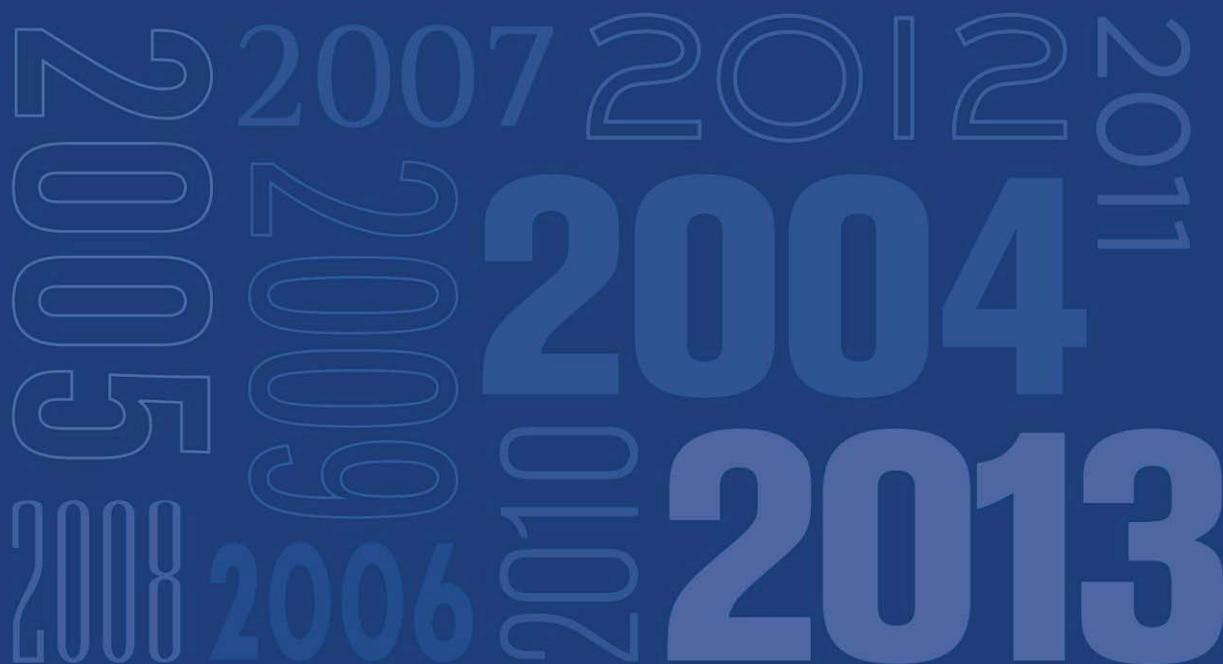




**Economy Profile:**  
**Uzbekistan**

# **DOING BUSINESS 2013**

**Smarter Regulations for  
Small and Medium-Size Enterprises**



COMPARING BUSINESS REGULATIONS FOR DOMESTIC FIRMS IN 185 ECONOMIES

10TH EDITION

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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 185 economies, from Afghanistan to Zimbabwe, over time. The data set covers 46 economies in Sub-Saharan Africa, 33 in Latin America and the Caribbean, 24 in East Asia and the Pacific, 24 in Eastern Europe and Central Asia, 19 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 Uzbekistan. 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, 2012 (except for

the paying taxes indicators, which cover the period January–December 2011).

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 2013* presents the indicators, analyzes their relationship with economic outcomes and presents business regulatory reforms. The data, along with information on ordering *Doing Business 2013*, 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 185 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 2013*: 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:** Eastern Europe & Central Asia

**Income category:** Lower middle income

**Population:** 29,341,200

**GNI per capita (US\$):** 1,510

**DB2013 rank:** 154

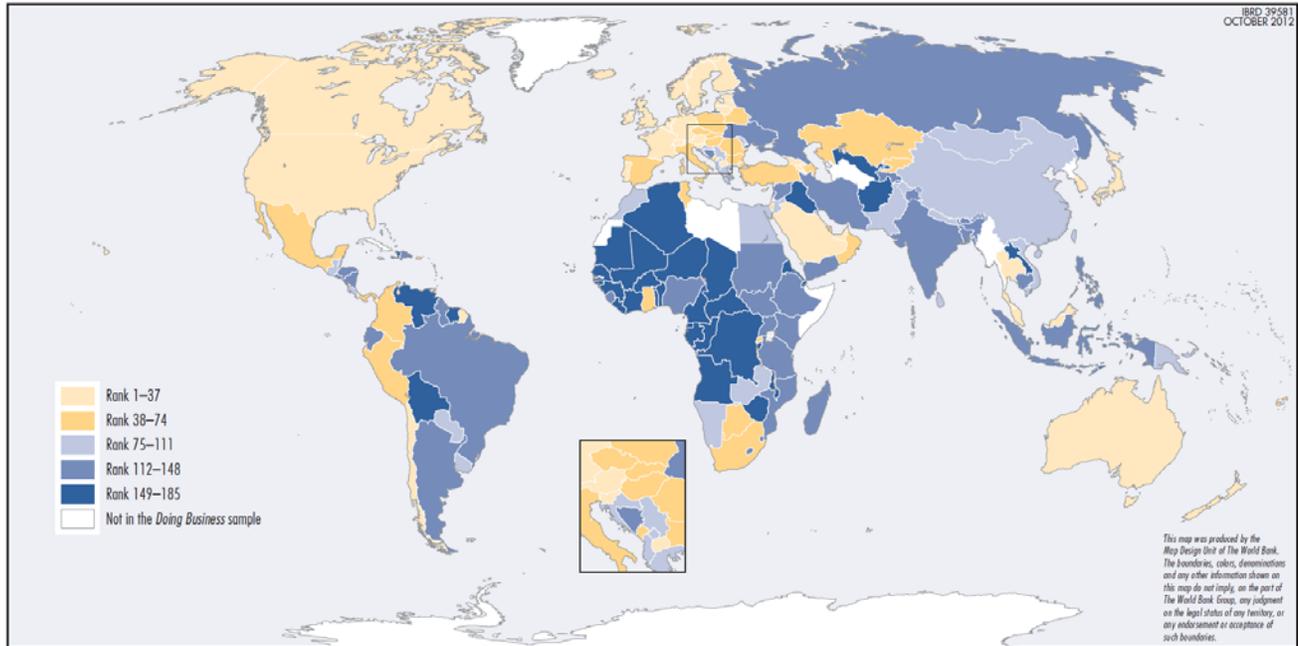
**DB2012 rank:** 168\*

**Change in rank:** 14

\* DB2012 ranking shown is not last year's published ranking but a comparable ranking for DB2012 that captures the effects of such factors as data corrections and the addition of 2 economies (Barbados and Malta) 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



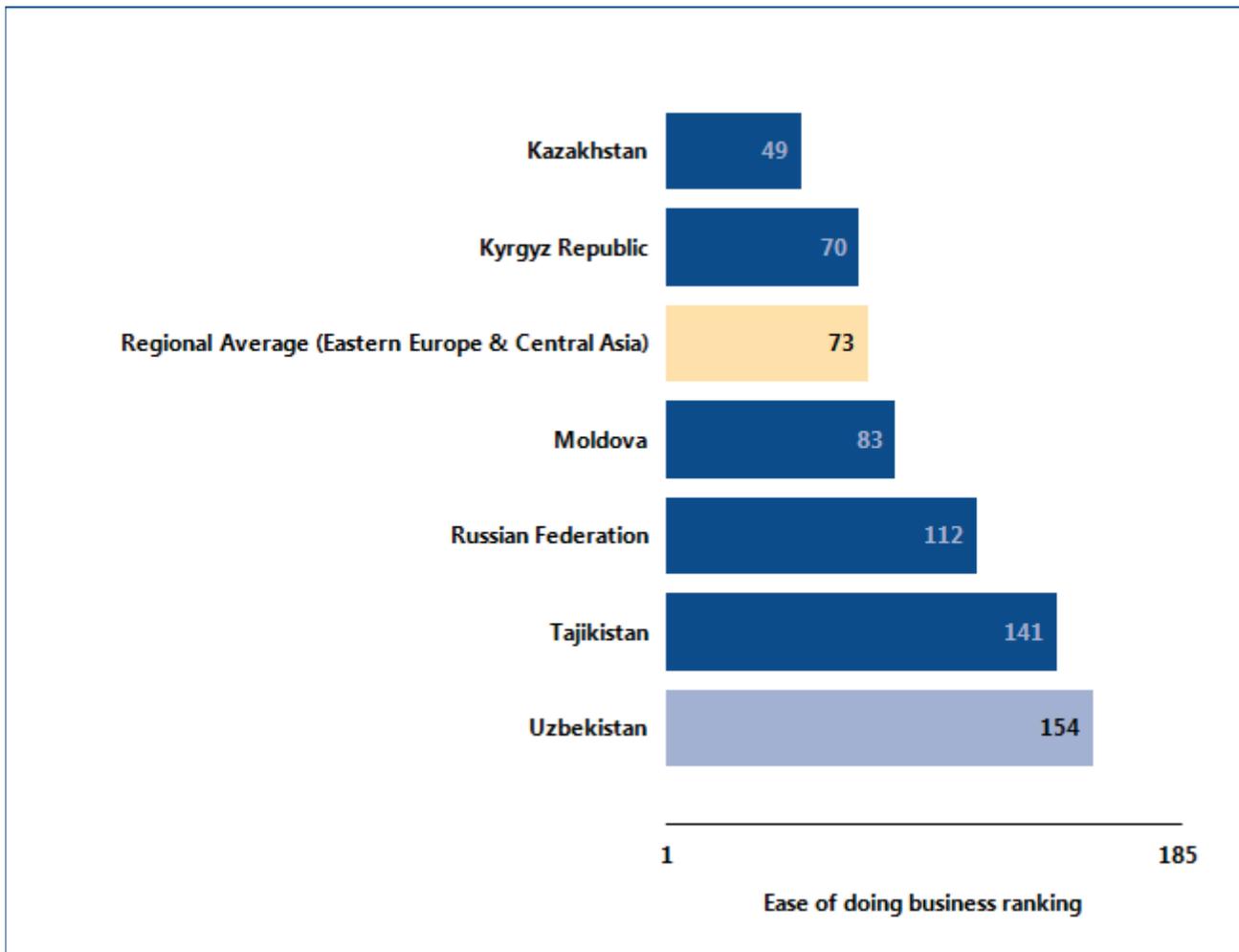
Source: Doing Business database.

## 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).

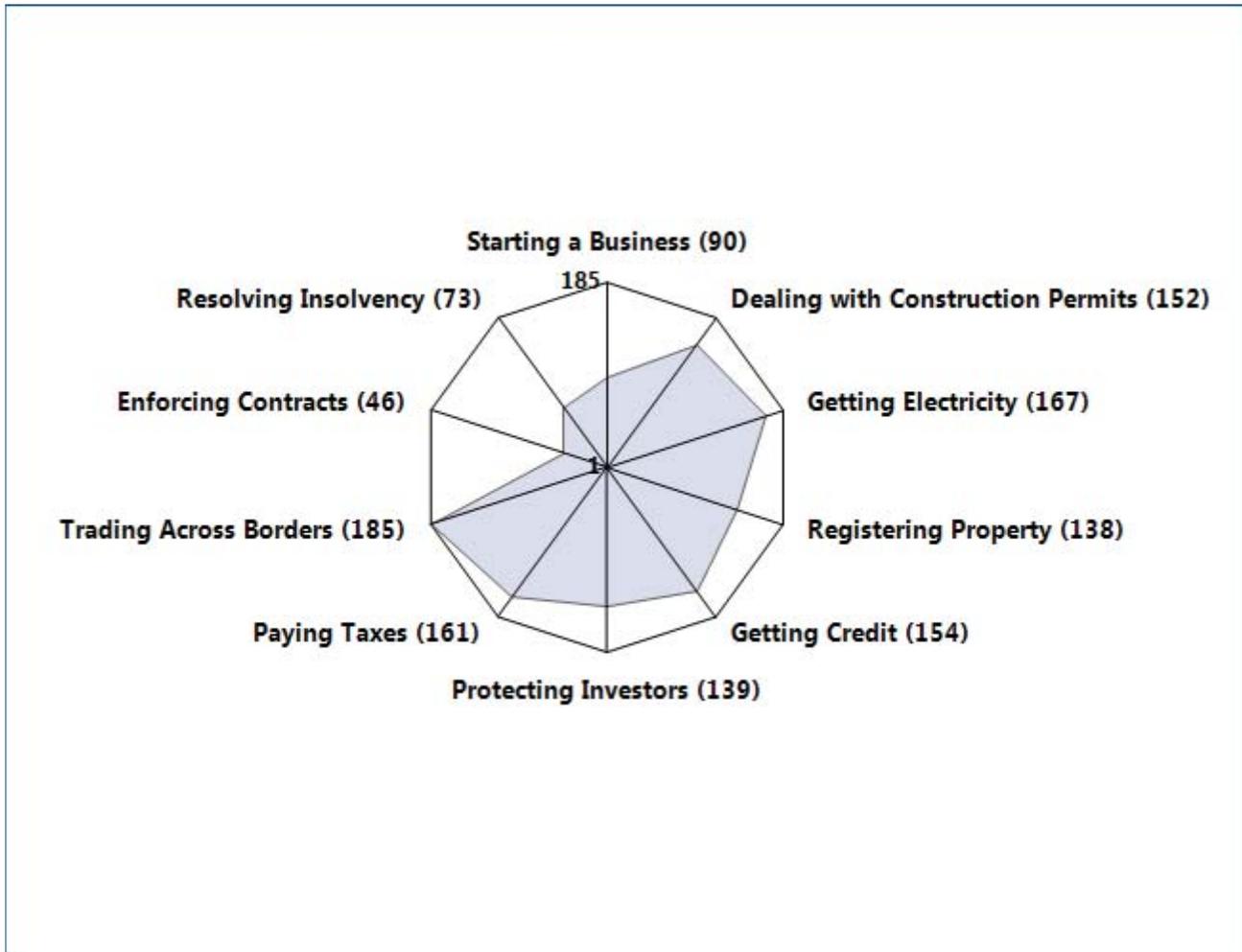
Figure 1.2 How Uzbekistan and comparator economies rank on the ease of doing business



Source: Doing Business database.

## THE BUSINESS ENVIRONMENT

Figure 1.3 How Uzbekistan ranks on *Doing Business* topics



Source: *Doing Business* database.

## THE BUSINESS ENVIRONMENT

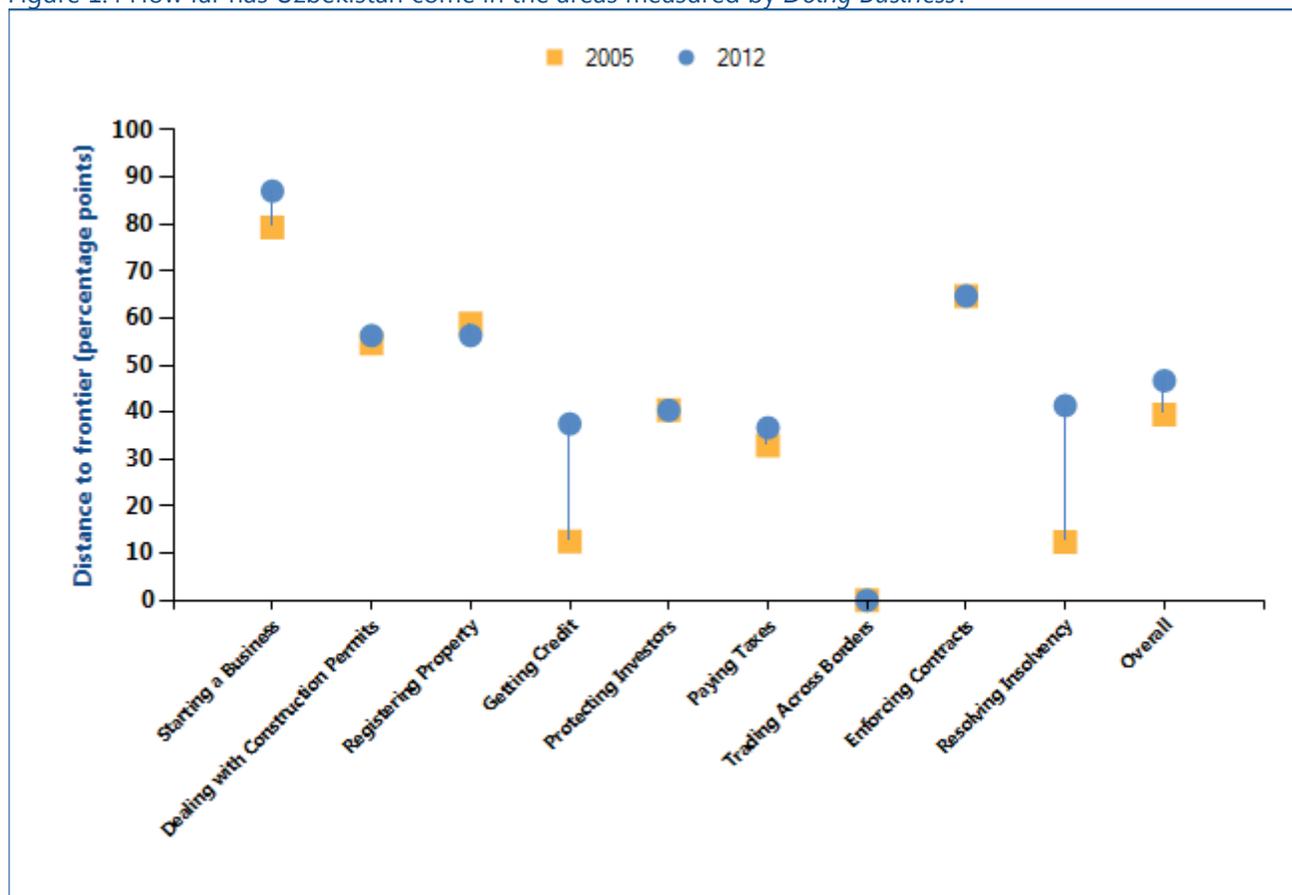
Just as the overall ranking on the ease of doing business tells only part of the story, so do changes in that ranking. Yearly movements in rankings can provide some indication of changes in an economy's regulatory environment for firms, but they are always relative. An economy's ranking might change because of developments in other economies. An economy that implemented business regulation reforms may fail to rise in the rankings (or may even drop) if it is passed by others whose business regulation reforms had a more significant impact as measured by *Doing Business*.

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, last

year *Doing Business* introduced the distance to frontier measure. This measure shows how far each economy is from the best performance achieved by any economy since 2005 on each indicator in 9 *Doing Business* indicator sets.

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). The results may show that the pace of change varies widely across the areas measured. They also may show that an economy is relatively close to the frontier in some areas and relatively far from it in others.

Figure 1.4 How far has Uzbekistan 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. 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 9 indicator sets shown in the figure. 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 Uzbekistan

Indicator	Uzbekistan DB2013	Uzbekistan DB2012	Kazakhstan DB2013	Kyrgyz Republic DB2013	Moldova DB2013	Russian Federation DB2013	Tajikistan DB2013	Best performer globally DB2013
<b>Starting a Business (rank)</b>	90	90	25	15	92	101	77	New Zealand (1)
<b>Procedures (number)</b>	6	6	6	2	7	8	5	New Zealand (1)*
<b>Time (days)</b>	12	14	19	10	9	18	24	New Zealand (1)
<b>Cost (% of income per capita)</b>	3.8	5.3	0.6	2.8	5.7	2.0	27.1	Slovenia (0.0)
<b>Paid-in Min. Capital (% of income per capita)</b>	27.4	27.2	0.0	0.0	8.7	1.4	0.0	91 Economies (0.0)*
<b>Dealing with Construction Permits (rank)</b>	152	145	155	67	168	178	180	Hong Kong SAR, China (1)
<b>Procedures (number)</b>	25	25	32	12	26	42	24	Hong Kong SAR, China (6)*
<b>Time (days)</b>	243	243	189	142	291	344	228	Singapore (26)
<b>Cost (% of income per capita)</b>	60.7	57.0	103.5	140.6	69.3	129.2	638.5	Qatar (1.1)

Indicator	Uzbekistan DB2013	Uzbekistan DB2012	Kazakhstan DB2013	Kyrgyz Republic DB2013	Moldova DB2013	Russian Federation DB2013	Tajikistan DB2013	Best performer globally DB2013
Getting Electricity (rank)	167	172	80	177	161	184	181	Iceland (1)
Procedures (number)	9	9	6	7	7	10	9	Germany (3)*
Time (days)	108	117	88	159	140	281	185	Germany (17)
Cost (% of income per capita)	1,420.3	1,783.3	71.1	2,428.6	578.0	1,573.7	1,140.6	Japan (0.0)
Registering Property (rank)	138	138	28	11	16	46	82	Georgia (1)
Procedures (number)	15	15	4	4	5	5	6	Georgia (1)*
Time (days)	78	78	40	5	5	44	37	Portugal (1)
Cost (% of property value)	1.0	1.0	0.1	1.8	0.9	0.2	4.3	Belarus (0.0)*
Getting Credit (rank)	154	158	83	12	40	104	180	United Kingdom (1)*
Strength of legal rights index (0-10)	2	2	4	10	8	3	2	Malaysia (10)*
Depth of credit information index (0-6)	4	3	5	4	4	5	0	United Kingdom (6)*
Public registry coverage (% of adults)	0.0	5.0	0.0	0.0	0.0	0.0	0.0	Portugal (90.7)
Private bureau coverage (% of adults)	15.7	3.6	39.3	24.6	3.9	45.4	0.0	United Kingdom (100.0)*
Protecting Investors (rank)	139	136	10	13	82	117	25	New Zealand (1)
Extent of disclosure index (0-10)	4	4	9	8	7	6	8	Hong Kong SAR, China (10)*

Indicator	Uzbekistan DB2013	Uzbekistan DB2012	Kazakhstan DB2013	Kyrgyz Republic DB2013	Moldova DB2013	Russian Federation DB2013	Tajikistan DB2013	Best performer globally DB2013
Extent of director liability index (0-10)	1	1	6	7	3	2	6	Singapore (9)*
Ease of shareholder suits index (0-10)	7	7	9	8	6	6	6	New Zealand (10)*
Strength of investor protection index (0-10)	4.0	4.0	8.0	7.7	5.3	4.7	6.7	New Zealand (9.7)
Paying Taxes (rank)	161	159	17	168	109	64	175	United Arab Emirates (1)
Payments (number per year)	41	41	7	51	48	7	69	Hong Kong SAR, China (3)*
Time (hours per year)	205	205	188	210	220	177	224	United Arab Emirates (12)
Trading Across Borders (rank)	185	185	182	174	142	162	184	Singapore (1)
Documents to export (number)	13	13	9	8	7	8	11	France (2)
Time to export (days)	80	77	81	63	32	21	71	Singapore (5)*
Cost to export (US\$ per container)	4,585	4,285	4,685	4,160	1,545	2,820	8,450	Malaysia (435)
Documents to import (number)	14	15	12	10	7	11	11	France (2)
Time to import (days)	99	92	69	75	35	36	72	Singapore (4)
Cost to import (US\$ per container)	4,750	4,650	4,665	4,700	1,870	2,920	9,800	Malaysia (420)
Enforcing Contracts (rank)	46	45	28	47	26	11	43	Luxembourg (1)

Indicator	Uzbekistan DB2013	Uzbekistan DB2012	Kazakhstan DB2013	Kyrgyz Republic DB2013	Moldova DB2013	Russian Federation DB2013	Tajikistan DB2013	Best performer globally DB2013
Time (days)	195	195	370	260	327	270	430	Singapore (150)
Cost (% of claim)	22.2	22.2	22.0	29.0	28.6	13.4	25.5	Bhutan (0.1)
Procedures (number)	42	42	37	38	31	36	35	Ireland (21)*
Resolving Insolvency (rank)	73	124	55	155	91	53	79	Japan (1)
Time (years)	2.0	4.0	1.5	4.0	2.8	2.0	1.7	Ireland (0.4)
Cost (% of estate)	10	10	15	15	9	9	9	Singapore (1)*
Outcome (0 as piecemeal sale and 1 as going concern)	0		0	0	0	0	0	
Recovery rate (cents on the dollar)	38.5	23.7	43.1	9.1	32.0	43.4	36.0	Japan (92.8)

Note: DB2012 rankings shown are not last year's published rankings but comparable rankings for DB2012 that capture the effects of such factors as data corrections and the addition of 2 economies (Barbados and Malta) to the sample this year. The ranking methodology for the paying taxes indicators changed in *Doing Business 2013*; see the data notes for details. For more information on "no practice" marks, see the data notes. Data for the outcome of the resolving insolvency indicator are not available for DB2012.

\* 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.
- 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
- 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.
- Is 100% domestically owned.

## STARTING A BUSINESS

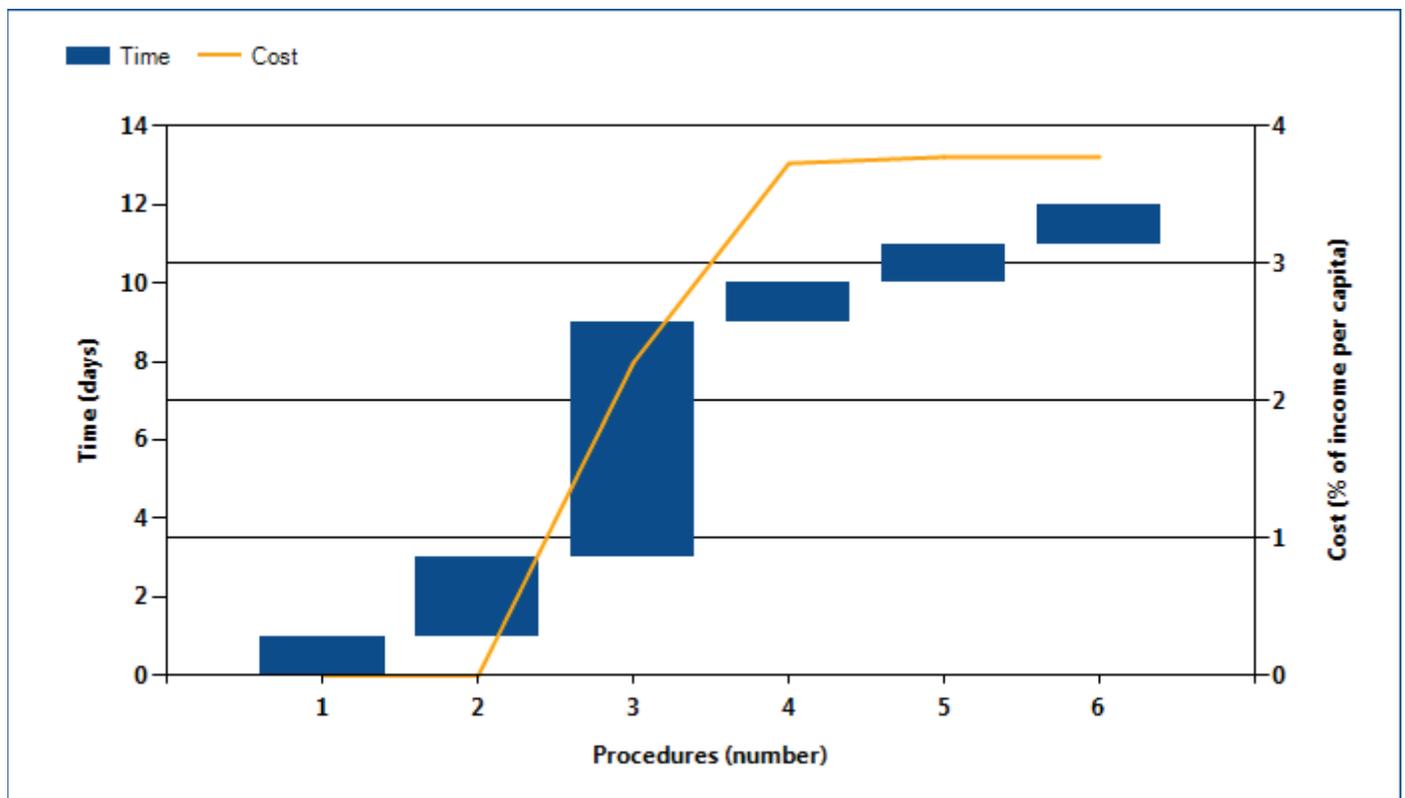
### Where does the economy stand today?

What does it take to start a business in Uzbekistan? According to data collected by *Doing Business*, starting a business there requires 6 procedures, takes 12 days,

costs 3.8% of income per capita and requires paid-in minimum capital of 27.4% of income per capita (figure 2.1).

Figure 2.1 What it takes to start a business in Uzbekistan

Paid-in minimum capital (% of income per capita): 27.4



Note: Time shown in the figure above may not reflect simultaneity of procedures. 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.

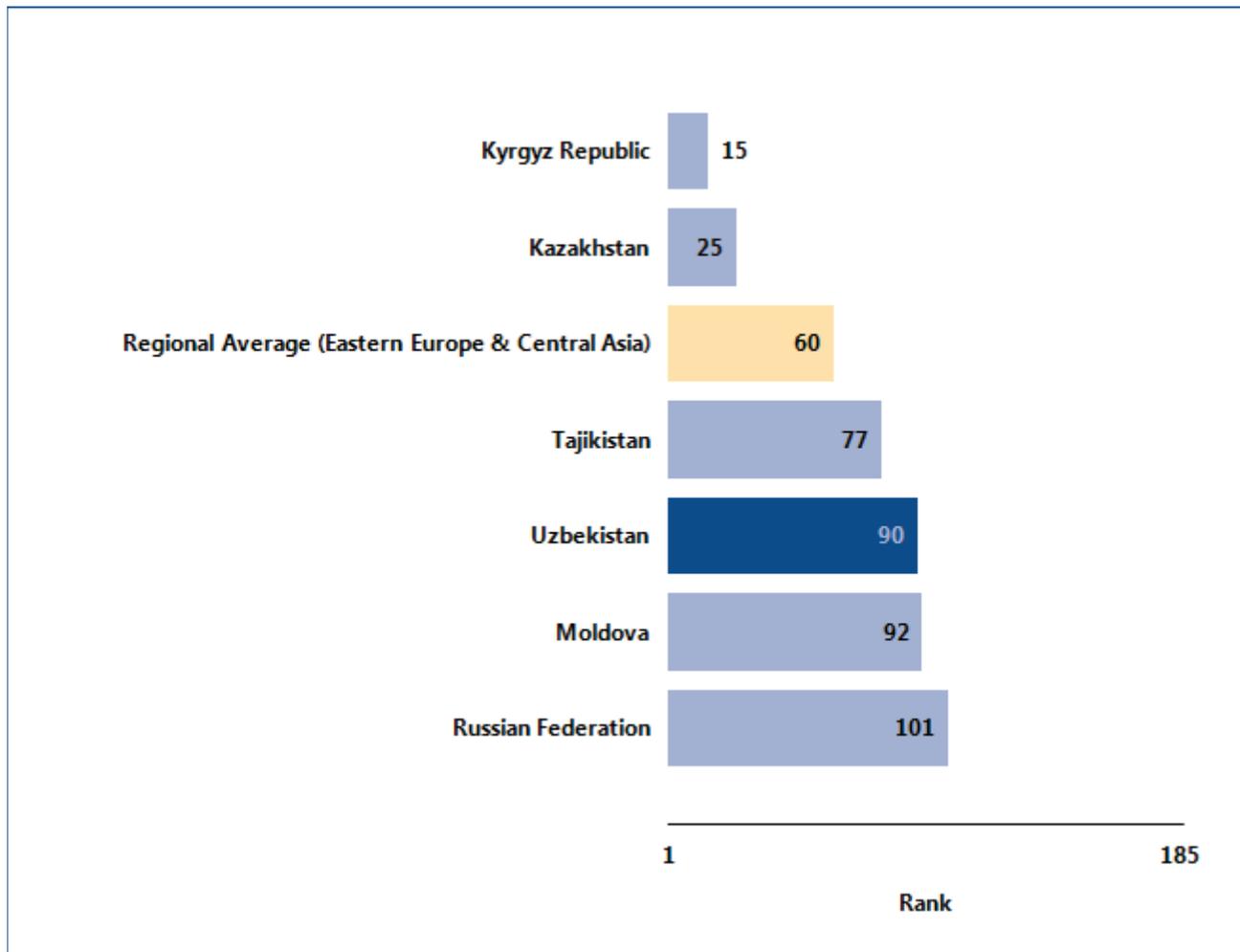
Source: *Doing Business* database.

## STARTING A BUSINESS

Globally, Uzbekistan stands at 90 in the ranking of 185 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 Uzbekistan to start a business.

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



Source: Doing Business database.

## STARTING A BUSINESS

### What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to start a business in Uzbekistan today, data over time show which aspects of the process have changed—and which have not (table 2.1). That can help identify where the potential for improvement is greatest.

Table 2.1 The ease of starting a business in Uzbekistan over time  
By *Doing Business* report year

Indicator	DB2004	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012	DB2013
Rank	..	..	..	..	..	..	..	..	90	90
Procedures (number)	8	8	8	8	7	7	7	7	6	6
Time (days)	29	29	29	29	15	15	15	15	14	12
Cost (% of income per capita)	14.4	12.8	11.5	11.7	11.9	8.1	10.1	10.8	5.3	3.8
Paid-in Min. Capital (% of income per capita)	23.0	21.9	20.2	24.7	25.3	17.7	13.8	32.5	27.2	27.4

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings shown are not last year's published rankings but comparable rankings for DB2012 that capture the effects of such factors as data corrections and the addition of 2 economies (Barbados and Malta) to the sample this year.

Source: *Doing Business* database.

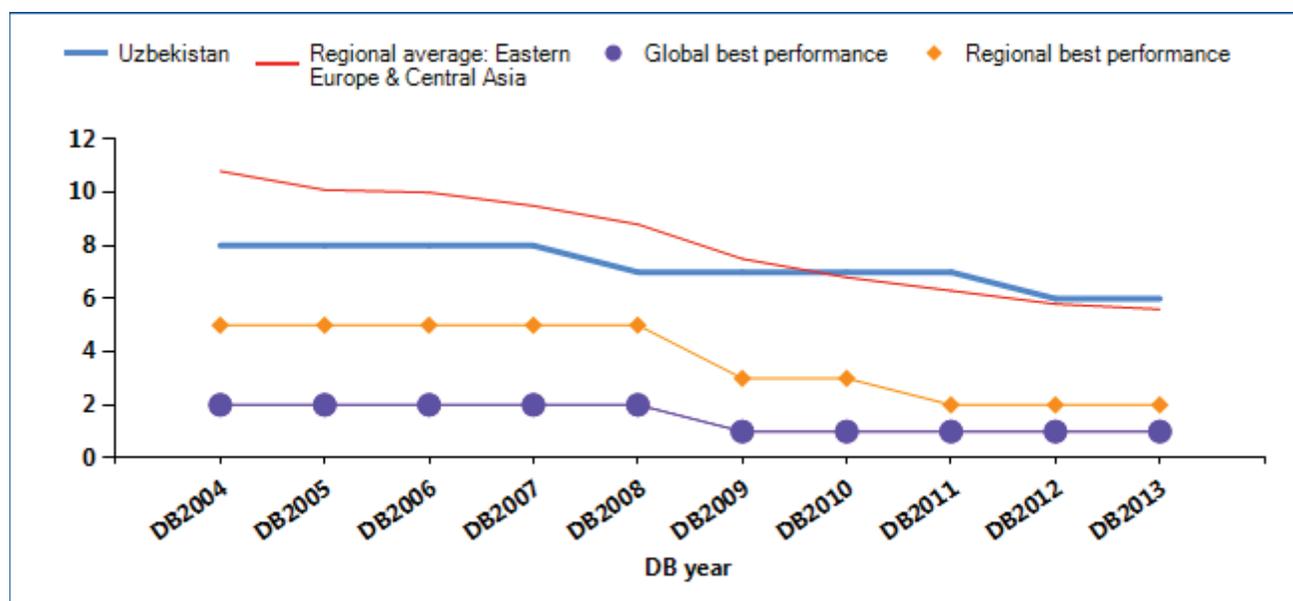
## STARTING A BUSINESS

Equally helpful may be 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). These benchmarks help show

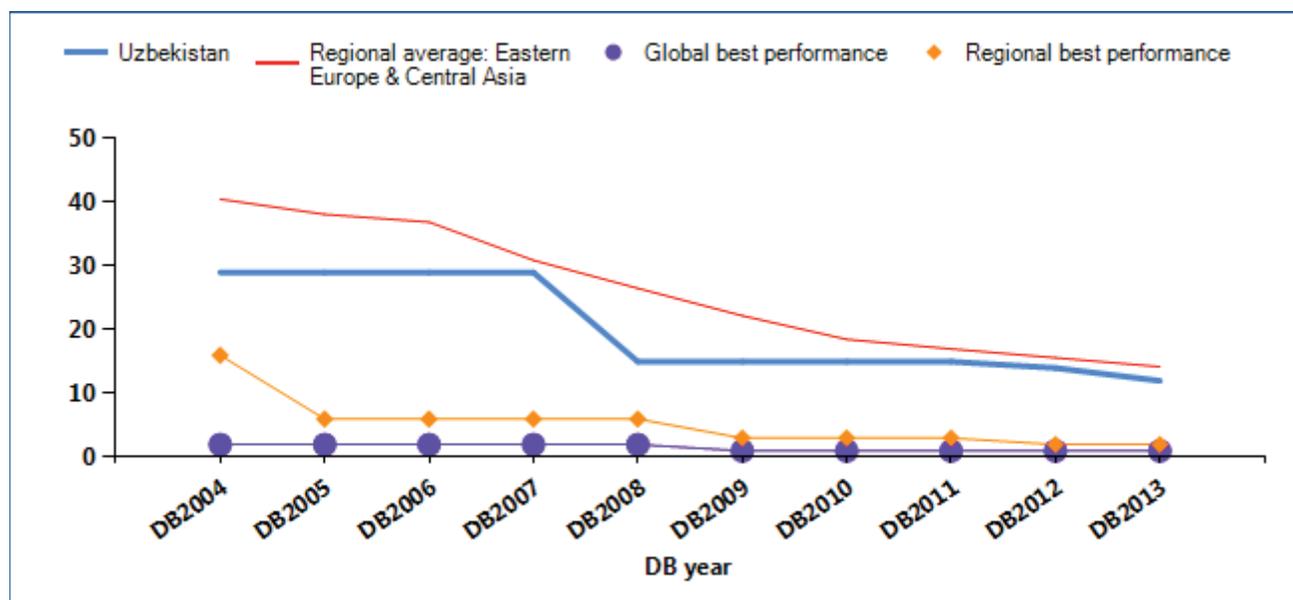
what is possible in making it easier to start a business. And changes in regional averages can show where Uzbekistan is keeping up—and where it is falling behind.

Figure 2.3 Has starting a business become easier over time?

### Procedures (number)

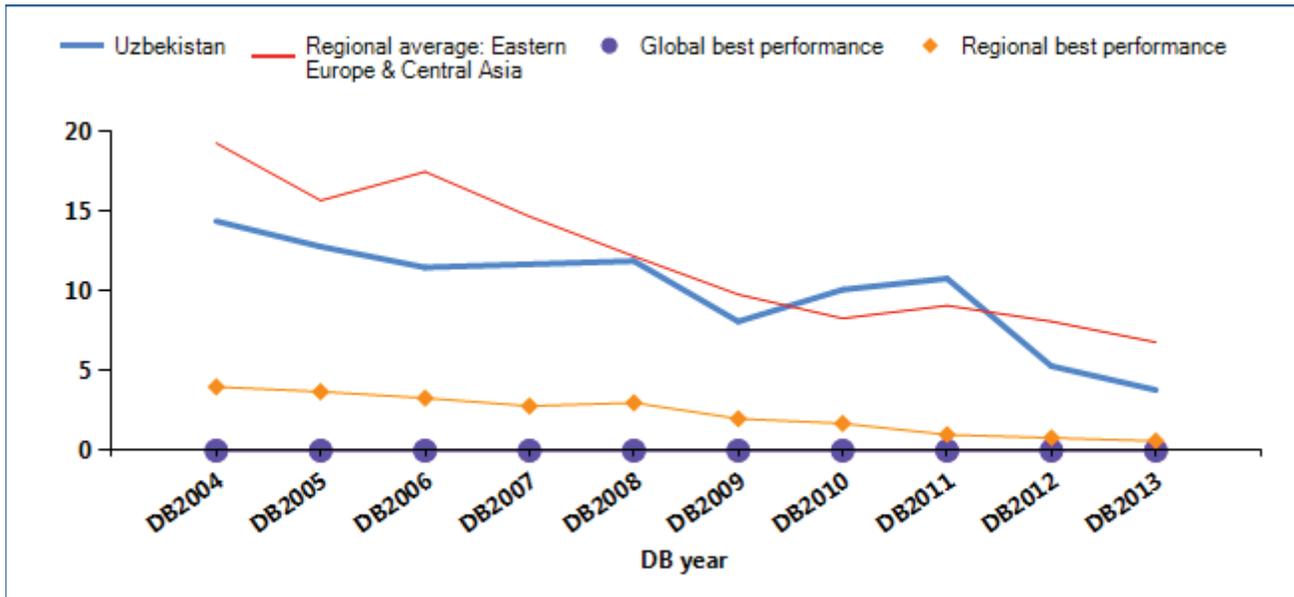


### Time (days)

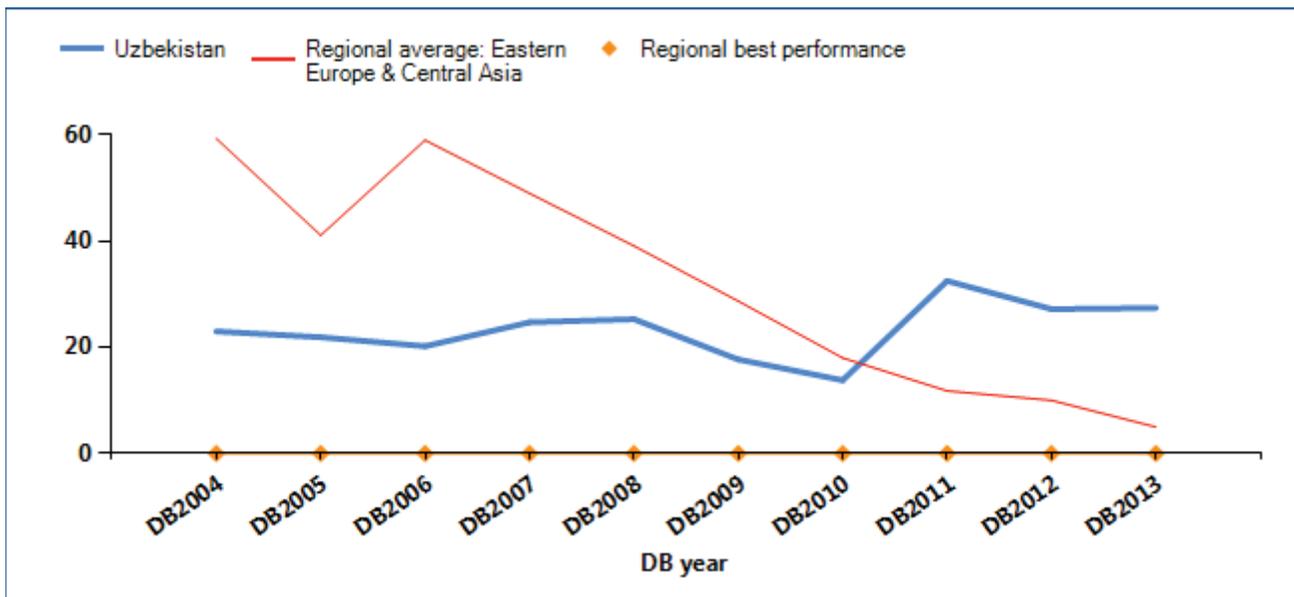


## STARTING A BUSINESS

### Cost (% of income per capita)



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



Note: Ninety-one economies globally have no paid-in minimum capital requirement.

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 Uzbekistan (table 2.2)?

Table 2.2 How has Uzbekistan made starting a business easier—or not?  
By *Doing Business* report year

DB year	Reform
<b>DB2008</b>	Substantive review at the registry was eliminated, internal proceedings were simplified and clear rules for refusal of registration were established. Social insurance registration can now be done in a one-stop shop within 1 working day.
<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>	Uzbekistan made starting a business easier by reducing the minimum capital requirement, eliminating 1 procedure and reducing the cost of registration.
<b>DB2013</b>	Uzbekistan made starting a business easier by introducing an online facility for name reservation and eliminating the fee to open a bank account for small businesses.

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 Uzbekistan 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:** Tashkent

**Legal Form:** Limited Liability Company

**Paid in Minimum Capital Requirement:** UZS 755,040

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

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

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Register the name of the company</b></p> <p>There was online system for company's name registration implemented starting from 1 June 2011 pursuant to the Decree of the President of the Republic of Uzbekistan "On measures on further improvement of order of organisation and state registration of subjects of entrepreneurship" # PP 1529 dated 12 May 2011. Therefore, reservation of company names is now made online.</p>	1 day	no charge
2	<p><b>Open a temporary bank account with a local bank and transfer 30% of each founder's contribution to the account; pay the registration fee</b></p> <p>To open a temporary bank account, the company must submit an application with a local bank and the company's founding documents, if required. The applicant must be duly authorized by the company founders.</p> <p>Before filing documents with the local authority (khokimiyat, or the Inspectorate for Registration of Entrepreneurial Entities) for state registration, all founders must transfer 30% of their respective contributions in cash to the company's temporary bank account. The registration fee must be fully paid to the local registering authority's bank account, and a receipt must be obtained.</p>	2 days	no charge
3	<p><b>Register with the local authority (khokimiyat) and obtain the certificate of state registration</b></p> <p>The following documents must be submitted to the relevant local</p>	6 days	UZS 62,920 (1 time the minimum wages for registration fee)

No.	Procedure	Time to complete	Cost to complete
	<p>authority (khokimiyat):</p> <ul style="list-style-type: none"> <li>• standard application form;</li> <li>• two counterparts of the constitutive documents: the shareholders agreement and the charter (for LLC). Please note that the requirement to notarize the constitutive documents for the procedure of state registration has been eliminated in Uzbekistan for companies owned by domestic founders. Also note that domestic companies may be registered basing on the standard form of constitutive documents.</li> <li>• a bank document confirming payment of the state registration fee;</li> <li>• three samples of the corporate seal and stamp, approved at the first meeting of the company;</li> <li>• the unique login and password, confirming reservation of the company's name in the centralised database.</li> </ul> <p>After verification of the documents the registering body shall issue to the registered company: the certificate of state registration and the permit for execution of the company's seal and stamp.</p> <p>For the company's state registration, the local registering authority must verify the documents submitted. If the documents are satisfactory, the authority must : (i) the assignment to the LLC of a statistical code (according to the National Nomenclature of Enterprises and Organisations) and a taxpayer identification number; (ii) the execution of a permit for making a company seal; (iii) the input of data on the state registration of the LLC in the State Register of Legal Entities; and (iv) the issuance of certificate on the state registration of the LLC. After the LLC is registered, the local registering authority shall also provide the data on the registered LLC to the state statistics authorities, state tax authorities and internal affairs agencies at place of location of the LLC.</p> <p>In case the local registering authority finds the documents submitted for registration unsatisfactory, it shall make a decision on refusal to register the LLC and submit such decision to the applicant within 3 working hours of the time the documents were submitted for registration.</p> <p>Upon issuing the company's official registration certificate, the registering agency must grant an original charter and foundation agreement with a registration note on the title page, along with all registration documents and permits filed with the one-stop system.</p> <p>Although, the time period from the date of submission of the required documents to registration of the company with issuance of the company's official registration certificates must not exceed 2 working days pursuant to legislative requirement, this may take longer time in practice (3-4 working days).</p>		
4	<p><b>Make a company seal</b></p> <p>The company's seal must be made by a specialized seal-making company. The cost can vary between USZ 30,000 and UZS 50,000.</p>	1 day	UZS 30,000 to 50,000

No.	Procedure	Time to complete	Cost to complete
5	<p><b>Notarize samples of signatures of the company's general director and chief accountant</b></p> <p>Before opening a permanent bank account, the company must obtain three signature specimen cards from the bank (One card for the Director, One card for the chief accountant and One card for the records of the notary). The company's general director and chief accountant must sign the three separate cards before a notary, and use the seal of the company.</p> <p>According to Regulation 533, the cost is 2% of the minimum wage amount per transaction. However, in practice, notaires may charge different amounts and have some discretion.</p>	1 day	UZS 1258 (2% of minimum monthly wage per transaction)
6	<p><b>Open a permanent bank account with a local bank</b></p> <p>To open any permanent bank account, the company must file the following with a local bank: (a) an application, specifying the company's address and the types of accounts to be opened; (b) a copy of the certificate of registration; and (c) the notarized signature specimen and the company's seal print.</p> <p>According to the Presidential Decree dated 24/08/2011 NoUP-4354 from the 1 September of 2011 the payment for opening bank accounts was canceled.</p>	1 day	no charge

\* Takes place simultaneously with another procedure.

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 to obtain all the necessary approvals to build a simple commercial 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.

### 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

Completing all required notifications and receiving all necessary inspections

Obtaining utility connections for water, sewerage and a fixed 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

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

- 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).

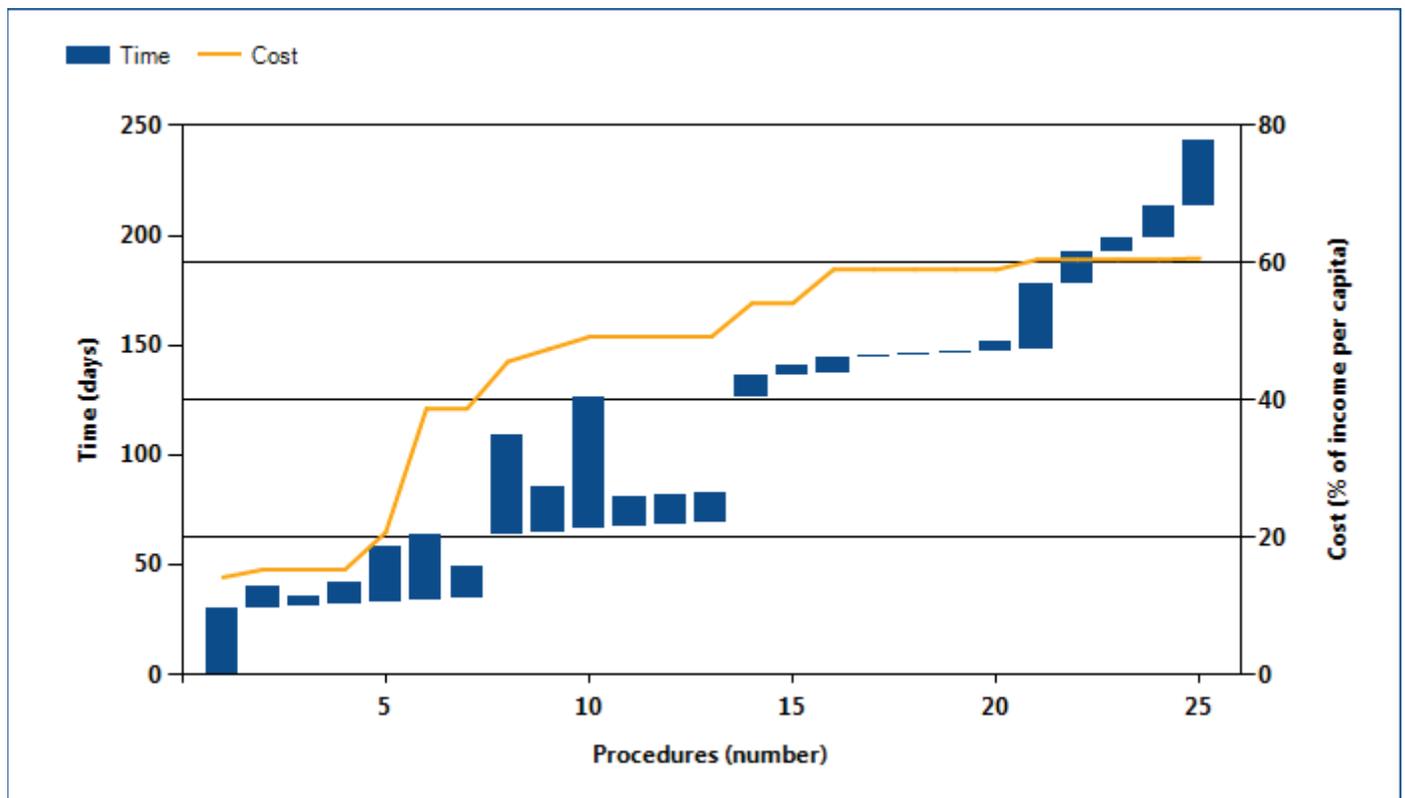
## DEALING WITH CONSTRUCTION PERMITS

### Where does the economy stand today?

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

permits there requires 25 procedures, takes 243 days and costs 60.7% of income per capita (figure 3.1).

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



Note: Time shown in the figure above may not reflect simultaneity of procedures. 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.

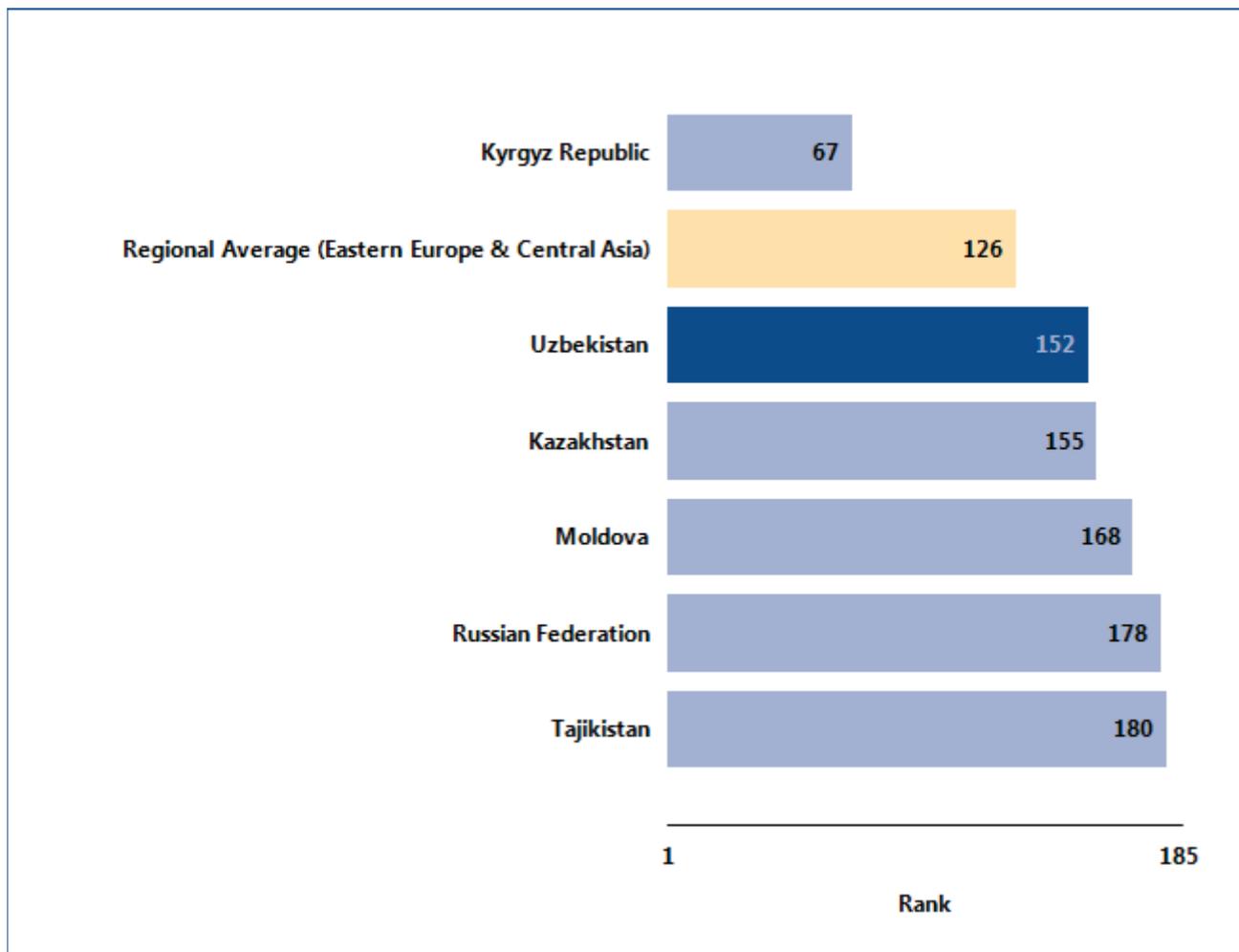
Source: *Doing Business* database.

## DEALING WITH CONSTRUCTION PERMITS

Globally, Uzbekistan stands at 152 in the ranking of 185 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 Uzbekistan to legally build a warehouse.

Figure 3.2 How Uzbekistan 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?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to deal with construction permits in Uzbekistan today, data over time show which aspects of the process have changed—and which have not (table 3.1). That can help identify where the potential for improvement is greatest.

Table 3.1 The ease of dealing with construction permits in Uzbekistan over time  
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012	DB2013
Rank	..	..	..	..	..	..	145	152
Procedures (number)	25	25	25	25	25	25	25	25
Time (days)	243	243	243	243	243	243	243	243
Cost (% of income per capita)	209.8	172.8	151.3	130.8	80.3	72.0	57.0	60.7

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings shown are not last year's published rankings but comparable rankings for DB2012 that capture the effects of such factors as data corrections and the addition of 2 economies (Barbados and Malta) to the sample this year. For more information on "no practice" marks, see the data notes.

Source: *Doing Business* database.

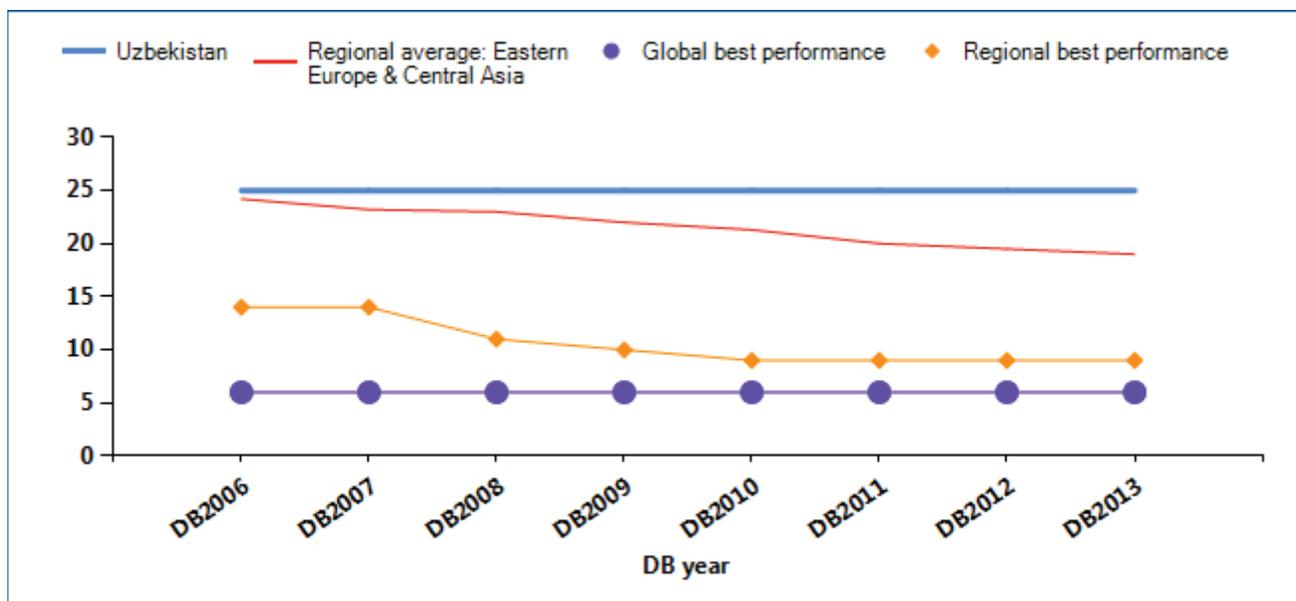
## DEALING WITH CONSTRUCTION PERMITS

Equally helpful may be 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). These benchmarks help show what is

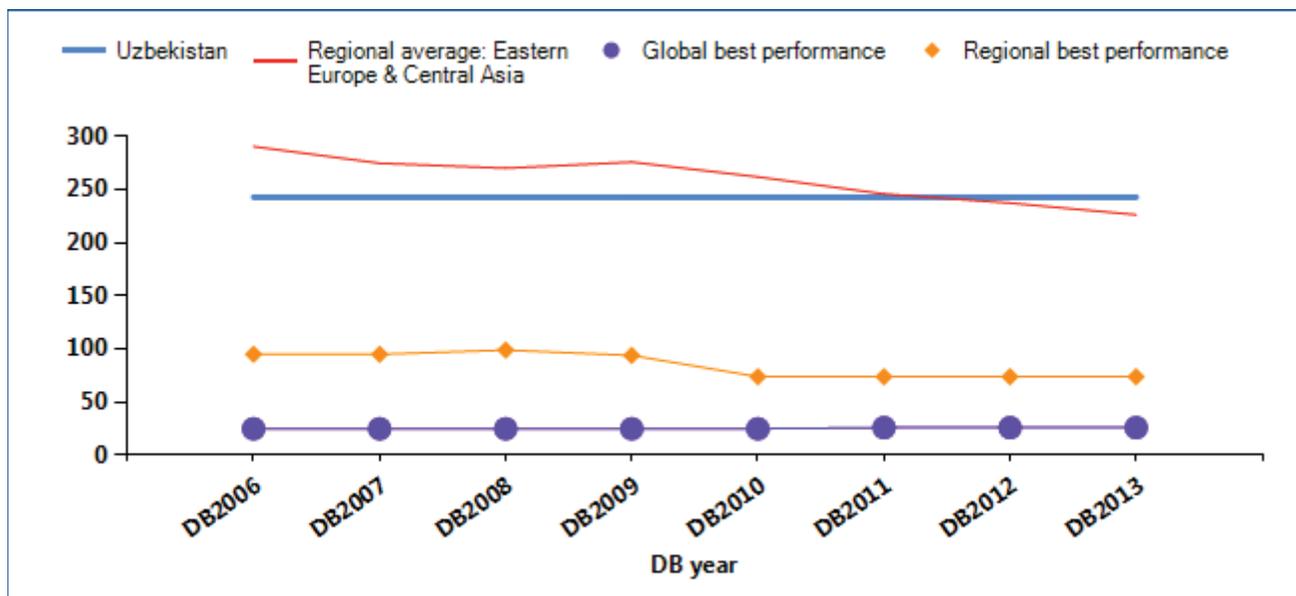
possible in making it easier to deal with construction permits. And changes in regional averages can show where Uzbekistan is keeping up—and where it is falling behind.

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

### Procedures (number)

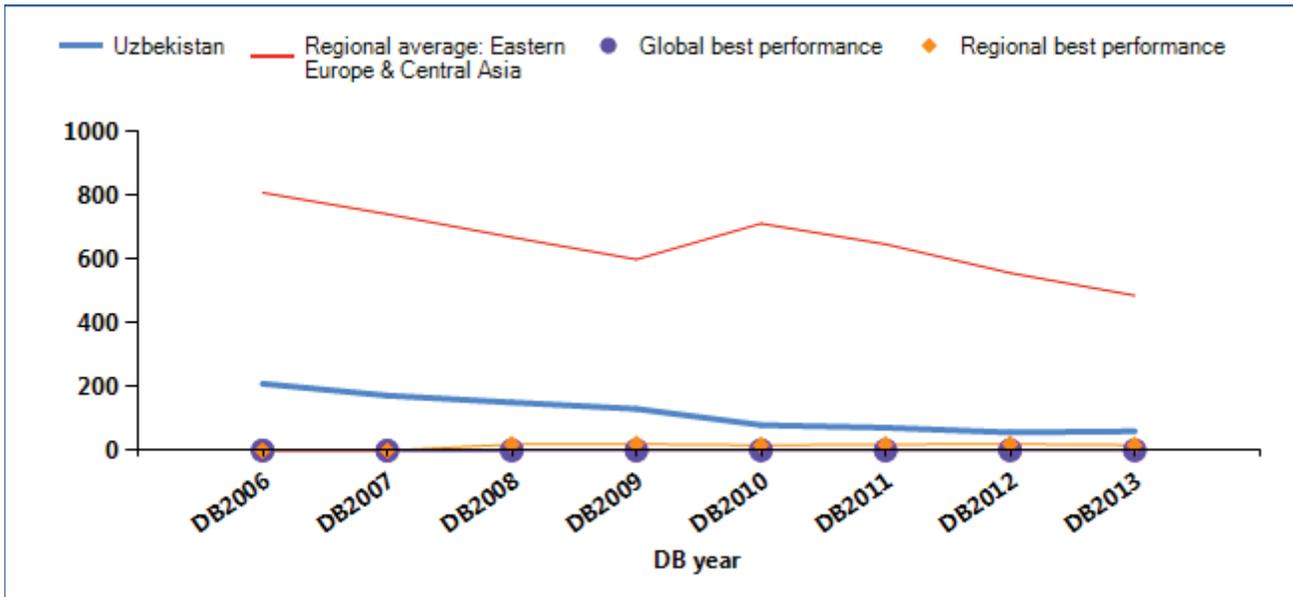


### Time (days)



## DEALING WITH CONSTRUCTION PERMITS

Cost (% of income per capita)



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 Uzbekistan (table 3.2)?

Table 3.2 How has Uzbekistan made dealing with construction permits easier—or not?

By *Doing Business* report year

DB year	Reform
<b>DB2008</b>	No reform as measured by Doing Business.
<b>DB2009</b>	No reform as measured by Doing Business.
<b>DB2010</b>	Uzbekistan made obtaining construction permit less expensive by reducing the building permit fees.
<b>DB2011</b>	Uzbekistan increased all fees for procedures relating to construction permits.
<b>DB2012</b>	No reform as measured by Doing Business.
<b>DB2013</b>	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.

## DEALING WITH CONSTRUCTION PERMITS

### What are the details?

The indicators reported here for Uzbekistan 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, 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 :** Tashkent

**Estimated Warehouse Value :** UZS 450,000,000

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

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

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Request and obtain land clearance from the district governor's office</b></p> <p>BuildCo must obtain land allotment clearance, which is required for all new construction. BuildCo should attach to the application form a copy of the decision of the district/city mayor on land allotment, and submit these documents to the Inspectorate on Commercial Entities Registration. The Inspectorate on Commercial Entities Registration forwards the request to the Committee on Land Resources, the entity authorized to register and issue land licenses.</p> <p>The application forms are filed with written details of the business plan and feasibility studies. This procedure is part of obtaining the architectural planning terms (APZ). The land allotment clearance permit is issued by the district governor's office. Although the fees are not authorized by law, they are charged in practice.</p>	30 days	UZS 392,291
2	<p><b>Request and obtain certificate on registration of land plot</b></p> <p>BuildCo should obtain a certificate of registration of land plot at relevant local state agencies. BuildCo must submit an application form, along with the ownership certificate, land plot estimation, and land plot cadastre plan. All documents except the application form are submitted in original. Local state agencies are not authorized to make any inspections, other than verifying that the documents are all properly filed. At this stage, BuildCo registers the land plot at the local state agencies, which is basis for obtaining land clearance.</p> <p>The official time limit is 10 days. The cost is 50% of the minimum monthly wage (MMW).</p>	10 days	UZS 31,460
3	<p><b>* Request and receive terms for design in accordance with the engineering supply norms</b></p>	5 days	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>To obtain the terms for designing the building in accordance with engineering supply norms and regulations, the technical conditions for utility connections, and architectural planning terms, BuildCo submits a request to the Inspectorate. This request must be accompanied by a copy of the decision of the Hokim (the head of local government) on the land allotment clearance. The design terms, in parallel with the registration of land rights, are to be prepared by the Inspectorate staff within a day. However, in practice, doing so takes at least 5 days. In the meantime, if necessary, all calculations and estimates are confirmed with the applicant.</p>		
4	<p><b>* Request and obtain technical conditions for the connection to water and sewerage</b></p> <p>BuildCo must obtain technical terms for the connection to the water and sewerage systems. The terms are necessary for preparing project documentation.</p> <p>BuildCo must submit the following information to the local water and sewerage authority:</p> <ul style="list-style-type: none"> <li>• For water: the load of water demand, the calculation of water height, and the expected date of commencement of water consumption</li> <li>• For sewerage: the calculation of sewage volume, qualitative composition of the sewage, specification of whether the any plans for internal treatment, and the expected date the sewerage system is to be put into operation</li> </ul> <p>There is no formal fee associated with this procedure. By law, this procedure should be completed in 3 business days. However, in practice, it takes 10 calendar days and is done in parallel with Procedure 3.</p>	10 days	no charge
5	<p><b>* Request and obtain developed geodesic topographic maps of land plot</b></p> <p>The construction and architecture department of the city must, within 18 working days, develop the geodesic/topographic map of the land plot through Main Department of Architecture and Construction. In Tashkent, the maps are developed by State Enterprise for Engineer and Geological Research (??? "????????") upon request of the Inspectorate. The technical conditions for connecting to utilities and the architectural planning terms (APZ) can be obtained in parallel with map development (Resolution No. 14 of the Cabinet of the Minister of Uzbekistan, as of February 6, 2006).</p> <p>The schedule of fees is established by Resolution No. 357 (dated August 20, 2003), and the fee in the case considered here should be no more than 5 MMW. However, the President's Resolution #PP-1112, dated May 15, 2009 enacted from June 1, 2009 reduced the cost for this procedure by 40%.</p>	25 days	UZS 149,205
6	<p><b>* Request and obtain architectural and technical objectives/ conditions</b></p>	30 days	UZS 497,350

No.	Procedure	Time to complete	Cost to complete
	<p>Based on the terms for designing the building in accordance with engineering supply norms and regulations, the technical conditions, and the decision of the Hokimat on the land plot (all provided by the department on architecture and construction of the city), the Main Department of Architecture and Construction develops the architectural planning terms (APZ, parts I and II).</p> <p>The fee is established by Resolution No. 357 (dated August 20, 2003) was set at no more than 20 MMW. However, the President's Resolution #PP-1112, dated May 15, 2009 enacted from June 1, 2009 reduced the cost for this procedure by 50%, i.e. only 10 MMW.</p>		
7	<p><b>* Obtain façade approval</b></p> <p>The city's Department of Architecture and Construction has to clear the façades of all buildings. The procedure takes about 1 -- 2 weeks. The committee meets up once a week; if the entrepreneur's file doesn't make to one week's meeting it will certainly be reviewed the week after.</p>	14 days	no charge
8	<p><b>Request and obtain examination of project documents on their compliance with fire safety and earthquake stability</b></p> <p>BuildCo must submit the construction plans for state examination. Apart from the project documentation, the documents must include all necessary approvals by the relevant agencies, such as fire safety, seismology, and the like, and the positive conclusion of the state ecological examination. The territorial Inspection of State Architectural Building Supervision of the city of Tashkent issues the expert conclusion. Once the application is submitted, in practice, the company itself must contact all authorities where expertise clearance is sought. The official time-limit is 7 days, however in practice takes 45 days.</p> <p>The extra-departmental examination of Territorial Authority of the Main Department of State is forwarded to the State Committee on Architecture and Construction of the Republic of Uzbekistan. The President's Resolution #PP-1112, dated May 15, 2009 enacted from June 1, 2009 reduced the cost for this procedure to 3 MMW.</p>	45 days	UZS 188,760
9	<p><b>* Request ecological examination</b></p> <p>BuildCo should submit the project and pre-project documentation for ecological examination. The State Ecological Examination body of the Committee on the Protection of Nature of the city of Tashkent will issue the conclusion of the ecological examination. This document is necessary for subsequent submission to the territorial Inspection of State Architectural Building Supervision of the city of Tashkent and to the servicing bank (to allow financing).</p> <p>According to Resolution No. 491 (dated April 1, 2005), the cost falls into the price range for the category of difficulty IV and is therefore equivalent to 3 MMW. However, the President's Resolution #PP-1112, dated May 15, 2009 enacted from June 1, 2009 reduced the cost for this category to 1 MMW. By law, this procedure should take 10 working days. However, in practice, it takes longer.</p>	20 days	UZS 49,735

No.	Procedure	Time to complete	Cost to complete
10	<p><b>* Obtain ecological approval</b></p> <p>BuildCo will most likely receive an inspection from State Ecological Examination Authority before the conclusion is issued.</p> <p>The documents that must be filed to obtain the clearance are the general plan, the engineering networks plans, and the utility connections shown in the design documentation. The cost is 1 MMW.</p>	60 days	UZS 49,735
11	<p><b>* Request and obtain sanitation clearance for the project</b></p> <p>BuildCo must obtain project clearance from the state sanitation and epidemic supervision authority.</p>	14 days	no charge
12	<p><b>* Request and obtain water protection clearance</b></p> <p>BuildCo must obtain a conclusion from the Water Resources Authority. BuildCo must submit information concerning water quality, chemical mixture of subsoil waters, and hydro-geological terms and conditions of ponds and so forth.</p>	14 days	no charge
13	<p><b>* Request and obtain project clearance from the local water and sewerage authority</b></p> <p>BuildCo must obtain project clearance from the local water and sewerage authority. This authority checks whether the project and other relevant documentation conform to construction rules and technical terms. BuildCo enters into a contract with the local water and sewerage authority on technical supervision of the construction.</p>	14 days	no charge
14	<p><b>Request and obtain construction permit from the local architecture and construction authorities</b></p> <p>The permit for construction works is issued by the local branch of the architecture and construction authority. Although the permit should be issued within 5 days, in practice it takes longer.</p> <p>An inspector from the local branch of the architecture and construction authority undertakes oversight of the construction. There is no permit application fee. However, for the oversight/inspection phase, the company enters into a contract with the authority at a cost of 0.03% of the value of the warehouse.</p> <p>The company must submit the following documents:</p> <ul style="list-style-type: none"> <li>• Application form</li> <li>• Positive evaluation summary from the public examination bodies on the working project</li> <li>• Copy of the general plan and elevations of the building approved by the architectural bodies, or the protocol of the Town-Planning Council of the Main Department on Architecture and Construction of the city of Tashkent</li> <li>• Address list of construction sites</li> </ul> <p>The Inspectorate registers the construction project and issues the building permit. BuildCo starts construction of the warehouse and notifies the Inspectorate of the commencement of works within a</p>	10 days	UZS 135,000

No.	Procedure	Time to complete	Cost to complete
	month of receiving the building permit.		
15	<p><b>Request and register red line by the Main Department of Architecture and Construction</b></p> <p>After the building permit has been obtained, the company provides the Main Department for Construction and Architecture with a copy of the Hokim's decision on the land plot, the architectural planning terms (APZ, part II), and project estimates of utility connections, which are then drawn on the red lines.</p> <p>Depending on the documents provided, this procedure may be cleared within 2 days.</p>	5 days	no charge
16	<p><b>* Registration with the State Architecture Supervision Authority</b></p> <p>BuildCo needs to register the State Architecture Supervision Authority (Gos-StoyNadzor) of the commencement of the construction. This procedure is not free of charge: according to the paragraph 63 of the Resolution #357, the fee is negotiable but cannot be more than 0.03% of the construction work.</p>	7 days	UZS 135,000
17	<p><b>Receive inspection from the local branch of architecture and construction authority</b></p> <p>Inspection is carried out by the local branch of the architecture and construction authority.</p>	1 day	no charge
18	<b>Request water and sewerage service and connection</b>	1 day	no charge
19	<b>* Receive water and sewerage inspection</b>	1 day	no charge
20	<b>* Connect to water and sewerage services</b>	5 days	no charge
21	<p><b>* Request and connect to fixed telephone line</b></p> <p>The cost of the phone connection slightly decreased in August 2009 according to the Price list #125-1/1 approved by General Director of Uzbek agency of communication and informatization. It states that for the legal bodies the connection fee is set as UZS 39,990.00 beginning from the August 1, 2009.</p>	30 days	UZS 39,990
22	<p><b>Call and establish Working Commission and submit documents to the Commission</b></p> <p>After completion of the construction works, BuildCo requests the creation of a Working Commission composed of the representatives of district architects, the sanitation supervision authority, the state fire supervision authority, the ministry on emergency situations, the city committee on nature protection, and others.</p> <p>The timeframe under the Construction rules, registered by Ministry of Justice No.545, for establishing Working Commission is 5 working days.</p>	14 days	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>However, in practice it takes 14 days, as the Commission only meets once every two weeks and in case the file doesn't make it to the first meeting, it would almost certainly be reviewed at the second one.</p> <p>BuildCo must submit the following documents to the Working Commission:</p> <ul style="list-style-type: none"> <li>• The list of organizations that participated in the building and construction works, along with the type of work done by these organizations, the family names of the responsible engineers and technical employees</li> <li>• The full set of design drawings of the property developed by the project organizations</li> <li>• Certificates, technical passports, and other documents certifying the quality and safety of the materials, constructions, and details used in the building and construction works</li> <li>• Other relevant documents</li> </ul>		
23	<p><b>Receive inspection and obtain certificate of completion from Working Commission</b></p> <p>After the inspection, an act of acceptance is drafted and endorsed by all members in no more than 5 working days.</p> <p>The Working Commission will inspect, among other things:</p> <ul style="list-style-type: none"> <li>• The compliance of the building and construction works with the requirements on labor protection, fire safety, environment protection, and its prevention of human-caused emergency situations, and so forth</li> <li>• The separate constructions and units of the warehouse</li> </ul> <p>If its findings are favorable, the commission then accepts the construction for subsequent presentation to the State Acceptance Board.</p> <p>The Working Commission issues the following:</p> <ul style="list-style-type: none"> <li>• The certificate of allowable concentration of radon in the completed constructions</li> <li>• The certificate of acceptance of the temporary buildings and constructions</li> <li>• The certificate of readiness of the construction for presentation to the State Acceptance Board</li> </ul>	7 days	no charge
24	<p><b>Request and obtain certificate of acceptance from the local authority (Hokimat)</b></p> <p>The Hokim (the head of local government) decides whether to approve the Working Commission's act of acceptance within 2 days. However, in practice, this takes longer. There is no fee involved. The decision of Hokim is further needed for registering the building with the cadastre authorities.</p> <p>BuildCo should submit to the State Acceptance Board, among other</p>	14 days	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>documents, the following documents:</p> <ul style="list-style-type: none"> <li>• The certificate on elimination of defects brought to light by the Working Commission</li> <li>• The approved project and estimate documentation</li> <li>• The list of project and research organizations that participated in construction</li> <li>• Other relevant documents</li> </ul>		
25	<p><b>Register the new construction with the cadastre</b></p> <p>BuildCo must register the new construction with the real estate cadastre of the relevant district of the city of Tashkent. The registration should take no more than a day. However, in practice, because of the large volume of requests, this takes up to 30 days. The registration cost is 50% of MMW for legal entities. However, the President's Resolution #PP-1112, dated May 15, 2009 enacted from June 1, 2009 reduced the cost for this procedure by another 40%. So it remains at only 10% of MMW.</p>	30 days	UZS 6,292

\* Takes place simultaneously with another procedure.

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 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 150 meters long.
- 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 in the area where the warehouse is located. The length of any connection in the customer's private domain is negligible.
- Involves installing one electricity meter. The monthly electricity consumption will be 0.07 gigawatt-hour (GWh). The internal electrical wiring has been completed.

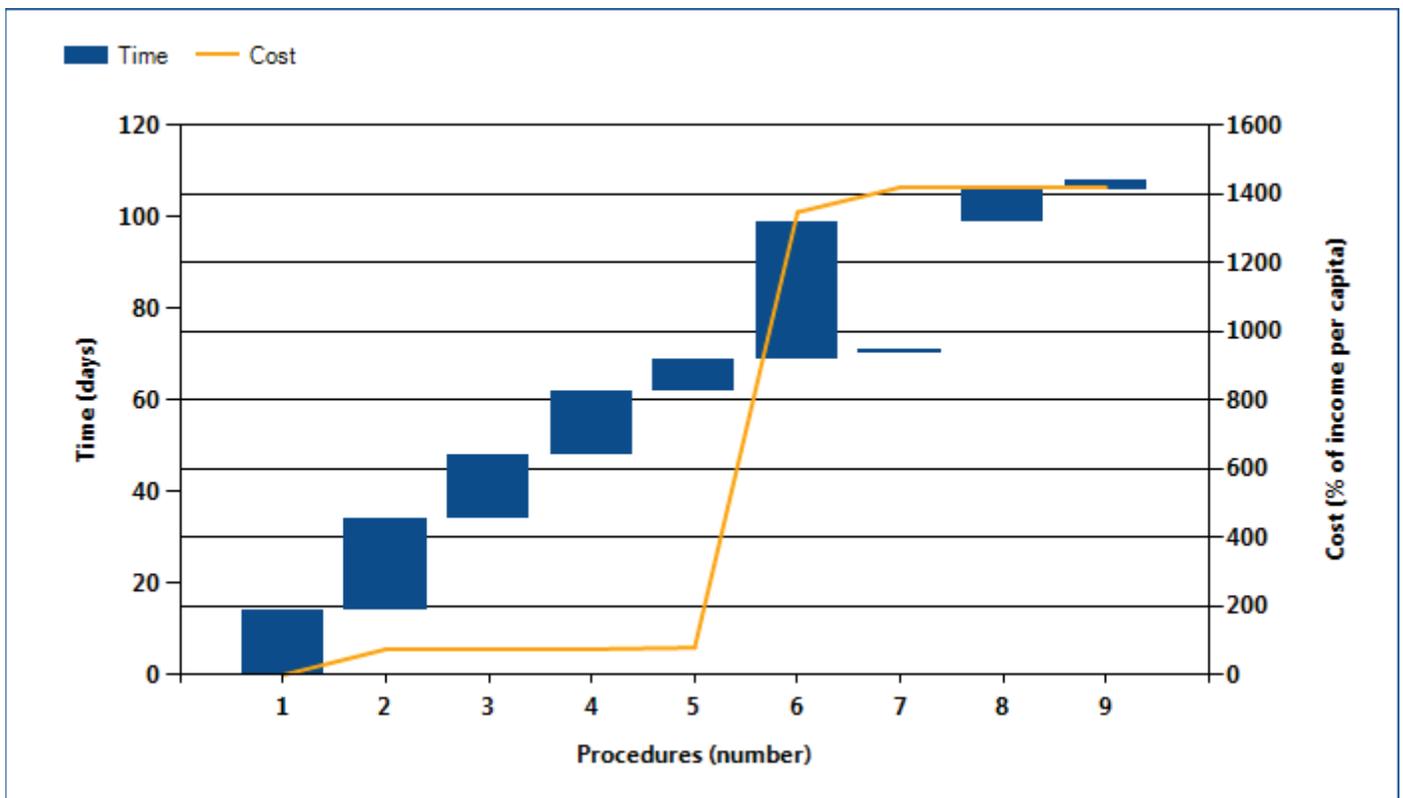
## GETTING ELECTRICITY

### Where does the economy stand today?

What does it take to obtain a new electricity connection in Uzbekistan? According to data collected by *Doing Business*, getting electricity there requires 9

procedures, takes 108 days and costs 1420.3% of income per capita (figure 4.1).

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



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.

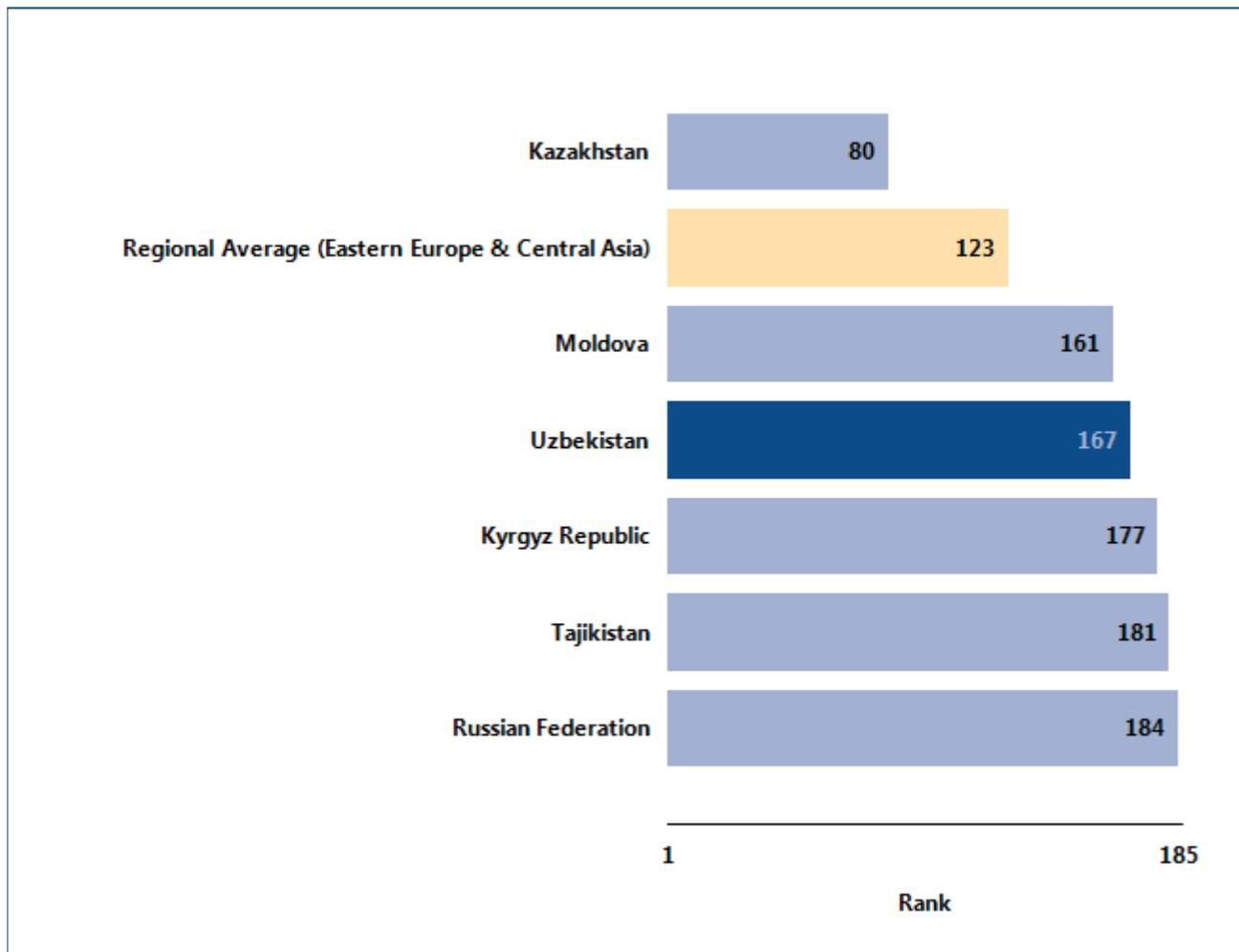
Source: *Doing Business* database.

## GETTING ELECTRICITY

Globally, Uzbekistan stands at 167 in the ranking of 185 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 Uzbekistan to connect a warehouse to electricity.

Figure 4.2 How Uzbekistan 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 Uzbekistan

Indicator	Uzbekistan DB2013	Uzbekistan DB2012	Best performer in Eastern Europe & Central Asia DB2013	Best performer globally DB2013
Rank	167	172	Georgia (50)	Iceland (1)
Procedures (number)	9	9	Georgia (4)	Germany (3)*
Time (days)	108	117	Kosovo (48)	Germany (17)
Cost (% of income per capita)	1,420.3	1,783.3	Lithuania (55.4)	Japan (0.0)

Note: DB2012 rankings shown are not last year's published rankings but comparable rankings for DB2012 that capture the effects of such factors as data corrections and the addition of 2 economies (Barbados and Malta) 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 Uzbekistan (table 4.2)?

Table 4.2 How has Uzbekistan 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.

Source: *Doing Business* database.

## GETTING ELECTRICITY

### What are the details?

The indicators reported here for Uzbekistan 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:** Tashkent

**Name of Utility:** Uzbekenergo

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 Uzbekistan—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Submit an application for electricity connection to Tashkent City Electrical Network and await issuance of technical conditions</b></p> <p>The customer submits an application for the electrical connection to the Tashkent City Electric Network Enterprise and waits for them to issue technical conditions. The technical conditions specify the point of connection and other technical arrangements. In this particular case, the segment of the cable, for which the customer is responsible, is identified.</p> <p>There is no online application. The application can be submitted in person or by mail. Documents required for the application: application letter which specifies the required load, safety category of the electrical installation, various maps, timeline of the project design and electrical installation.</p> <p>An external inspection by the Tashkent City Electrical Networks is necessary for the issuance of technical conditions, however presence of someone from the applicant's party is not required.</p>	14 calendar days	no charge
2	<p><b>Await completion of an electrical project design of the external connection by a private design firm</b></p> <p>The customer presents the issued technical conditions to an electrical project design firm and await completion of the design of the external connection.</p>	20 calendar days	UZS 2,066,610.0
3	<p><b>Await an approval of the completed design by the Tashkent City Electric Network Enterprise</b></p>	14 calendar days	no charge

No.	Procedure	Time to complete	Cost to complete
	Once the connection design is completed it has to be submitted for approval to the Tashkent City Electric Network Enterprise.		
4	<p><b>Submit designed electrical project to Uzbekenergonadzor for concurrence with technical conditions</b></p> <p>The project also has to be approved at Uzgosenergonadzor except for the projects below 10 kW. For the approval Uzbeknadzor also comes to inspect the site.</p>	14 calendar days	no charge
5	<p><b>Obtain an excavation permit at the Municipality for the Maintenance (?????????????) of the Tashkent City</b></p> <p>If the connection passes through a road the electrical contractor obtains an excavation permit (?????) at the Municipality for the Maintenance of the Tashkent City. They issue the permit where the time limit for finishing the works is specified. The permit should be brought to the City Road Inspection (???) for concurrence and to receive signs which could be put on the road while the works are in progress. If the works are not finished in time and the road is not restored in time there is a fine which should be paid to the municipality. If the road is small and on the outskirts the permit has to be approved by the regional department/municipality.</p>	7 calendar days	UZS 120,000.0
6	<p><b>Await completion of the external connection works by an electrical contractor</b></p> <p>Once the project is approved the customer's electrical contractor starts the external connection works. The external works should be in compliance with the technical conditions and the designed project.</p> <p>All costs related to external connection works are born by the customer including materials and labor. The customer buys all the necessary materials for the works: cables, meter, transformer substation, insulation, knife switches and etc.</p>	30 calendar days	UZS 35,000,000.0
7	<p><b>* Await installation of the meter by specially licenced company</b></p> <p>In practice there are two possibilities for the installation of the meter one can either hire one of 4 licensed companies which have certified and already sealed by the utility meters. This company installs the meter and prepares all relevant documents for the meter. In another case a certified meter has to be bought and then the special organization (Energonaladka) should prepare all the documents and seal the meter. The first option is more expensive (in the assumed case costs 2,000,000 LCU) but faster.</p>	1 calendar day	UZS 2,000,000.0
8	<p><b>Await and obtain an inspection from the Tashkent City Electrical Networks and State Energy Inspectorate (Uzgosenergonadzor) and obtain an exploitation permit</b></p> <p>Once the external connection works are complete, the customer requests</p>	7 calendar days	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>an inspection of the works during which various organizations such as State Energy Inspectorate (Uzgosenergonadzor), Tashkent City Electrical Network Enterprise, Regional Electrical Network (????????? ?????????????? ???), and other organizations carry out inspection of the completed works on the same day. After the inspection they issue a document where they point out problems and faults in the completed works. It is common that there are problems. Once the faults are fixed they come once again to inspect the works and issue a final document certifying that all the works are in compliance with technical standards. At this point the State Energy Inspectorate (Uzgosenergonadzor) issues an operation permit. A message allowing for the power to be turned on is sent to Uzbekenergo.</p>		
<p>9</p>	<p><b>Sign a contract with Uzbekenergo for electricity supply and obtain a final connection</b></p> <p>The customer concludes a contract for power supply at Uzbekenergo and submits a request for a switch-on to the power supply department. In existence of a supply contract with Uzbekenergo, the electricity starts flowing immediately.</p> <p>The actual final connection is done jointly with the customer's contractor in charge of the electric facilities and an employee of Uzbekenergo who turns on the knife switch.</p>	<p>2 calendar days</p>	<p>no charge</p>

\* 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 periurban area of the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.

### 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

Procedure 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

- 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. The property will be transferred in its entirety.

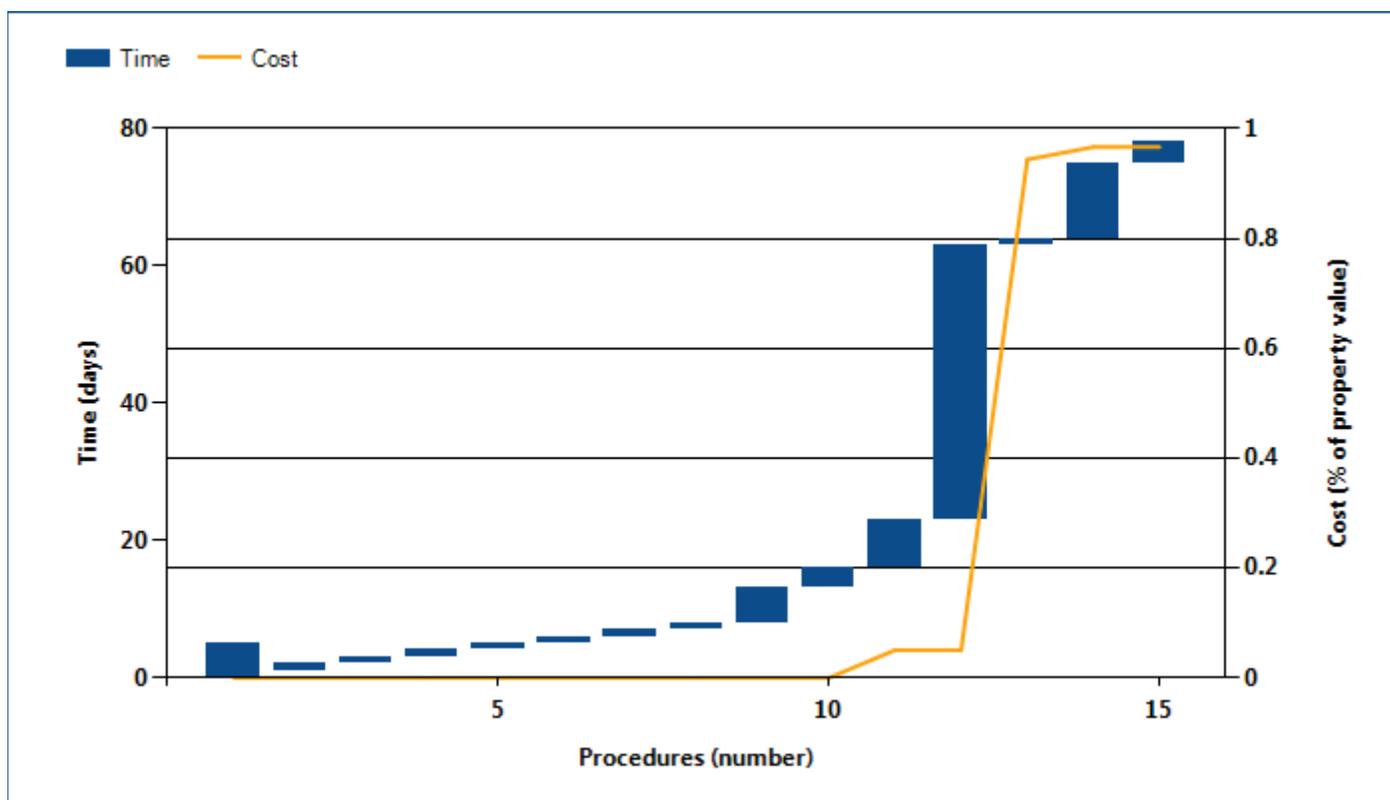
## REGISTERING PROPERTY

### Where does the economy stand today?

What does it take to complete a property transfer in Uzbekistan? According to data collected by *Doing Business*, registering property there requires 15

procedures, takes 78 days and costs 1.0% of the property value (figure 5.1).

Figure 5.1 What it takes to register property in Uzbekistan



Note: Time shown in the figure above may not reflect simultaneity of procedures. 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.

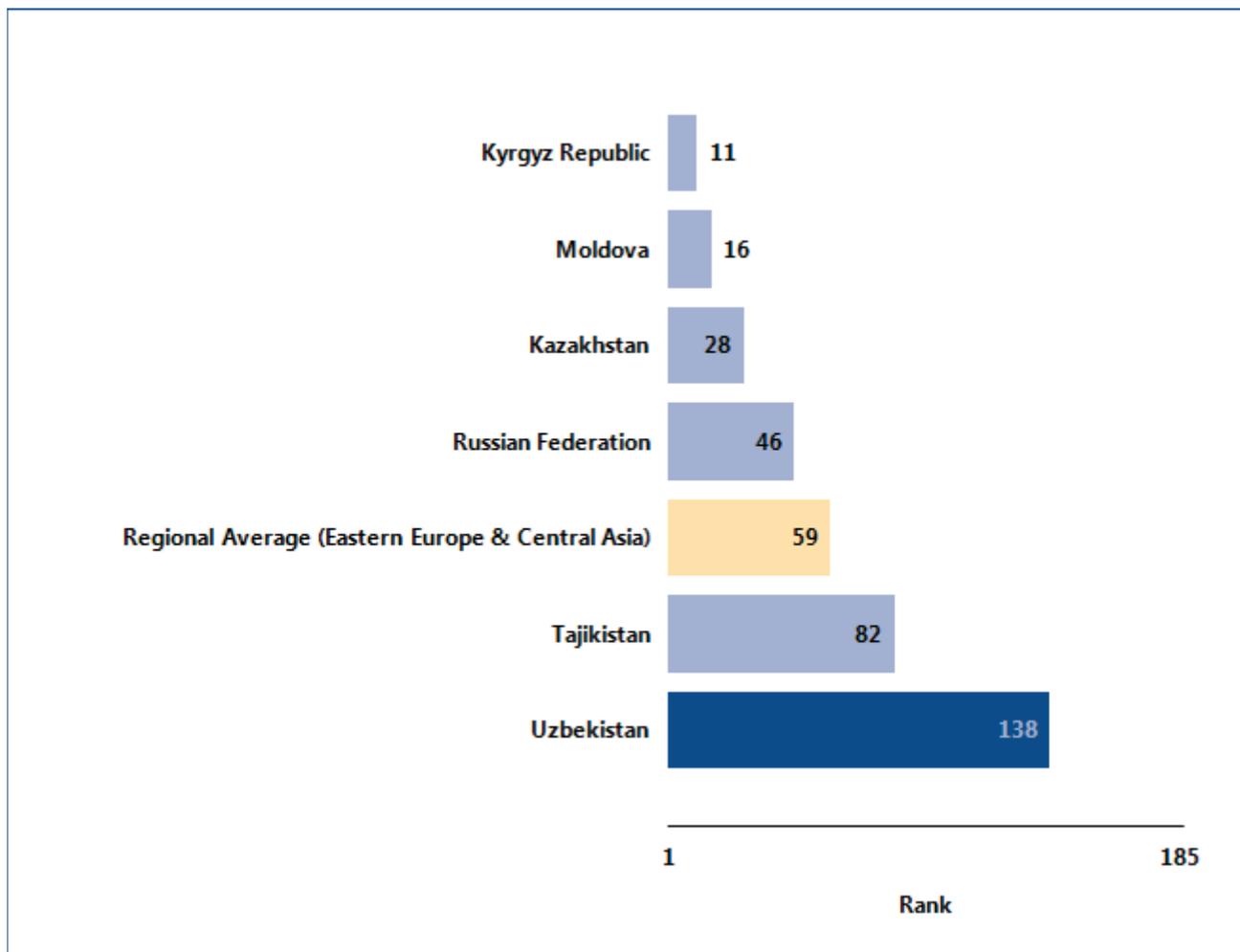
Source: *Doing Business* database.

## REGISTERING PROPERTY

Globally, Uzbekistan stands at 138 in the ranking of 185 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 Uzbekistan to transfer property.

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



Source: Doing Business database.

## REGISTERING PROPERTY

### What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to register property in Uzbekistan today, data over time show which aspects of the process have changed—and which have not (table 5.1). That can help identify where the potential for improvement is greatest.

Table 5.1 The ease of registering property in Uzbekistan over time  
By *Doing Business* report year

Indicator	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012	DB2013
Rank	..	..	..	..	..	..	..	138	138
Procedures (number)	15	15	15	15	15	15	15	15	15
Time (days)	78	78	78	78	78	78	78	78	78
Cost (% of property value)	4.4	3.5	2.2	2.2	2.5	2.6	2.6	1.0	1.0

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings shown are not last year's published rankings but comparable rankings for DB2012 that capture the effects of such factors as data corrections and the addition of 2 economies (Barbados and Malta) to the sample this year. For more information on "no practice" marks, see the data notes.

Source: *Doing Business* database.

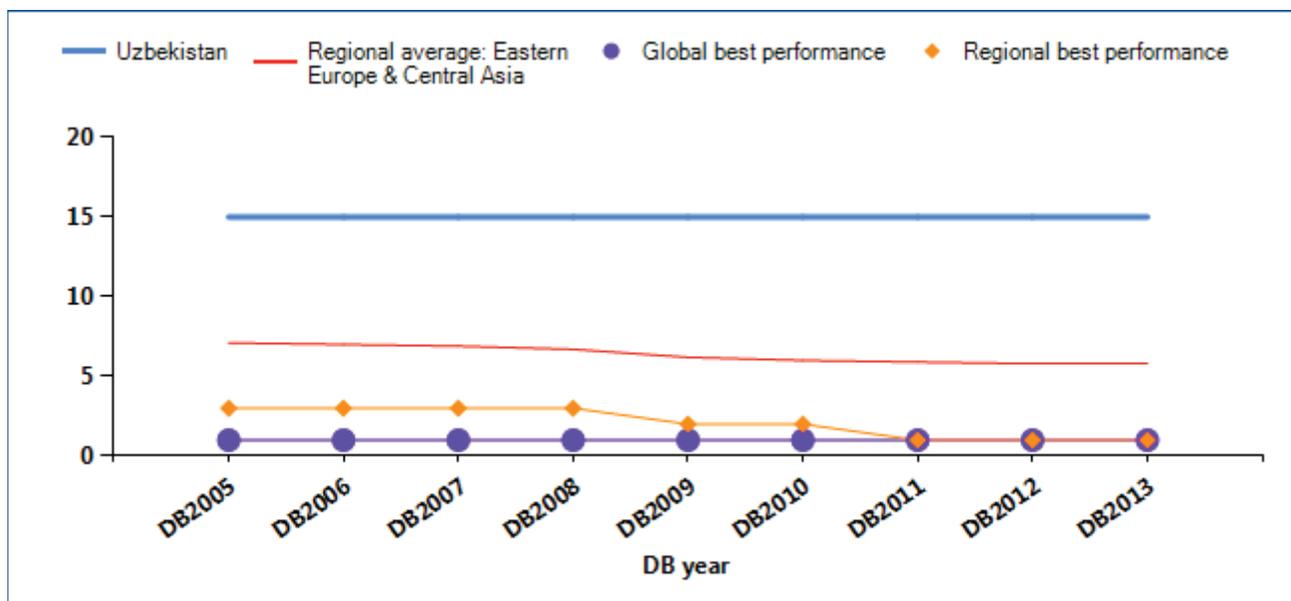
## REGISTERING PROPERTY

Equally helpful may be 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). These benchmarks help show what is

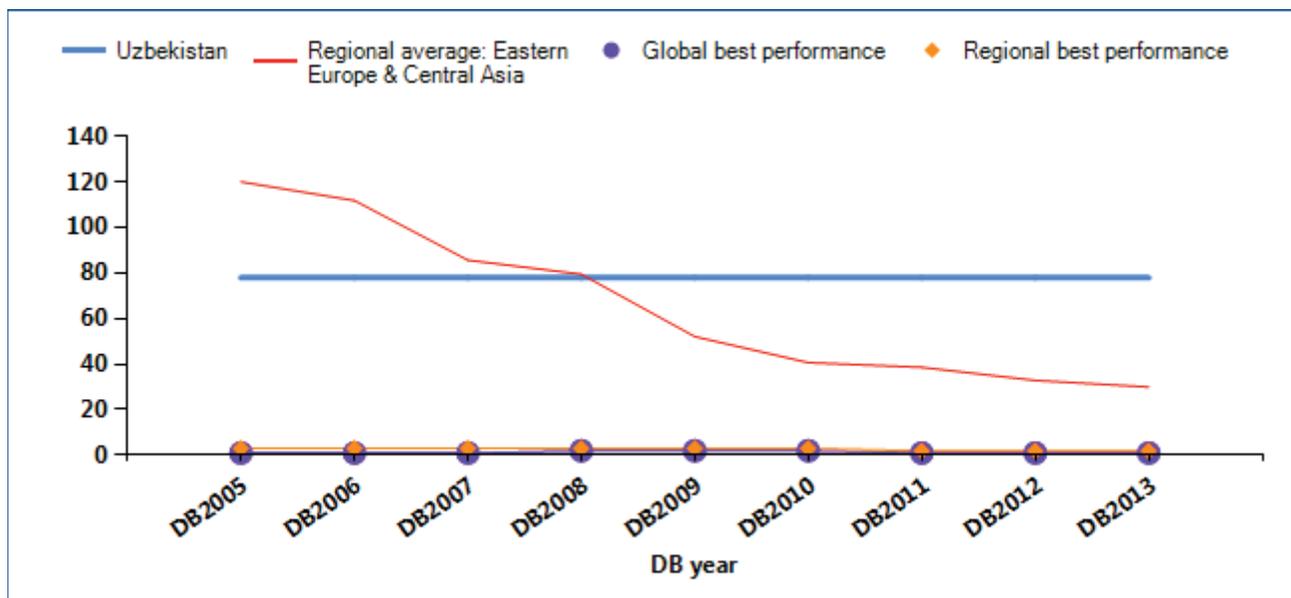
possible in making it easier to register property. And changes in regional averages can show where Uzbekistan is keeping up—and where it is falling behind.

Figure 5.3 Has registering property become easier over time?

### Procedures (number)

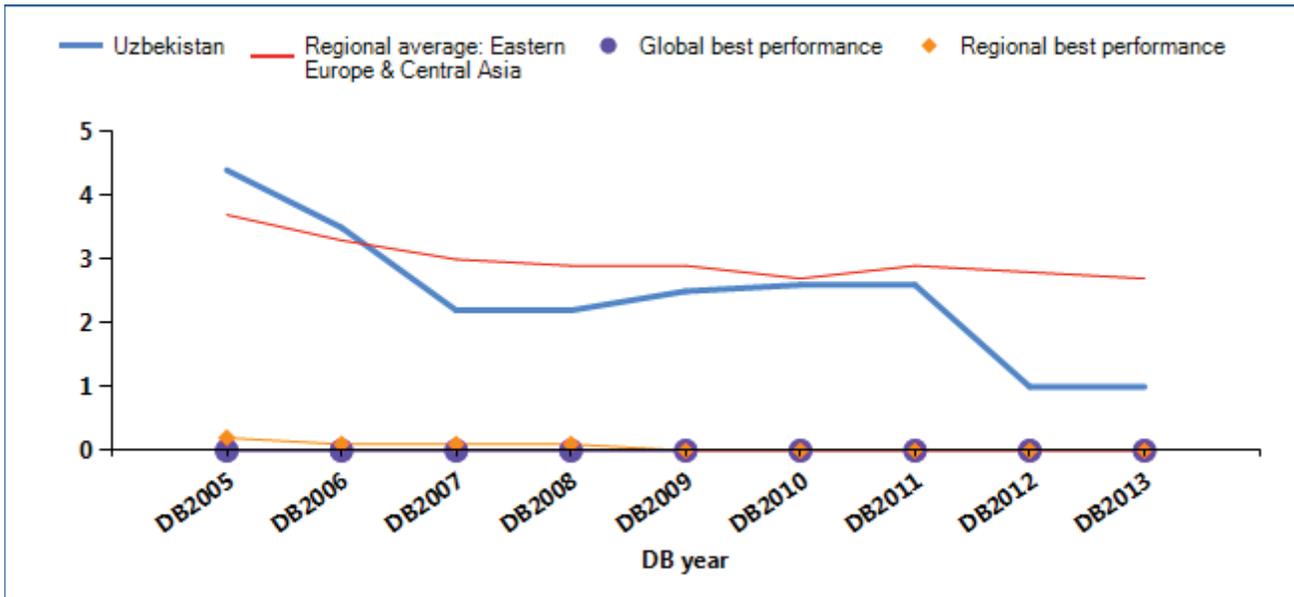


### Time (days)



## REGISTERING PROPERTY

### Cost (% of property value)



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 Uzbekistan (table 5.2)?

Table 5.2 How has Uzbekistan made registering property easier—or not?  
By *Doing Business* report year

DB year	Reform
<b>DB2008</b>	Uzbekistan made registering property simpler and cheaper by introducing a formula to calculate the fee to notarize a property sale agreement taking into account the minimum wage.
<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.

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:** Tashkent  
**Property Value:** UZS 137,951,129

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

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

No.	Procedure	Time to complete	Cost to complete
1	<p><b>* Seller applies for the reference of the state registration of the building at the Cadastral Service office of the city district municipality (Certificate #18)</b></p> <p>The seller has to obtain the cadastral packages of documents issued in his/her name, this documentation is valid one month. Seller applies for the Reference about real property at the Cadastre Service office ("one stop shop" department) of the City of Tashkent (Cadastre Service is subordinated to the State Committee of the Republic of Uzbekistan on Land Resources, Geodesy, Cartography and State Cadastre - Goscomzemgeodescadastre. The documentation shall include:</p> <ul style="list-style-type: none"> <li>• Sale agreement (when purchased) which should be notarized or registered at the Real Estate Market, or State Order on privatization of property from the state issued by city municipality stating the value of property, or City Major’s resolution on acknowledging the property rights of the Seller</li> <li>• Cadastral map/plan (already in his possession)</li> <li>• Notarized copies of the seller’s constituent acts (Articles of Incorporation, Founding Charter, State Registration Certificate issued by city district municipality)</li> <li>• Bank receipt confirming payment of registration fee (obtained in Procedure 1)</li> </ul> <p>To confirm ownership to the warehouse and the land plot and the land plot for last date the seller shall apply to the Cadastral Service office for Certificate #18, which will confirm that the property under the question belongs to the seller and that it is free of title dispute and has no mortgages attached to it.</p>	5 days	no cost
2	<p><b>* Seller obtains certificate stating that there are no outstanding payments due to the water service provider</b></p>	1 day	no cost

No.	Procedure	Time to complete	Cost to complete
	Parties have to submit to the notary the certificates stating that there are no outstanding payments due to the water service use from water service provider. Parties have to request these certificates specifically for the property transaction to demonstrate that there are no outstanding fees that have to be paid before transfer of property takes place.		
3	<p><b>* Seller obtains certificate stating that there are no outstanding electricity bills</b></p> <p>Parties have to submit to the notary the certificates stating that there are no outstanding payments due to the electricity service use from electricity service provider. Parties have to request these certificates specifically for the property transaction to demonstrate that there are no outstanding fees that have to be paid before transfer of property takes place.</p>	1 day	no cost
4	<p><b>* Seller obtains certificate stating that there are no outstanding gas bills</b></p> <p>Parties have to submit to the notary the certificates stating that there are no outstanding payments due to the gas service use from gas service provider. Parties have to request these certificates specifically for the property transaction to demonstrate that there are no outstanding fees that have to be paid before transfer of property takes place.</p>	1 day	no cost
5	<p><b>* Seller obtains certificate stating that there are no outstanding heating bills</b></p> <p>Parties have to submit to the notary the certificates stating that there are no outstanding payments due to the heating service use from heating service provider. Parties have to request these certificates specifically for the property transaction to demonstrate that there are no outstanding fees that have to be paid before transfer of property takes place.</p>	1 day	no cost
6	<p><b>* Seller obtains certificate stating that there are no outstanding sewage bills</b></p> <p>Parties have to submit to the notary the certificates stating that there are no outstanding payments due to the sewage service use from sewage service provider. Parties have to request these certificates specifically for the property transaction to demonstrate that there are no outstanding fees that have to be paid before transfer of property takes place.</p>	1 day	no cost
7	<p><b>* Seller obtains certificate stating that there are no outstanding trash collection bills</b></p>	1 day	no cost

No.	Procedure	Time to complete	Cost to complete
	Parties have to submit to the notary the certificates stating that there are no outstanding payments due to the trash collection service use from trash collection service provider. Parties have to request these certificates specifically for the property transaction to demonstrate that there are no outstanding fees that have to be paid before transfer of property takes place.		
8	<b>Seller obtaining document from notary office no. 1 certifying absence of any court orders on the sale of the property</b> As part of the property transfer process, the seller is required to obtain a document from the Notary No: 1 office certifying absence of any court orders on the sale of the property.	1 day	no cost
9	<b>Obtain document certifying that the building is not subject to demolition</b> Prior to selling a building to another party, the seller needs to obtain a clearance from the District Architect's office that the building subject to sale is not located on the "red line", i.e. is not subject to demolition by the Municipality.	5 days	no cost
10	<b>Seller obtains tax clearance document</b> The seller needs to obtain a tax clearance certificate which would certify that the property being sold is free of any unpaid taxes.	3 days	no cost
11	<b>Inspection of the property to determine its status</b> A land surveyor of the Cadastral Service of the municipality verifies the property to determine its cadastral value and update the cadastral map/plan. Inspection of the property is done to evaluate possible changes in technical parameters, new construction, reconstruction etc. According to the Uzbek legislation, Since 2008 valuation activity including real property is responsibility of private independent valutors/valuation organisations.	About 7 days	UZS 60,000-80,000
12	<b>The Cadastre Service office issues a reference about real property to the seller</b> The seller's application is reviewed by the registrar at the Registration Office. After the application is reviewed, the Registration Office issues a registration certificate for building ownership and the same for land lease (the seller receives the reference about real property non-encumbrances). While transfer the rights, the certificates about registration of rights for land parcel, building/construction, issued to seller, are exempted and the buyer is given a new one for his name.	30 days	Already paid in Procedure 5
13	<b>Notarization of the sale agreement of seller and buyer</b>	1 day	2% of the minimum monthly wage per

No.	Procedure	Time to complete	Cost to complete
	<p>The sale agreement is notarized by public notaries. To notarize the sale agreement it is usually required to submit the original certificate of title registration. There is no legal requirement for the contract of sale of building and land plot to be prepared by a lawyer. The parties may prepare the contract themselves or use a model contract of sale. However, under the Uzbek legislation all economic contracts with the cost exceeding 200 minimum monthly wages shall be concluded only after issuance of lawyer's Legal Opinion on the contract. The legal opinion shall be made either by an in-house lawyer or by an advocate. The buyer and the seller sign and seal the sale contract. The buyer will need to take later the sale agreement signed and sealed by both parties for state registration of the transfer of title. Then, the buyer and the seller shall sign the acceptance report. There is no standard or specific form established for the acceptance report. According to the Civil Code, the parties shall sign an acceptance report or any other document on the transfer of real property from the seller to the buyer. The companies may use a lawyer to prepare the acceptance report that might charge between UZS 10,000 and 30,000.</p> <p>At the same time, the notary will notarize the copies of Foundation documents (in the case of a limited liability company these would be Charter and Foundation Agreement) of the seller and the buyer. The originals of the foundation documents shall be presented to the notary. According to the Presidential Decree No UP-4377 dated November 3, 2011 the Minimum Monthly Wage is UZS 62,920.</p> <p>Pursuant to article 110, 366, 480 of the Civil Code of the Republic of Uzbekistan sale and purchase agreement of immovable property (buildings, constructions or other immovable property), can be concluded without notarization, unless one of the parties insist on notarization of the agreement. Thus, the legislation does not impose an obligation on notarization of such agreements. However, in practice such agreements are usually notarized.</p>		<p>square meter of building area + fees charged by notaries for consultations and drafting sale-purchase agreement</p>
<p><b>14</b></p>	<p><b>Buyer applies for registration at the Registration Office</b></p> <p>The buyer shall apply to the District (City) Registration Office (in this case this would be the service of corresponding Registration Office of the Department of Land Resources and State Cadastre of the city of Tashkent) for state registration of the transfer of title. He should produce the original sale agreement as well as the other documents required. The right to own land is very limited in Uzbekistan. The overwhelming majority of legal entities in the city of Tashkent hold land plots under lease. The rest of them have either permanent use right or (very few) ownership right to land plots.</p> <p>The documentation shall include:</p> <ul style="list-style-type: none"> <li>• Sale agreement</li> <li>• Bank certificate of payment received by seller under the Sale Agreement</li> <li>• Report of Property Acceptance</li> <li>• Seller's cadastral package of documents</li> </ul>	<p>11 days</p>	<p>Half of the monthly minimum wage - UZS 31,460</p>

No.	Procedure	Time to complete	Cost to complete
	<ul style="list-style-type: none"> <li>• Application (in the established form)</li> <li>• The cadastral documents (files) on the land and the building (These documents should be in possession of the buyer) Each cadastral document contains a certificate of right of the Seller to the building/land plot</li> <li>• The inventory (cadastral) plans of the land and the building (These documents should be in possession of the Buyer)</li> <li>• The notarized copies of foundation documents (in case of Limited Liability Company these are Charter and Foundation Agreement) of the seller and the buyer or other documents providing the persons signing the sale contract with power to do so on behalf of the seller/buyer (e.g. power of attorney)</li> <li>• The contract of lease of land plot between the seller and the Khokimiyat (Local Government) of the city of Tashkent;</li> <li>• The document establishing right of ownership to the building. This would be most likely one of the following: Decision of Khokim (the head of local administration/municipality) on recognition of the ownership right, Order of ownership, sale contract concluded with the BTI (Bureau of Technical Inventarization). This document is not compulsory for submission after first registration, however usually this document must be in possession of owner of building.</li> <li>• Bank receipt confirming payment of registration fee</li> </ul>		
15	<p><b>Submit the cadastral package to the local tax authorities</b></p> <p>Buyer submits the copy of Cadastral package to local tax authorities in order to update the land and property taxation records to the new owner's name. According to the Tax Code of the Republic of Uzbekistan, authorities involved with the registration of the title must report information on new owners to the tax authorities within 10 days after registration of the title has taken place.</p>	1-3 days	no cost

\* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

## GETTING CREDIT

Two types of frameworks can facilitate access to credit and improve its allocation: credit information systems and the legal rights of borrowers and lenders in collateral and bankruptcy laws. Credit information systems enable lenders 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, 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)

Protection of rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

#### Depth of credit information index (0–6)

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

#### Public credit registry coverage (% of adults)

Number of individuals and firms listed in public credit registry as percentage of 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 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.

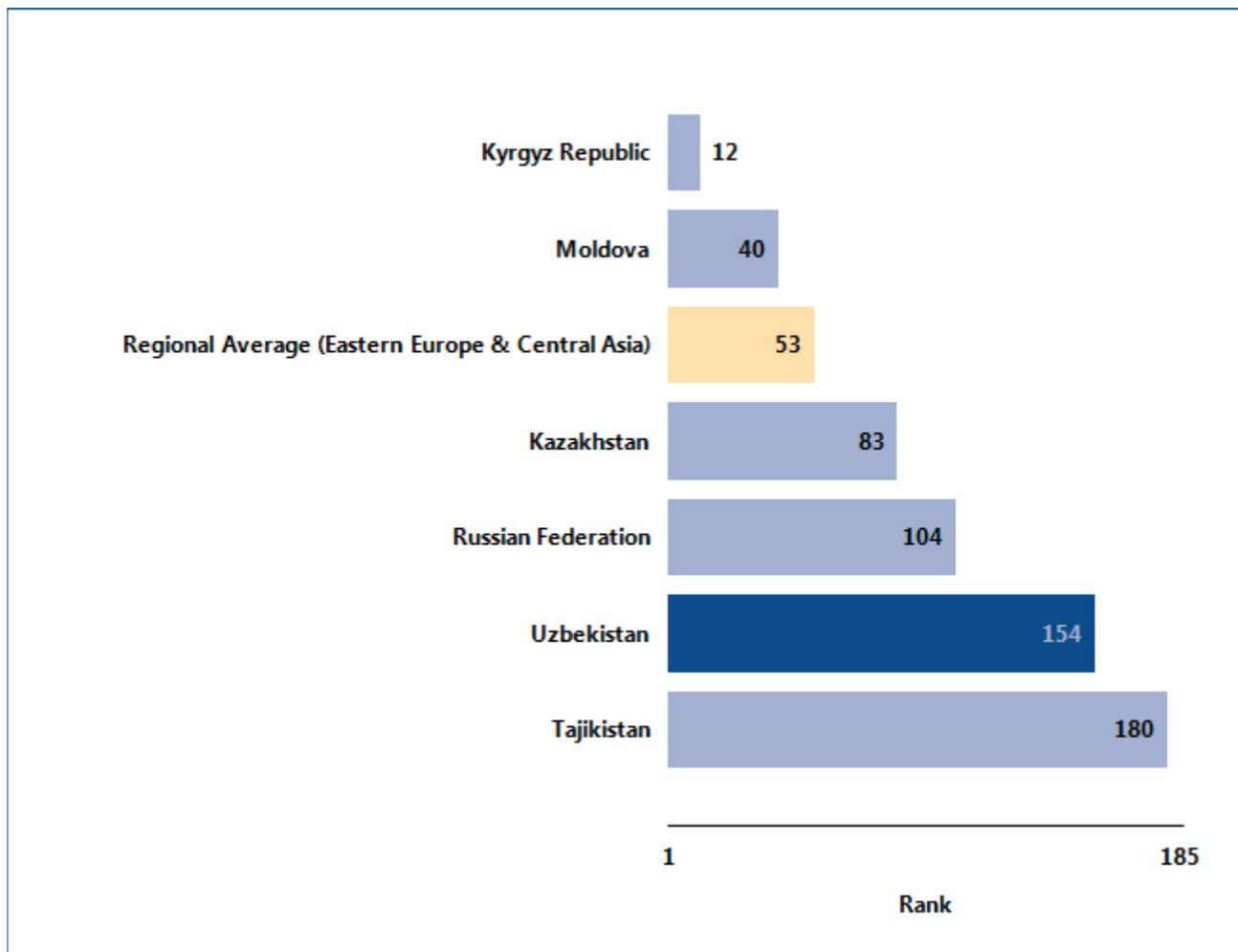
## GETTING CREDIT

### Where does the economy stand today?

How well do the credit information system and collateral and bankruptcy laws in Uzbekistan facilitate access to credit? The economy has a score of 4 on the depth of credit information index and a score of 2 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, Uzbekistan stands at 154 in the ranking of 185 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 Uzbekistan support lending and borrowing.

Figure 6.1 How Uzbekistan 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 Uzbekistan 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 Uzbekistan over time  
By *Doing Business* report year

Indicator	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012	DB2013
Rank	..	..	..	..	..	..	..	158	154
Strength of legal rights index (0-10)	2	2	2	2	2	2	2	2	2
Depth of credit information index (0-6)	0	0	0	0	3	3	3	3	4
Public registry coverage (% of adults)	0.0	0.0	0.0	0.0	2.3	2.6	4.5	5.0	0.0
Private bureau coverage (% of adults)	0.0	0.0	0.0	0.0	2.2	2.1	3.3	3.6	15.7

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings shown are not last year's published rankings but comparable rankings for DB2012 that capture the effects of such factors as data corrections and the addition of 2 economies (Barbados and Malta) to the sample this year.

Source: *Doing Business* database.

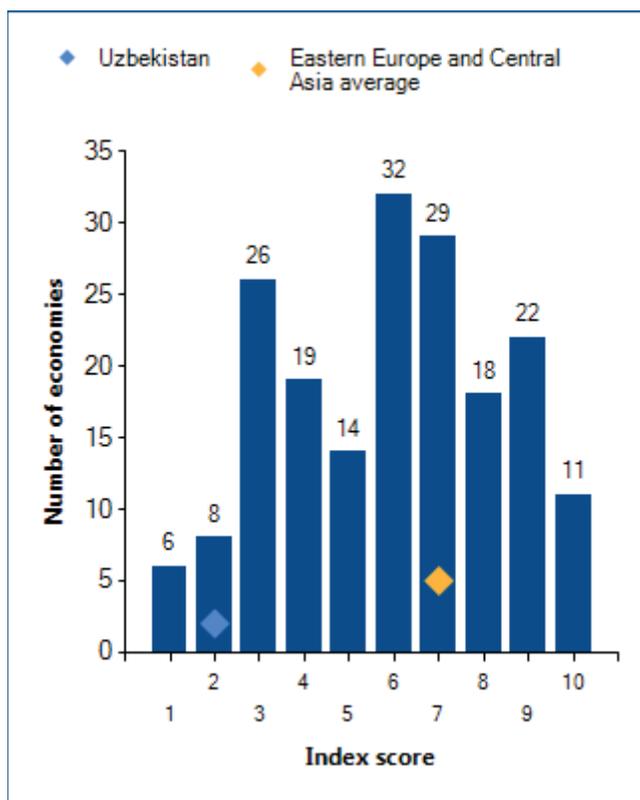
## GETTING CREDIT

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 Uzbekistan in 2012

and shows the number of economies with this score in 2012 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), 2012

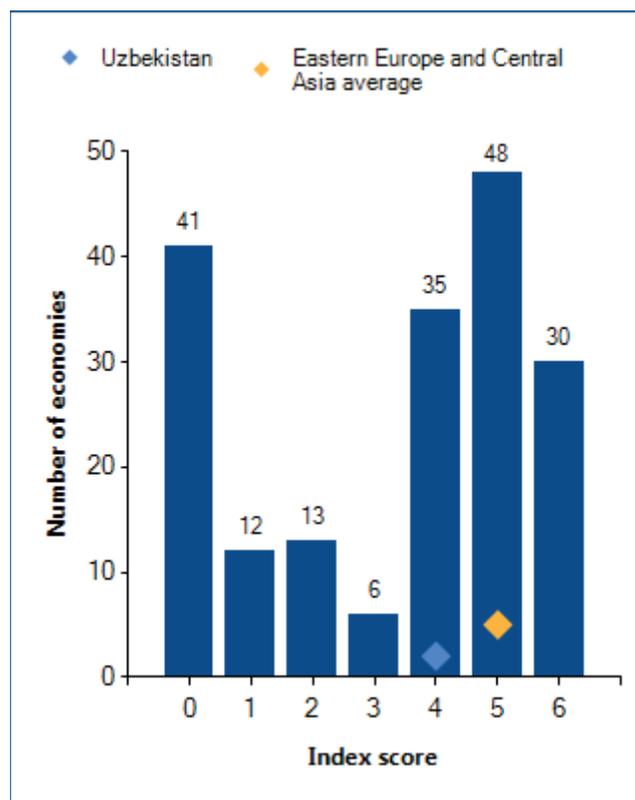


Note: Higher scores indicate that collateral and bankruptcy laws are better designed to facilitate access to credit.

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), 2012



Note: Higher scores indicate the availability of more credit information, from either a public credit registry or a private credit bureau, to facilitate lending decisions. Regional averages for the depth of credit information index exclude economies with no public registry or private 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 Uzbekistan (table 6.2)?

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

DB year	Reform
<b>DB2008</b>	No reform as measured by Doing Business.
<b>DB2009</b>	With the ambition to facilitate the access of more borrowers to credits, Inter Bank Kredit Bureau has started collecting since November 2005 information on the repayment pattern of individual borrowers as well as firms. This will allow for better information on borrowers repayment patterns and help develop a culture of sharing credit information.
<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>	Uzbekistan improved access to credit information by guaranteeing borrowers' right to inspect their personal data.

*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 Uzbekistan are based on detailed information collected in that economy. The data on credit information sharing are collected through a survey of a public credit registry or private 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 public credit registry or private 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 Uzbekistan

Indicator	Uzbekistan	Eastern Europe & Central Asia average	OECD high income average
<b>Strength of legal rights index (0-10)</b>	2	7	7
<b>Depth of credit information index (0-6)</b>	4	5	5
<b>Public registry coverage (% of adults)</b>	0.0	31.9	31.5
<b>Private bureau coverage (% of adults)</b>	15.7	44.8	74.6

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 public registry or private bureau. Regional averages for the public registry coverage exclude economies with no public registry. Regional averages for the private bureau coverage exclude economies with no private bureau.

<b>Strength of legal rights index (0-10)</b>	<b>Index score: 2</b>
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?	No
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	No
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?	No
Is a general description of debts and obligations permitted in collateral agreements; 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?	No
Is a collateral registry in operation, that is unified geographically and by asset type, with an electronic database indexed by debtor's names?	No

<b>Strength of legal rights index (0–10)</b>	<b>Index score: 2</b>
Are secured creditors paid first (i.e. before general tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	No
Are secured creditors paid first (i.e. before general tax claims and employee claims) when a business is liquidated?	No
Are secured creditors either not subject to an automatic stay or moratorium on enforcement procedures when a debtor enters a court-supervised reorganization procedure, or the law provides secured creditors with grounds for relief from an automatic stay or	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>	<b>Private credit bureau</b>	<b>Public credit registry</b>	<b>Index score: 4</b>
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?	No	No	0
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>	<b>Private credit bureau</b>	<b>Public credit registry</b>
<b>Number of firms</b>	623,472	0
<b>Number of individuals</b>	2,456,856	0

Source: Doing Business database.

## PROTECTING INVESTORS

Investor protections matter for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. If the laws do not provide such protections, investors may be reluctant to invest unless they become the controlling shareholders. Strong regulations clearly define related-party transactions, promote clear and efficient disclosure requirements, require shareholder participation in major decisions of the company and set clear 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 shareholders' ability to sue officers and directors for misconduct (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)

- Who can approve related-party transactions
- Disclosure requirements in case of related-party transactions

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

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

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

- 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

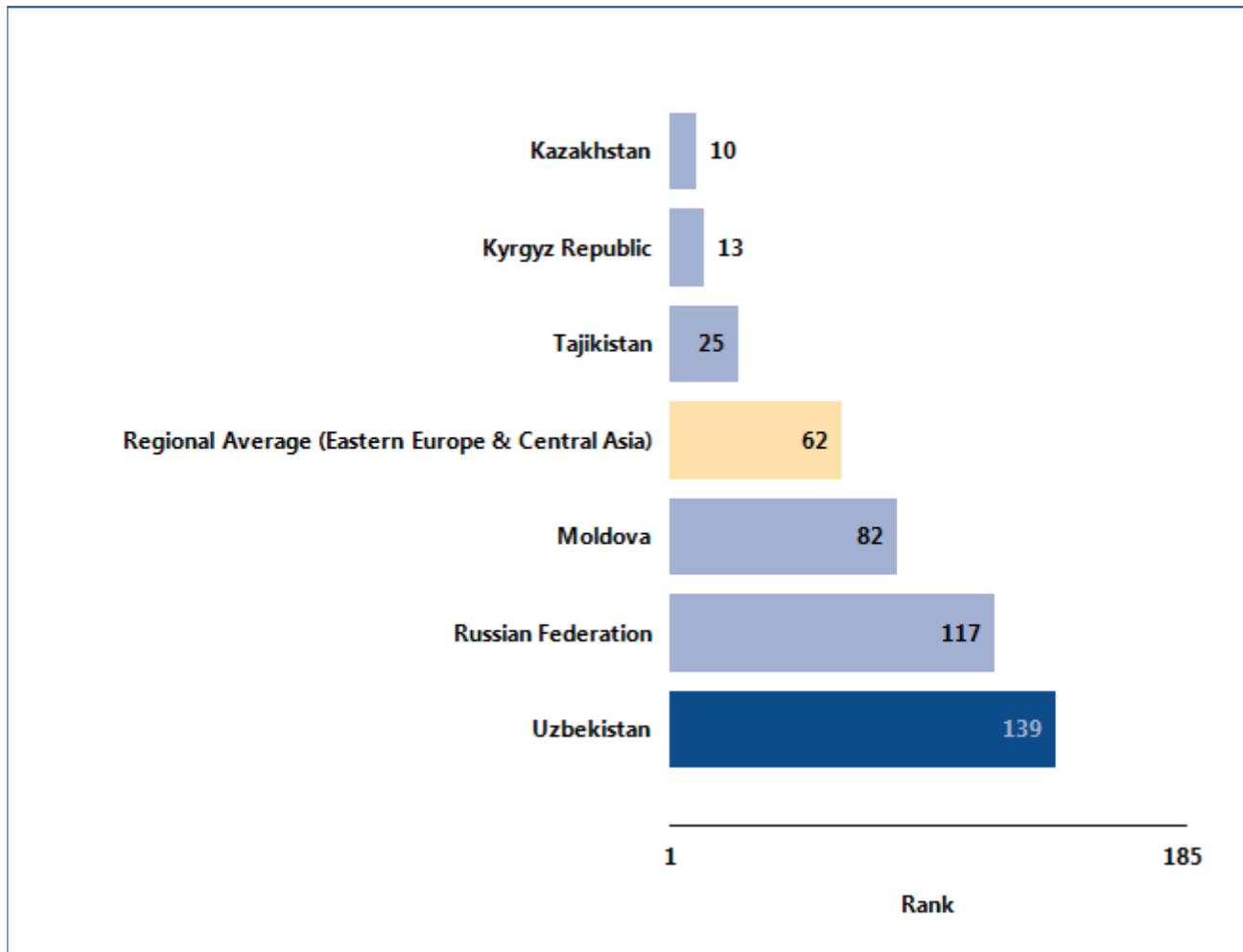
### Where does the economy stand today?

How strong are investor protections in Uzbekistan? The economy has a score of 4.0 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, Uzbekistan stands at 139 in the ranking of 185 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 Uzbekistan 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 Uzbekistan 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 Uzbekistan over time  
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012	DB2013
Rank	..	..	..	..	..	..	136	139
Extent of disclosure index (0-10)	4	4	4	4	4	4	4	4
Extent of director liability index (0-10)	1	1	1	1	1	1	1	1
Ease of shareholder suits index (0-10)	7	7	7	7	7	7	7	7
Strength of investor protection index (0-10)	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings shown are not last year's published rankings but comparable rankings for DB2012 that capture the effects of such factors as data corrections and the addition of 2 economies (Barbados and Malta) to the sample this year.

Source: *Doing Business* database.

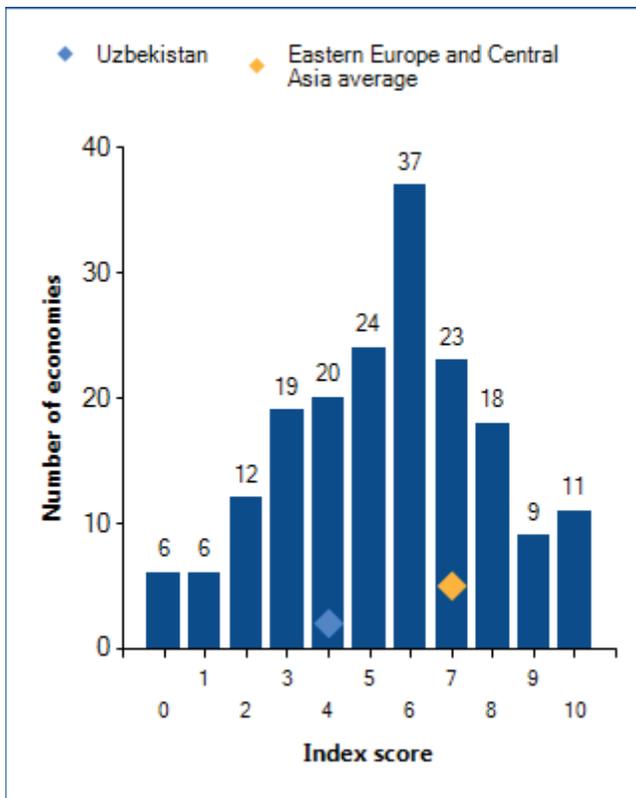
## PROTECTING INVESTORS

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 Uzbekistan in 2012 and

shows the number of economies with this score in 2012 as well as the regional average score. Figure 7.3 shows the same thing for the extent of director liability index, and figure 7.4 for the ease of shareholder suits index.

Figure 7.2 How strong are disclosure requirements?

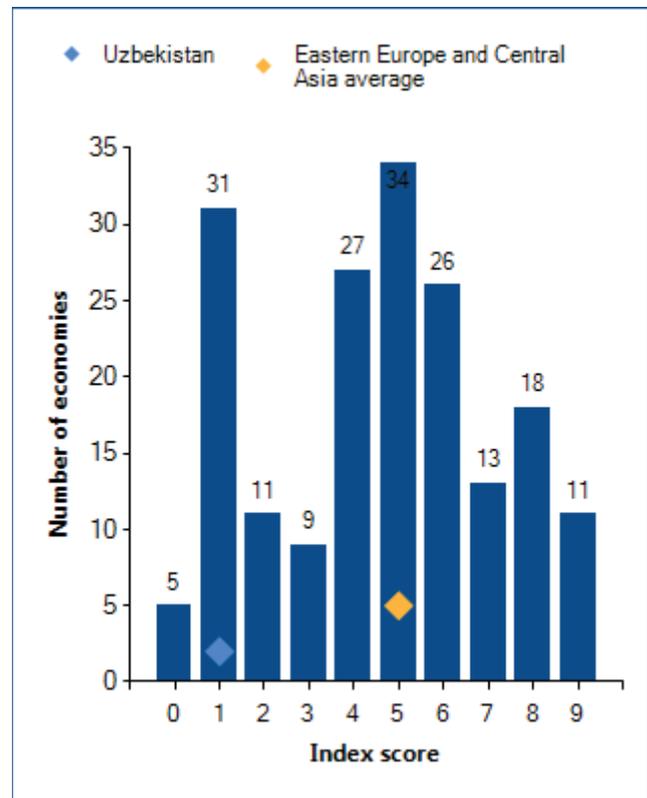
Number of economies with each score on extent of disclosure index (0–10), 2012



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 extent of director liability index (0–10), 2012

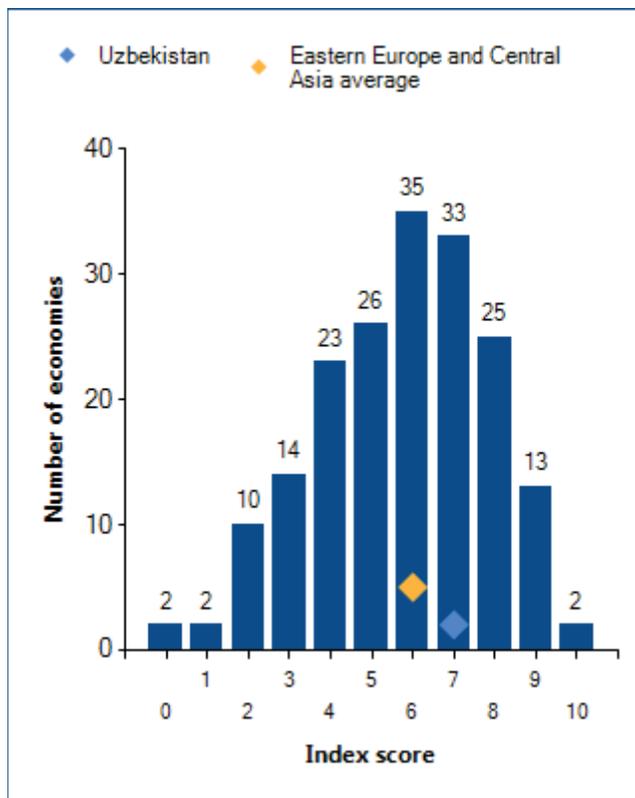


Note: Higher scores indicate greater liability of directors. No economy receives a score of 10 on the extent of director liability index.  
Source: Doing Business database.

## PROTECTING INVESTORS

Figure 7.4 How easy is access to internal corporate documents?

Number of economies with each score on ease of shareholder suits index (0–10), 2012



Note: Higher scores indicate greater powers of shareholders to challenge the transaction.

Source: *Doing Business* database.

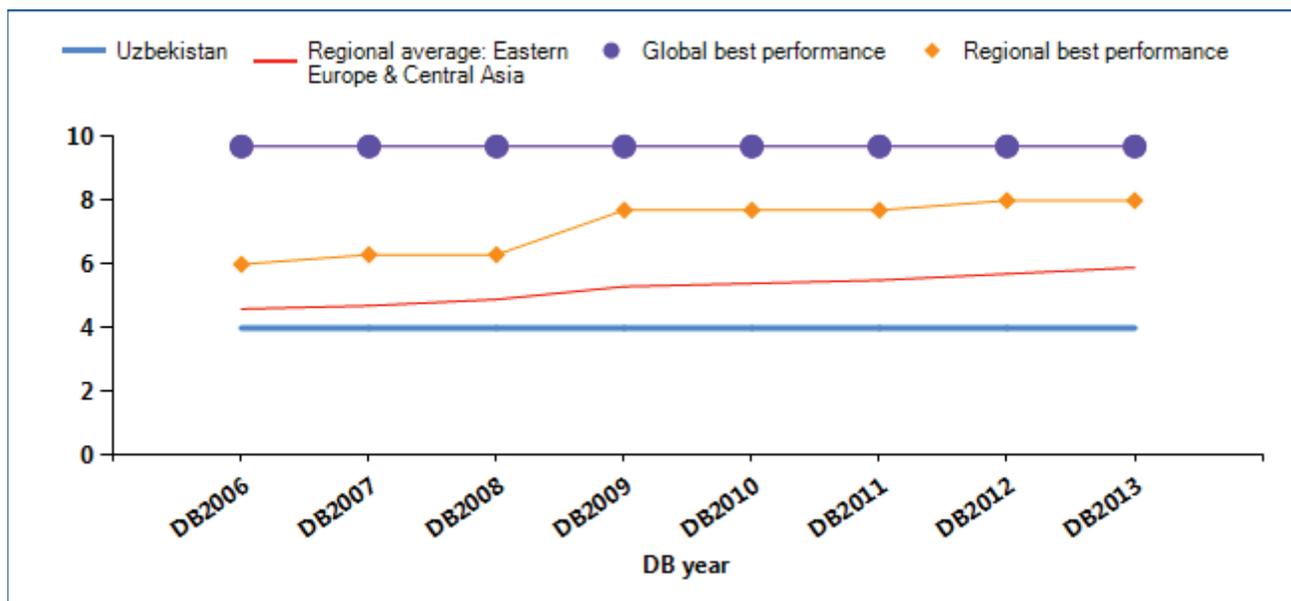
## PROTECTING INVESTORS

The scores recorded over time for Uzbekistan 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 investor protections.

Source: Doing Business database.

## PROTECTING INVESTORS

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

time. So reforms to strengthen investor protections may move ahead on different fronts—such as through new or amended company laws or civil procedure rules. What investor protection reforms has *Doing Business* recorded in Uzbekistan (table 7.2)?

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

DB year	Reform
<b>DB2008</b>	No reform as measured by Doing Business.
<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.

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 Uzbekistan are based on detailed information collected through a survey of corporate and securities lawyers as well as on securities regulations, company laws and court rules of evidence. To construct the extent of disclosure, extent of director liability and

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

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

Indicator	Uzbekistan	Eastern Europe & Central Asia average	OECD high income average
<b>Extent of disclosure index (0-10)</b>	4	7	6
<b>Extent of director liability index (0-10)</b>	1	5	5
<b>Ease of shareholder suits index (0-10)</b>	7	6	7
<b>Strength of investor protection index (0-10)</b>	4.0	5.9	6.1

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

	Score	Score description
Extent of disclosure index (0-10)	4	
What corporate body provides legally sufficient approval for the transaction?	3	Shareholders meeting 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?	1	Existence of a conflict without any specifics
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?	0	No disclosure obligation
Whether an external body must review the terms of the transaction before it takes place?	0	No
Extent of director liability index (0-10)	1	
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1	Yes

	Score	Score description
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?	0	Not liable
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
Ease of shareholder suits index (0-10)	7	
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?	1	Yes
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	3	Any information that is relevant to the subject matter of the claim
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?	1	Yes
Strength of investor protection index (0-10)	4.0	

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, 2010.
- 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.

<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 25.7%.

### WHAT THE PAYING TAXES INDICATORS MEASURE

#### Tax payments for a manufacturing company in 2011 (number per year adjusted for electronic or joint filing and payment)

Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)

Method and frequency of filing and payment

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

Collecting information and computing the tax payable

Completing tax return forms, filing with proper agencies

Arranging payment or withholding

Preparing separate tax accounting books, if required

#### Total tax rate (% of profit 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.

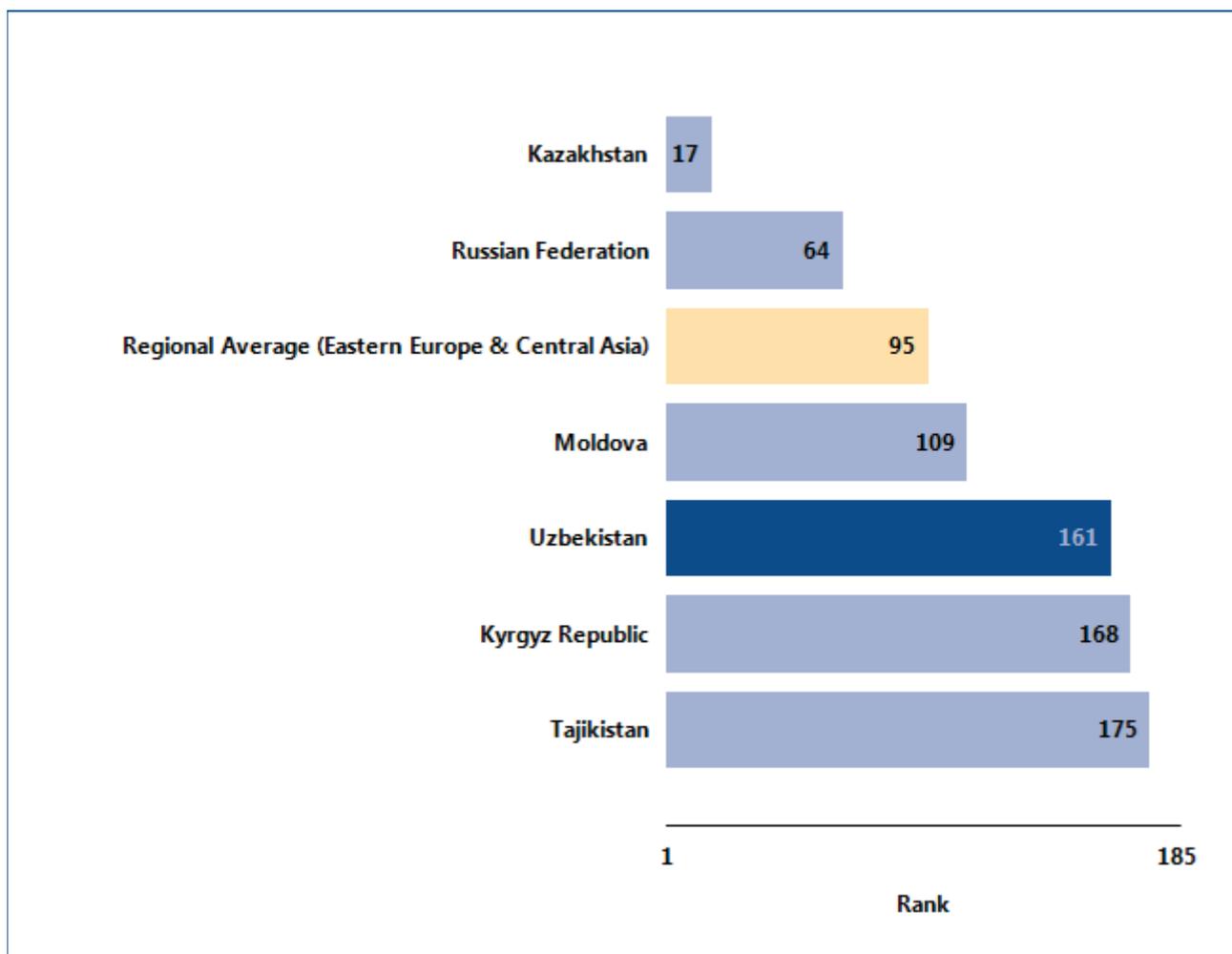
## PAYING TAXES

### Where does the economy stand today?

What is the administrative burden of complying with taxes in Uzbekistan—and how much do firms pay in taxes? On average, firms make 41 tax payments a year, spend 205 hours a year filing, preparing and paying taxes and pay total taxes amounting to 98.5% of profit (see the summary at the end of this chapter for details).

Globally, Uzbekistan stands at 161 in the ranking of 185 economies on the ease of paying taxes (figure 8.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing the tax compliance burden for businesses in Uzbekistan.

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



Note: DB2013 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 25.7% applied in DB2013, the total tax rate is set at 25.7% for the purpose of calculating the ranking on the ease of paying taxes.

Source: *Doing Business* database.

## PAYING TAXES

### What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to comply with tax rules in Uzbekistan today, data over time show which aspects

of the process have changed — and which have not (table 8.1). That can help identify where the potential for easing tax compliance is greatest.

Table 8.1 The ease of paying taxes in Uzbekistan over time  
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012	DB2013
Rank	..	..	..	..	..	..	159	161
Payments (number per year)	49	53	41	41	41	41	41	41
Time (hours per year)	196	196	196	205	205	205	205	205
Total tax rate (% profit)	96.7	112.1	90.3	89.8	94.8	95.6	97.5	98.5

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings shown are not last year's published rankings but comparable rankings for DB2012 that capture the effects of such factors as data corrections and the addition of 2 economies (Barbados and Malta) to the sample this year. DB2013 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 25.7% applied in DB2013, the total tax rate is set at 25.7% for the purpose of calculating the ranking on the ease of paying taxes.

Source: *Doing Business* database.

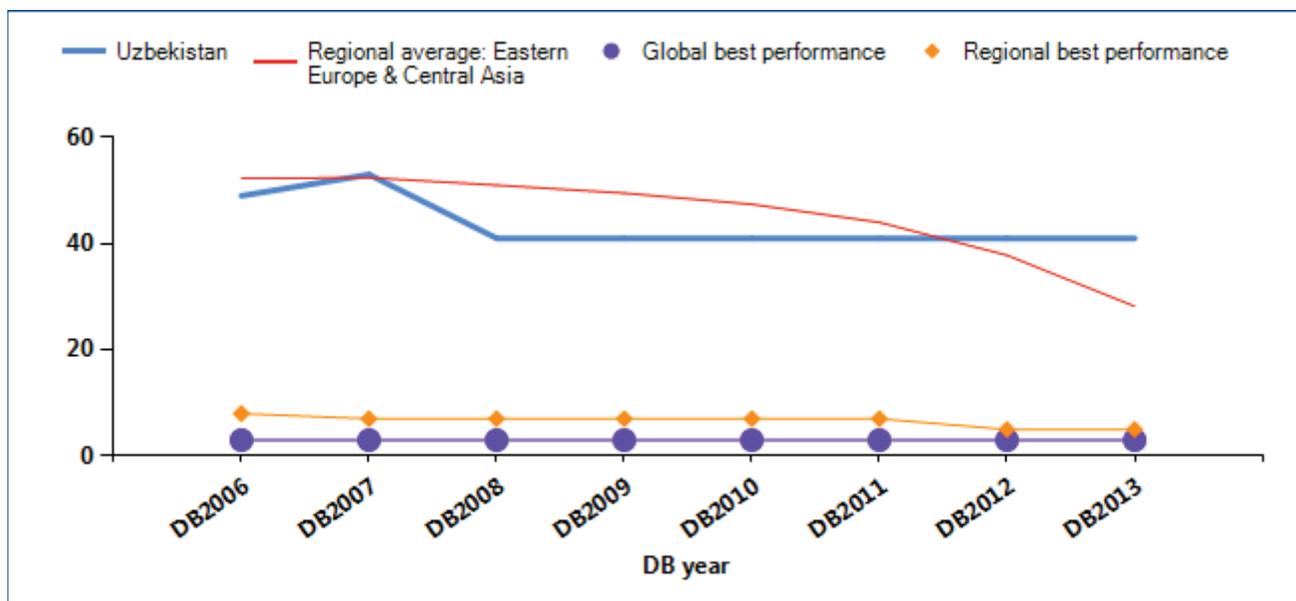
## PAYING TAXES

Equally helpful may be 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). These benchmarks help show what is

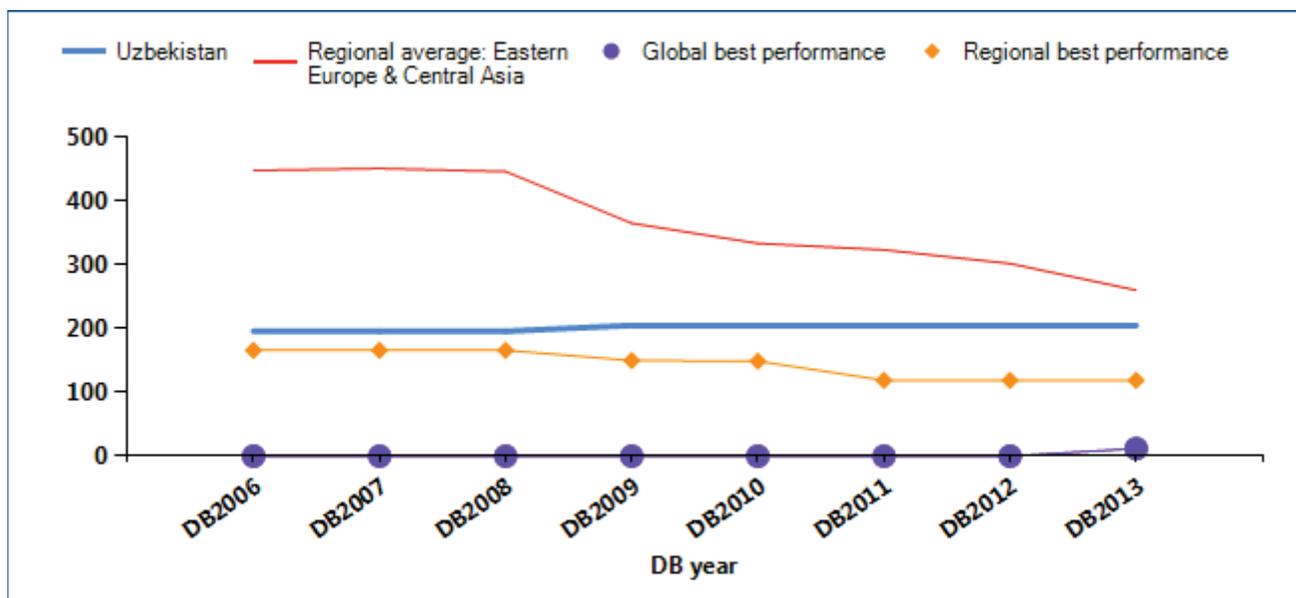
possible in easing the administrative burden of tax compliance. And changes in regional averages can show where Uzbekistan is keeping up—and where it is falling behind.

Figure 8.2 Has paying taxes become easier over time?

### Payments (number per year)

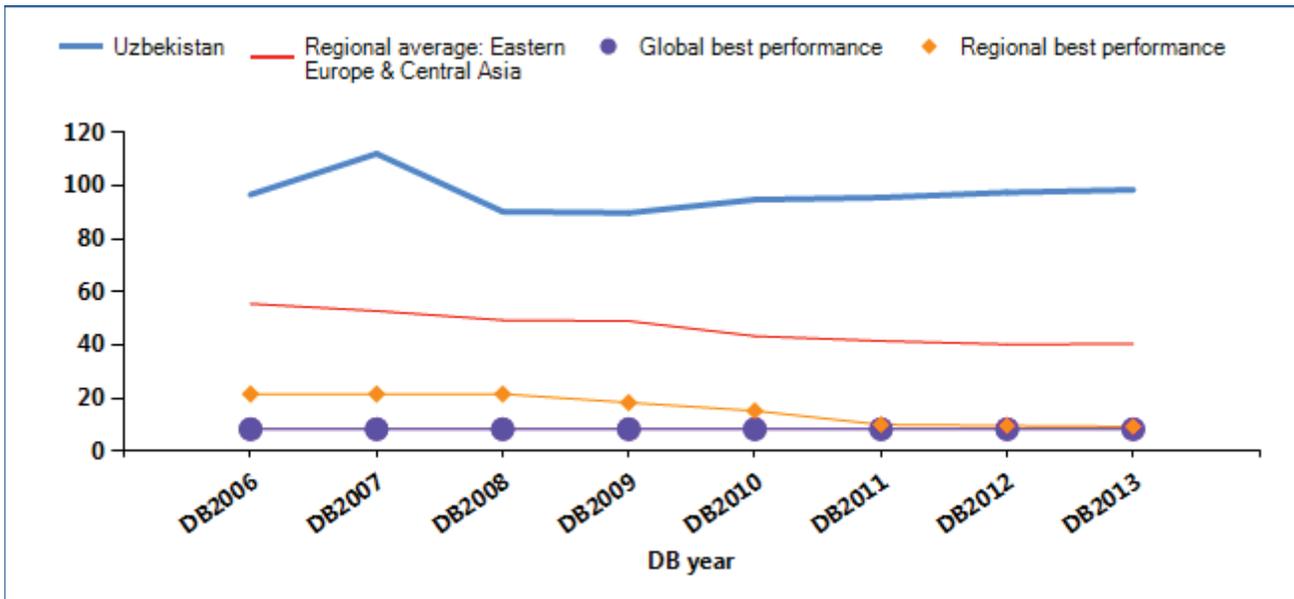


### Time (hours per year)



## PAYING TAXES

### Total tax rate (% of profit)



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 Uzbekistan (table 8.2)?

Table 8.2 How has Uzbekistan made paying taxes easier—or not?  
By *Doing Business* report year

DB year	Reform
<b>DB2008</b>	Uzbekistan reduced the tax burden for companies by reducing the CIT and the unified social payment. It eased the payment of taxes by abolishing the ecology tax and reducing the number of payment required for CIT.
<b>DB2009</b>	No reform as measured by Doing Business.
<b>DB2010</b>	Uzbekistan introduced a new tax code combining corporate income tax (CIT) provisions.
<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.

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 Uzbekistan 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: Tashkent**

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 Uzbekistan

Indicator	Uzbekistan	Eastern Europe & Central Asia average	OECD high income average
Payments (number per year)	41	28	12
Time (hours per year)	205	260	176
Profit tax (%)	0.9	9.1	15.2
Labor tax and contributions (%)	28.2	22.1	23.8
Other taxes (%)	69.4	9.3	3.7
<b>Total tax rate (% profit)</b>	<b>98.5</b>	<b>40.5</b>	<b>42.7</b>

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
Contribution to pension fund from sales	4		0	2%	sales	28.3	
Unified social payment	12		69	25%	gross salaries	28.2	
Contributions to road fund	4		0	1%	sales	24.7	

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
Contributions to the Educational Institutions (reconstruction, capital repair and equipment) Fund	4		0	1%	sales	8.8	
Land tax	4		0	various rates	land area	7.2	
Corporate income tax	4		66	9%	taxable profit	0.5	
Infrastructure development tax	4		0	8%	taxable income after corporate income tax	0.4	
Tax on interest	0		0	10%	interest income	0.3	
Value added tax (VAT)	4		70	20%	value added	0	not included
Water tax	1	paid by third parties	0	various rates	water consumption	0	
<b>Totals</b>	<b>41</b>		<b>205</b>			<b>98.5</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 military items.

### 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

- 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.

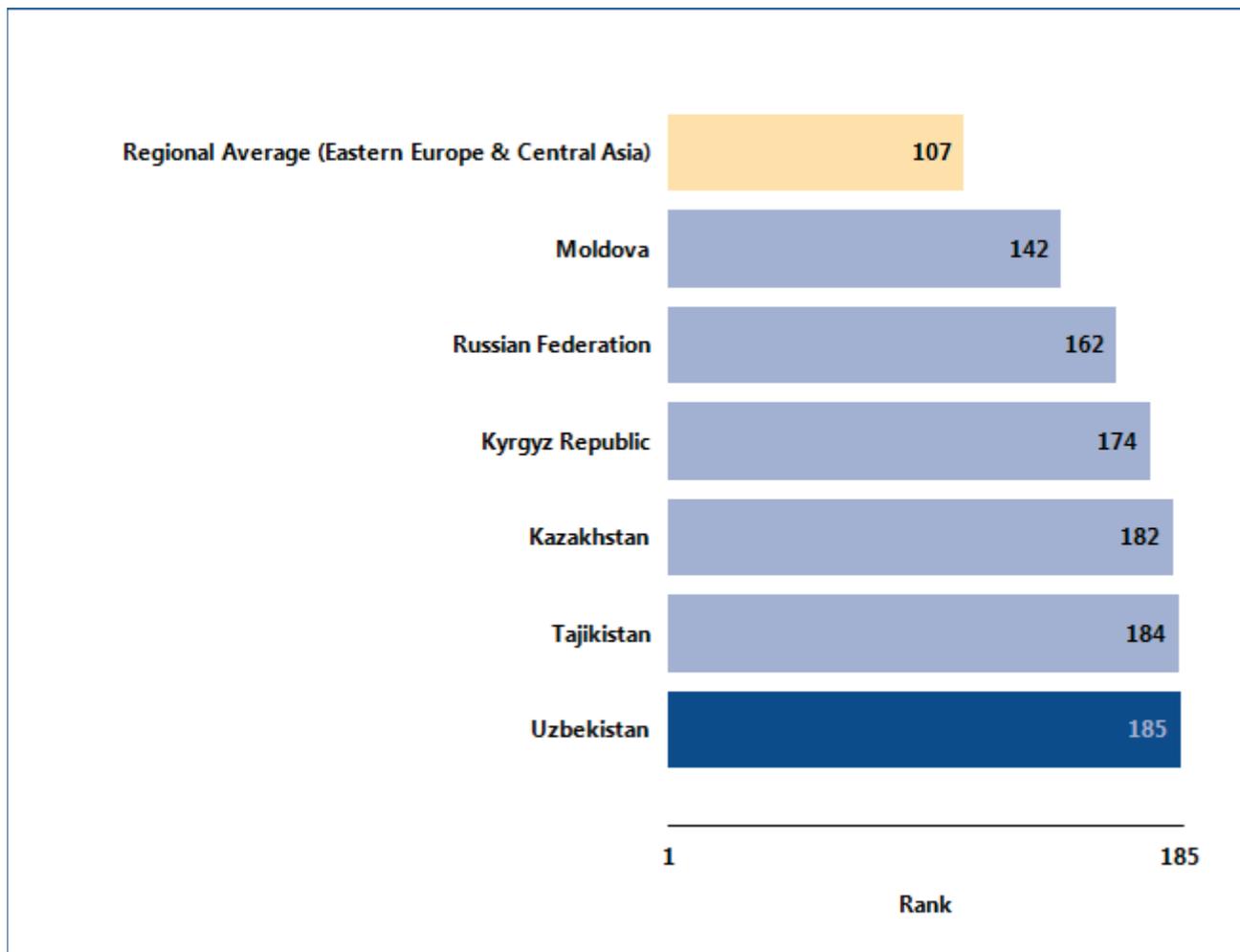
## TRADING ACROSS BORDERS

### Where does the economy stand today?

What does it take to export or import in Uzbekistan? According to data collected by *Doing Business*, exporting a standard container of goods requires 13 documents, takes 80 days and costs \$4585. Importing the same container of goods requires 14 documents, takes 99 days and costs \$4750 (see the summary of procedures and documents at the end of this chapter for details).

Globally, Uzbekistan stands at 185 in the ranking of 185 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 Uzbekistan to export and import goods.

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



Source: *Doing Business* database.

## TRADING ACROSS BORDERS

### What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to export or import in Uzbekistan today, data over time show which aspects of the process have changed—and which have not (table 9.1). That can help identify where the potential for improvement is greatest.

Table 9.1 The ease of trading across borders in Uzbekistan over time  
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012	DB2013
Rank	..	..	..	..	..	..	185	185
Documents to export (number)	13	13	13	13	13	13	13	13
Time to export (days)	86	86	86	86	77	77	77	80
Cost to export (US\$ per container)	3,685	3,685	3,685	4,235	4,235	4,285	4,285	4,585
Documents to import (number)	15	15	15	15	15	15	15	14
Time to import (days)	104	104	104	104	92	92	92	99
Cost to import (US\$ per container)	4,050	4,050	4,050	4,600	4,600	4,650	4,650	4,750

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings shown are not last year's published rankings but comparable rankings for DB2012 that capture the effects of such factors as data corrections and the addition of 2 economies (Barbados and Malta) to the sample this year.

Source: *Doing Business* database.

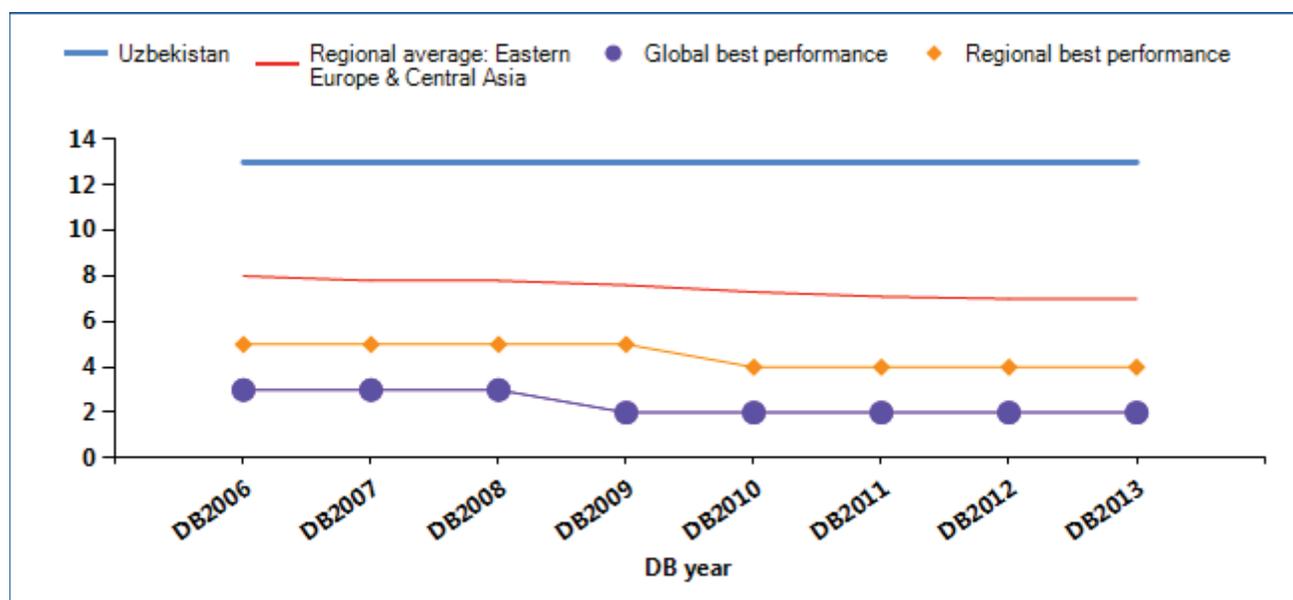
## TRADING ACROSS BORDERS

Equally helpful may be 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).

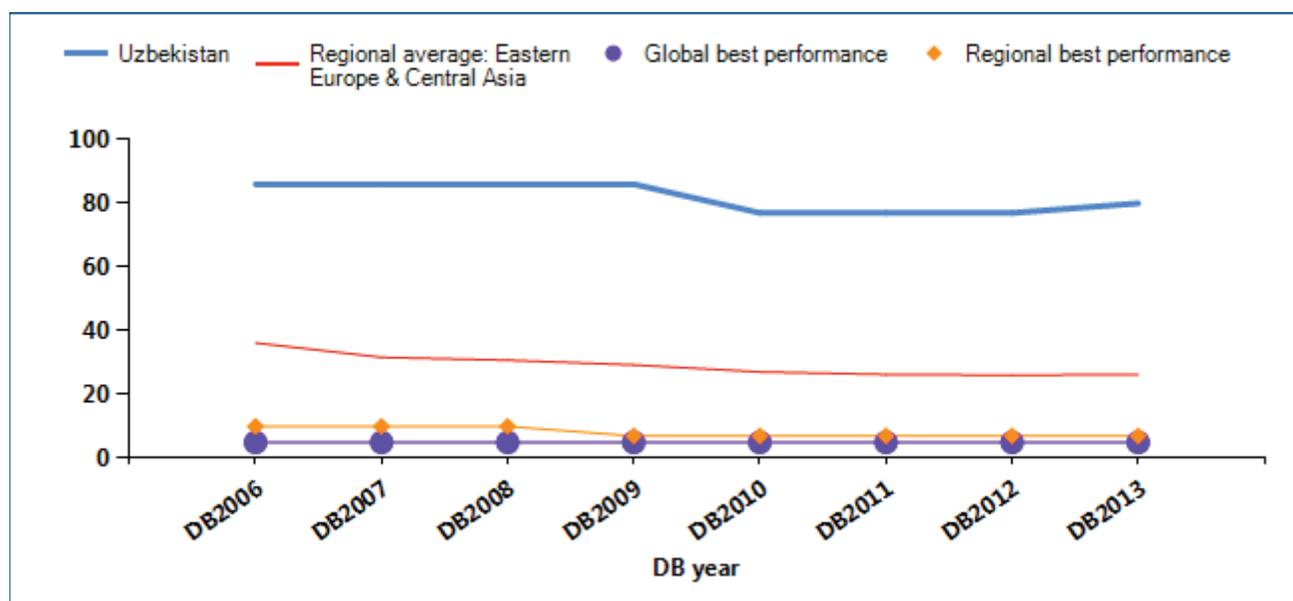
These benchmarks help show what is possible in making it easier to trade across borders. And changes in regional averages can show where Uzbekistan is keeping up—and where it is falling behind.

Figure 9.2 Has trading across borders become easier over time?

### Documents to export (number)

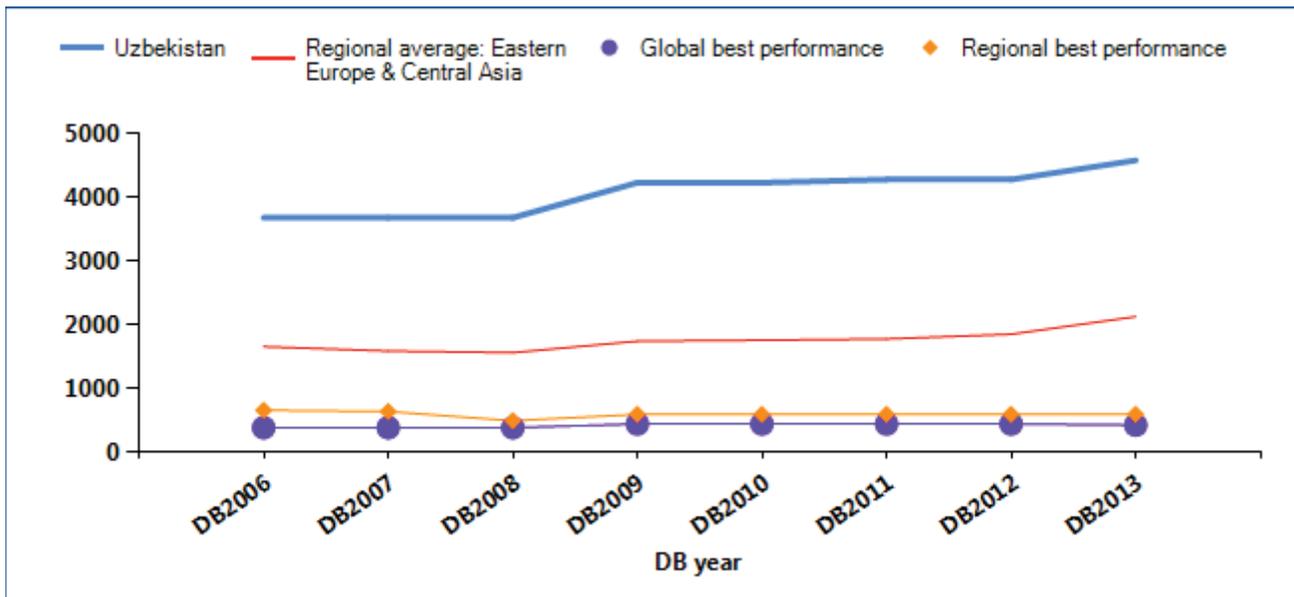


### Time to export (days)

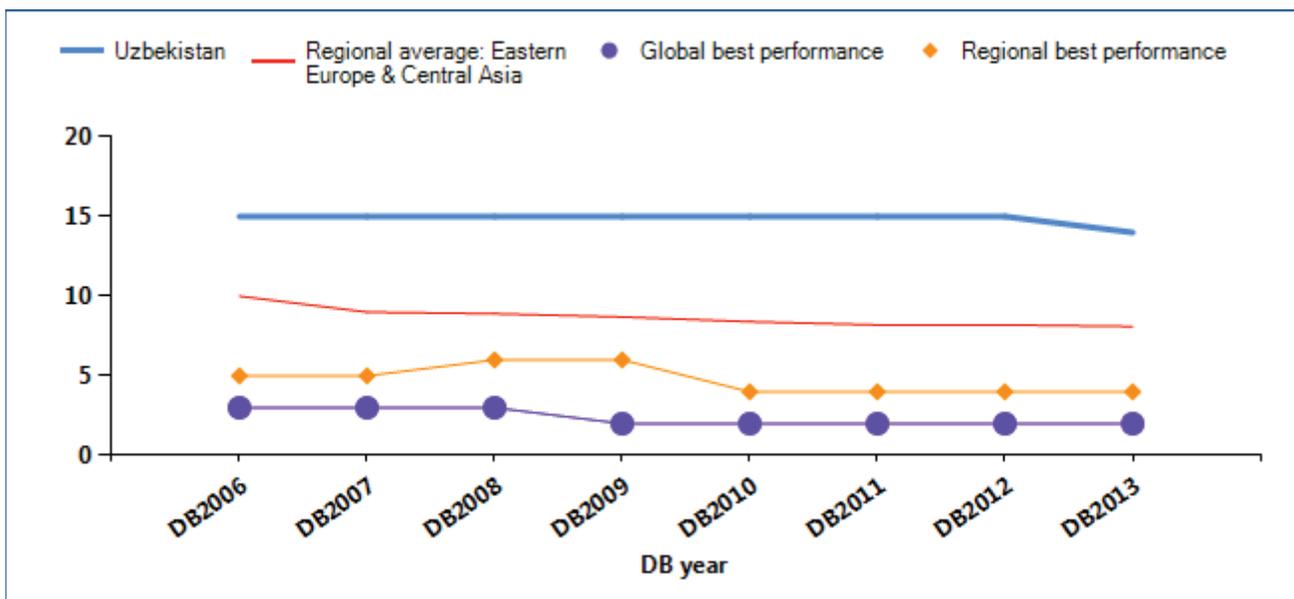


## TRADING ACROSS BORDERS

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

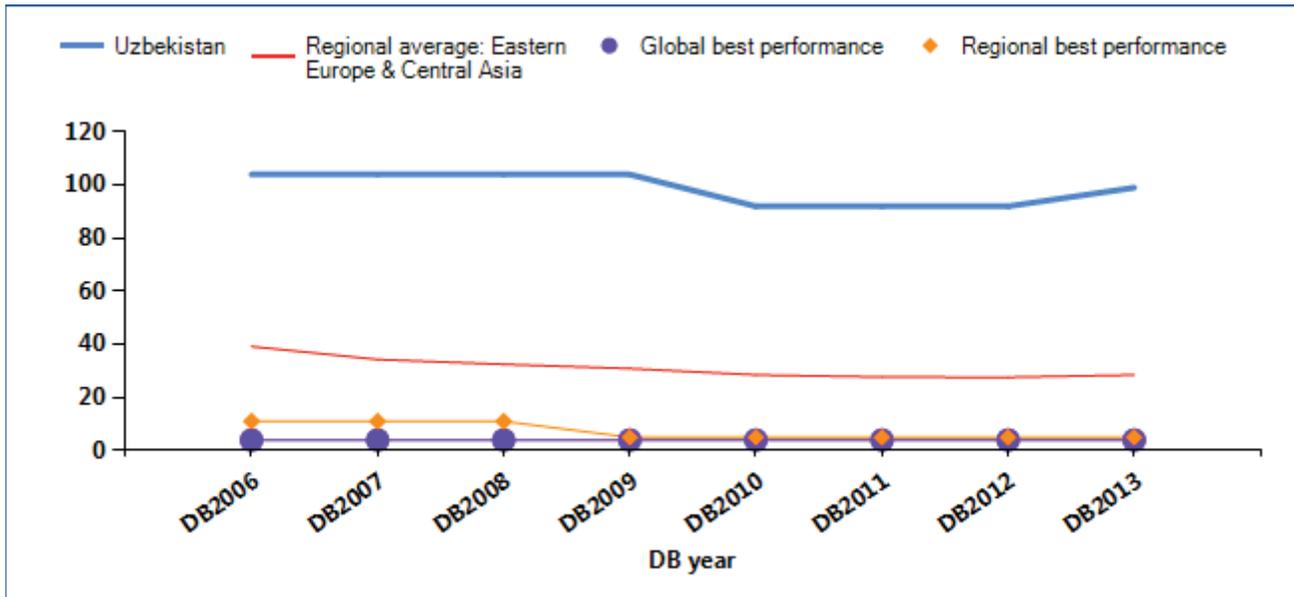


### Documents to import (number)

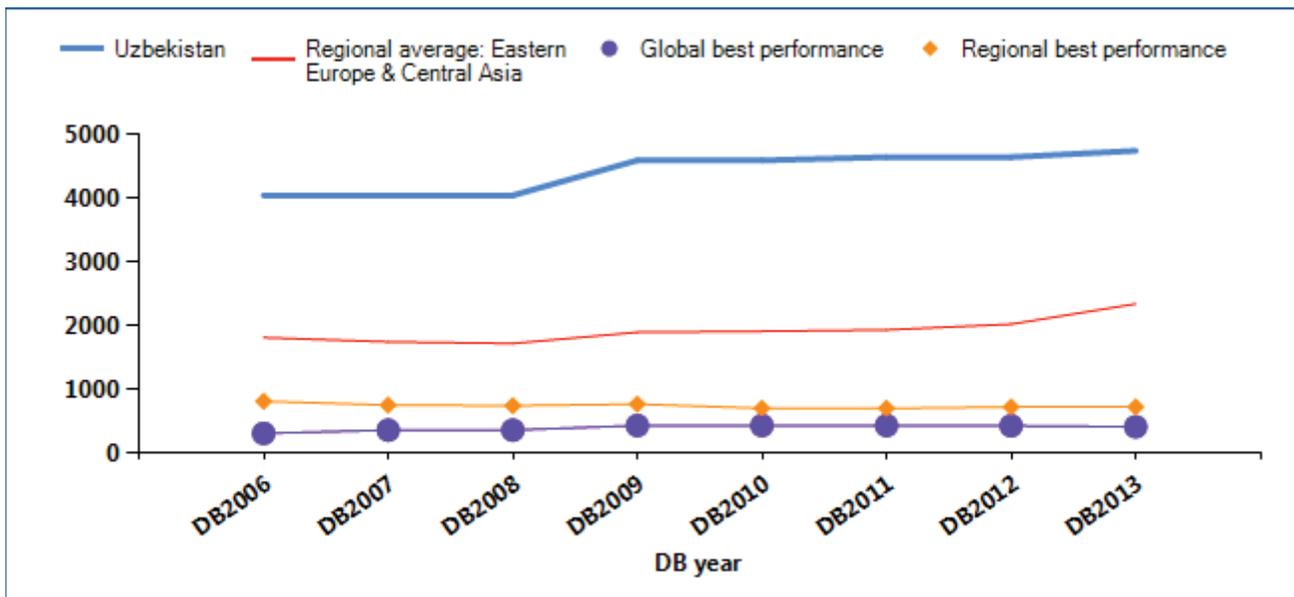


## TRADING ACROSS BORDERS

### Time to import (days)



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



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 Uzbekistan (table 9.2)?

Table 9.2 How has Uzbekistan made trading across borders easier—or not?  
By *Doing Business* report year

DB year	Reform
<b>DB2008</b>	No reform as measured by Doing Business.
<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>	Uzbekistan reduced the time to export by introducing a single window for customs clearance and reduced the number of documents needed for each import transaction.

*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 Uzbekistan 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: Tashkent**

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 Uzbekistan

Indicator	Uzbekistan	Eastern Europe & Central Asia average	OECD high income average
Documents to export (number)	13	7	4
Time to export (days)	80	26	10
Cost to export (US\$ per container)	4,585	2,134	1,028
Documents to import (number)	14	8	5
Time to import (days)	99	29	10
Cost to import (US\$ per container)	4,750	2,349	1,080

*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	32	285
Customs clearance and technical control	5	200
Ports and terminal handling	5	300
Inland transportation and handling	38	3,800
Totals	80	4,585

Procedures to import	Time (days)	Cost (US\$)
Documents preparation	50	335

Procedures to import	Time (days)	Cost (US\$)
Customs clearance and technical control	8	200
Ports and terminal handling	3	300
Inland transportation and handling	38	3,915
Totals	99	4,750

Documents to export
Bill of lading
Certificate of Conformity (sertifikat sootvetstviya)
Certificate of Origin
Certificate of Settlement (spravka o raschetah)
Commercial invoice
Customs export declaration
Customs transit declaration
Legal resolution (yuridicheskoe zakluchenie dlya postanovki kontrakta na uchet)
Note from the bank assigning ID number to the contract
Packing list
Railway bill (Transport document)
Sales purchase contract
Terminal handling receipts

Source: Doing Business database.

Documents to import
Bill of Lading
Card of importation of goods (kartochka vvoza tovarov)
Certificate of conformity (sertifikat sootvetstviya)
Certificate of origin
Commercial invoice
Customs import declaration
Customs transit declaration
Document certifying cost of transportation/invoice for transportation
Inspection report
Legal resolution (yuridicheskoe zakluchenie dlya postanovki kontrakta na uchet)
Note from the bank assigning ID number to the contract
Packing list
Railway bill (Transport document)
Sales purchase contract

## ENFORCING CONTRACTS

Well-functioning courts help businesses expand their network and markets. Without effective contract enforcement, people might well do business only with family, friends and others with whom they have established relationships. Where contract enforcement is efficient, firms are more likely to engage with new borrowers or customers, and they have greater access to credit.

### 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.

### WHAT THE ENFORCING CONTRACTS INDICATORS MEASURE

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

Any interaction between the parties in a commercial dispute, or between them and the judge or court officer

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)

No bribes

Average attorney fees

Court costs

Enforcement costs

- 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.

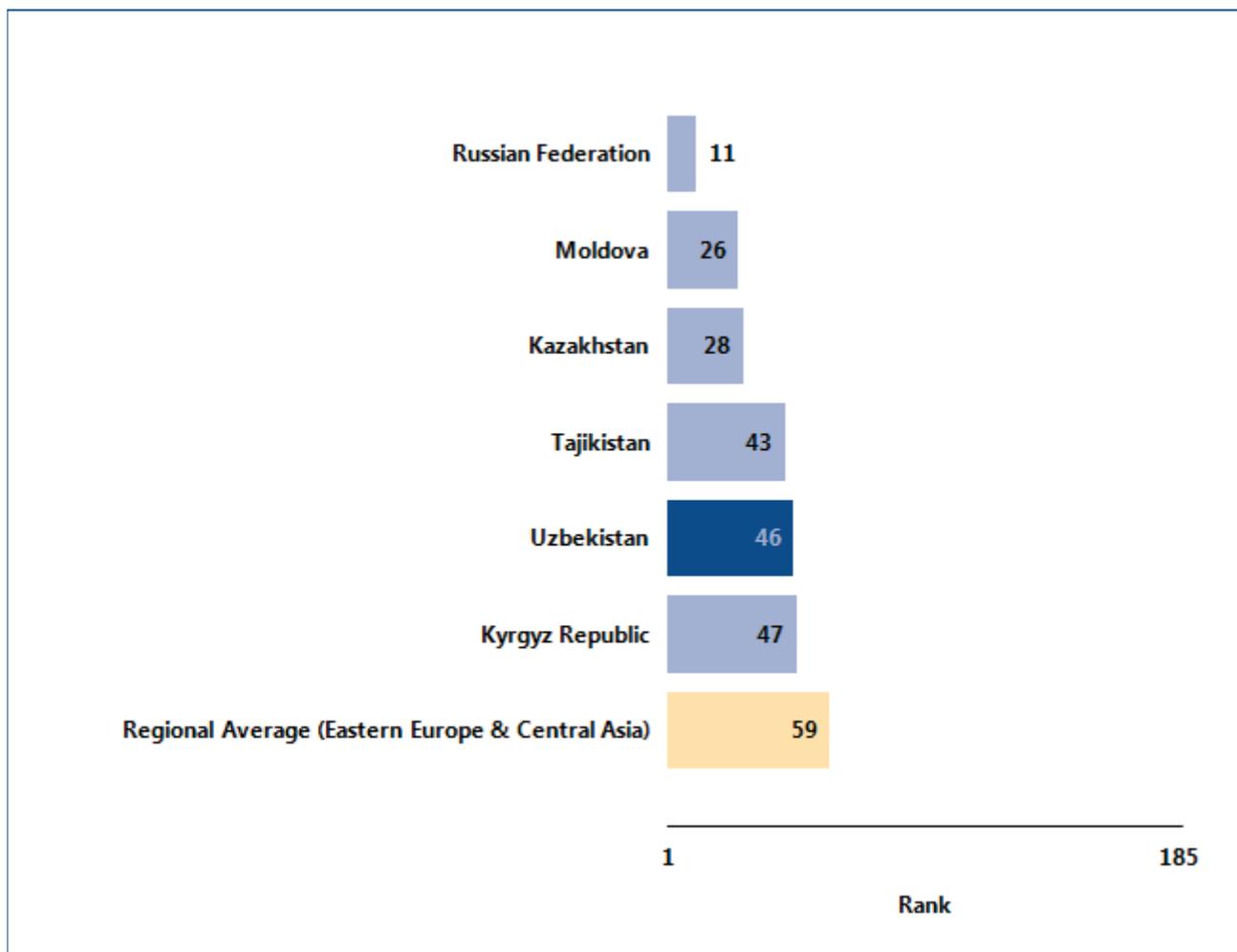
## ENFORCING CONTRACTS

### Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in Uzbekistan? According to data collected by *Doing Business*, enforcing a contract takes 195 days, costs 22.2% of the value of the claim and requires 42 procedures (see the summary at the end of this chapter for details).

Globally, Uzbekistan stands at 46 in the ranking of 185 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 Uzbekistan.

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



Source: *Doing Business* database.

## ENFORCING CONTRACTS

### What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to enforce a contract in Uzbekistan today, data on the underlying indicators over time help identify which areas have changed and where the potential for improvement is greatest (table 10.1).

Table 10.1 The ease of enforcing contracts in Uzbekistan over time

By *Doing Business* report year

Indicator	DB2004	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012	DB2013
<b>Rank</b>	..	..	..	..	..	..	..	..	45	46
<b>Time (days)</b>	195	195	195	195	195	195	195	195	195	195
<b>Cost (% of claim)</b>	22.2	22.2	22.2	22.2	22.2	22.2	22.2	22.2	22.2	22.2
<b>Procedures (number)</b>	42	42	42	42	42	42	42	42	42	42

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings shown are not last year's published rankings but comparable rankings for DB2012 that capture the effects of such factors as data corrections and the addition of 2 economies (Barbados and Malta) to the sample this year.

Source: *Doing Business* database.

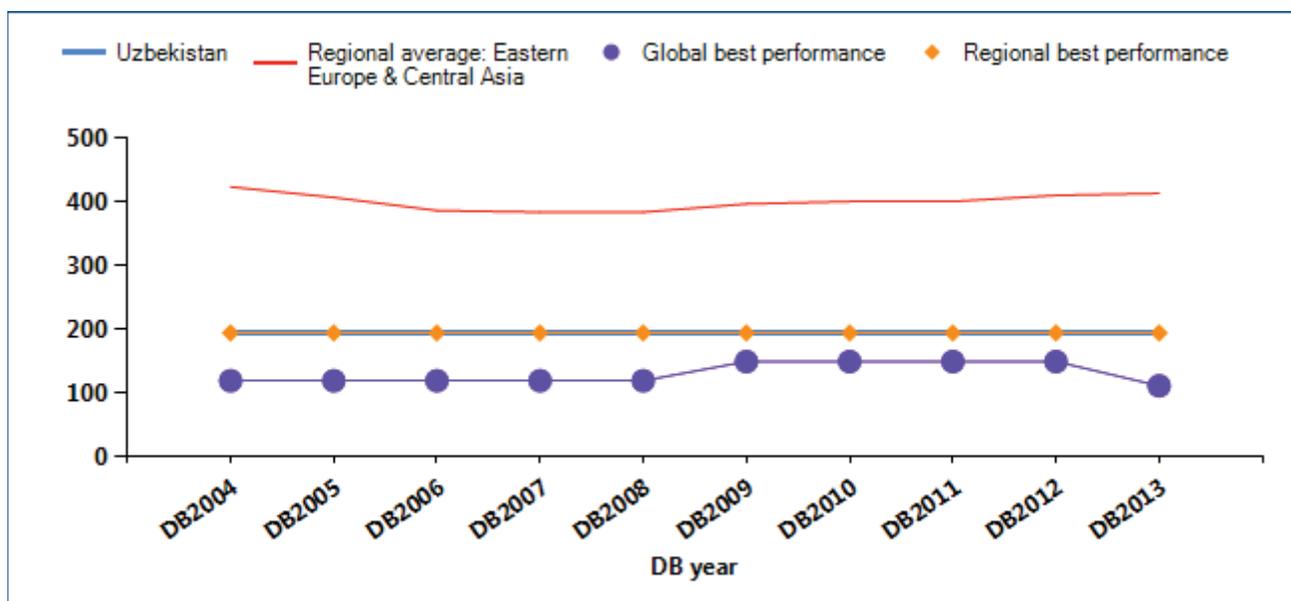
## ENFORCING CONTRACTS

Equally helpful may be 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). These benchmarks

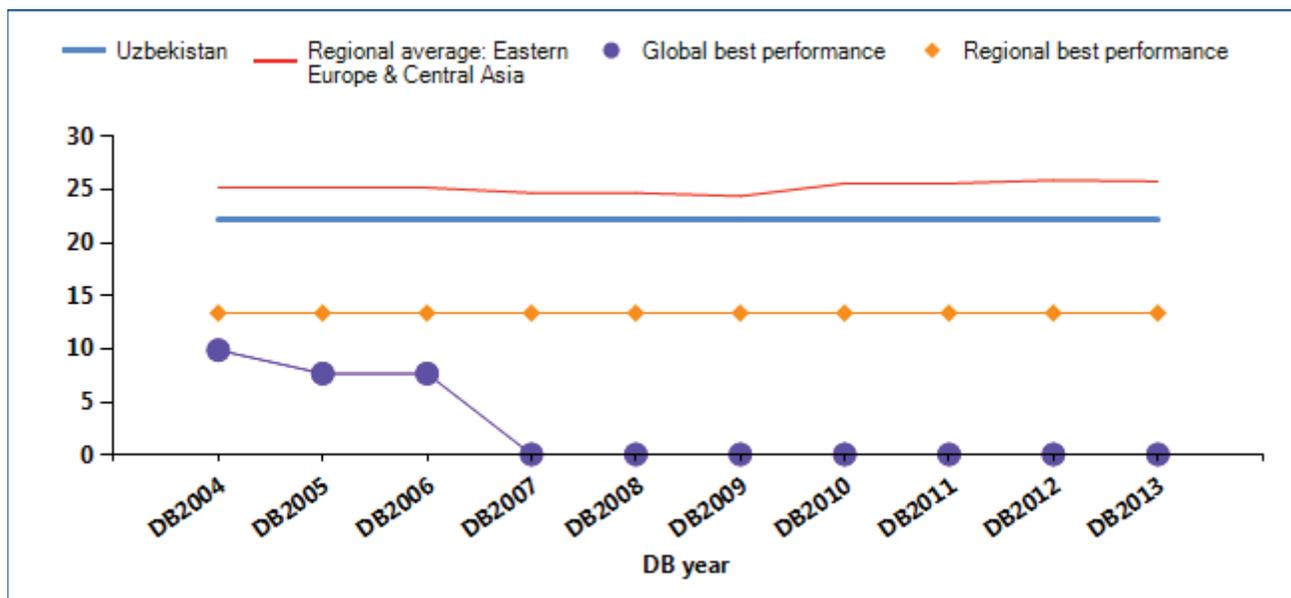
help show what is possible in improving the efficiency of contract enforcement. And changes in regional averages can show where Uzbekistan is keeping up—and where it is falling behind.

Figure 10.2 Has enforcing contracts become easier over time?

### Time (days)

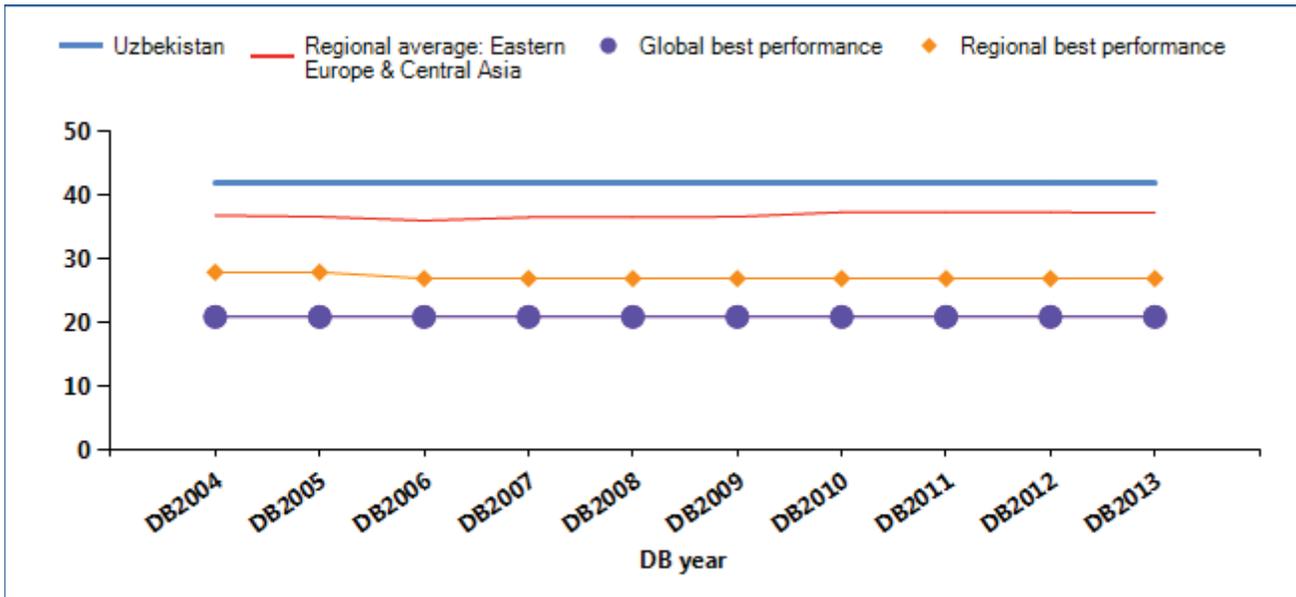


### Cost (% of claim)



## ENFORCING CONTRACTS

### Procedures (number)



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 Uzbekistan (table 10.2)?

Table 10.2 How has Uzbekistan made enforcing contracts easier—or not?

By *Doing Business* report year

DB year	Reform
<b>DB2008</b>	No reform as measured by Doing Business.
<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.

*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 Uzbekistan 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).

#### COMPETENT COURT

**City:** Tashkent

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 Uzbekistan—and the time and cost

Indicator	Uzbekistan	Eastern Europe & Central Asia average	OECD high income average
Time (days)	195	414	510
Filing and service	30		
Trial and judgment	60		
Enforcement of judgment	105		
Cost (% of claim)	22.2	25.8	20.1
Attorney cost (% of claim)	10.0		
Court cost (% of claim)	3.5		
Enforcement Cost (% of claim)	8.7		
Procedures (number)	42	37	31

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	<b>Plaintiff requests payment:</b> Plaintiff or his lawyer asks Defendant orally or in writing to comply with the contract.
*	<b>Plaintiff's filing of summons and complaint:</b> Plaintiff files his summons and complaint with the court, orally or in writing.
*	<b>Plaintiff's payment of court fees:</b> Plaintiff pays court duties, stamp duties, or any other type of court fee.
2	<b>Registration of court case:</b> The court administration registers the lawsuit or court case. This includes assigning a reference number to the lawsuit or court case.
*	<b>Assignment of court case to a judge:</b> The court case is assigned to a specific judge through a random procedure, automated system, ruling of an administrative judge, court officer, etc.
3	<b>Court scrutiny of summons and complaint:</b> A judge examines Plaintiff's summons and complaint for formal requirements.
*	<b>Judge admits summons and complaint:</b> After verifying the formal requirements, the judge decides to admit Plaintiff's summons and complaint.
4	<b>Court order for service:</b> Upon Plaintiff's request, judge orders process be served on Defendant.
5	<b>Delivery of summons and complaint to person authorized to perform service of process on Defendant:</b> The judge or a court officer delivers the summons to a summoning office, officer, or authorized person (including Plaintiff), for service of process on Defendant.
*	<b>Mailing of summons and complaint:</b> Court or process server, including (private) bailiff, mails summons and complaint to Defendant.
6	<b>First attempt at physical delivery:</b> A first attempt to physically deliver summons and complaint to Defendant is successful in the majority of cases.
7	<b>Second attempt at physical delivery:</b> If a first attempt was not successful, a second attempt to physically deliver the summons and complaint to Defendant is required by law or standard practice.
*	<b>Proof of service:</b> Plaintiff submits proof of service to court.
*	<b>Application for pre-judgment attachment:</b> Plaintiff submits an application in writing for the attachment of Defendant's property prior to judgment. (see assumption 5)
*	<b>Decision on pre-judgment attachment:</b> 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
8	<b>Pre-judgment attachment.:</b> 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>

No.	Procedure
*	<b>Defendant's filing of preliminary exemptions:</b> Defendant presents preliminary exemptions to the court. Preliminary exemptions differ from answers on the merits of the claim. Examples of preliminary exemptions are statute of limitations, jurisdictions, etc.
9	<b>Judge's resolution on preliminary exemptions:</b> Judge decides on preliminary exemptions separately from the merits of the case.
10	<b>Defendant's filing of defense or answer to Plaintiff's claim:</b> 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 authority
11	<b>Deadline for Plaintiff to answer Defendant's defense or answer:</b> Judge sets the deadline by which Plaintiff will be allowed to answer Defendant's defense or answer.
12	<b>Plaintiff's written response to Defendant's defense or answer:</b> 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.
13	<b>Filing of pleadings:</b> 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.
14	<b>Adjournments:</b> Court procedure is delayed because one or both parties request and obtain an adjournment to submit written pleadings.
*	<b>Court appointment of independent expert:</b> 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)
15	<b>Notification of court-appointment of independent expert:</b> The court notifies both parties that the court is appointing an independent expert. (see assumption 6-b of this case)
*	<b>Delivery of expert report by court-appointed expert:</b> The independent expert appointed by the court delivers his or her expert report to the court. (see assumption 6-b of this case)
*	<b>Setting of date(s) for oral hearing or trial:</b> The judge sets the date(s) for the oral hearing or trial.
*	<b>List of (expert) witnesses:</b> The parties file a list of (expert) witnesses with the court. (see assumption 6-a)
16	<b>Summoning of (expert) witnesses:</b> The court summons (expert) witnesses to appear in court for the oral hearing or trial. (see assumption 6-a)
17	<b>Adjournments:</b> Court proceedings are delayed because one or both parties request and obtain an adjournment to prepare for the oral hearing or trial.
18	<b>Oral hearing (prevalent in civil law):</b> 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.
19	<b>Adjournments:</b> 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.
20	<b>Closing of the evidence period:</b> The court makes the formal decision to close the evidence period.

No.	Procedure
21	<b>Order for submission of final arguments:</b> The judge sets the deadline for the submission of final factual and legal arguments.
*	<b>Final arguments:</b> The parties present their final factual and legal arguments to the court either by oral presentation or by a written submission.
22	<b>Notification of judgment in court:</b> The parties are notified of the judgment at a court hearing.
23	<b>Writing of judgment:</b> The judge produces a written copy of the judgment.
24	<b>Registration of judgment:</b> The court office registers the judgment after receiving a written copy of the judgment.
25	<b>Court notification of availability of the written judgment:</b> The court notifies the parties that the written judgment is available at the courthouse.
26	<b>Plaintiff's receipt of a copy of written judgment:</b> Plaintiff receives a copy of the written judgment.
27	<b>Notification of Defendant of judgment:</b> 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.
28	<b>Appeal period:</b> 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.
29	<b>Reimbursement by Defendant of Plaintiff's court fees:</b> The judgment obliges Defendant to reimburse Plaintiff for the court fees Plaintiff has advanced, because Defendant has lost the case.
	<b>Enforcement of judgment:</b>
30	<b>Plaintiff's approaching of court enforcement officer or (private) bailiff to enforce the judgment:</b> To enforce the judgment, Plaintiff approaches a court enforcement officer such as a court bailiff or sheriff, or a private bailiff.
*	<b>Plaintiff's request for enforcement order:</b> Plaintiff applies to the court to obtain the enforcement order ('seal' on judgment).
31	<b>Plaintiff's advancement of enforcement fees:</b> Plaintiff pays the fees related to the enforcement of the judgment.
32	<b>Attachment of enforcement order to judgment:</b> The judge attaches the enforcement order ('seal') to the judgment.
*	<b>Delivery of enforcement order:</b> The court's enforcement order is delivered to a court enforcement officer or a (private) bailiff.
33	<b>Request to Defendant to comply voluntarily with judgment:</b> 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.
34	<b>Identification of Defendant's assets for attachment by court official or Defendant:</b> Judge, a court enforcement officer, a (private) bailiff or the Defendant himself identifies Defendant's movable assets for attachment.
35	<b>Attachment:</b> Defendant's movable goods are attached (physically or by registering, marking or separating assets).
36	<b>Report on execution of attachment:</b> A court enforcement officer or private process server delivers a report on the attachment of Defendant's movable goods to the judge.
37	<b>Valuation or appraisal of attached movable goods:</b> The court or court appointed valuation expert evaluates the attached goods.

No.	Procedure
38	<b>Enforcement disputes before court:</b> The enforcement of the judgment is delayed because Defendant opposes aspects of the enforcement process before the judge.
39	<b>Call for public auction:</b> The judge calls a public auction by, for example, advertising or publication in the newspapers.
40	<b>Sale through public auction:</b> The Defendant's movable property is sold at public auction.
41	<b>Distribution of proceeds:</b> The proceeds of the public auction are distributed to various creditors (including Plaintiff), according to the rules of priority.
42	<b>Reimbursement of Plaintiff's enforcement fees:</b> Defendant reimburses Plaintiff's enforcement fees which Plaintiff had advanced previously.
43	<b>Payment:</b> Court orders that the proceeds of the public auction or the direct sale be delivered to Plaintiff.

\* Takes place simultaneously with another procedure.

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.

### 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

#### 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 201 employees, 1 main secured creditor and 50 unsecured creditors.
- 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

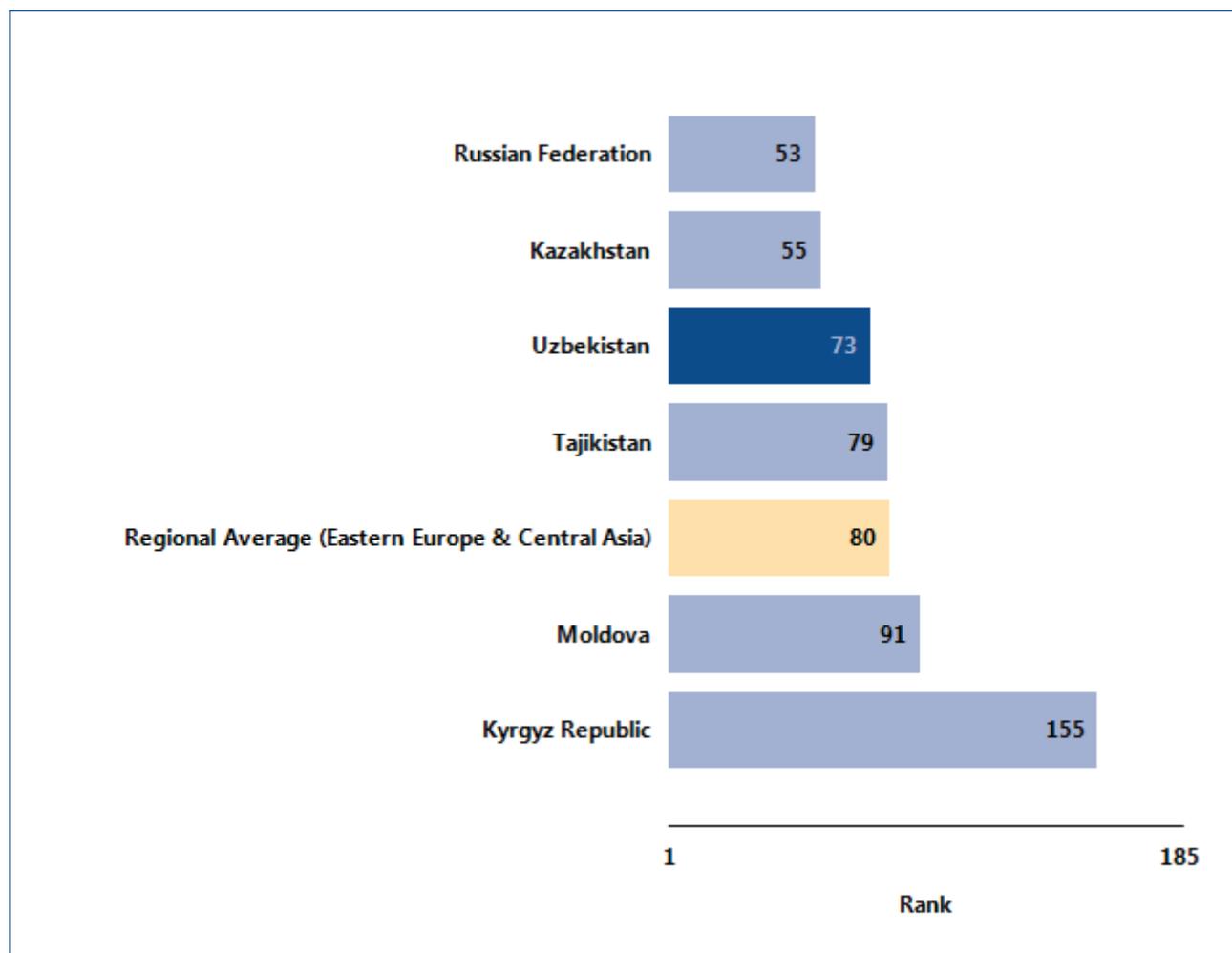
### Where does the economy stand today?

Speed, low costs and continuation of viable businesses characterize the top-performing economies. How efficient are insolvency proceedings in Uzbekistan? According to data collected by *Doing Business*, resolving insolvency takes 2.0 years on average and costs 10% 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 38.5 cents on the dollar.

Globally, Uzbekistan stands at 73 in the ranking of 185 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 Uzbekistan.

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



Source: *Doing Business* database.

## RESOLVING INSOLVENCY

## What are the changes over time?

While the most recent *Doing Business* data reflect the efficiency of insolvency proceedings in Uzbekistan today, data over time show where the efficiency has changed—and where it has not (table 11.1). That can help identify where the potential for improvement is greatest.

Table 11.1 The ease of resolving insolvency in Uzbekistan over time  
By *Doing Business* report year

Indicator	DB2004	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012	DB2013
Rank	..	..	..	..	..	..	..	..	124	73
Time (years)	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	2.0
Cost (% of estate)	10	10	10	10	10	10	10	10	10	10
Recovery rate (cents on the dollar)	10.8	12.0	10.8	18.7	18.7	18.7	18.7	22.2	23.7	38.5

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings shown are not last year's published rankings but comparable rankings for DB2012 that capture the effects of such factors as data corrections and the addition of 2 economies (Barbados and Malta) 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.

Source: *Doing Business* database.

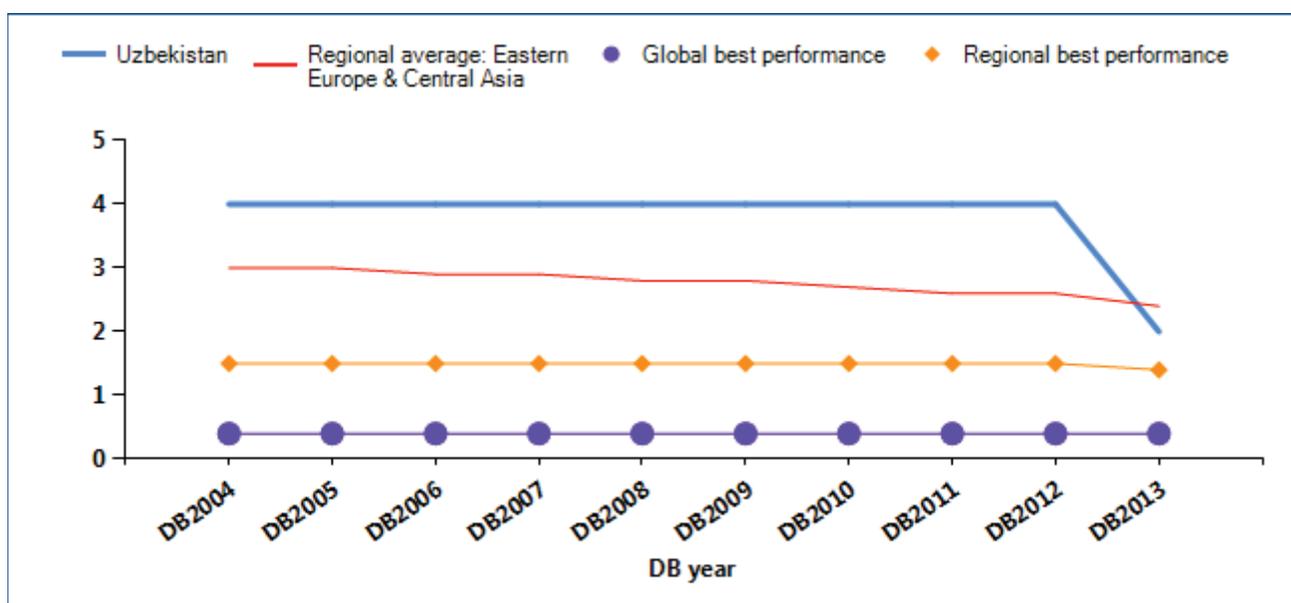
## RESOLVING INSOLVENCY

Equally helpful may be 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). These benchmarks help show what is

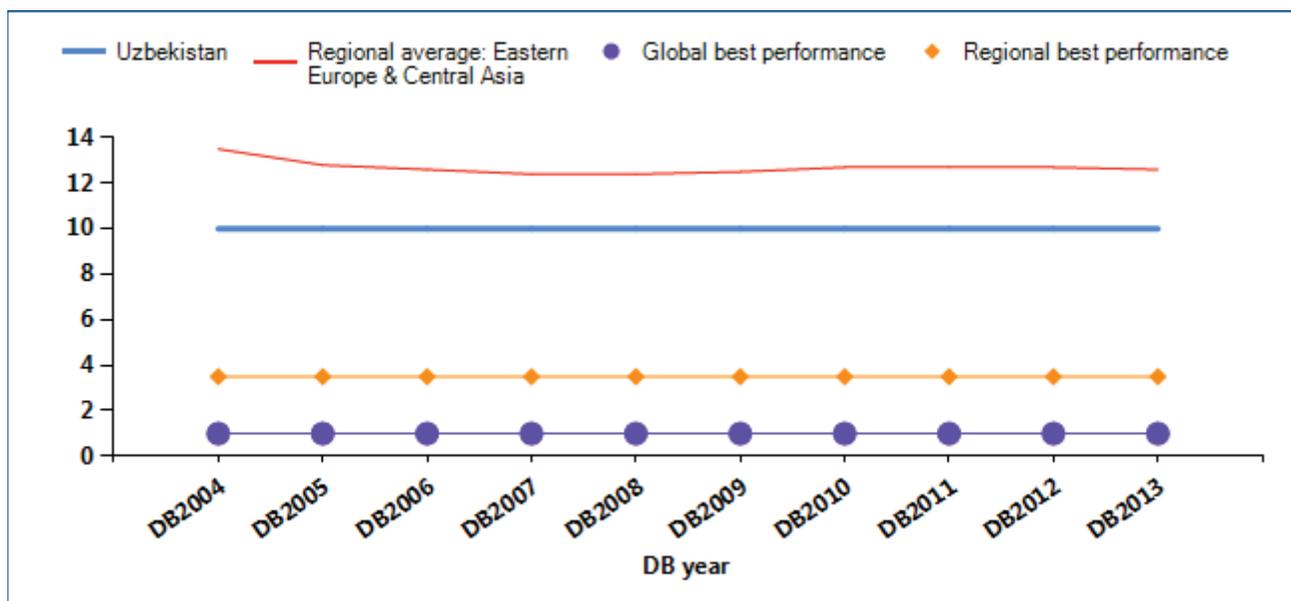
possible in improving the efficiency of insolvency proceedings. And changes in regional averages can show where Uzbekistan is keeping up—and where it is falling behind.

Figure 11.2 Has resolving insolvency become easier over time?

**Time (years)**

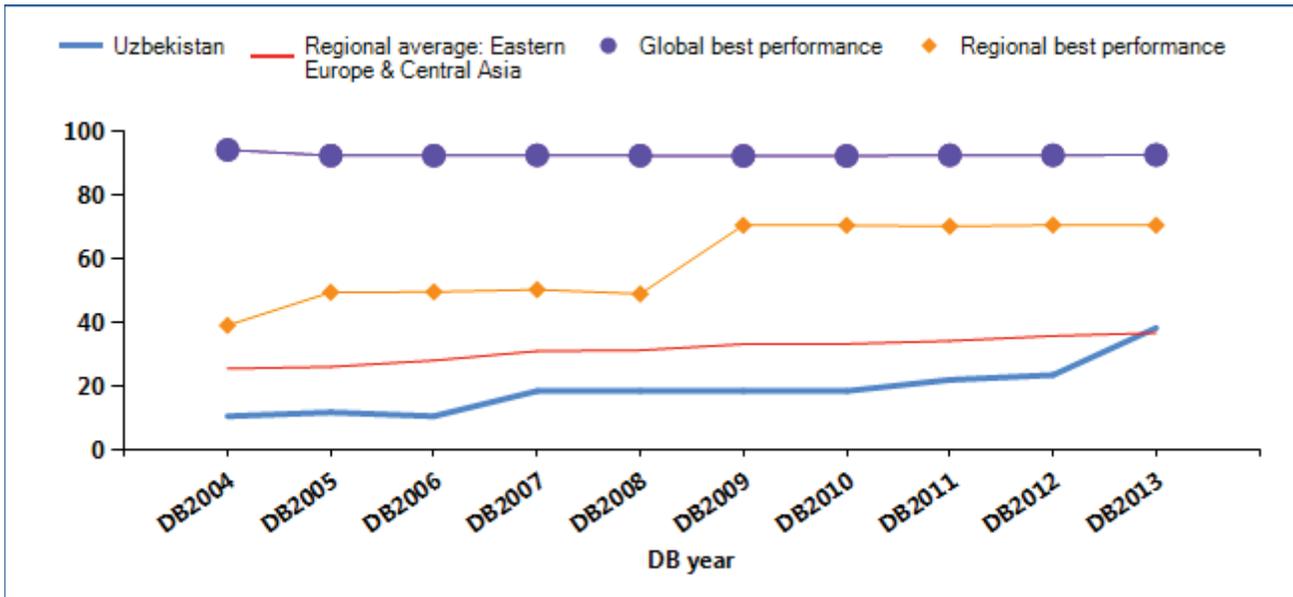


**Cost (% of estate)**



## RESOLVING INSOLVENCY

### Recovery rate (cents on the dollar)



Note: 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 Uzbekistan (table 11.2)?

Table 11.2 How has Uzbekistan made resolving insolvency easier—or not?  
By *Doing Business* report year

DB year	Reform
<b>DB2008</b>	Uzbekistan adopted legislation on the voluntary liquidation of private companies.
<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>	Uzbekistan strengthened its insolvency process by introducing new time limits for insolvency proceedings and new time limits and procedures for the second auction and by making it possible for businesses to continue operating throughout the liquidation proceeding.

*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. 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, the Organisation for Economic Co-operation and Development, civil society and the private sector—to review the employing workers methodology and explore future areas of research.

A full report with the conclusions of the consultative group is available at <http://www.doingbusiness.org/methodology/employing-workers>.

*Doing Business 2013* does not present rankings of economies on the employing workers indicators or include the topic in the aggregate ranking on the ease of doing business. The report does present the data on the employing workers indicators in an annex. Detailed data collected on labor regulations are available on the *Doing Business* website (<http://www.doingbusiness.org>).

Particular data for Uzbekistan are presented here without scoring.

To make the data on employing workers 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

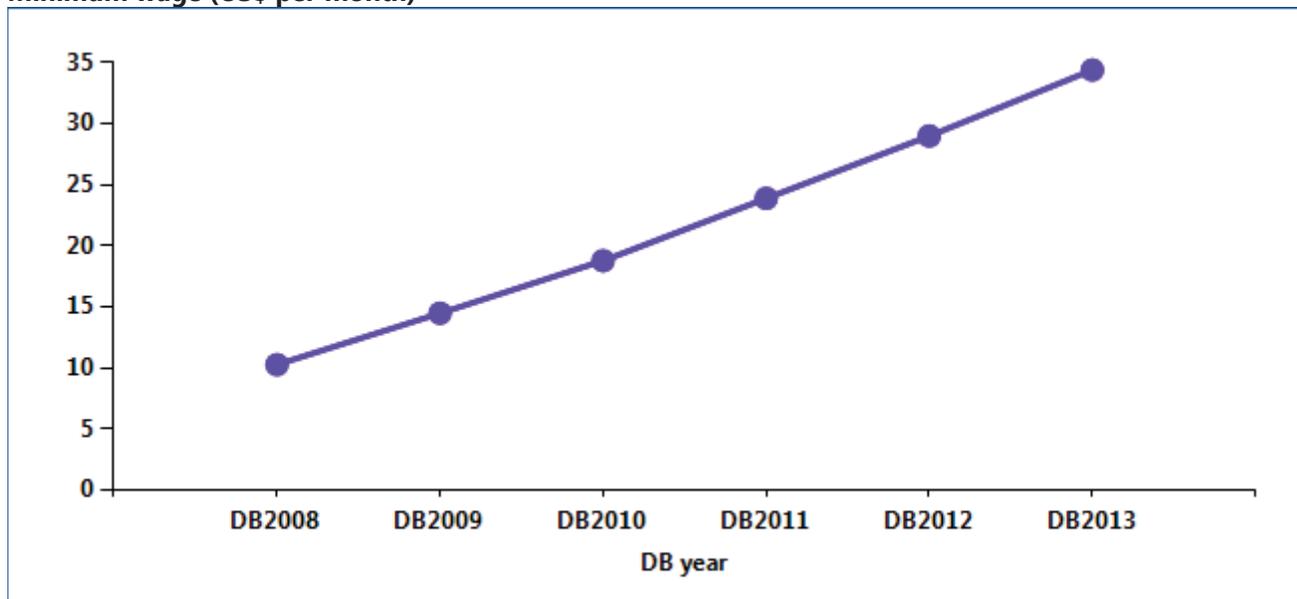
### What do some of the data show?

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 Uzbekistan (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 4 years did so in ways that increased labor market flexibility. What changes did Uzbekistan adopt that affected the *Doing Business* indicators on employing workers (table 12.1)?

Table 12.1 What changes did Uzbekistan make in employing workers in 2012?

Reform
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 Uzbekistan 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)	60
Maximum length of fixed-term contracts, including renewals (months)	60
Minimum wage for a 19-year old worker or an apprentice (US\$/month)	34.4
Ratio of minimum wage to value added per worker	0.18

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)	7 or 8 hours (40 hours per week)
50-hour workweek allowed for 2 months a year in case of a seasonal increase in production?	Yes
Maximum working days per week	6.0
Premium for night work (% of hourly pay) in case of continuous operations	50%
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?	Yes
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)	15.0
Paid annual leave for a worker with 5 years of tenure (in working days)	15.0
Paid annual leave for a worker with 10 years of tenure (in working days)	15.0
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	15.0

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?	No
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?	No

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)	8.7
Severance pay for redundancy dismissal (for a worker with 5 years of tenure, in salary weeks)	8.7
Severance pay for redundancy dismissal (for a worker with 10 years of tenure, in salary weeks)	8.7
Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure, in salary weeks)	8.7

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 of achieving a regulatory goal or complying 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 data for all sets of indicators in *Doing Business 2013* are for June 2012.<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 through more than 9,600 local experts, including lawyers, business consultants, accountants, freight forwarders, government officials and other professionals routinely administering or advising on legal and regulatory requirements. 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 2013* team members visited 24 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.

<sup>2</sup> The data for paying taxes refer to January – December 2011.

## ECONOMY CHARACTERISTICS

### Gross national income per capita

*Doing Business 2013* reports 2011 income per capita as published in the World Bank's *World Development Indicators 2012*. Income is calculated using the Atlas method (current US\$). For cost indicators expressed as a percentage of income per capita, 2011 gross national income (GNI) in U.S. dollars is used as the denominator. GNI data were not available from the World Bank for Afghanistan; Australia; The Bahamas; Bahrain; Barbados; Brunei Darussalam; Cyprus; Djibouti; Guyana; the Islamic Republic of Iran; Kuwait; Malta; New Zealand; Oman; Puerto Rico (territory of the United States); Sudan; Suriname; the Syrian Arab Republic; Timor-Leste; West Bank and Gaza; and the Republic of Yemen. In these cases GDP or GNP per capita data and growth rates from 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 2013* reports midyear 2011 population statistics as published in *World Development Indicators 2012*.

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 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 (see the section on subnational *Doing Business* indicators). 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*

2013 would differ from the recollection of entrepreneurs reported in the World Bank Enterprise Surveys or other perception surveys.

## Subnational *Doing Business* indicators

This year *Doing Business* completed subnational studies for Indonesia, Kenya, Mexico, the Russian Federation and the United Arab Emirates. Each of these countries had already asked to have subnational data in the past, and this year *Doing Business* updated the indicators, measured improvements over time and expanded geographic coverage to additional cities or added additional indicators. *Doing Business* also published regional studies for the Arab world, the East African Community and member states of the Organization for the Harmonization of Business Law in Africa (OHADA).

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 ranking methodology for paying taxes was updated this year. The threshold for the total tax rate introduced last year 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). Giving the same ranking to all economies whose total tax rate is below the threshold avoids awarding economies in the scoring for having an unusually low total tax rate, often for reasons unrelated to government policies toward enterprises. For example, economies that are very small or that are rich in natural resources do not need to levy broad-based taxes.

## 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 2013* 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 185. 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 2013*: 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. In addition to this year's ranking, *Doing Business* presents a comparable ranking for the previous year, adjusted for any changes in methodology as well as additions of economies or topics.<sup>3</sup>

### Construction of the ease of doing business index

Here is one example of how the ease of doing business index is constructed. In Finland it takes 3 procedures, 14 days and 4% of annual income per capita in fees to register a property. On these 3 indicators Finland ranks in the 6th, 16th and 39th percentiles. So on average Finland ranks in the 20th percentile on the ease of registering property. It ranks in the 30th percentile on starting a business, 28<sup>th</sup> percentile on getting credit, 24th percentile on paying taxes, 13th percentile on enforcing contracts, 5th percentile on trading across borders and so on. Higher rankings indicate simpler regulation and stronger protection of property rights. The simple average of Finland's percentile rankings on all topics is 21st. When all economies are ordered by their average percentile rankings, Finland stands at 11 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 used by *Doing Business*.<sup>4</sup> Thus, *Doing Business* uses the simplest method: weighting all topics equally and,

<sup>3</sup> In case of revisions to the methodology or corrections to the underlying data, the data are back-calculated to provide a comparable time series since the year the relevant economy or topic was first included in the data set. The time series is available on the *Doing Business* website (<http://www.doingbusiness.org>). Six topics and more than 50 economies have been added since the inception of the project. Earlier rankings on the ease of doing business are therefore not comparable.

<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.

within each topic, giving equal weight to each of the topic components.<sup>5</sup>

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 0.37, and the coefficients between any 2 sets of indicators range from 0.19 (between dealing with construction permits and getting credit) to 0.60 (between starting a business and protecting investors). These correlations suggest that economies rarely score universally well or universally badly on the indicators.

Consider the example of Canada. It stands at 17 in the aggregate ranking on the ease of doing business. Its ranking is 3 on starting a business, and 4 on both resolving insolvency and protecting investors. But its ranking is only 62 on enforcing contracts, 69 on dealing with construction permits and 152 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.

#### Economies that improved the most across 3 or more Doing Business topics in 2011/12

*Doing Business 2013* uses a simple method to calculate which economies improved the most in the ease of doing business. First, it selects the economies that in 2011/12 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-three economies meet this criterion: Benin, Burundi, Costa Rica, the Czech Republic, Georgia, Greece, Guinea, Kazakhstan, Korea, the Lao People’s Democratic Republic, Liberia, Mongolia, the Netherlands, Panama, Poland, Portugal, Serbia, the Slovak Republic, Slovenia, Sri Lanka, Ukraine, the United Arab Emirates and Uzbekistan. Second, *Doing Business* ranks these economies on the increase in their ranking on the ease of doing business from the previous year using comparable rankings.

Selecting the economies that implemented regulatory reforms in at least 3 topics and improved the most in the aggregate ranking is intended to highlight economies with ongoing, broad-based reform programs.

#### 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 9 *Doing Business* indicator sets (excluding

<sup>5</sup> A technical note on the different aggregation and weighting methods is available on the *Doing Business* website (<http://www.doingbusiness.org>).

<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.

the employing workers and getting electricity indicators) by any economy since 2005. In starting a business, for example, New Zealand has achieved the highest performance on the time (1 day), Canada and New Zealand on the number of procedures required (1), Slovenia on the cost (0% of income per capita) and Australia and 90 other economies on the paid-in minimum capital requirement (0% of income per capita). 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. To do so, each of the 28 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 2005. For the total tax rate, consistent with the calculation of the rankings, the frontier is defined as the total tax rate corresponding to the 15<sup>th</sup> percentile based on 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. 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 difference between an economy's distance to frontier score in 2005 and its score in 2012 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.

The maximum (max) and minimum (min) observed values are computed for the 174 economies included in the *Doing Business* sample since 2005 and for all years (from 2005 to 2012). The year 2005 was chosen as the baseline for the economy sample because it was the first year in which data were available for the majority of economies (a total of 174) and for all 9 indicator sets included in the measure. 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.

Take Ghana, which has a score of 67 on the distance to frontier measure for 2012. This score indicates that the economy is 33 percentage points away from the frontier constructed from the best performances across all economies and all years. Ghana was further from the frontier in 2005, with a score of 54. 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, Ghana stands at 64 this year in the ease of doing business ranking, while Peru, which is 29 percentage points from the frontier, stands at 43.

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