

Doing Business 2011

Palau

**Making
a Difference for
Entrepreneurs**

COMPARING BUSINESS REGULATION IN 183 ECONOMIES



© 2010 The International Bank for Reconstruction and Development / The World Bank
1818 H Street NW
Washington, DC 20433
Telephone 202-473-1000
Internet www.worldbank.org

All rights reserved.
1 2 3 4 08 07 06 05

A copublication of The World Bank and the International Finance Corporation.

This volume is a product of the staff of the World Bank Group. The findings, interpretations and conclusions expressed in this volume do not necessarily reflect the views of the Executive Directors of the World Bank or the governments they represent. The World Bank does not guarantee the accuracy of the data included in this work.

Rights and Permissions

The material in this publication is copyrighted. Copying and/or transmitting portions or all of this work without permission may be a violation of applicable law. The World Bank encourages dissemination of its work and will normally grant permission to reproduce portions of the work promptly.

For permission to photocopy or reprint any part of this work, please send a request with complete information to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, USA; telephone 978-750-8400; fax 978-750-4470; Internet www.copyright.com.

All other queries on rights and licenses, including subsidiary rights, should be addressed to the Office of the Publisher, The World Bank, 1818 H Street NW, Washington, DC 20433, USA; fax 202-522-2422; e-mail pubrights@worldbank.org.

Additional copies of *Doing Business 2011: Making a Difference for Entrepreneurs*, *Doing Business 2010: Reforming through Difficult Times*, *Doing Business 2009*, *Doing Business 2008*, *Doing Business 2007: How to Reform*, *Doing Business in 2006: Creating Jobs*, *Doing Business in 2005: Removing Obstacles to Growth* and *Doing Business in 2004: Understanding Regulations* may be purchased at www.doingbusiness.org.

ISBN: 978-0-8213-7960-8
E-ISBN: 978-0-8213-8630-9
DOI: 10.1596/978-0-8213-7960-8
ISSN: 1729-2638

Library of Congress Cataloging-in-Publication data has been applied for.
Printed in the United States

Current features

News on the *Doing Business* project

<http://www.doingbusiness.org>

Rankings

How economies rank-from 1 to 183

<http://www.doingbusiness.org/rankings/>

Reformers

Short summaries of DB2011 reforms, lists of reformers since DB2004 and a ranking simulation tool

<http://www.doingbusiness.org/reforms/>

Historical data

Customized data sets since DB2004

<http://www.doingbusiness.org/custom-query/>

Methodology and research

The methodologies and research papers underlying *Doing Business*

<http://www.doingbusiness.org/Methodology/>

Download reports

Access to *Doing Business* reports as well as subnational and regional reports, reform case studies and customized country and regional profiles

<http://www.doingbusiness.org/reports/>

Subnational and regional projects

Differences in business regulations at the subnational and regional level

<http://www.doingbusiness.org/subnational-reports/>

Law Library

Online collection of business laws and regulations relating to business and gender issues

<http://www.doingbusiness.org/law-library/>

<http://wbl.worldbank.org/>

Local partners

More than 8,200 specialists in 183 economies who participate in *Doing Business*

<http://www.doingbusiness.org/Local-Partners/Doing-Business/>

Business Planet

Interactive map on the ease of doing business

<http://rru.worldbank.org/businessplanet>

Contents

Introduction
and Aggregate Rankings

5 - Year Measure of
Cumulative Change

Starting a Business

Dealing with
Construction Permits

Registering Property

Getting Credit

Protecting Investors

Paying Taxes

Trading Across Borders

Enforcing Contracts

Closing a Business

Doing Business 2011
Business Reforms

Doing Business 2011: Making a Difference for Entrepreneurs is the eighth 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 9 stages of a business's life are measured: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2011* are current as of June 1, 2010*. 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, 25 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 18 in the Middle East and North Africa and 8 in South Asia, as well as 30 OECD high-income economies.

The following pages present the summary Doing Business indicators for Palau. The data used for this economy 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 2011: Making a Difference for Entrepreneurs* 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).

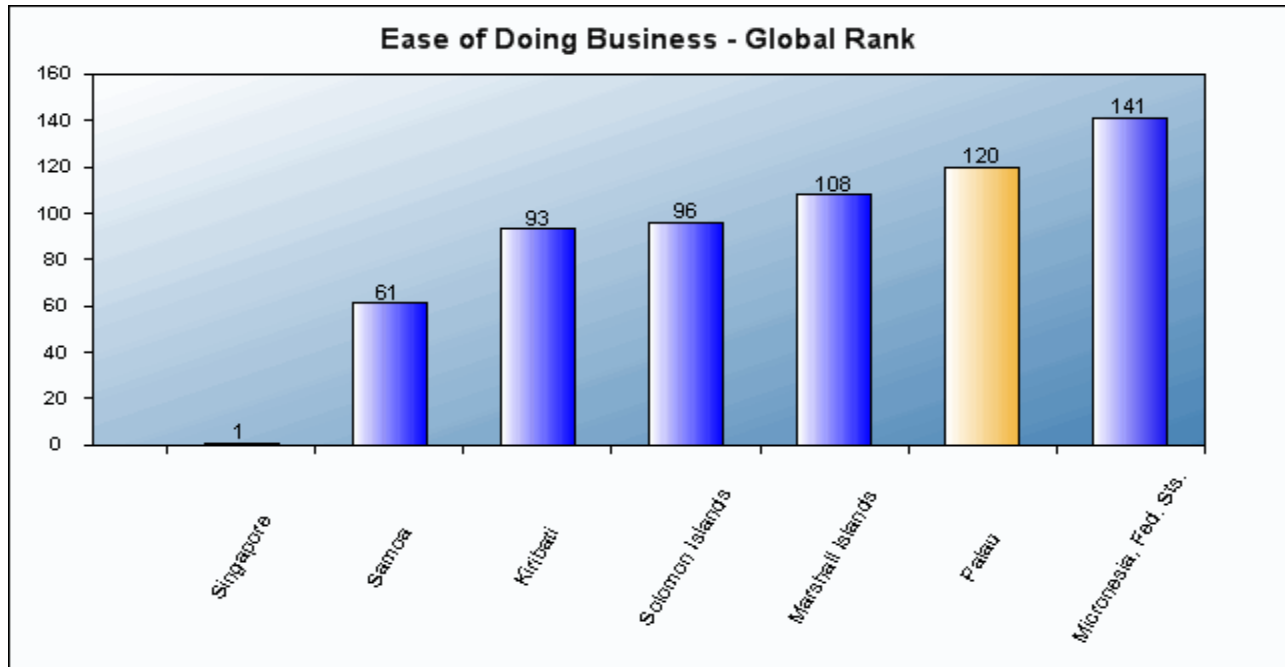
* Except for the Paying Taxes indicator that refers to the period January to December of 2009.

Note: 2008-2010 Doing Business data and rankings have been recalculated to reflect changes to the methodology and the addition of new economies (in the case of the rankings).

Economy Rankings - Ease of Doing Business

Palau is ranked 120 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

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



Palau's ranking in Doing Business 2011

Rank	Doing Business 2011
Ease of Doing Business	120
Starting a Business	105
Dealing with Construction Permits	54
Registering Property	20
Getting Credit	183
Protecting Investors	173
Paying Taxes	89
Trading Across Borders	121
Enforcing Contracts	145
Closing a Business	60

Summary of Indicators - Palau

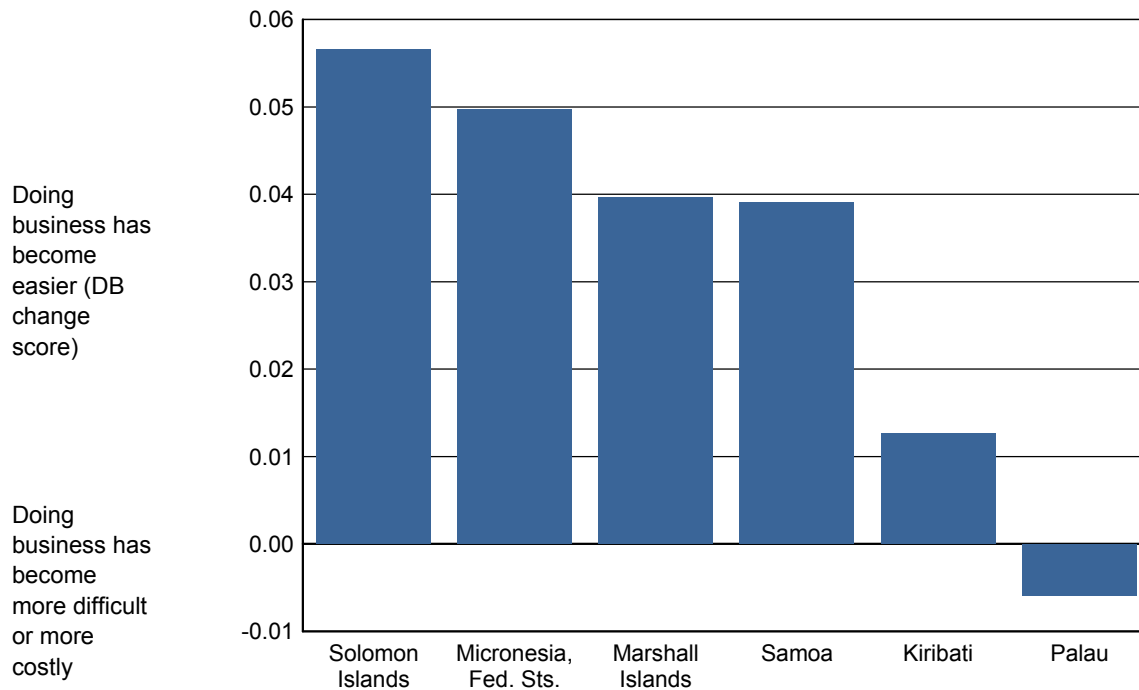
Starting a Business	Procedures (number)	8
	Time (days)	28
	Cost (% of income per capita)	4.2
	Min. capital (% of income per capita)	11.2
Dealing with Construction Permits	Procedures (number)	25
	Time (days)	118
	Cost (% of income per capita)	5.1
Registering Property	Procedures (number)	5
	Time (days)	14
	Cost (% of property value)	0.3
Getting Credit	Strength of legal rights index (0-10)	0
	Depth of credit information index (0-6)	0
	Public registry coverage (% of adults)	0.0
	Private bureau coverage (% of adults)	0.0
Protecting Investors	Extent of disclosure index (0-10)	0
	Extent of director liability index (0-10)	0
	Ease of shareholder suits index (0-10)	8
	Strength of investor protection index (0-10)	2.7
Paying Taxes	Payments (number per year)	19
	Time (hours per year)	128
	Profit tax (%)	65.9
	Labor tax and contributions (%)	6.5
	Other taxes (%)	0.5
	Total tax rate (% profit)	73.0
Trading Across Borders	Documents to export (number)	6
	Time to export (days)	29
	Cost to export (US\$ per container)	1070
	Documents to import (number)	10
	Time to import (days)	33
	Cost to import (US\$ per container)	1022

Enforcing Contracts	Procedures (number)	38
	Time (days)	885
	Cost (% of claim)	35.3
Closing a Business	Recovery rate (cents on the dollar)	37.9
	Time (years)	1.0
	Cost (% of estate)	23

The 5 year measure of cumulative change illustrates how the business regulatory environment has changed in 174 economies from *Doing Business 2006* to *Doing Business 2011*. Instead of highlighting which countries currently have the most business friendly environment, this new approach shows the extent to which an economy's regulatory environment for business has changed compared with 5 years ago.

This snapshot reflects all cumulative changes in an economy's business regulation as measured by the Doing Business indicators-such as a reduction in the time to start a business thanks to a one-stop shop or an increase in the strength of investor protection index thanks to new stock exchange rules that tighten disclosure requirements for related-party transactions.

This figure shows the distribution of cumulative change across the 9 indicators and time between *Doing Business 2006* and *Doing Business 2011*



Many economies have undertaken reforms to smooth the starting a business process in stages—and often as part of a larger regulatory reform program. A number of studies have shown that among the benefits of streamlining the process to start a business have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms.

Some reform outcomes

In Egypt reductions of the minimum capital requirement in 2007 and 2008 led to an increase of more than 30% in the number of limited liability companies.

In Portugal creation of One-Stop Shop in 2006 and 2007 resulted in a reduction of time to start a business from 54 days to 5. In 2007 and 2008 new business registrations were up by 60% compared with 2006.

In Malaysia reduction of registration fees in 2008 led to an increase in registrations by 16% in 2009.

What does Starting a Business measure?

Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration
- Post registration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

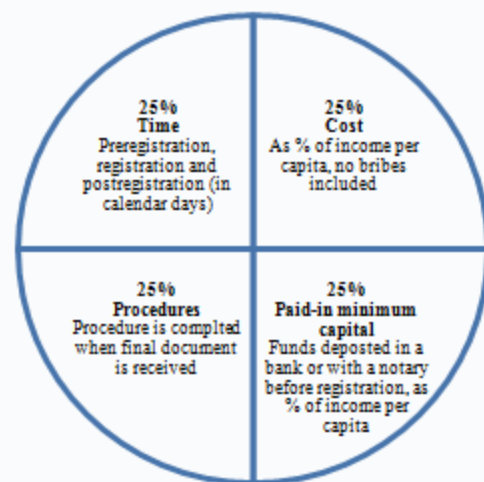
Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law

Paid-in minimum capital (% of income per capita)

- Deposited in a bank or with a notary prior to registration begins

Starting a Business: getting a local limited liability company up and running
Rankings are based on 4 subindicators



Case Study Assumptions

- Doing Business records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business.
- Any required information is readily available and that all agencies involved in the start-up process function without corruption.

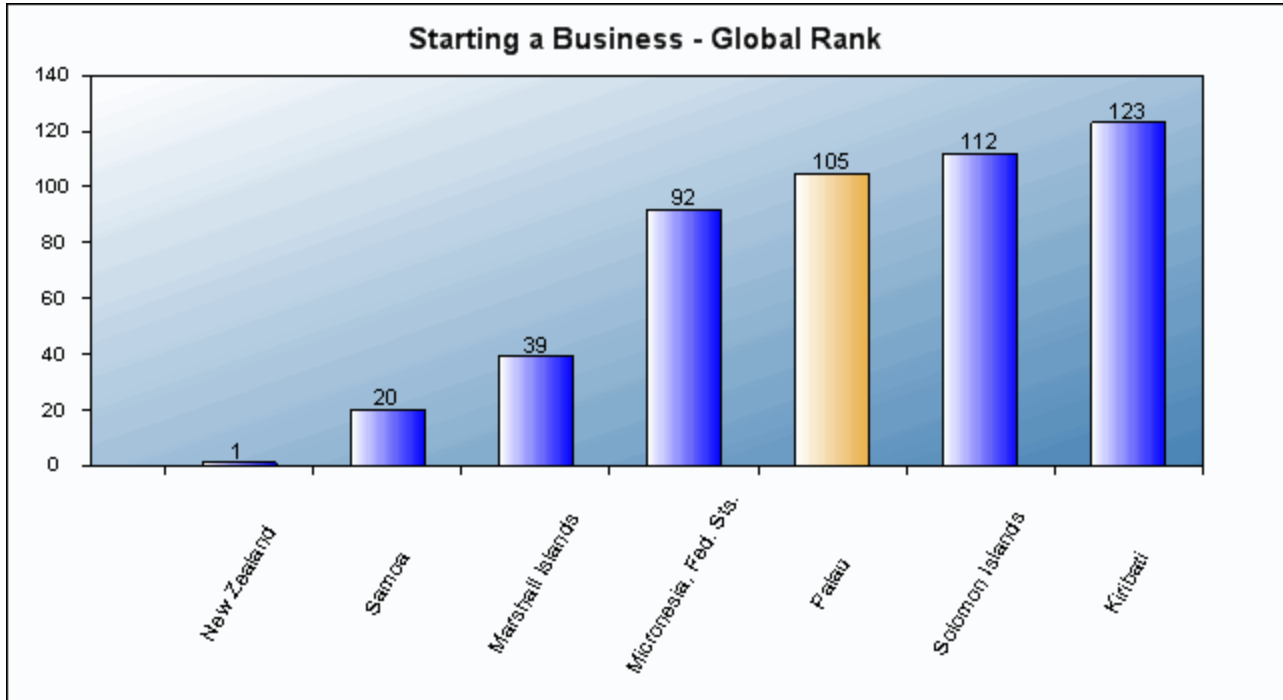
The business:

- is a limited liability company, located in the largest business city
- conducts general commercial activities
- 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 at least 10 and up to 50 employees
- does not qualify for investment incentives or any special benefits
- leases the commercial plant and offices and is not a proprietor of real estate

1. Benchmarking Starting a Business Regulations:

Palau is ranked 105 overall for Starting a Business.

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



The following table shows Starting a Business data for Palau 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>				
Palau	8	28	4.2	11.2

<i>Comparator Economies</i>				
Kiribati	6	21	40.2	21.7
Marshall Islands	5	17	17.3	0.0
Micronesia, Fed. Sts.	7	16	150.5	0.0
Samoa	5	9	9.8	0.0
Solomon Islands	7	57	68.1	0.0

* The following economies are also good practice economies for :

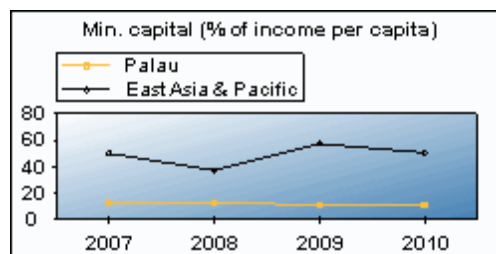
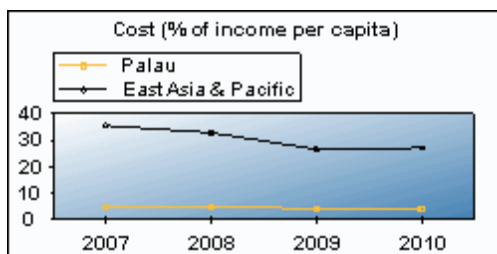
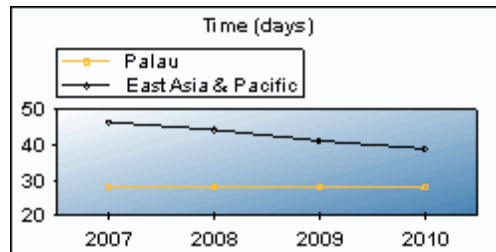
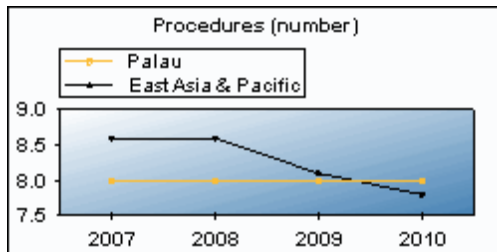
Procedures (number): **Canada**

Cost (% of income per capita): **Slovenia**

2. Historical data: Starting a Business in Palau

Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	106	105
Procedures (number)	8	8	8	8
Time (days)	28	28	28	28
Cost (% of income per capita)	4.7	4.6	4.3	4.2
Min. capital (% of income per capita)	12.5	12.2	11.6	11.2

3. The following graphs illustrate the Starting a Business sub indicators in Palau over the past 4 years:



What are the time, cost, paid-in minimum capital and number of procedures to get a local, limited liability company up and running?



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

STANDARDIZED COMPANY

Legal Form: Private Limited Liability Company

City: Koror

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Deposit the legally required capital in a bank and obtain deposit evidence	1	no charge
2	Check the uniqueness of the proposed company name and reserve a name	1	no charge
3	Notarize the company deeds	1	USD 10
4	Pay the registration fee at the National Treasury	1	USD 250
5	Register the company with the Corporate Registrar at the Office of the Attorney General; obtain a certificate of incorporation	14	no charge
6	Register employees for social security and obtain an employer identification number (EIN)	1	USD 15
7	Apply for a business license from the relevant licensing authority	5	USD 50

Starting a Business Details - Palau

Procedure 1 Deposit the legally required capital in a bank and obtain deposit evidence

Time to complete: 1

Cost to complete: no charge

Comment: Under the Money Laundering and Proceeds of Crime Act of 2001, a corporate bank account cannot be opened until incorporation documents are issued. Accordingly, the incorporator must first either open an account in his name or deposit the initial capital in the trust account of his attorney for the corporation. Incorporators must obtain proof of payment in the form of a bank statement, receipt, or other documentation of the amount paid into the company as paid-in capital.

Procedure 2 Check the uniqueness of the proposed company name and reserve a name

Time to complete: 1

Cost to complete: no charge

Comment: The uniqueness of the proposed company name can be checked over the phone. The Corporate Registrar at the Office of the Attorney General searches the name index. In practice, few incorporators search for a company name before incorporating. Because Palau has no trademark statute, there are limited avenues for enforcement.

Procedure 3 Notarize the company deeds

Time to complete: 1

Cost to complete: USD 10

Comment: Section 2.1 of the Corporations Regulations for the Republic of Palau requires that “any number of persons not less than three desiring to form a corporation shall execute articles of incorporation and acknowledge the same before a Clerk of the Supreme Court of the Republic or a notary public.” Attorneys generally prepare the incorporation documents. If professional services are used, this adds USD 1,000 to the process.

The articles of incorporation must contain (a) the company name; (b) place; (c) purpose; (d) shares; (e) directors; (f) duration; (g) incorporators; (h) voting; (i) disposition; (j) liquidation; (k) amendments; (l) ownership, and (m) foreign ownership.

A shareholder affidavit must be notarized and set forth the following: (a) the number of authorized shares of each class; (b) the par value of the shares; (c) the names of subscribers for shares of each class; (d) the number of shares of each class subscribed to by each subscriber; and (e) the subscription price or prices for the shares of each class subscribed.

Procedure 4 Pay the registration fee at the National Treasury

Time to complete: 1

Cost to complete: USD 250

Comment:

Procedure 5 Register the company with the Corporate Registrar at the Office of the Attorney General; obtain a certificate of incorporation

Time to complete: 14

Cost to complete: no charge

Comment: The time between when the company submits the documents to the Corporate Registrar to when the Office of the President issues the charter is about 2 weeks. This time varies, however, depending on (a) how long charter issuance takes once the OCR approves the documents; (b) if there are errors in the corporate documents; and if so, (c) the time required to correct any errors.

Procedure 6 Register employees for social security and obtain an employer identification number (EIN)

Time to complete: 1

Cost to complete: USD 15

Comment: Companies must register with the Office of Social Security for payment of social security tax withheld from employees. All employers or self-employed persons doing business in Palau must apply for an employer identification number (EIN) from the Social Security Administration. The applicant completes the Application for Employer Number form and pays the applicable fee (USD 15 for first-time employers, USD 10 for renewing employers). The Palau Social Security Administration will assign the applicant an employer identification number (EIN), which must be entered on the employer's quarterly tax returns. The EIN is required to apply for a business license from the Division of Revenue and Taxation.

Procedure 7 Apply for a business license from the relevant licensing authority

Time to complete: 5

Cost to complete: USD 50

Comment: Before a person or a firm engages in business, they must apply for a business license from the Division of Revenue and Taxation, State Government. Previously, companies were licensed by entity, but starting in 2007, companies must obtain a license for each establishment (store).

Procedure 8 Apply for a business license from the state government

Time to complete: 4

Cost to complete: USD 50

Comment: The Koror state government requires a state business license. The following license fees apply:

- USD 50: For each retail store (Class A), movie theater, building contractor, furniture manufacturer, and boat building and repair shop association or corporation.
- USD 40: For each scrap-metal-collecting business.
- USD 30: For each retail store (Class B) and each nonassociated or nonincorporated boat building and repair shop.

Other classes and their respective fees apply to other businesses

In many economies, especially developing 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.

Some reform outcomes

In Burkina Faso, a one-stop shop for construction permits, "Centre de Facilitation des Actes de Construire", was opened in May 2008. The new regulation merged 32 procedures into 15, reduced the time required from 226 days to 122 and cut the cost by 40%. From May 2009 to May 2010 611 building permits were granted in Ouagadougou, up from an average of about 150 a year in 2002-06.

Toronto, Canada revamped its construction permitting process in 2005 by introducing time limits for different stages of the process and presenting a unique basic list of requirements for each project. Later it provided for electronic information and risk-based approvals with fast-track procedures. Between 2005 and 2008 the number of commercial building permits increased by 17%, the construction value of new commercial buildings by 84%.

What does the Dealing with Construction Permits indicator measure?

Procedures to legally build a warehouse (number)

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Completing all required notifications and receiving all necessary inspections
- Obtaining utility connections for electricity, water, sewerage and a land telephone line
- Registering the warehouse after its completion (if required for use as collateral or for transfer of warehouse)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes

Case Study Assumptions

The business:

- is a small to medium-size limited liability company in the construction industry, located in the economy's largest business city
- is 100% domestically and privately owned and operated
- has 60 builders and other employees
- has at least one employee who is a licensed architect and registered with the local association of architects

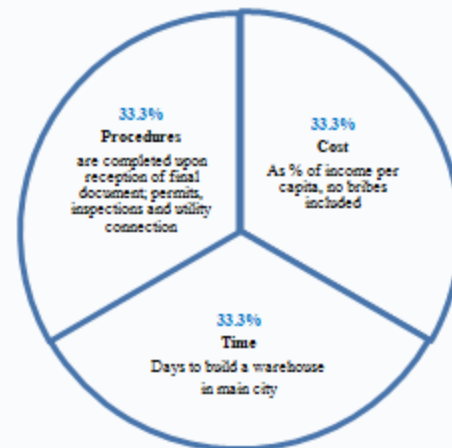
The warehouse:

- is a new construction (there was no previous construction on the land)
- has 2 stories, both above ground, with a total surface of approximately 1,300.6 sq. meters (14,000 sq. feet)
- 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 a land telephone line
- will be used for general storage of non-hazardous goods, such as books
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements)

Dealing with Construction Permits:

Building a warehouse

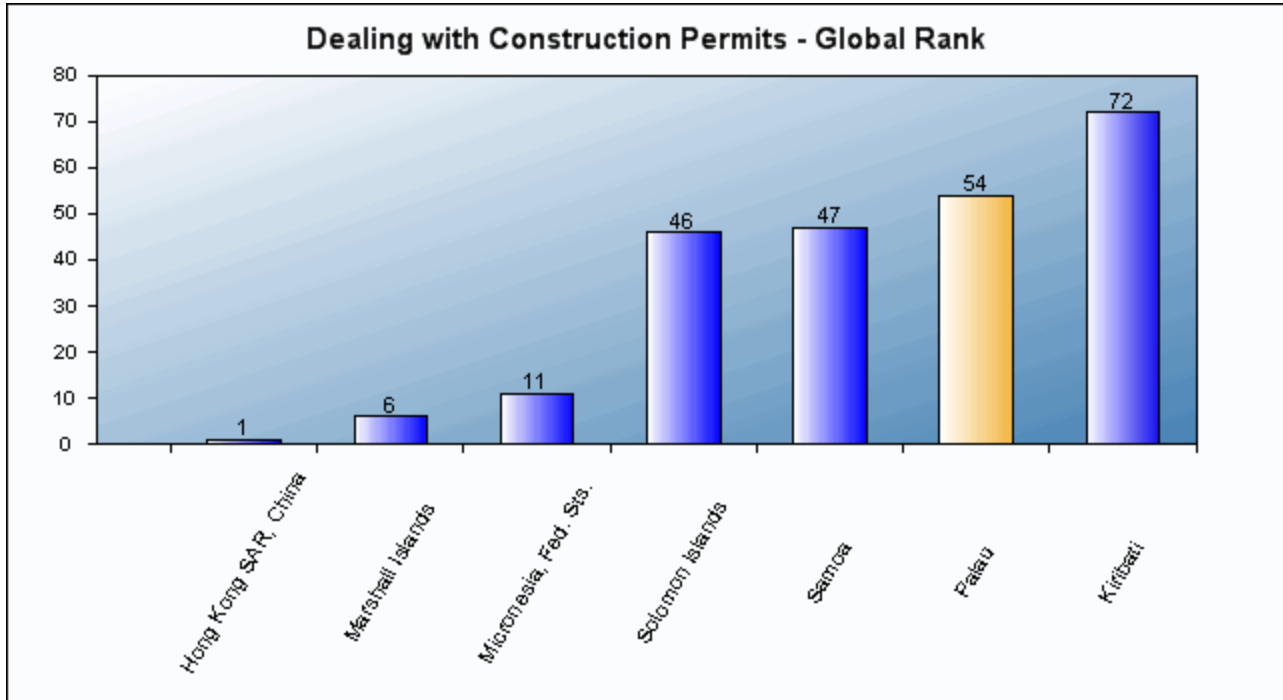
Rankings are based on 3 subindicators



1. Benchmarking Dealing with Construction Permits Regulations:

Palau is ranked 54 overall for Dealing with Construction Permits.

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



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

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)
Denmark	6		
Qatar			0.8
Singapore		25	

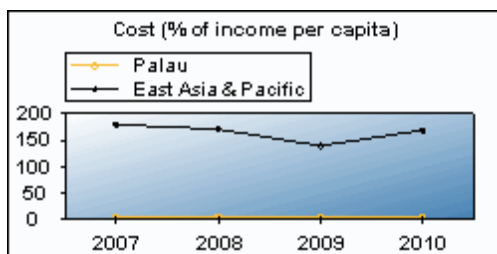
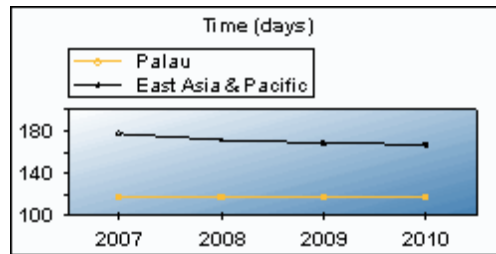
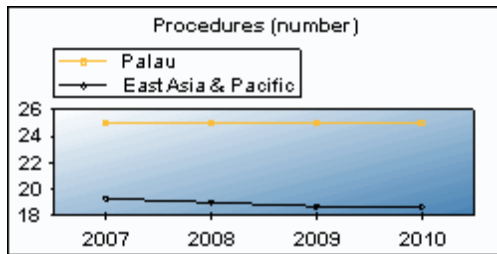
<i>Selected Economy</i>			
Palau	25	118	5.1

<i>Comparator Economies</i>			
Kiribati	14	160	446.5
Marshall Islands	10	55	36.0
Micronesia, Fed. Sts.	14	73	19.2
Samoa	18	88	78.7
Solomon Islands	12	62	665.4

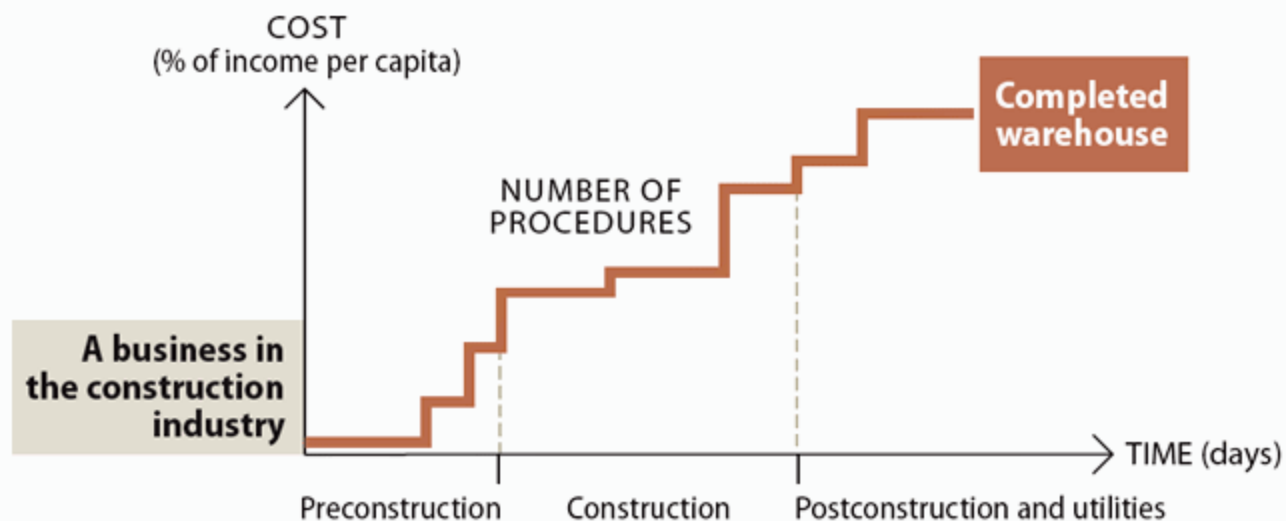
2. Historical data: Dealing with Construction Permits in Palau

Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	53	54
Procedures (number)	25	25	25	25
Time (days)	118	118	118	118
Cost (% of income per capita)	6.1	5.9	5.4	5.1

3. The following graphs illustrate the Dealing with Construction Permits sub indicators in Palau over the past 4 years:



What are the time, cost and number of procedures to comply with formalities to build a warehouse?



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

BUILDING A WAREHOUSE

City: Koror

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Visit the Koror State Planning Commission to obtain an application form for a Building and Zoning Permit	1 day	no charge
2	Request a clearance from the Land Authority	1 day	no charge
3	Receive inspection and obtain clearance from the Land Authority	1 day	no charge
4	Request a historic preservation clearance from the Bureau of Arts and Culture	1 day	no charge
5	Receive inspection and clearance from the Bureau of Arts and Culture	1 day	no charge
6	Request a clearance from the Environmental Quality Preservation Board (EQPB)	1 day	USD 100
7	Receive inspection by the Environmental Quality Preservation Board (EQPB)	1 day	no charge

8	Obtain the clearance from the Environmental Quality Preservation Board (EQPB)	14 days	no charge
9	Request clearance on utilities from the Public Works Authority	1 day	no charge
10	Receive inspection and clearance from the Public Works Authority	1 day	no charge
11	Request clearance from the Palau National Communication Co.	1 day	no charge
12	Receive inspection and clearance from the Palau National Communication Co.	1 day	no charge
13	Request and obtain a building permit from the Koror State Planning Commission	24 days	USD 85
14	Receive pre-construction inspection by the State Planning Commission	1 day	no charge
15	Receive foundation inspection by the State Planning Commission	1 day	no charge
16	Receive inspection on surroundings	1 day	no charge
17	Receive inspection on structure	1 day	no charge
18	Request an occupancy permit	1 day	no charge
19	Receive final inspection	1 day	no charge
20	Obtain occupancy permit	1 day	no charge
21	Request electricity connection	1 day	USD 150
22 *	Receive inspection to examine the location and obtain cost estimates for electricity connection	1 day	no charge
23 *	Connect to electricity	60 days	no charge
24 *	Request and connect to water and sewage services	1 day	USD 30
25 *	Request and connect to telephone services	14 days	USD 120

* Takes place simultaneously with another procedure.

Dealing with Construction Permits Details - Palau

Procedure 1 Visit the Koror State Planning Commission to obtain an application form for a Building and Zoning Permit

Time to complete: 1 day

Cost to complete: no charge

Agency: Koror State Planning Commission

Comment: The application form has two pages: the first one contains information about the building, while the second indicates the clearances to be signed by the following agencies:

- Land authority.
- Bureau of Arts and Culture.
- Environmental protection authority.
- Public works (for utilities).
- Palau National Communication Company (PNCC).

Procedure 2 Request a clearance from the Land Authority

Time to complete: 1 day

Cost to complete: no charge

Agency: National Bureau of Land & Survey

Comment: Public land should be cleared by the Koror State Public Land Authority. Private land should be cleared by the National Bureau of Land and Survey. The authority will inspect the land to confirm ownership and boundary.

Procedure 3 Receive inspection and obtain clearance from the Land Authority

Time to complete: 1 day

Cost to complete: no charge

Agency: National Bureau of Land & Survey

Comment:

Procedure 4 Request a historic preservation clearance from the Bureau of Arts and Culture

Time to complete: 1 day

Cost to complete: no charge

Agency: Bureau of Arts and Culture

Comment: Before the beginning of any project that involves earthmoving or alteration or demolition of a historic property, a historic clearance permit must be obtained from the Bureau of Arts and Culture. An application for historic clearance, available at the Bureau of Arts and Culture, must be completely filled out, signed, and submitted with a location map, plot map, construction plan, excavation and grading plan, and any additional pertinent documents. An official inspects and assesses the land. If the building is on previously developed land, the process is faster.

Procedure 5 Receive inspection and clearance from the Bureau of Arts and Culture

Time to complete: 1 day

Cost to complete: no charge

Agency: Bureau of Arts and Culture

Comment:

Procedure 6 Request a clearance from the Environmental Quality Preservation Board (EQPB)

Time to complete: 1 day

Cost to complete: USD 100

Agency: Environmental Quality Preservation Board (EQPB)

Comment: Any construction project that involves earthmoving needs an approval from the Environmental Quality Preservation Board (EQPB), which will inspect the building site. In some instances, according to EQPB Regulation No. 240161, an environmental assessment or an environmental impact statement should be obtained. An environmental assessment can be completed in months; an environmental impact statement could take a year or more. Last, projects must go through an EQPB board meeting, which is held every other Thursday.

Procedure 7 Receive inspection by the Environmental Quality Preservation Board (EQPB)

Time to complete: 1 day

Cost to complete: no charge

Agency: Environmental Quality Preservation Board (EQPB)

Comment:

Procedure 8 Obtain the clearance from the Environmental Quality Preservation Board (EQPB)

Time to complete: 14 days

Cost to complete: no charge

Agency: Environmental Quality Preservation Board (EQPB)

Comment:

Procedure 9 Request clearance on utilities from the Public Works Authority

Time to complete: 1 day

Cost to complete: no charge

Agency: Public Works Authority

Comment: The Public Works Authority checks plumbing system and the distance between the building and the public line.

Procedure 10 Receive inspection and clearance from the Public Works Authority

Time to complete: 1 day

Cost to complete: no charge

Agency: Public Works Authority

Comment:

Procedure 11 Request clearance from the Palau National Communication Co.

Time to complete: 1 day

Cost to complete: no charge

Agency: Palau National Communication Co.

Comment:

Procedure 12 Receive inspection and clearance from the Palau National Communication Co.

Time to complete: 1 day

Cost to complete: no charge

Agency: Palau National Communication Co.

Comment:

Procedure 13 Request and obtain a building permit from the Koror State Planning Commission

Time to complete: 24 days

Cost to complete: USD 85

Agency: Koror State Planning Commission

Comment: The board meets on the last Wednesday of every month. The officials inspect the site to verify the submitted information. It takes at least 10 days for the authority to confirm whether the file is complete. The building permit is valid for 2 years. Time varies from a week to 2 months; for commercial development, it is 15–30 days.

The cost of a building permit for three types of construction is as follows :

- Type X (less than USD 10,000): USD 10 from 0 USD to USD 1,000, USD 5 for each additional USD 1,000.

- Type Y (USD 10,000 to USD 50,000): USD 10 from 0 to USD 1,000, USD 2 for each additional USD 1,000.

- Type Z (over USD 50,000): USD 10 from 0 to USD 1,000, USD 1 for each additional USD 1,000.

Procedure 14 Receive pre-construction inspection by the State Planning Commission

Time to complete: 1 day

Cost to complete: no charge

Agency: State Planning Commission

Comment: According to the State Planning Commission, at least four inspections are normally carried out before construction starts and during construction: inspections of the foundation, inspections of the surroundings and structure of the building, and final inspection.

Procedure 15 Receive foundation inspection by the State Planning Commission

Time to complete: 1 day

Cost to complete: no charge

Agency: State Planning Commission

Comment:

Procedure 16 Receive inspection on surroundings

Time to complete: 1 day

Cost to complete: no charge

Agency: State Planning Commission

Comment:

Procedure 17 Receive inspection on structure

Time to complete: 1 day

Cost to complete: no charge

Agency: State Planning Commission

Comment:

Procedure 18 Request an occupancy permit

Time to complete: 1 day

Cost to complete: no charge

Agency: State Planning Commission

Comment:

Procedure 19 Receive final inspection

Time to complete: 1 day

Cost to complete: no charge

Agency: State Planning Commission

Comment:

Procedure 20 Obtain occupancy permit

Time to complete: 1 day

Cost to complete: no charge

Agency: State Planning Commission

Comment:

Procedure 21 Request electricity connection

Time to complete: 1 day

Cost to complete: USD 150

Agency: Palau Utility Corporation (PUC)

Comment: BuildCo obtains a checklist of the things to do. When all this has been completed, a Power Company (PUC) inspector checks the site and estimates loads and costs.

Procedure 22 Receive inspection to examine the location and obtain cost estimates for electricity connection

Time to complete: 1 day

Cost to complete: no charge

Agency: Palau Utility Corporation (PUC)

Comment:

Procedure 23 Connect to electricity

Time to complete: 60 days

Cost to complete: no charge

Agency: Palau Utility Corporation (PUC)

Comment:

Procedure 24 Request and connect to water and sewage services

Time to complete: 1 day

Cost to complete: USD 30

Agency: National Public Works Department, Water unit, Ministry of Resources

Comment: The agency in charge is the National Public Works Department, Water Unit, Ministry of Resources.
The documents needed to apply for water connection include a map and land location.
The application fee is USD 15 for residential establishments and USD 30 for commercial establishments. A specialized meter fee must also be determined.

Procedure 25 Request and connect to telephone services

Time to complete: 14 days

Cost to complete: USD 120

Agency: Palau National Communication Co.

Comment: An application form is submitted at the office of Palau National Communication Co.

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. *Doing Business* records the full sequence of procedures necessary for a business to purchase a property from another business and transfer the property title to the buyer's name. In the past 6 years 105 economies undertook 146 reforms making it easier to transfer property. Globally, the time to transfer property fell by 38% and the cost by 10% over this time. The most popular feature of property registration reform in these 6 years, implemented in 52 economies, was lowering transfer taxes and government fees.

Some reform outcomes

Georgia now allows property transfers to be completed through 500 authorized users, notably banks. This saves time for entrepreneurs. A third of people transferring property in 2009 chose authorized users, up from 7% in 2007. Also, Georgia's new electronic registry managed 68,000 sales in 2007, twice as many as in 2003.

Belarus's unified and computerized registry was able to cope with the addition of 1.2 million new units over 3 years. The registry issued 1 million electronic property certificates in 2009.

What does the Registering Property indicator measure?

Registering Property: transfer of property between 2 local companies

Rankings are based on 3 subindicators

Procedures to legally transfer title on immovable property (number)

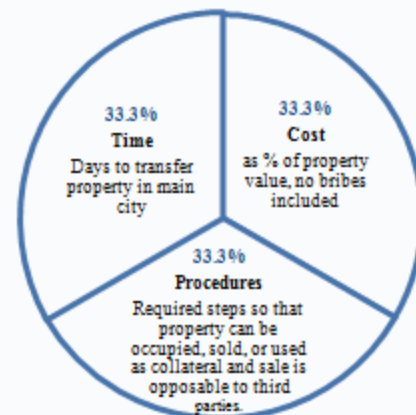
- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Post registration (for example, transactions with the local authority, tax authority or cadastre)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior personal contact with officials

Cost required to complete each procedure (% of property value)

- Official costs only, no bribes
- No value added or capital gains taxes included



Case Study Assumptions

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in the periurban area of the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

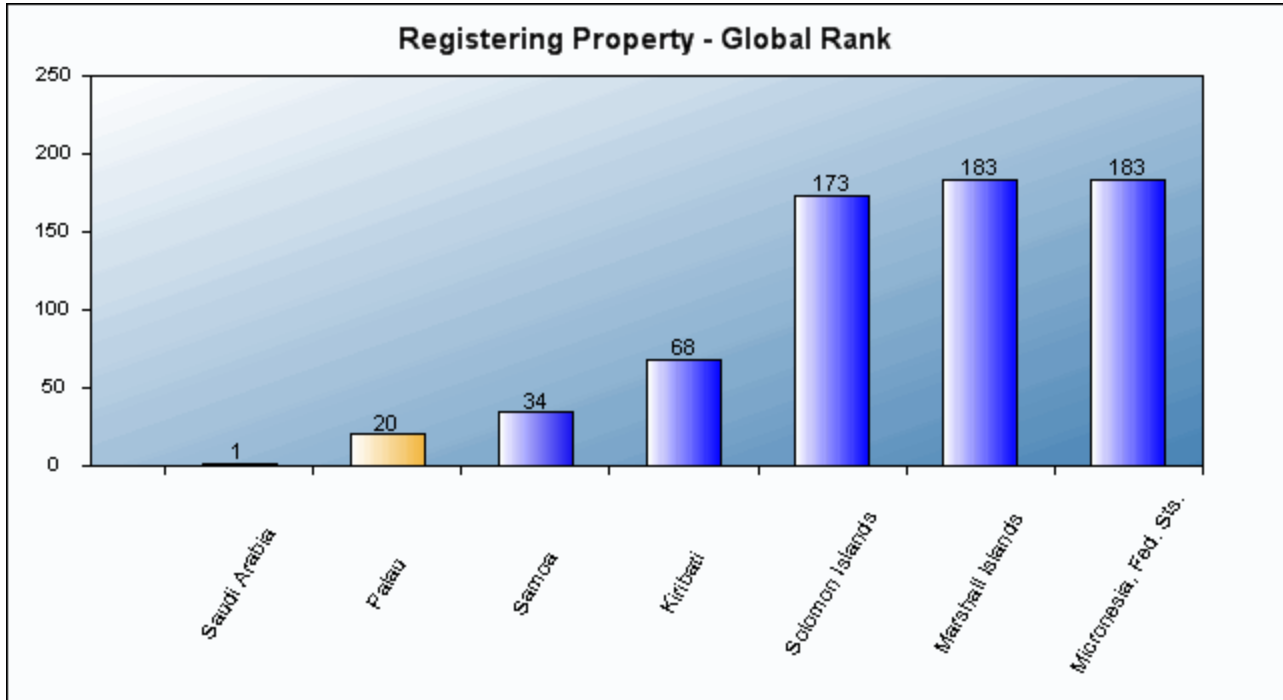
The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of a 557.4 square meters (6,000 square feet) land and 10 years old 2-story warehouse of 929 square meters (10,000 square feet) located on the land. The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

1. Benchmarking Registering Property Regulations:

Palau is ranked 20 overall for Registering Property.

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



The following table shows Registering Property data for Palau 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>			
Palau	5	14	0.3

<i>Comparator Economies</i>			
Kiribati	5	513	0.0
Marshall Islands	no practice	no practice	no practice
Micronesia, Fed. Sts.	no practice	no practice	no practice
Samoa	5	27	1.6
Solomon Islands	10	297	4.9

* The following economies are also good practice economies for :

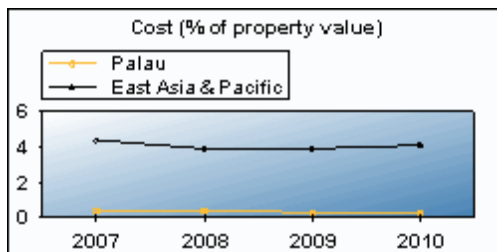
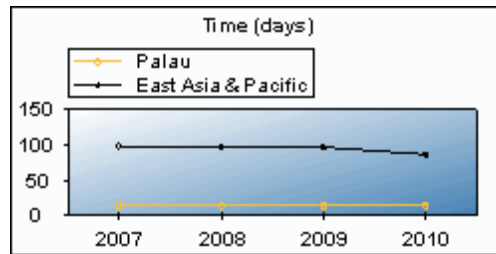
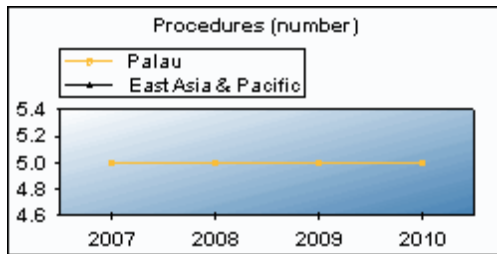
Procedures (number): United Arab Emirates

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

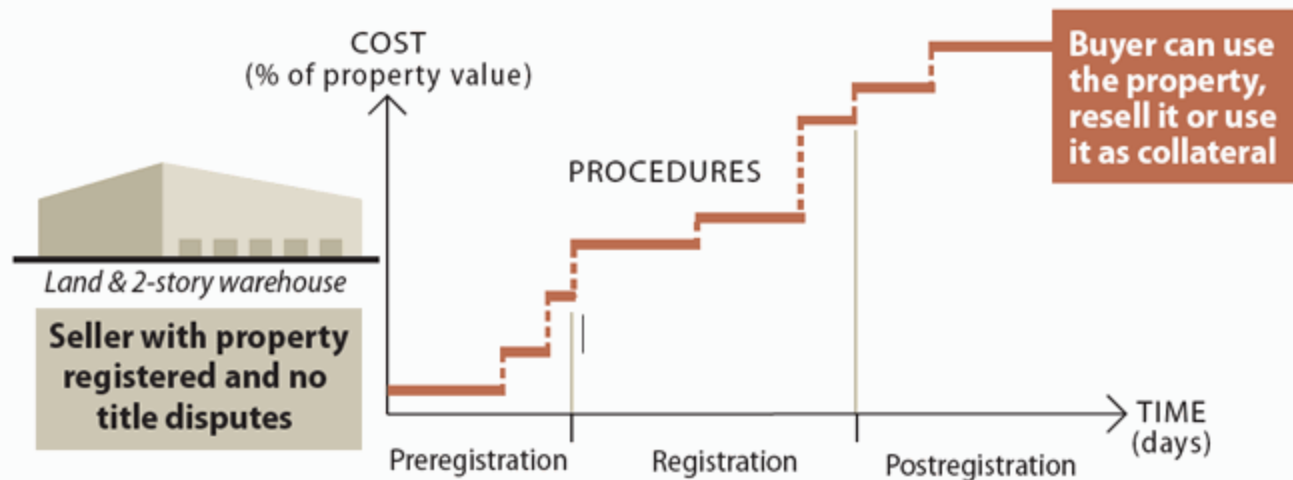
2. Historical data: Registering Property in Palau

Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	18	20
Procedures (number)	5	5	5	5
Time (days)	14	14	14	14
Cost (% of property value)	0.4	0.4	0.3	0.3

3. The following graphs illustrate the Registering Property sub indicators in Palau over the past 4 years:



What are the time, cost and number of procedures required to transfer a property between 2 local companies?



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

STANDARDIZED PROPERTY

Property Value: 472,827.70

City: Koror

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	An attorney investigates the land title	7 days	\$250-\$2,000
2	An attorney prepares a lease	1 day	\$300
3	Notarize the document at the court	1 day	\$3 per signature (x 4 for parties and their representatives)
4	Record the lease with Clerk of Court	1 day	\$5
5	Register the new title at the Land Court	3-5 days	no fee

Registering Property Details - Palau

Procedure 1 An attorney investigates the land title

Time to complete: 7 days

Cost to complete: \$250-\$2,000

Comment: It is not mandatory to do the title research. However, it is highly recommended as land disputes are very common and only less than half the land is surveyed with certificate of title issued. Land title records are kept on paper, not sorted by parcel number. As a result, one has to go through thousands of pages to track transactions on a certain piece of land. Attorneys are usually willing to provide due diligence for one week, but will stipulate in their contract with clients that the search has not guaranteed them that no disputes or liens are attached to the title.

Procedure 2 An attorney prepares a lease

Time to complete: 1 day

Cost to complete: \$300

Comment: It is standard practice for an attorney to draft land deeds and leases. It is very rare that companies buy or sell ownership of land and building as the records are so unreliable. In most cases, such as this one, companies would transfer a lease.

Procedure 3 Notarize the document at the court

Time to complete: 1 day

Cost to complete: \$3 per signature (x 4 for parties and their representatives)

Agency: Court

Comment:

Procedure 4 Record the lease with Clerk of Court

Time to complete: 1 day

Cost to complete: \$5

Agency: Court

Comment:

Procedure 5 Register the new title at the Land Court

Time to complete: 3-5 days

Cost to complete: no fee

Agency: Court

Comment: In case of change of ownership, the parties turn in the “warranty deed” and old title, and obtain a new title.

Through two sets of indicators, *Doing Business* assesses the legal rights of borrowers and lenders with respect to secured transactions and the sharing of credit information. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through either a public credit registry or a private credit bureau. Credit information systems mitigate the ‘information asymmetry’ in lending and enable lenders to view a borrower’s financial history (positive or negative), providing them with valuable information to consider when assessing risk. Credit information systems benefit borrowers as well, allowing good borrowers to establish a reputable credit history which will enable them to access credit more easily. The Legal Rights Index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. Sound collateral laws will enable businesses to use their assets, especially movable property, as security to generate capital while having strong creditor’s rights has been associated with higher ratios of private sector credit to GDP.

Some reform outcomes

After Vietnam’s new Civil Code was enacted in 2005, a decree further clarified the provisions governing secured transactions. Since the inclusion of the new provisions, the number of registrations increased from 43,000 (2005) to 120,000 (end of 2008).

In 2008, when Zambia established a private credit bureau, its database initially covered about 25,000 borrowers. Thanks to a strong communication campaign and a central bank directive, coverage has grown 10-fold in the past 2 years, exceeding 200,000 by the beginning of 2010.

What do the Getting Credit indicators measure?

Strength of legal rights index (0–10)

- Protection of rights of borrowers and lenders through collateral laws
- Protection of secured creditors’ rights through bankruptcy laws

Depth of credit information index (0–6)

- Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

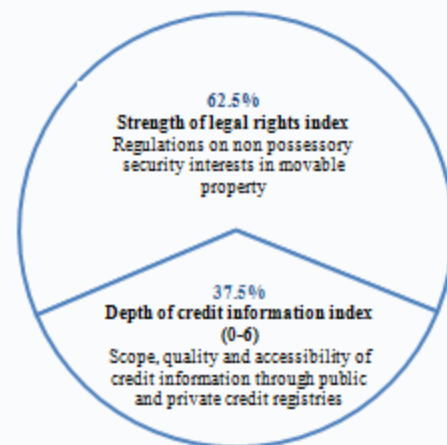
Public credit registry coverage (% of adults)

- Number of individuals and firms listed in public credit registry as percentage of a adult population

Private credit bureau coverage (% of adults)

- Number of individuals and firms listed in largest private credit bureau as percentage of a adult population

Getting Credit: collateral rules and credit information



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

Case Study Assumptions (applying to the Legal Rights Index only)

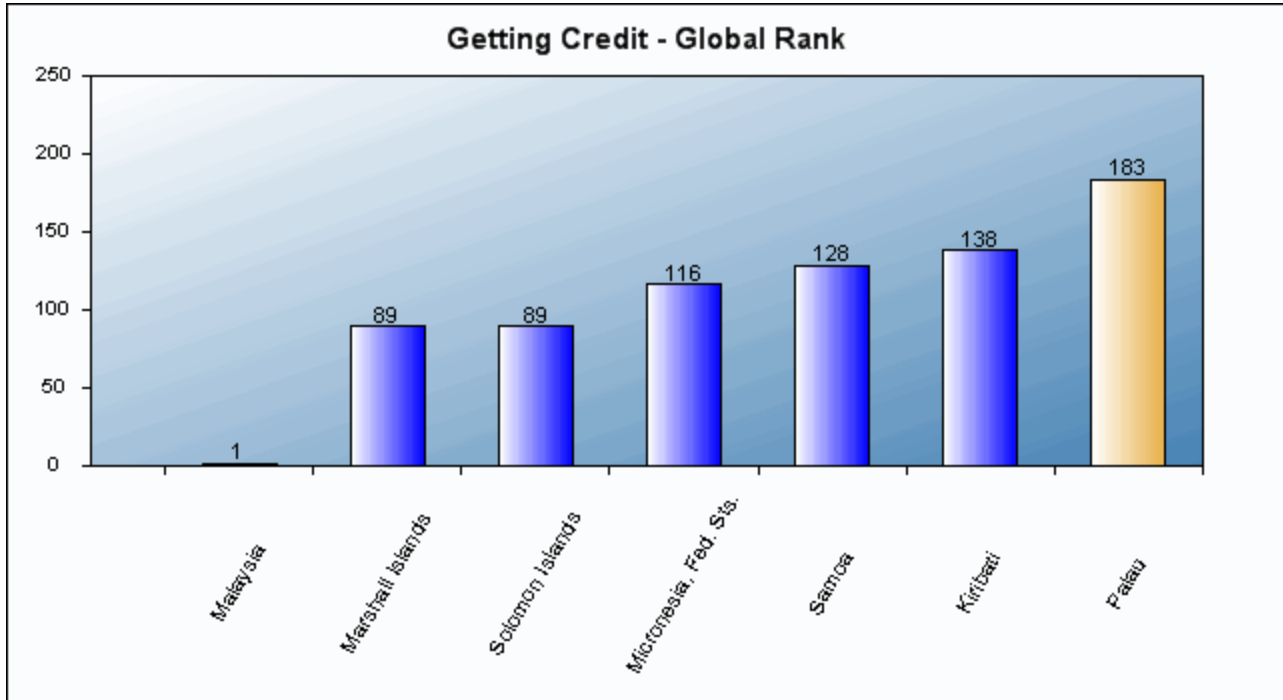
The Debtor

- 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 creditor and debtor are 100% domestically owned.

1. Benchmarking Getting Credit Regulations:

Palau is ranked 183 overall for Getting Credit.

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



The following table shows Getting Credit data for Palau 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			67.1	
Singapore*	10			
United Kingdom		6		

<i>Selected Economy</i>				
Palau	0	0	0.0	0.0

<i>Comparator Economies</i>				
Kiribati	5	0	0.0	0.0
Marshall Islands	8	0	0.0	0.0
Micronesia, Fed. Sts.	7	0	0.0	0.0
Samoa	6	0	0.0	0.0
Solomon Islands	8	0	0.0	0.0

* The following economies are also good practice economies for :

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

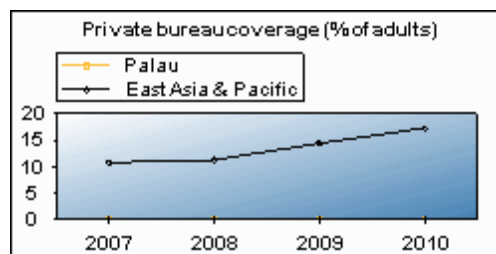
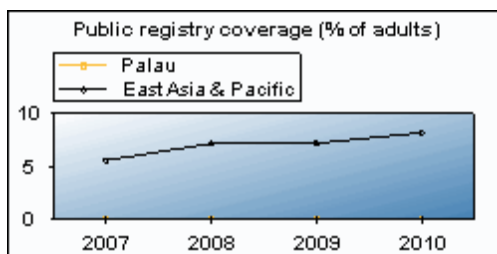
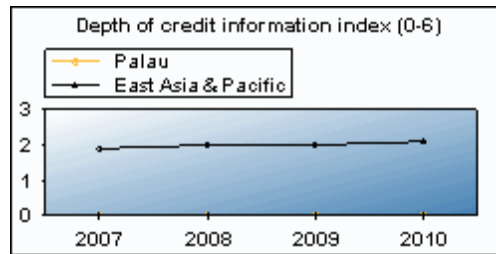
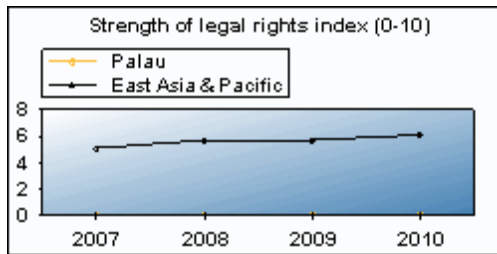
Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States

27 countries have the highest credit information index.

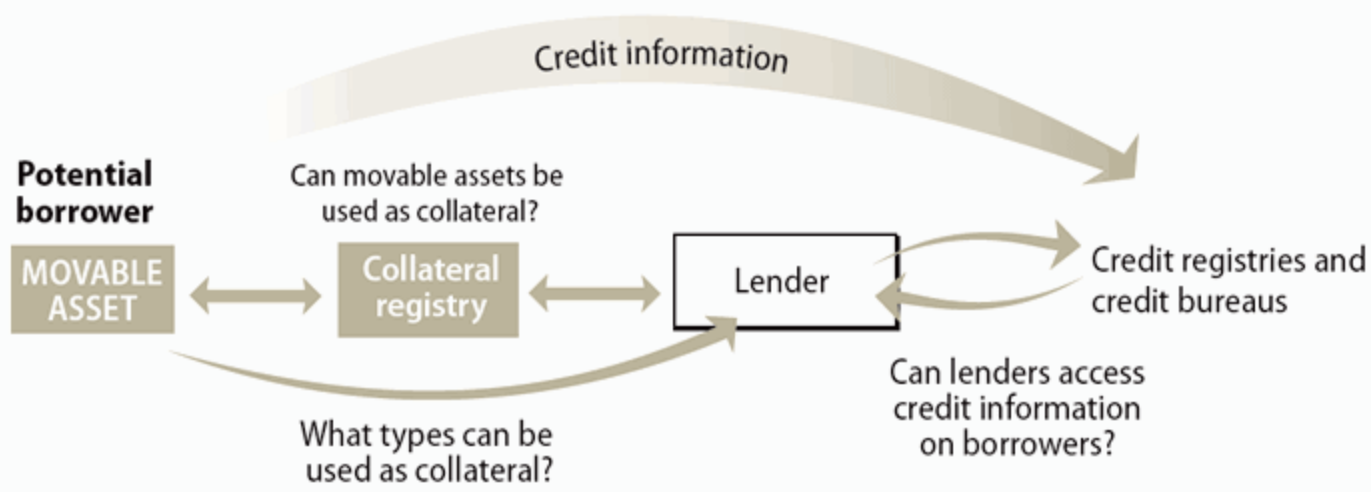
2. Historical data: Getting Credit in Palau

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	183	183
Strength of legal rights index (0-10)	0	0	0	0
Depth of credit information index (0-6)	0	0	0	0
Private bureau coverage (% of adults)	0.0	0.0	0.0	0.0
Public registry coverage (% of adults)	0.0	0.0	0.0	0.0

3. The following graphs illustrate the Getting Credit sub indicators in Palau over the past 4 years:



**Do lenders have credit information on entrepreneurs seeking credit?
Is the law favorable to borrowers and lenders using movable assets as collateral?**



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

Getting Credit Indicators (2010)			Indicator
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry	0
Are data on both firms and individuals distributed?	No	No	0
Are both positive and negative data distributed?	No	No	0
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	No	0
Is data on all loans below 1% of income per capita distributed?	No	No	0
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	No	No	0
Coverage	0.0	0.0	
Number of individuals		0	0
Number of firms		0	0

Strength of legal rights index (0-10)**0**

Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ? No

Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral? No

Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral? No

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 ? No

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? No

Do secured creditors have absolute priority to their collateral in bankruptcy procedures? No

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

Stronger investor protections matter for the ability of companies to raise the capital needed to grow, innovate, diversify and compete. This is all the more crucial in times of financial crisis when entrepreneurs must navigate through defiant environments to finance their activities. Using 3 indices of investor protection, *Doing Business* measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gains. Since 2005, 51 economies have strengthened investor protections as measured by *Doing Business*.

Some reform outcomes

In Indonesia, an economy that consistently improved its laws regulating investor protections, the number of firms listed on the Indonesia Stock Exchange increased from 331 to 396 between 2004 and 2009. Meanwhile, market capitalization grew from 680 trillion rupiah (\$75 billion) to 1,077 trillion rupiah (\$119 billion).

After Thailand amended its laws in 2006 and 2008, more than 85 transactions that failed to comply with the disclosure standards were suspended. Thirteen were deemed prejudicial and were therefore canceled, thus preventing damage to the companies involved and preserving their value. Companies were not deterred either, as more than 30 new companies joined the stock exchange since 2005 bringing the number of listed companies to 523.

What do the Protecting Investors indicators measure?

Extent of disclosure index (0–10)

- Who can approve related-party transactions
- Requirements for external and internal disclosure in case of related-party transactions

Extent of director liability index (0–10)

- Ability of shareholders to hold the interested party and the approving body liable in case of a prejudicial related-party transaction
- Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)
- Ability of shareholders to sue directly or derivatively

Ease of shareholder suits index (0–10)

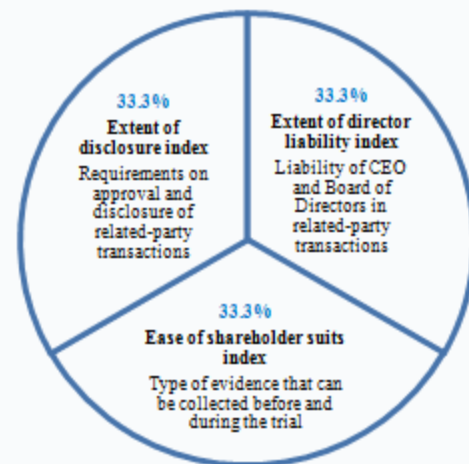
- Documents and information available during trial
- Access to internal corporate documents (directly or through a government inspector)

Strength of investor protection index (0–10)

- Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices

Protecting Investors: minority shareholder rights in related-party transactions

Rankings are based on 3 subindicators



Case Study Assumptions

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders).
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

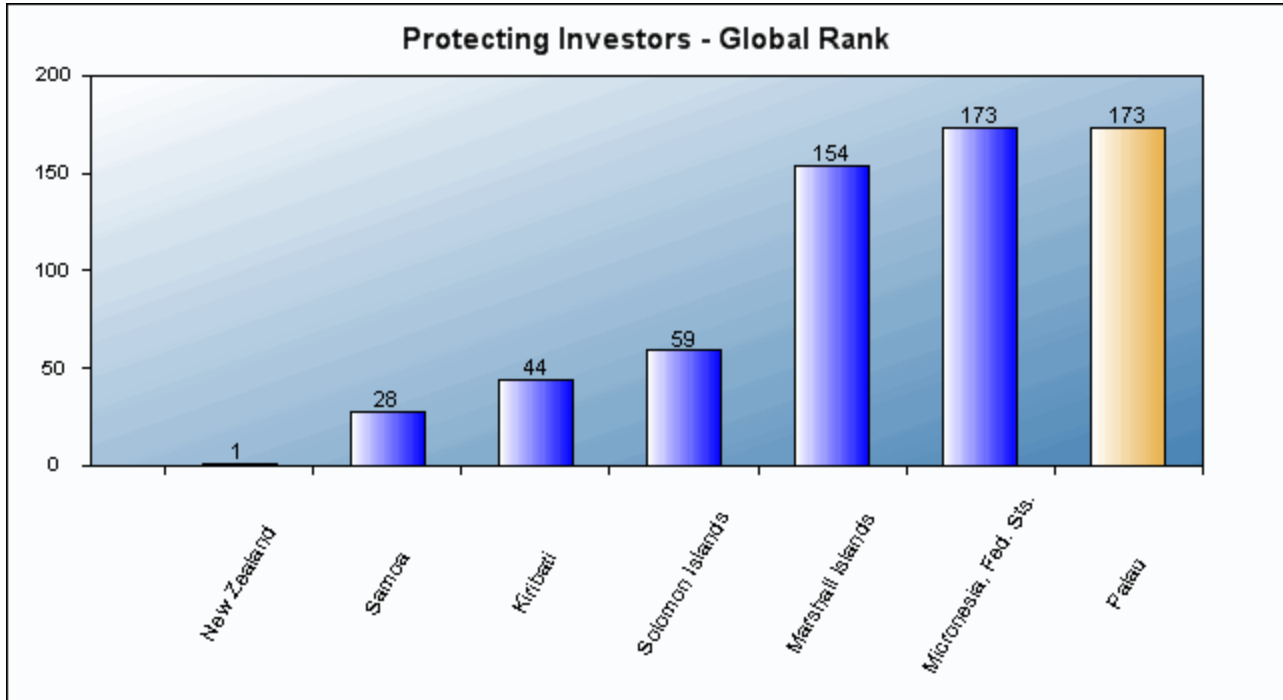
The transaction

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.
- The price is higher than the going price for used trucks, but 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.

1. Benchmarking Protecting Investors Regulations:

Palau is ranked 173 overall for Protecting Investors.

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



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

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

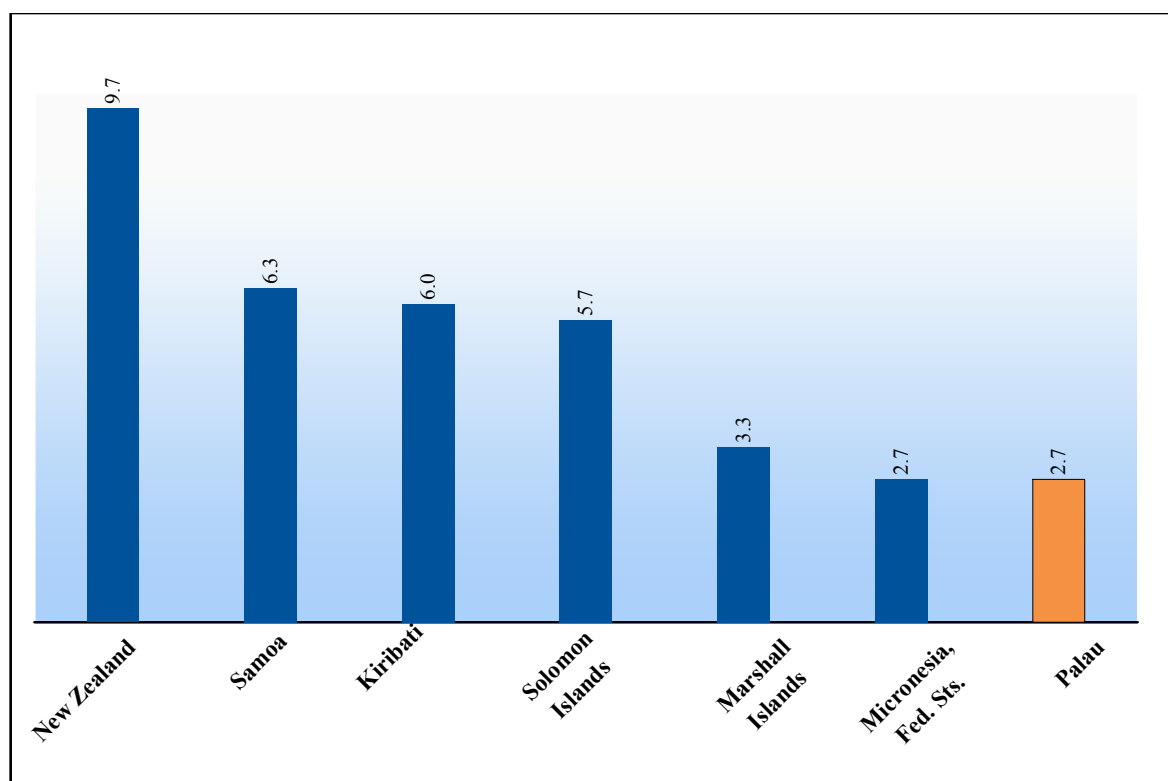
<i>Selected Economy</i>	
Palau	2.7

<i>Comparator Economies</i>	
Kiribati	6.0
Marshall Islands	3.3
Micronesia, Fed. Sts.	2.7
Samoa	6.3
Solomon Islands	5.7

2. Historical data: Protecting Investors in Palau

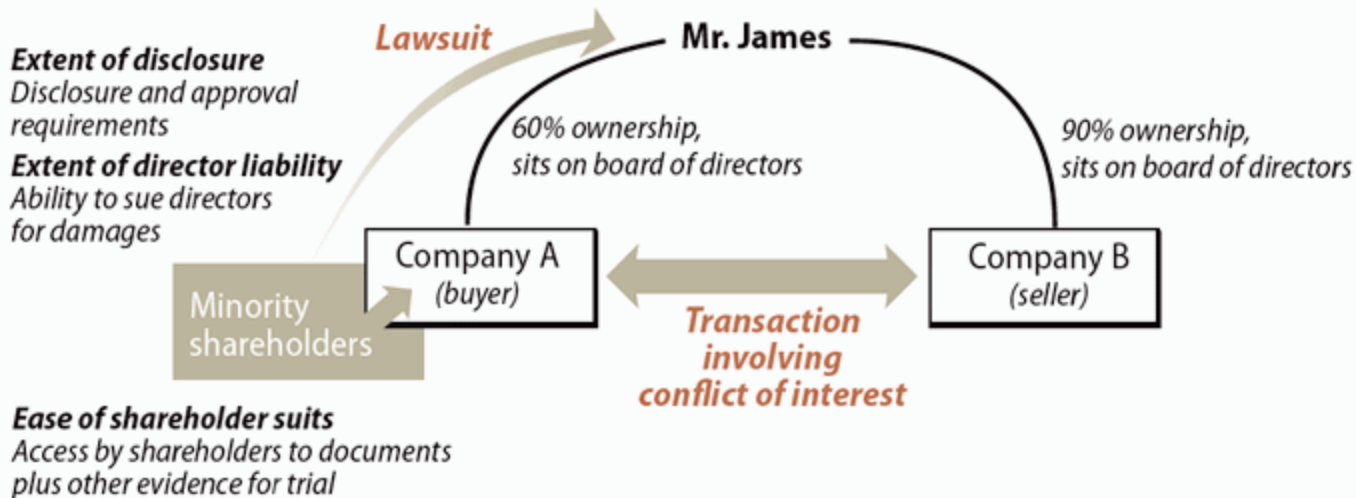
Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	172	173
Strength of investor protection index (0-10)	2.7	2.7	2.7	2.7

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



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

How well are minority shareholders protected against self-dealing in related-party transactions?



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

Protecting Investors Data (2010)	Indicator
Extent of disclosure index (0-10)	0
What corporate body provides legally sufficient approval for the transaction?	0
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	0
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	0
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	0
Whether an external body must review the terms of the transaction before it takes place?	0
Extent of director liability index (0-10)	0
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	0
Whether shareholders can hold the approving body (the CEO or board of directors) liable for the damage that the Buyer-Seller transaction causes to the company?	0
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	0

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	0
Whether fines and imprisonment can be applied against Mr. James?	0
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	0
Ease of shareholder suits index (0-10)	8
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	4
Whether the plaintiff can directly question the defendant and witnesses during trial?	2
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	1
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	0
Whether the level of proof required for civil suits is lower than that of criminal cases?	1
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	0
Strength of investor protection index (0-10)	2.7

Taxes are essential to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. *Doing Business* data show that economies where it is more difficult and costly to pay taxes have larger shares of informal sector activity. More than 60% of economies have reformed in the last 6 years and are starting to see concrete results.

Some reform outcomes

Colombia introduced a new electronic system for social security and labor taxes in 2006 and by 2008 the social security contributions collected from small and medium-size companies rose by 42%, to 550 billion pesos.

Mauritius reduced the corporate income tax rate from 25% to 15% and removed exemptions and industry-specific allowances in 2006 and saw their corporate income tax revenue grow by 27% in the following year, and in 2008/09 it increased by 65%.

What do the Paying taxes indicators measure?

Tax payments for a manufacturing company in 2009
(number per year adjusted for electronic or joint filing and payment)

- Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)
- Method and frequency of filing and payment

Time required to comply with 3 major taxes (hours per year)

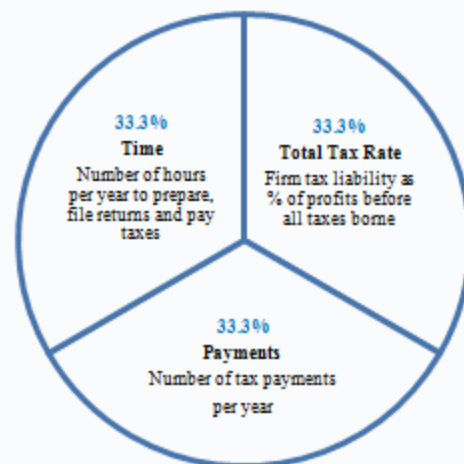
- Collecting information and computing the tax payable
- Completing tax return forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

Total tax rate (% of profit)

- Profit or corporate income tax
- Mandatory social contributions and labor taxes paid by the employer
- Property and property transfer taxes
- Dividend, capital gains and financial transactions taxes
- Waste collection, vehicle, road and other taxes

Paying Taxes: tax compliance for a local manufacturing company

Rankings are based on 3 subindicators



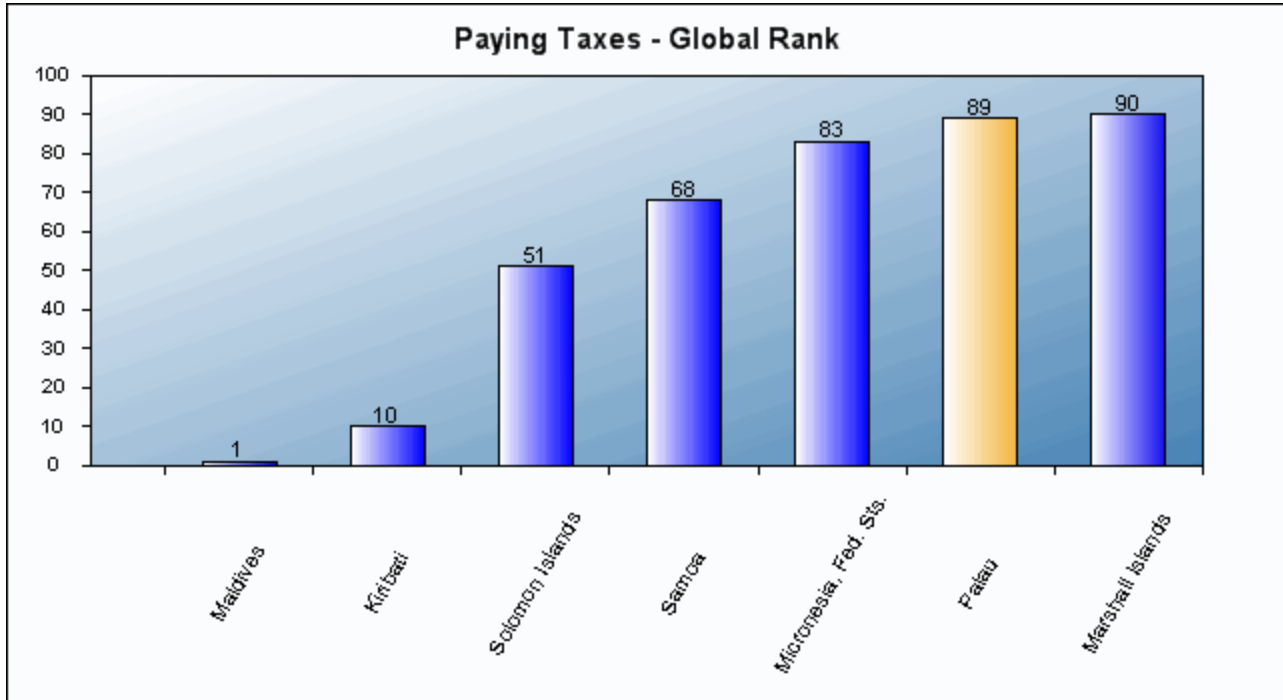
Case Study Assumptions

- TaxpayerCo is a medium-size business that started operations 2 years ago.
- Tax practitioners are asked to review its financial statements, as well as 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
- Taxes and mandatory contributions include corporate income tax, turnover tax, all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

1. Benchmarking Paying Taxes Regulations:

Palau is ranked 89 overall for Paying Taxes.

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



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

Good Practice Economies	Payments (number per year)	Time (hours per year)	Total tax rate (% profit)
Maldives*	3	0	
Timor-Leste			0.2

<i>Selected Economy</i>			
Palau	19	128	73.0

<i>Comparator Economies</i>			
Kiribati	7	120	31.8
Marshall Islands	21	128	64.9
Micronesia, Fed. Sts.	21	128	58.7
Samoa	37	224	18.9
Solomon Islands	33	80	36.4

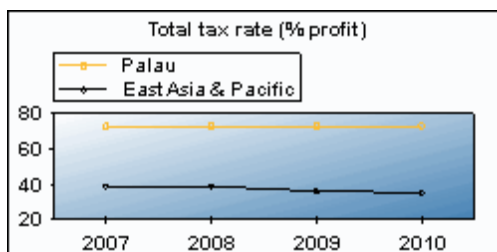
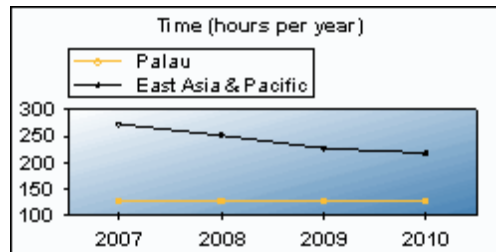
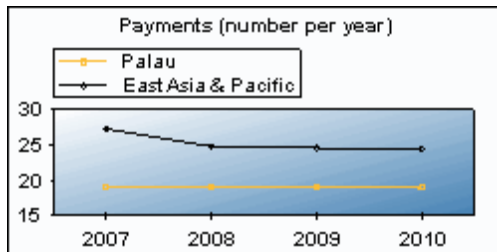
* The following economies are also good practice economies for :

Payments (number per year): Qatar

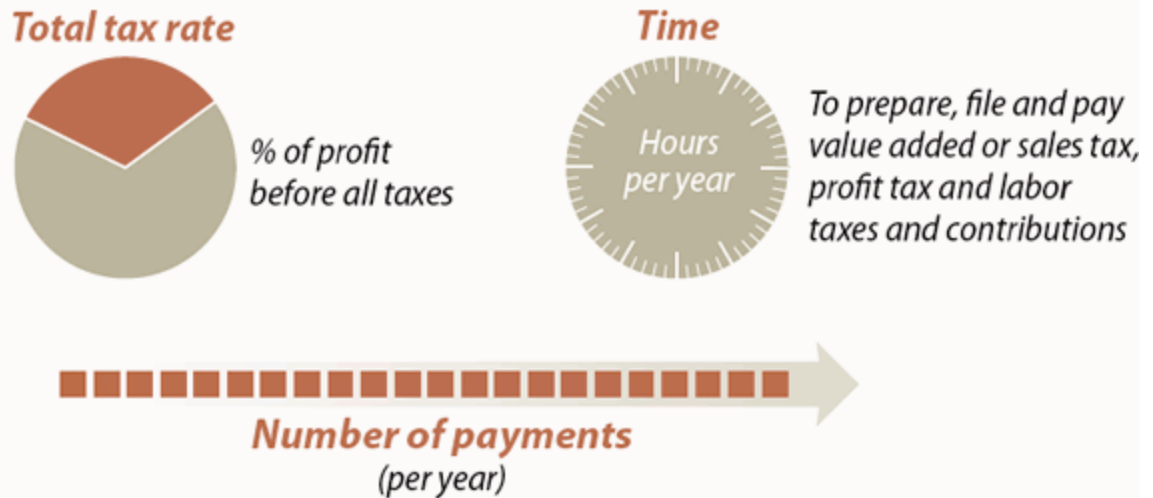
2. Historical data: Paying Taxes in Palau

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	89	89
Total tax rate (% profit)	73.0	73.0	73.0	73.0
Payments (number per year)	19	19	19	19
Time (hours per year)	128	128	128	128

3. The following graphs illustrate the Paying Taxes sub indicators in Palau over the past 4 years:



What are the time, total tax rate and number of payments necessary for a local medium-sized company to pay all taxes?



The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Palau, 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
Road tax	1			150/kg	vehicle weight	0.00	
Business license	1			fixed fee (\$50)		0.00	
Fuel tax	1				fuel consumption	0.50	
Social security contributions	12		96	6.0%	gross salaries	6.50	
Gross revenue tax	4		32	4.0%	revenue minus labor costs	65.90	
Totals	19		128			73.0	

Making trade between countries easier is increasingly important for business in today's globalized world. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Trade facilitation tools such as electronic data interchange systems, risk-based inspections, and single windows help improve an economy's trading environment and boost firms' international competitiveness. *Doing Business* trade indicators take into account documents, cost and time associated with every procedure for trading a standard shipment of goods by ocean transport. Research indicates that exporters in developing countries have much more to gain by a 10% drop in their trading costs than from a similar decrease of the tariffs applied to their products in global markets.

Some reform outcomes

In Georgia, reducing customs clearance time by a day has led to operational savings of an estimated \$288 per truck, or an annual \$133 million for the country's whole trading community given the growing amount of cross-border trade in recent years.

In Korea, predictable cargo processing times and rapid turnover by ports and warehouses provide a benefit to the Korean economy of some \$2 billion annually.

What do the Trading Across Borders indicators measure?

Trading Across Borders: exporting and importing by ocean transport

Rankings are based on 3 subindicators

Documents required to export and import (number)

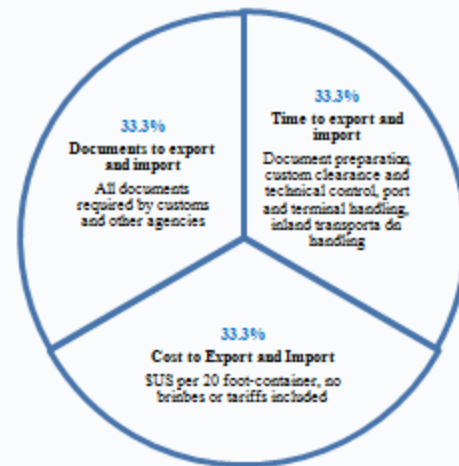
- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

Time required to export and import (days)

- Obtaining all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean transport time

Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes



Case Study Assumptions

The Business

- Has at least 60 employees and is located in the economy's largest business city
- Is a private, limited liability company, which exports more than 10% of its sales. It is fully domestically owned and does not operate in an export processing zone or an industrial estate with special export or import privileges

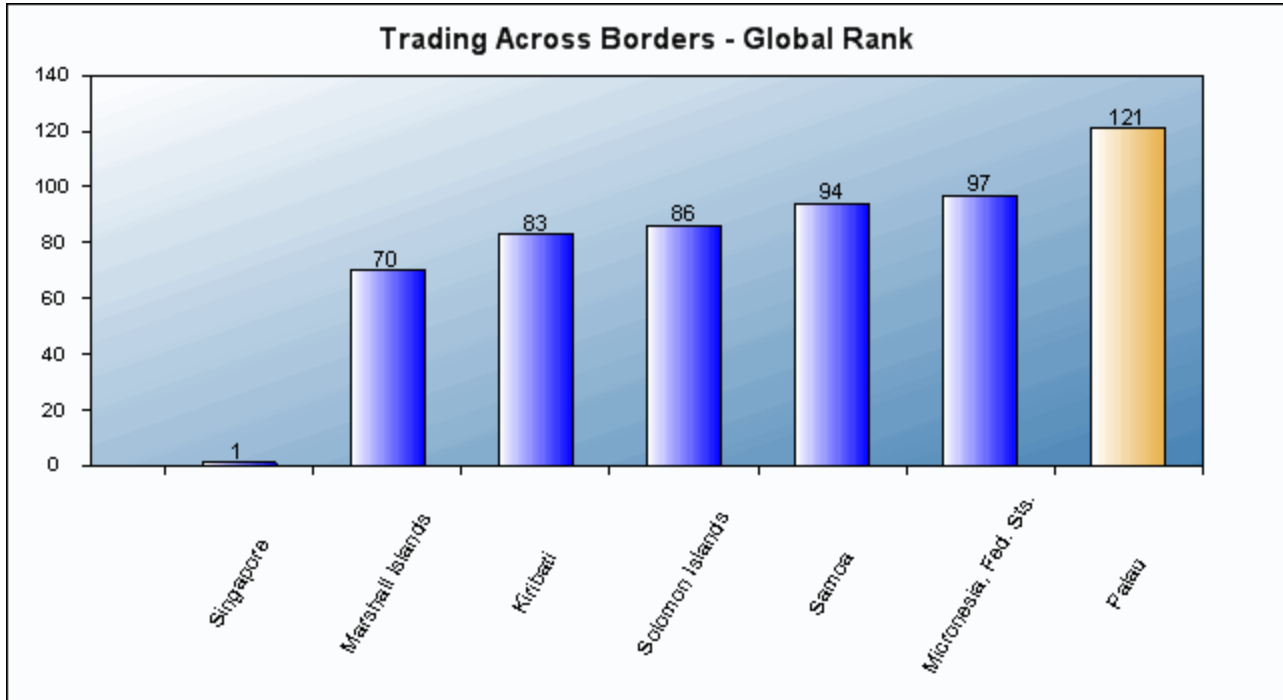
The traded product

- Is transported in a dry-cargo, 20-foot full container load; weighs 10 tons and is valued at \$20,000
- Is not hazardous or include military items; it does not require special phytosanitary or environmental safety standards, refrigeration or any other special environment
- Is one of the economy's leading export or import products

1. Benchmarking Trading Across Borders Regulations:

Palau is ranked 121 overall for Trading Across Borders.

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



The following table shows Trading Across Borders data for Palau 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					4	439

<i>Selected Economy</i>						
Palau	6	29	1070	10	33	1022

<i>Comparator Economies</i>						
Kiribati	6	21	1070	7	21	1070
Marshall Islands	5	21	945	5	33	945
Micronesia, Fed. Sts.	3	30	1295	6	30	1295
Samoa	7	27	820	7	31	848
Solomon Islands	7	24	1023	4	21	1237

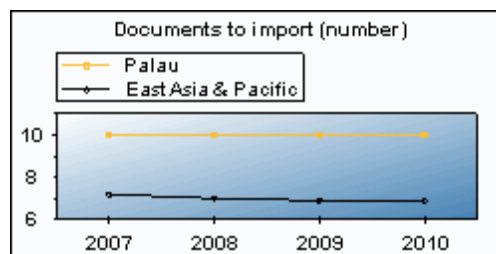
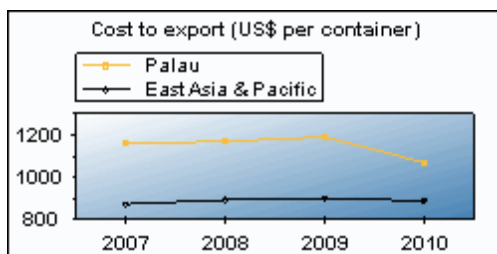
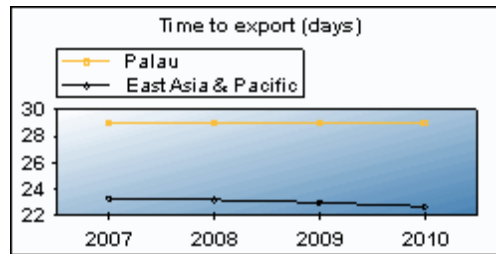
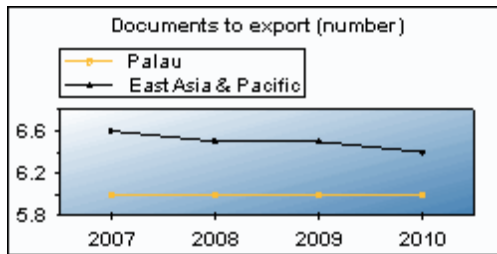
* The following economies are also good practice economies for :

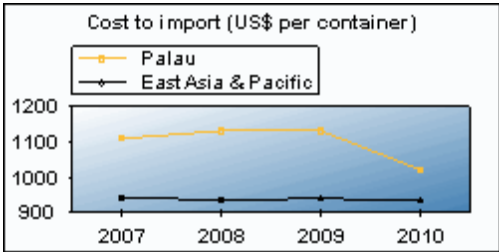
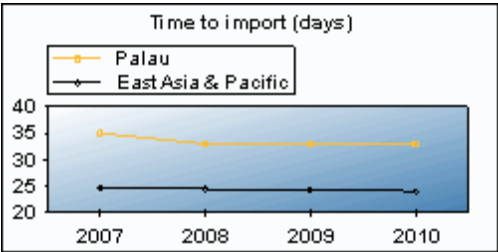
Time to export (days): Estonia

2. Historical data: Trading Across Borders in Palau

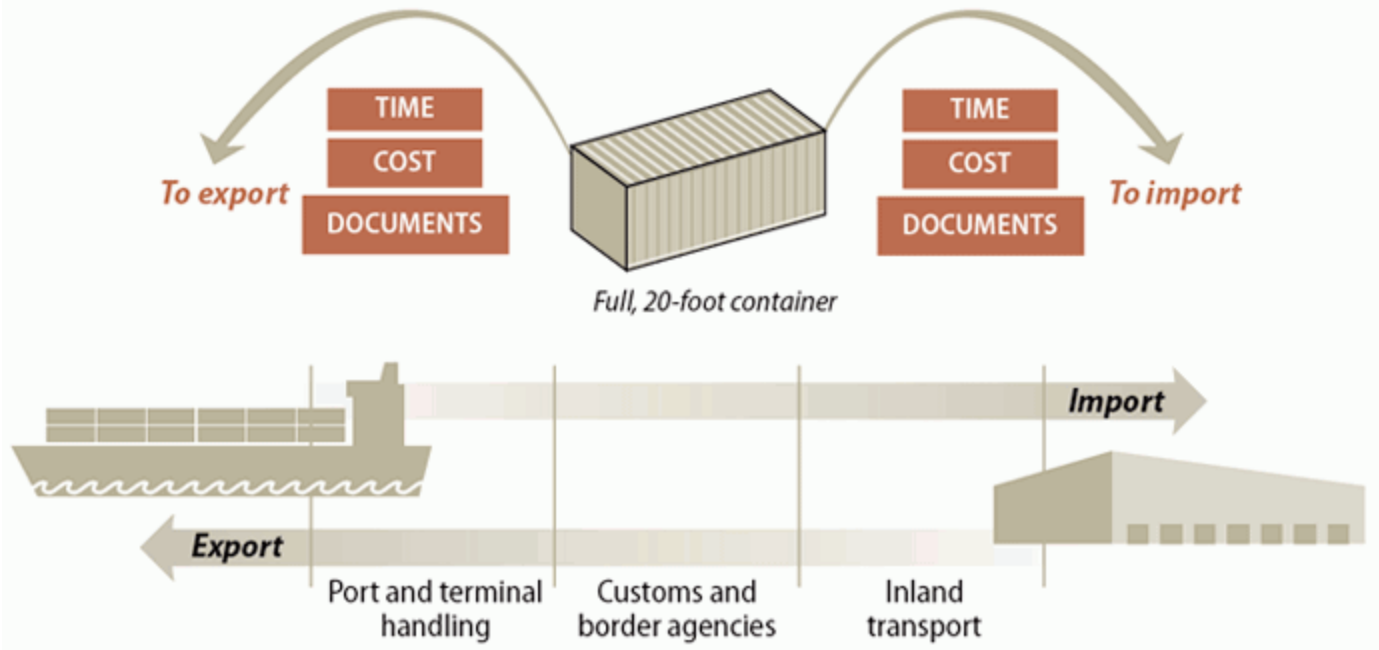
Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	127	121
Cost to export (US\$ per container)	1160	1170	1190	1070
Cost to import (US\$ per container)	1110	1132	1132	1022
Documents to export (number)	6	6	6	6
Documents to import (number)	10	10	10	10
Time to export (days)	29	29	29	29
Time to import (days)	35	33	33	33

3. The following graphs illustrate the Trading Across Borders sub indicators in Palau over the past 4 years:





How much time, how many documents and what cost to export and import across borders by ocean transport?



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

Nature of Export Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	14	380
Customs clearance and technical control	1	50
Ports and terminal handling	12	310
Inland transportation and handling	2	330
Totals	29	1070

Nature of Import Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	14	390
Customs clearance and technical control	3	50
Ports and terminal handling	14	260
Inland transportation and handling	2	322
Totals	33	1022

Documents for Export and Import

Export
Bill of lading
Customs export declaration
Export license
Packing list
Preferential certificate
Technical standard/health certificate

Import
Bill of lading
Commercial invoice
Customs import declaration
Import license
Inspection report
Preferential certificate
Pre-shipment inspection clean report of findings
Tax certificate
Technical standard/health certificate
Terminal handling receipts

Well functioning courts help businesses expand their network and markets. Where contract enforcement is efficient, firms have greater access to credit and are more likely to engage with new borrowers or customers. *Doing Business* measures the efficiency of the judicial system in resolving a commercial sale dispute before local courts. Following the step-by-step evolution of a standardized case study, data relating to the time, cost and procedural complexity of resolving a commercial lawsuit are 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).

Some reform outcomes

In Rwanda the implementation of specialized commercial courts in May 2008 resulted in a significant decrease of the case backlog, and contributed to reduce the time to resolve a commercial dispute by nearly 3 months.

In Austria a "data highway" for the courts that allows attachments to be sent electronically has produced savings of €4.4 million in postage alone.

What do the Enforcing Contracts indicators measure?

Enforcing Contracts: resolving a commercial dispute through the courts

Rankings are based on 3 subindicators

Procedures to enforce a contract (number)

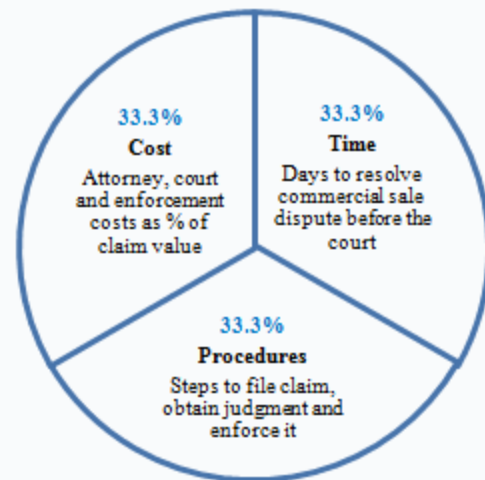
- Any interaction between the parties in a commercial dispute, or between them and the judge or court officer
- Steps to file the case
- Steps for trial and judgment
- Steps to enforce the judgment

Time required to complete procedures (calendar days)

- Time to file and serve the case
- Time for trial and obtaining judgment
- Time to enforce the judgment

Cost required to complete procedures (% of claim)

- No bribes
- Average attorney fees
- Court costs, including expert fees
- Enforcement costs



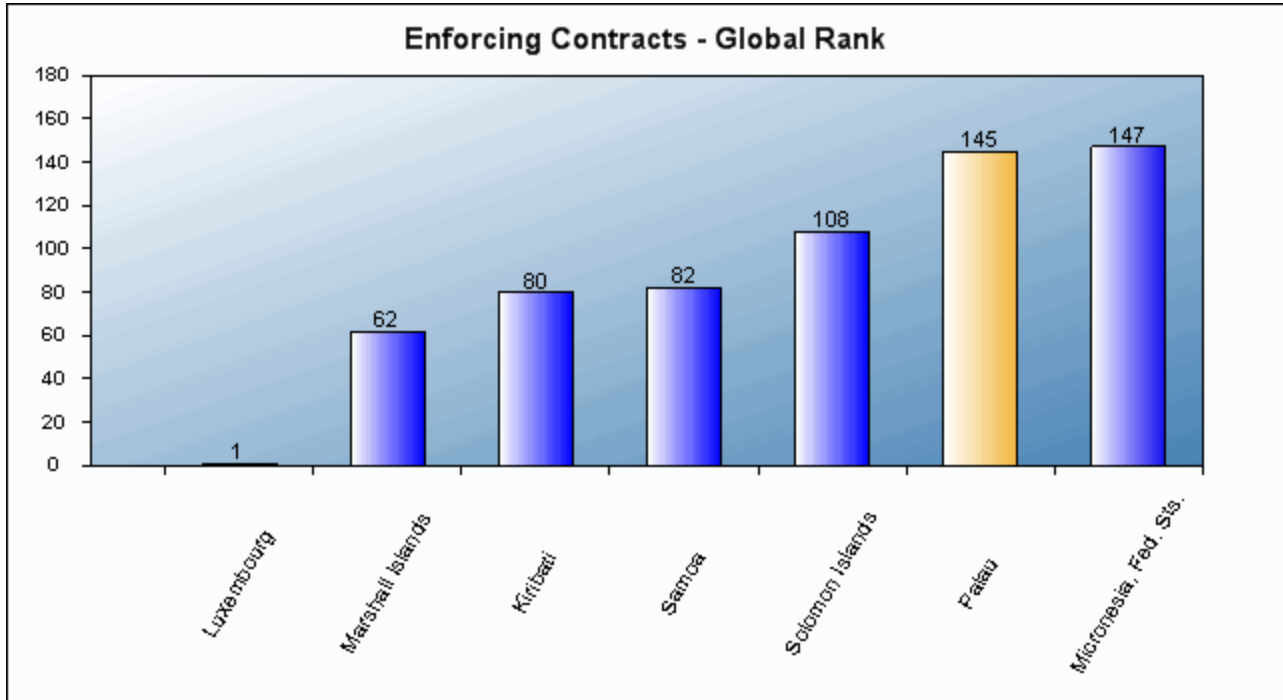
Case Study Assumptions

- Seller and Buyer are domestic companies
- Buyer orders custom-made goods, then does not pay
- Seller sues Buyer before competent court
- Value of claim is 200% of GNI per capita
- Seller requests pre-trial attachment to secure claim
- Dispute on quality of the goods requires expert opinion
- Judge decides in favor of Seller, no appeal
- Seller enforces judgment through a public sale of Buyer's movable assets.

1. Benchmarking Enforcing Contracts Regulations:

Palau is ranked 145 overall for Enforcing Contracts.

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



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

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

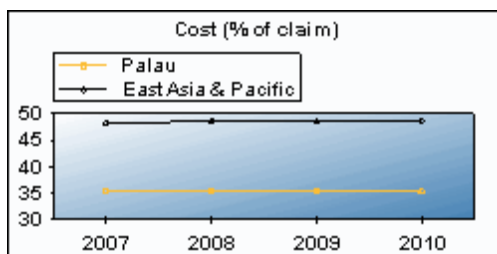
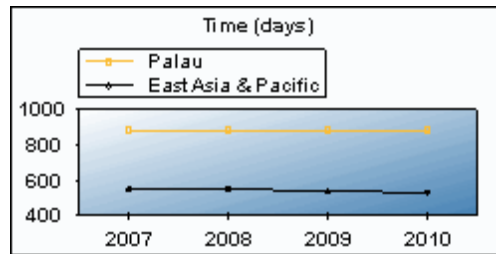
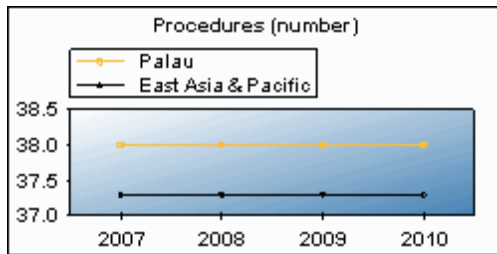
<i>Selected Economy</i>			
Palau	38	885	35.3

<i>Comparator Economies</i>			
Kiribati	32	660	25.8
Marshall Islands	36	476	27.4
Micronesia, Fed. Sts.	34	965	66.0
Samoa	44	455	19.7
Solomon Islands	37	455	78.9

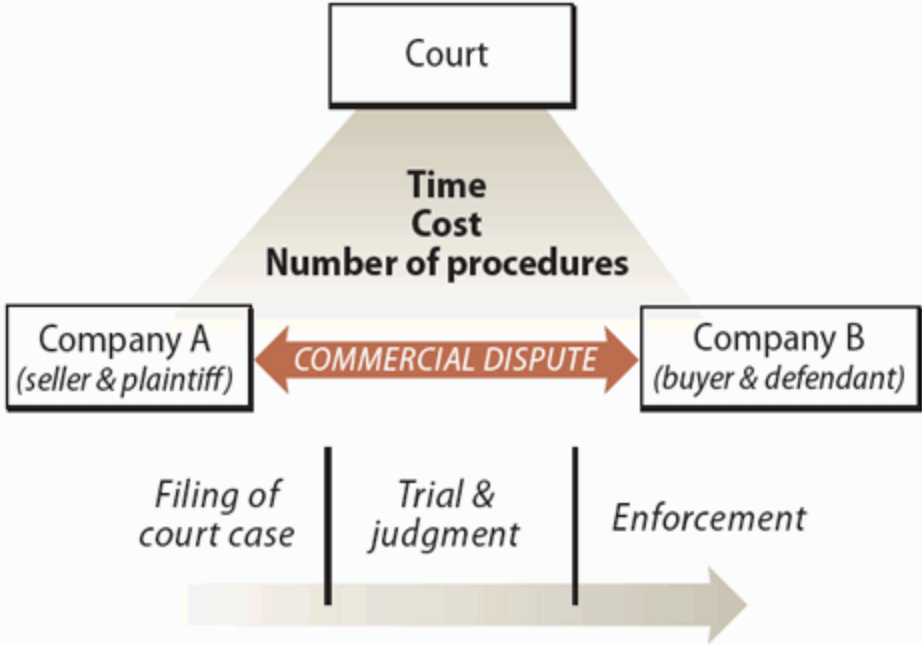
2. Historical data: Enforcing Contracts in Palau

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	146	145
Procedures (number)	38	38	38	38
Time (days)	885	885	885	885
Cost (% of claim)	35.3	35.3	35.3	35.3

3. The following graphs illustrate the Enforcing Contracts sub indicators in Palau over the past 4 years:



What are the time, cost and number of procedures to resolve a commercial dispute through the courts?



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

Nature of Procedure (2010)	Indicator
Procedures (number)	38
Time (days)	885
Filing and service	120.0
Trial and judgment	400.0
Enforcement of judgment	365.0
Cost (% of claim)*	35.30
Attorney cost (% of claim)	33.9
Court cost (% of claim)	0.7
Enforcement Cost (% of claim)	0.7

Court information: Koror Supreme Court, Trial
Division

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

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in businesses' speedy return to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses, and thereby improve growth and sustainability in the economy overall.

Some reform outcomes

A study of the 2005 bankruptcy reform in Brazil found that it had led to an average reduction of 22% in the cost of credit for Brazilian companies, a 39% increase in overall credit and a 79% increase in long-term credit in the economy. The purpose of the reform was to improve creditor protection in insolvency proceedings.

Following the introduction of debtor-in-possession reorganizations in Korea in 2006, the number of reorganization filings increased from 76 in 2006 to 670 in 2009.

What does the Closing a Business indicator measure?

Closing a Business: insolvency proceedings against local company

Time required to recover debt (years)

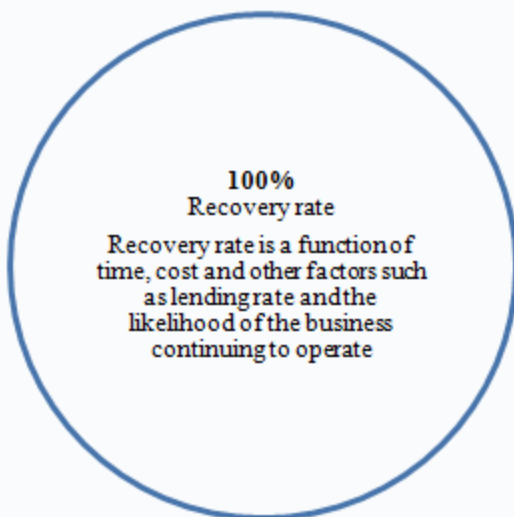
- Measured in calendar years
- Appeals and requests for extension are included

Cost required to recover debt (% of debtor's estate value)

- Measured as percentage of estate value
- Court fees
- Fees of insolvency administrators
- Lawyers' fees
- Assessors' and auctioneers' fees
- All other fees and costs

Recovery rate for creditors (cents on the dollar)

- Measures the cents on the dollar recovered by creditors
- Present value of debt recovered
- Costs of the insolvency proceedings are deducted
- Depreciation of furniture is taken into account
- Outcome for the business (survival or not) affects the maximum value that can be recovered



Case Study Assumptions

The Company

- is domestically owned
- is a limited liability company operating a hotel
- operates in the economy's largest business city
- has 201 employees, 1 secured creditor and 50 unsecured creditors
- has a higher value as a going concern and a lower value in a piecemeal sale of assets

1. Benchmarking Closing Business Regulations:

Palau is ranked 60 overall for Closing a Business.

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



The following table shows Closing Business data for Palau 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	92.7		
Singapore*			1

<i>Selected Economy</i>			
Palau	37.9	1.0	23

<i>Comparator Economies</i>			
Kiribati	0.0	no practice	no practice
Marshall Islands	17.9	2.0	38
Micronesia, Fed. Sts.	3.2	5.3	38
Samoa	14.6	2.5	38
Solomon Islands	23.4	1.0	38

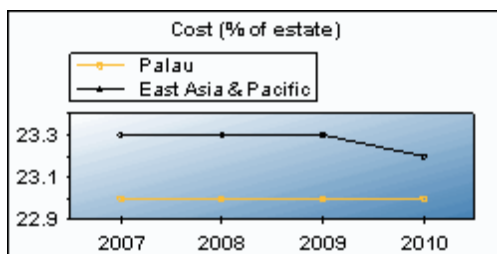
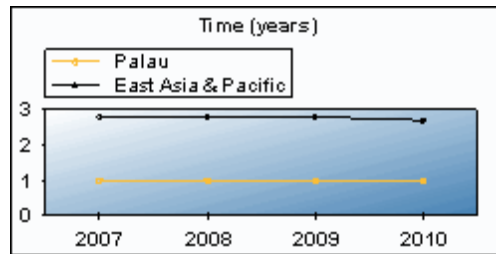
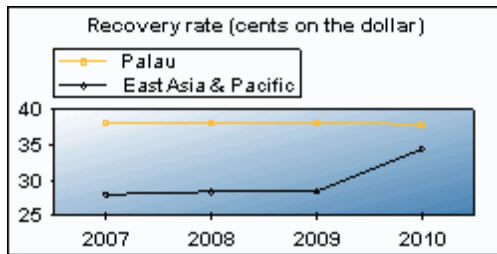
* The following economies are also good practice economies for :

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

2. Historical data: Closing Business in Palau

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	59	60
Time (years)	1.0	1.0	1.0	1.0
Cost (% of estate)	23	23	23	23
Recovery rate (cents on the dollar)	38.2	38.2	38.2	37.9

3. The following graphs illustrate the Closing Business sub indicators in Palau over the past 4 years:



Since 2004 Doing Business has been tracking reforms aimed at simplifying business regulations, strengthening property rights, opening access to credit and enforcing contracts by measuring their impact on 10 indicator sets . * Nearly 1,000 reforms have had an impact on these indicators. *Doing Business 2011*, covering June 2009 to June 2010, reports that 117 economies implemented 216 reforms to make it easier to start a business. 64% of economies measured by Doing Business have reformed this year, focusing on easing business start-up, lightening the tax burden, simplifying import and export regulations and improving credit information systems.

The top 10 most-improved in Doing Business 2011

Economy	Indicator									
	Starting a Business	Dealing with Construction Permits	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business	Employing Workers
Kazakhstan	✓	✓				✓	✓			
Rwanda		✓		✓			✓			
Peru	✓	✓	✓				✓			
Vietnam	✓	✓		✓						
Cape Verde	✓		✓				✓			
Tajikistan	✓				✓		✓			
Zambia	✓						✓	✓		
Hungary		✓	✓				✓			✓
Grenada	✓		✓				✓			
Brunei Darussalam	✓						✓	✓		

✓ Positive Change
 ✗ Negative Change

* For *Doing Business 2011* the Employing Workers indicator is not included in the aggregate ease of doing business ranking.

Summary of changes to business regulation in top 10 most improved economies in *Doing Business 2011* and selected comparator economies.

Brunei Darussalam	Brunei Darussalam made starting a business easier by improving efficiency at the company registrar and implementing an electronic system for name searches. Brunei Darussalam reduced the corporate income tax rate from 23.5% to 22% while also introducing a lower tax rate for small businesses, ranging from 5.5% to 11%. The introduction of an electronic customs system in Brunei Darussalam made trading easier.
Cape Verde	Cape Verde made start-up easier by eliminating the need for a municipal inspection before a business begins operations and computerizing the system for delivering the municipal license. Cape Verde eased property registration by switching from fees based on a percentage of the property value to lower fixed rates. Cape Verde abolished the stamp duties on sales and checks.
Grenada	Grenada eased business start-up by transferring responsibility for the commercial registry from the courts to the civil administration. The appointment of a registrar focusing only on property cut the time needed to transfer property in Grenada by almost half. Grenada's customs administration made trading faster by simplifying procedures, reducing inspections, improving staff training and enhancing communication with users.
Hungary	Hungary implemented a time limit for the issuance of building permits. Hungary reduced the property registration fee by 6% of the property value. Hungary simplified taxes and tax bases. Amendments to Hungary's bankruptcy law encourage insolvent companies to consider reaching agreements with creditors out of court so as to avoid bankruptcy.
Kazakhstan	Kazakhstan eased business start-up by reducing the minimum capital requirement to 100 tenge (\$0.70) and eliminating the need to have the memorandum of association and company charter notarized. Kazakhstan made dealing with construction permits easier by implementing a one-stop shop related to technical conditions for utilities. Kazakhstan strengthened investor protections by requiring greater corporate disclosure in company annual reports. Kazakhstan speeded up trade through efforts to modernize customs, including implementation of a risk management system and improvements in customs automation.
Marshall Islands	The Marshall Islands improved access to credit through a new law on secured transactions that establishes a central collateral registry, broadens the range of assets that can be used as collateral, allows a general description of debts and obligations and assets granted as collateral and establishes clear priority rules outside bankruptcy for secured creditors.
Peru	Peru eased business start-up by simplifying the requirements for operating licenses and creating an online one-stop shop for business registration. Peru streamlined construction permitting by implementing administrative reforms. Peru introduced fast-track procedures at the land registry, cutting by half the time needed to register property. Peru made trading easier by implementing a new web-based electronic data interchange system, risk-based inspections and payment deferrals.
Rwanda	Rwanda made dealing with construction permits easier by passing new building regulations at the end of April 2010 and implementing new time limits for the issuance of various permits. Rwanda enhanced access to credit by allowing borrowers the right to inspect their own credit report and mandating that loans of all sizes be reported to the central bank's public credit registry. Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and other neighbors, leading to an improvement in the trade logistics environment.
Samoa	Samoa shifted from a deed system to a title system and fully computerized its land registry, which reduced the time required to register property by 4 months.
Solomon Islands	The Solomon Islands strengthened access to credit by passing a new secured transactions law that broadens the range of assets that can be used as collateral, allows a general description of debts and obligations secured by collateral, permits out-of-court enforcement and creates a collateral registry.
Tajikistan	Tajikistan made starting a business easier by creating a one-stop shop that consolidates registration with the state and the tax authority. Tajikistan strengthened investor protections by requiring greater corporate disclosure in the annual report and greater access to corporate information for minority investors. Tajikistan lowered its corporate income tax rate.

Vietnam

Vietnam eased company start-up by creating a one-stop shop that combines the processes for obtaining a business license and tax license and by eliminating the need for a seal for company licensing. Vietnam made dealing with construction permits easier by reducing the cost to register newly completed buildings by 50% and transferring the authority to register buildings from local authorities to the Department of National Resources and Environment. Vietnam improved its credit information system by allowing borrowers to examine their own credit report and correct errors.

Zambia

Zambia eased business start-up by eliminating the minimum capital requirement. Zambia eased trade by implementing a one-stop border post with Zimbabwe, launching web-based submission of customs declarations and introducing scanning machines at border posts. Zambia improved contract enforcement by introducing an electronic case management system in the courts that provides electronic referencing of cases, a database of laws, real-time court reporting and public access to court records.



WWW.DOINGBUSINESS.ORG