Reforming the business environment in 2013/14

As many studies have shown, the business environment can have an important influence on the development of the private sector and economic growth—and thus on the creation of jobs and better livelihoods. Where well designed and properly implemented, regulatory reforms can promote private sector growth by eliminating bureaucratic obstacles, reducing cost and time constraints to doing business and improving the efficiency of legal institutions. They can also have an important impact on perceptions of an economy's business environment.

One important area of regulatory reform is the process for starting a business. Research provides strong evidence that reforms making it easier to start a business are associated with more firm creation,[1] which in turn is strongly associated with job creation and economic growth. Using a sample of OECD countries, researchers found that, on average, halving the number of procedures required to start a business is associated with a 14% increase in the number of new business registrations. A similar reduction in the days required is linked to a 19% increase, while an equivalent cut in the cost is associated with a 30% increase.

These findings are borne out by evidence at the country level. After a reform in Mexico that reduced the number of procedures to start a business by about 60%, the country saw a 5% increase in the total number of firms.[2] Portugal experienced similar effects after it reduced the time and cost to start a business by 50%. New start-ups increased by about 17%, with most of the growth among less productive firms, those "that would have been most deterred by burdensome regulations, such as small firms in low-tech sectors."[3] Comparable evidence exists on a regional level for Italy: provinces with a longer process for starting a business have lower rates of firm creation than those with a more streamlined process.[4]

Regulatory reforms can have important positive spillover effects. In trade logistics, evidence shows that improving port efficiency not only reduces shipping times but also ultimately cuts shipping costs. According to analysis of data for the *Doing Business* indicators on trading across borders, increasing port efficiency from the 25th to the 75th percentile can reduce shipping costs by 12%.[5] These spillover effects on shipping costs decrease with an economy's income level: high-income economies showed greater effects than low- and middle-income ones.

Moreover, better regulation is strongly correlated with better perceptions of the quality of the business environment in an economy.[6] And there is strong evidence that regulatory reforms in the areas measured by *Doing Business* indicators improve perceptions of quality. But the research is inconclusive about which reforms have a greater effect—those affecting the indicators that measure the complexity and cost of regulatory processes or those

- ***Doing Business* has captured more than 2,400 regulatory reforms making it easier to do business since 2004.**
- **In the year ending June 1, 2014, 123 economies implemented at least one such reform in areas measured by *Doing Business*—230 in total.**
- **Among reforms to reduce the complexity and cost of regulatory processes in 2013/14, those in the area of starting a business were the most common, followed by reforms in the areas of paying taxes and registering property.**
- **Among reforms to strengthen legal institutions in 2013/14, the largest numbers were recorded in the areas of getting credit and protecting minority investors, and the smallest in the area of resolving insolvency.**
- **Eight of the 11 economies with a population of more than 100 million implemented at least one reform making it easier to do business in the past year. China, Mexico and the Russian Federation each implemented 2, while India and Indonesia each implemented 3.**
- **Greece, Italy, Portugal and Spain—all among the economies most adversely affected by the global financial crisis—have maintained a steady pace of regulatory reform.**

affecting the indicators that measure the strength of legal institutions. Overall, there appears to be no statistically significant differences between the 2 groups of indicators.

Using its indicators to track changes in business regulations, *Doing Business* has captured more than 2,400 regulatory reforms making it easier to do business since 2004. In the year ending June 1, 2014, 123 economies implemented at least one such reform in areas measured by *Doing Business*—230 in total. From year to year *Doing Business* has recorded many more reforms reducing the complexity and cost of regulatory processes than reforms strengthening legal institutions. It is no different for 2013/14, with a count of 145 reforms reducing regulatory complexity and cost and 85 strengthening legal institutions (table 4.1).

This pattern is no surprise. It happens in small economies and in large ones (box 4.1). Reforms aimed at cutting red tape and improving regulatory efficiency are generally easier to implement, because they rarely involve large institutional players and they yield relatively quick results. By contrast, reforms aimed at improving legal institutions are typically complex. Most entail substantial changes to legal frameworks, are costly to implement and can take years to yield positive results.

TABLE 4.1 Reforms making it easier to do business in 2013/14 and in the past 5 years

Area of reform	Number of reforms in 2013/14	Average annual number of reforms in past 5 years	Economy improving the most in area in 2013/14
Complexity and cost of regulatory processes			
Starting a business	45	45	Timor-Leste
Dealing with construction permits	16	19	Croatia
Getting electricity	12	12[a]	Solomon Islands
Registering property	21	22	Greece
Paying taxes	31	34	Romania
Trading across borders	20	23	Myanmar
Strength of legal institutions			
Getting credit—legal rights	9	10	Colombia
Getting credit—credit information	22	20	Jamaica
Protecting minority investors	30	14	United Arab Emirates
Enforcing contracts	15	13	Kosovo
Resolving insolvency	10	17	Mozambique

Note: Because Jamaica implemented changes in the past year in both the strength of legal rights and depth of credit information components of getting credit, the table shows a total of 231 reforms for 2013/14, though only 230 are counted as separate reforms.

a. Refers to the average for the past 4 years.

Source: Doing Business database.

HIGHLIGHTS OF REFORMS REDUCING REGULATORY COMPLEXITY AND COST

Among reforms to reduce the complexity and cost of regulatory processes in 2013/14, those in the area of starting a business were the most common, followed by reforms in paying taxes. The area with the third largest number of reforms was registering property, though in previous years it tended to be trading across borders.

Easing bureaucratic barriers to start-up

Start-up formalities, while they still vary around the world, are converging toward good practices. In 2013/14, as in earlier years, many of the reforms making it easier to start a business focused on introducing a one-stop shop or eliminating the minimum capital requirement (see table 4A.1 at the end of the chapter). Timor-Leste, the economy that improved the ease of starting a business the most, did so by creating a one-stop shop. Now entrepreneurs can complete several formalities in one place—reserving a company name, submitting company documents, applying for registration and publishing company statutes. By streamlining start-up formalities and centralizing services, the new one-stop shop reduced the time required to start a business from 94 days to just 10.

São Tomé and Príncipe eliminated the minimum capital requirement for business entities with no need to obtain a commercial license. Moldova abolished the minimum capital requirement for all limited liability companies. The Russian Federation, through amendments to its civil code and federal law, eliminated the requirement for a company's founders to deposit the charter capital before incorporation. Russia also abolished the requirement for companies to notify the tax authorities of the opening of bank accounts.

Cutting red tape in construction permitting

Doing Business recorded 16 reforms making it easier to deal with construction permits in 2013/14. Most were in Europe and Central Asia and Sub-Saharan Africa. Djibouti and Ghana both streamlined their permitting process. Madagascar and Senegal reduced the time required to obtain a building permit. Mali reduced the time needed to obtain a geotechnical study. And Rwanda eliminated the fee to obtain a freehold title and streamlined the process for obtaining an occupancy permit.

BOX 4.1 Most economies with a population of more than 100 million implemented at least one regulatory reform in 2013/14

Some people might assume that reforming business regulation is easier in small economies because their government structures tend to be less complex. The *Doing Business* data do not suggest that this is so. Eight of the 11 economies with a population of more than 100 million reformed in at least one of the areas measured by *Doing Business* in 2013/14, while only 18 of the 34 economies with a population of less than 1 million did so. Among the 11 large economies, China, Mexico and the Russian Federation each implemented 2 reforms making it easier to do business, while India and Indonesia each implemented 3 (see table).

What did these economies do? India made starting a business easier by considerably reducing the registration fees—though it also added a requirement to file a declaration before commencing business operations. It made obtaining a new electricity connection in Mumbai less costly by reducing the security deposit. And it strengthened minority investor protections by requiring greater disclosure by board members, increasing the remedies available in case of prejudicial related-party transactions and introducing additional safeguards for shareholders of privately held companies.

Indonesia made starting a business easier by making it possible to issue the approval letter for the deed of establishment electronically. It made getting electricity in Jakarta easier by eliminating the need for multiple certificates guaranteeing the safety of internal installations. And it lowered labor taxes.

China also made starting a business easier, by eliminating the minimum capital requirement and thus the need for a capital verification report from an auditing firm. In addition, it reduced employers' social security contribution rate in Shanghai and enhanced the electronic system for filing and paying taxes.

Mexico improved access to credit by amending its insolvency proceedings law and establishing clear grounds for relief from a stay of enforcement actions by secured creditors during reorganization proceedings. And it made resolving insolvency easier by shortening the time extensions during reorganization proceedings and facilitating electronic submission of documents.

Russia made starting a business easier by eliminating the requirement to deposit the charter capital before company registration as well as the requirement to notify tax authorities of the opening of bank accounts. And it made transferring property easier by eliminating the need for notarization and reducing the time required for property registration.

In 2013/14 the 11 large economies were more likely to implement reforms reducing the complexity and cost of regulatory processes than reforms strengthening legal institutions—a pattern also evident in smaller economies. Among the 15 reforms captured by *Doing Business* in these large economies, most were at the national level and affect both cities measured. One of the exceptions was in the United States, where the reform making it easier to start a business applies to New York City but not to Los Angeles.

Reforms making it easier to do business in the 11 large economies in 2013/14

Economy	Reforms reducing regulatory complexity and cost	Reforms strengthening legal institutions
Bangladesh	1	0
Brazil	0	0
China	2	0
India	2	1
Indonesia	3	0
Japan	0	0
Mexico	0	2
Nigeria	0	0
Pakistan	1	0
Russian Federation	2	0
United States	1	0

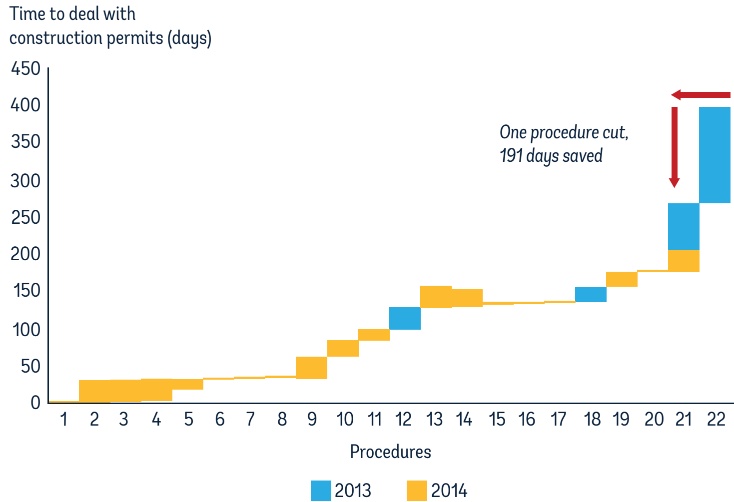
Note: The table shows data for the 11 large economies for which *Doing Business* covers both the largest and the second largest business city.
Source: Doing Business database.

Croatia made the biggest improvement in the ease of dealing with construction permits (figure 4.1). New regulations in the Building Act and Physical Planning Act that took effect on January 1, 2014, made it possible to obtain a building permit before paying contribution fees for utilities, speeding up the permitting process. The fees for building permits were also reduced. In addition, registration of the new building with the land registry is now done automatically, with no action required by the builder: the municipality sends documentation to the cadastre for registration, and the cadastre sends documentation on to the land registry. And the final inspection is now done with greater timeliness, dramatically reducing the time required for the issuance of the occupancy permit. As a result of all these changes, the number of procedures required to comply with the formalities to build a warehouse in Croatia fell from 22 to 21, the time from 379 days to 188 and the cost by 0.3% of the warehouse value.

Making it easier to get electricity

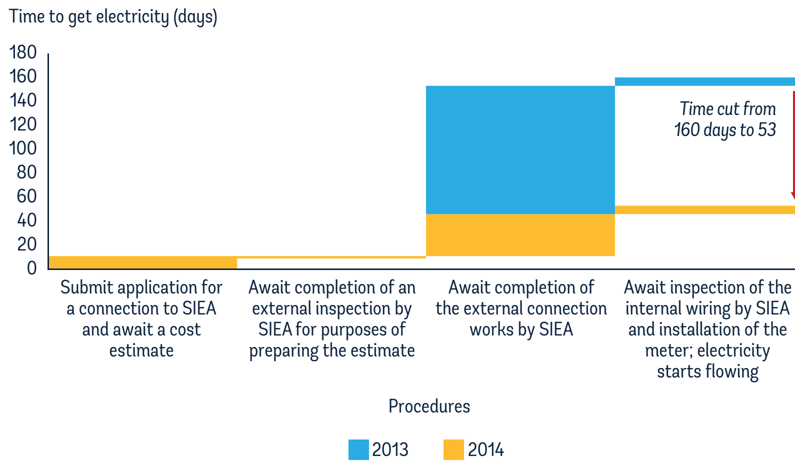
Doing Business recorded only 12 reforms making it easier to get electricity in

FIGURE 4.1 Croatia cut more than 6 months from the time required to deal with construction permits



Source: Doing Business database.

FIGURE 4.2 The Solomon Islands reduced the time to obtain an electricity connection by two-thirds



Note: SIEA is the Solomon Islands Electricity Authority.
Source: Doing Business database.

2013/14. Revision of the costs for new connections was the most common feature of the reforms. In Rwanda, where increasing the electrification rate is a government priority, the distribution utility waived all fees for completing a new connection, including the security deposit. The big reduction in cost provides a strong incentive to seek an official connection to the network and encourages new business ventures.

In Poland the utility in Warsaw revised the fee structure for new connections in ways that reduced the cost for new customers. In India the electricity utility in Mumbai changed its method for calculating the security deposit. The utility now calculates it as a fixed charge per kilowatt rather than basing it on a customer's estimated monthly consumption, increasing the transparency of the related costs.

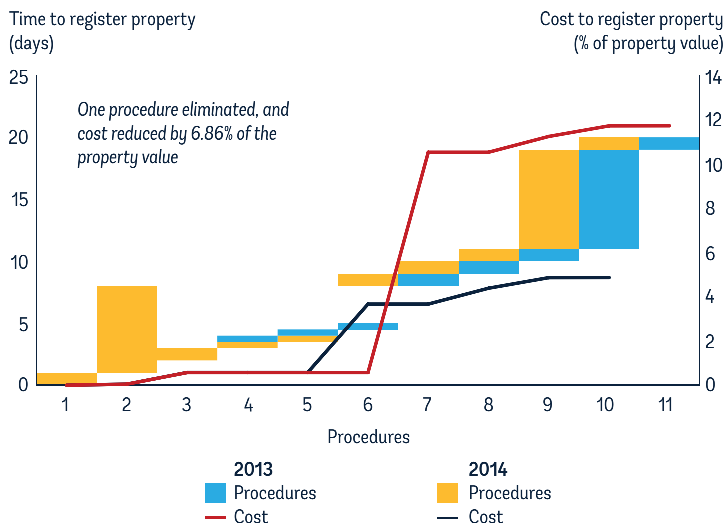
Another common feature of electricity reforms was improvement in the efficiency of distribution utilities' internal processes. The utility in the Democratic Republic of Congo, Société Nationale d'Electricité, reduced the time required to get electricity by improving its administrative management of new connection requests. Starting in 2014 the utility began tracking how much time each of its departments takes to deal with connection requests. The utility also streamlined its internal approval process: its staff no longer seeks approval from the head office for each individual connection request but instead submits batches once a month. The utility in Malawi reduced the time required to get electricity by outsourcing external connection works to subcontractors.

In many economies shortages in the materials needed for external works—such as transformer substations—are a source of substantial delays in the connection process. Tackling this issue was a focus of the utility in the Solomon Islands. By improving procurement practices, the utility cut the wait time for new connections by two-thirds (figure 4.2). As a result, the Solomon Islands made the biggest improvement in the ease of getting electricity in 2013/14.

Simplifying property registration

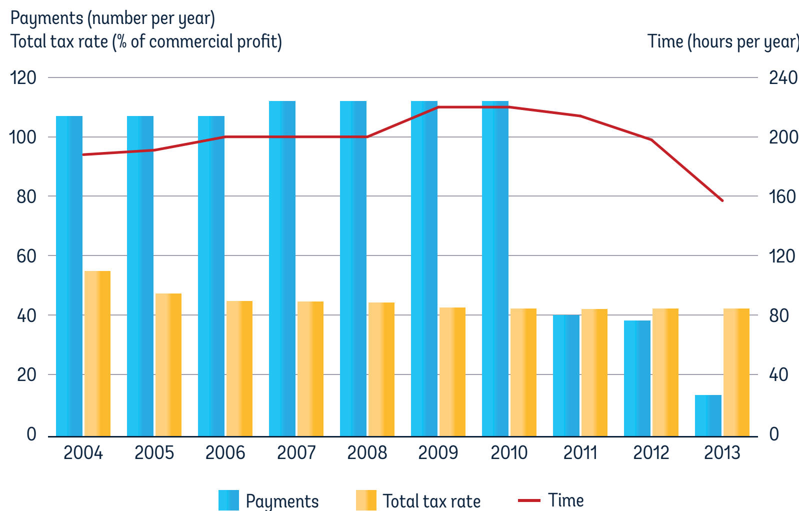
In 2013/14, 21 economies made it easier for businesses to register property by reducing the time, cost or number of procedures required. Among the most common improvements were reducing property transfer taxes, combining or eliminating procedures, and introducing computerized procedures. Lowering the property transfer tax can substantially reduce the cost of transferring property and improve compliance with property registration and tax regulations, though this type of change needs to be informed by broader tax policy discussions.

FIGURE 4.3 Greece made registering property both easier and less expensive



Note: In 2014 procedures 3, 4 and 5 occur simultaneously with procedure 2 (although procedures may take place simultaneously, they cannot start on the same day). Procedure 6 starts after procedure 2.
Source: Doing Business database.

FIGURE 4.4 Romania has been making compliance with tax obligations easier in recent years



Source: Doing Business database.

Greece made the largest improvement in the ease of registering property (figure 4.3). In December 2013 it established a new property transfer tax of 3% of the property value, substantially lower than the previous one of 10%. In addition, it simplified property transfers by eliminating the need to submit a tax clearance certificate from the municipality before signing the sale agreement.

Sub-Saharan Africa accounted for the largest number of property registration reforms in 2013/14. For example, Mozambique streamlined registration procedures at the land registry and the municipality. Côte d'Ivoire established a single process for tax and property registration and lowered the property registration tax. Senegal replaced the requirement for authorization from the tax authority with a notification requirement and set up a single step for the property transfer at the land registry.

Making it easier and less costly to pay taxes

Doing Business recorded 31 reforms in 2013/14 making it easier or less costly for firms to pay taxes. Europe and Central Asia accounted for the largest number, with 9. Globally, the most common feature of tax reforms in the past year was the introduction or enhancement of electronic systems for filing and paying taxes. Thirteen economies implemented such changes, including Azerbaijan, Belarus, Moldova, Mongolia, Romania, Tajikistan and Ukraine. Electronic tax systems, if implemented well and used by most taxpayers, benefit both tax authorities and firms. For tax authorities, they ease workloads and reduce operational costs. And for firms, they reduce the time required to comply with tax obligations as well as the potential for errors.

Romania improved the ease of paying taxes the most in 2013/14 (figure 4.4). The government has developed an electronic system for filing and paying corporate income tax, value added tax and all 6 mandatory labor contributions measured by *Doing Business*.[7] The system was initially launched in 2010, though with only the possibility of submitting tax returns online. Over the past 2 years, however, online payment of taxes and contributions became possible with the use of banking cards and was gradually taken up by the business community. By January 2013 the majority of firms were making their tax payments online.

Other economies making noteworthy changes in the area of paying taxes in the past year include Belarus, China, the Democratic Republic of Congo and Latvia. Belarus improved its system for keeping online records for corporate income tax and value added tax. The

system now automatically updates all relevant tax rates, alerts users of potential errors and automatically collects and checks data required for filling out tax returns. Belarus also simplified its rules for deducting expenses for the calculation of corporate income tax. Four other economies merged or eliminated certain taxes—the Republic of Congo, Hungary, Senegal and Zambia.

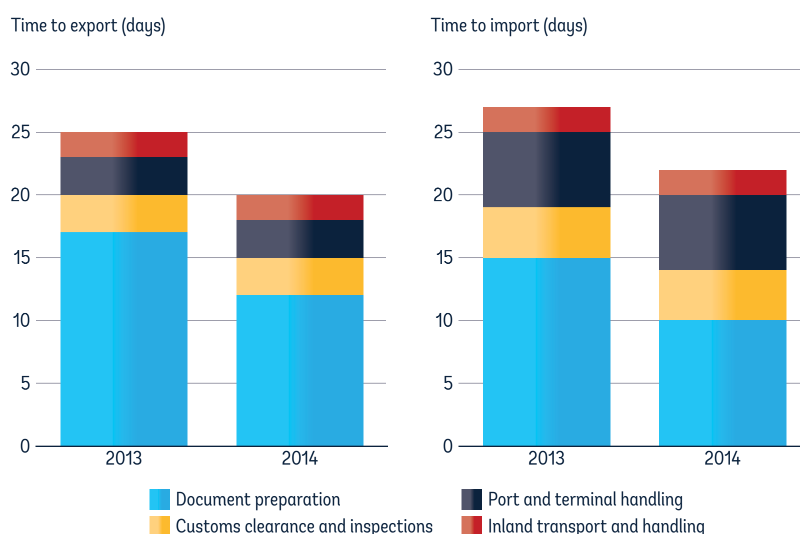
Eleven economies reduced profit tax rates, the second most common feature of tax reforms in 2013/14. These include 4 high-income economies (Portugal, Spain, St. Kitts and Nevis, and the United Kingdom), 3 upper-middle-income economies (Colombia, the Seychelles and Tunisia) and 4 lower-middle-income economies (the Republic of Congo, Guatemala, Swaziland and Vietnam). Reductions in profit tax rates are often combined with efforts to widen the tax base by removing exemptions and with increases in the rates of other taxes, such as value added tax.

Facilitating trade

Myanmar made the biggest improvement in the ease of trading across borders in 2013/14 (figure 4.5). Its Ministry of Commerce abolished the export license requirement for 166 types of goods and the import license requirement for 152—reducing the time, cost and number of documents required to export and import general cargo products. As measured by *Doing Business*, exporting now takes 20% less time than before, and importing 19% less time.

Tanzania invested in port infrastructure. New cranes, a conveyor belt and anchorage tankers at the port of Dar es Salaam helped reduce berthing and unloading time as well as congestion. The reduction in the time required for port and terminal handling activities benefits not only traders in Tanzania but also those in the landlocked economies of Burundi and Rwanda that use the port.

FIGURE 4.5 Myanmar reduced the time to export and import by abolishing license requirements for many types of goods



Source: Doing Business database.

Eighteen other economies also implemented reforms making it easier to trade across borders in 2013/14. Introducing or improving electronic submission and processing of documents was the most common feature of these reforms. Eight economies—Bangladesh, Croatia, Ecuador, Pakistan, Palau, St. Lucia, Uganda and Uzbekistan—reduced the time to export and import by implementing computerized systems that allow web-based submission of documents. Croatia switched to an electronic customs system as part of reforms in preparation for accession to the European Union.

Improving customs administration remained an important item on reform agendas. Benin, Côte d'Ivoire, the Dominican Republic, Morocco, Myanmar, St. Lucia and Uzbekistan all did so by reducing the number of documents required by customs or streamlining the process to obtain and submit certain documents.

Five economies—Algeria, Ghana, Jordan, Kazakhstan and Tanzania—strengthened transport or port infrastructure. Kazakhstan opened a new border station and railway link that reduced congestion at the border with China. Poland improved port procedures by launching a new terminal operating system at the port of Gdansk. And Uruguay implemented a risk-based inspection system that reduced customs clearance time.

HIGHLIGHTS OF REFORMS STRENGTHENING LEGAL INSTITUTIONS

Among reforms to strengthen legal institutions in 2013/14, the largest numbers were recorded in the areas of getting credit and protecting minority investors (with 30 in each area), and the smallest in the area of resolving insolvency. Economies in Europe and Central Asia implemented the most reforms aimed at strengthening legal institutions, followed by economies in Sub-Saharan Africa.

Strengthening legal rights of borrowers and lenders

In 2013/14, 9 economies improved access to credit by strengthening the legal

rights of borrowers and lenders—either by reforming secured transactions legislation or by enhancing secured creditors' rights in bankruptcy proceedings (see table 4A.1 at the end of the chapter). Colombia, Hungary and Jamaica all implemented a functional approach to secured transactions. The Czech Republic and the Lao People's Democratic Republic both created a modern, notice-based collateral registry. Hungary and Panama expanded the range of movable assets that can be used as collateral. Mexico, Rwanda, and Trinidad and Tobago strengthened the rights of secured creditors during reorganization proceedings.

Globally, Colombia strengthened the legal rights of borrowers and lenders the most, by implementing a new legal framework for secured transactions (table 4.2). The country launched a collateral registry with modern features in May 2014, following approval of a new law on movable property guarantees. The new law permits all types of movable assets, present or future, to be used as collateral to secure a loan. The law also regulates legal instruments that are the functional equivalents of traditional security interests, such as assignments of receivables and sales with retention of title. In addition, it provides priority rules for creditors' claims within bankruptcy and establishes the rights of secured creditors during reorganization proceedings. Finally, the law allows out-of-court enforcement of collateral.

Jamaica also made noteworthy improvements in the area of legal rights in the past year. It adopted a new law on secured transactions that broadens the range of assets that can be used as collateral, allows a general description of assets granted as collateral and establishes a modern, unified, notice-based collateral registry. Panama implemented similar changes and also introduced the possibility of out-of-court enforcement of collateral.

The Czech Republic, through an amendment to its civil code, made it possible to register receivables at the pledge registry. It also introduced the possibility for the parties to a security agreement to agree to out-of-court enforcement of the collateral. The government of Lao PDR established a centralized, online, notice-based registry where financial institutions can register any security interest held over movable property—including functional equivalents to more traditional security interests, such as financial lease agreements, assignments of receivables, fiduciary transfers of title and sales with retention of title.

Improving credit information systems

Jamaica made the biggest improvement in credit reporting in 2013/14. Two new credit bureaus, Creditinfo Jamaica and CRIF-NM Credit Assure Limited, having received business licenses in 2012, began operations in 2013. Twenty-one other economies also improved credit reporting, with the largest number of them in Sub-Saharan Africa.

The Democratic Republic of Congo and Tanzania both established new credit reporting agencies. The Democratic Republic of Congo's central bank established an electronic system allowing the exchange of credit information between its credit registry and banks and financial institutions. Tanzania's central bank issued an operating license to the country's first credit bureau, Creditinfo Tanzania, in June 2013, and to its second one, Dun & Bradstreet Credit Bureau Tanzania, in September 2013. Creditinfo Tanzania began responding to inquiries from data users 2 months after receiving its license. Vietnam's first credit bureau, Vietnam Credit Information, started serving data users in January 2014 along with the existing credit registry managed by the country's central bank.

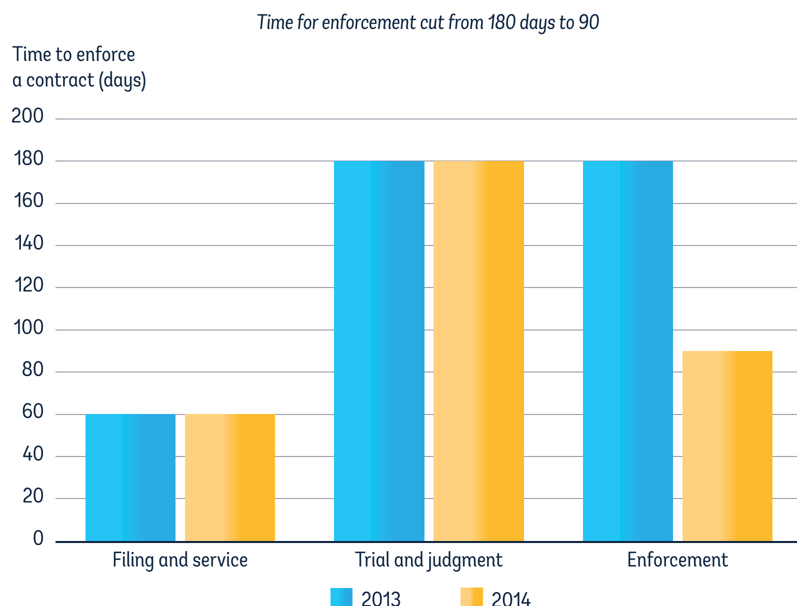
TABLE 4.2 A comparison of Colombia's previous and new legal frameworks for secured transactions

Previous legal framework	New legal framework
Is there a functional secured transactions system?	
No.	Yes.
Is the collateral registry unified or centralized geographically for the entire economy?	
No.	Yes.
Is the collateral registry notice-based?	
No.	Yes.
Does the collateral registry have a modern online system (such as for registrations and amendments)?	
No.	Yes.
Can secured creditors apply for relief from an automatic stay during reorganization proceedings?	
No.	Yes, the new law establishes clear grounds for relief.
Do secured creditors' claims have priority inside bankruptcy?	
No clear priority rules for secured creditors.	Yes, the new law gives priority to secured creditors' claims.
Can security rights in a single category of assets be described in general terms?	
No, detailed description of the assets required by law.	Yes, the new law allows a general description.
Can parties agree to enforce security rights out of court?	
No, out-of-court enforcement not permissible by law.	Yes, the new law allows out-of-court enforcement of collateral.

Source: Doing Business database.

Five Sub-Saharan African economies—Cabo Verde, Cameroon, Côte d'Ivoire, Kenya and Senegal—strengthened their regulatory frameworks for credit reporting. Cameroon's government passed legislation establishing an integrated database that records negative payment information on bank accounts, checks and cards as well as credit information on firms and microfinance institutions. Kenya issued new regulations allowing the exchange of positive credit information and establishing guidelines for data retention.

FIGURE 4.6 Kosovo cut the time for enforcing judgments in half by introducing a private bailiff service



Source: Doing Business database.

Among OECD high-income economies, Ireland and the Slovak Republic improved their regulatory frameworks for credit reporting. Ireland created a regulatory framework for the establishment and operation of a central credit register that will be managed by the country's central bank. The Slovak Republic adopted a new regulation to protect the rights of individuals in the processing of their personal data. And New Zealand, under its Credit Reporting Privacy Code, introduced more comprehensive credit reporting. In addition to negative credit information, credit bureaus now collect and report positive credit information on individuals and firms from banks, financial institutions and telephone companies.

Strengthening minority investor protections

The United Arab Emirates strengthened minority investor protections the most in 2013/14, through a new ministerial resolution on corporate governance rules and corporate discipline standards. The resolution establishes requirements for related-party transactions to be approved by a general meeting of shareholders, to undergo prior review by a specialized external firm and to be disclosed in detail to the Securities and Commodities Authority. The resolution also establishes director liability for any damage resulting from prejudicial related-party transactions and enables courts to cancel such transactions on grounds of unfairness. Finally, it permits shareholders representing 5% or more of the shares of a company involved in a related-party transaction to access documents relating to the transaction.

The most far-reaching change in minority investor protections, however, took place in January 2014, when the OHADA (Organization for the Harmonization of Business Law in Africa) Revised Uniform Act on Commercial Companies and Economic Interest Groups simultaneously updated the regulatory frameworks of 17 member economies in Sub-Saharan Africa. The revised act addresses multiple aspects of corporate law. Among other things, it increases the requirements for directors to disclose their conflicts of interest and grants shareholders the right to access and obtain copies of all documents pertaining to related-party transactions.

One OHADA member, Senegal, made further improvements by amending its code of civil procedure—and with these changes became the economy that most strengthened minority investor protections in Sub-Saharan Africa in 2013/14. Notably, the amendments grant litigants increased rights to obtain evidence relevant to their claims from the opposing parties. Elsewhere in the region, The Gambia adopted a new Companies Bill, clarifying the duties of directors and offering new venues and remedies for minority shareholders harmed by abusive conduct by company insiders.

Making it easier to enforce contracts

Doing Business recorded 15 reforms making it easier to enforce contracts in 2013/14. Kosovo made the biggest improvement—by introducing a private bailiff system (figure 4.6). The effort began in 2010, when the local judiciary was short of resources and facing a heavy backlog. Less than 4% of civil enforcement cases on court dockets were completed in 2009, and for many courts the share was less than 1%. The Kosovo Judicial Council, with the assistance of the U.S. Agency for International Development, analyzed the legal framework and identified the main causes of delay. This mapping exercise showed that the lack of penalties for filing groundless appeals, the impossibility of seizing most kinds of assets and the inadequacy of the regulatory framework for enforcement officers contributed substantially to the growing backlog. A 3-year work plan was undertaken to provide more suitable ways to deal with business disputes. In 2013 Kosovo finished privatizing its judicial enforcement process and

created private bailiff services, expedient execution procedures and penalties for noncompliant debtors.

Globally, one of the most common features of reforms in contract enforcement in the past year was the introduction of electronic filing. Greece, Kazakhstan, Lithuania, Mauritius and Turkey all made their courts more efficient by implementing electronic filing platforms. These enable litigants to file initial complaints electronically—increasing transparency, expediting the filing and the service of process, limiting opportunities for corruption and preventing the loss, destruction or concealment of court records. In Singapore the judiciary launched an electronic litigation system designed to streamline the litigation process and improve access to justice. The system allows litigants to file their cases online—and it enables courts to keep litigants and lawyers informed about their cases through e-mail, text messages and text alerts; to manage hearing dates; and even to hold certain hearings through videoconference.

The Bahamas, Portugal and Uruguay adopted a new code of civil procedure or amended procedural rules applicable to commercial cases, mainly to reduce case backlog, simplify and expedite court proceedings and limit obstructive techniques. In 2013 Uruguay passed a law setting tight deadlines that parties to a commercial case must comply with throughout the entire court proceedings. Three economies—the Czech Republic, Ireland and South Africa—reorganized their court systems by amending the rules on the size of monetary claims that can be filed with courts at different levels, thus redistributing the workload among courts and reducing backlog.

Creating specialized commercial courts or divisions has been a common feature of reforms in contract enforcement over the years. Two economies undertook such changes in 2013/14. Benin established a commercial chamber within its court of first instance and assigned 6 judges to solely hear commercial cases. The Seychelles established a specialized commercial court and assigned a permanent local judge to resolve only commercial disputes.

Increasing efficiency in resolving insolvency

Doing Business recorded 10 reforms making it easier to resolve insolvency in 2013/14, most of them in OECD high-income and Sub-Saharan African economies. Among the most common features of these reforms were promoting reorganization and improving the likelihood of successful outcomes in insolvency proceedings. Mozambique, the Seychelles, and Trinidad and Tobago introduced a court-supervised reorganization procedure. Switzerland allowed cancellation of long-term contracts that could jeopardize the debtor's rehabilitation. Slovenia established a simplified reorganization procedure for small companies and a preventive restructuring procedure for medium-size and large ones. Slovenia also made it easier for creditors to initiate reorganization proceedings and propose a reorganization plan, introduced provisions on debt-equity swaps and allowed new equity holders to take over management of the debtor to ensure continuation of the business.

Mozambique improved the ease of resolving insolvency the most in the past year (table 4.3). A new legal framework for insolvency adopted in 2013 introduced a reorganization procedure for commercial entities, granted creditors better access to information during insolvency proceedings and provided for more active participation by creditors in the proceedings.

Other insolvency reforms recorded in 2013/14 focused on streamlining and shortening time frames for proceedings.

TABLE 4.3 A comparison of Mozambique's previous and new legal frameworks for insolvency

Previous legal framework	New legal framework
Can a debtor initiate reorganization proceedings?	
No.	Yes.
Do creditors vote on the reorganization plan?	
No reorganization available.	Yes, all creditors vote.
Do creditors vote on the reorganization plan in classes?	
No reorganization available.	Creditors are divided into classes, creditors within each class are treated equally, and the plan is approved by a simple majority of creditors in each class.
Can creditors request information about insolvency proceedings?	
No specific provisions.	The insolvency administrator has the duty to provide any creditor with information requested by the creditor.
Can creditors object to decisions that affect their rights?	
No specific provisions.	A creditor has the right to object to decisions to accept or reject claims of other creditors.

Source: Doing Business database.

The former Yugoslav Republic of Macedonia tightened time frames for several stages of insolvency proceedings and established a framework for electronic auctions of debtors' assets. Mexico shortened the time extensions allowed during reorganization proceedings and made it easier to submit documents electronically. Several other economies reformed their insolvency laws to strengthen the rights of creditors. For example, Kazakhstan established provisions for direct participation of all creditors through creditors' meetings.

Another common feature of insolvency reforms in the past year was to improve regulations on the profession of insolvency administrators. Trinidad and

Tobago created a public office responsible for the general administration of insolvency proceedings and clarified rules on the appointment and duties of trustees. And Uganda established explicit rules on the enforcement of the duties of liquidators during liquidation proceedings.

Addressing labor market regulation

In 2013/14 *Doing Business* recorded 9 reforms relating to labor market regulation. The economies implementing reforms included Portugal, which has made the most reforms aimed at improving the labor market environment in recent years. In 2013 Portugal revised the rules on fixed-term contracts executed under the labor code that reach their maximum duration before November 8, 2015; under the new rules these contracts can be renewed 2 more times, with an additional maximum duration of 12 months, though the renewed contracts need to end by December 31, 2016. In previous years Portugal reduced the wage premium required for work on weekly holidays and also made redundancy easier by eliminating the need to follow a specific order in dismissals when eliminating a worker's position. Portugal's continual reforms in labor market regulation are in part a response to the economic downturn that followed the global financial crisis. And Portugal is one of several Southern European economies that reformed business regulation in areas beyond labor market regulation in 2013/14 (box 4.2).

Other economies implementing reforms in labor market regulation in 2013/14 focused on different areas. Cabo Verde introduced a minimum wage. Finland made the redundancy process more flexible by eliminating the requirement to notify a third party before dismissing 1 redundant worker or a group of 9 redundant workers. Croatia lifted the 3-year limit on the duration of first-time fixed-term contracts, while Mauritius reduced the maximum duration of fixed-term contracts to 24 months and Georgia reduced it to 30 months.

BOX 4.2 Southern European economies continue a steady pace of regulatory reform

Greece, Italy, Portugal and Spain—all among the economies most adversely affected by the global financial crisis—have maintained a steady pace of regulatory reform. As *Doing Business 2013* reported, the pace picked up in the aftermath of the crisis, and this year's report shows that the trend has continued. In 2013/14 Greece reformed in 3 areas of business regulation measured by *Doing Business*, and Spain in 4.

Greece made starting a business easier by lowering the cost of registration. It made transferring property easier by reducing the property transfer tax and eliminating the requirement for a municipal tax clearance certificate. And it made enforcing contracts easier by introducing an electronic filing system for court users.

Italy and Spain also made starting a business easier. Italy reduced the minimum capital requirement, while Spain simplified business registration by introducing an electronic system that links several public agencies. Portugal lowered its corporate income tax rate and introduced a reduced corporate tax rate for a portion of the taxable profits of qualifying small and medium-size enterprises. Spain reduced its statutory corporate income tax rate.

Portugal made enforcing contracts easier by adopting a new code of civil procedure designed to reduce court backlog, streamline court procedures, enhance the role of judges and speed up the resolution of standard civil and commercial disputes. Spain made resolving insolvency easier by introducing new rules for out-of-court restructuring as well as provisions applicable to prepackaged reorganizations.

These economies, by actively reducing the complexity and cost of regulatory processes and strengthening legal institutions, are narrowing the gap with the regulatory frontier at a faster pace than the rest of the European Union.

NOTES

1. Klapper and Love 2011.
2. Bruhn 2011.
3. Branstetter and others 2013.
4. Bripi 2013.
5. Portugal-Perez and Wilson 2012.
6. Kraay and Tawara 2013.
7. The 6 mandatory labor contributions measured by *Doing Business* are those for social security, health insurance, unemployment, an accident risk fund, a guarantee fund and medical leave.

TABLE 4A.1 Who reduced regulatory complexity and cost or strengthened legal institutions in 2013/14—and what did they do?

Feature	Economies	Some highlights
Making it easier to start a business		
Simplified preregistration and registration formalities (publication, notarization, inspection, other requirements)	Albania; Bulgaria; The Gambia; Guatemala; India; Islamic Republic of Iran; Jamaica; Malawi; Malta; Mauritius; Nicaragua; Norway; Slovak Republic; Spain; Swaziland; United Kingdom	Guatemala's official gazette reduced the time to publish a notice of incorporation by modifying internal processes. The Islamic Republic of Iran combined name reservation with company registration at a single window.
Abolished or reduced minimum capital requirement	Austria; Benin; China; Côte d'Ivoire; Czech Republic; Denmark; Italy; Moldova; São Tomé and Príncipe; Senegal; Togo	China and Côte d'Ivoire both abolished the minimum capital requirement. In doing so, China also eliminated the need to open a preliminary bank account, deposit the capital and obtain a certificate of deposit.
Cut or simplified postregistration procedures (tax registration, social security registration, licensing)	Armenia; Greece; Jamaica; Lithuania; Mauritania; Russian Federation; United States	Lithuania abolished the requirement for a company seal, no longer used in practice. Mauritania eliminated the requirement to publish company statutes in the official gazette.
Introduced or improved online procedures	Azerbaijan; Croatia; Iceland; Indonesia; FYR Macedonia; Switzerland; Trinidad and Tobago	Trinidad and Tobago introduced an online platform for business registration, reducing registration time from 38 days to 14.5. The former Yugoslav Republic of Macedonia introduced a free online company registration system.
Created or improved one-stop shop	Democratic Republic of Congo; France; Suriname; Tajikistan; Timor-Leste	Timor-Leste created a one-stop shop—making it possible to reserve a company name, file the company statutes, apply for and obtain the final registration number and publish the statutes all at one agency.
Making it easier to deal with construction permits		
Reduced time for processing permit applications	Albania; Croatia; Djibouti; Ghana; Lithuania; Madagascar; Senegal; Thailand	Lithuania tightened the time limit for issuing special architectural requirements, cutting the time to obtain a building permit from 42 days to 21. Madagascar completed the computerization of its one-stop shop, reducing the time to obtain a building permit from 90 days to 45.
Streamlined procedures	Albania; Brunei Darussalam; Djibouti; Ghana; Madagascar; Mali; Rwanda	Djibouti streamlined the review of building permits by adopting a 3-step process. Ghana made it mandatory to submit all required clearances when applying for a building permit.
Adopted new building regulations	Albania; Croatia; Lithuania; Montenegro; Nepal	Albania adopted a new law on territory planning, consolidating the land permit and construction permit into a single construction development permit. Croatia's adoption of the Building Act and a new Physical Planning Act made it possible to obtain a building permit before paying contribution fees for utilities.
Improved building inspection process	Kosovo; Nepal; Puerto Rico (U.S.)	Kosovo introduced a new inspection scheme and made the final inspection process easier by breaking the approval process into several phases. Puerto Rico (territory of the United States) introduced the option of hiring an authorized professional and authorized inspector to carry out the fire safety recommendations and issue the fire prevention and environmental health certificates.
Reduced fees	Croatia; Rwanda; Tajikistan	Rwanda eliminated the fee to obtain a freehold title. Tajikistan reduced the fee for obtaining an architectural planning assignment.
Improved or introduced electronic platforms or online services	Nepal	Nepal launched an online system for obtaining building permits.
Making it easier to get electricity		
Improved regulation of connection processes and costs	India; Jamaica; Poland; Rwanda; Sierra Leone; Taiwan, China	In Poland the electricity utility made obtaining a new connection less costly by revising its fee structure. In Rwanda the electricity utility eliminated all its fees for a new connection.
Improved process efficiency	Democratic Republic of Congo; Costa Rica; Malawi; Solomon Islands	The electricity utility in Malawi engaged private subcontractors to carry out external connection works, reducing the time required to complete the works by 50 days.
Streamlined approval process	Indonesia; Islamic Republic of Iran	Indonesia eliminated a redundant internal wiring inspection by dropping the requirement for a certificate guaranteeing that the internal installation meets the standards.
Making it easier to register property		
Reduced taxes or fees	Bahrain; Côte d'Ivoire; Greece; San Marino; Spain; Togo	Greece reduced the property transfer tax from 10% of the property value to 3%. Spain reduced the property registration tax to 6% of the property value.
Combined or eliminated procedures	Colombia; Greece; Mozambique; Russian Federation; Senegal	Colombia eliminated the need for a provisional registration. The Russian Federation eliminated the requirement for notarization of certain documents.
Computerized procedures	Albania; Côte d'Ivoire; Ireland; Sweden; Vanuatu	Ireland enhanced its land registry's computerized system and implemented an online system for title registration. In Vanuatu property records have been scanned, and the land registry is now using a fully computerized system for land transactions.
Increased administrative efficiency	Guinea; Republic of Korea; United Arab Emirates	The District Registration Courts in the Republic of Korea increased efficiency by streamlining internal processes. The United Arab Emirates started licensing companies to act on behalf of the Dubai Land Department and use its system for property registration.

TABLE 4A.1 Who reduced regulatory complexity and cost or strengthened legal institutions in 2013/14—and what did they do?

Feature	Economies	Some highlights
Making it easier to register property (continued)		
Set effective time limits	Albania; Kazakhstan; Russian Federation	Albania established effective time limits for processing requests at the local offices for registration of immovable property. Kazakhstan introduced effective time limits for issuing technical passports and nonencumbrance certificates on immovable property.
Introduced online procedures	Azerbaijan; Poland	Azerbaijan introduced a system allowing notaries to obtain nonencumbrance certificates online. Poland provided legal status to land extracts obtained online.
Introduced fast-track procedures	Sierra Leone	Sierra Leone introduced a fast-track procedure for property registration.
Making it easier to pay taxes		
Introduced or enhanced electronic systems	Azerbaijan; Belarus; China; Costa Rica; Gabon; Guatemala; Moldova; Mongolia; Romania; Taiwan, China; Tajikistan; Ukraine; Zambia	Belarus introduced electronic filing and payment for the obligatory insurance fund in 2013.
Reduced profit tax rate by 2 percentage points or more	Colombia; Republic of Congo; Guatemala; Portugal; Seychelles; Spain; Swaziland; St. Kitts and Nevis; Tunisia; United Kingdom; Vietnam	Portugal reduced the corporate income tax rate from 25% to 23% for 2013.
Simplified tax compliance process	Belarus; Brunei Darussalam; China; Democratic Republic of Congo; Latvia; Seychelles	Latvia introduced a simplified value added tax return in January 2013.
Reduced labor taxes and mandatory contributions by 1 percentage point or more	China; Colombia; Indonesia; Togo	China reduced the social security contribution rate for firms in Shanghai from 37% to 35% for 2013.
Merged or eliminated taxes other than profit tax	Republic of Congo; Hungary; Senegal; Zambia	Hungary abolished the special tax that had been introduced in 2010.
Reduced number of tax filings or payments	Belarus; Cyprus; West Bank and Gaza	Cyprus reduced the number of provisional tax installments for corporate income tax from 3 to 2 in 2013.
Making it easier to trade across borders		
Introduced or improved electronic submission and processing	Bangladesh; Croatia; Ecuador; Pakistan; Palau; St. Lucia; Uganda; Uzbekistan	Ecuador upgraded to a new electronic data interchange system, reducing customs clearance time.
Improved customs administration	Benin; Côte d'Ivoire; Dominican Republic; Morocco; Myanmar; St. Lucia; Uzbekistan	St. Lucia reduced the number of export documents that must be submitted to customs by merging 2 forms.
Strengthened transport or port infrastructure	Algeria; Ghana; Jordan; Kazakhstan; Tanzania	Ghana invested in infrastructure at the port of Tema, which helped reduce the wait time for vessels outside the port.
Improved port procedures	Côte d'Ivoire; Poland	Poland launched a new terminal operating system at the port of Gdansk.
Introduced or improved risk-based inspections	Uruguay	Uruguay implemented a risk-based inspection system that reduced customs clearance time.
Strengthening legal rights of borrowers and lenders		
Created a unified registry for movable property	Colombia; Hungary; Jamaica; Lao PDR	The Lao People's Democratic Republic established a registry in the Ministry of Finance for security interests in movable property. The registry began operating in November 2013.
Introduced a functional, integrated and comprehensive secured transactions regime	Colombia; Hungary; Jamaica	Colombia approved a new law establishing a modern legal framework for secured transactions. The law allows all types of movable assets, present or future, to be used as collateral to secure a loan. It also regulates functional equivalents to loans secured with movable property, such as assignments of receivables and sales with retention of title.
Strengthened rights of secured creditors during reorganization procedures	Mexico; Rwanda; Trinidad and Tobago	In Mexico amendments to the insolvency proceedings law established new grounds for relief from a stay of enforcement actions by secured creditors during a reorganization procedure.
Allowed out-of-court enforcement	Czech Republic; Panama	The Czech Republic adopted new legislation making it possible to execute a security in any way established by the parties to a security agreement.
Expanded range of movable assets that can be used as collateral	Hungary; Panama	Panama introduced a new law governing chattel mortgages that expands the range of movable assets that can be used as collateral to secure a loan.
Improving the sharing of credit information		
Expanded scope of information collected and reported by credit bureau or registry	Bahrain; Cyprus; Mauritania; New Zealand; Sierra Leone; Taiwan, China; United Arab Emirates; Zambia	New Zealand implemented comprehensive credit reporting and began distributing both positive and negative information in credit reports.
Improved regulatory framework for credit reporting	Cabo Verde; Cameroon; Côte d'Ivoire; Dominican Republic; Ireland; Kenya; Senegal; Slovak Republic	Ireland adopted a new credit reporting act providing for the establishment of a central credit register to be managed by the central bank.
Established a credit bureau or registry	Democratic Republic of Congo; Jamaica; Tanzania; Vietnam	In Jamaica 2 new credit bureaus, licensed in 2012, started serving banks and other financial institutions in 2013.
Introduced bureau or registry credit scores as a value added service	Nicaragua; Tajikistan	In Nicaragua in June 2013 the credit bureau TransUnion Nicaragua started offering the service of credit scoring based on its data.

TABLE 4A.1 Who reduced regulatory complexity and cost or strengthened legal institutions in 2013/14—and what did they do?

Feature	Economies	Some highlights
Strengthening minority investor protections		
Increased disclosure requirements for related-party transactions	Benin; Burkina Faso; Cameroon; Central African Republic; Chad; Comoros; Democratic Republic of Congo; Republic of Congo; Côte d'Ivoire; Ecuador; Arab Republic of Egypt; Equatorial Guinea; Gabon; Guinea; Guinea-Bissau; Hong Kong SAR, China; India; Lao PDR; FYR Macedonia; Mali; Mongolia; Niger; Senegal; Togo; United Arab Emirates; Uzbekistan	Uzbekistan adopted a new law on joint stock companies and protection of shareholder rights that establishes higher standards for disclosure of related-party transactions by interested directors and requires companies to include information on such transactions in their annual reports.
Enhanced access to information in shareholder actions	Benin; Burkina Faso; Cameroon; Central African Republic; Chad; Comoros; Democratic Republic of Congo; Republic of Congo; Côte d'Ivoire; Equatorial Guinea; Gabon; Guinea; Guinea-Bissau; Mali; Niger; Senegal; Togo; United Arab Emirates	Senegal's code of civil procedure, amended in August 2013, now permits judges to grant requests from parties to a civil case to compel evidence from the other party, as long as they are relevant to the subject matter of the claim.
Expanded shareholders' role in company management	Dominican Republic; India; Republic of Korea; Switzerland	Switzerland issued a federal ordinance against abusive remuneration in publicly listed joint stock companies. The ordinance introduced multiple safeguards, including establishing compensation committees and increasing the transparency of directors' compensation schemes.
Increased director liability	The Gambia; India; United Arab Emirates	India's new companies act came into effect in 2014, bringing a host of enhancements, notably on the prevention of abuse by corporate insiders and company mismanagement.
Making it easier to enforce contracts		
Increased procedural efficiency at main trial court	The Bahamas; Czech Republic; Ireland; Portugal; South Africa; Uruguay	The Bahamas and Portugal introduced new rules of civil procedure to streamline and expedite court proceedings and ensure less costly resolution of disputes. The Czech Republic, Ireland and South Africa amended the monetary thresholds for courts at different levels to reduce backlog.
Introduced electronic filing	Greece; Kazakhstan; Lithuania; Mauritius; Turkey	Greece, Kazakhstan, Lithuania, Mauritius and Turkey all introduced an electronic filing system for commercial cases, allowing attorneys to submit the initial summons online.
Introduced or expanded specialized commercial court	Benin; Seychelles	Benin established a commercial chamber within its court of first instance and assigned 6 judges to solely hear commercial cases. The Seychelles established a specialized commercial court and assigned a permanent local judge to resolve only commercial disputes.
Expanded court automation	Singapore	Singapore launched a new electronic litigation system that streamlines litigation proceedings.
Made enforcement of judgment more efficient	Kosovo	Kosovo introduced private bailiffs and strengthened its enforcement process by establishing penalties for noncompliant debtors.
Making it easier to resolve insolvency		
Introduced a new restructuring procedure	Mozambique; Seychelles; Slovenia; Trinidad and Tobago; Uganda	Uganda established a reorganization procedure for insolvent but viable companies.
Strengthened creditors' rights	Kazakhstan; Mexico; Mozambique; Switzerland; Uganda	Kazakhstan expanded the rights of creditors in insolvency, making it possible for them to remove the debtor from management, nominate an insolvency representative and approve a plan for the sale of assets in case of liquidation.
Improved the likelihood of successful reorganization	Mexico; Seychelles; Slovenia; Switzerland	Mexico introduced provisions allowing debtors to apply for post-commencement financing, establishing priority rules for post-commencement financing and permitting debtors facing imminent insolvency to apply for reorganization proceedings.
Established framework for out-of-court restructuring	FYR Macedonia; Slovenia; Spain	Spain established a framework for a prebankruptcy, out-of-court payment agreement.
Regulated the profession of insolvency administrators	Mozambique; Trinidad and Tobago; Uganda	Trinidad and Tobago created a public office responsible for the general administration of insolvency proceedings and clarified rules on the appointment and duties of trustees.
Streamlined and shortened time frames for insolvency proceedings	Kazakhstan; FYR Macedonia; Mexico	FYR Macedonia tightened time frames for several stages of insolvency proceedings, including inventory and assessment of the debtor's property, submission of creditors' claims and the hearing to examine claims.
Improved provisions applicable to voidable transactions	Seychelles; Uganda	The Seychelles introduced provisions allowing the avoidance of undervalued transactions or transactions made as a gift, if entered into within 2 years before the commencement of liquidation proceedings.
Changing labor market regulation		
Altered hiring rules	Cabo Verde; Croatia; Georgia; Italy; Mauritius; Portugal	Cabo Verde introduced a minimum wage. Croatia lifted the 3-year limit on the duration of first-time fixed-term contracts.
Changed redundancy cost and procedures	Belgium; Croatia; Finland; France; Georgia; Portugal	Finland eliminated the requirement to notify a third party before dismissing 1 or a group of 9 redundant employees.

Note: Reforms affecting the labor market regulation indicators are included here but do not affect the ranking on the ease of doing business.
Source: Doing Business database.