

Doing Business in 2004: Understanding Regulation

BACKGROUND

In most countries, private sector growth is the principal engine of development. With this in mind, the World Bank recently published the first issue of a new annual study, *Doing Business in 2004*, which provides a thorough treatment of factors influencing business development in developing and transition economies.

SUMMARY OF THE REPORT

Doing Business in 2004 examines the scope and manner of business regulations that help determine a country's prosperity. Specifically, this report considers five stages of a firm's life cycle: the process of starting a business, hiring and firing workers, enforcing contracts, getting credit, and closing a business. For each of these stages, *Doing Business* identifies a set of best practices and benchmarks the actual situation in over 130 countries, mainly focusing on domestic and smaller companies.

MAIN FINDINGS

- Most countries' legal systems can be categorized under five models: the English, French, German, Nordic, and Socialist legal systems.
- In general, poor countries regulate business activities more than rich countries. For example, based on four sets of indicators (court-powers-in bankruptcy index, entry procedures, contract procedures, employment-laws index) Bolivia, Costa Rica, Burkina Faso, Chad, Guatemala, Mali, Mozambique, Paraguay, the Philippines, and Venezuela regulate the most. Australia, Canada, Denmark, Hong Kong (China), Jamaica, the Netherlands, New Zealand, Singapore, Sweden, and the United Kingdom regulate the least.
- Excessive regulation can threaten business prosperity and social progress. It is associated with greater inefficiency of public institutions and high corruption.
- Regulatory reforms have been continuous in most developed countries, but in developing countries reforms are slow and businesses are often burdened with outdated regulations.
- In business regulation, there are a number of 'one size fits all' solutions. For example, most reform practices--such as reducing administrative procedures and streamlining of the business registration process have produced excellent results everywhere.

HOW TO ACCESS THIS REPORT

For more information on *Doing Business in 2004*, and other materials, click on:
<http://rru.worldbank.org/doingbusiness/>