

Doingbusiness in 2005

Removing Obstacles to Growth

Access to Finance
Property Rights and Collateral

Caralee McLiesh
World Bank Group
June 30th, 2004



Doingbusiness indicators

2004



2005



2006

- Regulation of Entry
- Labor Regulations
- Contract Enforcement
- Credit Markets
 - Credit information
 - Collateral
- Bankruptcy

- Bureaucratic Hassle
 - Business licenses
- Corporate Governance
- Property registration

• Updates of '04 topics

- Taxation
- Trade Infrastructure
 - Transport
 - Customs
 - Standards
- Protection of Property
 - Law and Order

• Updates of '04 and '05

Example of Methodology: registering property

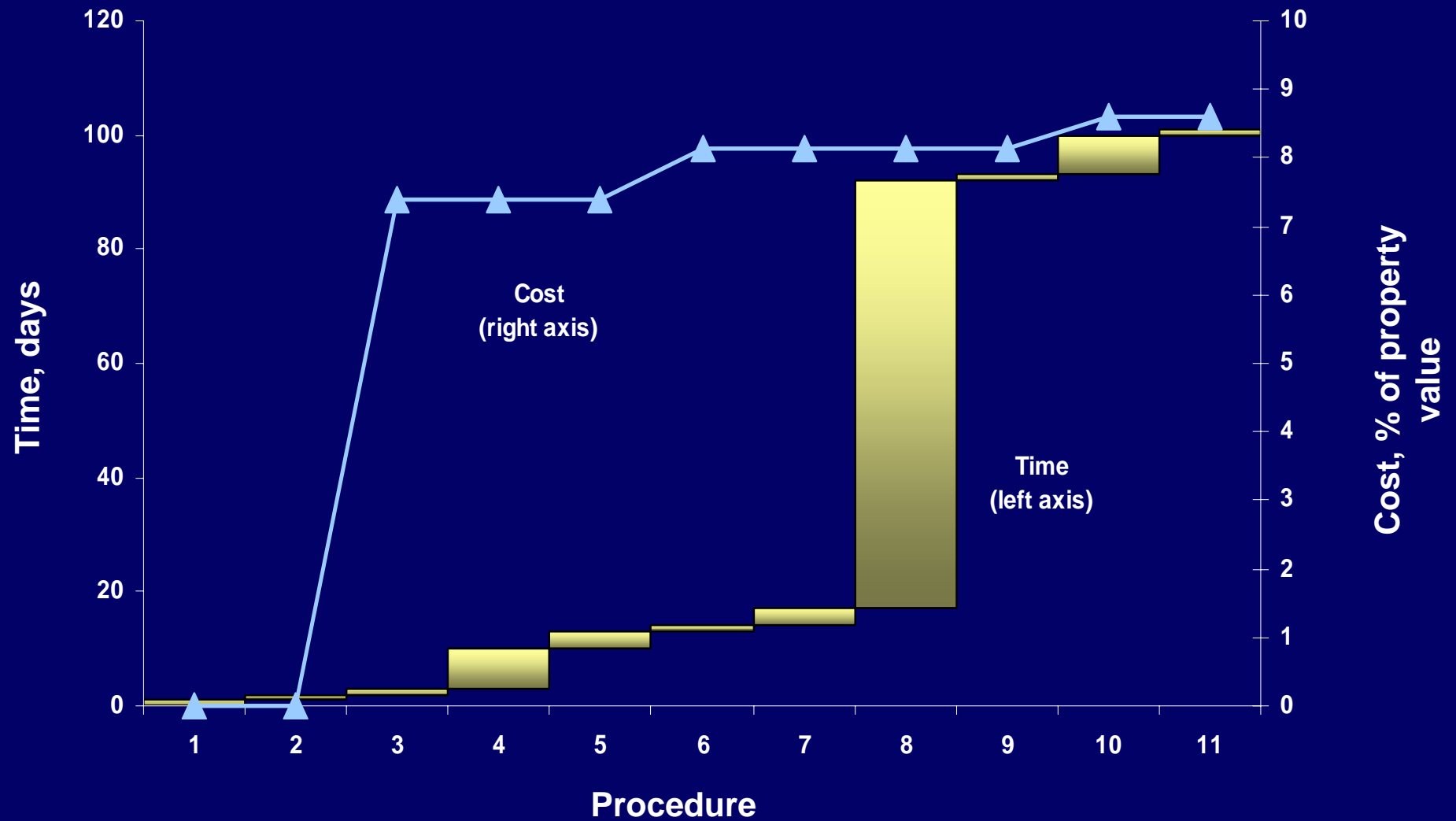
Case Study

- Limited liability
- Domestic SME
- Largest city
- Wants to purchase land and warehouse in peri-urban area
- Value of property = 50 x GNIpc
- Property is registered and free of title dispute, etc
- How to transfer ownership?

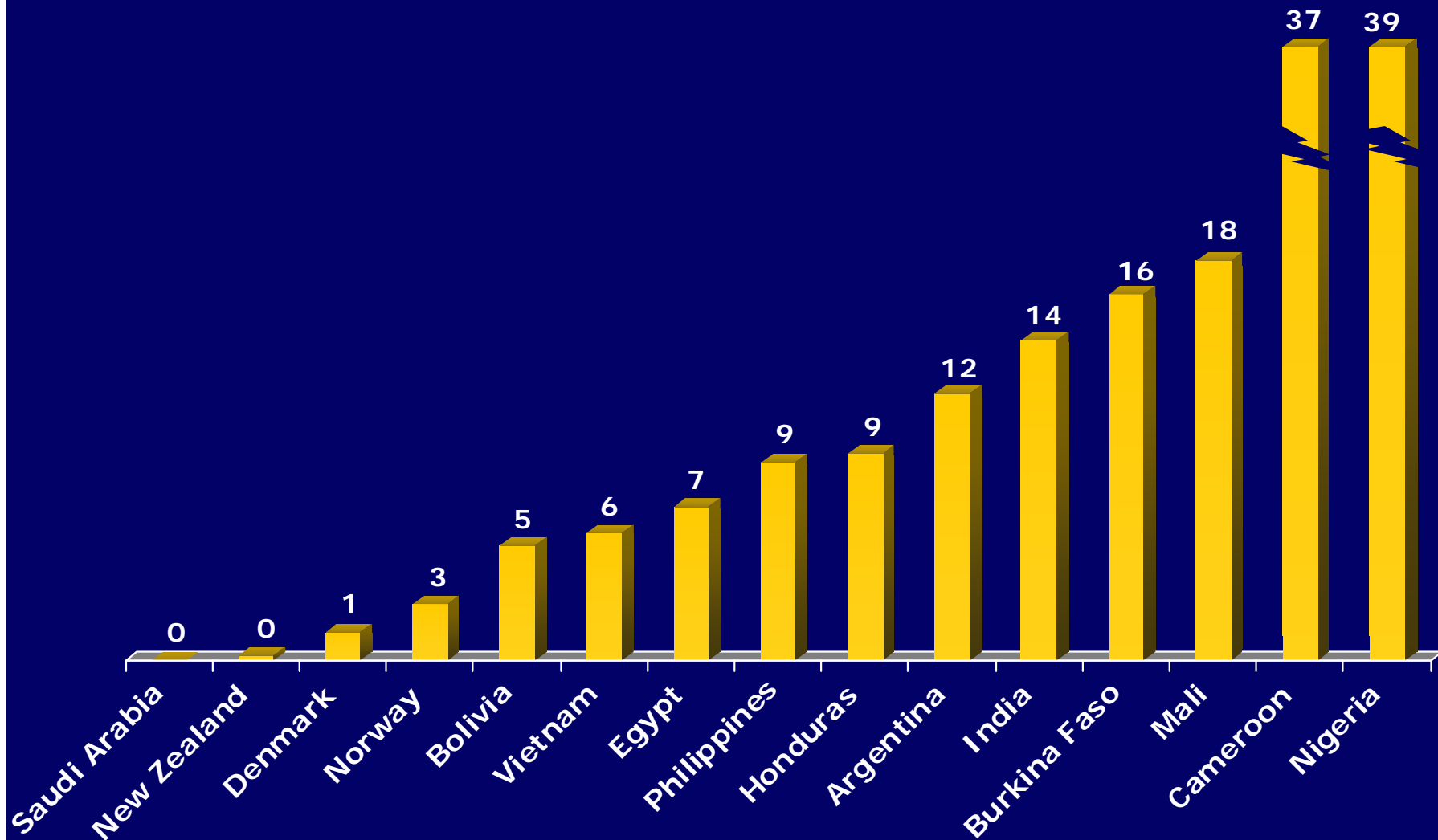
Indicators

- Procedures
- Time
- Cost (% Value)
- Documentation

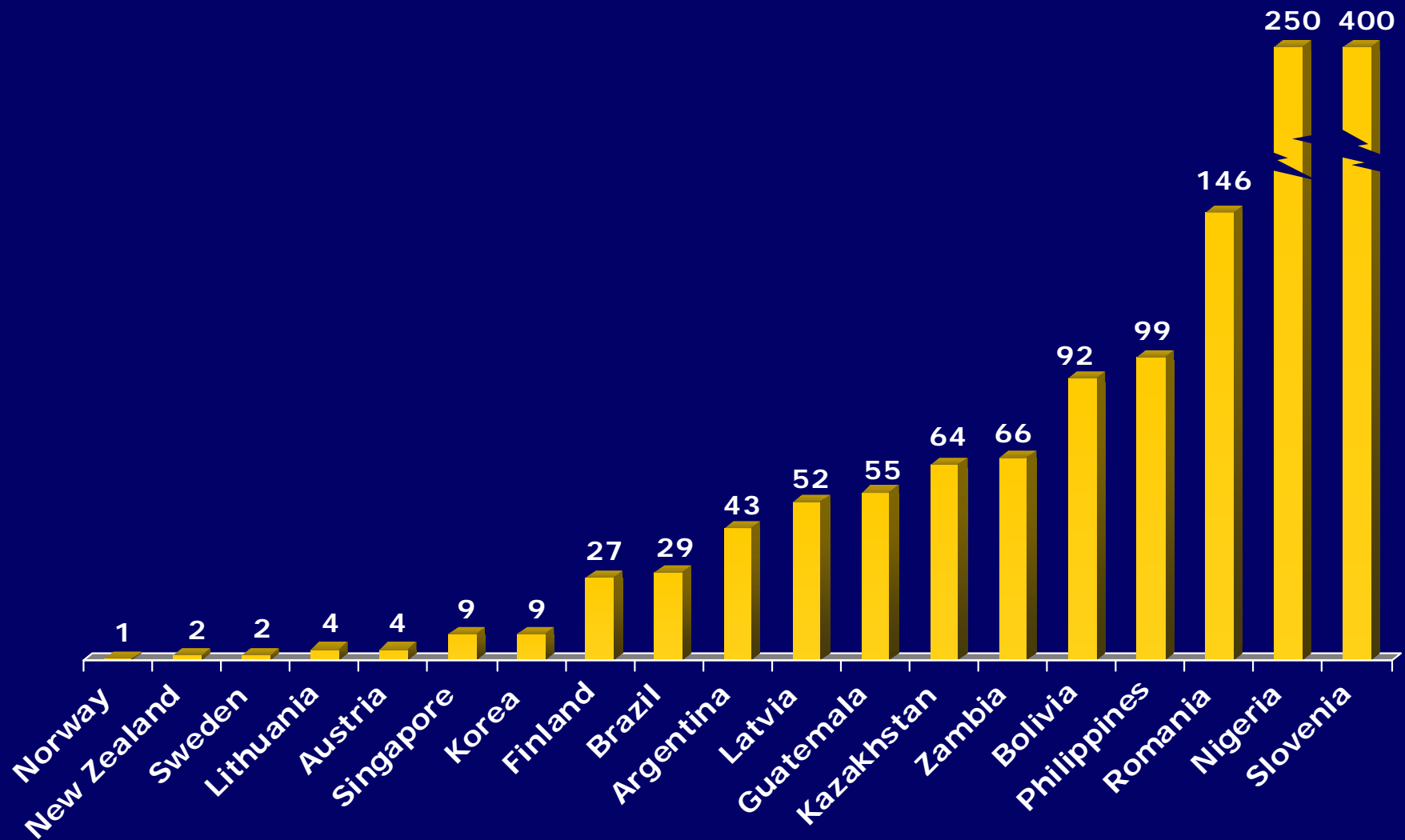
Registering Property: Philippines (Jan, 2004)



Cost to transfer property title (% value)



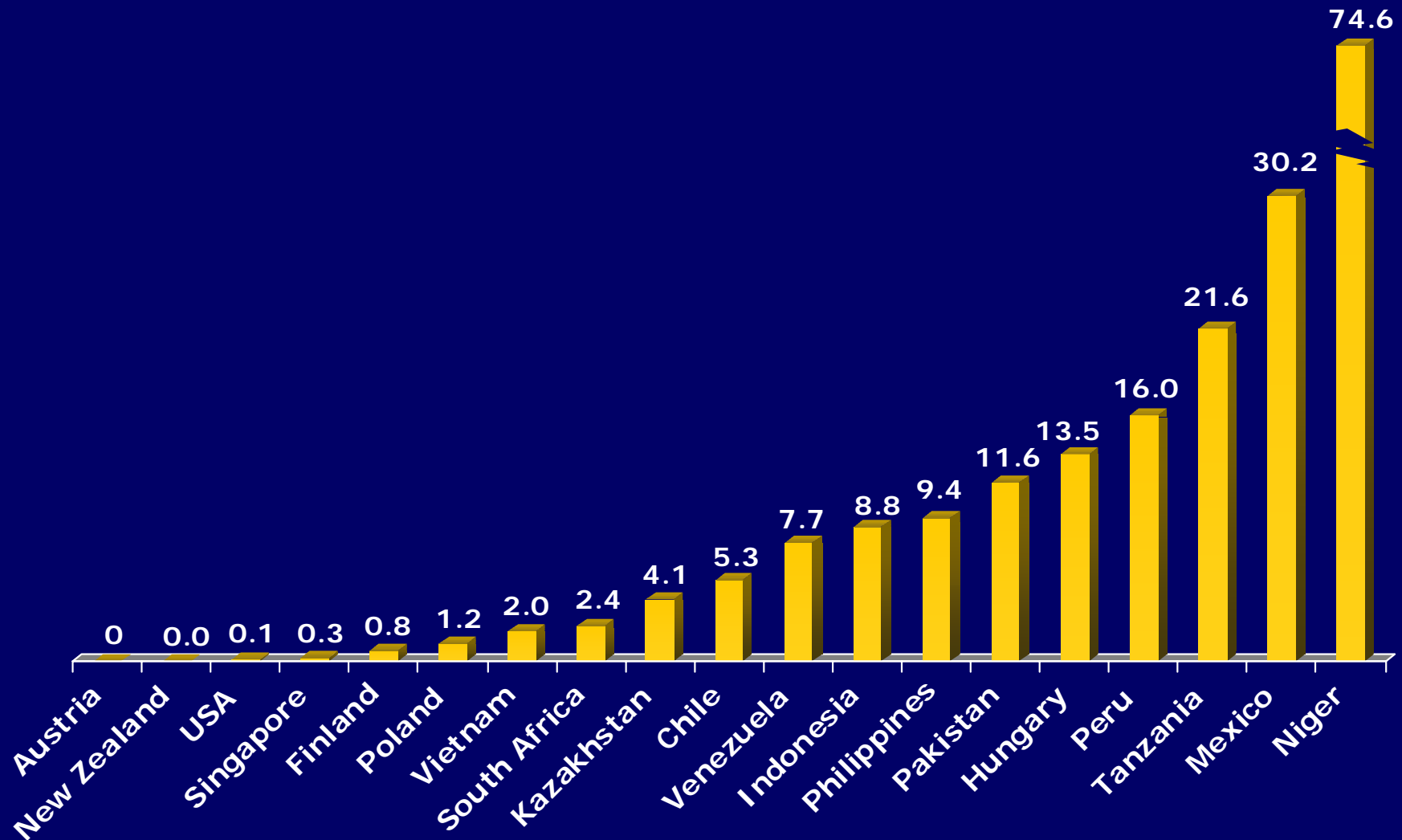
Time to transfer property title (days)



Property title is not enough

- What can a borrower use as security for a loan?
- How to create and perfect a security agreement?
- How can the lender enforce security if the borrower defaults?
- Who else can take priority to security?

Cost to create and register (movables, %GNIpc)



Who encourages access to credit?

Collateral Index

Highest

- Ireland
- Singapore
- Slovakia
- United Kingdom
- Australia
- Canada
- Hong Kong
- Latvia
- Netherlands
- New Zealand
- USA
- Albania

Lowest

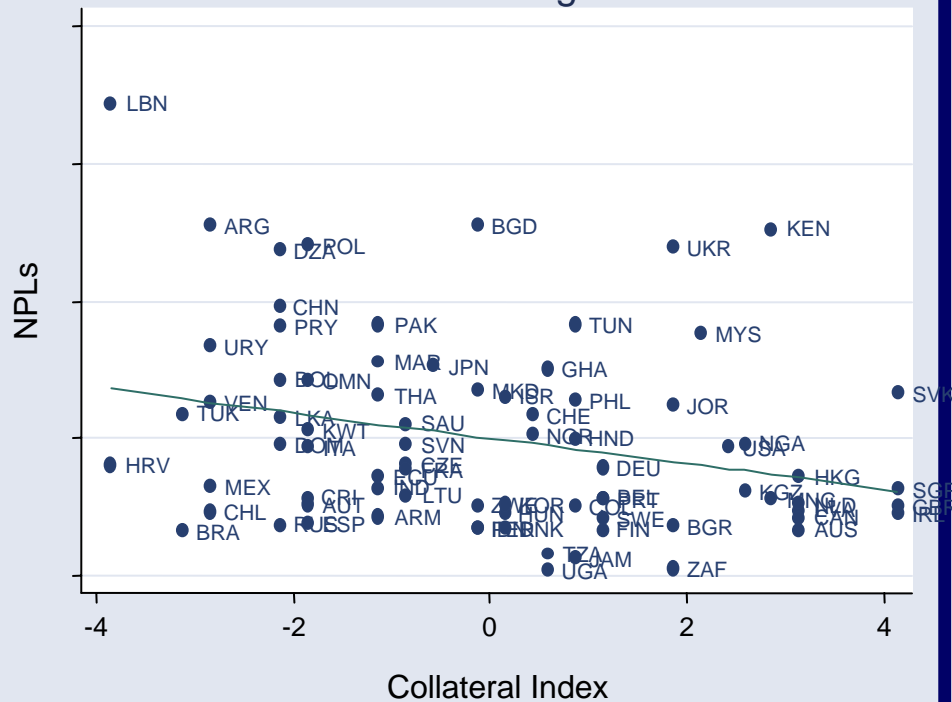
- Sri Lanka
- Togo
- Uruguay
- Venezuela
- Yemen
- Brazil
- Croatia
- Egypt
- Haiti
- Lebanon
- Nicaragua
- Turkey

Note: Index based on eight factors relating to the requirement for specific descriptions of assets and debt, geographically linked and electronic registry, priority over taxes and out of court enforcement.

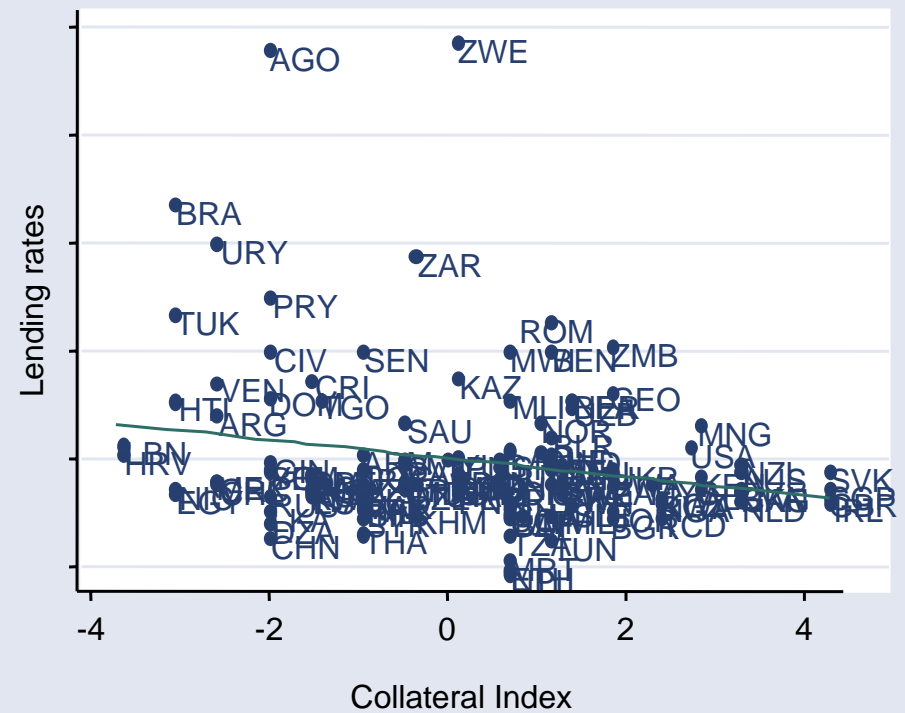
Source: *Doing Business in 2005*

Better collateral laws... ...less defaults, lower spreads

Non Performing Loans



Spread between lending and deposit rates



Note: Relationships are significant at the 1% level. Analysis controls for income per capita
Source: *Doing Business in 2005*

Why does this matter? What gets measured gets done

Average Fall in Time and Cost to Start a Business,
2003-2004

