

# Doing Business 2008

DOING BUSINESS 2008

COMPARING REGULATION IN 178 ECONOMIES

# Doing Business

## Overview

This year Eastern Europe and the former Soviet Union surpassed East Asia in the ease of doing business (figure 1.1). Several of the region's countries have gone even further, surpassing many Western European economies. Estonia, the most business friendly of the former socialist bloc, ranks 17 on the ease of doing business. Georgia and Latvia are also in the top 25.

The result is a boom in new businesses. Georgia now has 15 registered businesses per 100 people (same as Malaysia). The Czech Republic and Slovakia have 13 (same as Singapore). Estonia and Poland have 12 (same as Hong Kong, China). Some of these new businesses have become global leaders in their field—for example, the Estonian-born software company Skype and the Czech carmaker Škoda.

As in previous years, Eastern European countries

dominate the list of top reformers in 2006/07, with Croatia, FYR Macedonia, Georgia and Bulgaria reforming the most. Croatia is a top reformer for the second year running, Georgia for the third.

Many others are reforming too. Two hundred reforms—in 98 economies—were introduced between April 2006 and June 2007. Reformers simplified business regulations, strengthened property rights, eased tax burdens, increased access to credit and reduced the cost of exporting and importing.

Across regions, Eastern Europe and Central Asia reformed the most, followed by South Asia and rich countries (figure 1.2). Latin America reformed the least. The pickup in South Asia was led by India, which rose 12 ranks on the ease of doing business. The slowdown in Latin America could be a result of a busy election year:

FIGURE 1.1

### Which region is the most business friendly in 2007?

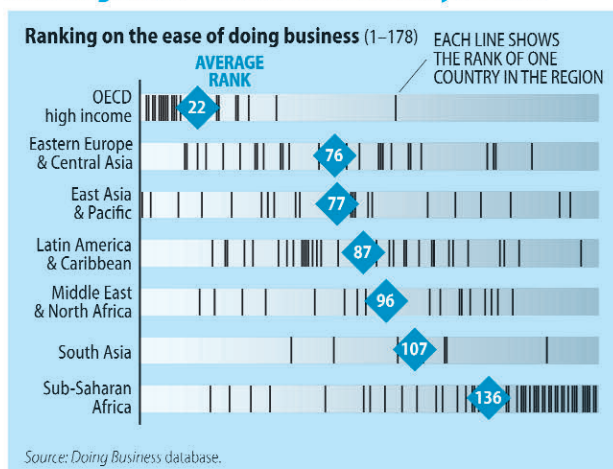


FIGURE 1.2

### Most reform in Eastern Europe & Central Asia—again



TABLE 1.1  
The top 10 reformers in 2006/07

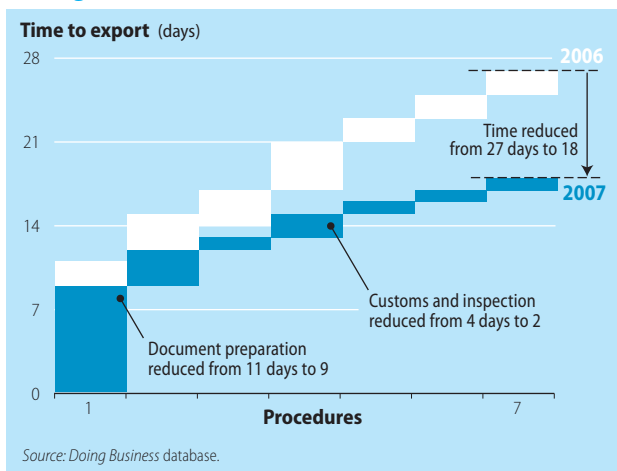
Economy	Starting a business	Dealing with licenses	Employing workers	Registering property	Getting credit	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts	Closing a business
Egypt	✓	✓		✓	✓			✓		
Croatia	✓			✓	✓					✓
Ghana	✓			✓	✓			✓	✓	
Macedonia, FYR	✓	✓					✓			
Georgia	✓	✓		✓	✓	✓				✓
Colombia						✓	✓	✓		
Saudi Arabia	✓				✓			✓		
Kenya	✓	✓		✓	✓					
China		✓			✓					✓
Bulgaria		✓					✓		✓	

Note: Economies are ranked on the number and impact of reforms. First, *Doing Business* selects the economies that reformed in 3 or more of the *Doing Business* topics. Second, it ranks these economies on the increase in rank on the ease of doing business from the previous year. The larger the improvement, the higher the ranking as a reformer.  
Source: *Doing Business* database.

13 countries saw new governments sworn in. Earlier analysis suggests that the region might experience a reform boom next year, as nearly 85% of reforms take place in the first 15 months of a new government.<sup>1</sup>

Egypt is the top reformer for 2006/07, improving in 5 of the 10 areas studied by *Doing Business* (table 1.1). Egypt's reforms went deep. They made starting a business easier, slashing the minimum capital requirement from 50,000 Egyptian pounds to 1,000 and halving start-up time and cost. Fees for registering property were reduced from 3% of the property value to a low fixed fee. With more properties registered and less evasion, revenue from title registrations jumped by 39% in the 6 months after the reform. New one-stop shops were launched for traders at the ports, cutting the time to import by 7 days and the time to export by 5. The first private credit bureau was established. And builders now face less bureaucracy in getting construction permits.

FIGURE 1.3  
Making trade easier in India



Croatia is the runner-up, with reforms in 4 of the *Doing Business* areas. Two years ago registering a property in Croatia took 956 days. Now it takes 174. Croatia also sped company start-up, consolidating procedures at the one-stop shop and allowing pension and health services registration online. Two procedures and 5 days were cut from the process. Credit became easier to access: a new credit bureau got off the ground, and a unified registry now records all charges against movable property in one place. In the first 2 months €1.4 billion of credit was registered. Finally, amendments to the Croatian insolvency law introduced professional requirements for bankruptcy trustees and shortened timelines.

### Large emerging economies—fast reformers

China, Egypt, India, Indonesia, Turkey and Vietnam all improved in the ease of doing business.

In China a new property law put private property rights on equal footing with state property rights. The law also expanded the range of assets that can be used as collateral to include inventory and accounts receivable. China also passed a new bankruptcy law. The law gives secured creditors priority to the proceeds from their collateral. And construction became easier, with electronic processing of building permits reducing delays by 2 weeks.

India rivaled this pace of reform. Traders can now submit customs declarations and pay customs fees online before the cargo arrives in port. It takes 18 days to meet all the administrative requirements to export—in 2006 it took 27 (figure 1.3). The credit bureau expanded to include payment histories on businesses as well as individuals. And reformers introduced an electronic collateral registry for security



rights granted by companies.

Other big emerging markets also made large reforms. Russia established a new credit bureau. Indonesia strengthened investor protections and expanded credit information by removing the minimum size cutoff for loans covered by the public credit registry.

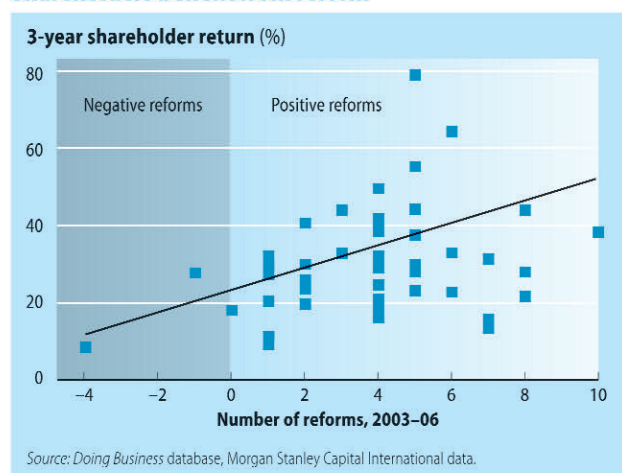
Vietnam also strengthened investor protections, with a new enterprise law and securities act. A secured transactions decree allows businesses to use a wider range of assets as collateral, easing access to credit. Nigeria introduced electronic procedures at the company registry and sped start-up time by 9 days. And reforms reduced the time to obtain building permits from 90 days to 30. Turkey cut its corporate income tax from 30% to 20% and introduced electronic customs procedures, reducing the time to export by 6 days and the time to import by 10.

Investors are taking note. They look for upside potential, and they find it in economies that are reforming—regardless of the starting point. Indeed, equity returns are highest in countries that are reforming the most (figure 1.4). With emerging markets aggressively improving their business regulations, there has hardly been a better time to invest.

### Reform in Africa—uneven

Some African countries have reformed, led by Ghana and Kenya—both top 10 reformers. In southern Africa several have reformed, with Madagascar, Mauritius and Mozambique taking the lead (figure 1.5). Mauritius now ranks 27 on the ease of doing business, the highest among African countries. In West and Central Africa, however, little reform took place outside Burkina Faso and Ghana.

FIGURE 1.4  
**Shareholders benefit from reform**



### Easing business entry—the most popular reform

Reforms to ease the entry of new firms were the most popular in 2006/07 (figure 1.6). Thirty-nine countries made start-up simpler, faster or cheaper. The second most popular were reforms to cut taxes and simplify their administration. Some reforms are harder, requiring new legislation and the political tradeoffs that come with it. Only 10 countries revised their bankruptcy laws. And the fewest positive reforms took place in the area of employing workers. Eight countries increased the flexibility of labor regulations; 4 made them more rigid.

The 3 boldest reforms, driving the biggest improvements in the *Doing Business* indicators:

- Saudi Arabia’s easing of business start-up.
- Georgia’s increase in investor protections.
- Russia’s opening of its new credit bureau.

Saudi Arabia eliminated layers of bureaucracy that had previously made it one of the toughest places in the world to start a business. The reforms cut 6 procedures for forming a new company—speeding processes at the Ministry of Commerce, merging publication requirements and allowing social security registration online. The time for start-up dropped from 39 days to 15.

But most dramatic was Saudi Arabia’s elimination of the minimum capital requirement. Saudi entrepreneurs once had to set aside \$124,464—the fifth largest minimum capital requirement in the world. No more. New business owners can now put that capital to work immediately—hiring staff, renting office space and marketing new products.

Georgia made investing safer. Amendments to its securities law eliminated loopholes that allowed corporate insiders to expropriate minority investors. Reform-

FIGURE 1.5  
**Who reformed the most in Africa in 2006/07?**

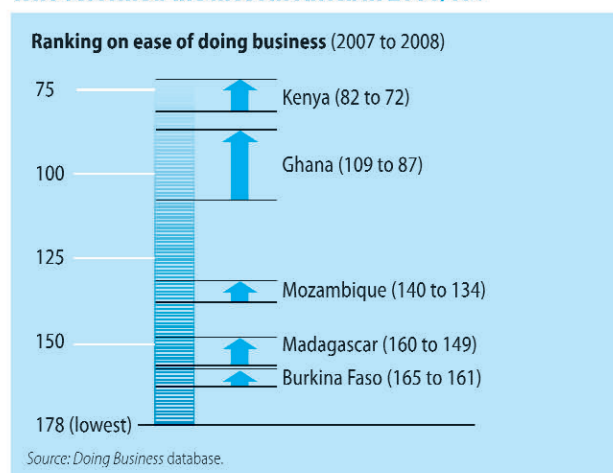
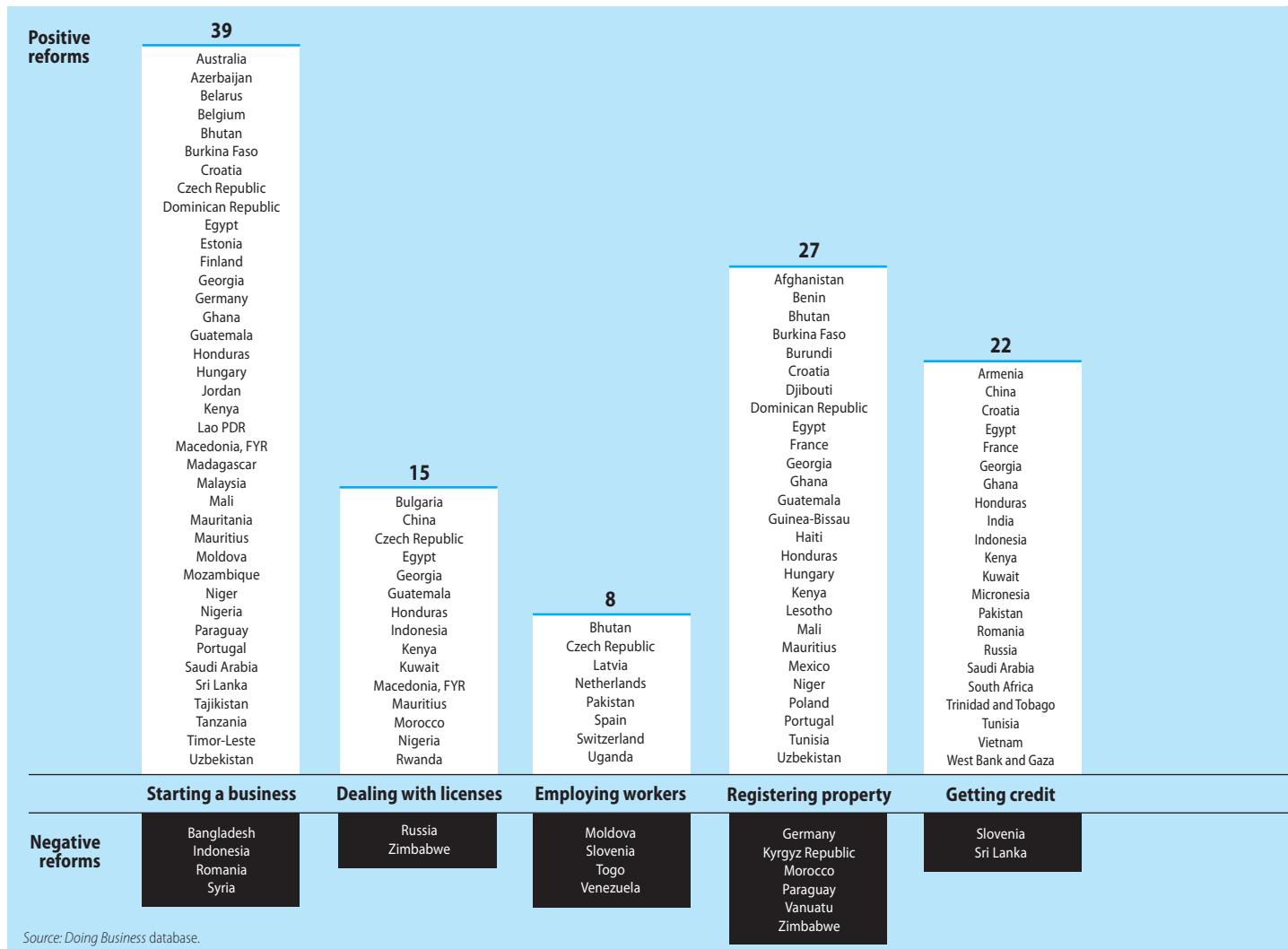


FIGURE 1.6

**200 reforms made business easier—27 made it more difficult**

Source: Doing Business database.

ers increased disclosure requirements for directors' conflicts of interest, detailed stricter duties to the firm for directors and heightened penalties for self-dealing.

Russia's first credit bureau started up in 2006 and by July 2007 had extended its coverage to more than 6 million people. Before, banks had no central database to tap when judging a client's creditworthiness. Now they can turn to the new bureau for data on both individuals and firms—and for positive as well as negative information (for example, on payment history and number and frequency of late payments).

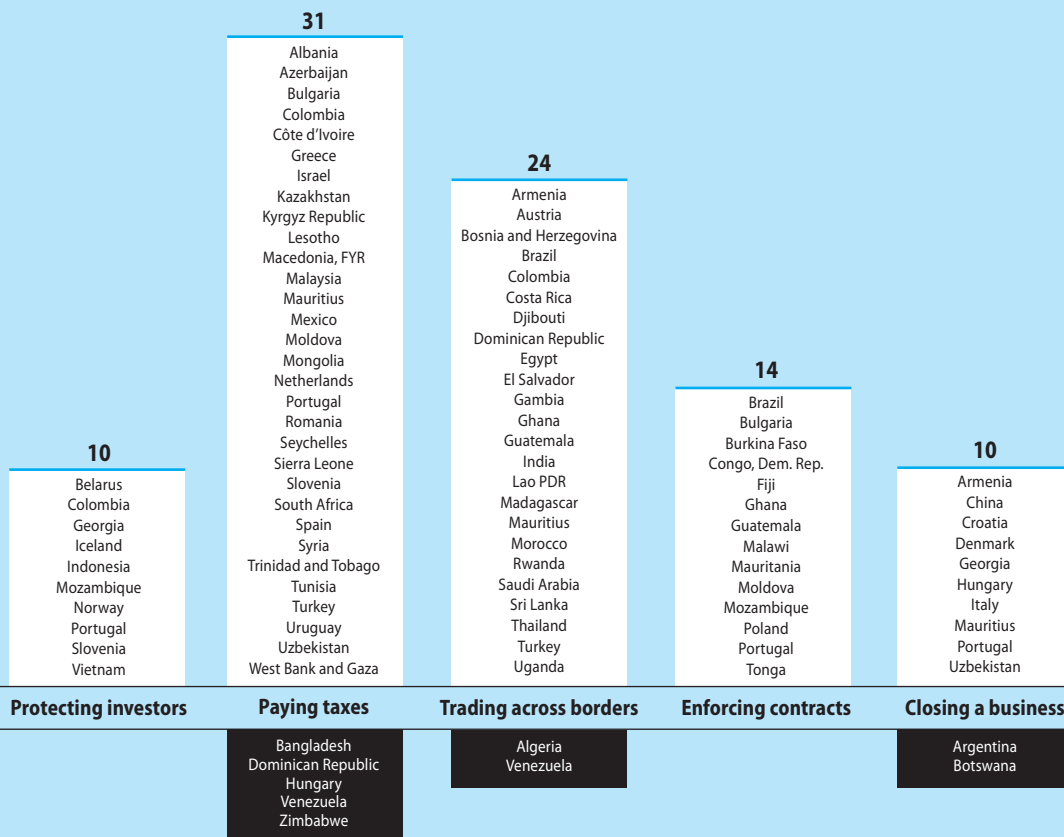
Some countries slipped backward. Venezuela had the largest negative reforms. Doing business there was already hard. In 2006/07 it got harder. Exporters now need a separate license for each transaction. To get the license, they must submit proof of identity and solvency—documents that themselves must be frequently renewed. The time to export stretched to 45 days, barely faster

than in landlocked Burundi. But slow clerks need not worry about losing their job: Venezuela also expanded its ban on firing workers to cover anyone who earns less than 3 times the minimum wage.

**Singapore—number 1, again**

For the second year running, Singapore tops the rankings on the ease of doing business (table 1.2). New Zealand, the United States and Hong Kong (China) follow close behind. Denmark is next, demonstrating that countries can be business friendly and provide strong social protections.

Georgia and Saudi Arabia entered the top 25. Many countries with the most business-friendly regulations continued to reform, such as Australia, Denmark, the Netherlands, Norway and Switzerland. Some stopped—and slipped in the rankings. The message: if you are not reforming, another country will overtake you.



Rankings on the ease of doing business do not tell the whole story. The indicator is limited in scope: it covers only business regulations. It does not account for a country’s proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions.

Still, a high ranking on the ease of doing business does mean that the government has created a regulatory environment conducive to operating a business.

### Opportunities for women

Payoffs from reform can be large. Higher rankings on the ease of doing business are associated with more growth, more jobs and a smaller share of the economy in the informal sector.<sup>2</sup> Take Mexico, where reforms cut

the time to establish a business from 58 days to 27. A recent study reports the payoffs: the number of registered businesses rose by nearly 6%, employment increased by 2.6%, and prices fell by 1% because of the competition from new entrants.<sup>3</sup>

The benefits are especially large for women. Countries with higher scores on the ease of doing business have larger shares of women in the ranks of both entrepreneurs and workers (figure 1.7). Consider Uganda. Complex start-up regulations there allowed more contact between entrepreneurs and public officials—and more chances for bribery. Women were seen as easy targets: 43% of female entrepreneurs reported harassment from government officials, while only 25% of all entrepreneurs did. When reformers simplified business start-up, business registrations shot up. The increase in first-time business owners was 33% higher for women than men.

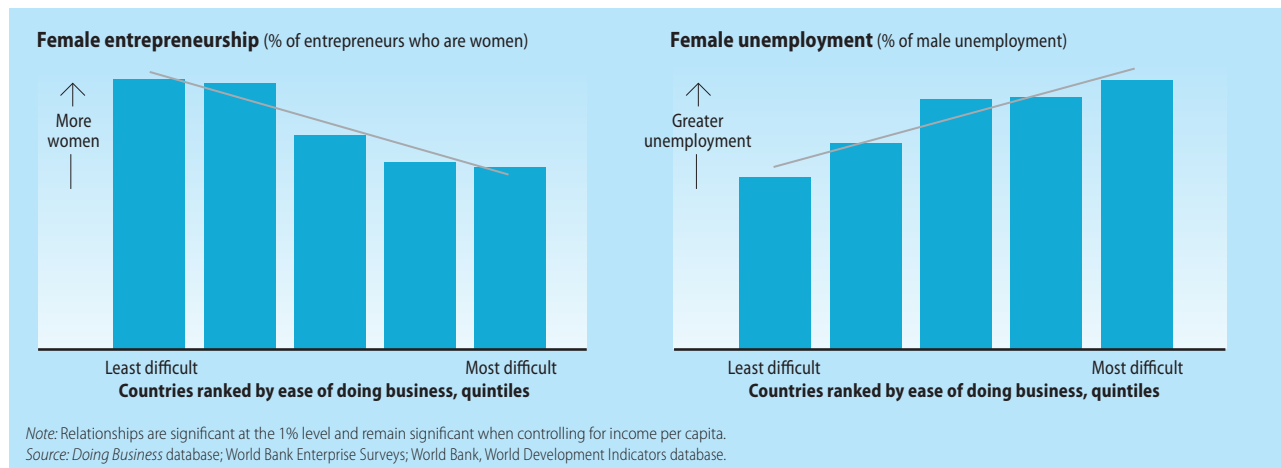
TABLE 1.2  
**Rankings on the ease of doing business**

2008 rank	Economy	2008 rank	Economy	2008 rank	Economy
1	Singapore	61	Samoa	121	Honduras
2	New Zealand	62	Vanuatu	122	Brazil
3	United States	63	Jamaica	123	Indonesia
4	Hong Kong, China	64	St. Kitts and Nevis	124	Lesotho
5	Denmark	65	Panama	125	Algeria
6	United Kingdom	66	Colombia	126	Egypt
7	Canada	67	Trinidad and Tobago	127	Malawi
8	Ireland	68	United Arab Emirates	128	Ecuador
9	Australia	69	El Salvador	129	Morocco
10	Iceland	70	Grenada	130	Tanzania
11	Norway	71	Kazakhstan	131	Gambia
12	Japan	72	Kenya	132	Cape Verde
13	Finland	73	Kiribati	133	Philippines
14	Sweden	74	Poland	134	Mozambique
15	Thailand	75	Macedonia, FYR	135	Iran
16	Switzerland	76	Pakistan	136	Albania
17	Estonia	77	Dominica	137	Syria
18	Georgia	78	Brunei	138	Uzbekistan
19	Belgium	79	Solomon Islands	139	Ukraine
20	Germany	80	Jordan	140	Bolivia
21	Netherlands	81	Montenegro	141	Iraq
22	Latvia	82	Palau	142	Suriname
23	Saudi Arabia	83	China	143	Sudan
24	Malaysia	84	Papua New Guinea	144	Gabon
25	Austria	85	Lebanon	145	Cambodia
26	Lithuania	86	Serbia	146	Djibouti
27	Mauritius	87	Ghana	147	Comoros
28	Puerto Rico	88	Tunisia	148	Haiti
29	Israel	89	Marshall Islands	149	Madagascar
30	Korea	90	Seychelles	150	Rwanda
31	France	91	Vietnam	151	Benin
32	Slovakia	92	Moldova	152	Zimbabwe
33	Chile	93	Nicaragua	153	Tajikistan
34	St. Lucia	94	Kyrgyz Republic	154	Cameroon
35	South Africa	95	Swaziland	155	Côte d'Ivoire
36	Fiji	96	Azerbaijan	156	Togo
37	Portugal	97	Croatia	157	Mauritania
38	Spain	98	Uruguay	158	Mali
39	Armenia	99	Dominican Republic	159	Afghanistan
40	Kuwait	100	Greece	160	Sierra Leone
41	Antigua and Barbuda	101	Sri Lanka	161	Burkina Faso
42	Luxembourg	102	Ethiopia	162	Senegal
43	Namibia	103	Paraguay	163	São Tomé and Príncipe
44	Mexico	104	Guyana	164	Lao PDR
45	Hungary	105	Bosnia and Herzegovina	165	Equatorial Guinea
46	Bulgaria	106	Russia	166	Guinea
47	Tonga	107	Bangladesh	167	Angola
48	Romania	108	Nigeria	168	Timor-Leste
49	Oman	109	Argentina	169	Niger
50	Taiwan, China	110	Belarus	170	Liberia
51	Botswana	111	Nepal	171	Eritrea
52	Mongolia	112	Micronesia	172	Venezuela
53	Italy	113	Yemen	173	Chad
54	St. Vincent and the Grenadines	114	Guatemala	174	Burundi
55	Slovenia	115	Costa Rica	175	Congo, Rep.
56	Czech Republic	116	Zambia	176	Guinea-Bissau
57	Turkey	117	West Bank and Gaza	177	Central African Republic
58	Peru	118	Uganda	178	Congo, Dem. Rep.
59	Belize	119	Bhutan		
60	Maldives	120	India		

Note: The rankings for all economies are benchmarked to June 2007 and reported in the Country tables. Rankings on the ease of doing business are the average of the country rankings on the 10 topics covered in *Doing Business 2008*. See Ease of doing business for details.

Source: *Doing Business* database.

FIGURE 1.7

**Greater ease of doing business, more women entrepreneurs and workers**

In some countries explicit discrimination in laws compounds the effects of complex regulations. Women in the United Arab Emirates and Yemen are forbidden to work at night. And now so are women in Kuwait, thanks to a new law passed in June 2007. In Zimbabwe married women need permission from their husband to register land. In the Democratic Republic of Congo they need their husband's consent to start a business. Women run only 18% of the small businesses there. In neighboring Rwanda, which has no such regulations, women run more than 41% of small businesses.<sup>4</sup>

The idea behind some of these regulations may be to protect women. But they backfire, taking work away from willing workers and business opportunities away from entrepreneurs. Women end up in the informal economy: they are 3 times as likely as men to be hired informally in most developing countries. In these jobs they receive no social benefits. And if they are abused by their employer, they have limited legal recourse.

Some countries are taking action. Lesotho passed a law in November 2006 allowing married women to own and transfer property and engage in legal acts without their husband's signature. Before the reform the law classified women as legal minors.

### What gets measured gets done

Publishing comparative data on the ease of doing business inspires governments to reform. Since its start in October 2003 the *Doing Business* project has inspired or informed 113 reforms around the world. In 2006 Georgia targeted the top 25 list and used *Doing Business* indicators as benchmarks of its progress. It now ranks 18 on the ease of doing business, and the government

has set an even more ambitious goal. Saudi Arabia and Mauritius have targeted the top 10. Both have made tremendous progress: Saudi Arabia now ranks 23, and Mauritius 27.

Mozambique is reforming several aspects of its business environment, with the goal of reaching the top rank on the ease of doing business in southern Africa. The result: it rose by 6 places in the rankings.

Comparisons among cities within a country are even stronger drivers of reform. The time to obtain a business license in India ranges from 159 days in Bhubaneswar to 522 in Ranchi. The time to register property, from 35 days in Hyderabad to 155 in Calcutta. A hypothetical Indian city with the country's top performance in each of the *Doing Business* indicators would rank 55 places higher on the ease of doing business than Mumbai. The Indian government is taking action. This year India is the top reformer in trading across borders (table 1.3).

TABLE 1.3  
Top reformers in 2006/07 by indicator set

<b>Starting a business</b>	Saudi Arabia
<b>Dealing with licenses</b>	Georgia
<b>Employing workers</b>	Czech Republic
<b>Registering property</b>	Ghana
<b>Getting credit</b>	Croatia
<b>Protecting investors</b>	Georgia
<b>Paying taxes</b>	Bulgaria
<b>Trading across borders</b>	India
<b>Enforcing contracts</b>	Tonga
<b>Closing a business</b>	China

Source: *Doing Business* database.



Reforms go beyond the fixes that improve the *Doing Business* rankings. When the Philippines issued a decree to lower administrative fees, it covered all types of licenses and permits, not just those measured in *Doing Business*. In Malawi and Rwanda reformers are using the indicators to encourage simplification across all government agencies. Kenya is reforming all business licenses.

To help reformers, this year the *Doing Business* project published a book of 11 case studies of successful reforms.<sup>5</sup> These span the globe—from El Salvador to Serbia, from Egypt to Nigeria—and show what it takes to succeed. In cooperation with the U.S. Agency for International Development, *Doing Business* also created a prize to recognize leading reformers. The first one went to Zurab Nogaideli, the prime minister of Georgia.<sup>6</sup> Since then, several reformist governments—such as those in Azerbaijan, Guatemala and Mozambique—have studied the Georgian reform experience for ideas on how to reform.

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## Notes

1. World Bank (2006b, p. 5).
2. Djankov, McLiesh and Ramalho (2006) and World Bank (2005a).
3. Bruhn (2007).
4. The percentages of businesses run by women are from the 2006 World Bank Enterprise Surveys, available at <http://www.enterprisesurveys.org>.
5. World Bank (2007a).
6. For more on those recognized as leading reformers, go to <http://www.reformersclub.org>.