



Senate Economic
Planning Office

Business Environment

At a Glance

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- Table 1 shows that the Philippines remains to be among the world's most difficult countries to do business in, as it ranks no. 113 among 155 countries worldwide in terms of "ease of doing business¹."
- Among Asian countries, Singapore is the second most business-friendly. Thailand and Malaysia are in the Top 25 while Vietnam is no. 99.
- While the country ranks higher than Indonesia, Cambodia, and Lao PDR, the Philippines' ranking is comparable with war-torn countries, such as Iran (#108), Iraq (#114), and Afghanistan (#122).

Table 1. Ease of doing business, 2006 ranking

Country	Ease of doing business
Cambodia	133
Indonesia	115
Lao PDR	147
Malaysia	21
Philippines	113
Singapore	2
Thailand	20
Vietnam	99

Source: World Bank - International Finance Corporation

- The number of days in starting a business has been reduced from 59 days in 2004 to 48 days in the 2006 report¹ at a cost of 20.3 percent of income per capita. The required bank deposit to obtain a registration number has also gone down to 2 percent of income per capita from 2.2 percent and 9.5 percent in the 2005 and 2004, respectively.
- The number of days needed to enforce a debt contract increased to 360 days from 164 days in 2004.
- The cost of enforcing a contract (as % of debt) has been reduced by half during the last two years, from 103.7 percent in 2004 to 50.7 percent in 2005 and 2006.
- The time it takes to close a business in the Philippines has lengthened from 5.6 years in 2005 to six years in 2006.

Table 2. Doing business in the Philippines, 2004-2006

Indicator	Rank		
	2004	2005	2006
Ease of doing business			113
Starting a business			
<i>procedures (no.)</i>	11	11	11
<i>time (days)</i>	59	50	48
<i>cost (% of income/capita)</i>	24.4	19.5	20.3
<i>min. capital (% of income/capita)</i>	9.5	2.2	2
Dealing with licenses			
<i>procedures (no.)</i>	n.a.	n.a.	23
<i>time (days)</i>	n.a.	n.a.	197
<i>cost (% of income/capita)</i>	n.a.	n.a.	121
Hiring and firing workers			
<i>difficulty of hiring index (0-100)</i>	n.a.	22	56
<i>rigidity of hours index (0-100)</i>	n.a.	60	40
<i>difficulty of firing index (0-100)</i>	n.a.	40	40
<i>rigidity of employment index (0-100)</i>	n.a.	41	45
<i>hiring costs (% of salary)</i>	n.a.	n.a.	9
<i>firing costs (weeks of salary)</i>	n.a.	90	90
Paying taxes			
<i>payments (no.)</i>	n.a.	n.a.	62
<i>time (hours/year)</i>	n.a.	n.a.	94
<i>total tax payable (% of gross profit)</i>	n.a.	n.a.	46.4
Enforcing contracts			
<i>procedures (no.)</i>	28	25	25
<i>time (days)</i>	164	380	360
<i>cost (% of debt)</i>	103.7	50.7	50.7
Closing a business			
<i>time (years)</i>	5.7	5.6	6
<i>cost (% of estate)</i>	38	38	38
<i>recovery rate (cents on dollars)</i>	n.a.	3.8	4.1

Source: World Bank - International Finance Corporation

Table 3. Doing business in 2006, Asian countries

Indicator	Country							
	Cambodia	Indonesia	Lao PDR	Malaysia	Philippines	Singapore	Thailand	Vietnam
Ease of doing business	133	115	147	21	113	2	20	99
Starting a business								
<i>procedures (no.)</i>	10	12	9	9	11	6	8	11
<i>time (days)</i>	86	151	198	30	48	6	33	50
<i>cost (% of income/capita)</i>	276.1	101.7	15.1	20.9	20.3	1.1	6.1	50.6
<i>min. capital (% of income/capita)</i>	80.7	97.8	23.4	0	2.0	0	0	0
Dealing with licenses								
<i>procedures (no.)</i>	28	19	24	25	23	11	9	14
<i>time (days)</i>	247	224	208	226	197	129	147	143
<i>cost (% of income/capita)</i>	606.7	364.9	224.5	82.7	121	24	17.3	64.1
Hiring and firing workers								
<i>difficulty of hiring index (0-100)</i>	67	61	11	0	56	0	33	44
<i>rigidity of hours index (0-100)</i>	80	40	60	20	40	0	20	40
<i>difficulty of firing index (0-100)</i>	30	70	80	10	40	0	0	70
<i>rigidity of employment index (0-100)</i>	59	57	50	10	45	0	18	51
<i>hiring costs (% of salary)</i>	0	10	5	13	9	13	5	17
<i>firing costs (weeks of salary)</i>	39	145	36	65	90	4	47	98
Paying taxes								
<i>payments (no.)</i>	27	52	31	28	62	16	44	44
<i>time (hours/year)</i>	97	560	180	..	94	30	52	1050
<i>total tax payable (% of gross profit)</i>	31.1	38.8	24.7	11.6	46.4	19.5	29.2	31.5
Enforcing contracts								
<i>procedures (no.)</i>	31	34	53	31	25	23	26	37
<i>time (days)</i>	401	570	443	300	360	69	390	343
<i>cost (% of debt)</i>	121.3	126.5	30.3	20.2	50.7	9	13.4	30.1
Closing a business								
<i>time (years)</i>	no practice	6	5	2	6	1	3	5
<i>cost (% of estate)</i>	no practice	18	76	15	38	1	36	15
<i>recovery rate (cents on dollars)</i>	0	13.1	0	38.8	4.1	91.3	43.9	19.2

Source: World Bank - International Finance Corporation

- In terms of cost, starting a business in the Philippines is cheaper at 20.3 percent of income per capita compared with Cambodia (276.1%), Indonesia (101.7%) and Vietnam (50.6%). While the Philippines only requires 2 percent of income per capita as minimum capital, Cambodia, Indonesia and Vietnam require 80.7 percent, 97.8 percent, and 23.4 percent, respectively.
- An entrepreneur in the Philippines takes 23 steps and 197 days to complete the licensing requirements at a cost equivalent to 121 percent of income per capita. In Thailand, complying with licensing requirements only takes nine steps and 147 days to complete the process at a cost of only 17.3 percent of income per capita.
- In the Philippines, an entrepreneur must make 62 payments, spend 94 hours, and pay 46.4 percent of gross profit in taxes. Indonesia is worse in terms of procedure as an entrepreneur must make 52 payments and spend 560 hours but has lower tax rate as the tax to be paid only is 38.8 percent of the gross profit.
- In the Philippines, the average time to close a business is six years, at par with its Asian neighbors but the cost of bankruptcy proceedings is 38 percent of the estate, higher than the rest of the Asian neighbors.

Doing Business in 2006, the latest survey conducted by the World Bank's International Finance Corporation on the regulations that enhance business activity and those that constrain it, compares the business environment of 155 countries. The survey used 10 indicators: (a) starting a business, (b) dealing with licenses, (c) hiring and firing workers, (d) registering property, (e) getting credit, (f) protecting investors, (g) paying taxes, (h) trading across borders, (i) enforcing contracts, and (j) closing a business.

¹ The ease of doing business index ranks economies from 1 to 155 based on the simple average of the 10 indicators covered in *Doing Business in 2006*.

² The 2006 report used 2005 data as basis for its country assessment. The same goes for the 2004 and 2005 report which used 2003 and 2004 data, respectively. In this "At a Glance", the years refer to edition of the "Doing Business" report.