

2007 2012 2011
 2005 2009 2004
 2008 2006 2010 2013

- Starting a business is easiest in New Zealand, where it takes 1 procedure, 1 day, less than 1% of income per capita and no paid-in minimum capital.
- From June 2011 to June 2012 *Doing Business* recorded 36 reforms making it easier to start a business.
- Burundi made the biggest improvement in the ease of starting a business in the past year.
- Madagascar is among the economies advancing the furthest toward the frontier in regulatory practice in starting a business since 2005.
- Simplifying company registration formalities was the most common feature of business start-up reforms in the past 8 years.
- Among regions, Eastern Europe and Central Asia has improved the business start-up process the most since 2005.

For more information on good practices and research related to starting a business, visit <http://www.doingbusiness.org/data/exploretopics/starting-a-business>. For more on the methodology, see the section on starting a business in the data notes.

Starting a business

Entrepreneurs around the world face a range of challenges. One of them is inefficient regulation. *Doing Business* measures the procedures, time, cost and paid-in minimum capital required for a small or medium-size limited liability company to start up and formally operate. To make the data comparable across 185 economies, *Doing Business* uses a standardized business that is 100% domestically owned, has start-up capital equivalent to 10 times income per capita, engages in general industrial or commercial activities and employs between 10 and 50 people within the first month of operations.

According to a recent review, evidence from several studies shows that reforms making it easier to start a formal business are associated with increases in

the number of newly registered firms and sustained gains in economic performance, including improvements in employment and productivity.¹ For example, in both Canada and the United States empirical research finds that economic growth is driven by the entry of new formal businesses rather than by the growth of existing firms.² In Mexico the number of registered businesses increased by 5% and employment by 2.2% after business registration was simplified in different municipalities.³

WHO REFORMED IN STARTING A BUSINESS IN 2011/12?

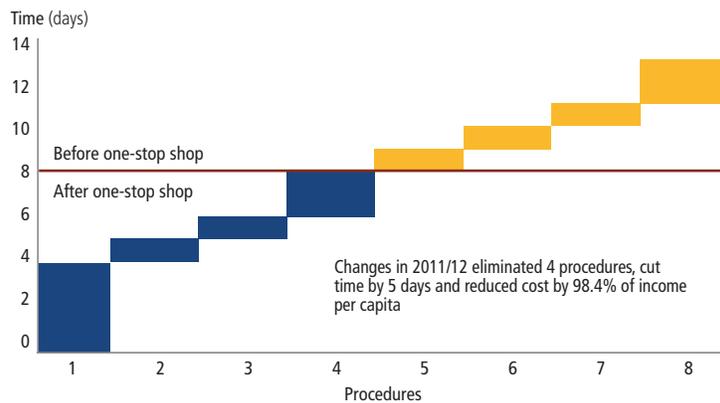
In 2011/12, 36 economies made it easier to start a business (table 9.1). Five others made the process more difficult. Among those making it easier, some created online

TABLE 9.1 Who made starting a business easier in 2011/12—and what did they do?

Feature	Economies	Some highlights
Simplified registration formalities (seal, publication, notarization, inspection, other requirements)	Albania; Benin; Bulgaria; Burundi; China; Colombia; Comoros; Democratic Republic of Congo; Republic of Congo; Lesotho; FYR Macedonia; Netherlands; Romania; Slovak Republic; Tanzania; Togo; Ukraine; Uzbekistan; Vietnam	Albania made the notarization of incorporation documents optional, cutting procedures by 1, time by 1 day and cost by 7% of income per capita. The Netherlands eliminated the requirement for a declaration of nonobjection before incorporation, cutting procedures by 1, time by 3 days and cost by €91.
Abolished or reduced minimum capital requirement	Kazakhstan; Kosovo; Mexico; Mongolia; Morocco; Norway; Serbia	Mexico eliminated its minimum capital requirement for limited liability companies. Norway reduced its requirement by 70%.
Created or improved one-stop shop	Burundi; Chad; Guinea; Lao PDR; Lesotho; Madagascar; Thailand	Guinea created a one-stop shop for business start-up, cutting 6 procedures and 5 days from the start-up process.
Cut or simplified postregistration procedures (tax registration, social security registration, licensing)	Costa Rica; Sri Lanka; United Arab Emirates	Sri Lanka computerized and expedited the process of obtaining registration numbers with the Employees Provident Fund and Employees Trust Fund. This cut time by 29 days.
Introduced or improved online procedures	Ireland; Lithuania	Ireland introduced an online facility for business registration, reducing time by 3 days and cost by a third.

Source: *Doing Business* database.

FIGURE 9.1 Burundi made starting a business easier in 2011/12 by setting up a one-stop shop



Source: *Doing Business* database.

services and standard registration documents, which go a long way in facilitating swift and legally sound incorporation.

Lithuania introduced an online facility for business registration. Sri Lanka computerized and expedited the process of obtaining registration numbers with the social security agencies. Other economies—including Mongolia and Serbia—eliminated the paid-in minimum capital requirement. Norway reduced it. To encourage entrepreneurship among youth, Italy created a new type of limited liability company with a simplified incorporation process for people under age 35. Now it is working to extend this option to all entrepreneurs.

Globally, Burundi improved the most in the ease of starting a business in the past year. The government reduced tax registration costs and created a one-stop shop at the Burundi Revenue Authority, bringing together representatives from several agencies involved in the business start-up process (figure 9.1).

WHAT HAVE WE LEARNED FROM 8 YEARS OF DATA?

In the past 8 years *Doing Business* recorded 368 business registration reforms in 149 economies (figure 9.2). Globally since 2005, the average time to start a business has fallen from 50 days to 30—and in low-income economies the average has been reduced by half. Many economies

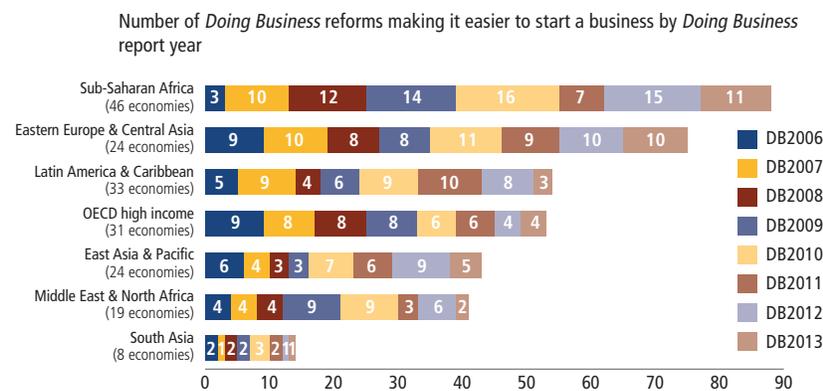
have abolished the paid-in minimum capital requirement (figure 9.3).

In 2005 only 2 low-income economies made it easier to start a business. Seven years later 9 did so. As a result, today 2 low- or lower-middle-income economies rank among the top 10 globally on the ease of starting a business (table 9.2).

Madagascar is among the economies advancing furthest toward the frontier in regulatory practice in starting a business since 2005 (table 9.3). This is thanks to 6 reforms making business start-up easier. The country set up a one-stop shop and improved its services over time. It also simplified registration formalities and the publication requirement. Finally, it reduced and then progressively eliminated the paid-in minimum capital requirement. Other economies also made steady progress over time: Guinea-Bissau and Tajikistan both implemented a one-stop shop and simplified business registration procedures.

Introducing information and communication technology has been a common feature of start-up reforms, and today 106 economies use it for services ranging from name search to full online business registration. Of these, more than 40 offer electronic registration services. Several economies with the fastest business start-up offer electronic

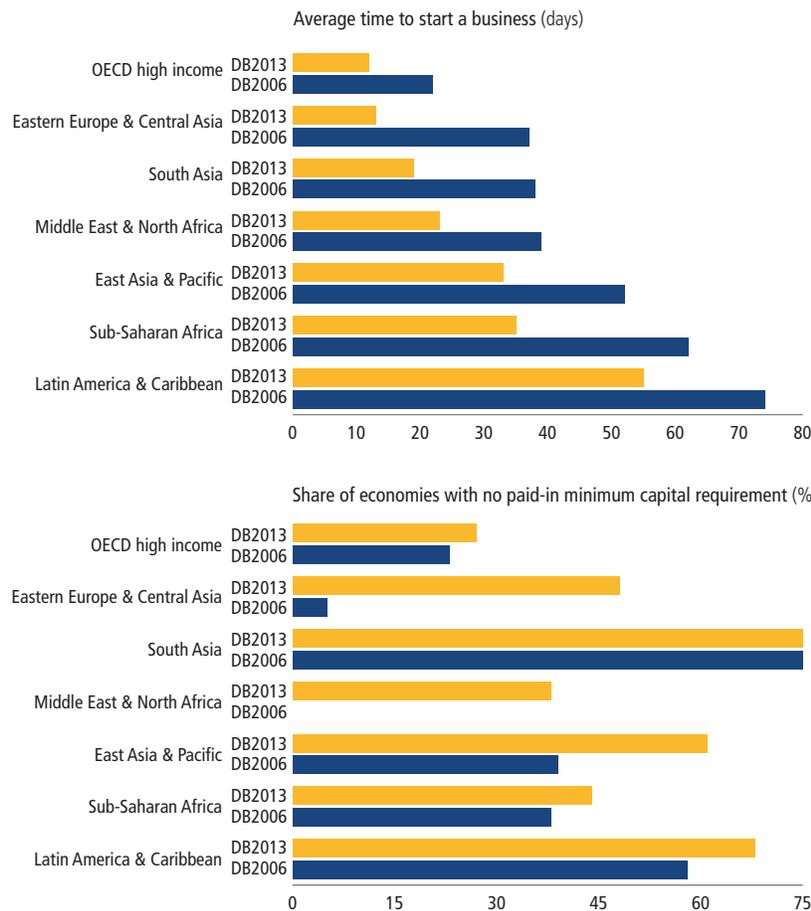
FIGURE 9.2 Sub-Saharan Africa and Eastern Europe & Central Asia still lead in start-up reforms



Note: An economy can be considered to have only 1 *Doing Business* reform per topic and year. The data sample for DB2006 (2005) includes 174 economies. The sample for DB2013 (2012) also includes The Bahamas, Bahrain, Barbados, Brunei Darussalam, Cyprus, Kosovo, Liberia, Luxembourg, Malta, Montenegro and Qatar, for a total of 185 economies.

Source: *Doing Business* database.

FIGURE 9.3 Worldwide, big cuts in the time and paid-in minimum capital requirement to start a business



Note: To ensure an accurate comparison, the figure shows data for the same sample of 174 economies for both DB2006 (2005) and DB2013 (2012) and uses the regional classifications that apply in 2012. The economies added to the *Doing Business* sample after 2005 and therefore excluded here are The Bahamas, Bahrain, Barbados, Brunei Darussalam, Cyprus, Kosovo, Liberia, Luxembourg, Malta, Montenegro and Qatar. DB2006 data are adjusted for any data revisions and changes in methodology.

Source: *Doing Business* database.

registration—New Zealand, Australia, Singapore, Canada, Portugal, Denmark and Estonia (table 9.4). And online services are increasingly being offered in developing economies.

Eighty-eight economies have some sort of one-stop shop for business registration, including the 58 that established

or improved theirs in the past 8 years. Ninety-one economies require no paid-in minimum capital, and many others have lowered the requirement. The average paid-in minimum capital requirement has fallen from 183% of income per capita to only 44% since 2005.

TABLE 9.2 Where is starting a business easiest—and where most difficult?

Easiest	RANK	Most difficult	RANK
New Zealand	1	Côte d'Ivoire	176
Australia	2	Iraq	177
Canada	3	Suriname	178
Singapore	4	West Bank and Gaza	179
Macedonia, FYR	5	Congo, Rep.	180
Hong Kong SAR, China	6	Chad	181
Georgia	7	Equatorial Guinea	182
Rwanda	8	Eritrea	183
Belarus	9	Haiti	183
Ireland	10	Djibouti	185

Note: Rankings are the average of the economy's rankings on the procedures, time, cost and paid-in minimum capital for starting a business. See the data notes for details. Economies shown with the same number are tied in the ranking.

Source: *Doing Business* database.

TABLE 9.3 Who has narrowed the distance to frontier in starting a business the most since 2005?

Most improved	Improvement in distance to frontier (percentage points)
Guinea-Bissau	63 (0→63)
Yemen, Rep.	57 (17→74)
Tajikistan	55 (30→85)
Angola	53 (7→60)
Madagascar	52 (43→95)
Saudi Arabia	50 (31→81)
Egypt, Arab Rep.	46 (42→88)
Timor-Leste	45 (16→61)
Mali	41 (26→67)
Mozambique	41 (40→81)

Note: The distance to frontier measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator since 2005—in this case for the starting a business indicators. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). The data refer to the 174 economies included in *Doing Business 2006* (2005). Eleven economies were added in subsequent years. The first column lists the top 10 most improved economies in order; the second shows the absolute improvement in the distance to frontier between 2005 and 2012.

Source: *Doing Business* database.

TABLE 9.4 Who makes starting a business easy—and who does not?

Procedures (number)				Cost (% of income per capita)			
Fewest		Most		Least		Most	
Canada	1	Honduras	13	Slovenia	0.0	Côte d'Ivoire	130.0
New Zealand	1	Suriname	13	Denmark	0.2	Ethiopia	135.3
Australia	2	Algeria	14	Ireland	0.3	Micronesia, Fed. Sts.	144.2
Georgia	2	Argentina	14	South Africa	0.3	Comoros	150.0
Kyrgyz Republic	2	Bolivia	15	Canada	0.4	Djibouti	150.7
Macedonia, FYR	2	Brunei Darussalam	15	New Zealand	0.4	Gambia, The	158.7
Madagascar	2	Uganda	15	Sweden	0.5	Central African Republic	172.6
Rwanda	2	Philippines	16	Singapore	0.6	Chad	202.0
Slovenia	2	Venezuela, RB	17	Kazakhstan	0.6	Congo, Dem. Rep.	284.7
Armenia	3	Equatorial Guinea	18	Australia	0.7	Haiti	286.6

Time (days)				Paid-in minimum capital		
Fastest		Slowest		Most	% of income per capita	US\$
New Zealand	1	Zimbabwe	90	Chad	289	1,997
Australia	2	Lao PDR	92	Guinea	325	1,428
Georgia	2	Timor-Leste	94	Mauritania	328	3,279
Macedonia, FYR	2	Brunei Darussalam	101	Mali	332	2,025
Hong Kong SAR, China	3	Haiti	105	Guinea-Bissau	338	2,028
Rwanda	3	Brazil	119	Burkina Faso	354	2,017
Singapore	3	Equatorial Guinea	135	Togo	366	2,047
Albania	4	Venezuela, RB	144	Djibouti	384	5,627
Belgium	4	Congo, Rep.	161	Central African Republic	444	2,087
Canada	5	Suriname	694	Niger	573	2,062

Note: Ninety-one economies have no paid-in minimum capital requirement.

Source: Doing Business database.

NOTES

This topic note was written by Karim O. Belayachi, Paula Garcia Serna, Hussam Hussein and Frédéric Meunier.

1. Motta, Oviedo and Santini 2010.
2. Klapper and Love 2011b.
3. Bruhn 2011.