

12TH EDITION

Doing Business 2015

Going Beyond Efficiency

Economy Profile 2015

Ukraine



COMPARING BUSINESS REGULATIONS FOR DOMESTIC FIRMS IN **189** ECONOMIES

A World Bank Group Flagship Report

© 2014 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 17 16 15 14

This work is a product of the staff of The World Bank with external contributions. 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.



This work is available under the Creative Commons Attribution 3.0 Unported license (CC BY 3.0) <http://creativecommons.org/licenses/by/3.0/igo>. 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. 2014. *Doing Business 2015: Going Beyond Efficiency*. Washington, DC: World Bank Group. DOI: 10.1596/978-1-4648-0351-2. License: Creative Commons Attribution CC BY 3.0 IGO

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.*

Adaptations—If you create an adaptation of this work, please add the following disclaimer along with the attribution: *This is an adaptation of an original work by The World Bank. Views and opinions expressed in the adaptation are the sole responsibility of the author or authors of the adaptation and are not endorsed by The World Bank.*

Third-party content—The World Bank does not necessarily own each component of the content contained within the work. The World Bank therefore does not warrant that the use of any third-party-owned individual component or part contained in the work will not infringe on the rights of those third parties. The risk of claims resulting from such infringement rests solely with you. If you wish to re-use a component of the work, it is your responsibility to determine whether permission is needed for that re-use and to obtain permission from the copyright owner. Examples of components can include, but are not limited to, tables, figures or images.

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

ISBN (paper): 978-1-4648-0351-2
ISBN (electronic): 978-1-4648-0352-9
DOI: 10.1596/978-1-4648-0351-2
ISSN: 1729-2638

Cover design: Corporate Visions, Inc.

CONTENTS

Introduction	4
The business environment	6
Starting a business	16
Dealing with construction permits	23
Getting electricity	33
Registering property	42
Getting credit	51
Protecting minority investors	58
Paying taxes	67
Trading across borders	71
Enforcing contracts	76
Resolving insolvency	83
Labor market regulation	88
Distance to frontier and ease of doing business ranking	94
Resources on the <i>Doing Business</i> website	97

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 minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labor market regulation.

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, 32 in Latin America and the Caribbean, 25 in East Asia and the Pacific, 26 in Eastern Europe and Central Asia, 20 in the Middle East and North Africa and 8 in South Asia, as well as 31 OECD high-income economies. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

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

1, 2014 (except for the paying taxes indicators, which cover the period January–December 2013).

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 2015* presents the indicators, analyzes their relationship with economic outcomes and presents business regulatory reforms. The data, along with information on ordering *Doing Business 2015*, are available on the *Doing Business* website at <http://www.doingbusiness.org>.

CHANGES IN *DOING BUSINESS 2015*

As part of a 2-year update in methodology, *Doing Business 2015* incorporates 7 important changes. First, the ease of doing business ranking as well as all topic-level rankings are now computed on the basis of distance to frontier scores (see the chapter on the distance to frontier and ease of doing business ranking). Second, for the 11 economies with a population of more than 100 million, data for a second city have been added to the data set and the ranking calculation. These economies are Bangladesh, Brazil, China, India, Indonesia, Japan, Mexico, Nigeria, Pakistan, the Russian Federation and the United States. Third, for getting credit, the methodology has been revised for both the strength of legal rights index and the depth of credit information index. The number of points has been increased in both indices, from 10 to 12 for the strength of legal rights index and from 6 to 8 for the depth of credit information index. In addition, only credit bureaus and registries that cover at least 5% of the adult population can receive a score on the depth of credit information index.

Fourth, the name of the protecting investors indicator set has been changed to protecting minority investors to better reflect its scope—and the scope of the indicator set has been expanded to include shareholders' rights in corporate governance beyond related-party transactions. Fifth, the resolving insolvency indicator set has been expanded to include an index measuring the strength of the legal framework for insolvency. Sixth, the calculation of the distance to frontier score for paying taxes has been changed. The total tax rate component now enters the score in a nonlinear fashion, in an approach different from that used for all other indicators (see the chapter on the distance to frontier and ease of doing business ranking).

Finally, the name of the employing workers indicator set has been changed to labor market regulation, and the scope of this indicator set has also been changed. The indicators now focus on labor market regulation applying to the retail sector rather than the manufacturing sector, and their coverage has been expanded to include regulations on labor disputes and on benefits provided to workers. The labor market regulation indicators continue to be excluded from the aggregate distance to frontier score and ranking on the ease of doing business.

Beyond these changes there are 3 other updates in methodology. For paying taxes, the financial statement variables have been updated to be proportional to 2012 income per capita; previously they were proportional to 2005 income per capita. For enforcing contracts, the value of the claim is now set at twice the income per capita or \$5,000, whichever is greater. For dealing with construction permits, the cost of construction is now set at 50 times income per capita (before, the cost was assessed by the *Doing Business* respondents). In addition, this indicator set no longer includes the procedures for obtaining a landline telephone connection.

For more details on the changes, see the "What is changing in *Doing Business*?" chapter starting on page 24 of the *Doing Business 2015* report. For more details on the data and methodology, please see the "Data Notes" chapter starting on page 114 of the *Doing Business 2015* report. For more details on the distance to frontier metric, please see the "Distance to frontier and ease of doing business ranking" chapter in this profile.

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 ranking. This year's report presents results for 2 aggregate measures: the distance to frontier score and the ease of doing business ranking. The ranking of economies is determined by sorting the aggregate distance to frontier (DTF) scores. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. (See the chapter on the distance to frontier and ease of doing business). The 10 topics included in the ranking in *Doing Business 2015*: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The labor market regulation indicators (formerly employing workers) are not included in this year's aggregate ease of doing business ranking, but the data are presented in this year's economy profile.

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

ECONOMY OVERVIEW

Region: Europe & Central Asia

Income category: Lower middle income

Population: 45,489,600

GNI per capita (US\$): 3,960

DB2015 rank: 96

DB2014 rank: 112*

Change in rank: 16

DB 2015 DTF: 61.5

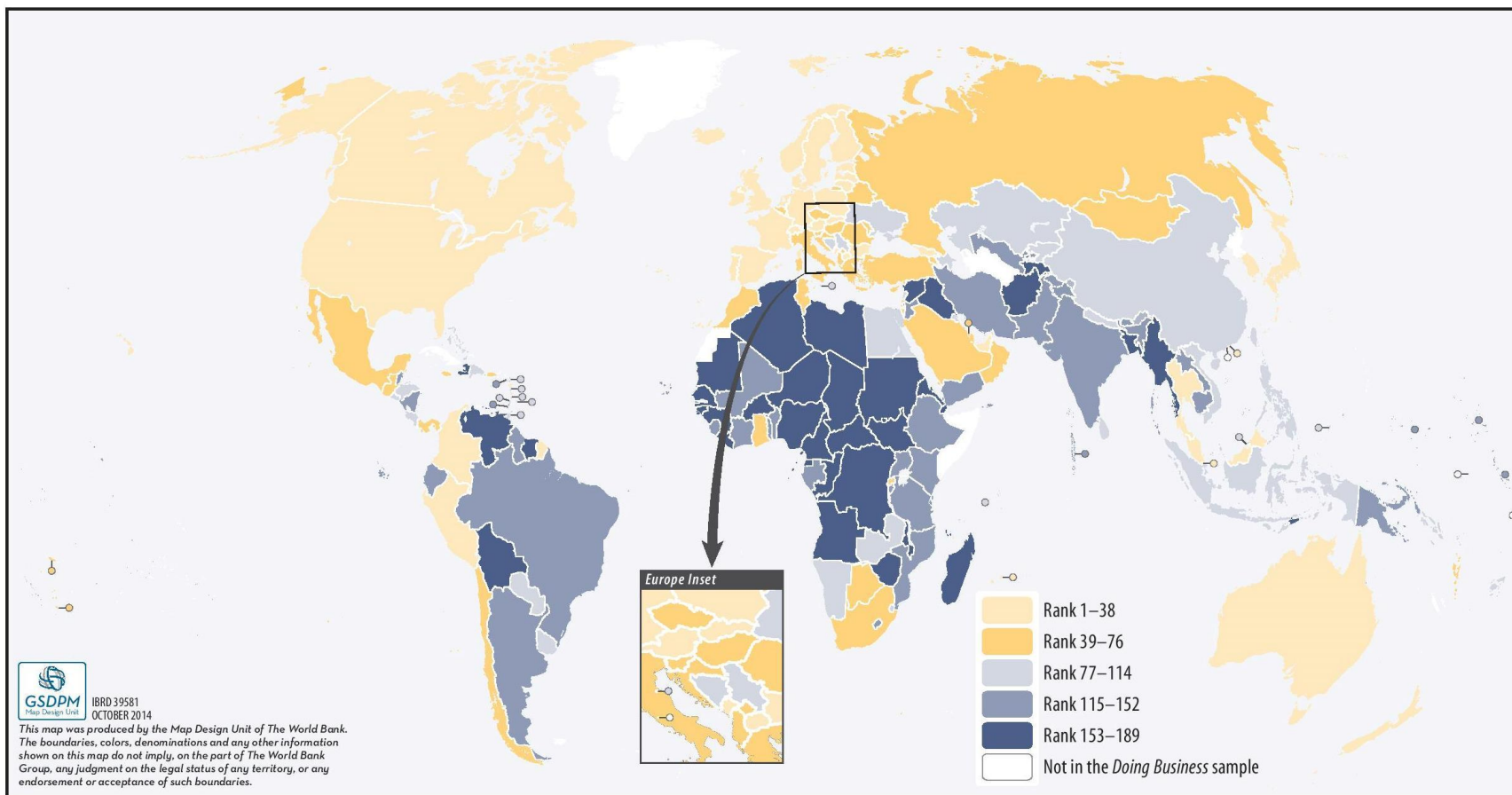
DB 2014 DTF: 59.2

Change in DTF: 2.3

* DB2014 ranking shown is not last year's published ranking but a comparable ranking for DB2014 that captures the effects of such factors as data corrections and the changes in methodology. See the data notes starting on page 114 of the *Doing Business 2015* report for sources and definitions.

THE BUSINESS ENVIRONMENT

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



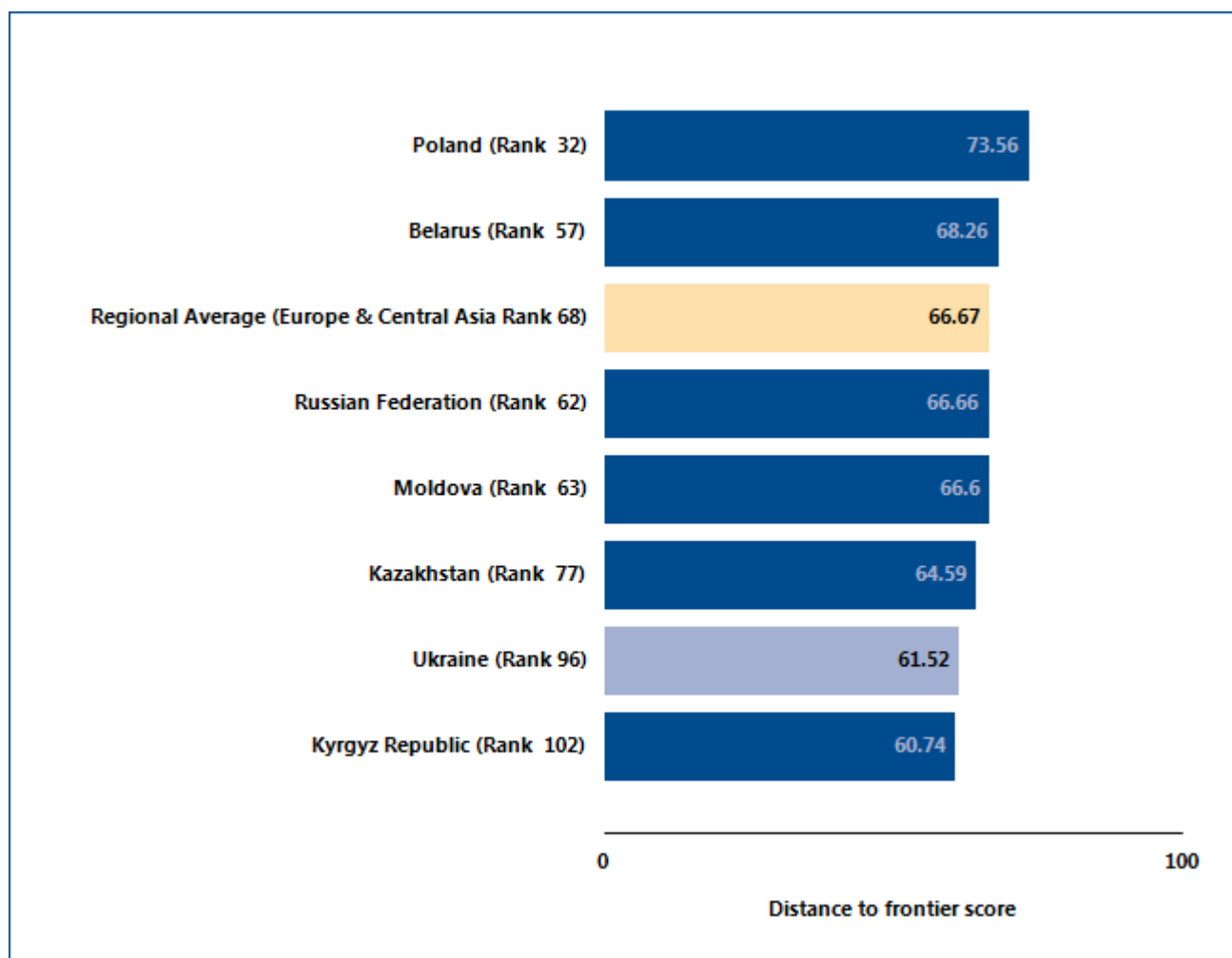
Source: *Doing Business* database.

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 (figure 1.3) and distance to frontier scores (figure 1.4) on the topics included in the ease of doing business ranking provide another perspective.

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



Note: The rankings are benchmarked to June 2014 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.

Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

Figure 1.3 Rankings on *Doing Business* topics - Ukraine
 (Scale: Rank 189 center, Rank 1 outer edge)

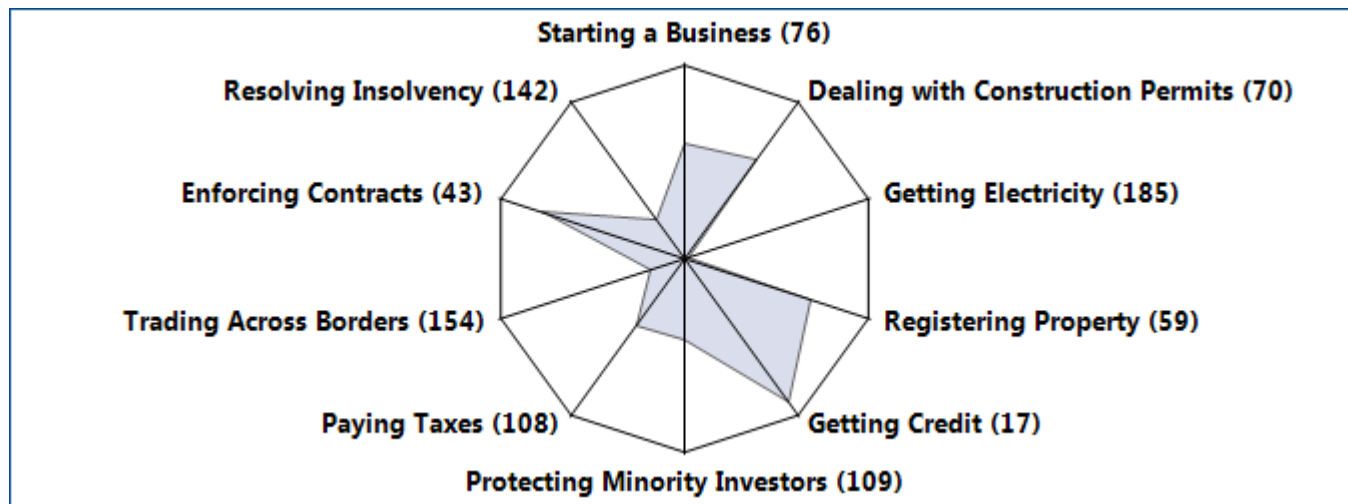
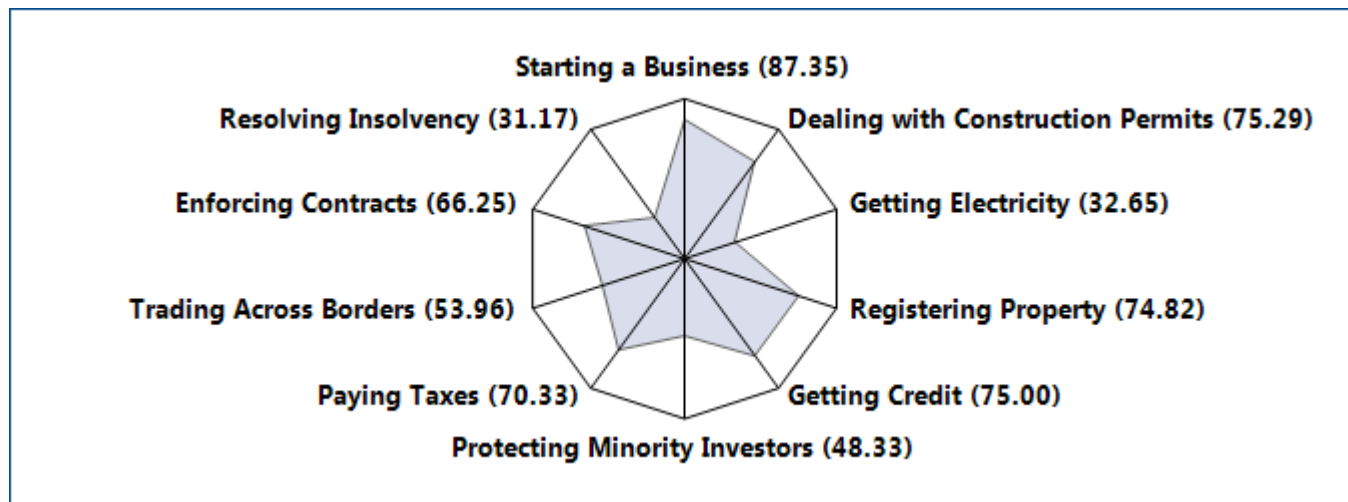


Figure 1.4 Distance to frontier scores on *Doing Business* topics - Ukraine
 (Scale: Score 0 center, Score 100 outer edge)



Note: The rankings are benchmarked to June 2014 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.
 Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

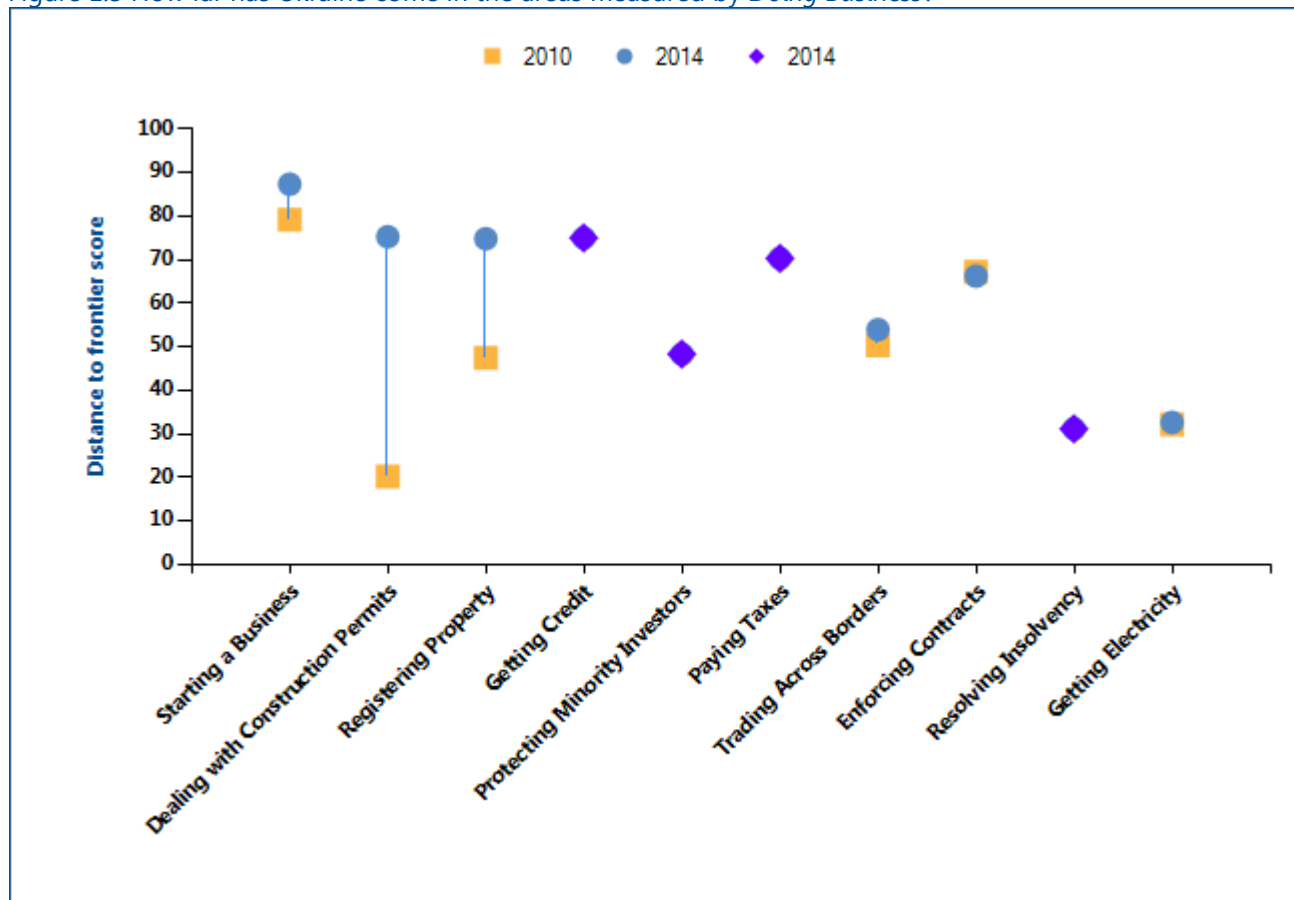
Just as the overall ranking on the ease of doing business tells only part of the story, so do changes in that ranking. Yearly movements in rankings can provide some indication of changes in an economy’s regulatory environment for firms, but they are always relative.

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 score. This measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator.

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 1.5).

Figure 1.5 How far has Ukraine come in the areas measured by *Doing Business*?



Note: The distance to frontier score shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator since 2010, except for getting credit, paying taxes, protecting minority investors and resolving insolvency which had methodology changes in 2014 and thus are only comparable to 2013. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). See the data notes starting on page 114 of the *Doing Business 2015* report for more details on the distance to frontier score.

Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

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

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

Table 1.1 Summary of *Doing Business* indicators for Ukraine

Indicator	Ukraine DB2015	Ukraine DB2014	Belarus DB2015	Kazakhstan DB2015	Kyrgyz Republic DB2015	Moldova DB2015	Poland DB2015	Russian Federation DB2015	Best performer globally DB2015
Starting a Business (rank)	76	69	40	55	9	35	85	34	New Zealand (1)
Starting a Business (DTF Score)	87.35	87.34	91.88	90.19	96.35	92.16	85.79	92.17	New Zealand (99.96)
Procedures (number)	6.0	6.0	5.0	6.0	2.0	5.0	4.0	4.4	New Zealand (1.0)*
Time (days)	21.0	21.0	9.0	10.0	8.0	6.0	30.0	11.2	New Zealand (0.5)
Cost (% of income per capita)	1.2	1.3	0.8	0.5	2.4	4.6	12.9	1.2	Slovenia (0.0)
Paid-in min. capital (% of income per capita)	0.0	0.0	0.0	0.0	0.0	0.0	12.3	0.0	112 Economies (0.0)*
Dealing with Construction Permits (rank)	70	68	51	154	42	175	137	156	Hong Kong SAR, China (1)
Dealing with Construction Permits (DTF Score)	75.29	75.26	78.20	58.39	78.80	48.11	62.97	56.70	Hong Kong SAR, China (95.53)

Indicator	Ukraine DB2015	Ukraine DB2014	Belarus DB2015	Kazakhstan DB2015	Kyrgyz Republic DB2015	Moldova DB2015	Poland DB2015	Russian Federation DB2015	Best performer globally DB2015
Procedures (number)	8.0	8.0	14.0	25.0	10.0	27.0	19.0	19.8	Hong Kong SAR, China (5.0)
Time (days)	64.0	64.0	114.0	156.0	141.0	247.0	212.0	238.4	Singapore (26.0)
Cost (% of warehouse value)	10.2	10.3	0.8	1.5	2.1	0.8	0.3	1.9	Qatar (0.0)*
Getting Electricity (rank)	185	182	148	97	168	149	64	143	Korea, Rep. (1)
Getting Electricity (DTF Score)	32.65	32.60	59.90	72.96	49.64	59.72	79.19	60.89	Korea, Rep. (99.83)
Procedures (number)	10.0	10.0	7.0	6.0	7.0	7.0	3.0	5.6	12 Economies (3.0)*
Time (days)	277.0	277.0	131.0	88.0	159.0	118.0	161.0	179.1	Korea, Rep. (18.0)*
Cost (% of income per capita)	165.5	178.0	364.1	56.6	1,872.2	865.1	20.8	321.0	Japan (0.0)
Registering Property (rank)	59	88	3	14	6	22	39	12	Georgia (1)
Registering Property (DTF Score)	74.82	68.21	96.67	89.83	93.25	86.10	80.30	91.27	Georgia (99.88)
Procedures (number)	7.0	8.0	2.0	4.0	3.0	5.0	6.0	3.0	4 Economies (1.0)*
Time (days)	27.0	45.0	4.0	11.0	5.0	5.5	33.0	19.0	3 Economies (1.0)*
Cost (% of property value)	2.0	2.4	0.0	0.1	0.3	0.9	0.3	0.1	4 Economies (0.0)*
Getting Credit (rank)	17	14	104	71	36	23	17	61	New Zealand (1)
Getting Credit (DTF Score)	75.00	75.00	40.00	50.00	65.00	70.00	75.00	55.00	New Zealand (100)
Strength of legal rights index (0-12)	8	8	2	3	8	8	7	4	3 Economies (12)*

Indicator	Ukraine DB2015	Ukraine DB2014	Belarus DB2015	Kazakhstan DB2015	Kyrgyz Republic DB2015	Moldova DB2015	Poland DB2015	Russian Federation DB2015	Best performer globally DB2015
Depth of credit information index (0-8)	7	7	6	7	5	6	8	7	23 Economies (8)*
Credit registry coverage (% of adults)	0.0	0.0	64.5	0.0	0.0	0.0	0.0	0.0	Portugal (100.0)
Credit bureau coverage (% of adults)	48.0	28.3	0.0	51.7	38.2	8.8	84.3	64.6	23 Economies (100.0)*
Protecting Minority Investors (rank)	109	107	94	25	35	56	35	100	New Zealand (1)
Protecting Minority Investors (DTF Score)	48.33	48.33	51.67	65.83	62.50	58.33	62.50	50.83	New Zealand (81.67)
Extent of conflict of interest regulation index (0-10)	4.0	4.0	5.0	6.7	6.7	6.3	6.0	5.0	Singapore (9.3)*
Extent of shareholder governance index (0-10)	5.7	5.7	5.3	6.5	5.8	5.3	6.5	5.2	France (7.8)*
Strength of minority investor protection index (0-10)	4.8	4.8	5.2	6.6	6.3	5.8	6.3	5.1	New Zealand (8.2)
Paying Taxes (rank)	108	157	60	17	136	70	87	49	United Arab Emirates (1)*
Paying Taxes (DTF Score)	70.33	54.68	78.29	90.04	63.15	76.57	73.51	80.63	United Arab Emirates (99.44)*
Payments (number per year)	5.0	28.0	7.0	6.0	52.0	21.0	18.0	7.0	Hong Kong SAR, China (3.0)*
Time (hours per year)	350.0	390.0	183.0	188.0	210.0	185.0	286.0	168.0	Luxembourg (55.0)
Trading Across Borders (rank)	154	153	145	185	183	152	41	155	Singapore (1)
Trading Across Borders	53.96	53.44	59.09	7.87	9.70	54.97	81.80	53.58	Singapore (96.47)

Indicator	Ukraine DB2015	Ukraine DB2014	Belarus DB2015	Kazakhstan DB2015	Kyrgyz Republic DB2015	Moldova DB2015	Poland DB2015	Russian Federation DB2015	Best performer globally DB2015
(DTF Score)									
Documents to export (number)	8	8	8	10	9	9	5	9	Ireland (2)*
Time to export (days)	29.0	29.0	15.0	79.0	63.0	23.0	15.0	21.1	5 Economies (6.0)*
Cost to export (US\$ per container)	1,880.0	1,930.0	1,460.0	5,285.0	4,760.0	1,510.0	1,050.0	2,400.5	Timor-Leste (410.0)
Cost to export (deflated US\$ per container)	1,880.0	1,956.4	1,460.0	5,285.0	4,760.0	1,510.0	1,050.0	2,400.5	
Documents to import (number)	9	9	10	12	11	11	4	10	Ireland (2)*
Time to import (days)	28.0	28.0	30.0	67.0	73.0	27.0	14.0	19.4	Singapore (4.0)
Cost to import (US\$ per container)	2,455.0	2,505.0	2,265.0	5,265.0	6,000.0	1,870.0	1,025.0	2,594.5	Singapore (440.0)
Cost to import (deflated US\$ per container)	2,455.0	2,539.2	2,265.0	5,265.0	6,000.0	1,870.0	1,025.0	2,594.5	
Enforcing Contracts (rank)	43	44	7	30	56	42	52	14	Singapore (1)
Enforcing Contracts (DTF Score)	66.25	66.25	78.70	69.33	64.63	66.68	64.83	75.85	Singapore (89.54)
Time (days)	378.0	378.0	275.0	370.0	260.0	567.0	685.0	267.0	Singapore (150.0)
Cost (% of claim)	46.3	46.3	23.4	22.0	37.0	28.6	19.4	14.9	Iceland (9.0)
Procedures (number)	30.0	30.0	29.0	36.0	38.0	31.0	33.0	35.0	Singapore (21.0)*
Resolving Insolvency (rank)	142	141	68	63	157	58	32	65	Finland (1)
Resolving Insolvency (DTF Score)	31.17	30.98	48.18	51.45	24.38	53.32	69.73	49.69	Finland (93.85)

Indicator	Ukraine DB2015	Ukraine DB2014	Belarus DB2015	Kazakhstan DB2015	Kyrgyz Republic DB2015	Moldova DB2015	Poland DB2015	Russian Federation DB2015	Best performer globally DB2015
Time (years)	2.9		3.0	1.5	4.0	2.8	3.0	2.0	Ireland (0.4)
Cost (% of estate)	42.0	42.0	22.0	15.0	15.0	15.0	15.0	9.0	Norway (1.0)
Outcome (0 as piecemeal sale and 1 as going concern)	0	0	1	0	0	0	1	0	
Recovery rate (cents on the dollar)	8.6	8.2	37.3	43.3	19.2	29.4	57.0	43.0	Japan (92.9)
Strength of insolvency framework index (0-16)	8.5	8.5	9.0	9.0	4.5	12.0	12.5	8.5	5 Economies (15.0)*

Note: DB2014 rankings shown are not last year's published rankings but comparable rankings for DB2014 that capture the effects of such factors as data corrections and changes to the methodology. Trading across borders deflated and non-deflated values are identical in DB2015 because it is defined as the base year for the deflator. The best performer on time for paying taxes is defined as the lowest time recorded among all economies in the DB2015 sample that levy the 3 major taxes: profit tax, labor taxes and mandatory contributions, and VAT or sales tax. 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.

* 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 of economies on the ease of starting a business is determined by sorting their distance to frontier scores for starting a business. These scores are the simple average of the distance to frontier scores for each of the component indicators.

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 owned¹.
- 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 city¹
- 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 recorded as ½ day.
- Procedure completed once final document is received
- No prior contact with officials

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

- Official costs only, no bribes
- No professional fees unless services required by law

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

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

¹ For the 11 economies with a population of more than 100 million, data for a second city have been added.

STARTING A BUSINESS

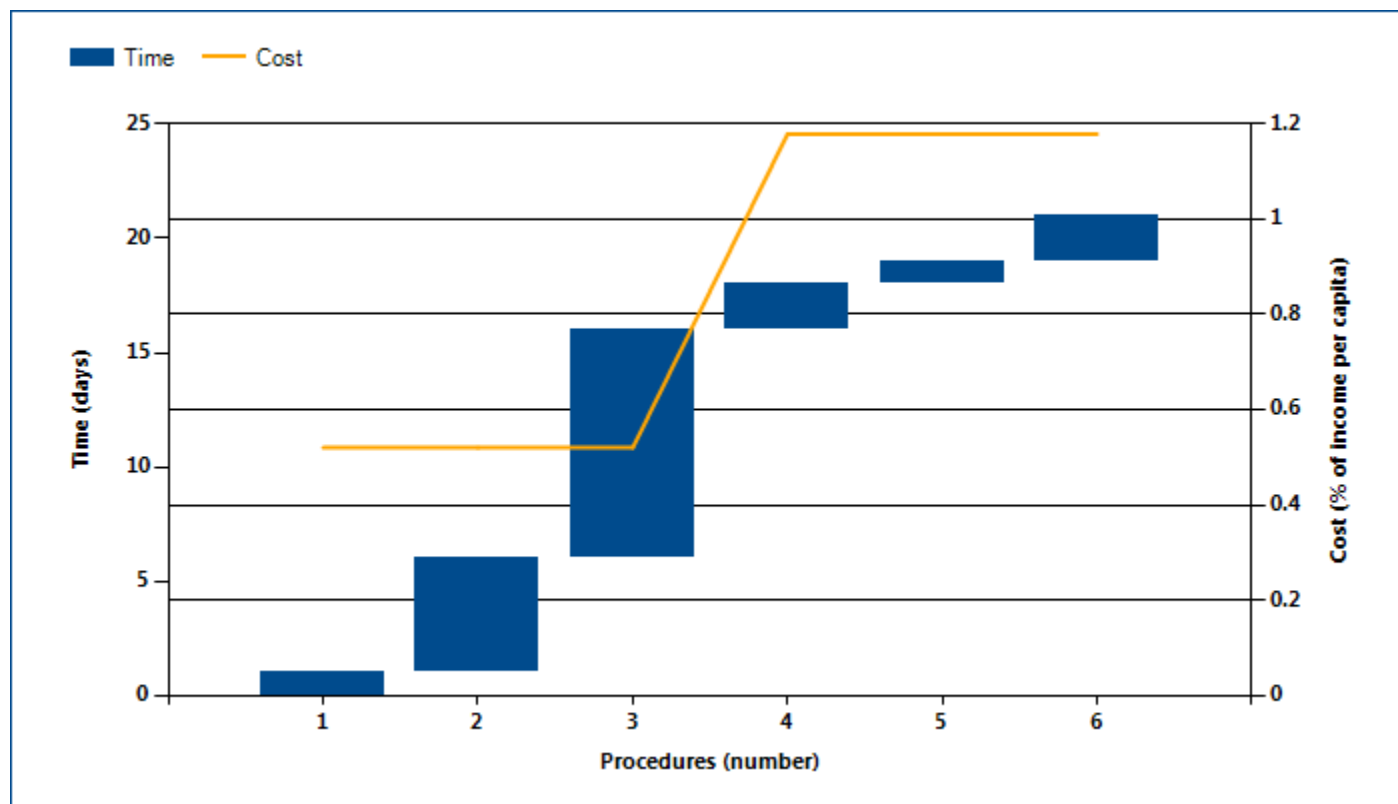
Where does the economy stand today?

What does it take to start a business in Ukraine? According to data collected by *Doing Business*, starting a business there requires 6.0 procedures, takes 21.0 days, costs 1.2% of income per capita and requires paid-in minimum capital of 0.0% of income per capita (figure 2.1). Most indicator sets refer to a case scenario in the

largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 2.1 What it takes to start a business in Ukraine -

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



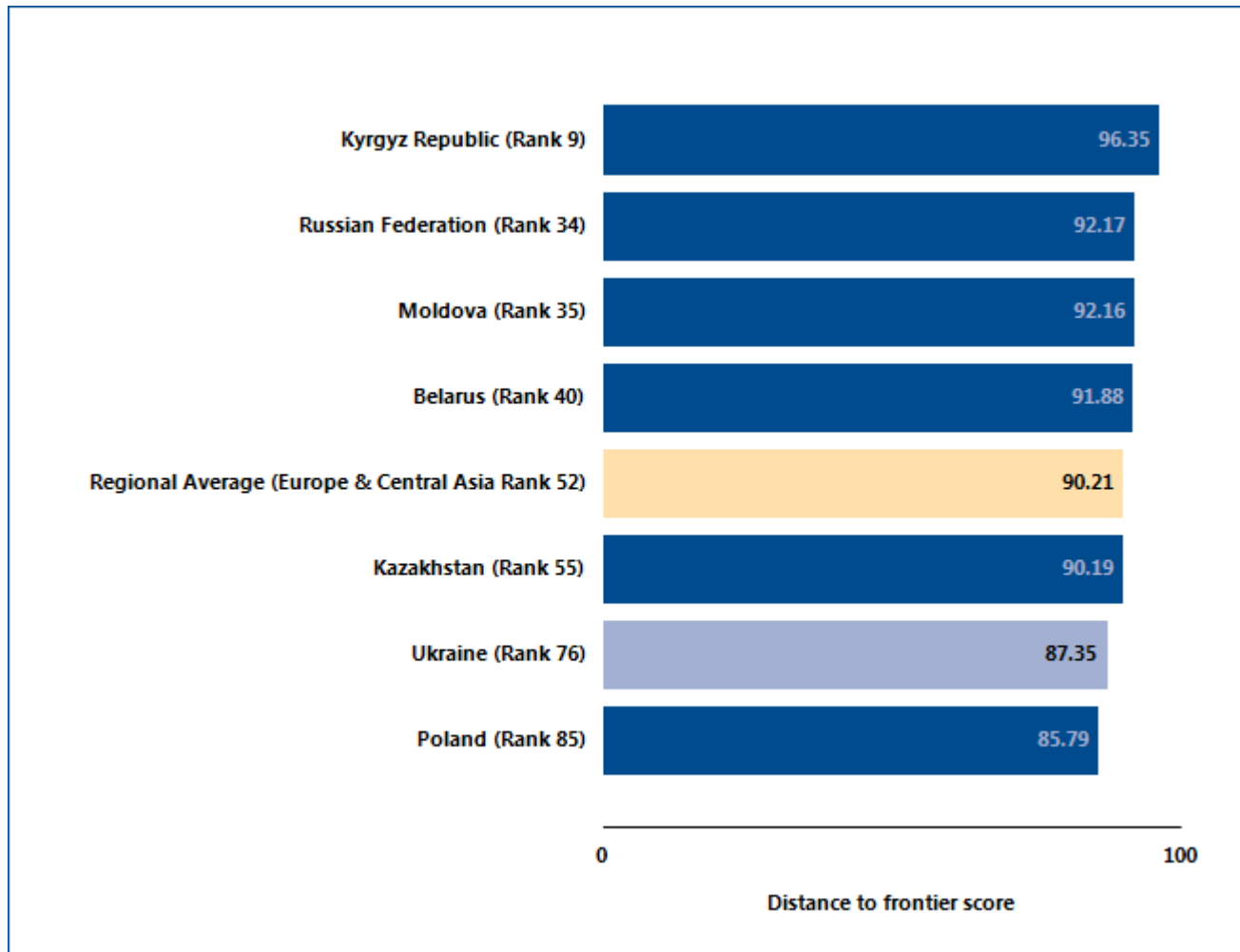
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the starting a business indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For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

STARTING A BUSINESS

Globally, Ukraine stands at 76 in the ranking of 189 economies on the ease of starting a business (figure 2.2). The rankings for comparator economies and the regional

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

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



Source: *Doing Business* database.

STARTING A BUSINESS

Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages—and

they often are part of a larger regulatory reform program. Among the benefits have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities.

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

Table 2.1 How has Ukraine made starting a business easier—or not?
By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2011	Ukraine eased business start-up by substantially reducing the minimum capital requirement.
DB2012	Ukraine made starting a business easier by eliminating the requirement to obtain approval for a new corporate seal.
DB2013	Ukraine made starting a business easier by eliminating the minimum capital requirement for company incorporation as well as the requirement to have incorporation documents notarized.
DB2014	Ukraine made starting a business easier by eliminating the requirement for registration with the statistics authority and by eliminating the cost for value added tax registration.

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

Source: *Doing Business* database.

STARTING A BUSINESS

What are the details?

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

STANDARDIZED COMPANY

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

Paid in minimum capital requirement: UAH 0

City: Kiev

Start-up Capital: 10 times GNI per capita

Table 2.2 Summary of time, cost and procedures for starting a business in Ukraine -

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

No.	Procedure	Time to complete	Cost to complete
	<p>- document evidencing the individual beneficiary owners of the LLC, in case the formal founders of the LLC are legal entities.</p> <p>Although, requirement to accompany the registration application with an instrument (e.g. lease or sale-and-purchase agreement) confirming company's entitlement to occupy the office premises where its management is to be located (registered address) was abolished, in practice, the Registration Office may still demand that such document be provided for verification.</p> <p><i>Agency: State Registrar</i></p>		
3	<p>Register VAT at the State Tax Authority and obtain a VAT number</p> <p>As defined in the Tax Code of Ukraine No.2755-VI dated on December 02, 2012, if the total amount of transactions with delivery of goods or/and services, including the use of local or global computer network, charged (paid) during last 12 calendar months, totally exceeds UAH 300,000 (excluding VAT), such company is obliged to register as VAT taxpayer, except single tax payer company. Actually, Art. 182 of the above mentioned Tax Code also provides option for voluntarily VAT taxpayer registration.</p> <p>If a company, doesn't registered as VAT taxpayer, imports on the custom territory of Ukraine in taxable amounts, such company will have pay VAT during customs clearance operations without registration as VAT taxpayer.</p> <p><i>Agency: District Tax Office</i></p>	10 days	free of charge
4	<p>Prepare a seal</p> <p>The use of a company seal is not mandated by law but the seal is widely use in practice.</p> <p><i>Agency: Sealmaker</i></p>	2 days	UAH 190-250, depending on the complexity of a seal
5	<p>Open a permanent bank account</p> <p>According to the regulation № 212 of the National bank of Ukraine ""On Alteration to some regulation acts of the National bank of Ukraine"" dated June 06, 2013, the list of required documents for opening of the bank account for the Legal Entity is as follows:</p> <p>a) bank signature specimen card certified by a notary is replaced by card with samples of signature and imprint of seal;</p> <p>b) the copy of extract from Unified State registrar of Entities and Entrepreneurs needs to be presented (http://zakon4.rada.gov.ua/laws/show/z1121-13).</p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
	<i>Agency: Bank</i>		
6	<p>Notify the District Tax Inspectorate of the opening of the permanent bank account</p> <p>In case a limited liability company did not open a bank account prior to the state registration of a limited liability company, the bank, Pursuant to the Tax Code, must notify the tax inspection about the account opening within 3 business days after the account opening. Within three business days after receiving a notification from the bank, the tax inspection must notify the bank on registration of the account or about refusal to register the account. In practice, notification of the tax inspection by bank and receiving answer from the tax inspection takes 1-2 business days.</p> <p>A limited liability company may use its account for outflow operations only after the bank receives notification from the tax inspection on registration of the respective account.</p> <p>According to the Tax Code Amendments and the Notification Order, the bank shall notify the Ministry of Duties and Revenues of Ukraine via Internet about the account opening within 1 business day. After receiving the electronic notification through the Internet portal, a local tax authority within 1 business day shall notify the bank about registration of the account/refusal to register the account (if applicable).</p> <p><i>Agency: District Tax Office</i></p>	2 days	no charge

* Takes place simultaneously with another procedure.

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

Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

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

What do the indicators cover?

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

The ranking of economies on the ease of dealing with construction permits is determined by sorting their distance to frontier scores for dealing with construction permits. These scores are the simple average of the distance to frontier scores for each of the component indicators.

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. For the 11 economies with a population of more than 100 million, data for a second city have been added. Is domestically owned and operated.
- Has 60 builders and other employees.

The warehouse:

- Is valued at 50 times income per capita.
- Is a new construction (there was no previous construction on the land).

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 and sewerage

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 recorded as ½ day.

Procedure considered completed once final document is received

No prior contact with officials

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

Official costs only, no bribes

- Will have complete architectural and technical plans prepared by a licensed architect or engineer.
- Will be connected to water and sewerage (sewage system, septic tank or their equivalent). The connection to each utility network will be 150 meters (492 feet) long.
- Will be used for general storage, such as of books or stationery (not for goods requiring special conditions).
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

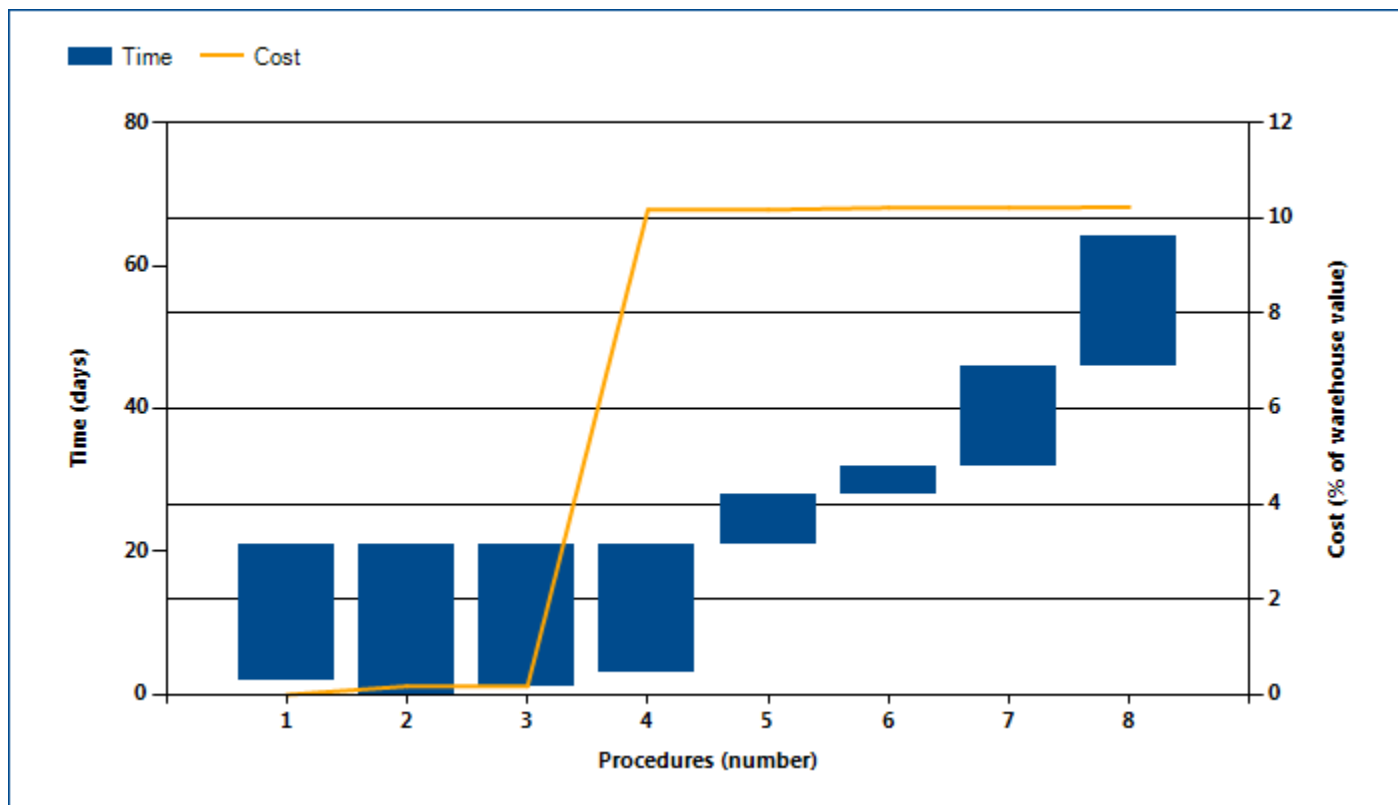
DEALING WITH CONSTRUCTION PERMITS

Where does the economy stand today?

What does it take to comply with the formalities to build a warehouse in Ukraine? According to data collected by *Doing Business*, dealing with construction permits there requires 8.0 procedures, takes 64.0 days and costs 10.2% of the warehouse value (figure 3.1). Most indicator sets refer to a case scenario in the largest business city of an

economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

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



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

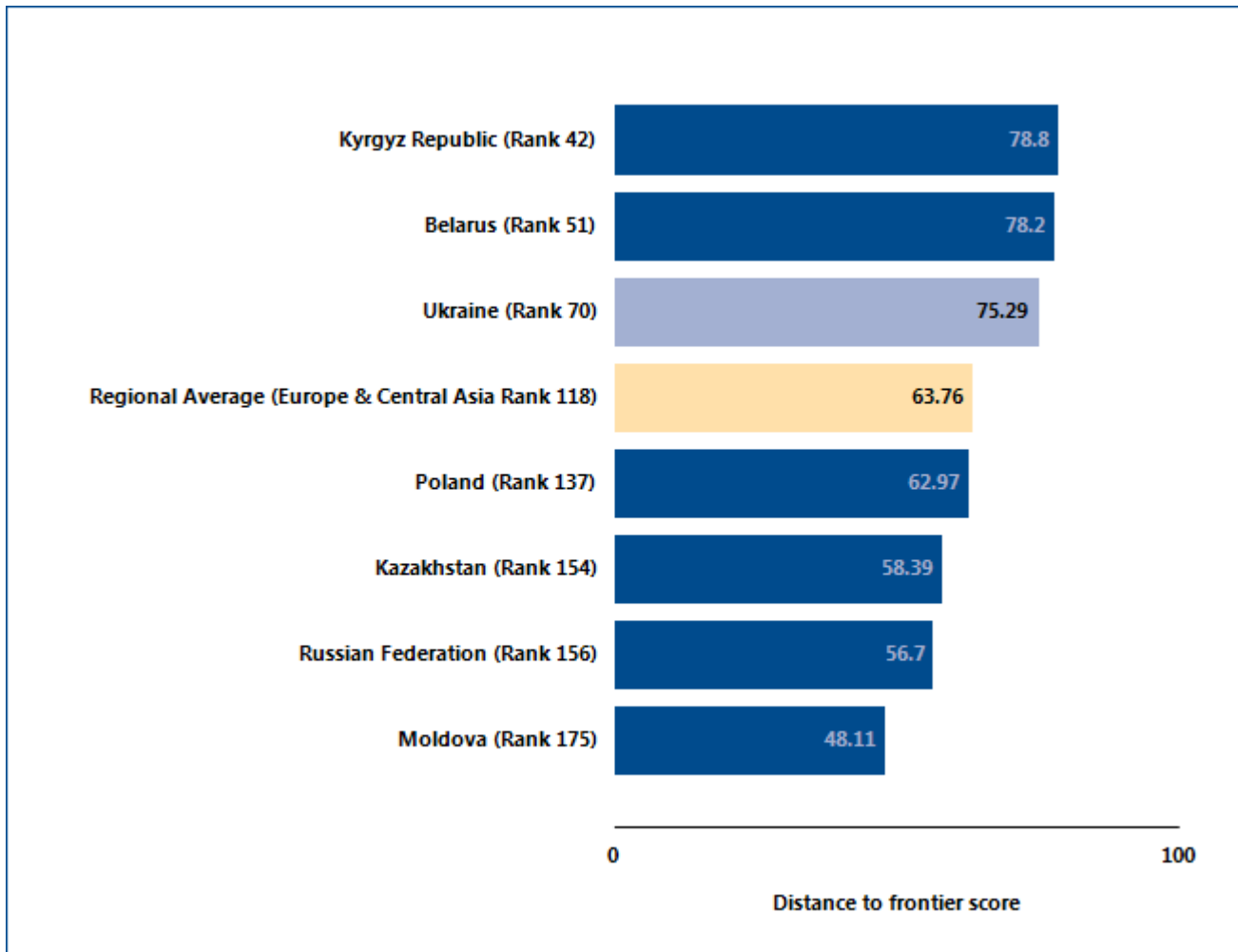
Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

Globally, Ukraine stands at 70 in the ranking of 189 economies on the ease of dealing with construction permits (figure 3.2). The rankings for comparator

economies and the regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Ukraine to legally build a warehouse.

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



Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

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

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

Table 3.1 How has Ukraine made dealing with construction permits easier—or not?

By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2011	Ukraine made dealing with construction permits easier by implementing national and local regulations that streamlined procedures.
DB2014	Ukraine made dealing with construction permits easier by introducing a risk-based approval system, eliminating requirements for certain approvals and technical conditions and simplifying the process for registering real estate ownership rights.

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

Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

What are the details?

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

BUILDING A WAREHOUSE

Estimated cost of construction : UAH 1,632,940

City : Kiev

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

Table 3.2 Summary of time, cost and procedures for dealing with construction permits in Ukraine -

No.	Procedure	Time to complete	Cost to complete
1	<p>Request and obtain urban planning specifications and requirements for land plot development</p> <p>To obtain urban development specifications and requirements, BuildCo submits the documents (to the Main Department of Architecture and Urban Planning of the Kyiv City State Administration) provided by the Law on Urban Planning, Order Ministry of Regional Development dated July 07, 2011. № 109 "On approval of the provision of urban conditions and restrictions land development, their structure and content" and the Cabinet of Ministers of Ukraine of December 07, 2005 № 1176.</p> <p>The architectural and technical objectives/conditions are part of the input data needed for designing the project.</p> <p>Resolution 489 of the Cabinet of Ministers "On Approval of the Procedure for Issuance of the Benchmark Data for the Designing of Town Planning Objects" dated May 20, 2009 develops provisions of Law of Ukraine No. 509-VI dated September 16, 2008. Under Regulation No. 489, the benchmark data include:</p> <ul style="list-style-type: none"> • City planning conditions • Technical conditions • Design assignment <p>The city planning conditions and restrictions are based on the respective city development rules (Rules of Development of Kiev City). These should not interfere with the engineering and architectural solutions of the project, unless only required by the need to protect the existing architectural, historical or cultural environment. The form of the city planning conditions and restrictions has been approved by the same Regulation No. 489. In order to obtain the city planning conditions and restrictions, BuildCo should submit to the Main Department of the City-Planning, Architecture and Urban Environment Design of the Kiev City State Administration the application together with the notarized copies of its foundation documents and of the documents confirming its land title as well as pre-design documents, if</p>	9 days	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>any.</p> <p>The documents are checked for compliance with the city development rules (Rules of Development of Kiev City) within 10 days upon receipt of the documents. In case of the positive outcome of such a compliance check, the city planning conditions and restrictions are issued to the developer (BuildCo) within 2 weeks. If, however, the outcome is negative, the respective conclusion and recommendations on elimination on noncompliance is issued within a one-month term. If the developer's intention to construct the property does not comply with the city planning documentation, it can initiate the proceeding for the amendment of such documentation by filing a respective application with the Main Department of the City-Planning, Architecture and Urban Environment Design of the Kiev City State Administration which decides on the matter within 2 weeks in coordination with the relevant bodies (land resources, environmental and cultural protection authorities, sanitary and epidemiological stations) and submits its respective proposals to the Kiev City Council for the final approval. The implementation of the relevant practice of issuing city planning conditions and restrictions to developers has already started in Kiev. Upon obtaining of the city planning conditions and restrictions, the developer should apply for the technical conditions.</p> <p>These include the data on engineering and utility servicing of the to-be constructed property (the warehouse), including the sources of supply, connection points as well as the basic engineering parameters of the property.</p> <p>The city planning conditions and restrictions as well as the technical conditions are valid until completion of construction, but for the term not less than 2 and not longer than 5 years and they can be extended at the request of the developer. The design assignment should comply with the city planning conditions and terms and refine the benchmark for design, with account for the specific features of the project. The design assignment is developed and approved by the developer and is provided to the general designer for the project.</p> <p><i>Agency: Chief Department of Town-Planning, Architecture and Urban Environment Design of the Kiev City State Administration</i></p>		
2	<p>* Request and obtain technical terms and conditions from water and sewage authority</p> <p>The application must include the plan, information on the expected volume of water and sewerage system use, and basic characteristics of the building.</p> <p>A fee estimated to UAH 2,895.00 might be paid by BuildCo. The calculation of such fees is based on estimated labor expenditures in accordance with the Rules on using the central sewerage and water supply systems as approved by Order of Ministry of Housing and Communal Services of Ukraine No. 190, from June 27, 2008 as further amended.</p> <p><i>Agency: Kyivvodokanal Joint Stock Company</i></p>	21 days	UAH 2,895

No.	Procedure	Time to complete	Cost to complete
3	<p>* Request and obtain technical terms and conditions from the State Service of Ukraine for Emergency Situations</p> <p>According to the Decree of the Ministry of Defense of Ukraine from November 14, 2013 № 771 "On approval of rules on providing technical conditions on fire and technological security for engineering provisions of construction projects" the technical conditions for fire and technological safety are provided by the State Service of Ukraine for Emergency Situations and its territorial bodies free of charge within 15 working days from the date of receipt of the application.</p> <p><i>Agency: State Service of Ukraine for Emergency Situations</i></p>	19 days	no charge
4	<p>* Contribution to the city social and engineering-transport infrastructure</p> <p>As of January 27, 2007 according the Resolution of the Cabinet of Ministers of Ukraine, No. 40 which updates the Decree of Kiev City Council from February 27, 2003 "On shared participation (shares) of investors (Building Owners) creation of city social and engineering-transport infrastructure in Kiev City", the building which is set into operation will be approved only after paying the obligatory share of participation fees of investor into development of social, civil, engineering and traffic infrastructure of the city of Kyiv. The amount of such contribution is defined by the Chief Department of Economics and Investments of the Kyiv Municipal State Administration in certificate on approval on the stage of elaborating the project documentation.</p> <p>According to Law of Ukraine "On Alteration of Some Legislative Acts of Ukraine Regarding Assistance of the Construction", dated September 16, 2008, No. 509-VI, there is a new order on paying the contribution to the city social and engineering-transport infrastructure. This amends the relevant Law of Ukraine "On the Planification and Building-up of the Territories", dated April 20, 2000, No. 1699-III. Under this amendment the following main features are introduced:</p> <ul style="list-style-type: none"> • BuildCo should sign agreement with local municipal council (the Kyiv City Administration), where the terms of paying contribution to the city social and engineering-transport infrastructure (hereinafter -- "contribution payment") is to be stipulated; such agreement should be signed before building permit obtaining • BuildCo should pay contribution payment after finishing the warehouse construction, but not later than one month after it • Contribution payment should not exceed 10% of warehouse construction budget (4% for residential buildings), excluding expenses related to obtaining the land plot for construction, installation building utility facilities and transport communications. • If technical terms and conditions establish need for building new utility facilities outside of the land plot, the amount of contribution payment should be decreased by the cost of such expenses. • Contribution payment should not be charged for rendering services, 	1 day	UAH 163,294

No.	Procedure	Time to complete	Cost to complete
	<p>performing of works or transferring of any assets for benefits of local authorities.</p> <p>The Decision of Kyiv City Council, dated December 302012 No.573/5385 stipulates special conditions for calculating contribution payment in paragraph 6.1:</p> <p>$B_{ob} = n_j * s * k$, where:</p> <p>B_{ob} - the amount of share participation developer (investor) for the construction project in the j-industry and national economic complex of the city;</p> <p>n_j - standard amount of share participation developers (investors) in the creation of social, engineering and transport infrastructure of the city of Kiev with the assessment of the socio-economic value of construction projects for the city in the j-industry and national economic complex, their function;</p> <p>s - the total area of the object for which the contribution rate is determined;</p> <p>k - summarizing the correction factor.</p> <p>Generalizing the correction factor (k) is calculated for the following formula:</p> <p>from $k = k_z * I_i$, wherein</p> <p>k_z - zonal coefficient;</p> <p>I_i - an index that takes into account inflation since 01.01.2009 before the month in which the calculation is carried out.</p> <p>It should be noted that the standard unit of investor participation in the construction of a warehouse in the tables in Appendix 16 is not defined. This structure can be regarded as "other non-residential premises" in the table. 2, for which the norm is 45.6 USD per 1 m. m total area, or "other production areas" in the table. 3, for which the standard 54.4 USD per 1 m. of the total area.</p> <p>Zonal coefficient depending on the area of construction as shown in Table 4 will be from 1 to 2.5 (areas where, in practice, are built warehouses), however, coefficient 2 would be most likely for the areas where warehouses are built.</p> <p>Inflation index since 2009 (according to the State Statistics Committee) is 132.</p> <p>The amount of share participation in the construction of a warehouse area of 1,300.6 square meters will be: $B_{ob} = 54.4 * 1300.6 * 1.32 * 2 = 186,787$.</p> <p>However, since this amount exceeds the 10% of the construction value, the contribution would be limited to 10% of the warehouse value.</p> <p><i>Agency: Kiev City Administration</i></p>		

No.	Procedure	Time to complete	Cost to complete
5	<p>Submit declaration of the beginning of construction works</p> <p>The procedure is regulated by the Law of Ukraine "On regulation of urban development" of March 12, 2011. BuildCo must notify the State Inspection of Architecture and Construction Control in Kiev about the start of construction works before it is allowed to conduct any construction activities. According to Article 36 of the Law, applicant shall obtain the right to perform construction work on objects related to I - III categories of complexity (including warehouse, which falls under the category II building), after the registration of the declaration of the beginning of construction work.</p> <p>In accordance with the Cabinet of Ministers of Ukraine "Some questions of preparatory and construction works" № 466 dated April 13, 2011, the declaration must be registered at the Inspectorate of State Architectural and Construction Control in Kiev within 5 working days from the date of submission. If inspection is not registered within the prescribed period, the applicant on the basis of "tacit consent" acquires the right to perform construction work on the 11th working day from the date when the declaration had to be registered or returned.</p> <p><i>Agency: State Inspection of Architecture and Construction Control in Kiev</i></p>	7 days	no charge
6	<p>Request and connect to water and sewage services</p> <p>The exact total price and other terms for connection the warehouse to water and sewage services should be stipulated in the agreement between the BuildCo as the customer and Kyivvodokanal Joint Stock Company as the supplier on the basis of project documentation elaborated for the purpose of connection. Therefore the cost provided above should be deemed as an average approximate cost.</p> <p><i>Agency: Kyivvodokanal Joint Stock Company</i></p>	4 days	UAH 700
7	<p>Prepare and submit declaration of readiness to operate the constructed warehouse to the State Inspection of Architectural and Building Control</p> <p>The procedure for obtaining permission to start the operation of a newly constructed building is regulated by the Resolution of the Cabinet of Ministers of Ukraine dated April 13, 2011 № 461 on "The acceptance of the completed construction projects" and the Law of Ukraine "On regulation of urban development." The case study warehouse will be assigned to category II or III of complexity. According to the above regulations, and laws, the acceptance for operation of building within categories I-III is carried out by the registration at the State Inspection of Architecture and Construction Control and its territorial bodies. The builder has to file a declaration of readiness to put the newly constructed building into operation. Registration of the declaration of readiness is done free of charge within 10 working days from the date of application. The date of acceptance of a building in the I-III categories of complexity is the date of registration of the declaration of readiness.</p>	14 days	no charge

No.	Procedure	Time to complete	Cost to complete
	<i>Agency: State Inspectorate</i>		
8	<p>Register the warehouse with the Registration Service of the Chief Department of Justice in the City of Kyiv</p> <p>The issuance of the ownership certificate and the registration of ownership rights are done with the same authority, during one single procedure. Effective January 1, 2013, the procedure for property registration was changed due to amendments to the Law "On State Registration of Property Rights to Real Estate and Their Encumbrances" as of July 1st 2004 No. 1952-VI. By this reform, the registration of ownership rights to real estate is conducted according to the "Procedure on State Registration of Property Rights to Real Estate and Their Encumbrances" as approved by the Resolution of the Cabinet of Ministers of Ukraine as of June 22nd 2011, No. 703.</p> <p>With this reform, the power to conduct the state registration of ownership rights to real estate and issue such title documents to real estate as the ownership certificates has been transferred to the State Registration Service of Ukraine, which is coordinated by the Ministry of Justice of Ukraine. The registration shall be performed within the new State Register of Property Rights to Real Estate.</p> <p>Upon performance of the state registration of ownership rights to warehouse, the BuildCo shall obtain: (1) the certificate confirming ownership rights to real property, and (2) extract from the State Register of Property Rights to Real Estate, both issued by Registration Service of the Chief Department of Justice in the city of Kyiv. The term for state registration of the BuildCo's ownership rights to warehouse shall not exceed 14 business days as from the date of filing the application by BuildCo.</p> <p>In accordance with the amendments to the Decree of the Cabinet Ministers of Ukraine No. 7-93 as of 21 January 1993 "On State Duty", the state duty to be paid by BuildCo for state registration equals to 7 tax-exempt minimum incomes, which amounts to UAH 119. In addition, BuildCo must pay UAH 120 for the ownership certificate.</p> <p><i>Agency: Registration Service of the Chief Department of Justice in the City of Kyiv</i></p>	18 days	UAH 239

* 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 of economies on the ease of getting electricity is determined by sorting their distance to frontier scores for getting electricity. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, several assumptions are used.

The warehouse:

- Is owned by a local entrepreneur, located in the economy's largest business city, in an area where other warehouses are located. For the 11 economies with a population of more than 100 million, data for a second city have been added.
- Is not in a special economic zone where the connection would be eligible for subsidization or faster service.
- Is located in an area with no physical constraints (ie. property not near a railway).
- Is a new construction being connected to electricity for the first time.
- Is 2 stories, both above ground, with a total surface of about 1,300.6 square meters (14,000 square feet), is built on a plot of 929 square meters (10,000 square feet), is used for storage of refrigerated goods

The electricity connection:

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

WHAT THE GETTING ELECTRICITY INDICATORS MEASURE

Procedures to obtain an electricity connection (number)

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

Time required to complete each procedure (calendar days)

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

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

- Official costs only, no bribes
- Excludes value added tax
- Is to either the low-voltage or the medium-voltage distribution network and either overhead or underground, whichever is more common in the area where the warehouse is located. Included only negligible length in the customer's private domain.
- 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 26880 kilowatt hour (kWh). The internal electrical wiring has been completed.

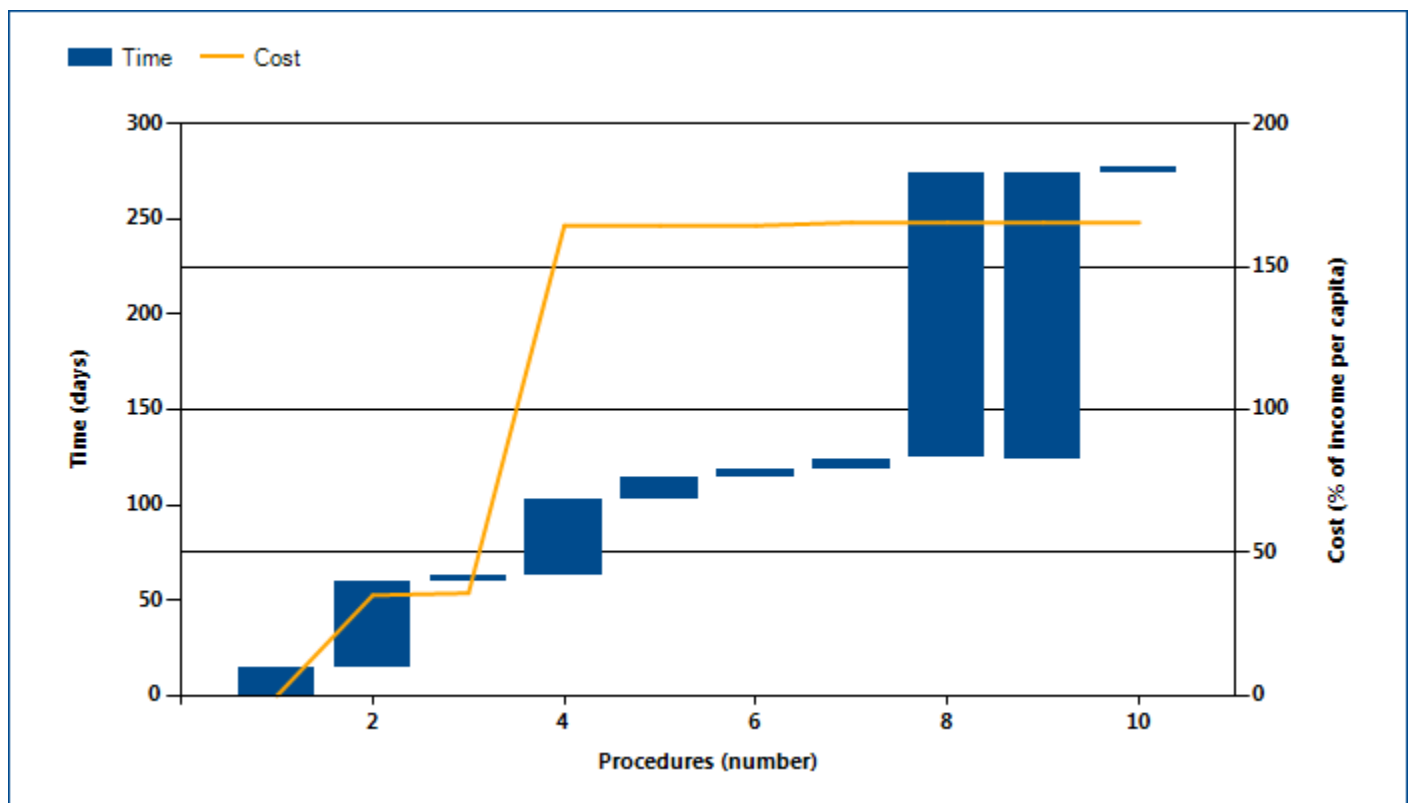
GETTING ELECTRICITY

Where does the economy stand today?

What does it take to obtain a new electricity connection in Ukraine? According to data collected by *Doing Business*, getting electricity there requires 10.0 procedures, takes 277.0 days and costs 165.5% of income per capita (figure 4.1).

Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

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



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

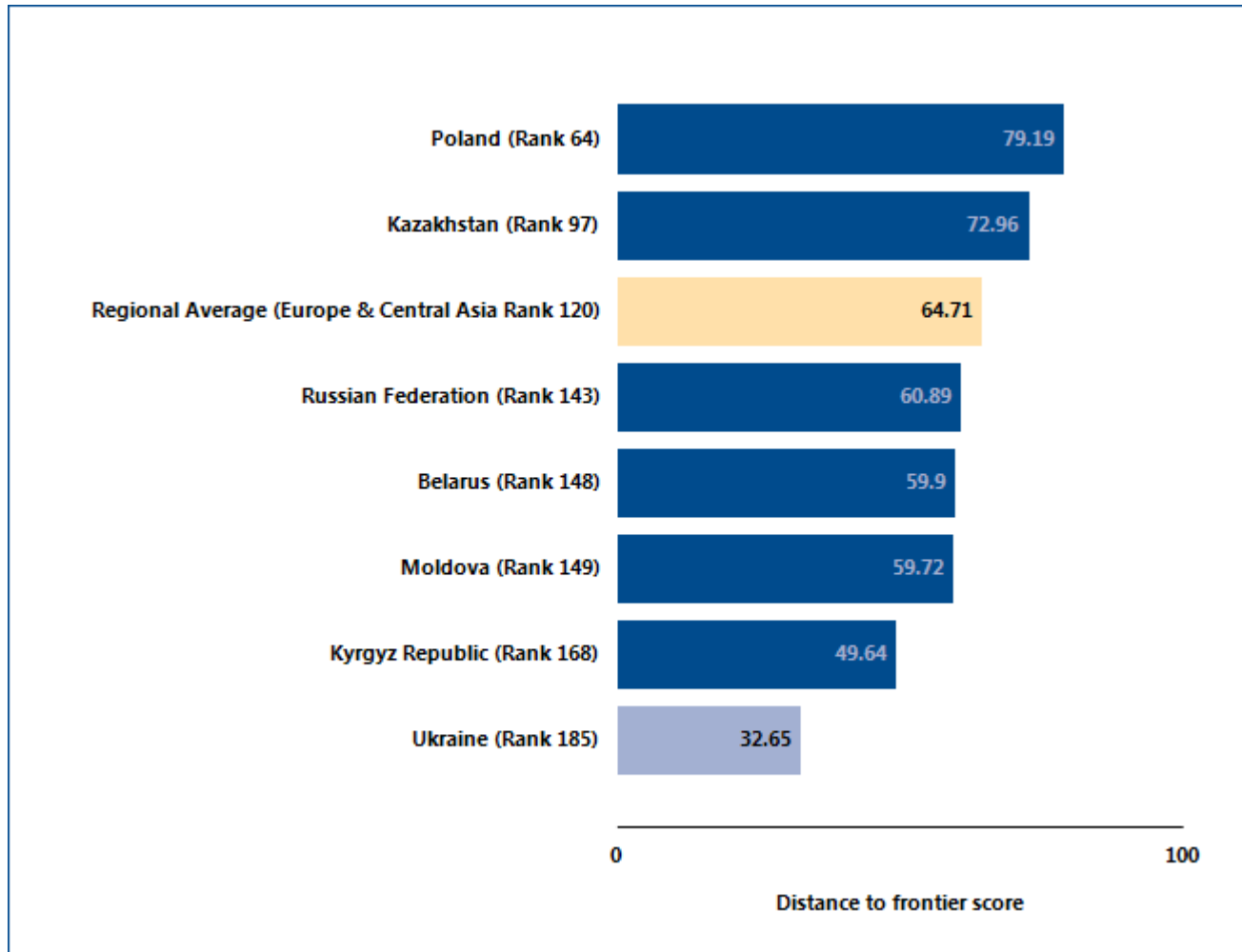
Source: *Doing Business* database.

GETTING ELECTRICITY

Globally, Ukraine stands at 185 in the ranking of 189 economies on the ease of getting electricity (figure 4.2). The rankings for comparator economies and the regional

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

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



Source: Doing Business database.

GETTING ELECTRICITY

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

ensure safety in the connection process while keeping connection costs reasonable, governments around the world have worked to consolidate requirements for obtaining an electricity connection. What reforms in getting electricity has *Doing Business* recorded in Ukraine (table 4.1)?

Table 4.1 How has Ukraine made getting electricity easier—or not?

By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2014	Ukraine made getting electricity easier by streamlining the process for obtaining a new connection.

Source: *Doing Business* database.

GETTING ELECTRICITY

What are the details?

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

OBTAINING AN ELECTRICITY CONNECTION

Name of utility: JSC Kievenergo

City: Kiev

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.

Table 4.2 Summary of time, cost and procedures for getting electricity in Ukraine -

No.	Procedure	Time to complete	Cost to complete
1	<p>Submit an application for connection to Kievenergo and await technical conditions and conclude supply contract</p> <p>The customer submits to Kievenergo an application for an electricity connection. Attached to the application the customer has to submit a number of documents: a letter with a company seal requesting the connection, bank details of the applicant, company statute, registration certificate from the tax authorities, registration certificate of the company, certificate stating that the company is included in the national company registry, document stating the appointment of the CEO, property ownership certificate and location plan of the property to be connected. After reviewing the application Kievenergo issues technical conditions. The technical conditions concern only the external connection. In general they may include instructions for construction of a new substation; lining of high-voltage and low-voltage cables; in a case of reconstruction works - participation of the subscriber in the given actions.</p> <p>The application for technical conditions is submitted to the Department of Development (департамент перспективного розвитку) at Kievenergo which is then internally passed on to the Regional Office in the particular area of Kiev where the warehouse is located and the regional office determines the point of connection. Technicians in the Regional offices know the network and the substations in their area very well and usually do not need to visit the site for preparation of technical conditions. At this point the connection contract is concluded which outlines the responsibilities between the customer and the utility.</p> <p><i>Agency: Kievenergo</i></p>	15 calendar days	UAH 0

No.	Procedure	Time to complete	Cost to complete
2	<p>Await completion and approval of the external connection design by a private electrical design company</p> <p>Once the technical conditions are issued the customer hires a licensed project design company to prepare the electrical project design of the external connection. As part of the project design the company prepares a topogeodesic plan (топогеодезическую съемку М 1:500). The topogeodesic plan is prepared to determine the technical aspects of running cable through the landscape. At the same time the project design firm develops a project on the protection against corrosion of 10 kV cables if installation of a substation is required. These plans are developed simultaneously with the general electrical project design of the external connection.</p> <p>While the project is being developed the approval of the location of the substation connection to the network and/or the route of the cable 10 kV and 0.4 kV has to be obtained from Kievenergo and from the Main Architectural Planning Organization. At this point the customer should have an operation permit for the warehouse or Main Plan with the Landscape Allocation Plan. The approvals are obtained by the project design firm.</p> <p>If a substation is required before the project design is submitted for approval to Kievenergo it will have to be approved at the State Energy Inspectorate (Energonadzor/“Dergenergonaglyadu”).</p> <p>Considering the load (140 kW) when receiving an approval of the project of external connection from Kievenergo it is required to attach the project of the internal wiring of the warehouse which at this point should be approved as part of the general architectural design of the warehouse.</p> <p>While the project is being developed the approval of the location of the substation connection to the network and/or the route of the cable 10 kV and 0.4 kV has to be obtained from Kievenergo and from the Main Architectural Planning Organization. At this point the customer should have an operation permit for the warehouse or Main Plan with the Landscape Allocation Plan. The approvals are obtained by the project design firm.</p> <p>If a substation is required before the project design is submitted for approval to Kievenergo it will have to be approved at the State Energy Inspectorate (Energonadzor/“Dergenergonaglyadu”).</p>	45 calendar days	UAH 11,474.44

No.	Procedure	Time to complete	Cost to complete
	<p>Considering the load (140 kW) when receiving an approval of the project of external connection from Kievenoergo it is required to attach the project of the internal wiring of the warehouse which at this point should be approved as part of the general architectural design of the warehouse.</p> <p><i>Agency: Project design firm</i></p>		
<p>3</p>	<p>Obtain an excavation permit at the Head Directorate for Control of Maintenance of Kiev.</p> <p>Electrical contractor obtains the permit.</p> <p><i>Agency: Head Directorate for Control of Maintenance of Kiev</i></p>	<p>3 calendar days</p>	<p>UAH 250</p>
<p>4</p>	<p>Await completion of the external connection works</p> <p>Once the external connection design is ready and approved the external connection works can be carried out by a company which has licenses for external electrical connection works, for installing, testing and preparing substations 10/0.4 kV, for running 10 and 0.4 kV cable and which also has a certificate from an electrotechnical laboratory to take electrical measurements and to test high voltage equipment. If the customer hires a qualified electrical contractor he will have all of the above licenses.</p> <p>In addition, the customer or the electrical contractor should have on their team an employee who has special certificate (level 5) for dealing with high voltage equipment.</p> <p>The installed 10 and 0.4 kV cable lines have to be transferred to the city as "Underground Communication" and the electrical contractor has to obtain technical certificates for the lines. First the electrical contractor has to visit the Main Architectural Planning Organization then Regional Cable Lines and then finally submit the whole package of documents to the Department of Development at Kievenoergo and receive there the technical certificate.</p> <p>After the external connection works are finished electrical measurements have to be taken, and the cable lines, transformer and other electrical equipment including internal wiring have to be tested by the electrical contractor. After the testing the electrical contractor prepares a package of technical documents (more than 20 different documents).</p> <p><i>Agency: Private electrical contractor</i></p>	<p>40 calendar days</p>	<p>UAH 41,977</p>

No.	Procedure	Time to complete	Cost to complete
5	<p>Await and obtain an inspection by the Acceptance Committee (приемочная комиссия Государственного Архитектурно-Строительного Контроля) of the Inspectorate of the State Architecture and Construction control</p> <p>The Committee consists of different members from government construction organizations. Kievenergo can be one of the members. The Committee checks the external installation and internal wiring. They accept the installation for operation (прием в эксплуатацию) and issue an Act for the final operation. The inspection is related to the operation of the whole building but the Committee checks the electrical part as well.</p> <p><i>Agency: Acceptance Committee</i></p>	11 calendar days	UAH 0
6	<p>Await and obtain an external inspection carried out by Kievenergo Energosbyt</p> <p>Kievenergo supply checks the meters.</p> <p><i>Agency: Kievenergo Energosbyt</i></p>	5 calendar days	UAH 0
7	<p>Await and obtain an external inspection carried out by the State Inspectorate for Protection of Workers</p> <p>The State Inspectorate for Protection of Workers inspects the completed external connection works. Someone from the applicant's party has to be present.</p> <p><i>Agency: State Inspectorate for Protection of Workers</i></p>	5 calendar days	UAH 350
8	<p>Conclude a supply contract with Kievenergo (Energosbyt) and a contract for maintenance of the installed substation</p> <p>To receive all the approvals required for energization (see next procedures) the customer has to first conclude a supply contract with Kievenergo (Energosbyt). The supply contract can be concluded only after all the inspections above are completed.</p> <p>The documents for the supply contract can be sent by mail. It is required to submit a number of documents regarding internal wiring including a</p>	20 calendar days	UAH 0

No.	Procedure	Time to complete	Cost to complete
	<p>Technical Report of the tests of the internal wiring which should be completed after the internal wiring was finished by an electrician.</p> <p><i>Agency: Energosbyt (Kievenergo)</i></p>		
9	<p>* Await issuance of various approvals from various departments of Kievenergo required for energization</p> <p>Once the supply contract is concluded the electrical contractor obtains from Kievenergo a package of documents which includes a form specifying all the electrical parameters of the substation, its plan, approvals from the Inspectorates and a form which has to be signed in 14 to 15 various departments of Kievenergo to obtain a permission to turn the substation on and connect it to the 10 kV line.</p> <p><i>Agency: Kievenergo</i></p>	150 calendar days	UAH 0
10	<p>Submit a request to Kievenergo for a power turn on and electricity starts flowing</p> <p>Once the form is signed at all the department of Kievenergo the customer submits all the approvals and forms to the dispatcher department of Kievenergo. The dispatcher department processes the order which permits it to turn off the 10 kV cable line, do the testing of the high voltage cable and finally turn on the electricity for the substation.</p> <p><i>Agency: Kievenergo</i></p>	3 calendar days	UAH 0

* Takes place simultaneously with another procedure.

Source: Doing Business database.

REGISTERING PROPERTY

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

What do the indicators cover?

Doing Business records the full sequence of procedures necessary for a business to purchase property from another business and transfer the property title to the buyer's name. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it. The ranking of economies on the ease of registering property is determined by sorting their distance to frontier scores for registering property. These scores are the simple average of the distance to frontier scores for each of the component indicators. 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 and perform general commercial activities.
- Are located in the economy's largest business city².
- Have 50 employees each, all of whom are nationals.

The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Is registered in the land registry or cadastral, or both, and is free of title disputes.
- 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 city²

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 recorded as ½ day.

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

- Is located in a periurban commercial zone, and no rezoning is required.
- Has no mortgages attached, 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.

² For the 11 economies with a population of more than 100 million, data for a second city have been added.

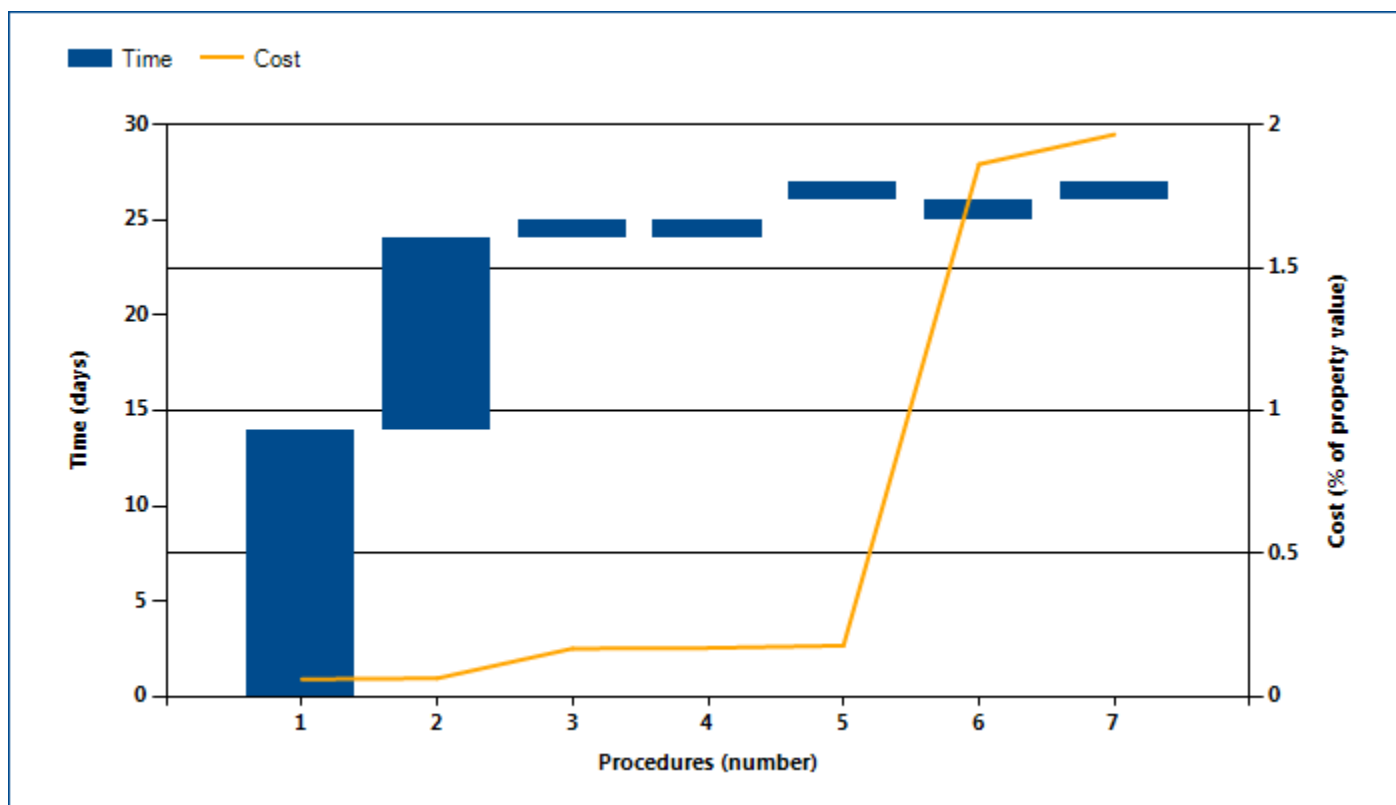
REGISTERING PROPERTY

Where does the economy stand today?

What does it take to complete a property transfer in Ukraine? According to data collected by *Doing Business*, registering property there requires 7.0 procedures, takes 27.0 days and costs 2.0% of the property value (figure 5.1).

Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 5.1 What it takes to register property in Ukraine -



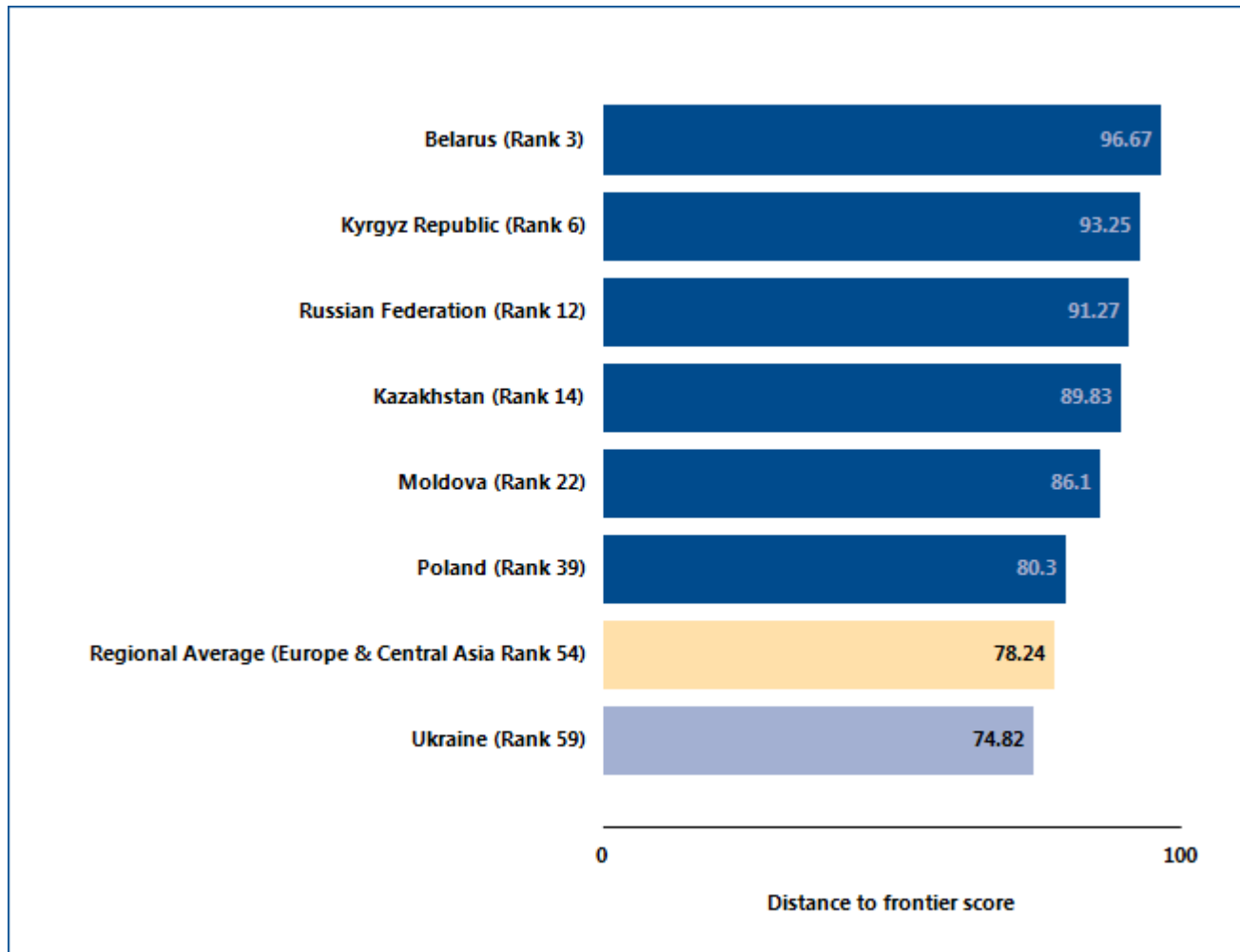
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the registering property indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For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

REGISTERING PROPERTY

Globally, Ukraine stands at 59 in the ranking of 189 economies on the ease of registering property (figure 5.2). The rankings for comparator economies and the

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

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



Source: Doing Business database.

REGISTERING PROPERTY

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

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

Table 5.1 How has Ukraine made registering property easier—or not?
By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2013	Ukraine made property transfers faster by introducing an effective time limit for processing transfer applications at the land cadastre in Kiev.
DB2014	Ukraine made transferring property easier by streamlining procedures and revamping the property registration system.

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

Source: *Doing Business* database.

REGISTERING PROPERTY

What are the details?

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

STANDARD PROPERTY TRANSFER

Property value: UAH 1,632,940

City: Kiev

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

Table 5.2 Summary of time, cost and procedures for registering property in Ukraine

No.	Procedure	Time to complete	Cost to complete
1	<p>Evaluation of the price of the land</p> <p>The document on evaluation of the price of land can be provided either by the local divisions of the State Centre of the Land Cadastre, or by the legal entities that are licensed by the State Centre of the Land Cadastre for providing such services. In Kiev, such service would cost around 300 UAH (around 60 USD) and take minimum 2 weeks. The procedure of evaluation of the price of land is quite complex, it includes land inspection, market research, etc. Evaluation of the price of land is required before the notarization of the agreement.</p> <p><i>Agency: Center of State Land Cadastre</i></p>	14 days	UAH 1,000
2	<p>Obtain an extract from the State Center of the Land Cadastre</p> <p>The extract from State Land Cadastre contains full information about the land plot (owner, location, use restrictions, encumbrances etc). The notary may not attest the agreement without such extract. The procedure is governed by Article 38 of the Registration Law and Paragraphs 162 - 186 of the CMU Resolution No 1051. While the CMU Resolution No 1051 allows the notary to obtain the extract electronically, this option is not available for technical reasons. The Seller shall submit the following documents to obtain the extract:</p> <ul style="list-style-type: none"> - application in accordance with established form; 	10 days	UAH 53

No.	Procedure	Time to complete	Cost to complete
	<p>- document confirming payment of fee for issuance of the extract;</p> <p>- document confirming powers of the person to request and obtain the extract.</p> <p>In addition to the above documents, the Seller shall present original document confirming ownership rights to the land plot (e.g. a state act of ownership rights) and personal identification document. The extract is valid for 3 months."</p> <p><i>Agency: Chief Department of the State Agency of Land Resources in the City of Kyiv</i></p>		
3	<p>Notary registers ownership rights for seller in the new State Register of Property Rights to Immovable Property</p> <p>"From January 01, 2013, a new State Register of Property Rights to Immovable Property ("Register of Property Rights") has been launched. Unlike the State Land Cadastre, which automatically absorbed information about all existing land plots from the (no longer active) State Register of Lands, the Register of Property Rights does not contain information about the ownership rights to immovable property which have been registered before January 01, 2013. For this reason, prior to execution of the Property sale and purchase agreement, the Seller has to register ownership rights to the Property in the new Register of Property Rights.</p> <p>Registration of Seller's ownership rights to the Property is performed by the notary attesting the sale and purchase agreement. The Seller shall provide to the notary:</p> <ul style="list-style-type: none"> - ownership documents to the Property; - application in accordance with established form; - documents confirming payment of registration fees. 	Less than a day (online procedure)	UAH 1700

No.	Procedure	Time to complete	Cost to complete
	<p>The notary: (1) checks the Seller's ownership documents; (2) records Seller's ownership rights in the Register of Property Rights;</p> <p>and (3) issues an extract from the Register of Property Rights confirming Seller's ownership rights to the Property. "</p> <p><i>Agency: Notary</i></p>		
<p>4</p>	<p>Obtain extract from the State Register of Encumbrances over movable property</p> <p>The notary will verify through this procedure that the tax authorities have not registered a security interest over the real property. Since January 2013, the notaries can obtain this information online.</p> <p><i>Agency: Notary</i></p>	<p>Less than a day (online procedure)</p>	<p>UAH 34</p>
<p>5</p>	<p>Check for encumbrances at the State Registry of Property Rights on Immovable Property</p> <p>"Notary searches the former State Register of Ownership Rights to Immovable Property, State Register of Mortgages, State Register of Immovable Property Alienation Bans and State Register of Encumbrances over Movable Property.</p> <p>From January 01, 2013, three state registers containing information about encumbrances on immovable property – (1) State Register of Mortgages; (2) State Register of Immovable Property Alienation Bans; and (3) State Register of Encumbrances over Movable Property (in respect of tax liens) – are inactive. These registers serve only as a source of information for the notary who transfers the relevant encumbrances from these registers to the Register of Property Rights upon first-time registration of ownership rights to immovable property in the Register of Property Rights (Procedure 4). Therefore, to verify encumbrances on the property ownership rights to which have been registered in the Register of Property Rights, the notary will search only in this register. This procedure takes one day and is performed on the same day on which the Property sale and purchase agreement is executed, prior to the execution of the agreement."</p> <p><i>Agency: Notary</i></p>	<p>Less than a days (online; simultaneous with procedures 6 & 7)</p>	<p>UAH 136</p>

No.	Procedure	Time to complete	Cost to complete
6	<p>* Preparation and notarization of the sale agreement (land and building) by the notary</p> <p>The sale purchase agreement of the building is notarized by a private or public notary. Notary's fees are agreed among parties. There could be one single agreement underpinning both sale of building and sale of land or be two separate agreements: the sale of building (warehouse) and the sale of land parcel. Parties can prepare the sale agreements by themselves before notarization, but usually the notary prefers to use his standard proforma. State Duty (fee) is paid to the notary and equals 1% of the transactional value of the building. The buyer of the building will also pay a special assessment in the amount of 1% of building's transactional value to the State Pension Fund. The buyer can make the payment to the State Pension Fund prior to the notarization of building sale agreement or provide the notary with the money to make such payment. The documentation shall include: • BTI Certificate (obtained in Procedure 1) • Ownership documents • Founding documents of the company • Decision with respect to the sale of the building (if necessary) • Extract from the State Land Cadastre, • Extracts from the Unified State Registry of Legal Persons and Physical Persons - Entrepreneurs (term - 2 days, cost - up to UAH 50, documents - copy of the passport and application, issuing authority - any State District Administration in the City (but it is recommended to obtain it in the administration in which respective legal person was registered)) • Act of evaluation of parcel of land obtained in Procedure 4, powers of attorney (if necessary) • Notary certifies agreement, makes inscription on the State Certificate on Land Ownership as to the transference of title over parcel of land to new owner, registers information as to the transaction in the Unified State Registry of Transactions and issues an extract from this registry on above mentioned transaction (cost of such extract approximately UAH 100)</p> <p><i>Agency: Notary</i></p>	1 day (simultaneous with procedures 5 & 7)	1% of the building value (stamp duty) + Contribution to pension fund = 1% of the transaction value (contribution to pension fund) + UAH 3000 notary fee.
7	<p>* Notary registers Buyer's ownership rights on the property in the Register of Property Rights</p> <p>"From January 01, 2013, the registration of ownership rights to immovable property (other than newly constructed building/newly allotted land plot in some other cases) is performed by notaries attesting the sale and purchase agreement (Articles 3.5, 9 of the Law of Ukraine "On State Registration of Property Rights to Immovable Property and Their Encumbrances").</p>	Less than a day (online procedure; simultaneous with procedures 5 & 6)	UAH 1,700

No.	Procedure	Time to complete	Cost to complete
	<p>Following notarial attestation of the Property sale and purchase agreement, the notary shall register Buyer's ownership rights to the Property in the Register of Property Rights. The procedure of registration is governed by Articles 15-24 of the Law of Ukraine "On State Registration of Property Rights to Immovable Property and Their Encumbrances" No 1952-IV of July 01, 2004, as restated and amended, and the Resolution of Cabinet of Ministers of Ukraine No 703 dated June 22, 2011, as amended ("CMU Resolution No 703"). The registration is performed by the notary based on the Buyer's application (in accordance with established form) and the Property sale and purchase agreement. Upon registration of Buyer's ownership rights to the Property, the notary issues an extract from the Register of Property Rights for the Buyer. "</p> <p><i>Agency: Notary</i></p>		

* Takes place simultaneously with another procedure.

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

Source: Doing Business database.

GETTING CREDIT

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

What do the indicators cover?

Doing Business assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a credit registry or a 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 two case scenarios, Case A and Case B, 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 (for more details on each case, see the Data Notes section of the *Doing Business 2015* report). These scenarios assume that the borrower:

- Is a private limited liability company.
- Has its headquarters and only base of operations in the largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.

WHAT THE GETTING CREDIT INDICATORS MEASURE

Strength of legal rights index (0–12)³

Rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

Depth of credit information index (0–8)⁴

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

Credit bureau coverage (% of adults)

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

Credit registry coverage (% of adults)

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

- Has up to 50 employees.
- Is 100% domestically owned, as is the lender.

The ranking of economies on the ease of getting credit is determined by sorting their distance to frontier scores for getting credit. These scores are the distance to frontier score for the strength of legal rights index and the depth of credit information index.

³ For the legal rights index, 2 new points are added in *Doing Business 2015* for new data collected to assess the overall legal framework for secured transactions and the functioning of the collateral registry.

⁴ For the credit information index, 2 new points are added in *Doing Business 2015* for new data collected on accessing borrowers' credit information online and availability of credit scores.

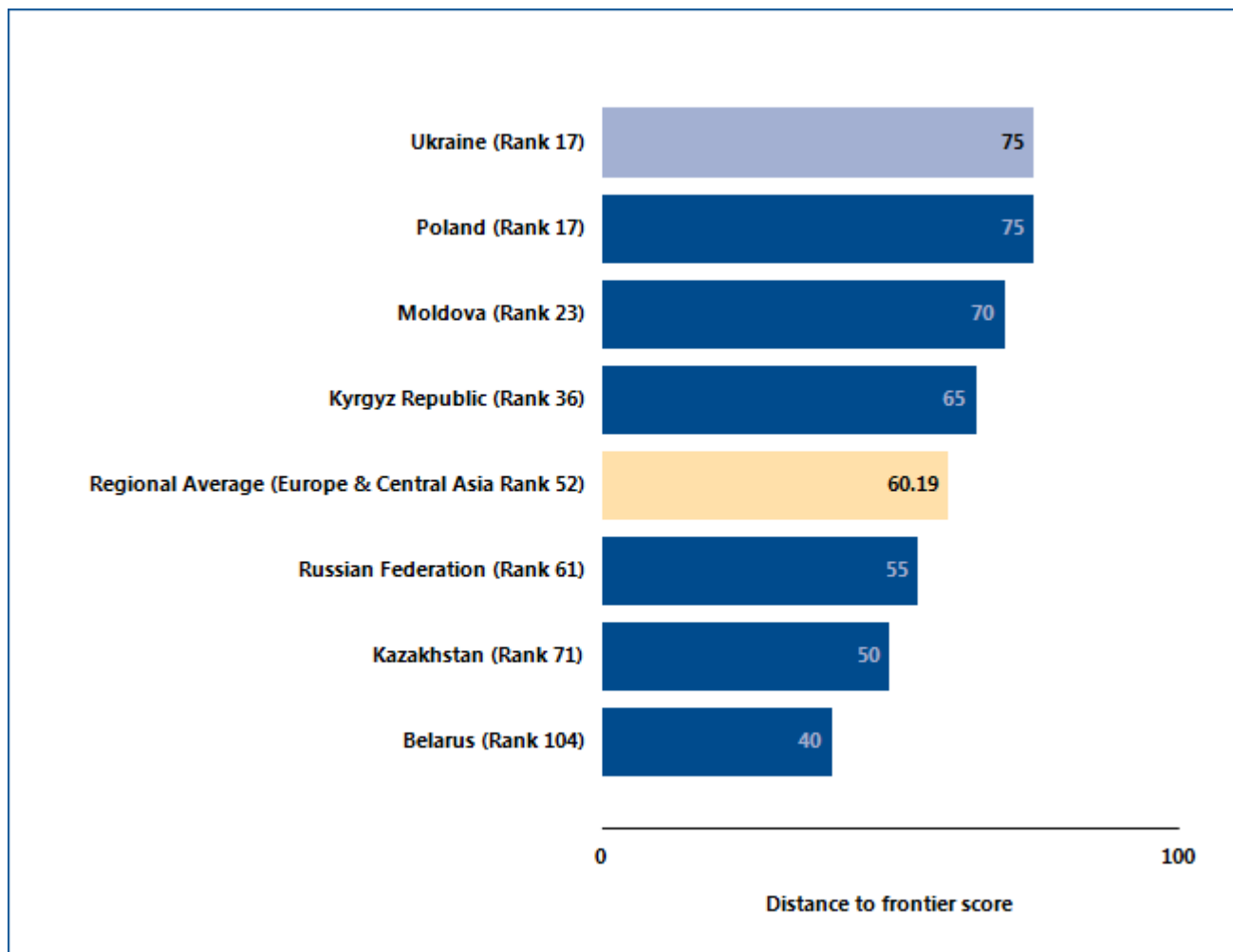
GETTING CREDIT

Where does the economy stand today?

How well do the credit information system and collateral and bankruptcy laws in Ukraine facilitate access to credit? The economy has a score of 7 on the depth of credit information index and a score of 8 on the strength of legal rights index (see the summary of scoring at the end of this chapter for details). Higher scores indicate more credit information and stronger legal rights for borrowers and lenders.

Globally, Ukraine stands at 17 in the ranking of 189 economies on the ease of getting credit (figure 6.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how well regulations and institutions in Ukraine support lending and borrowing.

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



Source: Doing Business database.

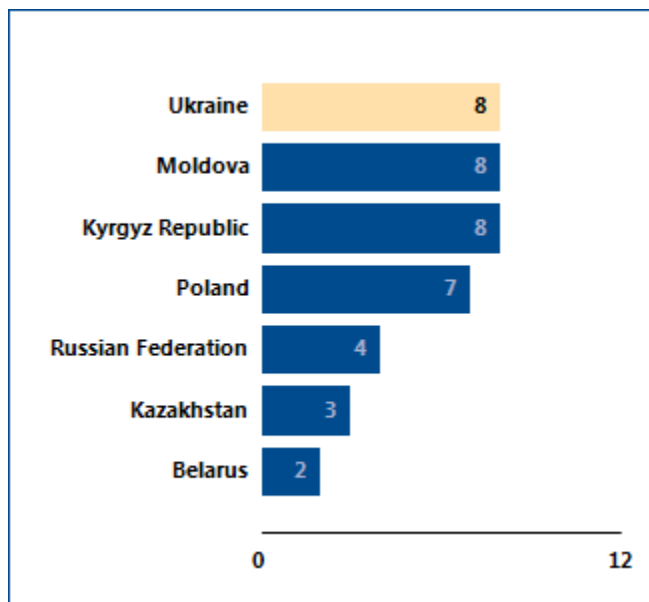
GETTING CREDIT

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

rights index for Ukraine and shows the scores for comparator economies as well as the regional average score. Figure 6.3 shows the same for the depth of credit information index.

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

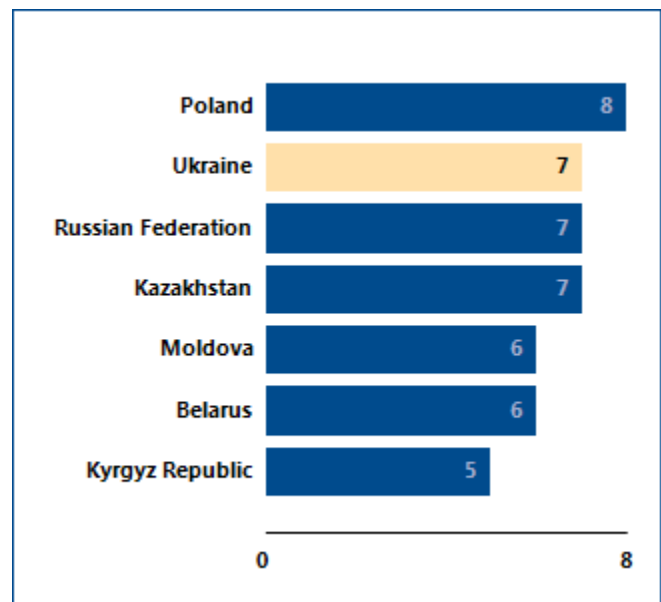
Economy scores on strength of legal rights index



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?

Economy scores on depth of credit information index



Note: Higher scores indicate the availability of more credit information, from either a credit registry or a credit bureau, to facilitate lending decisions. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.
Source: Doing Business database.

GETTING CREDIT

When economies strengthen the legal rights of lenders and borrowers under collateral and bankruptcy laws, and increase the scope, coverage and accessibility of credit

information, they can increase entrepreneurs' access to credit. What credit reforms has *Doing Business* recorded in Ukraine (table 6.1)?

Table 6.1 How has Ukraine made getting credit easier—or not?
By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2014	Ukraine improved access to credit information by collecting data on firms from financial institutions.

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

Source: *Doing Business* database.

GETTING CREDIT

What are the details?

The getting credit indicators reported here for Ukraine are based on detailed information collected in that economy. The data on credit information sharing are collected through a survey of a credit registry and/or credit bureau (if one exists). To construct the depth of credit information index, a score of 1 is assigned for each of 8 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 10 aspects related to legal rights in collateral law and 2 aspects in bankruptcy law.

Strength of legal rights index (0–12)	Index score: 8
Does an integrated or unified legal framework for secured transactions that extends to the creation, publicity and enforcement of functional equivalents to security interests in movable assets exist in the economy?	No
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	Yes
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	Yes
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets?	Yes
Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	Yes
Is a collateral registry in operation for both incorporated and non-incorporated entities, that is unified geographically and by asset type, with an electronic database indexed by debtor's name?	Yes
Does a notice-based collateral registry exist in which all functional equivalents can be registered?	No
Does a modern collateral registry exist in which registrations, amendments, cancellations and searches can be performed online by any interested third party?	No
Are secured creditors paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	Yes
Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated?	Yes
Are secured creditors subject to an automatic stay on enforcement when a debtor enters a court-supervised reorganization procedure? Does the law protect secured creditors' rights by providing clear grounds for relief from the stay and/or sets a time limit for it?	No

Strength of legal rights index (0–12)	Index score: 8
Does the law allow parties to agree on out of court enforcement at the time a security interest is created? Does the law allow the secured creditor to sell the collateral through public auction and private tender, as well as, for the secured creditor to keep the asset in satisfaction of the debt?	Yes

Depth of credit information index (0–8)	Credit bureau	Credit registry	Index score: 7
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative credit data distributed?	Yes	No	1
Are data from retailers or utility companies - in addition to data from banks and financial institutions - distributed?	No	No	0
Are at least 2 years of historical data distributed? (Credit bureaus and registries that distribute more than 10 years of negative data or erase data on defaults as soon as they are repaid obtain a score of 0 for this component.)	Yes	No	1
Are data on loan amounts below 1% of income per capita distributed?	Yes	No	1
By law, do borrowers have the right to access their data in the credit bureau or credit registry?	Yes	No	1
Can banks and financial institutions access borrowers' credit information online (for example, through an online platform, a system-to-system connection or both)?	Yes	No	1
Are bureau or registry credit scores offered as a value-added service to help banks and financial institutions assess the creditworthiness of borrowers?	Yes	No	1

Note: Prior to *Doing Business 2015*, the depth of credit information index covered only the first 6 features listed above. An economy receives a score of 1 if there is a "yes" to either bureau or registry. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.

Coverage	Credit bureau (% of adults)	Credit registry (% of adults)
Number of firms	200,000	0
Number of individuals	15,200,000	0
Percent of total	48.0	0.0

Source: Doing Business database.

PROTECTING MINORITY INVESTORS

Protecting minority investors matters for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. 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 protection of minority investors from conflicts of interest through one set of indicators and shareholders' rights in corporate governance through another. The ranking of economies on the strength of minority investor protections is determined by sorting their distance to frontier scores for protecting minority investors. These scores are the simple average of the distance to frontier scores for the extent of conflict of interest regulation index and the extent of shareholder governance index. 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 MINORITY INVESTORS INDICATORS MEASURE

Extent of disclosure index (0–10)

Review and approval requirements for related-party transactions ; Disclosure requirements for related-party transactions

Extent of director liability index (0–10)

Ability of minority shareholders to sue and hold interested directors liable for prejudicial related-party transactions; Available legal remedies (damages, disgorgement of profits, fines, imprisonment, rescission of the transaction)

Ease of shareholder suits index (0–10)

Access to internal corporate documents; Evidence obtainable during trial and allocation of legal expenses

Extent of conflict of interest regulation index (0–10)

Sum of the extent of disclosure, extent of director liability and ease of shareholder indices, divided by 3

Extent of shareholder rights index (0-10.5)

Shareholders' rights and role in major corporate decisions

Strength of governance structure index (0-10.5)

Governance safeguards protecting shareholders from undue board control and entrenchment

Extent of corporate transparency index (0-9)

Corporate transparency on ownership stakes, compensation, audits and financial prospects

Extent of shareholder governance index (0–10)

Sum of the extent of shareholders rights, strength of governance structure and extent of corporate transparency indices, divided by 3

Strength of investor protection index (0–10)

Simple average of the extent of conflict of interest regulation and extent of shareholder governance indices

PROTECTING MINORITY INVESTORS

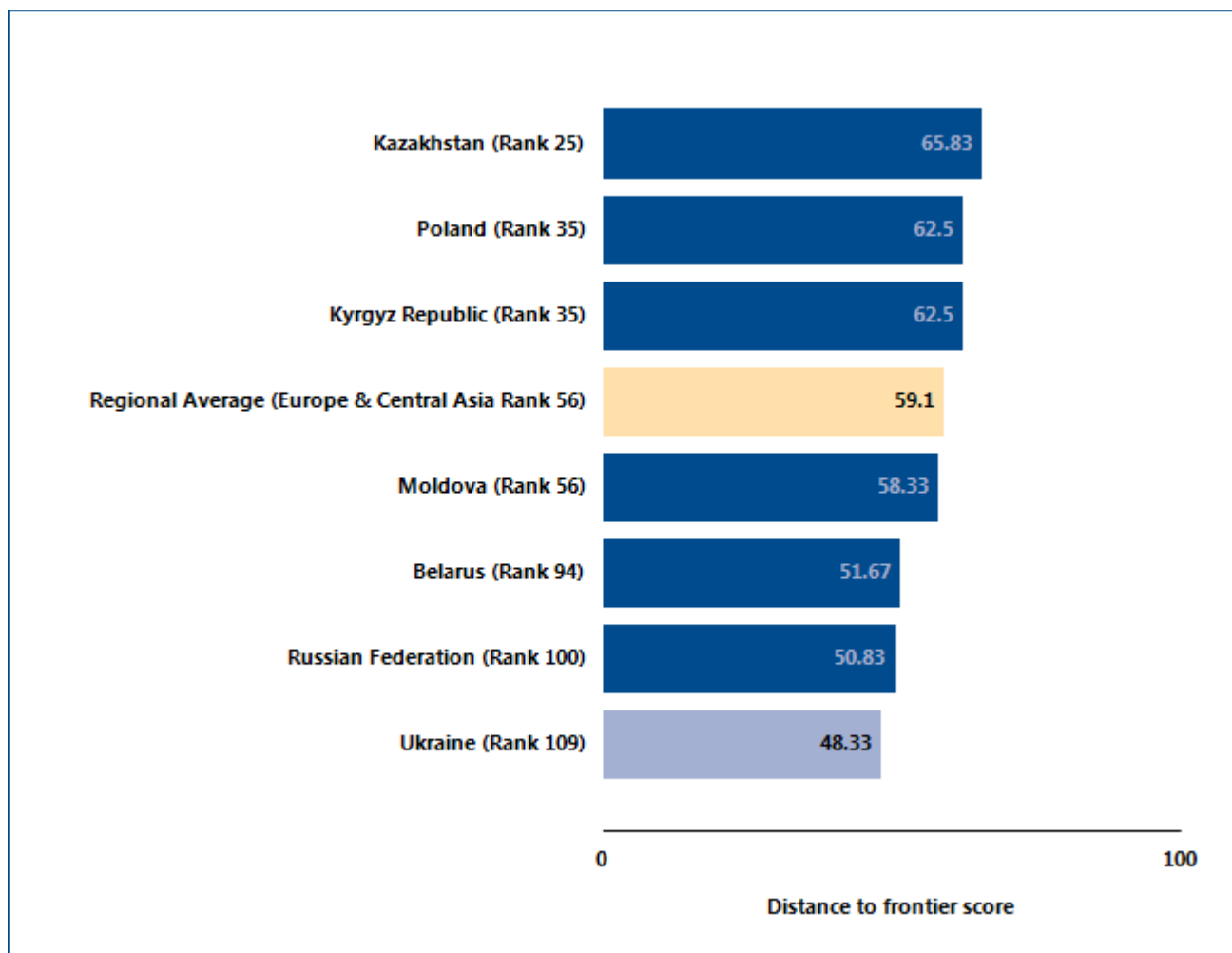
Where does the economy stand today?

How strong are minority investor protections against self-dealing in Ukraine? The economy has a score of 4.8 on the strength of minority investor protection index, with a higher score indicating stronger protections.

Globally, Ukraine stands at 109 in the ranking of 189 economies on the strength of minority 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 minority investor protections against self-dealing in the areas measured.

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



Source: Doing Business database.

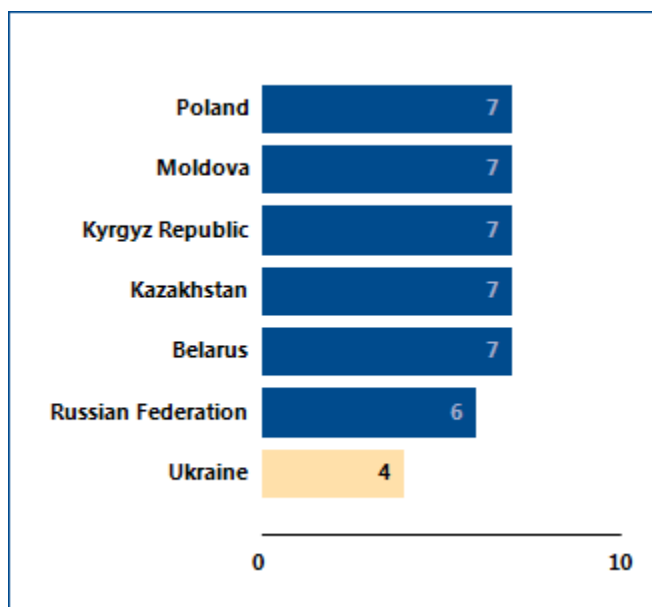
PROTECTING MINORITY INVESTORS

One way to put an economy's scores on the protecting minority investors indicators into context is to see where the economy stands in the distribution of scores across comparator economies. Figures 7.2 through 7.7 highlight the scores on the various minority investor protection

indices for Ukraine in 2014. A summary of scoring for the protecting minority investors indicators at the end of this chapter provides details on how the indices were calculated.

Figure 7.2 How extensive are disclosure requirements?

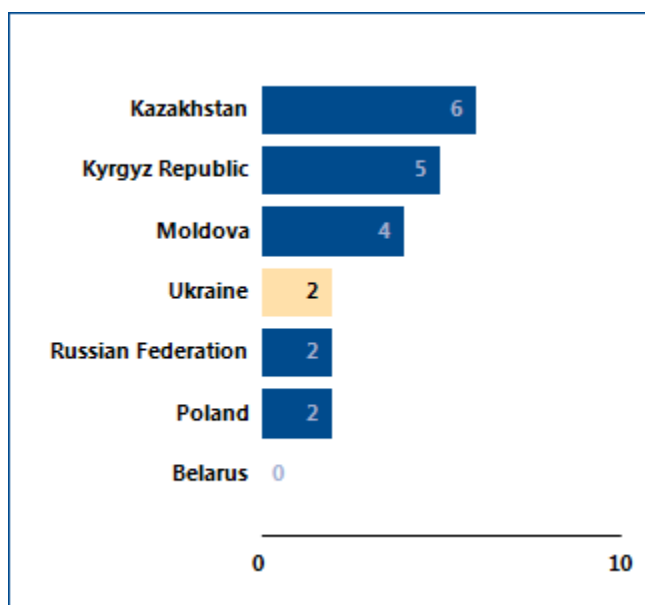
Extent of disclosure index (0-10)



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

Figure 7.3 How extensive is the liability regime for directors?

Extent of director liability index (0-10)

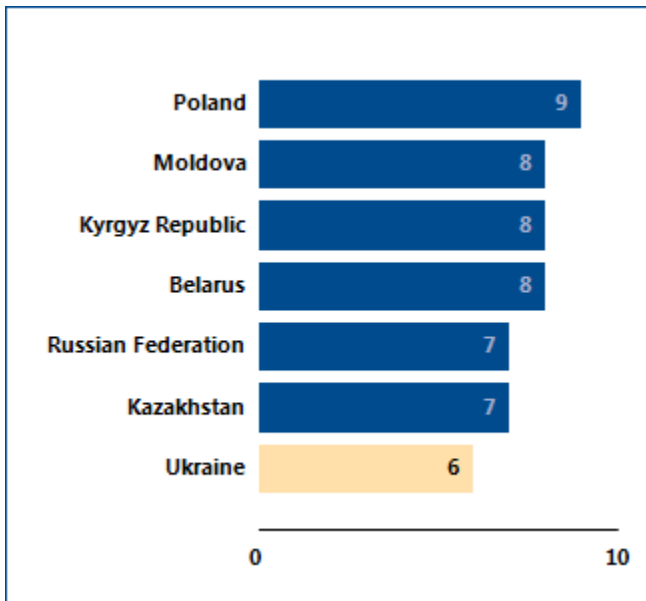


Note: Higher scores indicate greater liability of directors.
Source: Doing Business database.

PROTECTING MINORITY INVESTORS

Figure 7.4 How easy is accessing internal corporate documents?

Ease of shareholder suits index (0-10)



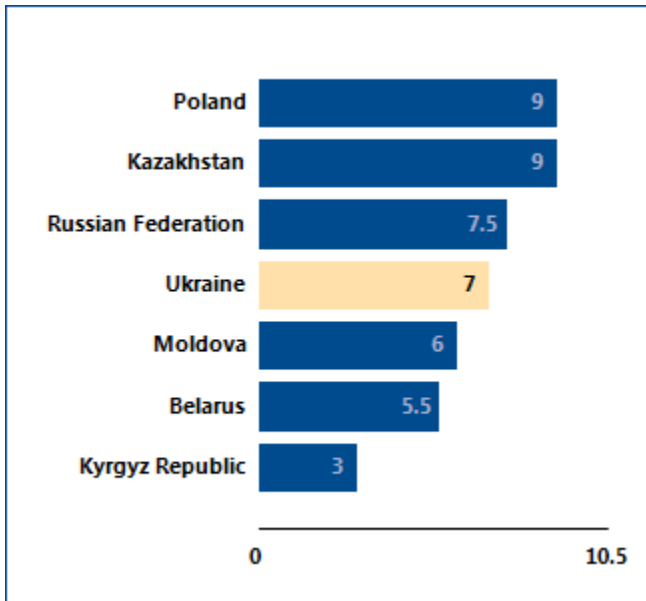
Note: Higher scores indicate greater minority shareholder access to evidence before and during trial.

Source: Doing Business database.

PROTECTING MINORITY INVESTORS

Figure 7.5 How extensive are shareholder rights?

Extent of shareholder rights index (0-10.5)

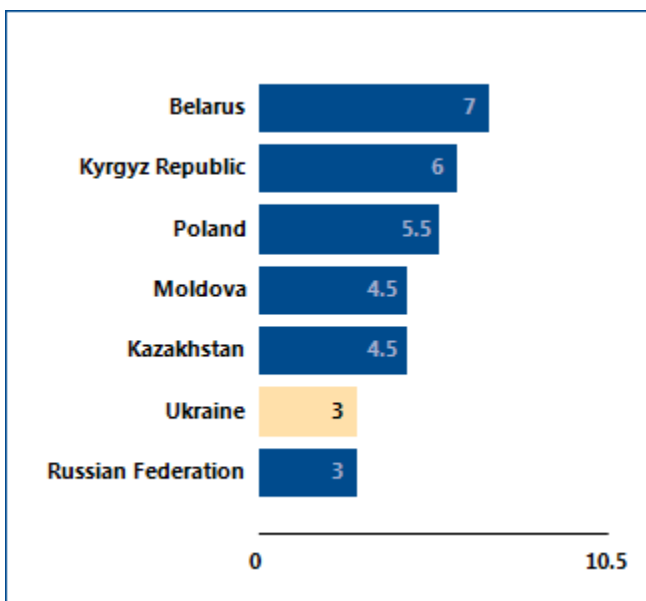


Note: The higher the score, the stronger the protections.

Source: Doing Business database.

Figure 7.6 How strong is the governance structure?

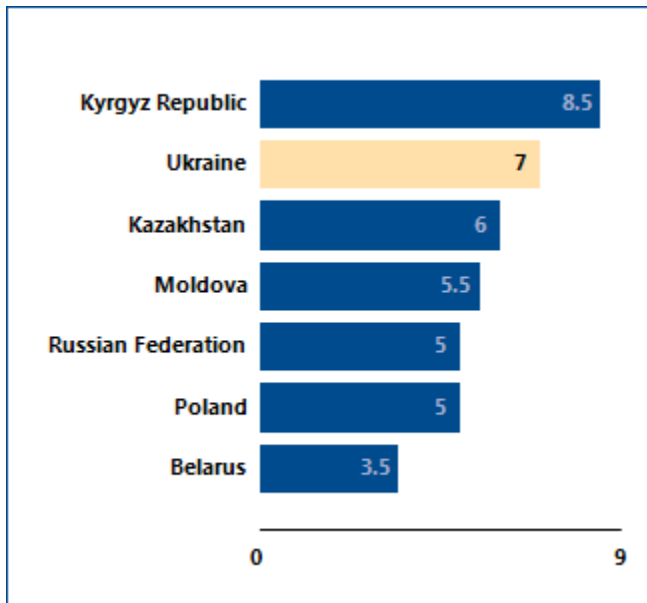
Strength of governance structure index (0-10.5)



Note: Higher scores indicate more stringent governance structure requirements.

Source: Doing Business database.

Figure 7.7 How extensive is corporate transparency?

Extent of corporate transparency index (0-9)

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

PROTECTING MINORITY 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 minority investor protections may move ahead on different fronts—such as through new or amended company laws, securities regulations or civil procedure rules. What minority investor protection reforms has *Doing Business* recorded in Ukraine (table 7.1)?

Table 7.1 How has Ukraine strengthened minority investor protections—or not?
By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2010	Ukraine strengthened investor protections through a new joint stock companies law enhancing approval requirements for related-party transactions, increasing disclosure requirements in the annual report and making it easier to sue directors in cases where related-party transactions harm the company.

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 MINORITY INVESTORS

What are the details?

The protecting minority investors indicators reported here for Ukraine are based on detailed information collected through a survey of corporate and securities lawyers about securities regulations, company laws and court rules of evidence and procedure. To construct the six indicators on minority investor protection, scores are assigned to each based on a range of conditions relating

to disclosure, director liability, shareholder suits, shareholder rights, governance structure and corporate transparency in a standard case study (for more details, see the Data Notes section of the *Doing Business 2015* report). The summary below shows the details underlying the scores for Ukraine.

Table 7.2 Summary of scoring for the protecting minority investors indicators in Ukraine

	Answer	Score
Extent of disclosure index (0-10)		4.0
Which corporate body can provide legally sufficient approval for the Buyer-Seller transaction? (0-3)	Shareholders or board of directors including interested parties	1
Is disclosure by the interested director to the board of directors required? (0-2)	Full disclosure of all material facts	2
Is disclosure of the transaction in published periodic filings (annual reports) required? (0-2)	Disclosure on the transaction only	1
Is immediate disclosure of the transaction to the public and/or shareholders required? (0-2)	No disclosure obligation	0
Must an external body review the terms of the transaction before it takes place? (0-1)	No	0
Extent of director liability index (0-10)		2.0
Can shareholders sue directly or derivatively for the damage caused by the Buyer-Seller transaction to the company? (0-1)	Yes	1
Can shareholders hold the interested director liable for the damage caused by the transaction to the company? (0-2)	Not liable	0
Can shareholders hold members of the approving body liable for the damage cause by the transaction to the company? (0-2)	Liable if negligent	1
Must the interested director pay damages for the harm caused to the company upon a successful claim by a shareholder plaintiff? (0-1)	No	0
Must the interested director repay profits made from the transaction upon a successful claim by a shareholder plaintiff? (0-1)	No	0
Can both fines and imprisonment be applied against the interested indrector? (0-1)	No	0
Can a court void the transaction upon a successful claim by a shareholder plaintiff? (0-2)	Only in case of fraud or bad faith	0
Ease of shareholder suits index (0-10)		6.0
Before filing suit, can shareholders owning 10% of the company's share capital inspect the transaction documents? (0-1)	No	0
Can the plaintiff obtain any documents from the defendant	No	3

and witnesses during trial? (0-3)		
Can the plaintiff request categories of documents from the defendant without identifying specific ones? (0-1)	No	0
Can the plaintiff directly question the defendant and witnesses during trial? (0-2)	Yes	2
Is the level of proof required for civil suits lower than that of criminal cases? (0-1)	No	0
Can shareholder plaintiffs recover their legal expenses from the company? (0-2)	Yes if successful	1
Strength of minority investor protection index (0-10)		4.8
Extent of conflict of interest regulation index (0-10)		4.0
Extent of shareholder rights index (0-10.5)		7.0
Can shareholders amend company bylaws or statutes with a simple majority?	Yes	1.5
Can shareholders owning 10% of the company's share capital call for an extraordinary meeting of shareholders?	Yes	1.5
Can shareholders remove members of the board of directors before the end of their term.	Yes	1.5
Must a company obtain its shareholders' approval every time it issues new shares?	Yes	1.5
Are shareholders automatically granted subscription rights on new shares?	Yes for listed companies	1
Must shareholders approve the election and dismissal of the external auditor?	No	0
Can shareholders freely trade shares prior to a major corporate action or meeting of shareholders?	No	0
Strength of governance structure index (0-10.5)		3.0
Is the CEO barred from also serving as chair of the board of directors?	No	0
Must the board of directors include independent board members?	No	0
Must a company have a separate audit committee?	No	0
Must changes to the voting rights of a series or class of shares be approved only by the holders of the affected shares?	Yes	1.5
Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of a company?	No	0
Is cross-shareholding between 2 independent companies limited to 10% of outstanding shares?	No	0
Is a subsidiary barred from acquiring shares issued by its parent company?	Yes	1.5
Extent of corporate transparency index (0-9)		7.0
Must ownership stakes representing 10% be disclosed?	Yes for listed companies	1
Must information about board members' other directorships as well as basic information on their primary employment be disclosed?	Yes	1.5
Must the compensation of individual managers be disclosed?	Yes for listed companies	1
Must financial statements contain explanatory notes on significant accounting policies, trends, risks, uncertainties and other factors influencing the reporting?	Yes for listed companies	1
Must annual financial statements be audited by an external	Yes	1.5

auditor?		
Must audit reports be disclosed to the public?	Yes for listed companies	1
Extent of shareholder governance index (0-10)		5.7

Source: *Doing Business* database.

PAYING TAXES

Taxes are essential. The level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. Firms in economies that rank better on the ease of paying taxes in the *Doing Business* study tend to perceive both tax rates and tax administration as less of an obstacle to business according to the World Bank Enterprise Survey research.

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 of economies on the ease of paying taxes is determined by sorting their distance to frontier scores on the ease of paying taxes. These scores are the simple average of the distance to frontier scores for each of the component indicators, with a threshold and a nonlinear transformation applied to one of the component indicators, the total tax rate⁵. The financial statement variables have been updated to be proportional to 2012 income per capita; previously they were proportional to 2005 income per capita. To make the data comparable across economies, several assumptions are used.

- TaxpayerCo is a medium-size business that started operations on January 1, 2012.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions are recorded the second year of operation.

⁵ The nonlinear distance to frontier for the total tax rate is equal to the distance to frontier for the total tax rate if the total tax rate is greater than or equal to the threshold and is equal to the threshold if the total tax rate is less than the threshold. The threshold is defined as the total tax rate of the 15th percentile of the distribution for all economies included in the analysis. It is calculated and adjusted on a yearly basis. The second year of operation is used for the calculation 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 on medium-size enterprises in the manufacturing sector as observed through the paying taxes indicator 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 26.1%.

WHAT THE PAYING TAXES INDICATORS MEASURE

Tax payments for a manufacturing company in 2013 (number per year adjusted for electronic and joint filing and payment)

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

Method and frequency of filing and payment

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

Collecting information and computing the tax payable

Completing tax return forms, filing with proper agencies

Arranging payment or withholding

Preparing separate tax accounting books, if required

Total tax rate (% of profit before all taxes)

Profit or corporate income tax

Social contributions and labor taxes paid by the employer

Property and property transfer taxes

Dividend, capital gains and financial transactions taxes

Waste collection, vehicle, road and other taxes

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

PAYING TAXES

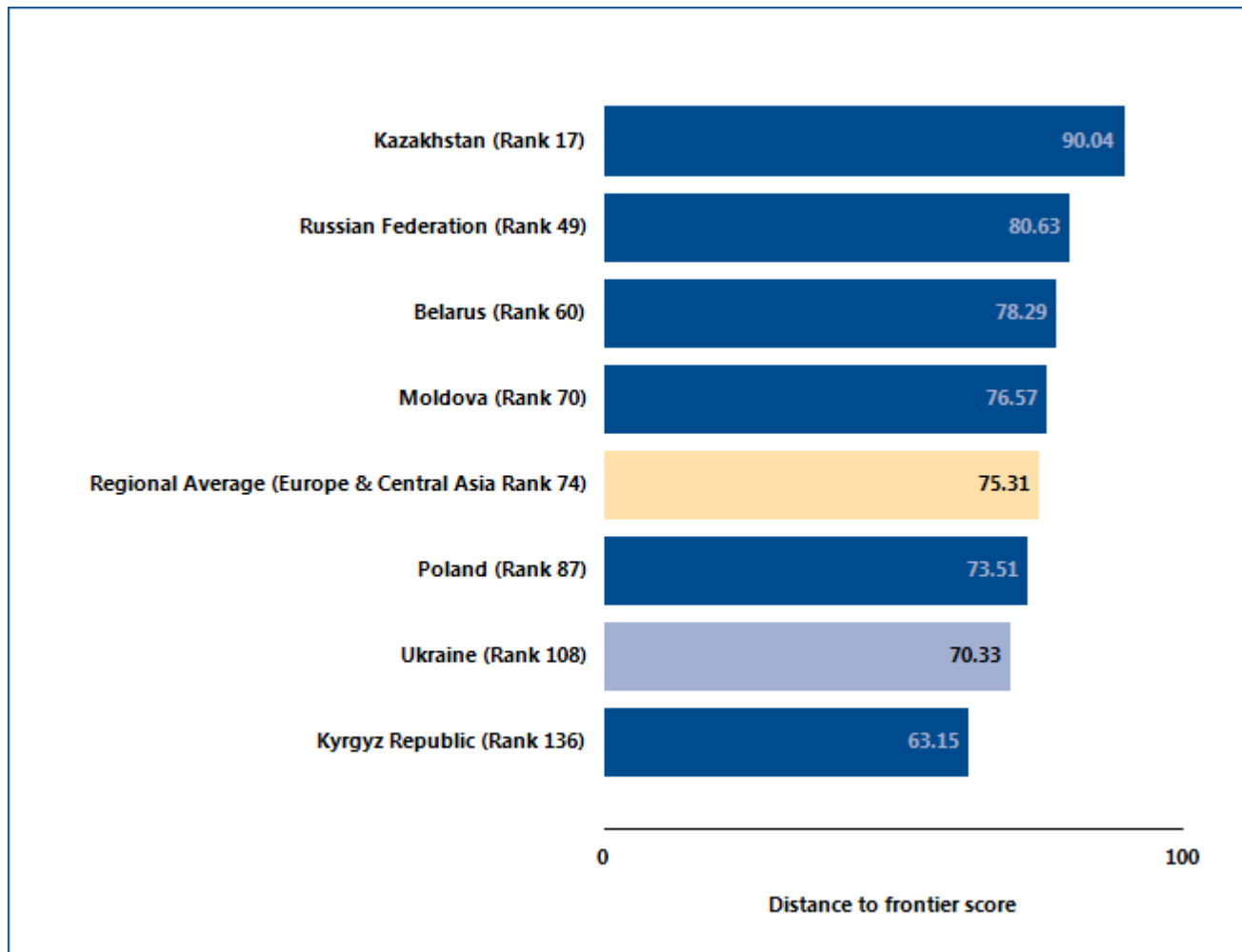
Where does the economy stand today?

What is the administrative burden of complying with taxes in Ukraine—and how much do firms pay in taxes? On average, firms make 5.0 tax payments a year, spend 350.0 hours a year filing, preparing and paying taxes and pay total taxes amounting to 52.9% of profit (see the summary at the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the

2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Globally, Ukraine stands at 108 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 Ukraine.

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



Source: Doing Business database.

PAYING TAXES

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

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

Table 8.1 How has Ukraine made paying taxes easier—or not?
By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2011	Ukraine eased tax compliance by introducing and continually enhancing an electronic filing system for value added tax.
DB2012	Ukraine made paying taxes easier and less costly for firms by revising and unifying tax legislation, reducing corporate income tax rates and unifying social security contributions.
DB2013	Ukraine made paying taxes easier by implementing electronic filing and payment for medium-size and large enterprises.
DB2014	Ukraine made paying taxes easier for companies by simplifying tax returns and further improving its electronic filing system.
DB2015	Ukraine made paying taxes easier for companies by introducing an electronic system for filing and paying labor taxes. On the other hand, it increased the environmental tax.

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

Source: *Doing Business* database.

PAYING TAXES

What are the details?

The indicators reported here for Ukraine are based on the taxes and contributions that would be paid by a standardized 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 a set of financial statements as well as a standardized list of assumptions and transactions that the company completed during its 2nd year of operation. Respondents are asked how much taxes and mandatory contributions the business must pay and how these taxes are filed and paid.

LOCATION OF STANDARDIZED COMPANY

City: Kiev

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

Table 8.2 Summary of tax rates and administration

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
Unified Social Contribution	1	online filing	100	38.19%	gross salaries	43.1	
Corporate income tax	1	online filing	100	19%	taxable profit	9.7	
Land tax	1	online filing	0	various rates	land area and value	0.1	
Environmental taxes	1	online filing	0	various rates	ton of waste	0	
Employee paid - Social security contributions	0	paid jointly	0	3.6%	gross salaries	0	withheld
Value added tax (VAT)	1	online filing	150	20%	value added	0	not included
Totals	5.0		350.0			52.9	

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 predefined stages 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 of economies on the ease of trading across borders is determined by sorting their distance to frontier scores for trading across borders. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the traded goods.

The business:

- Is located in the economy's largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.
- Is a private, limited liability company, domestically owned and does not operate with special export or import privileges.
- Conducts export and import activities, but does not have any special accreditation such as an authorized economic operator status.

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

The traded product:

- Is not hazardous nor includes military items.
- Does not require refrigeration or any other special environment.
- Do not require any special phytosanitary or environmental safety standards other than accepted international standards.
- Is one of the economy's leading export or import products.
- Is transported in a dry-cargo, 20-foot full container load.

TRADING ACROSS BORDERS

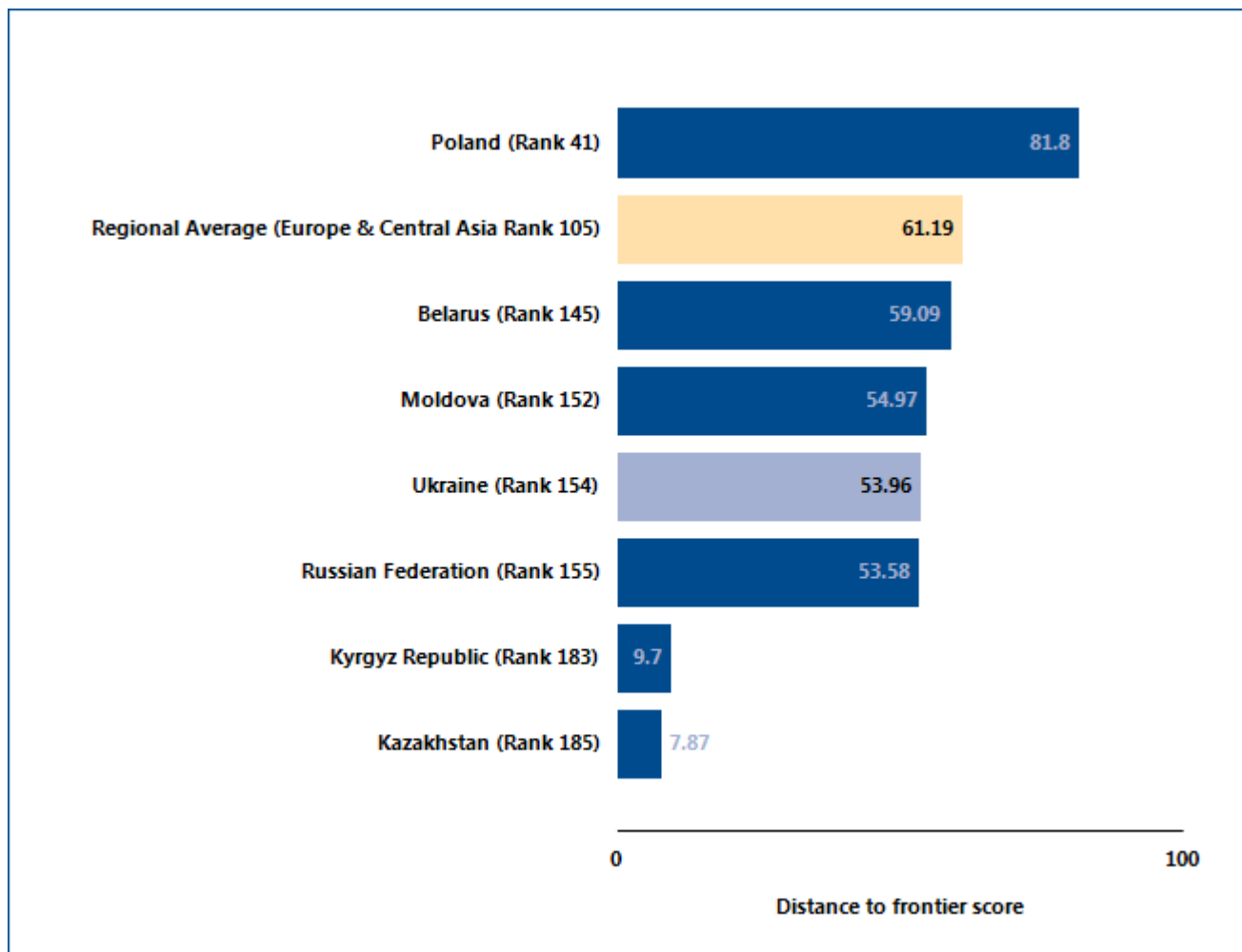
Where does the economy stand today?

What does it take to export or import in Ukraine? According to data collected by *Doing Business*, exporting a standard container of goods requires 8 documents, takes 29.0 days and costs \$1880.0. Importing the same container of goods requires 9 documents, takes 28.0 days and costs \$2455.0 (see the summary of four predefined stages and documents at the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a

population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Globally, Ukraine stands at 154 in the ranking of 189 economies on the ease of trading across borders (figure 9.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for a business in Ukraine to export and import goods.

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



Source: *Doing Business* database.

TRADING ACROSS BORDERS

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

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

Table 9.1 How has Ukraine made trading across borders easier—or not?
By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2012	Ukraine made trading across borders more difficult by introducing additional inspections for customs clearance of imports.
DB2014	Ukraine made trading across borders easier by releasing customs declarations more quickly and reducing the number of physical inspections.

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

Source: *Doing Business* database.

TRADING ACROSS BORDERS

What are the details?

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

LOCATION OF STANDARDIZED COMPANY

Port Name: Odessa

City: Kiev

The predefined stages, 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.

Table 9.2 Summary of predefined stages and documents for trading across borders in Ukraine

Stages to export	Time (days)	Cost (US\$)
Customs clearance and inspections	1	250
Documents preparation	22	250
Inland transportation and handling	3	950
Ports and terminal handling	3	430
Totals	29	1,880

Stages to import	Time (days)	Cost (US\$)
Customs clearance and inspections	2	300
Documents preparation	20	555
Inland transportation and handling	3	1,000
Ports and terminal handling	3	600
Totals	28	2,455

Documents to export
Bill of lading
Certificate of Origin
Commercial invoice
Consignment note/ CMR (tovarno-transportnaya nakladnaya)
Customs export declaration
Loading order (pogruzochnoe poruchenie)
Packing list
Sales purchase contract

Documents to import
Bill of Lading
Cargo release order (naryad)
Certificate of origin
Commercial invoice
Consignment note/ CMR (tovarno-transportnaya nakladnaya)
Customs import declaration
Declaration of Conformity
Packing list
Sales purchase contract

Source: Doing Business database.

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. For the 11 economies with a population of more than 100 million, data for a second city have been added.
- 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 the income per capita or the equivalent in local currency of USD 5,000, whichever is greater.

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

- 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.

ENFORCING CONTRACTS

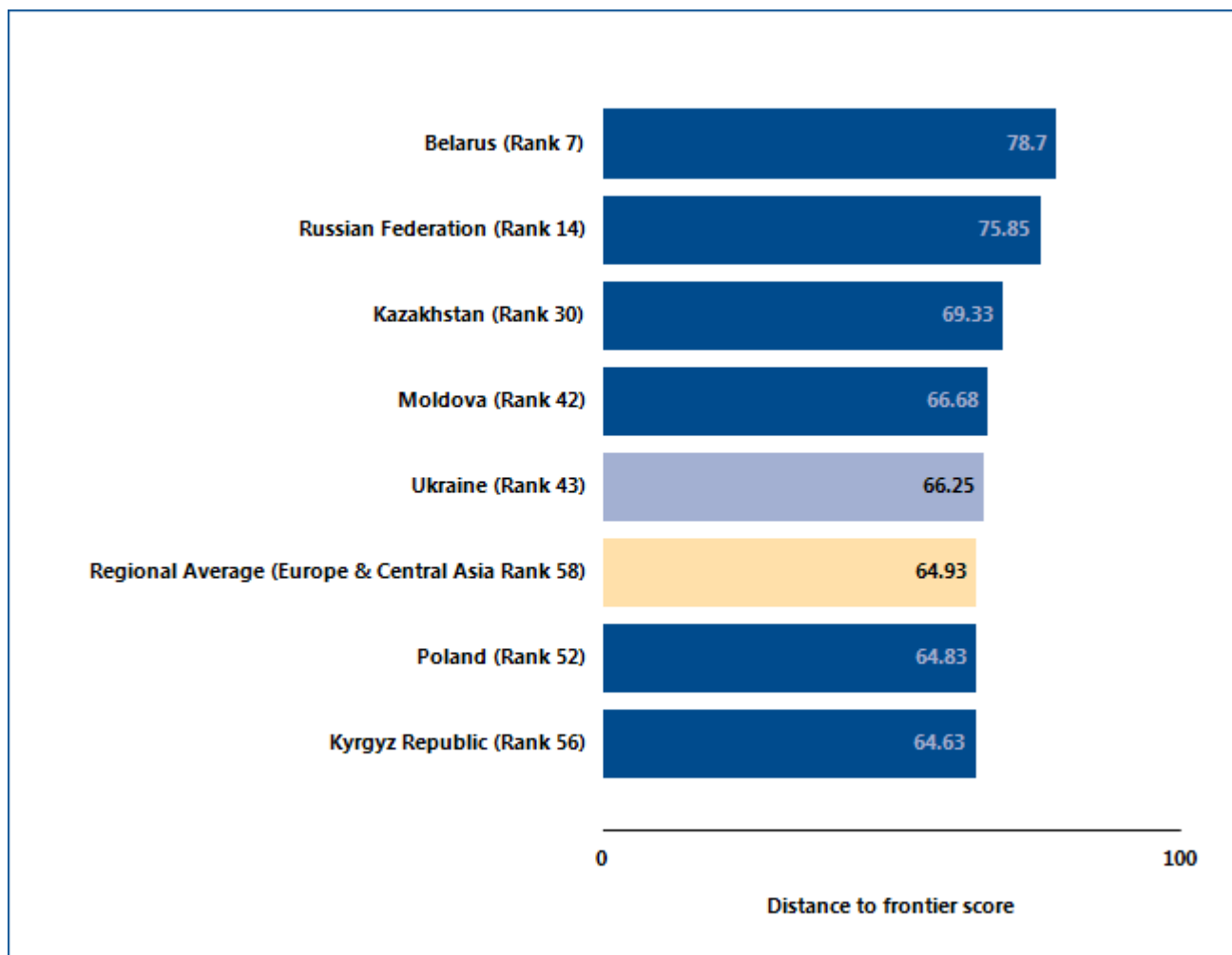
Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in Ukraine? According to data collected by *Doing Business*, contract enforcement takes 378.0 days, costs 46.3% of the value of the claim and requires 30.0 procedures (see the summary at the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business

cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Globally, Ukraine stands at 43 in the ranking of 189 economies on the ease of enforcing contracts (figure 10.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of contract enforcement in Ukraine.

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



Source: *Doing Business* database.

ENFORCING CONTRACTS

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

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

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

By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2012	Ukraine amended legislation to streamline commercial dispute resolution and increase the efficiency of enforcement procedures.

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

Source: *Doing Business* database.

ENFORCING CONTRACTS

What are the details?

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

COURT NAME

Claim value:	UAH 60,737
Court name:	Kiev Commercial Court
City:	Kiev

Table 10.2 Summary of time, cost and procedures for enforcing a contract in Ukraine

Indicator	Ukraine	Europe & Central Asia average
Time (days)	378	448
Filing and service	48	
Trial and judgment	150	
Enforcement of judgment	180	
Cost (% of claim)	46.3	25.2
Attorney cost (% of claim)	25.0	
Court cost (% of claim)	9.9	
Enforcement Cost (% of claim)	11.4	
Procedures (number)	30	37
Number of procedures (without bonus points)	31	
Specialized commercial courts	-1	
Total number of procedures (including bonus points)	30	

No.	Procedures
	Filing and service:
1	Plaintiff requests payment: Plaintiff or his lawyer asks Defendant orally or in writing to comply with the contract.
2	Plaintiff hires a lawyer: Plaintiff hires a lawyer.
*	Plaintiff files a summons and complaint: Plaintiff files a summons and complaint with the court (orally or in writing).
*	Plaintiff pays court fees: Plaintiff pays court fees (e.g. court duties, stamp duties, or any other type of court fees). Answer 'yes' even if Plaintiff recovers these costs.
3	Registration of court case: Registration of court case by the court administration (this can include assigning a reference number to the case).
*	Assignment of court case to a judge: Assignment of court case to a judge (through a random procedure, automated system, ruling of an administrative judge, court officer, etc).
4	Judicial scrutiny of summons and complaint: Judge examines Plaintiff's summons and complaint for formal requirements as a matter of law or standard practice.
*	Judge admits summons and complaint: Judge admits summons and complaint (after verifying the formal requirements).
*	Mailing of summons and complaint: Court or process server, including (private) bailiff, mails summons and complaint to Defendant.
*	Proof of service: Plaintiff submits proof of service to court, as required by law or standard practice.
*	Application for pre-judgment attachment: Plaintiff submits an application in writing for the attachment of Defendant's property prior to judgment.
*	Decision on pre-judgment attachment: Judge decides whether to grant Plaintiff's request for pre-judgment attachment of Defendant's property and notifies Plaintiff and Defendant of the decision.
5	Pre-judgment attachment order: Defendant's property is attached prior to judgment. Attachment order either involves physical attachment, or is achieved by freezing, registering, marking, or otherwise separating and restricting Defendant's movement of specific moveable assets.
	Trial and judgment:
6	Defendant files an answer to Plaintiff's claim: Defendant files a written pleading which includes his answer or defense on the merits of the case (see assumption 4).
7	Deadline for Plaintiff to reply to Defendant's defense or answer: Judge sets a deadline for Plaintiff's submission of a reply to the Defendant's defense or answer.
8	Plaintiff's written reply to Defendant's answer: Plaintiff responds to Defendant's answer with a written pleading, which may or may not include witness statements or expert (witness) statements.

No.	Procedures
9	Filing of written submissions: Plaintiff and Defendant file written pleadings and submissions with the court and transmit copies of the written pleadings or submissions to one another. The pleadings may or may not include witness statements or expert (witness) statements.
10	Adjournments: Court procedure is delayed because one or both parties request and obtain an adjournment to submit written pleadings. Check as 'yes' if this commonly happens.
*	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 5-b).
11	Notification of court-appointment of independent expert: The court notifies both parties that the court is appointing an independent expert (see assumption 5-b).
*	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 5-b).
*	Setting of date(s) for oral hearing or trial: Judge sets the date(s) for the oral hearing or trial.
12	Adjournments: Court proceedings are delayed because one or both parties request and obtain an adjournment to prepare for the oral hearing or trial as a matter of common practice.
13	Oral hearing (prevalent in civil law): The parties argue the merits of the case at an oral hearing before the judge. Witnesses and a court-appointed independent expert may be heard and questioned at the oral hearing.
14	Adjournments: Court proceedings are delayed because one or both parties request and obtain an adjournment during the oral hearing or trial, resulting in an additional or later trial or hearing date.
*	Final arguments: The parties present their final factual and legal arguments to the court either by oral presentation or by a written submission.
15	Judgment date: The judge sets a date for delivery of the judgment.
16	Notification of judgment in court: The parties are notified of the judgment at a court hearing.
17	Writing of judgment: The judge produces a written copy of the judgment.
18	Registration of judgment: The court office registers the judgment after receiving a written copy of the judgment.
19	Plaintiff receives a copy of the judgment: Plaintiff receives a copy of the written judgment which is 100% in favor of Plaintiff (see assumption 6).
20	Defendant is formally notified of the judgment: Plaintiff or court formally notifies the Defendant of the judgment. The appeal period starts to run from the day the Defendant is formally notified of the judgment.
21	Appeal period: By law Defendant has the opportunity to appeal the judgment during a specified period. Defendant decides not to appeal. Seller decides to start enforcing the judgment when the appeal period ends (see assumption 8).
22	Order for reimbursement by Defendant of Plaintiff's court fees: The judgment orders Defendant to reimburse Plaintiff for the court fees Plaintiff has advanced, because Defendant has lost the case.

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

* Not counted in the total number of procedures.

Source: *Doing Business* database.

RESOLVING INSOLVENCY

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

What do the indicators cover?

Doing Business studies the time, cost and outcome of insolvency proceedings involving domestic legal entities. These variables are used to calculate the recovery rate, which is recorded as cents on the dollar recouped by secured creditors through reorganization, liquidation or debt enforcement (foreclosure) proceedings. To determine the present value of the amount recovered by creditors, *Doing Business* uses the lending rates from the International Monetary Fund, supplemented with data from central banks and the Economist Intelligence Unit.

In addition, *Doing Business* evaluates the adequacy and integrity of the existing legal framework applicable to liquidation and reorganization proceedings through the strength of insolvency framework index. The index tests whether economies adopted internationally accepted good practices in four areas: commencement of proceedings, management of debtor's assets, reorganization proceedings and creditor participation.

The ranking of the Resolving Insolvency indicator is based on the recovery rate and the total score of the strength of insolvency framework index. The Resolving Insolvency indicator 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.

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

Measures the cents on the dollar recovered by secured creditors

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

Official costs of the insolvency proceedings are deducted

Depreciation of furniture is taken into account

Present value of debt recovered

Strength of insolvency framework index (0-16)

Sum of the scores of four component indices:

Commencement of proceedings index (0-3)

Management of debtor's assets index (0-6)

Reorganization proceedings index (0-3)

Creditor participation index (0-4)

RESOLVING INSOLVENCY

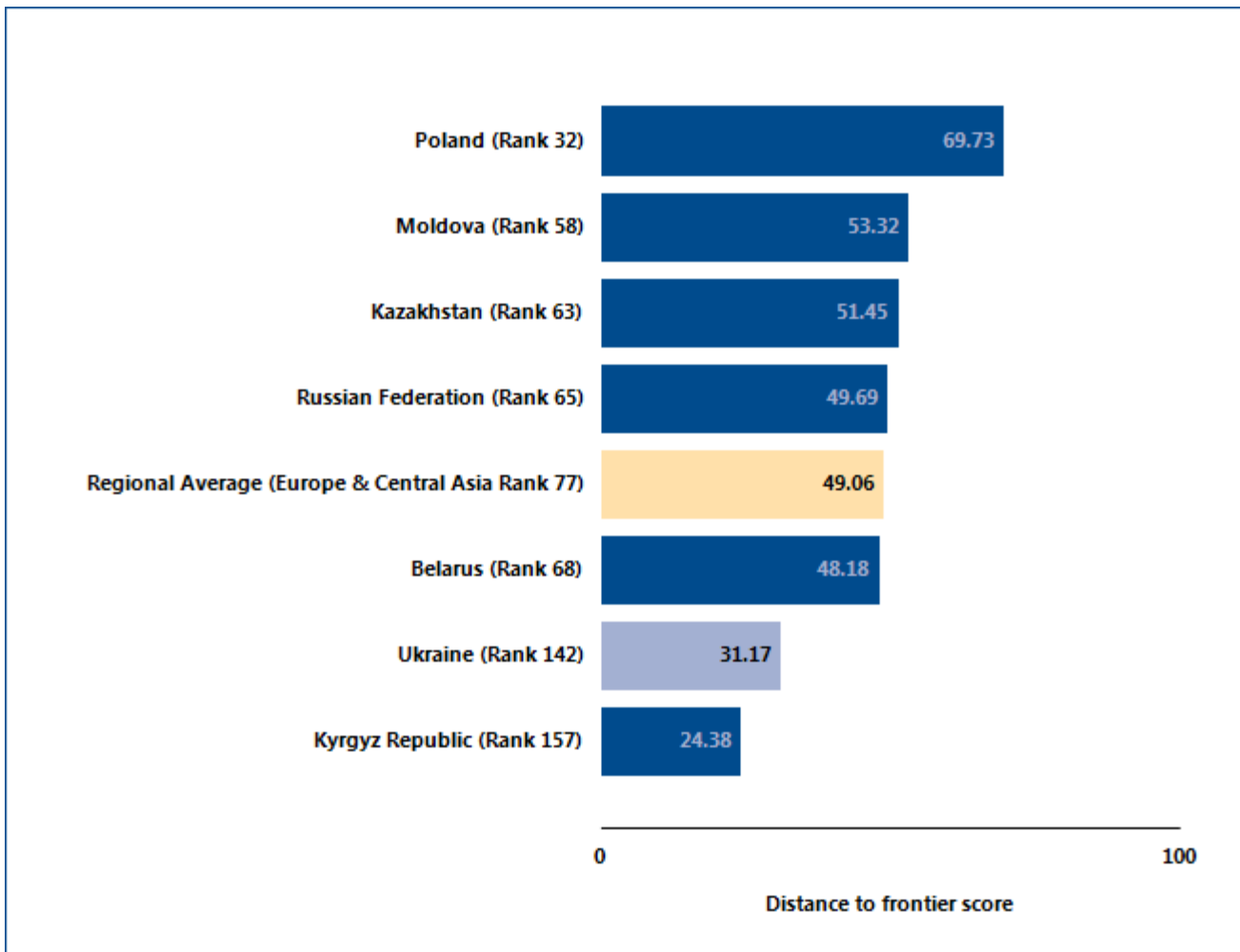
Where does the economy stand today?

Combination of quality regulations and efficient practice characterize the top-performing economies. How efficient are insolvency proceedings in Ukraine? According to data collected by *Doing Business*, resolving insolvency takes 2.9 years on average and costs 42.0% of the debtor's estate, with the most likely outcome being that the company will be sold as piecemeal sale. The average recovery rate is 8.6 cents on the dollar. Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

According to data collected by *Doing Business*, Ukraine scores 3.0 out of 3 points on the commencement of proceedings index, 4.0 out of 6 points on the management of debtor's assets index, 0.5 out of 3 points on the reorganization proceedings index, and 1.0 out of 4 points on the creditor participation index. Ukraine's total score on the strength of insolvency framework index is 8.5 out of 16.

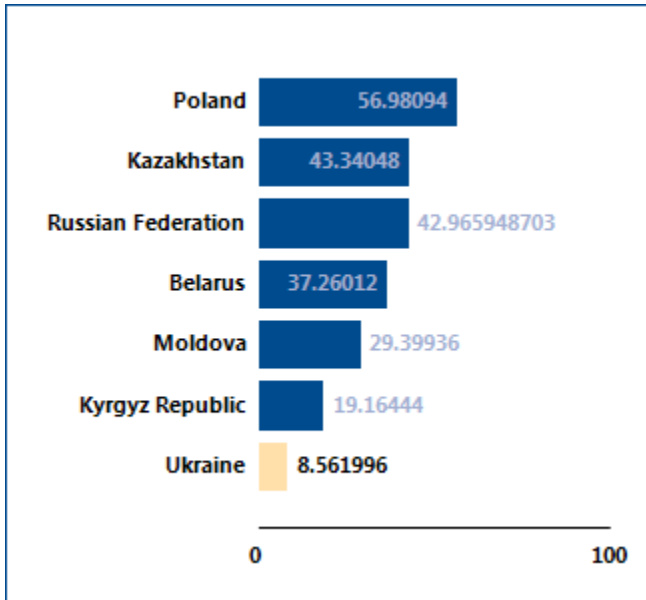
Globally, Ukraine stands at 142 in the ranking of 189 economies on the ease of resolving insolvency (figure 11.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of insolvency proceedings in Ukraine.

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



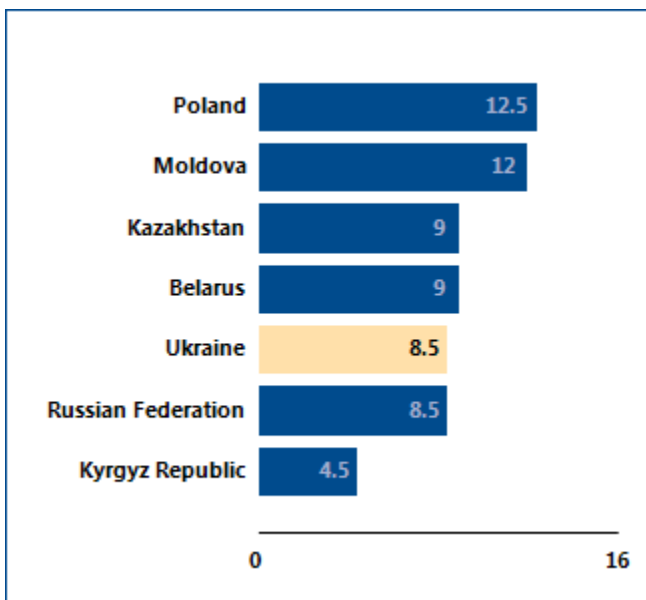
Source: Doing Business database.

Figure 11.2 Recovery Rate (0-100) - Ukraine



Source: Doing Business database.

Figure 11.3 Strength of insolvency framework index (0-16) - Ukraine



Source: Doing Business database.

RESOLVING INSOLVENCY

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

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

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

By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2012	Ukraine amended its legislation on enforcement, introducing more guarantees for secured creditors.
DB2014	Ukraine made resolving insolvency easier by strengthening the rights of secured creditors, introducing new rehabilitation procedures and mechanisms, making it easier to invalidate suspect transactions and shortening the statutory periods for several steps of the insolvency process.

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

Source: *Doing Business* database.

LABOR MARKET REGULATION

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. This year, for the first time, the indicators measuring flexibility in labor market regulations focus on those affecting the food retail industry, using a standardized case study of a cashier in a supermarket. Also new is that *Doing Business* collects data on regulations applying to employees hired through temporary-work agencies as well as on those applying to permanent employees or employees hired on fixed-term contracts. The indicators also cover additional areas of labor market regulation, including social protection schemes and benefits as well as labor disputes.

Over the period from 2007 to 2011 improvements were made to align the methodology for the labor market regulation indicators (formerly the employing workers indicators) with the letter and spirit of the International Labour Organization (ILO) conventions. Only 6 of the 188 ILO conventions cover areas measured by *Doing Business*: employee termination, weekend work, holiday with pay, night work, protection against unemployment and medical care and sickness benefits. The *Doing Business* methodology is fully consistent with these 6 conventions. The ILO conventions covering areas related to the labor market regulation indicators do not include the ILO core labor standards—8 conventions covering the right to collective bargaining, the elimination of forced labor, the abolition of child labor and equitable treatment in employment practices.

Between 2009 and 2011 the World Bank Group worked with a consultative group—including labor lawyers, employer and employee representatives, and experts from the ILO, the Organisation for Economic Co-operation and Development (OECD), civil society and the private sector—to review the methodology for the labor market regulation indicators and explore future areas of research.

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

Doing Business 2015 presents the data for the labor market regulation indicators in an annex. The report does not present rankings of economies on these indicators nor include the topic in the aggregate distance to frontier score or ranking on the ease of doing business. Detailed data collected on labor market regulations are available on the *Doing Business* website (<http://www.doingbusiness.org>). The data on labor market regulations 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:

- Is a cashier in a supermarket or a grocery store
- Is a full-time employee
- Is not a member of the labor union, unless membership is mandatory

The business:

- Is a limited liability company (or the equivalent in the economy) with 60 employees.
- Operates a supermarket or grocery store in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is subject to collective bargaining agreements if such agreements cover more than 50% of the food retail sector and they apply even to firms that are not party to them.
- Abides by every law and regulation but does not grant workers more benefits than those mandated by law, regulation or (if applicable) collective bargaining agreements.

LABOR MARKET REGULATION

What are the details?

The data reported here for Ukraine are based on a detailed survey of labor market regulation that is completed by local lawyers and public officials.

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

Difficulty of hiring index

Difficulty of hiring covers 4 areas: (i) whether fixed-term contracts are prohibited for permanent tasks; (ii) the maximum cumulative duration of fixed-term contracts; (iii) the minimum wage for a cashier, age 19, with 1 year of work experience; and (iv) the ratio of the minimum

wage to the average value added per worker. The average value added per worker is the ratio of an economy's GNI per capita to the working-age population as a percentage of the total population.

Difficulty of hiring index	Data
Fixed-term contracts prohibited for permanent tasks?	Yes
Maximum length of a single fixed-term contract (months)	No limit. (Except for seasonal works where the duration of a single fixed-term contract may not exceed the duration of a season--6 months at the most.)
Maximum length of fixed-term contracts, including renewals (months)	No limit
Minimum wage applicable to the worker assumed in the case study (US\$/month)	147.69
Ratio of minimum wage to value added per worker	0.32

Source: Doing Business database.

LABOR MARKET REGULATION

Rigidity of hours index

Rigidity of hours covers 7 areas: (i) whether the workweek can extend to 50 hours or more (including overtime) for 2 months in a year to respond to a seasonal increase in workload; (ii) the maximum number of days allowed in the workweek; (iii) the premium for night work (as a percentage of hourly pay); (iv) the premium for work on a weekly rest day (as a percentage of hourly pay); (v) whether there are restrictions on night work; (vi) whether there are restrictions on weekly holiday work; and (vii) the average paid annual leave for workers with 1 year of tenure, 5 years of tenure and 10 years of tenure.

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

Source: *Doing Business* database.

LABOR MARKET REGULATION

Difficulty of redundancy index

Difficulty of redundancy index looks at 9 questions: (i) what the length is in months of the maximum probationary period; (ii) whether redundancy is disallowed as a basis for terminating workers; (iii) whether the employer needs to notify a third party (such as a government agency) to terminate 1 redundant worker; (iv) whether the employer needs to notify a third party to terminate a group of 9 redundant workers; (v)

whether the employer needs approval from a third party to terminate 1 redundant worker; (vi) whether the employer needs approval from a third party to terminate a group of 9 redundant workers; (vii) whether the law requires the employer to reassign or retrain a worker before making the worker redundant; (viii) whether priority rules apply for redundancies; and (ix) whether priority rules apply for reemployment.

Difficulty of redundancy index	Data
Maximum length of probationary period (months)	1.0
Dismissal due to redundancy allowed by law?	Yes
Third-party notification if 1 worker is dismissed?	Yes
Third-party approval if 1 worker is dismissed?	No
Third-party notification if 9 workers are dismissed?	Yes
Third-party approval if 9 workers are dismissed?	No
Retraining or reassignment obligation before redundancy?	Yes
Priority rules for redundancies?	Yes
Priority rules for reemployment?	Yes

Source: *Doing Business* database.

LABOR MARKET REGULATION

Redundancy cost

Redundancy cost 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 considered. One month is recorded as 4 and 1/3 weeks.

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

Source: *Doing Business* database.

Social protection schemes and benefits & Labor disputes

Doing Business collects data on the existence of unemployment protection schemes as well as data on whether employers are legally required to provide health insurance for employees with permanent contracts.

Doing Business also assesses the mechanisms available to resolve labor disputes. More specifically, it collects data on what courts would be competent to hear labor disputes and whether the competent court is specialized in resolving labor disputes.

Social protection schemes and benefits & Labor disputes indicator	Data
Availability of unemployment protection scheme?	Yes
Health insurance existing for permanent employees?	No
Availability of courts or court sections specializing in labor disputes?	No

Source: *Doing Business* database.

DISTANCE TO FRONTIER AND EASE OF DOING BUSINESS RANKING

This year's report presents results for 2 aggregate measures: the distance to frontier score and the ease of doing business ranking, which for the first time this year is based on the distance to frontier score. The ease of doing business ranking compares economies with one another; the distance to frontier score benchmarks economies with respect to regulatory best practice, showing the absolute distance to the best performance on each *Doing Business* indicator. When compared across years, the distance to frontier score shows how much the regulatory environment for local entrepreneurs in an economy has changed over time in absolute terms, while the ease of doing business ranking can show only how much the regulatory environment has changed relative to that in other economies.

Distance to Frontier

The distance to frontier score captures the gap between an economy's performance and a measure of best practice across the entire sample of 31 indicators for 10 *Doing Business* topics (the labor market regulation indicators are excluded). For starting a business, for example, Canada and New Zealand have the smallest number of procedures required (1), and New Zealand the shortest time to fulfill them (0.5 days). Slovenia has the lowest cost (0.0), and Australia, Colombia and 110 other economies have no paid-in minimum capital requirement (table 15.1 in the *Doing Business 2015* report).

Calculation of the distance to frontier score

Calculating the distance to frontier score for each economy involves 2 main steps. First, individual component indicators are normalized to a common unit where each of the 31 component indicators y (except for the total tax rate) is rescaled using the linear transformation $(\text{worst} - y)/(\text{worst} - \text{frontier})$. In this formulation the frontier represents the best performance on the indicator across all economies since 2005 or the third year after data for the indicator were collected for the first time. For legal indicators such as those on getting credit or protecting minority investors, the frontier is set at the highest possible value. For the total tax rate, consistent with the use of a threshold in calculating the rankings on this indicator, the frontier is

defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis. For the time to pay taxes the frontier is defined as the lowest time recorded among all economies that levy the 3 major taxes: profit tax, labor taxes and mandatory contributions, and value added tax (VAT) or sales tax. In addition, the cost to export and cost to import for each year are divided by the GDP deflator, 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.

In the same formulation, to mitigate the effects of extreme outliers in the distributions of the rescaled data for most component indicators (very few economies need 700 days to complete the procedures to start a business, but many need 9 days), the worst performance is calculated after the removal of outliers. The definition of outliers is based on the distribution for each component indicator. To simplify the process, 2 rules were defined: the 95th percentile is used for the indicators with the most dispersed distributions (including time, cost, minimum capital and number of payments to pay taxes), and the 99th percentile is used for number of procedures and number of documents to trade. No outlier was removed for component indicators bound by definition or construction, including legal index scores (such as the depth of credit information index, extent of conflict of interest regulation index and strength of insolvency framework index) and the recovery rate (figure 15.1 in the *Doing Business 2015* report).

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 10 topics: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly identical to the simple average used by *Doing Business*⁶. Thus *Doing Business* uses the simplest

⁶ See Djankov, Manraj and others (2005). Principal components and unobserved components methods yield a ranking nearly identical to

method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components⁷.

An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. All distance to frontier calculations are based on a maximum of 5 decimals. However, indicator ranking calculations and the ease of doing business ranking calculations are based on 2 decimals. The difference between an economy's distance to frontier score in any previous year and its score in 2014 illustrates the extent to which the economy has closed the gap to the regulatory frontier over time. And in any given year the score measures how far an economy is from the best performance at that time.

Treatment of the total tax rate

This year, for the first time, the total tax rate component of the paying taxes indicator set enters the distance to frontier calculation in a different way than any other indicator. The distance to frontier score obtained for the total tax rate is transformed in a nonlinear fashion before it enters the distance to frontier score for paying taxes. As a result of the nonlinear transformation, an increase in the total tax rate has a smaller impact on the distance to frontier score for the total tax rate—and therefore on the distance to frontier score for paying taxes—for economies with a below-average total tax rate than it would have in the calculation done in previous years (line B is smaller than line A in figure 15.2 of the *Doing Business 2015* report). And for economies with an extreme total tax rate (a rate that is very high relative to the average), an increase has a greater impact on both these distance to frontier scores than before (line D is bigger than line C in figure 15.2 of the *Doing Business 2015* report).

The nonlinear transformation is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in an economy's

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.

⁷ For getting credit, indicators are weighted proportionally, according to their contribution to the total score, with a weight of 60% assigned to the strength of legal rights index and 40% to the depth of credit information index. Indicators for all other topics are assigned equal weights

overall tax system. Instead, it is mainly empirical in nature. The nonlinear transformation along with the threshold reduces the bias in the indicator 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). In addition, it acknowledges the need of economies to collect taxes from firms.

Calculation of scores for economies with 2 cities covered

For each of the 11 economies for which a second city was added in this year's report, the distance to frontier score is calculated as the population-weighted average of the distance to frontier scores for the 2 cities covered (table 12.1). This is done for the aggregate score, the scores for each topic and the scores for all the component indicators for each topic.

Table 12.1 Weights used in calculating the distance to frontier scores for economies with 2 cities covered

Economy	City	Weight (%)
Bangladesh	Dhaka	78
	Chittagong	22
Brazil	São Paulo	61
	Rio de Janeiro	39
China	Shanghai	55
	Beijing	45
India	Mumbai	47
	Delhi	53
Indonesia	Jakarta	78
	Surabaya	22
Japan	Tokyo	65
	Osaka	35
Mexico	Mexico City	83
	Monterrey	17
Nigeria	Lagos	77
	Kano	23
Pakistan	Karachi	65
	Lahore	35
Russian Federation	Moscow	70
	St. Petersburg	30
United States	New York	60
	Los Angeles	40

Source: United Nations, Department of Economic and Social Affairs, Population Division, World Urbanization Prospects, 2014 Revision. <http://esa.un.org/unpd/wup/CD-ROM/Default.aspx>.

Economies that improved the most across 3 or more *Doing Business* topics in 2013/14

Doing Business 2015 uses a simple method to calculate which economies improved the ease of doing business the most. First, it selects the economies that in 2013/14 implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year's aggregate distance to frontier score. Twenty-one economies meet this criterion: Azerbaijan; Benin; the Democratic Republic of Congo; Côte d'Ivoire; the Czech Republic; Greece; India; Ireland; Kazakhstan; Lithuania; the former Yugoslav Republic of Macedonia; Poland; Senegal; the Seychelles; Spain; Switzerland; Taiwan, China; Tajikistan; Togo; Trinidad and Tobago; and the United Arab Emirates. Second, *Doing Business* sorts these economies on the increase in their distance to frontier score from the previous year using comparable data.

Selecting the economies that implemented regulatory reforms in at least 3 topics and had the biggest improvements in their distance to frontier scores is intended to highlight economies with ongoing, broad-based reform programs. The improvement in the distance to frontier score is used to identify the top improvers because this allows a focus on the absolute improvement—in contrast with the relative improvement shown by a change in rankings—that economies have made in their regulatory environment for business.

Ease of *Doing Business* ranking

The ease of doing business ranking ranges from 1 to 189. The ranking of economies is determined by sorting the aggregate distance to frontier scores, rounded to 2 decimals.

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 DB2015 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
<http://www.doingbusiness.org/law-library>

Contributors

More than 10,700 specialists in 189 economies who participate in *Doing Business*
<http://www.doingbusiness.org/contributors/doing-business>

Entrepreneurship data

Data on business density (number of newly registered companies per 1,000 working-age people) for 139 economies
<http://www.doingbusiness.org/data/exploretopics/entrepreneurship>

Distance to frontier

Data benchmarking 189 economies to the frontier in regulatory practice
<http://www.doingbusiness.org/data/distance-to-frontier>

Information on good practices

Showing where the many good practices identified by *Doing Business* have been adopted
<http://www.doingbusiness.org/data/good-practice>

***Doing Business* iPhone App**

Doing Business at a Glance—presenting the full report, rankings and highlights for each topic for the iPhone, iPad and iPod touch
<http://www.doingbusiness.org/specialfeatures/iphone>



www.doingbusiness.org

ISBN 978-1-4648-0351-2



SKU 210351