

Doing Business 2010
Micronesia, Fed. Sts.

COMPARING REGULATION IN 183 ECONOMIES



© 2009 The International Bank for Reconstruction and Development / The World Bank
1818 H Street NW
Washington, D.C. 20433
Telephone 202-473-1000
Internet www.worldbank.org
E-mail feedback@worldbank.org

All rights reserved.
1 2 3 4 08 07 06 05

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

This volume is a product of the staff of the World Bank Group. The findings, interpretations, and conclusions expressed in this volume do not necessarily reflect the views of the Executive Directors of the World Bank or the governments they represent. The World Bank does not guarantee the accuracy of the data included in this work.

Rights and Permissions

The material in this publication is copyrighted. Copying and/or transmitting portions or all of this work without permission may be a violation of applicable law. The World Bank encourages dissemination of its work and will normally grant permission to reproduce portions of the work promptly.

For permission to photocopy or reprint any part of this work, please send a request with complete information to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, USA; telephone 978-750-8400; fax 978-750-4470; Internet: www.copyright.com.

All other queries on rights and licenses, including subsidiary rights, should be addressed to the Office of the Publisher, The World Bank, 1818 H Street NW, Washington, DC 20433, USA; fax: 202-522-2422; e-mail: pubrights@worldbank.org.

Additional copies of *Doing Business 2010: Reforming through Difficult Times*, *Doing Business 2009*, *Doing Business 2008*, *Doing Business 2007: How to Reform*, *Doing Business in 2006: Creating Jobs*, *Doing Business in 2005: Removing Obstacles to Growth* and *Doing Business in 2004: Understanding Regulations* may be purchased at www.doingbusiness.org

ISBN: 978-0-8213-7961-5
E-ISBN: 978-0-8213-7965-3
DOI: 10.1596/978-0-8213-7961-5
ISSN: 1729-2638

Library of Congress Cataloging-in-Publishing Data has been applied for.

Printed in the United States.

Current features

News on the *Doing Business* project

www.doingbusiness.org

Rankings

How economies rank-from 1 to 183

www.doingbusiness.org/economyrankings

Reformers

Short summaries of DB2010 reforms, lists of reformers since DB2004 and a ranking simulation tool

www.doingbusiness.org/reformers

Historical data

Customized data sets since DB2004

www.doingbusiness.org/customquery

Methodology and research

The methodologies and research papers underlying *Doing Business*

www.doingbusiness.org/MethodologySurveys

Download reports

Access to *Doing Business* reports as well as subnational and regional reports, reform case studies and customized country and regional profiles

www.doingbusiness.org/downloads

Subnational and regional projects

Differences in business regulations at the subnational and regional level

www.doingbusiness.org/subnational

Law Library

Online collection of business laws and regulations relating to business and gender issues

www.doingbusiness.org/lawlibrary

www.doingbusiness.org/genderlawlibrary

Local partners

More than 8,000 specialists in 183 economies who participate in *Doing Business*

www.doingbusiness.org/LocalPartners

Reformers' Club

Celebrating the top 10 *Doing Business* reformers

www.doingbusiness.org/Reformers/ReformersClub.aspx

Business Planet

Interactive map on the ease of doing business

<http://www.doingbusiness.org/map>

Contents

Introduction and Aggregate Rankings	1
Starting a Business	5
Dealing with Construction Permits	10
Employing Workers	15
Registering Property	19
Getting Credit	24
Protecting Investors	28
Paying Taxes	32
Trading Across Borders	36
Enforcing Contracts	40
Closing a Business	44
Doing Business 2010 Reforms	48

Introduction

Doing Business 2010: Reforming Through Difficult Times is the seventh in a series of annual reports investigating regulations that enhance business activity and those that constrain it. Doing Business presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 10 stages of a business's life are measured: starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2010: Reforming Through Difficult Times* are current as of June 1, 2009*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

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), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, 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 policymakers in designing reform.

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and The Caribbean, 27 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 19 in the Middle East and North Africa and 8 in South Asia, as well as 27 OECD high-income economies as benchmarks.

The following pages present the summary Doing Business indicators for the Federated States of Micronesia. The data used for this country profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator.

The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2010: Reforming Through Difficult Times* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website (www.doingbusiness.org).

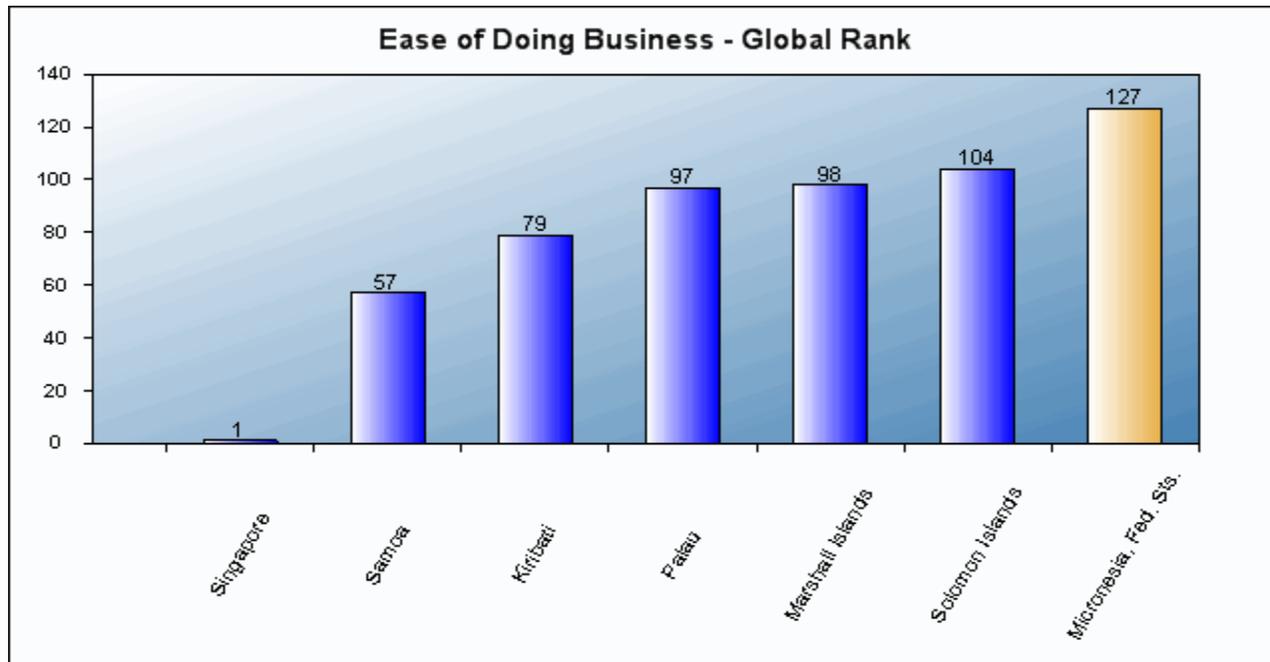
* Except for the Paying Taxes indicator that refers to the period January to December of 2008.

Note: Doing Business 2008 and Doing Business 2009 data and rankings have been recalculated to reflect changes to the methodology and the addition of new countries (in the case of the rankings).

Economy Rankings - Ease of Doing Business

Micronesia, Fed. Sts. is ranked 127 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

Micronesia, Fed. Sts. - Compared to global good practice economy as well as selected economies:



Micronesia, Fed. Sts.'s ranking in Doing Business 2010

Rank	Doing Business 2010
Ease of Doing Business	127
Starting a Business	79
Dealing with Construction Permits	11
Employing Workers	14
Registering Property	183
Getting Credit	113
Protecting Investors	172
Paying Taxes	86
Trading Across Borders	98
Enforcing Contracts	149
Closing a Business	154

Summary of Indicators - Micronesia, Fed. Sts.

Starting a Business	Procedures (number)	7
	Time (days)	16
	Cost (% of income per capita)	136.9
	Min. capital (% of income per capita)	0.0
Dealing with Construction Permits	Procedures (number)	14
	Time (days)	73
	Cost (% of income per capita)	19.9
Employing Workers	Difficulty of hiring index (0-100)	22
	Rigidity of hours index (0-100)	0
	Difficulty of redundancy index (0-10)	0
	Rigidity of employment index (0-100)	7
	Redundancy costs (weeks of salary)	0
Registering Property	Procedures (number)	no practice
	Time (days)	no practice
	Cost (% of property value)	no practice
Getting Credit	Strength of legal rights index (0-10)	7
	Depth of credit information index (0-6)	0
	Public registry coverage (% of adults)	0.0
	Private bureau coverage (% of adults)	0.0
Protecting Investors	Extent of disclosure index (0-10)	0
	Extent of director liability index (0-10)	0
	Ease of shareholder suits index (0-10)	8
	Strength of investor protection index (0-10)	2.7
Paying Taxes	Payments (number per year)	21
	Time (hours per year)	128
	Profit tax (%)	52.0
	Labor tax and contributions (%)	6.8
	Other taxes (%)	0.0
	Total tax rate (% profit)	58.7

Trading Across Borders	Documents to export (number)	3
	Time to export (days)	30
	Cost to export (US\$ per container)	1295
	Documents to import (number)	6
	Time to import (days)	30
	Cost to import (US\$ per container)	1295
Enforcing Contracts	Procedures (number)	34
	Time (days)	965
	Cost (% of claim)	66.0
Closing a Business	Recovery rate (cents on the dollar)	3.5
	Time (years)	5.3
	Cost (% of estate)	38

Starting a Business

When entrepreneurs draw up a business plan and try to get under way, the first hurdles they face are the procedures required to incorporate and register the new firm before they can legally operate. Economies differ greatly in how they regulate the entry of new businesses. In some the process is straightforward and affordable. In others the procedures are so burdensome that entrepreneurs may have to bribe officials to speed up the process or may decide to run their businesses informally.

Analysis shows that burdensome entry regulations do not increase the quality of products, make work safer or reduce pollution. Instead, they constrain private investment; push more people into the informal economy; increase consumer prices and fuel corruption.

Methodology

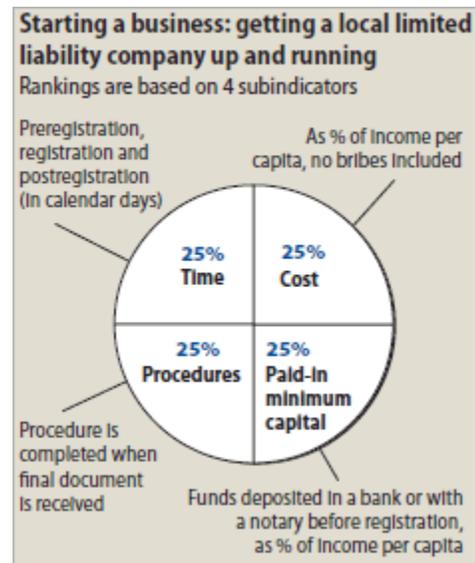
The data on starting a business is based on a survey and research investigating the procedures that a standard small to medium-size company needs to complete to start operations legally. This includes obtaining all necessary permits and licenses and completing all required inscriptions, verifications and notifications with authorities to enable the company to formally operate. Procedures are recorded only where interaction is required with an external party. It is assumed that the founders complete all procedures themselves unless professional services (such as by a notary or lawyer) are required by law. Voluntary procedures are not counted, nor are industry-specific requirements and utility hook-ups. Lawful shortcuts are counted.

It is assumed that all information is readily available to the entrepreneur, that there has been no prior contact with officials and that all government and nongovernment entities involved in the process function without corruption.

Survey Case Study

The business:

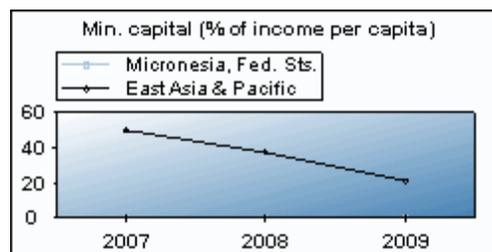
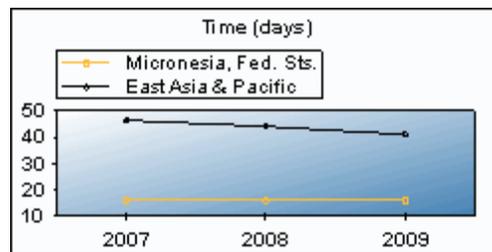
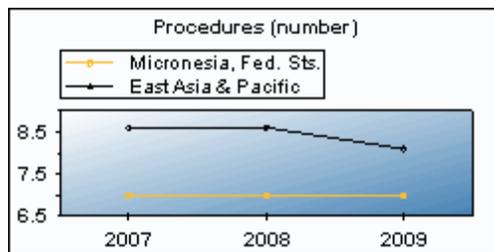
- is a limited liability company conducting general commercial activities
- is located in the largest business city
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has between 10 and 50 employees
- does not qualify for any special benefits
- does not own real estate



1. Historical data: Starting a Business in the Federated States of Micronesia

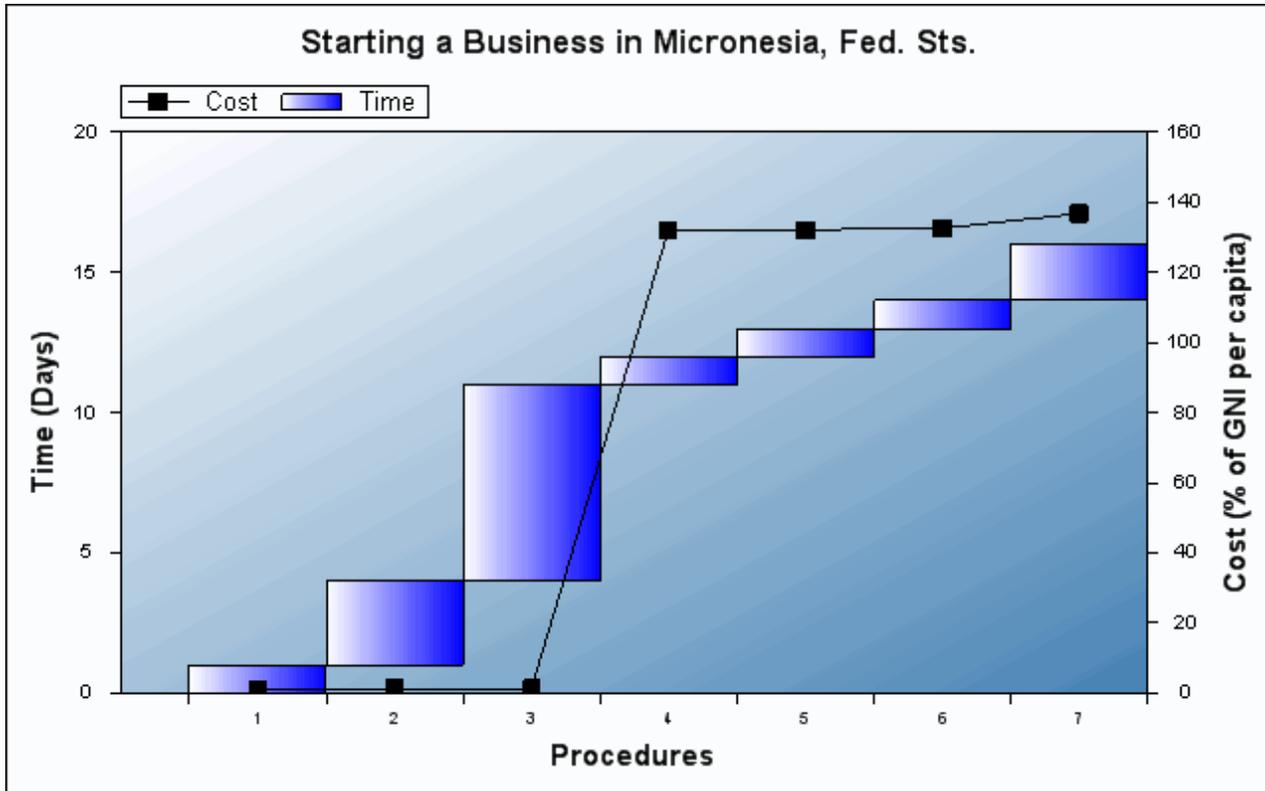
Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	62	79
Procedures (number)	7	7	7
Time (days)	16	16	16
Cost (% of income per capita)	137.0	137.5	136.9
Min. capital (% of income per capita)	0.0	0.0	0.0

2. The following graphs illustrates the Starting a Business indicators in the Federated States of Micronesia over the past 3 years:



3. Steps to Starting a Business in the Federated States of Micronesia

It requires 7 procedures, takes 16 days, and costs 136.85 % GNI per capita to start a business in the Federated States of Micronesia.



List of Procedures:

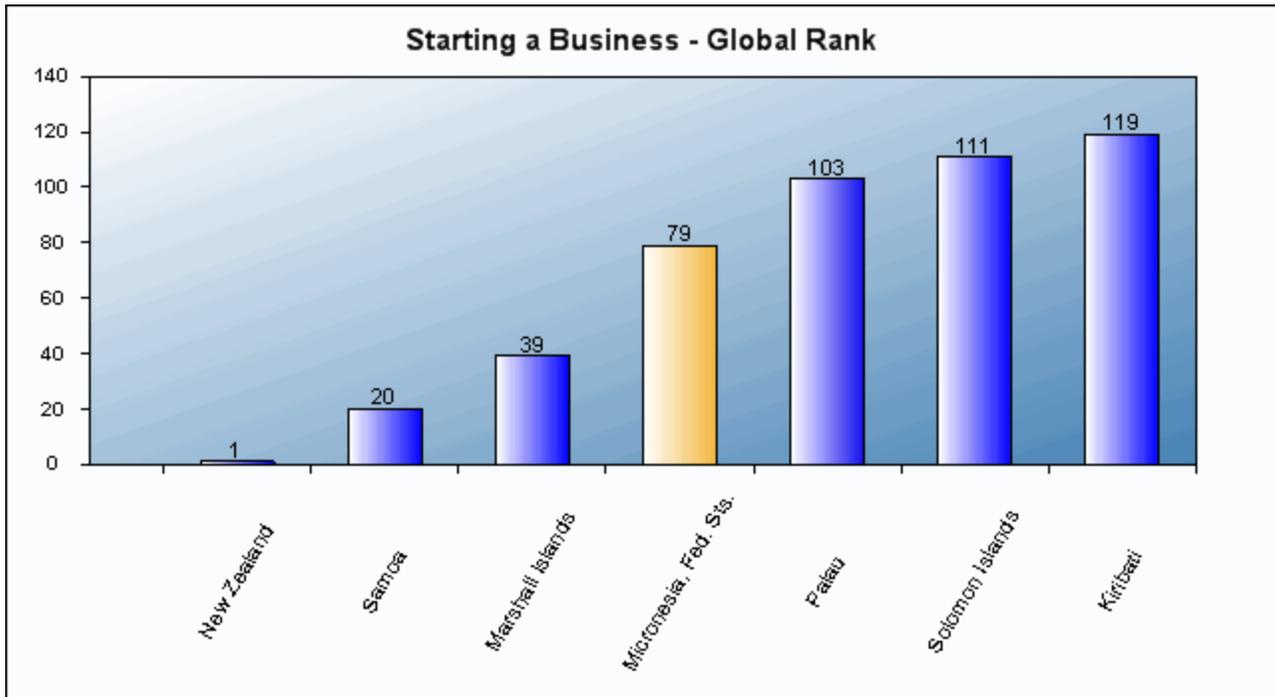
1. Check the uniqueness of the proposed company name and reserve a name
2. Notarize the company documents
3. File the incorporation documents with the Registrar of the Companies
4. Obtain the payment receipt (four duplicates) and pay the registration fee and license fee at the Finance Office of the state government
5. Obtain the certificate of corporation
6. Register for social security
7. Apply for a business license from the municipality

More detail is included in the appendix.

4. Benchmarking Starting a Business Regulations:

Micronesia, Fed. Sts. is ranked 79 overall for Starting a Business.

Ranking of the Federated States of Micronesia in Starting a Business - Compared to good practice and selected economies:



The following table shows Starting a Business data for the Federated States of Micronesia compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)	Min. capital (% of income per capita)
Denmark*			0.0	
New Zealand*	1	1		0.0

<i>Selected Economy</i>				
Micronesia, Fed. Sts.	7	16	136.9	0.0

<i>Comparator Economies</i>				
Kiribati	6	21	38.0	20.5
Marshall Islands	5	17	16.2	0.0
Palau	8	28	4.3	11.6
Samoa	5	9	9.9	0.0
Solomon Islands	7	57	52.7	0.0

* The following economies are also good practice economies for :

Procedures (number): **Canada**

Cost (% of income per capita): **Slovenia**

Dealing with Construction Permits

Once entrepreneurs have registered a business, what regulations do they face in operating it? To measure such regulation, Doing Business focuses on the construction sector. Construction companies are under constant pressure from government to comply with inspections, with licensing and safety regulations, from customers to be quick and cost-effective. These conflicting pressures point to the tradeoff in building regulation; the tradeoff between protecting people (construction workers, tenants, passersby) and keeping the cost of building affordable.

In many economies, especially poor ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

Methodology

The indicators on dealing with construction permits record all procedures officially required for an entrepreneur in the construction industry to build a warehouse. These include submitting project documents (building plans, site maps) to the authorities, obtaining all necessary licenses and permits, completing all required notifications and receiving all necessary inspections. They also include procedures for obtaining utility connections, such as electricity, telephone, water and sewerage. The time and cost to complete each procedure under normal circumstances are calculated. All official fees associated with legally completing the procedures are included. Time is recorded in calendar days. The survey assumes that the entrepreneur is aware of all existing regulations and does not use an intermediary to complete the procedures unless required to do so by law.

Survey Case Study

The business:

- is a small to medium-size limited liability company
- is located in the largest business city
- is domestically owned and operated, in the construction business
- has 20 qualified employees

The warehouse to be built:

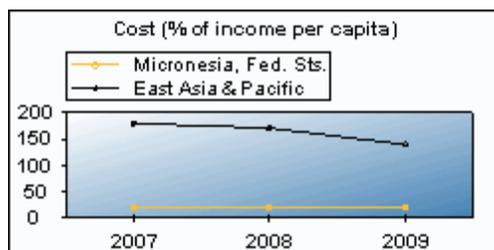
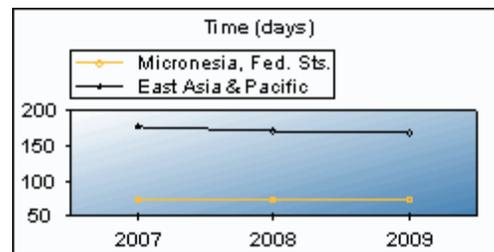
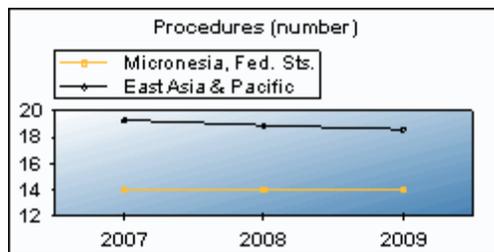
- is a new construction (there was no previous construction on the land)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and one land phone line. The connection to each utility network will be 32 feet, 10 inches (10 meters) long.
- will be used for general storage, such as of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).



1. Historical data: Dealing with Construction Permits in the Federated States of Micronesia

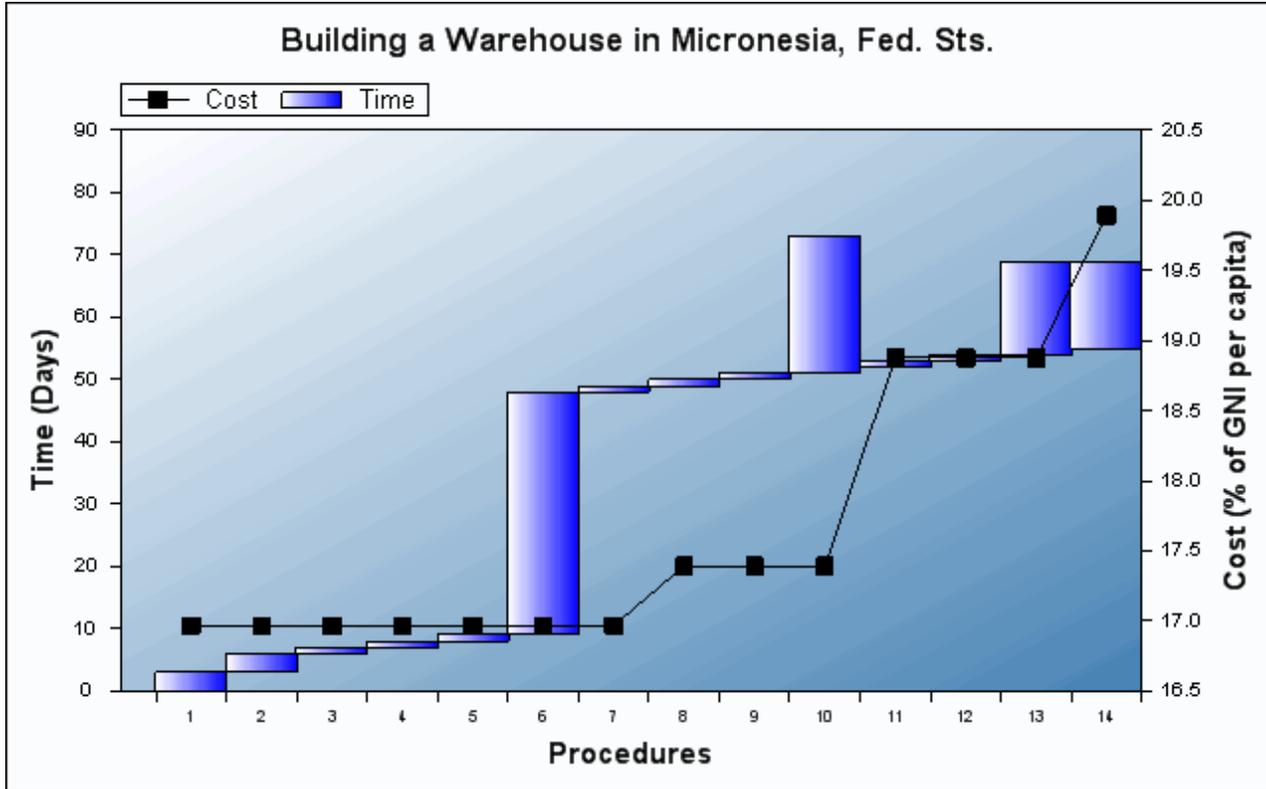
Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	10	11
Procedures (number)	14	14	14
Time (days)	73	73	73
Cost (% of income per capita)	19.7	19.0	19.9

2. The following graphs illustrates the Dealing with Construction Permits indicators in the Federated States of Micronesia over the past 3 years:



3. Steps to Building a Warehouse in the Federated States of Micronesia

It requires 14 procedures, takes 73 days, and costs 19.89 % GNI per capita to build a warehouse in the Federated States of Micronesia.



List of Procedures:

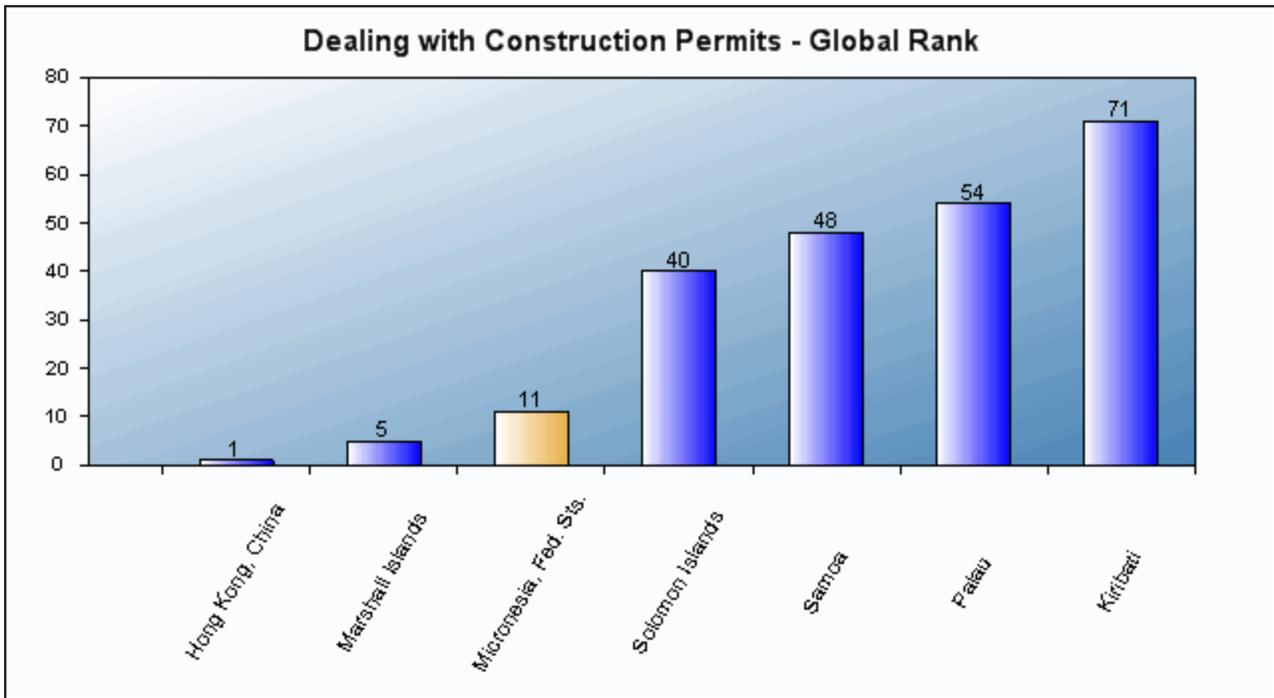
- | | |
|--|--|
| 1. Request and obtain a new land survey | 11. Apply for water and sewage connection |
| 2. Request and obtain a Historic Preservation Clearance Permit from Office of Historic Preservation and Cultural Affairs | 12. Receive Inspection from PUC |
| 3. Receive Inspection from the Division of Land | 13. Receive Inspection and connect to water and sewage |
| 4. Request Earth Moving Permit from the Environmental Protection Agency | 14. Request and connect to phone services from FSM Telecom Corp. |
| 5. Receive Inspection from the EPA | |
| 6. Obtain Earth Moving Permit from EPA | |
| 7. Receive safety inspection | |
| 8. Request power connection from Pohnpei Utilities Corporation | |
| 9. Receive initial inspection on electricity | |
| 10. Receive final inspection from PUC and Installation | |

More detail is included in the appendix.

4. Benchmarking Dealing with Construction Permits Regulations:

Micronesia, Fed. Sts. is ranked 11 overall for Dealing with Construction Permits.

Ranking of the Federated States of Micronesia in Dealing with Construction Permits - Compared to good practice and selected economies:



The following table shows Dealing with Construction Permits data for the Federated States of Micronesia compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)
Denmark	6		
Qatar			0.6
Singapore		25	

<i>Selected Economy</i>			
Micronesia, Fed. Sts.	14	73	19.9

<i>Comparator Economies</i>			
Kiribati	14	160	422.1
Marshall Islands	10	55	33.7
Palau	25	118	5.4
Samoa	18	88	79.8
Solomon Islands	12	62	504.1

Employing Workers

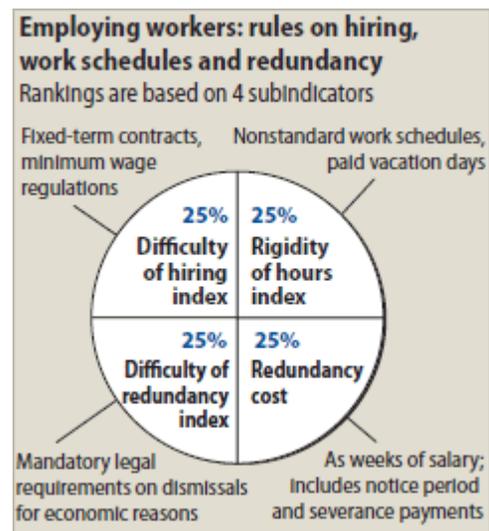
Economies worldwide have established a system of laws and institutions intended to protect workers and guarantee a minimum standard of living for its population. This system generally encompasses four bodies of law: employment, industrial relations, social security and occupational health and safety laws.

Employment regulations are needed to allow efficient contracting between employers and workers and to protect workers from discriminatory or unfair treatment by employers. Doing Business measures flexibility in the regulation of hiring, working hours and dismissal in a manner consistent with the conventions of the International Labour Organization (ILO). An economy can have the most flexible labor regulations as measured by Doing Business while ratifying and complying with all conventions directly relevant to the factors measured by Doing Business and with the ILO core labor standards. No economy can achieve a better score by failing to comply with these conventions.

Governments all over the world face the challenge of finding the right balance between worker protection and labor market flexibility. But in developing countries especially, regulators often err to one extreme, pushing employers and workers into the informal sector. Analysis across economies shows that while employment regulation generally increases the tenure and wages of incumbent workers, overly rigid regulations may have undesirable side effects. These include less job creation, smaller company size, less investment in research and development, and longer spells of unemployment and thus the obsolescence of skills, all of which may reduce productivity growth.

Methodology

Two measures are presented: a rigidity of employment index and a redundancy cost measure. The rigidity of employment index is the average of three sub-indices: difficulty of hiring, rigidity of hours and difficulty of redundancy. Each index takes values between 0 and 100, with higher values indicating more rigid regulation. The difficulty of hiring index measures the flexibility of contracts and the ratio of the minimum wage to the value added per worker. The rigidity of hours index covers restrictions on weekend and night work, requirements relating to working time and the workweek taking into account legal provisions that refer specifically to small to medium-size companies in the manufacturing industry in which continuous operation is economically necessary, as well as mandated days of annual leave with pay. The difficulty of redundancy index covers workers' legal protections against dismissal, including the grounds permitted for dismissal and procedures for dismissal (individual and collective): notification and approval requirements, retraining or reassignment obligations and priority rules for dismissals and reemployment.



The Redundancy cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary.

Survey Case Study

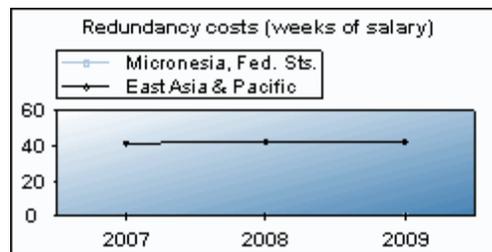
The business:

- is a limited liability company operating in the manufacturing sector
- is located in the largest business city
- is 100% domestically owned
- has 60 employees
- The company is also assumed to be subject to collective bargaining agreements in economies where such agreements cover more than half the manufacturing sector and apply even to firms not party to them.

1. Historical data: Employing Workers in the Federated States of Micronesia

Employing Workers data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	15	14
Redundancy costs (weeks of salary)	0	0	0
Rigidity of employment index (0-100)	7	7	7

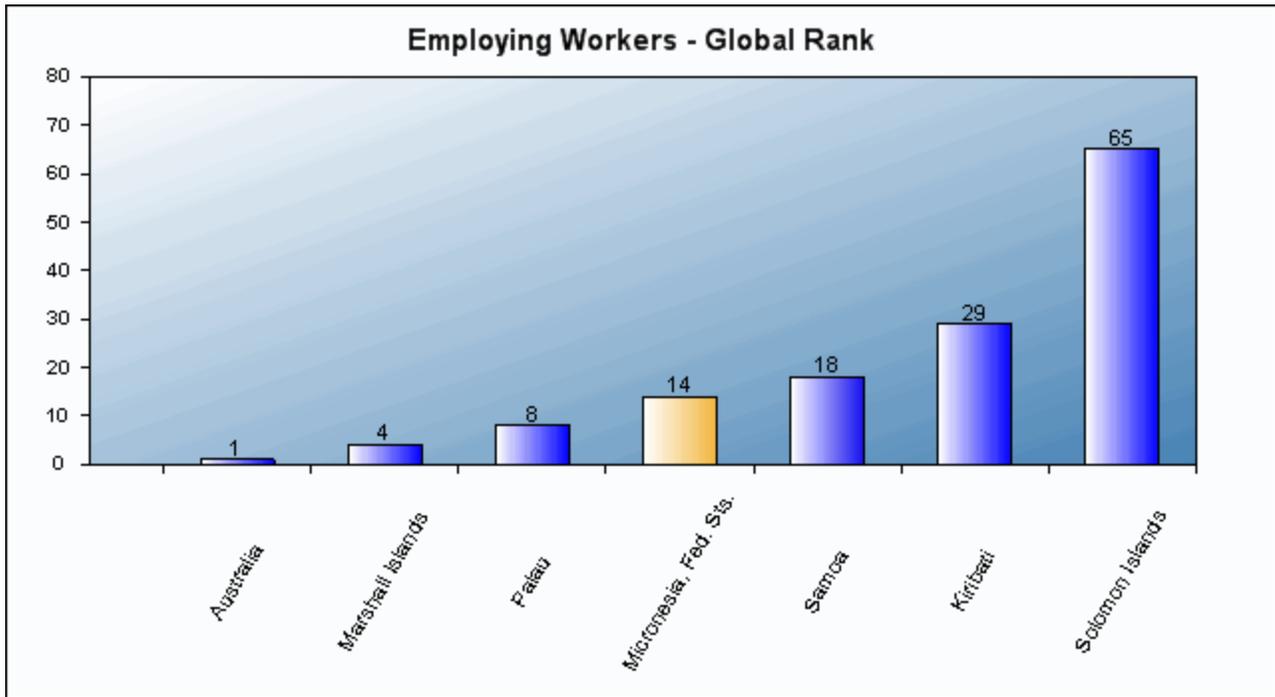
2. The following graphs illustrates the Employing Workers indicators in the Federated States of Micronesia over the past 3 years:



3. Benchmarking Employing Workers Regulations:

Micronesia, Fed. Sts. is ranked 14 overall for Employing Workers.

Ranking of the Federated States of Micronesia in Employing Workers - Compared to good practice and selected economies:



The following table shows Employing Workers data for the Federated States of Micronesia compared to good practice and comparator economies:

Good Practice Economies	Rigidity of employment index (0-100)	Redundancy costs (weeks of salary)
Hong Kong, China*	0	
New Zealand*		0

<i>Selected Economy</i>		
Micronesia, Fed. Sts.	7	0

<i>Comparator Economies</i>		
Kiribati	17	4
Marshall Islands	0	0
Palau	4	0
Samoa	8	9
Solomon Islands	14	44

* The following economies are also good practice economies for :

Rigidity of employment index (0-100): Australia, Brunei Darussalam, Kuwait, Marshall Islands, Singapore, St. Lucia, Uganda, United States

Redundancy costs (weeks of salary): Denmark, Iraq, Marshall Islands, Micronesia, Fed. Sts., Palau, Puerto Rico, Tonga, United States

Registering Property

Formal property titles help promote the transfer of land, encourage investment and give entrepreneurs access to formal credit markets. But a large share of property in developing economies is not formally registered. Informal titles cannot be used as security in obtaining loans, which limits financing opportunities for businesses. Many governments have recognized this and started extensive property titling programs. But bringing assets into the formal sector is only part of the story. The more difficult and costly it is to formally transfer property, the greater the chances that formalized titles will quickly become informal again. Eliminating unnecessary obstacles to registering and transferring property is therefore important for economic development.

Efficient property registration reduces transaction costs and helps to formalize property titles. Simple procedures to register property are also associated with greater perceived security of property rights and less corruption. That benefits all entrepreneurs, especially women, the young and the poor. The rich have few problems protecting their property rights. They can afford to invest in security systems and other measures to defend their property. But small entrepreneurs cannot. Reform can change this.

Methodology

Doing Business records the full sequence of procedures necessary for a business (buyer) to purchase a property from another business (seller) and to transfer the property title to the buyer's name. The property of land and building will be transferred in its entirety. The transaction is considered complete when the buyer can use the property as collateral for a bank loan.

Local property lawyers and officials in property registries provide information on required procedures as well as the time and cost to complete each one. For most economies the data are based on responses from both. Based on the responses, three indicators are constructed:

- number of procedures to register property
- time to register property (in calendar days)
- official costs to register property (as a percentage of the property value)

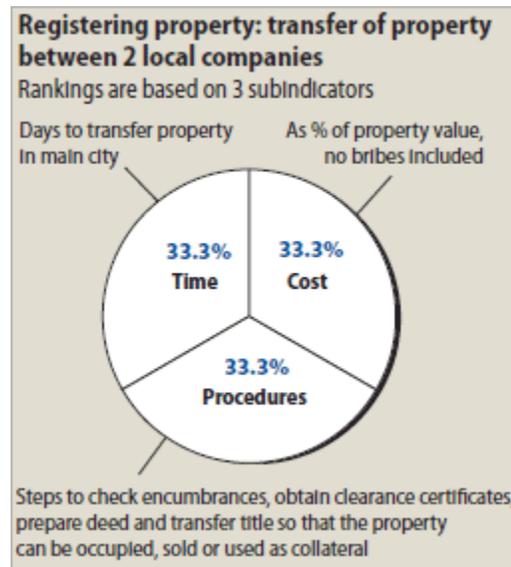
Survey Case Study

The buyer and seller:

- are limited liability companies
- are private nationals (no foreign ownership)
- are located in periurban area of the largest business city
- conduct general commercial activities

The property:

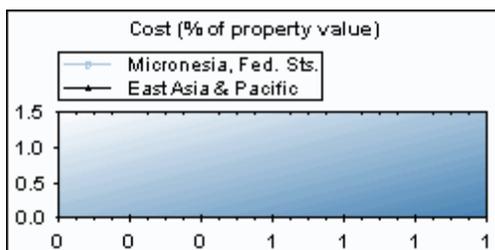
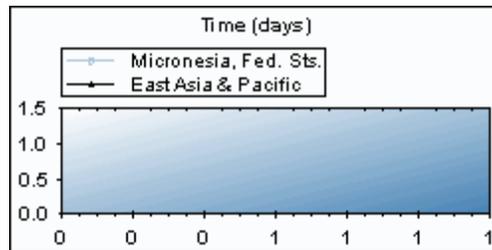
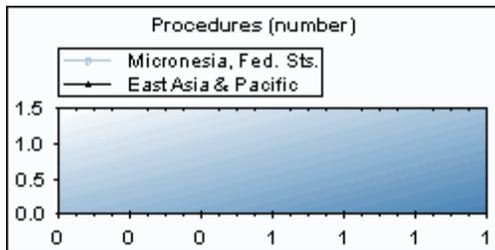
- consists of land and a 2-story building (warehouse)
- is located in the periurban commercial zone of the largest business city
- The land area is 557.4 m² (6,000 square feet).
- The warehouse has a total area of 929 m² (10,000 square feet).
- has a value equal to 50 times income per capita
- The seller company owned the property for the last 10 years.
- is registered in the land registry and/or cadastre and is free of all disputes.



1. Historical data: Registering Property in the Federated States of Micronesia

Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	183	183
Procedures (number)	..	no practice	no practice
Time (days)	..	no practice	no practice
Cost (% of property value)	..	no practice	no practice

2. The following graphs illustrates the Registering Property indicators in the Federated States of Micronesia over the past 3 years:



3. Steps to Registering Property in the Federated States of Micronesia

It requires _____ procedures, takes _____ days, and costs _____ % of property value to register the property in the Federated States of Micronesia.

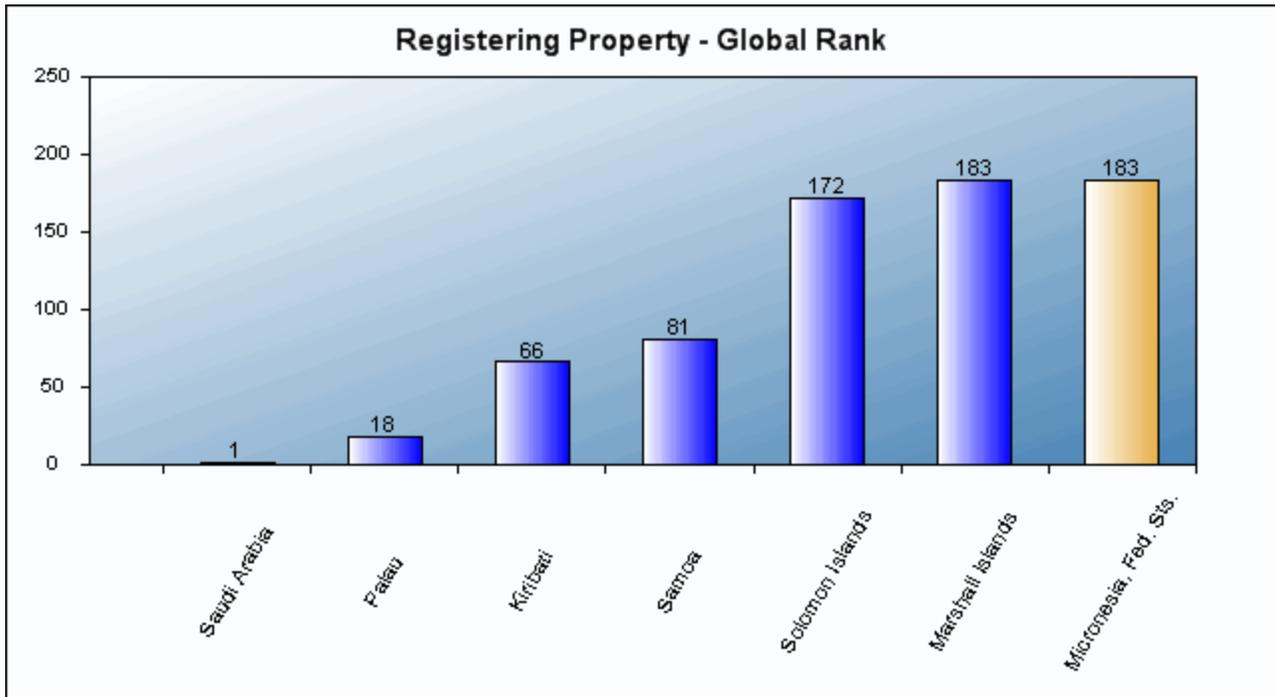
List of Procedures:

More detail is included in the appendix.

4. Benchmarking Registering Property Regulations:

Micronesia, Fed. Sts. is ranked 183 overall for Registering Property.

Ranking of the Federated States of Micronesia in Registering Property - Compared to good practice and selected economies:



The following table shows Registering Property data for the Federated States of Micronesia compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of property value)
New Zealand*		2	
Norway*	1		
Saudi Arabia			0.0

<i>Selected Economy</i>			
Micronesia, Fed. Sts.	no practice	no practice	no practice

<i>Comparator Economies</i>			
Kiribati	5	513	0.0
Marshall Islands	no practice	no practice	no practice
Palau	5	14	0.3
Samoa	5	147	1.6
Solomon Islands	10	297	4.8

* The following economies are also good practice economies for :

Procedures (number): United Arab Emirates

Time (days): Saudi Arabia, Thailand, United Arab Emirates

Getting Credit

Firms consistently rate access to credit as among the greatest barriers to their operation and growth. Doing Business constructs two sets of indicators of how well credit markets function: one on credit registries and the other on legal rights of borrowers and lenders. Credit registries, institutions that collect and distribute credit information on borrowers, can greatly expand access to credit. By sharing credit information, they help lenders assess risk and allocate credit more efficiently. They also free entrepreneurs from having to rely on personal connections alone when trying to obtain credit.

Methodology

Credit information: three indicators are constructed

- depth of credit information index, which measures the extent to which the rules of a credit information system facilitate lending based on the scope of information distributed, the ease of access to information and the quality of information
- public registry coverage, which reports the number of individuals and firms covered by a public credit registry as a percentage of the adult population
- private bureau coverage, which reports the number of individuals and firms, covered by a private credit bureau as a percentage of the adult population

Legal Rights: the strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders. Ten points are analyzed:

- Can a business use movable assets as collateral while keeping possession of the assets, and can any financial institution accept such assets as collateral?
- Does the law allow a business to grant a non-possessory security right in a single category of revolving movable assets, without requiring a specific description of the secured assets?
- Does the law allow a business to grant a non-possessory security right in substantially all of its assets, without requiring a specific description of the secured assets?
- Can a security right extend to future or after-acquired assets and extend automatically to the products, proceeds or replacements of the original assets?
- Is general description of debts and obligations permitted in collateral agreements and in registration documents, so that all types of obligations and debts can be secured by stating a maximum rather than a specific amount between the parties?
- Is a collateral registry in operation that is unified geographically and by asset type as well as being indexed by the name of the grantor of a security right?
- Are secured creditors paid first when a debtor defaults outside an insolvency procedure or when a business is liquidated?
- Are secured creditors subject to an automatic stay or moratorium on enforcement procedures when a debtor enters a court-supervised reorganization procedure?
- Are parties allowed to agree in a collateral agreement that the lender may enforce its security right out of court?

Legal Rights Survey Case Study

The Debtor:

- is a Private Limited Liability Company
- has its headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both debtor and creditor are 100% domestically owned.

Getting credit: collateral rules and credit information

Rankings are based on 2 subindicators

Regulations on nonpossessory security interests in movable property

62.5%
Strength of legal rights index
(0-10)

37.5%
Depth of credit information index
(0-6)

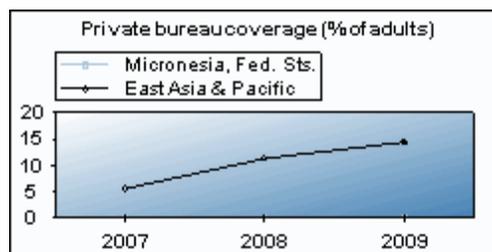
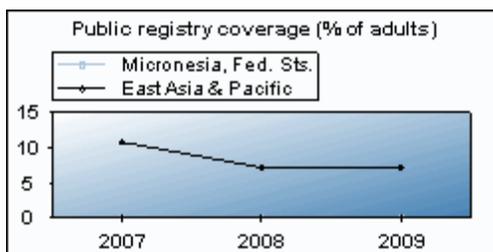
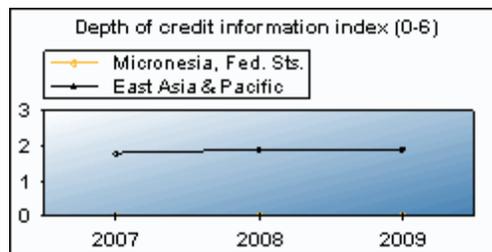
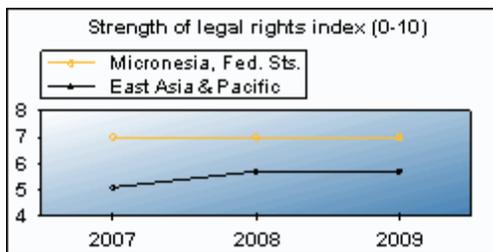
Scope, quality and accessibility of credit information through public and private credit registries

Note: Private bureau coverage and public registry coverage are measured but do not count for the rankings.

1. Historical data: Getting Credit in the Federated States of Micronesia

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	109	113
Strength of legal rights index (0-10)	7	7	7
Depth of credit information index (0-6)	0	0	0
Private bureau coverage (% of adults)	0.0	0.0	0.0
Public registry coverage (% of adults)	0.0	0.0	0.0

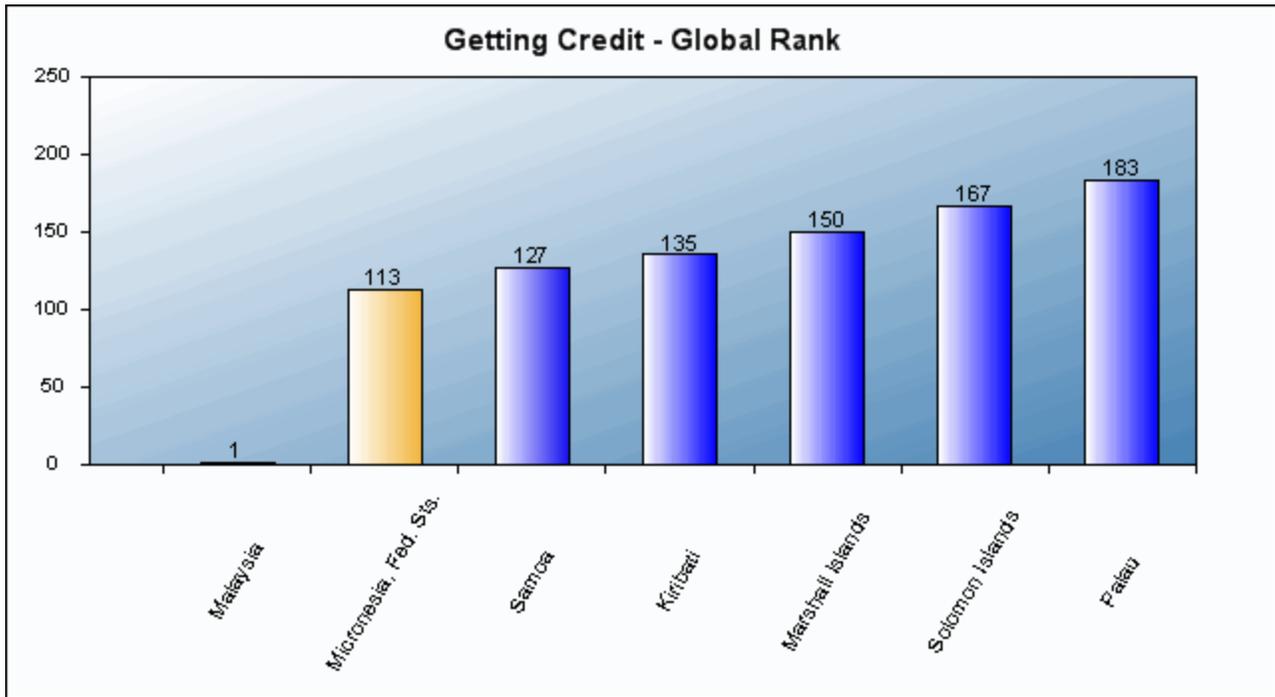
2. The following graphs illustrates the Getting Credit indicators in the Federated States of Micronesia over the past 3 years:



3. Benchmarking Getting Credit Regulations:

Micronesia, Fed. Sts. is ranked 113 overall for Getting Credit.

Ranking of the Federated States of Micronesia in Getting Credit - Compared to good practice and selected economies:



The following table shows Getting Credit data for the Federated States of Micronesia compared to good practice and comparator economies:

Good Practice Economies	Strength of legal rights index (0-10)	Depth of credit information index (0-6)	Public registry coverage (% of adults)	Private bureau coverage (% of adults)
New Zealand*				100.0
Portugal			81.3	
Singapore*	10			
United Kingdom		6		

<i>Selected Economy</i>				
Micronesia, Fed. Sts.	7	0	0.0	0.0

<i>Comparator Economies</i>				
Kiribati	5	0	0.0	0.0
Marshall Islands	4	0	0.0	0.0
Palau	0	0	0.0	0.0
Samoa	6	0	0.0	0.0
Solomon Islands	3	0	0.0	0.0

* The following economies are also good practice economies for :

Strength of legal rights index (0-10): Hong Kong, China, Kenya, Kyrgyz Republic, Malaysia

Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States

27 countries have the highest credit information index.

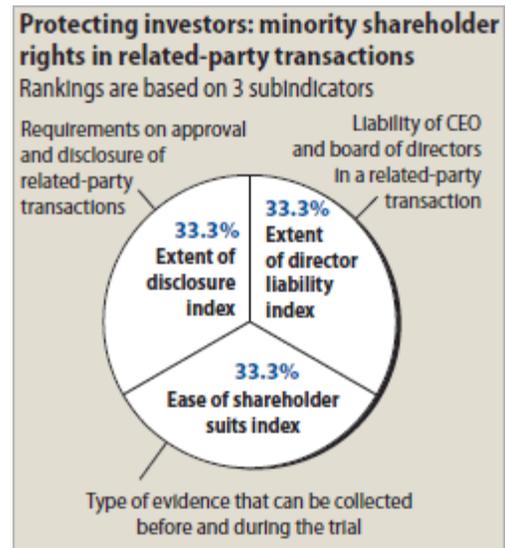
Protecting Investors

Companies grow by raising capital, either through a bank loan or by attracting equity investors. Selling shares allows companies to expand without the need to provide collateral and repay bank loans. However, investors worry about their money, and look for laws that protect them. A study finds that the presence of legal and regulatory protections for investors explains up to 73% of the decision to invest. In contrast, company characteristics explain only between 4% and 22%*. Good protections for minority shareholders are associated with larger and more active stock markets. Thus both governments and businesses have an interest in reforms strengthening investor protections.

Methodology

To document some of the protections investors have, Doing Business measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gain. Three indices of investor protection are constructed based on the answers to these and other questions. All indices range from 0 to 10, with higher values indicating more protections or greater disclosure. The three indices are:

- The extent of disclosure index covers approval procedures, requirements for immediate disclosure to the public and shareholders of proposed transactions, requirements for disclosure in periodic filings and reports and the availability of external review of transactions before they take place.
- The extent of director liability index covers the ability of investors to hold Mr. James and the board of directors liable for damages, the ability to rescind the transaction, the availability of fines and jail time associated with self-dealing, the availability of direct or derivative suits and the ability to require Mr. James to pay back his personal profits from the transaction.
- The ease of shareholder suits index covers the availability of documents that can be used during trial, the ability of the investor to examine the defendant and other witnesses, shareholders' access to internal documents of the company, the appointment of an inspector to investigate the transaction and the standard of proof applicable to a civil suit against the directors.



These three indices are averaged to create the strength of investor protection index.

Survey case study

Mr. James, a director and the majority shareholder of a public company, proposes that the company purchase used trucks from another company he owns. The price is higher than the going price for used trucks. The transaction goes forward. All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to the purchasing company. Shareholders sue the interested parties and the members of the board of directors.

Several questions arise:

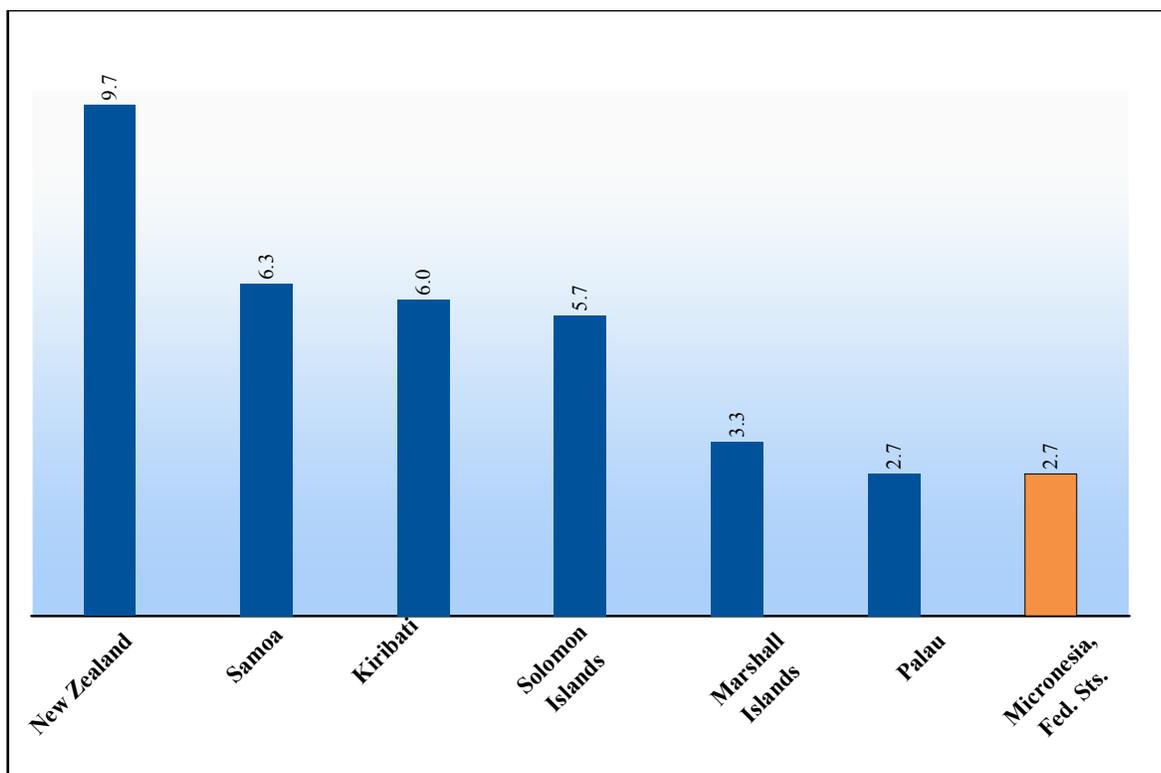
- Who approves the transaction?
- What information must be disclosed?
- What company documents can investors access?
- What do minority shareholders have to prove to get the transaction stopped or to receive compensation from Mr. James?

*Doidge, Kardy and Stulz (2007)

1. Historical data: Protecting Investors in the Federated States of Micronesia

Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	171	172
Strength of investor protection index (0-10)	2.7	2.7	2.7

2. The following graph illustrates the Protecting Investors index in the Federated States of Micronesia compared to best practice and selected Economies:

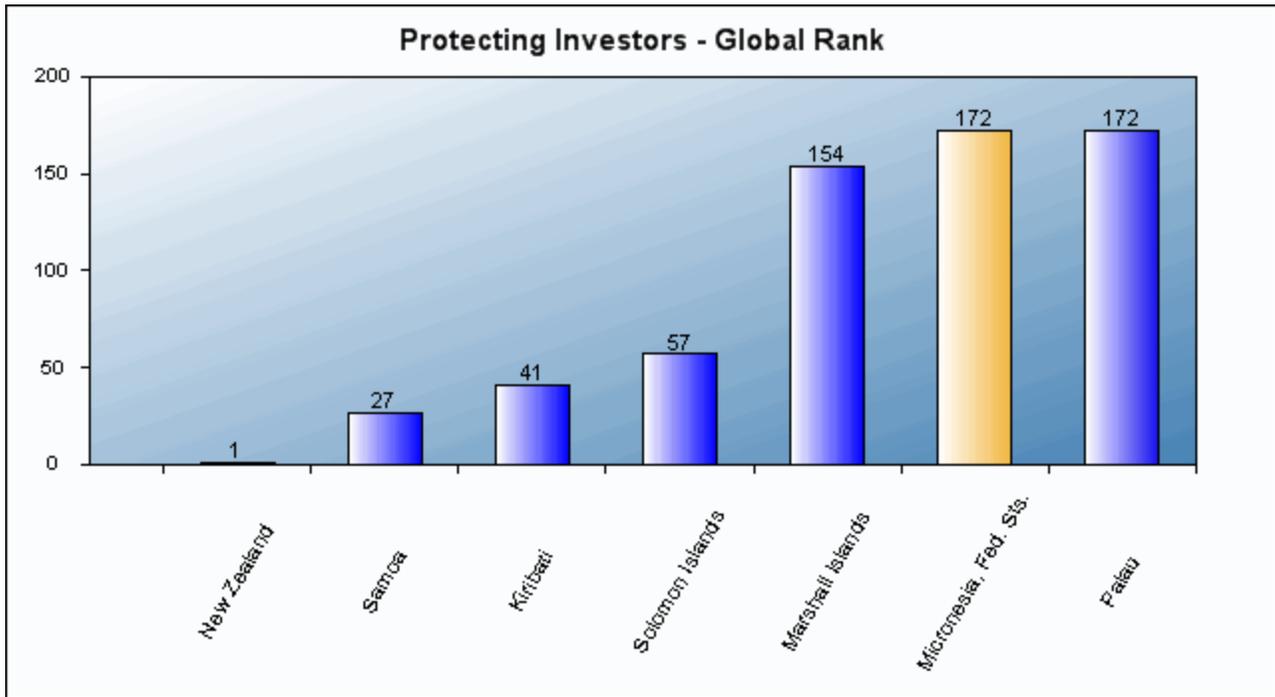


Note: The higher the score, the greater the investor protection.

3. Benchmarking Protecting Investors Regulations:

Micronesia, Fed. Sts. is ranked 172 overall for Protecting Investors.

Ranking of the Federated States of Micronesia in Protecting Investors - Compared to good practice and selected economies:



The following table shows Protecting Investors data for the Federated States of Micronesia compared to good practice and comparator economies:

Good Practice Economies	Strength of investor protection index (0-10)
New Zealand	9.7

<i>Selected Economy</i>	
Micronesia, Fed. Sts.	2.7

<i>Comparator Economies</i>	
Kiribati	6.0
Marshall Islands	3.3
Palau	2.7
Samoa	6.3
Solomon Islands	5.7

Paying Taxes

Taxes are essential. Without them there would be no money to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. But particularly for small and medium size companies, they may opt out and choose to operate in the informal sector. One way to enhance tax compliance is to ease and simplify the process of paying taxes for such businesses.

Methodology

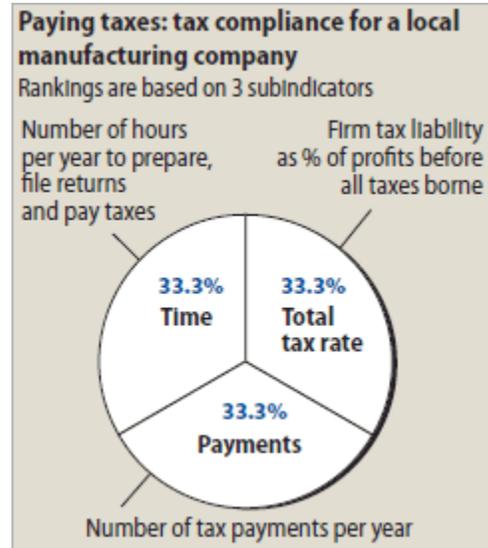
The Doing Business tax survey records the effective tax that a small and medium company must pay and the administrative costs of doing so.

Three indicators are constructed:

- number of tax payments, which takes in to account the method of payment, the frequency of payments and the number of agencies involved in our standardized case study.
- time, which measures the number of hours per year necessary to prepare and file tax returns and to pay the corporate income tax, value added tax, sales tax or goods and service tax and labor taxes and mandatory contributions.
- total tax rate, which measures the amount of taxes and mandatory contributions payable by the company during the second year of operation. This amount, expressed as a percentage of commercial profit, is the sum of all the different taxes payable after accounting for various deductions and exemptions.

Survey case study

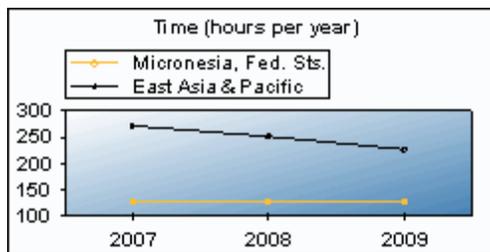
- TaxpayerCo is a medium-size business that started operations last year. Doing Business asks tax practitioners in 183 economies to review TaxpayerCo's financial statements and a standard list of transactions that the company completed during the year. Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government and include corporate income tax, turnover tax, all labor taxes and contributions paid by the company (including mandatory contributions paid to private pension or insurance funds), property tax, property transfer tax, dividend tax, capital gains tax, financial transactions tax, vehicle tax, sales tax and other small taxes (such as fuel tax, stamp duty and local taxes). A range of standard deductions and exemptions are also recorded.



1. Historical data: Paying Taxes in the Federated States of Micronesia

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	81	86
Total tax rate (% profit)	58.7	58.7	58.7
Payments (number per year)	21	21	21
Time (hours per year)	128	128	128

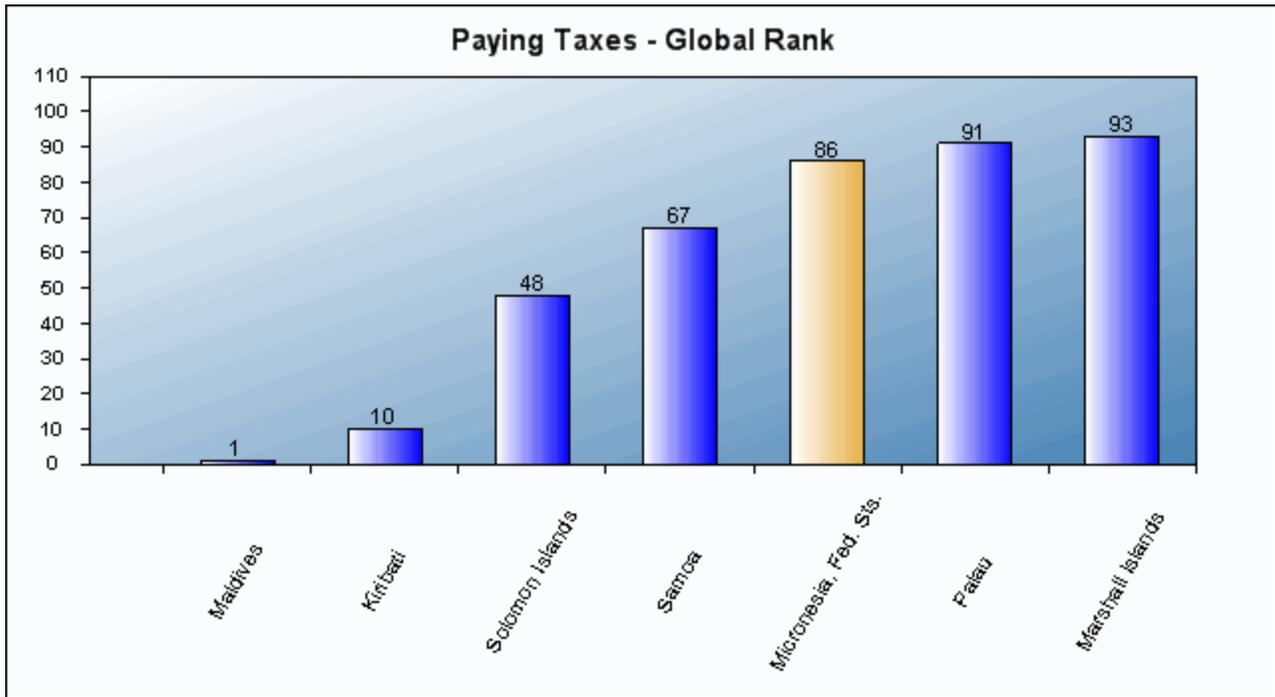
2. The following graphs illustrates the Paying Taxes indicators in the Federated States of Micronesia over the past 3 years:



3. Benchmarking Paying Taxes Regulations:

Micronesia, Fed. Sts. is ranked 86 overall for Paying Taxes.

Ranking of the Federated States of Micronesia in Paying Taxes - Compared to good practice and selected economies:



The following table shows Paying Taxes data for the Federated States of Micronesia compared to good practice and comparator economies:

Good Practice Economies	Payments (number per year)	Time (hours per year)	Total tax rate (% profit)
Maldives*	1	0	
Timor-Leste			0.2

<i>Selected Economy</i>			
Micronesia, Fed. Sts.	21	128	58.7

<i>Comparator Economies</i>			
Kiribati	7	120	31.8
Marshall Islands	21	128	64.9
Palau	19	128	73.0
Samoa	37	224	18.9
Solomon Islands	33	80	36.3

* The following economies are also good practice economies for :

Payments (number per year): Qatar

Trading Across Borders

The benefits of trade are well documented; as are the obstacles to trade. Tariffs, quotas and distance from large markets greatly increase the cost of goods or prevent trading altogether. But with bigger ships and faster planes, the world is shrinking. Global and regional trade agreements have reduced trade barriers. Yet Africa's share of global trade is smaller today than it was 25 years ago. So is the Middle East's, excluding oil exports. Many entrepreneurs face numerous hurdles to exporting or importing goods, including delays at the border. They often give up. Others never try. In fact, the potential gains from trade facilitation may be greater than those arising from only tariff reductions.

Methodology

Doing Business compiles procedural requirements for trading a standard shipment of goods by ocean transport. Every procedure and the associated documents, time and cost, for importing and exporting the goods is recorded, starting with the contractual agreement between the two parties and ending with delivery of the goods. For importing the goods, the procedures measured range from the vessel's arrival at the port of entry to the shipment's delivery at the importer's warehouse. For exporting the goods, the procedures measured range from the packing of the goods at the factory to their departure from the port of exit. Payment is by letter of credit and the time and cost for issuing or securing a letter of credit is taken into account.

Documents recorded include port filing documents, customs declaration and clearance documents, as well as official documents exchanged between the parties to the transaction. Time is recorded in calendar days, from the beginning to the end of each procedure. Cost includes the fees levied on a 20-foot container in U.S. dollars.

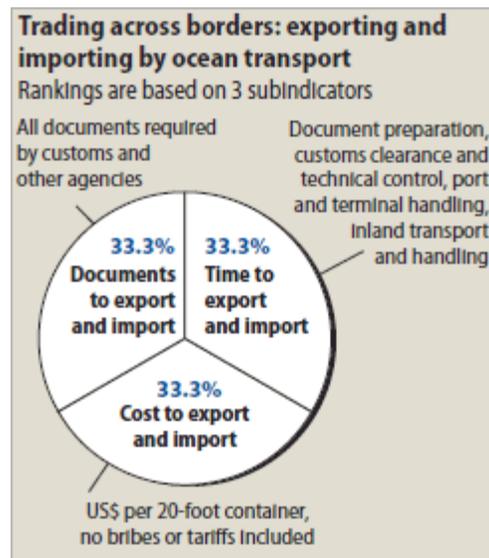
All the fees associated with completing the procedures to export or import the goods are included, such as costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include tariffs or duties.

Economies that have efficient customs, good transport networks and fewer document requirements, making compliance with export and import procedures faster and cheaper, are more competitive globally. That can lead to more exports; and exports are associated with faster growth and more jobs. Conversely, a need to file many documents is associated with more corruption in customs. Faced with long delays and frequent demands for bribes, many traders may avoid customs altogether. Instead, they smuggle goods across the border. This defeats the very purpose in having border control of trade to levy taxes and ensure high quality of goods.

Survey case study

To make the data comparable across countries, several assumptions about the business and the traded goods are used:

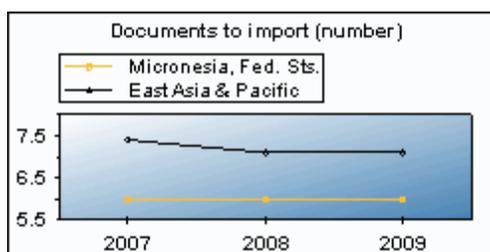
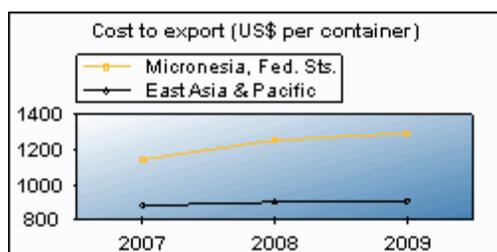
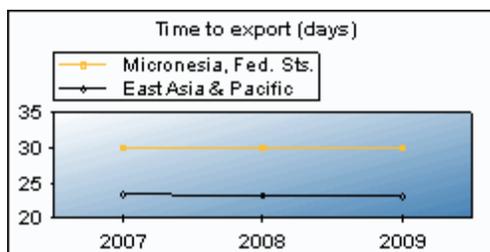
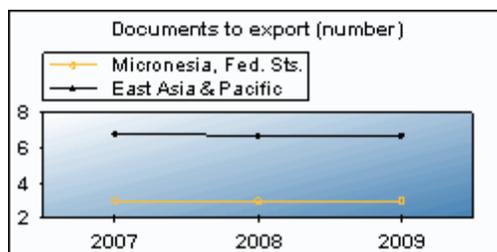
- The business is of medium size.
- The business employs 60 people.
- The business is located in the peri-urban area of the economy's largest business city.
- The business is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the economy.
- The traded goods are ordinary, legally manufactured products transported in a dry-cargo, 20-foot FCL (full container load) container.

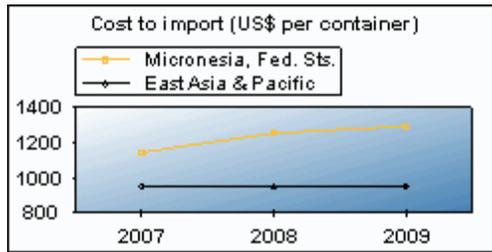
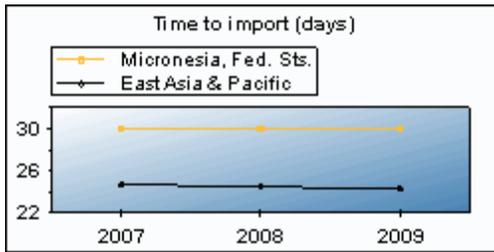


1. Historical data: Trading Across Borders in the Federated States of Micronesia

Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	95	98
Cost to export (US\$ per container)	1145	1255	1295
Cost to import (US\$ per container)	1145	1255	1295
Documents to export (number)	3	3	3
Documents to import (number)	6	6	6
Time to export (days)	30	30	30
Time to import (days)	30	30	30

2. The following graphs illustrates the Trading Across Borders indicators in the Federated States of Micronesia over the past 3 years:

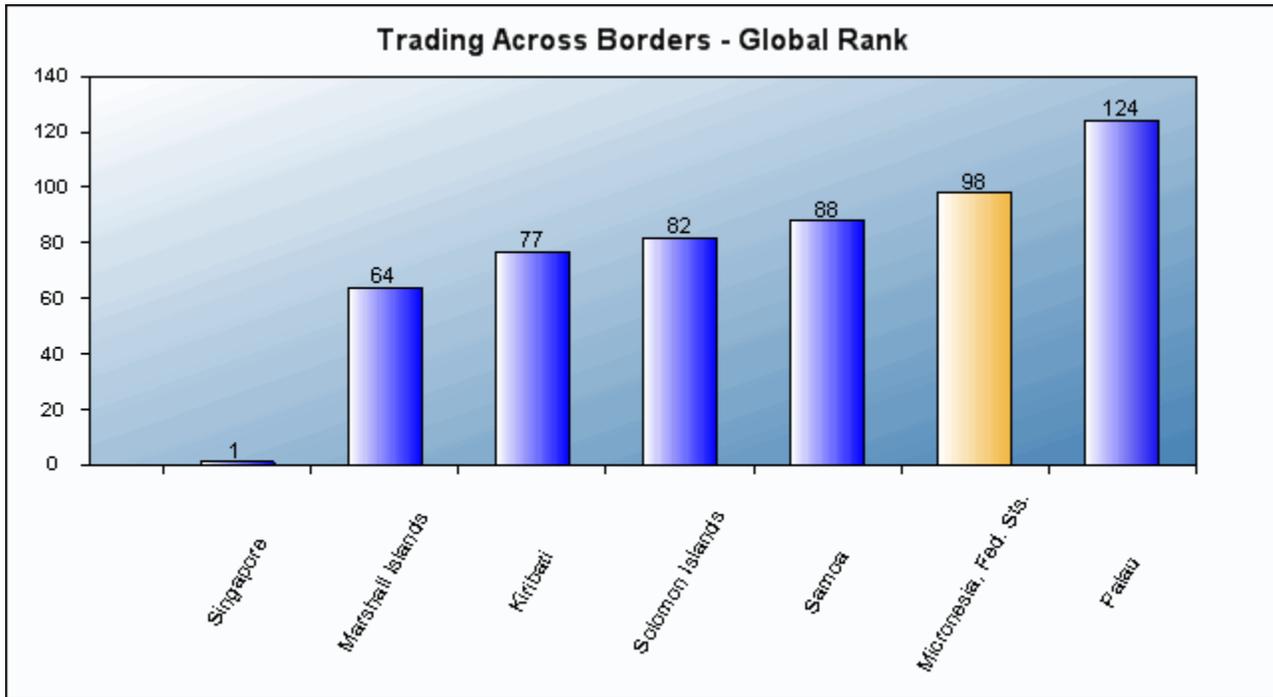




3. Benchmarking Trading Across Borders Regulations:

Micronesia, Fed. Sts. is ranked 98 overall for Trading Across Borders.

Ranking of the Federated States of Micronesia in Trading Across Borders - Compared to good practice and selected economies:



The following table shows Trading Across Borders data for the Federated States of Micronesia compared to good practice and comparator economies:

Good Practice Economies	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
Denmark*		5				
France	2			2		
Malaysia			450			
Singapore					3	439

<i>Selected Economy</i>						
Micronesia, Fed. Sts.	3	30	1295	6	30	1295

<i>Comparator Economies</i>						
Kiribati	6	21	1070	7	21	1070
Marshall Islands	5	21	945	5	33	945
Palau	6	29	1190	10	33	1132
Samoa	7	27	820	7	31	848
Solomon Islands	7	24	1023	4	21	1237

* The following economies are also good practice economies for :

Time to export (days): Estonia

Enforcing Contracts

Where contract enforcement is efficient, businesses are more likely to engage with new borrowers or customers. Doing Business tracks the efficiency of the judicial system in resolving a commercial dispute, following the step-by-step evolution of a commercial sale dispute before local courts. The data is collected through study of the codes of civil procedure and other court regulations as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

Justice delayed is often justice denied. And in many economies only the rich can afford to go to court. For the rest, justice is out of reach. In the absence of efficient courts, firms undertake fewer investments or business transactions. And they prefer to involve only a small group of people who know each other from previous dealings.

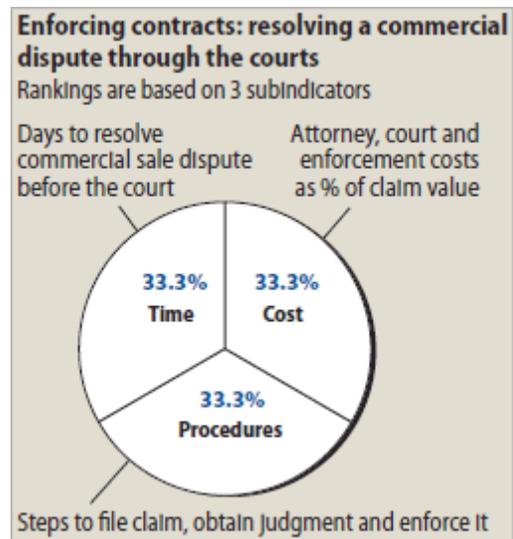
Methodology

Rankings on enforcing contracts are based on 3 sub-indicators:

- number of procedures, which are defined as any interaction between the parties or between them and the judge or court officer. This includes steps to file the case, steps for trial and judgment and steps necessary to enforce the judgment.
- time, which counts the number of calendar days from the moment the Seller files the lawsuit in court until payment is received. This includes both the days on which actions take place and the waiting periods in between.
- cost, which is recorded as a percentage of the claim (assumed to be equivalent to 200% of income per capita). Three types of costs are recorded: court costs (including expert fees), enforcement costs (including costs for a public sale of Buyer's assets) and attorney fees.

Survey case Study

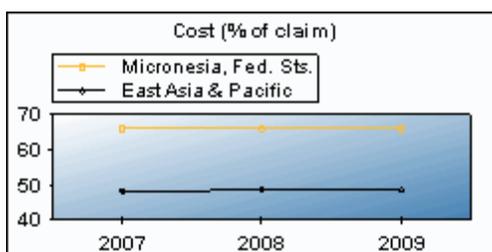
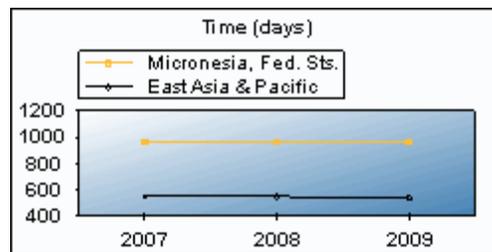
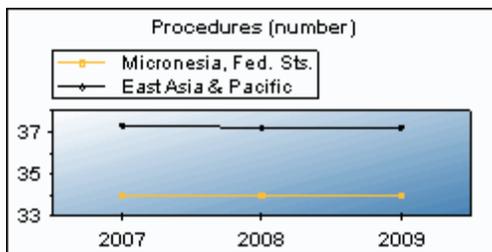
- The dispute concerns a contract for the sale of goods between two businesses (the Seller and the Buyer).
- Both are located in the economy's largest business city.
- The Seller sells and delivers goods, worth 200% of the economy's income per capita, to the Buyer. The Buyer refuses to pay on the grounds that they were not of adequate quality.
- The Seller sues the Buyer to recover the amount under the sales agreement (200% of the economy's income per capita).
- The claim is filed before a court in the economy's largest business city with jurisdiction over commercial cases worth 200% of the income per capita and is disputed on the merits.
- Judgment is 100% in favor of the Seller and is not appealed.
- The Seller enforces the judgment and the money is successfully collected through a public sale of Buyer's assets.



1. Historical data: Enforcing Contracts in the Federated States of Micronesia

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	145	149
Procedures (number)	34	34	34
Time (days)	965	965	965
Cost (% of claim)	66.0	66.0	66.0

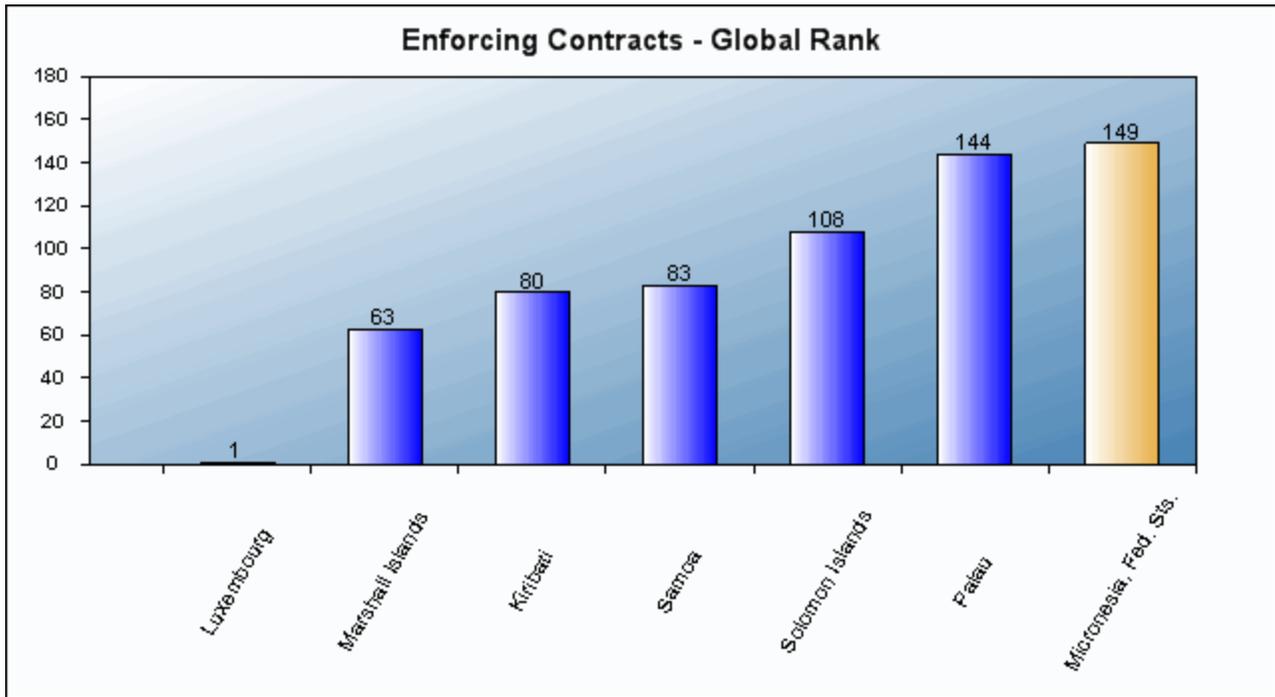
2. The following graphs illustrates the Enforcing Contracts indicators in the Federated States of Micronesia over the past 3 years:



3. Benchmarking Enforcing Contracts Regulations:

Micronesia, Fed. Sts. is ranked 149 overall for Enforcing Contracts.

Ranking of the Federated States of Micronesia in Enforcing Contracts - Compared to good practice and selected economies:



The following table shows Enforcing Contracts data for the Federated States of Micronesia compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of claim)
Bhutan			0.1
Ireland	20		
Singapore		150	

<i>Selected Economy</i>			
Micronesia, Fed. Sts.	34	965	66.0

<i>Comparator Economies</i>			
Kiribati	32	660	25.8
Marshall Islands	36	476	27.4
Palau	38	885	35.3
Samoa	44	455	19.7
Solomon Islands	37	455	78.9

Closing a Business

The economic crises of the 1990s in emerging markets, from East Asia to Latin America, from Russia to Mexico, raised concerns about the design of bankruptcy systems and the ability of such systems to help reorganize viable companies and close down unviable ones. In countries where bankruptcy is inefficient, unviable businesses linger for years, keeping assets and human capital from being reallocated to more productive uses.

Bottlenecks in bankruptcy cut into the amount claimants can recover. In countries where bankruptcy laws are inefficient, this is a strong deterrent to investment. Access to credit shrinks, and nonperforming loans and financial risk grow because creditors cannot recover overdue loans. Conversely, efficient bankruptcy laws can encourage entrepreneurs. The freedom to fail, and to do so through an efficient process, puts people and capital to their most effective use. The result is more productive businesses and more jobs.

The Doing Business indicators identify weaknesses in the bankruptcy law as well as the main procedural and administrative bottlenecks in the bankruptcy process. In many developing countries bankruptcy is so inefficient that creditors hardly ever use it. In countries such as these, reform would best focus on improving contract enforcement outside bankruptcy.

Methodology

Three measures are constructed from the survey responses: the time to go through the insolvency process, the cost to go through the process and the recovery rate, how much of the insolvency estate is recovered by stakeholders, taking into account the time, cost, depreciation of assets and the outcome of the insolvency proceeding.

Survey case study

The data on closing a business are developed using a standard set of case assumptions to track a company going through the step-by-step procedures of the bankruptcy process. It is assumed that:

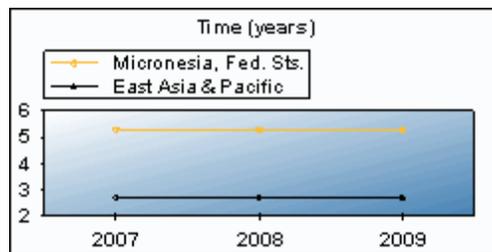
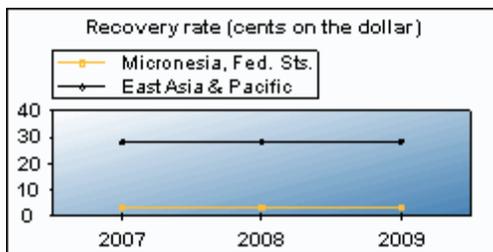
- the company is a domestically owned
- the company is a limited liability corporation operating a hotel in the country's largest business city
- the company has 201 employees, 1 main secured creditor and 50 unsecured creditors
- Assumptions are also made about the future cash flows.
- The case is designed so that the company has a higher value as a going concern, that is, the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation.
- The data are derived from questionnaires answered by attorneys at private law firms.



1. Historical data: Closing Business in the Federated States of Micronesia

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	154	154
Time (years)	5.3	5.3	5.3
Cost (% of estate)	38	38	38
Recovery rate (cents on the dollar)	3.1	3.5	3.5

2. The following graphs illustrates the Closing Business indicators in the Federated States of Micronesia over the past 3 years:



3. Benchmarking Closing Business Regulations:

Micronesia, Fed. Sts. is ranked 154 overall for Closing a Business.

Ranking of the Federated States of Micronesia in Closing Business - Compared to good practice and selected economies:



The following table shows Closing Business data for the Federated States of Micronesia compared to good practice and comparator economies:

Good Practice Economies	Recovery rate (cents on the dollar)	Time (years)	Cost (% of estate)
Ireland		0.4	
Japan	92.5		
Singapore*			1

<i>Selected Economy</i>			
Micronesia, Fed. Sts.	3.5	5.3	38

<i>Comparator Economies</i>			
Kiribati	0.0	no practice	no practice
Marshall Islands	17.9	2.0	38
Palau	38.2	1.0	23
Samoa	14.3	2.5	38
Solomon Islands	23.6	1.0	38

* The following economies are also good practice economies for :

Cost (% of estate): Colombia, Kuwait, Norway

Doing Business 2010 Reforms

Number of reforms in Doing Business 2010

Rank	Economy	Reforms									Total number of reforms	
		Starting a Business	Dealing with Construction Permits	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts		Closing a Business
1	Rwanda	✓		✓	✓	✓	✓		✓		✓	7
2	Kyrgyz Republic	✓	✓	✓	✓	✓		✓	✓			7
3	Macedonia, FYR	✓	✓	✓	✓	✓	✓	✓				7
4	Belarus	✓	✓	✓	✓			✓	✓			6
5	United Arab Emirates	✓	✓						✓			3
6	Moldova	✓			✓			✓				3
7	Colombia	✓	✓		✓	✓	✓	✓	✓		✓	8
8	Tajikistan	✓	✓		✗	✓	✓				✓	5
9	Egypt, Arab Rep.	✓	✓			✓			✓			4
10	Liberia	✓	✓					✓				3
	Micronesia, Fed. Sts.											
	Kiribati											
	Marshall Islands											
	Palau											
	Solomon Islands		✗									0
	Samoa	✓								✓		2

Note: Economies are ranked on the number and impact of reforms, Doing Business selects the economies that reformed in 3 or more of the Doing Business topics. Second, it ranks these economies on the increase in rank in Ease of Doing Business from the previous year. The larger the improvement, the higher the ranking as a reformer.

Belarus	Belarus eased the process for getting construction permits by simplifying approval processes. Restrictions relating to redundancy dismissals were eased by raising the threshold for prior notification requirements. Tax payments were made more convenient through increased use of electronic systems—reducing tax compliance times—while lower ecological and turnover tax rates and a reduction in the number of payments for property tax reduced the tax burden on businesses. Property registration continues to improve, with faster processing and elimination of the requirement for notarization. Business start-up was eased by simplifying registration formalities, abolishing the minimum capital requirement, limiting the role of notaries, and removing the need for a company seal approval. Implementation of a risk-based management system and improvement of border crossing operations reduced transit times for trade.
Colombia	Colombia passed several decrees continuing its efforts to regulate the profession of insolvency administrators. The government eased the construction permit process with a new construction decree that categorizes building projects based on risk and allows electronic verification for certain documents. Access to credit improved thanks to a new credit information law that guarantees the right of borrowers to inspect their own data and new rules that make it mandatory for credit providers to consult and share information with credit bureaus. The tax burden on businesses was eased with the introduction of electronic tax filing and payment, and some payments were reduced. An amendment to the Company Law strengthened investor protections by making it easier to sue directors in cases of prejudicial transactions between interested parties. Property registration was made easier by making it possible to obtain required certificates online and by making standard preliminary sale agreements available free of charge. Business start-up was made easier by creating a public-private health provider that enables faster affiliation of employees and through a tool that allows online pre-enrollment with the social security office. Implementation of an electronic declaration system has expedited customs clearance.
Egypt, Arab Rep.	The Arab Republic of Egypt, a former global leading reformer and a regional leading reformer in 2008/09, continued to make it easier to deal with construction permits by issuing executive articles for the 2008 construction law and eliminating most preapprovals for construction permits. Contract enforcement was expedited with the creation of commercial courts. Access to credit information has expanded with the addition of retailers to the database of the private credit bureau. Finally, company start-up was eased by the removal of the minimum capital requirement.
Kiribati	In Kiribati no major reform was recorded.
Kyrgyz Republic	The Kyrgyz Republic eased the process for getting construction permits by streamlining the fee structure, introducing a risk-based system of approval and building control, allowing low-risk projects to conduct an internal building control process, and simplifying the process for obtaining utility connections. Requirements relating to redundancy dismissals and worker reassignment were eased. Access to credit was enhanced by making secured lending more flexible and allowing general descriptions of encumbered assets and of debts and obligations. In addition, amendments to the Civil Code provide for automatic extension of security rights to proceeds of the original assets. The tax burden on businesses was eased by reducing the rates for several taxes and the number of payments for several. Surveying and notarization requirements were made optional for property registration, and business start-up was eased by eliminating the minimum capital requirement, reducing the registration time, and abolishing various post-registration fees and the need to open a bank account before registration. The elimination of six previously required documents and the simplification of inspection procedures has sped up trading across borders.
Liberia	Liberia eased the process for getting construction permits by lowering the permit fee and cost of obtaining a power generator, abolishing the requirement to obtain a tax waiver certificate before submitting documents to obtain a building permit, and making fixed telephone connections more readily available for public use with the reopening of the national phone company. Business start-up was eased by removing the need to obtain an environmental impact assessment when forming a general trading company. The trade process was expedited by creating a one-stop shop bringing together various ministries and agencies, and streamlining the inspection regime.

Macedonia, FYR	The Former Yugoslav Republic of Macedonia has been reforming the construction permit process, shortening waiting times but raising fees. Worker hiring was made more flexible by allowing greater use of fixed-term contracts, easing restrictions on working hours, and making redundancy dismissals more flexible. The public credit bureau increased its coverage by introducing a better database that includes more information and by lowering the minimum loan threshold. Social security payments were classified in five groups, and social security contribution rates reduced. Investor protections were increased by regulating the approval of transactions between interested parties, increasing disclosure requirements in annual reports, and making it easier to sue directors in cases of prejudicial transactions between interested parties. Property registration was eased with the introduction of new time limits at the real estate cadastre—reducing the average time to register a title deed by eight days—and a non-encumbrance certificate can now be obtained from the real estate registry instead of through the court. Business start-up was simplified by integrating procedures at a one-stop shop.
Marshall Islands	In the Marshall Islands no major reform was recorded.
Micronesia, Fed. Sts.	In the Federated States of Micronesia no major reform was recorded.
Moldova	Moldova lowered the rates for social security contributions paid by employers. Property registration was simplified by eliminating the requirement for a cadastral sketch, reducing procedures from six to five and days from 48 to 5. Business start-up was eased by implementing an expedited company registration service.
Palau	In Palau no major reform was recorded.
Rwanda	Rwanda improved the process for dealing with distressed companies with a new law aimed at streamlining reorganization. Employing workers was made easier by abolishing the maximum duration for fixed-term contracts and allowing unlimited renewals of such contracts, as well as by allowing redundancy procedures to be more flexible, with consultation and notification of third parties no longer required. Getting credit was made easier with a new secured transactions act and insolvency act to make secured lending more flexible, allowing a wider range of assets to be used as collateral and a general description of debts and obligations. In addition, out of court enforcement of collateral has become available to secured creditors, who also now have top priority within bankruptcy. A new company law has strengthened investor protections by requiring greater corporate disclosure, director liability, and shareholder access to information. Property registration was simplified by decreasing the number of days required to transfer a property. Business start-up was eased by eliminating a notarization requirement; introducing standardized memorandums of association; enabling online publication; consolidating name checking, registration fee payment, tax registration, and company registration procedures; and shortening the time required to process completed applications. By implementing administrative changes—such as increased operating hours and enhanced cooperation at the border, along with the removal of some documentation requirements for importers and exporters—Rwanda has improved trading times.
Samoa	Samoa eased business start-up by passing a new company act that removed the minimum capital requirement and simplified various other procedures. The act cut 26 days, 4 procedures, and three-quarters of the cost of starting a company. Samoa also enacted a new corporate law and a law introducing receivership, easing the process of closing a business.
Solomon Islands	In the Solomon Islands fee increases significantly raised the cost of obtaining a construction permit.
Tajikistan	Tajikistan amended its insolvency law, aiming to reduce statutory time limits and the costs of proceedings. Changes were introduced that simplified the construction permit process, reducing procedures and time. A new law on credit histories improves access to credit information by creating a private credit bureau. Investor protections were strengthened with amendments to the joint stock company law, increasing disclosure requirements for transactions involving conflicts of interest, allowing for greater director liability, and giving shareholders the chance to request that harmful related-party transactions be rescinded. The state duty for property transfer has quadrupled, raising the cost of registering property by 2.8 percent of a property's value. Business start-up was eased by reducing the minimum capital requirement and shortening the time to obtain a tax identification number.

United Arab Emirates

The United Arab Emirates shortened the time for delivering building permits by improving its online system for processing applications. Business start-up was eased by simplifying the documents needed for registration, abolishing the minimum capital requirement, and removing the requirement that proof of deposit of capital be shown for registration. Greater capacity at the container terminal, elimination of the terminal handling receipt as a required document, and an increase in trade finance products, have improved trade processes.

APPENDICES

Starting a Business in the Federated States of Micronesia

This table summarizes the procedures and costs associated with setting up a business in the Federated States of Micronesia.

STANDARDIZED COMPANY

Legal Form: Limited Liability Company

Minimum Capital Requirement:

City: Island of Pohnpei (Palikir/Kolonia)

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Check the uniqueness of the proposed company name and reserve a name	1	20
2	Notarize the company documents	3	10
3	File the incorporation documents with the Registrar of the Companies	7	0
4	Obtain the payment receipt (four duplicates) and pay the registration fee and license fee at the Finance Office of the state government	1	-449.849
5	Obtain the certificate of corporation	1	0
6	Register for social security	1	10
7	Apply for a business license from the municipality	2	100

Procedure 1 Check the uniqueness of the proposed company name and reserve a name

Time to complete: 1

Cost to complete: 20

Comment: The Registrar of Corporations can perform a name search and reserve a corporate name for USD 20.

Procedure 2 Notarize the company documents

Time to complete: 3

Cost to complete: 10

Comment:

Procedure 3 File the incorporation documents with the Registrar of the Companies

Time to complete: 7

Cost to complete: 0

Comment: The Registrar of Companies reviews the incorporation documents, and if they are acceptable, transmits the documents and the certificate of incorporation to the governor for approval. Although the law does not mandate the use of an attorney for company incorporation, a professional is normally used to avoid rejection of the application. The articles of incorporation include the following:

- Company name.
- Period of duration.
- Company purpose.
- Total number of shares.
- Address of the registered office.
- Number of directors and their names and addresses.

The fee for professional services, if used, is an additional USD 750.

Procedure 4 Obtain the payment receipt (four duplicates) and pay the registration fee and license fee at the Finance Office of the state government

Time to complete: 1

Cost to complete: -449,849

Comment: Fee schedule for licenses:

- Up to the first 10,000 authorized shares: USD 0.10 per share.
- More than 10,000 and fewer than 100,000 authorized shares: USD 0.15 per share.
- More than 100,000 authorized shares: USD 0.20 per share.

Procedure 5 Obtain the certificate of corporation

Time to complete: 1

Cost to complete: 0

Comment:

Procedure 6 Register for social security

Time to complete: 1

Cost to complete: 10

Comment: Companies must register with the Social Security Administration to pay social security tax withheld from employees. Social security tax is filed quarterly. The applicant needs to file the following documents:

- Application form.
- Incorporation charter and company bylaws.
- Incorporation certificate.
- Business license.
- Record of employees (names, social security number, payroll record).

The Social Security Administration issues an employer identification card in a business day.

Procedure 7 Apply for a business license from the municipality

Time to complete: 2

Cost to complete: 100

Comment: Fee schedule for business license:

- Retail: USD 100.
- Manufacturing: USD 150.
- Professional services: USD 300.

The business license must be renewed every year.

Dealing with Construction Permits in the Federated States of

The table below summarizes the procedures, time, and costs to build a warehouse in the Federated States of Micronesia.

BUILDING A WAREHOUSE

Date as of: January 2009

Estimated Warehouse Value:

City: Island of Pohnpei (Palikir/Kolonia)

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Request and obtain a new land survey	3 days	USD 400
2	Request and obtain a Historic Preservation Clearance Permit from Office of Historic Preservation and Cultural Affairs	3 days	no charge
3	Receive Inspection from the Division of Land	1 day	no charge
4	Request Earth Moving Permit from the Environmental Protection Agency	1 day	no charge
5	Receive Inspection from the EPA	1 day	no charge
6	Obtain Earth Moving Permit from EPA	39 days	no charge
7	Receive safety inspection	1 day	no charge
8	Request power connection from Pohnpei Utilities Corporation	1 day	USD 10
9	Receive initial inspection on electricity	1 day	no charge
10	Receive final inspection from PUC and Installation	22 days	no charge
11 *	Apply for water and sewage connection	1 day	USD 35
12 *	Receive Inspection from PUC	1 day	no charge
13 *	Receive Inspection and connect to water and sewage	15 days	no charge
14 *	Request and connect to phone services from FSM Telecom Corp.	14 days	USD 24

* Takes place simultaneously with another procedure.

Procedure 1 Request and obtain a new land survey

Time to complete: 3 days
Cost to complete: USD 400
Comment:

Procedure 2 Request and obtain a Historic Preservation Clearance Permit from Office of Historic Preservation and Cultural Affairs

Time to complete: 3 days
Cost to complete: no charge
Comment: An application form is filled out and submitted along with the following documents:
- A topographical map showing project location.
- A plot plan that shows the project in relation to property boundaries.
- Excavation and grading plans, where applicable.

If the project is likely to cause problems, the Historic Preservation Office (HPO) might visit the site during the building process. BuildCo must report anything it finds to the HPO.

Procedure 3 Receive Inspection from the Division of Land

Time to complete: 1 day
Cost to complete: no charge
Comment: If the land is located in a well-known area, officials might not come to inspect.

Procedure 4 Request Earth Moving Permit from the Environmental Protection Agency

Time to complete: 1 day
Cost to complete: no charge
Comment: Required documents are the HPO permit, lease, land owner’s permission, and a full set of plans/drawings. The Environmental Protection Agency (EPA) determines whether the project should be raised at the board meeting. The board meets once a month. Generally EPA permits are required only for earthmoving or sewer installation.

An earthmoving permit is required whenever earthworks are carried out by mechanical means. If deemed necessary by the EPA, a detailed plan must be submitted, indicating, but not limited to, the amount of earth to be moved, drainage, disposal, and erosion control. The EPA also carries out inspections if a septic tank is used, and the EPA requires plans of the tank and leech field. Prior to the issuance of any permits, a percolation test is also required for the area where the leech field is located.

Procedure 5 Receive Inspection from the EPA

Time to complete: 1 day

Cost to complete: no charge
Comment: EPA inspects the sewerage system if a water tank is used.

Procedure 6 Obtain Earth Moving Permit from EPA

Time to complete: 39 days
Cost to complete: no charge
Comment:

Procedure 7 Receive safety inspection

Time to complete: 1 day
Cost to complete: no charge
Comment: Officials from the Ministry of Labor and Immigration might inspect the site if they see construction activity in progress. It is mandatory to provide insurance on foreign workers. Insurance on local workers is voluntary.

Procedure 8 Request power connection from Pohnpei Utilities Corporation

Time to complete: 1 day
Cost to complete: USD 10
Comment: The documents to file are an application form, a land lease, and the HPO and EPA permits. BuildCo must wire the building first.

Procedure 9 Receive initial inspection on electricity

Time to complete: 1 day
Cost to complete: no charge
Comment:

Procedure 10 Receive final inspection from PUC and Installation

Time to complete: 22 days
Cost to complete: no charge
Comment:

Procedure 11 Apply for water and sewage connection

Time to complete: 1 day

Cost to complete: USD 35

Comment: The documents to be filed are a copy of land lease and the HPO and EPA permits.

Procedure 12 Receive Inspection from PUC

Time to complete: 1 day

Cost to complete: no charge

Comment:

Procedure 13 Receive Inspection and connect to water and sewage

Time to complete: 15 days

Cost to complete: no charge

Comment:

Procedure 14 Request and connect to phone services from FSM Telecom Corp.

Time to complete: 14 days

Cost to complete: USD 24

Comment: The application form can be downloaded from the Internet.

Employing Workers in the Federated States of

Employing workers indices are based on responses to survey questions. The table below shows these responses in the Federated States of Micronesia.

Employing Workers Indicators (2009)	Answer	Score
Difficulty of hiring index (0-100)		22.2
Are fixed-term contracts prohibited for permanent tasks?	No	0
What is the maximum duration of fixed-term contracts (including renewals)? (in months)	No limit	0.0
What is the ratio of mandated minimum wage to the average value added per worker?	0.69	0.67
Difficulty of redundancy index (0-10)		0.0
Is the termination of workers due to redundancy legally authorized?	Yes	0
Must the employer notify a third party before terminating one redundant worker?	No	0
Does the employer need the approval of a third party to terminate one redundant worker?	No	0
Must the employer notify a third party before terminating a group of 9 redundant workers?	No	0
Does the employer need the approval of a third party to terminate a group of 9 redundant workers?	No	0
Is there a retraining or reassignment obligation before an employer can make a worker redundant?	No	0
Are there priority rules applying to redundancies?	No	0
Are there priority rules applying to re-employment?	No	0
Redundancy costs (weeks of salary)		0.0
What is the notice period for redundancy dismissal after 20 years of continuous employment? (weeks of salary)		0.0
What is the severance pay for redundancy dismissal after 20 years of employment? (weeks of salary)		0.0
What is the legally mandated penalty for redundancy dismissal? (weeks of salary)		0.0
Rigidity of employment index (0-100)		7.4
Rigidity of hours index (0-100)		0.0
Can the workweek extend to 50 hours (including overtime) for 2 months per year to respond to a seasonal increase in production?	Yes	0

What is the maximum number of working days per week?	7	0
Are there restrictions on night work and do these apply when continuous operations are economically necessary?	No	0.00
Are there restrictions on "weekly holiday" work and do these apply when continuous operations are economically necessary?	No	0.00
What is the paid annual vacation (in working days) for an employee with 20 years of service?	0	0

Note: The first three indices measure how difficult it is to hire a new worker, how rigid the regulations are on working hours, and how difficult it is to dismiss a redundant worker. Each index assigns values between 0 and 100, with higher values representing more rigid regulations. The overall Rigidity of Employment Index is an average of the three indices.

Registering Property in the Federated States of

This topic examines the steps, time, and cost involved in registering property in the Federated States of Micronesia.

STANDARDIZED PROPERTY

Property Value: 117,872.88

City: Island of Pohnpei (Palikir/Kolonia)

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
-----	-----------	------------------	------------------

Procedure

Time to complete:

Cost to complete:

Comment:

Getting Credit in the Federated States of Micronesia

The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in the Federated States of Micronesia.

Getting Credit Indicators (2009)			Indicator
			score
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry	0
Are data on both firms and individuals distributed?	No	No	0
Are both positive and negative data distributed?	No	No	0
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	No	No	0
Are more than 2 years of historical credit information distributed?	No	No	0
Is data on all loans below 1% of income per capita distributed?	No	No	0
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	No	No	0
Coverage		0.0	0.0
Number of individuals		0	0
Number of firms		0	0

Strength of legal rights index (0-10)		7
Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?		Yes
Does the law allow businesses to grant a non possessory security right in a single category of revolving movable assets, without requiring a specific description of the secured assets ?		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 the secured assets ?		No
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?		Yes
Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?		No
Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?		Yes
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?		No
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?		Yes

During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?

Yes

Does the law authorize parties to agree on out of court enforcement?

Yes

Protecting Investors in the Federated States of

The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in the Federated States of Micronesia.

Protecting Investors Data (2009)	Indicator
Extent of disclosure index (0-10)	0
What corporate body provides legally sufficient approval for the transaction? (0-3; see notes)	0
Immediate disclosure to the public and/or shareholders (0-2; see notes)	0
Disclosures in published periodic filings (0-2; see notes)	0
Disclosures by Mr. James to board of directors (0-2; see notes)	0
Requirement that an external body review the transaction before it takes place (0=no, 1=yes)	0
Extent of director liability index (0-10)	0
Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company. (0-2; see notes)	0
Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company. (0-2; see notes)	0
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff (0-2; see notes)	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	0
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	0
Whether fines and imprisonment can be applied against Mr. James (0=no, 1=yes)	0
Shareholder plaintiff's ability to sue directly or derivatively for damage the transaction causes to the company (0-1; see notes)	0
Ease of shareholder suits index (0-10)	8
Documents available to the plaintiff from the defendant and witnesses during trial (0-4; see notes)	4
Ability of plaintiffs to directly question the defendant and witnesses during trial (0-2; see notes)	2
Plaintiff can request categories of documents from the defendant without identifying specific ones (0=no, 1=yes)	1
Shareholders owning 10% or less of Buyer's shares can request an inspector investigate the transaction (0=no, 1=yes)	0

Level of proof required for civil suits is lower than that for criminal cases (0=no, 1=yes)	1
Shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit (0=no, 1=yes)	0

Strength of investor protection index (0-10)	2.7
---	------------

Notes:

Extent of Disclosure Index

What corporate body provides legally sufficient approval for the transaction?

0=CEO or managing director alone; 1=shareholders or board of directors vote and Mr. James can vote; 2=board of directors votes and Mr. James cannot vote; 3 = shareholders vote and Mr. James cannot vote

Immediate disclosure to the public and/or shareholders

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

Disclosures in published periodic filings

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

Disclosures by Mr. James to board of directors

0=none; 1=existence of a conflict without any specifics; 2= full disclosure of all material facts

Director Liability Index

Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company

0= Mr. James is not liable or liable only if he acted fraudulently or in bad faith; 1= Mr. James is liable if he influenced the approval or was negligent; 2= Mr. James is liable if the transaction was unfair, oppressive or prejudicial to minority shareholders

Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for for damage to the company

0=members of the approving body are either not liable or liable only if they acted fraudulently or in bad faith; 1=liable for negligence in the approval of the transaction; 2=liable if the transaction is unfair, oppressive, or prejudicial to minority shareholders

Whether a court can void the transaction upon a successful claim by a shareholder plaintiff

0=rescission is unavailable or available only in case of Seller's fraud or bad faith; 1=available when the transaction is oppressive or prejudicial to minority shareholders; 2=available when the transaction is unfair or entails a conflict of interest

Shareholder plaintiffs' ability to sue directly or derivatively for damage the transaction causes to the company

0=not available; 1=direct or derivative suit available for shareholders holding 10% of share capital or less

Shareholder Suits Index

Documents available to the plaintiff from the defendant and witnesses during trial

Score 1 each for (1) information that the defendant has indicated he intends to rely on for his defense; (2) information that directly proves specific facts in the plaintiff's claim; (3) any information that is relevant to the subject matter of the claim; and (4) any information that may lead to the discovery of relevant information.

Ability of plaintiffs to directly question the defendant and witnesses during trial

0=no; 1=yes, with prior approval by the court of the questions posed; 2=yes, without prior approval

Paying Taxes in the Federated States of Micronesia

The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in the Federated States of Micronesia, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Sales tax	12			6%	Sales		
Vehicle tax	1			fixed fee (\$15 per vehicle)		0.01	
Social security	4		96	6%	gross salaries	6.77	
Gross revenue tax	4		32	3%	revenue	51.97	
Totals	21		128			58.7	

Notes:

- a) data not collected
- b) VAT is not included in the total tax rate because it is a tax levied on consumers
- c) very small amount
- d) included in other taxes
- e) Withheld tax
- f) electronic filling available
- g) paid jointly with another tax

Name of taxes have been standardized. For instance income tax, profit tax, tax on company's income are all named corporate income tax in this table.

When there is more than one statutory tax rate, the one applicable to TaxpayerCo is reported.

The hours for VAT include all the VAT and sales taxes applicable.

The hours for Social Security include all the hours for labor taxes and mandatory contributions in general.

Trading Across Borders in the Federated States of Micronesia

These tables list the procedures necessary to import and exports a standardized cargo of goods in the Federated States of Micronesia. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2009)	Duration (days)	US\$ Cost
Documents preparation	14	120
Customs clearance and technical control	2	25
Ports and terminal handling	12	600
Inland transportation and handling	2	550
Totals	30	1295

Nature of Import Procedures (2009)	Duration (days)	US\$ Cost
Documents preparation	14	120
Customs clearance and technical control	3	25
Ports and terminal handling	11	600
Inland transportation and handling	2	550
Totals	30	1295

Export

- Customs export declaration
- Inspection report
- Packing list

Import

- Bill of lading
- Commercial invoice
- Customs import declaration
- Terminal handling receipts
- Inspection report
- Packing list

Enforcing Contracts in the Federated States of Micronesia

This topic looks at the efficiency of contract enforcement in the Federated States of Micronesia.

Nature of Procedure (2009)	Indicator
Procedures (number)	34
Time (days)	965
Filing and service	200.0
Trial and judgment	365.0
Enforcement of judgment	400.0
Cost (% of claim)*	66.00
Attorney cost (% of claim)	65.2
Court cost (% of claim)	0.8
Enforcement Cost (% of claim)	0.0

Court information: Pohnpei State Supreme Court /
FSM Supreme Court

* Claim assumed to be equivalent to 200% of income per capita.



DOING BUSINESS
2010

WWW.DOINGBUSINESS.ORG



THE
WORLD
BANK



International
Finance
Corporation
World Bank Group

ISBN: 978-0-8213-7961-5



Printed in the
United States