

Doing Business 2010: World Bank Report Applauds Record Number of Reforms

More than 70 Percent of Countries Introduced Reforms to Improve Business Climate in Past Year

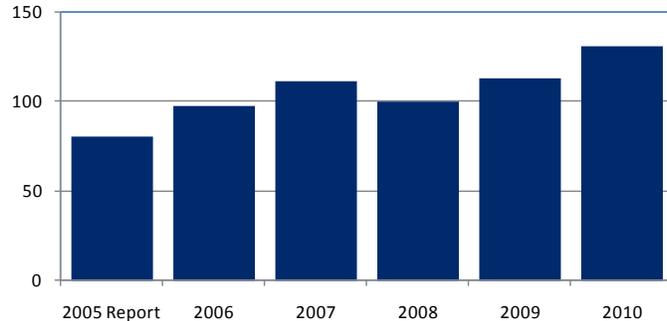
The World Bank's *Doing Business 2010: Reforming Through Difficult Times* report cites a total of 287 reform actions in 131 different countries over the past year. (This snapshot uses the term "country" even though not all ranked entities are countries, e.g., Puerto Rico.) Reformers worldwide achieved success in strengthening property rights, making it easier to start and operate a business, and improving procedures for bankruptcy and commercial dispute resolution.

The report highlights the unprecedented breadth of reforms adopted worldwide. The number of countries with at least one reform has generally climbed higher each year since the report started in 2004, but the annual rise for 2010 is the largest ever.

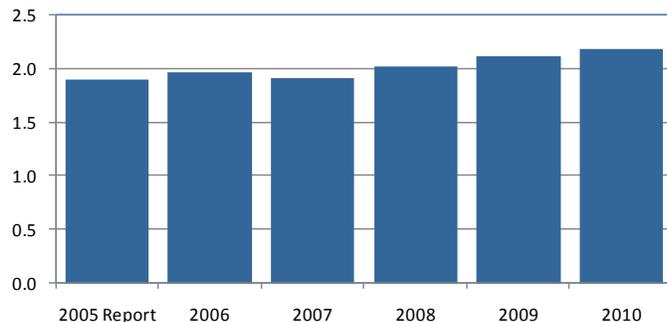
Reforms within each country are also becoming increasingly extensive. In the 2005 report, for example, those countries with at least one reform had an average of 1.9 reforms. Only 23 countries had three or more reforms in that year's report. But in the latest report, the average number of reforms in countries has risen to 2.2 and 38 countries had three or more reforms. Eight countries in 2010 had six or more reforms, including Colombia's eight reforms. In the 2005 report, only a single country (Slovakia) reached six reforms.

Reforming countries are demonstrating the durability of their reform movements in the latest data. Of those countries with at least one reform in 2010, more than one quarter (35 countries) had reforms in each of the preceding five years as well. As the third graph on this page shows, most reforming countries in the 2010 report have been consistent reformers in recent years. Nearly two-thirds of the reformers also had reforms in four or more of the past six years. Just nine of the reforming countries reported their first reform ever in this year's report. (Kosovo, although one of the 131 reformers this year, was not included in any previous year's data, so it is not included in the graph.)

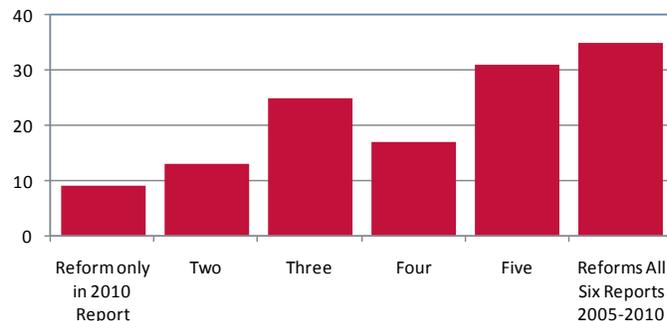
Number of Countries With At Least One Reform, 2005-2010



Average Number of Reforms Per Country With At Least One Reform, 2005-2010



Number of Years With At Least One Reform for 130 Reforming Countries in the 2010 Report



The *Doing Business 2010* report was released in September 2009. The rankings are based on reforms reported and data available for the period from June 2008 to May 2009.



Low and Lower Middle Income Countries Dominate Top Ten Reformers in 2010 Report

Of the top ten countries ranked by the number of reforms last year, four are low-income countries and four are lower-middle income countries. Only upper-middle income Belarus and the high-income United Arab Emirates break the pattern. As the World Bank notes, the highest rated countries on the Ease of Doing Business Index are typically high-income. All top ten rated countries are high income, although Georgia makes the list in 11th place and Thailand is 12th place. But with respect to reforms accomplished during the past year, “most of the action occurred in developing countries.” For the latest year, reformers were particularly successful in North Africa, the Middle East, Central Asia, and Eastern Europe.

Top Ten Reformers in Doing Business 2010						
Rank	Country	Income Status	Numbers of Reforms in Past Year	Ranking on Ease of Doing Business		
				2009	2010	Improvement
1	Rwanda	Low	7	143	67	↑76
2	Kyrgyz Republic	Low	7	80	41	↑39
3	Macedonia	Lower Middle	7	69	32	↑37
4	Belarus	Upper Middle	6	82	58	↑24
5	United Arab Emirates	High	3	47	33	↑14
6	Moldova	Lower Middle	3	108	94	↑14
7	Colombia	Lower Middle	8	49	37	↑12
8	Tajikistan	Low	5	164	152	↑12
9	Egypt	Lower Middle	4	116	106	↑10
10	Liberia	Low	3	159	149	↑10

Colombia and Egypt are in familiar territory on the Top Ten Reformers list, with both countries making their fourth appearance in the past seven editions of the annual report. But for Liberia, the UAE, Tajikistan, and Moldova, the 2010 report marks their debut in the top reforming countries. All ten of the top reformers adopted measures to make it easier to start a new business, while eight of the ten facilitated the construction permit process. Six of the top countries made it easier to register property, to get credit, and to move goods across national borders. The specific steps include cutting the time to start a new business in Macedonia to only four days because the central registry forwards relevant information to other institutions; offering an expedited one-day company registration service for an additional fee in Moldova; and eliminating minimum capital requirements in Egypt and the UAE.

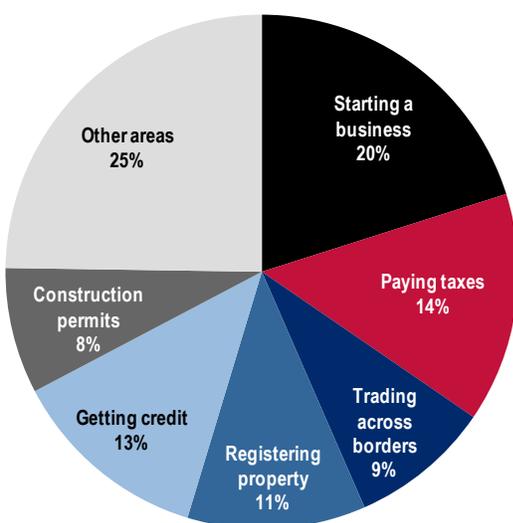
Rwanda Becomes First Sub-Saharan African Country to Lead the Pack

For the time in the seven-year history of the Doing Business rankings, a Sub-Saharan African country is the top reformer. Rwanda’s latest year of reforms is the continuation of a process which started back in 2001. In the past year, Rwanda adopted a new company law to simplify business start-up and to strengthen minority shareholder protection. Other actions have included making the property registry more efficient and adopting new laws to facilitate access to credit. The leap up the rankings by Rwanda in a single year is remarkable. Six of the top ten made the list by climbing up fourteen spots (or less). Rwanda moved up seventy-six spots, nearly twice as large a leap as the number two reformer. The area of the largest improvement for Rwanda was in protecting investors. As of the 2009 Doing Business, Rwanda rated as the 171st country for investor protection. During the past year, it made changes to strengthen the ability of investors to hold company directors accountable and to improve the quality of information that must be disclosed to investors and the public. In the 2010, Rwanda was rated the 27th best country on this sub-index.

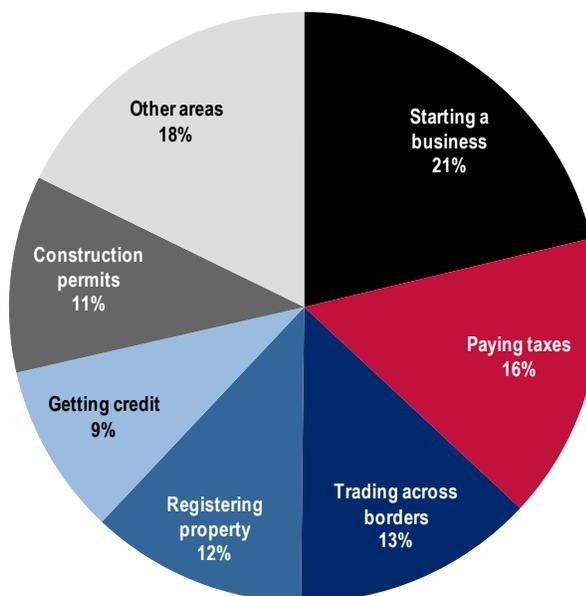
Patterns of Specific Reforms Broadly Stable Past Several Years

There are ten components which comprise the Ease of Doing Business rankings. The distribution of reforms among the ten areas has been little changed in recent years. In each of the past four years, reforms to facilitate starting a business have been the most frequent reforms, while those reforms related to employing workers have been the least frequent. Protecting investors, enforcing contracts, and closing a business are also three components which have been among the least frequent reforms each of the last four years. Simplifying the processes of paying taxes, registering property, and getting credit have consistently been among the most frequent reforms. Two areas that have increased their prominence in reform success from 2007 to 2010 are facilitating the processes of trading across national borders and obtaining construction permits. (See the table on page 4 for further details about the ten components of the Doing Business rankings.)

2007
214 Reforms



2010
287 Reforms



Room for Improvement in All Countries

The World Bank notes that the correlations between the ten components which make up the Ease of Doing Business Rankings are not particularly high. The implication of that statistical characteristic is that for countries which are ranked relatively high, the typical experience is still to have several component areas which are below the median rank value. Therefore, even countries high in the rankings have ample room for partial reform agendas. For example, Macedonia is the 32nd highest rated country for the ease of doing business, better than 82 percent of the countries in the report. However, its process for obtaining construction permits is rated only 137th in the world and its procedures for closing a business only 115th in the world. Or consider Azerbaijan's overall business climate ranked 38th in the world, based primarily on having exceptionally highly rated systems for starting a business and registering property. However, the experience of businesses trading across borders in Azerbaijan is among the most difficult in the world. Only six countries have a lower ranking on that particular component of Doing Business.

Limits to the Ease of Doing Business Index

The World Bank acknowledges that Doing Business provides only a partial view of a country's economic development status. The index and the data on reforms do not "account for a country's proximity to large markets, the quality of its infrastructure services (other than services related to trading across borders), the strength of its financial system, the security of property from theft and looting, macroeconomic conditions, or the strength of underlying institutions."

What's In the Ease of Doing Business Index?

The index is based on ten 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 ten 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).

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 obtain construction permits, inspections and utility connections
Employing workers	Difficulty of hiring index, rigidity of hours of index, difficulty of firing index, hiring cost and firing cost
Registering property	Procedures, time and cost to register commercial real estate
Getting credit	Strength of legal rights index, depth of credit information index
Protecting investors	Indices on the extent of disclosure, extent of director liability and ease of shareholder suits
Paying taxes	Number of taxes paid, hours per year spent preparing tax returns and total tax payable as share of gross profit
Trading across borders	Number of documents, number of signatures and time necessary to export and import
Enforcing contracts	Procedures, time and cost to enforce a debt contract
Closing a business	Time and cost to close down a business, and recovery rate in bankruptcy

How Are Top Reformers Identified?

The World Bank recognizes top reformers in a two-step process. First, all countries with reforms in at least three of the ten sub-indices are identified. Thirty-eight countries met that mark in 2010. Those countries are then ranked by the size of the increase in their overall ranking from the previous year.

How Did the World Bank Change the Report This Year?

The World Bank made two general changes in the 2010 report: coverage and method. First, it added two new countries to the rankings (Cyprus and Kosovo) in 2010 but did not revise earlier years to include them. Second, it adjusted the measures used in the "Employing workers" sub-index: the standardized case study used was revised, more factors were used to score work restrictions and mandated wage premiums, and a new calculation of the minimum wage ratio was adopted. The Bank also made revisions so that Doing Business scores are compatible with relevant ILO conventions.

How Can I Get the Doing Business Data?

To access the complete country Doing Business dataset, visit the Economic and Social Database (ESDB) on the USAID Intranet at http://km.usaid.gov/esds/esdb_index.html. The ESDB website also offers related datasets from the World Bank and other sources. Use the Desk Officers' Toolbox (<http://km.usaid.gov/esds/toolbox.html>) on the site to access standard country profiles or to generate customized tables and graphs.