OVERVIEW

Tackling burdensome regulation

- Worldwide, 115 economies made it easier to do business.
- The economies with the most notable improvement in *Doing Business 2020* are Saudi Arabia, Jordan, Togo, Bahrain, Tajikistan, Pakistan, Kuwait, China, India, and Nigeria.
- Only two African economies rank in the top 50 on the ease of doing business; no Latin American economies rank in this group.

At its core, regulation is about freedom to do business. Regulation aims to prevent worker mistreatment by greedy employers (regulation of labor), to ensure that roads and bridges do not collapse (regulation of public procurement), and to protect one's investments (minority shareholder protections). All too often, however, regulation misses its goal, and one inefficiency replaces another, especially in the form of government overreach in business activity. Governments in many economies adopt or maintain regulation that burdens entrepreneurs. Whether by intent or ignorance, such regulation limits entrepreneurs' ability to freely operate a private business. As a result, entrepreneurs resort to informal activity, away from the oversight of regulators and tax collectors, or seek opportunities abroad—or join the ranks of the unemployed. Foreign investors avoid economies that use regulation to manipulate the private sector.

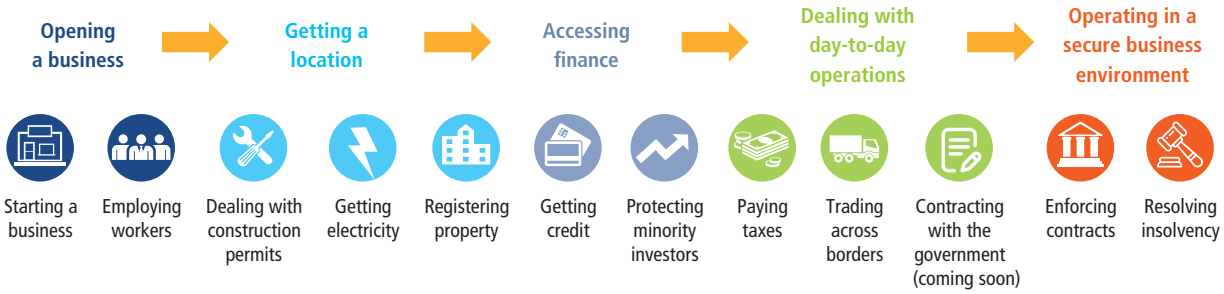
By documenting changes in regulation in 12 areas of business activity in 190 economies, *Doing Business* analyzes regulation that encourages efficiency and supports freedom to do business.[1] The data collected by *Doing Business* address three questions about government. First, when do governments change regulation with a view to develop their private sector? Second, what are the characteristics of reformist governments? Third, what are the effects of regulatory change on different aspects of economic or investment activity? Answering these questions adds to our knowledge of development.

With these objectives at hand, *Doing Business* measures the processes for business incorporation, getting a building permit, obtaining an electricity connection, transferring property, getting access to credit, protecting minority investors, paying taxes, engaging in international trade, enforcing contracts, and resolving insolvency. *Doing Business* also collects and publishes data on regulation of employment as well as contracting with the government (figure O.1). The employing workers indicator set measures regulation in the areas of hiring, working hours, and redundancy. The contracting with the government indicators capture the time and procedures involved in a standardized public procurement for road resurfacing. These two indicator sets do not constitute part of the ease of doing business ranking.

Research demonstrates a causal relationship between economic freedom and gross domestic product (GDP) growth, where freedom regarding wages and prices, property rights, and licensing requirements leads to economic development.[2] Of the 190 economies measured by *Doing Business 2020,* land registries in 146 lack full geographic coverage of privately owned land. All privately held land plots are formally registered in only 3% of low-income economies. Overall, on the registering property indicator set, 92 economies receive a score of zero on the geographic coverage of privately owned land index, 12 on the transparency of information index, and 31 on the reliability of infrastructure index. Globally, property registration processes remain most inefficient in the South Asia and Sub-Saharan Africa regions.

Doing Business 2020 shows that effectiveness of trading across borders also varies significantly from economy to economy. Economies that

FIGURE O.1 What is measured in *Doing Business*?



Note: The employing workers and contracting with the government indicator sets are not included in the ease of doing business ranking.

predominantly trade through seaports incur average export border compliance costs as high as $2,223 per shipment in the Democratic Republic of Congo and $1,633 in Gabon compared to only $354 in Benin and $303 in Mauritius. Similarly, documentary compliance costs surge to $1,800 in Iraq, $725 in the Syrian Arab Republic, and $550 in The Bahamas. It is important to note, however, that high costs in Iraq and Syria are also attributed to fragile political, social, and economic conditions. Export border compliance times for maritime transport range from 10 hours in Singapore to over 200 hours in Cameroon and Côte d'Ivoire. According to *Doing Business 2020* data, ports are most efficient in Organisation for Economic Co-operation and Development (OECD) high-income economies and least efficient in Sub-Saharan Africa. Substantial further reform efforts are warranted to spread efficiency to economies where businesses still struggle to trade.

Business regulation: Benchmarking

Doing Business benchmarks aspects of business regulation and practice using specific case studies with standardized assumptions. The strength of the business environment is scored on the basis of an economy's performance in each of the 10 areas included in the ease of doing business ranking (table O.1). This approach facilitates the comparison of regulation across economies. The ease of doing business score serves as the basis for ranking economies on their business environment: the ranking is obtained by sorting the economies by their scores. The ease of doing business score shows an economy's absolute position relative to the best regulatory performance, whereas the ease of doing business ranking is an indication of an economy's position relative to that of other economies.

Doing Business 2020 acknowledges 22 reforms in the 20 top-ranking economies. Since 2003/04, the 20 best-performing economies have carried out a total of 464 regulatory changes, suggesting that even the gold

TABLE O.1 Ease of doing business ranking

Rank	Economy	DB score	Rank	Economy	DB score	Rank	Economy	DB score
1	New Zealand	86.8	65	Puerto Rico (U.S.)	70.1	128	Barbados	57.9
2	Singapore	86.2	66	Brunei Darussalam	70.1	129	Ecuador	57.7
3	Hong Kong SAR, China	85.3	67	Colombia	70.1	130	St. Vincent and the Grenadines	57.1
4	Denmark	85.3	68	Oman	70.0	131	Nigeria	56.9
5	Korea, Rep.	84.0	69	Uzbekistan	69.9	132	Niger	56.8
6	United States	84.0	70	Vietnam	69.8	133	Honduras	56.3
7	Georgia	83.7	71	Jamaica	69.7	134	Guyana	55.5
8	United Kingdom	83.5	72	Luxembourg	69.6	135	Belize	55.5
9	Norway	82.6	73	Indonesia	69.6	136	Solomon Islands	55.3
10	Sweden	82.0	74	Costa Rica	69.2	137	Cabo Verde	55.0
11	Lithuania	81.6	75	Jordan	69.0	138	Mozambique	55.0
12	Malaysia	81.5	76	Peru	68.7	139	St. Kitts and Nevis	54.6
13	Mauritius	81.5	77	Qatar	68.7	140	Zimbabwe	54.5
14	Australia	81.2	78	Tunisia	68.7	141	Tanzania	54.5
15	Taiwan, China	80.9	79	Greece	68.4	142	Nicaragua	54.4
16	United Arab Emirates	80.9	80	Kyrgyz Republic	67.8	143	Lebanon	54.3
17	North Macedonia	80.7	81	Mongolia	67.8	144	Cambodia	53.8
18	Estonia	80.6	82	Albania	67.7	145	Palau	53.7
19	Latvia	80.3	83	Kuwait	67.4	146	Grenada	53.4
20	Finland	80.2	84	South Africa	67.0	147	Maldives	53.3
21	Thailand	80.1	85	Zambia	66.9	148	Mali	52.9
22	Germany	79.7	86	Panama	66.6	149	Benin	52.4
23	Canada	79.6	87	Botswana	66.2	150	Bolivia	51.7
24	Ireland	79.6	88	Malta	66.1	151	Burkina Faso	51.4
25	Kazakhstan	79.6	89	Bhutan	66.0	152	Mauritania	51.1
26	Iceland	79.0	90	Bosnia and Herzegovina	65.4	153	Marshall Islands	50.9
27	Austria	78.7	91	El Salvador	65.3	154	Lao PDR	50.8
28	Russian Federation	78.2	92	San Marino	64.2	155	Gambia, The	50.3
29	Japan	78.0	93	St. Lucia	63.7	156	Guinea	49.4
30	Spain	77.9	94	Nepal	63.2	157	Algeria	48.6
31	China	77.9	95	Philippines	62.8	158	Micronesia, Fed. Sts.	48.1
32	France	76.8	96	Guatemala	62.6	159	Ethiopia	48.0
33	Turkey	76.8	97	Togo	62.3	160	Comoros	47.9
34	Azerbaijan	76.7	98	Samoa	62.1	161	Madagascar	47.7
35	Israel	76.7	99	Sri Lanka	61.8	162	Suriname	47.5
36	Switzerland	76.6	100	Seychelles	61.7	163	Sierra Leone	47.5
37	Slovenia	76.5	101	Uruguay	61.5	164	Kiribati	46.9
38	Rwanda	76.5	102	Fiji	61.5	165	Myanmar	46.8
39	Portugal	76.5	103	Tonga	61.4	166	Burundi	46.8
40	Poland	76.4	104	Namibia	61.4	167	Cameroon	46.1
41	Czech Republic	76.3	105	Trinidad and Tobago	61.3	168	Bangladesh	45.0
42	Netherlands	76.1	106	Tajikistan	61.3	169	Gabon	45.0
43	Bahrain	76.0	107	Vanuatu	61.1	170	São Tomé and Príncipe	45.0
44	Serbia	75.7	108	Pakistan	61.0	171	Sudan	44.8
45	Slovak Republic	75.6	109	Malawi	60.9	172	Iraq	44.7
46	Belgium	75.0	110	Côte d'Ivoire	60.7	173	Afghanistan	44.1
47	Armenia	74.5	111	Dominica	60.5	174	Guinea-Bissau	43.2
48	Moldova	74.4	112	Djibouti	60.5	175	Liberia	43.2
49	Belarus	74.3	113	Antigua and Barbuda	60.3	176	Syrian Arab Republic	42.0
50	Montenegro	73.8	114	Egypt, Arab Rep.	60.1	177	Angola	41.3
51	Croatia	73.6	115	Dominican Republic	60.0	178	Equatorial Guinea	41.1
52	Hungary	73.4	116	Uganda	60.0	179	Haiti	40.7
53	Morocco	73.4	117	West Bank and Gaza	60.0	180	Congo, Rep.	39.5
54	Cyprus	73.4	118	Ghana	60.0	181	Timor-Leste	39.4
55	Romania	73.3	119	Bahamas, The	59.9	182	Chad	36.9
56	Kenya	73.2	120	Papua New Guinea	59.8	183	Congo, Dem. Rep.	36.2
57	Kosovo	73.2	121	Eswatini	59.5	184	Central African Republic	35.6
58	Italy	72.9	122	Lesotho	59.4	185	South Sudan	34.6
59	Chile	72.6	123	Senegal	59.3	186	Libya	32.7
60	Mexico	72.4	124	Brazil	59.1	187	Yemen, Rep.	31.8
61	Bulgaria	72.0	125	Paraguay	59.1	188	Venezuela, RB	30.2
62	Saudi Arabia	71.6	126	Argentina	59.0	189	Eritrea	21.6
63	India	71.0	127	Iran, Islamic Rep.	58.5	190	Somalia	20.0
64	Ukraine	70.2						

Source: Doing Business database.

Note: The rankings are benchmarked to May 1, 2019, and based on the average of each economy's ease of doing business scores for the 10 topics included in the aggregate ranking. For the economies for which the data cover two cities, scores are a population-weighted average for the two cities. Rankings are calculated on the basis of the unrounded scores, while scores with only one digit are displayed in the table.

standard setters have room to improve their business climates. More than half of the economies in the top-20 cohort are from the OECD high-income group; however, the top-20 list also includes four economies from East Asia and the Pacific, two from Europe and Central Asia, as well as one from the Middle East and North Africa and one from Sub-Saharan Africa. Conversely, most economies (12) in the bottom 20 are from the Sub-Saharan Africa region.

Encouragingly, several of the lowest-ranked economies are actively reforming in pursuit of a better business environment. Over the past year, Myanmar introduced substantial improvements in five areas measured by *Doing Business*—starting a business, dealing with construction permits, registering property, protecting minority investors, and enforcing contracts. This ambitious reform program allowed the country to rise out of the bottom 20 to a ranking of 165. In contrast to the economies ranked in the top 20, however, the bottom 20 implemented only 10 reforms in 2018/19.

Economies that score highest on the ease of doing business share several common features, including the widespread use of electronic systems. All of the 20 top-ranking economies have online business incorporation processes, have electronic tax filing platforms, and allow online procedures related to property transfers. Moreover, 11 economies have electronic procedures for construction permitting. In general, the 20 top performers have sound business regulation with a high degree of transparency. The average scores of these economies are 12.2 (out of 15) on the building quality control index, 7.2 (out of 8) on the reliability of supply and transparency of tariffs index, 24.8 (out of 30) on the quality of land administration index, and 13.2 (out of 18) on the quality of judicial processes index. Fourteen of the 20 top performers have a unified collateral registry, and 14 allow a viable business to continue operating as a going concern during insolvency proceedings.

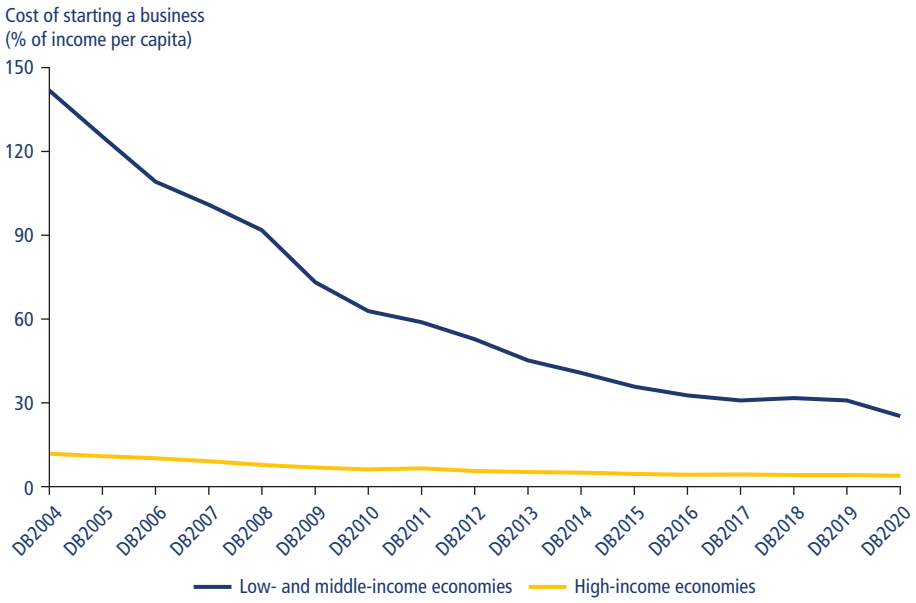
The difference in an entrepreneur's experience in top- and bottom-performing economies is discernible in almost all *Doing Business* topics. For example, it takes nearly six times longer on average to start a business in the economies ranked in the bottom 50 than it does in the top 20. Transferring property in the 20 top economies requires less than two weeks, compared to about three months in the bottom 50. Obtaining an electricity connection in an average bottom-50 economy takes twice the time that it takes in an average top-20 economy; the cost of such a connection is 44 times higher when expressed as a share of income per capita. Also, commercial dispute resolution lasts about 2.1 years in economies ranking in the bottom 50 compared to 1.1 years in the top 20. Notable differences between stronger and weaker performing economies are also evident in the quality of regulation and information. In the top 20, 83% of the adult population on average is covered by either a credit bureau or registry, whereas in the bottom 50 the average coverage is only at 10%.

What do *Doing Business 2020* data show?

When low-income economies achieve higher levels of economic efficiency, they tend to reduce the income gap with more developed ones. One study quantifies the relationship between the regulation of entry and the income gap between developing countries and the United States. It shows that substantial barriers to entry in developing economies account for almost half of the income gap with the United States.[3] These barriers prevent growth and result in persistent poverty. Encouragingly, *Doing Business 2020* continues to show a steady convergence between developing and developed economies, especially in the area of business incorporation (figure O.2). Since 2003/04, 178 economies have implemented 722 reforms captured by the starting a business indicator set, either reducing or eliminating barriers to entry. In all, 106 economies eliminated or reduced minimum capital requirements, about 80 introduced or improved one-stop shops, and more than 160 simplified preregistration and registration formalities. More remains to be done, however.

Despite this convergence, *Doing Business 2020* data suggest that a considerable disparity persists between low- and high-income economies on the ease of starting a business. An entrepreneur in a low-income economy typically spends about 50.0% of income per capita to launch a company, compared to just 4.2% for an entrepreneur in a high-income economy.

FIGURE O.2 The cost of starting a business has fallen over time in developing economies



Source: Doing Business database.

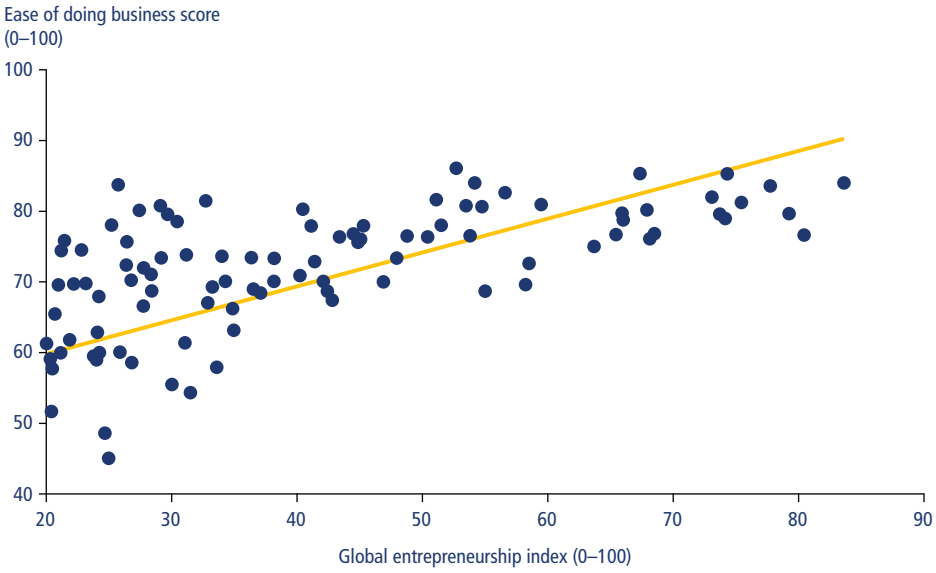
Note: The sample comprises 145 economies.

Moreover, the convergence trend does not hold for minimum capital requirements. About one-third of low- and lower-middle-income economies require businesses to set aside a certain amount of minimum capital in addition to regular company incorporation costs. Similarly, the minimum capital requirement is prevalent in one-third of high-income economies.[4]

Ample room still exists for closing the gap between developed and developing economies on most of the *Doing Business* indicators. Performance on the strength of legal rights index, captured by the getting credit indicator set, is weakest among low- and middle-income economies. Credit registries and bureaus in developing economies also tend to collect less comprehensive information with comparatively low coverage, thereby limiting businesses' access to credit. The average credit registry coverage of the adult population in low-income economies is less than 3%, compared to over 22% in high-income ones. Similarly, the average time to meet tax filing obligations is significantly higher in low-income economies (275 hours) than in high-income ones (149 hours). The regions with the most cumbersome tax compliance processes remain Latin America and the Caribbean and Sub-Saharan Africa.

Economies that score well in *Doing Business* benefit from higher levels of entrepreneurial activity (figure O.3). Increased entrepreneurship generates better employment opportunities, higher government tax revenues, and improved personal incomes.

FIGURE O.3 Greater ease of doing business is associated with higher levels of entrepreneurship



Sources: Doing Business database; Global Entrepreneurship and Development Institute.

Note: The relationship is significant at the 1% level after controlling for income per capita. The sample comprises 135 economies.

Although *Doing Business* does not capture corruption and bribery directly, inefficient regulation tends to go hand in hand with rent-seeking. There are ample opportunities for corruption in economies where excessive red tape and extensive interactions between private sector actors and regulatory agencies are necessary to get things done. The 20 worst-scoring economies on Transparency International's Corruption Perceptions Index average 8 procedures to start a business and 15 to obtain a building permit.[5] Conversely, the 20 best-performing economies complete the same formalities with 4 and 11 steps, respectively. Moreover, economies that have adopted electronic means of compliance with regulatory requirements—such as obtaining licenses and paying taxes—experience a lower incidence of bribery.

Reforming for economic advancement

Doing Business acknowledges the 10 economies that improved the most on the ease of doing business after implementing regulatory reforms.[6] In *Doing Business 2020*, the 10 top improvers are Saudi Arabia, Jordan, Togo, Bahrain, Tajikistan, Pakistan, Kuwait, China, India, and Nigeria (table O.2). These economies implemented a total of 59 regulatory reforms in 2018/19—accounting for one-fifth of all the reforms recorded worldwide. Their efforts focused primarily on the areas of starting a business, dealing with construction permits, and trading across borders.

TABLE O.2 The 10 economies improving the most across three or more areas measured by *Doing Business* in 2018/19

Economy	Rank	Change in DB score	Reforms making it easier to do business									
			Starting a business	Dealing with construction permits	Getting electricity	Registering property	Getting credit	Protecting minority investors	Paying taxes	Trading across borders	Enforcing contracts	Resolving insolvency
Saudi Arabia	62	7.7	✔	✔	✔		✔	✔		✔	✔	✔
Jordan	75	7.6					✔		✔			✔
Togo	97	7.0	✔	✔	✔	✔	✔					
Bahrain	43	5.9		✔	✔	✔	✔	✔	✔	✔	✔	✔
Tajikistan	106	5.7	✔				✔			✔		
Pakistan	108	5.6	✔	✔	✔	✔			✔	✔		
Kuwait	83	4.7	✔	✔	✔	✔	✔	✔		✔		
China	31	4.0	✔	✔	✔			✔	✔	✔	✔	✔
India	63	3.5	✔	✔						✔		✔
Nigeria	131	3.4	✔	✔	✔	✔				✔	✔	

Source: Doing Business database.

Note: See endnote 6 for details on how the top 10 improved economies are assessed.

Jordan and Kuwait are new additions to the list of 10 most improved economies. Nigeria appears as one of the top-10 improvers for the second time. India, which has conducted a remarkable reform effort, joins the list for the third year in a row. Previously, only Burundi, Colombia, the Arab Republic of Egypt, and Georgia featured on the list of 10 top improvers for three consecutive *Doing Business* cycles. Given the size of India's economy, these reform efforts are particularly commendable.

Bahrain implemented the highest number of regulatory reforms (nine), improving in almost every area measured by *Doing Business*.[7] China and Saudi Arabia follow Bahrain with eight reforms each.

One may wonder what underlying factors drive economies to reform. The drivers can be either political or economic or both. The economic advancement of neighboring countries is also an important motivational factor. Research on the effects of market-liberalizing reforms in 144 economies over the period 1995–2006 finds that the most important factor in transmitting reforms between countries is their geographical and cultural proximity. The spillover effect is magnified when more countries adopt reforms that boost economic development. Furthermore, mass media coverage affects political decisions. A recent study finds that economies with higher media coverage of *Doing Business* tend to carry out more business regulatory reforms, with one- and two-year lags between media coverage and reform implementation.[8]

Business regulatory reforms across the Gulf economies have been on a steady rise. These changes are motivated in part by the urgent need for economic diversification. Successful reforms in neighboring states, such as the United Arab Emirates, have also served as inspiration. Saudi Arabia is the most improved economy in *Doing Business 2020*, with a total of eight reforms. With a reformist mindset, the crown prince has implemented and promoted a policy of featuring the Kingdom as an open world-class investment destination. The Kingdom's "Vision 2030" plan for long-term development encompasses a variety of legal and structural reforms.

Pakistan, another top improver, developed an ambitious reform strategy, setting up a national secretariat as well as a prime minister's reform steering committee to ensure progress. Most of the programmed reforms evolved around the *Doing Business* indicators. *Doing Business* working groups have been set up at both municipal and provincial levels.

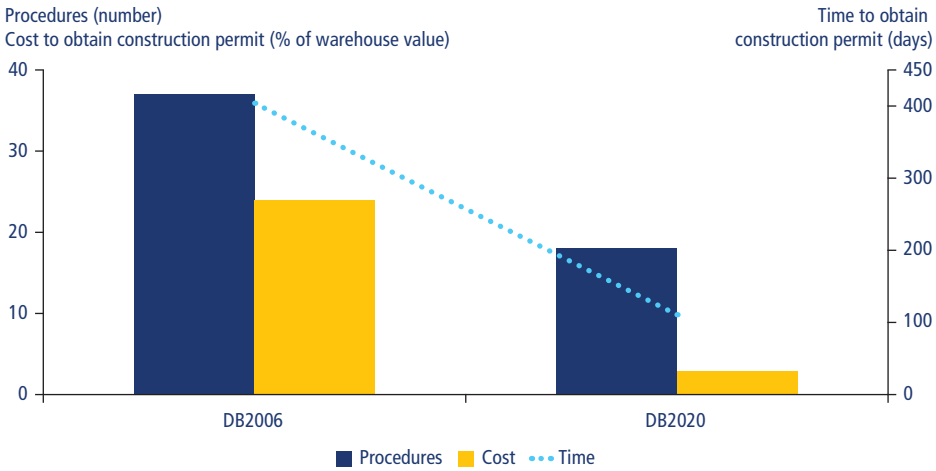
The motivation for reform in Nigeria, Tajikistan, and Togo was in part the developmental achievements of their neighbors. Rwanda's progress over the past 10 years inspired authorities in Togo, leading several Togolese delegations to visit Kigali to learn about successful reforms. Togo's president set a goal to be number one in West Africa in *Doing Business 2020*. To achieve this target, Togo made significant reform efforts in the areas of starting a business, registering property, and getting credit. Similarly, after observing an economic transformation in neighboring Uzbekistan, Tajikistan's president took a special interest in improving the country's ranking on the ease of doing business.

Nigeria has embarked on a comprehensive reform journey following the example of Kenya.

As in other economies on the list of 10 top improvers, leaders of India and China adopted the *Doing Business* indicators as a core component of their reform strategies. Prime Minister Narendra Modi's "Make in India" campaign focused on attracting foreign investment, boosting the private sector—manufacturing in particular—and enhancing the country's overall competitiveness. The government turned to the *Doing Business* indicators to show investors India's commitment to reform and to demonstrate tangible progress. In 2015 the government's goal was to join the 50 top economies on the ease of doing business ranking by 2020. The administration's reform efforts targeted all of the areas measured by *Doing Business*, with a focus on paying taxes, trading across borders, and resolving insolvency. The country has made a substantial leap upward, raising its ease of doing business ranking from 130 in *Doing Business 2016* to 63 in *Doing Business 2020*.

In recent years China has shown eagerness to reform in the areas captured by *Doing Business*. Chinese Premier Li Keqiang's March 2018 "Report on the Work of the Government" set the stage for municipal governments to implement a reform agenda. The use of *Doing Business* as a benchmark aligns with the central government's ambition to improve the competitiveness of the Chinese economy. The Chinese government also created working groups targeting each of the *Doing Business* indicators. To date, China has shown a notable improvement in the areas of dealing with construction permits (figure O.4), getting electricity, and resolving insolvency.

FIGURE O.4 China has substantially improved the process to obtain a construction permit



Source: Doing Business database.

What have economies achieved, and who falls behind?

In 2018/19, 115 economies implemented 294 business regulatory reforms across the 10 areas measured by *Doing Business*. Most of these reforms addressed aspects of starting a business, dealing with construction permits, getting electricity, and paying taxes; the least reformed area was resolving insolvency. The most common reform features included advancing the functionality of credit bureaus and registries, developing or enhancing online platforms to comply with regulatory requirements, improving the reliability of power supply, reducing certain taxes, strengthening minority investor protections, streamlining property registration processes, and automating international trade logistics. Low-income economies accounted for 11% of all the regulatory changes, with Togo implementing the highest number of reforms (five).

In Sub-Saharan Africa, Togo represents a bright spot. Sub-Saharan Africa remains one of the weak-performing regions on the ease of doing business with an average score of 51.8, well below the OECD high-income economy average of 78.4 and the global average of 63.0. Compared to the previous year, Sub-Saharan African economies raised their average ease of doing business score by just 1 percentage point in *Doing Business 2020*, whereas economies in the Middle East and North Africa region raised their average score by 1.9.

Latin America and the Caribbean also lags in terms of reform implementation and impact. No economies from this region appeared in the 10 top improvers list over the past two years. Moreover, not a single economy in Latin America and the Caribbean ranks among the top 50 on the ease of doing business. The regional leader on the ease of doing business score, Mexico, is still almost 12 percentage points below the average score of the 10 top-ranking economies.

Globally reforms in the areas of dealing with construction permits and getting electricity have risen sharply in recent years, peaking in 2018/19 at 37 and 34, respectively. Twenty-one of the 37 economies reforming aspects of dealing with construction permits simplified the permitting processes by streamlining interactions with agencies for preapprovals and inspections. Another 16 reformed their building quality control systems. In addition, 12 economies either set up or improved online platforms for processing building permits, and 3 economies launched one-stop shops.

In the area of getting electricity, several Caribbean countries, including Barbados and Belize, invested in training utility personnel and capacity building. In West Africa, Ghana and Nigeria reduced electricity connection times. Sixteen economies made substantial investments in modernizing electric infrastructure through the installation of substations and remote-control systems; others improved distribution network maintenance. Mainly owing to targeted improvements in electricity supply, the average global duration of power cuts fell by 8.3% between 2017 and 2018. Although blackouts remain relatively frequent in Sub-Saharan Africa,

utilities in this region made substantial progress in providing a better power supply to their customers.

In 2018/19, 24 economies increased the efficiency of property transfers and improved the quality of land administration. The most common features of property registration reform included greater transparency of information, better reliability of infrastructure, and reduced taxes and fees. Across regions, economies in the Middle East and North Africa improved the most. Qatar created a one-stop shop, eliminating five procedures and lowering property transfer time by 11 days. In Latin America and the Caribbean, Jamaica reduced the cost of property registration by almost 7% of the property value. Brazil and Ecuador introduced electronic property transfer systems.

Thirty economies pursued reforms facilitating firms' access to credit. Five reformers either created unified and functional systems for secured transactions or expanded the scope of movable assets that can be used as collateral. Djibouti, Jordan, and Tajikistan launched geographically centralized, unified, and notice-based collateral registries in 2018/19. Moreover, Jordan, Kenya, and Tajikistan introduced online features to their existing registries. Twenty-three economies implemented reforms improving credit information systems. One of the most common features of reform was the expansion of coverage of individuals and firms in credit registries or bureaus. Six developing countries carried out this type of reform. Niger, Senegal, and Togo, for example, passed laws allowing the credit bureau, Creditinfo VoLo, to collect broader historical data. With more credit data and data from alternative sources, these three economies were able to boost coverage rates.

For the ninth year in a row, the most common feature of reforms in paying taxes is the implementation or enhancement of electronic filing and payment systems. Seventeen economies carried out such reforms in calendar year 2018. In terms of digitization, the most notable progress since *Doing Business 2006* has been achieved in Europe and Central Asia. Today taxes can be filed electronically in 22 economies in this region, compared to only 4 in 2004.

Economies across all regions reformed aspects of international trade logistics in 2018/19, with 25 making it easier to move goods across borders. More than 40% of the reforms captured by the trading across borders indicators were in low- and lower-middle-income economies. Overall, South Asia was the region with the highest share of economies implementing trade reforms in *Doing Business 2020*. Trade reforms demonstrate the importance of cross-border cooperation in ensuring easy customs clearance procedures, harmonization of compliance rules, and border control efficiency. Nepal, for example, decreased the time to export and import by opening a new joint border crossing point with India.

In the area of contract enforcement, eight economies provided more straightforward options—outside of ordinary courts or procedures—for resolving legal disputes. Mauritania and Moldova, for example, implemented fast-track procedures as an effective way to resolve small-value disputes. Three economies in Latin America and the Caribbean adopted

techniques intended to ensure a timely and organized flow of cases through the court system. Jamaica started publishing court performance reports, Costa Rica introduced a pretrial conference, and Paraguay implemented an electronic case management system.

Thirteen economies implemented reforms making it easier to resolve insolvency. A characteristic feature of these reforms was the introduction of a reorganization procedure. Keeping viable businesses afloat is one of the most important objectives of bankruptcy systems. The highest recovery rates are recorded in economies where reorganization is the most common insolvency proceeding for viable businesses in financial distress. Bahrain, Jordan, and Saudi Arabia all introduced reorganization proceedings, completely overhauling their previous insolvency frameworks.

Eleven economies made changes to employment regulations. The OECD high-income group recorded the highest share of reforms, with work scheduling being the most common feature. Austria increased overtime to 60 hours per week, and Hungary raised its overtime allowance to 400 hours per calendar year, making employment regulation more business-friendly. Conversely, the Slovak Republic increased wage premiums for work on weekly rest days and at night. North Macedonia reduced the length of the probationary period (to four months from six), introduced priority rules in the case of both redundancy dismissals and reemployment, and increased severance payments.

When doing business is not easy

Not all regulatory changes make it easier for entrepreneurs to do business. In 2018/19, 26 economies introduced 31 reforms that stifled efficiency. Some changes are a conscious trade-off. Croatia's credit bureau, for example, stopped distributing data on individuals while it gauges the full extent of the European Union General Data Protection Regulation. In the area of protecting minority investors, Belarus extended the deadline for companies to inform the market of related-party transactions. This change makes it easier for firms to comply with regulation but increases information asymmetry, which could be harmful to investors. Political changes also play a role. In Sudan, the new majority in the National Assembly did not endorse temporary amendments to the Companies Act. As a result, a lapse in the provisions adversely affected Sudan's performance on the indicators for getting credit, protecting minority investors, and resolving insolvency.

Increased regulatory costs faced by the private sector serve as another foundation for changes making it more difficult to do business, as evident in 16 of the 31 cases. Increasing the cost to do business can be counterproductive. Studies show that higher business start-up costs adversely affect the number of new market entrants.[9] Firms that never incorporate because of prohibitive expenses represent a compounding net loss of public revenue. In other cases, the administrative costs associated with enacting

comparatively minor fee increases may not even be covered by slightly increased revenues. For example, Cambodia increased costs associated with registration with the Ministry of Labor and Vocational Training. Mexico (Mexico City) increased the fees for obtaining a building permit. The Bahamas increased the stamp duty for property transfers while Nepal hiked up the registration fee to transfer properties.

Insufficient reform follow-through, as in several economies, is another reason for a deterioration in the business climate. Morocco, for instance, stopped publishing statistics on the number of property transactions and land disputes. And Belarus weakened minority investor protections by no longer requiring immediate public disclosure of related-party transactions. Some reforms are relatively easy to initiate; however, without proper upkeep, their benefits can fail to materialize.

Finally, design and implementation issues undermine reform efforts. Changing the agency in charge of property registration in Kazakhstan had the potential to improve service delivery. Because the new entity was not authorized to collect state duties, however, users had to make some payments at a different location. Mali made paying taxes more difficult by introducing a new tax—the solidarity contribution—which is an additional cost on businesses imposed on turnover. Barbados rendered property transfers less efficient by increasing the time to record the conveyance at the Land Registry as well as pay transfer fees and stamp duties.

What is new in this year's study?

Doing Business 2020 features three case studies—on business regulatory reforms across four indicator sets (starting a business, getting credit, paying taxes, and resolving insolvency), on contracting with the government, and on employing workers. The case study on reforms analyzes prominent regulatory changes implemented by governments since the inception of *Doing Business*. Among the most common regulatory changes over the past 17 years are simplifying the requirements to start a company, easing tax compliance burdens, increasing access to credit, and ensuring the survival of viable businesses. The case study also discusses the effects of regulatory changes on various dimensions of economic development and investment activity.

The contracting with the government case study measures the efficiency of public procurement. The case study describes a standardized scenario benchmarked by the indicator set and outlines a preliminary description of the methodology. Worldwide, public procurement accounts for 10–25% of GDP on average, and cumulatively governments spend $10 trillion on public contracts every year. The efficiency of the process varies considerably, however; currently, there are no global data to benchmark such practices. The contracting with the government database constitutes a repository of comparable data on how procurement processes are carried out. This indicator set, which has been under development for the past three years, will be included in the ease of doing business score in *Doing Business 2021*.

The case study on employing workers highlights the positive effects of flexible employment regulation for firms, which in turn affects job creation and productivity growth. It analyzes the advantages of operating under a less rigid hiring framework that, for example, permits fixed-term contracts. In light of the changing dynamics of work, the case study further examines the benefits of flexible rules on working hours. It shows that restrictions on dismissal due to redundancy hurt firms as well as youth employment. *Doing Business 2020* also includes a literature review chapter on relevant research articles published in top-ranking economic journals since 2013.

Notes

1. Djankov 2016.
2. Heckelman 2000.
3. Herrendorf and Teixeira 2011.
4. The figure excludes seven economies with a minimum capital requirement of less than $5.
5. Transparency International database. A higher score on the Corruption Perceptions Index indicates a lower level of perceived corruption.
6. Economies are selected on the basis of the number of reforms and ranked on how much their ease of doing business score improved. First, *Doing Business* selects the economies that implemented reforms making it easier to do business in 3 or more of the 10 areas included in this year's aggregate ease of doing business score. Regulatory changes making it more difficult to do business are subtracted from the number of those making it easier. Second, *Doing Business* ranks these economies on the increase in their ease of doing business score due to reforms from the previous year (the impact due to changes in income per capita and the lending rate is excluded). The improvement in their score is calculated not by using the data published in 2018 but by using comparable data that capture data revisions and methodology changes when applicable. The choice of the most improved economies is determined by the largest improvements in the ease of doing business score among those with at least three reforms. The order of economies is based on the difference of unrounded scores.
7. Considering the areas that constitute the ease of doing business ranking.
8. Ramalho and Saltane 2019.
9. Djankov and others 2002; Klapper, Laeven, and Rajan 2006.