



Economy Profile: **Ukraine**

Doing business in a
more transparent world

COMPARING REGULATION FOR DOMESTIC FIRMS IN 183 ECONOMIES

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

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INTRODUCTION

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

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

This economy profile presents the *Doing Business* indicators for Ukraine. To allow useful comparison, it also provides data for other selected economies (comparator economies) for each indicator. 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 *Doing Business 2012*, are available on the *Doing Business* website at <http://www.doingbusiness.org>.

THE BUSINESS ENVIRONMENT

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

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

ECONOMY OVERVIEW

Region: Eastern Europe & Central Asia

Income category: Lower middle income

Population: 45,759,961

GNI per capita (US\$): 3,010.00

DB2012 rank: 152

DB2011 rank: 149

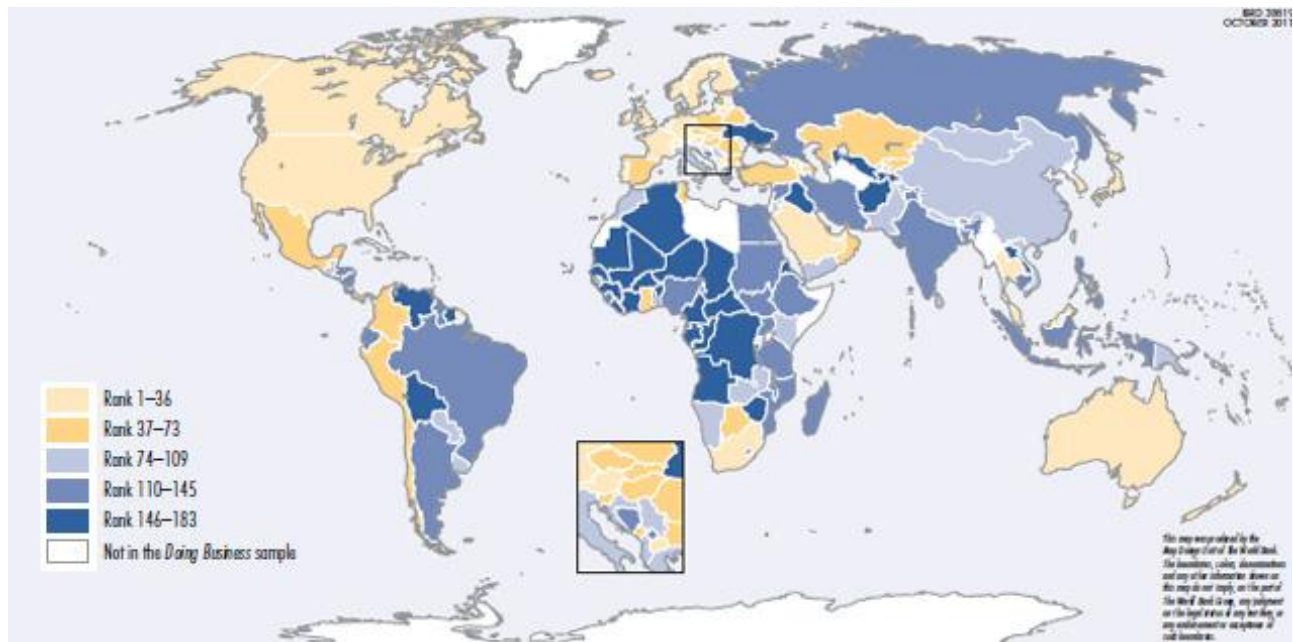
Change in rank: -3

Note: See the data notes for sources and definitions.

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

THE BUSINESS ENVIRONMENT

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



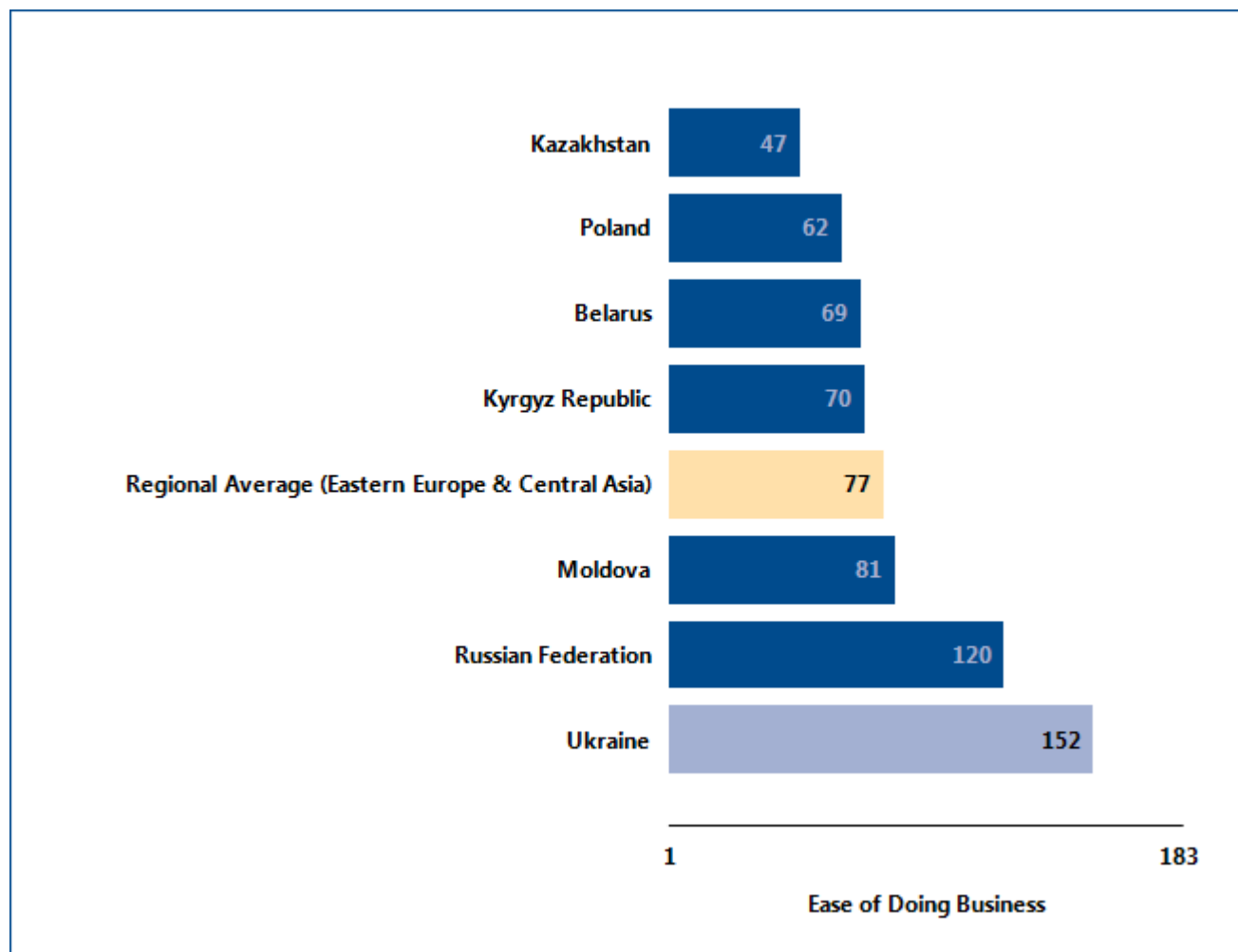
Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

For policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful. Also useful is to know how it ranks compared with other economies and compared with

the regional average (figure 1.2). The economy's rankings on the topics included in the ease of doing business index provide another perspective (figure 1.3).

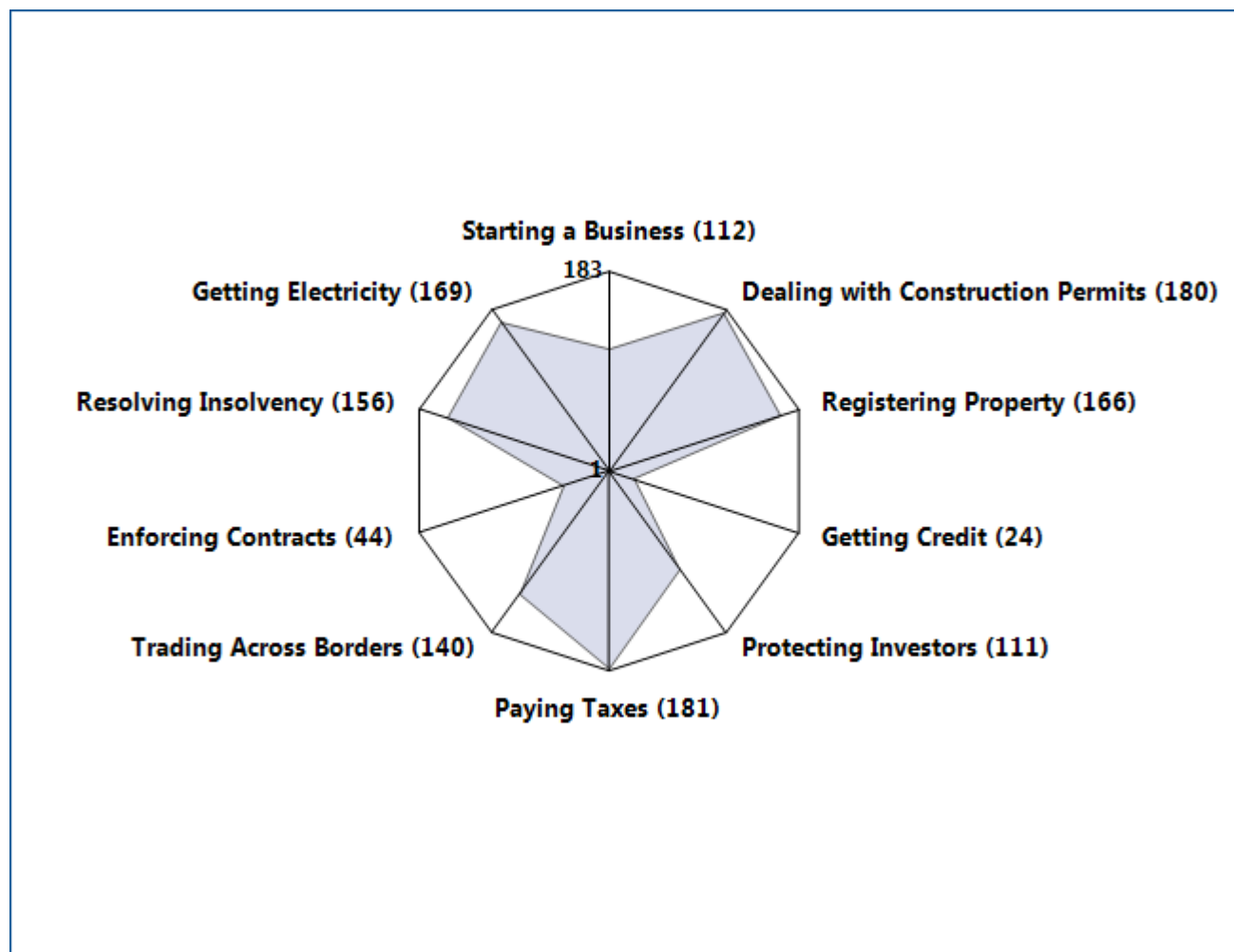
Figure 1.2 How Ukraine and comparator economies rank on the ease of doing business



Source: Doing Business database.

THE BUSINESS ENVIRONMENT

Figure 1.3 How Ukraine ranks on *Doing Business* topics



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*.

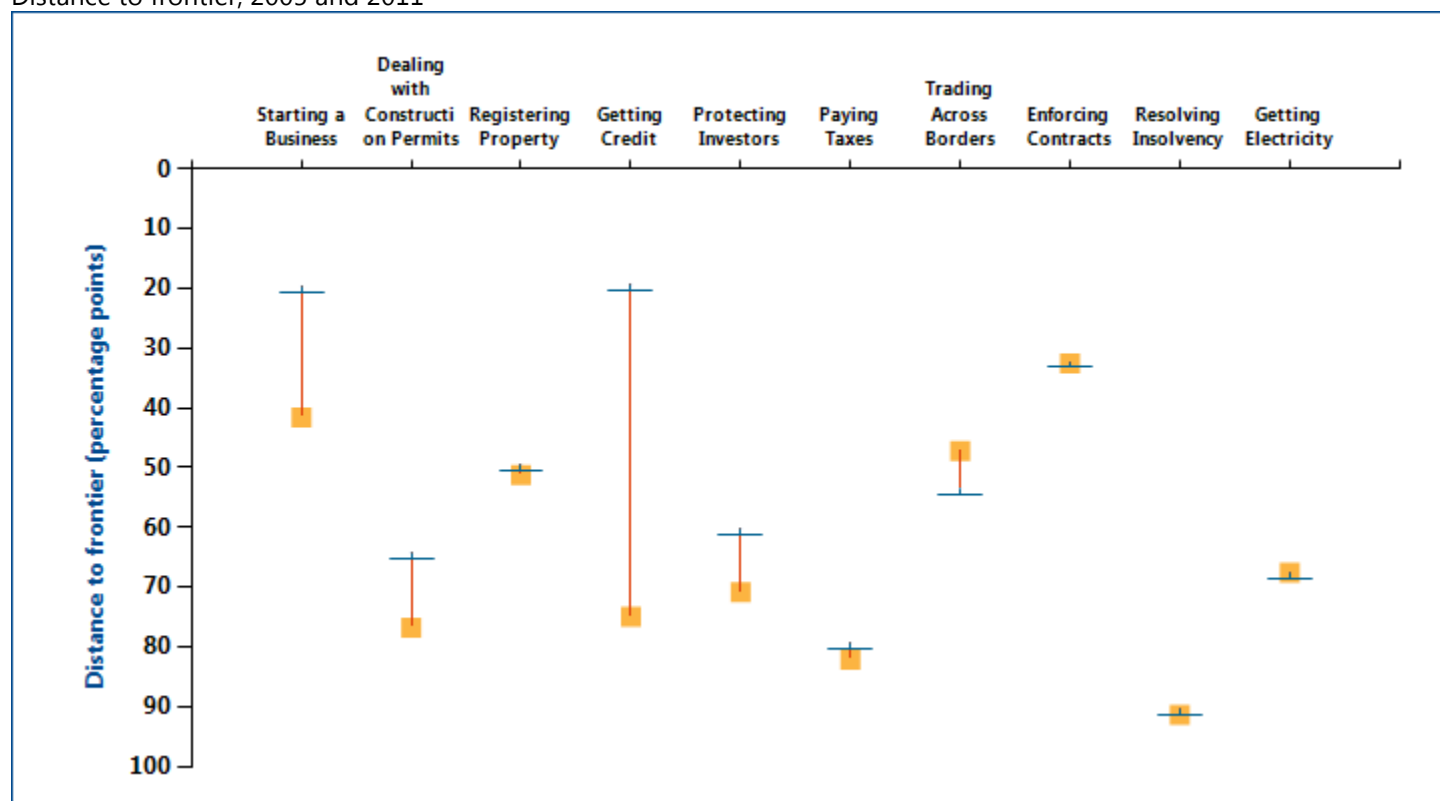
Moreover, year-to-year changes in the overall rankings do not reflect how the business regulatory environment in an economy has changed over time—or how it has changed in different areas. To aid in assessing such changes, *Doing Business 2012* introduces the distance to frontier measure.

This measure shows the distance of each economy to the “frontier,” a synthetic measure based on the most efficient practice or highest score observed for each *Doing Business* indicator across all economies and years included in the *Doing Business* sample since 2005. Nine areas of business regulation are covered.

Comparing the measure for an economy at 2 points in time allows users to assess how much the economy's regulatory environment as measured by *Doing Business* has changed over time—how far it has moved toward (or away from) the most efficient practices and strongest regulations in areas covered by *Doing Business* (figure 1.4). The results may show that the pace of change varies widely across the areas measured. They also may show that an economy is relatively close to the frontier in some areas and relatively far from it in others.

Figure 1.4 How far has Ukraine come in the areas measured by *Doing Business*?

Distance to frontier, 2005 and 2011



Note: For economies added to the *Doing Business* sample after 2005, the starting point is the year in which they were added: 2006 for Montenegro; 2007 for Brunei Darussalam, Liberia and Luxembourg; 2008 for The Bahamas, Bahrain and Qatar; and 2009 for Cyprus and Kosovo. See the data notes for more details on the distance to frontier measure.

Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

The absolute values of the indicators tell another part of the story (table 1.1). The indicators, on their own or in comparison with the indicators of a good practice economy or those of comparator economies in the region, may reveal bottlenecks reflected in large numbers of procedures, long delays or high costs. Or they 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. Comparison of the economy's indicators today with those in the previous year may show where substantial bottlenecks persist—and where they are diminishing.

Table 1.1 Summary of *Doing Business* indicators for Ukraine

Indicator	Ukraine DB2012	Ukraine DB2011	Belarus DB2012	Kazakhstan DB2012	Kyrgyz Republic DB2012	Moldova DB2012	Poland DB2012	Russian Federation DB2012	Best performer globally DB2012
Starting a Business (rank)	112	118	9	57	17	88	126	111	New Zealand (1)
Procedures (number)	9	10	5	6	2	7	6	9	Canada (1)*
Time (days)	24	27	5	19	10	9	32	30	New Zealand (1)
Cost (% of income per capita)	4.4	6.1	1.3	0.8	3.5	9.1	17.3	2.0	Denmark (0.0)*
Paid-in Min. Capital (% of income per capita)	1.8	2.2	0.0	0.0	0.0	9.9	14.0	1.6	82 Economies (0.0)*
Dealing with Construction Permits (rank)	180	182	44	147	62	164	160	178	Hong Kong SAR, China (1)
Procedures (number)	21	21	13	32	12	27	30	51	Denmark (5)
Time (days)	375	375	140	189	142	291	301	423	Singapore (26)*
Cost (% of income per capita)	1462.3	1731.4	41.0	93.2	171.8	79.2	53.6	183.8	Qatar (1.1)

Indicator	Ukraine DB2012	Ukraine DB2011	Belarus DB2012	Kazakhstan DB2012	Kyrgyz Republic DB2012	Moldova DB2012	Poland DB2012	Russian Federation DB2012	Best performer globally DB2012
Getting Electricity (rank)	169	169	175	86	181	160	64	183	Iceland (1)
Procedures (number)	11	11	7	6	7	7	4	10	Germany (3)*
Time (days)	274	274	254	88	337	140	143	281	Germany (17)
Cost (% of income per capita)	229.2	275.2	1383.8	88.4	2545.6	660.6	209.3	1852.4	Japan (0.0)
Registering Property (rank)	166	165	4	29	17	18	89	45	New Zealand (3)
Procedures (number)	10	10	2	4	4	5	6	5	Portugal (1)*
Time (days)	117	117	10	40	5	5	152	43	Portugal (1)
Cost (% of property value)	3.9	4.1	0.0	0.1	2.2	0.9	0.4	0.2	Slovak Republic (0.0)
Getting Credit (rank)	24	21	98	78	8	40	8	98	United Kingdom (1)*
Strength of legal rights index (0-10)	9	9	3	4	10	8	9	3	New Zealand (10)*
Depth of credit information index (0-6)	4	4	5	5	4	4	5	5	Japan (6)*
Public registry coverage (% of adults)	0.0	0.0	49.5	0.0	0.0	0.0	0.0	0.0	Portugal (86.2)
Private bureau coverage (% of adults)	17.0	10.1	0.0	37.6	18.7	3.0	74.8	35.8	New Zealand (100.0)*
Protecting Investors (rank)	111	108	79	10	13	111	46	111	New Zealand (1)
Extent of disclosure index (0-10)	5	5	7	9	8	7	7	6	France (10)*

Indicator	Ukraine DB2012	Ukraine DB2011	Belarus DB2012	Kazakhstan DB2012	Kyrgyz Republic DB2012	Moldova DB2012	Poland DB2012	Russian Federation DB2012	Best performer globally DB2012
Extent of director liability index (0-10)	2	2	1	6	7	1	2	2	Singapore (9)*
Ease of shareholder suits index (0-10)	7	7	8	9	8	6	9	6	New Zealand (10)*
Strength of investor protection index (0-10)	4.7	4.7	5.3	8.0	7.7	4.7	6.0	4.7	New Zealand (9.7)
Paying Taxes (rank)	181	181	156	13	162	83	128	105	Canada (8)
Payments (number per year)	135	135	18	7	52	48	29	9	Norway (4)
Time (hours per year)	657	657	654	188	210	228	296	290	Luxembourg (59)
Trading Across Borders (rank)	140	136	152	176	171	134	46	160	Singapore (1)
Documents to export (number)	6	6	9	9	8	6	5	8	France (2)
Time to export (days)	30	30	15	76	63	32	17	36	Hong Kong SAR, China (5)*
Cost to export (US\$ per container)	1865	1560	2210	3130	3210	1545	1050	1850	Malaysia (450)
Documents to import (number)	8	8	10	12	9	7	5	10	France (2)
Time to import (days)	33	33	30	62	72	35	16	36	Singapore (4)
Cost to import (US\$ per container)	2155	1580	2615	3290	3450	1740	1000	1800	Malaysia (435)
Enforcing Contracts (rank)	44	44	14	27	48	26	68	13	Luxembourg (1)

Indicator	Ukraine DB2012	Ukraine DB2011	Belarus DB2012	Kazakhstan DB2012	Kyrgyz Republic DB2012	Moldova DB2012	Poland DB2012	Russian Federation DB2012	Best performer globally DB2012
Time (days)	343	345	275	390	260	352	830	281	Singapore (150)
Cost (% of claim)	41.5	41.5	23.4	22.0	29.0	28.6	12.0	13.4	Bhutan (0.1)
Procedures (number)	30	30	29	36	38	30	37	36	Ireland (21)*
Resolving Insolvency (rank)	156	158	82	54	150	91	87	60	Japan (1)
Time (years)	2.9	2.9	5.8	1.5	4.0	2.8	3.0	2.0	Ireland (0.4)
Cost (% of estate)	42	42	22	15	15	9	15	9	Singapore (1)*
Recovery rate (cents on the dollar)	8.9	7.9	33.5	42.7	11.7	31.3	31.5	41.5	Japan (92.7)

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. For more information on “no practice” marks, see the data notes for details.

* 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.
- Conducts general commercial or industrial activities.

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)
- 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

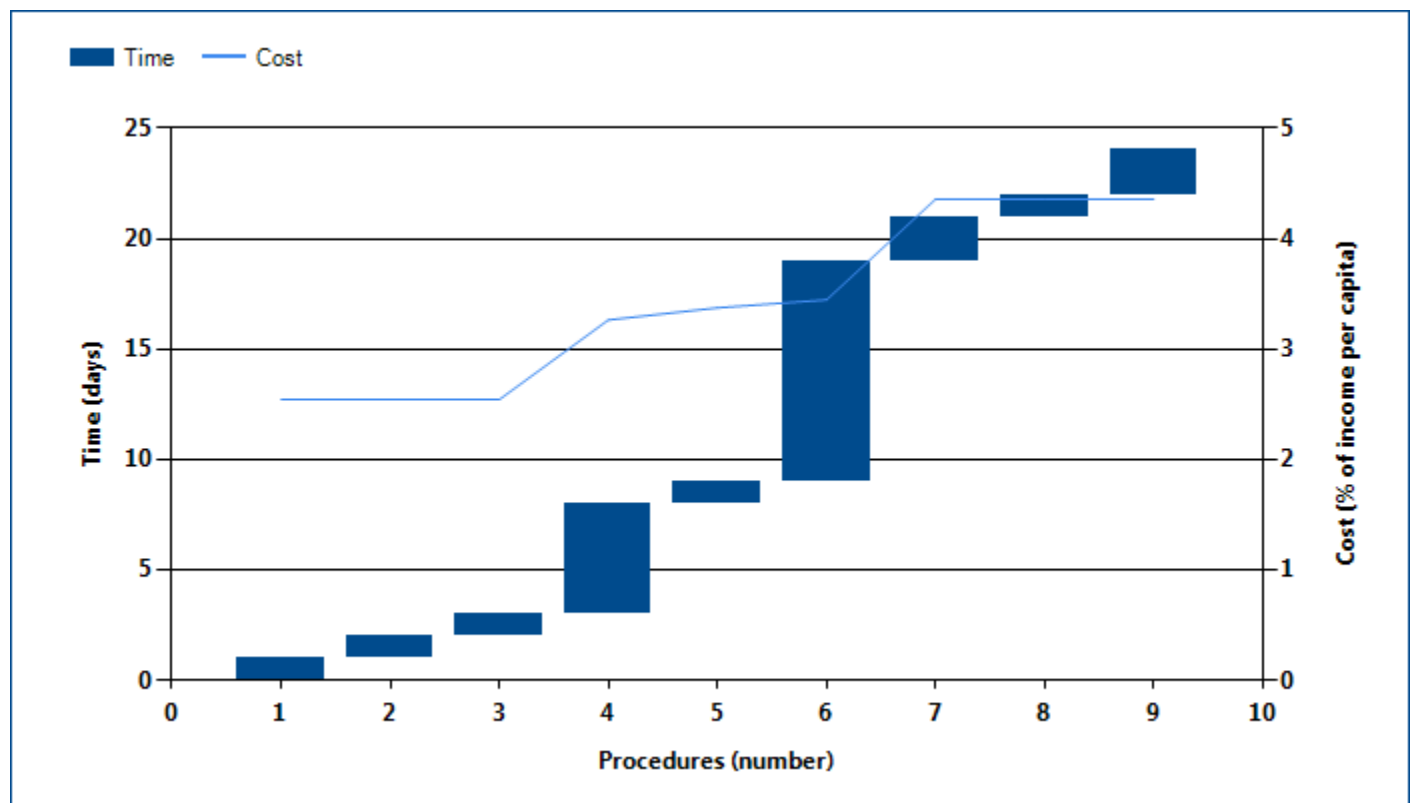
Where does the economy stand today?

What does it take to start a business in Ukraine? According to data collected by *Doing Business*, starting a business there requires 9 procedures, takes 24 days,

costs 4.4% of income per capita and requires paid-in minimum capital of 1.8% of income per capita (figure 2.1).

Figure 2.1 What it takes to start a business in Ukraine

Paid-in minimum capital (% of income per capita): 1.8



Note: For details on the procedures reflected here, see the summary at the end of this chapter.

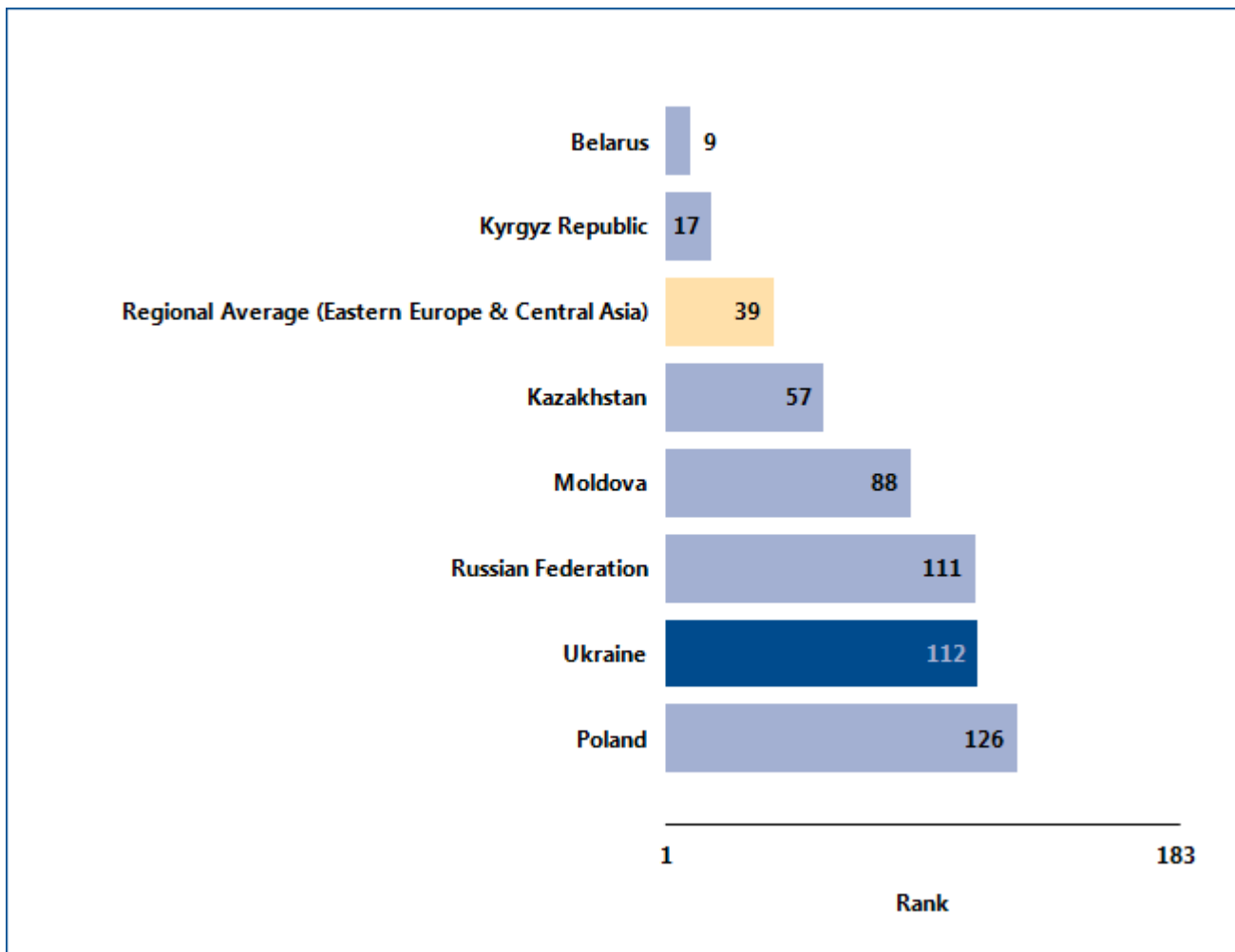
Source: *Doing Business* database.

STARTING A BUSINESS

Globally, Ukraine stands at 112 in the ranking of 183 economies on the ease of starting a business (figure 2.2). The rankings for comparator economies and the

regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Ukraine to start a business.

Figure 2.2 How Ukraine and comparator economies rank on the ease of starting a business



Source: Doing Business database.

STARTING A BUSINESS

What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to start a business in Ukraine today, data over time show which aspects of the process have changed—and which have not (table 2.1). That can help identify where the potential for improvement is greatest.

Table 2.1 The ease of starting a business in Ukraine over time
By *Doing Business* report year

Indicator	DB2004	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	..	118	112
Procedures (number)	15	15	15	10	10	10	10	10	9
Time (days)	40	34	34	33	27	27	27	27	24
Cost (% of income per capita)	25.6	17.6	10.6	9.2	7.8	5.5	5.8	6.1	4.4
Paid-in Min. Capital (% of income per capita)	121.5	113.9	183.0	198.8	203.1	174.2	153.5	2.2	1.8

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.

Source: *Doing Business* database.

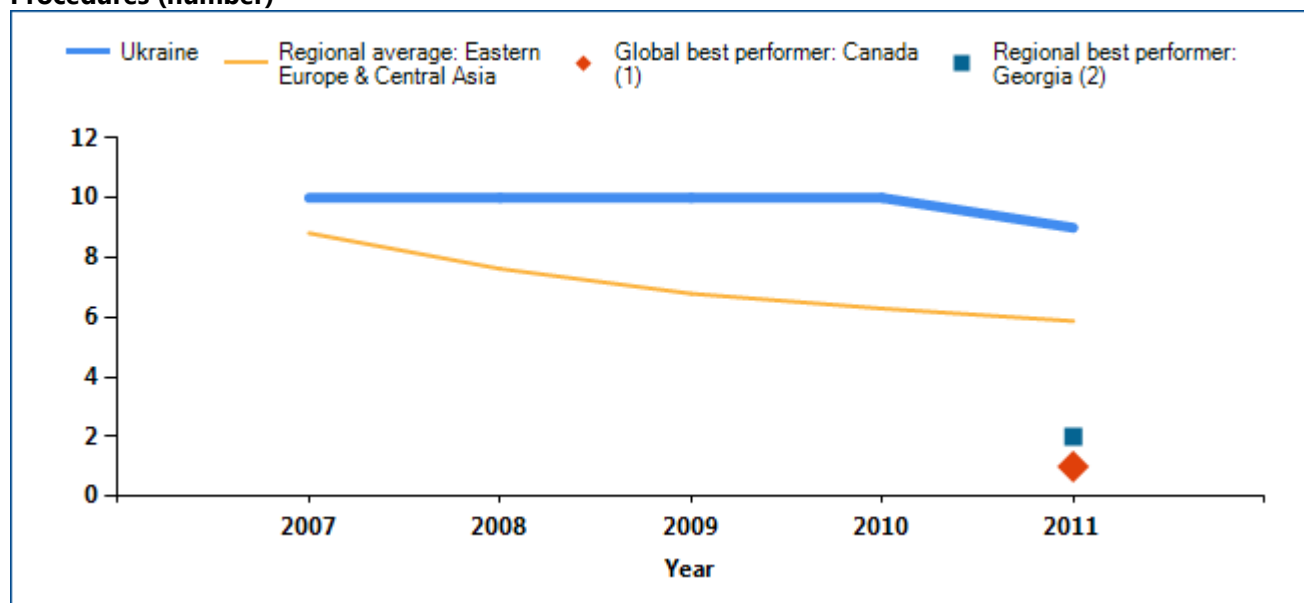
STARTING A BUSINESS

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the procedures, time, cost or paid-in minimum capital required to start a business (figure 2.3). These economies may provide a model for

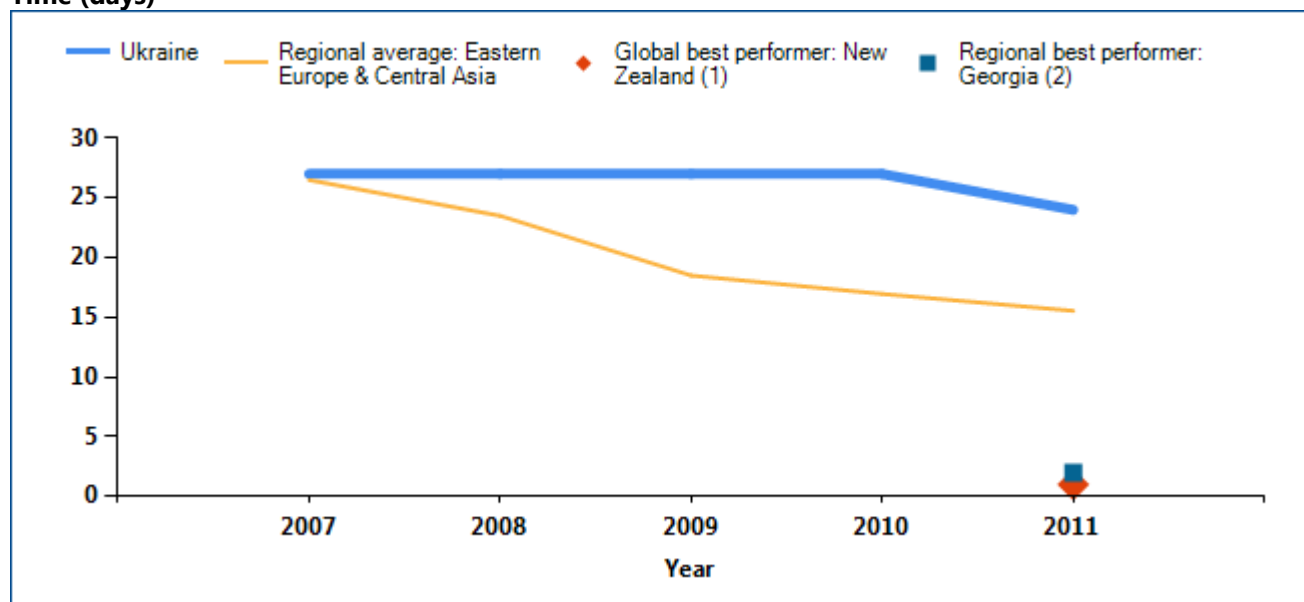
Ukraine on ways to improve the ease of starting a business. And changes in regional averages can show where Ukraine is keeping up—and where it is falling behind.

Figure 2.3 Has starting a business become easier over time?

Procedures (number)

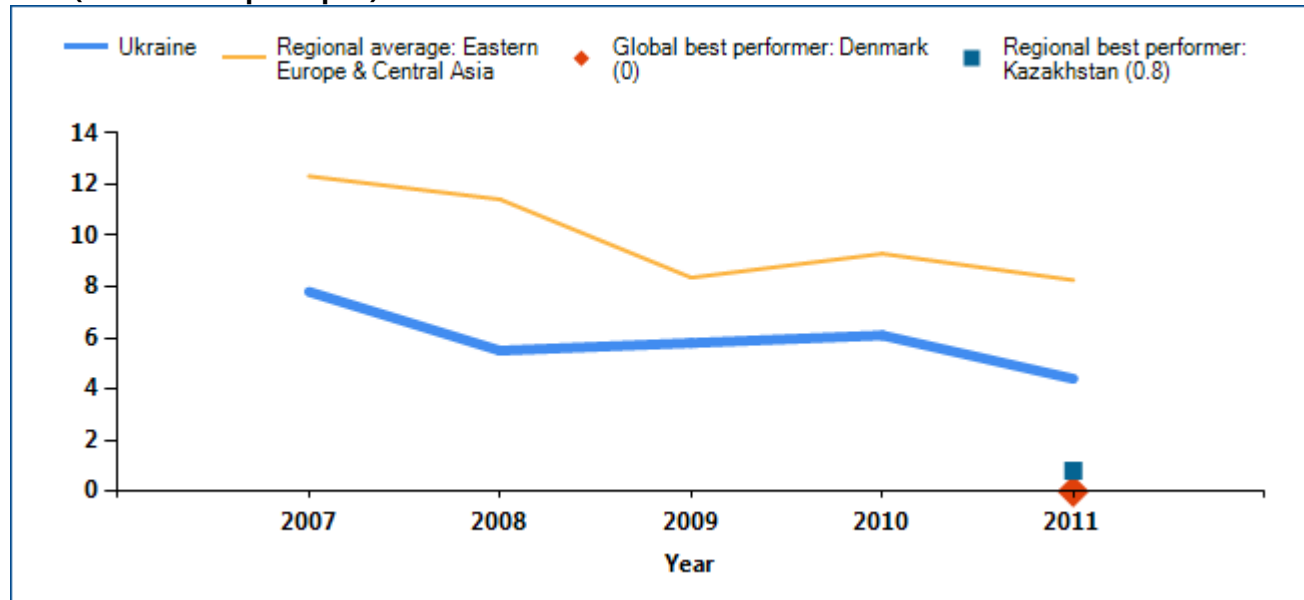


Time (days)

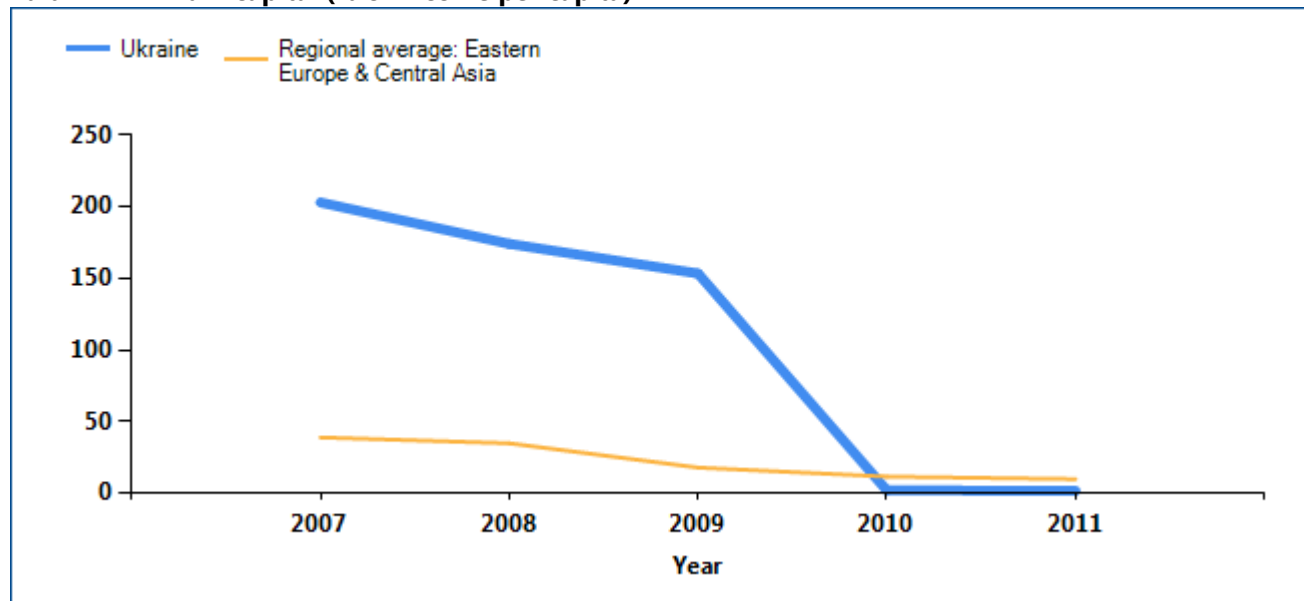


STARTING A BUSINESS

Cost (% of income per capita)



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



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator. In the case of paid-in minimum capital, 82 economies globally and 8 economies in Eastern Europe & Central Asia have no paid-in minimum capital.

Source: Doing Business database.

STARTING A BUSINESS

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 they often are 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 Ukraine (table 2.2)?

Table 2.2 How has Ukraine made starting a business easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	Ukraine made starting a business easier by eliminating the requirement to obtain approval for a new corporate seal.
DB2011	Ukraine eased business start-up by substantially reducing the minimum capital requirement.
DB2010	No reform.
DB2009	No reform.

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.

STARTING A BUSINESS

What are the details?

Underlying the indicators shown in this chapter for Ukraine is a set of specific procedures—the bureaucratic and legal steps that an entrepreneur must complete to incorporate and register a new firm. These are identified by *Doing Business* through collaboration with relevant local professionals and the study of laws, regulations and publicly available information on business entry in that economy. Following is a detailed summary of those procedures, along with the associated time and cost. These procedures are those that apply to a company matching the standard assumptions (the “standardized company”) used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators measure).

STANDARDIZED COMPANY

City: Kiev

Legal Form: Товариство з Обмеженою Відповідальністю
Limited Liability Company

Start-up capital: 10 times GNI per capita

Paid-in minimum capital (% of income per capita): 1.8

Summary of procedures for starting a business in Ukraine—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	<p>Notarize company charter and execute premises (if needed)</p> <p>The notary fees range from UAH 30 to UAH 75 at the state notary and from UAH 500 to 800 UAH at the private notary. The exact fee depends on the number of participants for approval, the number of pages and copies of registration documents, and the additional notary fees approved by the Regional (Oblast) Department of Justice. To open a temporary bank account, the founders must submit evidence of their decision to appoint a person with signature authority to execute transactions on this account. The decision should be formalized by a notarized power of attorney.</p>	1 day	UAH 600
2	<p>Open a bank account for initial capital</p> <p>Founders must contribute 50% of their charter fund contribution before registering the company. Founder contributions may be made in cash, including foreign currency, as well as in kind. Temporary accounts are restricted to receiving the contributions of funds for the formation of the nominal (share) capital of the company being incorporated. No other operations are allowed.</p> <p>The following documents must be submitted to the bank to open a temporary account:</p> <ul style="list-style-type: none"> - Application for opening the account in the form established by Regulation No. 492. The application should be signed by the person authorized by the founders of the legal entity (could be a separate power of attorney granted to the individual concerned). - Original or notarized copy of the constituent documents (charter and, 	1 day	no charge or up to UAH 100

No.	Procedure	Time to complete	Cost to complete
	<p>in some cases, foundation agreement).</p> <ul style="list-style-type: none"> - The founders' decision to grant a power of attorney, which should be notarized if at least one founder is an individual). - The signature specimen and the imprint of the seal (as specified in Regulation No. 492). <p>The signature specimen should contain the signature of the person(s) authorized by the founders to sign the bank account documents. While the company is under formation, it does not have a corporate seal. Thus, at this point, the card should be submitted without the seal and signed by the authorized bank employee.</p>		
3	<p>Pay registration fee at the bank</p> <p>The cost for regular procedure (5 days) is UAH 81 and for expedited procedure (3 days) is UAH 162.</p>	1 day	nominal
4	<p>Register at the Registration Office</p> <p>Founders must submit the following documents when registering at the Registration Office:</p> <ul style="list-style-type: none"> - The charter (two copies). - Minutes of founders' meeting. - Application form (registration card). - Bank document, evidencing payment of registration fee. - Proof of payment of minimum capital requirement, that is, either bank documents for cash contributions or, otherwise, transfer acceptance act (executed between the founders and the company) for in-kind contributions. 	5 days	UAH 170
5	<p>Register at the State Statistics Committee</p> <p>Companies must register with the State Statistics Committee, although the Registration Office has already filed some information with the Statistics Office.</p>	1 day	UAH 25.94
6	<p>Register VAT at the State Tax Authority and obtain a VAT number</p> <p>A company with annual turnover of up to UAH 1 million is eligible for registration as a 6% or 10% consolidated taxpayer. A 10% consolidated taxpayer may not register as a VAT payer. A company is automatically registered as a profit taxpayer during primary registration (see Procedure 4). However, those companies that must register as a VAT payer must register for this tax separately.</p>	10 days	UAH 17
7	<p>Prepare a seal</p>	2 days	UAH 190-250, depending on the complexity of a seal
8	<p>Open a permanent bank account</p> <p>After the company is registered with all relevant state authorities, a temporary bank account can be converted into an operational account, which under Ukrainian banking law, is designated as a "current</p>	1 day	bank's charge or no charge

No.	Procedure	Time to complete	Cost to complete
	<p>account." To change the account status from temporary to current, the bank must receive the following:</p> <ul style="list-style-type: none"> - The set of company documents stipulated by Ukrainian banking law (the same documents as those to be provided by an existing company) to open a new bank account. One of these is the copy of the company's certificate of registration, which contains the company's tax identification number. - A confirmation (reply) from the tax authorities that they have registered this bank account. 		
9	<p>Notify the District Tax Inspectorate of the opening of the permanent bank account</p> <p>Before converting the temporary account to a permanent (current) account, the bank must receive a confirmation (reply) from the tax authorities that they have registered the current account. To receive the confirmation, the bank must notify the tax inspectorate in its district that the current account has been opened; this notification should be made via a special email system of the National Bank of Ukraine. During this transitional stage, some banks still provide notification by postal mail. The bank must provide this notification within 3 working days of converting the temporary account to current. Before sending the notification, the bank must obtain prior written consent from the account owner.</p> <p>Within 3 working days of receiving the bank notification, the tax authorities must provide the bank (via email) the confirmation of the account registration (due to the transitional stage of implementing the confirmation email, tax authorities may send the confirmation to the bank by postal mail). Upon receiving the confirmation, the bank must change the status of the account from "temporary" to "current." After this change, both credit (deposit) and debit (payment) operations are allowed. Until the bank receives the confirmation, the account cannot be used for debit operations (withdrawal or transfer of funds).</p> <p>Owing to the transitional period for implementing the bank e-mail notification to the tax authorities, currently some accountholders opt to notify, and to receive the confirmation from, the tax authorities themselves and then forward the confirmation to the bank.</p>	2 days	no charge

* Takes place simultaneously with another procedure.

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).

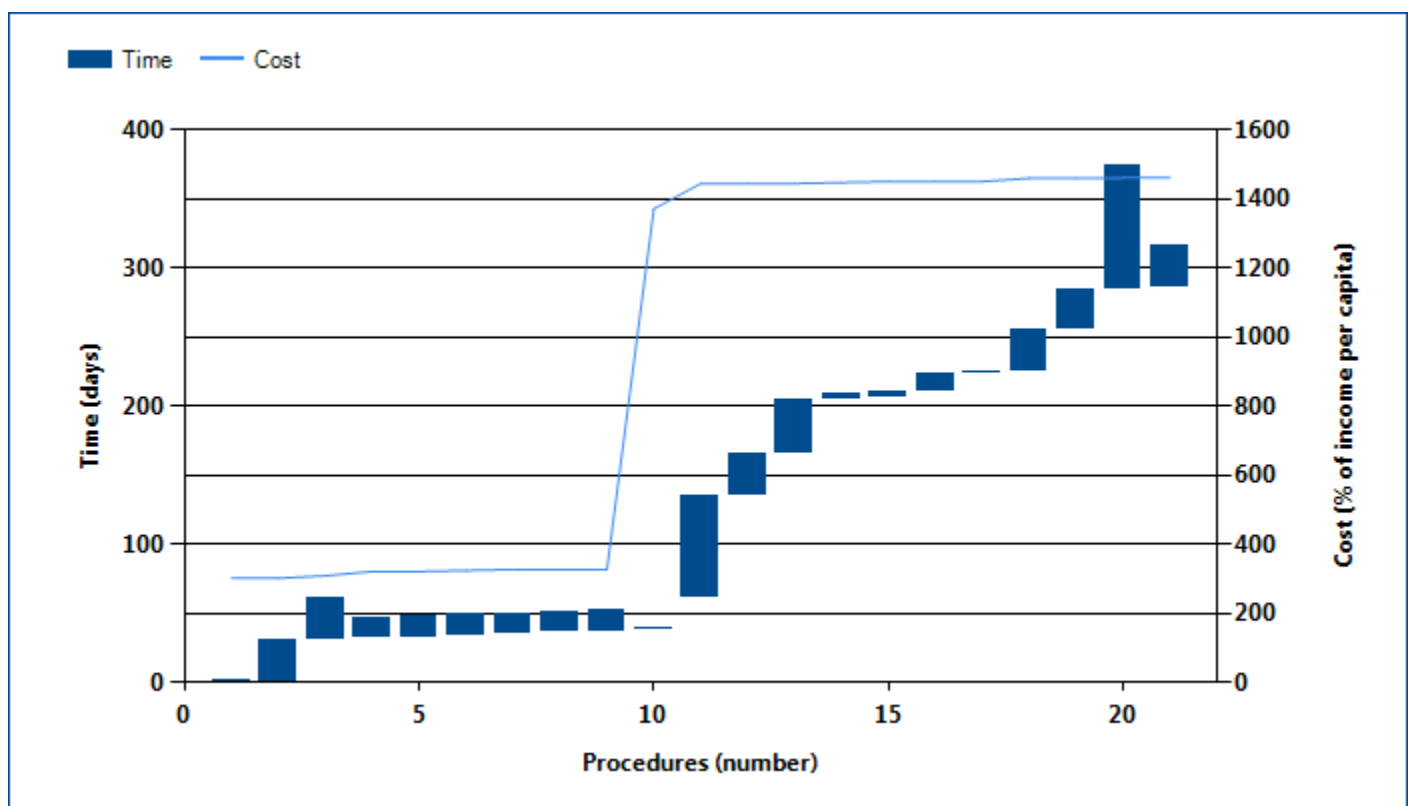
DEALING WITH CONSTRUCTION PERMITS

Where does the economy stand today?

What does it take to comply with the formalities to build a warehouse in Ukraine? According to data collected by *Doing Business*, dealing with construction

permits there requires 21 procedures, takes 375 days and costs 1462.3% of income per capita (figure 3.1).

Figure 3.1 What it takes to comply with formalities to build a warehouse in Ukraine



Note: For details on the procedures reflected here, see the summary at the end of this chapter.

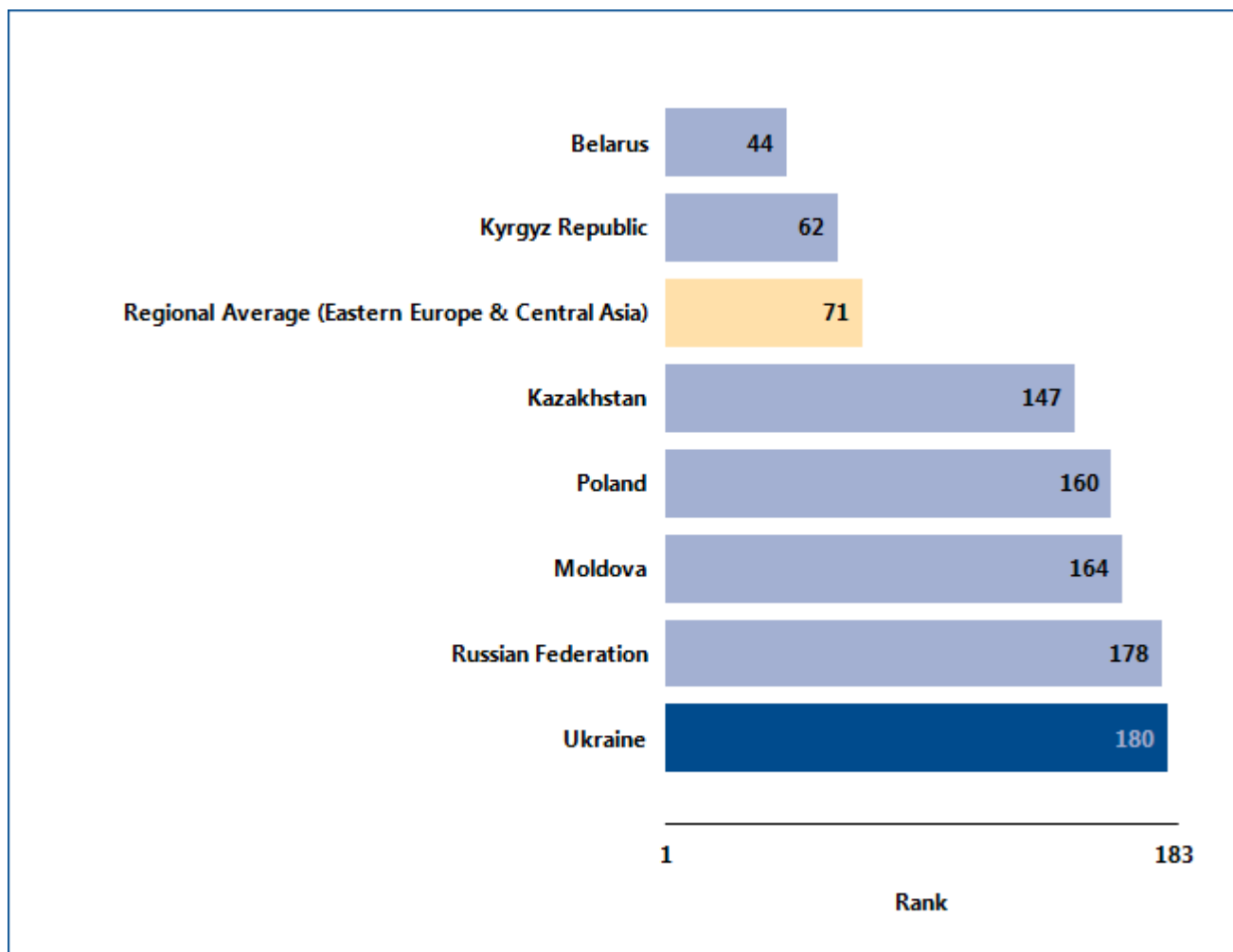
Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

Globally, Ukraine stands at 180 in the ranking of 183 economies on the ease of dealing with construction permits (figure 3.2). The rankings for comparator economies and the regional average ranking provide

other useful information for assessing how easy it is for an entrepreneur in Ukraine to legally build a warehouse.

Figure 3.2 How Ukraine and comparator economies rank on the ease of dealing with construction permits



Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to deal with construction permits in Ukraine today, data over time show which aspects of the process have changed—and which have not (table 3.1). That can help identify where the potential for improvement is greatest.

Table 3.1 The ease of dealing with construction permits in Ukraine over time
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	182	180
Procedures (number)	29	29	29	30	30	21	21
Time (days)	511	511	511	544	528	375	375
Cost (% of income per capita)	1,006.6	829.9	676.2	1,815.5	1,535.0	1,731.4	1,462.3

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology. For more information on “no practice” marks, see the data notes for details.

Source: *Doing Business* database.

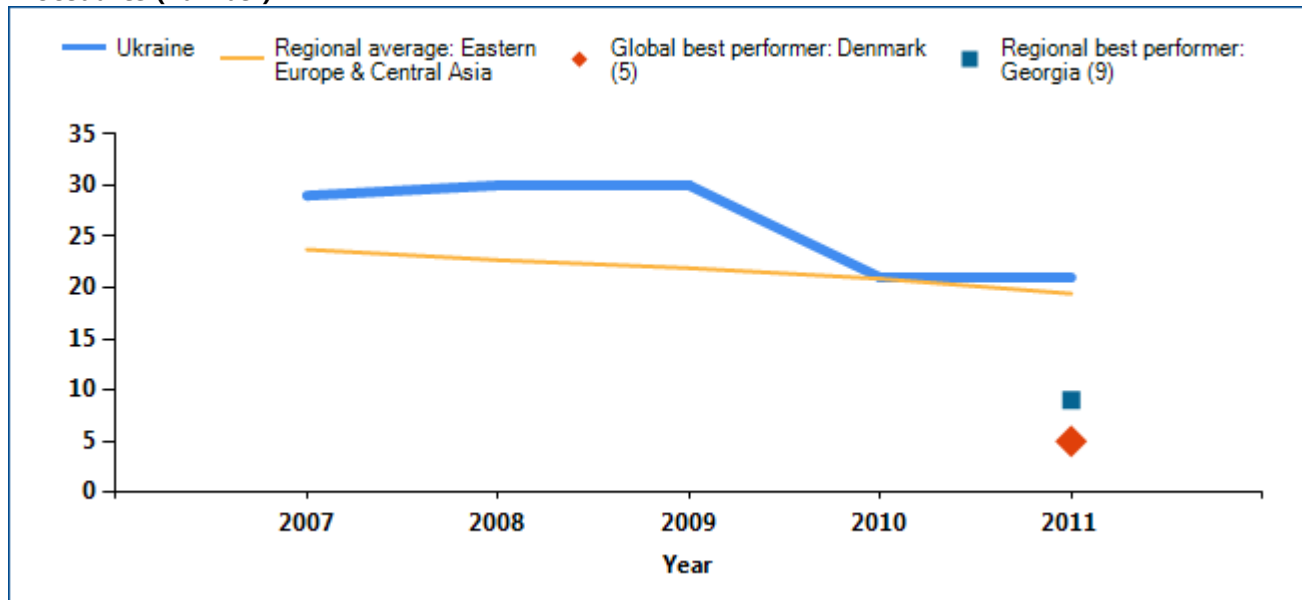
DEALING WITH CONSTRUCTION PERMITS

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the procedures, time or cost required to deal with construction permits (figure 3.3). These economies may provide a model for Ukraine on

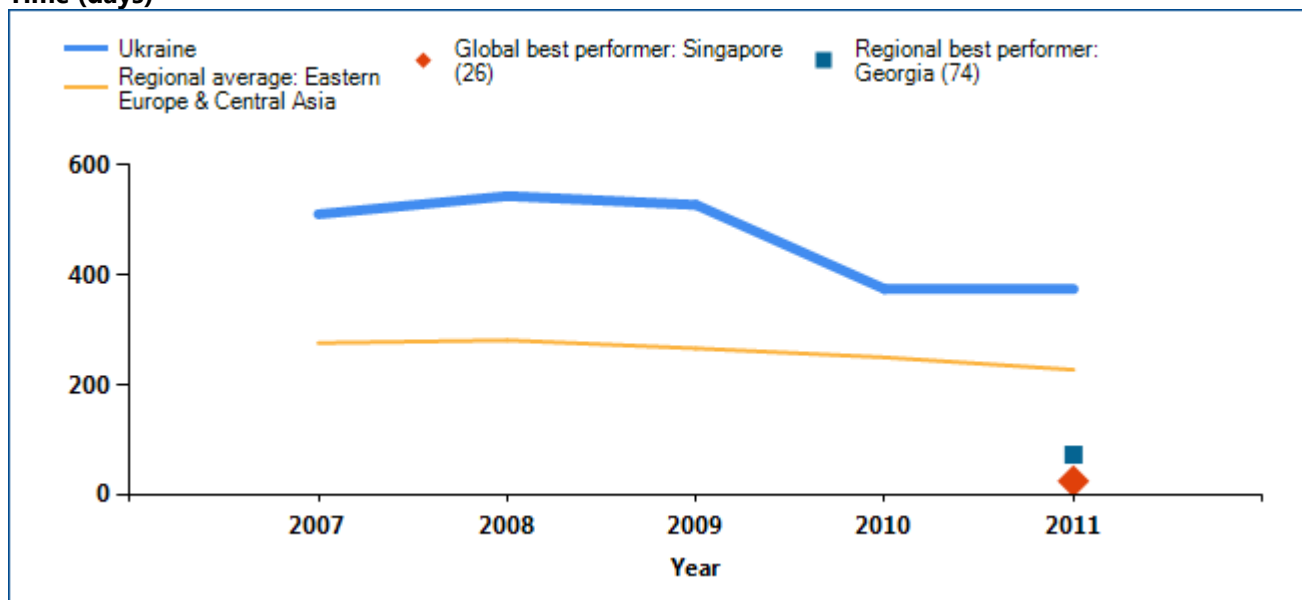
ways to improve the ease of dealing with construction permits. And changes in regional averages can show where Ukraine is keeping up—and where it is falling behind.

Figure 3.3 Has dealing with construction permits become easier over time?

Procedures (number)

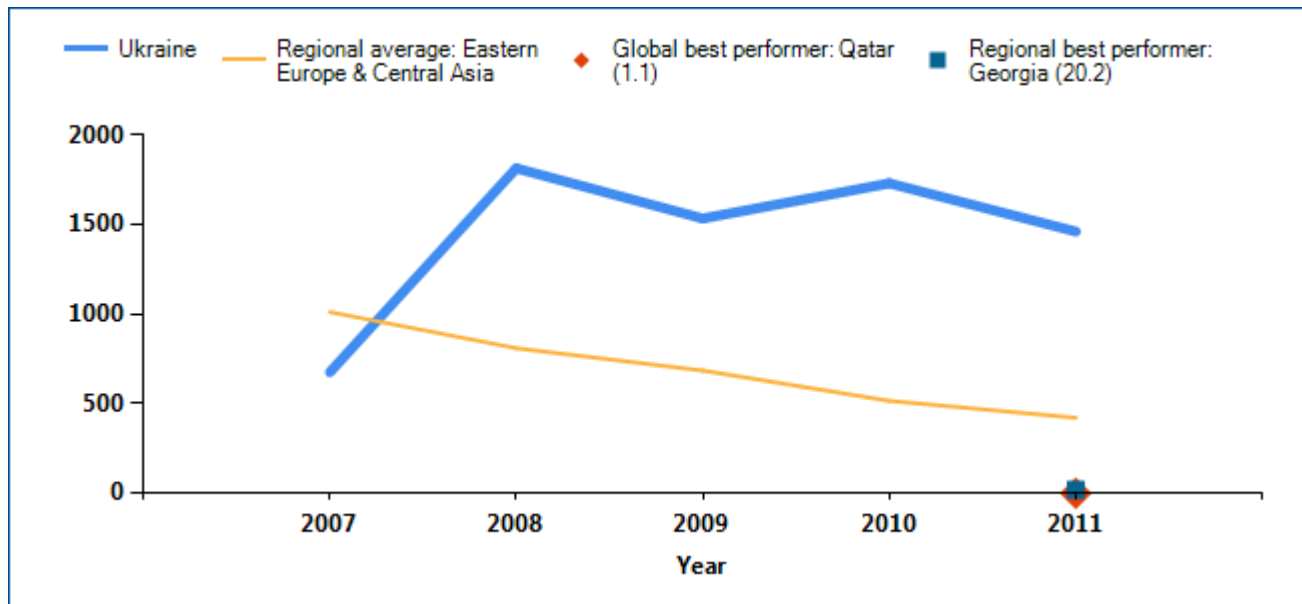


Time (days)



DEALING WITH CONSTRUCTION PERMITS

Cost (% of income per capita)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator. In cases where no data are displayed above for the economy, this indicates that the economy has received a “no practice” mark; see the data notes for details.

Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

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 Ukraine (table 3.2)?

Table 3.2 How has Ukraine made dealing with construction permits easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	Ukraine made dealing with construction permits easier by implementing national and local regulations that streamlined procedures.
DB2010	No reform.
DB2009	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.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

What are the details?

The indicators reported here for Ukraine are based on a set of specific procedures—the steps that a company must complete to legally build a warehouse—identified by *Doing Business* through information collected from experts in construction licensing, including architects, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations. These procedures are those that apply to a company and structure matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

BUILDING A WAREHOUSE

City : Kiev

Estimated Warehouse Value : UAH 9,582,356

The procedures, along with the associated time and cost, are summarized below.

Summary of procedures for dealing with construction permits in Ukraine —and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	<p>Hire a Private Design Institute to develop a pre-project city planning justification</p> <p>The contents and scope of the pre-project city-planning justification must be prepared according to the State Construction Regulations (ДБН Б.1.1.-4-2002). The justification is prepared by a private and independent organization licensed for such an activity. The private firm can be chosen by the applicant.</p> <p>In accordance with provision of Law No. 509-VI, effective as of 15 April 2009, customers should obtain pre-project city planning justification only if there are no local rules of building up the area or if customers' intentions to build new construction are not corresponded with existing local rules of building up (Rules of Construction in City of Kyiv, approved by the Decision of Kyiv City Council, dated 27 January 2005, No. 11/2587). However, due to early stages of reforms all companies must obtain this pre-project city planning justification.</p> <p>According to provision of Law No. 509-VI, the pre-project city-planning justification is to be approved only by the following authorities:</p> <ul style="list-style-type: none"> - the state authority of city-planning and architecture (the Chief Department of Town-Planning, Architecture and Urban Environment Design of the Kyiv City State Administration), - the state authority of land resources (the Chief Department of Land Resources of the Kyiv City State Administration (Kyivzem), - the state authority of cultural heritage protection (the Chief Department of Cultural Heritage Protection of the Kyiv City State Administration), - the state nature conservation authority (the Department of Natural Resources Protection of the Kyiv City State Administration), 	1 day	USD 9,104

No.	Procedure	Time to complete	Cost to complete
	<p>- the state sanitary and epidemiological authority (the Kyiv City Sanitary and Epidemiological Inspection)</p> <p>The cost of the pre-project justification may vary from one company to another, but ranges from USD 4 and USD 10. Assuming an average price, the total cost would be: USD 7 x 1,300.6 sq. m. = USD 9,104.2.</p>		
2	<p>Request and obtain certificate of approval from the Kiev Center of City Planning and Architecture</p> <p>The Kiev Center of City Planning and Architecture provides its conclusions on the pre-project city-planning justification in connection with the requirements showing the expected parameters of the warehouse, general plan, cost estimates, and legal justification.</p>	30 days	no charge
3	<p>Request and obtain architectural and technical objectives/conditions from the Chief Department of Town-Planning, Architecture and Urban Environment Design of the Kiev City State Administration</p> <p>The architectural and technical objectives/conditions are part of the input data needed for designing the project.</p> <p>The maximum official cost for obtaining of the architectural-planning task should be calculated as: UAH 237.4 x 7.01 = UAH 1664.17.</p> <p>Resolution 489 of the Cabinet of Ministers "On Approval of the Procedure for Issuance of the Benchmark Data for the Designing of TownPlanning Objects" dated 20 May 2009 develops provisions of Law of Ukraine No. 509-VI dated 16 September 2008. Under Regulation No. 489, the benchmark data include: (a) city planning conditions; (b) technical conditions; and (c) design assignment.</p> <p>The city planning conditions and restrictions are based on the respective city development rules (Rules of Development of Kiev City). These should not interfere with the engineering and architectural solutions of the project, unless only required by the need to protect the existing architectural, historical or cultural environment. The form of the city planning conditions and restrictions has been approved by the same Regulation No. 489. In order to obtain the city planning conditions and restrictions, BuildCo should submit to the Main Department of the City-Planning, Architecture and Urban Environment Design of the Kiev City State Administration the application together with the notarized copies of its foundation documents and of the documents confirming its land title as well as predesign documents, if any. The documents are checked for compliance with the city development rules (Rules of Development of Kiev City) within 10 days upon receipt of the documents. In case of the positive outcome of such compliance check, the city planning conditions and restrictions are issued to the developer (BuildCo) within a two-week. If, however, the outcome is negative, the respective conclusion and recommendations on elimination on incompliance is issued within a one-month term. If the developer's intention to construct the property does not comply with the city planning documentation, it can initiate the proceeding for the amendment of such documentation by filing a respective</p>	30 days	UAH 1,664

No.	Procedure	Time to complete	Cost to complete
	<p>application with the Main Department of the City-Planning, Architecture and Urban Environment Design of the Kiev City State Administration which decides on the matter within 2 weeks in coordination with the relevant bodies (land resources, environmental and cultural protection authorities, sanitary and epidemiological stations) and submits its respective proposals to the Kiev City Council for the final approval. The implementation of the relevant practice of issuing city planning conditions and restrictions to developers has already started in Kiev. Upon obtaining of the city planning conditions and restrictions, the developer should apply for the technical conditions. These include the data on engineering and utility servicing of the to-beconstructed property (the warehouse), including the sources of supply, connection points as well as the basic engineering parameters of the property. The city planning conditions and restrictions as well as the technical conditions are valid until completion of construction, but for the term not less than 2 and not longer than 5 years and they can be extended at the request of the developer. The design assignment should comply with the city planning conditions and terms and refine the benchmark for design, with account for the specific features of the project. The design assignment is developed and approved by the developer and is provided to the general designer for the project.</p>		
4	<p>* Request and obtain technical terms and conditions from the sewage authority</p> <p>The application must include the plan, information on the expected volume of sewerage system use, and basic characteristics of the building.</p> <p>Regulation 489 does not include any official fee. An unofficial fee estimated to UAH 2895 might be paid by BuildCo. A new regulation with a fee schedule might be passed in the coming future.</p>	15 days	UAH 2,895
5	<p>* Request and obtain technical terms and conditions from the water supply authority</p> <p>The application must include the plan, information on the expected volume of water use, and basic characteristics of the building.</p> <p>Regulation 489 does not include any official fee. An unofficial fee estimated to UAH 2895 might be paid by BuildCo. A new regulation with a fee schedule might be passed in the coming future.</p>	15 days	no charge
6	<p>* Request and obtain technical terms and conditions from the electricity distribution authority</p> <p>The application must include the plan, information on the expected rate of electricity consumption, and basic characteristics of the building.</p> <p>Regulation 489 does not include any official fee. An unofficial fee estimated between UAH 500 and UAH 957 might be paid by BuildCo. A new regulation with a fee schedule might be passed in the coming future.</p>	15 days	UAH 700

No.	Procedure	Time to complete	Cost to complete
7	<p>* Request and obtain technical terms and conditions from the fixed telephone line provider</p> <p>The application must include the plan, information on the expected level of telephone service, and basic characteristics of the building.</p> <p>Regulation 489 does not include any official fee. An unofficial fee estimated to UAH 697 might be paid by BuildCo. A new regulation with a fee schedule might be passed in the coming future.</p>	15 days	UAH 700
8	<p>* Request and obtain technical terms and conditions from the Fire Safety Department</p> <p>Project drawings are verified against the fire safety requirements.</p> <p>Regulation 489 does not include any official fee. A new regulation with a fee schedule has to be developed by the Fire Safety Department</p>	15 days	no charge
9	<p>* Request and obtain technical terms and conditions from the Department of State Auto Inspection, Main Office of the Ministry of Interior Affairs of Ukraine in Kiev City</p> <p>The Department of State Auto Inspection at the Main Office of the Ministry of Interior Affairs of Ukraine in Kiev City compares the general plan of the building with the traffic safety requirements.</p> <p>Regulation 489 does not include any official fee. A new fee schedule has to be developed.</p>	15 days	no charge
10	<p>* Contribution to the city social and engineering-transport infrastructure</p> <p>As of 27 January 2007 according the Resolution of the Cabinet of Ministers of Ukraine, No. 40 which updates the Decree of Kiev City Council from 27 February 2003 "On shared participation (shares) of investors (Building Owners) creation of city social and engineering-transport infrastructure in Kiev City", the building which is set into operation will be approved only after paying the obligatory share of participation fees of investor into development of social, civil, engineering and traffic infrastructure of the city of Kyiv. The amount of such contribution is defined by the Chief Department of Economics and Investments of the Kyiv Municipal State Administration in certificate on approval on the stage of elaborating the project documentation.</p> <p>According to Law of Ukraine "On Alteration of Some Legislative Acts of Ukraine Regarding Assistance of the Construction", dated 16 September 2008, No. 509-VI, there is a new order on paying the contribution to the city social and engineering-transport infrastructure. This amends the relevant Law of Ukraine "On the Planification and Building-up of the Territories", dated 20 April 2000, No. 1699-III. Under this amendment the following main features are introduced:</p> <ul style="list-style-type: none"> - BuildCo should sign agreement with local municipal council (the Kyiv City Administration), where the terms of paying contribution to the city social and engineering-transport infrastructure (hereinafter – "contribution payment") is to be stipulated; such agreement should be signed before building permit obtaining; 	1 day	UAH 246,360

No.	Procedure	Time to complete	Cost to complete
	<ul style="list-style-type: none"> - BuildCo should pay contribution payment after finishing the warehouse construction, but not later than one month after it; - contribution payment should not exceed 10% of warehouse construction budget (4% for residential buildings), excluding expenses related to obtaining the land plot for construction, installation building utility facilities and transport communications; - if technical terms and conditions establish need for building new utility facilities outside of the land plot, the amount of contribution payment should be decreased by the cost of such expenses; - contribution payment should not be charged for rendering services, performing of works or transferring of any assets for benefits of local authorities. <p>The Decision of Kyiv City Council, dated 17 January 2008, No. 3/4475 stipulates special conditions for calculating contribution payment: $S_i = N_{be} * S * I_z * I_i$, where: S_i - amount of share of investor N_{be} - normative for certain branch of economy, which depends on functional use of a new building. In BuildCo's case this is "other non-residential premises", so $N_{be} = 52,5$ S - square of an object, in our case $S = 1300,6$ I_z - index of zone of Kiev. In our case we'll take one for peri-urban area of Kiev, $I_z = 2,0$ I_i - inflation index from 01.01.2003 to present. Periods to be captured are from 2003 to 2009 = $8,3 + 9,9 + 12,1 + 15,5 + 22,3 + 12,3 = 80,4 \%$ or $I_i = \text{UAH } 1,804$ $S_i = 52.5 * 1300.6 * 2,0 * 1,804 = \text{UAH } 246,359.65$</p>		
11	<p>Request and obtain approval of project design drawings and estimates by comprehensive state expertise</p> <p>Approval of project design drawings and estimates is granted by the State Enterprises "Special-purpose State Organization – Central Service of Ukrainian State Construction Expertise" (hereinafter – SE "Ukrderzhbudexpertyza"). The agency operates as a one-stop shop. It obtains all the approvals and pays the fees to the relevant agencies within 30 days. However, in practice, this agency is not functional, and the company must gather all the information itself.</p> <p>The relevant agencies are the municipal architecture and construction department; the road traffic safety department; the fire safety department; the fixed telephone line provider; the electricity distribution authority; the water supply authority; the water and sewerage authority; the sanitary and hygienic department; and the labor safety department.</p> <p>According to the Resolution of the Cabinet Ministers of Ukraine No.1269 as of 31 October 2007 effective January 1, 2008 the procedure related to obtaining the state expertise from Ukrainian Expertize Authority "Ukrderzhbudexpertiza" has been modified. According to it now there is a timelimit for issuing the expertise between 45 and 120 days. However, the time for the expertise may be prolonged from 45 to</p>	74 days	UAH 17,248

No.	Procedure	Time to complete	Cost to complete
	<p>120 days due to environmental aspects of the project. The final clearance is granted after the project is discussed at the next session of the city construction board. It is also stipulated that the authority will be subordinate to Ministry of Regional Constructions. The fees have been reviewed and vary from 0,05% to 0,7% (depends on normative construction cost), but in all cases such cost may not be higher UAH 180,000.</p>		
12	<p>Request and obtain the building permit from the State Inspection of Architecture and Construction Control in Kiev</p> <p>The application for a building permit is submitted to the State Inspection of Architecture and Construction Control Supervision in Kiev, and should include the location permit, the plan, the state comprehensive expertise opinion, proof of proof of authorization to carry out the construction project, and proof of land title.</p> <p>The provincial law on construction of buildings was revised: The Kiev Development Regulation was adopted by Kiev City Administration Council Decision No. 11/2587 (dated January 27, 2005). According to this regulation, the time to issue a permit is 7 days.</p> <p>The company must provide notification of the start of construction to the state inspectorate 7 days in advance and in writing (either by fax or by letter).</p> <p>As provided by Law of Ukraine "On Alteration of Some Legislative Acts of Ukraine Regarding Assistance of the Construction", dated 09 September 2008, No. 509-VI the procedure of obtaining the building permit has been modified. In particular these changes concern the documents to be submitted along with application:</p> <ul style="list-style-type: none"> (1) a document of land title (the State Act on the Right of Ownership to the Land Plot, lease agreement or superficies), (2) a project documentation for construction with all certificates of approval, (3) the information about field and technical supervision and (4) documents proving contractor's capacity (statutory documents, registration certificate, building licenses, contractor's agreement etc.). <p>Additionally, these changes provide for a possibility to execute preliminary works on the construction site without permit for construction of a city-planning object (building permit). For such reason applicant should submit to the State Inspection of Architecture and Construction Control in Kyiv the following documents:</p> <ul style="list-style-type: none"> (1) a document of land title (the State Act on the Right of Ownership to the Land Plot, lease agreement or superficies), (2) a city-planning conditions and restrictions for building up of the land plot from local authorities, (3) a project documentation for execution preliminary works approved and confirmed in compliance with state construction rules, (4) a document about assigning contractors. <p>The term for issuance of mentioned permit is 10 working days and it is</p>	30 days	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>free of charge. Constructors should execute preliminary works upon the expiration of 7 days from the day of obtaining the permit. However, this option has not been fully implemented in practice.</p> <p>The scheduled and unscheduled inspections take place during the construction. The inspection procedure during the construction is regulated by Regulation of the Cabinet of Ministers of Ukraine "On Approval of the Regulation on the State Architectural and Building Control", dated 25 March 1993, No. 225. According to the Regulation the architectural and building control and supervision should be exercised by the State Architectural and Building Inspection and its territorial branches (hereinafter – "Build Inspection"). For this reason Build Inspection has free access to the construction sites and is entitled to execute selective examination. Build Inspection is also authorized to demand the elimination of construction legislation breaches and even to terminate the construction works once they don't meet the requirements of legislation.</p> <p>Nevertheless, Law of Ukraine "On the Fundamental Bases of the State Supervision (Control) in the Economic Activity Sphere", dated 05 April 2007, No. 877-V stipulates the restrictions for state inspection in general.</p> <p>The unscheduled inspection should be carried out in particular cases which are stipulated by the abovementioned law, namely: (1) on request of BuildCo, (2) on queries of other entities to Build Inspection with information on construction legislation breaches by BuildCo, (3) breaches of the terms and conditions for submission of obligatory reports or submission of such reports with false dates. In any way, scheduled or unscheduled inspections should be executed only in presence of the BuildCo authorized person.</p> <p>Build Inspection is obligated to send to BuildCo notice on the scheduled inspection in 10 days before examination.</p>		
13	<p>Request and obtain order on city layout modification from the Main Department of Control for the Improvements in Kiev City</p> <p>In accordance with Decision of Kyiv City Council, dated 31 October 2006, No. 118/175 the Main Department of Control of City Layout and Design in Kyiv City was reorganized to the Main Department of Control for the Improvements.</p> <p>The company must obtain an order from the Main Department of Control for the Improvements in Kiev City, clearing it to dig culverts and post road signs for construction work.</p>	40 days	no charge
14	<p>Request and connect to water and sewage services</p> <p>The Agency is Kyivvodokanal Joint Stock Company.</p> <p>The exact total price and other terms for connection the warehouse to water and sewage services should be stipulated in the agreement</p>	4 days	UAH 700

No.	Procedure	Time to complete	Cost to complete
	between the BuildCo as the customer and Kyivvodokanal Joint Stock Company as the supplier on the basis of project documentation elaborated for the purpose of connection. Therefore the cost provided above should be deemed as an average and approximate.		
15	<p>* Request and connect to phone services</p> <p>The Ukrainian State Telecommunications Corporation (Ukrtelecom) is the monopolistic organization in this sphere, but not the only one. The other licensed enterprises can provide the communicational services. The terms and conditions for connection the warehouse to phone services should be stipulated in agreement between the BuildCo as the customer and Ukrtelecom as the supplier. On May 18, 2009, Decision Number 1491 of the National Committee on Telecommunication of Ukraine, entered into force and set the cost for phone connection to UAH 720 without VAT. The former cost was UAH 692. (http://www.ukrtelecom.ua/services/business/cityphone/tariff)</p>	4 days	UAH 720
16	Obtain Act of Readiness for Exploitation of Warehouse from the State Inspectorate	14 days	no charge
17	Receive Inspection from State Inspectorate	1 day	no charge
18	<p>Obtain Certificate of Compliance from State Inspection of Architecture and Construction Control in Kiev</p> <p>The Act of Readiness for Exploitation of Warehouse should be submitted to the State Inspection of Architecture and Construction Control in Kyiv. Certificate of warehouse compliance with the project documentation, state standards and construction regulations (hereinafter - the "Certificate of compliance") by State Inspection of Architecture and Construction Control in Kyiv is then issued within 2 working days. However in practice it may take up to 2 months.</p> <p>The date of issuance of mentioned certificate is the date of setting the warehouse into operation.</p> <p>The customer of construction should enter into contract with electricity, gas, water, heating etc.</p> <p>Since 14.01.2010, the cost of this certificate has been estimated between 0.1 and 5.2 of the minimum wage. Considering a 1300 m² warehouse and the current amount of minimum wage (UAH 864), the cost will be $2.5 \times 864 = \text{UAH } 2160$.</p>	30 days	UAH 2,160
19	Request and obtain warehouse architectural and technical passport approval from the Chief Department of Town-Planning, Architecture and Urban Environment Design of the Kiev City State Administration	30 days	no charge

No.	Procedure	Time to complete	Cost to complete
20	<p>Register the warehouse with the Main Department of Municipal Property of the Kiev City State Administration</p> <p>The procedure of registration of ownership rights to the warehouse consists of the formalization of ownership rights by issuance of the Certificate for the Right to Ownership to the Immoveable Property (ownership certificate) by the Main Department of Municipal Property of the Kyiv City State Administration. The registration of the ownership rights with the Technical Inventory Bureau by means of making the respective record in the Register of the Ownership Rights for Immoveable Property.</p> <p>To register the warehouse, BuildCo must present the acceptance certificate, the technical passport approval documents, proof of ownership of the land, and the building permit. BuildCo is then granted the warehouse ownership certificate.</p> <p>The timeline for issuance of the certificate of ownership by the Main Department of Municipal Property of the Kiev City State Administration should not exceed 20 days. However, if additional information or documents are required, the term can be extended to up to 45 days.</p>	90 days	UAH 325
21	<p>* Register a ownership title over the building with Main Department of Municipal Property of the Kiev City State Administration</p> <p>Then, the Building Company has to register a ownership title over the Building with the Technical Inventory Bureau by means of making the respective record in the Register of the Ownership Rights for Immoveable Property.</p>	30 days	UAH 51

* Takes place simultaneously with another procedure.

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.

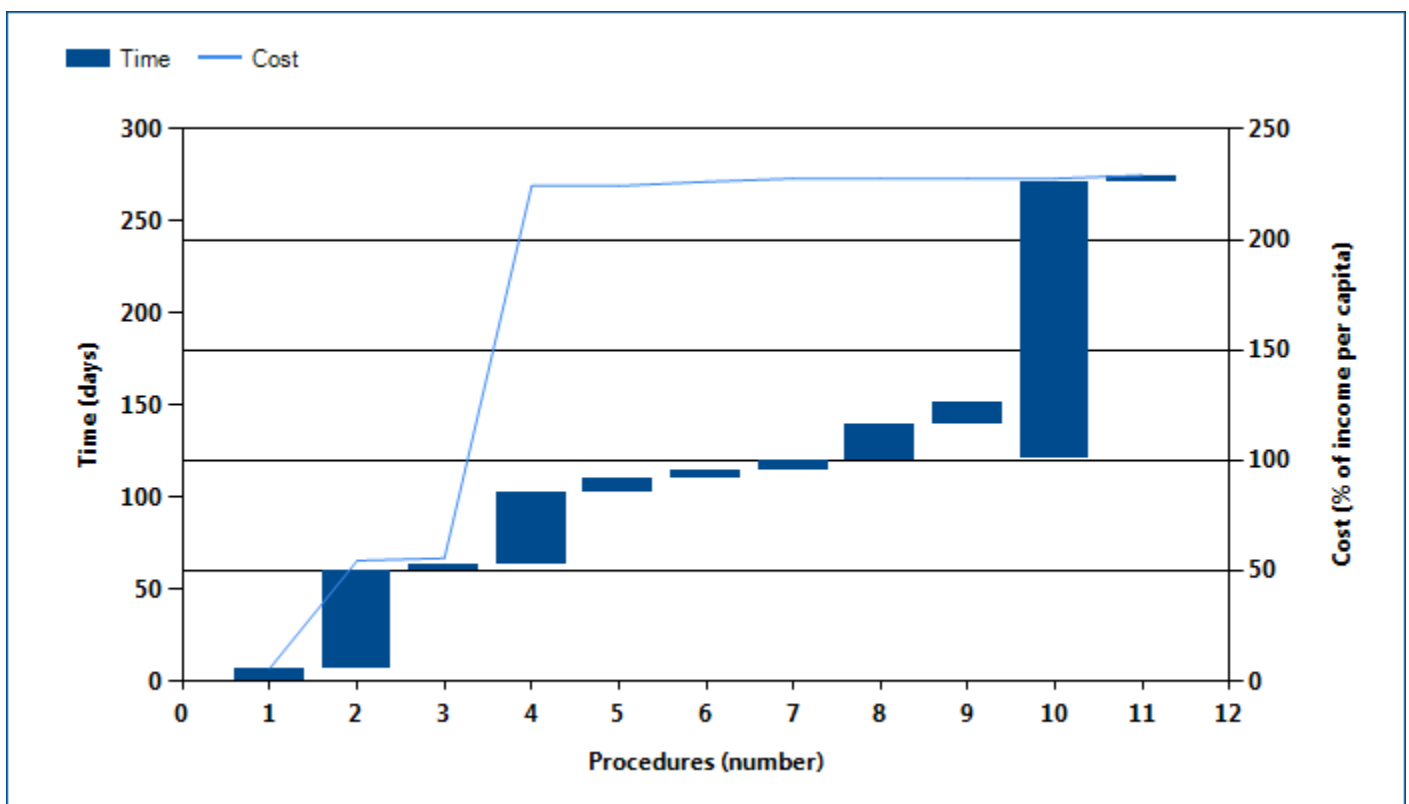
GETTING ELECTRICITY

Where does the economy stand today?

What does it take to obtain a new electricity connection in Ukraine? According to data collected by *Doing Business*, getting electricity there requires 11

procedures, takes 274 days and costs 229.2% of income per capita (figure 4.1).

Figure 4.1 What it takes to obtain an electricity connection in Ukraine



Note: For details on the procedures reflected here, see the summary at the end of this chapter.

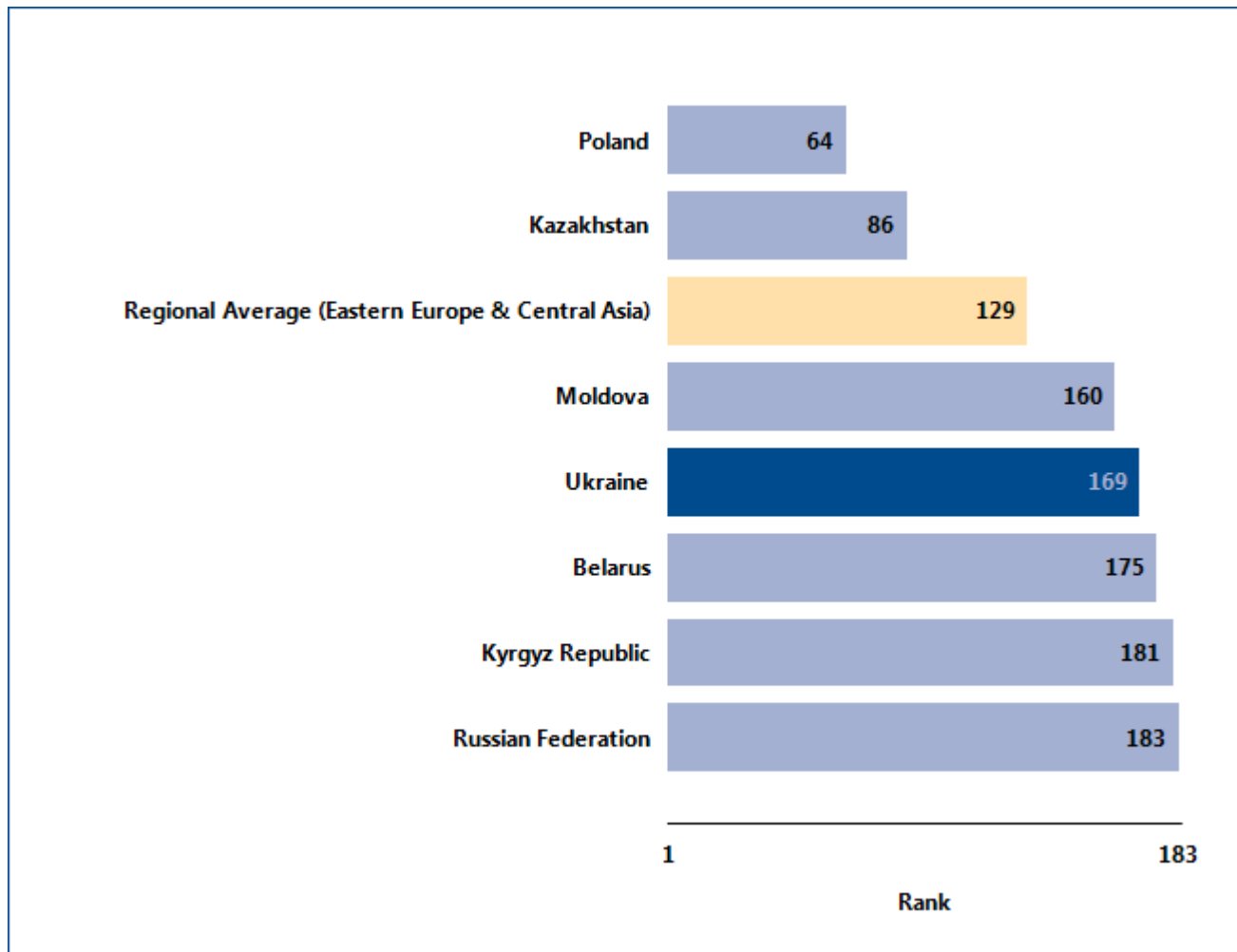
Source: *Doing Business* database.

GETTING ELECTRICITY

Globally, Ukraine stands at 169 in the ranking of 183 economies on the ease of getting electricity (figure 4.2). The rankings for comparator economies and the

regional average ranking provide another perspective in assessing how easy it is for an entrepreneur in Ukraine to connect a warehouse to electricity.

Figure 4.2 How Ukraine and comparator economies rank on the ease of getting electricity



Source: *Doing Business* database.

GETTING ELECTRICITY

Even more helpful than rankings for other economies may be the indicators underlying those rankings (table 4.1). If obtaining a new electricity connection requires fewer procedures, less time or less cost in other

economies, the practices of their utilities may provide a model for Ukraine on ways to improve the ease of getting electricity. Regional and global averages on these indicators may provide useful benchmarks.

Table 4.1 The ease of getting electricity in Ukraine and comparator economies

Indicator	Ukraine	Belarus	Kazakhstan	Kyrgyz Republic	Moldova	Poland	Russian Federation	Eastern Europe & Central Asia average	Global average
Rank	169	175	86	181	160	64	183	129	..
Procedures (number)	11	7	6	7	7	4	10	7	5
Time (days)	274	254	88	337	140	143	281	168	111
Cost (% of income per capita)	229.2	1383.8	88.4	2545.6	660.6	209.3	1852.4	751.2	1,942.3

Source: Doing Business database.

GETTING ELECTRICITY

What are the details?

The indicators reported here for Ukraine are based on a set of specific procedures—the steps that an entrepreneur must complete to get a warehouse connected to electricity by the local distribution utility—identified by *Doing Business*. Data are collected from the distribution utility, then completed and verified by electricity regulatory agencies and independent professionals such as electrical engineers, electrical contractors and construction companies. The electricity distribution utility surveyed is the one serving the area (or areas) in which warehouses are located. If there is a choice of distribution utilities, the one serving the largest number of customers is selected.

OBTAINING AN ELECTRICITY CONNECTION

City: Kiev

Name of Utility: JSC Kievenergo

The procedures are those that apply to a warehouse and electricity connection matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). The procedures, along with the associated time and cost, are summarized below.

Summary of procedures for getting electricity in Ukraine—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	<p>Submit an application for connection to Kievenergo and await technical conditions and conclude supply contract</p> <p>The customer submits to Kievenergo an application for an electricity connection. Attached to the application the customer has to submit a number of documents: a letter with a company seal requesting the connection, bank details of the applicant, company statute, registration certificate from the tax authorities, registration certificate of the company, certificate stating that the company is included in the national company registry, document stating the appointment of the CEO, property ownership certificate and location plan of the property to be connected. After reviewing the application Kievenergo issues technical conditions. The technical conditions concern only the external connection. In general they may include instructions for construction of a new substation; lining of high-voltage and low-voltage cables; in a case of reconstruction works - participation of the subscriber in the given actions.</p> <p>The application for technical conditions is submitted to the Department of Development (департамент перспективного розвитку) at Kievenergo which is then internally passed on to the Regional Office in the particular area of Kiev where the warehouse is located and the regional office determines the point of connection. Technicians in the Regional offices know the network and the substations in their area very well and usually do not need to visit the site for preparation of technical conditions. At this point the connection contract is concluded which outlines the responsibilities between the customer and the utility.</p>	7 calendar days	UAH 1,442.0

No.	Procedure	Time to complete	Cost to complete
2	<p>Await completion and approval of the external connection design by a private electrical design company</p> <p>Once the technical conditions are issued the customer hires a licensed project design company to prepare the electrical project design of the external connection. As part of the project design the company prepares a topogeodesic plan (топогеодезическую съемку М 1:500). The topogeodesic plan is prepared to determine the technical aspects of running cable through the landscape. At the same time the project design firm develops a project on the protection against corrosion of 10 kV cables if installation of a substation is required. These plans are developed simultaneously with the general electrical project design of the external connection.</p> <p>While the project is being developed the approval of the location of the substation connection to the network and/or the route of the cable 10 kV and 0.4 kV has to be obtained from Kievenergo and from the Main Architectural Planning Organization. At this point the customer should have an operation permit for the warehouse or Main Plan with the Landscape Allocation Plan. The approvals are obtained by the project design firm.</p> <p>If a substation is required before the project design is submitted for approval to Kievenergo it will have to be approved at the State Energy Inspectorate (Energonadzor/"Dergenergonaglyadu").</p> <p>Considering the load (140 kW) when receiving an approval of the project of external connection from Kievenergo it is required to attach the project of the internal wiring of the warehouse which at this point should be approved as part of the general architectural design of the warehouse.</p>	53 calendar days	UAH 11,474.4
3	<p>Obtain an excavation permit at the Head Directorate for Control of Maintenance of Kiev.</p> <p>Electrical contractor obtains the permit.</p>	3 calendar days	UAH 250.0
4	<p>Await completion of the external connection works by a private electrical contractor</p> <p>Once the external connection design is ready and approved the external connection works can be carried out by a company which has licenses for external electrical connection works, for installing, testing and preparing substations 10/0.4 kV, for running 10 and 0.4 kV cable and which also has a certificate from an electrotechnical laboratory to take electrical measurements and to test high voltage equipment. If the customer hires a qualified electrical contractor he will have all of the above licenses.</p> <p>In addition, the customer or the electrical contractor should have on their team an employee who has special certificate (level 5) for dealing with high voltage equipment.</p> <p>The installed 10 and 0.4 kV cable lines have to be transferred to the city as "Underground Communication" and the electrical contractor has to obtain technical certificates for the lines. First the electrical contractor</p>	40 calendar days	UAH 39,750.0

No.	Procedure	Time to complete	Cost to complete
	<p>has to visit the Main Architectural Planning Organization then Regional Cable Lines and then finally submit the whole package of documents to the Department of Development at Kievenergo and receive there the technical certificate.</p> <p>After the external connection works are finished electrical measurements have to be taken, and the cable lines, transformer and other electrical equipment including internal wiring have to be tested by the electrical contractor. After the testing the electrical contractor prepares a package of technical documents (more than 20 different documents).</p>		
5	<p>Await and obtain an inspection by the Acceptance Committee (приемочная комиссия Государственного Архитектурно Строительного Контроля) of the Inspectorate of the State Architecture and Construction control</p> <p>The Committee consists of different members from government construction organizations. Kievenergo can be one of the members. The Committee checks the external installation and internal wiring. They accept the installation for operation (прием в эксплуатацию) and issue an Act for the final operation. The inspection is related to the operation of the whole building but the Committee checks the electrical part as well.</p>	11 calendar days	no charge
6	<p>Await an external inspection carried out by the State Energy Inspectorate (Energonadzor)</p> <p>Once the external connection works are completed the State Energy Inspectorate (Gosenergonadzor) inspects the completed external connection works. Someone from the applicant's party has to be present. The Inspectorate checks whether the completed external connection works follow prescribed in the technical conditions specifications. The inspection by the State Inspectorate for Protection of Workers below is carried out to check the safety of the electrical installation.</p>	7 calendar days	no charge
7	<p>Await and obtain an external inspection carried out by Kievenergo Energosbyt</p> <p>Kievenergo supply checks the meters.</p>	5 calendar days	UAH 435.0
8	<p>Await and obtain an external inspection carried out by the State Inspectorate for Protection of Workers</p> <p>The State Inspectorate for Protection of Workers inspects the completed external connection works. Someone from the applicant's party has to be present.</p>	5 calendar days	UAH 350.0
9	<p>Conclude a supply contract with Kievenergo (Energosbyt) and a contract for maintenance of the installed substation</p> <p>To receive all the approvals required for energization (see next procedures) the customer has to first conclude a supply contract with Kievenergo (Energosbyt). The supply contract can be concluded only after all the inspections above are completed.</p>	20 calendar days	no charge

No.	Procedure	Time to complete	Cost to complete
	The documents for the supply contract can be sent by mail. It is required to submit a number of documents regarding internal wiring including a Technical Report of the tests of the internal wiring which should be completed after the internal wiring was finished by an electrician.		
10	<p>* Await issuance of various approvals from various departments of Kievenergo required for energization</p> <p>Once the supply contract is concluded the electrical contractor obtains from Kievenergo a package of documents which includes a form specifying all the electrical parameters of the substation, its plan, approvals from the Inspectorates and a form which has to be signed in 14 to 15 various departments of Kievenergo to obtain a permission to turn the substation on and connect it to the 10 kV line.</p>	150 calendar days	no charge
11	<p>Submit a request to Kievenergo for a power turn on and electricity starts flowing</p> <p>Once the form is signed at all the department of Kievenergo the customer submits all the approvals and forms to the dispatcher department of Kievenergo. The dispatcher department processes the order which permits it to turn off the 10 kV cable line, do the testing of the high voltage cable and finally turn on the electricity for the substation.</p>	3 calendar days	UAH 350.0

* Takes place simultaneously with another procedure.

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.

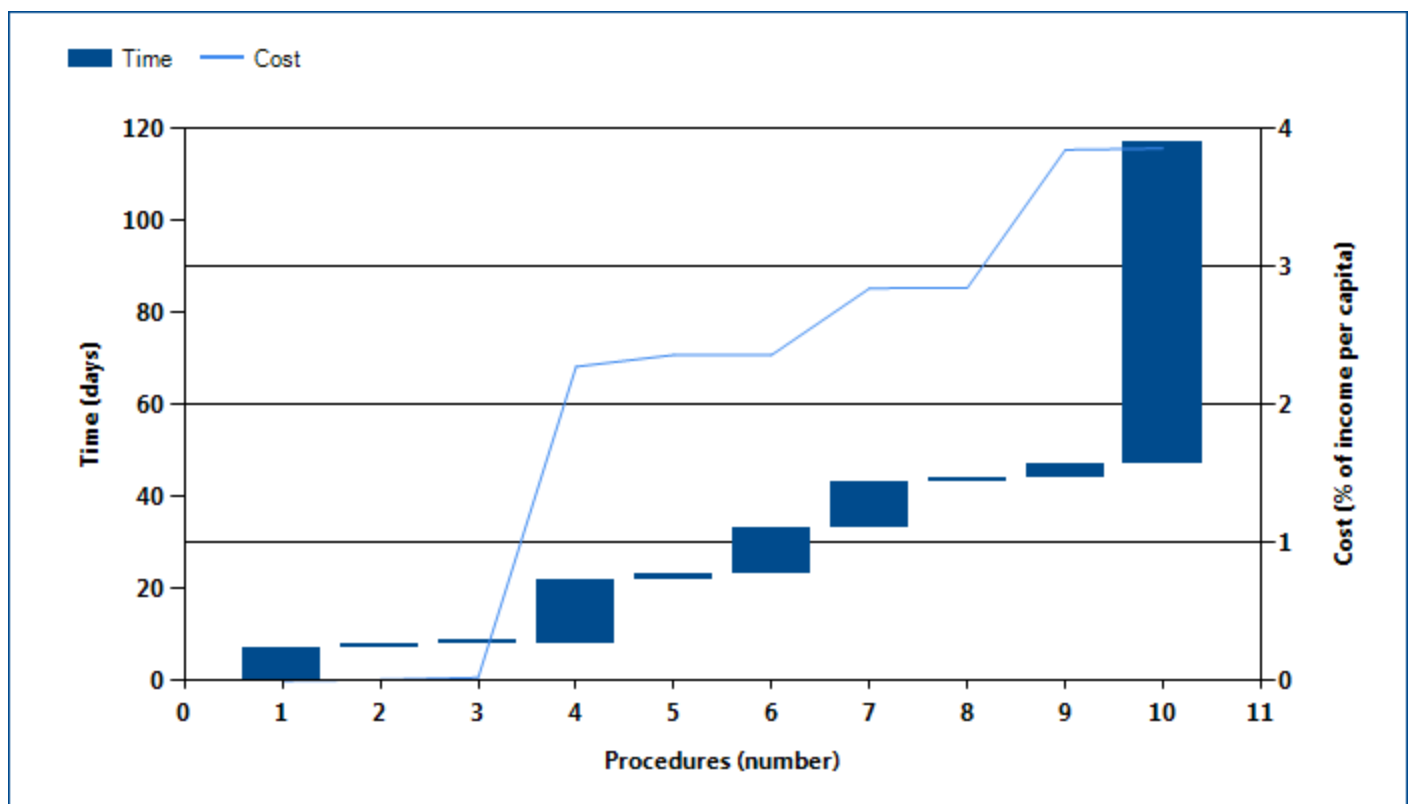
REGISTERING PROPERTY

Where does the economy stand today?

What does it take to complete a property transfer in Ukraine? According to data collected by *Doing Business*, registering property there requires 10

procedures, takes 117 days and costs 3.9% of the property value (figure 5.1).

Figure 5.1 What it takes to register property in Ukraine



Note: For details on the procedures reflected here, see the summary at the end of this chapter.

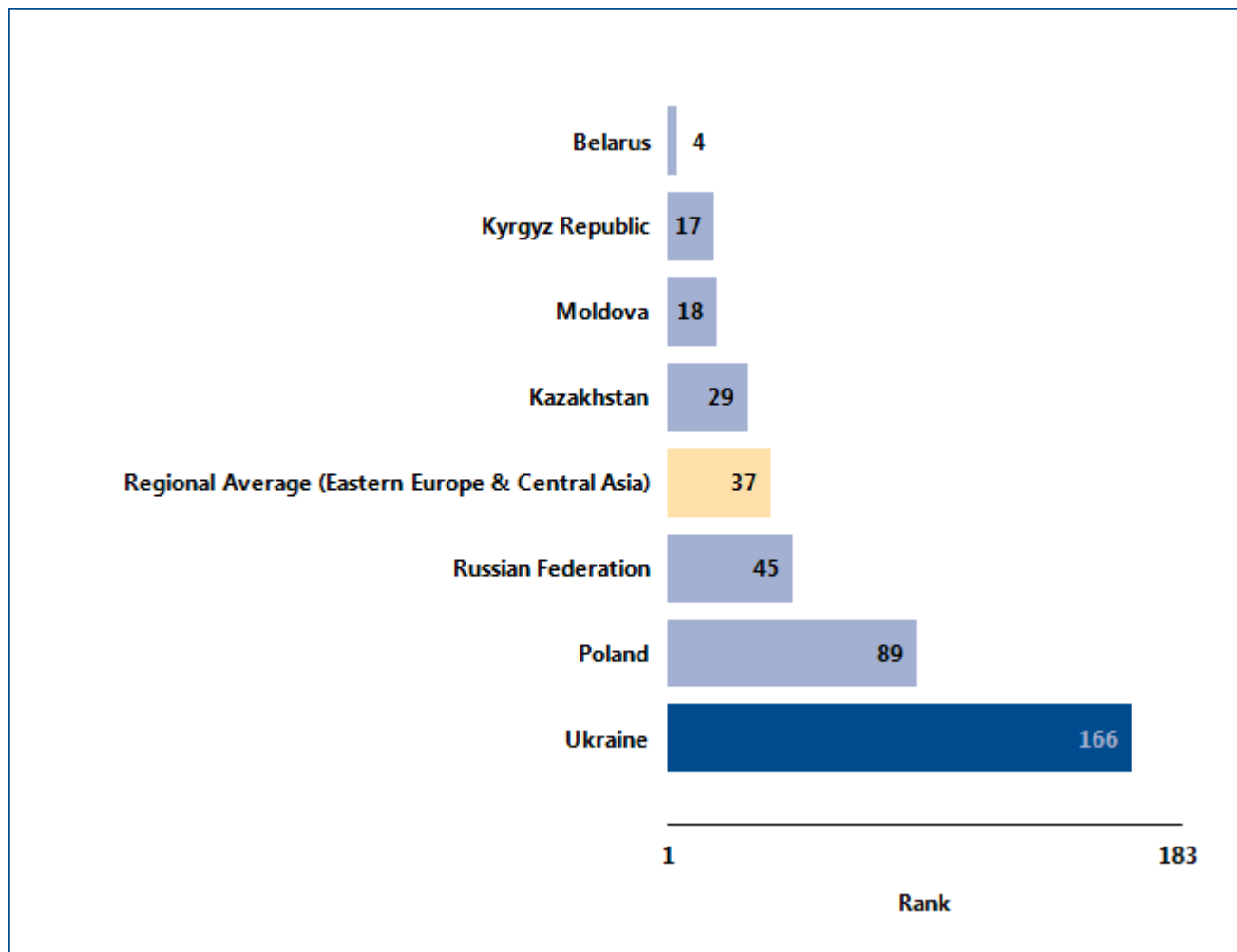
Source: *Doing Business* database.

REGISTERING PROPERTY

Globally, Ukraine stands at 166 in the ranking of 183 economies on the ease of registering property (figure 5.2). The rankings for comparator economies and the

regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Ukraine to transfer property.

Figure 5.2 How Ukraine and comparator economies rank on the ease of registering property



Source: *Doing Business* database.

REGISTERING PROPERTY

What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to register property in Ukraine today, data over time show which aspects of the process have changed—and which have not (table 5.1). That can help identify where the potential for improvement is greatest.

Table 5.1 The ease of registering property in Ukraine over time
By *Doing Business* report year

Indicator	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	165	166
Procedures (number)	10	10	10	10	10	10	10	10
Time (days)	93	93	93	93	93	93	117	117
Cost (% of property value)	6.4	5.6	4.7	4.9	4.3	4.0	4.1	3.9

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology. For more information on “no practice” marks, see the data notes for details.

Source: *Doing Business* database.

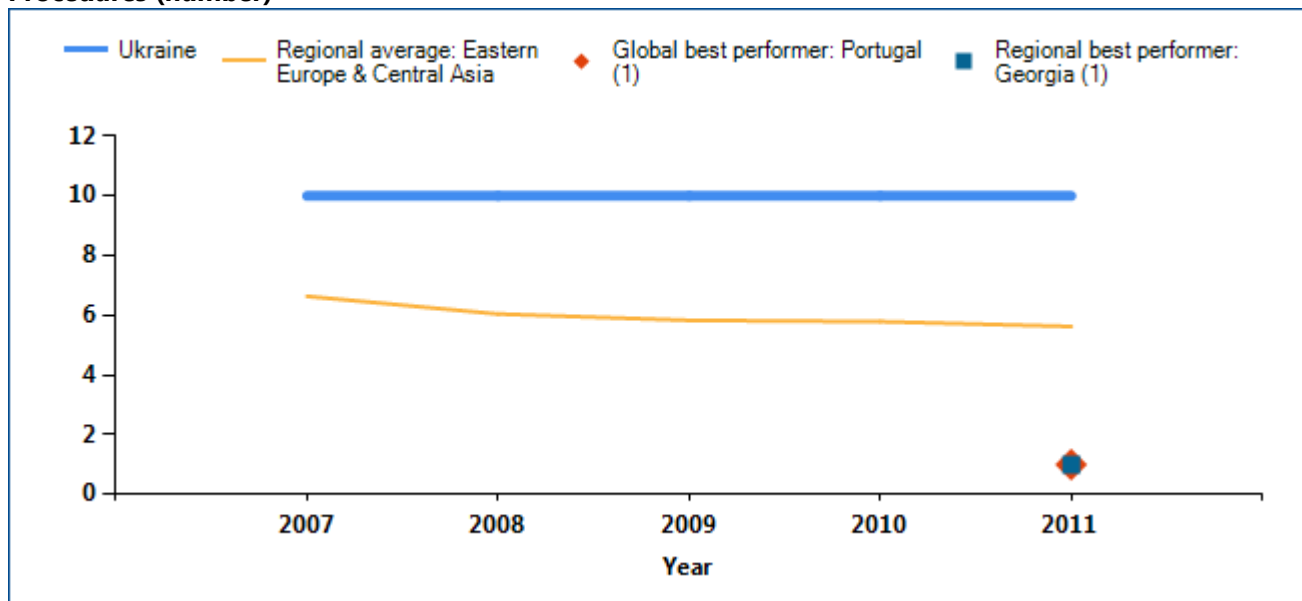
REGISTERING PROPERTY

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the procedures, time or cost required to complete a property transfer (figure 5.3).

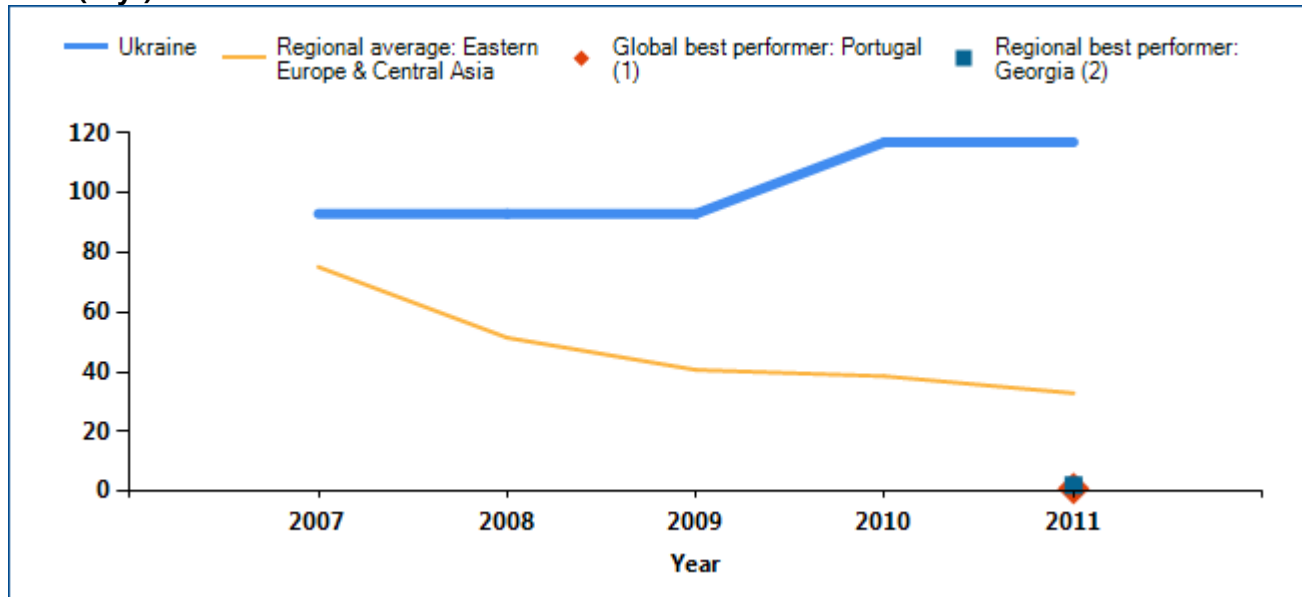
These economies may provide a model for Ukraine on ways to improve the ease of registering property. And changes in regional averages can show where Ukraine is keeping up—and where it is falling behind.

Figure 5.3 Has registering property become easier over time?

Procedures (number)

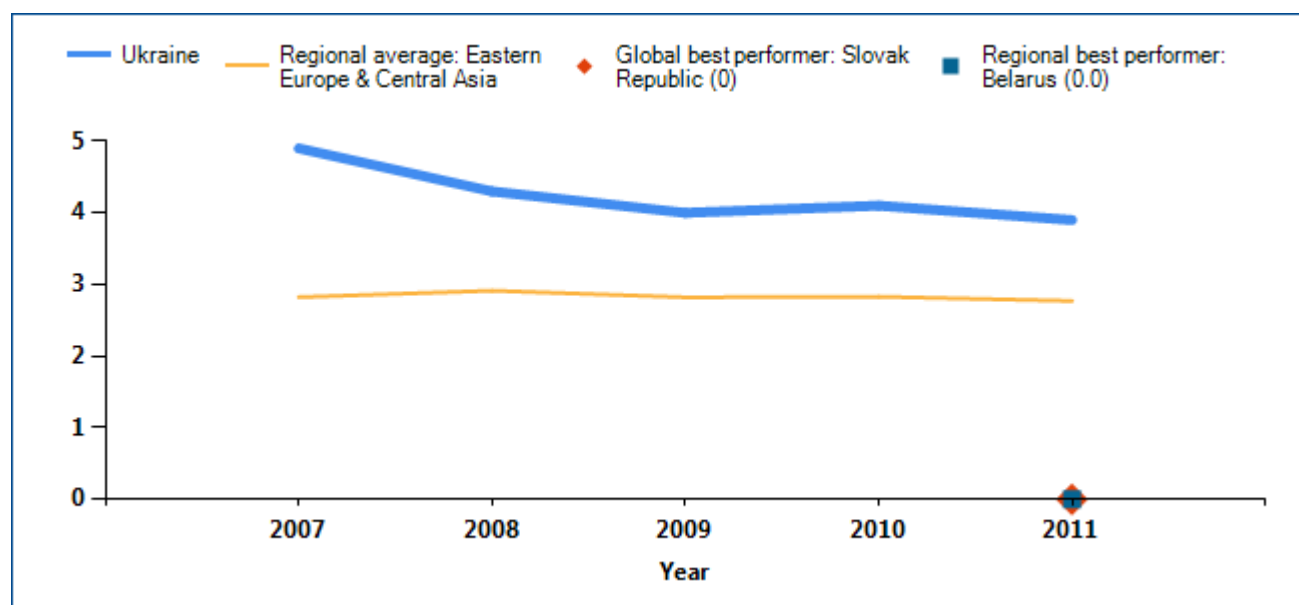


Time (days)



REGISTERING PROPERTY

Cost (% of property value)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator. In cases where no data are displayed above for the economy, this indicates that the economy has received a “no practice” mark; see the data notes for details.

Source: *Doing Business* database.

REGISTERING PROPERTY

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 Ukraine (table 5.2)?

Table 5.2 How has Ukraine made registering property easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	No reform.
DB2009	No reform.

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.

REGISTERING PROPERTY

What are the details?

The indicators reported here are based on a set of specific procedures—the steps that a buyer and seller must complete to transfer the property to the buyer's name—identified by *Doing Business* through information collected from local property lawyers, notaries and property registries. These procedures are those that apply to a transaction matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

STANDARD PROPERTY TRANSFER

City: Kiev
Property Value: 1,179,191.6

The procedures, along with the associated time and cost, are summarized below.

Summary of procedures for registering property in Ukraine—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	Obtain ownership certificate The seller has to obtain an extract from the Registry of Ownership Rights on Immovable Property or, in those localities where the Registry is not yet established, a certificate from the Bureau of Technical Inventory (BTI) that such building and ownership rights in it are duly registered. Since the building is situated within the territory of Kiev, the procedure to obtain such certificate is stipulated in Decision No: 74/74 of the Kiev City Council dated June 20, 2002 (otherwise, the Order of Ministry of Justice, dated Feb. 7, 2002 would apply). An on-site inspection is performed in order to obtain the certificate. The documentation shall include: Request to issue the certificate Founding documents of the company (original and photocopies) Information with respect to balance-sheet value of the building Documentation confirming title to the building Technical passport of the building Document confirming authorities of an applicant to represent seller (e.g. Power of Attorney)	7, 14 or 30 days (depends on choice of expedited procedure)	UAH 99,17 (7 days); UAH 81,12 (14 days); UAH 58,65 (30 days)
2	Obtain non-encumbrance certificate Before notarization of the agreement, the notary should check whether or not any prohibitions for real estate alienation and tax encumbrance exist for both the land and the building.	1 day	UAH 150-200
3	Notarization of sale deed The sale purchase agreement of the building is notarized by a private or public notary. Notary's fees are agreed among parties. There could be one single agreement underpinning both sale of building and sale of land or be two separate agreements: the sale of building (warehouse) and the sale of land parcel. Parties can prepare the sale agreements by themselves before notarization, but usually the notary prefers to use his	1 day	1% of transaction value of the building (state duty) + 1% of property value (State Pension Fund) + UAH 3,000 (Notary's fees)

No.	Procedure	Time to complete	Cost to complete
	standard proforma. State Duty (fee) is paid to the notary and equals 1% of the transactional value of the building. The buyer of the building will also pay a special assessment in the amount of 1% of building's transactional value to the State Pension Fund. The buyer can make the payment to the State Pension Fund prior to the notarization of building sale agreement or provide the notary with the money to make such payment. The documentation shall include: BTI Certificate (obtained in Procedure 1) Ownership documents Founding documents of the company Decision with respect to the sale of the building (if necessary)		
4	Inspect property for valuation The document on evaluation of the price of land can be provided either by the local divisions of the State Centre of the Land Cadastre, or by the legal entities that are licensed by the State Centre of the Land Cadastre for providing such services. In Kiev, such service would cost around 300 UAH (around 60 USD) and take minimum 2 weeks. The procedure of evaluation of the price of land is quite complex, it includes land inspection, market research, etc. Evaluation of the price of land is required before the notarization of the agreement.	14 days	UAH 1000
5	Obtain ownership certificate The seller must obtain a certificate that the company's rights in a land parcel are duly registered. Such certificate is issued by the Center of State Land Cadastre within 10 days after receiving the request – but may take longer in practice. In Kiev, such a certificate is issued by the Kiev Center of Land Cadastre.	10 days	UAH 50
6	Notarization of sale deed The sale purchase agreement of the building is notarized by a private or public notary. Notary's fees are agreed among parties. There could be one single agreement underpinning both sale of building and sale of land or be two separate agreements: the sale of building (warehouse) and the sale of land parcel. Parties can prepare the sale agreements by themselves before notarization, but usually the notary prefers to use his standard proforma. State Duty (fee) is paid to the notary and equals 1% of the transactional value of the building. The buyer of the building will also pay a special assessment in the amount of 1% of building's transactional value to the State Pension Fund. The buyer can make the payment to the State Pension Fund prior to the notarization of building sale agreement or provide the notary with the money to make such payment. The documentation shall include: BTI Certificate (obtained in Procedure 1) Ownership documents Founding documents of the company Decision with respect to the sale of the building (if necessary)	1 day	1% of transaction value of the land (state duty) + Notary fees (already paid in Procedure 3)
7	Registration of new title When the sale purchase agreement is notarized, the buying company	3, 7 or 14 days (depends on choice of expedited)	UAH 110,83, UAH 86,26, or UAH 61,57 respectively

No.	Procedure	Time to complete	Cost to complete
	<p>can then proceed with the registration of its property rights. The company will submit the notarized sale agreement to the Kiev City Bureau of Technical Inventory and Registration of Property Rights in Real Estate. The documentation shall include:</p> <p>Request to register the property rights</p> <p>Notarized sale purchase agreement (original and notarized copy) (obtained in Procedure 3)</p> <p>Technical passport of the building</p> <p>Document confirming authorities of an applicant to represent the buyer (e.g. Power of Attorney)</p> <p>Receipt of fees paid for services</p> <p>Copy of company's State Registration Certificate and State Statistics Committee Certificate</p>	procedure)	
8	<p>Registration of new title</p> <p>The Law No.1878 of 11 February 2010 of Ukraine "On Amendments of the Law of Ukraine "On State Registration of Rights to Immovable Property and Other Legislative Acts of Ukraine" set the time limit for this procedure at 14 days and cost at 266 UAH.</p>	54-85 days	UAH 266

* Takes place simultaneously with another procedure.

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%).

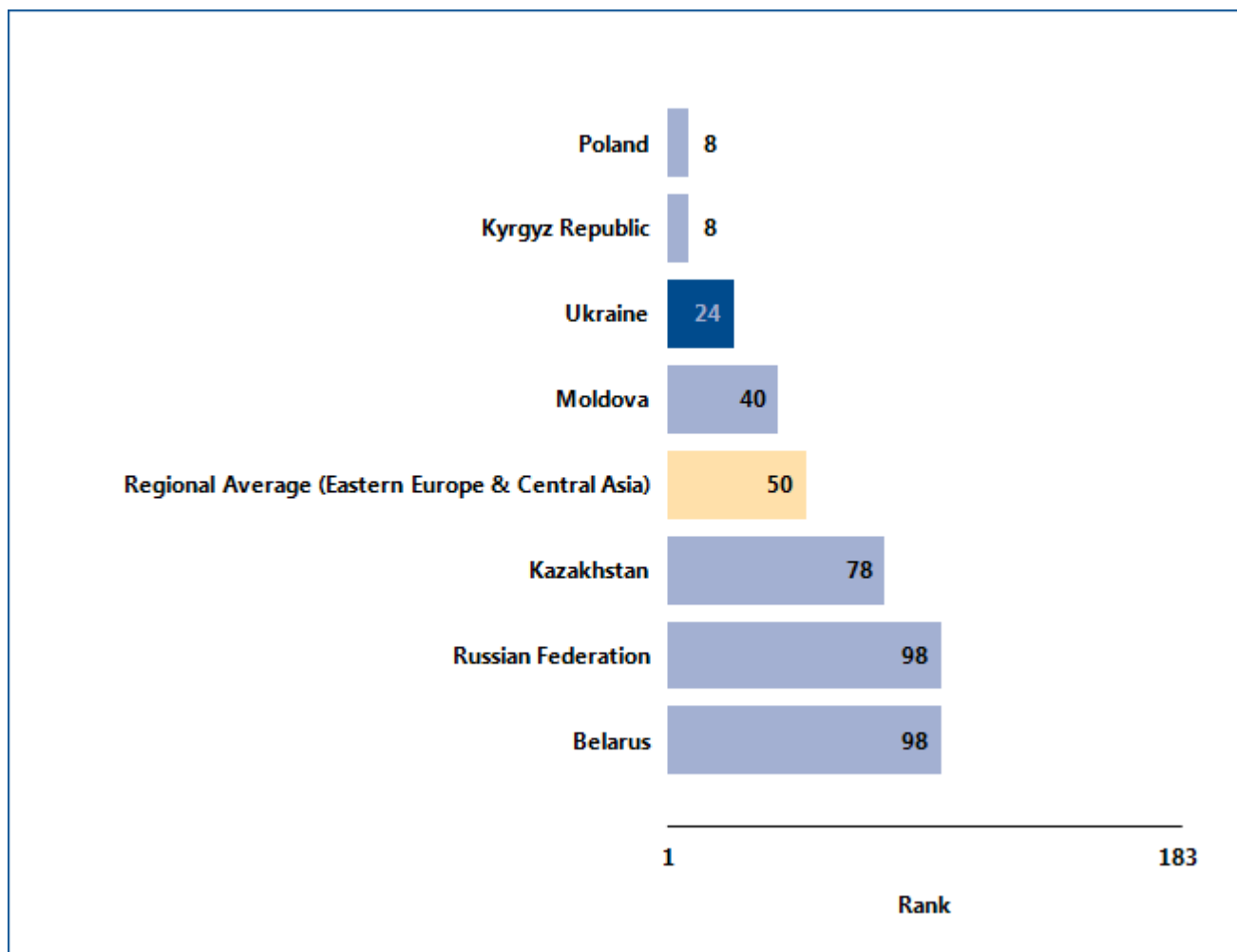
GETTING CREDIT

Where does the economy stand today?

How well do the credit information system and collateral and bankruptcy laws in Ukraine facilitate access to credit? The economy has a score of 4 on the depth of credit information index and a score of 9 on the strength of legal rights index (see the summary of scoring at the end of this chapter for details). Higher scores indicate more credit information and stronger legal rights for borrowers and lenders.

Globally, Ukraine stands at 24 in the ranking of 183 economies on the ease of getting credit (figure 6.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how well regulations and institutions in Ukraine support lending and borrowing.

Figure 6.1 How Ukraine and comparator economies rank on the ease of getting credit



Source: Doing Business database.

GETTING CREDIT

What are the changes over time?

While the most recent *Doing Business* data reflect how well the credit information system and collateral and bankruptcy laws in Ukraine support lending and borrowing today, data over time can help show where

institutions and regulations have been strengthened—and where they have not (table 6.1). That can help identify where the potential for improvement is greatest.

Table 6.1 The ease of getting credit in Ukraine over time
By *Doing Business* report year

Indicator	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	21	24
Strength of legal rights index (0-10)	5	9	9	9	9	9	9	9
Depth of credit information index (0-6)	0	0	0	0	3	3	4	4
Public registry coverage (% of adults)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private bureau coverage (% of adults)	0.0	0.0	0.0	0.0	3.0	3.0	10.1	17.0

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.

Source: *Doing Business* database.

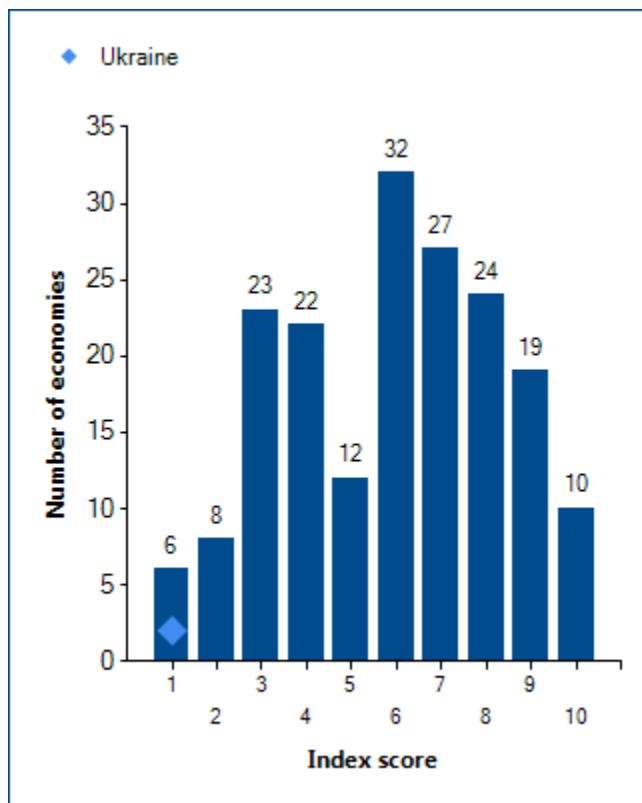
GETTING CREDIT

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

index for Ukraine in 2011 and shows the number of other economies having the same score in 2011. Figure 6.3 shows the same thing for the depth of credit information index.

Figure 6.2 Have legal rights for borrowers and lenders become stronger?

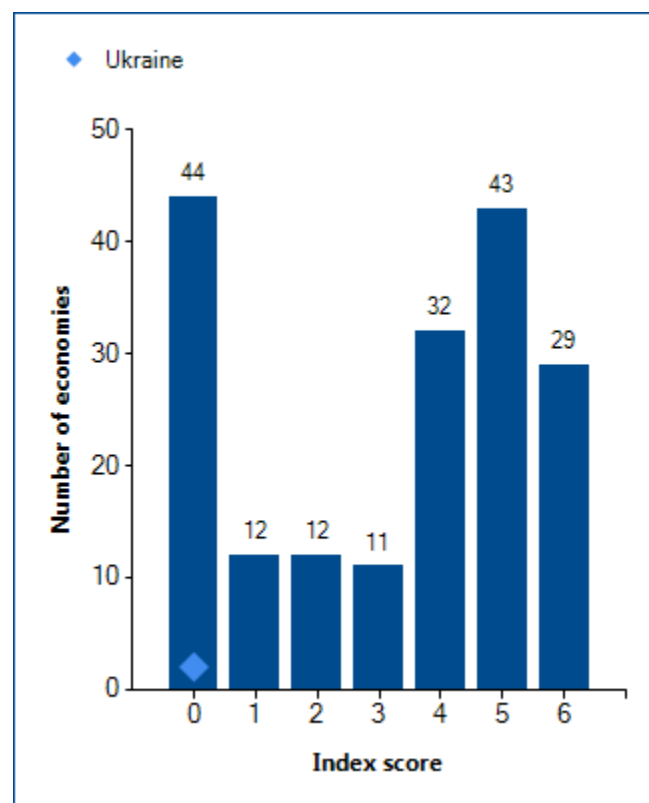
Number of economies with each score on strength of legal rights index (0–10), 2011



Source: Doing Business database.

Figure 6.3 Have the coverage and accessibility of credit information grown?

Number of economies with each score on depth of credit information index (0–6), 2011



Source: Doing Business database.

GETTING CREDIT

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 Ukraine (table 6.2)?

Table 6.2 How has Ukraine made getting credit easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	No reform.
DB2009	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.

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

What are the details?

The getting credit indicators reported here for Ukraine are based on detailed information collected in that economy. The data on credit information sharing are collected through a survey of a public credit registry or private credit bureau (if one exists). To construct the depth of credit information index, a score of 1 is assigned for each of 6 features of the public credit registry or private credit bureau (see summary of scoring below).

The data on the legal rights of borrowers and lenders are gathered through a survey of financial lawyers and verified through analysis of laws and regulations as well as public sources of information on collateral and bankruptcy laws. For the strength of legal rights index, a score of 1 is assigned for each of 8 aspects related to legal rights in collateral law and 2 aspects in bankruptcy law.

Summary of scoring for the getting credit indicators in Ukraine

Indicator	Ukraine	Eastern Europe & Central Asia	OECD high income
Strength of legal rights index (0-10)	9	7	7
Depth of credit information index (0-6)	4	5	5
Public registry coverage (% of adults)	0.0	16.2	9.5
Private bureau coverage (% of adults)	17.0	29.4	63.9

Strength of legal rights index (0–10)	Index score: 9
Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?	Yes
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	Yes
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	Yes
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?	Yes
Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	Yes
Is a collateral registry in operation, that is unified geographically and by asset type, with an electronic database indexed by debtor's names?	Yes
Are secured creditors paid first (i.e. before general tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	Yes

Strength of legal rights index (0–10)	Index score: 9
Are secured creditors paid first (i.e. before general tax claims and employee claims) when a business is liquidated?	Yes
Are secured creditors either not subject to an automatic stay or moratorium on enforcement procedures when a debtor enters a court-supervised reorganization procedure, or the law provides secured creditors with grounds for relief from an automatic stay or	No
Does the law allow parties to agree in a collateral agreement that the lender may enforce its security right out of court, at the time a security interest is created?	Yes

Depth of credit information index (0–6)	Private credit bureau	Public credit registry	Index score: 4
Are data on both firms and individuals distributed?	No	No	0
Are both positive and negative data distributed?	Yes	No	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	No	No	0
Are more than 2 years of historical credit information distributed?	Yes	No	1
Is data on all loans below 1% of income per capita distributed?	Yes	No	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	Yes	No	1

Note: An economy receives a score of 1 if there is a "yes" to either private bureau or public registry.

Coverage	Private credit bureau	Public credit registry
Number of firms	0	0
Number of individuals	5,500,000	0

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

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)

- Access to internal corporate documents (directly or through a government inspector)
- Documents and information available during trial

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 company purchase used trucks from another company he owns.

- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to Buyer.
- Shareholders sue the interested parties and the members of the board of directors.

PROTECTING INVESTORS

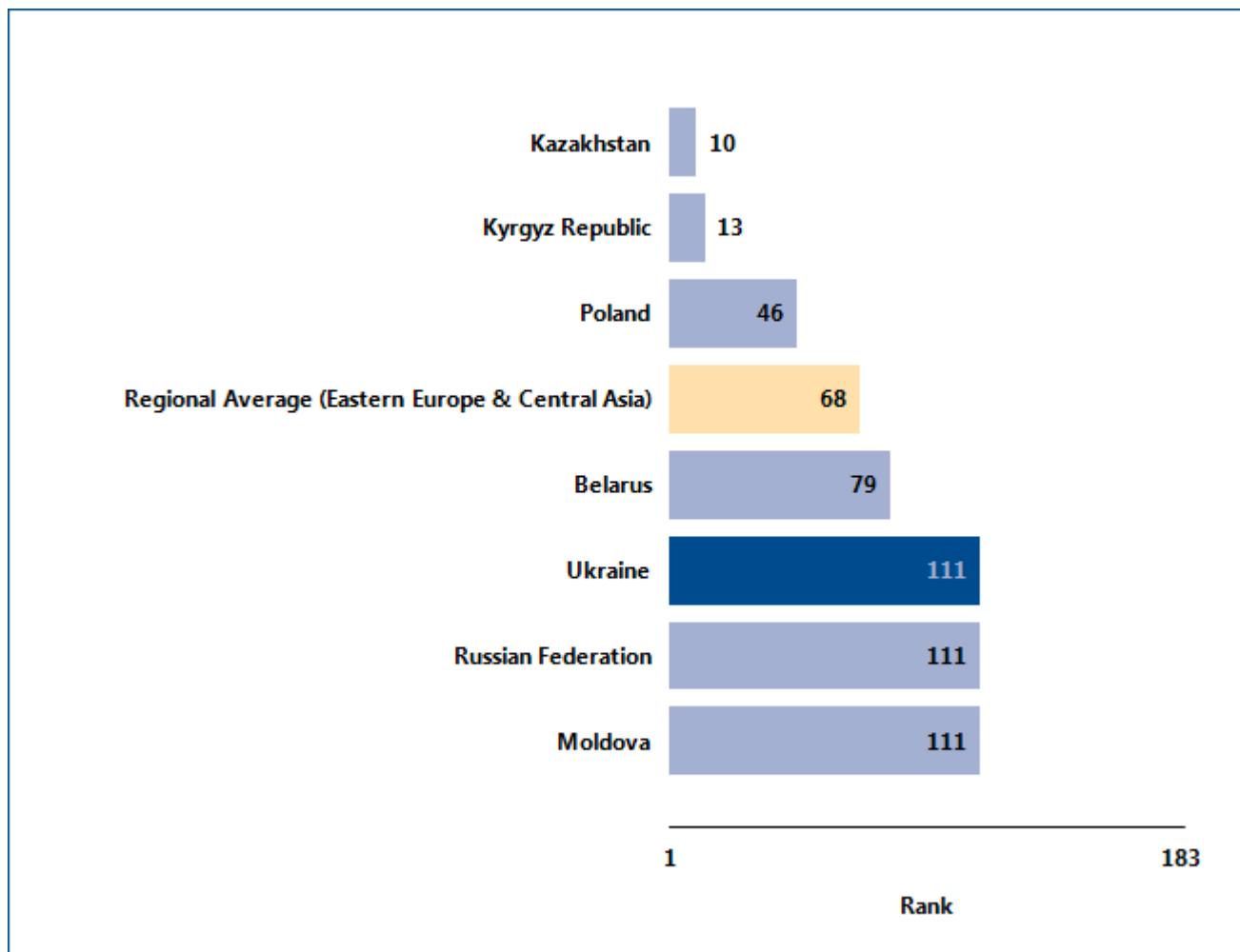
Where does the economy stand today?

How strong are investor protections in Ukraine? The economy has a score of 4.7 on the strength of investor protection index, with a higher score indicating stronger protections (see the summary of scoring at the end of this chapter for details).

Globally, Ukraine stands at 111 in the ranking of 183 economies on the strength of investor protection

index (figure 7.1). While the indicator does not measure all aspects related to the protection of minority investors, a higher ranking does indicate that an economy's regulations offer stronger investor protections against self-dealing in the areas measured.

Figure 7.1 How Ukraine and comparator economies rank on the strength of investor protection index



Source: Doing Business database.

PROTECTING INVESTORS

What are the changes over time?

While the most recent *Doing Business* data reflect how well regulations in Ukraine protect minority investors today, data over time show whether the protections have been strengthened (table 7.1). And the global

ranking on the strength of investor protection index over time shows whether the economy is slipping behind other economies in investor protections—or surpassing them.

Table 7.1 The strength of investor protections in Ukraine over time
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	108	111
Extent of disclosure index (0-10)	1	1	1	1	5	5	5
Extent of director liability index (0-10)	3	3	3	3	2	2	2
Ease of shareholder suits index (0-10)	7	7	7	7	7	7	7
Strength of investor protection index (0-10)	3.7	3.7	3.7	3.7	4.7	4.7	4.7

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.

Source: *Doing Business* database.

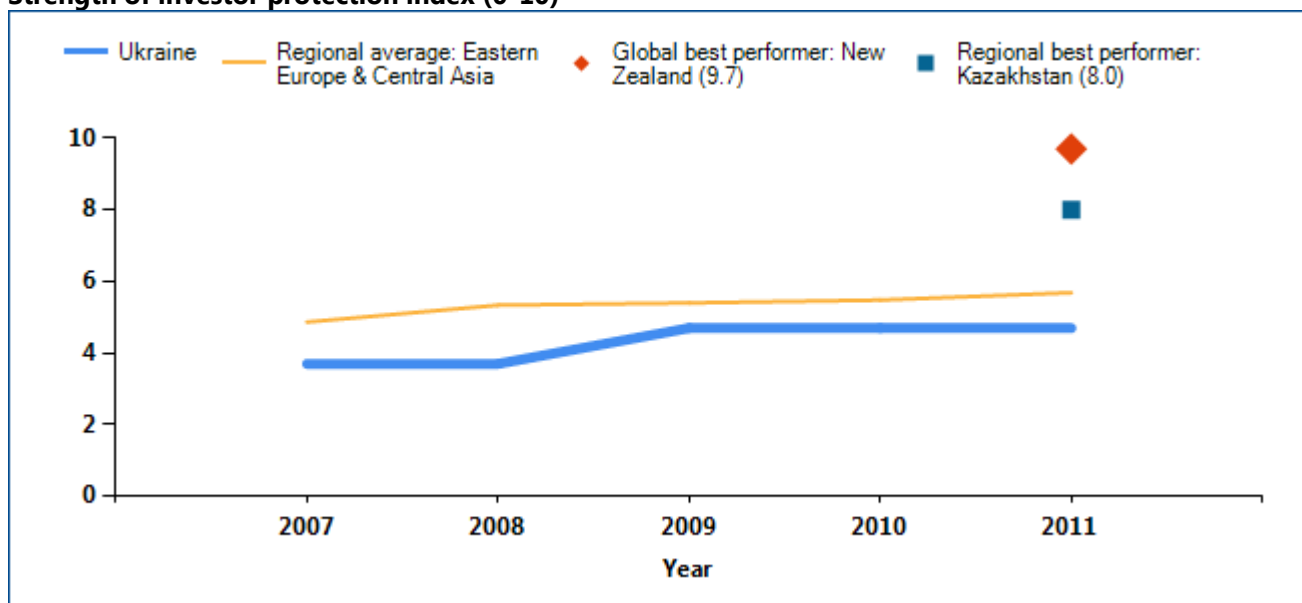
PROTECTING INVESTORS

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 over time for Ukraine on the extent of disclosure, extent of director liability

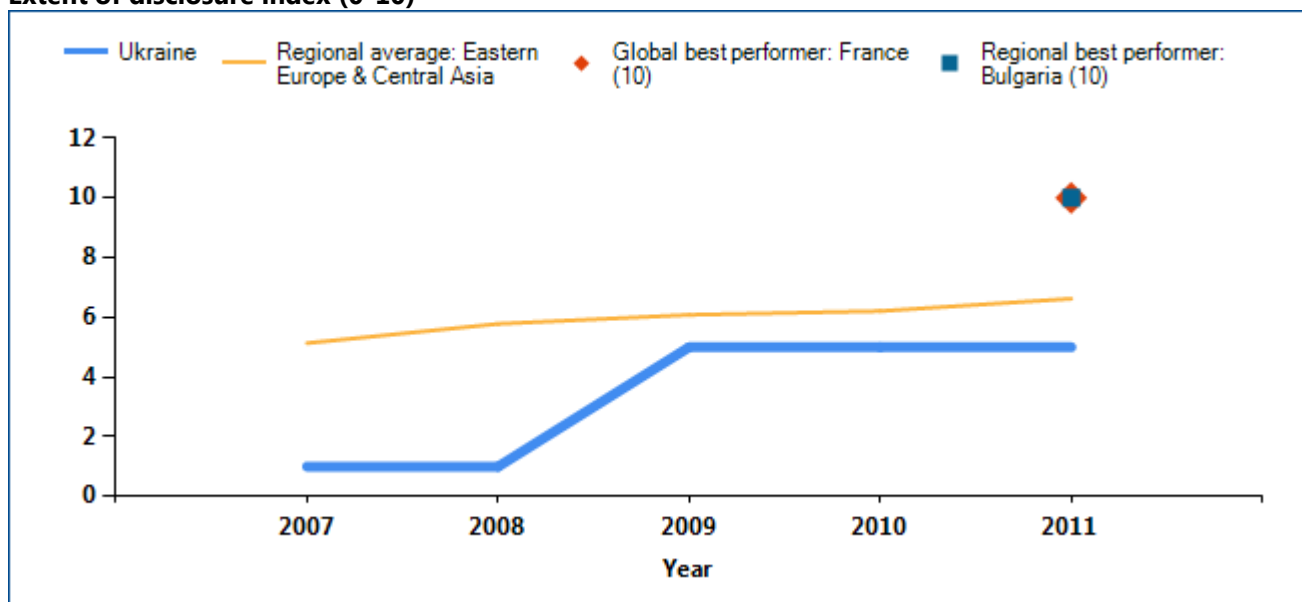
and ease of shareholder suits indices may also be revealing (figure 7.2). Equally interesting may be the changes over time in the regional average scores for those indices.

Figure 7.2 Have investor protections become stronger?

Strength of investor protection index (0-10)

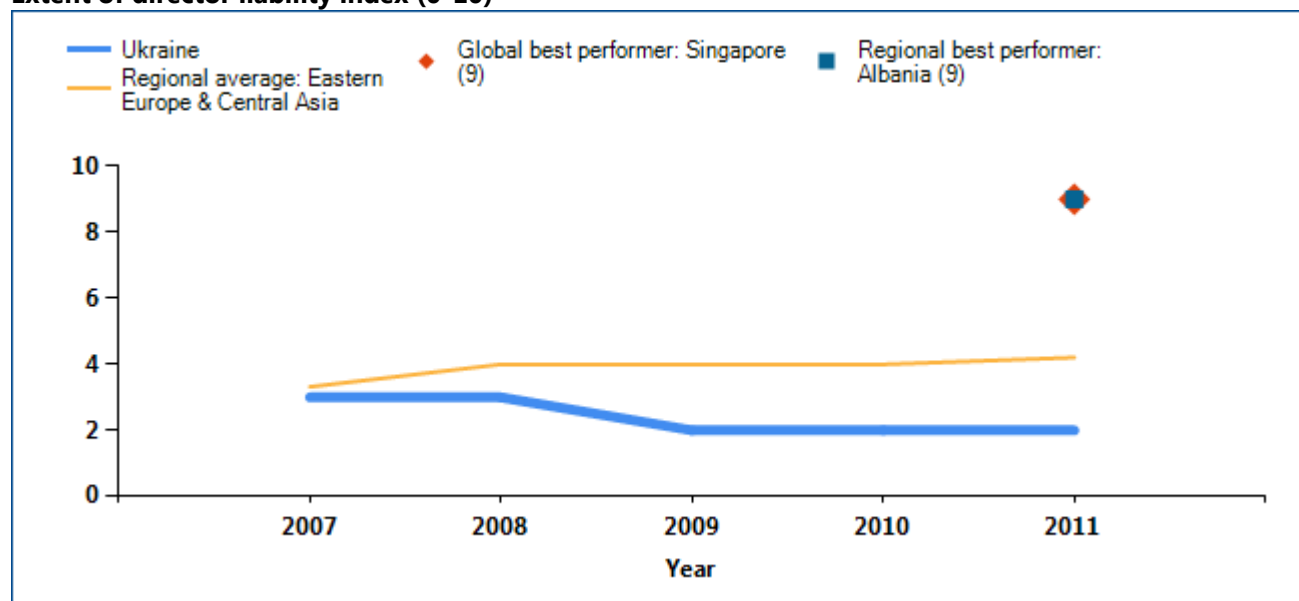


Extent of disclosure index (0-10)

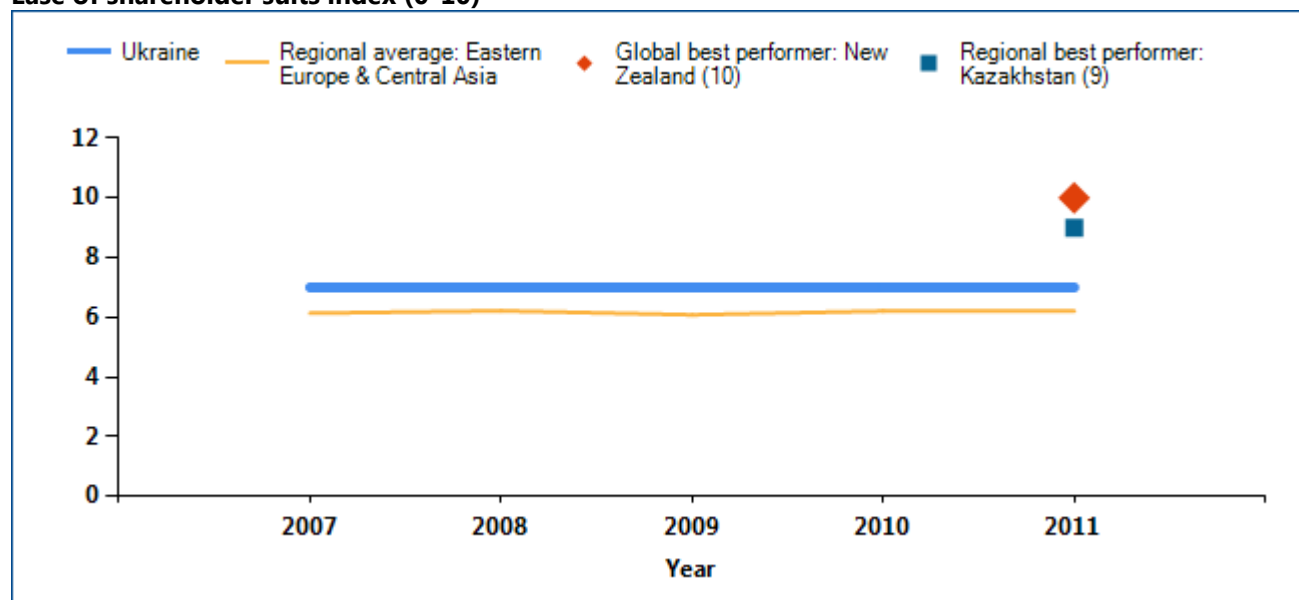


PROTECTING INVESTORS

Extent of director liability index (0-10)



Ease of shareholder suits index (0-10)



Note: The higher the score, the stronger the investor protections. The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator.

Source: Doing Business database.

PROTECTING INVESTORS

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 civil procedure rules. What investor protection reforms has *Doing Business* recorded in Ukraine (table 7.2)?

Table 7.2 How has Ukraine strengthened investor protections—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	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.
DB2009	No reform.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

PROTECTING INVESTORS

What are the details?

The protecting investors indicators reported here for Ukraine are based on detailed information collected through a survey of corporate and securities lawyers and are based on securities regulations, company laws and court rules of evidence. To construct the extent of disclosure, extent of director liability and ease of

shareholder suits indices, a score is assigned for each of a range of conditions relating to disclosure, director liability and shareholder suits in a standard case study transaction (see the notes at the end of this chapter). The summary below shows the details underlying the scores for Ukraine.

Summary of scoring for the protecting investors indicators in Ukraine

Indicator	Ukraine	Eastern Europe & Central Asia	OECD high income
Extent of disclosure index (0-10)	5	7	6
Extent of director liability index (0-10)	2	4	5
Ease of shareholder suits index (0-10)	7	6	7
Strength of investor protection index (0-10)	4.7	5.7	6.0

	Score
Extent of disclosure index (0-10)	5
What corporate body provides legally sufficient approval for the transaction?	2
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	2
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	0
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	1
Whether an external body must review the terms of the transaction before it takes place?	0
Extent of director liability index (0-10)	2
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	0
Whether shareholders can hold members of the approving body liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	0

	Score
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	0
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	0
Whether fines and imprisonment can be applied against Mr. James?	0
Ease of shareholder suits index (0-10)	7
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	0
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	1
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	4
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	0
Whether the plaintiff can directly question the defendant and witnesses during trial?	2
Whether the level of proof required for civil suits is lower than that of criminal cases?	0
Strength of investor protection index (0-10)	4.7

Source: Doing Business database.

Notes:

Extent of disclosure index (0–10)

Scoring for the extent of disclosure index is based on 5 components:

Which corporate body can provide legally sufficient approval for the transaction

0 = CEO or managing director alone; 1 = shareholders or board of directors vote and Mr. James can vote; 2 = board of directors votes and Mr. James cannot vote; 3 = shareholders vote and Mr. James cannot vote.

Whether disclosure of the conflict of interest by Mr. James to the board of directors is required

0 = no disclosure; 1 = disclosure of the existence of a conflict without any specifics; 2 = full disclosure of all material facts.

Whether immediate disclosure of the transaction to the public, the regulator or the shareholders is required

0 = no disclosure; 1 = disclosure on the transaction only; 2 = disclosure on the transaction and Mr. James's conflict of interest.

Whether disclosure of the transaction in the annual report is required

0 = no disclosure; 1 = disclosure on the transaction only; 2 = disclosure on the transaction and Mr. James's conflict of interest.

Whether it is required that an external body (for example, an external auditor) review the transaction before it takes place

0 = no; 1 = yes.

Extent of director liability index (0–10)

Scoring for the extent of director liability index is based on 7 components:

Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company

0 = suits are unavailable or available only for shareholders holding more than 10% of the company's share capital; 1 = direct or derivative suits available for shareholders holding 10% of share capital or less.

Whether shareholders can hold Mr. James liable for the damage that the transaction causes to the company

0 = Mr. James is not liable or is liable only if he acted fraudulently or in bad faith; 1 = Mr. James is liable if he influenced the approval or was negligent; 2 = Mr. James is liable if the transaction is unfair or prejudicial to the other shareholders.

Whether shareholders can hold the approving body (the CEO or members of the board of directors) liable for the damage that the transaction causes to the company

0 = members of the approving body are either not liable or liable only if they acted fraudulently or in bad faith; 1 = liable for negligence in the approval of the transaction; 2 = liable if the transaction is unfair or prejudicial to the other shareholders.

Whether a court can void the transaction upon a successful claim by a shareholder plaintiff

0 = rescission is unavailable or available only in case of Seller's fraud or bad faith; 1 = rescission is available when the transaction is oppressive or prejudicial to the other shareholders; 2 = rescission is available when the transaction is unfair or entails a conflict of interest.

Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff

0 = no; 1 = yes.

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff

0 = no; 1 = yes.

Whether both fines and imprisonment can be applied against Mr. James

0 = no; 1 = yes.

Ease of shareholder suits index (0–10)

Scoring for the ease of shareholder suits index is based on 6 components:

What range of documents is available to the plaintiff from the defendant and witnesses during trial

Score of 1 for each of the following: information that the defendant has indicated he intends to rely on for his defense; information that directly proves specific facts in the plaintiff's claim; any information relevant to the subject matter of the claim; and any information that may lead to the discovery of relevant information.

Whether the plaintiff can directly examine the defendant and witnesses during trial

0 = no; 1 = yes, with prior approval by the court of the questions posed; 2 = yes, without prior approval.

Whether the plaintiff can obtain categories of relevant documents from the defendant without identifying each document specifically

0 = no; 1 = yes.

Whether shareholders owning 10% or less of the company's share capital can request that a government inspector investigate the transaction without filing suit in court

0 = no; 1 = yes.

Whether shareholders owning 10% or less of the company's share capital have the right to inspect the transaction documents before filing suit

0 = no; 1 = yes.

Whether the standard of proof for civil suits is lower than that for a criminal case

0 = no; 1 = yes.

Strength of investor protection index (0–10)

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

PAYING TAXES

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

What do the indicators cover?

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

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

WHAT THE PAYING TAXES INDICATORS MEASURE

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

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

Method and frequency of filing and payment

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

Collecting information and computing the tax payable

Completing tax return forms, filing with proper agencies

Arranging payment or withholding

Preparing separate tax accounting books, if required

Total tax rate (% of profit before all taxes)

Profit or corporate income tax

Social contributions and labor taxes paid by the employer

Property and property transfer taxes

Dividend, capital gains and financial transactions taxes

Waste collection, vehicle, road and other taxes

- Taxes and mandatory contributions include corporate income tax, turnover tax and all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

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

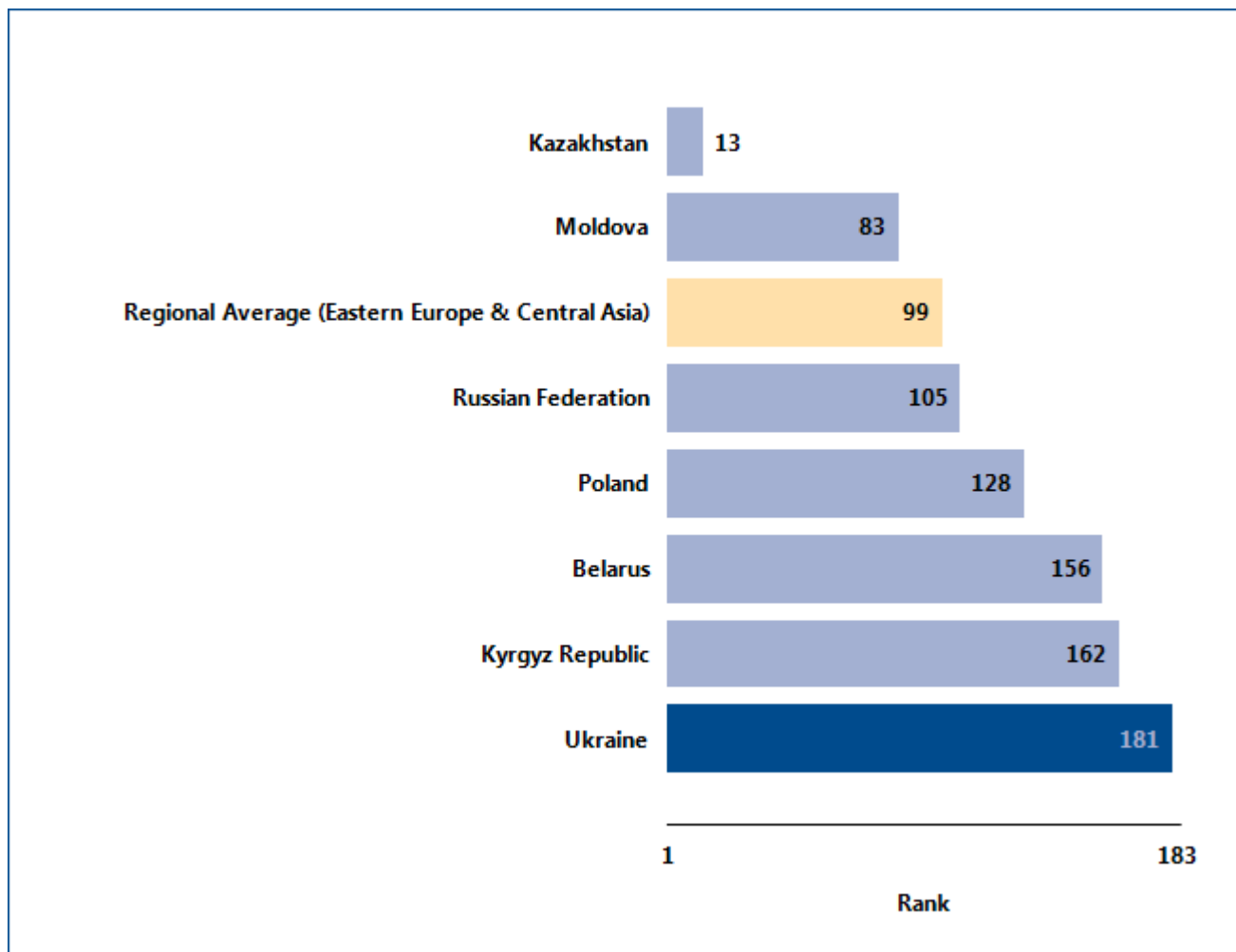
PAYING TAXES

Where does the economy stand today?

What is the administrative burden of complying with taxes in Ukraine—and how much do firms pay in taxes? On average, firms make 135 tax payments a year, spend 657 hours a year filing, preparing and paying taxes and pay total taxes amounting to 12.2% of profit (see the summary at the end of this chapter for details).

Globally, Ukraine stands at 181 in the ranking of 183 economies on the ease of paying taxes (figure 8.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing the tax compliance burden for businesses in Ukraine.

Figure 8.1 How Ukraine and comparator economies 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

What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to comply with tax rules in Ukraine today, data over time show which aspects of

the process have changed — and which have not (table 8.1). That can help identify where the potential for easing tax compliance is greatest.

Table 8.1 The ease of paying taxes in Ukraine over time
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	181	181
Payments (number per year)	147	147	147	147	147	135	135
Time (hours per year)	2,085	2,085	2,085	848	736	657	657
Total tax rate (% profit)	57.3	57.0	56.6	57.2	57.2	55.5	57.1

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). 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 rank on the ease of paying taxes.

Source: *Doing Business* database.

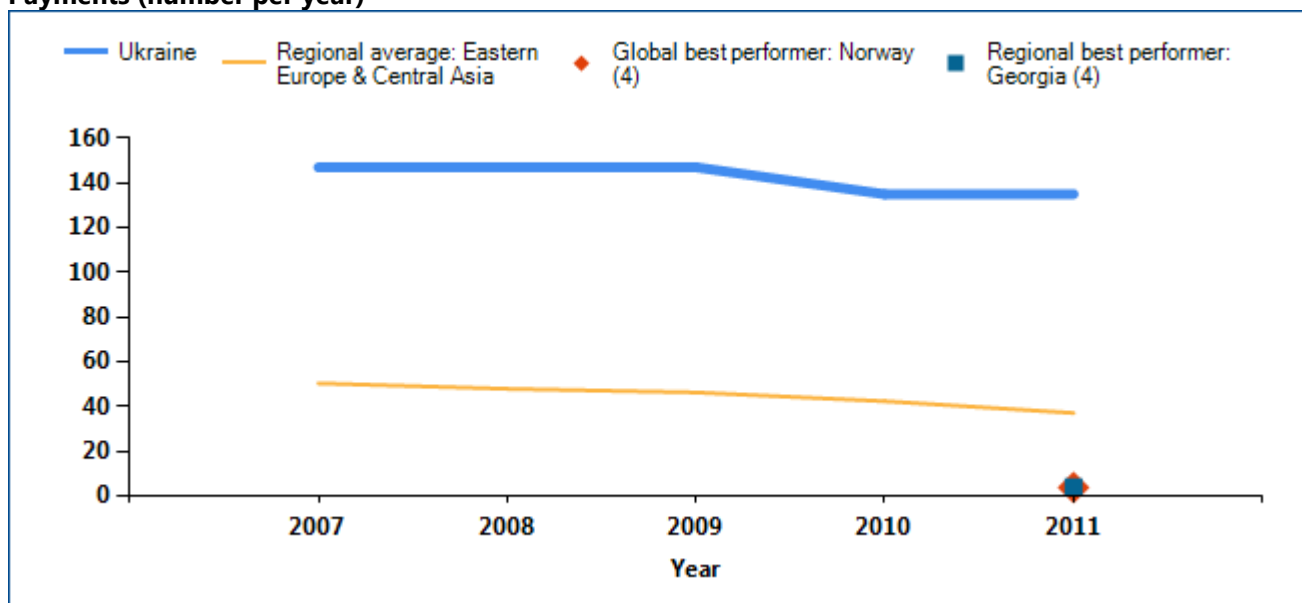
PAYING TAXES

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the number of payments or the time required to prepare and file taxes (figure 8.2). These economies may provide a model for Ukraine on

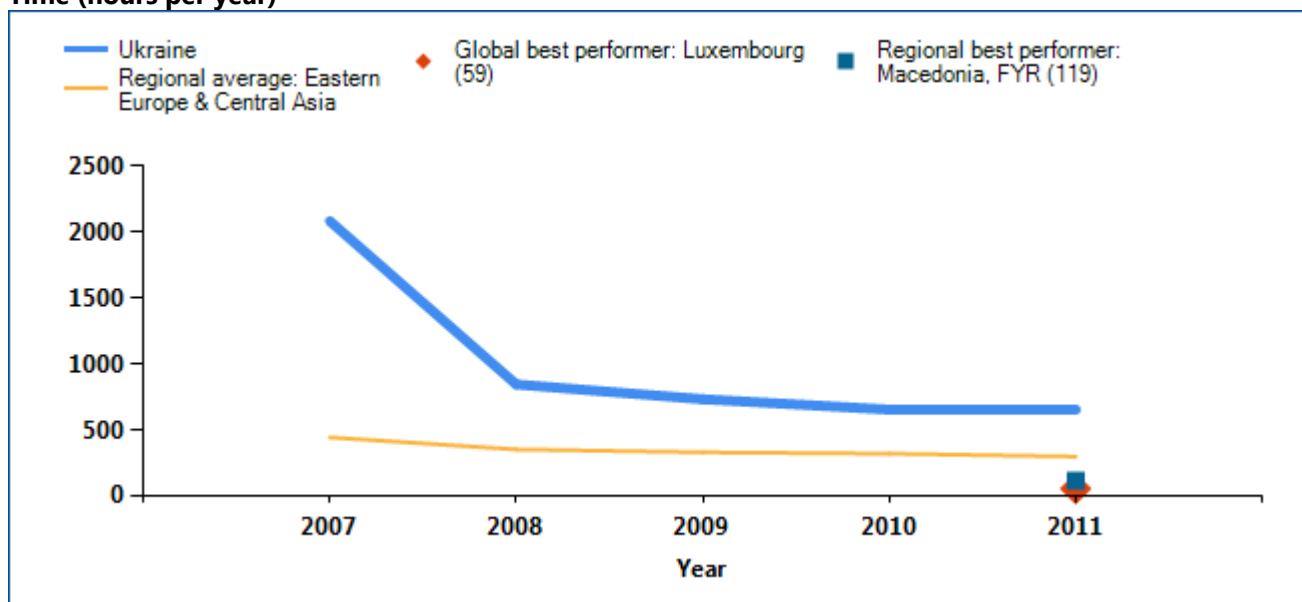
ways to ease the administrative burden of tax compliance. And changes in regional averages can show where Ukraine is keeping up—and where it is falling behind.

Figure 8.2 Has paying taxes become easier over time?

Payments (number per year)

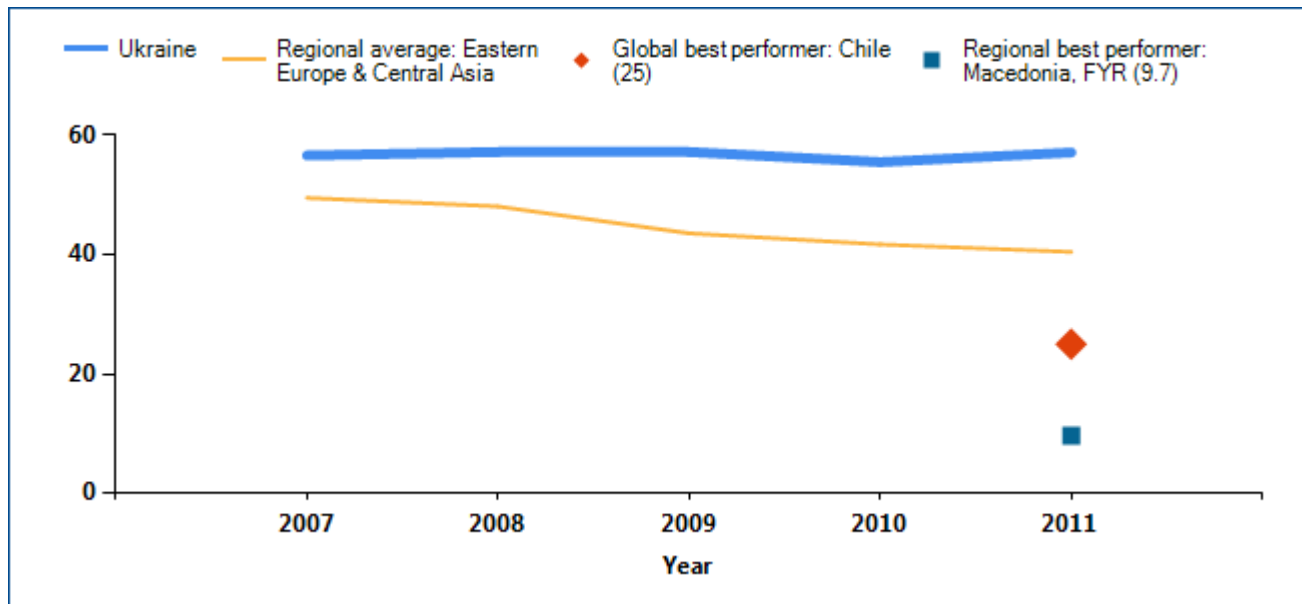


Time (hours per year)



PAYING TAXES

Total tax rate (% of profit)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. The best performer globally on an indicator has implemented the most efficient practices in its tax system but is not necessarily the one with the highest ranking on the indicator. In some cases 2 or more economies share the top regional ranking on an indicator. 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

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 Ukraine (table 8.2)?

Table 8.2 How has Ukraine made paying taxes easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	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.
DB2011	Ukraine eased tax compliance by introducing and continually enhancing an electronic filing system for value added tax.
DB2010	No reform.
DB2009	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.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

PAYING TAXES

What are the details?

The indicators reported here for Ukraine are based on a standard set of taxes and contributions that would be paid by the case study company used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). Tax practitioners are asked to review standard financial statements as well as a standard list of transactions that the company

completed during the year. Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so. The taxes and contributions paid are listed in the summary below, along with the associated number of payments, time and tax rate.

Summary of tax rates and administrative burden in Ukraine

Indicator	Ukraine	Eastern Europe & Central Asia	OECD high income
Payments (number per year)	135	37	13
Time (hours per year)	657	302	186
Profit tax (%)	12.2	9.3	15.4
Labor tax and contributions (%)	43.3	21.7	24.0
Other taxes (%)	1.6	9.5	3.2
Total tax rate (% profit)	57.1	40.4	42.7

Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Pension fund contributions	24		364	33.2%	gross salaries	37.4	
Corporate income tax	4		112	25.0%	taxable income	12.2	
Dividend tax	1		0	25.0%	gross amount of dividends	2.7	included in other taxes
Work accident insurance fund contribution	24		0	1.99%	gross salaries	2.2	
Unemployment insurance contributions	24		0	1.6%	gross salaries	1.8	
Social Security contributions	24		0	1.4%	gross salaries	1.6	

Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Land tax	12		0	UAH 1354 per square meter at 1%	land area	1.3	
Municipal tax	12		0	UAH 1.70 per each permanent employee per month	number of employees	0.2	
Vehicle tax	4		0	UAH 15.00 per 100 cubic cm	engine capacity	0.2	
Advertising tax	1		0	0.5%	advertising expenses	0.1	
Environmental taxes	4		0	various rates	weight of contaminants discharged	0	
Value added tax (VAT)	1	online filing	181	20.0%	value added	0	not included
Totals	135		657			57.1	

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.

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.

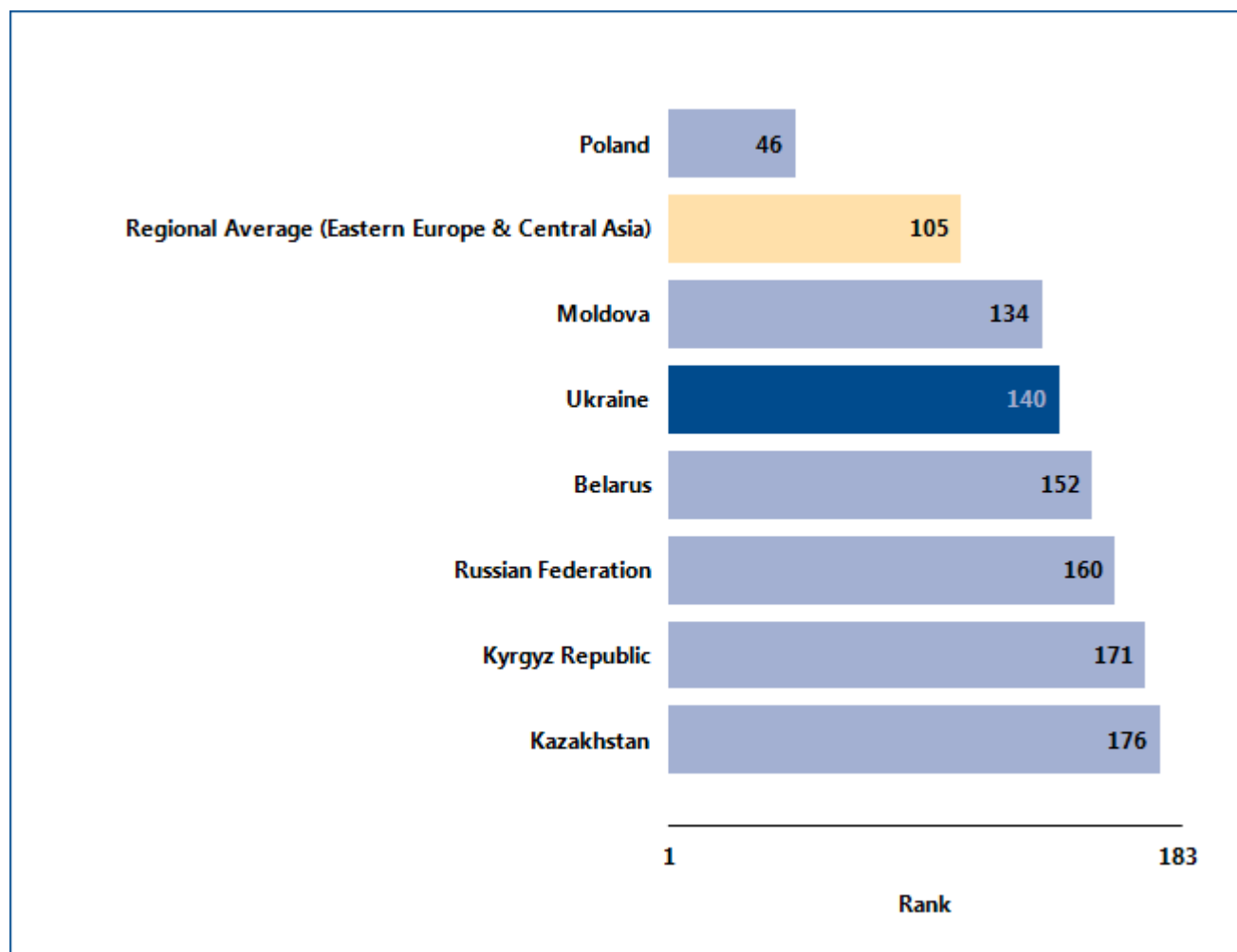
TRADING ACROSS BORDERS

Where does the economy stand today?

What does it take to export or import in Ukraine? According to data collected by *Doing Business*, exporting a standard container of goods requires 6 documents, takes 30 days and costs \$1865. Importing the same container of goods requires 8 documents, takes 33 days and costs \$2155 (see the summary of procedures and documents at the end of this chapter for details).

Globally, Ukraine stands at 140 in the ranking of 183 economies on the ease of trading across borders (figure 9.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for a business in Ukraine to export and import goods.

Figure 9.1 How Ukraine and comparator economies rank on the ease of trading across borders



Source: *Doing Business* database.

TRADING ACROSS BORDERS

What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to export or import in Ukraine today, data over time show which aspects of the

process have changed—and which have not (table 9.1). That can help identify where the potential for improvement is greatest.

Table 9.1 The ease of trading across borders in Ukraine over time
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	136	140
Documents to export (number)	6	6	6	6	6	6	6
Time to export (days)	30	30	30	30	30	30	30
Cost to export (US\$ per container)	1,375	1,375	1,375	1,560	1,560	1,560	1,865
Documents to import (number)	8	8	8	8	8	8	8
Time to import (days)	36	36	36	33	33	33	33
Cost to import (US\$ per container)	1,395	1,395	1,395	1,580	1,580	1,580	2,155

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.

Source: *Doing Business* database.

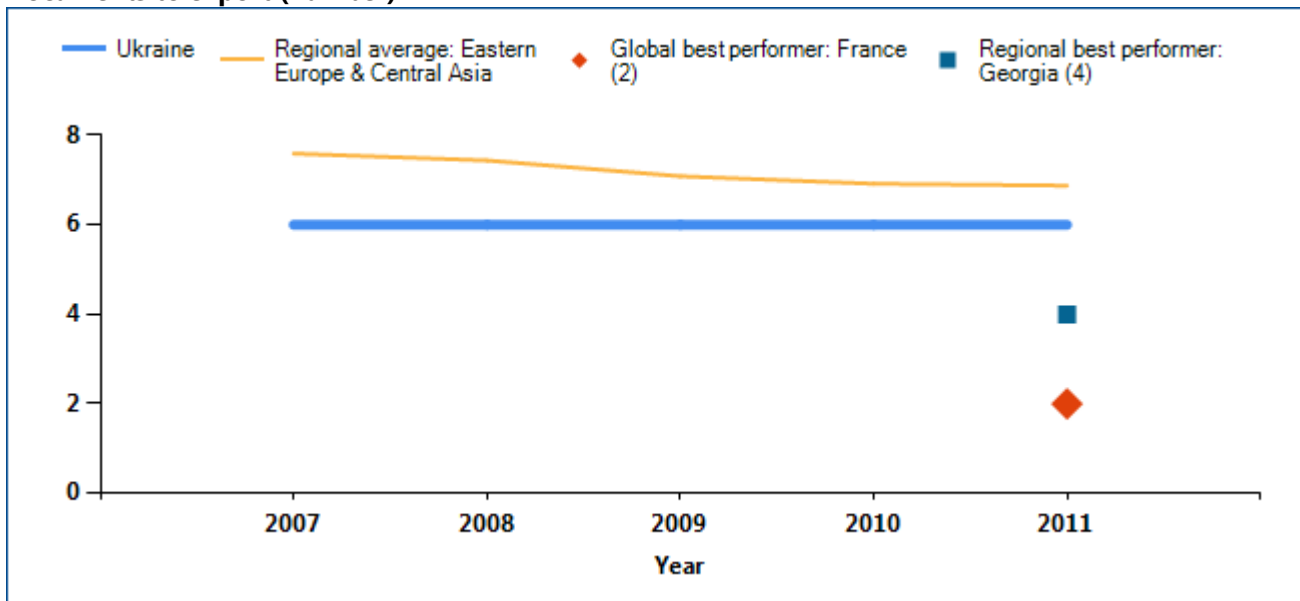
Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the documents, time or cost required to export or import (figure 9.2). These

economies may provide a model for Ukraine on ways to improve the ease of trading across borders. And changes in regional averages can show where Ukraine is keeping up—and where it is falling behind.

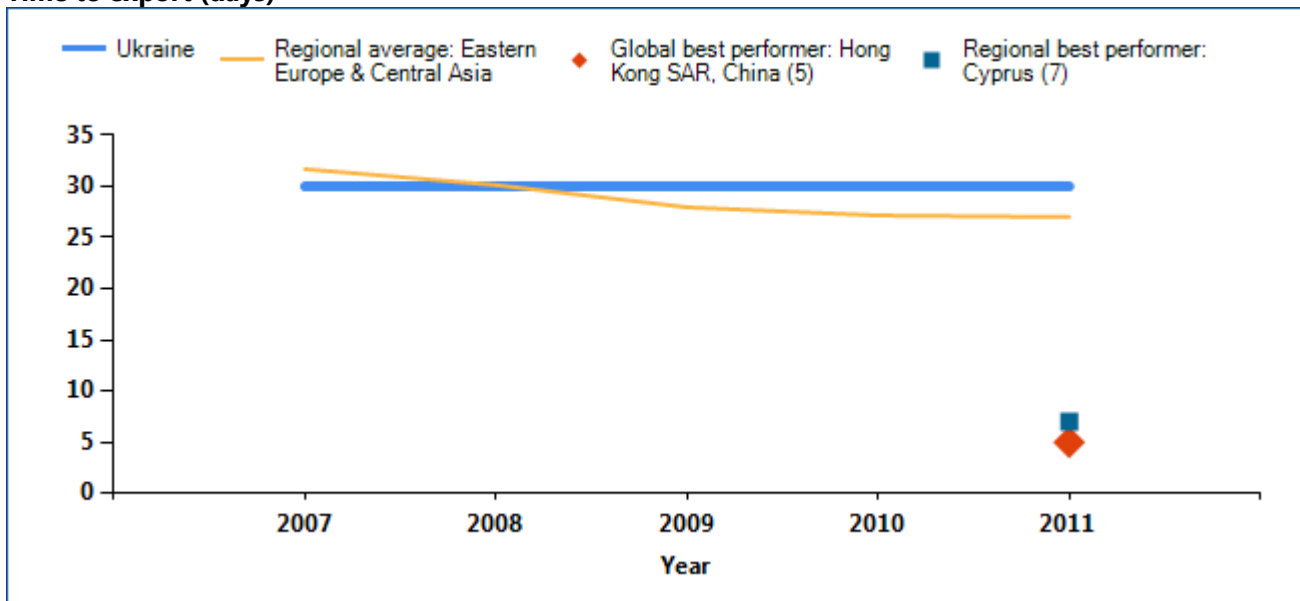
TRADING ACROSS BORDERS

Figure 9.2 Has trading across borders become easier over time?

Documents to export (number)

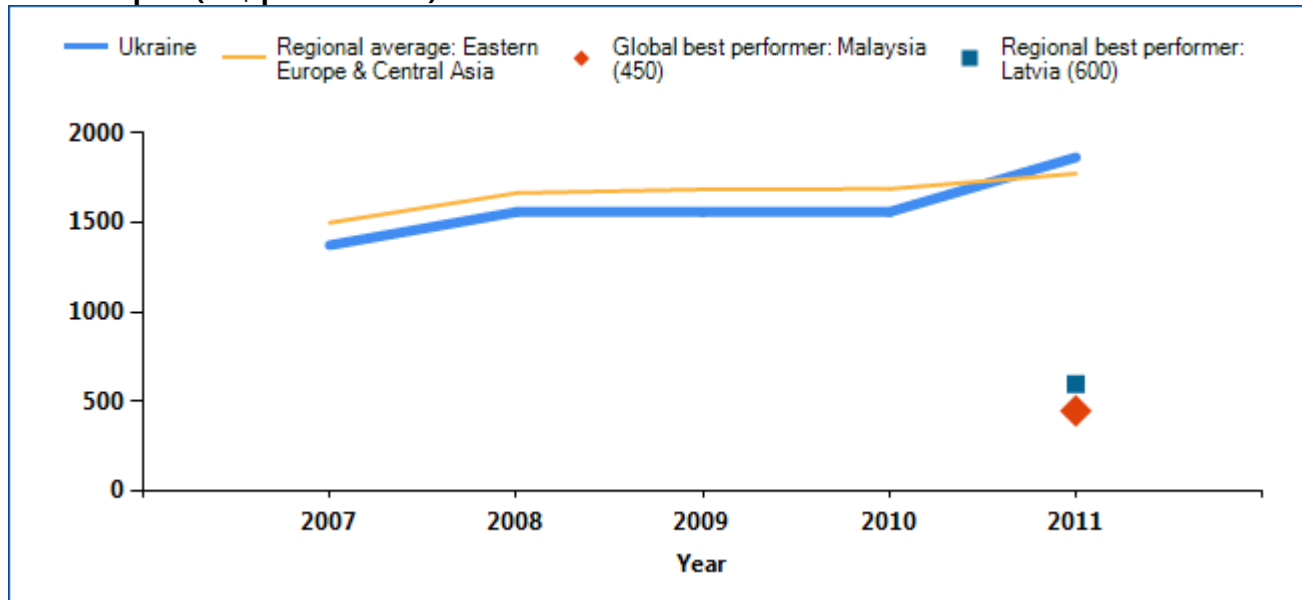


Time to export (days)

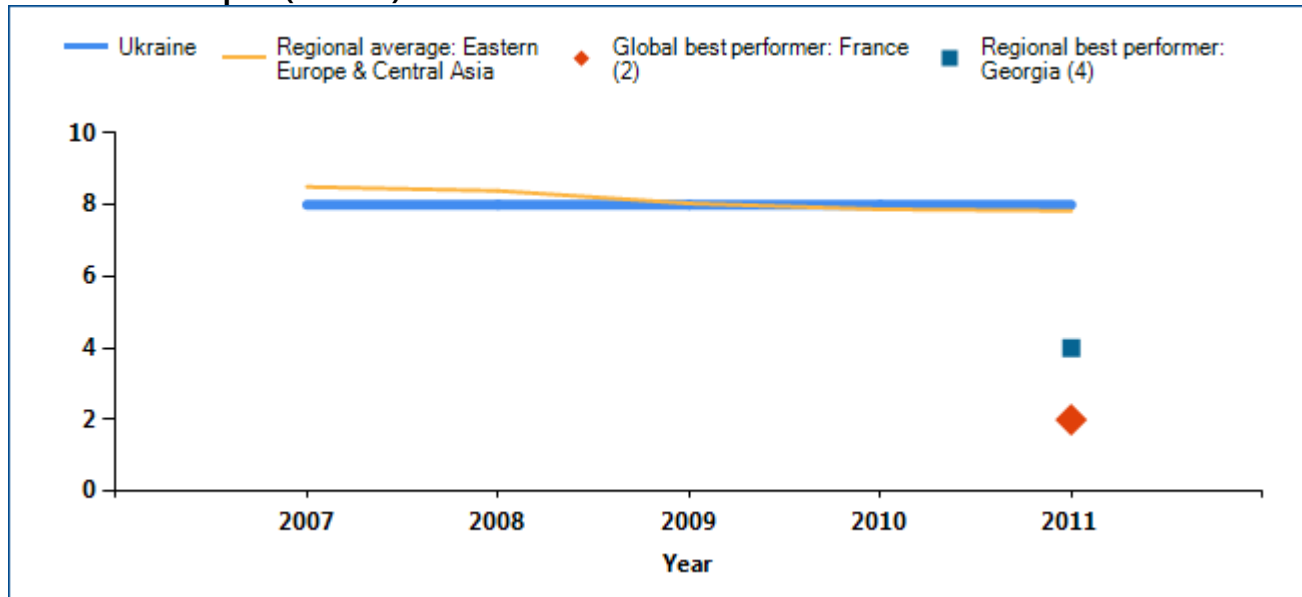


TRADING ACROSS BORDERS

Cost to export (US\$ per container)

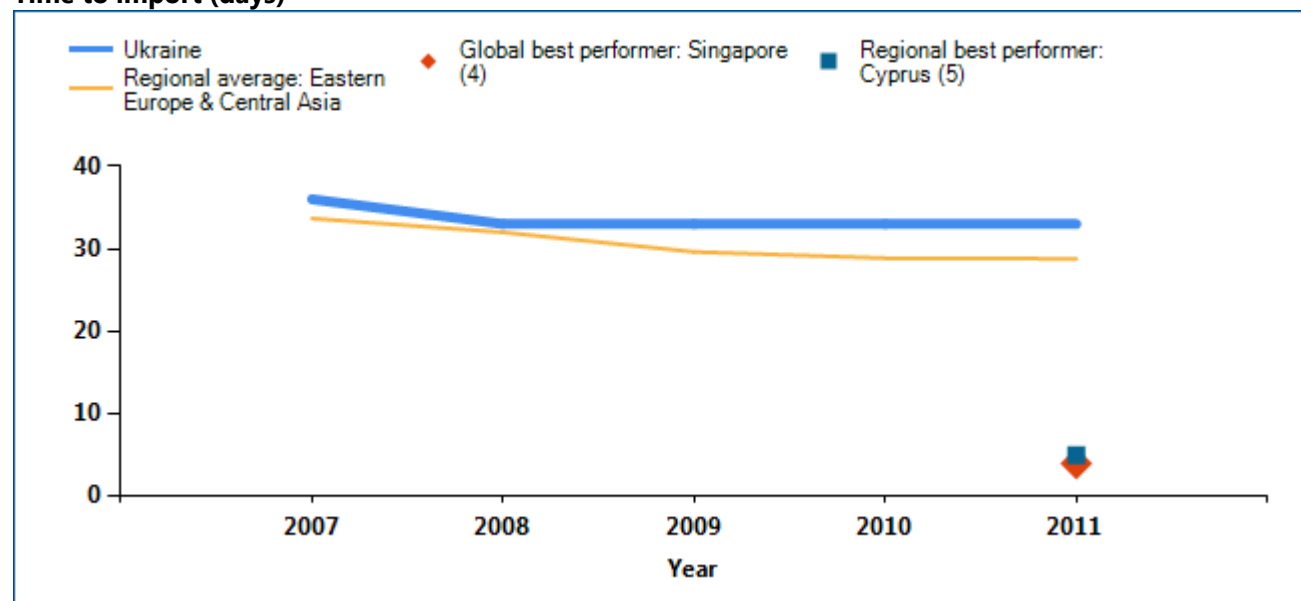


Documents to import (number)

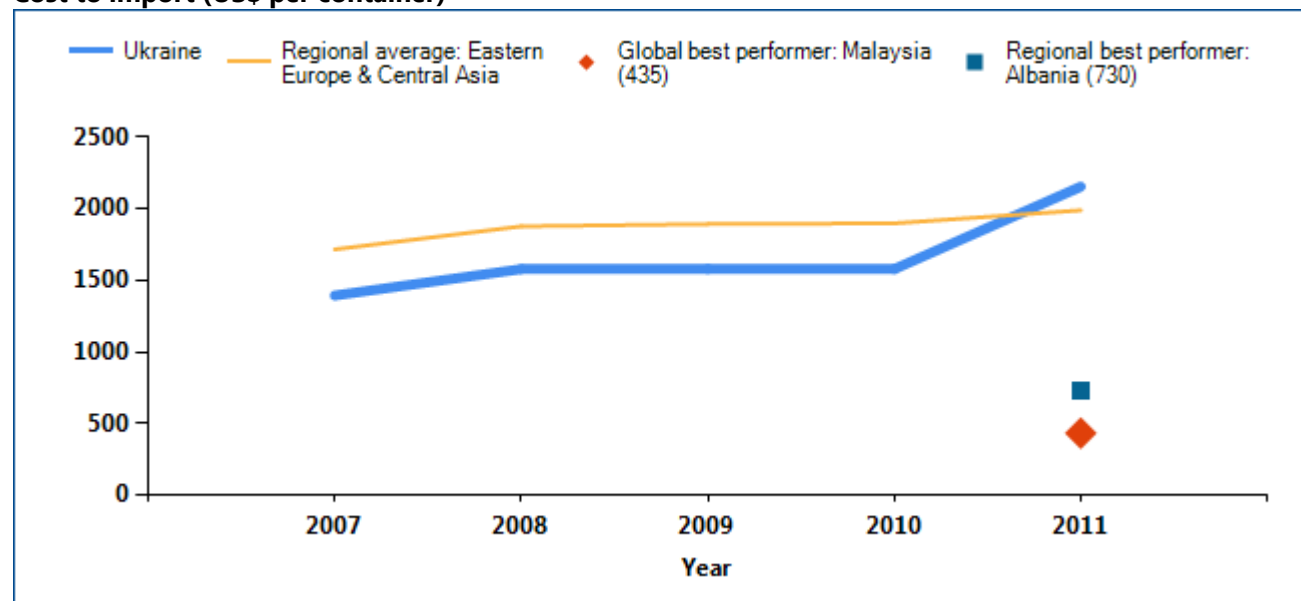


TRADING ACROSS BORDERS

Time to import (days)



Cost to import (US\$ per container)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator.

Source: Doing Business database.

TRADING ACROSS BORDERS

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 Ukraine (table 9.2)?

Table 9.2 How has Ukraine made trading across borders easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	Ukraine made trading across borders more difficult by introducing additional inspections for customs clearance of imports.
DB2011	No reform.
DB2010	No reform.
DB2009	In trade, improvements to port infrastructure and services reduced the time to import.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

TRADING ACROSS BORDERS

What are the details?

The indicators reported here for Ukraine are based on a set of specific procedural requirements for trading a standard shipment of goods by ocean transport (see the section in this chapter on what the indicators cover). Information on the procedures as well as the required documents and the time and cost to complete each procedure is collected from local

freight forwarders, shipping lines, customs brokers, port officials and banks. The procedural requirements, and the associated time and cost, for exporting and importing a standard shipment of goods are listed in the summary below, along with the required documents.

Summary of procedures and documents for trading across borders in Ukraine

Indicator	Ukraine	Eastern Europe & Central Asia	OECD high income
Documents to export (number)	6	7	4
Time to export (days)	30	27	10
Cost to export (US\$ per container)	1865	1,774	1,032
Documents to import (number)	8	8	5
Time to import (days)	33	29	11
Cost to import (US\$ per container)	2155	1,990	1,085

Procedures to export	Time (days)	Cost (US\$)
Documents preparation	22	235
Customs clearance and technical control	2	250
Ports and terminal handling	3	430
Inland transportation and handling	3	950
Totals	30	1865

Procedures to import	Time (days)	Cost (US\$)
Documents preparation	20	255
Customs clearance and technical control	7	300
Ports and terminal handling	3	600
Inland transportation and handling	3	1000
Totals	33	2155

TRADING ACROSS BORDERS

Documents to export
Technical standard certificate
Customs export declaration
Bill of Lading
Certificate of Origin
Commercial invoice
Packing list

Documents to import
Commercial invoice
Customs import declaration
Customs transit document
Packing list
Technical standard certificate
Cargo release order/ Delivery order
Bill of Lading
Certificate of origin

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.

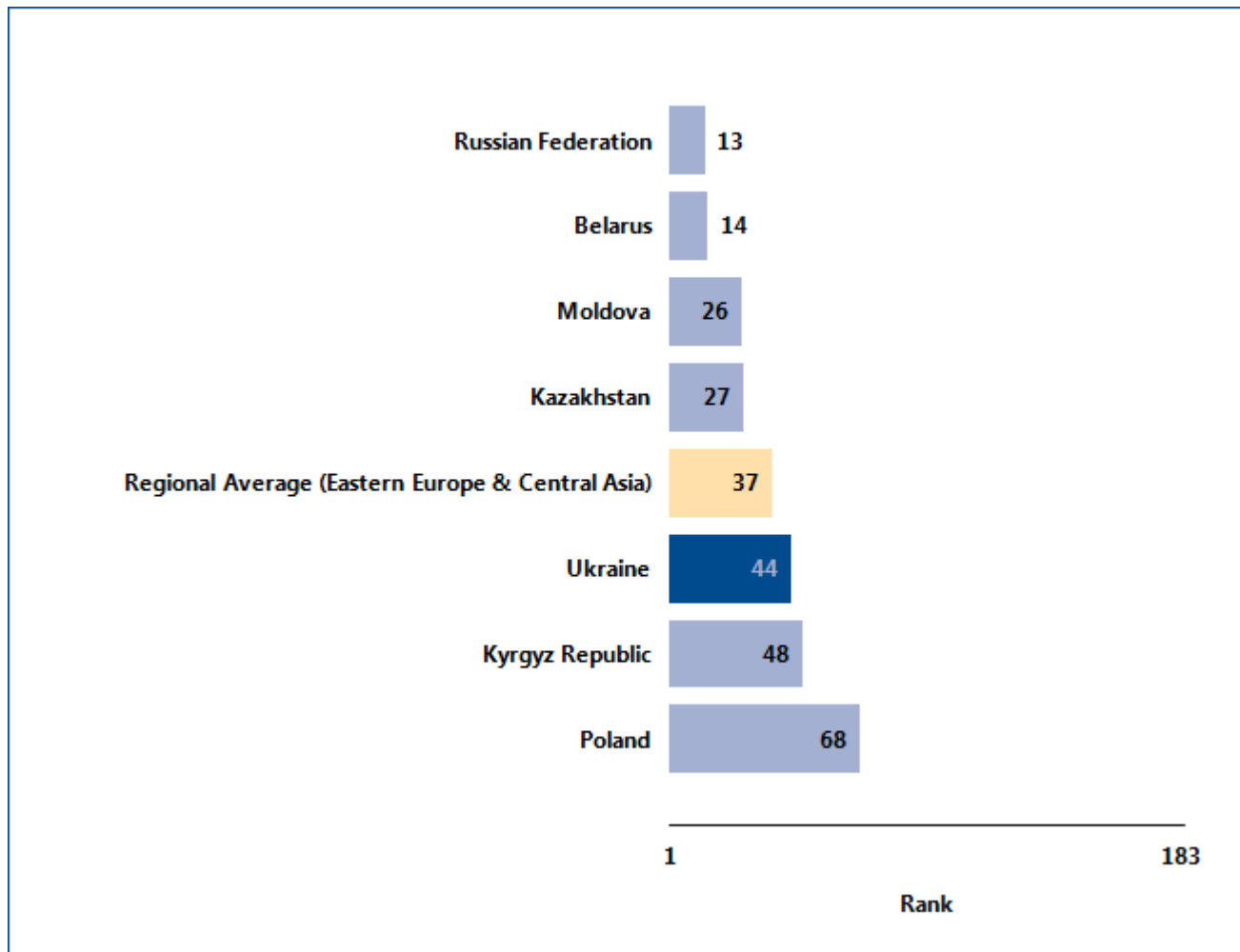
ENFORCING CONTRACTS

Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in Ukraine? According to data collected by *Doing Business*, enforcing a contract requires 30 procedures, takes 343 days and costs 41.5% of the value of the claim (see the summary at the end of this chapter for details).

Globally, Ukraine stands at 44 in the ranking of 183 economies on the ease of enforcing contracts (figure 10.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of contract enforcement in Ukraine.

Figure 10.1 How Ukraine and comparator economies rank on the ease of enforcing contracts



Source: *Doing Business* database.

ENFORCING CONTRACTS

What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to enforce a contract in Ukraine today, data on the underlying indicators over time help

identify which areas have changed and where the potential for improvement is greatest (table 10.1).

Table 10.1 The ease of enforcing contracts in Ukraine over time
By *Doing Business* report year

Indicator	DB2004	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	..	44	44
Time (days)	354	354	354	354	354	354	345	345	343
Cost (% of claim)	41.5	41.5	41.5	41.5	41.5	41.5	41.5	41.5	41.5
Procedures (number)	30	30	30	30	30	30	30	30	30

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.

Source: *Doing Business* database.

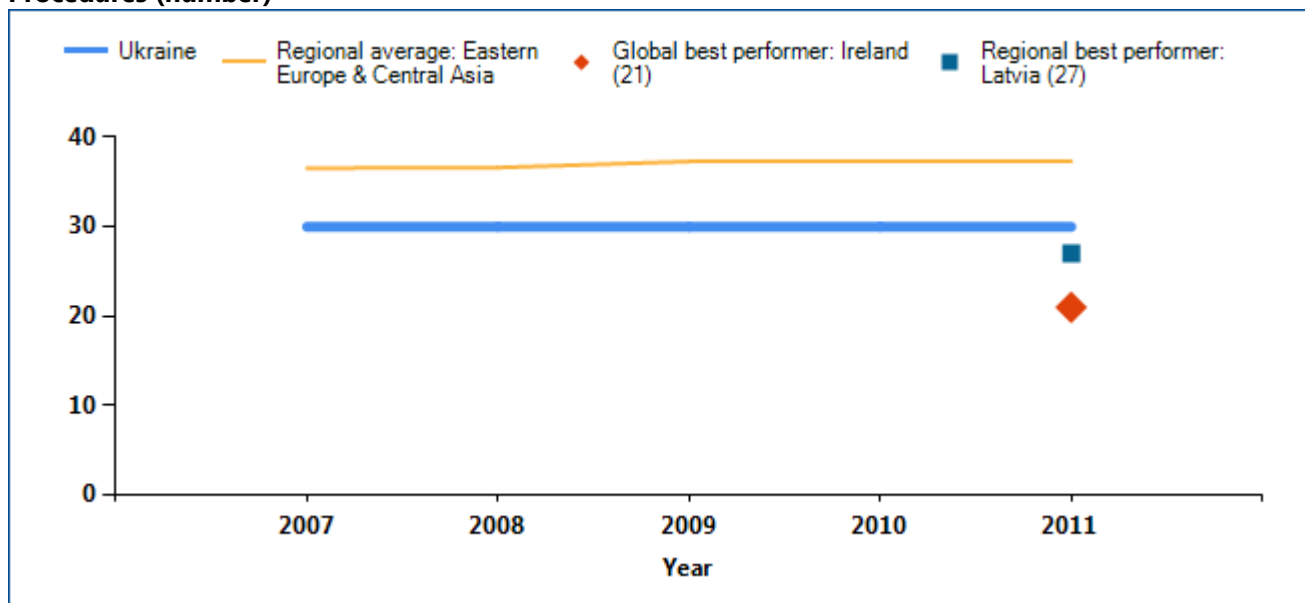
ENFORCING CONTRACTS

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the number of steps, time or cost required to enforce a contract through the courts (figure 10.2). These economies may provide a model

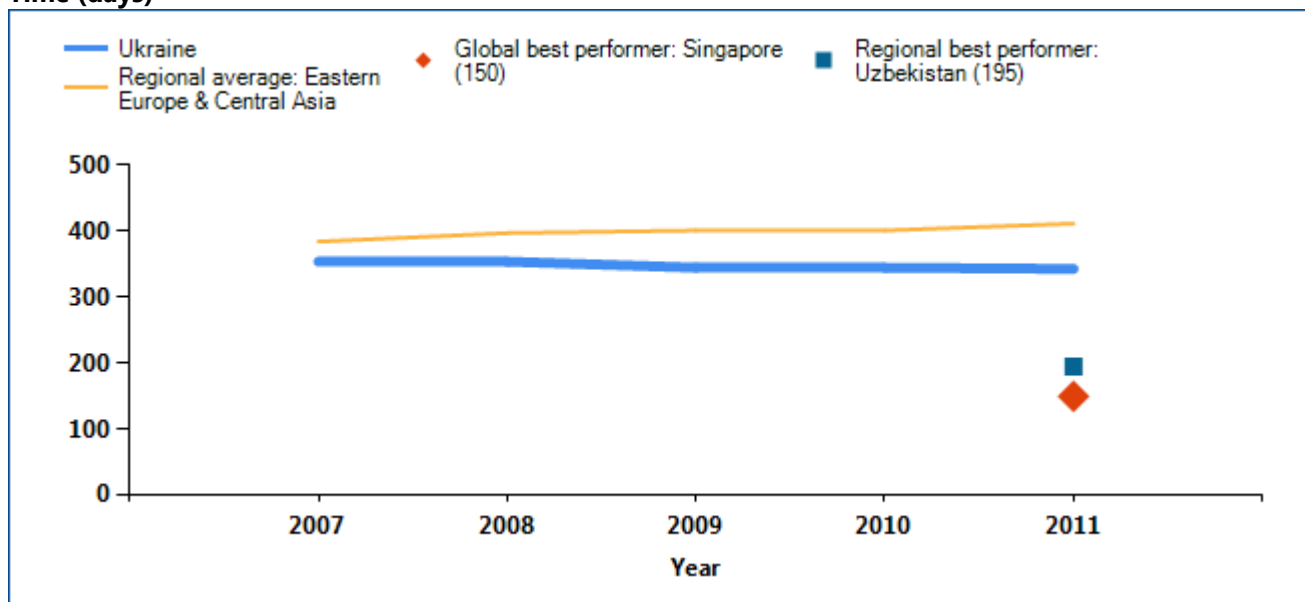
for Ukraine on ways to improve the efficiency of contract enforcement. And changes in regional averages can show where Ukraine is keeping up—and where it is falling behind.

Figure 10.2 Has enforcing contracts become easier over time?

Procedures (number)

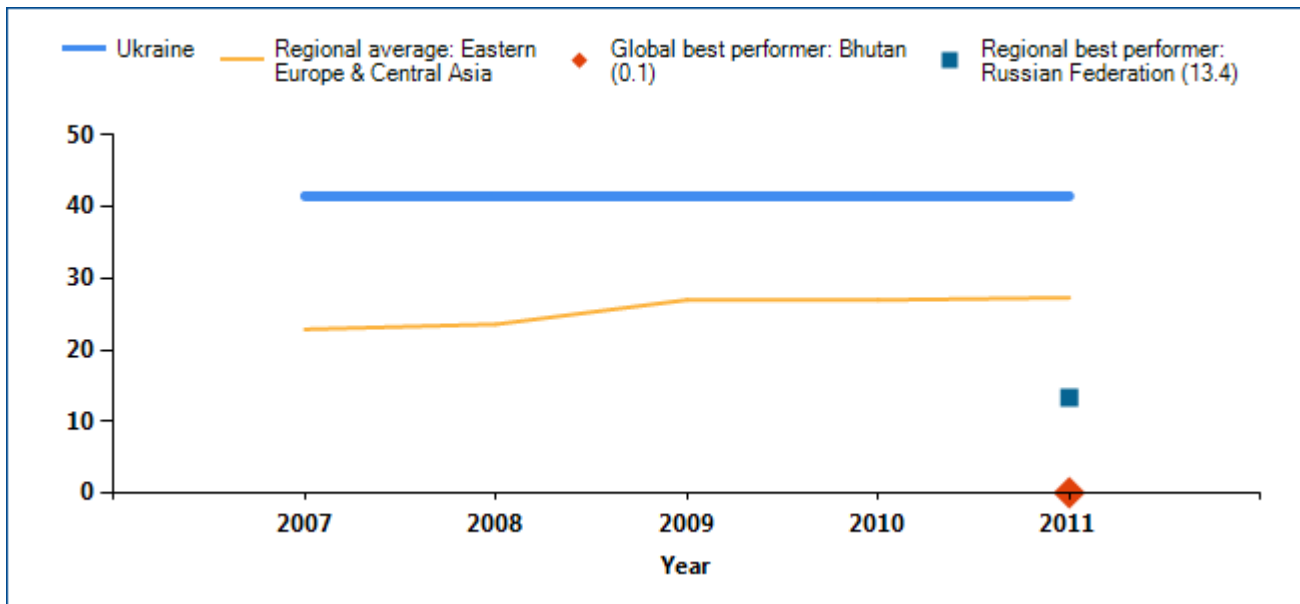


Time (days)



ENFORCING CONTRACTS

Cost (% of claim)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator.

Source: *Doing Business* database.

ENFORCING CONTRACTS

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 Ukraine (table 10.2)?

Table 10.2 How has Ukraine made enforcing contracts easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	Ukraine amended legislation to streamline commercial dispute resolution and increase the efficiency of enforcement procedures.
DB2011	No reform.
DB2010	No reform.
DB2009	No reform.

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

What are the details?

The indicators reported here for Ukraine are based on a set of specific procedural steps required to resolve a standardized commercial dispute through the courts (see the section in this chapter on what the indicators cover). These procedures, and the time and cost of completing them, are identified through study of the

codes of civil procedure and other court regulations, as well as through surveys completed by local litigation lawyers (and, in a quarter of the economies covered by *Doing Business*, by judges as well). The procedures for resolving a commercial lawsuit, and the associated time and cost, are listed in the summary below.

Summary of procedures for enforcing a contract in Ukraine—and the time and cost

Indicator	Ukraine	Eastern Europe & Central Asia	OECD high income
Time (days)	343	411.63	518.03
Filing and service	33		
Trial and judgment	130		
Enforcement of judgment	180		
Cost (% of claim)	41.5	27.33	19.71
Attorney cost (% of claim)	22.7		
Court cost (% of claim)	7.4		
Enforcement Cost (% of claim)	11.4		
Procedures (number)	30	37.29	31.42

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.

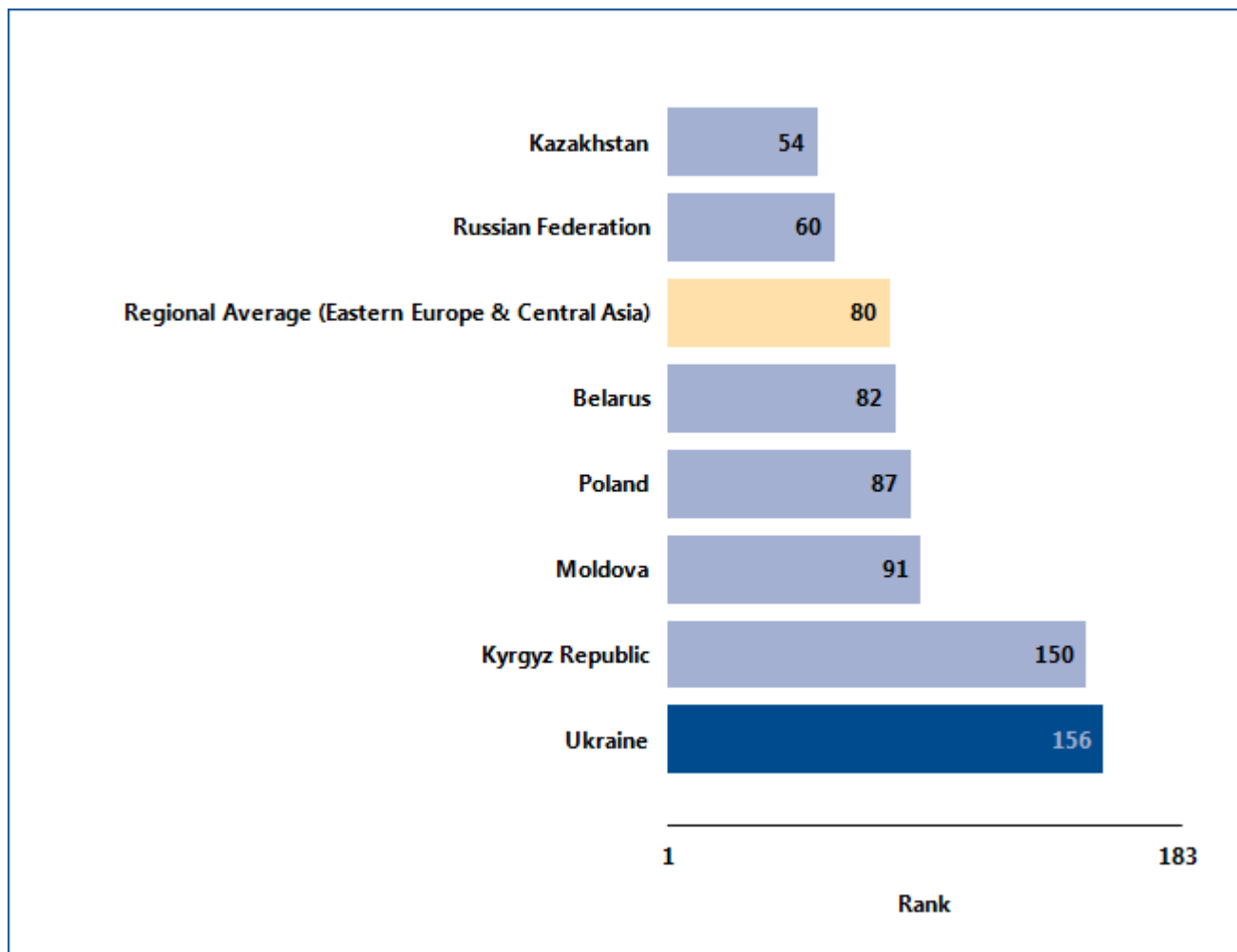
RESOLVING INSOLVENCY

Where does the economy stand today?

Speed, low costs and continuation of viable businesses characterize the top-performing economies. How efficient are insolvency proceedings in Ukraine? According to data collected by *Doing Business*, resolving insolvency takes 2.9 years on average and costs 42% of the debtor's estate. The average recovery rate is 8.9 cents on the dollar.

Globally, Ukraine stands at 156 in the ranking of 183 economies on the ease of resolving insolvency (figure 11.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of insolvency proceedings in Ukraine.

Figure 11.1 How Ukraine and comparator economies rank on the ease of resolving insolvency



Source: *Doing Business* database.

RESOLVING INSOLVENCY

What are the changes over time?

While the most recent *Doing Business* data reflect the efficiency of insolvency proceedings in Ukraine today, data over time show where the efficiency has

changed—and where it has not (table 11.1). That can help identify where the potential for improvement is greatest.

Table 11.1 The ease of resolving insolvency in Ukraine over time
By *Doing Business* report year

Indicator	DB2004	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	..	158	156
Time (years)	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Cost (% of estate)	42	42	42	42	42	42	42	42	42
Recovery rate (cents on the dollar)	8.1	8.3	8.4	8.7	9.1	9.1	9.1	7.9	8.9

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology. "No practice" indicates that in each of the previous 5 years the economy had no cases involving a judicial reorganization, judicial liquidation or debt enforcement procedure (foreclosure). This means that creditors are unlikely to recover their money through a formal legal process (in or out of court). The recovery rate for "no practice" economies is 0.

Source: *Doing Business* database.

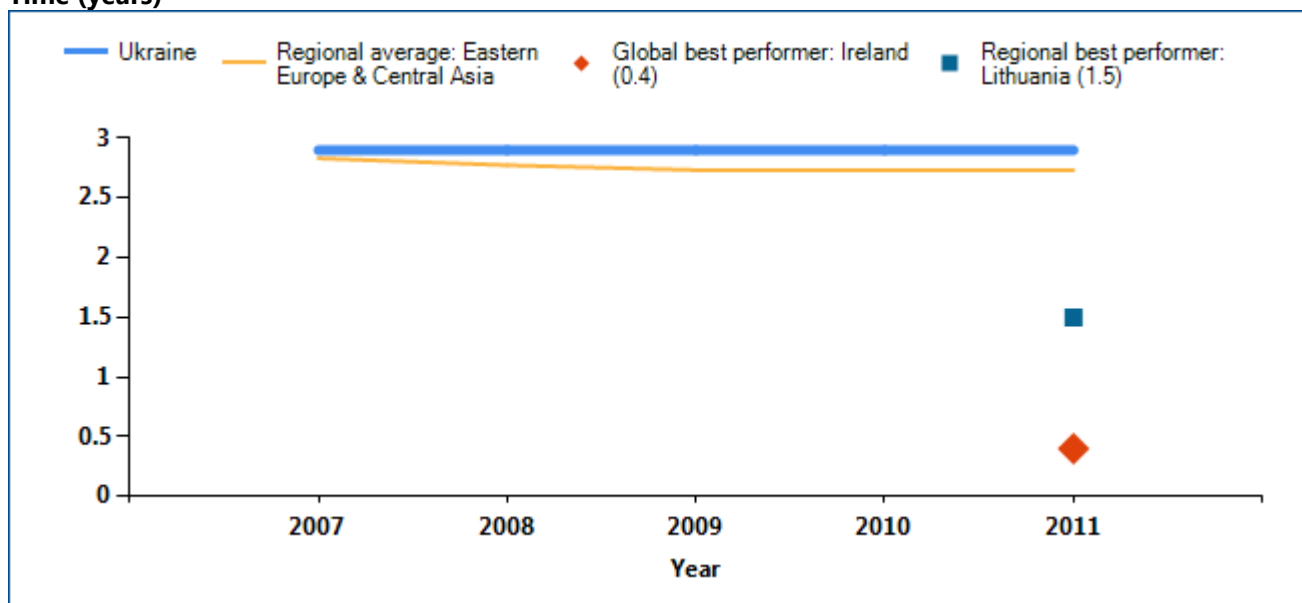
RESOLVING INSOLVENCY

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the time or cost of insolvency proceedings or on the recovery rate (figure 11.2). These economies may provide a model for Ukraine on

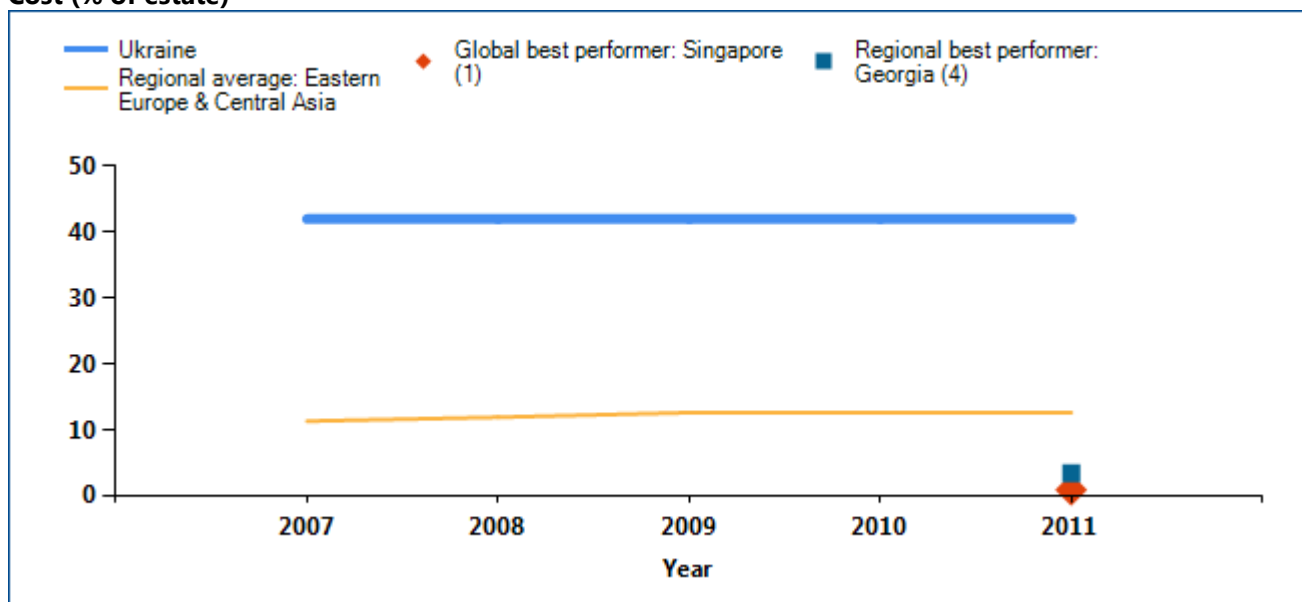
ways to improve the efficiency of insolvency proceedings. And changes in regional averages can show where Ukraine is keeping up—and where it is falling behind.

Figure 11.2 Has resolving insolvency become easier over time?

Time (years)

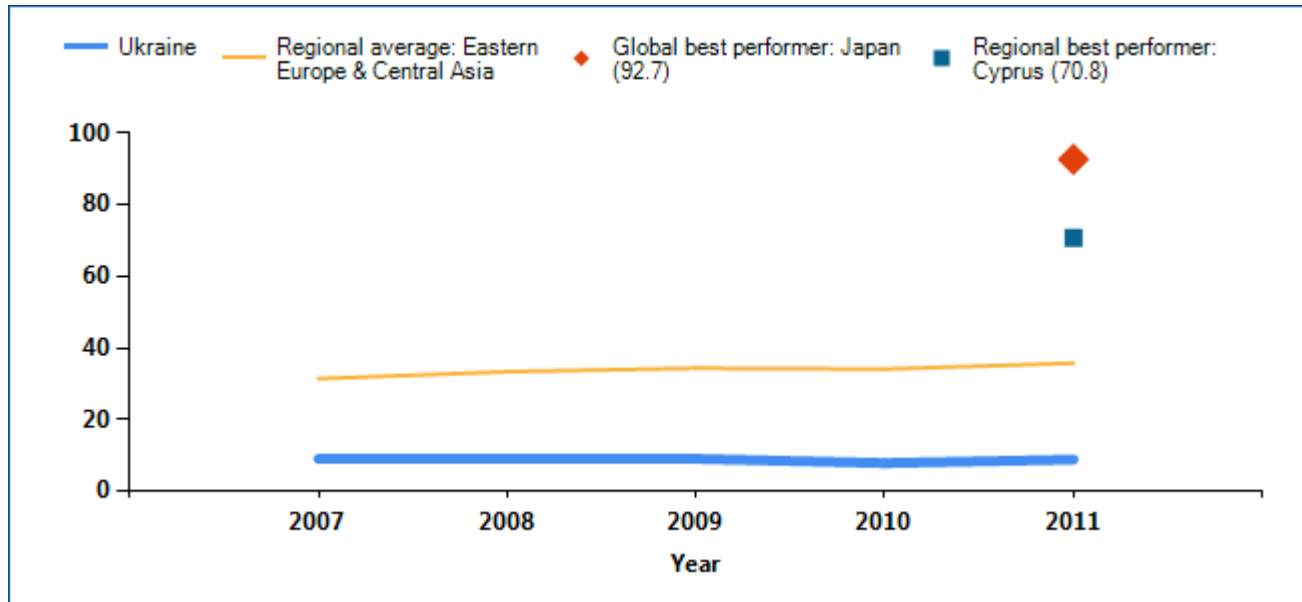


Cost (% of estate)



RESOLVING INSOLVENCY

Recovery rate (cents on the dollar)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator. In cases where no data are displayed above for the economy, this indicates that the economy has received a “no practice” mark; see the data notes for details.

Source: *Doing Business* database.

RESOLVING INSOLVENCY

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 Ukraine (table 11.2)?

Table 11.2 How has Ukraine made resolving insolvency easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	Ukraine amended its legislation on enforcement, introducing more guarantees for secured creditors.
DB2011	No reform.
DB2010	No reform.
DB2009	No reform.

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

Source: *Doing Business* database.

DATA NOTES

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

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

Methodology

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

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

ECONOMY CHARACTERISTICS

Gross national income (GNI) per capita

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

Region and income group

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

Population

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

The *Doing Business* methodology offers several advantages. It is transparent, using factual information about what laws and regulations say and allowing multiple interactions with local respondents to clarify potential misinterpretations of questions. Having representative samples of respondents is not an issue;

Doing Business is not a statistical survey, and the texts of the relevant laws and regulations are collected and answers checked for accuracy. The methodology is inexpensive and easily replicable, so data can be collected in a large sample of economies. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. Finally, the data not only highlight the extent of specific regulatory obstacles to business but also identify their source and point to what might be reformed.

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

Limits to what is measured

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

Finally, the methodology assumes that a business has full information on what is required and does not waste time when completing procedures. In practice, completing a procedure may take longer if the business lacks information or is unable to follow up promptly. Alternatively, the business may choose to disregard some burdensome procedures. For both reasons the time delays reported in *Doing Business 2012* would differ from the recollection of

entrepreneurs reported in the World Bank Enterprise Surveys or other perception surveys.

Subnational *Doing Business* indicators

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

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

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

Changes in what is measured

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

First, for getting credit, the scoring of one of the 10 components of the strength of legal rights index was amended to recognize additional protections of secured creditors and borrowers. Previously the highest score of 1 was assigned if secured creditors were not subject to an automatic stay or moratorium on enforcement procedures when a debtor entered a court-supervised reorganization procedure. Now the highest score of 1 is also assigned if the law provides secured creditors with grounds for relief from an

automatic stay or moratorium (for example, if the movable property is in danger) or sets a time limit for the automatic stay.

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

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

Data challenges and revisions

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

Ease of doing business and distance to frontier

This year's report presents results for 2 aggregate measures: the aggregate ranking on the ease of doing business and a new measure, the "distance to frontier." While the ease of doing business ranking compares economies with one another at a point in time, the distance to frontier measure shows how much the

regulatory environment for local entrepreneurs in each economy has changed over time.

Ease of doing business

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

Construction of the ease of doing business index

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

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

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

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

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

Variability of economies’ rankings across topics

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

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

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

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

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

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

Doing Business 2012 uses a simple method to calculate which economies improved the most in the ease of doing business. First, it selects the economies that in 2010/11 implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year’s ease of doing business ranking.⁷ Thirty economies meet this criterion: Armenia, Burkina Faso, Burundi, Cape Verde, the Central African Republic, Chile, Colombia, the Democratic Republic of Congo, Côte d’Ivoire, The Gambia, Georgia, Korea, Latvia, Liberia, FYR Macedonia, Mexico, Moldova, Montenegro, Morocco, Nicaragua, Oman, Peru, Russia, 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.

Distance to frontier measure

This year’s report introduces a new measure to illustrate how the regulatory environment for local businesses in each economy has changed over time. The distance to frontier measure illustrates the distance of an economy to the “frontier” and shows

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

the extent to which the economy has closed this gap over time. The frontier is a score derived from the most efficient practice or highest score achieved on each of the component indicators in 9 *Doing Business* indicator sets (excluding the employing workers and getting electricity indicators) by any economy since 2005. In starting a business, for example, New Zealand has achieved the highest performance on the time (1 day), Canada and New Zealand on the number of procedures required (1), Denmark and Slovenia on the cost (0% of income per capita) and Australia on the paid-in minimum capital requirement (0% of income per capita).

Calculating the distance to frontier for each economy involves 2 main steps. First, individual indicator scores are normalized to a common unit. To do so, each of the 32 component indicators y is rescaled to $(y - \min)/(\max - \min)$, with the minimum value (\min) representing the frontier—the highest performance on that indicator across all economies since 2005. Second, for each economy the scores obtained for individual indicators are aggregated through simple averaging into one distance to frontier score. An economy's distance to the frontier is indicated on a scale from 0 to 100, where 0 represents the frontier and 100 the lowest performance.

The difference between an economy's distance to frontier score in 2005 and its score in 2011 illustrates the extent to which the economy has closed the gap to the frontier over time.

The maximum (\max) and minimum (\min) observed values are computed for the 174 economies included in the *Doing Business* sample since 2005 and for all years (from 2005 to 2011). The year 2005 was chosen as the baseline for the economy sample because it was the first year in which data were available for the majority of economies (a total of 174) and for all 9 indicator sets included in the measure. To mitigate the effects of extreme outliers in the distributions of the rescaled data (very few economies need 694 days to complete the procedures to start a business, but many need 9 days), the maximum (\max) is defined as the 95th percentile of the pooled data for all economies and all years for each indicator.

Take Colombia, which has a score of 0.21 on the distance to frontier measure for 2011. This score indicates that the economy is 21 percentage points away from the frontier constructed from the best performances across all economies and all years. Colombia was further from the frontier in 2005, with a score of 0.43. The difference between the scores shows an improvement over time.

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