

Doing Business in the European Union 2021

Fact Sheet: **The Netherlands**



Doing Business in the Netherlands is the latest in a series that follows the diagnostic methodology used in the cross-country Doing Business reports—which measure aspects of regulation that enable or hinder entrepreneurs in starting, operating, or expanding their companies in the country's largest business city—and extends it to secondary cities in European Union (EU) member states with a population greater than four million. The report covers ten cities and focuses on five indicator sets that measure the complexity and cost of regulatory processes, as well as the strength of legal institutions: starting a business, dealing with construction permits, getting electricity, registering property and enforcing contracts. Top-performing cities are identified and best regulatory practices are highlighted. The report suggests that the different strengths of Dutch cities mean they have something to learn from each other.

DOING BUSINESS IN THE NETHERLANDS

Doing Business in the Netherlands goes beyond Amsterdam—the city measured by the World Bank global *Doing Business* report—to identify good regulatory practices, uncover administrative bottlenecks and provide good practice examples based on examples from the country and other EU member states.

The report assesses the business regulatory environment and its impact on local entrepreneurs in **ten cities**: Amsterdam, Arnhem, Eindhoven, Enschede, Groningen, The Hague, Maastricht, Middelburg, Rotterdam and Utrecht.

Doing Business in the Netherlands was prepared by the World Bank Group, under the auspices of the Ministry of Economic Affairs and Climate Policy, and funded by the European Commission, Directorate General for Regional and Urban Policy.

MAIN FINDINGS

- **Dutch entrepreneurs operate in a homogeneous regulatory framework, but their experience dealing with business regulation varies at the local level.** The regulatory framework for the five areas is set at the national level and applies across all 10 cities. All locations score the same on quality components. Processes are homogeneous across the Netherlands

for starting a business and registering property, unsurprising given the high level of centralization in these areas. Dutch cities outperform the EU average in these two regulatory. More variation exists in dealing with construction permits, getting electricity, and enforcing contracts. Eindhoven and Middelburg place consistently in the top five across indicator areas. Maastricht leads in getting electricity, Middelburg in dealing with construction permits, and Eindhoven in enforcing contracts.

- **Subnational differences highlight opportunities for peer-learning. Five cities rank among the top half in at least two indicators and among the bottom half in at least two others, suggesting that they have something to teach and something to learn from their neighbors.** In dealing with construction permits, getting electricity, and enforcing contracts, significant disparities in regulatory performance can help policy makers identify opportunities to improve administrative processes and building local institutional capacity. The regulatory performance gap between the highest score and the lowest is widest for dealing with construction permits, unsurprising considering the central role played by local authorities in this area. In this area, the process requires between 13 and 16 procedures, which can be completed in 168 to 233 days, depending on the location. In getting electricity, Dutch cities perform above the EU average, except Enschede, Groningen and Utrecht.



▪ **Local good practices exist across the country.** Most Dutch cities have lessons to offer their peers. Even cities that do not perform at the top on any indicator lead one indicator category. With four each, Eindhoven, Maastricht and Groningen are the cities with the highest number of good practices. Dealing with construction permits is fastest in Groningen, where it takes 5.5 months compared to more than 7.5 months in The Hague. However, this variation is not caused by the number of regulatory steps (Groningen requires 15 while The Hague, the city with the fewest procedures, requires 13). Instead, the main cause is the time needed for municipal consultations and the water and sewer connection. It takes 22 days to obtain the utility connection in Groningen, the fastest in the Netherlands and one-quarter of the time needed in Arnhem, Enschede, and Utrecht (85 days).

▪ **Time is the main source of variation among the performances of the Dutch cities benchmarked.** Complying with bureaucratic requirements takes four months longer in Utrecht than in Eindhoven. The time to obtain a construction permit or a new electricity connection and to enforce a contract varies the most. Dealing with construction permits varies from 5.6 months in Groningen to almost eight months in The Hague. Getting electricity takes 97 days in Maastricht, 41 days less than in Enschede. Contract enforcement takes 19 months in Maastricht, three months longer than in Eindhoven.

▪ **By learning from existing good practices, the Netherlands could improve its ease of doing business global score, mainly in dealing with construction permits and enforcing contracts.** If Amsterdam (which represents the Netherlands in the global Doing Business study) were to reduce the cost of construction permits to levels in Maastricht (1.5% of the warehouse value) and the time to that in Groningen (168 days), the Netherlands' score would improve from 66.92 to 71.54, just behind Switzerland but ahead of Spain. The potential for improvement is greatest in contract enforcement. Similarly, if Amsterdam could reduce the time to enforce contracts by 43 days (to the time in Eindhoven) and the cost by 5 percentage points (to the cost in Middelburg), the Netherlands' score would increase by 3.1 points.

FULL REPORT AVAILABLE AT:
www.doingbusiness.org/netherlands

ABOUT SUBNATIONAL DOING BUSINESS

Subnational Doing Business reports capture differences in business regulations and their enforcement across locations in a single country. The reports provide data on the ease of doing business in selected areas, rank each location, and highlight good practices to improve performance at the local level.

- **Offers a new diagnostic tool.** Applying the methodology used in the cross-country global *Doing Business* report in a number of locations in the same country or region, the reports create micro-level data on various areas of business regulation. This allows the participating locations to compare their business regulations among themselves and with the rest of the world.
- **Motivates regulatory improvements.** The studies uncover bottlenecks and identify local good practices that can easily be replicated without changing the country's legal and regulatory framework. The studies motivate regulatory improvements, mainly through peer-to-peer learning.

Since 2005, Subnational Doing Business has benchmarked 599 locations in 83 economies, including 15 EU member states.

Subnational Doing Business studies are available at:
www.doingbusiness.org/subnational

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