

STARTING A BUSINESS

The Doing Business database of the World Bank Group provides indicators of the cost of doing business by identifying specific regulations that enhance or constrain business investment, productivity and growth. The indicators are developed in cooperation with the Lex Mundi Association of law firms, the International Bar Association and Yale University's International Institute for Corporate Governance. The principal data collection methods for the indicators are the study of the existing laws and regulations in each economy; targeted interviews with regulators or private sector professionals in each topic and cooperative arrangements with other departments of the World Bank, other donor agencies, private consulting firms, business and law associations. The initial topics covered include "Starting a Business".

When an entrepreneur draws up a business plan and tries to get it underway, the first hurdle that needs to be overcome is the bureaucratic and legal procedures to incorporate and register the new firm. Economies differ significantly in the way in which they regulate the entry of new businesses. The Starting a Business data are derived from a survey. The survey examined commercial or industrial firms with up to 50 employees and start-up capital of ten times the economy's per-capita GNI (Gross National Income). It counted all procedures (defined as a legal requirement that involves a separate interaction between the firm and an outside entity – officials, notaries, etc.) required to register a firm. Data also include screening procedures by a set of overseeing government entities, tax- and labour-related registration procedures, health and safety procedures, and environment-related procedures.

The database covers the following indicators:

- Number of procedures,
- Average time spent during each procedure,
- Official cost of each procedure and
- Minimum capital required.

The Table shows that the process of starting a business is especially straightforward and affordable in Canada, New Zealand, the United States and Australia. Favourable conditions prevail, moreover, in the Scandinavian countries, Ireland and the United Kingdom. On the other hand, starting a business is more difficult and expensive in the Eastern European and Mediterranean countries.

W. O.

Starting a business – procedures to start a business, 2003

	Number of procedures	Duration (days)	Cost (% of GNI per capita)	Min. capital (% of GNI per capita)
Austria	9	29	6.6	140.8
Belgium	7	56	11.3	75.1
Denmark	4	4	0.0	52.3
Finland	4	33	3.1	32.0
France	10	53	3.0	32.1
Germany	9	45	5.9	103.8
Greece	16	45	69.6	145.3
Ireland	3	12	10.4	0.0
Italy	9	23	24.1	49.6
Netherlands	7	11	13.7	70.7
Portugal	11	95	12.5	43.4
Spain	11	115	18.7	19.6
Sweden	3	16	0.8	41.4
United Kingdom	6	18	1.0	0.0
Norway	4	24	3.9	33.1
Switzerland	6	20	8.5	33.8
Czech Republic	10	88	11.7	110.0
Hungary	5	65	64.3	220.3
Poland	12	31	20.3	21.4
Slovakia	10	98	10.2	111.8
Australia	2	2	2.0	0.0
Canada	2	3	0.6	0.0
Japan	11	31	10.5	71.3
New Zealand	3	3	0.2	0.0
United States	5	4	0.6	0.0

Note: Doing Business compiles a comprehensive list of entry regulations, by recording all the procedures that are officially required for an entrepreneur to obtain all necessary permits, and to notify and file with all requisite authorities, in order to legally operate a business. The survey divides the process of starting up a company into distinct procedures, and then proceeds to calculate the costs and time necessary for the accomplishment of each procedure under normal circumstances. The assumption is that the required information is readily available and that all government and non-government entities involved in the process function efficiently and without corruption. There are a number of procedures necessary to legally operate industrial or commercial businesses. These include (1) obtaining the necessary permits and licenses, and (2) completing all of the required inscriptions, verifications and notifications to enable the company to start operation. All procedures that are required for establishing a business are recorded, even if they may be avoided in exceptional cases or for exceptional types of business. In general, there are four types of procedures: (1) procedures that are always required; (2) procedures that are generally required but that can be avoided in exceptional cases or for exceptional types of businesses; (3) mandatory procedures that are not generally required (industry-specific and procedures specific to large businesses), and (4) voluntary procedures. The data cover only procedures in the first two categories. The text of the Company Law, the Commercial Code, or specific regulations are used as a source for the costs associated with starting-up a business. The minimum capital requirement reflects the amount that the entrepreneur needs to deposit in a bank account in order to obtain a business registration number. This amount is typically specified in the Commercial Code or the Company Law.

Source: The World Bank Group, Doing Business, 2003.