

## Doing Business 2011: Making a Difference for Entrepreneurs

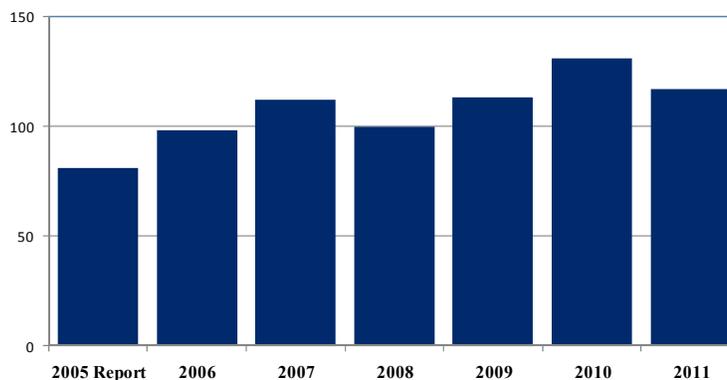
The World Bank's Doing Business 2011 Report cites a total of 217 reforms completed by 117 countries over the past year (The Report uses the term economy as not all its data relate to countries; this snapshot will not follow that convention). Reforming countries worldwide succeeded in making it easier to start a business, pay taxes, trade across borders, enforce contracts, register property, get credit and close a business.

This report shows a marked drop from the last three years of steady increases in the number of reforms. The number of countries completing at least one reform fell to 117, down from its high of 131 countries in the 2010 Report and only slightly higher than the 2009 Report's 113 countries.

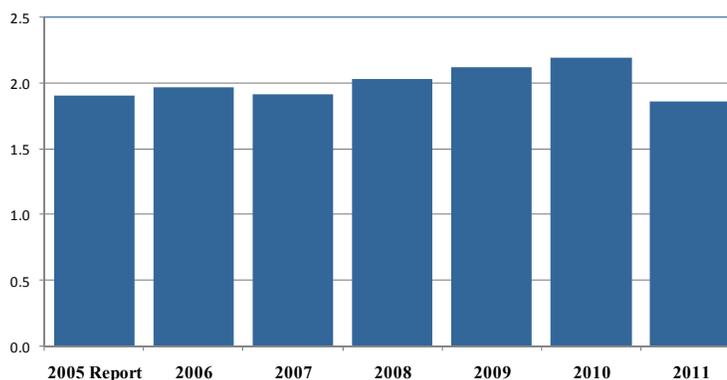
Reforms within countries have likewise declined. The 117 countries in the 2011 Report completed 217 reforms, bringing the average number of reforms per country to 1.85, the first time it has been below 2.00 since the 2007 Report. Of those countries completing at least one reform, 30 completed three or more reforms, a decline of only eight countries compared to the 2010 Report. Only one country completed five reforms, Lithuania, and no country completed more than five reforms, a first since the 2005 Report.

While the number of reforms may be down, the persistence of countries making reforms has never been stronger. In the 2011 Report, there were 32 countries that had made at least one reform every year since the 2005 Report, or 27% of 2011's reformers. Only five countries reported their first reform in the 2011 Report and over 75% have made reforms in four of the last seven reports.

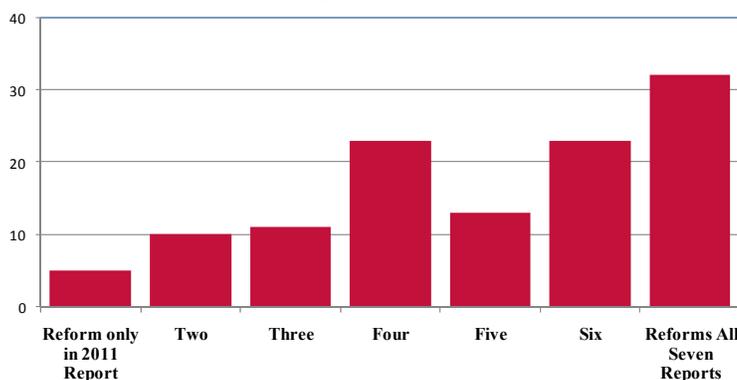
Number of Countries With At Least One Reform, 2005-2011



Average Number of Reforms Per Country With At Least One Reform, 2005-2011



Number of Years With At Least One Reform for 117 Reforming Countries in the 2011 Report



**USAID Assisted Countries and Low and Lower Middle Income Countries Split Top Ten Reformers in 2011**

Of the top ten countries by most improved rank since last year's Report, six are countries that received USAID assistance in the past year. However, unlike last year's Report, only five of the top ten reformers come from low or lower middle income countries. The non-USAID assisted countries in the top ten are predominantly those with higher incomes. Once again, the top ten overall countries are non-USAID assisted countries, but Georgia continues to be a strong competitor in the Doing Business Report at 12<sup>th</sup> place, and the highest USAID assisted country in the ease of doing business rankings. Fewer reforms took place by the time of the 2011 Report (217) than last year's 287 reforms, but sub-Saharan Africa and the Middle East and North Africa were leading reformers over the past year. The top three areas of improvement were starting a business, paying taxes and trading across borders.

**Top Ten Reformers in Doing Business 2011**

Rank	Country	Income Status	Number of Reforms	Ranking on Ease of Doing Business			USAID Country
				2010	2011	Change in rank	
1	Kazakhstan	Upper Middle	4	74	59	15	Yes
2	Rwanda	Low	3	70	58	12	Yes
3	Peru	Upper Middle	4	46	36	10	Yes
4	Vietnam	Lower Middle	3	88	78	10	Yes
5	Cape Verde	Lower Middle	3	142	132	10	No
6	Tajikistan	Low	3	149	139	10	Yes
7	Zambia	Low	3	84	76	8	Yes
8	Hungary	High	4	52	46	6	No
9	Grenada	Upper Middle	3	98	92	6	No
10	Brunei Darussalam	High	3	117	112	5	No

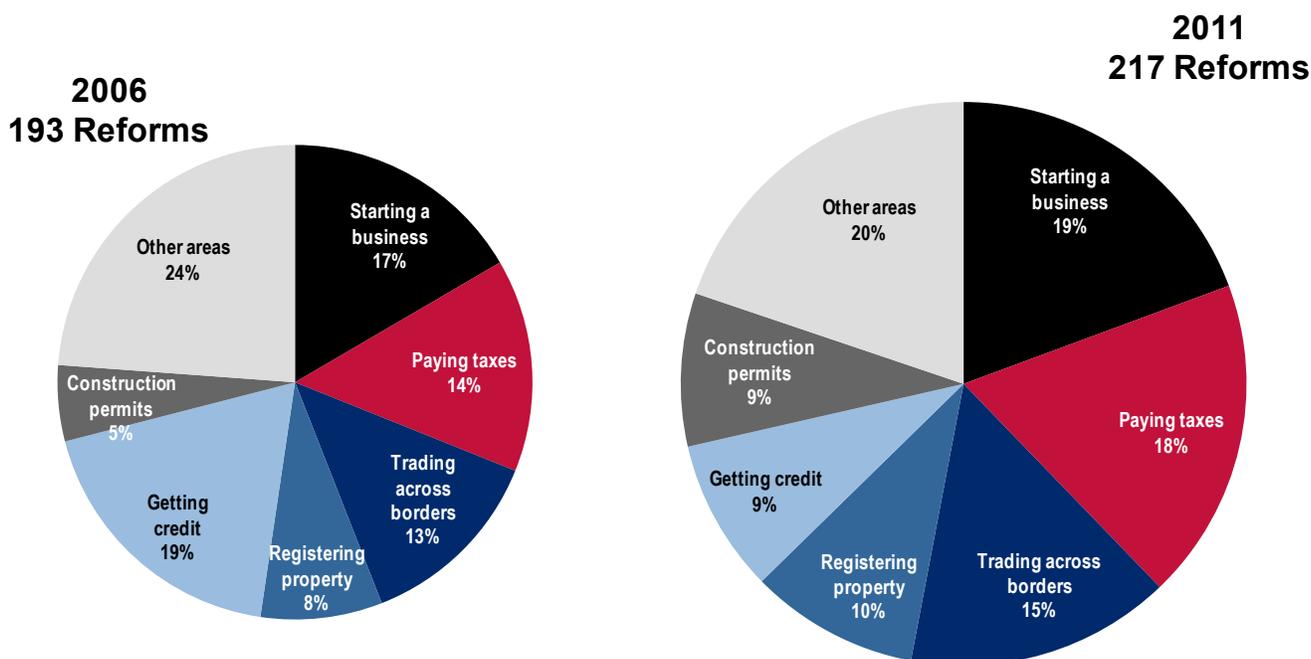
Compared to last year's report, only Tajikistan and Rwanda make repeat appearances in the Top Ten Reformers list. Both are also down in the number of reforms completed. Rwanda was knocked out of the top reformer spot, improving 12 places, and Tajikistan improved its rank by 10 places. Peru is the highest ranking top reformer at 36<sup>th</sup> place. Several top reformers were also countries that managed to make the most reforms. Rwanda, which has been consistently one of the most reform oriented economies, Kazakhstan, Peru and Vietnam are all represented in the list of most improved economies for the 2011 report and, like the other top reformers have made between three and four reforms since last year. These countries are also highlighted by the Report as among the most improved countries over the past year.

**Kazakhstan: The 2011 Report's Most Improved Country**

Improving its ease of doing business rank by 15 positions has enabled Kazakhstan to claim the title of most improved country in the 2011 Report. Kazakhstan made four positive improvements to their business environment since the 2010 Report. Kazakhstan improved its company laws and introduced regulations to make business startup more streamlined, reduced the minimal capital requirement to less than \$1, made construction permits less burdensome with new building regulations, lowered the time to export by implementing changes to the customs system and increased legal requirements for disclosure. In the 2010 Report, Kazakhstan ranked in 74<sup>th</sup> place, for the 2011 Report, it ranks at 59<sup>th</sup>, just one spot below Rwanda. Kazakhstan's improvement was 15 places, but several countries were close behind, such as Rwanda (12 places), Peru (10) and Vietnam (also 10). Kazakhstan's improvement can be seen in the registering property sub-index, where it ranks 28<sup>th</sup> overall. This rank is higher than Australia, Ireland, Canada, Denmark and Hong Kong, all part of the overall top ten countries in the Report. Areas where Kazakhstan continues to struggle are trading across borders, where it ranks third from the bottom at 181<sup>st</sup>, and dealing with construction permits, where it ranks 147<sup>th</sup>. However, reforms were made in both those areas in the 2011 Report.

**Patterns of Reforms Starting to Shift**

There are nine components which comprise the Ease of Doing Business rankings (employing workers is currently being revised). While the distribution of reforms has been largely consistent, comparing the 2011 Report to the 2006 Report indicates that this distribution is slowly changing. Starting a business and paying taxes are now the top two areas of improvement, but five years ago, those positions belonged to getting credit and starting a business. The percent of reforms to getting credit have nearly halved while those for starting a business and paying taxes have risen. Improvements for getting construction permits have nearly doubled, those for registering property have risen by a quarter and those for trading across borders have risen slightly. Unseen, due to its low percentage of overall reforms, is that reforms for closing a business have nearly doubled, while those for protecting investors have halved (See the table on page 4 for further details about the nine components of the Doing Business rankings).



**Opportunities in Developing Countries**

In the 2011 Report, 66% of developing countries made it easier to do business. Opportunities in developing countries present themselves in the reduction of bureaucratic formalities and weak property rights protection. Another area of improvement is increasing the coverage of credit bureaus; only about 1.3% of adults in low-income countries are currently covered by such a bureau. Only 35% of countries in sub-Saharan Africa have laws encouraging the use of all types of assets as collateral, compared to 71% of East Asian and Pacific countries. The 2011 Report also notes the rise of technology across all economies to ease transaction costs. All of these areas present opportunities for future improvements in developing countries.

**Limits to the Ease of Doing Business Index**

The 2011 Doing Business Report outlines five limitations of the Easing of Doing Business Index: 1. Collected data refer to business only in the largest city; 2. Data focus on a specific business form; 3. Transaction scenarios refer to a specific set of issues; 4. Measures of time involve an element of judgment from survey respondents; 5. The methodology assumes a business has full knowledge of requirements and does not waste time when completing procedures.

### What's In the Ease of Doing Business Index?

The index is based on nine sub-indices, which cover different reform areas. Each factor in the sub-index is assigned a percentile rank and those percentiles are calculated as a simple average. The nine sub-index percentile ranks, in turn, are then calculated as a simple average or score. All 183 countries are then ranked by their average percentile score, generating values from 1 (highest) to 183 (lowest).

Sub-Index	Factors Used
Starting a business	Procedures, time, cost and minimum capital to open a new business
Dealing with construction permits	Procedure, time and cost to complete construction of a warehouse
Registering property	Procedures, time and cost to legally transfer title on immovable property
Getting credit	Strength of legal rights index, depth of credit information index, public credit registry coverage and private credit bureau coverage
Protecting investors	Indices on the extent of disclosure, extent of director liability, ease of shareholder suits and strength of investor protection
Paying taxes	Total tax rate, number of payments and hours required to comply with 3 major taxes
Trading across borders	Number of documents, days and cost required to export and import goods
Enforcing contracts	Number of procedures, time and cost to enforce a contract
Closing a business	Time and cost to recover debt and the recovery rate for creditors

### How Are Top Reformers Identified?

A two-step process determines which economies were top reformers over the past year. First, countries with positive reforms in 3 of the 9 areas used in the current report are identified. Second, the countries are then ranked in order of their increase in doing business compared to the previous year's rankings.

### How Did the World Bank Change the Report This Year?

A significant change to the Report this year is the removal of the Employing Workers sub-index. The sub-index was removed due to its reformulation not being completed by the time of publication. Data is only presented for the collection of indicators, but no aggregate rankings are presented. The World Bank increased the disputed claim amount in Enforcing Contracts from 50% to 200% of income per capita based on country suggestions. The Report presents data on *Doing Business* changes over the past five years, noting that over 85% of economies improved their business environments over that time, and access to electricity as a potential future index.

### How Can I Get the Doing Business Data?

To access the complete country Doing Business dataset, visit the Economic and Social Database (ESDB) on the USAID Intranet at <http://esdb.eads.usaidallnet.gov/>. The ESDB website also offers related datasets from the World Bank and other sources. Use the Analytic Tools (<http://esdb.eads.usaidallnet.gov/analysis/>) on the site to access standard country profiles or to generate customized tables and graphs.