

Improving the Business Environment: An International Perspective



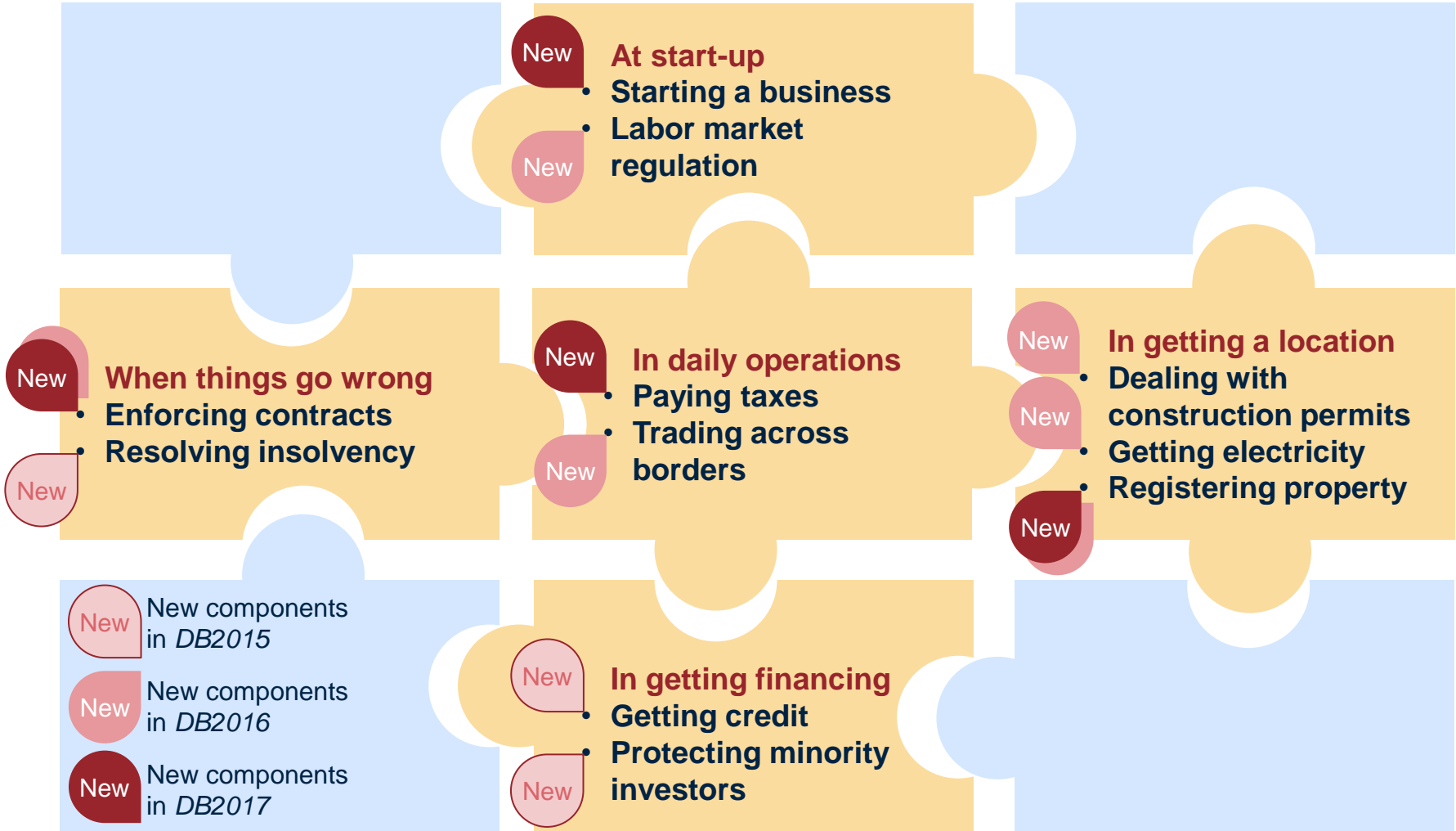
WORLD BANK GROUP

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The 11 areas of business regulation measured by *Doing Business* affect firms throughout their life cycle



Methodology changes and new research in *Doing Business 2017*

Methodology Changes

- **Correcting certain gender biases:** assessing gender legal differences in the processes measured by *Doing Business*.
- **Expanding the Paying Taxes indicators to cover postfiling processes:** measuring the time and process associated with tax refunds, tax audits and tax appeals for domestic SME. *(The data on tax appeals is not included in the ease of doing business ranking.)*

New Research

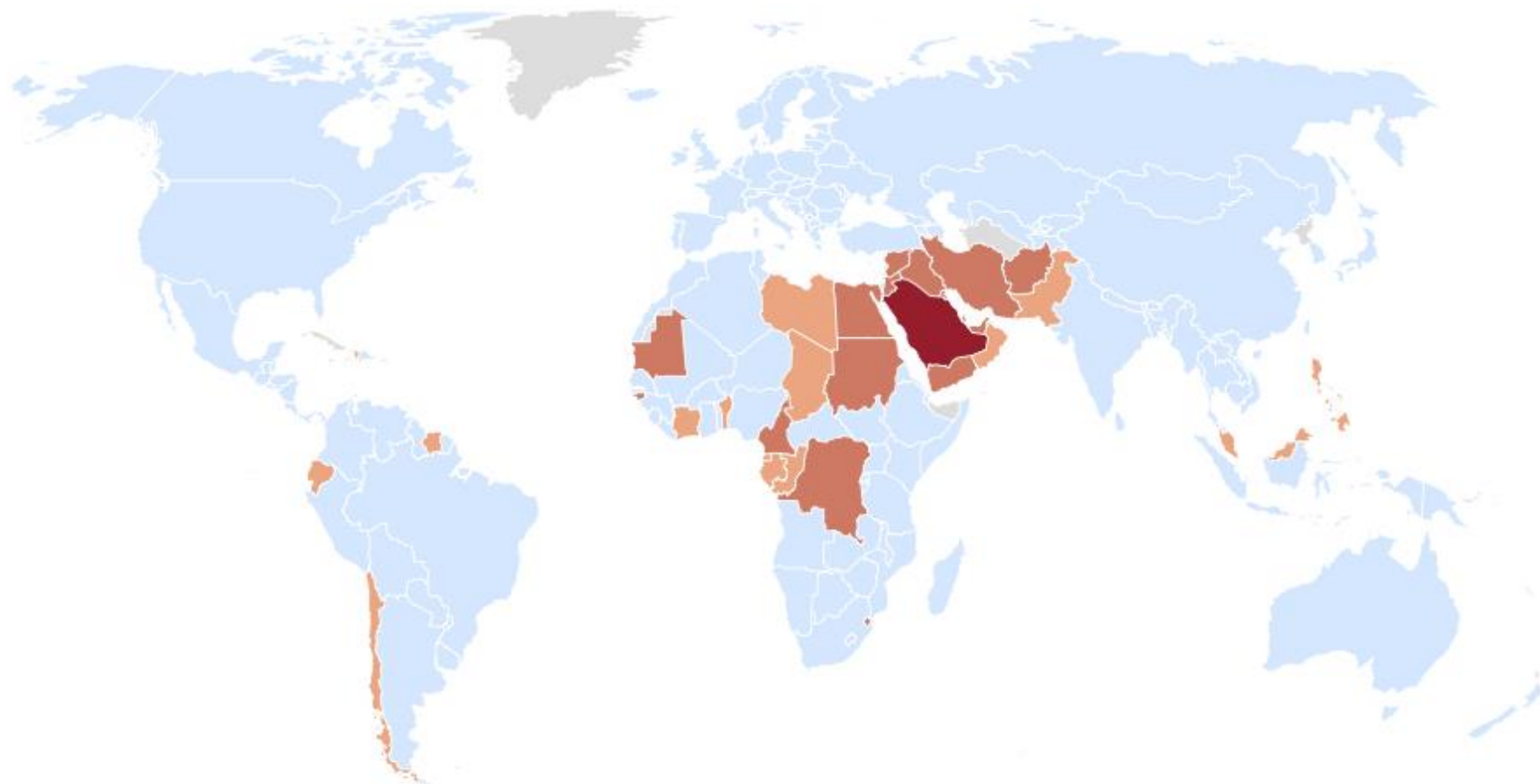
- **New annex on selling to the government:** measuring the process and regulations for the life cycle of a government procurement contract. *(The new data is not included in the ease of doing business ranking.)*

Incorporating gender legal differences in *Doing Business* indicators

Building on the information collected by *Women, Business and the Law, Doing Business* now includes:

- **Starting a Business** – is the process of starting a business different if the entrepreneur is a woman?
 - Approval from spouse required to own a business or leave the house.
 - Documents or permission required by only one gender for company registration and operation, opening a bank account or obtaining a national ID (since showing proof of ID is a normal requirement in business registration).
- **Registering Property** – can a woman own, use and transfer property the same way as a man?
 - Do unmarried men and women have equal ownership rights to property?
 - Do married men and women have equal ownership rights to property?
- **Enforcing Contracts** – does a woman's testimony carry the same evidentiary weight in court as man's?

Doing Business recorded 60 gender disparities in 38 economies

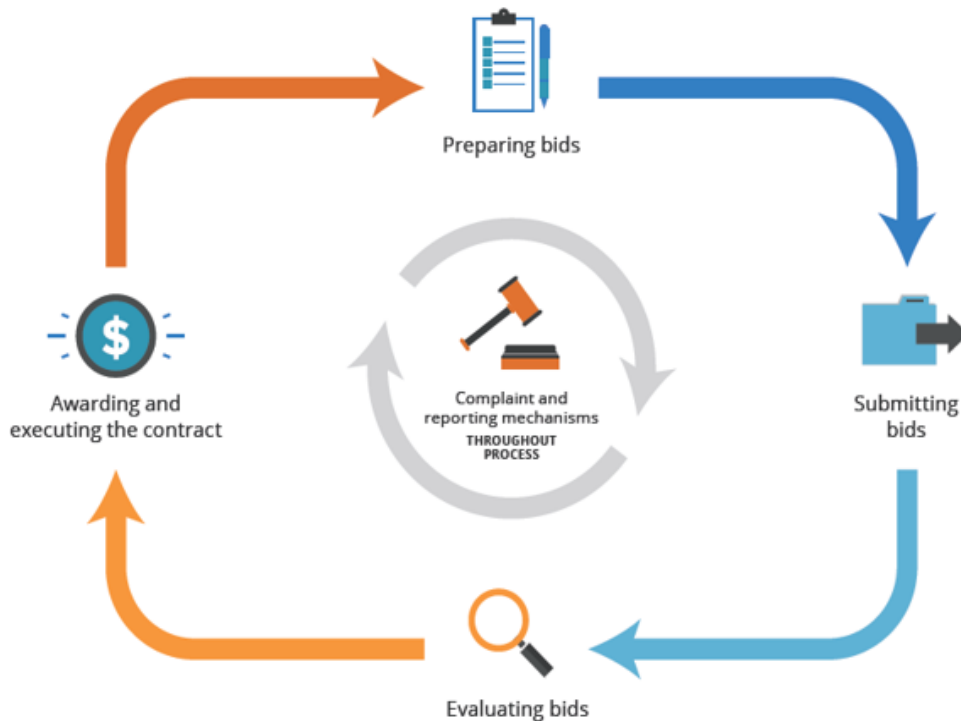


Number of recorded gender restrictions:



Selling to the government: what is measured in the *Doing Business 2017* annex?

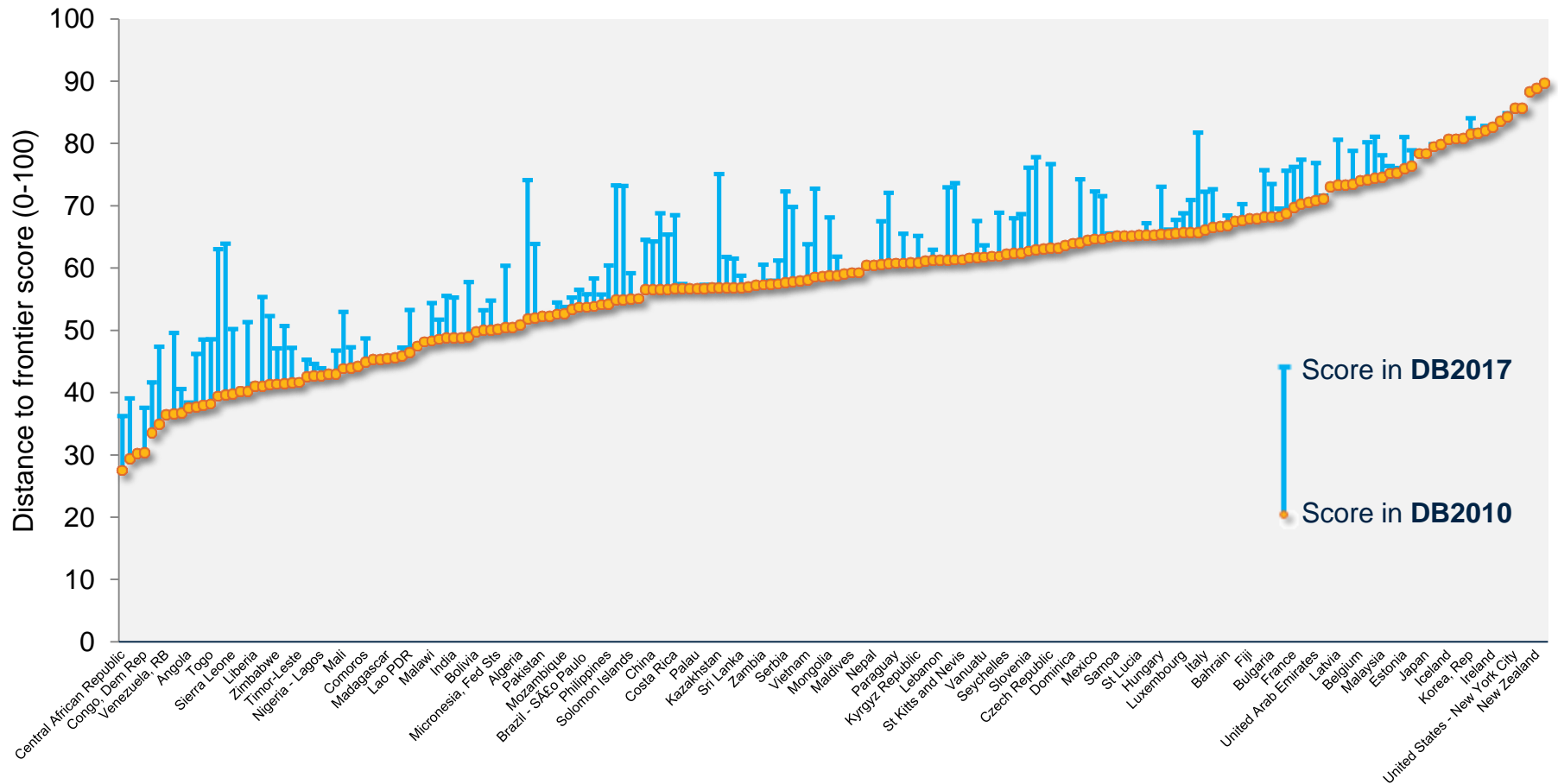
Case study: road maintenance contract valued at 91 times income per capita or 2 million USD, whichever is higher.



Areas included in the selling to the government annex:

- **Accessibility** of **procurement opportunities** and e-procurement
- **Bid security deposits** (amount required of firms to guarantee that they will enter into a contract if it is awarded to them)
- **Payments** (how long it takes to get paid by the government)
- **Incentives for small and medium-size enterprises** (to facilitate access to public procurement markets)
- **Complaints mechanism** (standing to file a complaint, time for review, existence of a standstill period)

The metrics of distance to frontier (DTF) scores: Tracking economies' progress over time



Source: Doing Business database.

Note: The data since DB2015 follow new methodology.

Examples of the frontier in different indicators

Starting a business		
Indicator	Frontier	Who set frontier?
Procedures (number)	1	New Zealand
Time (days)	0.5	New Zealand
Cost (% of income per capita)	0.0	Slovenia

Registering property		
Indicator	Frontier	Who set frontier?
Procedures (number)	1	Georgia, Norway, Portugal, Sweden
Time (days)	1	Georgia, New Zealand, Portugal
Quality of land administration index (0-30)	30	-

Enforcing contracts		
Indicator	Frontier	Who set frontier?
Time (days)	120	Singapore
Cost (% of claim)	0.1	Bhutan

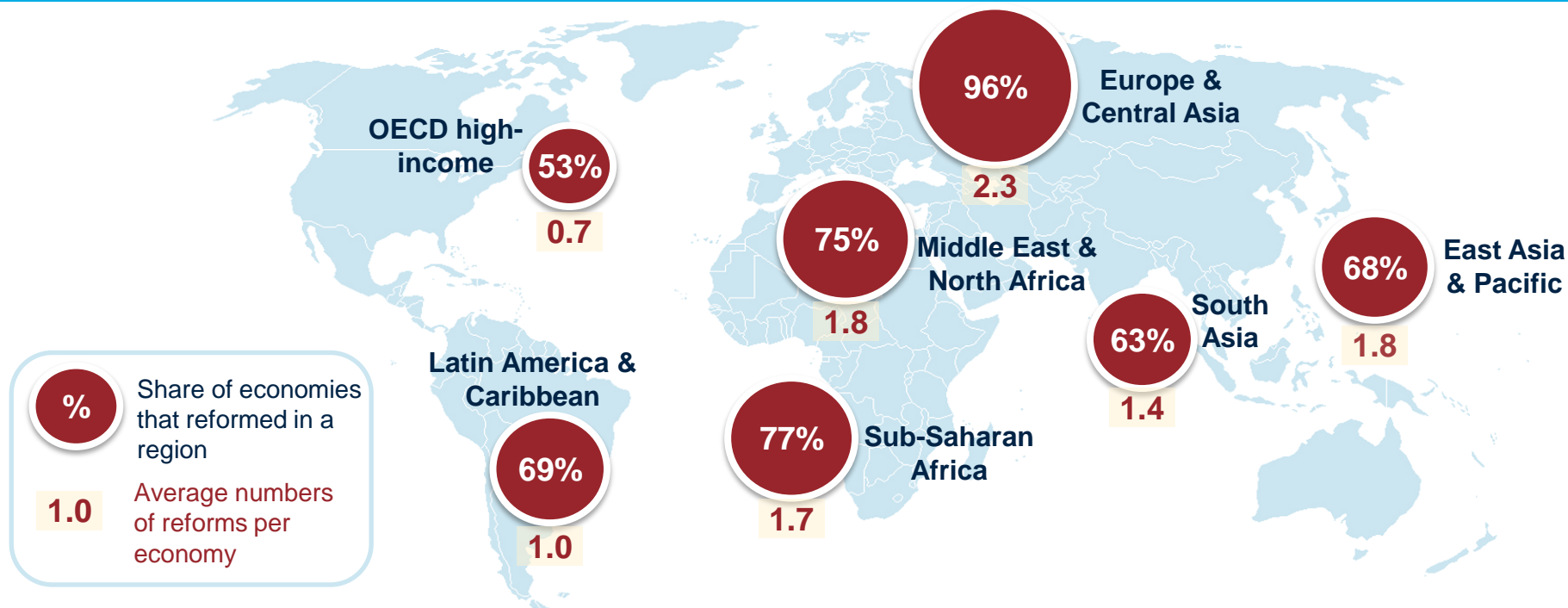
Resolving insolvency		
Indicator	Frontier	Who set frontier?
Recovery rate (cents on the dollar)	92.9	Norway
Strength of insolvency framework index (0-16)	16	-

Note: Best result on the Quality of land administration index was achieved by Singapore with 29 points. Best result on the Strength of insolvency framework index was achieved by Bosnia and Herzegovina, Germany, Kazakhstan, FYR Macedonia, Puerto Rico (US) and the United States – with 15 points each.

Top 50 performers on the ease of doing business in 2015/16

Rank	Economy	DTF score		Rank	Economy	DTF score	
1	New Zealand	87.01	↑	★ 26	United Arab Emirates	76.89	↑
2	Singapore	85.05	↑	27	Czech Republic	76.71	↑
3	Denmark	84.87	↑	28	Netherlands	76.38	↑
4	Hong Kong SAR, China	84.21	↑	29	France	76.27	↑
5	Korea, Rep.	84.07	↑	30	Slovenia	76.14	↑
6	Norway	82.82	↑	31	Switzerland	76.06	
7	United Kingdom	82.74	↑	32	Spain	75.73	↑
8	United States	82.45		33	Slovak Republic	75.61	↑
9	Sweden	82.13	↑	34	Japan	75.53	↑
10	Macedonia, FYR	81.74	↑	★ 35	Kazakhstan	75.09	↑
11	Taiwan, China	81.09	↑	36	Romania	74.26	↑
12	Estonia	81.05	↑	★ 37	Belarus	74.13	↑
13	Finland	80.84		38	Armenia	73.63	↑
14	Latvia	80.61	↑	39	Bulgaria	73.51	↑
15	Australia	80.26	↑	40	Russian Federation	73.19	
★ 16	Georgia	80.20	↑	41	Hungary	73.07	↑
17	Germany	79.87		42	Belgium	73.00	
18	Ireland	79.53	↑	43	Croatia	72.99	↑
19	Austria	78.92	↑	44	Moldova	72.75	↑
20	Iceland	78.91	↑	45	Cyprus	72.65	↑
21	Lithuania	78.84	↑	46	Thailand	72.53	↑
22	Canada	78.57		47	Mexico	72.29	↑
23	Malaysia	78.11		★ 47	Serbia	72.29	↑
24	Poland	77.81	↑	49	Mauritius	72.27	↑
25	Portugal	77.40	↑	50	Italy	72.25	↑

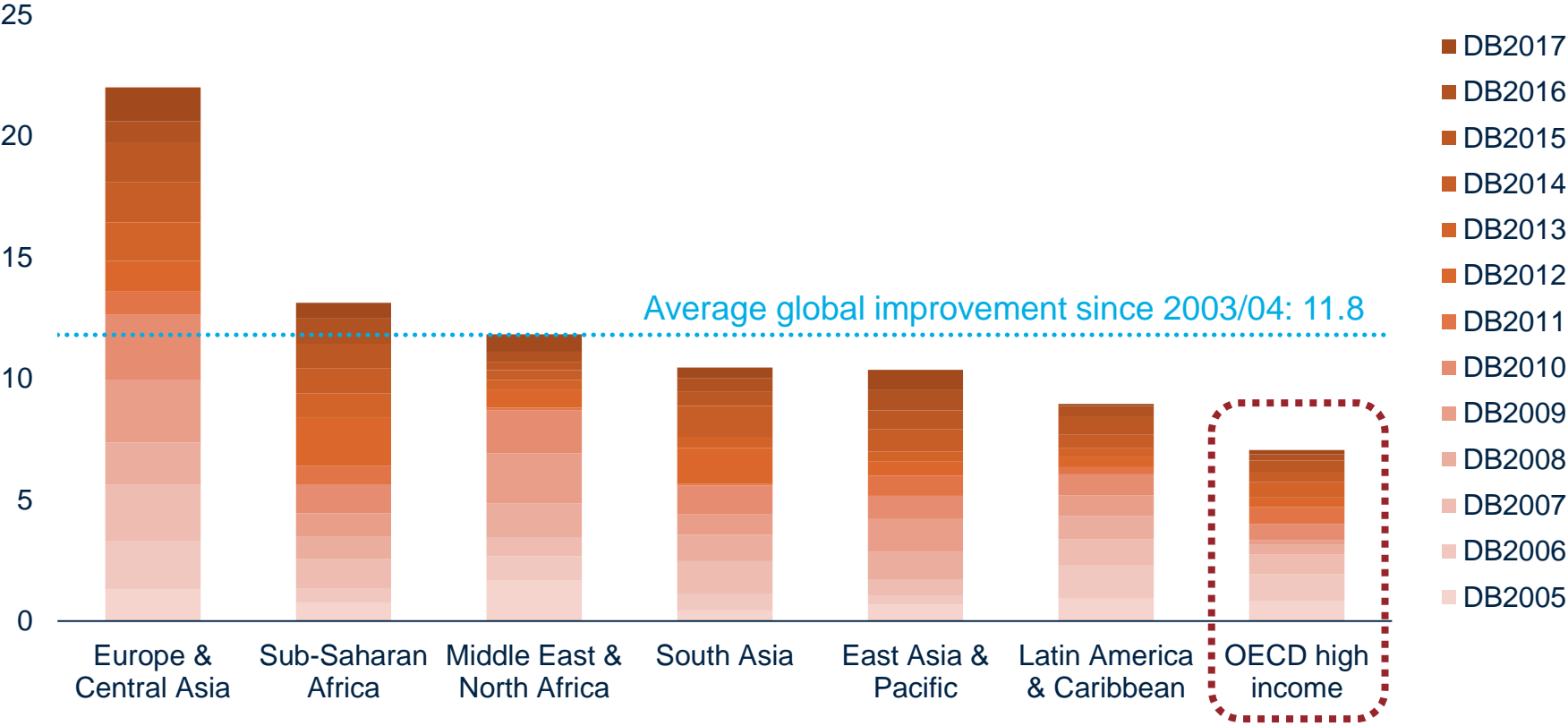
Worldwide, 137 economies implemented 283 reforms in 2015/16



- ✓ More than 75% of regulatory reforms in 2015/16 were implemented by [developing countries](#).
- ✓ While in 2004/05 [less than 40%](#) of the economies in Sub-Saharan Africa implemented business regulatory reforms, in 2015/16 [77%](#) of the economies did so.
- ✓ *Doing Business* has recorded more than [2,900 regulatory reforms](#) making it easier to do business since 2004.

Europe and Central Asia has made a substantially bigger improvement in business regulation over time than any other region

Average year-on-year improvement in distance to frontier score



Source: Doing Business database.

Note: The measure is normalized to range from 0 to 100, with 100 representing the frontier. Because of changes over the years in methodology and in the economies and indicators included, the improvements are measured year on year using pairs of consecutive years with comparable data.

Reforms making it easier to start a business show results over time in reduced delays

2005

It was possible to start a business in less than 20 days in only 41 economies*, mostly in North America and Northern and Central Europe.

In **OECD high-income**, entrepreneurs in **17 out of 31** economies could incorporate a company in under 20 days.

2016

Now, the time to start a business is less than 20 days for entrepreneurs in 130 economies* worldwide.

In **OECD high-income**, **30 out of 32** economies allow to start a business in less than 20 days.

✓ **Development impact:**

Countries that regulate entry more heavily have greater corruption and larger unofficial economies, but not better quality of public or private goods.

(Djankov, La Porta, Lopez de Silanes, Shleifer, February 2002, Quarterly Journal of Economics.)

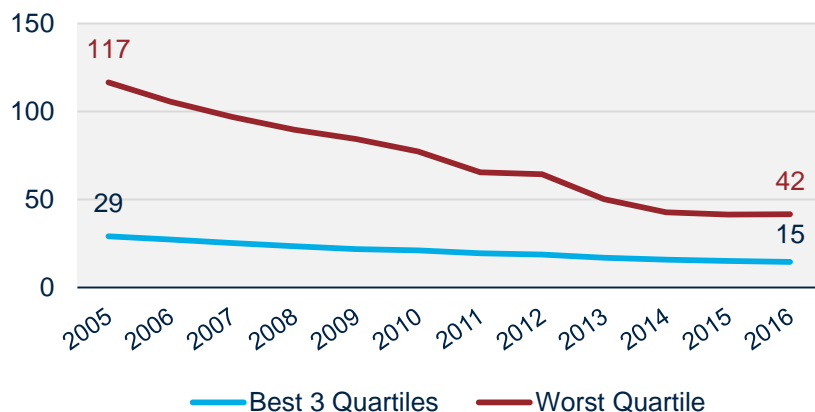
* Based on samples of 174 economies in *Doing Business 2006* and 190 economies in *Doing Business 2017*.



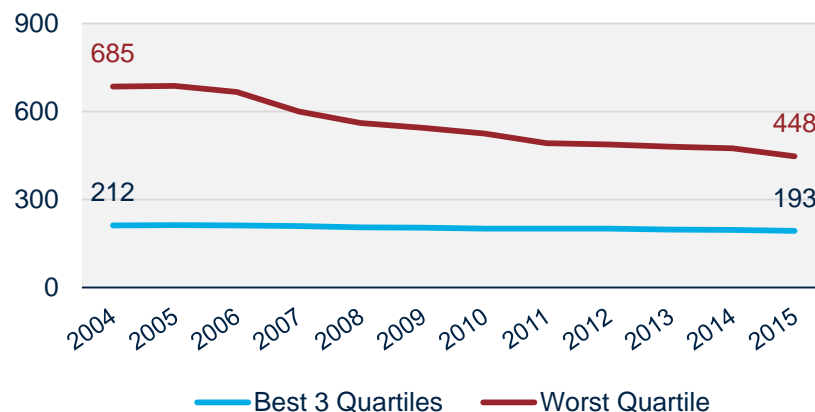
Source: *Doing Business* database.

Strong convergence across economies since *Doing Business 2006*

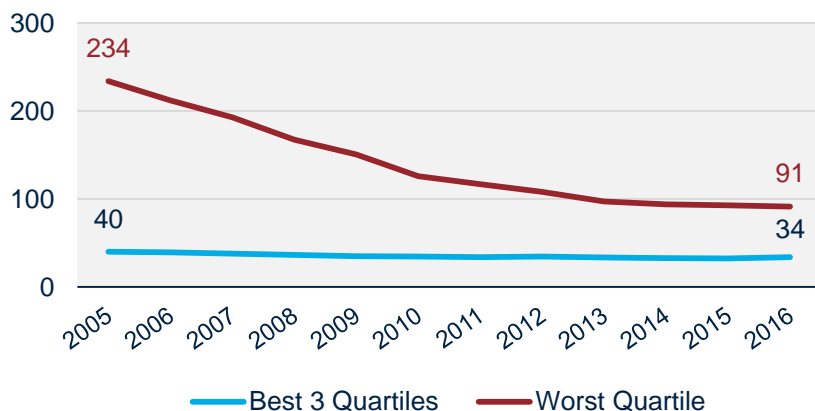
Time to **start a business** (days)



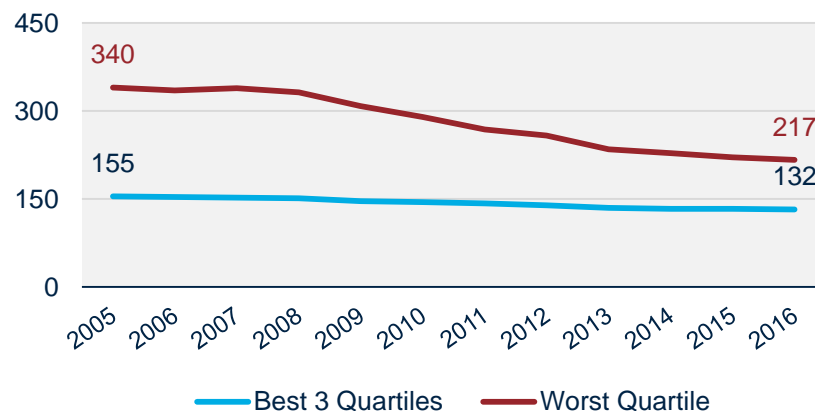
Time to **prepare, file and pay taxes** (hours)



Time to **register property** (days)



Time to deal with **construction permits** (days)



Source: *Doing Business* database.

12 Note: These numbers use a consistent sample of 174 economies as measured in *Doing Business 2007*, for which data are available starting from 2005.

Following *Doing Business* best practices would significantly decrease the time to start a business

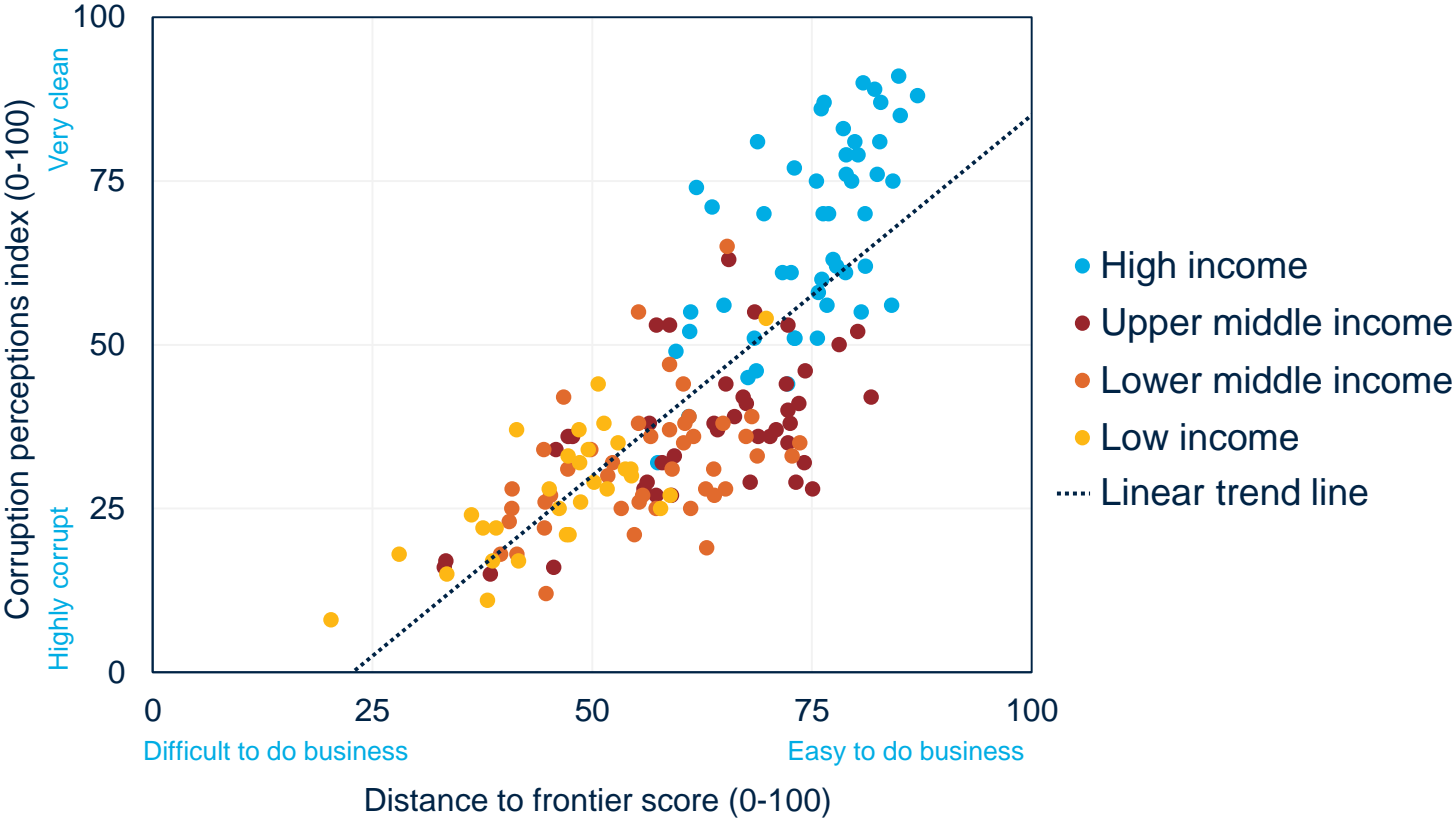
- In the 85 economies covered by both *Doing Business* and the World Bank's Entrepreneurship Database, an estimated **2.7 million LLCs** were newly registered in 2015 alone.
- Assuming that these 2.7 million firms followed the rules and regulations for company incorporation in their home economy as measured by *Doing Business 2016*, together they spent **32.9 million days** to get incorporated.
- Because not all economies followed best practice, entrepreneurs spent an extra **31.6 million days** satisfying bureaucratic requirements.

Companies that do not follow good practices spend **25 times** more time to start a business on average than those that do.



Sources: *Doing Business* database; World Bank's Entrepreneurship Database; <http://www.dailymail.co.uk/>.

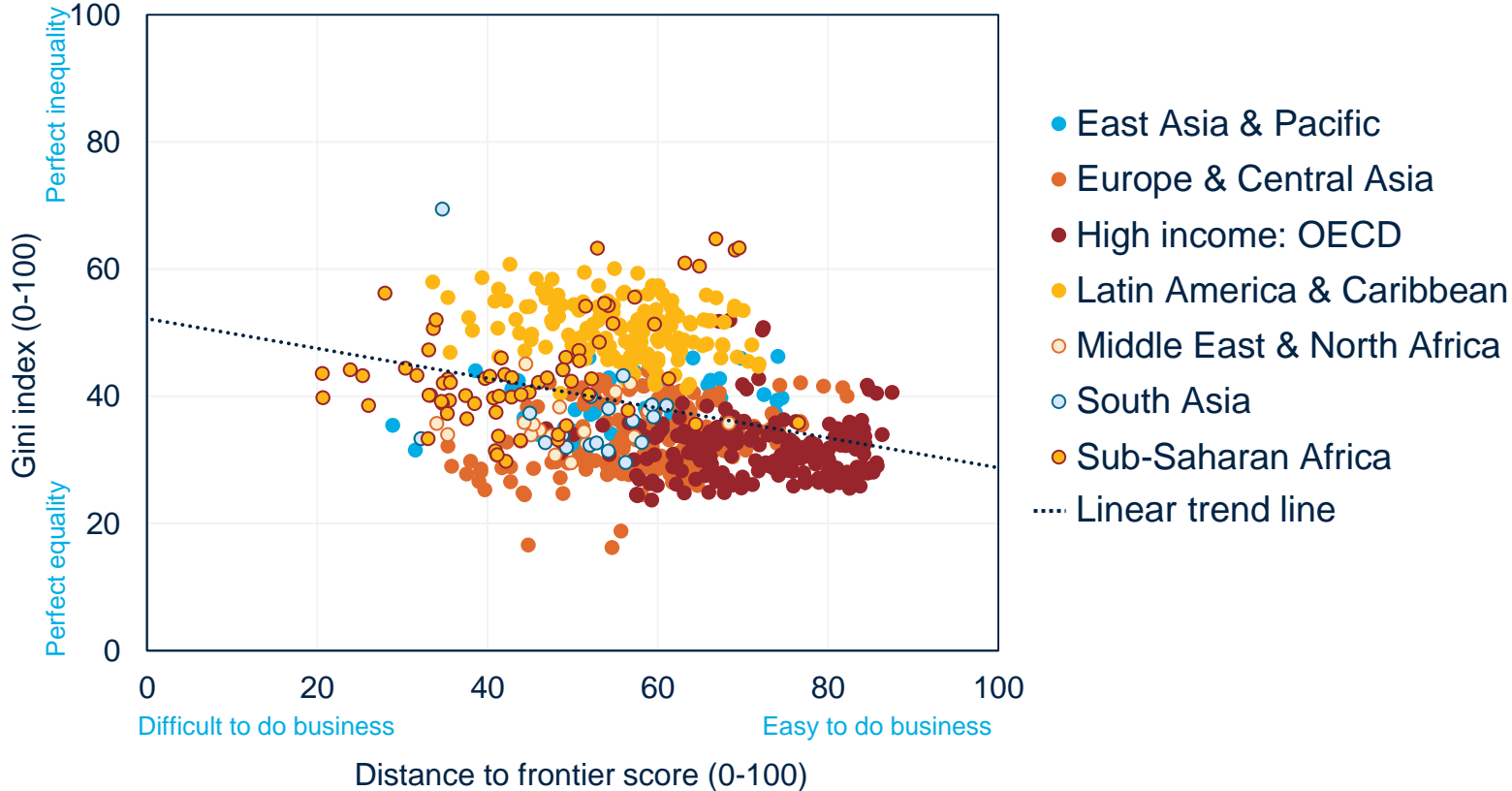
Higher levels of regulatory efficiency and quality are associated with lower levels of corruption



Sources: *Doing Business* database, Corruption Perception Index 2015.

Note: The sample includes 165 economies covered by both *Doing Business* and the Corruption Perception Index. Both relationships are significant at the 1% level after controlling for income per capita.

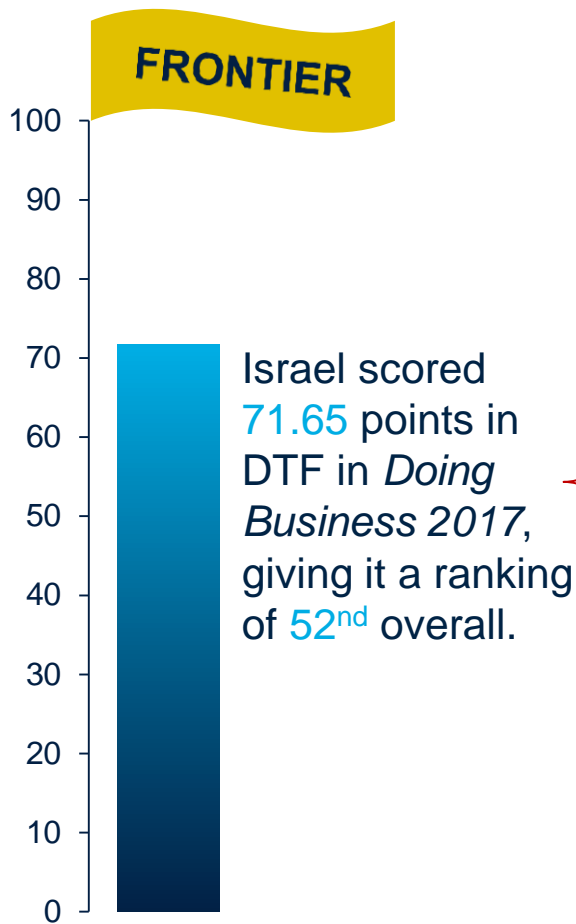
Economies with more business-friendly regulation tend to have lower levels of income inequality on average



Sources: *Doing Business* database; PovcalNet (<http://iresearch.worldbank.org/PovcalNet/index.htm>), World Bank.

Note: The figure compares distance to frontier score to the Gini Index as calculated in the PovcalNet. The data ranges from 2003 to 2013 and includes 713 observations. The correlation between the Gini Index and the distance to frontier score is -0.33. The relationship is significant at the 1% level.

Israel scores close to the frontier on the Starting a Business and Trading Across Borders indicators



Israel scored 71.65 points in DTF in *Doing Business 2017*, giving it a ranking of 52nd overall.

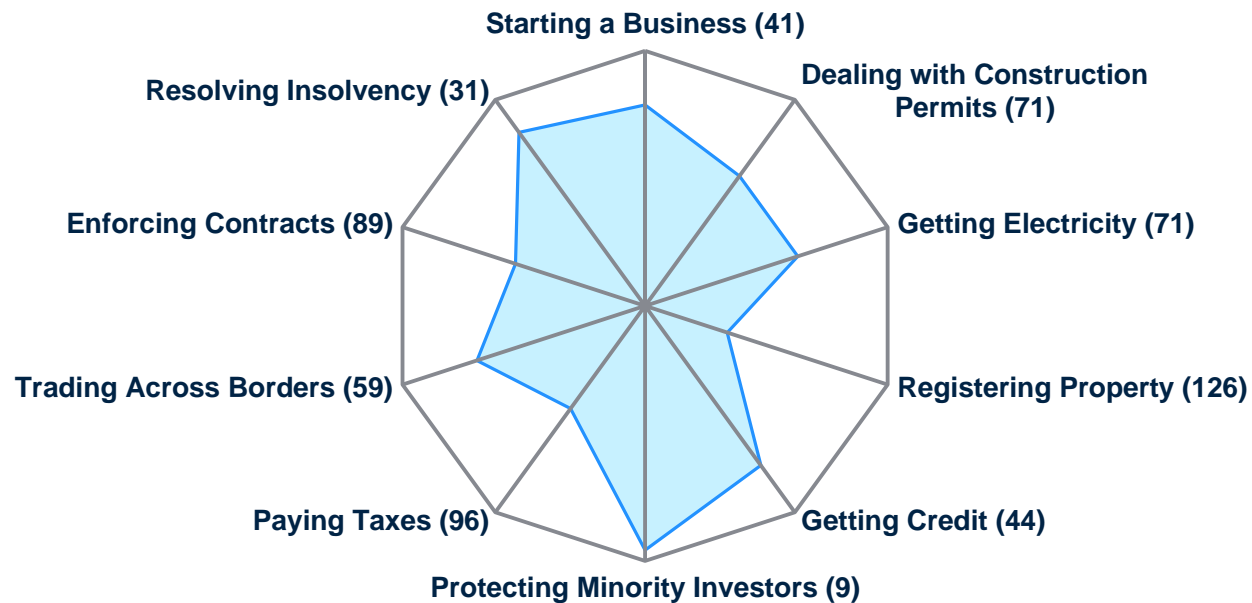
Results on individual indicators



Source: *Doing Business* database.

Israel currently ranks 52nd overall on the Ease of doing business

Rankings on *Doing Business* topics – Israel
(Scale: Rank 190 center, Rank 1 outer edge)

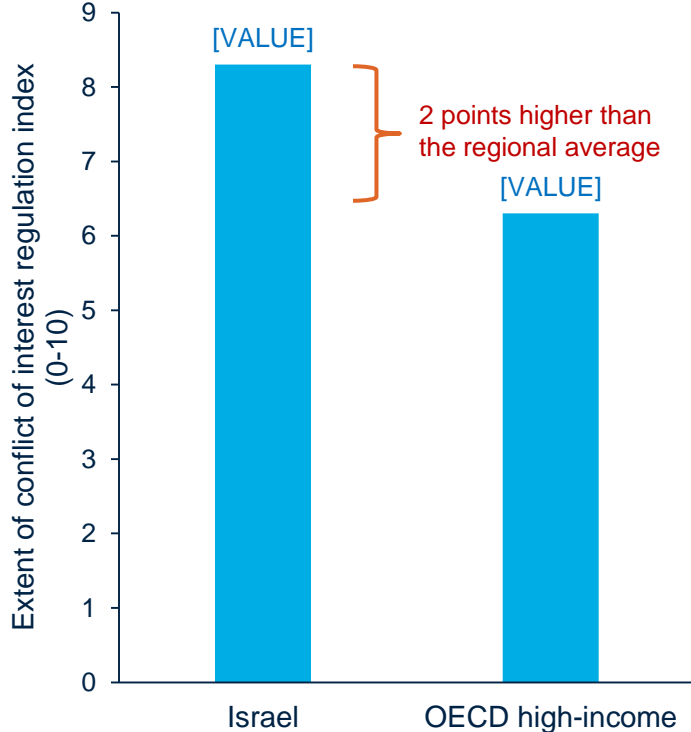


Source: *Doing Business* database.

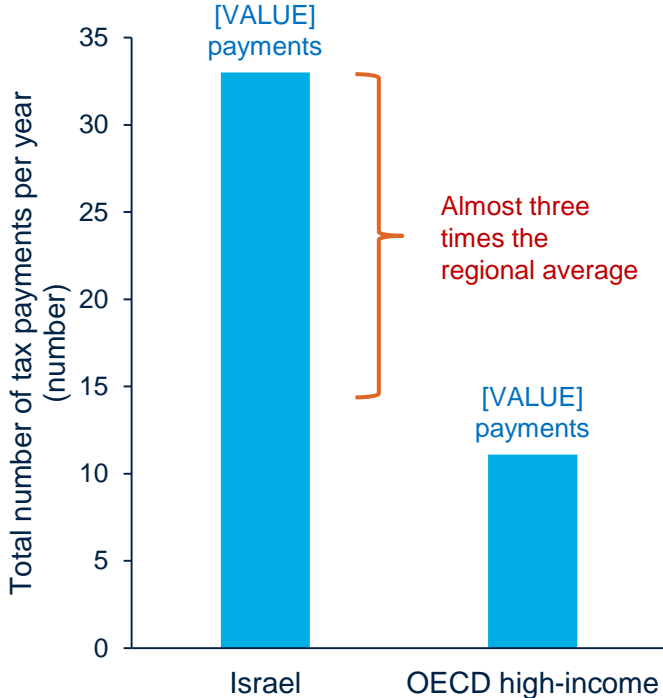
Strengths in Israel's business regulations and opportunities to improve



Israel offers better protection of shareholders from conflicts of interest...



...but requires more tax payments.



How has **Israel** improved its business environment in recent years?



Starting a Business: Starting a business was made easier by merging registration for tax and social security in 2015/16.



Registering Property: Shortened time limits for tax authorities to process capital gains self-assessments on property transfers in 2011/12.



Trading Across Borders: Expanded its electronic data interchange system and developed a single-window framework, allowing easier assembly of documents required by different authorities and reducing the time to trade in 2009/10.



Resolving Insolvency: Passed an amendment to its company law allowing the assumption or rejection of executory contracts and granting maximum priority to post-commencement credit in 2012/13 and amended its courts law to establish specialized courts for dealing with economic matters in 2010/11.

Israel can improve the process of registering property by reducing the property transfer tax rate



Israel ranks **126th** on the Ease of registering property.

Registering Property	Estonia	Poland	OECD high-income regional average	Israel
Procedures (number)	3	6	4.7	6
Time (days)	17.5	33	21.8	81
Cost (% of property value)	0.5	0.3	4.2	8.3
Quality of the land administration index (0-30)	27.5	19.5	22.7	14.0
Rank	6	38	43	126

Source: Doing Business database.

How can Israel improve the process of registering property?

- ✓ **Set time limits for various procedures**
 - The Russian Federation, for example, has successfully reduced the time to transfer a property by passing a new law to set up effective time limits for the property transfer procedures.
- ✓ **Digitize all or part of the process**
 - Poland made transferring property easier by introducing online procedures and reducing notary fees.
- ✓ **Reduce taxes or fees**
 - Spain made transferring property easier by reducing the property transfer tax rate.

Israel can improve the process of dealing with construction permits by introducing an online system for obtaining a building permit



Israel ranks **71st** on the Ease of dealing with construction permits.

Dealing with Construction Permits	Sweden	OECD high-income regional average	Netherlands	Israel
Procedures (number)	7	12.4	13	15
Time (days)	116	152.1	161	209
Cost (% of warehouse value)	2.1	1.7	3.7	1.5
Building quality control index (0-15)	9.0	11.4	10.0	13.0
Rank	25	48	87	71

Source: Doing Business database.

How can Israel improve the process of dealing with construction permits?

- ✓ **Implement an online system for obtaining a building permit**
 - The successful implementation of an online system begins with a mapping exercise, designed to identify all steps involved in the process of obtaining a permit. Then, all steps can be transferred to an online system.
- ✓ **Require the review by a licensed engineer or architect of the building plans submitted for a permit**
 - Countries such as the United Kingdom and Australia, which have successfully implemented this good practice, require a private firm to review the plans submitted for a permit and take full responsibility in the event of future faults.
- ✓ **Implement a risk-based system for inspections**
 - Since not all buildings present the same risks, Israel could greatly benefit from implementing a system for conducting inspections that is based on a risk-assessment. This allows for more detailed inspections of complex environments.

Israel can improve the process of getting electricity by reducing the time length to complete the external works



Israel ranks **71st** on the ease of getting electricity.

Getting Electricity	Slovenia	OECD high-income regional average	Lithuania	Israel
Procedures (number)	5	4.8	6	6
Time (days)	38	77.7	85	102
Cost (% of income per capita)	109.8	65.1	43.7	14.7
Reliability of supply and transparency of tariff index (0-8)	8	7.2	8.0	7
Rank	16	37	55	71

Source: Doing Business database.

How can Israel improve the process of getting electricity?

- ✓ **Eliminate the internal wiring inspection carried out by the Israel Electric Corporation (IEC)**
 - The utility in Delhi, India, made the process for getting an electricity connection simpler and faster by eliminating the internal wiring inspection carried out by the Electrical Inspectorate.
- ✓ **Reduce the time necessary to complete the external works by the Israel Electric Corporation (IEC)**
 - It currently takes 60 calendar days to await completion of external works by Israel Electric Corporation.
 - The utility in Lithuania has reduced the time of the connection works by enforcing the legal time limit to perform the external connection works.

Israel can improve the process of paying taxes by encouraging the usage of online portals for VAT and social security contributions



Israel ranks **96th** on the ease of paying taxes.

Paying Taxes	Ireland	OECD high-income regional average	Spain	Israel
Payments (number per year)	9.0	11.1	8	33
Time (hours per year)	82	176.6	152	235
Total tax rate (% of profit)	26.0	41.2	49.0	28.1
Profit tax (% of profit)	12.4	14.9	12.4	20.8
Labor tax and contributions (% of profit)	12.2	24.1	35.9	5.8
Other taxes (% of profit)	1.4	1.7	0.8	1.4
Rank	5	52	37	96

Source: *Doing Business* database.

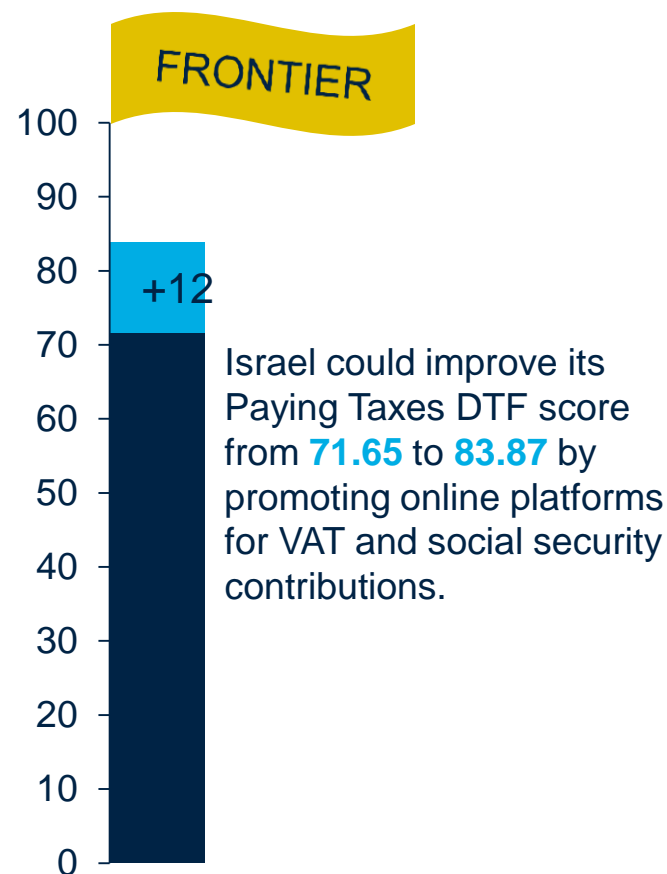
How can Israel improve the process of paying taxes?

- ✓ Introduce incentives to encourage the usage of online platforms for filing and paying VAT and social security contributions
 - *Doing Business* does not yet count the online filing systems for VAT and social security contributions because the majority of business entrepreneurs do not use these electronic portals.
 - If the majority of business entrepreneurs used online platforms, the total number of payments for Israel would drop from **33** to **11**.
 - In 2015, Poland, the Slovak Republic and Spain were among the economies that introduced or enhanced online systems for filing and paying taxes.
- ✓ Give companies the option of paying the municipal tax once a year rather than by installments every 2 months
 - This would reduce number of municipal tax payments from **6** to **2**.

The high number of tax payments in **Israel** is linked to the scarce usage of online platforms for filing VAT and social security

By encouraging businesses to use online platforms to file and pay VAT and social security contributions, Israel's total number of payments would decrease from **33** to **11**.

- ✓ Israel's DTF score on the ease of paying taxes would increase from **71.00** to **82.00**.
- ✓ All else being equal, Israel's ranking on the ease of paying taxes would increase from **96th** to **34th**.
- ✓ All else being equal, Israel's overall ranking on the ease of doing business would increase from **52nd** to **46th**.



Source: Doing Business database.

THANK YOU!

Questions



www.doingbusiness.org

The screenshot shows the homepage of the World Bank's Doing Business website. At the top, it features the World Bank logo and navigation links for home, data, rankings, reports, subnational, methodology, research, business reforms, law library, contributors, about, and media. The main content area highlights the 'Doing Business 2017' report, with a featured article about New Zealand's ease of doing business. Below this, there are sections for 'Recent Publications' (including 'Doing Business 2017: Equal Opportunity for All') and 'Subnational Reports' (including 'Doing Business in Mexico 2016'). A 'Highlights' section lists updates to the methodology and coverage. On the right side, there is an 'Explore Economy Data' section with dropdown menus for selecting an economy and a topic, and a 'Related Datasets' section with links to benchmarking public procurement, enabling the business of agriculture, and enterprise surveys.



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