

# Doing Business 2009

Country Profile for  
Ukraine

COMPARING REGULATION IN 181 ECONOMIES

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# Introduction

Doing Business 2009 is the sixth 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 181 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 2009 are current as of June 1, 2008\*. 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 181 economies: 46 in Sub-Saharan Africa, 32 in Latin America and The Caribbean, 25 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 Ukraine. 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.

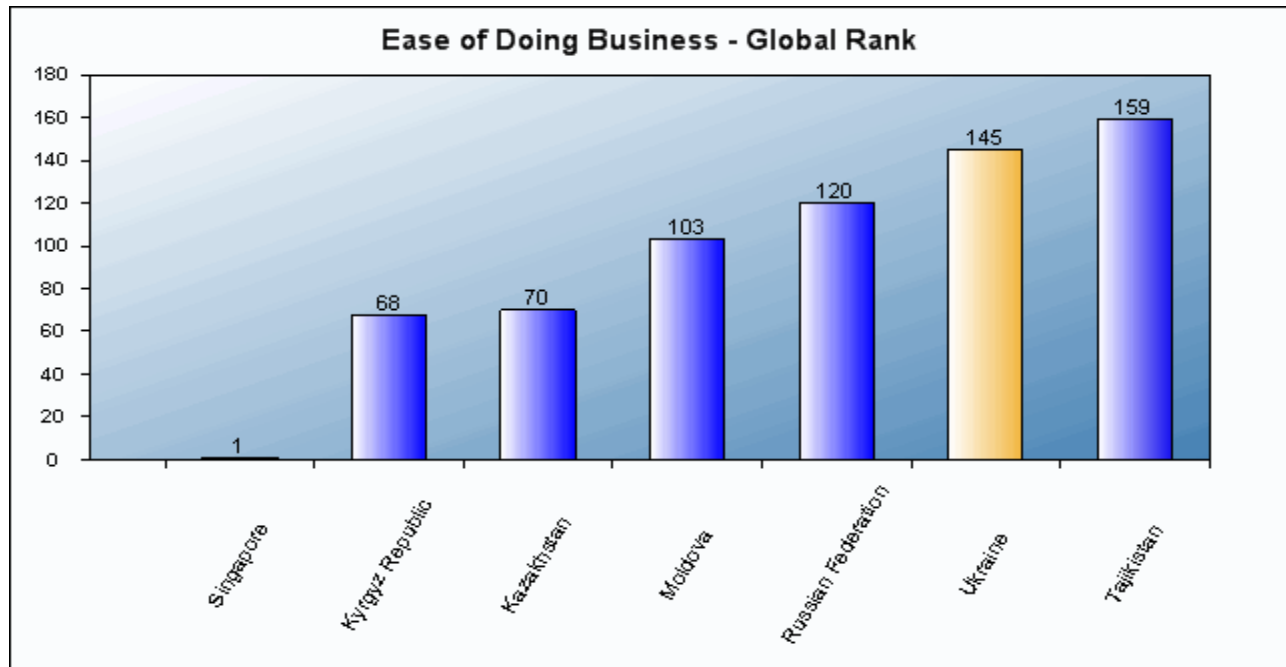
More information is available in the full report. Doing Business 2009 presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website ([www.doingbusiness.org](http://www.doingbusiness.org)).

\* Except for the Paying Taxes indicator that refers to the period January to December of 2007.

## Economy Rankings - Ease of Doing Business

Ukraine is ranked 145 out of 181 economies. Singapore is the top ranked economy in the Ease of Doing Business.

**Ukraine - Compared to global good practice economy as well as selected economies:**



### Ukraine's ranking in Doing Business 2009

Rank	Doing Business 2009
Ease of Doing Business	145
Starting a Business	128
Dealing with Construction Permits	179
Employing Workers	100
Registering Property	140
Getting Credit	28
Protecting Investors	142
Paying Taxes	180
Trading Across Borders	131
Enforcing Contracts	49
Closing a Business	143

## Summary of Indicators - Ukraine

<b>Starting a Business</b>	<b>Procedures (number)</b>	10
	<b>Duration (days)</b>	27
	<b>Cost (% GNI per capita)</b>	5.5
	<b>Paid in Min. Capital (% of GNI per capita)</b>	174.2
<b>Dealing with Construction Permits</b>	<b>Procedures (number)</b>	30
	<b>Duration (days)</b>	471
	<b>Cost (% of income per capita)</b>	1901.7
<b>Employing Workers</b>	<b>Difficulty of Hiring Index</b>	44
	<b>Rigidity of Hours Index</b>	60
	<b>Difficulty of Firing Index</b>	30
	<b>Rigidity of Employment Index</b>	45
	<b>Firing costs (weeks of salary)</b>	13
<b>Registering Property</b>	<b>Procedures (number)</b>	10
	<b>Duration (days)</b>	93
	<b>Cost (% of property value)</b>	2.9
<b>Getting Credit</b>	<b>Legal Rights Index</b>	9
	<b>Credit Information Index</b>	3
	<b>Public registry coverage (% adults)</b>	0.0
	<b>Private bureau coverage (% adults)</b>	3.0
<b>Protecting Investors</b>	<b>Disclosure Index</b>	1

<b>Protecting Investors</b>	<b>Director Liability Index</b>	3
	<b>Shareholder Suits Index</b>	7
	<b>Investor Protection Index</b>	3.7
<b>Paying Taxes</b>	<b>Payments (number)</b>	99
	<b>Time (hours)</b>	848
	<b>Profit tax (%)</b>	11.5
	<b>Labor tax and contributions (%)</b>	43.3
	<b>Other taxes (%)</b>	3.7
	<b>Total tax rate (% profit)</b>	58.4
<b>Trading Across Borders</b>	<b>Documents for export (number)</b>	6
	<b>Time for export (days)</b>	31
	<b>Cost to export (US\$ per container)</b>	1230
	<b>Documents for import (number)</b>	10
	<b>Time for import (days)</b>	36
	<b>Cost to import (US\$ per container)</b>	1250
<b>Enforcing Contracts</b>	<b>Procedures (number)</b>	30
	<b>Duration (days)</b>	354
	<b>Cost (% of claim)</b>	41.5
<b>Closing a Business</b>	<b>Time (years)</b>	2.9
	<b>Cost (% of estate)</b>	42
	<b>Recovery rate (cents on the dollar)</b>	9.1



# 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 the process or may decide to run their business informally.

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. These include obtaining all necessary permits and licenses and completing all required inscriptions, verifications and notifications with authorities to enable the company to formally operate. The time and cost required to complete each procedure under normal circumstances are calculated, as well as the minimum capital that must be paid in. 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.

To make the data comparable across economies, detailed assumptions about the type of business are used. Among these assumptions are the following: the business is a limited liability company conducting general commercial activities in the largest business city; it is 100% domestically owned, with a start-up capital of 10 times income per capita, a turnover of at least 100 times income per capita and between 10 and 50 employees; and it does not qualify for any special benefits, nor does it own real estate. 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.

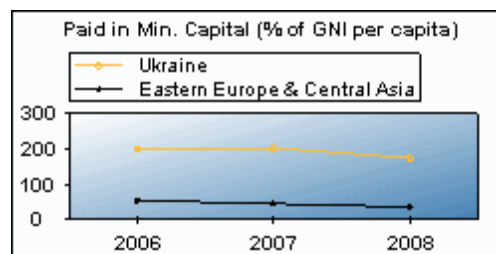
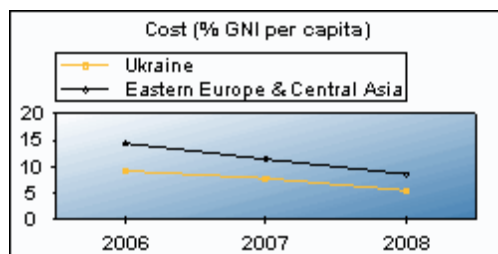
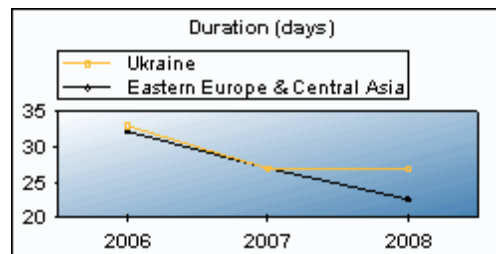
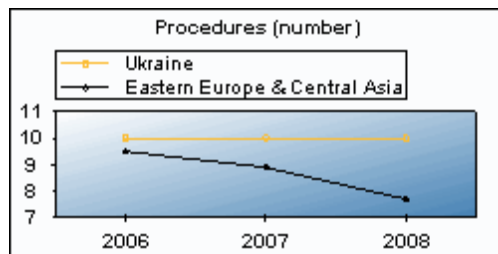
Cumbersome entry procedures are associated with more corruption, particularly in developing economies. Each procedure is a point of contact, a potential opportunity to extract a bribe. Analysis shows that burdensome entry regulations do not increase the quality of products, make work safer or reduce pollution. Instead, they constrain private investment; push more people into the informal economy; increase consumer prices and fuel corruption.



## 1. Historical data: Starting a Business in Ukraine

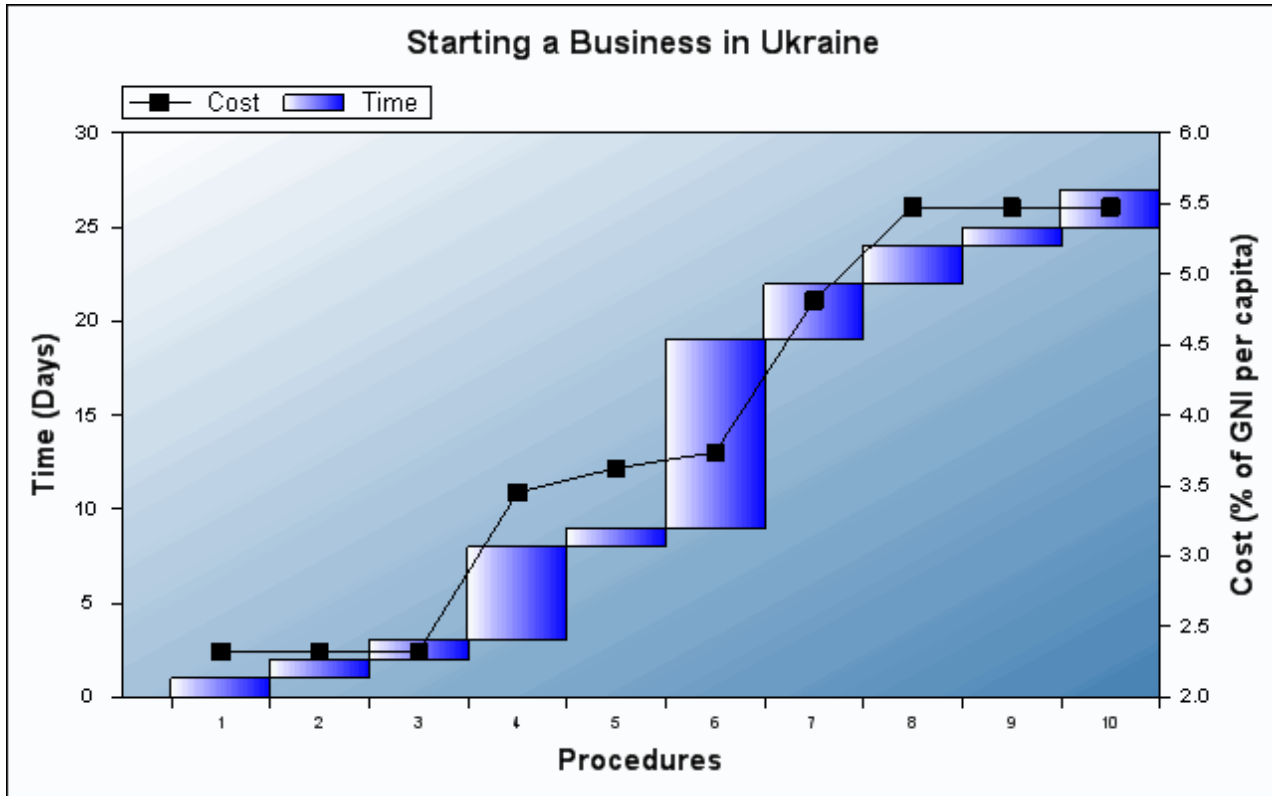
Starting a Business data	Doing Business 2007	Doing Business 2008	Doing Business 2009
Rank		113	128
Procedures (number)	10	10	10
Duration (days)	33	27	27
Cost (% GNI per capita)	9.2	7.8	5.5
Paid in Min. Capital (% of GNI per capita)	198.8	203.1	174.2

2. The following graphs illustrates the Starting a Business indicators in Ukraine over the past 3 years:



### 3. Steps to Starting a Business in Ukraine

It requires 10 procedures, takes 27 days, and costs 5.48 % GNI per capita to start a business in Ukraine.



#### List of Procedures:

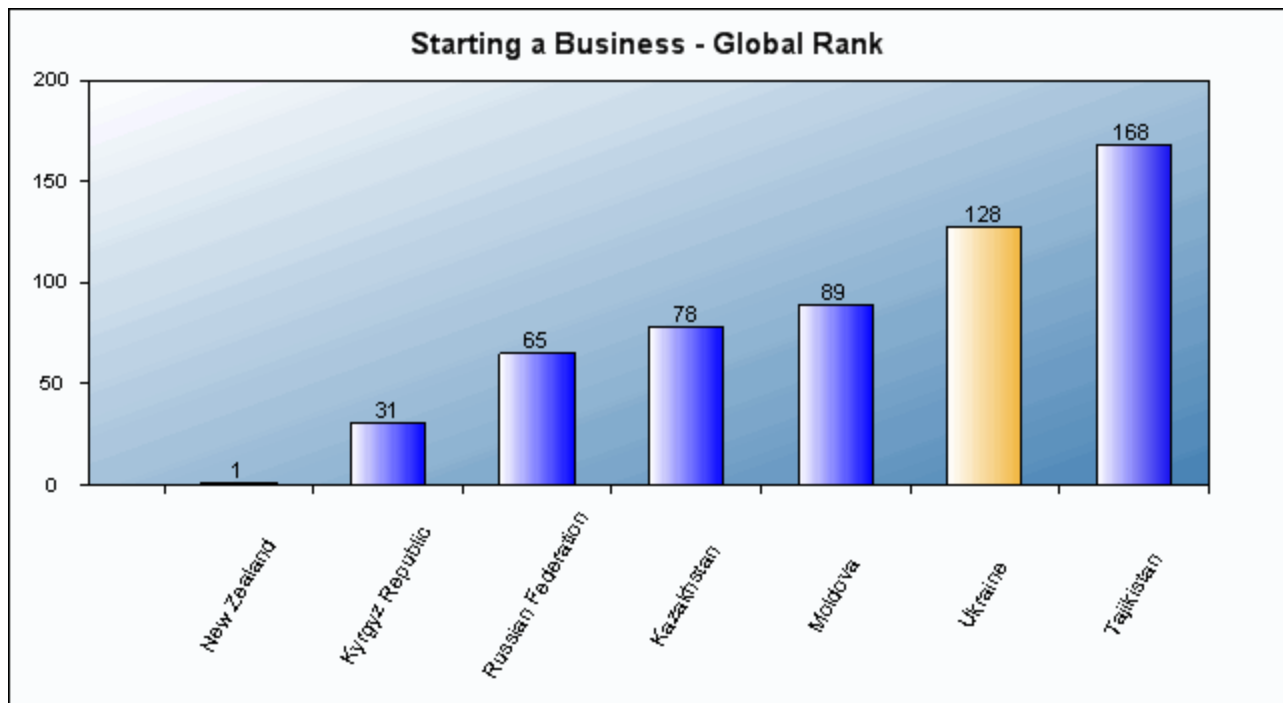
1. Notarize company charter and execute premises (if needed)
2. Open a bank account for initial capital
3. Pay registration fee at the bank
4. Register at the Registration Office
5. Register at the State Statistics Committee
6. Register VAT at the State Tax Authority and obtain a VAT number
7. Approval of Ministry of Internal Affairs to prepare a company seal
8. Prepare a seal
9. Open a permanent bank account
10. Notify the District Tax Inspectorate of the opening of the permanent bank account

More detail is included in the appendix.

#### 4. Benchmarking Starting a Business Regulations:

Ukraine is ranked 128 overall for Starting a Business.

Ranking of Ukraine in Starting a Business - Compared to good practice and selected economies:



The following table shows Starting a Business data for Ukraine compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Duration (days)</b>	<b>Cost (% GNI per capita)</b>	<b>Paid in Min. Capital (% of GNI per capita)</b>
<b>Denmark</b>			0.0	
<b>New Zealand*</b>	1	1		0.0

<i>Selected Economy</i>				
<b>Ukraine</b>	10	27	5.5	174.2

<i>Comparator Economies</i>				
<b>Kazakhstan</b>	8	21	5.2	15.9
<b>Kyrgyz Republic</b>	4	15	7.4	0.4
<b>Moldova</b>	9	15	8.9	13.4
<b>Russian Federation</b>	8	29	2.6	2.2
<b>Tajikistan</b>	13	49	27.6	216.8

\* The following economies are also good practice economies for :

Procedures (number): **Canada**

# 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 and with licensing and safety regulations and 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. Striking the right balance is a challenge when it comes to construction regulations. Good regulations ensure safety standards that protect the public while making the permitting process efficient, transparent and affordable for both building authorities and the private professionals who use it. If procedures are overly complicated or costly, builders build without a permit, leading to hazardous construction.

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 (bribes not 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. To make the data comparable across economies, several assumptions about the business and its operations are used. The business is a small to medium-size limited liability company, located in the most populous city, domestically owned and operated, in the construction business, with 60 qualified employees. The warehouse to be built:

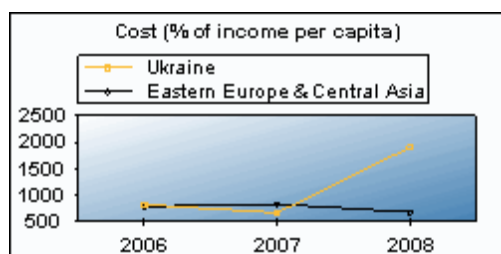
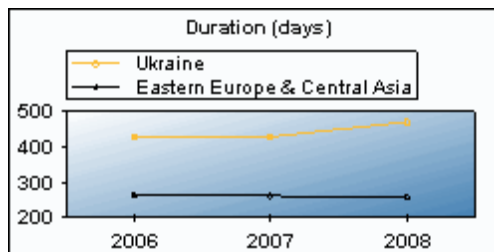
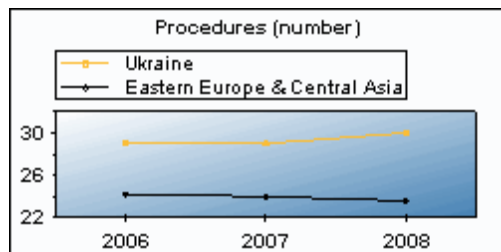
- Is a new construction (there was no previous construction on the land).
- Has 2 stories, both above ground, with a total surface of approximately 1,300.6 square meters (14,000 square feet). Each floor is 3 meters (9 feet, 10 inches) high
- Has complete architectural and technical plans prepared by 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).

Where the regulatory burden is large, entrepreneurs move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off.

## 1. Historical data: Dealing with Construction Permits in Ukraine

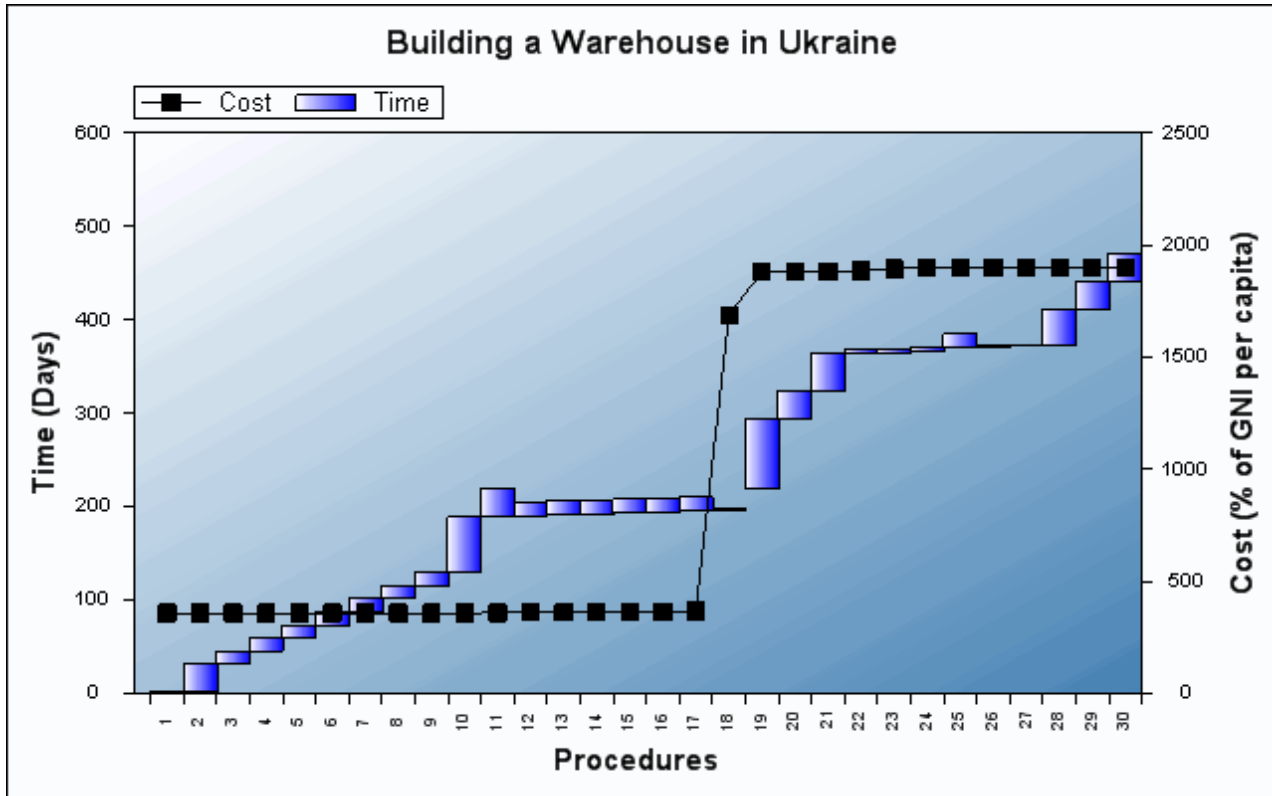
Dealing with Construction Permits data	Doing Business 2007	Doing Business 2008	Doing Business 2009
Rank		175	179
Procedures (number)	29	29	30
Duration (days)	429	429	471
Cost (% of income per capita)	821.2	668.5	1901.7

2. The following graphs illustrates the Dealing with Construction Permits indicators in Ukraine over the past 3 years:



### 3. Steps to Building a Warehouse in Ukraine

It requires 30 procedures, takes 471 days, and costs 1,901.74 % GNI per capita to build a warehouse in Ukraine.



#### List of Procedures:

1. Hire a Private Design Institute to develop a pre-project city planning justification
2. Request and obtain certificate of approval from the Kiev Institute of City Planning
3. Request and obtain certificate of approval from the Kiev City Administration Department of Land (Kievzem)
4. Request and obtain certificate of approval from the Kiev City Administration Department of Economics and Investments
5. Request and obtain certificate of approval from the Kiev City Administration Department of Ecology and Natural Resources
6. Request and obtain certificate of approval from the Kiev City Administration Department of Sanitary Epidemiological Inspection
7. Request and obtain certificate of approval from the Kiev City Administration Department of Cultural Inheritance Preservation
8. Request and obtain certificate of approval from the District Administration (Rayon)
9. Request and obtain certificate of approval from other Kiev City Administration Departments
10. Request and obtain certificate of approval (location permit) from the Kiev City Administration Department of Construction
11. Request and obtain architectural and technical objectives/ conditions from the Kiev city Architecture and Construction Department
12. Request and obtain technical terms and conditions from the sewage authority
13. Request and obtain technical terms and conditions from the water supply authority

14. Request and obtain technical terms and conditions from the electricity distribution authority
15. Request and obtain technical terms and conditions from the fixed telephone line provider
16. Request and obtain technical terms and conditions from the Fire Safety Department
17. Request and obtain technical terms and conditions from the Department of State Auto Inspection, Main Office of the Ministry of Interior Affairs of Ukraine in Kiev City
18. Contribution to the city social and engineering-transport infrastructure
19. Request and obtain approval of project design drawings and estimates by comprehensive state expertise
20. Request and obtain the building permit from the State Inspection of Architecture and Construction Control in Kiev
21. Request and obtain order on city layout modification from the Main Department of Control of City Layout and Design in Kiev City
22. Request and connect to water and sewage services
23. Request and connect to electricity services
24. Request and connect to phone services
25. Request and receive Working Commission inspection from the Kiev City Administration
26. Request acceptance certificate from the State Architectural and Construction Commission
27. Receive inspection by the State Architectural and Construction Commission
28. Obtain acceptance certificate from the State Architectural and Construction Commission
29. Request and obtain warehouse architectural and technical passport approval from the Kiev City Department of Construction and Architecture
30. Register the warehouse with the Main Department of Municipal Property of the Kiev City State Administration

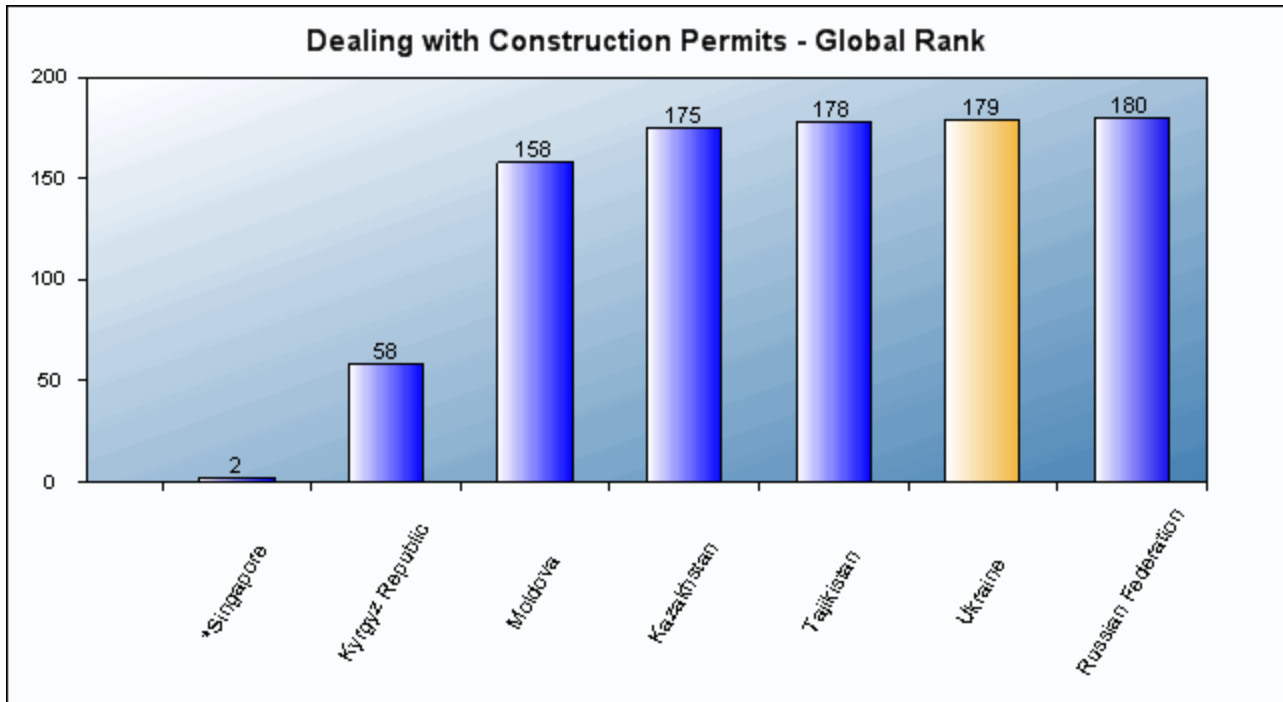
More detail is included in the appendix.



#### 4. Benchmarking Dealing with Construction Permits Regulations:

Ukraine is ranked 179 overall for Dealing with Construction Permits.

Ranking of Ukraine in Dealing with Construction Permits - Compared to good practice and selected economies:



\* The following economies are also good practice economies for Building a Warehouse: Belize, New Zealand, St. Vincent and the Grenadines

The following table shows Dealing with Construction Permits data for Ukraine compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Duration (days)</b>	<b>Cost (% of income per capita)</b>
<b>Denmark</b>	6		
<b>Korea</b>		34	
<b>Malaysia*</b>			7.9

<i>Selected Economy</i>			
<b>Ukraine</b>	30	471	1901.7

<i>Comparator Economies</i>			
<b>Kazakhstan</b>	38	231	1431.8
<b>Kyrgyz Republic</b>	13	159	405.7
<b>Moldova</b>	30	292	142.2
<b>Russian Federation</b>	54	704	2612.7
<b>Tajikistan</b>	32	351	1420.7

\* The following economies are also good practice economies for :

**Cost (% of income per capita): Brunei, Palau, Qatar, St. Kitts and Nevis, Trinidad and Tobago, United Arab Emirates**



## 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. Doing Business examines government regulation in the area of employment.

Two measures are presented: a rigidity of employment index and a firing cost measure. The rigidity of employment index is the average of three subindices: difficulty of hiring, rigidity of hours and difficulty of firing. 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, and mandated days of annual leave with pay. The difficulty of firing 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 firing cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary.

To make the data comparable across economies, a range of assumptions about the worker and the company are used. The company is assumed to be a limited liability manufacturing corporation that operates in the economy's most populous city, is 100% domestically owned and has 201 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.

Employment regulations are needed to allow efficient contracting between employers and workers and to protect workers from discriminatory or unfair treatment by employers. In its indicators on employing workers, 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. When economies err on the side of excessive rigidity, it is to the detriment of businesses and workers alike.

## 1. Historical data: Employing Workers in Ukraine

Employing Workers data	Doing Business 2007	Doing Business 2008	Doing Business 2009
Rank		103	100
Rigidity of Employment Index	45	45	45
Firing costs (weeks of salary)	13	13	13

2. The following graphs illustrates the Employing Workers indicators in Ukraine over the past 3 years:



### 3. Benchmarking Employing Workers Regulations:

Ukraine is ranked 100 overall for Employing Workers.

Ranking of Ukraine in Employing Workers - Compared to good practice and selected economies:



\* The following economies are also good practice economies for Employing Workers: Marshall Islands, Singapore

The following table shows Employing Workers data for Ukraine compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Rigidity of Employment Index</b>	<b>Firing costs (weeks of salary)</b>
<b>Hong Kong, China*</b>	0	
<b>New Zealand*</b>		0

<i>Selected Economy</i>		
<b>Ukraine</b>	45	13

<i>Comparator Economies</i>		
<b>Kazakhstan</b>	23	9
<b>Kyrgyz Republic</b>	38	17
<b>Moldova</b>	41	37
<b>Russian Federation</b>	44	17
<b>Tajikistan</b>	51	22

\* The following economies are also good practice economies for :

**Rigidity of Employment Index: Maldives, Marshall Islands, Singapore, United States**

**Firing costs (weeks of salary): Afghanistan, Denmark, Iraq, Marshall Islands, Micronesia, 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.

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).

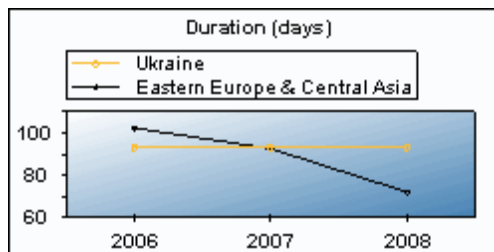
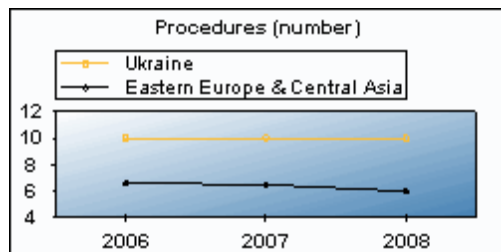
Many titling programs in Africa were futile because people bought and sold property informally, neglecting to update the title records in the property registry. Why? Doing Business shows that completing a simple formal property transfer in the largest business city of an African economy cost 10% of the value of the property and takes on average 90 days. Worse, the property registries are so poorly organized that they provide little security of ownership.

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. Twenty-four economies made it easier to register property in 2007/08. The most popular reform: lowering the cost of registration by reducing the property transfer tax, registration fees or stamp duty.

## 1. Historical data: Registering Property in Ukraine

Registering Property data	Doing Business 2007	Doing Business 2008	Doing Business 2009
Rank		142	140
Procedures (number)	10	10	10
Duration (days)	93	93	93
Cost (% of property value)	3.4	3.3	2.9

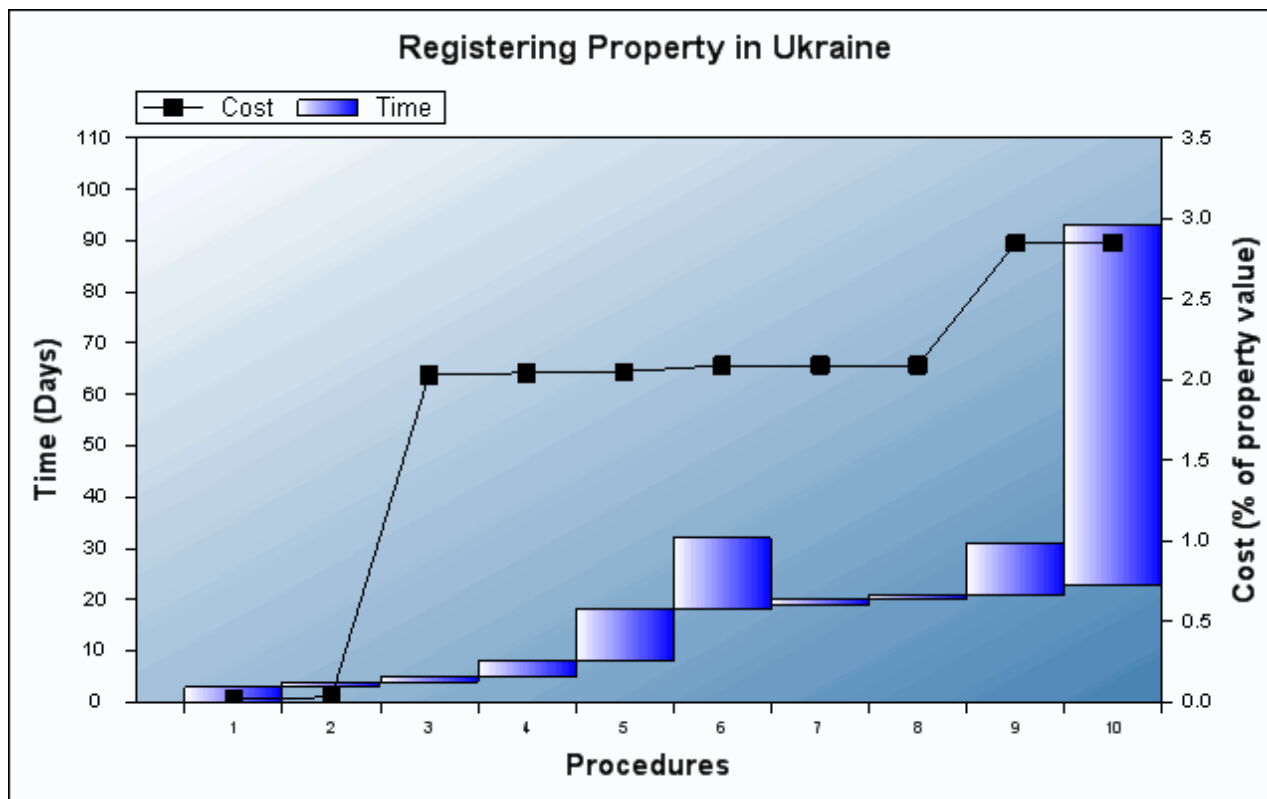
2. The following graphs illustrates the Registering Property indicators in Ukraine over the past 3 years:





### 3. Steps to Registering Property in Ukraine

It requires 10 procedures, takes 93 days, and costs 2.85 % of property value to register the property in Ukraine.



#### List of Procedures:

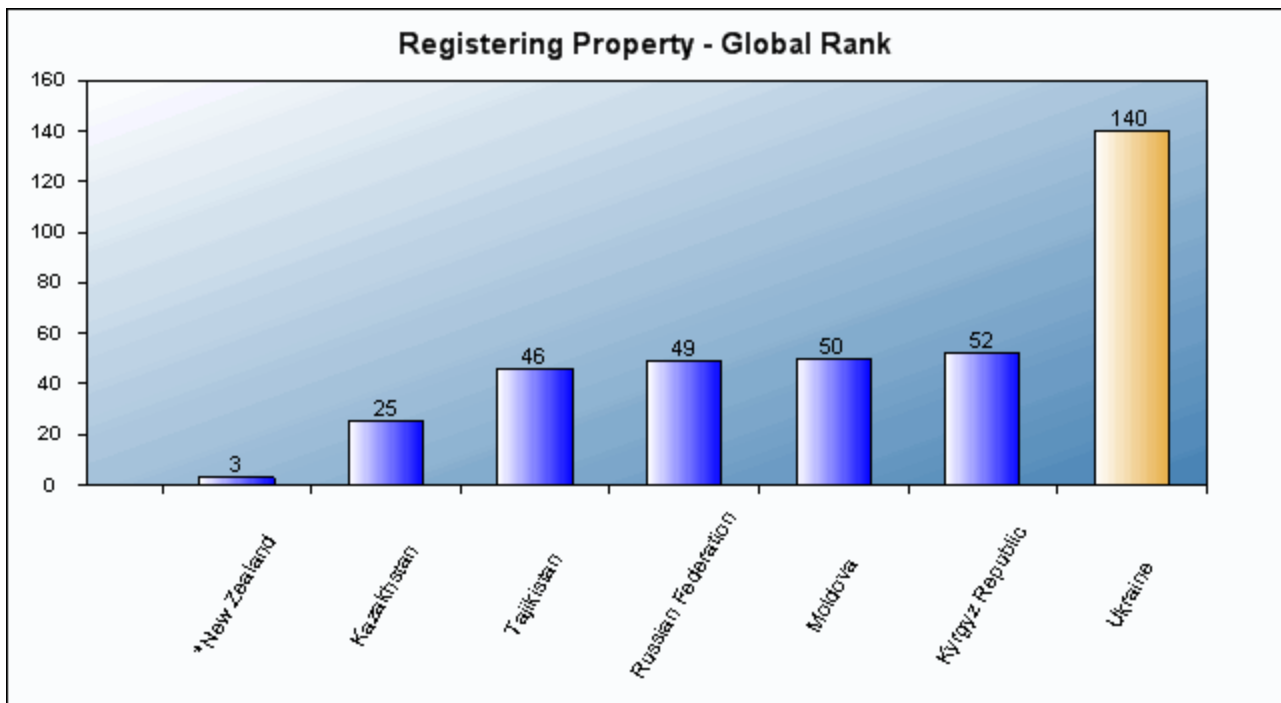
1. Obtain an extract from the Bureau of Technical Inventory stating that the building and ownership rights in it are duly registered
2. The notary checks for encumbrances on the property (land and building)
3. Notarization of the sale agreement of the building
4. Submit the notarized sale agreement to the City Bureau of Technical Inventory and Registration of Property Rights in Real Estate
5. Obtain a certificate that the seller's rights in the land parcel are duly registered at the Center of State Land Cadastre
6. Evaluation of the price of the land
7. Notarization of the sale agreement of the land parcel
8. Submit a request to obtain the State Certificate on Land Ownership under the name of the new owner
9. Obtain technical documentation from the Kiev Chief Administration on Land Ownership
10. Obtain the State Certificate on Land Ownership under the name of the new owner

More detail is included in the appendix.

#### 4. Benchmarking Registering Property Regulations:

Ukraine is ranked 140 overall for Registering Property.

Ranking of Ukraine in Registering Property - Compared to good practice and selected economies:



\* The following economies are also good practice economies for Registering Property: Georgia, Saudi Arabia

The following table shows Registering Property data for Ukraine compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Duration (days)</b>	<b>Cost (% of property value)</b>
<b>New Zealand*</b>		2	
<b>Norway*</b>	1		
<b>Saudi Arabia</b>			0.0

<i>Selected Economy</i>			
<b>Ukraine</b>	10	93	2.9

<i>Comparator Economies</i>			
<b>Kazakhstan</b>	5	40	0.1
<b>Kyrgyz Republic</b>	7	8	3.9
<b>Moldova</b>	6	48	0.8
<b>Russian Federation</b>	6	52	0.2
<b>Tajikistan</b>	6	37	1.8

\* The following economies are also good practice economies for :

**Procedures (number): Sweden**

**Duration (days): Saudi Arabia, Sweden, Thailand**



## 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. And they free entrepreneurs from having to rely on personal connections alone when trying to obtain credit. Three indicators are constructed to measure the sharing of credit information:

- 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.

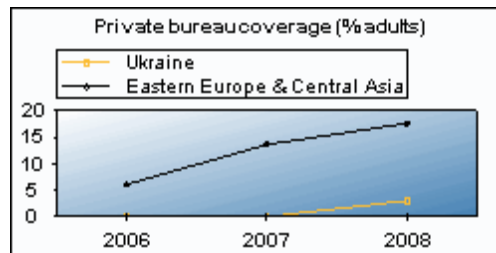
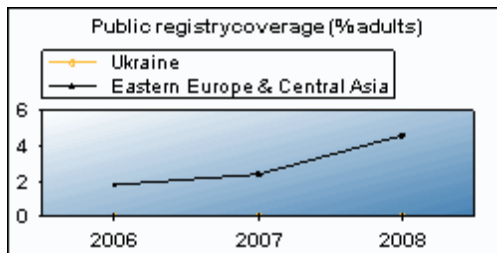
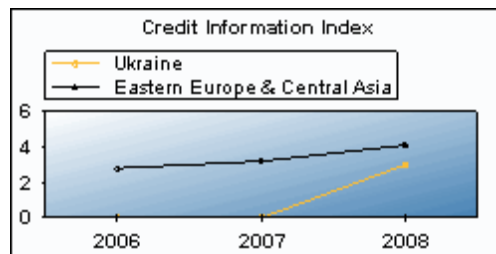
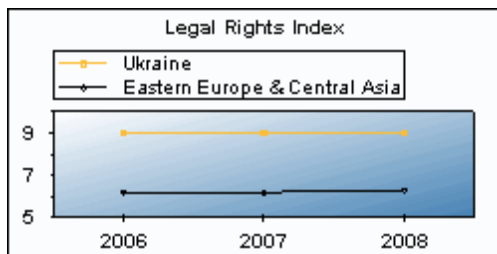
The strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. This year, three main changes were made; first, a standardized case scenario with specific assumptions was introduced to bring this indicator into line with other Doing Business indicators. Second, the indicator now focuses not on tangible movable collateral, such as equipment, but on revolving movable collateral, such as accounts receivable and inventory. Third, the indicator no longer considers whether management remains in place during a reorganization procedure, better accommodating economies that adopt reorganization procedures. The strength of legal rights index includes 8 aspects related to legal rights in collateral law and 2 aspects in bankruptcy law:

- Any business may use movable assets as collateral while keeping possession of the assets, and any financial institution may accept such assets as collateral.
- The law allows 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.
- The law allows a business to grant a non possessory security right in substantially all of its assets, without requiring a specific description of the secured assets.
- A security right may extend to future or after-acquired assets and may extend automatically to the products, proceeds or replacements of the original assets.
- General description of debts and obligations is 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.
- A collateral registry is in operation that is unified geographically and by asset type and that is indexed by the name of the grantor of a security right.
- Secured creditors are paid first when a debtor defaults outside an insolvency procedure or when a business is liquidated.
- Secured creditors are not subject to an automatic stay or moratorium on enforcement procedures when a debtor enters a court-supervised reorganization procedure.
- The law allows parties to agree in a collateral agreement that the lender may enforce its security right out of court.

## 1. Historical data: Getting Credit in Ukraine

Getting Credit data	Doing Business 2007	Doing Business 2008	Doing Business 2009
Rank		61	28
Legal Rights Index	9	9	9
Credit Information Index	0	0	3
Public registry coverage (% adults)	0.0	0.0	0.0
Private bureau coverage (% adults)	0.0	0.0	3.0

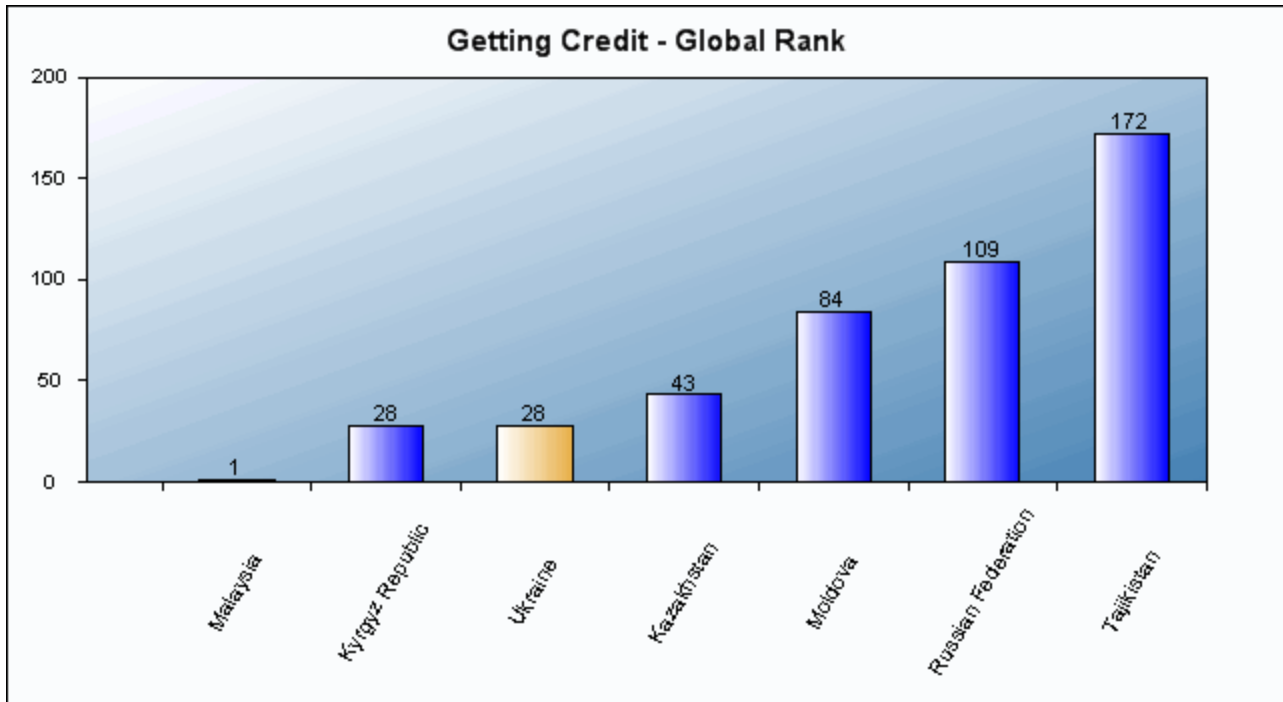
## 2. The following graphs illustrates the Getting Credit indicators in Ukraine over the past 3 years:



### 3. Benchmarking Getting Credit Regulations:

Ukraine is ranked 28 overall for Getting Credit.

Ranking of Ukraine in Getting Credit - Compared to good practice and selected economies:



The following table shows Getting Credit data for Ukraine compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Legal Rights Index</b>	<b>Credit Information Index</b>	<b>Public registry coverage (% adults)</b>	<b>Private bureau coverage (% adults)</b>
<b>Malaysia*</b>	10			
<b>New Zealand*</b>				100.0
<b>Portugal</b>			76.4	
<b>United Kingdom</b>		6		

<i>Selected Economy</i>				
<b>Ukraine</b>	9	3	0.0	3.0

<i>Comparator Economies</i>				
<b>Kazakhstan</b>	5	6	0.0	25.6
<b>Kyrgyz Republic</b>	7	5	0.0	3.7
<b>Moldova</b>	8	0	0.0	0.0
<b>Russian Federation</b>	3	4	0.0	10.0
<b>Tajikistan</b>	2	0	0.0	0.0

\* The following economies are also good practice economies for :

**Legal Rights Index: Hong Kong, China, Kenya, Singapore**

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

**24 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. But 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. 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.

The case facts are straightforward. 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? 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 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. This index ranges from 0 to 10, with higher values indicating better investor protection.

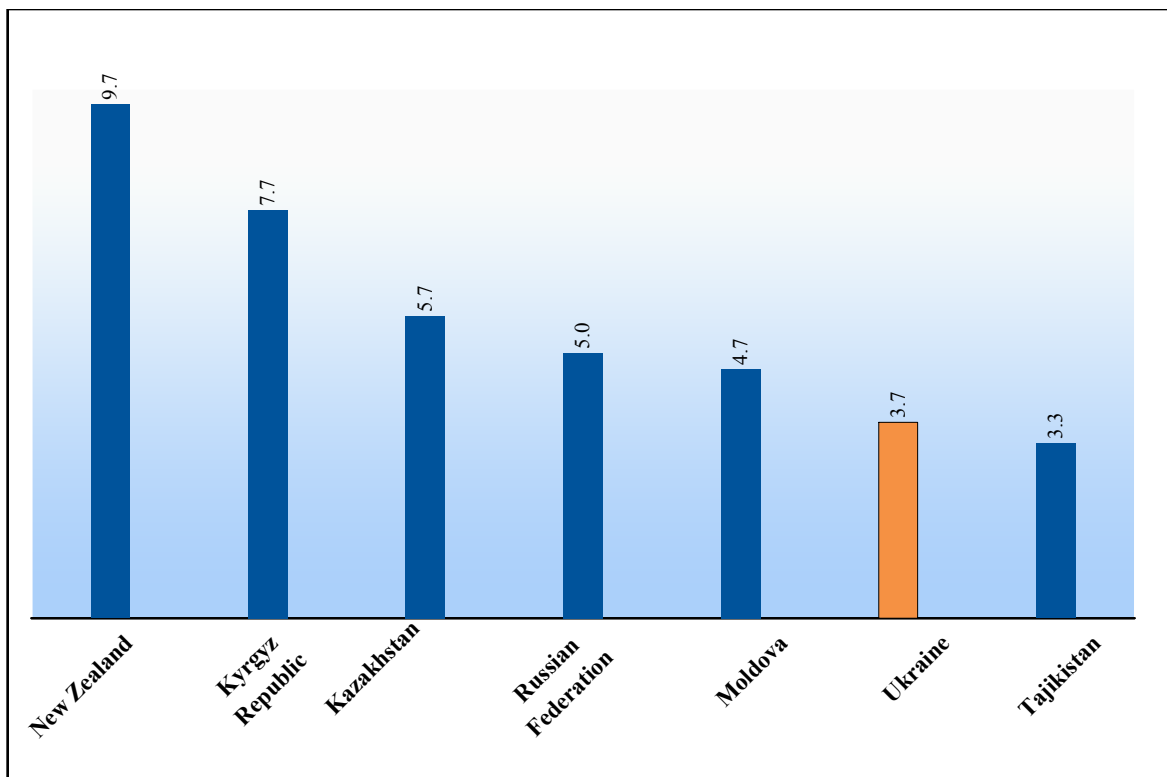
\*Doidge, Karayi and Stulz (2007)



**1. Historical data: Protecting Investors in Ukraine**

Protecting Investors data	Doing Business 2007	Doing Business 2008	Doing Business 2009
Rank		141	142
Investor Protection Index	3.7	3.7	3.7

**2. The following graph illustrates the Protecting Investors index in Ukraine compared to best practice and selected Economies:**

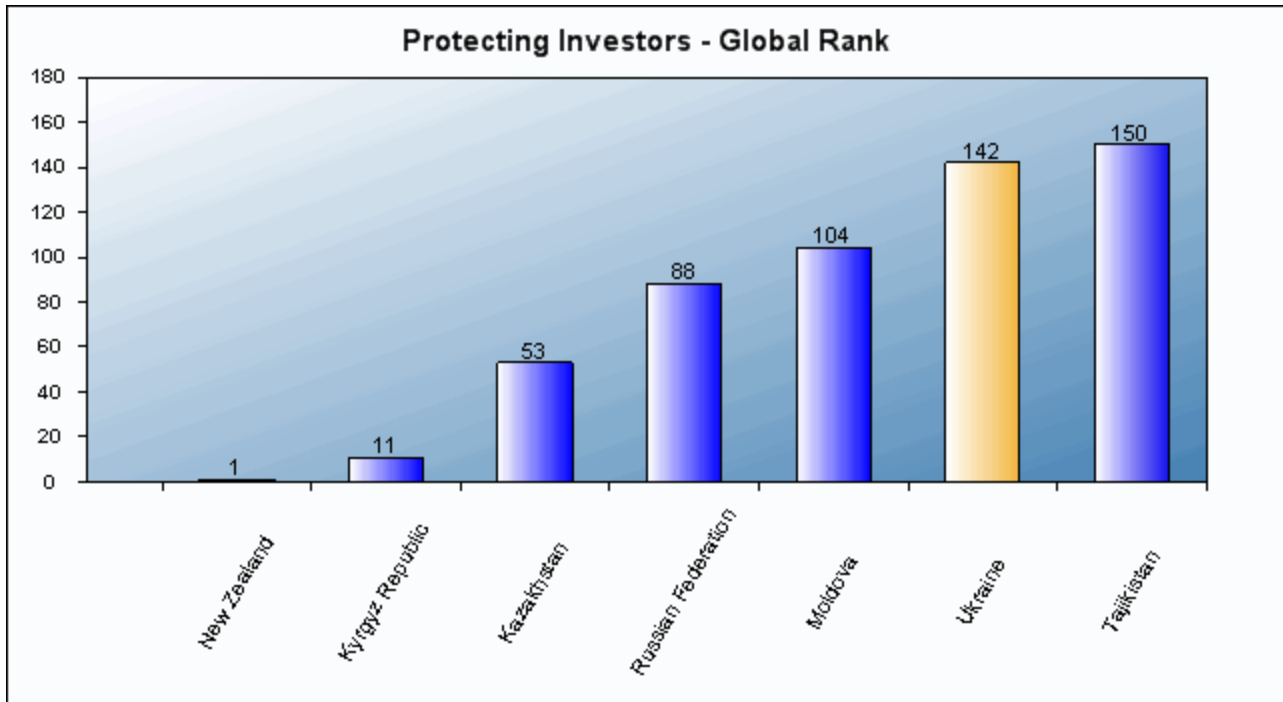


Note: The higher the score, the greater the investor protection.

### 3. Benchmarking Protecting Investors Regulations:

Ukraine is ranked 142 overall for Protecting Investors.

Ranking of Ukraine in Protecting Investors - Compared to good practice and selected economies:



The following table shows Protecting Investors data for Ukraine compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Investor Protection Index</b>
<b>New Zealand</b>	9.7

<i>Selected Economy</i>	
<b>Ukraine</b>	3.7

<i>Comparator Economies</i>	
<b>Kazakhstan</b>	5.7
<b>Kyrgyz Republic</b>	7.7
<b>Moldova</b>	4.7
<b>Russian Federation</b>	5.0
<b>Tajikistan</b>	3.3



## 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.

The Doing Business tax survey records the effective tax that a small and medium company must pay and the administrative costs of doing so. Imagine a medium-size business, TaxpayerCo, that started operations last year. Doing Business asks tax practitioners in 181 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.

Three indicators are constructed:

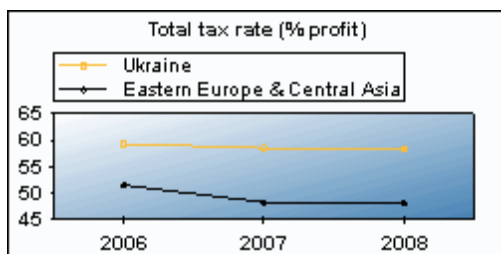
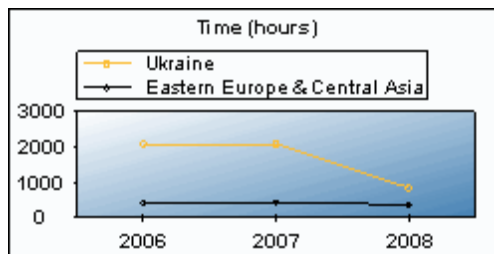
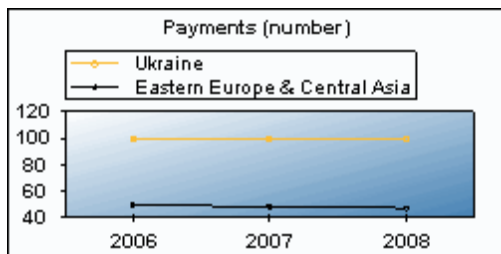
- Number of tax payments, which takes into account the method of payment, the frequency of payments and the number of agencies involved in our standardized case study.
- Time, which measures the number of hours per year necessary to prepare and file tax returns and to pay the corporate income tax, value 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.

Businesses care about what they get for their taxes and contributions, such as the quality of infrastructure and social services. Efficient tax systems tend to have less complex tax arrangements, comprising of straightforward compliance procedures and clear laws. Taxpayers in such economies often get more from their taxes. Simple, moderate taxes and fast, cheap administration mean less hassle for businesses, and also more revenue collected and better public services. More burdensome tax regimes create an incentive to evade taxes.

### 1. Historical data: Paying Taxes in Ukraine

Paying Taxes data	Doing Business 2007	Doing Business 2008	Doing Business 2009
Rank		180	180
Time (hours)	2085	2085	848
Total tax rate (% profit)	59.3	58.5	58.4
Payments (number)	99	99	99

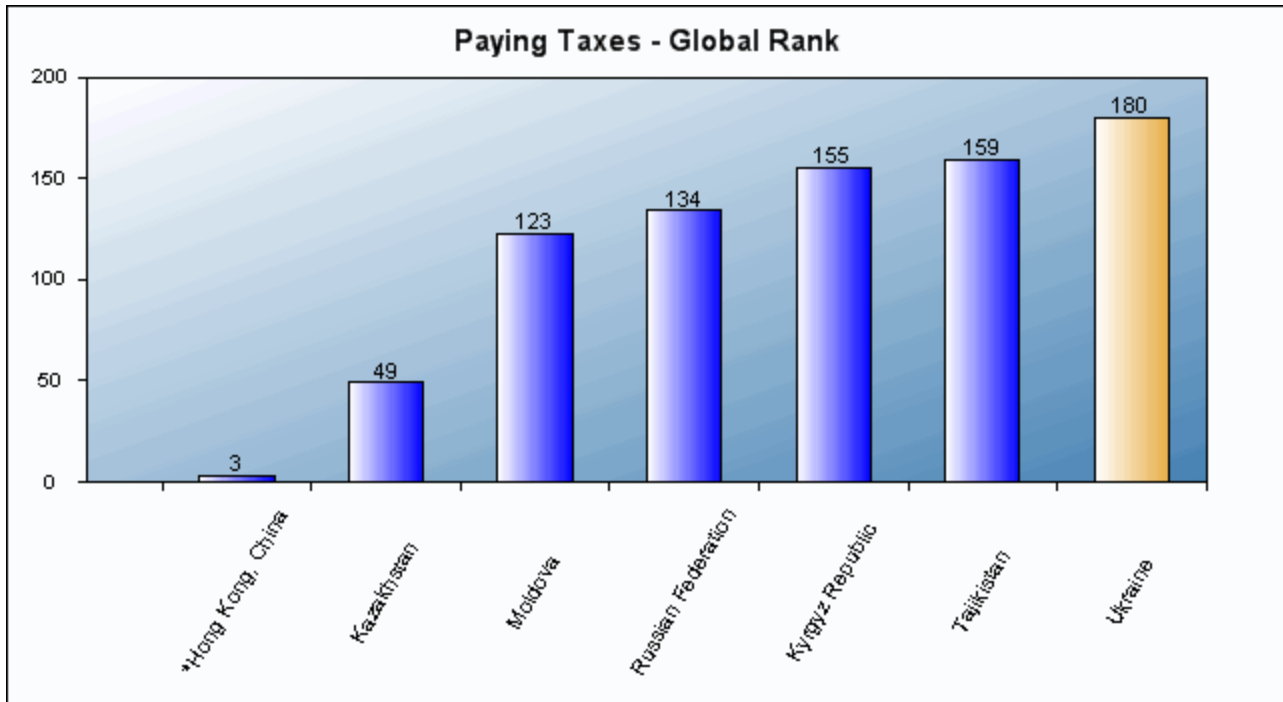
### 2. The following graphs illustrates the Paying Taxes indicators in Ukraine over the past 3 years:



### 3. Benchmarking Paying Taxes Regulations:

Ukraine is ranked 180 overall for Paying Taxes.

Ranking of Ukraine in Paying Taxes - Compared to good practice and selected economies:



\* The following economies are also good practice economies for Paying Taxes: Maldives, Qatar

The following table shows Paying Taxes data for Ukraine compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Payments (number)</b>	<b>Time (hours)</b>	<b>Total tax rate (% profit)</b>
<b>Luxembourg*</b>		59	
<b>Sweden*</b>	2		
<b>Vanuatu</b>			8.4

<i>Selected Economy</i>			
<b>Ukraine</b>	99	848	58.4

<i>Comparator Economies</i>			
<b>Kazakhstan</b>	9	271	36.4
<b>Kyrgyz Republic</b>	75	202	61.4
<b>Moldova</b>	53	234	42.1
<b>Russian Federation</b>	22	448	48.7
<b>Tajikistan</b>	54	224	85.5

\* The following economies are also good practice economies for :

**Payments (number): Maldives, Qatar**

**Time (hours): Bahamas, Bahrain, Maldives, Qatar, United Arab Emirates**



# 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.

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.

To make the data comparable across countries, several assumptions about the business and the traded goods are used. The business is of medium size, employs 60 people, and is located in the periurban area of the economy's most populous city. It 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.

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.

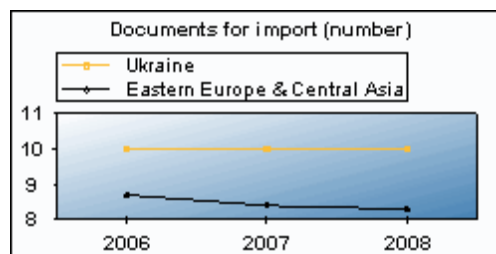
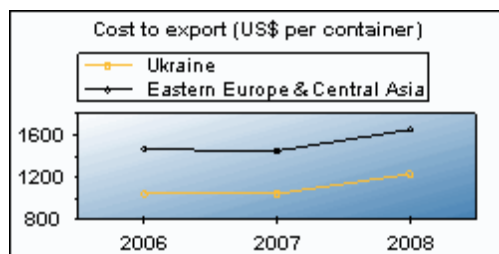
Economies that have efficient customs, good transport networks and fewer document requirements, making compliance with export and import procedures faster and cheaper, are more competitive globally. That can lead to more exports; and exports are associated with faster growth and more jobs. Conversely, 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.



## 1. Historical data: Trading Across Borders in Ukraine

Trading Across Borders data	Doing Business 2007	Doing Business 2008	Doing Business 2009
Rank		121	131
Documents for export (number)	6	6	6
Time for export (days)	31	31	31
Cost to export (US\$ per container)	1045	1045	1230
Documents for import (number)	10	10	10
Time for import (days)	39	39	36
Cost to import (US\$ per container)	1065	1065	1250

2. The following graphs illustrates the Trading Across Borders indicators in Ukraine over the past 3 years:

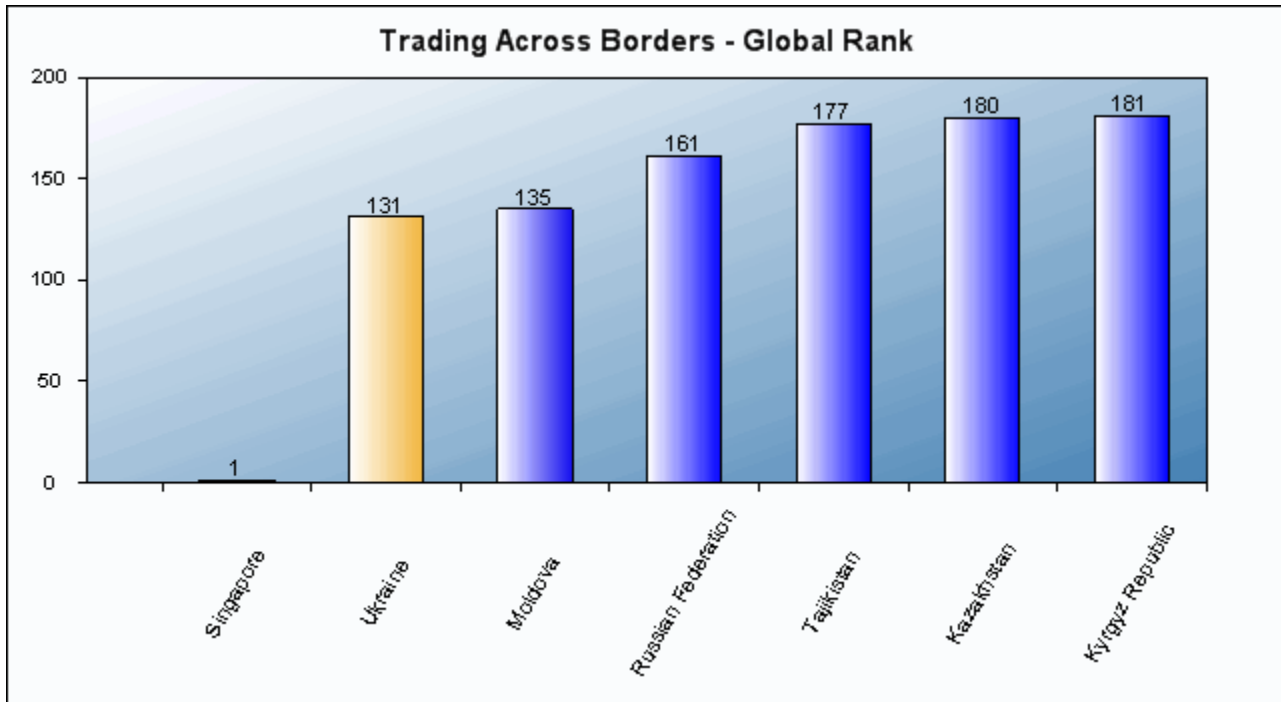




### 3. Benchmarking Trading Across Borders Regulations:

Ukraine is ranked 131 overall for Trading Across Borders.

Ranking of Ukraine in Trading Across Borders - Compared to good practice and selected economies:



The following table shows Trading Across Borders data for Ukraine compared to good practice and comparator economies:

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

<i>Selected Economy</i>						
<b>Ukraine</b>	6	31	1230	10	36	1250

<i>Comparator Economies</i>						
<b>Kazakhstan</b>	11	89	3005	13	76	3055
<b>Kyrgyz Republic</b>	13	64	3000	13	75	3250
<b>Moldova</b>	6	32	1775	7	35	1895
<b>Russian Federation</b>	8	36	2150	13	36	2150
<b>Tajikistan</b>	10	82	3150	10	83	4550

\* The following economies are also good practice economies for :

**Time for export (days): Estonia, Singapore**



## 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).

The dispute concerns a contract for the sale of goods between two businesses (the Seller and the Buyer) both 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. Seller enforces the judgment and the money is successfully collected through a public sale of Buyer's assets.

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

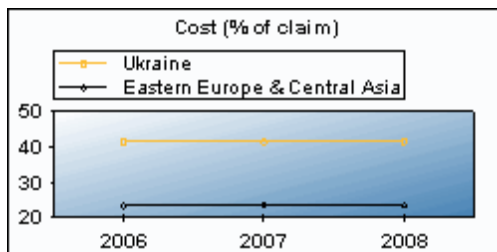
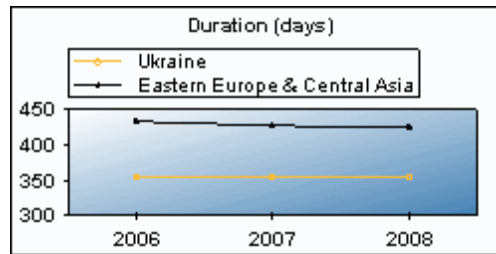
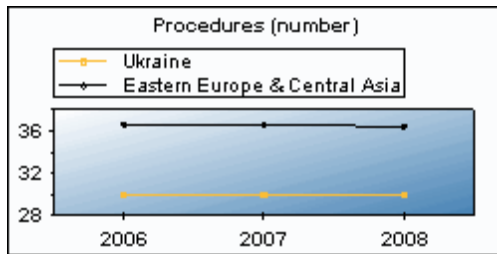
- Number of procedures, which are defined as any interaction between the parties or between them and the judge or court officer. This includes steps to file the case, steps for trial and judgment and steps necessary to enforce the judgment.
- Time, which counts the number of calendar days from the moment 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.

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.

## 1. Historical data: Enforcing Contracts in Ukraine

Enforcing Contracts data	Doing Business 2007	Doing Business 2008	Doing Business 2009
Rank		48	49
Procedures (number)	30	30	30
Duration (days)	354	354	354
Cost (% of claim)	41.5	41.5	41.5

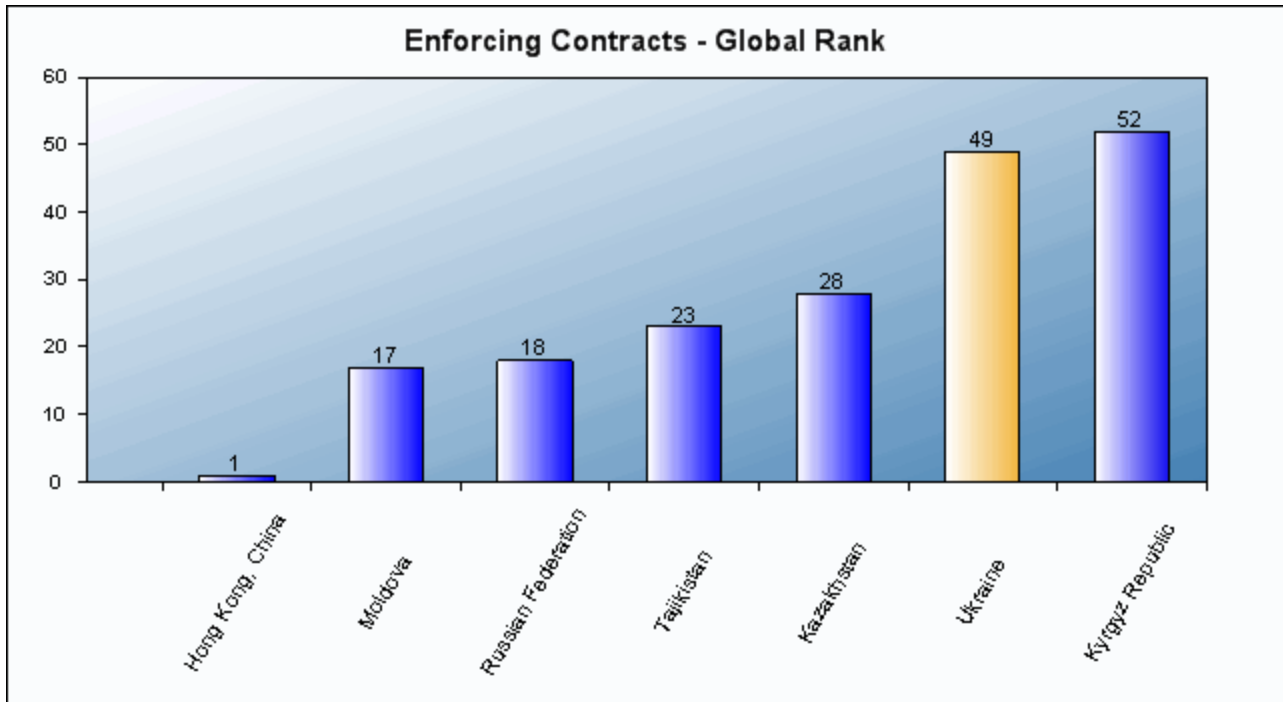
2. The following graphs illustrates the Enforcing Contracts indicators in Ukraine over the past 3 years:



### 3. Benchmarking Enforcing Contracts Regulations:

Ukraine is ranked 49 overall for Enforcing Contracts.

Ranking of Ukraine in Enforcing Contracts - Compared to good practice and selected economies:



The following table shows Enforcing Contracts data for Ukraine compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Duration (days)</b>	<b>Cost (% of claim)</b>
<b>Iceland*</b>			6.2
<b>Ireland</b>	20		
<b>Singapore</b>		150	

<i>Selected Economy</i>			
<b>Ukraine</b>	30	354	41.5

<i>Comparator Economies</i>			
<b>Kazakhstan</b>	38	230	22.0
<b>Kyrgyz Republic</b>	39	177	29.0
<b>Moldova</b>	31	365	16.6
<b>Russian Federation</b>	37	281	13.4
<b>Tajikistan</b>	34	295	20.5

\* The following economies are also good practice economies for :

**Cost (% of claim): Bhutan**



## Closing 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.

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 the parties hardly ever use it. In countries such as these, reform would best focus on improving contract enforcement outside bankruptcy.

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, limited liability corporation operating a hotel in the country's most populous city. The company has 201 employees, 1 main secured creditor and 50 unsecured creditors. Assumptions are also made about the debt structure and 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.

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.

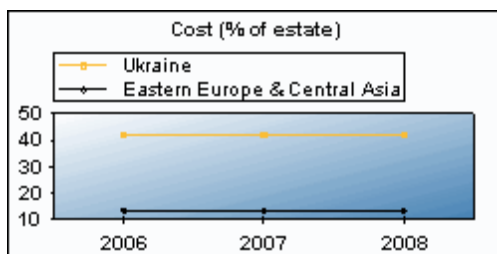
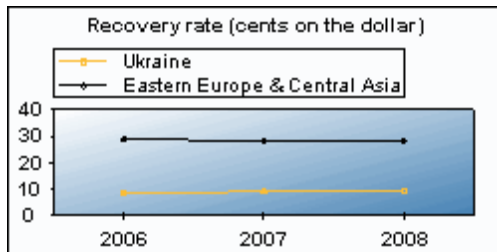
Bottlenecks in bankruptcy cut into the amount claimants can recover. In countries where bankruptcy laws are inefficient, this is a strong deterrent to investment. Access to credit shrinks, and nonperforming loans and financial risk grow because creditors cannot recover overdue loans. Conversely, efficient 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.



## 1. Historical data: Closing Business in Ukraine

Closing a Business data	Doing Business 2007	Doing Business 2008	Doing Business 2009
Rank		143	143
Time (years)	2.9	2.9	2.9
Cost (% of estate)	42	42	42
Recovery rate (cents on the dollar)	8.7	9.1	9.1

## 2. The following graphs illustrates the Closing Business indicators in Ukraine over the past 3 years:



### 3. Benchmarking Closing Business Regulations:

Ukraine is ranked 143 overall for Closing a Business.

Ranking of Ukraine in Closing Business - Compared to good practice and selected economies:



The following table shows Closing Business data for Ukraine compared to good practice and comparator economies:

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

<i>Selected Economy</i>			
<b>Ukraine</b>	9.1	2.9	42

<i>Comparator Economies</i>			
<b>Kazakhstan</b>	25.3	3.3	18
<b>Kyrgyz Republic</b>	14.2	4.0	15
<b>Moldova</b>	28.6	2.8	9
<b>Russian Federation</b>	28.2	3.8	9
<b>Tajikistan</b>	25.4	3.0	9

\* The following economies are also good practice economies for :

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

# DB2009 Reforms

## Number of reforms in Doing Business 2009

Rank	Economy	Reform Topics									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	
1	Azerbaijan	✓		✓	✓	✓	✓	✓		✓	7
2	Albania	✓				✓	✓	✓			4
3	Kyrgyz Republic	✓	✓				✓				3
4	Belarus	✓	✓		✓	✓		✓	✓		6
5	Senegal	✓			✓				✓		3
6	Burkina Faso		✓	✓	✓			✓			4
7	Botswana	✓					✓	✗	✓		3
8	Colombia	✓	✓					✓	✓	✓	5
9	Dominican Republic	✓			✓			✓	✓		4
10	Egypt	✓	✓		✓	✓	✓		✓		6
	Ukraine		✗			✓		✓	✓		3
	Russian Federation										
	Tajikistan		✗				✓				1
	Kazakhstan			✗	✓	✓					2
	Moldova	✓				✓					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.

**Albania**

Albania, a top reformer globally and regionally, established a public credit registry allowing financial institutions to share credit information and covering 8.3 percent of the adult population. This reform allows banks to better evaluate the creditworthiness of potential borrowers, facilitating access to credit for firms and individuals. Albania also strengthened investor protections. A new company law requires that disinterested shareholders approve transactions between interested parties and obligates those parties to disclose all information on the transaction to the public. The law also reinforces directors' duties and requires directors, when found liable, to pay damages and return profits to the company. Starting a business became easier with online publication, reduction of the registration cost, and the consolidation of tax, health insurance, and labor registration into a single application. The corporate income tax rate was reduced from 20 percent to 10 percent effective January 1, 2008.

**Azerbaijan**

Azerbaijan, the top reformer globally and regionally, eliminated the minimum threshold for reporting loans to the public credit registry in September 2007. The public registry now records information on all loans made by the financial system, more than doubling the coverage of borrowers with a credit history. Substantial amendments to the labor code in May 2007 made hiring workers easier by allowing employers to use fixed-term contracts for permanent tasks, easing restrictions on night work, and reducing requirements for redundancy dismissals. Azerbaijan created a second commercial court in Baku, increasing the number of judges dealing with commercial cases from five to nine. The average time to enforce a contract through the courts fell from 267 days to 237. A new law strengthens investor protections by requiring that transactions between interested parties be approved by shareholders. Interested parties are allowed to vote on the matter. Other provisions protect investors because directors who are held liable must pay damages and disgorge profits. Azerbaijan introduced a new unified property registry, reducing the number of procedures required to register property from seven to four. In addition, the State Register Service introduced the option of expediting two of the four procedures, making it possible to register property in 11 days. Similarly, the country created a one-stop shop for company registration, cutting the number of procedures from 13 to six and reducing the time required by half. Azerbaijan reduced the tax burden by introducing an online filing and payment system with advanced accounting software for calculating taxes due. This saves more than 500 hours a year on average in dealing with paperwork.

**Belarus**

In Belarus, a top reformer globally and regionally, the public credit registry expanded credit information by eliminating the minimum threshold for loans recorded in its database. It also guaranteed the right of borrowers to review their data, improving accuracy. Starting a business became easier: a unified registry database was created, a time limit was introduced for registration, and the minimum capital requirement was cut by half. Belarus created a one-stop shop for property registration and introduced a broad administrative simplification program that set strict time limits at the registry and computerized its records. As a result, the time required to register property in Minsk fell from 231 days to 21. The time required for dealing with construction permits fell by 140 days, thanks to new statutory time limits for preapproval clearances and building permits. Belarus eased the tax burden by abolishing the "Chernobyl tax" (3 percent) and unemployment tax (1 percent) and amending the simplified tax system for small businesses. A new customs code and new banking regulations reduced the time to export

**Botswana**

Botswana improved its business environment by speeding the start-up process through computerization. A similar effort, which included training customs officers in using an electronic data interchange system, sped the processing of trade documents and reduced the time to export by two days and the time to import by a day. A new Company Act has come into force, requiring that shareholders approve related-party transactions and that directors repay damages and surrender profits if held liable. Finally, since January 2008, companies have been required to pay 0.2 percent of turnover for the training of workers.

**Burkina Faso**

Burkina Faso eliminated random inspections during construction. It also introduced a new one-stop shop for construction permits, which reduced approval fees and combined five separate payments into a single one. A new labor code, approved in May 2008, makes hiring workers easier by allowing employers to use fixed-term contracts for permanent tasks, removing the 48-month limit on the duration of such contracts, and easing restrictions on determining the weekly rest day. Requirements for redundancy dismissals were also eased: third-party notification and consent are no longer required for dismissal of a single worker, and priority rules for dismissals were abolished. Burkina Faso made it easier to transfer property by eliminating the requirement for authorization from the municipality, merging two taxes at the Land Registry (Conservation Foncière), and reducing the transfer tax. The changes reduced the time required by 46 days and the cost by 2 percent of the property value. Finally, Burkina Faso reduced the corporate income tax rate from 35 percent to 30 percent (effective January 1, 2008), and the tax on dividends from 15 percent to 12.5 percent.

<b>Colombia</b>	Colombia, a top global and regional reformer, improved in five of the 10 Doing Business indicators. It reduced the time and cost to start a business by simplifying registration formalities, including speeding up processes at the registry and eliminating the need to obtain a certificate of compliance with zoning regulations. A silence-is-consent principle for building permits is now applied, reducing the total time for dealing with construction permits by 32 days. A new unified application form was introduced. Colombia made electronic social security contributions mandatory for companies with more than 30 employees and created unified electronic forms for filing taxes. Trading across borders was expedited: better banking services and the implementation of e-payments, electronic data interchange, and coordinated inspections in customs reduced the time to export by 10 days and the time to import by five. Authorities also introduced two new insolvency proceedings: a reorganization procedure to restructure insolvent companies and a mandatory liquidation procedure. Its new insolvency law tightens time limits for negotiating reorganization agreements. Before, the term allowed was six months, with a possible extension of eight months. The new law limits the term to four months, and the extension to two.
<b>Dominican Republic</b>	The Dominican Republic, a top global and regional reformer, sped up formalities in several areas by making them electronic. An online system for filing and paying taxes, piloted in 2006, is now fully operational. And entrepreneurs can complete several start-up formalities online, including name verification, and commercial and tax registration. The Dominican Republic also reduced the corporate income tax rate from 29% to 25%, and abolished several taxes, including the stamp duty. The cost of property registration fell, thanks to a reduction in the transfer tax from 4.3% to 3%. Transferring property now costs 3.8% of the property value, down from 5.1%. In addition, authorities reduced the time to export by three days by improving the online portal for customs documentation and payment.
<b>Egypt</b>	Egypt was once again among the top 10 global reformers—the third time in 4 years—and top regional reformer this year. Egypt made starting a business easier by reducing the paid-in minimum capital requirement by more than 80%, abolishing bar association fees, and automating tax registration. A new building code introduced in 2008 is aimed at reducing the procedures and time required to deal with construction permits by establishing a single window for processing construction-related approvals. Simplified administrative procedures for registering property and new time limits have reduced the time to transfer property in Cairo from 193 days to 72. The port of Alexandria continued to upgrade its facilities and sped customs clearance, reducing the time to export by 1 day and the time to import by 3. New listing rules for the Cairo Stock Exchange strengthened protections for minority shareholders: now an independent body must assess transactions between interested parties before they are approved. And thanks to new regulations issued by the Central Bank of Egypt, borrowers have the right to inspect their data in the private credit bureau.
<b>Kazakhstan</b>	Kazakhstan's private credit bureau is adding two new suppliers of information a month, including retailers (such as furniture companies) and utilities (such as the gas company). Borrower coverage increased by 80 percent in the past year. A new law introduced substantial changes to the property registration system, creating a unified registry for all land and buildings and establishing public service centers to handle property transactions in major cities. The law also eliminated requirements, cutting the number of procedures from eight to five and the time from 52 days to 40. A new labor law, adopted in May 2007, now obligates employers to reassign a worker before making the worker redundant.
<b>Kyrgyz Republic</b>	The Kyrgyz Republic, a top reformer globally and regionally, strengthened investor protections through legal amendments allowing minority investors to take legal actions as shareholders. The amendments also require an independent assessment of a related-party transaction before it is approved. Moreover, directors can be held liable for negligence if they harm minority shareholders and will be forced to pay damages and disgorge profits. A new one-stop shop made it easier to start a business by streamlining and simplifying business registration processes and eliminating certain requirements such as proof of residence. Obtaining a company seal became optional. Dealing with construction permits also became easier, thanks to a one-stop shop making it possible to obtain a designing permit, construction license, and occupancy permit at a single place. This reform eliminated nine steps, reduced the time required by almost 6 months, and lowered the cost from 759 percent of income per capita to 406 percent.
<b>Moldova</b>	Moldova passed a new law facilitating the creation of a private credit bureau. New laws on limited liability companies and company registration sped business registration by introducing statutory time limits. The time required to file an application with the State Registration Chamber fell from 15 days to 7, reducing the total time to start a company from 23 days to 15.
<b>Russian Federation</b>	In the Russian Federation no major reforms were recorded.

**Senegal**

Senegal's one-stop shop for business start-up became fully operational, merging more than half the procedures and speeding the process as a result. Similarly, the introduction of time limits at the Land Registry and the Directorate of Taxes and Property sped property registration. The top reformer globally in easing trade, Senegal introduced a single window for customs clearance, cutting document requirements in half. It also set up an electronic data interchange system, implemented risk-based inspections, extended the operating hours of customs, and improved port and road infrastructure.

**Tajikistan**

Tajikistan enhanced investor protections through a new law requiring that transactions between interested parties be approved by a shareholders meeting at which interested directors cannot vote. In addition, the transaction must be disclosed to the board of directors. The new law allows minority shareholders to sue directors on behalf of the company. Administrative backlogs in obtaining location permits added 160 days to the overall time for dealing with construction permits.

**Ukraine**

In Ukraine a new private credit bureau has made it easier to get credit by sharing credit information among financial institutions. Now banks can better assess the creditworthiness of potential borrowers. Ukraine eased the tax burden on businesses by reducing several social security tax rates including: pension fund, social security fund, and social insurance for accidents at work. Thanks to electronic tax filing systems, the time to pay taxes was reduced by 1237 hours per year. In trade, improvements to port infrastructure and services reduced the time to import by three days. The cost and time for dealing with construction permits increased. All new construction projects are now subject to an infrastructure tax. And an administrative backlog has added 42 days to the time.

## APPENDICES

### Starting a Business in Ukraine

This table summarizes the procedures and costs associated with setting up a business in Ukraine.

#### STANDARDIZED COMPANY

Legal Form: Товариство з Обмеженою Відповідальністю

- Limited Liability Company

Minimum Capital Requirement:

City: Kiev

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Notarize company charter and execute premises (if needed)	1 day	UAH 350
2	Open a bank account for initial capital	1 day	no charge or up to UAH 100
3	Pay registration fee at the bank	1 day	UAH 1-7 (bank's charge)
4	Register at the Registration Office	5 days	UAH 170
5	Register at the State Statistics Committee	1 day	UAH 25.94
6	Register VAT at the State Tax Authority and obtain a VAT number	10 days	UAH 17
7	Approval of Ministry of Internal Affairs to prepare a company seal	3 days for expedite service; officially 5 business days	UAH 162 for expedite procedure; UAH 81 for regular procedure
8	Prepare a seal	2 days	UAH 60-180, depending on the complexity of a seal
9	Open a permanent bank account	1 day	bank's charge or no charge
10	Notify the District Tax Inspectorate of the opening of the permanent bank account	2 days	no charge



## Procedure 1 Notarize company charter and execute premises (if needed)

**Time to complete:** 1 day

**Cost to complete:** UAH 350

**Comment:** The notary fees range from UAH 30 to UAH 75 at the state notary and from UAH 150 to UAH 400 at the private notary. The exact fee depends on the number of participants for approval, the number of pages and copies of registration documents, and the additional notary fees approved by the Regional (Oblast) Department of Justice.

The company's charter is the only founding document necessary for registration. It should be accompanied by either the original or a notarized copy of the minutes of the founders' meeting.

Previously, the founders were required to enter into a founders' agreement, which had to be submitted for registration along with the charter. The minutes did not require any notarization. The requirement to supplement the registration application with a document (lease or sale-and-purchase agreement) evidencing company's entitlement to situate its head office on the premises (registered address) was eliminated. However, the registering authority may still demand that document for verification.

To open a temporary bank account, the founders must submit evidence of their decision to appoint a person with signature authority to execute transactions on this account. The decision should be formalized by a notarized power of attorney.

## Procedure 2 Open a bank account for initial capital

**Time to complete:** 1 day

**Cost to complete:** no charge or up to UAH 100

**Comment:** Founders must contribute 50% of their charter fund contribution before registering the company. Founder contributions may be made in cash, including foreign currency, as well as in kind. Temporary accounts are restricted to receiving the contributions of funds for the formation of the nominal (share) capital of the company being incorporated. No other operations are allowed.

According to the National Bank of Ukraine's Regulation No. 492 of November 12, 2003, "On the Procedure of Opening, Using and Closing of National and Foreign Currency Accounts," the following documents must be submitted to the bank to open a temporary account:

- Application for opening the account in the form established by Regulation No. 492. The application should be signed by the person authorized by the founders of the legal entity (could be a separate power of attorney granted to the individual concerned).
- Original or notarized copy of the constituent documents (charter and, in some cases, foundation agreement).
- The founders' decision to grant a power of attorney, which should be notarized if at least one founder is an individual).
- The signature specimen and the imprint of the seal (as specified in Regulation No. 492).

The signature specimen should contain the signature of the person(s) authorized by the founders to sign the bank account documents. While the company is under formation, it does not have a corporate seal. Thus, at this point, the card should be submitted without the seal and signed by the authorized bank employee.

## Procedure 3 Pay registration fee at the bank

**Time to complete:** 1 day  
**Cost to complete:** UAH 1-7 (bank's charge)  
**Comment:**

#### Procedure 4 Register at the Registration Office

**Time to complete:** 5 days  
**Cost to complete:** UAH 170  
**Comment:** Founders must submit the following documents when registering at the Registration Office:  
- The charter (two copies).  
- Minutes of founders' meeting.  
- Application form (registration card).  
- Bank document, evidencing payment of registration fee.  
- Proof of payment of minimum capital requirement, that is, either bank documents for cash contributions or, otherwise, transfer acceptance act (executed between the founders and the company) for in-kind contributions.

As the registering authority, the State Registrar issues a certificate of registration, which becomes the company's incorporation document. According to the Law of Ukraine No. 755-IV, "On the State Registration of the Legal Persons and Private Persons - Entrepreneurs" (dated May 15, 2003), the State Registrar should perform all due registrations with the State Committee of Statistics of Ukraine, the state social funds, (the State Pension Fund, the Employment Insurance Fund, the Social Security Fund, and the Fund for Social Insurance) and the tax authorities for the newly registered company. However, in practice, the State Registrars does not register with the State Committee of Statistics, and that registration is usually performed by the company itself.

By implementing the one-stop shop system, Ukraine has facilitated registration with the Pension Fund, the Employment Fund, the Social Insurance Fund, the Industrial Accidents Fund, and the relevant tax authorities (except for VAT registration) through the Registration Office. In substantial measure, this new system emerged following the Cabinet of Ministers' Resolution No. 321-p, "On Top-Priority Measures on Expediting Revision of Regulations and Enhancing Registration and Authorization Procedure" (August 8, 2005). This resolution was directed by the President (Direction No. 1-1/444 of June 1, 2005) and the Prime Minister (Direction No. 28479/1/1-05 of June 2, 2005).

Pursuant to Order No. 317 of the State Tax Administration of the Ukraine, "On Amending Instruction on the Procedure for Keeping Record of Taxpayers" (dated August 8, 2005), stand-alone tax registration was abandoned and incorporated into the one-stop shop system.

Since July 1, 2005, companies do not need to register independently with local employment centers as payers of social insurance contributions. This registration was also incorporated into the one-stop system by Letter No. DC-09-4408/0/6-05 of the State Employment Center of the Ministry of Labor and Social Policy of the Ukraine, "On Issues of Introduction of 'Single-Counter'" (dated July 17, 2005).

#### Procedure 5 Register at the State Statistics Committee

**Time to complete:** 1 day  
**Cost to complete:** UAH 25.94

**Comment:** Companies must register with the State Statistics Committee, although the Registration Office has already filed some information with the Statistics Office.

#### **Procedure 6 Register VAT at the State Tax Authority and obtain a VAT number**

**Time to complete:** 10 days

**Cost to complete:** UAH 17

**Comment:** A company with annual turnover of up to UAH 1 million is eligible for registration as a 6% or 10% consolidated taxpayer. A 10% consolidated taxpayer may not register as a VAT payer. A company is automatically registered as a profit taxpayer during primary registration (see Procedure 4). However, those companies that must register as a VAT payer must register for this tax separately.

#### **Procedure 7 Approval of Ministry of Internal Affairs to prepare a company seal**

**Time to complete:** 3 days for expedite service;  
officially 5 business days

**Cost to complete:** UAH 162 for expedite procedure; UAH 81 for regular procedure

**Comment:** Reform. Order No. 1060 of the Cabinet of Ministers of December 28, 1995 was cancelled by Order No. 795 of the Cabinet of Ministers of Ukraine of June 4, 2007. According to the Order No. 369/1105/336 of Ministry of Internal Affairs, Ministry of Finance and Ministry of Economics of October 5, 2007, the new cost for regular procedure (5 days) is UAH 81 and for expedited procedure (3 days) is UAH 162.

#### **Procedure 8 Prepare a seal**

**Time to complete:** 2 days

**Cost to complete:** UAH 60-180, depending on the complexity of a seal

**Comment:**

#### **Procedure 9 Open a permanent bank account**

**Time to complete:** 1 day

**Cost to complete:** bank's charge or no charge

**Comment:** After the company is registered with all relevant state authorities, a temporary bank account can be converted into an operational account, which under Ukrainian banking law, is designated as a "current account." To change the account status from temporary to current, the bank must receive the following:

- The set of company documents stipulated by Ukrainian banking law (the same documents as those to be provided by an existing company) to open a new bank account. One of these is the copy of the company's certificate of registration, which contains the company's tax identification number.
- A confirmation (reply) from the tax authorities that they have registered this bank account.

#### **Procedure 10 Notify the District Tax Inspectorate of the opening of the permanent bank account**

**Time to complete:** 2 days

**Cost to complete:** no charge

**Comment:**

Before converting the temporary account to a permanent (current) account, the bank must receive a confirmation (reply) from the tax authorities that they have registered the current account. To receive the confirmation, the bank must notify the tax inspectorate in its district that the current account has been opened; this notification should be made via a special email system of the National Bank of Ukraine, according to the Order of the State Tax Administration of Ukraine No. 561 (dated September 22, 2006 and effective on October 9, 2006). During this transitional stage, some banks still provide notification by postal mail. The bank must provide this notification within 3 working days of converting the temporary account to current (the Law of Ukraine "On the System of Taxation," No. 1251–XII of June 25, 1991). Before sending the notification, the bank must obtain prior written consent from the account owner (Order No. 301 of the State Tax Administration of Ukraine, "On Procedure of Submitting by the Financial Institutions of Notifications on Opening/Closing of Accounts of Tax Payers and Filling Out of Calculation Documentation in Case of Payments to the Budget or Return of Payments from the Budget" of July 1, 2002).

Within 3 working days of receiving the bank notification, the tax authorities must provide the bank (via email) the confirmation of the account registration (due to the transitional stage of implementing the confirmation email, tax authorities may send the confirmation to the bank by postal mail). Upon receiving the confirmation, the bank must change the status of the account from "temporary" to "current." After this change, both credit (deposit) and debit (payment) operations are allowed. Until the bank receives the confirmation, the account cannot be used for debit operations (withdrawal or transfer of funds).

Owing to the transitional period for implementing the bank e-mail notification to the tax authorities, currently some accountholders opt to notify, and to receive the confirmation from, the tax authorities themselves and then forward the confirmation to the bank. This procedure is regulated by Order No. 306 of the State Tax Administration of the Ukraine, "On Procedure of Notification of Tax Authorities on Opening/Closing of the Accounts in Banks, of August 1, 2001. This order is still in force, though the new Order No. 301 of the State Tax Administration of Ukraine, "On Procedure of Submitting by the Financial Institutions of Notifications on Opening/Closing of Accounts of Tax Payers and Filling Out of Calculation Documentation in Case of Payments to the Budget or Return of Payments from the Budget" of July 1, 2002 was enacted.

## Dealing with Construction Permits in Ukraine

The table below summarizes the procedures, time, and costs to build a warehouse in Ukraine.

### BUILDING A WAREHOUSE

Date as of: January 2, 2008

Estimated Warehouse Value:

City: Kiev

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Hire a private design institute to develop a pre-project city planning justification	1 day	USD 9,104
2	Request and obtain certificate of approval from the Kiev Institute of City Planning	30 days	no charge
3	Request and obtain certificate of approval from the Kiev City Administration Department of Land (Kievzem)	14 days	no charge
4	Request and obtain certificate of approval from the Kiev City Administration Department of Economics and Investments	14 days	no charge
5	Request and obtain certificate of approval from the Kiev City Administration Department of Ecology and Natural Resources	14 days	no charge
6	Request and obtain certificate of approval from the Kiev City Administration Department of Sanitary Epidemiological Inspection	14 days	no charge
7	Request and obtain certificate of approval from the Kiev City Administration Department of Cultural Inheritance Preservation	14 days	no charge
8	Request and obtain certificate of approval from the District Administration (Rayon)	14 days	no charge
9	Request and obtain certificate of approval from other Kiev City Administration Departments	14 days	no charge
10	Request and obtain certificate of approval (location permit) from the Kiev City Administration Department of Construction	60 days	no charge
11	Request and obtain architectural and technical objectives/ conditions from the Kiev city Architecture and Construction Department	30 days	UAH 309
12 *	Request and obtain technical terms and conditions from the sewage authority	15 days	UAH 154
13 *	Request and obtain technical terms and conditions from the water supply authority	15 days	UAH 154

14 *	Request and obtain technical terms and conditions from the electricity distribution authority	15 days	UAH 400
15 *	Request and obtain technical terms and conditions from the fixed telephone line provider	15 days	UAH 81
16 *	Request and obtain technical terms and conditions from the Fire Safety Department	15 days	UAH 59
17 *	Request and obtain technical terms and conditions from the Department of State Auto Inspection, Main Office of the Ministry of Interior Affairs of Ukraine in Kiev City	15 days	UAH 172
18 *	Contribution to the city social and engineering-transport infrastructure	1 day	UAH 199,109
19	Request and obtain approval of project design drawings and estimates by comprehensive state expertise	75 days	UAH 29,369
20	Request and obtain the building permit from the State Inspection of Architecture and Construction Control in Kiev	30 days	no charge
21	Request and obtain order on city layout modification from the Main Department of Control of City Layout and Design in Kiev City	40 days	no charge
22	Request and connect to water and sewage services	4 days	UAH 700
23 *	Request and connect to electricity services	4 days	UAH 1,200
24 *	Request and connect to phone services	4 days	UAH 960
25	Request and receive Working Commission inspection from the Kiev City Administration	15 days	no charge
26	Request acceptance certificate from the State Architectural and Construction Commission	1 day	no charge
27	Receive inspection by the State Architectural and Construction Commission	1 day	no charge
28	Obtain acceptance certificate from the State Architectural and Construction Commission	38 days	no charge
29	Request and obtain warehouse architectural and technical passport approval from the Kiev City Department of Construction and Architecture	30 days	no charge
30	Register the warehouse with the Main Department of Municipal Property of the Kiev City State Administration	30 days	UAH 51

\* Takes place simultaneously with another procedure.

<b>Procedure</b>	<b>1</b>	<b>Hire a private design institute to develop a pre-project city planning justification</b>
<b>Time to complete:</b>		1 day
<b>Cost to complete:</b>		USD 9,104
<b>Comment:</b>		<p>The contents and scope of the pre-project city-planning justification must be prepared according to the State Construction Regulations (ДБН Б.1.1.-4-2002). The justification is prepared by a private and independent organization licensed for such an activity. The private firm can be chosen by the applicant.</p> <p>The cost of the pre-project justification may vary from one company to another, but ranges from USD 4 and USD 10. Assuming an average price, the total cost would be: USD 7 x 1,300.6 sq. m. = USD 9,104.2.</p>
<b>Procedure</b>	<b>2</b>	<b>Request and obtain certificate of approval from the Kiev Institute of City Planning</b>
<b>Time to complete:</b>		30 days
<b>Cost to complete:</b>		no charge
<b>Comment:</b>		The Kiev Institute of City Planning provides its conclusions on the pre-project city-planning justification in connection with the requirements showing the expected parameters of the warehouse, general plan, cost estimates, and legal justification.
<b>Procedure</b>	<b>3</b>	<b>Request and obtain certificate of approval from the Kiev City Administration Department of Land (Kievzem)</b>
<b>Time to complete:</b>		14 days
<b>Cost to complete:</b>		no charge
<b>Comment:</b>		The Kiev City Administration Department of Land (Kievzem) verifies the legality of all documents against the land cadastre, proving ownership or rental of the property.
<b>Procedure</b>	<b>4</b>	<b>Request and obtain certificate of approval from the Kiev City Administration Department of Economics and Investments</b>
<b>Time to complete:</b>		14 days
<b>Cost to complete:</b>		no charge
<b>Comment:</b>		The Kiev City Administration Department of Economics and Investments releases its conclusions on the preliminary conditions that serve as basis for the construction.
<b>Procedure</b>	<b>5</b>	<b>Request and obtain certificate of approval from the Kiev City Administration Department of Ecology and Natural Resources</b>
<b>Time to complete:</b>		14 days
<b>Cost to complete:</b>		no charge
<b>Comment:</b>		The Kiev City Administration Department of Ecology and Natural Resources releases its conclusions on whether the intended use of the building fits with the environmental preservation requirements.
<b>Procedure</b>	<b>6</b>	<b>Request and obtain certificate of approval from the Kiev City Administration Department of Sanitary Epidemiological Inspection</b>



**Time to complete:** 14 days

**Cost to complete:** no charge

**Comment:** The Kiev City Administration Department of Sanitary Epidemiological Inspection releases its conclusions on whether the intended use of the building conforms to the sanitary safety requirements.

**Procedure 7 Request and obtain certificate of approval from the Kiev City Administration Department of Cultural Inheritance Preservation**

**Time to complete:** 14 days

**Cost to complete:** no charge

**Comment:** The Kiev City Administration Department of Cultural Inheritance Preservation releases its conclusions on the conformity of the property and land plot to cultural heritage sites and determines whether the land lies within the boundaries of protected zones and historic areas, and so forth.

**Procedure 8 Request and obtain certificate of approval from the District Administration (Rayon)**

**Time to complete:** 14 days

**Cost to complete:** no charge

**Comment:** The district administration (rayon) determines whether the capacity of the local bodies servicing the construction area is sufficient.

**Procedure 9 Request and obtain certificate of approval from other Kiev City Administration Departments**

**Time to complete:** 14 days

**Cost to complete:** no charge

**Comment:** Certificates of approval from other administration departments may be required, as defined by Kiev City Administration officials based on the intended use of the building.

**Procedure 10 Request and obtain certificate of approval (location permit) from the Kiev City Administration Department of Construction**

**Time to complete:** 60 days

**Cost to complete:** no charge

**Comment:** Based on the certificates obtained in Procedures 2 through 9, Kiev City Administration Department of Construction prepares a draft of Kiev City Administration's disposition (location permit) and a set of conclusions about the construction.

The disposition from the Kiev City Administration approving project drawings and construction is the basis for gathering the basic documents required for further processing and, ultimately, for obtaining the construction permit from the Department of Architecture and Construction Supervision.

This procedure may be initiated early, out of sequence, which affects the size of the informal fee. The approval obtained in this procedure is the most important one because other approvals are based on it. The widely identified informal fee is about USD 5,000.

**Procedure 11 Request and obtain architectural and technical objectives/ conditions from the Kiev city Architecture and Construction Department**

**Time to complete:** 30 days

**Cost to complete:** UAH 309

**Comment:** The architectural and technical objectives/conditions are part of the input data needed for designing the project. The application must include the location permit, the basic characteristics of the building, a copy of the location plan, and an assessment of local resources. The architectural and technical objectives/conditions are valid for at least 2 years.

Obtaining the technical conditions takes 15 days. Obtaining the architectural-planning task takes 30 days. Because the two documents can be requested simultaneously, the whole process takes 30 days.

The cost to complete this procedure varies by location. By law, UAH 308.62 is the maximum fee allowed.

**Procedure 12 Request and obtain technical terms and conditions from the sewage authority**

**Time to complete:** 15 days

**Cost to complete:** UAH 154

**Comment:** The application must include the plan, information on the expected volume of sewerage system use, and basic characteristics of the building.

**Procedure 13 Request and obtain technical terms and conditions from the water supply authority**

**Time to complete:** 15 days

**Cost to complete:** UAH 154

**Comment:** The application must include the plan, information on the expected volume of water use, and basic characteristics of the building.

**Procedure 14 Request and obtain technical terms and conditions from the electricity distribution authority**

**Time to complete:** 15 days

**Cost to complete:** UAH 400

**Comment:** The application must include the plan, information on the expected rate of electricity consumption, and basic characteristics of the building.

**Procedure 15 Request and obtain technical terms and conditions from the fixed telephone line provider**

**Time to complete:** 15 days

**Cost to complete:** UAH 81

**Comment:** The application must include the plan, information on the expected level of telephone service, and basic characteristics of the building.

**Procedure 16 Request and obtain technical terms and conditions from the Fire Safety Department**

**Time to complete:** 15 days

**Cost to complete:** UAH 59

**Comment:** Project drawings are verified against the fire safety requirements.

**Procedure 17 Request and obtain technical terms and conditions from the Department of State Auto Inspection, Main Office of the Ministry of Interior Affairs of Ukraine in Kiev City**

**Time to complete:** 15 days

**Cost to complete:** UAH 172

**Comment:** The Department of State Auto Inspection at the Main Office of the Ministry of Interior Affairs of Ukraine in Kiev City compares the general plan of the building with the traffic safety requirements.

**Procedure 18 Contribution to the city social and engineering-transport infrastructure**

**Time to complete:** 1 day

**Cost to complete:** UAH 199,109

**Comment:** As of 27 January 2007 according the Resolution of the Cabinet of Ministers of Ukraine, No. 40 which updates the Decree of Kiev City Council from 27 February 2003 "On shared participation (shares) of investors (Building Owners) creation of city social and engineering-transport infrastructure in Kiev City", the building which is set into operation will be approved only after paying the obligatory share of participation fees of investor into development of social, civil, engineering and traffic infrastructure of the city of Kyiv. The amount of such contribution is defined by the Chief Department of Economics and Investments of the Kyiv Municipal State Administration in certificate on approval on the stage of elaborating the project documentation. The amount of said payment can not exceed 20% from construction costs – with respect to non-residential buildings.

According to Decree the total amount of the share is calculated on the basis of Formula:

$S_i = N_{be} * S * I_z * I_i$ , where:

$S_i$  - amount of share of investor

$N_{be}$  - normative for certain branch of economy, which depends on functional use of a new building. In BuildCo's case this is "other non-residential premises", so  $N_{be} = 52,5$

$S$ - square of an object, in our case  $S = 1300,6$

$I_z$  - index of zone of Kiev. In our case we'll take one for peri-urban area of Kiev,  $I_z = 2,0$

$I_i$ - inflation index from 01.01.2003 to present. Periods to be captured are from 2003 to 2007 = 8,3 + 9,9 + 12,1 + 15,5 = 45,8 % or  $I_i = UAH 1,458$

$S_i = 52,5 * 1300,6 * 2,0 * 1,458 = UAH 199 108,85$

**Procedure 19 Request and obtain approval of project design drawings and estimates by comprehensive state expertise**

**Time to complete:** 75 days

**Cost to complete:** UAH 29,369

**Comment:** Approval of project design drawings and estimates is granted by the Kiev City Administration Department of Investment Expertise. The agency operates as a one-stop shop. It obtains all the approvals and pays the fees to the relevant agencies within 30 days. However, in practice, this agency is not functional, and the company must gather all the information itself.

The relevant agencies are the municipal architecture and construction department; the road traffic safety department; the fire safety department; the fixed telephone line provider; the electricity distribution authority; the water supply authority; the water and sewerage authority; the sanitary and hygienic department; and the labor safety department.

According to the Resolution of the Cabinet Ministers of Ukraine No.1269 as of 31 October 2007 effective January 1, 2008 the procedure related to obtaining the state expertise from Ukrainian Expertize Authority "Ukrderzhbudexpertiza" has been modified. According to it now there is a timelimit for issuing the expertise between 45 and 120 days. However, the time for the expertise may be prolonged from 45 to 120 days due to environmental aspects of the project. The final clearance is granted after the project is discussed at the next session of the city construction board. It is also stipulated that the authority will be subordinate to Ministry of Regional Constructions. The fees have been reviewed and vary from 0,05% to 0,7% (depends on normative construction cost), but in all cases such cost may not be higher UAH 180,000.

**Procedure 20 Request and obtain the building permit from the State Inspection of Architecture and Construction Control in Kiev**

**Time to complete:** 30 days

**Cost to complete:** no charge

**Comment:** The application for a building permit is submitted to the State Inspection of Architecture and Construction Control Supervision in Kiev, and should include the location permit, the plan, the state comprehensive expertise opinion, proof of proof of authorization to carry out the construction project, and proof of land title.

The provincial law on construction of buildings was revised: The Kiev Development Regulation was adopted by Kiev City Administration Council Decision No. 11/2587 (dated January 27, 2005). According to this regulation, the time to issue a permit is 7 days.

The company must provide notification of the start of construction to the state inspectorate 7 days in advance and in writing (either by fax or by letter).

**Procedure 21 Request and obtain order on city layout modification from the Main Department of Control of City Layout and Design in Kiev City**

**Time to complete:** 40 days

**Cost to complete:** no charge

**Comment:** The company must obtain an order from the Main Department of Control of City Layout and Design in Kiev City, clearing it to dig culverts and post road signs for construction work.

**Procedure 22 Request and connect to water and sewage services**

**Time to complete:** 4 days

**Cost to complete:** UAH 700

**Comment:**

#### **Procedure 23 Request and connect to electricity services**

**Time to complete:** 4 days

**Cost to complete:** UAH 1,200

**Comment:**

#### **Procedure 24 Request and connect to phone services**

**Time to complete:** 4 days

**Cost to complete:** UAH 960

**Comment:** The rate for one regular phone line is UAH 666.67, with a coefficient of 1.2 for cities with more than 2 million people. So, the rate for Kiev is UAH 800.00. Adding 20% VAT brings the total fee in the case considered here to UAH 960.00. This rate has been in effect since November 1, 2006.

#### **Procedure 25 Request and receive Working Commission inspection from the Kiev City Administration**

**Time to complete:** 15 days

**Cost to complete:** no charge

**Comment:** After the building is completed, the company should request the preliminary Working Commission inspection from the relevant bodies of the Kiev City Administration. The commission is to be formed within 5 days of the initial request and should then conduct the actual inspection within the next 5 days. The purpose of the inspection is to check the readiness of the building for the final inspection.

After that, the Working Commission prepares an act of inspection that calls for constituting the State Architectural and Construction Commission to review the building.

#### **Procedure 26 Request acceptance certificate from the State Architectural and Construction Commission**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** This State Architectural and Construction Commission includes all the relevant agencies: municipal architecture and construction department, road traffic safety department, fire safety department, fixed telephone line provider, electricity distribution authority, water supply authority, water and sewerage authority, sanitary and hygienic department, and labor safety department.

The commission is to be formed within 10 days of the initial request. The acceptance certificate is then issued within 30 days. The architect, as the author of the project, takes part in the commission and signs, along with the other members, the certificate of completion. The certificate confers the right to use the warehouse and to register the owner's legal title.

**Procedure 27 Receive inspection by the State Architectural and Construction Commission**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:**

**Procedure 28 Obtain acceptance certificate from the State Architectural and Construction Commission**

**Time to complete:** 38 days

**Cost to complete:** no charge

**Comment:**

**Procedure 29 Request and obtain warehouse architectural and technical passport approval from the Kiev City Department of Construction and Architecture**

**Time to complete:** 30 days

**Cost to complete:** no charge

**Comment:**

**Procedure 30 Register the warehouse with the Main Department of Municipal Property of the Kiev City State Administration**

**Time to complete:** 30 days

**Cost to complete:** UAH 51

**Comment:** To register the warehouse, BuildCo must present the acceptance certificate, the technical passport approval documents, proof of ownership of the land, and the building permit. BuildCo is then granted the warehouse ownership certificate.

The timeline for issuance of the certificate of ownership by the Main Department of Municipal Property of the Kiev City State Administration should not exceed 20 days. However, if additional information or documents are required, the term can be extended to up to 45 days.

## Employing Workers in Ukraine

Employing workers indices are based on responses to survey questions. The table below shows these responses in Ukraine.

Employing Workers Indicators (2008)	Answer	Score
<b>Rigidity of Employment Index</b>		<b>44.8</b>
<b>Difficulty of Hiring Index</b>		<b>44.4</b>
Are fixed-term contracts prohibited for permanent tasks?	Yes	1
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?	0.29	0.33
<b>Rigidity of Hours Index</b>		<b>60.0</b>
Can the workweek extend to 50 hours (including overtime) for 2 months per year to respond to a seasonal increase in production?	No	1
What is the maximum number of working days per week?	6	0
Are there restrictions on night work?	Yes	1
Are there restrictions on "weekly holiday" work?	Yes	1
What is the paid annual vacation (in working days) for an employee with 20 years of service?	18	0
<b>Difficulty of Firing Index</b>		<b>30.0</b>
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 25 redundant workers?	No	0
Does the employer need the approval of a third party to terminate a group of 25 redundant workers?	No	0
Is there a retraining or reassignment obligation before an employer can make a worker redundant?	Yes	1
Are there priority rules applying to redundancies?	Yes	1
Are there priority rules applying to re-employment?	Yes	1

Firing costs (weeks of salary)	13.0
What is the notice period for redundancy dismissal after 20 years of continuous employment? (weeks of salary)	8.7
What is the severance pay for redundancy dismissal after 20 years of employment? (weeks of salary)	4.3
What is the legally mandated penalty for redundancy dismissal? (weeks of salary)	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 Ukraine

This topic examines the steps, time, and cost involved in registering property in Ukraine.

### STANDARDIZED PROPERTY

Property Value: 753,277.68

City: Kiev

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Obtain an extract from the Bureau of Technical Inventory stating that the building and ownership rights in it are duly registered	3, 7, 14, 30 days (depends on choice of expedited procedure)	UAH 58.4, UAH 49.7, UAH 41.0, UAH 29.2 respectively
2	The notary checks for encumbrances on the property (land and building)	1 day	UAH 100
3	Notarization of the sale agreement of the building	1 day	1% of transaction value of the building (state duty) 1% of property value (St Pension Fund) + Notary fees
4	Submit the notarized sale agreement to the City Bureau of Technical Inventory and Registration of Property Rights in Real Estate	3, 7, 14, or 30 days	UAH 48.5, UAH 38.23, UAH 27.6 respectively
5	Obtain a certificate that the seller's rights in the land parcel are duly registered at the Center of State Land Cadastre	10 days	UAH 30
6 *	Evaluation of the price of the land	14 days (simultaneous with following procedures)	UAH 300
7 *	Notarization of the sale agreement of the land parcel	1 day (simultaneous with procedure 6)	1% of transaction value of the land (state duty) + Notary fees (already paid Procedure 3)
8 *	Submit a request to obtain the State Certificate on Land Ownership under the name of the new owner	1 day (simultaneous with procedure 6)	no cost
9 *	Obtain technical documentation from the Kiev Chief Administration on Land Ownership	10 days (simultaneous with procedure 6)	UAH 5,700
10 *	Obtain the State Certificate on Land Ownership under the name of the new owner	54-85 days (simultaneous with previous procedures)	UAH 25 (registration fee)

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\* Takes place simultaneously with another procedure.

**Procedure 1 Obtain an extract from the Bureau of Technical Inventory stating that the building and ownership rights in it are duly registered**

**Time to complete:** 3, 7, 14, 30 days (depends on choice of expedited procedure)

**Cost to complete:** UAH 58.4, UAH 49.7, UAH 41.0, UAH 29.2 respectively

**Comment:** The seller has to obtain an extract from the Registry of Ownership Rights on Immovable Property or, in those localities where the Registry is not yet established, a certificate from the Bureau of Technical Inventory (BTI) that such building and ownership rights in it are duly registered. Since the building is situated within the territory of Kiev, the procedure to obtain such certificate is stipulated in Decision No: 74/74 of the Kiev City Council dated June 20, 2002 (otherwise, the Order of Ministry of Justice, dated Feb. 7, 2002 would apply). An on-site inspection is performed in order to obtain the certificate. The documentation shall include:  
Request to issue the certificate  
Founding documents of the company (original and photocopies)  
Information with respect to balance-sheet value of the building  
Documentation confirming title to the building  
Technical passport of the building  
Document confirming authorities of an applicant to represent seller (e.g. Power of Attorney)

**Procedure 2 The notary checks for encumbrances on the property (land and building)**

**Time to complete:** 1 day

**Cost to complete:** UAH 100

**Comment:** Before notarization of the agreement, the notary should check whether or not any prohibitions for real estate alienation and tax encumbrance exist for both the land and the building.

**Procedure 3 Notarization of the sale agreement of the building**

**Time to complete:** 1 day

**Cost to complete:** 1% of transaction value of the building (state duty) + 1% of property value (State Pension Fund) + Notary's fees

**Comment:** The sale purchase agreement of the building is notarized by a private or public notary. Notary's fees are agreed among parties. There could be one single agreement underpinning both sale of building and sale of land or be two separate agreements: the sale of building (warehouse) and the sale of land parcel. Parties can prepare the sale agreements by themselves before notarization, but usually the notary prefers to use his standard proforma. State Duty (fee) is paid to the notary and equals 1% of the transactional value of the building. The buyer of the building will also pay a special assessment in the amount of 1% of building's transactional value to the State Pension Fund. The buyer can make the payment to the State Pension Fund prior to the notarization of building sale agreement or provide the notary with the money to make such payment. The documentation shall include:  
BTI Certificate (obtained in Procedure 1)  
Ownership documents  
Founding documents of the company  
Decision with respect to the sale of the building (if necessary)

**Procedure 4 Submit the notarized sale agreement to the City Bureau of Technical Inventory and Registration of Property Rights in Real Estate**

**Time to complete:** 3, 7, 14, or 30 days

**Cost to complete:** UAH 48.5, UAH 38.23, or UAH 27.6 respectively

**Comment:** When the sale purchase agreement is notarized, the buying company can then proceed with the registration of its property rights. The company will submit the notarized sale agreement to the Kiev City Bureau of Technical Inventory and Registration of Property Rights in Real Estate. The documentation shall include:  
Request to register the property rights  
Notarized sale purchase agreement (original and notarized copy) (obtained in Procedure 3)  
Technical passport of the building  
Document confirming authorities of an applicant to represent the buyer (e.g. Power of Attorney)  
Receipt of fees paid for services  
Copy of company's State Registration Certificate and State Statistics Committee Certificate

**Procedure 5 Obtain a certificate that the seller's rights in the land parcel are duly registered at the Center of State Land Cadastre**

**Time to complete:** 10 days

**Cost to complete:** UAH 30

**Comment:** The seller must obtain a certificate that the company's rights in a land parcel are duly registered. Such certificate is issued by the Center of State Land Cadastre within 10 days after receiving the request – but may take longer in practice. In Kiev, such a certificate is issued by the Kiev Center of Land Cadastre.

**Procedure 6 Evaluation of the price of the land**

**Time to complete:** 14 days (simultaneous with following procedures)

**Cost to complete:** UAH 300

**Comment:** The document on evaluation of the price of land can be provided either by the local divisions of the State Centre of the Land Cadastre, or by the legal entities that are licensed by the State Centre of the Land Cadastre for providing such services. In Kiev, such service would cost around 300 UAH (around 60 USD) and take minimum 2 weeks. The procedure of evaluation of the price of land is quite complex, it includes land inspection, market research, etc. Evaluation of the price of land is required before the notarization of the agreement.

**Procedure 7 Notarization of the sale agreement of the land parcel**

**Time to complete:** 1 day (simultaneous with procedure 6)

**Cost to complete:** 1% of transaction value of the land (state duty) + Notary fees (already paid in Procedure 3)

**Comment:** The sale agreement of the land parcel is notarized by a notary public. In order to notarize the agreement, the notary should have checked whether any prohibitions for real estate

alienation, tax and other encumbrances exist (done in Procedure 2). Notary's fees are agreed among parties. State Duty (fee) is paid to the notary and equals 1% of the transactional value of the land.

The documentation shall include:

Certificate that the seller's right in the land parcel are duly registered (obtained in Procedure 5)

The State Certificate on Land Ownership

Constituent and statutory documents of the Company

Decision with respect to the sale of the building (if necessary)

**Procedure 8 Submit a request to obtain the State Certificate on Land Ownership under the name of the new owner**

**Time to complete:** 1 day (simultaneous with procedure 6)

**Cost to complete:** no cost

**Comment:** The next step is to obtain the State Certificate On Land Ownership under the name of the new owner and register the same with the branch of the Center of State Land Cadastre that has jurisdiction. In Kiev, the request to register the title under the name of the new owner is submitted to Kiev Chief Administration on Land Resources (from there it goes to the Municipal Enterprise Kiev Center of Land Cadastre). The buyer should submit a request for issuance of State Certificate On Land Ownership together with a photocopy of the sale purchase agreement. The documentation shall include:  
Photocopy of the sale purchase agreement  
Request for issuance of State Certificate On Land Ownership

**Procedure 9 Obtain technical documentation from the Kiev Chief Administration on Land Ownership**

**Time to complete:** 10 days (simultaneous with procedure 6)

**Cost to complete:** UAH 5,700

**Comment:** Then the buyer requests to develop the technical documentation (the development of such documentation is required by applicable law in order to complete the registration of title under the name of the new owner) and executes an agreement to prepare such documentation with a separate division (enterprise) of the Kiev Chief Administration on Land Resources.  
It takes approximately 10 days to develop the documentation in such a case. The preparation of technical documentation will include the cadastral survey, the cadastral survey of adjacent property, and land area calculation.

**Procedure 10 Obtain the State Certificate on Land Ownership under the name of the new owner**

**Time to complete:** 54-85 days (simultaneous with previous procedures)

**Cost to complete:** UAH 25 (registration fee)

**Comment:** The next step is to obtain the State Certificate On Land Ownership under the name of the buyer and register it with the branch of the Center of State Land Cadastre that has jurisdiction.  
In Kiev it will be the Municipal Enterprise Kiev Center of Land Cadastre. When the technical documentation is prepared in Procedure 8, it is transferred to Kiev Chief Administration on Land Resources for review and preparation of a draft decision of the Kiev City Council (30-45 days). When a decision of the Kiev City Council is adopted, and the certificate prepared, then it awaits signature from the Mayor of the city (14-30

days). Then, the Municipal Enterprise Kiev Center of Land Cadastre registers the State Certificate (10 days).

## Getting Credit in Ukraine

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

Getting Credit Indicators (2008)			Indicator
			score
Private bureau coverage (% adults)	Private credit bureau	Public credit registry	3
Are data on both firms and individuals distributed?	No	No	0
Are both positive and negative data distributed?	Yes	No	1
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?	Yes	No	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	Yes	No	1
<b>Coverage</b>		3.0	0.0
Number of individuals		..	..
Number of firms		..	..

Legal Rights Index	9
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 ?	Yes
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?	Yes
Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?	Yes
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?	Yes
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?

No

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

Yes



## Protecting Investors in Ukraine

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

Protecting Investors Data (2008)	Indicator
<b>Disclosure Index</b>	<b>1</b>
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)	1
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
<b>Director Liability Index</b>	<b>3</b>
Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company. (0-2; see notes)	1
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)	1
Shareholder plaintiff's ability to sue directly or derivatively for damage the transaction causes to the company (0-1; see notes)	1
<b>Shareholder Suits Index</b>	<b>7</b>
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)	0
Shareholders owning 10% or less of Buyer's shares can request an inspector investigate the transaction (0=no, 1=yes)	1

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

## Investor Protection Index

3.7

### 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 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 Ukraine

The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Ukraine, 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
Value added tax (VAT)	12		246	20.0%	value added		
Advanced corporate income tax	1			25.0%	gross amount of dividends	0.00	
Environmental tax	4			various rates	weight of contaminants discharged	0.01	
Vehicle tax	4			UAH 15.00 per 100 cubic cm	Engine capacity	0.21	
Municipal tax	12			UAH 1.70	per employee per month	0.23	
Advertising tax	1			5.0%	advertising expenses	0.93	
Unemployment contribution	12			1.3%	gross salaries	1.47	
Social security contributions	12			1.5%	gross salaries	1.69	
Work accident insurance fund contribution	12			2.2%	gross salaries	2.46	
Land tax	12			UAH 1175 per square meter at 1%	land area	2.50	
Corporate income tax	5		186	25.0%	taxable profit	11.47	
Pension contribution	12		416	33.2%	gross salaries	37.45	
<b>Totals</b>	<b>99</b>		<b>848</b>			<b>58.4</b>	

**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 Ukraine

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

Nature of Export Procedures (2008)	Duration (days)	US\$ Cost
Documents preparation	23	55
Customs clearance and technical control	2	50
Ports and terminal handling	3	175
Inland transportation and handling	3	950
Totals	31	1230

Nature of Import Procedures (2008)	Duration (days)	US\$ Cost
Documents preparation	23	75
Customs clearance and technical control	5	50
Ports and terminal handling	5	175
Inland transportation and handling	3	950
Totals	36	1250

### Export

Bill of lading

Certificate of origin

Commercial invoice

Packing list

Pre-shipment inspection clean report of findings

Technical standard/health certificate

### Import

Bill of lading

Cargo release order

Certificate of origin

Commercial invoice

Consular invoice

Customs import declaration
Customs transit document
Equipment interchange receipt
Pre-shipment inspection clean report of findings
Technical standard/health certificate

## Enforcing Contracts in Ukraine

This topic looks at the efficiency of contract enforcement in Ukraine.

Nature of Procedure (2008)	Indicator
Procedures (number)	30
Duration (days)	354
Filing and service	44.0
Trial and judgment	130.0
Enforcement of judgment	180.0
Cost (% of claim)*	41.50
Attorney cost (% of claim)	22.7
Court cost (% of claim)	7.4
Enforcement Cost (% of claim)	11.4

**Court information:** Kyiv Commercial Court ("Господарський суд м. Києва")

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





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