

Doing Business



2012

Economy Profile: **Romania**

Doing business in a
more transparent world

COMPARING REGULATION FOR DOMESTIC FIRMS IN 183 ECONOMIES

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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 10 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 and resolving insolvency.

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 183 economies, from Afghanistan to Zimbabwe, over time. The data set covers 46 economies in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 24 in East Asia and the Pacific, 24 in Eastern Europe and Central Asia, 18 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 Romania. 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, 2011 (except for

the paying taxes indicators, which cover the period January–December 2010).

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 2012* presents the indicators, analyzes their relationship with economic outcomes and recommends regulatory reforms. The data, along with information on ordering *Doing Business 2012*, 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 183 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 2012*: 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).¹

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: Upper middle income

Population: 21,449,980

GNI per capita (US\$): 7,840.00

DB2012 rank: 72

DB2011 rank: 65

Change in rank: -7

Note: See the data notes for sources and definitions.

¹ Except for the ease of getting credit, for which the percentile rankings on its component indicators are weighted, the depth of credit information index at 37.5% and the strength of legal rights index at 62.5%.

THE BUSINESS ENVIRONMENT

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



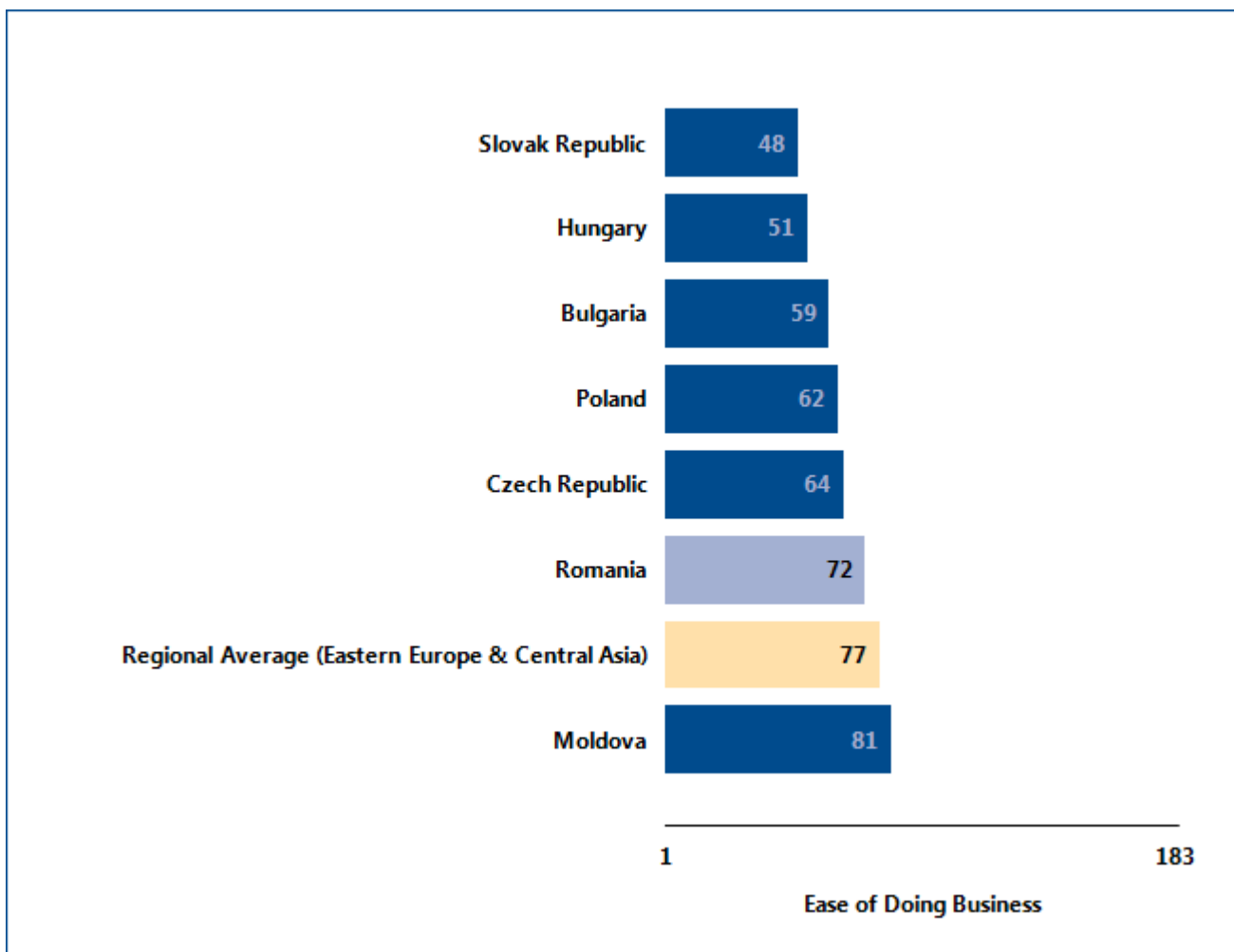
Source: *Doing Business* database.

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 compared with other economies and compared with

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).

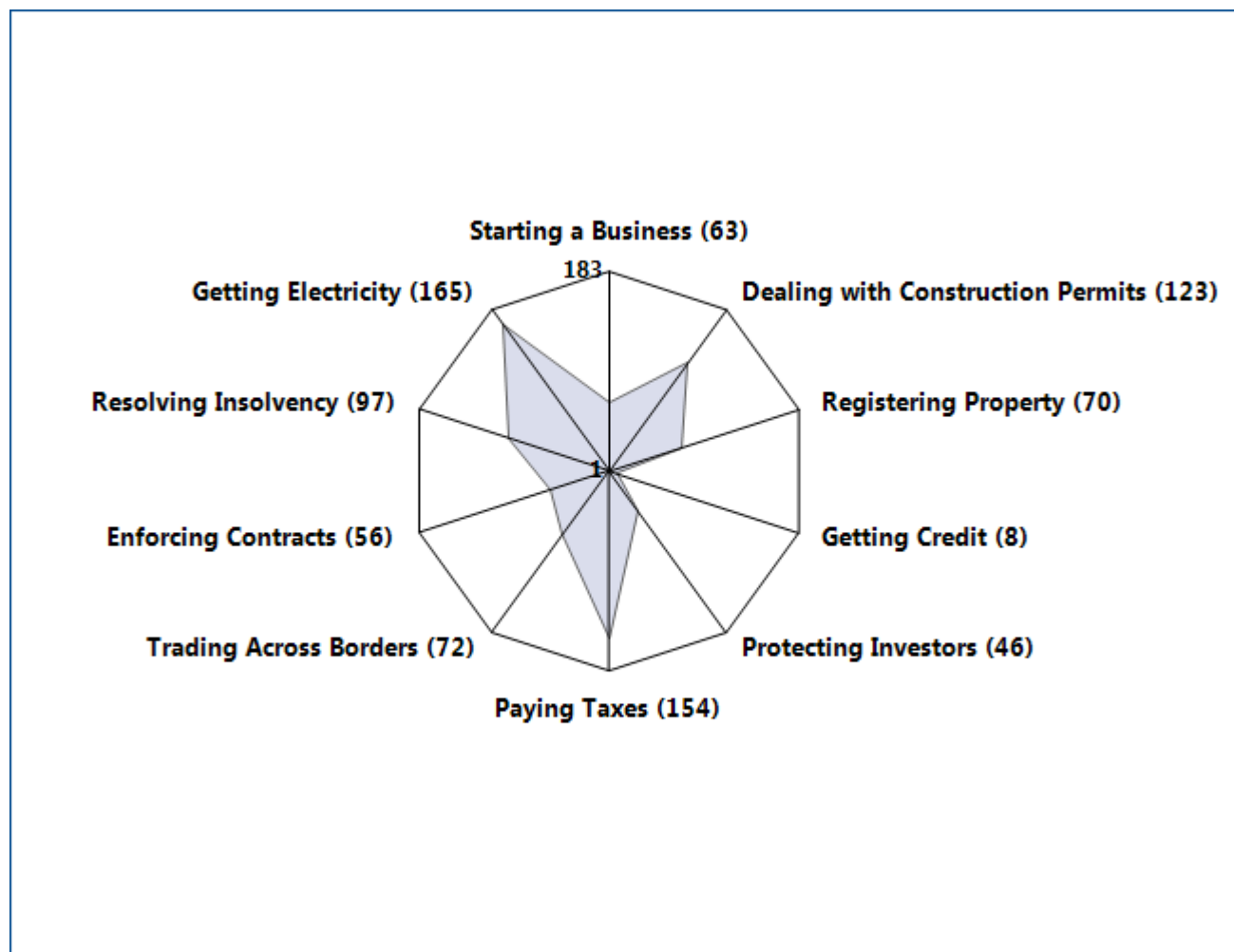
Figure 1.2 How Romania and comparator economies rank on the ease of doing business



Source: Doing Business database.

THE BUSINESS ENVIRONMENT

Figure 1.3 How Romania 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*.

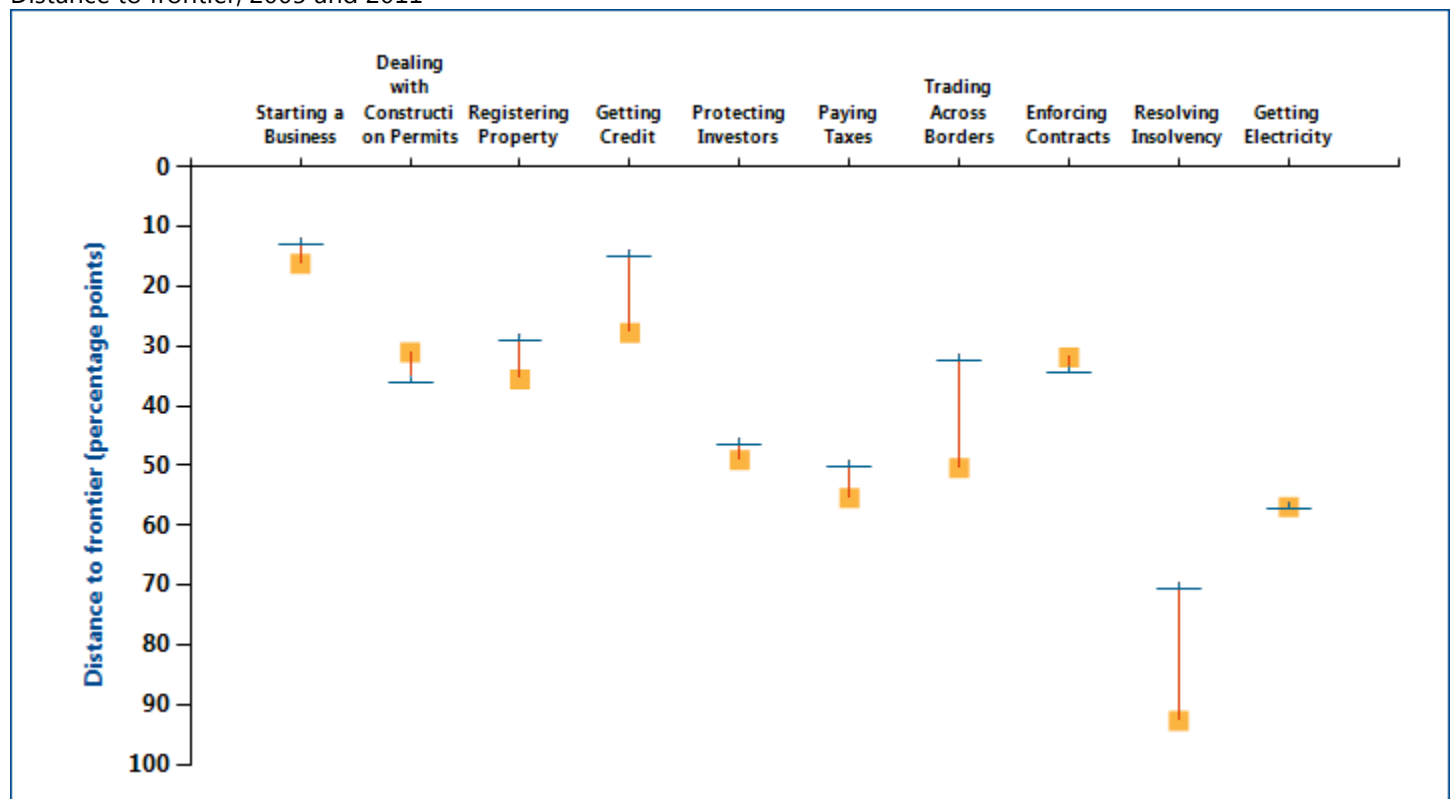
Moreover, year-to-year changes in the overall rankings do not reflect how the business regulatory environment in an economy has changed over time—or how it has changed in different areas. To aid in assessing such changes, *Doing Business 2012* introduces the distance to frontier measure.

This measure shows the distance of each economy to the “frontier,” a synthetic measure based on the most efficient practice or highest score observed for each *Doing Business* indicator across all economies and years included in the *Doing Business* sample since 2005. Nine areas of business regulation are covered.

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 Romania come in the areas measured by *Doing Business*?

Distance to frontier, 2005 and 2011



Note: For economies added to the *Doing Business* sample after 2005, the starting point is the year in which they were added: 2006 for Montenegro; 2007 for Brunei Darussalam, Liberia and Luxembourg; 2008 for The Bahamas, Bahrain and Qatar; and 2009 for Cyprus and Kosovo. 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 Romania

| Indicator | Romania DB2012 | Romania DB2011 | Bulgaria DB2012 | Czech Republic DB2012 | Hungary DB2012 | Moldova DB2012 | Poland DB2012 | Slovak Republic DB2012 | Best performer globally DB2012 |
|--|----------------|----------------|-----------------|-----------------------|----------------|----------------|---------------|------------------------|--------------------------------|
| Starting a Business (rank) | 63 | 31 | 49 | 138 | 39 | 88 | 126 | 76 | New Zealand (1) |
| Procedures (number) | 6 | 5 | 4 | 9 | 4 | 7 | 6 | 6 | Canada (1)* |
| Time (days) | 14 | 9 | 18 | 20 | 4 | 9 | 32 | 18 | New Zealand (1) |
| Cost (% of income per capita) | 3.0 | 2.6 | 1.5 | 8.4 | 7.6 | 9.1 | 17.3 | 1.8 | Denmark (0.0)* |
| Paid-in Min. Capital (% of income per capita) | 0.8 | 0.9 | 0.0 | 30.7 | 9.7 | 9.9 | 14.0 | 20.9 | 82 Economies (0.0)* |
| Dealing with Construction Permits (rank) | 123 | 122 | 128 | 68 | 55 | 164 | 160 | 50 | Hong Kong SAR, China (1) |
| Procedures (number) | 16 | 16 | 23 | 33 | 29 | 27 | 30 | 11 | Denmark (5) |
| Time (days) | 287 | 287 | 120 | 120 | 102 | 291 | 301 | 286 | Singapore (26)* |
| Cost (% of income per capita) | 73.0 | 73.9 | 317.0 | 10.9 | 5.8 | 79.2 | 53.6 | 7.2 | Qatar (1.1) |

| Indicator | Romania DB2012 | Romania DB2011 | Bulgaria DB2012 | Czech Republic DB2012 | Hungary DB2012 | Moldova DB2012 | Poland DB2012 | Slovak Republic DB2012 | Best performer globally DB2012 |
|---|----------------|----------------|-----------------|-----------------------|----------------|----------------|---------------|------------------------|--------------------------------|
| Getting Electricity (rank) | 165 | 164 | 133 | 148 | 103 | 160 | 64 | 102 | Iceland (1) |
| Procedures (number) | 7 | 7 | 6 | 6 | 5 | 7 | 4 | 5 | Germany (3)* |
| Time (days) | 223 | 228 | 130 | 279 | 252 | 140 | 143 | 177 | Germany (17) |
| Cost (% of income per capita) | 556.9 | 544.7 | 366.6 | 186.2 | 120.3 | 660.6 | 209.3 | 242.2 | Japan (0.0) |
| Registering Property (rank) | 70 | 64 | 66 | 34 | 43 | 18 | 89 | 10 | New Zealand (3) |
| Procedures (number) | 8 | 8 | 8 | 4 | 4 | 5 | 6 | 3 | Portugal (1)* |
| Time (days) | 26 | 26 | 15 | 25 | 17 | 5 | 152 | 17 | Portugal (1) |
| Cost (% of property value) | 1.2 | 1.3 | 3.0 | 3.0 | 5.0 | 0.9 | 0.4 | 0.0 | Slovak Republic (0.0) |
| Getting Credit (rank) | 8 | 8 | 8 | 48 | 48 | 40 | 8 | 24 | United Kingdom (1)* |
| Strength of legal rights index (0-10) | 9 | 9 | 8 | 6 | 7 | 8 | 9 | 9 | New Zealand (10)* |
| Depth of credit information index (0-6) | 5 | 5 | 6 | 5 | 4 | 4 | 5 | 4 | Japan (6)* |
| Public registry coverage (% of adults) | 15.2 | 13.0 | 52.8 | 6.1 | 0.0 | 0.0 | 0.0 | 2.6 | Portugal (86.2) |
| Private bureau coverage (% of adults) | 42.0 | 33.3 | 28.8 | 95.7 | 16.1 | 3.0 | 74.8 | 56.1 | New Zealand (100.0)* |
| Protecting Investors (rank) | 46 | 44 | 46 | 97 | 122 | 111 | 46 | 111 | New Zealand (1) |
| Extent of disclosure index (0-10) | 9 | 9 | 10 | 2 | 2 | 7 | 7 | 3 | France (10)* |

| Indicator | Romania DB2012 | Romania DB2011 | Bulgaria DB2012 | Czech Republic DB2012 | Hungary DB2012 | Moldova DB2012 | Poland DB2012 | Slovak Republic DB2012 | Best performer globally DB2012 |
|--|----------------|----------------|-----------------|-----------------------|----------------|----------------|---------------|------------------------|--------------------------------|
| Extent of director liability index (0-10) | 5 | 5 | 1 | 5 | 4 | 1 | 2 | 4 | Singapore (9)* |
| Ease of shareholder suits index (0-10) | 4 | 4 | 7 | 8 | 7 | 6 | 9 | 7 | New Zealand (10)* |
| Strength of investor protection index (0-10) | 6.0 | 6.0 | 6.0 | 5.0 | 4.3 | 4.7 | 6.0 | 4.7 | New Zealand (9.7) |
| Paying Taxes (rank) | 154 | 151 | 69 | 119 | 117 | 83 | 128 | 130 | Canada (8) |
| Payments (number per year) | 113 | 113 | 17 | 8 | 13 | 48 | 29 | 31 | Norway (4) |
| Time (hours per year) | 222 | 222 | 500 | 557 | 277 | 228 | 296 | 231 | Luxembourg (59) |
| Trading Across Borders (rank) | 72 | 49 | 91 | 70 | 74 | 134 | 46 | 95 | Singapore (1) |
| Documents to export (number) | 5 | 5 | 5 | 4 | 6 | 6 | 5 | 6 | France (2) |
| Time to export (days) | 12 | 12 | 21 | 17 | 16 | 32 | 17 | 17 | Hong Kong SAR, China (5)* |
| Cost to export (US\$ per container) | 1485 | 1275 | 1551 | 1060 | 1015 | 1545 | 1050 | 1560 | Malaysia (450) |
| Documents to import (number) | 6 | 6 | 6 | 7 | 7 | 7 | 5 | 7 | France (2) |
| Time to import (days) | 13 | 13 | 17 | 20 | 18 | 35 | 16 | 17 | Singapore (4) |
| Cost to import (US\$ per container) | 1495 | 1175 | 1666 | 1165 | 1085 | 1740 | 1000 | 1540 | Malaysia (435) |
| Enforcing Contracts (rank) | 56 | 54 | 87 | 78 | 19 | 26 | 68 | 71 | Luxembourg (1) |

| Indicator | Romania DB2012 | Romania DB2011 | Bulgaria DB2012 | Czech Republic DB2012 | Hungary DB2012 | Moldova DB2012 | Poland DB2012 | Slovak Republic DB2012 | Best performer globally DB2012 |
|-------------------------------------|----------------|----------------|-----------------|-----------------------|----------------|----------------|---------------|------------------------|--------------------------------|
| Time (days) | 512 | 512 | 564 | 611 | 395 | 352 | 830 | 565 | Singapore (150) |
| Cost (% of claim) | 28.9 | 28.9 | 23.8 | 33.0 | 15.0 | 28.6 | 12.0 | 30.0 | Bhutan (0.1) |
| Procedures (number) | 31 | 31 | 39 | 27 | 35 | 30 | 37 | 32 | Ireland (21)* |
| Resolving Insolvency (rank) | 97 | 109 | 90 | 33 | 66 | 91 | 87 | 35 | Japan (1) |
| Time (years) | 3.3 | 3.3 | 3.3 | 3.2 | 2.0 | 2.8 | 3.0 | 4.0 | Ireland (0.4) |
| Cost (% of estate) | 11 | 11 | 9 | 17 | 15 | 9 | 15 | 18 | Singapore (1)* |
| Recovery rate (cents on the dollar) | 28.6 | 25.7 | 31.4 | 56.0 | 39.2 | 31.3 | 31.5 | 54.3 | Japan (92.7) |

Note: The methodology for the paying taxes indicators changed in *Doing Business 2012*; see the data notes for details. For these indicators, the best performer globally is the economy that has implemented the most efficient practices in its tax system and is not necessarily the one with the highest ranking. For more information on “no practice” marks, see the data notes for details.

* 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 that are 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 all government and nongovernment entities involved in the process function without corruption. And it assumes that the business:

- Is a limited liability company, located in the largest business city.
- 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

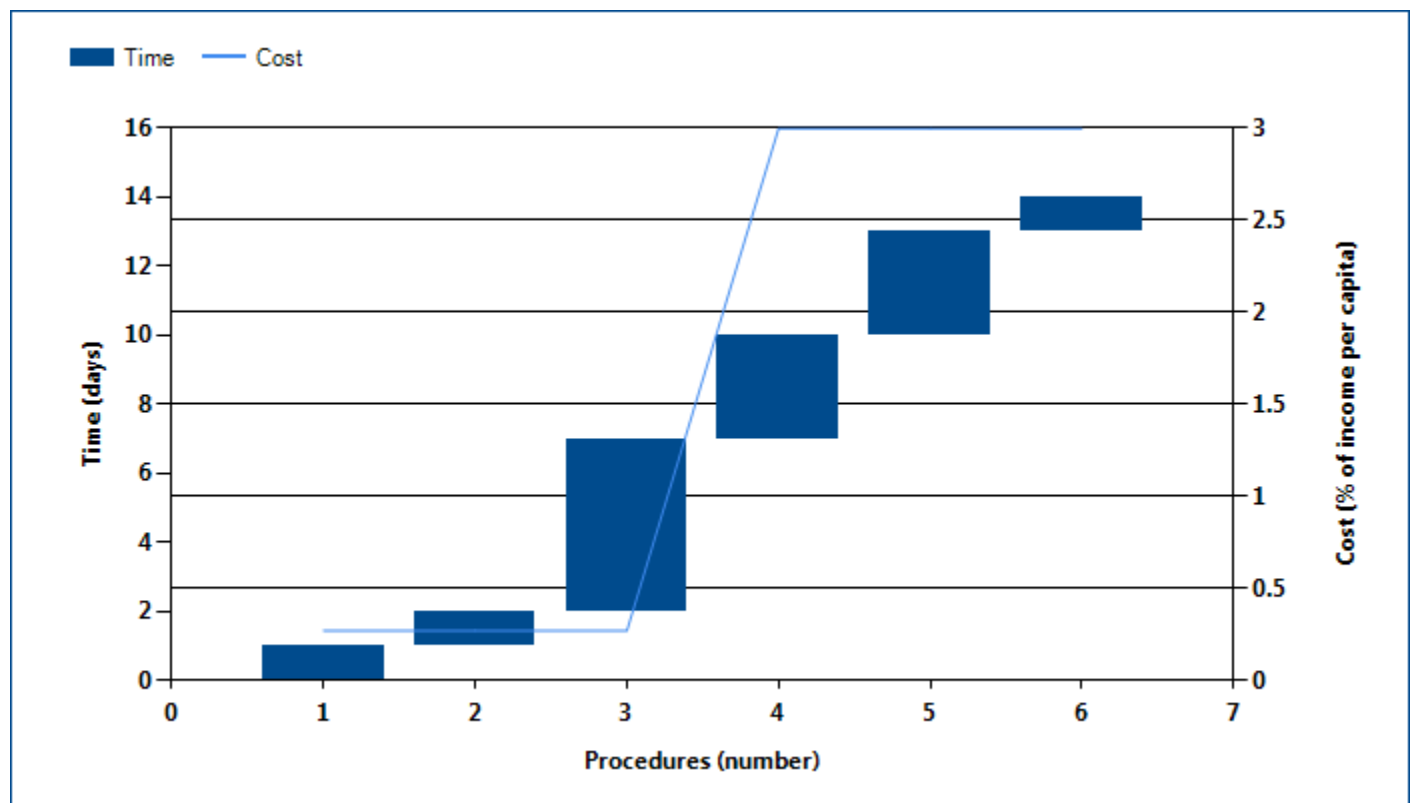
Where does the economy stand today?

What does it take to start a business in Romania? According to data collected by *Doing Business*, starting a business there requires 6 procedures, takes 14 days,

costs 3.0% of income per capita and requires paid-in minimum capital of 0.8% of income per capita (figure 2.1).

Figure 2.1 What it takes to start a business in Romania

Paid-in minimum capital (% of income per capita): 0.8



Note: For details on the procedures reflected here, see the summary at the end of this chapter.

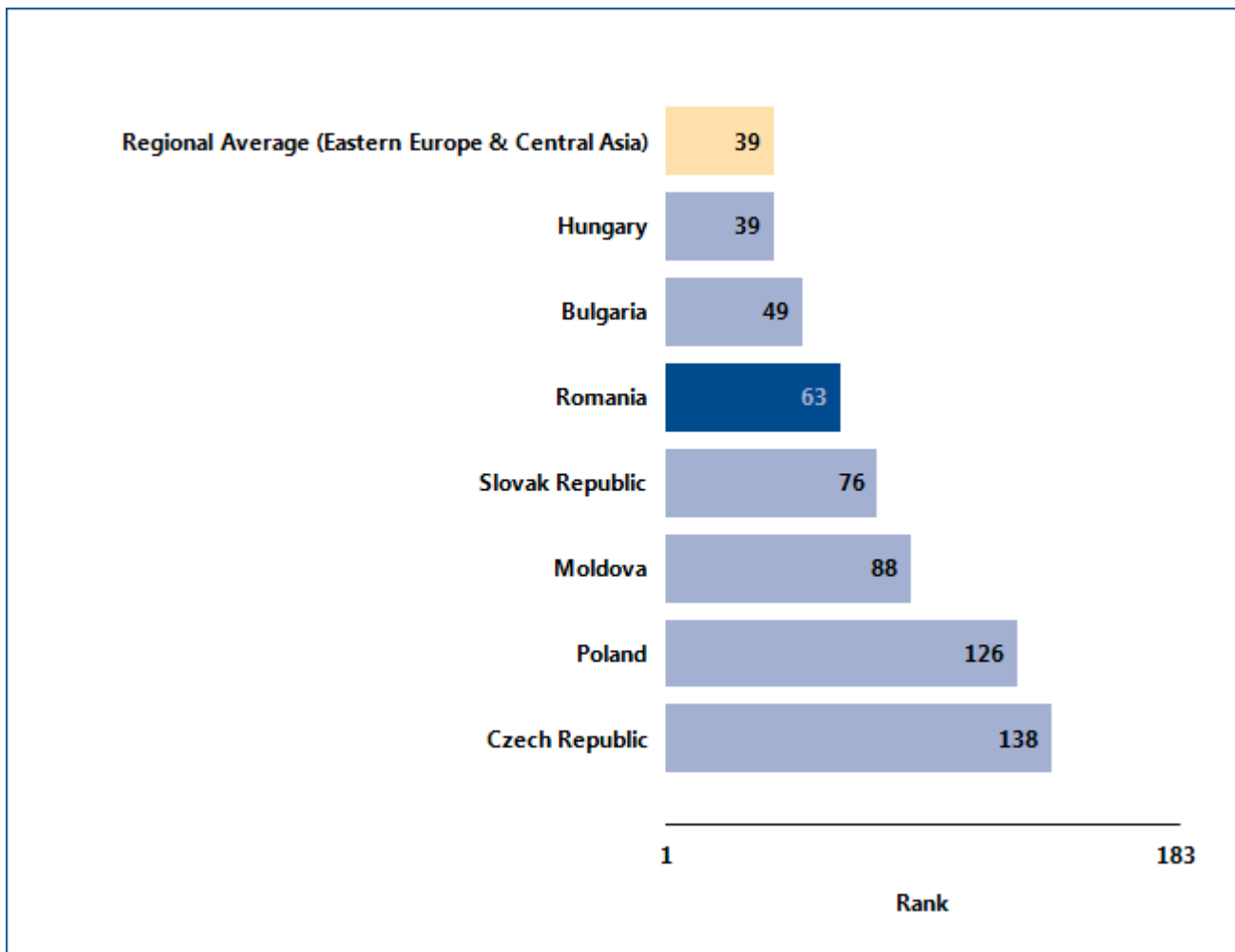
Source: *Doing Business* database.

STARTING A BUSINESS

Globally, Romania stands at 63 in the ranking of 183 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 Romania to start a business.

Figure 2.2 How Romania 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 Romania 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 Romania over time
By *Doing Business* report year

| Indicator | DB2004 | DB2005 | DB2006 | DB2007 | DB2008 | DB2009 | DB2010 | DB2011 | DB2012 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Rank | .. | .. | .. | .. | .. | .. | .. | 31 | 63 |
| Procedures (number) | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 6 |
| Time (days) | 29 | 28 | 11 | 11 | 9 | 9 | 9 | 9 | 14 |
| Cost (% of income per capita) | 10.9 | 7.4 | 5.3 | 4.4 | 4.5 | 3.5 | 2.8 | 2.6 | 3.0 |
| Paid-in Min. Capital (% of income per capita) | 2.9 | 2.2 | 1.9 | 1.6 | 1.5 | 1.1 | 0.9 | 0.9 | 0.8 |

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.

Source: *Doing Business* database.

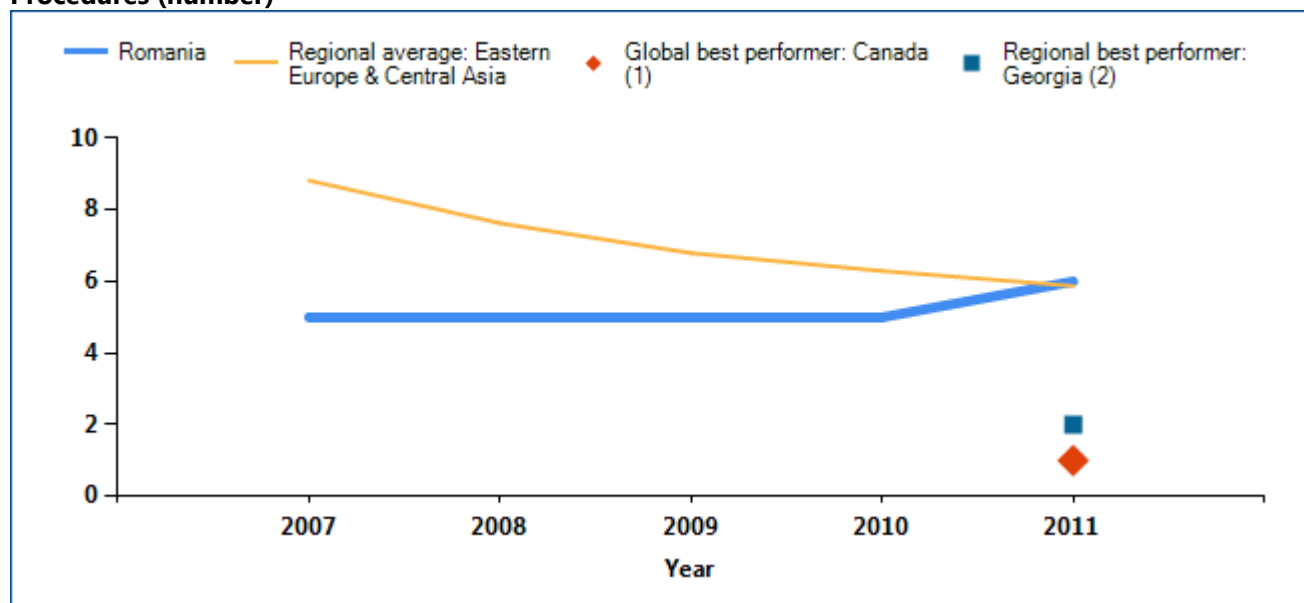
STARTING A BUSINESS

Equally helpful may be the benchmarks provided by the economies that today have 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 economies may provide a model for

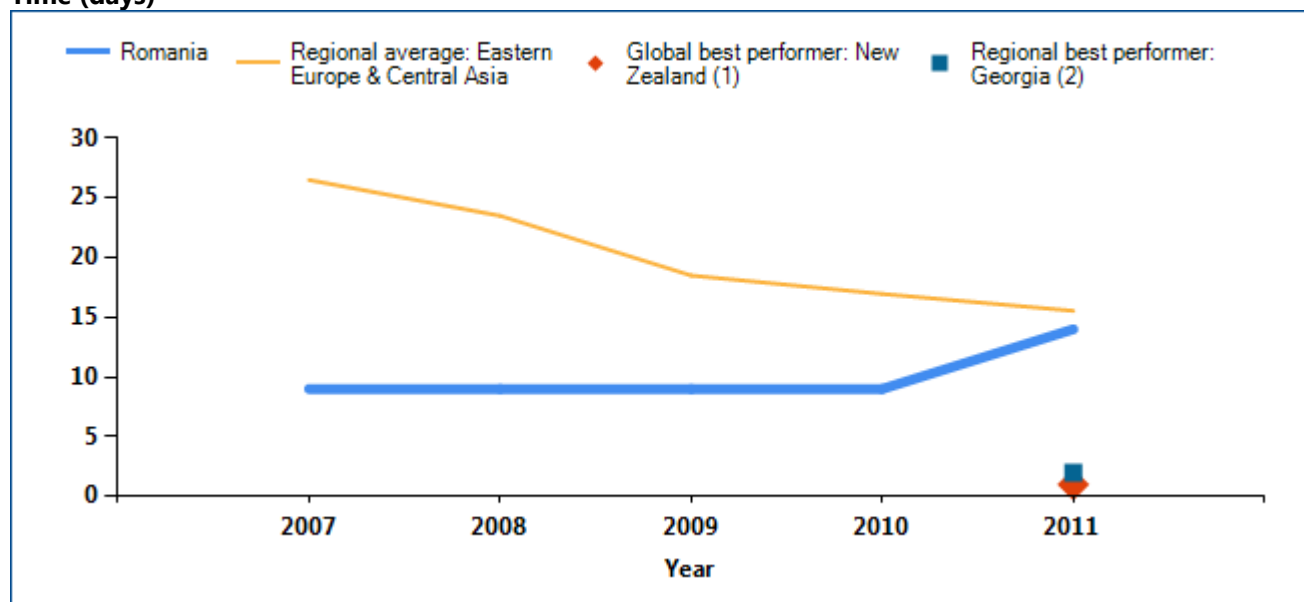
Romania on ways to improve the ease of starting a business. And changes in regional averages can show where Romania is keeping up—and where it is falling behind.

Figure 2.3 Has starting a business become easier over time?

Procedures (number)

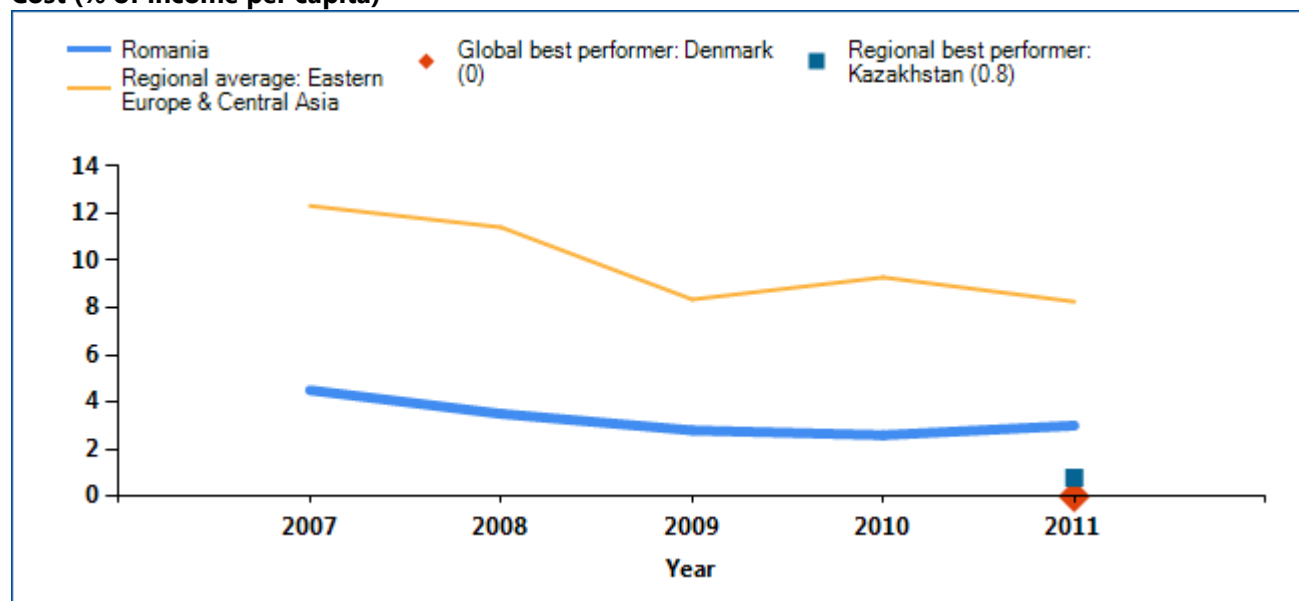


Time (days)

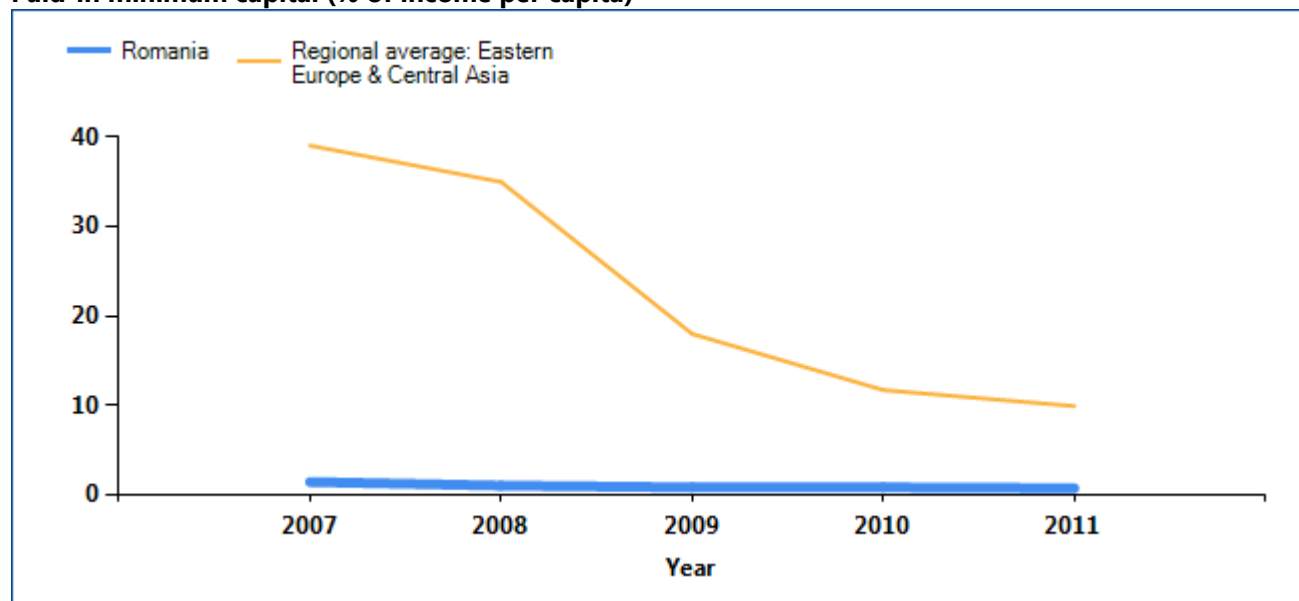


STARTING A BUSINESS

Cost (% of income per capita)



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



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator. In the case of paid-in minimum capital, 82 economies globally and 8 economies in Eastern Europe & Central Asia have no paid-in minimum capital.

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 Romania (table 2.2)?

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

| DB Year | Reform |
|---------------|--|
| DB2012 | Romania made starting a business more difficult by requiring a tax clearance certificate for a new company's headquarters before company registration. |
| DB2011 | No reform. |
| DB2010 | No reform. |
| DB2009 | No reform. |

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 Romania 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: Bucharest

Legal Form: Societate cu răspundere limitată - Limited Liability Company

Start-up capital: 10 times GNI per capita

Paid-in minimum capital (% of income per capita): 0.8

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

| No. | Procedure | Time to complete | Cost to complete |
|-----|--|------------------|--|
| 1 | <p>Obtain a certificate from the Trade Registry proving the availability of the proposed company name and make a reservation of the name</p> <p>For the approval of the Methodological Norms regarding the way of keeping the trade registries, of making the registrations and of releasing information,</p> <ul style="list-style-type: none"> - The reservation of the firm name is at the national level - thus, companies will have the guarantee that the names under which they choose to perform their trade activity will be protected at national level - A firm is available when it does not belong to another company by its previous registration with the trade registry, irrespective of the county in which this firm was registered. - The firm cannot contain the words "științific", "academie", "academic", "universitate", "universitar", "scoală", "școlar" / "scientific", "academy", "academic", "university", "school" / or their derivatives. - The firm containing the words "național", "roman", "institut" / "national", "Romanian", "institute" / or their derivatives or words or phrases that are characteristic to the central or local public institutions and authorities may be used only with the approval of the Government's General Secretariat or the prefect. <p>The certificate obtained is valid for a period of 3 months.</p> | 1 day | RON 64 |
| 2 | <p>Deposit funds in a bank and obtain a document confirming bank deposit of sufficient funds</p> | 1 day | bank commission ranges from zero to 0.5% of capital. |

| No. | Procedure | Time to complete | Cost to complete |
|-----|---|------------------|---|
| 3 | <p>Obtain a certificate from the fiscal administration agency giving clearance for the headquarter of the offices</p> <p>When submitting the incorporation file with the Trade Registry, the applicant should also provide:</p> <ul style="list-style-type: none"> (i) the relevant lease agreement bearing the registration stamp of the Fiscal Administration Agency which is competent in the district where the headquarters are located; (ii) a certificate issued from the aforementioned fiscal agency ascertaining the fact that there have not been other similar agreements registered with the fiscal authorities with respect to the building / premises where the headquarters are located; (iii) if the certificate mentioned at point (ii) above provides that there have been similar agreements registered for the respective building / premises, than the applicant should provide a notarized affidavit providing that the structure of the respective building / premises permits the functioning of several companies. | 5 days | no charge |
| 4 | <p>Register with the Unique Office (Biroul Unic) of trade registry Registrul Comertului (BASC), Bucharest Tribunal; obtain court registration, publication of notice, and registration for statistical purposes and social security</p> <p>The registration certificate also comprises the unique code of fiscal registration, granted by the Ministry of Public Finances. The issuing of the code of fiscal registration attests if the respective commercial company is recorded as payer of the corporate and income tax. To obtain the unique code of registration, the data contained in the registration request is transmitted per officio to the Ministry of Public Finances; the Ministry of Public Finances grants the unique code of registration within 8 hours. According to the law, together with the performance of the registration, an excerpt of the certificate of the appointed judge is sent, per officio, to the Regie autonome (Official Gazette) for publication in the Official Gazette, part IV. The registration formalities as a VAT payer are not accomplished with the Trade Registry, but with the Fiscal Administrations within the area of the company's registered office, based on an affidavit.</p> | 3 days | <p>RON 120 (registration fee) + RON 30 for each mandatory element of the basic information of the company to be registered, such as social capital, firm, associates, administrators, headquarters, main object of activity + RON 100 for each 2,000 characters publication fee in the Romanian Official Gazette + RON 30 for filing with the Trade Registry ("ascertaining certificate") + liquidation fund fee (50% of taxes applied by the Trade Registry offices) + RON 10 (Single Registration Code) + bulletin fund tax (5% of taxes applied by the Trade Registry offices) + RON 10 (fee for Trade</p> |

| No. | Procedure | Time to complete | Cost to complete |
|-----|--|------------------|---|
| | | | registry to send the documents that need publishing to the Romanian Official Gazette) |
| 5 | Register for VAT A person subject to taxation established in Romania and has or intends to have an economic activity which implies operations that can be taxed and/or exempted from VAT with deduction rights, must request the registration for VAT purposes from the qualified fiscal authority. The registration code for VAT purpose has the RO prefix, in concordance with the International Standard ISO 3166 - alpha 2 and is obtained by the qualified fiscal authority in a 3-day period from the moment the documentation is submitted. The Trade Registry notifies the Ministry of Finance with regard to the request for VAT registration and the Ministry of Finance issues a separate certificate evidencing the VAT number and the start date for VAT purposes. In addition to this, a Tax Registration Form (Form 010) must be submitted to the Ministry of Finance within the next 30 days as from the company's registration in order for the new company to register as profit tax and social contributions payer. | 3 days | no charge |
| 6 | Register the employees contracts with the Territorial Labor Inspectorate (TLI) online Since January 01, 2011 the individual employment contracts should be registered within the internal general register recording the employees, which is conveyed in electronic format to the competent Labor Territorial Inspectorate, at the latest on the working day prior to the commencement of the activity. | 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).

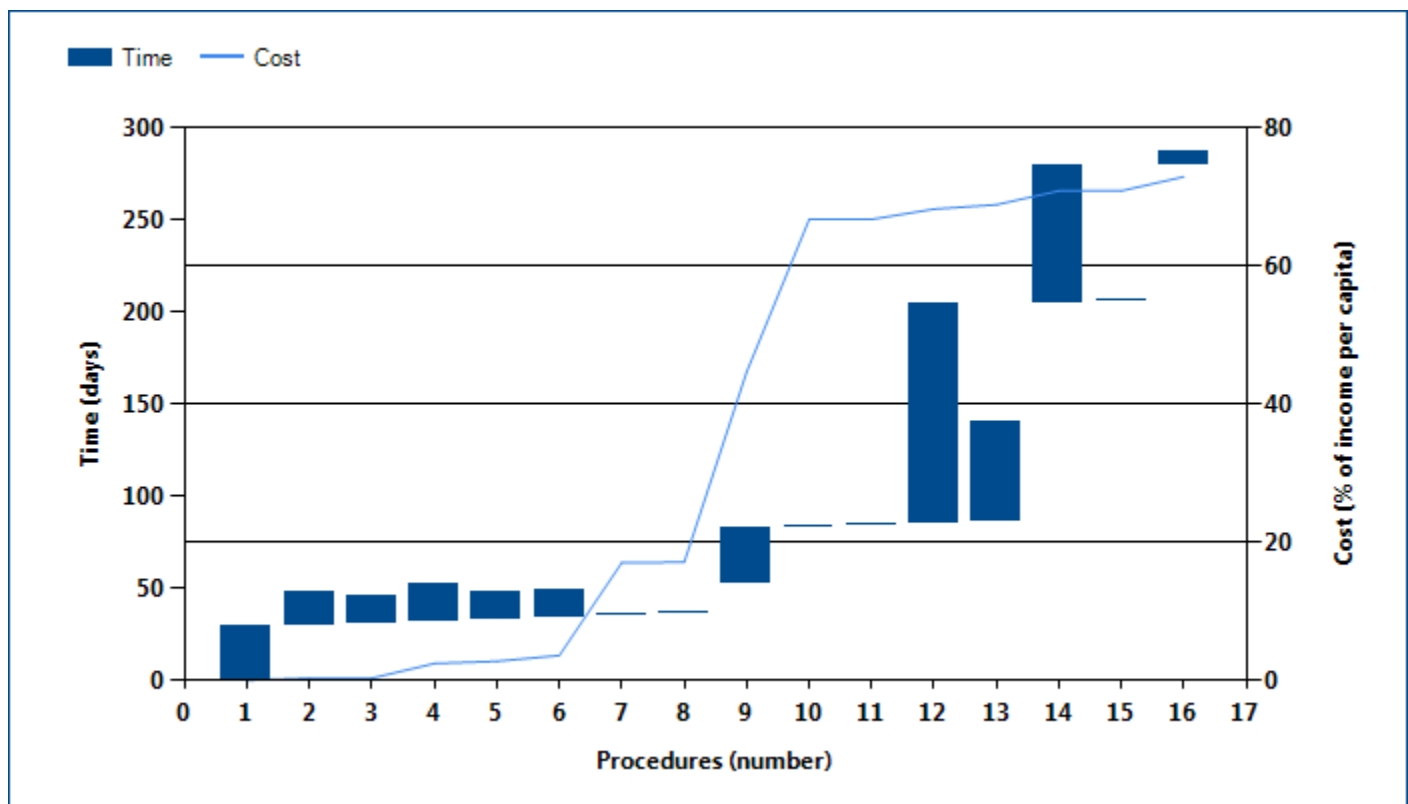
DEALING WITH CONSTRUCTION PERMITS

Where does the economy stand today?

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

permits there requires 16 procedures, takes 287 days and costs 73.0% of income per capita (figure 3.1).

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



Note: For details on the procedures reflected here, see the summary at the end of this chapter.

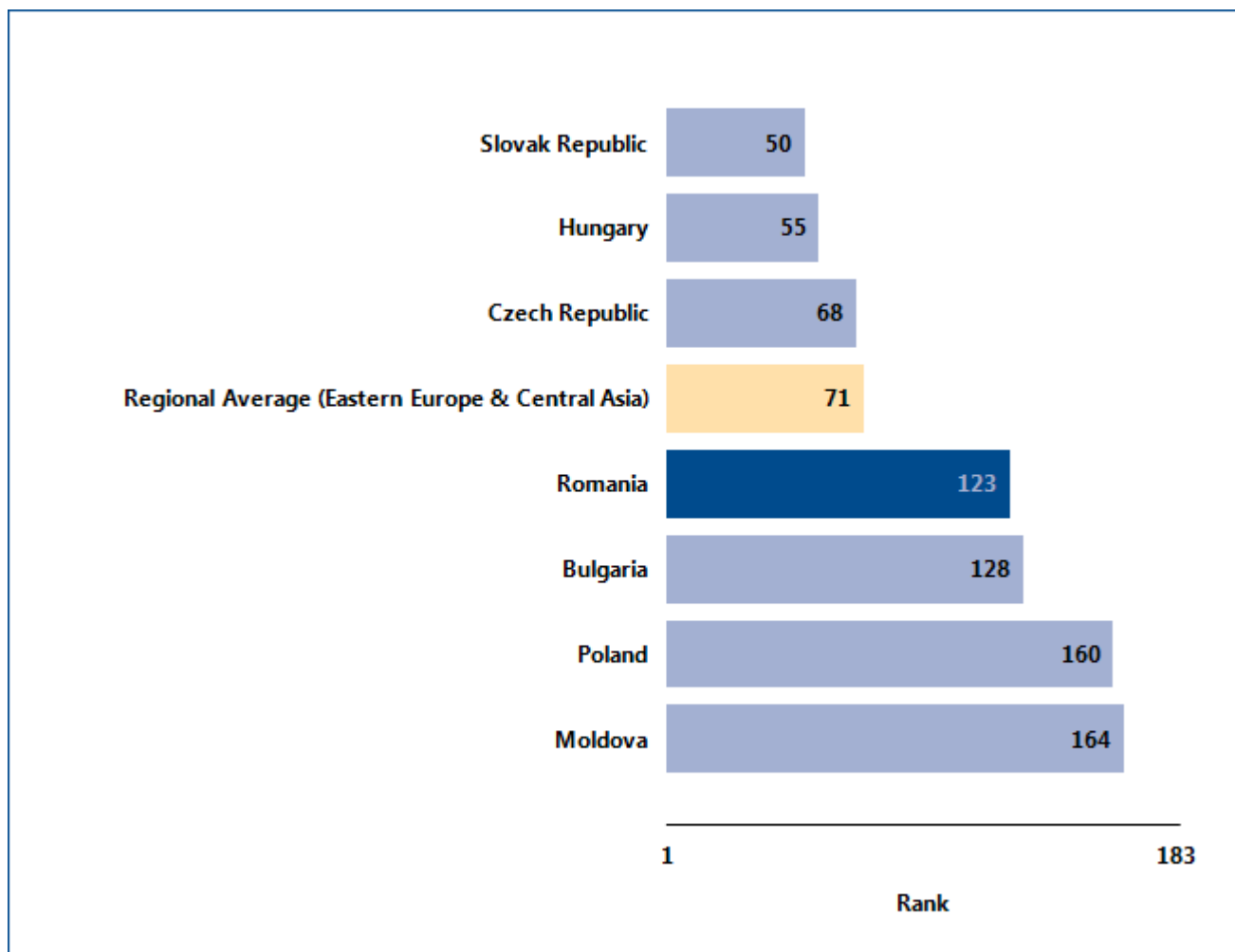
Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

Globally, Romania stands at 123 in the ranking of 183 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 Romania to legally build a warehouse.

Figure 3.2 How Romania 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 Romania 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 Romania over time
By *Doing Business* report year

| Indicator | DB2006 | DB2007 | DB2008 | DB2009 | DB2010 | DB2011 | DB2012 |
|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Rank | .. | .. | .. | .. | .. | 122 | 123 |
| Procedures (number) | 16 | 16 | 16 | 16 | 16 | 16 | 16 |
| Time (days) | 244 | 244 | 221 | 221 | 221 | 287 | 287 |
| Cost (% of income per capita) | 0.0 | 129.9 | 124.3 | 91.2 | 87.9 | 73.9 | 73.0 |

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology. For more information on “no practice” marks, see the data notes for details.

Source: *Doing Business* database.

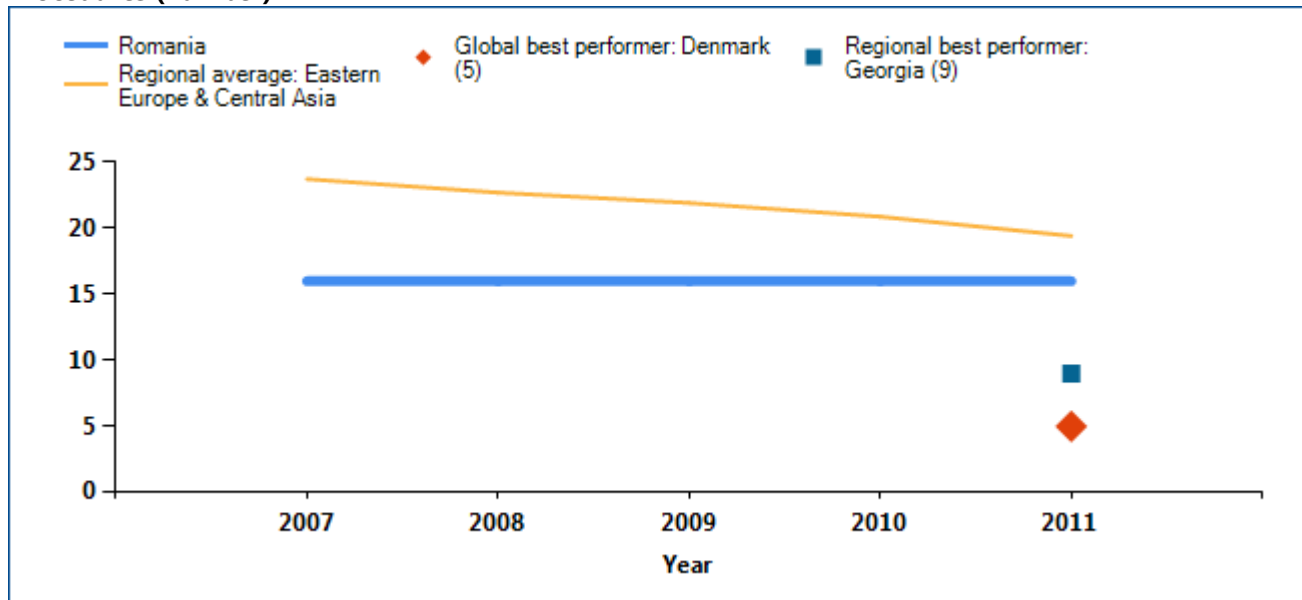
DEALING WITH CONSTRUCTION PERMITS

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the procedures, time or cost required to deal with construction permits (figure 3.3). These economies may provide a model for Romania

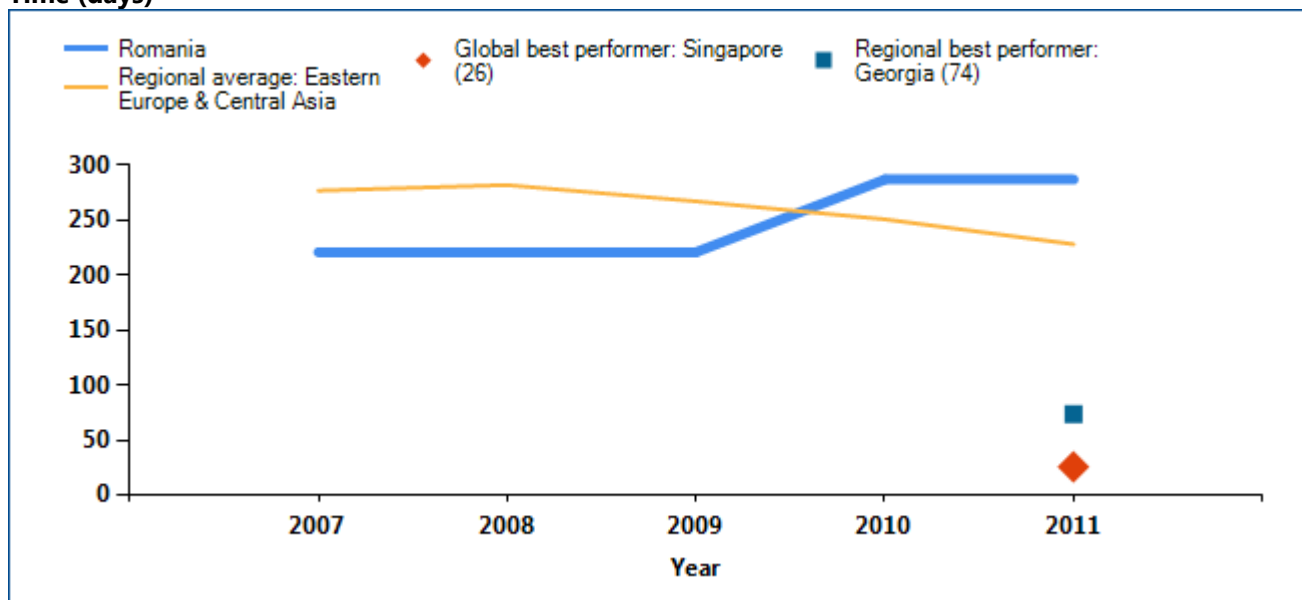
on ways to improve the ease of dealing with construction permits. And changes in regional averages can show where Romania is keeping up—and where it is falling behind.

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

Procedures (number)

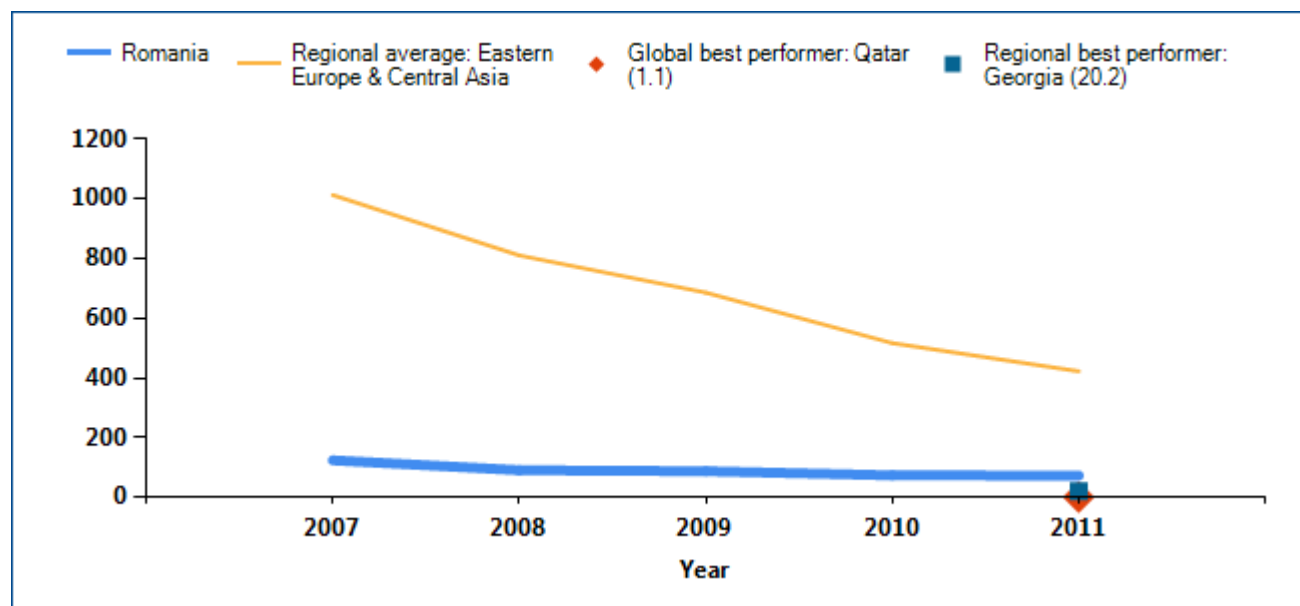


Time (days)



DEALING WITH CONSTRUCTION PERMITS

Cost (% of income per capita)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator. In cases where no data are displayed above for the economy, this indicates that the economy has received a “no practice” mark; see the data notes for details.

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 Romania (table 3.2)?

Table 3.2 How has Romania made dealing with construction permits easier—or not?
By *Doing Business* report year

| DB Year | Reform |
|---------------|---|
| DB2012 | No reform. |
| DB2011 | Romania amended regulations related to construction permitting to reduce fees and expedite the process. |
| DB2010 | Construction permit costs rose because of a new fee equal to 0.05 percent of the project value. |
| DB2009 | No reform. |

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 Romania 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 : Bucharest

Estimated Warehouse Value : RON 650,000

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

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

| No. | Procedure | Time to complete | Cost to complete |
|-----|--|------------------|------------------|
| 1 | <p>Obtain city-planning certificate (urbanization certificate)</p> <p>The city-planning certificate is issued by the municipality's Department of Urbanism. It describes the construction features allowed and lists all additional required approvals or permits, depending on the construction location and the exact characteristics required by the technical project.</p> <p>Pursuant to the Order no.839/2009 issued by the Ministry of Regional Development and Housing ("Order 839"), approving the new Methodological Norms to the Construction Law, the validity period of the city-planning certificate may vary between 6 and 24 months.</p> <p>The following urban planning documents are needed:</p> <ol style="list-style-type: none"> 1. The general urban plan (PUG) and the related local regulation. 2. The (zone) urban plan (PUZ) and the related local regulation. 3. The detailed urban plan (PUD). <p>The urbanization certificate for the land plot gives information on the ownership, the public utility service availability, the location within (intravilan) and outside (extravilan) the city limits, the urban planning requirements, the land use at the time, the allowed uses, and so forth.</p> <p>From a technical point of view, the certificate shows the percentage of land occupation, the coefficient of land use, the minimum and maximum dimensions of the plots, the allowed built-up area, utilities, and access, necessary parking, alignment of the land and buildings with the adjacent streets, and the maximum and minimum construction height allowed.</p> <p>This certificate does not grant the right to build. Its validity period varies but cannot exceed 12 months. Construction must start during</p> | 30 days | RON 15 |

| No. | Procedure | Time to complete | Cost to complete |
|-----|---|------------------|------------------|
| | <p>that 12-month period.</p> <p>The city-planning certificate enumerates all the necessary project clearances applicable to the warehouse case considered here. The municipality has the right to decide which project clearances are needed.</p> <p>Decision issued by Bucharest General Council for taxes and duties 2011 set the fee for this procedure as: RON 15.</p> | | |
| 2 | <p>Obtain project clearance from water supply and sewerage authority (Apa Nova SA)</p> <p>By law, the project clearance from the water supply and sewerage authority (Apa Nova S.A.) must be issued in 15 days, but, in practice, it can take up to 18 days.</p> | 18 days | RON 72 |
| 3 | <p>* Obtain project clearance from General Inspectorate for Emergency Situations</p> <p>The relevant legal provisions in force are the Methodological Norms for the endorsement and permitting regarding fire security and civil protection, approved by Order no. 80/2009 of the Ministry of Administration and Interior.</p> <p>According to the amendments to the Construction Law, if the 15-day term provided by the law for issuing the clearance is not observed by the General Inspectorate for Emergency Situations, the legal provisions referring to tacit approval shall be applied.</p> | 15 days | no charge |
| 4 | <p>* Obtain project clearance from environment protection office</p> <p>By law, this procedure can take up to 10 days, and the associated cost is RON 100. According to the public authorities, however, the time to complete is 21 days, and the cost can be up to RON 500. This procedure depends on all the previous ones, and is thus done after all preceding procedures have been completed.</p> | 21 days | RON 500 |
| 5 | <p>* Obtain project clearance from electric power supply authority (Electrica SA)</p> <p>Project clearance from the electric power authority may not be necessary: the municipality decides whether the project needs this clearance. For the case of building a warehouse in the periurban area of Bucharest, this procedure will likely be required. Electricity is needed after construction for the warehouse to operate and during construction as well. According to new fee schedule for 2008 the fee to be paid to Enel S.A. (former Electrica Muntenia Sud S.A.) is up to RON 73,65.</p> | 15 days | RON 74 |
| 6 | <p>* Obtain project clearance from health department</p> <p>By law, the time to complete this procedure is 15 days. To apply for the approval at the Bucharest Health Department, several documents must be submitted: urbanism certificate with annexed plans, technical</p> | 15 days | RON 200 |

| No. | Procedure | Time to complete | Cost to complete |
|-----|--|------------------|------------------|
| | memorandum drafted by the architect, ownership title, and incorporation certificate. | | |
| 7 | <p>* Contract with the solid waste authority (REBU SA)</p> <p>The municipality requests, through the certificate of urbanization, that a contract be signed with a waste disposal company to clear construction debris from the construction site. There are two companies that provide services in this area: ROSAL S.A. and REBU S.A. The latter is a larger player with a wider network. The tariffs have been modified, currently being RON 89.25 (RON 75 + 24% VAT) per cubic meter of waste. Additionally, for the surface of the land in question, a tax of RON 42 would also be applicable. The minimum of 35 m3 must be contracted according to the requirements of company.</p> | 1 day | RON 3,166 |
| 8 | <p>* Notarize statement about inexistence of land disputes</p> <p>The company should make a notarized statement (in this case, BuildCo is both the company and the applicant) stating that there are no disputes related to the land. This procedure is not a standard requirement by law but is often requested in practice.</p> <p>Each notary charges a different fee, but the fee cannot exceed RON 30 (equivalent to USD 10), the maximum notary fee established by the National Notaries Union.</p> | 1 day | RON 15 |
| 9 | <p>Obtain building permit</p> <p>BuildCo must apply for a building permit by submitting the following documents:</p> <ul style="list-style-type: none"> - City-planning certificate. - Property title on the land (there are no requirements as to how recent the title must be). - Technical documentation which replaced former Plans for the authorization of construction. - Necessary approvals, as required by the city-planning certificate. - Environmental approval Environmental Protection Agency - Proof of payment of the legally required taxes (receipts from the tax authorities). - Legalized copy of the title to the real estate or the updated cadastral plan and land registry extract for informative purposes, if the law does not otherwise require. <p>The building permit is issued by the municipality. Note that, for Bucharest, the construction permit is issued by the General Mayor of Bucharest, if the construction is to be done outside the buildable area or if it exceeds a district area; or by the relevant district mayor, if the construction is to be located in one of the six districts of Bucharest.</p> <p>The cost of the building permit is 1% of the value of the construction work.</p> | 30 days | RON 6,500 |
| 10 | Receive foundations work inspection | 1 day | RON 5,200 |

| No. | Procedure | Time to complete | Cost to complete |
|-----|---|------------------|------------------|
| | The schedule of inspections is described in the building permit. By law, BuildCo must pay 0.1% of the authorized value to the competent territorial inspectorate for construction. In addition, the investors or owners must pay the State Inspectorate for Construction a monthly payment equivalent to 0.70% of the value of the expenses incurred in that month for the execution of the construction work. | | |
| 11 | Receive frame inspection | 1 day | no charge |
| 12 | <p>Final assessment of the construction through the Acceptance Commission</p> <p>The company notifies the local public administration and other relevant authorities of the date of completion of construction so that the Approval Commission may be convened. The Acceptance Commission is a body made up of the construction beneficiary (BuildCo), officials from local public administration, and technical experts. It is legally required to meet and determine that the construction meets all applicable legal requirements.</p> <p>The commission must be convened within 15 days from the date of completion of works. The utility connections would have been made at this stage. The final assessment can take several days and includes an on-site inspection. Within 3 working days from the end of the assessment, the Acceptance Commission must submit the notes and conclusions to the beneficiary of construction and recommend approval (with or without reservations), postponement, or rejection of the construction.</p> | 120 days | RON 350 |
| 13 | <p>* Receive final inspection from Acceptance Commission</p> <p>Acceptance Commission</p> | 55 days | RON 150 |
| 14 | <p>Obtain water and sewage connection (Apa Nova SA)</p> <p>According to the water and sewage authority (Apa Nova S.A.), this procedure takes approximately 2-3 months due to significant increase in demand and backlog. The associated costs were increased to RON 330 for connection fee, RON 72 for application fee and 64,18% VAT. Inspections for utilities occur at the same time as the connection.</p> | 75 days | RON 473 |
| 15 | <p>* Obtain telephone connection (Romtelecom SA)</p> <p>Inspections for utilities occur at the same time as the connection.</p> | 1 day | no charge |
| 16 | <p>Register the building with the real estate registry</p> <p>The building can be registered once it has been completed and approved. There are two stages of approval, and for that reason, the building can be registered twice. The first stage is after the Commission approval, and the second is when the warranty period had expired, after the final Commission approval. The second approval applies only when the owner and the builder are different entities. Therefore, in the case considered here, it is assumed that only one registration is done. Pursuant to Order no. 186/2009 on the establishment of time frames for performing services by the National Agency for Cadastre and Land</p> | 7 days | RON 480 |

| No. | Procedure | Time to complete | Cost to complete |
|-----|---|------------------|------------------|
| | Registration ("Order 186"), the standard registration time is of 21 days but, if the applicant pays an additional fee, the registration time will be reduced to 7 days. According to Order no. 39/2009 on the approval of fees for performing services by the National Agency for Cadastre and Land Registration ("Order 39"), the standard registration fee is of RON 120 and the additional fee, for obtaining a shorter issuance time, is four-times the standard fee. | | |

* 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.

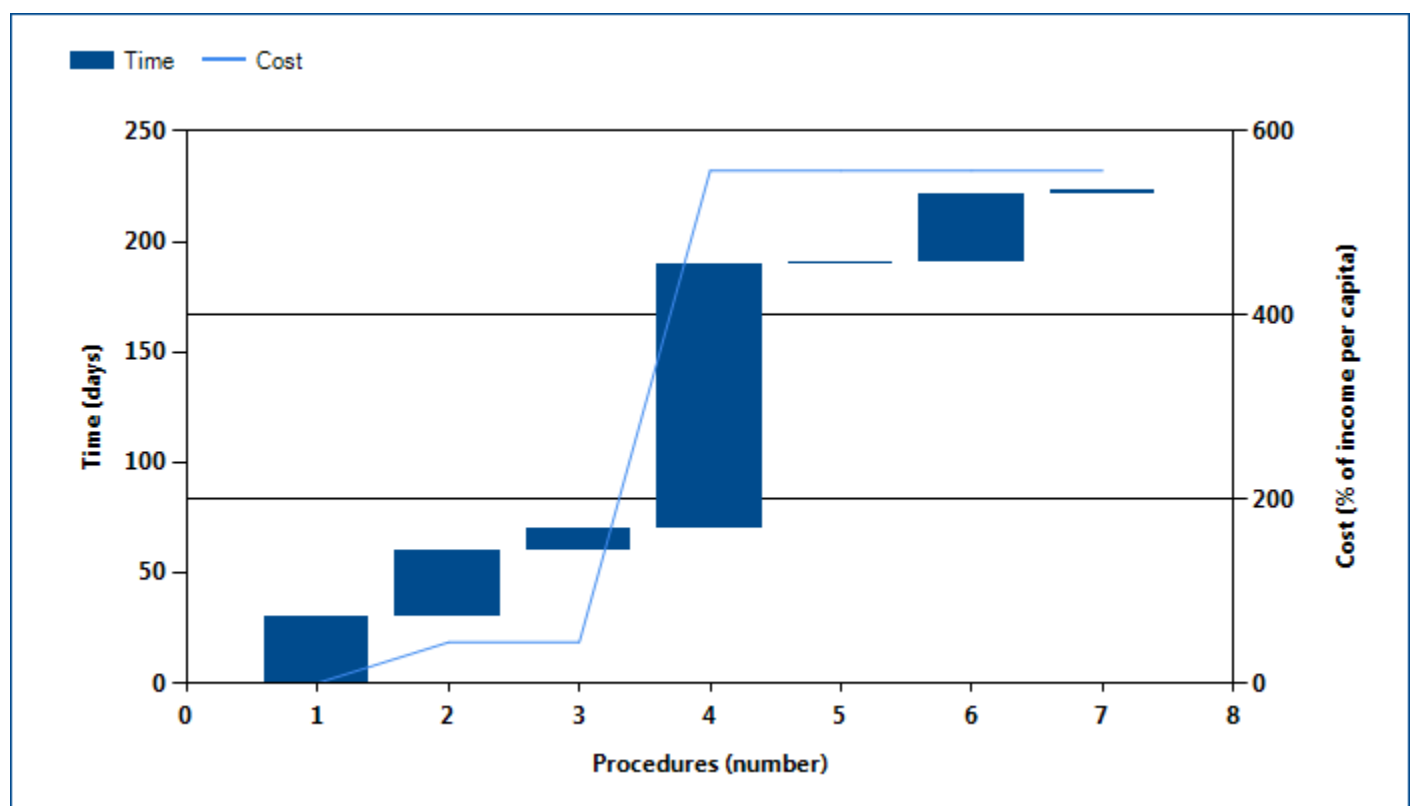
GETTING ELECTRICITY

Where does the economy stand today?

What does it take to obtain a new electricity connection in Romania? According to data collected by *Doing Business*, getting electricity there requires 7

procedures, takes 223 days and costs 556.9% of income per capita (figure 4.1).

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



Note: For details on the procedures reflected here, see the summary at the end of this chapter.

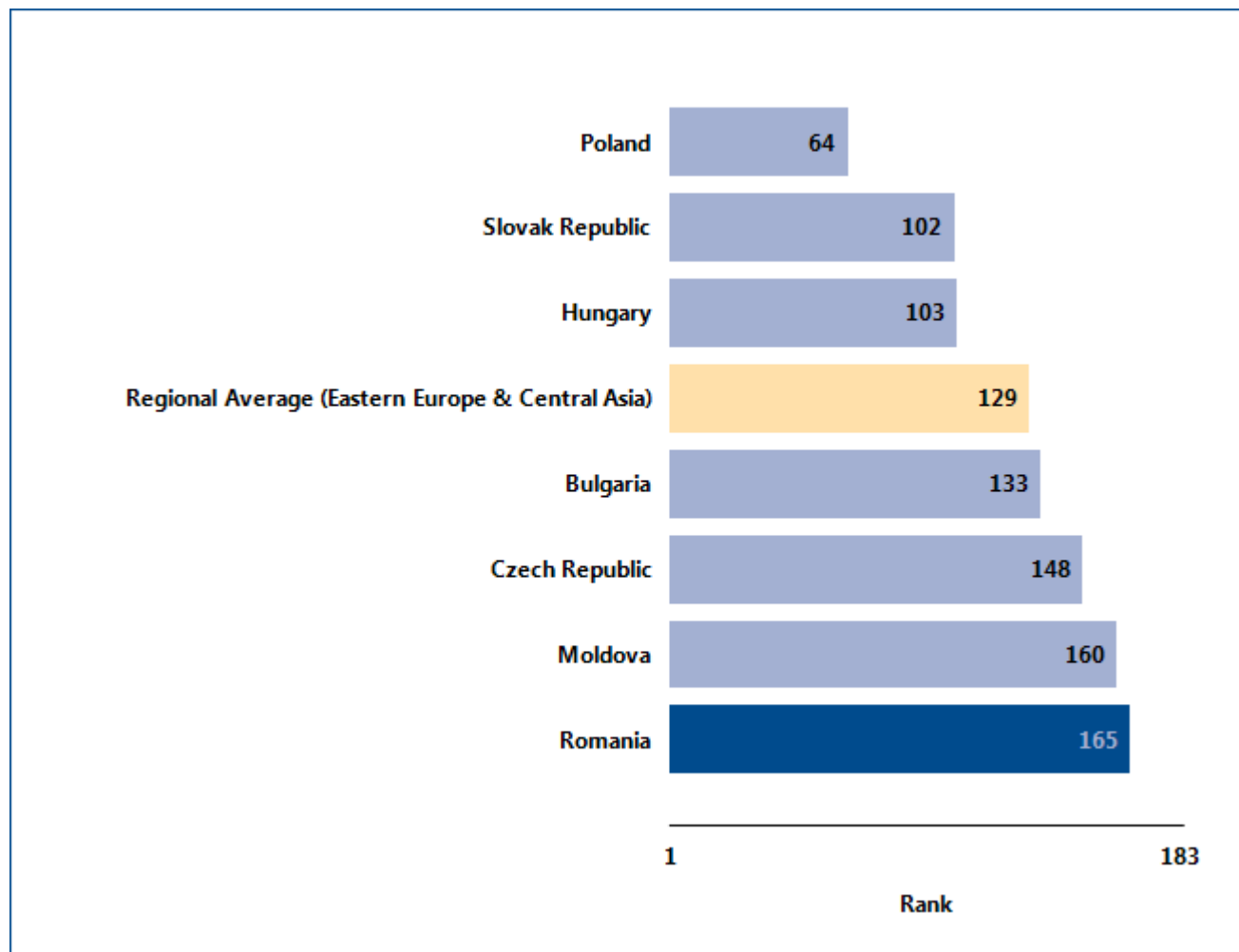
Source: *Doing Business* database.

GETTING ELECTRICITY

Globally, Romania stands at 165 in the ranking of 183 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 Romania to connect a warehouse to electricity.

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



Source: Doing Business database.

GETTING ELECTRICITY

Even more helpful than rankings for other economies may be the indicators underlying those rankings (table 4.1). If obtaining a new electricity connection requires fewer procedures, less time or less cost in other

economies, the practices of their utilities may provide a model for Romania on ways to improve the ease of getting electricity. Regional and global averages on these indicators may provide useful benchmarks.

Table 4.1 The ease of getting electricity in Romania and comparator economies

| Indicator | Romania | Bulgaria | Czech Republic | Hungary | Moldova | Poland | Slovak Republic | Eastern Europe & Central Asia average | Global average |
|-------------------------------|---------|----------|----------------|---------|---------|--------|-----------------|---------------------------------------|----------------|
| Rank | 165 | 133 | 148 | 103 | 160 | 64 | 102 | 129 | .. |
| Procedures (number) | 7 | 6 | 6 | 5 | 7 | 4 | 5 | 7 | 5 |
| Time (days) | 223 | 130 | 279 | 252 | 140 | 143 | 177 | 168 | 111 |
| Cost (% of income per capita) | 556.9 | 366.6 | 186.2 | 120.3 | 660.6 | 209.3 | 242.2 | 751.2 | 1,942.3 |

Source: Doing Business database.

GETTING ELECTRICITY

What are the details?

The indicators reported here for Romania 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: Bucharest

Name of Utility: ENEL Distributie Muntenia

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 Romania—and the time and cost

| No. | Procedure | Time to complete | Cost to complete |
|-----|--|-------------------|------------------|
| 1 | Submit application with ENEL and await letter and technical conditions The customer submits the application with ENEL for technical conditions. In the answer, ENEL writes if the connection is confirmed or not and recommends doing a technical study. | 30 calendar days | RON 153.0 |
| 2 | Hire electrical design firm to conduct a technical study and get study approved by ENEL The customer has to hire an electrical contractor that will do a technical study. The study could also be done by ENEL. The study will give the different technical options for the connection works. After the study is finished, the electrical contractor goes to ENEL with the study to get the best technical option approved. ENEL approves the best option and informs the customer about their choice. | 30 calendar days | USD 3,463.5 |
| 3 | Submit documents for conclusion of connection contract, receive contract and pay estimate Once ENEL has approved the study, the customer gets the technical connection approval together with the proposal of connection contract. After the conclusion of the connection contract, the customer gets the estimate for the connection cost including the component related to the cost of the connection installation (material and labor force), as well as the component corresponding to the work inspection and activation of the installations for use. | 10 calendar days | RON 45.9 |
| 4 | Obtain design of works, get design approved by ENEL and conclude execution contract with ENEL and await end of connection works carried out by electrical contractor | 120 calendar days | USD 40,135.0 |

| No. | Procedure | Time to complete | Cost to complete |
|-----|---|------------------|------------------|
| | <p>The customer hires an electrical contractor (can also be the same firm as under procedure 2) to make the design of the connection. The design needs to be approved by ENEL. After the design has been approved, the customer goes to the municipality to pay 1% of the utility's invoice. This is the fee to obtain the construction permit that the customer has to submit for the connection works. The construction permit can be obtained by the electrical contractor on behalf of the customer. Depending on the municipality, 5-20 permits need to be obtained before at other agencies/stakeholders and then submitted to the municipality in order to obtain the construction permit for the connection works. At some municipalities, a geodesic assessment has to be submitted as part of the application package. After the construction permit has been obtained, ENEL concludes a contract (execution contract) with the electrical contractor (that was hired by the customer) and the works start. At the same time, the electrical contractor makes a file about the internal wiring of the warehouse that confirms that the internal wiring was done accordingly to safety standards. The customer pays the cost for the connection works directly to ENEL and not to the electrical contractor that he hired.</p> | | |
| 5 | <p>Receive final inspection of works by ENEL</p> <p>At the end of the works, ENEL comes to inspect the works. In the technical study (procedure 2), the whole time plan and different steps of the connection works are laid out. The electrical contractor has to call ENEL towards the end of the works and usually ENEL comes immediately to do the inspection.</p> | 1 calendar day | no charge |
| 6 | <p>Submit internal wiring file, conclude use of land contract</p> <p>At the end of the works, the customer submits the internal wiring file to ENEL for verification. The customer has to go with a notary to ENEL to conclude a contract of "use of land" with ENEL. They have to meet the director responsible for the grid. This contract is stating that the land is in use by ENEL, but not owned by ENEL. Without this contract, there would be no connection.</p> | 30 calendar days | no charge |
| 7 | <p>Supply contract and receive meter installation by ENEL</p> <p>The customer concludes the supply contract with ENEL. 48 hours after the signature of the contract, ENEL comes to the warehouse to install the meter and electricity starts flowing. When the connection to the network is done, the overall grid in the neighborhood needs to be interrupted. This is announced in the newspaper. There is no waiting time.</p> | 2 calendar days | no charge |

* 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.

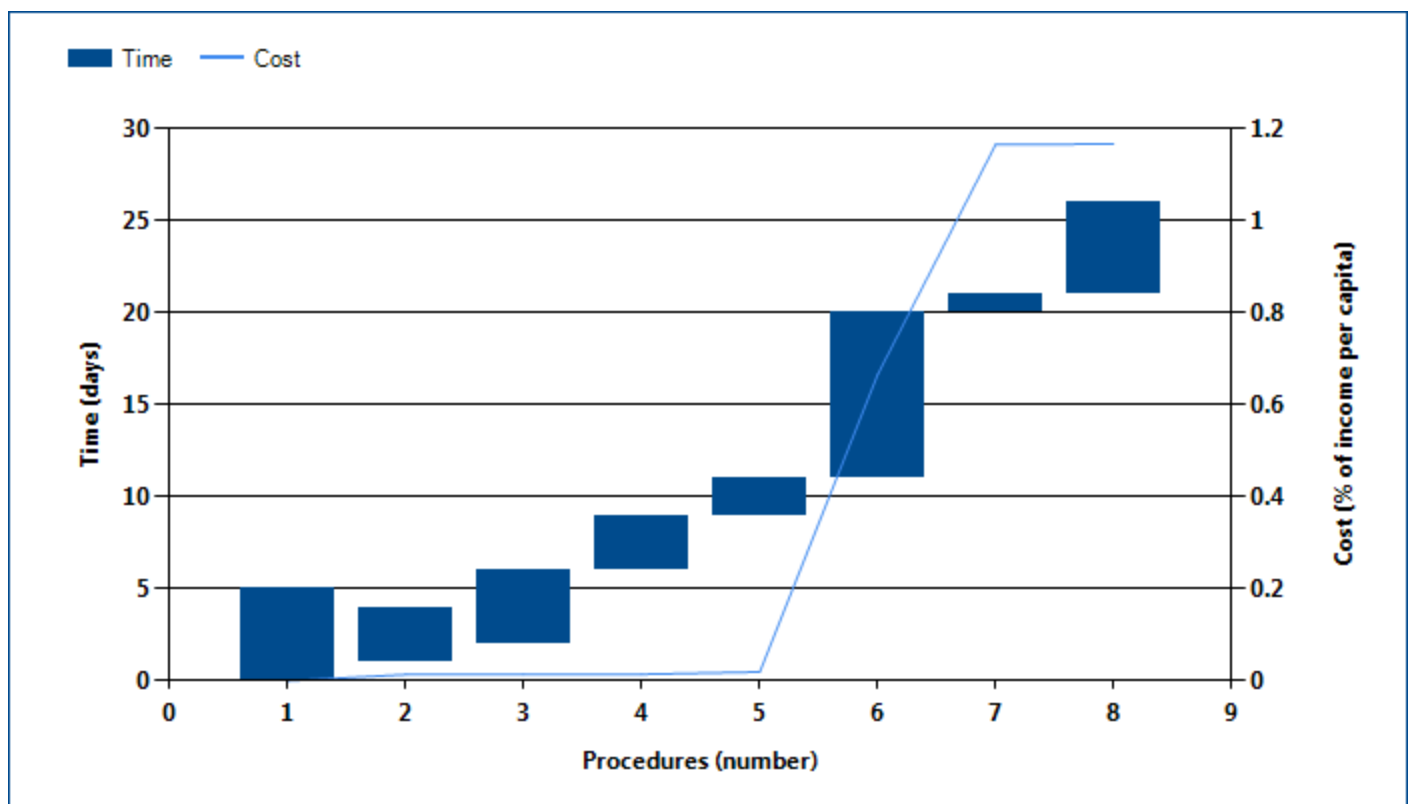
REGISTERING PROPERTY

Where does the economy stand today?

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

procedures, takes 26 days and costs 1.2% of the property value (figure 5.1).

Figure 5.1 What it takes to register property in Romania



Note: For details on the procedures reflected here, see the summary at the end of this chapter.

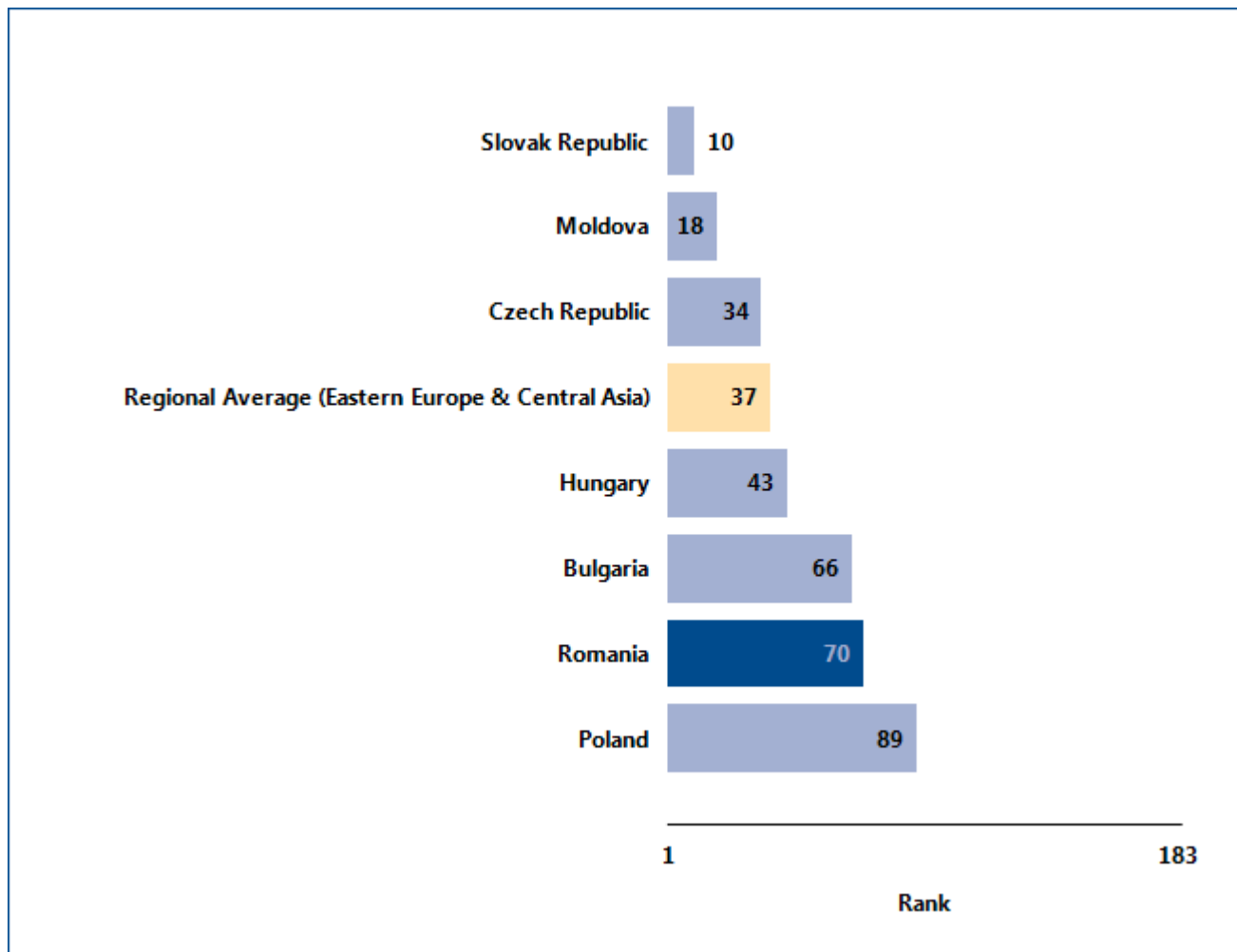
Source: *Doing Business* database.

REGISTERING PROPERTY

Globally, Romania stands at 70 in the ranking of 183 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 Romania to transfer property.

Figure 5.2 How Romania 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 Romania 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 Romania over time
By *Doing Business* report year

| Indicator | DB2005 | DB2006 | DB2007 | DB2008 | DB2009 | DB2010 | DB2011 | DB2012 |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Rank | .. | .. | .. | .. | .. | .. | 64 | 70 |
| Procedures (number) | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Time (days) | 77 | 77 | 77 | 77 | 77 | 26 | 26 | 26 |
| Cost (% of property value) | 2.2 | 2.0 | 1.9 | 1.8 | 1.4 | 1.3 | 1.3 | 1.2 |

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology. For more information on “no practice” marks, see the data notes for details.

Source: *Doing Business* database.

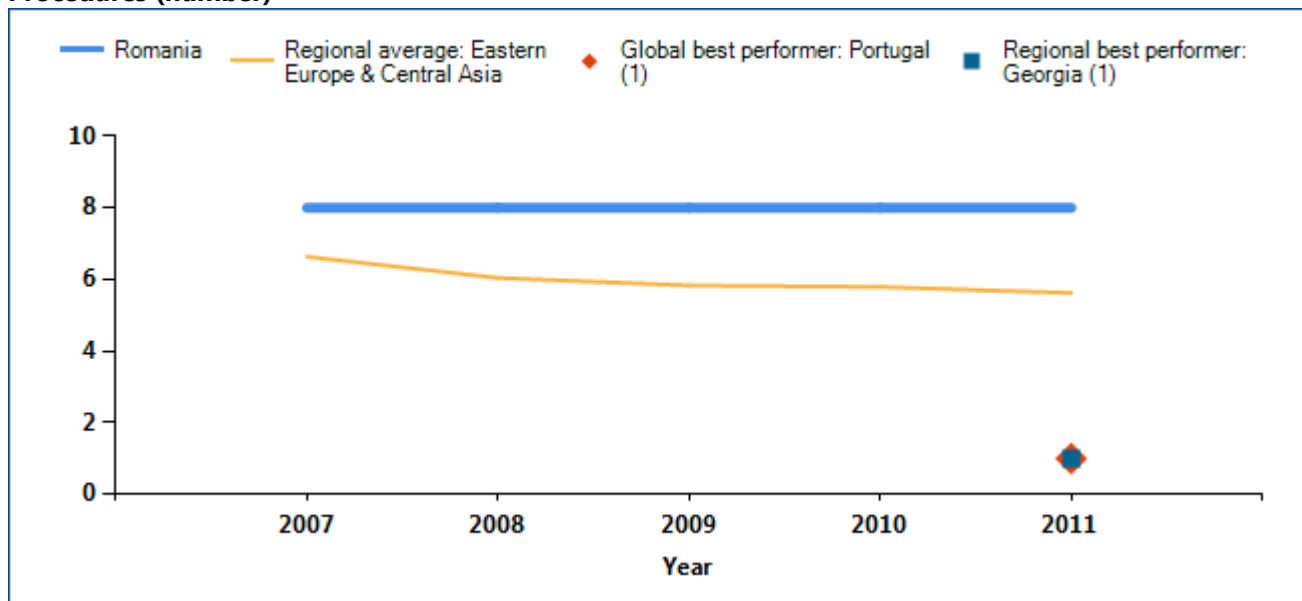
REGISTERING PROPERTY

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the procedures, time or cost required to complete a property transfer (figure 5.3).

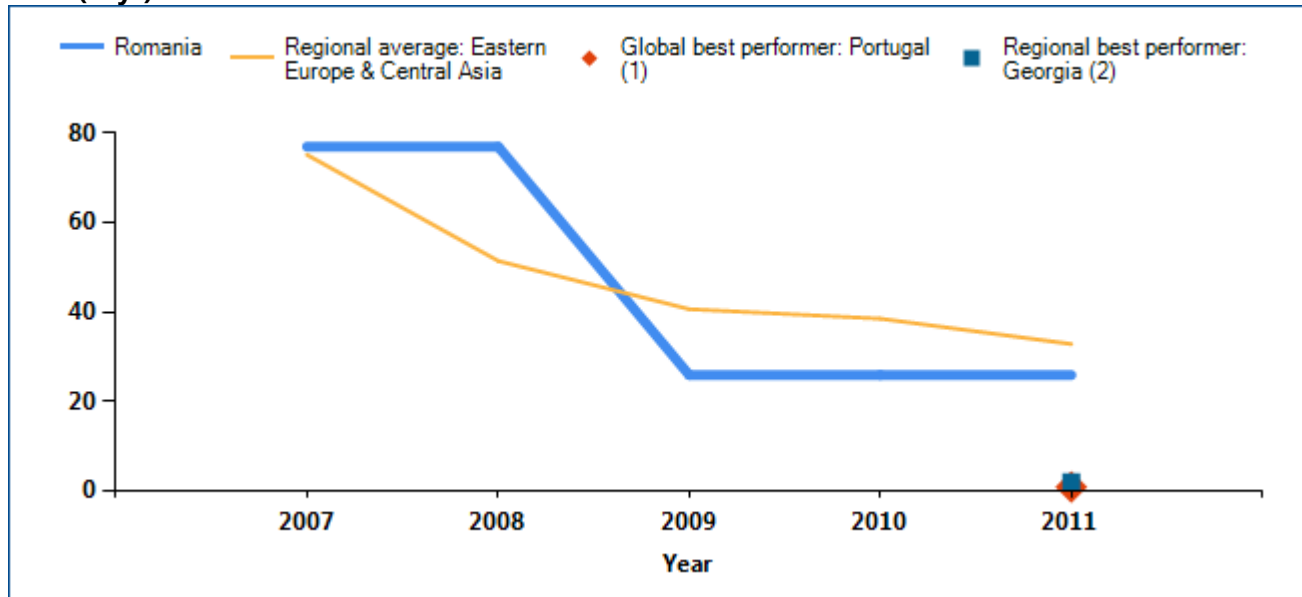
These economies may provide a model for Romania on ways to improve the ease of registering property. And changes in regional averages can show where Romania is keeping up—and where it is falling behind.

Figure 5.3 Has registering property become easier over time?

Procedures (number)

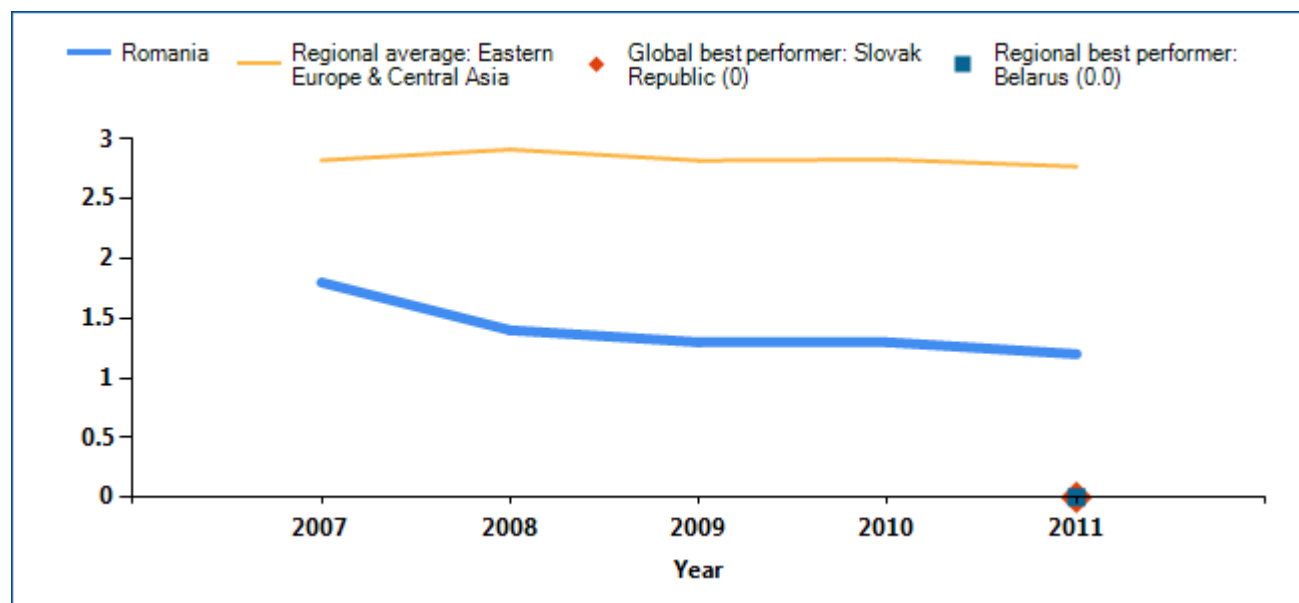


Time (days)



REGISTERING PROPERTY

Cost (% of property value)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator. In cases where no data are displayed above for the economy, this indicates that the economy has received a “no practice” mark; see the data notes for details.

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 Romania (table 5.2)?

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

| DB Year | Reform |
|---------|--|
| DB2012 | No reform. |
| DB2011 | No reform. |
| DB2010 | Property registration was expedited with the introduction of new procedures at the land registry and cadastre. |
| DB2009 | No reform. |

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: Bucharest
Property Value: 1,178,064.0

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

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

| No. | Procedure | Time to complete | Cost to complete |
|-----|---|---|--|
| 1 | <p>* Obtain cadastral certificate</p> <p>The seller obtains information drafted by an authorized expert from the Cadastre and Real Estate Publicity Office. This information includes: technical memorials, coordination inventory, analytical calculation of the land, topographical description, area plan on a scale of 1:500; and on the scale of 1:2000, description of property, the plan of the real estate, and a property statement regarding the identification of the limits of the measured real estate.</p> <p>The documentation shall include:</p> <ul style="list-style-type: none"> • Application form • A copy of the property title • A copy of the identification documents of the owner <p>Order no. 186/2009 provides the deadlines for obtaining technical information from the Cadastre which differ by taking into account the relevant requested document and vary between three (3) days and seven (7) days in the normal procedure and one (1) day and two (2) days in the expedited procedure.</p> <p>Order no. 39/2009 provides the relevant taxes to be paid which also vary from RON 15/hour to RON 30/sheet or even RON 150 for certain technical data.</p> <p>Order no. 371/2007 was repealed by Order no. 39/2009, starting with April 16, 2009, with its subsequent amendments. In addition, any document having a public character (e.g., location layouts, cadastral data) can be obtained by any person and not only by the owner of the property.</p> <p>Cost:</p> <p>1. Consultation of archives on the spot - cost: 10 RON for 15 minutes.</p> | <p>Time:(simultaneous with procedure 2 and 3)</p> <p>1. Consultation of archives on the spot - time: on the spot.</p> <p>2. Land Book information excerpt - ordinary procedure: 3 days; emergency procedure: 1 day.</p> <p>3. Certified copies of documents from the document files and</p> | <p>Cost:</p> <p>1. Consultation of archives on the spot - cost: 10 RON for 15 minutes.</p> <p>2. Land Book information excerpt - cost: 20 RON per property.</p> <p>3. Certified copies of documents from the document files and land books - cost: 5 RON per page (3 pages).</p> <p>4. Certifi</p> |

| No. | Procedure | Time to complete | Cost to complete |
|-----|---|---|---|
| | <p>2. Land Book information excerpt - cost: 20 RON per property.</p> <p>3. Certified copies of documents from the document files and land books - cost: 5 RON per page.</p> <p>4. Certificate for the identification of the topographic/cadastral number and land book number according to the name of the owner - cost: 100 RON per owner/land book office.</p> <p>5. Cadastral plan excerpts - cost: 15 RON per property</p> <p>Time:</p> <p>1. Consultation of archives on the spot - time: on the spot.</p> <p>2. Land Book information excerpt - ordinary procedure: 3 days; emergency procedure: 1 day.</p> <p>3. Certified copies of documents from the document files and land books - ordinary procedure: 3 days; emergency procedure: 1 day.</p> <p>4. Certificate for the identification of the topographic/cadastral number and land book number according to the name of the owner - ordinary procedure: 7 days; emergency procedure: 2 days.</p> <p>5. Cadastral plan excerpts - ordinary procedure: 5 days; emergency procedure: 2 days.</p> | | |
| 2 | <p>* Obtain tax certificate</p> <p>The seller must obtain a clearance certificate from the local fiscal authority from the district where the company has its headquarter attesting that the company has no outstanding debts whatsoever with the tax authority.</p> | 1-5 days (simultaneous with procedure 1 and 3) | RON 4 (fiscal stamp) |
| 3 | <p>* Obtain tax certificate</p> <p>The Seller obtains a clearance certificate from the direction for public taxes of the Municipality from the district where the real estate is located attesting that the property is not owned by someone else and that there are no unpaid taxes.</p> <p>This fiscal certificate is required for completion of a transfer of ownership. The validity of a fiscal certificate is up to 35 calendar days. According to the provisions of art. 113 of the Romanian Fiscal Procedure Code, the validity of a fiscal certificate lasts until the end of the month within which the certificate is issued.</p> <p>The documentation shall include:</p> <ul style="list-style-type: none"> • An application from the owner • A copy of the last receipt with which it is demonstrated that there are no unpaid taxes • A copy of the identification documents of the owner • The last accounting records of the company • The power of attorney for the company's representative | 1-5 days (simultaneous with procedure 1 and 2) | RON 4 (fiscal stamp) |
| 4 | <p>* Obtain non-encumbrance certificate</p> <p>The public notary legalizes the transfer deed, fills in the application form to obtain a Land Registry extract from the Land Registry office, and</p> | 3 days (regular procedure) or 1 day (expedited) | Authentication excerpt - 40 RON in regular procedure, |

| No. | Procedure | Time to complete | Cost to complete |
|-----|--|------------------|---|
| | <p>sends it to the Land Registry office, usually by fax. The authentication excerpt may only be obtained by a notary public. In order to obtain the authentication excerpt the notary public must submit to the relevant land registry office the application signed and stamped by the respective notary and the owner of the property, as well as the proof of payment of the fee.</p> <p>The validity of the extract is 5 business days, starting with the day and hour when the application form was registered, until the end of the 5th day. During those 5 business days the registering clerk has no power to make any other operation except for the one for which the extract was required--the Land Book is blocked during this period, in order to assure the security of the real estate transactions.</p> <p>Authentication excerpt can be obtained in 3 days (regular procedure, cost 20 RON) or in 1 day (expedited procedure, cost 100 RON); Information excerpt can be obtained in 3 days (regular procedure, cost 40 RON) or in 1 day (expedited procedure, cost 200 RON).</p> <p>The documentation shall include: Application for the Land Registry extract A copy of the identity documents A copy of the registration decision A copy of the fiscal certificate (obtained in Procedure 2)</p> | procedure) | 200 RON in expedited procedure; Information excerpt - 20 RON in regular procedure, 100 RON in expedited procedure |
| 5 | <p>Notarization of sale deed</p> <p>The notary verifies the non-encumbrance and fiscal certificates and authenticates the sale purchase agreement. Without these certificates, the notary may not authenticate the agreement. The notary's fees and authentication taxes could be paid either directly to the notary or through special bank accounts organized for such purposes.</p> <p>If the notary operates for a different area than the one in where the real estate is located, then the interested party should provide the standards of the minimum taxation values applying in the area where the real estate is located.</p> <p>Though not mandatory, a lawyer may conduct due diligence before this procedure, by studying the previous successive transfers of the respective property and identification of the parties. After the due diligence the parties finalize the sales agreement. A lawyer may charge about RON 3,200 and take a couple of days for the due diligence</p> <p>The documentation shall include: The property title in original, which will state the way in which the property was obtained Fiscal certificate (obtained in Procedure 2) The cadastre information drafted by an authorized expert, which will include the identification elements of the real estate: the plan of the real estate, its description, the area plans (obtained in Procedure 1) Non-encumbrance certificate (obtained in Procedure 3) Sale purchase agreement</p> | 1-2 days | RON 5,080 + 0,44%, of the transaction value exceeding RON 600,001 (notary fees) Value of the transaction (in RON) Amount of the fees (in RON) Below RON 15,000 |

| No. | Procedure | Time to complete | Cost to complete |
|-----|--|--|---|
| | <p>Value of the transaction (in RON) Amount of the fees (in RON)</p> <p>Below RON 13,696 2.5% but no less than RON 150</p> <p>From RON 13,696 to RON 27,499 2% but no less than RON 342</p> <p>From RON 27,499 to RON 54,891 1.5% but no less than RON 618</p> <p>From RON 54,891 to RON 274,562 1% but no less than RON 1,029</p> <p>From RON 274,562 to RON 549,231 0.75% but no less than RON 3,266</p> <p>Above RON 549,231 0.5% but no less than RON 5,286</p> <p>A discount up to 15% might be given by the Notary if the sale and purchase agreement is drafted by a lawyer.</p> <p>Starting with 1st of January 2007 only the notary fee is due. The authentication tax was revoked and replaced with the income tax obtained following the transfer of the real estate properties from the personal patrimony of the Seller as individual.</p> <p>For legal entities a 16 % income tax is to be applied to the profit resulted in the company's balance sheet, including this transaction.</p> | | |
| 6 | <p>Registration of new title</p> <p>The same public notary applies for registration of the property title at the Land Book Office, by sending the application and the original notary deed, directly or by fax, to the district Land Book Office where the real estate is placed. Therefore, the registration is performed ex officio by the notary, based on the authenticated sale purchase act.</p> <p>An expedited option is available given that an extra fee of 5 times the normal fee will be added. The extra fee can not be more than RON 5,000.</p> <p>Registration fees are 0.5% of property value with a minimum of RON 60 according to Order no 39/06.04.2009, for a procedure that takes 9 days.</p> <p>An expedited procedure is available (3 days) for an additional fee of 2.5% of property value. According to the article 6 of Order no 39/2009, this additional fee cannot exceed RON 5000. Only when the real estate is registered in the Land Book for the first time a tax of RON 120 should be paid for this registration.</p> <p>In case the owner registers his/her property for the first time (i.e. following the reconstitution of the ownership for which the cadastre is made for the first time) the terms for registration are 21 days (regular procedure) or 7 days (expedited procedure).</p> <p>The documentation shall include:</p> <p>Sale-purchase contract (notarized in Procedure 4)</p> <p>Fiscal certificate (obtained in Procedure 2)</p> <p>Cadastre certificate (obtained in Procedure 1)</p> | 9 days (regular procedure) or 3 days (expedited procedure) | <p>0.5% of property value (regular); 2.5% of property value (expedited).</p> <p>Minimum RON 60.</p> <p>Extra fee cannot exceed RON 5,000.</p> |

| No. | Procedure | Time to complete | Cost to complete |
|-----|--|------------------|-------------------|
| | ID of the buyer A registration application The property title, all the originals, plus a legalized copy from a public notary Proof of total payment. | | |
| 7 | Registration of new owner @ tax agency/ municipality / utility The fiscal declaration of the acquisition of the property is filed by the buyer at the Local Tax Department. The declaration must be performed within 30 days of the authentication date. The documentation shall include: Tax statement for the respective real estate The property title, in original and a copy Accounting documents (invoice, analytical balance, balance sheet, etc.) Cadastral documents Copy of the registration certificate of the company | 1 day | Up to RON 10 |
| 8 | Registration of new owner @ tax agency/ municipality / utility The buyer should apply for registration with the Trade Register Office of the work place located at the newly acquired property. If the property is a working unit of the company, it has to be registered, as it is mentioned in the Commercial Registration Law (Law Number 26 1990). The registration includes, among others, environment, sanitary, fire protection, labor approvals from various relevant authorities, all located in a one-stop shop. The registration is not necessary for the transfer of title, but only for making it opposable to third parties and for registration as a place of business. The concrete use of the property as a work place is not required but the evidences necessary for using it as such are needed for obtaining the authorizations within the corporate registration process. Stamp tax and registration fees are lump-sum taxes and do not depend on the property value. The Trade Register tax and fees could be paid either directly to the Trade Register or through special bank accounts organized for such purposes. In summary, the total amount to be paid for the registration of a working place is made up of several taxes. When the application is filed only for the establishment of the working place, the taxes are: 1. Ascertaining certificate – 30 lei 2. Registration of secondary business place – 30 lei 3. Registration of the standard-form (regarding the fulfillment of the conditions to perform activities) – 30 lei 4. Liquidation fund (20% of points 1-3) – 6 lei 5. Bulletin fund (5% of points 1-3) – 1.5 lei 6. Judicial stamp duty – 39 lei 7. Commission for the judge's mention – 60 lei 8. Transmission of documents to be published in the Official Gazette – 20 lei 9. Official Gazette commission (depends on the number of documents, | 5 days | RON 350 - RON 420 |

| No. | Procedure | Time to complete | Cost to complete |
|-----|--|------------------|------------------|
| | for this example we have counted 5) – 50 lei 10. Publication in the Official Gazette (depends on the number of rows in the document; only the resolution deciding the establishment of the working place is published) – 80-150 lei TOTAL – 350-420 lei. | | |

* 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 the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. *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 its component indicators: the depth of credit information index (weighted at 37.5%) and the strength of legal rights index (weighted at 62.5%).

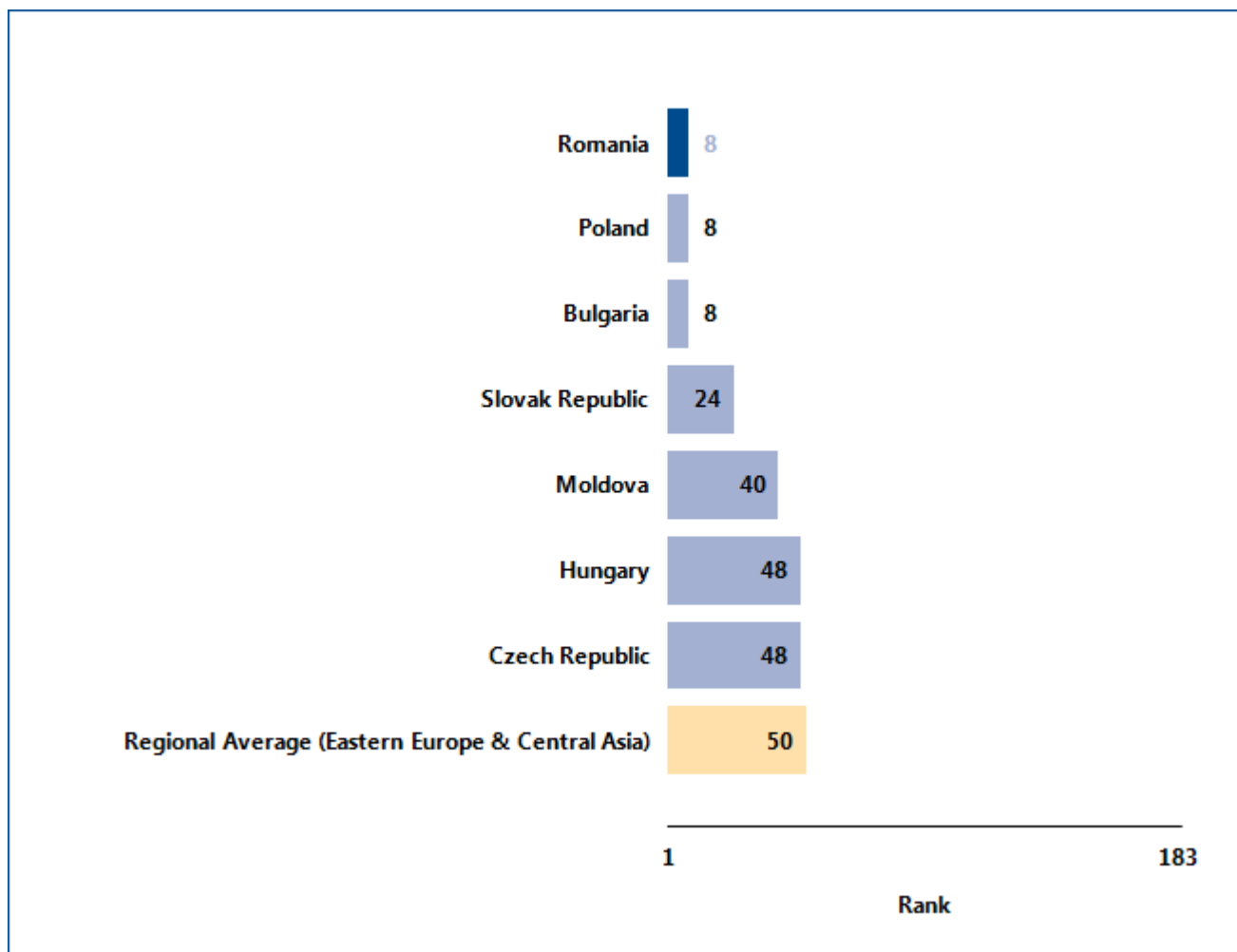
GETTING CREDIT

Where does the economy stand today?

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

Globally, Romania stands at 8 in the ranking of 183 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 Romania support lending and borrowing.

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

| Indicator | DB2005 | DB2006 | DB2007 | DB2008 | DB2009 | DB2010 | DB2011 | DB2012 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|
| Rank | .. | .. | .. | .. | .. | .. | 8 | 8 |
| Strength of legal rights index (0-10) | 8 | 8 | 8 | 9 | 9 | 9 | 9 | 9 |
| Depth of credit information index (0-6) | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Public registry coverage (% of adults) | 0.4 | 1.4 | 2.6 | 4.1 | 4.5 | 5.7 | 13.0 | 15.2 |
| Private bureau coverage (% of adults) | 0.0 | 1.0 | 5.5 | 10.9 | 24.7 | 30.2 | 33.3 | 42.0 |

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.

Source: *Doing Business* database.

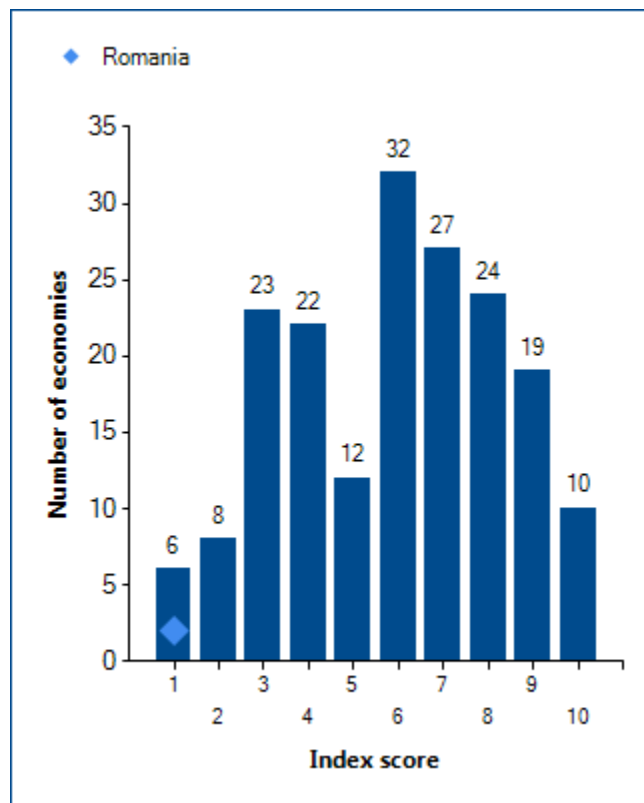
GETTING CREDIT

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

index for Romania in 2011 and shows the number of other economies having the same score in 2011. Figure 6.3 shows the same thing for the depth of credit information index.

Figure 6.2 Have legal rights for borrowers and lenders become stronger?

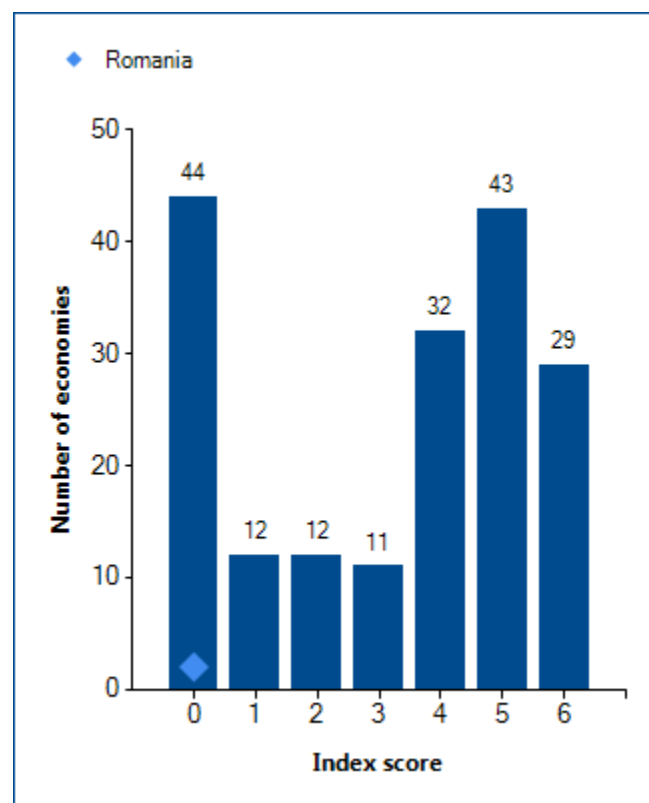
Number of economies with each score on strength of legal rights index (0–10), 2011



Source: Doing Business database.

Figure 6.3 Have the coverage and accessibility of credit information grown?

Number of economies with each score on depth of credit information index (0–6), 2011



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 Romania (table 6.2)?

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

| DB Year | Reform |
|---------|------------|
| DB2012 | No reform. |
| DB2011 | No reform. |
| DB2010 | No reform. |
| DB2009 | No reform. |

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 Romania 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 Romania

| Indicator | Romania | Eastern Europe & Central Asia | OECD high income |
|--|---------|-------------------------------|------------------|
| Strength of legal rights index (0-10) | 9 | 7 | 7 |
| Depth of credit information index (0-6) | 5 | 5 | 5 |
| Public registry coverage (% of adults) | 15.2 | 16.2 | 9.5 |
| Private bureau coverage (% of adults) | 42.0 | 29.4 | 63.9 |

| Strength of legal rights index (0–10) | Index score: 9 |
|---|-----------------------|
| Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ? | Yes |
| Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral? | Yes |
| Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral? | Yes |
| May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ? | 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? | Yes |
| Is a collateral registry in operation, that is unified geographically and by asset type, with an electronic database indexed by debtor's names? | Yes |
| Are secured creditors paid first (i.e. before general tax claims and employee claims) when a debtor defaults outside an insolvency procedure? | Yes |

| Strength of legal rights index (0–10) | Index score: 9 |
|---|-----------------------|
| Are secured creditors paid first (i.e. before general tax claims and employee claims) when a business is liquidated? | Yes |
| 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 | Yes |
| 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 |

| Depth of credit information index (0–6) | Private credit bureau | Public credit registry | Index score: 5 |
|---|------------------------------|-------------------------------|-----------------------|
| Are data on both firms and individuals distributed? | No | Yes | 1 |
| Are both positive and negative data distributed? | Yes | Yes | 1 |
| Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions? | No | No | 0 |
| Are more than 2 years of historical credit information distributed? | Yes | Yes | 1 |
| Is data on all loans below 1% of income per capita distributed? | Yes | No | 1 |
| Is it guaranteed by law that borrowers can inspect their data in the largest credit registry? | Yes | Yes | 1 |

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

| Coverage | Private credit bureau | Public credit registry |
|------------------------------|------------------------------|-------------------------------|
| Number of firms | 0 | 219,692 |
| Number of individuals | 6,300,000 | 2,053,851 |

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

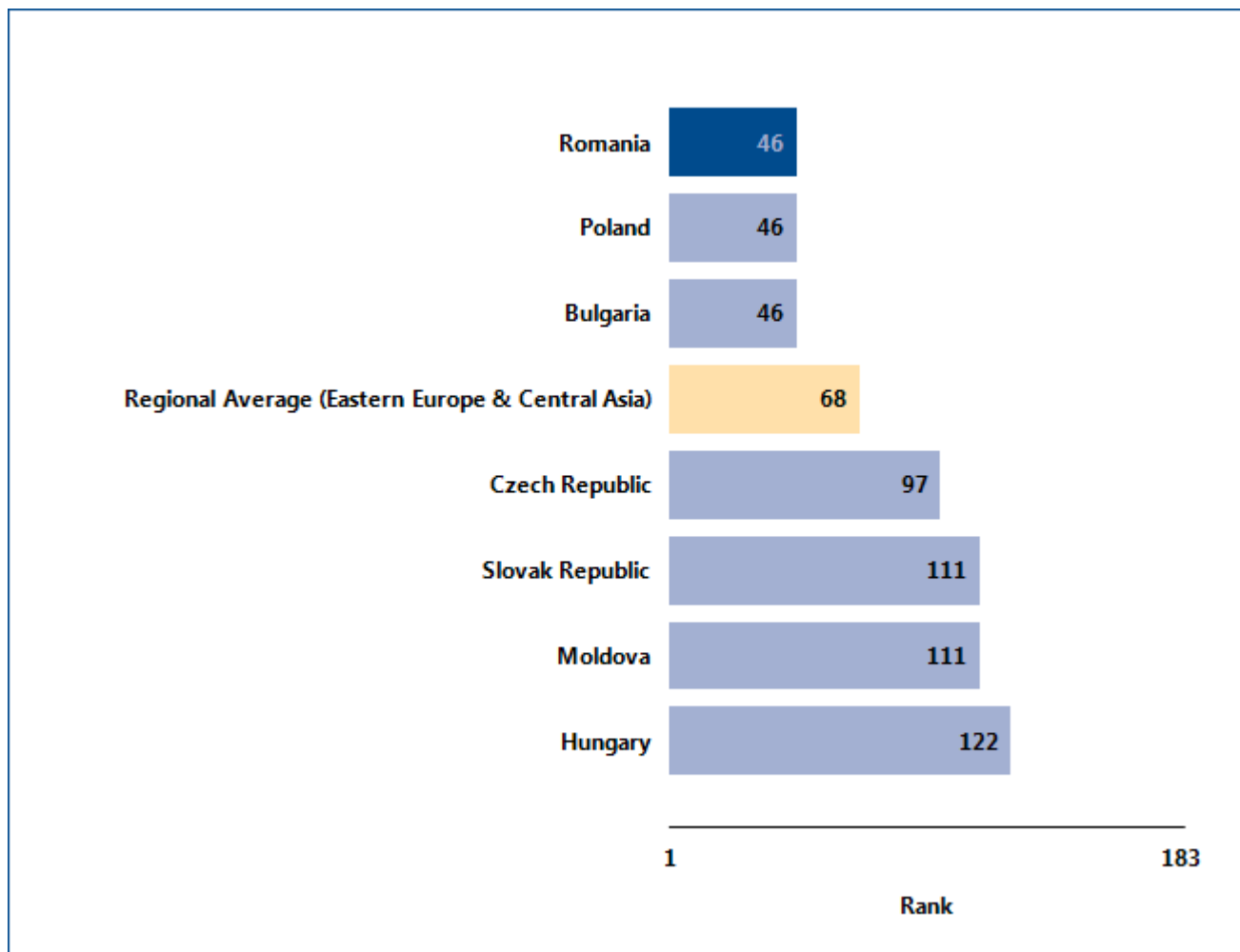
Where does the economy stand today?

How strong are investor protections in Romania? The economy has a score of 6.0 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, Romania stands at 46 in the ranking of 183 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 Romania 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 Romania 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 Romania over time
By *Doing Business* report year

| Indicator | DB2006 | DB2007 | DB2008 | DB2009 | DB2010 | DB2011 | DB2012 |
|--|--------|--------|--------|--------|--------|--------|--------|
| Rank | .. | .. | .. | .. | .. | 44 | 46 |
| Extent of disclosure index (0-10) | 8 | 9 | 9 | 9 | 9 | 9 | 9 |
| Extent of director liability index (0-10) | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Ease of shareholder suits index (0-10) | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Strength of investor protection index (0-10) | 5.7 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.

Source: *Doing Business* database.

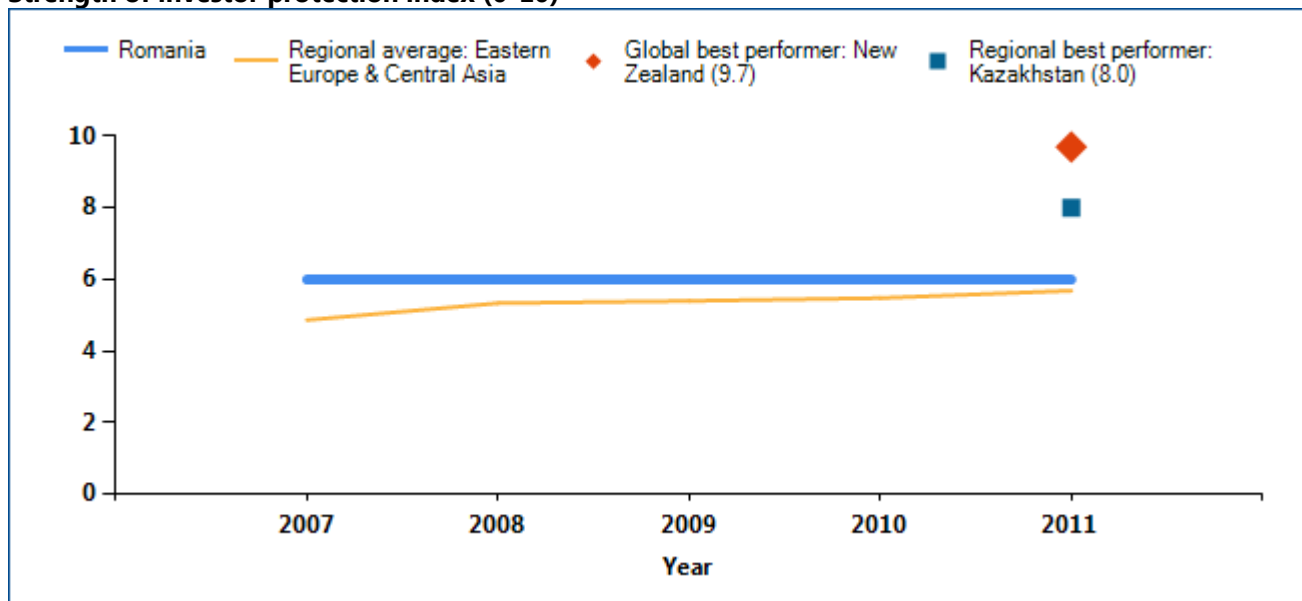
PROTECTING INVESTORS

But the overall ranking on the strength of investor protection index tells only part of the story. Economies may offer strong protections in some areas but not others. So the scores recorded over time for Romania on the extent of disclosure, extent of director liability

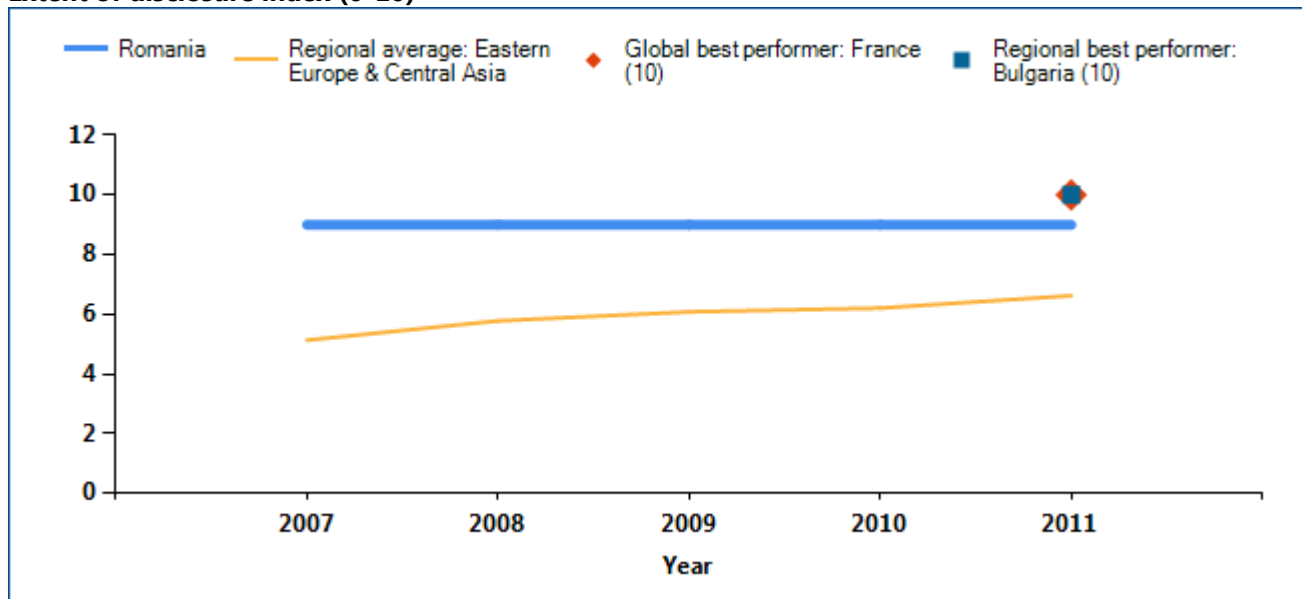
and ease of shareholder suits indices may also be revealing (figure 7.2). Equally interesting may be the changes over time in the regional average scores for those indices.

Figure 7.2 Have investor protections become stronger?

Strength of investor protection index (0-10)

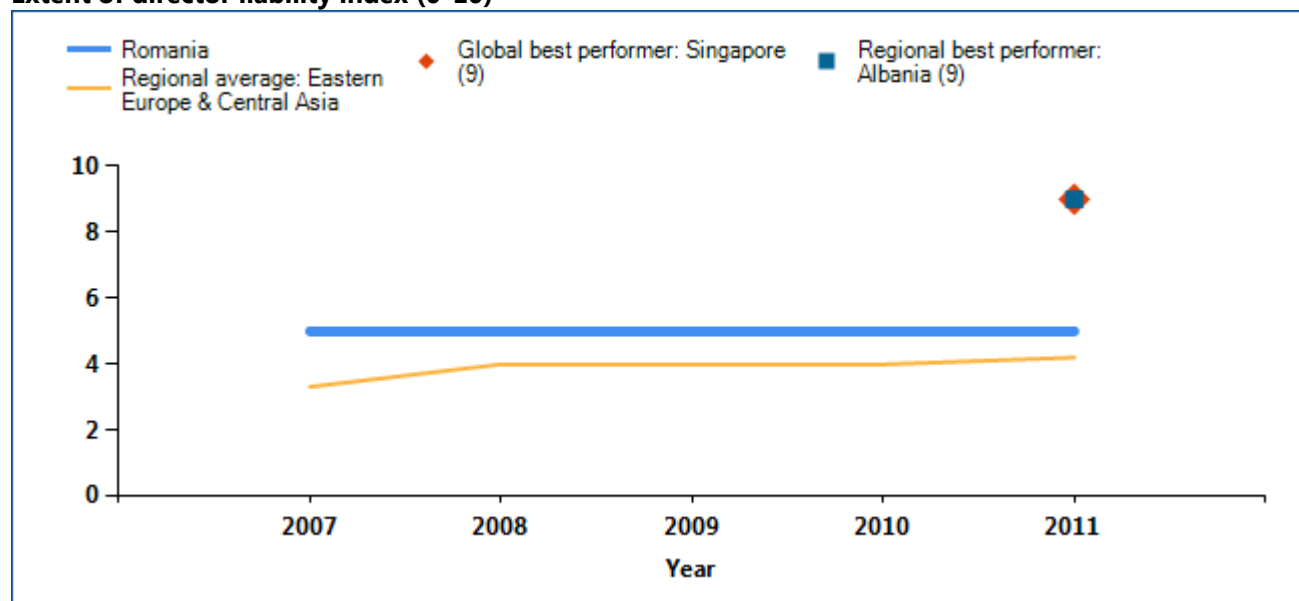


Extent of disclosure index (0-10)

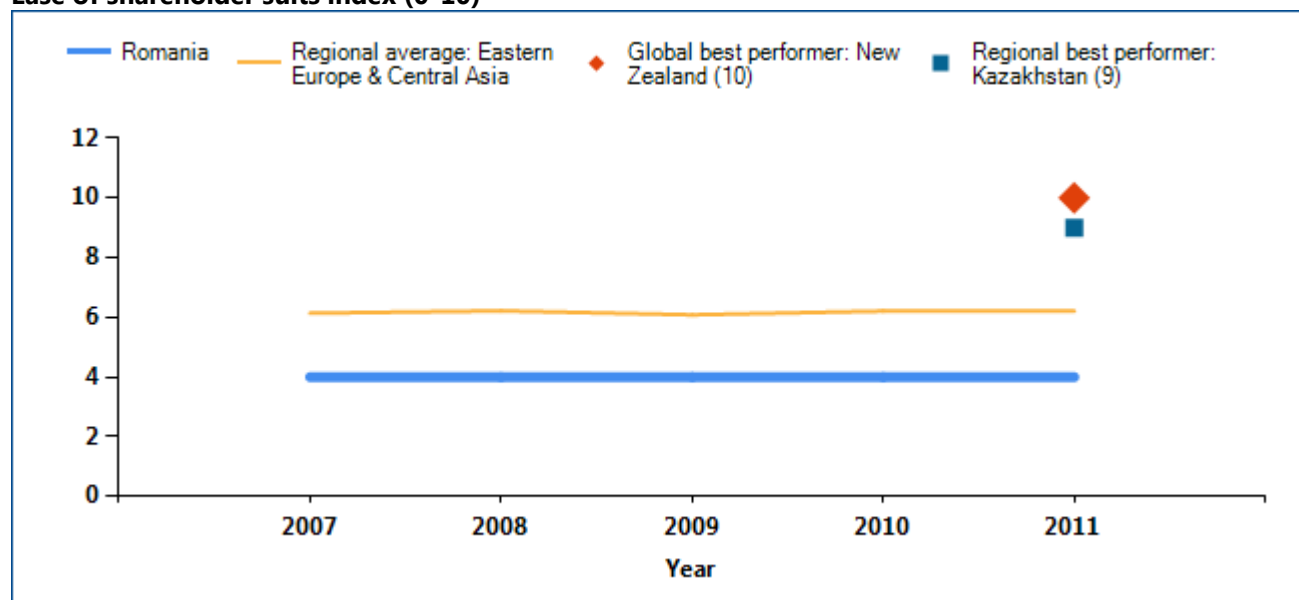


PROTECTING INVESTORS

Extent of director liability index (0-10)



Ease of shareholder suits index (0-10)



Note: The higher the score, the stronger the investor protections. The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator.

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 Romania (table 7.2)?

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

| DB Year | Reform |
|---------|------------|
| DB2012 | No reform. |
| DB2011 | No reform. |
| DB2010 | No reform. |
| DB2009 | No reform. |

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 Romania are based on detailed information collected through a survey of corporate and securities lawyers and are based 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 Romania.

Summary of scoring for the protecting investors indicators in Romania

| Indicator | Romania | Eastern Europe & Central Asia | OECD high income |
|---|---------|-------------------------------|------------------|
| Extent of disclosure index (0-10) | 9 | 7 | 6 |
| Extent of director liability index (0-10) | 5 | 4 | 5 |
| Ease of shareholder suits index (0-10) | 4 | 6 | 7 |
| Strength of investor protection index (0-10) | 6.0 | 5.7 | 6.0 |

| | Score |
|--|-------|
| Extent of disclosure index (0-10) | 9 |
| What corporate body provides legally sufficient approval for the transaction? | 3 |
| Whether disclosure of the conflict of interest by Mr. James to the board of directors is required? | 2 |
| Whether immediate disclosure of the transaction to the public and/or shareholders is required? | 2 |
| Whether disclosure of the transaction in published periodic filings (annual reports) is required? | 2 |
| Whether an external body must review the terms of the transaction before it takes place? | 0 |
| Extent of director liability index (0-10) | 5 |
| Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company? | 1 |
| Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company? | 1 |
| Whether shareholders can hold members of the approving body liable for the damage that the Buyer-Seller transaction causes to the company? | 1 |
| Whether a court can void the transaction upon a successful claim by a shareholder plaintiff? | 0 |

| | Score |
|---|-------|
| Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff? | 1 |
| Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff? | 0 |
| Whether fines and imprisonment can be applied against Mr. James? | 1 |
| Ease of shareholder suits index (0-10) | 4 |
| Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit? | 0 |
| Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction? | 1 |
| Whether the plaintiff can obtain any documents from the defendant and witnesses during trial? | 3 |
| Whether the plaintiff can request categories of documents from the defendant without identifying specific ones? | 0 |
| Whether the plaintiff can directly question the defendant and witnesses during trial? | 0 |
| Whether the level of proof required for civil suits is lower than that of criminal cases? | 0 |
| Strength of investor protection index (0-10) | 6.0 |

Source: *Doing Business* database.

Notes:

Extent of disclosure index (0–10)

Scoring for the extent of disclosure index is based on 5 components:

Which corporate body can provide legally sufficient approval for the transaction

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

Whether disclosure of the conflict of interest by Mr. James to the board of directors is required

0 = no disclosure; 1 = disclosure of the existence of a conflict without any specifics; 2 = full disclosure of all material facts.

Whether immediate disclosure of the transaction to the public, the regulator or the shareholders is required

0 = no disclosure; 1 = disclosure on the transaction only; 2 = disclosure on the transaction and Mr. James's conflict of interest.

Whether disclosure of the transaction in the annual report is required

0 = no disclosure; 1 = disclosure on the transaction only; 2 = disclosure on the transaction and Mr. James's conflict of interest.

Whether it is required that an external body (for example, an external auditor) review the transaction before it takes place

0 = no; 1 = yes.

Extent of director liability index (0–10)

Scoring for the extent of director liability index is based on 7 components:

Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company

0 = suits are unavailable or available only for shareholders holding more than 10% of the company's share capital; 1 = direct or derivative suits available for shareholders holding 10% of share capital or less.

Whether shareholders can hold Mr. James liable for the damage that the transaction causes to the company

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

Whether shareholders can hold the approving body (the CEO or members of the board of directors) liable for the damage that the transaction causes to the company

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

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

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

Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff

0 = no; 1 = yes.

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff

0 = no; 1 = yes.

Whether both fines and imprisonment can be applied against Mr. James

0 = no; 1 = yes.

Ease of shareholder suits index (0–10)

Scoring for the ease of shareholder suits index is based on 6 components:

What range of documents is available to the plaintiff from the defendant and witnesses during trial

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

Whether the plaintiff can directly examine the defendant and witnesses during trial

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

Whether the plaintiff can obtain categories of relevant documents from the defendant without identifying each document specifically

0 = no; 1 = yes.

Whether shareholders owning 10% or less of the company's share capital can request that a government inspector investigate the transaction without filing suit in court

0 = no; 1 = yes.

Whether shareholders owning 10% or less of the company's share capital have the right to inspect the transaction documents before filing suit

0 = no; 1 = yes.

Whether the standard of proof for civil suits is lower than that for a criminal case

0 = no; 1 = yes.

Strength of investor protection index (0–10)

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

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.² 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, 2009.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government.

WHAT THE PAYING TAXES INDICATORS MEASURE

Tax payments for a manufacturing company in 2010 (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.

² The threshold is defined as the highest total tax rate among the top 30% of economies in the ranking on the total tax rate. It will be calculated and adjusted on a yearly basis. The threshold is not based on any underlying theory. Instead, it is intended to mitigate the effect of very low tax rates on the ranking on the ease of paying taxes.

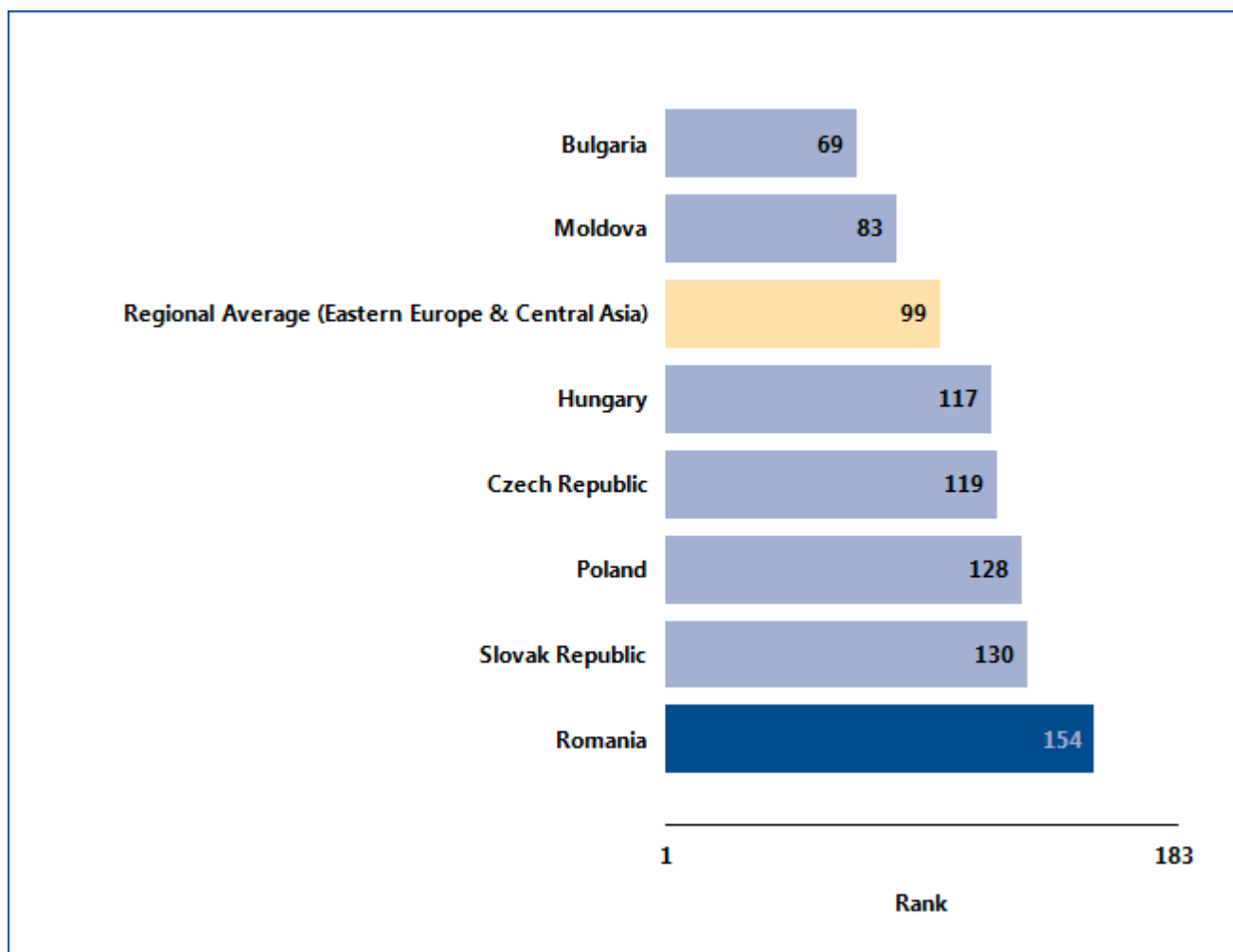
PAYING TAXES

Where does the economy stand today?

What is the administrative burden of complying with taxes in Romania—and how much do firms pay in taxes? On average, firms make 113 tax payments a year, spend 222 hours a year filing, preparing and paying taxes and pay total taxes amounting to 10.4% of profit (see the summary at the end of this chapter for details).

Globally, Romania stands at 154 in the ranking of 183 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 Romania.

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



Note: DB2012 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 32.5% applied in DB2012, the total tax rate is set at 32.5% 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 Romania 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 Romania over time
By *Doing Business* report year

| Indicator | DB2006 | DB2007 | DB2008 | DB2009 | DB2010 | DB2011 | DB2012 |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|
| Rank | .. | .. | .. | .. | .. | 151 | 154 |
| Payments (number per year) | 108 | 108 | 108 | 113 | 113 | 113 | 113 |
| Time (hours per year) | 190 | 193 | 202 | 202 | 202 | 222 | 222 |
| Total tax rate (% profit) | 57.2 | 49.5 | 46.9 | 46.8 | 46.4 | 44.9 | 44.4 |

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 32.5% applied in DB2012, the total tax rate is set at 32.5% for the purpose of calculating the rank on the ease of paying taxes.

Source: *Doing Business* database.

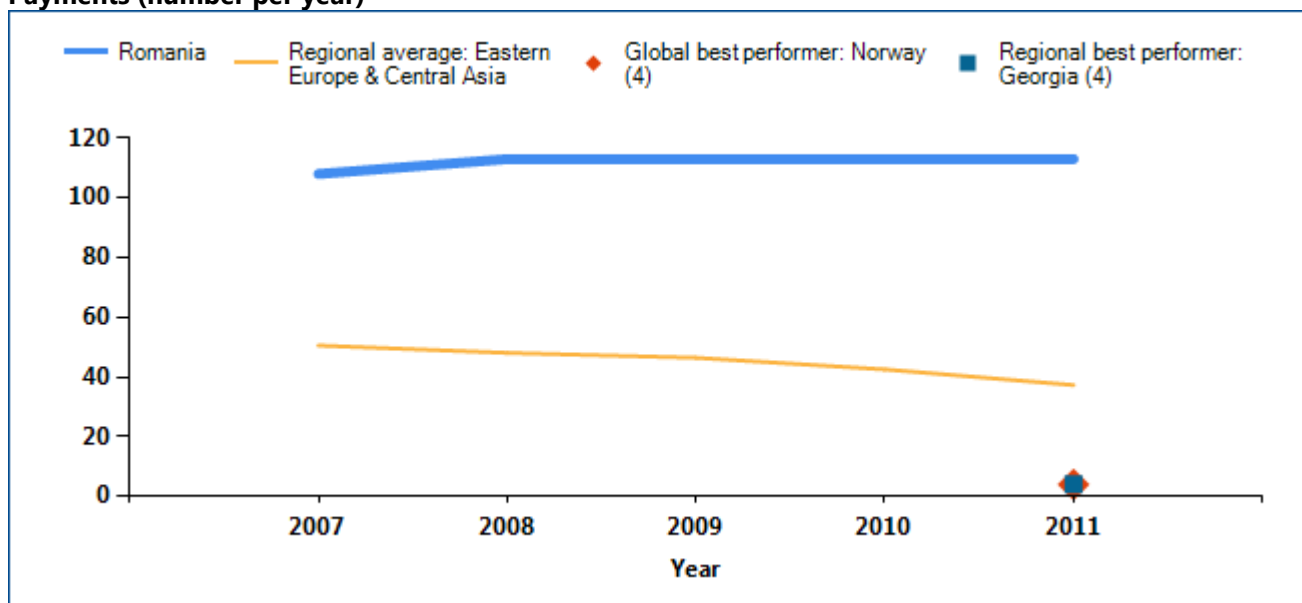
PAYING TAXES

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the number of payments or the time required to prepare and file taxes (figure 8.2). These economies may provide a model for Romania

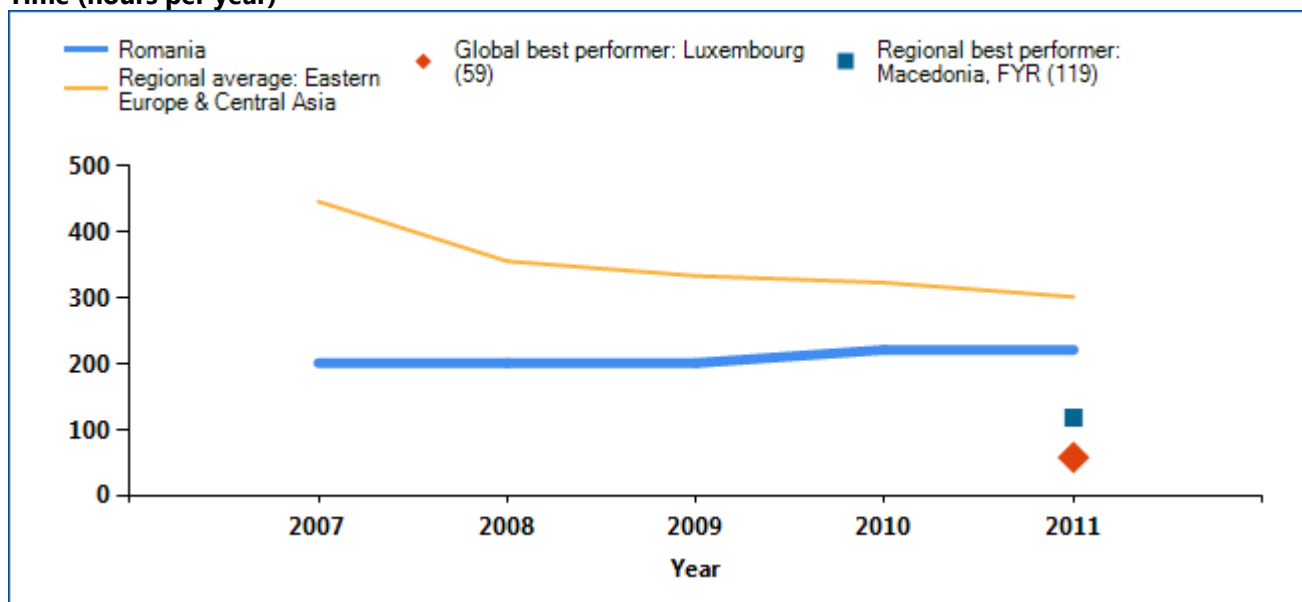
on ways to ease the administrative burden of tax compliance. And changes in regional averages can show where Romania is keeping up—and where it is falling behind.

Figure 8.2 Has paying taxes become easier over time?

Payments (number per year)

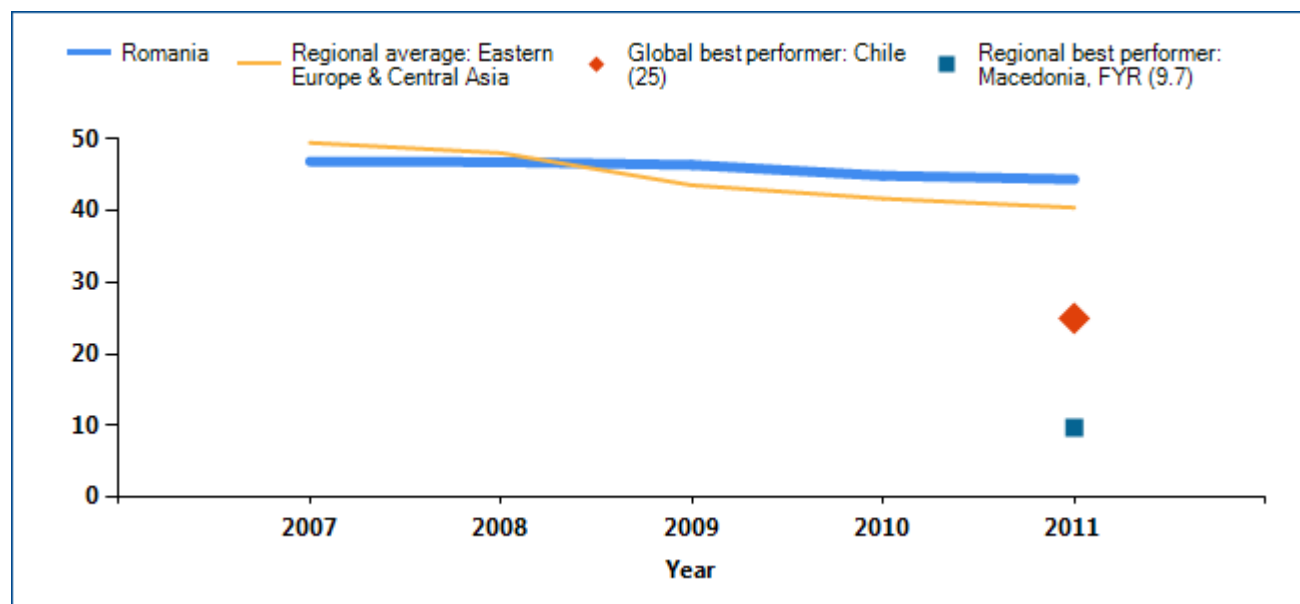


Time (hours per year)



PAYING TAXES

Total tax rate (% of profit)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. The best performer globally on an indicator has implemented the most efficient practices in its tax system but is not necessarily the one with the highest ranking on the indicator. In some cases 2 or more economies share the top regional ranking on an indicator. DB2012 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 32.5% applied in DB2012, the total tax rate is set at 32.5% for the purpose of calculating the ranking on the ease of paying taxes.

Source: Doing Business database.

PAYING TAXES

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

concrete results. Some economies simplifying tax payment and reducing rates have seen tax revenue rise. What tax reforms has *Doing Business* recorded in Romania (table 8.2)?

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

| DB Year | Reform |
|---------------|--|
| DB2012 | Romania made paying taxes easier for companies by introducing an electronic payment system and a unified return for social security contributions. It also abolished the annual minimum tax. |
| DB2011 | Romania introduced tax changes, including a new minimum tax on profit, that made paying taxes more costly for companies. |
| DB2010 | Labor taxes were increased. |
| DB2009 | No reform. |

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 Romania 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. 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 Romania

| Indicator | Romania | Eastern Europe & Central Asia | OECD high income |
|---------------------------------|---------|-------------------------------|------------------|
| Payments (number per year) | 113 | 37 | 13 |
| Time (hours per year) | 222 | 302 | 186 |
| Profit tax (%) | 10.4 | 9.3 | 15.4 |
| Labor tax and contributions (%) | 31.8 | 21.7 | 24.0 |
| Other taxes (%) | 2.2 | 9.5 | 3.2 |
| Total tax rate (% profit) | 44.4 | 40.4 | 42.7 |

| 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 |
|--------------------------------|-------------------|-------------------|--------------|--------------------|------------------------|------------------------------|-------------------------|
| Social security contributions | 12 | | 120 | 20.8% | gross salaries | 23.5 | |
| Corporate income tax | 4 | | 42 | 16.0% | taxable profits | 10.4 | |
| Health insurance contributions | 12 | | 0 | 5.2% | gross salaries | 5.9 | |
| Fuel tax | 1 | | 0 | | included in fuel price | 1.1 | |
| Building tax | 2 | | 0 | 1.0% | building value | 1 | |
| Medical leave | 12 | | 0 | 0.9% | gross salaries | 1 | |
| Unemployment contribution | 12 | | 0 | 0.5% | gross salaries | 0.6 | |

| 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 |
|-------------------------------|-------------------|-------------------|--------------|---|-----------------------------------|------------------------------|-------------------------|
| Accident risk fund | 12 | | 0 | 0.15-0.85% | gross salaries | 0.4 | |
| Labor inspectorate commission | 12 | | 0 | 0.25%-0.75% | gross salaries | 0.3 | |
| Guarantee fund | 12 | | 0 | 0.3% | gross salaries | 0.3 | |
| Vehicle tax | 2 | | 0 | fixed fee | | 0.1 | |
| Land tax | 2 | | 0 | RON 0.3 per square meter | land area | 0 | |
| Firm tax | 4 | | 0 | A fixed amount per square meter of lighting panel | the surface of the lighting panel | 0 | |
| Urbanism tax | 1 | | 0 | fixed fee | surface | 0 | |
| Value added tax (VAT) | 12 | | 60 | 24.0% | value added | 0 | not included |
| Environmental taxes | 1 | | 0 | RON 1 per kilo of packaging | weight of packaging | 0 | small amount |
| Stamp duty on contracts | 0 | | 0 | various rates | type of contract | 0 | small amount |
| Totals | 113 | | 222 | | | 44.4 | |

Note: DB2012 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 32.5% applied in DB2012, the total tax rate is set at 32.5% for the purpose of calculating the ranking on the ease of paying taxes.

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) associated with exporting and importing a standard shipment of goods by ocean 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 all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean transport time

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

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

- 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.

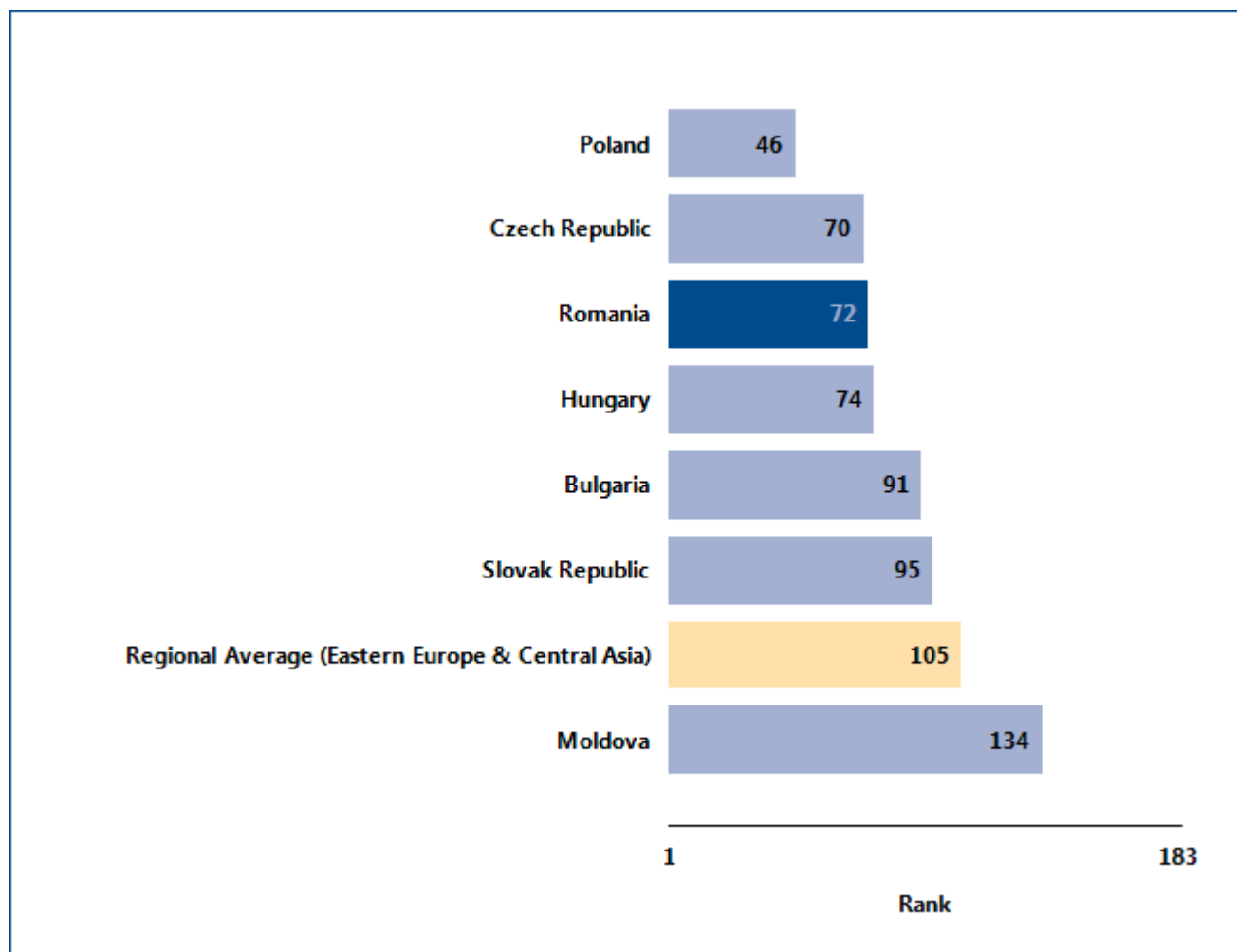
TRADING ACROSS BORDERS

Where does the economy stand today?

What does it take to export or import in Romania? According to data collected by *Doing Business*, exporting a standard container of goods requires 5 documents, takes 12 days and costs \$1485. Importing the same container of goods requires 6 documents, takes 13 days and costs \$1495 (see the summary of procedures and documents at the end of this chapter for details).

Globally, Romania stands at 72 in the ranking of 183 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 Romania to export and import goods.

Figure 9.1 How Romania 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 Romania 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 Romania over time
By *Doing Business* report year

| Indicator | DB2006 | DB2007 | DB2008 | DB2009 | DB2010 | DB2011 | DB2012 |
|-------------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Rank | .. | .. | .. | .. | .. | 49 | 72 |
| Documents to export (number) | 7 | 5 | 5 | 5 | 5 | 5 | 5 |
| Time to export (days) | 27 | 12 | 12 | 12 | 12 | 12 | 12 |
| Cost to export (US\$ per container) | 1,300 | 1,075 | 1,075 | 1,275 | 1,275 | 1,275 | 1,485 |
| Documents to import (number) | 15 | 6 | 6 | 6 | 6 | 6 | 6 |
| Time to import (days) | 28 | 13 | 13 | 13 | 13 | 13 | 13 |
| Cost to import (US\$ per container) | 1,200 | 1,075 | 1,075 | 1,175 | 1,175 | 1,175 | 1,495 |

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.

Source: *Doing Business* database.

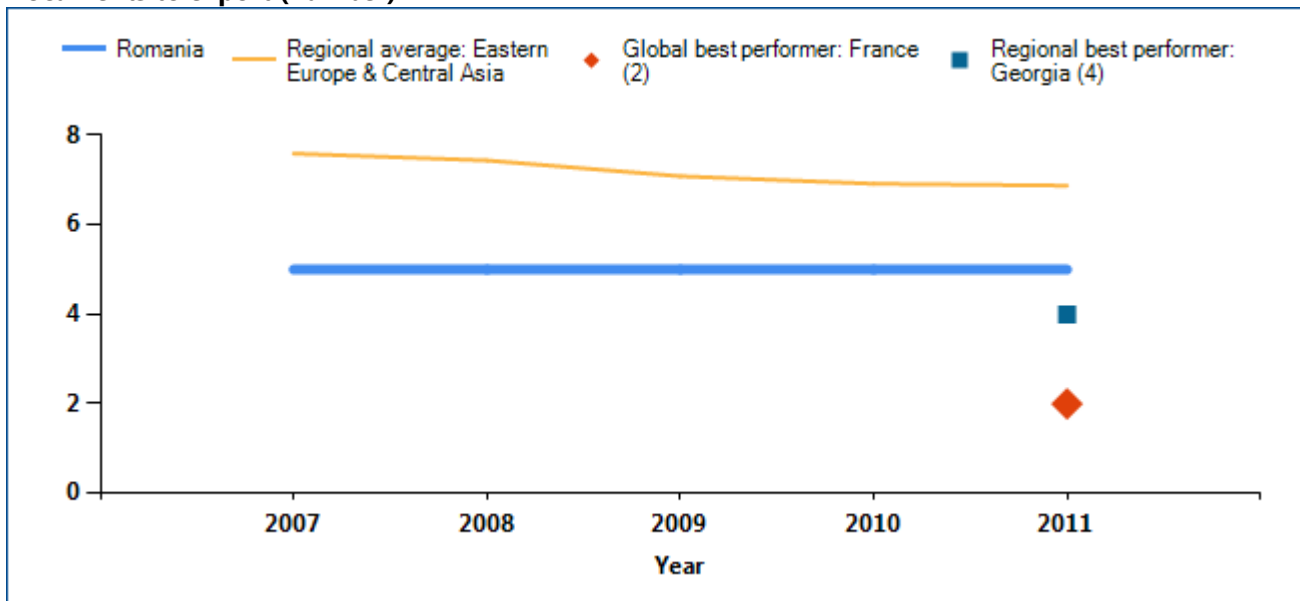
Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the documents, time or cost required to export or import (figure 9.2). These

economies may provide a model for Romania on ways to improve the ease of trading across borders. And changes in regional averages can show where Romania is keeping up—and where it is falling behind.

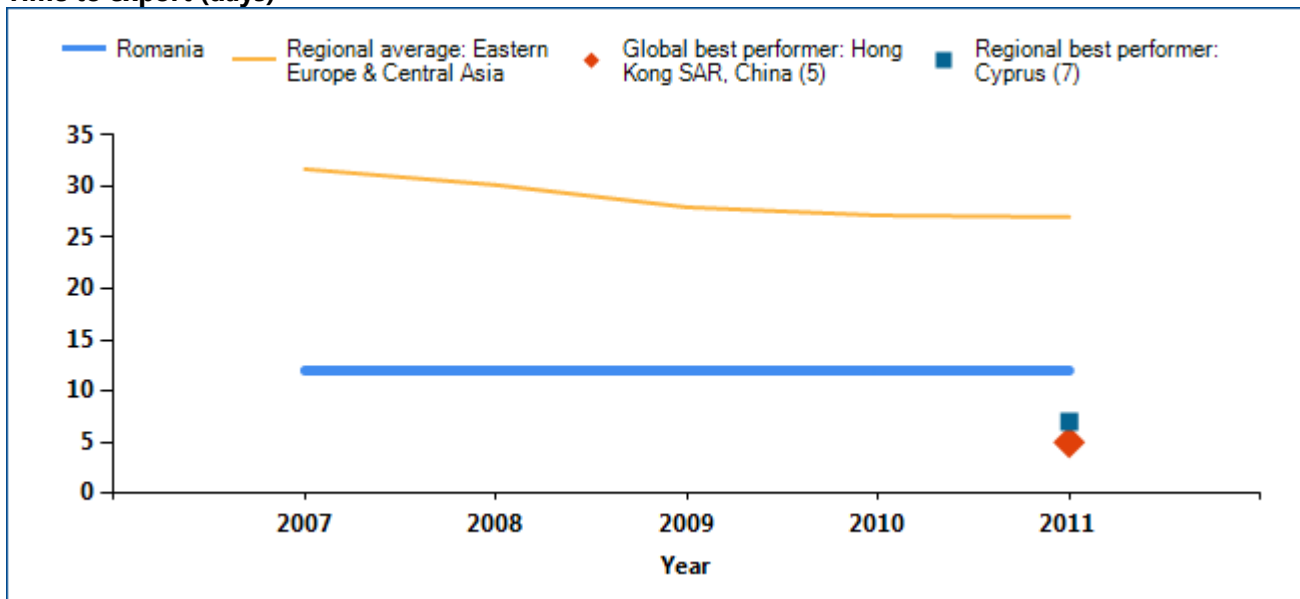
TRADING ACROSS BORDERS

Figure 9.2 Has trading across borders become easier over time?

Documents to export (number)

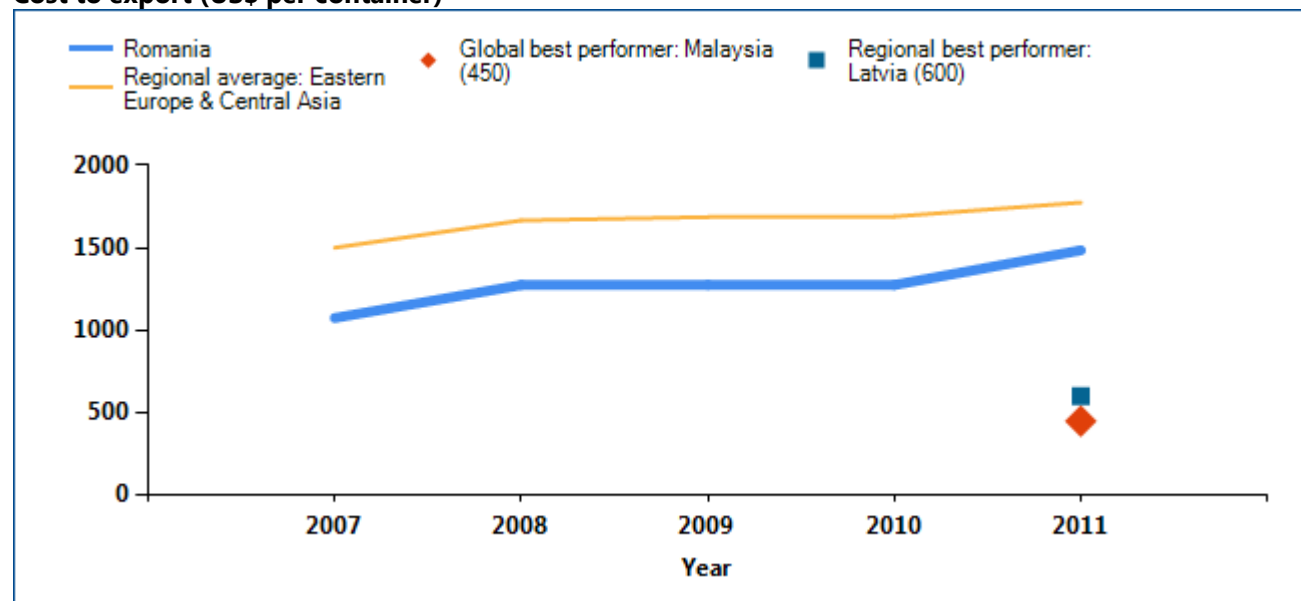


Time to export (days)

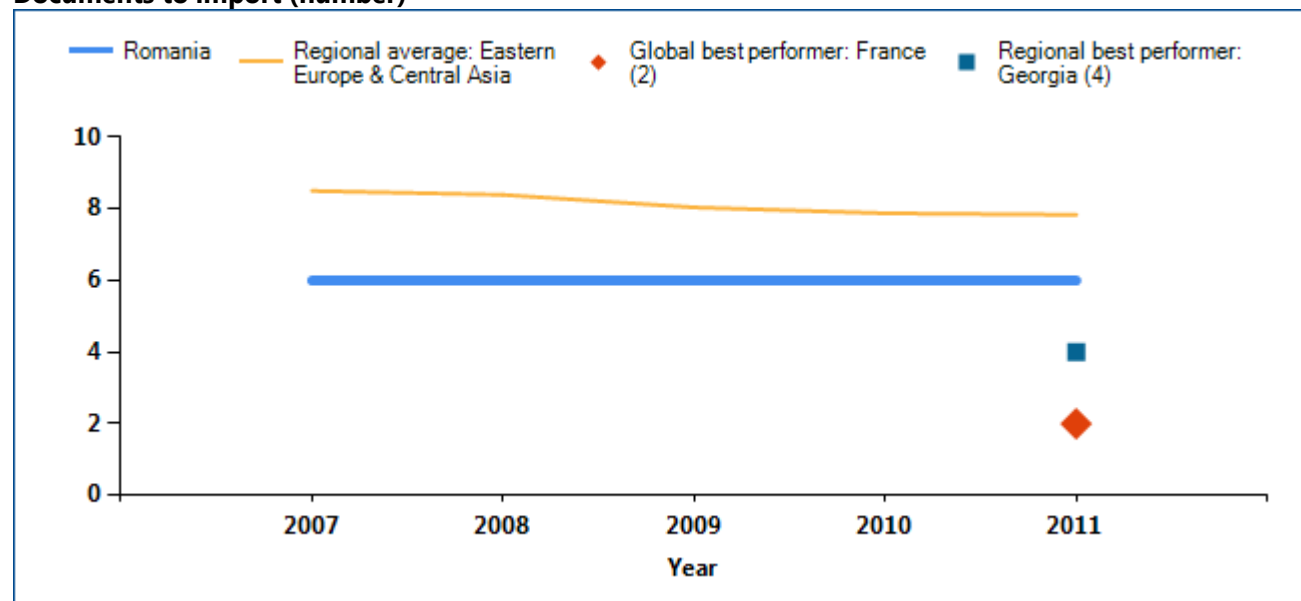


TRADING ACROSS BORDERS

Cost to export (US\$ per container)

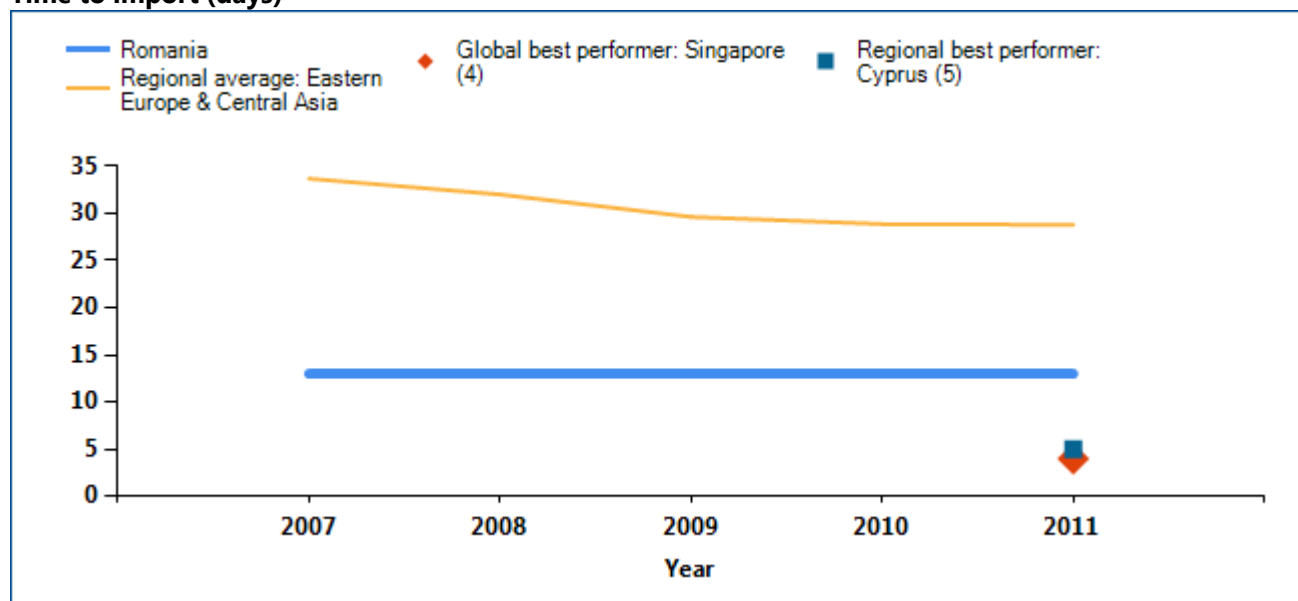


Documents to import (number)

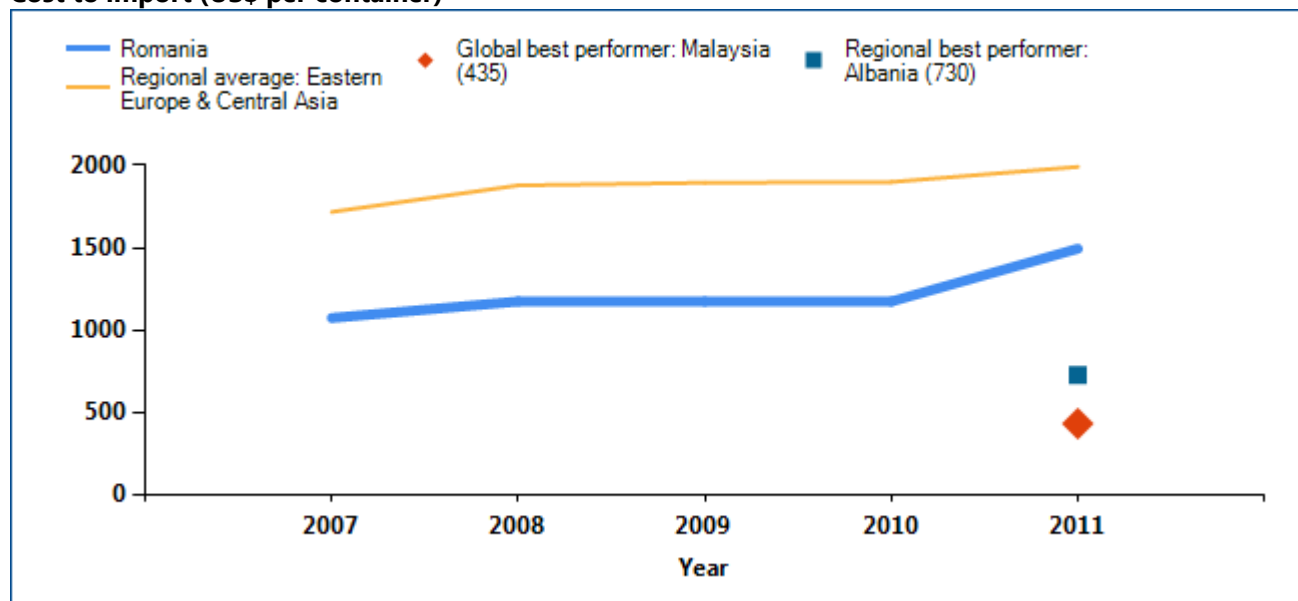


TRADING ACROSS BORDERS

Time to import (days)



Cost to import (US\$ per container)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator.

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 Romania (table 9.2)?

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

| DB Year | Reform |
|---------|------------|
| DB2012 | No reform. |
| DB2011 | No reform. |
| DB2010 | No reform. |
| DB2009 | No reform. |

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 Romania 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. 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 Romania

| Indicator | Romania | Eastern Europe & Central Asia | OECD high income |
|--|---------|-------------------------------|------------------|
| Documents to export (number) | 5 | 7 | 4 |
| Time to export (days) | 12 | 27 | 10 |
| Cost to export (US\$ per container) | 1485 | 1,774 | 1,032 |
| Documents to import (number) | 6 | 8 | 5 |
| Time to import (days) | 13 | 29 | 11 |
| Cost to import (US\$ per container) | 1495 | 1,990 | 1,085 |

| Procedures to export | Time (days) | Cost (US\$) |
|---|-------------|-------------|
| Documents preparation | 6 | 410 |
| Customs clearance and technical control | 1 | 75 |
| Ports and terminal handling | 3 | 300 |
| Inland transportation and handling | 2 | 700 |
| Totals | 12 | 1485 |

| Procedures to import | Time (days) | Cost (US\$) |
|---|-------------|-------------|
| Documents preparation | 8 | 420 |
| Customs clearance and technical control | 1 | 75 |
| Ports and terminal handling | 2 | 300 |
| Inland transportation and handling | 2 | 700 |
| Totals | 13 | 1495 |

TRADING ACROSS BORDERS

| Documents to export |
|--|
| Bill of lading |
| Customs export declaration |
| Commercial invoice |
| Convention des Marchandises Routiers - CMR (Transport document) |
| Packing list |

| Documents to import |
|---|
| Packing list |
| Bill of lading |
| Certificate of origin |
| Commercial invoice |
| Convention des Marchandises Routiers -- CMR (Transport document) |
| Customs import declaration |

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, including expert fees

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.

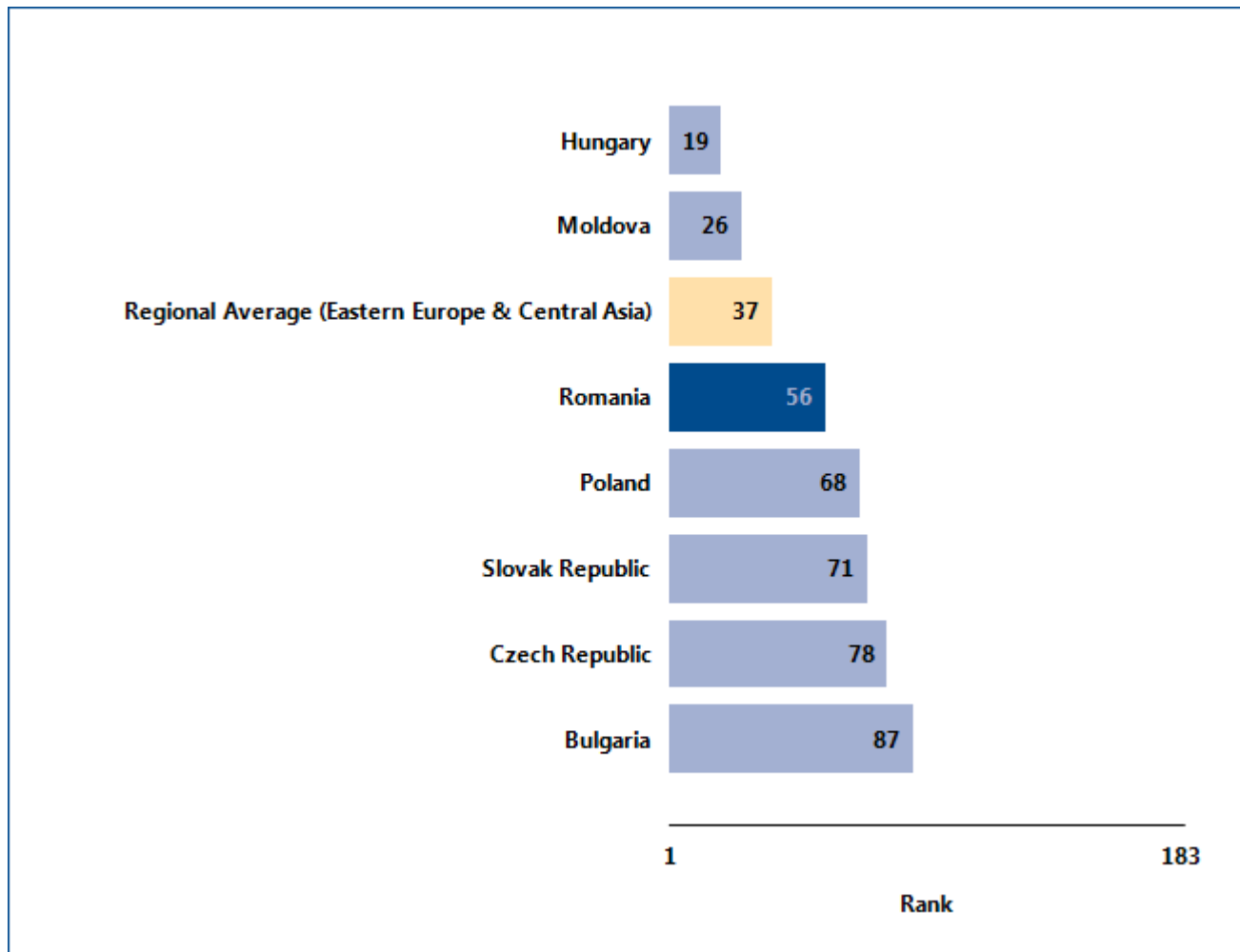
ENFORCING CONTRACTS

Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in Romania? According to data collected by *Doing Business*, enforcing a contract requires 31 procedures, takes 512 days and costs 28.9% of the value of the claim (see the summary at the end of this chapter for details).

Globally, Romania stands at 56 in the ranking of 183 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 Romania.

Figure 10.1 How Romania 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 Romania 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 Romania over time
By *Doing Business* report year

| Indicator | DB2004 | DB2005 | DB2006 | DB2007 | DB2008 | DB2009 | DB2010 | DB2011 | DB2012 |
|---------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Rank | .. | .. | .. | .. | .. | .. | .. | 54 | 56 |
| Time (days) | 537 | 537 | 537 | 537 | 537 | 512 | 512 | 512 | 512 |
| Cost (% of claim) | 19.9 | 19.9 | 19.9 | 19.9 | 19.9 | 19.9 | 28.9 | 28.9 | 28.9 |
| Procedures (number) | 32 | 32 | 32 | 32 | 32 | 31 | 31 | 31 | 31 |

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.

Source: *Doing Business* database.

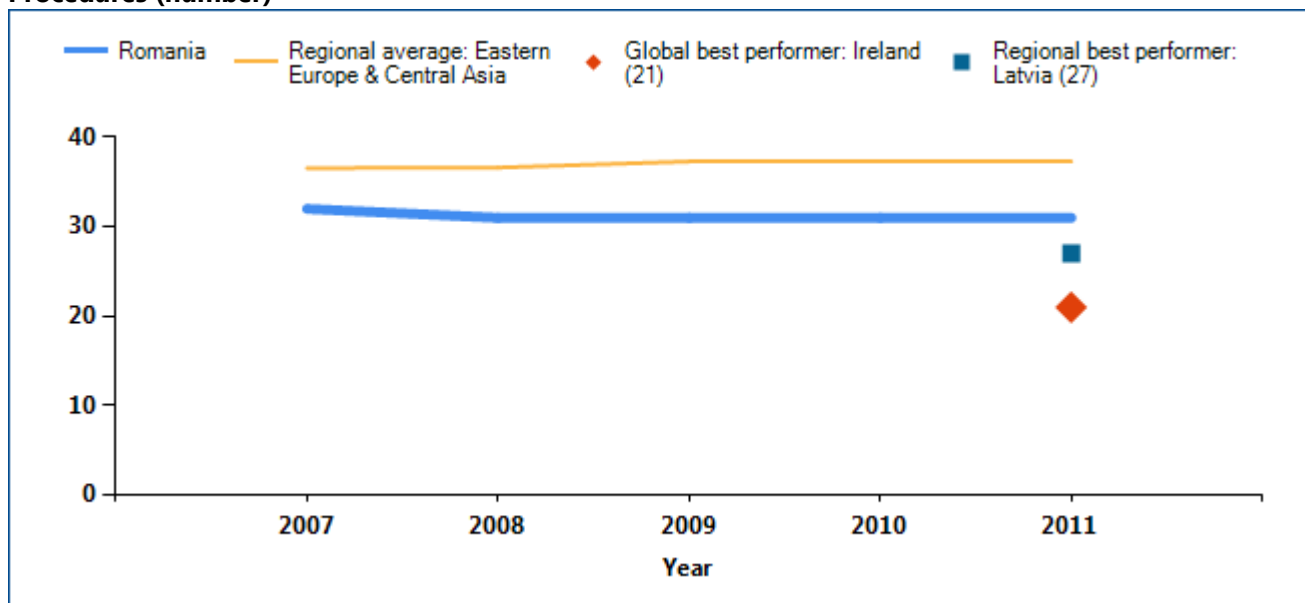
ENFORCING CONTRACTS

Equally helpful may be the benchmarks provided by the economies that today have 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 economies may provide a model

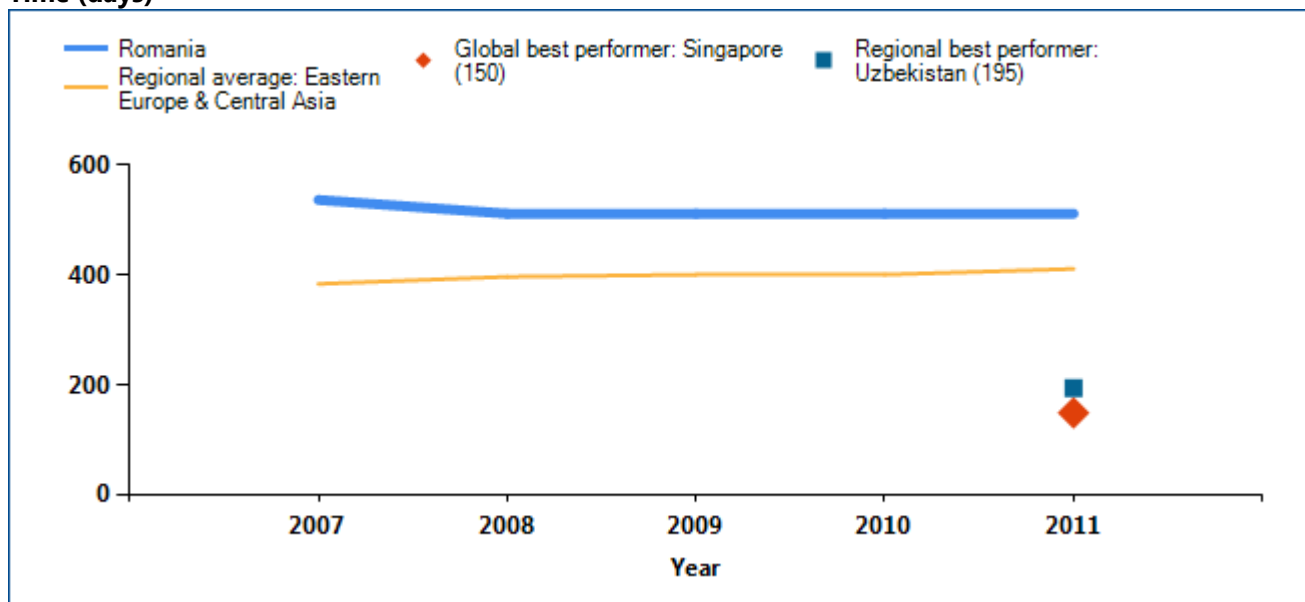
for Romania on ways to improve the efficiency of contract enforcement. And changes in regional averages can show where Romania is keeping up—and where it is falling behind.

Figure 10.2 Has enforcing contracts become easier over time?

Procedures (number)

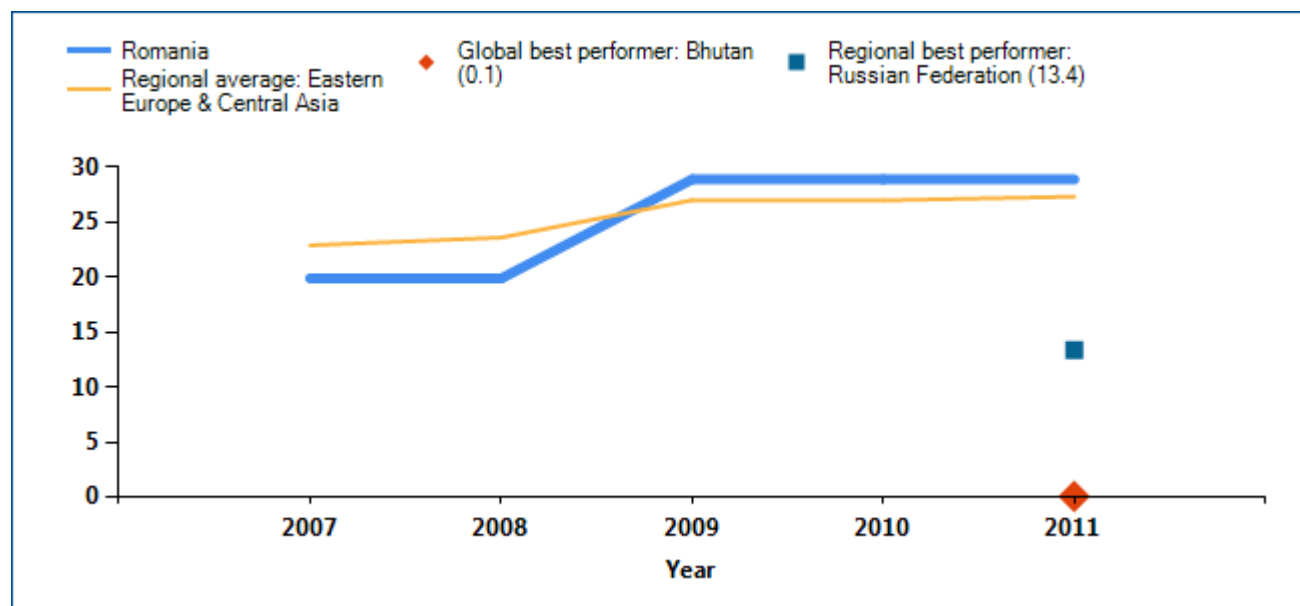


Time (days)



ENFORCING CONTRACTS

Cost (% of claim)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator.

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 Romania (table 10.2)?

Table 10.2 How has Romania made enforcing contracts easier—or not?
By *Doing Business* report year

| DB Year | Reform |
|---------------|---|
| DB2012 | No reform. |
| DB2011 | No reform. |
| DB2010 | No reform. |
| DB2009 | The enforcement of judgments was simplified by eliminating the need for a separate enforcement order and allowing the attachment of credit balances and accounts receivable. The reform reduced the time to enforce contracts by a month from 537 days to 512 days. |

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 Romania 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). 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 Romania—and the time and cost

| Indicator | Romania | Eastern Europe & Central Asia | OECD high income |
|--------------------------------------|---------|-------------------------------|------------------|
| Time (days) | 512 | 411.63 | 518.03 |
| Filing and service | 52 | | |
| Trial and judgment | 365 | | |
| Enforcement of judgment | 95 | | |
| Cost (% of claim) | 28.9 | 27.33 | 19.71 |
| Attorney cost (% of claim) | 7.7 | | |
| Court cost (% of claim) | 11.2 | | |
| Enforcement Cost (% of claim) | 10 | | |
| Procedures (number) | 31 | 37.29 | 31.42 |

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.

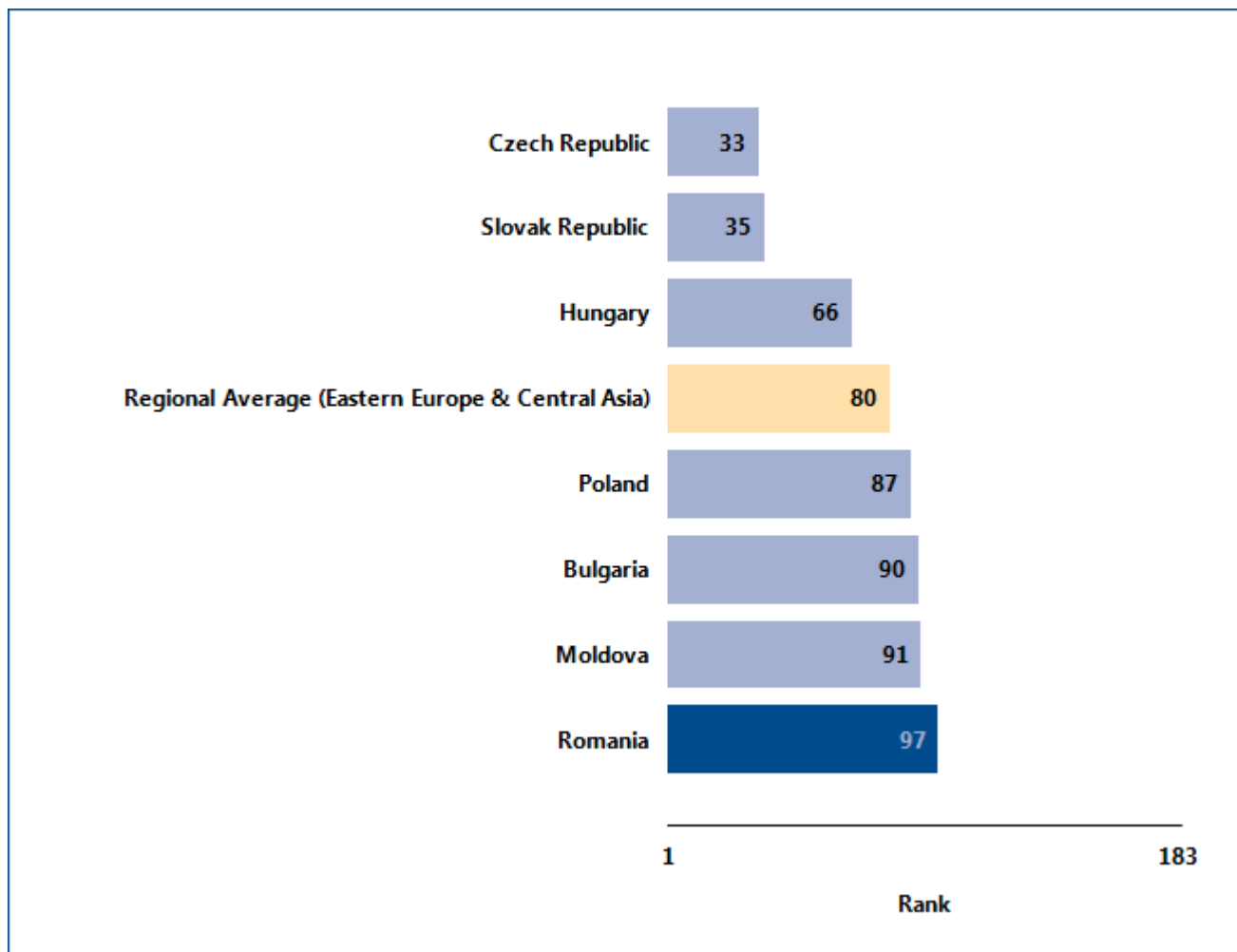
RESOLVING INSOLVENCY

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 Romania? According to data collected by *Doing Business*, resolving insolvency takes 3.3 years on average and costs 11% of the debtor's estate. The average recovery rate is 28.6 cents on the dollar.

Globally, Romania stands at 97 in the ranking of 183 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 Romania.

Figure 11.1 How Romania 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 Romania 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 Romania over time
By *Doing Business* report year

| Indicator | DB2004 | DB2005 | DB2006 | DB2007 | DB2008 | DB2009 | DB2010 | DB2011 | DB2012 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Rank | .. | .. | .. | .. | .. | .. | .. | 109 | 97 |
| Time (years) | 4.6 | 4.6 | 4.6 | 4.6 | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 |
| Cost (% of estate) | 9 | 9 | 9 | 9 | 9 | 9 | 11 | 11 | 11 |
| Recovery rate (cents on the dollar) | 6.9 | 6.9 | 17.5 | 19.9 | 28.9 | 29.5 | 28.5 | 25.7 | 28.6 |

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology. "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.

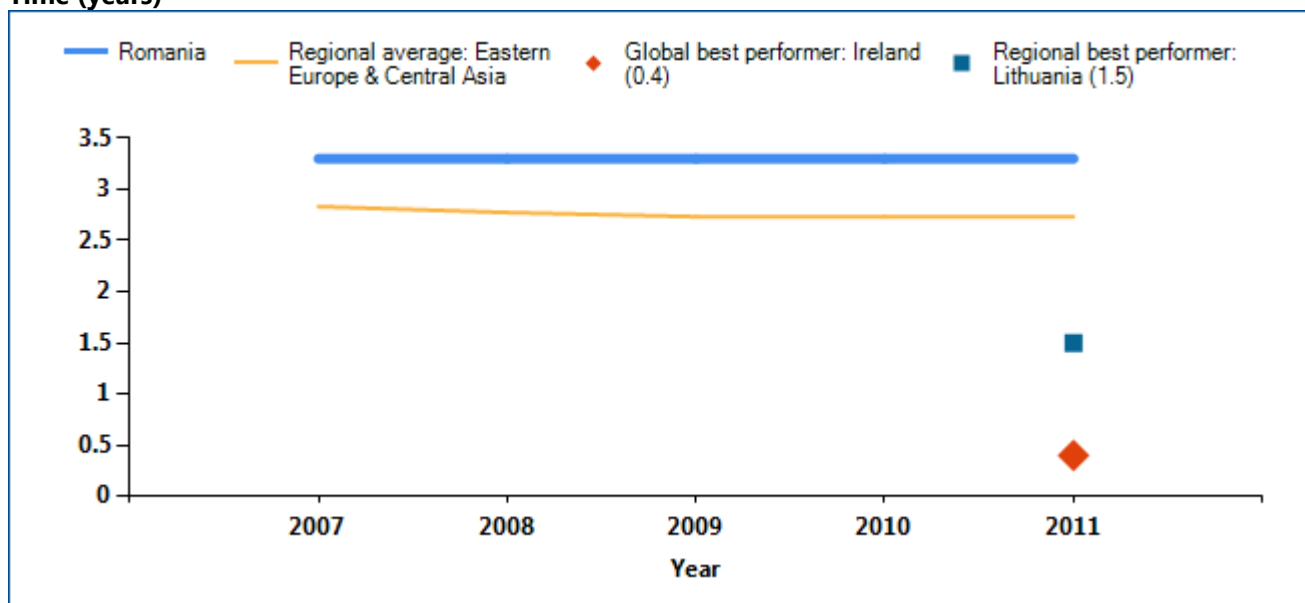
RESOLVING INSOLVENCY

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the time or cost of insolvency proceedings or on the recovery rate (figure 11.2). These economies may provide a model for Romania

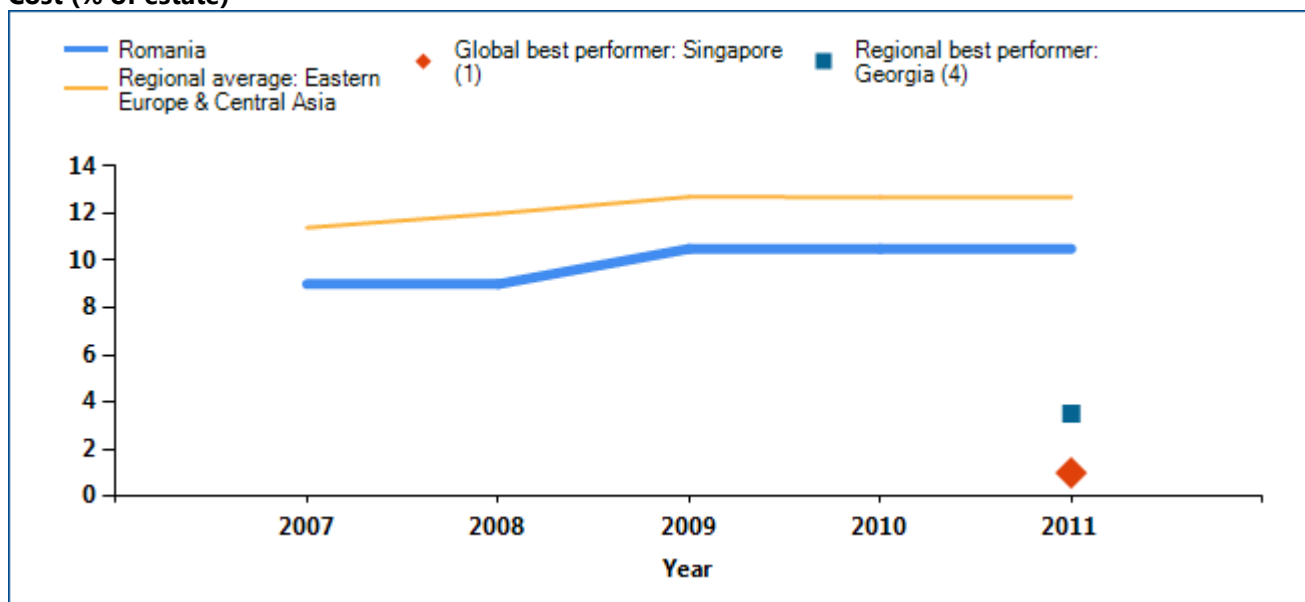
on ways to improve the efficiency of insolvency proceedings. And changes in regional averages can show where Romania is keeping up—and where it is falling behind.

Figure 11.2 Has resolving insolvency become easier over time?

Time (years)

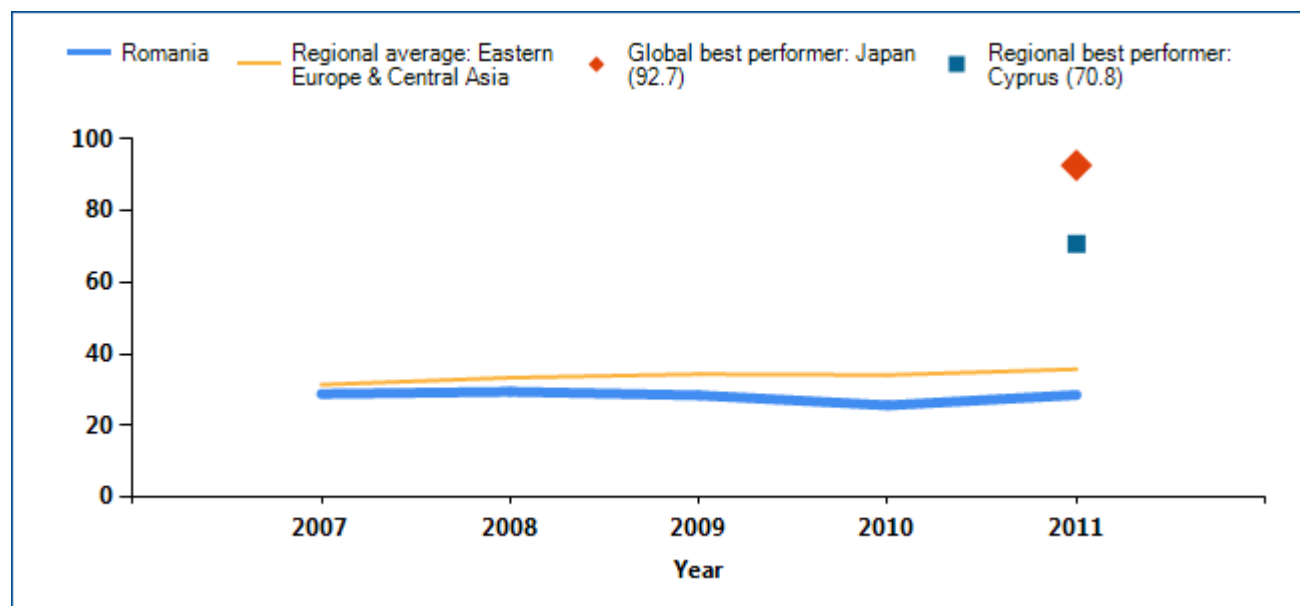


Cost (% of estate)



RESOLVING INSOLVENCY

Recovery rate (cents on the dollar)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator. In cases where no data are displayed above for the economy, this indicates that the economy has received a “no practice” mark; see the data notes for details.

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 Romania (table 11.2)?

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

| DB Year | Reform |
|---------------|--|
| DB2012 | Romania amended its insolvency law to shorten the duration of insolvency proceedings. |
| DB2011 | Substantial amendments to Romania's bankruptcy laws—introducing, among other things, a procedure for out-of-court workouts—made dealing with insolvency easier. |
| DB2010 | The cost of insolvency procedures was increased by requiring that 1.5 percent of the amount recovered from each insolvency procedure be transferred to a fund that reimburses the expenses of insolvency administrators when debtors have no assets. |
| DB2009 | No reform. |

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.

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 2012* are for June 2011.³

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 9,028 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 2012* team members visited 40 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.

³ The data for paying taxes refer to January – December 2010.

ECONOMY CHARACTERISTICS

Gross national income (GNI) per capita

Doing Business 2012 reports 2010 income per capita as published in the World Bank's *World Development Indicators 2011*. Income is calculated using the Atlas method (current US\$). For cost indicators expressed as a percentage of income per capita, 2010 GNI in U.S. dollars is used as the denominator. Data were not available from the World Bank for Afghanistan; Australia; The Bahamas; Bahrain; Brunei Darussalam; Canada; Cyprus; Djibouti; the Islamic Republic of Iran; Kuwait; New Zealand; Oman; Puerto Rico (territory of the United States); Qatar; Saudi Arabia; Suriname; Taiwan, China; the United Arab Emirates; 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://www.worldbank.org/data/countryclass>. 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 2012 reports midyear 2010 population statistics as published in *World Development Indicators 2011*.

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 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 2012* 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* published a subnational study for the Philippines and a regional report for Southeast Europe covering 7 economies (Albania, Bosnia and Herzegovina, Kosovo, the former Yugoslav Republic of Macedonia, Moldova, Montenegro and Serbia) and 22 cities. It also published a city profile for Juba, in the Republic of South Sudan.

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 the subnational studies in the Philippines; the regional report in Southeast Europe; the ongoing studies in Italy, Kenya and the United Arab Emirates; and the projects implemented jointly with local think tanks in Indonesia, Mexico and the Russian Federation.

Besides the subnational *Doing Business* indicators, *Doing Business* conducted a pilot study this year on the second largest city in 3 large economies to assess within-country variations. The study collected data for Rio de Janeiro in addition to São Paulo in Brazil, for Beijing in addition to Shanghai in China and for St. Petersburg in addition to Moscow in Russia.

Changes in what is measured

The methodology for 3 of the *Doing Business* topics was updated this year—getting credit, dealing with construction permits and paying taxes.

First, for getting credit, the scoring of one of the 10 components of the strength of legal rights index was amended to recognize additional protections of secured creditors and borrowers. Previously the highest score of 1 was assigned if secured creditors were not subject to an automatic stay or moratorium on enforcement procedures when a debtor entered a court-supervised reorganization procedure. Now the highest score of 1 is also assigned if the law provides secured creditors with grounds for relief from an

automatic stay or moratorium (for example, if the movable property is in danger) or sets a time limit for the automatic stay.

Second, because the ease of doing business index now includes the getting electricity indicators, procedures, time and cost related to obtaining an electricity connection were removed from the dealing with construction permits indicators.

Third, a threshold has been introduced for the total tax rate for the purpose of calculating the ranking on the ease of paying taxes. All economies with a total tax rate below the threshold (which will be calculated and adjusted on a yearly basis) will now receive the same ranking on the total tax rate indicator. The threshold is not based on any underlying theory. Instead, it is meant to emphasize the purpose of the indicator: to highlight economies where the tax burden on business is high relative to the tax burden in other economies. 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

This year's report presents results for 2 aggregate measures: the aggregate ranking on the ease of doing business and a new measure, the "distance to frontier." While the ease of doing business ranking compares economies with one another at a point in time, the distance to frontier measure shows how much the

regulatory environment for local entrepreneurs in each economy has changed over time.

Ease of doing business

The ease of doing business index ranks economies from 1 to 183. 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 2012*: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and, new this year, getting electricity. 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.⁴

Construction of the ease of doing business index

Here is one example of how the ease of doing business index is constructed. In the Republic of Korea it takes 5 procedures, 7 days and 14.6% of annual income per capita in fees to open a business. There is no minimum capital required. On these 4 indicators Korea ranks in the 18th, 14th, 53rd and 0 percentiles. So on average Korea ranks in the 21st percentile on the ease of starting a business. It ranks in the 12th percentile on getting credit, 25th percentile on paying taxes, 8th percentile on enforcing contracts, 7th percentile on resolving insolvency and so on. Higher rankings indicate simpler regulation and stronger protection of property rights. The simple average of Korea's percentile rankings on all topics is 21st. When all economies are ordered by their average percentile rankings, Korea stands at 8 in the aggregate ranking on the ease of doing business.

More complex aggregation methods—such as principal components and unobserved components—

⁴ 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>). The *Doing Business* report publishes yearly rankings for the year of publication as well as the previous year to shed light on year-to-year developments. 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.

yield a ranking nearly identical to the simple average used by *Doing Business*.⁵ Thus, *Doing Business* uses the simplest method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components.⁶

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, its 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 0.36, and the coefficients between any 2 sets of indicators range from 0.17 (between protecting investors and getting electricity) to 0.57 (between starting a business and protecting investors). These correlations suggest that economies rarely score universally well or universally badly on the indicators.

⁵ 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.

⁶ A technical note on the different aggregation and weighting methods is available on the *Doing Business* website (<http://www.doingbusiness.org>).

Consider the example of Canada. It stands at 12 in the aggregate ranking on the ease of doing business. Its ranking is 3 on both starting a business and resolving insolvency, and 5 on protecting investors. But its ranking is only 59 on enforcing contracts, 42 on trading across borders and 156 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 2010/11

Doing Business 2012 uses a simple method to calculate which economies improved the most in the ease of doing business. First, it selects the economies that in 2010/11 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.⁷ Thirty economies meet this criterion: Armenia, Burkina Faso, Burundi, Cape Verde, the Central African Republic, Chile, Colombia, the Democratic Republic of Congo, Côte d’Ivoire, The Gambia, Georgia, Korea, Latvia, Liberia, FYR Macedonia, Mexico, Moldova, Montenegro, Morocco, Nicaragua, Oman, Peru, Russia, São Tomé and Príncipe, Senegal, Sierra Leone, Slovenia, the Solomon Islands, South Africa and Ukraine. 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

This year’s report introduces a new measure to illustrate how the regulatory environment for local businesses in each economy has changed over time. The distance to frontier measure illustrates the distance of an economy to the “frontier” and shows

⁷ *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 extent to which the economy has closed this gap over time. 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 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), Denmark and Slovenia on the cost (0% of income per capita) and Australia 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. To do so, each of the 32 component indicators y is rescaled to $(y - \min)/(\max - \min)$, with the minimum value (\min) representing the frontier—the highest performance on that indicator across all economies since 2005. 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 the frontier is indicated on a scale from 0 to 100, where 0 represents the frontier and 100 the lowest performance.

The difference between an economy's distance to frontier score in 2005 and its score in 2011 illustrates the extent to which the economy has closed the gap to the frontier over 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 2011). 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 95th percentile of the pooled data for all economies and all years for each indicator.

Take Colombia, which has a score of 0.21 on the distance to frontier measure for 2011. This score indicates that the economy is 21 percentage points away from the frontier constructed from the best performances across all economies and all years. Colombia was further from the frontier in 2005, with a score of 0.43. The difference between the scores shows an improvement over time.

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