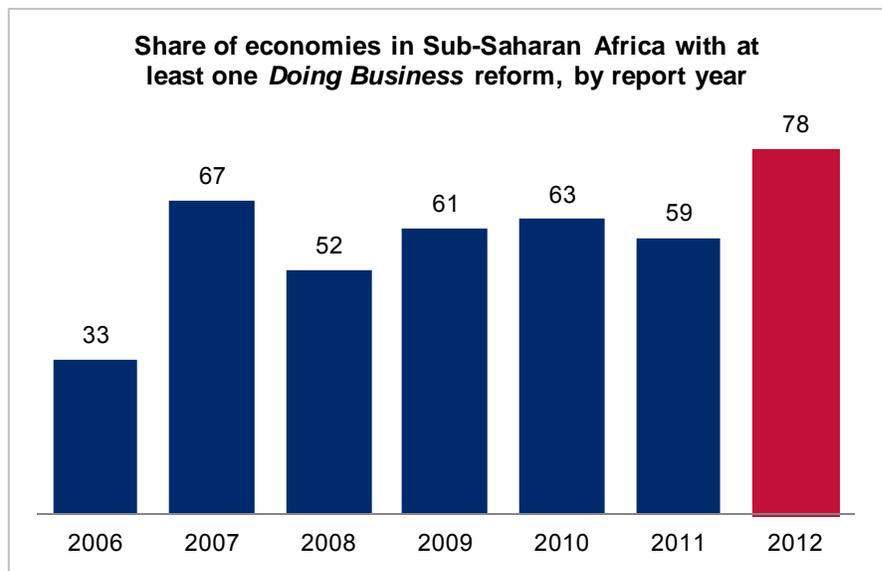
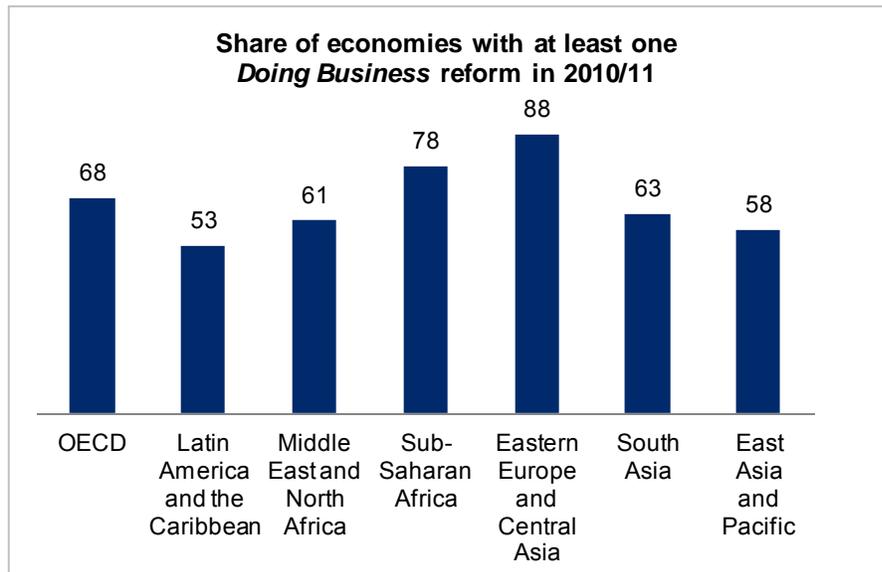


## Doing Business in a More Transparent World

The World Bank's *Doing Business 2012* report cites 245 reforms implemented by 125 economies over the past year (2010/11). (Note: The report uses the term "economy" as not all data relate to countries; this snapshot follows that convention). Reforming economies worldwide streamlined processes for starting a business, registering property, or dealing with construction permits. These reforms represent a 13 percent increase from the 2011 report, up from 117 economies implementing 216 reforms. However, the number of reforms has still not reached the same level as in previous years—131 economies implementing 287 reforms in the 2010 report.

In Sub-Saharan Africa 36 of the 46 governments covered in this report improved their economy's regulatory environment for domestic businesses in 2010/11, a record number since 2005. The share of economies in Sub-Saharan Africa with at least one *Doing Business* reform has gone up to 78 percent in the 2012 report, up from 59 percent in the 2011 edition.

In other regions, the pace of regulatory reform was uneven. In the Middle East and North Africa, 61 percent of economies implemented regulatory changes making it easier to do business. In Latin America and the Caribbean the three economies with the most business-friendly regulatory environments, Chile, Peru, and Colombia, made



them more so—each through regulatory reforms in three areas measured. Ecuador and the majority of Caribbean states did not implement these measures.

## Most Improved Countries

Of the economies improving the most in the ease of doing business in 2010/11, more than half are low- or lower-middle-income economies. Of the top most improved economies, the majority (8 out of 12) received USAID assistance in fiscal year 2009.

### Top Ten Most Improved Economies

| Rank | Country               | Income Status | Number of Reforms | Rank on Ease of Doing Business |             |                | USAID Country |
|------|-----------------------|---------------|-------------------|--------------------------------|-------------|----------------|---------------|
|      |                       |               |                   | 2011 Report                    | 2012 Report | Change in Rank |               |
| 1    | Morocco               | Lower middle  | 3                 | 115                            | 94          | ↑21            | Yes           |
| 2    | Moldova               | Lower middle  | 3                 | 99                             | 81          | ↑18            | Yes           |
| 3    | Macedonia             | Upper middle  | 4                 | 34                             | 22          | ↑12            | Yes           |
| 4    | Sao Tome and Principe | Lower middle  | 4                 | 174                            | 163         | ↑11            | Yes           |
| 5    | Cape Verde            | Lower middle  | 3                 | 129                            | 119         | ↑10            | Yes           |
|      | Latvia                | Upper middle  | 4                 | 31                             | 21          | ↑10            | No            |
| 6    | Sierra Leone          | Low           | 4                 | 150                            | 141         | ↑9             | Yes           |
| 7    | Burundi               | Low           | 4                 | 177                            | 169         | ↑8             | Yes           |
| 8    | Korea, Rep.           | High          | 3                 | 15                             | 8           | ↑7             | No            |
|      | Solomon Islands       | Lower middle  | 4                 | 81                             | 74          | ↑7             | Yes           |
| 9    | Armenia               | Lower middle  | 5                 | 61                             | 55          | ↑6             | Yes           |
| 10   | Colombia              | Upper middle  | 3                 | 47                             | 42          | ↑5             | Yes           |

By contrast, the highest overall ranked economies are mostly non-USAID assisted economies with the exception of Ireland; however Georgia and Thailand, which receive USAID assistance, continue to be strong competitors in the *Doing Business* report placing 16th and 17th respectively. Eastern Europe and Central Asia lead with 88 percent of the regions' economies making at least one reform.

Compared to last year's report, only Cape Verde makes a repeat appearance in the Top Ten Reformers list. It retains the same position (5th) among the top reformers and continued to improve at the same pace as in the previous year, advancing 10 spots.

Of the top most improved economies who receive USAID assistance, Macedonia has the highest overall rank at the 22nd position. Macedonia is also highlighted in the *Doing Business 2012* report as one of the top economies to have made the biggest strides in creating a more business friendly environment over the past six years. It has moved up the global rankings 59 places from 81 in the *Doing Business 2006* report. Post-conflict economies Burundi and Sierra Leone are ranked among the lowest at 169 and 141, respectively. Burundi has formed an inter-ministerial level committee to ensure the coordination of efforts across agencies.

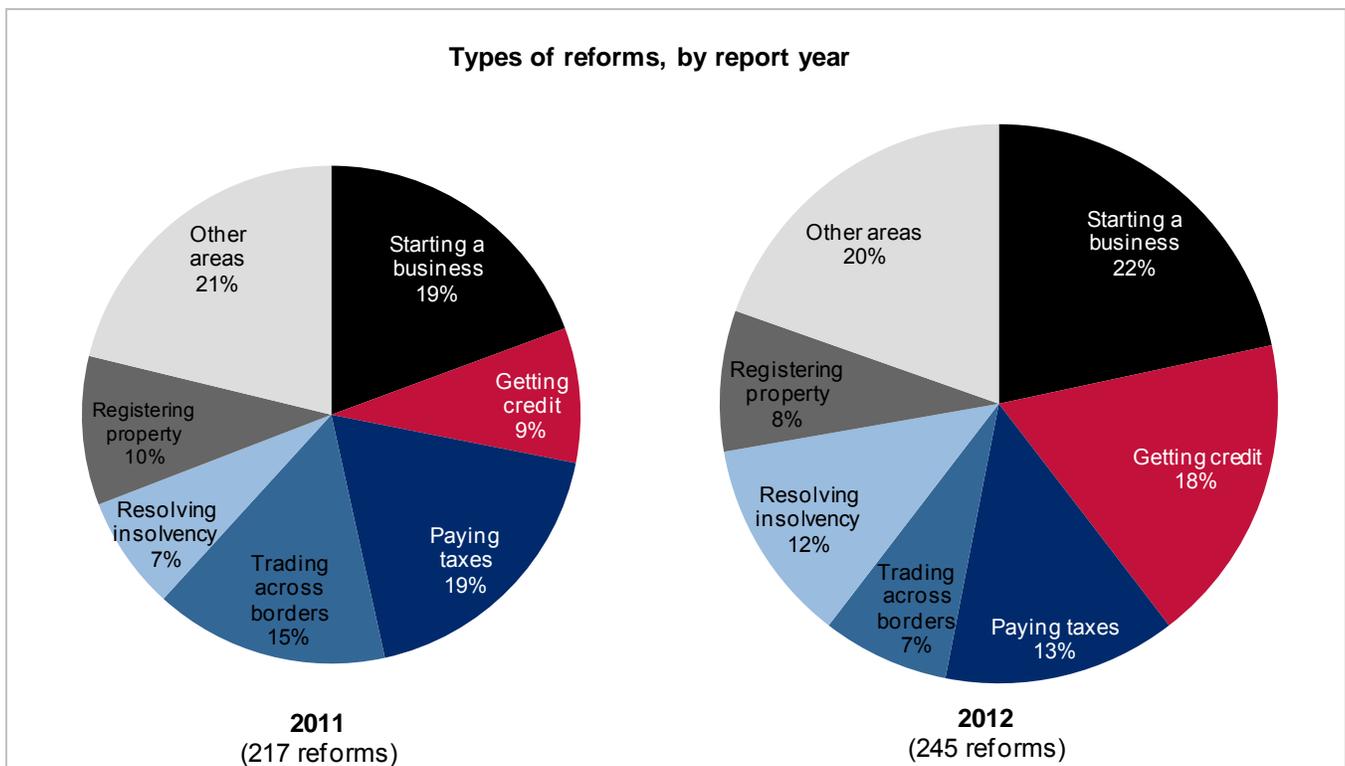
## Morocco: 2012's Most Improved Country

Improving its ease of doing business rank by 21 positions has enabled Morocco to claim the title of most improved country in the 2012 report. Morocco moved from the 115th position in the 2011 *Doing Business* rankings to the 94th in the 2012 rankings, just three spots behind China.

Several countries were close behind Morocco in terms of rank improvement, such as Moldova (18) and Macedonia (12). Morocco's improvement can be seen in the Protecting Investors sub-index, where its rank improved by 56 places to the 97th position. This is the same sub-index rank as Germany, Qatar, and Spain, which are ranked among the top 50 in the overall Ease of Doing Business. Investor protections were strengthened by allowing minority shareholders to obtain any non-confidential corporate document during trials and dealing with construction permits was made easier by opening a one-stop shop. The administrative burden of paying taxes for firms was eased by enhancing electronic filing and payment of the corporate income and value added taxes. Despite these improvements, Morocco continues to struggle in the areas relating to Registering Property (144th), Paying Taxes (112th) and Getting Electricity (107th), only one of which—Paying Taxes—improved in the 2012 report.

## Patterns of Reforms Starting to Shift

Using a new measure, the report states that over the last six years, 94 percent of the 174 economies covered have made their regulatory environment more business friendly. Worldwide, regulatory reforms aimed at streamlining processes such as starting a business, registering property, or dealing with construction permits are still the most common. However, more and more economies have begun focusing their reforms on strengthening legal institutions such as courts and insolvency regimes or enhancing legal protections of investors and property rights. This shift has been particularly pronounced in low- and lower-middle income economies where 43 percent of all reforms recorded by *Doing Business* in 2010/11 focused on aspects captured by the Getting Credit, Protecting Investors, Enforcing Contracts, and Resolving Insolvency indicators.



## Limits to the Ease of Doing Business Index

The 2012 *Doing Business* outlines five limitations of the Ease of Doing Business Index:

1. Collected data refer to businesses in the economy's largest city.
2. Data focus on a specific business form, generally a limited liability company.
3. Transactions scenarios refer to a specific set of issues.
4. Measures of time involve an element of judgment by the expert respondents.
5. The methodology assumes that a business has full information of requirements and does not waste time when completing procedures.

## Technical Notes about the *Doing Business* Report

### What is the World Bank's *Ease of Doing Business* Index?

The index is based on 10 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 10 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). While this year's report assessed 11 areas of the life of a business, the employing workers data are not included in this year's ranking on the Ease of Doing Business.

| Ease of Doing Business Sub-Indices                 |  |
|--|--|
| Sub-Index  | Factors Used   |
| Starting a business                                | Procedures, time, cost, and minimum capital to open a new business   |
| Dealing with construction permits                  | Procedures, time, and cost to complete construction of a warehouse   |
| Getting electricity                                | Procedures, time, and cost to obtain an electricity connection   |
| Registering property                               | Procedures, time, and cost to legally transfer title on immovable property   |
| Getting credit                                     | Strength of legal rights of creditors and borrowers, depth of credit information available, public credit registry coverage, and private credit bureau coverage. |
| Protecting Investors                               | Disclosure requirements, extent of director liability, ease of shareholder suits, and the strength of investor protection  |
| Paying taxes                                       | Tax payments for a manufacturing company, time required to comply with three major taxes, and the total tax rate   |
| Trading across borders                             | Documents, time, and cost required to export and import  |
| Enforcing contracts                                | Procedures to enforce a contract through the courts, time and cost to complete procedures  |
| Resolving insolvency (formerly closing a business) | Time and cost required to recover debt, recovery rate for creditors  |
| Employing Workers (not included this year)         | Rigidity of employment such as, redundancy cost  |

### Sub-National *Doing Business*

To address the limitations created by restricting data to the largest city in an economy, since 2005, sub-national *Doing Business* reports have compared business regulation in states and cities within such economies such as Brazil, Colombia, Egypt, Indonesia, Kenya, Mexico, Morocco, and Nigeria. Typically, sub-national studies cover a subset of indicators. However this year, *Doing Business* collected data on all 10 indicator sets included in the Ease of Doing Business ranking. This year, sub-national indices compared Rio de Janeiro and Sao Paulo in Brazil, Beijing and Shanghai in China, and St. Petersburg and Moscow in Russia. The report found no significant variation between cities in areas governed by laws or regulations. However, the efficiency of processes such as starting a business or dealing with construction permits does differ across cities, due to differences either in local regulations or in the capacity of institutions to respond to business demand.

### How are the Top Reformers Identified?

First, economies that implemented regulatory reforms in 2010/11 making it easier to do business in three of the 10 topics included in this year's ease of doing business. This is intended to highlight economies with ongoing, broad-based reform programs. These economies are then ranked by the increase in their ranking on the ease of doing business from the previous year using comparable rankings.

### How did the World Bank Change the Report this Year?

The methodology for construction permits, getting credit, and paying taxes indicators changed for *Doing Business 2012*. This year's ease of doing business ranking includes Getting Electricity as a new topic. Additionally, the methodology for three of the *Doing Business* topics was updated this year:

- Getting Credit—the scoring of the strength of legal rights index was amended to recognize additional protections of secured creditors and borrowers.
- Dealing with Construction Permits—procedures, time, and cost related to obtaining an electricity connection were removed from the indicators to avoid double counting by the Getting Electricity indicators.
- Paying Taxes—a threshold has been introduced for the total tax rate, where all economies with a total tax rate below this threshold (which will be calculated and adjusted on a yearly basis) will now receive the same ranking on the total tax rate indicator.

#### Additional Information

To access the complete country Doing Business dataset, visit the Economic and Social Database (ESDB) 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.