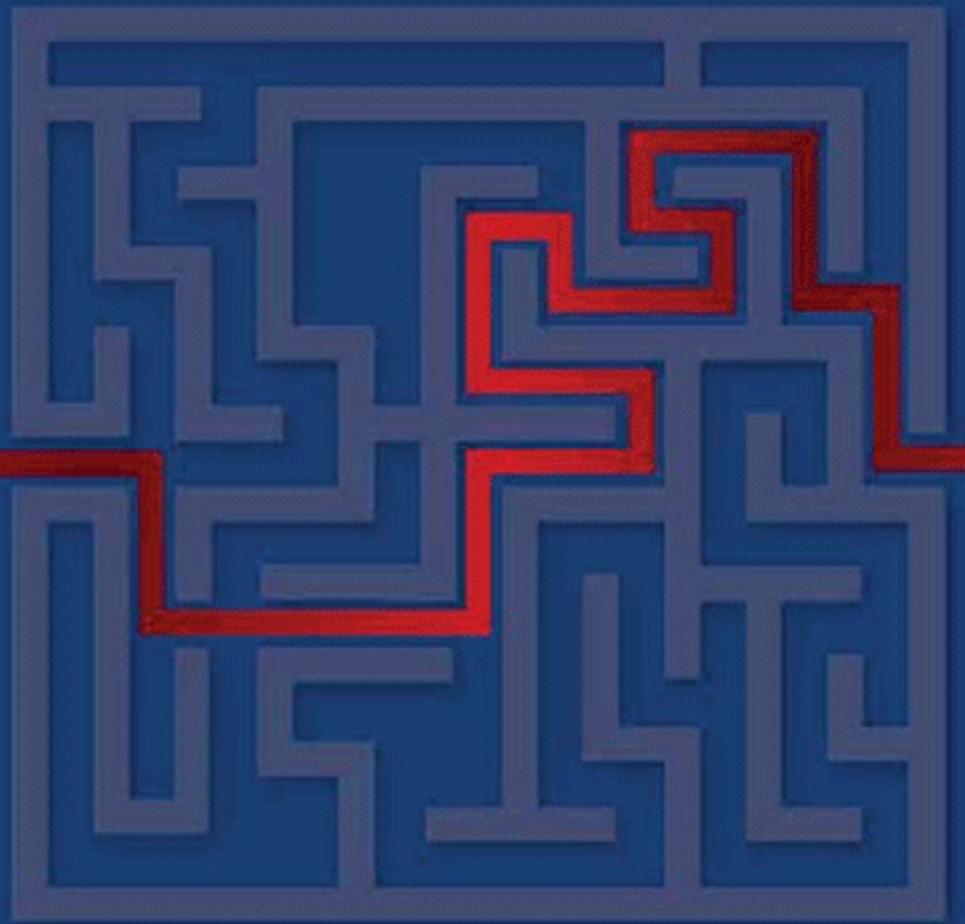




# Doing Business 2014

## Economy Profile: Ukraine



Comparing Business Regulations for Domestic Firms in 189 Economies

11<sup>TH</sup> EDITION

*A World Bank Group Corporate Flagship*

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## INTRODUCTION

*Doing Business* sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 11 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and employing workers.

In a series of annual reports *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 189 economies, from Afghanistan to Zimbabwe, over time. The data set covers 47 economies in Sub-Saharan Africa, 33 in Latin America and the Caribbean, 25 in East Asia and the Pacific, 25 in Eastern Europe and Central Asia, 20 in the Middle East and North Africa and 8 in South Asia, as well as 31 OECD high-income economies. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

This economy profile presents the *Doing Business* indicators for Ukraine. To allow useful comparison, it also provides data for other selected economies (comparator economies) for each indicator. The data in this report are current as of June 1, 2013 (except for

the paying taxes indicators, which cover the period January–December 2012).

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 and getting electricity), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions—are not directly studied by *Doing Business*. 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 policy makers in designing regulatory reform.

More information is available in the full report. *Doing Business 2014* presents the indicators, analyzes their relationship with economic outcomes and presents business regulatory reforms. The data, along with information on ordering *Doing Business 2014*, are available on the *Doing Business* website at <http://www.doingbusiness.org>.

## THE BUSINESS ENVIRONMENT

For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. *Doing Business* provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 189 by the ease of doing business index. For each economy the index is calculated as the ranking on the simple average of its percentile rankings on each of the 10 topics included in the index in *Doing Business 2014*: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The ranking on each topic is the simple average of the percentile rankings on its component indicators (see the data notes for more details). The employing workers indicators are not included in this year's aggregate ease of doing business ranking, but the data are presented in this year's economy profile.

The aggregate ranking on the ease of doing business benchmarks each economy's performance on the indicators against that of all other economies in the *Doing Business* sample (figure 1.1). While this ranking tells much about the business environment in an economy, it does not tell the whole story. The ranking on the ease of doing business, and the underlying indicators, do not measure all aspects of the business environment that matter to firms and investors or that affect the competitiveness of the economy. Still, a high ranking does mean that the government has created a regulatory environment conducive to operating a business.

### ECONOMY OVERVIEW

**Region:** Europe & Central Asia

**Income category:** Lower middle income

**Population:** 45,593,300

**GNI per capita (US\$):** 3,500

**DB2014 rank:** 112

**DB2013 rank:** 140\*

**Change in rank:** 28

**DB 2014 DTF:** 58.44

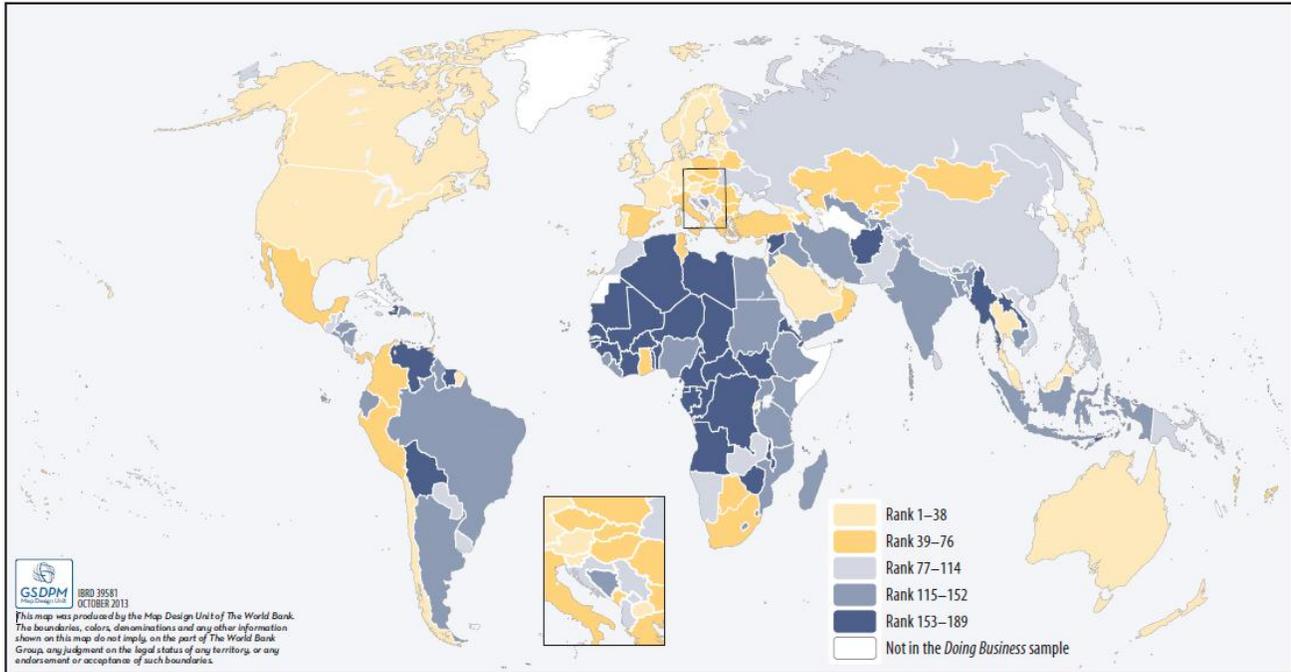
**DB 2013 DTF:** 50.97

**Change in DTF:** 7.44

\* DB2013 ranking shown is not last year's published ranking but a comparable ranking for DB2013 that captures the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year. See the data notes for sources and definitions.

## THE BUSINESS ENVIRONMENT

Figure 1.1 Where economies stand in the global ranking on the ease of doing business



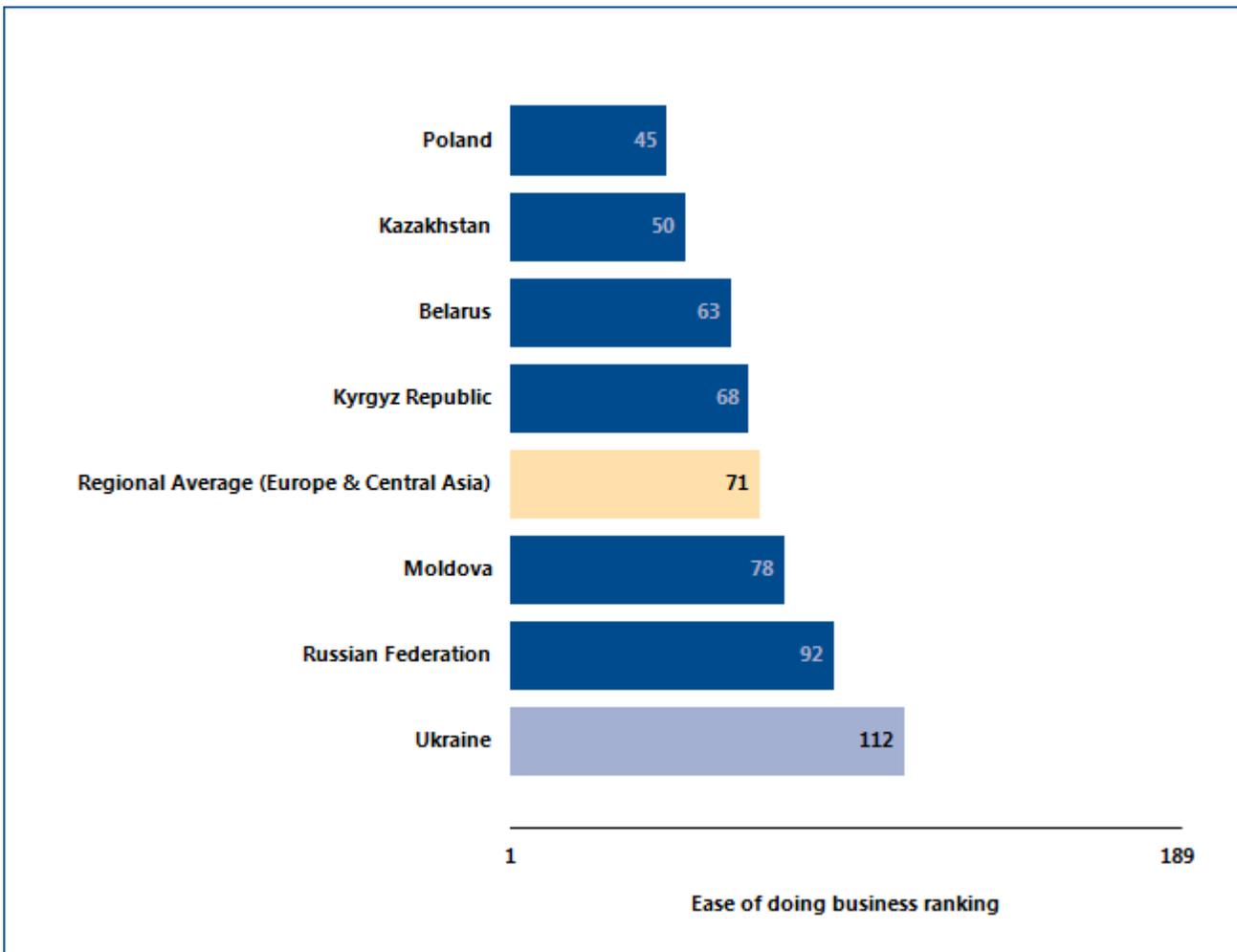
Source: *Doing Business* database.

## THE BUSINESS ENVIRONMENT

For policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful. Also useful is to know how it ranks relative to comparator economies and

relative to the regional average (figure 1.2). The economy's rankings on the topics included in the ease of doing business index provide another perspective (figure 1.3).

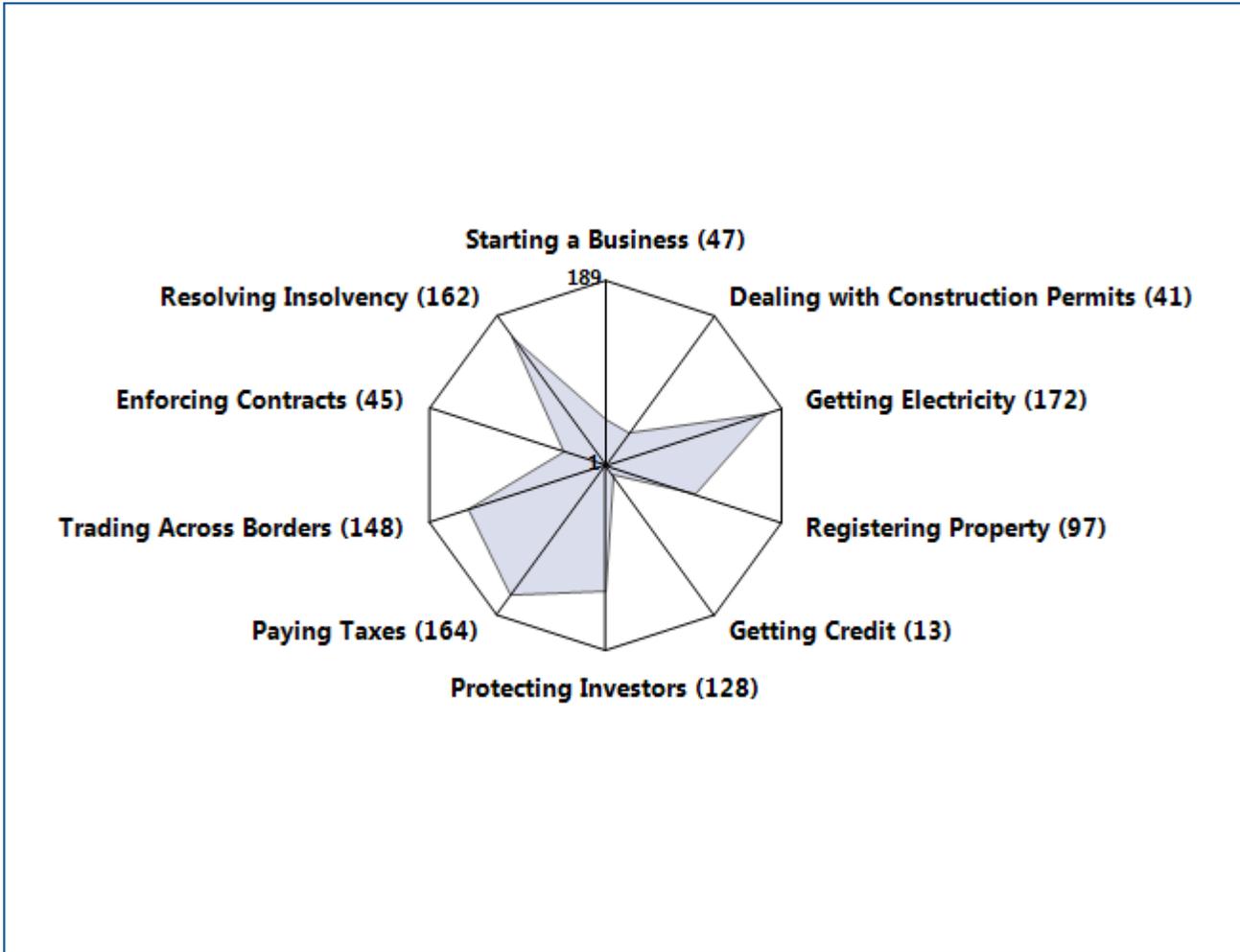
Figure 1.2 How Ukraine and comparator economies rank on the ease of doing business



Source: Doing Business database.

## THE BUSINESS ENVIRONMENT

Figure 1.3 How Ukraine ranks on *Doing Business* topics



Source: *Doing Business* database.

## THE BUSINESS ENVIRONMENT

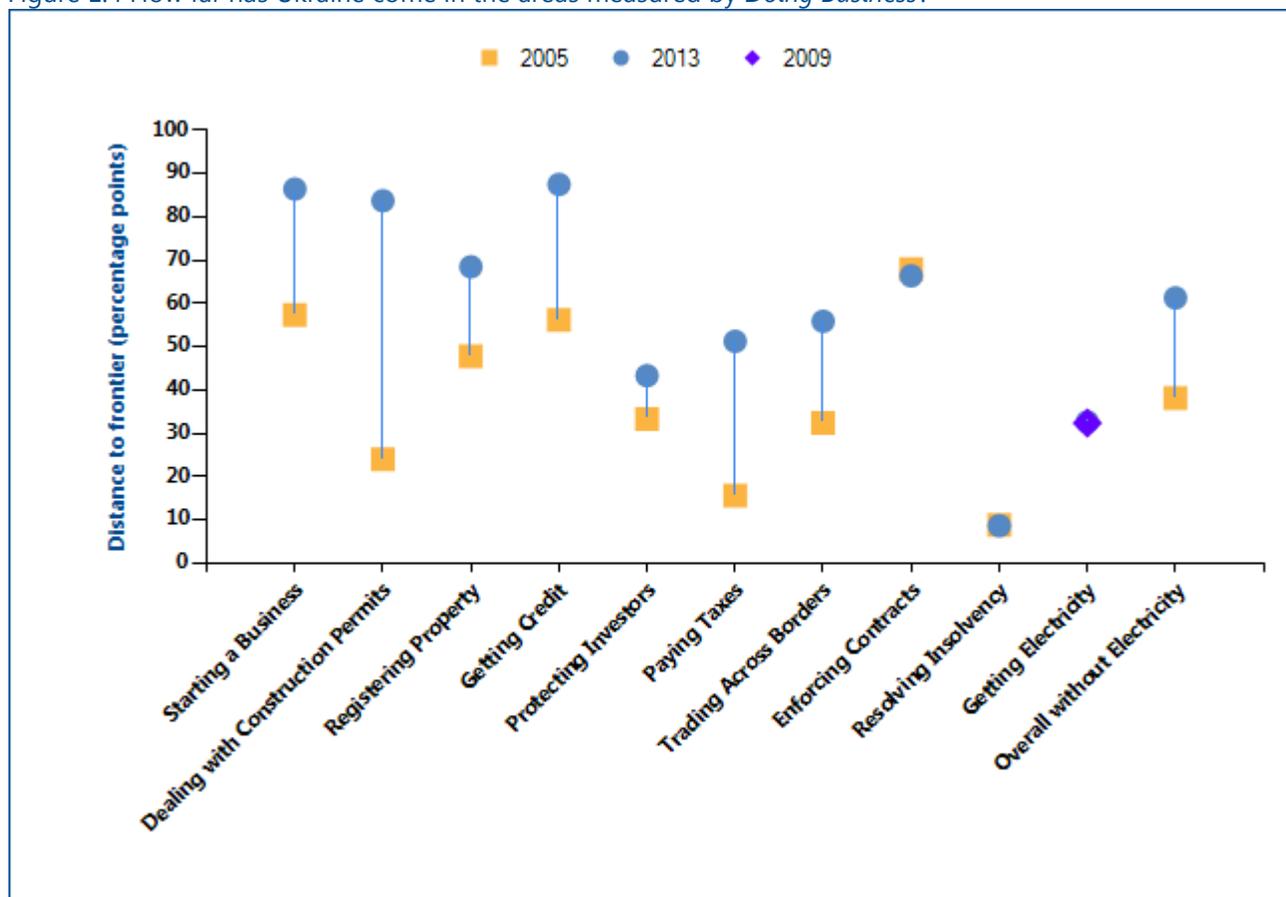
Just as the overall ranking on the ease of doing business tells only part of the story, so do changes in that ranking. Yearly movements in rankings can provide some indication of changes in an economy’s regulatory environment for firms, but they are always relative.

Moreover, year-to-year changes in the overall rankings do not reflect how the business regulatory environment in an economy has changed over time—or how it has changed in different areas. To aid in assessing such changes,

*Doing Business* introduced the distance to frontier measure. This measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator since 2005, except for the getting electricity indicators, which were introduced in 2009.

Comparing the measure for an economy at 2 points in time allows users to assess how much the economy’s regulatory environment as measured by *Doing Business* has changed over time—how far it has moved toward (or away from) the most efficient practices and strongest regulations in areas covered by *Doing Business* (figure 1.4).

Figure 1.4 How far has Ukraine come in the areas measured by *Doing Business*?



Note: The distance to frontier measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator since 2005, except for the getting electricity indicators, which were introduced in 2009. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). The overall distance to frontier is the average of the distance to frontier in the first 9 indicator sets shown in the figure and does not include getting electricity. Data on the overall distance to frontier including getting electricity is available at <http://www.doingbusiness.org/data/distance-to-frontier>. See the data notes for more details on the distance to frontier measure.

Source: *Doing Business* database.

## THE BUSINESS ENVIRONMENT

The absolute values of the indicators tell another part of the story (table 1.1). The indicators, on their own or in comparison with the indicators of a good practice economy or those of comparator economies in the region, may reveal bottlenecks reflected in large numbers of procedures, long delays or high costs. Or they may reveal unexpected strengths in an area of

business regulation—such as a regulatory process that can be completed with a small number of procedures in a few days and at a low cost. Comparison of the economy's indicators today with those in the previous year may show where substantial bottlenecks persist—and where they are diminishing.

Table 1.1 Summary of *Doing Business* indicators for Ukraine

Indicator	Ukraine DB2014	Ukraine DB2013	Belarus DB2014	Kazakhstan DB2014	Kyrgyz Republic DB2014	Moldova DB2014	Poland DB2014	Russian Federation DB2014	Best performer globally DB2014
<b>Starting a Business (rank)</b>	47	50	15	30	12	81	116	88	New Zealand (1)
<b>Procedures (number)</b>	6	7	5	6	2	6	4	7	New Zealand (1)*
<b>Time (days)</b>	21.0	22.0	9.0	12.0	8.0	7.0	30.0	15.0	New Zealand (0.5)
<b>Cost (% of income per capita)</b>	1.3	1.5	0.8	0.6	2.7	5.4	14.3	1.3	Slovenia (0.0)
<b>Paid-in Min. Capital (% of income per capita)</b>	0.0	0.0	0.0	0.0	0.0	8.1	12.6	1.2	112 Economies (0.0)*
<b>Dealing with Construction Permits (rank)</b>	41	186	30	145	66	174	88	178	Hong Kong SAR, China (1)
<b>Procedures (number)</b>	10	20	12	29	12	26	18	36	Hong Kong SAR, China (6)
<b>Time (days)</b>	73.0	375.0	128.0	157.0	142.0	291.0	161.0	297.0	Singapore (26.0)

Indicator	Ukraine DB2014	Ukraine DB2013	Belarus DB2014	Kazakhstan DB2014	Kyrgyz Republic DB2014	Moldova DB2014	Poland DB2014	Russian Federation DB2014	Best performer globally DB2014
Cost (% of income per capita)	607.1	1,262.6	21.3	87.3	128.7	65.0	10.6	89.0	Qatar (1.1)
Getting Electricity (rank)	172	170	168	87	180	165	137	117	Iceland (1)
Procedures (number)	10	11	7	6	7	7	6	5	10 Economies (3)*
Time (days)	277	284	161	88	159	140	161	162	Germany (17)
Cost (% of income per capita)	178.0	192.3	431.7	65.3	2,256.4	542.1	205.2	293.8	Japan (0.0)
Registering Property (rank)	97	158	3	18	9	19	54	17	Georgia (1)
Procedures (number)	8	10	2	4	4	5	6	4	4 Economies (1)*
Time (days)	45.0	70.0	4.0	23.0	6.0	6.0	35.0	22.0	New Zealand (1.0)*
Cost (% of property value)	1.9	3.7	0.0	0.1	0.3	0.9	0.4	0.1	5 Economies (0.0)*
Getting Credit (rank)	13	24	109	86	13	13	3	109	Malaysia (1)*
Strength of legal rights index (0-10)	9	9	3	4	10	9	9	3	10 Economies (10)*
Depth of credit information index (0-6)	5	4	5	5	4	5	6	5	31 Economies (6)*
Public registry coverage (% of adults)	0.0	0.0	60.3	0.0	0.0	0.0	0.0	0.0	Portugal (100.0)*
Private bureau coverage (% of adults)	28.3	23.3	0.0	45.6	32.1	4.5	82.8	59.2	22 Economies (100.0)*
Protecting Investors (rank)	128	127	98	22	22	80	52	115	New Zealand (1)
Extent of disclosure	5	5	7	7	7	7	7	6	10 Economies (10)*

Indicator	Ukraine DB2014	Ukraine DB2013	Belarus DB2014	Kazakhstan DB2014	Kyrgyz Republic DB2014	Moldova DB2014	Poland DB2014	Russian Federation DB2014	Best performer globally DB2014
index (0-10)									
Extent of director liability index (0-10)	2	2	0	6	5	3	2	2	Cambodia (10)
Ease of shareholder suits index (0-10)	6	6	8	7	8	6	9	6	3 Economies (10)*
Strength of investor protection index (0-10)	4.3	4.3	5.0	6.7	6.7	5.3	6.0	4.7	New Zealand (9.7)
Paying Taxes (rank)	164	168	133	18	127	95	113	56	United Arab Emirates (1)
Payments (number per year)	28	28	10	7	51	31	18	7	Hong Kong SAR, China (3)*
Time (hours per year)	390	491	319	188	210	181	286	177	United Arab Emirates (12)
Trading Across Borders (rank)	148	148	149	186	182	150	49	157	Singapore (1)
Documents to export (number)	6	6	9	10	9	7	5	9	Ireland (2)*
Time to export (days)	29	30	15	81	63	32	17	22	5 Economies (6)*
Cost to export (US\$ per container)	1,930	1,865	1,510	4,885	4,360	1,545	1,050	2,615	Malaysia (450)
Documents to import (number)	8	8	10	12	11	8	4	10	Ireland (2)*
Time to import (days)	28	33	30	69	75	35	14	21	Singapore (4)
Cost to import (US\$ per container)	2,505	2,455	2,315	4,865	5,150	1,870	1,025	2,810	Singapore (440)
Enforcing Contracts (rank)	45	45	13	27	70	23	55	10	Luxembourg (1)

Indicator	Ukraine DB2014	Ukraine DB2013	Belarus DB2014	Kazakhstan DB2014	Kyrgyz Republic DB2014	Moldova DB2014	Poland DB2014	Russian Federation DB2014	Best performer globally DB2014
Time (days)	378	378	275	370	260	337	685	270	Singapore (150)
Cost (% of claim)	43.8	43.8	23.4	22.0	37.0	28.6	19.0	13.4	Bhutan (0.1)
Procedures (number)	30	30	29	37	38	31	33	36	Singapore (21)*
Resolving Insolvency (rank)	162	157	74	54	132	91	37	55	Japan (1)
Time (years)	2.9	2.9	3.0	1.5	4.0	2.8	3.0	2.0	Ireland (0.4)
Cost (% of estate)	42	42	22	15	15	9	15	9	Norway (1)
Outcome (0 as piecemeal sale and 1 as going concern)	0	0	1	0	0	0	1	0	
Recovery rate (cents on the dollar)	8.2	8.7	36.9	43.2	21.7	32.8	54.8	42.8	Japan (92.8)

Note: DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year. For more information on "no practice" marks, see the data notes.

\* Two or more economies share the top ranking on this indicator. A number shown in place of an economy's name indicates the number of economies that share the top ranking on the indicator. For a list of these economies, see the *Doing Business* website (<http://www.doingbusiness.org>).

Source: *Doing Business* database.

## STARTING A BUSINESS

Formal registration of companies has many immediate benefits for the companies and for business owners and employees. Legal entities can outlive their founders. Resources are pooled as several shareholders join forces to start a company. Formally registered companies have access to services and institutions from courts to banks as well as to new markets. And their employees can benefit from protections provided by the law. An additional benefit comes with limited liability companies. These limit the financial liability of company owners to their investments, so personal assets of the owners are not put at risk. Where governments make registration easy, more entrepreneurs start businesses in the formal sector, creating more good jobs and generating more revenue for the government.

### What do the indicators cover?

*Doing Business* measures the ease of starting a business in an economy by recording all procedures officially required or commonly done in practice by an entrepreneur to start up and formally operate an industrial or commercial business—as well as the time and cost required to complete these procedures. It also records the paid-in minimum capital that companies must deposit before registration (or within 3 months). The ranking on the ease of starting a business is the simple average of the percentile rankings on the 4 component indicators: procedures, time, cost and paid-in minimum capital requirement.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the procedures. It assumes that all information is readily available to the entrepreneur and that there has been no prior contact with officials. It also assumes that the entrepreneur will pay no bribes. And it assumes that the business:

- Is a limited liability company, located in the largest business city and is 100% domestically owned.
- Has between 10 and 50 employees.
- Conducts general commercial or industrial activities.

### WHAT THE STARTING A BUSINESS

#### INDICATORS MEASURE

#### Procedures to legally start and operate a company (number)

Preregistration (for example, name verification or reservation, notarization)

Registration in the economy's largest business city

Postregistration (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 (2 procedures cannot start on the same day). Procedures that can be fully completed online are an exception to this rule.

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 before registration (or within 3 months)

- Has a start-up capital of 10 times income per capita.
- Has a turnover of at least 100 times income per capita.
- Does not qualify for any special benefits.
- Does not own real estate.

## STARTING A BUSINESS

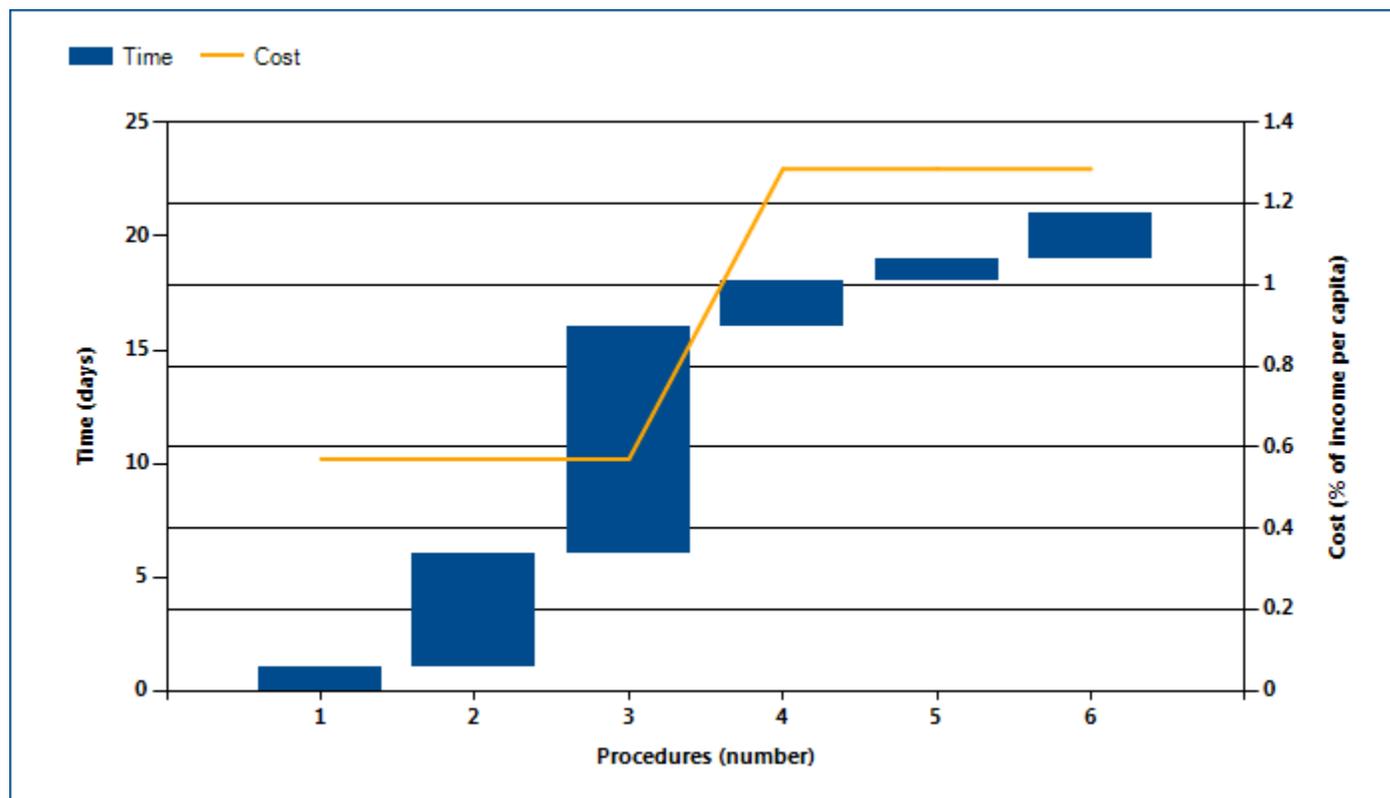
### Where does the economy stand today?

What does it take to start a business in Ukraine? According to data collected by *Doing Business*, starting a business there requires 6 procedures, takes 21.0

days, costs 1.3% of income per capita and requires paid-in minimum capital of 0.0% of income per capita (figure 2.1).

Figure 2.1 What it takes to start a business in Ukraine

Paid-in minimum capital (% of income per capita): 0.0



Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the starting a business indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

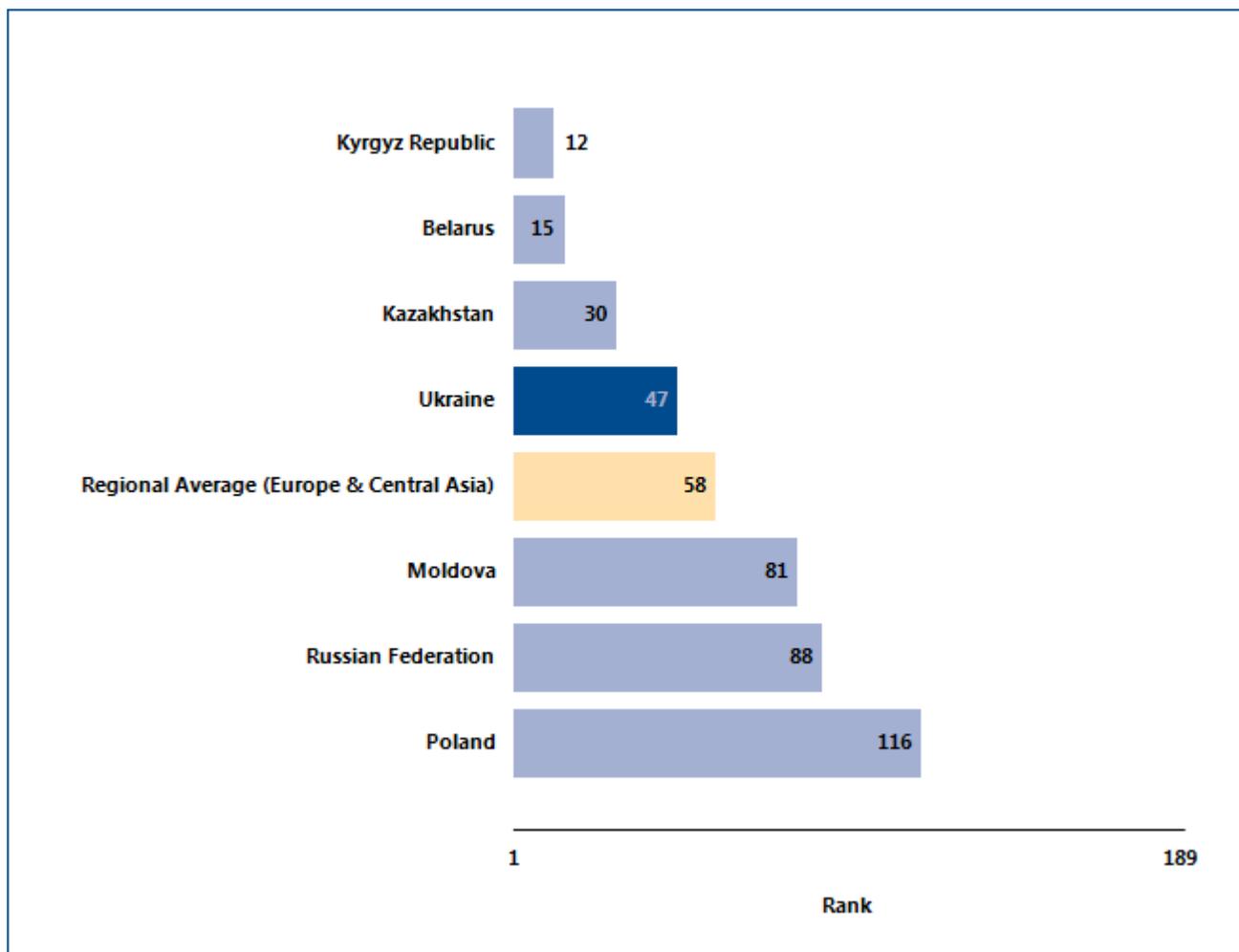
Source: *Doing Business* database.

## STARTING A BUSINESS

Globally, Ukraine stands at 47 in the ranking of 189 economies on the ease of starting a business (figure 2.2). The rankings for comparator economies and the

regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Ukraine to start a business.

Figure 2.2 How Ukraine and comparator economies rank on the ease of starting a business



Source: Doing Business database.

## STARTING A BUSINESS

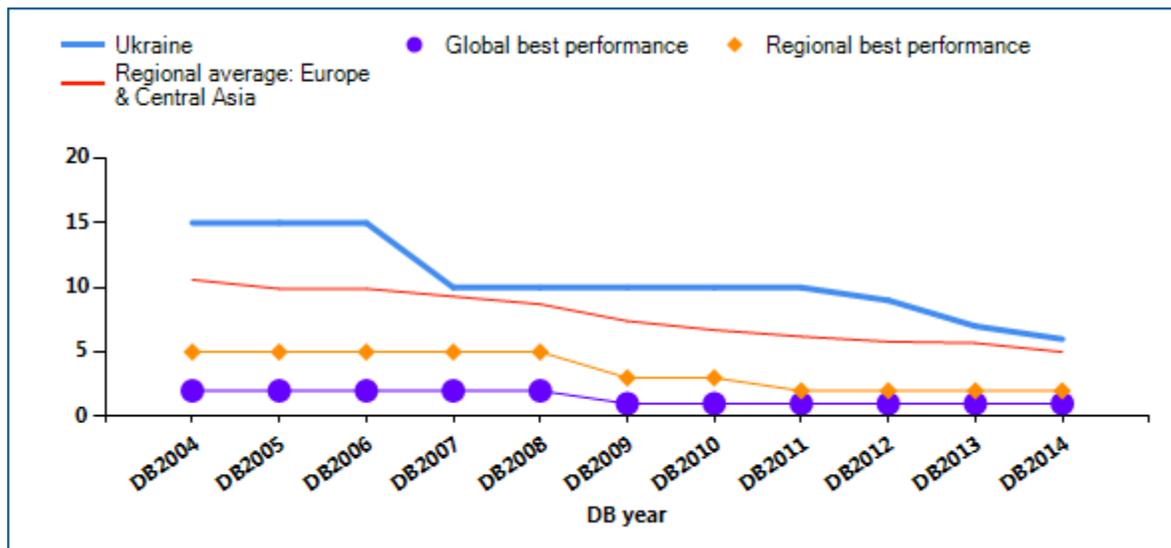
### What are the changes over time?

The benchmarks provided by the economies that over time have had the best performance regionally or globally on the procedures, time, cost or paid-in minimum capital required to start a business (figure

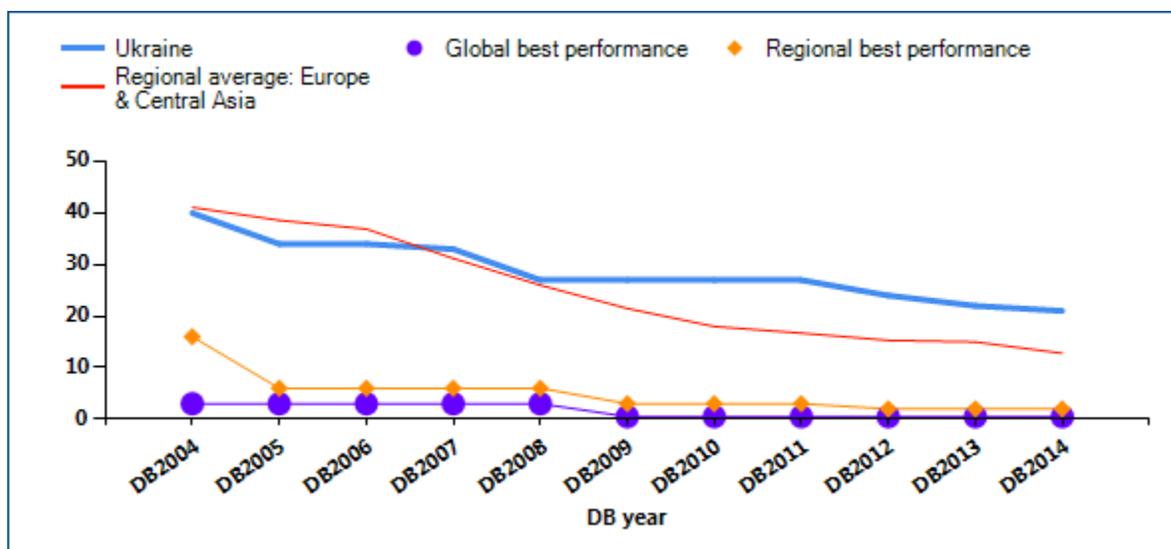
2.3) can help show what is possible in making it easier to start a business. And changes in regional averages can show where Ukraine is keeping up—and where it is falling behind.

Figure 2.3 Has starting a business become easier over time?

#### Procedures (number)

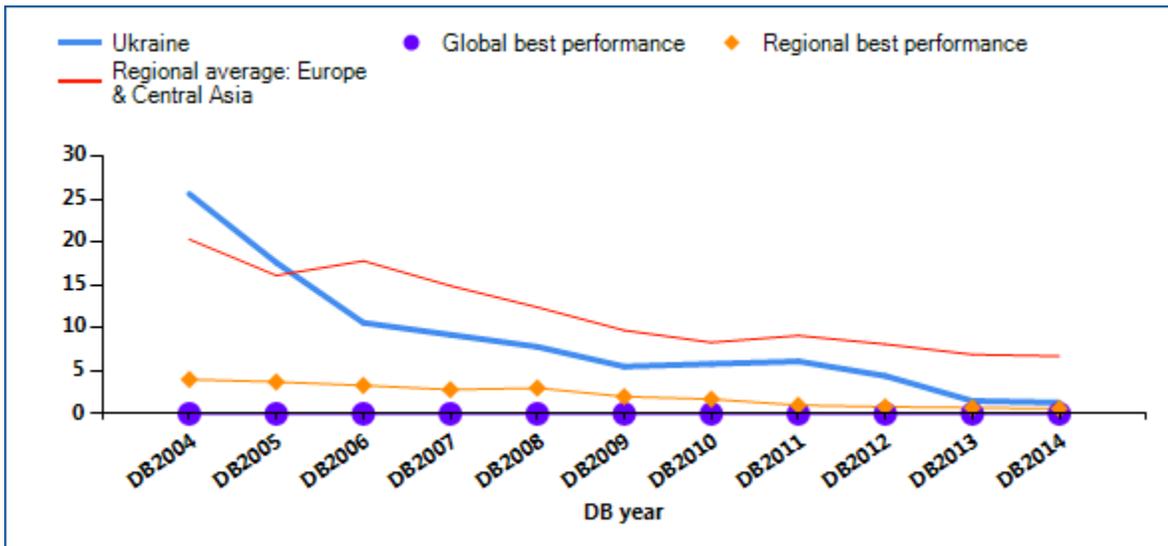


#### Time (days)

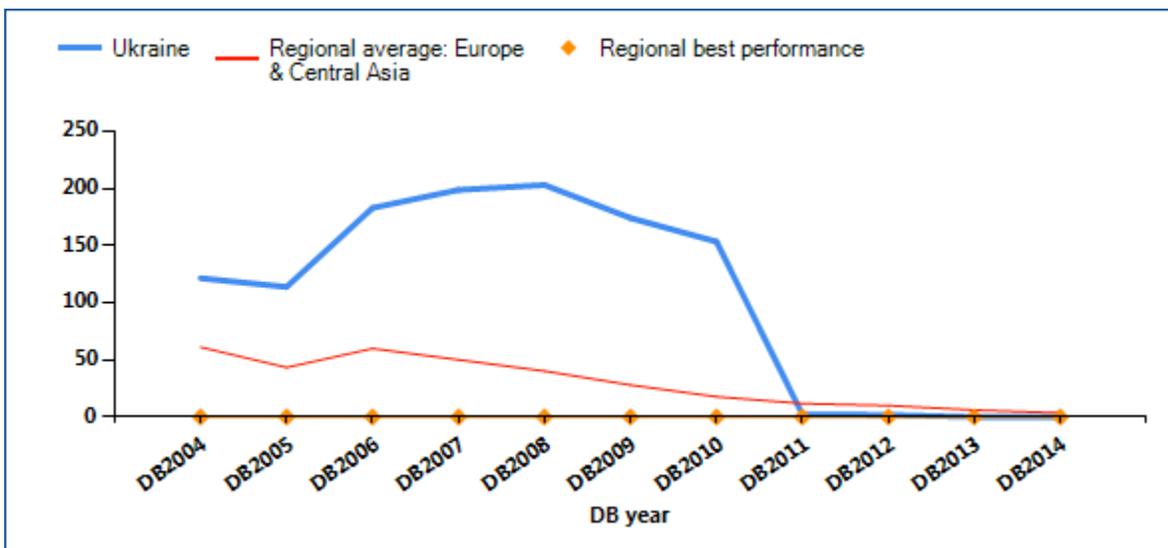


## STARTING A BUSINESS

### Cost (% of income per capita)



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



Note: Ninety economies globally have no paid-in minimum capital requirement. DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year.

Source: Doing Business database.

## STARTING A BUSINESS

Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages—and they often are part of a larger regulatory reform program. Among the benefits have been

greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities.

What business registration reforms has *Doing Business* recorded in Ukraine (table 2.1)?

Table 2.1 How has Ukraine made starting a business easier—or not?  
By *Doing Business* report year

DB year	Reform
<b>DB2009</b>	No reform as measured by Doing Business.
<b>DB2010</b>	No reform as measured by Doing Business.
<b>DB2011</b>	Ukraine eased business start-up by substantially reducing the minimum capital requirement.
<b>DB2012</b>	Ukraine made starting a business easier by eliminating the requirement to obtain approval for a new corporate seal.
<b>DB2013</b>	Ukraine made starting a business easier by eliminating the minimum capital requirement for company incorporation as well as the requirement to have incorporation documents notarized.
<b>DB2014</b>	Ukraine made starting a business easier by eliminating the requirement for registration with the statistics authority and by eliminating the cost for value added tax registration.

*Note:* For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

*Source:* *Doing Business* database.

## STARTING A BUSINESS

## What are the details?

Underlying the indicators shown in this chapter for Ukraine is a set of specific procedures—the bureaucratic and legal steps that an entrepreneur must complete to incorporate and register a new firm. These are identified by *Doing Business* through collaboration with relevant local professionals and the study of laws, regulations and publicly available information on business entry in that economy. Following is a detailed summary of those procedures, along with the associated time and cost. These procedures are those that apply to a company matching the standard assumptions (the “standardized company”) used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators measure).

## STANDARDIZED COMPANY

**City:** Kiev

**Legal Form:** *Tovarystvo z Obmezhenoyu Vidpovidalnistyu* - Limited Liability Company

**Paid in Minimum Capital Requirement:** None

**Start-up Capital:** 10 times GNI per capita

## Summary of procedures for starting a business in Ukraine—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Pay registration fee at the bank</b></p> <p>Under Law of Ukraine “On State Registration of Legal Entities and Individual Entrepreneurs” № 755-IV dated May 15, 2003 (effective from May 15, 2003) (<a href="http://zakon4.rada.gov.ua/laws/show/755-15state">http://zakon4.rada.gov.ua/laws/show/755-15state</a>), state registration fee is 170 UAH</p>	1 day	UHA 170
2	<p><b>Register at the Registration Office</b></p> <p>Currently, the LLC founders to enforce its registration with the state must submit to the Companies Registrar the following documents (s.24(1) of the Act of Ukraine “On State Registration of Legal Entities and Individual Entrepreneurs”):</p> <ul style="list-style-type: none"> <li>- application form (the format of the application form is standard and is approved with the Order of the Ministry of Justice of Ukraine dated 14 October 2011 No.3178/5);</li> <li>- original (copy or notarized copy) of the founders' decision on establishment of the LLC;</li> <li>- 2 (two) copies of the LLC company charter executed by the founders; must not be filed in case the LLC will be established based on the model charter; in case the documents are filed in e-version (e-registration of the LLC), one copy must be filed;</li> <li>- document, which confirms payment of the LLC registration fee (bank receipt); in case the documents are filed in e-version (e-registration of the LLC), the e-confirmation certified with e-signature must be provided;</li> <li>- document evidencing the individual beneficiary owners of the LLC, in case the formal founders of the LLC are legal entities.</li> </ul>	5 days	free of charge

No.	Procedure	Time to complete	Cost to complete
	<p>Although, requirement to accompany the registration application with an instrument (e.g. lease or sale-and-purchase agreement) confirming company's entitlement to occupy the office premises where its management is to be located (registered address) was abolished, in practice, the Registration Office may still demand that such document be provided for verification.</p>		
3	<p><b>Register VAT at the State Tax Authority and obtain a VAT number</b></p> <p>As defined in the Tax Code of Ukraine No.2755-VI dated on December 02, 2012, if the total amount of transactions with delivery of goods or/and services, including the use of local or global computer network, charged (paid) during last 12 calendar months, totally exceeds UAH 300,000 (excluding VAT), such company is obliged to register as VAT taxpayer, except single tax payer company. Actually, Art. 182 of the above mentioned Tax Code also provides option for voluntarily VAT taxpayer registration.</p> <p>If a company, doesn't registered as VAT taxpayer, imports on the custom territory of Ukraine in taxable amounts, such company will have pay VAT during customs clearance operations without registration as VAT taxpayer.</p>	10 days	free of charge
4	<p><b>Prepare a seal</b></p> <p>On 11 January 2011 the Ministry of Internal Affairs of Ukraine approved the Order No.17, which came into effect from 21 February 2011. This Order introduced the amendments to the procedure of making an LLC seal. The legislation, which was previously in effect, established an obligation for the LLC to provide a seal-making company with a Permit for Making a Company Seal in order to get the seal produced. Such Permits were issued by the local internal affairs departments at the location of the LLC registered office. The Order eliminated this requirement that substantially simplified the procedure.</p>	2 days	UAH 190-250, depending on the complexity of a seal
5	<p><b>Open a permanent bank account</b></p> <p>In case a limited liability company did not open a bank account before state registration of a limited liability company, it must open the account after registration. Pursuant to Regulation 492 of the National bank of Ukraine, the following documents are required for opening the current bank account:</p> <p>(1) application on opening of the current account;  (2) notarized copy of the registered charter;  (3) bank signature specimen card certified by a notary.</p> <p>Pursuant to the Law of Ukraine "On Banks and Banking Activity", the banks must identify natural persons who are direct or indirect owners of</p>	1 day	bank's charge or no charge

No.	Procedure	Time to complete	Cost to complete
	the material participatory interest in the Ukrainian limited liability company and banks authorized additionally to require copies of documents or information necessary for identification of natural persons.		
6	<p><b>Notify the District Tax Inspectorate of the opening of the permanent bank account</b></p> <p>In case a limited liability company did not open a bank account prior to the state registration of a limited liability company, the bank, Pursuant to the Tax Code, must notify the tax inspection about the account opening within 3 business days after the account opening. Within three business days after receiving a notification from the bank, the tax inspection must notify the bank on registration of the account or about refusal to register the account. In practice, notification of the tax inspection by bank and receiving answer from the tax inspection takes 1-2 business days.</p> <p>A limited liability company may use its account for outflow operations only after the bank receives notification from the tax inspection on registration of the respective account.</p>	2 days	no charge

\* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: *Doing Business* database.

## DEALING WITH CONSTRUCTION PERMITS

Regulation of construction is critical to protect the public. But it needs to be efficient, to avoid excessive constraints on a sector that plays an important part in every economy. Where complying with building regulations is excessively costly in time and money, many builders opt out. They may pay bribes to pass inspections or simply build illegally, leading to hazardous construction that puts public safety at risk. Where compliance is simple, straightforward and inexpensive, everyone is better off.

### What do the indicators cover?

*Doing Business* records the procedures, time and cost for a business in the construction industry to obtain all the necessary approvals to build a warehouse in the economy's largest business city, connect it to basic utilities and register the property so that it can be used as collateral or transferred to another entity.

The ranking on the ease of dealing with construction permits is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the warehouse, including the utility connections.

The business:

- Is a limited liability company operating in the construction business and located in the largest business city.
- Is domestically owned and operated.
- Has 60 builders and other employees.

The warehouse:

- Is a new construction (there was no previous construction on the land).
- Has complete architectural and technical plans prepared by a licensed architect or engineer.

### WHAT THE DEALING WITH CONSTRUCTION PERMITS INDICATORS MEASURE

#### Procedures to legally build a warehouse (number)

Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates

Submitting all required notifications and receiving all necessary inspections

Obtaining utility connections for water, sewerage and a land telephone line

Registering the warehouse after its completion (if required for use as collateral or for transfer of the warehouse)

#### Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are an exception to this rule.

Procedure considered 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

- Will be connected to water, sewerage (sewage system, septic tank or their equivalent) and a fixed telephone line. The connection to each utility network will be 10 meters (32 feet, 10 inches) long.
- Will be used for general storage, such as of books or stationery (not for goods requiring special conditions).
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

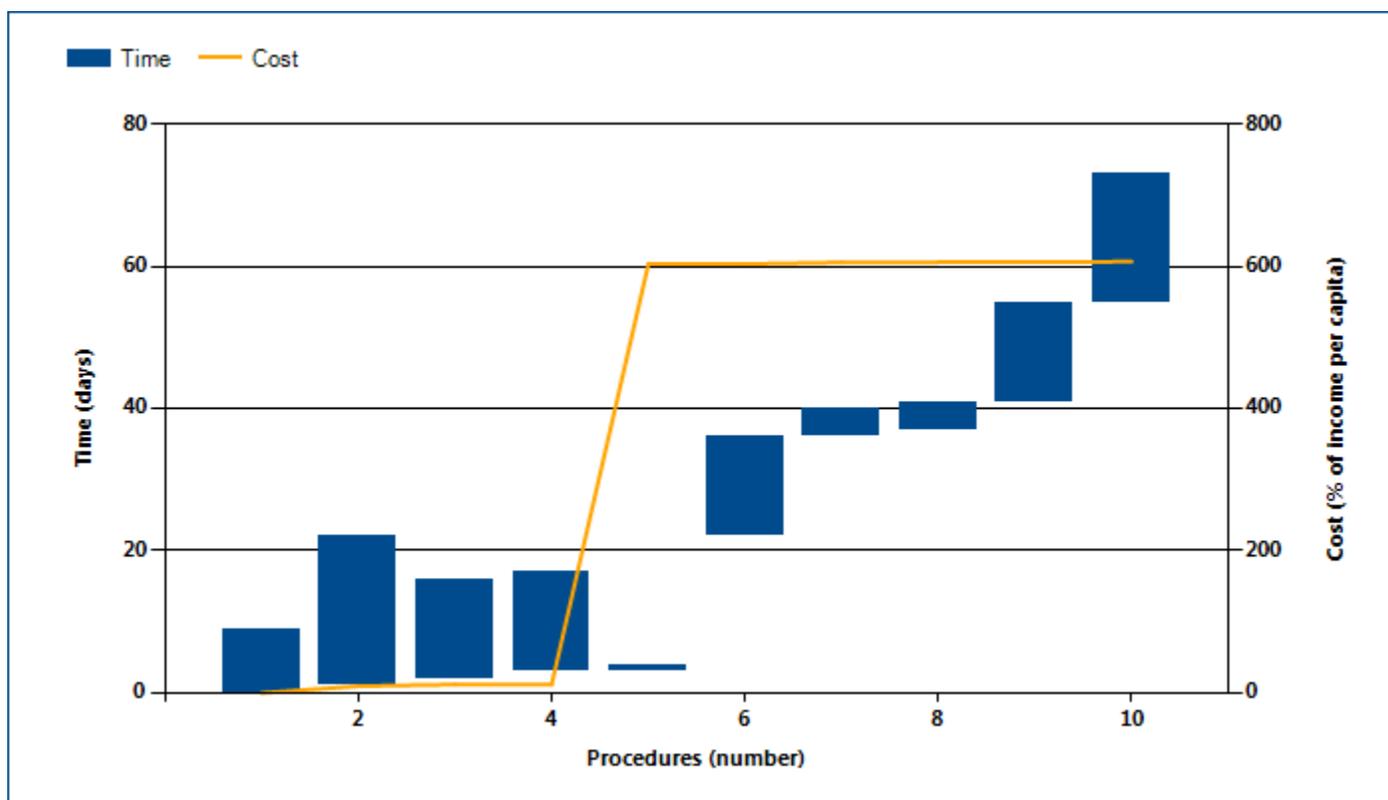
## DEALING WITH CONSTRUCTION PERMITS

### Where does the economy stand today?

What does it take to comply with the formalities to build a warehouse in Ukraine? According to data collected by *Doing Business*, dealing with construction

permits there requires 10 procedures, takes 73.0 days and costs 607.1% of income per capita (figure 3.1).

Figure 3.1 What it takes to comply with formalities to build a warehouse in Ukraine



Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the dealing with construction permits indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

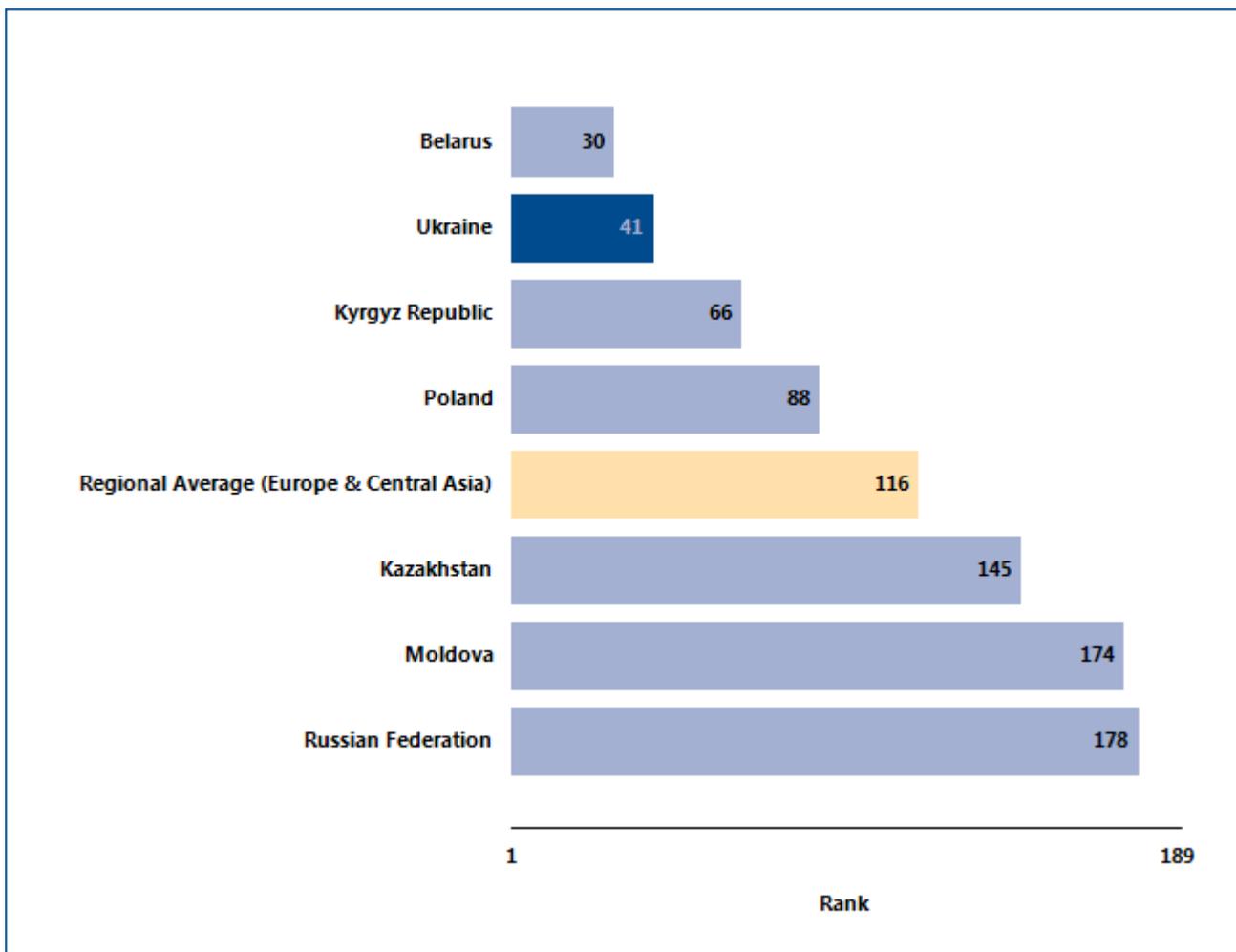
Source: *Doing Business* database.

## DEALING WITH CONSTRUCTION PERMITS

Globally, Ukraine stands at 41 in the ranking of 189 economies on the ease of dealing with construction permits (figure 3.2). The rankings for comparator economies and the regional average ranking provide

other useful information for assessing how easy it is for an entrepreneur in Ukraine to legally build a warehouse.

Figure 3.2 How Ukraine and comparator economies rank on the ease of dealing with construction permits



Source: Doing Business database.

## DEALING WITH CONSTRUCTION PERMITS

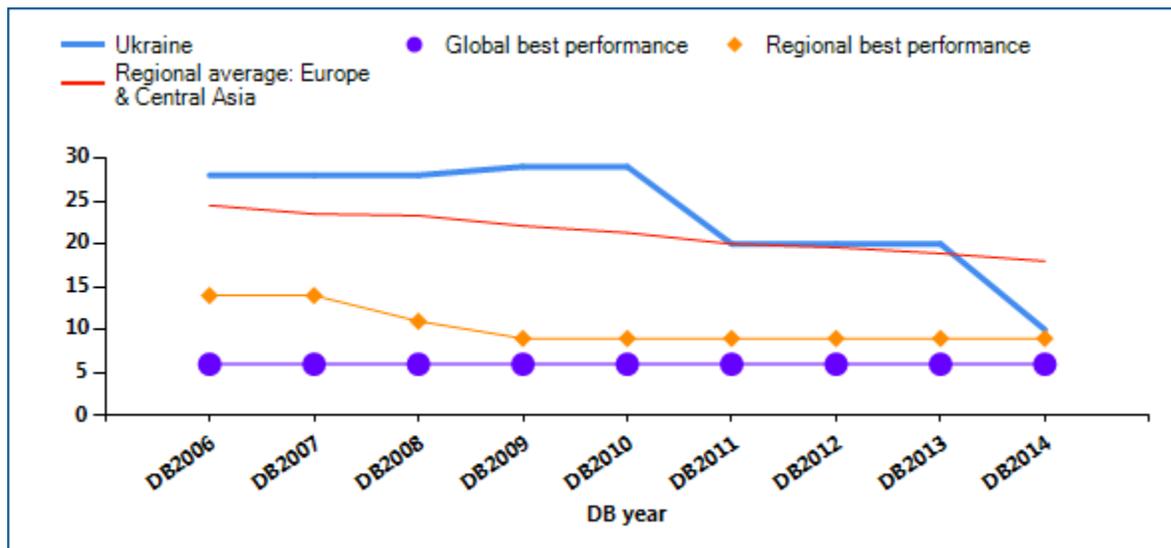
### What are the changes over time?

The benchmarks provided by the economies that over time have had the best performance regionally or globally on the procedures, time or cost required to deal with construction permits (figure 3.3) help show

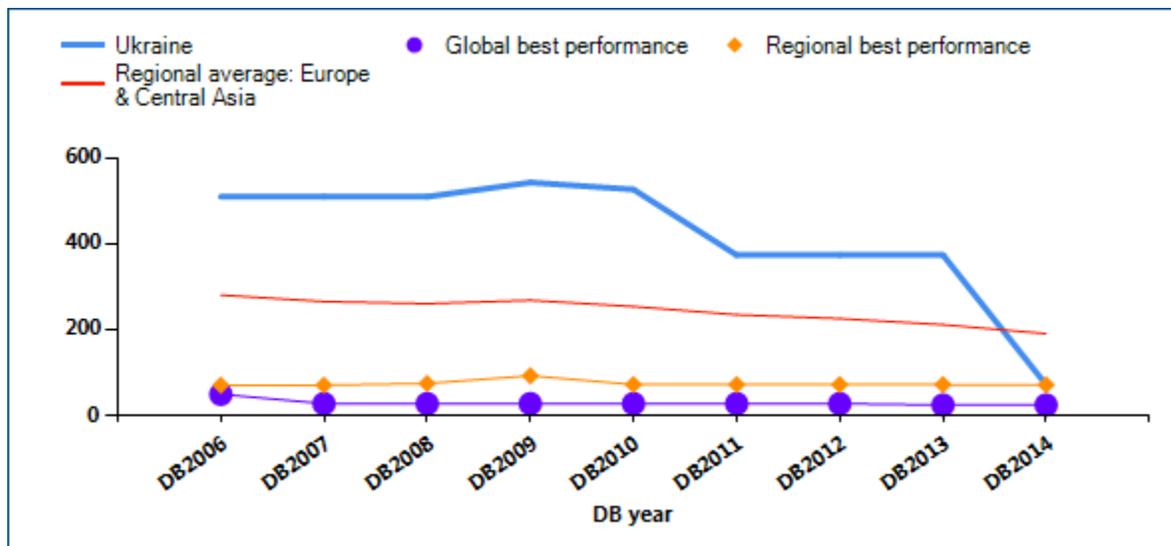
what is possible in making it easier to deal with construction permits. And changes in regional averages can show where Ukraine is keeping up—and where it is falling behind.

Figure 3.3 Has dealing with construction permits become easier over time?

#### Procedures (number)

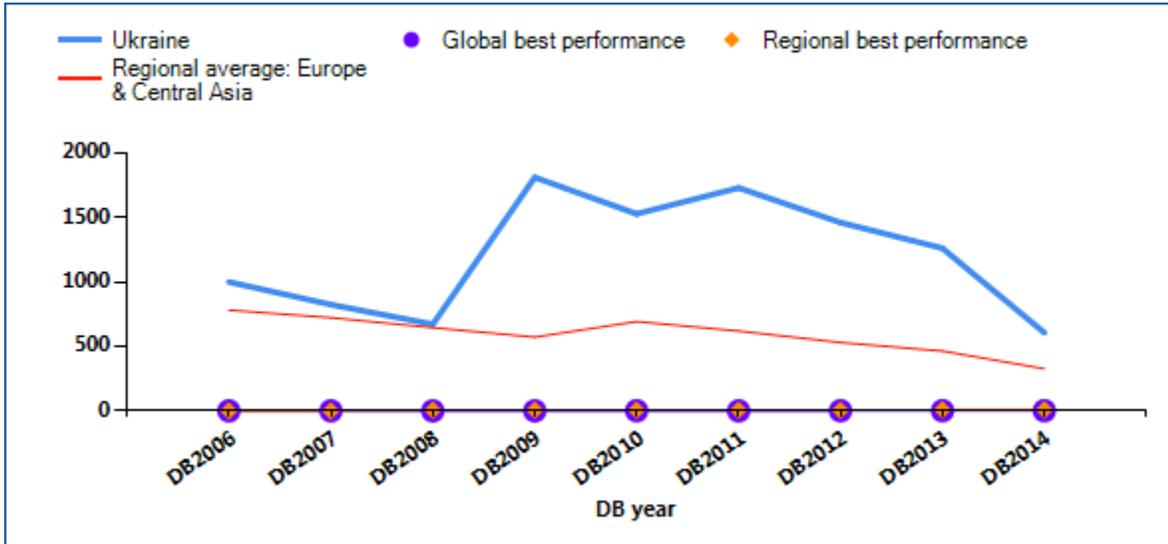


#### Time (days)



## DEALING WITH CONSTRUCTION PERMITS

### Cost (% of income per capita)



Note: DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year. For more information on "no practice" marks, see the data notes.

Source: *Doing Business* database.

## DEALING WITH CONSTRUCTION PERMITS

Smart regulation ensures that standards are met while making compliance easy and accessible to all. Coherent and transparent rules, efficient processes and adequate allocation of resources are especially important in sectors where safety is at stake. Construction is one of them. In an effort to ensure

building safety while keeping compliance costs reasonable, governments around the world have worked on consolidating permitting requirements. What construction permitting reforms has *Doing Business* recorded in Ukraine (table 3.1)?

Table 3.1 How has Ukraine made dealing with construction permits easier—or not?  
By *Doing Business* report year

DB year	Reform
<b>DB2009</b>	All new construction projects are now obliged to pay an infrastructure tax which increases the overall cost by UAH 212,865.7. Administrative backlog caused by delayed signing of First Deputy Head of Kiev City increase time by 33 days.
<b>DB2010</b>	No reform as measured by <i>Doing Business</i> .
<b>DB2011</b>	Ukraine made dealing with construction permits easier by implementing national and local regulations that streamlined procedures.
<b>DB2012</b>	No reform as measured by <i>Doing Business</i> .
<b>DB2013</b>	No reform as measured by <i>Doing Business</i> .
<b>DB2014</b>	Ukraine made dealing with construction permits easier by introducing a risk-based approval system, eliminating requirements for certain approvals and technical conditions and simplifying the process for registering real estate ownership rights.

*Note:* For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

*Source:* *Doing Business* database.

## DEALING WITH CONSTRUCTION PERMITS

### What are the details?

The indicators reported here for Ukraine are based on a set of specific procedures—the steps that a company must complete to legally build a warehouse—identified by *Doing Business* through information collected from experts in construction licensing, including architects, civil engineers, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations. These procedures are those that apply to a company and structure matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

#### BUILDING A WAREHOUSE

**City :** Kiev

**Estimated Warehouse Value :** UAH 9,582,356

The procedures, along with the associated time and cost, are summarized below.

#### Summary of procedures for dealing with construction permits in Ukraine —and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Request and obtain urban planning specifications and requirements for land plot development from the Main Department of Architecture and Urban Planning of the Kiev City State Administration</b></p> <p>The urban planning conditions and limitations are part of initial data required for development of design documentation. To obtain urban development specifications and requirements, applicant (BuildCo or the design company) submits to the Main Department of Architecture and Urban Planning of the Kyiv City State Administration the documents provided by the Urban Planning Activities Law, Order of Ministry of Regional Development dated July 07, 2011, № 109 “On approval of the provision of urban planning conditions and restrictions land development, their structure and content”, and the Resolution of Cabinet of Ministers of Ukraine of December 07, 2005 № 1176. Such documents include:</p> <ol style="list-style-type: none"> <li>1) application;</li> <li>2) Copy of land title or land use document;</li> <li>3) Situational plan of land plot;</li> <li>4) excerpt from topographic plan (1:2000);</li> <li>5) Certificate from urban planning cadastre (if available);</li> <li>6) Cadastral plan of the land plot;</li> <li>7) Photographs of the land plot including surrounding area;</li> <li>8) Urban planning statement with technical and economic parameters of the object.</li> </ol> <p>The city planning conditions and restrictions set out requirements with respect to the planning and architectural solutions of the project based on the effective construction standards and regulations and the local urban planning documentation. These should not interfere with the engineering and architectural solutions of the project, unless only</p>	9 days	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>required by the need to protect the existing architectural, historical or cultural environment. The form of the city planning conditions and restrictions has been approved by the Order of Ministry of Regional Development dated July 07, 2011, № 109.</p> <p>The documents are checked for compliance with construction standards and regulations and the local urban planning documentation within 7 business days upon registration of the application. . In case of the positive outcome of such compliance check, the city planning conditions and restrictions are issued to the developer (BuildCo) within the mentioned 7-days period. If, however, the outcome is negative, e.g., because BuildCo's construction intent is not in line with the urban planning documentation, the issuance of the urban planning conditions and limitations is denied. The written refusal is sent within the same 7-days period. If the developer's intention to construct the property does not comply with the city planning documentation, it can initiate the proceeding for the amendment of such documentation by filing a respective application with the Main Department of the City-Planning, Architecture and Urban Environment Design of the Kiev City State Administration which decides on the matter within 2 weeks in coordination with the relevant bodies (land resources, environmental and cultural protection authorities, sanitary and epidemiological stations) and submits its respective proposals to the Kiev City Council for the final approval. The implementation of the relevant practice of issuing city planning conditions and restrictions to developers has already started in Kiev. Upon obtaining of the city planning conditions and restrictions, the developer should apply for the technical conditions.</p> <p>These include the data on engineering and utility servicing of the to-be constructed property (the warehouse), including the sources of supply, connection points as well as the basic engineering parameters of the property.</p> <p>The city planning conditions and restrictions as well as the technical conditions are valid until completion of construction. The change of the owner (BuildCo) does not affect the validity of the city planning conditions and limitations and of the technical terms and conditions.</p> <p>Upon receipt of the technical terms and conditions, the BuildCo and the design company jointly prepare a design specification which is the third part of the initial data. The design specifications should comply with the city planning conditions and limitations and the technical terms and conditions. The design specifications refine the benchmark for design, with account for the specific features of the project. The design specification is approved by the owner (Build Co) and serves as the basis for the design company to prepare the design documentation.</p> <p>In accordance with Art. 29 of the Law of Urban Development, the benchmark data still includes:</p> <ul style="list-style-type: none"> <li>• Urban development conditions and restrictions</li> <li>• Technical conditions</li> <li>• Design assignment</li> </ul>		

No.	Procedure	Time to complete	Cost to complete
2	<p><b>* Request and obtain technical terms and conditions from the water and sewage authority</b></p> <p>The application must include the plan, information on the expected volume of water and sewerage system use, and basic characteristics of the building.</p> <p>An unofficial fee estimated to UAH 2,895.00 might be paid by BuildCo.</p> <p>The calculation of such fees is based on estimated labor expenditures in accordance with the Rules on using the central sewage and water supply systems as approved by Order of Ministry of Housing and Communal Services of Ukraine No. 190, from Jun 27th 2008 as further amended.</p>	21 days	UAH 2,895
3	<p><b>* Request and obtain technical terms and conditions from the fixed telephone line provider</b></p> <p>The application must include the plan, information on the expected level of telephone service, and basic characteristics of the building.</p> <p>Regulation 489 does not include any official fee. An unofficial fee estimated to UAH 697.00 might be paid by BuildCo. A new regulation with a fee schedule might be passed in the coming future.</p>	14 days	UAH 700
4	<p><b>* Request and obtain technical terms and conditions from the State Service of Ukraine for Emergency Situations</b></p> <p>Project drawings are verified against the fire safety requirements.</p>	14 days	no charge
5	<p><b>* Contribution to the city social and engineering-transport infrastructure</b></p> <p>As of January 27, 2007 according the Resolution of the Cabinet of Ministers of Ukraine, No. 40 which updates the Decree of Kiev City Council from February 27, 2003 "On shared participation (shares) of investors (Building Owners) creation of city social and engineering-transport infrastructure in Kiev City", the building which is set into operation will be approved only after paying the obligatory share of participation fees of investor into development of social, civil, engineering and traffic infrastructure of the city of Kyiv. The amount of such contribution is defined by the Chief Department of Economics and Investments of the Kyiv Municipal State Administration in certificate on approval on the stage of elaborating the project documentation.</p> <p>According to Law of Ukraine "On Alteration of Some Legislative Acts of Ukraine Regarding Assistance of the Construction", dated September</p>	1 day	UAH 179,712

No.	Procedure	Time to complete	Cost to complete
	<p>16, 2008, No. 509-VI, there is a new order on paying the contribution to the city social and engineering-transport infrastructure. This amends the relevant Law of Ukraine "On the Planification and Building-up of the Territories", dated April 20, 2000, No. 1699-III. Under this amendment the following main features are introduced:</p> <ul style="list-style-type: none"> <li>• BuildCo should sign agreement with local municipal council (the Kyiv City Administration), where the terms of paying contribution to the city social and engineering-transport infrastructure (hereinafter -- "contribution payment") is to be stipulated; such agreement should be signed before the building permit is obtained</li> <li>• BuildCo should pay contribution payment after finishing the warehouse construction, but not later than one month after it</li> <li>• Contribution payment should not exceed 10% of warehouse construction budget (4% for residential buildings), excluding expenses related to obtaining the land plot for construction, installation building utility facilities and transport communications</li> <li>• If technical terms and conditions establish need for building new utility facilities outside of the land plot, the amount of contribution payment should be decreased by the cost of such expenses</li> <li>• Contribution payment should not be charged for rendering services, performing of works or transferring of any assets for benefits of local authorities</li> </ul> <p>The Decision of Kyiv City Council, dated December 302012 No.573/5385 stipulates special conditions for calculating contribution payment in paragraph 6.1:  <math>B_{ob} = n_j \times s \times k</math>, where  <math>B_{ob}</math> - the amount of share participation developer (investor) for the construction project in the j-industry and national economic complex of the city;  <math>n_j</math> - standard amount of share participation developers (investors) in the creation of social, engineering and transport infrastructure of the city of Kiev with the assessment of the socio-economic value of construction projects for the city in the j-industry and national economic complex, their function;  <math>s</math> - the total area of the object for which the contribution rate is determined;  <math>k</math> - summarizing the correction factor.                      Generalizing the correction factor (<math>k</math>) is calculated for the following formula:  <math>k = k_{of} \times I_i</math>, wherein  <math>k_{of}</math> - zonal coefficient;  <math>I_i</math> - an index that takes into account inflation since 01.01.2009 before the month in which the calculation is carried out.                      It should be noted that the standard unit of investor participation in the construction of a warehouse in the tables in Appendix 16 is not defined. This structure can be regarded as "other non-residential premises" in the table. 2, for which the norm is 45.6 USD. per 1 m. m total area, or "other production areas" in the table. 3, for which the standard 54.4 USD. per 1 m. of the total area.                      Zonal coefficient depending on the area of construction as shown in Table 4 will be from 1 to 2.5 (areas where, in practice, are built warehouses).                      Inflation rate according to the State Statistics Committee:                      2009 - 112.3</p>		

No.	Procedure	Time to complete	Cost to complete
	<p>for 2010 - 109.1                      for 2011 - 104.6                      for 2012 - 99.6                      4 months in 2013 - 100                      The overall index of inflation - 127.6</p> <p>The amount of share participation in the construction of a warehouse area of 1,300.6 square meters will be:  <math>B_{ob} = 54,4 * 1300,6 * 1,27 * 2 = 179711.7.</math></p>		
<p><b>6</b></p>	<p><b>Submit declaration of the beginning of construction works</b></p> <p>The Law on Urban Development defines 3 types of permissive documents, which allow to start up the construction works depending on the category of complexity of the construction object, as follows:</p> <p>(1) notification submitted to State Inspection of Architectural and Building Control on commencement of construction works by the developer of the non-complex property being constructed pursuant to construction passport (private residential building with area not exceeding 300 sq.m. and not more than 2 floors, etc.); or</p> <p>(2) declaration on commencement of construction works that is registered by State Inspection of Architectural and Building Control in respect of objects of I-III categories of complexity; or</p> <p>(3) permit for execution of construction works that is issued by State Inspection of Architectural and Building Control in respect of the objects of IV-V categories of complexity.</p> <p>BuildCo warehouse will not be attributed to IV or V categories of complexity. In view of the above, BuildCo can start the construction works upon the registration of declaration on commencement of the construction works with the respective State Inspection of Architectural and Building Control.</p> <p>According to the Resolution of the Cabinet of Ministers of Ukraine "On Some Issues of Preparatory and Building Works" as of 13 April 2011, No. 466, the registration of the declaration on beginning of the building works should be conducted within 5 working days as of the date of filing of such declaration by developer. The issuance of the permit for building works should be conducted within 10 working days as of the date of registration of the relevant developer's application.</p> <p>All permissive documents allowing conduction of construction works shall remain valid until completion of construction.</p>	<p>14 days</p>	<p>no charge</p>
<p><b>7</b></p>	<p><b>Request and connect to water and sewage services</b></p> <p>The Agency is Kyivvodokanal Joint Stock Company.</p> <p>The exact total price and other terms for connection the warehouse to</p>	<p>4 days</p>	<p>UAH 700</p>

No.	Procedure	Time to complete	Cost to complete
	<p>water and sewage services should be stipulated in the agreement between the BuildCo as the customer and Kyivvodokanal Joint Stock Company as the supplier on the basis of project documentation elaborated for the purpose of connection. Therefore the cost provided above should be deemed as an average and approximate.</p>		
<p><b>8</b></p>	<p><b>* Request and connect to phone services</b></p> <p>The Ukrainian State Telecommunications Corporation (Ukrtelecom) is the monopolistic organization in this sphere, but not the only one. The other licensed enterprises can provide the communicational services.</p> <p>The terms and conditions for connection the warehouse to phone services should be stipulated in agreement between the BuildCo as the customer and Ukrtelecom as the supplier. The fee is UAH 120.00. (<a href="http://www.ukrtelecom.ua/services/business/cityphone/tariff">http://www.ukrtelecom.ua/services/business/cityphone/tariff</a>).</p>	<p>4 days</p>	<p>UAH 120</p>
<p><b>9</b></p>	<p><b>Prepare and submit declaration of readiness to operate of the constructed warehouse to the State Inspection of Architectural and Building Control</b></p> <p>In accordance with Art. 39 of the Law of Ukraine "On Regulation of the City-Planning Activities" the commissioning of completed building projects belonging to categories I-III is carried out by registering the declaration of readiness with the State Inspection of Architectural and Building Control at no charge. The procedure for the commissioning of completed construction projects and the form to be used are defined by the Declaration of Cabinet of Ministers of Ukraine of March 13th 2011 № 461. This Declaration defines the full list of documents that must be attached during submission.</p> <p>Ten working days after submission, the State Inspection of Architectural and Building Control verify that all necessary documents have been attached and record the declaration. Inspection of projects in belonging to categories I-III is not required by law. The date of acceptance of the facility is the date of registration of the declaration.</p>	<p>14 days</p>	<p>no charge</p>
<p><b>10</b></p>	<p><b>Register the warehouse with the Registration Service of the Chief Department of Justice in the City of Kyiv</b></p> <p>The issuance of the ownership certificate and the registration of ownership rights are done with the same authority, during one single procedure. Effective January 1st 2013, the procedure for property registration was changed due to amendments to the Law "On State Registration of Property Rights to Real Estate and Their Encumbrances" as of July 1st 2004 No. 1952-VI. By this reform, the registration of ownership rights to real estate is conducted according to the "Procedure on State Registration of Property Rights to Real Estate and Their Encumbrances" as approved by the Resolution of the Cabinet of Ministers of Ukraine as of June 22nd 2011, No. 703.</p>	<p>18 days</p>	<p>UAH 239</p>

No.	Procedure	Time to complete	Cost to complete
	<p>With this reform, the power to conduct the state registration of ownership rights to real estate and issue such title documents to real estate as the ownership certificates has been transferred to the State Registration Service of Ukraine, which is coordinated by the Ministry of Justice of Ukraine. The registration shall be performed within the new State Register of Property Rights to Real Estate.</p> <p>Upon performance of the state registration of ownership rights to warehouse, the BuildCo shall obtain: (1) the certificate confirming ownership rights to real property, and (2) extract from the State Register of Property Rights to Real Estate, both issued by Registration Service of the Chief Department of Justice in the city of Kyiv. The term for state registration of the BuildCo's ownership rights to warehouse shall not exceed 14 business days as from the date of filing application by BuildCo.</p> <p>In accordance with the amendments to the Decree of the Cabinet Ministers of Ukraine No. 7-93 as of 21 January 1993 "On State Duty", the state duty to be paid by BuildCo for state registration equals to 7 tax-exempt minimum incomes, which amounts to UAH 119. In addition, BuildCo must pay UAH 120 for Ownership Certificate.</p>		

\* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: *Doing Business* database.

## GETTING ELECTRICITY

Access to reliable and affordable electricity is vital for businesses. To counter weak electricity supply, many firms in developing economies have to rely on self-supply, often at a prohibitively high cost. Whether electricity is reliably available or not, the first step for a customer is always to gain access by obtaining a connection.

### What do the indicators cover?

*Doing Business* records all procedures required for a local business to obtain a permanent electricity connection and supply for a standardized warehouse, as well as the time and cost to complete them. These procedures include applications and contracts with electricity utilities, clearances from other agencies and the external and final connection works. The ranking on the ease of getting electricity is the simple average of the percentile rankings on its component indicators: procedures, time and cost. To make the data comparable across economies, several assumptions are used.

The warehouse:

- Is located in the economy's largest business city, in an area where other warehouses are located.
- Is not in a special economic zone where the connection would be eligible for subsidization or faster service.
- Has road access. The connection works involve the crossing of a road or roads but are carried out on public land.
- Is a new construction being connected to electricity for the first time.
- Has 2 stories, both above ground, with a total surface of about 1,300.6 square meters (14,000 square feet), and is built on a plot of 929 square meters (10,000 square feet).

The electricity connection:

- Is 150 meters long and is a 3-phase, 4-wire Y, 140-kilovolt-ampere (kVA) (subscribed capacity) connection.

### WHAT THE GETTING ELECTRICITY

#### INDICATORS MEASURE

#### Procedures to obtain an electricity connection (number)

- Submitting all relevant documents and obtaining all necessary clearances and permits
- Completing all required notifications and receiving all necessary inspections
- Obtaining external installation works and possibly purchasing material for these works
- Concluding any necessary supply contract and obtaining final supply

#### Time required to complete each procedure (calendar days)

- Is at least 1 calendar day
- Each procedure starts on a separate day
- Does not include time spent gathering information
- Reflects the time spent in practice, with little follow-up and no prior contact with officials

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

- Official costs only, no bribes
- Excludes value added tax
- Is to either the low-voltage or the medium-voltage distribution network and either overhead or underground, whichever is more common in the economy and area where the warehouse is located. The length of any connection in the customer's private domain is negligible.
- Requires crossing of a 10-meter road but all the works are carried out in a public land, so there is no crossing into other people's private property.
- Involves installing one electricity meter. The monthly electricity consumption will be 0.07 gigawatt-hour (GWh). The internal electrical wiring has been completed.

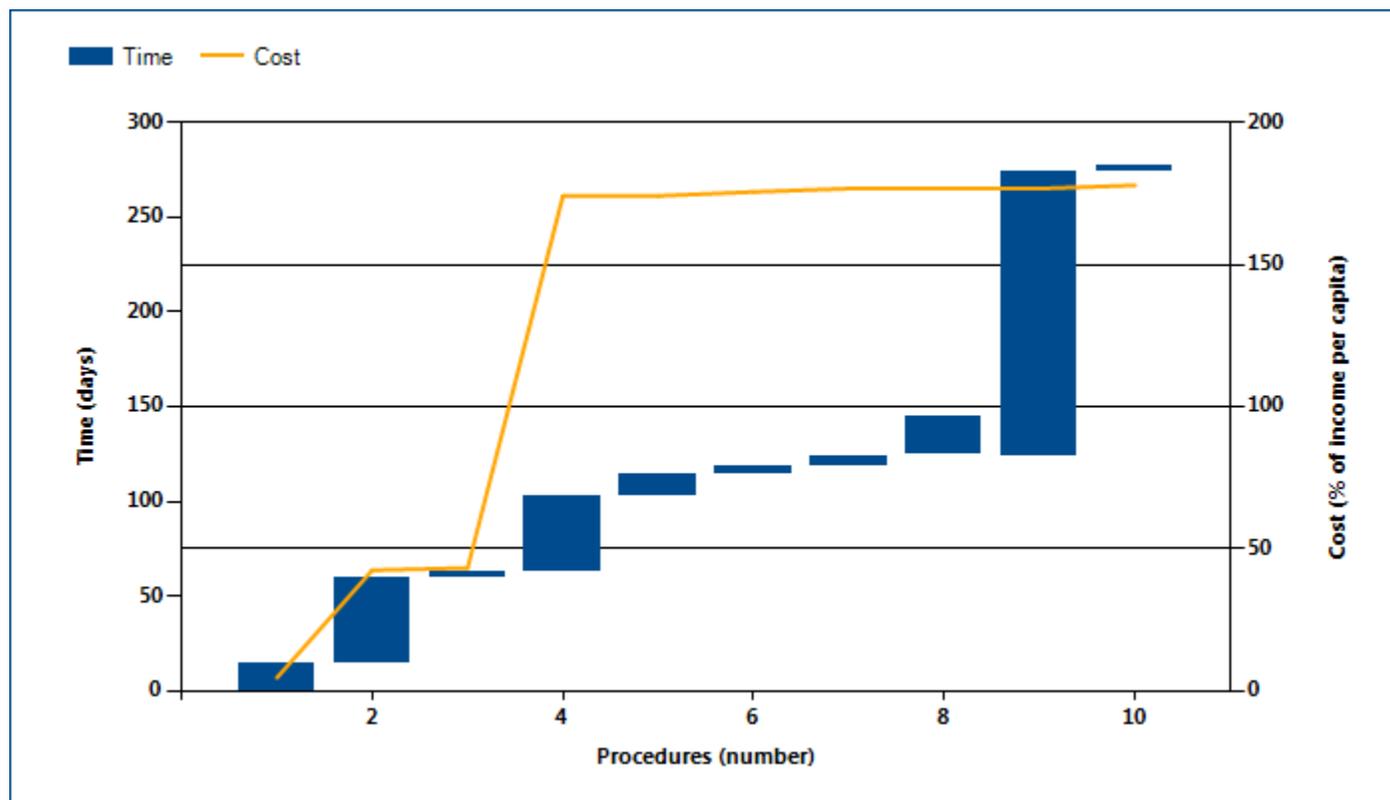
## GETTING ELECTRICITY

### Where does the economy stand today?

What does it take to obtain a new electricity connection in Ukraine? According to data collected by *Doing Business*, getting electricity there requires 10

procedures, takes 277 days and costs 178.0% of income per capita (figure 4.1).

Figure 4.1 What it takes to obtain an electricity connection in Ukraine



*Note:* Time shown in the figure above may not reflect simultaneity of procedures. For more information on the methodology of the getting electricity indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

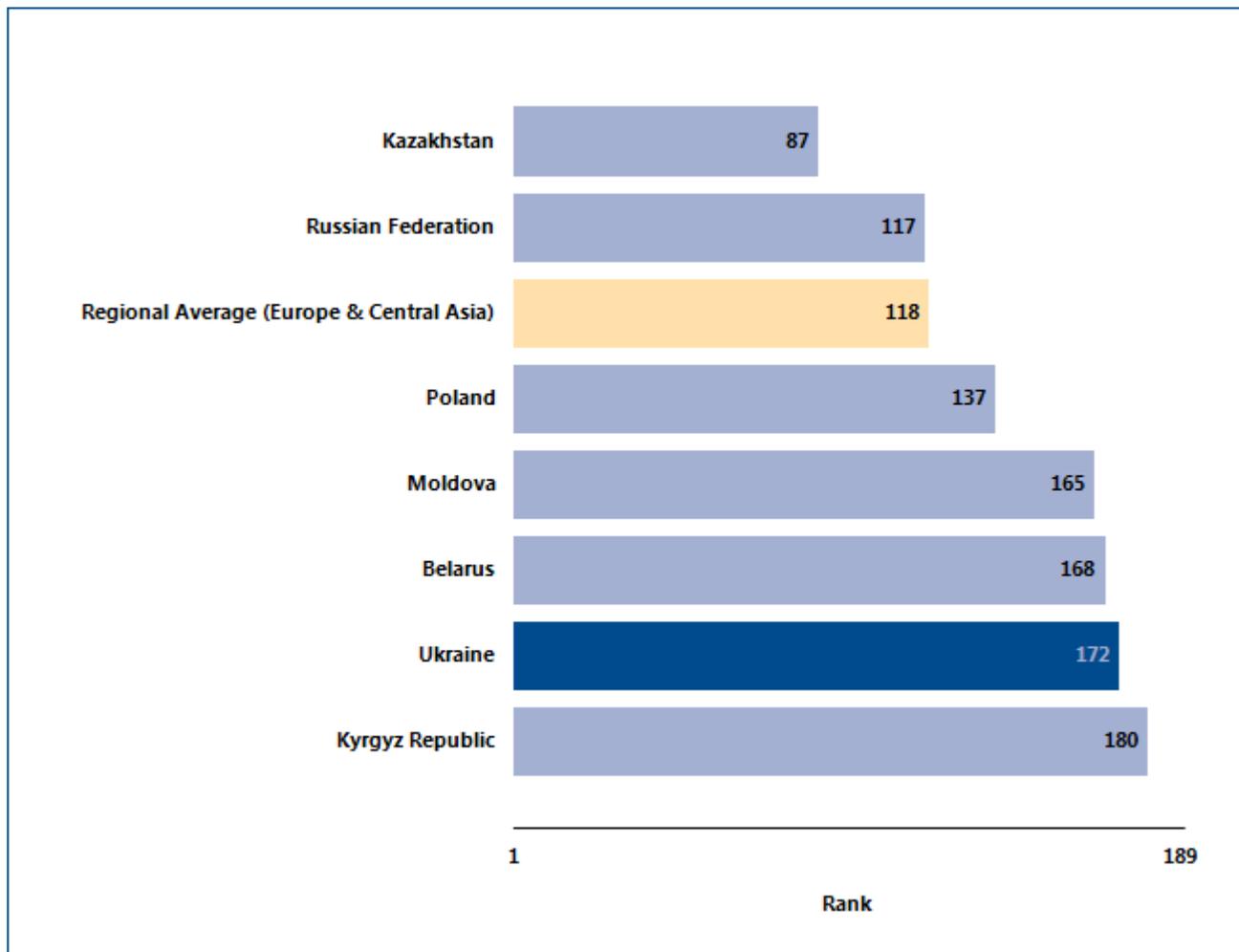
*Source:* *Doing Business* database.

## GETTING ELECTRICITY

Globally, Ukraine stands at 172 in the ranking of 189 economies on the ease of getting electricity (figure 4.2). The rankings for comparator economies and the

regional average ranking provide another perspective in assessing how easy it is for an entrepreneur in Ukraine to connect a warehouse to electricity.

Figure 4.2 How Ukraine and comparator economies rank on the ease of getting electricity



Source: Doing Business database.

## GETTING ELECTRICITY

Even more helpful than rankings on the ease of getting electricity may be the indicators underlying those rankings (table 4.1). And regional and global best performers on these indicators may provide useful benchmarks.

Table 4.1 The ease of getting electricity in Ukraine

Indicator	Ukraine DB2014	Ukraine DB2013	Best performer in Europe & Central Asia DB2014	Best performer globally DB2014
Rank	172	170	San Marino (10)	Iceland (1)
Procedures (number)	10	11	San Marino (3)	10 Economies* (3)
Time (days)	277	284	San Marino (45)	Germany (17)
Cost (% of income per capita)	178.0	192.3	Lithuania (48.1)	Japan (0.0)

*Note:* DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year.

\* Two or more economies share the top ranking on this indicator. For a list of these economies, see the *Doing Business* website (<http://www.doingbusiness.org>).

*Source:* *Doing Business* database.

## GETTING ELECTRICITY

Obtaining an electricity connection is essential to enable a business to conduct its most basic operations. In many economies the connection process is complicated by the multiple laws and regulations involved—covering service quality, general safety, technical standards, procurement practices and internal wiring installations. In an effort to ensure

safety in the connection process while keeping connection costs reasonable, governments around the world have worked to consolidate requirements for obtaining an electricity connection. What reforms in getting electricity has *Doing Business* recorded in Ukraine (table 4.2)?

Table 4.2 How has Ukraine made getting electricity easier—or not?

By *Doing Business* report year

DB year	Reform
<b>DB2012</b>	No reform as measured by Doing Business.
<b>DB2013</b>	No reform as measured by Doing Business.
<b>DB2014</b>	Ukraine made getting electricity easier by streamlining the process for obtaining a new connection.

Source: *Doing Business* database.

## GETTING ELECTRICITY

### What are the details?

The indicators reported here for Ukraine are based on a set of specific procedures—the steps that an entrepreneur must complete to get a warehouse connected to electricity by the local distribution utility—identified by *Doing Business*. Data are collected from the distribution utility, then completed and verified by electricity regulatory agencies and independent professionals such as electrical engineers, electrical contractors and construction companies. The electricity distribution utility surveyed is the one serving the area (or areas) in which warehouses are located. If there is a choice of distribution utilities, the one serving the largest number of customers is selected.

#### OBTAINING AN ELECTRICITY CONNECTION

**City:** Kiev

**Name of Utility:** JSC Kievenergo

The procedures are those that apply to a warehouse and electricity connection matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). The procedures, along with the associated time and cost, are summarized below.

#### Summary of procedures for getting electricity in Ukraine—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Submit an application for connection to Kievenergo and await technical conditions and conclude supply contract</b></p> <p>The customer submits to Kievenergo an application for an electricity connection. Attached to the application the customer has to submit a number of documents: a letter with a company seal requesting the connection, bank details of the applicant, company statute, registration certificate from the tax authorities, registration certificate of the company, certificate stating that the company is included in the national company registry, document stating the appointment of the CEO, property ownership certificate and location plan of the property to be connected. After reviewing the application Kievenergo issues technical conditions. The technical conditions concern only the external connection. In general they may include instructions for construction of a new substation; lining of high-voltage and low-voltage cables; in a case of reconstruction works - participation of the subscriber in the given actions.  </p> <p>The application for technical conditions is submitted to the Department of Development (департамент перспективного розвитку) at Kievenergo which is then internally passed on to the Regional Office in the particular area of Kiev where the warehouse is located and the regional office determines the point of connection. Technicians in the</p>	15 calendar days	UAH 1,442.0

No.	Procedure	Time to complete	Cost to complete
	<p>Regional offices know the network and the substations in their area very well and usually do not need to visit the site for preparation of technical conditions. At this point the connection contract is concluded which outlines the responsibilities between the customer and the utility.  </p>		
2	<p><b>Await completion and approval of the external connection design by a private electrical design company</b></p> <p>Once the technical conditions are issued the customer hires a licensed project design company to prepare the electrical project design of the external connection. As part of the project design the company prepares a topogeodesic plan (топогеодезическую съемку М 1:500). The topogeodesic plan is prepared to determine the technical aspects of running cable through the landscape. At the same time the project design firm develops a project on the protection against corrosion of 10 kV cables if installation of a substation is required. These plans are developed simultaneously with the general electrical project design of the external connection.</p> <p>While the project is being developed the approval of the location of the substation connection to the network and/or the route of the cable 10 kV and 0.4 kV has to be obtained from Kievenergo and from the Main Architectural Planning Organization. At this point the customer should have an operation permit for the warehouse or Main Plan with the Landscape Allocation Plan. The approvals are obtained by the project design firm.</p> <p>If a substation is required before the project design is submitted for approval to Kievenergo it will have to be approved at the State Energy Inspectorate (Energonadzor/"Dergenergonaglyadu").</p> <p>Considering the load (140 kW) when receiving an approval of the project of external connection from Kievenergo it is required to attach the project of the internal wiring of the warehouse which at this point should be approved as part of the general architectural design of the warehouse.</p>	45 calendar days	UAH 11,474.4
3	<p><b>Obtain an excavation permit at the Head Directorate for Control of Maintenance of Kiev.</b></p> <p>Electrical contractor obtains the permit.</p>	3 calendar days	UAH 250.0

No.	Procedure	Time to complete	Cost to complete
4	<p><b>Await completion of the external connection works by a private electrical contractor</b></p> <p>Once the external connection design is ready and approved the external connection works can be carried out by a company which has licenses for external electrical connection works, for installing, testing and preparing substations 10/0.4 kV, for running 10 and 0.4 kV cable and which also has a certificate from an electrotechnical laboratory to take electrical measurements and to test high voltage equipment. If the customer hires a qualified electrical contractor he will have all of the above licenses.</p> <p>In addition, the customer or the electrical contractor should have on their team an employee who has special certificate (level 5) for dealing with high voltage equipment.</p> <p>The installed 10 and 0.4 kV cable lines have to be transferred to the city as "Underground Communication" and the electrical contractor has to obtain technical certificates for the lines. First the electrical contractor has to visit the Main Architectural Planning Organization then Regional Cable Lines and then finally submit the whole package of documents to the Department of Development at Kievenoergo and receive there the technical certificate.</p> <p>After the external connection works are finished electrical measurements have to be taken, and the cable lines, transformer and other electrical equipment including internal wiring have to be tested by the electrical contractor. After the testing the electrical contractor prepares a package of technical documents (more than 20 different documents).</p>	40 calendar days	UAH 39,750.0
5	<p><b>Await and obtain an inspection by the Acceptance Committee (приемочная комиссия Государственного Архитектурно Строительного Контроля) of the Inspectorate of the State Architecture and Construction control</b></p> <p>The Committee consists of different members from government construction organizations. Kievenoergo can be one of the members. The Committee checks the external installation and internal wiring. They accept the installation for operation (прием в эксплуатацию) and issue an Act for the final operation. The inspection is related to the operation of the whole building but the Committee checks the electrical part as well.</p>	11 calendar days	no charge
6	<p><b>Await and obtain an external inspection carried out by Kievenoergo Energosbyt</b></p> <p>Kievenoergo supply checks the meters.</p>	5 calendar days	UAH 435.0

No.	Procedure	Time to complete	Cost to complete
7	<p><b>Await and obtain an external inspection carried out by the State Inspectorate for Protection of Workers</b></p> <p>The State Inspectorate for Protection of Workers inspects the completed external connection works. Someone from the applicant's party has to be present.</p>	5 calendar days	UAH 350.0
8	<p><b>Conclude a supply contract with Kieveno (Energosbyt) and a contract for maintenance of the installed substation</b></p> <p>To receive all the approvals required for energization (see next procedures) the customer has to first conclude a supply contract with Kieveno (Energosbyt). The supply contract can be concluded only after all the inspections above are completed.</p> <p>The documents for the supply contract can be sent by mail. It is required to submit a number of documents regarding internal wiring including a Technical Report of the tests of the internal wiring which should be completed after the internal wiring was finished by an electrician.</p>	20 calendar days	no charge
9	<p><b>Await issuance of various approvals from various departments of Kieveno required for energization</b></p> <p>Once the supply contract is concluded the electrical contractor obtains from Kieveno a package of documents which includes a form specifying all the electrical parameters of the substation, its plan, approvals from the Inspectorates and a form which has to be signed in 14 to 15 various departments of Kieveno to obtain a permission to turn the substation on and connect it to the 10 kV line.</p>	150 calendar days	no charge
10	<p><b>Submit a request to Kieveno for a power turn on and electricity starts flowing</b></p> <p>Once the form is signed at all the department of Kieveno the customer submits all the approvals and forms to the dispatcher department of Kieveno. The dispatcher department processes the order which permits it to turn off the 10 kV cable line, do the testing of the high voltage cable and finally turn on the electricity for the substation.</p>	3 calendar days	UAH 350.0

\* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

## REGISTERING PROPERTY

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. And where property is informal or poorly administered, it has little chance of being accepted as collateral for loans—limiting access to finance.

### What do the indicators cover?

*Doing Business* records the full sequence of procedures necessary for a business to purchase property from another business and transfer the property title to the buyer's name. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it. The ranking on the ease of registering property is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in 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.
- Is registered in the land registry or cadastral, or both, and is free of title disputes.
- Is located in a periurban commercial zone,

### WHAT THE REGISTERING PROPERTY

#### INDICATORS MEASURE

#### 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

Postregistration (for example, filing title with the municipality)

#### Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are an exception to this rule.

Procedure considered completed once final document is received

No prior 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

and no rezoning is required.

- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Consists of 557.4 square meters (6,000 square feet) of land and a 10-year-old, 2-story warehouse of 929 square meters (10,000 square feet). The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. There is no heating system. The property will be transferred in its entirety.

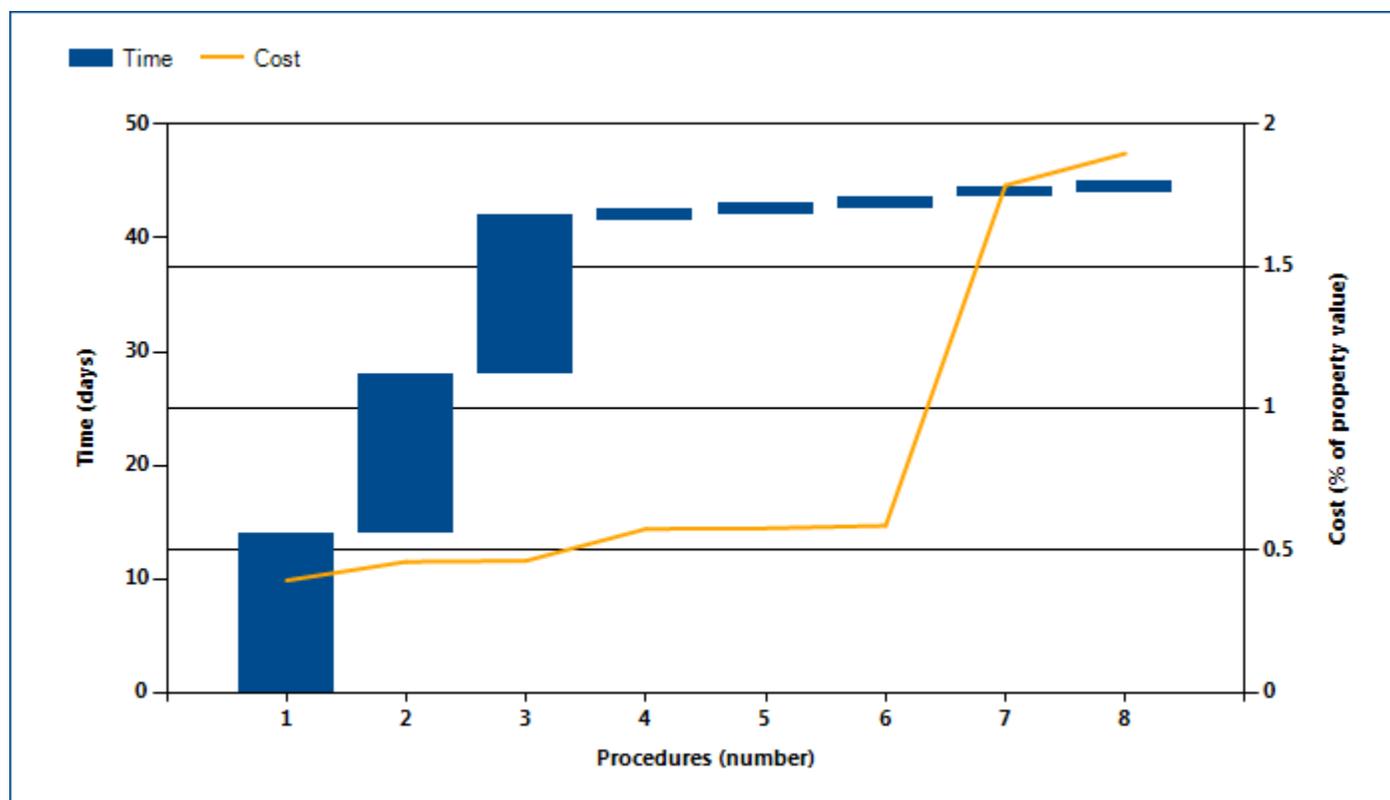
## REGISTERING PROPERTY

### Where does the economy stand today?

What does it take to complete a property transfer in Ukraine? According to data collected by *Doing Business*, registering property there requires 8

procedures, takes 45.0 days and costs 1.9% of the property value (figure 5.1).

Figure 5.1 What it takes to register property in Ukraine



Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the registering property indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

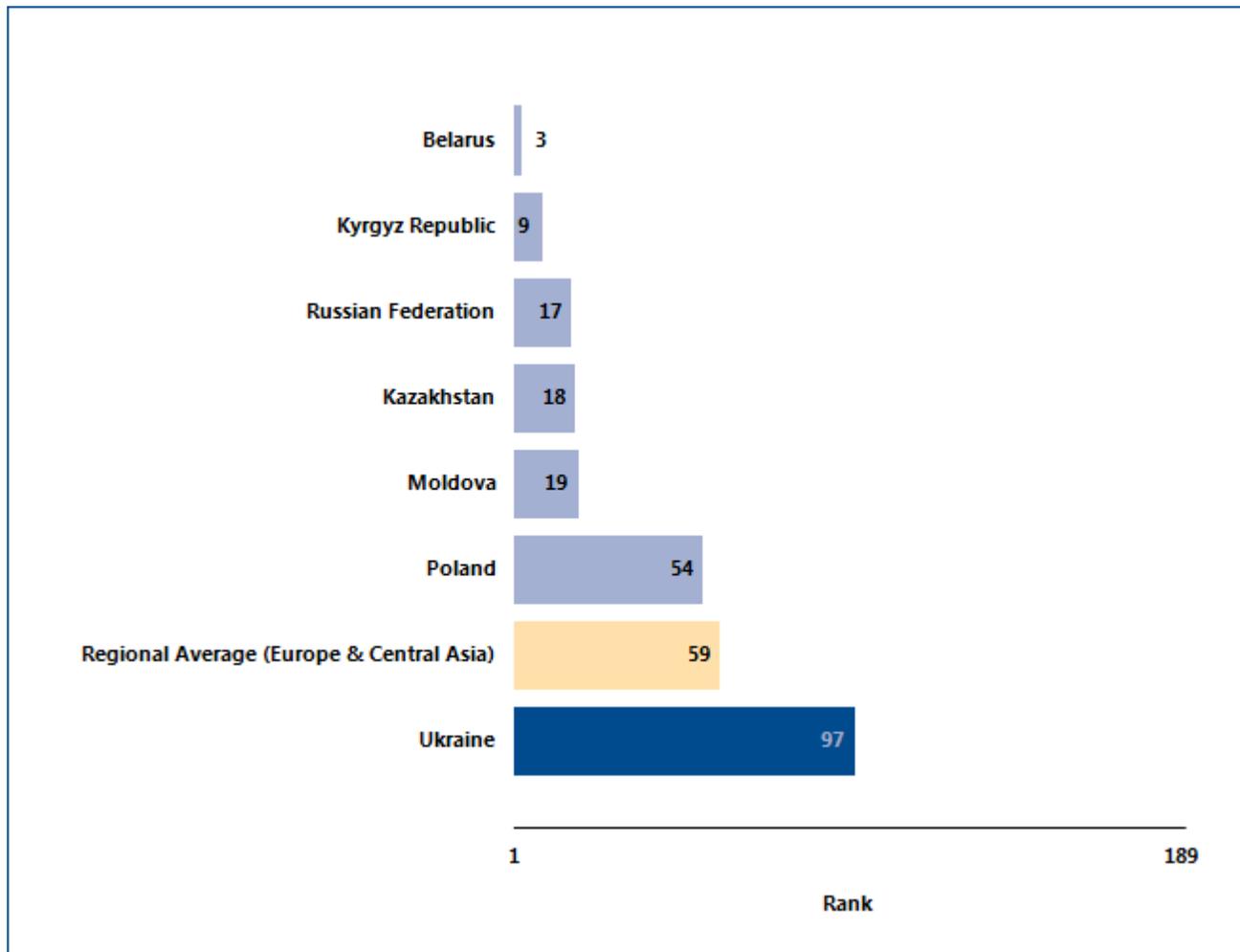
Source: *Doing Business* database.

## REGISTERING PROPERTY

Globally, Ukraine stands at 97 in the ranking of 189 economies on the ease of registering property (figure 5.2). The rankings for comparator economies and the

regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Ukraine to transfer property.

Figure 5.2 How Ukraine and comparator economies rank on the ease of registering property



Source: Doing Business database.

## REGISTERING PROPERTY

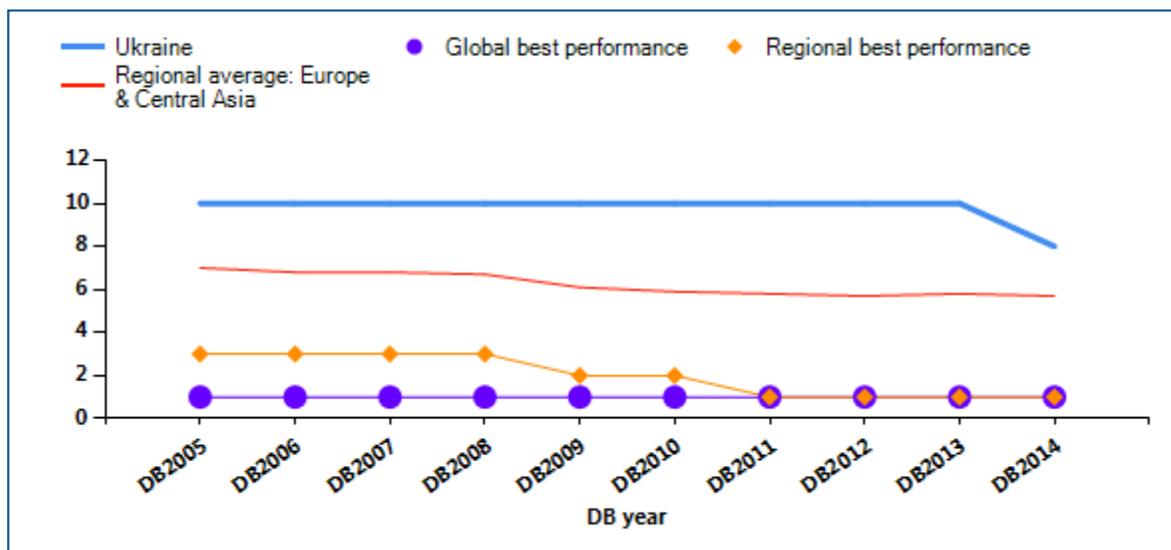
### What are the changes over time?

The benchmarks provided by the economies that over time have had the best performance regionally or globally on the procedures, time or cost required to complete a property transfer (figure 5.3) help show

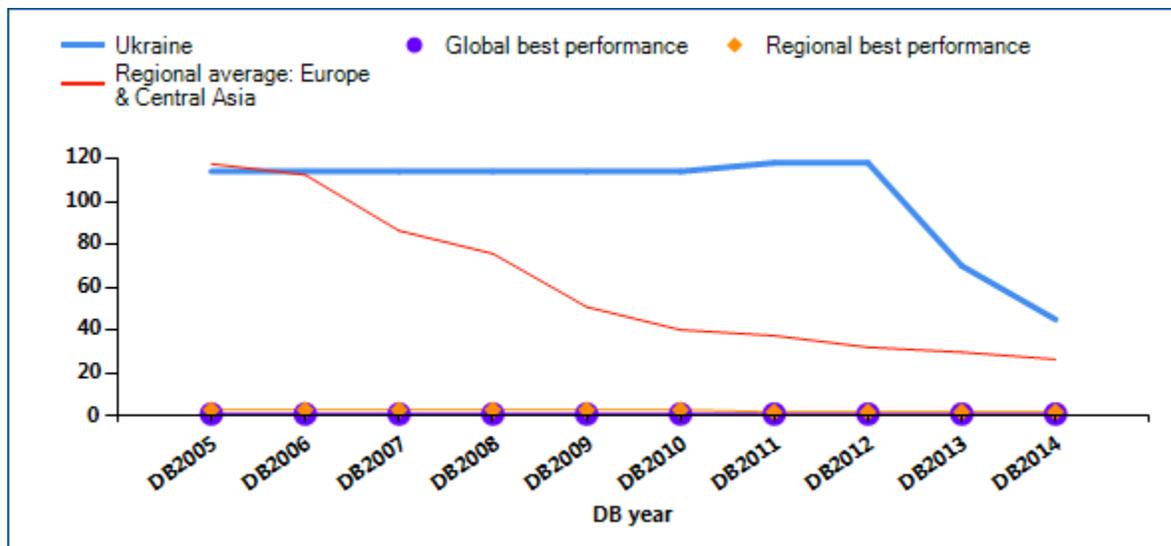
what is possible in making it easier to register property. And changes in regional averages can show where Ukraine is keeping up—and where it is falling behind.

Figure 5.3 Has registering property become easier over time?

#### Procedures (number)

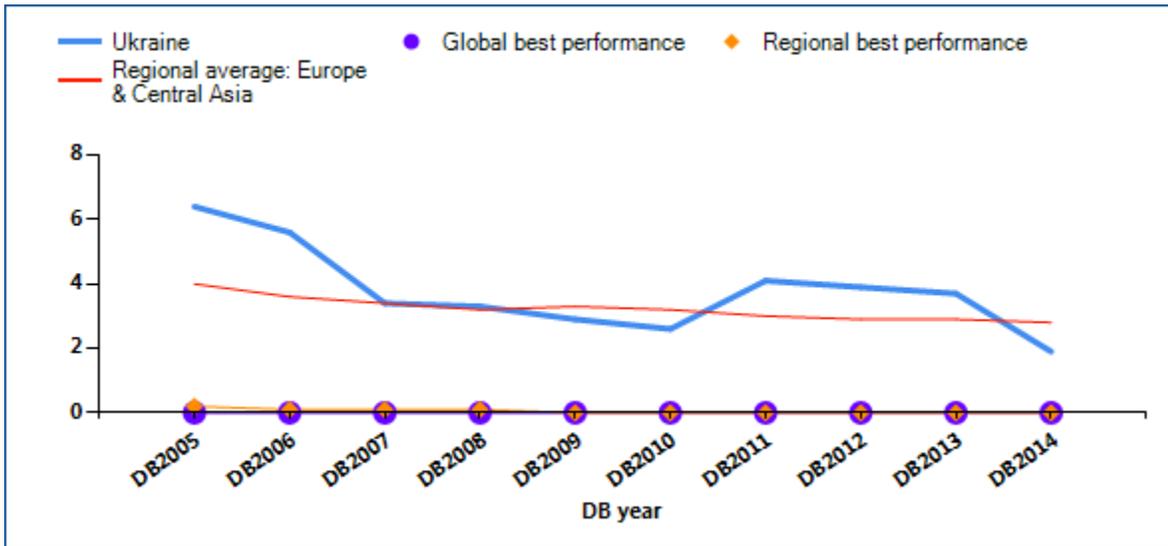


#### Time (days)



## REGISTERING PROPERTY

### Cost (% of property value)



Note: DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year. For more information on "no practice" marks, see the data notes.

Source: Doing Business database.

## REGISTERING PROPERTY

Economies worldwide have been making it easier for entrepreneurs to register and transfer property—such as by computerizing land registries, introducing time limits for procedures and setting low fixed fees. Many

have cut the time required substantially—enabling buyers to use or mortgage their property earlier. What property registration reforms has *Doing Business* recorded in Ukraine (table 5.1)?

Table 5.1 How has Ukraine made registering property easier—or not?  
By *Doing Business* report year

DB year	Reform
<b>DB2009</b>	No reform as measured by Doing Business.
<b>DB2010</b>	No reform as measured by Doing Business.
<b>DB2011</b>	No reform as measured by Doing Business.
<b>DB2012</b>	No reform as measured by Doing Business.
<b>DB2013</b>	Ukraine made property transfers faster by introducing an effective time limit for processing transfer applications at the land cadastre in Kiev.
<b>DB2014</b>	Ukraine made transferring property easier by streamlining procedures and revamping the property registration system.

*Note:* For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

*Source:* *Doing Business* database.

## REGISTERING PROPERTY

### What are the details?

The indicators reported here are based on a set of specific procedures—the steps that a buyer and seller must complete to transfer the property to the buyer’s name—identified by *Doing Business* through information collected from local property lawyers, notaries and property registries. These procedures are those that apply to a transaction matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

STANDARD PROPERTY TRANSFER	
City:	Kiev
Property Value:	UAH 1,518,419

The procedures, along with the associated time and cost, are summarized below.

#### Summary of procedures for registering property in Ukraine—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Obtain the technical documentation from the Kiev Chief Administration on Land Ownership</b></p> <p>The buyer requests to develop the technical documentation (the development of such documentation is required by the applicable law in order to complete the registration of a title under the name of the new owner) and executes an agreement to prepare such documentation with a separate division (enterprise) of the Kiev Chief Administration on Land Ownership.</p> <p>It takes approximately 10-14 days to develop the documentation in such a case. The preparation of technical documentation will include the cadastral survey, the cadastral survey of adjacent property, and land area calculation.</p>	14 calendar days	UAH 6,000
2	<p><b>Evaluation of the price of the land</b></p> <p>The document on evaluation of the price of land can be provided either by the local divisions of the State Centre of the Land Cadastre, or by the legal entities that are licensed by the State Centre of the Land Cadastre for providing such services. In Kiev, such service would cost around 300 UAH (around 60 USD) and take minimum 2 weeks. The procedure of evaluation of the price of land is quite complex, it includes land inspection, market research, etc. Evaluation of the price of land is required before the notarization of the agreement.</p>	14 calendar days	UAH 1000

No.	Procedure	Time to complete	Cost to complete
3	<p><b>Obtain the extract from the State Center of the Land Cadastre</b></p> <p>The extract from State Land Cadastre contains full information about the land plot (owner, location, use restrictions, encumbrances etc). The notary may not attest the agreement without such extract. The procedure is governed by Article 38 of the Registration Law and Paragraphs 162 - 186 of the CMU Resolution No 1051. While the CMU Resolution No 1051 allows the notary to obtain the extract electronically, this option is not available for technical reasons. The seller shall submit following documents in order to obtain the extract:</p> <ul style="list-style-type: none"> <li>- application in accordance with established form;</li> <li>- document confirming payment of fee for issuance of the extract;</li> <li>- document confirming powers of the person to request and obtain the extract.</li> </ul> <p>In addition to above-mentioned documents, the seller shall present original document confirming ownership rights to the land plot (e.g. the state act of ownership rights) and personal identification document. The extract is valid for 3 months.</p>	14 calendar days	UAH 53
4	<p><b>Notary registers ownership rights for a seller in the new State Register of Property Rights to Immovable Property</b></p> <p>From January 01, 2013, a new State Register of Property Rights to Immovable Property ("Register of Property Rights") has been launched. Unlike to the State Land Cadastre, which automatically absorbed information about all existing land plots from the (no longer active) State Register of Lands, the Register of Property Rights does not contain information about the ownership rights on immovable property which have been registered before January 01, 2013. For this reason, prior to execution of the Property sale and purchase agreement, the seller has to register ownership rights to the Property in the new Register of Property Rights.</p> <p>The registration of seller's ownership rights to the property is performed by the notary attesting the sale and purchase agreement. The seller shall provide to the notary:</p> <ul style="list-style-type: none"> <li>- ownership documents to the Property;</li> <li>- application in accordance with established form;</li> <li>- documents confirming payment of registration fees.</li> </ul> <p>The notary: (1) checks the seller's ownership documents; (2) records seller's ownership rights in the Register of Property Rights; and (3) issues an extract from the Register of Property Rights confirming seller's ownership rights to the property.</p>	Less than a day (online procedure)	UAH 1700

No.	Procedure	Time to complete	Cost to complete
5	<p><b>Obtain the extract from the State Register of Encumbrances over movable property</b></p> <p>The notary will verify through this procedure that the tax authorities do not have any security interest over the real property. Since January 2013, the notaries can obtain this information online.</p>	Less than a day (online procedure)	UAH 34
6	<p><b>* Check for encumbrances at the State Registry of Property Rights on Immovable Property</b></p> <p>The notary searches the former State Register of Ownership Rights to Immovable Property, State Register of Mortgages, State Register of Immovable Property Alienation Bans and State Register of Encumbrances over Movable Property.</p> <p>From January 01, 2013, three state registers containing information about encumbrances on immovable property – (1) State Register of Mortgages; (2) State Register of Immovable Property Alienation Bans; and (3) State Register of Encumbrances over Movable Property (in respect of tax liens) – are inactive. These registers serve only as a source of information for the notary who transfers the relevant encumbrances from these registers to the Register of Property Rights upon first-time registration of ownership rights to immovable property in the Register of Property Rights (Procedure 4). Therefore, to verify encumbrances on the property ownership rights to which have been registered in the Register of Property Rights, the notary will search only in this register.</p>	Less than a day (online procedure; simultaneous with procedures 7 & 8)	UAH 136
7	<p><b>* Prepare and notarize the sale agreement (land and building)</b></p> <p>The sale purchase agreement of the building is notarized by a private or public notary. Notary's fees are agreed among parties. There could be one single agreement underpinning both sale of building and sale of land or be two separate agreements: the sale of building (warehouse) and the sale of land parcel. Parties can prepare the sale agreements by themselves before notarization, but usually the notary prefers to use his standard proforma. State Duty (fee) is paid to the notary and equals 1% of the transactional value of the building. The buyer of the building will also pay a special assessment in the amount of 1% of building's transactional value to the State Pension Fund. The buyer can make the payment to the State Pension Fund prior to the notarization of building sale agreement or provide the notary with the money to make such payment. The documentation shall include:</p> <p>(1) the title document to the building,                  (2) the extract from the State Registry of Proprietary Rights and their Encumbrances,                  (3) the expert evaluation report on building (required by most notaries; may be ordered on commercial basis at a licensed valuation entity; in the case study situation will cost aprx. UAH 2500 and obtained within 2</p>	1 day (simultaneous with procedures 6 & 8)	1% of transaction value of the land (state duty) + 1% of transaction value of the land (state duty) + UAH 3,000 Notary fees

No.	Procedure	Time to complete	Cost to complete
	<p>business days),                      (4) the copy of the Seller's statutory documents + tax certificate (form 4-OPP),                      (5) the extract from the Unified State Register of Legal Entities for the Seller,                      (6) the copy of the Buyer' statutory documents + tax certificate (form 4-OPP),                      (7) the extract from the Unified State Register of Legal Entities for the Buyer,                      (8) the owners' decision to sell the building,                      (9) the power of attorney or the owner's decision to represent the Seller,                      (10) the power of attorney or the owner's decision to represent the Buyer,                      (11) the copy of the Representatives' passports and a tax ID codes. On-site inspection is not performed.</p> <p>The notary certifies agreement, makes inscription on the State Certificate on Land Ownership as to the transference of title over parcel of land to new owner, registers information as to the transaction in the Unified State Registry of Transactions and issues an extract from this registry on above mentioned transaction.</p>		
<p><b>8</b></p>	<p><b>* Notary registers Buyer's ownership rights on a property at the Register of Property Rights</b></p> <p>From January 01, 2013, the registration of ownership rights to immovable property (other than newly constructed building/newly allotted land plot in some other cases) is performed by notaries attesting the sale and purchase agreement (Articles 3.5, 9 of the Law of Ukraine "On State Registration of Property Rights to Immovable Property and Their Encumbrances").</p> <p>Following notarial attestation of the Property sale and purchase agreement, the notary shall register Buyer's ownership rights to the Property in the Register of Property Rights. The procedure of registration is governed by Articles 15-24 of the Law of Ukraine "On State Registration of Property Rights to Immovable Property and Their Encumbrances" No 1952-IV of July 01, 2004, as restated and amended, and the Resolution of Cabinet of Ministers of Ukraine No 703 dated June 22, 2011, as amended ("CMU Resolution No 703"). The registration is performed by the notary based on the Buyer's application (in accordance with established form) and the Property sale and purchase agreement. Upon registration of Buyer's ownership rights to the Property, the notary issues an extract from the Register of Property Rights for the Buyer.</p>	<p>Less than a day (online procedure; simultaneous with procedures 6 &amp; 8)</p>	<p>UAH 1,700</p>

\* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

*Source: Doing Business database.*

## GETTING CREDIT

Two types of frameworks can facilitate access to credit and improve its allocation: credit information systems and borrowers and lenders in collateral and bankruptcy laws. Credit information systems enable lenders' rights to view a potential borrower's financial history (positive or negative)—valuable information to consider when assessing risk. And they permit borrowers to establish a good credit history that will allow easier access to credit. Sound collateral laws enable businesses to use their assets, especially movable property, as security to generate capital—while strong creditors' rights have been associated with higher ratios of private sector credit to GDP.

### What do the indicators cover?

*Doing Business* assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a public credit registry or a private credit bureau. The strength of legal rights index measures whether certain features that facilitate lending exist within the applicable collateral and bankruptcy laws. *Doing Business* uses case scenarios to determine the scope of the secured transactions system, involving a secured borrower and a secured lender and examining legal restrictions on the use of movable collateral. These scenarios assume that the borrower:

- Is a private, incorporated, limited liability company.
- Has its headquarters and only base of operations in the largest business city.

### WHAT THE GETTING CREDIT INDICATORS MEASURE

#### Strength of legal rights index (0–10)

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 adult population

#### Private credit bureau coverage (% of adults)

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

- Has up to 100 employees.
- Is 100% domestically owned, as is the lender.

The ranking on the ease of getting credit is based on the percentile rankings on the sum of its component indicators: the depth of credit information index and the strength of legal rights index.

## GETTING CREDIT

### Where does the economy stand today?

How well do the credit information system and collateral and bankruptcy laws in Ukraine facilitate access to credit? The economy has a score of 5 on the depth of credit information index and a score of 9 on the strength of legal rights index (see the summary of scoring at the end of this chapter for details). Higher scores indicate more credit information and stronger legal rights for borrowers and lenders.

Globally, Ukraine stands at 13 in the ranking of 189 economies on the ease of getting credit (figure 6.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how well regulations and institutions in Ukraine support lending and borrowing.

Figure 6.1 How Ukraine and comparator economies rank on the ease of getting credit



Source: Doing Business database.

## GETTING CREDIT

### What are the changes over time?

While the most recent *Doing Business* data reflect how well the credit information system and collateral and bankruptcy laws in Ukraine support lending and borrowing today, data over time can help show where

institutions and regulations have been strengthened—and where they have not (table 6.1). That can help identify where the potential for improvement is greatest.

Table 6.1 The ease of getting credit in Ukraine over time  
By *Doing Business* report year

Indicator	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012	DB2013	DB2014
Rank	..	..	..	..	..	..	..	..	24	13
Strength of legal rights index (0-10)	5	9	9	9	9	9	9	9	9	9
Depth of credit information index (0-6)	0	0	0	0	3	3	4	4	4	5
Public registry coverage (% of adults)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private bureau coverage (% of adults)	0.0	0.0	0.0	0.0	3.0	3.0	10.1	17.0	23.3	28.3

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year.

Source: *Doing Business* database.

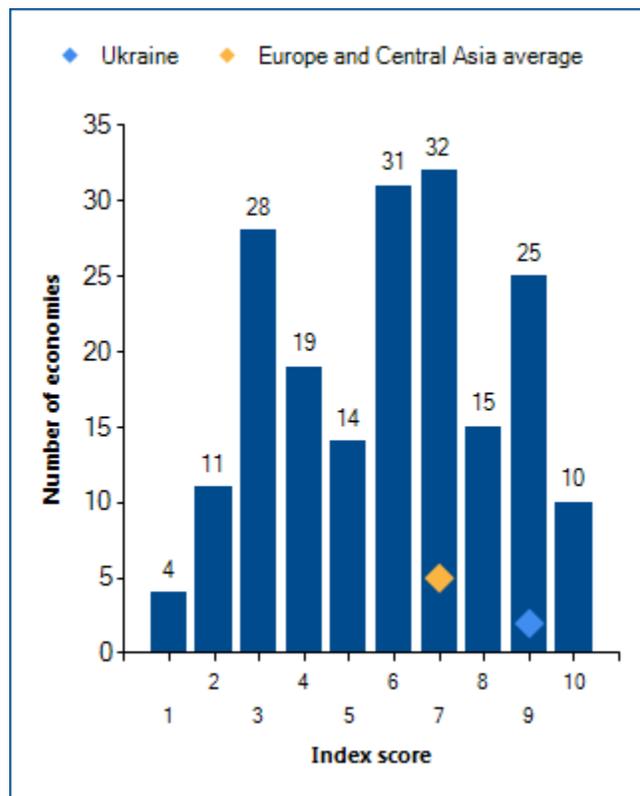
## GETTING CREDIT

One way to put an economy's score on the getting credit indicators into context is to see where the economy stands in the distribution of scores across economies. Figure 6.2 highlights the score on the strength of legal rights index for Ukraine in 2013 and

shows the number of economies with this score in 2013 as well as the regional average score. Figure 6.3 shows the same thing for the depth of credit information index.

Figure 6.2 How strong are legal rights for borrowers and lenders?

Number of economies with each score on strength of legal rights index (0–10), 2013

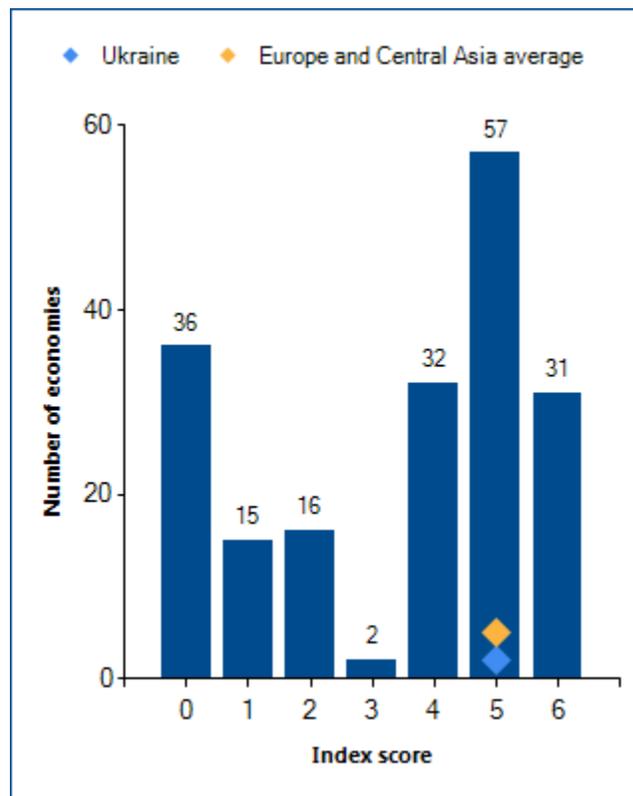


Note: Higher scores indicate that collateral and bankruptcy laws are better designed to facilitate access to credit.

Source: Doing Business database.

Figure 6.3 How much credit information is shared—and how widely?

Number of economies with each score on depth of credit information index (0–6), 2013



Note: Higher scores indicate the availability of more credit information, from either a credit registry or a credit bureau, to facilitate lending decisions. Regional averages for the depth of credit information index exclude economies with no credit registry or credit bureau.

Source: Doing Business database.

## GETTING CREDIT

When economies strengthen the legal rights of lenders and borrowers under collateral and bankruptcy laws, and increase the scope, coverage and accessibility of credit information, they can increase entrepreneurs' access to credit. What credit reforms has *Doing Business* recorded in Ukraine (table 6.2)?

Table 6.2 How has Ukraine made getting credit easier—or not?  
By *Doing Business* report year

DB year	Reform
<b>DB2009</b>	Ukraine created a new private credit bureau. Banks can now obtain credit information from potential borrowers to evaluate their creditworthiness.
<b>DB2010</b>	No reform as measured by Doing Business.
<b>DB2011</b>	No reform as measured by Doing Business.
<b>DB2012</b>	No reform as measured by Doing Business.
<b>DB2013</b>	No reform as measured by Doing Business.
<b>DB2014</b>	Ukraine improved access to credit information by beginning to collect data on firms from financial institutions.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## GETTING CREDIT

### What are the details?

The getting credit indicators reported here for Ukraine are based on detailed information collected in that economy. The data on credit information sharing are collected through a survey of a credit registry and/or credit bureau (if one exists). To construct the depth of credit information index, a score of 1 is assigned for each of 6 features of the credit registry or credit bureau (see summary of scoring below).

The data on the legal rights of borrowers and lenders are gathered through a survey of financial lawyers and verified through analysis of laws and regulations as well as public sources of information on collateral and bankruptcy laws. For the strength of legal rights index, a score of 1 is assigned for each of 8 aspects related to legal rights in collateral law and 2 aspects in bankruptcy law.

#### Summary of scoring for the getting credit indicators in Ukraine

Indicator	Ukraine	Europe & Central Asia average	OECD high income average
<b>Strength of legal rights index (0-10)</b>	9	7	7
<b>Depth of credit information index (0-6)</b>	5	5	5
<b>Public registry coverage (% of adults)</b>	0.0	33.9	42.9
<b>Private bureau coverage (% of adults)</b>	28.3	48.2	73.9

*Note:* In cases where an economy’s regional classification is “OECD high income,” regional averages above are only displayed once. Regional averages for the depth of credit information index exclude economies with no credit registry or credit bureau. Regional averages for the credit registry coverage exclude economies with no credit registry. Regional averages for the credit bureau coverage exclude economies with no credit bureau.

<b>Strength of legal rights index (0–10)</b>	Index score: 9
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 movable assets, without requiring a specific description of collateral?	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 collateral?	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 ?	Yes
Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	Yes
Is a collateral registry in operation, that is unified geographically and by asset type, with an electronic database indexed by debtor’s names?	Yes

<b>Strength of legal rights index (0–10)</b>	Index score: 9
Are secured creditors paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	Yes
Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated?	Yes
Are secured creditors either not subject to an automatic stay on enforcement when a debtor enters a court-supervised reorganization procedure, or does the law provide secured creditors with grounds for relief from an automatic stay or/and sets a time limit to it?	No
Does the law allow parties to agree in a collateral agreement that the lender may enforce its security right out of court, at the time a security interest is created?	Yes

<b>Depth of credit information index (0–6)</b>	Credit bureau	Credit registry	Index score: 5
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative data distributed?	Yes	No	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?	Yes	No	1
Is data on all loans below 1% of income per capita distributed?	Yes	No	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	Yes	No	1

Note: An economy receives a score of 1 if there is a "yes" to either private bureau or public registry.

<b>Coverage</b>	Credit bureau (% of adults)	Credit registry (% of adults)
<b>Number of firms</b>	100,000	0
<b>Number of individuals</b>	9,000,000	0

Source: Doing Business database.

## PROTECTING INVESTORS

Protecting investors matters for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. If the laws do not protect minority shareholders, investors may be reluctant to provide funding to companies through the purchase of shares unless they become the controlling shareholders. Effective regulations define related-party transactions precisely, promote clear and efficient disclosure requirements, require shareholder participation in major decisions of the company and set detailed standards of accountability for company insiders.

### What do the indicators cover?

*Doing Business* measures the strength of minority shareholder protections against directors' use of corporate assets for personal gain—or self-dealing. The indicators distinguish 3 dimensions of investor protections: transparency of related-party transactions (extent of disclosure index), liability for self-dealing (extent of director liability index) and minority shareholders' access to evidence before and during trial (ease of shareholder suits index). The ranking on the strength of investor protection index is the simple average of the percentile rankings on these 3 indices. To make the data comparable across economies, a case study uses several assumptions about the business and the transaction.

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 involves the following details:

- Mr. James, a director and the majority shareholder of the company, proposes that

### WHAT THE PROTECTING INVESTORS INDICATORS MEASURE

#### Extent of disclosure index (0–10)

Approval process for related-party transactions

Disclosure requirements in case of related-party transactions

#### Extent of director liability index (0–10)

Ability of minority shareholders to file a direct or derivative lawsuit

Ability of minority shareholders to hold interested parties and members of the approving body liable for prejudicial related-party transactions

Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)

#### Ease of shareholder suits index (0–10)

Access to internal corporate documents (directly or through a government inspector)

Documents and information available during trial

#### Strength of investor protection index (0–10)

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

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 Buyer.
- Shareholders sue the interested parties and the members of the board of directors.

## PROTECTING INVESTORS

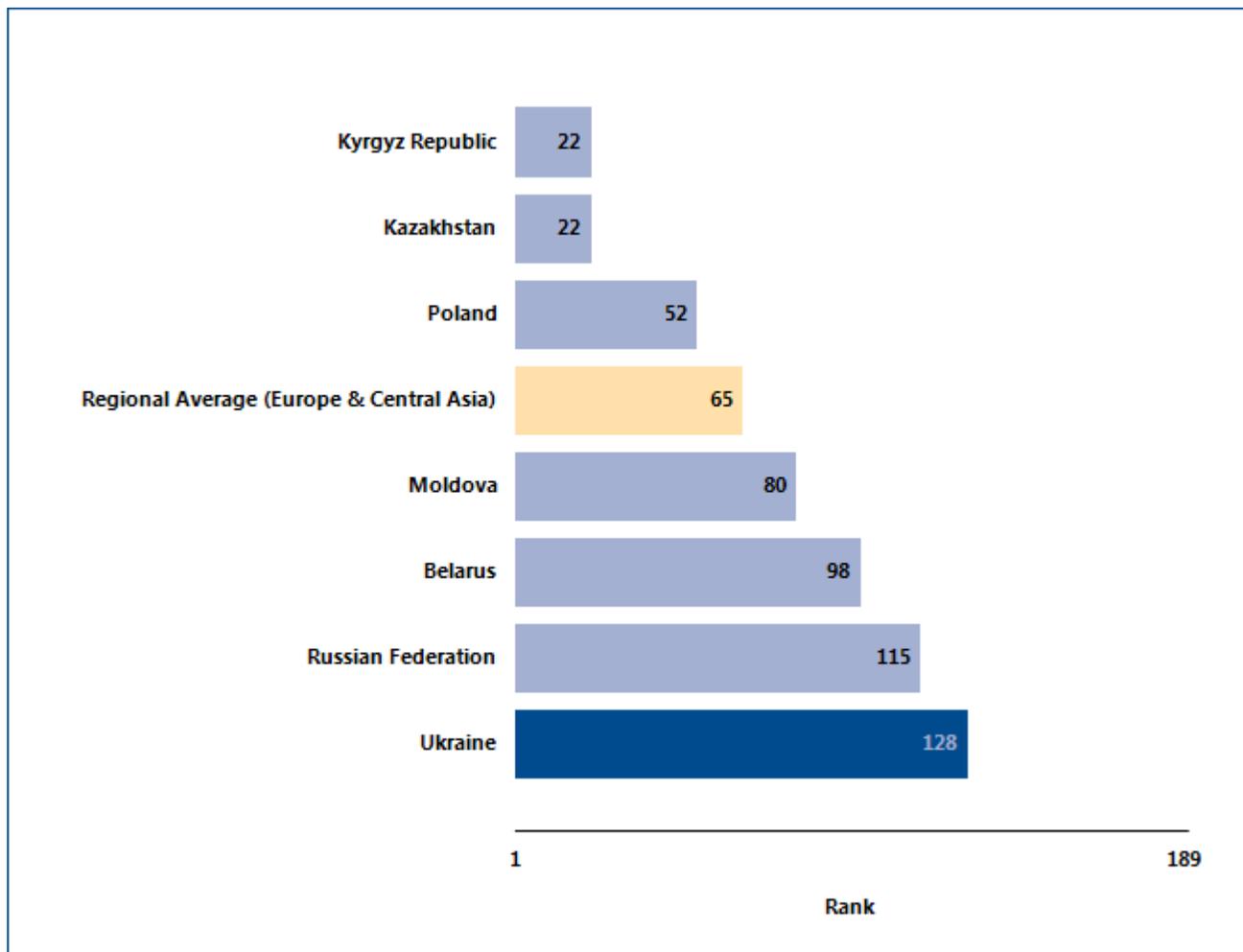
### Where does the economy stand today?

How strong are investor protections against self-dealing in Ukraine? The economy has a score of 4.3 on the strength of investor protection index, with a higher score indicating stronger protections (see the summary of scoring at the end of this chapter for details).

Globally, Ukraine stands at 128 in the ranking of 189 economies on the strength of investor protection

index (figure 7.1). While the indicator does not measure all aspects related to the protection of minority investors, a higher ranking does indicate that an economy's regulations offer stronger investor protections against self-dealing in the areas measured.

Figure 7.1 How Ukraine and comparator economies rank on the strength of investor protection index



Source: Doing Business database.

## PROTECTING INVESTORS

### What are the changes over time?

While the most recent *Doing Business* data reflect how well regulations in Ukraine protect minority investors today, data over time show whether the protections have been strengthened (table 7.1). And the global

ranking on the strength of investor protection index over time shows whether the economy is slipping behind other economies in investor protections—or surpassing them.

Table 7.1 The strength of investor protections in Ukraine over time  
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012	DB2013	DB2014
Rank	..	..	..	..	..	..	..	127	128
Extent of disclosure index (0-10)	1	1	1	1	5	5	5	5	5
Extent of director liability index (0-10)	3	3	3	3	2	2	2	2	2
Ease of shareholder suits index (0-10)	6	6	6	6	6	6	6	6	6
Strength of investor protection index (0-10)	3.3	3.3	3.3	3.3	4.3	4.3	4.3	4.3	4.3

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year.

Source: *Doing Business* database.

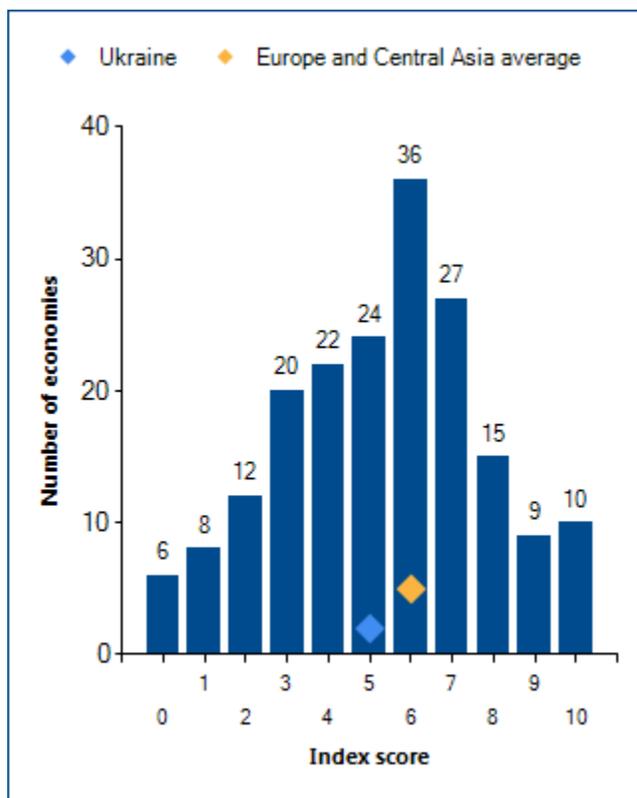
## PROTECTING INVESTORS

One way to put an economy's scores on the protecting investors indicators into context is to see where the economy stands in the distribution of scores across economies. Figure 7.2 highlights the score on the extent of disclosure index for Ukraine in 2013 and

shows the number of economies with this score in 2013 as well as the regional average score. Figure 7.3 applies to the extent of director liability index, and figure 7.4 to the ease of shareholder suits index.

Figure 7.2 How strong are disclosure requirements?

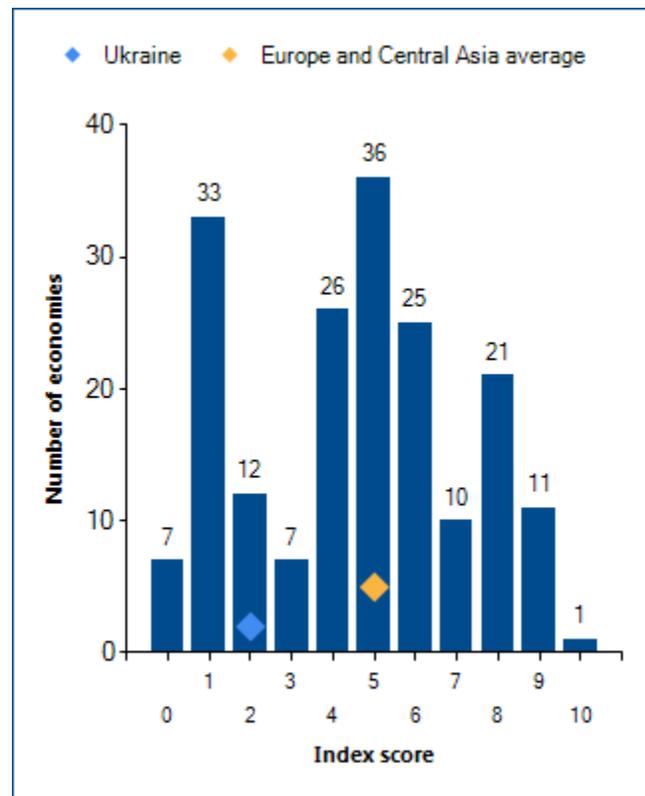
Number of economies with each score on the extent of disclosure index (0–10), 2013



Note: Higher scores indicate greater disclosure.  
Source: Doing Business database.

Figure 7.3 How strong is the liability regime for directors?

Number of economies with each score on the extent of director liability index (0–10), 2013

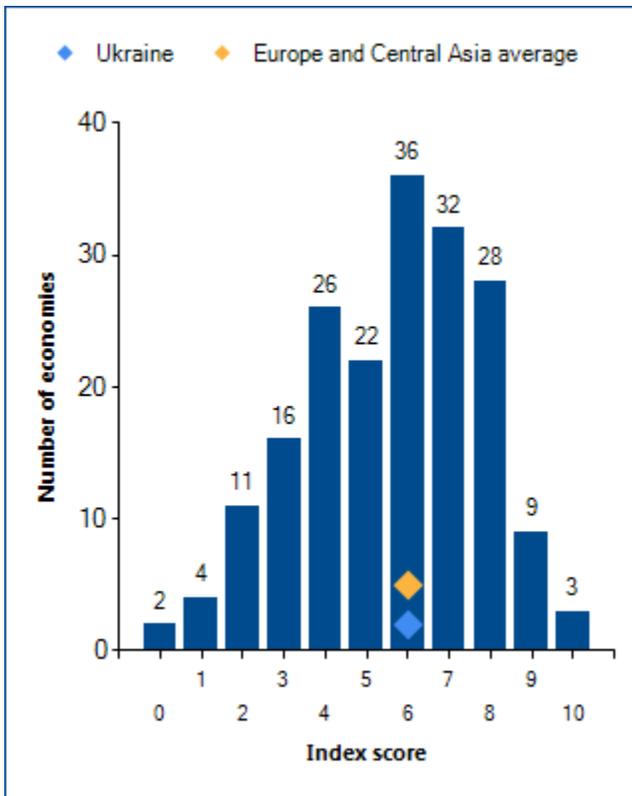


Note: Higher scores indicate greater liability of directors.  
Source: Doing Business database.

## PROTECTING INVESTORS

Figure 7.4 How easy is accessing internal corporate documents?

Number of economies with each score on the ease of shareholder suits index (0–10), 2013



Note: Higher scores indicate greater minority shareholder access to evidence before and during trial.

Source: *Doing Business* database.

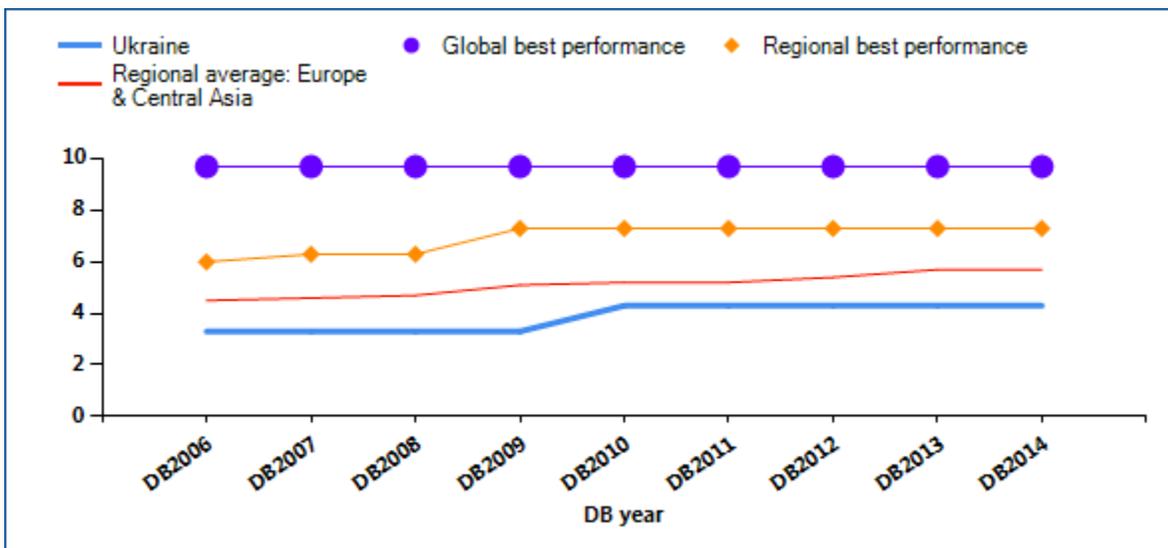
## PROTECTING INVESTORS

The scores recorded over time for Ukraine on the strength of investor protection index may also be revealing (figure 7.5). Equally interesting may be the

changes over time in the regional average score on this index.

Figure 7.5 Have investor protections become stronger over time?

### Strength of investor protection index (0–10)



Note: The higher the score, the stronger the protections.  
 Source: Doing Business database.

## PROTECTING INVESTORS

Economies with the strongest protections of minority investors from self-dealing require detailed disclosure and define clear duties for directors. They also have well-functioning courts and up-to-date procedural rules that give minority shareholders the means to prove their case and obtain a judgment within a

reasonable time. As a result, reforms to strengthen investor protections may move ahead on different fronts—such as through new or amended company laws, securities regulations or civil procedure rules. What investor protection reforms has *Doing Business* recorded in Ukraine (table 7.2)?

Table 7.2 How has Ukraine strengthened investor protections—or not?  
By *Doing Business* report year

DB year	Reform
DB2009	No reform as measured by Doing Business.
DB2010	Ukraine enhanced the protection of investors by adopting a new law on Joint Stock Companies that regulates approval of transactions between interested parties, increases disclosure requirements in the annual report, and makes it easier to sue directors in cases of prejudicial transactions between interested parties.
DB2011	No reform as measured by Doing Business.
DB2012	No reform as measured by Doing Business.
DB2013	No reform as measured by Doing Business.
DB2014	No reform as measured by Doing Business.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## PROTECTING INVESTORS

### What are the details?

The protecting investors indicators reported here for Ukraine are based on detailed information collected through a survey of corporate and securities lawyers about securities regulations, company laws and court rules of evidence and procedure. To construct the extent of disclosure, extent of director liability and

ease of shareholder suits indices, scores are assigned to each based on a range of conditions relating to disclosure, director liability and shareholder suits in a standard case study transaction (see the data notes at the end of this chapter). The summary below shows the details underlying the scores for Ukraine.

#### Summary of scoring for the protecting investors indicators in Ukraine

Indicator	Ukraine	Europe & Central Asia average	OECD high income average
<b>Extent of disclosure index (0-10)</b>	5	6	7
<b>Extent of director liability index (0-10)</b>	2	5	5
<b>Ease of shareholder suits index (0-10)</b>	6	6	7
<b>Strength of investor protection index (0-10)</b>	4.3	5.7	6.2

*Note:* In cases where an economy's regional classification is "OECD high income," regional averages above are only displayed once.

	Score	Score description
<b>Extent of disclosure index (0-10)</b>	5	
What corporate body provides legally sufficient approval for the transaction?	2	Board of directors and Mr. James is not allowed to vote
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	2	Full disclosure of all material facts
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	0	No disclosure obligation
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	1	Disclosure on the transaction only
Whether an external body must review the terms of the transaction before it takes place?	0	No
<b>Extent of director liability index (0-10)</b>	2	
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1	Yes
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	0	Not liable
Whether shareholders can hold members of the approving body liable for the damage that the Buyer-Seller transaction causes to the company?	1	Liable for negligence

	Score	Score description
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	0	Not possible or only in case of Seller's fraud or bad faith
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	0	No
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	0	No
Whether fines and imprisonment can be applied against Mr. James?	0	No
<b>Ease of shareholder suits index (0-10)</b>	<b>6</b>	
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	0	No
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	0	No
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	4	Any information that may lead to the discovery of relevant information
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	0	No
Whether the plaintiff can directly question the defendant and witnesses during trial?	2	Yes, without approval from the judge
Whether the level of proof required for civil suits is lower than that of criminal cases?	0	No
<b>Strength of investor protection index (0-10)</b>	<b>4.3</b>	

Source: Doing Business database.

## PAYING TAXES

Taxes are essential. They fund the public amenities, infrastructure and services that are crucial for a properly functioning economy. But the level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. According to *Doing Business* data, in economies where it is more difficult and costly to pay taxes, larger shares of economic activity end up in the informal sector—where businesses pay no taxes at all.

### What do the indicators cover?

Using a case scenario, *Doing Business* measures the taxes and mandatory contributions that a medium-size company must pay in a given year as well as the administrative burden of paying taxes and contributions. This case scenario uses a set of financial statements and assumptions about transactions made over the year. Information is also compiled on the frequency of filing and payments as well as time taken to comply with tax laws. The ranking on the ease of paying taxes is the simple average of the percentile rankings on its component indicators: number of annual payments, time and total tax rate, with a threshold being applied to the total tax rate.<sup>1</sup> To make the data comparable across economies, several assumptions about the business and the taxes and contributions are used.

- TaxpayerCo is a medium-size business that started operations on January 1, 2011.
- 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.

### WHAT THE PAYING TAXES INDICATORS MEASURE

#### Tax payments for a manufacturing company in 2012 (number per year adjusted for electronic and 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 before all taxes)

Profit or corporate income tax

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

- Taxes and mandatory contributions include corporate income tax, turnover tax and all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

<sup>1</sup> The threshold is defined as the highest total tax rate among the top 15% of economies in the ranking on the total tax rate. It is calculated and adjusted on a yearly basis. The threshold is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the lower end of the distribution of tax rates levied on medium-size enterprises in the manufacturing sector as observed through the paying taxes indicators. This reduces the bias in the indicators toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). This year's threshold is 25.5%.

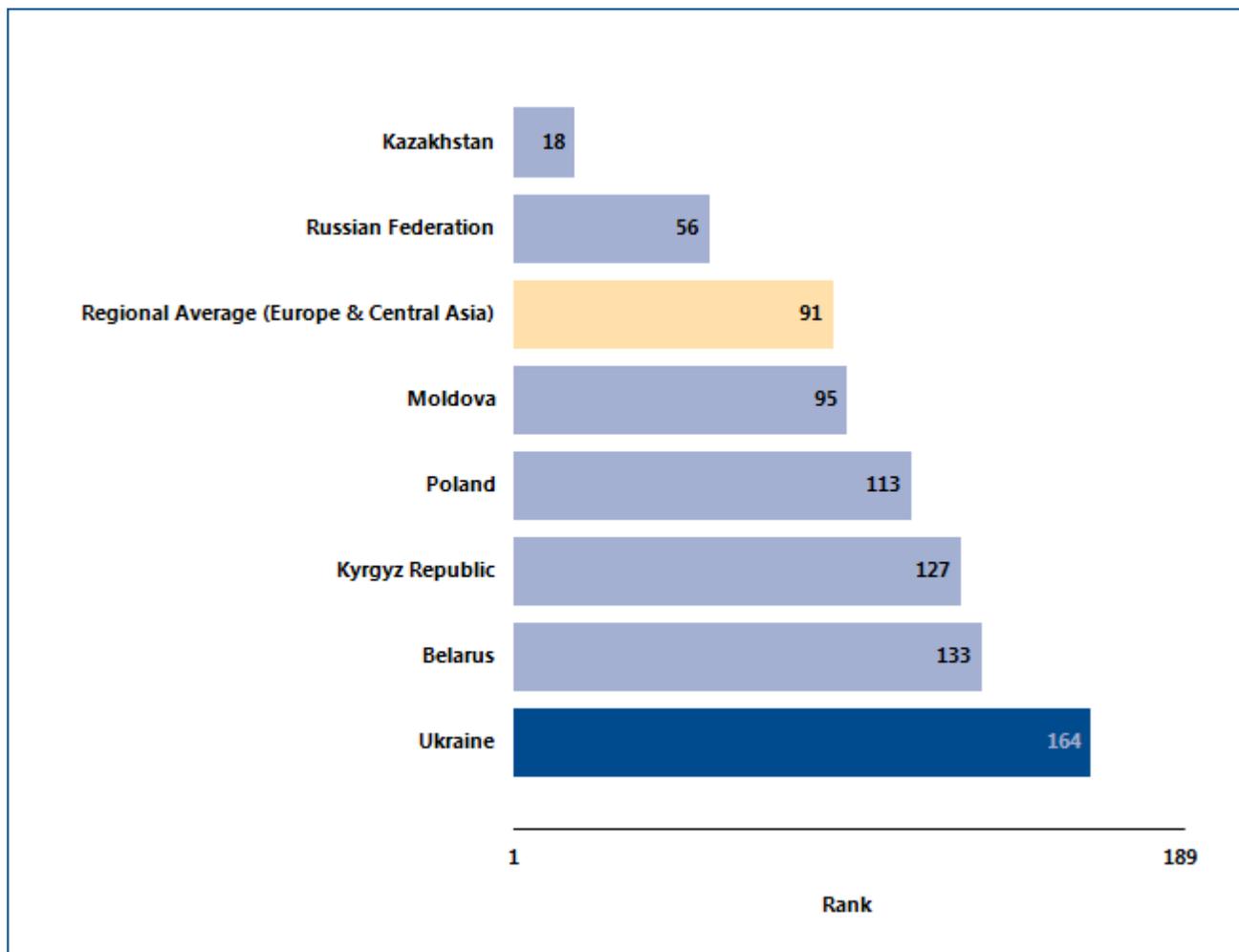
## PAYING TAXES

### Where does the economy stand today?

What is the administrative burden of complying with taxes in Ukraine—and how much do firms pay in taxes? On average, firms make 28 tax payments a year, spend 390 hours a year filing, preparing and paying taxes and pay total taxes amounting to 54.9% of profit (see the summary at the end of this chapter for details).

Globally, Ukraine stands at 164 in the ranking of 189 economies on the ease of paying taxes (figure 8.1). The rankings for comparator economies and the regional average provide other useful information for assessing the tax compliance burden for businesses in Ukraine.

Figure 8.1 How Ukraine and comparator economies rank on the ease of paying taxes



Source: Doing Business database.

## PAYING TAXES

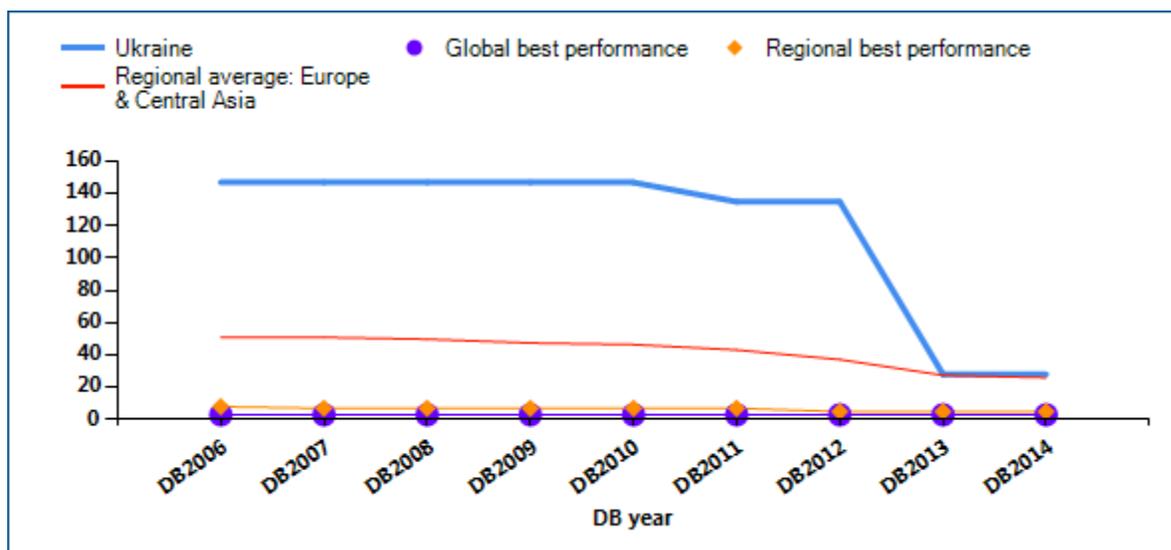
### What are the changes over time?

The benchmarks provided by the economies that over time have had the best performance regionally or globally on the number of payments or the time required to prepare and file taxes (figure 8.2) help

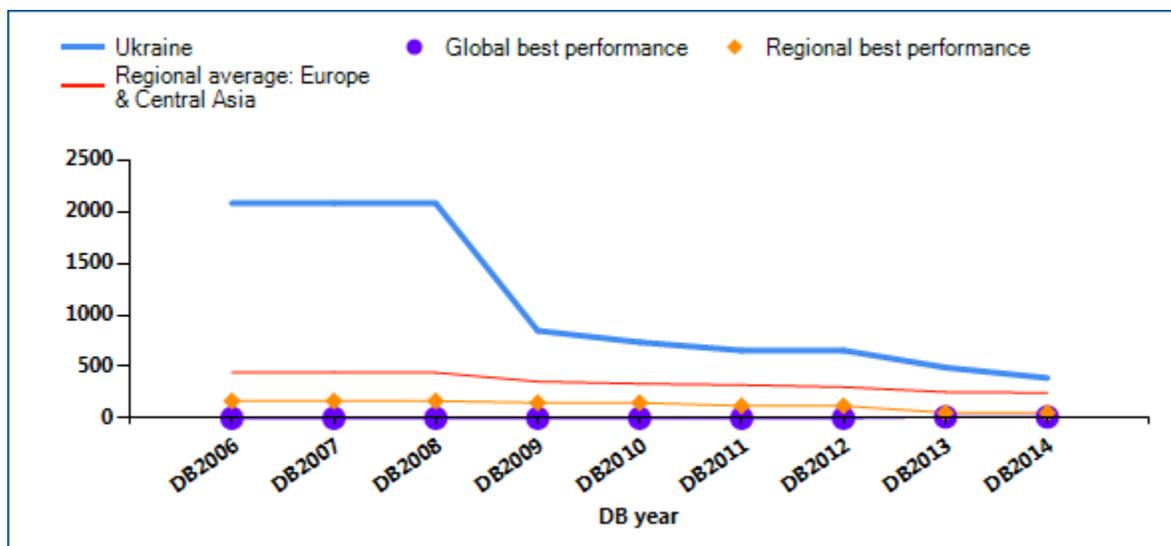
show what is possible in easing the administrative burden of tax compliance. And changes in regional averages can show where Ukraine is keeping up—and where it is falling behind.

Figure 8.2 Has paying taxes become easier over time?

#### Payments (number per year)

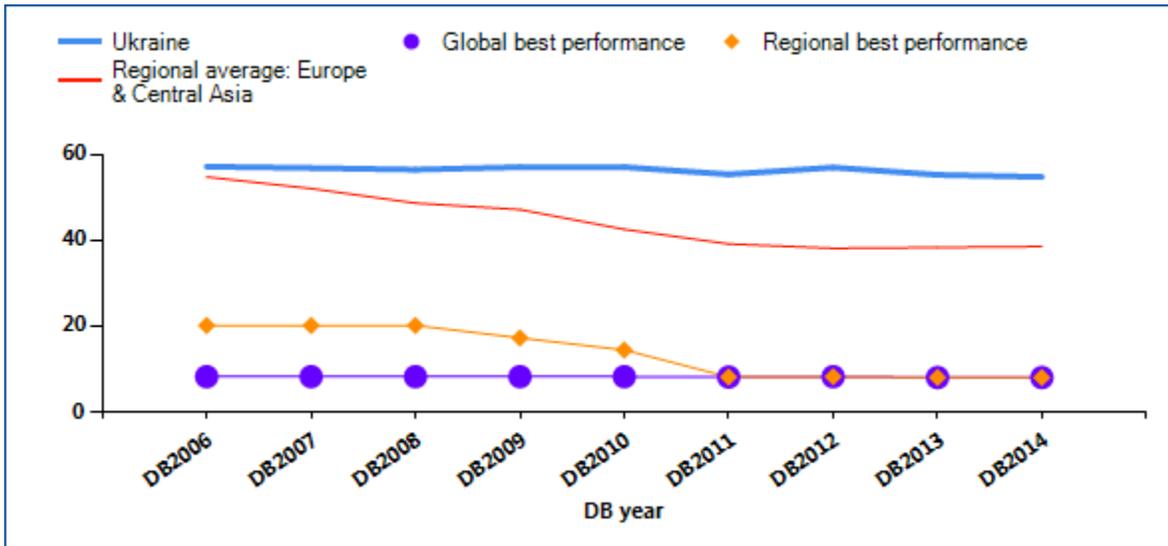


#### Time (hours per year)



## PAYING TAXES

### Total tax rate (% of profit)



Note: DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year. DB2013 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 25.5% applied in DB2014, the total tax rate is set at 25.5% for the purpose of calculating the ranking on the ease of paying taxes.

Source: Doing Business database.

## PAYING TAXES

Economies around the world have made paying taxes faster and easier for businesses—such as by consolidating filings, reducing the frequency of payments or offering electronic filing and payment. Many have lowered tax rates. Changes have brought

concrete results. Some economies simplifying tax payment and reducing rates have seen tax revenue rise. What tax reforms has *Doing Business* recorded in Ukraine (table 8.1)?

Table 8.1 How has Ukraine made paying taxes easier—or not?  
By *Doing Business* report year

DB year	Reform
<b>DB2009</b>	Several social security tax rates were adjusted as follows: pension fund (from 33.2% to 31.8%), social security fund (from 1.5% to 2.9%) and social insurance for accidents at work (2.18% to 2.29%).
<b>DB2010</b>	No reform as measured by <i>Doing Business</i> .
<b>DB2011</b>	Ukraine eased tax compliance by introducing and continually enhancing an electronic filing system for value added tax.
<b>DB2012</b>	Ukraine made paying taxes easier and less costly for firms by revising and unifying tax legislation, reducing corporate income tax rates and unifying social security contributions.
<b>DB2013</b>	Ukraine made paying taxes easier by implementing electronic filing and payment for medium-size and large enterprises.
<b>DB2014</b>	Ukraine made paying taxes easier for companies by simplifying tax returns and further improving its electronic filing system.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## PAYING TAXES

### What are the details?

The indicators reported here for Ukraine are based on a standard set of taxes and contributions that would be paid by the case study company used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). Tax practitioners are asked to review standard 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.

#### LOCATION OF STANDARDIZED COMPANY

**City: Kiev**

The taxes and contributions paid are listed in the summary below, along with the associated number of payments, time and tax rate.

#### Summary of tax rates and administrative burden in Ukraine

Indicator	Ukraine	Europe & Central Asia average	OECD high income average
<b>Payments (number per year)</b>	28	26	12
<b>Time (hours per year)</b>	390	246	175
<b>Profit tax (%)</b>	11.2	9.0	16.1
<b>Labor tax and contributions (%)</b>	43.1	22.6	23.1
<b>Other taxes (%)</b>	0.7	7.0	2.0
<b>Total tax rate (% profit)</b>	54.9	38.7	41.3

Note: In cases where an economy's regional classification is "OECD high income," regional averages above are only displayed once.

Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
<b>Unified Social Contribution</b>	24		140	38.19%	gross salaries	43.1	
<b>Corporate income tax</b>	1	online filing	100	21%	taxable profit	11.2	
<b>Land tax</b>	1	online filing	0	various rates	land area	0.7	

<b>Tax or mandatory contribution</b>	<b>Payments (number)</b>	<b>Notes on payments</b>	<b>Time (hours)</b>	<b>Statutory tax rate</b>	<b>Tax base</b>	<b>Total tax rate (% of profit)</b>	<b>Notes on total tax rate</b>
<b>Environmental taxes</b>	1	online filing	0	various rates	weight of contaminants discharged	0	small amount
<b>Value added tax (VAT)</b>	1	online filing	150	20%	value added	0	not included
<b>Totals</b>	<b>28</b>		<b>390</b>			<b>54.9</b>	

Source: Doing Business database.

## TRADING ACROSS BORDERS

In today's globalized world, making trade between economies easier is increasingly important for business. 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. Research shows that exporters in developing countries gain more from a 10% drop in their trading costs than from a similar reduction in the tariffs applied to their products in global markets.

### What do the indicators cover?

*Doing Business* measures the time and cost (excluding tariffs and the time and cost for sea transport) associated with exporting and importing a standard shipment of goods by sea transport, and the number of documents necessary to complete the transaction. The indicators cover procedural requirements such as documentation requirements and procedures at customs and other regulatory agencies as well as at the port. They also cover trade logistics, including the time and cost of inland transport to the largest business city. The ranking on the ease of trading across borders is the simple average of the percentile rankings on its component indicators: documents, time and cost to export and import.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the traded goods.

The business:

- Is of medium size and employs 60 people.
- Is located in the periurban area of the economy's largest business city.
- Is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the economy.

The traded goods:

- Are not hazardous nor do they include

### WHAT THE TRADING ACROSS BORDERS INDICATORS MEASURE

#### 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, filling out and submitting all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include sea 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

military items.

- Do not require refrigeration or any other special environment.
- Do not require any special phytosanitary or environmental safety standards other than accepted international standards.
- Are one of the economy's leading export or import products.
- Are transported in a dry-cargo, 20-foot full container load.

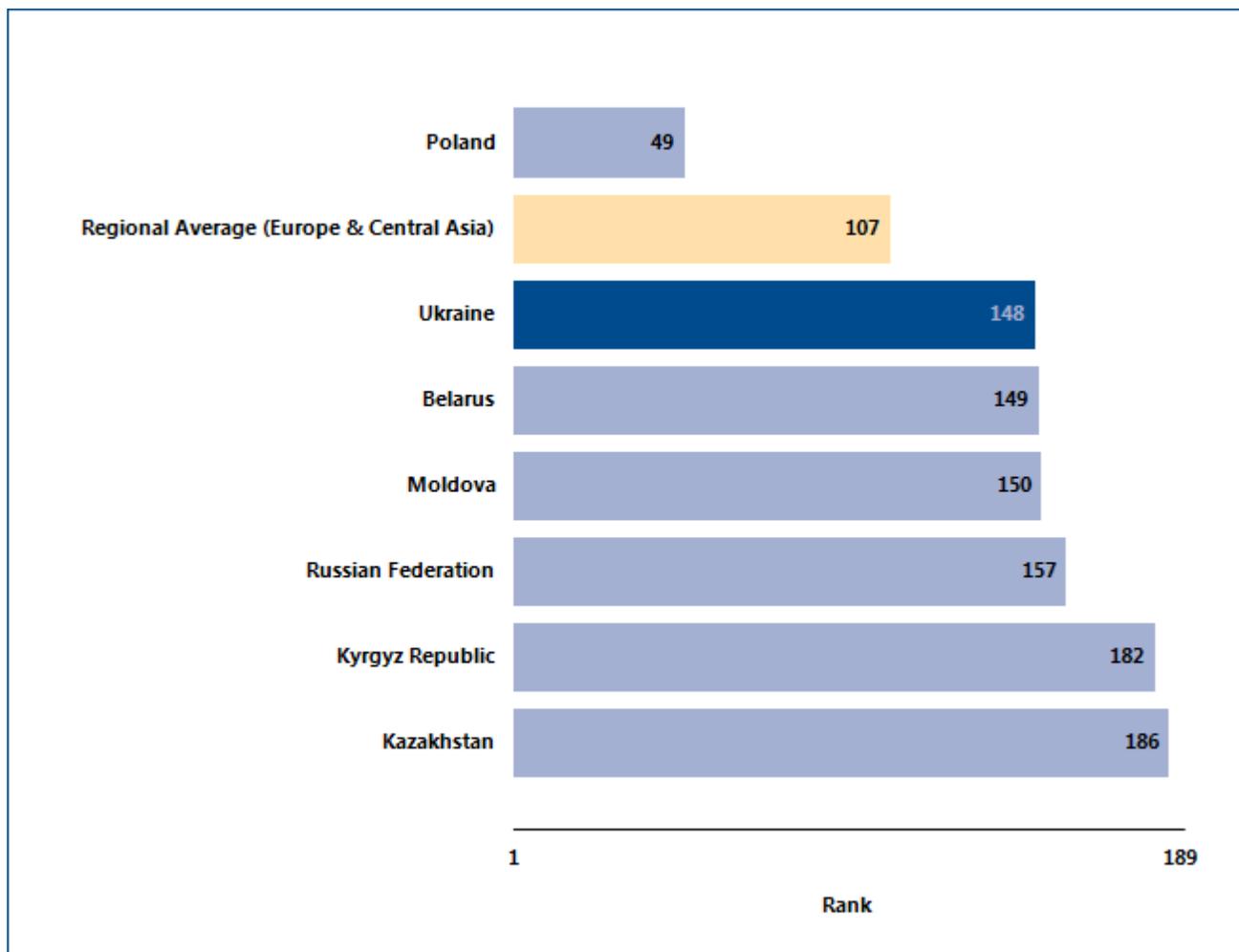
## TRADING ACROSS BORDERS

### Where does the economy stand today?

What does it take to export or import in Ukraine? According to data collected by *Doing Business*, exporting a standard container of goods requires 6 documents, takes 29 days and costs \$1930. Importing the same container of goods requires 8 documents, takes 28 days and costs \$2505 (see the summary of procedures and documents at the end of this chapter for details).

Globally, Ukraine stands at 148 in the ranking of 189 economies on the ease of trading across borders (figure 9.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for a business in Ukraine to export and import goods.

Figure 9.1 How Ukraine and comparator economies rank on the ease of trading across borders



Source: *Doing Business* database.

## TRADING ACROSS BORDERS

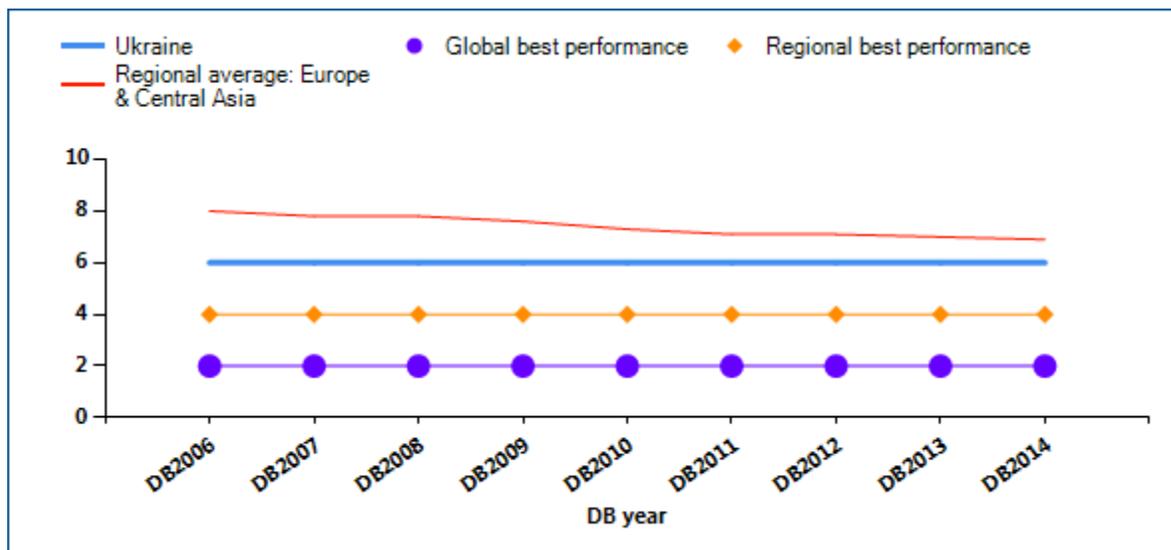
### What are the changes over time?

The benchmarks provided by the economies that over time have had the best performance regionally or globally on the documents, time or cost required to export or import (figure 9.2) help show what is

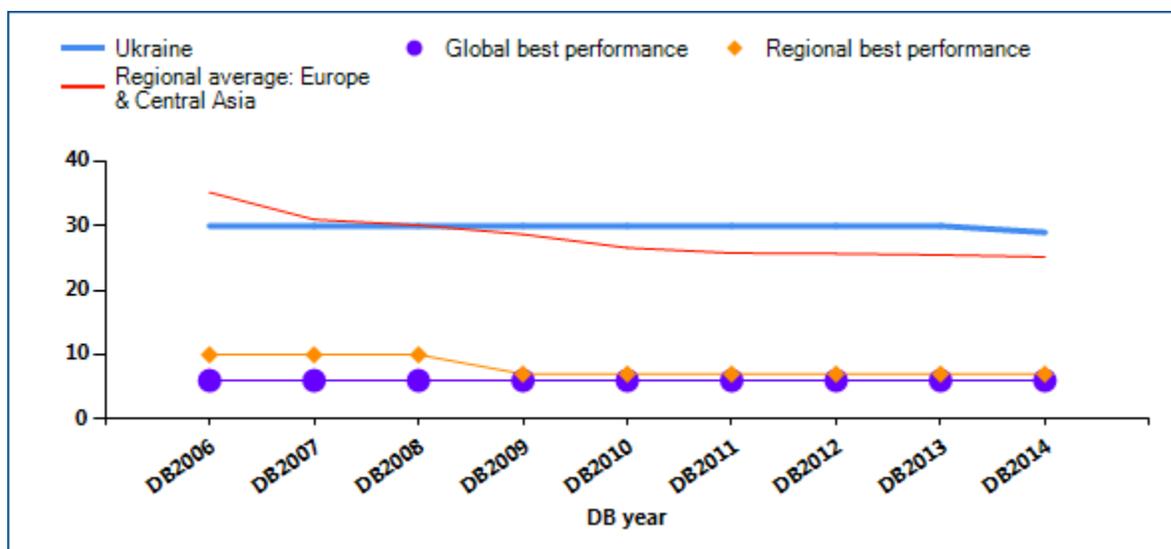
possible in making it easier to trade across borders. And changes in regional averages can show where Ukraine is keeping up—and where it is falling behind.

Figure 9.2 Has trading across borders become easier over time?

#### Documents to export (number)

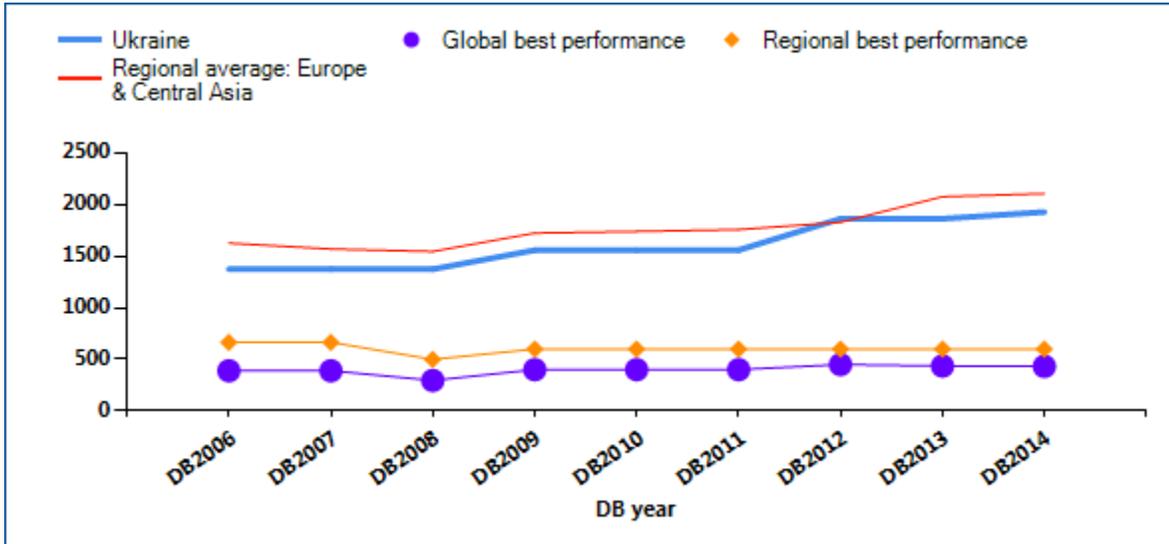


#### Time to export (days)

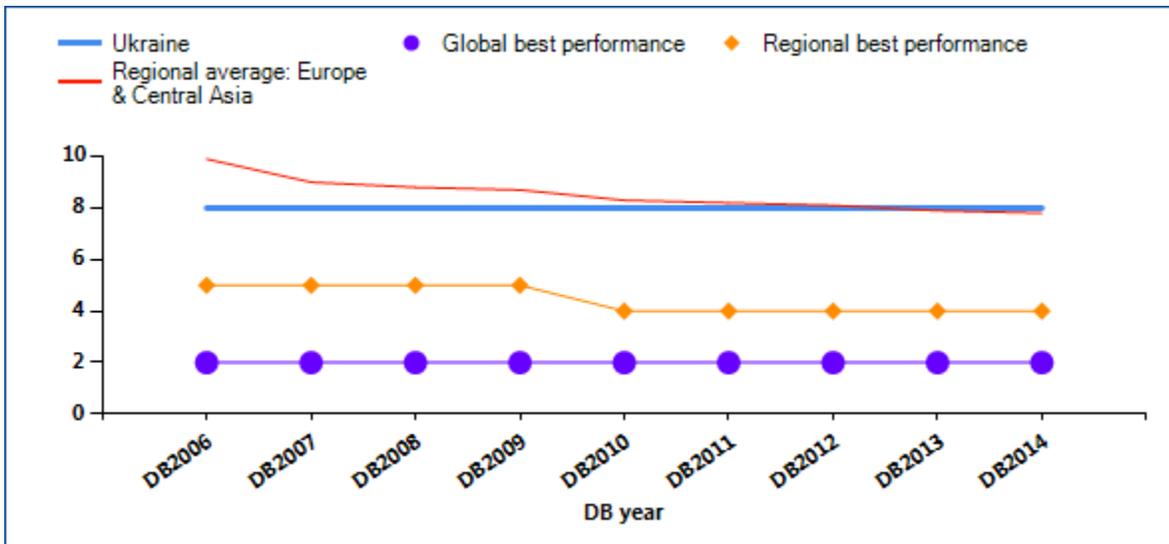


TRADING ACROSS BORDERS

Cost to export (US\$ per container)

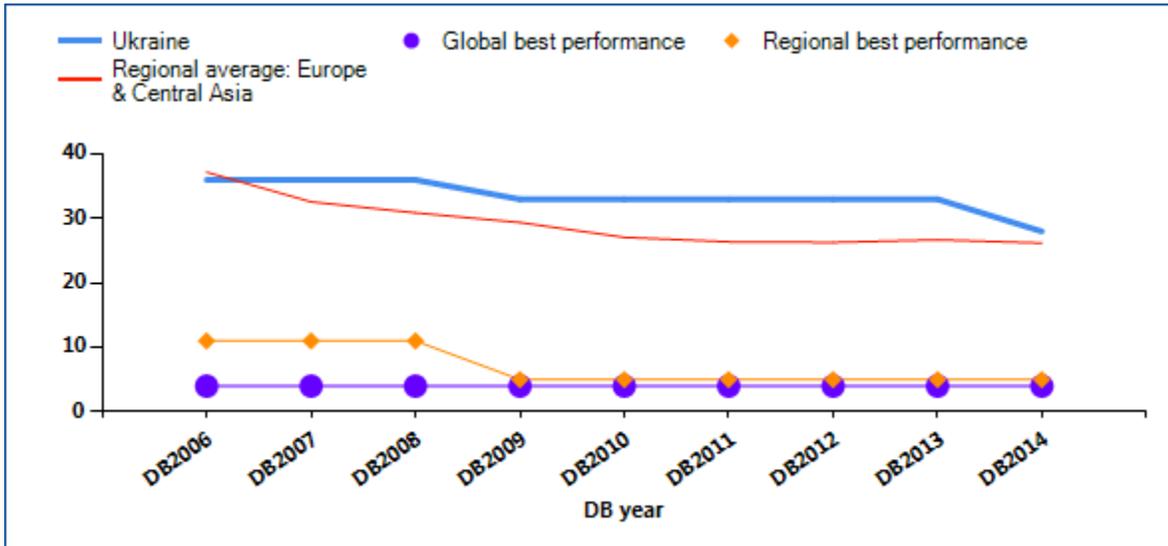


Documents to import (number)

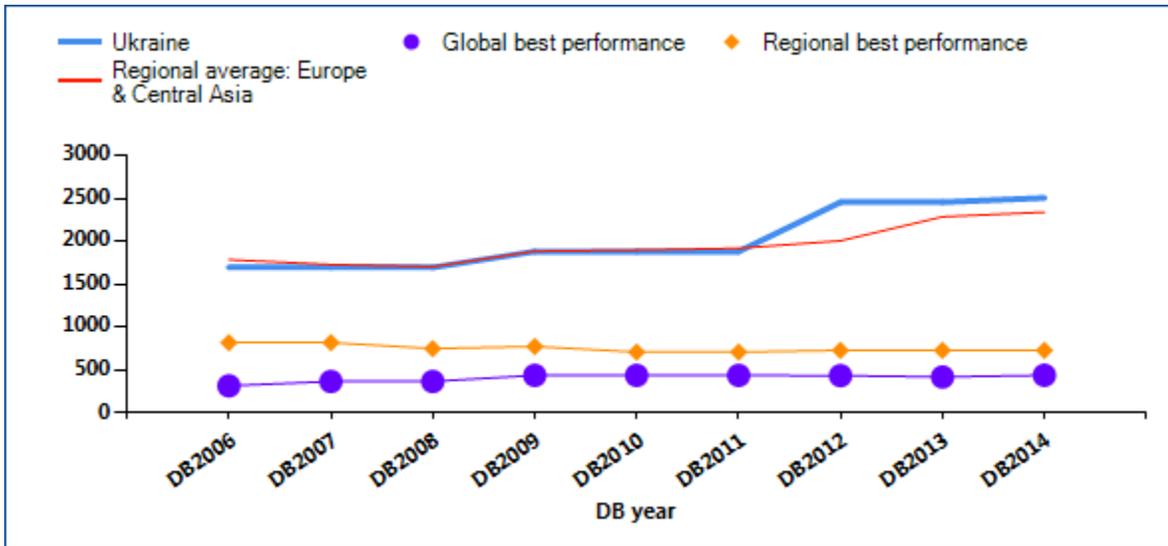


## TRADING ACROSS BORDERS

### Time to import (days)



### Cost to import (US\$ per container)



Note: DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year.

Source: Doing Business database.

## TRADING ACROSS BORDERS

In economies around the world, trading across borders as measured by *Doing Business* has become faster and easier over the years. Governments have introduced tools to facilitate trade—including single windows, risk-based inspections and electronic data interchange

systems. These changes help improve the trading environment and boost firms' international competitiveness. What trade reforms has *Doing Business* recorded in Ukraine (table 9.1)?

Table 9.1 How has Ukraine made trading across borders easier—or not?  
By *Doing Business* report year

DB year	Reform
<b>DB2009</b>	Due to port infrastructure and services improvements, the import time decreased.
<b>DB2010</b>	No reform as measured by Doing Business.
<b>DB2011</b>	No reform as measured by Doing Business.
<b>DB2012</b>	Ukraine made trading across borders more difficult by introducing additional inspections for customs clearance of imports.
<b>DB2013</b>	No reform as measured by Doing Business.
<b>DB2014</b>	Ukraine made trading across borders easier by releasing customs declarations more quickly and reducing the number of physical inspections.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## TRADING ACROSS BORDERS

### What are the details?

The indicators reported here for Ukraine are based on a set of specific procedural requirements for trading a standard shipment of goods by ocean transport (see the section in this chapter on what the indicators cover). Information on the procedures as well as the required documents and the time and cost to complete each procedure is collected from local freight forwarders, shipping lines, customs brokers, port officials and banks.

#### LOCATION OF STANDARDIZED COMPANY

**City: Kiev**

The procedural requirements, and the associated time and cost, for exporting and importing a standard shipment of goods are listed in the summary below, along with the required documents.

#### Summary of procedures and documents for trading across borders in Ukraine

Indicator	Ukraine	Europe & Central Asia average	OECD high income average
<b>Documents to export (number)</b>	6	7	4
<b>Time to export (days)</b>	29	25	11
<b>Cost to export (US\$ per container)</b>	1,930	2,109	1,070
<b>Documents to import (number)</b>	8	8	4
<b>Time to import (days)</b>	28	26	10
<b>Cost to import (US\$ per container)</b>	2,505	2,339	1,090

*Note:* In cases where an economy's regional classification is "OECD high income," regional averages above are only displayed once.

Procedures to export	Time (days)	Cost (US\$)
Documents preparation	22	250
Customs clearance and technical control	1	300
Ports and terminal handling	3	430
Inland transportation and handling	3	950
Totals	29	1,930

Procedures to import	Time (days)	Cost (US\$)
Documents preparation	20	555

Procedures to import	Time (days)	Cost (US\$)
Customs clearance and technical control	2	350
Ports and terminal handling	3	600
Inland transportation and handling	3	1,000
Totals	28	2,505

Documents to export
Bill of lading
Certificate of Origin
Commercial invoice
Customs export declaration
Packing list
Sales-purchase contract

Source: Doing Business database.

Documents to import
Bill of Lading
Certificate of origin
Commercial invoice
Customs import declaration
Declaration of Conformity
Delivery order
Packing list
Sales purchase contract

## ENFORCING CONTRACTS

Effective commercial dispute resolution has many benefits. Courts are essential for entrepreneurs because they interpret the rules of the market and protect economic rights. Efficient and transparent courts encourage new business relationships because businesses know they can rely on the courts if a new customer fails to pay. Speedy trials are essential for small enterprises, which may lack the resources to stay in business while awaiting the outcome of a long court dispute.

### What do the indicators cover?

*Doing Business* measures the efficiency of the judicial system in resolving a commercial dispute before local courts. Following the step-by-step evolution of a standardized case study, it collects data relating to the time, cost and procedural complexity of resolving a commercial lawsuit. The ranking on the ease of enforcing contracts is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

The dispute in the case study involves the breach of a sales contract between 2 domestic businesses. The case study assumes that the court hears an expert on the quality of the goods in dispute. This distinguishes the case from simple debt enforcement. To make the data comparable across economies, *Doing Business* uses several assumptions about the case:

- The seller and buyer are located in the economy's largest business city.
- The buyer orders custom-made goods, then fails to pay.
- The seller sues the buyer before a competent court.
- The value of the claim is 200% of income per capita.
- The seller requests a pretrial attachment to secure the claim.
- The dispute on the quality of the goods requires an expert opinion.
- The judge decides in favor of the seller; there is no appeal.
- The seller enforces the judgment through a public sale of the buyer's movable assets.

### WHAT THE ENFORCING CONTRACTS

#### INDICATORS MEASURE

#### Procedures to enforce a contract through the courts (number)

- Steps to file and serve 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)

- Average attorney fees
- Court costs
- Enforcement costs

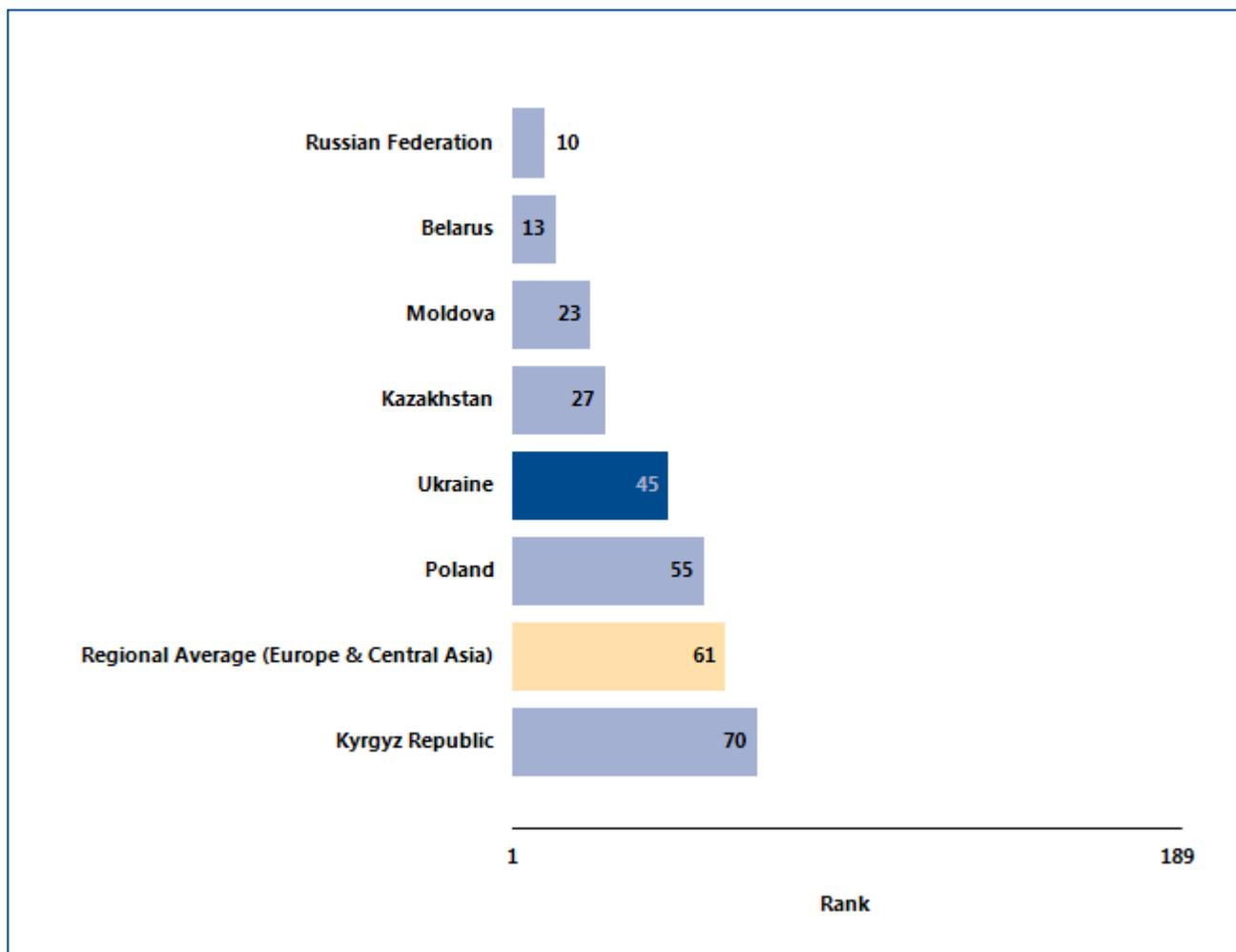
## ENFORCING CONTRACTS

### Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in Ukraine? According to data collected by *Doing Business*, contract enforcement takes 378 days, costs 43.8% of the value of the claim and requires 30 procedures (see the summary at the end of this chapter for details).

Globally, Ukraine stands at 45 in the ranking of 189 economies on the ease of enforcing contracts (figure 10.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of contract enforcement in Ukraine.

Figure 10.1 How Ukraine and comparator economies rank on the ease of enforcing contracts



Source: *Doing Business* database.

## ENFORCING CONTRACTS

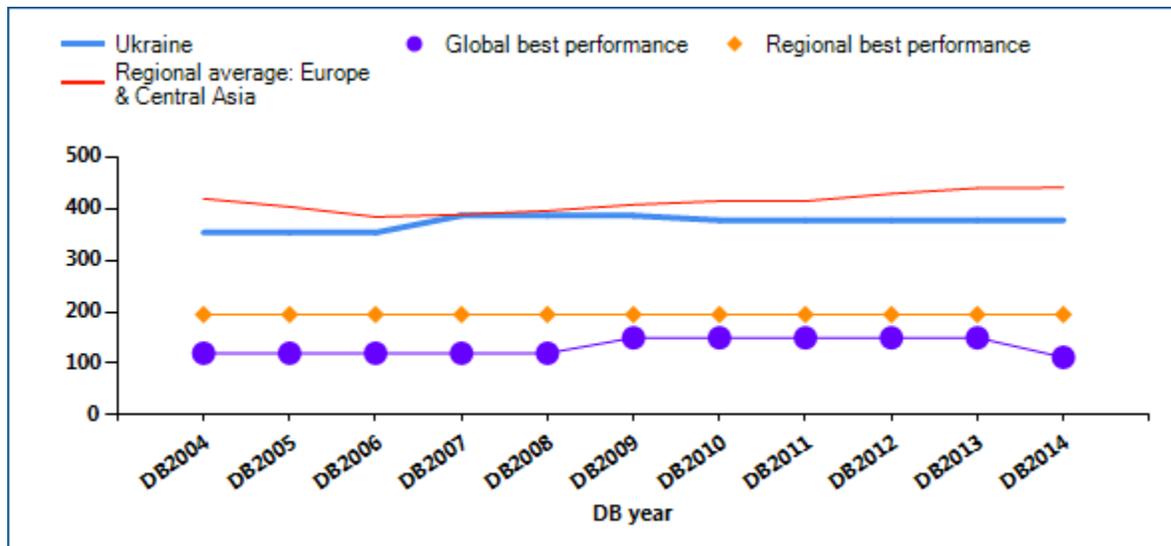
### What are the changes over time?

The benchmarks provided by the economies that over time have had the best performance regionally or globally on the number of steps, time or cost required to enforce a contract through the courts (figure 10.2)

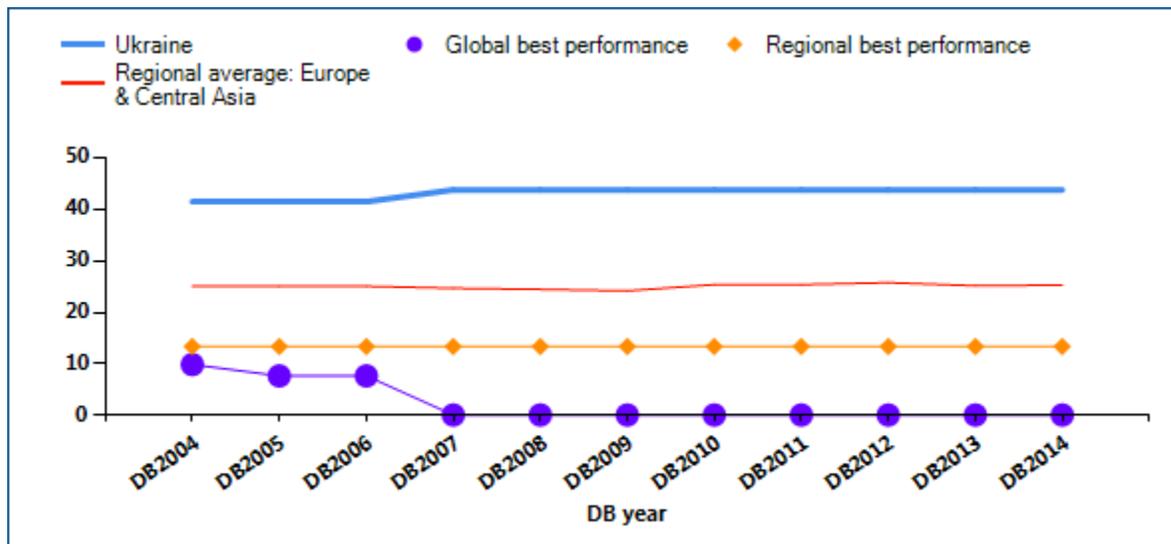
help show what is possible in improving the efficiency of contract enforcement. And changes in regional averages can show where Ukraine is keeping up—and where it is falling behind.

Figure 10.2 Has enforcing contracts become easier over time?

#### Time (days)

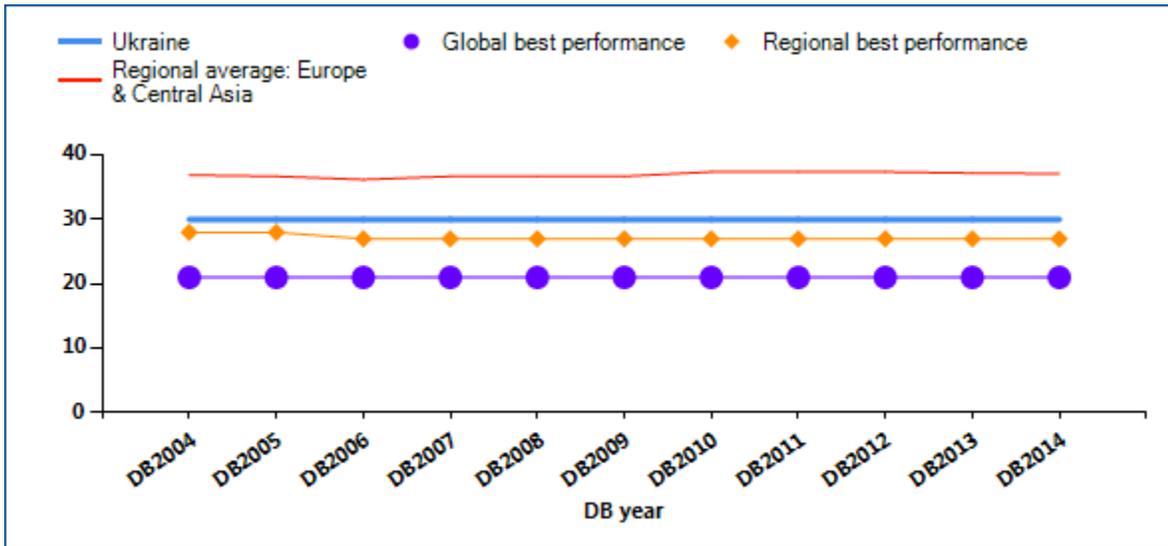


#### Cost (% of claim)



## ENFORCING CONTRACTS

### Procedures (number)



Note: DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year.

Source: Doing Business database.

## ENFORCING CONTRACTS

Economies in all regions have improved contract enforcement in recent years. A judiciary can be improved in different ways. Higher-income economies tend to look for ways to enhance efficiency by introducing new technology. Lower-income economies

often work on reducing backlogs by introducing periodic reviews to clear inactive cases from the docket and by making procedures faster. What reforms making it easier (or more difficult) to enforce contracts has *Doing Business* recorded in Ukraine (table 10.1)?

Table 10.1 How has Ukraine made enforcing contracts easier—or not?

By *Doing Business* report year

DB year	Reform
DB2009	No reform as measured by Doing Business.
DB2010	No reform as measured by Doing Business.
DB2011	No reform as measured by Doing Business.
DB2012	Ukraine amended legislation to streamline commercial dispute resolution and increase the efficiency of enforcement procedures.
DB2013	No reform as measured by Doing Business.
DB2014	No reform as measured by Doing Business.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## ENFORCING CONTRACTS

### What are the details?

The indicators reported here for Ukraine are based on a set of specific procedural steps required to resolve a standardized commercial dispute through the courts (see the section in this chapter on what the indicators cover). These procedures, and the time and cost of completing them, are identified 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 economies covered by *Doing Business*, by judges as well).

#### COURT NAME

**City:** Kiev

**Claim Value LCU:** 56206

**Court Name:** Kiev Commercial Court

The procedures for resolving a commercial lawsuit, and the associated time and cost, are listed in the summary below.

#### Summary of procedures for enforcing a contract in Ukraine—and the time and cost

Indicator	Ukraine	Europe & Central Asia average	OECD high income average
<b>Time (days)</b>	<b>378</b>	<b>441</b>	<b>529</b>
<b>Filing and service</b>	48		
<b>Trial and judgment</b>	150		
<b>Enforcement of judgment</b>	180		
<b>Cost (% of claim)</b>	<b>43.8</b>	<b>25.3</b>	<b>21.0</b>
<b>Attorney cost (% of claim)</b>	25.0		
<b>Court cost (% of claim)</b>	7.4		
<b>Enforcement Cost (% of claim)</b>	11.4		
<b>Procedures (number)</b>	<b>30</b>	<b>37</b>	<b>31</b>
<b>Number of procedures (without bonus points)</b>	31		
<b>Specialized commercial courts</b>	-1		
<b>Total number of procedures (including bonus points)</b>	30		

*Note:* In cases where an economy's regional classification is "OECD high income," regional averages above are only displayed once.

## ENFORCING CONTRACTS

No.	Procedure
<b>Filing and service:</b>	
1	Plaintiff requests payment: Plaintiff or his lawyer asks Defendant orally or in writing to comply with the contract.
2	Plaintiff's hiring of lawyer: Plaintiff hires a lawyer to represent him before the court.
*	Plaintiff's filing of summons and complaint: Plaintiff files his summons and complaint with the court, orally or in writing.
*	Plaintiff's payment of court fees: Plaintiff pays court duties, stamp duties, or any other type of court fee.
3	Registration of court case: The court administration registers the lawsuit or court case. This includes assigning a reference number to the lawsuit or court case.
*	Assignment of court case to a judge: The court case is assigned to a specific judge through a random procedure, automated system, ruling of an administrative judge, court officer, etc.
4	Court scrutiny of summons and complaint: A judge examines Plaintiff's summons and complaint for formal requirements.
*	Judge admits summons and complaint: After verifying the formal requirements, the judge decides to admit Plaintiff's summons and complaint.
*	Mailing of summons and complaint: Court or process server, including (private) bailiff, mails summons and complaint to Defendant.
*	Proof of service: Plaintiff submits proof of service to court.
*	Application for pre-judgment attachment: Plaintiff submits an application in writing for the attachment of Defendant's property prior to judgment. (see assumption 5)
*	Decision on pre-judgment attachment: The judge decides whether to grant Plaintiff's request for pre-judgment attachment of Defendant's property and notifies Plaintiff and Defendant of the decision. This step may include requesting that Plaintiff submit guarantees or bonds to secure Defendant
5	Pre-judgment attachment.: Defendant's property is attached prior to judgment. Attachment is either physical or achieved by registering, marking, debiting or separating assets. (see assumption 5)
<b>Trial and judgment:</b>	
6	Defendant's filing of defense or answer to Plaintiff's claim: Defendant files a written pleading which includes his defense or answer on the merits of the case. Defendant's written answer may or may not include witness statements, expert statements, the documents Defendant relies on as evidence and the legal authori
7	Deadline for Plaintiff to answer Defendant's defense or answer: Judge sets the deadline by which Plaintiff will be allowed to answer Defendant's defense or answer.

No.	Procedure
8	Plaintiff's written response to Defendant's defense or answer: Plaintiff responds to Defendant's defense or answer with a written pleading. Plaintiff's answer may or may not include a witness statements or expert (witness) statements.
9	Filing of pleadings: Plaintiff and Defendant file written pleadings and submissions with the court and transmit copies of the written pleadings or submissions to one another. The pleadings may or may not include witness statements or expert (witness) statements.
10	Adjournments: Court procedure is delayed because one or both parties request and obtain an adjournment to submit written pleadings.
*	Court appointment of independent expert: Judge appoints, either at the parties' request or at his own initiative, an independent expert to decide whether the quality of the goods Plaintiff delivered to Defendant is adequate. (see assumption 6-b of this case)
11	Notification of court-appointment of independent expert: The court notifies both parties that the court is appointing an independent expert. (see assumption 6-b of this case)
*	Delivery of expert report by court-appointed expert: The independent expert appointed by the court delivers his or her expert report to the court. (see assumption 6-b of this case)
*	Setting of date(s) for oral hearing or trial: The judge sets the date(s) for the oral hearing or trial.
12	Adjournments: Court proceedings are delayed because one or both parties request and obtain an adjournment to prepare for the oral hearing or trial.
13	Oral hearing (prevalent in civil law): The parties argue the merits of the case at an oral hearing before the judge. Witnesses and a court-appointed independent expert may be heard and questioned at the oral hearing.
14	Adjournments: Court proceedings are delayed because one or both parties request and obtain an adjournment during the oral hearing or trial, resulting in an additional or later trial or hearing date.
*	Final arguments: The parties present their final factual and legal arguments to the court either by oral presentation or by a written submission.
15	Judgment date: The judge sets a date for delivery of the judgment.
16	Notification of judgment in court: The parties are notified of the judgment at a court hearing.
17	Writing of judgment: The judge produces a written copy of the judgment.
18	Registration of judgment: The court office registers the judgment after receiving a written copy of the judgment.
19	Plaintiff's receipt of a copy of written judgment: Plaintiff receives a copy of the written judgment.
20	Notification of Defendant of judgment: Plaintiff or court formally notifies the Defendant of the judgment. The appeal period starts to run the day the Defendant is formally notified of the judgment.
21	Appeal period: By law, Defendant has the opportunity to appeal the judgment during a period specified in the law. Defendant decides not to appeal. Judgment becomes final the day the appeal period ends.
22	Reimbursement by Defendant of Plaintiff's court fees: The judgment obliges Defendant to reimburse Plaintiff for the court fees Plaintiff has advanced, because Defendant has lost the case.

No.	Procedure
	<b>Enforcement of judgment:</b>
*	Plaintiff's hiring of lawyer: Plaintiff hires a lawyer to enforce the judgment or continues to be represented by a lawyer during the enforcement of judgment phase.
23	Plaintiff's approaching of court enforcement officer or (private) bailiff to enforce the judgment: To enforce the judgment, Plaintiff approaches a court enforcement officer such as a court bailiff or sheriff, or a private bailiff.
*	Plaintiff's request for enforcement order: Plaintiff applies to the court to obtain the enforcement order ('seal' on judgment).
24	Attachment of enforcement order to judgment: The judge attaches the enforcement order ('seal') to the judgment.
*	Delivery of enforcement order: The court's enforcement order is delivered to a court enforcement officer or a (private) bailiff.
25	Request to Defendant to comply voluntarily with judgment: Plaintiff, a court enforcement officer or a (private) bailiff requests Defendant to voluntarily comply with the judgment, giving Defendant a last chance to comply voluntarily with the judgment.
26	Identification of Defendant's assets for attachment by court official or Defendant: Judge, a court enforcement officer, a (private) bailiff or the Defendant himself identifies Defendant's movable assets for attachment.
27	Attachment: Defendant's movable goods are attached (physically or by registering, marking or separating assets).
28	Valuation or appraisal of attached movable goods: The court or court appointed valuation expert evaluates the attached goods.
29	Enforcement disputes before court: The enforcement of the judgment is delayed because Defendant opposes aspects of the enforcement process before the judge.
30	Sale through public auction: The Defendant's movable property is sold at public auction.
31	Reimbursement of Plaintiff's enforcement fees: Defendant reimburses Plaintiff's enforcement fees which Plaintiff had advanced previously.

\* Not counted in the total number of procedures.

Source: *Doing Business* database.

## RESOLVING INSOLVENCY

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 the speedy return of businesses 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.

### What do the indicators cover?

*Doing Business* studies the time, cost and outcome of insolvency proceedings involving domestic entities. It does not measure insolvency proceedings of individuals and financial institutions. The data are derived from survey responses by local insolvency practitioners and verified through a study of laws and regulations as well as public information on bankruptcy systems.

The ranking on the ease of resolving insolvency is based on the recovery rate, which is recorded as cents on the dollar recouped by creditors through reorganization, liquidation or debt enforcement (foreclosure) proceedings. The recovery rate is a function of time, cost and other factors, such as lending rate and the likelihood of the company continuing to operate.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the case. It assumes that the company:

- Is a domestically owned, limited liability company operating a hotel.
- Operates in the economy's largest business city.
- Has 201 employees, 1 main secured creditor and 50 unsecured creditors.

### WHAT THE RESOLVING INSOLVENCY INDICATORS MEASURE

#### 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)

Measured as percentage of estate value

Court fees

Fees of insolvency administrators

Lawyers' fees

Assessors' and auctioneers' fees

Other related fees

#### Outcome

Whether business continues operating as a going concern or business assets are sold piecemeal

#### Recovery rate for creditors (cents on the dollar)

Measures the cents on the dollar recovered by creditors

Present value of debt recovered

Official 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

- Has a higher value as a going concern—and the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation.

## RESOLVING INSOLVENCY

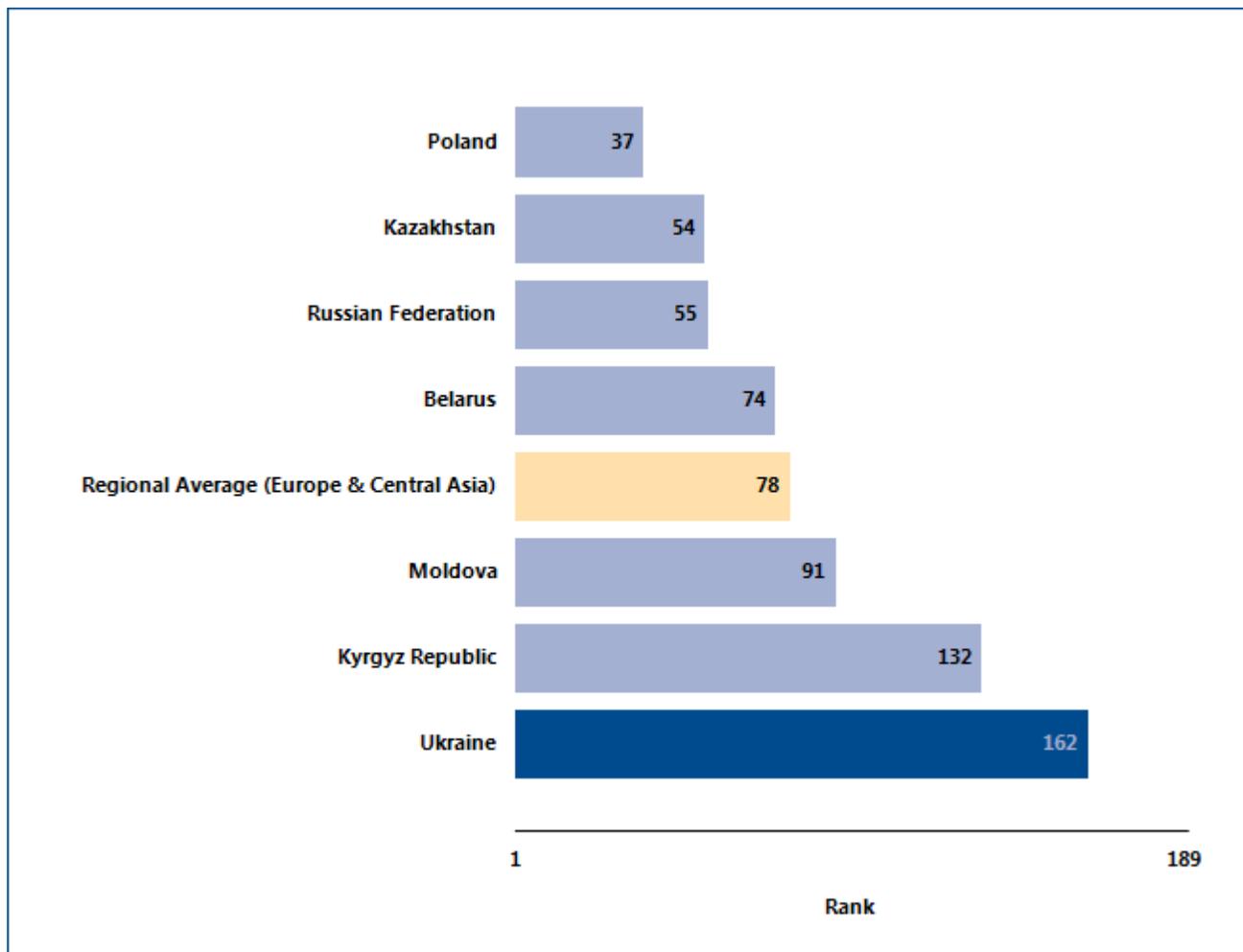
### Where does the economy stand today?

Speed, low costs and continuation of viable businesses characterize the top-performing economies. How efficient are insolvency proceedings in Ukraine? According to data collected by *Doing Business*, resolving insolvency takes 2.9 years on average and costs 42% of the debtor’s estate, with the most likely outcome being that the company will be sold as

piecemeal sale. The average recovery rate is 8.2 cents on the dollar.

Globally, Ukraine stands at 162 in the ranking of 189 economies on the ease of resolving insolvency (figure 11.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of insolvency proceedings in Ukraine.

Figure 11.1 How Ukraine and comparator economies rank on the ease of resolving insolvency



Source: *Doing Business* database.

## RESOLVING INSOLVENCY

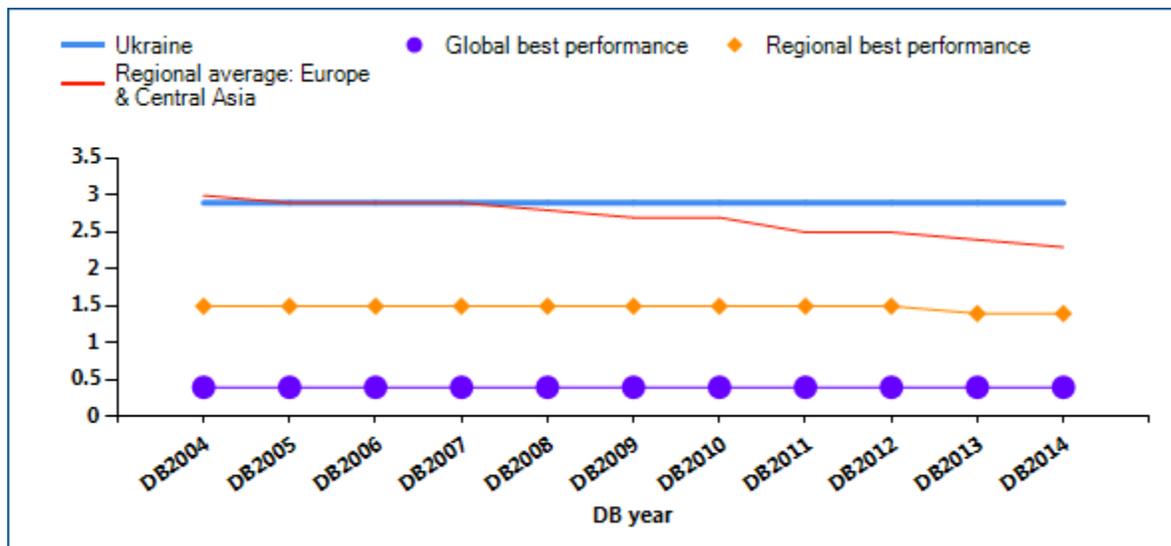
### What are the changes over time?

The benchmarks provided by the economies that over time have had the best performance regionally or globally on the time or cost of insolvency proceedings or on the recovery rate (figure 11.2) help show what is

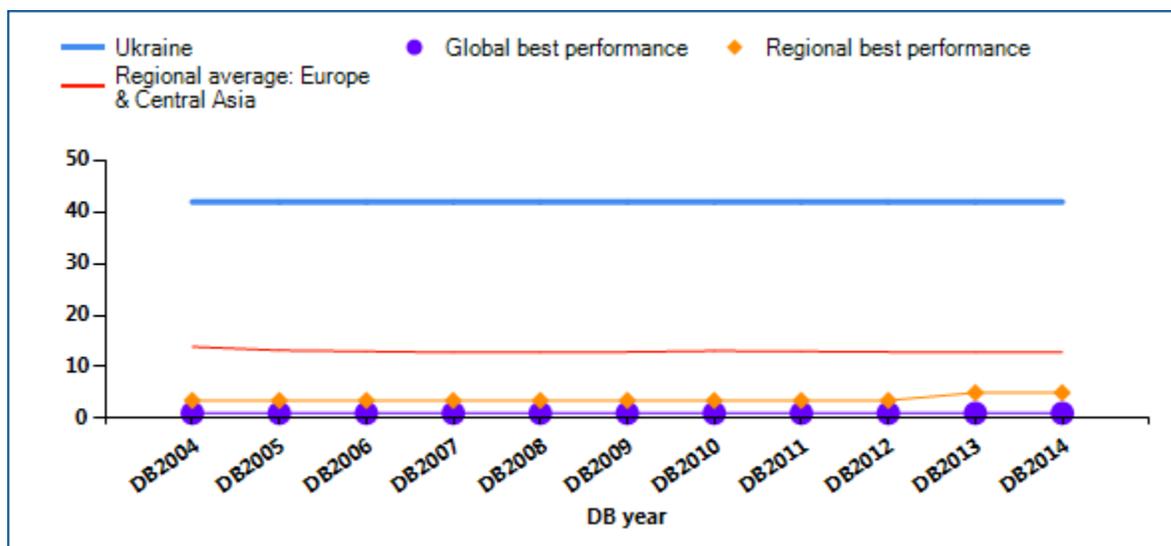
possible in improving the efficiency of insolvency proceedings. And changes in regional averages can show where Ukraine is keeping up—and where it is falling behind.

Figure 11.2 Has resolving insolvency become easier over time?

#### Time (years)

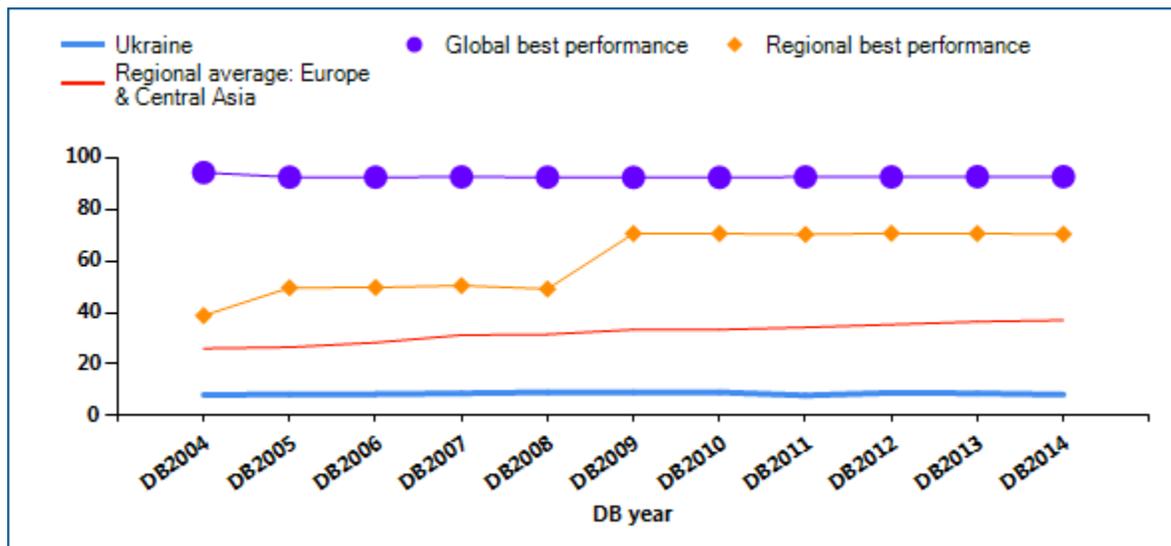


#### Cost (% of estate)



## RESOLVING INSOLVENCY

### Recovery rate (cents on the dollar)



Note: DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year. "No practice" indicates that in each of the previous 5 years the economy had no cases involving a judicial reorganization, judicial liquidation or debt enforcement procedure (foreclosure). This means that creditors are unlikely to recover their money through a formal legal process (in or out of court). The recovery rate for "no practice" economies is 0. Regional averages on time and cost exclude economies with a "no practice" mark.

Source: Doing Business database.

## RESOLVING INSOLVENCY

A well-balanced bankruptcy system distinguishes companies that are financially distressed but economically viable from inefficient companies that should be liquidated. But in some insolvency systems even viable businesses are liquidated. This is starting to

change. Many recent reforms of bankruptcy laws have been aimed at helping more of the viable businesses survive. What insolvency reforms has *Doing Business* recorded in Ukraine (table 11.1)?

Table 11.1 How has Ukraine made resolving insolvency easier—or not?

By *Doing Business* report year

DB year	Reform
<b>DB2009</b>	No reform as measured by Doing Business.
<b>DB2010</b>	No reform as measured by Doing Business.
<b>DB2011</b>	No reform as measured by Doing Business.
<b>DB2012</b>	Ukraine amended its legislation on enforcement, introducing more guarantees for secured creditors.
<b>DB2013</b>	No reform as measured by Doing Business.
<b>DB2014</b>	Ukraine made resolving insolvency easier by strengthening the rights of secured creditors, introducing new rehabilitation procedures and mechanisms, making it easier to invalidate suspect transactions and shortening the statutory periods for several steps of the insolvency process.

*Note:* For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

*Source:* *Doing Business* database.

## EMPLOYING WORKERS

*Doing Business* measures flexibility in the regulation of employment, specifically as it affects the hiring and redundancy of workers and the rigidity of working hours. Over the period from 2007 to 2011 improvements were made to align the methodology for the employing workers indicators with the letter and spirit of the International Labour Organization (ILO) conventions. Only 4 of the 188 ILO conventions cover areas measured by *Doing Business*: employee termination, weekend work, holiday with pay and night work. The *Doing Business* methodology is fully consistent with these 4 conventions. The ILO conventions covering areas related to the Employing Workers indicators do not include the ILO core labor standards—8 conventions covering the right to collective bargaining, the elimination of forced labor, the abolition of child labor and equitable treatment in employment practices.

Between 2009 and 2011 the World Bank Group worked with a consultative group—including labor lawyers, employer and employee representatives, and experts from the ILO, OECD, civil society and the private sector—to review the employing workers methodology and explore future areas of research.<sup>i</sup> A full report with the conclusions of the consultative group is available at <http://www.doingbusiness.org/methodology/employing-workers>.

This year *Doing Business* continued research collecting additional data on regulations covering the probationary period for new employees.

*Doing Business 2014* presents the data on the employing workers indicators in an annex. The report does not present rankings of economies on the employing workers indicators nor include the topic in the aggregate ranking on the ease of doing business. Detailed data collected on labor regulations and the

employing workers methodology proposed by the consultative group are available on the *Doing Business* website (<http://www.doingbusiness.org>). The data on employing workers are based on a detailed survey of employment regulations that is completed by local lawyers and public officials. Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy.

To make the data comparable across economies, several assumptions about the worker and the business are used.

The worker:

- Earns a salary plus benefits equal to the economy's average wage during the entire period of his employment.
- Has a pay period that is the most common for workers in the economy.
- Is a lawful citizen who belongs to the same race and religion as the majority of the economy's population.
- Resides in the economy's largest business city.
- Is not a member of a labor union, unless membership is mandatory.

The business:

- Is a limited liability company.
- Operates in the economy's largest business city.
- Is 100% domestically owned.
- Operates in the manufacturing sector.
- Has 60 employees.
- Is 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.
- Abides by every law and regulation but does not grant workers more benefits than mandated by law, regulation or (if applicable) collective bargaining agreement.

## EMPLOYING WORKERS

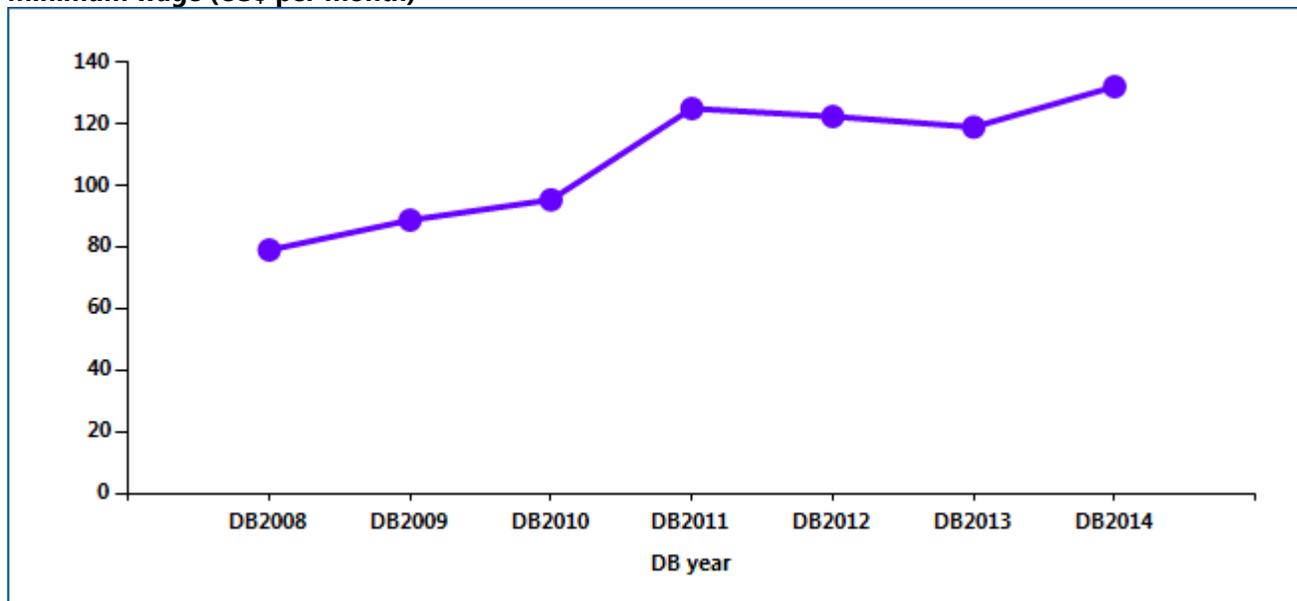
### What do some of the data show?

One of the employing workers indicators is the difficulty of hiring index. This measure assesses, among other things, the minimum wage for a 19-year-old

worker in his or her first job. *Doing Business* data show the trend in the minimum wage applied by Ukraine (figure 12.1).

Figure 12.1 Has the minimum wage for a 19-year-old worker or an apprentice increased over time?

#### Minimum wage (US\$ per month)



Note: A horizontal line along the x-axis of the figure indicates that the economy has no minimum wage.

Source: *Doing Business* database.

## EMPLOYING WORKERS

Employment laws are needed to protect workers from arbitrary or unfair treatment and to ensure efficient contracting between employers and workers. Many economies that changed their labor regulations in the

past 5 years did so in ways that increased labor market flexibility. What changes did Ukraine adopt that affected the *Doing Business* indicators on employing workers (table 12.1)?

Table 12.1 What changes did Ukraine make in employing workers in 2013?

DB year	Reform
<b>DB2009</b>	No reform as measured by Doing Business.
<b>DB2010</b>	No reform as measured by Doing Business.
<b>DB2011</b>	No reform as measured by Doing Business.
<b>DB2012</b>	No reform as measured by Doing Business.
<b>DB2013</b>	No reform as measured by Doing Business.
<b>DB2014</b>	No reform as measured by Doing Business.

Source: *Doing Business* database.

## EMPLOYING WORKERS

### What are the details?

The data on employing workers reported here for Ukraine are based on a detailed survey of employment regulations that is completed by local lawyers and

public officials. Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy.

### Rigidity of employment index

The rigidity of employment index measures 3 areas of labor regulation: difficulty of hiring, rigidity of hours and difficulty of redundancy.

#### Difficulty of hiring index

The difficulty of hiring index measures whether fixed-term contracts are prohibited for permanent tasks; the maximum cumulative duration of fixed-term contracts; and the ratio of the minimum wage for a trainee or first-time employee to the average value added per

worker. (The average value added per worker is the ratio of an economy's gross national income per capita to the working-age population as a percentage of the total population.)

Difficulty of hiring index	Data
Fixed-term contracts prohibited for permanent tasks?	Yes
Maximum length of a single fixed-term contract (months)	No limit. (Except for seasonal works where the duration of a single fixed-term contract may not exceed the duration of a season--6 months at the most.)
Maximum length of fixed-term contracts, including renewals (months)	No limit
Minimum wage for a 19-year old worker or an apprentice (US\$/month)	132.2
Ratio of minimum wage to value added per worker	0.32

Source: *Doing Business* database.

## EMPLOYING WORKERS

### Rigidity of hours index

The rigidity of hours index has 5 components: whether there are restrictions on night work; whether there are restrictions on weekly holiday work; whether the workweek can consist of 5.5 days or is more than 6 days; whether the workweek can extend to 50 hours or more (including overtime) for 2 months a year to

respond to a seasonal increase in production; and whether the average paid annual leave for a worker with 1 year of tenure, a worker with 5 years and a worker with 10 years is more than 26 working days or fewer than 15 working days.

Rigidity of hours index	Data
Standard workday in manufacturing (hours)	8 hours
50-hour workweek allowed for 2 months a year in case of a seasonal increase in production?	No
Maximum working days per week	5.5
Premium for night work (% of hourly pay) in case of continuous operations	20%
Premium for work on weekly rest day (% of hourly pay) in case of continuous operations	100%
Major restrictions on night work in case of continuous operations?	No
Major restrictions on weekly holiday in case of continuous operations?	No
Paid annual leave for a worker with 1 year of tenure (in working days)	18.0
Paid annual leave for a worker with 5 years of tenure (in working days)	18.0
Paid annual leave for a worker with 10 years of tenure (in working days)	18.0
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	18.0

Source: *Doing Business* database.

## EMPLOYING WORKERS

### Difficulty of redundancy index

The difficulty of redundancy index has 8 components: whether redundancy is disallowed as a basis for terminating workers; whether the employer needs to notify a third party (such as a government agency) to terminate 1 redundant worker; whether the employer needs to notify a third party to terminate a group of 9 redundant workers; whether the employer needs approval from a third party to terminate 1 redundant

worker; whether the employer needs approval from a third party to terminate a group of 9 redundant workers; whether the law requires the employer to reassign or retrain a worker before making the worker redundant; whether priority rules apply for redundancies; and whether priority rules apply for reemployment.

Difficulty of redundancy index	Data
Dismissal due to redundancy allowed by law?	Yes
Third-party notification if 1 worker is dismissed?	Yes
Third-party approval if 1 worker is dismissed?	No
Third-party notification if 9 workers are dismissed?	Yes
Third-party approval if 9 workers are dismissed?	No
Retraining or reassignment obligation before redundancy?	Yes
Priority rules for redundancies?	Yes
Priority rules for reemployment?	Yes

Source: *Doing Business* database.

## EMPLOYING WORKERS

### Redundancy cost

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. The average value of

notice requirements and severance payments applicable to a worker with 1 year of tenure, a worker with 5 years and a worker with 10 years is used to assign the score.

Redundancy cost indicator	Data
Notice period for redundancy dismissal (for a worker with 1 year of tenure, in salary weeks)	8.7
Notice period for redundancy dismissal (for a worker with 5 years of tenure, in salary weeks)	8.7
Notice period for redundancy dismissal (for a worker with 10 years of tenure, in salary weeks)	8.7
Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure, in salary weeks)	8.7
Severance pay for redundancy dismissal (for a worker with 1 year of tenure, in salary weeks)	4.3
Severance pay for redundancy dismissal (for a worker with 5 years of tenure, in salary weeks)	4.3
Severance pay for redundancy dismissal (for a worker with 10 years of tenure, in salary weeks)	4.3
Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure, in salary weeks)	4.3

Source: *Doing Business* database.

## DATA NOTES

The indicators presented and analyzed in *Doing Business* measure business regulation and the protection of property rights—and their effect on businesses, especially small and medium-size domestic firms. First, the indicators document the complexity of regulation, such as the number of procedures to start a business or to register and transfer commercial property. Second, they gauge the time and cost to achieve a regulatory goal or comply with regulation, such as the time and cost to enforce a contract, go through bankruptcy or trade across borders. Third, they measure the extent of legal protections of property, for example, the protections of investors against looting by company directors or the range of assets that can be used as collateral according to secured transactions laws. Fourth, a set of indicators documents the tax burden on businesses. Finally, a set of data covers different aspects of employment regulation. The 11 sets of indicators measured in *Doing Business* were added over time, and the sample of economies expanded.

The data for all sets of indicators in *Doing Business 2014* are for June 2013.<sup>2</sup>

### Methodology

The *Doing Business* data are collected in a standardized way. To start, the *Doing Business* team, with academic advisers, designs a questionnaire. The questionnaire uses a simple business case to ensure comparability across economies and over time—with assumptions about the legal form of the business, its size, its location and the nature of its operations. Questionnaires are administered to more than 10,200 local experts, including lawyers, business consultants, accountants, freight forwarders, government officials and other professionals routinely administering or advising on legal and regulatory requirements (table 21.2). These experts have several rounds of interaction with the *Doing Business* team, involving conference calls, written correspondence and visits by the team. For *Doing Business 2014* team members visited 33 economies to verify data and recruit respondents. The data from questionnaires are subjected to numerous

rounds of verification, leading to revisions or expansions of the information collected.

### ECONOMY CHARACTERISTICS

#### Gross national income per capita

*Doing Business 2014* reports 2012 income per capita as published in the World Bank's *World Development Indicators 2013*. Income is calculated using the Atlas method (current U.S. dollars). For cost indicators expressed as a percentage of income per capita, 2012 gross national income (GNI) in U.S. dollars is used as the denominator. GNI data were not available from the World Bank for Afghanistan, The Bahamas, Bahrain, Barbados, Brunei Darussalam, Djibouti, the Islamic Republic of Iran, Kuwait, Libya, Myanmar, New Zealand, Oman, San Marino, the Syrian Arab Republic, West Bank and Gaza, and the Republic of Yemen. In these cases GDP or GNP per capita data and growth rates from other sources, such as the International Monetary Fund's World Economic Outlook database and the Economist Intelligence Unit, were used.

#### Region and income group

*Doing Business* uses the World Bank regional and income group classifications, available at <http://data.worldbank.org/about/country-classifications>. The World Bank does not assign regional classifications to high-income economies. For the purpose of the *Doing Business* report, high-income OECD economies are assigned the "regional" classification *OECD high income*. Figures and tables presenting regional averages include economies from all income groups (low, lower middle, upper middle and high income).

#### Population

*Doing Business 2014* reports midyear 2012 population statistics as published in *World Development Indicators 2013*.

The *Doing Business* methodology offers several advantages. It is transparent, using factual information about what laws and regulations say and allowing multiple interactions with local respondents to clarify

<sup>2</sup> The data for paying taxes refer to January – December 2012.

potential misinterpretations of questions. Having representative samples of respondents is not an issue; *Doing Business* is not a statistical survey, and the texts of the relevant laws and regulations are collected and answers checked for accuracy. The methodology is inexpensive and easily replicable, so data can be collected in a large sample of economies. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. Finally, the data not only highlight the extent of specific regulatory obstacles to business but also identify their source and point to what might be reformed. Information on the methodology for each *Doing Business* topic can be found on the *Doing Business* website at <http://www.doingbusiness.org/methodology>.

## Limits to what is measured

The *Doing Business* methodology has 5 limitations that should be considered when interpreting the data. First, the collected data refer to businesses in the economy's largest business city (which in some economies differs from the capital) and may not be representative of regulation in other parts of the economy. To address this limitation, subnational *Doing Business* indicators were created (box 21.1). Second, the data often focus on a specific business form—generally a limited liability company (or its legal equivalent) of a specified size—and may not be representative of the regulation on other businesses, for example, sole proprietorships. Third, transactions described in a standardized case scenario refer to a specific set of issues and may not represent the full set of issues a business encounters. Fourth, the measures of time involve an element of judgment by the expert respondents. When sources indicate different estimates, the time indicators reported in *Doing Business* represent the median values of several responses given under the assumptions of the standardized case.

Finally, the methodology assumes that a business has full information on what is required and does not waste time when completing procedures. In practice, completing a procedure may take longer if the business lacks information or is unable to follow up promptly. Alternatively, the business may choose to disregard some burdensome procedures. For both reasons the time delays reported in *Doing Business 2014* would differ from the recollection of

entrepreneurs reported in the World Bank Enterprise Surveys or other perception surveys.

This year *Doing Business* completed subnational studies in Colombia, Italy and the city of Hargeisa (Somaliland) and is currently updating indicators in Egypt, Mexico and Nigeria. *Doing Business* also published regional studies for the g7+ and the East African Community. The g7+ group is a country-owned and country-led global mechanism established in April 2010 to monitor, report and draw attention to the unique challenges faced by fragile states. The member countries included in the report are Afghanistan, Burundi, the Central African Republic, Chad, the Comoros, the Democratic Republic of Congo, Côte d'Ivoire, Guinea, Guinea-Bissau, Haiti, Liberia, Papua New Guinea, Sierra Leone, the Solomon Islands, South Sudan, Timor-Leste and Togo.

The subnational studies point to differences in business regulation and its implementation—as well as in the pace of regulatory reform—across cities in the same economy. For several economies subnational studies are now periodically updated to measure change over time or to expand geographic coverage to additional cities. This year that is the case for all the subnational studies published.

## Changes in what is measured

The methodology for 2 indicator sets—trading across borders and paying taxes—was updated this year. For trading across borders, documents that are required purely for purposes of preferential treatment are no longer included in the list of documents (for example, a certificate of origin if the use is only to qualify for a preferential tariff rate under trade agreements). For paying taxes, the value of fuel taxes is no longer included in the total tax rate because of the difficulty of computing these taxes in a consistent way across all economies covered. The fuel tax amounts are in most cases very small, and measuring these amounts is often complicated because they depend on fuel consumption. Fuel taxes continue to be counted in the number of payments.

In a change involving several indicator sets, the rule establishing that each procedure must take at least 1 day was removed for procedures that can be fully completed online in just a few hours. This change affects the time indicator for starting a business,

dealing with construction permits and registering property.<sup>3</sup> For procedures that can be fully completed online, the duration is now set at half a day rather than a full day.

The threshold for the total tax rate introduced in 2011 for the purpose of calculating the ranking on the ease of paying taxes was updated. All economies with a total tax rate below the threshold (which is calculated and adjusted on a yearly basis) receive the same ranking on the total tax rate indicator. The threshold is not based on any economic theory of an “optimal tax rate” that minimizes distortions or maximizes efficiency in the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the lower end of the distribution of tax rates levied on medium-size enterprises in the manufacturing sector as observed through the paying taxes indicators. This reduces the bias in the indicators toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). This year the threshold is 25,5%.

## Data challenges and revisions

Most laws and regulations underlying the *Doing Business* data are available on the *Doing Business* website at <http://www.doingbusiness.org>. All the sample questionnaires and the details underlying the indicators are also published on the website. Questions on the methodology and challenges to data can be submitted through the website’s “Ask a Question” function at <http://www.doingbusiness.org>.

## Ease of doing business and distance to frontier

*Doing Business 2014* presents results for 2 aggregate measures: the aggregate ranking on the ease of doing business and the distance to frontier measure. The ease of doing business ranking compares economies

with one another, while the distance to frontier measure benchmarks economies to the frontier in regulatory practice, measuring the absolute distance to the best performance on each indicator. Both measures can be used for comparisons over time. When compared across years, the distance to frontier measure shows how much the regulatory environment for local entrepreneurs in each economy has changed over time in absolute terms, while the ease of doing business ranking can show only relative change.

### Ease of doing business

The ease of doing business index ranks economies from 1 to 189. For each economy the ranking is calculated as the simple average of the percentile rankings on each of the 10 topics included in the index in *Doing Business 2014*: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency. The employing workers indicators are not included in this year’s aggregate ease of doing business ranking.

### Construction of the ease of doing business index

Here is one example of how the ease of doing business index is constructed. In Denmark it takes 4 procedures, 5.5 days and 0.2% of annual income per capita in fees to open a business. The minimum capital requirement is 24% of annual income per capita. On these 4 indicators Denmark ranks in the 12th, 11th, 1st and 79th percentiles. So on average Denmark ranks in the 25th percentile on the ease of starting a business. It ranks in the 21st percentile on getting credit, 19th percentile on paying taxes, 27th percentile on enforcing contracts, 5th percentile on resolving insolvency and so on. Higher rankings indicate simpler regulation and stronger protection of property rights. The simple average of Denmark’s percentile rankings on all topics is 17th. When all economies are ordered by their average percentile rankings, Denmark stands at 5 in the aggregate ranking on the ease of doing business.

More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly identical to the simple average

<sup>3</sup> For getting electricity the rule that each procedure must take a minimum of 1 day still applies because in practice there are no cases in which procedures can be fully completed online in less than a day. For example, even though in some cases it is possible to apply for an electricity connection online, additional requirements mean that the process cannot be completed in less than 1 day.

used by *Doing Business*.<sup>4</sup> Thus, *Doing Business* uses the simplest method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components.

If an economy has no laws or regulations covering a specific area—for example, insolvency—it receives a “no practice” mark. Similarly, an economy receives a “no practice” or “not possible” mark if regulation exists but is never used in practice or if a competing regulation prohibits such practice. Either way, a “no practice” mark puts the economy at the bottom of the ranking on the relevant indicator.

The ease of doing business index is limited in scope. It does not account for an economy’s proximity to large markets, the quality of its infrastructure services (other than services related to trading across borders and getting electricity), the strength of its financial system, the security of property from theft and looting, macroeconomic conditions or the strength of underlying institutions.

#### Variability of economies’ rankings across topics

Each indicator set measures a different aspect of the business regulatory environment. The rankings of an economy can vary, sometimes significantly, across indicator sets. The average correlation coefficient between the 10 indicator sets included in the aggregate ranking is 0.38, and the coefficients between any 2 sets of indicators range from 0.18 (between getting electricity and getting credit) to 0.58 (between trading across borders and resolving insolvency and between trading across borders and getting electricity). These correlations suggest that economies rarely score universally well or universally badly on the indicators.

Consider the example of Canada. It stands at 19 in the aggregate ranking on the ease of doing business. Its ranking is 2 on starting a business, 4 on protecting investors, and 8 on paying taxes. But its ranking is only

<sup>4</sup> See Simeon Djankov, Darshini Manraj, Caralee McLiesh and Rita Ramalho, “*Doing Business* Indicators: Why Aggregate, and How to Do It” (World Bank, Washington, DC, 2005). Principal components and unobserved components methods yield a ranking nearly identical to that from the simple average method because both these methods assign roughly equal weights to the topics, since the pairwise correlations among indicators do not differ much. An alternative to the simple average method is to give different weights to the topics, depending on which are considered of more or less importance in the context of a specific economy.

58 on enforcing contracts, 116 on dealing with construction permits and 145 on getting electricity.

Variation in performance across the indicator sets is not at all unusual. It reflects differences in the degree of priority that government authorities give to particular areas of business regulation reform and the ability of different government agencies to deliver tangible results in their area of responsibility.

#### Distance to frontier measure

A drawback of the ease of doing business ranking is that it can measure the regulatory performance of economies only relative to the performance of others. It does not provide information on how the absolute quality of the regulatory environment is improving over time. Nor does it provide information on how large the gaps are between economies at a single point in time.

The distance to frontier measure is designed to address both shortcomings, complementing the ease of doing business ranking. This measure illustrates the distance of an economy to the “frontier,” and the change in the measure over time shows the extent to which the economy has closed this gap. The frontier is a score derived from the most efficient practice or highest score achieved on each of the component indicators in 10 *Doing Business* indicator sets (excluding the employing workers indicators) by any economy. In starting a business, for example, Canada and New Zealand have achieved the highest performance on the number of procedures required (1) and on the time (0.5 days), Denmark and Slovenia on the cost (0% of income per capita) and Chile, Zambia and 99 other economies on the paid-in minimum capital requirement (0% of income per capita) (table 22.2).

Calculating the distance to frontier for each economy involves 2 main steps. First, individual indicator scores are normalized to a common unit: except for the total tax rate, each of the 31 component indicators  $y$  is rescaled to  $(\max - y)/(\max - \min)$ , with the minimum value ( $\min$ ) representing the frontier—the highest performance on that indicator across all economies since 2003 or the first year the indicator was collected.<sup>5</sup> For the total tax rate, consistent with the calculation of

<sup>5</sup> Even though scores for the distance to frontier are calculated from 2005, data from as early as 2003 are used to define the frontier

the rankings, the frontier is defined as the total tax rate at the 15th percentile of the overall distribution of total tax rates for all years. Second, for each economy the scores obtained for individual indicators are aggregated through simple averaging into one distance to frontier score, first for each topic and then across all topics. An economy's distance to frontier is indicated on a scale from 0 to 100, where 0 represents the lowest performance and 100 the frontier.

The maximum (max) and minimum (min) observed values are computed for all economies included in the *Doing Business* sample since 2003 and for all years (from 2003 to 2013). To mitigate the effects of extreme outliers in the distributions of the rescaled data (very few economies need 694 days to complete the procedures to start a business, but many need 9 days), the maximum (max) is defined as the 95<sup>th</sup> percentile of the pooled data for all economies and all years for each indicator. The exceptions are the getting credit, protecting investors and resolving insolvency indicators, whose construction precludes outliers. In addition, the cost to export and cost to import for each year are divided by the GDP deflator, so as to take the general price level into account when benchmarking these absolute-cost indicators across economies with different inflation trends. The base year for the deflator is 2013 for all economies.

The difference between an economy's distance to frontier score in any previous year and its score in 2013 illustrates the extent to which the economy has closed the gap to the frontier over time. And in any given year the score measures how far an economy is from the highest performance at that time.

Take Colombia, which has a score of 70.5 on the distance to frontier measure for 2014. This score indicates that the economy is 29.5 percentage points away from the frontier constructed from the best performances across all economies and all years. Colombia was further from the frontier in 2009, with a score of 66.2. The difference between the scores shows an improvement over time.

The distance to frontier measure can also be used for comparisons across economies in the same year, complementing the ease of doing business ranking. For example, Colombia stands at 63 this year in the ease of doing business ranking, while Peru, which is 29.3 percentage points from the frontier, stands at 42.

### Economies that improved the most across 3 or more Doing Business topics in 2012/13

*Doing Business 2014* uses a simple method to calculate which economies improved the most in the ease of doing business. First, it selects the economies that in 2012/13 implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year's ease of doing business ranking.<sup>6</sup> Twenty-nine economies meet this criterion: Azerbaijan, Belarus, Burundi, Côte d'Ivoire, Croatia, Djibouti, Gabon, Guatemala, Guinea, Italy, Kosovo, Latvia, the former Yugoslav Republic of Macedonia, Malaysia, Mauritius, Mexico, Moldova, Mongolia, Morocco, Panama, the Philippines, the Republic of Congo, Romania, the Russian Federation, Rwanda, Sri Lanka, Ukraine, Uzbekistan and the United Arab Emirates. Second, *Doing Business* sorts these economies on the increase in their distance to frontier measure from the previous year using comparable data.

Selecting the economies that implemented regulatory reforms in at least 3 topics and improved the most in the distance to frontier measure is intended to highlight economies with ongoing, broadbased reform programs. The criterion for identifying the top improvers was changed from last year. The improvement in ease of doing business ranking is no longer used. The improvement in the distance to frontier measure is used instead because under this measure economies are sorted according to their absolute improvement instead of relative improvement.

<sup>6</sup> *Doing Business* reforms making it more difficult to do business are subtracted from the total number of those making it easier to do business.



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### **Contributors**

More than 10,200 specialists in 189 economies who participate in *Doing Business*  
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### ***Doing Business* iPhone App**

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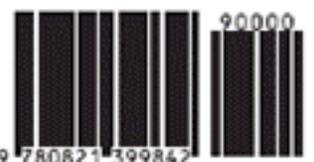


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