

Doing Business 2015

Going Beyond Efficiency

Regional Profile 2015

Latin America and Caribbean (LAC)



COMPARING BUSINESS REGULATIONS FOR DOMESTIC FIRMS IN **189** ECONOMIES

A World Bank Group Flagship Report

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The World Bank
1818 H Street NW, Washington, DC 20433
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ISBN (paper): 978-1-4648-0351-2
ISBN (electronic): 978-1-4648-0352-9
DOI: 10.1596/978-1-4648-0351-2
ISSN: 1729-2638

Cover design: Corporate Visions, Inc.

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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 minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labor market regulation.

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, 32 in Latin America and the Caribbean, 25 in East Asia and the Pacific, 26 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 and 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, 2014 (except for the paying taxes indicators, which cover the period January–December 2013).

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 2015* presents the indicators, analyzes their relationship with economic outcomes and recommends regulatory reforms. The data, along with information on ordering the *Doing Business 2015* report, are available on the *Doing Business* website at <http://www.doingbusiness.org>.

THE BUSINESS ENVIRONMENT

CHANGES IN *DOING BUSINESS 2015*

As part of a 2-year update in methodology, *Doing Business 2015* incorporates 7 important changes. First, the ease of doing business ranking as well as all topic-level rankings are now computed on the basis of distance to frontier scores (see the chapter on the distance to frontier and ease of doing business ranking). Second, for the 11 economies with a population of more than 100 million, data for a second city have been added to the data set and the ranking calculation. These economies are Bangladesh, Brazil, China, India, Indonesia, Japan, Mexico, Nigeria, Pakistan, the Russian Federation and the United States. Third, for getting credit, the methodology has been revised for both the strength of legal rights index and the depth of credit information index. The number of points has been increased in both indices, from 10 to 12 for the strength of legal rights index and from 6 to 8 for the depth of credit information index. In addition, only credit bureaus and registries that cover at least 5% of the adult population can receive a score on the depth of credit information index.

Fourth, the name of the protecting investors indicator set has been changed to protecting minority investors to better reflect its scope—and the scope of the indicator set has been expanded to include shareholders' rights in corporate governance beyond related-party transactions. Fifth, the resolving insolvency indicator set has been expanded to include an index measuring the strength of the legal framework for insolvency. Sixth, the calculation of the distance to frontier score for paying taxes has been changed. The total tax rate component now enters the score in a nonlinear fashion, in an approach different from that used for all other indicators (see the chapter on the distance to frontier and ease of doing business ranking).

Finally, the name of the employing workers indicator set has been changed to labor market regulation, and the scope of this indicator set has also been changed. The indicators now focus on labor market regulation applying to the retail sector rather than the manufacturing sector, and their coverage has been expanded to include regulations on labor disputes and on benefits provided to workers. The labor market regulation indicators continue to be excluded from the aggregate distance to frontier score and ranking on the ease of doing business.

Beyond these changes there are 3 other updates in methodology. For paying taxes, the financial statement variables have been updated to be proportional to 2012 income per capita; previously they were proportional to 2005 income per capita. For enforcing contracts, the value of the claim is now set at twice the income per capita or \$5,000, whichever is greater. For dealing with construction permits, the cost of construction is now set at 50 times income per capita (before, the cost was assessed by the *Doing Business* respondents). In addition, this indicator set no longer includes the procedures for obtaining a landline telephone connection.

For more details on the changes, please see the "What is changing in *Doing Business*?" chapter starting on page 24 of the *Doing Business 2015* report. For more details on the data and methodology, please see the "Data Notes" chapter starting on page 114 of the *Doing Business 2015* report. For more details on the distance to frontier metric, please see the "Distance to frontier and ease of doing business ranking" chapter in this profile.

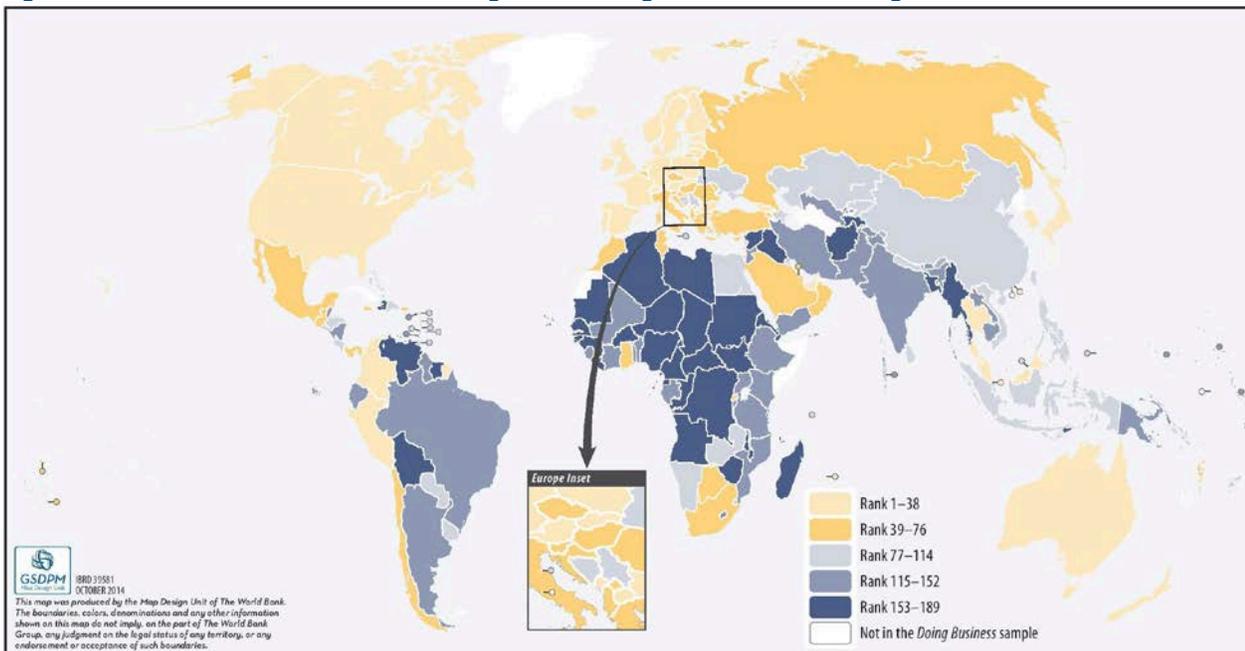
THE BUSINESS ENVIRONMENT

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 ranking. This year's report presents results for 2 aggregate measures: the distance to frontier score and the ease of doing business ranking. The ranking of economies is determined by sorting the aggregate distance to frontier (DTF) scores. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. (see the distance to frontier chapter in this profile for more details).

The 10 topics included in the index in *Doing Business 2015*: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

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

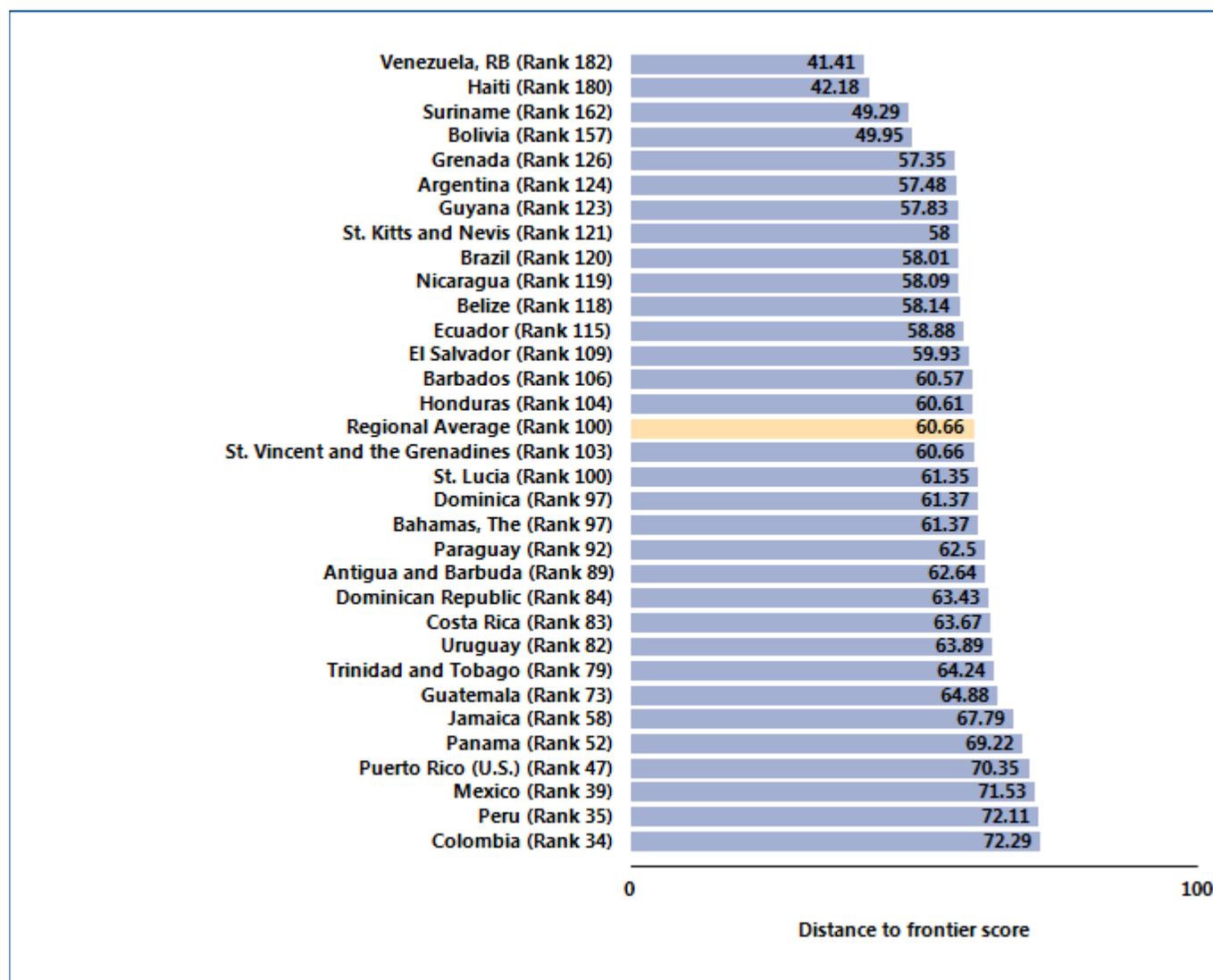


Source: *Doing Business* database.

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 ranking (figure 1.3) and the distance to frontier scores (figures 1.4 and 1.5).

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



Note: The rankings are benchmarked to June 2014 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.

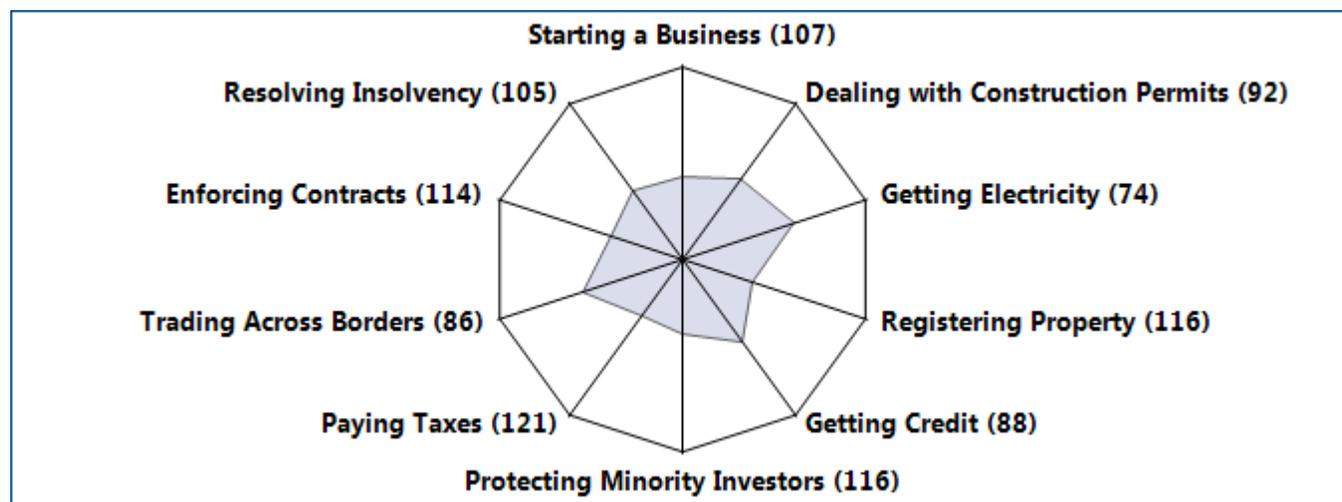
Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

Figure 1.3 Rankings on *Doing Business* topics - Latin America and Caribbean (LAC)

(Scale: Rank 189 center, Rank 1 outer edge)

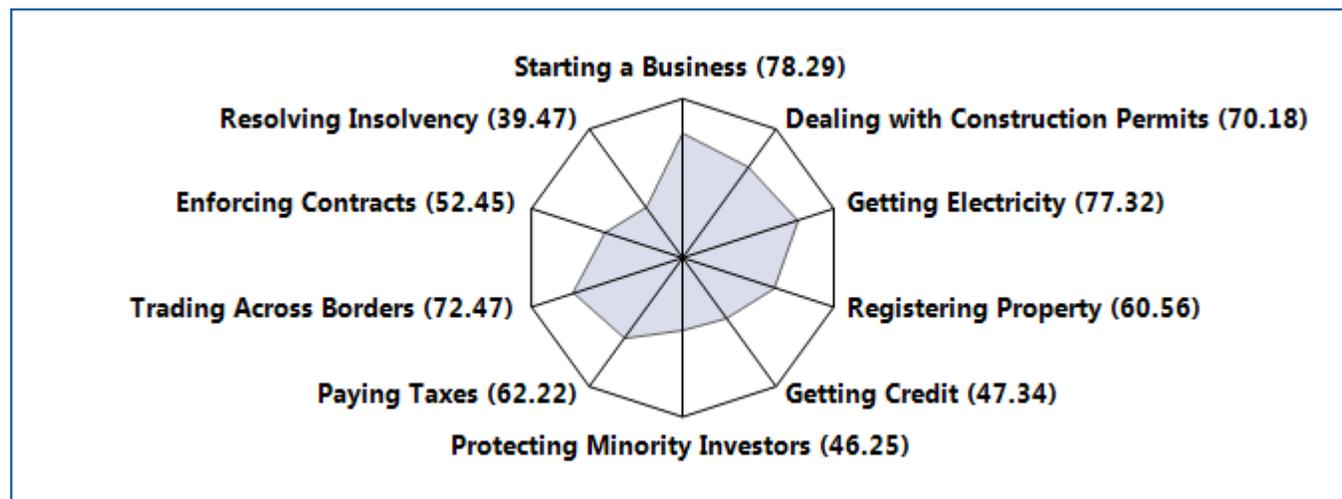
Regional average ranking



Source: *Doing Business* database.

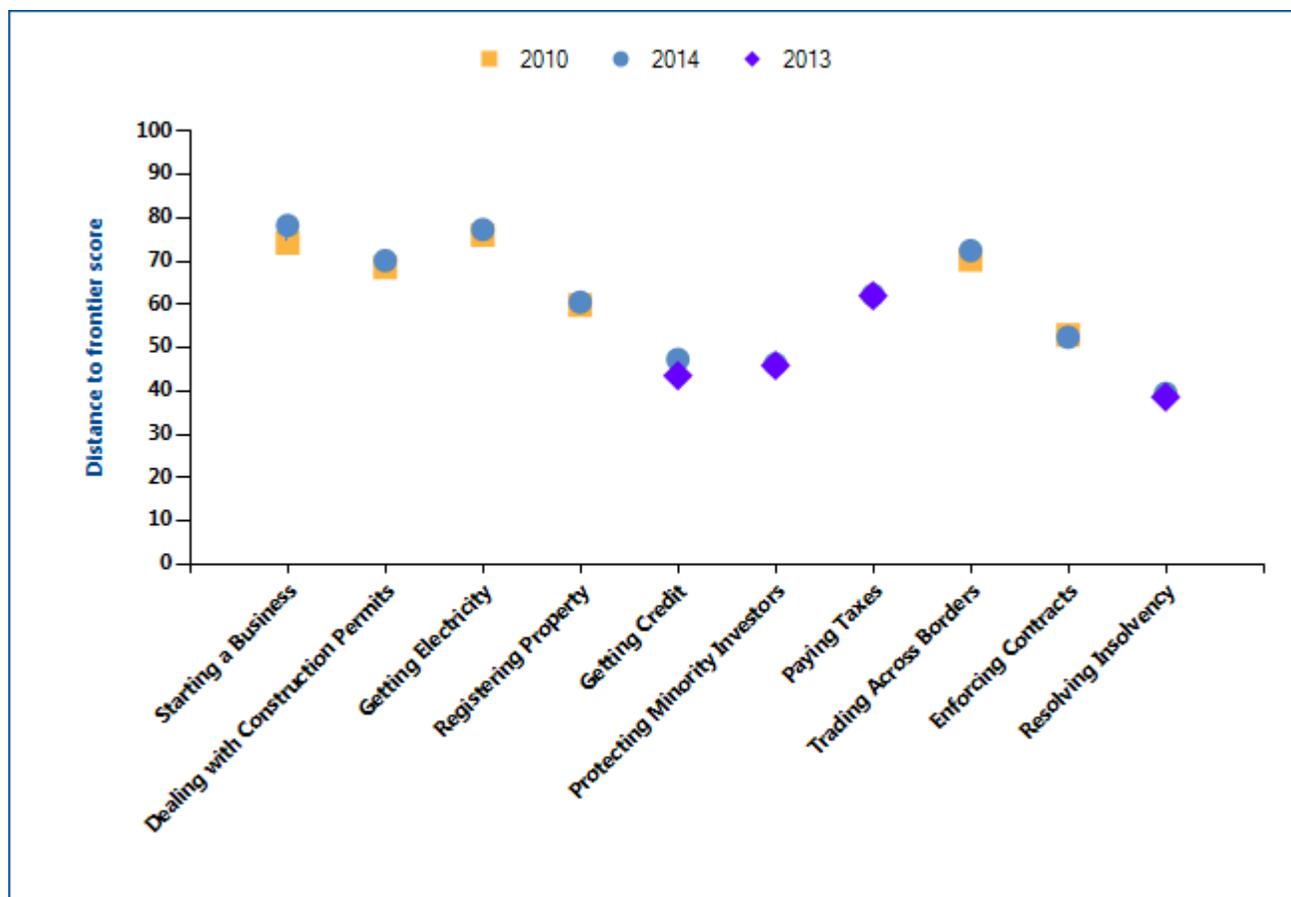
Figure 1.4 Distance to frontier scores on *Doing Business* topics - Latin America and Caribbean (LAC)

(Scale: Score 0 center, Score 100 outer edge)



Note: The rankings are benchmarked to June 2014 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.

Source: *Doing Business* database.

Figure 1.5 How far has Latin America and Caribbean (LAC) come in the areas measured by *Doing Business*?

Note: The distance to frontier score shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator since 2010, except for getting credit, paying taxes, protecting minority investors and resolving insolvency which had methodology changes in 2014 and thus are only comparable to 2013. The score is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). See the chapter distance to frontier and the ease of doing business ranking at the end of this profile for more details.

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 and Caribbean (LAC)

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
Starting a Business (rank)	188 (Haiti)	20 (Jamaica)	107	1 (New Zealand)
Starting a Business (DTF Score)	33.48 (Haiti)	94.13 (Jamaica)	78.29	99.96 (New Zealand)
Procedures (number)	17.0 (Venezuela, RB)	2.0 (Jamaica)	8.3	1.0 (New Zealand*)
Time (days)	144.0 (Venezuela, RB)	6.0 (Puerto Rico (U.S.)*)	30.1	0.5 (New Zealand)
Cost (% of income per capita)	246.7 (Haiti)	0.7 (Trinidad and Tobago)	31.1	0.0 (Slovenia)
Paid-in min. capital (% of income per capita)	43.0 (Dominican Republic)	0.0 (23 Economies*)	3.2	0.0 (112 Economies*)
Dealing with Construction Permits (rank)	181 (Argentina)	16 (St. Kitts and Nevis)	92	1 (Hong Kong SAR, China)
Dealing with Construction Permits (DTF Score)	42.54 (Argentina)	85.24 (St. Kitts and Nevis)	70.18	95.53 (Hong Kong SAR, China)
Procedures (number)	25.0 (El Salvador)	7.0 (Jamaica*)	13.3	5.0 (Hong Kong SAR, China)
Time (days)	442.0 (Barbados)	71.0 (Haiti)	178.3	26.0 (Singapore)
Cost (% of warehouse value)	16.4 (Haiti)	0.1 (3 Economies*)	2.7	0.0 (Qatar*)
Getting Electricity (rank)	155 (Venezuela, RB*)	8 (St. Vincent and the Grenadines)	74	1 (Korea, Rep.)
Getting Electricity	57.21 (Venezuela, RB*)	94.67 (St. Vincent and	77.32	99.83 (Korea, Rep.)

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
(DTF Score)		the Grenadines)		
Procedures (number)	8.0 (3 Economies*)	3.0 (St. Vincent and the Grenadines)	5.5	3.0 (12 Economies*)
Time (days)	178.0 (Venezuela, RB)	18.0 (St. Kitts and Nevis)	67.4	18.0 (Korea, Rep.*)
Cost (% of income per capita)	3,495.8 (Haiti)	6.7 (Trinidad and Tobago)	444.5	0.0 (Japan)
Registering Property (rank)	179 (Bahamas, The)	26 (Peru)	116	1 (Georgia)
Registering Property (DTF Score)	37.22 (Bahamas, The)	83.48 (Peru)	60.56	99.88 (Georgia)
Procedures (number)	13.6 (Brazil)	4.0 (Peru)	7.0	1.0 (4 Economies*)
Time (days)	312.0 (Haiti)	6.5 (Peru)	63.3	1.0 (3 Economies*)
Cost (% of property value)	13.7 (Suriname)	0.9 (Puerto Rico (U.S.))	6.1	0.0 (4 Economies*)
Getting Credit (rank)	171 (Haiti*)	2 (Colombia)	88	1 (New Zealand)
Getting Credit (DTF Score)	10.00 (Haiti*)	95.00 (Colombia)	47.34	100.00 (New Zealand)
Strength of legal rights index (0-12)	0 (Bolivia)	12 (Colombia)	5	12 (3 Economies*)
Depth of credit information index (0-8)	0 (Haiti)	8 (10 Economies*)	5	8 (23 Economies*)
Credit registry coverage (% of adults)	1.1 (Haiti)	84.6 (Uruguay)	12.6	100.0 (Portugal)
Credit bureau coverage (% of adults)	8.7 (Guatemala)	100.0 (6 Economies*)	39.3	100.0 (23 Economies*)
Protecting Minority Investors (rank)	187 (Haiti)	10 (Colombia)	116	1 (New Zealand)
Protecting Minority Investors (DTF Score)	20.00 (Haiti)	71.67 (Colombia)	46.25	81.67 (New Zealand)
Extent of conflict of interest regulation index (0-10)	2.3 (Suriname)	8.0 (Colombia)	5.1	9.3 (Singapore*)
Extent of shareholder governance index (0-10)	1.0 (Haiti)	6.8 (Brazil)	4.1	7.8 (France*)
Strength of minority investor protection index (0-10)	2.0 (Haiti)	7.2 (Colombia)	4.6	8.2 (New Zealand)

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
Paying Taxes (rank)	189 (Bolivia)	31 (Bahamas, The)	121	1 (United Arab Emirates*)
Paying Taxes (DTF Score)	12.18 (Bolivia)	84.07 (Bahamas, The)	62.22	99.44 (United Arab Emirates*)
Payments (number per year)	71.0 (Venezuela, RB)	6.0 (Mexico)	29.9	3.0 (Hong Kong SAR, China*)
Time (hours per year)	2,600.0 (Brazil)	58.0 (Bahamas, The)	365.8	55.0 (Luxembourg)
Trading Across Borders (rank)	176 (Venezuela, RB)	9 (Panama)	86	1 (Singapore)
Trading Across Borders (DTF Score)	25.55 (Venezuela, RB)	91.25 (Panama)	72.47	96.47 (Singapore)
Documents to export (number)	8 (4 Economies*)	3 (Panama)	6	2 (Ireland*)
Time to export (days)	56.0 (Venezuela, RB)	8.0 (Dominican Republic)	16.8	6.0 (5 Economies*)
Cost to export (US\$ per container)	3,490.0 (Venezuela, RB)	585.0 (St. Vincent and the Grenadines)	1,299.1	410.0 (Timor-Leste)
Documents to import (number)	11 (St. Lucia)	3 (Panama)	7	2 (Ireland*)
Time to import (days)	82.0 (Venezuela, RB)	8.0 (Barbados)	18.7	4.0 (Singapore)
Cost to import (US\$ per container)	3,695.0 (Venezuela, RB)	720.0 (Guyana)	1,691.1	440.0 (Singapore)
Enforcing Contracts (rank)	184 (Suriname)	57 (Mexico)	114	1 (Singapore)
Enforcing Contracts (DTF Score)	28.84 (Suriname)	64.61 (Mexico)	52.45	89.54 (Singapore)
Time (days)	1,715.0 (Suriname)	351.0 (Antigua and Barbuda)	736.9	150.0 (Singapore)
Cost (% of claim)	47.9 (Colombia)	16.5 (Brazil)	30.6	9.0 (Iceland)
Procedures (number)	51.0 (Belize)	30.0 (Venezuela, RB)	39.8	21.0 (Singapore*)
Resolving Insolvency (rank)	189 (4 Economies*)	7 (Puerto Rico (U.S.))	105	1 (Finland)
Resolving Insolvency (DTF Score)	0.00 (4 Economies*)	86.37 (Puerto Rico (U.S.))	39.47	93.85 (Finland)
Time (years)	5.3 (Ecuador)	1.1 (Jamaica)	2.9	0.4 (Ireland)
Cost (% of estate)	38.0 (Venezuela, RB)	8.0 (Puerto Rico (U.S.))	16.4	1.0 (Norway)
Recovery rate (cents on	6.7 (Venezuela, RB)	73.4 (Puerto Rico (U.S.))	36.0	92.9 (Japan)

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
the dollar)				
Strength of insolvency framework index (0-16)	4.0 (Guatemala)	15.0 (Puerto Rico (U.S.))	8.2	15.0 (5 Economies*)

* 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 can 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 registration 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 (or within 3 months). The ranking of economies on the ease of starting a business is determined by sorting their distance to frontier scores for starting a business. These scores are the simple average of the distance to frontier scores for each of the component indicators.

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 limited liability company, located in the largest business city¹, is 100% domestically owned with 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 city¹
- 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 recorded as ½ day.
- 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
- No professional fees unless services required by law

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

- 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.
- Has a turnover of at least 100 times income per capita.
- Does not qualify for any special benefits.
- Does not own real estate.

¹ For the 11 economies with a population of more than 100 million, data for a second city have been added.

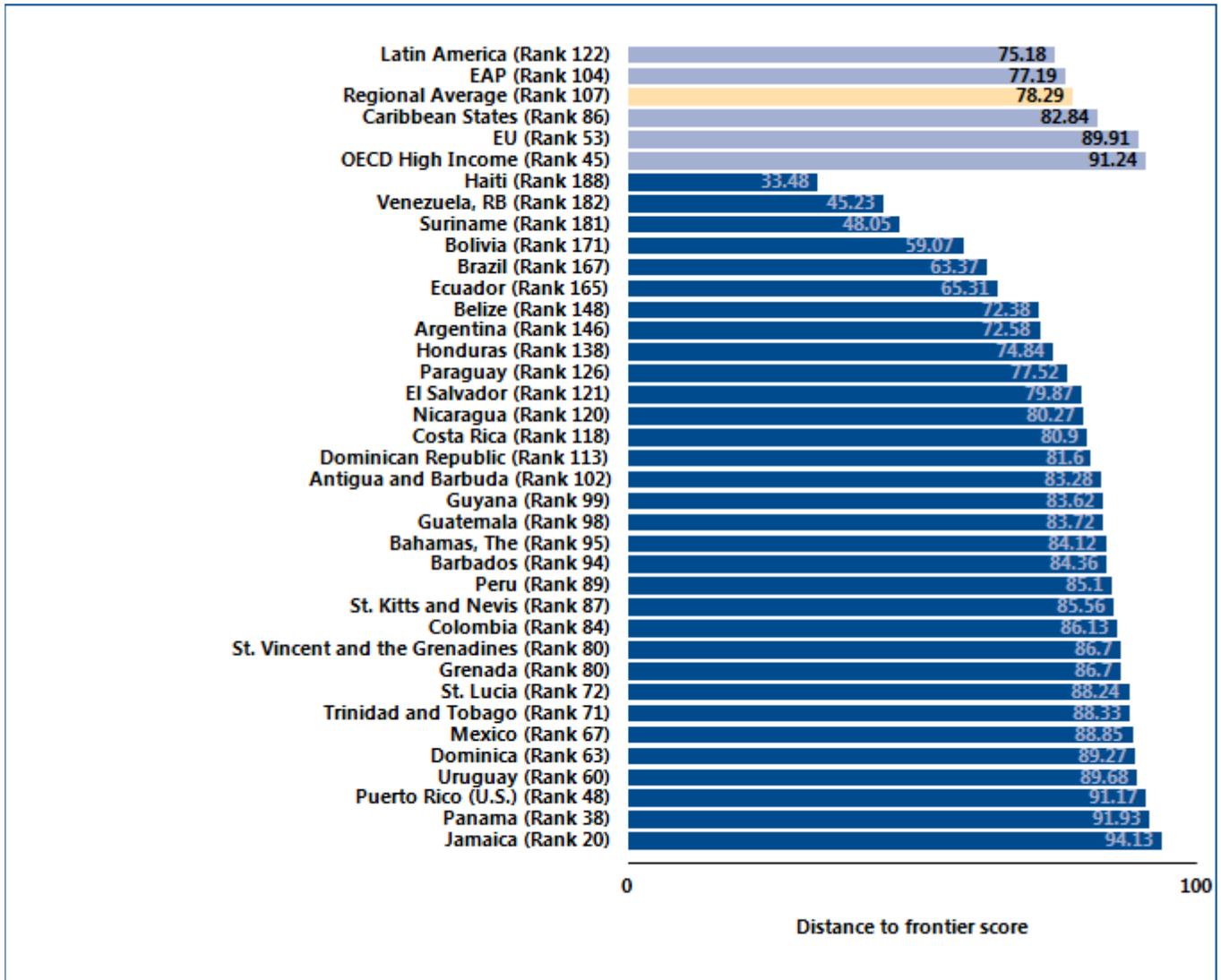
STARTING A BUSINESS

Where do the region's economies stand today?

How easy is it for entrepreneurs in economies in Latin America and 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 and Caribbean (LAC) rank on the ease of starting a business



Source: Doing Business database.

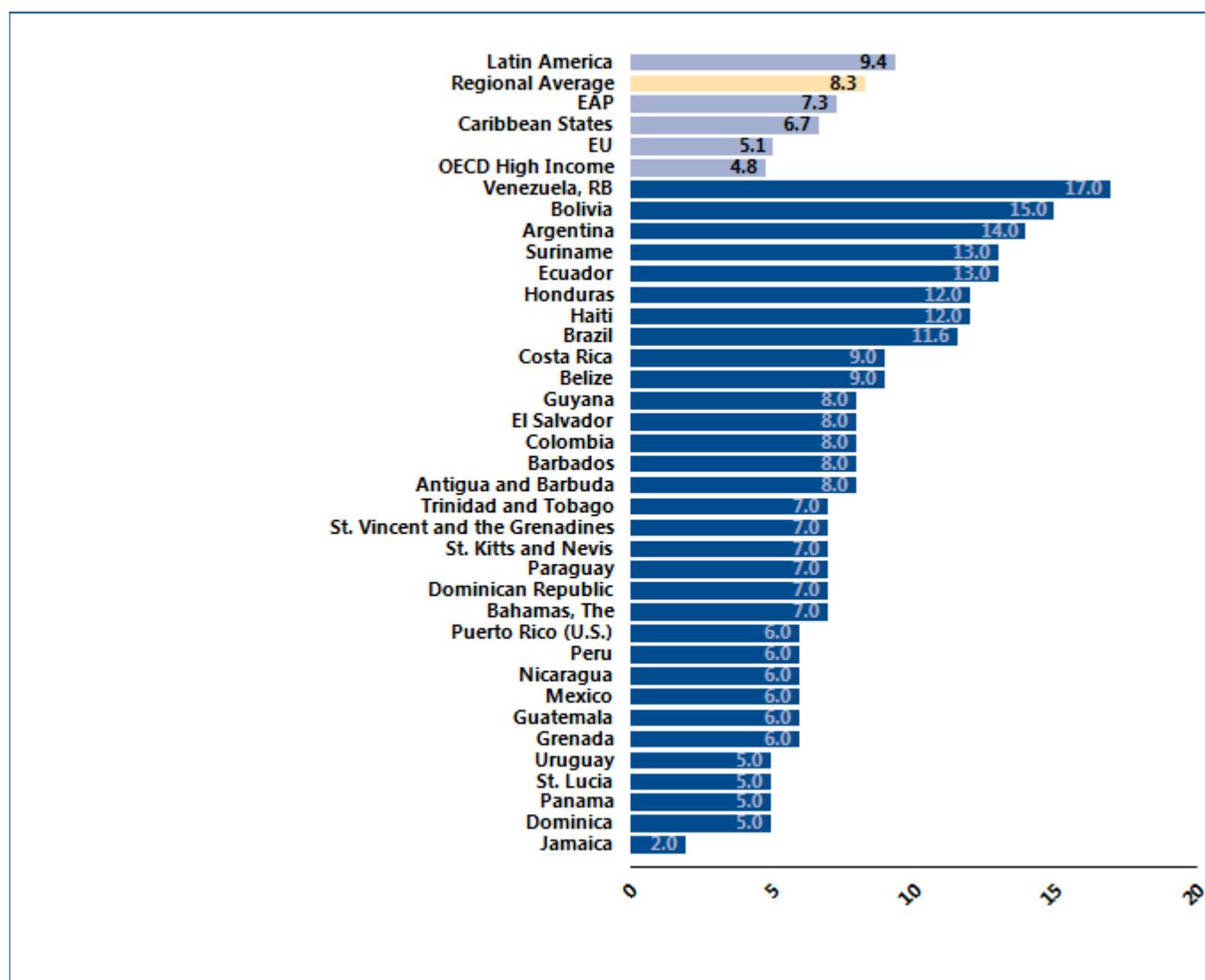
STARTING A BUSINESS

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.

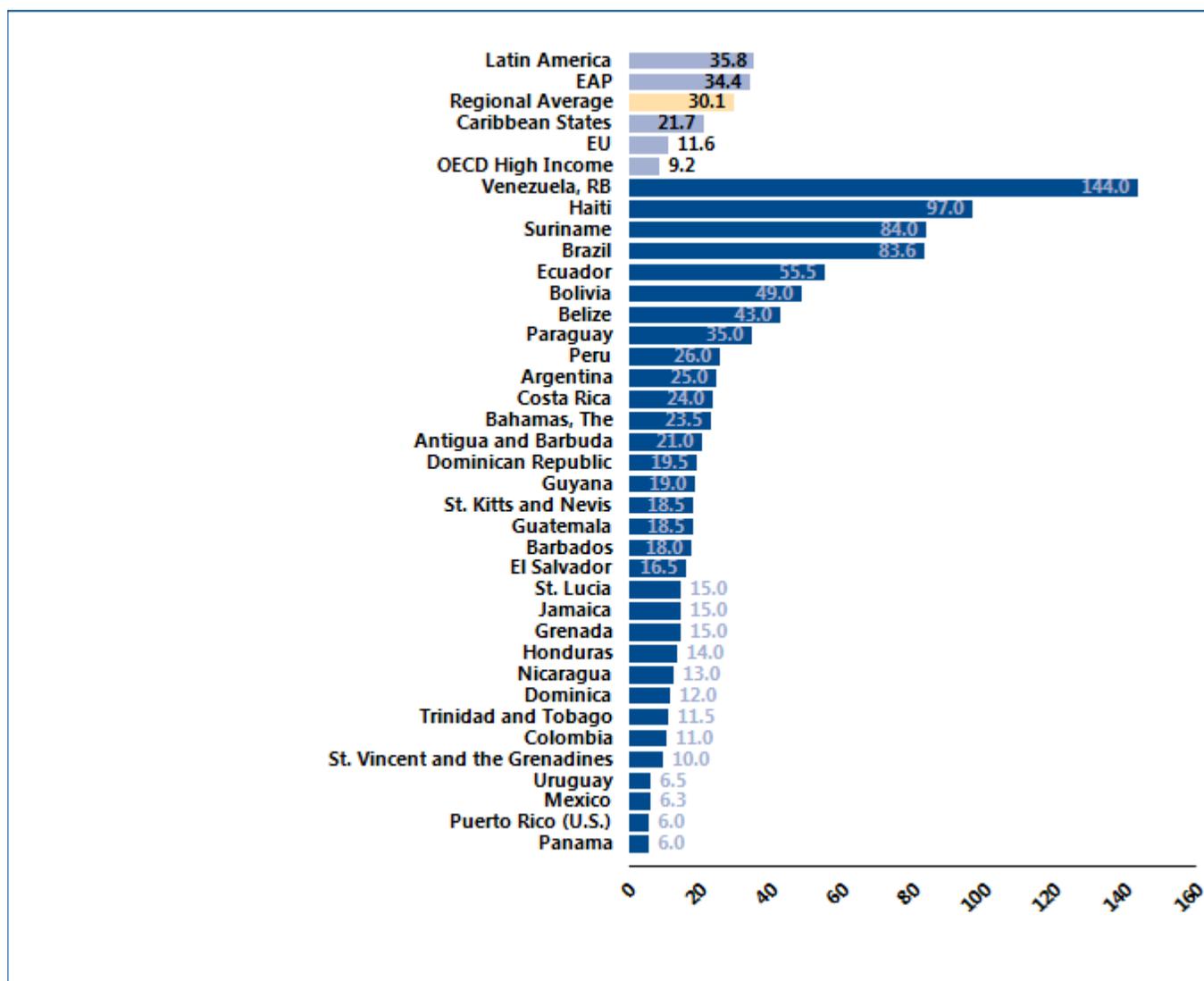
Figure 2.2 What it takes to start a business in economies in Latin America and Caribbean (LAC)

Procedures (number)



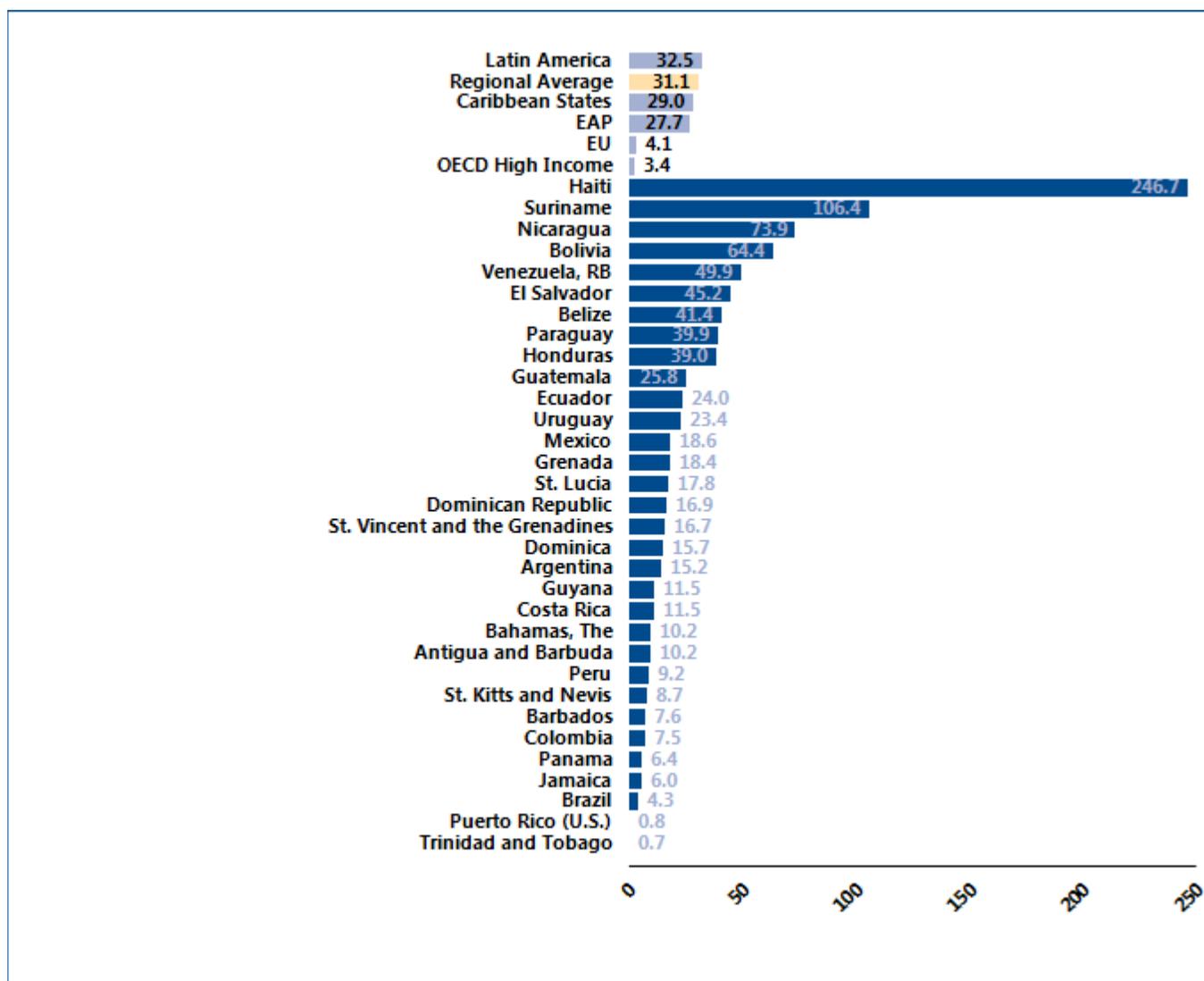
STARTING A BUSINESS

Time (days)



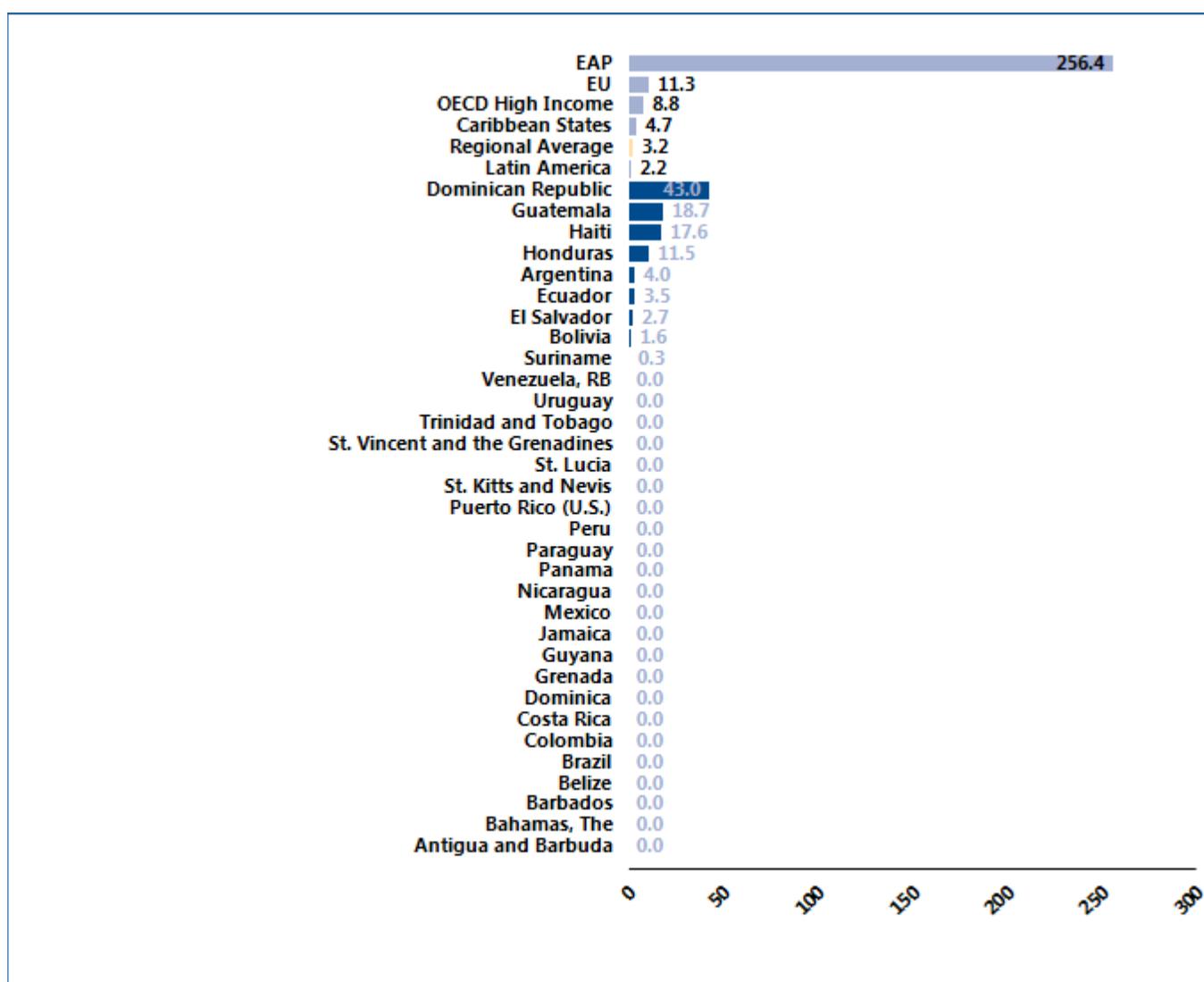
STARTING A BUSINESS

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 and Caribbean (LAC) (table 2.1)?

Table 2.1 How have economies in Latin America and Caribbean (LAC) made starting a business easier—or not? By *Doing Business* report year DB2010 to DB2015

DB year	Economy	Reform
DB2015	<i>Guatemala</i>	Guatemala made starting a business easier by eliminating certain registration fees and reducing the time to publish a notice of incorporation.
DB2015	<i>Jamaica</i>	Jamaica made starting a business easier by consolidating forms, but also made it more time-consuming as a result of delays in the implementation of the electronic interface with different agencies.
DB2015	<i>Nicaragua</i>	Nicaragua made starting a business easier by combining multiple registration procedures.
DB2015	<i>Suriname</i>	Suriname made starting a business easier by introducing an online system for obtaining trade licenses.
DB2015	<i>Trinidad and Tobago</i>	Trinidad and Tobago made starting a business easier by introducing online systems for employer registration and tax registration.
DB2015	<i>Venezuela, RB</i>	República Bolivariana de Venezuela made starting a business more difficult by increasing incorporation costs.
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, eliminating the requirement to have accounting books legalized 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

DB year	Economy	Reform
		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.
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.
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

DB year	Economy	Reform
		registration procedures.
DB2012	<i>Uruguay</i>	Uruguay made starting a business easier by establishing a one-stop shop for general commercial companies.
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 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.
DB2010	<i>Argentina</i>	Argentina made starting a business easier by eliminating the requirement for registration with the private pension fund and expediting the publication process.
DB2010	<i>Brazil</i>	Brazil made starting a business easier by eliminating the requirement to obtain a fire brigade license and inspection before obtaining an operating permit from the municipality.
DB2010	<i>Colombia</i>	Colombia made starting a business easier by establishing a new public-private health provider (Nueva EPS) that enables

DB year	Economy	Reform
		faster enrollment of employees and by introducing online preenrollment with the Social Security Institute (Instituto de Seguro Social).
DB2010	<i>Guyana</i>	Guyana made starting a business easier by applying a flat registration fee for all companies, regardless of capital amount; eliminating the duty payable upon incorporation; and streamlining tax registration through the introduction of a unique tax identification number (TIN) system.
DB2010	<i>Honduras</i>	Honduras simplified business start-up by improving the efficiency of business registration at the one-stop shop, improving the tax registration process and eliminating the need for a lawyer's services to obtain a municipal license.
DB2010	<i>Mexico</i>	Mexico made starting a business easier by establishing an electronic platform for company registration, by substantially reducing the time required for registration and by eliminating the requirement to register with the statistical office.
DB2010	<i>Peru</i>	Peru made starting a business easier by allowing online submission of electronic payroll books at no cost and by making company forms available online.
DB2010	<i>St. Lucia</i>	St. Lucia made starting a business easier by implementing an electronic registration system that allows entrepreneurs to check the availability of and reserve company names online.
DB2010	<i>St. Vincent and the Grenadines</i>	St. Vincent and the Grenadines made starting a business easier by abolishing the requirement for a physical company seal.

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 warehouse in the economy's largest business city, connect it to basic utilities and register the warehouse so that it can be used as collateral or transferred to another entity.

The ranking of economies on the ease of dealing with construction permits is determined by sorting their distance to frontier scores for dealing with construction permits. These scores are the simple average of the distance to frontier scores for each of the component indicators. 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. For the 11 economies with a population of more than 100 million, data for a second city have been added. Is domestically owned and operated.
- Has 60 builders and other employees.

The warehouse:

- Is valued at 50 times income per capita.
- Is a new construction (there was no previous construction on the land).

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 and sewerage

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 recorded as ½ day.

Procedure considered completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of warehouse value)

Official costs only, no bribes

- Will have complete architectural and technical plans prepared by a licensed architect or engineer.
- Will be connected to water and sewerage (sewage system, septic tank or their equivalent). The connection to each utility network will be 150 meters (492 feet) 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 administrative/regulatory requirement delays).

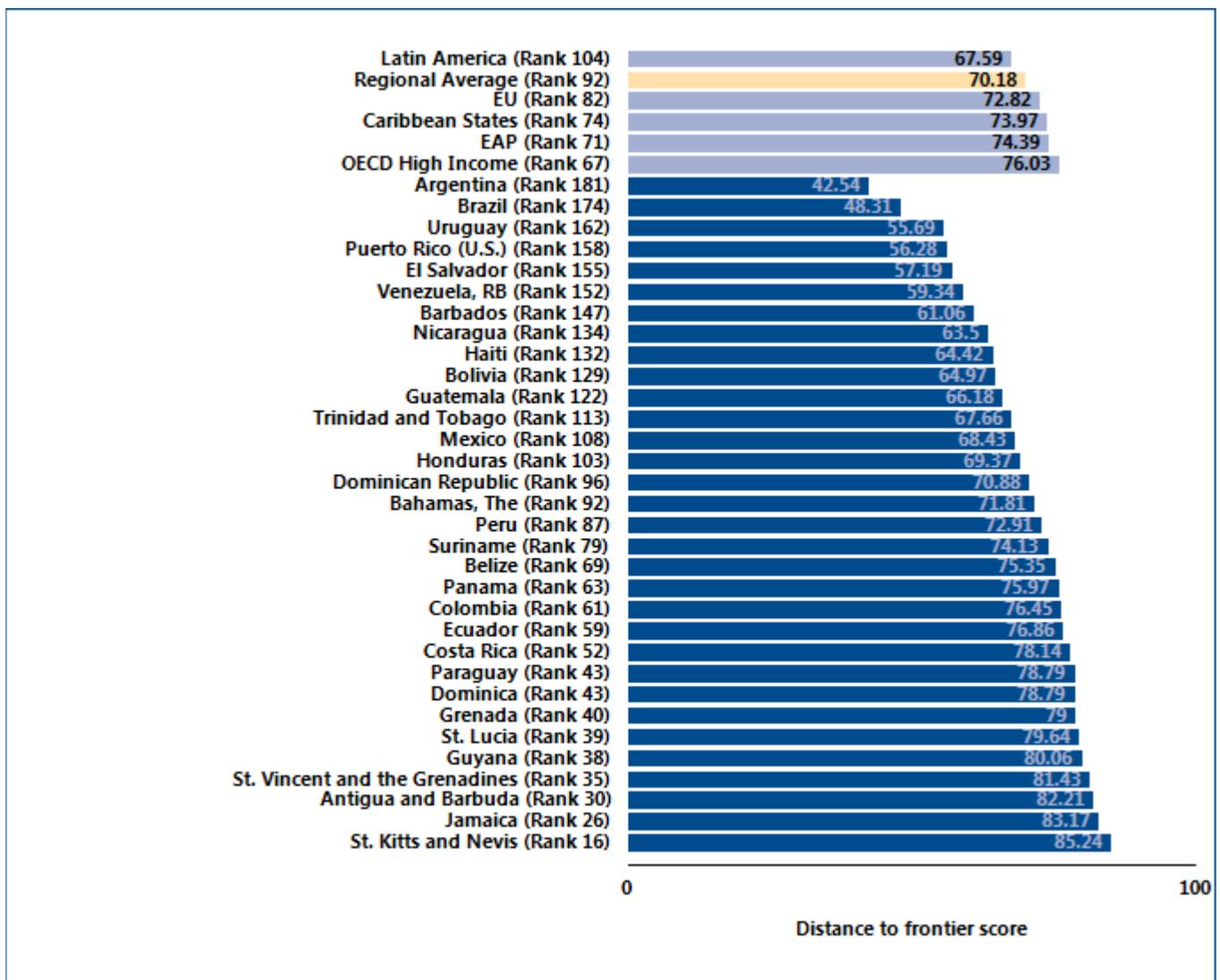
DEALING WITH CONSTRUCTION PERMITS

Where do the region’s economies stand today?

How easy it is for entrepreneurs in economies in Latin America and 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 and Caribbean (LAC) rank on the ease of dealing with construction permits



Source: Doing Business database.

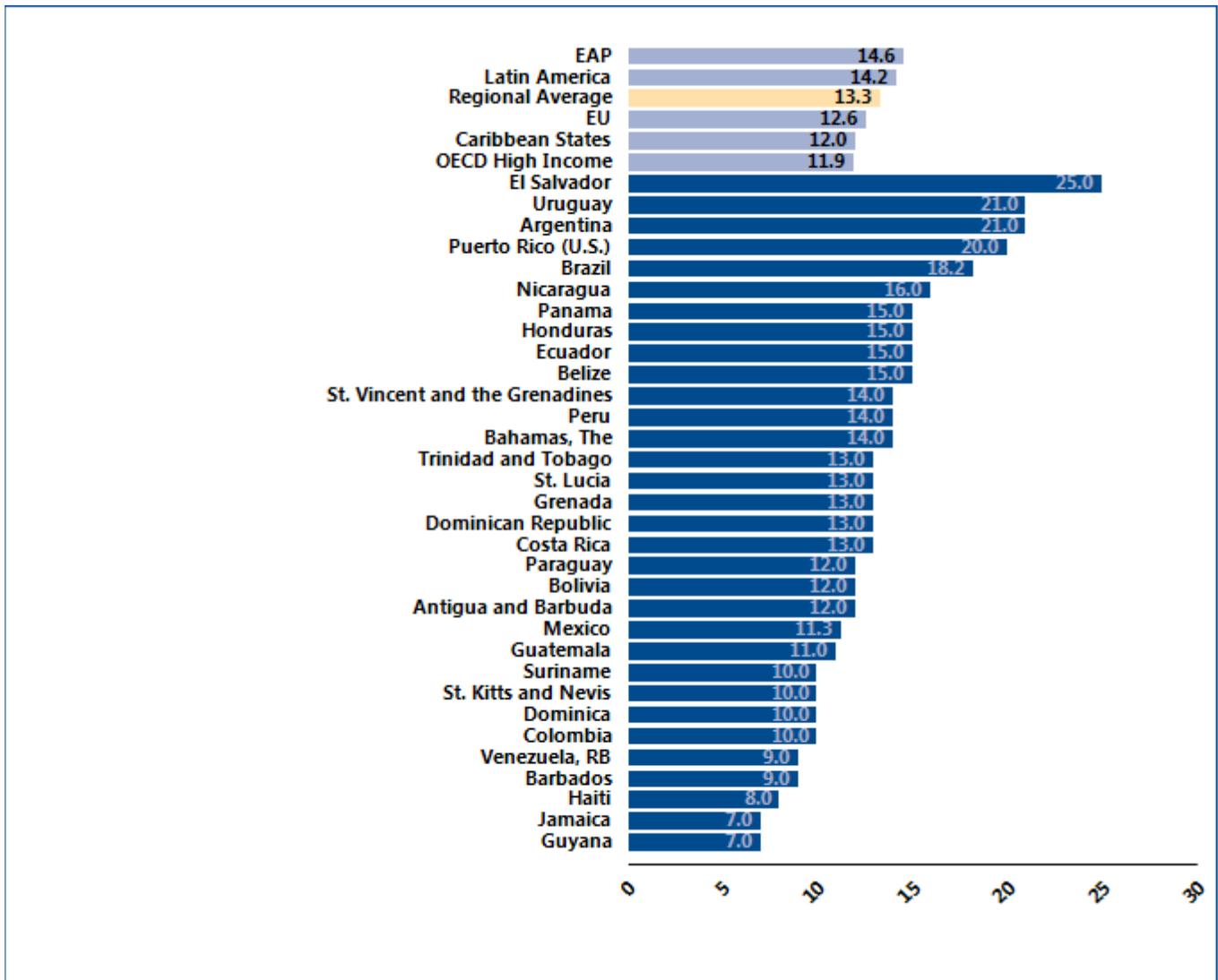
DEALING WITH CONSTRUCTION PERMITS

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.

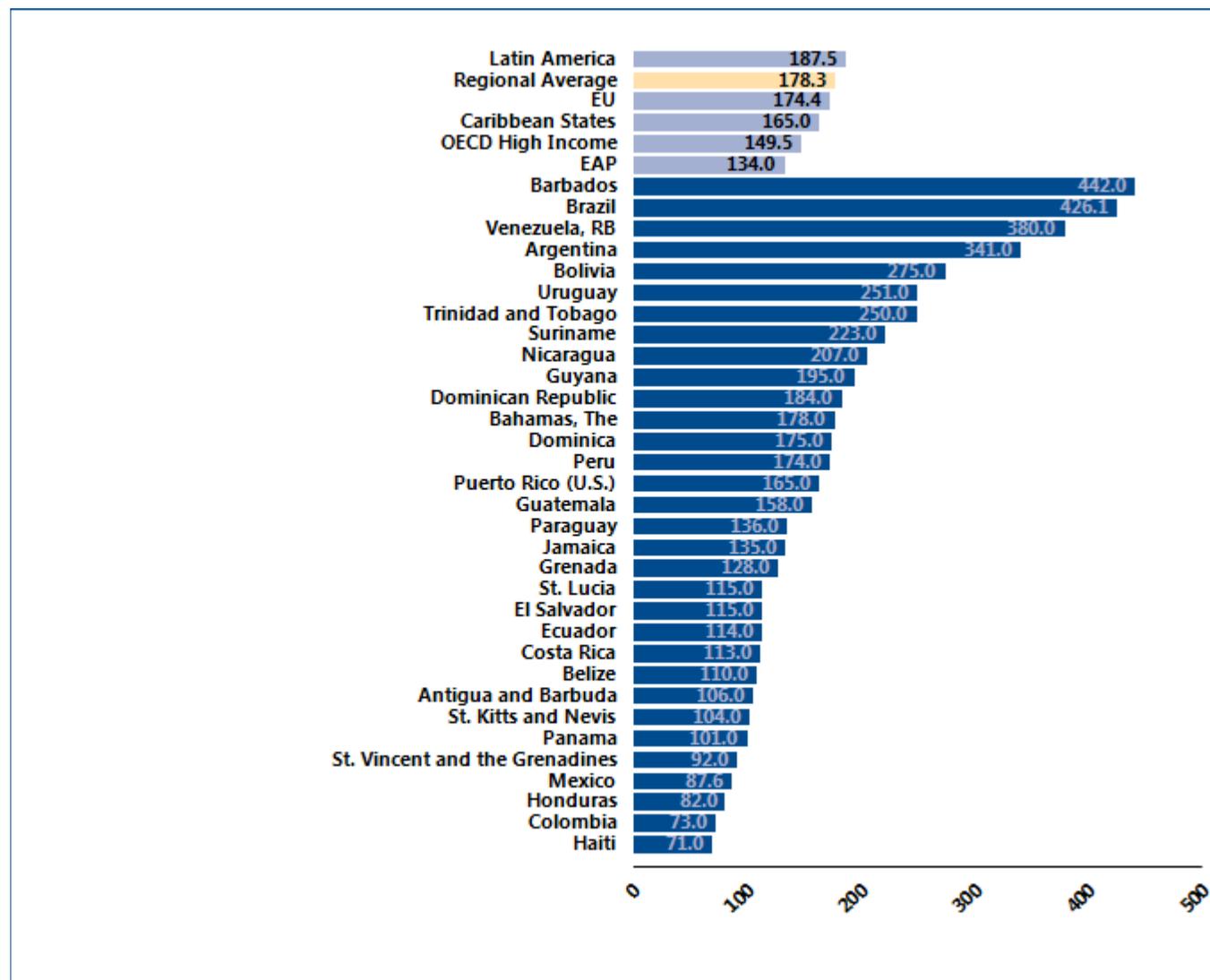
Figure 3.2 What it takes to comply with formalities to build a warehouse in economies in Latin America and Caribbean (LAC)

Procedures (number)



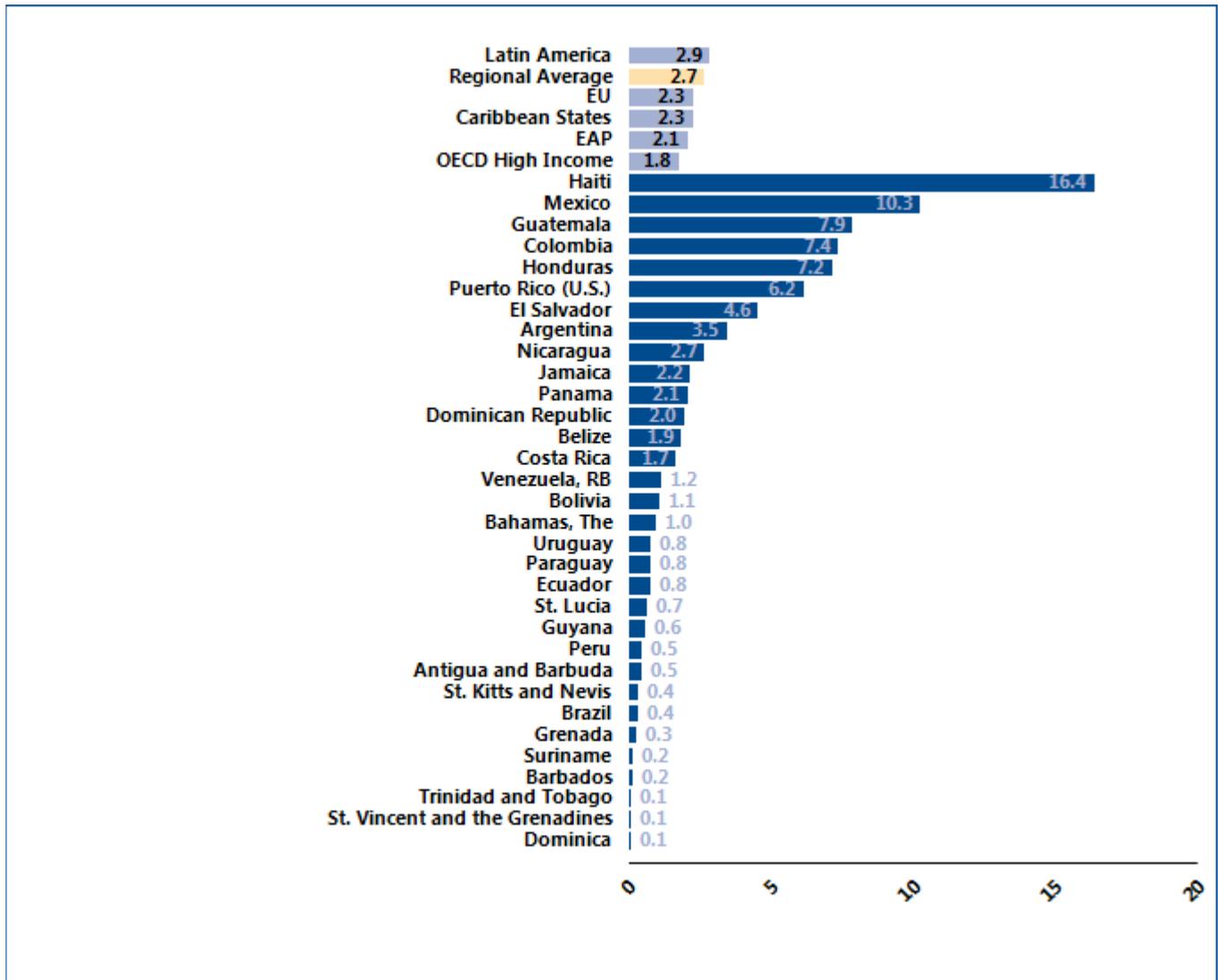
DEALING WITH CONSTRUCTION PERMITS

Time (days)



DEALING WITH CONSTRUCTION PERMITS

Cost (% of warehouse value)



* Indicates a “no practice” mark. 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.

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 and Caribbean (LAC) (table 3.1)?

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

By *Doing Business* report year DB2010 to DB2015

DB year	Economy	Reform
DB2015	<i>Argentina</i>	Argentina made dealing with construction permits more costly by increasing several fees.
DB2015	<i>Bahamas, The</i>	The Bahamas made dealing with construction permits more costly by increasing the building permit fees.
DB2015	<i>Dominican Republic</i>	The Dominican Republic made dealing with construction permits more costly by increasing the building permit fees.
DB2015	<i>Honduras</i>	Honduras made dealing with construction permits more costly by increasing the building permit fees.
DB2015	<i>Puerto Rico (U.S.)</i>	Puerto Rico (territory of the United States) made dealing with construction permits easier by introducing the option of hiring authorized private professionals to carry out the fire safety recommendations and issue the fire safety and environmental health certificates.
DB2015	<i>St. Kitts and Nevis</i>	St. Kitts and Nevis made dealing with construction permits more costly by increasing the building permit fees.
DB2014	<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.
DB2014	<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

DB year	Economy	Reform
		agencies involved in the permitting process.
DB2013	<i>Costa Rica</i>	Costa Rica streamlined the process for obtaining construction permits by implementing online approval systems.
DB2013	<i>Guatemala</i>	Guatemala made dealing with construction permits easier by introducing a risk-based approval system
DB2013	<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.
DB2013	<i>Peru</i>	Peru made obtaining a construction permit easier by eliminating requirements for several preconstruction approvals.
DB2012	<i>Haiti</i>	Haiti made dealing with construction permits costlier by increasing the fees to obtain a building permit.
DB2012	<i>Mexico</i>	Mexico made dealing with construction permits faster by consolidating internal administrative procedures.
DB2012	<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.
DB2012	<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.
DB2012	<i>Trinidad and Tobago</i>	Trinidad and Tobago made dealing with construction permits costlier by increasing the fees for building permit approvals.
DB2011	<i>Colombia</i>	Colombia eased construction permitting by improving the electronic verification of prebuilding certificates.
DB2011	<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.
DB2011	<i>Peru</i>	Peru streamlined construction permitting by implementing administrative reforms.

DB year	Economy	Reform
DB2010	<i>Colombia</i>	Colombia made dealing with construction permits easier by introducing regulations that categorize building projects on the basis of risk and allow electronic verification for certain documents.
DB2010	<i>Guatemala</i>	Guatemala made dealing with construction permits easier through a new land management plan that simplified the risk-based approval process for building permits and through new zoning regimes that speeded up the approval process.
DB2010	<i>Honduras</i>	Honduras reduced the time required for dealing with construction permits by streamlining administrative processes in the Construction Control Department.
DB2010	<i>Panama</i>	Panama made dealing with construction permits easier by eliminating some procedures and simplifying others.

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 of economies on the ease of getting electricity is determined by sorting their distance to frontier scores for getting electricity. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, several assumptions are used.

The warehouse:

- Is owned by a local entrepreneur, located in the economy's largest business city, in an area where other warehouses are located. For the 11 economies with a population of more than 100 million, data for a second city have been added.
- Is not in a special economic zone where the connection would be eligible for subsidization or faster service.
- Is located in an area with no physical constraints (ie. property not near a railway).
- Is a new construction being connected to electricity for the first time.
- Is 2 stories, both above ground, with a total surface of about 1,300.6 square meters (14,000 square feet), is built on a plot of 929 square meters (10,000 square feet), is used for storage of refrigerated goods.

The electricity 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 and 3-phase, 4-wire Y, 140-kilovolt-ampere (kVA) (subscribed capacity).
- Is to either the low-voltage or the medium-voltage distribution network and either overhead or underground, whichever is more common in the area where the warehouse is located. Included only negligible length in the customer's private domain.
- 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 26880 kilowatt hour (kWh). Internal electrical wiring has been completed.

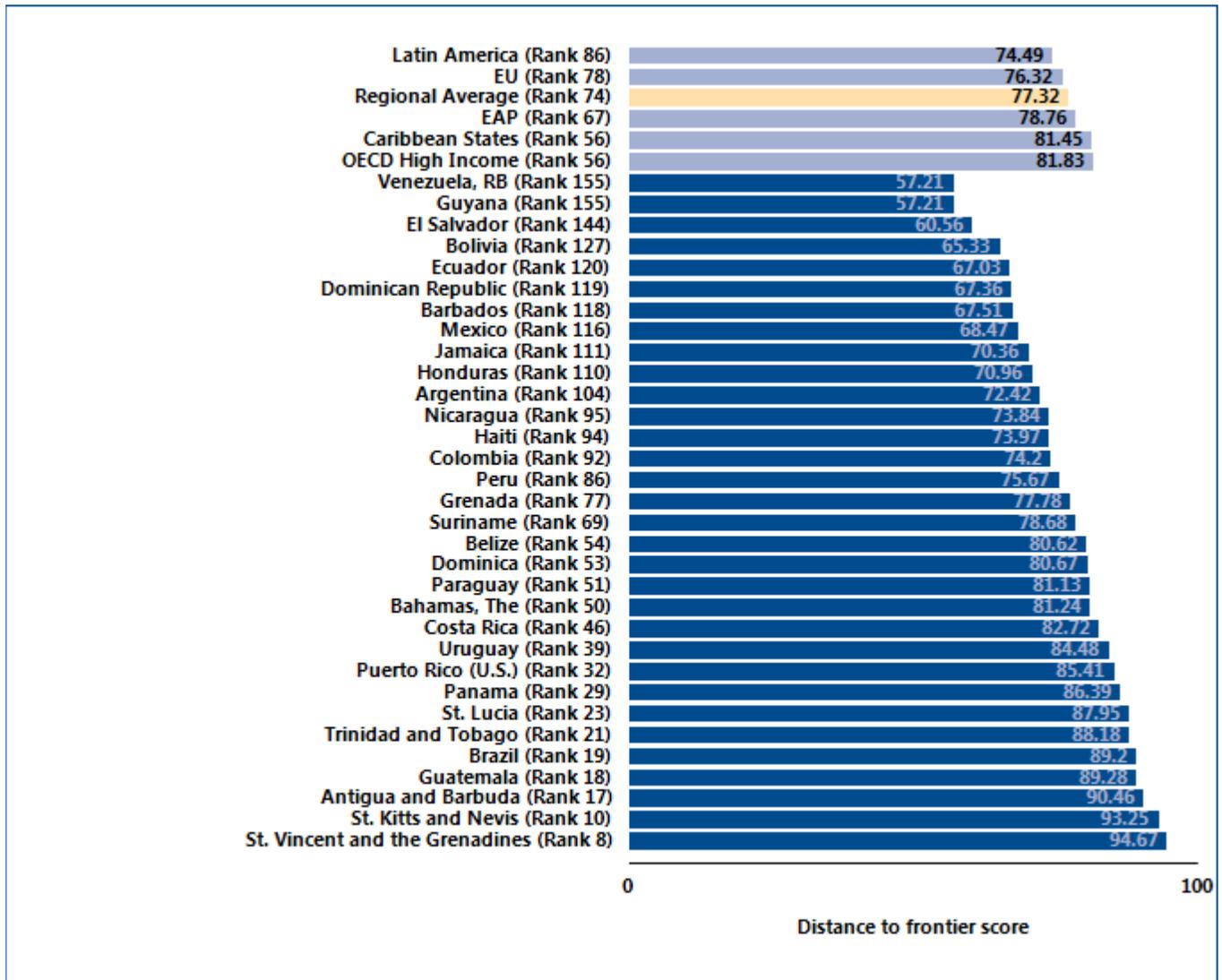
GETTING ELECTRICITY

Where do the region’s economies stand today?

How easy is it for entrepreneurs in economies in Latin America and 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 and Caribbean (LAC) rank on the ease of getting electricity



Source: Doing Business database.

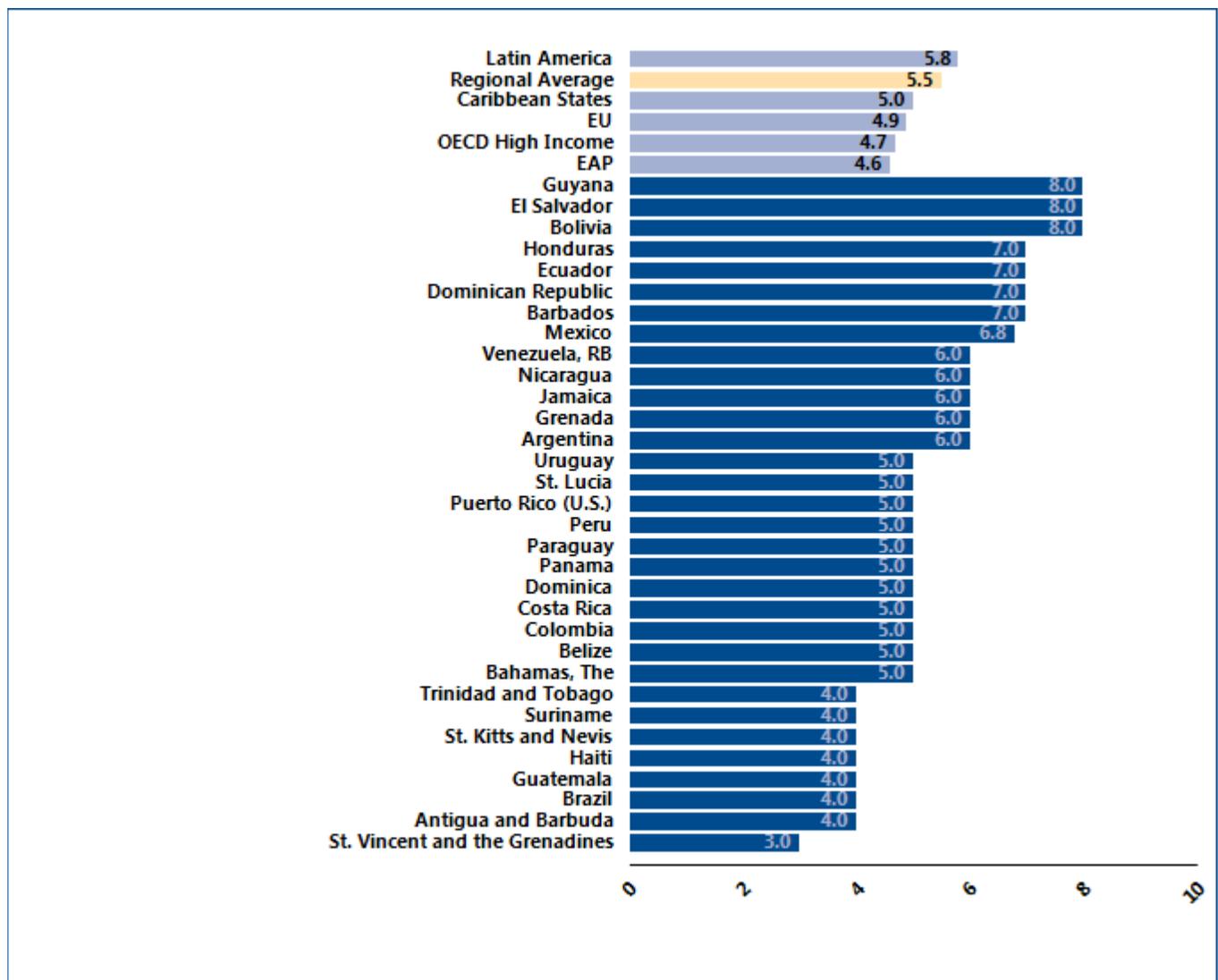
GETTING ELECTRICITY

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.

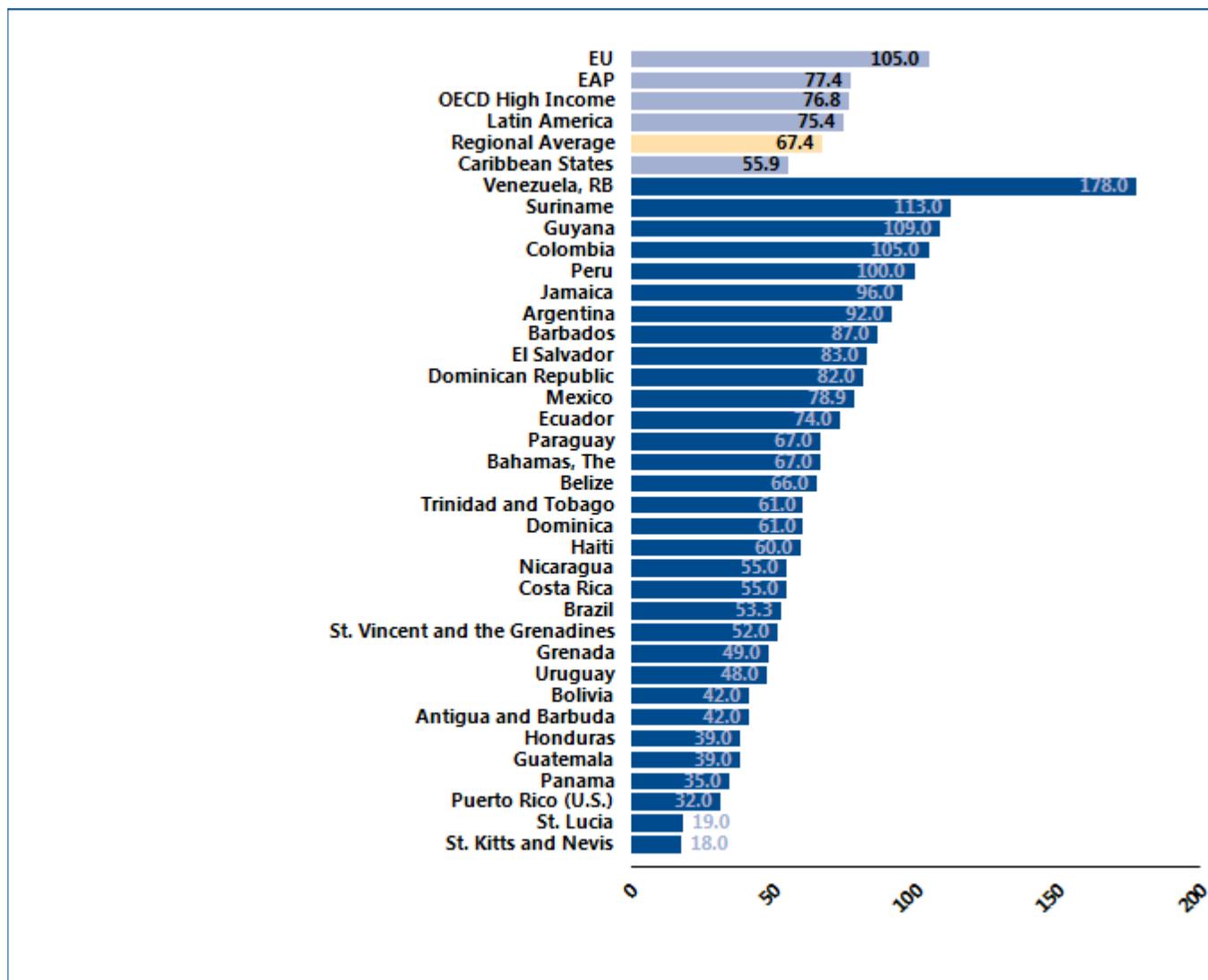
Figure 4.2 What it takes to get an electricity connection in economies in Latin America and Caribbean (LAC)

Procedures (number)



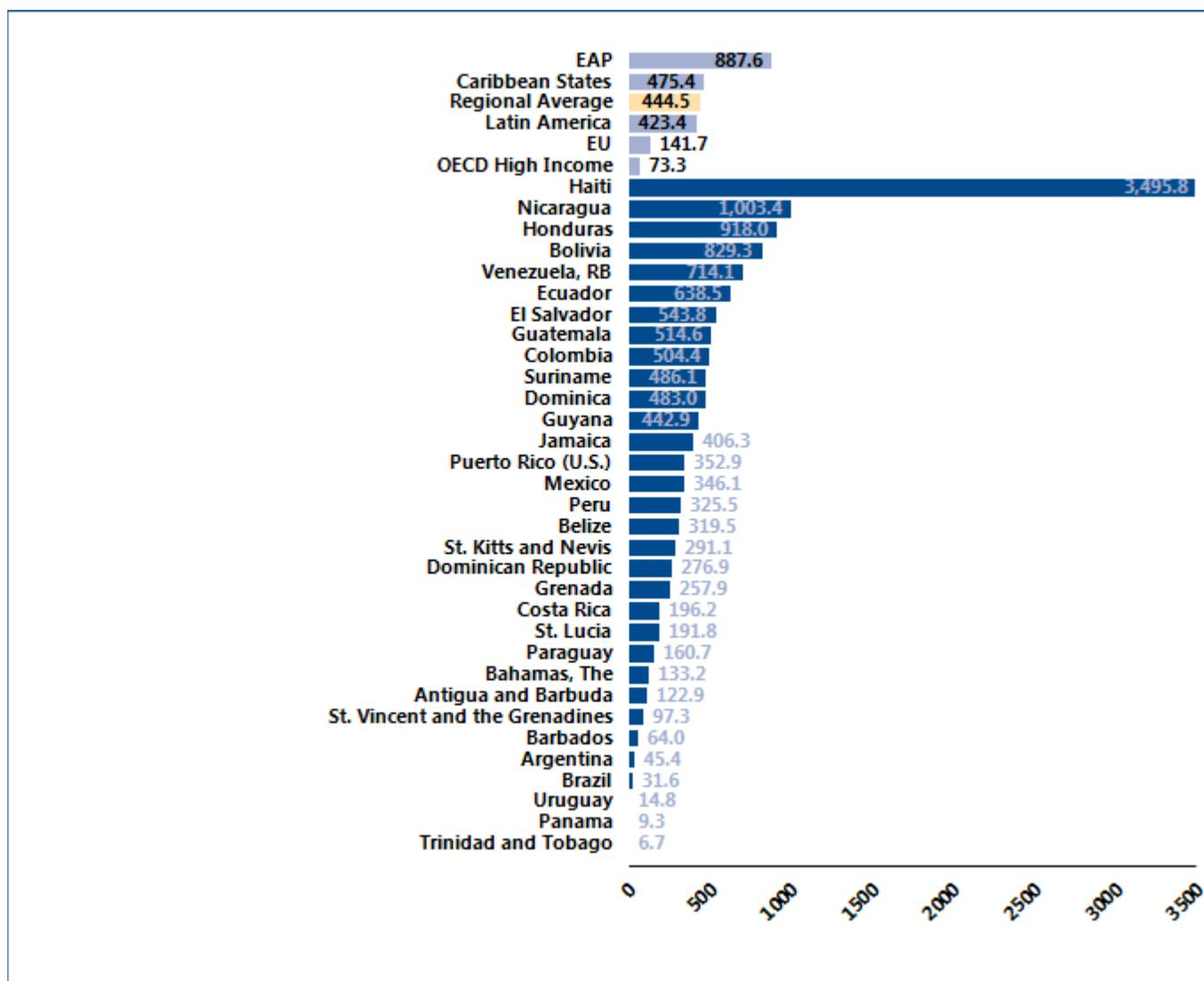
GETTING ELECTRICITY

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 and Caribbean (LAC) (table 4.1)?

Table 4.1 How have economies in Latin America and Caribbean (LAC) made getting electricity easier—or not?
By *Doing Business* report year DB2010 to DB2015

DB year	Economy	Reform
DB2015	<i>Costa Rica</i>	Costa Rica reduced the time required for getting electricity by improving the coordination between different departments at the utility.
DB2015	<i>Jamaica</i>	Jamaica made getting electricity less expensive by reducing the cost of external connection works.
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 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.
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.
DB2012	<i>Guyana</i>	Guyana made getting electricity more expensive by tripling the security deposit required for a new connection.

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 of economies on the ease of registering property is determined by sorting their distance to frontier scores for registering property. These scores are the simple average of the distance to frontier scores for each of the component indicators. 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 economy's largest business city².
- Have 50 employees each, all of whom are nationals.

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.
- Property will be transferred in its entirety.

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 in the economy's largest business city²

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 recorded as ½ day.

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

- Is located in a periurban commercial zone, and no rezoning is required.
- 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.

² For the 11 economies with a population of more than 100 million, data for a second city have been added.

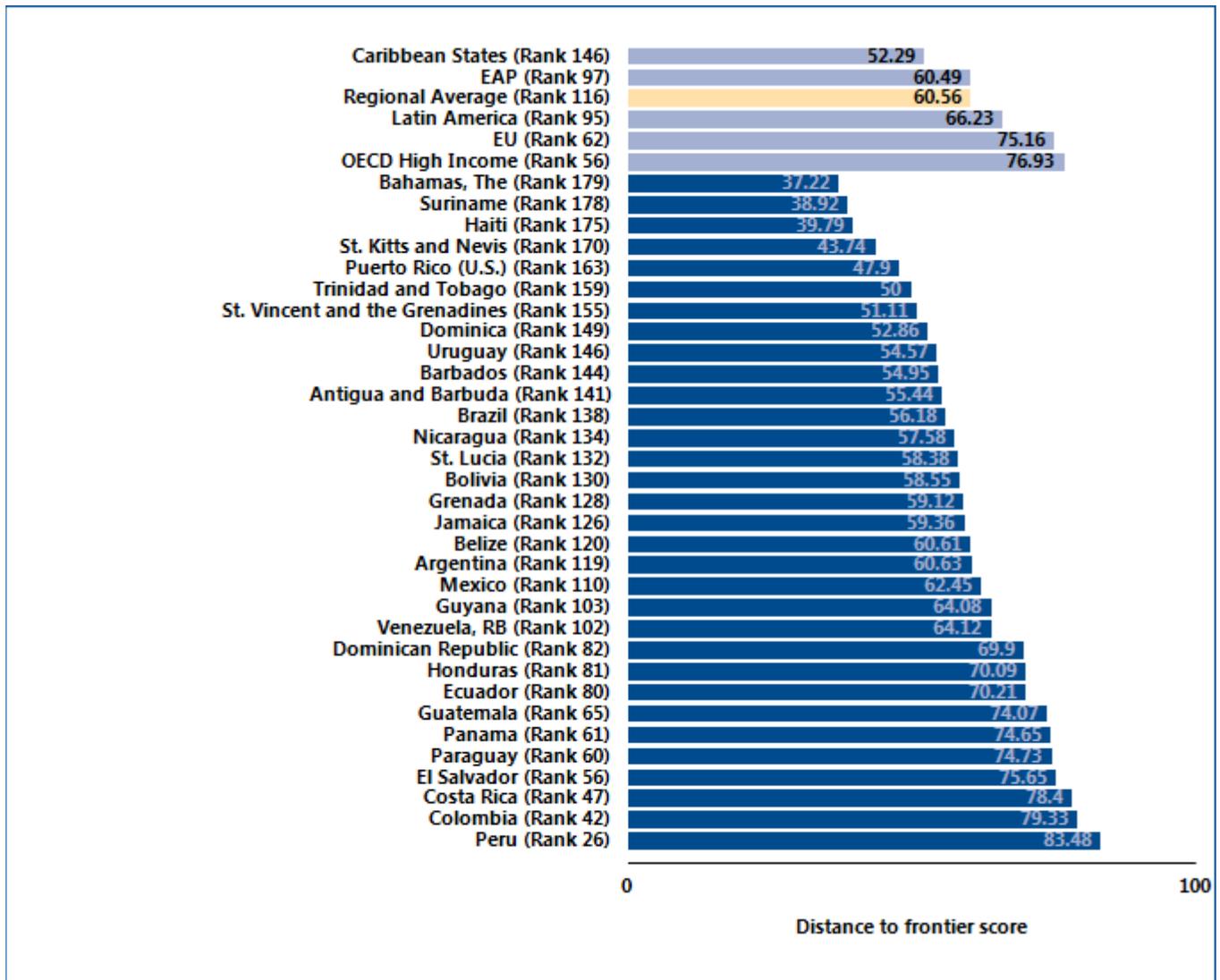
REGISTERING PROPERTY

Where do the region's economies stand today?

How easy is it for entrepreneurs in economies in Latin America and 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 and Caribbean (LAC) rank on the ease of registering property



Source: Doing Business database.

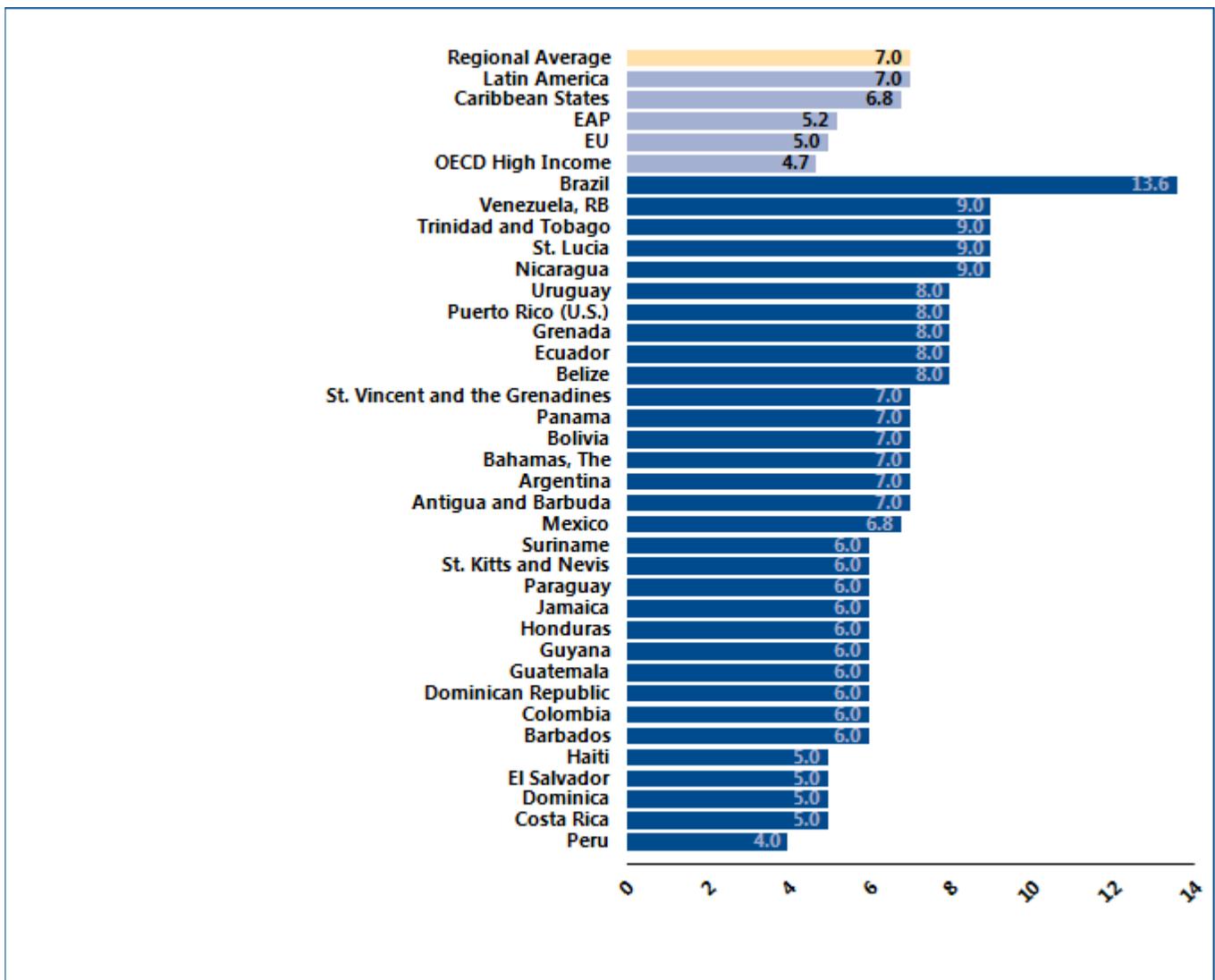
REGISTERING PROPERTY

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.

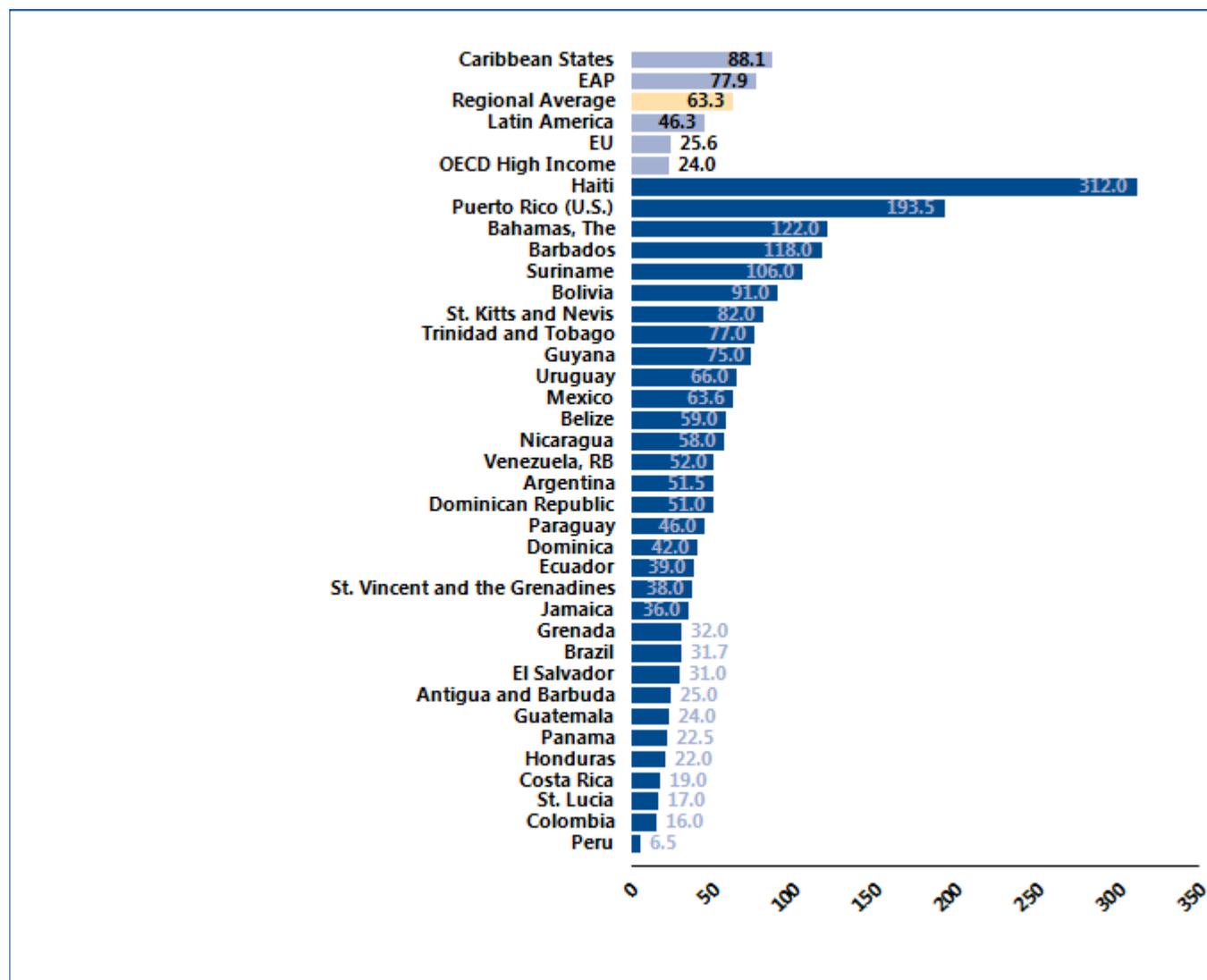
Figure 5.2 What it takes to register property in economies in Latin America and Caribbean (LAC)

Procedures (number)



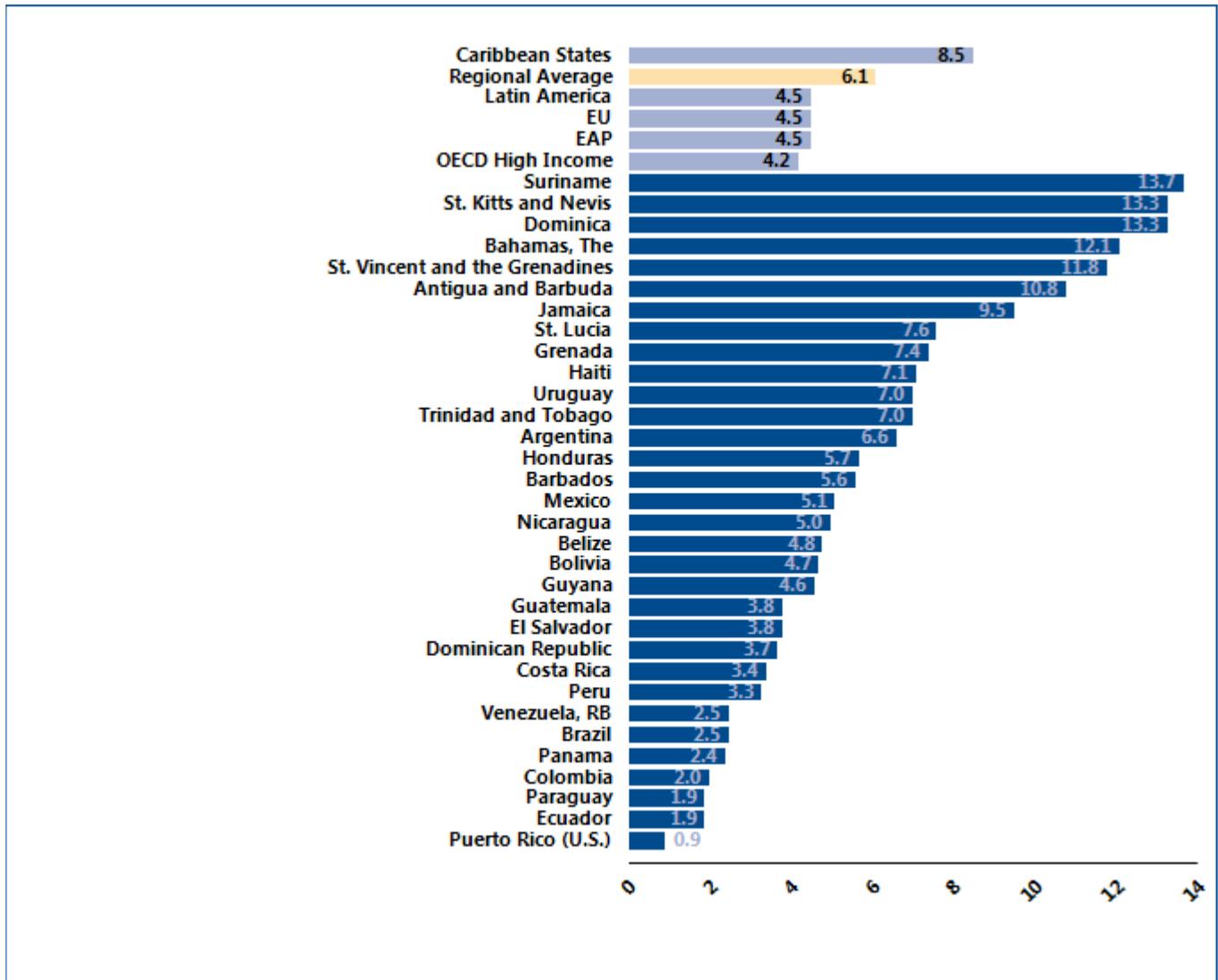
REGISTERING PROPERTY

Time (days)



REGISTERING PROPERTY

Cost (% of property value)



* Indicates a “no practice” mark. 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.

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 and Caribbean (LAC) (table 5.1)?

Table 5.1 How have economies in Latin America and Caribbean (LAC) made registering property easier—or not? By *Doing Business* report year DB2010 to DB2015

DB year	Economy	Reform
DB2015	<i>Colombia</i>	Colombia made transferring property easier by eliminating the need for a provisional registration.
DB2014	<i>Bahamas, The</i>	The Bahamas made transferring property easier by reducing the stamp duty.
DB2014	<i>Jamaica</i>	Jamaica made transferring property more difficult by increasing the transfer tax and the stamp duty.
DB2014	<i>Panama</i>	Panama made transferring property easier by connecting the land registry with the cadastre.
DB2014	<i>Suriname</i>	Suriname made transferring property easier by increasing administrative efficiency at the land registry.
DB2013	<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.
DB2013	<i>Ecuador</i>	In Ecuador property transfers became more time consuming as a result of implementation problems in transferring authority over property records to the municipality of Quito.
DB2013	<i>Panama</i>	Panama made property transfers faster by increasing working hours at the registry and reorganizing the caseload of its staff.
DB2013	<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.

DB year	Economy	Reform
DB2012	<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.
DB2012	<i>Bahamas, The</i>	The Bahamas made transferring property more costly by increasing the applicable stamp duty fees.
DB2012	<i>Costa Rica</i>	Costa Rica made transferring property easier and quicker by making property certificates available online through a single website.
DB2012	<i>Guyana</i>	In Guyana transferring property became slower because of a lack of personnel at the deed registry.
DB2012	<i>Nicaragua</i>	Nicaragua made transferring property more efficient by introducing a fast-track procedure for registration.
DB2011	<i>Antigua and Barbuda</i>	In Antigua and Barbuda, to transfer property now requires clearance by the chief surveyor to avoid mischievous declarations.
DB2011	<i>Grenada</i>	The appointment of a registrar focusing only on property cut the time needed to transfer property in Grenada by almost half.
DB2011	<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.
DB2011	<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.
DB2011	<i>Peru</i>	Peru introduced fast-track procedures at the land registry, cutting by half the time needed to register property.
DB2011	<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.
DB2010	<i>Argentina</i>	Argentina made transferring property more difficult by

DB year	Economy	Reform
		adding a new requirement to declare all transactions over 300,000 Argentine pesos.
DB2010	<i>Colombia</i>	Colombia made transferring property easier by making certificates required for the process available online and providing a standard preliminary sale agreement free of charge, online and in notary offices.
DB2010	<i>Guatemala</i>	Guatemala made registering property easier by centralizing more procedures at the property registry, reorganizing operations and making greater use of electronic services.
DB2010	<i>Jamaica</i>	Jamaica made registering property easier by reducing the property transfer tax.
DB2010	<i>Panama</i>	Panama reduced the time required to transfer property by making it possible to obtain the certificate of good standing from the tax agency online.
DB2010	<i>Peru</i>	Peru made registering property easier through faster electronic processing times and through an internet connection between the tax agency and notaries facilitating the payment of municipal taxes.
DB2010	<i>Suriname</i>	Suriname increased the cost, time and number of procedures to register property by implementing new valuation requirements to ensure proper tax payments at the land registry.
DB2010	<i>Uruguay</i>	Uruguay made transferring property more difficult through a new law giving preemption rights to the Municipality of Montevideo and thus adding a procedure—though at the same time it made transferring property easier through new online procedures.

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 borrowers and lenders in collateral and bankruptcy laws. Credit information systems enable lenders' rights 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 credit registry or a 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 two case scenarios, Case A and Case B, 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 (for more details on each case, see the Data Notes section of the *Doing Business 2015* report).

These scenarios assume that the borrower:

- Is a private limited liability company.

WHAT THE GETTING CREDIT INDICATORS MEASURE

Strength of legal rights index (0–12)³

Rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

Depth of credit information index (0–8)⁴

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

Credit bureau coverage (% of adults)

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

Credit registry coverage (% of adults)

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

- Has its headquarters and only base of operations in the largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.
- Has up to 50 employees.
- Is 100% domestically owned, as is the lender.

The ranking of economies on the ease of getting credit is determined by sorting their distance to frontier scores for getting credit. These scores are the distance to frontier score for the strength of legal rights index and the depth of credit information index.

³ For the legal rights index, 2 new points are added in *Doing Business 2015* for new data collected to assess the overall legal framework for secured transactions and the functioning of the collateral registry.

⁴ For the credit information index, 2 new points are added in *Doing Business 2015* for new data collected on accessing borrowers' credit information online and availability of credit scores.

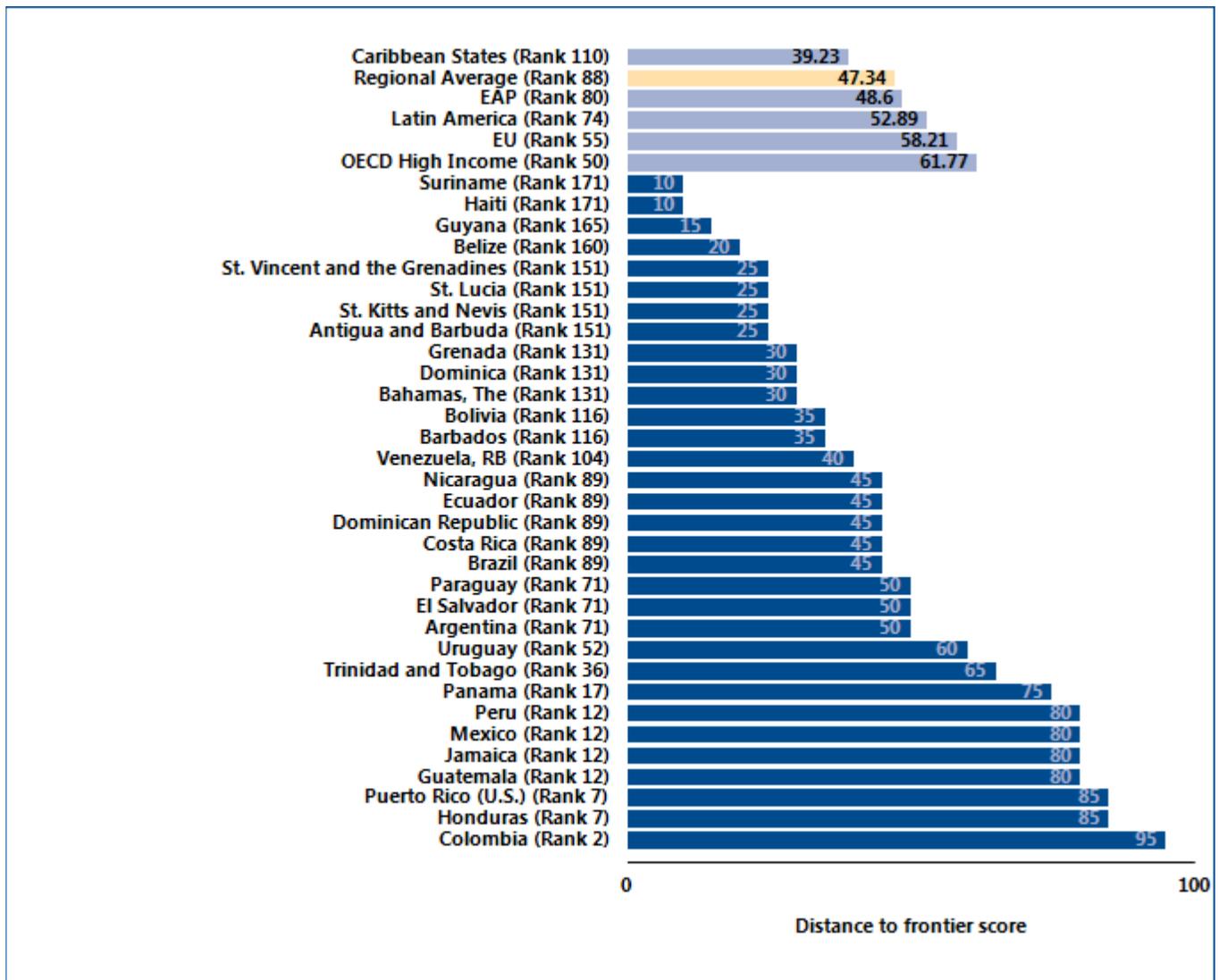
GETTING CREDIT

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 and 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 and Caribbean (LAC) rank on the ease of getting credit



Source: Doing Business database.

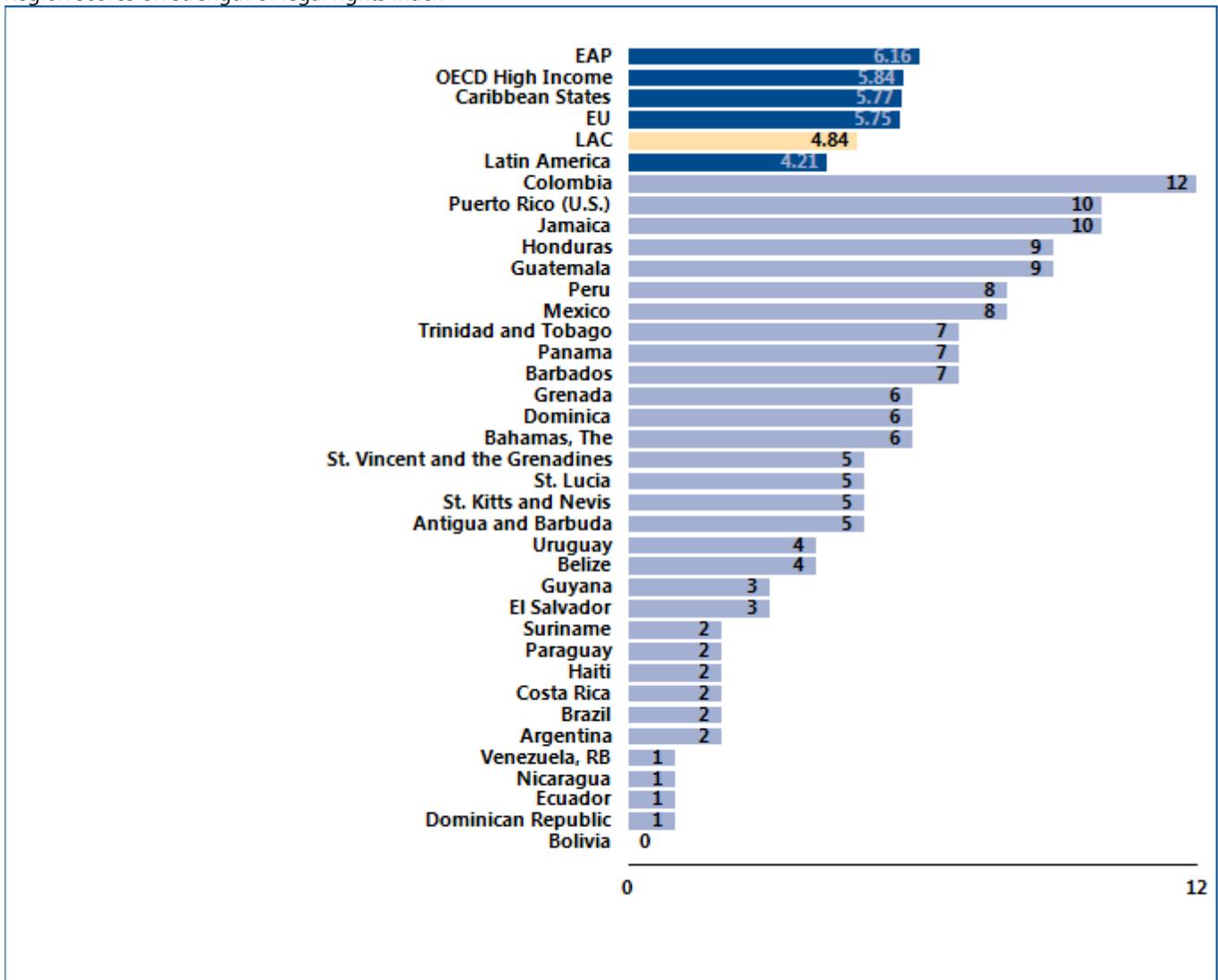
GETTING CREDIT

Another way to assess how well regulations and institutions support lending and borrowing in the region is to see where the region stands in the distribution of scores across regions. Figure 6.2 highlights the score on

the strength of legal rights index for Latin America and Caribbean (LAC) and comparators on the strength of legal rights index. Figure 6.3 shows the same thing for the depth of credit information index.

Figure 6.2 How strong are legal rights for borrowers and lenders?

Region scores on strength of legal rights index

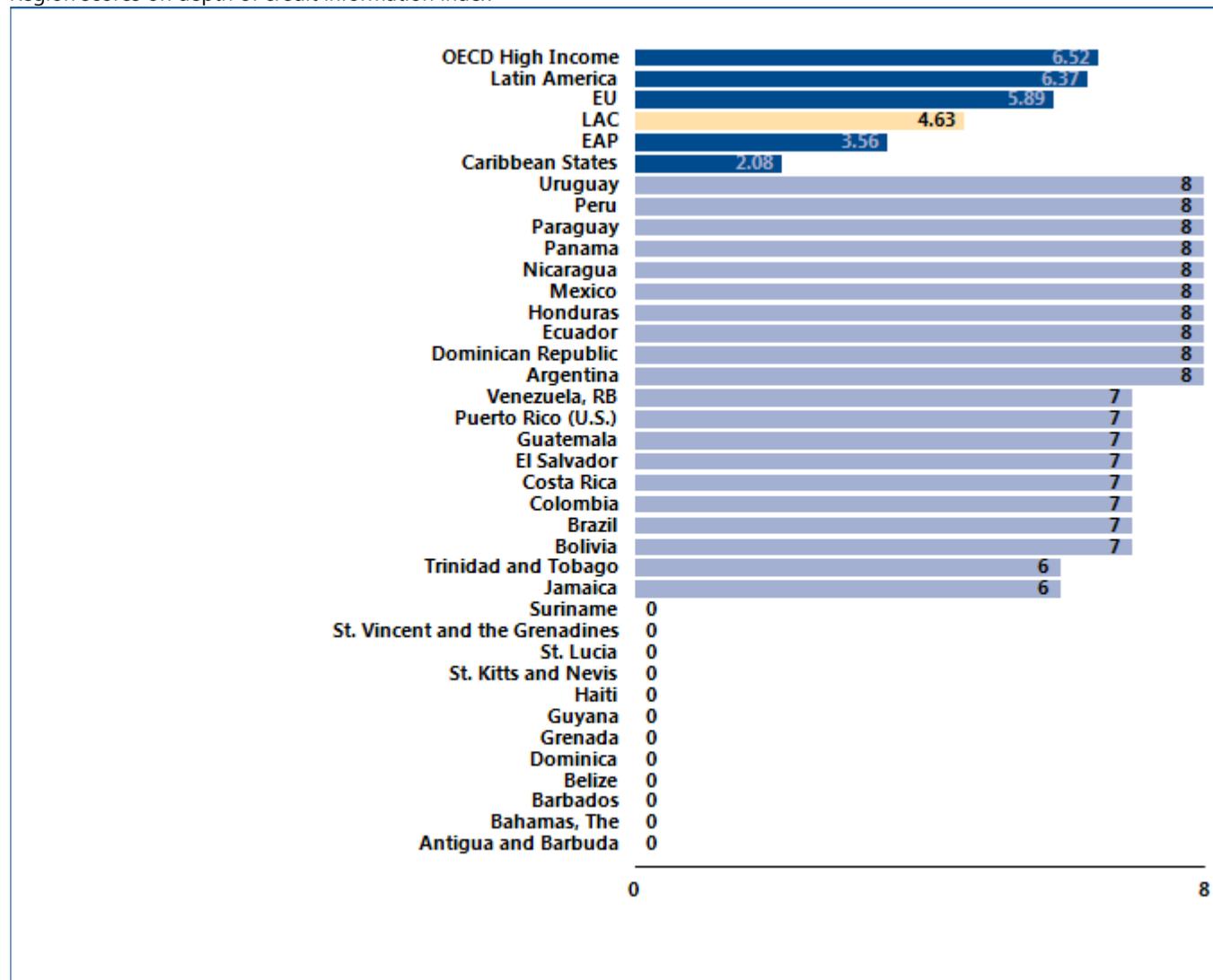


Note: Higher scores indicate that collateral and bankruptcy laws are better designed to facilitate access to credit.

Source: Doing Business database.

Figure 6.3 How much credit information is shared—and how widely?

Region scores on depth of credit information index



Note: Higher scores indicate the availability of more credit information, from either a credit registry or a credit bureau, to facilitate lending decisions. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.

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 and Caribbean (LAC) (table 6.1)?

Table 6.1 How have economies in Latin America and Caribbean (LAC) made getting credit easier—or not?
By *Doing Business* report year DB2010 to DB2015

DB year	Economy	Reform
DB2015	<i>Colombia</i>	Colombia improved access to credit by adopting a new secured transactions law that establishes a functional secured transactions system and a centralized, notice-based collateral registry. The law broadens the range of assets that can be used as collateral, allows a general description of assets granted as collateral, establishes clear priority rules inside bankruptcy for secured creditors, sets out grounds for relief from a stay of enforcement actions by secured creditors during reorganization procedures and allows out-of-court enforcement of collateral.
DB2015	<i>Dominican Republic</i>	The Dominican Republic improved its credit information system by enacting a new law regulating the protection of personal data and the operation of credit reporting institutions.
DB2015	<i>Jamaica</i>	Jamaica improved access to credit by establishing credit bureaus and by adopting a new secured transactions law that implements a functional secured transactions system, broadens the range of assets that can be used as collateral, allows a general description of assets granted as collateral and establishes a modern, notice-based collateral registry. Jamaica also improved access to credit by establishing credit bureaus and by adopting a new secured transactions law that implements a functional approach to secured transactions, broadens the range of assets that can be used as collateral, allows a general description of assets granted as collateral and establishes a modern, notice-based collateral registry.
DB2015	<i>Mexico</i>	Mexico improved access to credit by amending its insolvency proceedings law and establishing clear grounds for relief from a stay of enforcement actions by secured creditors during reorganization procedures. This reform applies to both Mexico City and Monterrey.

DB year	Economy	Reform
DB2015	<i>Nicaragua</i>	Nicaragua improved access to credit information by starting to provide credit scores to banks and financial institutions.
DB2015	<i>Panama</i>	Panama improved access to credit through a new law broadening the range of assets that can be used as collateral, allowing a general description of assets granted as collateral and allowing out-of-court enforcement of collateral.
DB2015	<i>Trinidad and Tobago</i>	Trinidad and Tobago improved access to credit by adopting the Bankruptcy and Insolvency Act, which establishes clear grounds for relief from a stay of enforcement actions by secured creditors during reorganization procedures as well as a time limit for the stay.
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.
DB2013	<i>Costa Rica</i>	Costa Rica improved access to credit information by guaranteeing borrowers' right to inspect their personal data.
DB2013	<i>El Salvador</i>	El Salvador improved access to credit information through a new law regulating the management of personal credit information.
DB2012	<i>Brazil</i>	Brazil improved its credit information system by allowing private credit bureaus to collect and share positive information.
DB2012	<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.
DB2012	<i>Mexico</i>	Mexico strengthened its secured transactions system by implementing a centralized collateral registry with an electronic database that is accessible online.
DB2012	<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.
DB2012	<i>Uruguay</i>	Uruguay improved its credit information system by introducing a new online platform allowing access to credit

DB year	Economy	Reform
		reports for financial institutions, public utilities and borrowers.
DB2011	<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.
DB2011	<i>Venezuela, RB</i>	República Bolivariana de Venezuela improved access to credit information by creating a private credit bureau.
DB2010	<i>Colombia</i>	Colombia improved access to credit information by guaranteeing borrowers' right to inspect their own data and by making it mandatory for credit providers to consult and share information with credit bureaus.
DB2010	<i>Ecuador</i>	Ecuador's credit bureau started to distribute historical data, improving access to credit information.
DB2010	<i>Guatemala</i>	Guatemala improved access to credit information by guaranteeing borrowers' right to inspect their own data. Guatemala also strengthened its secured transactions system by creating a new movable asset registry that covers all types of movable assets as well as creditors and debtors and is searchable by debtor name.
DB2010	<i>Haiti</i>	Haiti strengthened its secured transactions system through a new law broadening the range of assets that can be used as collateral, allowing future and after-acquired property to be used as collateral and automatically extending security interests to the products, proceeds and replacements of the original asset.
DB2010	<i>Honduras</i>	Honduras improved its credit information system through a resolution that enhances the operations of the public credit bureau and introduces several categories for classifying debtors on the basis of their credit history.

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 MINORITY INVESTORS

Protecting minority investors matters for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. 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 protection of minority investors from conflicts of interest through one set of indicators and shareholders' rights in corporate governance through another. The ranking of economies on the strength of minority investor protections is determined by sorting their distance to frontier scores for protecting minority investors. These scores are the simple average of the distance to frontier scores for the extent of conflict of interest regulation index and the extent of shareholder governance index. 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.
- 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.

WHAT THE PROTECTING MINORITY INVESTORS INDICATORS MEASURE

Extent of disclosure index (0–10)

Review and approval requirements for related-party transactions ; Disclosure requirements for related-party transactions

Extent of director liability index (0–10)

Ability of minority shareholders to sue and hold interested directors liable for prejudicial related-party transactions; Available legal remedies (damages, disgorgement of profits, fines, imprisonment, rescission of the transaction)

Ease of shareholder suits index (0–10)

Access to internal corporate documents; Evidence obtainable during trial and allocation of legal expenses

Extent of conflict of interest regulation index (0–10)

Sum of the extent of disclosure, extent of director liability and ease of shareholder indices, divided by 3

Extent of shareholder rights index (0-10.5)

Shareholders' rights and role in major corporate decisions

Strength of governance structure index (0-10.5)

Governance safeguards protecting shareholders from undue board control and entrenchment

Extent of corporate transparency index (0-9)

Corporate transparency on ownership stakes, compensation, audits and financial prospects

Extent of shareholder governance index (0–10)

Sum of the extent of shareholders rights, strength of governance structure and extent of corporate transparency indices, divided by 3

Strength of investor protection index (0–10)

Simple average of the extent of conflict of interest regulation and extent of shareholder governance indices

- Shareholders sue the interested parties and the members of the board of directors.

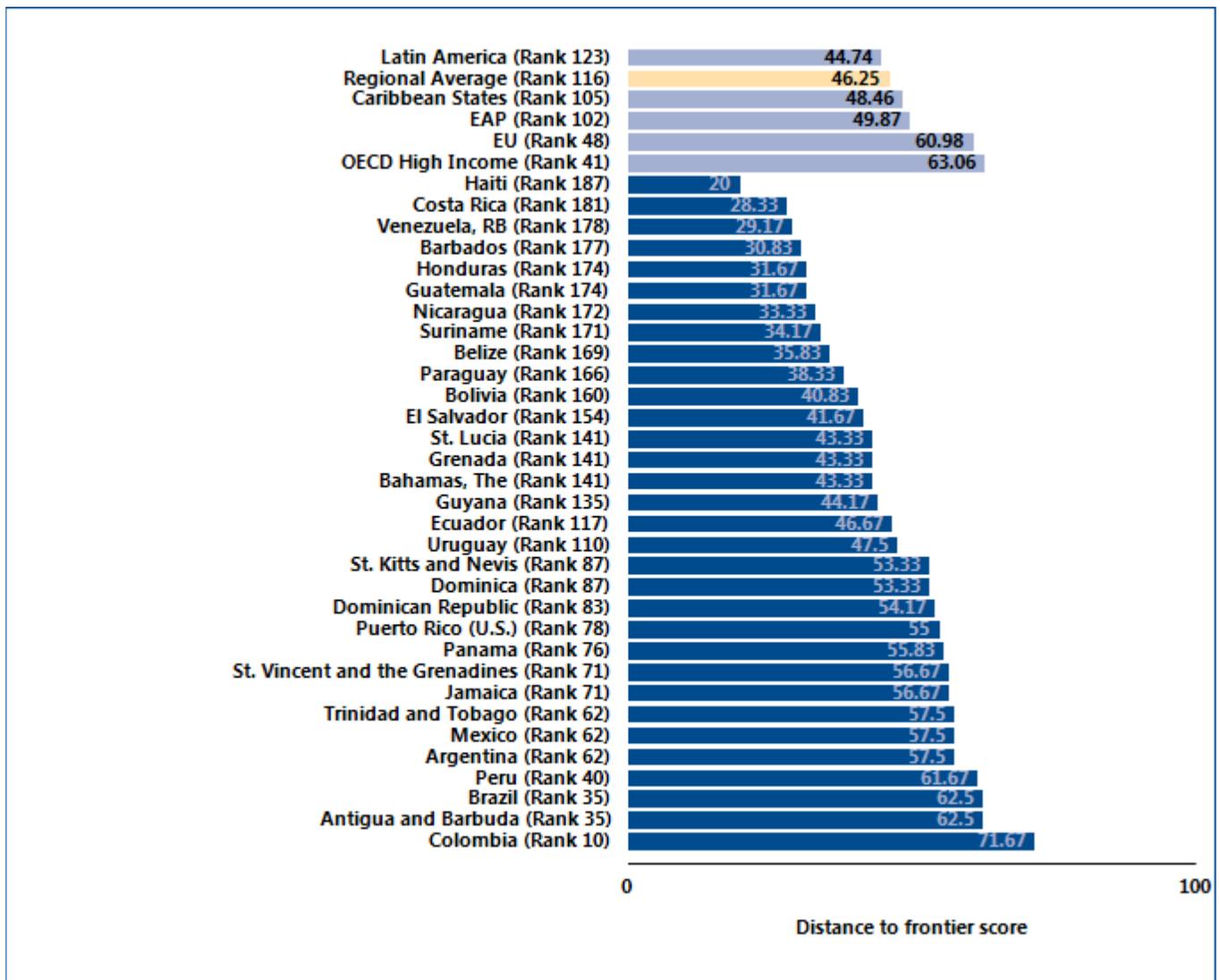
PROTECTING MINORITY INVESTORS

Where do the region's economies stand today?

How strong are investor protections against self-dealing in economies in Latin America and 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 and Caribbean (LAC) rank on the strength of investor protection index



Source: Doing Business database.

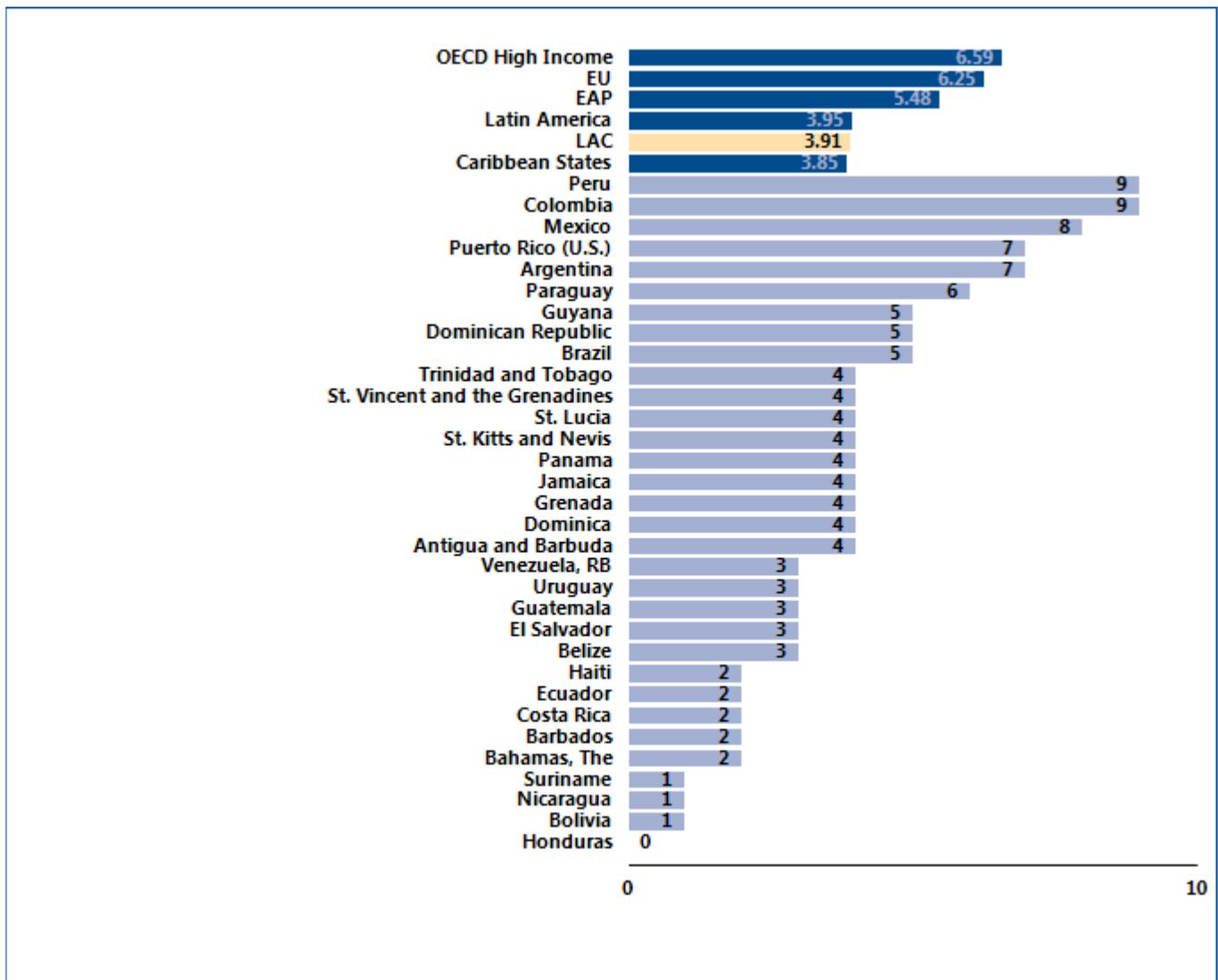
PROTECTING MINORITY INVESTORS

But the overall ranking on the strength of minority investor protection index tells only part of the story. Economies may offer strong protections in some areas but not others. Figures 7.2 through 7.7 highlight the scores on the various minority investor protection indices for Latin America and Caribbean (LAC) in 2014. Higher

scores indicate stronger minority 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 extensive are disclosure requirements?

Extent of disclosure index (0–10)

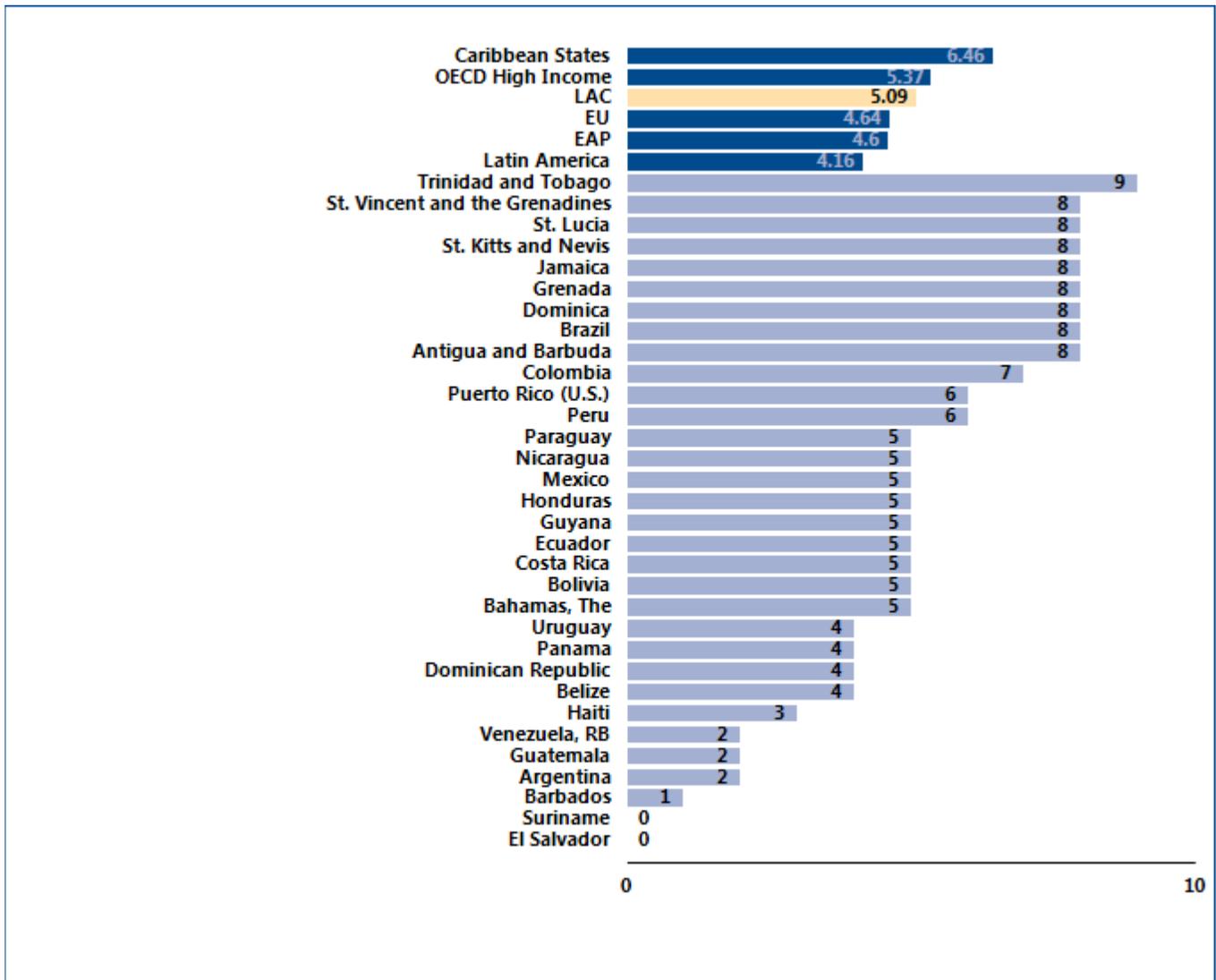


Note: Higher scores indicate greater disclosure.

Source: Doing Business database.

Figure 7.3 How extensive is the liability regime for directors?

Extent of director liability index (0–10)

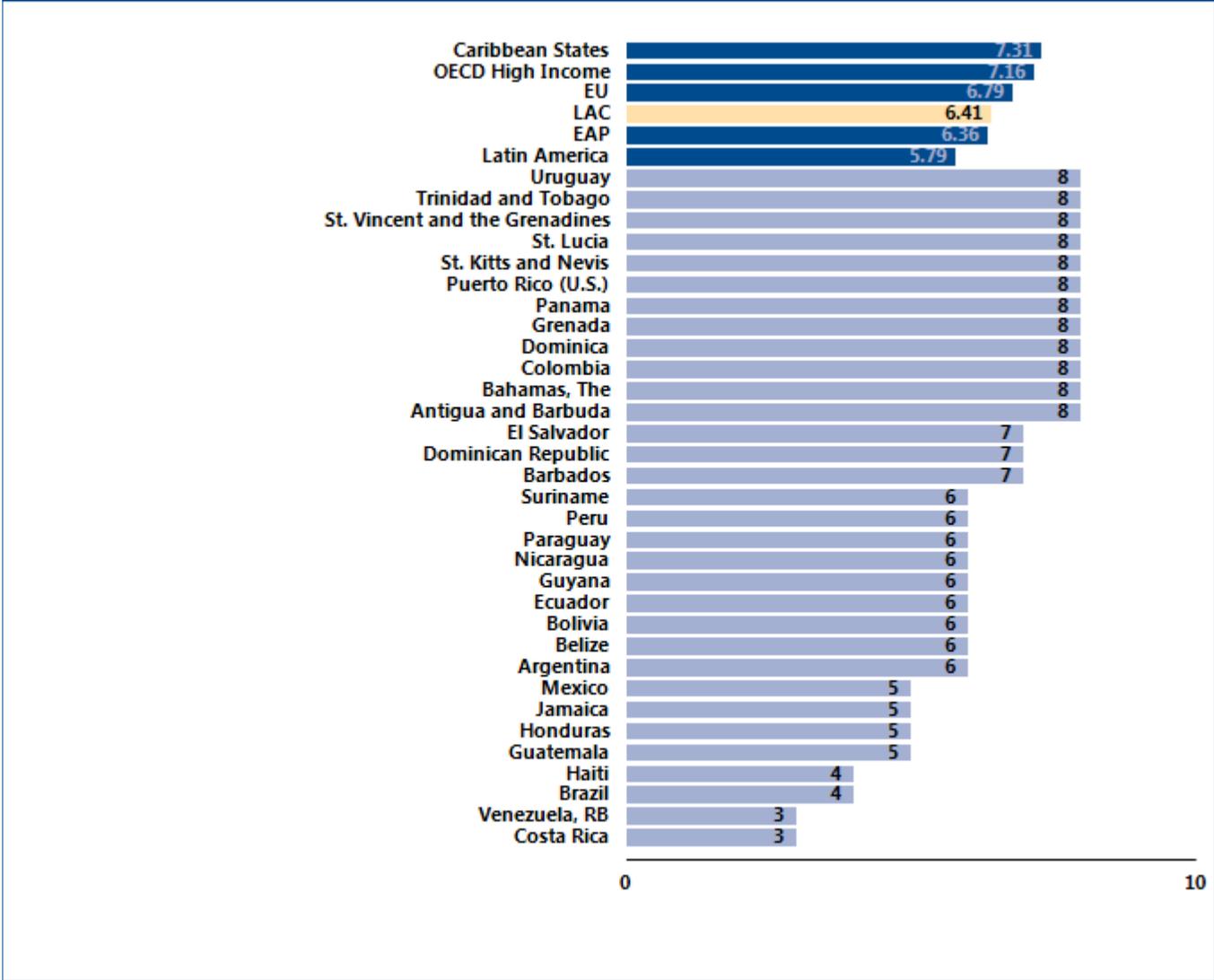


Note: Higher scores indicate greater liability of directors.

Source: *Doing Business* database.

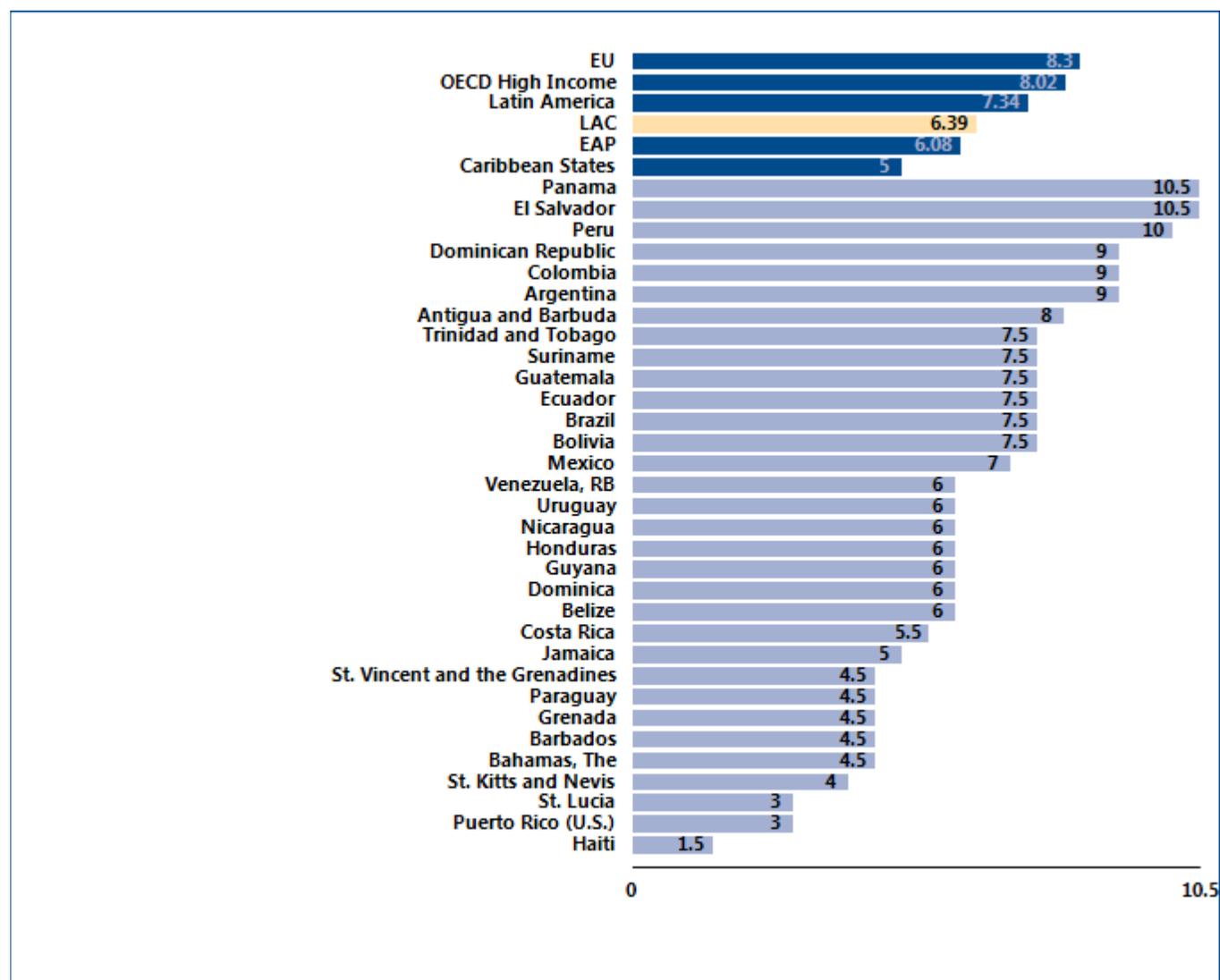
Figure 7.4 How easy is accessing internal corporate documents?

Extent of shareholder suits index (0–10)



Note: Higher scores indicate greater minority shareholder access to evidence before and during trial.
 Source: Doing Business database.

Figure 7.5 How extensive are shareholder rights?

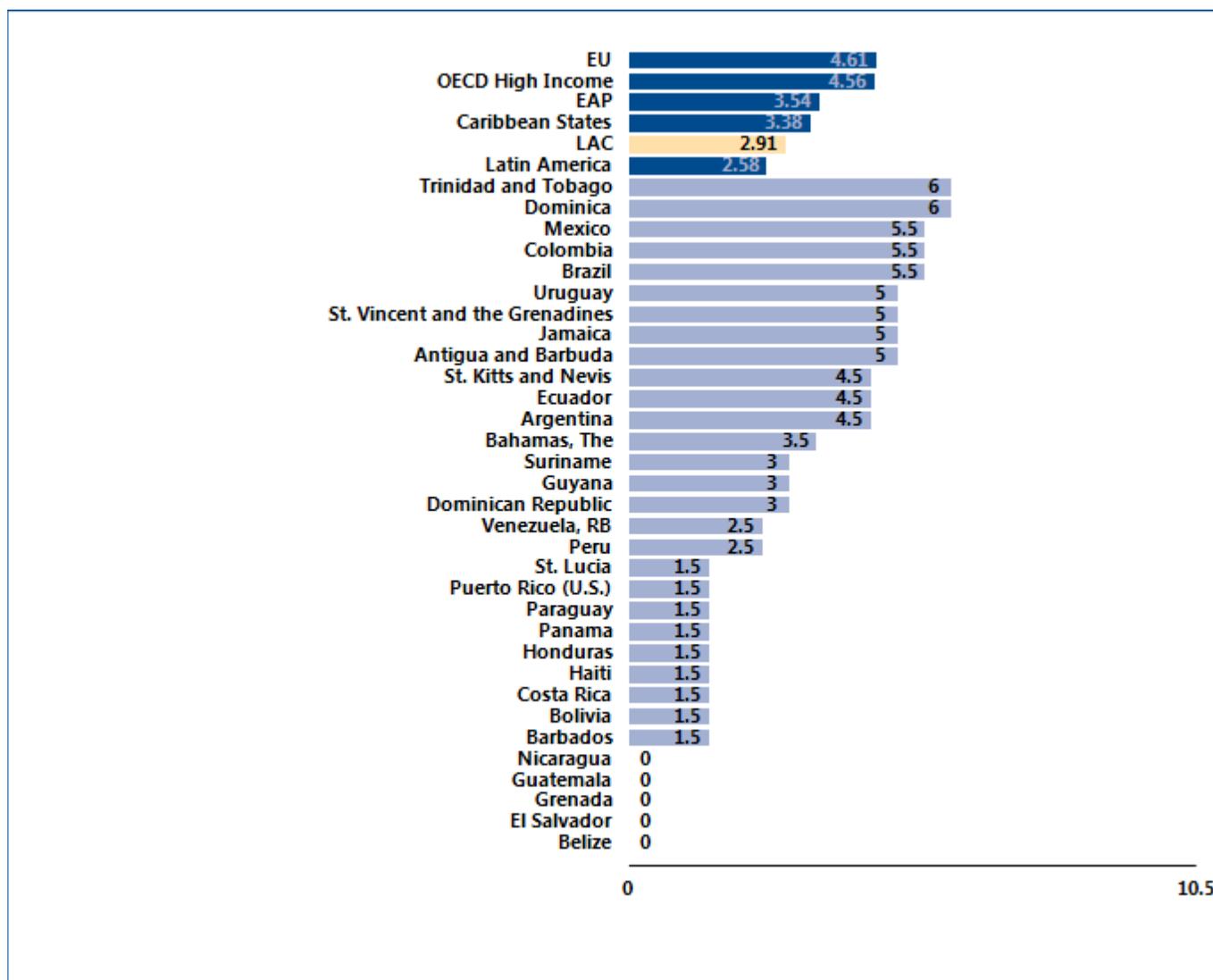
Extent of shareholder rights index (0–10.5)

Note: The higher the score, the stronger the protections.

Source: Doing Business database.

Figure 7.6 How strong is the governance structure?

Strength of governance structure index (0–10.5)

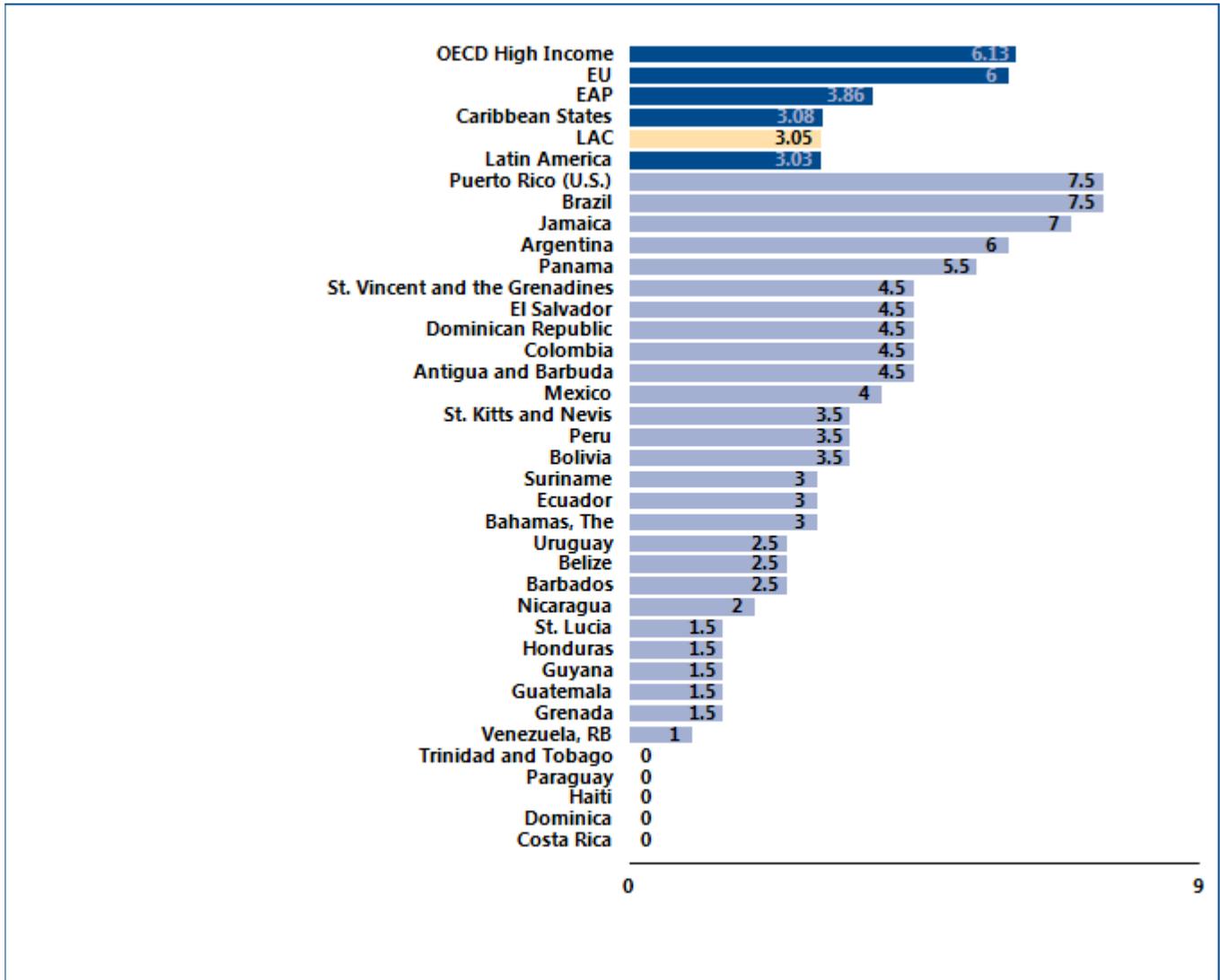


Note: Higher scores indicate more stringent governance structure requirements.

Source: Doing Business database.

Figure 7.7 How extensive is corporate transparency?

Extent of corporate transparency index (0–9)



Note: Higher scores indicate greater transparency.
 Source: *Doing Business* database.

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

Table 7.1 How have economies in Latin America and Caribbean (LAC) strengthened minority investor protections—or not?

By *Doing Business* report year DB2010 to DB2015

DB year	Economy	Reform
DB2015	<i>Dominican Republic</i>	The Dominican Republic strengthened minority investor protections by introducing greater shareholder rights and requirements for greater corporate transparency.
DB2015	<i>Ecuador</i>	Ecuador strengthened minority investor protections by introducing greater requirements for disclosure of related-party transactions as well as a requirement that a potential acquirer make a tender offer to all shareholders upon acquiring voting shares.
DB2014	<i>Panama</i>	Panama strengthened investor protections by increasing the disclosure requirements for publicly held companies.
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.
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.
DB2010	<i>Colombia</i>	Colombia strengthened investor protections by making it easier to sue directors when a related-party transaction harms the company.

DB year	Economy	Reform
DB2010	<i>Dominican Republic</i>	The Dominican Republic strengthened investor protections through a new company law requiring greater corporate disclosure, director liability and shareholder access to information.

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. The level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. Firms in economies that rank better on the ease of paying taxes in the *Doing Business* study tend to perceive both tax rates and tax administration as less of an obstacle to business according to the World Bank Enterprise Survey research.

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 of economies on the ease of paying taxes is determined by sorting their distance to frontier scores on the ease of paying taxes. These scores are the simple average of the distance to frontier scores for each of the component indicators, with a threshold and a nonlinear transformation applied to one of the component indicators, the total tax rate⁵. The financial statement variables have been updated to be proportional to 2012 income per capita; previously they were proportional to 2005 income per capita. To make the data comparable across economies, several assumptions are used.

- TaxpayerCo is a medium-size business that started operations on January 1, 2012.
- 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.

WHAT THE PAYING TAXES INDICATORS MEASURE

Tax payments for a manufacturing company in 2013 (number per year adjusted for electronic and 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 before all taxes)

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 are measured at all levels of government.
- 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.

⁵ The nonlinear distance to frontier for the total tax rate is equal to the distance to frontier for the total tax rate to the power of 0.8. The threshold is defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis. 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 26.1%.

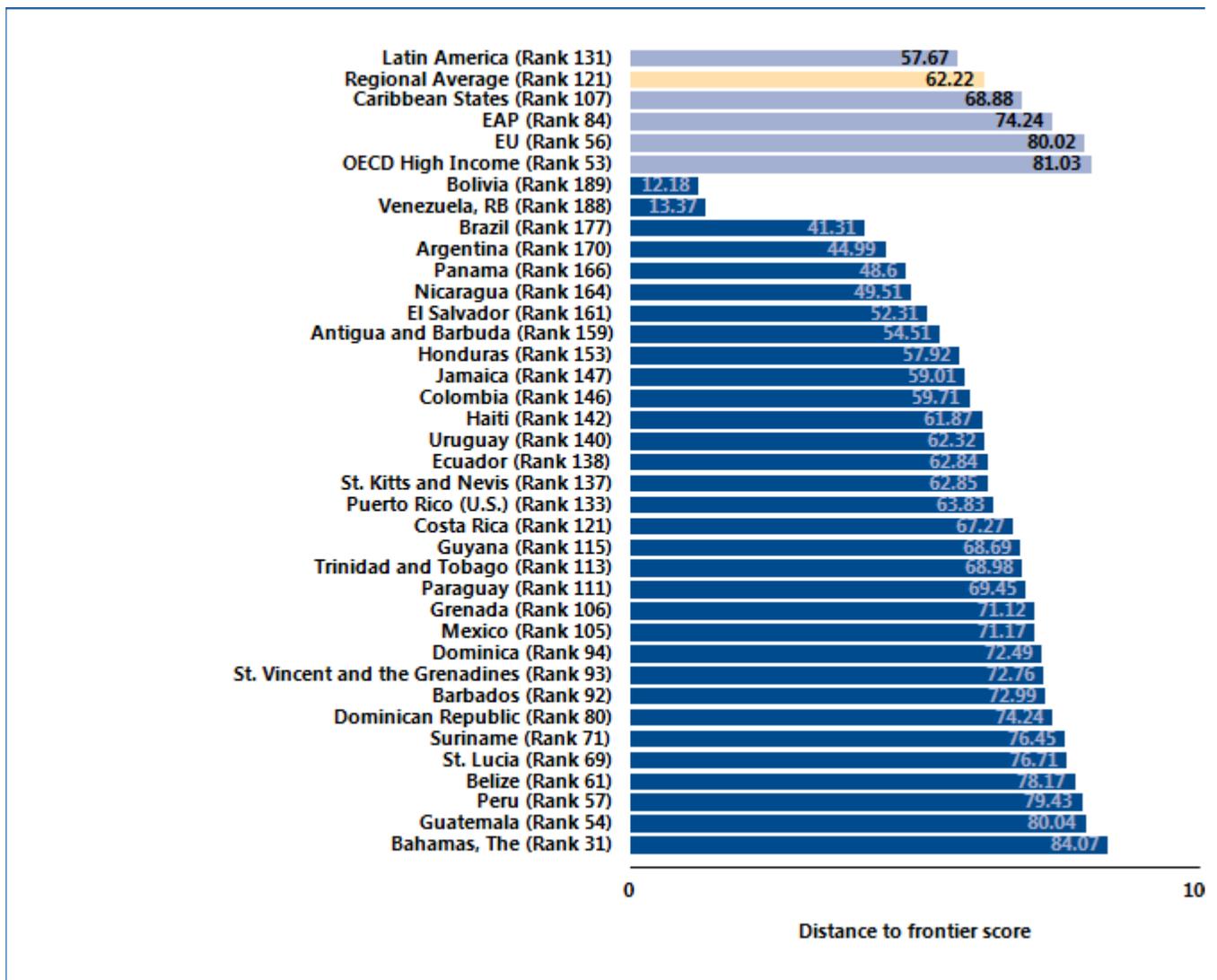
PAYING TAXES

Where do the region’s economies stand today?

What is the administrative burden of complying with taxes in economies in Latin America and 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 provides a useful benchmark.

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



Note: All economies with a total tax rate below the threshold of 26.1% applied in DB2015, receive the same distance to frontier score for the total tax rate (a distance to frontier score of 100 for the total tax rate) for the purpose of calculating the ranking on the ease of paying taxes.

Source: Doing Business database.

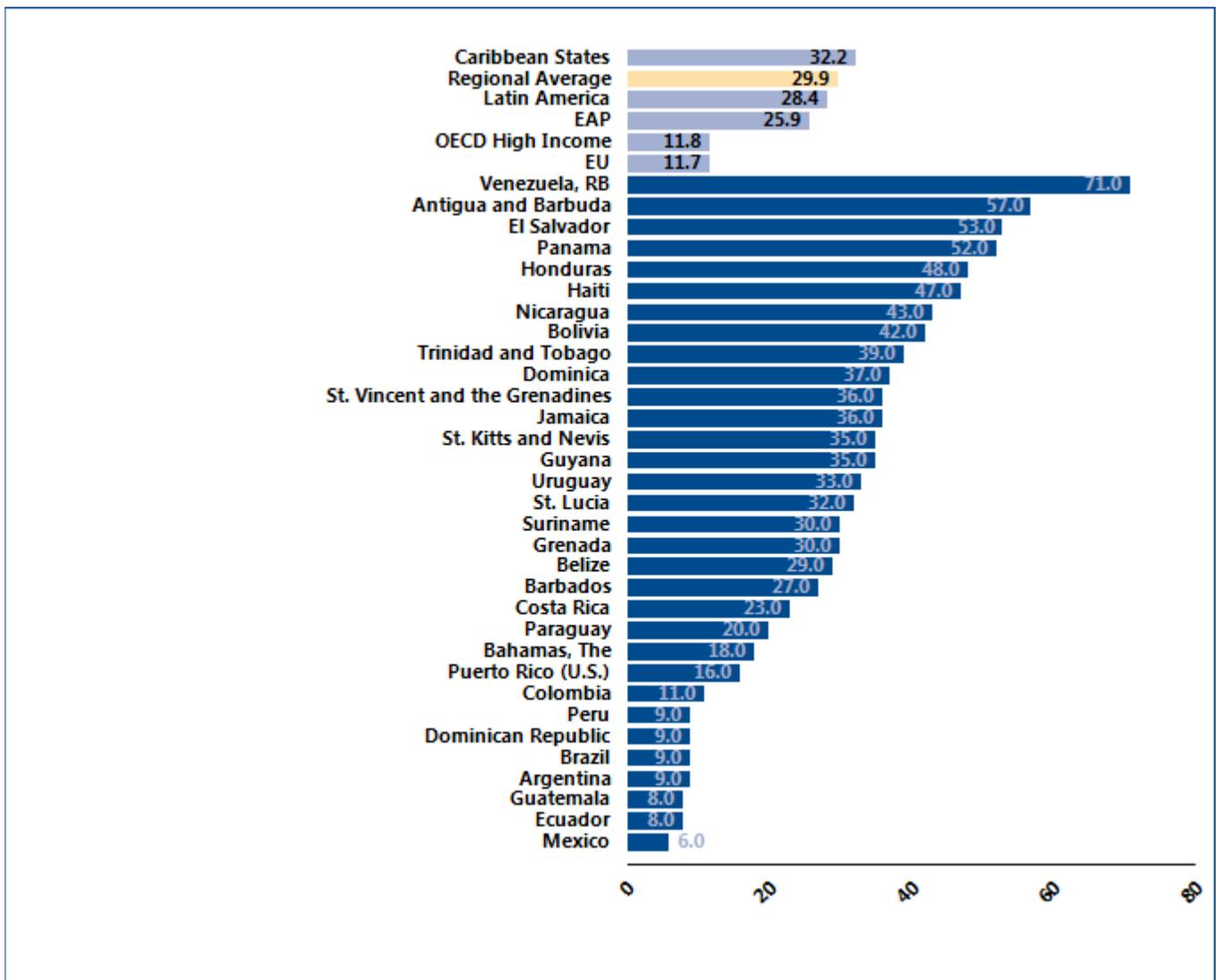
PAYING TAXES

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 and pay taxes the 3

major taxes (corporate income tax, VAT or sales tax and labor taxes and mandatory contributions)—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.

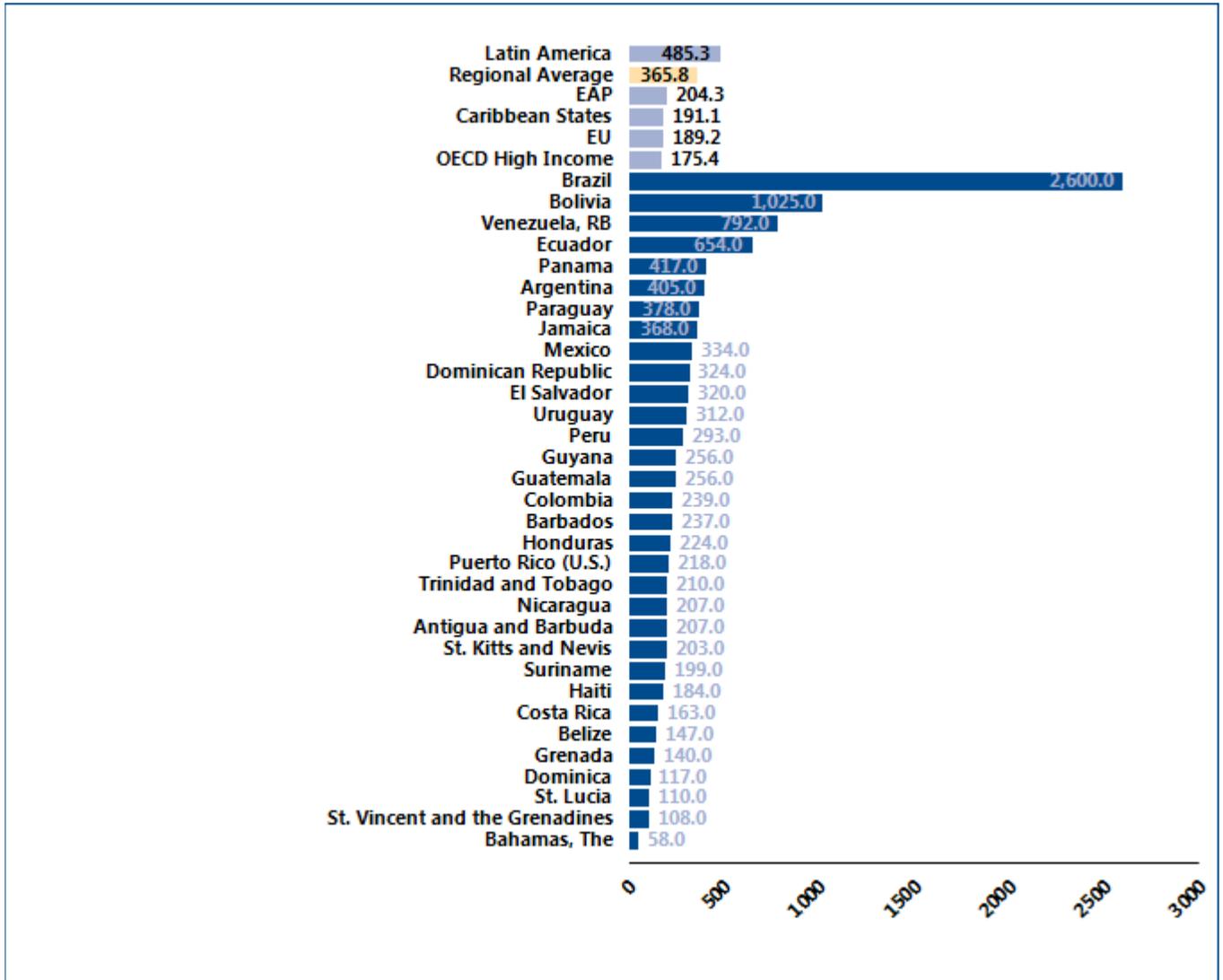
Figure 8.2 How easy is it to pay taxes in economies in Latin America and Caribbean (LAC)—and what are the total tax rates?

Payments (number per year)



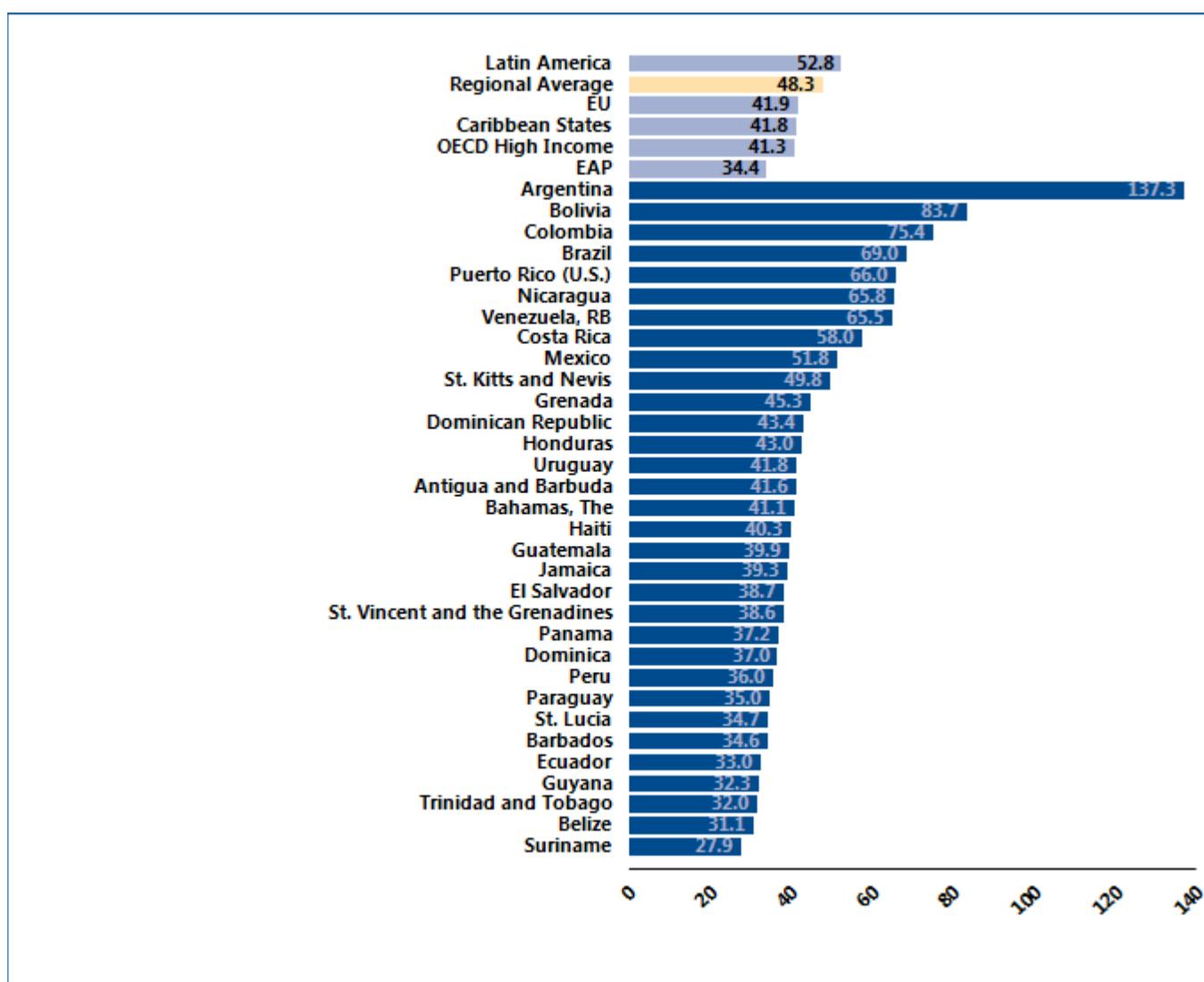
PAYING TAXES

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 compliance with tax obligations and reducing rates have seen tax revenue rise. What tax reforms has *Doing Business* recorded in Latin America and Caribbean (LAC) (table 8.1)?

Table 8.1 How have economies in Latin America and Caribbean (LAC) made paying taxes easier—or not? By *Doing Business* report year DB2010 to DB2015

DB year	Economy	Reform
DB2015	<i>Colombia</i>	Colombia made paying taxes more complicated for companies by introducing a new profit tax (CREE), though it also reduced the corporate income tax rate and payroll taxes.
DB2015	<i>Costa Rica</i>	Costa Rica made paying taxes easier for companies by implementing an electronic system for filing corporate income tax and VAT.
DB2015	<i>Guatemala</i>	Guatemala made paying taxes easier and less costly for companies by enhancing the electronic system for filing and paying corporate income tax and VAT and by reducing the capital gains and corporate income tax rates. On the other hand, it also made paying taxes more complicated by introducing a new form for capital gains tax.
DB2015	<i>Jamaica</i>	Jamaica made paying taxes more costly for companies by introducing a new minimum business tax.
DB2015	<i>St. Kitts and Nevis</i>	St. Kitts and Nevis made paying taxes less costly for companies by reducing the corporate income tax rate.
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.

DB year	Economy	Reform
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.
DB2014	<i>Paraguay</i>	Paraguay made paying taxes easier for companies by making electronic filing and payment mandatory for corporate income and value added taxes.
DB2013	<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.
DB2013	<i>Dominican Republic</i>	The Dominican Republic increased the corporate income tax rate.
DB2013	<i>El Salvador</i>	El Salvador introduced an alternative minimum tax.
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.

DB year	Economy	Reform
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.
DB2012	<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.
DB2012	<i>Bolivia</i>	Bolivia raised social security contribution rates for employers.
DB2012	<i>Colombia</i>	Colombia eased the administrative burden of paying taxes for firms by establishing mandatory electronic filing and payment for some of the major taxes.
DB2012	<i>Costa Rica</i>	In Costa Rica online payment of social security contributions is now widespread and used by the majority of taxpayers.
DB2012	<i>Honduras</i>	Honduras made paying taxes costlier for firms by raising the solidarity tax rate.
DB2012	<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
DB2012	<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.
DB2012	<i>Paraguay</i>	Paraguay made paying taxes more burdensome for companies by introducing new tax declarations that must be filed monthly.
DB2012	<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.
DB2012	<i>St. Kitts and Nevis</i>	St. Kitts and Nevis made paying taxes easier by introducing a value added tax.
DB2012	<i>Venezuela, RB</i>	República Bolivariana de Venezuela made paying taxes

DB year	Economy	Reform
		costlier for firms by doubling the municipal economic activities tax (sales tax).
DB2011	<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.
DB2011	<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.
DB2011	<i>Panama</i>	Panama reduced the corporate income tax rate, modified various taxes and created a new tax court of appeals.
DB2011	<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.
DB2011	<i>Venezuela, RB</i>	República Bolivariana de Venezuela abolished the tax on financial transactions.
DB2010	<i>Brazil</i>	Brazil made paying taxes less costly for companies by abolishing the tax on check transactions.
DB2010	<i>Colombia</i>	Colombia made paying taxes easier and less costly for companies by introducing electronic filing and payment and reducing some payments.
DB2010	<i>Guatemala</i>	Guatemala made paying taxes easier for companies by expanding the category of businesses for which electronic filing and payment of value added and corporate income tax is mandatory and by extending the electronic system to most banks.
DB2010	<i>Mexico</i>	Mexico made paying taxes easier for companies by introducing electronic payment systems for payroll, property and social security taxes.
DB2010	<i>Peru</i>	Peru made paying taxes easier and less costly for companies

DB year	Economy	Reform
		by distributing software for value added tax payments, reducing the check tax and introducing a new regime of accelerated depreciation.
DB2010	<i>St. Lucia</i>	St. Lucia made tax compliance more time consuming for companies by fully implementing new consumption tax legislation.
DB2010	<i>St. Vincent and the Grenadines</i>	St. Vincent and the Grenadines made paying taxes less costly for companies by reducing the corporate income tax rate—though it also increased employers' social security contribution rate.
DB2010	<i>Venezuela, RB</i>	República Bolivariana de Venezuela made paying taxes more costly for companies by introducing 2 new taxes.

Note: For information on reforms in earlier years (back to DB2006), 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 predefined stages 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 of economies on the ease of trading across borders is determined by sorting their distance to frontier scores for trading across borders. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the traded goods. The business:

- Is located in the economy's largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.
- Is a private, limited liability company, domestically owned and does not operate with special export or import privileges.
- Conducts export and import activities, but does not have any special accreditation authorized economic operator status.

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

The traded product:

- Is not hazardous nor includes military items.
- Does not require refrigeration or any other special environment.
- Do not require any special phytosanitary or environmental safety standards other than accepted international standards.
- Is one of the economy's leading export or import products.
- Is transported in a dry-cargo, 20-foot full container load.

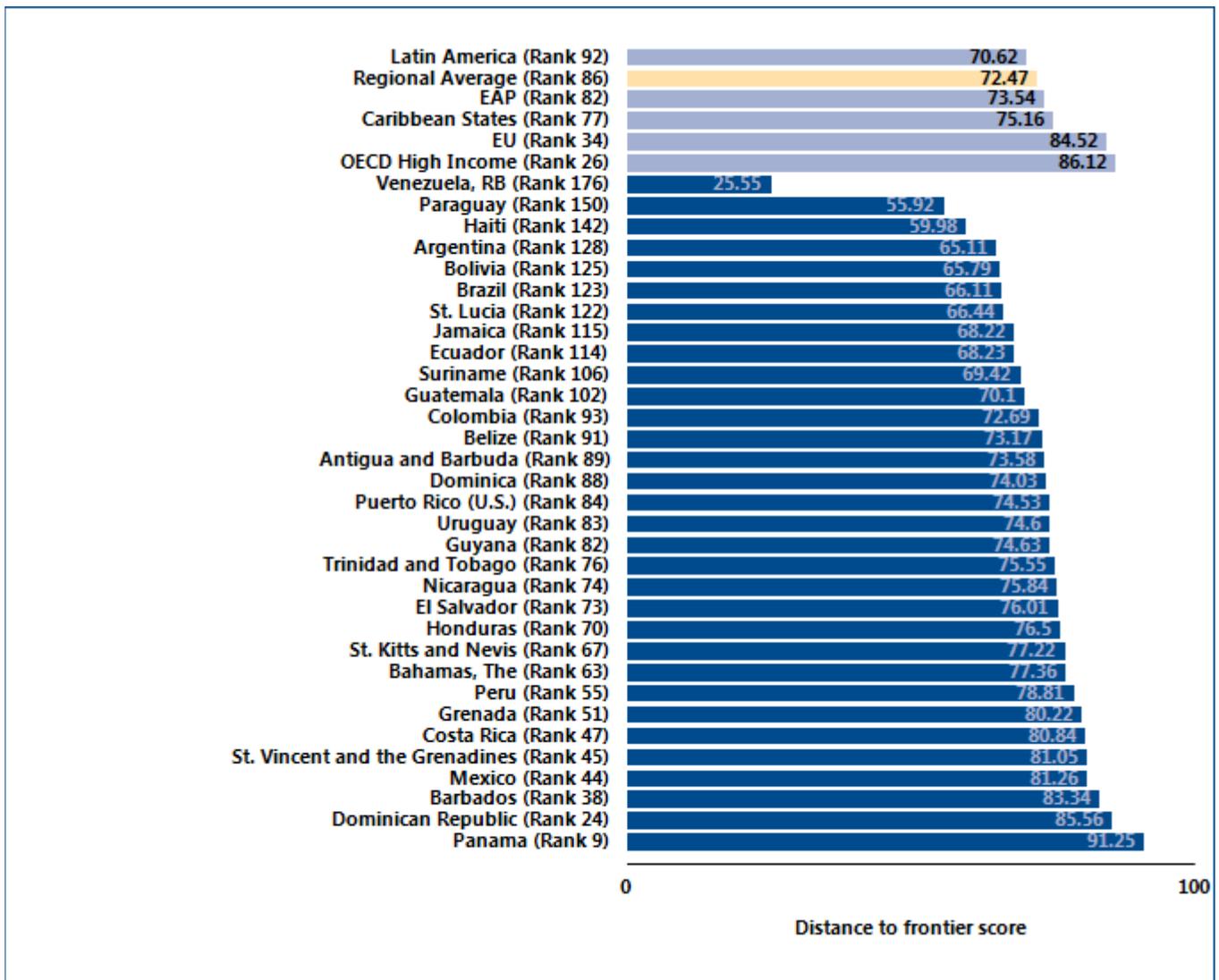
TRADING ACROSS BORDERS

Where do the region’s economies stand today?

How easy it is for businesses in economies in Latin America and 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 and Caribbean (LAC) rank on the ease of trading across borders



Source: Doing Business database.

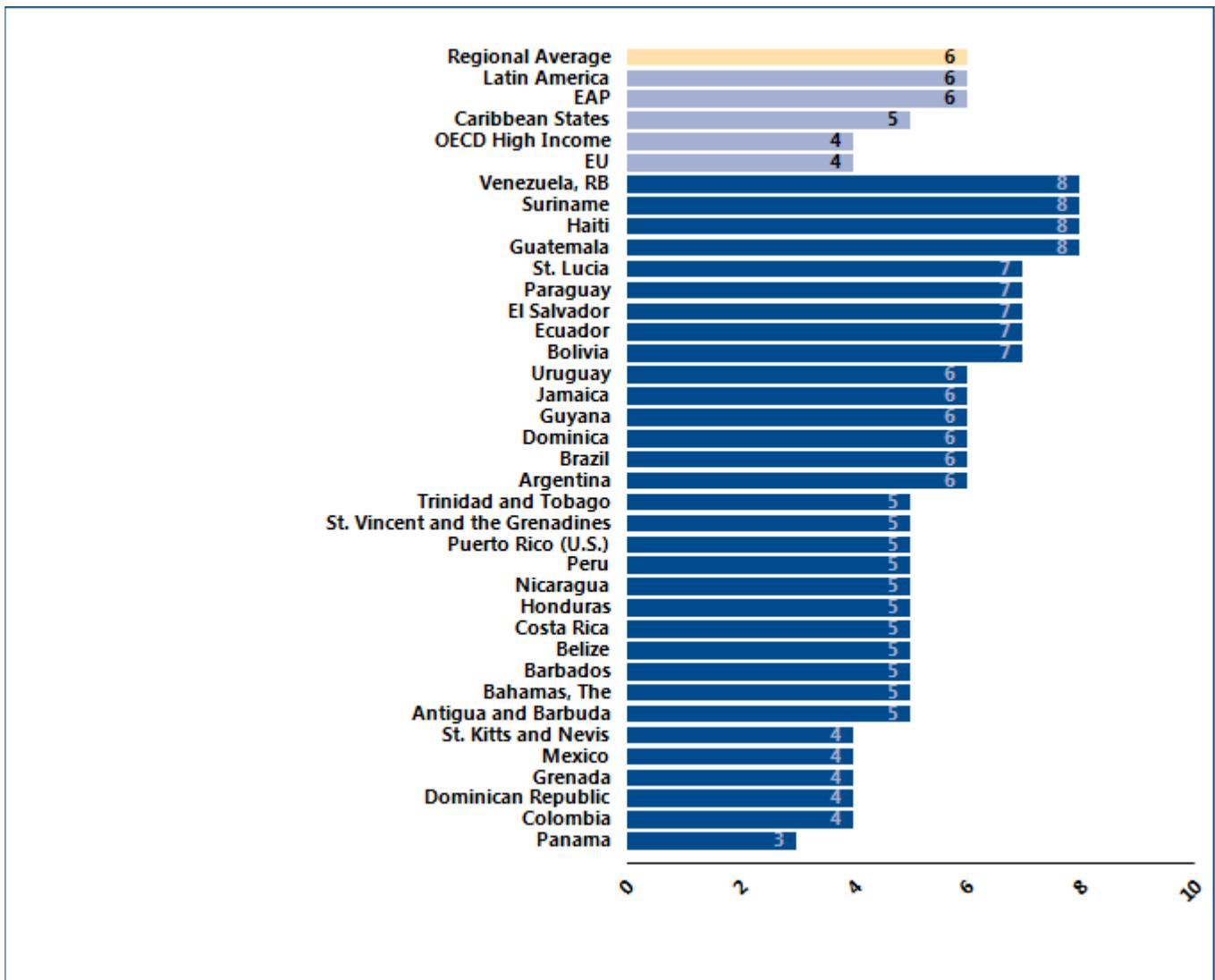
TRADING ACROSS BORDERS

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.

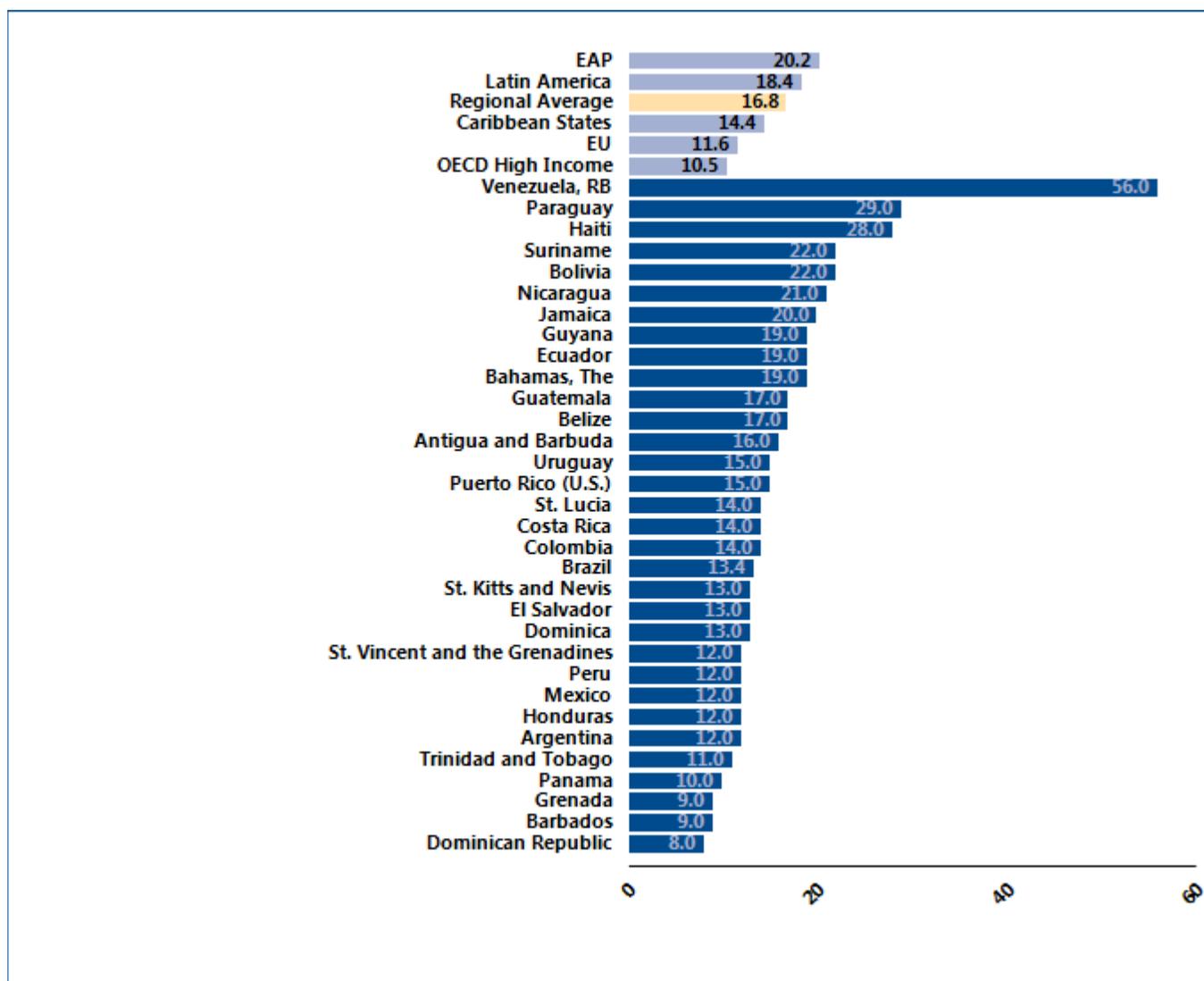
Figure 9.2 What it takes to trade across borders in economies in Latin America and Caribbean (LAC)

Documents to export (number)



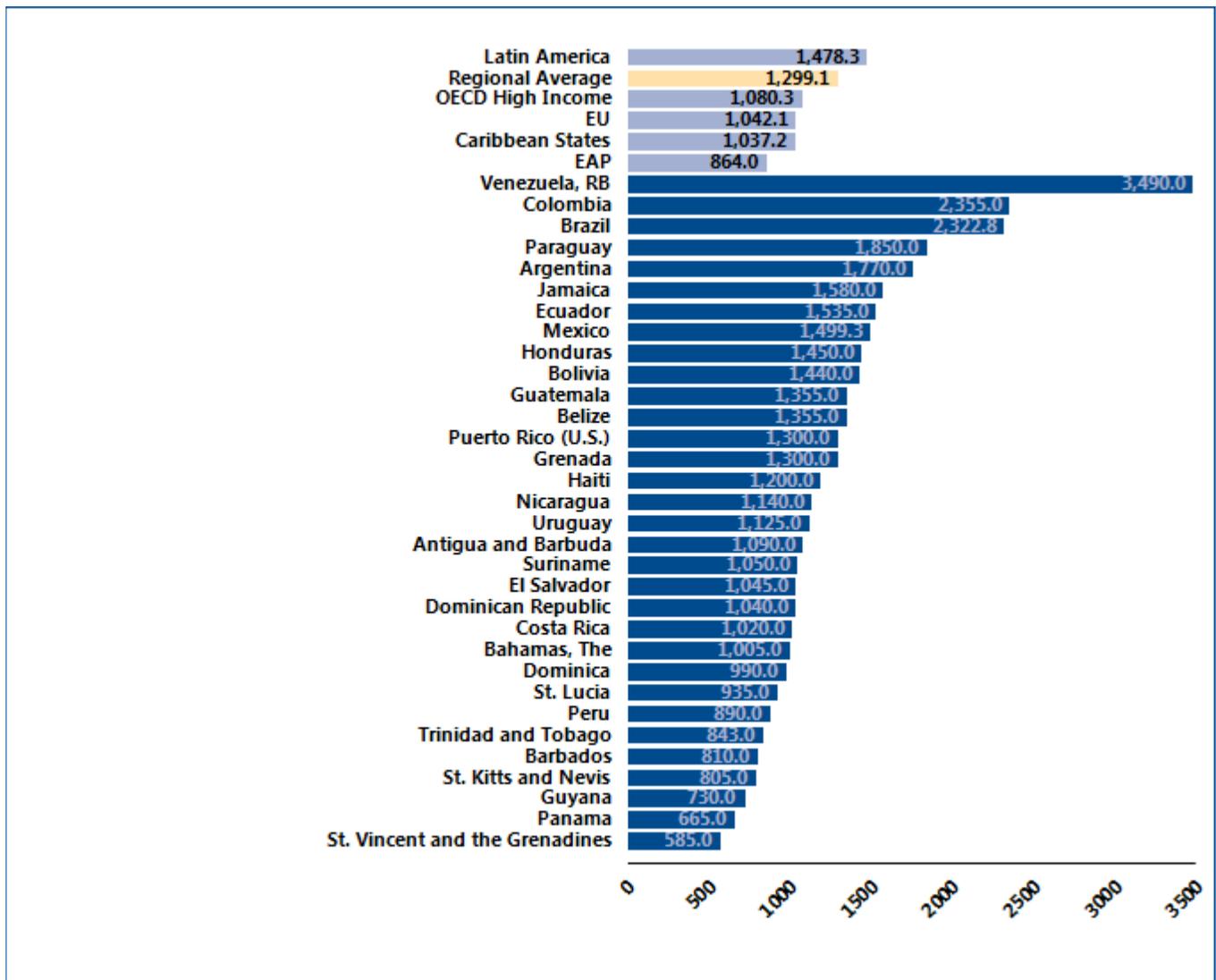
TRADING ACROSS BORDERS

Time to export (days)



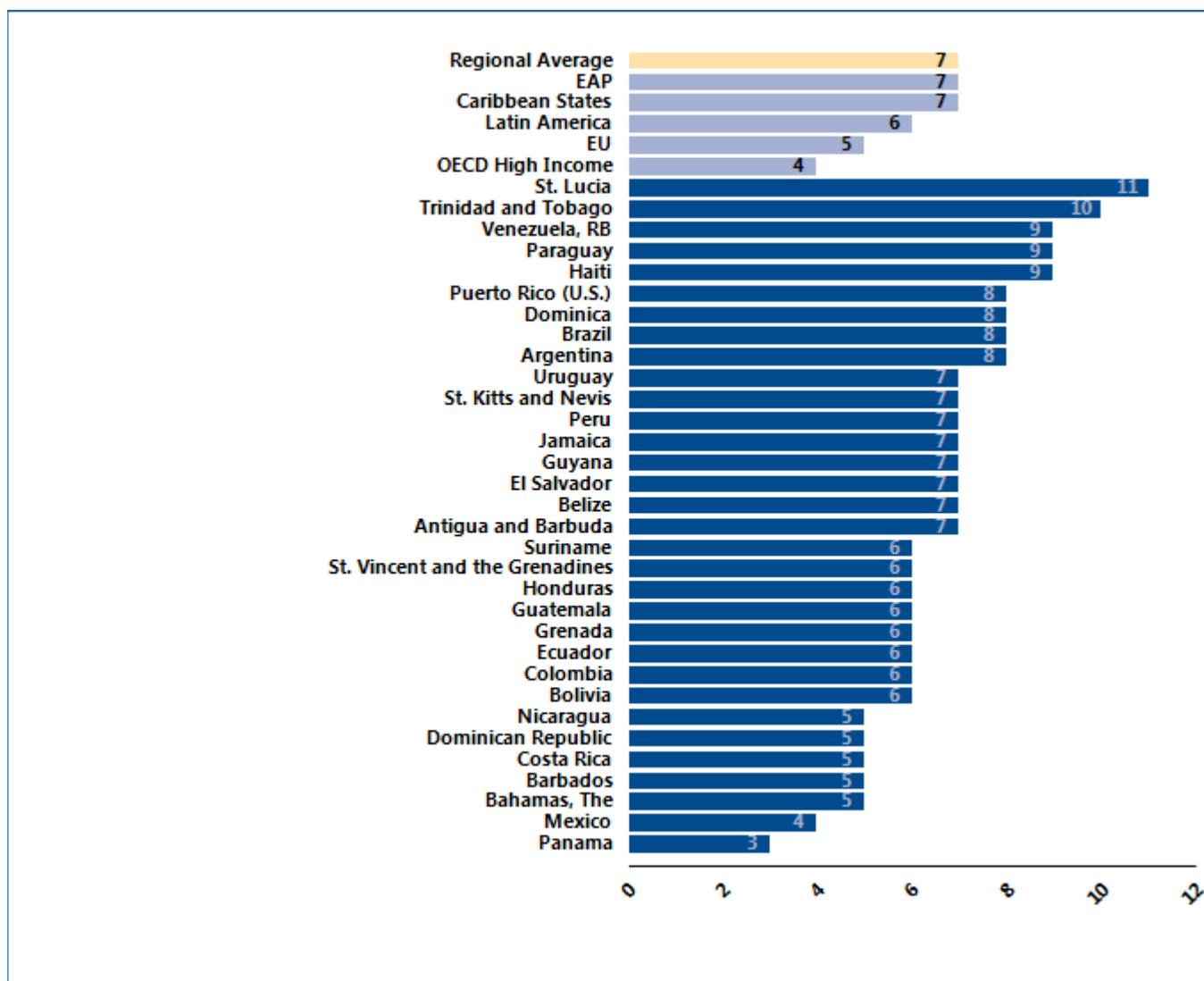
TRADING ACROSS BORDERS

Cost to export (US\$ per container)



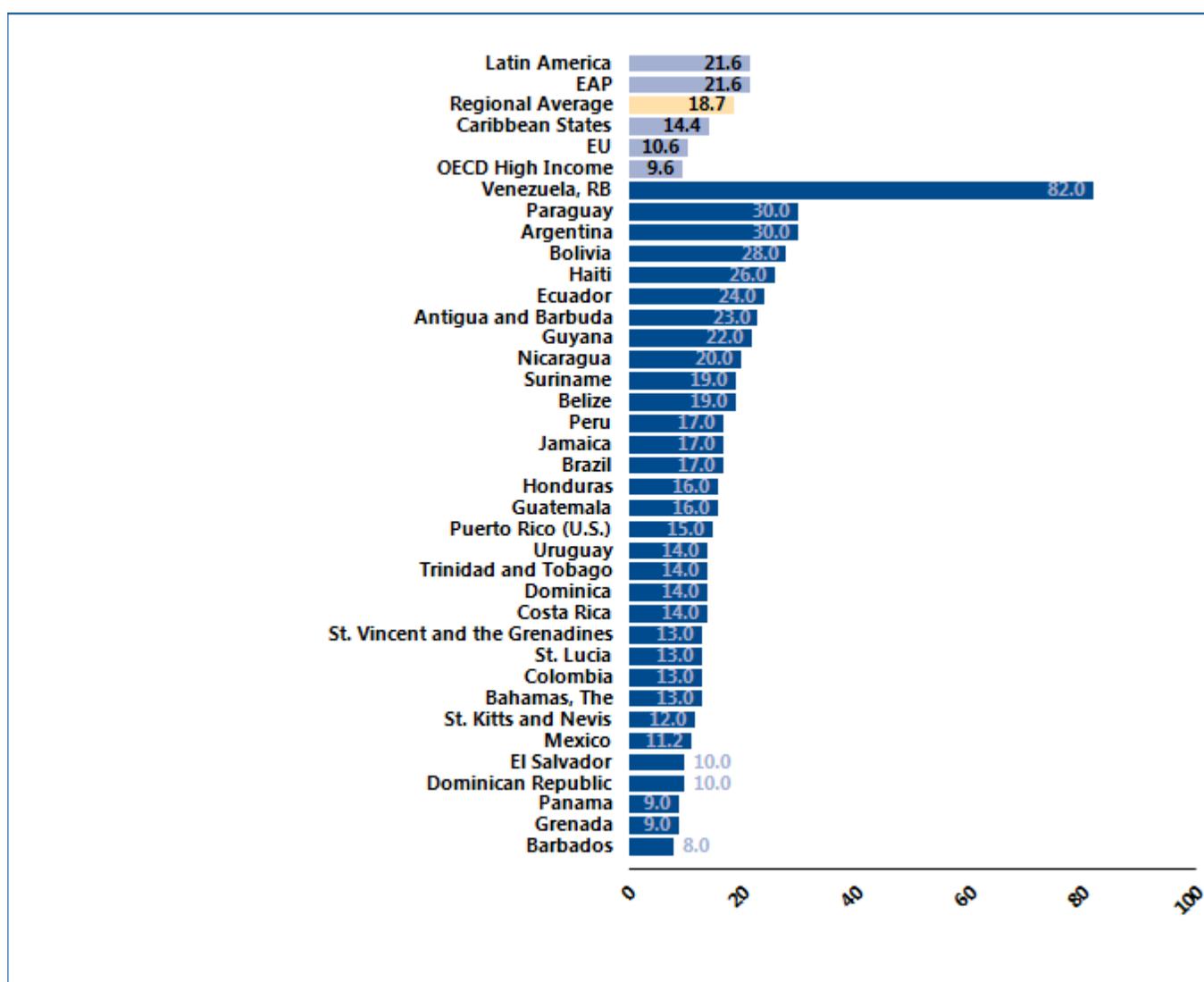
TRADING ACROSS BORDERS

Documents to import (number)



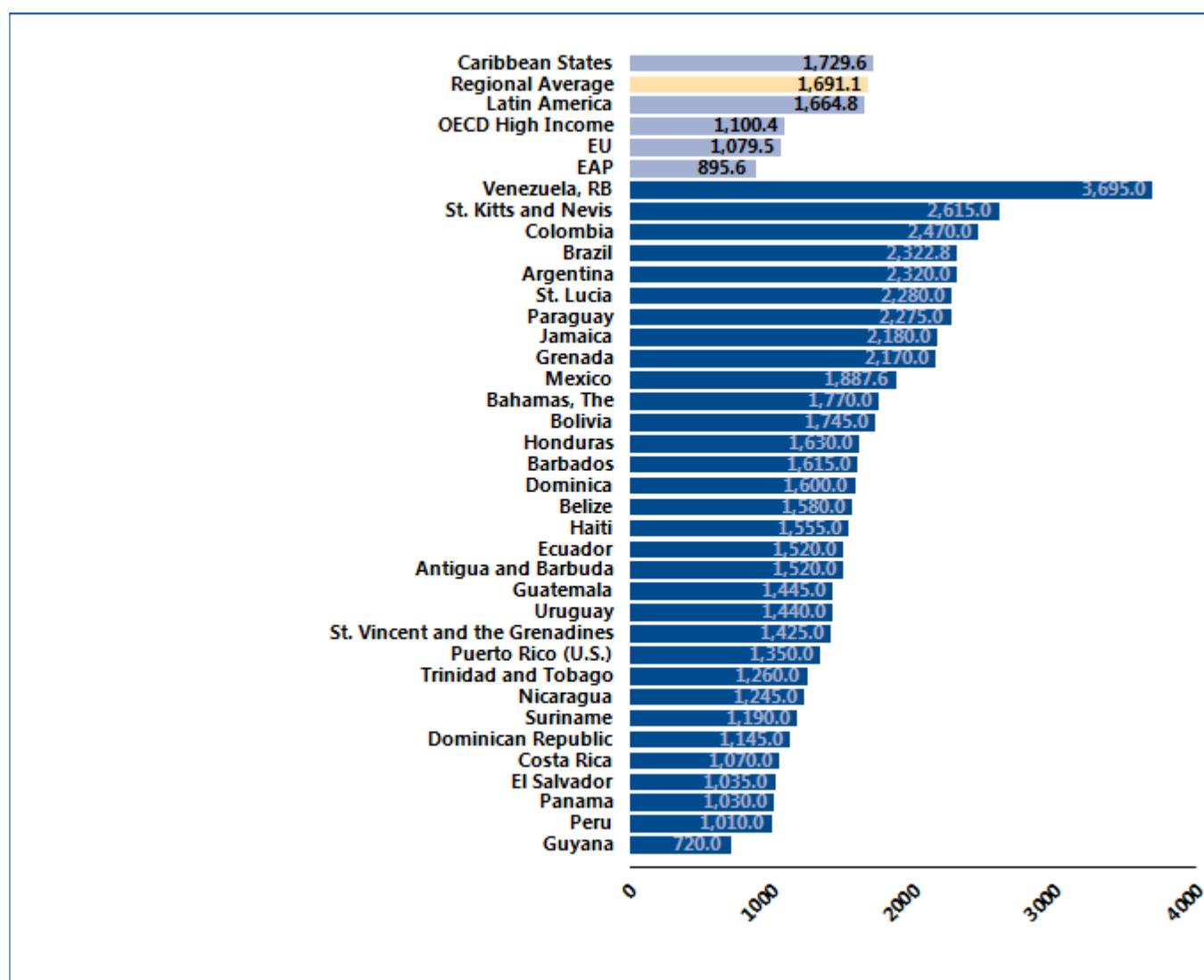
TRADING ACROSS BORDERS

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 and Caribbean (LAC) (table 9.1)?

Table 9.1 How have economies in Latin America and Caribbean (LAC) made trading across borders easier—or not? By *Doing Business* report year DB2010 to DB2015

DB year	Economy	Reform
DB2015	<i>Bolivia</i>	Bolivia made trading across borders more difficult by increasing customs clearance time.
DB2015	<i>Dominican Republic</i>	The Dominican Republic made trading across borders easier by reducing the number of documents required for exports and imports.
DB2015	<i>Ecuador</i>	Ecuador made trading across borders easier by introducing a new electronic data interchange system called ECUAPASS.
DB2015	<i>St. Lucia</i>	St. Lucia made trading across borders easier by implementing the ASYCUDA World electronic system for the submission of export and import documents and by reducing the number of export documents required.
DB2015	<i>Uruguay</i>	Uruguay made trading across borders easier by implementing a risk-based inspection system that reduced customs clearance time for both exports and imports.
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.

DB year	Economy	Reform
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.
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.
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

DB year	Economy	Reform
		predeclaration systems for customs.
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.
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.
DB2010	<i>Colombia</i>	Colombia speeded up the customs clearance process by implementing the electronic data interchange system MUISCA.
DB2010	<i>Grenada</i>	Grenada reduced the time for trading across borders through ongoing training of customs officers and brokers and implementation of electronic reference sources.
DB2010	<i>Guyana</i>	Guyana reduced the time for exporting and importing by implementing a system allowing customs brokers to submit documents electronically.
DB2010	<i>Haiti</i>	Haiti speeded up the clearance of goods through customs by implementing the ASYCUDA system and introducing 24-hour operations at the port.
DB2010	<i>Paraguay</i>	Paraguay reduced the time required for trading across borders by implementing an electronic single-window system for exports and improving the risk-based inspection system.

DB year	Economy	Reform
DB2010	<i>Peru</i>	Peru made trading across borders easier by adding cranes at the port of Callao and thereby speeding up port and terminal handling activities.
DB2010	<i>St. Kitts and Nevis</i>	St. Kitts and Nevis reduced the time required for trading across borders by making it possible to submit customs declarations electronically.

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. For the 11 economies with a population of more than 100 million, data for a second city have been added.
- 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 the income per capita or the equivalent in local currency of USD 5,000, whichever is greater.

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 seller requests a pretrial attachment to secure the claim.
- 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.

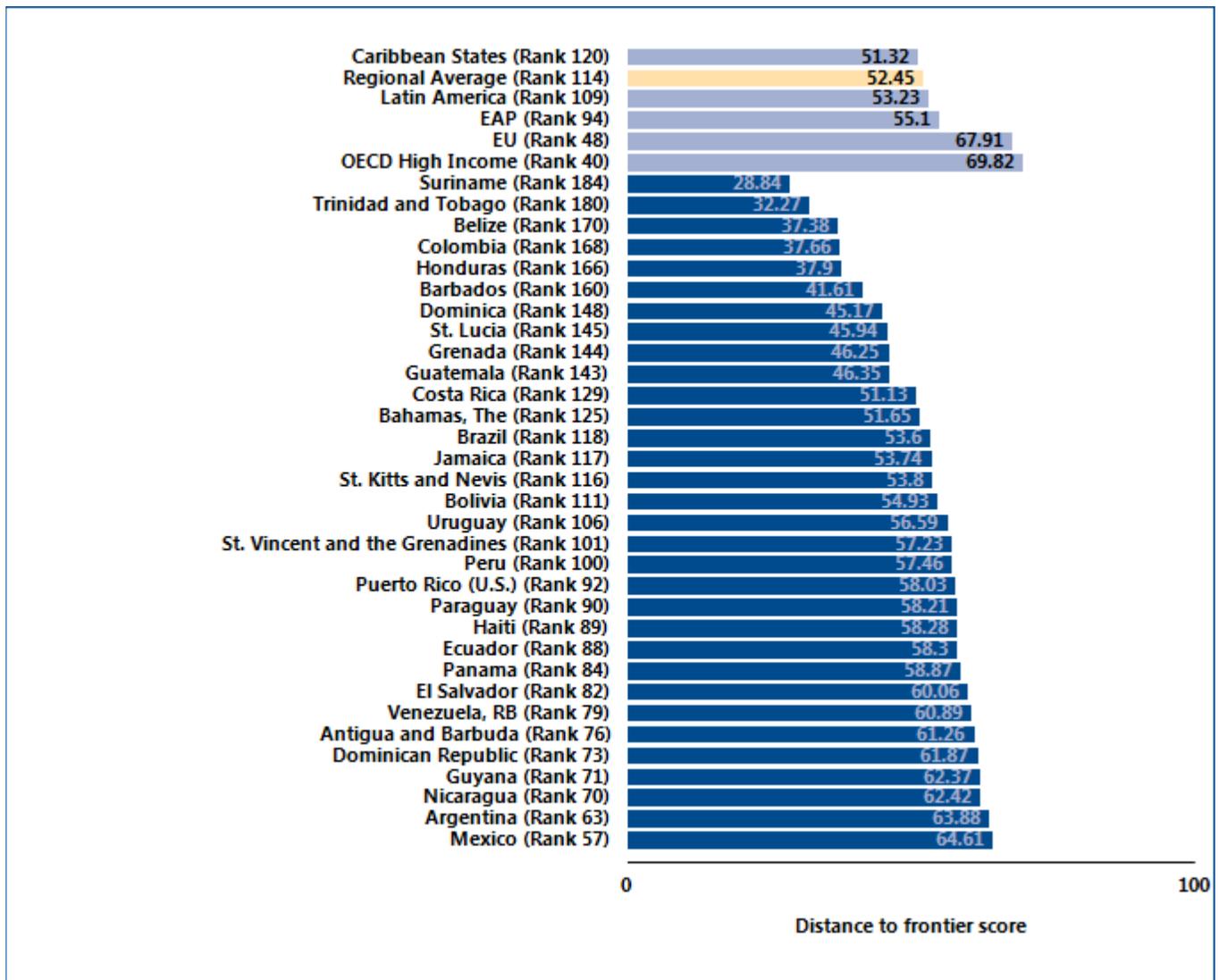
ENFORCING CONTRACTS

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 and 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 and Caribbean (LAC) rank on the ease of enforcing contracts



Source: Doing Business database.

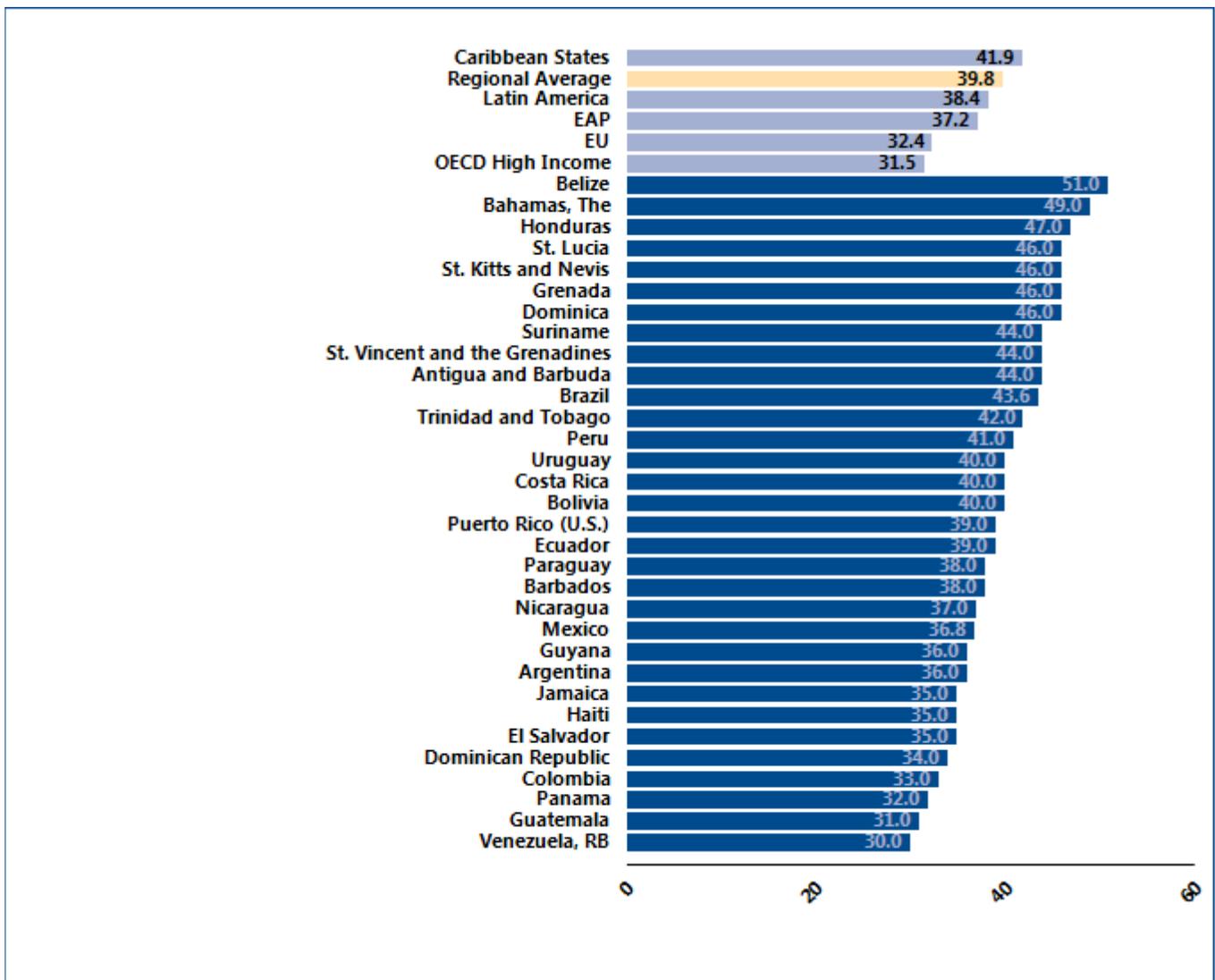
ENFORCING CONTRACTS

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.

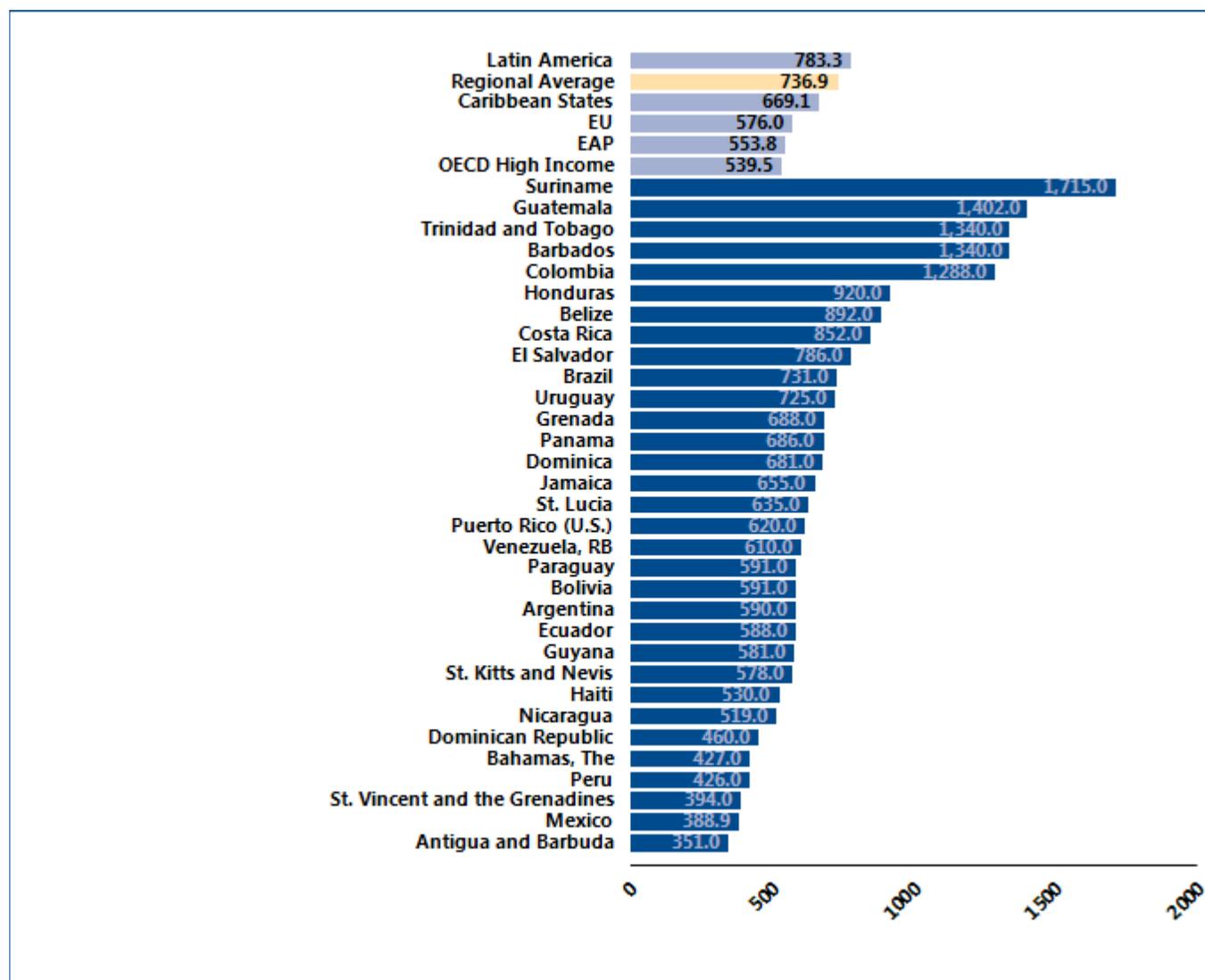
Figure 10.2 What it takes to enforce a contract through the courts in economies in Latin America and Caribbean (LAC)

Procedures (number)



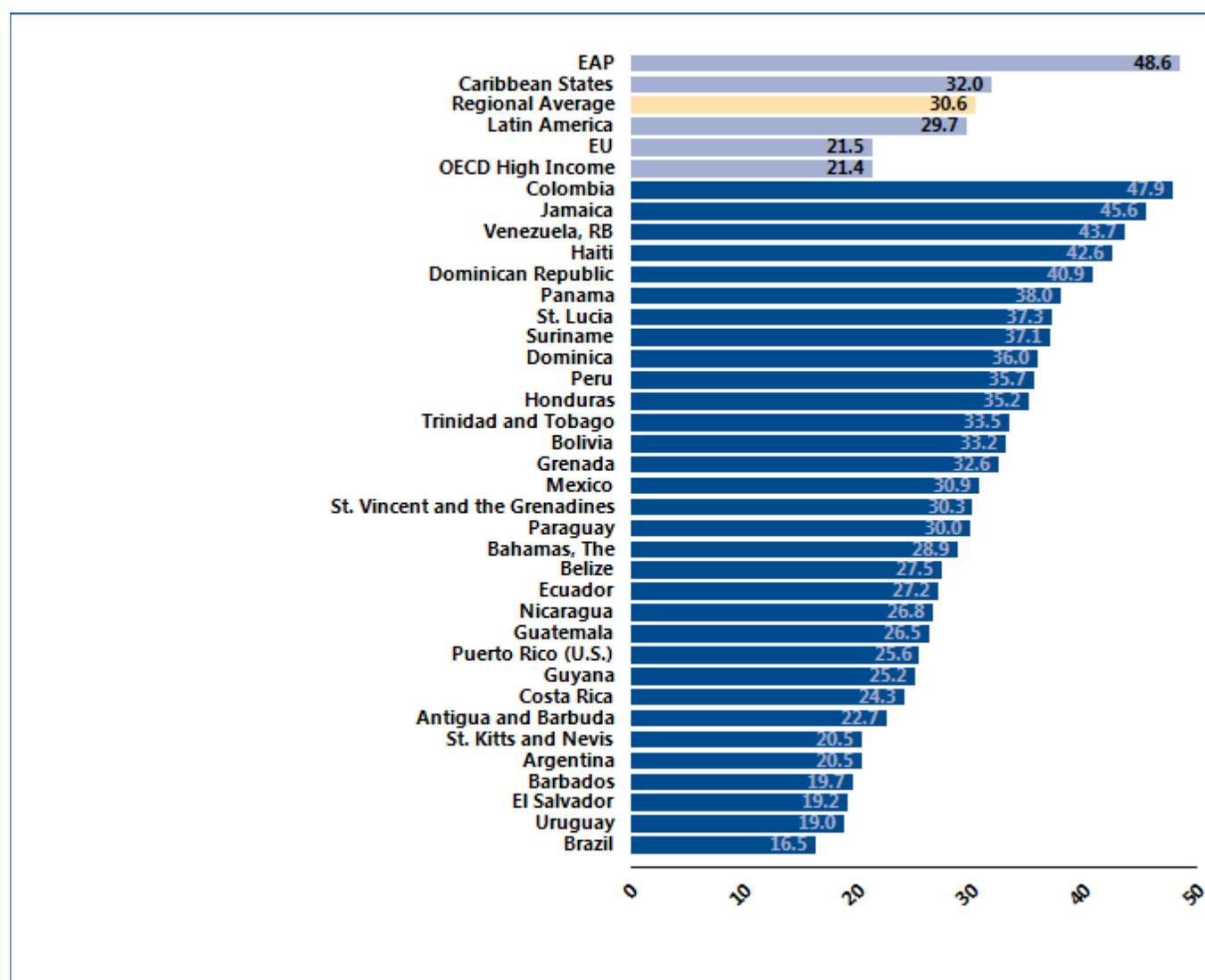
ENFORCING CONTRACTS

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 and Caribbean (LAC) (table 10.1)?

Table 10.1 How have economies in Latin America and Caribbean (LAC) made enforcing contracts easier—or not? By *Doing Business* report year DB2010 to DB2015

DB year	Economy	Reform
DB2015	<i>Bahamas, The</i>	The Bahamas made enforcing contracts easier by introducing new rules of civil procedure focused on streamlining and simplifying court proceedings and ensuring less costly resolution of disputes.
DB2015	<i>Uruguay</i>	Uruguay made enforcing contracts easier by simplifying and speeding up the proceedings for commercial disputes.
DB2014	<i>Colombia</i>	Colombia made enforcing contracts easier by simplifying and speeding up the proceedings for commercial disputes.
DB2014	<i>Mexico</i>	Mexico made enforcing contracts easier by creating small claims courts, with oral proceedings, that can hear both civil and commercial cases.
DB2013	<i>Brazil</i>	Brazil made enforcing contracts easier by implementing an electronic system for filing initial complaints at the São Paulo civil district court.
DB2012	<i>Honduras</i>	Honduras adopted a new civil procedure code that modified litigation procedures for enforcing a contract.
DB2012	<i>Nicaragua</i>	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.
DB2010	<i>Costa Rica</i>	Costa Rica improved its contract enforcement system by allowing new modes of delivery of service and by simplifying auction procedures by authorizing the publication of a single auction notice.
DB2010	<i>Grenada</i>	Grenada assigned an additional judge to the high court, reducing the court's backlog and making it easier to enforce

DB year	Economy	Reform
		contracts.
DB2010	<i>Peru</i>	Peru made enforcing contracts easier by introducing deadlines for filing evidence and contesting enforcement procedures and by permitting electronic judicial notices in lieu of publication in the official gazette.

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 legal entities. These variables are used to calculate the recovery rate, which is recorded as cents on the dollar recouped by secured creditors through reorganization, liquidation or debt enforcement (foreclosure) proceedings. To determine the present value of the amount recovered by creditors, *Doing Business* uses the lending rates from the International Monetary Fund, supplemented with data from central banks and the Economist Intelligence Unit.

In addition, *Doing Business* evaluates the adequacy and integrity of the existing legal framework applicable to liquidation and reorganization proceedings through the strength of insolvency framework index. The index tests if economies adopted internationally accepted good practices in four areas: commencement of proceedings, management of debtor's assets, reorganization proceedings and creditor participation.

The ranking of the Resolving Insolvency indicator is based on the recovery rate and the total score of the strength of insolvency framework index. The Resolving Insolvency indicator 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.

WHAT THE RESOLVING INSOLVENCY INDICATORS MEASURE

Time required to recover debt (years)

Measured in calendar years

Appeals, 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

Measures the cents on the dollar recovered by secured creditors

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

Official costs of the insolvency proceedings are deducted

Depreciation of furniture is taken into account

Present value of debt recovered

Strength of insolvency framework index (0-16)

Sum of the scores of four component indices:

Commencement of proceedings index (0-3)

Management of debtor's assets index (0-6)

Reorganization proceedings index (0-3)

Creditor participation index (0-4)

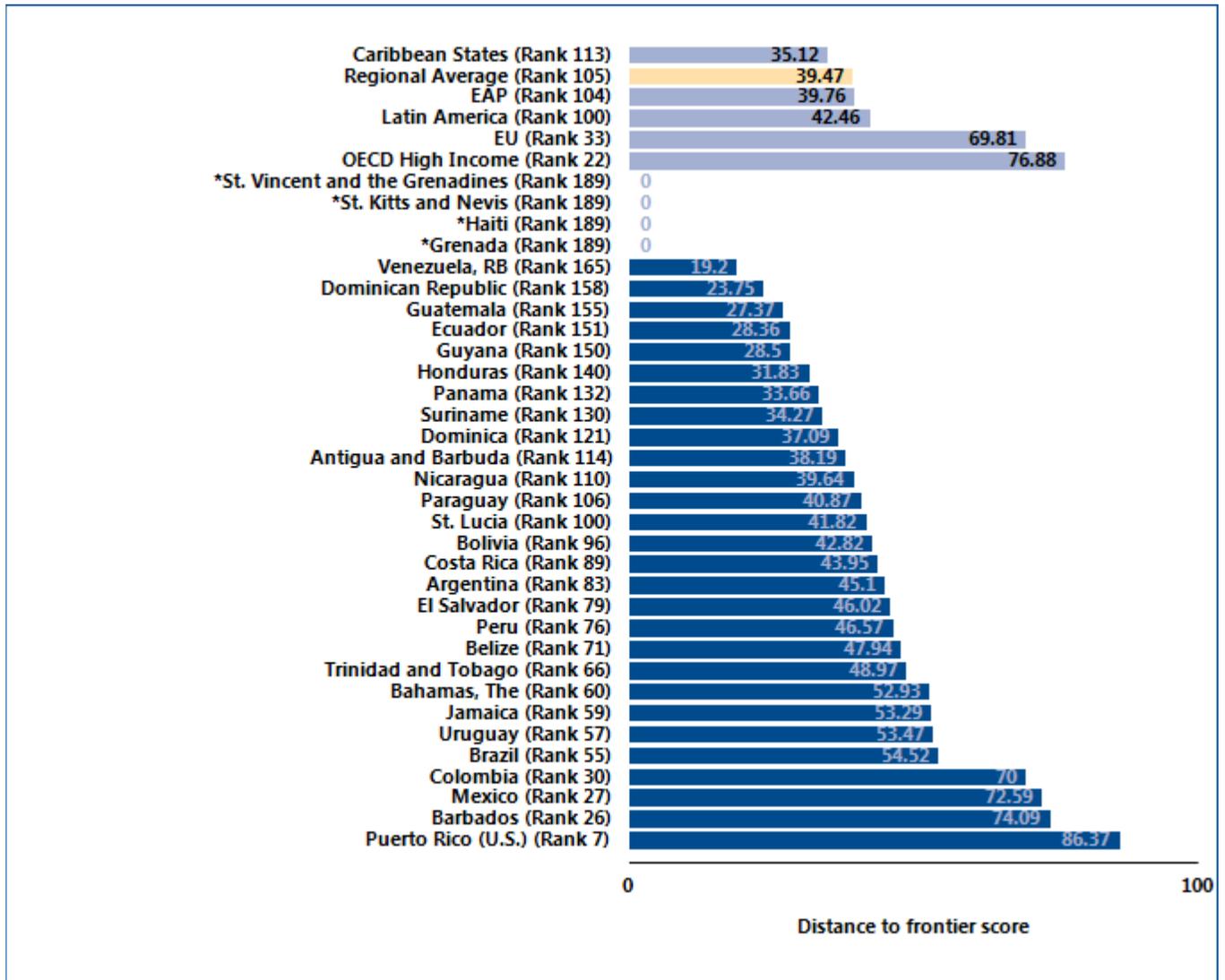
RESOLVING INSOLVENCY

Where do the region's economies stand today?

How efficient are insolvency proceedings in economies in Latin America and 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 and Caribbean (LAC) rank on the ease of resolving insolvency



Source: Doing Business database.

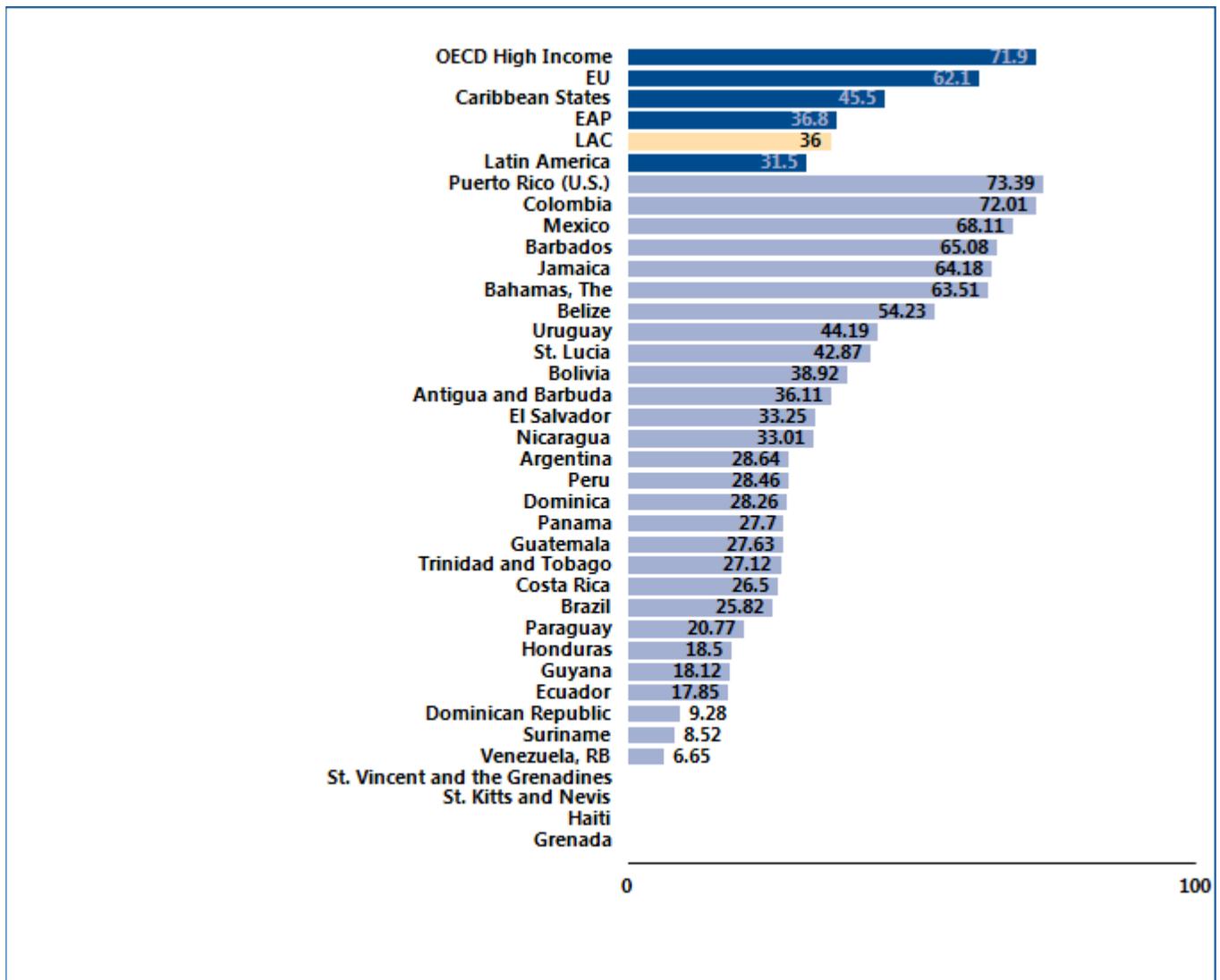
RESOLVING INSOLVENCY

The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show the average recovery rate and the average strength of insolvency framework index (figure 11.2). Comparing

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

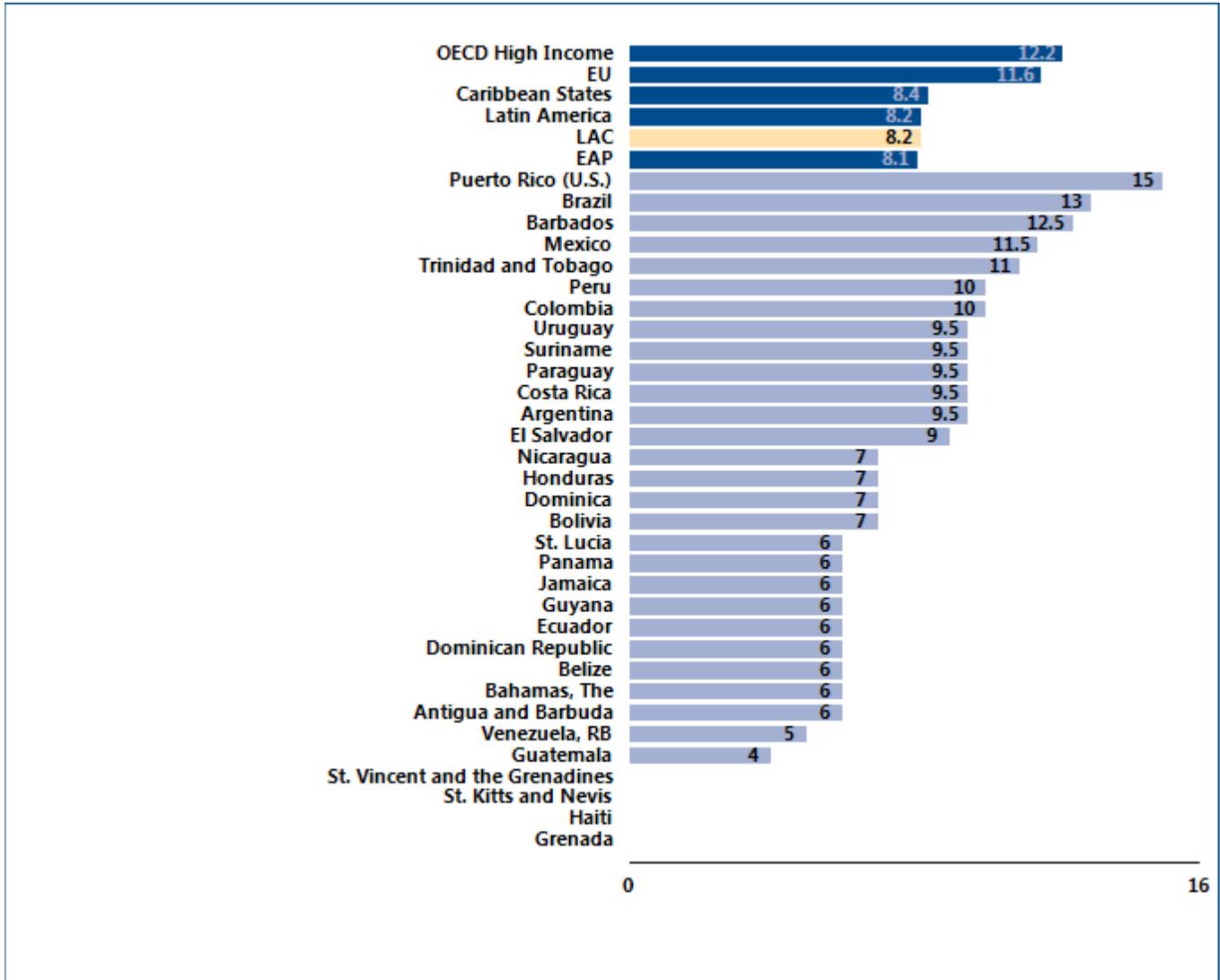
Figure 11.2 How efficient is the insolvency process in economies in Latin America and Caribbean (LAC)

Recovery Rate (0–100)



Source: *Doing Business* database.

Total Strength of Insolvency Framework index (0-16)



Source: *Doing Business* database.

* Indicates a “no practice” mark. See the data notes for details. 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.

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 and Caribbean (LAC) (table 11.1)?

Table 11.1 How have economies in Latin America and Caribbean (LAC) made resolving insolvency easier—or not? By *Doing Business* report year DB2010 to DB2015

DB year	Economy	Reform
DB2015	Mexico	Mexico made resolving insolvency easier by clarifying several rules, shortening the time extensions allowed during reorganization, facilitating the electronic submission of documents and improving the legal rights of creditors and other parties involved in bankruptcy procedures. This reform applies to both Mexico City and Monterrey.
DB2015	Trinidad and Tobago	Trinidad and Tobago made resolving insolvency easier by introducing a formal mechanism for rehabilitation, establishing a public office responsible for the general administration of insolvency proceedings and clarifying the rules on appointment of trustees.
DB2014	Bahamas, The	The Bahamas enhanced its insolvency process by implementing rules for the remuneration of liquidators, allowing voluntary liquidations and outlining clawback provisions for suspect transactions.
DB2012	Colombia	Colombia amended regulations governing insolvency proceedings to simplify the proceedings and reduce their time and cost
DB2010	Colombia	Colombia enhanced its insolvency process through several decrees regulating the profession of insolvency administrators.
DB2010	Uruguay	Uruguay improved its insolvency process through a new insolvency law aimed at keeping a larger number of financially distressed companies operating as a going concern.

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.

DISTANCE TO FRONTIER AND EASE OF DOING BUSINESS RANKING

This year's report presents results for 2 aggregate measures: the distance to frontier score and the ease of doing business ranking, which for the first time this year is based on the distance to frontier score. The ease of doing business ranking compares economies with one another; the distance to frontier score benchmarks economies with respect to regulatory best practice, showing the absolute distance to the best performance on each *Doing Business* indicator. When compared across years, the distance to frontier score shows how much the regulatory environment for local entrepreneurs in an economy has changed over time in absolute terms, while the ease of doing business ranking can show only how much the regulatory environment has changed relative to that in other economies.

Distance to Frontier

The distance to frontier score captures the gap between an economy's performance and a measure of best practice across the entire sample of 31 indicators for 10 *Doing Business* topics (the labor market regulation indicators are excluded). For starting a business, for example, Canada and New Zealand have the smallest number of procedures required (1), and New Zealand the shortest time to fulfill them (0.5 days). Slovenia has the lowest cost (0.0), and Australia, Colombia and 110 other economies have no paid-in minimum capital requirement (see table 15.1 in the *Doing Business 2015* report).

Calculation of the distance to frontier score

Calculating the distance to frontier score for each economy involves 2 main steps. First, individual component indicators are normalized to a common unit where each of the 31 component indicators y (except for the total tax rate) is rescaled using the linear transformation $(\text{worst} - y)/(\text{worst} - \text{frontier})$. In this formulation the frontier represents the best performance on the indicator across all economies since 2005 or the third year after data for the indicator were collected for the first time. For legal indicators such as those on getting credit or protecting minority investors, the frontier is set at the highest possible value. For the total tax rate, consistent with the use of a threshold in calculating the rankings on this indicator, the frontier is defined as the total tax rate at the 15th percentile of the

overall distribution for all years included in the analysis. For the time to pay taxes the frontier is defined as the lowest time recorded among all economies that levy the 3 major taxes: profit tax, labor taxes and mandatory contributions, and value added tax (VAT) or sales tax. In addition, the cost to export and cost to import for each year are divided by the GDP deflator, 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.

In the same formulation, to mitigate the effects of extreme outliers in the distributions of the rescaled data for most component indicators (very few economies need 700 days to complete the procedures to start a business, but many need 9 days), the worst performance is calculated after the removal of outliers. The definition of outliers is based on the distribution for each component indicator. To simplify the process, 2 rules were defined: the 95th percentile is used for the indicators with the most dispersed distributions (including time, cost, minimum capital and number of payments to pay taxes), and the 99th percentile is used for number of procedures and number of documents to trade. No outlier was removed for component indicators bound by definition or construction, including legal index scores (such as the depth of credit information index, extent of conflict of interest regulation index and strength of insolvency framework index) and the recovery rate (see figure 15.1 in the *Doing Business 2015* report).

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 10 topics: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly identical to the simple average used by *Doing Business*⁶. Thus *Doing Business* uses the simplest

⁶ See Djankov, Manraj and others (2005). Principal components and unobserved components methods yield a ranking nearly identical to

method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components⁷.

An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. All distance to frontier calculations are based on a maximum of 5 decimals. However, indicator ranking calculations and the ease of doing business ranking calculations are based on 2 decimals. The difference between an economy's distance to frontier score in any previous year and its score in 2014 illustrates the extent to which the economy has closed the gap to the regulatory frontier over time. And in any given year the score measures how far an economy is from the best performance at that time.

Treatment of the total tax rate

This year, for the first time, the total tax rate component of the paying taxes indicator set enters the distance to frontier calculation in a different way than any other indicator. The distance to frontier score obtained for the total tax rate is transformed in a nonlinear fashion before it enters the distance to frontier score for paying taxes. As a result of the nonlinear transformation, an increase in the total tax rate has a smaller impact on the distance to frontier score for the total tax rate—and therefore on the distance to frontier score for paying taxes—for economies with a below-average total tax rate than it would have in the calculation done in previous years (line B is smaller than line A in figure 15.2 in the *Doing Business 2015* report). And for economies with an extreme total tax rate (a rate that is very high relative to the average), an increase has a greater impact on both these distance to frontier scores than before (line D is bigger than line C in figure 15.2).

The nonlinear transformation is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in an economy's

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.

⁷ For getting credit, indicators are weighted proportionally, according to their contribution to the total score, with a weight of 60% assigned to the strength of legal rights index and 40% to the depth of credit information index. Indicators for all other topics are assigned equal weights.

overall tax system. Instead, it is mainly empirical in nature. The nonlinear transformation along with the threshold reduces the bias in the indicator 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). In addition, it acknowledges the need of economies to collect taxes from firms.

Calculation of scores for economies with 2 cities covered

For each of the 11 economies for which a second city was added in this year's report, the distance to frontier score is calculated as the population-weighted average of the distance to frontier scores for the 2 cities covered (table 12.1). This is done for the aggregate score, the scores for each topic and the scores for all the component indicators for each topic.

TABLE 12.1 Weights used in calculating the distance to frontier scores for economies with 2 cities covered

Economy	City	Weight (%)
Bangladesh	Dhaka	78
	Chittagong	22
Brazil	São Paulo	61
	Rio de Janeiro	39
China	Shanghai	55
	Beijing	45
India	Mumbai	47
	Delhi	53
Indonesia	Jakarta	78
	Surabaya	22
Japan	Tokyo	65
	Osaka	35
Mexico	Mexico City	83
	Monterrey	17
Nigeria	Lagos	77
	Kano	23
Pakistan	Karachi	65
	Lahore	35
Russian Federation	Moscow	70
	St. Petersburg	30
United States	New York	60
	Los Angeles	40

Source: United Nations, Department of Economic and Social Affairs, Population Division, World Urbanization Prospects, 2014 Revision "File 12: Population of Urban Agglomerations with 300,000 Inhabitants or More in 2014, by Country, 1950–

2030 (thousands),” <http://esa.un.org/unpd/wup/CD-ROM/Default.aspx>.

Economies that improved the most across 3 or more Doing Business topics in 2013/14

Doing Business 2015 uses a simple method to calculate which economies improved the ease of doing business the most. First, it selects the economies that in 2013/14 implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year’s aggregate distance to frontier score. Twenty-one economies meet this criterion: Azerbaijan; Benin; the Democratic Republic of Congo; Côte d’Ivoire; the Czech Republic; Greece; India; Ireland; Kazakhstan; Lithuania; the former Yugoslav Republic of Macedonia; Poland; Senegal; the Seychelles; Spain; Switzerland; Taiwan, China; Tajikistan; Togo; Trinidad and Tobago; and the United Arab Emirates. Second, *Doing Business* sorts these economies on the increase in their distance to frontier score from the previous year using comparable data.

Selecting the economies that implemented regulatory reforms in at least 3 topics and had the biggest improvements in their distance to frontier scores is intended to highlight economies with ongoing, broad-based reform programs. The improvement in the distance to frontier score is used to identify the top improvers because this allows a focus on the absolute improvement—in contrast with the relative improvement shown by a change in rankings—that economies have made in their regulatory environment for business.

Ease of Doing Business ranking

The ease of doing business ranking ranges from 1 to 189. The ranking of economies is determined by sorting the aggregate distance to frontier scores, rounded to 2 decimals.

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Distance to frontier

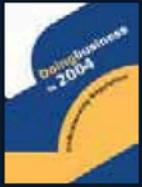
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Distance to frontier

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ISBN 978-1-4648-0351-2



SKU 210351