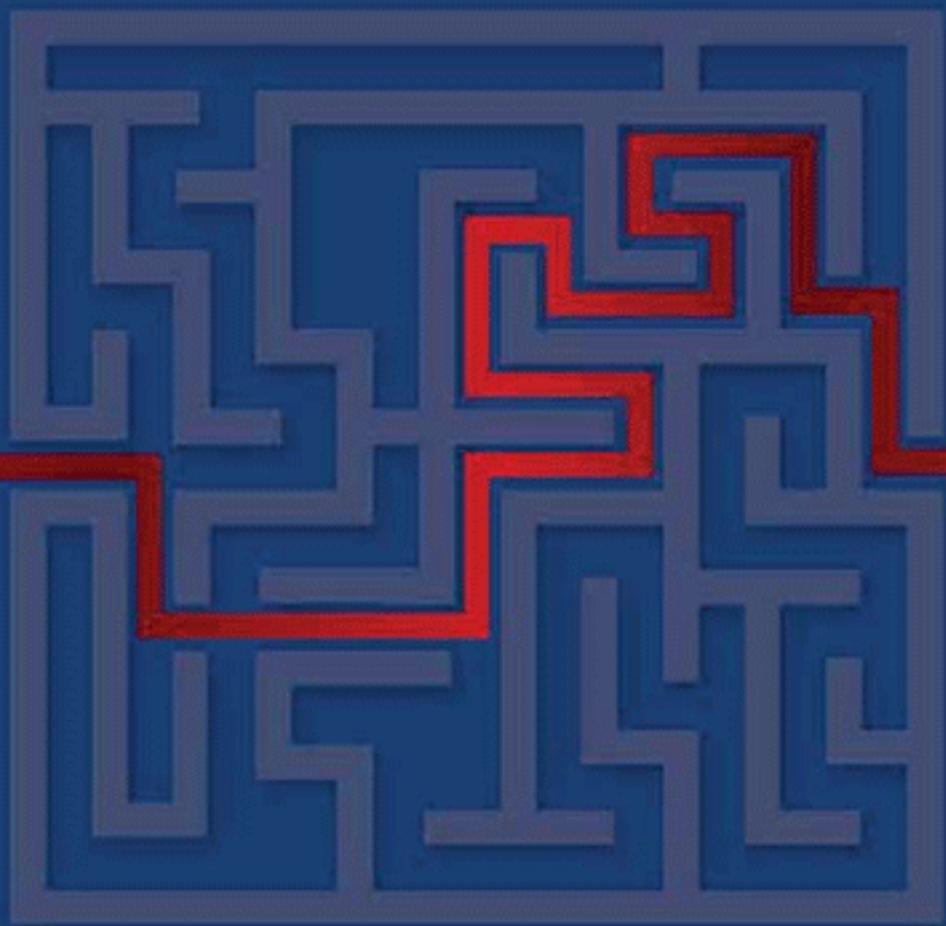




# Doing Business 2014

## Regional Profile:

Latin America &  
Caribbean (LAC)



Comparing Business Regulations for Domestic Firms in 189 Economies

11<sup>TH</sup> EDITION

*A World Bank Group Corporate Flagship*

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The World Bank  
1818 H Street NW, Washington, DC 20433  
Telephone: 202-473-1000; Internet: [www.worldbank.org](http://www.worldbank.org)

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Cover design: The Word Express

## CONTENTS

<b>Introduction</b> .....	<b>4</b>
<b>The business environment</b> .....	<b>5</b>
<b>Starting a business</b> .....	<b>12</b>
<b>Dealing with construction permits</b> .....	<b>22</b>
<b>Getting electricity</b> .....	<b>30</b>
<b>Registering property</b> .....	<b>37</b>
<b>Getting credit</b> .....	<b>46</b>
<b>Protecting investors</b> .....	<b>52</b>
<b>Paying taxes</b> .....	<b>60</b>
<b>Trading across borders</b> .....	<b>71</b>
<b>Enforcing contracts</b> .....	<b>83</b>
<b>Resolving insolvency</b> .....	<b>90</b>
<b>Data notes</b> .....	<b>97</b>
<b>Resources on the <i>Doing Business</i> website</b> .....	<b>102</b>

## INTRODUCTION

*Doing Business* sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 11 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and employing workers.

In a series of annual reports *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 189 economies, from Afghanistan to Zimbabwe, over time. The data set covers 47 economies in Sub-Saharan Africa, 33 in Latin America and the Caribbean, 25 in East Asia and the Pacific, 25 in Eastern Europe and Central Asia, 20 in the Middle East and North Africa and 8 in South Asia, as well as 31 OECD high-income economies. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

This regional profile presents the *Doing Business* indicators for economies in Latin America & Caribbean (LAC). It also shows the regional average, the best performance globally for each indicator and data for the following comparator regions: Latin America, Caribbean states, East Asia and the Pacific (EAP), European Union (EU) and OECD high income. The data

in this report are current as of June 1, 2013 (except for the paying taxes indicators, which cover the period January–December 2012).

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 and getting electricity), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions—are not directly studied by *Doing Business*. 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 policy makers in designing regulatory reform.

More information is available in the full report. *Doing Business 2014* presents the indicators, analyzes their relationship with economic outcomes and recommends regulatory reforms. The data, along with information on ordering the *Doing Business 2014* report, are available on the *Doing Business* website at <http://www.doingbusiness.org>.

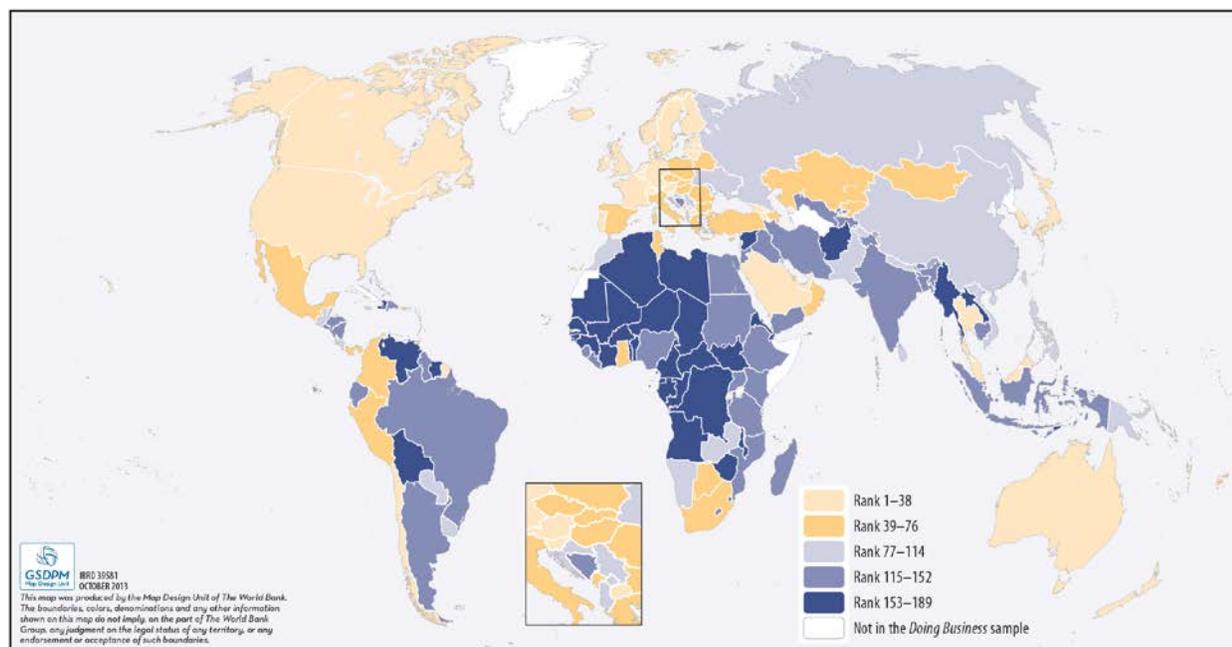
## THE BUSINESS ENVIRONMENT

For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. *Doing Business* provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 189 by the ease of doing business index. For each economy the index is calculated as the simple average of its percentile rankings on each of the 10 topics included in the index in *Doing Business 2014*: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

The ranking on each topic is the simple average of the percentile rankings on its component indicators (see the data notes for more details).

The aggregate ranking on the ease of doing business benchmarks each economy's performance on the indicators against that of all other economies in the *Doing Business* sample (figure 1.1). While this ranking tells much about the business environment in an economy, it does not tell the whole story. The ranking on the ease of doing business, and the underlying indicators, do not measure all aspects of the business environment that matter to firms and investors or that affect the competitiveness of the economy. Still, a high ranking does mean that the government has created a regulatory environment conducive to operating a business.

Figure 1.1 Where economies stand in the global ranking on the ease of doing business

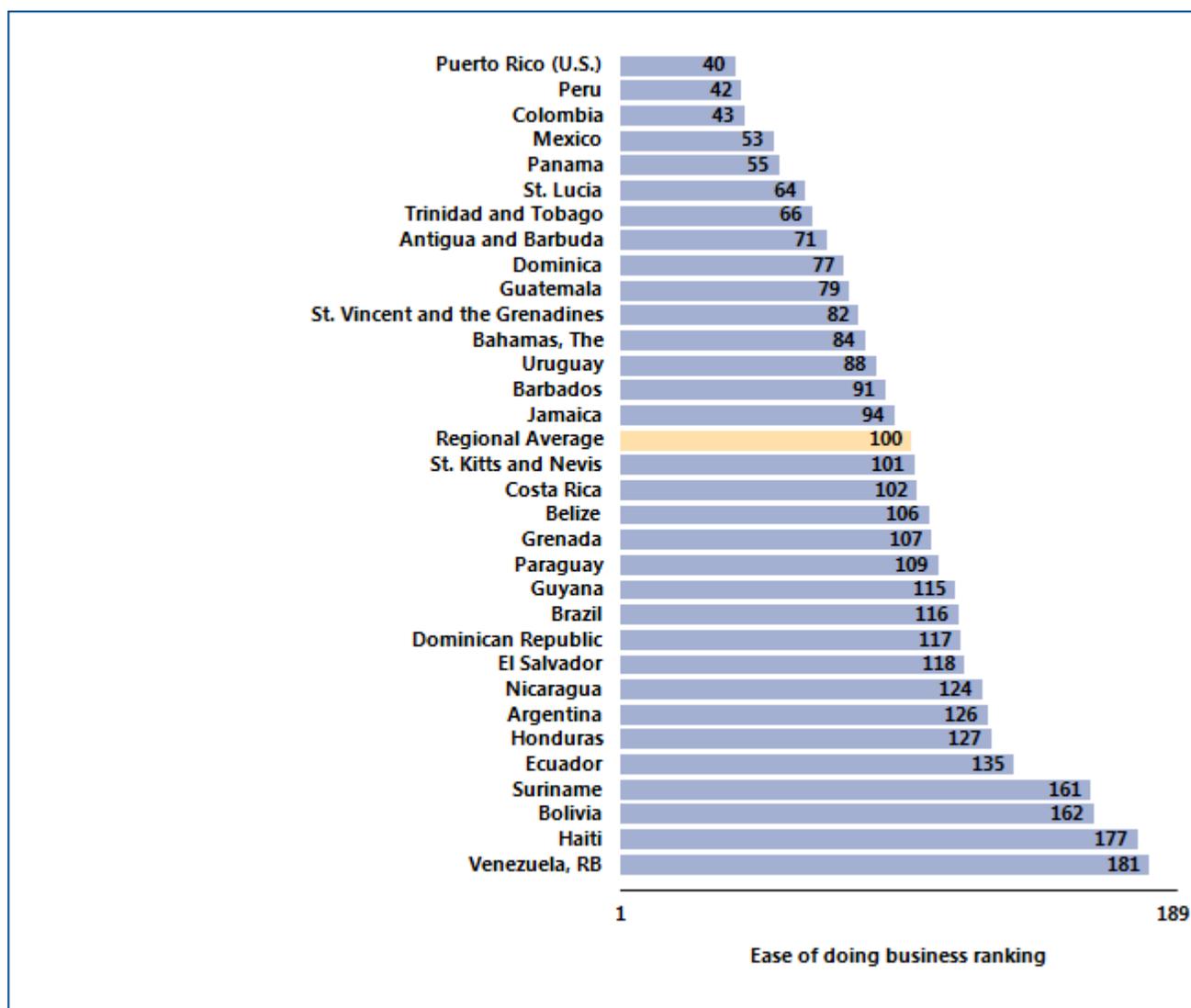


Source: *Doing Business* database.

## THE BUSINESS ENVIRONMENT

For policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful. Also useful is to know how it ranks compared with other economies in the region and compared with the regional average (figure 1.2). Another perspective is provided by the regional average rankings on the topics included in the ease of doing business index (figure 1.3).

Figure 1.2 How economies in Latin America & Caribbean (LAC) rank on the ease of doing business



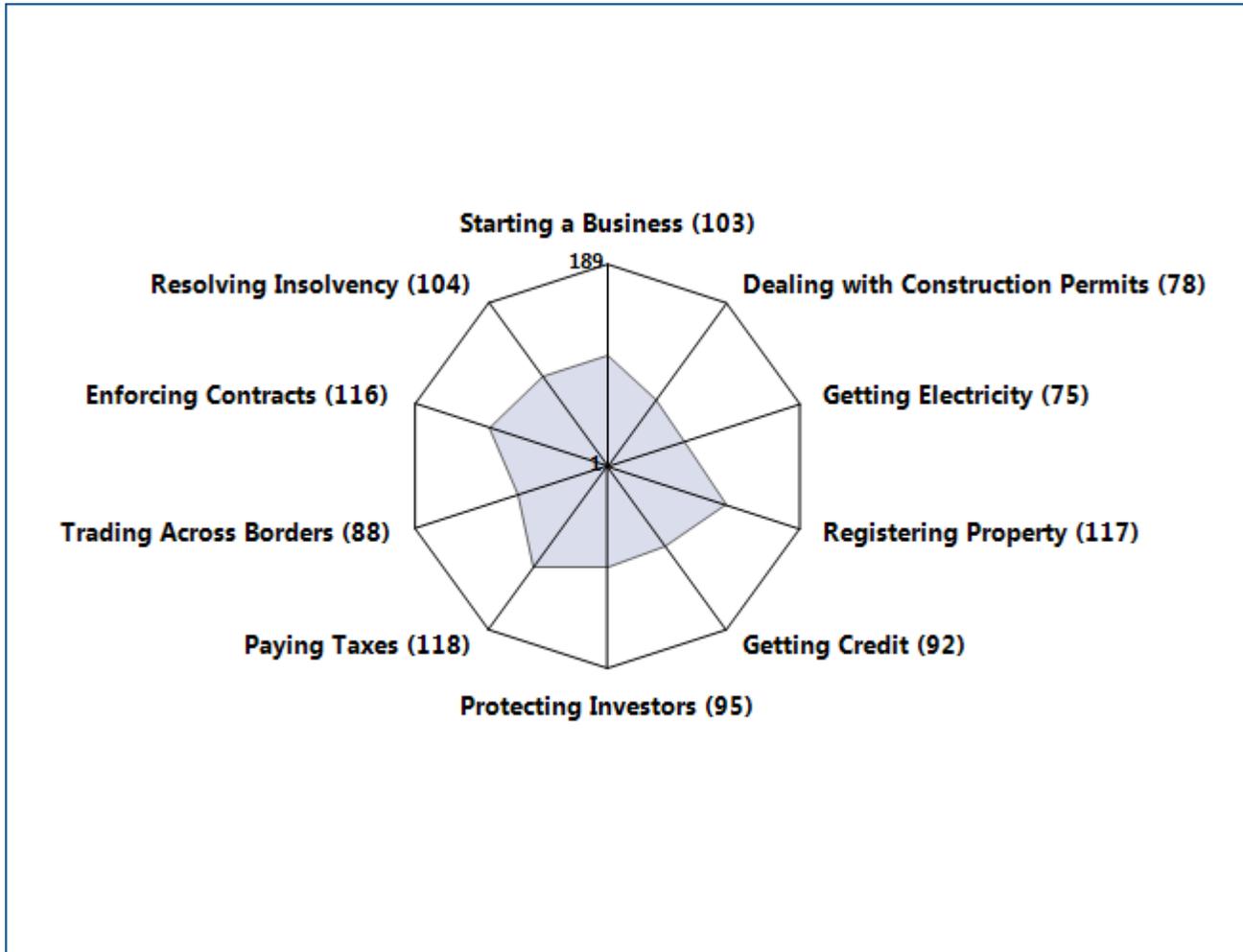
\*The economy with the best performance globally is included as a benchmark.

Source: *Doing Business* database.

## THE BUSINESS ENVIRONMENT

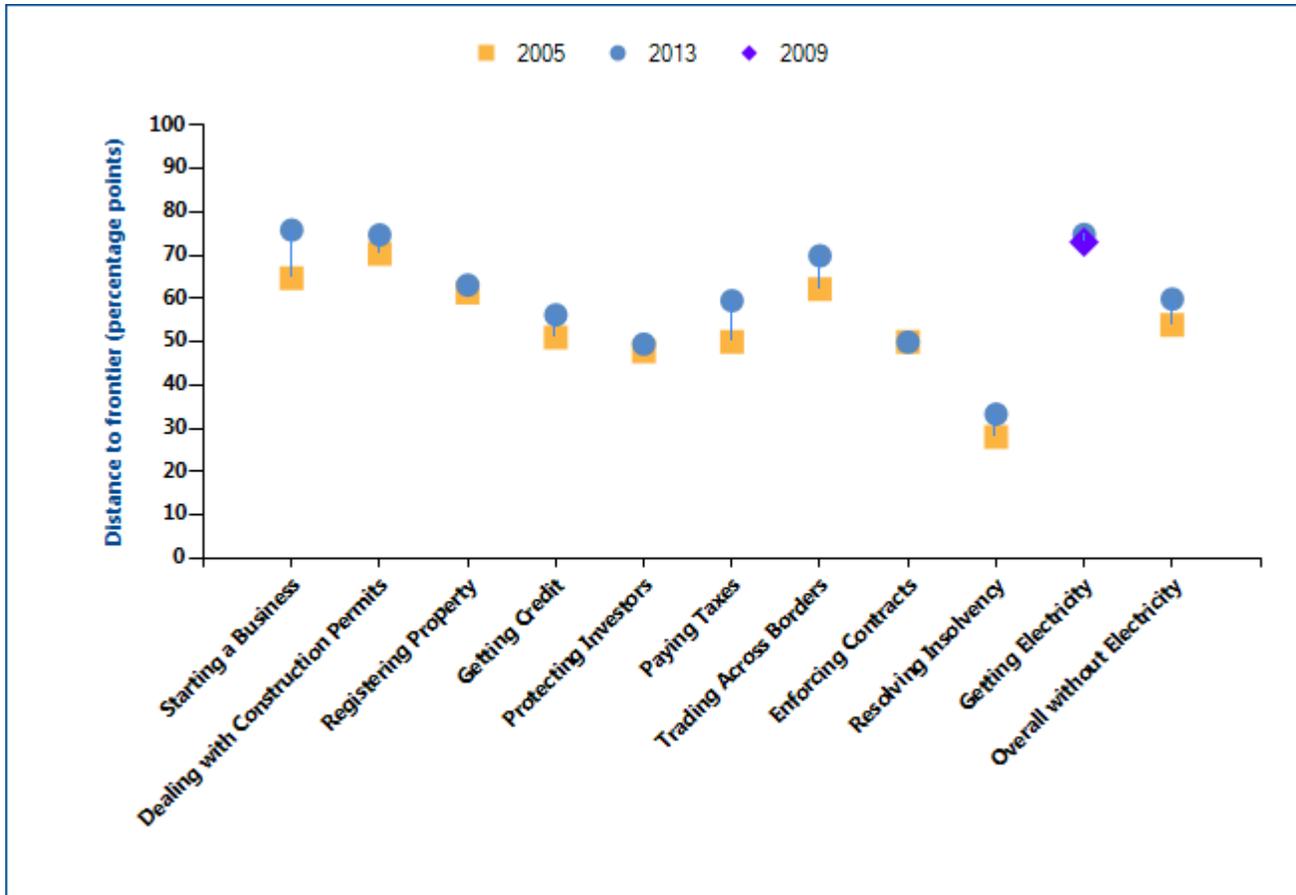
Figure 1.3 How Latin America & Caribbean (LAC) ranks on *Doing Business* topics

Regional average ranking



Source: *Doing Business* database.

Figure 1.4 How far has Latin America & Caribbean (LAC) come in the areas measured by Doing Business?



Note: The distance to frontier measure shows how far on average a region is from the best performance achieved by any region on each *Doing Business* indicator since 2005, except for the getting electricity indicators, which were introduced in 2009. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). The overall distance to frontier is the average of the distance to frontier in the first 9 indicator sets shown in the figure and does not include getting electricity. Data on the overall distance to frontier including getting electricity is available at <http://www.doingbusiness.org/data/distance-to-frontier>. See the data notes for more details on the distance to frontier measure.

Source: *Doing Business* database.

## THE BUSINESS ENVIRONMENT

Just as the overall ranking on the ease of doing business tells only part of the story, so do changes in that ranking. Yearly movements in rankings can provide some indication of changes in an economy's regulatory environment for firms, but they are always relative. An economy's ranking might change because of developments in other economies. An economy that implemented business regulation reforms may fail to rise in the rankings (or may even drop) if it is passed by others whose business regulation reforms had a

more significant impact as measured by *Doing Business*.

The absolute values of the indicators tell another part of the story (table 1.1). Policy makers can learn much by comparing the indicators for their economy with those for the lowest- and highest-scoring economies in the region as well as those for the best performers globally. These comparisons may reveal unexpected strengths in an area of business regulation—such as a regulatory process that can be completed with a small number of procedures in a few days and at a low cost.

Table 1.1 Summary of *Doing Business* indicators for Latin America & Caribbean (LAC)

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
<b>Starting a Business (rank)</b>	187 (Haiti)	18 (Puerto Rico (U.S.))	103	1 (New Zealand)
Procedures (number)	17 (Venezuela, RB)	5 (5 Economies*)	9	1 (New Zealand)*
Time (days)	208.0 (Suriname)	6.0 (Puerto Rico (U.S.))	36.1	0.5 (New Zealand)
Cost (% of income per capita)	264.8 (Haiti)	0.8 (Trinidad and Tobago)	33.0	0.0 (Slovenia)
Paid-in Min. Capital (% of income per capita)	46.0 (Dominican Republic)	0.0 (23 Economies*)	3.6	0.0 (112 Economies*)
<b>Dealing with Construction Permits (rank)</b>	181 (Argentina)	6 (St. Vincent and the Grenadines)	78	1 (Hong Kong SAR, China)
Procedures (number)	24 (Argentina)*	7 (St. Lucia)	13	6 (Hong Kong SAR, China)
Time (days)	1,129.0 (Haiti)	54.0 (Colombia)	215.5	26.0 (Singapore)
Cost (% of income per capita)	627.1 (Haiti)	5.2 (St. Kitts and Nevis)	136.6	1.1 (Qatar)
<b>Getting Electricity (rank)</b>	167 (Venezuela, RB)	10 (Trinidad and Tobago)	75	1 (Iceland)
Procedures (number)	8 (4 Economies*)	3 (St. Vincent and the Grenadines)	6	3 (10 Economies*)
Time (days)	158 (Venezuela, RB)	18 (St. Kitts and Nevis)	65	17 (Germany)
Cost (% of income per	3,800.1 (Haiti)	7.0 (Trinidad and	502.5	0.0 (Japan)

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
capita)		Tobago)		
<b>Registering Property (rank)</b>	182 (Bahamas, The)	22 (Peru)	117	1 (Georgia)
Procedures (number)	14 (Brazil)	4 (Peru)*	7	1 (4 Economies*)
Time (days)	312.0 (Haiti)	6.5 (Peru)	65.0	1.0 (New Zealand)*
Cost (% of property value)	13.7 (Suriname)	0.8 (Guatemala)	6.0	0.0 (5 Economies*)
<b>Getting Credit (rank)</b>	170 (Suriname)*	(3 Economies*)	92	1 (Malaysia)*
Strength of legal rights index (0-10)	1 (Bolivia)	9 (5 Economies*)	6	10 (10 Economies*)
Depth of credit information index (0-6)	2 (Haiti)	6 (13 Economies*)	5	6 (31 Economies*)
Public registry coverage (% of adults)	1.1 (Haiti)	80.2 (Uruguay)	31.4	100.0 (Portugal)*
Private bureau coverage (% of adults)	8.6 (Guatemala)	100.0 (5 Economies*)	63.1	100.0 (22 Economies*)
<b>Protecting Investors (rank)</b>	186 (Suriname)	6 (Colombia)	95	1 (New Zealand)
Extent of disclosure index (0-10)	0 (Honduras)	9 (Peru)	4	10 (10 Economies*)
Extent of director liability index (0-10)	0 (Suriname)*	9 (Trinidad and Tobago)	5	10 (Cambodia)
Ease of shareholder suits index (0-10)	2 (Venezuela, RB)*	8 (4 Economies*)	6	10 (3 Economies*)
Strength of investor protection index (0-10)	2.0 (Suriname)	8.3 (Colombia)	4.9	9.7 (New Zealand)
<b>Paying Taxes (rank)</b>	187 (Venezuela, RB)	45 (St. Lucia)	118	1 (United Arab Emirates)
Payments (number per year)	71 (Venezuela, RB)	6 (Mexico)	30	3 (Hong Kong SAR, China)*
Time (hours per year)	2,600 (Brazil)	58 (Bahamas, The)	369	12 (United Arab Emirates)
<b>Trading Across Borders (rank)</b>	173 (Venezuela, RB)	11 (Panama)	88	1 (Singapore)
Documents to export (number)	8 (4 Economies*)	3 (Panama)	6	2 (Ireland)*
Time to export (days)	56 (Venezuela, RB)	8 (Dominican Republic)	17	6 (5 Economies*)

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
Cost to export (US\$ per container)	3,490 (Venezuela, RB)	585 (St. Vincent and the Grenadines)	1,283	450 (Malaysia)
Documents to import (number)	10 (Haiti)*	3 (Panama)	7	2 (Ireland)*
Time to import (days)	82 (Venezuela, RB)	8 (Barbados)	19	4 (Singapore)
Cost to import (US\$ per container)	3,695 (Venezuela, RB)	720 (Guyana)	1,676	440 (Singapore)
<b>Enforcing Contracts (rank)</b>	184 (Suriname)	47 (Nicaragua)	116	1 (Luxembourg)
Time (days)	1,715 (Suriname)	351 (Antigua and Barbuda)	734	150 (Singapore)
Cost (% of claim)	50.0 (Panama)	16.5 (Brazil)	31.0	0.1 (Bhutan)
Procedures (number)	51 (Belize)	30 (Venezuela, RB)	40	21 (Singapore)*
<b>Resolving Insolvency (rank)</b>	189 (Haiti)	21 (Puerto Rico (U.S.))	104	1 (Japan)
Time (years)	5.3 (Ecuador)	1.0 (Belize)	2.9	0.4 (Ireland)
Cost (% of estate)	38 (Venezuela, RB)*	6 (Colombia)	16	1 (Norway)
Recovery rate (cents on the dollar)	6.5 (Venezuela, RB)	73.4 (Puerto Rico (U.S.))	31.4	92.8 (Japan)

\* Two or more economies share the top ranking on this indicator. A number shown in place of an economy's name indicates the number of economies that share the top ranking on the indicator. For a list of these economies, see the *Doing Business* website (<http://www.doingbusiness.org>).

Source: *Doing Business* database.

## STARTING A BUSINESS

Formal registration of companies has many immediate benefits for the companies and for business owners and employees. Legal entities outlive their founders. Resources are pooled as several shareholders join forces to start a company. Formally registered companies have access to services and institutions from courts to banks as well as to new markets. And their employees can benefit from protections provided by the law. An additional benefit comes with limited liability companies. These limit the financial liability of company owners to their investments, so personal assets of the owners are not put at risk.

Where governments make this process easy, more entrepreneurs start businesses in the formal sector, creating more good jobs and generating more revenue for the government.

### What do the indicators cover?

*Doing Business* measures the ease of starting a business in an economy by recording all procedures officially required or commonly done in practice by an entrepreneur to start up and formally operate an industrial or commercial business—as well as the time and cost required to complete these procedures. It also records the paid-in minimum capital that companies must deposit before registration. The ranking on the ease of starting a business is the simple average of the percentile rankings on the 4 component indicators: procedures, time, cost and paid-in minimum capital requirement.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the procedures. It assumes that all information is readily available to the entrepreneur and that there has been no prior contact with officials. It also assumes that the entrepreneur will pay no bribes. And it assumes that the business:

- Is a 100% domestically owned limited liability company, located in the largest business city.
- Has between 10 and 50 employees.

### WHAT THE STARTING A BUSINESS

#### INDICATORS MEASURE

#### Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration in the economy's largest business city
- Postregistration (for example, social security registration, company seal)

#### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day (2 procedures cannot start on the same day). Procedures that can be fully completed online are an exception to this rule.
- Procedure considered completed once final document is received
- No prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law

#### Paid-in minimum capital (% of income per capita)

- Funds deposited in a bank or with a notary before registration (or within 3 months)
- Conducts general commercial or industrial activities.
- Has a start-up capital of 10 times income per capita and has a turnover of at least 100 times income per capita.
- Does not qualify for any special benefits.
- Does not own real estate.

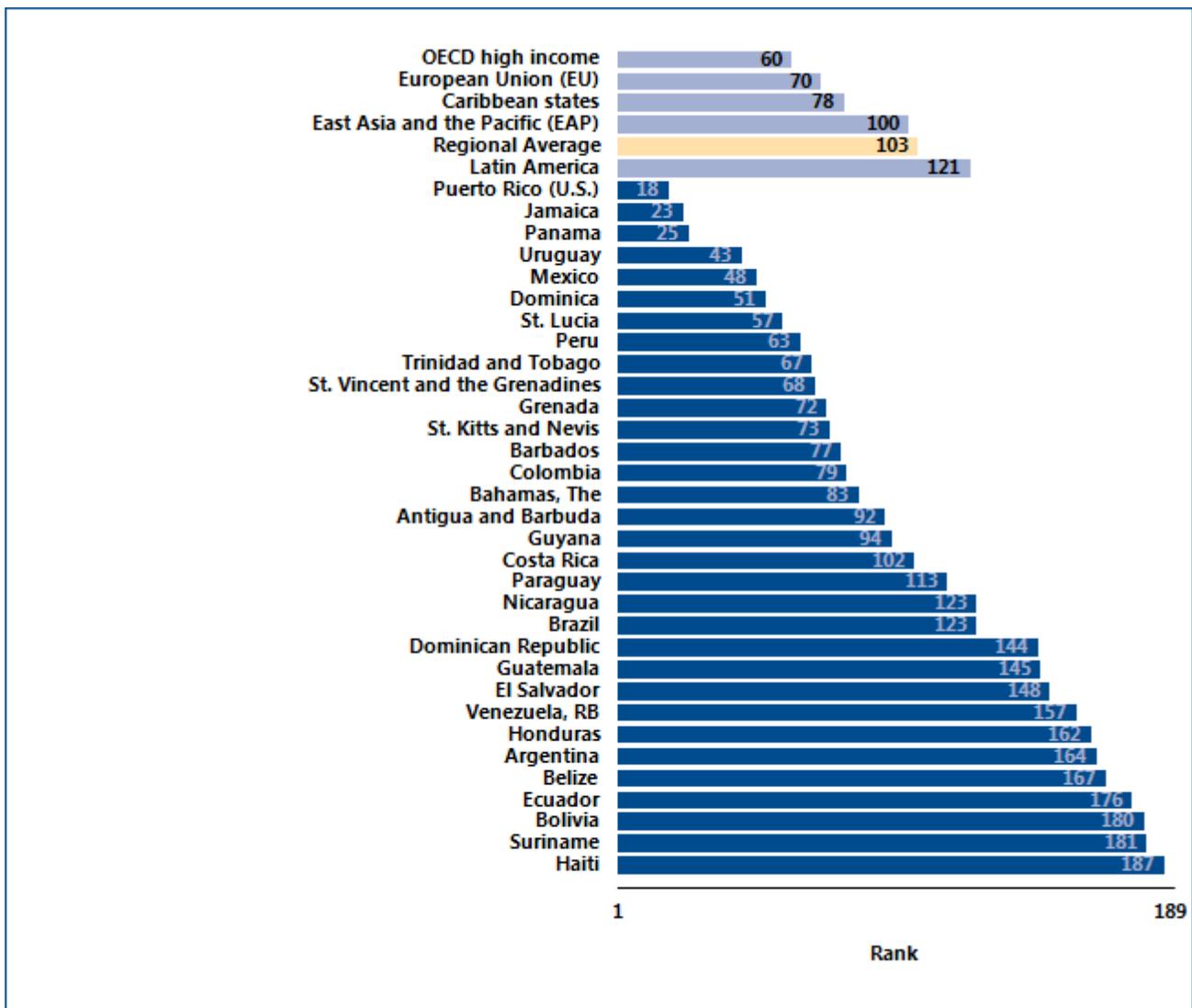
## STARTING A BUSINESS

### Where do the region's economies stand today?

How easy is it for entrepreneurs in economies in Latin America & Caribbean (LAC) to start a business? The global rankings of these economies on the ease of

starting a business suggest an answer (figure 2.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 2.1 How economies in Latin America & Caribbean (LAC) rank on the ease of starting a business



Source: Doing Business database.

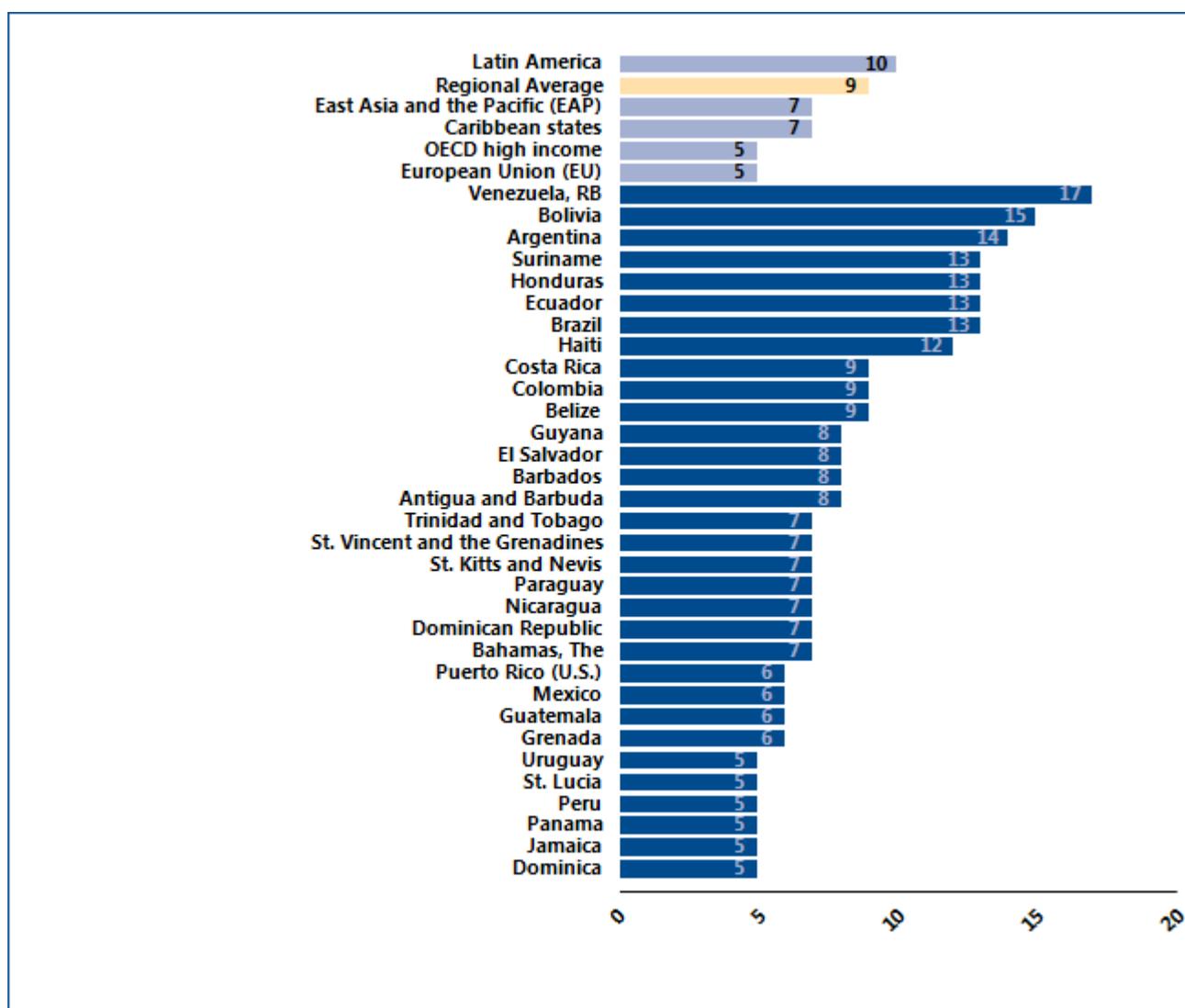
## STARTING A BUSINESS

The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to start a business in each economy in the region: the number of procedures, the time, the

cost and the paid-in minimum capital requirement (figure 2.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

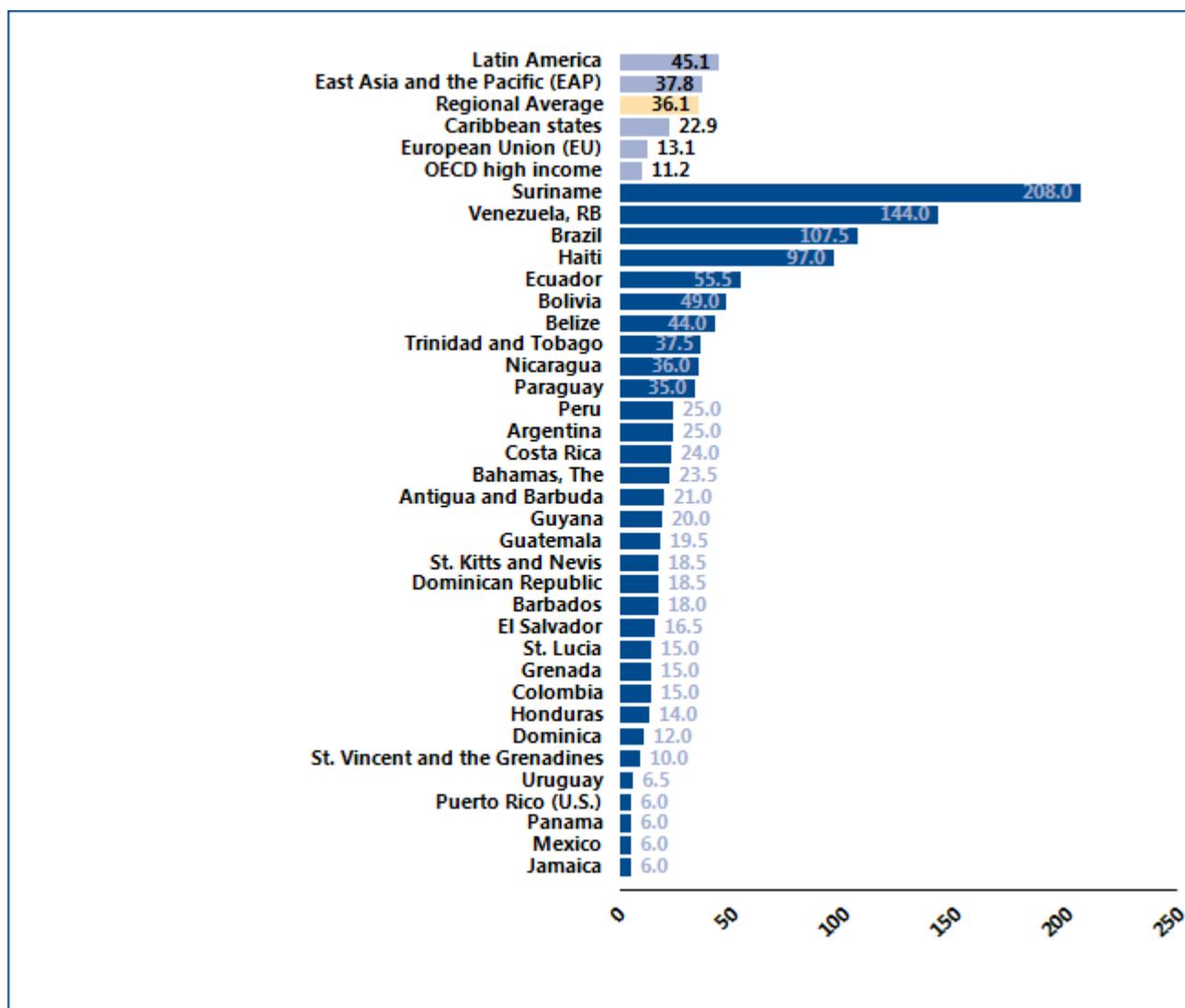
Figure 2.2 What it takes to start a business in economies in Latin America & Caribbean (LAC)

### Procedures (number)



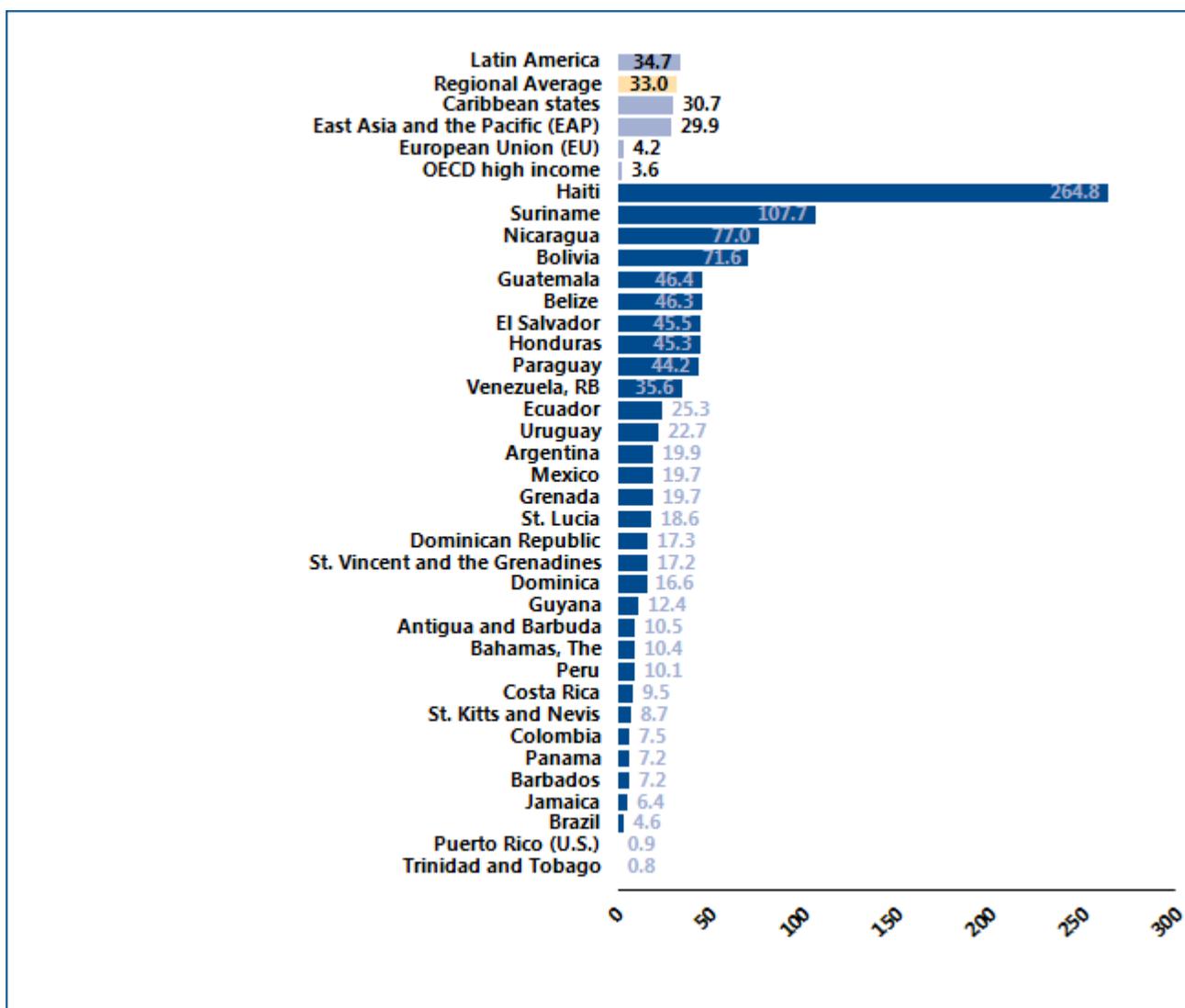
STARTING A BUSINESS

Time (days)



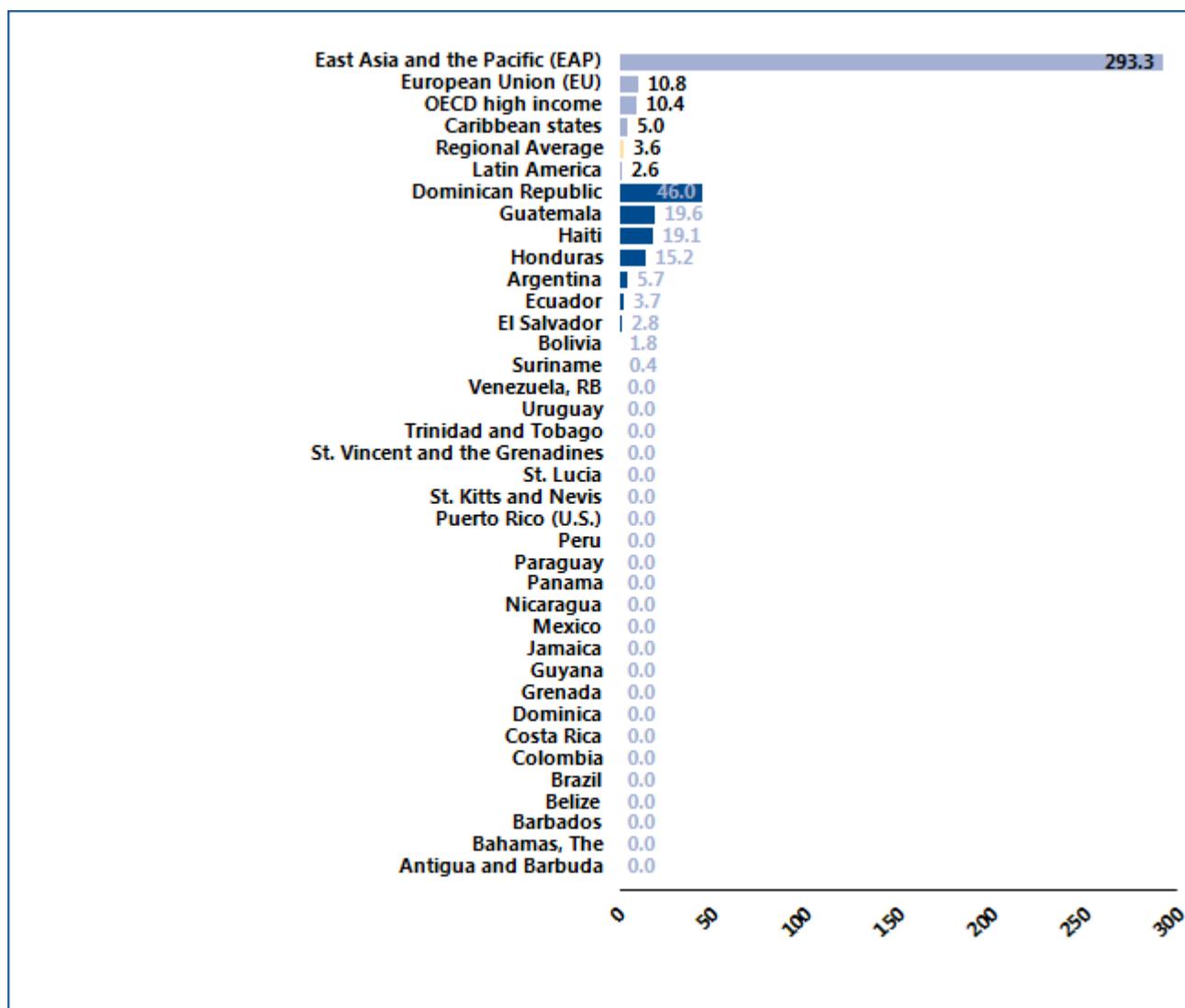
STARTING A BUSINESS

Cost (% of income per capita)



STARTING A BUSINESS

Paid-in minimum capital (% of income per capita)



Source: Doing Business database.

## STARTING A BUSINESS

### What are the changes over time?

Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology, and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages—and often as part of a larger regulatory reform program. Among the benefits have been greater firm

satisfaction and savings and more registered businesses, financial resources and job opportunities.

What business registration reforms has *Doing Business* recorded in Latin America & Caribbean (LAC) (table 2.1)?

Table 2.1 How have economies in Latin America & Caribbean (LAC) made starting a business easier—or not? By *Doing Business* report year

DB year	Economy	Reform
DB2008	<i>Dominican Republic</i>	The Dominican Republic shortened the time to register a company by simplifying the name registration process and introducing online tax registration.
DB2008	<i>Guatemala</i>	With the full implementation of the one stop shop, procedures and time for new company registration were reduced.
DB2008	<i>Honduras</i>	Honduras made starting a business faster by simplifying the municipal licensing procedures.
DB2008	<i>Paraguay</i>	Paraguay made starting a business faster by creating a one-stop shop and linking multiple agencies to the one-stop shop.
DB2009	<i>Colombia</i>	Online company registration was introduced and other registration formalities were simplified including the certificates and the books resulting in time, cost and number of procedures reduction.
DB2009	<i>Costa Rica</i>	Tax registration records and company books were digitalized resulting in considerable time reduction.
DB2009	<i>Dominican Republic</i>	A virtual facility was established where registration formalities could be completed online, and tax cost was reduced substantially.
DB2009	<i>El Salvador</i>	A new commercial code reduced the minimum capital requirement, simplified the legalization of accounting books and eased publication requirements
DB2009	<i>Panama</i>	The introduction of the on-line system for company creation reduced the time to obtain business license tremendously.
DB2009	<i>Uruguay</i>	Minimum capital requirement was abolished.

DB year	Economy	Reform
DB2010	<i>Argentina</i>	Argentina no longer requires registration at the private pension and the publication process is expedited, thus easing the process of business start-up.
DB2010	<i>Brazil</i>	Brazil eased the process of starting a business by removing the requirement to obtain a fire brigade license and inspection before obtaining an operational license from the municipality
DB2010	<i>Colombia</i>	Colombia eased the business start-up process by establishing a new public-private health provider (Nueva EPS) that enables faster affiliation of employees, and also set up a tool to pre-enroll online with the ISS (Social Security).
DB2010	<i>Guyana</i>	Guyana eased the process of starting a business by applying a flat registration fee for all companies, regardless of their capital amount. It also removed the duty payable upon incorporation, and streamlined the registration with the tax authorities with the introduction of a unique Tax Identification Number (TIN) system.
DB2010	<i>Honduras</i>	Honduras simplified business start up by improving the efficiency of the registration process at the one stop shop, improving the registration for tax process and eliminating the need for lawyer services in order to obtain a municipal license.
DB2010	<i>Mexico</i>	Mexico eased the business start-up process by establishing an electronic platform for company registration, reducing the number of days for registration substantially, and by removing the requirement to register with the statistical office.
DB2010	<i>Peru</i>	Peru simplified business start up by allowing submission of electronic payroll books online at no cost and making the company forms available on line.
DB2010	<i>St. Lucia</i>	St. Lucia eased up the business start- up process by making it possible to reserve/ check availability of company name on-line.
DB2010	<i>St. Vincent and the Grenadines</i>	St Vincent eased business start up process by abolishing the requirement to have a company rubber seal.
DB2011	<i>Brazil</i>	Brazil eased business start-up by further enhancing the electronic synchronization between federal and state tax authorities.
DB2011	<i>Colombia</i>	Colombia eased the process of Starting a Business by reducing the number of days to register with the Social Security System.
DB2011	<i>Dominican Republic</i>	The Dominican Republic made it more difficult to start a business by setting a minimum capital requirement of 100,000 Dominican pesos (\$2,855) for its new type of company, sociedad de responsabilidad limitada (limited

DB year	Economy	Reform
		liability company).
DB2011	<i>Ecuador</i>	Ecuador made starting a business easier by introducing an online registration system for social security.
DB2011	<i>Grenada</i>	Grenada eased business start-up by transferring responsibility for the commercial registry from the courts to the civil administration.
DB2011	<i>Guyana</i>	Guyana eased business start-up by digitizing company records, which speeded up the process of company name search and reservation.
DB2011	<i>Haiti</i>	Haiti eased business start-up by eliminating the review by the president's or the prime minister's office of the incorporation act submitted for publication.
DB2011	<i>Mexico</i>	Mexico launched an online one-stop shop for initiating business registration.
DB2011	<i>Panama</i>	Panama eased business start-up by increasing efficiency at the registrar.
DB2011	<i>Peru</i>	Peru eased business start-up by simplifying the requirements for operating licenses and creating an online one-stop shop for business registration.
DB2011	<i>Venezuela, RB</i>	República Bolivariana de Venezuela made starting a business more difficult by introducing a new procedure for registering a company.
DB2012	<i>Colombia</i>	Colombia reduced the costs associated with starting a business, by no longer requiring upfront payment of the commercial license fee.
DB2012	<i>Dominican Republic</i>	The Dominican Republic made starting a business easier by eliminating the requirement for a proof of deposit of capital when establishing a new company.
DB2012	<i>Guyana</i>	Guyana eased the process of starting a business by reducing the time needed for registering a new company and for obtaining a tax identification number.
DB2012	<i>Panama</i>	Panama extended the operating hours of the public registry, reducing the time required to register a new company.
DB2012	<i>Peru</i>	Peru made starting a business easier by eliminating the requirement for micro and small enterprises to deposit start-up capital in a bank before registration.
DB2012	<i>Puerto Rico (U.S.)</i>	Puerto Rico (territory of the United States) made starting a business easier by merging the name search and company registration procedures.
DB2012	<i>Uruguay</i>	Uruguay made starting a business easier by establishing a one-stop shop for general commercial companies.

DB year	Economy	Reform
DB2013	<i>Colombia</i>	Colombia made starting a business easier by eliminating the requirement to purchase and register accounting books at the time of incorporation.
DB2013	<i>Costa Rica</i>	Costa Rica made starting a business easier by streamlining the process of obtaining a sanitary permit from the authorities for low-risk activities.
DB2013	<i>Mexico</i>	Mexico made starting a business easier by eliminating the minimum capital requirement for limited liability companies.
DB2013	<i>Venezuela, RB</i>	República Bolivariana de Venezuela made starting a business more difficult by increasing the cost of company incorporation.
DB2014	<i>Argentina</i>	Argentina made starting a business more difficult by increasing the incorporation costs.
DB2014	<i>Costa Rica</i>	Costa Rica made starting a business easier by creating an online platform for business registration, reducing the time to register with social security and simplifying the legalization of company books.
DB2014	<i>Guatemala</i>	Guatemala made starting a business easier by creating an online platform that allows simultaneous registration of a new company with different government agencies.
DB2014	<i>Jamaica</i>	Jamaica made starting a business easier by enabling the Companies Office of Jamaica to stamp the new company's articles of incorporation at registration.
DB2014	<i>Nicaragua</i>	Nicaragua made starting a business easier by merging the procedures for registering with the revenue authority and with the municipality and by reducing the time required for incorporation.
DB2014	<i>Panama</i>	Panama made starting a business easier by eliminating the need to visit the municipality to obtain the municipal taxpayer number.
DB2014	<i>Suriname</i>	Suriname made starting a business easier by reducing the time required to obtain the president's approval for the registration of a new company.
DB2014	<i>Trinidad and Tobago</i>	Trinidad and Tobago made starting a business easier by merging the statutory declaration of compliance into the standard articles of incorporation form.
DB2014	<i>Venezuela, RB</i>	República Bolivariana de Venezuela made starting a business more costly by increasing the company registration fees.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## DEALING WITH CONSTRUCTION PERMITS

Regulation of construction is critical to protect the public. But it needs to be efficient, to avoid excessive constraints on a sector that plays an important part in every economy. Where complying with building regulations is excessively costly in time and money, many builders opt out. They may pay bribes to pass inspections or simply build illegally, leading to hazardous construction that puts public safety at risk. Where compliance is simple, straightforward and inexpensive, everyone is better off.

### What do the indicators cover?

*Doing Business* records the procedures, time and cost for a business in the construction industry to obtain all the necessary approvals to build a simple commercial warehouse in the economy's main city, connect it to basic utilities and register the property so that it can be used as collateral or transferred to another entity.

The ranking on the ease of dealing with construction permits is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the warehouse, including the utility connections.

The business:

- Is a limited liability company operating in the construction business and located in the largest business city.
- Is domestically owned and operated.
- Has 60 builders and other employees.

The warehouse:

- Is a new construction (there was no previous construction on the land).
- Has complete architectural and technical plans prepared by a licensed architect or engineer.

### WHAT THE DEALING WITH CONSTRUCTION PERMITS INDICATORS MEASURE

#### Procedures to legally build a warehouse (number)

Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates

Submitting all required notifications and receiving all necessary inspections

Obtaining utility connections for water, sewerage and a land telephone line

Registering the warehouse after its completion (if required for use as collateral or for transfer of warehouse)

#### Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are an exception to this rule.

Procedure completed once final document is received

No prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

Official costs only, no bribes

- Will be connected to water, sewerage (sewage system, septic tank or their equivalent) and a fixed telephone line.
- The connection to each utility network will be 10 meters (32 feet, 10 inches) long.
- Will be used for general storage, such as of books or stationery (not for goods requiring special conditions).
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

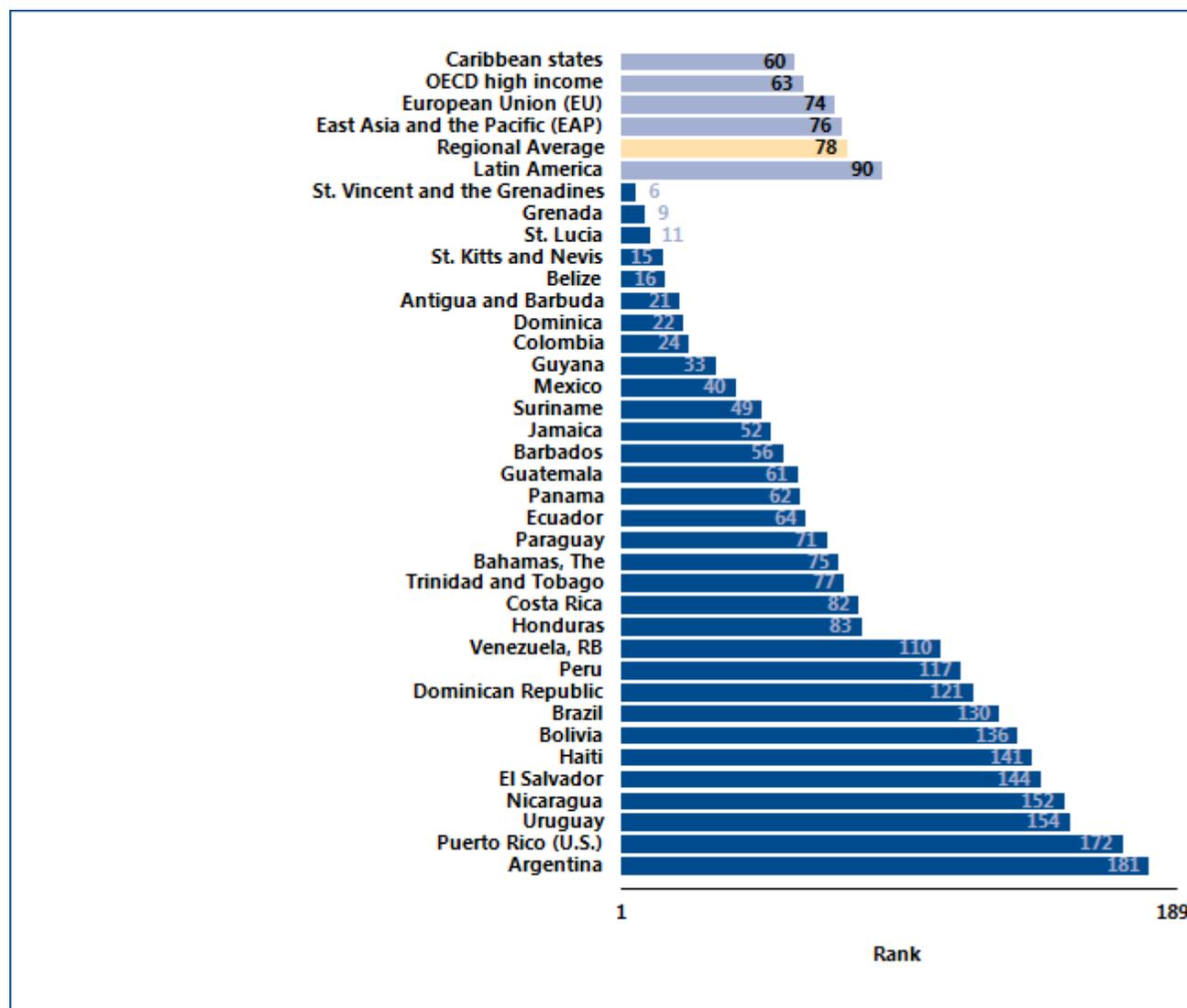
## DEALING WITH CONSTRUCTION PERMITS

### Where do the region's economies stand today?

How easy it is for entrepreneurs in economies in Latin America & Caribbean (LAC) to legally build a warehouse? The global rankings of these economies on the ease of dealing with construction permits

suggest an answer (figure 3.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 3.1 How economies in Latin America & Caribbean (LAC) rank on the ease of dealing with construction permits



Source: Doing Business database.

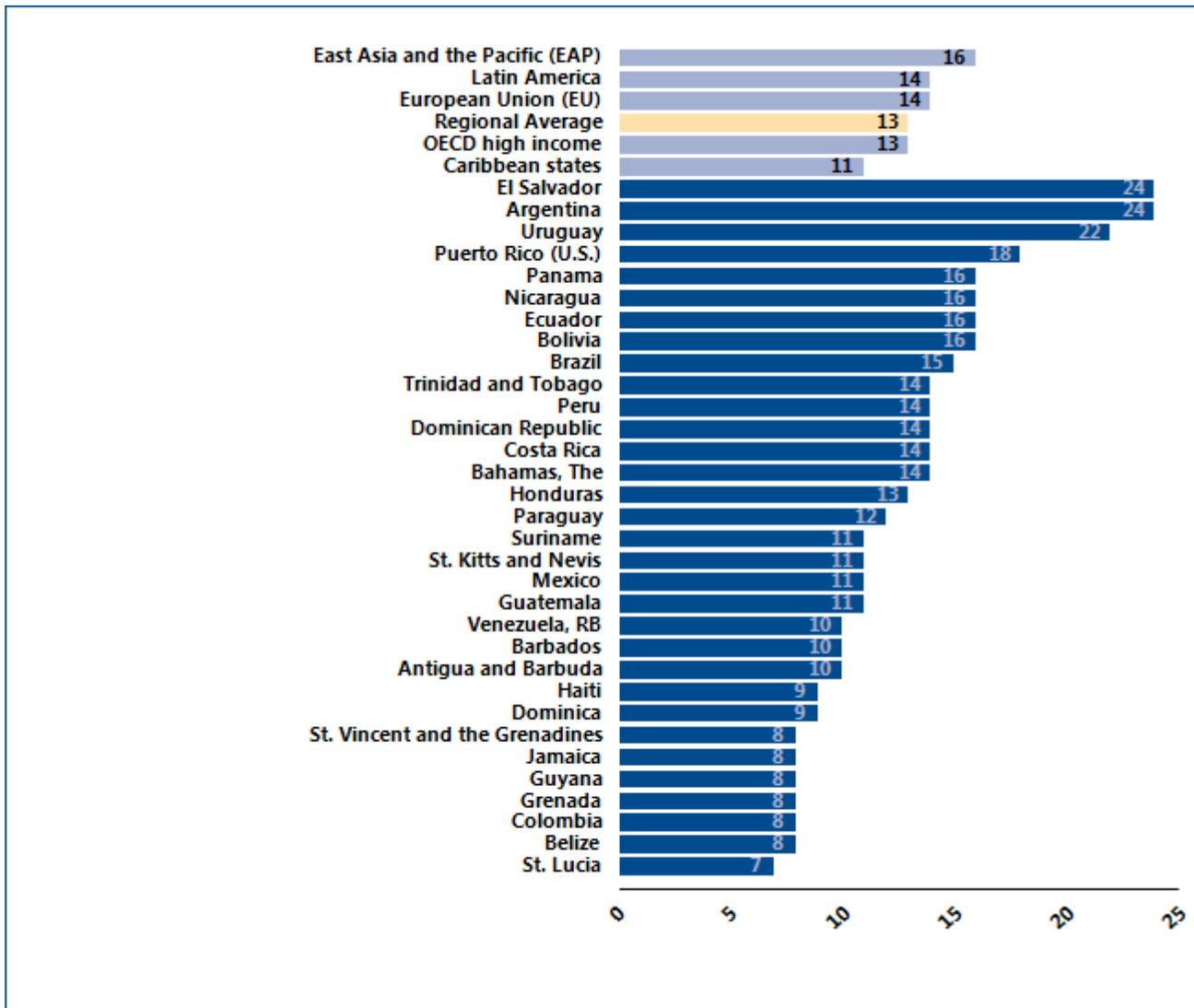
## DEALING WITH CONSTRUCTION PERMITS

The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to comply with formalities to build a warehouse in each economy in the region: the number

of procedures, the time and the cost (figure 3.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

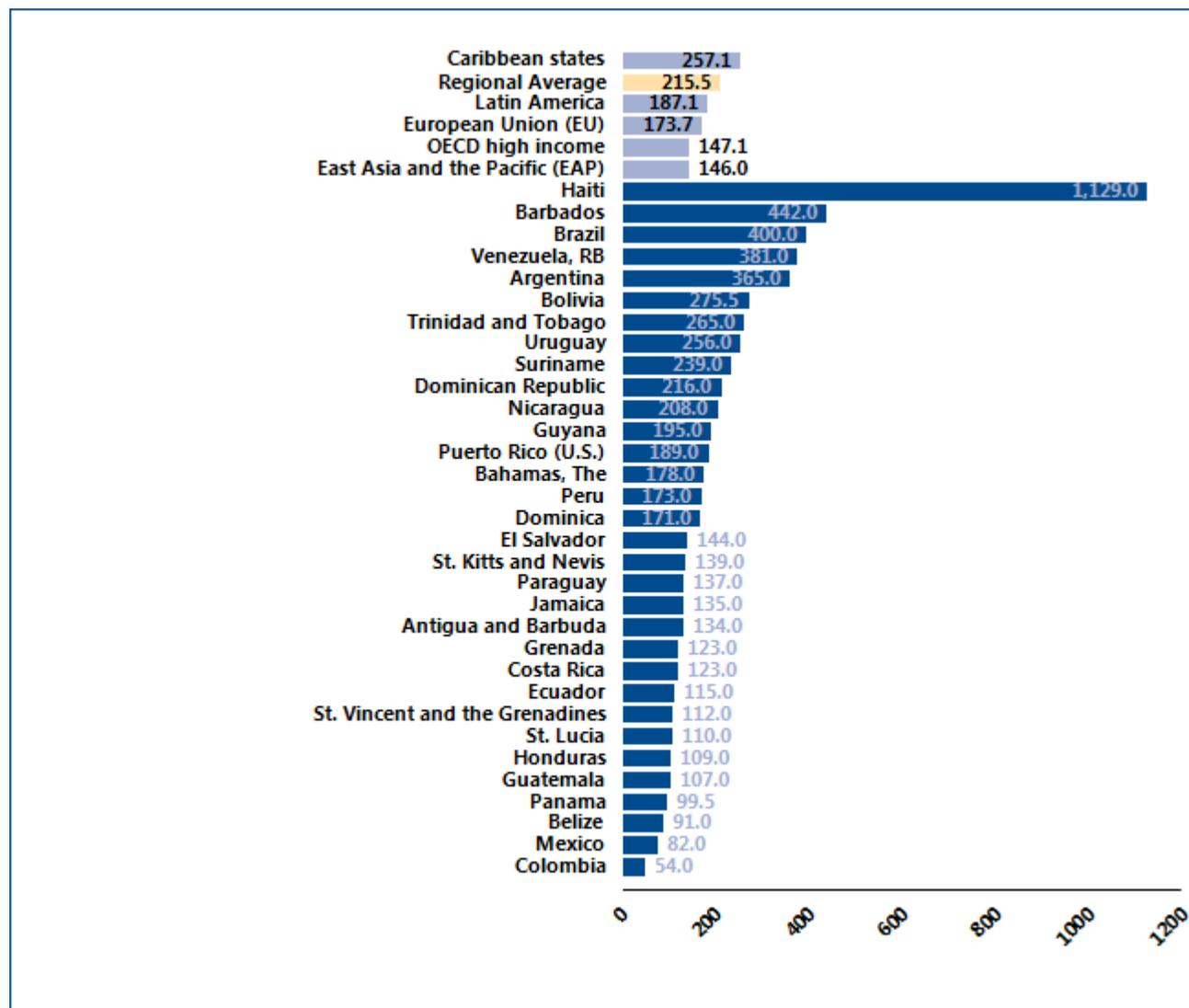
Figure 3.2 What it takes to comply with formalities to build a warehouse in economies in Latin America & Caribbean (LAC)

### Procedures (number)



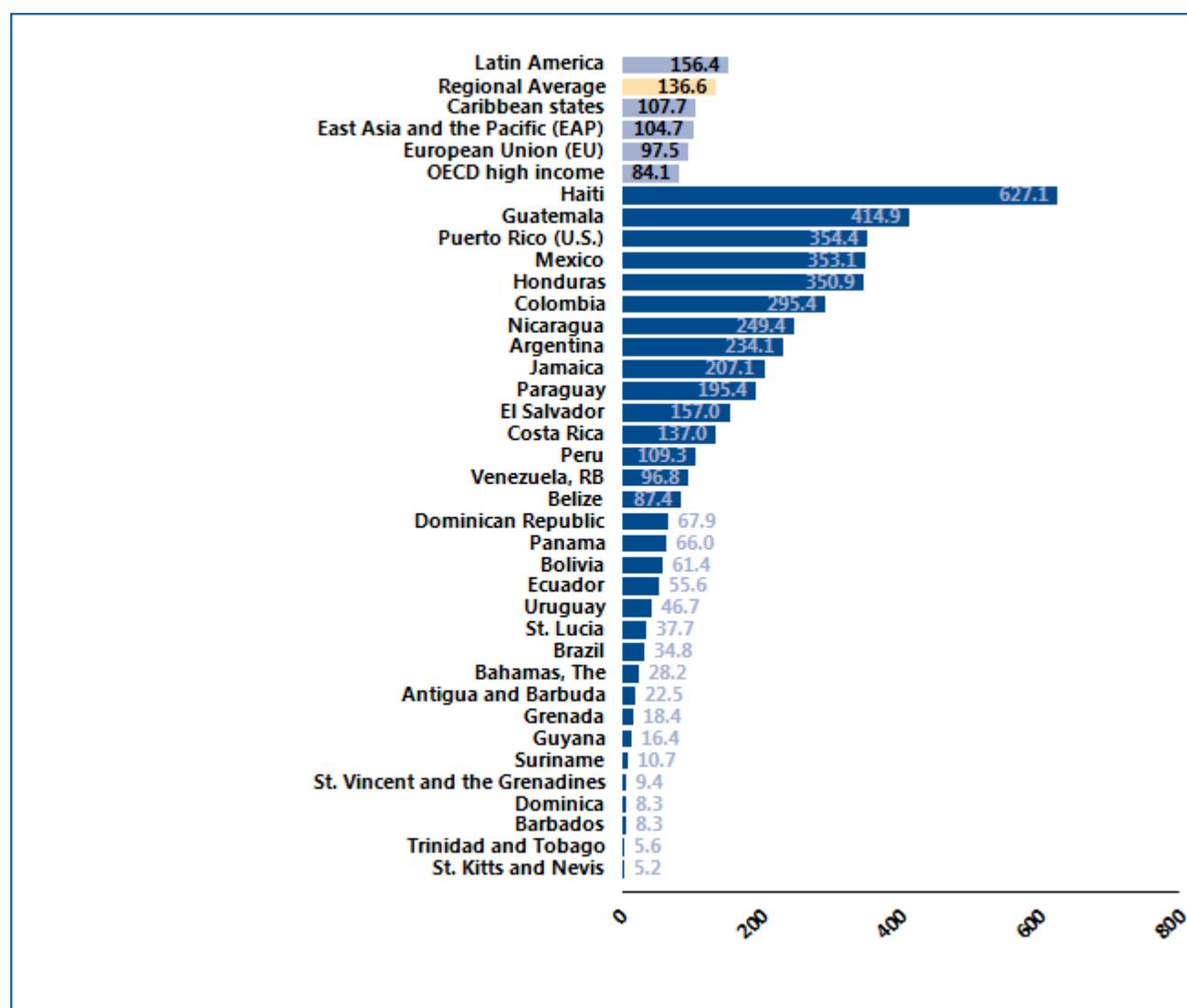
## DEALING WITH CONSTRUCTION PERMITS

Time (days)



## DEALING WITH CONSTRUCTION PERMITS

## Cost (% of income per capita)



\* Indicates a "no practice" mark. See the data notes for details.

Source: *Doing Business* database.

## DEALING WITH CONSTRUCTION PERMITS

### What are the changes over time?

Smart regulation ensures that standards are met while making compliance easy and accessible to all. Coherent and transparent rules, efficient processes and adequate allocation of resources are especially important in sectors where safety is at stake. Construction is one of them. In an effort to ensure building safety while keeping compliance costs reasonable, governments around the world have

worked on consolidating permitting requirements. What construction permitting reforms has *Doing Business* recorded in Latin America & Caribbean (LAC) (table 3.1)?

Table 3.1 How have economies in Latin America & Caribbean (LAC) made dealing with construction permits easier—or not?

By *Doing Business* report year

DB year	Economy	Reform
DB2008	<i>Guatemala</i>	Guatemala made obtaining construction permits less time consuming by accelerating the issuance of the favorable decision.
DB2008	<i>Honduras</i>	Honduras made obtaining construction permits easier by implementing administrative reform that reduces the time to obtain an environmental license from SERNA and decreased the time to obtain approval for a phone line.
DB2009	<i>Colombia</i>	Colombia made obtaining construction permits easier by fully adopting the "silence-is-consent" that reduces the total time to deal with building permits by 32 days, and a new unified application form for building permits eliminated 1 procedure.
DB2009	<i>Jamaica</i>	As part of an initiative to improve administrative efficiency, the Government introduced a statutory time limit for the issuance of building permits, reducing the time to build a warehouse by 80 days.
DB2010	<i>Colombia</i>	Colombia has eased the process of dealing with construction permits with a new construction decree that categorizes building projects based on risk and allows electronic verification for certain documents
DB2010	<i>Guatemala</i>	Guatemala eased the process of dealing with construction permits with a new land management plan that simplified the process of approval based on a risk assessment scheme, and mixed zoning regimes made the process of approval

DB year	Economy	Reform
		much faster.
<b>DB2010</b>	<i>Honduras</i>	Honduras eased the process of dealing with construction permits through various administrative reforms within the Construction Control Department that led to a reduction of 19 days from the process.
<b>DB2010</b>	<i>Panama</i>	Panama eased the process of dealing with construction permits by reducing and simplifying some of the procedures.
<b>DB2011</b>	<i>Colombia</i>	Colombia eased construction permitting by improving the electronic verification of prebuilding certificates.
<b>DB2011</b>	<i>Mexico</i>	Mexico improved construction permitting by merging and streamlining procedures related to zoning and utilities.
<b>DB2011</b>	<i>Paraguay</i>	Paraguay made dealing with construction permits easier by creating a new administrative structure and a better tracking system in the municipality of Asunción.
<b>DB2011</b>	<i>Peru</i>	Peru streamlined construction permitting by implementing administrative reforms.
<b>DB2012</b>	<i>Haiti</i>	Haiti made dealing with construction permits costlier by increasing the fees to obtain a building permit.
<b>DB2012</b>	<i>Mexico</i>	Mexico made dealing with construction permits faster by consolidating internal administrative procedures.
<b>DB2012</b>	<i>Paraguay</i>	Paraguay made dealing with construction permits easier by implementing a risk-based approval system and a single window for obtaining construction permits.
<b>DB2012</b>	<i>Puerto Rico (U.S.)</i>	Puerto Rico (territory of the United States) made dealing with construction permits easier by creating the Office of Permits Management to streamline procedures.
<b>DB2012</b>	<i>Trinidad and Tobago</i>	Trinidad and Tobago made dealing with construction permits costlier by increasing the fees for building permit approvals.
<b>DB2013</b>	<i>Costa Rica</i>	Costa Rica streamlined the process for obtaining construction permits by implementing online approval systems.
<b>DB2013</b>	<i>Guatemala</i>	Guatemala made dealing with construction permits easier by introducing a risk-based approval system

DB year	Economy	Reform
<b>DB2013</b>	<i>Panama</i>	Panama made dealing with construction permits easier by reducing the fees for a permit from the fire department's safety office and by accelerating the process at the building registry for obtaining a certificate of good standing and for registering the new building.
<b>DB2013</b>	<i>Peru</i>	Peru made obtaining a construction permit easier by eliminating requirements for several preconstruction approvals.
<b>DB2014</b>	<i>Costa Rica</i>	Costa Rica made dealing with construction permits easier by eliminating procedures, improving efficiency and launching an online platform that streamlined the building permit process by integrating different agencies' approval processes.
<b>DB2014</b>	<i>Guatemala</i>	Guatemala made dealing with construction permits easier by streamlining procedures through the creation of a one-stop shop, backed by agreements between institutions and agencies involved in the permitting process.

*Note:* For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

*Source:* *Doing Business* database.

## GETTING ELECTRICITY

Access to reliable and affordable electricity is vital for businesses. To counter weak electricity supply, many firms in developing economies have to rely on self-supply, often at a prohibitively high cost. Whether electricity is reliably available or not, the first step for a customer is always to gain access by obtaining a connection.

### What do the indicators cover?

*Doing Business* records all procedures required for a local business to obtain a permanent electricity connection and supply for a standardized warehouse, as well as the time and cost to complete them. These procedures include applications and contracts with electricity utilities, clearances from other agencies and the external and final connection works. The ranking on the ease of getting electricity is the simple average of the percentile rankings on its component indicators: procedures, time and cost. To make the data comparable across economies, several assumptions are used.

The warehouse:

- Is located in the economy's largest business city, in an area where other warehouses are located.
- Is not in a special economic zone where the connection would be eligible for subsidization or faster service.
- Has road access. The connection works involve the crossing of a road or roads but are carried out on public land.
- Is a new construction being connected to electricity for the first time.
- Has 2 stories, both above ground, with a total surface of about 1,300.6 square meters (14,000 square feet), and is built on a plot of 929 square meters (10,000 square feet).

The electricity connection:

- Is a 3-phase, 4-wire Y, 140-kilovolt-ampere (kVA) (subscribed capacity) connection.

### WHAT THE GETTING ELECTRICITY

#### INDICATORS MEASURE

#### Procedures to obtain an electricity connection (number)

Submitting all relevant documents and obtaining all necessary clearances and permits

Completing all required notifications and receiving all necessary inspections

Obtaining external installation works and possibly purchasing material for these works

Concluding any necessary supply contract and obtaining final supply

#### Time required to complete each procedure (calendar days)

Is at least 1 calendar day

Each procedure starts on a separate day

Does not include time spent gathering information

Reflects the time spent in practice, with little follow-up and no prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

Official costs only, no bribes

Excludes value added tax

- Is 150 meters long.
- Is to either the low-voltage or the medium-voltage distribution network and either overhead or underground, whichever is more common in the economy and in the area where the warehouse is located. The length of any connection in the customer's private domain is negligible.
- Requires crossing of a 10-meter road but all the works are carried out in a public land, so there is no crossing into other people's private property.

- Involves installing one electricity meter. The monthly electricity consumption will be 0.07 gigawatt-hour (GWh). The internal electrical wiring has been completed.

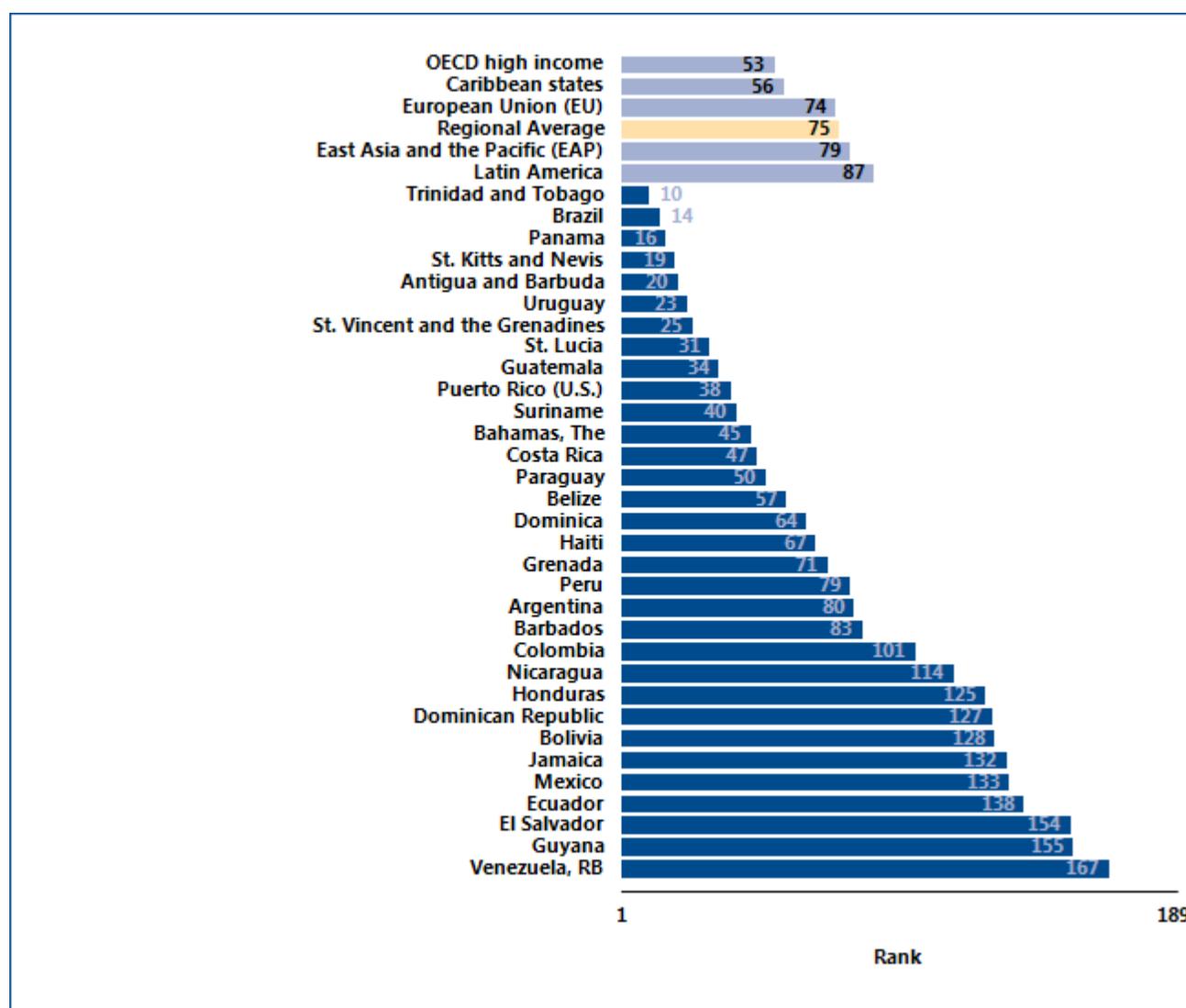
## GETTING ELECTRICITY

### Where do the region's economies stand today?

How easy is it for entrepreneurs in economies in Latin America & Caribbean (LAC) to connect a warehouse to electricity? The global rankings of these economies on the ease of getting electricity suggest an answer

(figure 4.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 4.1 How economies in Latin America & Caribbean (LAC) rank on the ease of getting electricity



Source: Doing Business database.

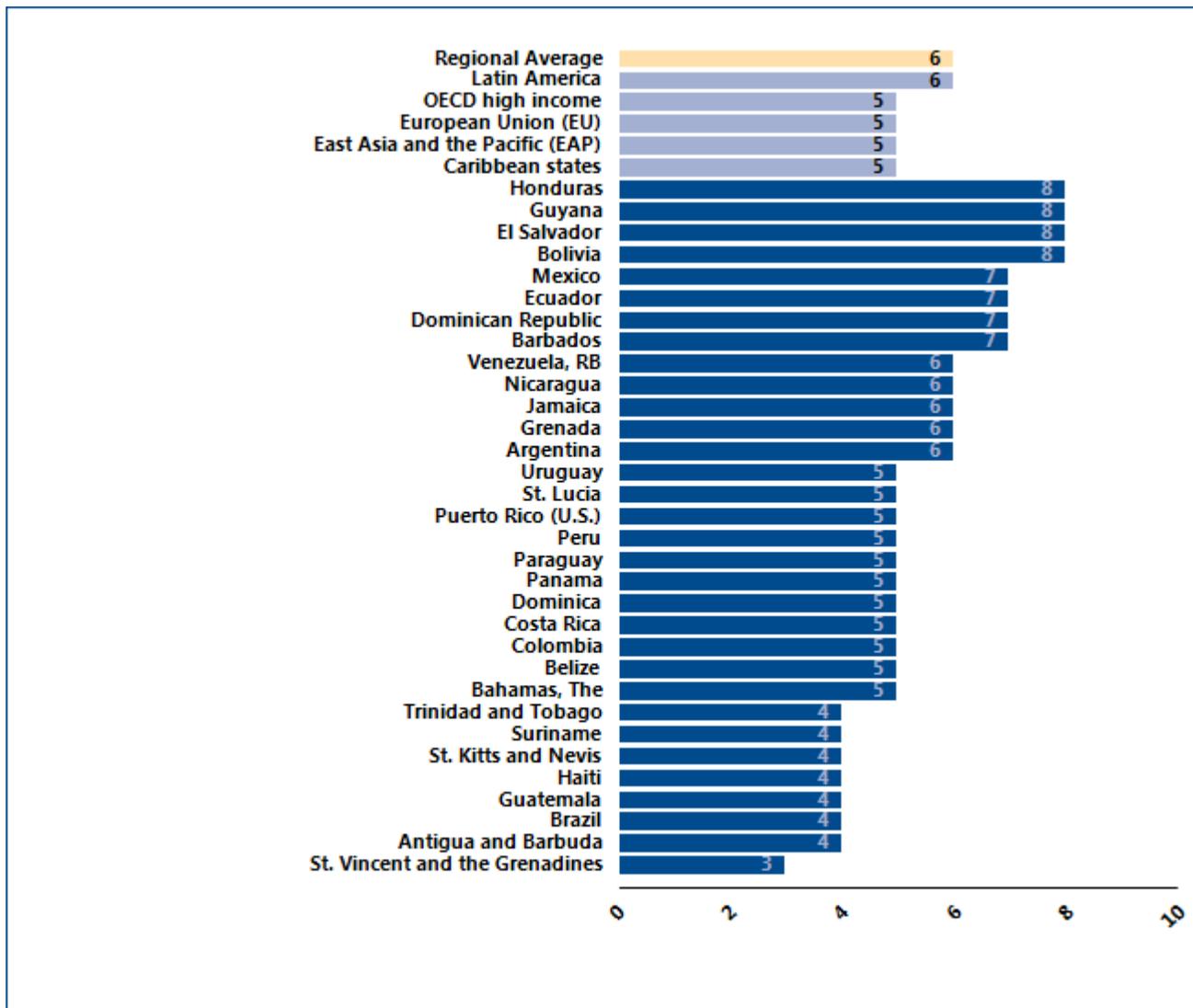
## GETTING ELECTRICITY

The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to get a new electricity connection in each economy in the region: the number of procedures, the

time and the cost (figure 4.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

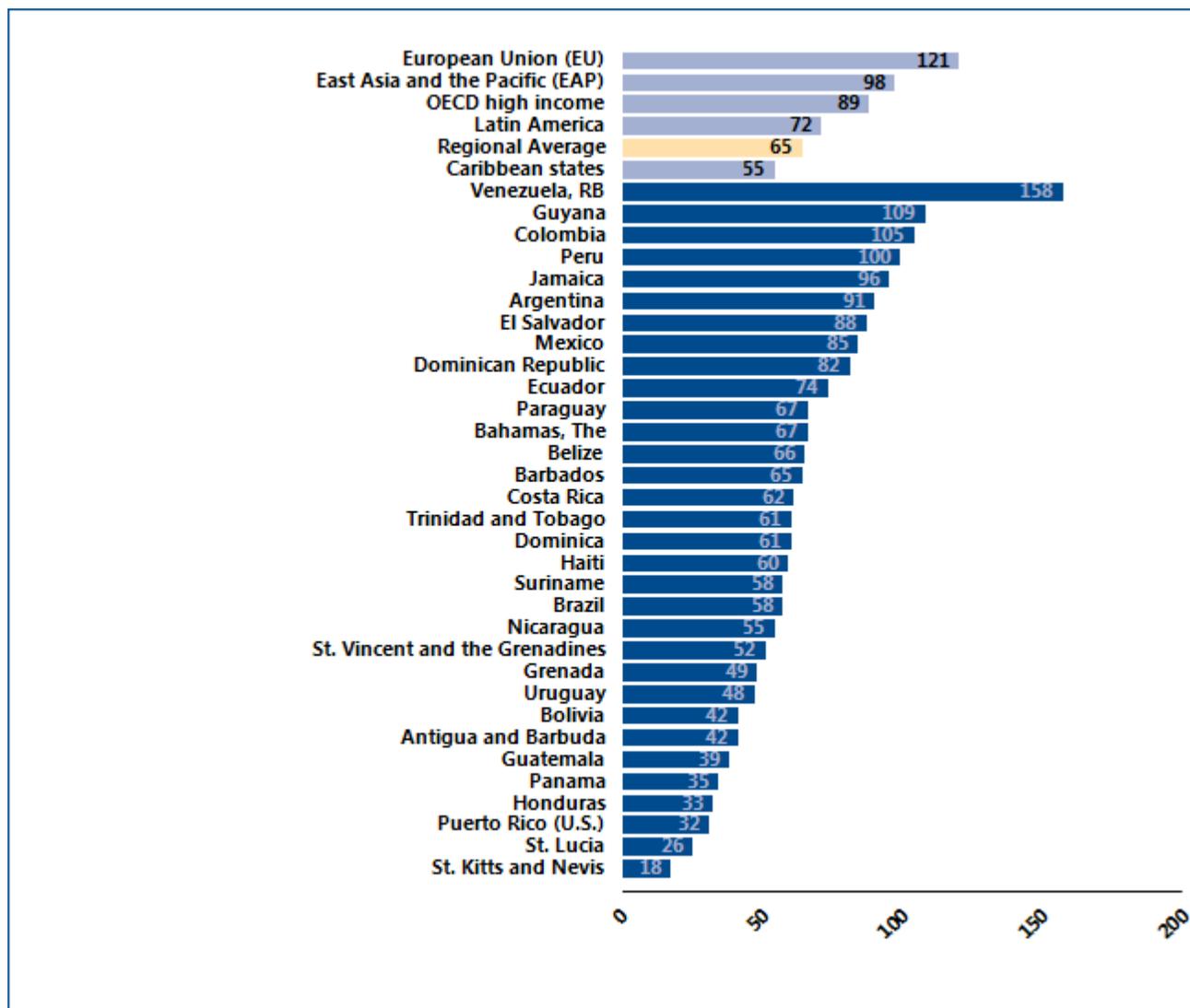
Figure 4.2 What it takes to get an electricity connection in economies in Latin America & Caribbean (LAC)

### Procedures (number)



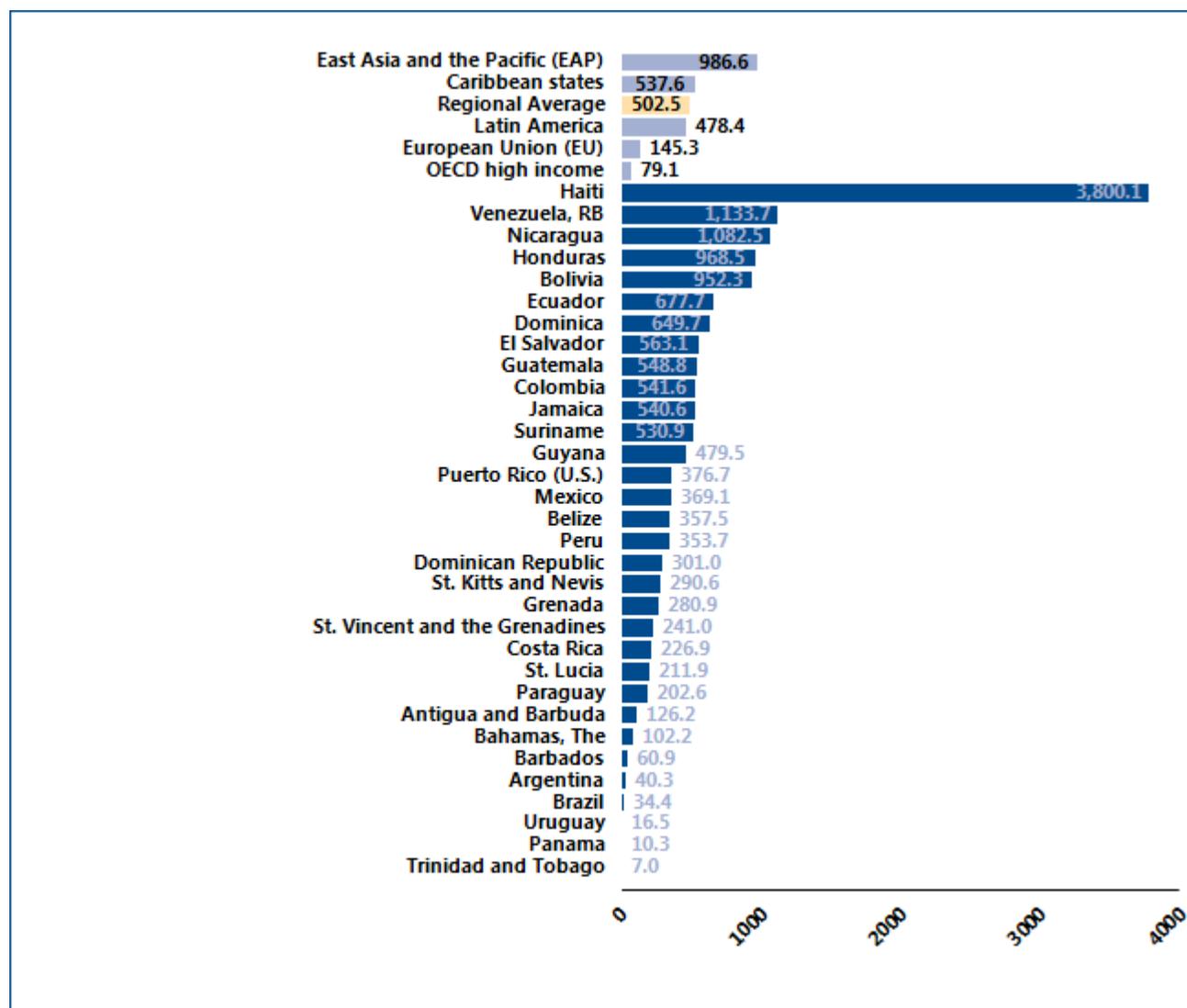
## GETTING ELECTRICITY

Time (days)



## GETTING ELECTRICITY

### Cost (% of income per capita)



Source: Doing Business database.

## GETTING ELECTRICITY

### What are the changes over time?

Obtaining an electricity connection is essential to enable a business to conduct its most basic operations. In many economies the connection process is complicated by the multiple laws and regulations involved—covering service quality, general safety, technical standards, procurement practices and internal wiring installations. In an effort to ensure

safety in the connection process while keeping connection costs reasonable, governments around the world have worked to consolidate requirements for obtaining an electricity connection. What reforms in getting electricity has *Doing Business* recorded in Latin America & Caribbean (LAC) (table 4.1)?

Table 4.1 How have economies in Latin America & Caribbean (LAC) made getting electricity easier—or not?  
By *Doing Business* report year

DB year	Economy	Reform
DB2012	<i>Guyana</i>	Guyana made getting electricity more expensive by tripling the security deposit required for a new connection.
DB2013	<i>Mexico</i>	In Mexico the distribution utility made getting electricity easier by streamlining procedures, offering training opportunities to private contractors, using a geographic information system (GIS) to map the electricity distribution network and increasing the stock of materials.
DB2014	<i>Colombia</i>	Colombia made getting electricity easier by opening a one-stop shop for electricity connections and improving the efficiency of the utility's internal processes.
DB2014	<i>Ecuador</i>	Ecuador made getting electricity easier by dividing the city of Quito into zones for the purpose of handling applications for new connections—a change that improved the utility's customer 162 <i>Doing Business</i> 2014 service—and by reducing the fees to obtain a connection.
DB2014	<i>Mexico</i>	Mexico made getting electricity easier by increasing the efficiency of the utility's internal processes and by enforcing a "silence is consent" rule for the approval of the feasibility study for a new connection.
DB2014	<i>Nicaragua</i>	Nicaragua reduced the time required for getting electricity by increasing efficiency in granting approval of the connection design and by informing the customer in advance what the amount of the security deposit will be.

Source: *Doing Business* database.

## REGISTERING PROPERTY

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. And where property is informal or poorly administered, it has little chance of being accepted as collateral for loans—limiting access to finance.

### What do the indicators cover?

*Doing Business* records the full sequence of procedures necessary for a business to purchase property from another business and transfer the property title to the buyer's name. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it. The ranking on the ease of registering property is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in the periurban area of the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.

### WHAT THE REGISTERING PROPERTY INDICATORS MEASURE

#### Procedures to legally transfer title on immovable property (number)

Preregistration procedures (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)

Registration procedures in the economy's largest business city

Postregistration procedures (for example, filing title with the municipality)

#### Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are an exception to this rule.

Procedure considered completed once final document is received

No prior contact with officials

#### Cost required to complete each procedure (% of property value)

Official costs only, no bribes

No value added or capital gains taxes included

- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Consists of 557.4 square meters (6,000 square feet) of land and a 10-year-old, 2-story warehouse of 929 square meters (10,000 square feet). The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. There is no heating system. The property will be transferred in its entirety.

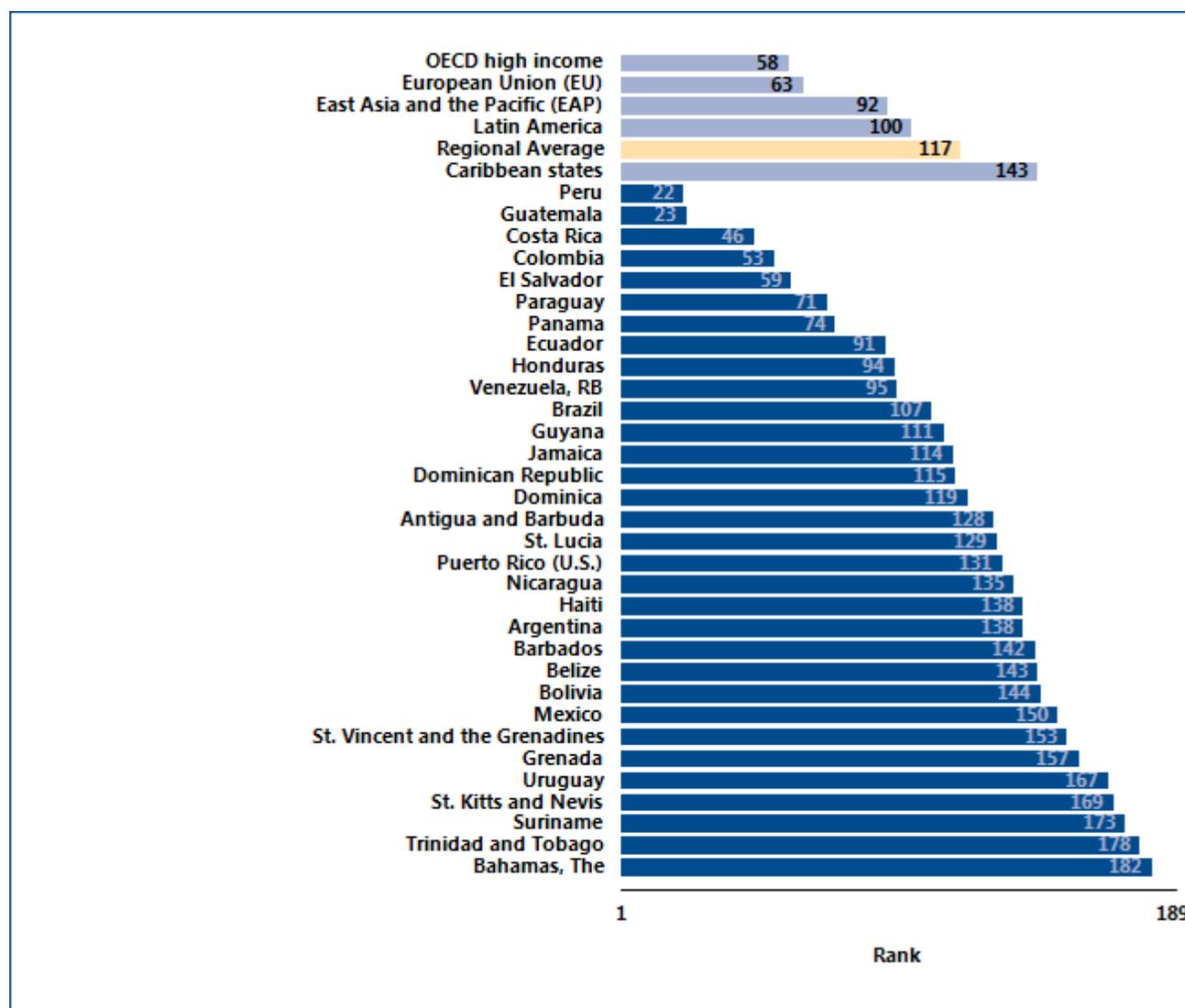
## REGISTERING PROPERTY

### Where do the region's economies stand today?

How easy is it for entrepreneurs in economies in Latin America & Caribbean (LAC) to transfer property? The global rankings of these economies on the ease of

registering property suggest an answer (figure 5.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 5.1 How economies in Latin America & Caribbean (LAC) rank on the ease of registering property



Source: Doing Business database.

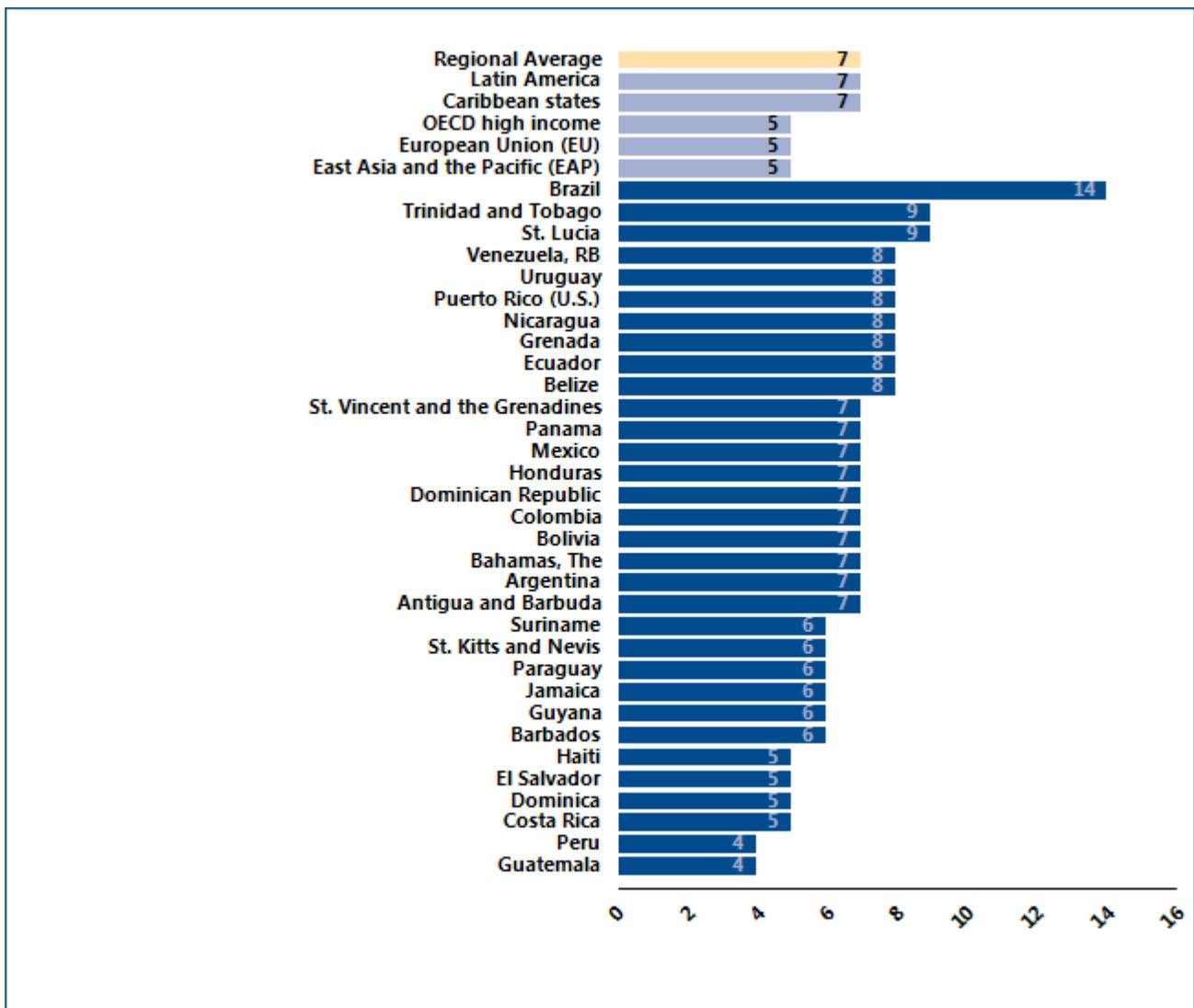
## REGISTERING PROPERTY

The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to complete a property transfer in each economy in the region: the number of procedures,

the time and the cost (figure 5.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

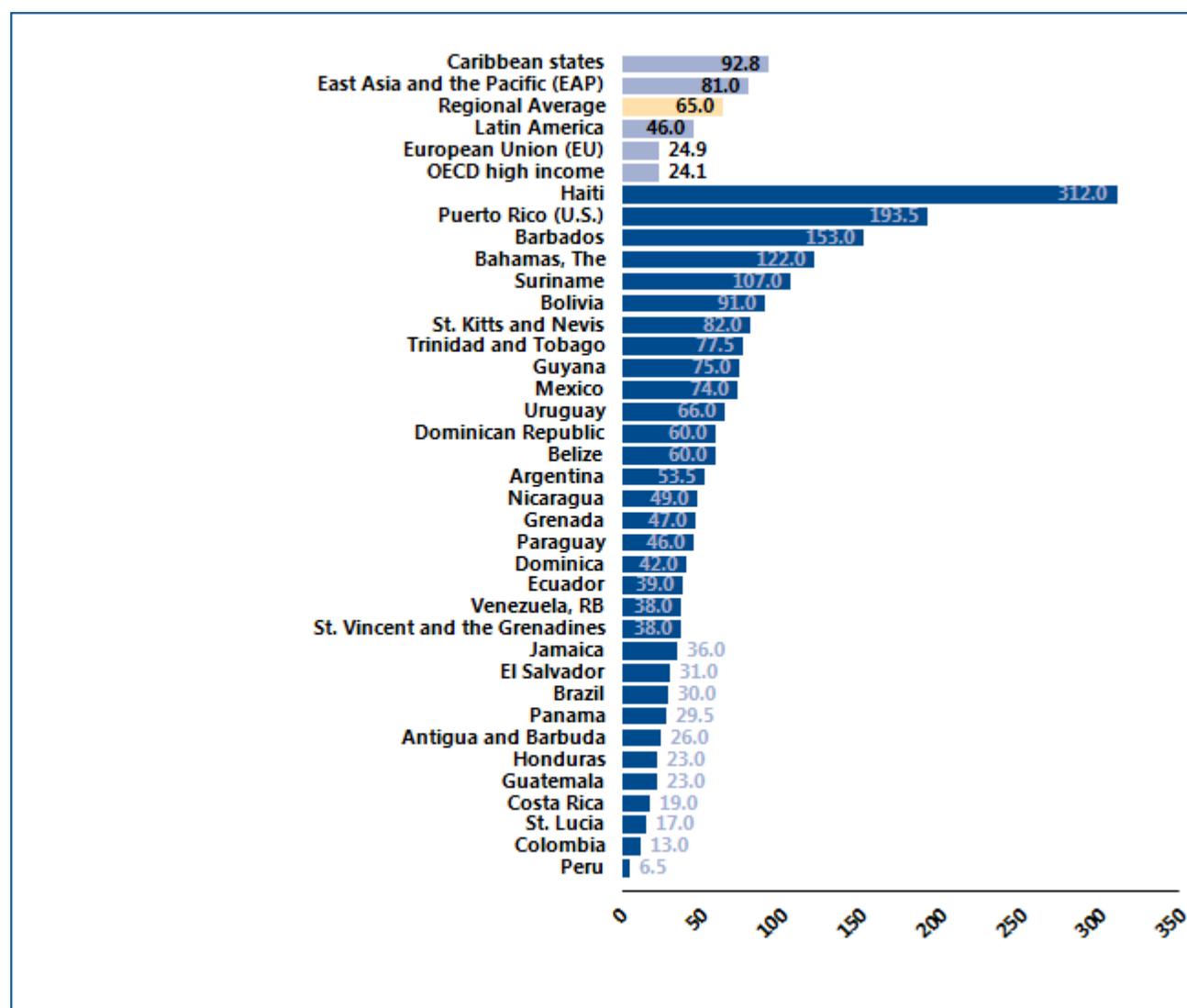
Figure 5.2 What it takes to register property in economies in Latin America & Caribbean (LAC)

### Procedures (number)



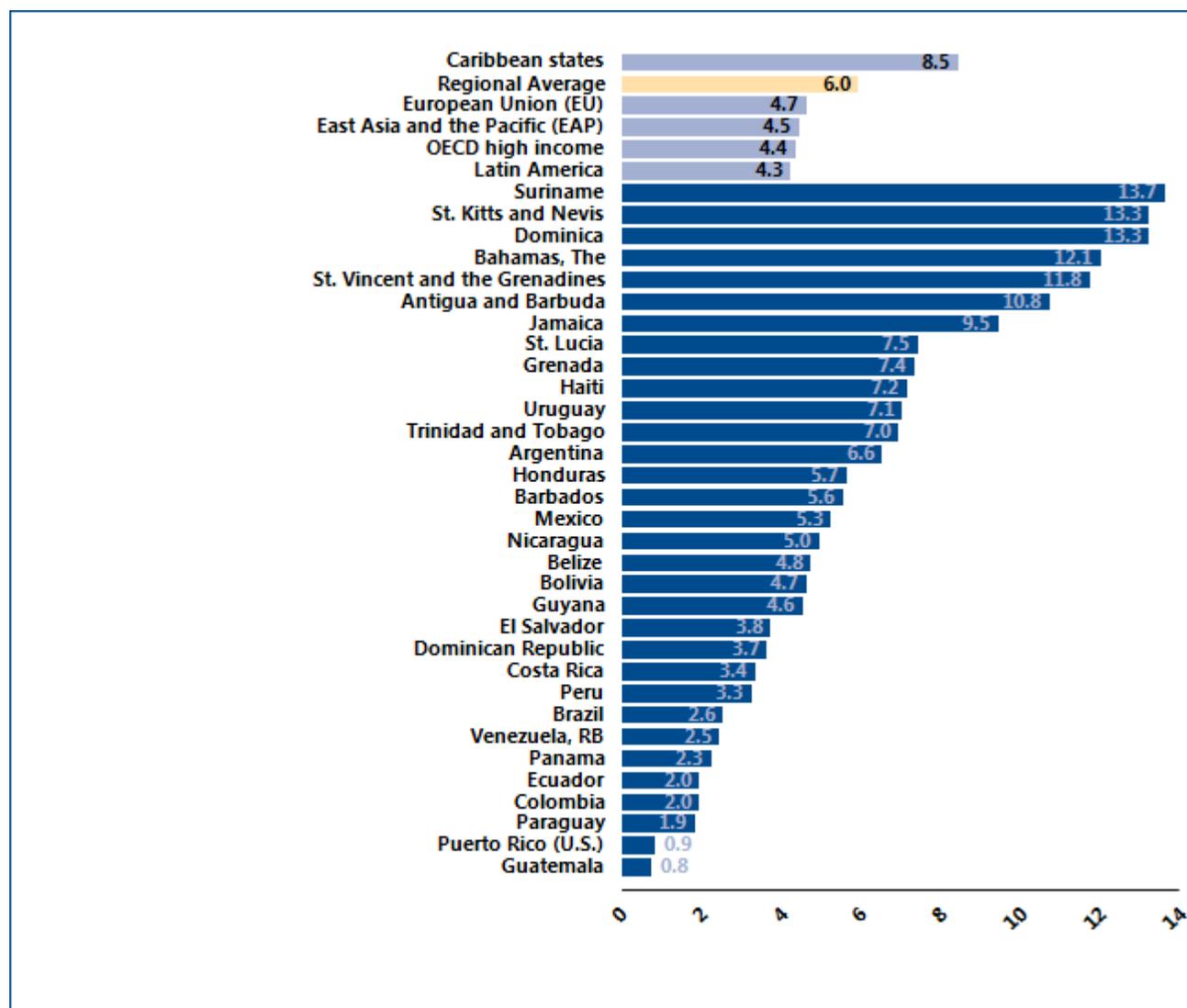
## REGISTERING PROPERTY

Time (days)



## REGISTERING PROPERTY

## Cost (% of property value)



\* Indicates a "no practice" mark. See the data notes for details.

Source: *Doing Business* database.

## REGISTERING PROPERTY

### What are the changes over time?

Economies worldwide have been making it easier for entrepreneurs to register and transfer property—such as by computerizing land registries, introducing time limits for procedures and setting low fixed fees. Many have cut the time required substantially—enabling

buyers to use or mortgage their property earlier. What property registration reforms has *Doing Business* recorded in Latin America & Caribbean (LAC) (table 5.1)?

Table 5.1 How have economies in Latin America & Caribbean (LAC) made registering property easier—or not?  
By *Doing Business* report year

DB year	Economy	Reform
DB2008	<i>Dominican Republic</i>	The Dominican Republic adopted several laws making registering property easier by streamlining its processes
DB2008	<i>Guatemala</i>	Guatemala reduced the time to register property by allowing registrars to submit electronic signatures.
DB2008	<i>Haiti</i>	Haiti made registering a property simpler by streamlining the process at the tax authorities
DB2008	<i>Honduras</i>	Registering property has become easier; the creation of time limits on certain procedures has sped up the process.
DB2008	<i>Mexico</i>	A new notary fee schedule was issued which reduced the costs of registering property.
DB2008	<i>Venezuela, RB</i>	Venezuela, RB made registering property faster by implementing time limits at several agencies.
DB2009	<i>Bahamas, The</i>	The Bahamas made transferring property faster by introducing a computerized system at the Registry of Records.
DB2009	<i>Dominican Republic</i>	The Dominican Republic adopted an Efficient tax collection law to reduce and simplify the taxes collected by the tax authority in property transactions. As a result, taxes are reduced from around 4.3% of property value to a single 3% transfer tax.
DB2009	<i>Jamaica</i>	Jamaica reduced the property transfer tax from 7.5% to 6% of the property value and the stamp duty from 5.5% to 4.5% of

DB year	Economy	Reform
		property value. As a result, the cost to transfer a property in Jamaica has decreased from 13.51% to 11.02% of property value.
<b>DB2010</b>	<i>Argentina</i>	Argentina made it more difficult to register property by adding a new requirement to declare all transactions over AR\$ 300.000
<b>DB2010</b>	<i>Colombia</i>	Colombia has made it easier to register property by making available on-line required certificates, as well as standard preliminary sale agreements free of charge.
<b>DB2010</b>	<i>Guatemala</i>	Guatemala has eased the process of registering property by centralizing more procedures at the cadastral, reorganizing operations, and making greater use of electronic services
<b>DB2010</b>	<i>Jamaica</i>	Jamaica reduced the property transfer tax from 6.5% to 5% of the value of the property.
<b>DB2010</b>	<i>Panama</i>	The certificate of good standing from the Tax agency can now be obtained online, reducing total time to transfer property in Panama
<b>DB2010</b>	<i>Peru</i>	Registering property in Peru is now easier with faster electronic processing times, and the tax agency (SAT) is connected with notaries through the Internet facilitating the payment of (Alcabala) municipal taxes.
<b>DB2010</b>	<i>Suriname</i>	Suriname implemented new valuation requirements to insure proper tax payments at the Land Registry which increased procedures, cost and time to register property.
<b>DB2010</b>	<i>Uruguay</i>	New online procedures make it easier to transfer property in Uruguay, while a new law established preemption rights to the Municipality of Montevideo, adding one procedure to property transfers.
<b>DB2011</b>	<i>Antigua and Barbuda</i>	In Antigua and Barbuda, to transfer property now requires clearance by the chief surveyor to avoid mischievous declarations.
<b>DB2011</b>	<i>Grenada</i>	The appointment of a registrar focusing only on property cut

DB year	Economy	Reform
		the time needed to transfer property in Grenada by almost half.
<b>DB2011</b>	<i>Jamaica</i>	Jamaica eased the transfer of property by lowering transfer taxes and fees, offering expedited registration procedures and making information from the company registrar available online.
<b>DB2011</b>	<i>Panama</i>	Panama made it more expensive to transfer property by requiring that an amount equal to 3% of the property value be paid upon registration.
<b>DB2011</b>	<i>Peru</i>	Peru introduced fast-track procedures at the land registry, cutting by half the time needed to register property.
<b>DB2011</b>	<i>Uruguay</i>	In Uruguay the Municipality of Montevideo made registering property easier by eliminating the need to obtain a mandatory waiver for preemption rights.
<b>DB2012</b>	<i>Argentina</i>	Argentina made transferring property more difficult by adding a requirement that the notary obtain the tax agency's reference value for property before notarizing the sale deed.
<b>DB2012</b>	<i>Bahamas, The</i>	The Bahamas made transferring property more costly by increasing the applicable stamp duty fees.
<b>DB2012</b>	<i>Costa Rica</i>	Costa Rica made transferring property easier and quicker by making property certificates available online through a single website.
<b>DB2012</b>	<i>Guyana</i>	In Guyana transferring property became slower because of a lack of personnel at the deed registry.
<b>DB2012</b>	<i>Nicaragua</i>	Nicaragua made transferring property more efficient by introducing a fast-track procedure for registration.
<b>DB2013</b>	<i>Brazil</i>	Brazil made transferring property more difficult by introducing a new certificate on good standing on labor debts, adding to the number of due diligence procedures.
<b>DB2013</b>	<i>Ecuador</i>	In Ecuador property transfers became more time consuming as a result of implementation problems in transferring

DB year	Economy	Reform
		authority over property records to the municipality of Quito.
<b>DB2013</b>	<i>Panama</i>	Panama made property transfers faster by increasing working hours at the registry and reorganizing the caseload of its staff.
<b>DB2013</b>	<i>Trinidad and Tobago</i>	In Trinidad and Tobago property transfers became faster thanks to speedier issuance of clearance certificates by the Water and Sewerage Authority.
<b>DB2014</b>	<i>Bahamas, The</i>	The Bahamas made transferring property easier by reducing the stamp duty.
<b>DB2014</b>	<i>Jamaica</i>	Jamaica made transferring property more difficult by increasing the transfer tax and the stamp duty.
<b>DB2014</b>	<i>Panama</i>	Panama made transferring property easier by connecting the land registry with the cadastre.
<b>DB2014</b>	<i>Suriname</i>	Suriname made transferring property easier by increasing administrative efficiency at the land registry.

*Note:* For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

*Source:* *Doing Business* database.

## GETTING CREDIT

Two types of frameworks can facilitate access to credit and improve its allocation: credit information systems and the borrowers and lenders' rights in collateral and bankruptcy laws. Credit information systems enable lenders to view a potential borrower's financial history (positive or negative)—valuable information to consider when assessing risk. And they permit borrowers to establish a good credit history that will allow easier access to credit. Sound collateral laws enable businesses to use their assets, especially movable property, as security to generate capital—while strong creditors' rights have been associated with higher ratios of private sector credit to GDP.

### What do the indicators cover?

*Doing Business* assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a public credit registry or a private credit bureau. The strength of legal rights index measures whether certain features that facilitate lending exist within the applicable collateral and bankruptcy laws. *Doing Business* uses case scenarios to determine the scope of the secured transactions system, involving a secured borrower and a secured lender and examining legal restrictions on the use of movable collateral. These scenarios assume that the borrower:

- Is a private, incorporated, limited liability company.
- Has its headquarters and only base of operations in the largest business city.

### WHAT THE GETTING CREDIT INDICATORS MEASURE

#### Strength of legal rights index (0–10)

Protection of rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

#### Depth of credit information index (0–6)

Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

#### Public credit registry coverage (% of adults)

Number of individuals and firms listed in public credit registry as percentage of adult population

#### Private credit bureau coverage (% of adults)

Number of individuals and firms listed in largest private credit bureau as percentage of adult population

- Has up to 100 employees.
- Is 100% domestically owned, as is the lender.

The ranking on the ease of getting credit is based on the percentile rankings on the sum of its component indicators: the depth of credit information index and the strength of legal rights index.

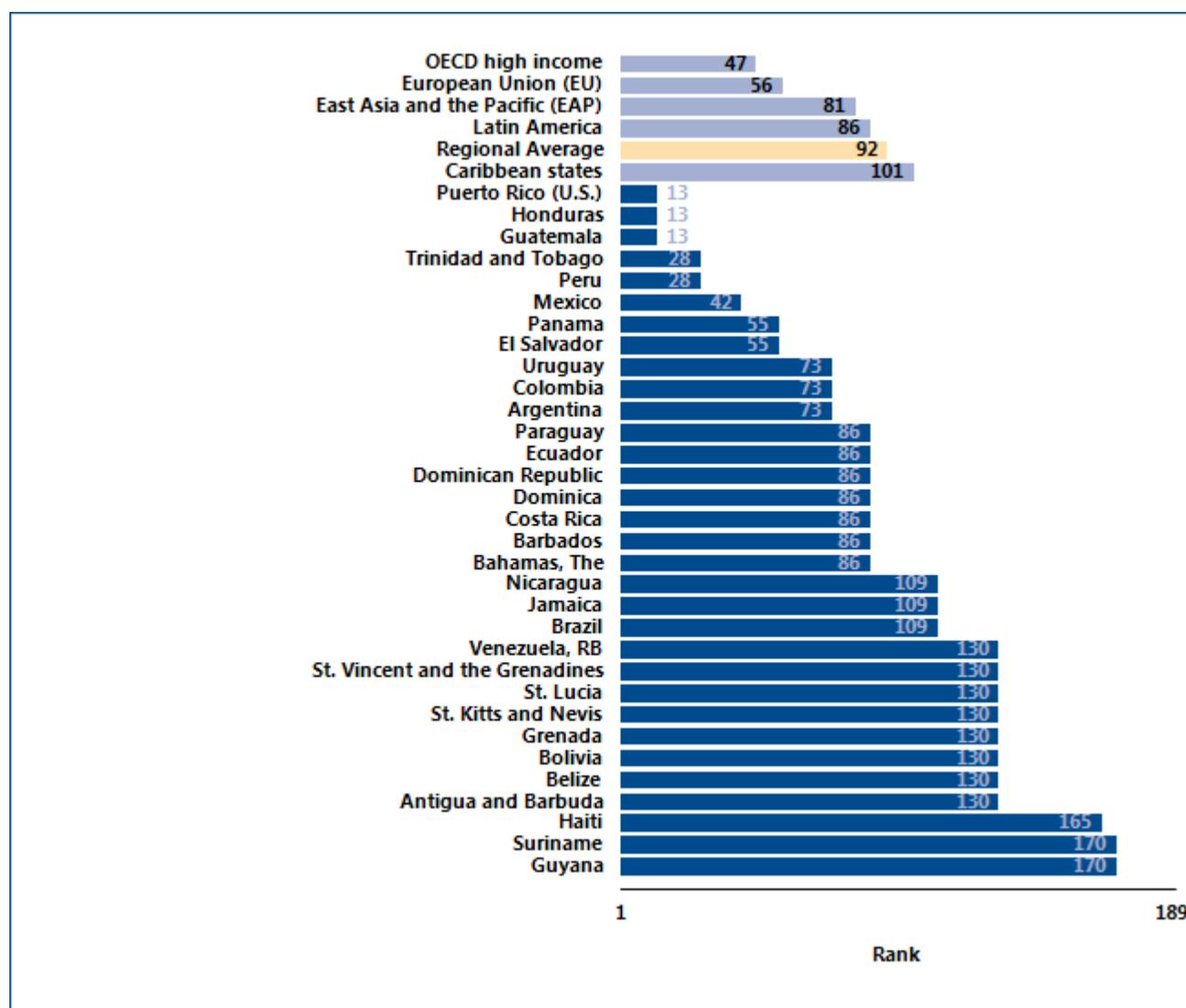
## GETTING CREDIT

### Where do the region's economies stand today?

How well do the credit information systems and collateral and bankruptcy laws in economies in Latin America & Caribbean (LAC) facilitate access to credit? The global rankings of these economies on the ease of

getting credit suggest an answer (figure 6.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 6.1 How economies in Latin America & Caribbean (LAC) rank on the ease of getting credit



Source: Doing Business database.

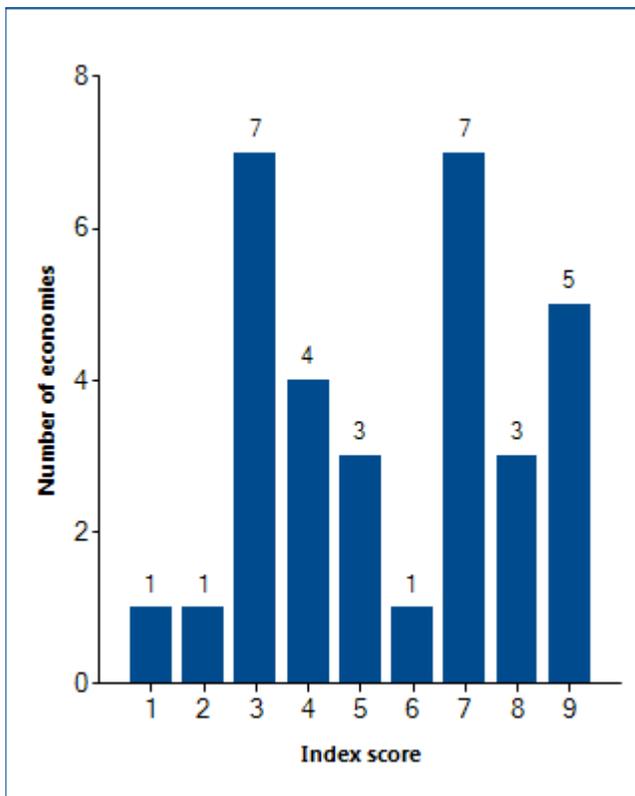
## GETTING CREDIT

Another way to assess how well regulations and institutions support lending and borrowing in the region is to look at the distribution of its economies by their scores on the getting credit indicators. Figure 6.2 shows how many economies in the region received a

particular score on the strength of legal rights index. Figure 6.3 shows the same thing for the depth of credit information index. Higher scores indicate stronger legal rights for borrowers and lenders and more credit information.

Figure 6.2 How strong are legal rights for borrowers and lenders in economies in Latin America & Caribbean (LAC)?

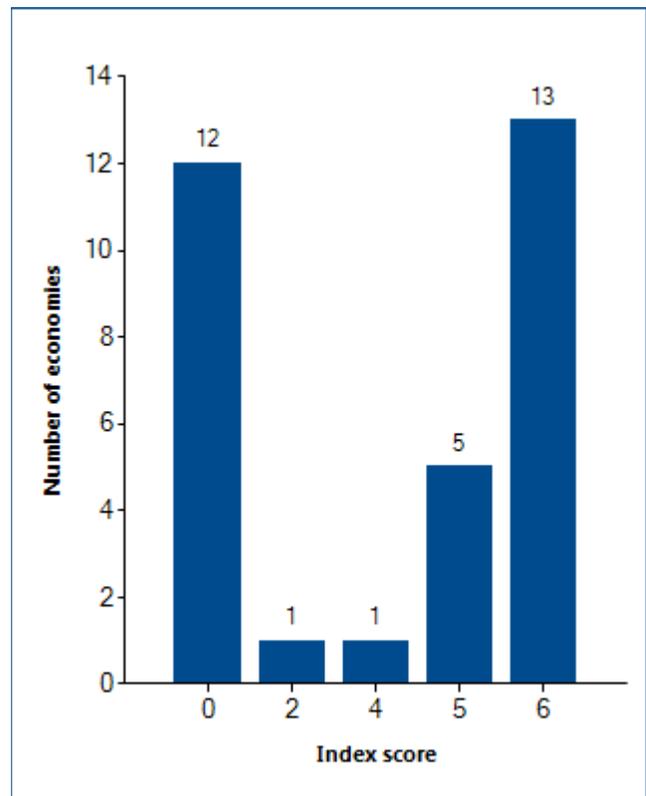
Number of economies in region with each score on strength of legal rights index (0–10)



Note: Higher scores indicate that collateral and bankruptcy laws are better designed to facilitate access to credit.  
Source: *Doing Business* database.

Figure 6.3 How extensive—and how accessible—is credit information in economies in Latin America & Caribbean (LAC)?

Number of economies in region with each score on depth of credit information index (0–6)



Note: Higher scores indicate the availability of more credit information, from either a credit registry or a credit bureau, to facilitate lending decisions.  
Source: *Doing Business* database.

## GETTING CREDIT

### What are the changes over time?

When economies strengthen the legal rights of lenders and borrowers under collateral and bankruptcy laws, and increase the scope, coverage and accessibility of credit information, they can increase entrepreneurs'

access to credit. What credit reforms has *Doing Business* recorded in Latin America & Caribbean (LAC) (table 6.1)?

Table 6.1 How have economies in Latin America & Caribbean (LAC) made getting credit easier—or not?  
By *Doing Business* report year

DB year	Economy	Reform
DB2008	Honduras	Access to credit was facilitated by allowing borrowers to access their data and obtain a free credit report once a year. In addition, parties to a security agreement can agree to enforce a security out of court by using a notary to take care of the out-of-court enforcement of collateral agreements.
DB2008	Trinidad and Tobago	Utility companies are now included as providers of information to credit bureaus increasing the credit information index.
DB2009	Guatemala	Guatemala enacted a new Secured transactions law; creating a new form of pledge over movable assets and a registry for these pledges. (The registry was not yet in operation at the time of publication.) Under the new law, accounts receivable and inventory can be described in general terms when they are used as collateral and parties may agree to out-of-court-enforcement of the security right when the security agreement is signed.
DB2010	Colombia	Colombia improved its access to credit by passing a new credit information law that guarantees the rights of borrowers to inspect their own data and by introducing new rules making it mandatory for credit providers to consult and share information with credit bureaus.
DB2010	Ecuador	Ecuador starts to distributed historical data
DB2010	Guatemala	Guatemala strengthened its credit information system with a new decree on Access to Public Information which guarantees the rights of borrowers to inspect their own data in any public institution. In addition, Guatemala strenthened access to credit and the regime for secured transactions with a new movable asset registry that applied to all movable assets and all types of creditors and debtors, and is also searchable by

DB year	Economy	Reform
		debtor name.
<b>DB2010</b>	<i>Haiti</i>	Haiti strengthened access to credit with a new law that broadens the scope of assets that can be used as collateral, provides that future and after-acquired property may be used as collateral, and extends the security interest of the creditor automatically to the products, proceeds and replacements of the original asset.
<b>DB2010</b>	<i>Honduras</i>	Honduras passed a resolution that enhances the operations of the public credit bureau; it classifies debtors into several categories by history and is meant to help banks manage risk.
<b>DB2011</b>	<i>Guyana</i>	Guyana enhanced access to credit by establishing a regulatory framework that allows the licensing of private credit bureaus and gives borrowers the right to inspect their data.
<b>DB2012</b>	<i>Brazil</i>	Brazil improved its credit information system by allowing private credit bureaus to collect and share positive information.
<b>DB2012</b>	<i>Honduras</i>	Honduras strengthened its secured transactions system through a new decree establishing a centralized and computerized collateral registry and providing for out-of-court enforcement of collateral upon default.
<b>DB2012</b>	<i>Mexico</i>	Mexico strengthened its secured transactions system by implementing a centralized collateral registry with an electronic database that is accessible online.
<b>DB2012</b>	<i>Paraguay</i>	Paraguay improved its credit information system by establishing an online platform for financial institutions to exchange information with the public credit registry.
<b>DB2012</b>	<i>Uruguay</i>	Uruguay improved its credit information system by introducing a new online platform allowing access to credit reports for financial institutions, public utilities and borrowers.
<b>DB2013</b>	<i>Costa Rica</i>	Costa Rica improved access to credit information by guaranteeing borrowers' right to inspect their personal data.
<b>DB2013</b>	<i>El Salvador</i>	El Salvador improved access to credit information through a new law regulating the management of personal credit information.

DB year	Economy	Reform
DB2014	<i>Jamaica</i>	Jamaica improved its credit information system by creating a legal and regulatory framework for private credit bureaus.
DB2014	<i>Venezuela, RB</i>	República Bolivariana de Venezuela improved access to credit information by starting to collect data on firms from financial institutions.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## PROTECTING INVESTORS

Protecting investors matters for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. If the laws do not protect minority shareholders, investors may be reluctant to provide funding to companies through the purchase of shares unless they become the controlling shareholders. Effective regulations define related-party transactions precisely, promote clear and efficient disclosure requirements, require shareholder participation in major decisions of the company and set detailed standards of accountability for company insiders.

### What do the indicators cover?

*Doing Business* measures the strength of minority shareholder protections against directors' use of corporate assets for personal gain—or self-dealing. The indicators distinguish 3 dimensions of investor protections: transparency of related-party transactions (extent of disclosure index), liability for self-dealing (extent of director liability index) and minority shareholders' access to evidence before and during (ease of shareholder suits index). The ranking on the strength of investor protection index is the simple average of the percentile rankings on these 3 indices. To make the data comparable across economies, a case study uses several assumptions about the business and the transaction.

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders).
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

The transaction involves the following details:

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.

### WHAT THE PROTECTING INVESTORS INDICATORS MEASURE

#### Extent of disclosure index (0–10)

- Approval process for related-party transactions
- Disclosure requirements in case of related-party transactions

#### Extent of director liability index (0–10)

- Ability of minority shareholders to file a direct or derivative lawsuit
- Ability of minority shareholders to hold interested parties and members of the approving body liable for prejudicial related-party transactions
- Available legal remedies (damages, disgorgement of profits, fines, imprisonment and rescission of the transaction)

#### Ease of shareholder suits index (0–10)

- Access to internal corporate documents (directly or through a government inspector)
- Documents and information available during trial

#### Strength of investor protection index (0–10)

- Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices
- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to Buyer.
- Shareholders sue the interested parties and the members of the board of directors.



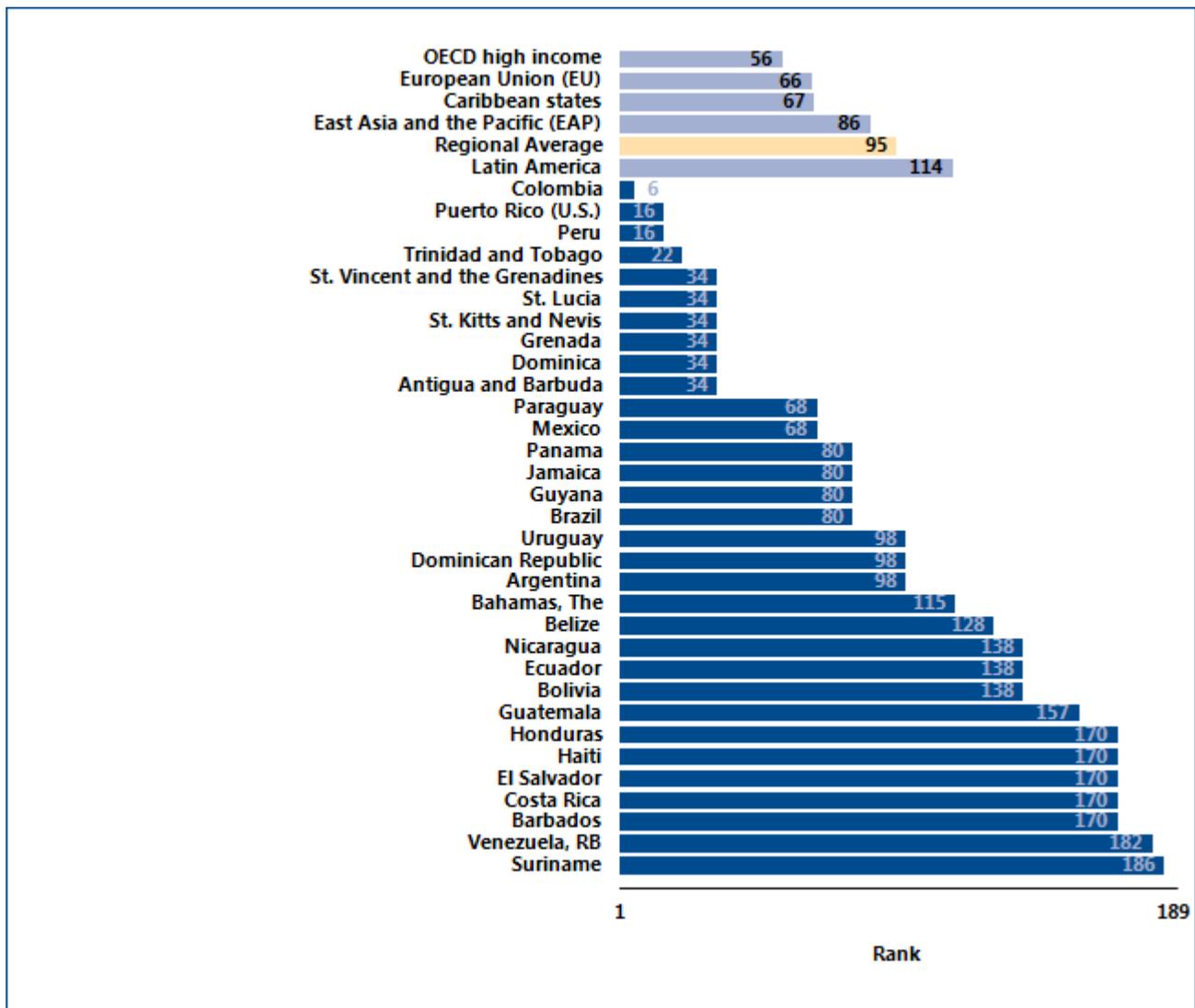
## PROTECTING INVESTORS

### Where do the region's economies stand today?

How strong are investor protections against self-dealing in economies in Latin America & Caribbean (LAC)? The global rankings of these economies on the strength of investor protection index suggest an answer (figure 7.1). While the indicator does not

measure all aspects related to the protection of minority investors, a higher ranking does indicate that an economy's regulations offer stronger investor protections against self-dealing in the areas measured.

Figure 7.1 How economies in Latin America & Caribbean (LAC) rank on the strength of investor protection index



Source: Doing Business database.

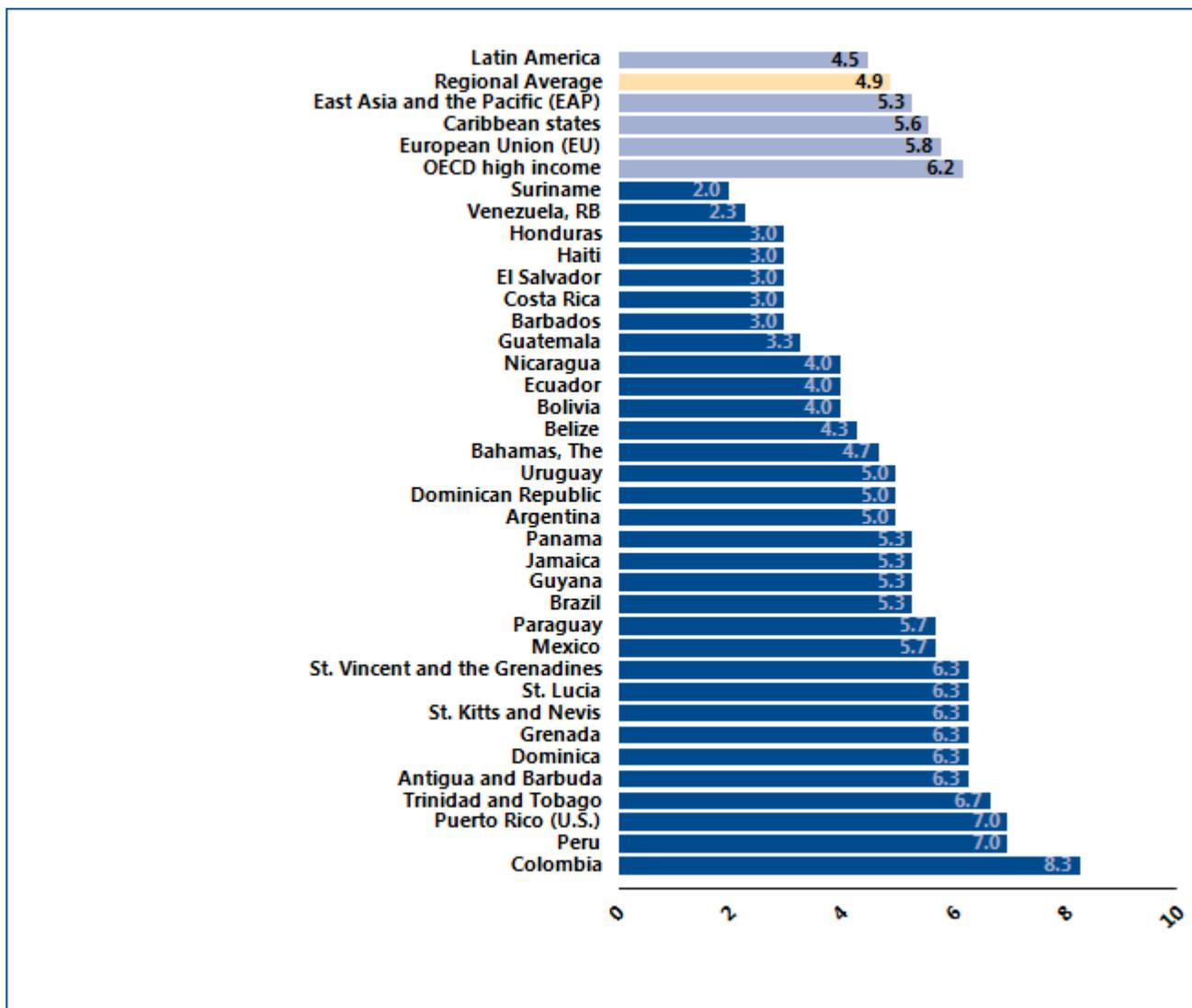
## PROTECTING INVESTORS

But the overall ranking on the strength of investor protection index tells only part of the story. Economies may offer strong protections in some areas but not others. So the number of economies in Latin America & Caribbean (LAC) that have a certain score recorded on the extent of disclosure, extent of director liability

and ease of shareholder suits indices may also be revealing (figure 7.2). Higher scores indicate stronger investor protections. Comparing the scores across the region on the strength of investor protection index and with averages both for the region and for comparator regions can provide useful insights.

Figure 7.2 How strong are investor protections in economies in Latin America & Caribbean (LAC)?

### Strength of investor protection index (0–10)

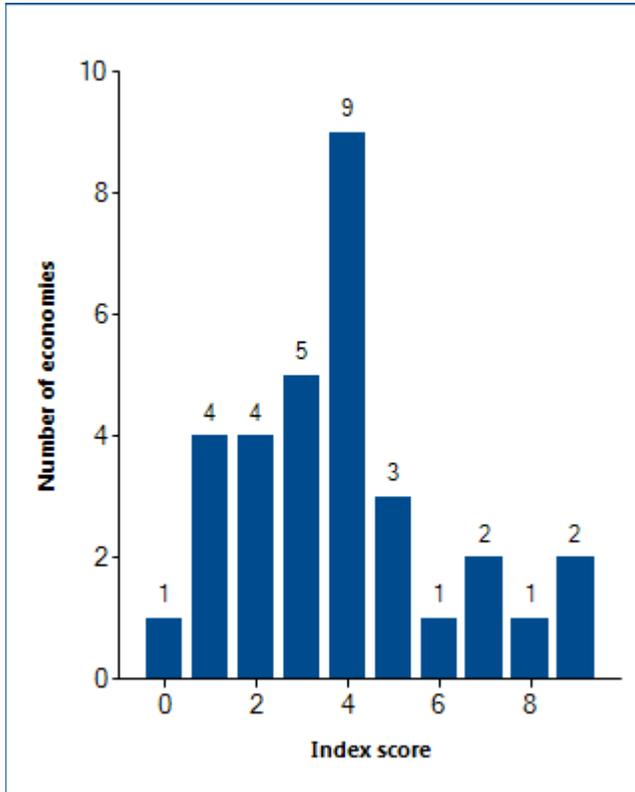


Source: Doing Business database.

## PROTECTING INVESTORS

### Extent of disclosure index (0–10)

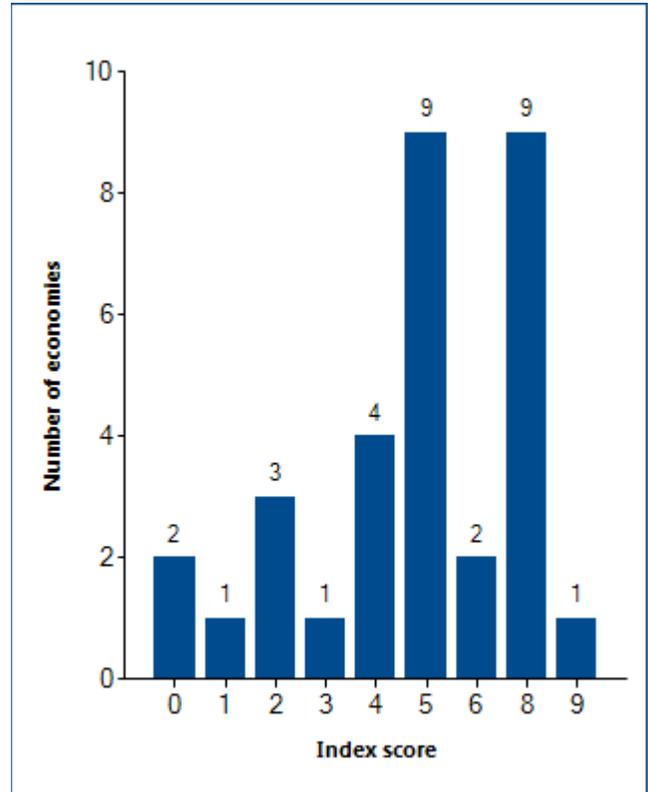
Number of economies in region with each score on extent of disclosure index (0–10)



Note: Higher scores indicate greater disclosure.  
Source: Doing Business database.

### Extent of director liability index (0–10)

Number of economies in region with each score on extent of director liability index (0–10)

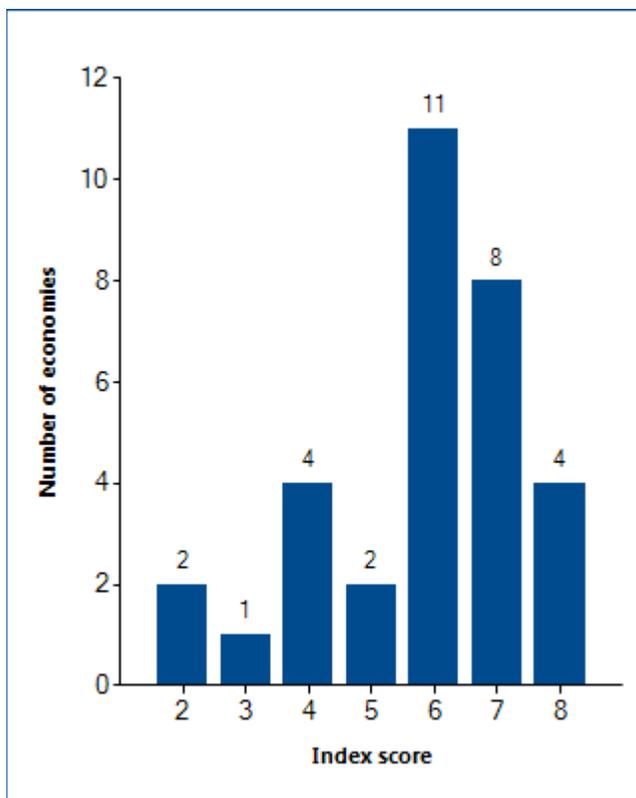


Note: Higher scores indicate greater liability of directors.  
Source: Doing Business database.

## PROTECTING INVESTORS

### Ease of shareholder suits index (0–10)

Number of economies in region with each score on ease of shareholder suits index (0–10)



Note: Higher scores indicate greater powers of shareholders to challenge the transaction.

Source: *Doing Business* database.

## PROTECTING INVESTORS

### What are the changes over time?

Economies with the strongest protections of minority investors from self-dealing require detailed disclosure and define clear duties for directors. They also have well-functioning courts and up-to-date procedural rules that give minority shareholders the means to prove their case and obtain a judgment within a reasonable time. So reforms to strengthen investor

protections may move ahead on different fronts—such as through new or amended company laws, securities regulations or revisions to court procedures. What investor protection reforms has *Doing Business* recorded in Latin America & Caribbean (LAC) (table 7.1)?

Table 7.1 How have economies in Latin America & Caribbean (LAC) strengthened investor protections—or not?  
By *Doing Business* report year

DB year	Economy	Reform
DB2008	<i>Colombia</i>	Colombia strengthened investor protections by requiring greater disclosure requirements in the annual report in case of related-party transactions.
DB2010	<i>Colombia</i>	Colombia amended the Company Law that strengthened investor protections by making it easier to sue directors in cases of prejudicial transactions between interested parties.
DB2010	<i>Dominican Republic</i>	The Dominican Republic adopted a new company law that strengthened investor protections by requiring greater corporate disclosure, director liability and shareholder access to information.
DB2012	<i>El Salvador</i>	El Salvador strengthened investor protections by allowing greater access to corporate information during the trial.
DB2012	<i>Peru</i>	Peru strengthened investor protections through a new law allowing minority shareholders to request access to nonconfidential corporate documents.
DB2013	<i>Peru</i>	Peru strengthened investor protections through a new law regulating the approval of related-party transactions and making it easier to sue directors when such transactions are prejudicial.
DB2014	<i>Panama</i>	Panama strengthened investor protections by increasing the disclosure requirements for publicly held companies.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## PAYING TAXES

Taxes are essential. They fund the public amenities, infrastructure and services that are crucial for a properly functioning economy. But the level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. According to *Doing Business* data, in economies where it is more difficult and costly to pay taxes, larger shares of economic activity end up in the informal sector—where businesses pay no taxes at all.

### What do the indicators cover?

Using a case scenario, *Doing Business* measures the taxes and mandatory contributions that a medium-size company must pay in a given year as well as the administrative burden of paying taxes and contributions. This case scenario uses a set of financial statements and assumptions about transactions made over the year. Information is also compiled on the frequency of filing and payments as well as time taken to comply with tax laws. The ranking on the ease of paying taxes is the simple average of the percentile rankings on its component indicators: number of annual payments, time and total tax rate, with a threshold being applied to the total tax rate.<sup>1</sup> To make the data comparable across economies, several assumptions about the business and the taxes and contributions are used.

- TaxpayerCo is a medium-size business that started operations on January 1, 2011.
- 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.

### WHAT THE PAYING TAXES INDICATORS

#### MEASURE

#### Tax payments for a manufacturing company in 2012 (number per year adjusted for electronic or joint filing and payment)

Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)

Method and frequency of filing and payment

#### Time required to comply with 3 major taxes (hours per year)

Collecting information and computing the tax payable

Completing tax return forms, filing with proper agencies

Arranging payment or withholding

Preparing separate tax accounting books, if required

#### Total tax rate (% of profit)

Profit or corporate income tax

Social contributions and labor taxes paid by the employer

Property and property transfer taxes

Dividend, capital gains and financial transactions taxes

Waste collection, vehicle, road and other taxes

- Taxes and mandatory contributions include corporate income tax, turnover tax and all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

<sup>1</sup> The threshold is defined as the highest total tax rate among the top 15% of economies in the ranking on the total tax rate. It is calculated and adjusted on a yearly basis. The threshold is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the lower end of the distribution of tax rates levied on medium-size enterprises in the manufacturing sector as observed through the paying taxes indicators. This reduces the bias in the indicators toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). This year's threshold is 25.5%.

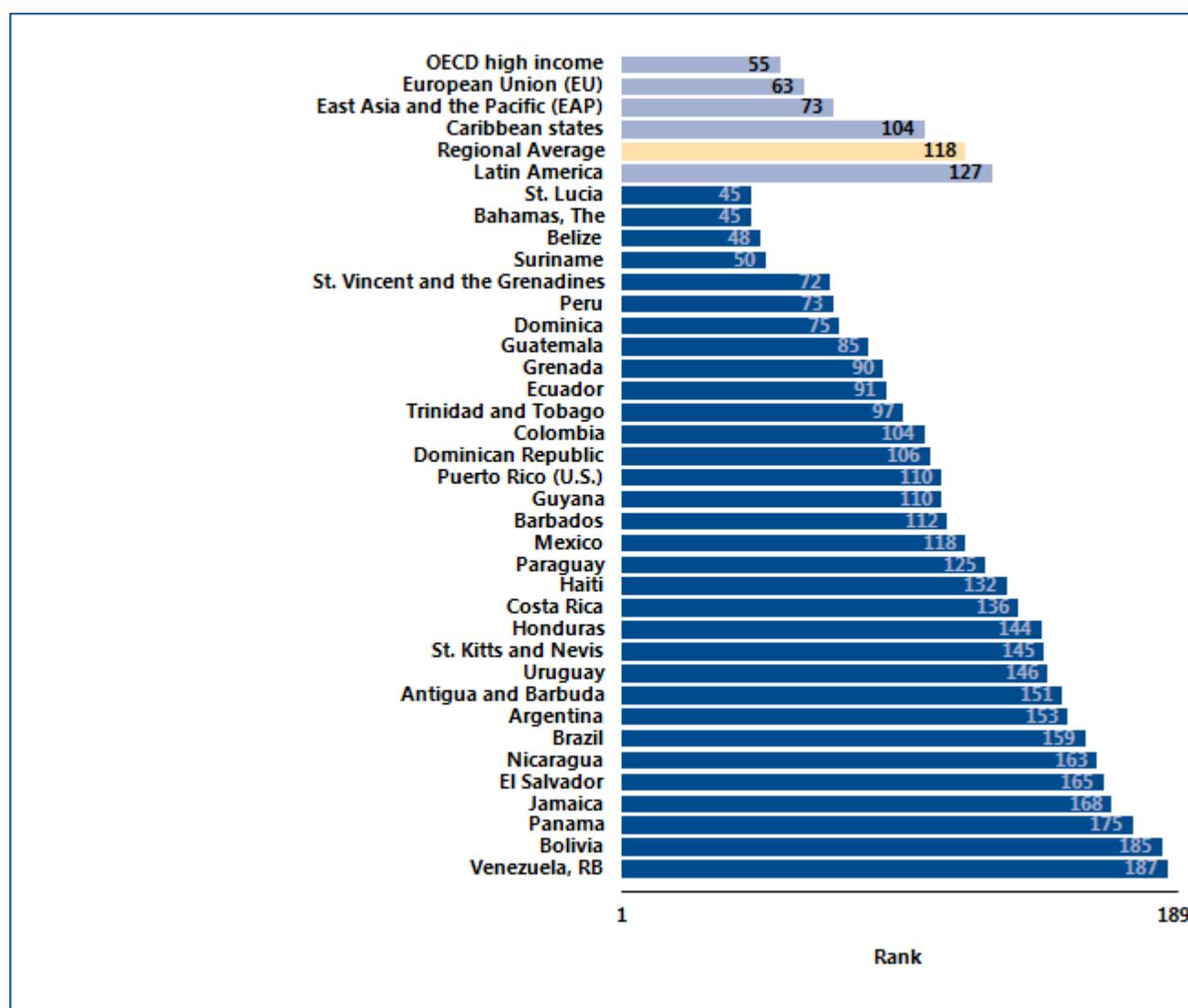
## PAYING TAXES

### Where do the region’s economies stand today?

What is the administrative burden of complying with taxes in economies in Latin America & Caribbean (LAC)—and how much do firms pay in taxes? The global rankings of these economies on the ease of

paying taxes offer useful information for assessing the tax compliance burden for businesses (figure 8.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 8.1 How economies in Latin America & Caribbean (LAC) rank on the ease of paying taxes



Note: For all economies with a total tax rate below the threshold of 25.5% applied in DB2014, the total tax rate is set at 25.5% for the purpose of calculating the ranking on the ease of paying taxes.

Source: Doing Business database.

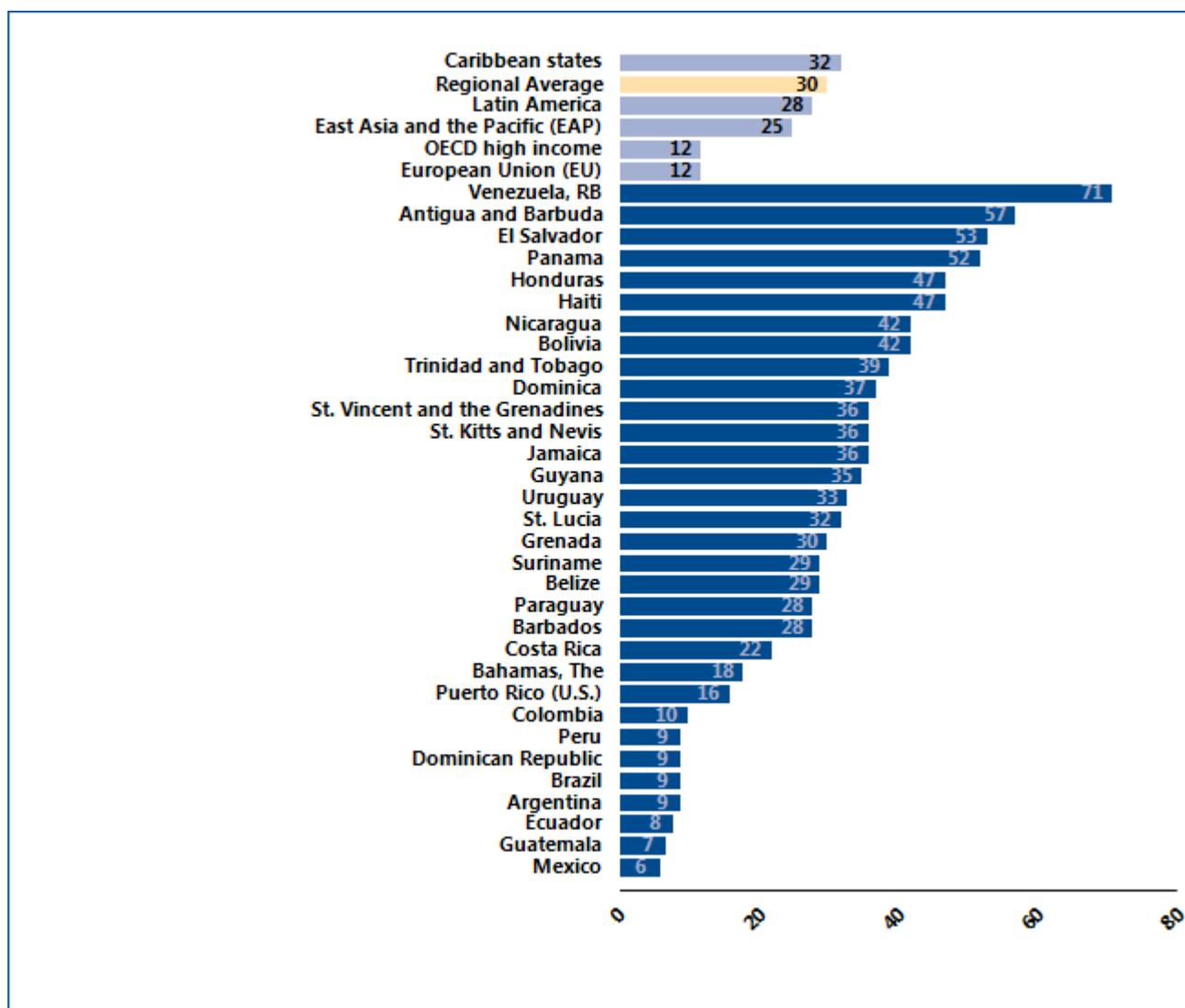
## PAYING TAXES

The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to comply with tax regulations in each economy in the region—the number of payments per year and the time required to prepare and file taxes—

as well as the total tax rate (figure 8.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

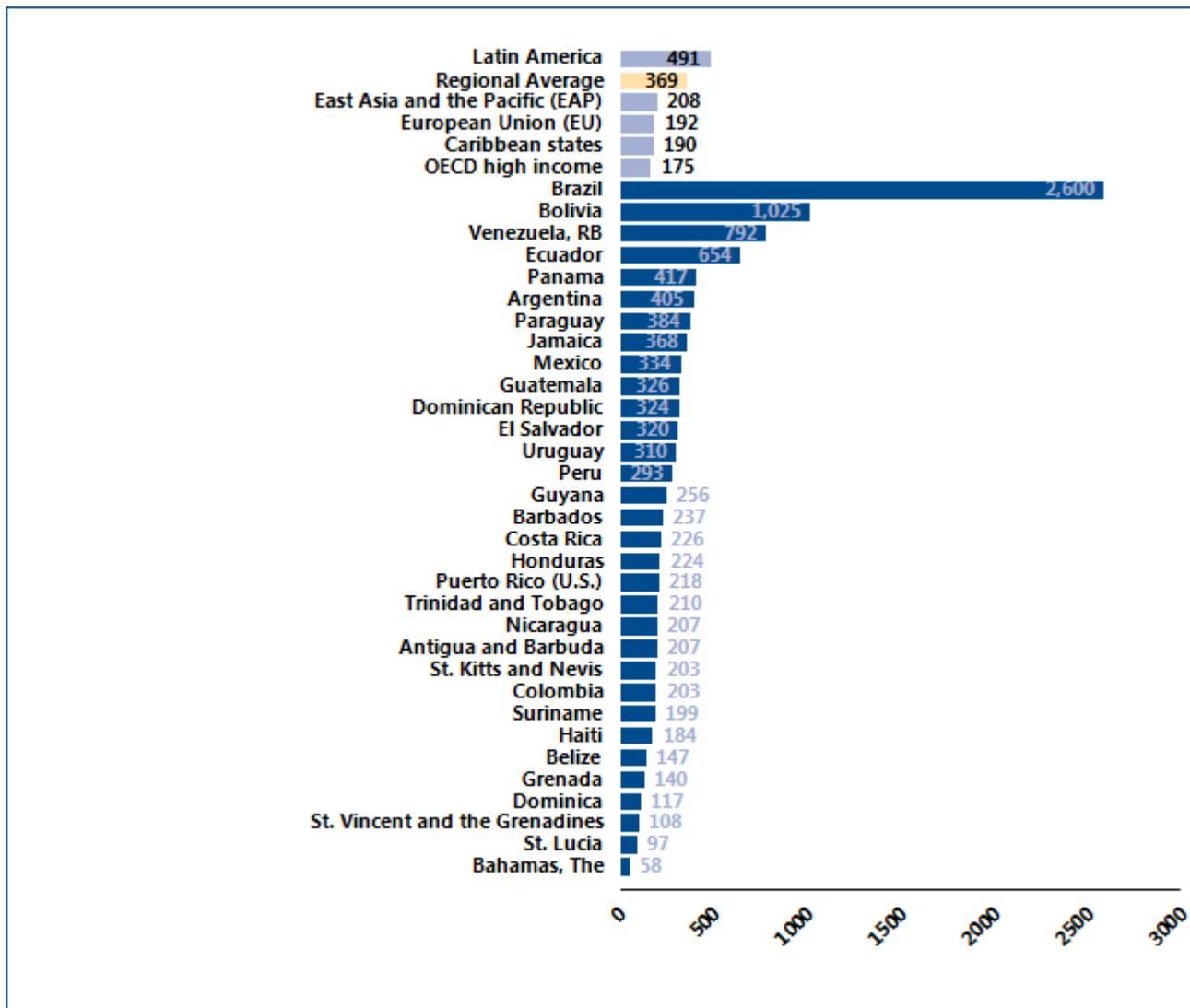
Figure 8.2 How easy is it to pay taxes in economies in Latin America & Caribbean (LAC)—and what are the total tax rates?

### Payments (number per year)



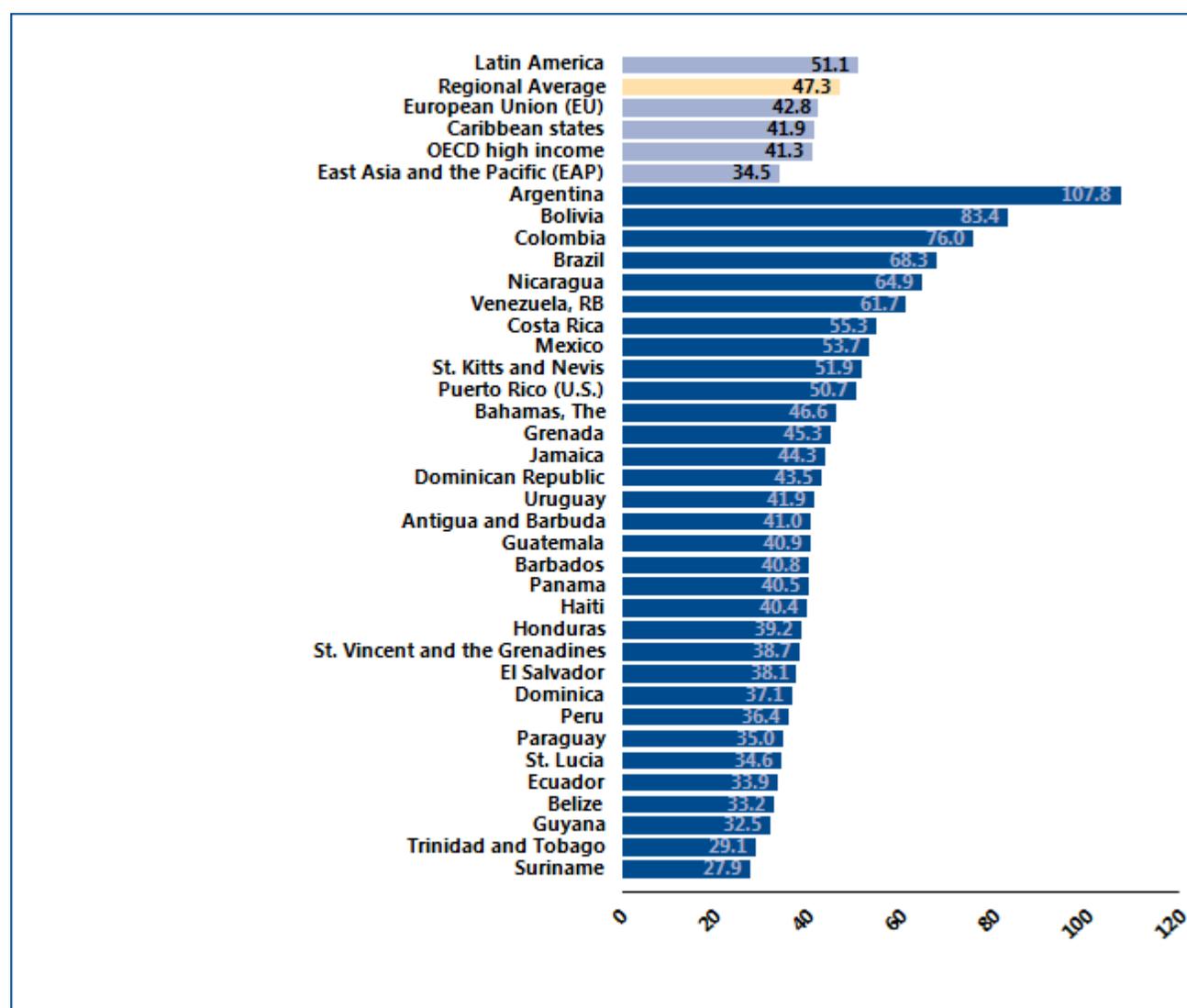
PAYING TAXES

Time (hours per year)



## PAYING TAXES

## Total tax rate (% of profit)



Source: Doing Business database.

## PAYING TAXES

### What are the changes over time?

Economies around the world have made paying taxes faster and easier for businesses—such as by consolidating filings, reducing the frequency of payments or offering electronic filing and payment. Many have lowered tax rates. Changes have brought

concrete results. Some economies simplifying tax payment and reducing rates have seen tax revenue rise. What tax reforms has *Doing Business* recorded in Latin America & Caribbean (LAC) (table 8.1)?

Table 8.1 How have economies in Latin America & Caribbean (LAC) made paying taxes easier—or not? By *Doing Business* report year

DB year	Economy	Reform
DB2008	<i>Colombia</i>	Colombia made it more costly for company to pay taxes by increasing the social security contribution rate. Time to comply was reduced, though, by the spreading of electronic facilities
DB2008	<i>Dominican Republic</i>	Dominican Republic made it more costly for company to pay taxes by increasing the social security contribution rate.
DB2008	<i>Mexico</i>	Mexico reduced the tax burden for companies by reducing the corporate income tax rate
DB2008	<i>Trinidad and Tobago</i>	Trinidad and Tobago reduced the tax burden for companies by reducing the CIT
DB2008	<i>Uruguay</i>	No impact on Doing Business 2008 indicators.
DB2008	<i>Venezuela, RB</i>	Venezuela made it more difficult to pay taxes by introducing three new taxes
DB2009	<i>Antigua and Barbuda</i>	Corporate income tax rate reduced from 30% to 25% from 1/1/2008
DB2009	<i>Colombia</i>	Electronic forms for tax payments integrated and unified., and electronic payment now mandatory for companies with more than 30 employees.
DB2009	<i>Dominican Republic</i>	Effective 17 July 2007, corporate income tax rate reduced from 29% to 25%. Several taxes abolished, including stamp duty. online filing and payment which was piloted in 2006, was fully implemented in 2007 and most tax payers are using

DB year	Economy	Reform
		it.
<b>DB2009</b>	<i>Honduras</i>	Electronic filing and tax payment commonly used in Honduras.
<b>DB2009</b>	<i>Mexico</i>	A new flat tax was introduced effective January 1, 2008, and the asset tax was abolished as from the same date. A new withholding tax on cash deposit interest will be implemented by July 1, 2008. New reporting rules were introduced in 2007 for VAT.
<b>DB2009</b>	<i>St. Vincent and the Grenadines</i>	Effective year of income 2007, the corporate tax rate was reduced from 40% to 37.5% and will be progressively reduced to 30% over the next few years (35% in 2008). VAT will be introduced to replace a number of existing taxes, including consumption duty, domestic and international telecommunications surcharge, hotel tax, stamp duty on receipts and entertainment tax. VAT will be levied at a standard rate of 15%.
<b>DB2009</b>	<i>Uruguay</i>	Effective 1 July 2007, a new tax law was introduced, COFIS (a 3% sales tax) was abolished and VAT was reduced from 23% to 22%.
<b>DB2009</b>	<i>Venezuela, RB</i>	Since 1 November 2007 the Tax on Financial Transactions is levied at a rate of 1.5% on payments made to third parties
<b>DB2010</b>	<i>Brazil</i>	Brazil reduced the tax burden on firms by abolishing the tax on check transactions.
<b>DB2010</b>	<i>Colombia</i>	Colombia has eased the burden of paying taxes on businesses with electronic filing and payment of taxes, and reducing some payments.
<b>DB2010</b>	<i>Guatemala</i>	The Guatemalan government has eased payment of and filing for VAT and corporate income tax by increasing electronic compliance thresholds and extending the electronic system to most banks
<b>DB2010</b>	<i>Mexico</i>	Mexico has eased the paying of taxes by introducing electronic payment systems for payroll tax, property tax and

DB year	Economy	Reform
		social security taxes.
<b>DB2010</b>	<i>Peru</i>	Peru has made paying taxes easier with software, freely distributed, for VAT payments. Peru has also eased the cashflow of business by reducing the check tax and with new accelerated depreciation.
<b>DB2010</b>	<i>St. Vincent and the Grenadines</i>	St Vincent and the Grenadines has reduced the tax burden on business by lowering the the top tax rate by 5% to 35%, and a further reduction to 32.5% from 2009 onwards.
<b>DB2010</b>	<i>Venezuela, RB</i>	Venezuela introduced two new taxes, increasing the tax burden on businesses.
<b>DB2011</b>	<i>Mexico</i>	Mexico increased taxes on companies by raising several tax rates, including the corporate income tax and the rate on cash deposits. At the same time, the administrative burden was reduced slightly with more options for online payment and increased use of accounting software.
<b>DB2011</b>	<i>Nicaragua</i>	Nicaragua increased taxes on firms by raising social security contribution rates and introducing a 10% withholding tax on the gross interest accrued from deposits. It also improved electronic payment of taxes through bank transfer.
<b>DB2011</b>	<i>Panama</i>	Panama reduced the corporate income tax rate, modified various taxes and created a new tax court of appeals.
<b>DB2011</b>	<i>Puerto Rico (U.S.)</i>	Puerto Rico made paying taxes more costly for business by introducing a special surtax of 5% on the tax liability in addition to the normal corporate income tax.
<b>DB2011</b>	<i>Venezuela, RB</i>	República Bolivariana de Venezuela abolished the tax on financial transactions.
<b>DB2012</b>	<i>Belize</i>	Belize made paying taxes easier for firms by improving electronic filing and payment for social security contributions, an option now used by the majority of taxpayers.
<b>DB2012</b>	<i>Bolivia</i>	Bolivia raised social security contribution rates for employers.
<b>DB2012</b>	<i>Colombia</i>	Colombia eased the administrative burden of paying taxes for

DB year	Economy	Reform
		firms by establishing mandatory electronic filing and payment for some of the major taxes.
<b>DB2012</b>	<i>Costa Rica</i>	In Costa Rica online payment of social security contributions is now widespread and used by the majority of taxpayers.
<b>DB2012</b>	<i>Honduras</i>	Honduras made paying taxes costlier for firms by raising the solidarity tax rate.
<b>DB2012</b>	<i>Mexico</i>	Mexico continued to ease the administrative burden of paying taxes for firms by ending the requirement to file a yearly value added tax return and reduced filing requirements for other taxes
<b>DB2012</b>	<i>Nicaragua</i>	Nicaragua made paying taxes easier for companies by promoting electronic filing and payment of the major taxes, an option now used by the majority of taxpayers.
<b>DB2012</b>	<i>Paraguay</i>	Paraguay made paying taxes more burdensome for companies by introducing new tax declarations that must be filed monthly.
<b>DB2012</b>	<i>Peru</i>	Peru made paying taxes easier for companies by improving electronic filing and payment of the major taxes and promoting the use of the electronic option among the majority of taxpayers.
<b>DB2012</b>	<i>St. Kitts and Nevis</i>	St. Kitts and Nevis made paying taxes easier by introducing a value added tax.
<b>DB2012</b>	<i>Venezuela, RB</i>	República Bolivariana de Venezuela made paying taxes costlier for firms by doubling the municipal economic activities tax (sales tax).
<b>DB2013</b>	<i>Costa Rica</i>	Costa Rica made paying taxes easier for companies by implementing electronic payment for municipal taxes—though it also introduced a registration flat tax.
<b>DB2013</b>	<i>Dominican Republic</i>	The Dominican Republic increased the corporate income tax rate.
<b>DB2013</b>	<i>El Salvador</i>	El Salvador introduced an alternative minimum tax.

DB year	Economy	Reform
DB2013	<i>Jamaica</i>	Jamaica made paying taxes easier for companies by allowing joint filing and payment of all social security contributions.
DB2013	<i>Panama</i>	Panama made paying taxes easier for companies by enhancing the electronic filing system for value added tax and simplifying tax return forms for corporate income tax—though it also began requiring companies to pay corporate income tax monthly rather than quarterly.
DB2013	<i>Puerto Rico (U.S.)</i>	Puerto Rico (territory of the United States) made paying taxes easier and less costly for companies by introducing a new Internal Revenue Code and tax codification and by reducing the effective corporate income tax rate.
DB2013	<i>Uruguay</i>	Uruguay made paying taxes easier for small and medium-size companies by fully implementing an online filing and payment system for capital, value added and corporate income taxes and by improving the online facilities for social security contributions.
DB2013	<i>Venezuela, RB</i>	República Bolivariana de Venezuela made paying taxes more costly and difficult for companies by introducing a sports, physical activities and physical education tax.
DB2014	<i>El Salvador</i>	El Salvador made paying taxes more costly for companies by increasing the corporate income tax rate.
DB2014	<i>Guatemala</i>	Guatemala made paying taxes easier for companies by introducing a new electronic filing and payment system.
DB2014	<i>Guyana</i>	Guyana made paying taxes easier for companies by reducing the corporate income tax rate.
DB2014	<i>Jamaica</i>	Jamaica made paying taxes less costly for companies by reducing the corporate income tax rate—though it also increased vehicle and asset taxes.
DB2014	<i>Panama</i>	Panama made paying taxes easier for companies by changing the payment frequency for corporate income taxes from monthly to quarterly and by implementing a new online platform for filing the social security payroll.

DB year	Economy	Reform
<b>DB2014</b>	<i>Paraguay</i>	Paraguay made paying taxes easier for companies by making electronic filing and payment mandatory for corporate income and value added taxes.

*Note:* For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

*Source:* *Doing Business* database.

## TRADING ACROSS BORDERS

In today's globalized world, making trade between economies easier is increasingly important for business. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Research shows that exporters in developing countries gain more from a 10% drop in their trading costs than from a similar reduction in the tariffs applied to their products in global markets.

### What do the indicators cover?

*Doing Business* measures the time and cost (excluding tariffs and the time and cost for sea transport) associated with exporting and importing a standard shipment of goods by sea transport, and the number of documents necessary to complete the transaction. The indicators cover procedural requirements such as documentation requirements and procedures at customs and other regulatory agencies as well as at the port. They also cover trade logistics, including the time and cost of inland transport to the largest business city. The ranking on the ease of trading across borders is the simple average of the percentile rankings on its component indicators: documents, time and cost to export and import.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the traded goods.

The business:

- Is of medium size and employs 60 people.
- Is located in the periurban area of the economy's largest business city.
- Is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the economy.

The traded goods:

- Are not hazardous nor do they include military items.

### WHAT THE TRADING ACROSS BORDERS INDICATORS MEASURE

#### Documents required to export and import (number)

- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

#### Time required to export and import (days)

- Obtaining, filling out and submitting all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include sea transport time

#### Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes

- Do not require refrigeration or any other special environment.
- Do not require any special phytosanitary or environmental safety standards other than accepted international standards.
- Are one of the economy's leading export or import products.
- Are transported in a dry-cargo, 20-foot full container load.

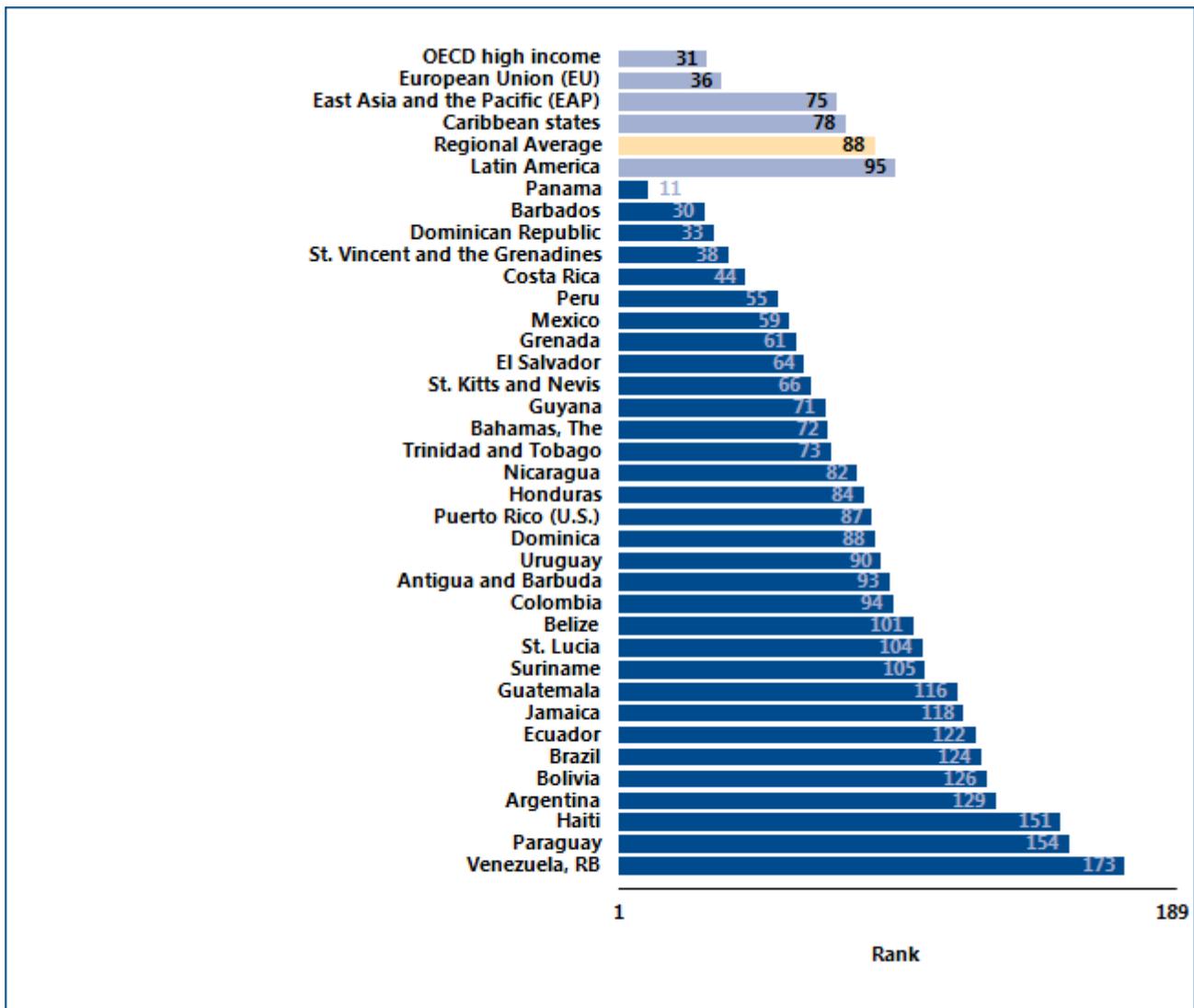
### TRADING ACROSS BORDERS

#### Where do the region’s economies stand today?

How easy it is for businesses in economies in Latin America & Caribbean (LAC) to export and import goods? The global rankings of these economies on the

ease of trading across borders suggest an answer (figure 9.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 9.1 How economies in Latin America & Caribbean (LAC) rank on the ease of trading across borders



Source: Doing Business database.

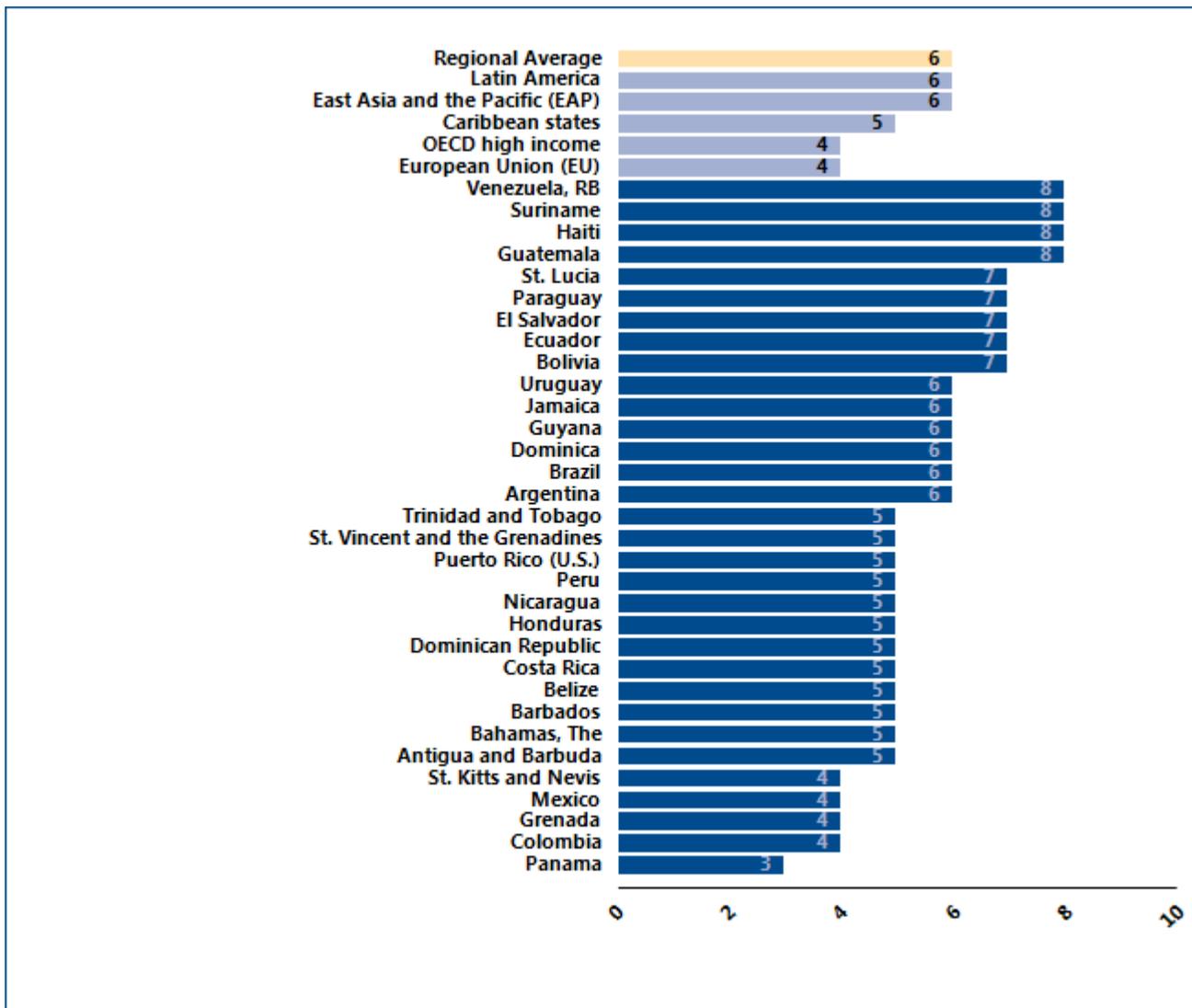
### TRADING ACROSS BORDERS

The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to export or import a standard container of goods in each economy in the region: the number of

documents, the time and the cost (figure 9.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

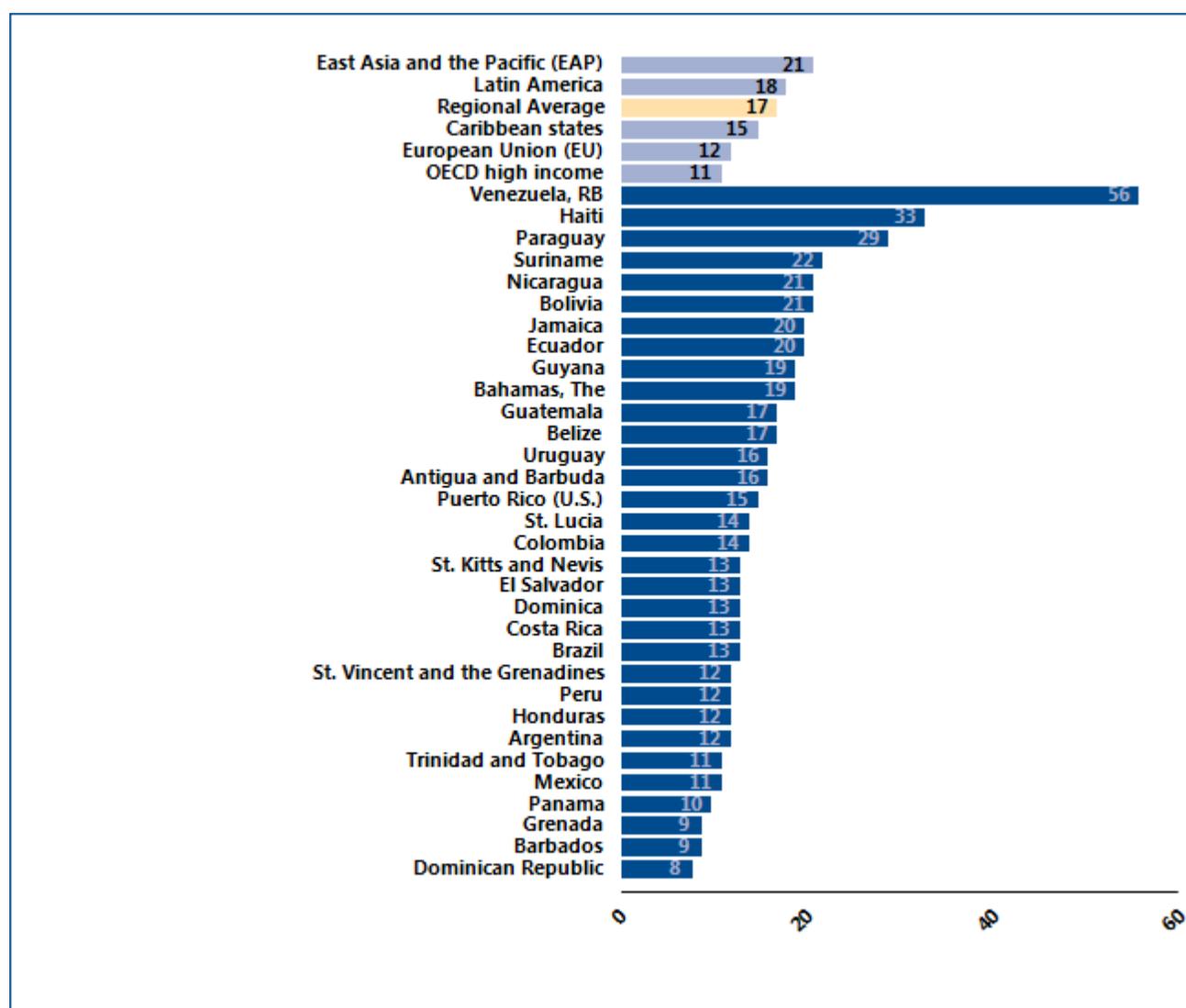
Figure 9.2 What it takes to trade across borders in economies in Latin America & Caribbean (LAC)

#### Documents to export (number)



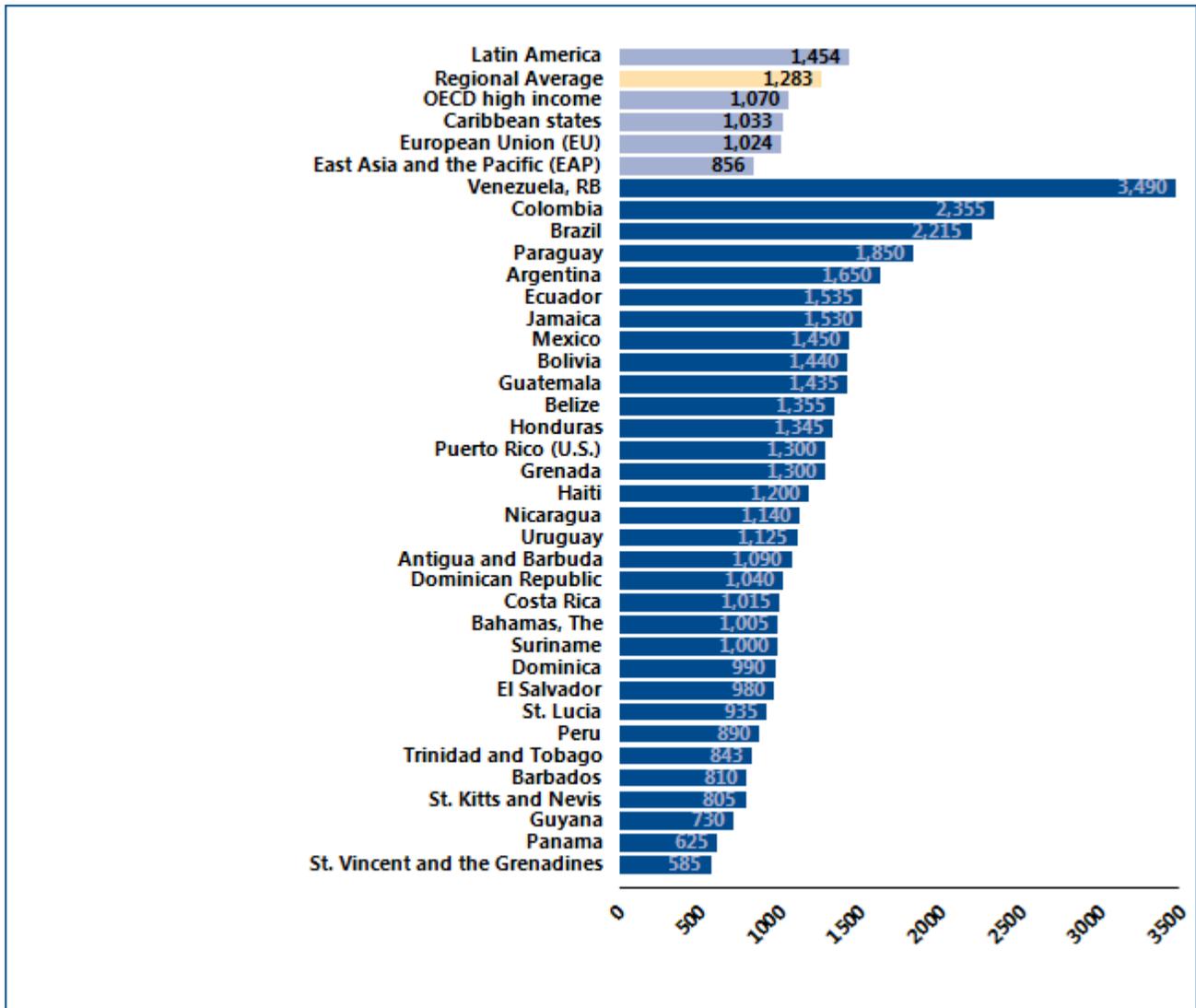
## TRADING ACROSS BORDERS

## Time to export (days)



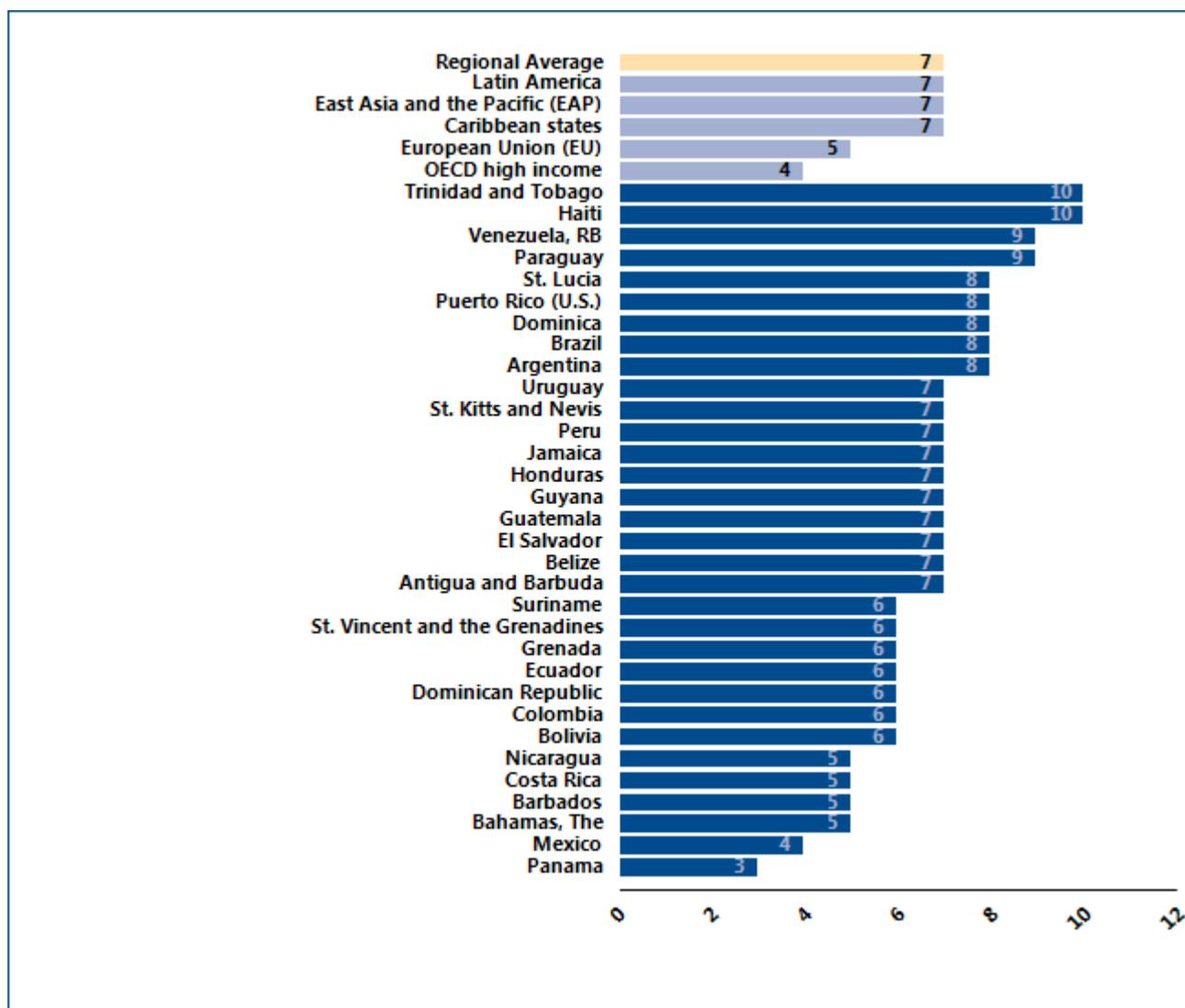
TRADING ACROSS BORDERS

Cost to export (US\$ per container)



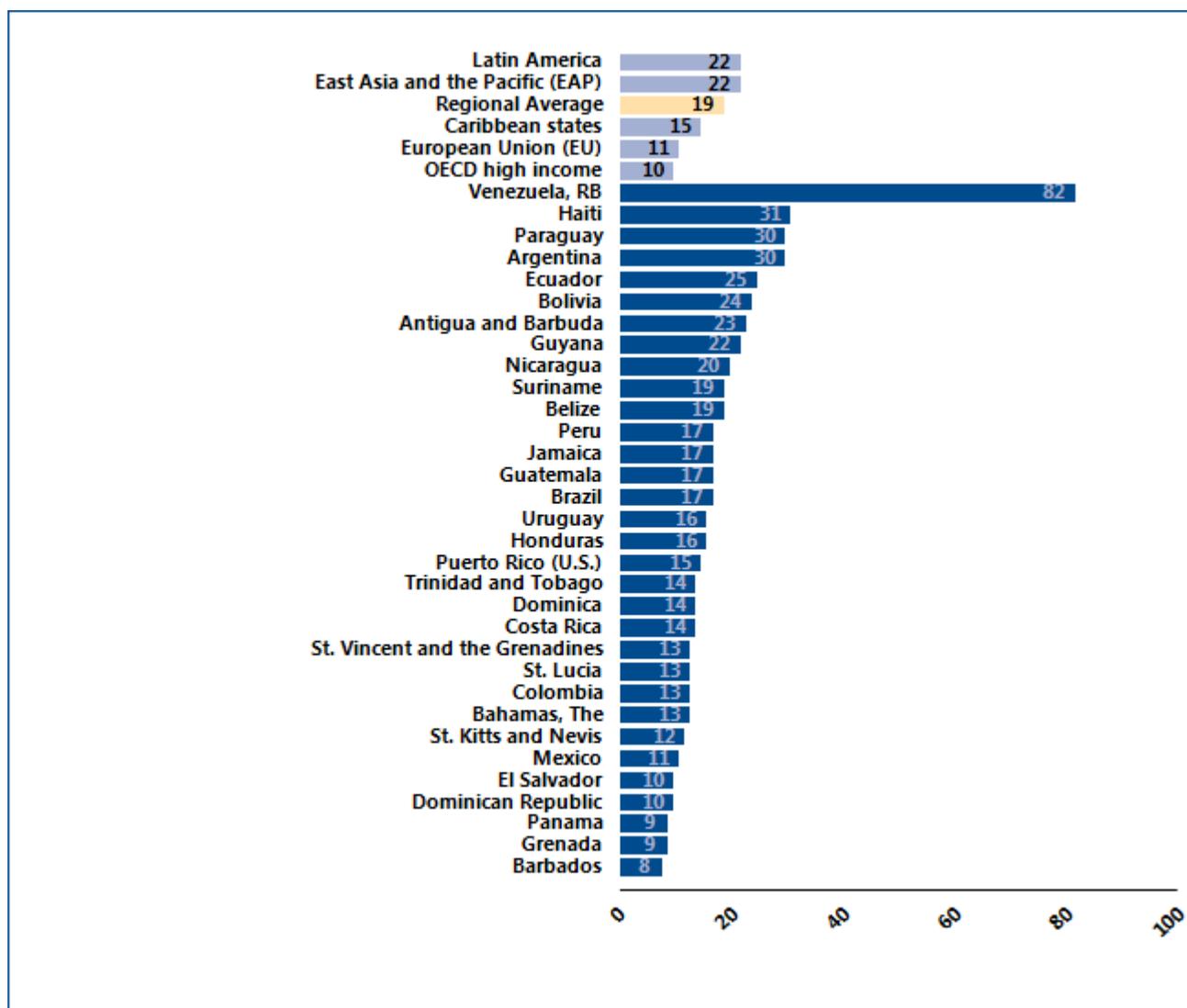
TRADING ACROSS BORDERS

Documents to import (number)



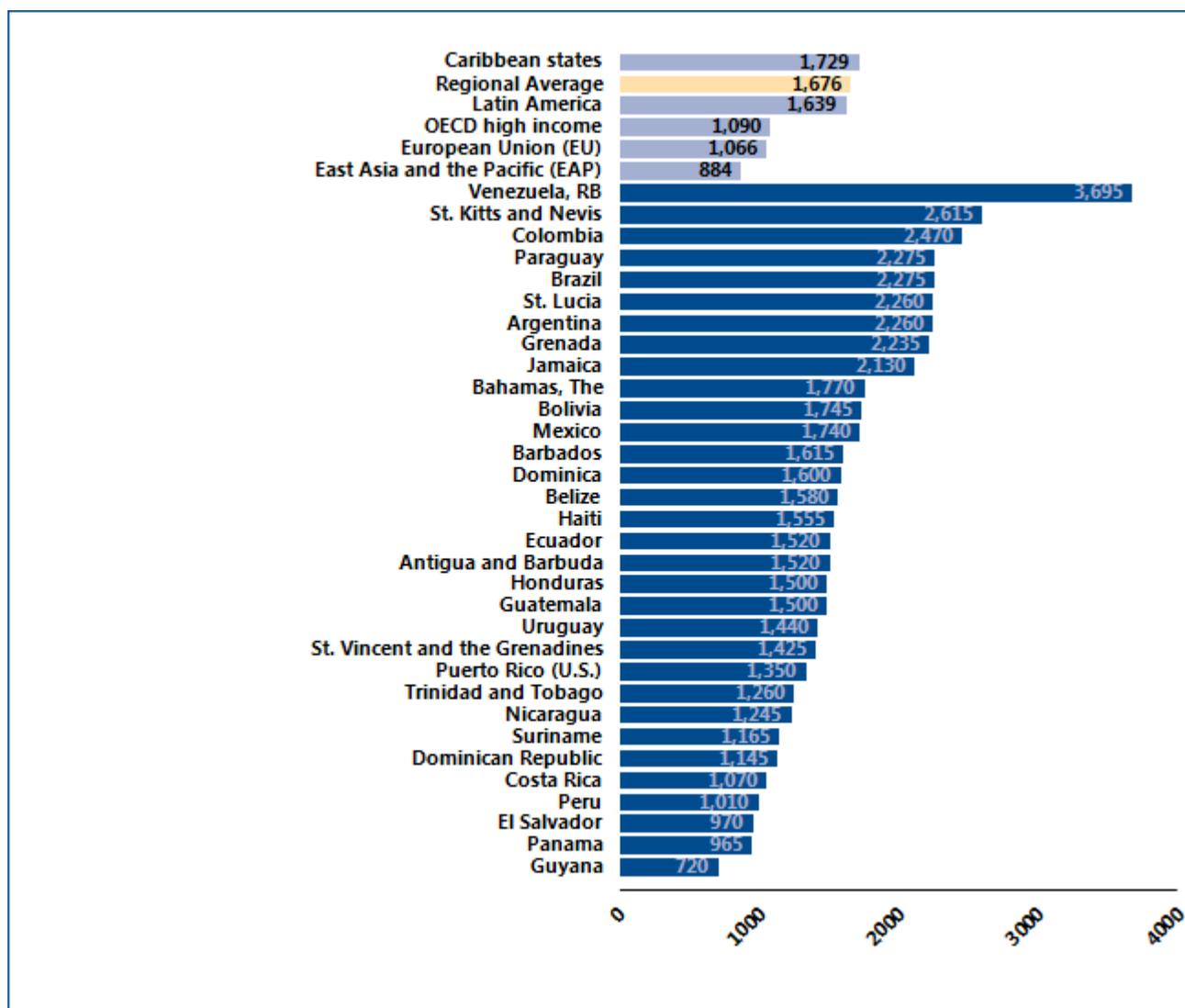
TRADING ACROSS BORDERS

Time to import (days)



## TRADING ACROSS BORDERS

## Cost to import (US\$ per container)



Source: Doing Business database.

## TRADING ACROSS BORDERS

### What are the changes over time?

In economies around the world, trading across borders as measured by Doing Business has become faster and easier over the years. Governments have introduced tools to facilitate trade—including single windows, risk-based inspections and electronic data interchange

systems. These changes help improve their trading environment and boost firms' international competitiveness. What trade reforms has Doing Business recorded in Latin America & Caribbean (LAC) (table 9.1)?

Table 9.1 How have economies in Latin America & Caribbean (LAC) made trading across borders easier—or not?  
By *Doing Business* report year

DB year	Economy	Reform
DB2008	<i>Brazil</i>	Brazil eased trading across borders by updating its electronic data interchange system for customs.
DB2008	<i>Colombia</i>	Colombia eased trading across borders by extending customs and port operating hours.
DB2008	<i>Costa Rica</i>	Costa Rica eased trading across borders by improving its electronic data interchange system and allowing for electronic submission of cargo manifests before arrival.
DB2008	<i>Dominican Republic</i>	Dominican republic eased trading across borders by reducing documentation requirements.
DB2008	<i>El Salvador</i>	El Salvador eased trading across borders by establishing a one-stop shop for importers.
DB2008	<i>Guatemala</i>	Guatemala eased trading across borders by implementing a new EDI system, training of customs staff, and improvements to the risk-based system for inspections.
DB2008	<i>Venezuela, RB</i>	Venezuela made exporting more difficult by introducing new requirements for registration of export transactions.
DB2009	<i>Brazil</i>	Implementation of EDI system SISCARGA and SISCOMEX CARGA, a risk-based management system, and an increase in the banking sector have led to a decrease in time for export and import.
DB2009	<i>Colombia</i>	Due to improvements in the banking sector, implementation of e-payments, EDI, and risk management procedures export

DB year	Economy	Reform
		and import time decreased
DB2009	<i>Dominican Republic</i>	Improvements in the area of the online portal, risk-based inspections, and banking sector, led to a decrease in export and import time.
DB2009	<i>Ecuador</i>	Due to improvements at the port infrastructure, and the banking sector, as well as the abolishment of documentation, export and import time decreased.
DB2009	<i>El Salvador</i>	Modernization of its customs system and physical inspections, increased traffic control, implementation of a single window, and improvements in the banking sector, export and import time decreased
DB2009	<i>Haiti</i>	Risk-based inspections have reduced the time for export
DB2009	<i>Honduras</i>	Consular legalization for trade documents was abolished which led to a reduction of one document for import
DB2009	<i>Uruguay</i>	Implementation of EDI and improvement of the banking sector led to a decrease of export and import time.
DB2010	<i>Colombia</i>	Colombia implemented MUISCA, an electronic declaration system, and sped up the customs clearance process.
DB2010	<i>Grenada</i>	Grenada has reduced the time for trading across borders with ongoing Customs and Brokers training and implementation of electronic reference sources.
DB2010	<i>Guyana</i>	Due to implementation of the electronic declaration system the customs clearance time for export and import in Guyana was reduced.
DB2010	<i>Haiti</i>	With the implementation of the ASYCUDA system and 24-hour operation at the port, goods can be cleared faster in Haiti.
DB2010	<i>Paraguay</i>	Paraguay saw an improvement in trading time with the implementation of the export electronic system and the improvement of the risk-based inspection system.

DB year	Economy	Reform
DB2010	<i>Peru</i>	Peru sped up its port and terminal handling activities due to additional cranes.
DB2010	<i>St. Kitts and Nevis</i>	St. Kitts and Nevis has improved trading times with the submission of the customs declaration electronically .
DB2011	<i>Grenada</i>	Grenada's customs administration made trading faster by simplifying procedures, reducing inspections, improving staff training and enhancing communication with users.
DB2011	<i>Guyana</i>	Guyana improved its risk profiling system for customs inspection, reducing physical inspections of shipments and the time to trade.
DB2011	<i>Nicaragua</i>	Nicaragua expedited trade by migrating to a new electronic data interchange system for customs, setting up a physical one-stop shop for exports and investing in new equipment at the port of Corinto.
DB2011	<i>Peru</i>	Peru made trading easier by implementing a new web-based electronic data interchange system, risk-based inspections and payment deferrals.
DB2012	<i>Honduras</i>	Honduras made trading across borders faster by implementing a web-based electronic data interchange system and X-ray machines at the port of Puerto Cortes.
DB2013	<i>Antigua and Barbuda</i>	Antigua and Barbuda made trading across borders more difficult by increasing the number of documents required to import.
DB2013	<i>Argentina</i>	Argentina increased the time, cost and number of documents needed to import by expanding the list of products requiring nonautomatic licenses and introducing new preapproval procedures for all imports.
DB2013	<i>Belize</i>	Belize reduced the time to export and import by implementing the ASYCUDA World electronic data interchange system.
DB2013	<i>Dominica</i>	Dominica reduced the time to import by implementing the ASYCUDA World electronic data interchange system.

DB year	Economy	Reform
DB2013	<i>Grenada</i>	Grenada reduced the time to export and import by implementing the ASYCUDA World electronic data interchange system.
DB2013	<i>Jamaica</i>	Jamaica reduced the time to import by allowing customs entries to be lodged at night.
DB2013	<i>St. Kitts and Nevis</i>	St. Kitts and Nevis made it more expensive to export by increasing the cost of operations at the port of Basseterre.
DB2013	<i>Suriname</i>	Suriname increased the time to export by involving more customs departments in clearing exports.
DB2013	<i>Trinidad and Tobago</i>	Trinidad and Tobago reduced the time to export and import by launching the ASYCUDA World electronic data interchange system and simplifying the process for obtaining a certificate of origin.
DB2013	<i>Uruguay</i>	Uruguay reduced the time to import by improving port efficiency and introducing electronic payment and predeclaration systems for customs.
DB2014	<i>Argentina</i>	Argentina reduced the number of documents necessary for importing by eliminating nonautomatic license requirements.
DB2014	<i>El Salvador</i>	El Salvador made trading across borders easier by developing a one-stop shop for exporting and by implementing electronic data interchange systems.
DB2014	<i>Mexico</i>	Mexico made trading across borders easier by implementing an electronic single-window system.
DB2014	<i>St. Lucia</i>	St. Lucia made trading across borders more difficult by introducing a new export document.
DB2014	<i>Uruguay</i>	Uruguay made trading across borders easier by implementing an electronic customs declaration system.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## ENFORCING CONTRACTS

Effective commercial dispute resolution has many benefits. Courts are essential for entrepreneurs because they interpret the rules of the market and protect economic rights. Efficient and transparent courts encourage new business relationships because businesses know they can rely on the courts if a new customer fails to pay. Speedy trials are essential for small enterprises, which may lack the resources to stay in business while awaiting the outcome of a long court dispute.

### What do the indicators cover?

*Doing Business* measures the efficiency of the judicial system in resolving a commercial dispute before local courts. Following the step-by-step evolution of a standardized case study, it collects data relating to the time, cost and procedural complexity of resolving a commercial lawsuit. The ranking on the ease of enforcing contracts is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

The dispute in the case study involves the breach of a sales contract between 2 domestic businesses. The case study assumes that the court hears an expert on the quality of the goods in dispute. This distinguishes the case from simple debt enforcement. To make the data comparable across economies, *Doing Business* uses several assumptions about the case:

- The seller and buyer are located in the economy's largest business city.
- The buyer orders custom-made goods, then fails to pay.
- The seller sues the buyer before a competent court.
- The value of the claim is 200% of income per capita.
- The seller requests a pretrial attachment to secure the claim.

### WHAT THE ENFORCING CONTRACTS

#### INDICATORS MEASURE

#### Procedures to enforce a contract through the courts (number)

- Steps to file and serve the case
- Steps for trial and judgment
- Steps to enforce the judgment

#### Time required to complete procedures (calendar days)

- Time to file and serve the case
- Time for trial and obtaining judgment
- Time to enforce the judgment

#### Cost required to complete procedures (% of claim)

- Average attorney fees
- Court costs
- Enforcement costs

- The dispute on the quality of the goods requires an expert opinion.
- The judge decides in favor of the seller; there is no appeal.
- The seller enforces the judgment through a public sale of the buyer's movable assets.

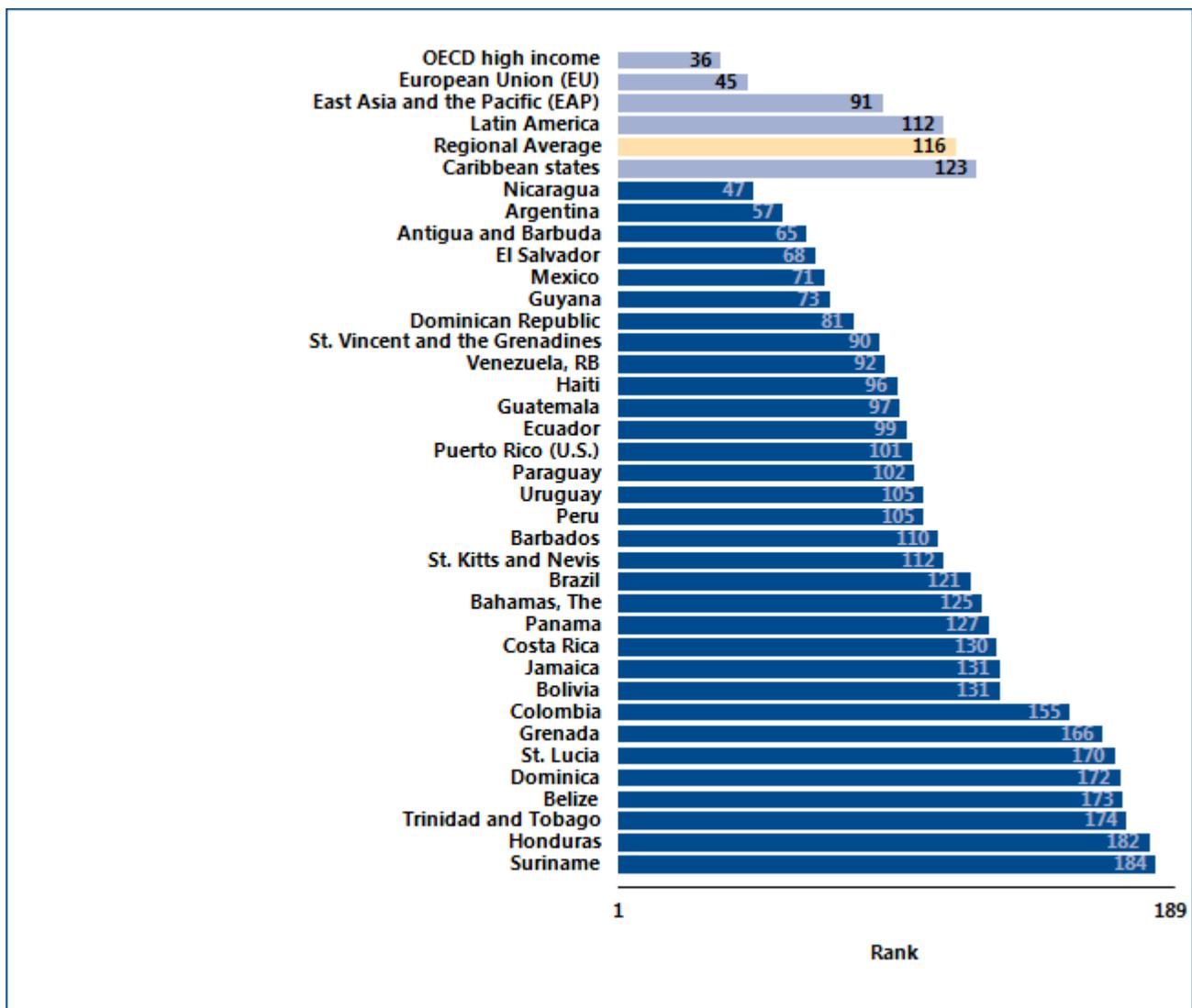
## ENFORCING CONTRACTS

### Where do the region's economies stand today?

How efficient is the process of resolving a commercial dispute through the courts in economies in Latin America & Caribbean (LAC)? The global rankings of these economies on the ease of enforcing contracts

suggest an answer (figure 10.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 10.1 How economies in Latin America & Caribbean (LAC) rank on the ease of enforcing contracts



Source: Doing Business database.

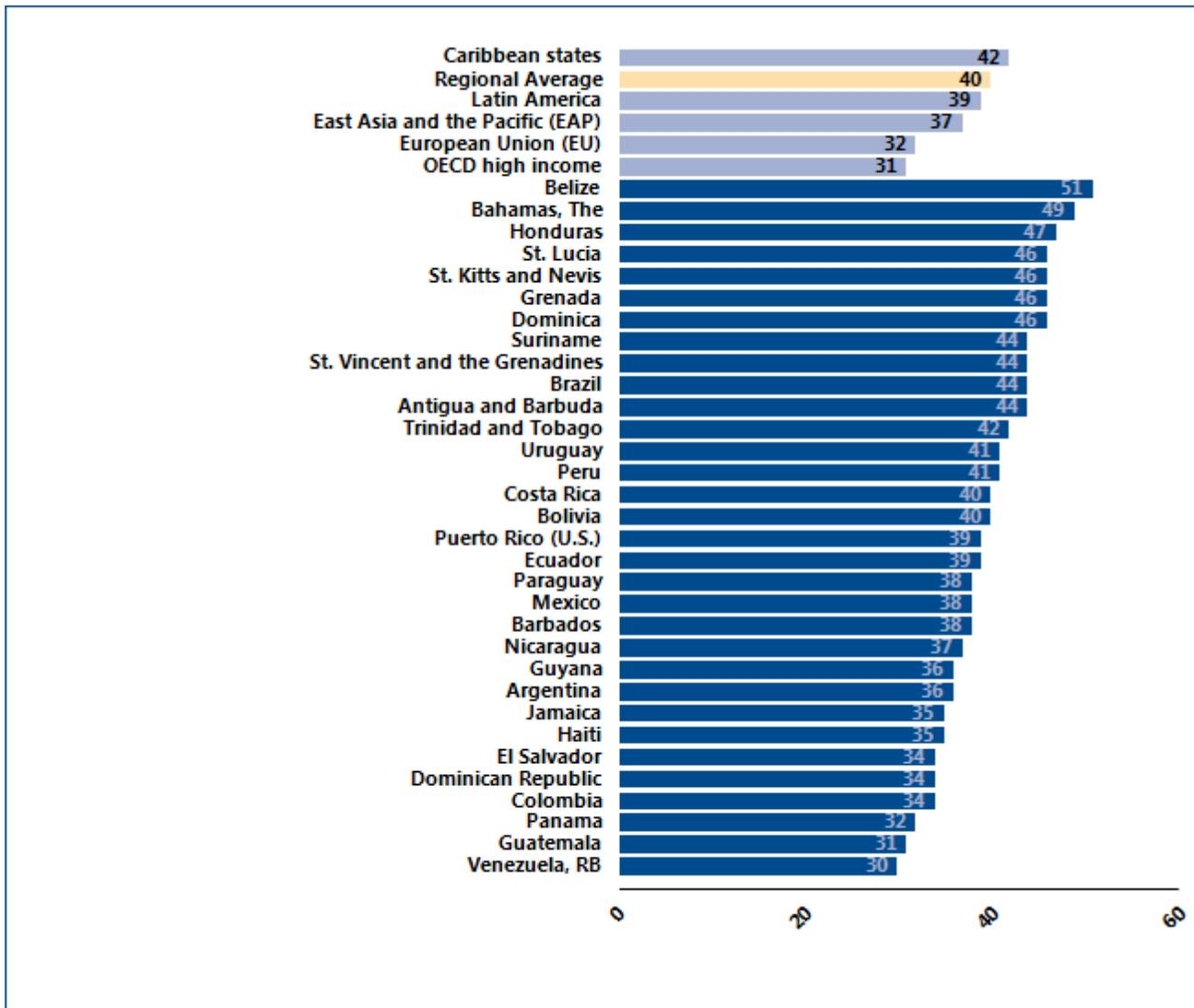
## ENFORCING CONTRACTS

The indicators underlying the rankings may also be revealing. Data collected by *Doing Business* show what it takes to enforce a contract through the courts in each economy in the region: the number of

procedures, the time and the cost (figure 10.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

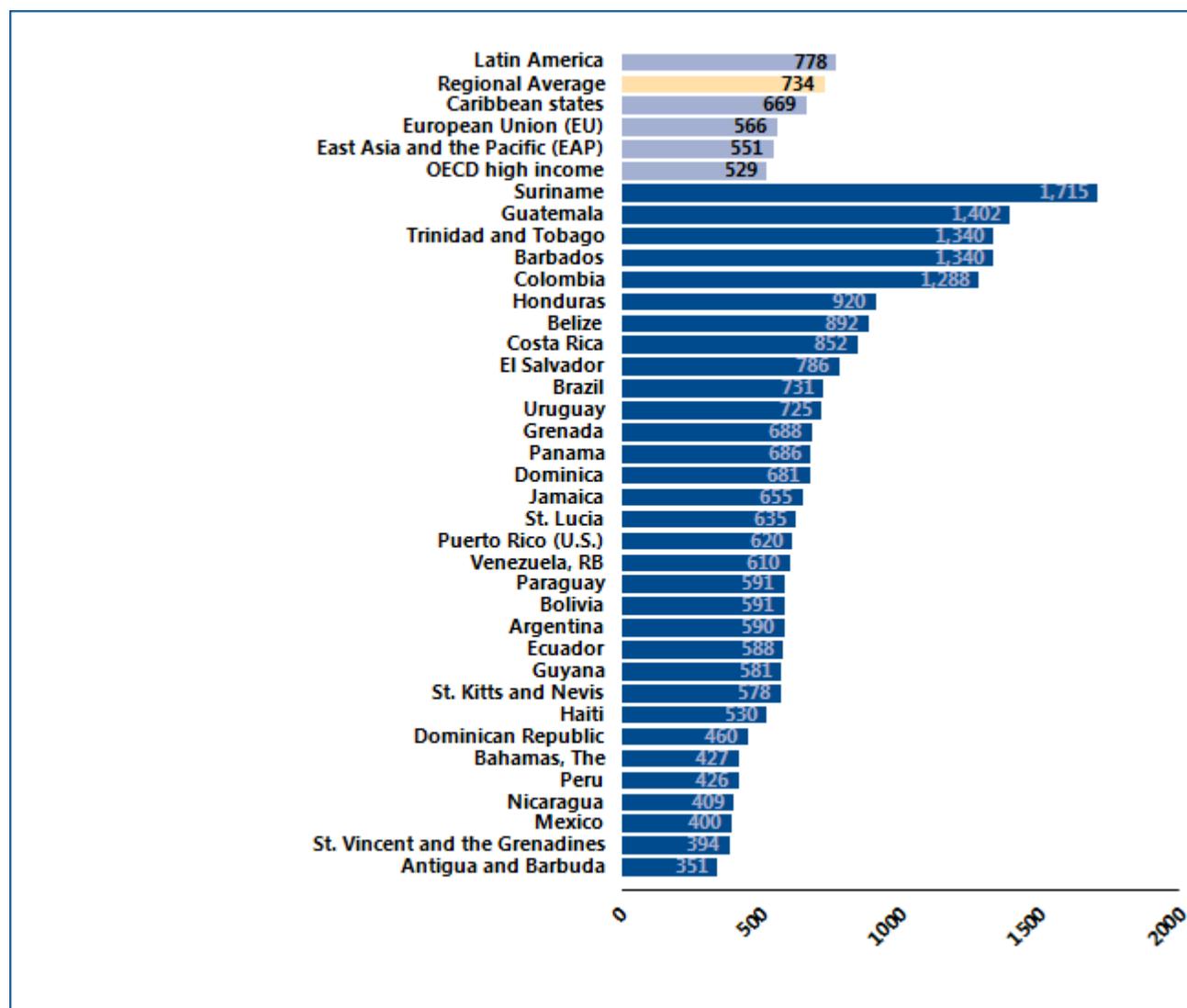
Figure 10.2 What it takes to enforce a contract through the courts in economies in Latin America & Caribbean (LAC)

### Procedures (number)



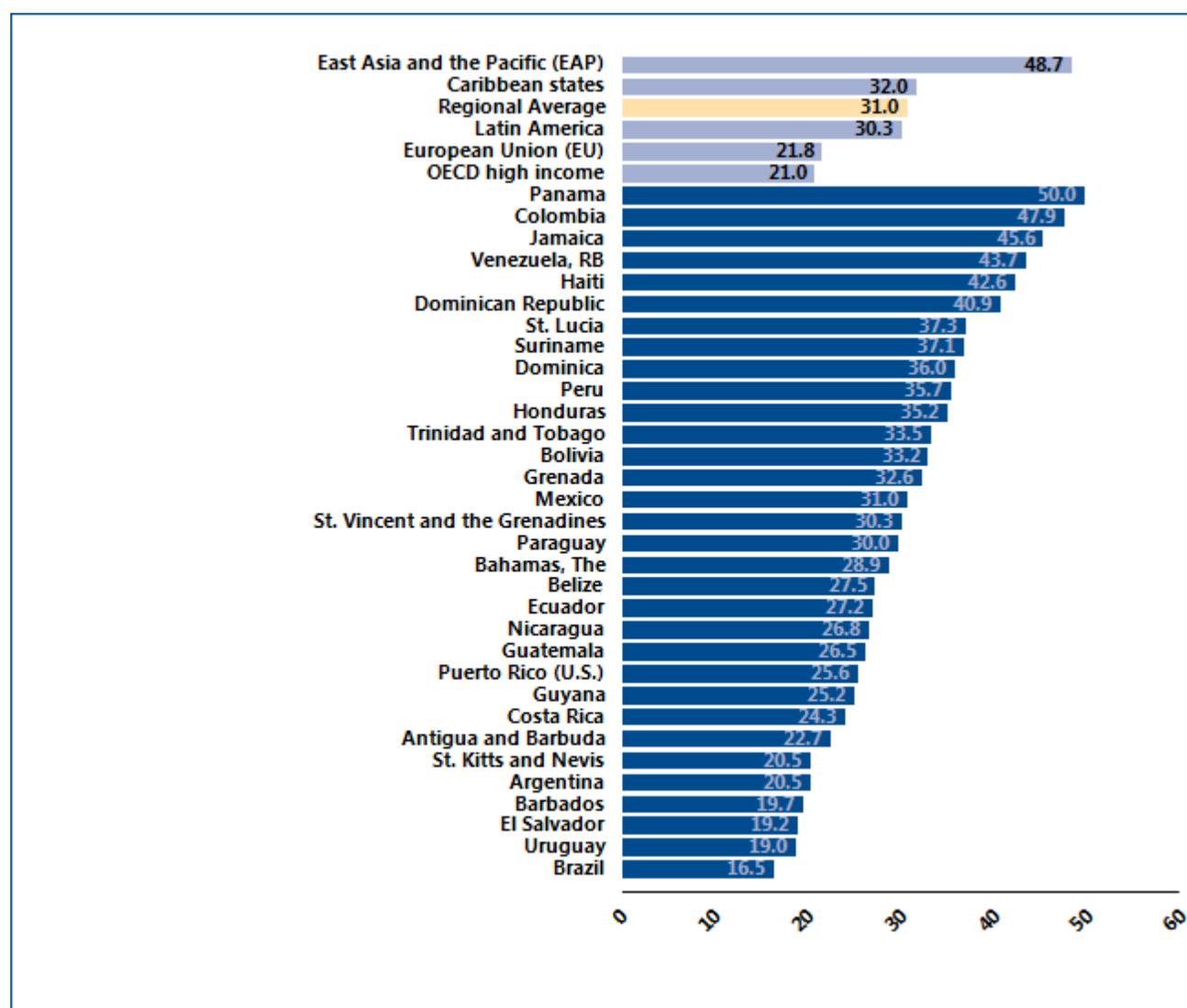
## ENFORCING CONTRACTS

Time (days)



## ENFORCING CONTRACTS

## Cost (% of claim)



Source: Doing Business database.

## ENFORCING CONTRACTS

### What are the changes over time?

Economies in all regions have improved contract enforcement in recent years. A judiciary can be improved in different ways. Higher-income economies tend to look for ways to enhance efficiency by introducing new technology. Lower-income economies often work on reducing backlogs by introducing

periodic reviews to clear inactive cases from the docket and by making procedures faster. What reforms making it easier (or more difficult) to enforce contracts has *Doing Business* recorded in Latin America & Caribbean (LAC) (table 10.1)?

Table 10.1 How have economies in Latin America & Caribbean (LAC) made enforcing contracts easier—or not? By *Doing Business* report year

DB year	Economy	Reform
DB2008	Brazil	Brazil updated and streamlines its civil procedure rules.
DB2008	Guatemala	Guatemala updated its claim thresholds.
DB2010	Costa Rica	Costa Rica has improved contract enforcement with new modes of service delivery, and auction procedures were simplified by authorizing the publication of a single auction notice.
DB2010	Grenada	Additional staffing at the Grenada High Court has been decreasing the court's backlog and easing contract enforcement.
DB2010	Peru	Peru has eased contract enforcement by introducing deadlines for filing evidence and for contesting enforcement procedures. Further, electronic judicial notices are permissible in lieu of publication in the Official Gazette.
DB2012	Honduras	Honduras adopted a new civil procedure code that modified litigation procedures for enforcing a contract.
DB2012	Nicaragua	Nicaragua raised the monetary threshold for commercial claims that can be brought to the Managua local civil court, leaving lower-value claims in the local courts, where proceedings are simpler and faster.
DB2013	Brazil	Brazil made enforcing contracts easier by implementing an electronic system for filing initial complaints at the São Paulo civil district court.
DB2014	Colombia	Colombia made enforcing contracts easier by simplifying and speeding up the proceedings for commercial disputes.
DB2014	Mexico	Mexico made enforcing contracts easier by creating small

DB year	Economy	Reform
		claims courts, with oral proceedings, that can hear both civil and commercial cases.

*Note:* For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

*Source:* *Doing Business* database.

## RESOLVING INSOLVENCY

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in the speedy return of businesses to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses and thereby improve growth and sustainability in the economy overall.

### What do the indicators cover?

*Doing Business* studies the time, cost and outcome of insolvency proceedings involving domestic entities. It does not measure insolvency proceedings of individuals and financial institutions. The data are derived from survey responses by local insolvency practitioners and verified through a study of laws and regulations as well as public information on bankruptcy systems.

The ranking on the ease of resolving insolvency is based on the recovery rate, which is recorded as cents on the dollar recouped by creditors through reorganization, liquidation or debt enforcement (foreclosure) proceedings. The recovery rate is a function of time, cost and other factors, such as lending rate and the likelihood of the company continuing to operate.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the case. It assumes that the company:

- Is a domestically owned, limited liability company operating a hotel.
- Operates in the economy's largest business city.
- Has 201 employees, 1 main secured creditor and 50 unsecured creditors.

### WHAT THE RESOLVING INSOLVENCY INDICATORS MEASURE

#### Time required to recover debt (years)

Measured in calendar years

Appeals and requests for extension are included

#### Cost required to recover debt (% of debtor's estate)

Measured as percentage of estate value

Court fees

Fees of insolvency administrators

Lawyers' fees

Assessors' and auctioneers' fees

Other related fees

#### Outcome

Whether business continues operating as a going concern or business assets are sold piecemeal

#### Recovery rate for creditors (cents on the dollar)

Measures the cents on the dollar recovered by creditors

Present value of debt recovered

Official costs of the insolvency proceedings are deducted

Depreciation of furniture is taken into account

Outcome for the business (survival or not) affects the maximum value that can be recovered

- Has a higher value as a going concern—and that the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation.

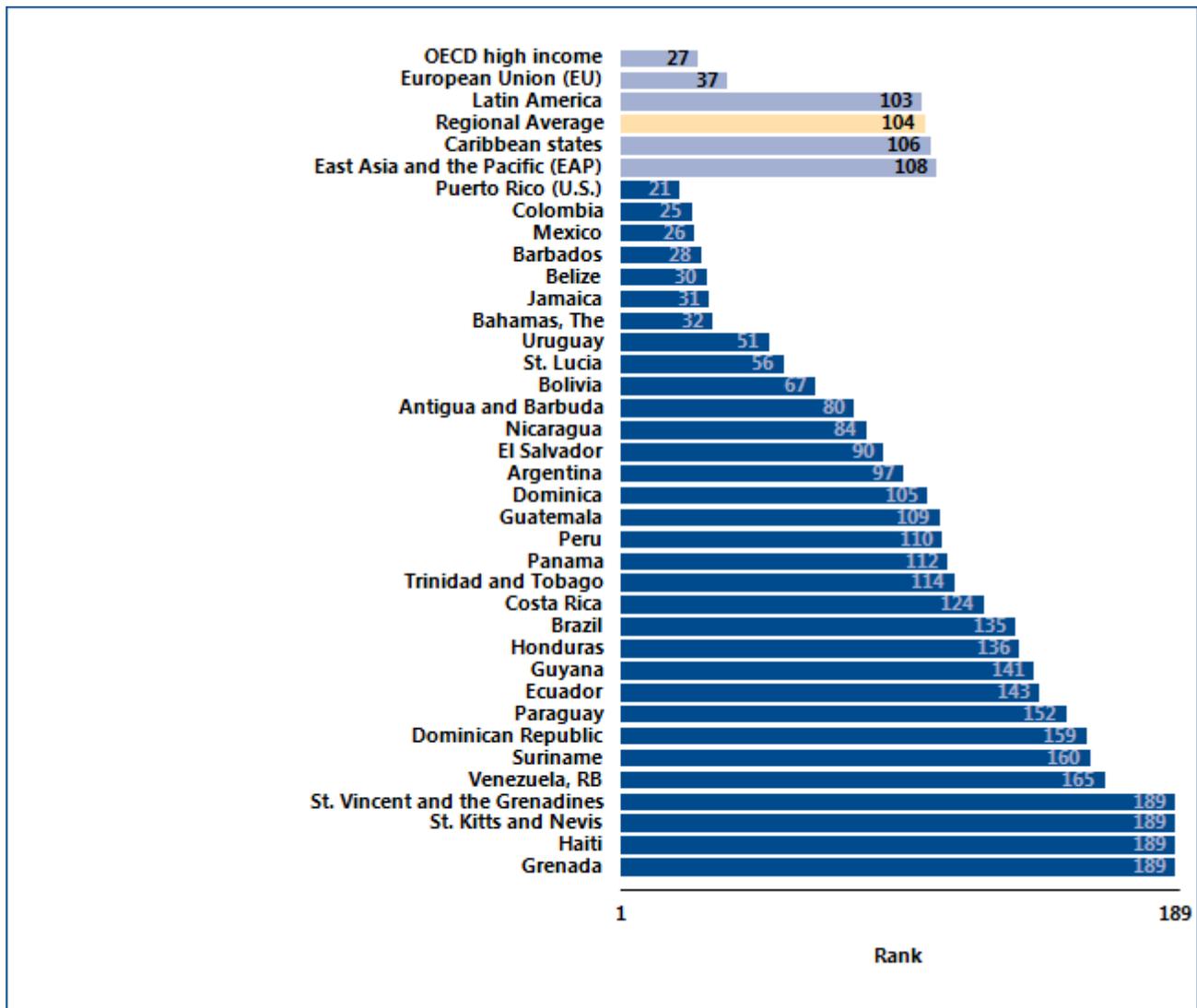
## RESOLVING INSOLVENCY

### Where do the region's economies stand today?

How efficient are insolvency proceedings in economies in Latin America & Caribbean (LAC)? The global rankings of these economies on the ease of resolving insolvency suggest an answer (figure 11.1). The average ranking of the region and comparator regions

provide a useful benchmark for assessing the efficiency of insolvency proceedings. Speed, low costs and continuation of viable businesses characterize the top-performing economies.

Figure 11.1 How economies in Latin America & Caribbean (LAC) rank on the ease of resolving insolvency



Source: Doing Business database.

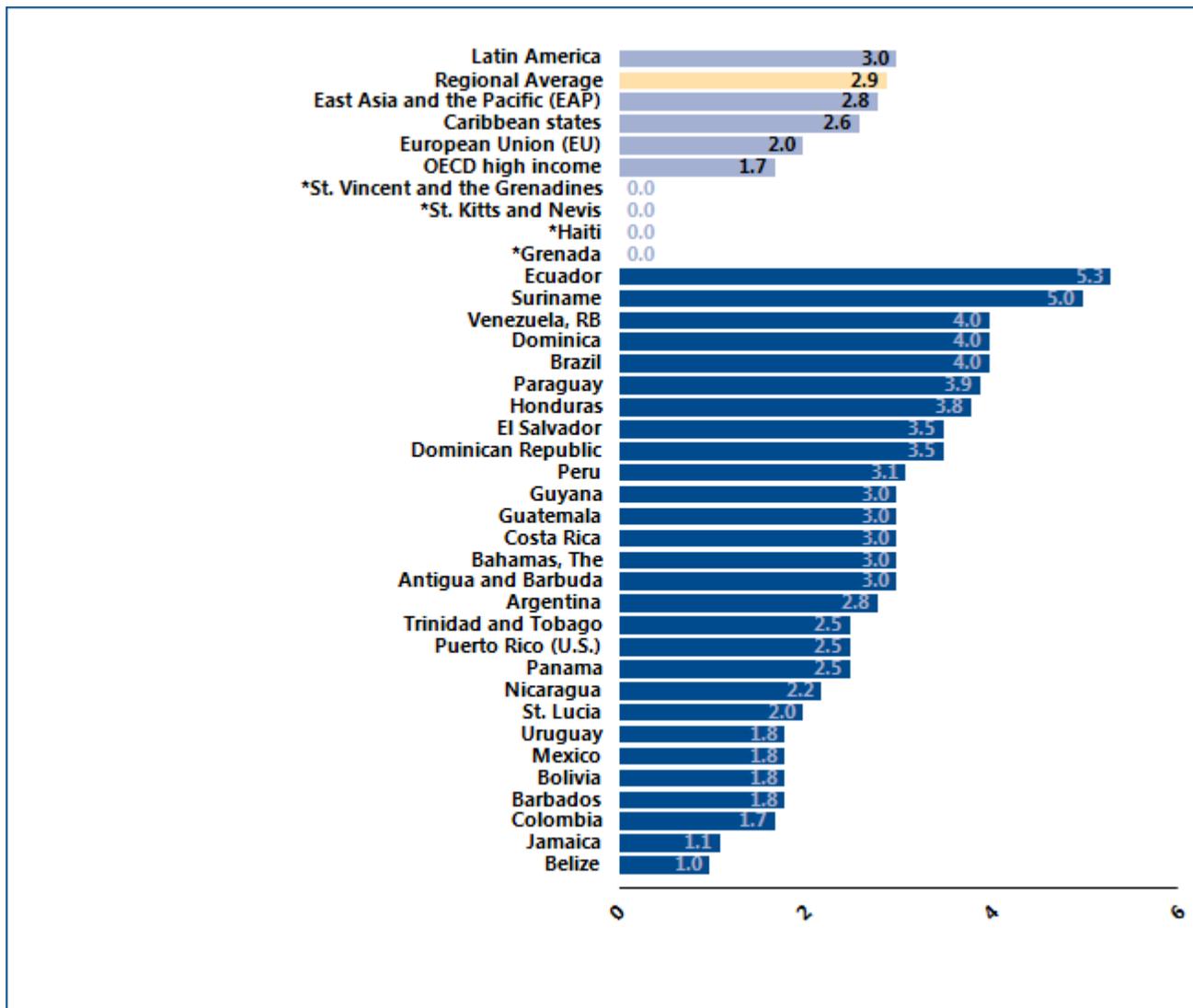
## RESOLVING INSOLVENCY

The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show the average time and cost required to resolve insolvency as well as the average recovery rate (figure 11.2).

Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

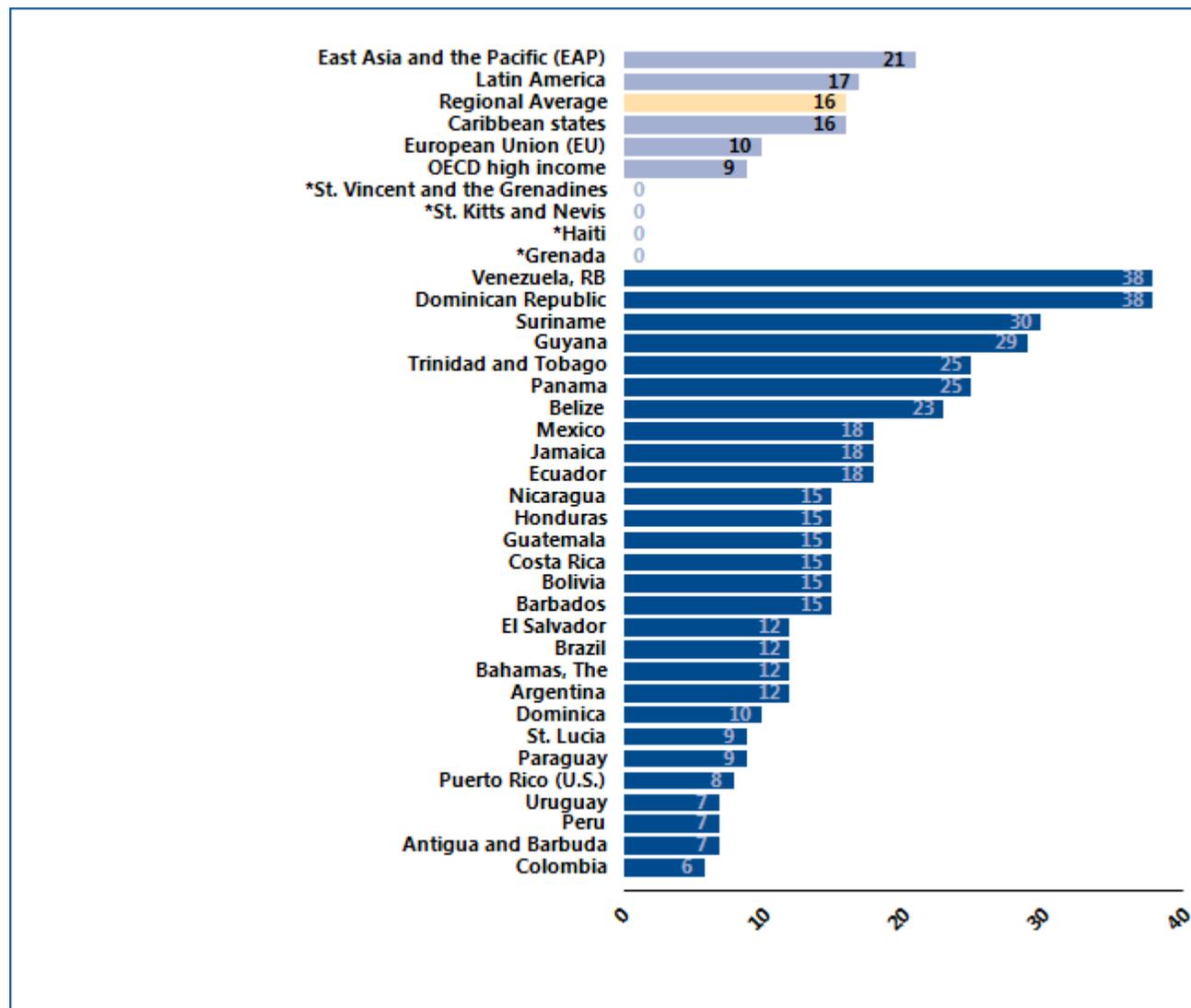
Figure 11.2 How efficient is the insolvency process in economies in Latin America & Caribbean (LAC)

**Time (years)**



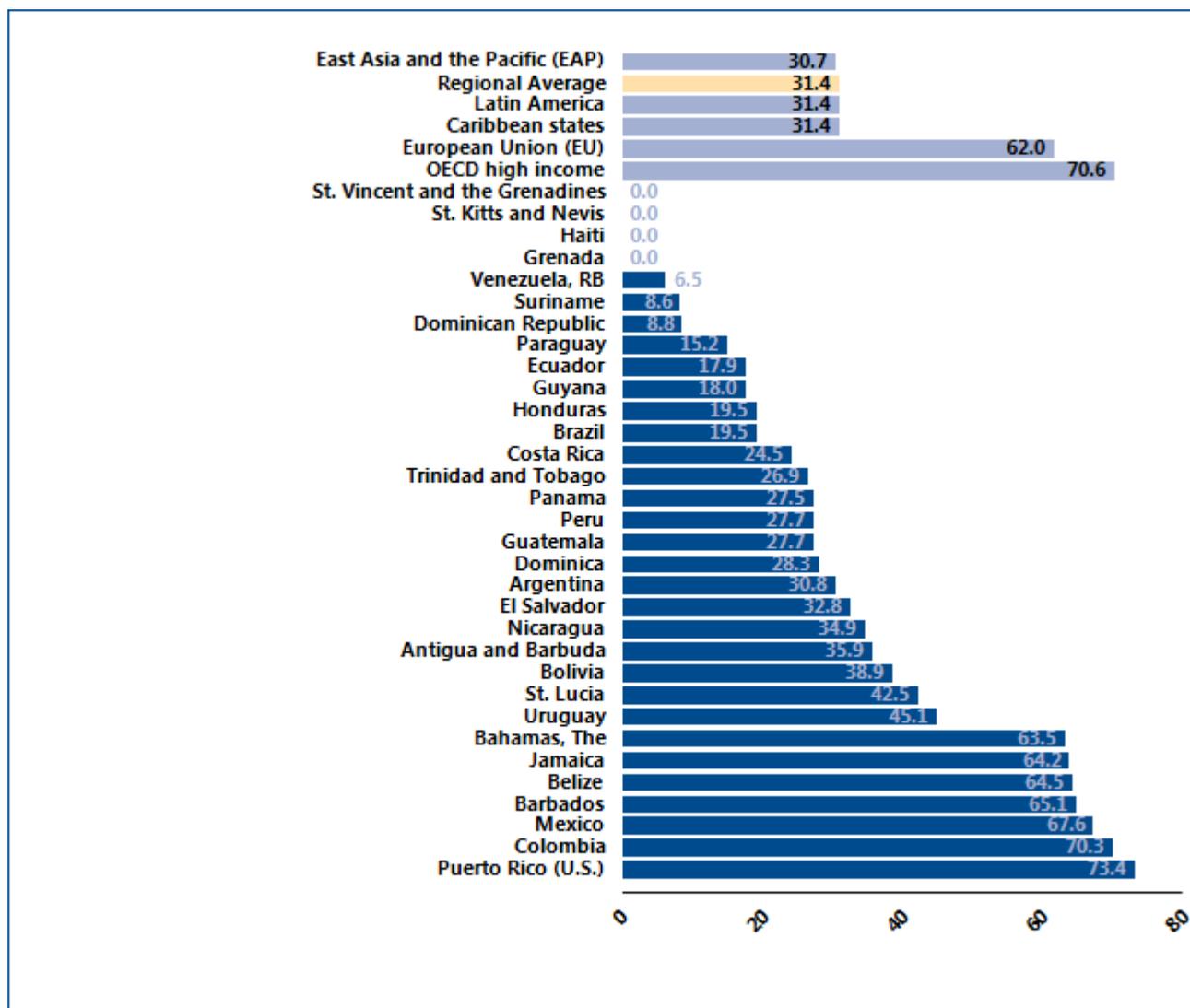
## RESOLVING INSOLVENCY

### Cost (% of estate)



## RESOLVING INSOLVENCY

## Recovery rate (cents on the dollar)



\* Indicates a "no practice" mark. See the data notes for details.

Source: *Doing Business* database.

## RESOLVING INSOLVENCY

### What are the changes over time?

A well-balanced bankruptcy system distinguishes companies that are financially distressed but economically viable from inefficient companies that should be liquidated. But in some insolvency systems even viable businesses are liquidated. This is starting to

change. Many recent reforms of bankruptcy laws have been aimed at helping more of the viable businesses survive. What insolvency reforms has *Doing Business* recorded in Latin America & Caribbean (LAC) (table 11.1)?

Table 11.1 How have economies in Latin America & Caribbean (LAC) made resolving insolvency easier—or not? By *Doing Business* report year

DB year	Economy	Reform
DB2008	<i>Argentina</i>	Argentina amended its bankruptcy legislation with the goal of providing greater protection to labor claims and to free commercial courts from labor actions.
DB2009	<i>Bolivia</i>	Bolivia suspended applications for voluntary restructuring. The only option left is an unwieldy bankruptcy procedure that typically takes years.
DB2009	<i>Colombia</i>	Colombia introduced 2 new insolvency proceedings: a reorganization procedure to restructure insolvent companies and a mandatory liquidation procedure. Before, the term allowed to negotiate reorganization agreements was 6 months, with a possible extension of 8 months. The new law limits the term to 4 months, with only a 2-month extension.
DB2009	<i>Mexico</i>	Mexico amended its bankruptcy law to make reorganization more accessible. Now debtors and creditors may enter into a reorganization agreement at any stage of the insolvency procedure.
DB2009	<i>St. Vincent and the Grenadines</i>	St. Vincent and the Grenadines enacted a bankruptcy law in 2007. The law is the country's first set of rules regulating bankruptcy of private enterprises since its colonial history.
DB2010	<i>Colombia</i>	Colombia passed several decrees continuing its efforts to regulate the profession of insolvency administrators.
DB2010	<i>Uruguay</i>	Uruguay enacted a new insolvency law that aims at keeping distressed companies operating as a going concern.
DB2012	<i>Colombia</i>	Colombia amended regulations governing insolvency proceedings to simplify the proceedings and reduce their time and cost
DB2014	<i>Bahamas, The</i>	The Bahamas enhanced its insolvency process by implementing rules for the remuneration of liquidators, allowing voluntary liquidations and outlining

DB year	Economy	Reform
		clawback provisions for suspect transactions.

*Note:* For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

*Source:* *Doing Business* database.

## DATA NOTES

The indicators presented and analyzed in *Doing Business* measure business regulation and the protection of property rights—and their effect on businesses, especially small and medium-size domestic firms. First, the indicators document the complexity of regulation, such as the number of procedures to start a business or to register and transfer commercial property. Second, they gauge the time and cost to achieve a regulatory goal or comply with regulation, such as the time and cost to enforce a contract, go through bankruptcy or trade across borders. Third, they measure the extent of legal protections of property, for example, the protections of investors against looting by company directors or the range of assets that can be used as collateral according to secured transactions laws. Fourth, a set of indicators documents the tax burden on businesses. Finally, a set of data covers different aspects of employment regulation. The 11 sets of indicators measured in *Doing Business* were added over time, and the sample of economies expanded.

The data for all sets of indicators in *Doing Business 2014* are for June 2013.<sup>2</sup>

### Methodology

The *Doing Business* data are collected in a standardized way. To start, the *Doing Business* team, with academic advisers, designs a questionnaire. The questionnaire uses a simple business case to ensure comparability across economies and over time—with assumptions about the legal form of the business, its size, its location and the nature of its operations. Questionnaires are administered to more than 10,200 local experts, including lawyers, business consultants, accountants, freight forwarders, government officials and other professionals routinely administering or advising on legal and regulatory requirements (table 21.2). These experts have several rounds of interaction with the *Doing Business* team, involving conference calls, written correspondence and visits by the team. For *Doing Business 2014* team members visited 33 economies to verify data and recruit respondents. The data from questionnaires are subjected to numerous

rounds of verification, leading to revisions or expansions of the information collected.

### ECONOMY CHARACTERISTICS

#### Gross national income per capita

*Doing Business 2014* reports 2012 income per capita as published in the World Bank's *World Development Indicators 2013*. Income is calculated using the Atlas method (current U.S. dollars). For cost indicators expressed as a percentage of income per capita, 2012 gross national income (GNI) in U.S. dollars is used as the denominator. GNI data were not available from the World Bank for Afghanistan, The Bahamas, Bahrain, Barbados, Brunei Darussalam, Djibouti, the Islamic Republic of Iran, Kuwait, Libya, Myanmar, New Zealand, Oman, San Marino, the Syrian Arab Republic, West Bank and Gaza, and the Republic of Yemen. In these cases GDP or GNP per capita data and growth rates from other sources, such as the International Monetary Fund's World Economic Outlook database and the Economist Intelligence Unit, were used.

#### Region and income group

*Doing Business* uses the World Bank regional and income group classifications, available at <http://data.worldbank.org/about/country-classifications>. The World Bank does not assign regional classifications to high-income economies. For the purpose of the *Doing Business* report, high-income OECD economies are assigned the "regional" classification *OECD high income*. Figures and tables presenting regional averages include economies from all income groups (low, lower middle, upper middle and high income).

#### Population

*Doing Business 2014* reports midyear 2012 population statistics as published in *World Development Indicators 2013*.

The *Doing Business* methodology offers several advantages. It is transparent, using factual information

<sup>2</sup> The data for paying taxes refer to January – December 2012.

about what laws and regulations say and allowing multiple interactions with local respondents to clarify potential misinterpretations of questions. Having representative samples of respondents is not an issue; *Doing Business* is not a statistical survey, and the texts of the relevant laws and regulations are collected and answers checked for accuracy. The methodology is inexpensive and easily replicable, so data can be collected in a large sample of economies. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. Finally, the data not only highlight the extent of specific regulatory obstacles to business but also identify their source and point to what might be reformed. Information on the methodology for each *Doing Business* topic can be found on the *Doing Business* website at <http://www.doingbusiness.org/methodology>.

## Limits to what is measured

The *Doing Business* methodology has 5 limitations that should be considered when interpreting the data. First, the collected data refer to businesses in the economy's largest business city (which in some economies differs from the capital) and may not be representative of regulation in other parts of the economy. To address this limitation, subnational *Doing Business* indicators were created (box 21.1). Second, the data often focus on a specific business form—generally a limited liability company (or its legal equivalent) of a specified size—and may not be representative of the regulation on other businesses, for example, sole proprietorships. Third, transactions described in a standardized case scenario refer to a specific set of issues and may not represent the full set of issues a business encounters. Fourth, the measures of time involve an element of judgment by the expert respondents. When sources indicate different estimates, the time indicators reported in *Doing Business* represent the median values of several responses given under the assumptions of the standardized case.

Finally, the methodology assumes that a business has full information on what is required and does not waste time when completing procedures. In practice, completing a procedure may take longer if the business lacks information or is unable to follow up promptly. Alternatively, the business may choose to disregard some burdensome procedures. For both

reasons the time delays reported in *Doing Business 2014* would differ from the recollection of entrepreneurs reported in the World Bank Enterprise Surveys or other perception surveys.

This year *Doing Business* completed subnational studies in Colombia, Italy and the city of Hargeisa (Somaliland) and is currently updating indicators in Egypt, Mexico and Nigeria. *Doing Business* also published regional studies for the g7+ and the East African Community. The g7+ group is a country-owned and country-led global mechanism established in April 2010 to monitor, report and draw attention to the unique challenges faced by fragile states. The member countries included in the report are Afghanistan, Burundi, the Central African Republic, Chad, the Comoros, the Democratic Republic of Congo, Côte d'Ivoire, Guinea, Guinea-Bissau, Haiti, Liberia, Papua New Guinea, Sierra Leone, the Solomon Islands, South Sudan, Timor-Leste and Togo.

The subnational studies point to differences in business regulation and its implementation—as well as in the pace of regulatory reform—across cities in the same economy. For several economies subnational studies are now periodically updated to measure change over time or to expand geographic coverage to additional cities. This year that is the case for all the subnational studies published.

## Changes in what is measured

The methodology for 2 indicator sets—trading across borders and paying taxes—was updated this year. For trading across borders, documents that are required purely for purposes of preferential treatment are no longer included in the list of documents (for example, a certificate of origin if the use is only to qualify for a preferential tariff rate under trade agreements). For paying taxes, the value of fuel taxes is no longer included in the total tax rate because of the difficulty of computing these taxes in a consistent way across all economies covered. The fuel tax amounts are in most cases very small, and measuring these amounts is often complicated because they depend on fuel consumption. Fuel taxes continue to be counted in the number of payments.

In a change involving several indicator sets, the rule establishing that each procedure must take at least 1 day was removed for procedures that can be fully

completed online in just a few hours. This change affects the time indicator for starting a business, dealing with construction permits and registering property.<sup>3</sup> For procedures that can be fully completed online, the duration is now set at half a day rather than a full day.

The threshold for the total tax rate introduced in 2011 for the purpose of calculating the ranking on the ease of paying taxes was updated. All economies with a total tax rate below the threshold (which is calculated and adjusted on a yearly basis) receive the same ranking on the total tax rate indicator. The threshold is not based on any economic theory of an “optimal tax rate” that minimizes distortions or maximizes efficiency in the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the lower end of the distribution of tax rates levied on medium-size enterprises in the manufacturing sector as observed through the paying taxes indicators. This reduces the bias in the indicators toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). This year the threshold is 25.5%.

## Data challenges and revisions

Most laws and regulations underlying the *Doing Business* data are available on the *Doing Business* website at <http://www.doingbusiness.org>. All the sample questionnaires and the details underlying the indicators are also published on the website. Questions on the methodology and challenges to data can be submitted through the website’s “Ask a Question” function at <http://www.doingbusiness.org>.

## Ease of doing business and distance to frontier

*Doing Business 2014* presents results for 2 aggregate measures: the aggregate ranking on the ease of doing

business and the distance to frontier measure. The ease of doing business ranking compares economies with one another, while the distance to frontier measure benchmarks economies to the frontier in regulatory practice, measuring the absolute distance to the best performance on each indicator. Both measures can be used for comparisons over time. When compared across years, the distance to frontier measure shows how much the regulatory environment for local entrepreneurs in each economy has changed over time in absolute terms, while the ease of doing business ranking can show only relative change.

### Ease of doing business

The ease of doing business index ranks economies from 1 to 189. For each economy the ranking is calculated as the simple average of the percentile rankings on each of the 10 topics included in the index in *Doing Business 2014*: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency. The employing workers indicators are not included in this year’s aggregate ease of doing business ranking.

### Construction of the ease of doing business index

Here is one example of how the ease of doing business index is constructed. In Denmark it takes 4 procedures, 5.5 days and 0.2% of annual income per capita in fees to open a business. The minimum capital requirement is 24% of annual income per capita. On these 4 indicators Denmark ranks in the 12th, 11th, 1st and 79th percentiles. So on average Denmark ranks in the 25th percentile on the ease of starting a business. It ranks in the 21st percentile on getting credit, 19th percentile on paying taxes, 27th percentile on enforcing contracts, 5th percentile on resolving insolvency and so on. Higher rankings indicate simpler regulation and stronger protection of property rights. The simple average of Denmark’s percentile rankings on all topics is 17th. When all economies are ordered by their average percentile rankings, Denmark stands at 5 in the aggregate ranking on the ease of doing business.

More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly identical to the simple average

<sup>3</sup> For getting electricity the rule that each procedure must take a minimum of 1 day still applies because in practice there are no cases in which procedures can be fully completed online in less than a day. For example, even though in some cases it is possible to apply for an electricity connection online, additional requirements mean that the process cannot be completed in less than 1 day.

used by *Doing Business*.<sup>4</sup> Thus, *Doing Business* uses the simplest method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components.

If an economy has no laws or regulations covering a specific area—for example, insolvency—it receives a “no practice” mark. Similarly, an economy receives a “no practice” or “not possible” mark if regulation exists but is never used in practice or if a competing regulation prohibits such practice. Either way, a “no practice” mark puts the economy at the bottom of the ranking on the relevant indicator.

The ease of doing business index is limited in scope. It does not account for an economy’s proximity to large markets, the quality of its infrastructure services (other than services related to trading across borders and getting electricity), the strength of its financial system, the security of property from theft and looting, macroeconomic conditions or the strength of underlying institutions.

#### Variability of economies’ rankings across topics

Each indicator set measures a different aspect of the business regulatory environment. The rankings of an economy can vary, sometimes significantly, across indicator sets. The average correlation coefficient between the 10 indicator sets included in the aggregate ranking is 0.38, and the coefficients between any 2 sets of indicators range from 0.18 (between getting electricity and getting credit) to 0.58 (between trading across borders and resolving insolvency and between trading across borders and getting electricity). These correlations suggest that economies rarely score universally well or universally badly on the indicators.

Consider the example of Canada. It stands at 19 in the aggregate ranking on the ease of doing business. Its ranking is 2 on starting a business, 4 on protecting investors, and 8 on paying taxes. But its ranking is only

<sup>4</sup> See Simeon Djankov, Darshini Manraj, Caralee McLiesh and Rita Ramalho, “*Doing Business* Indicators: Why Aggregate, and How to Do It” (World Bank, Washington, DC, 2005). Principal components and unobserved components methods yield a ranking nearly identical to that from the simple average method because both these methods assign roughly equal weights to the topics, since the pairwise correlations among indicators do not differ much. An alternative to the simple average method is to give different weights to the topics, depending on which are considered of more or less importance in the context of a specific economy.

58 on enforcing contracts, 116 on dealing with construction permits and 145 on getting electricity.

Variation in performance across the indicator sets is not at all unusual. It reflects differences in the degree of priority that government authorities give to particular areas of business regulation reform and the ability of different government agencies to deliver tangible results in their area of responsibility.

#### Distance to frontier measure

A drawback of the ease of doing business ranking is that it can measure the regulatory performance of economies only relative to the performance of others. It does not provide information on how the absolute quality of the regulatory environment is improving over time. Nor does it provide information on how large the gaps are between economies at a single point in time.

The distance to frontier measure is designed to address both shortcomings, complementing the ease of doing business ranking. This measure illustrates the distance of an economy to the “frontier,” and the change in the measure over time shows the extent to which the economy has closed this gap. The frontier is a score derived from the most efficient practice or highest score achieved on each of the component indicators in 10 *Doing Business* indicator sets (excluding the employing workers indicators) by any economy. In starting a business, for example, Canada and New Zealand have achieved the highest performance on the number of procedures required (1) and on the time (0.5 days), Denmark and Slovenia on the cost (0% of income per capita) and Chile, Zambia and 99 other economies on the paid-in minimum capital requirement (0% of income per capita) (table 22.2).

Calculating the distance to frontier for each economy involves 2 main steps. First, individual indicator scores are normalized to a common unit: except for the total tax rate, each of the 31 component indicators  $y$  is rescaled to  $(\max - y)/(\max - \min)$ , with the minimum value ( $\min$ ) representing the frontier—the highest performance on that indicator across all economies since 2003 or the first year the indicator was collected.<sup>5</sup> For the total tax rate, consistent with the calculation of

<sup>5</sup> Even though scores for the distance to frontier are calculated from 2005, data from as early as 2003 are used to define the frontier

the rankings, the frontier is defined as the total tax rate at the 15th percentile of the overall distribution of total tax rates for all years. Second, for each economy the scores obtained for individual indicators are aggregated through simple averaging into one distance to frontier score, first for each topic and then across all topics. An economy's distance to frontier is indicated on a scale from 0 to 100, where 0 represents the lowest performance and 100 the frontier.

The maximum (max) and minimum (min) observed values are computed for all economies included in the *Doing Business* sample since 2003 and for all years (from 2003 to 2013). To mitigate the effects of extreme outliers in the distributions of the rescaled data (very few economies need 694 days to complete the procedures to start a business, but many need 9 days), the maximum (max) is defined as the 95<sup>th</sup> percentile of the pooled data for all economies and all years for each indicator. The exceptions are the getting credit, protecting investors and resolving insolvency indicators, whose construction precludes outliers. In addition, the cost to export and cost to import for each year are divided by the GDP deflator, so as to take the general price level into account when benchmarking these absolute-cost indicators across economies with different inflation trends. The base year for the deflator is 2013 for all economies.

The difference between an economy's distance to frontier score in any previous year and its score in 2013 illustrates the extent to which the economy has closed the gap to the frontier over time. And in any given year the score measures how far an economy is from the highest performance at that time.

Take Colombia, which has a score of 70.5 on the distance to frontier measure for 2014. This score indicates that the economy is 29.5 percentage points away from the frontier constructed from the best performances across all economies and all years. Colombia was further from the frontier in 2009, with a score of 66.2. The difference between the scores shows an improvement over time.

The distance to frontier measure can also be used for comparisons across economies in the same year, complementing the ease of doing business ranking. For example, Colombia stands at 63 this year in the ease of doing business ranking, while Peru, which is 29.3 percentage points from the frontier, stands at 42.

### **Economies that improved the most across 3 or more Doing Business topics in 2012/13**

*Doing Business 2014* uses a simple method to calculate which economies improved the most in the ease of doing business. First, it selects the economies that in 2012/13 implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year's ease of doing business ranking.<sup>6</sup> Twenty-nine economies meet this criterion: Azerbaijan, Belarus, Burundi, Côte d'Ivoire, Croatia, Djibouti, Gabon, Guatemala, Guinea, Italy, Kosovo, Latvia, the former Yugoslav Republic of Macedonia, Malaysia, Mauritius, Mexico, Moldova, Mongolia, Morocco, Panama, the Philippines, the Republic of Congo, Romania, the Russian Federation, Rwanda, Sri Lanka, Ukraine, Uzbekistan and the United Arab Emirates. Second, *Doing Business* sorts these economies on the increase in their distance to frontier measure from the previous year using comparable data.

Selecting the economies that implemented regulatory reforms in at least 3 topics and improved the most in the distance to frontier measure is intended to highlight economies with ongoing, broadbased reform programs. The criterion for identifying the top improvers was changed from last year. The improvement in ease of doing business ranking is no longer used. The improvement in the distance to frontier measure is used instead because under this measure economies are sorted according to their absolute improvement instead of relative improvement.

<sup>6</sup> *Doing Business* reforms making it more difficult to do business are subtracted from the total number of those making it easier to do business.

## RESOURCES ON THE *DOING BUSINESS* WEBSITE

### **Current features**

News on the *Doing Business* project  
<http://www.doingbusiness.org>

### **Rankings**

How economies rank—from 1 to 189  
<http://www.doingbusiness.org/rankings/>

### **Data**

All the data for 189 economies—topic rankings, indicator values, lists of regulatory procedures and details underlying indicators  
<http://www.doingbusiness.org/data/>

### **Reports**

Access to *Doing Business* reports as well as subnational and regional reports, reform case studies and customized economy and regional profiles  
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The methodologies and research papers underlying *Doing Business*  
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### **Research**

Abstracts of papers on *Doing Business* topics and related policy issues  
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### **Business reforms**

Short summaries of DB2014 business reforms, lists of reforms since DB2008 and a ranking simulation tool  
<http://www.doingbusiness.org/reforms/>

### **Historical data**

Customized data sets since DB2004  
<http://www.doingbusiness.org/custom-query/>

### **Law library**

Online collection of business laws and regulations relating to business and gender issues  
<http://www.doingbusiness.org/law-library/>  
<http://wbl.worldbank.org/>

### **Contributors**

More than 10,200 specialists in 189 economies who participate in *Doing Business*  
<http://www.doingbusiness.org/contributors/doing-business/>

### **Entrepreneurship data**

Data on business density for 139 economies  
<http://www.doingbusiness.org/data/exploretopics/entrepreneurship/>

### ***Doing Business* iPhone App**

*Doing Business at a Glance* App presents the full report, rankings and highlights  
<http://www.doingbusiness.org/specialfeatures/>



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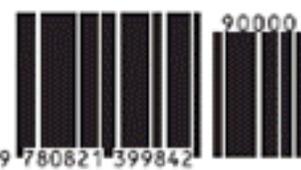


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ISBN 978-0-8213-9984-2



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SKU 19984