

Doing Business 2009: Eastern Europe and Central Asia Region Leads in Regulatory Reform, with Newcomers Making Big Gains; Azerbaijan is World's Top Reformer

WASHINGTON, D.C., September 10, 2008—Reforms to business regulation reached record numbers this year, with Eastern Europe and Central Asia leading among world regions for a fifth consecutive year, according *Doing Business 2009*—the sixth in an annual series of reports published by IFC and the World Bank. Between June 2007 and June 2008, 23 of the region's 25 countries implemented 62 reforms that make it easier to do business —over 25 percent of the total worldwide.

Four of the 10 economies making the most regulatory reforms are in Eastern Europe and Central Asia, and the trend is moving eastward as newcomers join the list. The top 10 are, in order, Azerbaijan, Albania, the Kyrgyz Republic, Belarus, Senegal, Burkina Faso, Botswana, Colombia, the Dominican Republic, and Egypt.

Fact Sheet – Summary of Reforms in Eastern Europe and Central Asia

Armenia reorganized its court system and overhauled the procedural code. New requirements to front-load evidence eased contract enforcement, removing 1 procedure and reducing the time required to resolve commercial disputes. Armenia also significantly reduced the cost to obtain construction permits in Yerevan by abolishing “mandatory charitable contributions” paid to obtain the right to design.

Areas of Reform: Dealing with Construction Permits, Enforcing Contracts

Rank in Doing Business 2009: 44

Azerbaijan, the top reformer globally and regionally, eliminated the minimum threshold for reporting loans to the public credit registry in September 2007. The public registry now records information on all loans made by the financial system, more than doubling the coverage of borrowers with a credit history. Substantial amendments to the labor code in May 2007 made hiring workers easier by allowing employers to use fixed-term contracts for permanent tasks, easing restrictions on night work, and reducing requirements for redundancy dismissals. Azerbaijan created a second commercial court in Baku, increasing the number of judges dealing with commercial cases from five to nine. The average time to enforce a contract through the courts fell from 267 days to 237. A new law strengthens investor protections by requiring that transactions between interested parties be approved by shareholders. Interested parties are allowed to vote on the matter. Other provisions protect investors because directors who are held liable must pay damages and disgorge profits. Azerbaijan introduced a new unified property registry, reducing the number of procedures required to register property from seven to four. In addition, the State Register Service introduced the option of expediting two of the four procedures, making it possible to register property in 11 days. Similarly, the country created a one-stop shop for company registration, cutting the number of procedures from 13 to six and reducing the time required by half. Azerbaijan reduced the tax burden by introducing an online filing and payment system with advanced accounting software for calculating taxes due. This saves more than 500 hours a year on average in dealing with paperwork.

Areas of Reform: Starting a Business, Employing Workers, Registering Property, Getting Credit (Information), Protecting Investors, Paying Taxes, Enforcing Contracts

Rank in Doing Business 2009: 33

Georgia's private credit bureau now distributes a full range of information, including on-time repayment patterns and outstanding loan amounts. Coverage increased 20-fold, and banks can now have a better understanding of the payment patterns of potential borrowers. In addition, new regulations guarantee the right of borrowers to inspect their data at the private credit bureau, helping to improve the quality and accuracy of credit information. Amendments to the civil code, effective in December 2007, address secured transactions, allowing parties to a security agreement to agree to out-of-court enforcement of the creditor's security right at the time the parties sign the security agreement. The corporate income tax rate was reduced from 20 percent to 15 percent, and the social tax abolished. A new online business registry makes it easier to register property by eliminating the requirement for legal entities to obtain several preregistration documents. This reform reduced the number of procedures required to transfer a title from five to two, and the time from five days to three. Registration fees were also reduced. Finally, amendments to the Law on Entrepreneurs made it easier to start a company by eliminating the requirements for a minimum capital, a company seal, and a company charter and by making the use of notaries optional.

Areas of Reform: Starting a Business, Registering Property, Getting Credit, Paying Taxes
Rank in Doing Business 2009: 15

For more information on *Doing Business 2009*, please contact:

In Washington, D.C.

Maria Alexandra Velez Henao +1 (202) 458-8789

Cell: +1 202 684 4117

Email: mvelezheno@ifc.org

Rebecca Ong + 1(202) 458-0434

Cell: +1(202) 651-1390

Email: rong@worldbank.org

Central and Eastern Europe

Ilya Sverdlov 7-495-411-7555

ISverdlov@ifc.org

Nezhdana Bukova

nbukova@ifc.org

Southern Europe and Central Asia

Slobodan Brkic

SBrkic@ifc.org

Fact Sheet – Summary of Reforms in Eastern Europe and Central Asia

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Areas of Reform: Dealing with Construction Permits, Enforcing Contracts

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Areas of Reform: Starting a Business, Employing Workers, Registering Property, Getting Credit (Information), Protecting Investors, Paying Taxes, Enforcing Contracts

Rank in Doing Business 2009: 33

and tax losses can be carried forward for five years. The computerization of files at the Land Registry in Sarajevo has sped property registration. As a result, the time required to transfer a title dropped by 203 days. The reform at the Land Registry has also benefited entrepreneurs dealing with construction permits, reducing the time to obtain a cadastre excerpt before construction and to register the newly completed building in the cadastre and land book by 171 days.

Areas of Reform: Dealing with Construction Permits, Registering Property, Paying Taxes, Closing a Business

Rank in Doing Business 2009: 119

Bulgaria passed two new laws- the Civil Procedure Code and the Law for the Commercial Registry- which will speed the resolution of bankruptcy. The Civil Procedure Code removed the requirement for the Supreme Cassation Court to hear all cases. Now the court can decide whether or not to hear a case. Bulgaria made business start-up easier by creating a central electronic database for commercial registration. This reform consolidated and reduced the number of registration procedures and cut other registration formalities. Amendments to the civil procedural code have helped speed contract enforcement. They reformed rules for evidence and default judgments, raised the minimum threshold for cases in the lower courts, and empowered the civil court of last instance to decide which cases to hear, limiting abuse of the appeals process. Bulgaria introduced a new Corporate Income

Tax Act and a new Value Added Tax Act to synchronize local tax legislation with EU legislation. Dealing with construction permits has become more difficult. The fees for obtaining construction permits were increased by about 16 percent in 2008. Stricter environmental requirements mean that companies in Sofia now have to obtain a certificate of energy efficiency before and after construction. This adds 2 steps and 8 days for dealing with construction permits.

Areas of Reform: Starting a Business, Paying Taxes, Enforcing Contracts, Closing a Business, Dealing with Construction Permits (making it more difficult)

Rank in Doing Business 2009: 45

In **Croatia** a new building code came into force in October 2007 and made it easier to deal with construction permits by eliminating five procedures. Even so, the reform led to an administrative backlog for building and occupancy permits, increasing the overall time required by 20 days. Ongoing improvements to port infrastructure sped terminal handling for exports by two days.

Areas of Reform: Dealing with Construction Permits, Trading across Borders

Rank in Doing Business 2009: 106

In **Estonia** no major reforms were recorded.

Rank in Doing Business 2009: 22

Georgia's private credit bureau now distributes a full range of information, including on-time repayment patterns and outstanding loan amounts. Coverage increased 20-fold, and banks can now have a better understanding of the payment patterns of potential borrowers. In addition, new regulations guarantee the right of borrowers to inspect their data at the private credit bureau, helping to improve the quality and accuracy of credit information. Amendments to the civil code, effective in December 2007, address secured transactions, allowing parties to a security agreement to agree to out-of-court enforcement of the creditor's security right at the time the parties sign the security agreement. The corporate income tax rate was reduced from 20 percent to 15 percent, and the social tax abolished. A new online business registry makes it easier to register property by eliminating the requirement for legal entities to obtain several preregistration documents. This reform reduced the number of procedures required to transfer a title from five to two, and the time from five days to three. Registration fees were also reduced. Finally, amendments to the Law on Entrepreneurs made it easier to start a company by eliminating the requirements for a minimum capital, a company seal, and a company charter and by making the use of notaries optional.

Areas of Reform: Starting a Business, Registering Property, Getting Credit, Paying Taxes

Rank in Doing Business 2009: 15

Kazakhstan's private credit bureau is adding two new suppliers of information a month, including retailers (such as furniture companies) and utilities (such as the gas company). Borrower coverage increased by 80 percent in the past year. A new law introduced substantial changes to the property registration system, creating a unified registry for all land and buildings and establishing public service centers to handle property transactions in major cities. The law also eliminated requirements, cutting the number of procedures from eight to five and the time from 52 days to 40. A new labor law, adopted in May 2007, now obligates employers to reassign a worker before making the worker redundant.

Areas of Reform: Registering Property, Getting Credit (Information), Employing Workers (making it more difficult)

Rank in Doing Business 2009: 70

The **Kyrgyz Republic**, a top reformer globally and regionally, strengthened investor protections through legal amendments allowing minority investors to take legal actions as shareholders. The amendments also require an independent assessment of a related-party transaction before it is approved. Moreover, directors can be held liable for negligence if they

harm minority shareholders and will be forced to pay damages and disgorge profits. A new one-stop shop made it easier to start a business by streamlining and simplifying business registration processes and eliminating certain requirements such as proof of residence. Obtaining a company seal became optional. Dealing with construction permits also became