

Doing Business 2010

China

COMPARING REGULATION IN 183 ECONOMIES



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Introduction

Doing Business 2010: Reforming Through Difficult Times is the seventh in a series of annual reports investigating regulations that enhance business activity and those that constrain it. Doing Business presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 10 stages of a business's life are measured: starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2010: Reforming Through Difficult Times* are current as of June 1, 2009*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The Doing Business methodology has limitations. Other areas important to business such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and The Caribbean, 27 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 19 in the Middle East and North Africa and 8 in South Asia, as well as 27 OECD high-income economies as benchmarks.

The following pages present the summary Doing Business indicators for China. The data used for this country profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator. The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2010: Reforming Through Difficult Times* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website (www.doingbusiness.org).

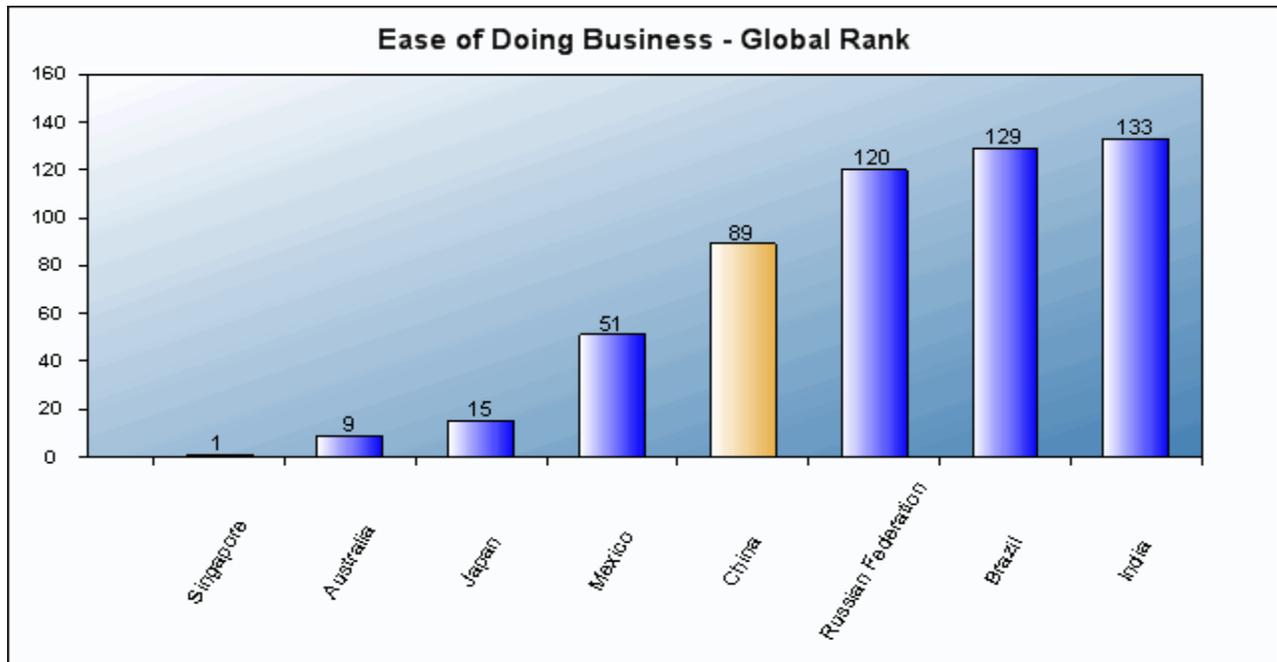
* Except for the Paying Taxes indicator that refers to the period January to December of 2008.

Note: Doing Business 2008 and Doing Business 2009 data and rankings have been recalculated to reflect changes to the methodology and the addition of new countries (in the case of the rankings).

Economy Rankings - Ease of Doing Business

China is ranked 89 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

China - Compared to global good practice economy as well as selected economies:



China's ranking in Doing Business 2010

Rank	Doing Business 2010
Ease of Doing Business	89
Starting a Business	151
Dealing with Construction Permits	180
Employing Workers	140
Registering Property	32
Getting Credit	61
Protecting Investors	93
Paying Taxes	130
Trading Across Borders	44
Enforcing Contracts	18
Closing a Business	65

Summary of Indicators - China

Starting a Business	Procedures (number)	14
	Time (days)	37
	Cost (% of income per capita)	4.9
	Min. capital (% of income per capita)	130.9
Dealing with Construction Permits	Procedures (number)	37
	Time (days)	336
	Cost (% of income per capita)	579.2
Employing Workers	Difficulty of hiring index (0-100)	11
	Rigidity of hours index (0-100)	33
	Difficulty of redundancy index (0-10)	50
	Rigidity of employment index (0-100)	31
	Redundancy costs (weeks of salary)	91
Registering Property	Procedures (number)	4
	Time (days)	29
	Cost (% of property value)	3.1
Getting Credit	Strength of legal rights index (0-10)	6
	Depth of credit information index (0-6)	4
	Public registry coverage (% of adults)	62.1
	Private bureau coverage (% of adults)	0.0
Protecting Investors	Extent of disclosure index (0-10)	10
	Extent of director liability index (0-10)	1
	Ease of shareholder suits index (0-10)	4
	Strength of investor protection index (0-10)	5.0
Paying Taxes	Payments (number per year)	7
	Time (hours per year)	504
	Profit tax (%)	2.1
	Labor tax and contributions (%)	68.0
	Other taxes (%)	8.4
	Total tax rate (% profit)	78.5

Trading Across Borders	Documents to export (number)	7
	Time to export (days)	21
	Cost to export (US\$ per container)	500
	Documents to import (number)	5
	Time to import (days)	24
	Cost to import (US\$ per container)	545
Enforcing Contracts	Procedures (number)	34
	Time (days)	406
	Cost (% of claim)	11.1
Closing a Business	Recovery rate (cents on the dollar)	35.3
	Time (years)	1.7
	Cost (% of estate)	22

Starting a Business

When entrepreneurs draw up a business plan and try to get under way, the first hurdles they face are the procedures required to incorporate and register the new firm before they can legally operate. Economies differ greatly in how they regulate the entry of new businesses. In some the process is straightforward and affordable. In others the procedures are so burdensome that entrepreneurs may have to bribe officials to speed up the process or may decide to run their businesses informally.

Analysis shows that burdensome entry regulations do not increase the quality of products, make work safer or reduce pollution. Instead, they constrain private investment; push more people into the informal economy; increase consumer prices and fuel corruption.

Methodology

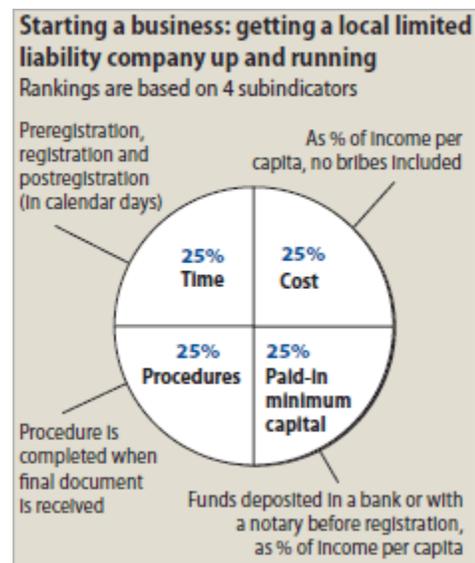
The data on starting a business is based on a survey and research investigating the procedures that a standard small to medium-size company needs to complete to start operations legally. This includes obtaining all necessary permits and licenses and completing all required inscriptions, verifications and notifications with authorities to enable the company to formally operate. Procedures are recorded only where interaction is required with an external party. It is assumed that the founders complete all procedures themselves unless professional services (such as by a notary or lawyer) are required by law. Voluntary procedures are not counted, nor are industry-specific requirements and utility hook-ups. Lawful shortcuts are counted.

It is assumed that all information is readily available to the entrepreneur, that there has been no prior contact with officials and that all government and nongovernment entities involved in the process function without corruption.

Survey Case Study

The business:

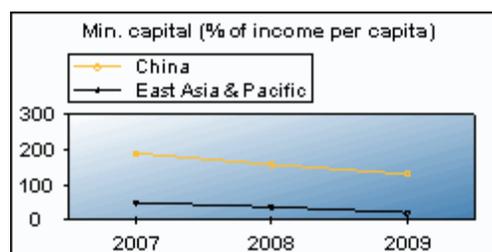
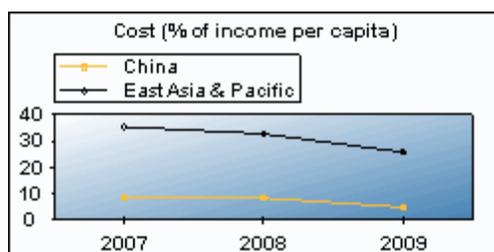
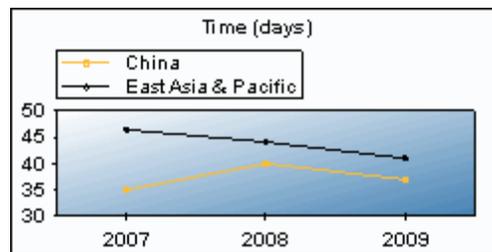
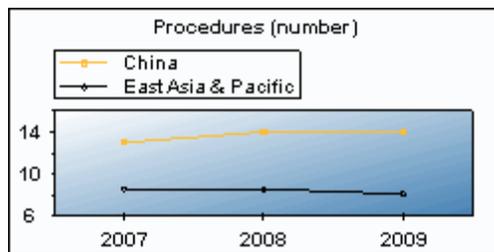
- is a limited liability company conducting general commercial activities
- is located in the largest business city
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has between 10 and 50 employees
- does not qualify for any special benefits
- does not own real estate



1. Historical data: Starting a Business in China

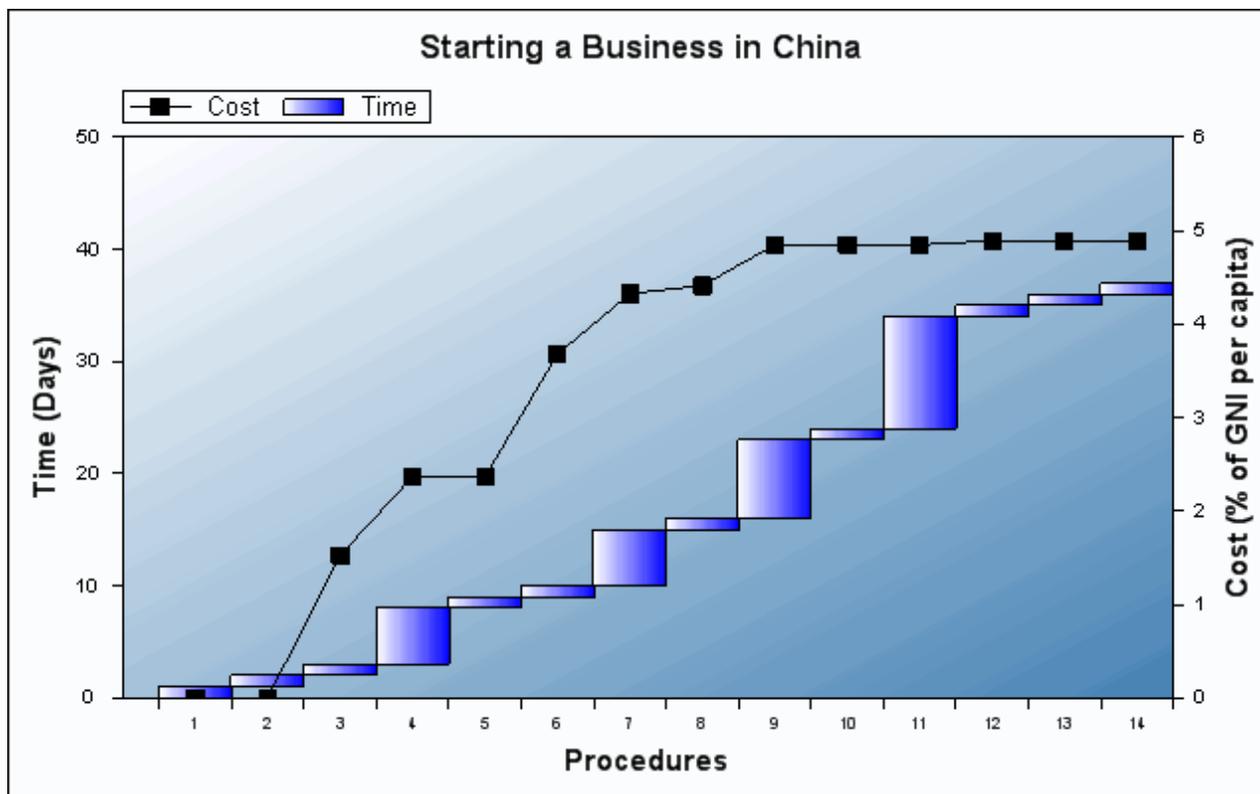
Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	152	151
Procedures (number)	13	14	14
Time (days)	35	40	37
Cost (% of income per capita)	8.4	8.4	4.9
Min. capital (% of income per capita)	190.2	158.1	130.9

2. The following graphs illustrates the Starting a Business indicators in China over the past 3 years:



3. Steps to Starting a Business in China

It requires 14 procedures, takes 37 days, and costs 4.89 % GNI per capita to start a business in China.



List of Procedures:

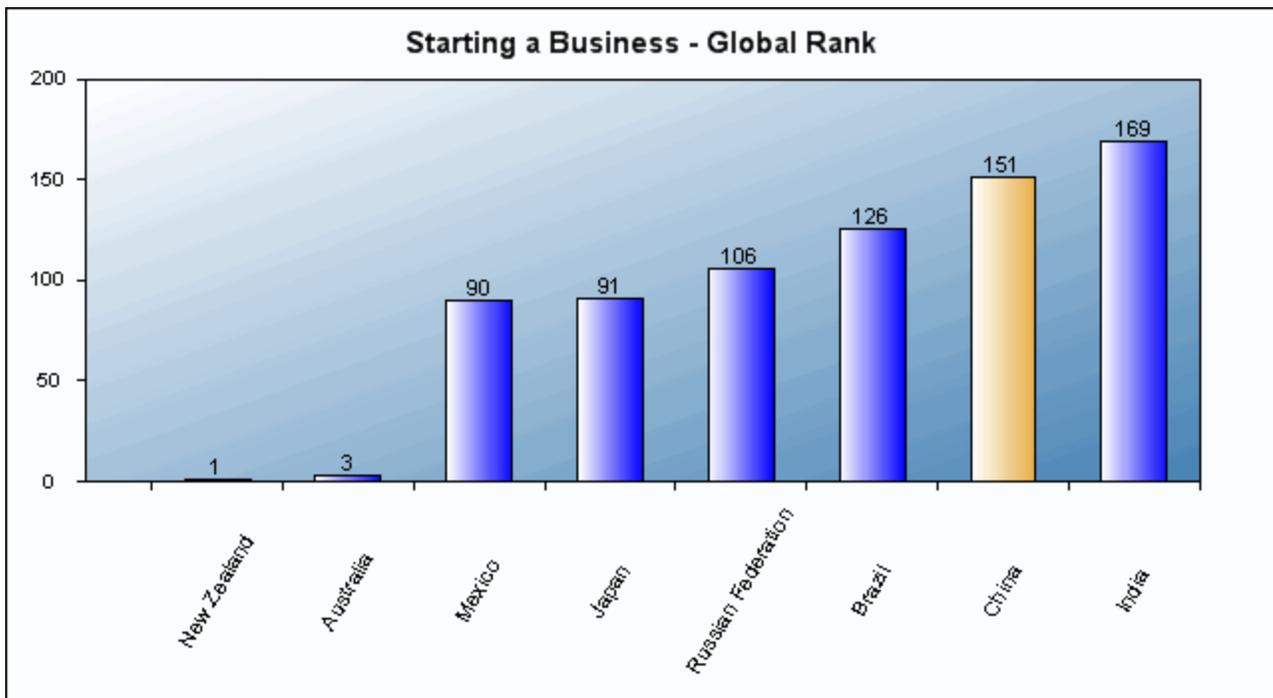
- | | |
|--|--|
| 1. Obtain a notice of pre-approval of the company name | 11. Apply for the authorization to print or purchase financial invoices/receipts |
| 2. Open a preliminary bank account; deposit fund in the account and obtain the certificate of deposit | 12. Purchase uniform invoices |
| 3. Obtain capital verification report from an auditing firm | 13. File for recruitment registration with local career service center |
| 4. Obtain registration certification "business license of enterprise legal person" with SAIC or local equivalent | 14. Register with Social Welfare Insurance Center |
| 5. Obtain the approval to make a company seal from the police department | |
| 6. Make a company seal | |
| 7. Obtain the organization code certificate issued by the Quality and Technology Supervision Bureau | |
| 8. Register with the local statistics bureau | |
| 9. Register for both state and local tax with the tax bureau | |
| 10. Open a formal bank account of the company and transfer the registered capital to the account | |

More detail is included in the appendix.

4. Benchmarking Starting a Business Regulations:

China is ranked 151 overall for Starting a Business.

Ranking of China in Starting a Business - Compared to good practice and selected economies:



The following table shows Starting a Business data for China compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)	Min. capital (% of income per capita)
Denmark*			0.0	
New Zealand*	1	1		0.0

<i>Selected Economy</i>				
China	14	37	4.9	130.9

<i>Comparator Economies</i>				
Australia	2	2	0.8	0.0
Brazil	16	120	6.9	0.0
India	13	30	66.1	210.9
Japan	8	23	7.5	0.0
Mexico	8	13	11.7	8.9
Russian Federation	9	30	2.7	1.8

* The following economies are also good practice economies for :

Procedures (number): Canada

Cost (% of income per capita): Slovenia

Dealing with Construction Permits

Once entrepreneurs have registered a business, what regulations do they face in operating it? To measure such regulation, Doing Business focuses on the construction sector. Construction companies are under constant pressure from government to comply with inspections, with licensing and safety regulations, from customers to be quick and cost-effective. These conflicting pressures point to the tradeoff in building regulation; the tradeoff between protecting people (construction workers, tenants, passersby) and keeping the cost of building affordable.

In many economies, especially poor ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

Methodology

The indicators on dealing with construction permits record all procedures officially required for an entrepreneur in the construction industry to build a warehouse. These include submitting project documents (building plans, site maps) to the authorities, obtaining all necessary licenses and permits, completing all required notifications and receiving all necessary inspections. They also include procedures for obtaining utility connections, such as electricity, telephone, water and sewerage. The time and cost to complete each procedure under normal circumstances are calculated. All official fees associated with legally completing the procedures are included. Time is recorded in calendar days. The survey assumes that the entrepreneur is aware of all existing regulations and does not use an intermediary to complete the procedures unless required to do so by law.

Survey Case Study

The business:

- is a small to medium-size limited liability company
- is located in the largest business city
- is domestically owned and operated, in the construction business
- has 20 qualified employees

The warehouse to be built:

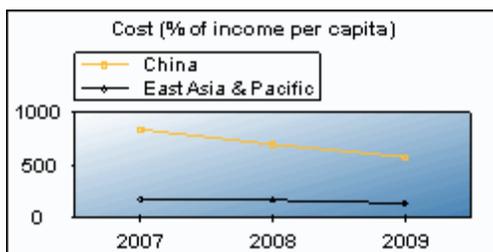
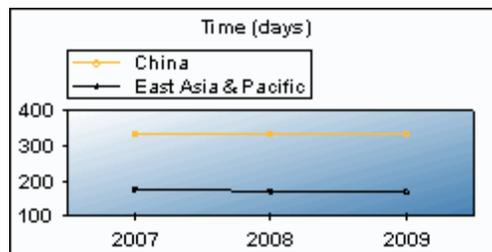
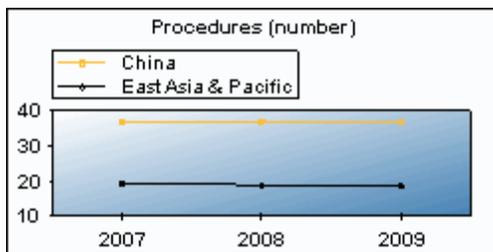
- is a new construction (there was no previous construction on the land)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and one land phone line. The connection to each utility network will be 32 feet, 10 inches (10 meters) long.
- will be used for general storage, such as of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).



1. Historical data: Dealing with Construction Permits in China

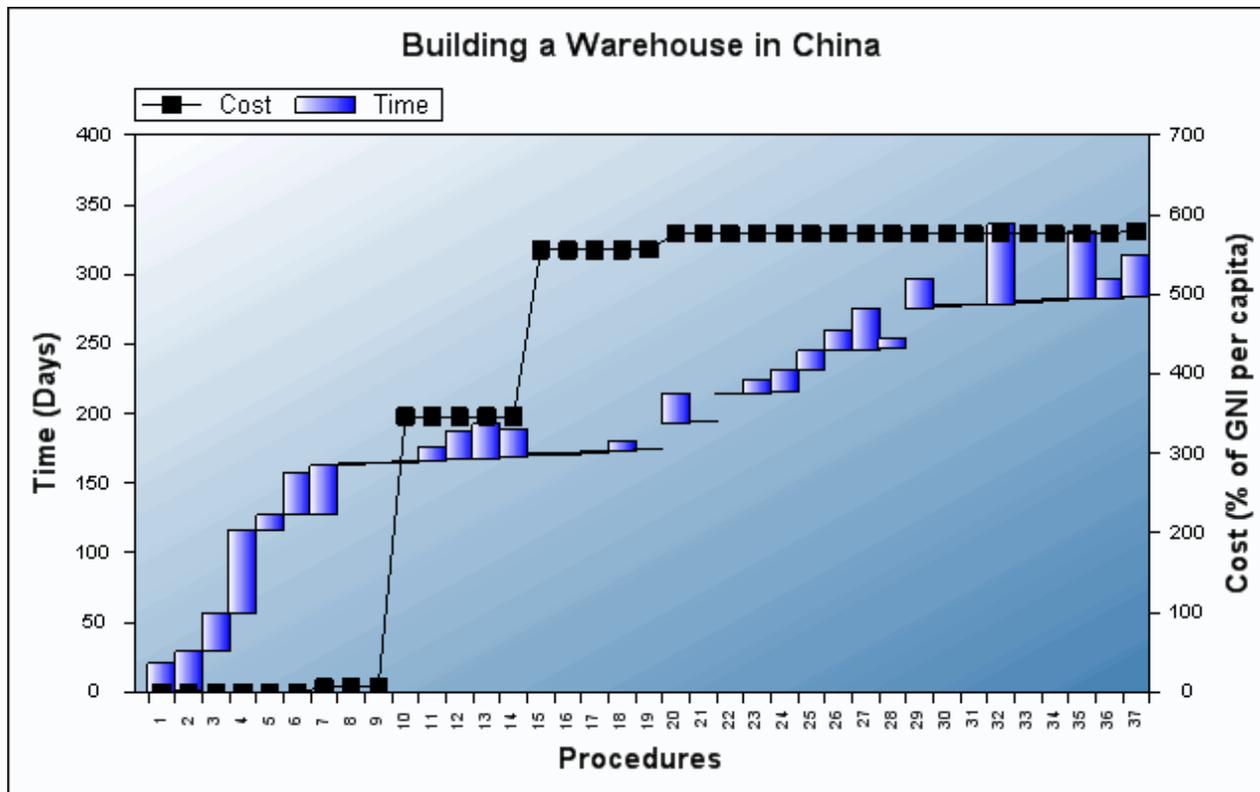
Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	178	180
Procedures (number)	37	37	37
Time (days)	336	336	336
Cost (% of income per capita)	840.2	698.4	579.2

2. The following graphs illustrates the Dealing with Construction Permits indicators in China over the past 3 years:



3. Steps to Building a Warehouse in China

It requires 37 procedures, takes 336 days, and costs 579.23 % GNI per capita to build a warehouse in China.



List of Procedures:

- | | |
|---|--|
| <ol style="list-style-type: none"> 1. Request and obtain approval of the project proposal from the Municipal Development and Reform Commission 2. Request and obtain the Approval of Request of Construction Project Planning and Design from the Municipal Commission of Urban Planning 3. Request and obtain the Approval on Planning and Design Project for Construction (□□□□□□□□□□ □) and the Notification on the Review of the Design Plan (□□□□□□□□□□) from the Municipal Commission of Urban Planning (□□□□□□□) 4. Request and obtain the Planning Permit of Using Land for Construction Purposes 5. Request and obtain the land using permit for construction from State Land, Resources, and Housing Agency 6. Request and obtain an environmental evaluation | <ol style="list-style-type: none"> 7. Request and obtain construction project planning permit 8. Request and obtain Certificate of Safety Operation on Construction Project at the Safety and Quality Supervision Office of the Municipal Construction Commission 9. Request and obtain evidence of capital from bank 10. Register construction drawings at the People's Defense office 11. Review of construction drawings by Shanghai City Appearance & Environmental Sanitation Administration Bureau 12. Review of construction drawings by Fire Protection Bureau 13. Review of construction drawings by Shanghai Police and Traffic Police General Team |
|---|--|

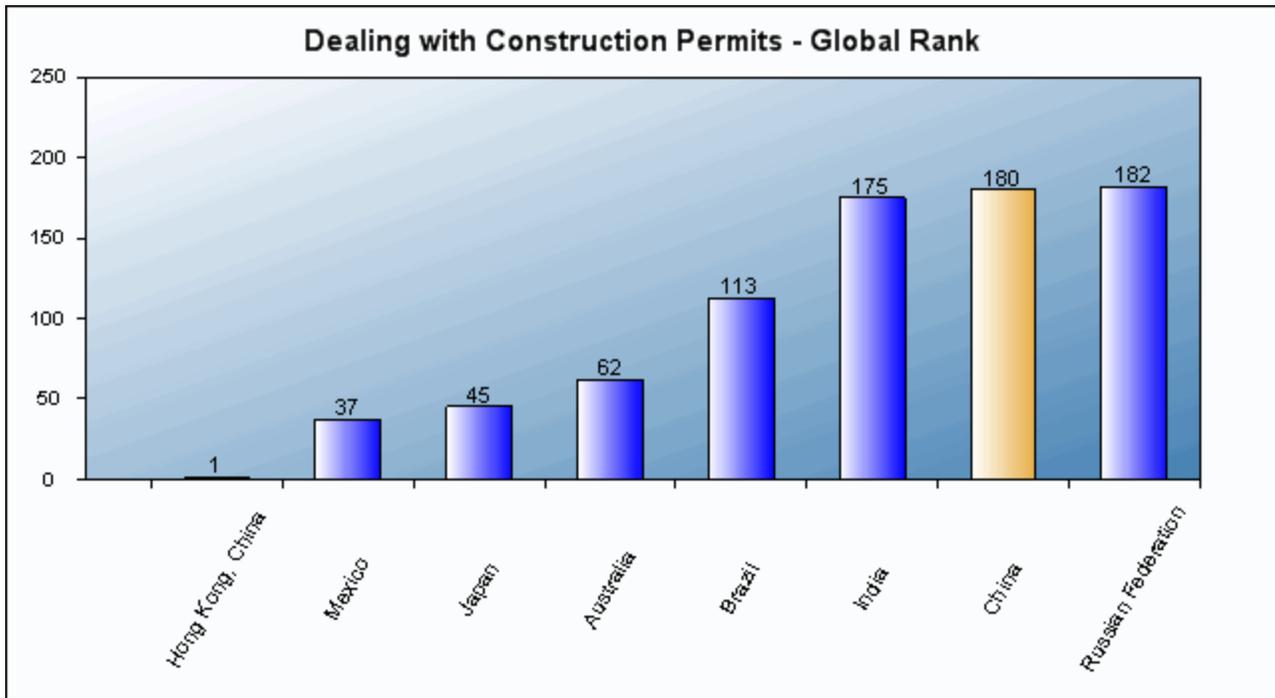
14. Receive review of building drawings by a building drawing examiner authorized by the Planning Committee and obtain a letter of notice
15. Hire an authorized supervision agency
16. Register for direct contracting of construction with the Municipal Tendering Office
17. Have the building contractor and supervisor seal the application form
18. Pay the fees for funds of concrete (□□□□□□) and energy-saving wall materials (□□□□□□) with the Office of Building Materials of the Municipal Construction Commission
19. Enter the project into the Municipal Statistics Bureau's record
20. Request and obtain building permit
21. Receive on-site inspection by the Construction Commission
22. Receive "Four-Party" Inspection
23. Request and receive inspection of the completed construction from the planning department
24. Request and receive fire department inspection upon building completion
25. Request opinion on whether construction project is lightning-proof
26. Request and obtain certificate of the completed construction from the fire department
27. Request and receive inspection of the completed construction from the environmental protection department
28. Request and receive inspection on construction completion (□□□□) and inspection from the Municipal Construction Committee
29. Request and obtain certificate of completion and certificate of final inspection from the Municipal Construction Commission
30. Request electricity connection
31. Receive electricity inspection
32. Connect to electricity
33. Request water and sewage connection
34. Receive water and sewage inspection
35. Receive connection to water and sewage services
36. Request and receive connection to telephone
37. Register building with Real Estate Registry

More detail is included in the appendix.

4. Benchmarking Dealing with Construction Permits Regulations:

China is ranked 180 overall for Dealing with Construction Permits.

Ranking of China in Dealing with Construction Permits - Compared to good practice and selected economies:



The following table shows Dealing with Construction Permits data for China compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)
Denmark	6		
Qatar			0.6
Singapore		25	

<i>Selected Economy</i>			
China	37	336	579.2

<i>Comparator Economies</i>			
Australia	16	221	12.9
Brazil	18	411	50.6
India	37	195	2394.9
Japan	15	187	19.3
Mexico	12	138	113.1
Russian Federation	54	704	2140.7

Employing Workers

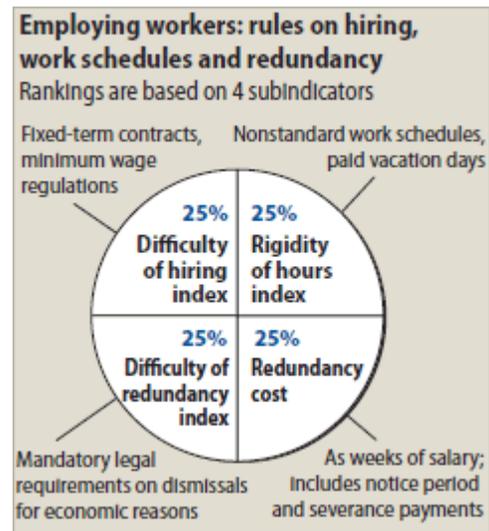
Economies worldwide have established a system of laws and institutions intended to protect workers and guarantee a minimum standard of living for its population. This system generally encompasses four bodies of law: employment, industrial relations, social security and occupational health and safety laws.

Employment regulations are needed to allow efficient contracting between employers and workers and to protect workers from discriminatory or unfair treatment by employers. Doing Business measures flexibility in the regulation of hiring, working hours and dismissal in a manner consistent with the conventions of the International Labour Organization (ILO). An economy can have the most flexible labor regulations as measured by Doing Business while ratifying and complying with all conventions directly relevant to the factors measured by Doing Business and with the ILO core labor standards. No economy can achieve a better score by failing to comply with these conventions.

Governments all over the world face the challenge of finding the right balance between worker protection and labor market flexibility. But in developing countries especially, regulators often err to one extreme, pushing employers and workers into the informal sector. Analysis across economies shows that while employment regulation generally increases the tenure and wages of incumbent workers, overly rigid regulations may have undesirable side effects. These include less job creation, smaller company size, less investment in research and development, and longer spells of unemployment and thus the obsolescence of skills, all of which may reduce productivity growth.

Methodology

Two measures are presented: a rigidity of employment index and a redundancy cost measure. The rigidity of employment index is the average of three sub-indices: difficulty of hiring, rigidity of hours and difficulty of redundancy. Each index takes values between 0 and 100, with higher values indicating more rigid regulation. The difficulty of hiring index measures the flexibility of contracts and the ratio of the minimum wage to the value added per worker. The rigidity of hours index covers restrictions on weekend and night work, requirements relating to working time and the workweek taking into account legal provisions that refer specifically to small to medium-size companies in the manufacturing industry in which continuous operation is economically necessary, as well as mandated days of annual leave with pay. The difficulty of redundancy index covers workers' legal protections against dismissal, including the grounds permitted for dismissal and procedures for dismissal (individual and collective): notification and approval requirements, retraining or reassignment obligations and priority rules for dismissals and reemployment.



The Redundancy cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary.

Survey Case Study

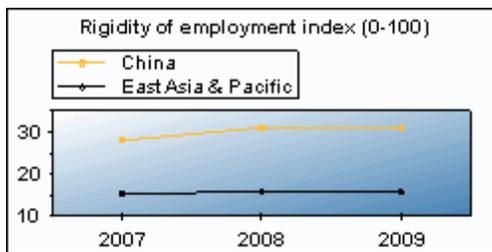
The business:

- is a limited liability company operating in the manufacturing sector
- is located in the largest business city
- is 100% domestically owned
- has 60 employees
- The company is also assumed to be subject to collective bargaining agreements in economies where such agreements cover more than half the manufacturing sector and apply even to firms not party to them.

1. Historical data: Employing Workers in China

Employing Workers data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	139	140
Redundancy costs (weeks of salary)	91	91	91
Rigidity of employment index (0-100)	28	31	31

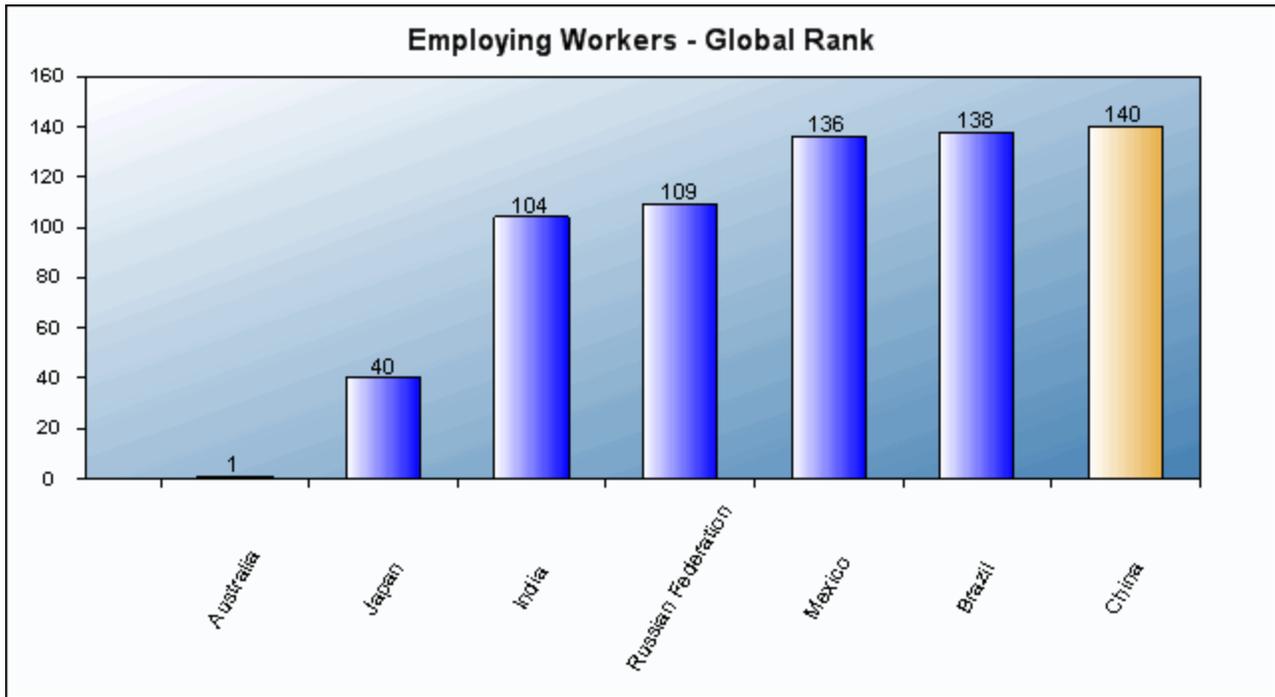
2. The following graphs illustrates the Employing Workers indicators in China over the past 3 years:



3. Benchmarking Employing Workers Regulations:

China is ranked 140 overall for Employing Workers.

Ranking of China in Employing Workers - Compared to good practice and selected economies:



The following table shows Employing Workers data for China compared to good practice and comparator economies:

Good Practice Economies	Rigidity of employment index (0-100)	Redundancy costs (weeks of salary)
Hong Kong, China*	0	
New Zealand*		0

<i>Selected Economy</i>		
China	31	91

<i>Comparator Economies</i>		
Australia	0	4
Brazil	46	46
India	30	56
Japan	16	4
Mexico	41	52
Russian Federation	38	17

* The following economies are also good practice economies for :

Rigidity of employment index (0-100): Australia, Brunei Darussalam, Kuwait, Marshall Islands, Singapore, St. Lucia, Uganda, United States

Redundancy costs (weeks of salary): Denmark, Iraq, Marshall Islands, Micronesia, Fed. Sts., Palau, Puerto Rico, Tonga, United States

Registering Property

Formal property titles help promote the transfer of land, encourage investment and give entrepreneurs access to formal credit markets. But a large share of property in developing economies is not formally registered. Informal titles cannot be used as security in obtaining loans, which limits financing opportunities for businesses. Many governments have recognized this and started extensive property titling programs. But bringing assets into the formal sector is only part of the story. The more difficult and costly it is to formally transfer property, the greater the chances that formalized titles will quickly become informal again. Eliminating unnecessary obstacles to registering and transferring property is therefore important for economic development.

Efficient property registration reduces transaction costs and helps to formalize property titles. Simple procedures to register property are also associated with greater perceived security of property rights and less corruption. That benefits all entrepreneurs, especially women, the young and the poor. The rich have few problems protecting their property rights. They can afford to invest in security systems and other measures to defend their property. But small entrepreneurs cannot. Reform can change this.

Methodology

Doing Business records the full sequence of procedures necessary for a business (buyer) to purchase a property from another business (seller) and to transfer the property title to the buyer's name. The property of land and building will be transferred in its entirety. The transaction is considered complete when the buyer can use the property as collateral for a bank loan.

Local property lawyers and officials in property registries provide information on required procedures as well as the time and cost to complete each one. For most economies the data are based on responses from both. Based on the responses, three indicators are constructed:

- number of procedures to register property
- time to register property (in calendar days)
- official costs to register property (as a percentage of the property value)

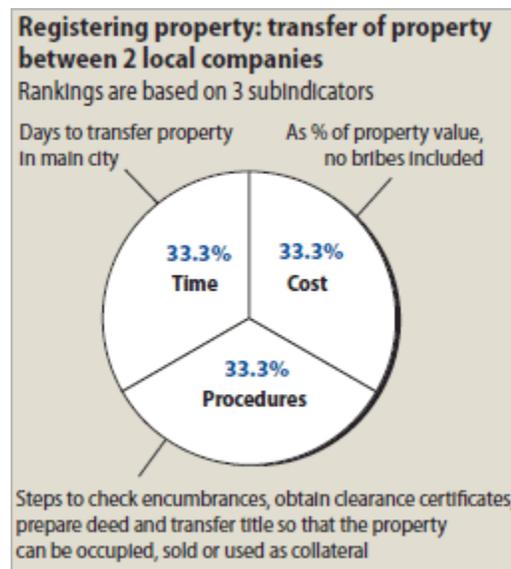
Survey Case Study

The buyer and seller:

- are limited liability companies
- are private nationals (no foreign ownership)
- are located in periurban area of the largest business city
- conduct general commercial activities

The property:

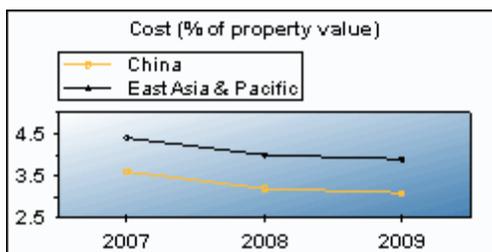
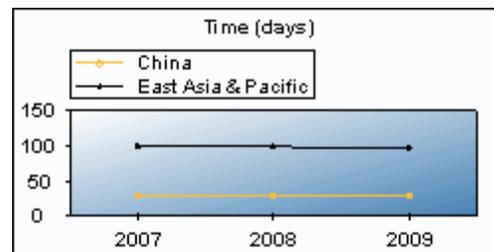
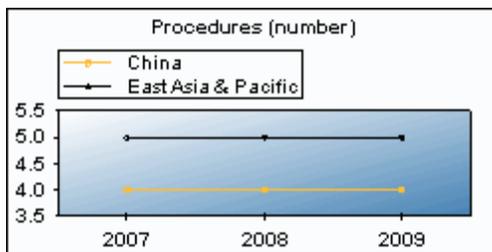
- consists of land and a 2-story building (warehouse)
- is located in the periurban commercial zone of the largest business city
- The land area is 557.4 m² (6,000 square feet).
- The warehouse has a total area of 929 m² (10,000 square feet).
- has a value equal to 50 times income per capita
- The seller company owned the property for the last 10 years.
- is registered in the land registry and/or cadastre and is free of all disputes.



1. Historical data: Registering Property in China

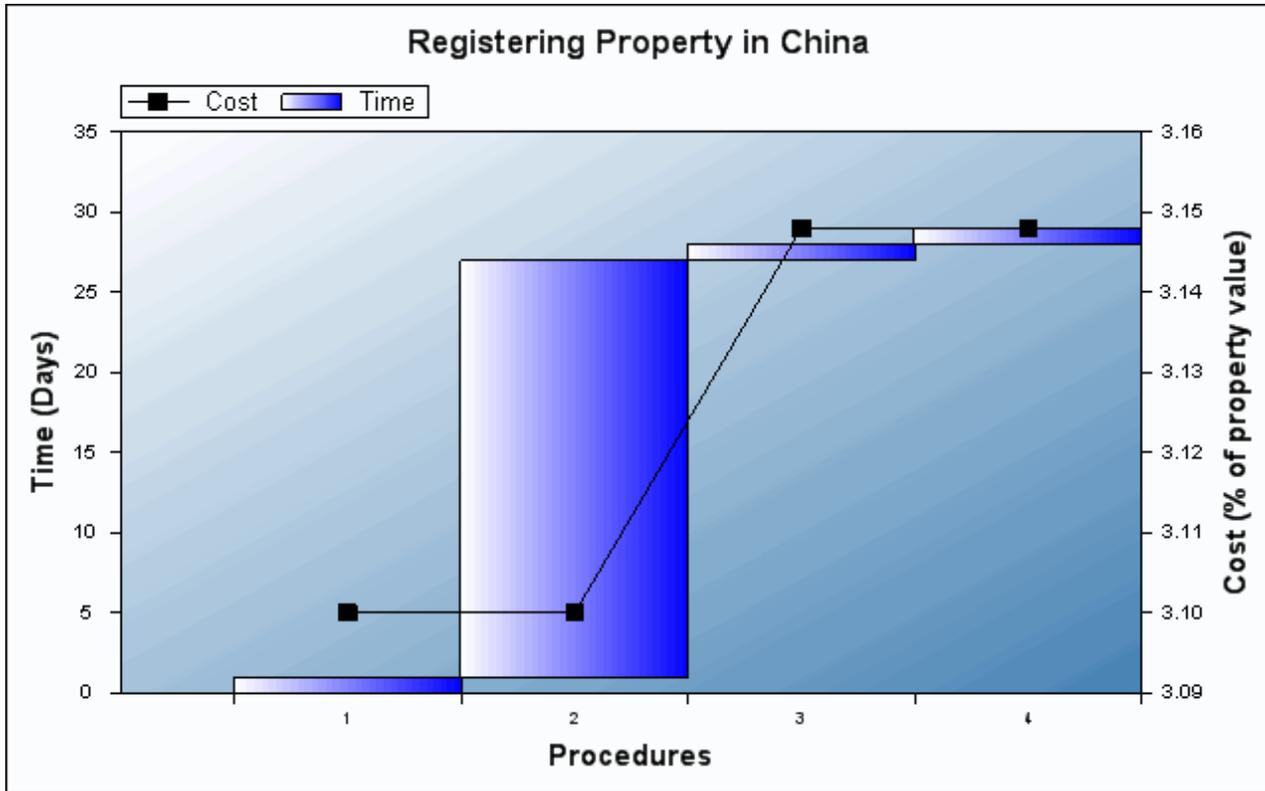
Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	30	32
Procedures (number)	4	4	4
Time (days)	29	29	29
Cost (% of property value)	3.6	3.2	3.1

2. The following graphs illustrates the Registering Property indicators in China over the past 3 years:



3. Steps to Registering Property in China

It requires 4 procedures, takes 29 days, and costs 3.15 % of property value to register the property in China.



List of Procedures:

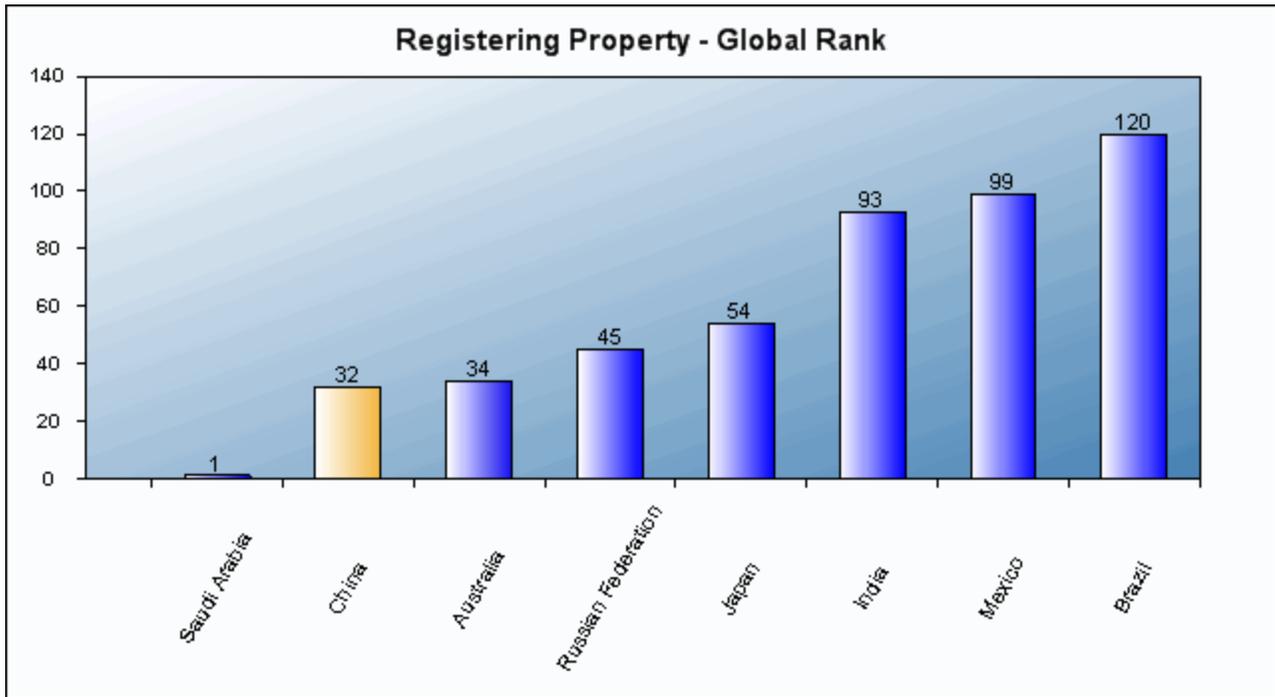
1. Parties obtain application and notifications sheet, and pay fees
2. Parties file the application at the House and Land Resources Administration Centre
3. Parties pay registration fee
4. Parties pick up new title certificate

More detail is included in the appendix.

4. Benchmarking Registering Property Regulations:

China is ranked 32 overall for Registering Property.

Ranking of China in Registering Property - Compared to good practice and selected economies:



The following table shows Registering Property data for China compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of property value)
New Zealand*		2	
Norway*	1		
Saudi Arabia			0.0

<i>Selected Economy</i>			
China	4	29	3.1

<i>Comparator Economies</i>			
Australia	5	5	4.9
Brazil	14	42	2.7
India	5	44	7.4
Japan	6	14	5.0
Mexico	5	74	5.2
Russian Federation	6	43	0.1

* The following economies are also good practice economies for :

Procedures (number): United Arab Emirates

Time (days): Saudi Arabia, Thailand, United Arab Emirates

Getting Credit

Firms consistently rate access to credit as among the greatest barriers to their operation and growth. Doing Business constructs two sets of indicators of how well credit markets function: one on credit registries and the other on legal rights of borrowers and lenders. Credit registries, institutions that collect and distribute credit information on borrowers, can greatly expand access to credit. By sharing credit information, they help lenders assess risk and allocate credit more efficiently. They also free entrepreneurs from having to rely on personal connections alone when trying to obtain credit.

Methodology

Credit information: three indicators are constructed

- depth of credit information index, which measures the extent to which the rules of a credit information system facilitate lending based on the scope of information distributed, the ease of access to information and the quality of information
- public registry coverage, which reports the number of individuals and firms covered by a public credit registry as a percentage of the adult population
- private bureau coverage, which reports the number of individuals and firms, covered by a private credit bureau as a percentage of the adult population

Legal Rights: the strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders. Ten points are analyzed:

- Can a business use movable assets as collateral while keeping possession of the assets, and can any financial institution accept such assets as collateral?
- Does the law allow a business to grant a non-possessory security right in a single category of revolving movable assets, without requiring a specific description of the secured assets?
- Does the law allow a business to grant a non-possessory security right in substantially all of its assets, without requiring a specific description of the secured assets?
- Can a security right extend to future or after-acquired assets and extend automatically to the products, proceeds or replacements of the original assets?
- Is general description of debts and obligations permitted in collateral agreements and in registration documents, so that all types of obligations and debts can be secured by stating a maximum rather than a specific amount between the parties?
- Is a collateral registry in operation that is unified geographically and by asset type as well as being indexed by the name of the grantor of a security right?
- Are secured creditors paid first when a debtor defaults outside an insolvency procedure or when a business is liquidated?
- Are secured creditors subject to an automatic stay or moratorium on enforcement procedures when a debtor enters a court-supervised reorganization procedure?
- Are parties allowed to agree in a collateral agreement that the lender may enforce its security right out of court?

Legal Rights Survey Case Study

The Debtor:

- is a Private Limited Liability Company
- has its headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both debtor and creditor are 100% domestically owned.

Getting credit: collateral rules and credit information

Rankings are based on 2 subindicators

Regulations on nonpossessory security interests in movable property

62.5%
Strength of legal rights index
(0-10)

37.5%
Depth of credit information index
(0-6)

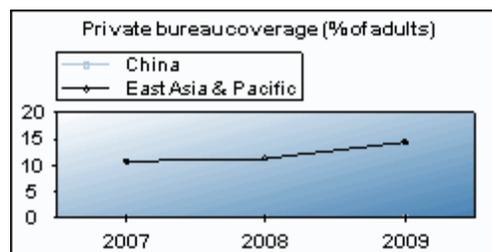
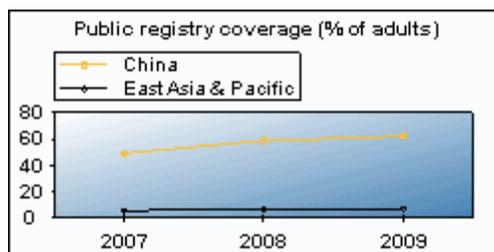
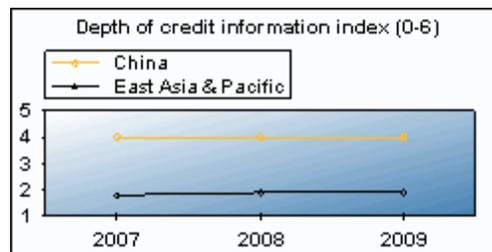
Scope, quality and accessibility of credit information through public and private credit registries

Note: Private bureau coverage and public registry coverage are measured but do not count for the rankings.

1. Historical data: Getting Credit in China

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	59	61
Strength of legal rights index (0-10)	4	6	6
Depth of credit information index (0-6)	4	4	4
Private bureau coverage (% of adults)	0.0	0.0	0.0
Public registry coverage (% of adults)	49.2	58.8	62.1

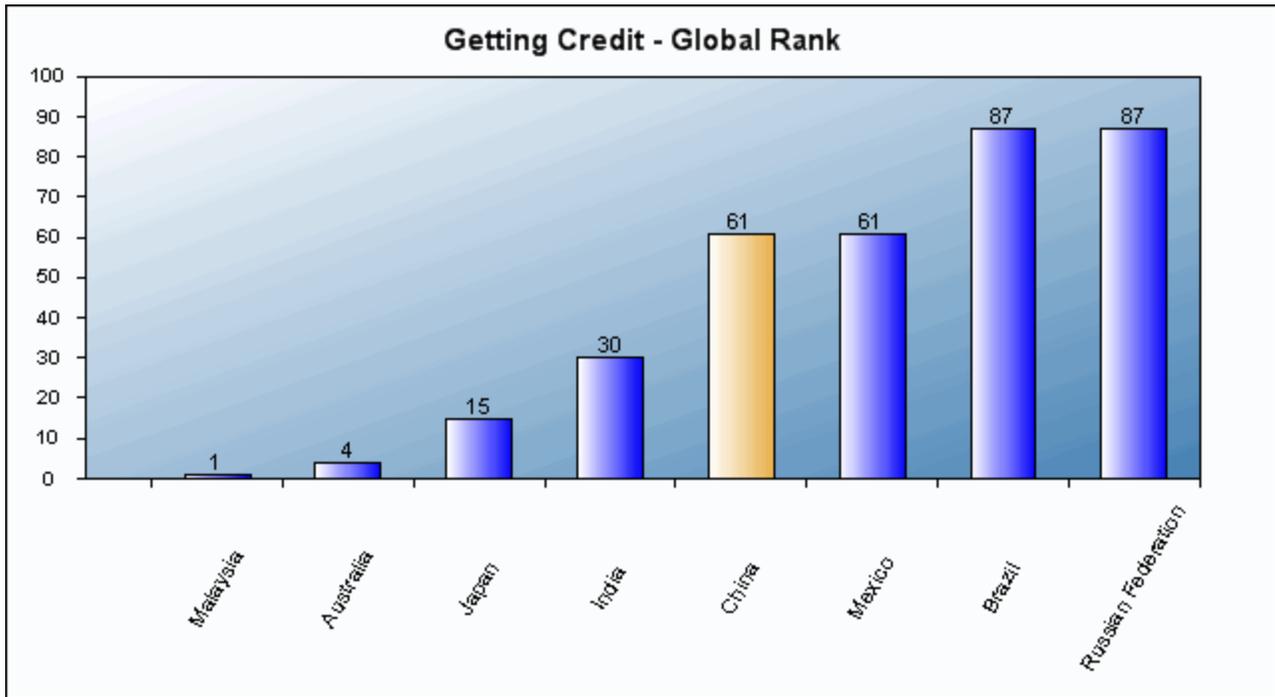
2. The following graphs illustrates the Getting Credit indicators in China over the past 3 years:



3. Benchmarking Getting Credit Regulations:

China is ranked 61 overall for Getting Credit.

Ranking of China in Getting Credit - Compared to good practice and selected economies:



The following table shows Getting Credit data for China compared to good practice and comparator economies:

Good Practice Economies	Strength of legal rights index (0-10)	Depth of credit information index (0-6)	Public registry coverage (% of adults)	Private bureau coverage (% of adults)
New Zealand*				100.0
Portugal			81.3	
Singapore*	10			
United Kingdom		6		

<i>Selected Economy</i>				
China	6	4	62.1	0.0

<i>Comparator Economies</i>				
Australia	9	5	0.0	100.0
Brazil	3	5	23.7	59.2
India	8	4	0.0	10.2
Japan	7	6	0.0	76.2
Mexico	4	6	0.0	77.5
Russian Federation	3	5	0.0	14.3

* The following economies are also good practice economies for :

Strength of legal rights index (0-10): Hong Kong, China, Kenya, Kyrgyz Republic, Malaysia

Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States

27 countries have the highest credit information index.

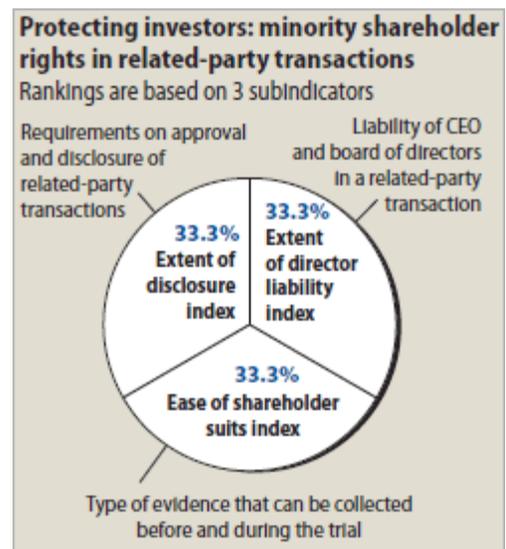
Protecting Investors

Companies grow by raising capital, either through a bank loan or by attracting equity investors. Selling shares allows companies to expand without the need to provide collateral and repay bank loans. However, investors worry about their money, and look for laws that protect them. A study finds that the presence of legal and regulatory protections for investors explains up to 73% of the decision to invest. In contrast, company characteristics explain only between 4% and 22%*. Good protections for minority shareholders are associated with larger and more active stock markets. Thus both governments and businesses have an interest in reforms strengthening investor protections.

Methodology

To document some of the protections investors have, Doing Business measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gain. Three indices of investor protection are constructed based on the answers to these and other questions. All indices range from 0 to 10, with higher values indicating more protections or greater disclosure. The three indices are:

- The extent of disclosure index covers approval procedures, requirements for immediate disclosure to the public and shareholders of proposed transactions, requirements for disclosure in periodic filings and reports and the availability of external review of transactions before they take place.
- The extent of director liability index covers the ability of investors to hold Mr. James and the board of directors liable for damages, the ability to rescind the transaction, the availability of fines and jail time associated with self-dealing, the availability of direct or derivative suits and the ability to require Mr. James to pay back his personal profits from the transaction.
- The ease of shareholder suits index covers the availability of documents that can be used during trial, the ability of the investor to examine the defendant and other witnesses, shareholders' access to internal documents of the company, the appointment of an inspector to investigate the transaction and the standard of proof applicable to a civil suit against the directors.



These three indices are averaged to create the strength of investor protection index.

Survey case study

Mr. James, a director and the majority shareholder of a public company, proposes that the company purchase used trucks from another company he owns. The price is higher than the going price for used trucks. The transaction goes forward. All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to the purchasing company. Shareholders sue the interested parties and the members of the board of directors.

Several questions arise:

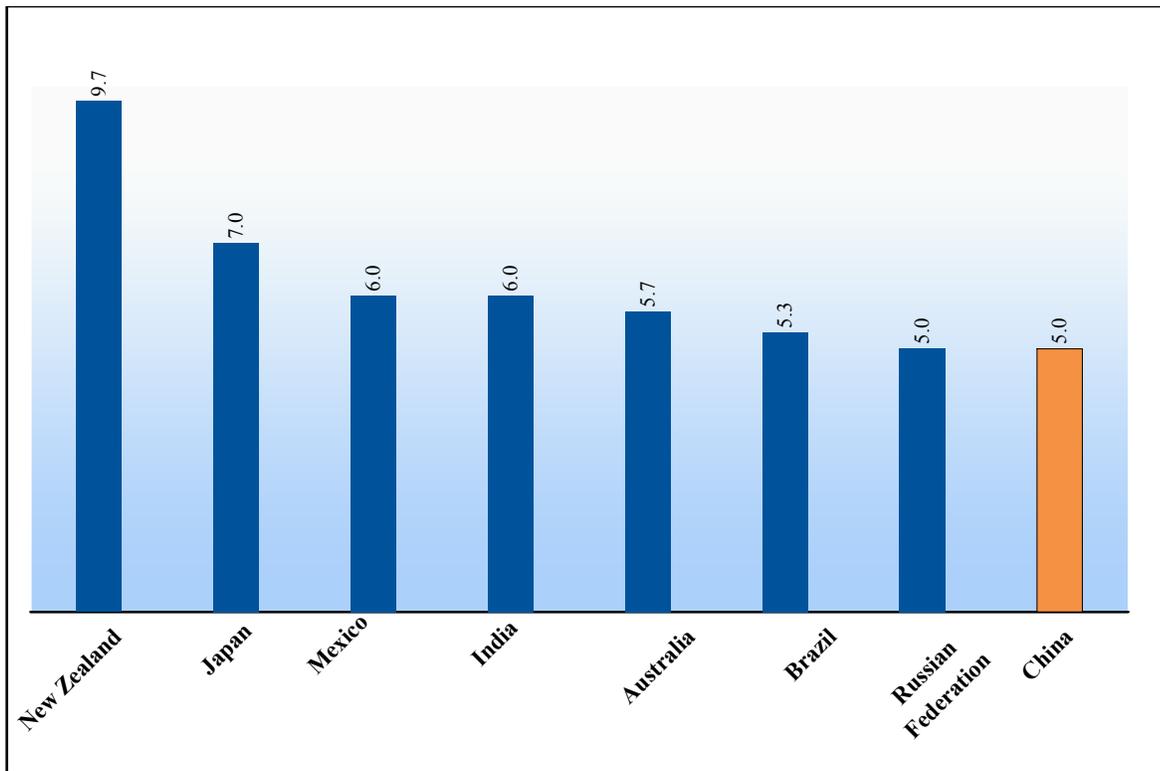
- Who approves the transaction?
- What information must be disclosed?
- What company documents can investors access?
- What do minority shareholders have to prove to get the transaction stopped or to receive compensation from Mr. James?

*Doidge, Kardy and Stulz (2007)

1. Historical data: Protecting Investors in China

Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	88	93
Strength of investor protection index (0-10)	5.0	5.0	5.0

2. The following graph illustrates the Protecting Investors index in China compared to best practice and selected Economies:

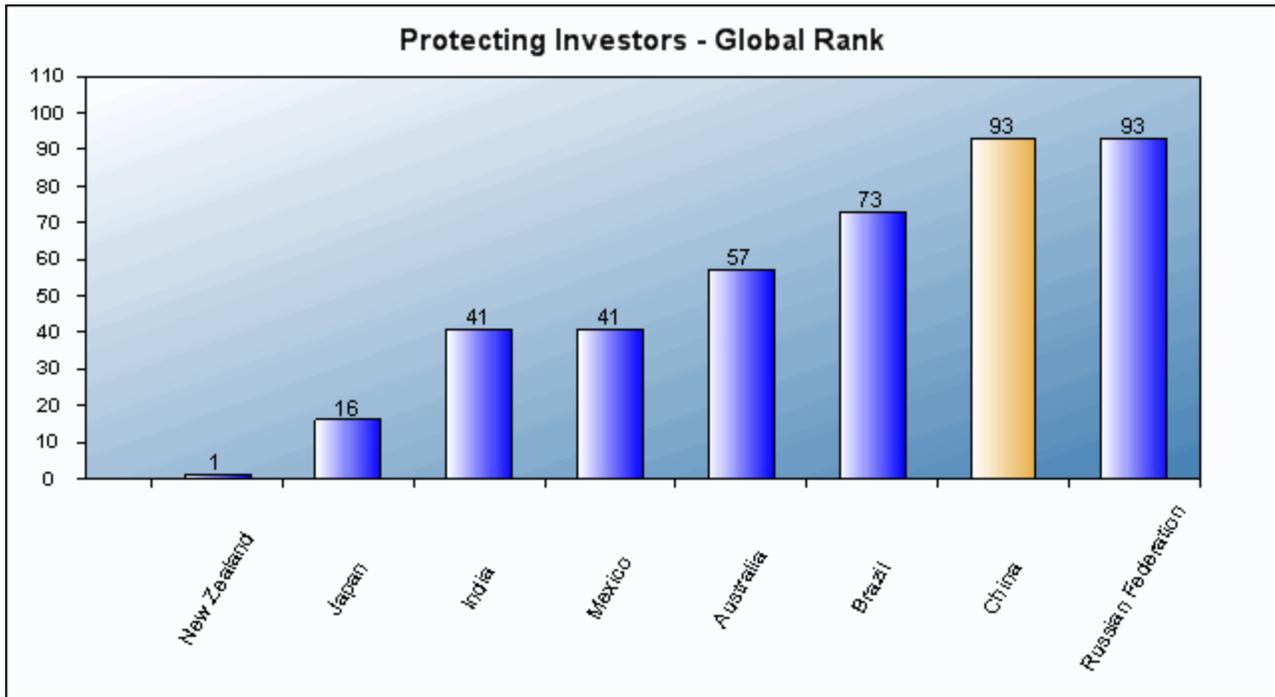


Note: The higher the score, the greater the investor protection.

3. Benchmarking Protecting Investors Regulations:

China is ranked 93 overall for Protecting Investors.

Ranking of China in Protecting Investors - Compared to good practice and selected economies:



The following table shows Protecting Investors data for China compared to good practice and comparator economies:

Good Practice Economies	Strength of investor protection index (0-10)
New Zealand	9.7

<i>Selected Economy</i>	
China	5.0

<i>Comparator Economies</i>	
Australia	5.7
Brazil	5.3
India	6.0
Japan	7.0
Mexico	6.0
Russian Federation	5.0

Paying Taxes

Taxes are essential. Without them there would be no money to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. But particularly for small and medium size companies, they may opt out and choose to operate in the informal sector. One way to enhance tax compliance is to ease and simplify the process of paying taxes for such businesses.

Methodology

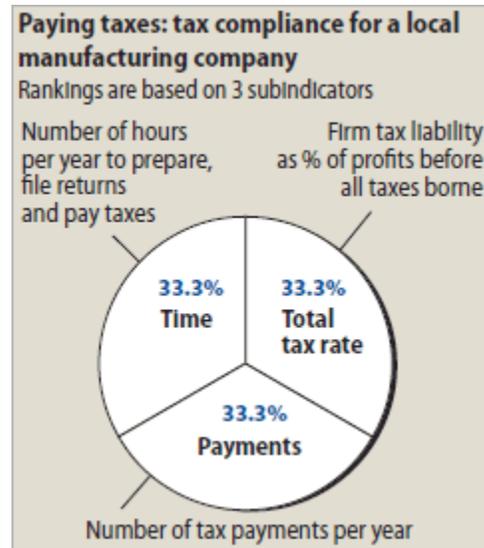
The Doing Business tax survey records the effective tax that a small and medium company must pay and the administrative costs of doing so.

Three indicators are constructed:

- number of tax payments, which takes in to account the method of payment, the frequency of payments and the number of agencies involved in our standardized case study.
- time, which measures the number of hours per year necessary to prepare and file tax returns and to pay the corporate income tax, value added tax, sales tax or goods and service tax and labor taxes and mandatory contributions.
- total tax rate, which measures the amount of taxes and mandatory contributions payable by the company during the second year of operation. This amount, expressed as a percentage of commercial profit, is the sum of all the different taxes payable after accounting for various deductions and exemptions.

Survey case study

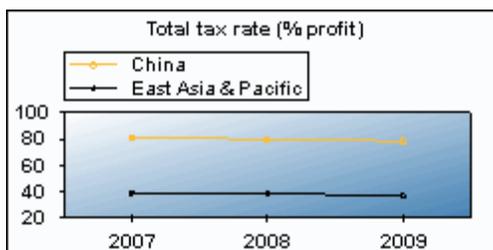
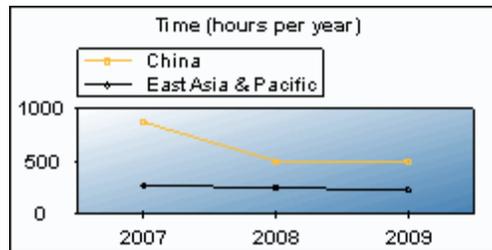
- TaxpayerCo is a medium-size business that started operations last year. Doing Business asks tax practitioners in 183 economies to review TaxpayerCo's financial statements and a standard list of transactions that the company completed during the year. Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government and include corporate income tax, turnover tax, all labor taxes and contributions paid by the company (including mandatory contributions paid to private pension or insurance funds), property tax, property transfer tax, dividend tax, capital gains tax, financial transactions tax, vehicle tax, sales tax and other small taxes (such as fuel tax, stamp duty and local taxes). A range of standard deductions and exemptions are also recorded.



1. Historical data: Paying Taxes in China

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	135	130
Total tax rate (% profit)	81.2	79.9	78.5
Payments (number per year)	35	9	7
Time (hours per year)	872	504	504

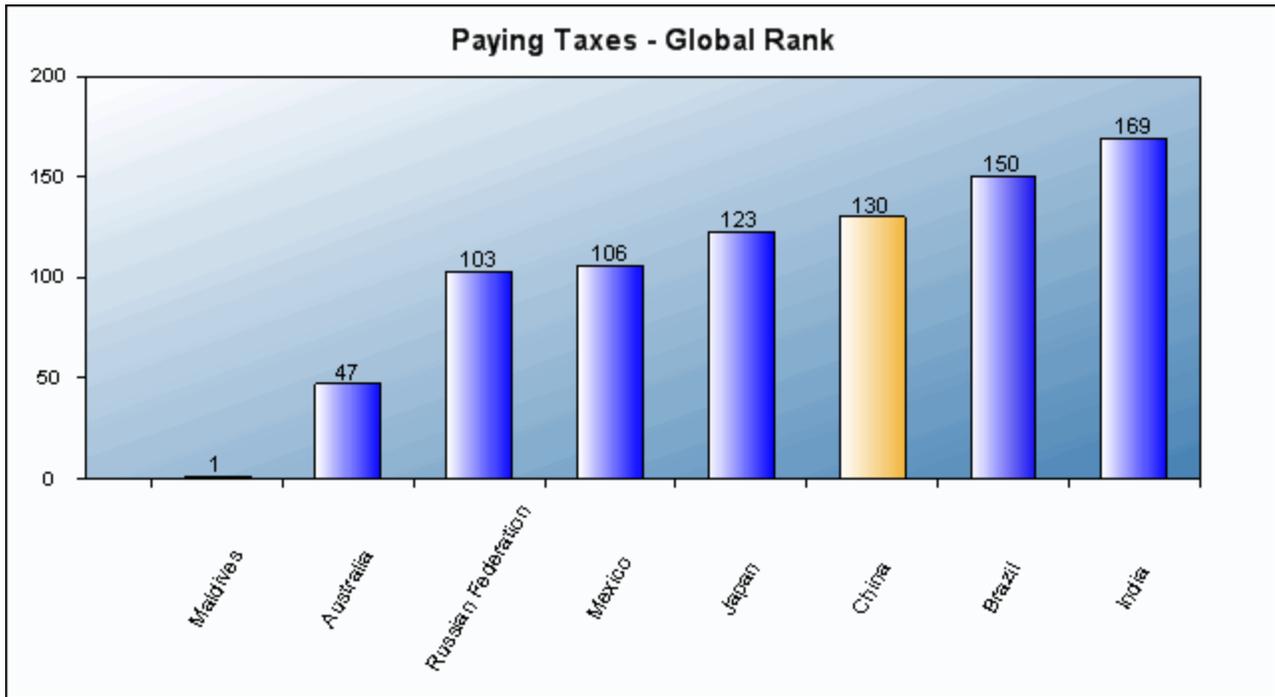
2. The following graphs illustrates the Paying Taxes indicators in China over the past 3 years:



3. Benchmarking Paying Taxes Regulations:

China is ranked 130 overall for Paying Taxes.

Ranking of China in Paying Taxes - Compared to good practice and selected economies:



The following table shows Paying Taxes data for China compared to good practice and comparator economies:

Good Practice Economies	Payments (number per year)	Time (hours per year)	Total tax rate (% profit)
Maldives*	1	0	
Timor-Leste			0.2

<i>Selected Economy</i>			
China	7	504	78.5

<i>Comparator Economies</i>			
Australia	12	107	48.0
Brazil	10	2600	69.2
India	59	271	64.7
Japan	13	355	55.7
Mexico	6	517	51.0
Russian Federation	11	320	48.3

* The following economies are also good practice economies for :

Payments (number per year): Qatar

Trading Across Borders

The benefits of trade are well documented; as are the obstacles to trade. Tariffs, quotas and distance from large markets greatly increase the cost of goods or prevent trading altogether. But with bigger ships and faster planes, the world is shrinking. Global and regional trade agreements have reduced trade barriers. Yet Africa's share of global trade is smaller today than it was 25 years ago. So is the Middle East's, excluding oil exports. Many entrepreneurs face numerous hurdles to exporting or importing goods, including delays at the border. They often give up. Others never try. In fact, the potential gains from trade facilitation may be greater than those arising from only tariff reductions.

Methodology

Doing Business compiles procedural requirements for trading a standard shipment of goods by ocean transport. Every procedure and the associated documents, time and cost, for importing and exporting the goods is recorded, starting with the contractual agreement between the two parties and ending with delivery of the goods. For importing the goods, the procedures measured range from the vessel's arrival at the port of entry to the shipment's delivery at the importer's warehouse. For exporting the goods, the procedures measured range from the packing of the goods at the factory to their departure from the port of exit. Payment is by letter of credit and the time and cost for issuing or securing a letter of credit is taken into account.

Documents recorded include port filing documents, customs declaration and clearance documents, as well as official documents exchanged between the parties to the transaction. Time is recorded in calendar days, from the beginning to the end of each procedure. Cost includes the fees levied on a 20-foot container in U.S. dollars.

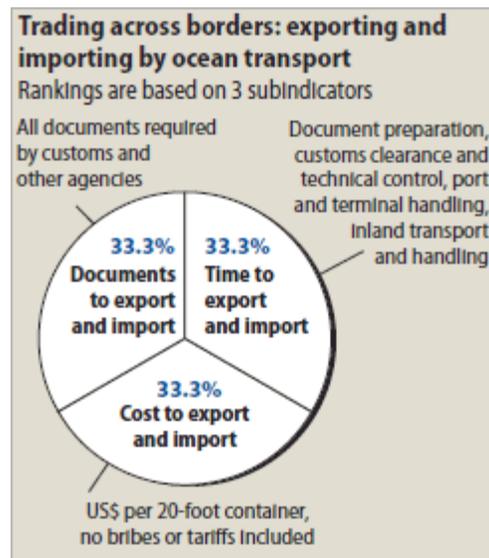
All the fees associated with completing the procedures to export or import the goods are included, such as costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include tariffs or duties.

Economies that have efficient customs, good transport networks and fewer document requirements, making compliance with export and import procedures faster and cheaper, are more competitive globally. That can lead to more exports; and exports are associated with faster growth and more jobs. Conversely, a need to file many documents is associated with more corruption in customs. Faced with long delays and frequent demands for bribes, many traders may avoid customs altogether. Instead, they smuggle goods across the border. This defeats the very purpose in having border control of trade to levy taxes and ensure high quality of goods.

Survey case study

To make the data comparable across countries, several assumptions about the business and the traded goods are used:

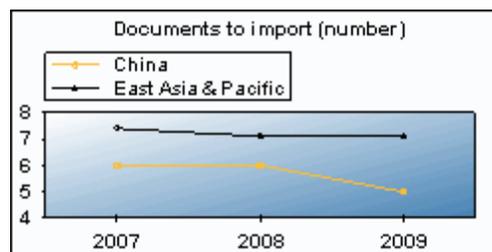
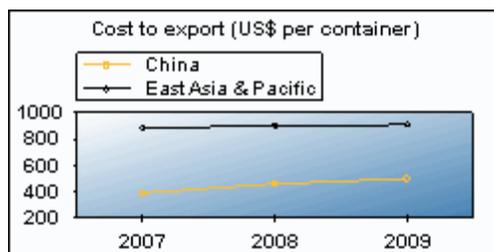
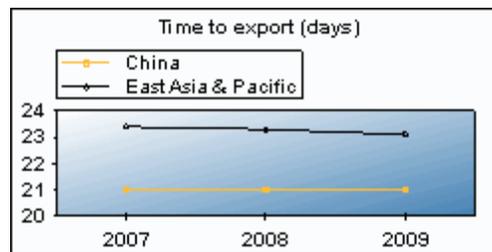
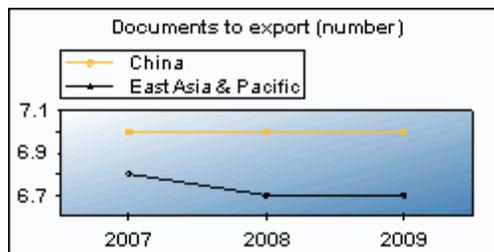
- The business is of medium size.
- The business employs 60 people.
- The business is located in the peri-urban area of the economy's largest business city.
- The business is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the economy.
- The traded goods are ordinary, legally manufactured products transported in a dry-cargo, 20-foot FCL (full container load) container.

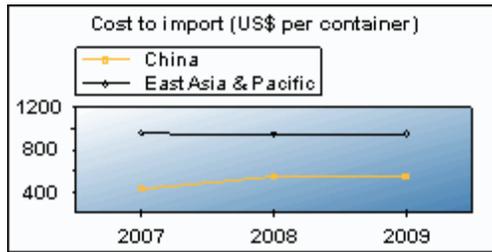
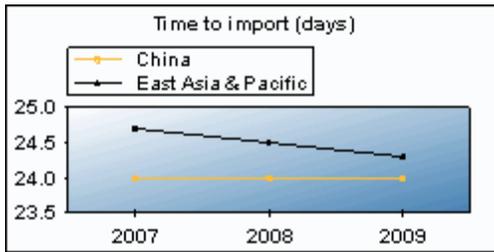


1. Historical data: Trading Across Borders in China

Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	49	44
Cost to export (US\$ per container)	390	460	500
Cost to import (US\$ per container)	430	545	545
Documents to export (number)	7	7	7
Documents to import (number)	6	6	5
Time to export (days)	21	21	21
Time to import (days)	24	24	24

2. The following graphs illustrates the Trading Across Borders indicators in China over the past 3 years:

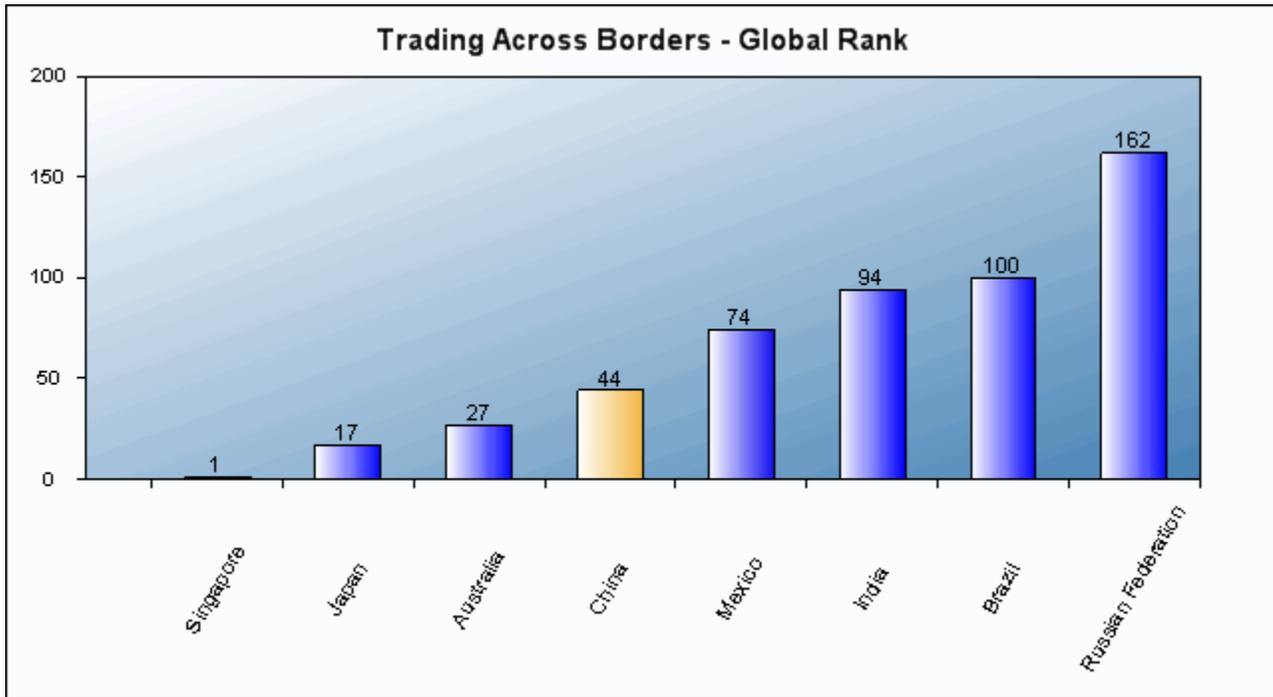




3. Benchmarking Trading Across Borders Regulations:

China is ranked 44 overall for Trading Across Borders.

Ranking of China in Trading Across Borders - Compared to good practice and selected economies:



The following table shows Trading Across Borders data for China compared to good practice and comparator economies:

Good Practice Economies	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
Denmark*		5				
France	2			2		
Malaysia			450			
Singapore					3	439

<i>Selected Economy</i>						
China	7	21	500	5	24	545

<i>Comparator Economies</i>						
Australia	6	9	1060	5	8	1119
Brazil	8	12	1540	7	16	1440
India	8	17	945	9	20	960
Japan	4	10	989	5	11	1047
Mexico	5	14	1472	5	17	2050
Russian Federation	8	36	1850	13	36	1850

* The following economies are also good practice economies for :

Time to export (days): Estonia

Enforcing Contracts

Where contract enforcement is efficient, businesses are more likely to engage with new borrowers or customers. Doing Business tracks the efficiency of the judicial system in resolving a commercial dispute, following the step-by-step evolution of a commercial sale dispute before local courts. The data is collected through study of the codes of civil procedure and other court regulations as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

Justice delayed is often justice denied. And in many economies only the rich can afford to go to court. For the rest, justice is out of reach. In the absence of efficient courts, firms undertake fewer investments or business transactions. And they prefer to involve only a small group of people who know each other from previous dealings.

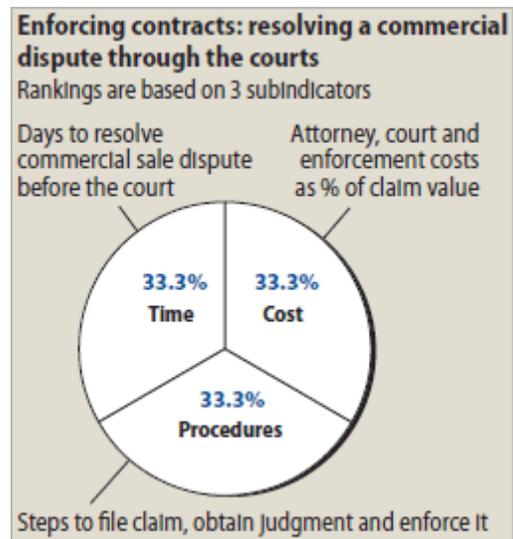
Methodology

Rankings on enforcing contracts are based on 3 sub-indicators:

- number of procedures, which are defined as any interaction between the parties or between them and the judge or court officer. This includes steps to file the case, steps for trial and judgment and steps necessary to enforce the judgment.
- time, which counts the number of calendar days from the moment the Seller files the lawsuit in court until payment is received. This includes both the days on which actions take place and the waiting periods in between.
- cost, which is recorded as a percentage of the claim (assumed to be equivalent to 200% of income per capita). Three types of costs are recorded: court costs (including expert fees), enforcement costs (including costs for a public sale of Buyer's assets) and attorney fees.

Survey case Study

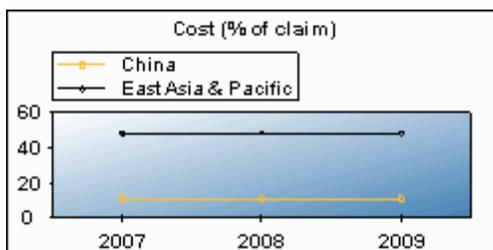
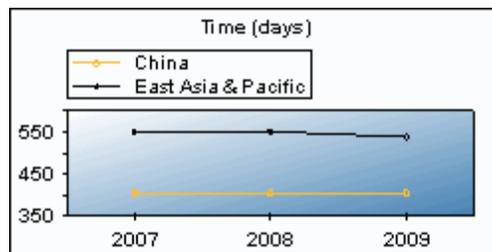
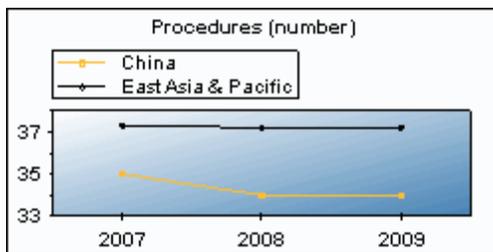
- The dispute concerns a contract for the sale of goods between two businesses (the Seller and the Buyer).
- Both are located in the economy's largest business city.
- The Seller sells and delivers goods, worth 200% of the economy's income per capita, to the Buyer. The Buyer refuses to pay on the grounds that they were not of adequate quality.
- The Seller sues the Buyer to recover the amount under the sales agreement (200% of the economy's income per capita).
- The claim is filed before a court in the economy's largest business city with jurisdiction over commercial cases worth 200% of the income per capita and is disputed on the merits.
- Judgment is 100% in favor of the Seller and is not appealed.
- The Seller enforces the judgment and the money is successfully collected through a public sale of Buyer's assets.



1. Historical data: Enforcing Contracts in China

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	18	18
Procedures (number)	35	34	34
Time (days)	406	406	406
Cost (% of claim)	11.1	11.1	11.1

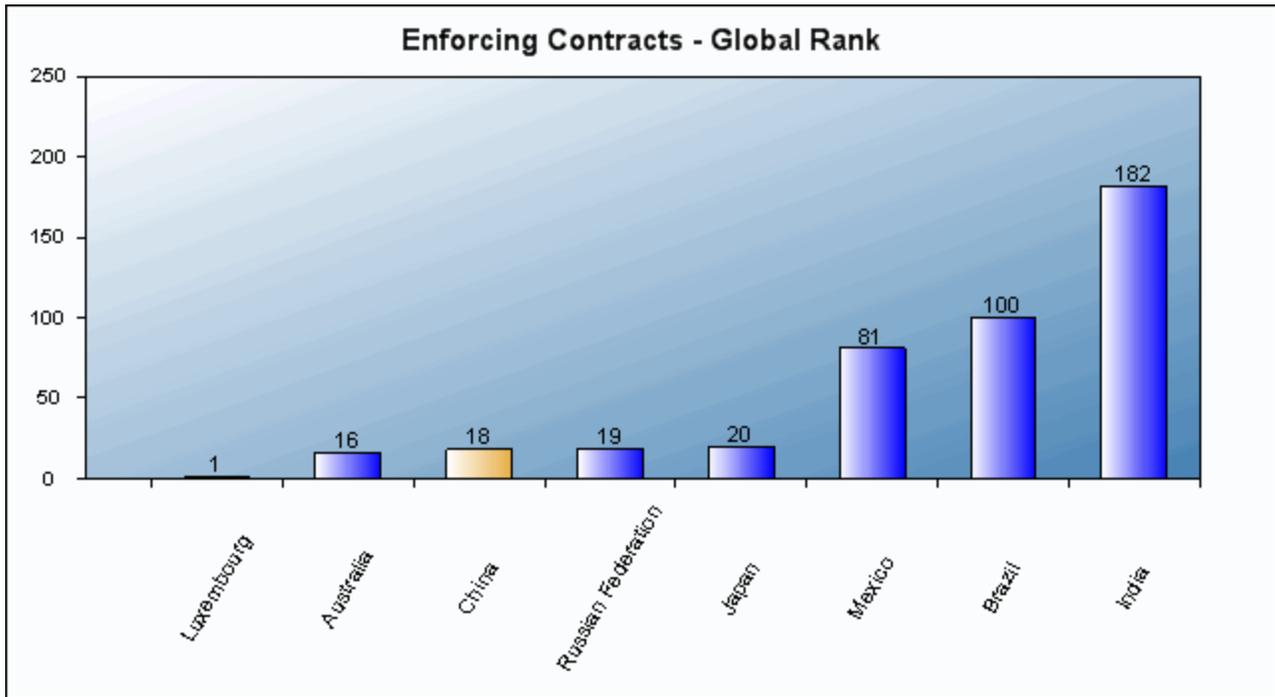
2. The following graphs illustrates the Enforcing Contracts indicators in China over the past 3 years:



3. Benchmarking Enforcing Contracts Regulations:

China is ranked 18 overall for Enforcing Contracts.

Ranking of China in Enforcing Contracts - Compared to good practice and selected economies:



The following table shows Enforcing Contracts data for China compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of claim)
Bhutan			0.1
Ireland	20		
Singapore		150	

<i>Selected Economy</i>			
China	34	406	11.1

<i>Comparator Economies</i>			
Australia	28	395	20.7
Brazil	45	616	16.5
India	46	1420	39.6
Japan	30	360	22.7
Mexico	38	415	32.0
Russian Federation	37	281	13.4

Closing a Business

The economic crises of the 1990s in emerging markets, from East Asia to Latin America, from Russia to Mexico, raised concerns about the design of bankruptcy systems and the ability of such systems to help reorganize viable companies and close down unviable ones. In countries where bankruptcy is inefficient, unviable businesses linger for years, keeping assets and human capital from being reallocated to more productive uses.

Bottlenecks in bankruptcy cut into the amount claimants can recover. In countries where bankruptcy laws are inefficient, this is a strong deterrent to investment. Access to credit shrinks, and nonperforming loans and financial risk grow because creditors cannot recover overdue loans. Conversely, efficient bankruptcy laws can encourage entrepreneurs. The freedom to fail, and to do so through an efficient process, puts people and capital to their most effective use. The result is more productive businesses and more jobs.

The Doing Business indicators identify weaknesses in the bankruptcy law as well as the main procedural and administrative bottlenecks in the bankruptcy process. In many developing countries bankruptcy is so inefficient that creditors hardly ever use it. In countries such as these, reform would best focus on improving contract enforcement outside bankruptcy.

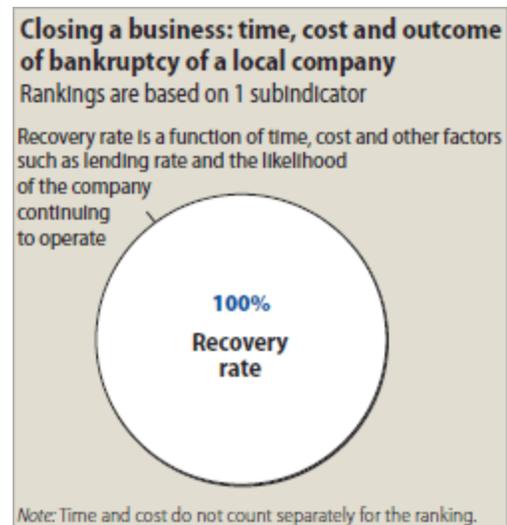
Methodology

Three measures are constructed from the survey responses: the time to go through the insolvency process, the cost to go through the process and the recovery rate, how much of the insolvency estate is recovered by stakeholders, taking into account the time, cost, depreciation of assets and the outcome of the insolvency proceeding.

Survey case study

The data on closing a business are developed using a standard set of case assumptions to track a company going through the step-by-step procedures of the bankruptcy process. It is assumed that:

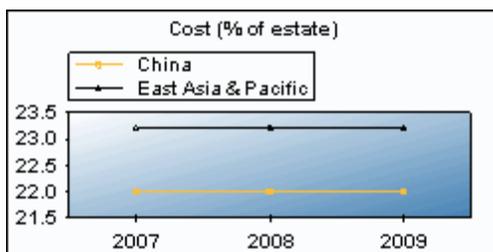
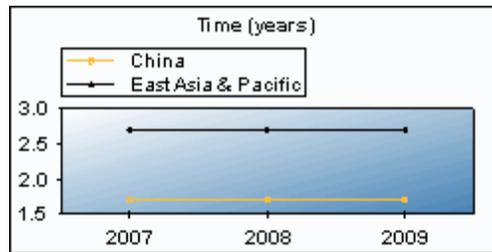
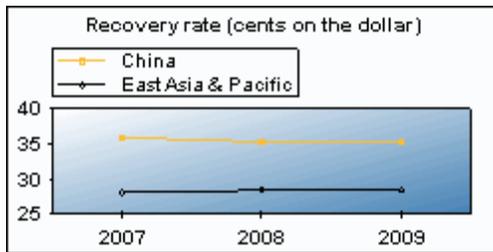
- the company is a domestically owned
- the company is a limited liability corporation operating a hotel in the country's largest business city
- the company has 201 employees, 1 main secured creditor and 50 unsecured creditors
- Assumptions are also made about the future cash flows.
- The case is designed so that the company has a higher value as a going concern, that is, the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation.
- The data are derived from questionnaires answered by attorneys at private law firms.



1. Historical data: Closing Business in China

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	65	65
Time (years)	1.7	1.7	1.7
Cost (% of estate)	22	22	22
Recovery rate (cents on the dollar)	35.9	35.3	35.3

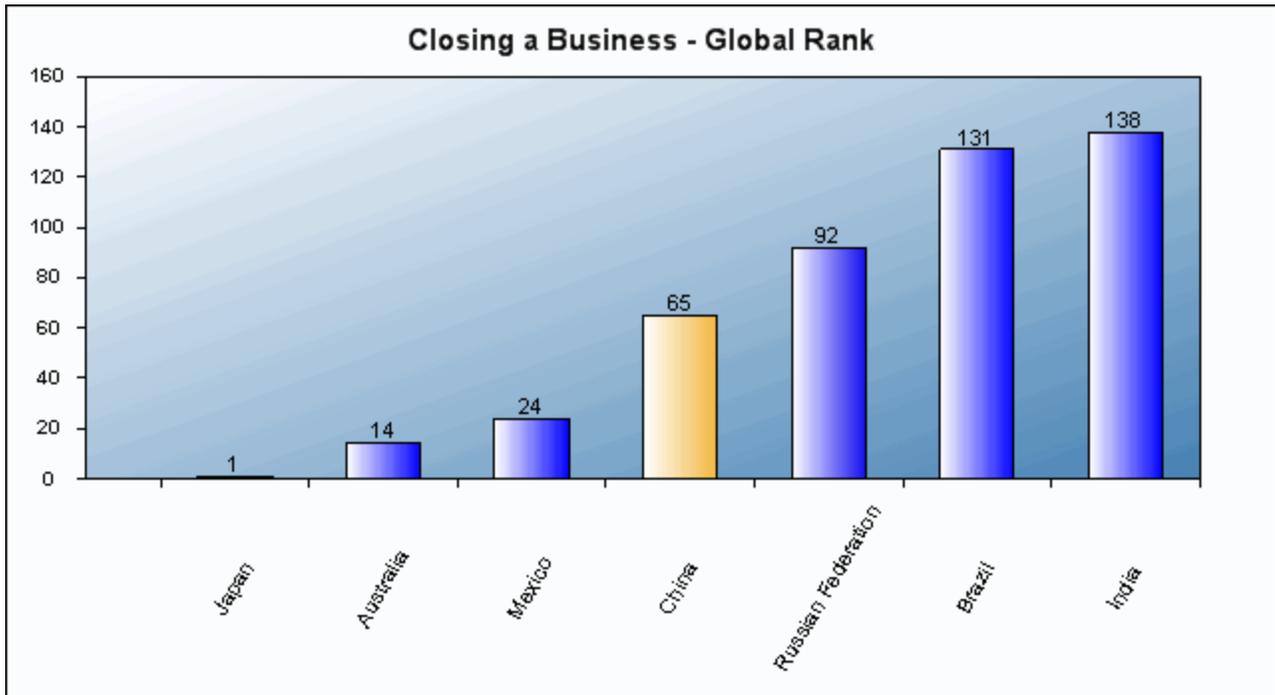
2. The following graphs illustrates the Closing Business indicators in China over the past 3 years:



3. Benchmarking Closing Business Regulations:

China is ranked 65 overall for Closing a Business.

Ranking of China in Closing Business - Compared to good practice and selected economies:



The following table shows Closing Business data for China compared to good practice and comparator economies:

Good Practice Economies	Recovery rate (cents on the dollar)	Time (years)	Cost (% of estate)
Ireland		0.4	
Japan	92.5		
Singapore*			1

<i>Selected Economy</i>			
China	35.3	1.7	22

<i>Comparator Economies</i>			
Australia	78.8	1.0	8
Brazil	17.1	4.0	12
India	15.1	7.0	9
Japan	92.5	0.6	4
Mexico	64.2	1.8	18
Russian Federation	28.2	3.8	9

* The following economies are also good practice economies for :

Cost (% of estate): **Colombia, Kuwait, Norway**

Doing Business 2010 Reforms

Number of reforms in Doing Business 2010

Rank	Economy	Reforms									Total number of reforms	
		Starting a Business	Dealing with Construction Permits	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts		Closing a Business
1	Rwanda	✓		✓	✓	✓	✓		✓		✓	7
2	Kyrgyz Republic	✓	✓	✓	✓	✓		✓	✓			7
3	Macedonia, FYR	✓	✓	✓	✓	✓	✓	✓				7
4	Belarus	✓	✓	✓	✓			✓	✓			6
5	United Arab Emirates	✓	✓						✓			3
6	Moldova	✓			✓			✓				3
7	Colombia	✓	✓		✓	✓	✓	✓	✓		✓	8
8	Tajikistan	✓	✓		✗	✓	✓				✓	5
9	Egypt, Arab Rep.	✓	✓			✓			✓			4
10	Liberia	✓	✓					✓				3
	China							✓				1
	Australia											
	Japan											
	Brazil	✓										1
	India										✓	1
	Mexico	✓						✓				2
	Russian Federation				✓			✓			✓	3

Note: Economies are ranked on the number and impact of reforms, Doing Business selects the economies that reformed in 3 or more of the Doing Business topics. Second, it ranks these economies on the increase in rank in Ease of Doing Business from the previous year. The larger the improvement, the higher the ranking as a reformer.

Australia	In Australia no major reform was recorded.
Belarus	Belarus eased the process for getting construction permits by simplifying approval processes. Restrictions relating to redundancy dismissals were eased by raising the threshold for prior notification requirements. Tax payments were made more convenient through increased use of electronic systems—reducing tax compliance times—while lower ecological and turnover tax rates and a reduction in the number of payments for property tax reduced the tax burden on businesses. Property registration continues to improve, with faster processing and elimination of the requirement for notarization. Business start-up was eased by simplifying registration formalities, abolishing the minimum capital requirement, limiting the role of notaries, and removing the need for a company seal approval. Implementation of a risk-based management system and improvement of border crossing operations reduced transit times for trade.
Brazil	Brazil eased the process of starting a business by removing the requirement to obtain a fire brigade license and inspection before obtaining an operational license from a municipality.
China	China's State Administration of Foreign Exchange relaxed trade credit restrictions in response to the economic and financial crisis. Foreign exchange authorization is no longer required.
Colombia	Colombia passed several decrees continuing its efforts to regulate the profession of insolvency administrators. The government eased the construction permit process with a new construction decree that categorizes building projects based on risk and allows electronic verification for certain documents. Access to credit improved thanks to a new credit information law that guarantees the right of borrowers to inspect their own data and new rules that make it mandatory for credit providers to consult and share information with credit bureaus. The tax burden on businesses was eased with the introduction of electronic tax filing and payment, and some payments were reduced. An amendment to the Company Law strengthened investor protections by making it easier to sue directors in cases of prejudicial transactions between interested parties. Property registration was made easier by making it possible to obtain required certificates online and by making standard preliminary sale agreements available free of charge. Business start-up was made easier by creating a public-private health provider that enables faster affiliation of employees and through a tool that allows online pre-enrollment with the social security office. Implementation of an electronic declaration system has expedited customs clearance.
Egypt, Arab Rep.	The Arab Republic of Egypt, a former global leading reformer and a regional leading reformer in 2008/09, continued to make it easier to deal with construction permits by issuing executive articles for the 2008 construction law and eliminating most preapprovals for construction permits. Contract enforcement was expedited with the creation of commercial courts. Access to credit information has expanded with the addition of retailers to the database of the private credit bureau. Finally, company start-up was eased by the removal of the minimum capital requirement.
India	In India procedures under the 2002 Securitization Act have become more effective, easing the process and reducing the time required to close a business.
Japan	In Japan no major reform was recorded.
Kyrgyz Republic	The Kyrgyz Republic eased the process for getting construction permits by streamlining the fee structure, introducing a risk-based system of approval and building control, allowing low-risk projects to conduct an internal building control process, and simplifying the process for obtaining utility connections. Requirements relating to redundancy dismissals and worker reassignment were eased. Access to credit was enhanced by making secured lending more flexible and allowing general descriptions of encumbered assets and of debts and obligations. In addition, amendments to the Civil Code provide for automatic extension of security rights to proceeds of the original assets. The tax burden on businesses was eased by reducing the rates for several taxes and the number of payments for several. Surveying and notarization requirements were made optional for property registration, and business start-up was eased by eliminating the minimum capital requirement, reducing the registration time, and abolishing various post-registration fees and the need to open a bank account before registration. The elimination of six previously required documents and the simplification of inspection procedures has sped up trading across borders.

Liberia	Liberia eased the process for getting construction permits by lowering the permit fee and cost of obtaining a power generator, abolishing the requirement to obtain a tax waiver certificate before submitting documents to obtain a building permit, and making fixed telephone connections more readily available for public use with the reopening of the national phone company. Business start-up was eased by removing the need to obtain an environmental impact assessment when forming a general trading company. The trade process was expedited by creating a one-stop shop bringing together various ministries and agencies, and streamlining the inspection regime.
Macedonia, FYR	The Former Yugoslav Republic of Macedonia has been reforming the construction permit process, shortening waiting times but raising fees. Worker hiring was made more flexible by allowing greater use of fixed-term contracts, easing restrictions on working hours, and making redundancy dismissals more flexible. The public credit bureau increased its coverage by introducing a better database that includes more information and by lowering the minimum loan threshold. Social security payments were classified in five groups, and social security contribution rates reduced. Investor protections were increased by regulating the approval of transactions between interested parties, increasing disclosure requirements in annual reports, and making it easier to sue directors in cases of prejudicial transactions between interested parties. Property registration was eased with the introduction of new time limits at the real estate cadastre—reducing the average time to register a title deed by eight days—and a non-encumbrance certificate can now be obtained from the real estate registry instead of through the court. Business start-up was simplified by integrating procedures at a one-stop shop.
Mexico	Mexico eased taxpaying by introducing electronic payment systems for payroll, property, and social security taxes. Business start-up was eased by establishing an electronic platform for company registration, substantially reducing the number of days for registration, and eliminating the requirement to register with the statistical office.
Moldova	Moldova lowered the rates for social security contributions paid by employers. Property registration was simplified by eliminating the requirement for a cadastral sketch, reducing procedures from six to five and days from 48 to 5. Business start-up was eased by implementing an expedited company registration service.
Russian Federation	The Russian Federation introduced several changes to its insolvency law to speed up liquidation and strengthen the legal status of secured creditors. The corporate income tax rate was cut from 24 percent to 20 percent. Property registration was expedited by introducing new documentation requirements—such as cadastral passports—in lieu of inventory documents and cadastral maps.
Rwanda	Rwanda improved the process for dealing with distressed companies with a new law aimed at streamlining reorganization. Employing workers was made easier by abolishing the maximum duration for fixed-term contracts and allowing unlimited renewals of such contracts, as well as by allowing redundancy procedures to be more flexible, with consultation and notification of third parties no longer required. Getting credit was made easier with a new secured transactions act and insolvency act to make secured lending more flexible, allowing a wider range of assets to be used as collateral and a general description of debts and obligations. In addition, out of court enforcement of collateral has become available to secured creditors, who also now have top priority within bankruptcy. A new company law has strengthened investor protections by requiring greater corporate disclosure, director liability, and shareholder access to information. Property registration was simplified by decreasing the number of days required to transfer a property. Business start-up was eased by eliminating a notarization requirement; introducing standardized memorandums of association; enabling online publication; consolidating name checking, registration fee payment, tax registration, and company registration procedures; and shortening the time required to process completed applications. By implementing administrative changes—such as increased operating hours and enhanced cooperation at the border, along with the removal of some documentation requirements for importers and exporters—Rwanda has improved trading times.
Tajikistan	Tajikistan amended its insolvency law, aiming to reduce statutory time limits and the costs of proceedings. Changes were introduced that simplified the construction permit process, reducing procedures and time. A new law on credit histories improves access to credit information by creating a private credit bureau. Investor protections were strengthened with amendments to the joint stock company law, increasing disclosure requirements for transactions involving conflicts of interest, allowing for greater director liability, and giving shareholders the chance to request that harmful related-party transactions be rescinded. The state duty for property transfer has quadrupled, raising the cost of registering property by 2.8 percent of a property's value. Business start-up was eased by reducing the minimum capital requirement and shortening the time to obtain a tax identification number.

United Arab Emirates

The United Arab Emirates shortened the time for delivering building permits by improving its online system for processing applications. Business start-up was eased by simplifying the documents needed for registration, abolishing the minimum capital requirement, and removing the requirement that proof of deposit of capital be shown for registration. Greater capacity at the container terminal, elimination of the terminal handling receipt as a required document, and an increase in trade finance products, have improved trade processes.

APPENDICES

Starting a Business in China

This table summarizes the procedures and costs associated with setting up a business in China.

STANDARDIZED COMPANY

Legal Form: Limited Liability Company

Minimum Capital Requirement:

City: Shanghai

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Obtain a notice of pre-approval of the company name	1	0
2	Open a preliminary bank account; deposit fund in the account and obtain the certificate of deposit	1	0
3	Obtain capital verification report from an auditing firm	2	350
4	Obtain registration certification "business license of enterprise legal person" with SAIC or local equivalent	5	32.199
5	Obtain the approval to make a company seal from the police department	1	0
6	Make a company seal	1	300
7	Obtain the organization code certificate issued by the Quality and Technology Supervision Bureau	5	148
8	Register with the local statistics bureau	1	20
9	Register for both state and local tax with the tax bureau	7	100
10	Open a formal bank account of the company and transfer the registered capital to the account	1	0
11	Apply for the authorization to print or purchase financial invoices/receipts	10	0
12	Purchase uniform invoices	1	10
13	File for recruitment registration with local career service center	1	0
14	Register with Social Welfare Insurance Center	1	0

Procedure 1 Obtain a notice of pre-approval of the company name

Time to complete: 1

Cost to complete: 0

Comment: The applicant picks up the application for company name preapproval from the local Administration of Industry and Commerce (AIC), or otherwise, downloads the form from AIC's Web site. The applicant can be the representative designated by all the shareholders or the agent entrusted by all the shareholders. The completed application form shall be signed by all shareholders of the company. The application form together with the business licences or other registration certificates (if the shareholders are companies or other eligible entities) and the photocopy of the identity card of the individual shareholders shall be filed with the AIC. Effective July 1, 2004, enterprise name registration must follow the amended State Administration of Industry and Commerce (SAIC) rules (that is, the new Enterprise Name Registration Administration Implementing Measures, or Qi ye ming cheng deng ji guan li shi shi ban fa). According to the new registration rules, if the applicant goes directly to the AIC, a proposed company name is approved or rejected on the spot. This is newly regulated by Article 24 of the aforementioned measures and is implemented in practice. However if the application is made through mail, fax, email, etc, the proposed company name will be approved or rejected within 15 days.

Procedure 2 Open a preliminary bank account; deposit fund in the account and obtain the certificate of deposit

Time to complete: 1

Cost to complete: 0

Comment: The Company Law was modified on October 27, 2005, and became effective on January 1, 2006.

- Article 26 lowers the minimum capital requirement to CNY 30,000. According to this article, the shareholders, after paying the required initial capital contribution, may pay off their remaining capital contributions, if any, within 2 years after establishing the company. Note that the required initial capital contribution is at least 20% of the proposed company's registered capital and shall not be lower than the legal requirement for the registered capital for particular industries.
- Article 27 provides the form of the capital contribution. According to this article, if the initial capital contribution is in cash, the shareholders must (a) open a preliminary bank account after obtaining preapproval of the company name; and (b) deposit the initial capital contribution into the bank account. If the initial capital contribution is in nonmonetary assets, the shareholder must transfer the property title of the assets to the company and the value of such assets must be appraised. The initial capital contribution must be verified by legally established verification institutes. The revised Company Law enables shareholders to contribute up to 70% of the registered capital of a limited liability corporation in "nonmonetary assets that can be monetarily valued and legally transferred."

Procedure 3 Obtain capital verification report from an auditing firm

Time to complete: 2

Cost to complete: 350

Comment: An auditing firm has to prepare a report that verifies the company capital as past of the documents necessary for registration

Procedure 4 Obtain registration certification "business license of enterprise legal person" with SAIC or local equivalent

Time to complete: 5

Cost to complete: 32.199

Comment: To obtain registration certification, the company must file a completed application form along with the following documents:

- Notice of approval of company name.
- Lease or other proof of company office.
- Capital verification certificate or appraisal report.
- Articles of association, executed by each shareholder.
- Representation authorization.
- Identity cards of shareholders and identification documents of officers.
- Appointment documents and identification documents (certifying name and address) of the directors, supervisors, and officers.
- Appointment documents and identification documents of the company's legal representative
- If the initial contribution is in nonmonetary assets, the document certifying transfer of the property title of such assets.
- Other documents as required by the authorities.

Within 15 working days from receipt of all documents, the AIC should decide to approve or not approve the company registration. After the company registers, it can proceed to have its seal carved, to open formal bank accounts, and to apply for taxation registration.

According to the new administrative rules, application forms may be downloaded from the local government authorities' Web sites. Statutory time limits were introduced for acceptance of application documents and for registration decisionmaking, which differs according to the form of application. In practice, the decision will usually be made within 15 days of receipt of the application. Documentation requirements for company registration were standardized. The Registry is now required to publicly display them.

- According to Article 52, if an application is filed (by letter, telegraph, telex, fax, email, or electronic data exchange), the Company Registry must, within 5 days of receiving the relevant application documents and materials, decide whether to accept the application. If the application documents and materials are incomplete or do not meet the statutory requirements, the Registry must inform the applicant, within 5 days, of all contents subject to supplementation and correction.

- According to Article 54, if the organ in charge of company registration must verify the application documents and materials, it shall decide whether to approve the registration within 15 days of acceptance. In other cases, the organ must decide whether to approve the registration on the spot or within 15 days of acceptance.

- According to Article 55, if the organ decides to approve a company registration, it shall issue a "notice on approval for establishment registration" and inform the applicant to collect its business license within 10 days.

Procedure 5 Obtain the approval to make a company seal from the police department

Time to complete: 1

Cost to complete: 0

Comment: If all the shareholders are individual investors, the registration file will include the duplicate of the business license (the original and one copy) and the legal representative's identification card. If registration is approved, a notice to make the company seal will be issued to the company.

Procedure 6 Make a company seal

- commitment letter regarding the authenticity of the documents submitted.

Procedure 10 **Open a formal bank account of the company and transfer the registered capital to the account**

Time to complete: 1

Cost to complete: 0

Comment: The procedures and required documents for opening a company bank account and transferring the registered capital to it may vary depending on each bank's practice.

Procedure 11 **Apply for the authorization to print or purchase financial invoices/receipts**

Time to complete: 10

Cost to complete: 0

Comment: After registering for state or local taxes and obtaining the tax registration certificate, the company must apply separately to the relevant authorities (that is, the state and local taxation offices) for approval to purchase and issue financial invoices/receipts. The taxation authority will issue the invoice purchasing book, if it agrees to grant the company such qualification, upon reviewing the following submitted documents:

- Tax registration certificate (one copy).
- Identity card of taxation personnel (one copy).
- Application forms.
- Models of invoice seal.

Procedure 12 **Purchase uniform invoices**

Time to complete: 1

Cost to complete: 10

Comment: The company must obtain and submit an application form to purchase uniform invoices (□□□□□□□□□□). The form and the authorization book (from Procedure 10) must be submitted to the Tax Office.

The VAT and ordinary invoices are published by the tax authority for antiforgery reasons (with few exceptions). Taxpayers buy VAT and ordinary invoices from the tax authority.

Procedure 13 **File for recruitment registration with local career service center**

Time to complete: 1

Cost to complete: 0

Comment: Within 30 days of recruiting employees, a new company must register with the local career service center, sponsored by the local government. Relevant application forms which can be electronically downloaded or obtained from the local career service center shall be filled and submitted.

Procedure 14 **Register with Social Welfare Insurance Center**

Time to complete: 1

Cost to complete: 0

Comment: Within 30 days of establishment, the company must register for the payment of employee social insurance with the local social insurance office by submitting a completed social insurance registration form and the following documents:

- Company seal.
- Duplicate of business license (original and one copy).
- Organization code certificate (original and one copy).

After all these documents have been verified, the authorities will issue a notice to open a social insurance account for the company. The company must then apply to open a special account at the designated bank. The local social insurance office will issue the social insurance registration card to the company on receiving bank notification of account opening.

Dealing with Construction Permits in China

The table below summarizes the procedures, time, and costs to build a warehouse in China.

BUILDING A WAREHOUSE

Date as of: January 2009

Estimated Warehouse Value:

City: Shanghai

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Request and obtain approval of the project proposal from the Municipal Development and Reform Commission	21 days	no charge
2 *	Request and obtain the Approval of Request of Construction Project Planning and Design from the Municipal Commission of Urban Planning	28 days	no charge
3	Request and obtain the Approval on Planning and Design Project for Construction (□□□□□□□□□□) and the Notification on the Review of the Design Plan (□□□□□□□□) from the Municipal Commission of Urban Planning (□□□□□□)	28 days	no charge
4	Request and obtain the Planning Permit of Using Land for Construction Purposes	60 days	no charge
5	Request and obtain the land using permit for construction from State Land, Resources, and Housing Agency	10 days	no charge
6	Request and obtain an environmental evaluation	30 days	no charge
7 *	Request and obtain construction project planning permit	35 days	CNY 1,319
8	Request and obtain Certificate of Safety Operation on Construction Project at the Safety and Quality Supervision Office of the Municipal Construction Commission	1 day	CNY 20
9	Request and obtain evidence of capital from bank	1 day	no charge
10 *	Register construction drawings at the People's Defense office	1 day	CNY 78,036
11 *	Review of construction drawings by Shanghai City Appearance & Environmental Sanitation Administration Bureau	10 days	no charge
12 *	Review of construction drawings by Fire Protection Bureau	20 days	no charge

13 *	Review of construction drawings by Shanghai Police and Traffic Police General Team	25 days	no charge
14 *	Receive review of building drawings by a building drawing examiner authorized by the Planning Committee and obtain a letter of notice	20 days	no charge
15 *	Hire an authorized supervision agency	2 days	CNY 48,021
16 *	Register for direct contracting of construction with the Municipal Tendering Office	1 day	no charge
17 *	Have the building contractor and supervisor seal the application form	1 day	no charge
18 *	Pay the fees for funds of concrete (□□□□□□) and energy-saving wall materials (□□□□□□) with the Office of Building Materials of the Municipal Construction Commission	8 days	no charge
19 *	Enter the project into the Municipal Statistics Bureau's record	1 day	CNY 20
20	Request and obtain building permit	21 days	CNY 4,552
21 *	Receive on-site inspection by the Construction Commission	1 day	no charge
22	Receive "Four-Party" Inspection	1 day	no charge
23	Request and receive inspection of the completed construction from the planning department	10 days	no charge
24 *	Request and receive fire department inspection upon building completion	15 days	no charge
25	Request opinion on whether construction project is lightning-proof	14 days	no charge
26	Request and obtain certificate of the completed construction from the fire department	15 days	no charge
27 *	Request and receive inspection of the completed construction from the environmental protection department	30 days	no charge
28 *	Request and receive inspection on construction completion (□□□□) and inspection from the Municipal Construction Committee	7 days	no charge
29	Request and obtain certificate of completion and certificate of final inspection from the Municipal Construction Commission	21 days	no charge
30 *	Request electricity connection	1 day	no charge

31 *	Receive electricity inspection	1 day	no charge
32 *	Connect to electricity	57 days	no charge
33 *	Request water and sewage connection	1 day	no charge
34 *	Receive water and sewage inspection	1 day	no charge
35 *	Receive connection to water and sewage services	49 days	no charge
36 *	Request and receive connection to telephone	14 days	CNY 200
37 *	Register building with Real Estate Registry	30 days	CNY 550

* Takes place simultaneously with another procedure.

Procedure 1 Request and obtain approval of the project proposal from the Municipal Development and Reform Commission

Time to complete:

21 days

Cost to complete:

no charge

Comment:

To request approval of the project proposal, BuildCo must submit the following documents to the Municipal Development and Reform Commission:

- Letter of application.
- Project proposal, with feasibility study report compiled according to government specifications.
- Land use right.
- Construction location map.
- Business certificate.

The commission will consult with the municipal authorities overseeing land use, planning, and other governmental functions: education, transportation, fire safety, health and sanitation, relics preservation, landscape planning, people's defense, energy efficiency, seismic monitoring, and water irrigation and management. The commission deals with all departments internally.

The feasibility study report, issued by this agency, is required for project investments worth over CNY 10 million. Thus, the report does not apply in the case considered here.

There is no unified time limit for examining and approving the project conducted by the Municipal Development and Reform Commission. For this procedure, the time frame is determined by the particulars of each project. The time frame may vary between 2 to 4 weeks.

Procedure 2 Request and obtain the Approval of Request of Construction Project Planning and Design from the Municipal Commission of Urban Planning

Time to complete:

28 days

Cost to complete:

no charge

Comment:

The Municipal Commission of Urban Planning evaluates the project impact on city planning. Inspection and mapping may be conducted before the commission issues an opinion letter on location selection and enquiry forms for the authorities that the commission deems necessary to be consulted.

To request approval for construction on self-owned land, BuildCo must submit the following documents:

- Attestation on land use rights, which may be one of these three documents (a) land use certificate of state-owned land (□□□□□□); (b) planning permit for using land for construction purposes □□□□□□□□; and (c) certificate of collectively owned land use rights (□□□□□□).
- A completed application form (planning permission of construction project) stamped with BuildCo's seal.
- Introduction of the planned project, including zone area, construction purpose, project feature, and so forth.
- Planning drawings (including major technical indicators).
- Basic cadastral map with designed construction location marked out.
- Topographic map (□□□).
- Title certificate of the land and its attached drawing.

Ensuring that planned construction complies with city requirements planning, the commission examines the documents and proposes design requests.

As a result of this procedure, the relevant municipal construction commission will give the applicant an identification number that allows the applicant to track the progress made on the application (an IC card) when the applicant submit reports on the approved construction project; this occurs after Procedure 2. If the applicant submits the required documents, the IC card will be issued immediately, free of charge. The commission requires the IC card.

Procedure 3 Request and obtain the Approval on Planning and Design Project for Construction (□□□□□□□□□□) and the Notification on the Review of the Design Plan (□□□□□□□□□□) from the Municipal Commission of Urban Planning (□□□□□□)

Time to complete: 28 days

Cost to complete: no charge

Comment: After obtaining the approval of planning request, BuildCo should apply with the Planning Bureau for the approval of the construction planning and design project (□□□□□□□□□□□□□□). The following documents are required for apply this approval:

- Application form, Planning and design project for construction.
- Topographical map□□□□□□.
- Ichnographic map□□□□□□.
- Scheme drawing (□□□□and instruction of design.
- Form, Area of layers (□□□□□□).
- Approval of the feasibility study report or other relevant approval.
- Approval of request of construction project planning and design (□□□□□□□□□□□□□□).
- Other relevant documents and drawings required in the notice of request for construction project planning and design.

The time line is 28 days. There is no charge for this approval.

Procedure 4 Request and obtain the Planning Permit of Using Land for Construction Purposes

Time to complete: 60 days

Cost to complete: no charge

Comment: To request a land-use planning permit, the documents to be filed include

- Application for project planning permit (form sealed by BuildCo).
- Planning opinion and attached map.
- Project proposal, including feasibility report and other documents approved by the municipal planning authority.
- Notice of opinion on construction location and affixed maps or, otherwise, the agreement of the transfer of right for state-owned land and affixed maps.
- Cadastral map.
- Approval of construction design and maps, if the plan has been approved.

The authority should notify the applicant whether revisions are needed within 5 days. The time for this procedure is 40 working days. This procedure occurs after the “notification of the review of design plans” is issued by the municipality.

Procedure 5 Request and obtain the land using permit for construction from State Land, Resources, and Housing Agency

Time to complete: 10 days

Cost to complete: no charge

Comment: The Shanghai Housing, Land, and Resource Administration Bureau reviews requests for the land-use construction permit (□□□□□□□□), including the following documentation:

- Land use planning permit for construction purposes (□□□□□□□□□□).
- Pole setting notice (□□□□□□□□□□).
- Plan of building progress.
- Application for land-use permit.

Procedure 6 Request and obtain an environmental evaluation

Time to complete: 30 days

Cost to complete: no charge

Comment: In the case considered here, BuildCo must submit an environmental impact assessment (□□□□□□□□). Effective January 1, 2006, the approval of environmental evaluation form can be obtained at no cost in 30 days.

Procedure 7 Request and obtain construction project planning permit

Time to complete: 35 days

Cost to complete: CNY 1,319

Comment: Documents needed for construction on the self-owned land include the following:

- Construction plan documents, approved by the Municipal Development and Reform Commission (not required for new buildings less than 300 sq. m. and renovation projects less than 3,000 sq. m.).
- Application form (planning permission for a construction project), stamped with BuildCo seal.
- Notice on the review of the design plan, and the attached drawings.
- Building design drawings.
- Agreements and documents required by the Notice on the review of the design plan.
- Topographic map (□□□).
- Ichnographic map (□□□).
- Construction map (□□□□□).
- Groundwork construction ichnographic map (□□□□□□□□), groundwork detail drawing (□□□□□□□□), and piling plan drawing (□□□□□□□□□□).
- Ichnographic sketch map used for public purposes.
- Approval documents on primary proposal of the construction project.
- Title certificate of the land and its attached drawing.
- Construction budget plan.

The authority issues the permit of project planning or a notice of revision on building drawings. Cost is calculated at 0.1%–0.3% of estimated construction value, and the percentage is smaller if the building cost is larger.

Procedure 8 Request and obtain Certificate of Safety Operation on Construction Project at the Safety and Quality Supervision Office of the Municipal Construction Commission

Time to complete: 1 day

Cost to complete: CNY 20

Comment: All project construction companies must obtain the certificate of safety operation. To obtain it, BuildCo must file the annual building plan and the construction planning permit with the Safety and Quality Supervision Office of the Municipal Construction Commission. This requirement is set by the Notice on Strengthening the Approval of Certificate of Safety Operation on Construction Project, issued by the Department of Construction, effective June 24, 2005.

Procedure 14 Receive review of building drawings by a building drawing examiner authorized by the Planning Committee and obtain a letter of notice

Time to complete: 20 days

Cost to complete: no charge

Comment: The building drawing review and fee collection occur simultaneously with the issuance of the construction project planning permit.

Procedure 15 Hire an authorized supervision agency

Time to complete: 2 days

Cost to complete: CNY 48,021

Comment: There is no uniform price for hiring a supervisor, but the government will normally impose a cap rate or price range. The cost should be calculated as follows:
1. Designing step: if the budgetary estimate of the project design is less than CNY 5,000,000, the cost is calculated as 0.44 % (1,319,017.93 x 0.44%= CNY 5,803.6) of the budgetary estimate of the project design.
2. Building and repairing step: if the budgetary estimate of the project building and repairing is less than CNY 5,000,000, the cost is calculated as 3.3% (1,319,017.93 x 3.3% = CNY 43,527.59CNY) of the budgetary estimate. The new value is CNY 43,527.59 + CNY 5,803.6 = CNY 49 331.19.

These calculations are according to the Notice on the Standard of Industry-directed Price for the Construction Supervision Agency Fees of Shanghai' (Hu Jiang Jiang Xiezi [2001], No.20, effective January 1, 2002).

Procedure 16 Register for direct contracting of construction with the Municipal Tendering Office

Time to complete: 1 day

Cost to complete: no charge

Comment:

Procedure 17 Have the building contractor and supervisor seal the application form

Time to complete: 1 day

Cost to complete: no charge

Comment:

Procedure 18 Pay the fees for funds of concrete (□□□□□) and energy-saving wall materials (□□□□□□) with the Office of Building Materials of the Municipal Construction Commission

Time to complete: 8 days

Cost to complete: no charge

Comment: The fee for the concrete fund is CYN 4 per ton. The fee for the new energy-saving wall material fund depends on the type of construction:

- Civil: CYN 8 per sq. m.
- Industrial: CYN 10 per sq. m.

There is no charge for filing an application. BuildCo does not need to pay the fund for the new energy-saving wall material. After BuildCo completes construction, the Office of Building Materials charges for the clay brick funds, according to the size and number of clay bricks used in construction:

- 24 centimeter clay brick: CNY 0.085 per brick.
- 20 centimeter clay brick: CNY 0.060 per brick.

Fee schedule for concrete fund:

- 500 tons or under: CNY 3 per ton.
- More than 500 tons: CYN 2 per ton.

The time line is 1 day for concrete and 7 days for energy-saving wall materials.

Procedure 19 Enter the project into the Municipal Statistics Bureau’s record

Time to complete: 1 day

Cost to complete: CNY 20

Comment: To enter the project into the Municipal Statistics Bureau’s record, BuildCo should submit a copy of the business license and the organization code certificate. The fee is CNY 20.

Procedure 20 Request and obtain building permit

Time to complete: 21 days

Cost to complete: CNY 4,552

Comment: To request a building permit, BuildCo must file the following documents:

- Land-use permit for construction purpose (□□□□□□).
- Planning permit for the construction project (□□□□□□□□).
- Building contract.
- Building drawings and examination documents (□□□□□□□□□□□□□□□□).
- Building organization plan (□□□□□□), with the opinion from the general supervisor or the lead project technician.
- Notification of qualify monitoring and safety monitoring (□□□□□□□□□□□□□□).
- Contract of supervision (□□□□).
- Evidence of capital.
- Building permit applications (□□□□□□□□□□) (two copies).
- Building plan for the year (□□□□□□).
- Filing notice with the People's Defense Office.
- Evidence of payment of fees (□□□□□□□□□□).
- Evidence of payment of concrete fund and energy-saving fund (□□□□□□□□□□□□□□□□□□□□□□□□).
- Registration notice from the Municipal Statistics Bureau (□□□□□□□□□□).
- IC card for construction project.
- Construction contract and anticorruption agreement (form agreement between the owner and the contractor for certain anticorruption commitments) (copy).

The office registers on BuildCo’s behalf for quality and safety monitoring and issues a notice. The statutory time limit for this procedure is 15 working days.

Procedure 21 Receive on-site inspection by the Construction Commission

Time to complete: 1 day
Cost to complete: no charge
Comment: No time limits apply for inspections. The approximate waiting time is 5 days.

Procedure 22 Receive "Four-Party" Inspection

Time to complete: 1 day
Cost to complete: no charge
Comment: This procedure is called a four-party inspection (□□□□). The four parties include the site inspector, the designer, the builder, and the supervisor.

Procedure 23 Request and receive inspection of the completed construction from the planning department

Time to complete: 10 days
Cost to complete: no charge
Comment: To request a final inspection, BuildCo must file the following documents:
- Application form for building construction permit.
- Planning permit for the construction project (□□□□□□□□).
- Bank attestation on capital (□□□□□□).
- Evidence of water connection, power connection, road access, and ground unkited (□□□).
- Construction contract with contractor and probity agreement (□□□□).
- Supervising contract.
- Certificate of quality and safety operation.
- Bid winning award notice for exploration, design, and construction.
- Approval of construction drawings and examination of design documents.

Procedure 24 Request and receive fire department inspection upon building completion

Time to complete: 15 days
Cost to complete: no charge
Comment:

Procedure 25 Request opinion on whether construction project is lightning-proof

Time to complete: 14 days
Cost to complete: no charge
Comment: To obtain an opinion, BuildCo must file the following with the fire department:
- Application for fire department inspection of the completed construction.
- Inspection report of fire control establishment, if any.

Procedure 26 Request and obtain certificate of the completed construction from the fire department

Time to complete: 15 days

Cost to complete: no charge

Comment: The time limit is 17 working days from the receipt of application (according to Web site information for the Public Security and Fire Prevention Authority). In practice, the application process takes longer.

Procedure 27 Request and receive inspection of the completed construction from the environmental protection department

Time to complete: 30 days

Cost to complete: no charge

Comment: To receive a final environmental inspection, BuildCo must submit these required documents:

- Supervisory report from the completed construction inspection.
- Application for completed construction inspection.
- Approval of trial production.
- Approval of evaluation on environmental impact.

The time limit is 30 days from the receipt of application, according to the Environment Protection Bureau Web site.

Procedure 28 Request and receive inspection on construction completion (□□□) and inspection from the Municipal Construction Committee

Time to complete: 7 days

Cost to complete: no charge

Comment: Within 15 days after the building passes inspection, BuildCo must file the following documents with the Municipal Construction Commission:

- Filing form for inspection of completed construction.
- Inspection report of the completed construction (including all project information and acknowledgments of design, building, and supervisory parties).
- Occupation permits, issued by the planning, police and fire, and environmental departments.
- Acknowledgment of the city construction dossier department.
- Permit, issued by the People's Defense Office.
- Quality warranty, issued by the builder.
- Completion inspection report, IC card of construction project, and use permit (issued respectively by the Urban Planning Authority, Public Security Authority, Fire Prevention Authority, Environmental Protection Bureau, Antithunder Center), concrete fund settlement application, and documents on quality auditing fare settlement.

This procedure must be completed on the day of application, provided that the documents required for submission are complete. There is no charge for this procedure.

Procedure 29 Request and obtain certificate of completion and certificate of final inspection from the Municipal Construction Commission

Time to complete: 21 days

Cost to complete: no charge

Comment: Within 15 days after the building passes the inspection, BuildCo must file the following documents with the Municipal Construction Commission:

- Filing form of inspected completed construction.
- Inspection report of the completed construction (including all project information and acknowledgment of the design, building, and supervisory parties).
- Occupation permits, issued by the planning, police and fire, and environmental departments.
- Acknowledgment of the city construction dossier department.
- Permit, issued by the People's Defense Office.
- Quality warranty, issued by the builder.
- Opinion on inspection and acceptance of lightning-proof construction project (□□□□□□□□□□□□□□□□).
- Application form for fund of concrete (□□□□□□□□□□□□□□□□).
- Relevant documents of paid fees of quality supervising (□□□□□□□□□□□□□□□□).
- IC card of construction project.
- Completion inspection report, IC card of construction project, use permit (issued respectively by Urban Planning Authority, Public Security Authority, Fire Prevention Authority, Environmental Protection Bureau, Antithunder Center), concrete fund settlement application, and documents on quality auditing fare settlement.

This procedure must be completed on the day of application, provided that the documents required for submission are complete. There is no charge for this procedure. The statutory time limit for this procedure is 15 working days.

Procedure 30 Request electricity connection

Time to complete: 1 day

Cost to complete: no charge

Comment: Shanghai Power Corp. will levy BuildCo's power supply construction charges, which include a financial charge, temporary facility charge, construction supervision charge, and basic preparation charge. The power supply construction charge will be determined mainly by the conditions of the premises and the surrounding areas of the warehouse. Thus the information assumed for this case study is insufficient to determine the specific charge. The power company indicates that the connection facilities must be finished within 3 months; an itemized bill will be provided afterward.

Procedure 31 Receive electricity inspection

Time to complete: 1 day

Cost to complete: no charge

Comment: The on-site pre-inspection is needed to determine power connection feasibility in this specific site. If feasible, they BuildCo must develop a cost budget for power connection, depending on the construction material price and quantity.

Procedure 32 Connect to electricity

Time to complete: 57 days

Cost to complete: no charge

Comment:

Procedure 33 Request water and sewage connection

Time to complete: 1 day

Cost to complete: no charge

Comment: The water and sewage connection fee depends on the actual project size (including the price of labor and materials). A budget is a must.

The application procedure lasts at least 1–2 months and usually takes 3–4 months.

Procedure 34 Receive water and sewage inspection

Time to complete: 1 day

Cost to complete: no charge

Comment: Upon receiving the water supply application, the water service crew conducts on-site surveys within 7 days. The completion of water supply is determined by construction conditions. As for sewage licensing, the Municipal Water Bureau needs 20 days after BuildCo submits the project approval and other documents on the sewage facility design to conduct a preliminary inspection. After completing the inspection and trial operation, the bureau requires 20 days to examine the results of the facility and grant approval.

Procedure 35 Receive connection to water and sewage services

Time to complete: 49 days

Cost to complete: no charge

Comment:

Procedure 36 Request and receive connection to telephone

Time to complete: 14 days

Cost to complete: CNY 200

Comment: The charge may vary between CNY 140 and CNY 310.

Procedure 37 Register building with Real Estate Registry

Time to complete: 30 days

Cost to complete: CNY 550

Comment: The warehouse considered here should fall into the category of nonresidential real property, in which case the registry procedure will take 20 days from receipt of the application. The cost is calculated according to the actual property value. In this case, considering the assumption that the value exceeds 1 million, the registry fee rate should be 0.03%, or about CNY 384. Before selling the building, the property must be registered and the certificate obtained.

Employing Workers in China

Employing workers indices are based on responses to survey questions. The table below shows these responses in China.

Employing Workers Indicators (2009)	Answer	Score
Difficulty of hiring index (0-100)		11.1
Are fixed-term contracts prohibited for permanent tasks?	No	0
What is the maximum duration of fixed-term contracts (including renewals)? (in months)	No limit	0.0
What is the ratio of mandated minimum wage to the average value added per worker?	0.36	0.33
Difficulty of redundancy index (0-10)		50.0
Is the termination of workers due to redundancy legally authorized?	Yes	0
Must the employer notify a third party before terminating one redundant worker?	Yes	1
Does the employer need the approval of a third party to terminate one redundant worker?	No	0
Must the employer notify a third party before terminating a group of 9 redundant workers?	Yes	1
Does the employer need the approval of a third party to terminate a group of 9 redundant workers?	No	0
Is there a retraining or reassignment obligation before an employer can make a worker redundant?	Yes	1
Are there priority rules applying to redundancies?	Yes	1
Are there priority rules applying to re-employment?	Yes	1
Redundancy costs (weeks of salary)		91.0
What is the notice period for redundancy dismissal after 20 years of continuous employment? (weeks of salary)		4.3
What is the severance pay for redundancy dismissal after 20 years of employment? (weeks of salary)		86.7
What is the legally mandated penalty for redundancy dismissal? (weeks of salary)		0.0
Rigidity of employment index (0-100)		31.5
Rigidity of hours index (0-100)		33.3
Can the workweek extend to 50 hours (including overtime) for 2 months per year to respond to a seasonal increase in production?	Yes	0

What is the maximum number of working days per week?	6	0
Are there restrictions on night work and do these apply when continuous operations are economically necessary?	Yes	0.67
Are there restrictions on "weekly holiday" work and do these apply when continuous operations are economically necessary?	Yes	1.00
What is the paid annual vacation (in working days) for an employee with 20 years of service?	15	0

Note: The first three indices measure how difficult it is to hire a new worker, how rigid the regulations are on working hours, and how difficult it is to dismiss a redundant worker. Each index assigns values between 0 and 100, with higher values representing more rigid regulations. The overall Rigidity of Employment Index is an average of the three indices.

Registering Property in China

This topic examines the steps, time, and cost involved in registering property in China.

STANDARDIZED PROPERTY

Property Value: 1,145,651.13

City: Shanghai

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Parties obtain application and notifications sheet, and pay fees	1 day	Deed tax: 3% of property value to be paid by the buyer Stamp duty: 0.05% of property value paid each buyer and seller (total 0.1)
2	Parties file the application at the House and Land Resources Administration Centre	up to 20 business days	no cost
3	Parties pay registration fee	1 day	CNY 550
4	Parties pick up new title certificate	1 day	no cost

Procedure 1 Parties obtain application and notifications sheet, and pay fees

Time to complete: 1 day

Cost to complete: Deed tax: 3% of property value to be paid by the buyer
Stamp duty: 0.05% of property value paid each by buyer and seller (total 0.1%)

Comment: The parties visit the House and Land Resources Administration Centre to pick up an application and a notification sheet that gives instructions on how to proceed. The parties fill the application on the spot, impose their company seals on it, and present it to pay the applicable taxes at the Finance Window. Some property registry offices in Shanghai do not collect stamp duty from companies. In such a case, both the seller and the buyer will have to pay stamp duty to the tax authorities with jurisdiction over them.

Procedure 2 Parties file the application at the House and Land Resources Administration Centre

Time to complete: up to 20 business days

Cost to complete: no cost

Comment: Private ownership of land is not permitted in China; all land is subject to either State ownership or collective ownership. However, a private party is entitled to obtain the right to use the land. Regarding the State-owned land, there are two types of land use rights, the “granted land use right” and the “allocated land use right”. The difference is that the granted land use right is limited in time against payment, whereas the allocated land use right is usually given for free with no time limit, but for specific purposes only. A private party also may transfer to another private party the granted land use right. The allocated land use right cannot be commercially transferable before being converted into granted land use right.

In this case, the land is used for commercial purposes. Usually land for commercial use is owned by the State, and the relevant land use right is the State-owned land use right. As to the term of the land use right in this case the buyer, who will use the land for commercial purposes, will only get 40 years as the initial term (as maximum unless it extends the granted land use rights at the end of the 40 year period by paying to the State the additional land price) minus the period from the granting date from the State to the date of the transfer to ABC.

There is a standard form sale and purchase agreement formulated by government authorities and is required to be used in practice. The contents of the standard form agreement may be revised or supplemented by way of a supplemental agreement attached to the standard form agreement as appendix. The sale and purchase agreement needs to be printed at designated printers. Such printers are only available at licensed real estate brokers and the property registry offices.

Property Ownership Certificate and Land Use Right Certificate are combined into one certificate in Shanghai, which is called "Real Estate Title Certificate".

The documentation shall include:

The seller and the buyer should submit one original real estate sales and purchase contract (duly signed) and a writing representation of the seller and buyer regarding the title transfer. There is no standard form of the contract (except for newly constructed commercial residential properties) nor the participation of a lawyer/notary is required.

The seller should submit the below documents:

(i) The original copy of the Property Ownership Certificate and Land Use Right Certificate "Real Estate Title Certificate" (already in possession of the seller);

- (ii) The original copy of the Business License or Organization Code Certificate;
- (iii) The original copy of the Board resolution approving the sales of the real estate;
- (iv) District Branch-dedicated Form for proof of legal representative's authority, and photocopy of the identification card (or passport) of the legal representative; and
- (v) Photocopy of the identification card of the individual authorized to handle the actual procedures, and the original copy of Power of Attorney.

The buyer should submit the below documents:

- (i) Real Estate Ownership Registration Form;
- (ii) The original copy of the Business License or Organization Code Certificate;
- (iii) The original copy of the Board resolution approving the purchase of the real estate;
- (iv) District Branch-dedicated Form for proof of legal representative's authority, and photocopy of the identification card (or passport) of the legal representative; And
- (v) Photocopy of the identification card of the individual authorized to handle the actual procedures, and the original copy of Power of Attorney.

Procedure 3 Parties pay registration fee

Time to complete: 1 day

Cost to complete: CNY 550

Comment: The registration fee is paid at a separate window from that where one picks up the new title certificate. The Ministry of Finance and State Development and Reform Commission issued a notice, effective from May 1st 2008, to standardize the registration fees for real estate property. The registration fee is set at CNY 80 for one piece of residential housing and CNY 550 for one piece of non-residential building. The registration fee is decided by piece, not value of the property.

Procedure 4 Parties pick up new title certificate

Time to complete: 1 day

Cost to complete: no cost

Comment: After paying the registration fee, along with the receipt, the buyer obtains the new Real Estate Title Certificate. In Shanghai the former Property Ownership Certificate and the Land Use Right Certificate have been combined into one certificate, the Real Estate Title Certificate. The title transfer procedure will be complete upon the issuance of the new Real Estate Title Certificate.

Getting Credit in China

The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in China.

Getting Credit Indicators (2009)			Indicator
			score
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry	4
Are data on both firms and individuals distributed?	No	Yes	1
Are both positive and negative data distributed?	No	Yes	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	No	No	0
Are more than 2 years of historical credit information distributed?	No	Yes	1
Is data on all loans below 1% of income per capita distributed?	No	Yes	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	No	No	0
Coverage		0.0	62.1
Number of individuals		0	638,735,000
Number of firms		0	14,692,000

Strength of legal rights index (0-10)		6
Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?		Yes
Does the law allow businesses to grant a non possessory security right in a single category of revolving movable assets, without requiring a specific description of the secured assets ?		Yes
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of the secured assets ?		Yes
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?		No
Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?		Yes
Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?		No
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?		Yes
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?		Yes

During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?

No

Does the law authorize parties to agree on out of court enforcement?

No

Protecting Investors in China

The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in China.

Protecting Investors Data (2009)	Indicator
Extent of disclosure index (0-10)	10
What corporate body provides legally sufficient approval for the transaction? (0-3; see notes)	3
Immediate disclosure to the public and/or shareholders (0-2; see notes)	2
Disclosures in published periodic filings (0-2; see notes)	2
Disclosures by Mr. James to board of directors (0-2; see notes)	2
Requirement that an external body review the transaction before it takes place (0=no, 1=yes)	1
Extent of director liability index (0-10)	1
Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company. (0-2; see notes)	0
Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company. (0-2; see notes)	0
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff (0-2; see notes)	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	0
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	0
Whether fines and imprisonment can be applied against Mr. James (0=no, 1=yes)	0
Shareholder plaintiff's ability to sue directly or derivatively for damage the transaction causes to the company (0-1; see notes)	1
Ease of shareholder suits index (0-10)	4
Documents available to the plaintiff from the defendant and witnesses during trial (0-4; see notes)	0
Ability of plaintiffs to directly question the defendant and witnesses during trial (0-2; see notes)	2
Plaintiff can request categories of documents from the defendant without identifying specific ones (0=no, 1=yes)	0
Shareholders owning 10% or less of Buyer's shares can request an inspector investigate the transaction (0=no, 1=yes)	0

Level of proof required for civil suits is lower than that for criminal cases (0=no, 1=yes)	1
Shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit (0=no, 1=yes)	1

Strength of investor protection index (0-10)	5.0
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Notes:

Extent of Disclosure Index

What corporate body provides legally sufficient approval for the transaction?

0=CEO or managing director alone; 1=shareholders or board of directors vote and Mr. James can vote; 2=board of directors votes and Mr. James cannot vote; 3 = shareholders vote and Mr. James cannot vote

Immediate disclosure to the public and/or shareholders

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

Disclosures in published periodic filings

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

Disclosures by Mr. James to board of directors

0=none; 1=existence of a conflict without any specifics; 2= full disclosure of all material facts

Director Liability Index

Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company

0= Mr. James is not liable or liable only if he acted fraudulently or in bad faith; 1= Mr. James is liable if he influenced the approval or was negligent; 2= Mr. James is liable if the transaction was unfair, oppressive or prejudicial to minority shareholders

Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company

0=members of the approving body are either not liable or liable only if they acted fraudulently or in bad faith; 1=liable for negligence in the approval of the transaction; 2=liable if the transaction is unfair, oppressive, or prejudicial to minority shareholders

Whether a court can void the transaction upon a successful claim by a shareholder plaintiff

0=rescission is unavailable or available only in case of Seller's fraud or bad faith; 1=available when the transaction is oppressive or prejudicial to minority shareholders; 2=available when the transaction is unfair or entails a conflict of interest

Shareholder plaintiffs' ability to sue directly or derivatively for damage the transaction causes to the company

0=not available; 1=direct or derivative suit available for shareholders holding 10% of share capital or less

Shareholder Suits Index

Documents available to the plaintiff from the defendant and witnesses during trial

Score 1 each for (1) information that the defendant has indicated he intends to rely on for his defense; (2) information that directly proves specific facts in the plaintiff's claim; (3) any information that is relevant to the subject matter of the claim; and (4) any information that may lead to the discovery of relevant information.

Ability of plaintiffs to directly question the defendant and witnesses during trial

0=no; 1=yes, with prior approval by the court of the questions posed; 2=yes, without prior approval

Paying Taxes in China

The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in China, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Value added tax (VAT)	1	online filing	216	17%	value added		
Land use tax	1			RMB6 per square meter	land area	0.40	
Business tax	1			5.0%	capital gain	0.51	
Levies for construction and Maintenance of River projects	0	paid jointly		1%	VAT and business tax	0.51	
Real estate tax	1			1%	80% building value	0.94	
Stamp duty	1			0.03%	transactions	0.97	
Education surcharge	0	paid jointly		3.00%	VAT	1.52	
Corporate income tax	1	online filing	96	25.00%	taxable profits	2.12	
Urban maintenance tax	0	paid jointly		7%	VAT	3.54	
Social security/housing fund contributions	1	online filing	192	44.0%	gross salaries	68.01	
Totals	7		504			78.5	

Notes:

- a) data not collected
- b) VAT is not included in the total tax rate because it is a tax levied on consumers
- c) very small amount
- d) included in other taxes
- e) Withheld tax
- f) electronic filling available
- g) paid jointly with another tax

Name of taxes have been standardized. For instance income tax, profit tax, tax on company's income are all named corporate income tax in this table.

When there is more than one statutory tax rate, the one applicable to TaxpayerCo is reported.

The hours for VAT include all the VAT and sales taxes applicable.

The hours for Social Security include all the hours for labor taxes and mandatory contributions in general.

Trading Across Borders in China

These tables list the procedures necessary to import and exports a standardized cargo of goods in China. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2009)	Duration (days)	US\$ Cost
Documents preparation	14	250
Customs clearance and technical control	2	70
Ports and terminal handling	2	85
Inland transportation and handling	3	95
Totals	21	500

Nature of Import Procedures (2009)	Duration (days)	US\$ Cost
Documents preparation	15	260
Customs clearance and technical control	4	70
Ports and terminal handling	2	80
Inland transportation and handling	3	135
Totals	24	545

Export

Bill of lading

Cargo release order

Certificate of origin

Commercial invoice

Customs export declaration

Packing list

Terminal handling receipts

Import

Bill of lading

Certificate of origin

Commercial invoice

Customs import declaration

Enforcing Contracts in China

This topic looks at the efficiency of contract enforcement in China.

Nature of Procedure (2009)	Indicator
Procedures (number)	34
Time (days)	406
Filing and service	21.0
Trial and judgment	195.0
Enforcement of judgment	190.0
Cost (% of claim)*	11.10
Attorney cost (% of claim)	3.6
Court cost (% of claim)	6.3
Enforcement Cost (% of claim)	1.2

Court information: Shanghai District People's Court("□□□□□□□□")

* Claim assumed to be equivalent to 200% of income per capita.



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