

Doingbusiness project

presented by

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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

Time-and-motion study: Registering property

Case facts

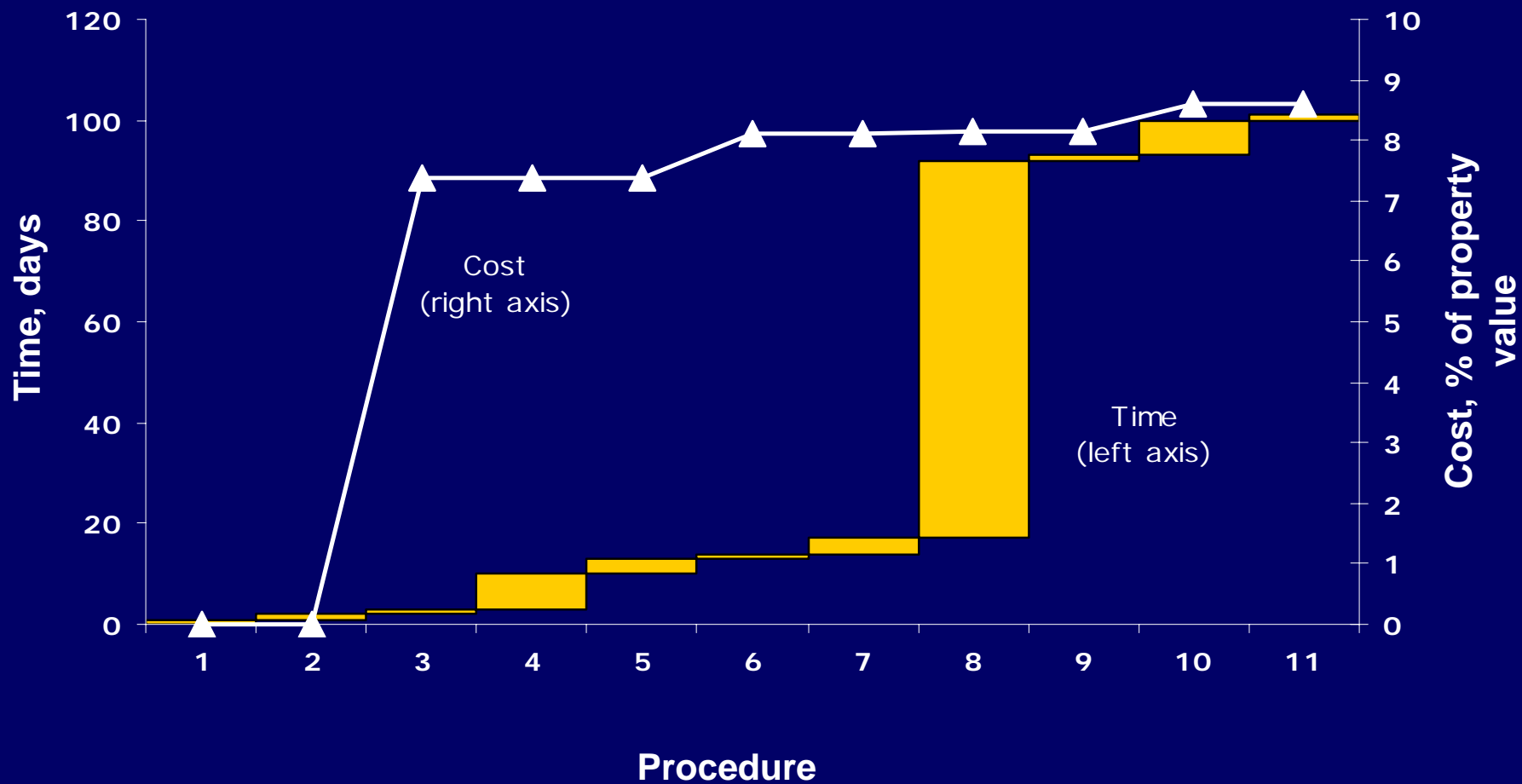
- Limited liability
- Domestic SME
- Largest business city
- Wants to purchase land and warehouse in peri-urban area
- Value of property= 50 x GNIpc
- Property is registered and free of title dispute, etc

- How to transfer ownership?

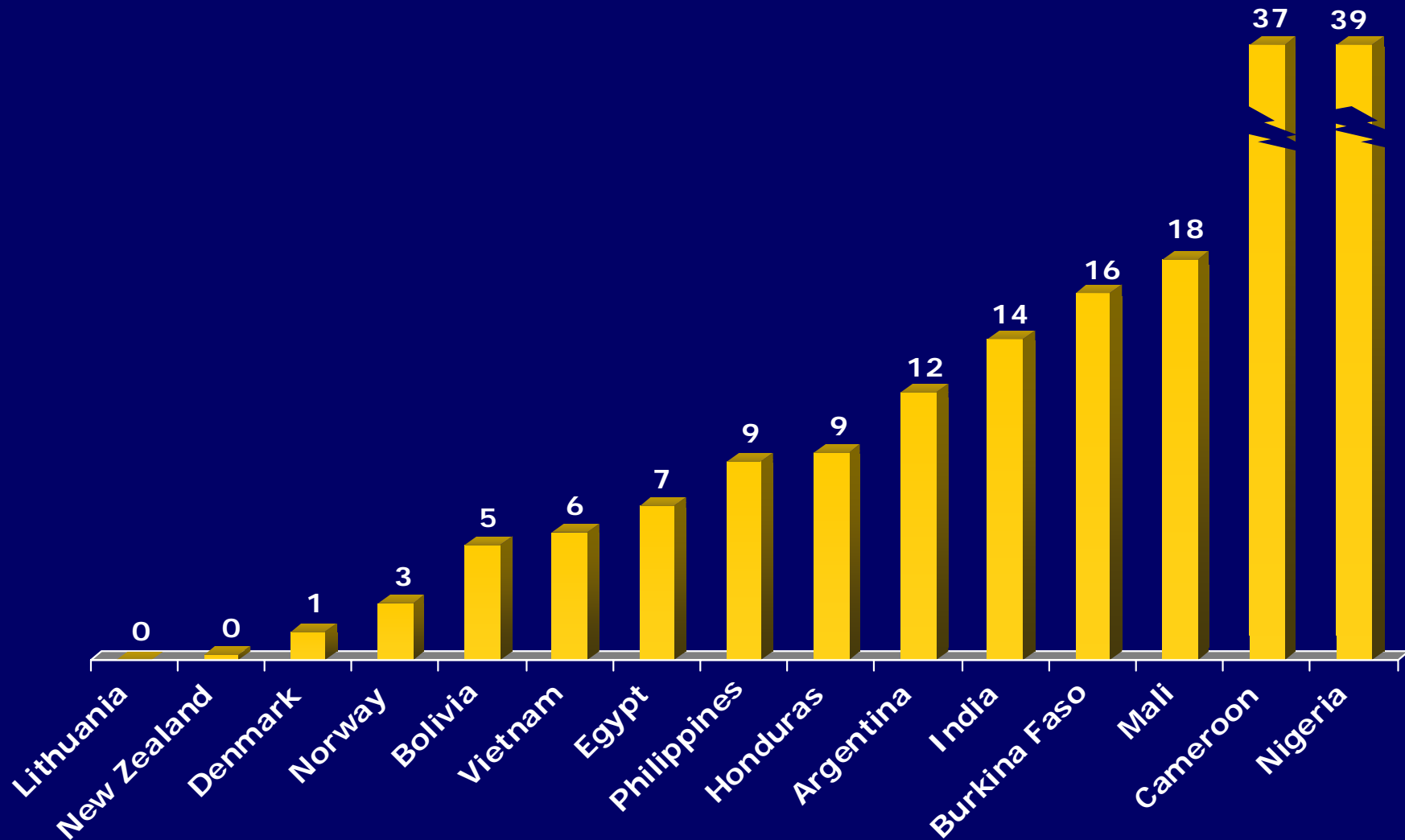
Indicators

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

Registering property: Philippines (Jan. 2004)



Cost to transfer property title (% value)



Main Findings of **Doing**business in 2005

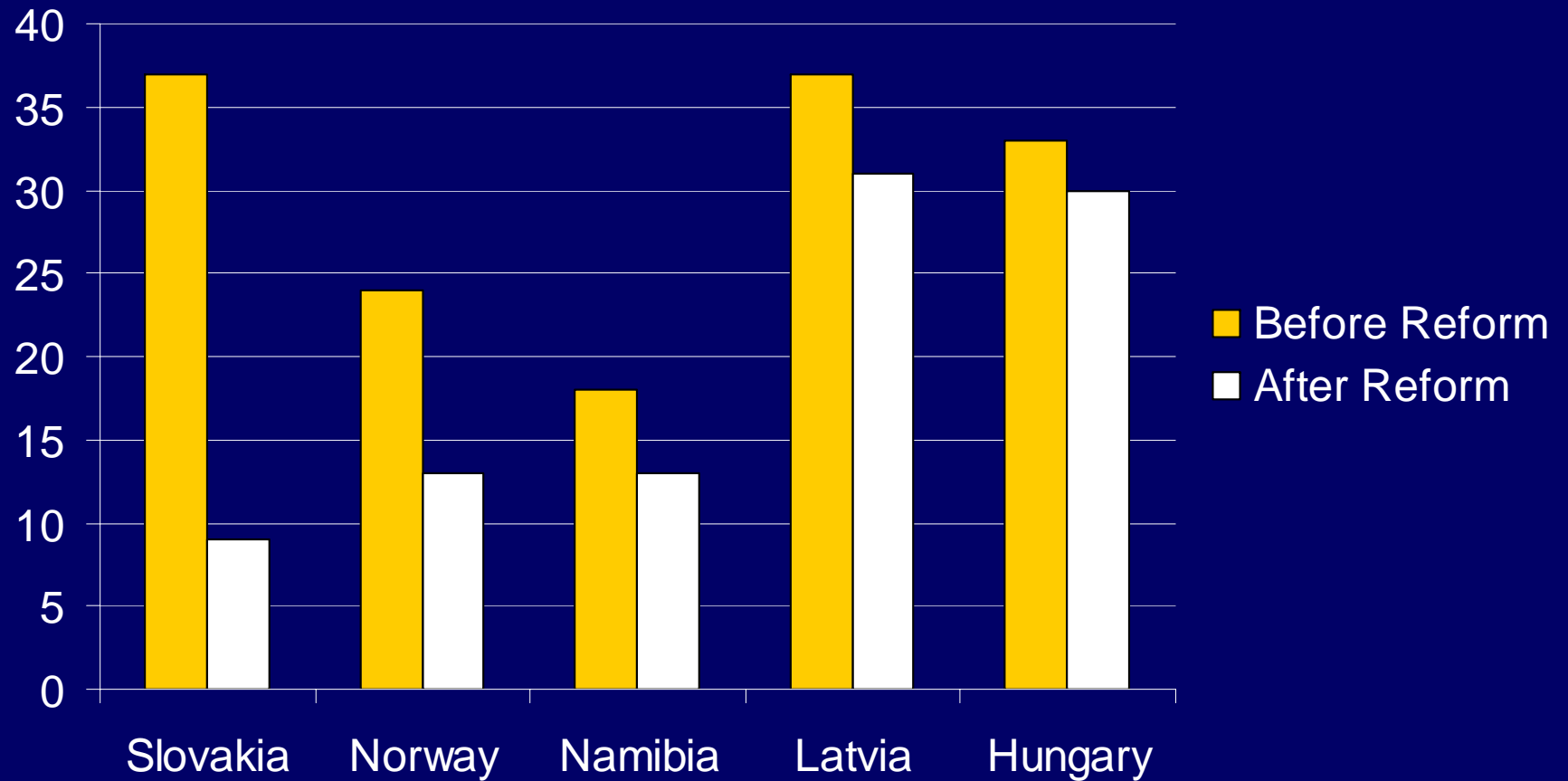
- The gap between rich and poor countries in ease of doing business is widening
- Complex regulations only cause harm
- What gets measured gets done

How much reform in a year?

- Three dozen economies in entry, e.g. France, Turkey, Slovakia, Belgium, Spain, Jordan, Finland, Lithuania, Russia
- Two dozen economies in credit registries and creditor rights, e.g. Belgium, Brazil, Hong Kong (China), Italy, Latvia, Poland, Portugal, Saudi Arabia
- 16 in labor: e.g., EU (Estonia, Latvia, Poland, Romania, Slovakia, Belgium, Denmark, France, Germany, Italy, Norway, Spain), Albania, Australia, Namibia, Egypt.
- Nine in bankruptcy: Bulgaria, Estonia, Finland, India, Lithuania, Poland, Spain, Tunisia, Turkey
- Seven in contract enforcement: Bosnia and Herzegovina, Estonia, Finland, Moldova, Mozambique, Portugal, Senegal

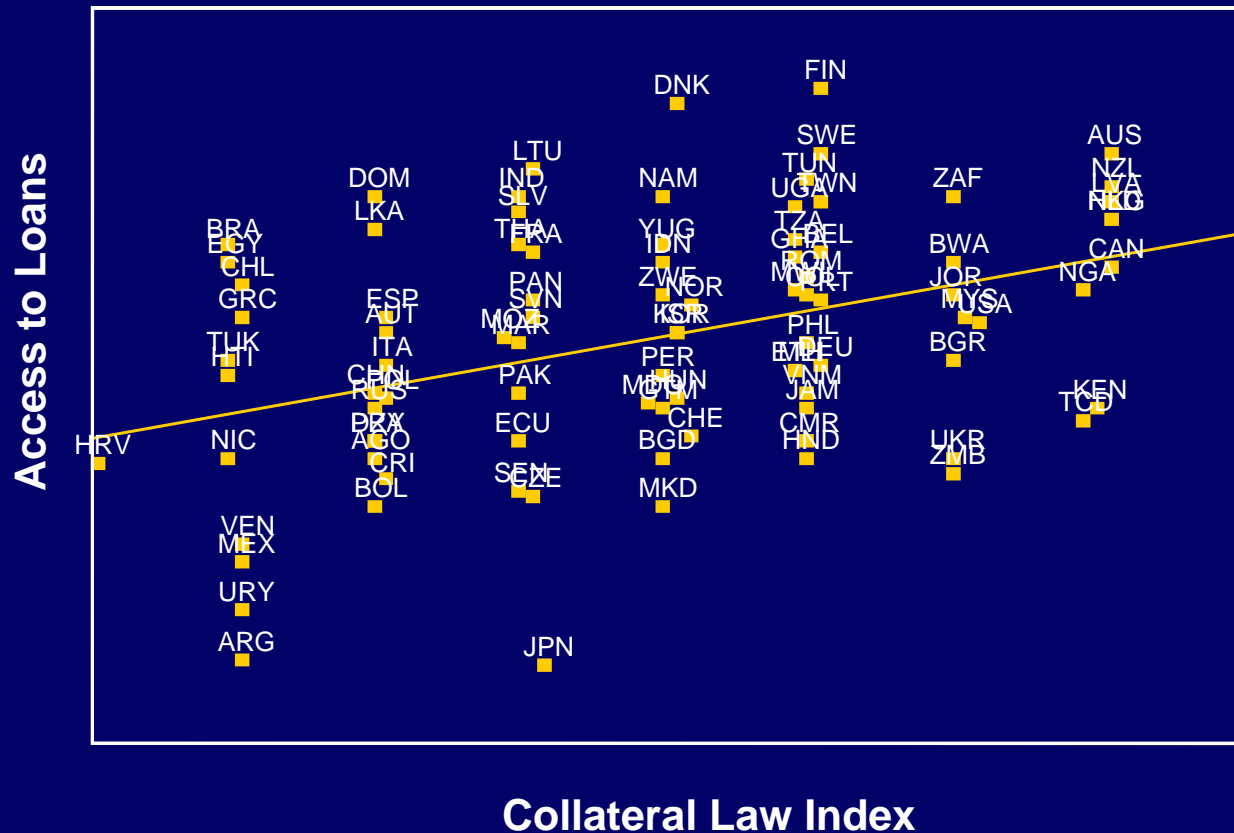
Reform pays off

Increase in labor cost to temporarily expand from 40 to 60 hours



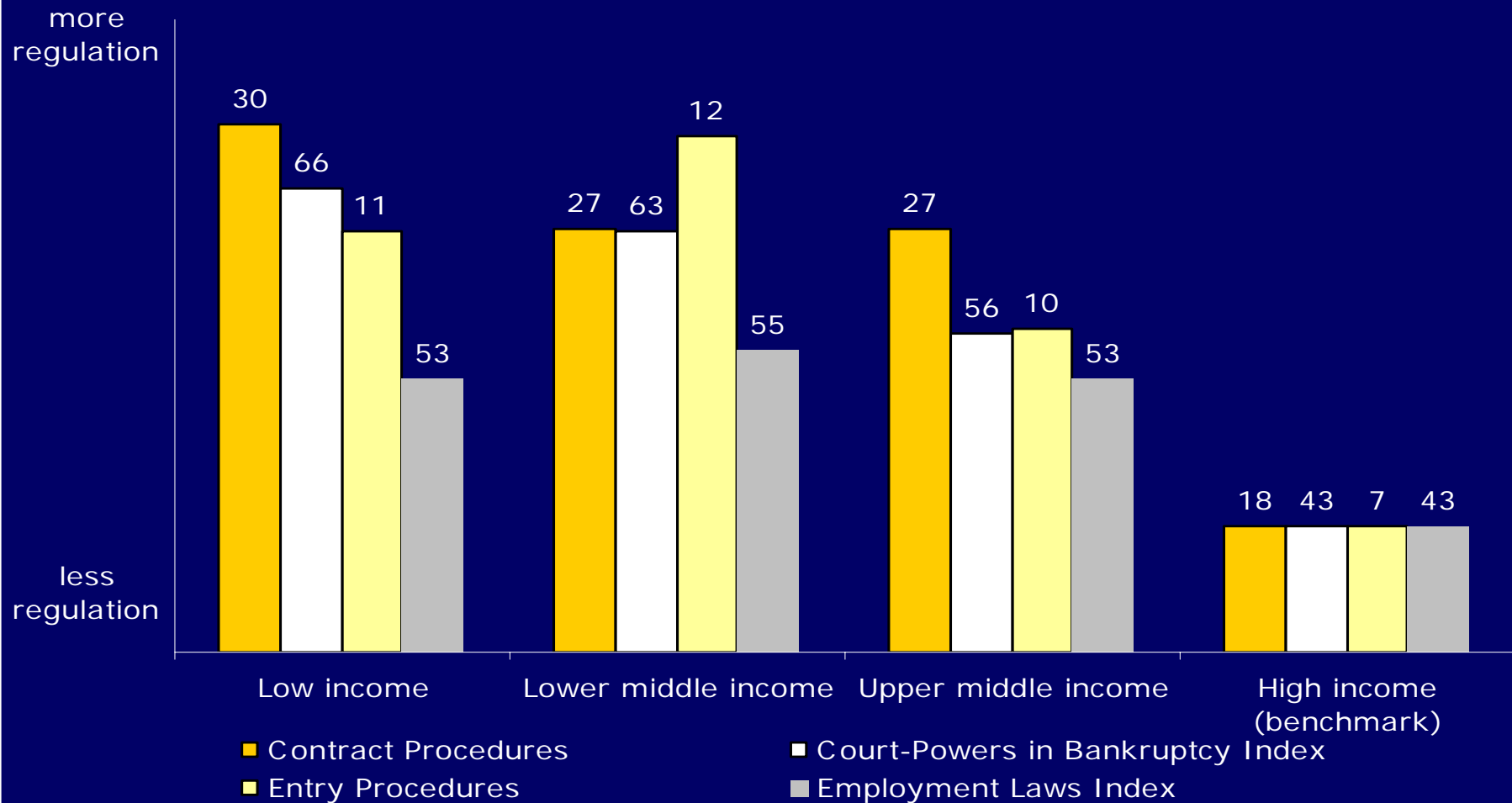
Better collateral laws = More credit

Access to Loans Perceptions

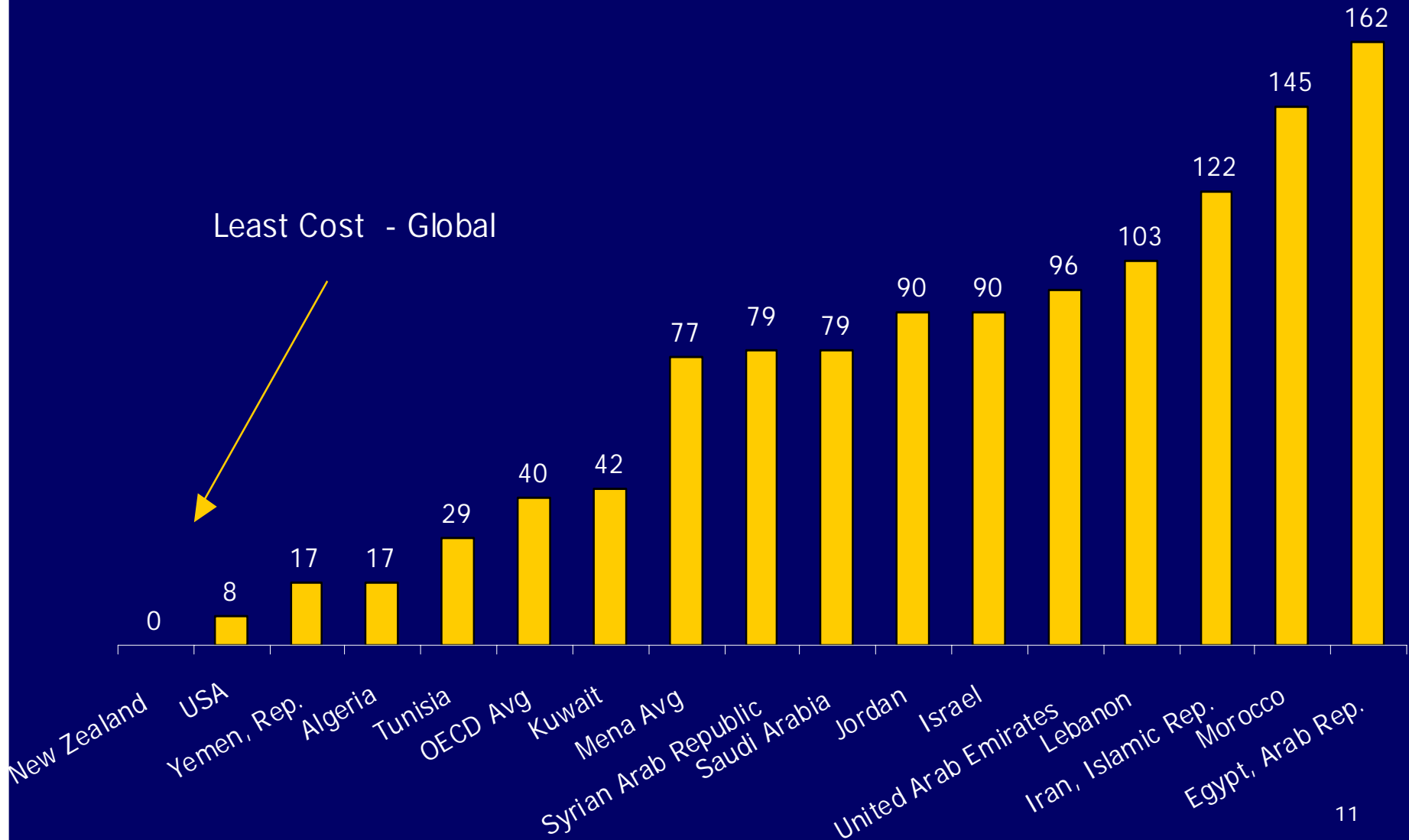


Note: The analysis controls for income per capita. The relationship is significant at the 1% level
Source: Doing Business database and Global Competitiveness Report

2. High or complex regulations cause harm

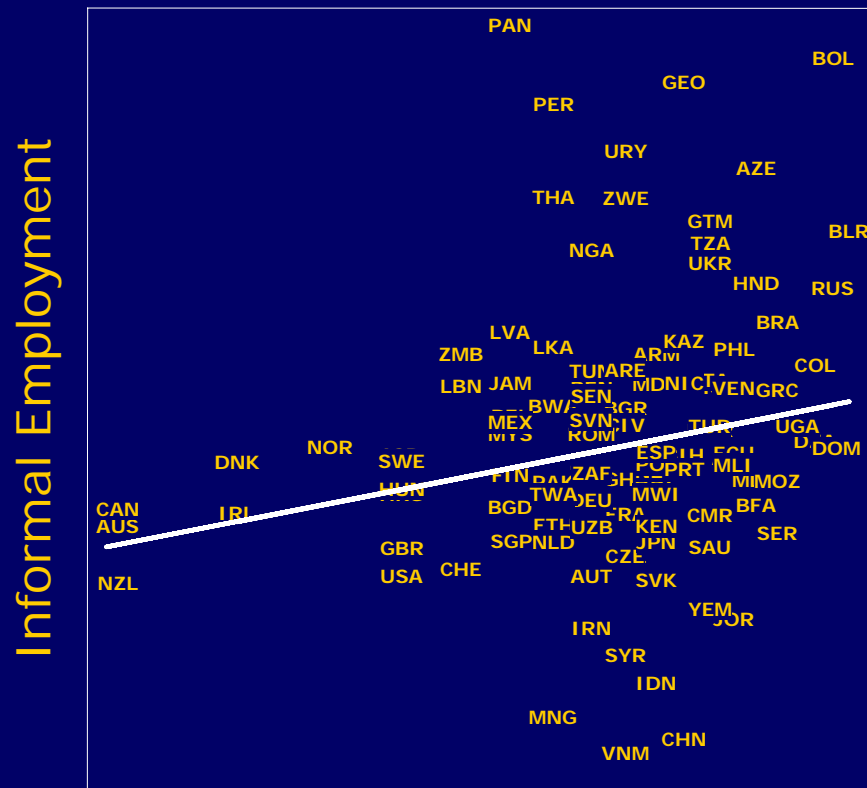


Cost of Firing One Redundant Worker (weeks wages in severance, notices and penalties)



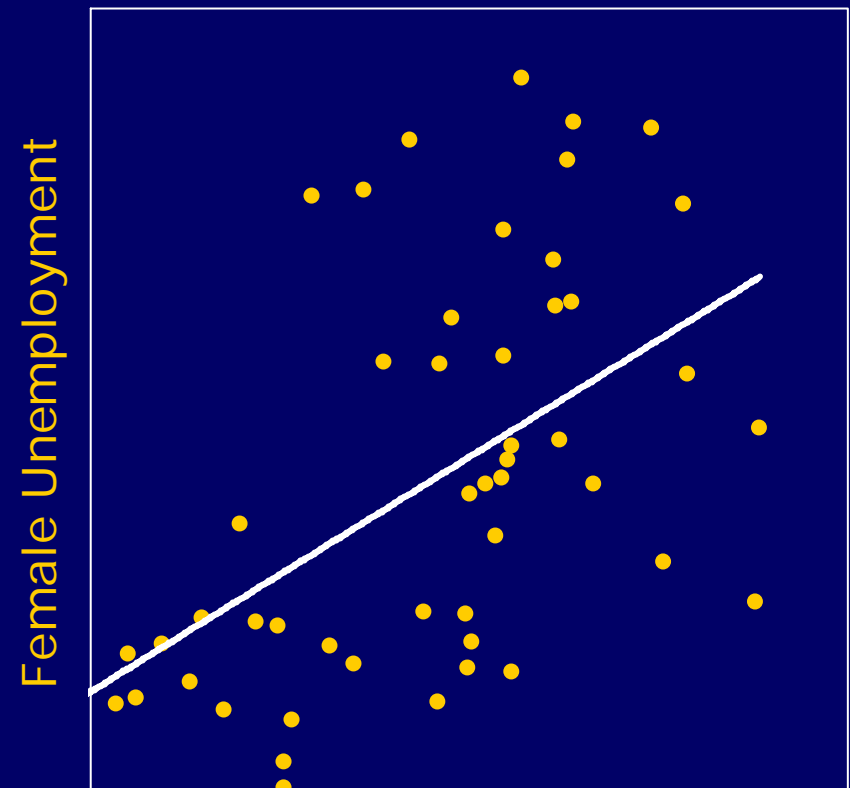
The result? The other path

A Larger Informal Sector



Procedures to Start a Business

Disadvantaged hurt most

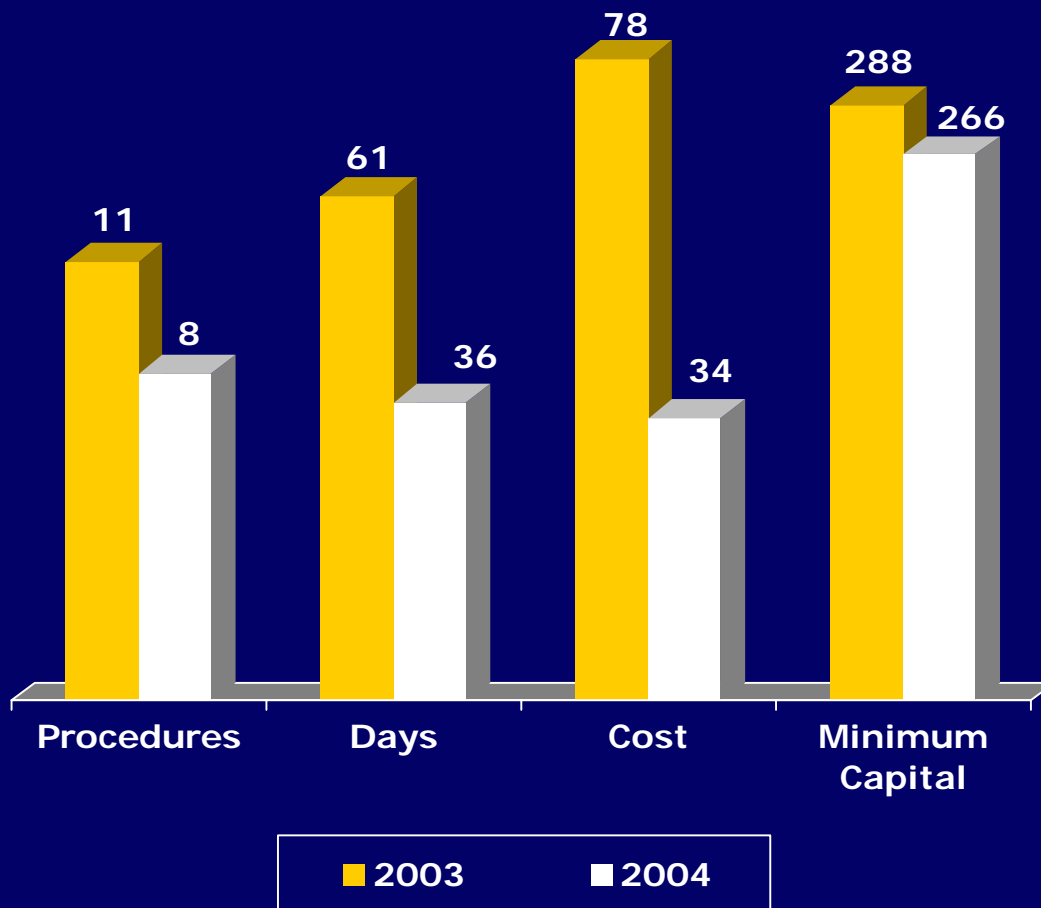


Rigidity of Employment Law

Partial scatter plots controlling for income per capita. Relationships statistically significant at 5% level.

3. What gets measured gets done

Top Reformers in Starting a Business, 2003 - 2004



Average Improvement in Start-up Indicators*

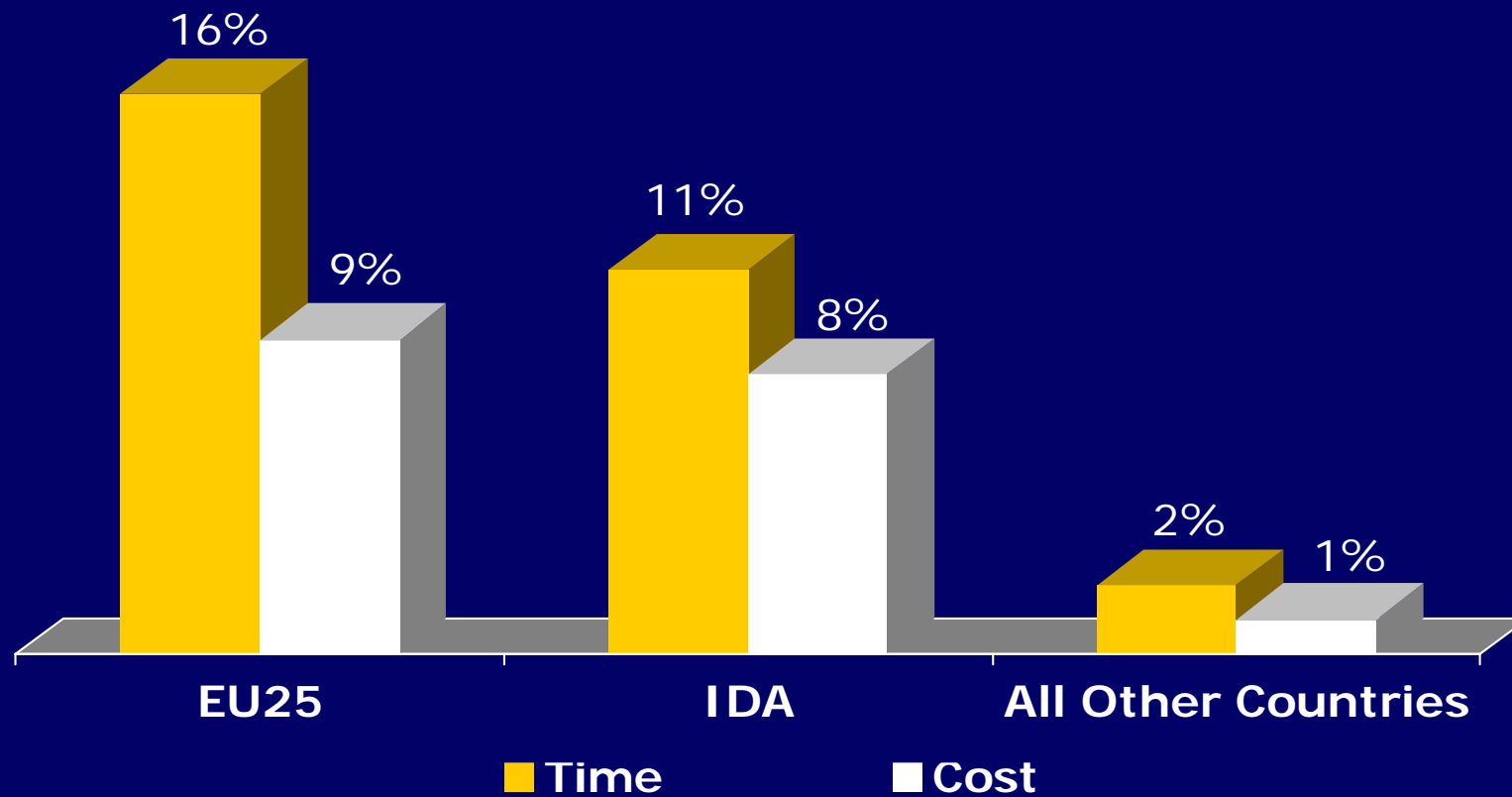
- France 53%
- Morocco 41%
- Turkey 36%
- Ethiopia 33%
- Slovakia 27%
- Moldova 21%
- Belgium 20%
- Spain 18%
- Nicaragua 14%
- Argentina 11%

Three dozen reformers

* Average of percent improvement in procedures, time, cost and minimum capital between 2003 and 2004

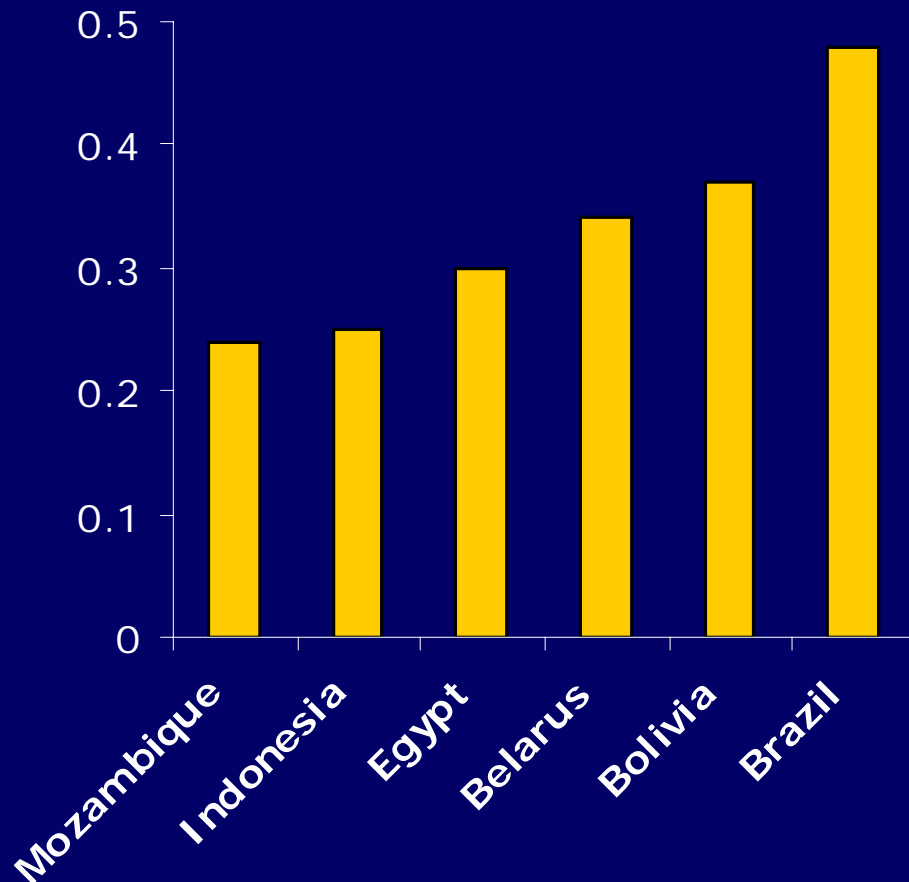
Who reformed the most?

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



Direct benefits of reform are large

Additional growth from lower barriers to entry, %*



With 0.25% additional growth...

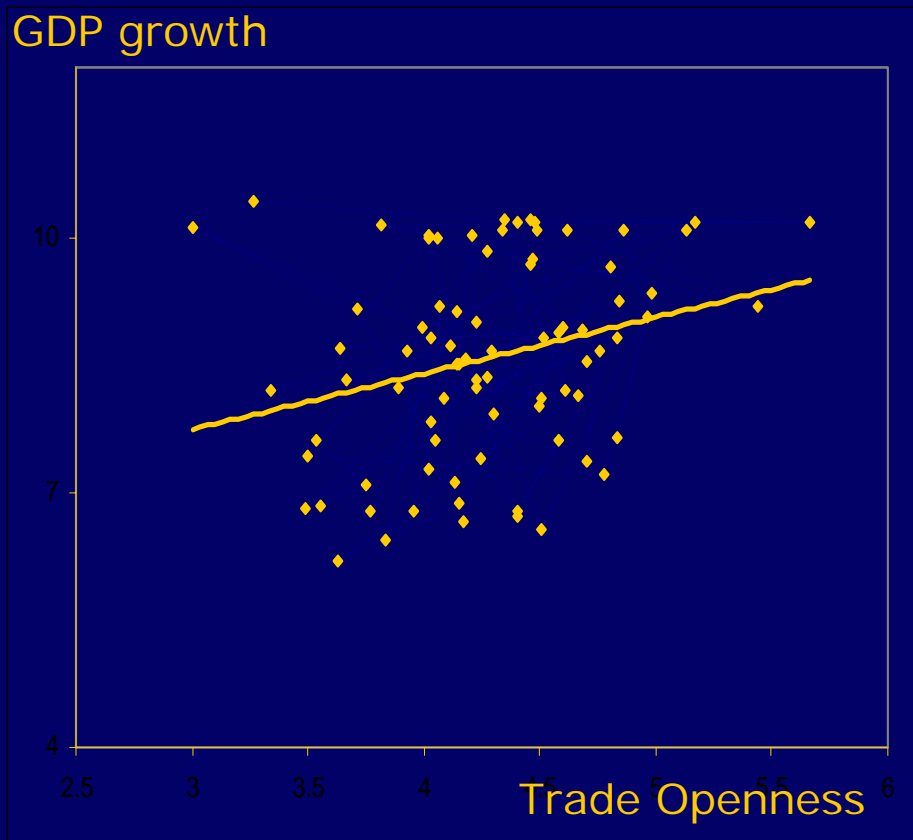
... \$14 billion per year for all developing countries

(= 25% of international aid)

* The hypothetical reform involves moving from the 75th percentile to the 25th percentile on the ease of entry, ie, from Paraguay to Sri Lanka

Indirect benefits are also large

Trade Increases Growth with Simple Regulation



With .7% additional growth
– by simplifying entry
and labor regulation...

- \$41 billion per year for all developing countries = 70% of international aid