

DOING BUSINESS 2014

The 11th edition of the Doing Business report provides a comparison of the business regulations for small and medium-sized domestic firms in 189 economies around the globe. The conclusions of the report are based on the inputs of over 10,200 professionals and the data is recent as of June 2013. The report benchmarks the regulations in 11 areas of business and ranks the economies using 10 of them, with Employing Workers remaining out of the ranking. Libya, Myanmar, South Sudan and San Marino are the countries that were added to the report this year. In the Doing Business 2014, Singapore tops the global ranking for the eighth consecutive year. A Black Sea and Caspian country, Georgia, takes part in the top 10 business-friendly economies once again.

According to the report, 114 economies implemented 238 regulatory reforms in 2012/13 for the sake of facilitating doing business. While this 18 percent increase in the number of reforms is significant, it is also worth noting that the low-income economies have improved their business regulations at twice the rate that high-income economies have. Another Black Sea and Caspian country, Ukraine, is among the 5 economies that have improved the most alongside Rwanda, the Russian Federation, the Philippines and Kosovo. With reforms in 8 out of 10 areas, Ukraine is referred to as the top improver. In the past year, Europe and Central Asia had the second largest share (73 percent) of economies that performed regulatory reforms in at least one area measured by Doing Business, following South Asia with 75 percent.

The ease of doing business is ranked based on regulations affecting the following ten areas of the life of a business:

1. Starting a business

The benchmark used for evaluating the ease of starting a business consists of the number of procedures, time, cost, and the paid-in minimum capital required for small and medium-size limited-liability companies to formally operate. The report shows that in the past five years, 244 reforms were introduced for starting a business, with 51 of them belonging to the period June 2012-June 2013. With this, starting a business continues to be the indicator set with the most reforms. Out of the 51 economies that facilitated starting a business in the past year, Greece ranked first thanks to the introduction of the “private company” type with low costs of incorporating, and the abolition of the minimum capital requirement. Armenia ranks sixth for starting a business, and has made significant reforms with the electronic registration and merging procedures, and eliminated company registration fees. Azerbaijan, Bulgaria, and Ukraine are other economies in the region with continued improvement in business incorporation regulations. Together with the OECD economies, the countries of Europe and Central Asia region continue to be the front runners of the ease of starting a business.

2. Dealing with construction permits

The indicator set for the ease of dealing with construction permits is comprised of the procedures, time, and cost required for a business to comply with the requirements for building a storage warehouse as well as connecting it to water, sewerage, and a fixed telephone line. Between June 2012 and June 2013, Doing Business recorded 24 reforms in this category, most of which were concerned with streamlining processes and implementing risk-based approval systems. With 8 reforms, Europe and Central Asia became the top ranking region, and also holds the status of the region with the biggest improvement in the last 5 years. Ukraine became the front runner of this regional trend as it is the economy with the fastest progress towards the frontier in the last 5 years. The highest ranking economy in the region is Georgia (2nd) with 9 procedures, a timeframe of 73.5 days, and the cost amounting to 14.9 percent of the income.

3. Getting electricity

Doing Business is measuring the ease of getting electricity through the procedures, time, and cost needed for getting a new electricity connection for a warehouse. Within the past year, 14 reforms were recorded and most of them aimed at making the utilities' internal processes more efficient. The Russian Federation has been the economy with the biggest improvement last year both in the region and globally. Europe and Central Asia was proven to be the most complex region for getting electricity, with the highest number of procedures and days (6 and 146 respectively), but it has also been the region with the most reforms for rendering electricity regulations more business-friendly. Highlighted reforms in the region are concerned with improved process efficiency (Turkey) and streamlined approval process (Ukraine).

4. Registering property

This indicator is evaluating the set of procedures required for a business to purchase an immovable property from another business and formally transfer the property title to the buyer's name. Georgia is the world leader for the ease of property transfer and registration with a single procedure, 2 days, and no costs incurred on the property value. As 31 reforms were recorded globally in the past year, Burundi came first in terms of progress. A major part of the reforms centralized the procedures and increased efficiency through information and communication technology. While the costs increased for 6 economies, the number of procedures or the time required did not increase anywhere. In the Black Sea and Caspian region, reforms enabled fast-track procedures (Kazakhstan), enforced time limits (Russian Federation) and combined or reduced procedures (Ukraine).

5. Getting credit

For this indicator, Doing Business measures the legal rights of lenders and borrowers in secure transactions and bankruptcy laws; and the strength of credit registries and bureaus. These two systems appear to be working best together in terms of facilitating access to finance and improving its allocation. Last year, 9 of the recorded reforms targeted the first system, while 20 of them targeted the latter, and the most common reforms for these systems were the implementation of collateral registries and the establishment of new credit registries/bureaus respectively. Ranking third globally, Georgia is the top performer in the Black Sea and Caspian for the ease of getting credit.

6. Protecting investors

Doing Business measures the strength of minority shareholder protections against directors' misuse of corporate assets for personal gain. The indicators distinguish 3 dimensions of investor protections: approval and transparency of related party transactions, liability of company directors for self-dealing, and shareholders' ability to obtain corporate documents before and during litigation. As 9 legal reforms were recorded between June 2012 and June 2013, New Zealand maintained its top position for the ninth year in a row. Among regions, Europe and Central Asia enhanced investor protections the most in the last 5 years.

7. Paying taxes

For this indicator, Doing Business measures the taxes and mandatory contributions that a medium-sized company must pay or withhold in a given year, and the administrative burden of paying taxes. Between June 2012 and June 2013, 32 reforms made tax payments easier or less costly for companies. Most common tax payment reforms in the last 5 years aimed at reducing the profit tax rates while increasing compliance, and introducing or improving electronic systems. Europe and Central Asia was the region to make the biggest improvement towards the targets. Highlighted reforms from the Black Sea and Caspian region included merging or elimination of taxes other than profit tax (Armenia); decreasing the number of tax filings or payments (Albania and Romania); and simplifying tax compliance process (Ukraine).

8. Trading across borders

Doing Business measures the time and cost associated with exporting and importing by sea transport and the number of documents necessary to complete the transaction. The indicators cover documentation requirements and procedures at customs and other regulatory agencies as well as at the port. They also cover logistical aspects, including the time and cost of inland transport between the largest business city and the main port used by traders. During the last measurement term, 22 reforms that facilitate trade across borders were recorded, and most of these (including those in Azerbaijan and Ukraine) aimed at improving the customs administration. Introduction/improvement of electronic submission

and processing was another measure adopted in the Black Sea and Caspian region, by Greece and the Russian Federation.

9. Enforcing contracts

This indicator set evaluates the efficiency of the judicial system by following the evolution of a commercial sale dispute over the quality of goods and tracking the time, cost and number of procedures involved from the moment the plaintiff files the lawsuit until payment is received. Doing Business recorded 14 reforms that facilitate contract enforcement last year and 66 over the past five years, most of which focused on the introduction of e-filing. In the Black Sea and Caspian region, Romania was highlighted for amending the procedural rules for commercial cases in order to reduce backlogs, simplify and expedite court proceedings, and limit obstructive tactics by the parties.

10. Resolving insolvency

For assessing the efficiency of insolvency frameworks across economies, Doing Business measures the time, cost, and outcome of insolvency proceedings involving domestic entities. While 12 reforms were recorded last year, most of the reforms in the past 5 years focused on the passing of new bankruptcy laws; eliminating formalities and tightening time limits of insolvency proceedings; and regulating the profession of insolvency administrators. Europe and Central Asia had the most insolvency reforms in the past 5 years, while the OECD economies took the lead in increasing the recovery rate. Ukraine was reported to have introduced several reforms for resolving insolvency between June 2012 and June 2013, namely: increasing the likelihood of successful reorganization; regulating the profession of insolvency administrators; eliminating formalities or tightening time limits; and strengthening the rights of secured creditors.

BLACKSEACASPIANBUSINESS Members' Ranking on the Ease of Doing Business

↓	ALBANIA	82	90
↑	ARMENIA	40	37
↓	AUSTRIA	28	30
↑	AZERBAIJAN	71	70
↓	BULGARIA	57	58
↑	GEORGIA	9	8
↓	GERMANY	19	21
↑	GREECE	89	72
↔	IRAN	152	152
↑	KAZAKHSTAN	53	50
↑	MONTENEGRO	50	44
↔	ROMANIA	73	73
↓	SERBIA	87	93
↑	TURKEY	72	69
↑	UKRAINE	140	112