

### Regulatory framework: Starting a business

A combination of opportunity, capabilities and resources does not necessarily lead to entrepreneurship if opportunity costs (e.g. forgone salary and loss of health insurance) and start-up costs outweigh the potential benefits. The regulatory framework is a critical factor affecting countries' entrepreneurial performance. While the regulatory framework, as broadly defined by the EIP, encompasses taxes, regulations and other public rules and institutions affecting entrepreneurship, this section focuses on measures of burden on the creation of new enterprises.

#### Definition

The indicator *starting a business* is a composite indicator measuring the procedures, time and costs necessary to register and operate a new business.

Four sub-indicators enter in the calculation of *starting a business*: “number of procedures to legally start and operate a company”, “time required to complete each procedure (calendar days)”, “cost required to complete each procedure (% of gross national income per capita)”, “paid-in minimum capital (% of gross national income per capita)”.

The *total number of procedures required to register a firm*: a procedure is defined as any interaction of the company founders with external parties (for example, government agencies, lawyers, auditors or notaries).

The *total number of days required to register a firm*: the measure captures the median duration that incorporation lawyers indicate is necessary to complete a procedure with minimum follow-up with government agencies and no extra-payments. It is assumed that the minimum time required for each procedure is one day and that simultaneous procedures cannot start on the same day.

#### Comparability

The indicators are drawn from the World Bank's 2012 *Doing Business* report. This is an annual publication based on a survey of domestic laws, regulations and administrative requirements. The publication provides quantitative measures of business regulation in the following areas: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, credit information, protecting investors, paying taxes, trading across

borders, enforcing contracts, resolving insolvency, and employing workers.

To increase comparability across countries, several assumptions are used on the reference business; the main assumptions include: the business is a limited liability company (or its legal equivalent), is located in the largest business city of the economy, has at least 10 up to 50 employees, is 100% domestically owned and its start-up capital is 10 times per capita gross national income of the economy.

The indicators presented refer to the data collection completed by the World Bank in 2011.

#### Highlights

The regulatory framework conditions for starting a business are more favourable in English-speaking countries. The number of procedures needed to create a limited liability company is low in almost all OECD countries, i.e. typically between 4 and 6, although in Greece and Spain 10 different procedures are requested. There are more differences across OECD countries in terms of number of days needed for creating a business: only one and two days are necessary respectively in New Zealand and Australia, but almost 30 in Austria and Spain. Overall, the administrative burdens are still quite cumbersome in Brazil, China, India, Indonesia and the Russian Federation; South Africa is closer to the average levels.

#### Sources/online databases

World Bank *Doing Business*, [www.doingbusiness.org/data](http://www.doingbusiness.org/data)

#### For further readings

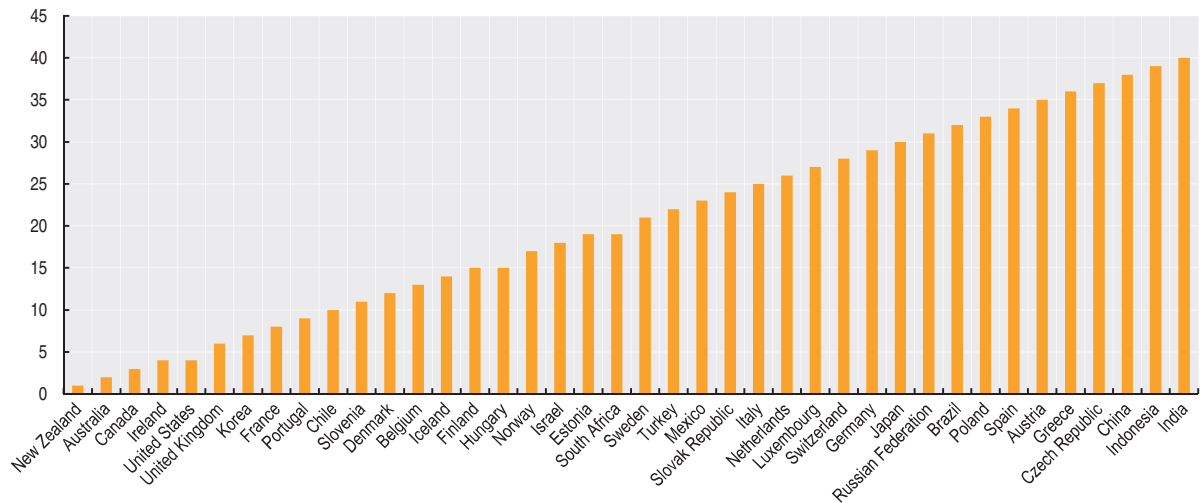
World Bank, 2012 *Doing Business*, World Bank, *Doing Business Methodology*, [www.doingbusiness.org/methodology/starting-a-business](http://www.doingbusiness.org/methodology/starting-a-business).

OECD Indicators of Product Market Regulation, [www.oecd.org/document/36/0,3746,en\\_2649\\_34323\\_35790244\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/36/0,3746,en_2649_34323_35790244_1_1_1_1,00.html).

Information on data for Israel:  
<http://dx.doi.org/10.1787/888932315602>.

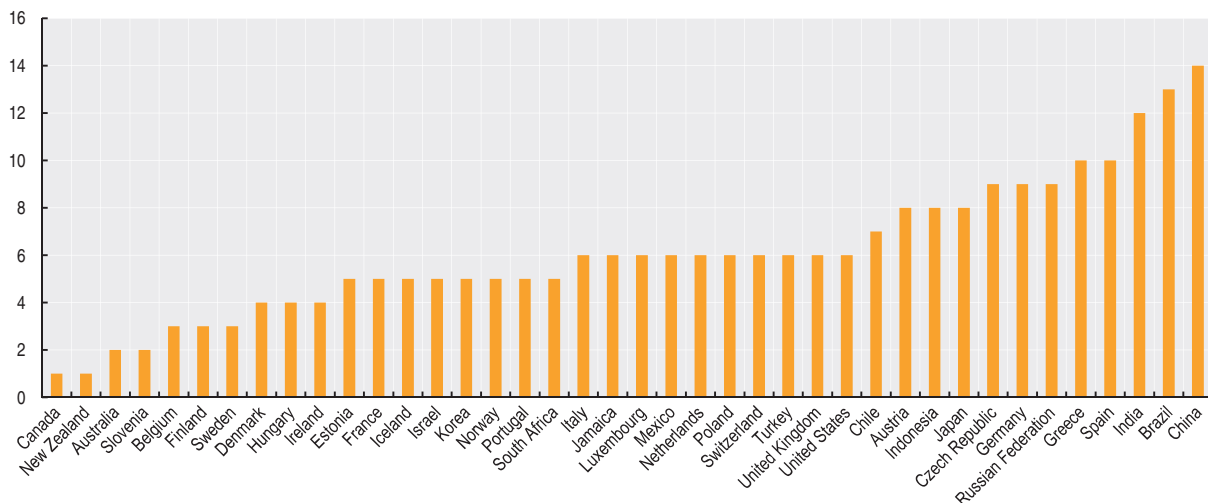
Figure 8.1 **Starting a business, 2011**

Ranking of countries from least to more restrictive



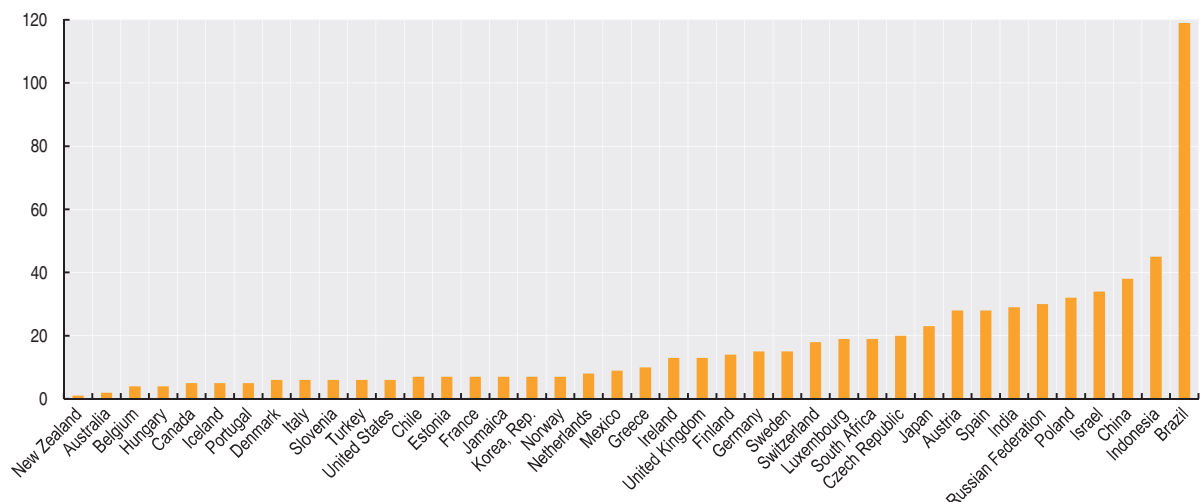
StatLink <http://dx.doi.org/10.1787/888932597923>

Figure 8.2 **Number of procedures to start a business, 2011**



StatLink <http://dx.doi.org/10.1787/888932597942>

Figure 8.3 **Number of days to start a business, 2011**



StatLink <http://dx.doi.org/10.1787/888932597961>



**From:**  
**Entrepreneurship at a Glance 2012**

**Access the complete publication at:**  
[https://doi.org/10.1787/entrepreneur\\_aag-2012-en](https://doi.org/10.1787/entrepreneur_aag-2012-en)

**Please cite this chapter as:**

OECD (2012), "Regulatory framework: Starting a business", in *Entrepreneurship at a Glance 2012*, OECD Publishing, Paris.

DOI: [https://doi.org/10.1787/entrepreneur\\_aag-2012-24-en](https://doi.org/10.1787/entrepreneur_aag-2012-24-en)

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to [rights@oecd.org](mailto:rights@oecd.org). Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at [info@copyright.com](mailto:info@copyright.com) or the Centre français d'exploitation du droit de copie (CFC) at [contact@cfcopies.com](mailto:contact@cfcopies.com).