.</p> <p>Agency: Ministry of Labor and Immigration</p>		
12	<p>Apply for water and sewage connection</p> <p>The documents to be filed are a copy of land lease and the HPO and EPA permits.</p> <p>Agency: Pohnpei Utilities Corporation (PUC)</p>		
13	<p>Receive inspection from the Pohnpei Utilities Corporation (PUC)</p> <p>Agency: Pohnpei Utilities Corporation (PUC)</p>		
14	<p>Obtain water and sewage connection</p> <p>Agency: Pohnpei Utilities Corporation (PUC)</p>		

**WHAT THE GETTING ELECTRICITY INDICATORS MEASURE****Procedures to obtain an electricity connection (number)**

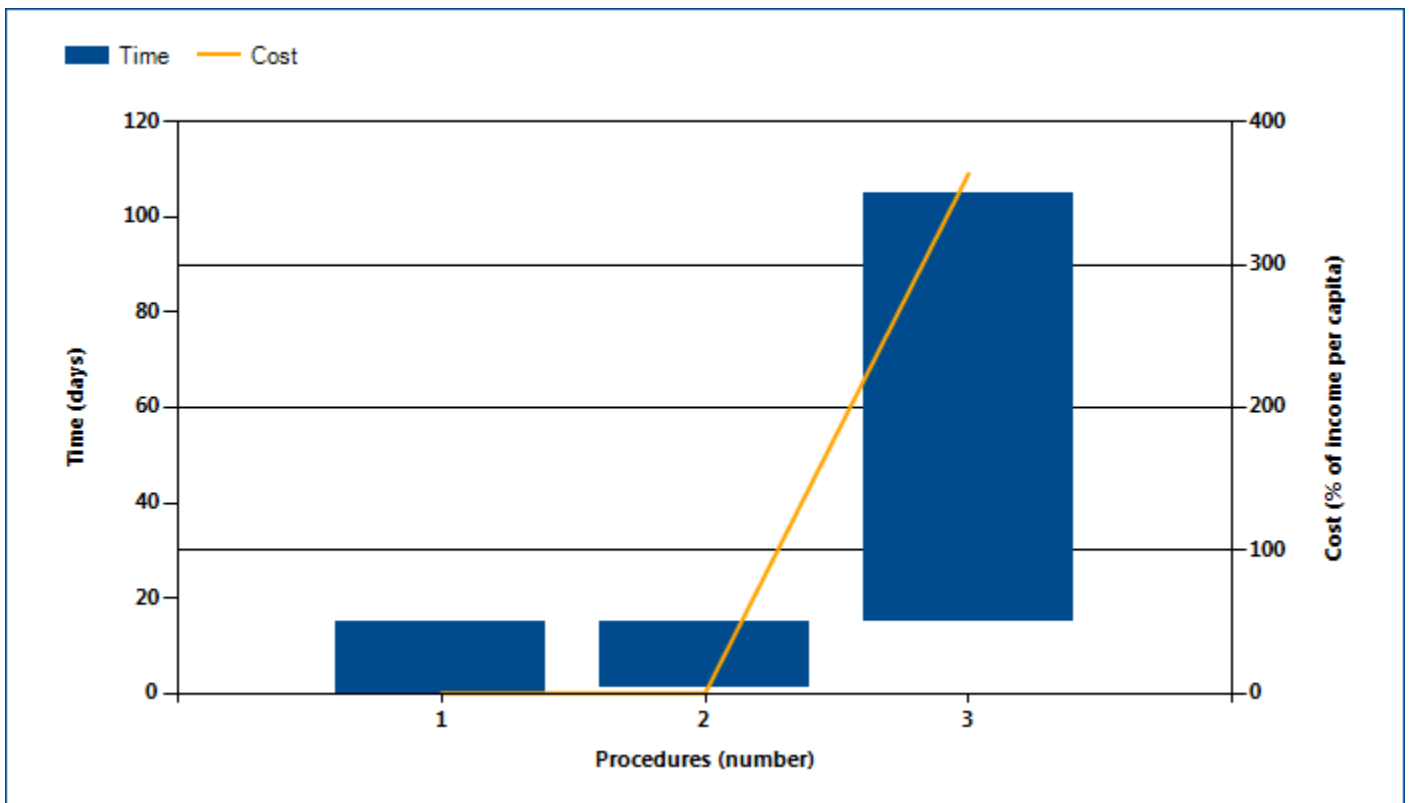
- Submitting all relevant documents and obtaining all necessary clearances and permits
- Completing all required notifications and receiving all necessary inspections
- Obtaining external installation works and possibly purchasing material for these works
- Concluding any necessary supply contract and obtaining final supply

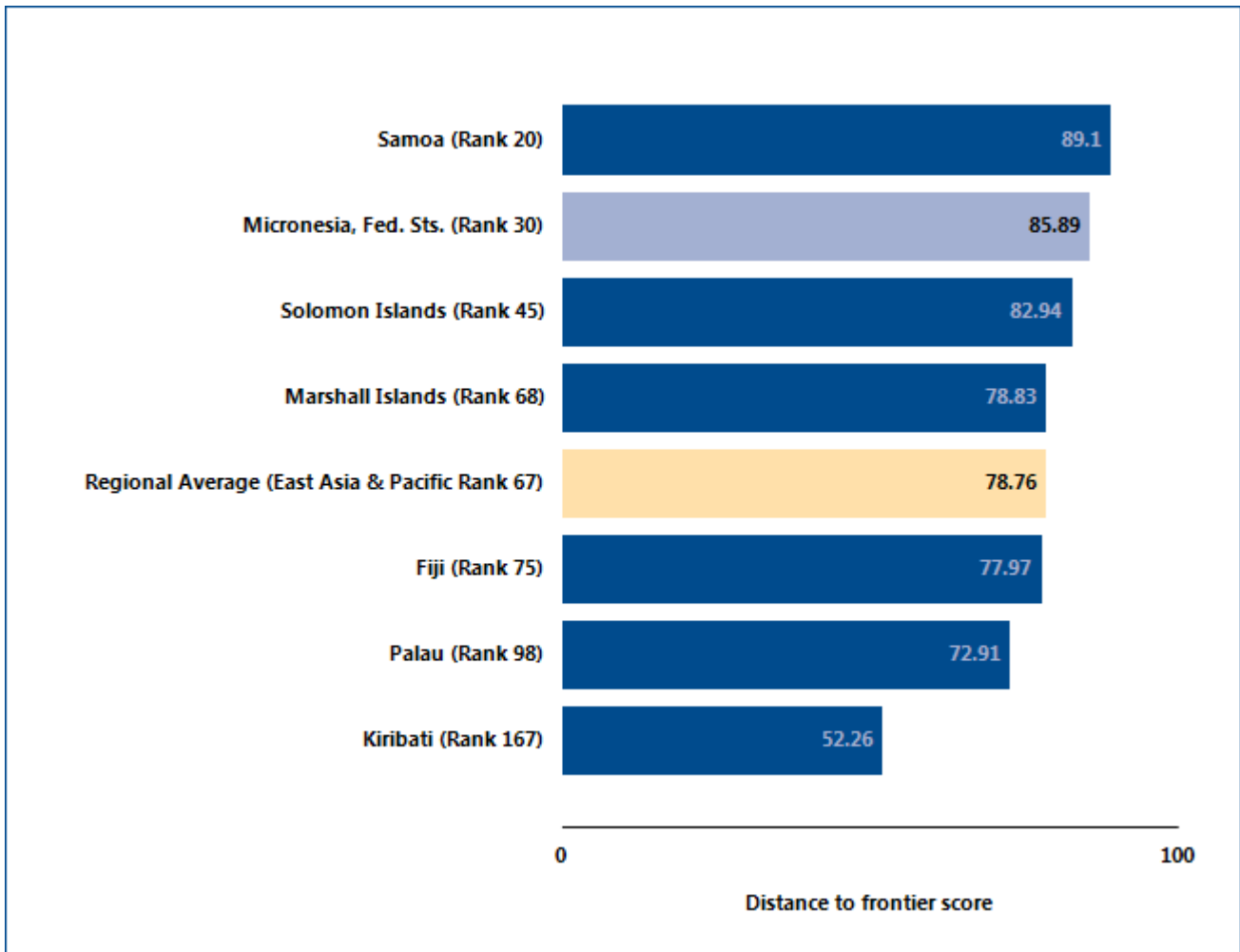
**Time required to complete each procedure (calendar days)**

- 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





**OBTAINING AN ELECTRICITY CONNECTION**

Name of utility: Pohnpei Utilities Corporation (PUC)  
 City: Island of Pohnpei (Palikir/Kolonia)

No.	Procedure	Time to complete	Cost to complete
1	<p><b>The client submits application and awaits estimate of connection fees from Pohnpei Utilities Corporation</b></p> <p>The customer applies for an electricity connection with Pohnpei Utilities Corporation (PUC). The PUC usually provides droplines. However, if it is unavailable, customer will have to wait until it is available.</p> <p>Customers may opt to purchase the drop line from the hardware store to provide to PUC, but then it becomes the property of PUC upon installation.</p> <p><i>Agency: Pohnpei Utilities Corporation</i></p>		
2	<p><b>† The client obtains external inspection by Pohnpei Utilities Corporation</b></p> <p>An inspection of the site is needed to carry out a technical study of the works.</p> <p><i>Agency: Pohnpei Utilities Corporation</i></p>		
3	<p><b>The client obtains external works, meter installation, and final connection by Pohnpei Utilities Corporation</b></p> <p>The works consist of installing an overhead transformer. The material needed is usually not available in stock, and has to be imported by the utility. The client cannot buy the material themselves.</p>		

No.	Procedure	Time to complete	Cost to complete
	<i>Agency: Pohnpei Utilities Corporation</i>		



## WHAT THE REGISTERING PROPERTY INDICATORS MEASURE

### Procedures to legally transfer title on immovable property (number)

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

Registration in the economy's largest business city<sup>2</sup>

Postregistration (for example, filing title with the municipality)

### Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are recorded as ½ day.

Procedure considered completed once final document is received

No prior contact with officials

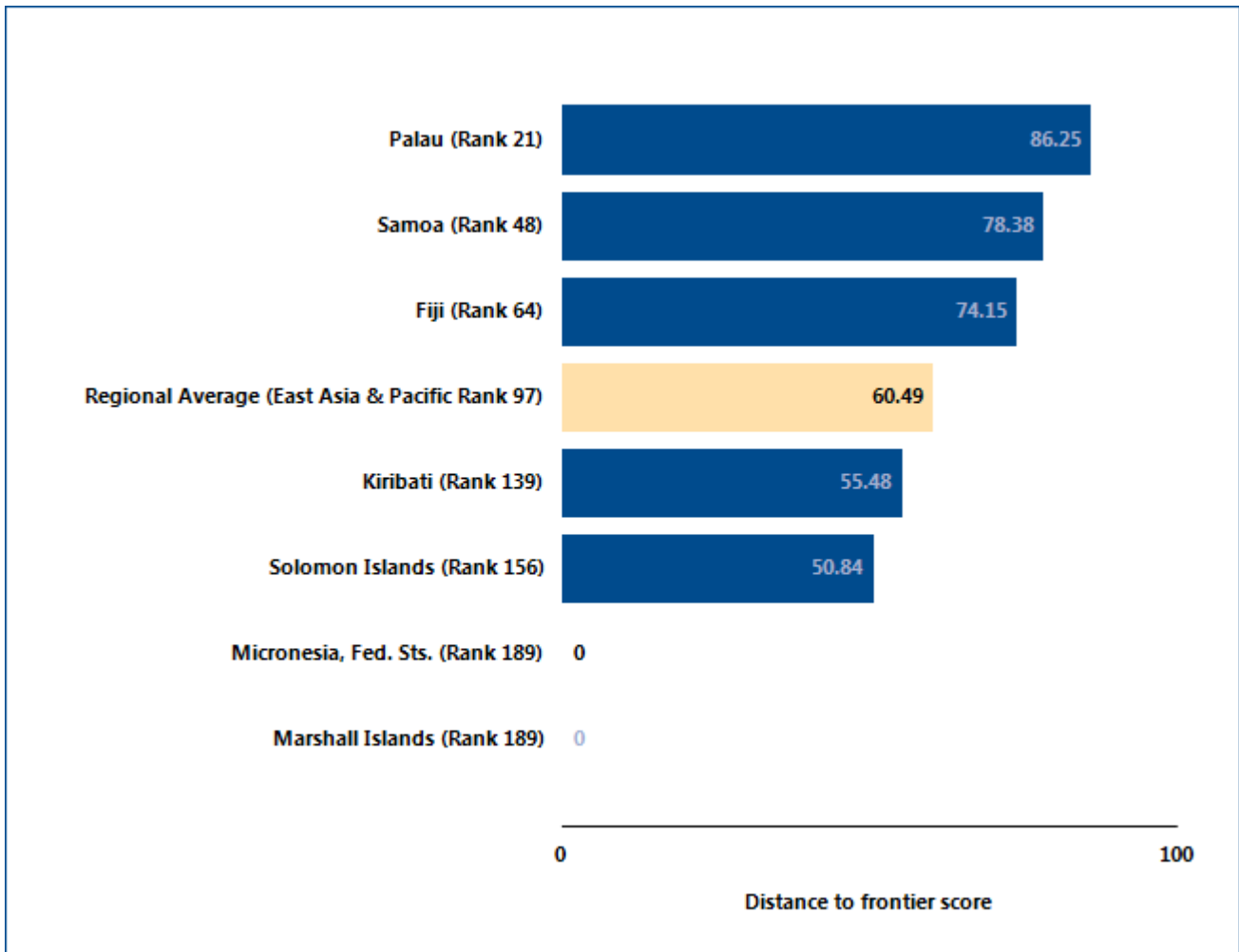
### Cost required to complete each procedure (% of property value)

Official costs only, no bribes

No value added or capital gains taxes included

<sup>2</sup> For the 11 economies with a population of more than 100 million, data for a second city have been added.







## 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.

### WHAT THE GETTING CREDIT INDICATORS MEASURE

#### Strength of legal rights index (0–12)<sup>3</sup>

Rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

#### Depth of credit information index (0–8)<sup>4</sup>

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

#### Credit bureau coverage (% of adults)

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

#### Credit registry coverage (% of adults)

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

- 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

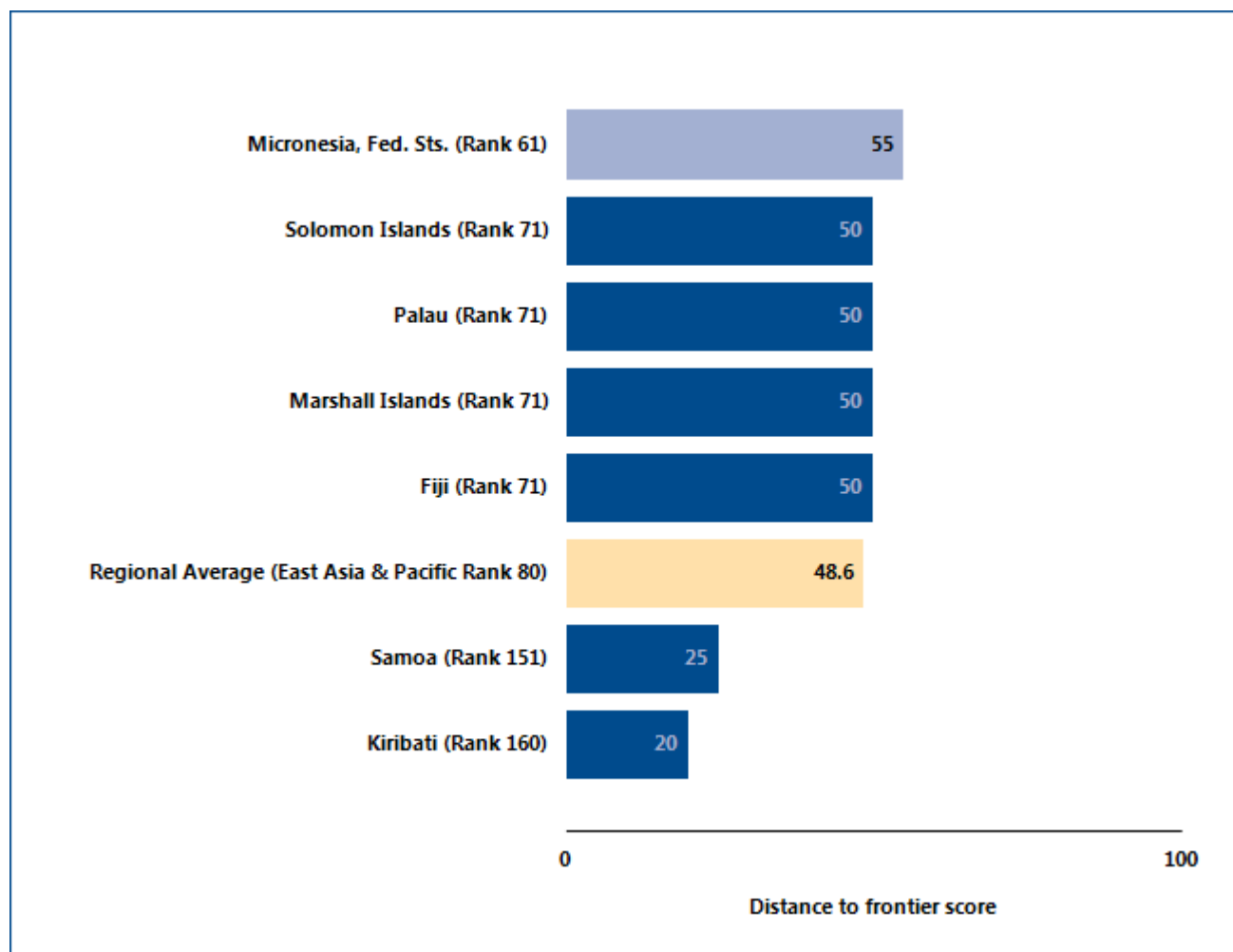
## GETTING CREDIT

### Where does the economy stand today?

How well do the credit information system and collateral and bankruptcy laws in Micronesia, Fed. Sts. facilitate access to credit? The economy has a score of 0 on the depth of credit information index and a score of 11 on the strength of legal rights index (see the summary of scoring at the end of this chapter for details). Higher scores indicate more credit information and stronger legal rights for borrowers and lenders.

Globally, Micronesia, Fed. Sts. stands at 61 in the ranking of 189 economies on the ease of getting credit (figure 6.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how well regulations and institutions in Micronesia, Fed. Sts. support lending and borrowing.

Figure 6.1 How Micronesia, Fed. Sts. and comparator economies rank on the ease of getting credit



Source: Doing Business database.

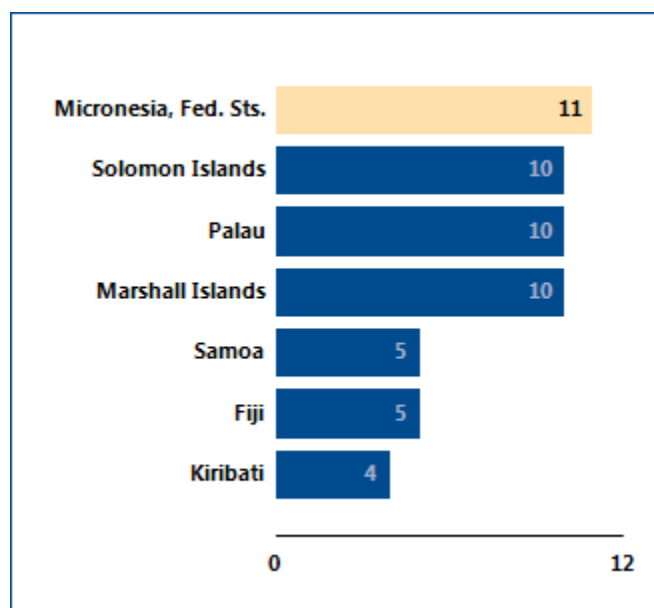
### GETTING CREDIT

One way to put an economy's score on the getting credit indicators into context is to see where the economy stands in the distribution of scores across economies. Figure 6.2 highlights the score on the strength of legal

rights index for Micronesia, Fed. Sts. and shows the scores for comparator economies as well as the regional average score. Figure 6.3 shows the same for the depth of credit information index.

Figure 6.2 How strong are legal rights for borrowers and lenders?

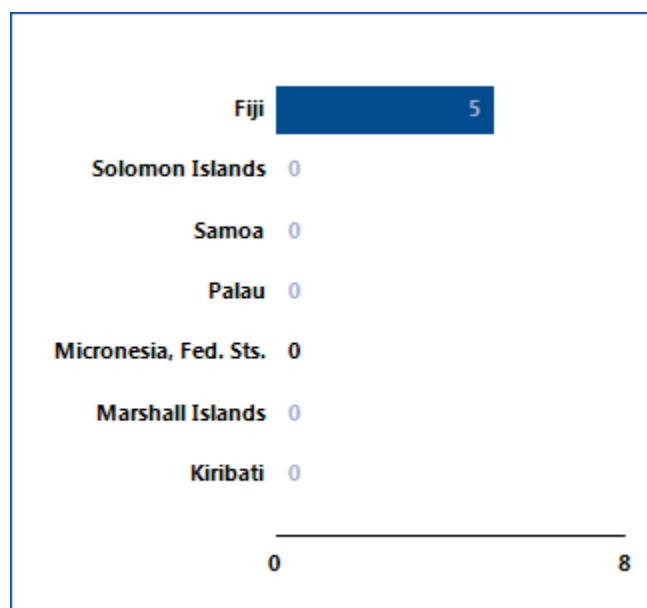
Economy scores on strength of legal rights index



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?

Economy 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 details?

The getting credit indicators reported here for Micronesia, Fed. Sts. are based on detailed information collected in that economy. The data on credit information sharing are collected through a survey of a credit registry and/or credit bureau (if one exists). To construct the depth of credit information index, a score of 1 is assigned for each of 8 features of the credit registry or credit bureau (see summary of scoring below).

The data on the legal rights of borrowers and lenders are gathered through a survey of financial lawyers and verified through analysis of laws and regulations as well as public sources of information on collateral and bankruptcy laws. For the strength of legal rights index, a score of 1 is assigned for each of 10 aspects related to legal rights in collateral law and 2 aspects in bankruptcy law.

<b>Strength of legal rights index (0–12)</b>	<b>Index score: 11</b>
Does an integrated or unified legal framework for secured transactions that extends to the creation, publicity and enforcement of functional equivalents to security interests in movable assets exist in the economy?	Yes
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	Yes
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	Yes
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets?	Yes
Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	Yes
Is a collateral registry in operation for both incorporated and non-incorporated entities, that is unified geographically and by asset type, with an electronic database indexed by debtor's name?	Yes
Does a notice-based collateral registry exist in which all functional equivalents can be registered?	Yes
Does a modern collateral registry exist in which registrations, amendments, cancellations and searches can be performed online by any interested third party?	Yes
Are secured creditors paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	No
Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated?	Yes
Are secured creditors subject to an automatic stay on enforcement when a debtor enters a court-supervised reorganization procedure? Does the law protect secured creditors' rights by providing clear grounds for relief from the stay and/or sets a time limit for it?	Yes



Strength of legal rights index (0–12)	Index score: 11
Does the law allow parties to agree on out of court enforcement at the time a security interest is created? Does the law allow the secured creditor to sell the collateral through public auction and private tender, as well as, for the secured creditor to keep the asset in satisfaction of the debt?	Yes

Depth of credit information index (0–8)	Credit bureau	Credit registry	Index score: 0
Are data on both firms and individuals distributed?	No	No	0
Are both positive and negative credit data distributed?	No	No	0
Are data from retailers or utility companies - in addition to data from banks and financial institutions - distributed?	No	No	0
Are at least 2 years of historical data distributed? (Credit bureaus and registries that distribute more than 10 years of negative data or erase data on defaults as soon as they are repaid obtain a score of 0 for this component.)	No	No	0
Are data on loan amounts below 1% of income per capita distributed?	No	No	0
By law, do borrowers have the right to access their data in the credit bureau or credit registry?	No	No	0
Can banks and financial institutions access borrowers' credit information online (for example, through an online platform, a system-to-system connection or both)?	No	No	0
Are bureau or registry credit scores offered as a value-added service to help banks and financial institutions assess the creditworthiness of borrowers?	No	No	0

Note: Prior to *Doing Business 2015*, the depth of credit information index covered only the first 6 features listed above. An economy receives a score of 1 if there is a "yes" to either bureau or registry. 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.

Coverage	Credit bureau (% of adults)	Credit registry (% of adults)
Number of firms	0	0
Number of individuals	0	0
Percent of total	0.0	0.0

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

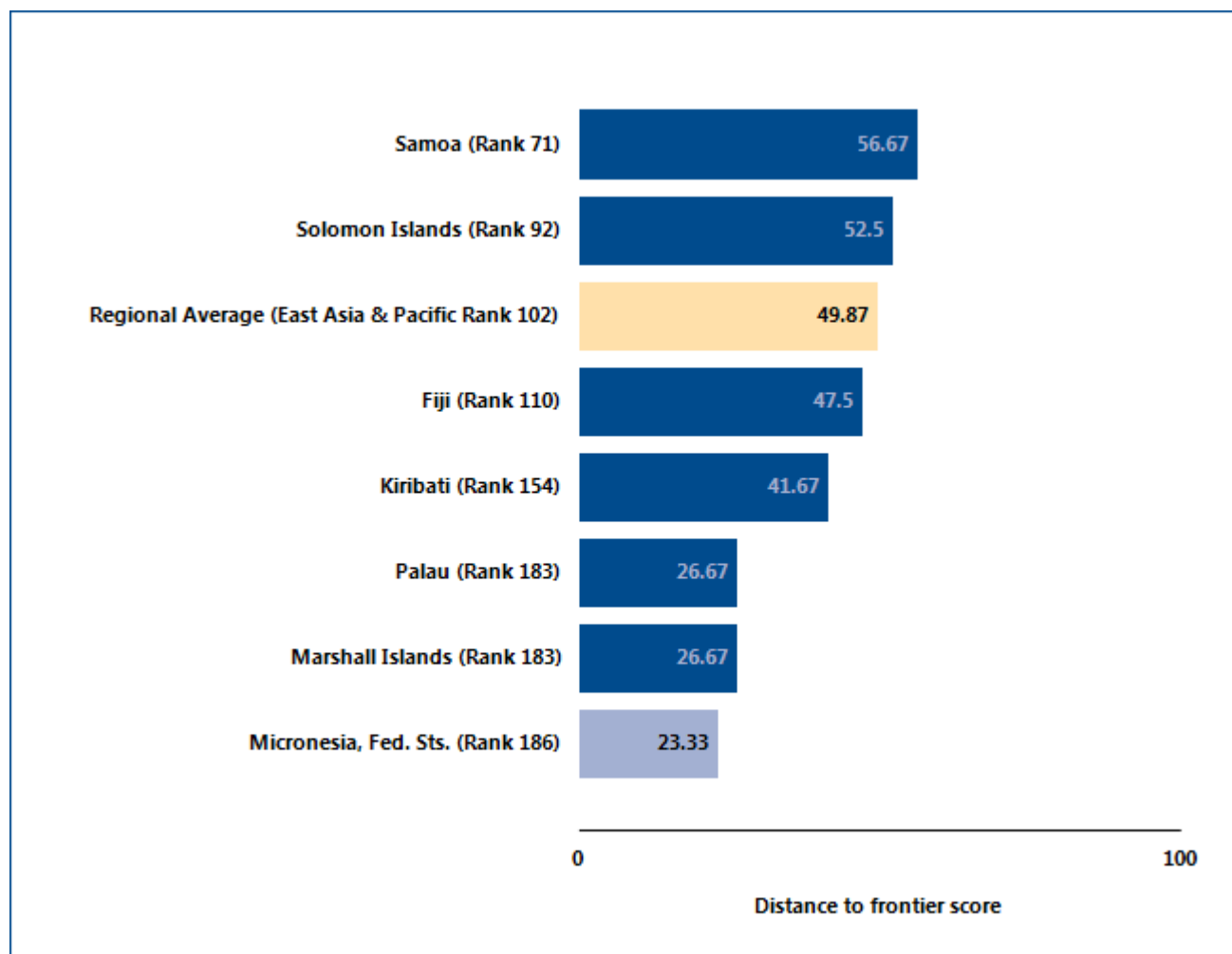
### Where does the economy stand today?

How strong are minority investor protections against self-dealing in Micronesia, Fed. Sts.? The economy has a score of 2.3 on the strength of minority investor protection index, with a higher score indicating stronger protections.

Globally, Micronesia, Fed. Sts. stands at 186 in the ranking of 189 economies on the strength of minority

investor protection index (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 minority investor protections against self-dealing in the areas measured.

Figure 7.1 How Micronesia, Fed. Sts. and comparator economies perform on the strength of minority investor protection index



Source: Doing Business database.

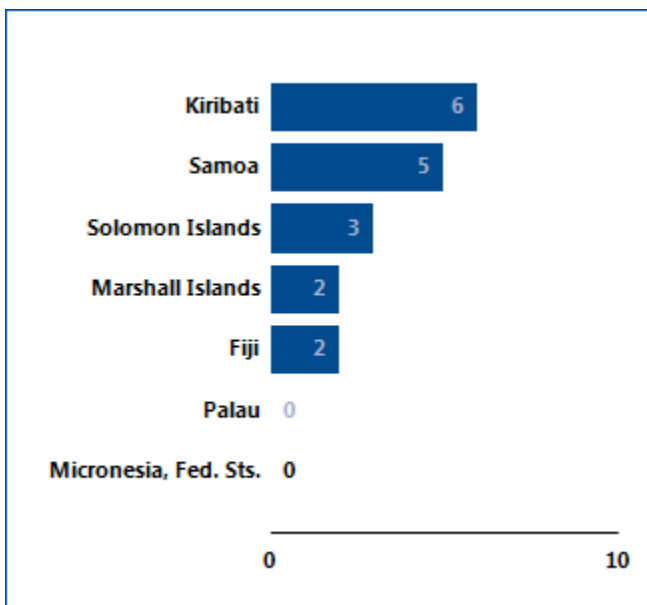
### PROTECTING MINORITY INVESTORS

One way to put an economy's scores on the protecting minority investors indicators into context is to see where the economy stands in the distribution of scores across comparator economies. Figures 7.2 through 7.7 highlight the scores on the various minority investor protection

indices for Micronesia, Fed. Sts. in 2014. A summary of scoring for the protecting minority investors indicators at the end of this chapter provides details on how the indices were calculated.

Figure 7.2 How extensive are disclosure requirements?

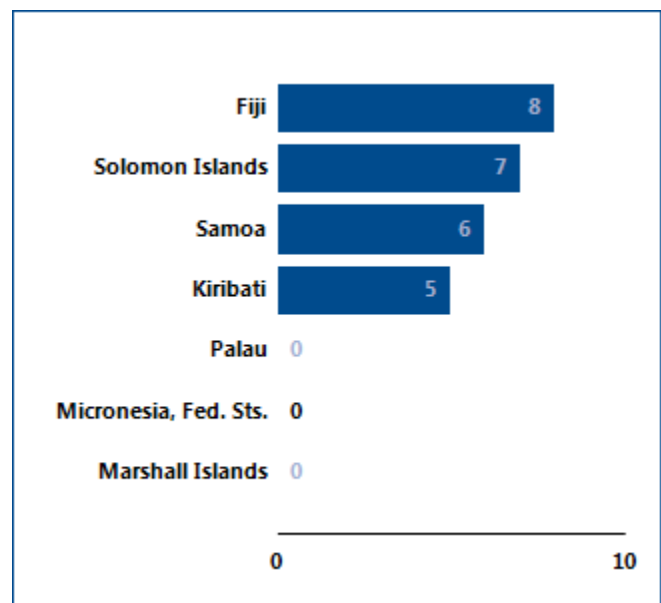
#### Extent of disclosure index (0-10)



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)

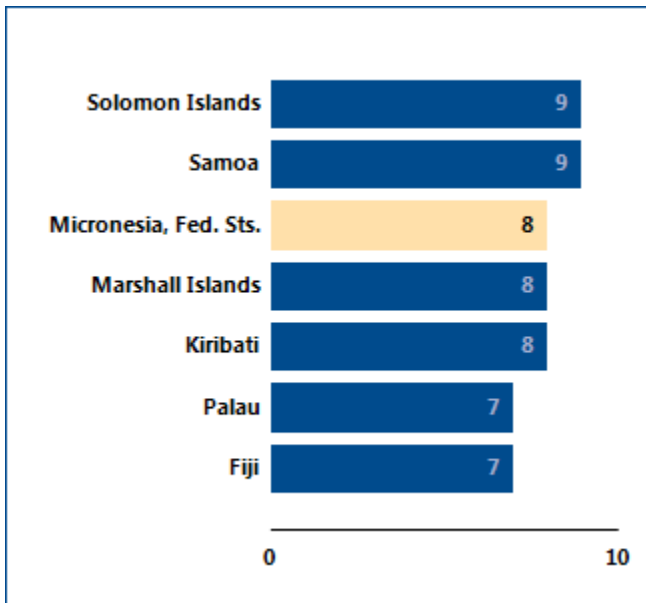


Note: Higher scores indicate greater liability of directors.  
Source: Doing Business database.

## PROTECTING MINORITY INVESTORS

Figure 7.4 How easy is accessing internal corporate documents?

### Ease of shareholder suits index (0-10)



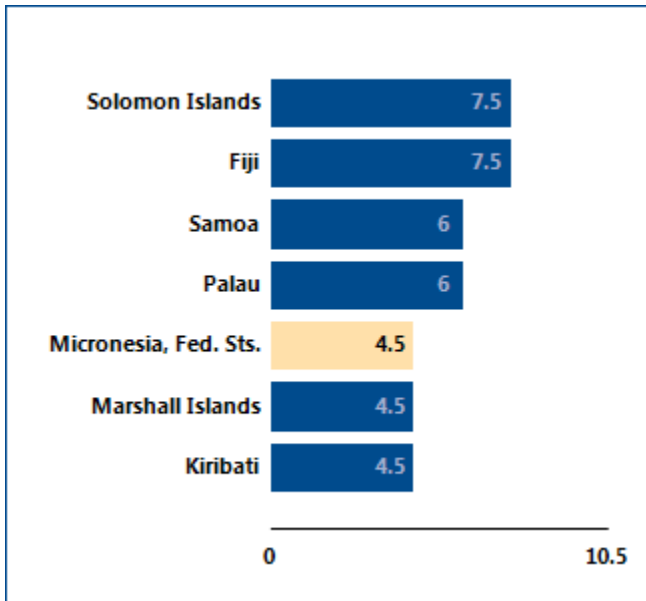
Note: Higher scores indicate greater minority shareholder access to evidence before and during trial.

Source: Doing Business database.

## PROTECTING MINORITY INVESTORS

Figure 7.5 How extensive are shareholder rights?

### Extent of shareholder rights index (0-10.5)

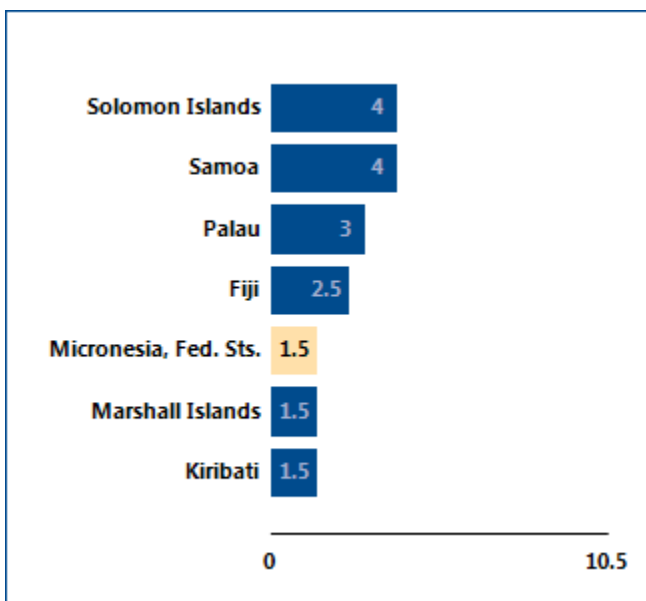


Note: The higher the score, the stronger the protections.

Source: Doing Business database.

Figure 7.6 How strong is the governance structure?

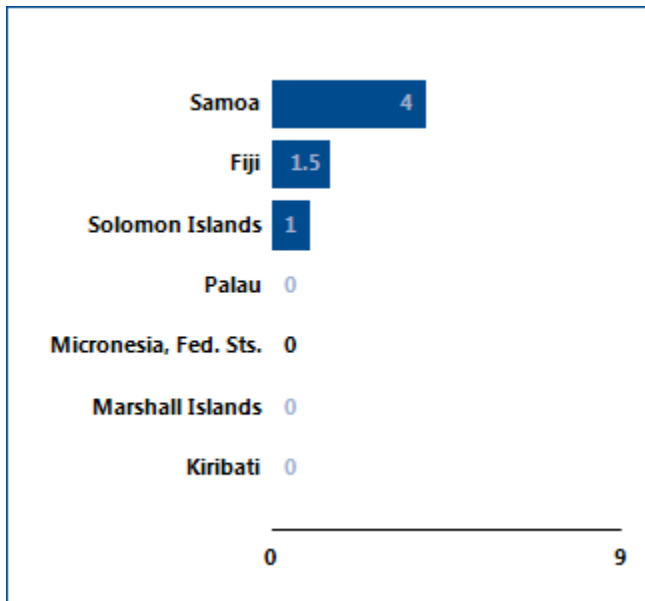
### Strength of governance structure index (0-10.5)



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 details?

The protecting minority investors indicators reported here for Micronesia, Fed. Sts. are based on detailed information collected through a survey of corporate and securities lawyers about securities regulations, company laws and court rules of evidence and procedure. To construct the six indicators on minority investor protection, scores are assigned to each based on a range

of conditions relating to disclosure, director liability, shareholder suits, shareholder rights, governance structure and corporate transparency in a standard case study (for more details, see the Data Notes section of the *Doing Business 2015* report). The summary below shows the details underlying the scores for Micronesia, Fed. Sts..

Table 7.2 Summary of scoring for the protecting minority investors indicators in Micronesia, Fed. Sts.

	Answer	Score
<b>Extent of disclosure index (0-10)</b>		0.0
Which corporate body can provide legally sufficient approval for the Buyer-Seller transaction? (0-3)	CEO alone	0
Is disclosure by the interested director to the board of directors required? (0-2)	No disclosure obligation	0
Is disclosure of the transaction in published periodic filings (annual reports) required? (0-2)	No disclosure obligation	0
Is immediate disclosure of the transaction to the public and/or shareholders required? (0-2)	No disclosure obligation	0
Must an external body review the terms of the transaction before it takes place? (0-1)	No	0
<b>Extent of director liability index (0-10)</b>		0.0
Can shareholders sue directly or derivatively for the damage caused by the Buyer-Seller transaction to the company? (0-1)	No	0
Can shareholders hold the interested director liable for the damage caused by the transaction to the company? (0-2)	Not liable	0
Can shareholders hold members of the approving body liable for the damage cause by the transaction to the company? (0-2)	Not liable	0
Must the interested director pay damages for the harm caused to the company upon a successful claim by a shareholder plaintiff? (0-1)	No	0
Must the interested director repay profits made from the transaction upon a successful claim by a shareholder plaintiff? (0-1)	No	0
Can both fines and imprisonment be applied against the interested indrector? (0-1)	No	0
Can a court void the transaction upon a successful claim by a shareholder plaintiff? (0-2)	Only in case of fraud or bad faith	0
<b>Ease of shareholder suits index (0-10)</b>		8.0
Before filing suit, can shareholders owning 10% of the company's share capital inspect the transaction documents? (0-1)	No	0
Can the plaintiff obtain any documents from the defendant	No	3

and witnesses during trial? (0-3)		
Can the plaintiff request categories of documents from the defendant without identifying specific ones? (0-1)	Yes	1
Can the plaintiff directly question the defendant and witnesses during trial? (0-2)	Yes	2
Is the level of proof required for civil suits lower than that of criminal cases? (0-1)	Yes	1
Can shareholder plaintiffs recover their legal expenses from the company? (0-2)	Yes if successful	1
<b>Strength of minority investor protection index (0-10)</b>		<b>2.3</b>
<b>Extent of conflict of interest regulation index (0-10)</b>		<b>2.7</b>
<b>Extent of shareholder rights index (0-10.5)</b>		<b>4.5</b>
Can shareholders amend company bylaws or statutes with a simple majority?	Yes	1.5
Can shareholders owning 10% of the company's share capital call for an extraordinary meeting of shareholders?	No	0
Can shareholders remove members of the board of directors before the end of their term.	Yes	1.5
Must a company obtain its shareholders' approval every time it issues new shares?	Yes	1.5
Are shareholders automatically granted subscription rights on new shares?	No	0
Must shareholders approve the election and dismissal of the external auditor?	No	0
Can shareholders freely trade shares prior to a major corporate action or meeting of shareholders?	No	0
<b>Strength of governance structure index (0-10.5)</b>		<b>1.5</b>
Is the CEO barred from also serving as chair of the board of directors?	Yes	1.5
Must the board of directors include independent board members?	No	0
Must a company have a separate audit committee?	No	0
Must changes to the voting rights of a series or class of shares be approved only by the holders of the affected shares?	Yes	1.5
Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of a company?	No	0
Is cross-shareholding between 2 independent companies limited to 10% of outstanding shares?	No	0
Is a subsidiary barred from acquiring shares issued by its parent company?	Yes	1.5
<b>Extent of corporate transparency index (0-9)</b>		<b>0.0</b>
Must ownership stakes representing 10% be disclosed?	No	0
Must information about board members' other directorships as well as basic information on their primary employment be disclosed?	No	0
Must the compensation of individual managers be disclosed?	No	0
Must financial statements contain explanatory notes on significant accounting policies, trends, risks, uncertainties and other factors influencing the reporting?	No	0
Must annual financial statements be audited by an external	No	0

auditor?		
Must audit reports be disclosed to the public?	No	0
<b>Extent of shareholder governance index (0-10)</b>		<b>2.0</b>

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<sup>5</sup>. 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.

<sup>5</sup> The nonlinear distance to frontier for the total tax rate is equal to the distance to frontier for the total tax rate of the 15th percentile of the distribution for all economies included in the analysis. It is calculated and adjusted on a yearly basis. The threshold is the 15th percentile of the distribution for 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 indicator. Exemptions are also recorded. Taxes and mandatory contributions are measured at all levels of government. Exemptions are also 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 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.

## PAYING TAXES

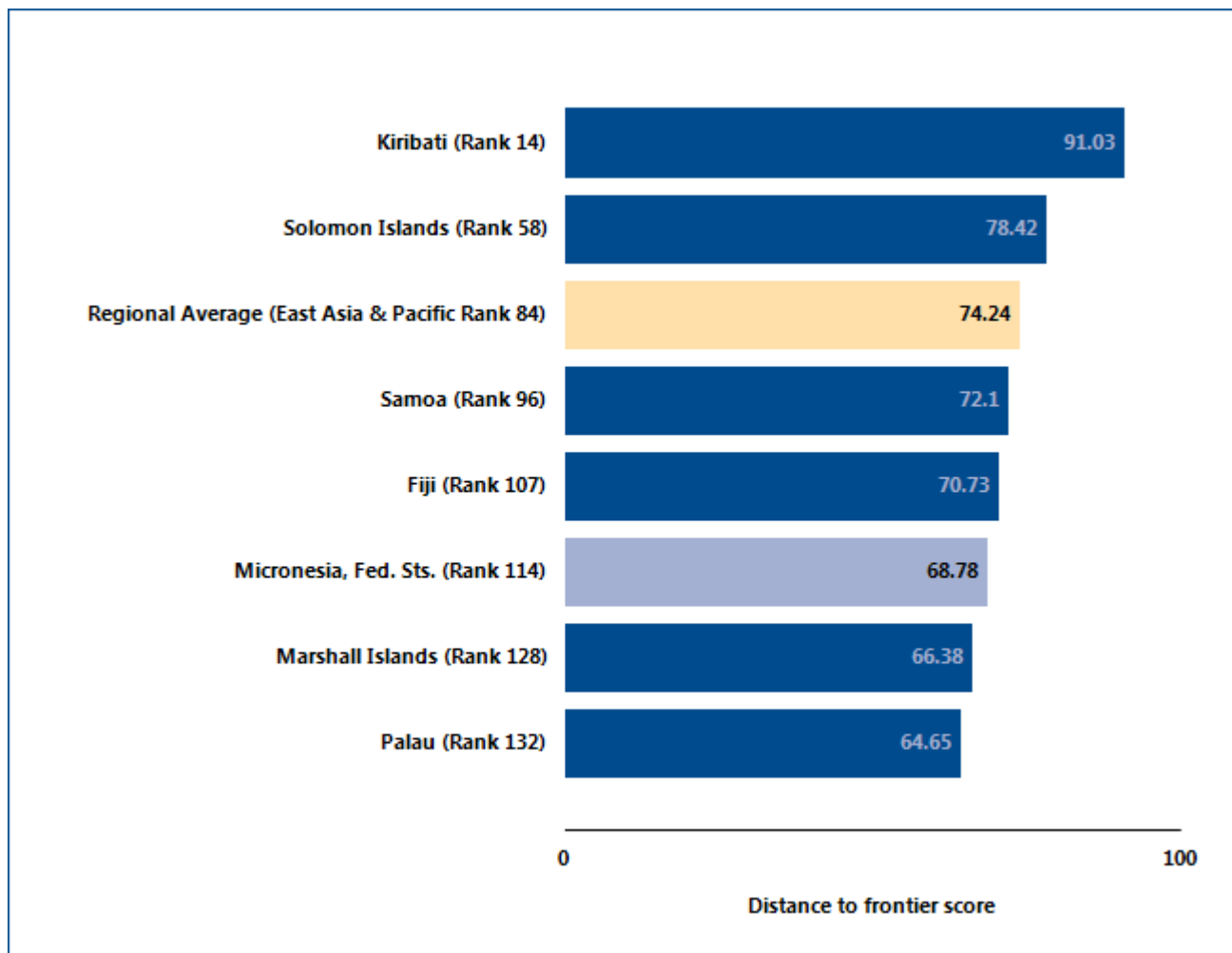
### Where does the economy stand today?

What is the administrative burden of complying with taxes in Micronesia, Fed. Sts.—and how much do firms pay in taxes? On average, firms make 21.0 tax payments a year, spend 128.0 hours a year filing, preparing and paying taxes and pay total taxes amounting to 60.5% of profit (see the summary at the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted

average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Globally, Micronesia, Fed. Sts. stands at 114 in the ranking of 189 economies on the ease of paying taxes (figure 8.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing the tax compliance burden for businesses in Micronesia, Fed. Sts..

Figure 8.1 How Micronesia, Fed. Sts. and comparator economies rank on the ease of paying taxes



Source: Doing Business database.

## PAYING TAXES

### What are the details?

The indicators reported here for Micronesia, Fed. Sts. are based on the taxes and contributions that would be paid by a standardized case study company used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). Tax practitioners are asked to review a set of financial statements as well as a standardized list of assumptions and transactions that the company completed during its 2nd year of operation. Respondents are asked how much taxes and mandatory contributions the business must pay and how these taxes are filed and paid.

#### LOCATION OF STANDARDIZED COMPANY

**City: Island of Pohnpei (Palikir/Kolonia)**

The taxes and contributions paid are listed in the summary below, along with the associated number of payments, time and tax rate.

Table 8.2 Summary of tax rates and administration

Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Gross revenue tax	4		32	3%	revenue	52.1	
Employer paid - Social security contributions	4		96	7.5%	gross salaries	8.5	
Vehicle tax	1		0	USD 15 per vehicle	fixed fee	0	
Employee paid - Social security contributions	0	paid jointly	0	7.5%	gross salaries	0	withheld
Pohnpei State sales tax	12		0	5%	sales	0	not included
Totals	21.0		128.0			60.5	

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 such as an 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

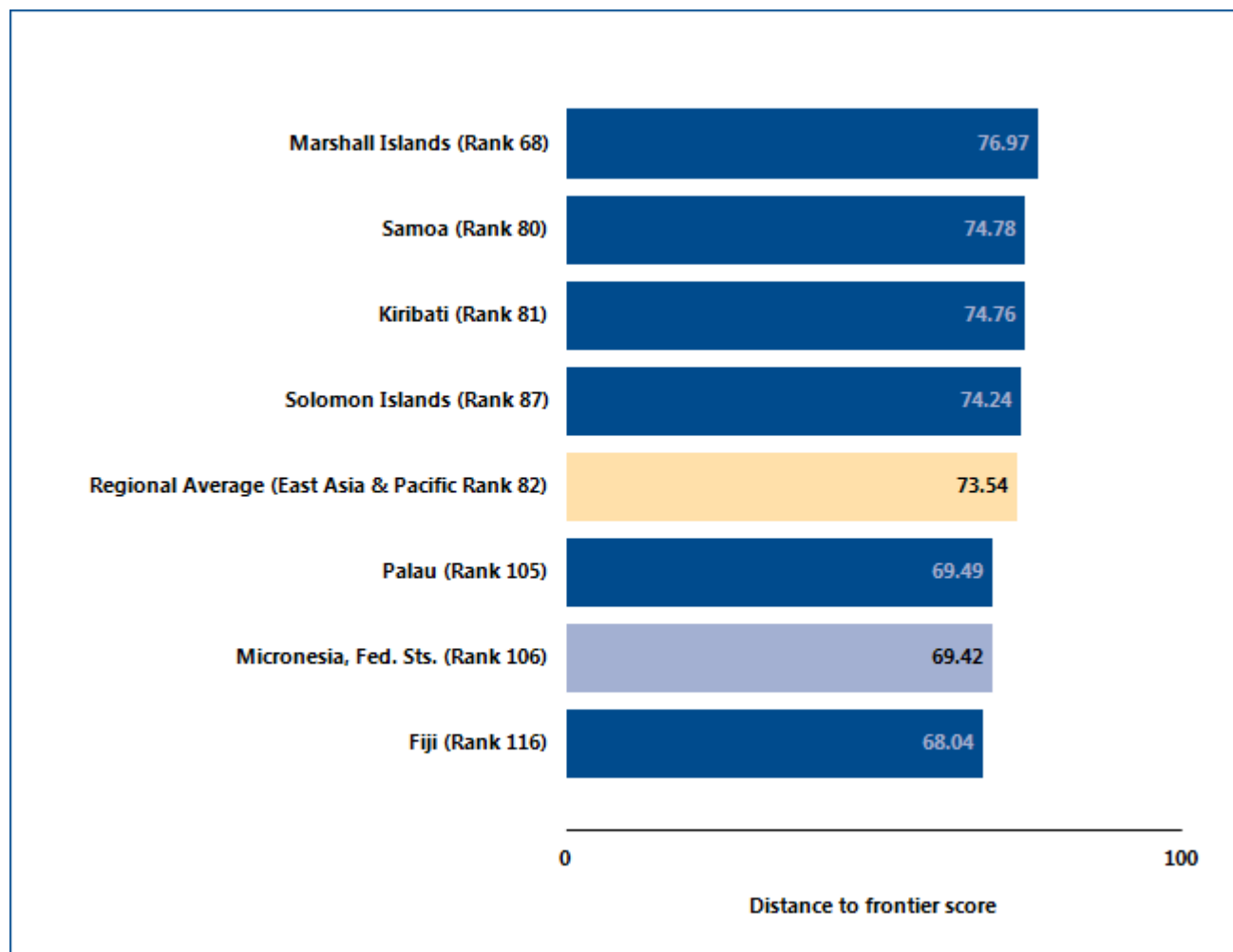
### Where does the economy stand today?

What does it take to export or import in Micronesia, Fed. Sts.? According to data collected by *Doing Business*, exporting a standard container of goods requires 5 documents, takes 30.0 days and costs \$1045.0. Importing the same container of goods requires 6 documents, takes 31.0 days and costs \$1045.0 (see the summary of four predefined stages and documents at the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business

cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Globally, Micronesia, Fed. Sts. stands at 106 in the ranking of 189 economies on the ease of trading across borders (figure 9.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for a business in Micronesia, Fed. Sts. to export and import goods.

Figure 9.1 How Micronesia, Fed. Sts. and comparator economies rank on the ease of trading across borders



Source: *Doing Business* database.

## TRADING ACROSS BORDERS

### What are the details?

The indicators reported here for Micronesia, Fed. Sts. are based on a set of specific predefined stages for trading a standard shipment of goods by ocean transport (see the section in this chapter on what the indicators cover). Information on the required documents and the time and cost to complete export and import is collected from local freight forwarders, shipping lines, customs brokers, port officials and banks.

#### LOCATION OF STANDARDIZED COMPANY

**Port Name:** Kolonia

**City:** Island of Pohnpei (Palikir/Kolonia)

The predefined stages, and the associated time and cost, for exporting and importing a standard shipment of goods are listed in the summary below, along with the required documents.

Table 9.2 Summary of predefined stages and documents for trading across borders in Micronesia, Fed. Sts.

Stages to export	Time (days)	Cost (US\$)
Customs clearance and inspections	2	25
Documents preparation	14	120
Inland transportation and handling	2	300
Ports and terminal handling	12	600
Totals	30	1,045

Stages to import	Time (days)	Cost (US\$)
Customs clearance and inspections	3	25
Documents preparation	14	120
Inland transportation and handling	2	300
Ports and terminal handling	12	600
Totals	31	1,045



**Documents to export**

Bill of lading
Commercial invoice
Customs export declaration
Inspection report
Packing list

**Documents to import**

Bill of lading
Commercial invoice
Customs import declaration
Inspection report
Packing list
Terminal handling receipts

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.

### 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

- 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.

## ENFORCING CONTRACTS

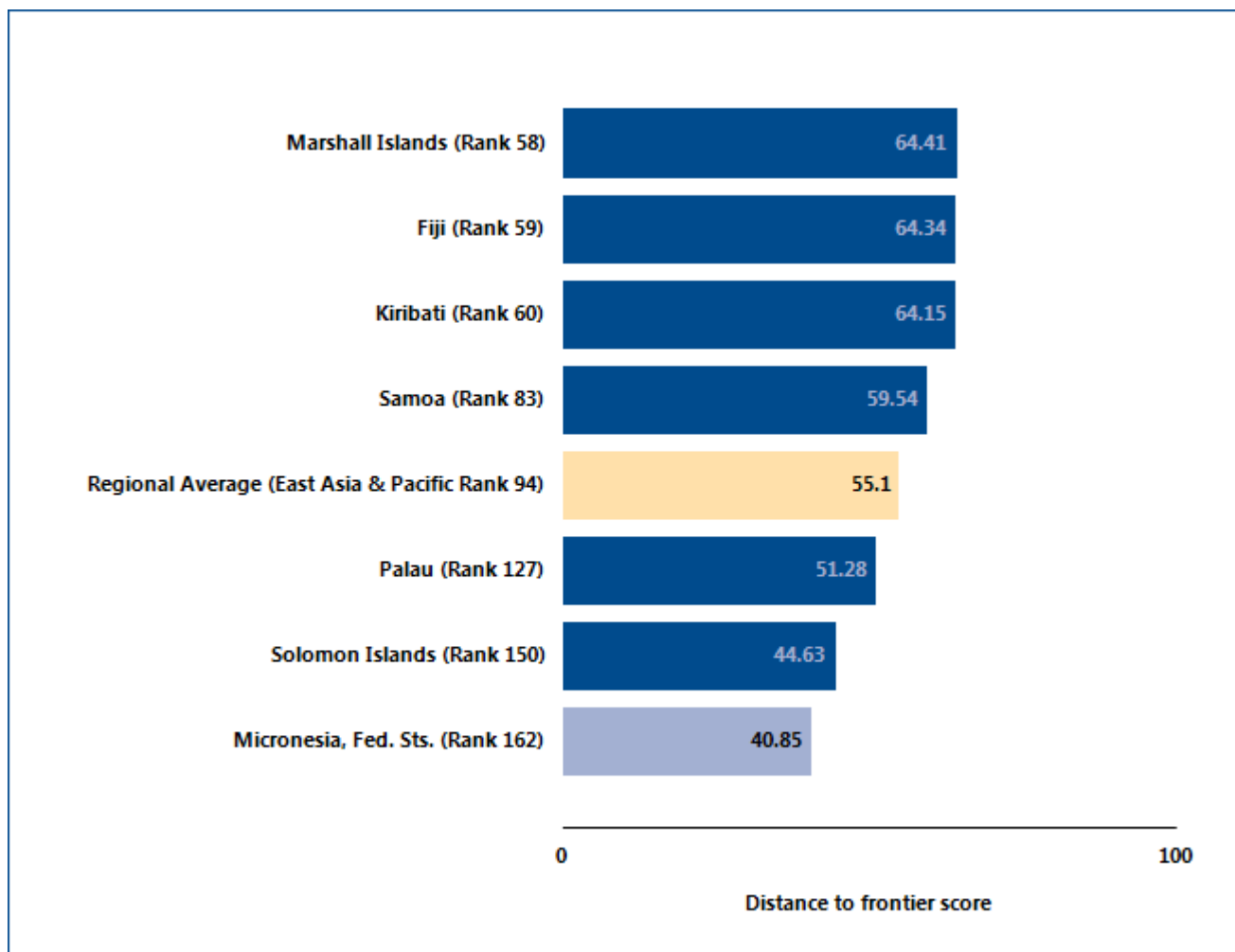
### Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in Micronesia, Fed. Sts.? According to data collected by *Doing Business*, contract enforcement takes 885.0 days, costs 66.0% of the value of the claim and requires 34.0 procedures (see the summary at the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the

2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Globally, Micronesia, Fed. Sts. stands at 162 in the ranking of 189 economies on the ease of enforcing contracts (figure 10.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of contract enforcement in Micronesia, Fed. Sts..

Figure 10.1 How Micronesia, Fed. Sts. and comparator economies rank on the ease of enforcing contracts



Source: *Doing Business* database.

## ENFORCING CONTRACTS

### What are the details?

The indicators reported here for Micronesia, Fed. Sts. are based on a set of specific procedural steps required to resolve a standardized commercial dispute through the courts (see the section in this chapter on what the indicators cover). These procedures, and the time and cost of completing them, are identified through study of the codes of civil procedure and other court regulations, as well as through questionnaires completed by local litigation lawyers (and, in a quarter of the economies covered by *Doing Business*, by judges as well).

COURT NAME	
<b>Claim value:</b>	<b>USD 6,784</b>
<b>Court name:</b>	<b>Pohnpei State Supreme Court</b>
<b>City:</b>	<b>Island of Pohnpei (Palikir/Kolonia)</b>

Table 10.2 Summary of time, cost and procedures for enforcing a contract in Micronesia, Fed. Sts.

Indicator	Micronesia, Fed. Sts.	East Asia & Pacific average
<b>Time (days)</b>	885	554
Filing and service	120	
Trial and judgment	365	
Enforcement of judgment	400	
<b>Cost (% of claim)</b>	66.0	48.6
Attorney cost (% of claim)	65.2	
Court cost (% of claim)	0.8	
Enforcement Cost (% of claim)	0.0	
<b>Procedures (number)</b>	34	37
Number of procedures (without bonus points)	34	
Total number of procedures (including bonus points)	34	

No.	Procedures
	Filing and service:
1	Plaintiff requests payment: Plaintiff or his lawyer asks Defendant orally or in writing to comply with the contract.
2	Plaintiff hires a lawyer: Plaintiff hires a lawyer.
*	Plaintiff files a summons and complaint: Plaintiff files a summons and complaint with the court (orally or in writing).
*	Plaintiff pays court fees: Plaintiff pays court fees (e.g. court duties, stamp duties, or any other type of court fees). Answer 'yes' even if Plaintiff recovers these costs.
3	Registration of court case: Registration of court case by the court administration (this can include assigning a reference number to the case).
*	Assignment of court case to a judge: Assignment of court case to a judge (through a random procedure, automated system, ruling of an administrative judge, court officer, etc).
*	Arrangements for physical delivery of summons and complaint: Plaintiff takes the necessary steps to arrange for physical service of process on Defendant (e.g. instructing a court officer or a private bailiff).
*	Proof of service: Plaintiff submits proof of service to court, as required by law or standard practice.
*	Application for pre-judgment attachment: Plaintiff submits an application in writing for the attachment of Defendant's property prior to judgment.
*	Decision on pre-judgment attachment: Judge decides whether to grant Plaintiff's request for pre-judgment attachment of Defendant's property and notifies Plaintiff and Defendant of the decision.
4	Pre-judgment attachment order: Defendant's property is attached prior to judgment. Attachment order either involves physical attachment, or is achieved by freezing, registering, marking, or otherwise separating and restricting Defendant's movement of specific moveable assets.
5	Hearing on pre-judgment attachment: A hearing takes place as a matter of law or standard practice to resolve the question of whether Defendant's assets can be attached prior to judgment. This process may include the submission of separate summons and petitions.
	Trial and judgment:
6	Defendant files an answer to Plaintiff's claim: Defendant files a written pleading which includes his answer or defense on the merits of the case (see assumption 4).
7	Filing of written submissions: Plaintiff and Defendant file written pleadings and submissions with the court and transmit copies of the written pleadings or submissions to one another. The pleadings may or may not include witness statements or expert (witness) statements.
*	Court appointment of independent expert: Judge appoints, either at the parties' request or at his own initiative, an independent expert to decide whether the quality of the goods Plaintiff delivered to Defendant is adequate. (see assumption 5-b).

No.	Procedures
8	Pre-trial conference on procedure: The judge meets with the parties to discuss procedural issues (for example which applications and motions parties intend to file, which documents parties intend to rely on, etc.).
*	Request for interlocutory order: Defendant raises preliminary issues, such as jurisdiction, statute of limitation, etc. Checked as 'yes' if commonly raised by the Defendant as a matter of practice, regardless of justification.
*	Court's issuance of interlocutory order: Court decides the preliminary issues the Defendant raised by issuing an interlocutory order. Check as 'yes' if this is commonly the case in commercial cases.
9	Plaintiff's appeal of court's interlocutory order: Plaintiff appeals the court's interlocutory order, which suspends the court proceedings. Check as 'yes' if an appeal by Plaintiff is common in this case.
*	Discovery requests: Plaintiff and Defendant make requests for the disclosure of documents, attempting to force the other party to reveal potentially detrimental documents. Check as 'yes' if discovery requests usually entail disputes.
10	Discovery disputes: Following a request for discovery of documentary evidence by one of the parties, the other party disputes the request and calls upon the judge to decide the issue. Check as 'yes' if discovery disputes are provided by law and commonly happen.
11	Request for oral hearing or trial: Plaintiff lists the case for trial on the court's calendar or applies for the date(s) for the oral hearing or trial.
*	List of (expert) witnesses: The parties file a list of (expert) witnesses with the court (see assumption 5-a).
12	Adjournments: Court proceedings are delayed because one or both parties request and obtain an adjournment to prepare for the oral hearing or trial as a matter of common practice.
13	Trial (prevalent in common law): The parties argue the merits of the case at (an) oral session(s) before the court. Witnesses and expert witnesses are questioned and cross-examined during trial.
14	Adjournments: Court proceedings are delayed because one or both parties request and obtain an adjournment during the oral hearing or trial, resulting in an additional or later trial or hearing date.
*	Request for closing of the evidence period: Plaintiff or Defendant requests the judge to close the evidence period.
15	Closing of the evidence period: The court makes the formal decision to close the evidence period.
16	Order for submission of final arguments: The judge sets a deadline for the submission of final factual and legal arguments.
*	Final arguments: The parties present their final factual and legal arguments to the court either by oral presentation or by a written submission.
17	Notification of judgment in court: The parties are notified of the judgment at a court hearing.
18	Writing of judgment: The judge produces a written copy of the judgment.
19	Registration of judgment: The court office registers the judgment after receiving a written copy of the judgment.

No.	Procedures
20	Plaintiff receives a copy of the judgment: Plaintiff receives a copy of the written judgment which is 100% in favor of Plaintiff (see assumption 6).
21	Defendant is formally notified of the judgment: Plaintiff or court formally notifies the Defendant of the judgment. The appeal period starts to run from the day the Defendant is formally notified of the judgment.
22	Appeal period: By law Defendant has the opportunity to appeal the judgment during a specified period. Defendant decides not to appeal. Seller decides to start enforcing the judgment when the appeal period ends (see assumption 8).
23	Order for reimbursement by Defendant of Plaintiff's court fees: The judgment orders Defendant to reimburse Plaintiff for the court fees Plaintiff has advanced, because Defendant has lost the case.
	Enforcement of judgment:
*	Plaintiff hires a lawyer: Plaintiff hires a lawyer to enforce the judgment or continues to be represented by a lawyer during the enforcement of judgment phase.
24	Plaintiff retains an enforcement agent to enforce the judgment.: Plaintiff retains the services of a court enforcement officer such as a court bailiff or sheriff, or a private bailiff.
*	Plaintiff requests an enforcement order: Plaintiff applies to the court to obtain the enforcement order ('seal' on judgment).
25	Attachment of enforcement order to judgment: The judge attaches the enforcement order ('seal') to the judgment.
*	Delivery of enforcement order: The court's enforcement order is delivered to a court enforcement officer or a private bailiff.
26	Identification of Defendant's assets by court official or Defendant for purposes of enforcement: The judge, a court enforcement officer, a private bailiff or the Defendant himself identifies Defendant's movable assets for the purposes of enforcing the judgment through a sale of Defendant's assets.
27	Attachment: Defendant's movable goods are attached (physically or by registering, marking or separating assets).
28	Report on execution of attachment: A court enforcement officer or private bailiff delivers a report on the attachment of Defendant's movable goods to the judge.
29	Valuation or appraisal of attached movable goods: The court or court-appointed valuation expert evaluates the attached goods.
30	Enforcement disputes before court: The enforcement of the judgment is delayed because Defendant opposes aspects of the enforcement process before the judge.
31	Call for public auction: Judge calls a public auction by, for example, advertising or publication in the newspapers.
32	Sale through public auction: The Defendant's movable property is sold at public auction.
33	Distribution of proceeds: The proceeds of the public auction are distributed to Plaintiff (and, where applicable, to other creditors, according to the rules of priority).

No.	Procedures
34	Payment: Court orders that the proceeds of the public auction or the direct sale be delivered to Plaintiff.

\* Not counted in the total number of procedures.

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 whether economies adopted internationally accepted good practices in four areas: commencement of proceedings, management of debtor's assets, reorganization proceedings and creditor participation.

The ranking of 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 and requests for extension are included

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

Measured as percentage of estate value

Court fees

Fees of insolvency administrators

Lawyers' fees

Assessors' and auctioneers' fees

Other related fees

#### Outcome

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

#### Recovery rate for creditors

Measures the cents on the dollar recovered by secured creditors

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

Official costs of the insolvency proceedings are deducted

Depreciation of furniture is taken into account

Present value of debt recovered

#### Strength of insolvency framework index (0-16)

Sum of the scores of four component indices:

Commencement of proceedings index (0-3)

Management of debtor's assets index (0-6)

Reorganization proceedings index (0-3)

Creditor participation index (0-4)

## RESOLVING INSOLVENCY

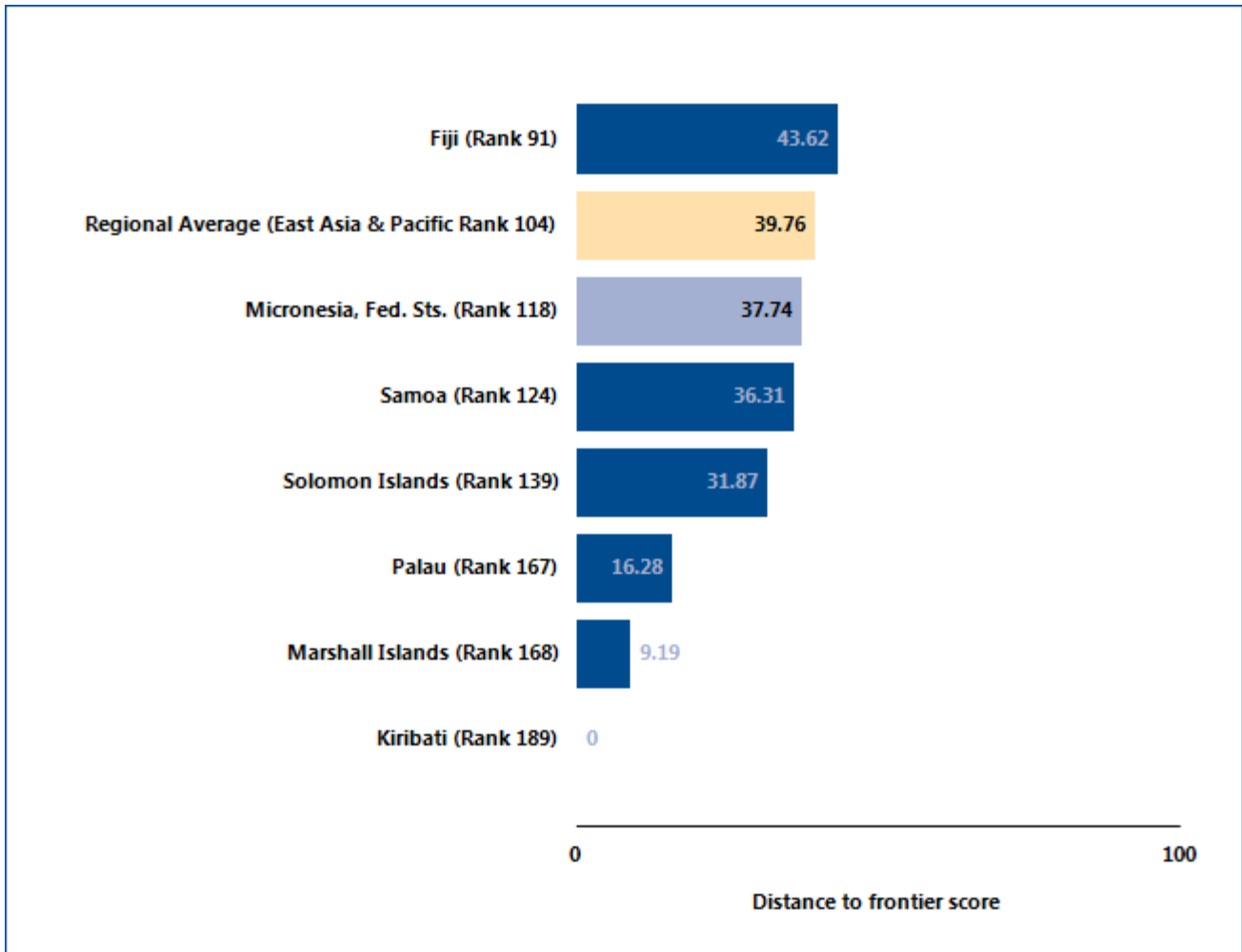
### Where does the economy stand today?

Combination of quality regulations and efficient practice characterize the top-performing economies. How efficient are insolvency proceedings in Micronesia, Fed. Sts.? According to data collected by *Doing Business*, resolving insolvency takes 5.3 years on average and costs 38.0% of the debtor's estate, with the most likely outcome being that the company will be sold as piecemeal sale. The average recovery rate is 3.3 cents on the dollar. Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

According to data collected by *Doing Business*, Micronesia, Fed. Sts. scores 2.5 out of 3 points on the commencement of proceedings index, 6.0 out of 6 points on the management of debtor's assets index, 3.0 out of 3 points on the reorganization proceedings index, and 0.0 out of 4 points on the creditor participation index. Micronesia, Fed. Sts.'s total score on the strength of insolvency framework index is 11.5 out of 16.

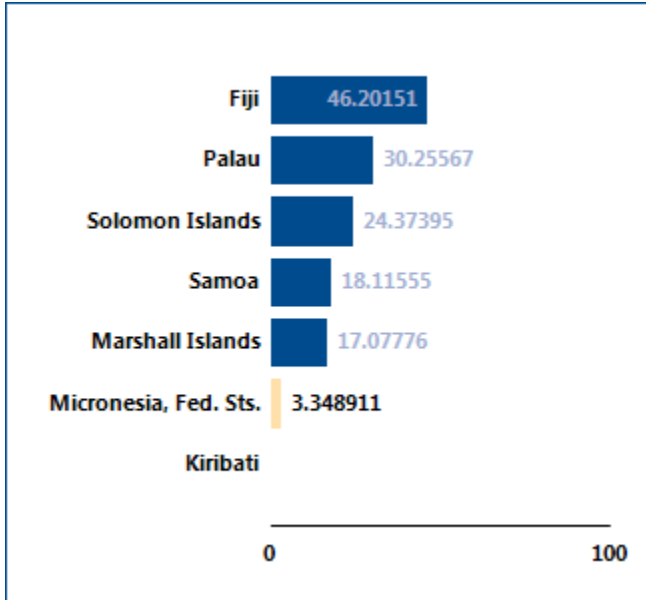
Globally, Micronesia, Fed. Sts. stands at 118 in the ranking of 189 economies on the ease of resolving insolvency (figure 11.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of insolvency proceedings in Micronesia, Fed. Sts..

Figure 11.1 How Micronesia, Fed. Sts. and comparator economies rank on the ease of resolving insolvency



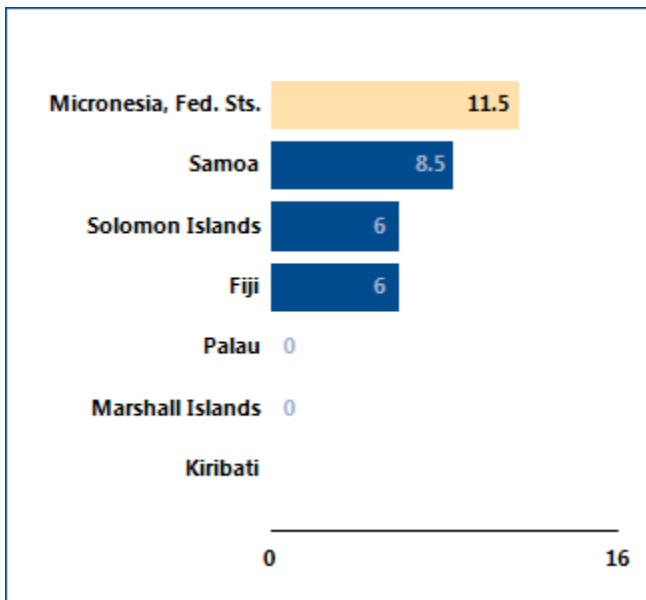
Source: Doing Business database.

Figure 11.2 Recovery Rate (0-100) - Micronesia, Fed. Sts.



Source: Doing Business database.

Figure 11.3 Strength of insolvency framework index (0-16) - Micronesia, Fed. Sts.



Source: Doing Business database.

## LABOR MARKET REGULATION

*Doing Business* measures flexibility in the regulation of employment, specifically as it affects the hiring and redundancy of workers and the rigidity of working hours. This year, for the first time, the indicators measuring flexibility in labor market regulations focus on those affecting the food retail industry, using a standardized case study of a cashier in a supermarket. Also new is that *Doing Business* collects data on regulations applying to employees hired through temporary-work agencies as well as on those applying to permanent employees or employees hired on fixed-term contracts. The indicators also cover additional areas of labor market regulation, including social protection schemes and benefits as well as labor disputes.

Over the period from 2007 to 2011 improvements were made to align the methodology for the labor market regulation indicators (formerly the employing workers indicators) with the letter and spirit of the International Labour Organization (ILO) conventions. Only 6 of the 188 ILO conventions cover areas measured by *Doing Business*: employee termination, weekend work, holiday with pay, night work, protection against unemployment and medical care and sickness benefits. The *Doing Business* methodology is fully consistent with these 6 conventions. The ILO conventions covering areas related to the labor market regulation indicators do not include the ILO core labor standards—8 conventions covering the right to collective bargaining, the elimination of forced labor, the abolition of child labor and equitable treatment in employment practices.

Between 2009 and 2011 the World Bank Group worked with a consultative group—including labor lawyers, employer and employee representatives, and experts from the ILO, the Organisation for Economic Co-operation and Development (OECD), civil society and the private sector—to review the methodology for the labor market regulation indicators and explore future areas of research.

A full report with the conclusions of the consultative group is available at:  
<http://www.doingbusiness.org/methodology/employing-workers>.

*Doing Business 2015* presents the data for the labor market regulation indicators in an annex. The report does not present rankings of economies on these indicators nor include the topic in the aggregate distance to frontier score or ranking on the ease of doing business. Detailed data collected on labor market regulations are available on the *Doing Business* website (<http://www.doingbusiness.org>). The data on labor market regulations are based on a detailed survey of employment regulations that is completed by local lawyers and public officials. Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy. To make the data comparable across economies, several assumptions about the worker and the business are used.

The worker:

- Is a cashier in a supermarket or a grocery store
- Is a full-time employee
- Is not a member of the labor union, unless membership is mandatory

The business:

- Is a limited liability company (or the equivalent in the economy) with 60 employees.
- Operates a supermarket or grocery store in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is subject to collective bargaining agreements if such agreements cover more than 50% of the food retail sector and they apply even to firms that are not party to them.
- Abides by every law and regulation but does not grant workers more benefits than those mandated by law, regulation or (if applicable) collective bargaining agreements.

## LABOR MARKET REGULATION

### What are the details?

The data reported here for Micronesia, Fed. Sts. are based on a detailed survey of labor market regulation that is completed by local lawyers and public officials.

Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy.

#### Difficulty of hiring index

Difficulty of hiring covers 4 areas: (i) whether fixed-term contracts are prohibited for permanent tasks; (ii) the maximum cumulative duration of fixed-term contracts; (iii) the minimum wage for a cashier, age 19, with 1 year of work experience; and (iv) the ratio of the minimum

wage to the average value added per worker. The average value added per worker is the ratio of an economy's GNI per capita to the working-age population as a percentage of the total population.

Difficulty of hiring index	Data
Fixed-term contracts prohibited for permanent tasks?	No
Maximum length of a single fixed-term contract (months)	No Limit
Maximum length of fixed-term contracts, including renewals (months)	No limit
Minimum wage applicable to the worker assumed in the case study (US\$/month)	357.38
Ratio of minimum wage to value added per worker	0.76

Source: *Doing Business* database.

## LABOR MARKET REGULATION

### Rigidity of hours index

Rigidity of hours covers 7 areas: (i) whether the workweek can extend to 50 hours or more (including overtime) for 2 months in a year to respond to a seasonal increase in workload; (ii) the maximum number of days allowed in the workweek; (iii) the premium for night work (as a percentage of hourly pay); (iv) the premium for work on a weekly rest day (as a percentage of hourly pay); (v) whether there are restrictions on night work; (vi) whether there are restrictions on weekly holiday work; and (vii) the average paid annual leave for workers with 1 year of tenure, 5 years of tenure and 10 years of tenure.

Rigidity of hours index	Data
50-hour workweek allowed for 2 months a year in case of a seasonal increase in workload?	Yes
Maximum working days per week	7.0
Premium for night work (% of hourly pay)	0%
Premium for work on weekly rest day (% of hourly pay)	0%
Major restrictions on night work?	No
Major restrictions on weekly holiday?	No
Paid annual leave for a worker with 1 year of tenure (in working days)	0.0
Paid annual leave for a worker with 5 years of tenure (in working days)	0.0
Paid annual leave for a worker with 10 years of tenure (in working days)	0.0
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	0.0

Source: *Doing Business* database.

## LABOR MARKET REGULATION

### Difficulty of redundancy index

Difficulty of redundancy index looks at 9 questions: (i) what the length is in months of the maximum probationary period; (ii) whether redundancy is disallowed as a basis for terminating workers; (iii) whether the employer needs to notify a third party (such as a government agency) to terminate 1 redundant worker; (iv) whether the employer needs to notify a third party to terminate a group of 9 redundant workers; (v)

whether the employer needs approval from a third party to terminate 1 redundant worker; (vi) whether the employer needs approval from a third party to terminate a group of 9 redundant workers; (vii) whether the law requires the employer to reassign or retrain a worker before making the worker redundant; (viii) whether priority rules apply for redundancies; and (ix) whether priority rules apply for reemployment.

Difficulty of redundancy index	Data
Maximum length of probationary period (months)	n.a.
Dismissal due to redundancy allowed by law?	Yes
Third-party notification if 1 worker is dismissed?	No
Third-party approval if 1 worker is dismissed?	No
Third-party notification if 9 workers are dismissed?	No
Third-party approval if 9 workers are dismissed?	No
Retraining or reassignment obligation before redundancy?	No
Priority rules for redundancies?	No
Priority rules for reemployment?	No

Source: *Doing Business* database.



## LABOR MARKET REGULATION

### Redundancy cost

Redundancy cost measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary. The average value of notice

requirements and severance payments applicable to a worker with 1 year of tenure, a worker with 5 years and a worker with 10 years is considered. One month is recorded as 4 and 1/3 weeks.

Redundancy cost indicator (in salary weeks)	Data
Notice period for redundancy dismissal for a worker with 1 year of tenure	0.0
Notice period for redundancy dismissal for a worker with 5 years of tenure	0.0
Notice period for redundancy dismissal for a worker with 10 years of tenure	0.0
Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	0.0
Severance pay for redundancy dismissal for a worker with 1 year of tenure	0.0
Severance pay for redundancy dismissal for a worker with 5 years of tenure	0.0
Severance pay for redundancy dismissal for a worker with 10 years of tenure	0.0
Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	0.0

Source: *Doing Business* database.

### Social protection schemes and benefits & Labor disputes

*Doing Business* collects data on the existence of unemployment protection schemes as well as data on whether employers are legally required to provide health insurance for employees with permanent contracts.

*Doing Business* also assesses the mechanisms available to resolve labor disputes. More specifically, it collects data on what courts would be competent to hear labor disputes and whether the competent court is specialized in resolving labor disputes.

Social protection schemes and benefits & Labor disputes indicator	Data
Availability of unemployment protection scheme?	No
Health insurance existing for permanent employees?	No
Availability of courts or court sections specializing in labor disputes?	No

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 (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  $(\text{worst} - y)/(\text{worst} - \text{frontier})$ . 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 (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*<sup>6</sup>. Thus *Doing Business* uses the simplest

<sup>6</sup> 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<sup>7</sup>.

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 of 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 of the *Doing Business 2015* report).

The nonlinear transformation is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in an economy's

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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.

<sup>7</sup> 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

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. <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  
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Short summaries of DB2015 business regulation reforms, lists of reforms since DB2008 and a ranking simulation tool  
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Customized data sets since DB2004  
<http://www.doingbusiness.org/custom-query>

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Online collection of business laws and regulations relating to business  
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### **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**

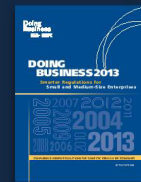
Data benchmarking 189 economies to the frontier in regulatory practice  
<http://www.doingbusiness.org/data/distance-to-frontier>

### **Information on good practices**

Showing where the many good practices identified by *Doing Business* have been adopted  
<http://www.doingbusiness.org/data/good-practice>

### ***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/iphone>



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