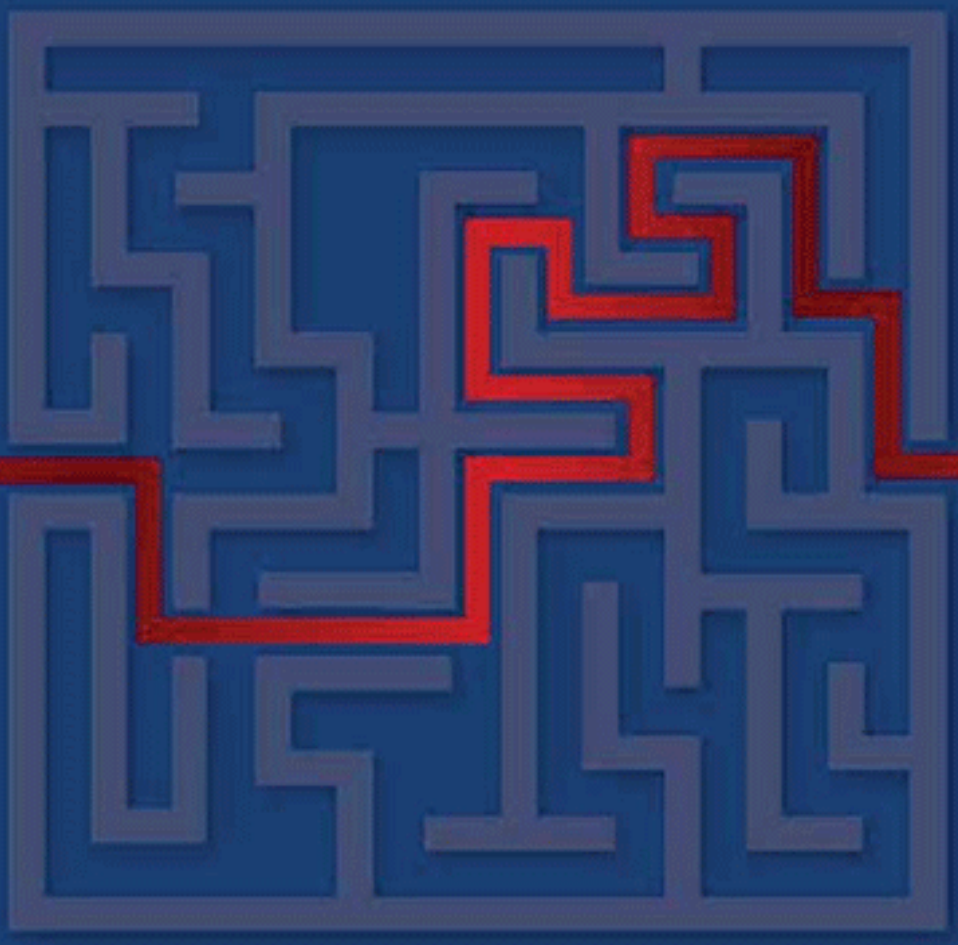
Doing Business

Doing Business 2014

Economy Profile:
Timor-Leste



Comparing Business Regulations for Domestic Firms in 189 Economies

11TH EDITION

A World Bank Group Corporate Flagship

© 2013 The International Bank for Reconstruction and Development /
The World Bank
1818 H Street NW, Washington, DC 20433
Telephone: 202-473-1000; Internet: www.worldbank.org

All rights reserved.
1 2 3 4 15 14 13 12

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

This work is a product of the staff of The World Bank with external contributions. Note that The World Bank does not necessarily own each component of the content included in the work. The World Bank therefore does not warrant that the use of the content contained in the work will not infringe on the rights of third parties. The risk of claims resulting from such infringement rests solely with you.

The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the views of The World Bank, its Board of Executive Directors, or the governments they represent. The World Bank does not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

Nothing herein shall constitute or be considered to be a limitation upon or waiver of the privileges and immunities of The World Bank, all of which are specifically reserved.

Rights and Permissions

This work is available under the Creative Commons Attribution 3.0 Unported license (CC BY 3.0) http://creativecommons.org/licenses/by/3.0. Under the Creative Commons Attribution license, you are free to copy, distribute, transmit, and adapt this work, including for commercial purposes, under the following conditions:

Attribution—Please cite the work as follows: World Bank. 2013. *Doing Business 2014: Understanding Regulations for Small and Medium-Size Enterprises*. Washington, DC: World Bank Group. DOI: 10.1596/978-0-8213-9615-5. License: Creative Commons Attribution CC BY 3.0

Translations—If you create a translation of this work, please add the following disclaimer along with the attribution: *This translation was not created by The World Bank and should not be considered an official World Bank translation. The World Bank shall not be liable for any content or error in this translation.*

All queries on rights and licenses should be addressed to the Office of the Publisher, The World Bank, 1818 H Street NW, Washington, DC 20433, USA; fax: 202-522-2625; e-mail: pubrights@worldbank.org.

Additional copies of all 11 editions of *Doing Business* may be purchased at www.doingbusiness.org.

Cover design: The Word Express

CONTENTS

Introduction 4
The business environment 5
Starting a business 14
Dealing with construction permits 23
Getting electricity 32
Registering property 39
Getting credit 42
Protecting investors 49
Paying taxes 58
Trading across borders 64
Enforcing contracts 72
Resolving insolvency 83
Employing workers 86
Data notes 93
Resources on the *Doing Business* website 99

INTRODUCTION

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

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

This economy profile presents the *Doing Business* indicators for Timor-Leste. To allow useful comparison, it also provides data for other selected economies (comparator economies) for each indicator. The data in this report are current as of June 1, 2013 (except for the paying taxes indicators, which cover the period January–December 2012).

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

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

THE BUSINESS ENVIRONMENT

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

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

ECONOMY OVERVIEW

Region: East Asia & Pacific

Income category: Lower middle income

Population: 1,210,233

GNI per capita (US$): 3,670

DB2014 rank: 172

DB2013 rank: 167*

Change in rank: -5

DB 2014 DTF: 44.04

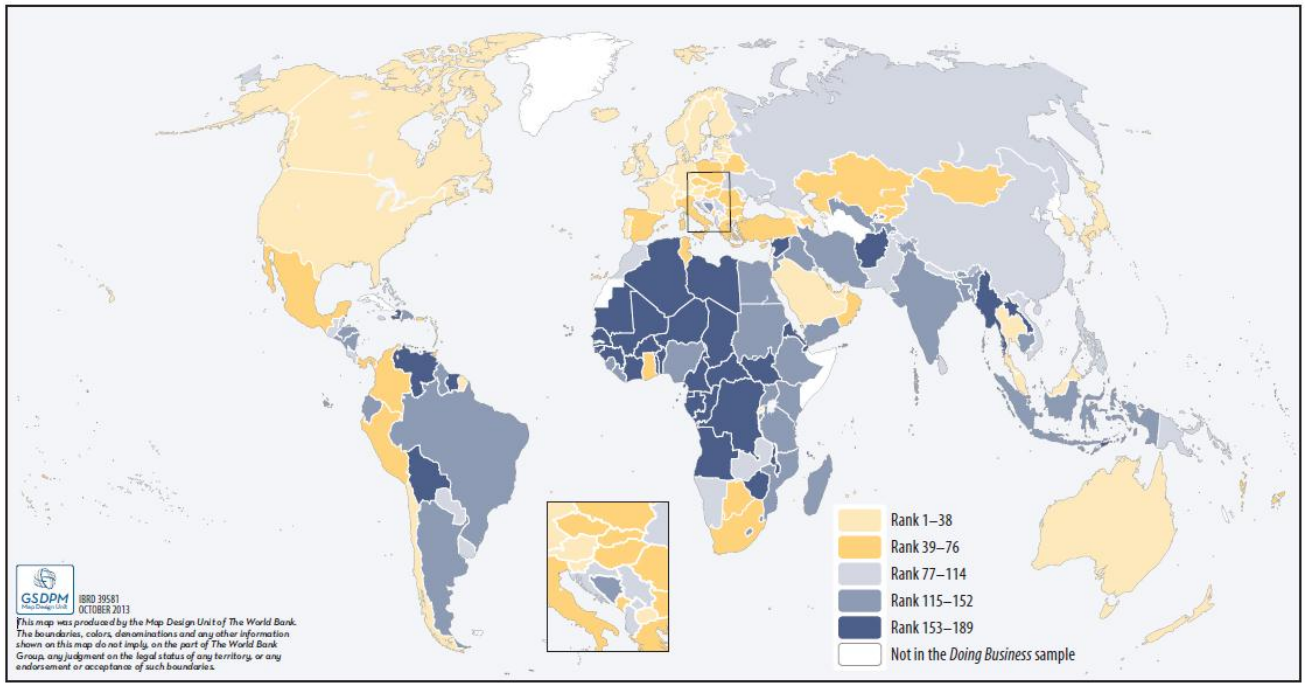
DB 2013 DTF: 44.06

Change in DTF: -0.06

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

THE BUSINESS ENVIRONMENT

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

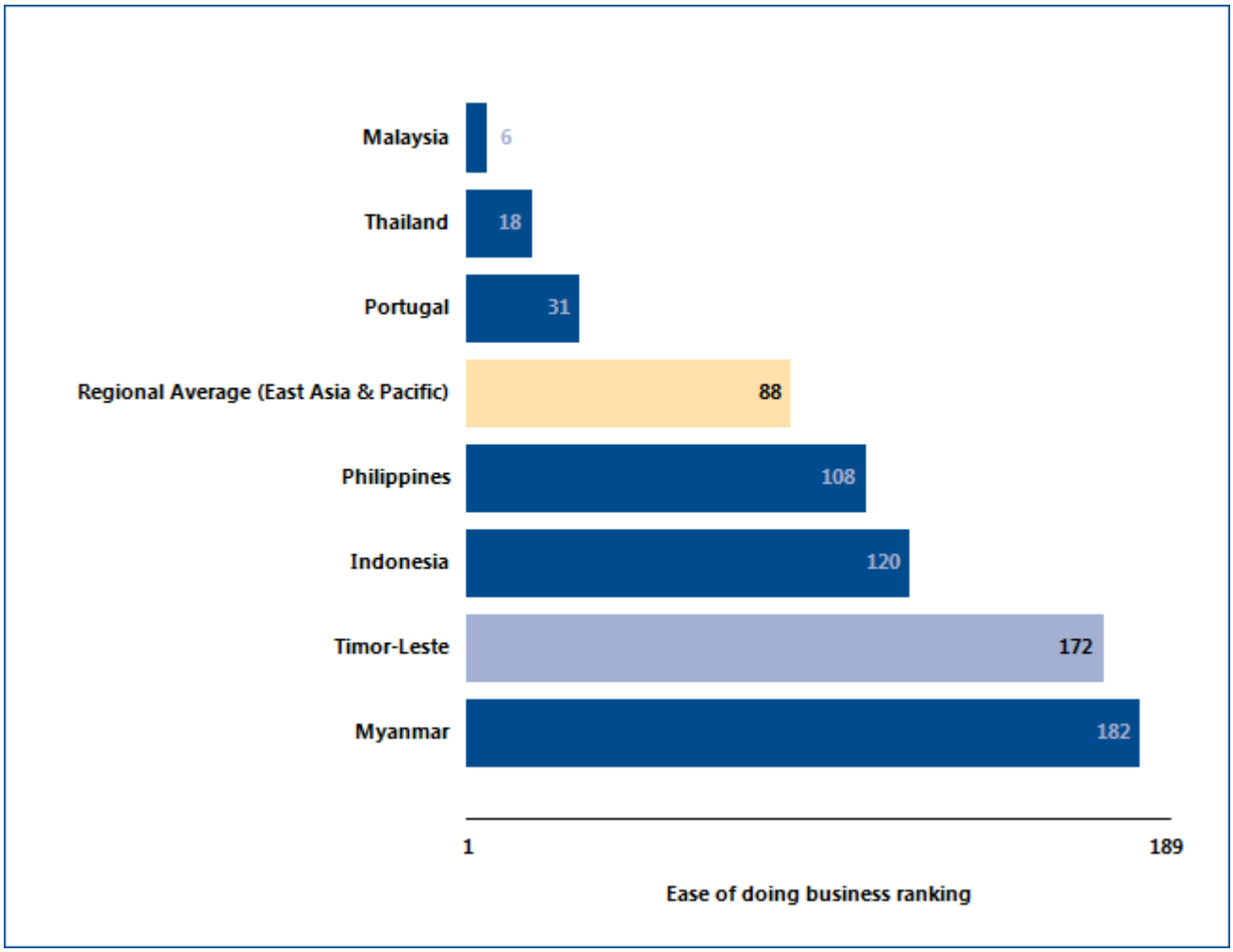


Source: Doing Business database.

THE BUSINESS ENVIRONMENT

For policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful. Also useful is to know how it ranks relative to comparator economies and relative to the regional average (figure 1.2). The economy's rankings on the topics included in the ease of doing business index provide another perspective (figure 1.3).

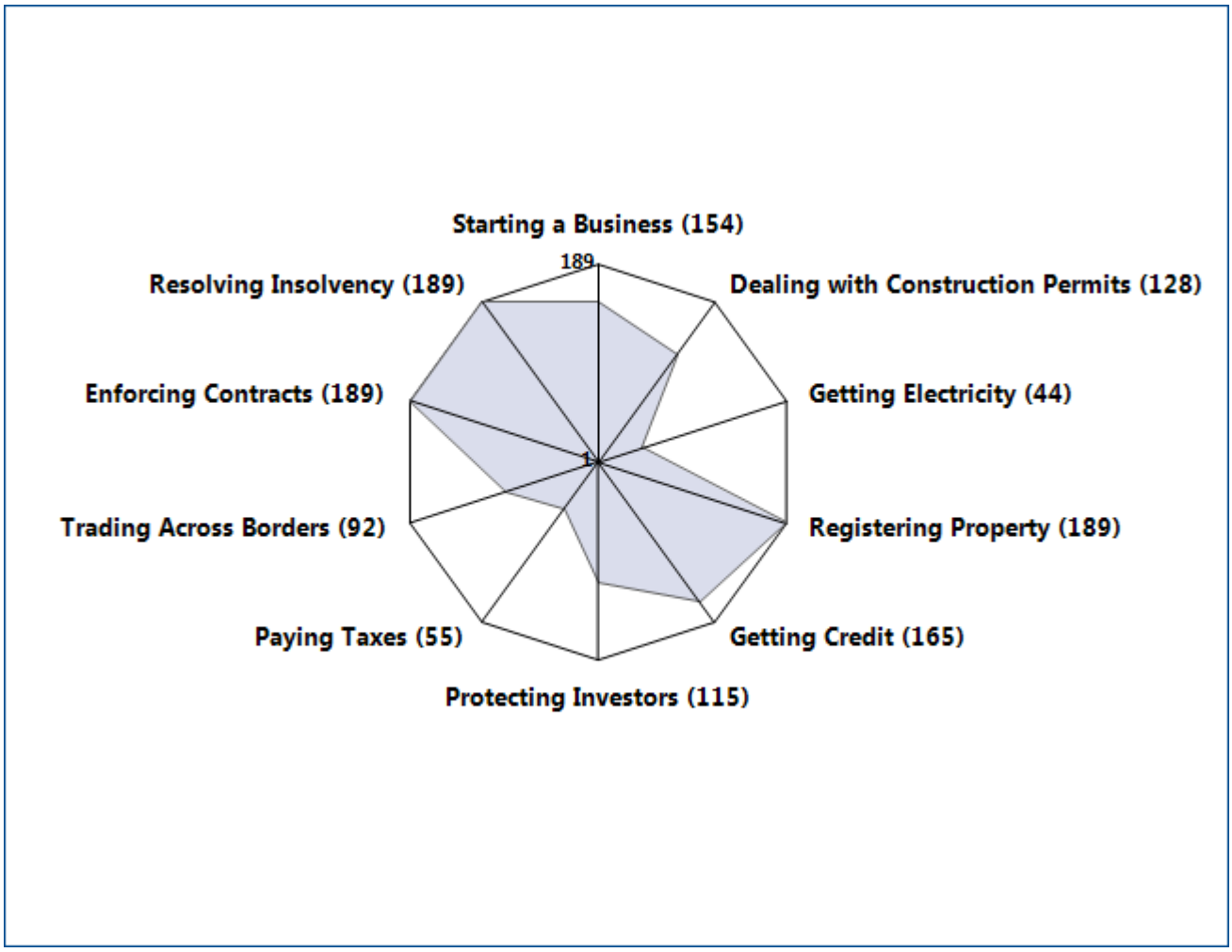
Figure 1.2 How Timor-Leste and comparator economies rank on the ease of doing business



Source: Doing Business database.

THE BUSINESS ENVIRONMENT

Figure 1.3 How Timor-Leste ranks on *Doing Business* topics



Source: Doing Business database.

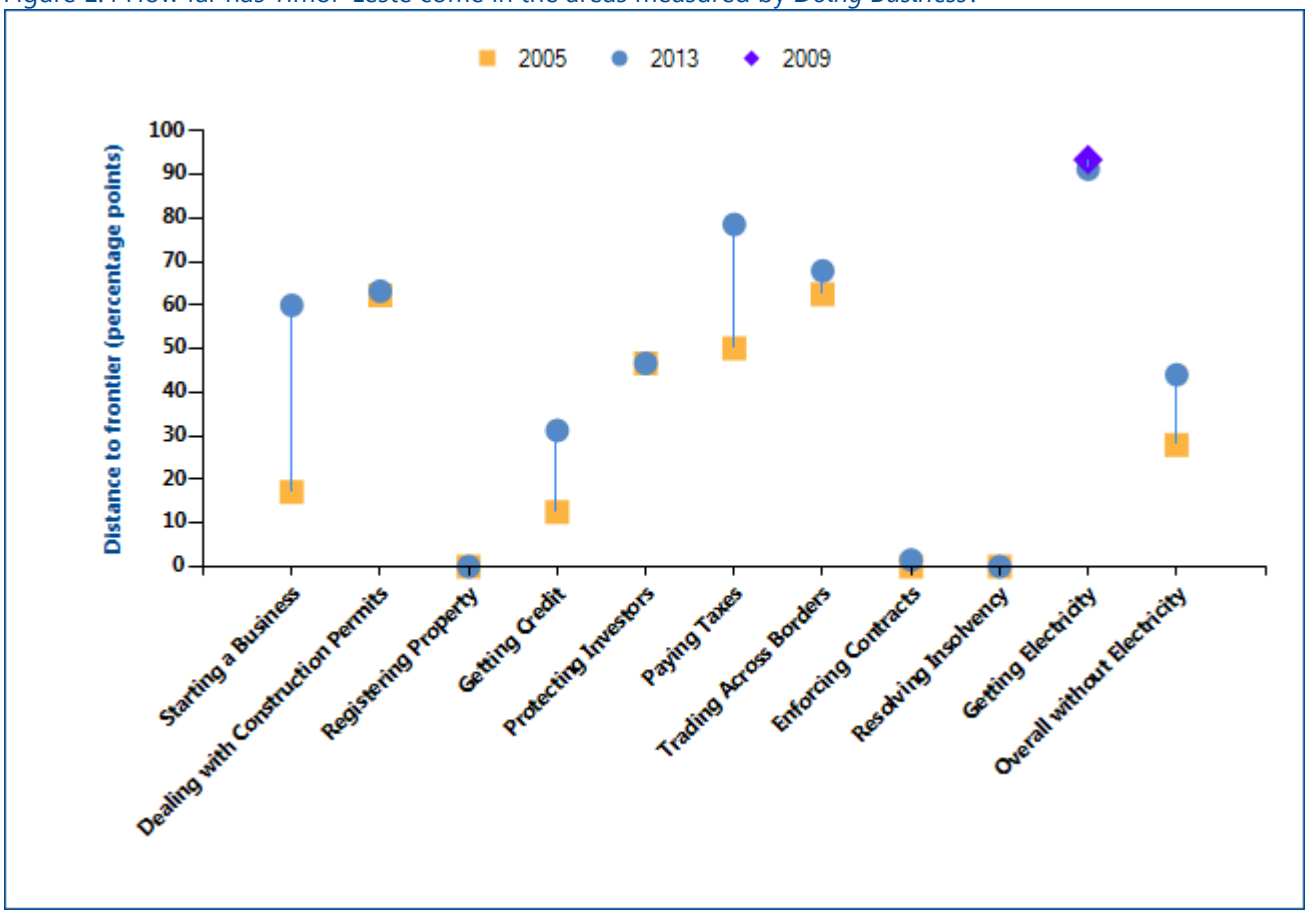
THE BUSINESS ENVIRONMENT

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

Moreover, year-to-year changes in the overall rankings do not reflect how the business regulatory environment in an economy has changed over time—or how it has changed in different areas. To aid in assessing such changes, *Doing Business* introduced the distance to frontier measure. This measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator since 2005, except for the getting electricity indicators, which were introduced in 2009.

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

Figure 1.4 How far has Timor-Leste come in the areas measured by *Doing Business*?



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

THE BUSINESS ENVIRONMENT

The absolute values of the indicators tell another part of the story (table 1.1). The indicators, on their own or in comparison with the indicators of a good practice economy or those of comparator economies in the region, may reveal bottlenecks reflected in large numbers of procedures, long delays or high costs. Or they may reveal unexpected strengths in an area of business regulation—such as a regulatory process that can be completed with a small number of procedures in a few days and at a low cost. Comparison of the economy's indicators today with those in the previous year may show where substantial bottlenecks persist—and where they are diminishing.

Table 1.1 Summary of *Doing Business* indicators for Timor-Leste

Indicator	Timor-Leste DB2014	Timor-Leste DB2013	Indonesia DB2014	Malaysia DB2014	Myanmar DB2014	Philippines DB2014	Portugal DB2014	Thailand DB2014	Best performer globally DB2014
Starting a Business (rank)	154	149	175	16	189	170	32	91	New Zealand (1)
Procedures (number)	8	8	10	3	11	15	3	4	New Zealand (1)*
Time (days)	94.0	94.0	48.0	6.0	72.0	35.0	2.5	27.5	New Zealand (0.5)
Cost (% of income per capita)	3.1	2.9	20.5	7.6	176.7	18.7	2.4	6.7	Slovenia (0.0)
Paid-in Min. Capital (% of income per capita)	136.2	126.6	38.5	0.0	7,016.0	4.6	0.0	0.0	112 Economies (0.0)*
Dealing with Construction Permits (rank)	128	117	88	43	150	99	76	14	Hong Kong SAR, China (1)
Procedures (number)	19	19	13	15	16	25	13	8	Hong Kong SAR, China (6)
Time (days)	238.0	238.0	158.0	130.0	159.0	77.0	99.0	157.0	Singapore (26.0)

Indicator	Timor-Leste DB2014	Timor-Leste DB2013	Indonesia DB2014	Malaysia DB2014	Myanmar DB2014	Philippines DB2014	Portugal DB2014	Thailand DB2014	Best performer globally DB2014
Cost (% of income per capita)	15.0	13.9	87.2	14.7	566.9	79.4	374.9	8.3	Qatar (1.1)
Getting Electricity (rank)	44	41	121	21	126	33	36	12	Iceland (1)
Procedures (number)	3	3	6	5	5	5	5	4	10 Economies (3)*
Time (days)	63	63	101	32	91	42	64	35	Germany (17)
Cost (% of income per capita)	638.0	593.0	370.6	49.1	3,175.5	118.2	53.6	67.3	Japan (0.0)
Registering Property (rank)	189	189	101	35	154	121	30	29	Georgia (1)
Procedures (number)	no practice	no practice	6	5	6	8	1	2	4 Economies (1)*
Time (days)	no practice	no practice	22.0	14.0	113.0	39.0	1.0	2.0	New Zealand (1.0)*
Cost (% of property value)	no practice	no practice	10.9	3.3	7.2	4.8	7.3	6.3	5 Economies (0.0)*
Getting Credit (rank)	165	162	86	1	170	86	109	73	Malaysia (1)*
Strength of legal rights index (0-10)	2	2	5	10	4	4	3	5	10 Economies (10)*
Depth of credit information index (0-6)	3	3	4	6	0	5	5	5	31 Economies (6)*
Public registry coverage (% of adults)	5.4	2.0	41.2	52.9	0.0	0.0	100.0	0.0	Portugal (100.0)*
Private bureau coverage (% of adults)	0.0	0.0	0.0	77.2	0.0	9.3	23.2	49.2	22 Economies (100.0)*
Protecting Investors (rank)	115	113	52	4	182	128	52	12	New Zealand (1)

Indicator	Timor-Leste DB2014	Timor-Leste DB2013	Indonesia DB2014	Malaysia DB2014	Myanmar DB2014	Philippines DB2014	Portugal DB2014	Thailand DB2014	Best performer globally DB2014
Extent of disclosure index (0-10)	5	5	10	10	3	2	6	10	10 Economies (10)*
Extent of director liability index (0-10)	4	4	5	9	0	3	5	7	Cambodia (10)
Ease of shareholder suits index (0-10)	5	5	3	7	4	8	7	6	3 Economies (10)*
Strength of investor protection index (0-10)	4.7	4.7	6.0	8.7	2.3	4.3	6.0	7.7	New Zealand (9.7)
Paying Taxes (rank)	55	58	137	36	107	131	81	70	United Arab Emirates (1)
Payments (number per year)	18	18	52	13	31	36	8	22	Hong Kong SAR, China (3)*
Time (hours per year)	276	276	259	133	155	193	275	264	United Arab Emirates (12)
Trading Across Borders (rank)	92	92	54	5	113	42	25	24	Singapore (1)
Documents to export (number)	6	6	4	4	9	6	4	5	Ireland (2)*
Time to export (days)	28	28	17	11	25	15	15	14	5 Economies (6)*
Cost to export (US$ per container)	750	750	615	450	670	585	780	595	Malaysia (450)
Documents to import (number)	7	7	8	4	9	7	4	5	Ireland (2)*
Time to import (days)	26	26	23	8	27	14	13	13	Singapore (4)
Cost to import (US$ per container)	755	755	660	485	660	660	925	760	Singapore (440)
Enforcing Contracts (rank)	189	189	147	30	188	114	24	22	Luxembourg (1)

Indicator	Timor-Leste DB2014	Timor-Leste DB2013	Indonesia DB2014	Malaysia DB2014	Myanmar DB2014	Philippines DB2014	Portugal DB2014	Thailand DB2014	Best performer globally DB2014
Time (days)	1,285	1,285	498	425	1,160	842	547	440	Singapore (150)
Cost (% of claim)	163.2	163.2	139.4	27.5	51.5	26.0	13.0	15.0	Bhutan (0.1)
Procedures (number)	51	51	40	29	45	37	34	36	Singapore (21)*
Resolving Insolvency (rank)	189	189	144	42	155	100	23	58	Japan (1)
Time (years)	no practice	no practice	4.5	1.5	5.0	2.7	2.0	2.7	Ireland (0.4)
Cost (% of estate)	no practice	no practice	18	10	18	22	9	36	Norway (1)
Outcome (0 as piecemeal sale and 1 as going concern)	no practice	no practice	0	0	0	0	1	1	
Recovery rate (cents on the dollar)	0.0	0.0	17.9	48.9	14.7	29.9	71.6	42.2	Japan (92.8)

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

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

Source: Doing Business database.

STARTING A BUSINESS

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

What do the indicators cover?

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

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

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

WHAT THE STARTING A BUSINESS INDICATORS MEASURE

Procedures to legally start and operate a company (number)

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

Registration in the economy's largest business city

Postregistration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

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

Procedure completed once final document is received

No prior contact with officials

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

Official costs only, no bribes

No professional fees unless services required by law

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

Deposited in a bank or with a notary before registration (or within 3 months)

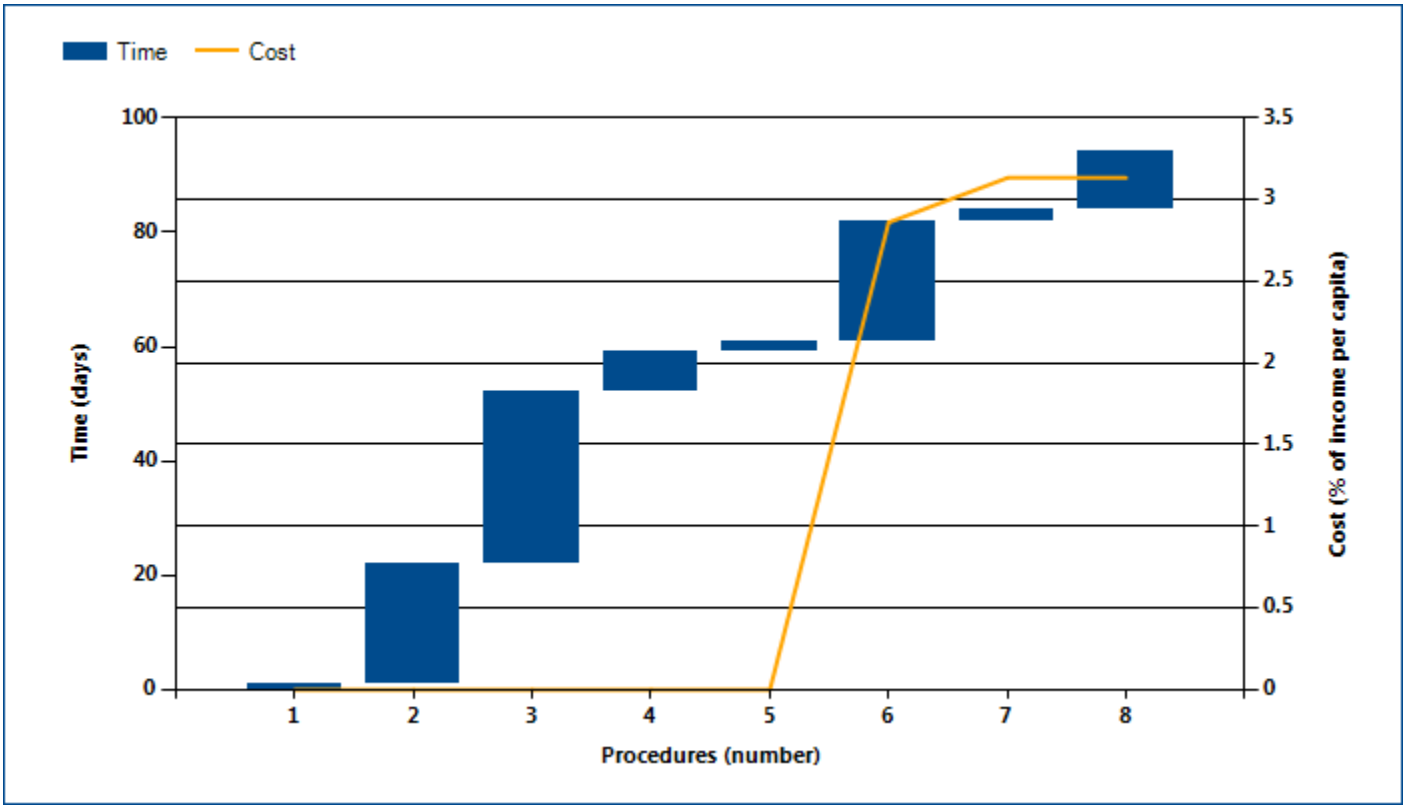
STARTING A BUSINESS

Where does the economy stand today?

What does it take to start a business in Timor-Leste? According to data collected by *Doing Business*, starting a business there requires 8 procedures, takes 94.0 days, costs 3.1% of income per capita and requires paid-in minimum capital of 136.2% of income per capita (figure 2.1).

Figure 2.1 What it takes to start a business in Timor-Leste

Paid-in minimum capital (% of income per capita): 136.2



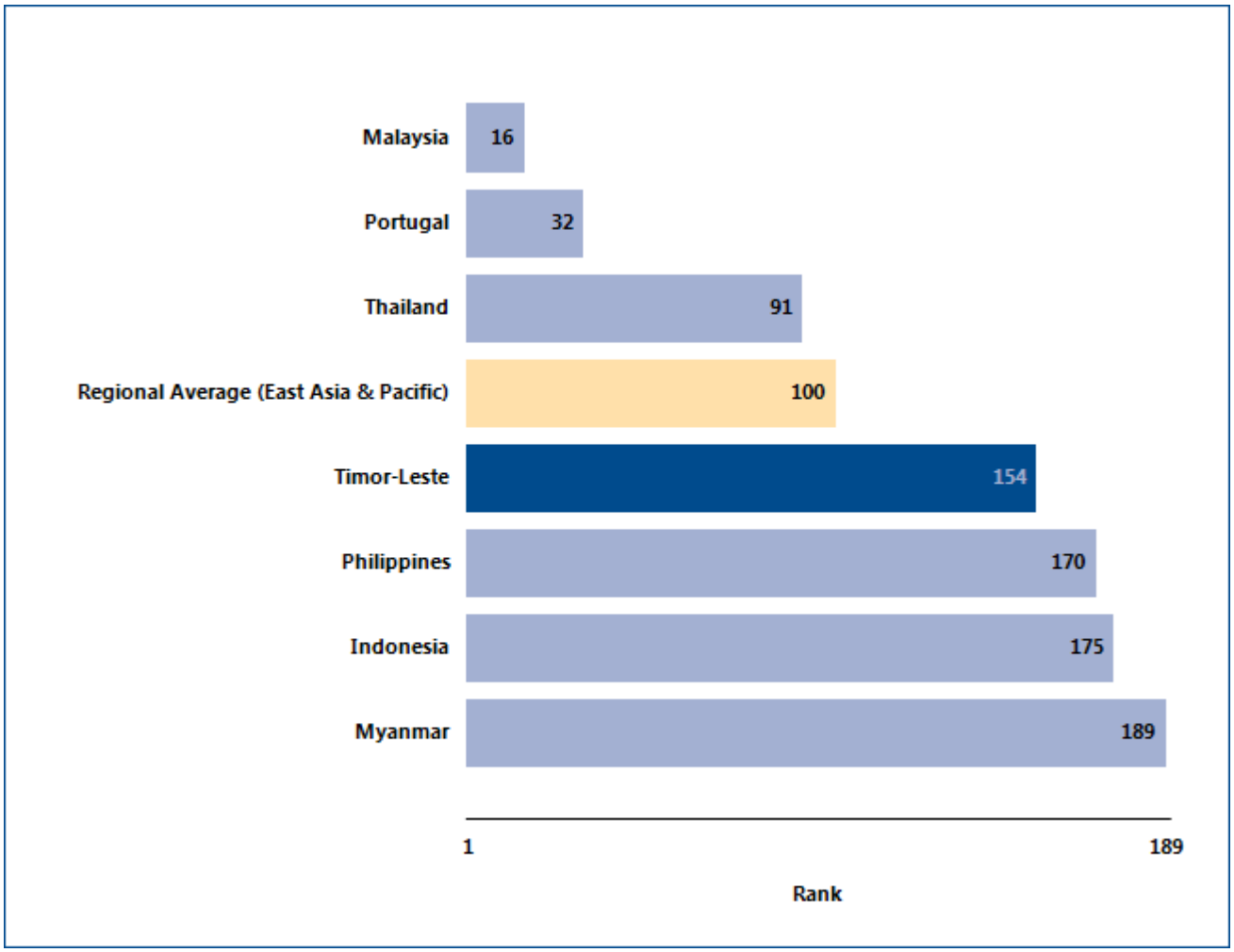
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the starting a business indicators, see the *Doing Business* website (http://www.doingbusiness.org). For details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

Source: Doing Business database.

STARTING A BUSINESS

Globally, Timor-Leste stands at 154 in the ranking of 189 economies on the ease of starting a business (figure 2.2). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Timor-Leste to start a business.

Figure 2.2 How Timor-Leste and comparator economies rank on the ease of starting a business



Source: Doing Business database.

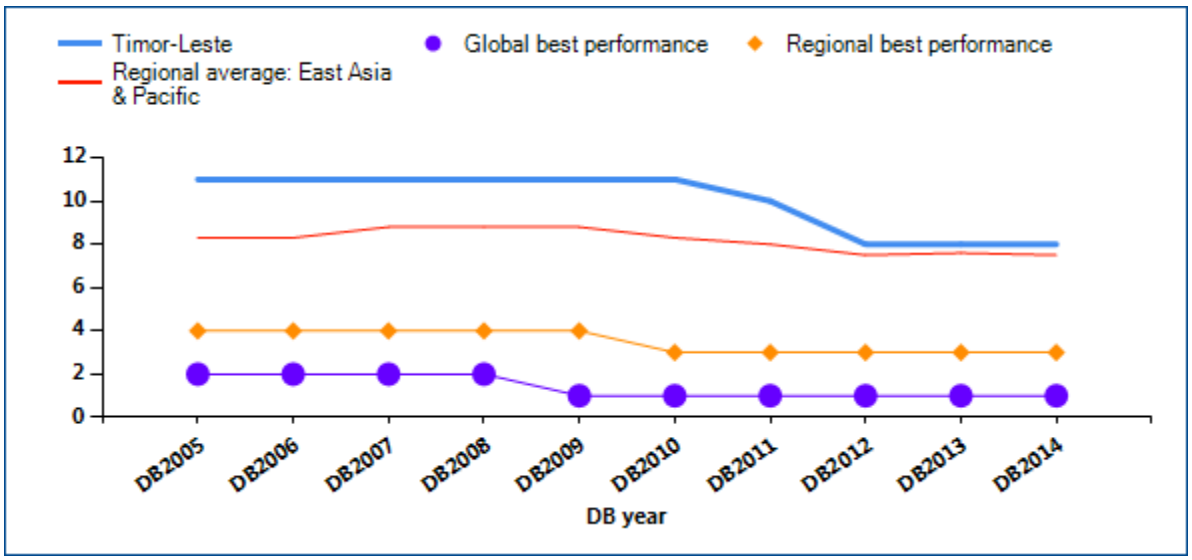
STARTING A BUSINESS

What are the changes over time?

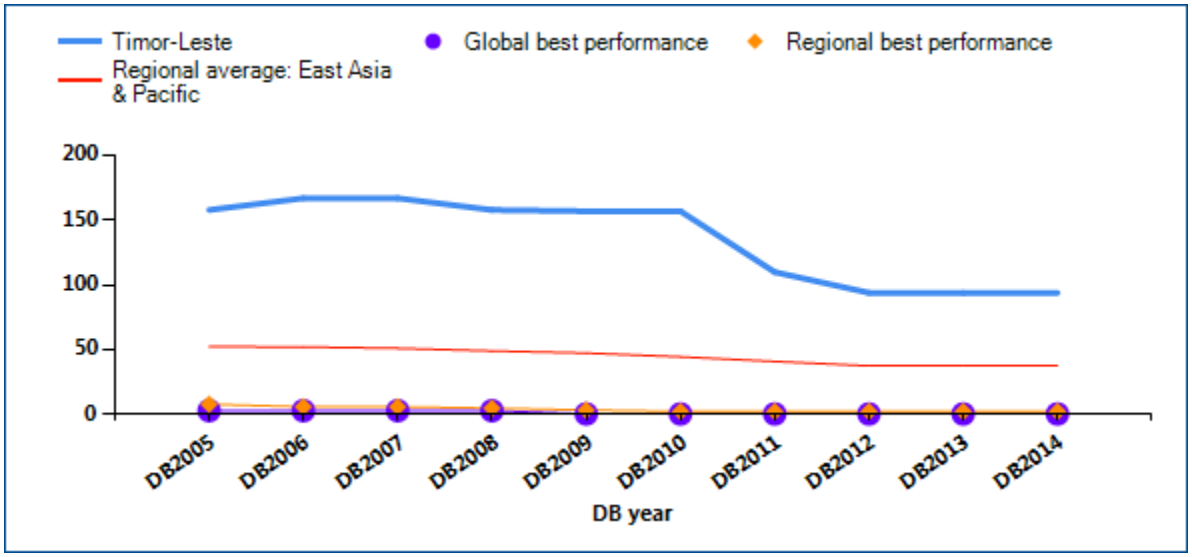
The benchmarks provided by the economies that over time have had the best performance regionally or globally on the procedures, time, cost or paid-in minimum capital required to start a business (figure 2.3) can help show what is possible in making it easier to start a business. And changes in regional averages can show where Timor-Leste is keeping up—and where it is falling behind.

Figure 2.3 Has starting a business become easier over time?

Procedures (number)

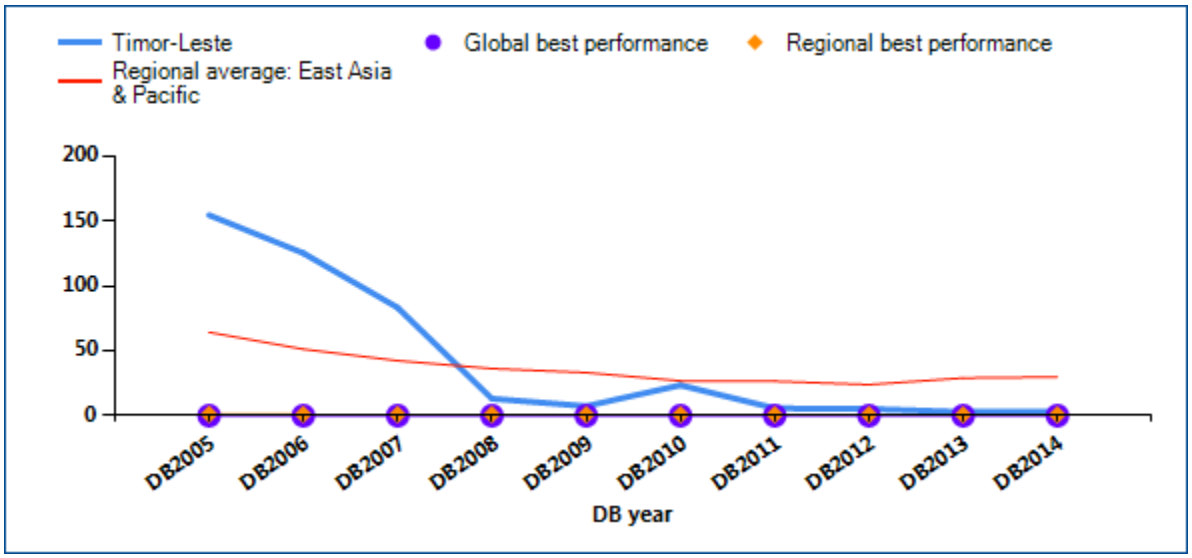


Time (days)

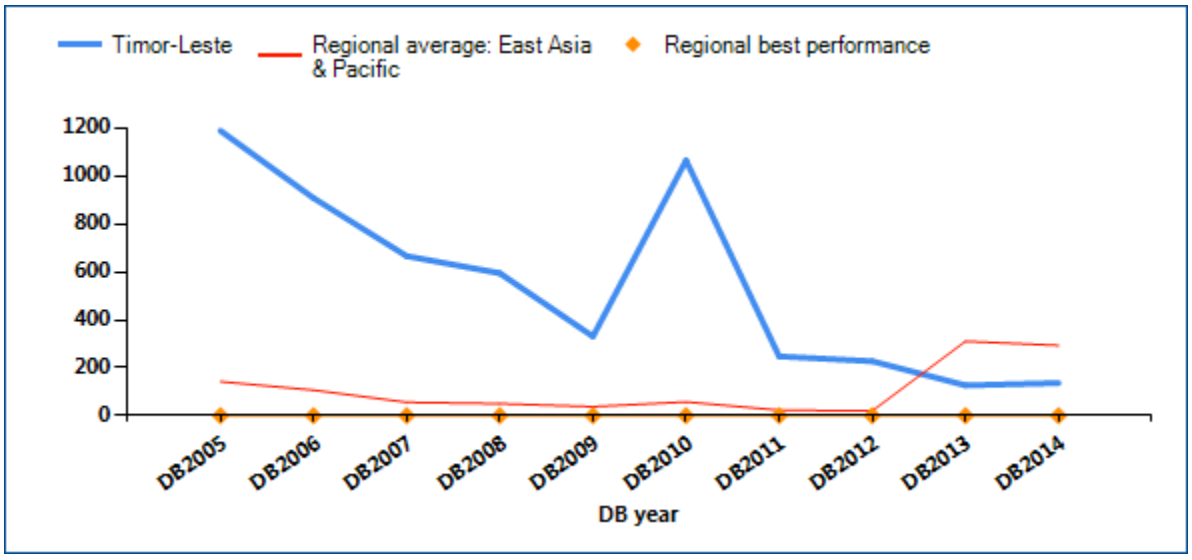


STARTING A BUSINESS

Cost (% of income per capita)



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



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

STARTING A BUSINESS

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

What business registration reforms has *Doing Business* recorded in Timor-Leste (table 2.1)?

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

DB year	Reform
DB2009	No reform as measured by Doing Business.
DB2010	No reform as measured by Doing Business.
DB2011	No reform as measured by Doing Business.
DB2012	Timor-Leste made starting a business faster by improving the registration process.
DB2013	No reform as measured by Doing Business.
DB2014	No reform as measured by Doing Business.

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

STARTING A BUSINESS

What are the details?

Underlying the indicators shown in this chapter for Timor-Leste 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: **Dili**

Legal Form: **Private Limited Liability Company**

Paid in Minimum Capital Requirement: **USD 5,000**

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

Summary of procedures for starting a business in Timor-Leste—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	**Deposit minimum capital at the Bank** Registration fees are paid at a national bank. The minimum capital requirement is prescribed by the Commercial Registry Code, Articles 16 and 188.	1 day	no charge
2	**Verify uniqueness of company name, register the name, and file company statute at the Ministry of Justice** According to Article 34 of the Commercial Registry Code, a company must register by filing the following documents with the Commercial Registry at the Ministry of Justice: - Company statutes (notarization is not mandatory according to Article 34). - Information on company shareholders and managers. - Proof of deposit of initial capital. Article 55 sets a time limit of 15 days. To register, the applicant also needs to submit the following: • Constitutive act and company's statute—no notarization needed. • Company organization; • ID documents of the administrators and shareholders (you need proof that administrators are Timorese or residents in Timor); • Map showing the company location; • Instrument nominating the administrators (this can also be done in the articles of association); and • Proof of the deposit of the minimum capital at the Bank, or declaration as stated above.	3 weeks	no charge

No.	Procedure	Time to complete	Cost to complete
3	**Publish statutes in the official gazette** According to Article 72 of the Commercial Registry Code, promoters must publish company statutes in the Official Gazette. According to Article 73, the publication should be done through the registrar within 30 days. In practice, this procedure is not enforced.	30 days	no charge
4	**Apply to tax identification number (TIN)** The business registration certificate and identification card are required. The tax identification number is used for various business taxes. The East Timor Revenue Service will issue a form for tax payment to a designated or authorized bank.	7 days	no charge
5	**Notify labor department** Although not legally mandated, it is common practice for companies to notify the Labor Department. The company contacts the Labor Department to verify whether the employment contracts comply with regulations. Most firms simply use the standard contract provided by the Labor Department.	2 days	no charge
6	**Apply for temporary business license at the Ministry of Tourism, Commerce and Industry** All companies are required to get a business license from the Commerce Division of the Ministry of Tourism, Commerce and Industry. Other licenses are granted by the relevant sectorial Ministry and signed by the Minister.	21 days	USD 105
7	**Obtain a company stamp** Make a company seal. By law, books must be legalized by the Commercial Registry. This legal requirement is defined by the Article 113 of the Commercial Registry Code. A time limit of 48 hours is applicable.	2 days	USD 10

No.	Procedure	Time to complete	Cost to complete
8	**Obtain the final company certificate (matricula do comercio)** Art. 63 of DL07/2006 states that a certificate needs to be issued with the company's registration number at the end of the process. Such certificate can only be issued after the tax ID is obtained, since such number is also included in the certificate.	10 days	no charge

* Takes place simultaneously with another procedure.
Note: Online procedures account for 0.5 days in the total time calculation.
Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

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

What do the indicators cover?

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

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

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

The business:

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

The warehouse:

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

WHAT THE DEALING WITH CONSTRUCTION PERMITS INDICATORS MEASURE

Procedures to legally build a warehouse (number)

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

Submitting all required notifications and receiving all necessary inspections

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

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

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

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

Procedure considered completed once final document is received

No prior contact with officials

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

Official costs only, no bribes

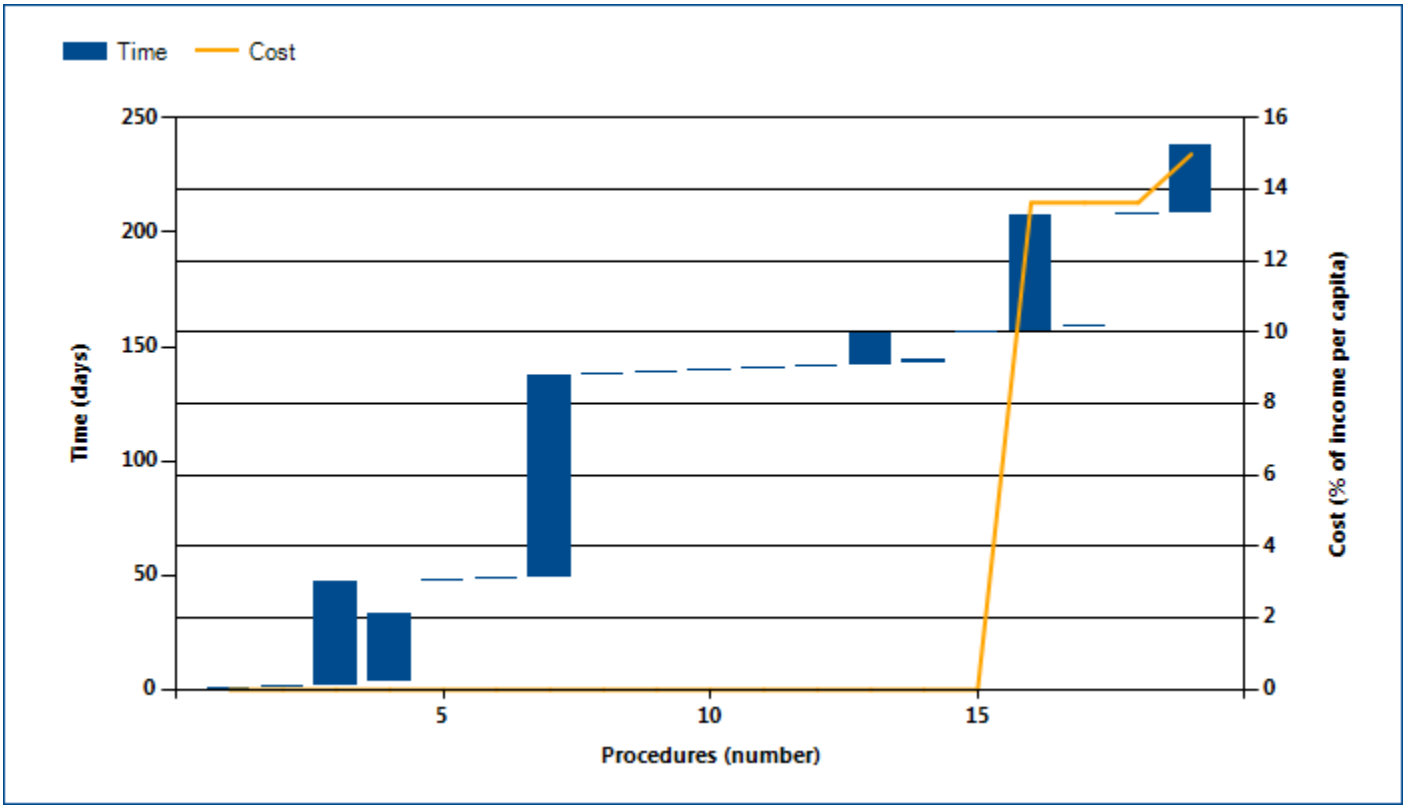
- Will be connected to water, sewerage (sewage system, septic tank or their equivalent) and a fixed telephone line. The connection to each utility network will be 10 meters (32 feet, 10 inches) long.
- Will be used for general storage, such as of books or stationery (not for goods requiring special conditions).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

DEALING WITH CONSTRUCTION PERMITS

Where does the economy stand today?

What does it take to comply with the formalities to build a warehouse in Timor-Leste? According to data collected by *Doing Business*, dealing with construction permits there requires 19 procedures, takes 238.0 days and costs 15.0% of income per capita (figure 3.1).

Figure 3.1 What it takes to comply with formalities to build a warehouse in Timor-Leste

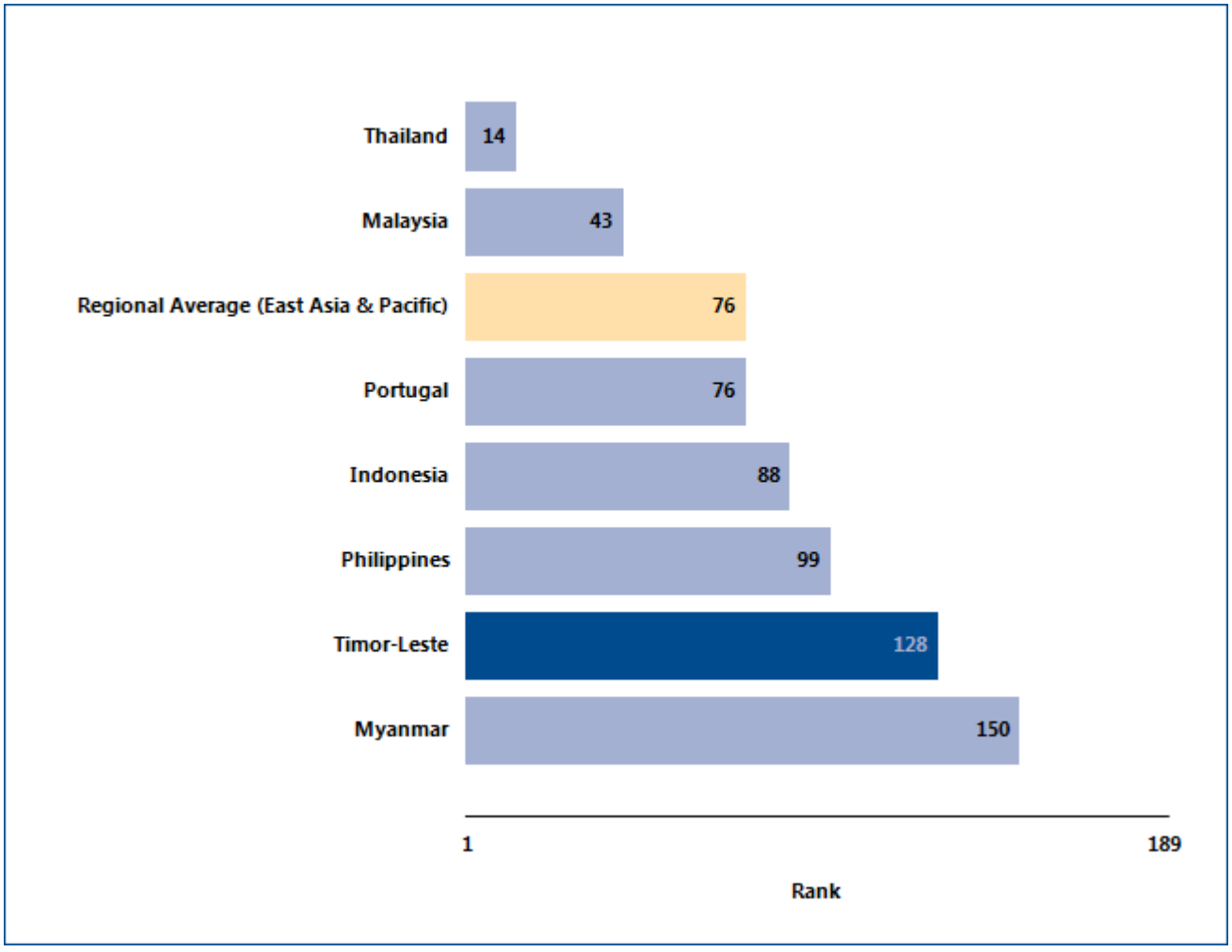


Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the dealing with construction permits indicators, see the *Doing Business* website (http://www.doingbusiness.org).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

DEALING WITH CONSTRUCTION PERMITS

Globally, Timor-Leste stands at 128 in the ranking of 189 economies on the ease of dealing with construction permits (figure 3.2). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Timor-Leste to legally build a warehouse.

Figure 3.2 How Timor-Leste and comparator economies rank on the ease of dealing with construction permits



Source: Doing Business database.

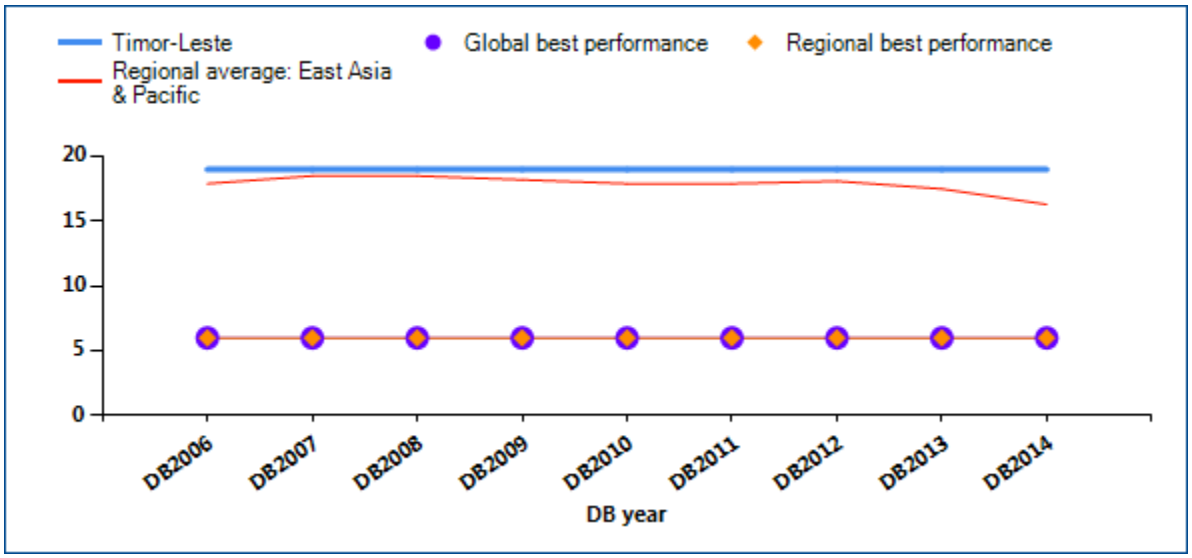
DEALING WITH CONSTRUCTION PERMITS

What are the changes over time?

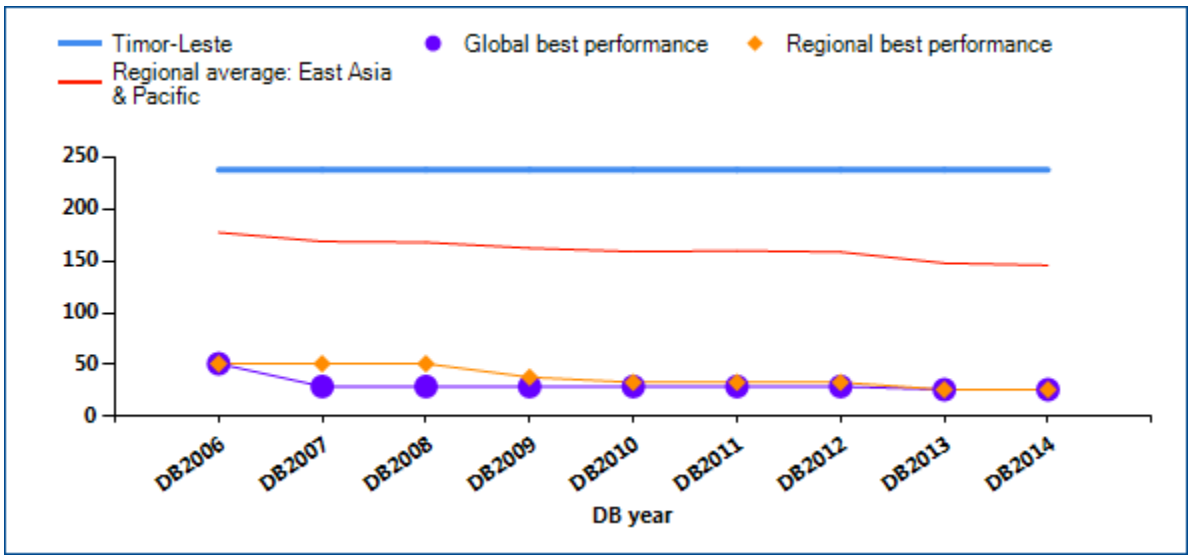
The benchmarks provided by the economies that over time have had the best performance regionally or globally on the procedures, time or cost required to deal with construction permits (figure 3.3) help show what is possible in making it easier to deal with construction permits. And changes in regional averages can show where Timor-Leste is keeping up—and where it is falling behind.

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

Procedures (number)

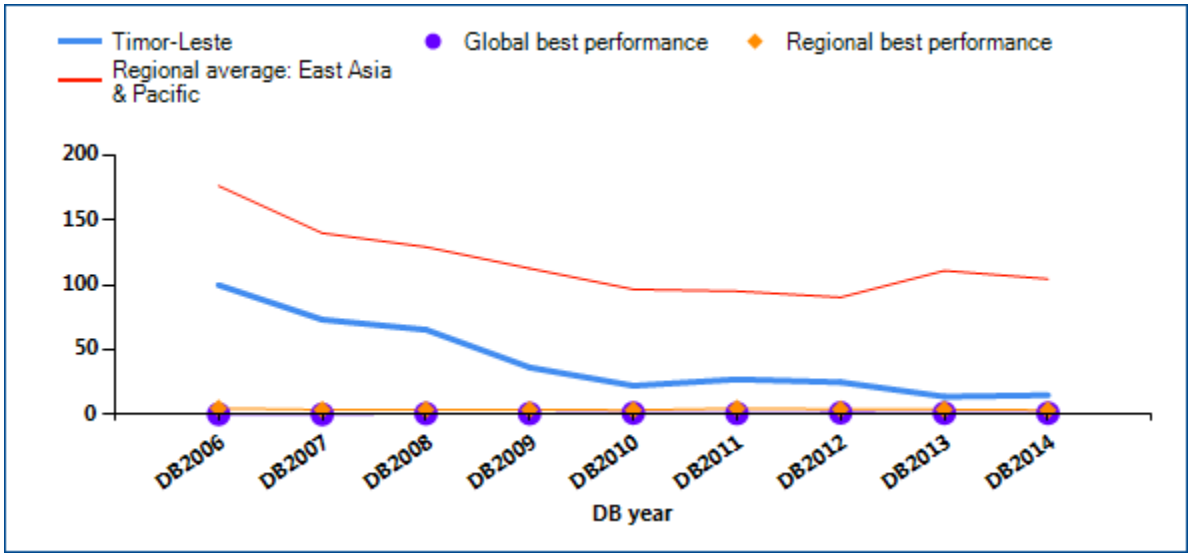


Time (days)



DEALING WITH CONSTRUCTION PERMITS

Cost (% of income per capita)



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

DEALING WITH CONSTRUCTION PERMITS

Smart regulation ensures that standards are met while making compliance easy and accessible to all. Coherent and transparent rules, efficient processes and adequate allocation of resources are especially important in sectors where safety is at stake. Construction is one of them. In an effort to ensure building safety while keeping compliance costs reasonable, governments around the world have worked on consolidating permitting requirements. What construction permitting reforms has *Doing Business* recorded in Timor-Leste (table 3.1)?

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

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

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

DEALING WITH CONSTRUCTION PERMITS

What are the details?

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

BUILDING A WAREHOUSE

City :	**Dili**
Estimated Warehouse Value :	**USD 32,734**

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

Summary of procedures for dealing with construction permits in Timor-Leste —and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	**Request a "no objection" letter from the Land and Property Department**	1 day	no charge
2	**Receive inspection certificate from the Land and Property Department** The Land and Property Department does not issue certificates of ownership or right of use of land. It issues a no-objection letter because it is not yet able to issue titles. The time to obtain this document varies from 1 -- 2 weeks if the applicant knows the right people, up to 6 months if the applicant is an outsider. A reasonable estimate is 1 -- 2 months. The Land and Property Department performs a site inspection before issuing the letter.	1 day	no charge
3	**Obtain a "no objection" letter from the Land and Property department**	45 days	no charge
4	*** Obtain project clearance from the Department of Environment and Development**	30 days	no charge

No.	Procedure	Time to complete	Cost to complete
5	**Submit application for building permit**	1 day	no charge
6	**Receive inspection from the Public Works office**	1 day	no charge
7	**Obtain building permit** The building permit is issued at no charge. To obtain the permit, the investor needs to submit the no-objection letter from the Land and Property Department, the environmental clearance, and the architectural and engineering plans/drawings. It takes 2 to 3 weeks to obtain a permit in the best-case scenario and if the investor constantly follows up. Otherwise, it takes an average of 3 months to receive a building permit.	88 days	no charge
8	**Receive excavation work inspection**	1 day	no charge
9	**Receive foundations work inspection**	1 day	no charge
10	**Receive concrete work inspection**	1 day	no charge
11	**Receive labor inspection** A labor inspection occurs on a random basis. It often results from a complaint filed by the workers with the Ministry of Labor. If there is no complaint, this inspection is less likely to occur.	1 day	no charge
12	**Receive final inspection**	1 day	no charge
13	**Obtain approval upon completion of project from the Public Works and municipality**	14 days	no charge

No.	Procedure	Time to complete	Cost to complete
14	*** Apply for water and sewerage connection**	1 day	no charge
15	**Receive water and sewerage inspection**	1 day	no charge
16	**Obtain water and sewerage connection**	50 days	USD 500
17	*** Request telephone line from Timor Telecom** To obtain a telephone connection, the investor sends a letter requesting connection to Timor Telecom. A couple of weeks later, Timor Telecom sends a technician out to inspect the site. For a simple local line, the cost is USD 50.00 (USD 10.00 for monthly fee, USD 20.00 for activation and USD 20.00 for installation).	1 day	no charge
18	**Receive inspection from Timor Telecom**	1 day	no charge
19	*** Obtain phone connection**	30 days	USD 50

* Takes place simultaneously with another procedure.
Note: Online procedures account for 0.5 days in the total time calculation.
Source: Doing Business database.

GETTING ELECTRICITY

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

What do the indicators cover?

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

The warehouse:

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

The electricity connection:

- Is 150 meters long and is a 3-phase, 4-wire Y, 140-kilovolt-ampere (kVA) (subscribed capacity) connection.
- Is to either the low-voltage or the medium-voltage distribution network and either overhead or underground, whichever is more common in the economy and area where the warehouse is located. The length of any connection in the customer's private domain is negligible.
- Requires crossing of a 10-meter road but all the works are carried out in a public land, so there is no crossing into other people's private property.
- Involves installing one electricity meter. The monthly electricity consumption will be 0.07 gigawatt-hour (GWh). The internal electrical wiring has been completed.

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

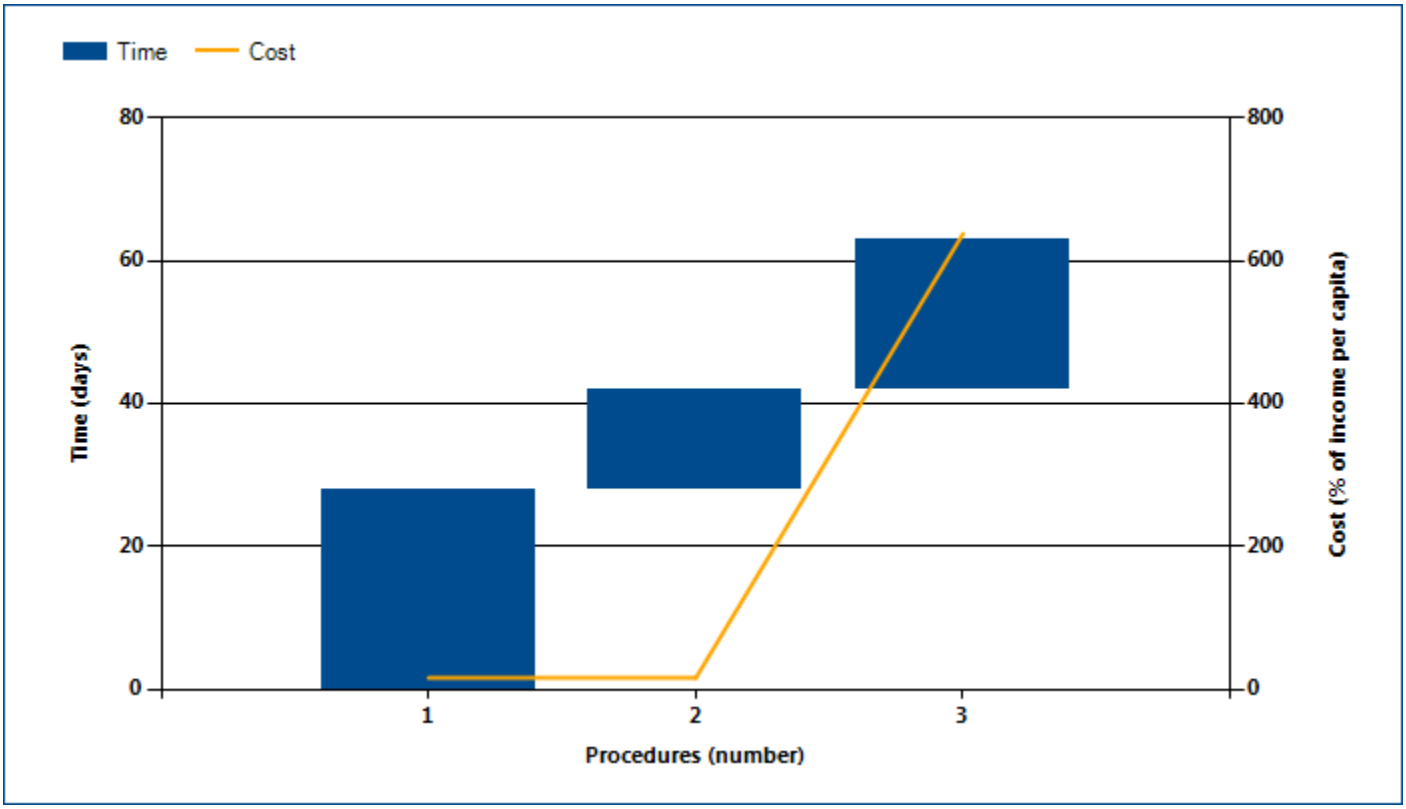
Excludes value added tax

GETTING ELECTRICITY

Where does the economy stand today?

What does it take to obtain a new electricity connection in Timor-Leste? According to data collected by *Doing Business,* getting electricity there requires 3 procedures, takes 63 days and costs 638.0% of income per capita (figure 4.1).

Figure 4.1 What it takes to obtain an electricity connection in Timor-Leste

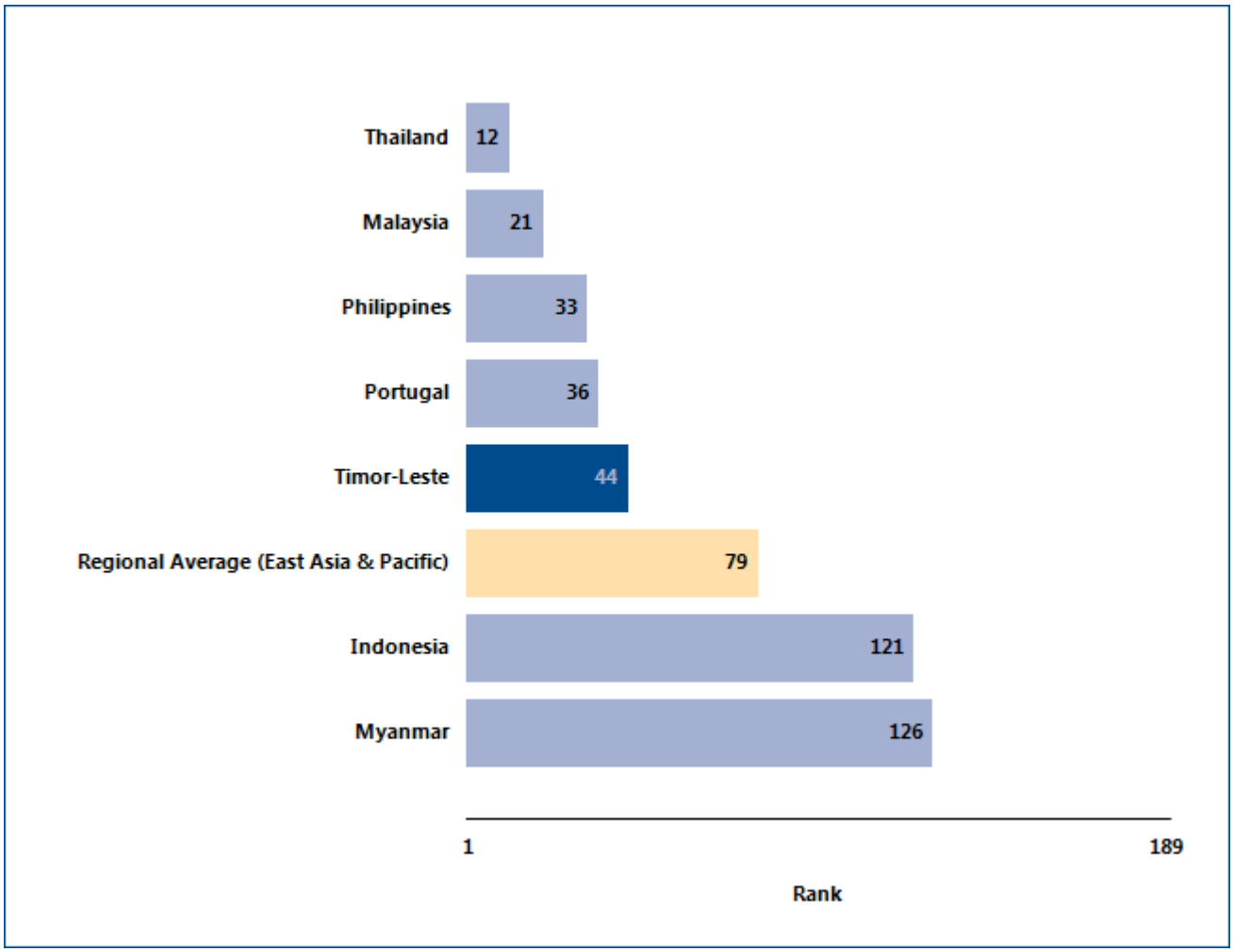


Note: Time shown in the figure above may not reflect simultaneity of procedures. For more information on the methodology of the getting electricity indicators, see the *Doing Business* website (http://www.doingbusiness.org). For details on the procedures reflected here, see the summary at the end of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

GETTING ELECTRICITY

Globally, Timor-Leste stands at 44 in the ranking of 189 economies on the ease of getting electricity (figure 4.2). The rankings for comparator economies and the regional average ranking provide another perspective in assessing how easy it is for an entrepreneur in Timor-Leste to connect a warehouse to electricity.

Figure 4.2 How Timor-Leste and comparator economies rank on the ease of getting electricity



Source: Doing Business database.

GETTING ELECTRICITY

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

Table 4.1 The ease of getting electricity in Timor-Leste

Indicator	Timor-Leste DB2014	Timor-Leste DB2013	Best performer in East Asia & Pacific DB2014	Best performer globally DB2014
Rank	44	41	Hong Kong SAR, China (5)	Iceland (1)
Procedures (number)	3	3	Timor-Leste* (3)	10 Economies* (3)
Time (days)	63	63	Taiwan, China (24)	Germany (17)
Cost (% of income per capita)	638.0	593.0	Hong Kong SAR, China (1.5)	Japan (0.0)

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

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

Source: Doing Business database.

GETTING ELECTRICITY

Obtaining an electricity connection is essential to enable a business to conduct its most basic operations. In many economies the connection process is complicated by the multiple laws and regulations involved—covering service quality, general safety, technical standards, procurement practices and internal wiring installations. In an effort to ensure safety in the connection process while keeping connection costs reasonable, governments around the world have worked to consolidate requirements for obtaining an electricity connection. What reforms in getting electricity has *Doing Business* recorded in Timor-Leste (table 4.2)?

Table 4.2 How has Timor-Leste made getting electricity easier—or not?
By *Doing Business* report year

DB year	Reform
DB2012	No reform as measured by Doing Business.
DB2013	No reform as measured by Doing Business.
DB2014	No reform as measured by Doing Business.

Source: Doing Business database.

GETTING ELECTRICITY

What are the details?

The indicators reported here for Timor-Leste 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:	**Dili**
Name of Utility:	**Electricidade de Timor-Leste**

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 Timor-Leste—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	**Submit an application for electricity connection to EDTL and await estimate of the connection fees.** The application can be submitted by mail or in person. With the application a customer has to submit: location of site, proposed building location, proposed service location, estimated load requirement and a registration of the business ant the National Direction of Commerce (EDTL has different tariffs according to different type of business activities, this will also help EDTL to assign the correct tariff). Since the power required is more than 4500 VA, EDTL requires an installation wiring project. This project concerns the internal wiring. The documents do not require notarization. The supply contract is signed the same day the application is submitted. All departments of Electricidade de Timor-Leste are located in one building and the customer service in one part of the building takes care of applications and supply contracts. The day the customer signs the contract he has to make a declaration, accepting all terms and conditions given by EDTL for use of electricity. This will be among others, to never make an illegal connection, to never damage meters, to allow EDTL staff to inspect the installation whenever needed, and use electricity according the load required submitted to EDTL. Then the utility works on the plan of the connection and provides an estimate to the applicant. The application fee depends on the distance from the grid.	28 calendar days	USD 600.0

No.	Procedure	Time to complete	Cost to complete
2	**External Inspection by the utility** Someone from the applicant's party is required to be present during the inspection.	14 calendar days	no charge
3	**External connection works carried out by the utility and final connection.** The utility is in charge of designing the connection and carrying out the physical connection works. It might higher a subcontractor to complete the works. A customer has to await external connection works depending on availability of material. All the material is provided either by the utility, and the applicant is charged at the end for the expenses, or the customer can buy the materials themselves. If the material is not available external connection works take many months. Material is however usually available more than 50% of the time although there is a problem with the lack of materials. The meter is installed by the utility at the same time as when the external works are done. A load of 140 kVA requires construction of a new substation. The cost of the transformer is paid after the estimate is provided and before any external connection works can start. The cost to pay for the external works depends on many factors, such as whether they prefer a private transformer dedicated only to their business or a public transformer that they will share with future customers. The meter is installed by the utility and electricity starts flowing as soon as the external connection works are over and the fees have been paid.	21 calendar days	USD 22,816.3

* Takes place simultaneously with another procedure.
Source: Doing Business database.

REGISTERING PROPERTY

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. And where property is informal or poorly administered, it has little chance of being accepted as collateral for loans—limiting access to finance.

What do the indicators cover?

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

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

The parties (buyer and seller):

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

The property (fully owned by the seller):

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

WHAT THE REGISTERING PROPERTY INDICATORS MEASURE

Procedures to legally transfer title on immovable property (number)

Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)

Registration in the economy's largest business city

Postregistration (for example, filing title with the municipality)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

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

Procedure considered completed once final document is received

No prior contact with officials

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

Official costs only, no bribes

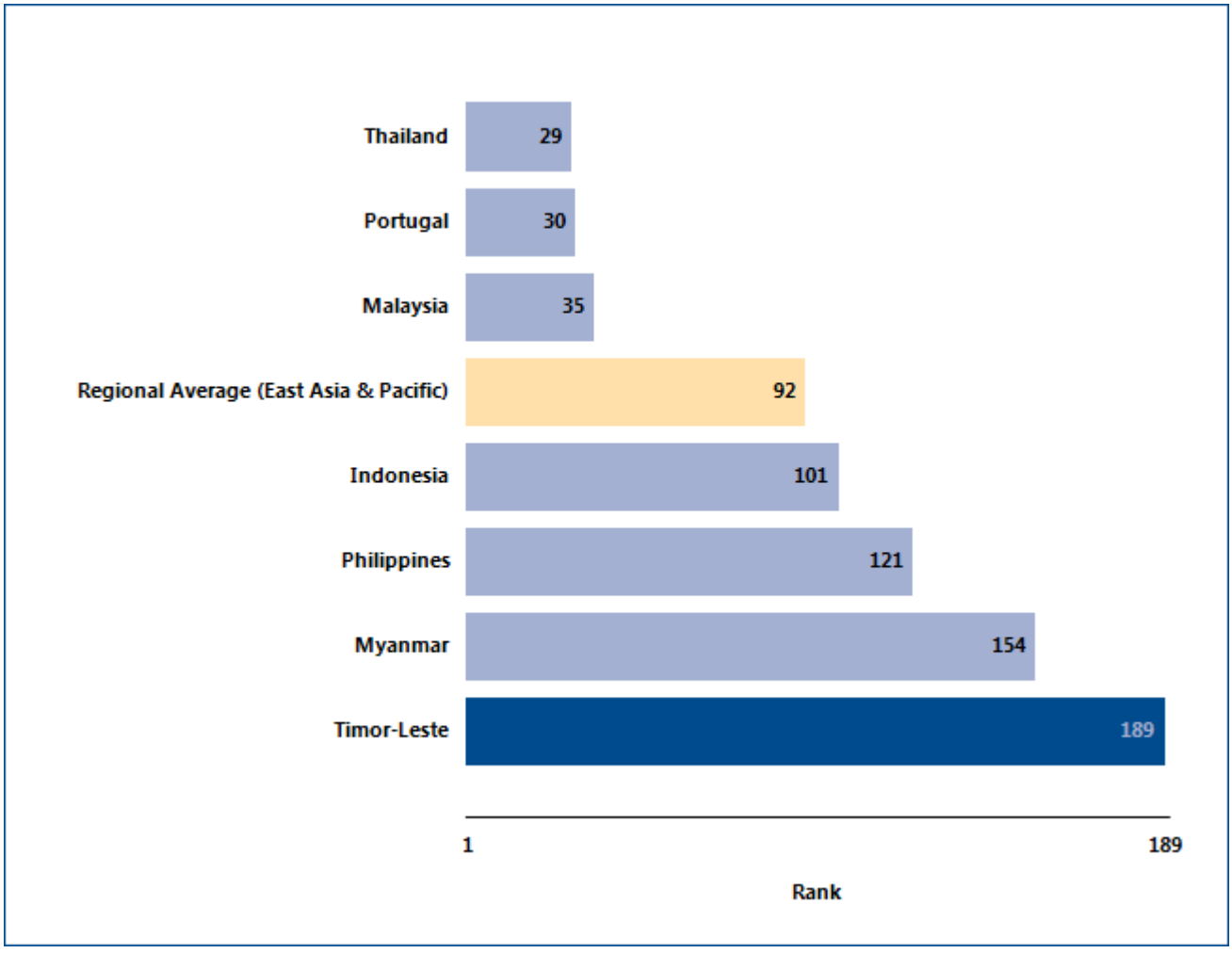
No value added or capital gains taxes included

REGISTERING PROPERTY

Where does the economy stand today?

Globally, Timor-Leste stands at 189 in the ranking of 189 economies on the ease of registering property (figure 5.2). According to data collected by *Doing Business*, Timor-Leste receives a "no practice" mark for registering property. See data notes for details. The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Timor-Leste to transfer property.

Figure 5.2 How Timor-Leste and comparator economies rank on the ease of registering property



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 Timor-Leste (table 5.1)?

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

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

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

GETTING CREDIT

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

What do the indicators cover?

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

- Is a private, incorporated, limited liability company.
- Has its headquarters and only base of operations in the largest business city.
- Has up to 100 employees.
- Is 100% domestically owned, as is the lender.

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

WHAT THE GETTING CREDIT INDICATORS MEASURE

Strength of legal rights index (0–10)

Rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

Depth of credit information index (0–6)

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

Public credit registry coverage (% of adults)

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

Private credit bureau coverage (% of adults)

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

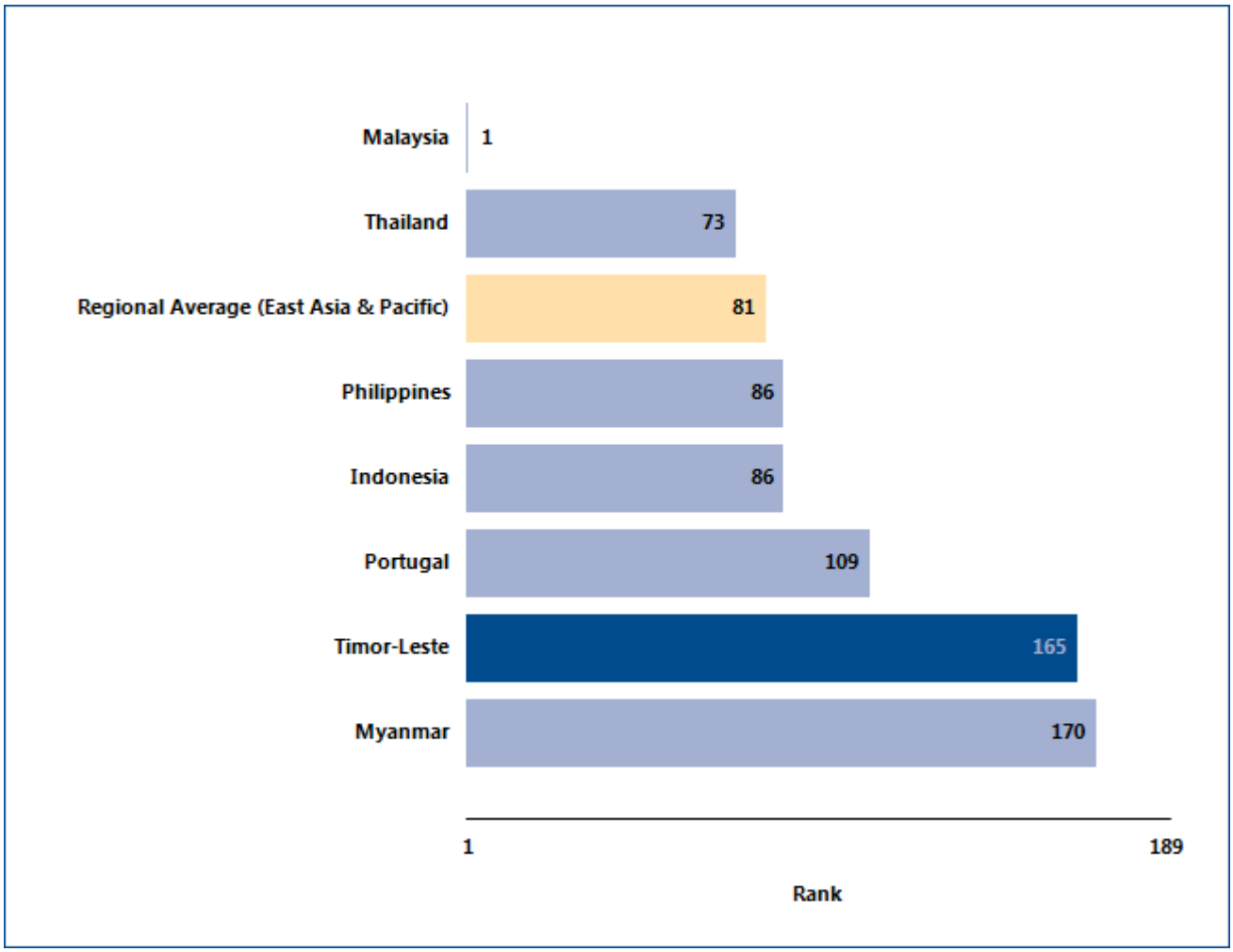
GETTING CREDIT

Where does the economy stand today?

How well do the credit information system and collateral and bankruptcy laws in Timor-Leste facilitate access to credit? The economy has a score of 3 on the depth of credit information index and a score of 2 on the strength of legal rights index (see the summary of scoring at the end of this chapter for details). Higher scores indicate more credit information and stronger legal rights for borrowers and lenders.

Globally, Timor-Leste stands at 165 in the ranking of 189 economies on the ease of getting credit (figure 6.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how well regulations and institutions in Timor-Leste support lending and borrowing.

Figure 6.1 How Timor-Leste 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 Timor-Leste 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 Timor-Leste over time

By *Doing Business* report year

Indicator	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012	DB2013	DB2014
Rank	..	..	..	..	..	..	..	..	162	165
Strength of legal rights index (0-10)	2	2	2	2	2	2	2	2	2	2
Depth of credit information index (0-6)	0	0	0	0	0	0	0	3	3	3
Public registry coverage (% of adults)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.8	2.0	5.4
Private bureau coverage (% of adults)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

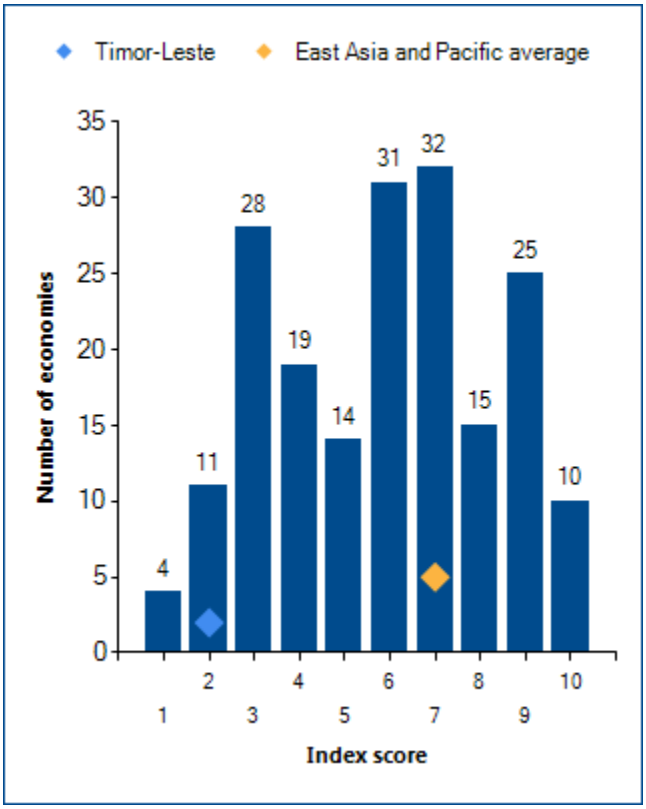
Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San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

GETTING CREDIT

One way to put an economy's score on the getting credit indicators into context is to see where the economy stands in the distribution of scores across economies. Figure 6.2 highlights the score on the strength of legal rights index for Timor-Leste in 2013 and shows the number of economies with this score in 2013 as well as the regional average score. Figure 6.3 shows the same thing for the depth of credit information index.

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

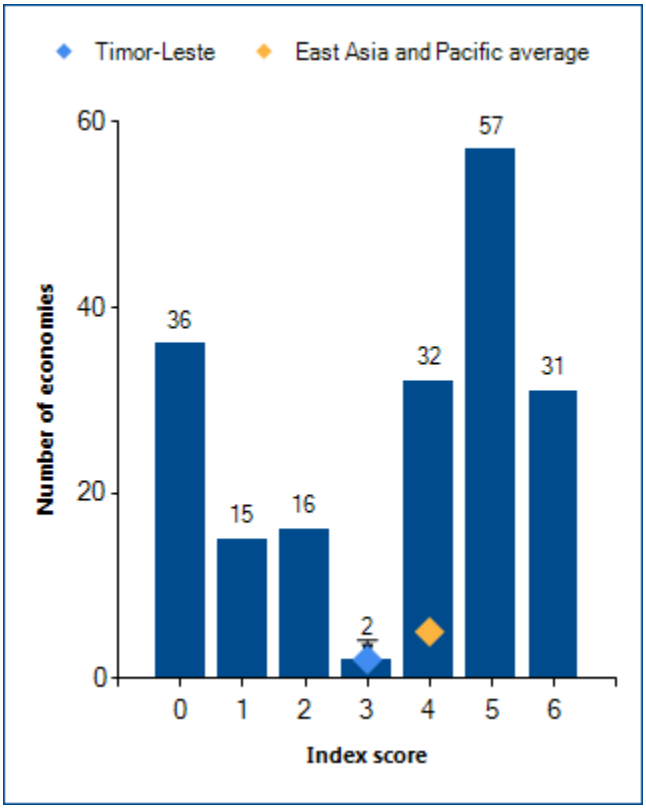
Number of economies with each score on strength of legal rights index (0–10), 2013



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

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

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



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

GETTING CREDIT

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

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

DB year	Reform
DB2009	No reform as measured by Doing Business.
DB2010	No reform as measured by Doing Business.
DB2011	No reform as measured by Doing Business.
DB2012	Timor-Leste improved its credit information system by establishing a public credit registry.
DB2013	No reform as measured by Doing Business.
DB2014	No reform as measured by Doing Business.

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

GETTING CREDIT

What are the details?

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

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

Summary of scoring for the getting credit indicators in Timor-Leste

Indicator	Timor-Leste	East Asia & Pacific average	OECD high income average
Strength of legal rights index (0-10)	2	7	7
Depth of credit information index (0-6)	3	4	5
Public registry coverage (% of adults)	5.4	35.6	42.9
Private bureau coverage (% of adults)	0.0	44.8	73.9

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

Strength of legal rights index (0–10)	Index score: 2
Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?	Yes
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	No
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	No
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?	No
Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	No
Is a collateral registry in operation, that is unified geographically and by asset type, with an electronic database indexed by debtor's names?	No

Strength of legal rights index (0–10)	Index score: 2
Are secured creditors paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	No
Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated?	No
Are secured creditors either not subject to an automatic stay on enforcement when a debtor enters a court-supervised reorganization procedure, or does the law provide secured creditors with grounds for relief from an automatic stay or/and sets a time limit to it?	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?	No

Depth of credit information index (0–6)	Credit bureau	Credit registry	Index score: 3
Are data on both firms and individuals distributed?	No	Yes	1
Are both positive and negative data distributed?	No	No	0
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	No	No	0
Are more than 2 years of historical credit information distributed?	No	No	0
Is data on all loans below 1% of income per capita distributed?	No	Yes	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	No	Yes	1

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

Coverage	Credit bureau (% of adults)	Credit registry (% of adults)
Number of firms	0	..
Number of individuals	0	..

Source: Doing Business database.

PROTECTING INVESTORS

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

What do the indicators cover?

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

The business (Buyer):

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

The transaction involves the following details:

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

WHAT THE PROTECTING INVESTORS INDICATORS MEASURE

Extent of disclosure index (0–10)

Approval process for related-party transactions

Disclosure requirements in case of related-party transactions

Extent of director liability index (0–10)

Ability of minority shareholders to file a direct or derivative lawsuit

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

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

Ease of shareholder suits index (0–10)

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

Documents and information available during trial

Strength of investor protection index (0–10)

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

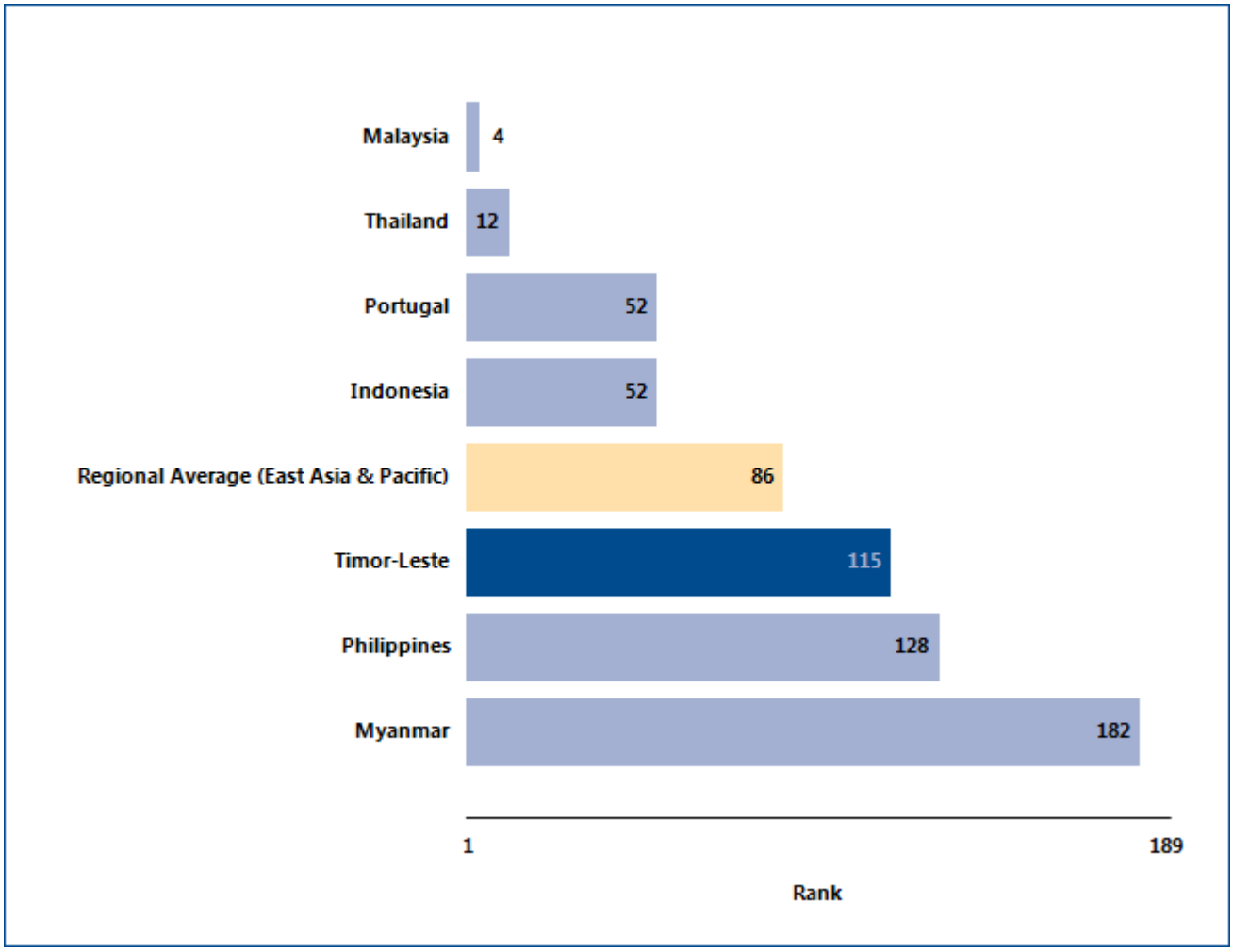
PROTECTING INVESTORS

Where does the economy stand today?

How strong are investor protections against self-dealing in Timor-Leste? The economy has a score of 4.7 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, Timor-Leste stands at 115 in the ranking of 189 economies on the strength of investor protection index (figure 7.1). While the indicator does not measure all aspects related to the protection of minority investors, a higher ranking does indicate that an economy's regulations offer stronger investor protections against self-dealing in the areas measured.

Figure 7.1 How Timor-Leste 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 Timor-Leste 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 Timor-Leste over time
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012	DB2013	DB2014
Rank	..	..	..	..	..	..	..	113	115
Extent of disclosure index (0-10)	5	5	5	5	5	5	5	5	5
Extent of director liability index (0-10)	4	4	4	4	4	4	4	4	4
Ease of shareholder suits index (0-10)	5	5	5	5	5	5	5	5	5
Strength of investor protection index (0-10)	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7

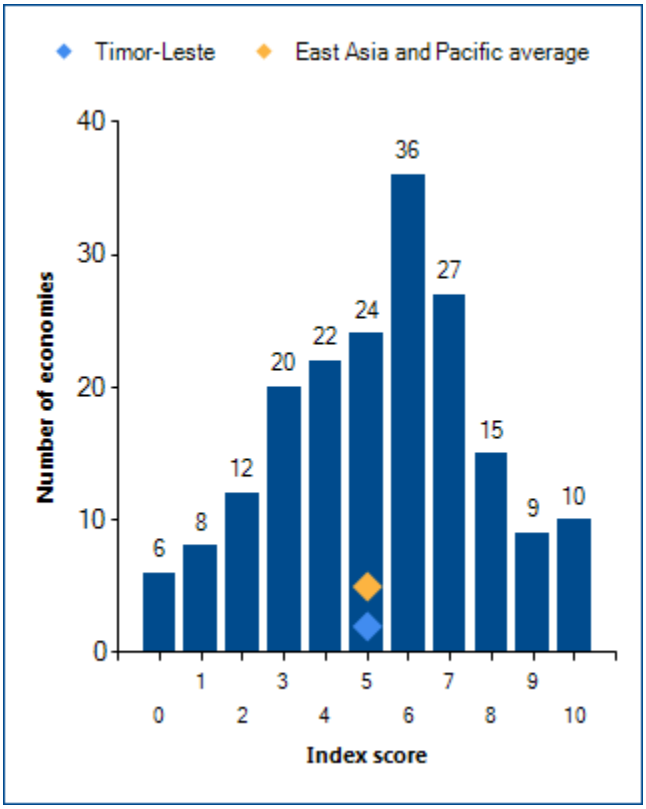
Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San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

PROTECTING INVESTORS

One way to put an economy's scores on the protecting investors indicators into context is to see where the economy stands in the distribution of scores across economies. Figure 7.2 highlights the score on the extent of disclosure index for Timor-Leste in 2013 and shows the number of economies with this score in 2013 as well as the regional average score. Figure 7.3 applies to the extent of director liability index, and figure 7.4 to the ease of shareholder suits index.

Figure 7.2 How strong are disclosure requirements?

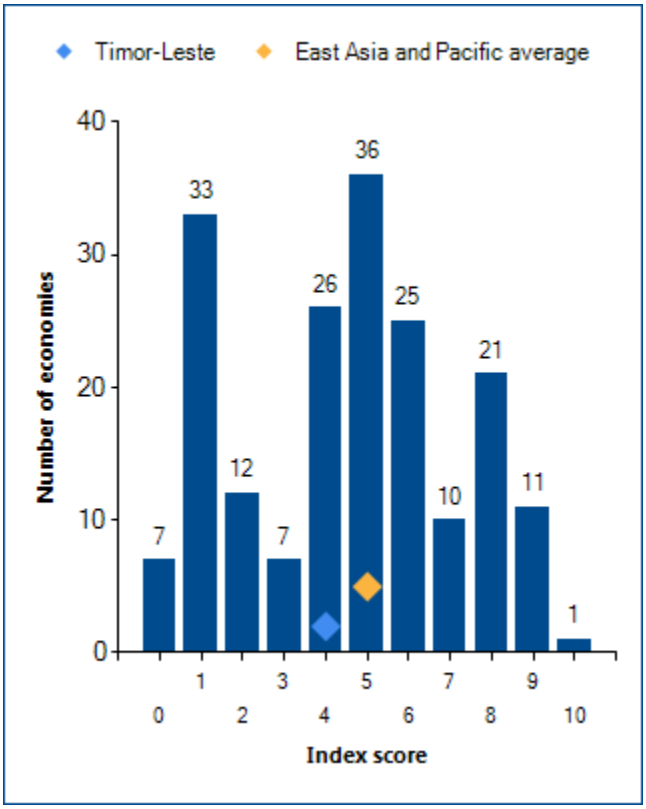
Number of economies with each score on the extent of disclosure index (0–10), 2013



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

Figure 7.3 How strong is the liability regime for directors?

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

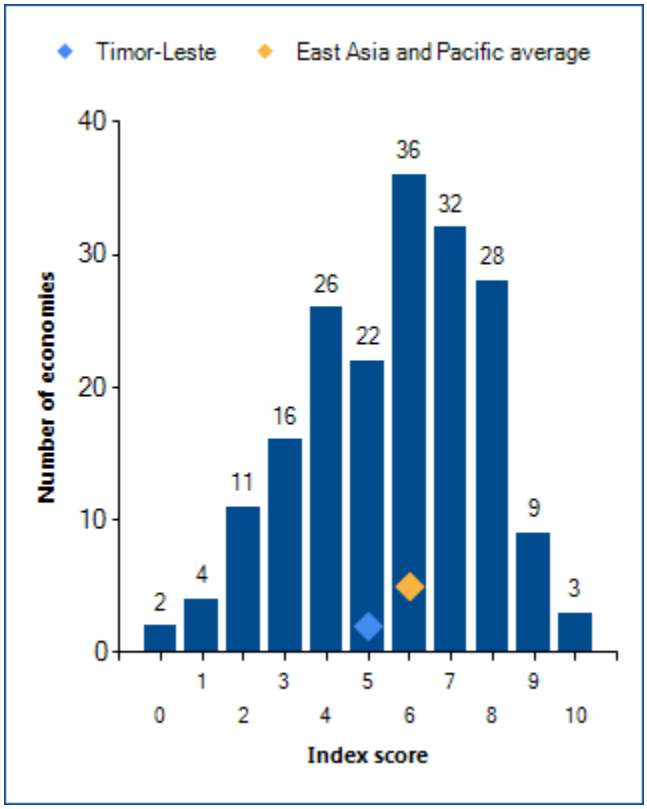


Note: Higher scores indicate greater liability of directors.
Source: Doing Business database.

PROTECTING INVESTORS

Figure 7.4 How easy is accessing internal corporate documents?

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



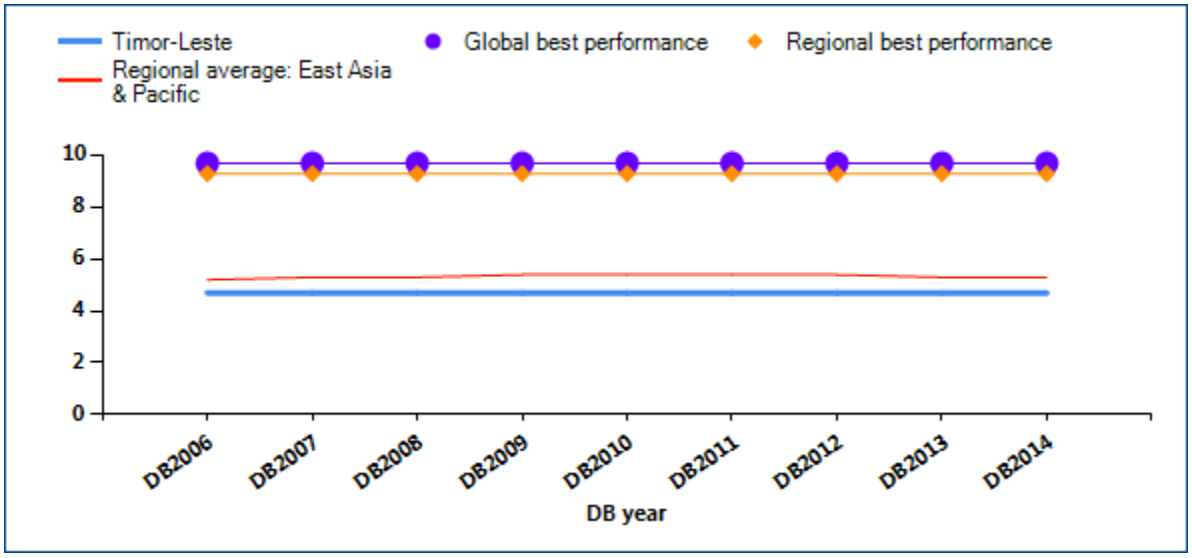
Note: Higher scores indicate greater minority shareholder access to evidence before and during trial.
Source: Doing Business database.

PROTECTING INVESTORS

The scores recorded over time for Timor-Leste on the strength of investor protection index may also be revealing (figure 7.5). Equally interesting may be the changes over time in the regional average score on this index.

Figure 7.5 Have investor protections become stronger over time?

Strength of investor protection index (0–10)



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

PROTECTING INVESTORS

Economies with the strongest protections of minority investors from self-dealing require detailed disclosure and define clear duties for directors. They also have well-functioning courts and up-to-date procedural rules that give minority shareholders the means to prove their case and obtain a judgment within a reasonable time. As a result, reforms to strengthen investor protections may move ahead on different fronts—such as through new or amended company laws, securities regulations or civil procedure rules. What investor protection reforms has *Doing Business* recorded in Timor-Leste (table 7.2)?

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

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

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

PROTECTING INVESTORS

What are the details?

The protecting investors indicators reported here for Timor-Leste are based on detailed information collected through a survey of corporate and securities lawyers about securities regulations, company laws and court rules of evidence and procedure. To construct the extent of disclosure, extent of director liability and ease of shareholder suits indices, scores are assigned to each based on a range of conditions relating to disclosure, director liability and shareholder suits in a standard case study transaction (see the data notes at the end of this chapter). The summary below shows the details underlying the scores for Timor-Leste.

Summary of scoring for the protecting investors indicators in Timor-Leste

Indicator	Timor-Leste	East Asia & Pacific average	OECD high income average
Extent of disclosure index (0-10)	5	5	7
Extent of director liability index (0-10)	4	5	5
Ease of shareholder suits index (0-10)	5	6	7
Strength of investor protection index (0-10)	4.7	5.3	6.2

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

	Score	Score description
Extent of disclosure index (0-10)	5	
What corporate body provides legally sufficient approval for the transaction?	3	Both board of directors and shareholders meeting and Mr. James is not allowed to vote
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	1	Existence of a conflict without any specifics
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	0	No disclosure obligation
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	0	No disclosure obligation
Whether an external body must review the terms of the transaction before it takes place?	1	Yes
Extent of director liability index (0-10)	4	
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1	Yes
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	1	Liable for negligence or influencing the approval of the transaction

	Score	Score description
Whether shareholders can hold members of the approving body liable for the damage that the Buyer-Seller transaction causes to the company?	1	Liable for negligence
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	0	Not possible or only in case of Seller's fraud or bad faith
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	1	Yes
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	0	No
Whether fines and imprisonment can be applied against Mr. James?	0	No
Ease of shareholder suits index (0-10)	5	
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	1	Yes
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	1	Yes
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	3	Any information that is relevant to the subject matter of the claim
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	0	No
Whether the plaintiff can directly question the defendant and witnesses during trial?	0	No
Whether the level of proof required for civil suits is lower than that of criminal cases?	0	No
Strength of investor protection index (0-10)	4.7	

Source: Doing Business database.

PAYING TAXES

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

What do the indicators cover?

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

- TaxpayerCo is a medium-size business that started operations on January 1, 2011.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government.
- 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.

WHAT THE PAYING TAXES INDICATORS MEASURE

Tax payments for a manufacturing company in 2012 (number per year adjusted for electronic and joint filing and payment)

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

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

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

Total tax rate (% of profit before all taxes)

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

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

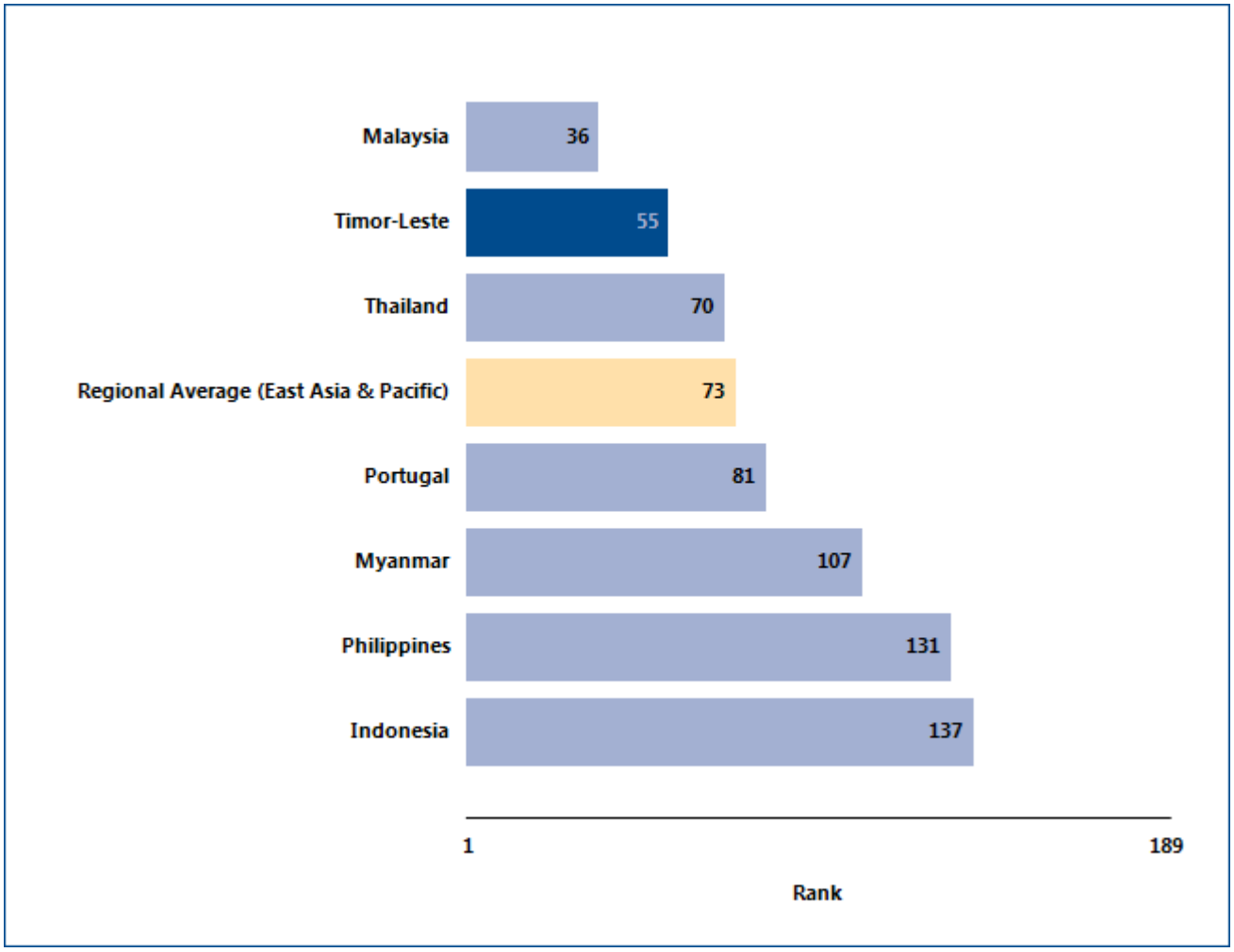
PAYING TAXES

Where does the economy stand today?

What is the administrative burden of complying with taxes in Timor-Leste—and how much do firms pay in taxes? On average, firms make 18 tax payments a year, spend 276 hours a year filing, preparing and paying taxes and pay total taxes amounting to 11.0% of profit (see the summary at the end of this chapter for details).

Globally, Timor-Leste stands at 55 in the ranking of 189 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 Timor-Leste.

Figure 8.1 How Timor-Leste and comparator economies rank on the ease of paying taxes



Source: Doing Business database.

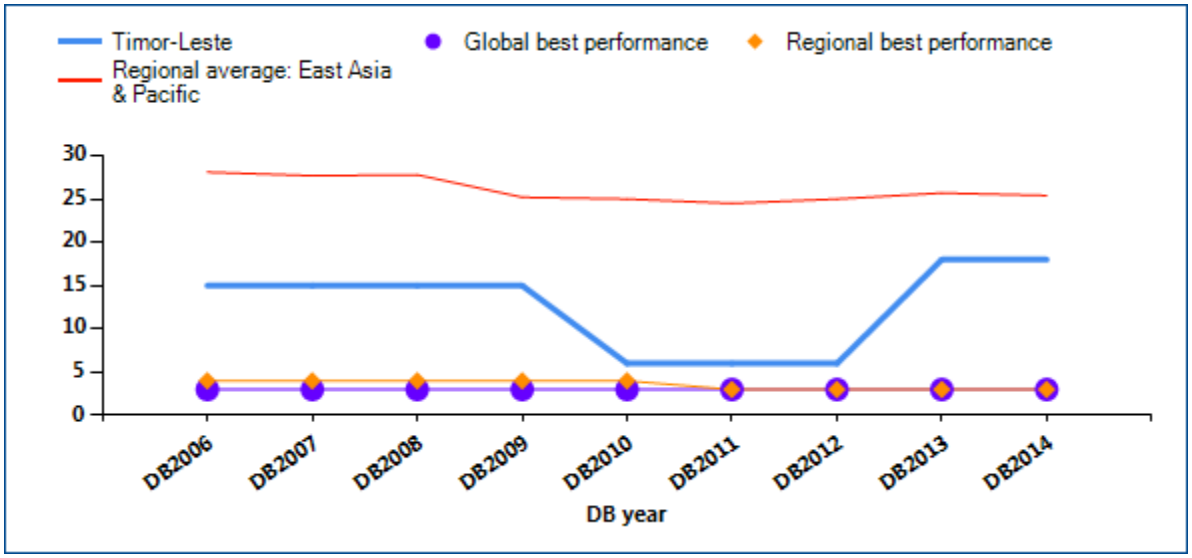
PAYING TAXES

What are the changes over time?

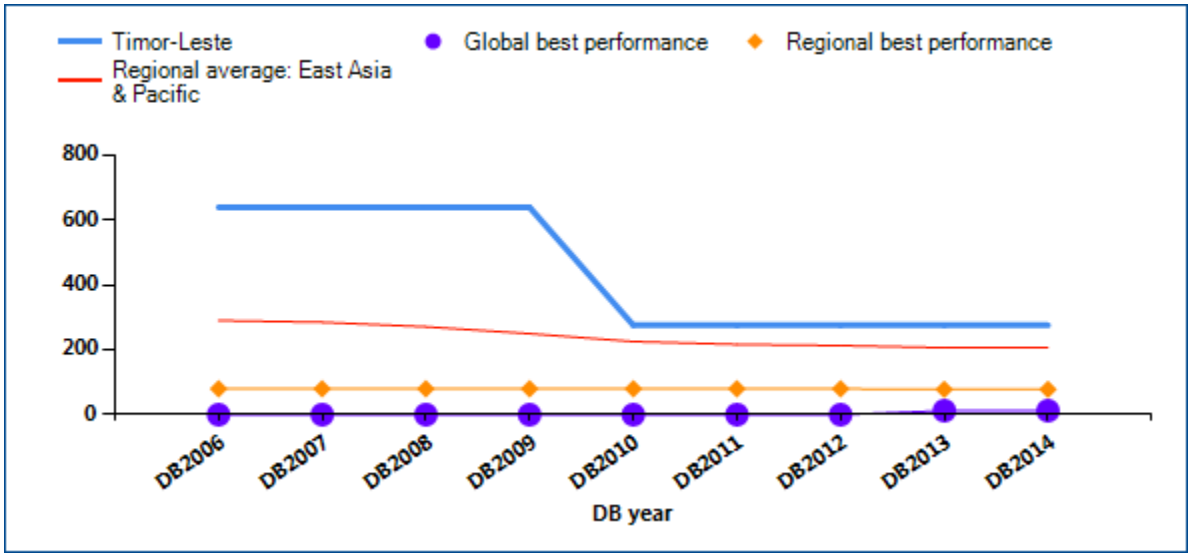
The benchmarks provided by the economies that over time have had the best performance regionally or globally on the number of payments or the time required to prepare and file taxes (figure 8.2) help show what is possible in easing the administrative burden of tax compliance. And changes in regional averages can show where Timor-Leste is keeping up—and where it is falling behind.

Figure 8.2 Has paying taxes become easier over time?

Payments (number per year)

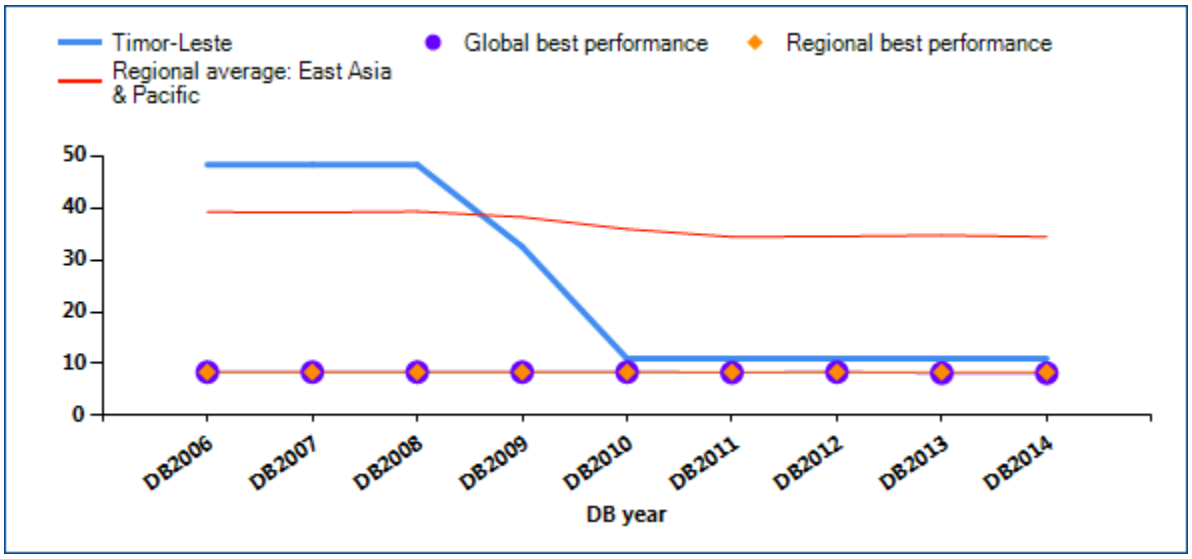


Time (hours per year)



PAYING TAXES

Total tax rate (% of profit)



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

PAYING TAXES

Economies around the world have made paying taxes faster and easier for businesses—such as by consolidating filings, reducing the frequency of payments or offering electronic filing and payment. Many have lowered tax rates. Changes have brought concrete results. Some economies simplifying tax payment and reducing rates have seen tax revenue rise. What tax reforms has *Doing Business* recorded in Timor-Leste (table 8.1)?

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

DB year	Reform
DB2009	No reform as measured by Doing Business.
DB2010	Timor-Leste has eased the tax burden on business by reducing corporate income tax to 10% and eliminating the alternative minimum tax and the withholdng tax on interest.
DB2011	No reform as measured by Doing Business.
DB2012	No reform as measured by Doing Business.
DB2013	No reform as measured by Doing Business.
DB2014	No reform as measured by Doing Business.

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

PAYING TAXES

What are the details?

The indicators reported here for Timor-Leste are based on a standard set of taxes and contributions that would be paid by the case study company used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). Tax practitioners are asked to review standard financial statements as well as a standard list of transactions that the company completed during the year. Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.

LOCATION OF STANDARDIZED COMPANY

City: Dili

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 Timor-Leste

Indicator	Timor-Leste	East Asia & Pacific average	OECD high income average
Payments (number per year)	18	25	12
Time (hours per year)	276	208	175
Profit tax (%)	11.0	16.4	16.1
Labor tax and contributions (%)	0.0	10.7	23.1
Other taxes (%)	0.0	7.4	2.0
Total tax rate (% profit)	11.0	34.5	41.3

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

Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Corporate income tax	5		132	10%	taxable profit	11	
Fuel tax	1		0	USD 0.06	per liter	0	
Employee paid - Personal income tax	12		144			0	withheld
Totals	**18**		**276**			**11.0**	

Source: Doing Business database.

TRADING ACROSS BORDERS

In today's globalized world, making trade between economies easier is increasingly important for business. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Research shows that exporters in developing countries gain more from a 10% drop in their trading costs than from a similar reduction in the tariffs applied to their products in global markets.

What do the indicators cover?

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

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

The business:

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

The traded goods:

- Are not hazardous nor do they include military items.
- 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.

WHAT THE TRADING ACROSS BORDERS INDICATORS MEASURE

Documents required to export and import (number)

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

Time required to export and import (days)

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

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

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

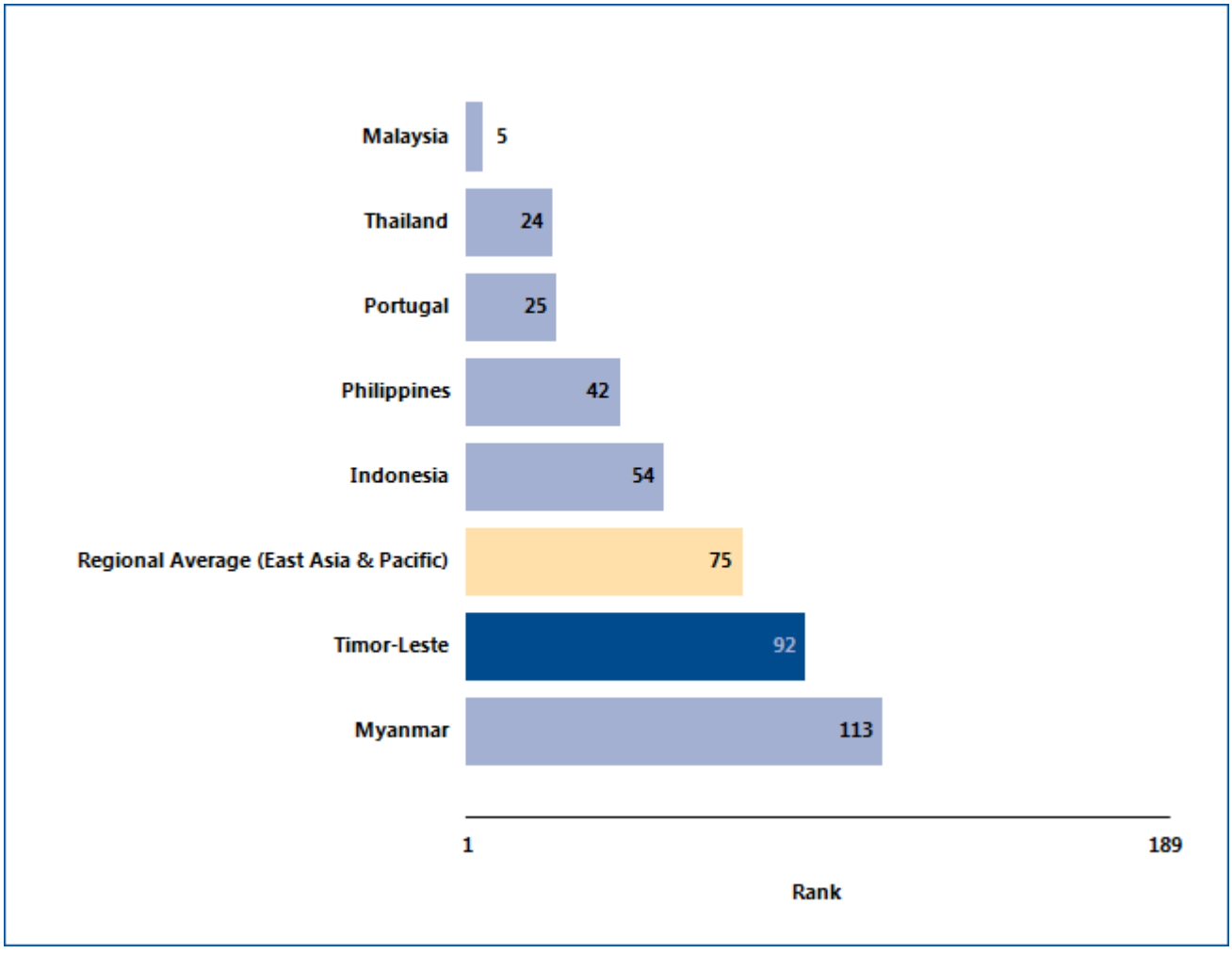
TRADING ACROSS BORDERS

Where does the economy stand today?

What does it take to export or import in Timor-Leste? According to data collected by *Doing Business*, exporting a standard container of goods requires 6 documents, takes 28 days and costs $750. Importing the same container of goods requires 7 documents, takes 26 days and costs $755 (see the summary of procedures and documents at the end of this chapter for details).

Globally, Timor-Leste stands at 92 in the ranking of 189 economies on the ease of trading across borders (figure 9.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for a business in Timor-Leste to export and import goods.

Figure 9.1 How Timor-Leste and comparator economies rank on the ease of trading across borders



Source: Doing Business database.

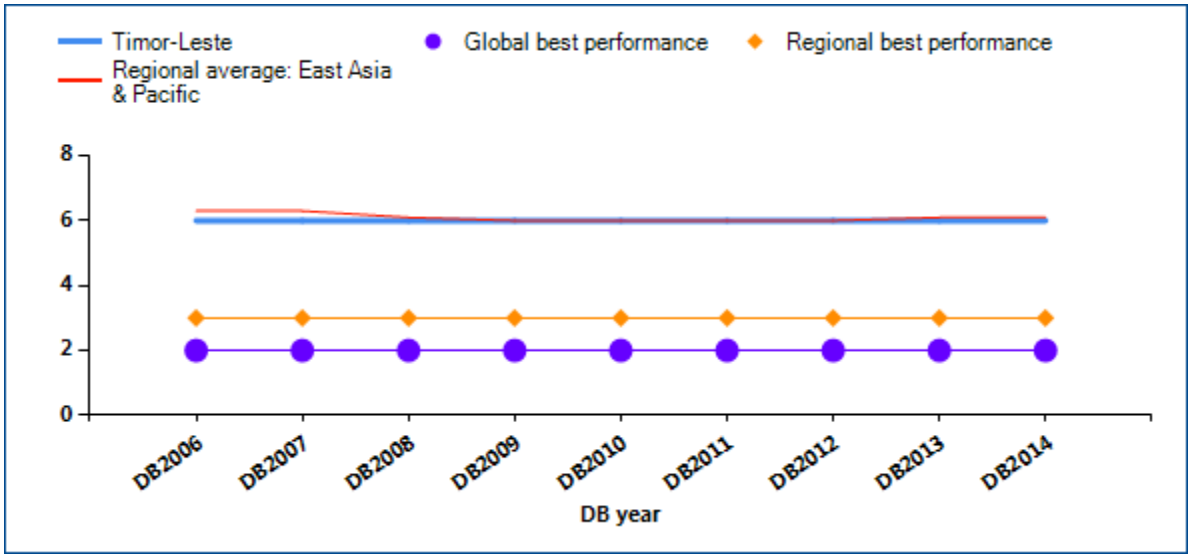
TRADING ACROSS BORDERS

What are the changes over time?

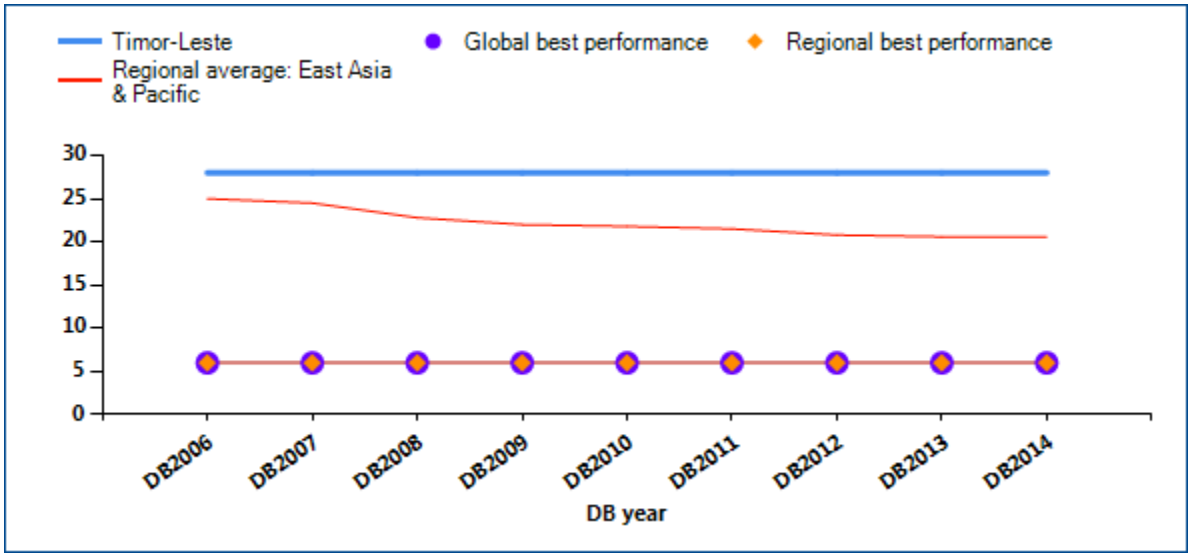
The benchmarks provided by the economies that over time have had the best performance regionally or globally on the documents, time or cost required to export or import (figure 9.2) help show what is possible in making it easier to trade across borders. And changes in regional averages can show where Timor-Leste is keeping up—and where it is falling behind.

Figure 9.2 Has trading across borders become easier over time?

Documents to export (number)

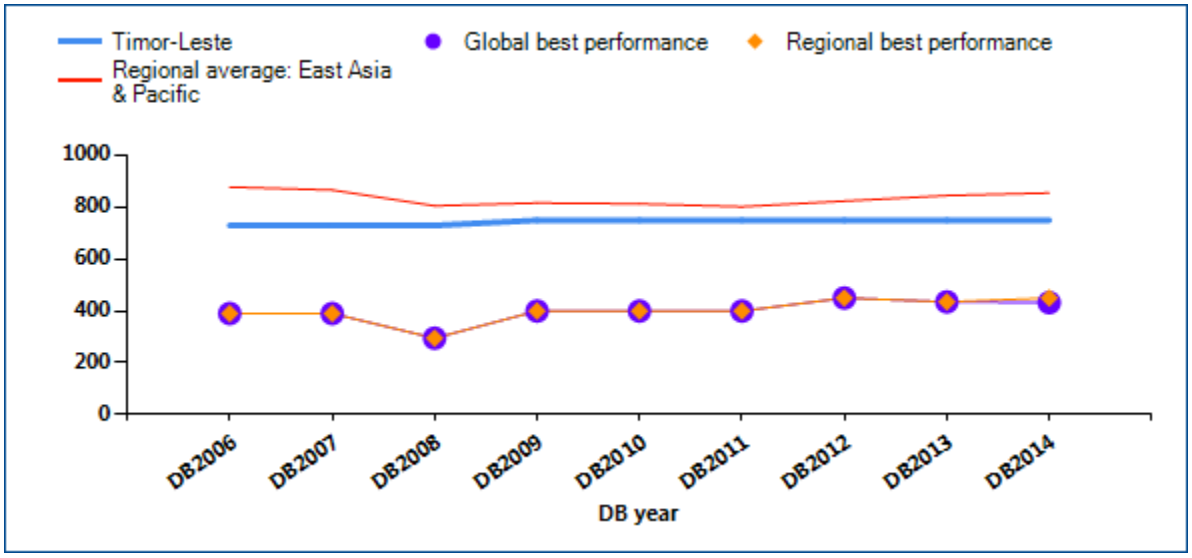


Time to export (days)

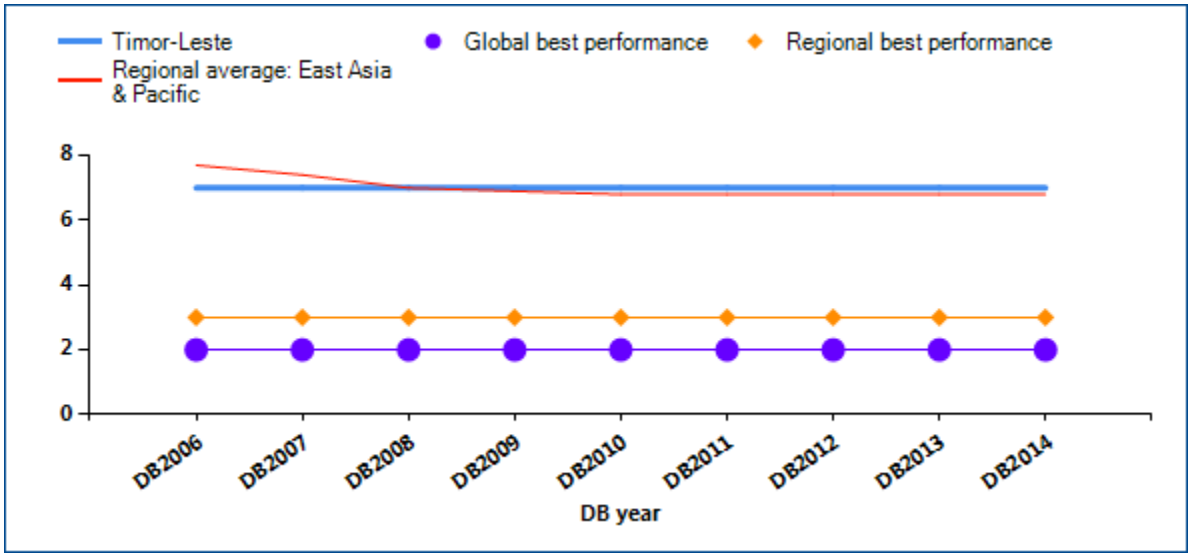


TRADING ACROSS BORDERS

Cost to export (US$ per container)

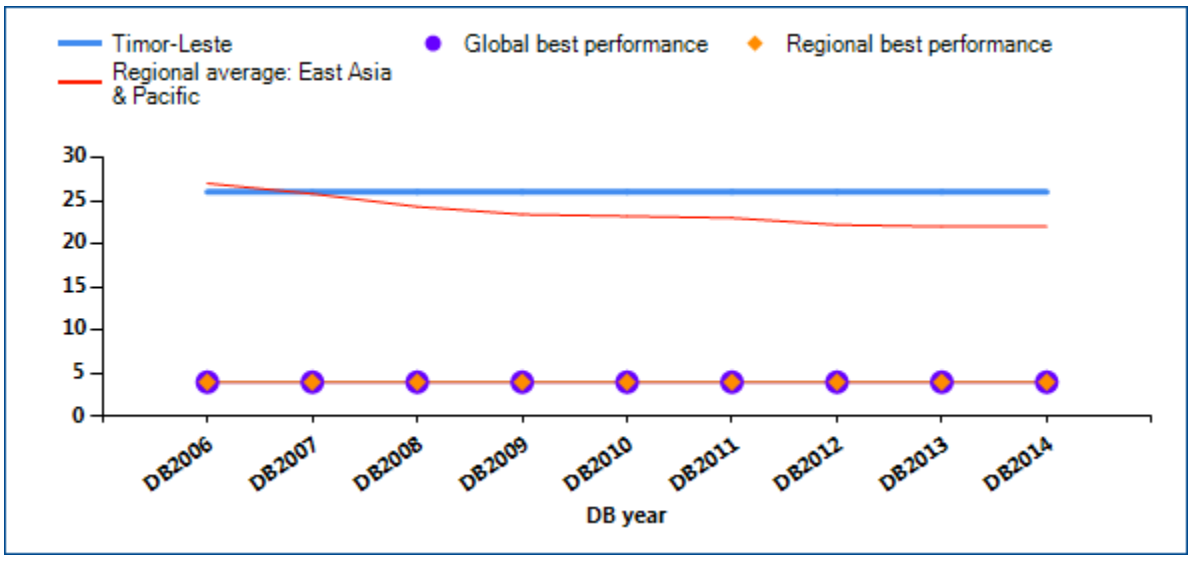


Documents to import (number)

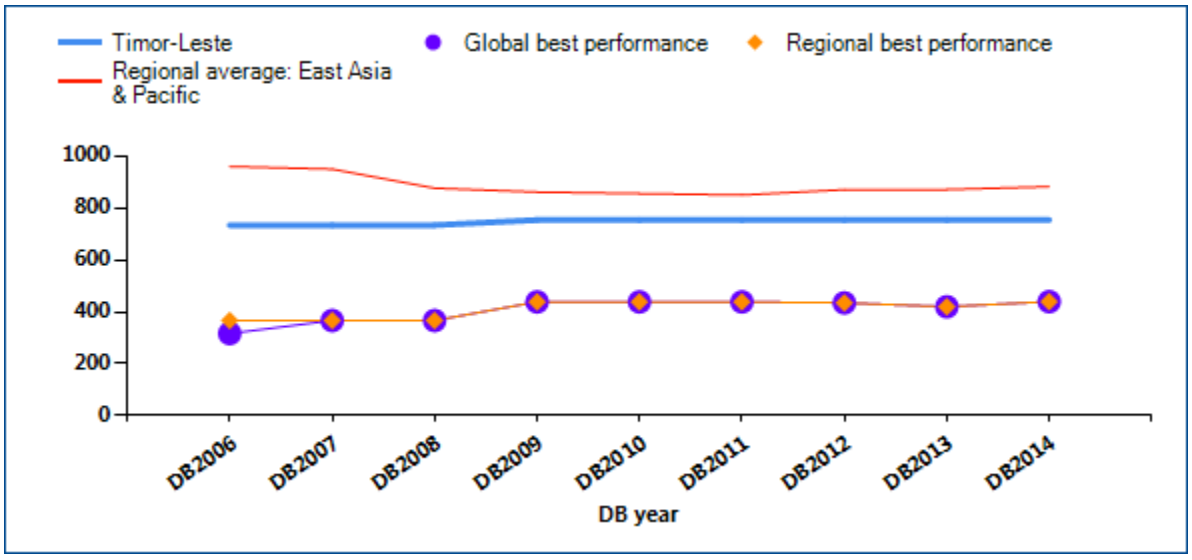


TRADING ACROSS BORDERS

Time to import (days)



Cost to import (US$ per container)



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

TRADING ACROSS BORDERS

In economies around the world, trading across borders as measured by *Doing Business* has become faster and easier over the years. Governments have introduced tools to facilitate trade—including single windows, risk-based inspections and electronic data interchange systems. These changes help improve the trading environment and boost firms' international competitiveness. What trade reforms has *Doing Business* recorded in Timor-Leste (table 9.1)?

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

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

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

TRADING ACROSS BORDERS

What are the details?

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

LOCATION OF STANDARDIZED COMPANY

City: Dili

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 Timor-Leste

Indicator	Timor-Leste	East Asia & Pacific average	OECD high income average
Documents to export (number)	6	6	4
Time to export (days)	28	21	11
Cost to export (US$ per container)	750	856	1,070
Documents to import (number)	7	7	4
Time to import (days)	26	22	10
Cost to import (US$ per container)	755	884	1,090

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

Procedures to export	Time (days)	Cost (US$)
Documents preparation	14	140
Customs clearance and technical control	4	50
Ports and terminal handling	8	120
Inland transportation and handling	2	440
Totals	28	750

Procedures to import	Time (days)	Cost (US$)
Documents preparation	12	145

Procedures to import	Time (days)	Cost (US$)
Customs clearance and technical control	5	50
Ports and terminal handling	7	120
Inland transportation and handling	2	440
Totals	26	755

Documents to export
Bill of Lading
Commercial invoice
Customs export declaration
Packing list
Tax Compliance Certificate (Certidao de dividas)
Technical standard/health certificate

Source: Doing Business database.

Documents to import
Bank payment slip for customs-related fees
Bill of Lading
Commercial invoice
Customs import declaration
Delivery Order
Packing list
Tax Compliance Certificate (Certidao de dividas)

ENFORCING CONTRACTS

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

What do the indicators cover?

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

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

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

WHAT THE ENFORCING CONTRACTS INDICATORS MEASURE

Procedures to enforce a contract through the courts (number)

- Steps to file and serve the case
- Steps for trial and judgment
- Steps to enforce the judgment

Time required to complete procedures (calendar days)

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

Cost required to complete procedures (% of claim)

- Average attorney fees
- Court costs
- Enforcement costs

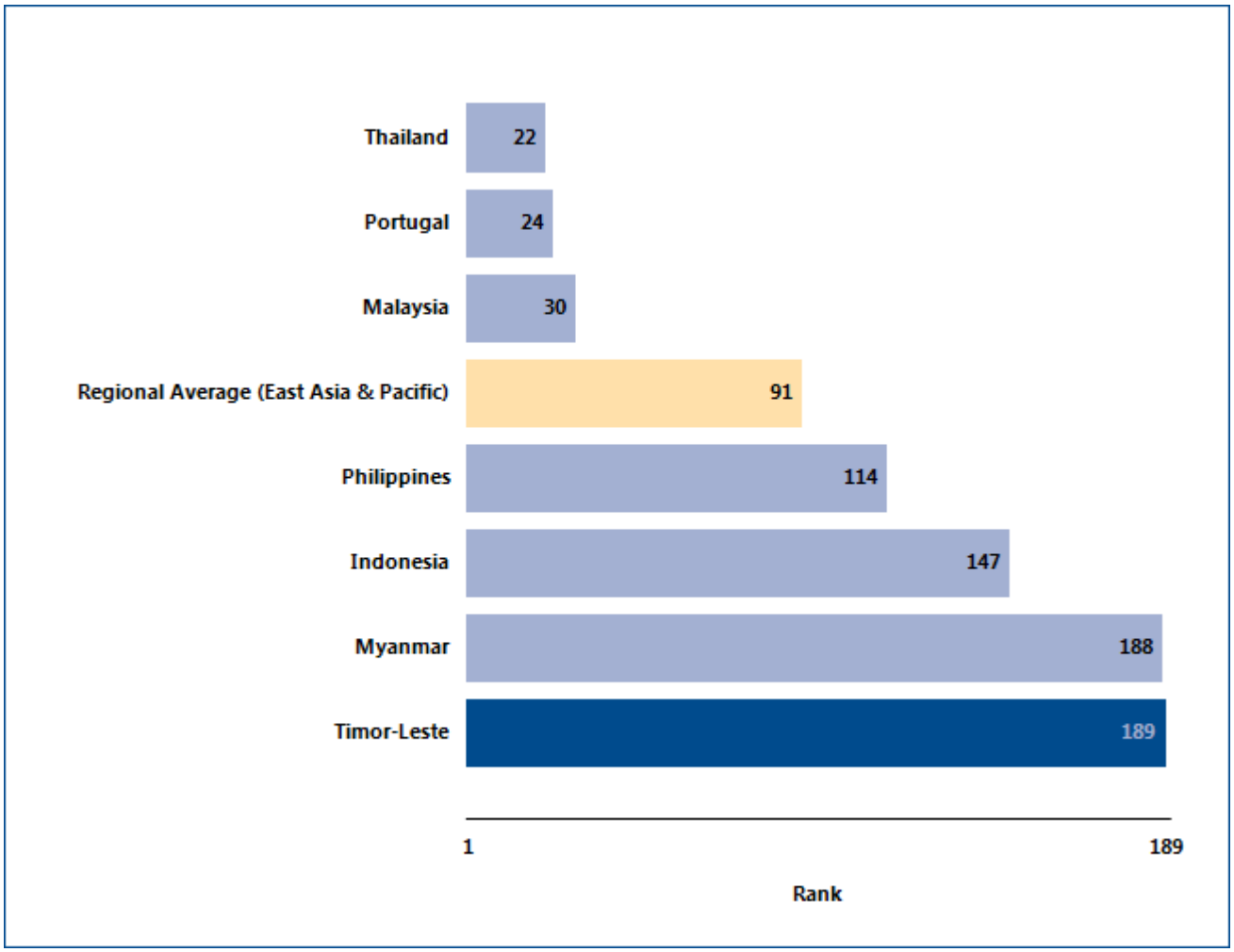
ENFORCING CONTRACTS

Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in Timor-Leste? According to data collected by *Doing Business*, contract enforcement takes 1285 days, costs 163.2% of the value of the claim and requires 51 procedures (see the summary at the end of this chapter for details).

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

Figure 10.1 How Timor-Leste and comparator economies rank on the ease of enforcing contracts



Source: Doing Business database.

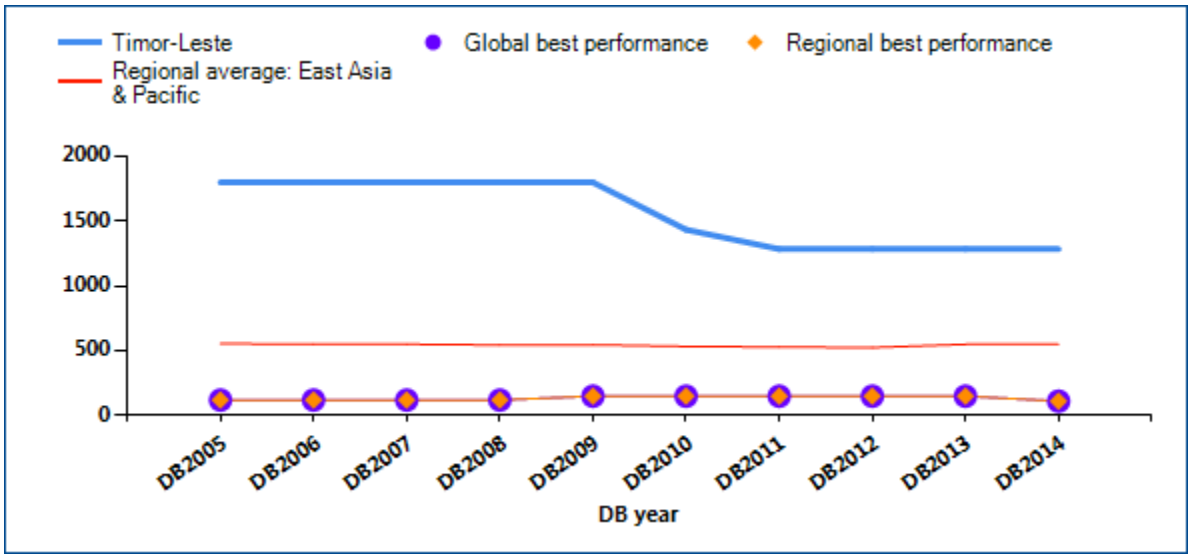
ENFORCING CONTRACTS

What are the changes over time?

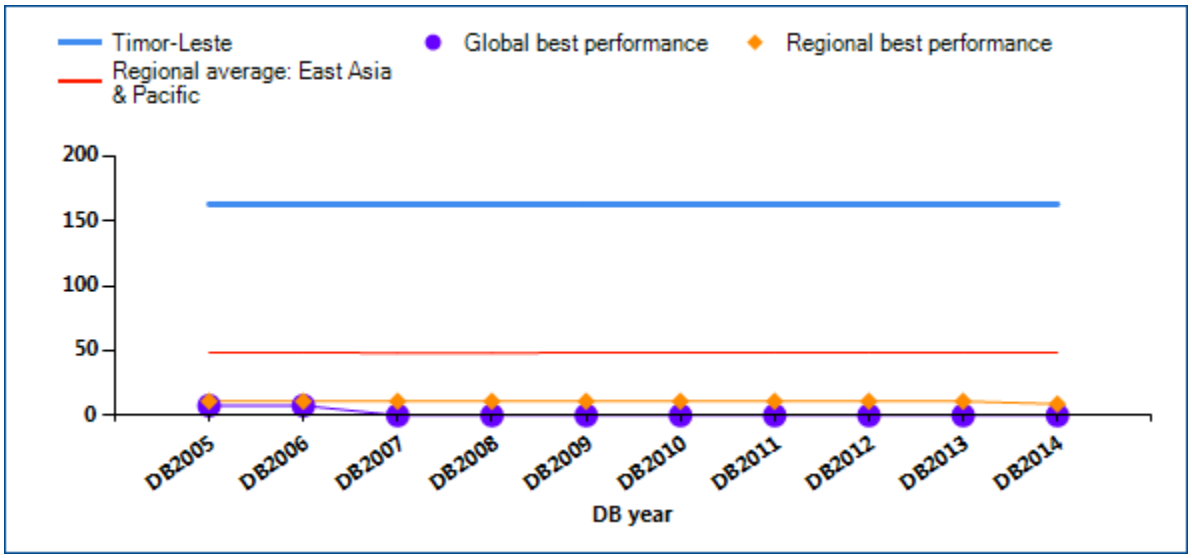
The benchmarks provided by the economies that over time have had the best performance regionally or globally on the number of steps, time or cost required to enforce a contract through the courts (figure 10.2) help show what is possible in improving the efficiency of contract enforcement. And changes in regional averages can show where Timor-Leste is keeping up—and where it is falling behind.

Figure 10.2 Has enforcing contracts become easier over time?

Time (days)

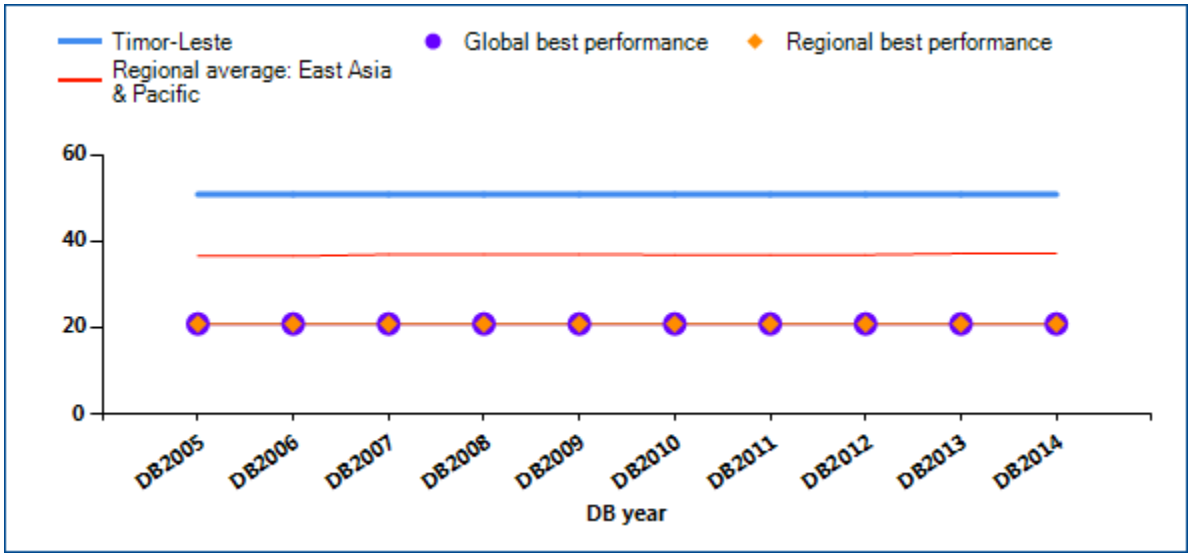


Cost (% of claim)



ENFORCING CONTRACTS

Procedures (number)



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

ENFORCING CONTRACTS

Economies in all regions have improved contract enforcement in recent years. A judiciary can be improved in different ways. Higher-income economies tend to look for ways to enhance efficiency by introducing new technology. Lower-income economies often work on reducing backlogs by introducing periodic reviews to clear inactive cases from the docket and by making procedures faster. What reforms making it easier (or more difficult) to enforce contracts has *Doing Business* recorded in Timor-Leste (table 10.1)?

Table 10.1 How has Timor-Leste made enforcing contracts easier—or not?
By *Doing Business* report year

DB year	Reform
DB2009	No reform as measured by Doing Business.
DB2010	No reform as measured by Doing Business.
DB2011	Timor-Leste increased court efficiency by training and appointing new judges and passing a new civil procedure code.
DB2012	No reform as measured by Doing Business.
DB2013	No reform as measured by Doing Business.
DB2014	No reform as measured by Doing Business.

Note: For information on reforms in earlier years (back to 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 Timor-Leste are based on a set of specific procedural steps required to resolve a standardized commercial dispute through the courts (see the section in this chapter on what the indicators cover). These procedures, and the time and cost of completing them, are identified through study of the codes of civil procedure and other court regulations, as well as through surveys completed by local litigation lawyers (and, in a quarter of the economies covered by *Doing Business*, by judges as well).

COURT NAME	
City:	**Dili**
Claim Value LCU:	**7899**
Court Name:	**Dili District Court**

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

Summary of procedures for enforcing a contract in Timor-Leste—and the time and cost

Indicator	Timor-Leste	East Asia & Pacific average	OECD high income average
Time (days)	**1,285**	**551**	**529**
Filing and service	200		
Trial and judgment	995		
Enforcement of judgment	90		
Cost (% of claim)	**163.2**	**48.7**	**21.0**
Attorney cost (% of claim)	155.7		
Court cost (% of claim)	4.0		
Enforcement Cost (% of claim)	3.5		
Procedures (number)	**51**	**37**	**31**

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

ENFORCING CONTRACTS

No.	Procedure
	Filing and service:
1	Plaintiff requests payment: Plaintiff or his lawyer asks Defendant orally or in writing to comply with the contract.
2	Plaintiff's hiring of lawyer: Plaintiff hires a lawyer to represent him before the court.
*	Plaintiff's filing of summons and complaint: Plaintiff files his summons and complaint with the court, orally or in writing.
*	Plaintiff's payment of court fees: Plaintiff pays court duties, stamp duties, or any other type of court fee.
3	Registration of court case: The court administration registers the lawsuit or court case. This includes assigning a reference number to the lawsuit or court case.
*	Assignment of court case to a judge: The court case is assigned to a specific judge through a random procedure, automated system, ruling of an administrative judge, court officer, etc.
4	Court scrutiny of summons and complaint: A judge examines Plaintiff's summons and complaint for formal requirements.
*	Judge admits summons and complaint: After verifying the formal requirements, the judge decides to admit Plaintiff's summons and complaint.
5	Plaintiff's request for service: Plaintiff makes a written request to the court that process be served on Defendant.
6	Court order for service: Upon Plaintiff's request, judge orders process be served on Defendant.
7	Delivery of summons and complaint to person authorized to perform service of process on Defendant: The judge or a court officer delivers the summons to a summoning office, officer, or authorized person (including Plaintiff), for service of process on Defendant.
8	First attempt at physical delivery: A first attempt to physically deliver summons and complaint to Defendant is successful in the majority of cases.
*	Proof of service: Plaintiff submits proof of service to court.
*	Application for pre-judgment attachment: Plaintiff submits an application in writing for the attachment of Defendant's property prior to judgment. (see assumption 5)
*	Decision on pre-judgment attachment: The judge decides whether to grant Plaintiff's request for pre-judgment attachment of Defendant's property and notifies Plaintiff and Defendant of the decision. This step may include requesting that Plaintiff submit guarantees or bonds to secure Defendant
9	Pre-judgment attachment.: Defendant's property is attached prior to judgment. Attachment is either physical or achieved by registering, marking, debiting or separating assets. (see assumption 5)
10	Custody of assets attached prior to judgment: Defendant's attached assets are put under enforcement officer's or (private) bailiff's care. (see assumption 5)

No.	Procedure
11	Report on pre-judgment attachment: Court enforcement officer or (private) bailiff issues and delivers a report on the attachment of Defendant's property to the judge. (see assumption 5)
	Trial and judgment:
*	Defendant's filing of preliminary exemptions: Defendant presents preliminary exemptions to the court. Preliminary exemptions differ from answers on the merits of the claim. Examples of preliminary exemptions are statute of limitations, jurisdictions, etc.
*	Plaintiff's answer to preliminary exemptions: Plaintiff responds to the preliminary exemptions raised by Defendant.
12	Judge's resolution on preliminary exemptions: Judge decides on preliminary exemptions separately from the merits of the case.
13	Defendant's filing of defense or answer to Plaintiff's claim: Defendant files a written pleading which includes his defense or answer on the merits of the case. Defendant's written answer may or may not include witness statements, expert statements, the documents Defendant relies on as evidence and the legal authori
14	Deadline for Plaintiff to answer Defendant's defense or answer: Judge sets the deadline by which Plaintiff will be allowed to answer Defendant's defense or answer.
15	Plaintiff's written response to Defendant's defense or answer: Plaintiff responds to Defendant's defense or answer with a written pleading. Plaintiff's answer may or may not include a witness statements or expert (witness) statements.
16	Filing of pleadings: Plaintiff and Defendant file written pleadings and submissions with the court and transmit copies of the written pleadings or submissions to one another. The pleadings may or may not include witness statements or expert (witness) statements.
17	Adjournments: Court procedure is delayed because one or both parties request and obtain an adjournment to submit written pleadings.
*	Court's mailing of allocation questionnaire to parties: The court mails a questionnaire to the parties asking each to allocate the case among different case-tracks (for example, multi track, fast track) and asking each to frame the issues for trial.
18	Parties' answer to court's allocation questionnaire: Parties submit their completed allocation questionnaires to the court (including their answers regarding case-tracks and the issues for trial).
*	Court appointment of independent expert: Judge appoints, either at the parties' request or at his own initiative, an independent expert to decide whether the quality of the goods Plaintiff delivered to Defendant is adequate. (see assumption 6-b of this case)
19	Notification of court-appointment of independent expert: The court notifies both parties that the court is appointing an independent expert. (see assumption 6-b of this case)
*	Delivery of expert report by court-appointed expert: The independent expert appointed by the court delivers his or her expert report to the court. (see assumption 6-b of this case)
*	Setting of date(s) for oral hearing or trial: The judge sets the date(s) for the oral hearing or trial.

No.	Procedure
20	Preliminary hearing aimed at preparing for the oral hearing: The judge meets the parties to make practical arrangements for the oral hearing on the merits of the case.
*	List of (expert) witnesses: The parties file a list of (expert) witnesses with the court. (see assumption 6-a)
21	Summoning of (expert) witnesses: The court summons (expert) witnesses to appear in court for the oral hearing or trial. (see assumption 6-a)
22	Adjournments: Court proceedings are delayed because one or both parties request and obtain an adjournment to prepare for the oral hearing or trial.
23	Oral hearing (prevalent in civil law): The parties argue the merits of the case at an oral hearing before the judge. Witnesses and a court-appointed independent expert may be heard and questioned at the oral hearing.
24	Adjournments: Court proceedings are delayed because one or both parties request and obtain an adjournment during the oral hearing or trial, resulting in an additional or later trial or hearing date.
25	Closing of the evidence period: The court makes the formal decision to close the evidence period.
26	Order for submission of final arguments: The judge sets the deadline for the submission of final factual and legal arguments.
*	Final arguments: The parties present their final factual and legal arguments to the court either by oral presentation or by a written submission.
27	Judgment date: The judge sets a date for delivery of the judgment.
28	Notification of judgment in court: The parties are notified of the judgment at a court hearing.
29	Writing of judgment: The judge produces a written copy of the judgment.
30	Registration of judgment: The court office registers the judgment after receiving a written copy of the judgment.
31	Court notification of availability of the written judgment: The court notifies the parties that the written judgment is available at the courthouse.
32	Plaintiff's receipt of a copy of written judgment: Plaintiff receives a copy of the written judgment.
33	Notification of Defendant of judgment: Plaintiff or court formally notifies the Defendant of the judgment. The appeal period starts to run the day the Defendant is formally notified of the judgment.
34	Appeal period: By law, Defendant has the opportunity to appeal the judgment during a period specified in the law. Defendant decides not to appeal. Judgment becomes final the day the appeal period ends.
35	Reimbursement by Defendant of Plaintiff's court fees: The judgment obliges Defendant to reimburse Plaintiff for the court fees Plaintiff has advanced, because Defendant has lost the case.
	Enforcement of judgment:
*	Plaintiff’s hiring of lawyer: Plaintiff hires a lawyer to enforce the judgment or continues to be represented by a lawyer during the enforcement of judgment phase.
*	Plaintiff’s request for enforcement order: Plaintiff applies to the court to obtain the enforcement order ('seal' on judgment).

No.	Procedure
36	Plaintiff's advancement of enforcement fees: Plaintiff pays the fees related to the enforcement of the judgment.
37	Attachment of enforcement order to judgment: The judge attaches the enforcement order ('seal') to the judgment.
*	Plaintiff's request for physical enforcement: As Plaintiff fears that Defendant might physically resist the attachment of its movable goods, Plaintiff addresses a request to the judge or to the police authorities to obtain police assistance during the attachment of Defendant's movable goods.
38	Judge's order for physical enforcement: The judge orders the police to assist with the physical enforcement of the attachment of Defendant's movable goods.
39	Request to Defendant to comply voluntarily with judgment: Plaintiff, a court enforcement officer or a (private) bailiff requests Defendant to voluntarily comply with the judgment, giving Defendant a last chance to comply voluntarily with the judgment.
40	Identification of Defendant's assets for attachment by court official or Defendant: Judge, a court enforcement officer, a (private) bailiff or the Defendant himself identifies Defendant's movable assets for attachment.
41	Contestation of selection of assets identified for attachment: The party, Plaintiff or Defendant, who was not involved in the designation of the assets to be attached, contests the selection of assets for attachment.
42	Plaintiff's identification of Defendant's assets for attachment: Plaintiff identifies Defendant's assets for attachment.
43	Attachment: Defendant's movable goods are attached (physically or by registering, marking or separating assets).
44	Report on execution of attachment: A court enforcement officer or private process server delivers a report on the attachment of Defendant's movable goods to the judge.
45	Valuation or appraisal of attached movable goods: The court or court appointed valuation expert evaluates the attached goods.
46	Enforcement disputes before court: The enforcement of the judgment is delayed because Defendant opposes aspects of the enforcement process before the judge.
47	Sale through public auction: The Defendant's movable property is sold at public auction.
*	Direct sale: Defendant's property is sold but not through a public auction. (assumption 9 is disregarded here)
48	Judge's decision on bids: The judge determines the adequacy of the bids presented at public auction.
49	Distribution of proceeds: The proceeds of the public auction are distributed to various creditors (including Plaintiff), according to the rules of priority.
50	Reimbursement of Plaintiff's enforcement fees: Defendant reimburses Plaintiff's enforcement fees which Plaintiff had advanced previously.
51	Payment: Court orders that the proceeds of the public auction or the direct sale be delivered to Plaintiff.

* Not counted in the total number of procedures.
Source: Doing Business database.

RESOLVING INSOLVENCY

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

What do the indicators cover?

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

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

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

- Is a domestically owned, limited liability company operating a hotel.
- Operates in the economy's largest business city.
- Has 201 employees, 1 main secured creditor and 50 unsecured creditors.
- Has a higher value as a going concern—and the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation.

WHAT THE RESOLVING INSOLVENCY INDICATORS MEASURE

Time required to recover debt (years)

Measured in calendar years

Appeals and requests for extension are included

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

Measured as percentage of estate value

Court fees

Fees of insolvency administrators

Lawyers' fees

Assessors' and auctioneers' fees

Other related fees

Outcome

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

Recovery rate for creditors (cents on the dollar)

Measures the cents on the dollar recovered by creditors

Present value of debt recovered

Official costs of the insolvency proceedings are deducted

Depreciation of furniture is taken into account

Outcome for the business (survival or not) affects the maximum value that can be recovered

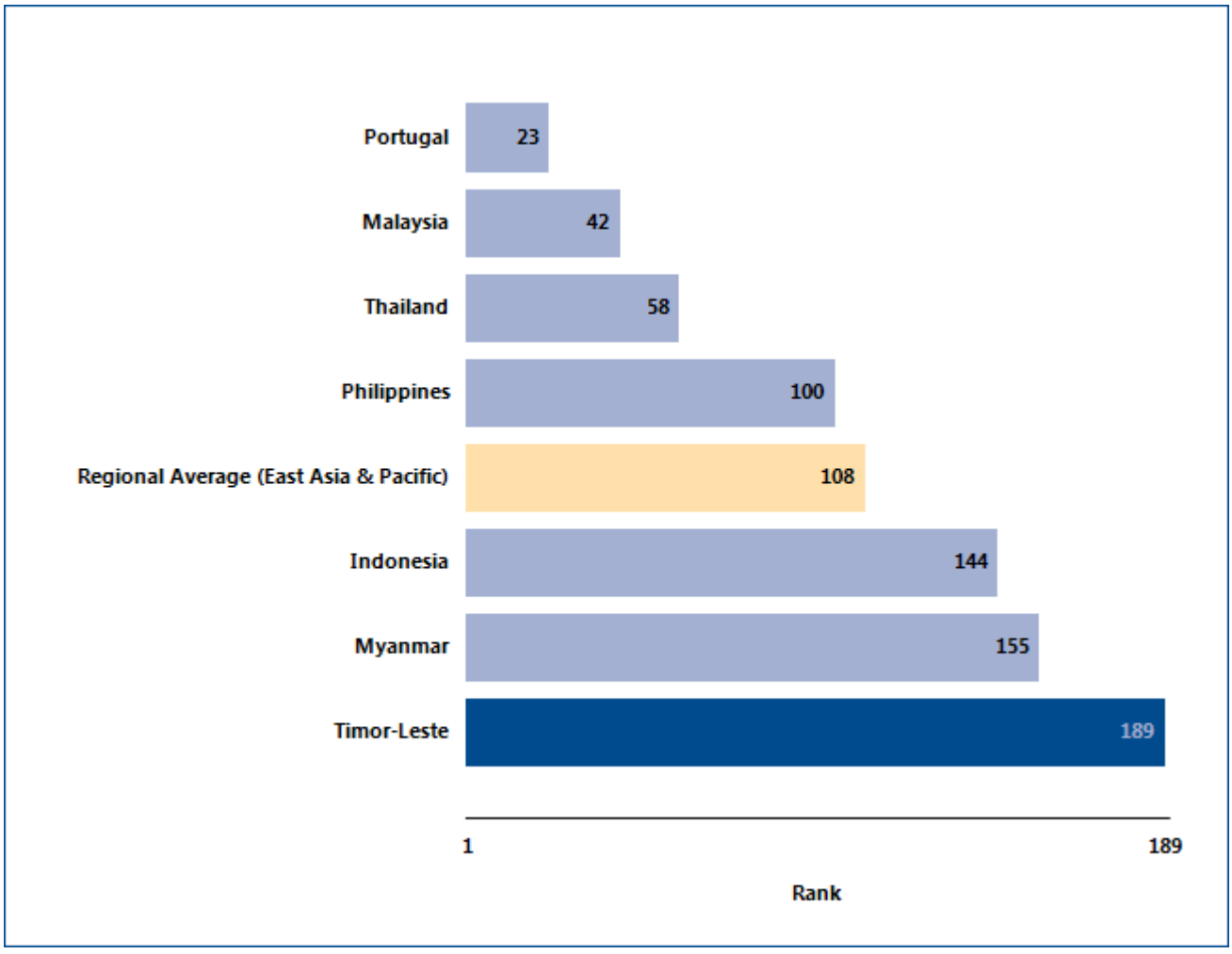
RESOLVING INSOLVENCY

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 Timor-Leste? According to data collected by *Doing Business*, Timor-Leste receives a "no practice" mark for resolving insolvency, indicating that in each of the previous 5 years there were no cases involving a judicial reorganization, judicial liquidation or debt enforcement procedure (foreclosure). The average recovery rate is 0.0 cents on the dollar.

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

Figure 11.1 How Timor-Leste and comparator economies rank on the ease of resolving insolvency



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 Timor-Leste (table 11.1)?

Table 11.1 How has Timor-Leste made resolving insolvency easier—or not?
By *Doing Business* report year

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

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

EMPLOYING WORKERS

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

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

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

Doing Business 2014 presents the data on the employing workers indicators in an annex. The report does not present rankings of economies on the employing workers indicators nor include the topic in the aggregate ranking on the ease of doing business. Detailed data collected on labor regulations and the employing workers methodology proposed by the consultative group are available on the *Doing Business* website (http://www.doingbusiness.org). The data on employing workers are based on a detailed survey of employment regulations that is completed by local lawyers and public officials. Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy.

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

The worker:

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

The business:

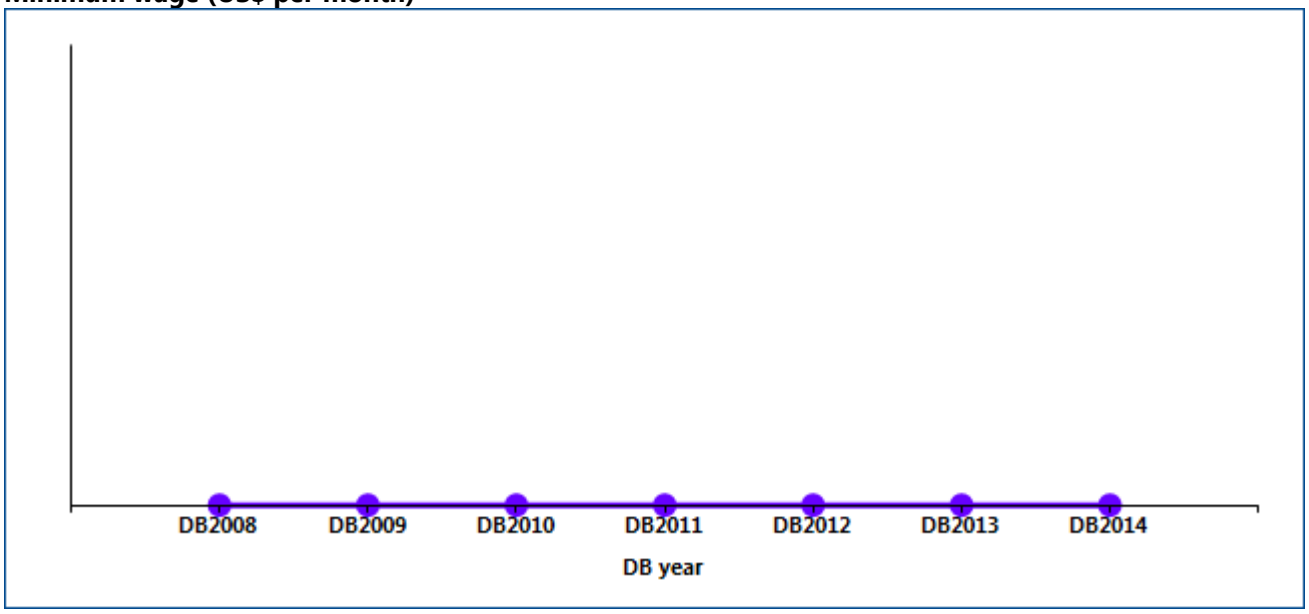
- Is a limited liability company.
- Operates in the economy's largest business city.
- Is 100% domestically owned.
- Operates in the manufacturing sector.
- Has 60 employees.
- Is subject to collective bargaining agreements in economies where such agreements cover more than half the manufacturing sector and apply even to firms not party to them.
- Abides by every law and regulation but does not grant workers more benefits than mandated by law, regulation or (if applicable) collective bargaining agreement.

EMPLOYING WORKERS

What do some of the data show?

One of the employing workers indicators is the difficulty of hiring index. This measure assesses, among other things, the minimum wage for a 19-year-old worker in his or her first job. *Doing Business* data show the trend in the minimum wage applied by Timor-Leste (figure 12.1).

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



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

EMPLOYING WORKERS

Employment laws are needed to protect workers from arbitrary or unfair treatment and to ensure efficient contracting between employers and workers. Many economies that changed their labor regulations in the past 5 years did so in ways that increased labor market flexibility. What changes did Timor-Leste adopt that affected the *Doing Business* indicators on employing workers (table 12.1)?

Table 12.1 What changes did Timor-Leste make in employing workers in 2013?

DB year	Reform
DB2009	No reform as measured by Doing Business.
DB2010	No reform as measured by Doing Business.
DB2011	No reform as measured by Doing Business.
DB2012	No reform as measured by Doing Business.
DB2013	Timor-Leste reduced the maximum duration of fixed-term contracts and also introduced a wage premium for night work.
DB2014	No reform as measured by Doing Business.

Source: Doing Business database.

EMPLOYING WORKERS

What are the details?

The data on employing workers reported here for Timor-Leste are based on a detailed survey of employment regulations that is completed by local lawyers and public officials. Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy.

Rigidity of employment index

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

Difficulty of hiring index

The difficulty of hiring index measures whether fixed-term contracts are prohibited for permanent tasks; the maximum cumulative duration of fixed-term contracts; and the ratio of the minimum wage for a trainee or first-time employee to the average value added per worker. (The average value added per worker is the ratio of an economy's gross national income per capita to the working-age population as a percentage of the total population.)

Difficulty of hiring index	Data
Fixed-term contracts prohibited for permanent tasks?	Yes
Maximum length of a single fixed-term contract (months)	36 months, Sec.11.4 Labour Law 4/2012
Maximum length of fixed-term contracts, including renewals (months)	36
Minimum wage for a 19-year old worker or an apprentice (US$/month)	0.0
Ratio of minimum wage to value added per worker	0.00

Source: Doing Business database.

EMPLOYING WORKERS

Rigidity of hours index

The rigidity of hours index has 5 components: whether there are restrictions on night work; whether there are restrictions on weekly holiday work; whether the workweek can consist of 5.5 days or is more than 6 days; whether the workweek can extend to 50 hours or more (including overtime) for 2 months a year to respond to a seasonal increase in production; and whether the average paid annual leave for a worker with 1 year of tenure, a worker with 5 years and a worker with 10 years is more than 26 working days or fewer than 15 working days.

Rigidity of hours index	Data
Standard workday in manufacturing (hours)	8 hours - Sec. 25.1, Labour Law, 4/2012
50-hour workweek allowed for 2 months a year in case of a seasonal increase in production?	Yes
Maximum working days per week	6.0
Premium for night work (% of hourly pay) in case of continuous operations	25%
Premium for work on weekly rest day (% of hourly pay) in case of continuous operations	100%
Major restrictions on night work in case of continuous operations?	No
Major restrictions on weekly holiday in case of continuous operations?	No
Paid annual leave for a worker with 1 year of tenure (in working days)	12.0
Paid annual leave for a worker with 5 years of tenure (in working days)	12.0
Paid annual leave for a worker with 10 years of tenure (in working days)	12.0
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	12.0

Source: Doing Business database.

EMPLOYING WORKERS

Difficulty of redundancy index

The difficulty of redundancy index has 8 components: whether redundancy is disallowed as a basis for terminating workers; whether the employer needs to notify a third party (such as a government agency) to terminate 1 redundant worker; whether the employer needs to notify a third party to terminate a group of 9 redundant workers; whether the employer needs approval from a third party to terminate 1 redundant worker; whether the employer needs approval from a third party to terminate a group of 9 redundant workers; whether the law requires the employer to reassign or retrain a worker before making the worker redundant; whether priority rules apply for redundancies; and whether priority rules apply for reemployment.

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

Source: Doing Business database.

EMPLOYING WORKERS

Redundancy cost

The redundancy cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary. The average value of notice requirements and severance payments applicable to a worker with 1 year of tenure, a worker with 5 years and a worker with 10 years is used to assign the score.

Redundancy cost indicator	Data
Notice period for redundancy dismissal (for a worker with 1 year of tenure, in salary weeks)	4.3
Notice period for redundancy dismissal (for a worker with 5 years of tenure, in salary weeks)	4.3
Notice period for redundancy dismissal (for a worker with 10 years of tenure, in salary weeks)	4.3
Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure, in salary weeks)	4.3
Severance pay for redundancy dismissal (for a worker with 1 year of tenure, in salary weeks)	0.0
Severance pay for redundancy dismissal (for a worker with 5 years of tenure, in salary weeks)	0.0
Severance pay for redundancy dismissal (for a worker with 10 years of tenure, in salary weeks)	0.0
Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure, in salary weeks)	0.0

Source: Doing Business database.

DATA NOTES

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

The data for all sets of indicators in *Doing Business 2014* are for June 2013.[2]

Methodology

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

ECONOMY CHARACTERISTICS

Gross national income per capita

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

Region and income group

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

Population

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

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

[2] The data for paying taxes refer to January – December 2012.

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

Limits to what is measured

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

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

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

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

Changes in what is measured

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

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

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

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

Data challenges and revisions

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

Ease of doing business and distance to frontier

Doing Business 2014 presents results for 2 aggregate measures: the aggregate ranking on the ease of doing business and the distance to frontier measure. The ease of doing business ranking compares economies with one another, while the distance to frontier measure benchmarks economies to the frontier in regulatory practice, measuring the absolute distance to the best performance on each indicator. Both measures can be used for comparisons over time. When compared across years, the distance to frontier measure shows how much the regulatory environment for local entrepreneurs in each economy has changed over time in absolute terms, while the ease of doing business ranking can show only relative change.

Ease of doing business

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

Construction of the ease of doing business index

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

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

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

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

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

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

Variability of economies' rankings across topics

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

Consider the example of Canada. It stands at 19 in the aggregate ranking on the ease of doing business. Its ranking is 2 on starting a business, 4 on protecting investors, and 8 on paying taxes. But its ranking is only 58 on enforcing contracts, 116 on dealing with construction permits and 145 on getting electricity.

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

Distance to frontier measure

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

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

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

[4] 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.

[5] Even though scores for the distance to frontier are calculated from 2005, data from as early as 2003 are used to define the frontier

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

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

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

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

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

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

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

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

[6] *Doing Business* reforms making it more difficult to do business are subtracted from the total number of those making it easier to do business.

RESOURCES ON THE *DOING BUSINESS* WEBSITE

Current features
News on the *Doing Business* project
http://www.doingbusiness.org

Rankings
How economies rank—from 1 to 189
http://www.doingbusiness.org/rankings/

Data
All the data for 189 economies—topic rankings, indicator values, lists of regulatory procedures and details underlying indicators
http://www.doingbusiness.org/data/

Reports
Access to *Doing Business* reports as well as subnational and regional reports, reform case studies and customized economy and regional profiles
http://www.doingbusiness.org/reports/

Methodology
The methodologies and research papers underlying *Doing Business*
http://www.doingbusiness.org/methodology/

Research
Abstracts of papers on *Doing Business* topics and related policy issues
http://www.doingbusiness.org/research/

***Doing Business* reforms**
Short summaries of DB2014 business regulation reforms, lists of reforms since DB2008 and a ranking simulation tool
http://www.doingbusiness.org/reforms/

Historical data
Customized data sets since DB2004
http://www.doingbusiness.org/custom-query/

Law library
Online collection of business laws and regulations relating to business and gender issues
http://www.doingbusiness.org/law-library/
http://wbl.worldbank.org/

Contributors
More than 10,200 specialists in 189 economies who participate in *Doing Business*
http://www.doingbusiness.org/contributors/doing-business/

Entrepreneurship data
Data on business density for 139 economies
http://www.doingbusiness.org/data/exploretopics/entrepreneurship

***Doing Business* iPhone App**
Doing Business at a Glance App presents the full report, rankings and highlights
http://www.doingbusiness.org/specialfeatures/iphone

THE WORLD BANK

IFC International Finance Corporation
World Bank Group

WWW.DOINGBUSINESS.ORG

ISBN 978-0-8213-9984-2

SKU 19984