THE BUSINESS ENVIRONMENT IN CEE COUNTRIES: CURRENT CHALLENGES AND PERSPECTIVES

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Abstract: *The Central and Eastern European countries have experienced significant imbalances starting with 2008 that have affected their business environment profoundly. Thus, the firms operating in the region have faced, and continue to face, difficulties and major challenges. Through this paper we aim at analyzing the key indicators that characterize the business environment of a country, and by analyzing their values through time, we want to compare the situation from ten countries from CEE. We analyzed the indicators for a period of eight years, between 2007 and 2014. This period presents interest because it comprises the period of the recent financial crisis. By using indicators characterizing the business environment we analyze the ease of doing business, but also the ease of getting credit, domestic credit to private sector and reforms adopted in order to improve the access to credit by the CEE countries. We also analyze the time needed to start a business and the regulations regarding start-ups, which may encourage or discourage the new firms to enter the market. The results obtained show that the CEE countries are starting to recover from the current financial crisis, but are still lagging behind the developed countries of the European Union. However, the business environment has registered a series of improvements in the majority of the analyzed countries in the last two years, improving especially the areas of starting a business, getting a credit and paying taxes.*

Keywords: business environment; CEE countries; doing business; legal rights index; getting credit; financial crisis; reforms
JEL Classification: G32; O16

Introduction

The economies in Central and Eastern Europe (CEE) have faced serious pressure in recent years, due to the recent financial crisis. The quality of the business environment is a defining element for the development and good functioning of the economy. Furthermore, the changes that occur on the financial market in the economy of a country play an important role in how firms operate on the markets of that country. The CEE countries have experienced significant imbalances starting with 2008 that have affected the business environment in the area. Thus, the firms operating in the region have faced, and continue to face, major challenges. The main problems reported by the firms as coming from the business environment are excessive bureaucracy and sector-specific taxation.

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Despite low corporate taxes, taxation systems remain in need of reform. There is also a problem with the existing arbitrary legislation (for example the sector-specific taxes).

Moreover, the business environment from CEE developing countries is increasingly dynamic, and the firms must adapt. In order to do that, they have to know really well all the characteristics of the business environment of the country they operate in. Having highlighted the problems above, the purpose of this paper is to analyze the main indicators that characterize the business environment from ten CEE countries (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovenia and Slovakia) starting with 2007 and until now, in order to see which business environment has been more affected by the recent financial crisis, and which has recovered more quickly. The data used in the analysis in our paper is provided especially by the World DataBank, a data base provided by the World Bank which offers data about the development in countries around the world, Doing Business Reports and Enterprise Survey analysis.

Our paper is structured as follows: the first section presents a review of the specialized literature in the field, analyzing which indicators are better to be used in order to assess the business environment from the CEE countries. In the second section we focus on a comparative analysis between the business environment from ten CEE countries (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovenia and Slovak Republic), by investigating a series of indicators, that measure the quality of the business environment. We also highlight a series of reforms adopted by the CEE countries for improving the business environment, especially after the recent financial crisis. The paper ends with concluding remarks.

2. Literature review

In the last years a concerted effort has been registered to measure the quality of the environment for business and investment, and assess its implications for economic growth. Choo (1998) considers that analyzing the business environment is a key factor for the good activity of the firm, because the ability of the firm to adapt to its outside environment depends, in a large proportion, on knowing and interpreting the external changes that are taking place. The changes in the business environment of a country can be beneficial for the firms but, on the other hand, can affect them negatively. So, it is very important that a correlation exists between the internal strategy of the firms and the business environment, Lynch *et al.* (2012) show that if a firm becomes too internally focused it is in danger of missing opportunities that arise from changes within the external business environment. Also, in their study Olsen *et al.* (1994) show the fact that, because the managers of the firms do not know the relationship which exists between the business environment and the firm's performance, they do not devote much time to scan their business environment. But the wish of managers to know the factors that influence the wealth and stability of their firms has aroused, in the present, their interest for assessing the business environment, fact that can be sometimes hard, due to the complexity of the business environment that decision-makers have to face (Nicolau, 2005).

The most used examples for measuring the quality of the business environment are the Doing Business Reports of the World Bank, which calculate an index. This index refers to the ease of doing business and it is composed of information on the ease of starting a business, dealing with construction permits, paying taxes, getting credit, registering property, protecting investors, trading across borders, enforcing contracts and resolving insolvency problems (Doing Business, 2015).Some authors have shown that these sub-indexes of the ease of doing business index have an important impact on the firm's activity, for example Ciccone and Papaioannou (2007) showed that longer periods to register a new business have a significant negative impact on new business entry on the market. Similarly, analyzing a database of European firms, Klapper *et al.* (2006) found that more rationalized business entry regulations contribute to more rapid creation of new firms, and these mentioned effects are most pronounced in the industries that have, naturally, a high rate of entry. They also found that the regulations of the business environment forced the new firms willing to enter on the market to be larger.

Bah and Fang (2015) show that various dimensions of the business environment affect the output and productivity of countries, they also obtained empirical findings that a poor business environment is quite damaging to a country's development, causing a misallocation of the resources. So, we observe that a healthy business environment is important for a country's development.

In an empirical analysis, Djankov (2009) demonstrates that the indicators used by the World Bank to represent the business environment of the countries, comply with the theoretical basis of foreign investment. But, on the other hand, the empirical analysis realized by Pinheiro-Alves and Zambujal-Oliveira (2012) on the ease of doing business index used by the World Bank to describe the business environment in a country, show its limited consistency and descriptive power of the business environment, and recommend that investors, researchers and policy-makers should be very careful when using it as a source of information to prevent decision making which is less than optimal.

Xu (2011) analyzed the effects of business environment on a country's development and found that these effects are heterogeneous and depend crucially on industry, initial conditions, and complementary institutions. Labor flexibility, low entry and exit barriers, and protection from the government, as elements of the business environment, matter a great deal for most economies. Also, other elements, such as infrastructure and access to finance depend on the size of the market. The role of the government played in the business environment it is highlighted also by Yunus *et al*. (2014). They consider that, in order a country to have a conducive business environment that will assist business to flourish, it is necessary an effective and efficient functioning of local government to service their needs.

Gillanders and Whelan (2014) showed that business-friendly economic policies are the key determinant factor of the level of income per capita, also they show that a country's doing business rank is a key explanatory variable for a country's economic growth. Also, using the data from the World Bank Doing Business reports, Jayasuriya (2011) observed that for the average country an improvement on the ranking generates greater foreign direct investment inflows, but in the developing countries the improvement of ranking has, on average, an insignificant influence on foreign direct investment inflows. Moreover, his analysis shows that, on average, greater foreign direct investment inflows are not necessarily attracted by those countries that undertake large scale reforms compared to other countries. Other papers (Djankov *et al.*, 2006) proved that the quality of the business environment impacts economic growth, using measures of business regulations in 135 countries for ten years they obtained the results that an improvement in the business environment is associated with an increase in annual growth of 2.3 percentage points.

Moreover, regulatory and procedural reforms have improved the quality of the business environment as measured by these indexes. For example, since 2008, all the countries from CEE have applied reforms for improving the business environment, the biggest number of reforms being applied in the Czech Republic, Poland, Romania, Latvia and Lithuania (over 20 reforms) (Doing Business Reforms, 2015).

Prajogo (2015) examines the role of business environments on the effectiveness of different types of innovation strategies in obtaining business performance. His results show that dynamic environments strengthen the effect of product innovation on business performance, and, on the other hand, competitive environments weaken the effect of product innovation on business performance, but strengthen the effect of process innovation on business performance. The quality of the business environment has an important impact also on the Small and medium sized enterprises from that country, so the study realized by Rocha (2012) shows that low entry costs, easy access to finance, and good levels of business sophistication and innovation predict a larger SME sector. A productive and competitive SME sector is usually associated with sophisticated and innovative business environments. In general, a competitive business environment may result in larger SMEs sectors in terms of number of firms and contribution to employment.

Gani and Clemens (2013) are modelling the effect of the indicators of the domestic business environment on services trade in a sample of low, middle and high-income OECD countries. Their results show that the time required to enforce a contract and the time required to register a property are strongly negatively correlated with the growth in services exports and imports. Also, internet diffusion, the strength of legal rights and the income growth are strongly correlated positively with the growth in services of imports and exports. So, their empirical findings has led to the conclusion that the domestic business environment does matter strongly for trade in services and it is very important for policy makers to continue improving their overall domestic business environment as it plays a crucial role in facilitating trade in services.

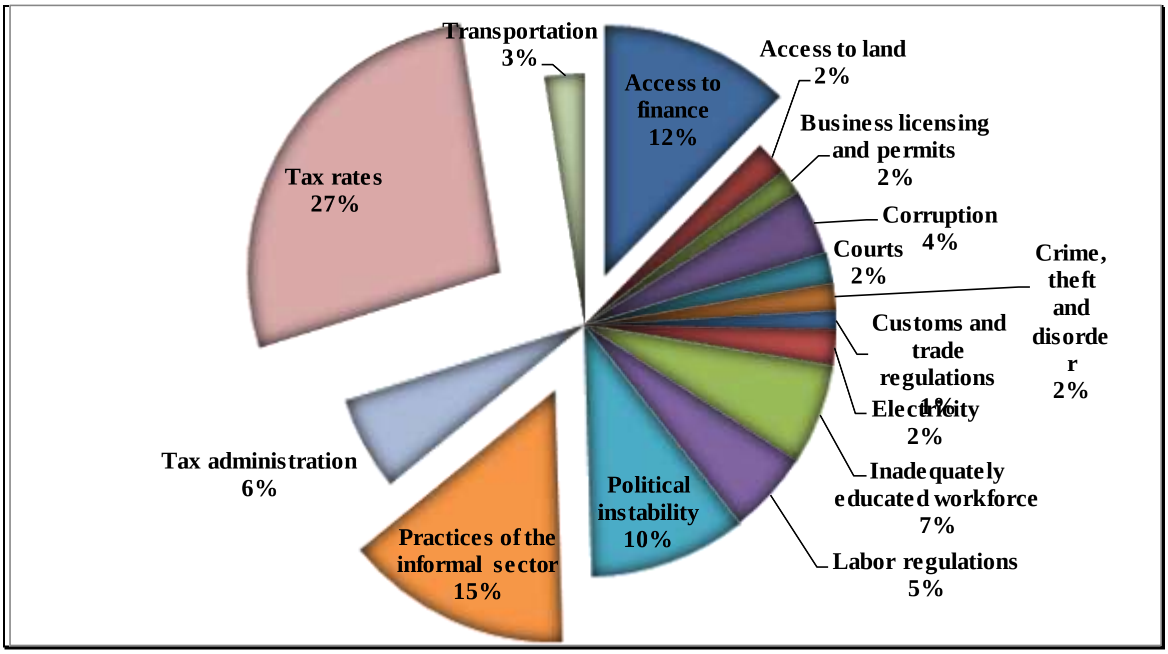
Until now, studies especially analyzing the business environment from only one emerging CEE country have been realized, but there are no studies that compare the business environment from the CEE countries, this problem being a starting point for our research. For example, Radukić and Stanković (2015) are trying to assess the local business environment in Serbia on the basis of twelve criteria and using different statistical methods. Their results show that the main problem for creating a friendly business environment in this country is the process of FDI attraction at the local level, and the main criteria that should be a priority for local authorities in order to improve the business environment are: a strategic approach to local economic development, an efficient system for issuing building permits, creditworthiness and financial stability and fostering public-private partnerships. On the other hand, Hamplová and Provazniková (2014) are analyzing the business environment in the Czech Republic compared to the European Union economies in general, and observe that Czech economy ranks relatively poorly. They show that the causes of this ranking are related to a weak and unstable legislative support of business as well as the current state of cultural dimensions. However another problem that disrupts the business environment in this country is represented by lengthy and complex administrative procedures of some agendas. Their paper shows that the government of the Czech Republic is working on the reduction of the administrative burden when establishing a company, improving tax collection and doing business in general.

Also, the Slovak government has set a priority to improve the business environment, to create optimal conditions for doing business in Slovakia and to return to the original leading position in the assessment of international institutions. This statement came as a response for the deteriorating position of the Slovak Republic in international indexes, and aimed at improving the quality of the business environment in Slovakia. The position of the Slovak business environment is getting worse and needs help to improve (Bánciová and Raisová, 2012).

3. COMPARATIVE ANALYSIS BETWEEN THE BUSINESS ENVIRONMENTS IN CEE COUNTRIES

Creating a business environment which is friendly with the existing enterprises and the potential entrepreneurs is one of the main objectives of the European Union. The situation for the CEE countries is different, because these countries have emerging economies, are formerly communist states and have to catch up with the developed economies. But, although they have a common situation, if we analyze them more closely, the CEE countries reveal that they are not homogenous; they present a diverse range of business risks and opportunities (The Economist, 2015). So, for the authorities that are willing to improve the regulatory environment for business, it is important to realize a comparison with the regulatory environment from other countries.

Figure 1 – Top 10 business environment constraints for CEE countries, 2013



Source: data processed by the authors after www.enterprisesurvey.org

The economic growth in CEE countries is driven by SMEs, if the authorities from these countries make efforts to improve the access to finance of these firms, then they can reduce the dependence on foreign investment and lending. The region has a good potential, was one of the fastest growing region in the world before 2008 (Labaye *et al.* 2013), its economic growth has, and will continue to exceed that of the euro area, but major risks persist across the region, such as widespread red tape and sector-specific taxation (The Economist, 2015).

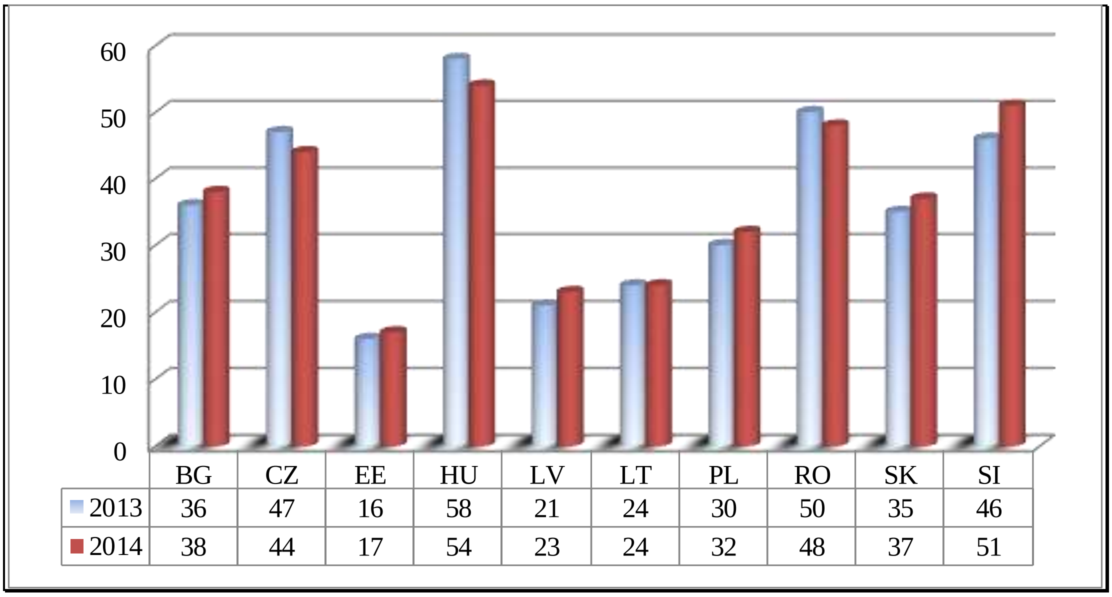
In order to make a comparison between the business environments from CEE countries we analyzed a series of indicators from the World Bank data bases. First, we took into account the business environment constraints declared by the entrepreneurs in CEE countries. Thus, after being presented with a list of 15 business environment obstacles, business owners and top managers in the firms from CEE were asked to choose the biggest obstacle to their business. The results for the region were obtained by calculating the average of the responses for each of the ten CEE countries, and are presented in figure 1.

From figure 1 we observe that the top 5 business environment constraints in CEE are: tax rates (27% of the firms mentioned this as a problem), practices of the informal sector (15%), access to finance (12%), political instability (10%) and inadequately educated workforce (7%). Other problems mentioned are tax administration, labour regulations, corruption and transportation.

In comparing the business environments from the CEE countries considered, in the following paragraphs, we have considered a series of indicators that characterize the availability of the business environment for the enterprises. The first indicator is *the ease of doing business;* this indicator analyses the 189 economies around the world, and ranks them, the economy sitting in first place is considered to be the best. If a country has a high ranking (represented by a low numerical rank) it means that the regulatory environment from this country is more conducive to business operation, to starting and operating a local firm (Doing Business, 2015).

From figure 2 we observe that the best ranked countries in CEE on the ease of doing business are Estonia (being ranked the 17th in 2014), Latvia (ranked the 23rd) and Lithuania (ranked the 24th). The worst ranked are Hungary and Slovenia. However, Hungary has registered the biggest improvement in the ease of doing business in 2014 compared to 2013, moving up four places in the ranking. On the other hand, Slovenia has dropped five places in the ranking. Other countries that have improved their positions are the Czech Republic and Romania. Lithuania is the only country which maintained its position (the 24th place). However, the overall level of the ten CEE countries according to the ease of doing business is relatively good, being maintained in the last two years almost the same, without major imbalances. The regional average of the European Union on the ease of doing business is 40 (Doing Business, 2013); we observe that six of the CEE analyzed countries are situated above the EU average in 2014.

Figure 2 – The ranking of CEE countries according to the ease of doing business indicator



Source: data processed by the authors after Doing Business, 2014 and 2015

Another important indicator measured by the World Bank for assessing the business environment from world countries is the *legal rights index*. This indicator measures the degree to which collateral and bankruptcy laws, from each CEE country, protect the rights of borrowers and lenders and thus facilitate lending. The index can take values between 0 and 12; in the countries with the higher scores these laws are better designed to expand access to credit, and in the countries with lower scores they can, on the contrary, restrict the access to credit (World DataBank).

Table 1 – The value of legal rights index in CEE countries, between 2007 and 2014

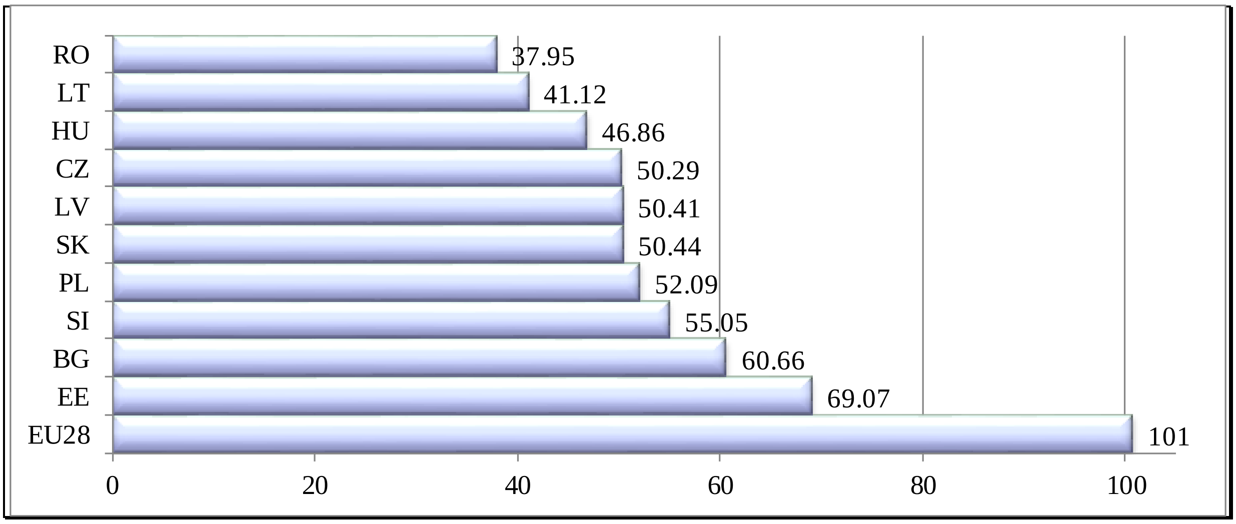
Tara	2007	2008	2009	2010	2011	2012	2013	2014
Bulgaria	9	9	9	9	9	9	9	9
Czech Republic	7	6	6	6	6	6	5	7
Estonia	6	6	6	7	7	7	7	7
Hungary	7	7	7	7	7	7	6	10
Latvia	10	10	10	10	10	10	9	9
Lithuania	5	5	5	5	5	5	6	6
Poland	8	8	9	9	9	9	7	7
Romania	9	9	9	9	9	9	10	10
Slovakia	8	8	8	8	8	8	7	7
Slovenia	5	4	4	4	4	4	3	3

Source: data processed by the authors after World DataBank

From table 1 we observe that the value of the legal rights index is high for eight out of ten countries. The best values of this index are registered in Hungary, Romania, Latvia and Bulgaria, fact that shows that in these countries the collateral and bankruptcy laws are designed to expand access to credit. Hungary registered the biggest improvement of this index in 2014, rising from 6 to 10. Romania also registered an increase of just one point, while Bulgaria maintained the value unchanged for the last eight years. Latvia, although maintained the value of the index high, in 2013 registered a decrease of one point. Lithuania and Slovenia are the worst ranked; although Lithuania has the value of index of only 6 it still registered as an improvement compared to 2012, but Slovenia has the value of legal rights index of only 3, worsening with one point in 2013. Other countries that registered a decrease in the value of the index are Slovakia and Poland. The overall situation of the CEE countries in the legal rights index is good (with an average of the index of 7.4 in 2014) compared to the European Union (with an average legal rights index of 5.75, in 2014) (World DataBank). The countries that really have to improve the laws on collateral and bankruptcy, in order to facilitate access to credit, are Slovenia and Lithuania, the others being situated around the EU average or above.

Domestic credit to the private sector is another important indicator in assessing the business environment.

Figure 3 – The value of Domestic credit to private sector index (% of GDP), 2014



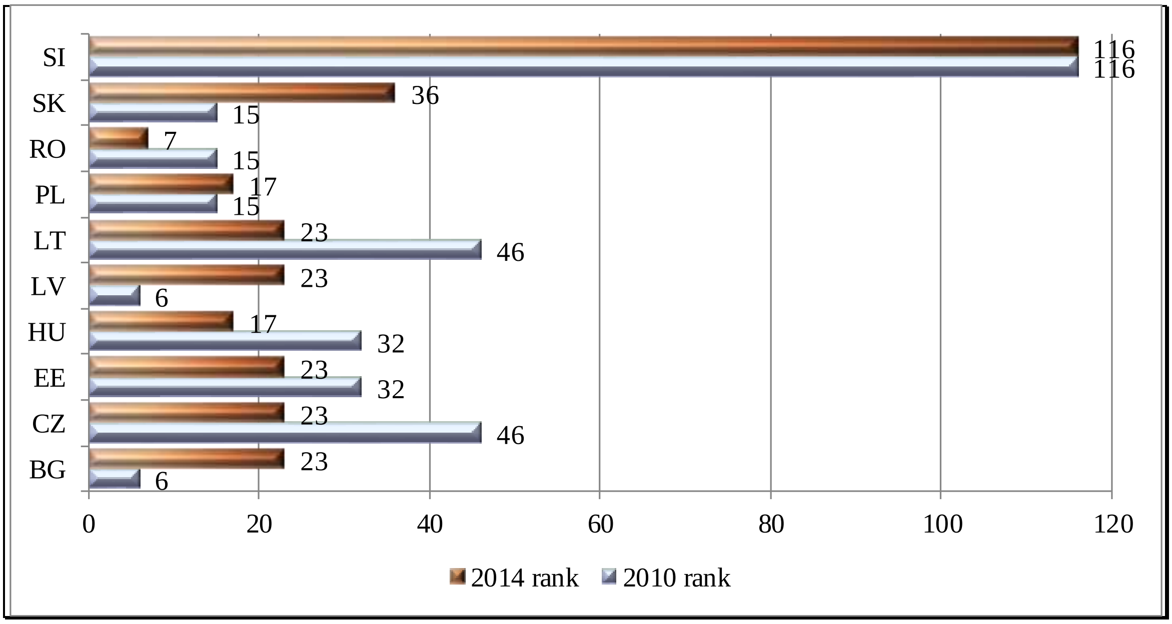
Source: data processed by the authors after World DataBank

This indicator takes into account the financial resources, such as loans and non-equity securities, which are provided to the private sector by financial institutions (banks, other financial corporations), and it is measured as a percentage of GDP. If this indicator is higher, then the financial resources or financing to the private sector is higher and there is a greater opportunity and space for the private sector to develop and grow. If the private sector is better and has a bigger role in national economy, then generally the health and the development of the economy of a country is better.

The emerging and developing economies from CEE have registered the sharpest drop in credit growth among all the European Union. These countries have benefited from a substantial inflow of foreign funds and cross-border lending before the crisis, but when the financial crisis struck, credit growth dropped dramatically and has not recovered yet. From figure 3 we observe that all the CEE countries considered have the value of domestic credit to private sector (as % of GDP) below the EU 28 average. Financing to private sector is very low in Romania, Lithuania and Hungary (with values of the indicator below 50%). Estonia and Bulgaria are the countries with greater opportunities for the private sector to develop and grow. All CEE countries still have to work to improve this indicator.

Related to this indicator, in order to analyze the business environment from CEE countries we also consider the ranking of countries on *the ease of getting credit* realized by the Doing Business Reports of the World Bank (see figure 4).

Figure 4 – The ranking of CEE countries on the ease of getting credit

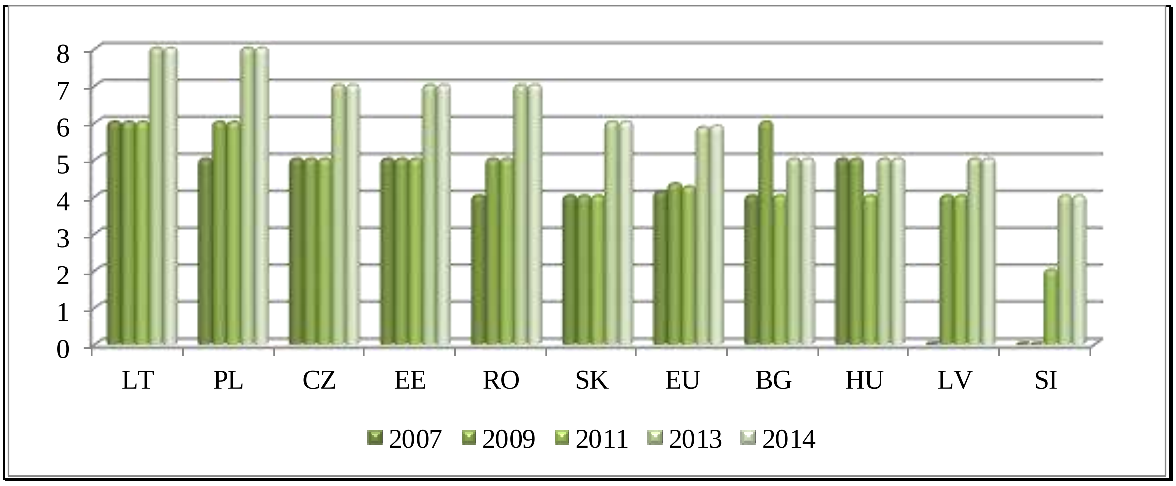


Source: data processed by the authors after Doing Business 2011 and 2015

Best ranked in 2014, on the ease of getting credit is Romania (ranked the 7th and with a score of 85), followed by Poland and Hungary (ranked 17th with a score of 75). Worst ranked is Slovenia, in the 116th place; this country did not register any improvement since 2010. The countries that have worsened their ranking since 2010 are Bulgaria, Latvia, Poland and Slovak Republic. The biggest improvement was registered by the Czech Republic and Lithuania that improved 23 places in the ranking.

The depth of the credit information index is another indicator used to assess the business environment, when it has higher values it can facilitate lending decisions. It can take values between 0, which is the lower value, up to 8, representing the highest value, indicating that more credit information is available, from either a public registry or a private one. These index measures rules affect the scope, accessibility, and quality of credit information available through public or private credit registries. The values of this index are presented in figure 5. As we can observe, this index has the biggest values in Lithuania and Poland, followed by the Czech Republic, Estonia and Romania, these being also the countries that have registered the biggest improvement since 2007. Lithuania and Poland have reached the highest value of the index in 2013 and 2014, fact that facilitates lending decisions of the firm from these countries. The countries with values of the index below the EU average are Bulgaria, Hungary, Latvia and Slovenia.

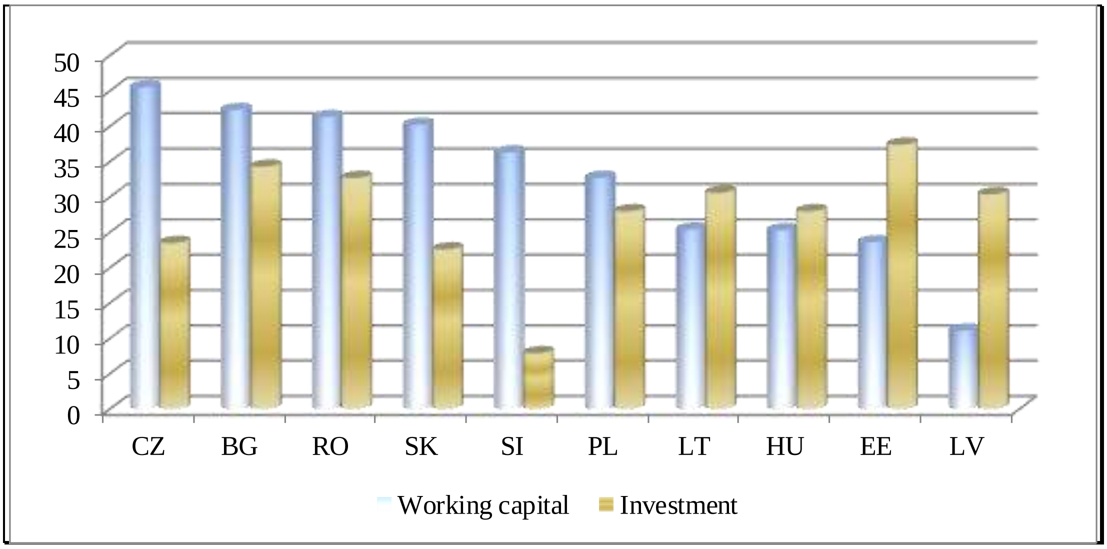
Figure 5 – The evolution of depth of credit information index



Source: data processed by the authors after World DataBank

Getting credit is important for the CEE firms because they use in a large proportion bank products to finance their activity or their investments, as can be seen in figure 6. When the firms use bank products to finance their working capital then their dependence on banks is rising. The percentage of firms that used banks to finance their working capital is higher than 30% in Czech Republic, Bulgaria, Romania, Slovak Republic, Slovenia and Poland. Estonia is the country where just a small percentage (10%) of firms use banks to finance working capital.

Figure 6 - Firms using bank to finance their working capital and investment (% of firms), 2013



Source: data processed by the authors after World DataBank and Enterprise Survey

On the other hand, when analyzing the percentage of firms using bank product to finance their investment we observe that the situation is different, Estonia is the country that uses in the higher proportion bank products to finance investment, followed by Bulgaria, Romania, Lithuania and Latvia. The country which uses bank products to finance investment in the smaller proportion (almost 8% of the firms) is Slovenia.

To help revive the flow of foreign direct investment into CEE economies, in order to reach the levels existing before the financial crisis and to encourage the expansion of the business environment but also the creation of new business, the governments from the CEE countries can improve their business environment in many ways. But the most important ways of improvement are simplifying the administrative and regulatory processes, strengthening the legal protections for investors and improving the access to finance for the firms in the region. As we can observe from the analysis above, bank loans are the main source of financing used by the enterprises from CEE countries, thus, the access to credit is an important issue for the enterprises from these countries in doing their business. In order to improve the access to credit, the authorities from these countries adopted a series of reforms, as seen in table 2, some of them were useful in improving access to credit but some of them were not, making it more difficult to do business.

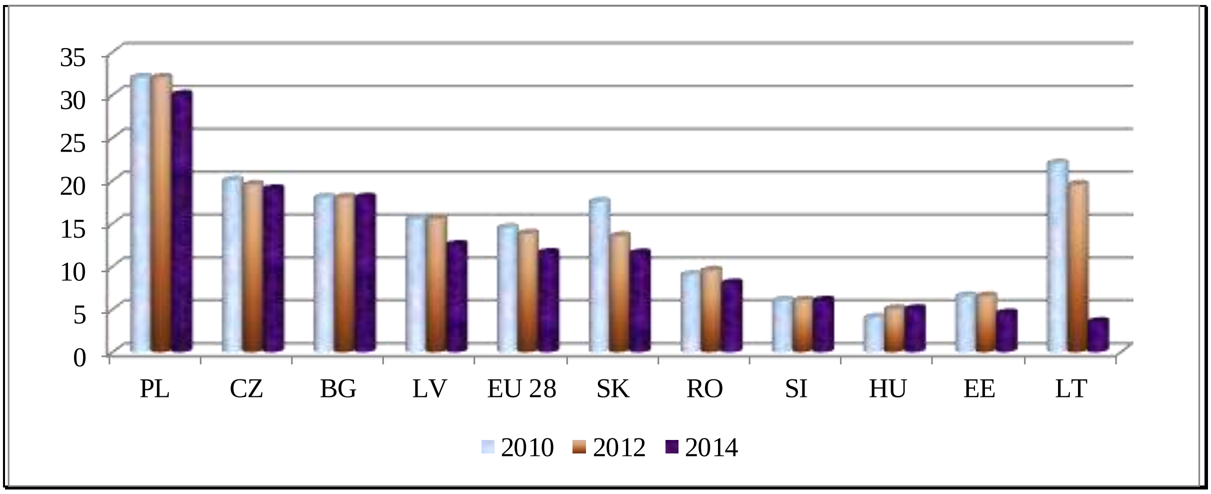
Table 2 – Reforms adopted by the economies in the CEE countries to get credit easier

Country	Year	Reform
Romania	2008 2013	Parties may agree to out-of court-enforcement of the security right when the security agreement is signed. Romania strengthened its legal framework for secured transactions by allowing the automatic extension of security interests to the products, proceeds and replacement of collateral.
Slovenia	2008 2009	As e result of Euro adoption, the public credit registry from this country has increased the minimum loan requirement from 0 to 500 Euros. A new private bureau started its activity: SISBON. The access to finance became more difficult due to the decrease of secured creditors' rights during reorganization procedure.
Czech Republic	2009	This country made access to finance more difficult by decreasing secured creditors' rights during reorganization procedure.
Latvia	2010	Latvia's access to credit information was improved by the fact that the new public credit registry started sharing data on loans.
Poland	2010	Poland improved access to credit with an amendment to the 1996 Act on Registered Pledges and the Pledges Register to allow all legal persons including foreign entities to have capacity as a pledgee. Poland improved its credit information system by collecting and distributing information on firms.
Estonia	2011	Estonia improved access to credit by amending the Code of Enforcement Procedure and allowing out-of-court enforcement of collateral by secured creditors.
Lithuania	2011	Lithuania's private credit bureau now collects and distributes positive information on borrowers
Bulgaria	2012	Bulgaria made access to credit information more difficult by stopping the distribution of credit reports to financial institutions by the private credit bureau (Experian).
Hungary	2012 2013	Hungary reduced the amount of credit information available from private credit bureaus by shortening the period for retaining data on defaults and late payments (if repaid) from 5 years to 1 year. Hungary improved access to credit information by passing its first Credit Bureau Law mandating the creation of a positive database on individuals
Slovak Republic	2012	The Slovak Republic improved its credit information system by guaranteeing by law the right of borrowers to inspect their own data.

Source: processed by the authors after Doing Business Reforms, 2015.

Time required to start a business and *start-up procedures needed to start a business* are another two important indicators of a business environment of a country. Time required to start a business refers to the number of days needed to complete the legally imposed procedures for operating a business. The start-up procedures include the procedures needed to obtain the necessary licenses and permits but also those necessary to complete all the verification and inscriptions. These indicators influence the creation of new enterprises and the development of the business environment. In figure 7 we can see that the biggest problems concerning the time needed to start a business are observed in Poland, where although improvements were registered in 2013, a timeframe of 30 days is still needed in order to start a business. The following worst ranked are the Czech Republic, with 19 days needed to start a business (and a small improvement of just one day), Bulgaria, with 18 days needed and Latvia, with 12,5 days (and an improvement of three days registered in 2013).

Figure 7 - Time required starting a business in CEE countries

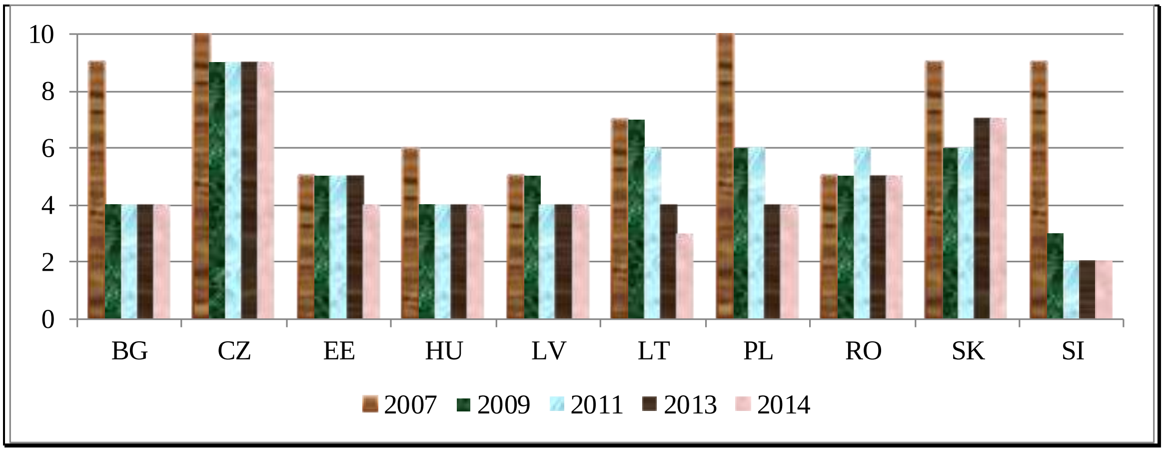


Source: processed by the authors after World DataBank

The greatest improvement was registered in Lithuania, from 22 days needed in 2010, to 3.5 days in 2014. The countries that are best rated according to this indicator are Lithuania (3.5 days), Estonia (4.5 days), Hungary (5 days) and Slovenia (6 days), all being under the EU 28 average. Bulgaria and Slovenia have not registered any improvement regarding the number of days necessary to start a business in the last five years.

Figure 8 presents the start-up procedures needed to obtain licenses and to register a new firm. The best ranked in 2014 on this index are Slovenia and Lithuania, with the smallest number of procedures. The worst ranked in 2014 are the Czech Republic (with 9 procedures) and the Slovak Republic (with 7 procedures needed). The biggest improvement compared to 2007 was registered in Slovenia (a reduction with 7 procedures), Poland (a reduction of 6 procedures) and Bulgaria (with a reduction of 5 procedures). The other countries had a slightly descending trend in the number of procedures, with the exception of Romania and the Slovak Republic. In Romania the number of procedures needed to start a new business is the same as in 2007 (5 procedures), with an increase in 2011. The Slovak Republic was the only country that registered an increase in the number of procedures needed to start a business, in 2013.

Figure 8 - Start-up procedures needed to start a business in CEE countries



Source: processed by the authors after World DataBank

Another indicator used by the World Bank to assess the quality of the business environment is *the distance to the frontier score*, which shows on average how far an economy is at a certain point in time from the best performance achieved by any economy on each Doing Business indicator since 2005. It can take values between 0 and 100, with 100 representing the frontier. According to the ease of doing business country reports (www.doingbusiness.org) Bulgaria decreased two places in the ranking of doing business in the last year. This country registered small improvements on trading across border and registering property. The only reforms adopted were in the field of starting a business. Regarding the distance to the frontier, the value of the indicator for 2015 is 71.80%, being improved with 0.08 percent points compared to last year. The Czech Republic improved 3 places in the ranking of the ease of doing business; best improvements were registered on getting credit, followed by registering property, with a small improvement. The reforms adopted by the Czech Republic were referred to starting a business, getting credit and enforcing contracts. Regarding the distance to the frontier, the value of the index is70.95% (in 2015), and has improved compared to the previous year with 1.20 percent points. Estonia decreased one place in the ranking of doing business in the last year. It has registered improvements only in the field of starting a business. And, no new reforms were adopted. Regarding the distance to the frontier, the value of the index in 2015 was 78.84% (the biggest from the CEE analyzed countries) and it improved with 0.30 percent points compared to 2014. Hungary improved four places in the ranking regarding the ease of doing business; the biggest improvement was registered on getting a credit and it was followed by a small improvement as regards the paying of taxes. Reforms were adopted on getting credit and paying taxes. Less changes that those concerning doing business were made in the field of starting a business. Regarding the distance to frontier, the value of the index was of 68.79%in 2015 (the smallest value from all the analyzed CEE countries), and it has improved with 1.97 percent points, compared to 2014. Latvia dropped two places in the ranking of doing business in the last year; the biggest improvements were registered in paying taxes and registering property. Reforms were adopted in the field of paying taxes. Less changes that those concerning doing business were made in the field of starting a business. Regarding the distance to the frontier, the value of the index was 76.73% in 2015, with an improvement of 0.14 percent points compared to the previous year. Lithuania did not register any changes in the ranking of doing business in the last year. The greatest improvements were registered in dealing with construction permits, starting a business, enforcing contracts and getting electricity. Reforms were adopted in dealing with construction permits, starting a business and enforcing contracts. Regarding the distance to the frontier, the value of the index was 76.31% and it improved with 0.45 percent points. Poland dropped two places in the ranking of doing business in the last year; the greatest improvements were registered in trading across borders and enforcing contracts. Reforms were adopted on getting electricity, registering property and trading across borders. Regarding the distance to frontier, the index indicated a value of 73.56%, an improvement with 0.20 percent points. Romania improved its doing business rank in the last year, the biggest improvements in doing business being registered in paying taxes, followed by trading across borders and enforcing contracts (with a smaller improvement). Reforms for improving the business environment were adopted in paying taxes. Regarding the distance to the frontier, the value of the index was 70.22% in 2015 and it improved with 1.74 percent points compared to 2014. The Slovak Republic dropped two places in the ranking of doing business in the last year, the biggest improvements being registered in starting a business and enforcing contracts. Reforms on making easier to do business were adopted in starting a business and getting credit (although these reforms were made, Slovakia dropped 6 places in the ranking of getting credit in 2015). Regarding the distance to the frontier, the index indicated small improvement of only 0.10 percent points, having the value 71.83% in 2015. Slovenia dropped 5 places in the ranking of doing business in the last year; the biggest improvements were registered in dealing with construction permits. Reforms were adopted in resolving insolvency. Regarding the distance to the frontier, the value of the index in 2015 is 69.87% and it has improved with only 0.03 percent points compared to the previous year.

We can observe the fact that all the economies have registered an increase of the distance to the frontier indicator, fact that is good, indicating that they are getting closer to the best performance achieved by any economy since 2005.The value of the distance to the frontier index have varied between 68.79% and 78.84%, values that show that the business environment from the CEE area is relatively well situated, and it continues to improve.

Conclusions

The business environment from the CEE developing countries is increasingly dynamic, and the firms must adapt, in order to do that, they have to know really well all the characteristics of the business environment in which they operate in. To characterize the business environment from the CEE countries we have analyzed a series of indicators, such as: the ease of doing business, the legal rights index, the domestic credit to private sector, the ease of getting a credit and the depth of credit information. We have analyzed, also, the percent of firms using bank products to finance their working capital and investment, but also the reforms adopted in order to improve the access to credit for the firms. In order to measure the expansion possibilities of the business environment we took into consideration the time required to start a business and the number of start-up procedures needed to start a business.

The results of our study highlight the problems faced by the business environment in the countries considered in the analysis, and the need to intensify the concerns of policy makers for reforms in order to help stimulate the development of the business environment so as to contribute to national economic recovery and to the increase of their competitiveness.

Regarding the *ease of doing business*, our key findings show that the best ranked countries in the CEE according to the ease of doing business are Estonia, Latvia and Lithuania. The worst ranked are Hungary and Slovenia. However, the overall level of the ten CEE countries in the ease of doing business is relatively good, being maintained in the last two years almost at the same level, with six of the CEE analyzed countries situated above the EU average in 2014.

As regard to the legal *rights index*, we observe that its value is high for eight out of ten countries. The best values of this index are registered in Hungary, Romania, Latvia and Bulgaria. Lithuania and Slovenia are the worst ranked. The overall situation of the CEE countries as regard to the legal rights index is good (with an average of the index of 7.4 in 2014) as compared to that of the European Union (with an average legal rights index of 5.75, in 2014). The countries that really have to improve the laws on collateral and bankruptcy, in order to facilitate access to credit, are Slovenia and Lithuania.

Domestic credit to private sector and the *ease of getting credit* are two related indicators with major importance for the quality of the business environment. All the considered CEE countries have the value of domestic credit to private sector below the EU 28 average. Financing for the private sector is very low in Romania, Lithuania and Hungary. Estonia and Bulgaria are the countries with greater opportunities for the private sector to develop and grow. All CEE countries still have to work to improve this indicator. The ranking of countries on *the ease of getting credit* shows that the best ranked in 2014 is Romania, followed by Poland and Hungary. Worst ranked is Slovenia. Although financing in the private sector is very low in Romania and Hungary, the firms from these countries can get credit easier than the ones from other countries.

The depth of credit information index is another indicator used to assess the business environment; we can observe that this index had the biggest values in Lithuania and Poland, followed by the Czech Republic, Estonia and Romania. Lithuania and Poland have reached the highest value of the index in 2013 and 2014, fact that facilitates lending decisions to be made by the firms from these countries. The countries with values of the index below the EU average are Bulgaria, Hungary, Latvia and Slovenia.

The biggest problems as regard to the time needed to start a business are observed in Poland, which needs 30 days in order to start a business. The following worst ranked are the Czech Republic, with 19 days, Bulgaria and Latvia. The countries that are best rated on this indicator are Lithuania, Estonia, Hungary and Slovenia, all being situated under the EU 28 average. Regarding the start-up procedures needed to obtain licenses and to register a new firm, the best ranked in 2014 are Slovenia and Lithuania. The worst ranked in 2014 are the Czech Republic and Slovak Republic.

The distance to the frontier score has registered an improvement for all the CEE countries in the last year, fact that shows us that the economies from this area are continuing to register improvements. For many of the analyzed indicators, there are countries that are situated above the EU average, fact that shows that the CEE countries are continuing the process of recovery from the recent financial crisis. In the future there are countries which will continue their development, and will outpace the overall EU growth (Poland and Bulgaria) (Doing Business, 2015). CEE countries offer exceptional capabilities and productivity and the markets from these countries will continue to grow in the next years. Also, according to their particularities, each country should continue to adopt reforms in order to improve the indicators of the quality of the business environment.

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