



Regional Profile:

## **Eastern Europe and Central Asia (ECA)**

Doing business in a  
**more transparent world**

COMPARING REGULATION FOR DOMESTIC FIRMS IN 183 ECONOMIES

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## INTRODUCTION

*Doing Business* sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 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 Eastern Europe and Central Asia (ECA). It also shows the regional average, the best performance globally for each indicator and data for the following comparator regions: European Union (EU), Latin America, East Asia and the Pacific (EAP), Middle East and North Africa (MENA) and OECD high income. The

data in this report are current as of June 1, 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>.



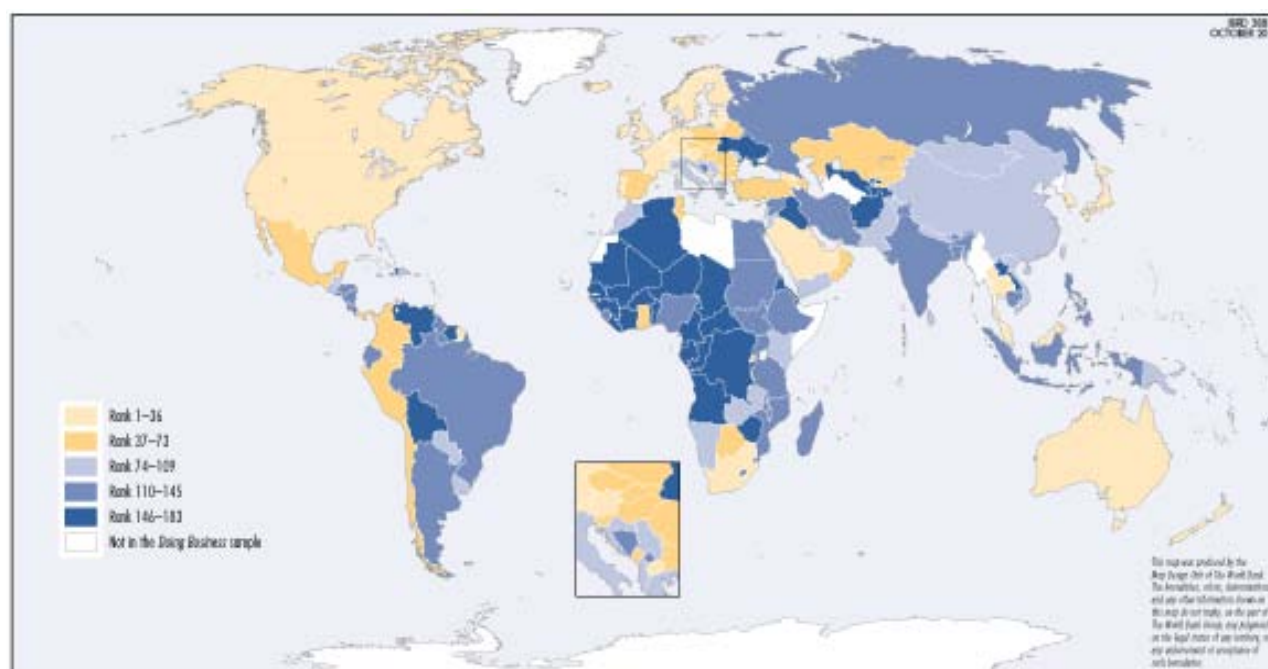
## THE BUSINESS ENVIRONMENT

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).<sup>1</sup>

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



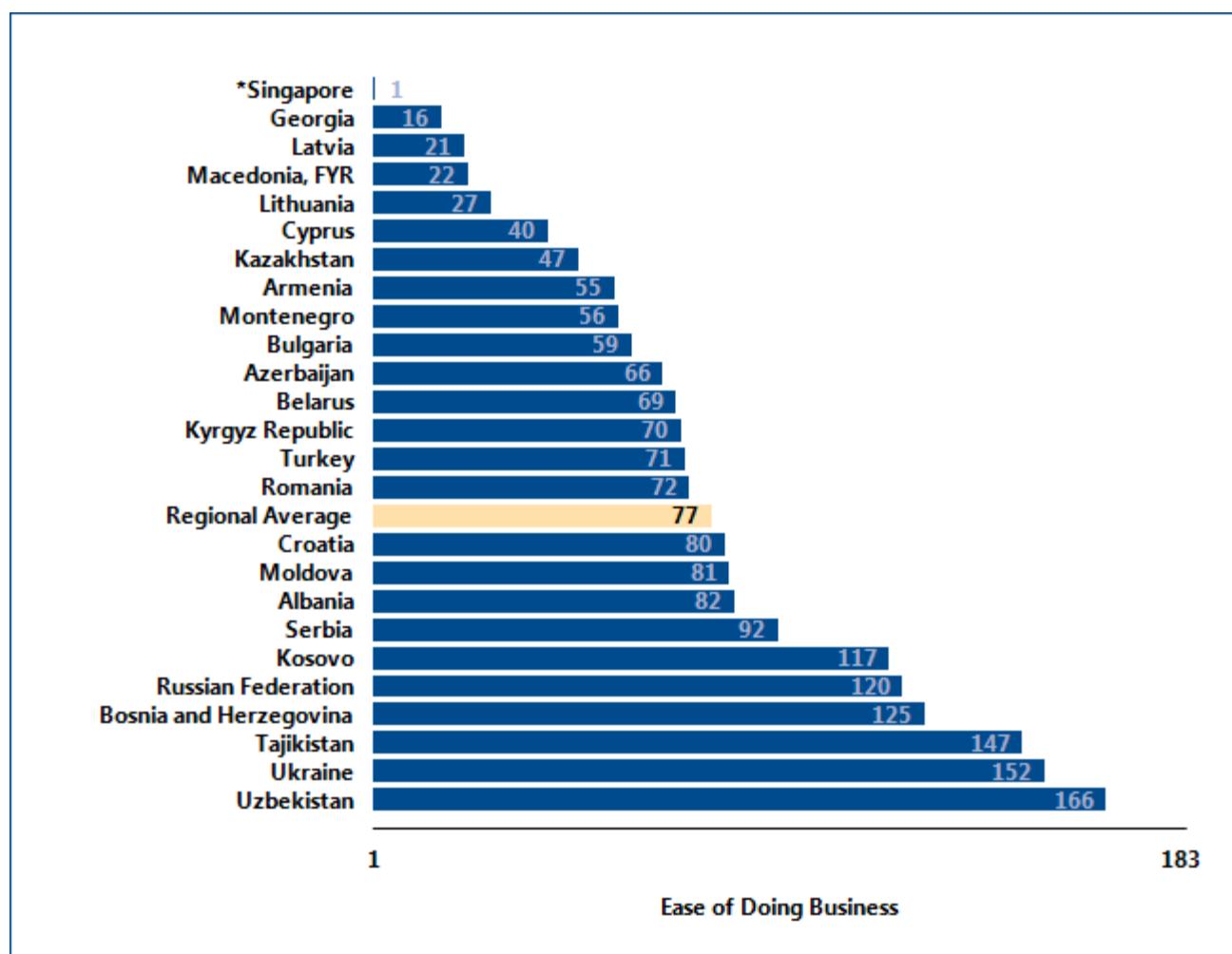
Source: *Doing Business* database.

<sup>1</sup> 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 Eastern Europe and Central Asia (ECA) rank on the ease of doing business



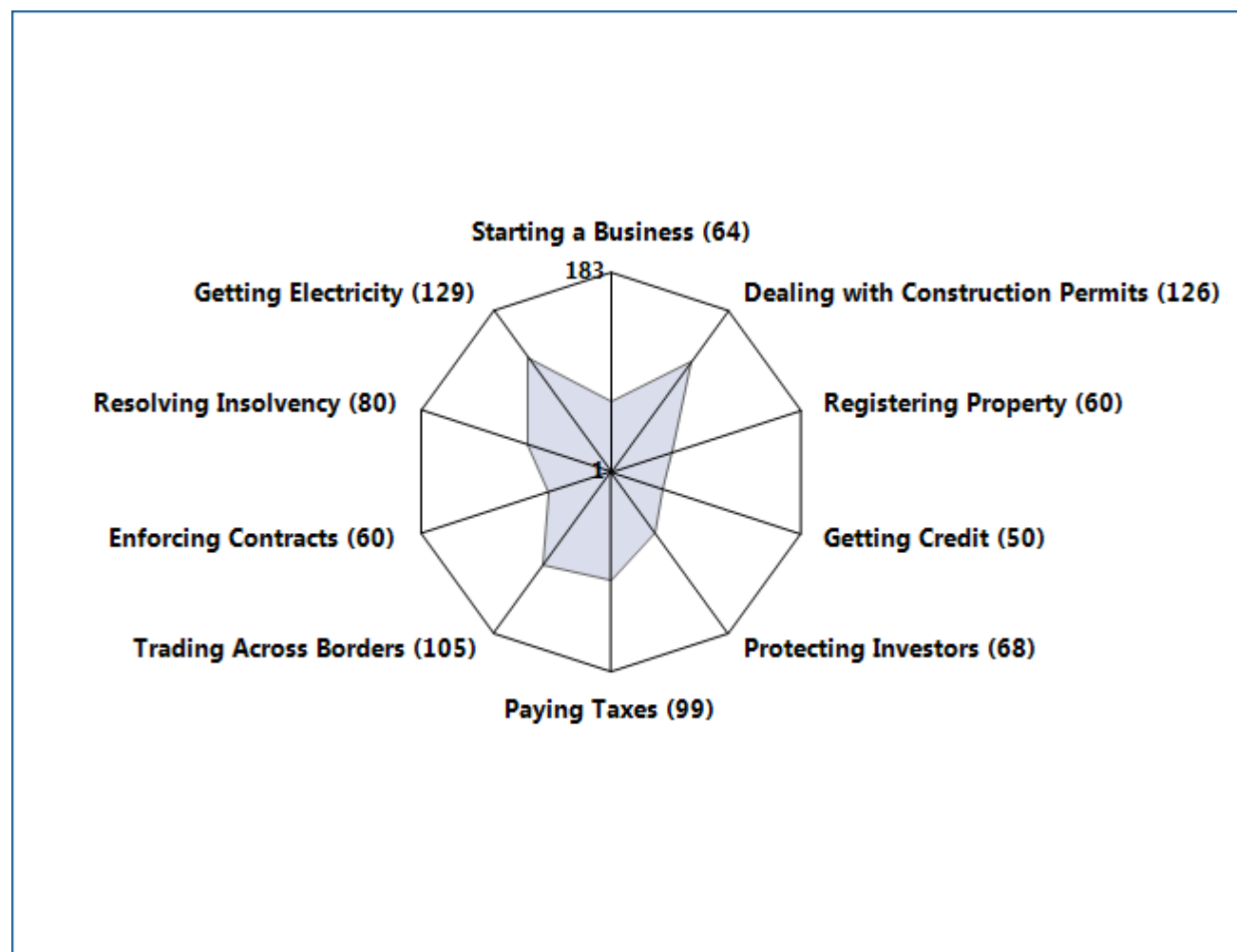
\*The economy with the best performance globally is included as a benchmark. In some cases 2 or more economies share the top ranking on an indicator.

Source: *Doing Business* database.

## THE BUSINESS ENVIRONMENT

Figure 1.3 How Eastern Europe and Central Asia (ECA) ranks 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 Eastern Europe and Central Asia (ECA)

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
<b>Starting a Business (rank)</b>	168 (Kosovo)	6 (Macedonia, FYR)	65	1 (New Zealand)
Procedures (number)	12 (Bosnia and Herzegovina)	2 (Georgia)*	6	1 (Canada)*
Time (days)	58 (Kosovo)	2 (Georgia)	16	1 (New Zealand)
Cost (% of income per capita)	33.3 (Tajikistan)	0.8 (Kazakhstan)	8.3	0 (Denmark)*
Paid-in Min. Capital (% of income per capita)	104.6 (Kosovo)	0.0 (Georgia)*	10.0	(82 Economies*)
<b>Dealing with Construction Permits (rank)</b>	180 (Ukraine)	4 (Georgia)	127	1 (Hong Kong SAR, China)
Procedures (number)	51 (Russian Federation)	9 (Georgia)*	20	5 (Denmark)
Time (days)	677 (Cyprus)	74 (Georgia)	238	26 (Singapore)*
Cost (% of income per capita)	1,603.8 (Serbia)	20.2 (Georgia)	440.8	1.1 (Qatar)
<b>Getting Electricity (rank)</b>	183 (Russian Federation)	56 (Croatia)	129	1 (Iceland)
Procedures (number)	11 (Ukraine)	4 (Serbia)	7	3 (Germany)*
Time (days)	337 (Kyrgyz Republic)	60 (Kosovo)	168	17 (Germany)
Cost (% of income per capita)	2,545.6 (Kyrgyz Republic)	63.3 (Lithuania)	751.2	0 (Japan)



Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
<b>Registering Property (rank)</b>	166 (Ukraine)	1 (Georgia)	60	3 (New Zealand)
Procedures (number)	12 (Uzbekistan)	1 (Georgia)	6	1 (Portugal)*
Time (days)	117 (Ukraine)	2 (Georgia)	33	1 (Portugal)
Cost (% of property value)	11.9 (Albania)	0.0 (Belarus)	2.8	0 (Slovak Republic)
<b>Getting Credit (rank)</b>	177 (Tajikistan)	4 (Latvia)	51	1 (United Kingdom)*
Strength of legal rights index (0-10)	2 (Uzbekistan)*	10 (Latvia)*	7	10 (New Zealand)*
Depth of credit information index (0-6)	3 (Uzbekistan)	6 (Georgia)*	5	6 (Japan)*
Public registry coverage (% of adults)	5.0 (Uzbekistan)	59.7 (Latvia)	16.2	86.2 (Portugal)
Private bureau coverage (% of adults)	3.0 (Moldova)	100.0 (Croatia)*	29.5	100 (New Zealand)*
<b>Protecting Investors (rank)</b>	174 (Kosovo)	10 (Kazakhstan)	68	1 (New Zealand)
Extent of disclosure index (0-10)	1 (Croatia)	10 (Bulgaria)	7	10 (France)*
Extent of director liability index (0-10)	1 (Uzbekistan)*	9 (Albania)	4	9 (Singapore)*
Ease of shareholder suits index (0-10)	3 (Kosovo)*	9 (Kazakhstan)	6	10 (New Zealand)*
Strength of investor protection index (0-10)	2.7 (Kosovo)	8.0 (Kazakhstan)	5.7	9.7 (New Zealand)
<b>Paying Taxes (rank)</b>	181 (Ukraine)	13 (Kazakhstan)	99	8 (Canada)
Payments (number per year)	135 (Ukraine)	4 (Georgia)	37	4 (Norway)
Time (hours per year)	657 (Ukraine)	119 (Macedonia, FYR)	302	59 (Luxembourg)
<b>Trading Across Borders (rank)</b>	183 (Uzbekistan)	15 (Latvia)	105	1 (Singapore)
Documents to export (number)	11 (Tajikistan)	4 (Georgia)	7	2 (France)
Time to export (days)	82 (Tajikistan)	7 (Cyprus)	27	5 (Hong Kong SAR, China)*
Cost to export (US\$ per container)	3850 (Tajikistan)	600 (Latvia)	1774	450 (Malaysia)

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
Documents to import (number)	12 (Kazakhstan)	4 (Georgia)	8	2 (France)
Time to import (days)	92 (Uzbekistan)	5 (Cyprus)	29	4 (Singapore)
Cost to import (US\$ per container)	4650 (Uzbekistan)	730 (Albania)	1990	435 (Malaysia)
<b>Enforcing Contracts (rank)</b>	157 (Kosovo)	13 (Russian Federation)	61	1 (Luxembourg)
Time (days)	735 (Cyprus)	195 (Uzbekistan)	412	150 (Singapore)
Cost (% of claim)	61.2 (Kosovo)	13.4 (Russian Federation)	27.3	0.1 (Bhutan)
Procedures (number)	53 (Kosovo)	27 (Latvia)	37	21 (Ireland)*
<b>Resolving Insolvency (rank)</b>	156 (Ukraine)	23 (Cyprus)	81	1 (Japan)
Time (years)	5.8 (Belarus)	1.5 (Lithuania)*	2.7	0.4 (Ireland)
Cost (% of estate)	42 (Ukraine)	4 (Georgia)	13	1 (Singapore)*
Recovery rate (cents on the dollar)	8.9 (Ukraine)	70.8 (Cyprus)	35.8	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.

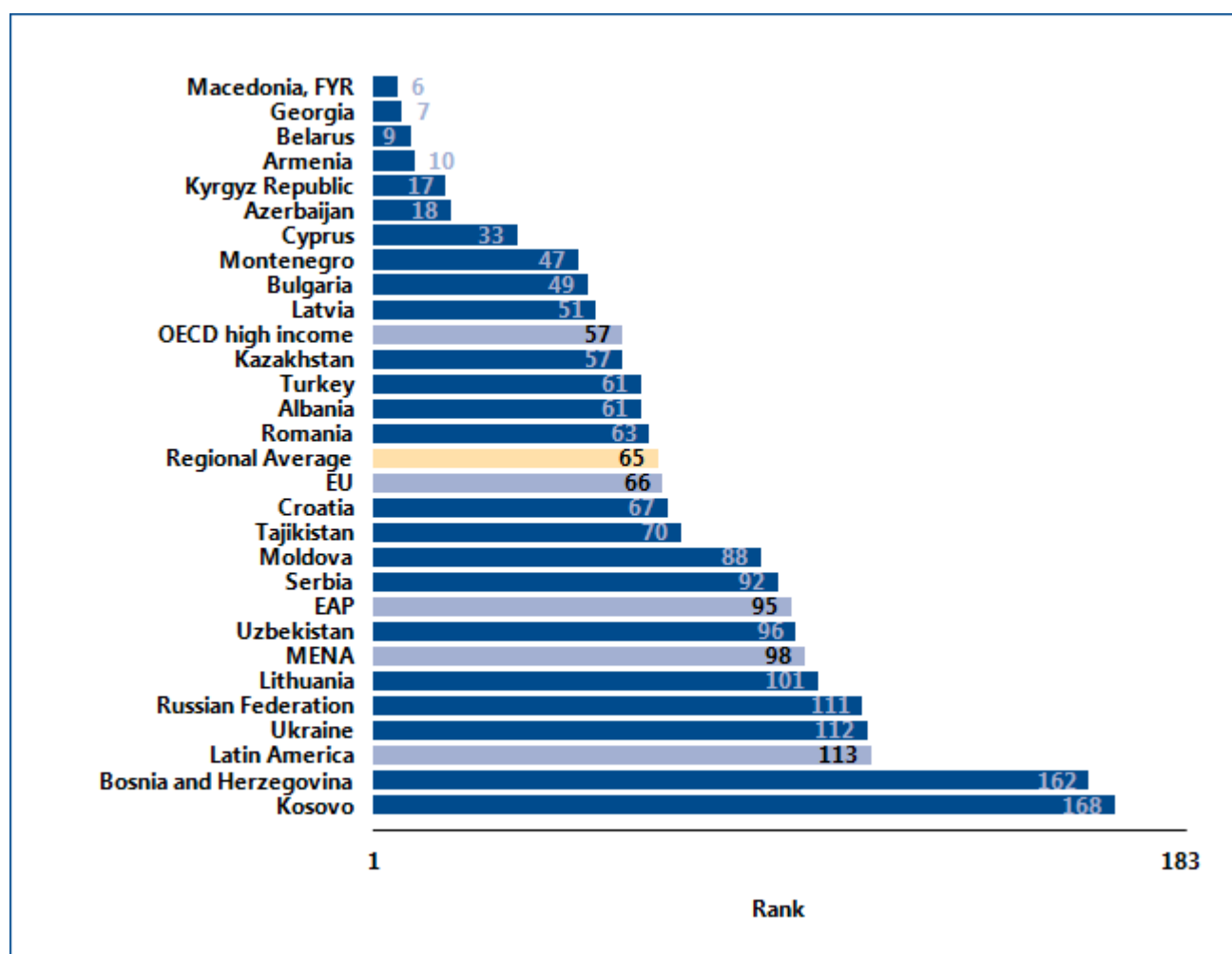
## STARTING A BUSINESS

### Where do the region's economies stand today?

How easy is it for entrepreneurs in economies in Eastern Europe and Central Asia (ECA) to start a business? The global rankings of these economies on

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

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



Source: *Doing Business* database.

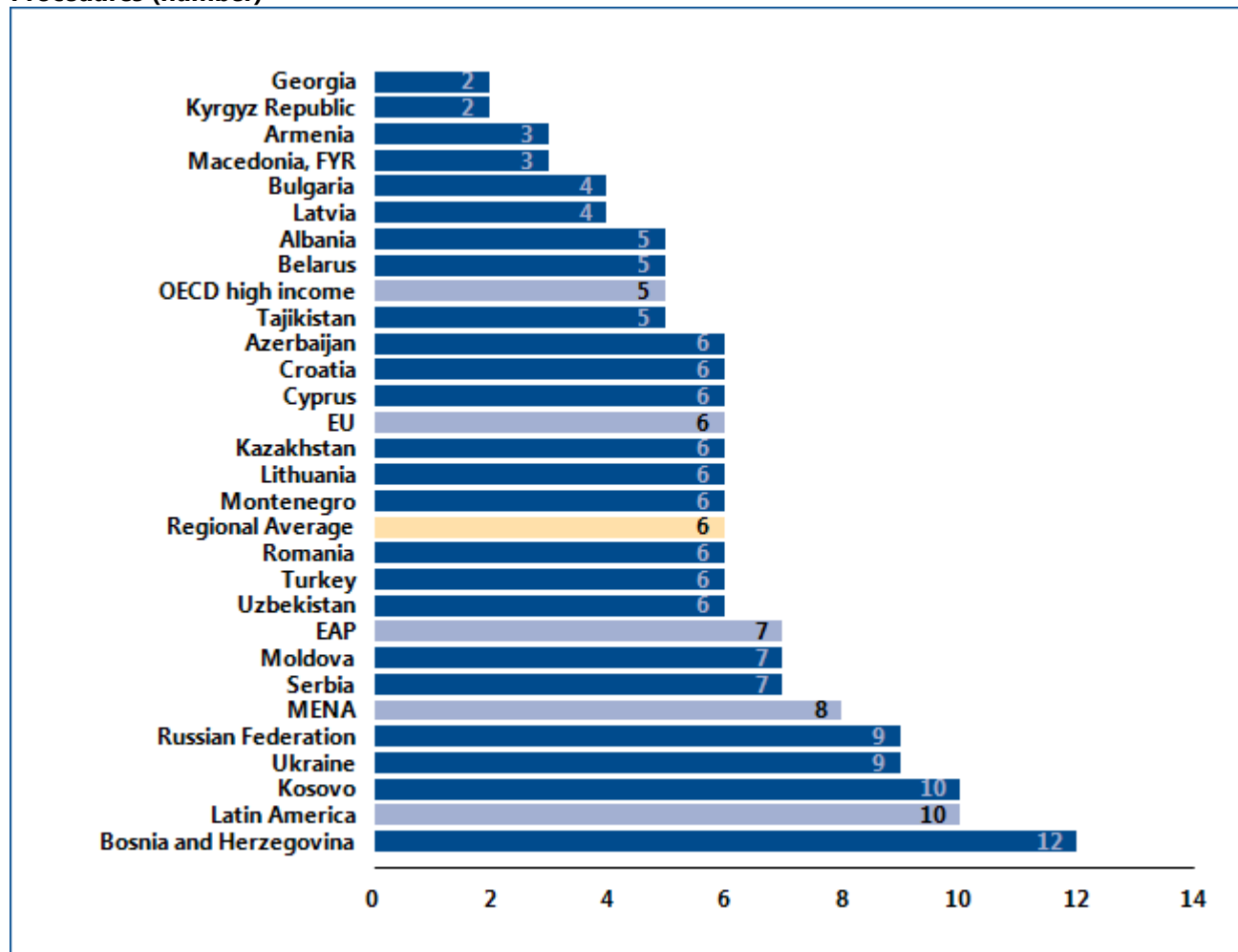
The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to start a business in each economy in the region: the number of procedures, the time, the cost

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 Eastern Europe and Central Asia (ECA)

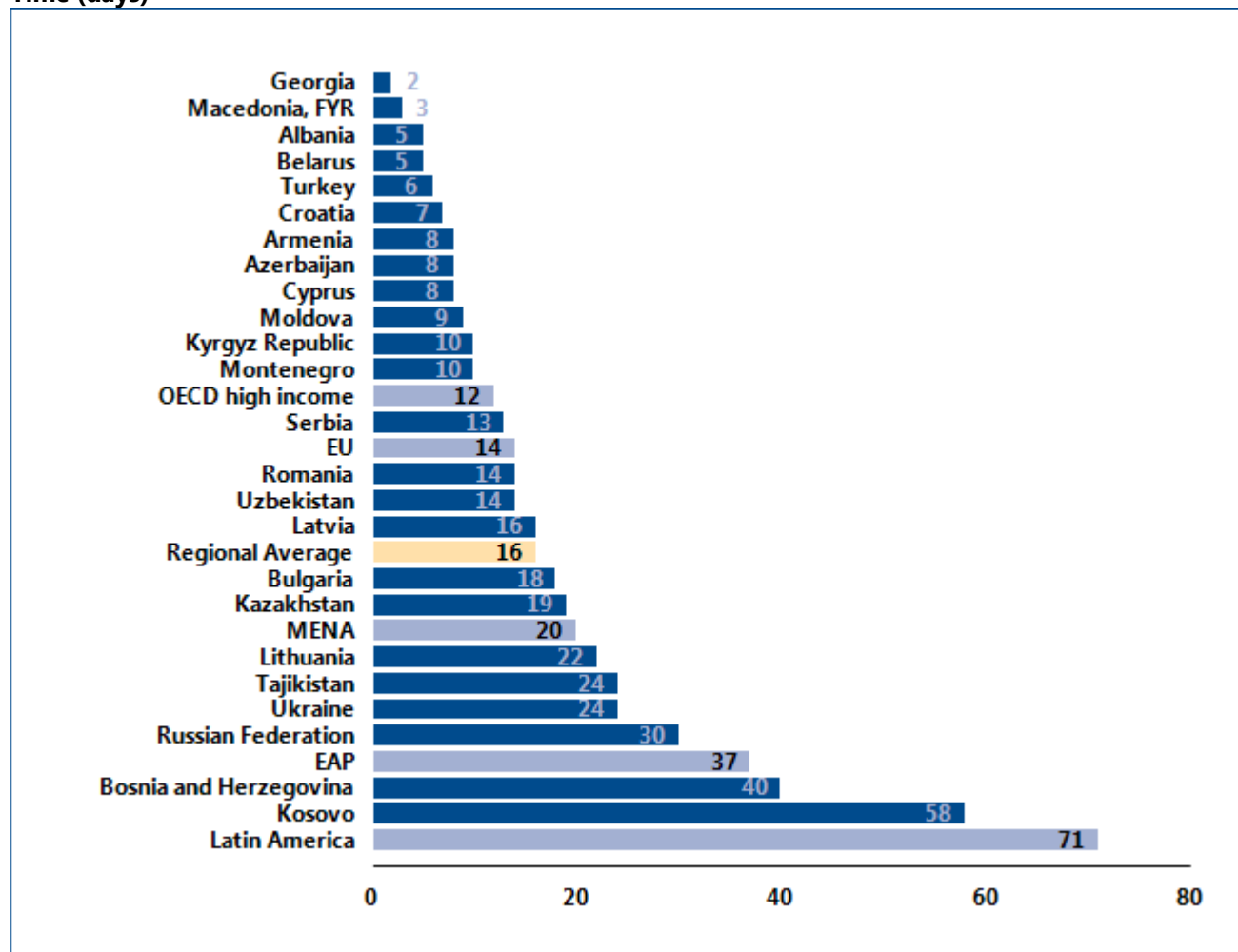
## Procedures (number)





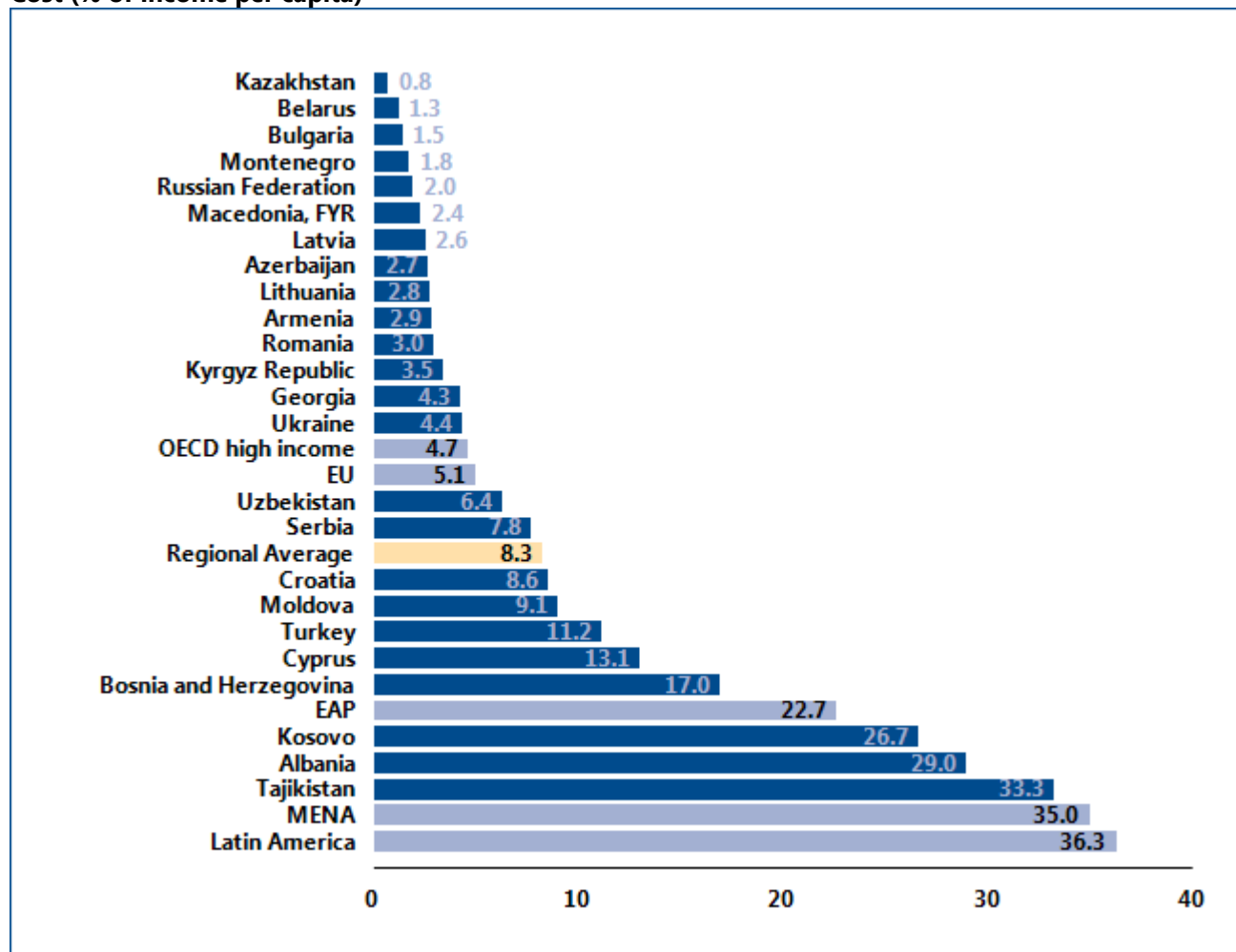
## STARTING A BUSINESS

Time (days)



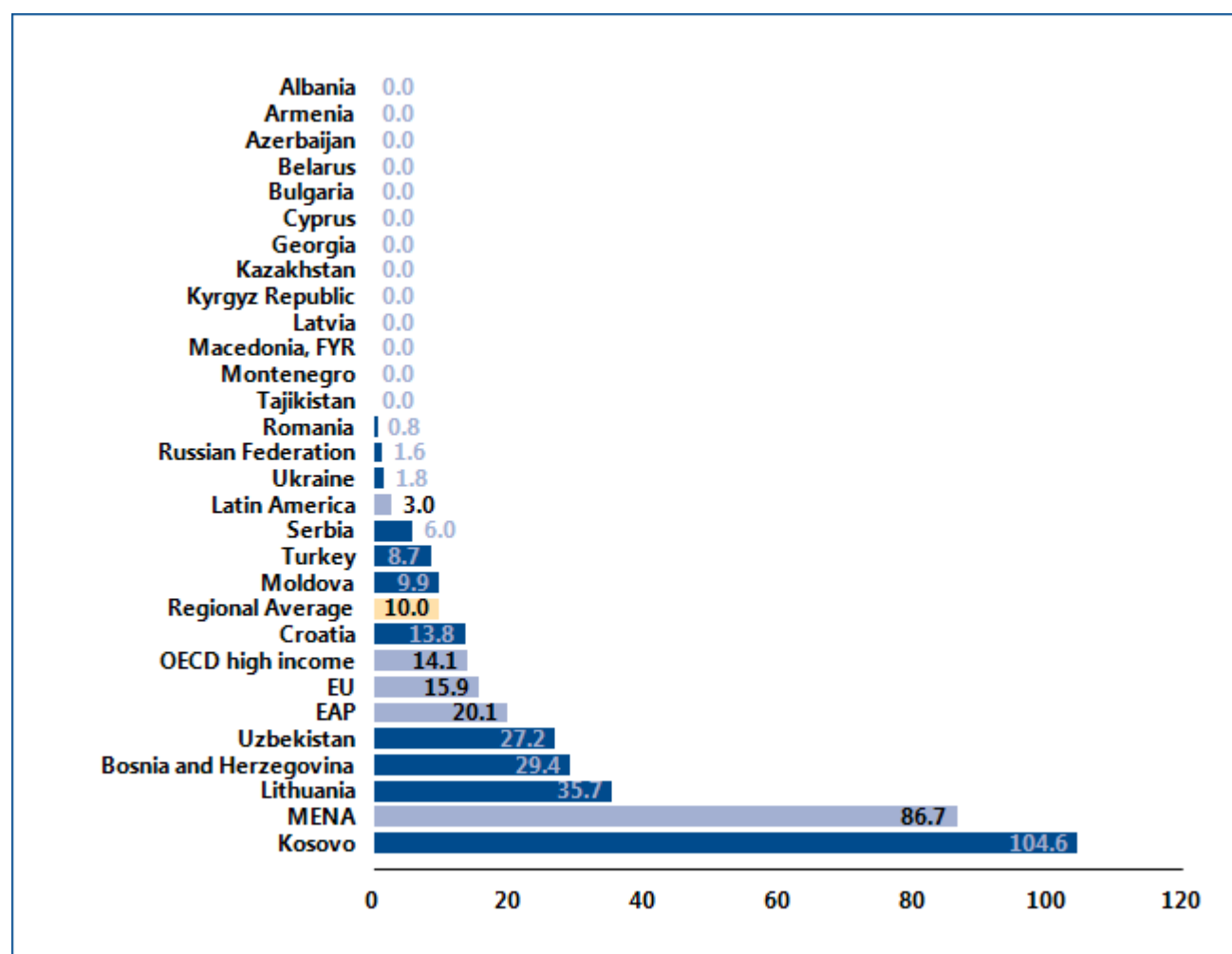
## STARTING A BUSINESS

## Cost (% of income per capita)



## STARTING A BUSINESS

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



Source: Doing Business database.

## STARTING A BUSINESS

### What are the changes over time?

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

satisfaction and savings and more registered businesses, financial resources and job opportunities.

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

Table 2.1 How have economies in Eastern Europe and Central Asia (ECA) made starting a business easier—or not?

By *Doing Business* report year

DB Year	Economy	Reform
DB2012	<i>Armenia</i>	Armenia made starting a business easier by establishing a one-stop shop that merged the procedures for name reservation, business registration and obtaining a tax identification number and by allowing for online company registration.
DB2012	<i>Bosnia and Herzegovina</i>	Bosnia and Herzegovina made starting a business easier by replacing the required utilization permit with a simple notification of commencement of activities and by streamlining the process for obtaining a tax identification number.
DB2012	<i>Georgia</i>	Georgia simplified business start-up by eliminating the requirement to visit a bank to pay the registration fees.
DB2012	<i>Latvia</i>	Latvia made starting a business easier by reducing the minimum capital requirement and introducing a common application for value added tax and company registration.
DB2012	<i>Moldova</i>	Moldova made starting a business easier by implementing a one-stop shop.
DB2012	<i>Romania</i>	Romania made starting a business more difficult by requiring a tax clearance certificate for a new company's headquarters before company registration.
DB2012	<i>Tajikistan</i>	Tajikistan made starting a business easier by allowing entrepreneurs to pay in their capital up to 1 year after the start of operations, thereby eliminating the requirements related to opening a bank account.
DB2012	<i>Turkey</i>	Turkey made starting a business less costly by eliminating notarization fees for the articles of association and other documents.

DB Year	Economy	Reform
DB2012	<i>Ukraine</i>	Ukraine made starting a business easier by eliminating the requirement to obtain approval for a new corporate seal.
DB2012	<i>Uzbekistan</i>	Uzbekistan made starting a business easier by reducing the minimum capital requirement, eliminating 1 procedure and reducing the cost of registration.
DB2012	<i>Montenegro</i>	Montenegro made starting a business easier by implementing a one-stop shop.
DB2011	<i>Bulgaria</i>	Bulgaria eased business start-up by reducing the minimum capital requirement from 5,000 leva (\$3,250) to 2 leva (\$1.30).
DB2011	<i>Croatia</i>	Croatia eased business start-up by allowing limited liability companies to file their registration application with the court registries electronically through the notary public.
DB2011	<i>Kazakhstan</i>	Kazakhstan eased business start-up by reducing the minimum capital requirement to 100 tenge (\$0.70) and eliminating the need to have the memorandum of association and company charter notarized.
DB2011	<i>Kyrgyz Republic</i>	The Kyrgyz Republic eased business start-up by eliminating the requirement to have the signatures of company founders notarized.
DB2011	<i>Lithuania</i>	Lithuania tightened the time limit for completing the registration of a company.
DB2011	<i>Macedonia, FYR</i>	FYR Macedonia made it easier to start a business by further improving its one-stop shop.
DB2011	<i>Tajikistan</i>	Tajikistan made starting a business easier by creating a one-stop shop that consolidates registration with the state and the tax authority.
DB2011	<i>Ukraine</i>	Ukraine eased business start-up by substantially reducing the minimum capital requirement.
DB2011	<i>Montenegro</i>	Montenegro eliminated several procedures for business start-up by introducing a single registration form for submission to the tax administration.
DB2011	<i>Kosovo</i>	Kosovo made business start-up more difficult by replacing the tax number previously required with a "fiscal number," which takes longer to issue and requires the tax administration to first inspect the business premises.
DB2010	<i>Albania</i>	Business start-up was eased by making registration electronic, enhancing the registry's capacity, reducing the minimum capital requirement from ALL 100 000 to ALL 100, and eliminating the requirement to register at the Chamber of Commerce.



DB Year	Economy	Reform
DB2010	<i>Armenia</i>	Business start-up was eased by removing the minimum capital requirement and the need to obtain an approval from the national police department to prepare the company seal, and by making registration forms available online.
DB2010	<i>Belarus</i>	Business start-up was eased by simplifying registration formalities, abolishing the minimum capital requirement, limiting the role of notaries, and removing the need for a company seal approval.
DB2010	<i>Bulgaria</i>	Business start-up was made easier by reducing the paid-in minimum capital requirement to about 24 percent of gross national income per capita and making the company registry more efficient.
DB2010	<i>Kazakhstan</i>	Business start-up was made easier by simplifying documentation requirements and abolishing the requirement to register at the local tax office.
DB2010	<i>Kyrgyz Republic</i>	Business start-up was eased by eliminating the minimum capital requirement, reducing the registration time, and abolishing various post-registration fees and the need to open a bank account before registration.
DB2010	<i>Macedonia, FYR</i>	Business start-up was simplified by integrating procedures at a one-stop shop.
DB2010	<i>Moldova</i>	Business start-up was eased by implementing an expedited company registration service.
DB2010	<i>Tajikistan</i>	Business start-up was eased by reducing the minimum capital requirement and shortening the time to obtain a tax identification number.
DB2010	<i>Serbia</i>	Business start-up was eased by creating a one-stop shop for company registration.
DB2010	<i>Montenegro</i>	Business start-up was eased by simplifying post-registration, including registration for taxes, social security, and employment, as well as the process of obtaining a municipal license.
DB2009	<i>Albania</i>	Starting a business became easier with online publication, reduction of the registration cost, and the consolidation of tax, health insurance, and labor registration into a single application.
DB2009	<i>Azerbaijan</i>	The country created a one-stop shop for company registration, cutting the number of procedures and reducing the time required to start a business.
DB2009	<i>Belarus</i>	Starting a business became easier: a unified registry database was created, a time limit was introduced for registration, and the minimum capital requirement was cut by half.

DB Year	Economy	Reform
DB2009	<i>Bulgaria</i>	Business start-up was made easier by creating a central electronic database for commercial registration. This reform consolidated and reduced the number of registration procedures and cut other registration formalities.
DB2009	<i>Georgia</i>	Amendments to the Law on Entrepreneurs made it easier to start a company by eliminating the requirements for a minimum capital, a company seal, and a company charter and by making the use of notaries optional.
DB2009	<i>Kyrgyz Republic</i>	A new one-stop shop made it easier to start a business by streamlining and simplifying business registration processes and eliminating certain requirements such as proof of residence. Obtaining a company seal became optional.
DB2009	<i>Macedonia, FYR</i>	The one-stop shop system was updated to carry out the full range of business start-up processes, reducing both the number of procedures and the time required.
DB2009	<i>Moldova</i>	New laws on limited liability companies and company registration sped business registration by introducing statutory time limits. The time required to file an application with the State Registration Chamber was reduced.
DB2008	<i>Azerbaijan</i>	The requirement to obtain approval of the company seal design by the Ministry of Justice was abolished.
DB2008	<i>Belarus</i>	A one-stop shop was implemented combining company registration, seal design approval, and registrations with tax, statistical and social security authorities. This, together with a new notary fee schedule, results in a reduction in the number of procedures, the time, and cost to start a business
DB2008	<i>Croatia</i>	The time and procedures for starting a business were lowered by enhancing the services through better implementation of the one-stop shop.
DB2008	<i>Georgia</i>	Pursuant to amendments to the Georgian law on entrepreneurs, tax authorities are now responsible for state and tax registration. In addition, the paid-in capital requirement was abolished.
DB2008	<i>Macedonia, FYR</i>	The country eliminated the paid-in minimum capital requirement and is working on online registration system for business start-up.
DB2008	<i>Tajikistan</i>	The license regime was simplified, reducing the number of business activities subject to government approval. One procedure was cut and time was reduced.
DB2008	<i>Uzbekistan</i>	Substantive review at the registry was eliminated, internal proceedings were simplified and clear rules for refusal of registration were established. Social insurance registration can now be done in a one-stop shop within 1 working day.

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).

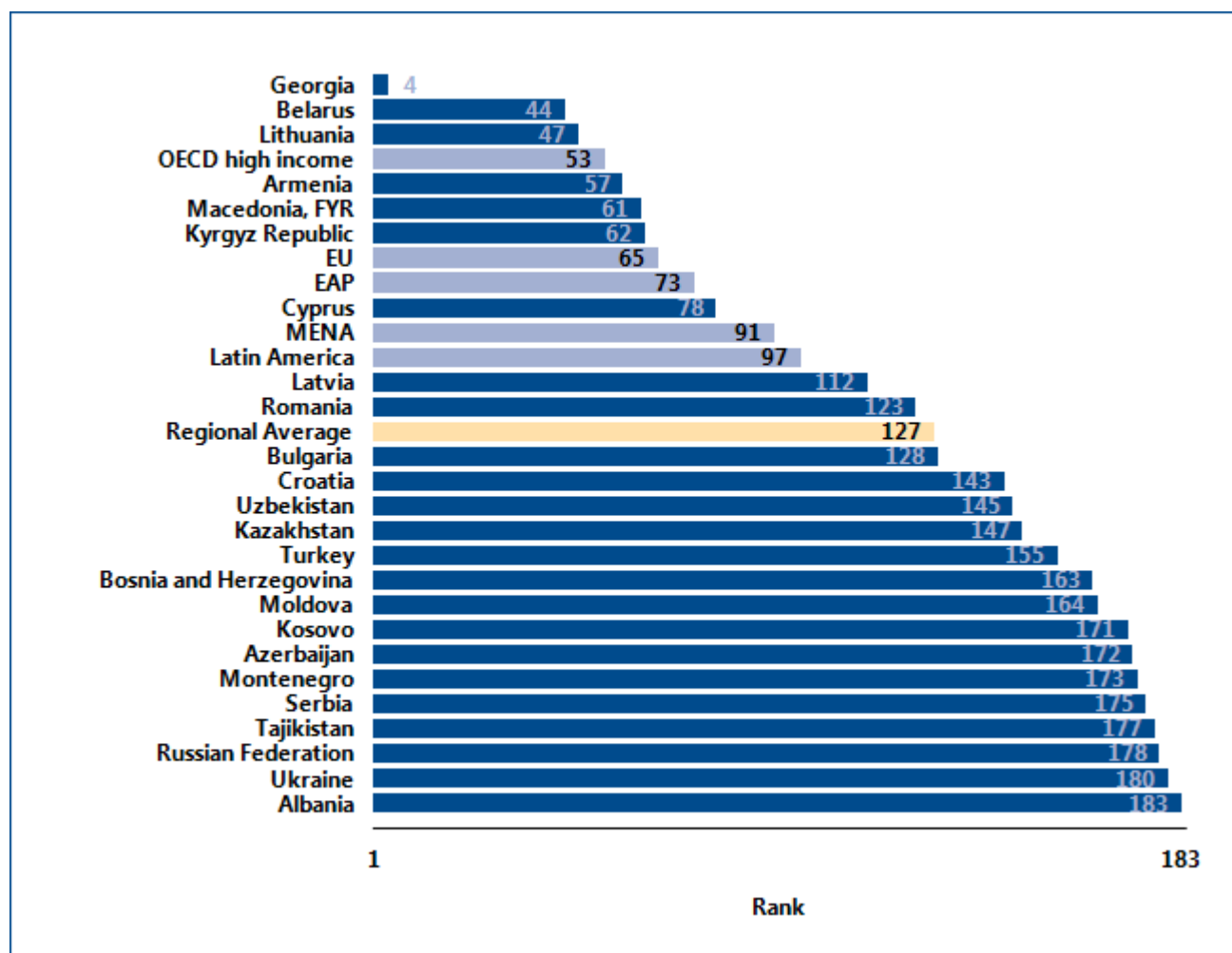
## DEALING WITH CONSTRUCTION PERMITS

### Where do the region's economies stand today?

How easy it is for entrepreneurs in economies in Eastern Europe and Central Asia (ECA) to legally build a warehouse? The global rankings of these economies on the ease of dealing with construction permits

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

Figure 3.1 How economies in Eastern Europe and Central Asia (ECA) 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

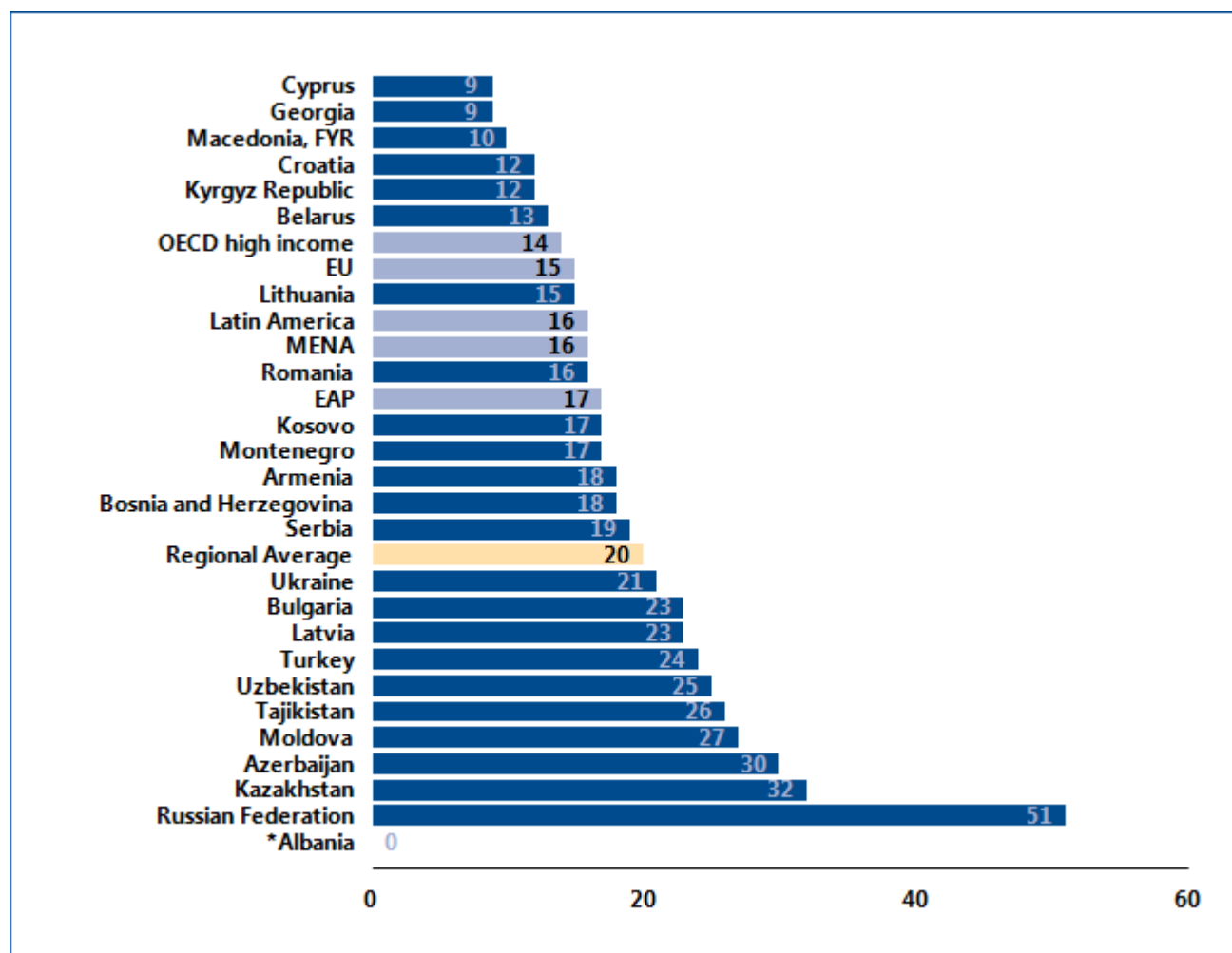
of procedures, the time and the cost (figure 3.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.



## DEALING WITH CONSTRUCTION PERMITS

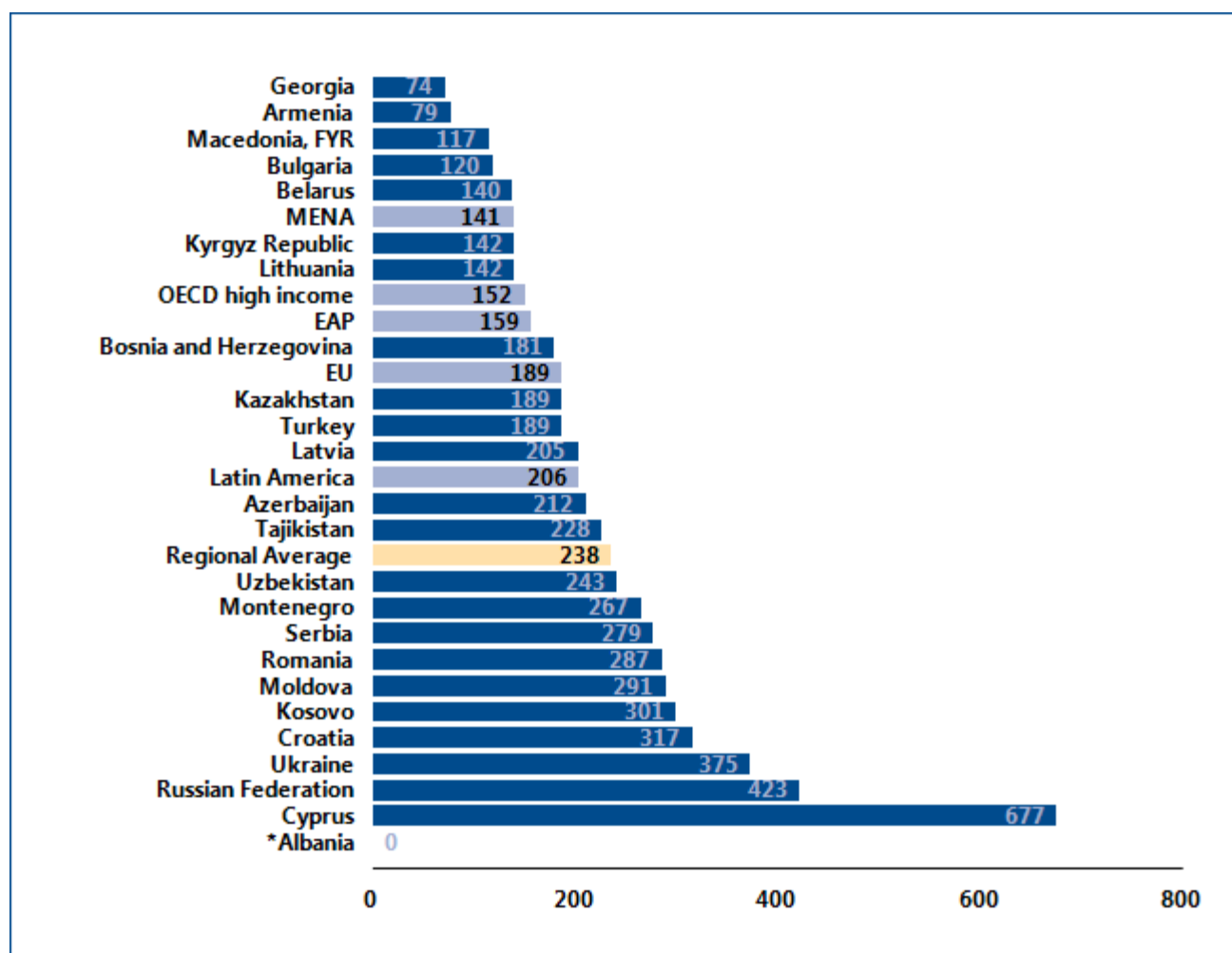
Figure 3.2 What it takes to comply with formalities to build a warehouse in economies in Eastern Europe and Central Asia (ECA)

### Procedures (number)



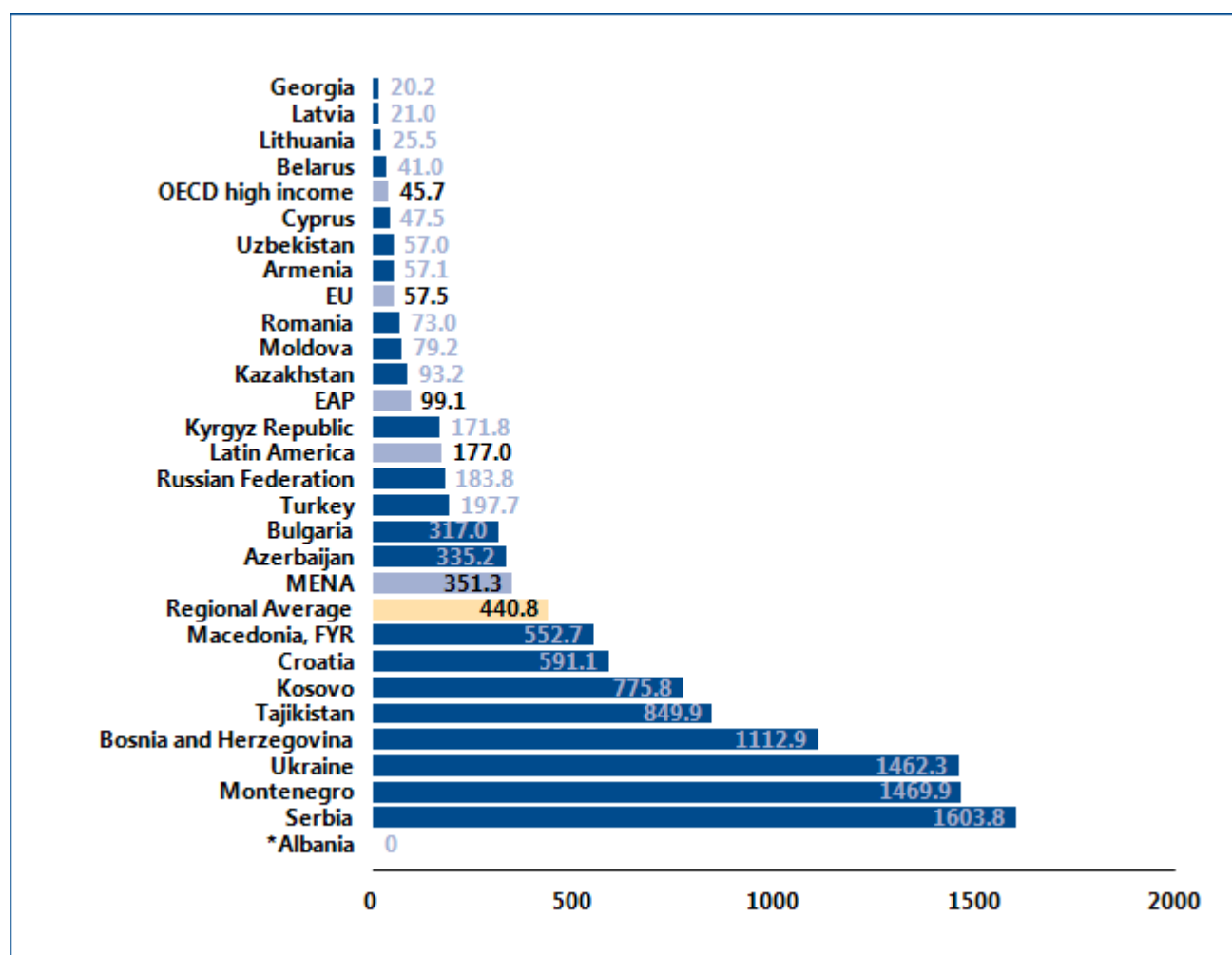
## DEALING WITH CONSTRUCTION PERMITS

Time (days)



## DEALING WITH CONSTRUCTION PERMITS

Cost (% of income per capita)



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

Source: Doing Business database.

## DEALING WITH CONSTRUCTION PERMITS

### What are the changes over time?

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

worked on consolidating permitting requirements. What construction permitting reforms has *Doing Business* recorded in Eastern Europe and Central Asia (ECA) (table 3.1)?

Table 3.1 How have economies in Eastern Europe and Central Asia (ECA) made dealing with construction permits easier—or not?

By *Doing Business* report year

DB Year	Economy	Reform
DB2012	<i>Albania</i>	In Albania dealing with construction permits became more difficult because the main authority in charge of issuing building permits has not met since April 2009.
DB2012	<i>Armenia</i>	Armenia made dealing with construction permits easier by eliminating the requirement to obtain an environmental impact assessment for small projects.
DB2012	<i>Bosnia and Herzegovina</i>	Bosnia and Herzegovina made dealing with construction permits easier by fully digitizing and revamping its land registry and cadastre.
DB2012	<i>Macedonia, FYR</i>	FYR Macedonia made dealing with construction permits easier by transferring oversight processes to the private sector and streamlining procedures.
DB2011	<i>Croatia</i>	Croatia replaced the location permit and project design confirmation with a single certificate, simplifying and speeding up the construction permitting process.
DB2011	<i>Kazakhstan</i>	Kazakhstan made dealing with construction permits easier by implementing a one-stop shop related to technical conditions for utilities.
DB2011	<i>Romania</i>	Romania amended regulations related to construction permitting to reduce fees and expedite the process.
DB2011	<i>Russian Federation</i>	Russia eased construction permitting by implementing a single window for all procedures related to land use.

DB Year	Economy	Reform
<b>DB2011</b>	<i>Ukraine</i>	Ukraine made dealing with construction permits easier by implementing national and local regulations that streamlined procedures.
<b>DB2011</b>	<i>Uzbekistan</i>	Uzbekistan increased all fees for procedures relating to construction permits.
<b>DB2010</b>	<i>Belarus</i>	Belarus eased the process for getting construction permits by simplifying approval processes.
<b>DB2010</b>	<i>Bosnia and Herzegovina</i>	The building permit system was improved by reducing the time to register a new building at the courts and land cadastre.
<b>DB2010</b>	<i>Croatia</i>	The process for getting construction permits was eased by opening a one-stop shop and through enforcement of the building code.
<b>DB2010</b>	<i>Georgia</i>	The process for dealing with construction permits was eased by introducing a simplified process for obtaining confirmation from utilities, a risk-based approval process for building permits, and new time limits for the occupancy certificate.
<b>DB2010</b>	<i>Kazakhstan</i>	The process for getting construction permits was eased by eliminating the requirement to pay for new electrical connection, reducing time limits for building permits, and lowering the cost of topographic surveys.
<b>DB2010</b>	<i>Kyrgyz Republic</i>	The process for getting construction permits by streamlining the fee structure, introducing a risk-based system of approval and building control, allowing low-risk projects to conduct an internal building control process, and simplifying the process for obtaining utility connections.
<b>DB2010</b>	<i>Macedonia, FYR</i>	The construction permit process has been reformed, shortening waiting times but raising fees.
<b>DB2010</b>	<i>Romania</i>	Construction permit costs rose because of a new fee equal to 0.05 percent of the project value.
<b>DB2010</b>	<i>Tajikistan</i>	Changes were introduced that simplified the construction permit process, reducing procedures and time.
<b>DB2010</b>	<i>Uzbekistan</i>	A presidential resolution reduced building permit fees.



DB Year	Economy	Reform
DB2010	<i>Montenegro</i>	The process for construction permits was improved with a new construction law that eliminated procedures, provided new mechanisms for permit approval and building control processes in general, and introduced a risk-based approval system that assigns control for small projects to municipalities.
DB2009	<i>Armenia</i>	The cost to obtain construction permits in Yerevan was significantly reduced by abolishing "mandatory charitable contributions" paid to obtain the right to design.
DB2009	<i>Belarus</i>	The time required for dealing with construction permits fell by 140 days, thanks to new statutory time limits for preapproval clearances and building permits.
DB2009	<i>Bosnia and Herzegovina</i>	The reform at the Land Registry has benefited entrepreneurs dealing with construction permits, reducing the time to obtain a cadastre excerpt before construction and to register the newly completed building in the cadastre and land book.
DB2009	<i>Bulgaria</i>	Dealing with construction permits has become more difficult. The fees for obtaining construction permits were increased by about 16 percent in 2008. Stricter environmental requirements mean that companies in Sofia now have to obtain a certificate of energy efficiency before and after construction.
DB2009	<i>Croatia</i>	A new building code came into force in October 2007 and made it easier to deal with construction permits by eliminating five procedures. Even so, the reform led to an administrative backlog for building and occupancy permits, increasing the overall time.
DB2009	<i>Kyrgyz Republic</i>	Dealing with construction permits also became easier, thanks to a one-stop shop making it possible to obtain a designing permit, construction license, and occupancy permit at a single place. This reform eliminated several procedures, reduced the time required to build a warehouse, and lowered the cost.
DB2009	<i>Tajikistan</i>	Administrative backlogs in obtaining location permits increased the time for dealing with construction permits.
DB2009	<i>Ukraine</i>	The cost and time for dealing with construction permits increased. All new construction projects are now subject to an infrastructure tax. And an administrative backlog has increased the time.

DB Year	Economy	Reform
<b>DB2009</b>	<i>Serbia</i>	An administrative backlog at the Belgrade Municipality's Construction Department added 75 days to the time for obtaining construction permits.
<b>DB2009</b>	<i>Montenegro</i>	Obtaining construction permits takes longer compared to last year. Stricter compliance requirements introduced to conform with EU best practices led to an administrative backlog, increasing the time to build a warehouse.
<b>DB2008</b>	<i>Bulgaria</i>	In the construction sector, inspections were made more transparent and liabilities are from now on more clearly defined after technical passports were introduced this year.
<b>DB2008</b>	<i>Georgia</i>	The regulation of construction permits was reformed. The procedure for occupancy certificates was simplified (abandoning the need for a special commission), and time limits shortened (from 45 to 30). Water utility and electricity providers can now be approached as one administrative body, and project documentation was made easier.
<b>DB2008</b>	<i>Macedonia, FYR</i>	The time to obtain a construction license was decreased through administrative reform of the Real Estate Registry.
<b>DB2008</b>	<i>Russian Federation</i>	Since July 2006, the Moscow Committee for State Construction supervision is responsible for both construction permits and technical compliance. A new law requires the building authority to issue permits within 10 days from the receipt of all documents. A simple notification replaced the former requirement of a second formal authorization to begin construction after the construction permit has been granted. Companies are now required to purchase a license for connection to the electricity network, a measure to offset high demand, but resulted in a substantial increase in cost.

*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.

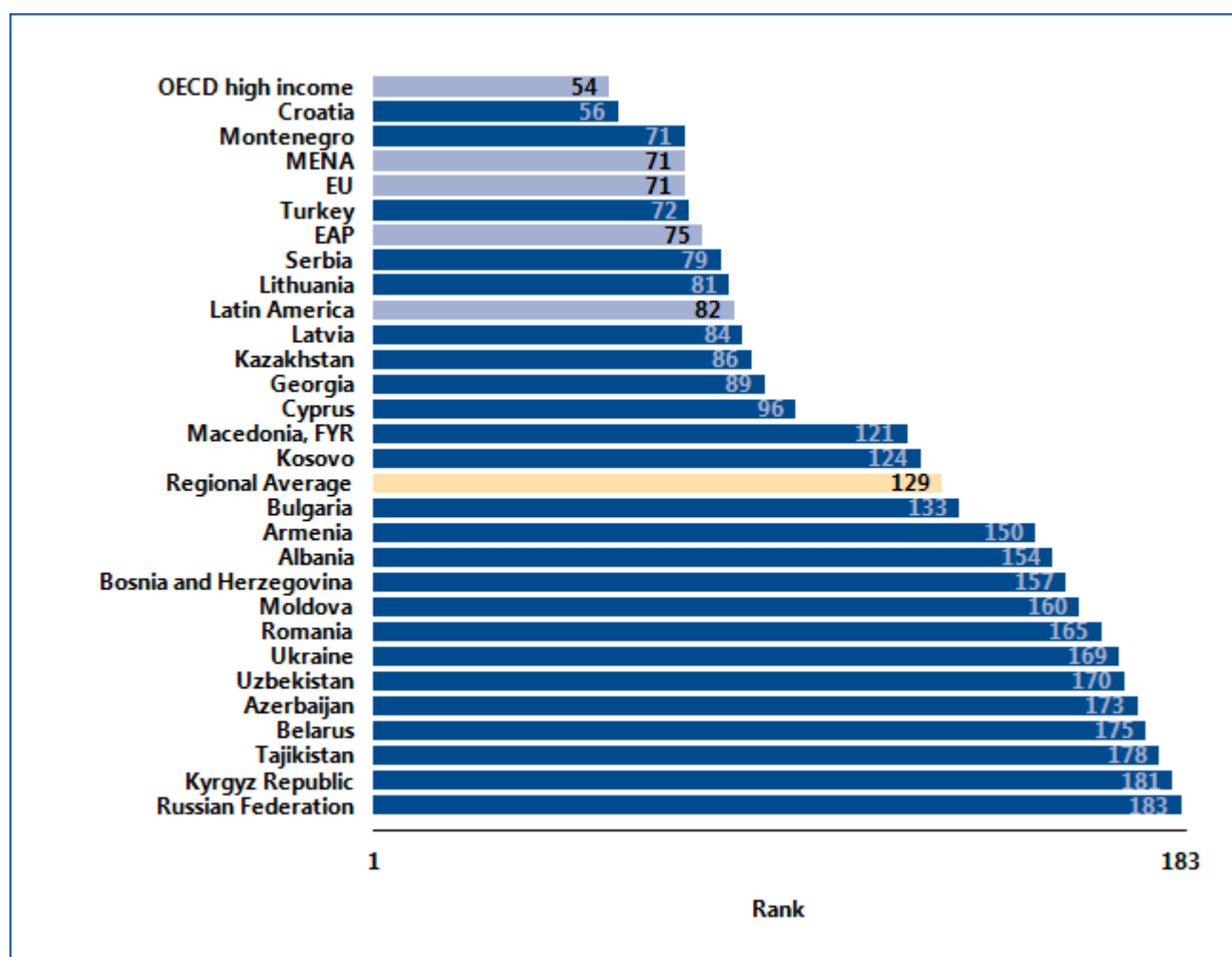
## GETTING ELECTRICITY

### Where do the region's economies stand today?

How easy is it for entrepreneurs in economies in Eastern Europe and Central Asia (ECA) to connect a warehouse to electricity? The global rankings of these economies on the ease of getting electricity suggest

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

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



Source: *Doing Business* database.

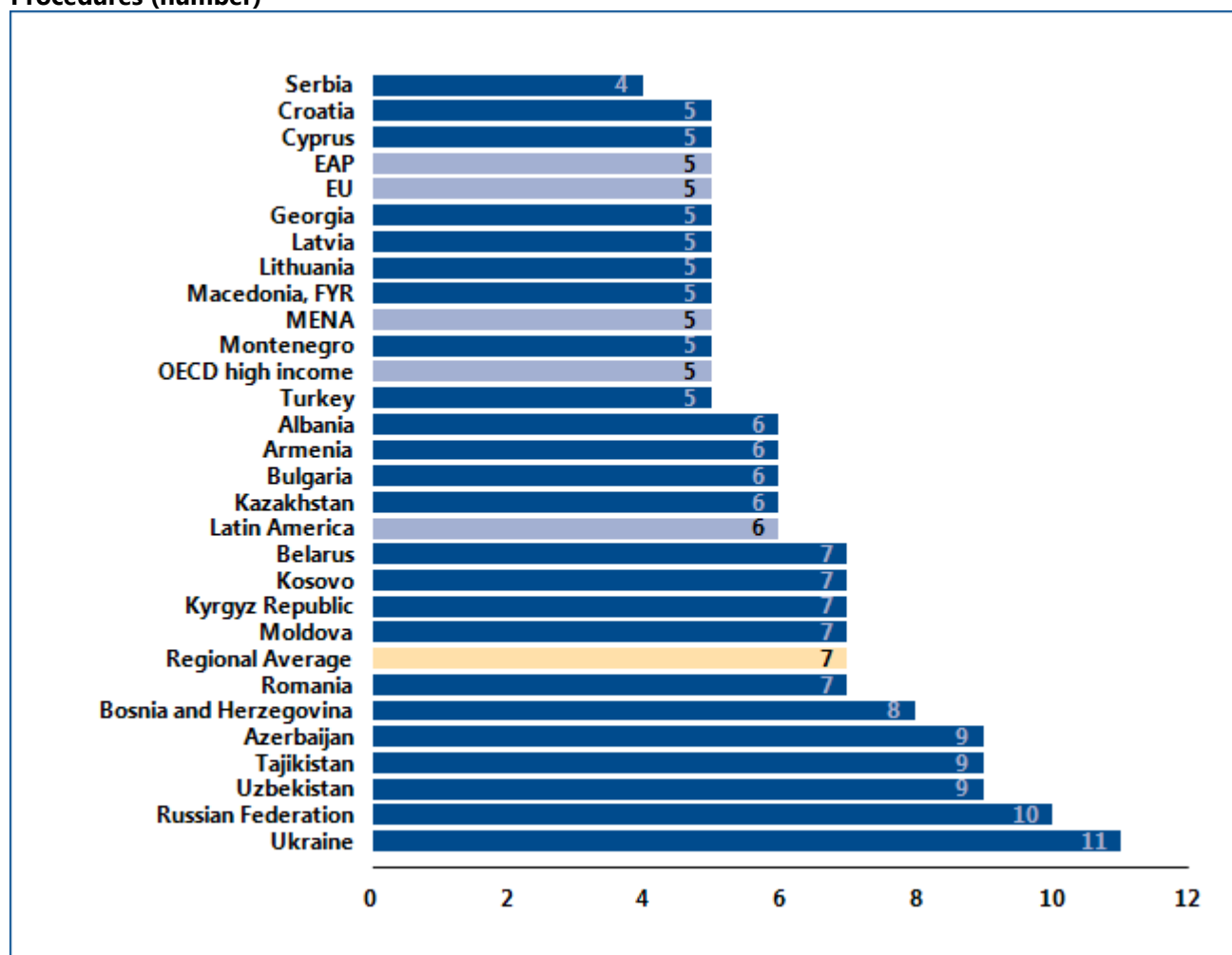
The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to get a new electricity connection in each economy in the region: the number of procedures, the

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

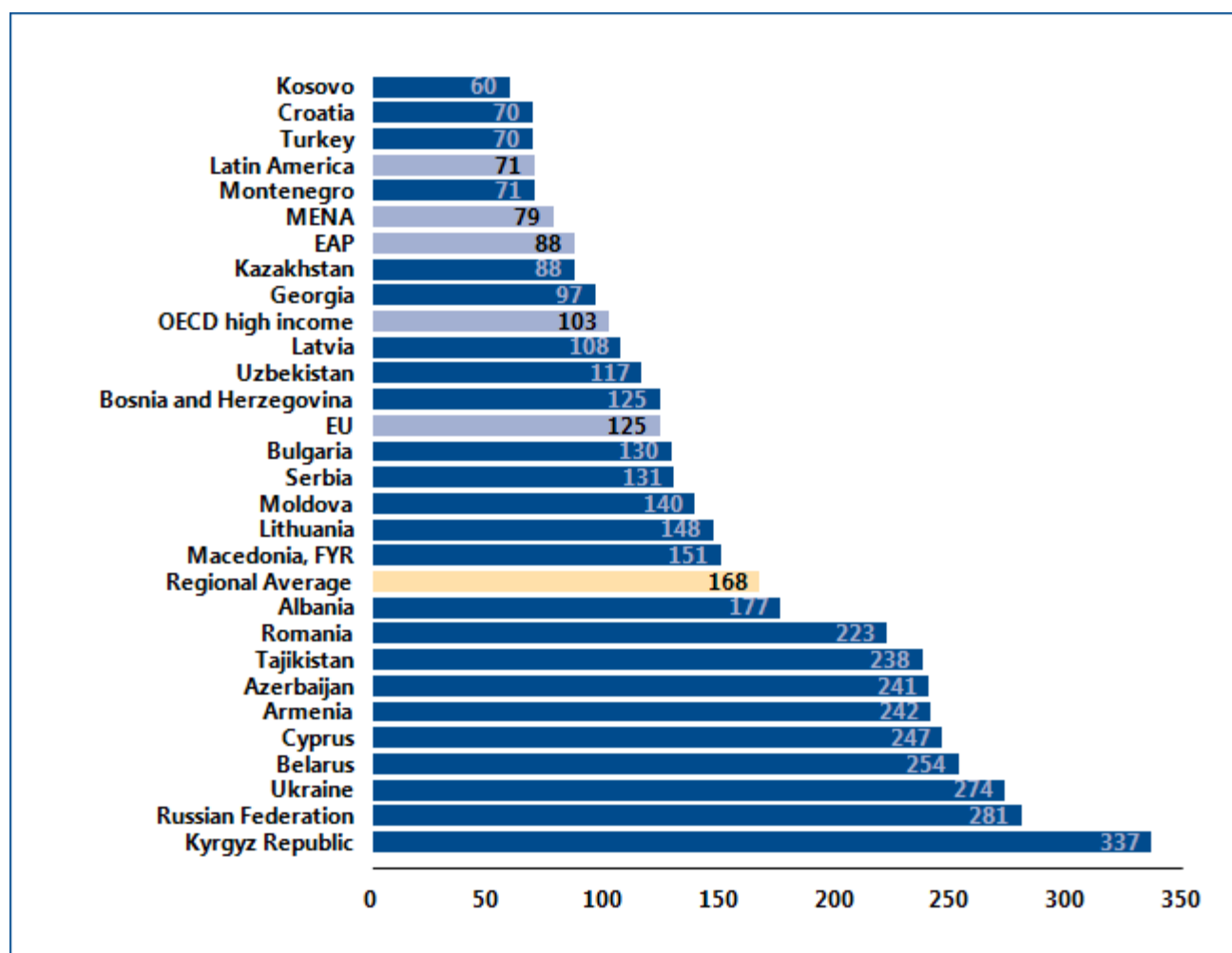
Figure 4.2 What it takes to get an electricity connection in economies in Eastern Europe and Central Asia (ECA)

## Procedures (number)



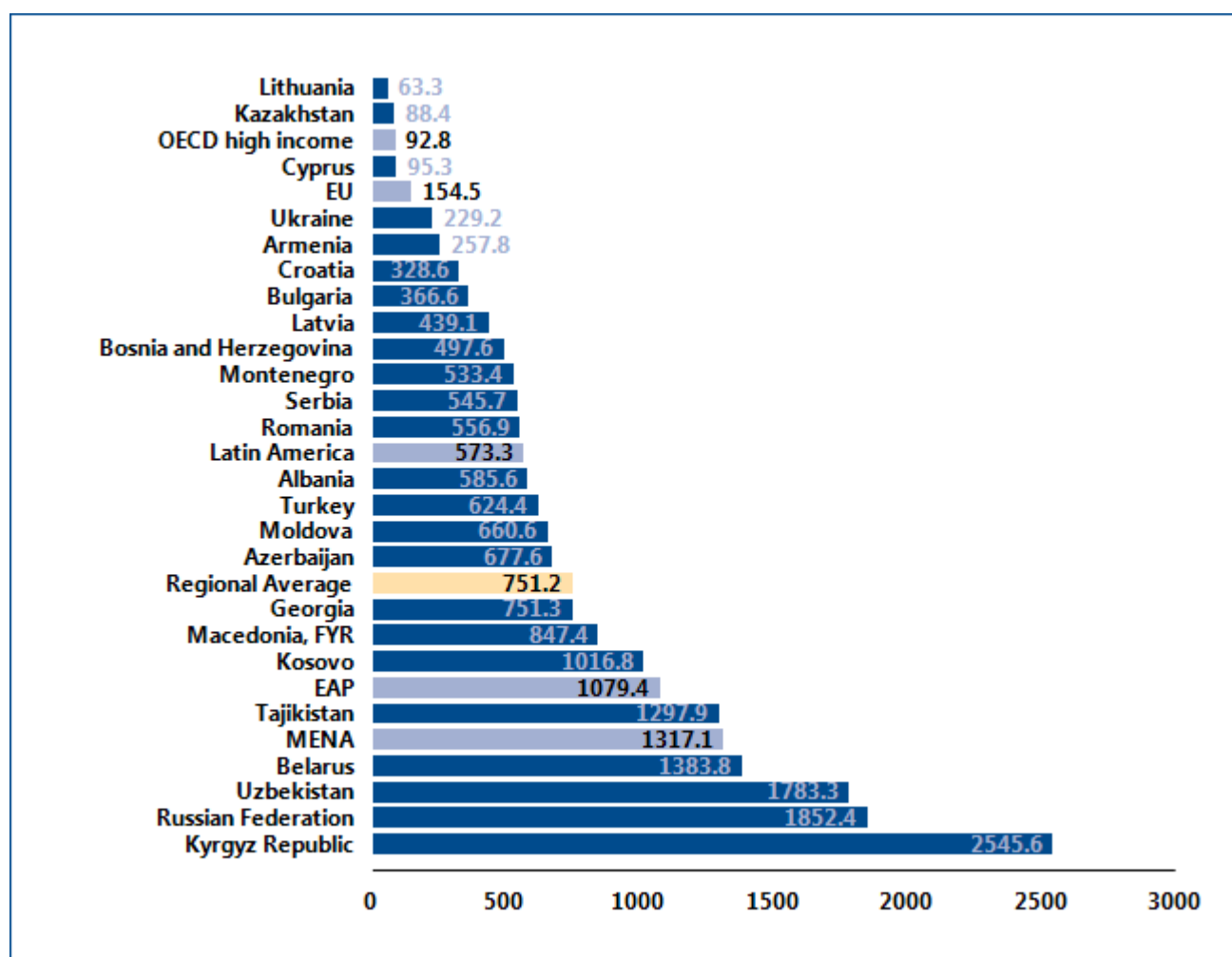
## GETTING ELECTRICITY

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.

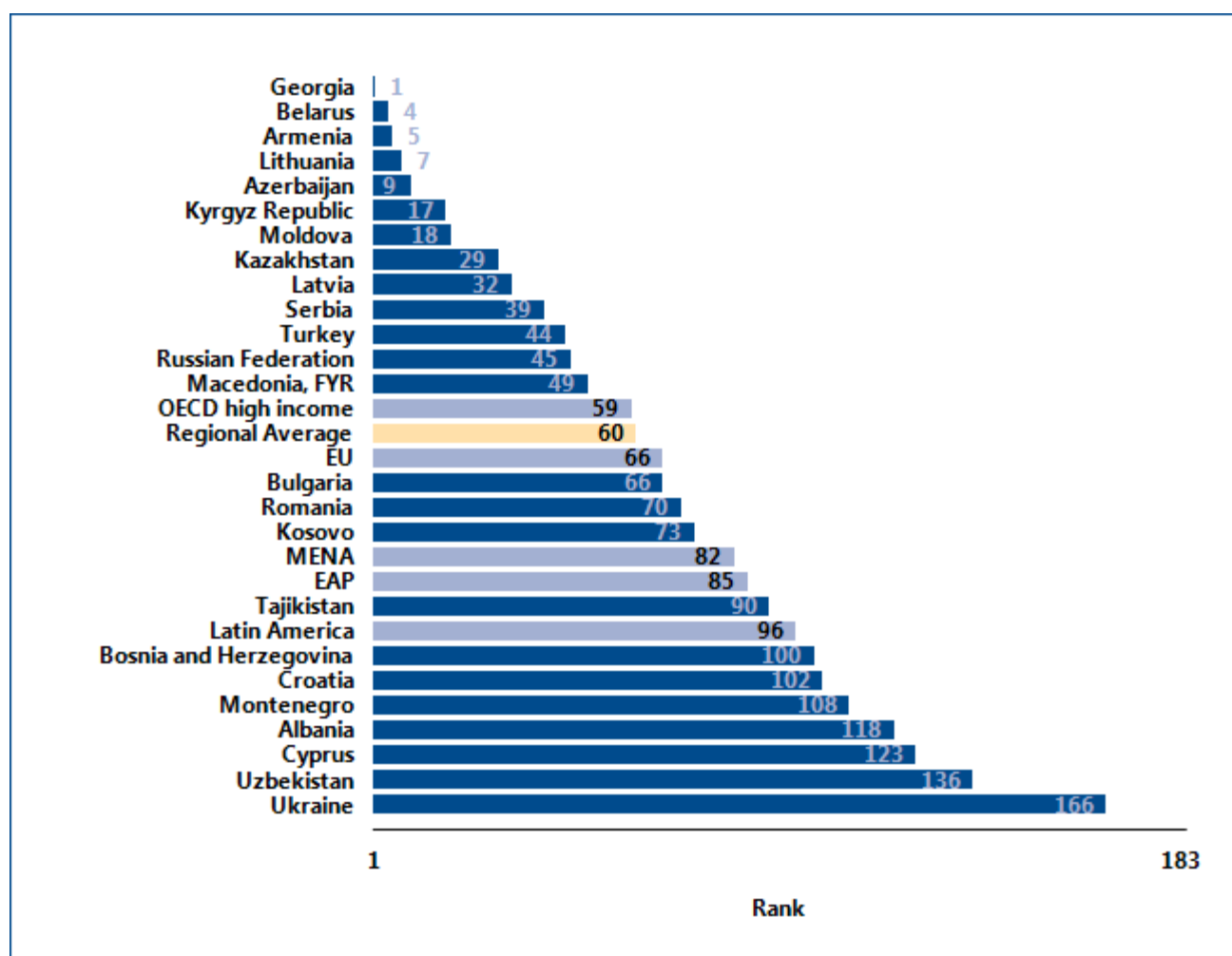
## REGISTERING PROPERTY

### Where do the region's economies stand today?

How easy is it for entrepreneurs in economies in Eastern Europe and Central Asia (ECA) to transfer property? The global rankings of these economies on

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

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



Source: *Doing Business* database.

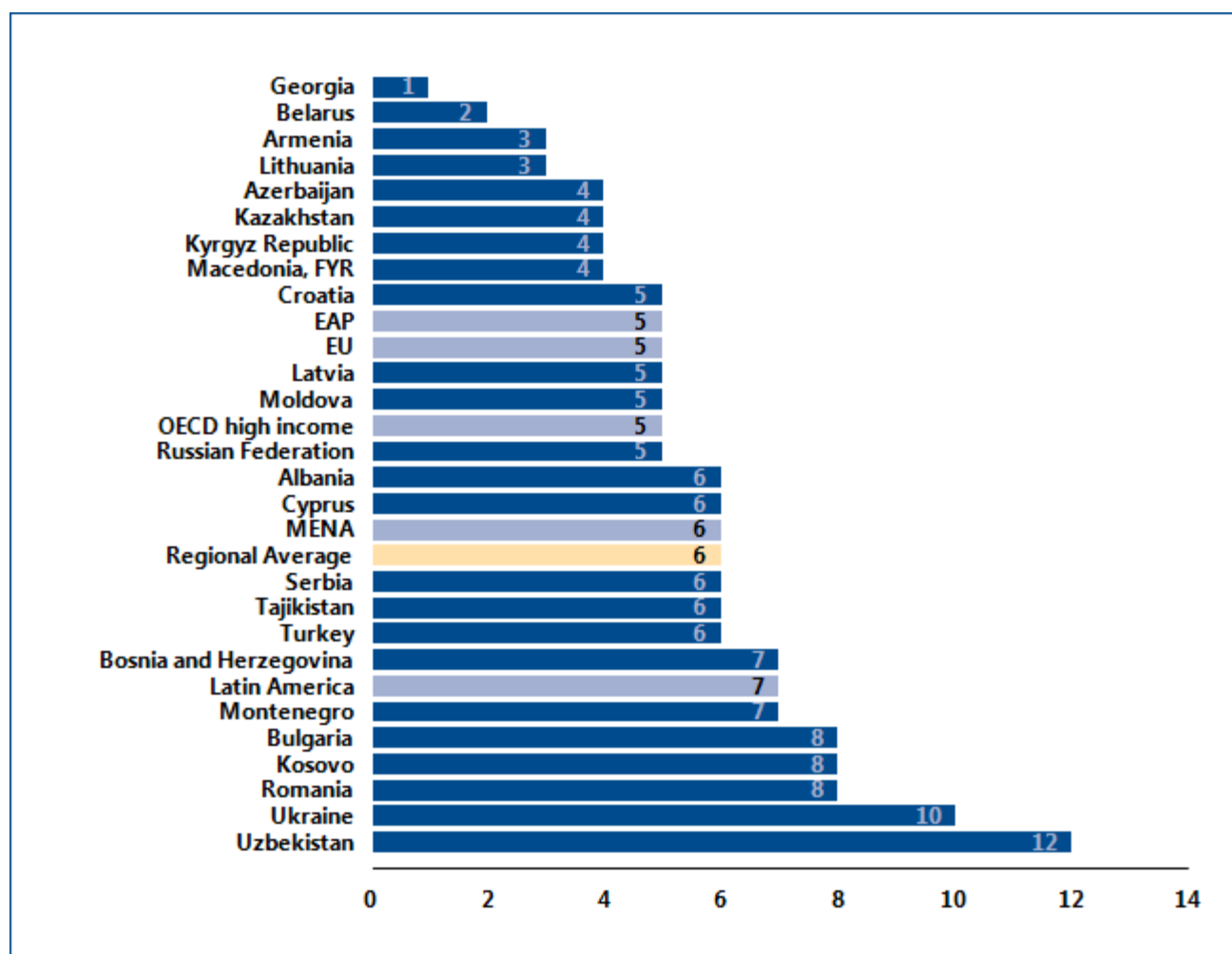
The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to complete a property transfer in each economy in the region: the number of procedures, the

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

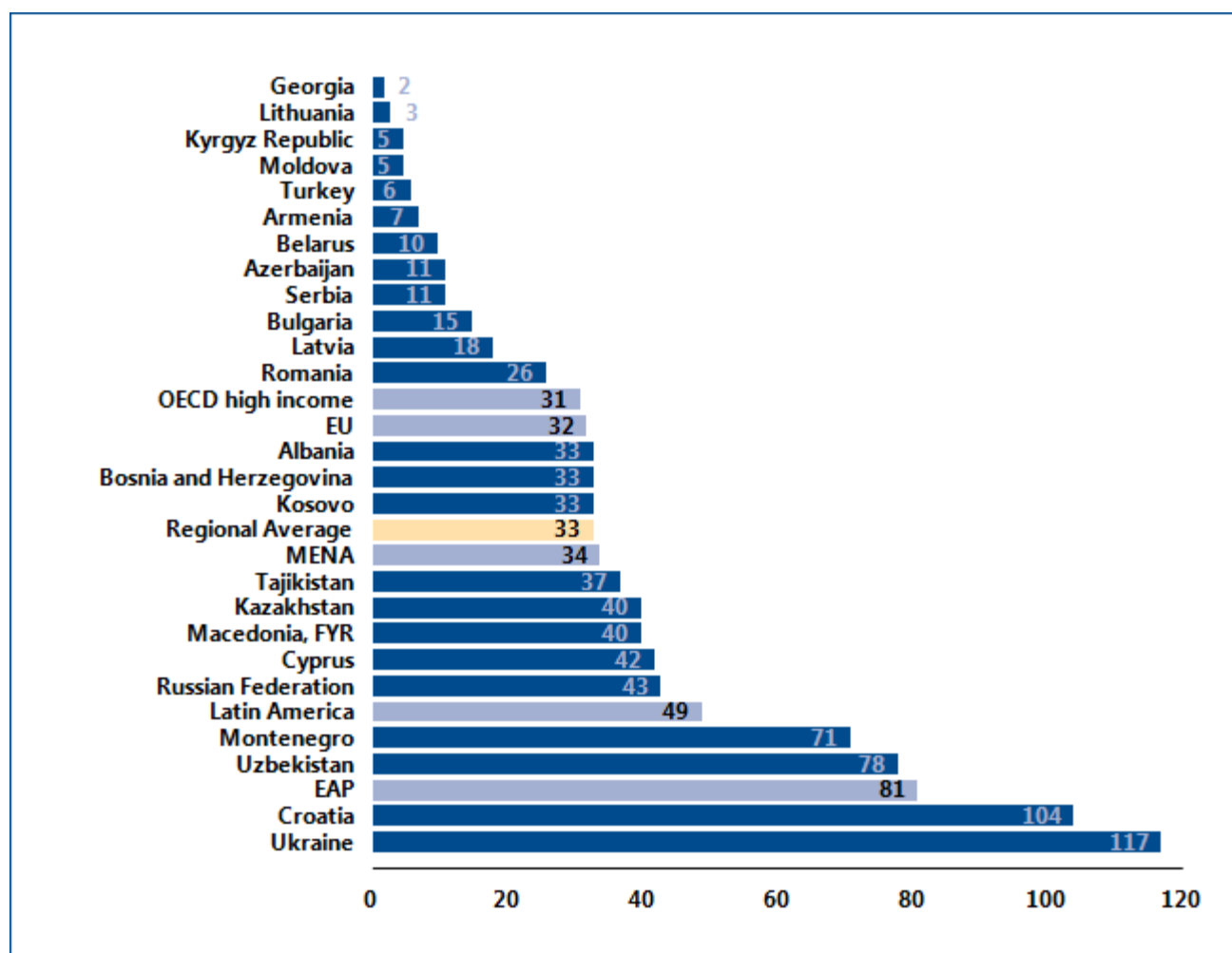
Figure 5.2 What it takes to register property in economies in Eastern Europe and Central Asia (ECA)

## Procedures (number)



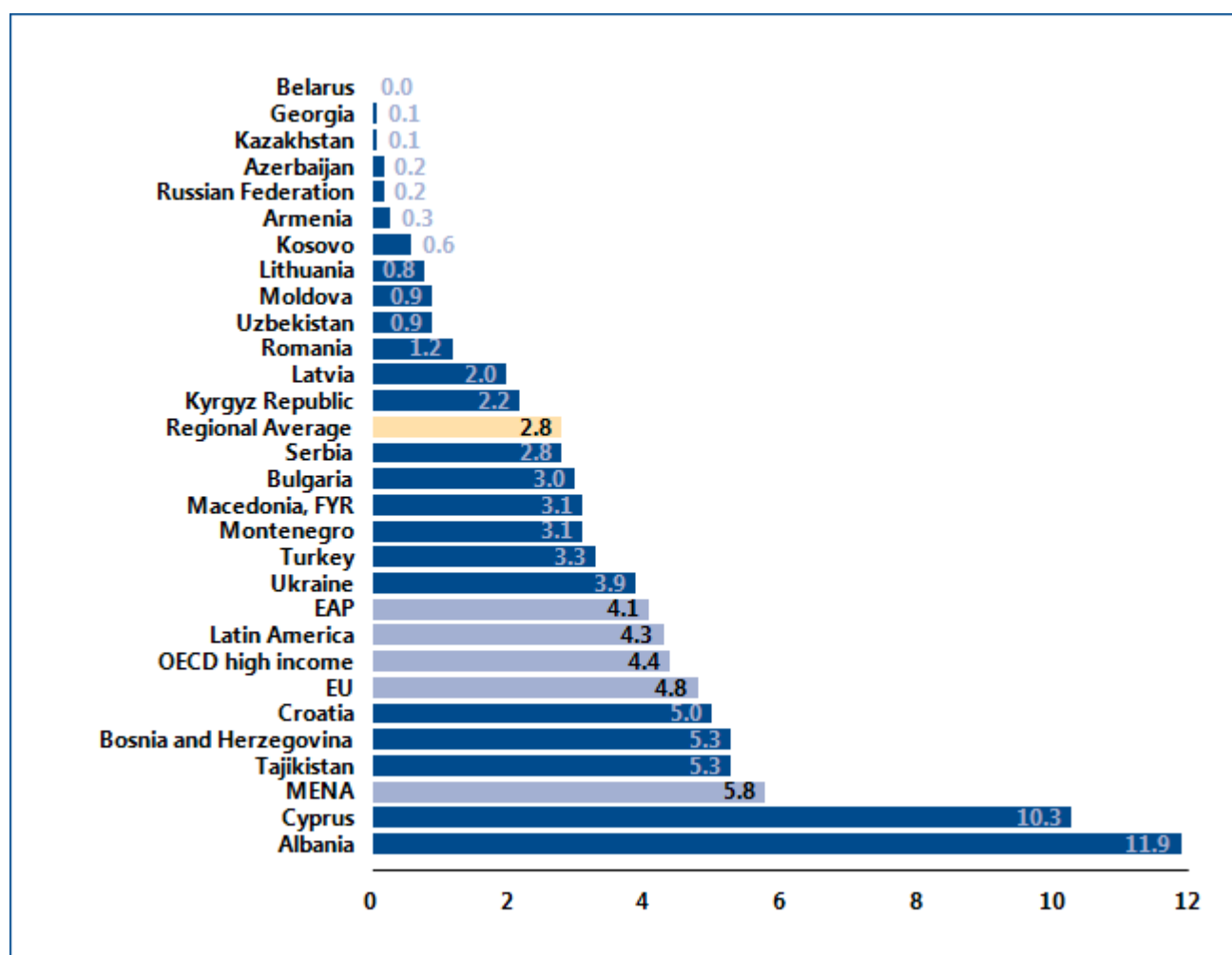
## REGISTERING PROPERTY

Time (days)



## REGISTERING PROPERTY

Cost (% of property value)



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

Source: Doing Business database.

## REGISTERING PROPERTY

### What are the changes over time?

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

buyers to use or mortgage their property earlier. What property registration reforms has *Doing Business* recorded in Eastern Europe and Central Asia (ECA) (table 5.1)?

Table 5.1 How have economies in Eastern Europe and Central Asia (ECA) made registering property easier—or not?

By *Doing Business* report year

DB Year	Economy	Reform
DB2012	<i>Albania</i>	Albania made property registration easier by setting time limits for the land registry to register a title.
DB2012	<i>Belarus</i>	Belarus simplified property transfer by doing away with the requirement to obtain the municipality's approval for transfers of most commercial buildings in Minsk.
DB2012	<i>Latvia</i>	Latvia made transferring property easier by allowing electronic access to municipal tax databases that show the tax status of property, eliminating the requirement to obtain this information in paper format.
DB2012	<i>Macedonia, FYR</i>	FYR Macedonia made registering property easier by reducing notary fees and enforcing time limits.
DB2012	<i>Russian Federation</i>	Russia made registering property transfers easier by eliminating the requirement to obtain cadastral passports on land plots.
DB2012	<i>Serbia</i>	Serbia made transferring property quicker by offering an expedited option.
DB2011	<i>Bosnia and Herzegovina</i>	Bosnia and Herzegovina reduced delays in property registration at the land registry in Sarajevo.
DB2010	<i>Belarus</i>	Property registration continues to improve, with faster processing and elimination of the requirement for notarization.

DB Year	Economy	Reform
DB2010	<i>Bulgaria</i>	An integrated Web-based property register providing online access to the ownership and cadastre status of properties shortened the time required to register property.
DB2010	<i>Kyrgyz Republic</i>	Surveying and notarization requirements were made optional for property registration.
DB2010	<i>Latvia</i>	Registering property is easier due to simplified procedures, including allowing payment of registration fees and stamp duties at the land registry.
DB2010	<i>Macedonia, FYR</i>	Property registration was eased with the introduction of new time limits at the real estate cadastre—reducing the average time to register a title deed by eight days—and a non-encumbrance certificate can now be obtained from the real estate registry instead of through the court.
DB2010	<i>Moldova</i>	Property registration was simplified by eliminating the requirement for a cadastral sketch, reducing procedures from six to five and days from 48 to 5.
DB2010	<i>Romania</i>	Property registration was expedited with the introduction of new procedures at the land registry and cadastre.
DB2010	<i>Russian Federation</i>	Property registration was expedited by introducing new documentation requirements—such as cadastral passports—in lieu of inventory documents and cadastral maps.
DB2010	<i>Tajikistan</i>	The state duty for property transfer has quadrupled, raising the cost of registering property by 2.8 percent of a property's value.
DB2009	<i>Azerbaijan</i>	A new unified property registry was introduced, reducing the number of procedures required to register property.
DB2009	<i>Belarus</i>	A one-stop shop for property registration was created and a broad administrative simplification program was introduced that set strict time limits at the registry and computerized its records.
DB2009	<i>Bosnia and Herzegovina</i>	The computerization of files at the Land Registry in Sarajevo has sped property registration.

DB Year	Economy	Reform
DB2009	<i>Georgia</i>	A new online business registry makes it easier to register property by eliminating the requirement for legal entities to obtain several preregistration documents. This reduced the number of procedures required to transfer a title, and the time to do so. Registration fees were also reduced.
DB2009	<i>Kazakhstan</i>	A new law introduced substantial changes to the property registration system, creating a unified registry for all land and buildings and establishing public service centers to handle property transactions in major cities. The law also eliminated requirements, reducing the number of procedures and the time.
DB2009	<i>Latvia</i>	The State Land Service sped the registration of property by introducing an online database that allows registry employees to check the cadastral value of the real estate. That reduced the number of procedures and the total time to register property.
DB2009	<i>Lithuania</i>	Registering property was made easier by merging the procedure for obtaining the certificate of transaction with the notarization procedure. The reform reduced the number of procedures.
DB2009	<i>Macedonia, FYR</i>	A new cadastre law and a staff increase at the cadastre office helped to reduce the time needed to register property.
DB2009	<i>Serbia</i>	The property transfer tax was reduced from 5 percent of the property value to 2.5 percent.
DB2008	<i>Croatia</i>	Property registration time has been reduced gradually due to ongoing reforms at the Land Registry.



DB Year	Economy	Reform
DB2008	<i>Georgia</i>	The revised Civil Code of Georgia , issued March 2007, in clause 183, states that notarization of a sales agreement is no longer necessary. The parties can register the agreement by simply signing it in person at the National Agency of Public Registry (NAPR). This option is already used in practice at NAPR as of July 2007. this removed one procedure, along with 3 days and a cost equal to 0.37% property value. In addition, the time needed to obtain an entrepreneurial registry excerpt of seller's/purchaser's registration from the district court has been reduced.
DB2008	<i>Kyrgyz Republic</i>	Although the cost for property registration was cut in March 2006 by introducing a fixed fee for notarization of the sale agreement (as opposed to a percentage of property value,) a decree of the Council of Ministers increased this fee fourfold to KZS 40,000.
DB2008	<i>Uzbekistan</i>	Following a decree, published June 7, 2006, the fee to notarize a property sale agreement is now calculated through a formula that takes into account the minimum wage.

*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%).

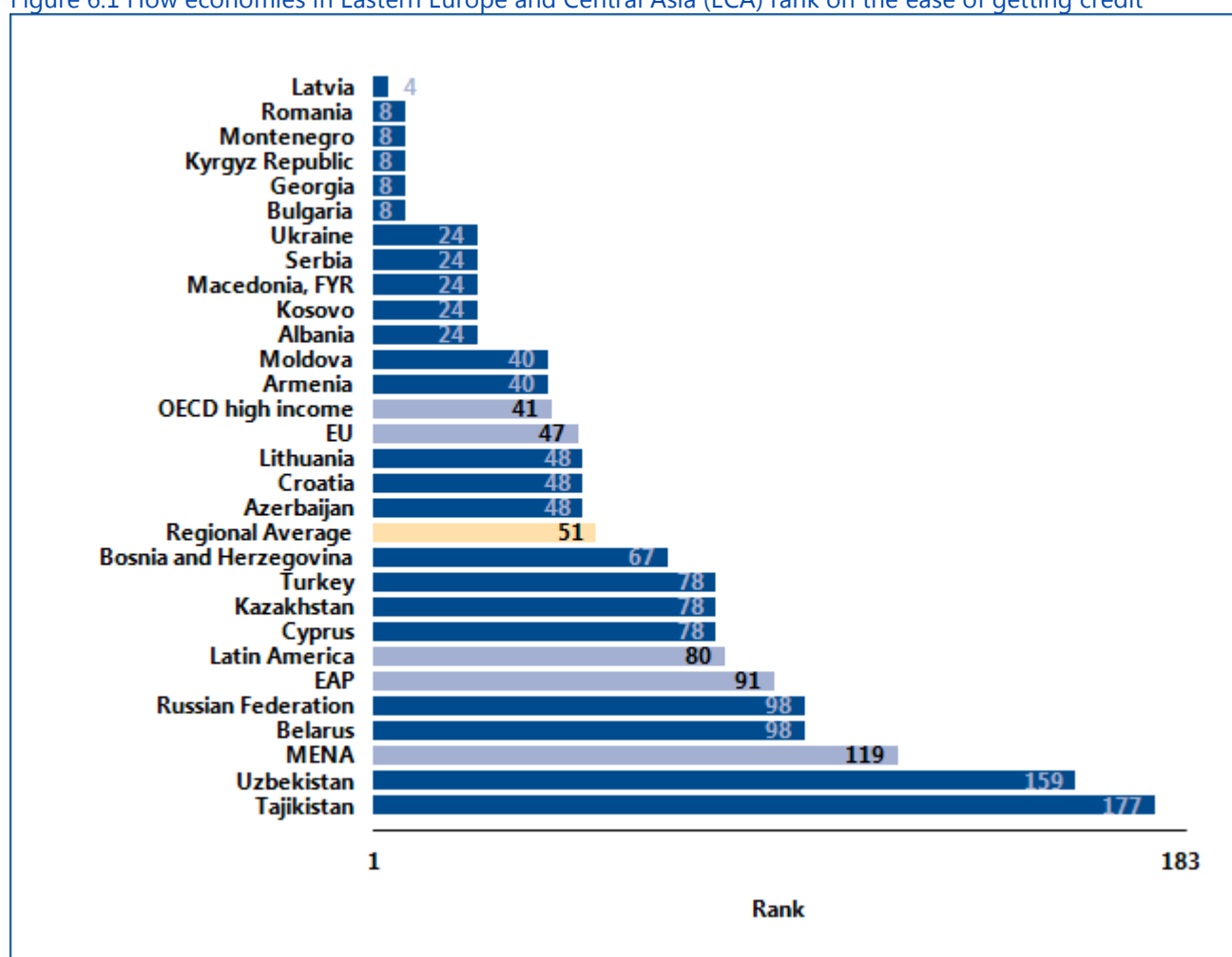
## GETTING CREDIT

### Where do the region's economies stand today?

How well do the credit information systems and collateral and bankruptcy laws in economies in Eastern Europe and Central Asia (ECA) facilitate access to credit? The global rankings of these economies on the

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

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



Source: Doing Business database.

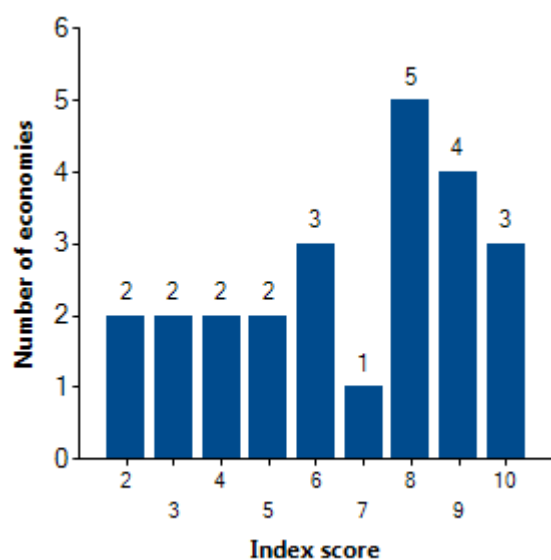
## GETTING CREDIT

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

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

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

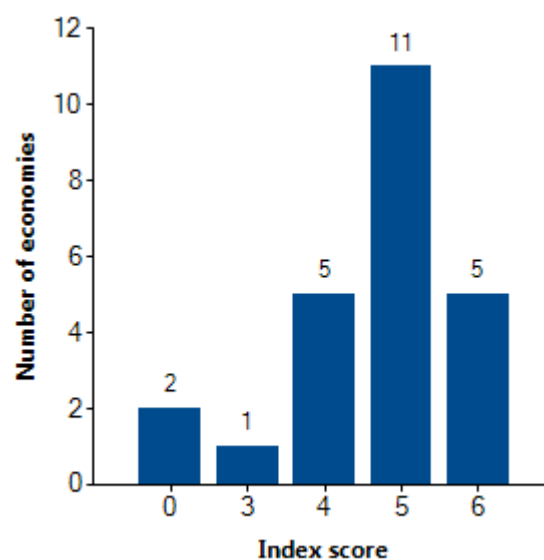
Number of economies in region with each score on strength of legal rights index (0–10)



Source: Doing Business database.

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

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 Eastern Europe and Central Asia (ECA) (table 6.1)?

Table 6.1 How have economies in Eastern Europe and Central Asia (ECA) made getting credit easier—or not?

By *Doing Business* report year

DB Year	Economy	Reform
DB2012	Armenia	Armenia improved its credit information system by introducing a requirement to collect and distribute information from utility companies.
DB2012	Croatia	In Croatia the private credit bureau started to collect and distribute information on firms, improving the credit information system.
DB2012	Georgia	Georgia expanded access to credit by amending its civil code to broaden the range of assets that can be used as collateral.
DB2012	Macedonia, FYR	FYR Macedonia improved its credit information system by establishing a private credit bureau.
DB2012	Moldova	Moldova improved its credit information system by establishing its first private credit bureau.
DB2012	Tajikistan	Access to credit using movable property in Tajikistan became more complicated because the movable collateral registry stopped its operations in January, 2011.
DB2011	Azerbaijan	Azerbaijan improved access to credit by establishing an online platform allowing financial institutions to provide information to, and retrieve it from, the public credit registry.
DB2011	Belarus	Belarus enhanced access to credit by facilitating the use of the pledge as a security arrangement and providing for out-of-court enforcement of the pledge on default.
DB2011	Georgia	Georgia improved access to credit by implementing a central collateral registry with an electronic database accessible online.

DB Year	Economy	Reform
<b>DB2011</b>	<i>Lithuania</i>	Lithuania's private credit bureau now collects and distributes positive information on borrowers.
<b>DB2010</b>	<i>Armenia</i>	Access to credit information was strengthened by establishing a legal framework for credit bureaus and regulating credit information collection and the preparation of credit reports.
<b>DB2010</b>	<i>Azerbaijan</i>	The public credit registry enhanced access to credit information by giving banks online access to the database, providing more data on borrowers, and introducing penalties for banks that send late or incorrect information.
<b>DB2010</b>	<i>Kyrgyz Republic</i>	Access to credit was enhanced by making secured lending more flexible and allowing general descriptions of encumbered assets and of debts and obligations. In addition, amendments to the Civil Code provide for automatic extension of security rights to proceeds of the original assets.
<b>DB2010</b>	<i>Latvia</i>	The new public credit registry started sharing data on loans, improving access to credit information.
<b>DB2010</b>	<i>Macedonia, FYR</i>	The public credit bureau increased its coverage by introducing a better database that includes more information and by lowering the minimum loan threshold.
<b>DB2010</b>	<i>Tajikistan</i>	A new law on credit histories improves access to credit information by creating a private credit bureau.
<b>DB2010</b>	<i>Turkey</i>	The private credit bureau now includes firms in its database.
<b>DB2010</b>	<i>Serbia</i>	A new law on personal data protection guarantees that borrowers can inspect their own data, thus improving access to credit information.
<b>DB2009</b>	<i>Albania</i>	A public credit registry was established allowing financial institutions to share credit information and covering 8.3 percent of the adult population. This reform allows banks to better evaluate the creditworthiness of potential borrowers, facilitating access to credit for firms and individuals.
<b>DB2009</b>	<i>Azerbaijan</i>	The minimum threshold was eliminated for reporting loans to the public credit registry in September 2007. The public registry now records information on all loans made by the financial system, more than doubling the coverage of borrowers with a credit history.

DB Year	Economy	Reform
DB2009	<i>Belarus</i>	The public credit registry expanded credit information by eliminating the minimum threshold for loans recorded in its database. It also guaranteed the right of borrowers to review their data, improving accuracy.
DB2009	<i>Georgia</i>	The private credit bureau now distributes a full range of information, including on-time repayment patterns and outstanding loan amounts. Coverage increased 20-fold, and banks can now have a better understanding of the payment patterns of potential borrowers. In addition, new regulations guarantee the right of borrowers to inspect their data at the private credit bureau, helping to improve the quality and accuracy of credit information. Amendments to the civil code, effective in December 2007, address secured transactions, allowing parties to a security agreement to agree to out-of-court enforcement of the creditor's security right at the time the parties sign the security agreement.
DB2009	<i>Kazakhstan</i>	The private credit bureau is adding two new suppliers of information a month, including retailers (such as furniture companies) and utilities (such as the gas company). Borrower coverage increased by 80 percent in the past year.
DB2009	<i>Macedonia, FYR</i>	A new law on personal data protection allows borrowers to check their information at the credit registry, improving its quality and accuracy.
DB2009	<i>Moldova</i>	A new law was passed facilitating the creation of a private credit bureau.
DB2009	<i>Ukraine</i>	A new private credit bureau has made it easier to get credit by sharing credit information among financial institutions. Now banks can better assess the creditworthiness of potential borrowers.
DB2009	<i>Uzbekistan</i>	A private credit bureau and a public credit registry were established to share credit information among financial institutions. The credit registries will enable banks to better assess the creditworthiness of potential borrowers.
DB2009	<i>Montenegro</i>	A new public credit registry was created, increasing the coverage of borrowers from 0 to 26 percent of the adult population. The new registry will facilitate access to credit by providing lenders with credit information on potential borrowers.

DB Year	Economy	Reform
DB2008	<i>Armenia</i>	A private credit bureau started operating on February 1, 2007. It distributes credit information about firms and individuals, has no minimum loan requirement and guarantees all borrowers access to their credit reports.
DB2008	<i>Croatia</i>	Access to credit for businesses was significantly improved by implementing a unified system of securities registry and setting up a new private credit bureau, HROK.
DB2008	<i>Georgia</i>	Adding retailers, utilities and trade creditors as suppliers of information, the private credit bureau now collects credit data from 17 out of Georgia 's 18 banks, microfinance institutions, cell phone and electricity companies, in addition to the courts. The Doing Business credit information index rose from 3 to 4.
DB2008	<i>Russian Federation</i>	A private bureau, National Bureau of Credit Histories (NBKI), started operations in March 2006. A draft of the law dates back to 1992, but only increased consumer lending and the requirement for banks to submit credit data, made the reform possible. This afforded Russia to climb from 0 to 4 in DB's credit information index rose from 0 to 4.

*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.

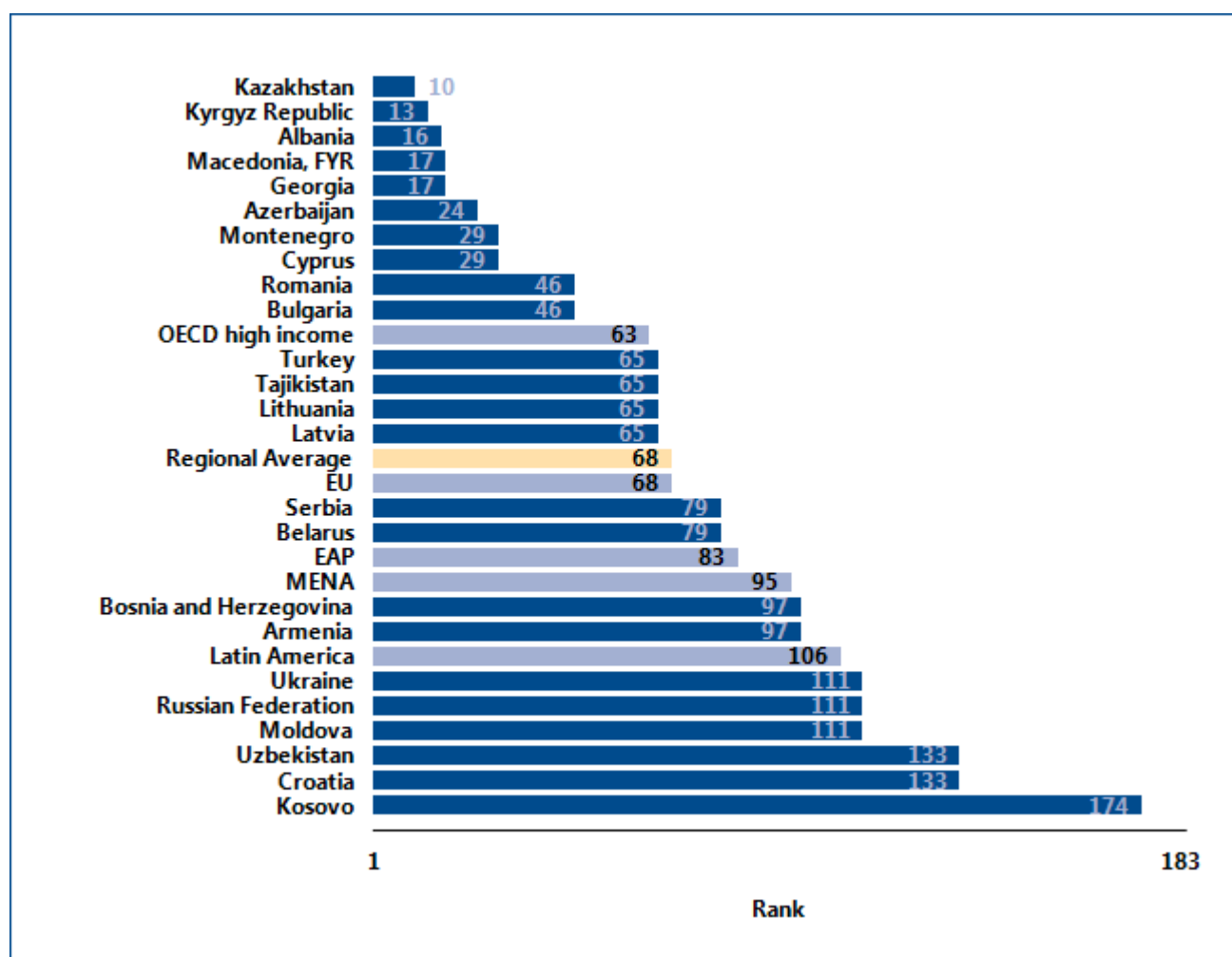
## PROTECTING INVESTORS

### Where do the region's economies stand today?

How strong are investor protections in economies in Eastern Europe and Central Asia (ECA)? The global rankings of these economies on the strength of investor protection index suggest an answer (figure 7.1). While the indicator does not measure all aspects

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

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



Source: Doing Business database.

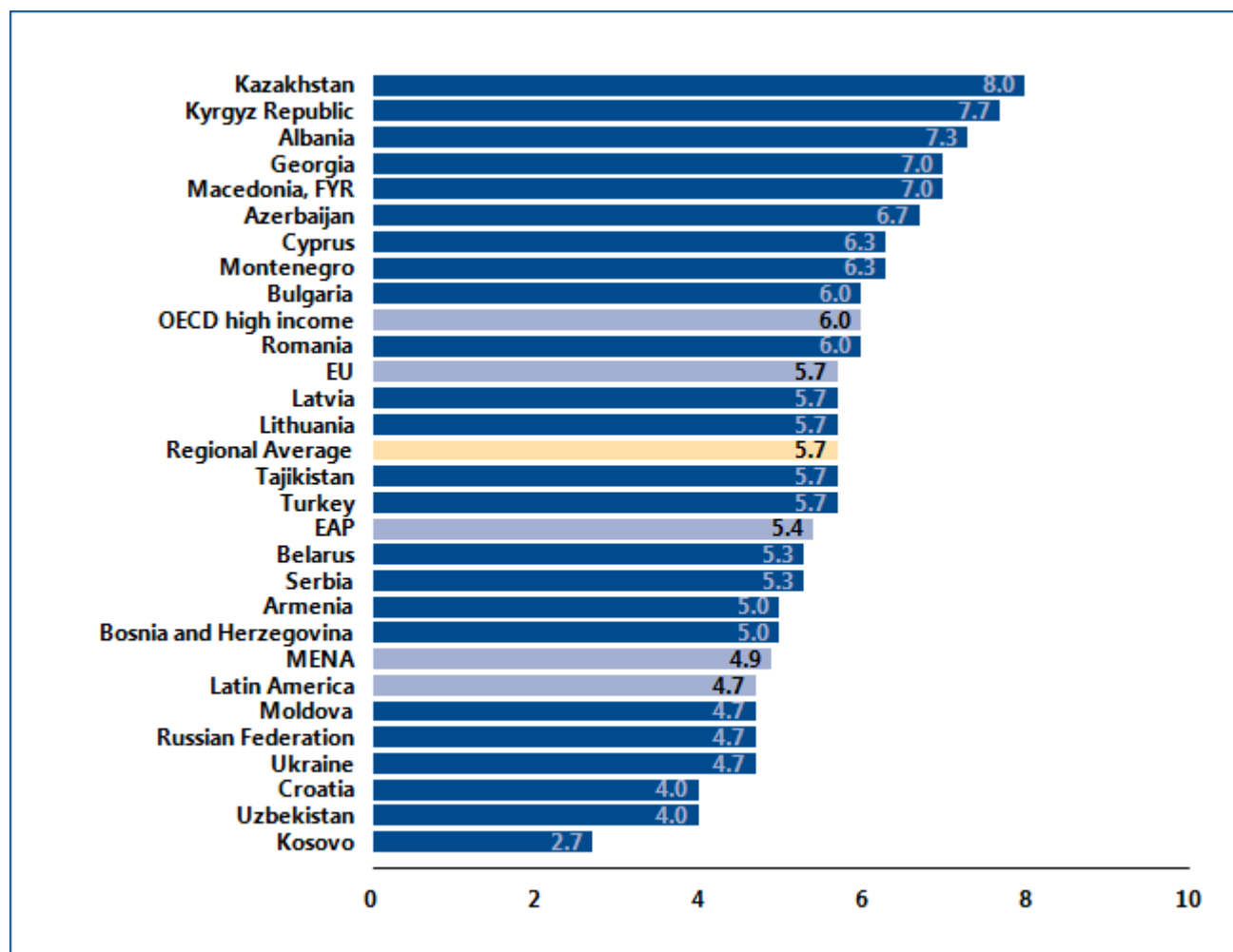
## PROTECTING INVESTORS

But the overall ranking on the strength of investor protection index tells only part of the story. Economies may offer strong protections in some areas but not others. So the scores recorded for economies in Eastern Europe and Central Asia (ECA) 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.

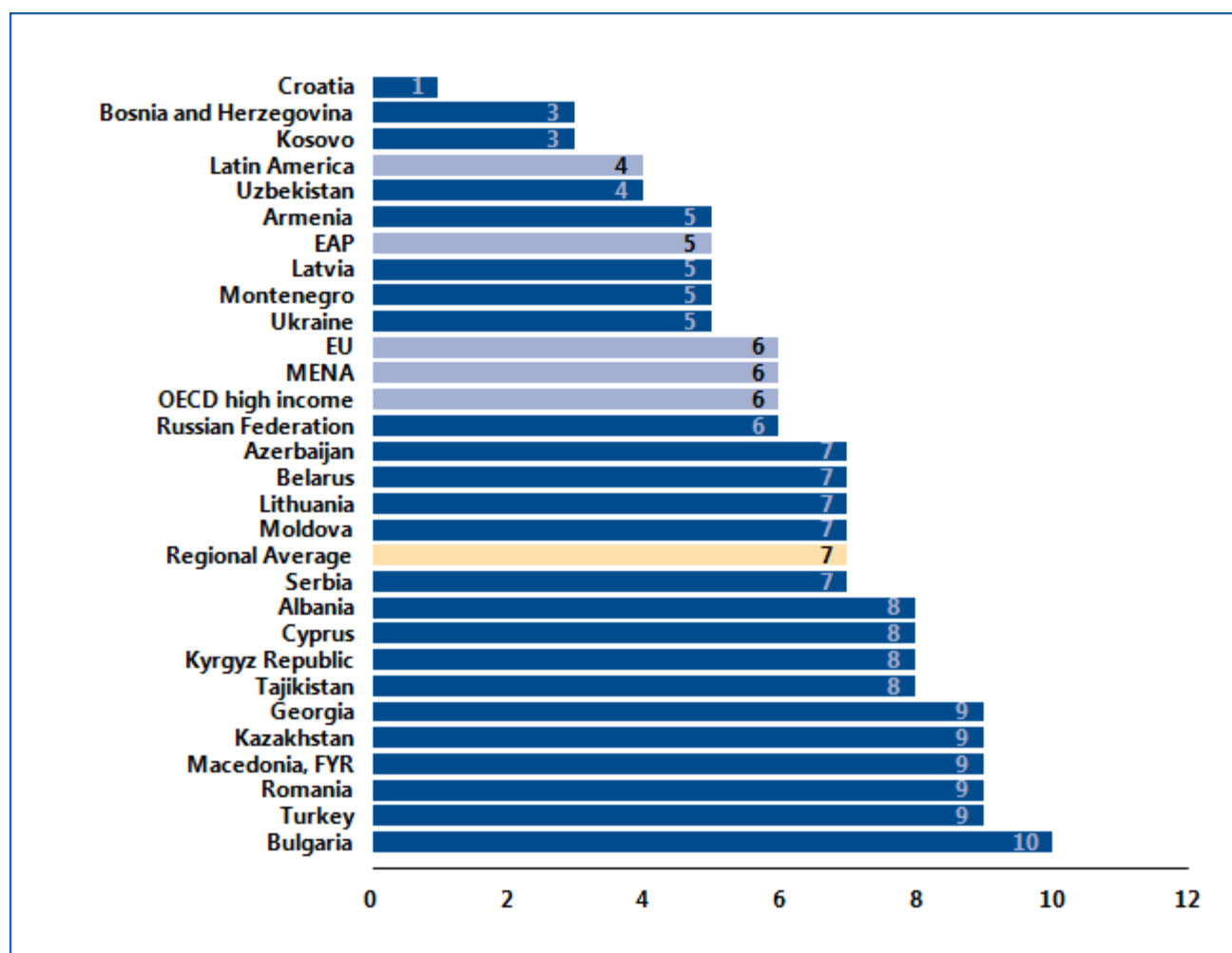
Figure 7.2 How strong are investor protections in economies in Eastern Europe and Central Asia (ECA)?

### Strength of investor protection index (0–10)



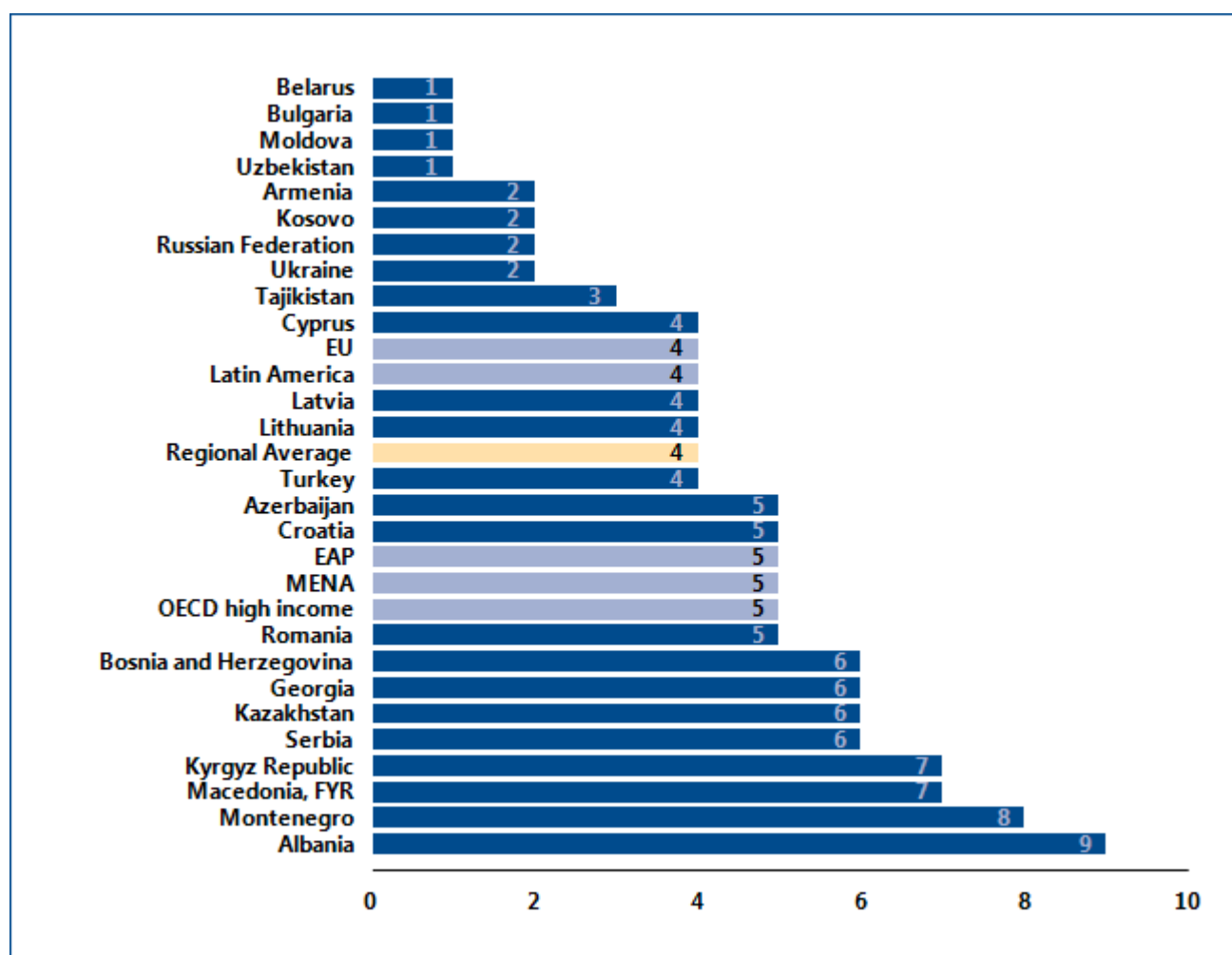
## PROTECTING INVESTORS

## Extent of disclosure index (0–10)



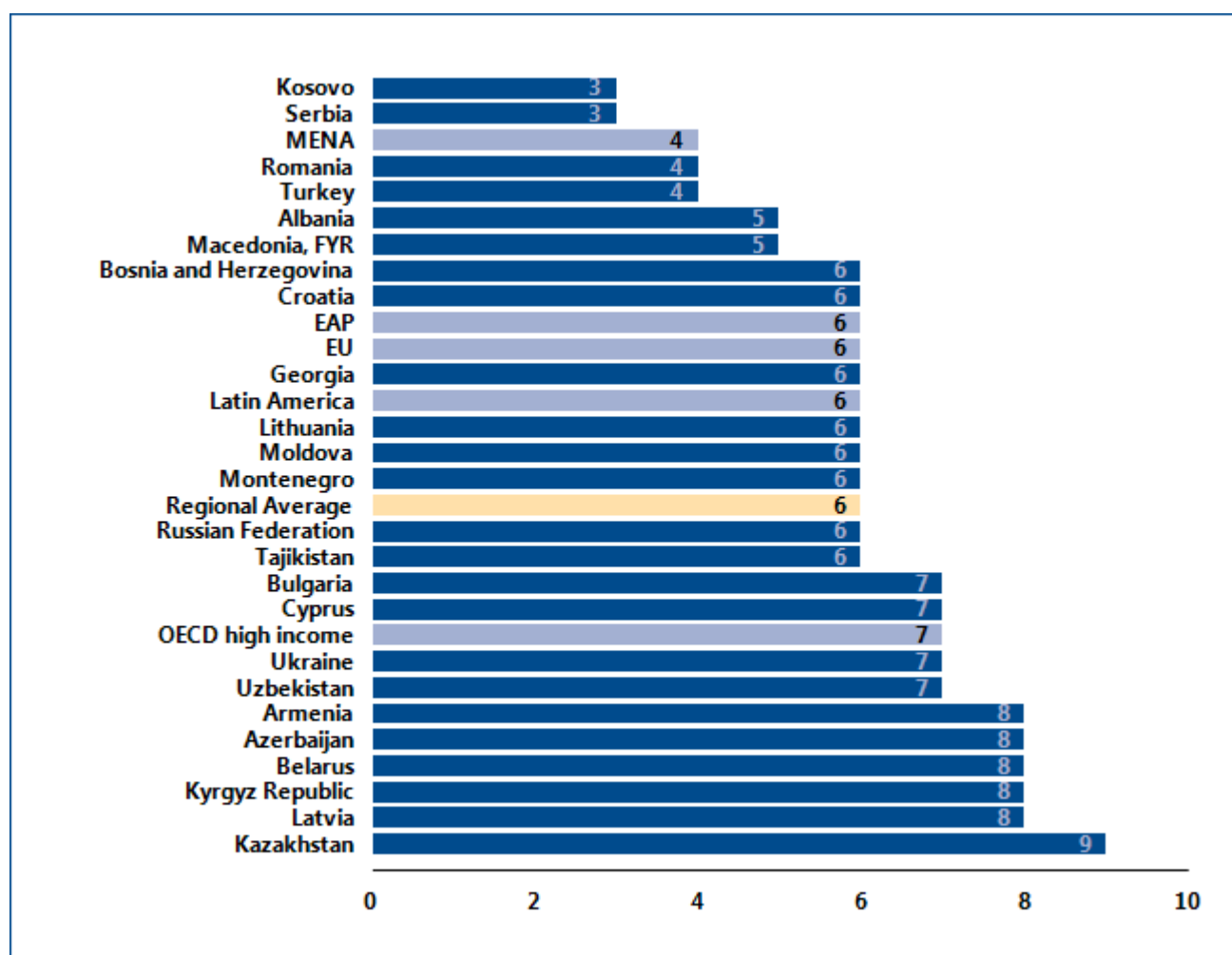
## PROTECTING INVESTORS

## 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 Eastern Europe and Central Asia (ECA) (table 7.1)?

**Table 7.1** How have economies in Eastern Europe and Central Asia (ECA) strengthened investor protections—or not?

By *Doing Business* report year

DB Year	Economy	Reform
<b>DB2012</b>	<i>Belarus</i>	Belarus strengthened investor protections by introducing requirements for greater corporate disclosure to the board of directors and to the public.
<b>DB2012</b>	<i>Cyprus</i>	Cyprus strengthened investor protections by requiring greater corporate disclosure to the board of directors, to the public and in the annual report.
<b>DB2012</b>	<i>Georgia</i>	Georgia strengthened investor protections by introducing requirements relating to the approval of transactions between interested parties.
<b>DB2012</b>	<i>Kazakhstan</i>	Kazakhstan strengthened investor protections by regulating the approval of transactions between interested parties and making it easier to sue directors in cases of prejudicial transactions between interested parties.
<b>DB2012</b>	<i>Lithuania</i>	Lithuania strengthened investor protections by introducing greater requirements for corporate disclosure to the public and in the annual report.
<b>DB2011</b>	<i>Georgia</i>	Georgia strengthened investor protections by allowing greater access to corporate information during the trial.
<b>DB2011</b>	<i>Kazakhstan</i>	Kazakhstan strengthened investor protections by requiring greater corporate disclosure in company annual reports.

DB Year	Economy	Reform
<b>DB2011</b>	<i>Tajikistan</i>	Tajikistan strengthened investor protections by requiring greater corporate disclosure in the annual report and greater access to corporate information for minority investors.
<b>DB2010</b>	<i>Macedonia, FYR</i>	Investor protections were increased by regulating the approval of transactions between interested parties, increasing disclosure requirements in annual reports, and making it easier to sue directors in cases of prejudicial transactions between interested parties.
<b>DB2010</b>	<i>Tajikistan</i>	Investor protections were strengthened with amendments to the joint stock company law, increasing disclosure requirements for transactions involving conflicts of interest, allowing for greater director liability, and giving shareholders the chance to request that harmful related-party transactions be rescinded.
<b>DB2010</b>	<i>Ukraine</i>	Investor protections were enhanced by adopting a new law on joint stock companies that regulates approval of transactions between interested parties, increases disclosure requirements in annual reports, and makes it easier to sue directors in cases of prejudicial transactions between interested parties.
<b>DB2009</b>	<i>Albania</i>	A new company law requires that disinterested shareholders approve transactions between interested parties and obligates those parties to disclose all information on the transaction to the public. The law also reinforces directors' duties and requires directors, when found liable, to pay damages and return profits to the company.
<b>DB2009</b>	<i>Azerbaijan</i>	A new law strengthens investor protections by requiring that transactions between interested parties be approved by shareholders. Interested parties are allowed to vote on the matter. Other provisions protect investors because directors who are held liable must pay damages and disgorge profits.



DB Year	Economy	Reform
DB2009	<i>Kyrgyz Republic</i>	Investor protections were strengthened through legal amendments allowing minority investors to take legal actions as shareholders. The amendments also require an independent assessment of a related-party transaction before it is approved. Moreover, directors can be held liable for negligence if they harm minority shareholders and will be forced to pay damages and disgorge profits.
DB2009	<i>Tajikistan</i>	Investor protections were enhanced through a new law requiring that transactions between interested parties be approved by a shareholders meeting at which interested directors cannot vote. In addition, the transaction must be disclosed to the board of directors. The new law allows minority shareholders to sue directors on behalf of the company.
DB2009	<i>Turkey</i>	Investor protections were further strengthened through a new law requiring that an independent auditor assess transactions between interested parties before the transactions are approved.
DB2008	<i>Belarus</i>	In an amendment, Belarus directly addressed approval and disclosure requirements for related-party transactions. The new law specifies the conditions for conducting joint-stock companies, limited liability companies, and added-liability companies and lays out the duties of its members. Therefore, Belarus improved its score from 1 point to 5 in the disclosure index of the Doing Business' protecting investors indicator.
DB2008	<i>Georgia</i>	An amended securities law now provides a definition of "interested parties in a transaction", and makes such transactions contingent on supervisory board or shareholder approval. Companies must disclose the transaction's information to the securities commission, as well as in the company's annual report. The law also requires all conflicts of interest to be disclosed to the supervisory board and improves ways for judicial redress.

*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.<sup>2</sup> 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.

<sup>2</sup> 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.

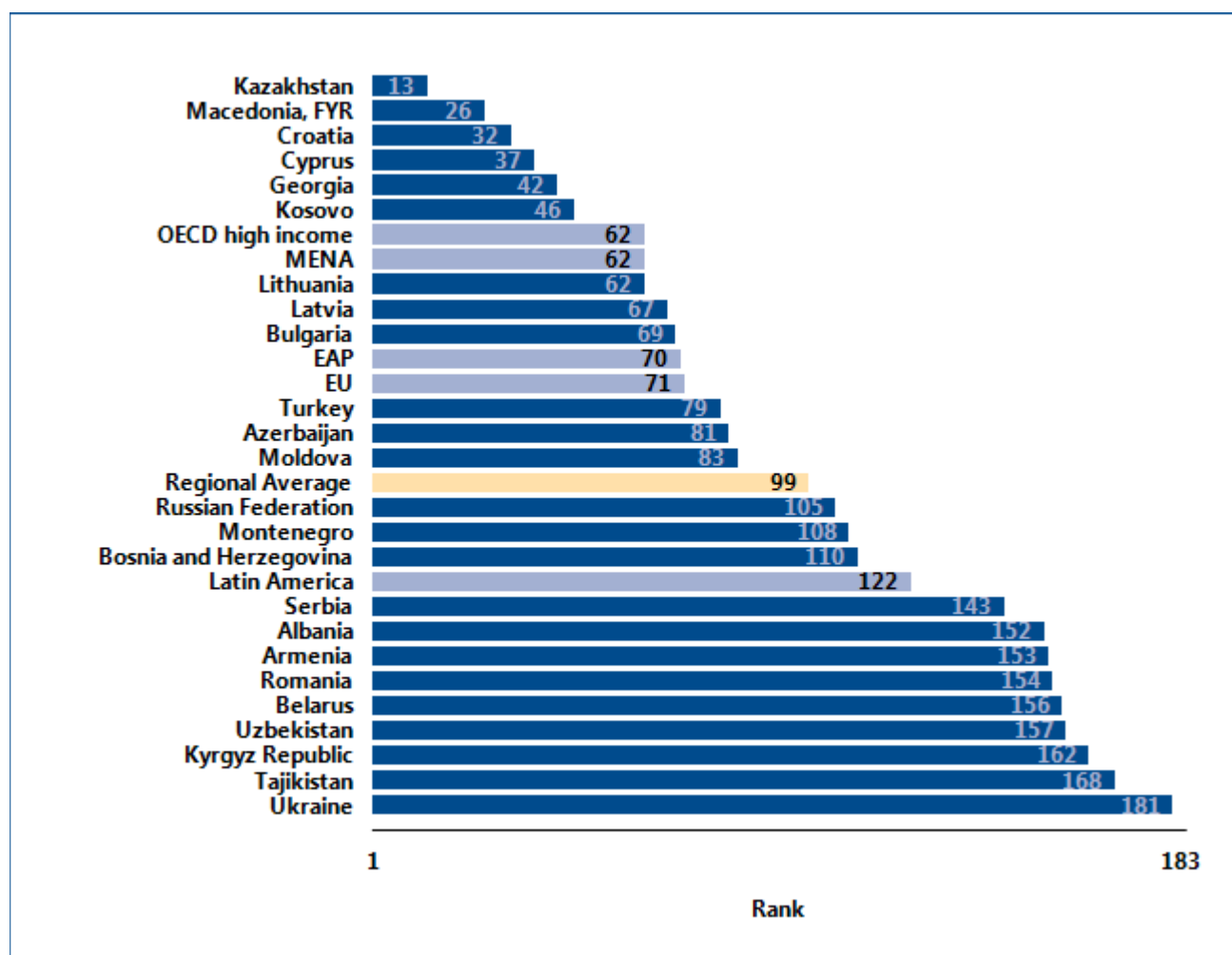
## PAYING TAXES

### Where do the region's economies stand today?

What is the administrative burden of complying with taxes in economies in Eastern Europe and Central Asia (ECA)—and how much do firms pay in taxes? The global rankings of these economies on the ease of

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

Figure 8.1 How economies in Eastern Europe and Central Asia (ECA) 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.

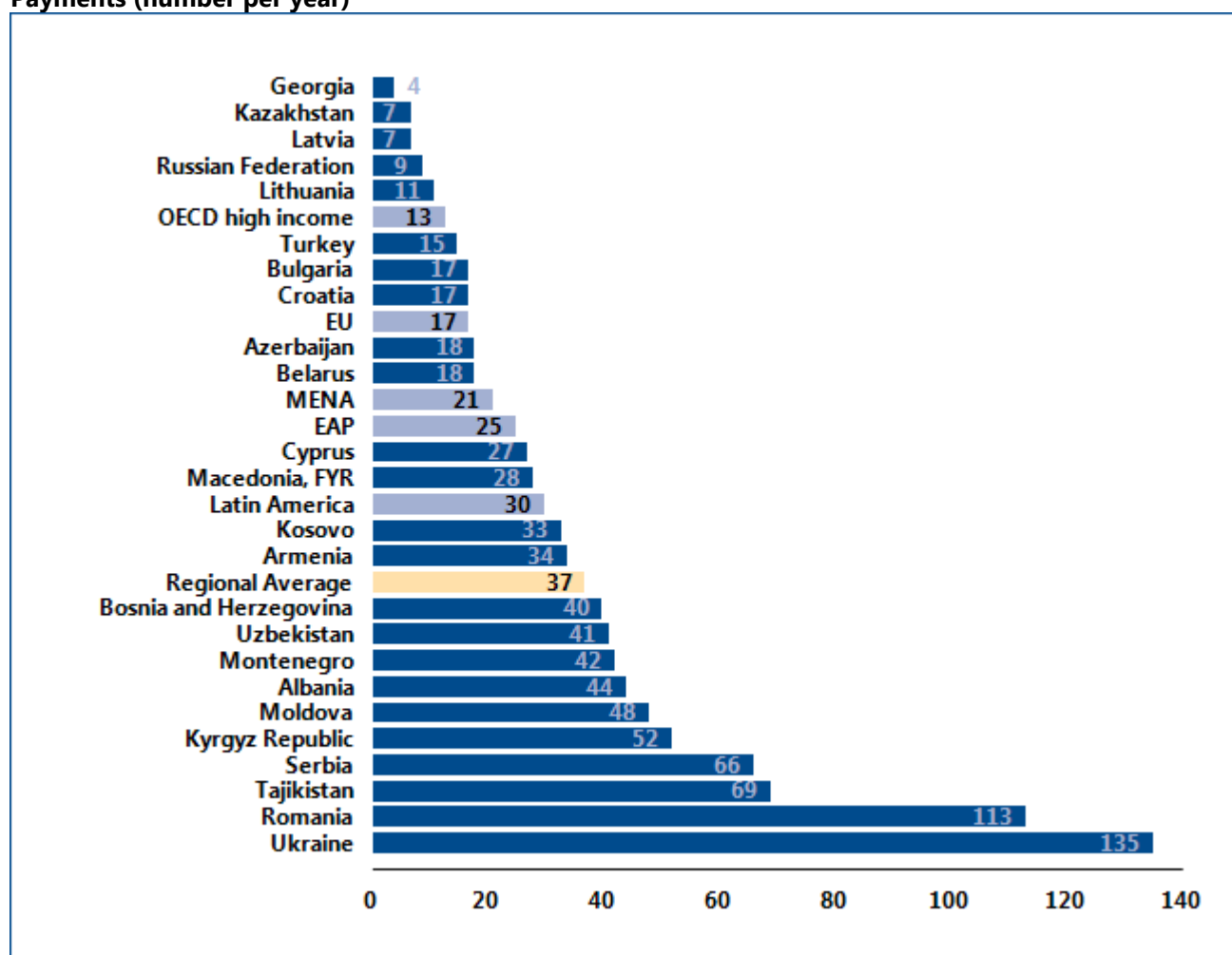
## PAYING TAXES

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.

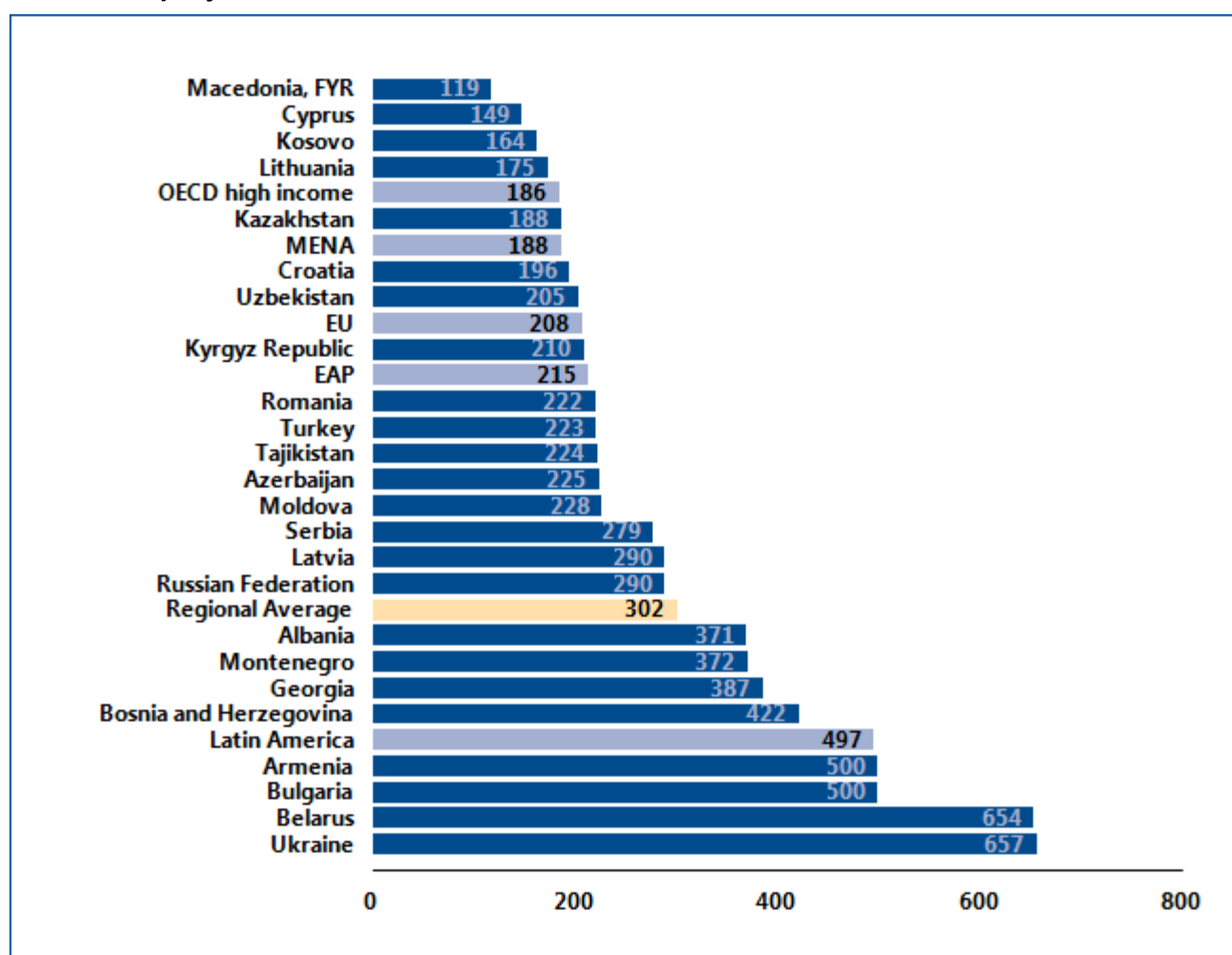
Figure 8.2 How easy is it to pay taxes in economies in Eastern Europe and Central Asia (ECA)—and what are the total tax rates?

### Payments (number per year)



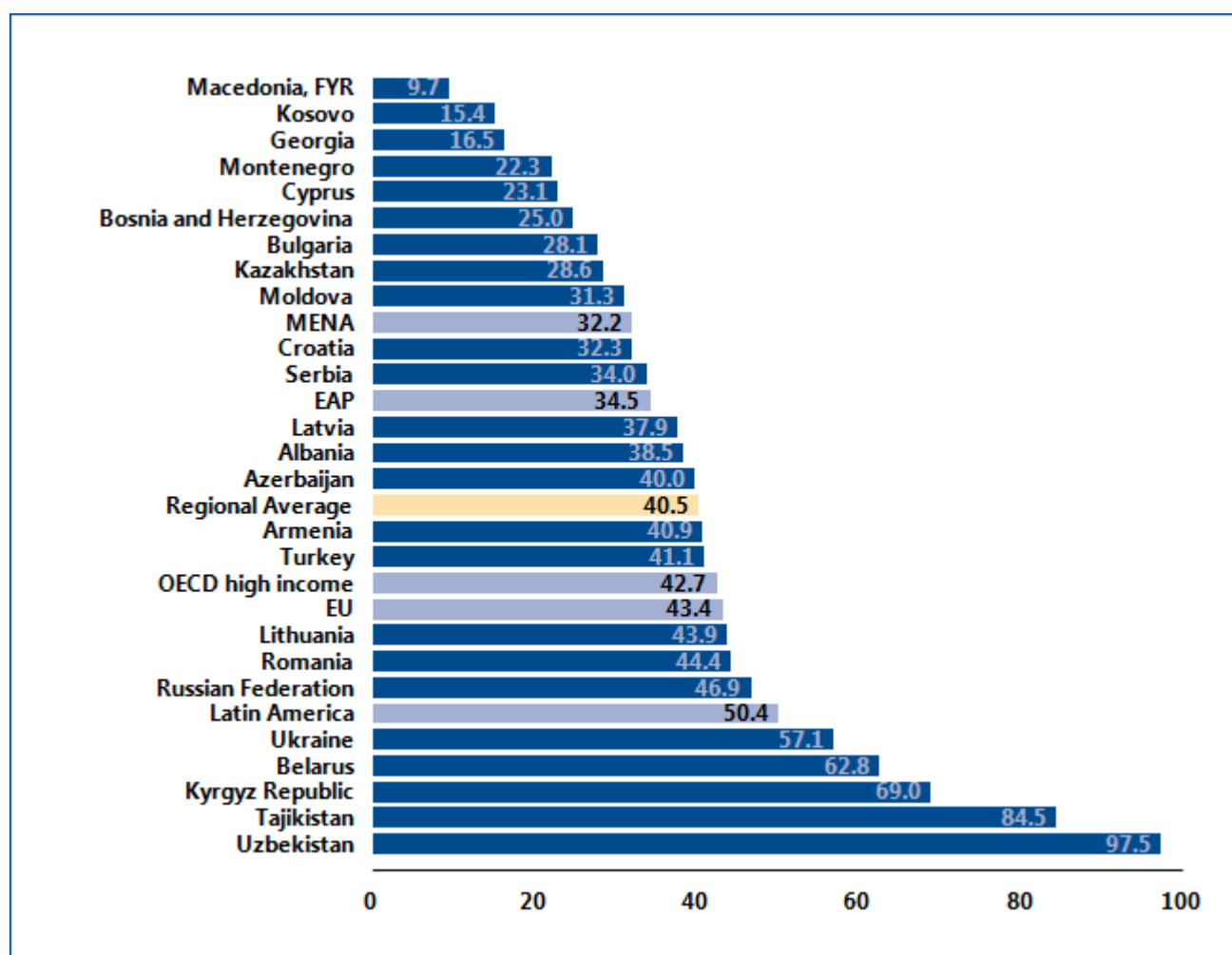
## PAYING TAXES

Time (hours per year)



## PAYING TAXES

## Total tax rate (% of profit)



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 Eastern Europe and Central Asia (ECA) (table 8.1)?

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

DB Year	Economy	Reform
DB2012	<i>Armenia</i>	Armenia made tax compliance easier for firms by reducing the number of payments for social security contributions and corporate income, property and land taxes and by introducing mandatory electronic filing and payment for major taxes.
DB2012	<i>Belarus</i>	Belarus abolished several taxes, including turnover and sales taxes, and simplified compliance with corporate income, value added and other taxes by reducing the frequency of filings and payments and facilitating electronic filing and payment.
DB2012	<i>Georgia</i>	Georgia made paying taxes easier for firms by simplifying the reporting for value added tax and introducing electronic filing and payment of taxes.
DB2012	<i>Kyrgyz Republic</i>	The Kyrgyz Republic made paying taxes costlier for firms by introducing a real estate tax, though it also reduced the sales tax rate.
DB2012	<i>Romania</i>	Romania made paying taxes easier for companies by introducing an electronic payment system and a unified return for social security contributions. It also abolished the annual minimum tax.
DB2012	<i>Russian Federation</i>	Russia increased the social security contribution rate for employers.

DB Year	Economy	Reform
<b>DB2012</b>	<i>Turkey</i>	Turkey lowered the social security contribution rate for companies by offering them a 5% rebate
<b>DB2012</b>	<i>Ukraine</i>	Ukraine made paying taxes easier and less costly for firms by revising and unifying tax legislation, reducing corporate income tax rates and unifying social security contributions.
<b>DB2012</b>	<i>Montenegro</i>	Montenegro made paying taxes easier and less costly for firms by abolishing a tax, reducing the social security contribution rate and merging several returns into a single unified one.
<b>DB2011</b>	<i>Albania</i>	Albania made it easier and less costly for companies to pay taxes by amending several laws, reducing social security contributions and introducing electronic filing and payment.
<b>DB2011</b>	<i>Azerbaijan</i>	A revision of Azerbaijan's tax code lowered several tax rates, including the profit tax rate, and simplified the process of paying corporate income tax and value added tax.
<b>DB2011</b>	<i>Belarus</i>	Reductions in the turnover tax, social security contributions and the base for property taxes along with continued efforts to encourage electronic filing made it easier and less costly for companies in Belarus to pay taxes.
<b>DB2011</b>	<i>Bosnia and Herzegovina</i>	Bosnia and Herzegovina simplified its labor tax processes, reduced employer contribution rates for social security and abolished its payroll tax.
<b>DB2011</b>	<i>Bulgaria</i>	Bulgaria reduced employer contribution rates for social security.
<b>DB2011</b>	<i>Lithuania</i>	Lithuania reduced corporate tax rates.
<b>DB2011</b>	<i>Macedonia, FYR</i>	FYR Macedonia lowered tax costs for businesses by requiring that corporate income tax be paid only on distributed profits.
<b>DB2011</b>	<i>Moldova</i>	Moldova reduced employer contribution rates for social security.



DB Year	Economy	Reform
<b>DB2011</b>	<i>Romania</i>	Romania introduced tax changes, including a new minimum tax on profit, that made paying taxes more costly for companies.
<b>DB2011</b>	<i>Tajikistan</i>	Tajikistan lowered its corporate income tax rate.
<b>DB2011</b>	<i>Ukraine</i>	Ukraine eased tax compliance by introducing and continually enhancing an electronic filing system for value added tax.
<b>DB2011</b>	<i>Montenegro</i>	An amendment to Montenegro's corporate income tax law removed the obligation for advance payments and abolished the construction land charge.
<b>DB2010</b>	<i>Belarus</i>	Tax payments were made more convenient through increased use of electronic systems—reducing tax compliance times—while lower ecological and turnover tax rates and a reduction in the number of payments for property tax reduced the tax burden on businesses.
<b>DB2010</b>	<i>Kazakhstan</i>	The tax burden on companies was eased by lowering the social tax for 2008 and the corporate income tax for 2009 (from 30 percent to 10 percent).
<b>DB2010</b>	<i>Kyrgyz Republic</i>	The tax burden on businesses was eased by reducing the rates for several taxes and the number of payments for several.
<b>DB2010</b>	<i>Lithuania</i>	The corporate income tax was raised from 15 percent to 20 percent.
<b>DB2010</b>	<i>Macedonia, FYR</i>	Social security payments were classified in five groups, and social security contribution rates reduced.
<b>DB2010</b>	<i>Moldova</i>	The rates were lowered for social security contributions paid by employers.
<b>DB2010</b>	<i>Romania</i>	Labor taxes were increased.
<b>DB2010</b>	<i>Russian Federation</i>	The corporate income tax rate was cut from 24 percent to 20 percent.

DB Year	Economy	Reform
DB2010	<i>Uzbekistan</i>	A new tax code was introduced combining corporate income tax provisions.
DB2010	<i>Montenegro</i>	The corporate income tax rate was cut by almost half, to 9 percent, and social security tax rates to 12 percent for 2009 and 9 percent for 2010.
DB2010	<i>Kosovo</i>	The corporate income tax rate was cut from 20 percent to 10 percent in 2009.
DB2009	<i>Albania</i>	The corporate income tax rate was reduced from 20 percent to 10 percent effective January 1, 2008.
DB2009	<i>Azerbaijan</i>	The tax burden was reduced by introducing an online filing and payment system with advanced accounting software for calculating taxes due. This saves more than 500 hours a year on average in dealing with paperwork.
DB2009	<i>Belarus</i>	The tax burden was eased by abolishing the "Chernobyl tax" (3 percent) and unemployment tax (1 percent) and amending the simplified tax system for small businesses.
DB2009	<i>Bosnia and Herzegovina</i>	The corporate income tax rate was reduced from 30 percent to 10 percent effective January 1, 2008. Profit distribution (including dividends) is now tax exempt, and tax losses can be carried forward for five years.
DB2009	<i>Bulgaria</i>	A new Corporate Income Tax Act and a new Value Added Tax Act were introduced to synchronize local tax legislation with EU legislation.
DB2009	<i>Georgia</i>	The corporate income tax rate was reduced from 20 percent to 15 percent, and the social tax abolished.
DB2009	<i>Macedonia, FYR</i>	The corporate income tax was reduced to 10 percent effective January 1, 2008.
DB2009	<i>Ukraine</i>	The tax burden on businesses was eased by reducing several social security tax rates including: pension fund, social security fund, and social insurance for accidents at work. Thanks to electronic tax filing systems, the time to pay taxes was reduced.

DB Year	Economy	Reform
DB2008	<i>Albania</i>	A new fiscal package was introduced which reduced the tax burden on firms by lowering the corporate income tax by 3% and amending depreciation rates. Labor taxes and contributions were lowered by 9 percentage points.
DB2008	<i>Bulgaria</i>	The tax burden was reduced on businesses by lowering corporate income tax, labor and one-off taxes, and through more widespread use of the online system.
DB2008	<i>Kazakhstan</i>	While the country increased environmental pollution fee on fuel and waste and flattened personal income tax at 10%, the country also increased depreciation rates and cut VAT by one point to 14%. It intends to reduce VAT further to 13% (2008) and 12% (2009).
DB2008	<i>Kyrgyz Republic</i>	The corporate income tax was cut from 20% to 10% in 2006, social security contributions were abolished in 2006. Pension contributions dropped from 21% to 19% in 2006. In 2007, a new tax code will reduce VAT to 14% (as well as apply the flat rate of 10% to personal income tax.) .
DB2008	<i>Macedonia, FYR</i>	The corporate tax rate was lowered to 12% (with further reduction to 10% planned for 2008) and introduced a new e-tax service.
DB2008	<i>Turkey</i>	The interest tax and corporate income tax were lowered to 20%, and online filing was introduced and implemented.
DB2008	<i>Uzbekistan</i>	The corporate income tax was reduced further to 10% (effective January 2007), following its path from 18% (in 2004), 15% (in 2005) and 12% (in 2006;) CIT can now be paid quarterly, rather than monthly. The social security contribution payable by employers was reduced from 33% in 2004 to 24% in 2007 and the single tax payment rate applicable to micro-firms and small businesses was decreased from 13% to 10%.

*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.

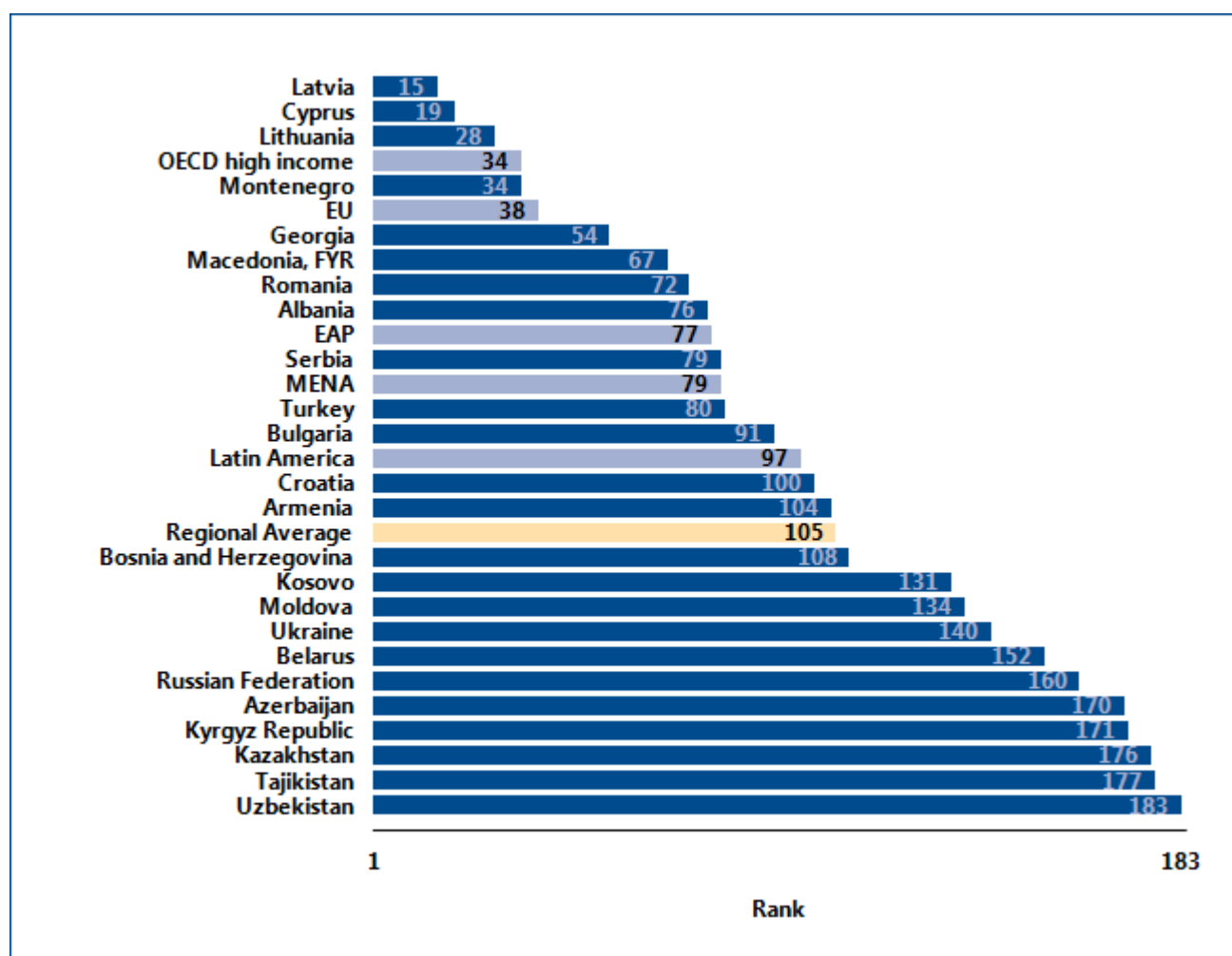
## TRADING ACROSS BORDERS

### Where do the region's economies stand today?

How easy it is for businesses in economies in Eastern Europe and Central Asia (ECA) to export and import goods? The global rankings of these economies on the

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

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



Source: *Doing Business* database.

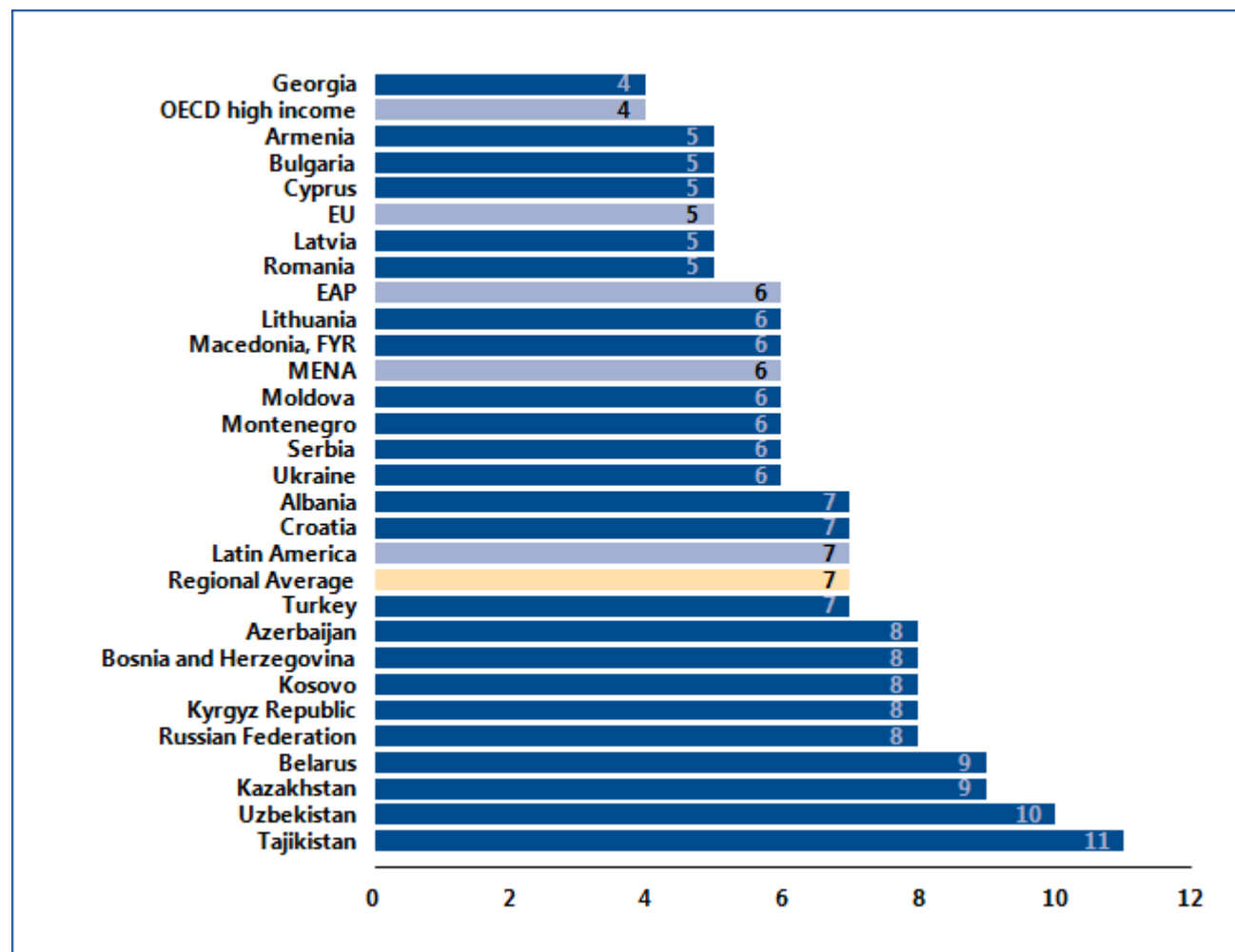
The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to export or import a standard container of goods in each economy in the region: the number of

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

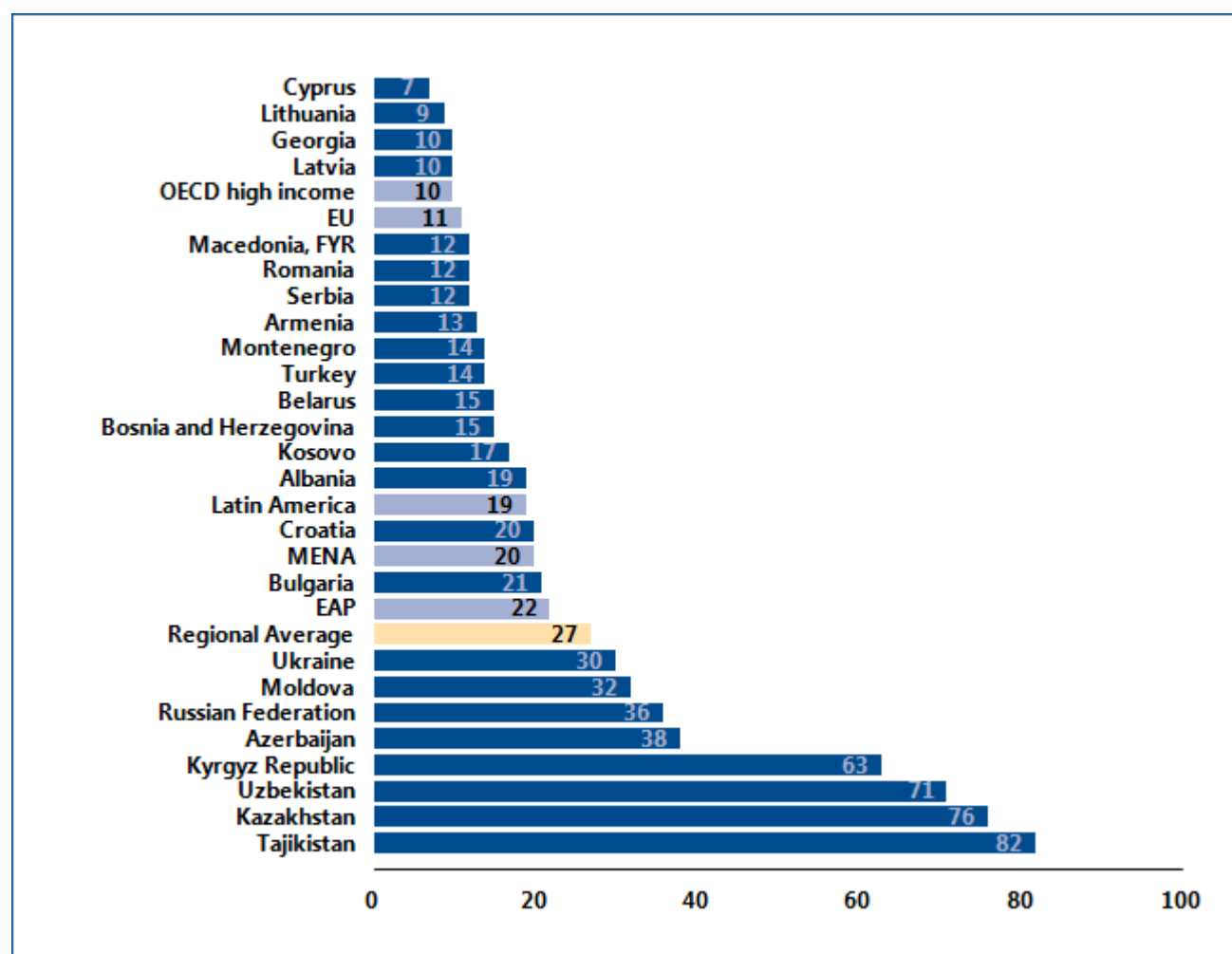
Figure 9.2 What it takes to trade across borders in economies in Eastern Europe and Central Asia (ECA)

### Documents to export (number)



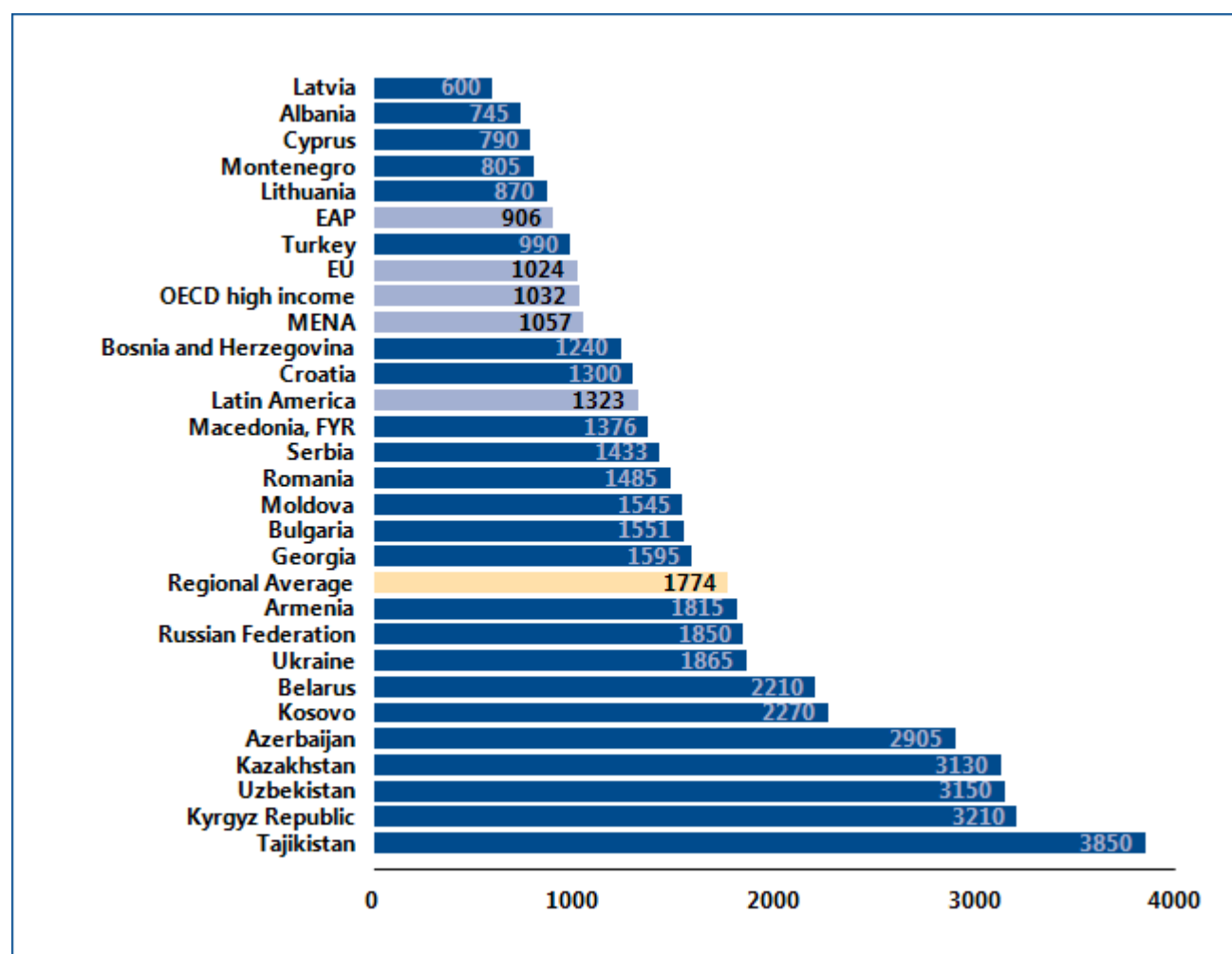
## TRADING ACROSS BORDERS

## Time to export (days)



## TRADING ACROSS BORDERS

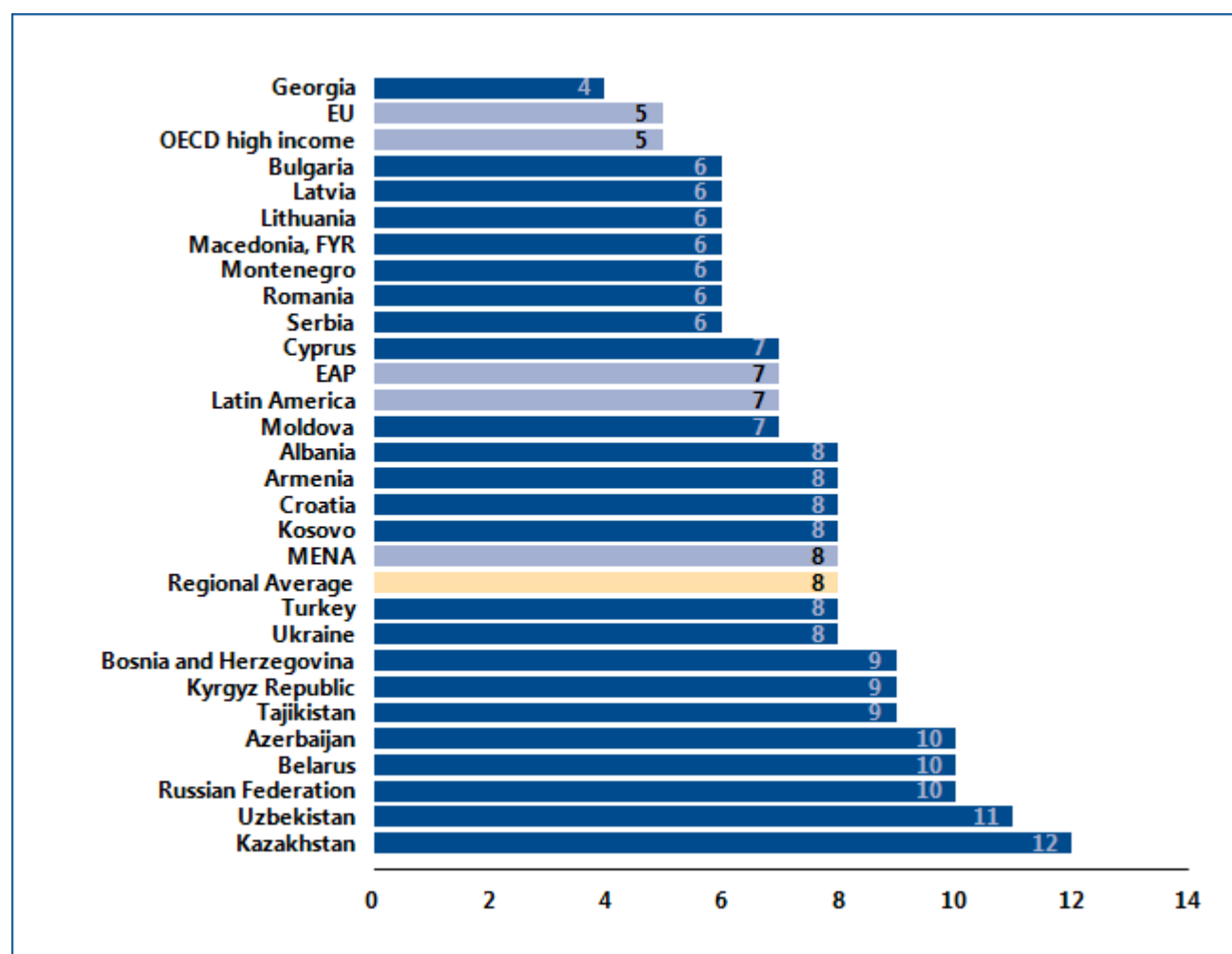
## Cost to export (US\$ per container)





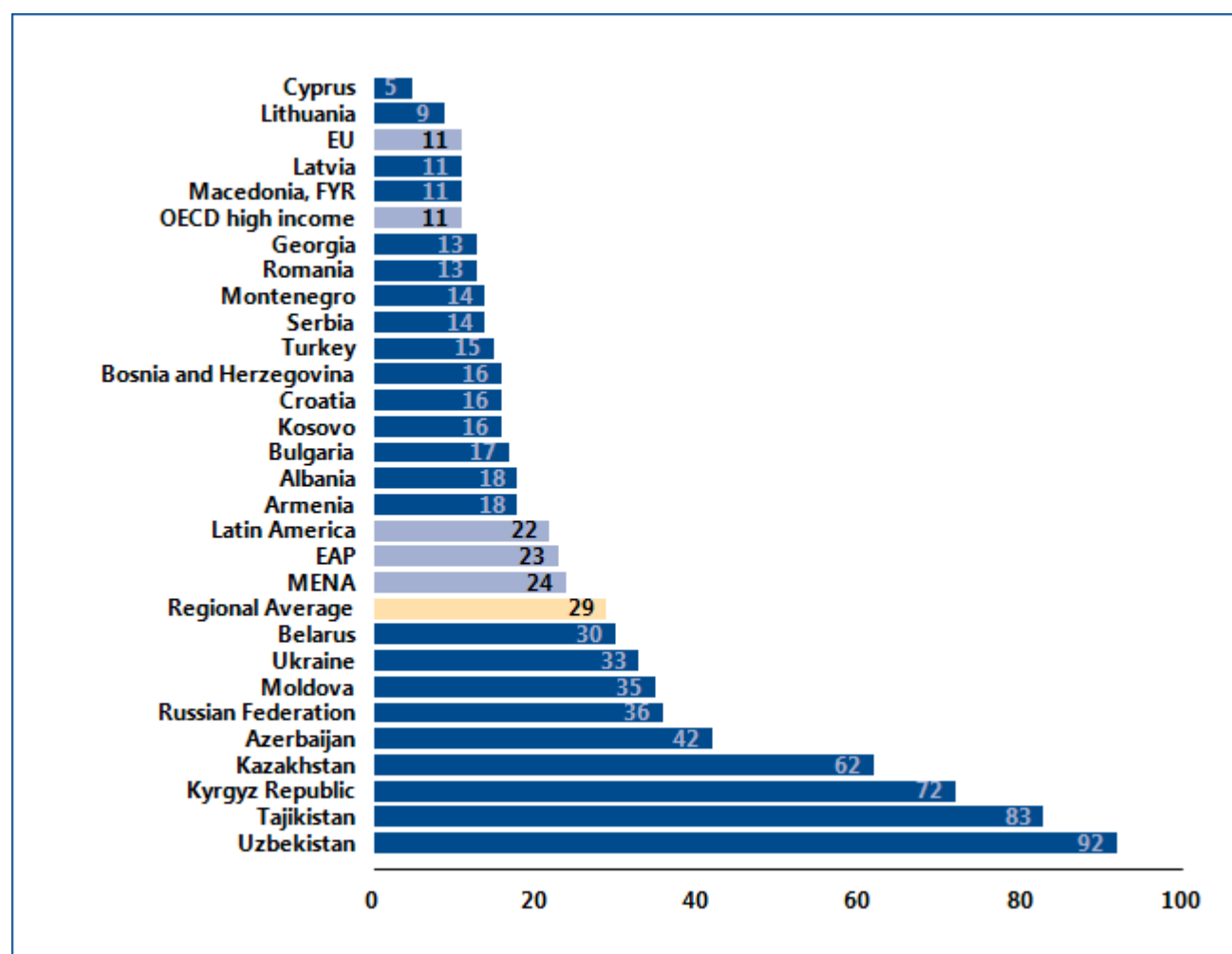
## TRADING ACROSS BORDERS

## Documents to import (number)



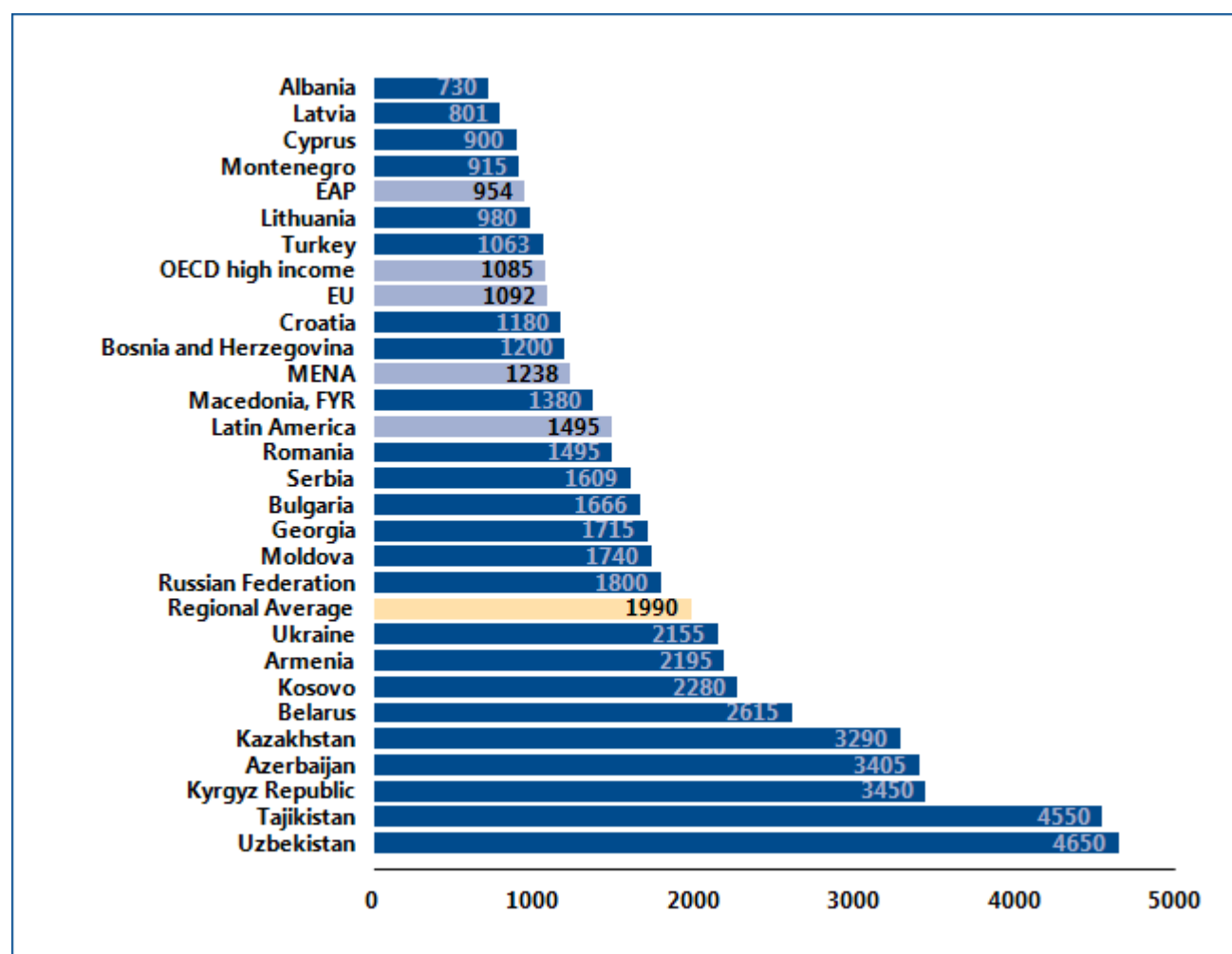
## TRADING ACROSS BORDERS

## Time to import (days)



## TRADING ACROSS BORDERS

## Cost to import (US\$ per container)



Source: Doing Business database.

## TRADING ACROSS BORDERS

### What are the changes over time?

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

systems. These changes help improve the trading environment and boost firms' international competitiveness. What trade reforms has *Doing Business* recorded in Eastern Europe and Central Asia (ECA) (table 9.1)?

Table 9.1 How have economies in Eastern Europe and Central Asia (ECA) made trading across borders easier—or not?

By *Doing Business* report year

DB Year	Economy	Reform
DB2012	<i>Bulgaria</i>	Bulgaria made trading across borders faster by introducing online submission of customs declaration forms.
DB2012	<i>Russian Federation</i>	Russia made trading across borders easier by reducing the number of documents needed for each export or import transaction and lowering the associated cost.
DB2012	<i>Ukraine</i>	Ukraine made trading across borders more difficult by introducing additional inspections for customs clearance of imports.
DB2011	<i>Armenia</i>	Armenia made trading easier by introducing self-declaration desks at customs houses and warehouses, investing in new equipment to improve border operations and introducing a risk management system.
DB2011	<i>Belarus</i>	Belarus reduced the time to trade by introducing electronic declaration of exports and imports.
DB2011	<i>Kazakhstan</i>	Kazakhstan speeded up trade through efforts to modernize customs, including implementation of a risk management system and improvements in customs automation.
DB2011	<i>Latvia</i>	Latvia reduced the time to export and import by introducing electronic submission of customs declarations.

DB Year	Economy	Reform
<b>DB2011</b>	<i>Lithuania</i>	Lithuania reduced the time to import by introducing, in compliance with EU law, an electronic system for submitting customs declarations.
<b>DB2011</b>	<i>Montenegro</i>	Montenegro's customs administration simplified trade by eliminating the requirement to present a terminal handling receipt for exporting and importing.
<b>DB2010</b>	<i>Albania</i>	Implementation of ASYCUDA World and the purchase of scanners have reduced import customs clearance time.
<b>DB2010</b>	<i>Armenia</i>	By encouraging competition in banking, transportation, and customs brokerage services, as well as reducing the number of goods requiring inspection and streamlining the number of documents needed to clear goods, Armenia has sped trade across borders.
<b>DB2010</b>	<i>Azerbaijan</i>	The time required to clear goods and get them across borders was shortened by regrouping various agencies into a single customs service window.
<b>DB2010</b>	<i>Belarus</i>	Implementation of a risk-based management system and improvement of border crossing operations reduced transit times for trade.
<b>DB2010</b>	<i>Georgia</i>	The documentation requirements for import and export were simplified, and there was a significant decrease in the cost of trade.
<b>DB2010</b>	<i>Kyrgyz Republic</i>	The elimination of six previously required documents and the simplification of inspection procedures has sped up trading across borders.
<b>DB2009</b>	<i>Belarus</i>	A new customs code and new banking regulations reduced the time to export.
<b>DB2009</b>	<i>Croatia</i>	Ongoing improvements to port infrastructure sped terminal handling for exports.

DB Year	Economy	Reform
<b>DB2009</b>	<i>Macedonia, FYR</i>	The time required to import and export fell, thanks to rationalization of the customs fee schedule, permit structure, improved risk based inspections, simplification of a customs procedure, and abolishment of required documents.
<b>DB2009</b>	<i>Ukraine</i>	In trade, improvements to port infrastructure and services reduced the time to import.
<b>DB2008</b>	<i>Armenia</i>	The implementation of an electronic data interchange system ("Direct Trader Input") allows customs brokers to submit declarations electronically to the customs offices. Still in its early stage, the new process already contributed to halving the time for document preparation. Electronic transmission also means less opportunity for corruption.
<b>DB2008</b>	<i>Bosnia and Herzegovina</i>	A comprehensive customs reform project was implemented, creating a new customs law and establishing a new customs administration which has lowered the time needed for trade.

*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.

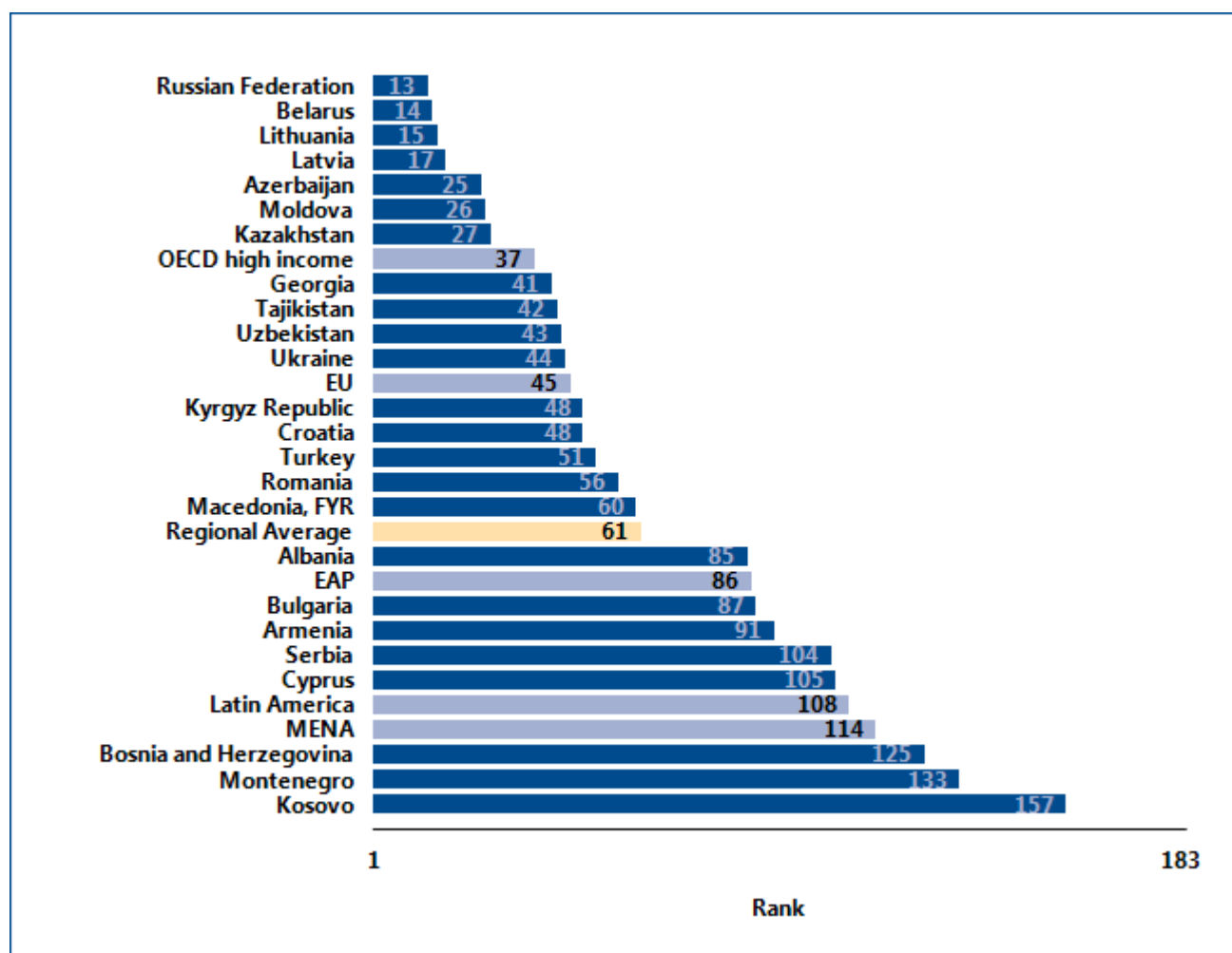
## ENFORCING CONTRACTS

### Where do the region's economies stand today?

How efficient is the process of resolving a commercial dispute through the courts in economies in Eastern Europe and Central Asia (ECA)? The global rankings of these economies on the ease of enforcing contracts

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

Figure 10.1 How economies in Eastern Europe and Central Asia (ECA) 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

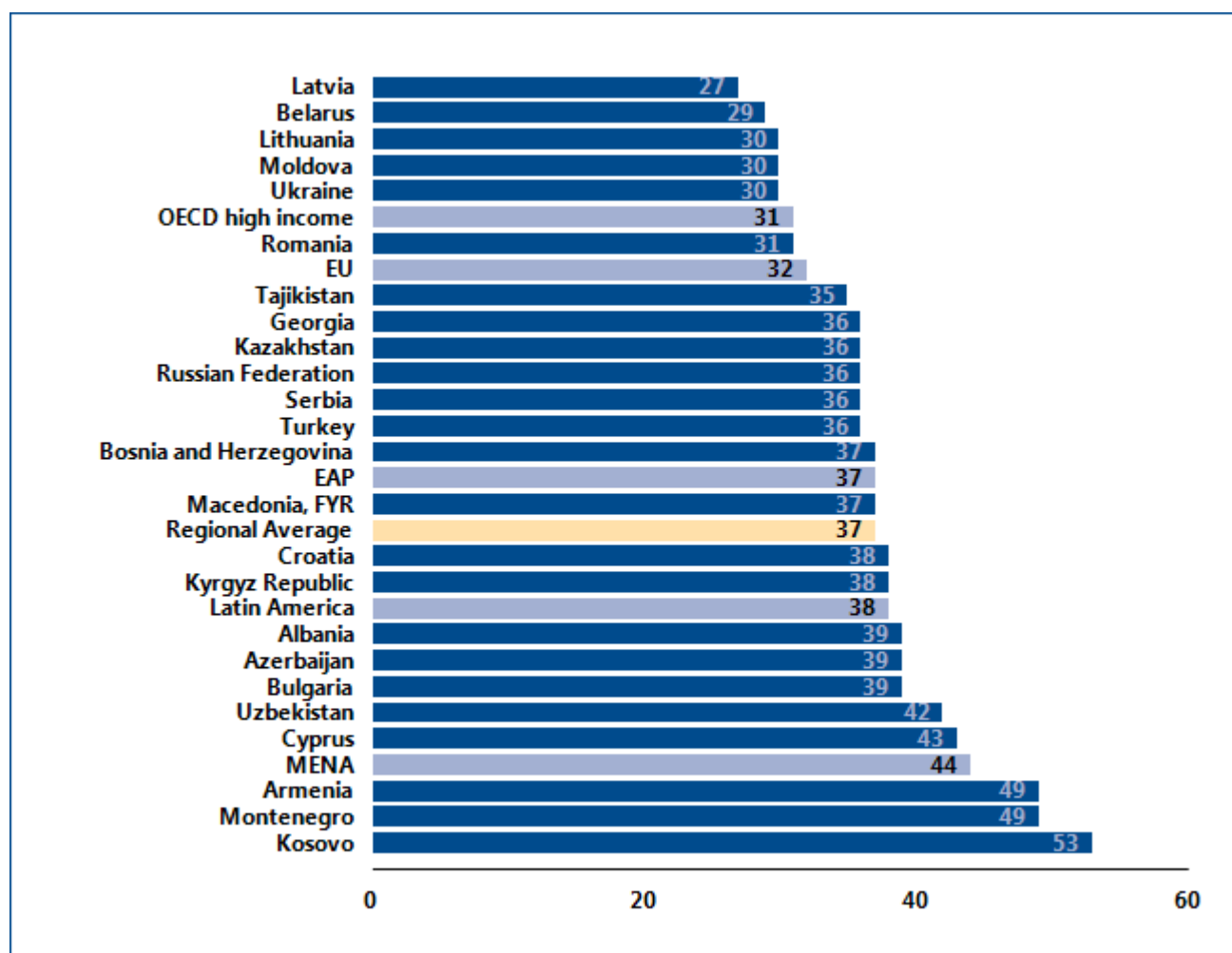
procedures, the time and the cost (figure 10.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.



## ENFORCING CONTRACTS

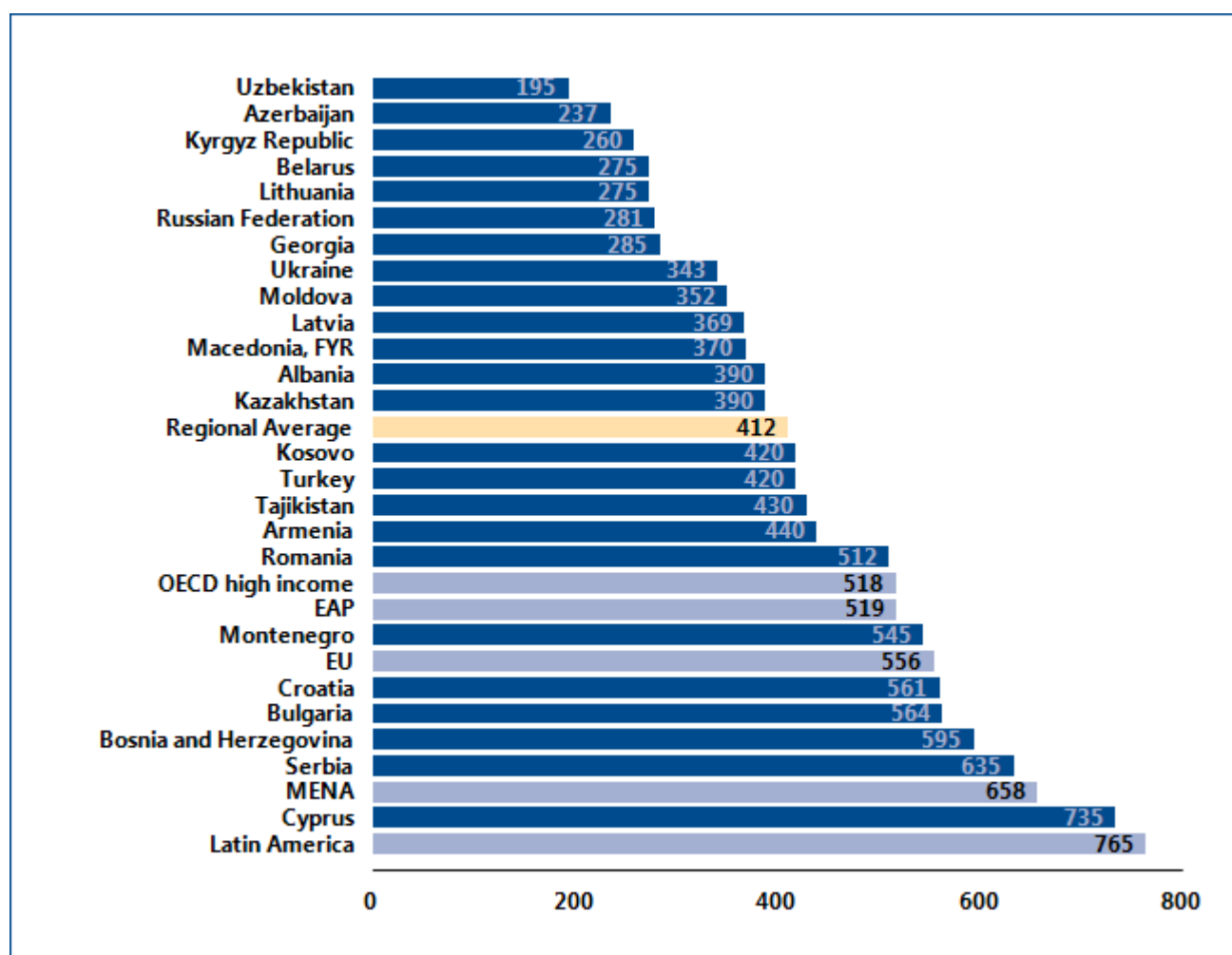
Figure 10.2 What it takes to enforce a contract through the courts in economies in Eastern Europe and Central Asia (ECA)

### Procedures (number)



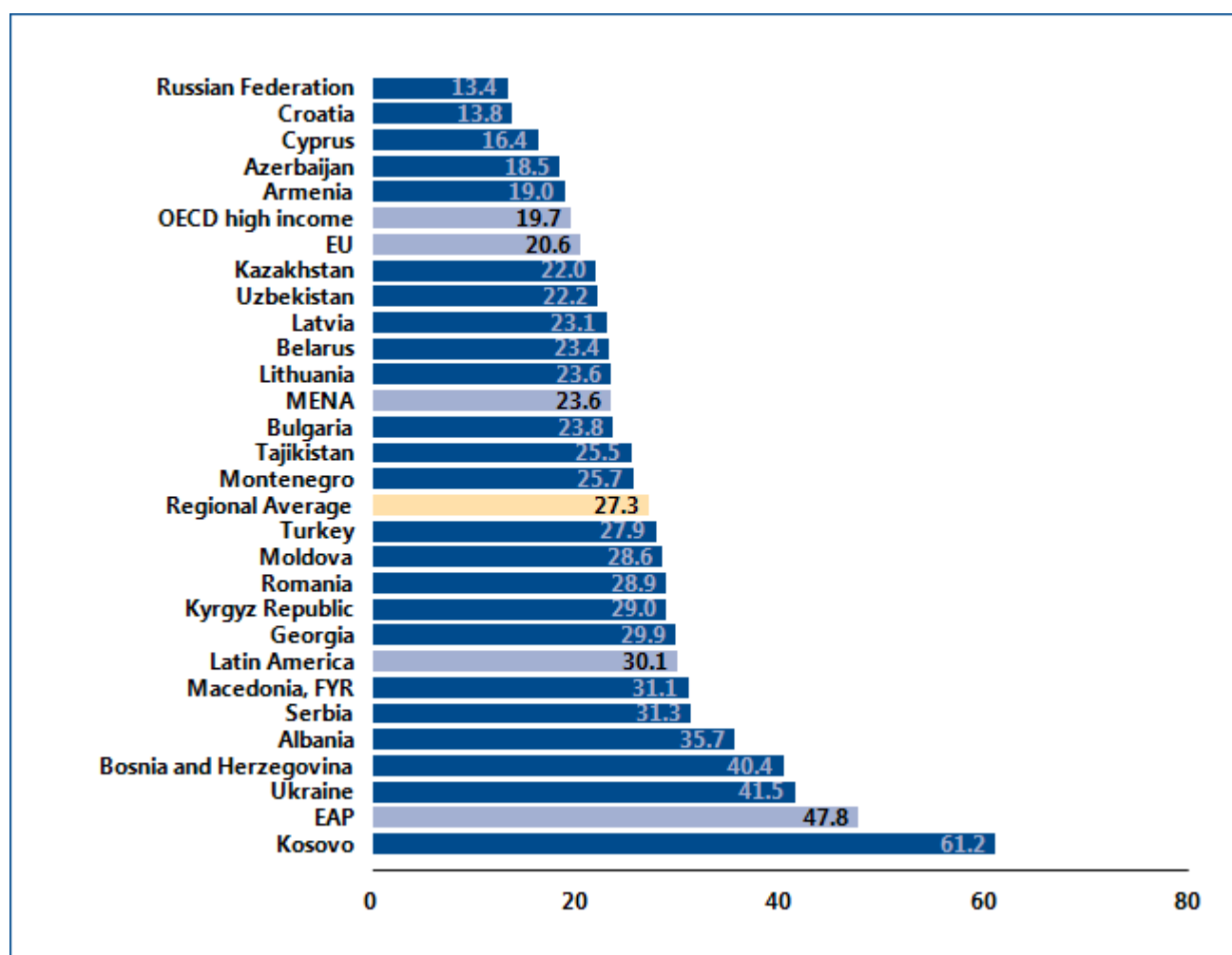
## ENFORCING CONTRACTS

Time (days)



## ENFORCING CONTRACTS

Cost (% of claim)



Source: Doing Business database.

## ENFORCING CONTRACTS

### What are the changes over time?

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

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

Table 10.1 How have economies in Eastern Europe and Central Asia (ECA) made enforcing contracts easier—or not?

By *Doing Business* report year

DB Year	Economy	Reform
DB2012	<i>Belarus</i>	Belarus modified its code of economic procedure, altering the time frames for commercial dispute resolution.
DB2012	<i>Moldova</i>	Moldova made enforcement of judgments more efficient by introducing private bailiffs.
DB2012	<i>Russian Federation</i>	Russia made filing a commercial case easier by introducing an electronic case filing system.
DB2012	<i>Ukraine</i>	Ukraine amended legislation to streamline commercial dispute resolution and increase the efficiency of enforcement procedures.
DB2011	<i>Georgia</i>	Georgia made the enforcement of contracts easier by streamlining the procedures for public auctions, introducing private enforcement officers and modernizing its dispute resolution system.
DB2009	<i>Armenia</i>	The court system was reorganized and the procedural code was overhauled. New requirements to front-load evidence eased contract enforcement, removing 1 procedure and reducing the time required to resolve commercial disputes.
DB2009	<i>Azerbaijan</i>	A second commercial court was created in Baku, increasing the number of judges dealing with commercial cases from five to nine. The average time to enforce a contract through the courts fell.
DB2009	<i>Bulgaria</i>	Amendments to the civil procedural code have helped speed contract enforcement. They reformed rules for evidence and default judgments, raised the minimum threshold for cases in the lower courts, and empowered the civil court of last instance to decide which cases to hear, limiting abuse of the appeals process.

DB Year	Economy	Reform
DB2009	<i>Macedonia, FYR</i>	The government continued to systematically equip courts with electronic case management systems, and the commercial court in Skopje became operational, speeding contract enforcement in commercial matters.
DB2009	<i>Romania</i>	The enforcement of judgments was simplified by eliminating the need for a separate enforcement order and allowing the attachment of credit balances and accounts receivable. The reform reduced the time to enforce contracts by a month from 537 days to 512 days.
DB2008	<i>Bulgaria</i>	Private bailiffs started working in May 2006 in Bulgaria, and it also amended its Judicial System Act in order to increase efficiency and transparency in the judicial system.

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

*Source:* *Doing Business* database.

## RESOLVING INSOLVENCY

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in the speedy return of businesses to normal operation and increase returns to creditors. By 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.

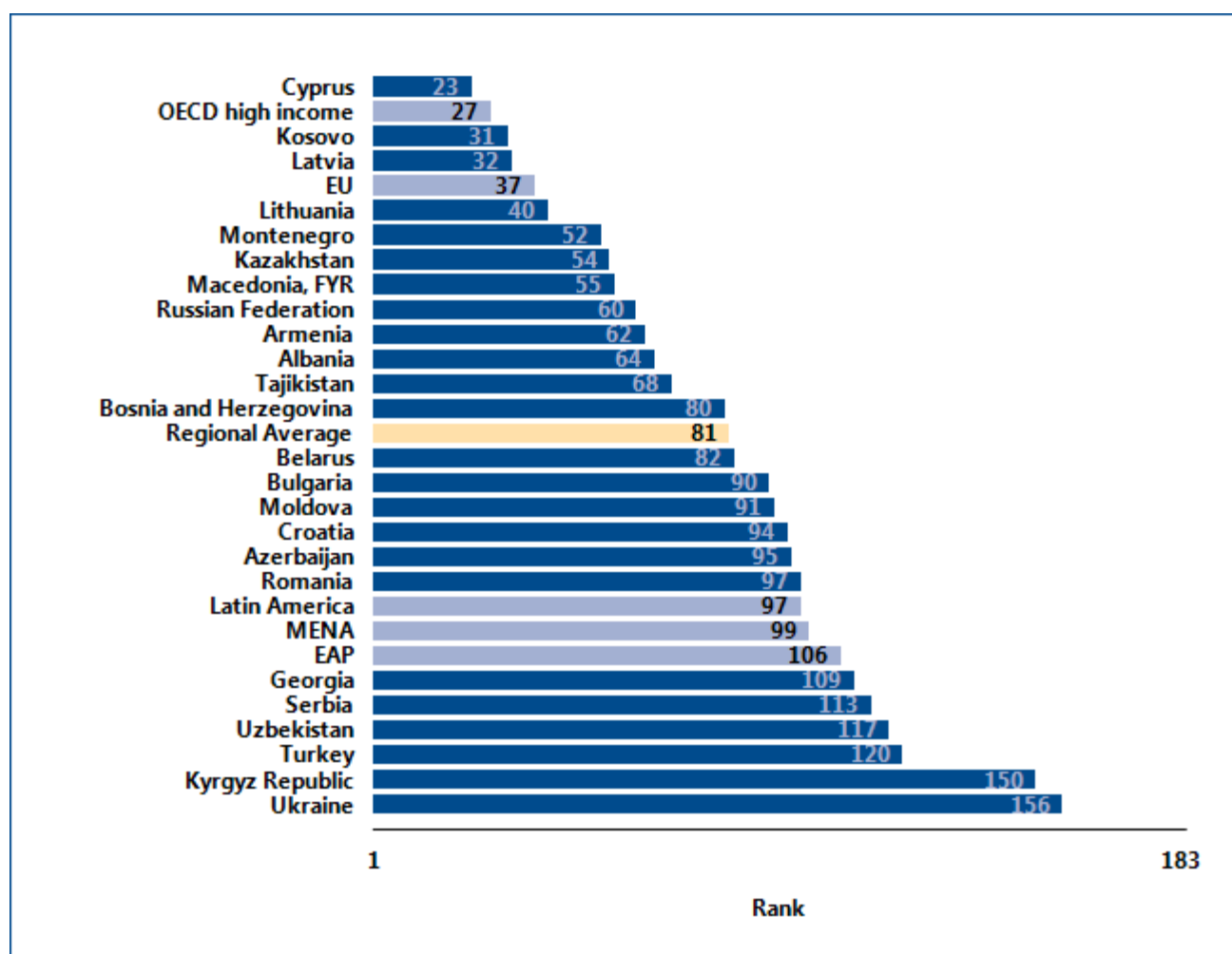
## RESOLVING INSOLVENCY

### Where do the region's economies stand today?

How efficient are insolvency proceedings in economies in Eastern Europe and Central Asia (ECA)? The global rankings of these economies on the ease of resolving insolvency suggest an answer (figure 11.1). The average ranking of the region and comparator regions

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

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



Source: *Doing Business* database.

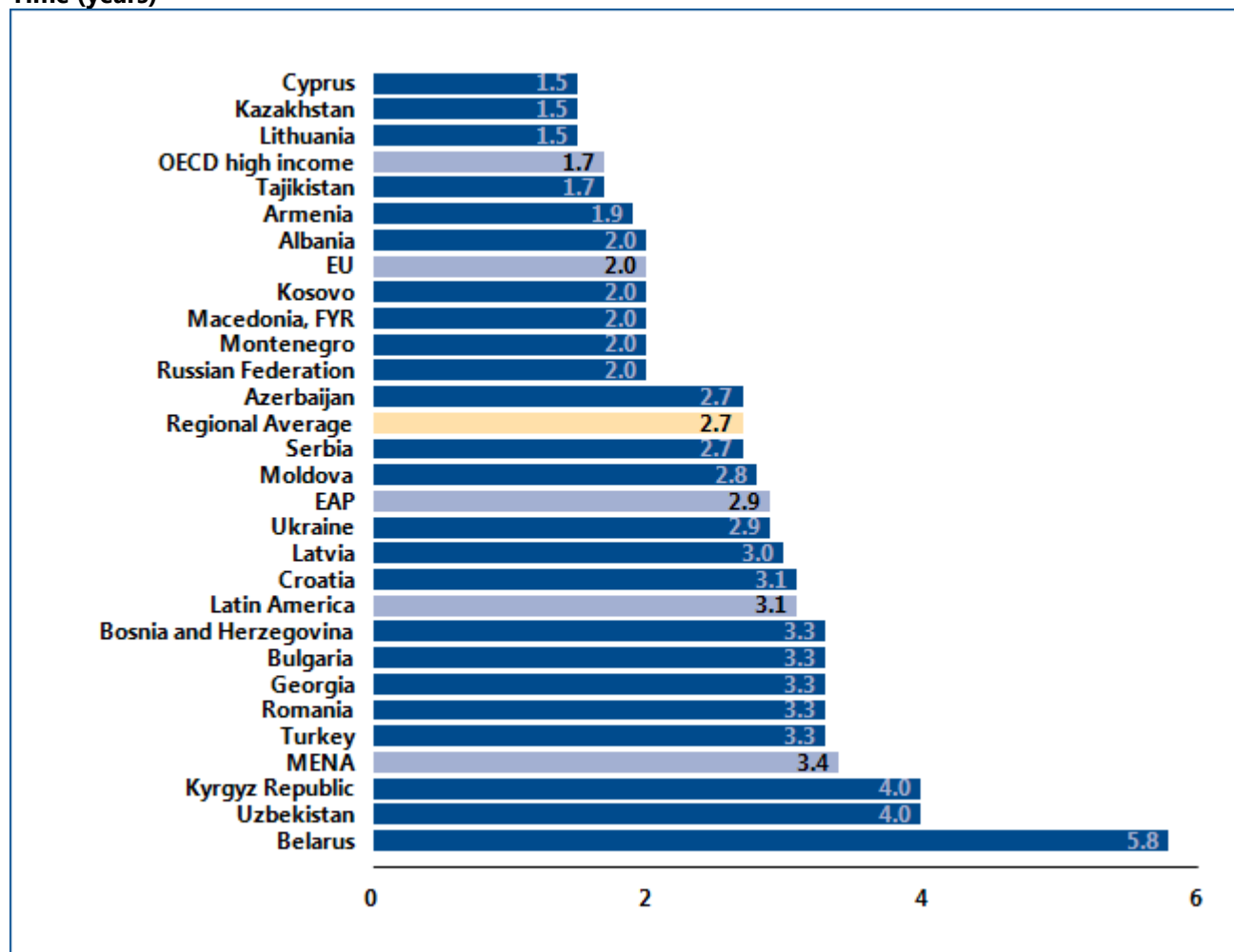
The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show the average time and cost required to resolve insolvency as well as the average recovery rate (figure 11.2).

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 Eastern Europe and Central Asia (ECA)

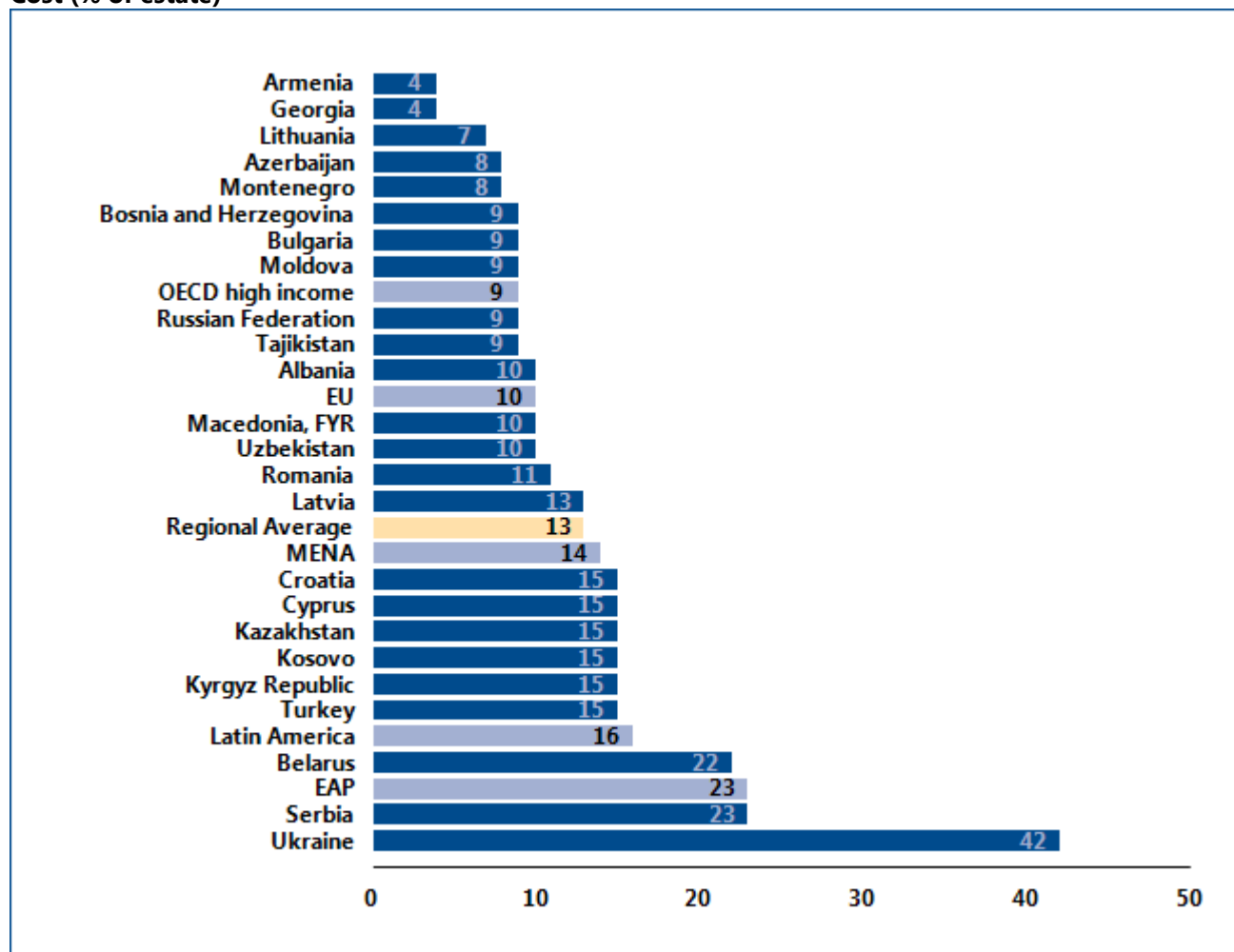
Time (years)





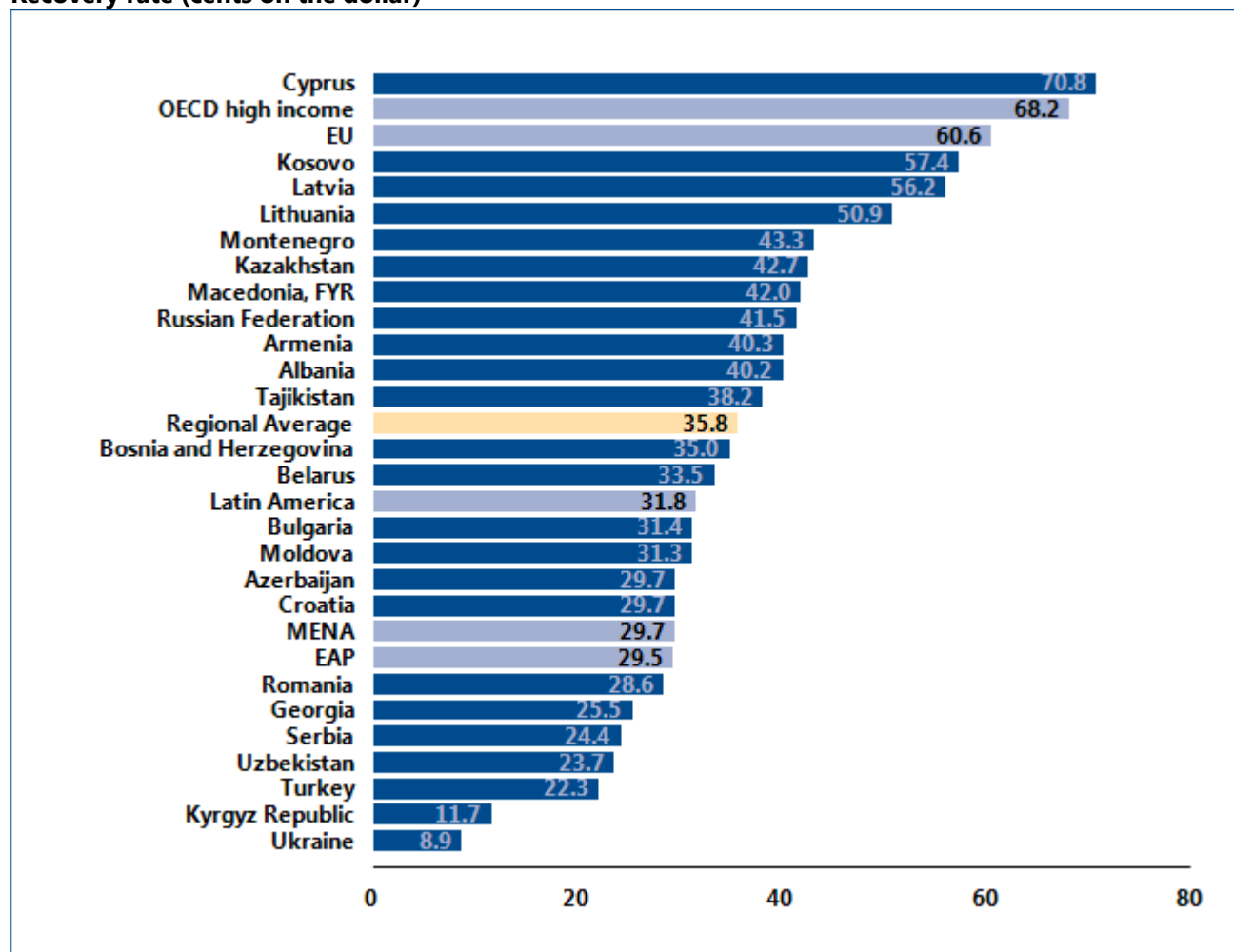
## RESOLVING INSOLVENCY

Cost (% of estate)



## RESOLVING INSOLVENCY

## Recovery rate (cents on the dollar)



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

Source: Doing Business database.

## RESOLVING INSOLVENCY

### What are the changes over time?

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

change. Many recent reforms of bankruptcy laws have been aimed at helping more of the viable businesses survive. What insolvency reforms has *Doing Business* recorded in Eastern Europe and Central Asia (ECA) (table 11.1)?

Table 11.1 How have economies in Eastern Europe and Central Asia (ECA) made resolving insolvency easier—or not?

By *Doing Business* report year

DB Year	Economy	Reform
DB2012	Armenia	Armenia amended its bankruptcy law to clarify procedures for appointing insolvency administrators, reduce the processing time for bankruptcy proceedings and regulate asset sales by auction.
DB2012	Bulgaria	Bulgaria amended its commerce act to extend further rights to secured creditors and increase the transparency of insolvency proceedings.
DB2012	Latvia	Latvia adopted a new insolvency law that streamlines and expedites the insolvency process and introduces a reorganization option for companies.
DB2012	Lithuania	Lithuania amended its reorganization law to simplify and shorten reorganization proceedings, grant priority to secured creditors and introduce professional requirements for insolvency administrators.
DB2012	Macedonia, FYR	FYR Macedonia increased the transparency of bankruptcy proceedings through amendments to its company and bankruptcy laws.
DB2012	Moldova	Moldova amended its insolvency law to grant priority to secured creditors.
DB2012	Romania	Romania amended its insolvency law to shorten the duration of insolvency proceedings.
DB2012	Ukraine	Ukraine amended its legislation on enforcement, introducing more guarantees for secured creditors.
DB2012	Serbia	Serbia adopted legislation introducing professional requirements for insolvency administrators and regulating their compensation.

DB Year	Economy	Reform
DB2012	<i>Montenegro</i>	Montenegro passed a new bankruptcy law that introduces reorganization and liquidation proceedings, introduces time limits for these proceedings and provides for the possibility of recovery of secured creditors' claims and settlement before completion of the entire bankruptcy procedure.
DB2011	<i>Belarus</i>	Belarus amended regulations governing the activities of insolvency administrators and strengthened the protection of creditor rights in bankruptcy.
DB2011	<i>Georgia</i>	Georgia improved insolvency proceedings by streamlining the regulation of auction sales.
DB2011	<i>Kyrgyz Republic</i>	The Kyrgyz Republic streamlined insolvency proceedings and updated requirements for administrators, but new formalities added to prevent abuse of proceedings made closing a business more difficult.
DB2011	<i>Latvia</i>	Latvia introduced a mechanism for out-of-court settlement of insolvencies to alleviate pressure on courts and tightened some procedural deadlines.
DB2011	<i>Lithuania</i>	Lithuania introduced regulations relating to insolvency administrators that set out clear rules of liability for violations of law.
DB2011	<i>Romania</i>	Substantial amendments to Romania's bankruptcy laws—introducing, among other things, a procedure for out-of-court workouts—made dealing with insolvency easier.
DB2011	<i>Russian Federation</i>	Russia introduced a series of legislative measures in 2009 to improve creditor rights and the insolvency system.
DB2011	<i>Serbia</i>	Serbia passed a new bankruptcy law that introduced out-of-court workouts and a unified reorganization procedure.
DB2010	<i>Albania</i>	A new insolvency law established time limits during insolvency, professional qualifications for insolvency administrators, and an Agency of Insolvency Supervision to regulate insolvency administrators. A simplified insolvency procedure for small businesses was introduced as well.
DB2010	<i>Lithuania</i>	The process of closing a business was eased through amendments to the enterprise bankruptcy law.
DB2010	<i>Romania</i>	The cost of insolvency procedures was increased by requiring that 1.5 percent of the amount recovered from each insolvency procedure be transferred to a fund that reimburses the expenses of insolvency administrators when debtors have no assets.

DB Year	Economy	Reform
DB2010	<i>Russian Federation</i>	Several changes were introduced to the insolvency law to speed up liquidation and strengthen the legal status of secured creditors.
DB2010	<i>Tajikistan</i>	The insolvency law was amended, aiming to reduce statutory time limits and the costs of proceedings.
DB2009	<i>Bosnia and Herzegovina</i>	Professional requirements were tightened for trustees to speed bankruptcy procedures.
DB2009	<i>Bulgaria</i>	Two new laws- the Civil Procedure Code and the Law for the Commercial Registry- were passed which will speed up the resolution of bankruptcy. The Civil Procedure Code removed the requirement for the Supreme Cassation Court to hear all cases. Now the court can decide whether or not to hear a case.
DB2009	<i>Latvia</i>	A new insolvency law made it possible for the first time for financially distressed companies to continue operating by pursuing reorganization. The reform also tightened the qualification standards for bankruptcy administrators.
DB2008	<i>Armenia</i>	A new law introduces a number of important changes to the bankruptcy procedure, increasing the range of actions available to companies in reorganization. The law also excludes the debtor's founders, shareholders and partners from voting on a reorganization plan, and sets a two-day limit for the judge to decide whether to approve a plan.
DB2008	<i>Croatia</i>	The Insolvency Act was amended to set out professional requirements for bankruptcy trustees and reduce statutory time requirements.
DB2008	<i>Georgia</i>	A new law on insolvency procedure allots shorter time limits for the reorganization of a distressed company or the disposition of the debtor's assets, thus ensuring a more productive use of debtors' assets and an overall decrease in time.
DB2008	<i>Uzbekistan</i>	A presidential decree for a special procedure for the voluntary liquidation of private companies was signed into force in April 2007. The decree specifies the state bodies required to participate in the procedure as well as all necessary documents; it also introduces a "one window"-concept to the procedure.

*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.<sup>3</sup>

### 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.

<sup>3</sup> 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.<sup>4</sup>

### 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 18<sup>th</sup>, 14<sup>th</sup>, 53<sup>rd</sup> and 0 percentiles. So on average Korea ranks in the 21<sup>st</sup> percentile on the ease of starting a business. It ranks in the 12<sup>th</sup> percentile on getting credit, 25<sup>th</sup> percentile on paying taxes, 8<sup>th</sup> percentile on enforcing contracts, 7<sup>th</sup> 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 21<sup>st</sup>. When all economies are ordered by their average percentile

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<sup>4</sup> 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*.<sup>5</sup> Thus, *Doing Business* uses the simplest method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components.<sup>6</sup>

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.<sup>7</sup> 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.

<sup>5</sup> 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.

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

<sup>7</sup> *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/>

### **Contributors**

More than 9,000 specialists in 183 economies who participate in *Doing Business*  
<http://www.doingbusiness.org/contributors/doing-business/>



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