



Regional Profile:
Small Island States

Doing business in a
more transparent world

COMPARING REGULATION FOR DOMESTIC FIRMS IN 183 ECONOMIES

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Copies of *Doing Business 2012: Doing Business in a More Transparent World*, *Doing Business 2011: Making a Difference for Entrepreneurs*, *Doing Business 2010: Reforming through Difficult Times*, *Doing Business 2009*, *Doing Business 2008*, *Doing Business 2007: How to Reform*, *Doing Business in 2006: Creating Jobs*, *Doing Business in 2005: Removing Obstacles to Growth* and *Doing Business in 2004: Understanding Regulations* may be downloaded at www.doingbusiness.org.

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INTRODUCTION

Doing Business sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 10 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

In a series of annual reports *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time. The data set covers 46 economies in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 24 in East Asia and the Pacific, 24 in Eastern Europe and Central Asia, 18 in the Middle East and North Africa and 8 in South Asia, as well as 31 OECD high-income economies. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

This regional profile presents the *Doing Business* indicators for the Small island states. It also shows the regional average, the best performance globally for each indicator and data for the following comparator regions: Caribbean states, Common Market for Eastern and Southern Africa (COMESA), East Asia and the Pacific (EAP), Latin America and Southern African

Development Community (SADC). The data in this report are current as of June 1, 2011 (except for the paying taxes indicators, which cover the period January–December 2010).

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

More information is available in the full report. *Doing Business 2012* presents the indicators, analyzes their relationship with economic outcomes and recommends regulatory reforms. The data, along with information on ordering the *Doing Business 2012* report, are available on the *Doing Business* website at <http://www.doingbusiness.org>.

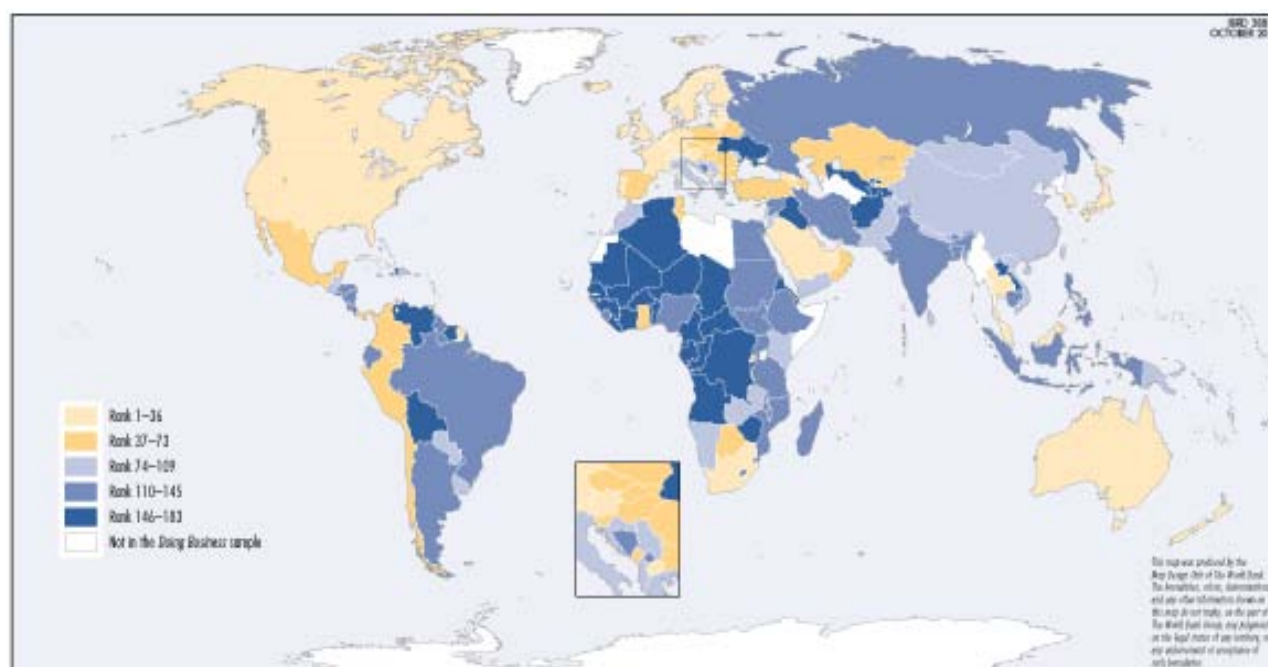
THE BUSINESS ENVIRONMENT

For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. *Doing Business* provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 183 by the ease of doing business index. For each economy the index is calculated as the ranking on the simple average of its percentile rankings on each of the 10 topics included in the index in *Doing Business 2012*: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

The ranking on each topic is the simple average of the percentile rankings on its component indicators (see the data notes for more details).¹

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

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



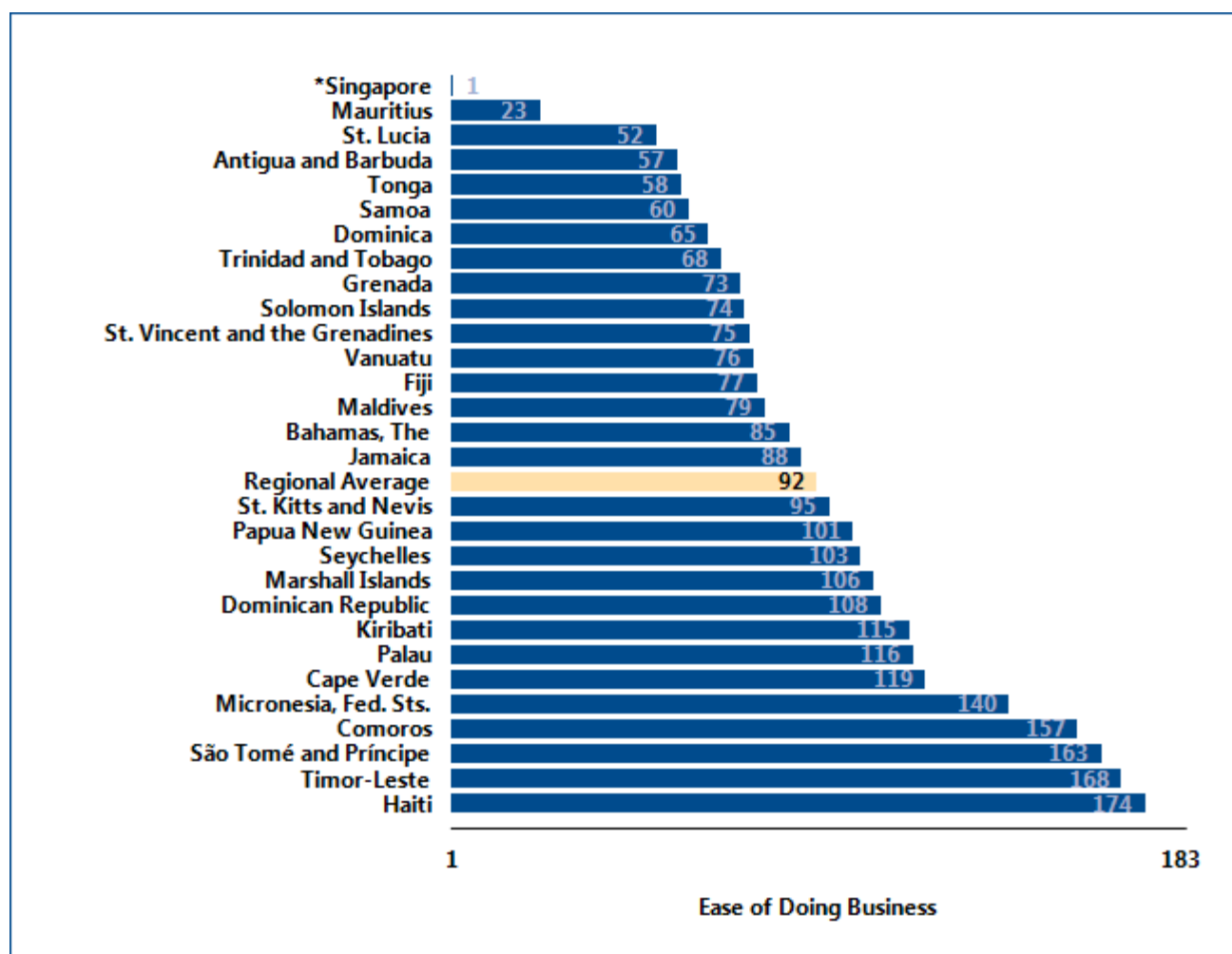
Source: *Doing Business* database.

¹ Except for the ease of getting credit, for which the percentile rankings on its component indicators are weighted, the depth of credit information index at 37.5% and the strength of legal rights index at 62.5%.

THE BUSINESS ENVIRONMENT

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

Figure 1.2 How economies in the Small island states rank on the ease of doing business



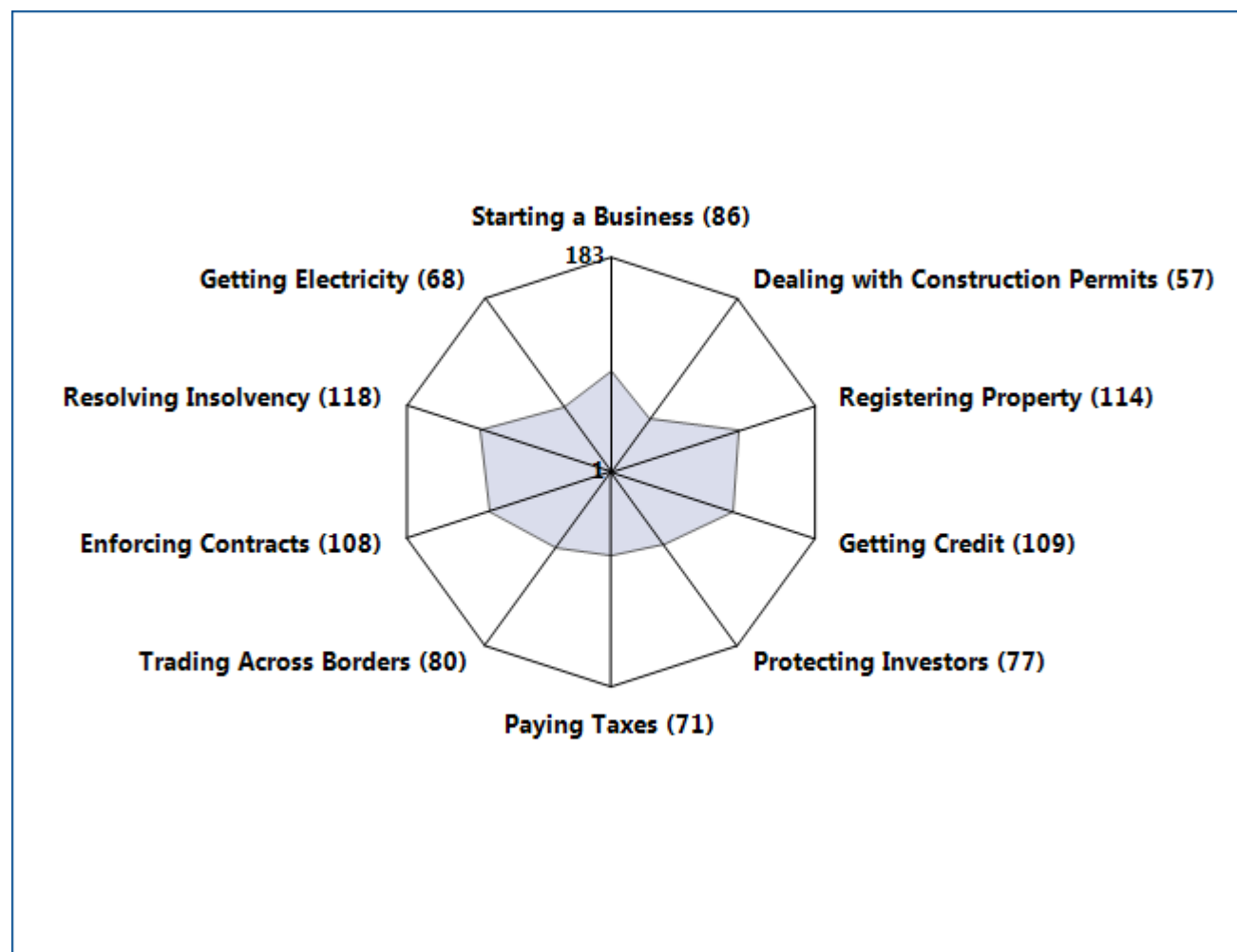
*The economy with the best performance globally is included as a benchmark. In some cases 2 or more economies share the top ranking on an indicator.

Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

Figure 1.3 How the Small island states rank on *Doing Business* topics

Regional average ranking



Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

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

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

Table 1.1 Summary of *Doing Business* indicators for the Small island states

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
Starting a Business (rank)	180 (Haiti)	4 (Singapore)	87	1 (New Zealand)
Procedures (number)	12 (Haiti)	3 (Singapore)	7	1 (Canada)*
Time (days)	105 (Haiti)	3 (Singapore)	27	1 (New Zealand)
Cost (% of income per capita)	314.2 (Haiti)	0.7 (Singapore)	36.2	0 (Denmark)*
Paid-in Min. Capital (% of income per capita)	336.0 (São Tomé and Príncipe)	(20 Economies*)	33.6	(82 Economies*)
Dealing with Construction Permits (rank)	139 (Haiti)	3 (Singapore)	58	1 (Hong Kong SAR, China)
Procedures (number)	22 (Palau)	7 (St. Lucia)	13	5 (Denmark)
Time (days)	1129 (Haiti)	26 (Singapore)	173	26 (Singapore)*
Cost (% of income per capita)	764.5 (Haiti)	5.2 (Palau)	131.2	1.1 (Qatar)
Getting Electricity (rank)	159 (Kiribati)	5 (Singapore)	69	1 (Iceland)
Procedures (number)	8 (Bahamas, The)	3 (St. Vincent and the Grenadines)*	5	3 (Germany)*
Time (days)	257 (Vanuatu)	18 (St. Kitts and Nevis)	76	17 (Germany)
Cost (% of income per capita)	5,162.7 (Kiribati)	7.9 (Trinidad and Tobago)	989.8	0 (Japan)

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
Registering Property (rank)	177 (Bahamas, The)	14 (Singapore)	114	3 (New Zealand)
Procedures (number)	10 (Solomon Islands)	3 (Singapore)*	6	1 (Portugal)*
Time (days)	513 (Kiribati)	5 (Singapore)	83	1 (Portugal)
Cost (% of property value)	16.7 (Maldives)	0.0 (Kiribati)	7.7	0 (Slovak Republic)
Getting Credit (rank)	182 (Palau)	8 (Singapore)	110	1 (United Kingdom)*
Strength of legal rights index (0-10)	1 (Palau)	10 (Singapore)	6	10 (New Zealand)*
Depth of credit information index (0-6)	2 (Haiti)	6 (Dominican Republic)	1	6 (Japan)*
Public registry coverage (% of adults)	0.7 (Haiti)	49.8 (Mauritius)	3.7	86.2 (Portugal)
Private bureau coverage (% of adults)	1.8 (Papua New Guinea)	67.6 (Fiji)	7.7	100 (New Zealand)*
Protecting Investors (rank)	174 (Micronesia, Fed. Sts.)	2 (Singapore)	77	1 (New Zealand)
Extent of disclosure index (0-10)	0 (Micronesia, Fed. Sts.)*	10 (Singapore)	4	10 (France)*
Extent of director liability index (0-10)	0 (Micronesia, Fed. Sts.)*	9 (Singapore)*	6	9 (Singapore)*
Ease of shareholder suits index (0-10)	4 (Haiti)*	9 (Singapore)*	7	10 (New Zealand)*
Strength of investor protection index (0-10)	2.7 (Palau)*	9.3 (Singapore)	5.4	9.7 (New Zealand)
Paying Taxes (rank)	172 (Jamaica)	1 (Maldives)	71	8 (Canada)
Payments (number per year)	72 (Jamaica)	3 (Maldives)	28	4 (Norway)
Time (hours per year)	424 (São Tomé and Príncipe)	58 (Bahamas, The)	166	59 (Luxembourg)
Trading Across Borders (rank)	145 (Haiti)	1 (Singapore)	80	1 (Singapore)
Documents to export (number)	10 (Comoros)*	4 (Singapore)	6	2 (France)
Time to export (days)	33 (Haiti)	5 (Singapore)	20	5 (Hong Kong SAR, China)*
Cost to export (US\$ per container)	1700 (St. Lucia)	456 (Singapore)	1043	450 (Malaysia)

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
Documents to import (number)	10 (Haiti)*	4 (Singapore)*	7	2 (France)
Time to import (days)	33 (Palau)	4 (Singapore)	20	4 (Singapore)
Cost to import (US\$ per container)	2745 (St. Lucia)	439 (Singapore)	1238	435 (Malaysia)
Enforcing Contracts (rank)	183 (Timor-Leste)	12 (Singapore)	108	1 (Luxembourg)
Time (days)	1340 (Trinidad and Tobago)	150 (Singapore)	622	150 (Singapore)
Cost (% of claim)	163.2 (Timor-Leste)	15.4 (Seychelles)	43.4	0.1 (Bhutan)
Procedures (number)	51 (Timor-Leste)	21 (Singapore)	40	21 (Ireland)*
Resolving Insolvency (rank)	164 (Micronesia, Fed. Sts.)	2 (Singapore)	119	1 (Japan)
Time (years)	6.2 (São Tomé and Príncipe)	0.8 (Singapore)	2.9	0.4 (Ireland)
Cost (% of estate)	38 (Micronesia, Fed. Sts.)*	1 (Singapore)	23	1 (Singapore)*
Recovery rate (cents on the dollar)	3.4 (Micronesia, Fed. Sts.)	91.3 (Singapore)	23.4	92.7 (Japan)

Note: The methodology for the paying taxes indicators changed in *Doing Business 2012*; see the data notes for details. For these indicators, the best performer globally is the economy that has implemented the most efficient practices in its tax system and is not necessarily the one with the highest ranking.

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

Source: *Doing Business* database.

STARTING A BUSINESS

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

What do the indicators cover?

Doing Business measures the ease of starting a business in an economy by recording all procedures that are officially required or commonly done in practice by an entrepreneur to start up and formally operate an industrial or commercial business—as well as the time and cost required to complete these procedures. It also records the paid-in minimum capital that companies must deposit before registration (or within 3 months). The ranking on the ease of starting a business is the simple average of the percentile rankings on the 4 component indicators: procedures, time, cost and paid-in minimum capital requirement.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the procedures. It assumes that all information is readily available to the entrepreneur and that there has been no prior contact with officials. It also assumes that all government and nongovernment entities involved in the process function without corruption. And it assumes that the business:

- Is a limited liability company, located in the largest business city.
- Has between 10 and 50 employees.

WHAT THE STARTING A BUSINESS

INDICATORS MEASURE

Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration in the economy's largest business city
- Postregistration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- 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)

- Conducts general commercial or industrial activities.
- Has a start-up capital of 10 times income per capita.
- Has a turnover of at least 100 times income per capita.
- Does not qualify for any special benefits.
- Does not own real estate.
- Is 100% domestically owned.

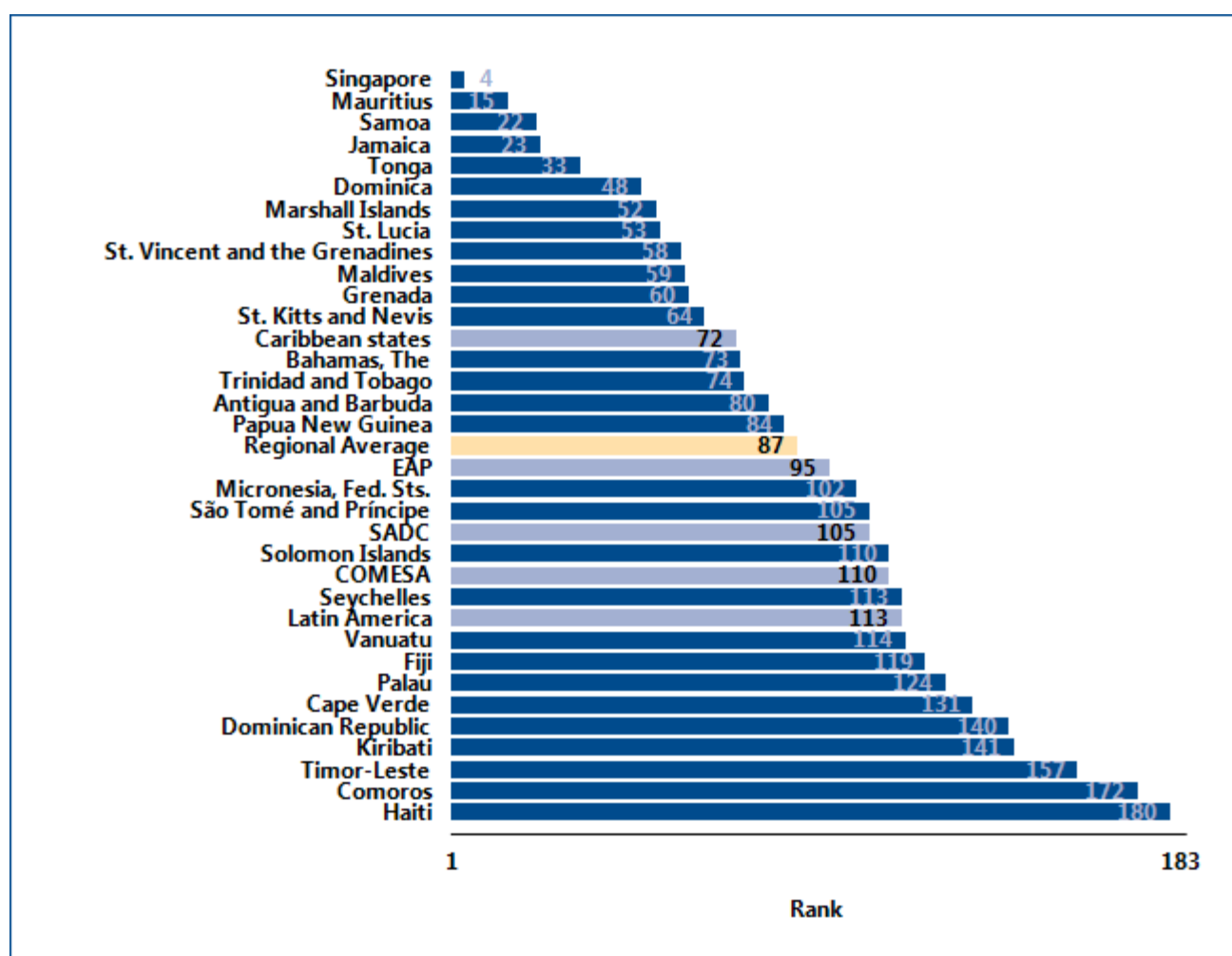
STARTING A BUSINESS

Where do the region's economies stand today?

How easy is it for entrepreneurs in economies in the Small island states to start a business? The global rankings of these economies on the ease of starting a

business suggest an answer (figure 2.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 2.1 How economies in the Small island states rank on the ease of starting a business



Source: *Doing Business* database.

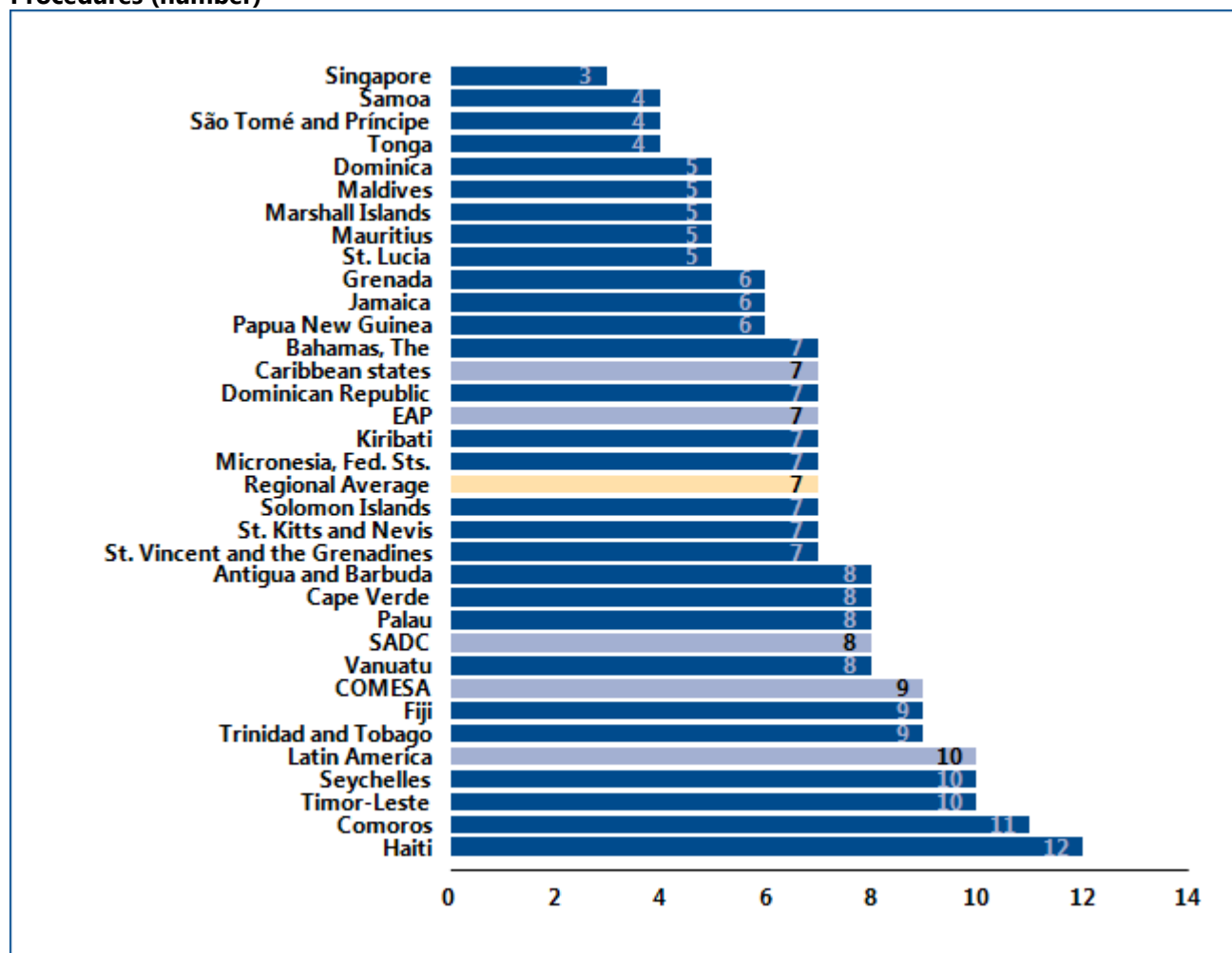
The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to start a business in each economy in the region: the number of procedures, the time, the cost

and the paid-in minimum capital requirement (figure 2.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

STARTING A BUSINESS

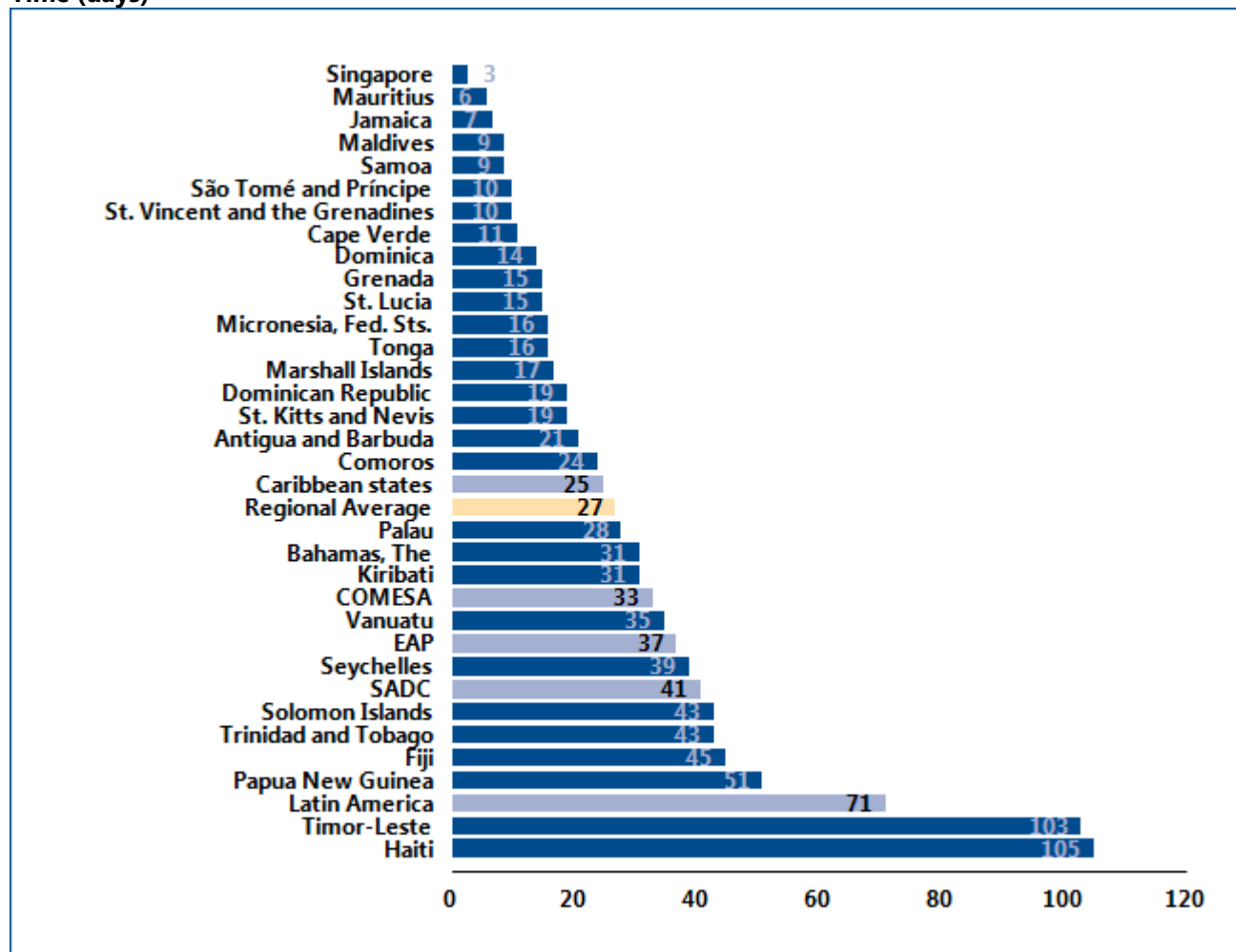
Figure 2.2 What it takes to start a business in economies in the Small island states

Procedures (number)



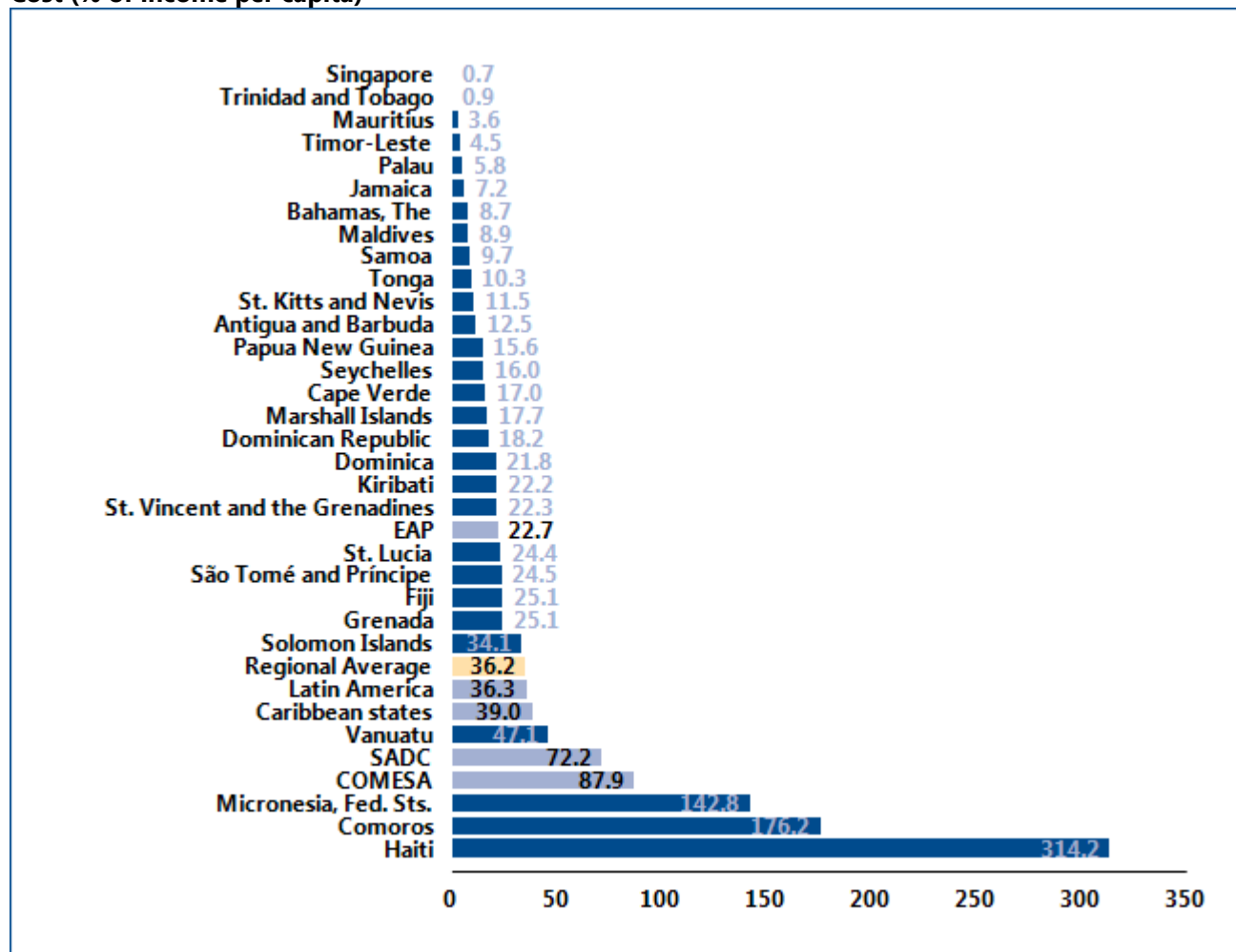
STARTING A BUSINESS

Time (days)



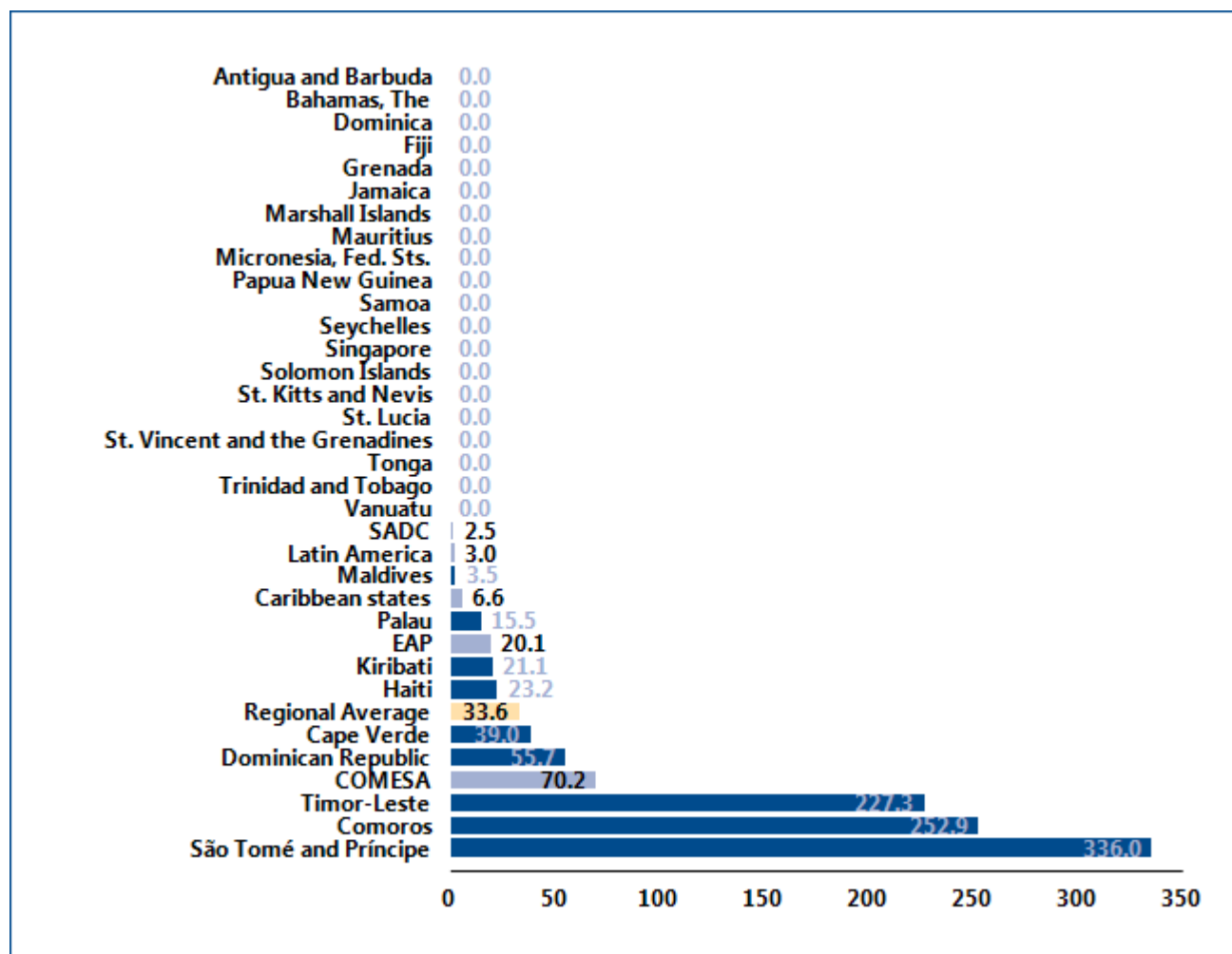
STARTING A BUSINESS

Cost (% of income per capita)



STARTING A BUSINESS

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



Source: Doing Business database.

STARTING A BUSINESS

What are the changes over time?

Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology, and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in

stages—and often as part of a larger regulatory reform program. Among the benefits have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities.

What business registration reforms has *Doing Business* recorded in the Small island states (table 2.1)?

Table 2.1 How have economies in the Small island states made starting a business easier—or not?
By *Doing Business* report year

DB Year	Economy	Reform
DB2012	<i>Dominican Republic</i>	The Dominican Republic made starting a business easier by eliminating the requirement for a proof of deposit of capital when establishing a new company.
DB2012	<i>Fiji</i>	Fiji made starting a business more difficult by adding a requirement to obtain a tax identification number when registering a new company.
DB2012	<i>São Tomé and Príncipe</i>	São Tomé and Príncipe made starting a business easier by establishing a one-stop shop, eliminating the requirement for an operating license for general commercial companies and simplifying publication requirements.
DB2012	<i>Solomon Islands</i>	The Solomon Islands made starting a business easier by implementing an online registration process.
DB2012	<i>Tonga</i>	Tonga made starting a business easier by implementing an electronic system at the registry, which reduced the time required for verification of the uniqueness of the company name and for registration of the company. The costs for the name search, company registration and business license increased, however.
DB2012	<i>Vanuatu</i>	Vanuatu made starting a business easier by reducing the time required for company registration at the Vanuatu Financial Services Commission and issuing provisional licenses at the Department of Customs.
DB2012	<i>Timor-Leste</i>	Timor-Leste made starting a business faster by improving the registration process.
DB2011	<i>Cape Verde</i>	Cape Verde made start-up easier by eliminating the need for a municipal inspection before a business begins operations and computerizing the system for delivering the municipal license.

DB Year	Economy	Reform
DB2011	<i>Dominican Republic</i>	The Dominican Republic made it more difficult to start a business by setting a minimum capital requirement of 100,000 Dominican pesos (\$2,855) for its new type of company, sociedad de responsabilidad limitada (limited liability company).
DB2011	<i>Grenada</i>	Grenada eased business start-up by transferring responsibility for the commercial registry from the courts to the civil administration.
DB2011	<i>Haiti</i>	Haiti eased business start-up by eliminating the review by the president's or the prime minister's office of the incorporation act submitted for publication.
DB2011	<i>São Tomé and Príncipe</i>	São Tomé and Príncipe made starting a business more difficult by introducing a minimum capital requirement for limited liability companies.
DB2010	<i>Cape Verde</i>	Business start-up was eased by implementing an online company registration system.
DB2010	<i>Samoa</i>	Business start-up was eased by passing a new company act that removed the minimum capital requirement and simplified various other procedures. The act cut 26 days, 4 procedures, and three-quarters of the cost of starting a company.
DB2010	<i>Singapore</i>	Business start-up was simplified by making it possible to incorporate a company and register for taxes using the same online form.
DB2010	<i>St. Lucia</i>	Business start-up was eased by making it possible to check availability and reserve company names online.
DB2010	<i>St. Vincent and the Grenadines</i>	Business start-up was eased by abolishing the requirement to have a company seal.
DB2009	<i>Dominican Republic</i>	Entrepreneurs can now complete several start-up formalities online, including name verification, and commercial and tax registration.
DB2009	<i>Mauritius</i>	Start-up is also easier: name verification for a new company is now done online.
DB2009	<i>Singapore</i>	The online process for business start-up was simplified, cutting a procedure and reducing the time required by a day.
DB2009	<i>Tonga</i>	New regulations on business licensing reduced the time to start a business by one week.
DB2008	<i>Dominican Republic</i>	By simplifying the name registration process and introducing online tax registration the time to start a business has been reduced.
DB2008	<i>Mauritius</i>	A centralized database links the company registry with tax, social security, and local authorities. Business registration takes place in one week.

DB Year	Economy	Reform
DB2008	<i>Timor-Leste</i>	Approvals by the Ministry of Land were eliminated, removing one procedure and reducing the number of days required to start a company.

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

Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

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

What do the indicators cover?

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

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

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

The business:

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

The warehouse:

- Is a new construction (there was no previous construction on the land).
- Has complete architectural and technical plans prepared by a licensed architect.

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

Completing all required notifications and receiving all necessary inspections

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

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

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

- Will be connected to water, sewerage (sewage system, septic tank or their equivalent) and a fixed telephone line. The connection to each utility network will be 10 meters (32 feet, 10 inches) long.
- Will be used for general storage, such as of books or stationery (not for goods requiring special conditions).
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

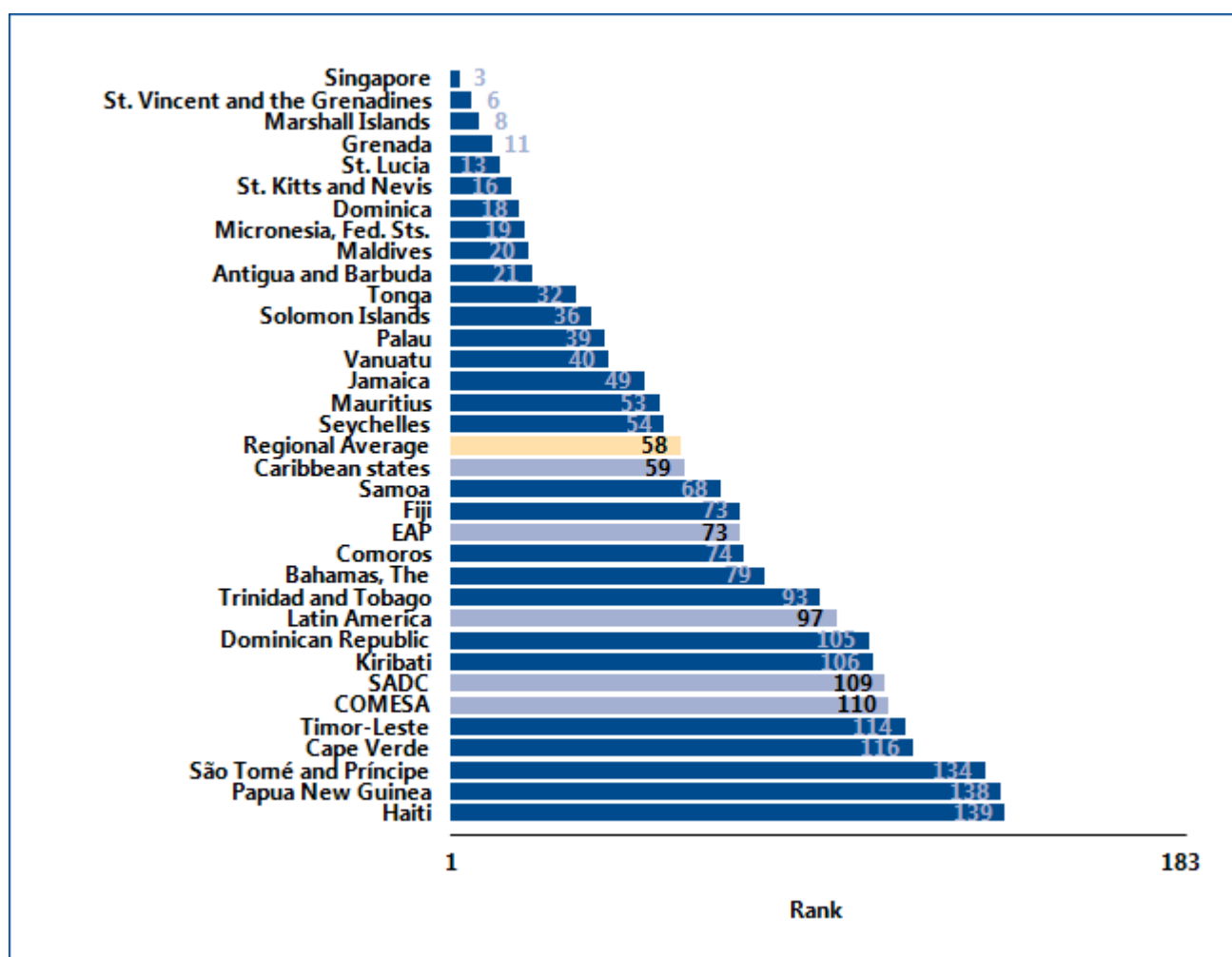
DEALING WITH CONSTRUCTION PERMITS

Where do the region's economies stand today?

How easy it is for entrepreneurs in economies in the Small island states to legally build a warehouse? The global rankings of these economies on the ease of

dealing with construction permits suggest an answer (figure 3.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 3.1 How economies in the Small island states rank on the ease of dealing with construction permits



Source: *Doing Business* database.

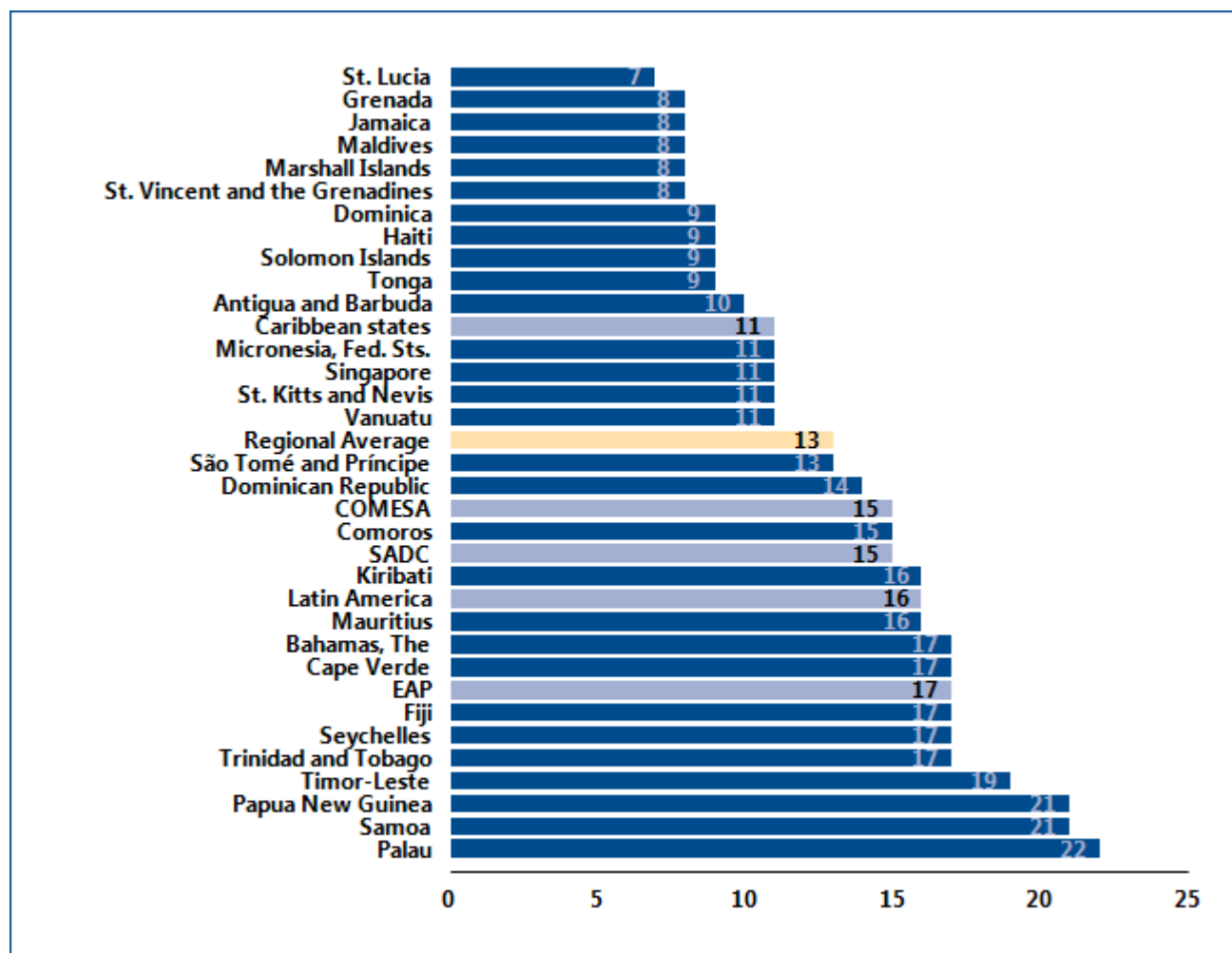
The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to comply with formalities to build a warehouse in each economy in the region: the number

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DEALING WITH CONSTRUCTION PERMITS

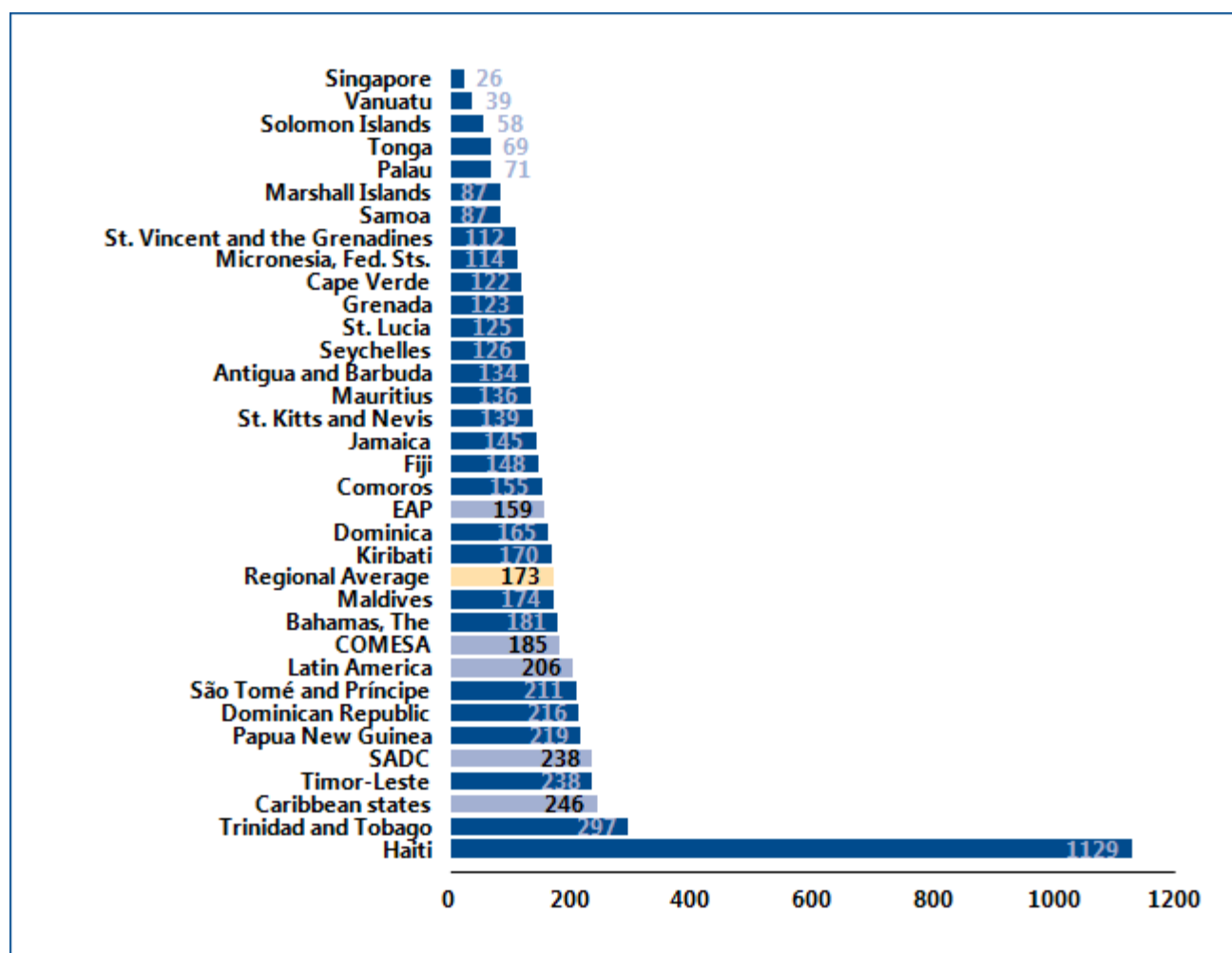
Figure 3.2 What it takes to comply with formalities to build a warehouse in economies in the Small island states

Procedures (number)



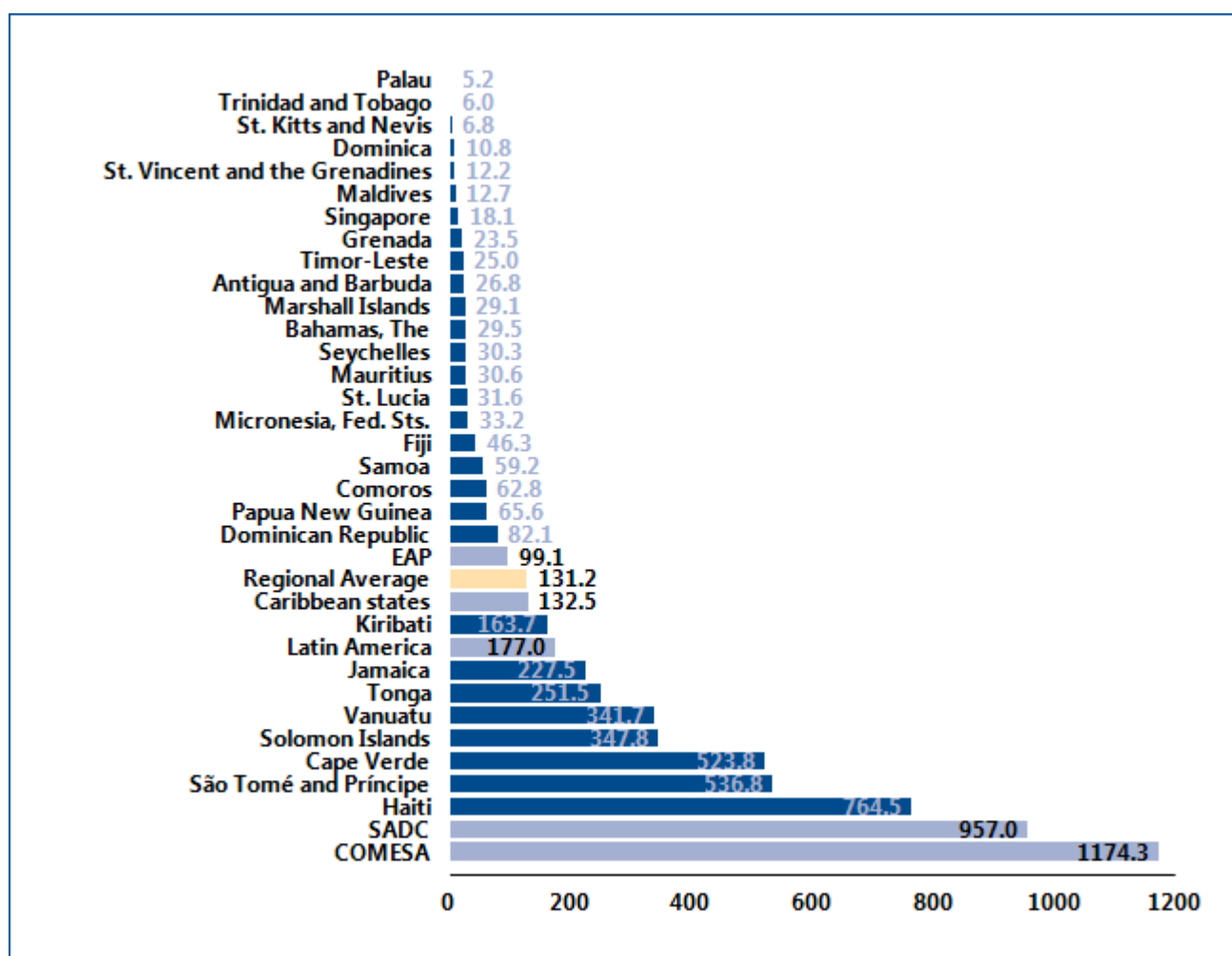
DEALING WITH CONSTRUCTION PERMITS

Time (days)



DEALING WITH CONSTRUCTION PERMITS

Cost (% of income per capita)



* Indicates a "no practice" mark. See the data notes for details.

Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

What are the changes over time?

Smart regulation ensures that standards are met while making compliance easy and accessible to all. Coherent and transparent rules, efficient processes and adequate allocation of resources are especially important in sectors where safety is at stake. Construction is one of them. In an effort to ensure

building safety while keeping compliance costs reasonable, governments around the world have worked on consolidating permitting requirements. What construction permitting reforms has *Doing Business* recorded in the Small island states (table 3.1)?

Table 3.1 How have economies in the Small island states made dealing with construction permits easier—or not?

By *Doing Business* report year

DB Year	Economy	Reform
DB2012	<i>Haiti</i>	Haiti made dealing with construction permits costlier by increasing the fees to obtain a building permit.
DB2012	<i>São Tomé and Príncipe</i>	São Tomé and Príncipe made dealing with construction permits easier by reducing the time required to process building permit applications.
DB2012	<i>Trinidad and Tobago</i>	Trinidad and Tobago made dealing with construction permits costlier by increasing the fees for building permit approvals.
DB2012	<i>Vanuatu</i>	Vanuatu made dealing with construction permits more difficult by increasing the number of procedures and the cost to obtain a building permit.
DB2010	<i>Singapore</i>	Dealing with construction permits was made easier with new workplace safety and health regulations that allow low-risk industries to submit documents online.
DB2010	<i>Solomon Islands</i>	Fee increases significantly raised the cost of obtaining a construction permit.
DB2009	<i>Fiji</i>	New regulations were adopted for construction permitting that added three new preapproval procedures relating to health, fire safety, and water and sewerage connections.
DB2009	<i>Jamaica</i>	As part of an initiative to improve administrative efficiency, a statutory time limit was introduced for issuing building permits, reducing the time required to build a warehouse.

DB Year	Economy	Reform
DB2009	<i>Singapore</i>	The process for dealing with construction permits was sped up, reducing the time to build a warehouse. Almost 99 percent of applications are now submitted electronically through the Construction and Real Estate Network (CORENET).
DB2009	<i>Tonga</i>	More of the regulations of its 2005 building code were implemented, decreasing the number of procedures for dealing with construction permits and, with administrative improvements, reducing the time to build a warehouse.
DB2008	<i>Mauritius</i>	Issuance of a unique Building and Land Use Permit was simplified: instead of two separate permits, introducing statutory time limits and recalculating the cost formula.

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

Source: *Doing Business* database.

GETTING ELECTRICITY

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

What do the indicators cover?

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

The warehouse:

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

The electricity connection:

- Is a 3-phase, 4-wire Y, 140-kilovolt-ampere (kVA) (subscribed capacity) connection.

WHAT THE GETTING ELECTRICITY

INDICATORS MEASURE

Procedures to obtain an electricity connection (number)

Submitting all relevant documents and obtaining all necessary clearances and permits

Completing all required notifications and receiving all necessary inspections

Obtaining external installation works and possibly purchasing material for these works

Concluding any necessary supply contract and obtaining final supply

Time required to complete each procedure (calendar days)

Is at least 1 calendar day

Each procedure starts on a separate day

Does not include time spent gathering information

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

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

Official costs only, no bribes

Excludes value added tax

- Is 150 meters long.
- Is to either the low-voltage or the medium-voltage distribution network and either overhead or underground, whichever is more common in the economy and in the area where the warehouse is located. The length of any connection in the customer's private domain is negligible.
- Involves installing one electricity meter. The monthly electricity consumption will be 0.07 gigawatt-hour (GWh). The internal electrical wiring has been completed.

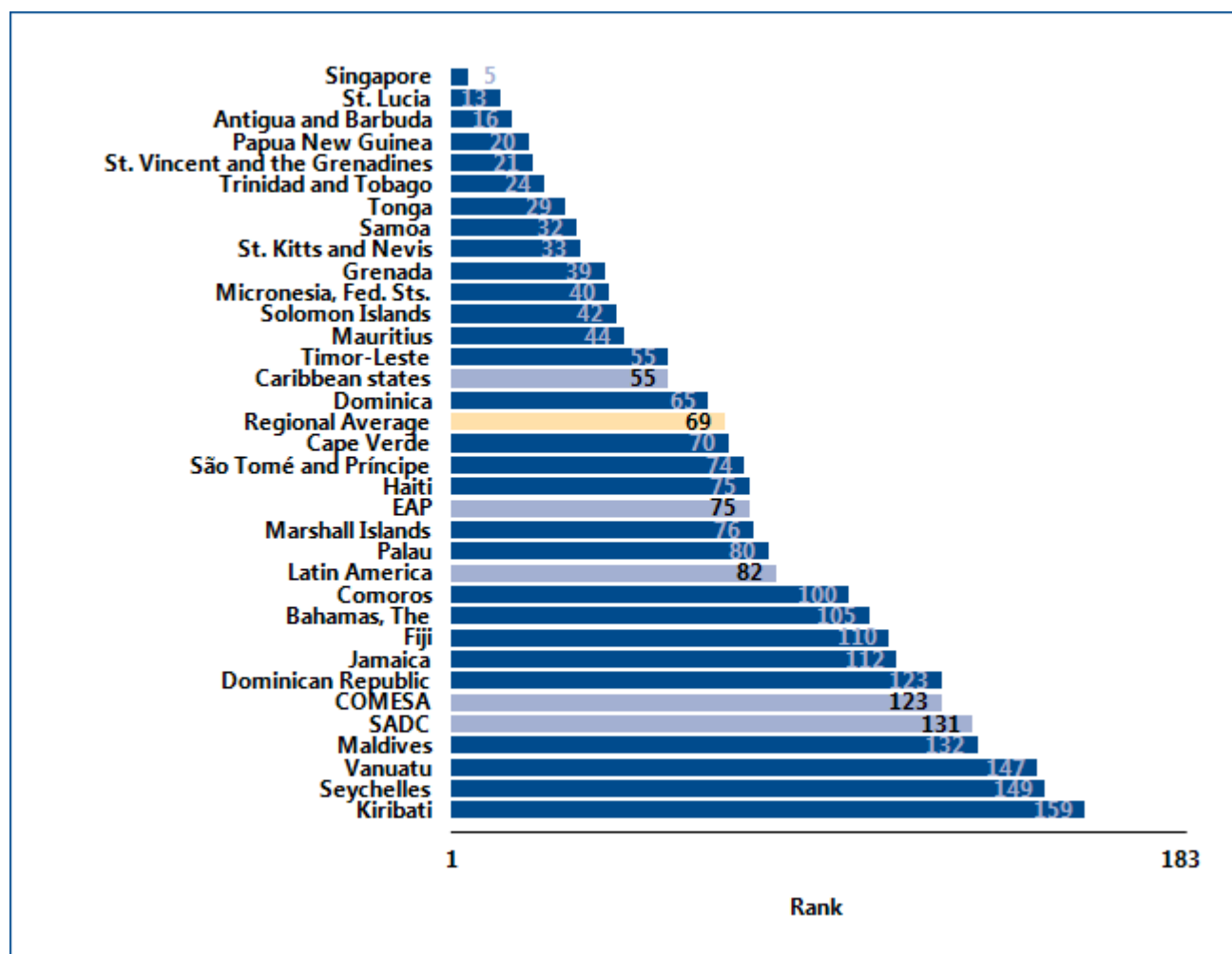
GETTING ELECTRICITY

Where do the region's economies stand today?

How easy is it for entrepreneurs in economies in the Small island states to connect a warehouse to electricity? The global rankings of these economies on

the ease of getting electricity suggest an answer (figure 4.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 4.1 How economies in the Small island states rank on the ease of getting electricity



Source: *Doing Business* database.

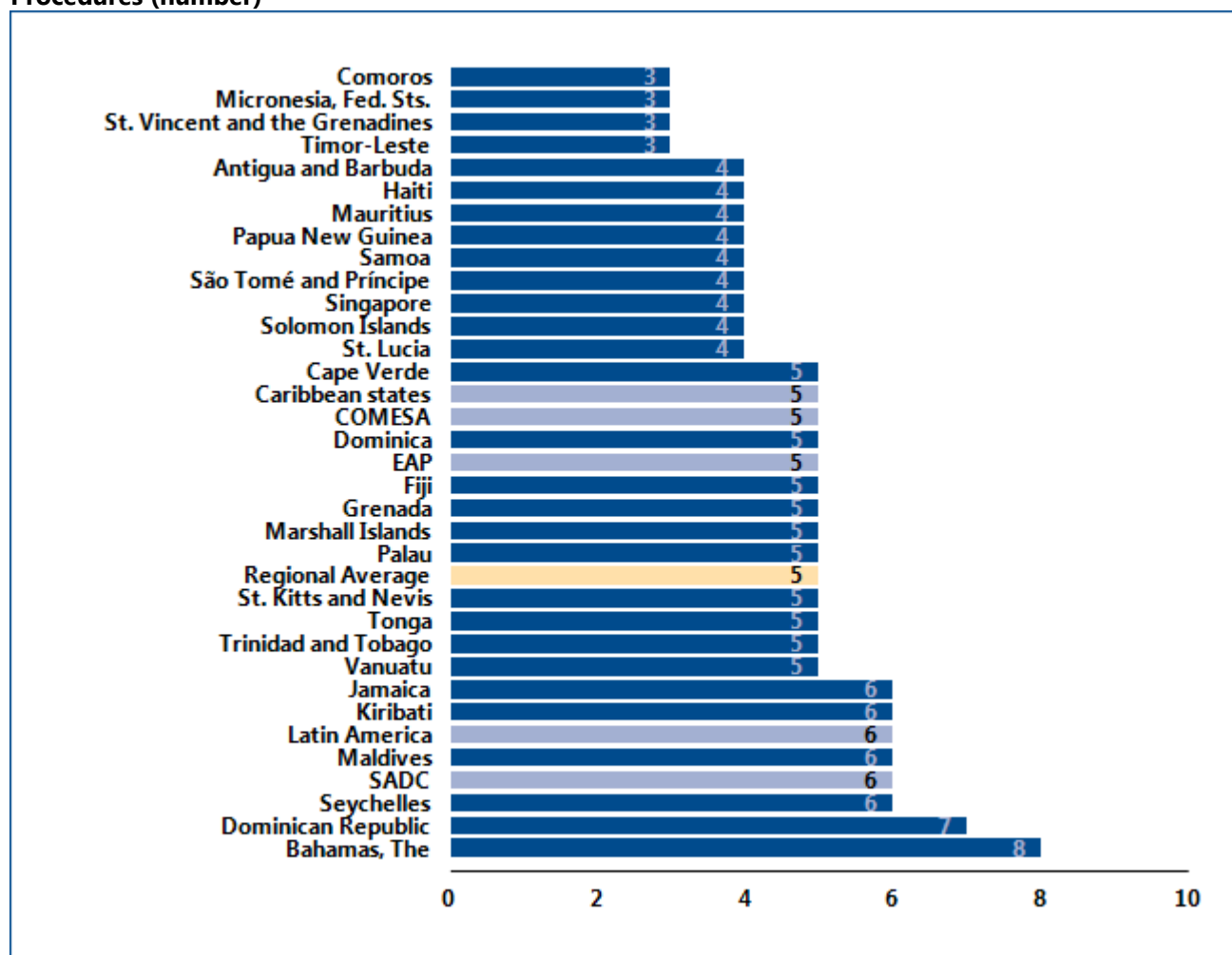
The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to get a new electricity connection in each economy in the region: the number of procedures, the

time and the cost (figure 4.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

GETTING ELECTRICITY

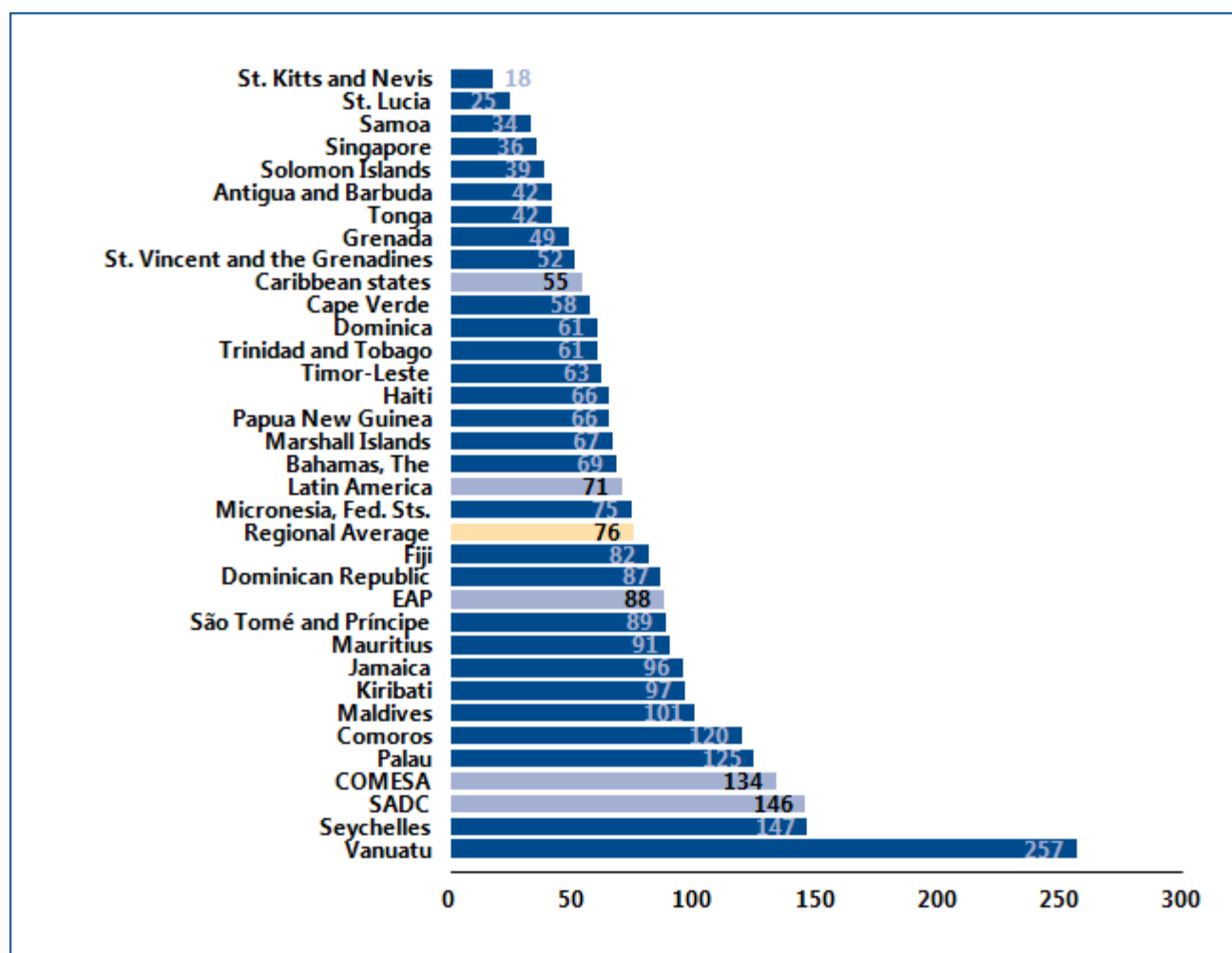
Figure 4.2 What it takes to get an electricity connection in economies in the Small island states

Procedures (number)



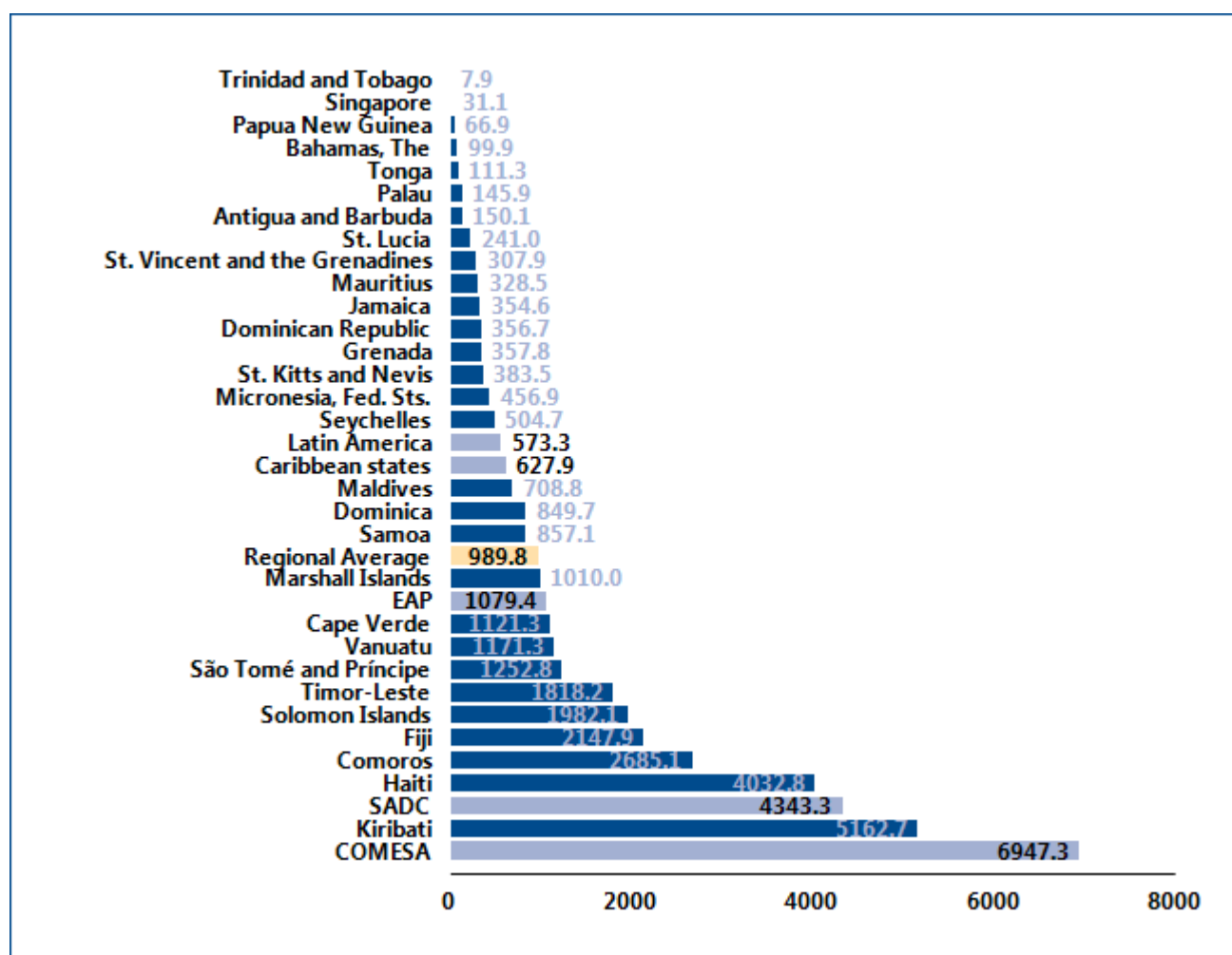
GETTING ELECTRICITY

Time (days)



GETTING ELECTRICITY

Cost (% of income per capita)



Source: Doing Business database.

REGISTERING PROPERTY

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

What do the indicators cover?

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

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

The parties (buyer and seller):

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

The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.

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

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

Procedure 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

- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Consists of 557.4 square meters (6,000 square feet) of land and a 10-year-old, 2-story warehouse of 929 square meters (10,000 square feet). The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

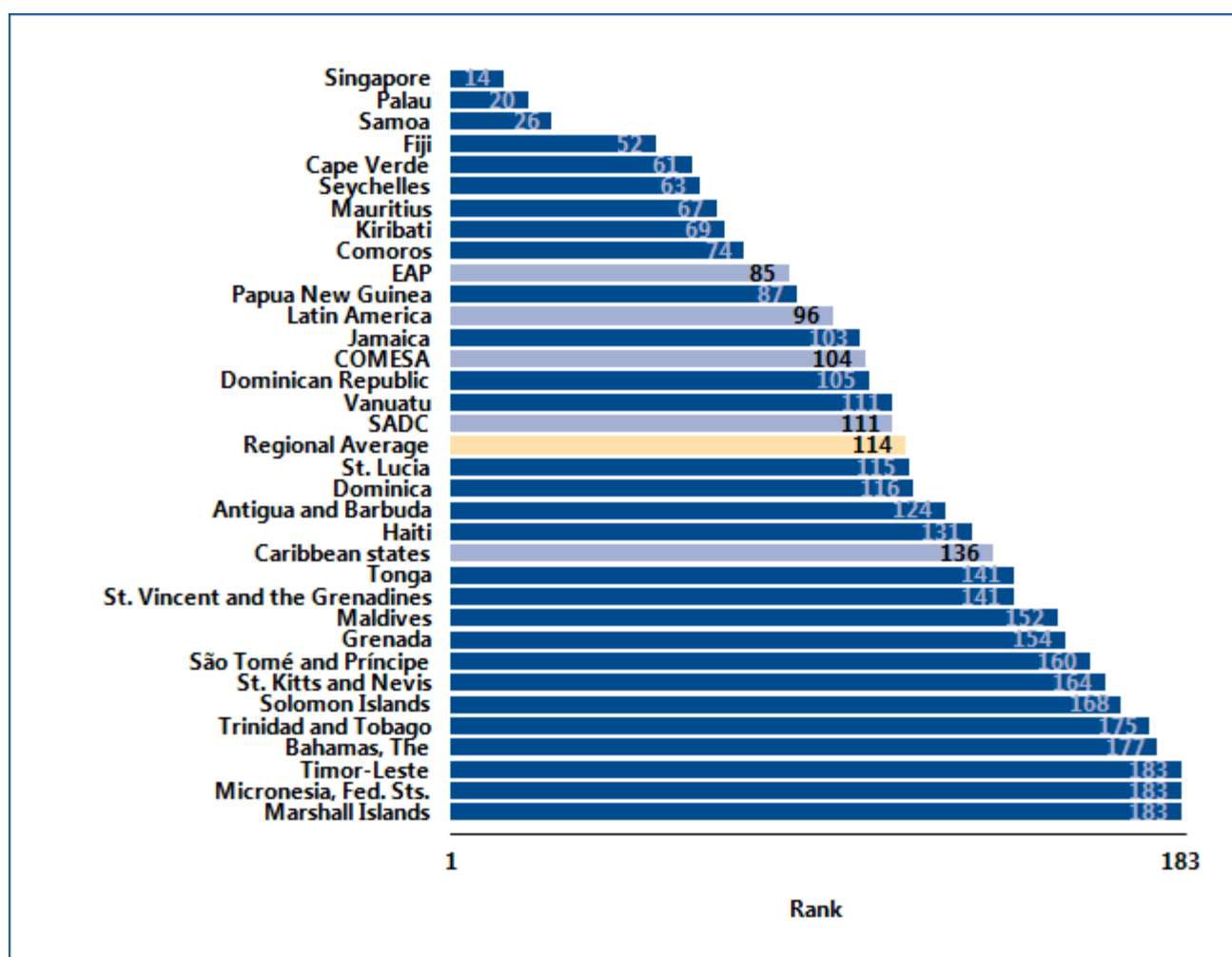
REGISTERING PROPERTY

Where do the region's economies stand today?

How easy is it for entrepreneurs in economies in the Small island states to transfer property? The global rankings of these economies on the ease of registering

property suggest an answer (figure 5.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 5.1 How economies in the Small island states rank on the ease of registering property



Source: *Doing Business* database.

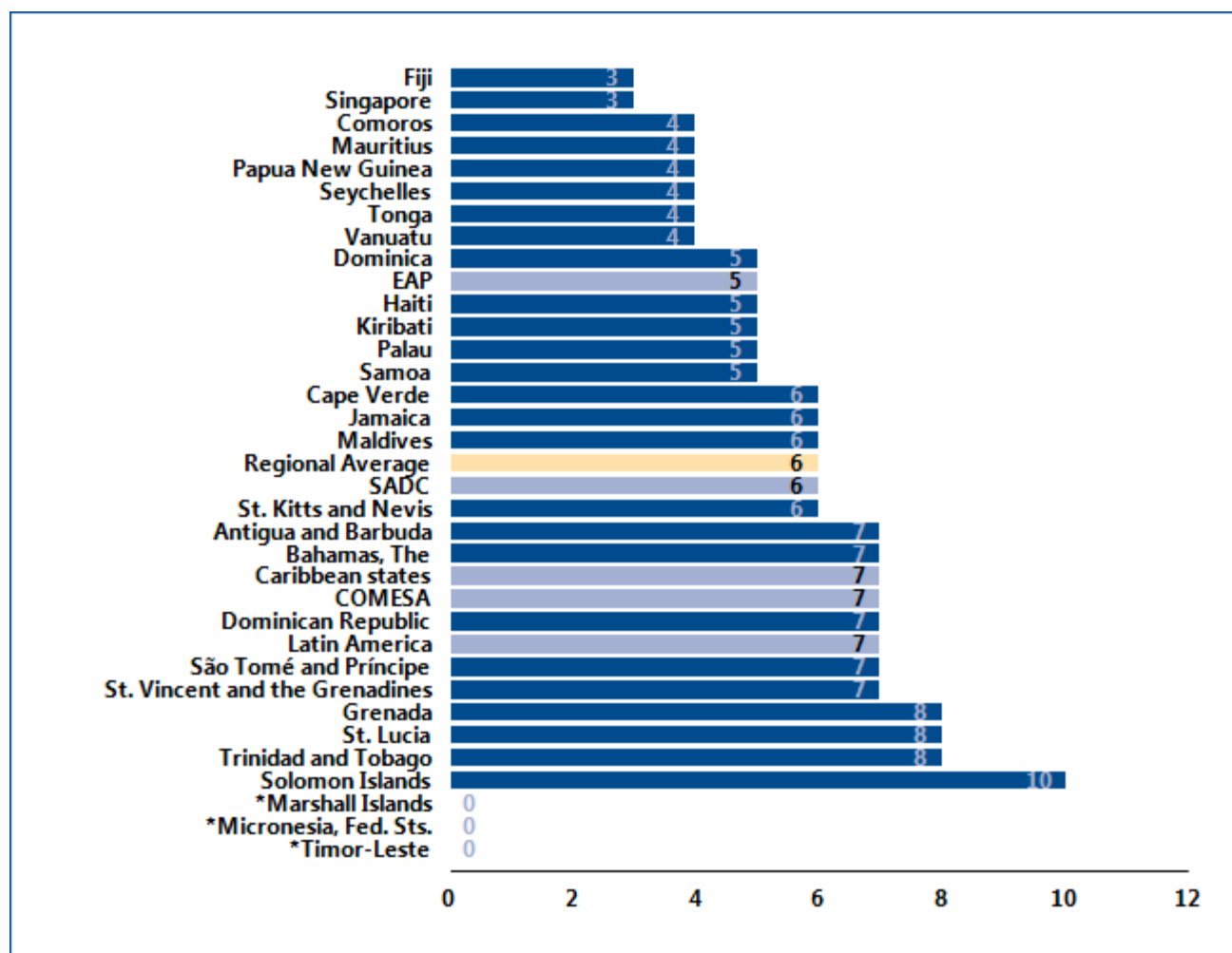
The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to complete a property transfer in each economy in the region: the number of procedures, the

time and the cost (figure 5.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

REGISTERING PROPERTY

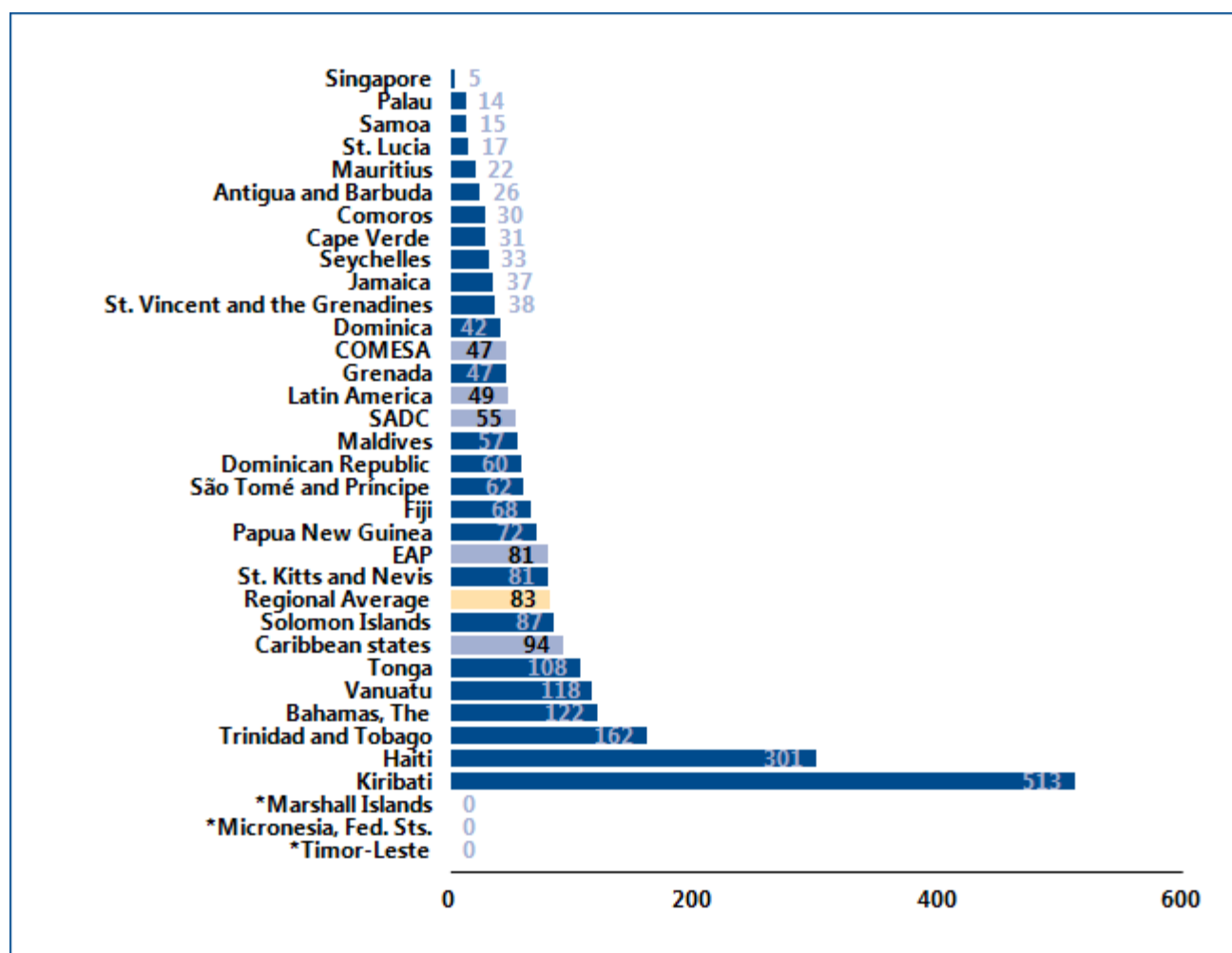
Figure 5.2 What it takes to register property in economies in the Small island states

Procedures (number)



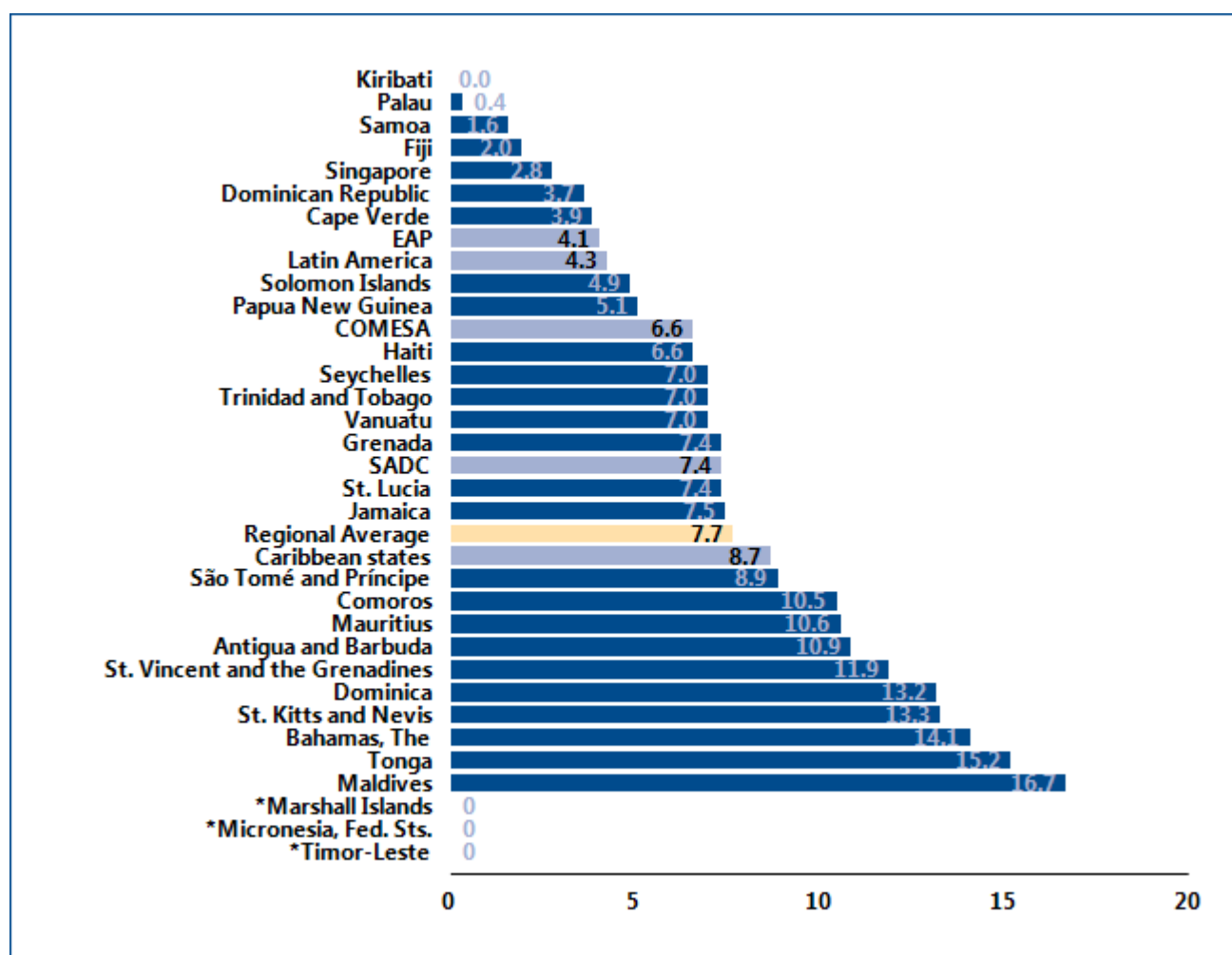
REGISTERING PROPERTY

Time (days)



REGISTERING PROPERTY

Cost (% of property value)



* Indicates a "no practice" mark. See the data notes for details.

Source: *Doing Business* database.

REGISTERING PROPERTY

What are the changes over time?

Economies worldwide have been making it easier for entrepreneurs to register and transfer property—such as by computerizing land registries, introducing time limits for procedures and setting low fixed fees. Many have cut the time required substantially—enabling

buyers to use or mortgage their property earlier. What property registration reforms has *Doing Business* recorded in the Small island states (table 5.1)?

Table 5.1 How have economies in the Small island states made registering property easier—or not?
By *Doing Business* report year

DB Year	Economy	Reform
DB2012	<i>Bahamas, The</i>	The Bahamas made transferring property more costly by increasing the applicable stamp duty fees.
DB2012	<i>Cape Verde</i>	Cape Verde made registering property faster by implementing time limits for the notaries and the land registry.
DB2012	<i>São Tomé and Príncipe</i>	São Tomé and Príncipe made registering property less costly by lowering property transfer taxes.
DB2012	<i>Solomon Islands</i>	The Solomon Islands made registering property faster by separating the land registry from the business and movable property registries.
DB2012	<i>Tonga</i>	Tonga made transferring property more costly.
DB2012	<i>Vanuatu</i>	Vanuatu made registering property easier by computerizing the land registry.
DB2011	<i>Antigua and Barbuda</i>	In Antigua and Barbuda, to transfer property now requires clearance by the chief surveyor to avoid mischievous declarations.
DB2011	<i>Cape Verde</i>	Cape Verde eased property registration by switching from fees based on a percentage of the property value to lower fixed rates.
DB2011	<i>Grenada</i>	The appointment of a registrar focusing only on property cut the time needed to transfer property in Grenada by almost half.

DB Year	Economy	Reform
DB2011	<i>Jamaica</i>	Jamaica eased the transfer of property by lowering transfer taxes and fees, offering expedited registration procedures and making information from the company registrar available online.
DB2011	<i>Maldives</i>	Maldives now allows registered companies to own land as long as all company shares are owned by Maldivians.
DB2011	<i>Samoa</i>	Samoa shifted from a deed system to a title system and fully computerized its land registry, which reduced the time required to register property by 4 months.
DB2010	<i>Jamaica</i>	The property transfer tax was reduced from 6.5 percent of the value of the property to 5 percent.
DB2010	<i>Mauritius</i>	Property registration was made easier by setting a limit of 15 days to obtain final property titles from the land registry.
DB2010	<i>Singapore</i>	Property registration was eased by improving its computerized system.
DB2009	<i>Dominican Republic</i>	The cost of property registration fell, thanks to a reduction in the transfer tax from 4.3% to 3%.
DB2009	<i>Jamaica</i>	The property transfer tax was reduced from 7.5% to 6%, and the stamp duty from 5.5% to 4.5%, of the property value.
DB2009	<i>Mauritius</i>	The transfer of property was simplified by abolishing two procedures. It is no longer necessary to obtain a clearance certificate from the Waste Water Authority or a tax clearance certificate for municipal taxes.
DB2008	<i>Dominican Republic</i>	A new property law and the reform of the registry cut property registration.

DB Year	Economy	Reform
DB2008	Haiti	The time to register property was decreased by decreasing time to register at the tax authorities. Time to register the sale contract has been reduced. A reform program began to reduce the time to register the sale-contract through reorganization, training and employment of interns. Beginning in the summer of 2006, a program was begun to reorganize the department and retrain employees, many of whom were not competent. In addition, about 60 interns were hired from the university and trained, with the promise that if they performed well, they would be contracted as employees. After the initial two month training period, a six-month program commenced to reduce the time to register sale contracts. The transformation was closely supervised and at the end of the period—in which improvements were definitely achieved, thanks to the additional staff and training—the interns that had performed well were hired.
DB2008	Mauritius	The government reduced the property registration fee to 5% of property value.
DB2008	Vanuatu	It was made more costly to register property. The cost to apply for registration of the Deed of Transfer at the Department of Lands Records increased from 2% to 6% property value. The change is a result of a new amendment that has been made to the land law by the Acting Director General of Ministry of Land, Geology and Water Supply on December 27, 2006.

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

Source: *Doing Business* database.

GETTING CREDIT

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

What do the indicators cover?

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

- Is a private, limited liability company.
- Has its headquarters and only base of operations in the largest business city.

WHAT THE GETTING CREDIT INDICATORS MEASURE

Strength of legal rights index (0–10)

Protection of rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

Depth of credit information index (0–6)

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

Public credit registry coverage (% of adults)

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

Private credit bureau coverage (% of adults)

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

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

The ranking on the ease of getting credit is based on the percentile rankings on its component indicators: the depth of credit information index (weighted at 37.5%) and the strength of legal rights index (weighted at 62.5%).

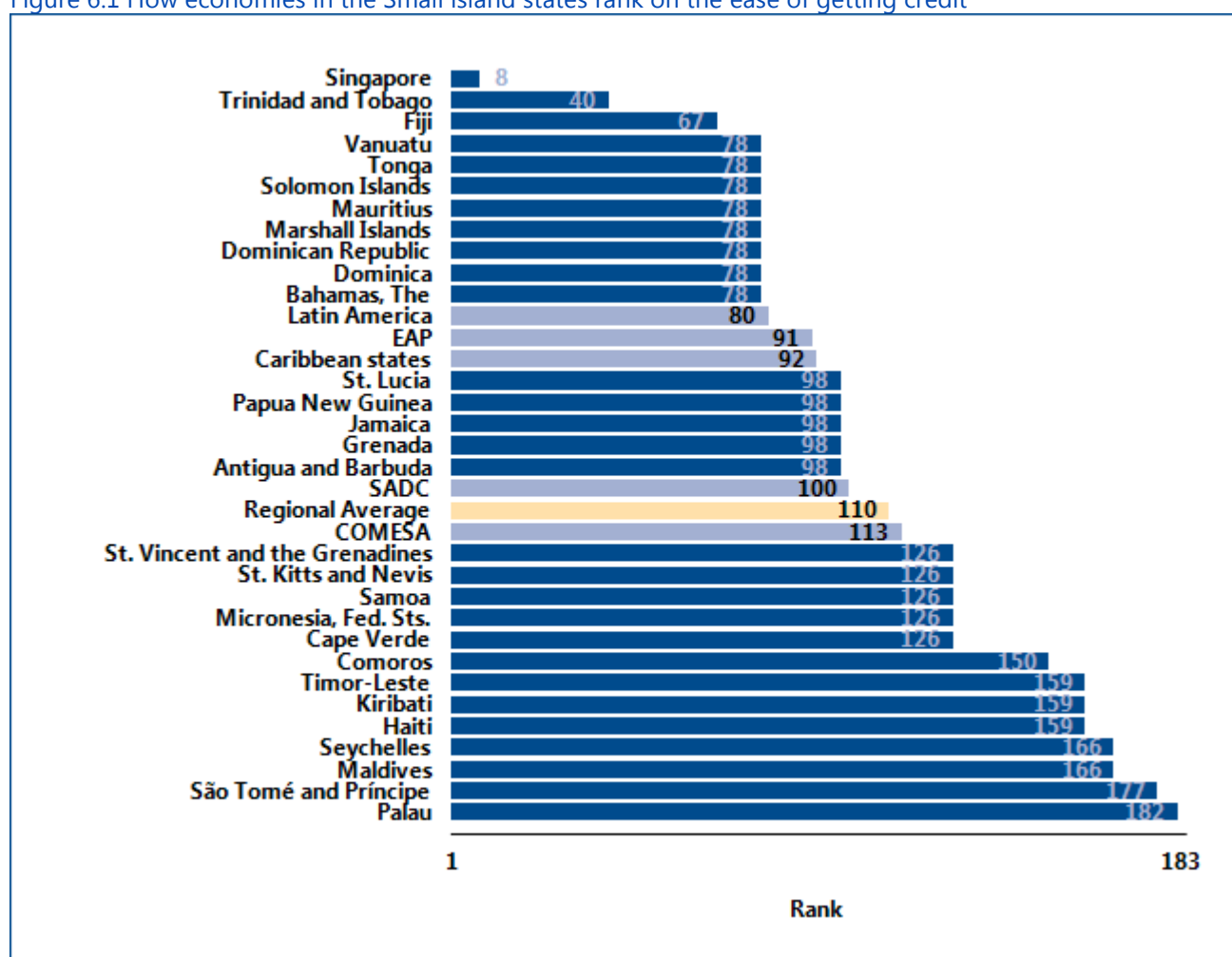
GETTING CREDIT

Where do the region's economies stand today?

How well do the credit information systems and collateral and bankruptcy laws in economies in the Small island states facilitate access to credit? The global rankings of these economies on the ease of

getting credit suggest an answer (figure 6.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 6.1 How economies in the Small island states rank on the ease of getting credit



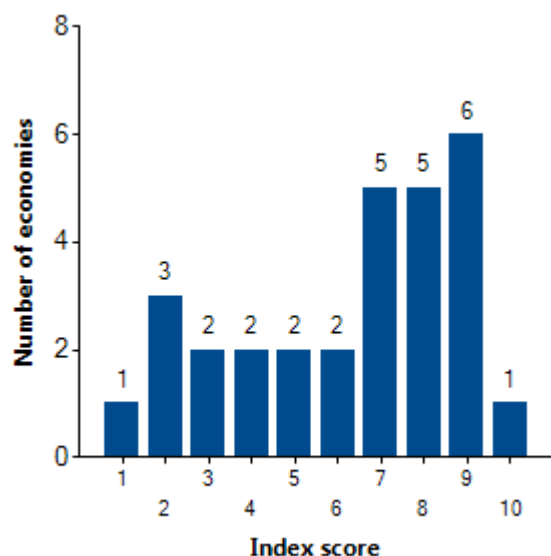
Source: Doing Business database.

GETTING CREDIT

Another way to assess how well regulations and institutions support lending and borrowing in the region is to look at the distribution of its economies by their scores on the getting credit indicators. Figure 6.2 shows how many economies in the region received a

Figure 6.2 How strong are legal rights for borrowers and lenders in economies in the Small island states?

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

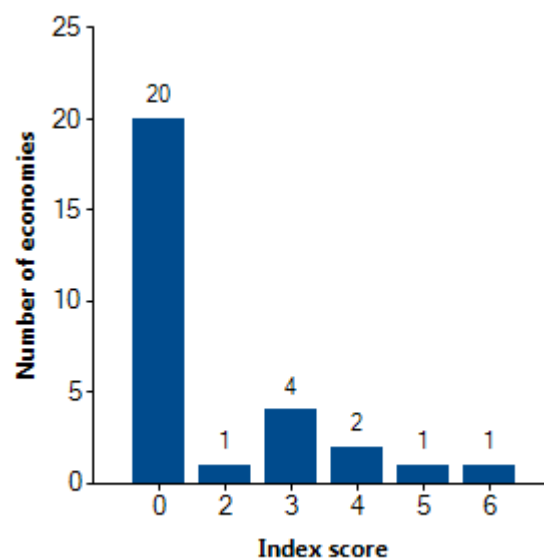


Source: Doing Business database.

particular score on the strength of legal rights index. Figure 6.3 shows the same thing for the depth of credit information index. Higher scores indicate stronger legal rights for borrowers and lenders and more credit information.

Figure 6.3 How extensive—and how accessible—is credit information in economies in the Small island states?

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



Source: Doing Business database.

GETTING CREDIT

What are the changes over time?

When economies strengthen the legal rights of lenders and borrowers under collateral and bankruptcy laws, and increase the scope, coverage and accessibility of

credit information, they can increase entrepreneurs' access to credit. What credit reforms has *Doing Business* recorded in the Small island states (table 6.1)?

Table 6.1 How have economies in the Small island states made getting credit easier—or not?
By *Doing Business* report year

DB Year	Economy	Reform
DB2012	<i>Cape Verde</i>	Cape Verde improved its credit information system by introducing a new online platform and by starting to provide 5 years of historical data.
DB2012	<i>Comoros</i>	Access to credit in Comoros was improved through amendments to the OHADA Uniform Act on Secured Transactions that broaden the range of assets that can be used as collateral (including future assets), extend the security interest to the proceeds of the original asset and introduce the possibility of out-of-court enforcement.
DB2012	<i>Tonga</i>	Tonga strengthened its secured transactions system by passing a new law that allows a general description of the obligation in the security agreement and gives secured creditors priority outside bankruptcy.
DB2012	<i>Timor-Leste</i>	Timor-Leste improved its credit information system by establishing a public credit registry.
DB2011	<i>Marshall Islands</i>	The Marshall Islands improved access to credit through a new law on secured transactions that establishes a central collateral registry, broadens the range of assets that can be used as collateral, allows a general description of debts and obligations and assets granted as collateral and establishes clear priority rules outside bankruptcy for secured creditors.
DB2011	<i>Papua New Guinea</i>	Operation of a new private credit bureau improved the credit information system in Papua New Guinea.
DB2011	<i>Solomon Islands</i>	The Solomon Islands strengthened access to credit by passing a new secured transactions law that broadens the range of assets that can be used as collateral, allows a general description of debts and obligations secured by collateral, permits out-of-court enforcement and creates a collateral registry.

DB Year	Economy	Reform
DB2010	<i>Cape Verde</i>	Access to credit information was improved by introducing online access for providers and retrievers of information. At the same time, the government raised the minimum threshold for loans included in the database from CVE 1,000 to CVE 5,000 for individuals.
DB2010	<i>Haiti</i>	Access to credit was strengthened with a new law that broadens the scope of assets that can be used as collateral, allows future and after-acquired property to be used as collateral, and extends the security interest of the creditor automatically to the products, proceeds, and replacements of the original asset
DB2010	<i>Mauritius</i>	access to credit information was strengthened by allowing the licensing of private credit information bureaus and expanding the bureaus' coverage to all credit facilities.
DB2010	<i>Vanuatu</i>	The government created a geographically centralized, unified registry for collateral, strengthening access to credit and secured transactions. The registry is accessible online.
DB2009	<i>Mauritius</i>	Getting credit may be easier: after eliminating the minimum threshold for loan amounts, the public credit registry of the Central Bank of Mauritius now captures information on all credits extended by the financial system.
DB2009	<i>Vanuatu</i>	Creditor protections were strengthened by ensuring that secured creditors have priority outside bankruptcy procedures over unsecured creditors and subsequently registered secured creditors. The improvement comes as a result of the Personal Property Securities Act passed in 2008. The act also broadens the range of assets that can be used as collateral and allows out-of-court enforcement of security rights.
DB2008	<i>Micronesia, Fed. Sts.</i>	The first secured transactions law was implemented and a unified online registry was launched for all security rights in movable property. The registry covers all types of creditors and debtors.
DB2008	<i>Trinidad and Tobago</i>	Utility companies are now included as providers of information to credit bureaus increasing the credit information index.

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

Source: *Doing Business* database.

PROTECTING INVESTORS

Investor protections matter for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. If the laws do not provide such protections, investors may be reluctant to invest unless they become the controlling shareholders. Strong regulations clearly define related-party transactions, promote clear and efficient disclosure requirements, require shareholder participation in major decisions of the company and set clear standards of accountability for company insiders.

What do the indicators cover?

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

The business (Buyer):

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

The transaction involves the following details:

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.

WHAT THE PROTECTING INVESTORS INDICATORS MEASURE

Extent of disclosure index (0–10)

Who can approve related-party transactions
Disclosure requirements in case of related-party transactions

Extent of director liability index (0–10)

Ability of shareholders to hold interested parties and members of the approving body liable in case of related-party transactions

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

Ability of shareholders to sue directly or derivatively

Ease of shareholder suits index (0–10)

Documents and information available during trial

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

Strength of investor protection index (0–10)

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

- 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.

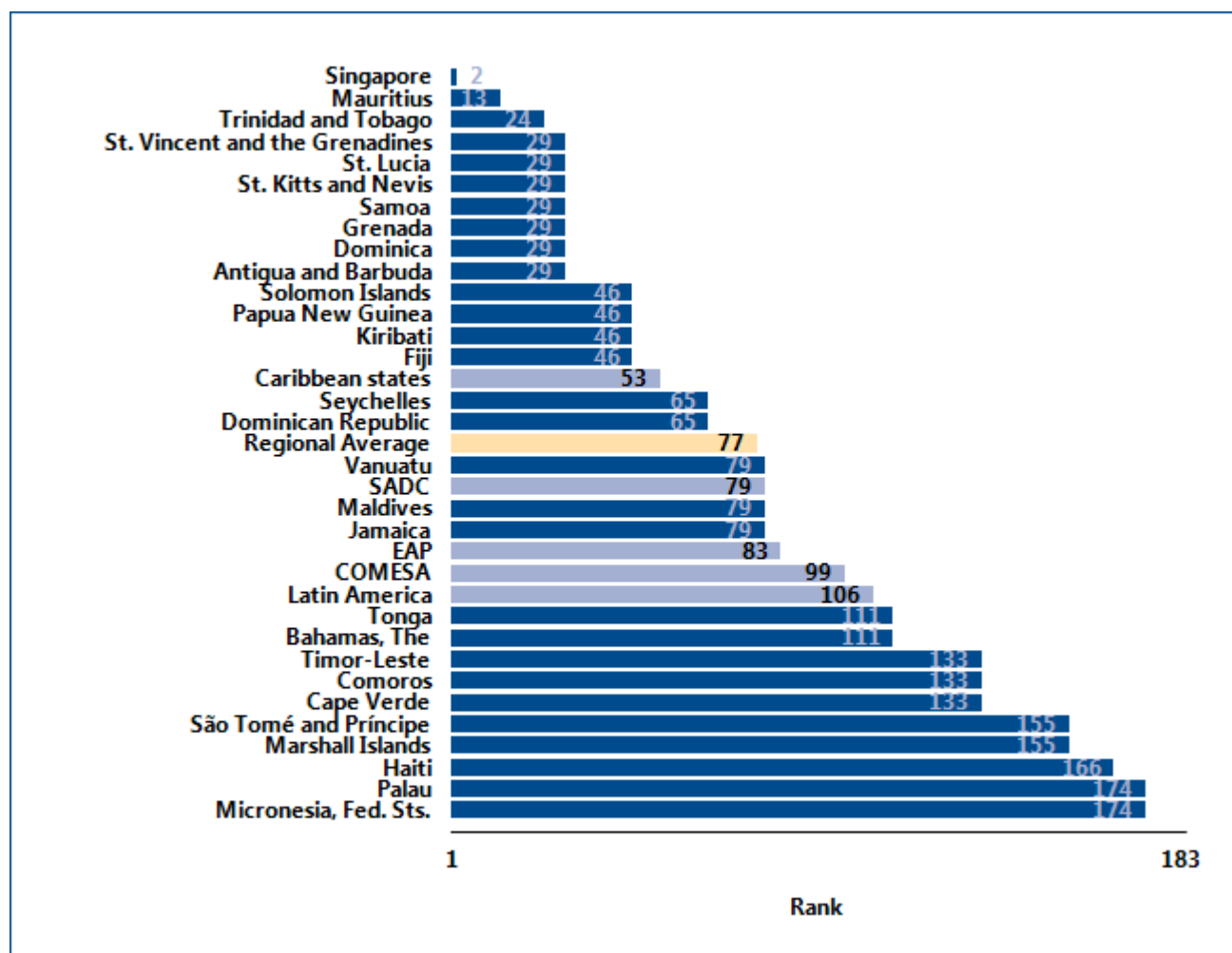
PROTECTING INVESTORS

Where do the region's economies stand today?

How strong are investor protections in economies in the Small island states? The global rankings of these economies on the strength of investor protection index suggest an answer (figure 7.1). While the indicator does not measure all aspects related to the

protection of minority investors, a higher ranking does indicate that an economy's regulations offer stronger investor protections against self-dealing in the areas measured.

Figure 7.1 How economies in the Small island states rank on the strength of investor protection index



Source: Doing Business database.

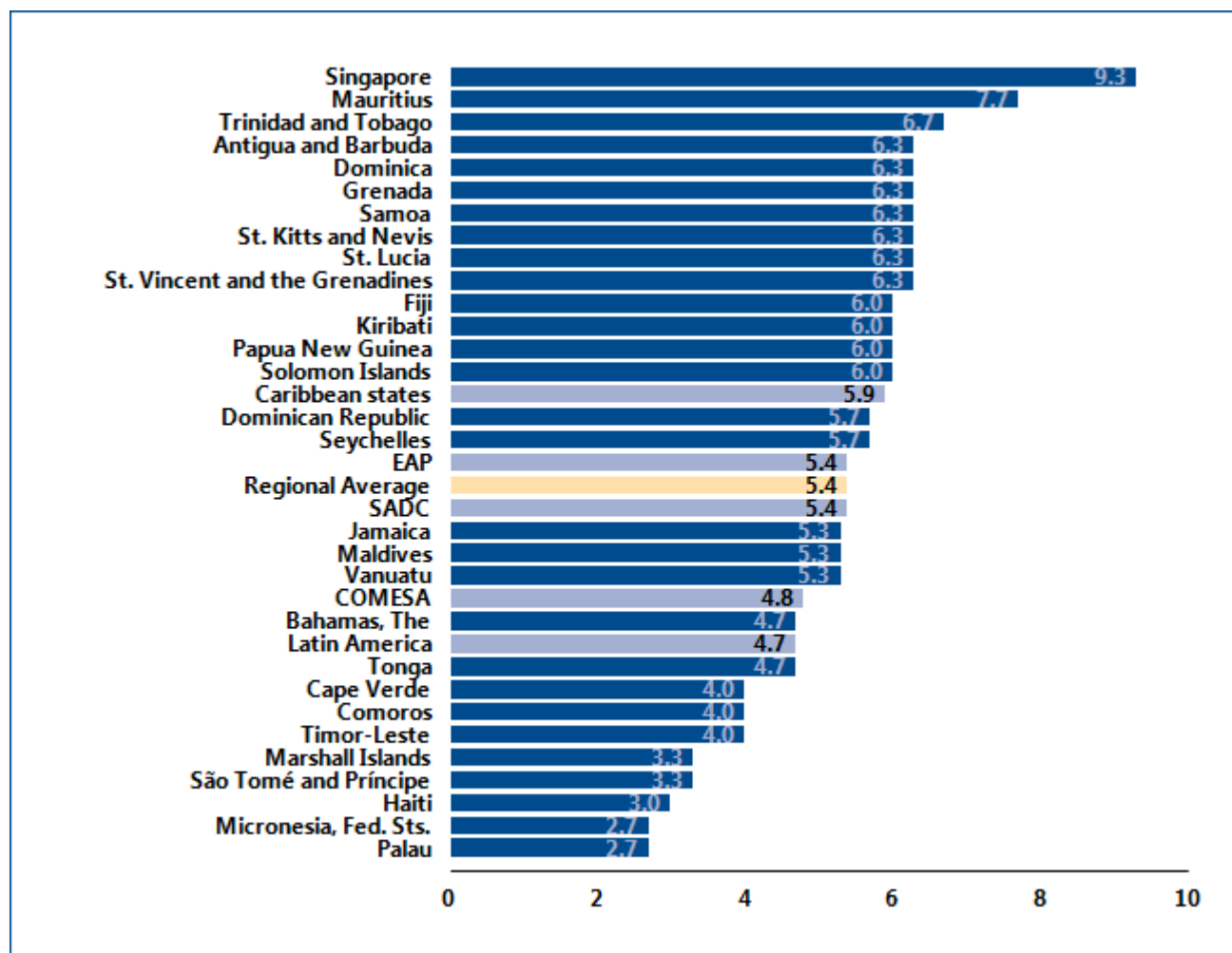
PROTECTING INVESTORS

But the overall ranking on the strength of investor protection index tells only part of the story. Economies may offer strong protections in some areas but not others. So the scores recorded for economies in the Small island states on the extent of disclosure, extent of director liability and ease of shareholder suits

indices may also be revealing (figure 7.2). Higher scores indicate stronger investor protections. Comparing the scores across the region and with averages both for the region and for comparator regions can provide useful insights.

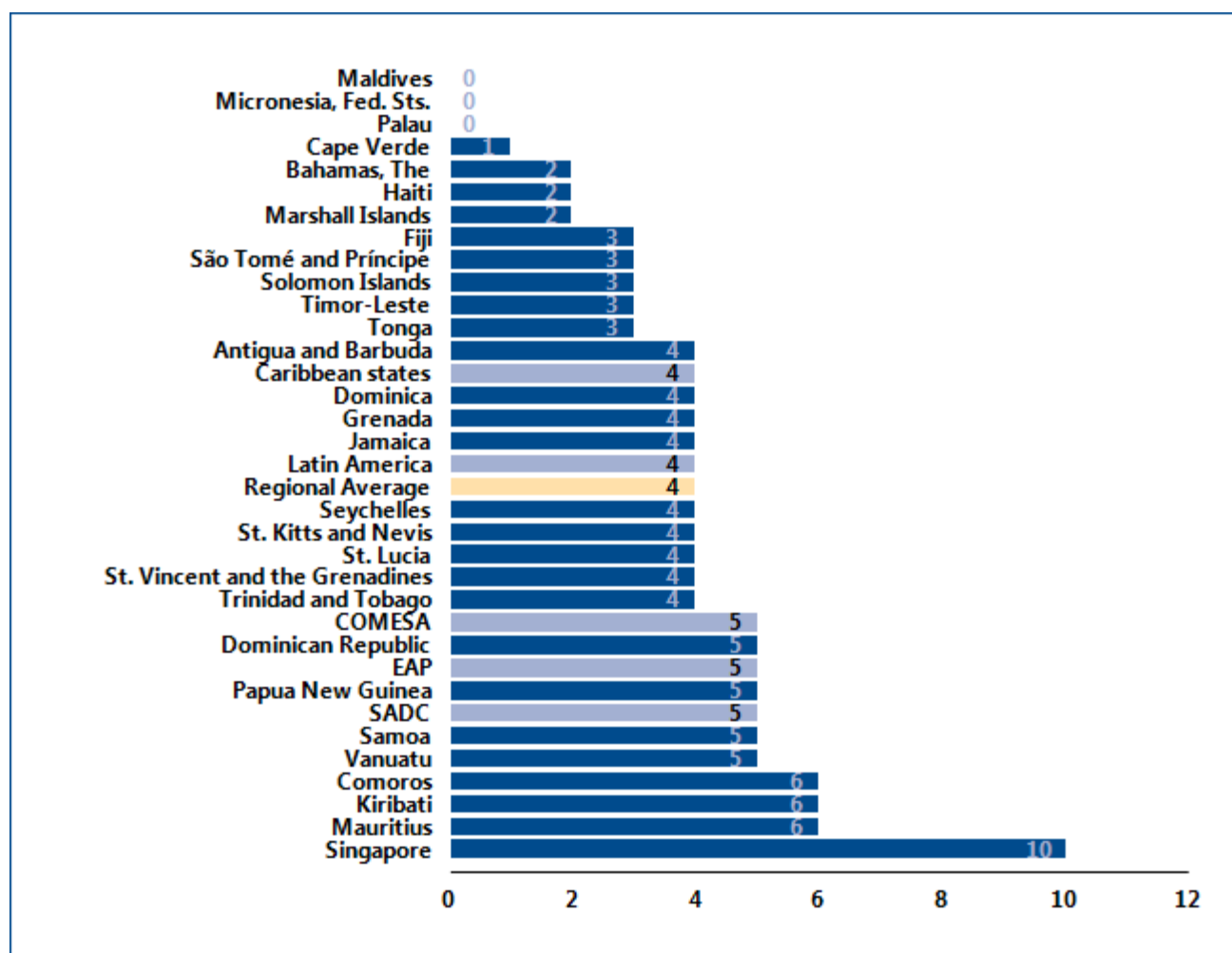
Figure 7.2 How strong are investor protections in economies in the Small island states?

Strength of investor protection index (0–10)



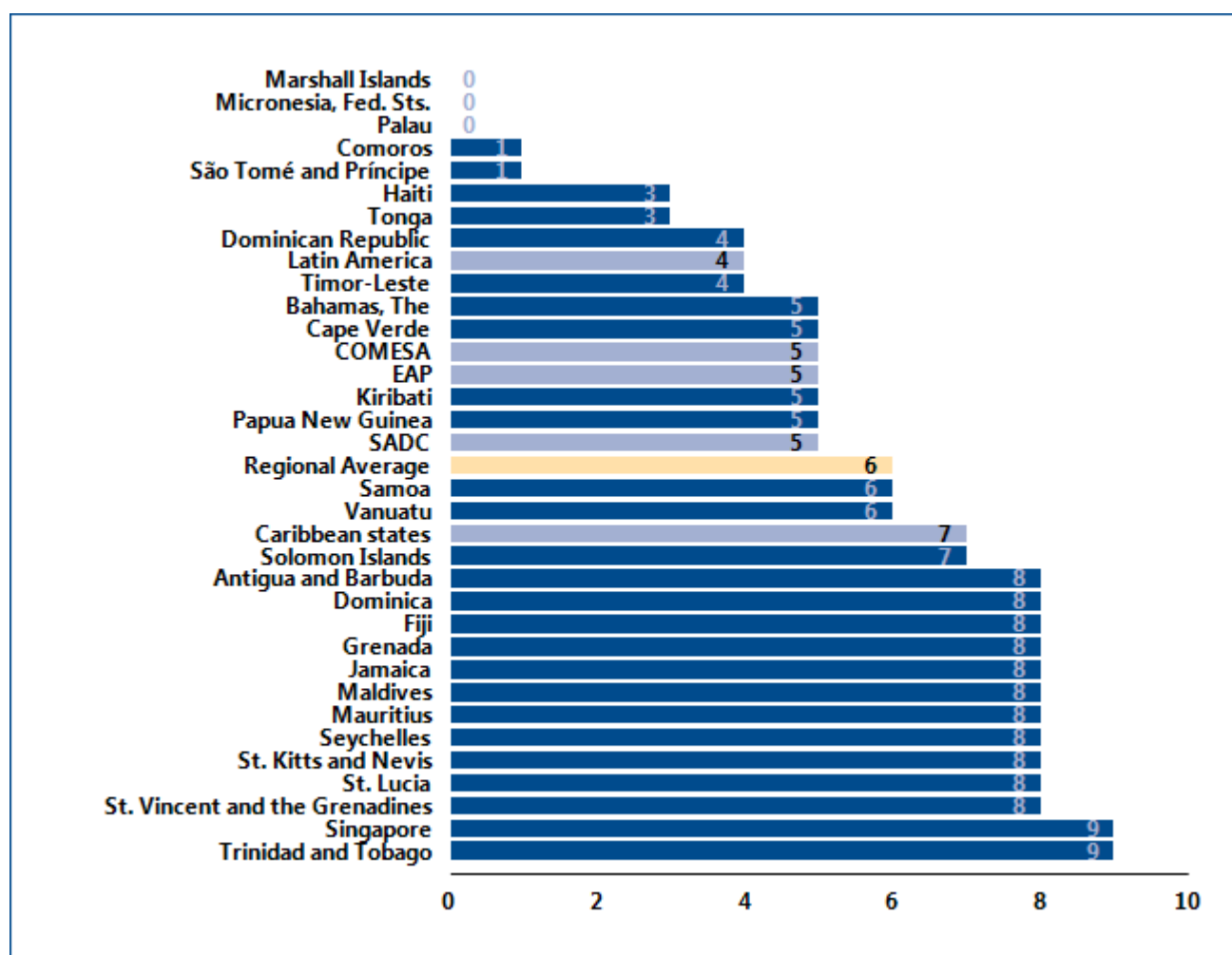
PROTECTING INVESTORS

Extent of disclosure index (0–10)



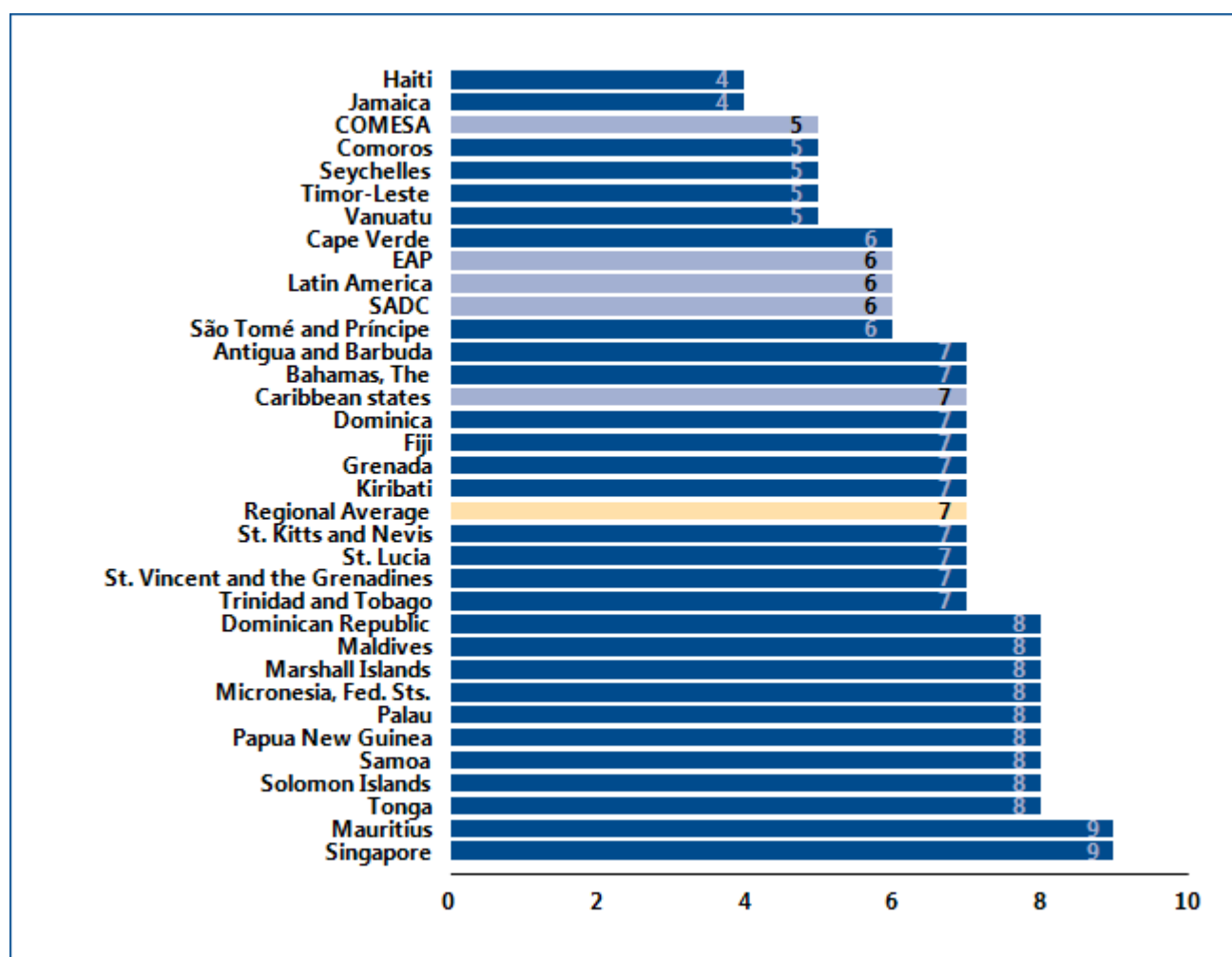
PROTECTING INVESTORS

Extent of director liability index (0–10)



PROTECTING INVESTORS

Ease of shareholder suits index (0–10)



Source: Doing Business database.

PROTECTING INVESTORS

What are the changes over time?

Economies with the strongest protections of minority investors from self-dealing require more disclosure and define clear duties for directors. They also have well-functioning courts and up-to-date procedural rules that give minority investors the means to prove their case and obtain a judgment within a reasonable

time. So reforms to strengthen investor protections may move ahead on different fronts—such as through new or amended company laws or revisions to court procedures. What investor protection reforms has *Doing Business* recorded in the Small island states (table 7.1)?

Table 7.1 How have economies in the Small island states strengthened investor protections—or not?
By *Doing Business* report year

DB Year	Economy	Reform
DB2012	<i>Solomon Islands</i>	The Solomon Islands strengthened investor protections by increasing shareholder access to corporate information.
DB2010	<i>Dominican Republic</i>	A new company law was adopted that strengthened investor protections by requiring greater corporate disclosure, director liability, and shareholder access to information.

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

Source: *Doing Business* database.

PAYING TAXES

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

What do the indicators cover?

Using a case scenario, *Doing Business* measures the taxes and mandatory contributions that a medium-size company must pay in a given year as well as the administrative burden of paying taxes and contributions. This case scenario uses a set of financial statements and assumptions about transactions made over the year. Information is also compiled on the frequency of filing and payments as well as time taken to comply with tax laws. The ranking on the ease of paying taxes is the simple average of the percentile rankings on its component indicators: number of annual payments, time and total tax rate, with a threshold being applied to the total tax rate.² To make the data comparable across economies, several assumptions about the business and the taxes and contributions are used.

- TaxpayerCo is a medium-size business that started operations on January 1, 2009.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government.

WHAT THE PAYING TAXES INDICATORS MEASURE

Tax payments for a manufacturing company in 2010 (number per year adjusted for electronic or joint filing and payment)

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

Method and frequency of filing and payment

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

Collecting information and computing the tax payable

Completing tax return forms, filing with proper agencies

Arranging payment or withholding

Preparing separate tax accounting books, if required

Total tax rate (% of profit 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.

² The threshold is defined as the highest total tax rate among the top 30% of economies in the ranking on the total tax rate. It will be calculated and adjusted on a yearly basis. The threshold is not based on any underlying theory. Instead, it is intended to mitigate the effect of very low tax rates on the ranking on the ease of paying taxes.

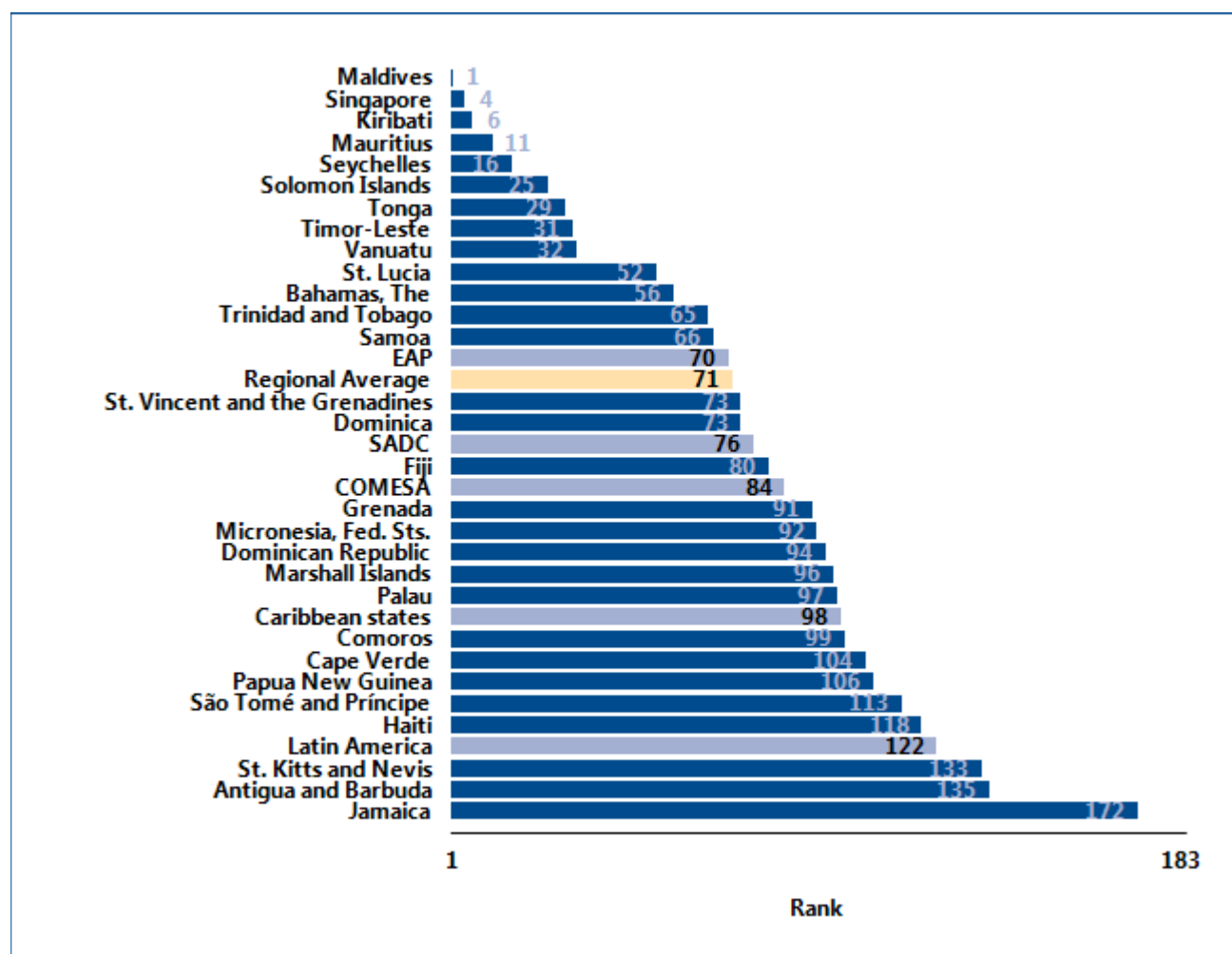
PAYING TAXES

Where do the region's economies stand today?

What is the administrative burden of complying with taxes in economies in the Small island states—and how much do firms pay in taxes? The global rankings of these economies on the ease of paying taxes offer

useful information for assessing the tax compliance burden for businesses (figure 8.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 8.1 How economies in the Small island states rank on the ease of paying taxes



Note: DB2012 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 32.5% applied in DB2012, the total tax rate is set at 32.5% for the purpose of calculating the ranking on the ease of paying taxes.

Source: *Doing Business* database.

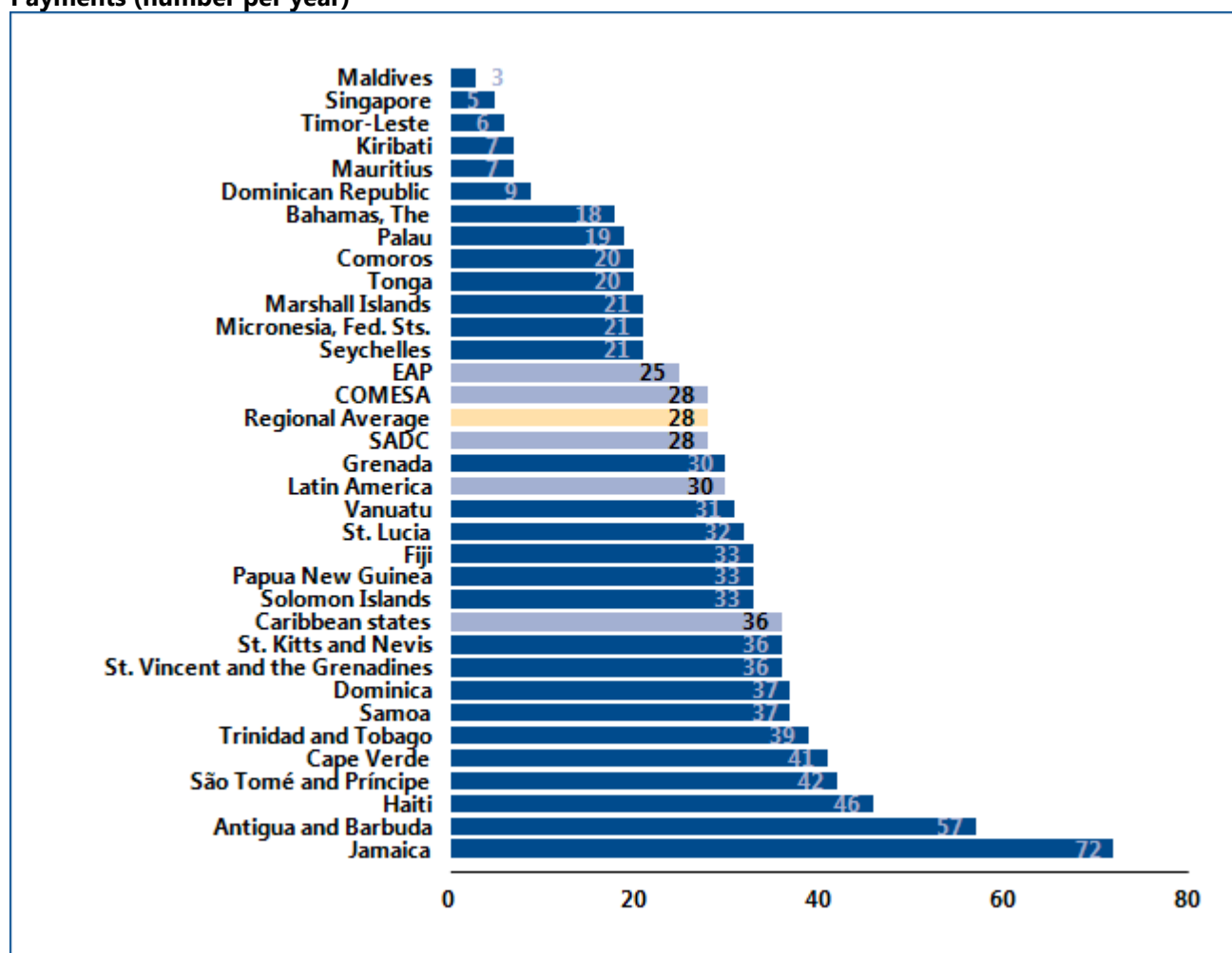
PAYING TAXES

The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to comply with tax regulations in each economy in the region—the number of payments per year and the time required to prepare and file taxes—

as well as the total tax rate (figure 8.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

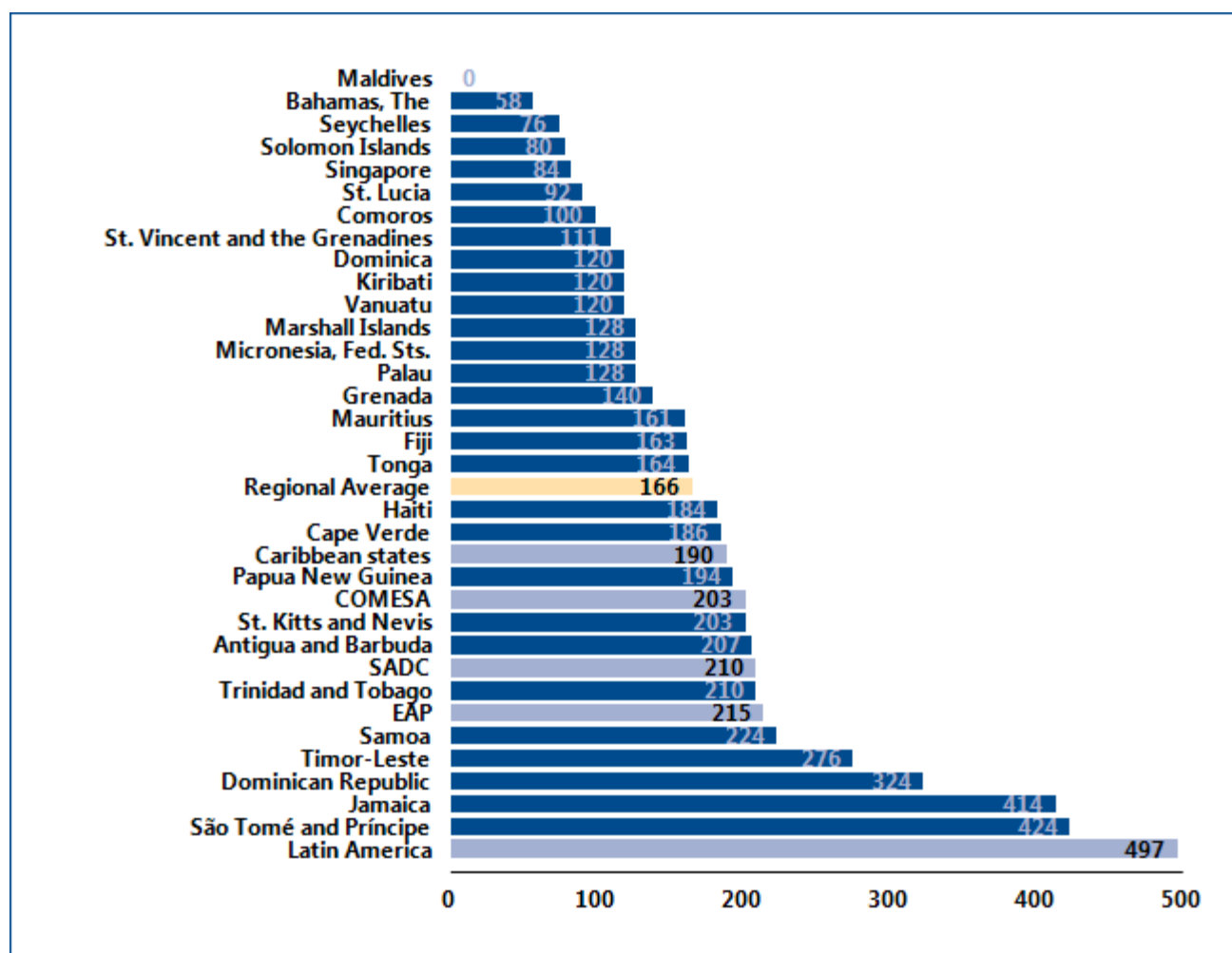
Figure 8.2 How easy is it to pay taxes in economies in the Small island states—and what are the total tax rates?

Payments (number per year)



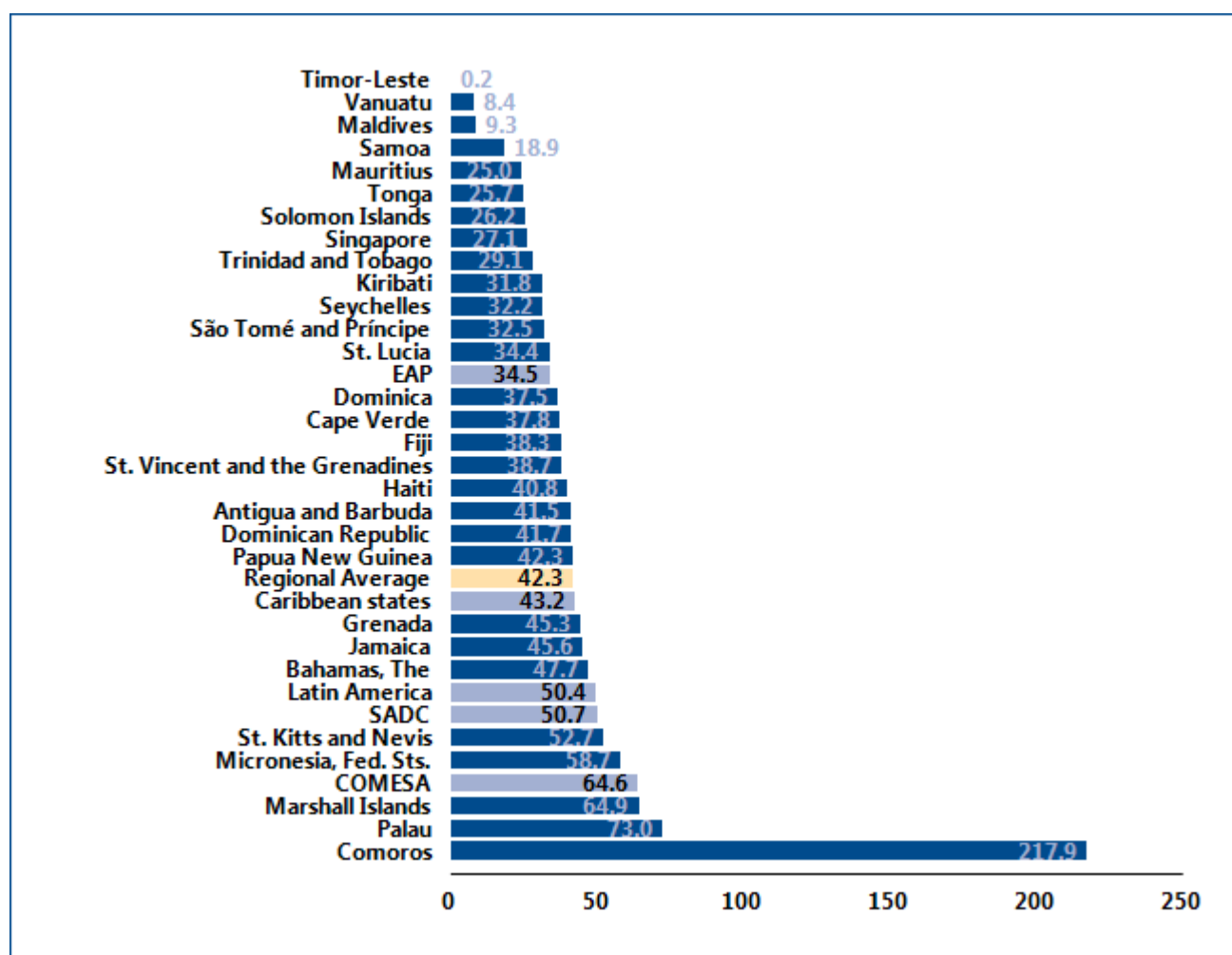
PAYING TAXES

Time (hours per year)



PAYING TAXES

Total tax rate (% of profit)



Note: DB2012 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 32.5% applied in DB2012, the total tax rate is set at 32.5% for the purpose of calculating the ranking on the ease of paying taxes.

Source: *Doing Business* database.

PAYING TAXES

What are the changes over time?

Economies around the world have made paying taxes faster and easier for businesses—such as by consolidating filings, reducing the frequency of payments or offering electronic filing and payment. Many have lowered tax rates. Changes have brought

concrete results. Some economies simplifying tax payment and reducing rates have seen tax revenue rise. What tax reforms has *Doing Business* recorded in the Small island states (table 8.1)?

Table 8.1 How have economies in the Small island states made paying taxes easier—or not?
By *Doing Business* report year

DB Year	Economy	Reform
DB2012	<i>Seychelles</i>	The Seychelles made paying taxes less costly for firms by eliminating the social security tax.
DB2012	<i>St. Kitts and Nevis</i>	St. Kitts and Nevis made paying taxes easier by introducing a value added tax.
DB2011	<i>Cape Verde</i>	Cape Verde abolished the stamp duties on sales and checks.
DB2011	<i>Mauritius</i>	Mauritius introduced a new corporate social responsibility tax.
DB2011	<i>São Tomé and Príncipe</i>	São Tomé and Príncipe reduced the corporate income tax rate to a standard 25%.
DB2011	<i>Seychelles</i>	The Seychelles removed the tax-free threshold limit and lowered corporate income tax rates.
DB2011	<i>Tonga</i>	Tonga simplified the payment of taxes by replacing a 2-tier system with a 25% corporate income tax rate for both domestic and foreign companies and introducing tax incentives with a broad-based capital allowance system to replace tax holidays and other tax concessions.
DB2010	<i>Cape Verde</i>	The corporate income tax rate was cut from 30 percent to 25 percent. Business start-up was eased by implementing an online company registration system.

DB Year	Economy	Reform
DB2010	<i>Fiji</i>	The corporate income tax rate was cut from 31 percent to 29 percent. But the compliance time for taxes increased because there was a requirement to prepare two pay as you earn (PAYE) employee certificates and PAYE annual summaries instead of the usual one. In addition, a road use levy will be imposed on all vehicles.
DB2010	<i>St. Vincent and the Grenadines</i>	The corporate income tax rate was reduced from 37.5 percent to 35 percent, to be further reduced to 32.5 percent from 2009 onward.
DB2010	<i>Tonga</i>	A new income tax act was adopted that allows for accelerated depreciation and amortization of intangibles and preliminary expenditures, and introduced self-assessment.
DB2010	<i>Timor-Leste</i>	A new tax law was adopted in July 2008. The law cut the profit tax rate from 30 percent to 10 percent and abolished the alternative minimum tax and the withholding tax on interest. Meanwhile, corporate income tax is now paid in quarterly installments when turnover is less than \$1 million.
DB2009	<i>Antigua and Barbuda</i>	The corporate income tax rate was reduced from 30% to 25%.
DB2009	<i>Dominican Republic</i>	An online system for filing and paying taxes, piloted in 2006, is now fully operational. The Dominican Republic also reduced the corporate income tax rate from 29% to 25%, and abolished several taxes, including the stamp duty.
DB2009	<i>Samoa</i>	The corporate income tax was lowered from 29 percent to 27 percent and the capital gains tax from 30 percent to 27 percent.
DB2009	<i>St. Vincent and the Grenadines</i>	The corporate tax rate was cut from 40% to 37.5%. A value-added tax was introduced at a standard rate of 15% to replace several existing taxes, including the hotel tax, consumption duty, entertainment tax, stamp duty on receipts, and domestic and international telecommunications surcharge.

DB Year	Economy	Reform
DB2008	<i>Mauritius</i>	A three year program will harmonize the tax system, ultimately creating a single corporate tax rate and eliminate all tax credits and tax holidays except for newly registered companies.
DB2008	<i>Seychelles</i>	The tax burden on companies was reduced by simplifying the tax structure and decreasing rates.
DB2008	<i>Trinidad and Tobago</i>	The corporate income tax rate decreased from 30% to 25%.

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

Source: *Doing Business* database.

TRADING ACROSS BORDERS

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

What do the indicators cover?

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

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

The business:

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

The traded goods:

- Are not hazardous nor do they include military items.

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 all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean 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

- Do not require refrigeration or any other special environment.
- Do not require any special phytosanitary or environmental safety standards other than accepted international standards.
- Are one of the economy's leading export or import products.
- Are transported in a dry-cargo, 20-foot full container load.

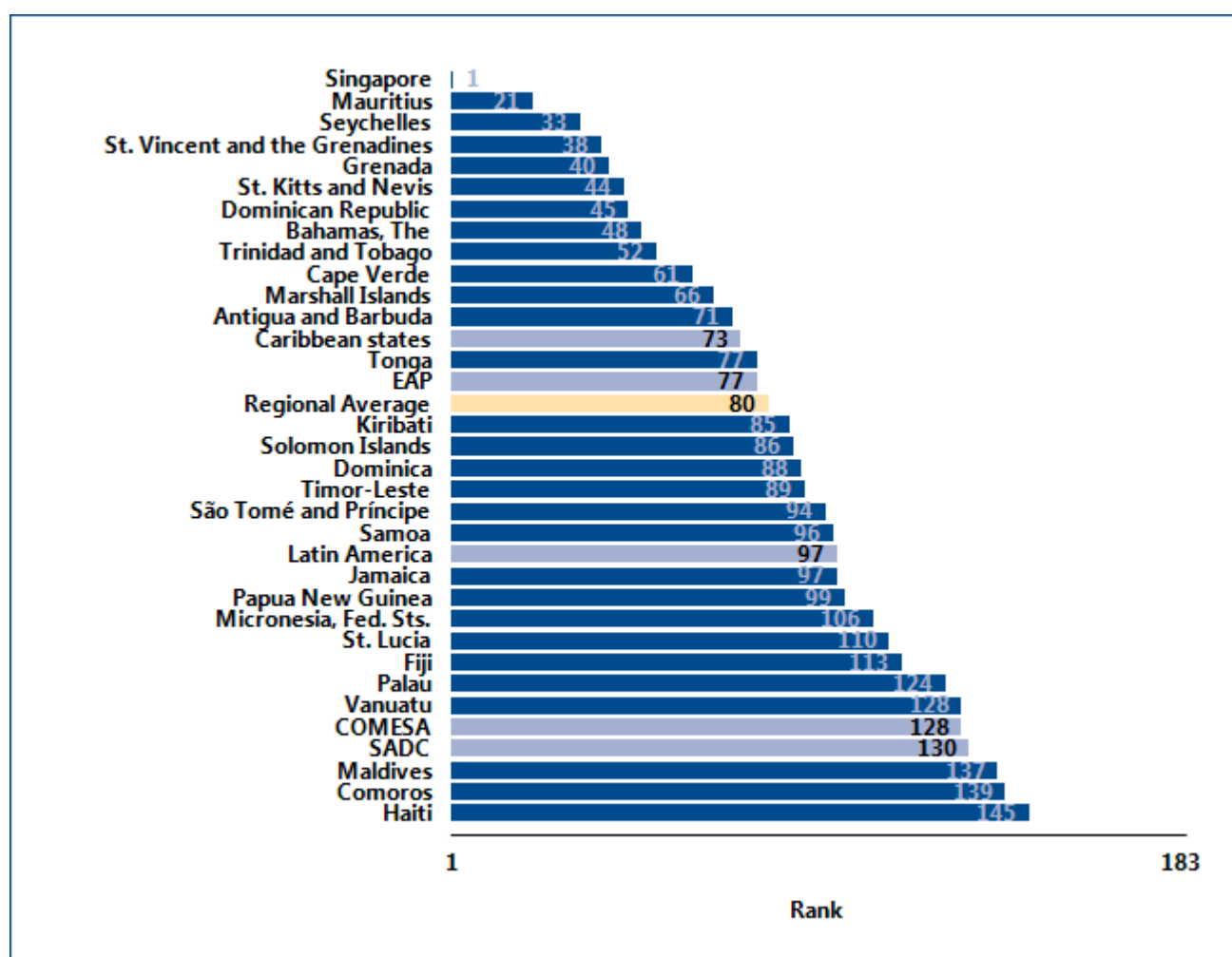
TRADING ACROSS BORDERS

Where do the region's economies stand today?

How easy it is for businesses in economies in the Small island states to export and import goods? The global rankings of these economies on the ease of trading

across borders suggest an answer (figure 9.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 9.1 How economies in the Small island states rank on the ease of trading across borders



Source: *Doing Business* database.

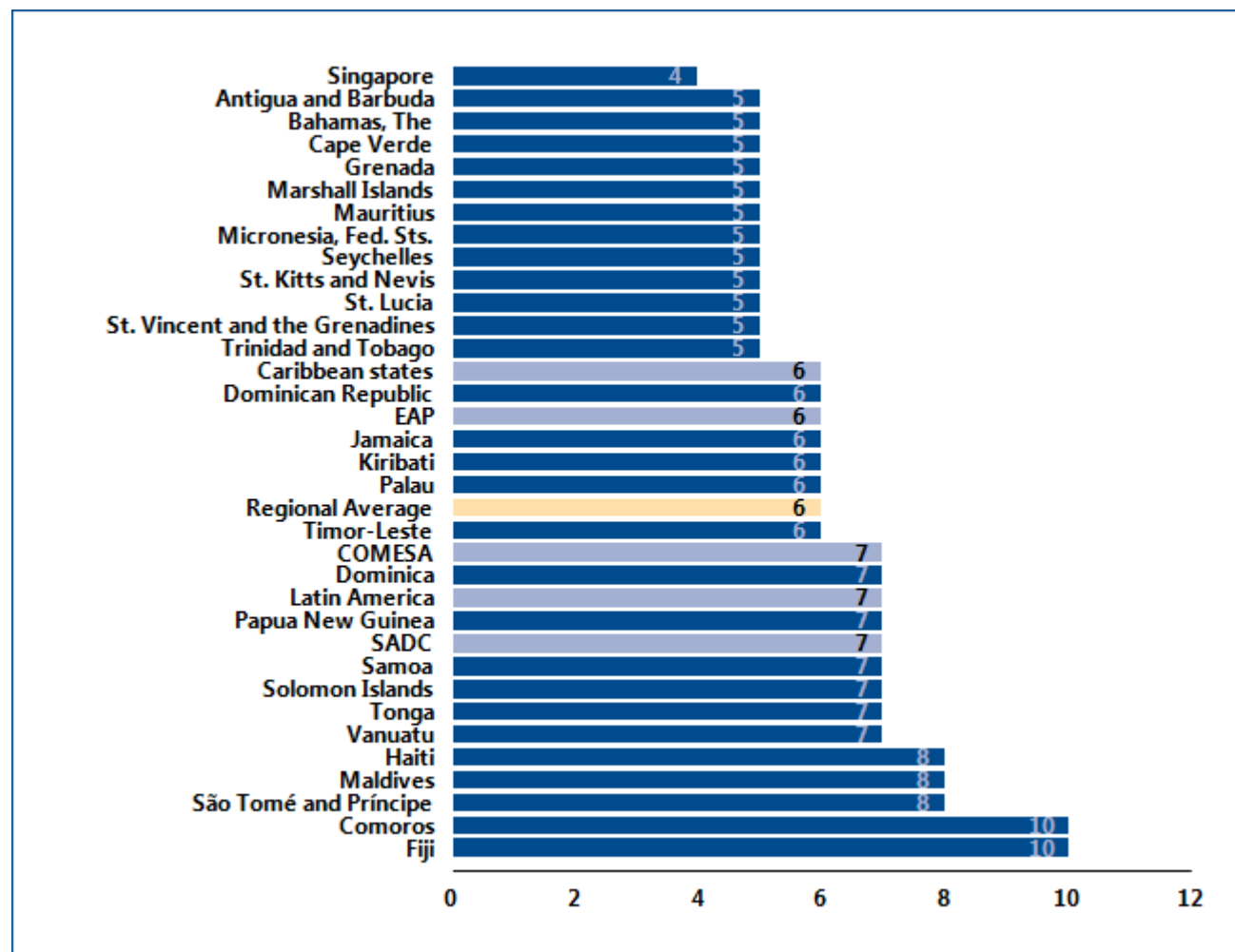
The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to export or import a standard container of goods in each economy in the region: the number of

documents, the time and the cost (figure 9.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

TRADING ACROSS BORDERS

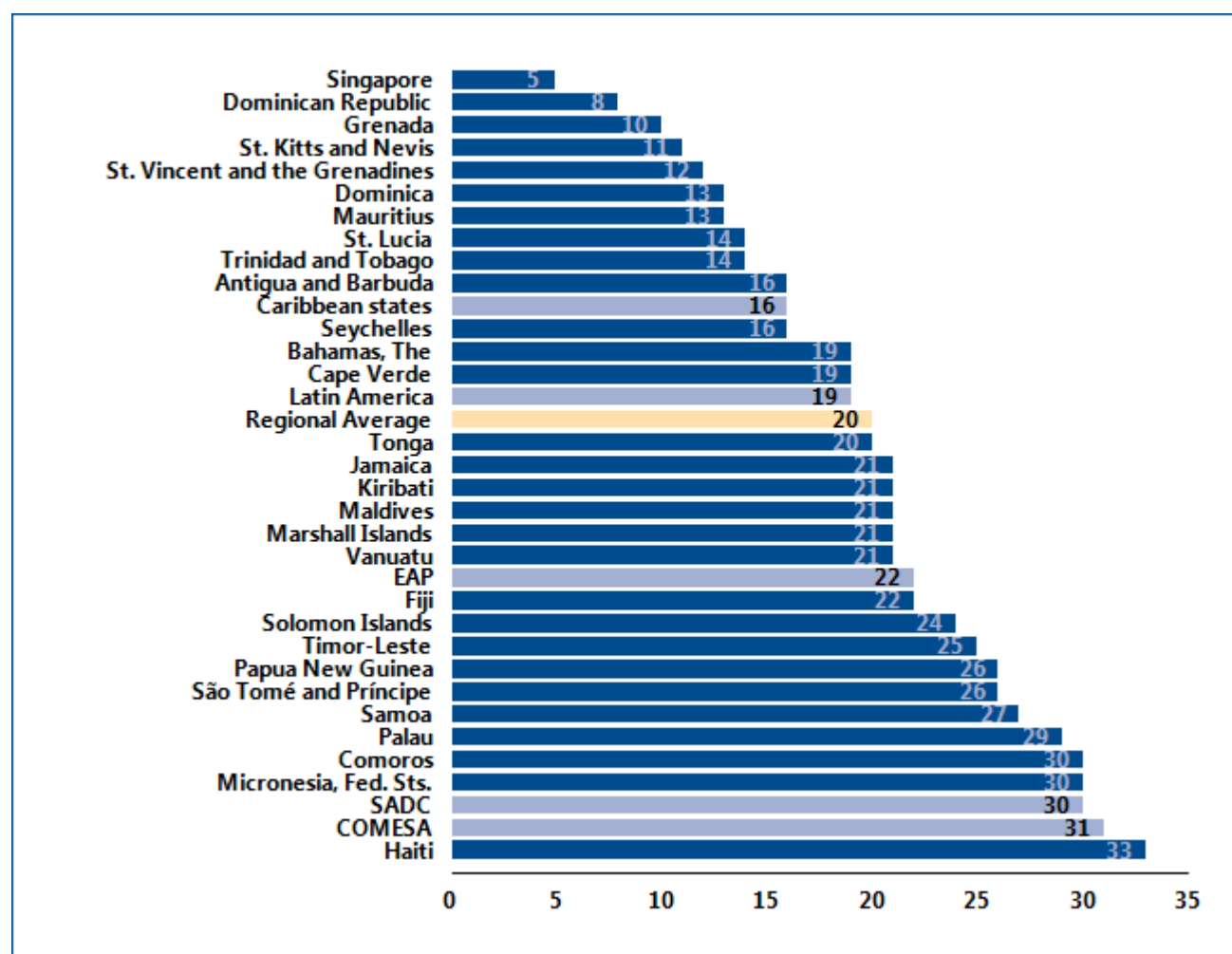
Figure 9.2 What it takes to trade across borders in economies in the Small island states

Documents to export (number)



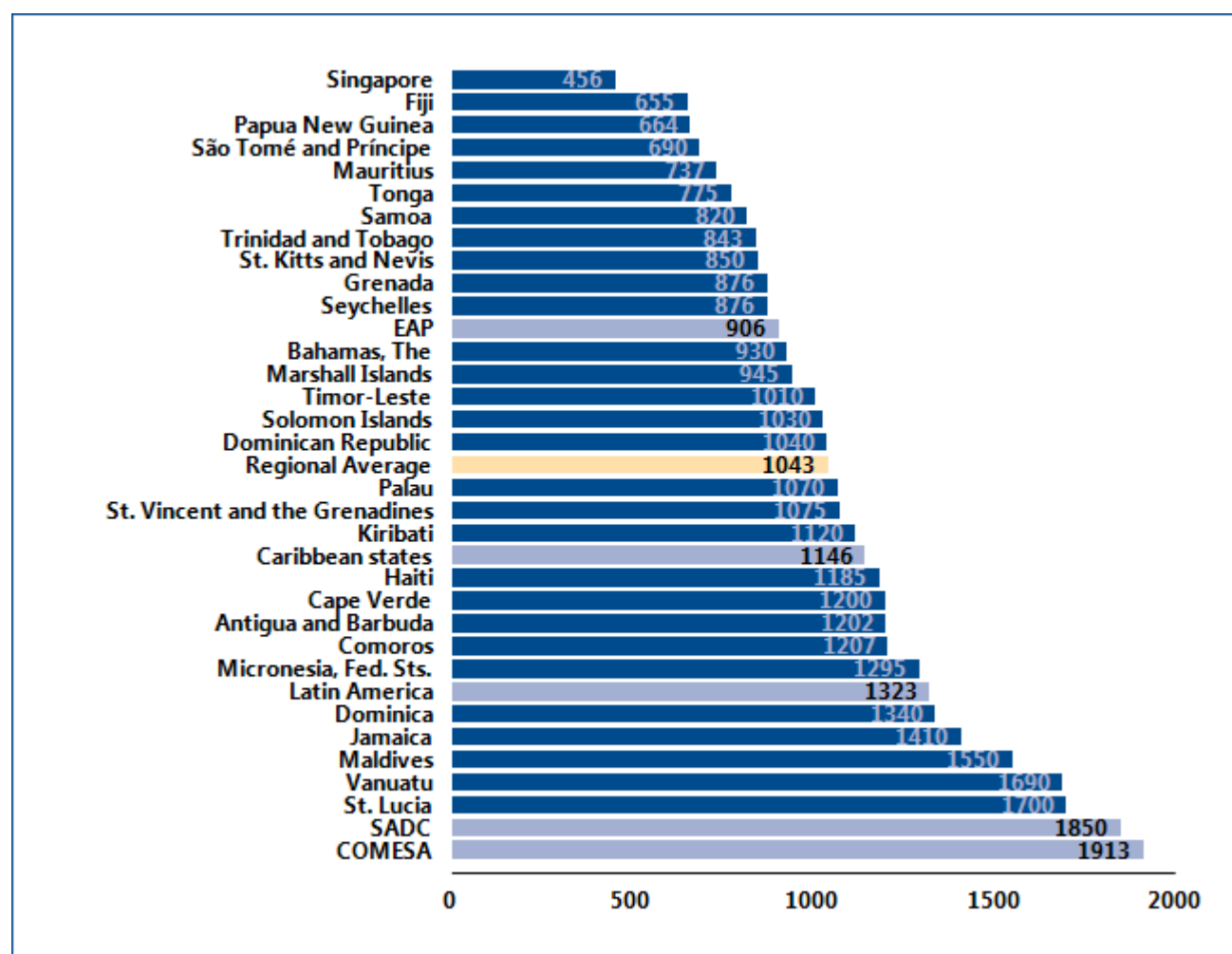
TRADING ACROSS BORDERS

Time to export (days)



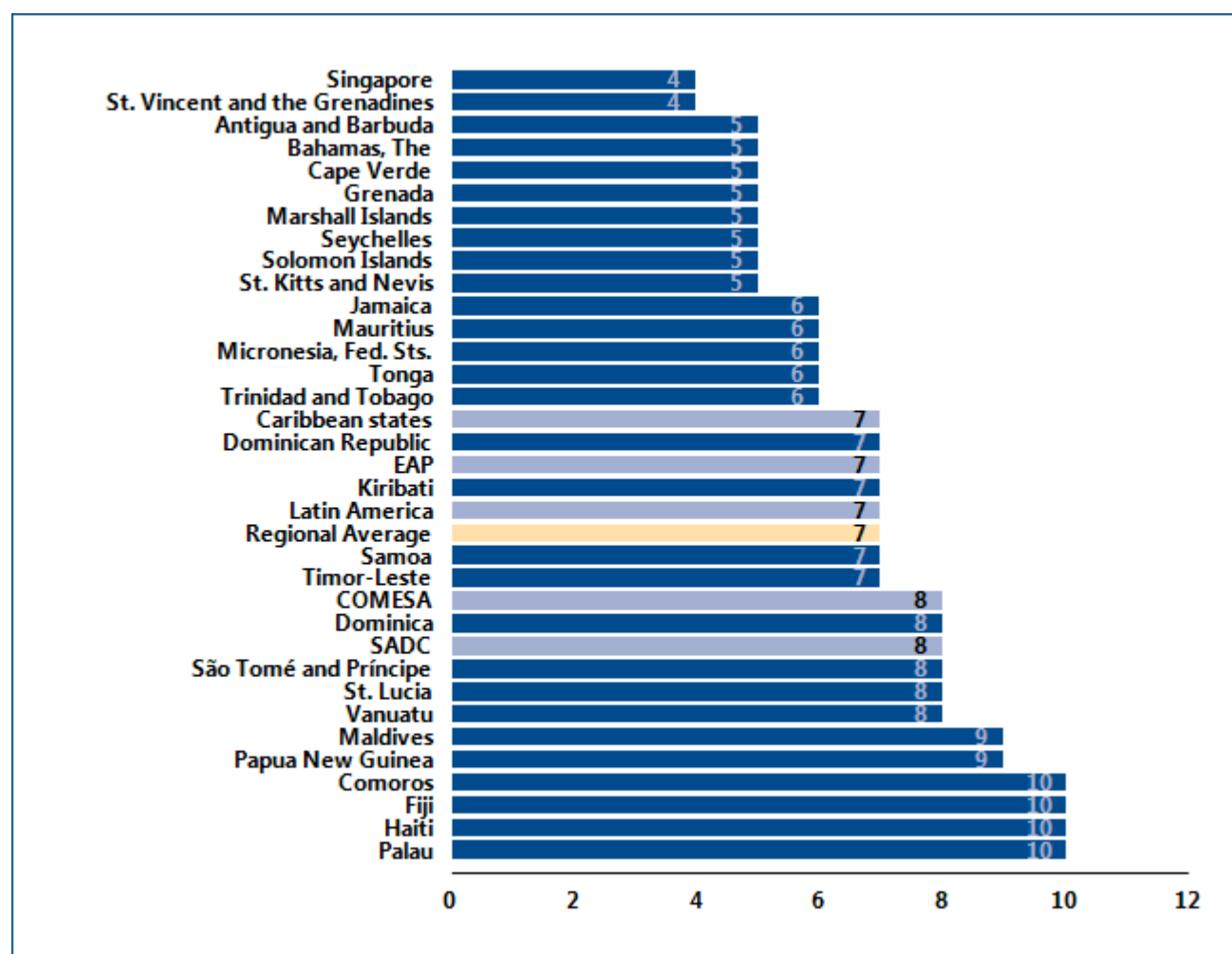
TRADING ACROSS BORDERS

Cost to export (US\$ per container)



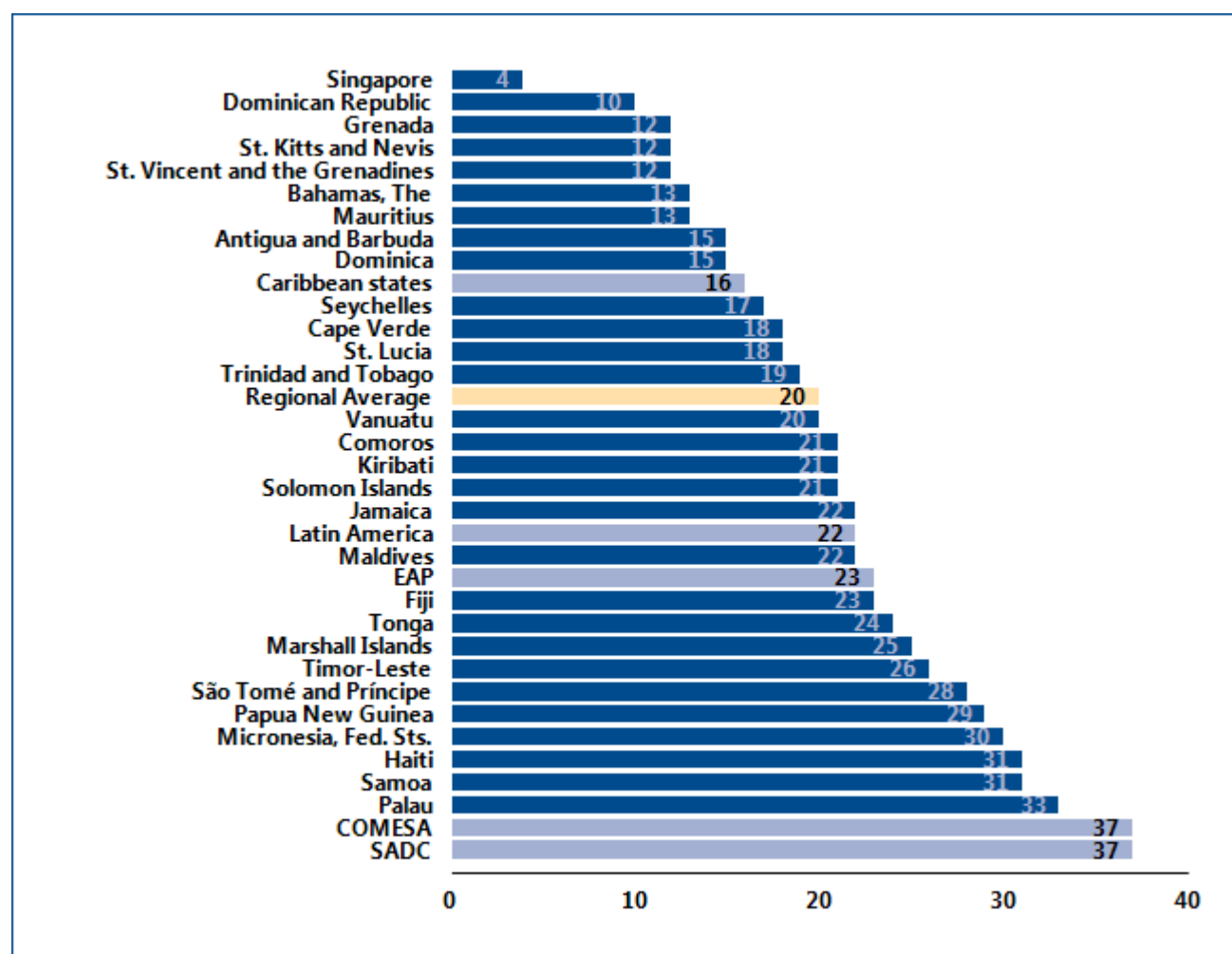
TRADING ACROSS BORDERS

Documents to import (number)



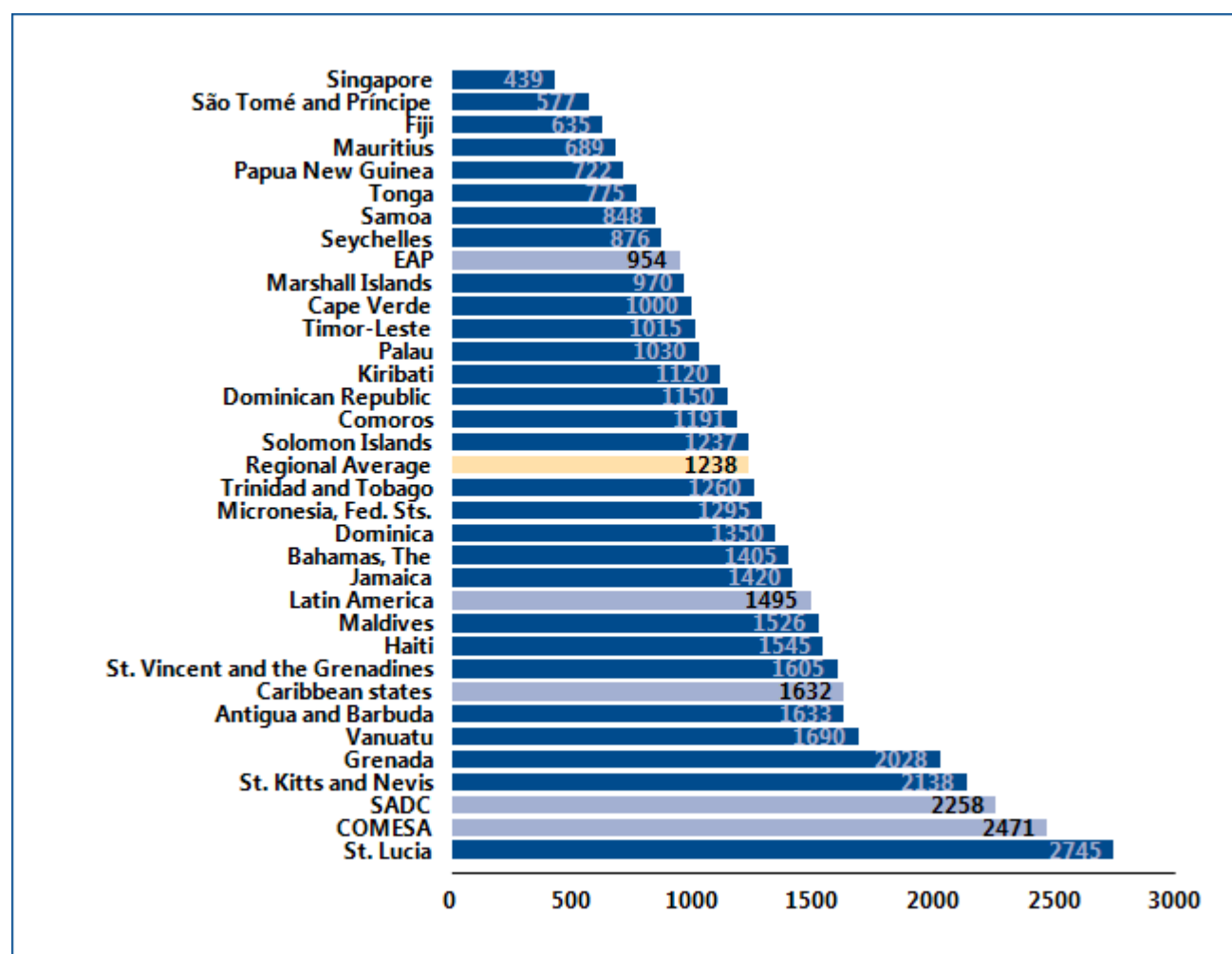
TRADING ACROSS BORDERS

Time to import (days)



TRADING ACROSS BORDERS

Cost to import (US\$ per container)



Source: Doing Business database.

TRADING ACROSS BORDERS

What are the changes over time?

In economies around the world, trading across borders as measured by *Doing Business* has become faster and easier over the years. Governments have introduced tools to facilitate trade—including single windows, risk-based inspections and electronic data interchange

systems. These changes help improve the trading environment and boost firms' international competitiveness. What trade reforms has *Doing Business* recorded in the Small island states (table 9.1)?

Table 9.1 How have economies in the Small island states made trading across borders easier—or not?
By *Doing Business* report year

DB Year	Economy	Reform
DB2012	<i>São Tomé and Príncipe</i>	São Tomé and Príncipe made trading across borders faster by adopting legislative, administrative and technological improvements.
DB2012	<i>Seychelles</i>	The Seychelles made trading across borders faster by introducing electronic submission of customs documents.
DB2012	<i>Vanuatu</i>	Vanuatu made trading across borders faster by upgrading Port-Vila's wharf infrastructure, which increased the efficiency of port and terminal handling activities.
DB2011	<i>Fiji</i>	Fiji made trading easier by opening customer care service centers and improving customs operations.
DB2011	<i>Grenada</i>	Grenada's customs administration made trading faster by simplifying procedures, reducing inspections, improving staff training and enhancing communication with users.
DB2010	<i>Grenada</i>	With ongoing training of customs agents and brokers and implementation of electronic reference sources, Grenada has reduced the time for trading across borders.
DB2010	<i>Haiti</i>	With the implementation of the ASYCUDA system and 24-hour operations at the port, goods can be cleared faster in Haiti.
DB2010	<i>Mauritius</i>	The introduction of electronic submissions of customs declarations and bills of lading has expedited trade.

DB Year	Economy	Reform
DB2010	<i>St. Kitts and Nevis</i>	Trading times were shortened by allowing electronic submission of customs declarations.
DB2009	<i>Dominican Republic</i>	Authorities reduced the time to export by improving the online portal for customs documentation and payment.
DB2009	<i>Haiti</i>	The time required to export was reduced by a day, by implementing risk-based inspections in customs.
DB2009	<i>Palau</i>	Trade was facilitated by automating customs declarations. Traders can now submit documents by email or on a flash drive. The time required for import documentation has been reduced.
DB2008	<i>Mauritius</i>	A new risk management system has been implemented, accelerating the custom clearance process for regular law abiding importers.

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

Source: *Doing Business* database.

ENFORCING CONTRACTS

Well-functioning courts help businesses expand their network and markets. Without effective contract enforcement, people might well do business only with family, friends and others with whom they have established relationships. Where contract enforcement is efficient, firms are more likely to engage with new borrowers or customers, and they have greater access to credit.

What do the indicators cover?

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

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

- The seller and buyer are located in the economy's largest business city.
- The buyer orders custom-made goods, then fails to pay.
- The seller sues the buyer before a competent court.
- The value of the claim is 200% of income per capita.
- The seller requests a pretrial attachment to secure the claim.

WHAT THE ENFORCING CONTRACTS

INDICATORS MEASURE

Procedures to enforce a contract through the courts (number)

Any interaction between the parties in a commercial dispute, or between them and the judge or court officer

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)

No bribes

Average attorney fees

Court costs, including expert fees

Enforcement costs

- 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.

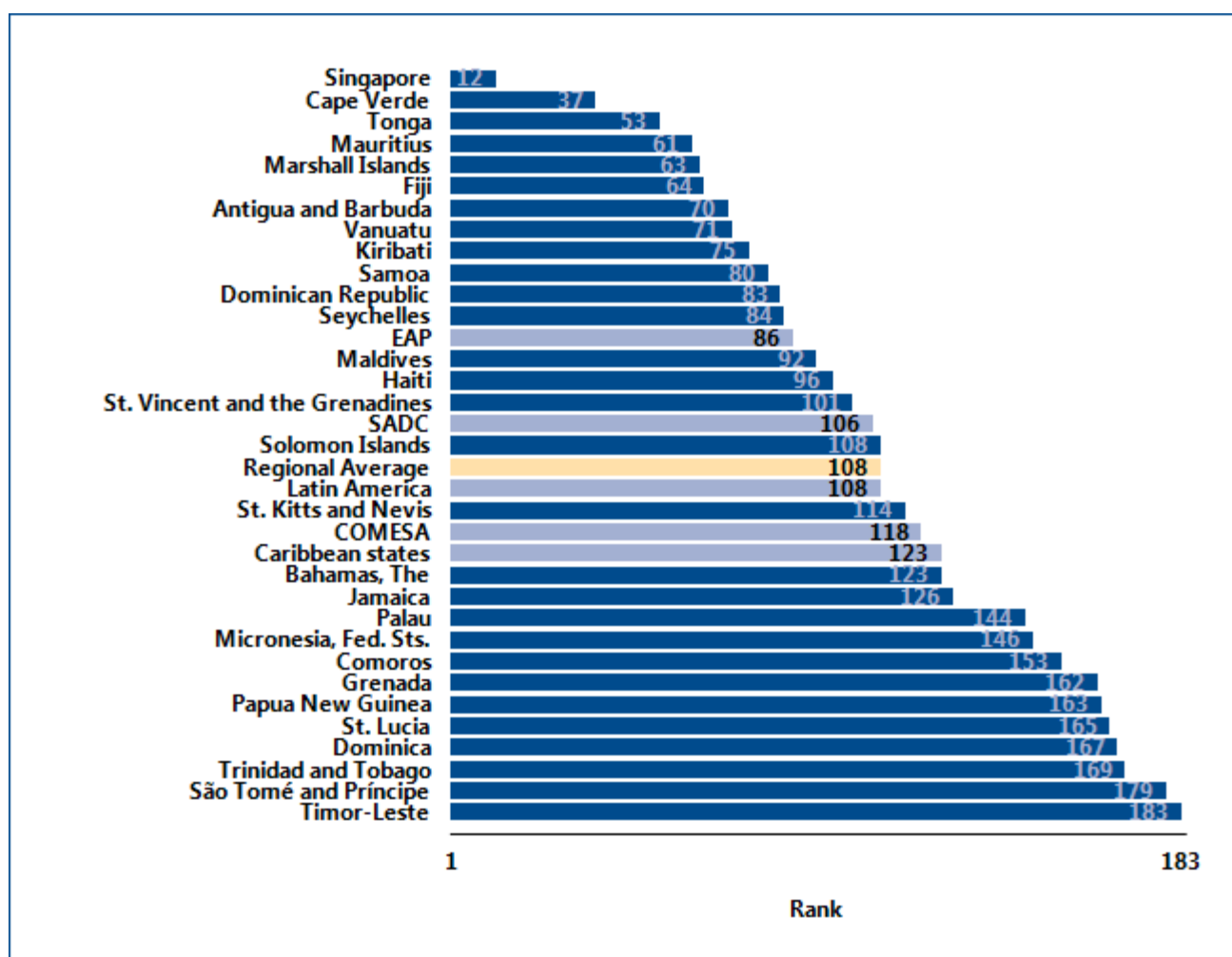
ENFORCING CONTRACTS

Where do the region's economies stand today?

How efficient is the process of resolving a commercial dispute through the courts in economies in the Small island states? The global rankings of these economies

on the ease of enforcing contracts suggest an answer (figure 10.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 10.1 How economies in the Small island states rank on the ease of enforcing contracts



Source: *Doing Business* database.

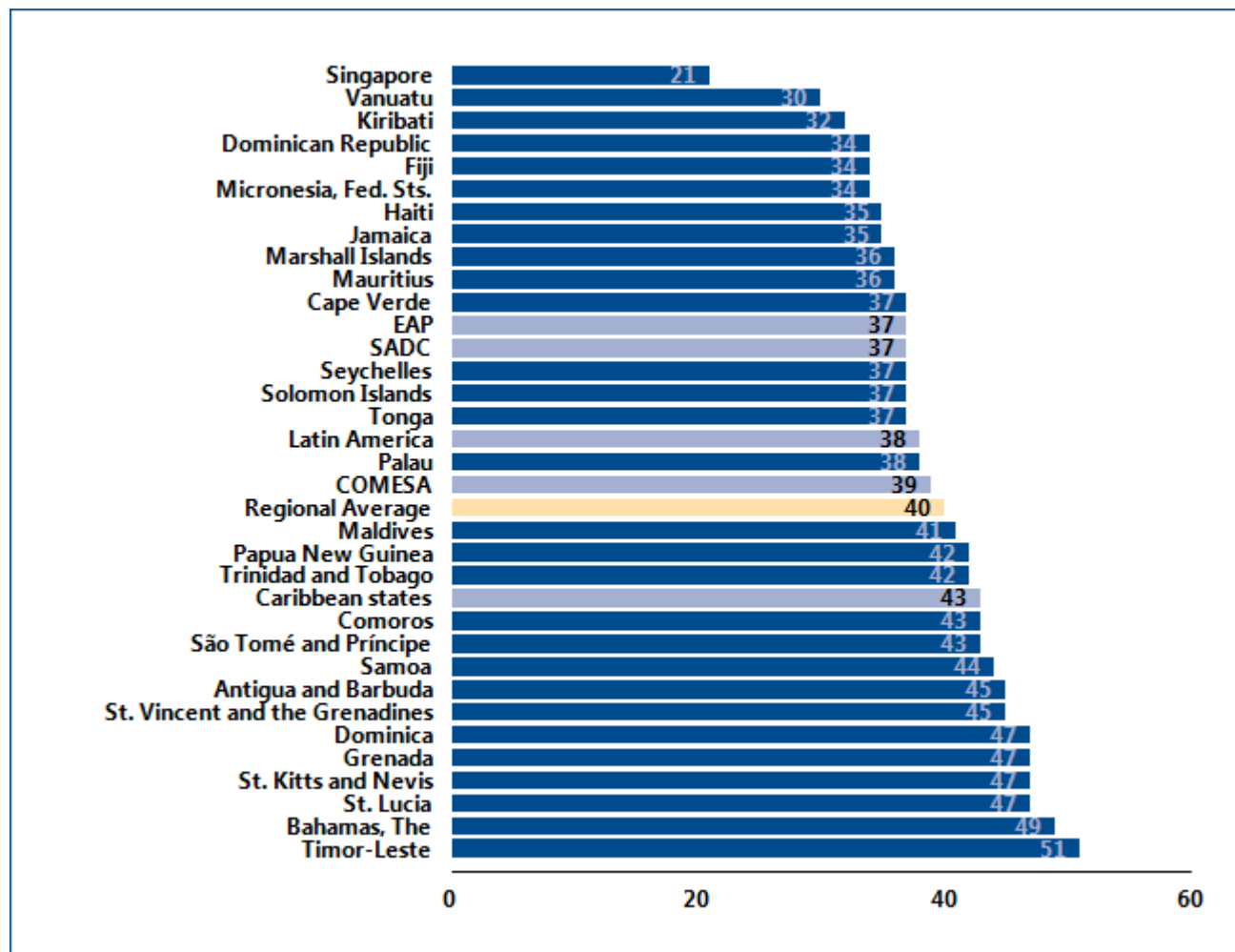
The indicators underlying the rankings may also be revealing. Data collected by *Doing Business* show what it takes to enforce a contract through the courts in each economy in the region: the number of

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

ENFORCING CONTRACTS

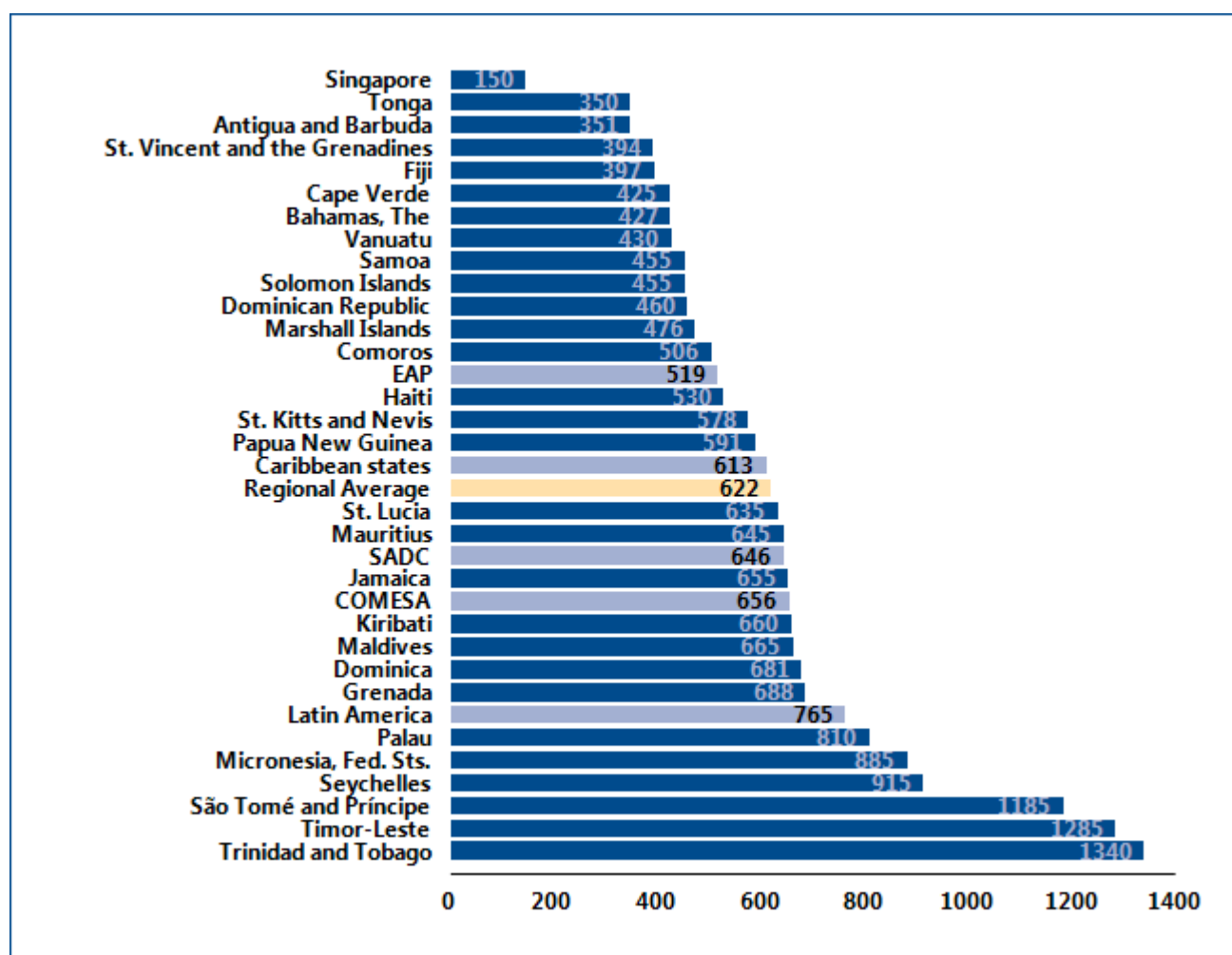
Figure 10.2 What it takes to enforce a contract through the courts in economies in the Small island states

Procedures (number)



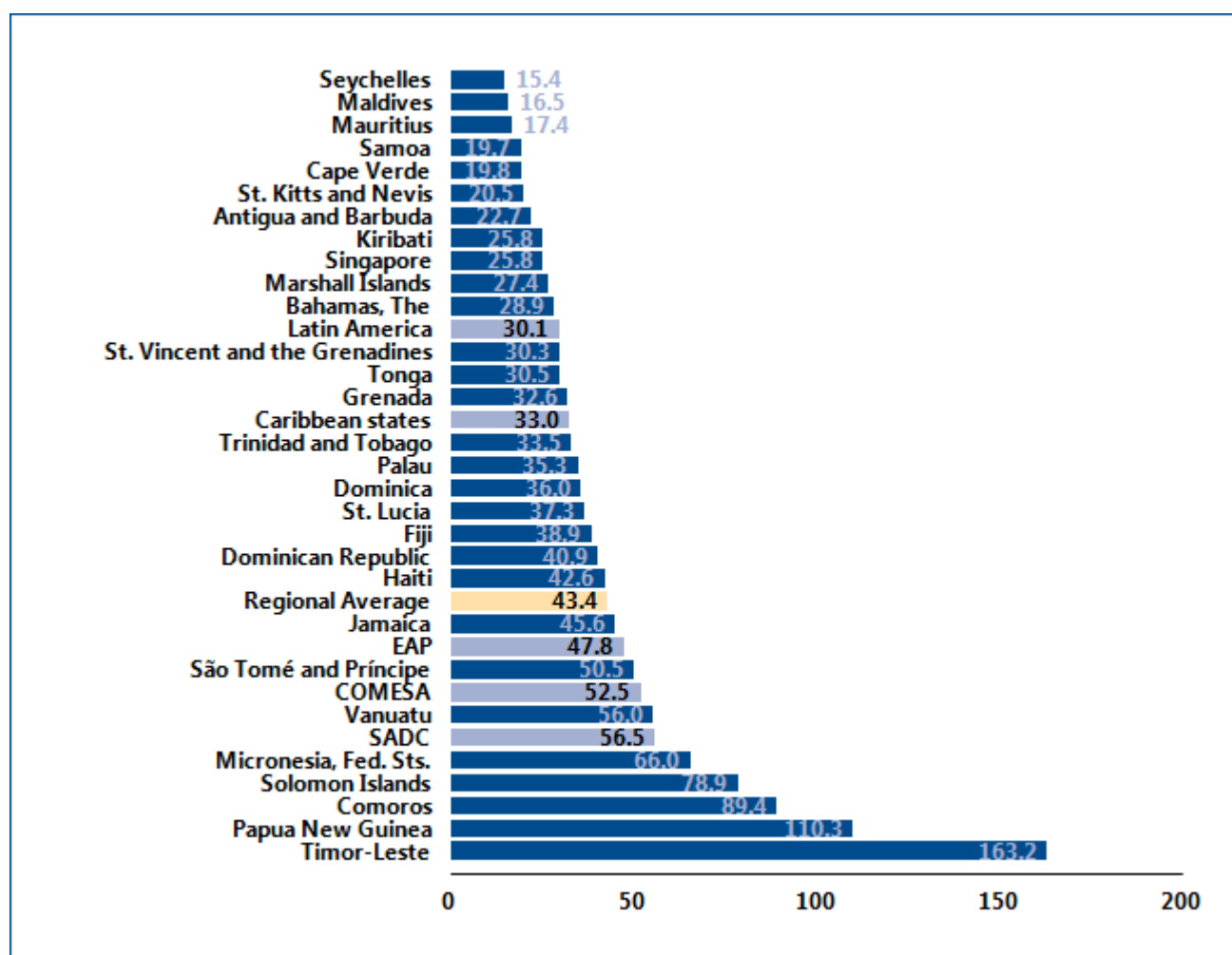
ENFORCING CONTRACTS

Time (days)



ENFORCING CONTRACTS

Cost (% of claim)



Source: Doing Business database.

ENFORCING CONTRACTS

What are the changes over time?

Economies in all regions have improved contract enforcement in recent years. A judiciary can be improved in different ways. Higher-income economies tend to look for ways to enhance efficiency by introducing new technology. Lower-income economies often work on reducing backlogs by introducing

periodic reviews to clear inactive cases from the docket and by making procedures faster. What reforms making it easier (or more difficult) to enforce contracts has *Doing Business* recorded in the Small island states (table 10.1)?

Table 10.1 How have economies in the Small island states made enforcing contracts easier—or not?
By *Doing Business* report year

DB Year	Economy	Reform
DB2012	<i>Seychelles</i>	The Seychelles expanded the jurisdiction of the lower court, increasing the time required to enforce contracts.
DB2011	<i>Mauritius</i>	Mauritius speeded up the resolution of commercial disputes by recruiting more judges and adding more courtrooms.
DB2011	<i>Timor-Leste</i>	Timor-Leste increased court efficiency by training and appointing new judges and passing a new civil procedure code.
DB2010	<i>Grenada</i>	Additional staffing at the Grenada High Court has been reducing the court's backlog and easing contract enforcement.
DB2010	<i>Mauritius</i>	A specialized commercial division of the supreme court was created, improving contract enforcement.
DB2010	<i>Papua New Guinea</i>	The specialized commercial track at the National Court of Papua New Guinea—introduced in 2007—has become fully operational, improving contract enforcement.
DB2008	<i>Fiji</i>	New reform results in judges focusing exclusively on deciding legal disputes. A magistrate called "Master" was appointed to deal with all other matters, such as assessing damages after liability has been established. In June 2006, the High Court Rules were amended to reflect the new role and responsibilities of the Master.
DB2008	<i>Tonga</i>	The time to enforce contracts was cut from 510 days to 350. A newly appointed chief justice introduced case management, transferring 90% of all cases - criminal, commercial and land - from paper to computer. Cases are now monitored daily through a computerized spreadsheet system. Tonga also adopted new procedural rules for the Supreme Court and the Magistrates Court and it increased the threshold for the Magistrates Courts.

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

Source: *Doing Business* database.

RESOLVING INSOLVENCY

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

What do the indicators cover?

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

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

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

- Is a domestically owned, limited liability company operating a hotel.
- Operates in the economy's largest business city.

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

Recovery rate for creditors (cents on the dollar)

Measures the cents on the dollar recovered by creditors

Present value of debt recovered

Official costs of the insolvency proceedings are deducted

Depreciation of furniture is taken into account

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

- Has 201 employees, 1 main secured creditor and 50 unsecured creditors.
- Has a higher value as a going concern—and the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation.

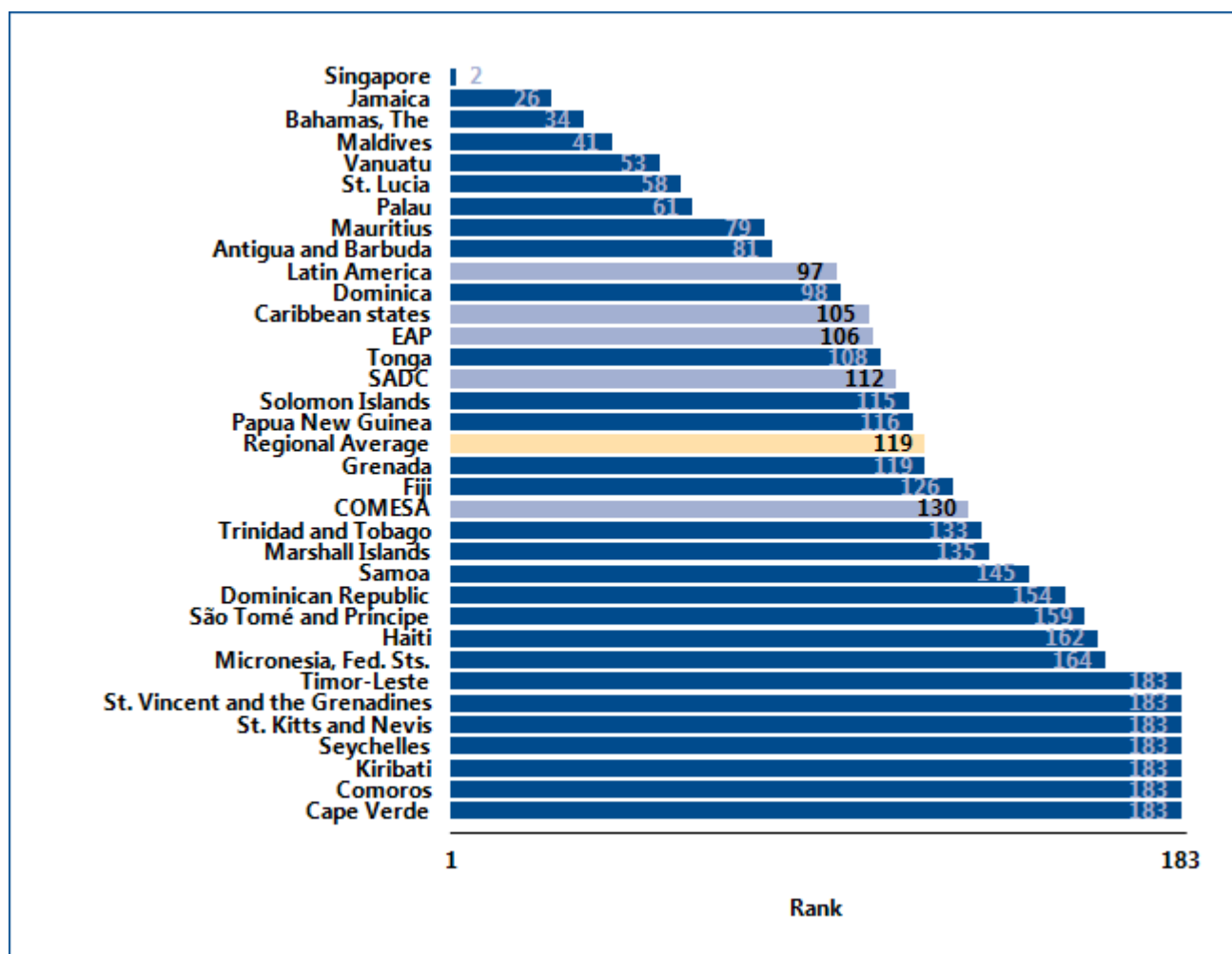
RESOLVING INSOLVENCY

Where do the region's economies stand today?

How efficient are insolvency proceedings in economies in the Small island states? The global rankings of these economies on the ease of resolving insolvency suggest an answer (figure 11.1). The average ranking of the region and comparator regions provide a useful

benchmark for assessing the efficiency of insolvency proceedings. Speed, low costs and continuation of viable businesses characterize the top-performing economies.

Figure 11.1 How economies in the Small island states rank on the ease of resolving insolvency



Source: *Doing Business* database.

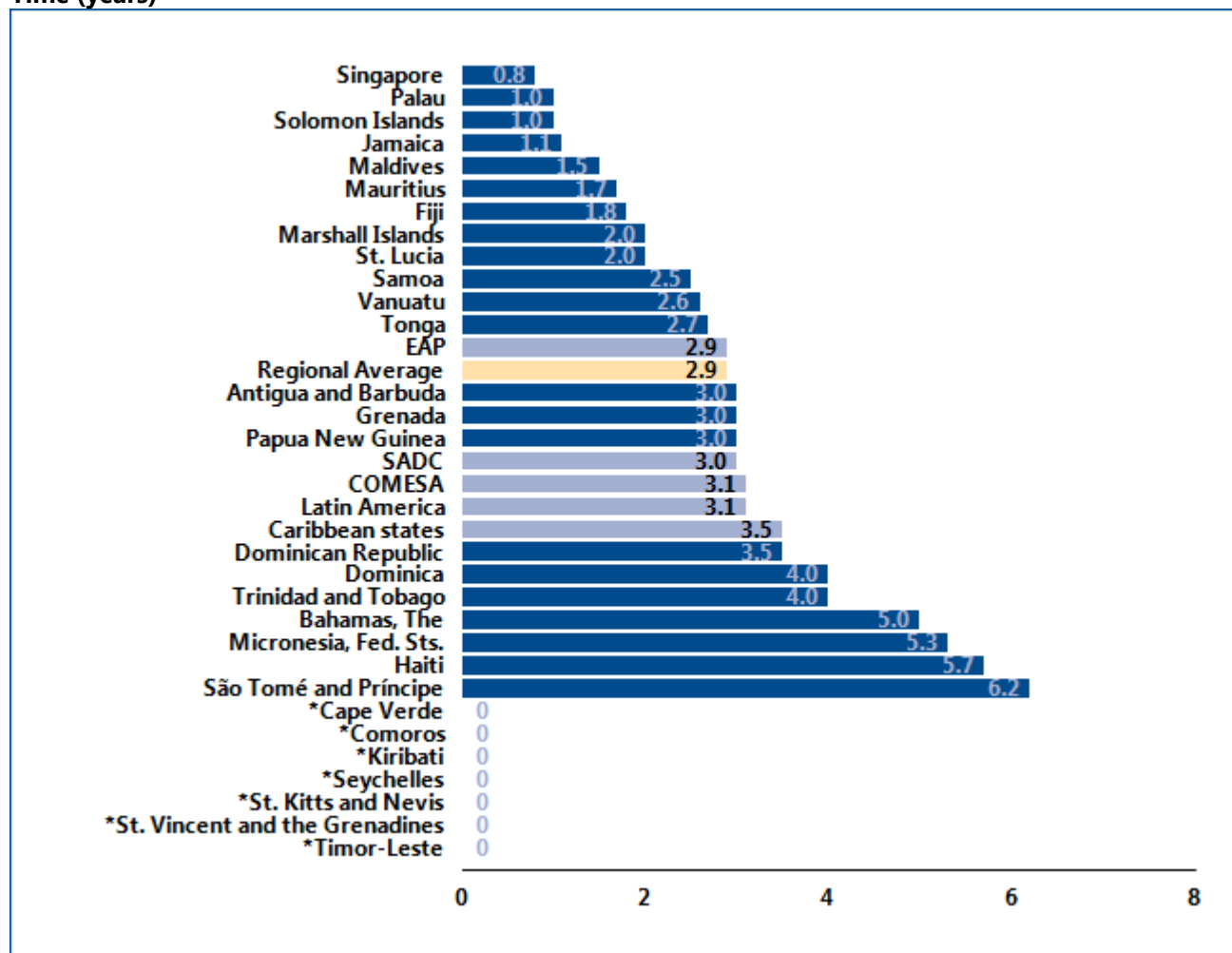
The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show the average time and cost required to resolve insolvency as well as the average recovery rate (figure 11.2).

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

RESOLVING INSOLVENCY

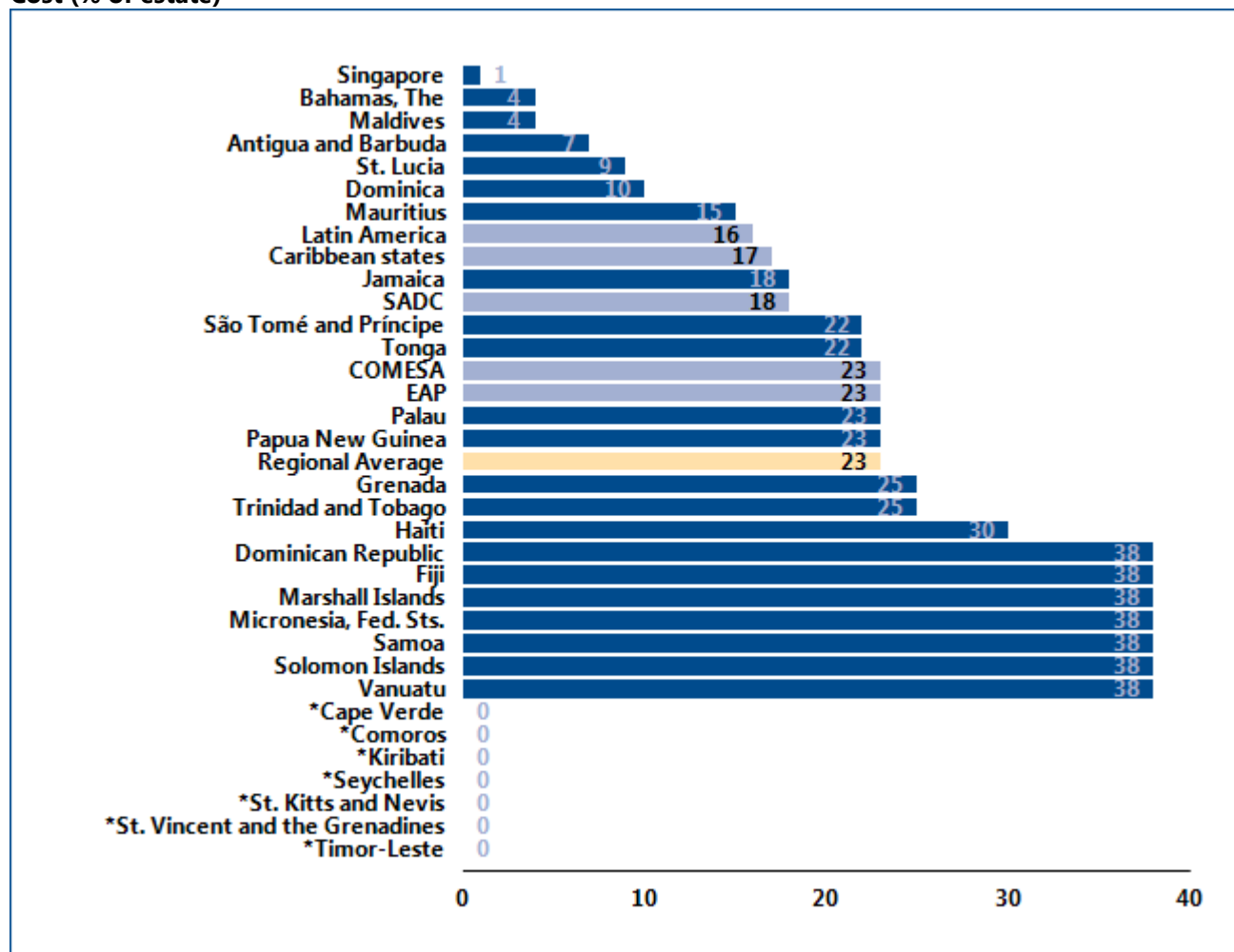
Figure 11.2 How efficient is the insolvency process in economies in the Small island states

Time (years)



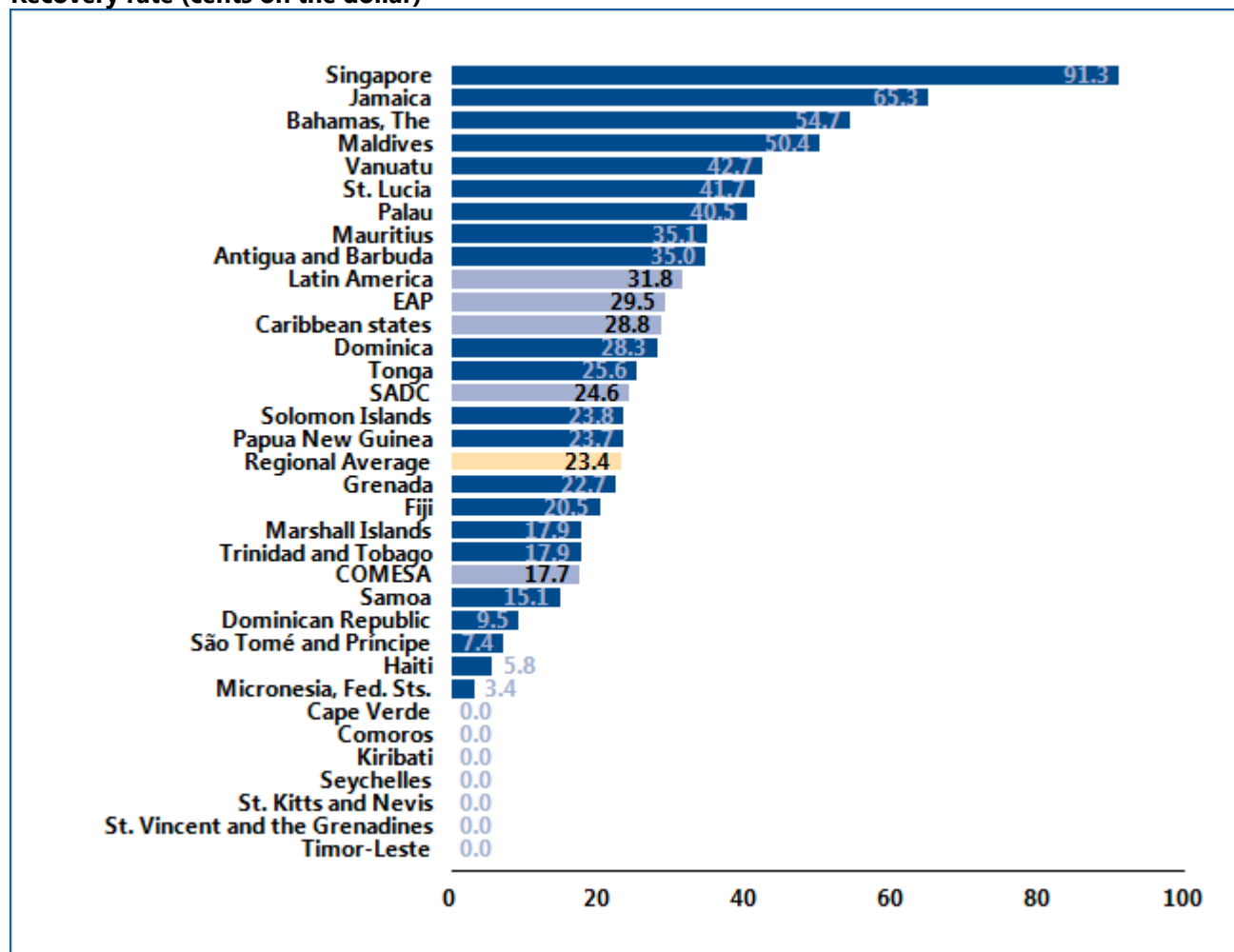
RESOLVING INSOLVENCY

Cost (% of estate)



RESOLVING INSOLVENCY

Recovery rate (cents on the dollar)



* Indicates a "no practice" mark. See the data notes for details.

Source: Doing Business database.

RESOLVING INSOLVENCY

What are the changes over time?

A well-balanced bankruptcy system distinguishes companies that are financially distressed but economically viable from inefficient companies that should be liquidated. But in some insolvency systems even viable businesses are liquidated. This is starting to

change. Many recent reforms of bankruptcy laws have been aimed at helping more of the viable businesses survive. What insolvency reforms has *Doing Business* recorded in the Small island states (table 11.1)?

Table 11.1 How have economies in the Small island states made resolving insolvency easier—or not?
By *Doing Business* report year

DB Year	Economy	Reform
DB2012	<i>Cape Verde</i>	Cape Verde introduced qualification requirements for insolvency administrators and a shorter time frame for liquidation proceedings.
DB2012	<i>Solomon Islands</i>	The Solomon Islands adopted a new law that simplified insolvency proceedings.
DB2010	<i>Mauritius</i>	new insolvency law introduced a rehabilitation procedure for companies as an alternative to winding up and defines the rights and obligations of creditors and debtors—as well as sanctions for those who abuse the system.
DB2010	<i>Samoa</i>	A new corporate law and a law introducing receivership were enacted, easing the process of closing a business.
DB2009	<i>St. Vincent and the Grenadines</i>	A new bankruptcy law was enacted, the first set of rules regulating the bankruptcy of private enterprises.
DB2008	<i>Mauritius</i>	The new Borrower Protection Act will allow for a faster sale of immovable assets, significantly reducing the time it takes creditors to recover their debt.

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

Source: *Doing Business* database.

DATA NOTES

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

The data for all sets of indicators in *Doing Business 2012* are for June 2011.³

Methodology

The *Doing Business* data are collected in a standardized way. To start, the *Doing Business* team, with academic advisers, designs a questionnaire. The questionnaire uses a simple business case to ensure comparability across economies and over time—with assumptions about the legal form of the business, its size, its location and the nature of its operations. Questionnaires are administered through more than 9,028 local experts, including lawyers, business consultants, accountants, freight forwarders, government officials and other professionals routinely administering or advising on legal and regulatory requirements. These experts have several rounds of interaction with the *Doing Business* team, involving conference calls, written correspondence and visits by the team. For *Doing Business 2012* team members visited 40 economies to verify data and recruit respondents. The data from questionnaires are subjected to numerous rounds of verification, leading to revisions or expansions of the information collected.

³ The data for paying taxes refer to January – December 2010.

ECONOMY CHARACTERISTICS

Gross national income (GNI) per capita

Doing Business 2012 reports 2010 income per capita as published in the World Bank's *World Development Indicators 2011*. Income is calculated using the Atlas method (current US\$). For cost indicators expressed as a percentage of income per capita, 2010 GNI in U.S. dollars is used as the denominator. Data were not available from the World Bank for Afghanistan; Australia; The Bahamas; Bahrain; Brunei Darussalam; Canada; Cyprus; Djibouti; the Islamic Republic of Iran; Kuwait; New Zealand; Oman; Puerto Rico (territory of the United States); Qatar; Saudi Arabia; Suriname; Taiwan, China; the United Arab Emirates; West Bank and Gaza; and the Republic of Yemen. In these cases GDP or GNP per capita data and growth rates from the International Monetary Fund's World Economic Outlook database and the Economist Intelligence Unit were used.

Region and income group

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

Population

Doing Business 2012 reports midyear 2010 population statistics as published in *World Development Indicators 2011*.

The *Doing Business* methodology offers several advantages. It is transparent, using factual information about what laws and regulations say and allowing multiple interactions with local respondents to clarify potential misinterpretations of questions. Having representative samples of respondents is not an issue; *Doing Business* is not a statistical survey, and the texts of the relevant laws and regulations are collected and answers checked for accuracy. The methodology is inexpensive and easily replicable, so data can be collected in a large sample of economies. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. Finally, the data not only highlight the extent of specific regulatory obstacles to business but also identify their source and point to what might be reformed.

Information on the methodology for each *Doing Business* topic can be found on the *Doing Business* website at <http://www.doingbusiness.org/methodology/>.

Limits to what is measured

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

Finally, the methodology assumes that a business has full information on what is required and does not waste time when completing procedures. In practice, completing a procedure may take longer if the

business lacks information or is unable to follow up promptly. Alternatively, the business may choose to disregard some burdensome procedures. For both reasons the time delays reported in *Doing Business 2012* would differ from the recollection of entrepreneurs reported in the World Bank Enterprise Surveys or other perception surveys.

Subnational *Doing Business* indicators

This year *Doing Business* published a subnational study for the Philippines and a regional report for Southeast Europe covering 7 economies (Albania, Bosnia and Herzegovina, Kosovo, the former Yugoslav Republic of Macedonia, Moldova, Montenegro and Serbia) and 22 cities. It also published a city profile for Juba, in the Republic of South Sudan.

The subnational studies point to differences in business regulation and its implementation—as well as in the pace of regulatory reform—across cities in the same economy. For several economies subnational studies are now periodically updated to measure change over time or to expand geographic coverage to additional cities. This year that is the case for the subnational studies in the Philippines; the regional report in Southeast Europe; the ongoing studies in Italy, Kenya and the United Arab Emirates; and the projects implemented jointly with local think tanks in Indonesia, Mexico and the Russian Federation.

Besides the subnational *Doing Business* indicators, *Doing Business* conducted a pilot study this year on the second largest city in 3 large economies to assess within-country variations. The study collected data for Rio de Janeiro in addition to São Paulo in Brazil, for Beijing in addition to Shanghai in China and for St. Petersburg in addition to Moscow in Russia.

Changes in what is measured

The methodology for 3 of the *Doing Business* topics was updated this year—getting credit, dealing with construction permits and paying taxes.

First, for getting credit, the scoring of one of the 10 components of the strength of legal rights index was amended to recognize additional protections of secured creditors and borrowers. Previously the highest score of 1 was assigned if secured creditors

were not subject to an automatic stay or moratorium on enforcement procedures when a debtor entered a court-supervised reorganization procedure. Now the highest score of 1 is also assigned if the law provides secured creditors with grounds for relief from an automatic stay or moratorium (for example, if the movable property is in danger) or sets a time limit for the automatic stay.

Second, because the ease of doing business index now includes the getting electricity indicators, procedures, time and cost related to obtaining an electricity connection were removed from the dealing with construction permits indicators.

Third, a threshold has been introduced for the total tax rate for the purpose of calculating the ranking on the ease of paying taxes. All economies with a total tax rate below the threshold (which will be calculated and adjusted on a yearly basis) will now receive the same ranking on the total tax rate indicator. The threshold is not based on any underlying theory. Instead, it is meant to emphasize the purpose of the indicator: to highlight economies where the tax burden on business is high relative to the tax burden in other economies. Giving the same ranking to all economies whose total tax rate is below the threshold avoids awarding economies in the scoring for having an unusually low total tax rate, often for reasons unrelated to government policies toward enterprises. For example, economies that are very small or that are rich in natural resources do not need to levy broad-based taxes.

Data challenges and revisions

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

Ease of doing business and distance to frontier

This year's report presents results for 2 aggregate measures: the aggregate ranking on the ease of doing

business and a new measure, the "distance to frontier." While the ease of doing business ranking compares economies with one another at a point in time, the distance to frontier measure shows how much the regulatory environment for local entrepreneurs in each economy has changed over time.

Ease of doing business

The ease of doing business index ranks economies from 1 to 183. For each economy the ranking is calculated as the simple average of the percentile rankings on each of the 10 topics included in the index in *Doing Business 2012*: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and, new this year, getting electricity. The employing workers indicators are not included in this year's aggregate ease of doing business ranking. In addition to this year's ranking, *Doing Business* presents a comparable ranking for the previous year, adjusted for any changes in methodology as well as additions of economies or topics.⁴

Construction of the ease of doing business index

Here is one example of how the ease of doing business index is constructed. In the Republic of Korea it takes 5 procedures, 7 days and 14.6% of annual income per capita in fees to open a business. There is no minimum capital required. On these 4 indicators Korea ranks in the 18th, 14th, 53rd and 0 percentiles. So on average Korea ranks in the 21st percentile on the ease of starting a business. It ranks in the 12th percentile on getting credit, 25th percentile on paying taxes, 8th percentile on enforcing contracts, 7th percentile on resolving insolvency and so on. Higher rankings indicate simpler regulation and stronger protection of property rights. The simple average of Korea's percentile rankings on all topics is 21st. When all economies are ordered by their average percentile

⁴ In case of revisions to the methodology or corrections to the underlying data, the data are back-calculated to provide a comparable time series since the year the relevant economy or topic was first included in the data set. The time series is available on the *Doing Business* website (<http://www.doingbusiness.org>). The *Doing Business* report publishes yearly rankings for the year of publication as well as the previous year to shed light on year-to-year developments. Six topics and more than 50 economies have been added since the inception of the project. Earlier rankings on the ease of doing business are therefore not comparable.

rankings, Korea stands at 8 in the aggregate ranking on the ease of doing business.

More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly identical to the simple average used by *Doing Business*.⁵ Thus, *Doing Business* uses the simplest method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components.⁶

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

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

Variability of economies’ rankings across topics

Each indicator set measures a different aspect of the business regulatory environment. The rankings of an economy can vary, sometimes significantly, across indicator sets. The average correlation coefficient between the 10 indicator sets included in the aggregate ranking is 0.36, and the coefficients between any 2 sets of indicators range from 0.17 (between protecting investors and getting electricity) to 0.57 (between starting a business and protecting

investors). These correlations suggest that economies rarely score universally well or universally badly on the indicators.

Consider the example of Canada. It stands at 12 in the aggregate ranking on the ease of doing business. Its ranking is 3 on both starting a business and resolving insolvency, and 5 on protecting investors. But its ranking is only 59 on enforcing contracts, 42 on trading across borders and 156 on getting electricity.

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

Economies that improved the most across 3 or more Doing Business topics in 2010/11

Doing Business 2012 uses a simple method to calculate which economies improved the most in the ease of doing business. First, it selects the economies that in 2010/11 implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year’s ease of doing business ranking.⁷ Thirty economies meet this criterion: Armenia, Burkina Faso, Burundi, Cape Verde, the Central African Republic, Chile, Colombia, the Democratic Republic of Congo, Côte d’Ivoire, The Gambia, Georgia, Korea, Latvia, Liberia, FYR Macedonia, Mexico, Moldova, Montenegro, Morocco, Nicaragua, Oman, Peru, Russian Federation, São Tomé and Príncipe, Senegal, Sierra Leone, Slovenia, the Solomon Islands, South Africa and Ukraine. Second, *Doing Business* ranks these economies on the increase in their ranking on the ease of doing business from the previous year using comparable rankings.

Selecting the economies that implemented regulatory reforms in at least 3 topics and improved the most in the aggregate ranking is intended to highlight economies with ongoing, broad-based reform programs.

⁵ See Simeon Djankov, Darshini Manraj, Caralee McLiesh and Rita Ramalho, “*Doing Business* Indicators: Why Aggregate, and How to Do It” (World Bank, Washington, DC, 2005). Principal components and unobserved components methods yield a ranking nearly identical to that from the simple average method because both these methods assign roughly equal weights to the topics, since the pairwise correlations among indicators do not differ much. An alternative to the simple average method is to give different weights to the topics, depending on which are considered of more or less importance in the context of a specific economy.

⁶ A technical note on the different aggregation and weighting methods is available on the *Doing Business* website (<http://www.doingbusiness.org>).

⁷ *Doing Business* reforms making it more difficult to do business are subtracted from the total number of those making it easier to do business.

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 183
<http://www.doingbusiness.org/rankings/>

Reports

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

Methodology

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

Research

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

***Doing Business* reforms**

Short summaries of DB2012 business regulation reforms, lists of reforms since DB2008 and a ranking simulation tool
<http://www.doingbusiness.org/reforms/>

Historical data

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

Law library

Online collection of business laws and regulations relating to business and gender issues
<http://www.doingbusiness.org/law-library/>
<http://wbl.worldbank.org/>

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