

57946

Doing Business 2011

South Asia (SA)

**Making
a Difference for
Entrepreneurs**

COMPARING BUSINESS REGULATION IN 183 ECONOMIES



© 2010 The International Bank for Reconstruction and Development / The World Bank
1818 H Street NW
Washington, DC 20433
Telephone 202-473-1000
Internet www.worldbank.org

All rights reserved.
1 2 3 4 08 07 06 05

A copublication of The World Bank and the International Finance Corporation.

This volume is a product of the staff of the World Bank Group. The findings, interpretations and conclusions expressed in this volume do not necessarily reflect the views of the Executive Directors of the World Bank or the governments they represent. The World Bank does not guarantee the accuracy of the data included in this work.

Rights and Permissions

The material in this publication is copyrighted. Copying and/or transmitting portions or all of this work without permission may be a violation of applicable law. The World Bank encourages dissemination of its work and will normally grant permission to reproduce portions of the work promptly.

For permission to photocopy or reprint any part of this work, please send a request with complete information to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, USA; telephone 978-750-8400; fax 978-750-4470; Internet www.copyright.com.

All other queries on rights and licenses, including subsidiary rights, should be addressed to the Office of the Publisher, The World Bank, 1818 H Street NW, Washington, DC 20433, USA; fax 202-522-2422; e-mail pubrights@worldbank.org.

Additional copies of *Doing Business 2011: Making a Difference for Entrepreneurs*, *Doing Business 2010: Reforming through Difficult Times*, *Doing Business 2009*, *Doing Business 2008*, *Doing Business 2007: How to Reform*, *Doing Business in 2006: Creating Jobs*, *Doing Business in 2005: Removing Obstacles to Growth* and *Doing Business in 2004: Understanding Regulations* may be purchased at www.doingbusiness.org.

ISBN: 978-0-8213-7960-8
E-ISBN: 978-0-8213-8630-9
DOI: 10.1596/978-0-8213-7960-8
ISSN: 1729-2638

Library of Congress Cataloging-in-Publication data has been applied for.
Printed in the United States

Current features

News on the *Doing Business* project

<http://www.doingbusiness.org>

Rankings

How economies rank-from 1 to 183

<http://www.doingbusiness.org/rankings/>

Reformers

Short summaries of DB2011 reforms, lists of reformers since DB2004 and a ranking simulation tool

<http://www.doingbusiness.org/reforms/>

Historical data

Customized data sets since DB2004

<http://www.doingbusiness.org/custom-query/>

Methodology and research

The methodologies and research papers underlying *Doing Business*

<http://www.doingbusiness.org/Methodology/>

Download reports

Access to *Doing Business* reports as well as subnational and regional reports, reform case studies and customized country and regional profiles

<http://www.doingbusiness.org/reports/>

Subnational and regional projects

Differences in business regulations at the subnational and regional level

<http://www.doingbusiness.org/subnational-reports/>

Law Library

Online collection of business laws and regulations relating to business and gender issues

<http://www.doingbusiness.org/law-library/>

<http://wbl.worldbank.org/>

Local partners

More than 8,200 specialists in 183 economies who participate in *Doing Business*

<http://www.doingbusiness.org/Local-Partners/Doing-Business/>

Business Planet

Interactive map on the ease of doing business

<http://rru.worldbank.org/businessplanet>

Contents

Introduction and Aggregate Rankings	1
Starting a Business	3
Dealing with Construction Permits	7
Registering Property	11
Getting Credit	15
Protecting Investors	19
Paying Taxes	22
Trading Across Borders	26
Enforcing Contracts	32
Closing a Business	36
5- Year Measure of Cumulative Change	40
Doing Business 2011 Business Reforms	41

Doing Business 2011: Making a difference for entrepreneurs is the eighth in a series of annual reports investigating regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 9 stages of a business's life are measured: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2011* are current as of June 1, 2010*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The Doing Business methodology has limitations. Other areas important to business such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 18 in the Middle East and North Africa and 8 in South Asia, as well as 30 OECD high-income economies as benchmarks.

The following pages present the summary Doing Business indicators for South Asia (SA) . The data used for this economy profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator.

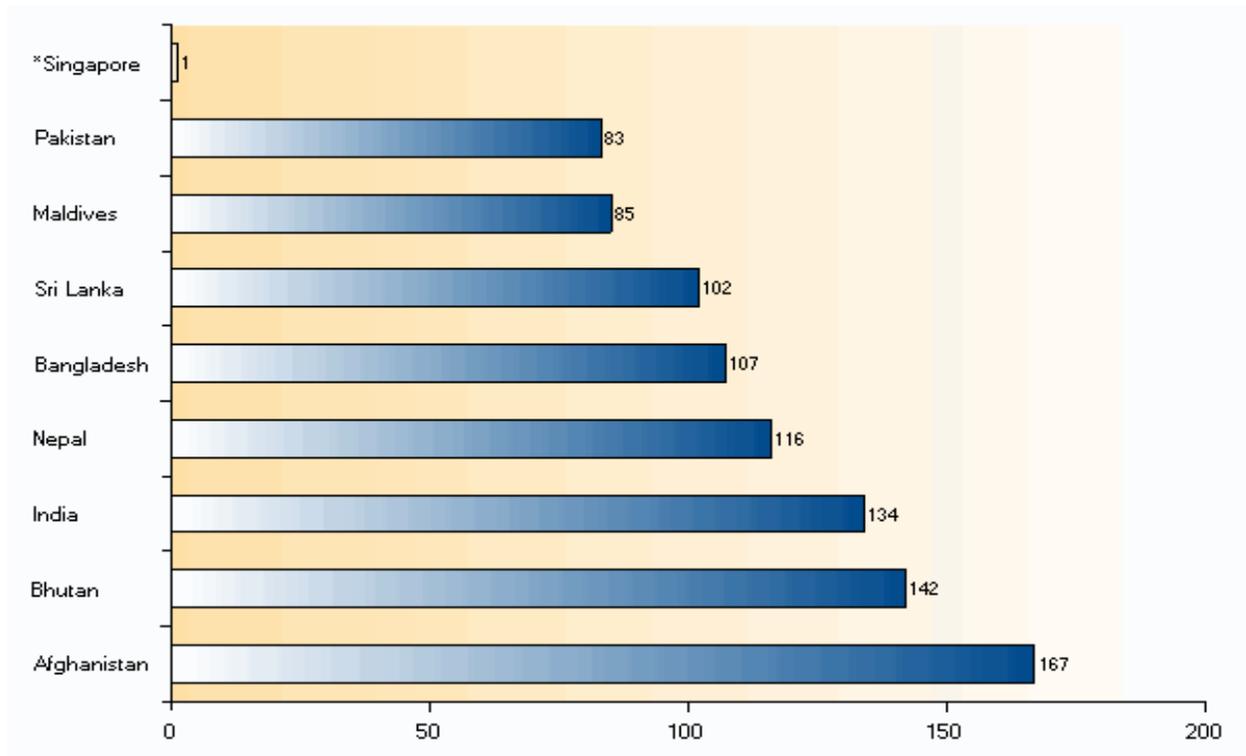
The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2011: Making a difference for entrepreneurs* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website (www.doingbusiness.org).

* Except for the Paying Taxes indicator that refers to the period January to December of 2009.

Note: 2008-2010 Doing Business data and rankings have been recalculated to reflect changes to the methodology and the addition of new economies (in the case of the rankings).

South Asia (SA) - Aggregate rankings



Economies are ranked on their ease of doing business, from 1 - 183, with first place being the highest. The ease of doing business index averages the economy's percentile rankings on 9 topics, made up of a variety of indicators, giving equal weight to each topic. The rankings are from the *Doing Business 2011: Making a Difference for Entrepreneurs* report, covering the period June 2009 to June 2010.

* Singapore is shown as a benchmark.

Many economies have undertaken reforms to smooth the starting a business process in stages—and often as part of a larger regulatory reform program. A number of studies have shown that among the benefits of streamlining the process to start a business have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms.

Some reform outcomes

In Egypt reductions of the minimum capital requirement in 2007 and 2008 led to an increase of more than 30% in the number of limited liability companies.

In Portugal creation of One-Stop Shop in 2006 and 2007 resulted in a reduction of time to start a business from 54 days to 5. In 2007 and 2008 new business registrations were up by 60% compared with 2006.

In Malaysia reduction of registration fees in 2008 led to an increase in registrations by 16% in 2009.

What does Starting a Business measure?

Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration
- Post registration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure (% of income per capita)

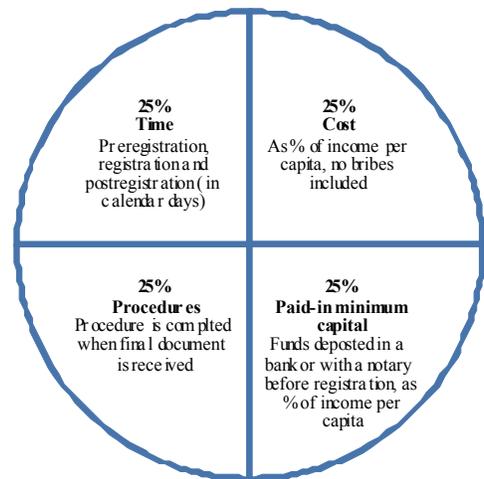
- Official costs only, no bribes
- No professional fees unless services required by law

Paid-in minimum capital (% of income per capita)

- Deposited in a bank or with a notary prior to registration begins

Starting a Business: getting a local limited liability company up and running

Rankings are based on 4 subindicators



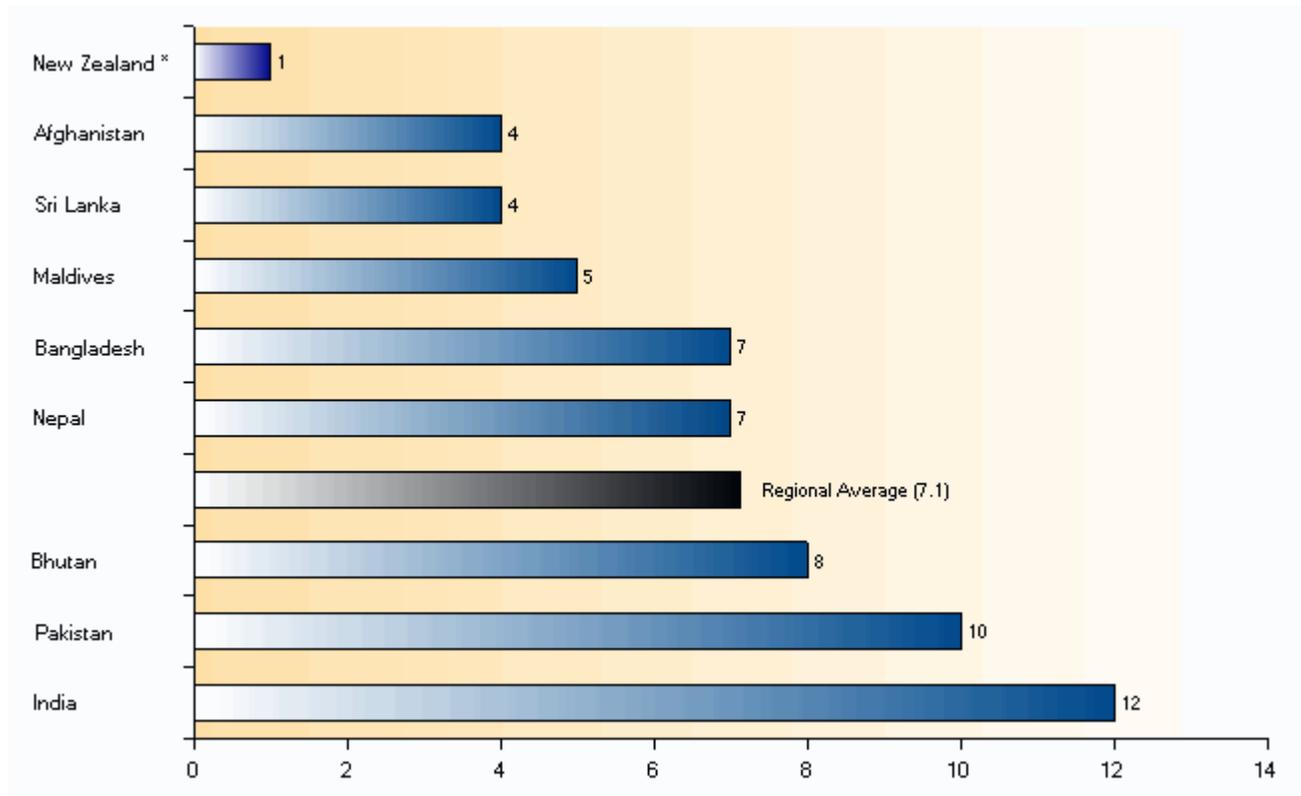
Case Study Assumptions

- Doing Business records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business.
- Any required information is readily available and that all agencies involved in the start-up process function without corruption.

The business:

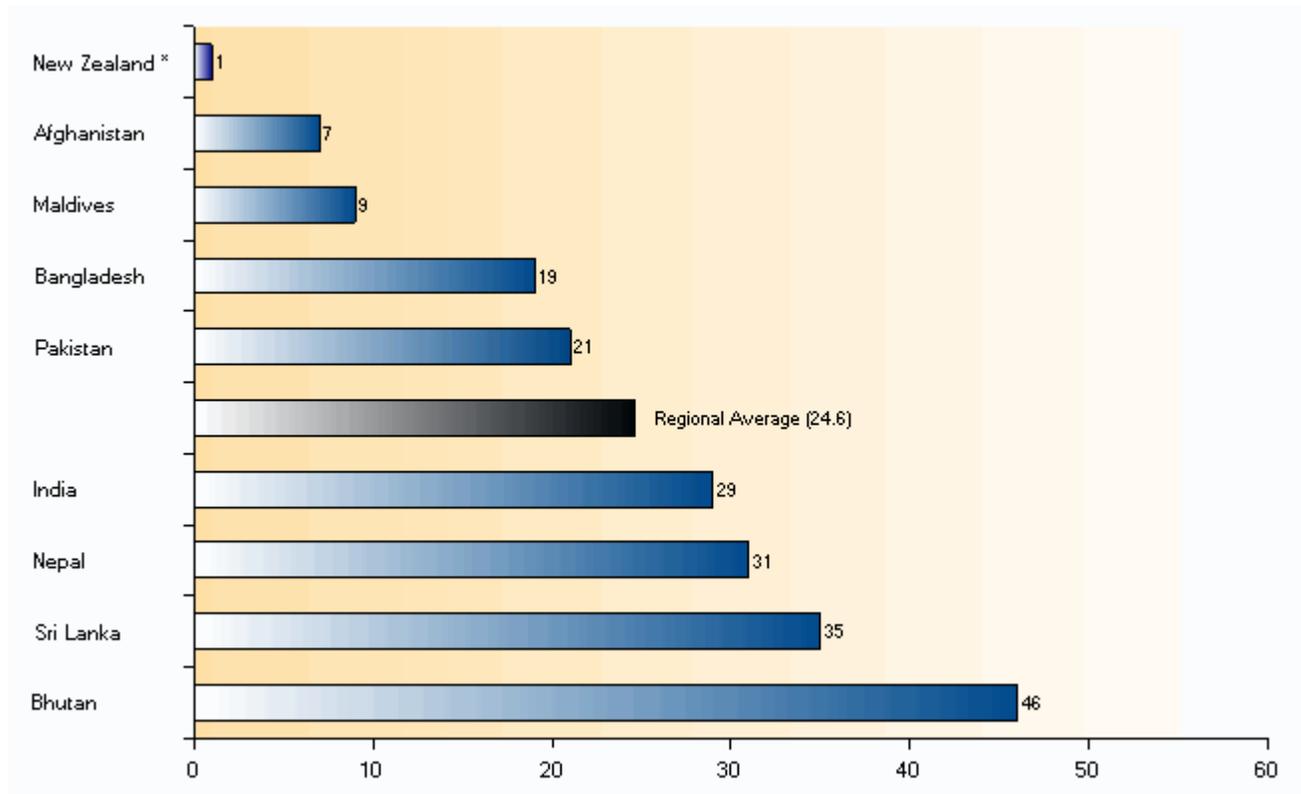
- is a limited liability company, located in the largest business city
- conducts general commercial activities
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has at least 10 and up to 50 employees
- does not qualify for investment incentives or any special benefits
- leases the commercial plant and offices and is not a proprietor of real estate

Procedures to start a business



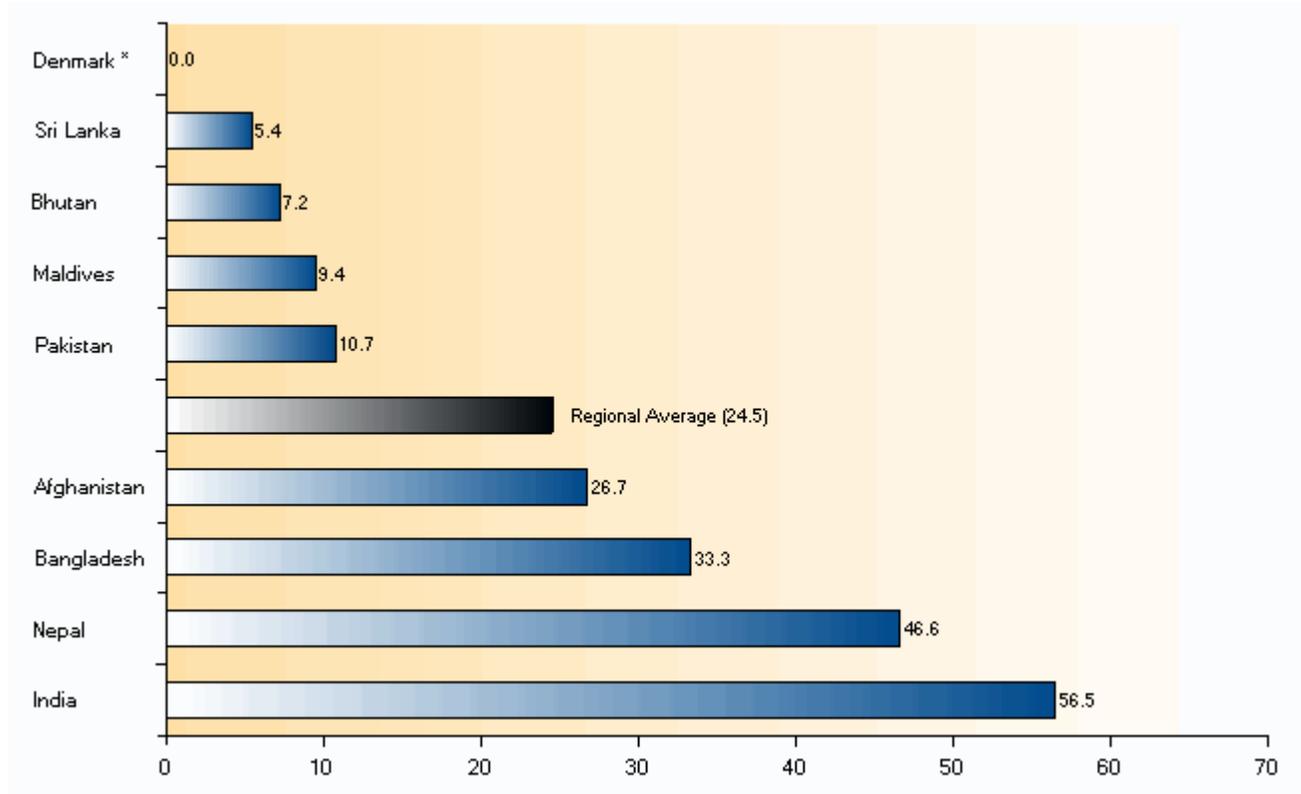
This graph compares the number of procedures required before an entrepreneur can operate a business. * An economy with the fewest procedures is included as a benchmark.

Time to start a business (days)



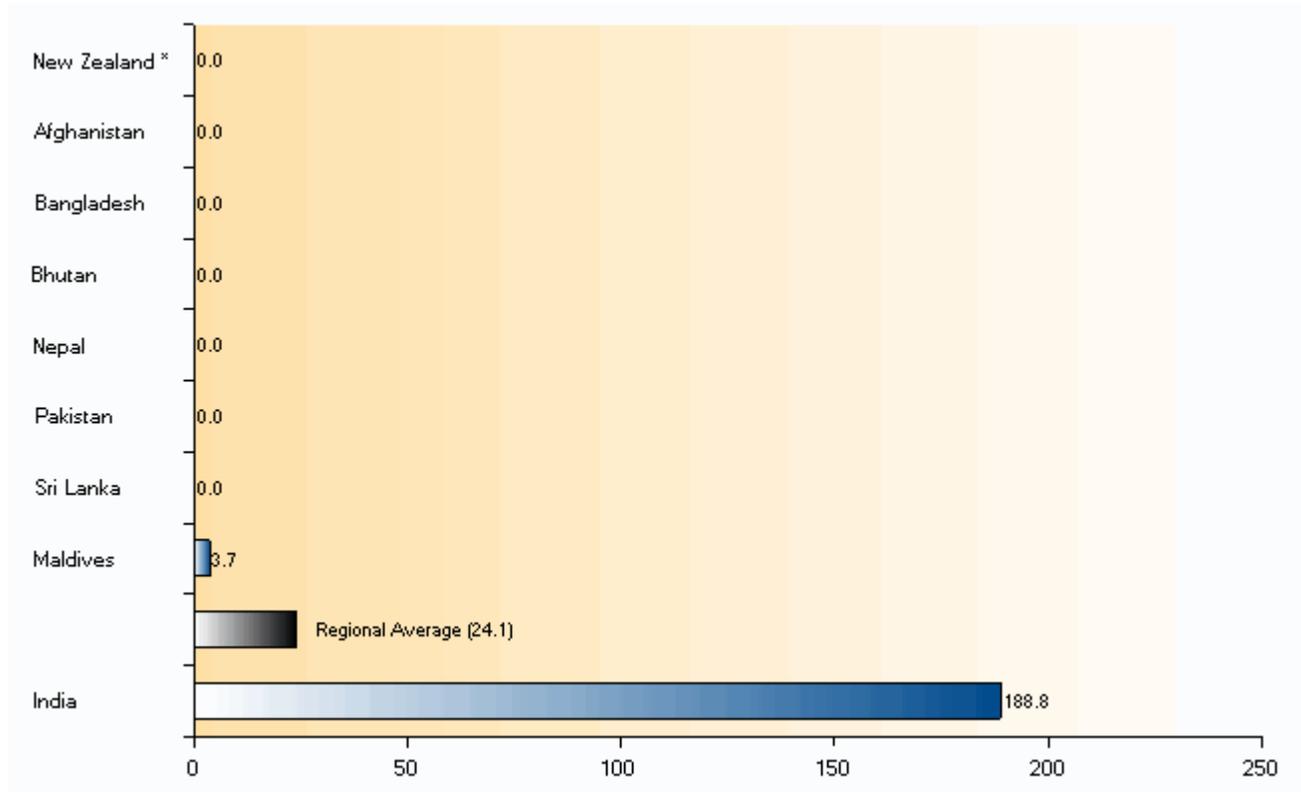
This graph compares the number of days required before an entrepreneur can operate a business. * The economy requiring the least time is included as a benchmark.

Cost to start a business (% of income per capita)



This graph compares the costs to start a business. * An economy with the lowest cost is included as a benchmark.

Minimum capital to start a business (% of income per capita)

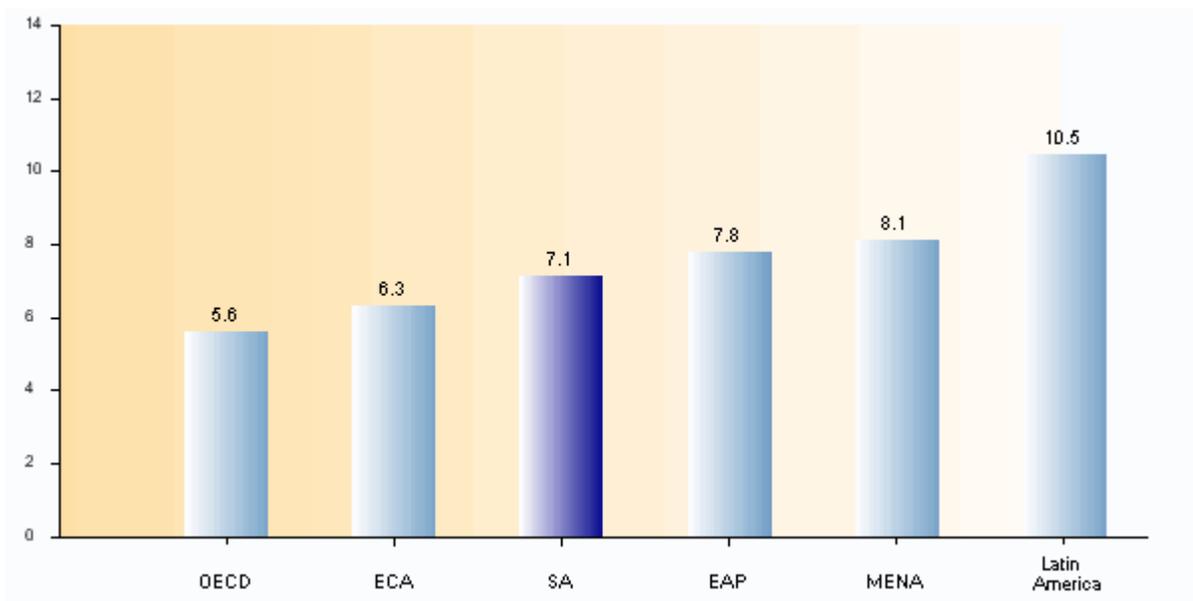


This graph compares the minimum capital an entrepreneur has to deposit before starting a business. * An economy with the lowest cost is included as a benchmark. 80 economies do not have minimum capital requirements. They are listed on the Doing Business website.

Starting a Business Across Regions

<u>Region</u>	Procedures (number)	Time (days)	Cost (% of income per capita)	Minimum Capital (% of income per capita)
South Asia (SA)	7.1	24.6	24.5	24.1
East Asia & Pacific (EAP)	7.8	39.0	27.1	50.6
Eastern Europe & Central Asia (ECA)	6.3	16.3	8.5	12.3
Latin America	10.5	43.6	35.9	3.8
Middle East & North Africa (MENA)	8.1	20.0	38.0	104.0
Organization for Economic Co-Operation and Development (OECD)	5.6	13.8	5.3	15.3

Average Number of Procedures to Start a Business (number)



In many economies, especially developing ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

Some reform outcomes

In **Burkina Faso**, a one-stop shop for construction permits, “Centre de Facilitation des Actes de Construire”, was opened in May 2008. The new regulation merged 32 procedures into 15, reduced the time required from 226 days to 122 and cut the cost by 40%. From May 2009 to May 2010 611 building permits were granted in Ouagadougou, up from an average of about 150 a year in 2002 -06.

Toronto, **Canada** revamped its construction permitting process in 2005 by introducing time limits for different stages of the process and presenting a unique basic list of requirements for each project. Later it provided for electronic information and risk-based approvals with fast-track procedures. Between 2005 and 2008 the number of commercial building permits increased by 17%, the construction value of new commercial buildings by 84%.

What does the Dealing with Construction Permits indicator measure?

Procedures to legally build a warehouse (number)

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Completing all required notifications and receiving all necessary inspections
- Obtaining utility connections for electricity, water, sewerage and a land telephone line
- Registering the warehouse after its completion (if required for use as collateral or for transfer of warehouse)

Time required to complete each procedure (calendar days)

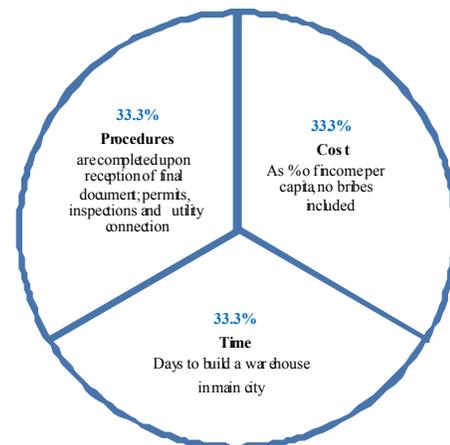
- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes

Dealing with Construction Permits: building a warehouse

Rankings are based on 3 subindicators



Case Study Assumptions

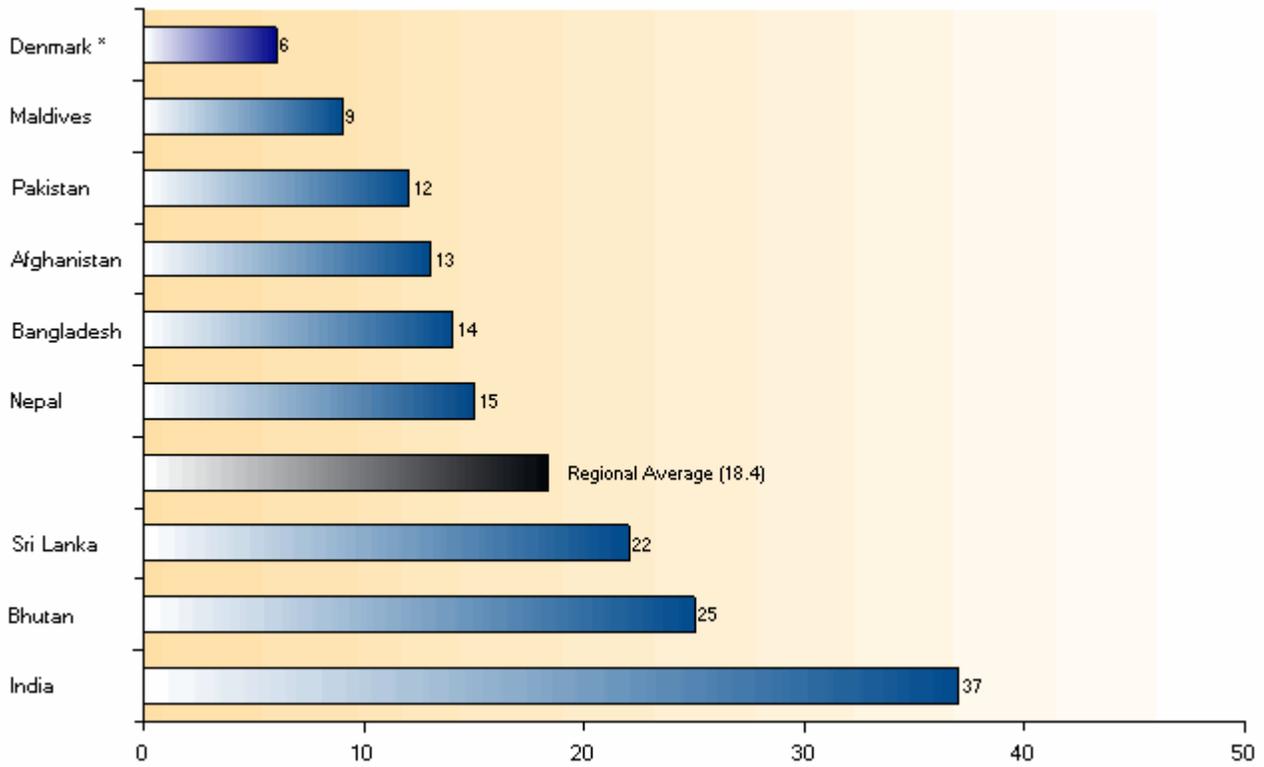
The business:

- is a small to medium-size limited liability company in the construction industry, located in the economy's largest business city
- is 100% domestically and privately owned and operated
- has 60 builders and other employees
- has at least one employee who is a licensed architect and registered with the local association of architects

The warehouse:

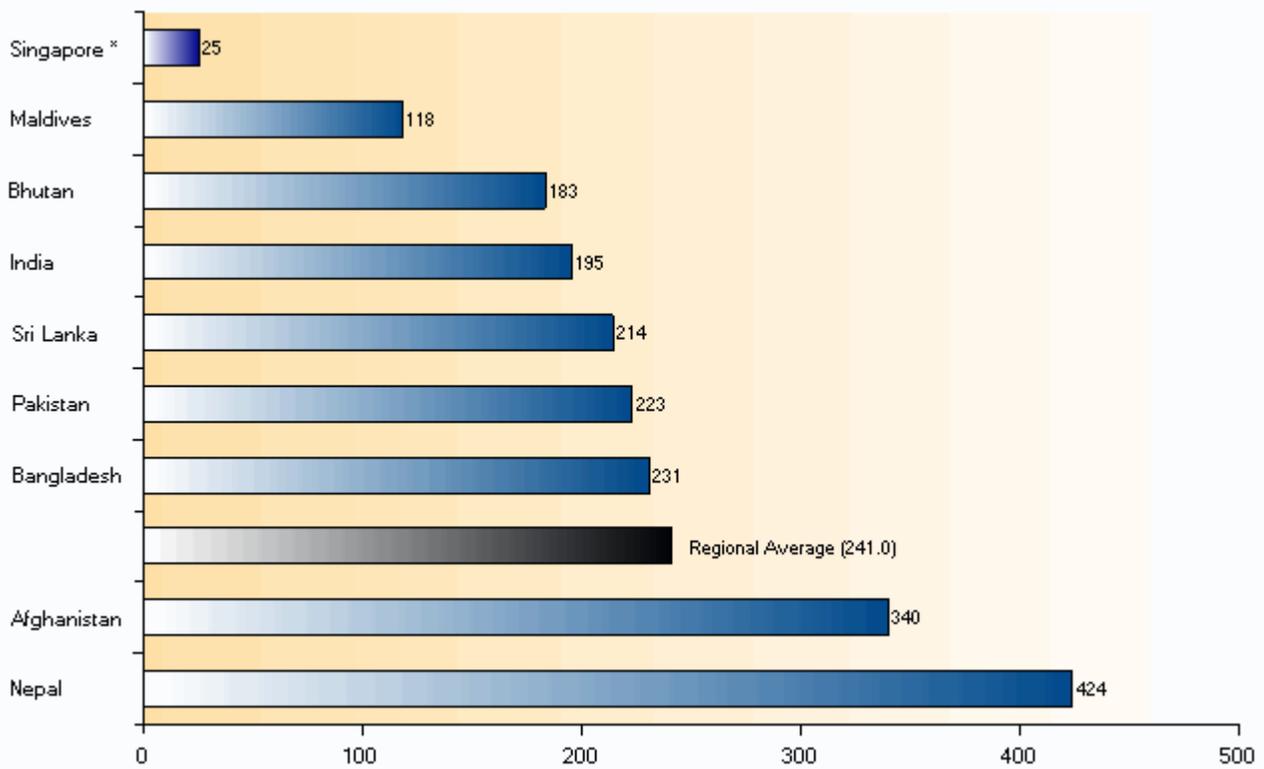
- is a new construction (there was no previous construction on the land)
- has 2 stories, both above ground, with a total surface of approximately 1,300.6 sq. meters (14,000 sq. feet)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and a land telephone line
- will be used for general storage of non-hazardous goods such as books
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements)

Procedures to deal with construction permits



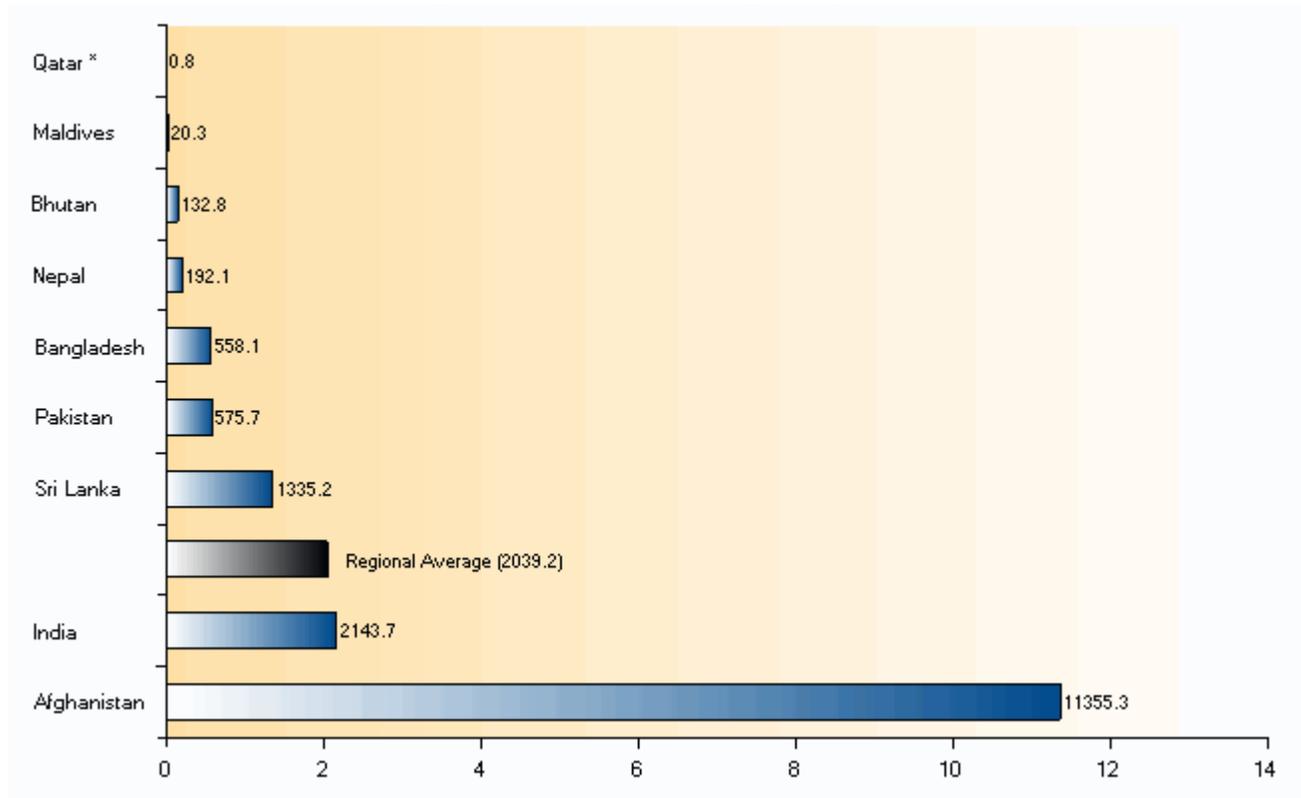
This graph compares the number of procedures required for an entrepreneur to deal with construction permits. * The economy with the fewest procedures is included as a benchmark.

Time to deal with construction permits (days)



This graph compares the number of days required for an entrepreneur to deal with construction permits. * The economy requiring the least time is included as a benchmark.

Cost to deal with construction permits (% of income per capita)

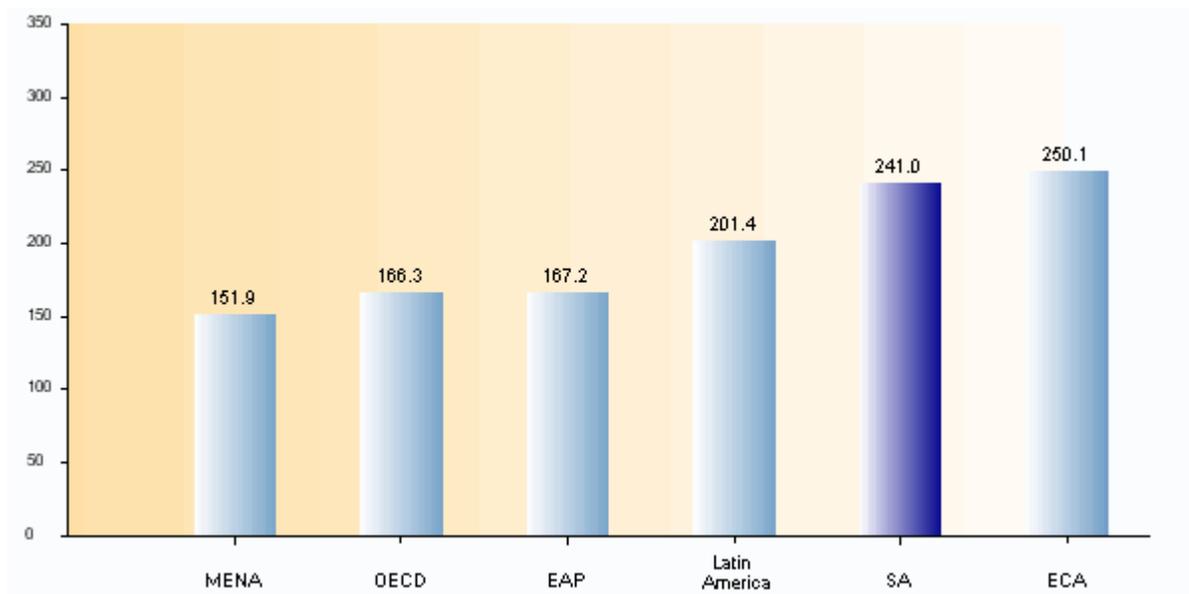


This graph compares the costs to deal with construction permits. * The economy with the lowest cost is included as a benchmark.

Dealing with Construction Permits Across Regions

<u>Region</u>	<u>Procedures (number)</u>	<u>Time (days)</u>	<u>Cost (% of income per capita)</u>
South Asia (SA)	18.0	241.0	2,039.2
East Asia & Pacific (EAP)	19.0	167.2	168.7
Eastern Europe & Central Asia (ECA)	22.0	250.1	645.5
Latin America	19.0	201.4	243.4
Middle East & North Africa (MENA)	19.0	151.9	409.7
Organization for Economic Co-Operation and Development (OECD)	16.0	166.3	62.1

Average Time to Deal with Construction Permits (days)



Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. *Doing Business* records the full sequence of procedures necessary for a business to purchase a property from another business and transfer the property title to the buyer's name. In the past 6 years 105 economies undertook 146 reforms making it easier to transfer property. Globally, the time to transfer property fell by 38% and the cost by 10% over this time. The most popular feature of property registration reform in these 6 years, implemented in 52 economies, was lowering transfer taxes and government fees.

Some reform outcomes

Georgia now allows property transfers to be completed through 500 authorized users, notably banks. This saves time for entrepreneurs. A third of people transferring property in 2009 chose authorized users, up from 7% in 2007. Also, *Georgia's* new electronic registry managed 68,000 sales in 2007, twice as many as in 2003. *Belarus's* unified and computerized registry was able to cope with the addition of 1.2 million new units over 3 years. The registry issued 1 million electronic property certificates in 2009.

What does the Registering Property indicator measure?

Registering Property: transfer of property between 2 local companies
Rankings are based on 3 subindicators

Procedures to legally transfer title on immovable property (number)

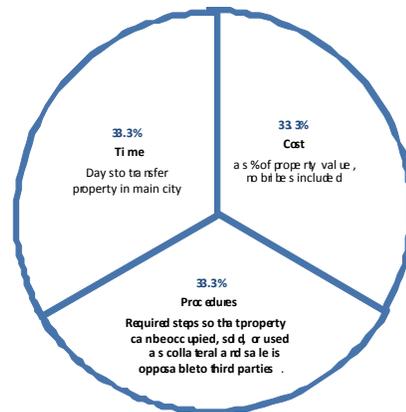
- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Postregistration (for example, transactions with the local authority, tax authority or cadastre)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior personal contact with officials

Cost required to complete each procedure (% of property value)

- Official costs only, no bribes
- No value added or capital gains taxes included



Case Study Assumptions

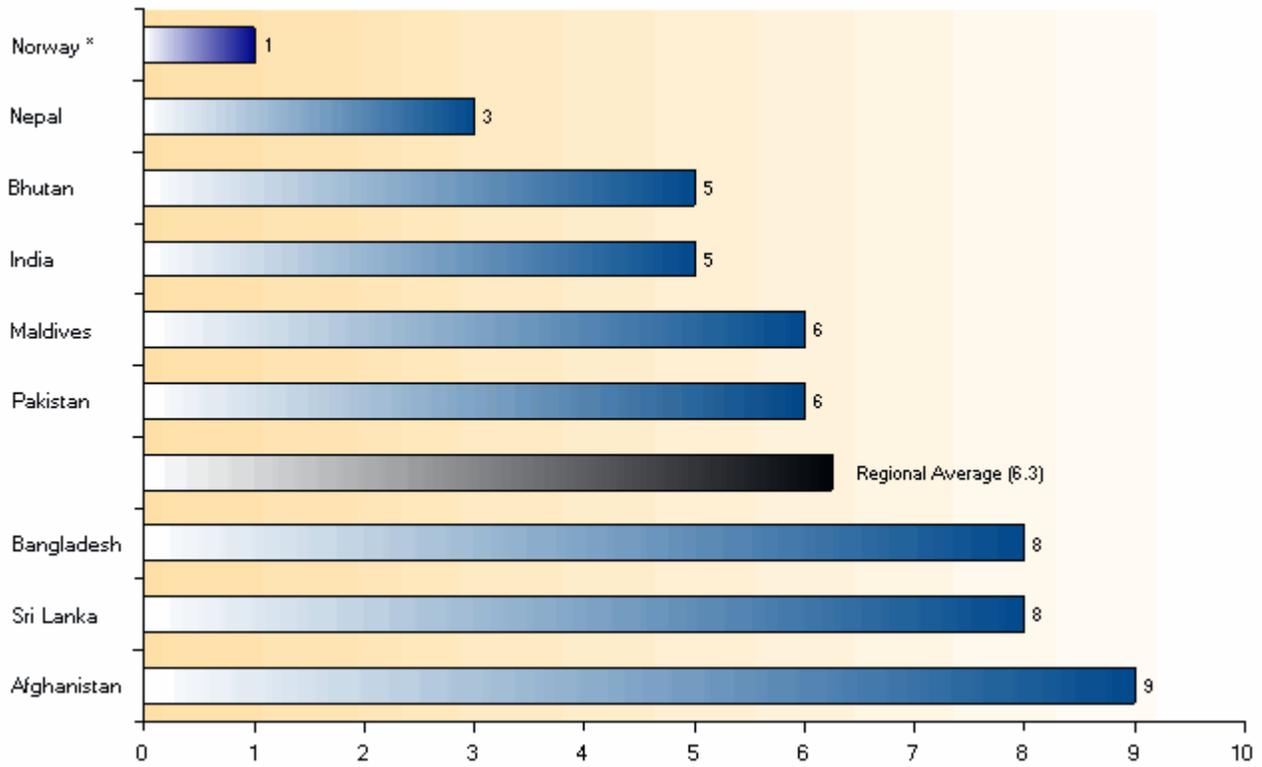
The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in the periurban area of the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

The property (fully owned by the seller):

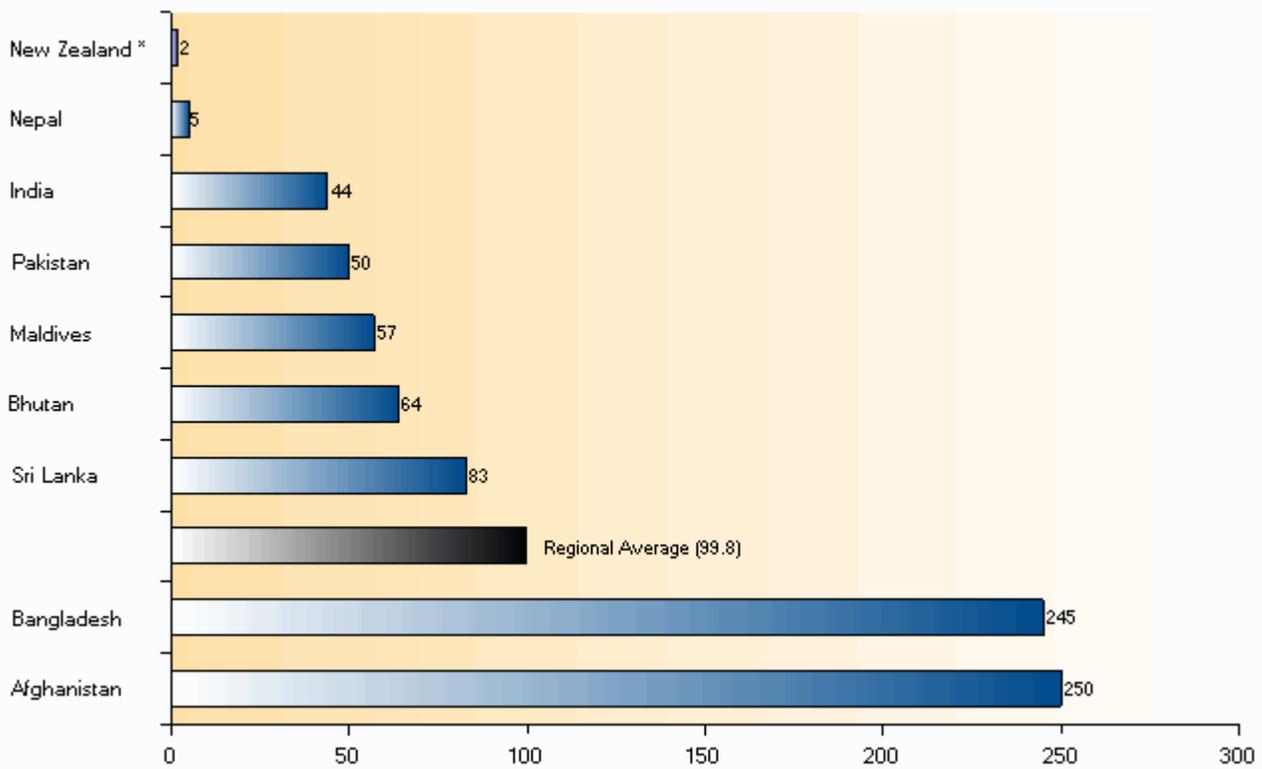
- Has a value of 50 times income per capita. The sale price equals the value.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of a 557.4 square meters (6,000 square feet) land and a 10 years old 2-story warehouse of 929 square meters (10,000 square feet) located on the land. The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

Procedures to register property



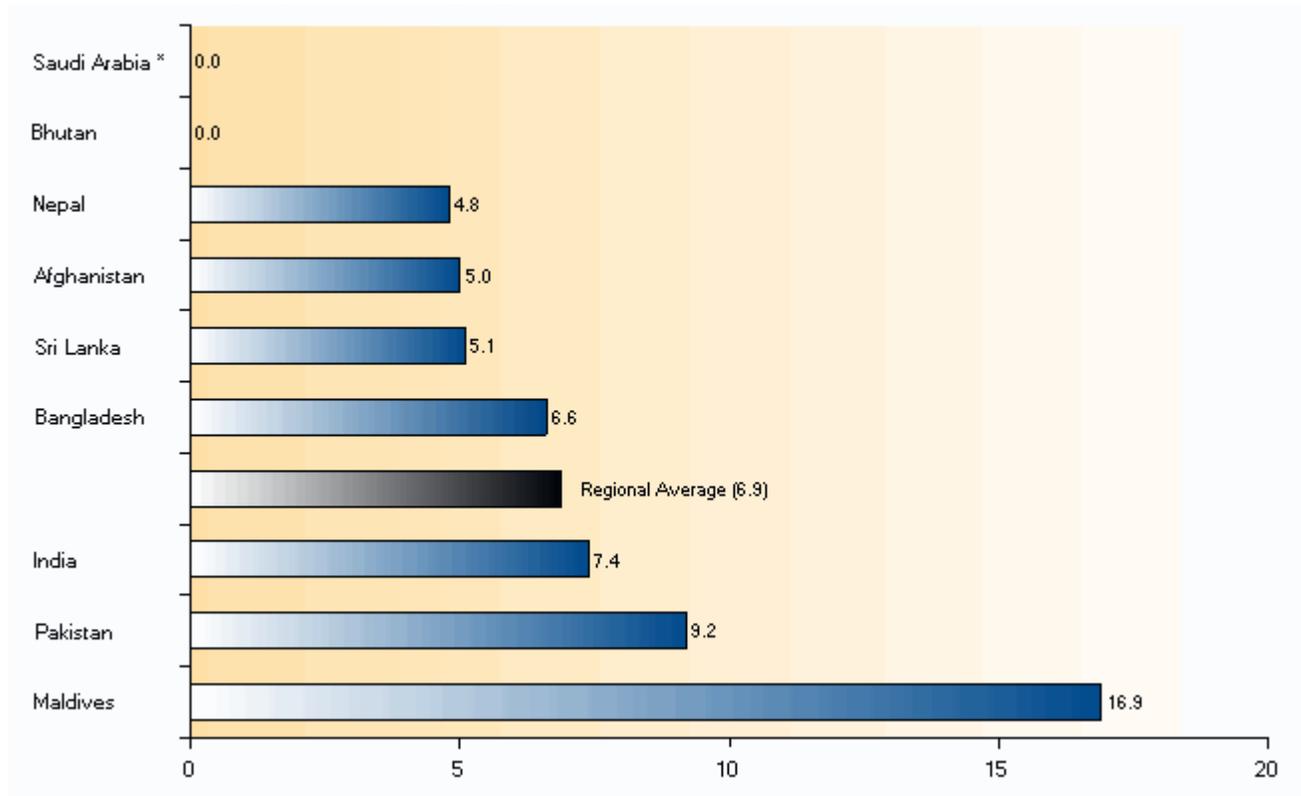
This graph compares the number of procedures required for an entrepreneur to register a property. * An economy with the fewest procedures is included as a benchmark.

Time to register property (days)



This graph compares the number of days required for an entrepreneur to register a property. * An economy with the least time is included as a benchmark.

Cost to register property (% of property values)

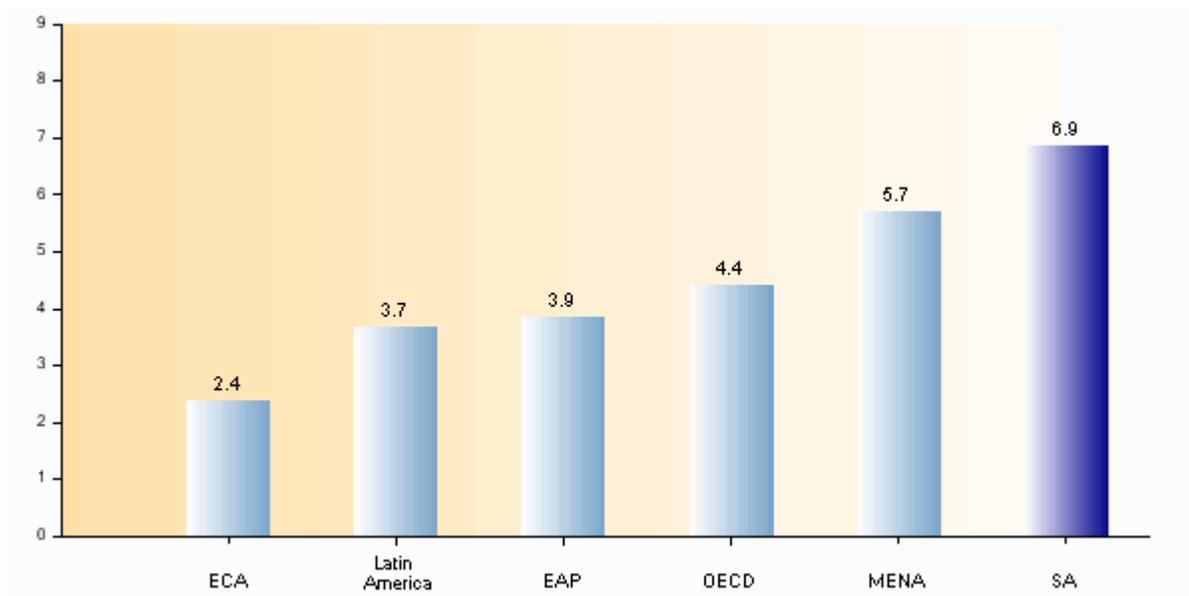


This graph compares the costs to register a property. * The economy with the lowest cost is included as a benchmark.

Registering Property Across Regions

<u>Region</u>	<u>Procedures (number)</u>	<u>Time (days)</u>	<u>Cost (% of property value)</u>
South Asia (SA)	6.3	99.8	6.9
East Asia & Pacific (EAP)	4.7	82.6	3.9
Eastern Europe & Central Asia (ECA)	5.6	38.3	2.4
Latin America	6.9	43.9	3.7
Middle East & North Africa (MENA)	6.0	32.5	5.7
Organization for Economic Co-Operation and Development (OECD)	4.8	32.7	4.4

Average Cost to Register a Property (% of property value)



Through two sets of indicators, *Doing Business* assesses the legal rights of borrowers and lenders with respect to secured transactions and the sharing of credit information. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through either a public credit registry or a private credit bureau. Credit information systems mitigate the ‘information asymmetry’ in lending and enable lenders to view a borrower’s financial history (positive or negative), providing them with valuable information to consider when assessing risk. Credit information systems benefit borrowers as well, allowing good borrowers to establish a reputable credit history which will enable them to access credit more easily. The Legal Rights Index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. Sound collateral laws will enable businesses to use their assets, especially movable property, as security to generate capital while having strong creditor’s rights has been associated with higher ratios of private sector credit to GDP.

Some reform outcomes

After **Vietnam’s** new Civil Code was enacted in 2005, a decree further clarified the provisions governing secured transactions. Since the inclusion of the new provisions, the number of registrations increased from 43,000 (2005) to 120,000 (end of 2008).

In 2008, when **Zambia** established a private credit bureau, its database initially covered about 25,000 borrowers. Thanks to a strong communication campaign and a central bank directive, coverage has grown 10-fold in the past 2 years, exceeding 200,000 by the beginning of 2010.

What do the Getting Credit indicators measure?

Getting Credit: collateral rules and credit information

Strength of legal rights index (0–10)

- Protection of rights of borrowers and lenders through collateral laws
- Protection of secured creditors' rights through bankruptcy laws

Depth of credit information index (0–6)

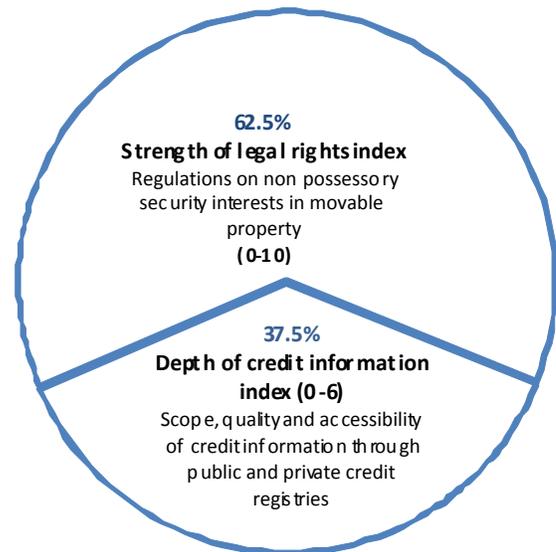
- Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

Public credit registry coverage (% of adults)

- Number of individuals and firms listed in public credit registry as percentage of adult population

Private credit bureau coverage (% of adults)

- Number of individuals and firms listed in largest private credit bureau as percentage of adult population



Note: Private bureau coverage and public credit registry coverage are measured but do not count for the rankings.

Case Study Assumptions (applying to the Legal Rights Index only)

The Debtor

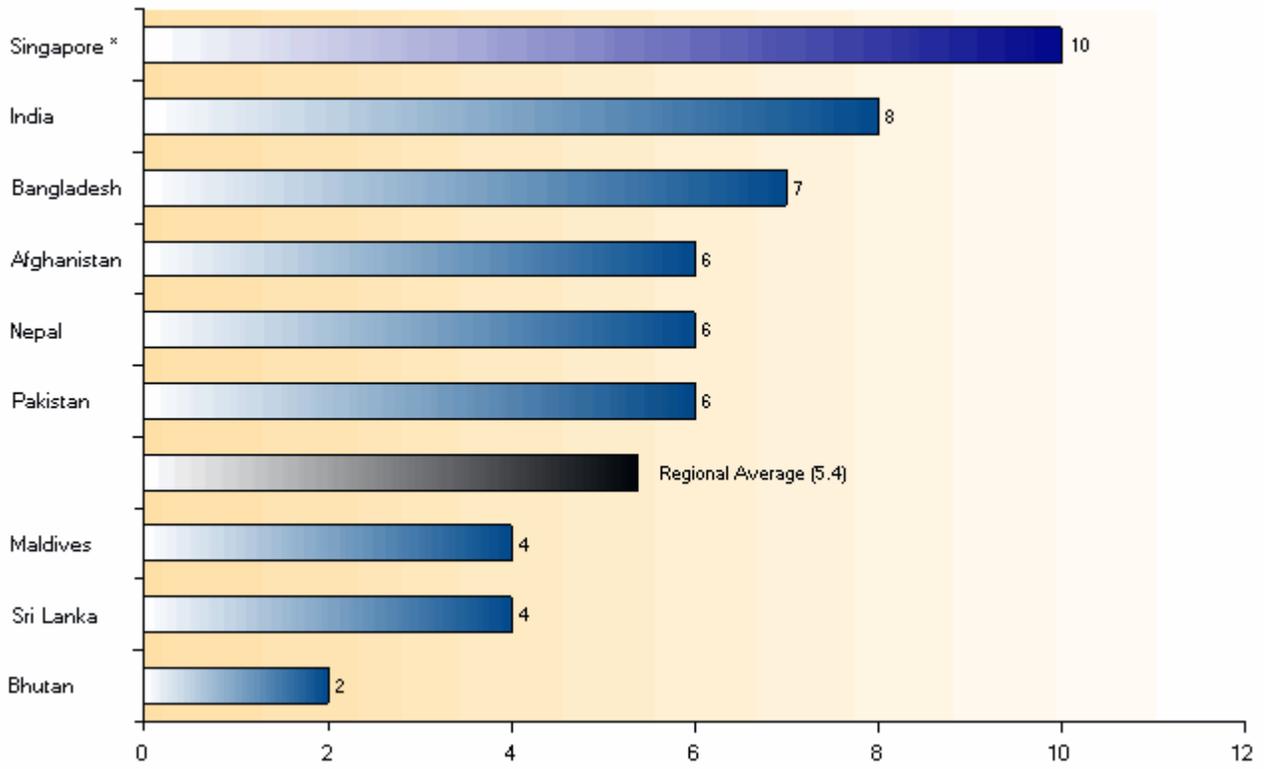
- is a Private Limited Liability Company
- has its Headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both creditor and debtor are 100% domestically owned.

Credit Information

Economy	Depth of credit information index (0-6)	Public registry coverage (% of adults)	Private bureau coverage (% of adults)
* United Kingdom	6	0.0	100.0
* Portugal	5	67.1	16.3
* New Zealand	5	0.0	100.0
Sri Lanka	5	0.0	18.6
Pakistan	4	5.8	1.4
India	4	0.0	10.0
Bangladesh	2	0.6	0.0
Nepal	2	0.0	0.3
Afghanistan	0	0.0	0.0
Bhutan	0	0.0	0.0
Maldives	0	0.0	0.0

* The economies with the highest public and private bureau coverage, and with the highest credit information index are included as benchmarks.

Strength of legal rights index (0-10)



This graph compares collateral and bankruptcy laws in the way they facilitate lending by protecting the rights of borrowers and lenders. * An economy with the highest index is included as a benchmark.