

# Doing Business

## 2009

### Latin America

COMPARING REGULATION IN 181 ECONOMIES

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# Introduction

Doing Business 2009 is the sixth in a series of annual reports investigating regulations that enhance business activity and those that constrain it. Doing Business presents quantitative indicators on business regulations and the protection of property rights that can be compared across 181 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 10 stages of a business's life are measured : starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in Doing Business 2009 are current as of June 1, 2008\*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The Doing Business methodology has limitations. Other areas important to business such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 181 economies: 46 in Sub-Saharan Africa, 32 in Latin America and The Caribbean, 25 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 19 in the Middle East and North Africa and 8 in South Asia, as well as 27 OECD high-income economies as benchmarks. Some of the regions have been divided into subregions to generate regional profiles.

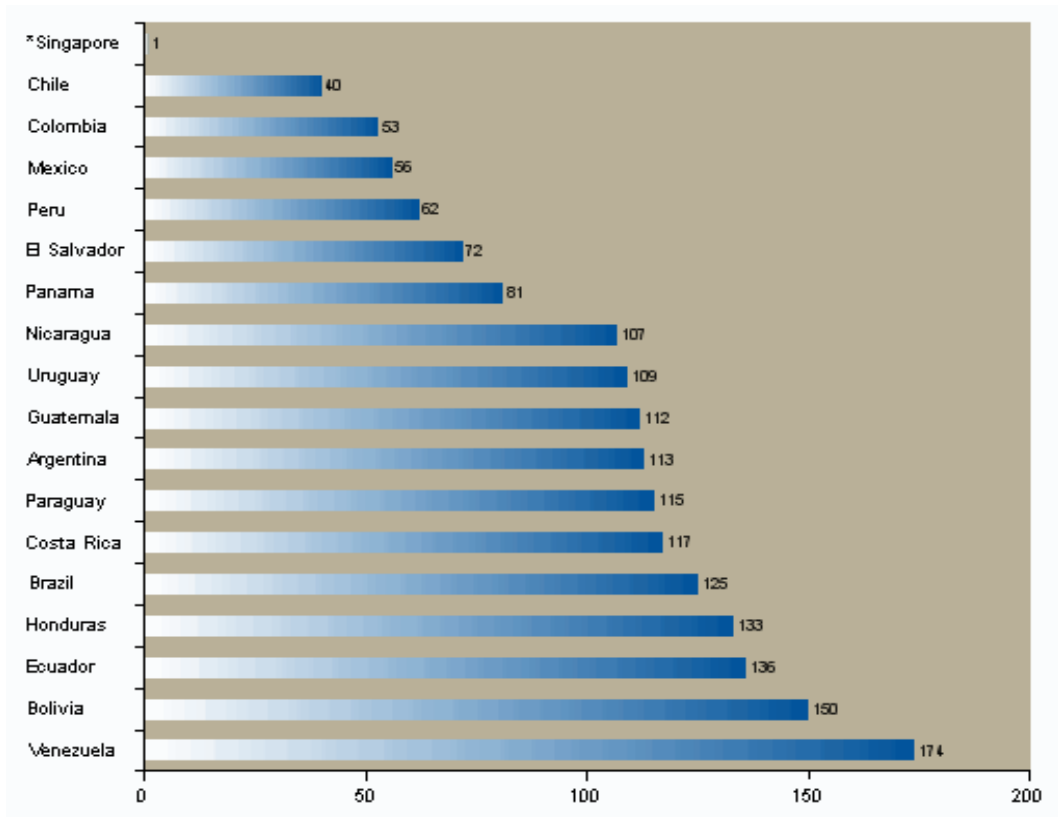
The following pages present the summary Doing Business indicators for Latin America. The data used for this regional profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the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

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

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

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

## Latin America - Aggregate rankings



Economies are ranked on their ease of doing business, from 1 - 181, with first place being the highest. The ease of doing business index averages the economy's percentile rankings on 10 topics, made up of a variety of indicators, giving equal weight to each topic. The rankings are from the Doing Business 2009 report, covering the period June 2007 to June 2008.



# Starting a Business

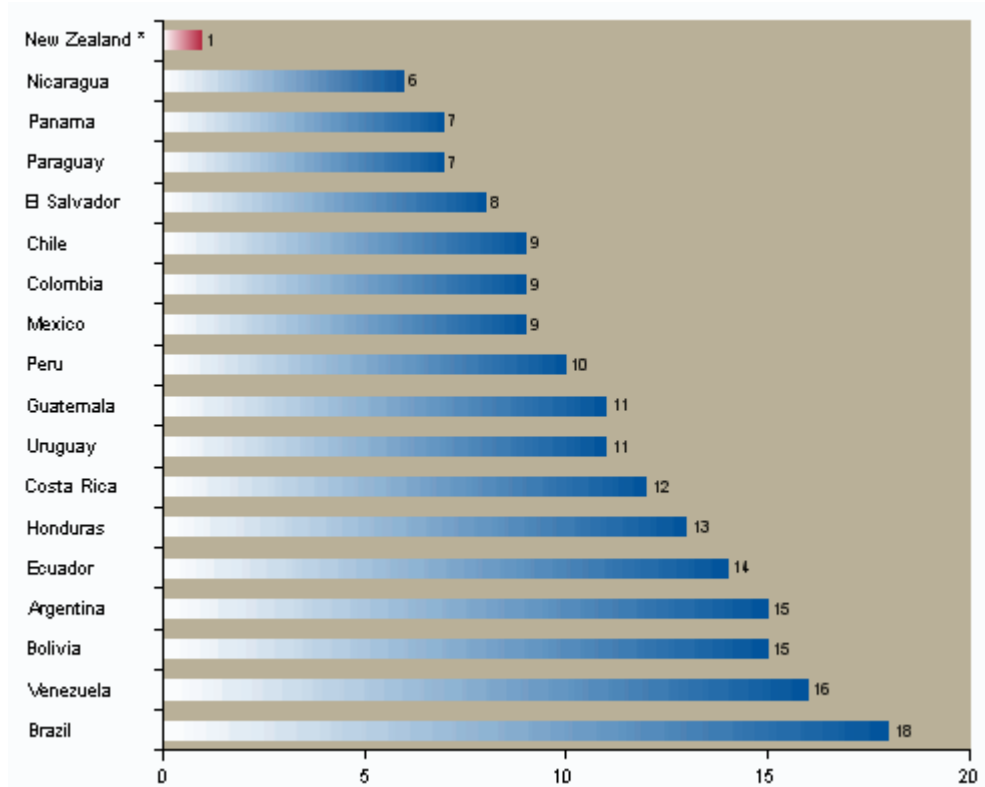
When entrepreneurs draw up a business plan and try to get under way, the first hurdles they face are the procedures required to incorporate and register the new firm before they can legally operate. Economies differ greatly in how they regulate the entry of new businesses. In some the process is straightforward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

The data on starting a business is based on a survey and research investigating the procedures that a standard small to medium-size company needs to complete to start operations legally. These include obtaining all necessary permits and licenses and completing all required inscriptions, verifications and notifications with authorities to enable the company to formally operate. The time and cost required to complete each procedure under normal circumstances are calculated, as well as the minimum capital that must be paid in. It is assumed that all information is readily available to the entrepreneur, that there has been no prior contact with officials and that all government and nongovernment entities involved in the process function without corruption.

To make the data comparable across economies, detailed assumptions about the type of business are used. Among these assumptions are the following: the business is a limited liability company conducting general commercial activities in the largest business city; it is 100% domestically owned, with a start-up capital of 10 times income per capita, a turnover of at least 100 times income per capita and between 10 and 50 employees; and it does not qualify for any special benefits, nor does it own real estate. Procedures are recorded only where interaction is required with an external party. It is assumed that the founders complete all procedures themselves unless professional services (such as by a notary or lawyer) are required by law. Voluntary procedures are not counted, nor are industry-specific requirements and utility hook-ups. Lawful shortcuts are counted.

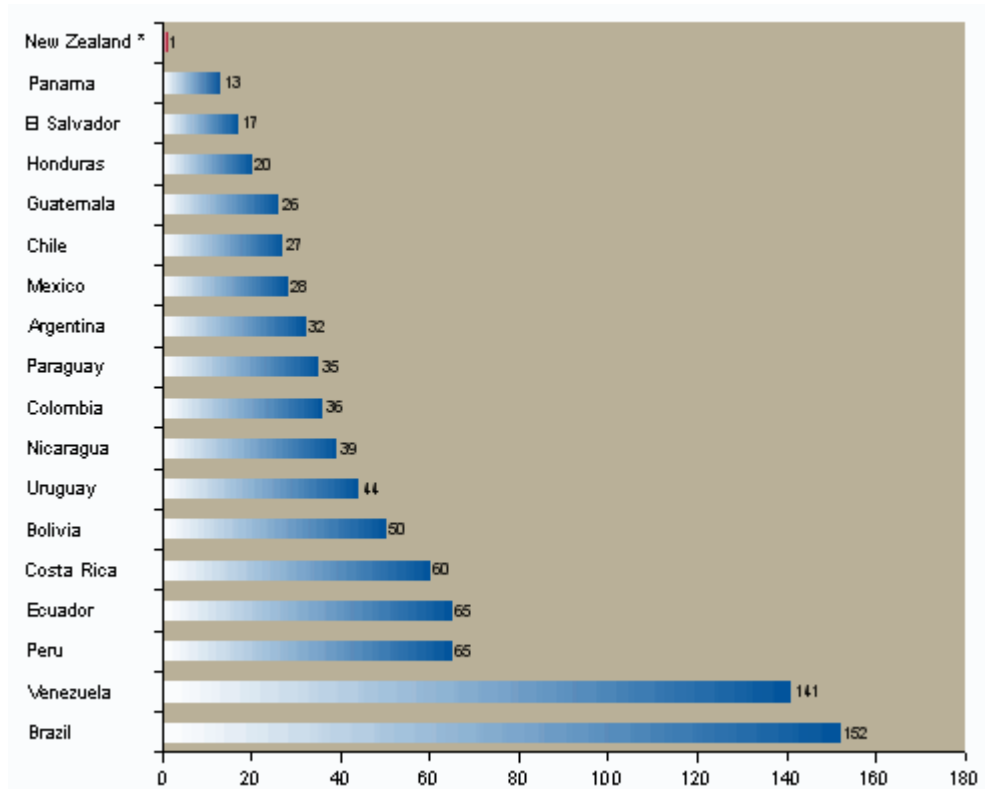
Cumbersome entry procedures are associated with more corruption, particularly in developing economies. Each procedure is a point of contact, a potential opportunity to extract a bribe. Analysis shows that burdensome entry regulations do not increase the quality of products, make work safer or reduce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

## Procedures to start a business



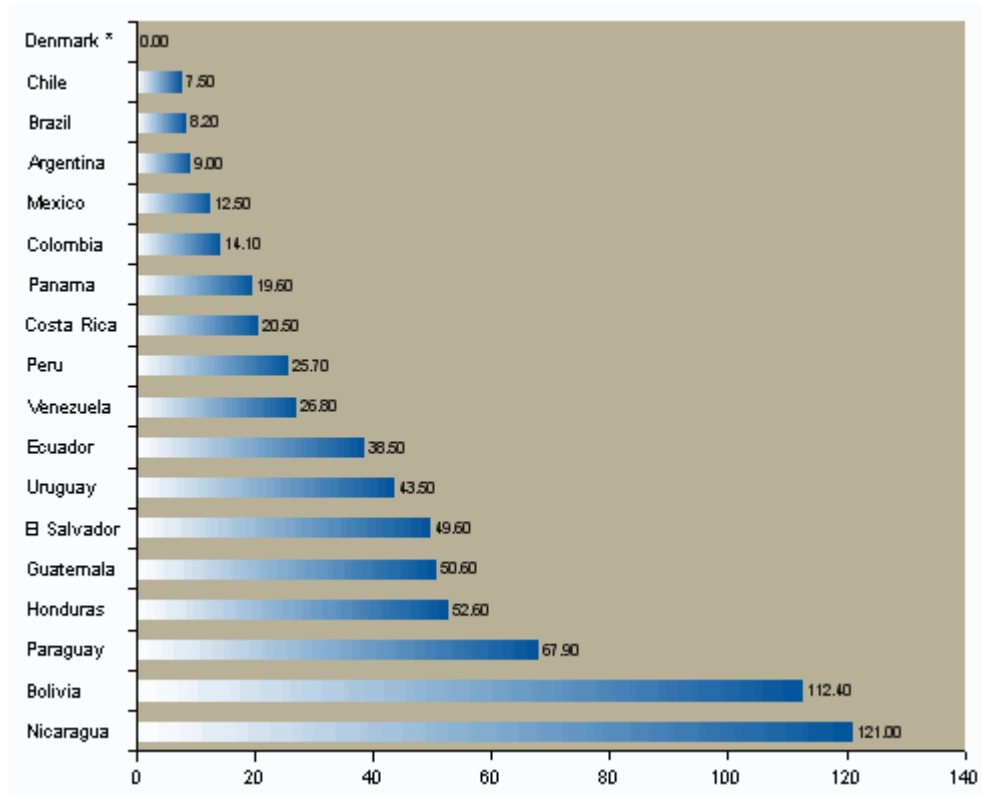
This graph compares the number of procedures required before an entrepreneur can operate a business. \* The economy with the fewest procedures is included as a benchmark. Starting a business also takes one step in Canada.

## Time to start a business (days)



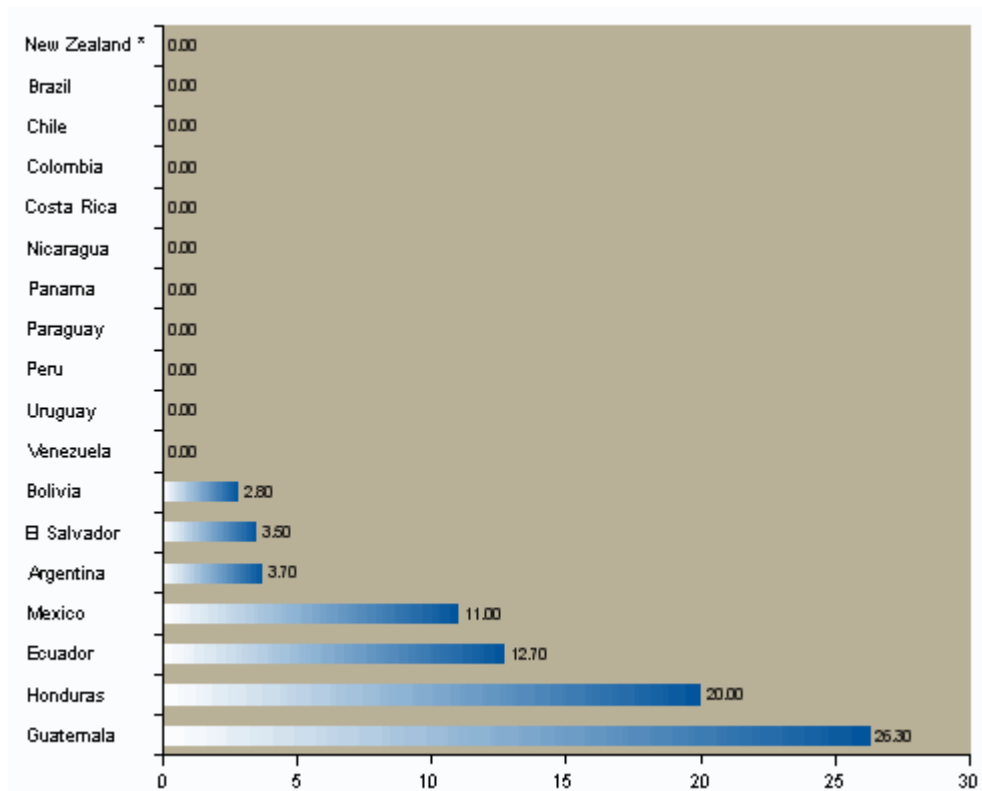
This graph compares the number of days required before an entrepreneur can operate its business.\* The economy requiring the least time is included as a benchmark.

## Cost to start a business (% of income per capita)



This graph compares the costs to start a business. \* The economy with the lowest cost is included as a benchmark.

## Minimum capital to start a business (% of income per capita)



This graph compares the minimum capital an entrepreneur has to deposit before starting a business. \* An economy with the lowest cost is included as a benchmark. 69 economies do not have minimum capital requirements. These are listed on the Doing Business website.





# Dealing with Construction Permits

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

In many economies, especially poor ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

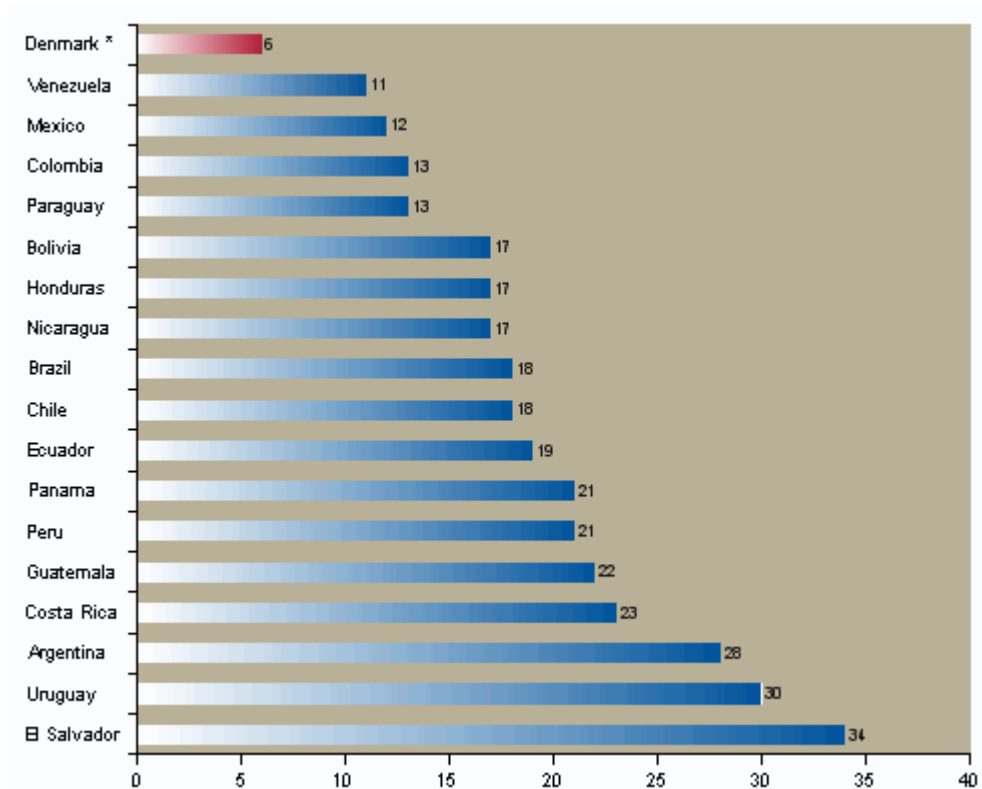
The indicators on dealing with construction permits record all procedures officially required for an entrepreneur in the construction industry to build a warehouse. These include submitting project documents (building plans, site maps) to the authorities, obtaining all necessary licenses and permits,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

To make the data comparable across economies, several assumptions about the business and its operations are used. The business is a small to medium-size limited liability company, located in the largest business city, domestically owned and operated, in the construction business, with 20 qualified employees. The warehouse to be built:

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

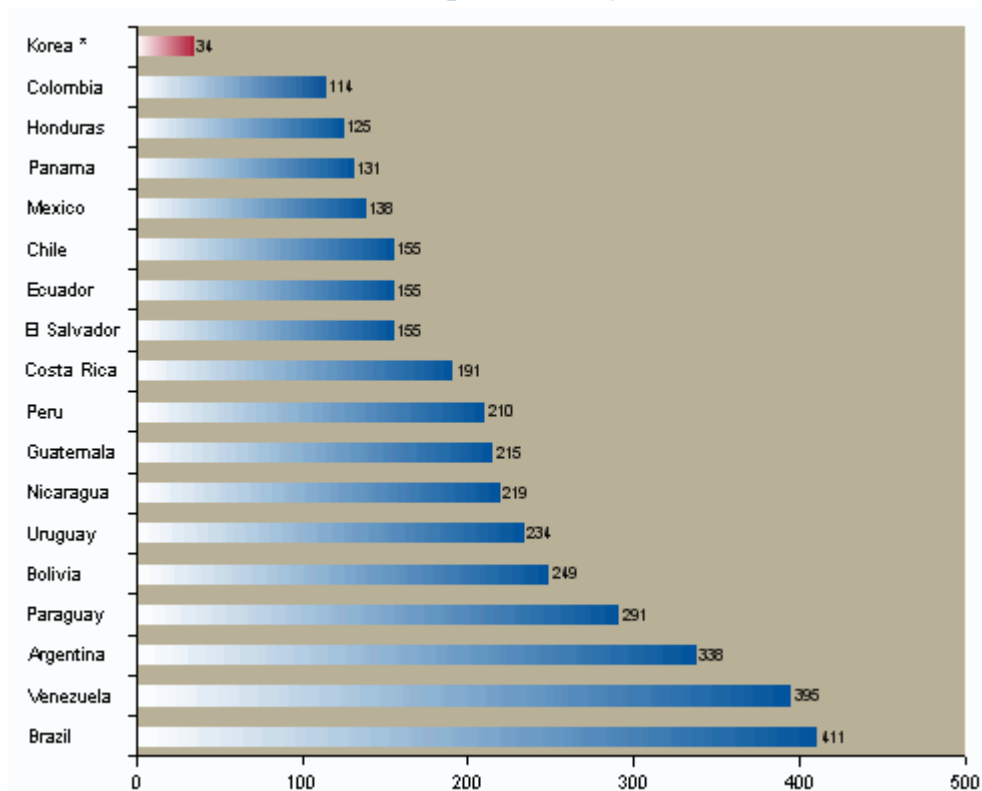
Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off.

## Procedures to deal with construction permits



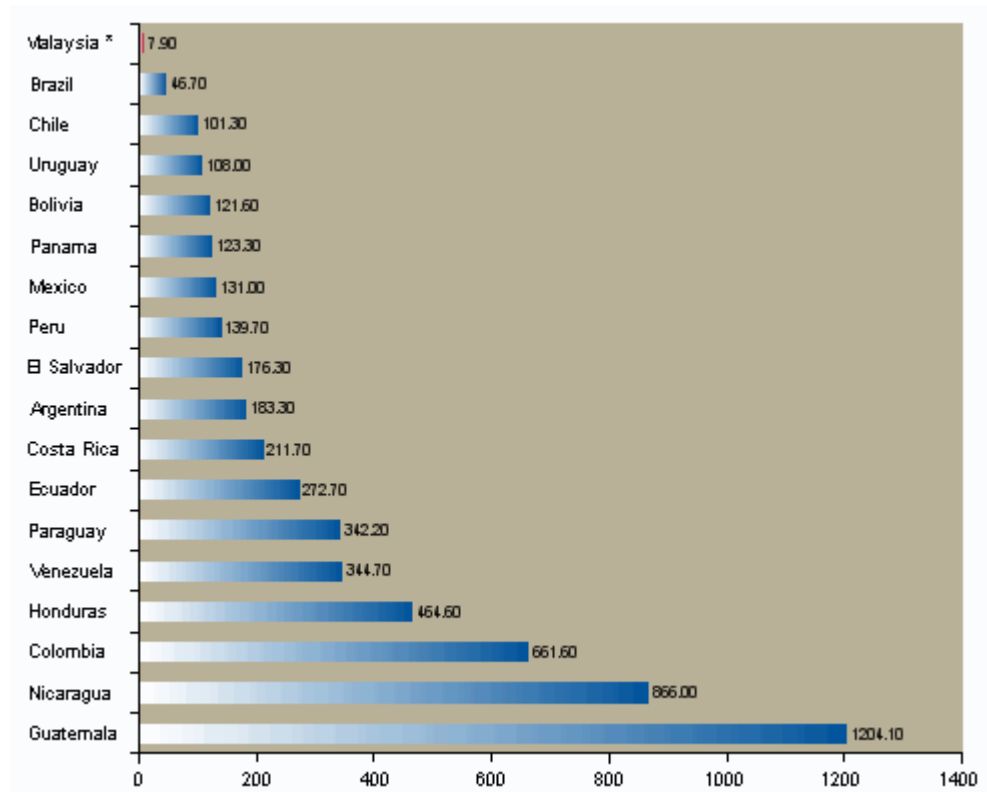
This graph compares the number of procedures required for an entrepreneur to deal with construction permits. \* The economy with the fewest procedures is included as a benchmark.

## Time to deal with construction permits (days)



This graph compares the number of days required for an entrepreneur to deal with construction permits. \* The economy requiring the least time is included as a benchmark.

## Cost to deal with construction permits (% of income per capita)



This graph compares the costs to deal with construction permits. \* An economy with the lowest cost is included as a benchmark. Brunei, Qatar, Palau, Trinidad and Tobago, St. Kitts and Nevis, and United Arab Emirates also require low costs.



# Employing Workers

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

Two measures are presented: a rigidity of employment index and a firing cost measure. The rigidity of employment index is the average of three subindices: difficulty of hiring, rigidity of hours and difficulty of firing. Each index takes values between 0 and 100, with higher values indicating more rigid regulation. The difficulty of hiring index measures the flexibility of contracts and the ratio of the minimum wage to the value added per worker. The rigidity of hours index covers restrictions on weekend and night work, requirements relating to working time and the workweek, and mandated days of annual leave with pay. The difficulty of firing index covers workers' legal protections against dismissal, including the grounds permitted for dismissal and procedures for dismissal (individual and collective): notification and approval requirements, retraining or reassignment obligations and priority rules for dismissals and reemployment.

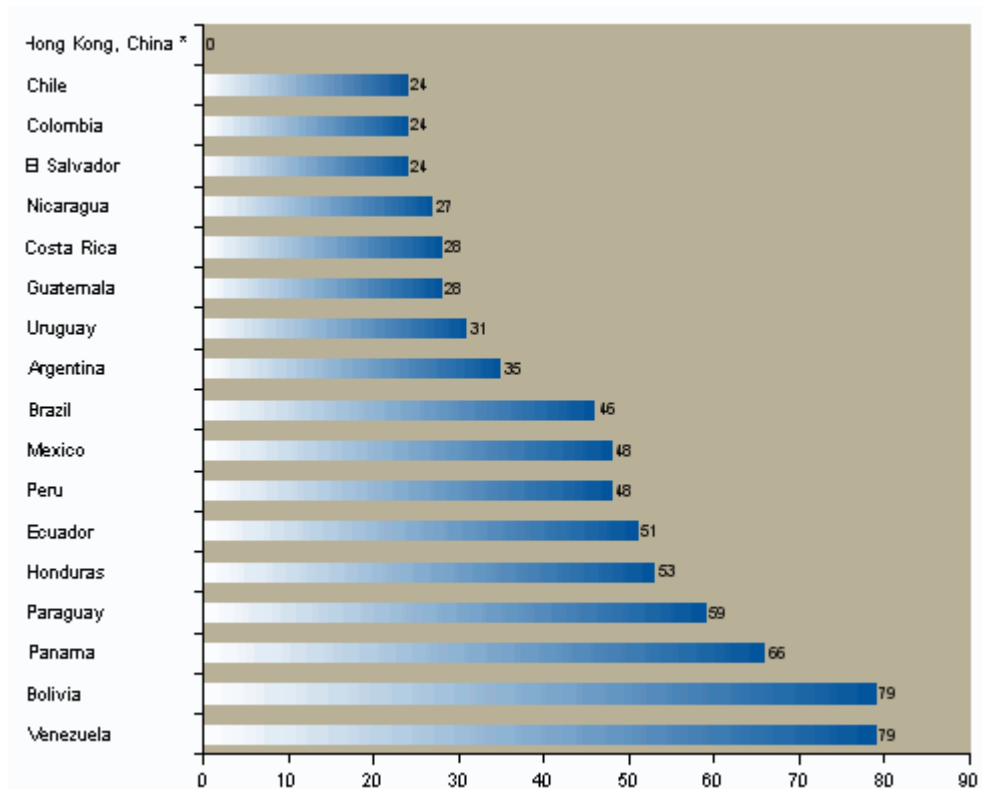
The firing cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary.

To make the data comparable across economies, a range of assumptions about the worker and the company are used. The company is assumed to be a limited liability manufacturing corporation that operates in the economy's most populous city, is 100% domestically owned and has 201 employees. The company is also assumed to be subject to collective bargaining agreements in economies where such agreements cover more than half the manufacturing sector and apply even to firms not party to them.

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

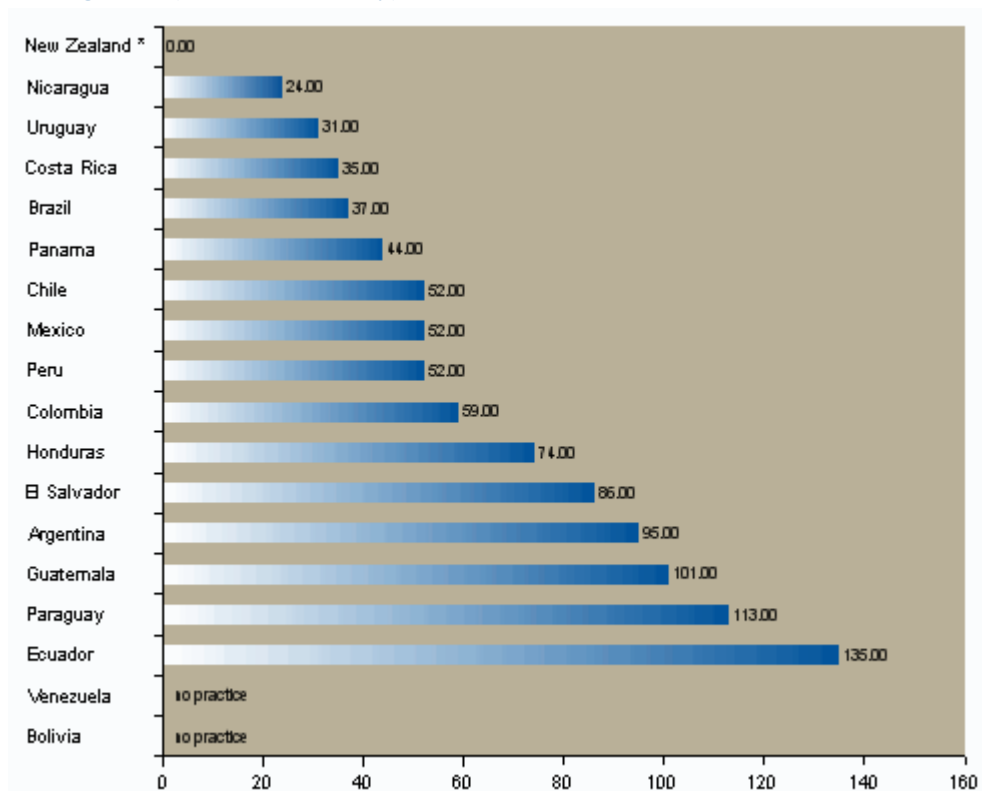
Governments all over the world face the challenge of finding the right balance between worker protection and labor market flexibility. But in developing countries especially, regulators often err to one extreme, pushing employers and workers into the informal sector. Analysis across economies shows that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

## Rigidity of employment index (0-100)



This graph compares the rigidity of employment index for an entrepreneur. \* An economy with the lowest rigidity index is included as a benchmark. Maldives, Marshall Islands, Singapore and the United States also have the lowest Rigidity of Employment Index.

## Firing cost (weeks of salary)



This graph compares what an entrepreneur needs to pay in firing costs. The cost is measured in weeks of employee wages. \* An economy requiring the lowest cost is included as a benchmark. Afghanistan, Denmark, Iraq, Marshall Islands, Micronesia, Palau, Puerto Rico, Tonga and the United States also have low firing costs.



# Registering Property

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

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

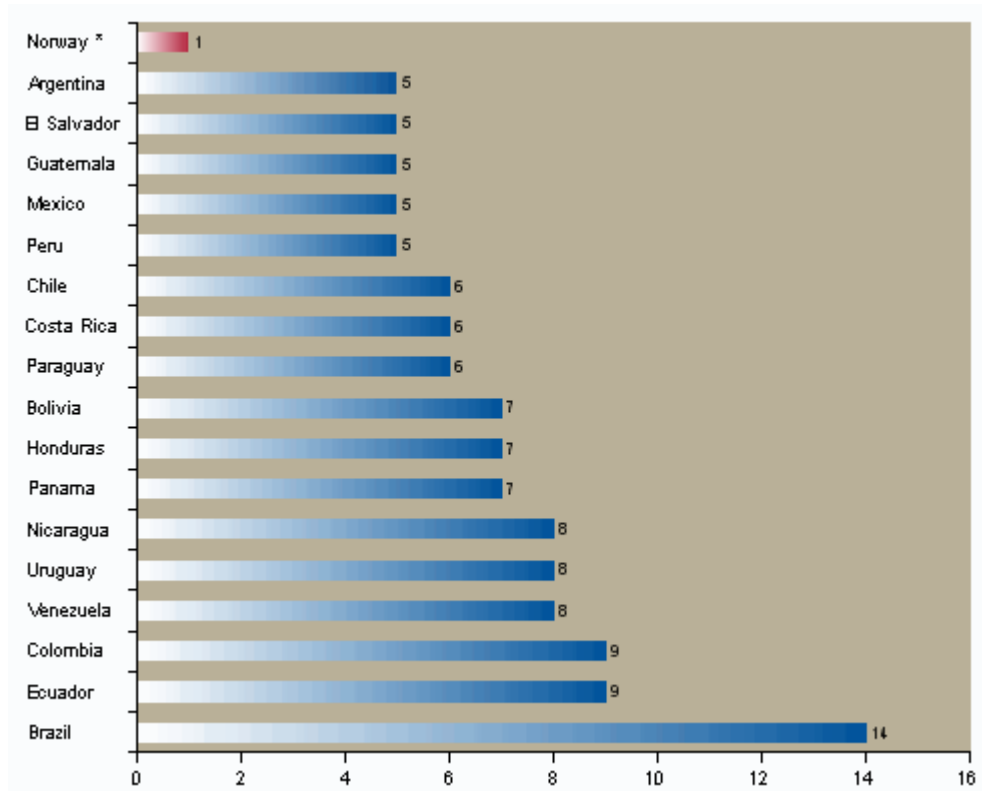
Local property lawyers and officials in property registries provide information on required procedures as well as the time and cost to complete each one. For most economies the data are based on responses from both. Based on the responses, three indicators are constructed.

- Number of procedures to register property.
- Time to register property (in calendar days).
- Official costs to register property (as a percentage of the property value).

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

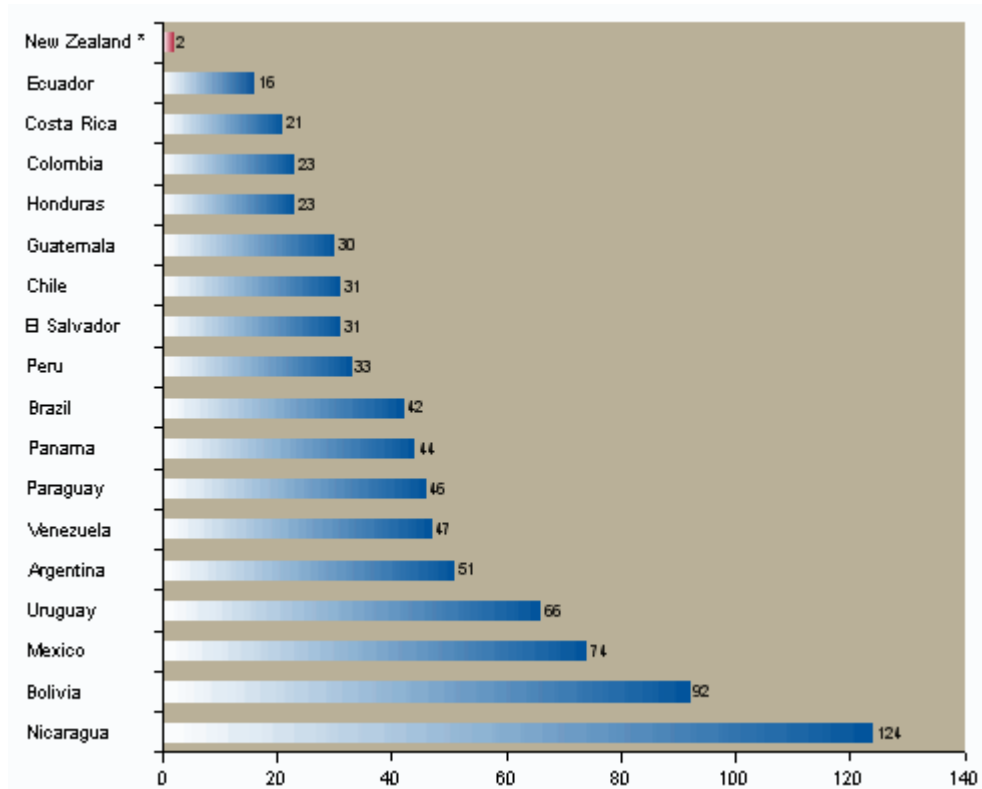
Efficient property registration reduces transaction costs and helps to formalize property titles. Simple procedures to register property are also associated with greater perceived security of property rights and less corruption. That benefits all entrepreneurs, especially women, the young and the poor. The rich have few problems protecting their property rights. They can afford to invest in security systems and other measures to defend their property. But small entrepreneurs cannot. Reform can change this. Twenty-four economies made it easier to register property in 2007/08. The most popular reform: lowering the cost of registration by reducing the property transfer tax, registration fees or stamp duty.

## Procedures to register property



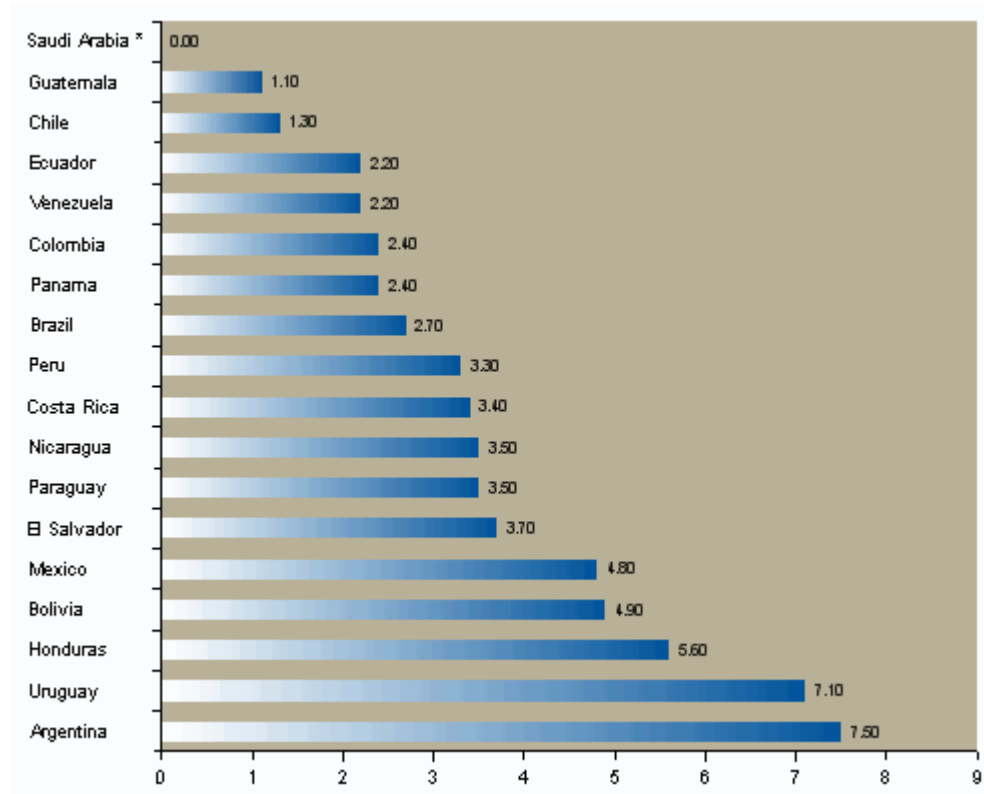
This graph compares the number of procedures required for an entrepreneur to register a property across economies. \* An economy with the fewest procedures is included as a benchmark. Sweden also has the fewest number of procedures to register a property.

## Time to register property (days)



This graph compares the number of days required for an entrepreneur to register a property across economies. \* An economy requiring the least time is included as a benchmark. Saudi Arabia, Sweden and Thailand also have the least number of days to register property.

## Cost to register property (% of property values)



This graph compares the costs to register a property. \* The economy with the lowest cost is included as a benchmark.





## Getting Credit

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

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

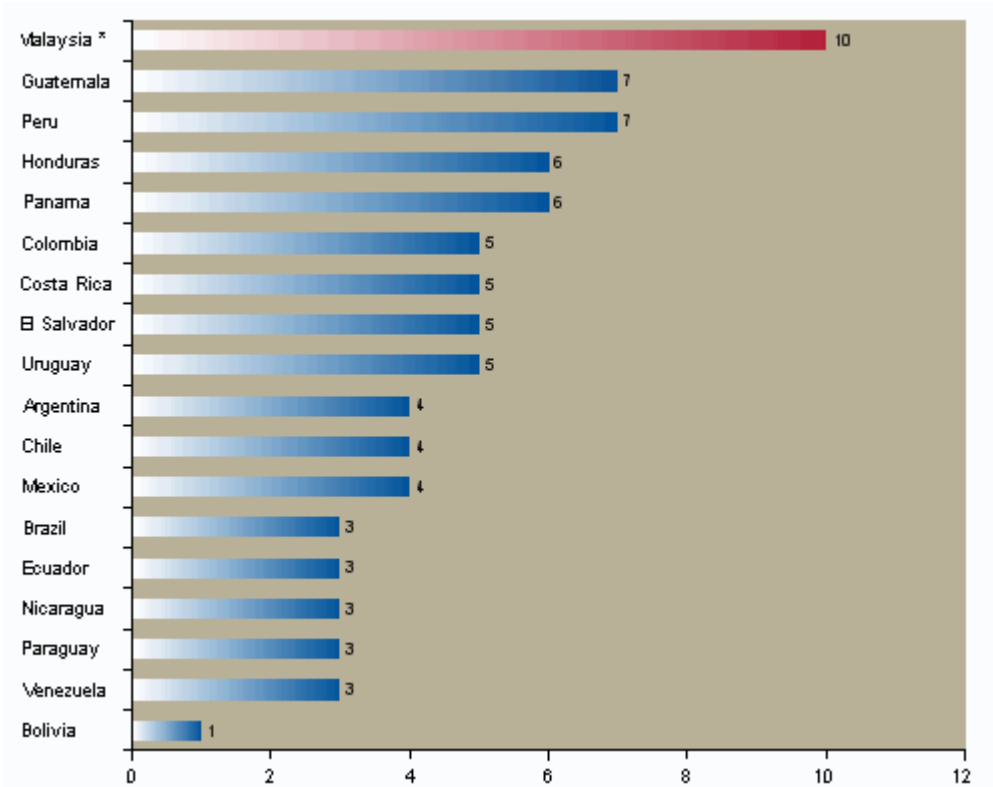
The strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. This year, three main changes were made; first, a standardized case scenario with specific assumptions was introduced to bring this indicator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

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

<b>Economy</b>	<b>Public registry coverage (% of adults)</b>	<b>Private bureau coverage (% of adults)</b>	<b>Depth of credit information index (0-6)</b>
<b>* New Zealand</b>	0.0	100.0	5
<b>* Portugal</b>	76.4	11.3	4
<b>* United Kingdom</b>	0.0	100.0	6
<b>Argentina</b>	31.2	100.0	6
<b>Bolivia</b>	11.9	29.7	6
<b>Brazil</b>	20.2	62.2	5
<b>Chile</b>	28.1	34.5	5
<b>Colombia</b>	0.0	42.5	5
<b>Costa Rica</b>	5.9	51.6	5
<b>Ecuador</b>	37.7	46.8	5
<b>El Salvador</b>	18.4	83.0	6
<b>Guatemala</b>	16.1	19.7	5
<b>Honduras</b>	11.3	60.5	6
<b>Mexico</b>	0.0	70.8	6
<b>Nicaragua</b>	13.4	100.0	5
<b>Panama</b>	0.0	43.7	6
<b>Paraguay</b>	9.7	48.6	6
<b>Peru</b>	23.7	33.2	6
<b>Uruguay</b>	15.4	98.0	6
<b>Venezuela</b>	0.0	0.0	0

\* The economies with the highest public, private bureau coverage and with the highest credit information index are included as benchmarks. Argentina, Australia, Canada, Iceland, Ireland, Nicaragua, Norway, Sweden, United Kingdom and the United States also have the highest private bureau coverage (% adults).

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



This graph compares collateral and bankruptcy laws in the way they facilitate lending protecting the rights of borrowers and lenders as measured in the legal rights Index. \* An economy with the highest index is included as a benchmark. Kenya, Hong Kong China and Singapore have the highest Legal Rights Index



# Protecting Investors

Companies grow by raising capital, either through a bank loan or by attracting equity investors. Selling shares allows companies to expand without the need to provide collateral and repay bank loans. But investors worry about their money, and look for laws that protect them. A study finds that the presence of legal and regulatory protections for investors explains up to 73% of the decision to invest. In contrast, company characteristics explain only between 4% and 22%\*. Good protections for minority shareholders are associated with larger and more active stock markets. Thus both governments and businesses have an interest in reforms strengthening investor protections. To document some of the protections investors have, Doing Business measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gain.

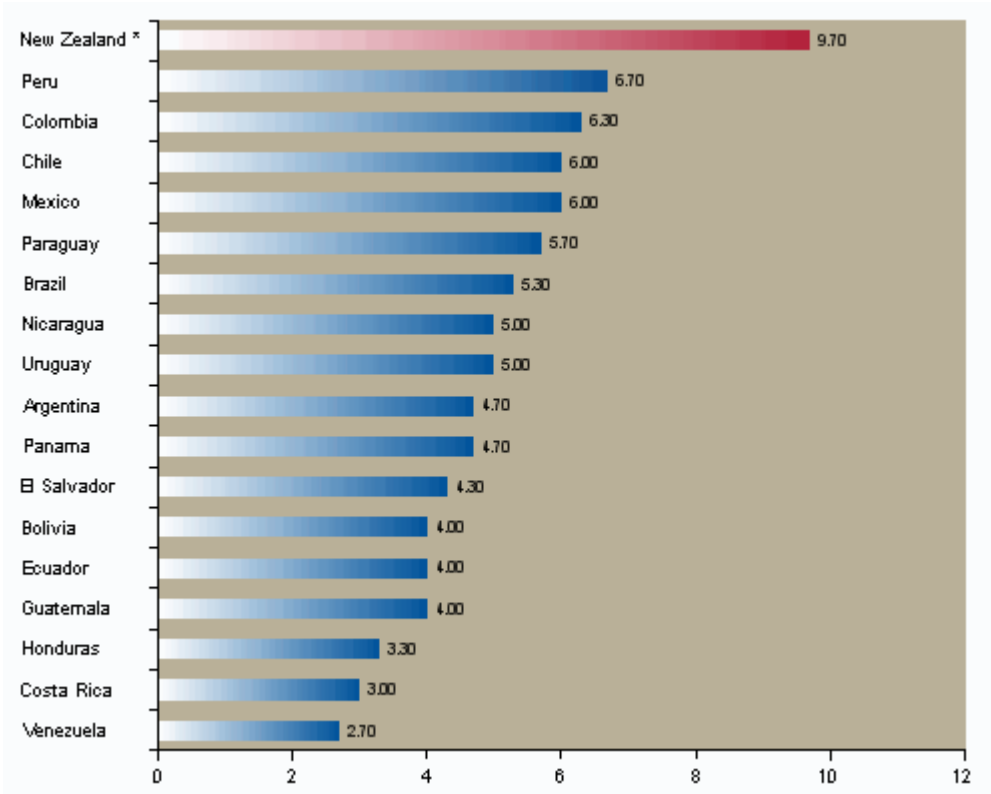
The case facts are straightforward. Mr. James, a director and the majority shareholder of a public company, proposes that the company purchase used trucks from another company he owns. The price is higher than the going price for used trucks. The transaction goes forward. All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to the purchasing company. Shareholders sue the interested parties and the members of the board of directors. Several questions arise. Who approves the transaction? What information must be disclosed? What company documents can investors access? What do minority shareholders have to prove to get the transaction stopped or to receive compensation from Mr. James? Three indices of investor protection are constructed based on the answers to these and other questions. All indices range from 0 to 10, with higher values indicating more protections or greater disclosure.

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

These three indices are averaged to create the strength of investor protection index. This index ranges from 0 to 10, with higher values indicating better investor protection.

\*Doidge, Karolyi and Stulz (2007)

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



This graph compares the extent of disclosure, extent of director liability and ease of shareholder suits indices as measured in the Investor Protection Index. \* The economy with the highest index is included as a benchmark.



## Paying Taxes

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

The Doing Business tax survey records the effective tax that a small and medium company must pay and the administrative costs of doing so. Imagine a medium-size business, TaxpayerCo, that started operations last year. Doing Business asks tax practitioners in 181 economies to review TaxpayerCo's financial statements and a standard list of transactions that the company completed during the year. Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.

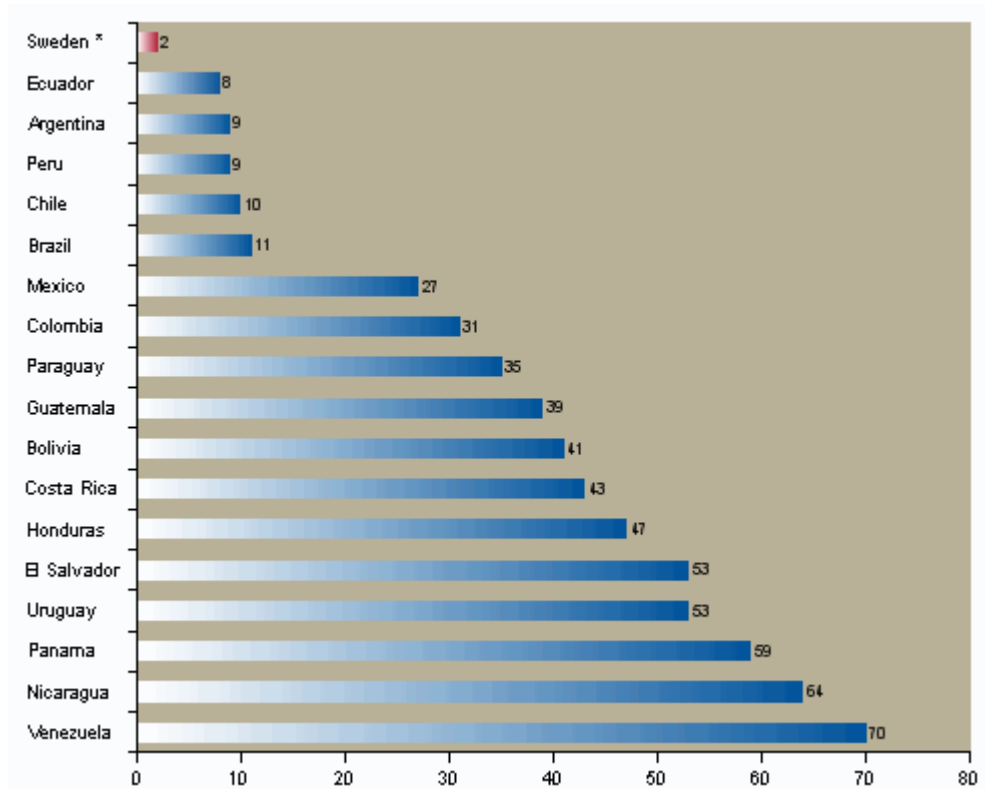
The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded. Taxes and mandatory contributions are measured at all levels of government and include corporate income tax, turnover tax, all labor taxes and contributions paid by the company (including mandatory contributions paid to private pension or insurance funds), property tax, property transfer tax, dividend tax, capital gains tax, financial transactions tax, vehicle tax, sales tax and other small taxes (such as fuel tax, stamp duty and local taxes). A range of standard deductions and exemptions are also recorded.

Three indicators are constructed:

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

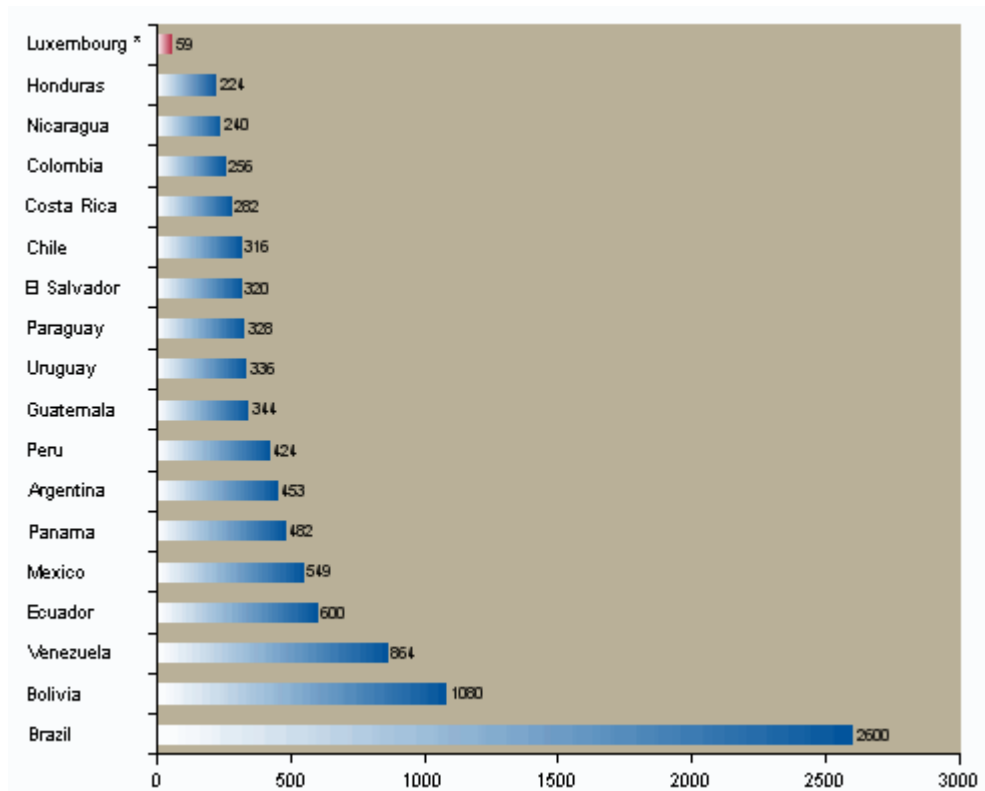
Businesses care about what they get for their taxes and contributions, such as the quality of infrastructure and social services. Efficient tax systems tend to have less complex tax arrangements, comprising of straightforward compliance procedures and clear laws. Taxpayers in such economies often get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

## Payments (number per year)



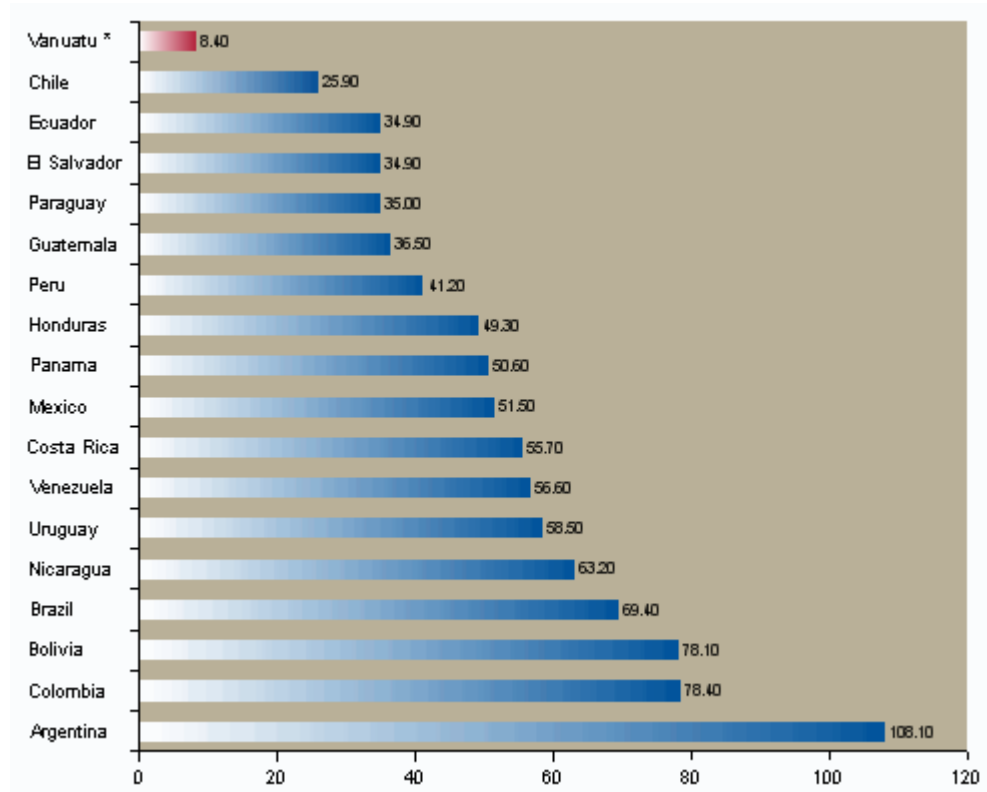
This graph compares the number of payments required for an entrepreneur to pay taxes. \* An economy requiring the least number of payments is included as a benchmark. Qatar and Maldives also require the fewest number of payments to pay taxes.

## Time to pay taxes (hours per year)



This graph compares the time in hours required for an entrepreneur to pay taxes. \* An economy with low time is included as a benchmark. Bahamas, Bahrain, Qatar, Maldives, United Arab Emirates also have one of the lowest time to pay taxes.

## Total tax rate (% of profit)



This graph compares the total tax rate that an entrepreneur is required to pay as a percentage of profit. \* The economy with the lowest tax rate is included as a benchmark.





# Trading Across Borders

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

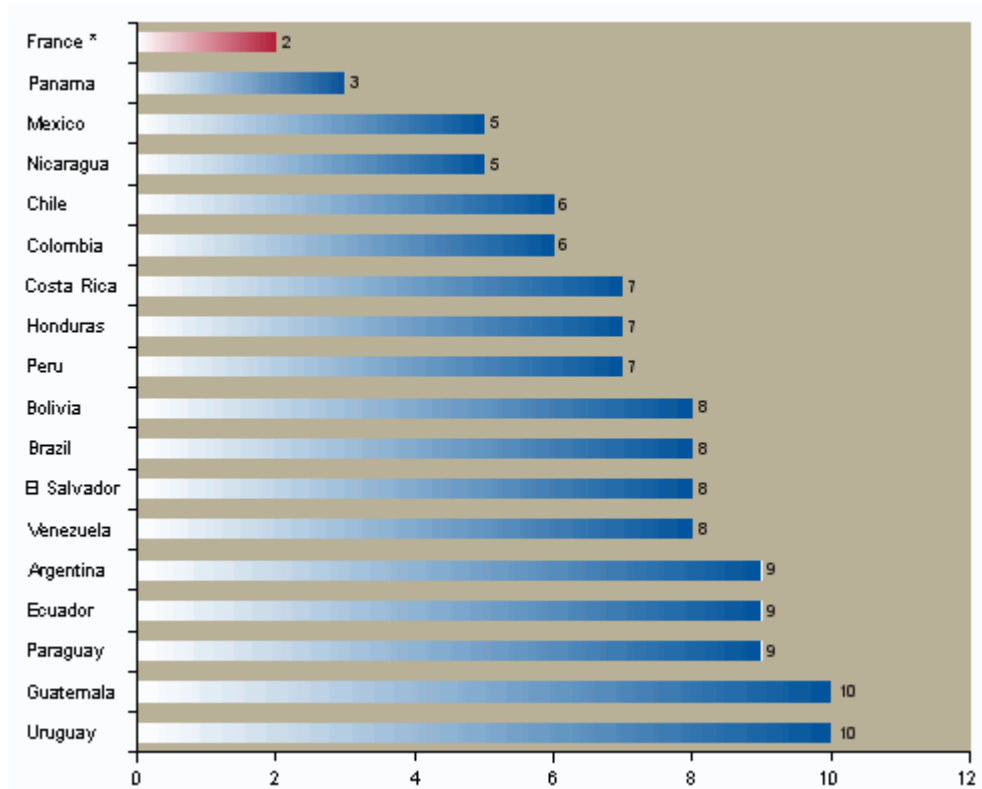
Doing Business compiles procedural requirements for trading a standard shipment of goods by ocean transport. Every procedure and the associated documents, time and cost, for importing and exporting the goods is recorded, starting with the contractual agreement between the two parties and ending with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

To make the data comparable across countries, several assumptions about the business and the traded goods are used. The business is of medium size, employs 60 people, and is located in the periurban area of the economy's most populous city. It is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the economy. The traded goods are ordinary, legally manufactured products transported in a dry-cargo, 20-foot FCL (full container load) container.

Documents recorded include port filing documents, customs declaration and clearance documents, as well as official documents exchanged between the parties to the transaction. Time is recorded in calendar days, from the beginning to the end of each procedure. Cost includes the fees levied on a 20-foot container in U.S. dollars. All the fees associated with completing the procedures to export or import the goods are included, such as costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include tariffs or duties.

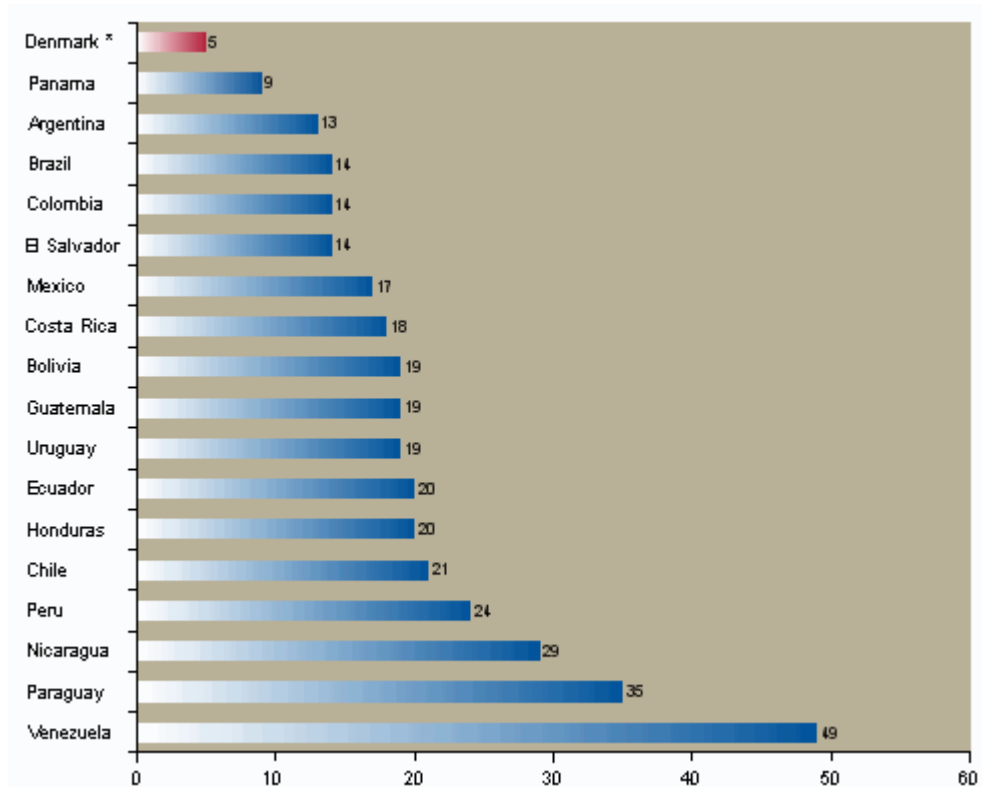
Economies that have efficient customs, good transport networks and fewer document requirements, making compliance with export and import procedures faster and cheaper, are more competitive globally. That can lead to more exports; and exports are associated with faster growth and more jobs. Conversely,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

## Documents to export



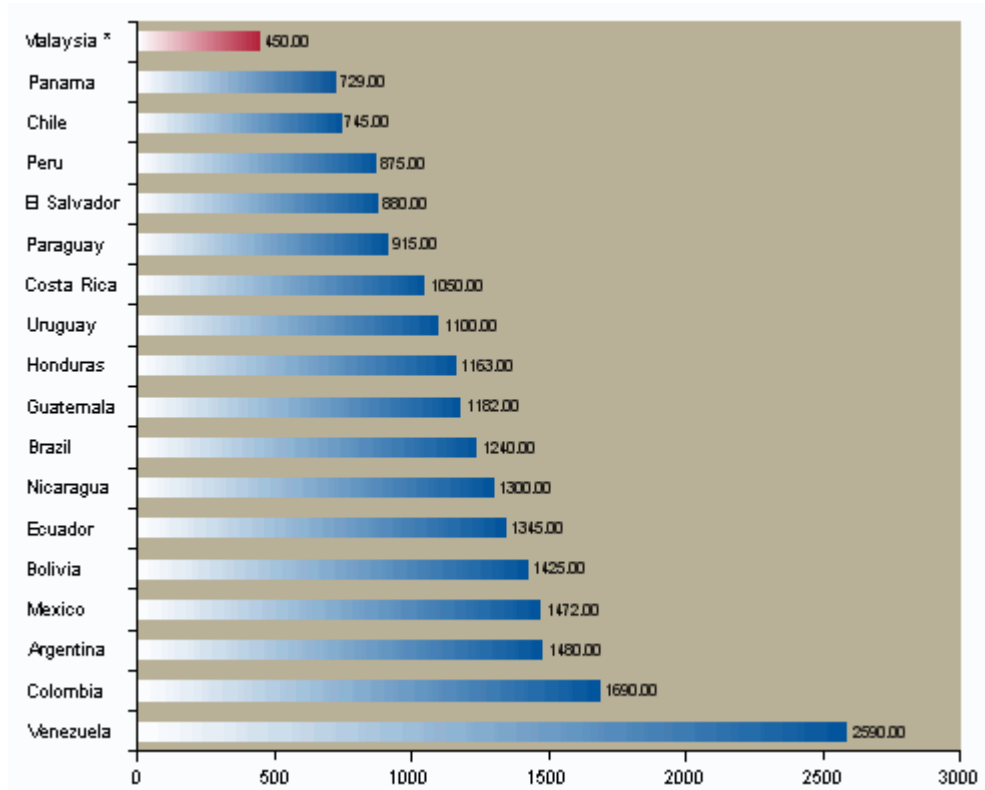
This graph compares the number documents required before an entrepreneur can export. \* The economy requiring the fewest number of documents is included as a benchmark.

## Time to export (days)



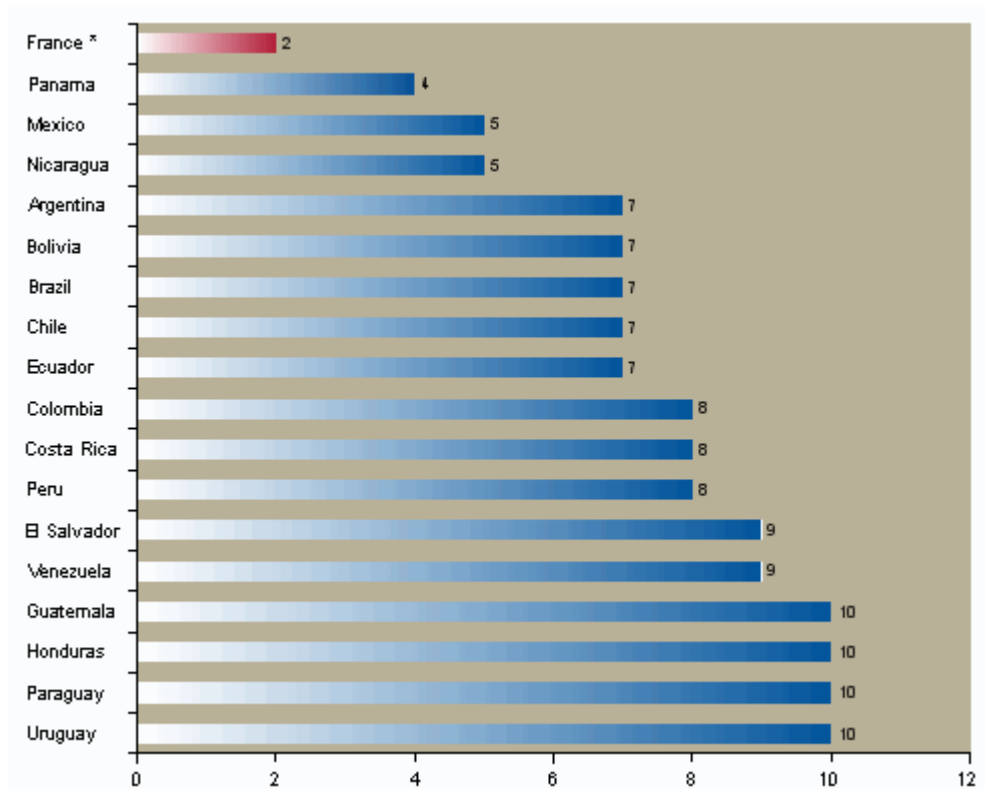
This graph compares the number of days required before an entrepreneur can export. \* An economy requiring the least time to export is included as a benchmark. Estonia and Singapore also have one of the lowest time to export.

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



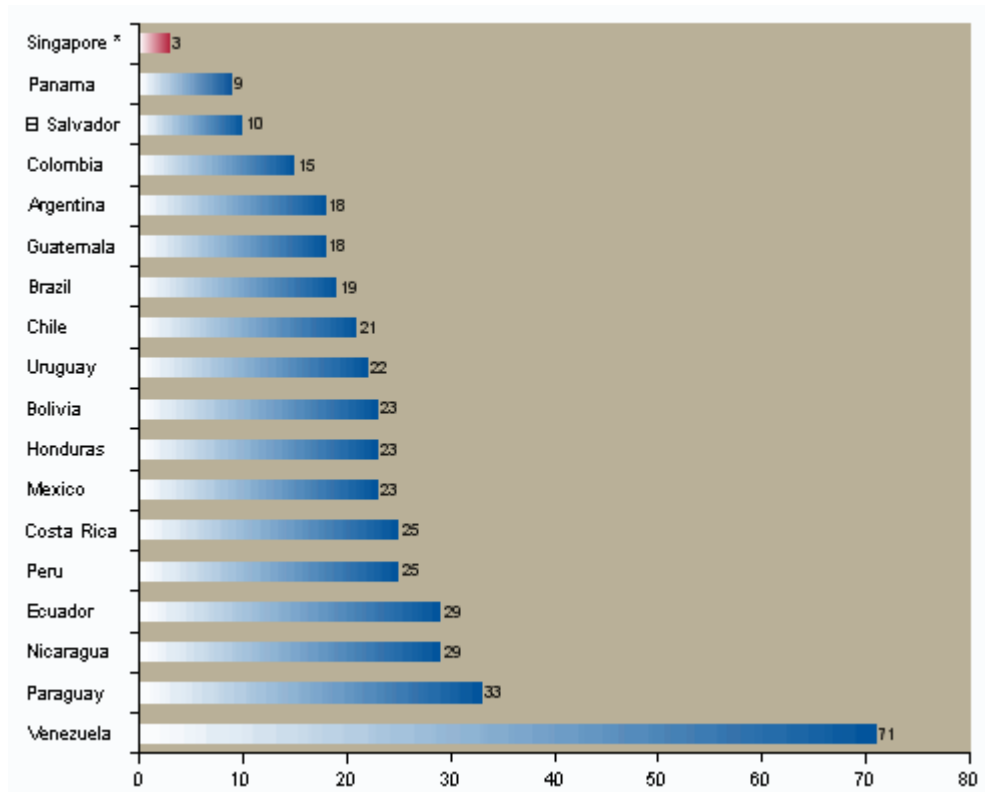
This graph compares the costs an entrepreneur faces to export. \* The economy with the lowest cost to export is included as a benchmark

## Documents to import



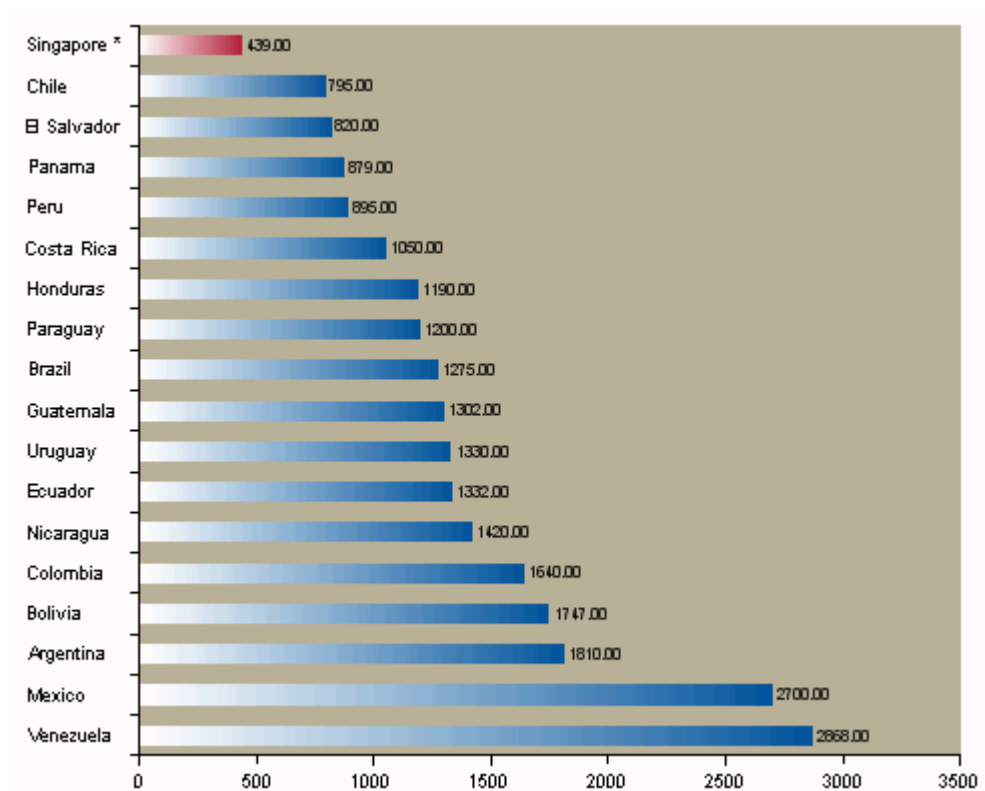
This graph compares the number of documents required before an entrepreneur can import. \* An economy requiring the fewest number of documents is included as a benchmark.

## Time to import (days)



This graph compares the number of days required before an entrepreneur can import. \* The economy requiring the least time to import is included as a benchmark.

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



This graph compares the costs an entrepreneur faces to import. \* The economy with the lowest cost to import is included as a benchmark



## Enforcing Contracts

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

The dispute concerns a contract for the sale of goods between two businesses (the Seller and the Buyer) both located in the economy's largest business city.

The Seller sells and delivers goods, worth 200% of the economy's income per capita, to the Buyer. The Buyer refuses to pay on the grounds that they were not of adequate quality.

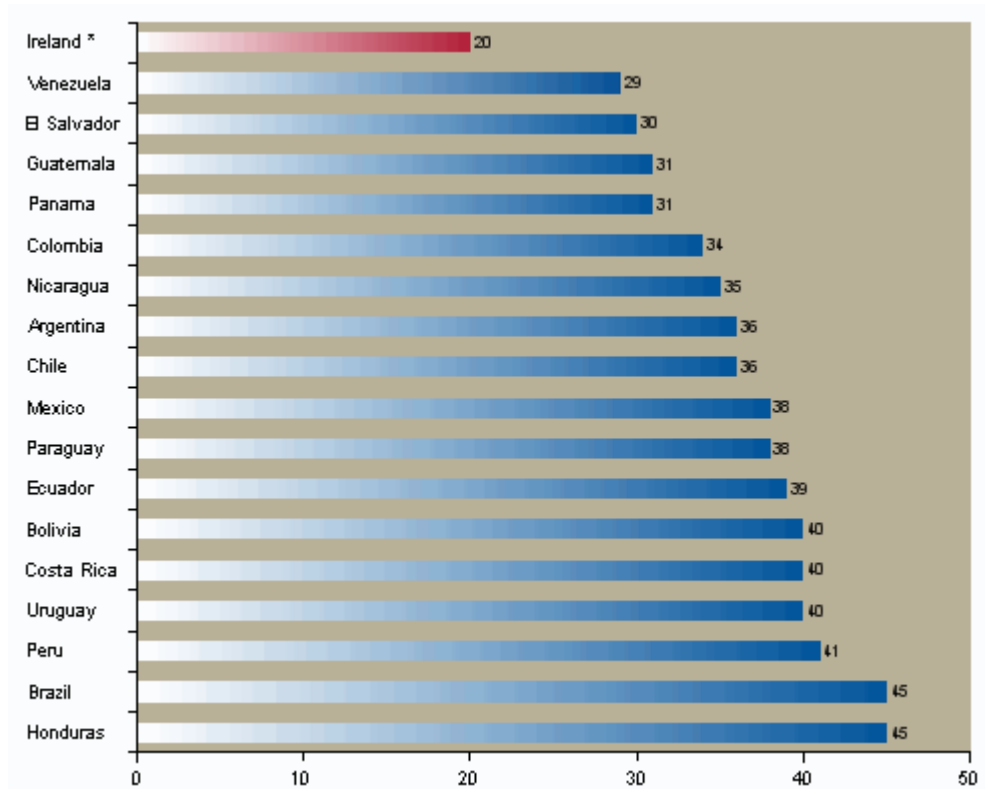
The Seller sues the Buyer to recover the amount under the sales agreement (200% of the economy's income per capita). The claim is filed before a court in the economy's largest business city with jurisdiction over commercial cases worth 200% of the income per capita and is disputed on the merits. Judgment is 100% in favor of the Seller and is not appealed. Seller enforces the judgment and the money is successfully collected through a public sale of Buyer's assets.

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

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

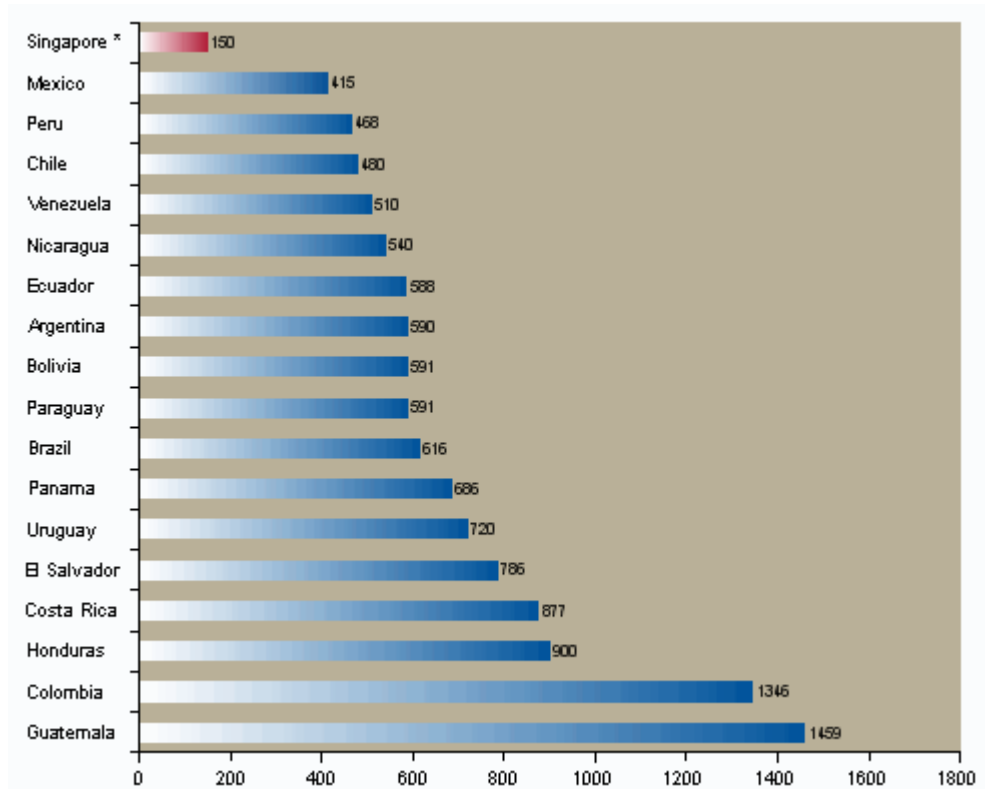
Justice delayed is often justice denied. And in many economies only the rich can afford to go to court. For the rest, justice is out of reach. In the absence of efficient courts, firms undertake fewer investments or business transactions. And they prefer to involve only a small group of people who know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

## Procedures to enforce a contract



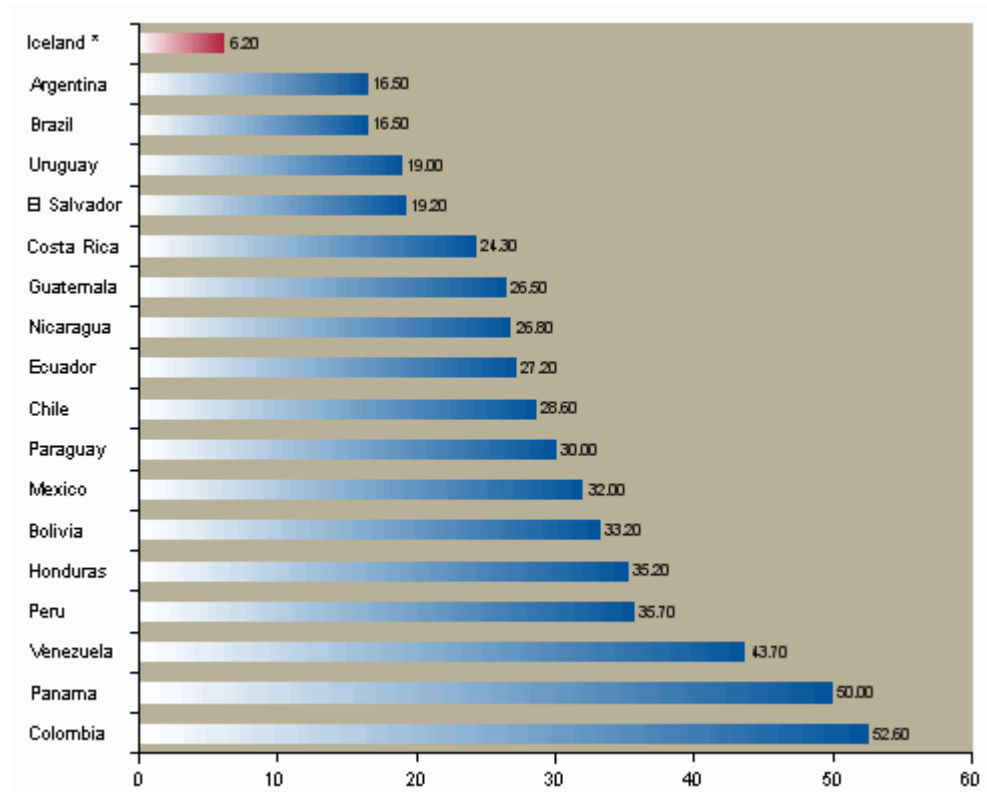
This graph compares the number of days that it takes in order to recover a commercial debt through the courts. \* The economy requiring the least time is included as a benchmark

## Time to enforce a contract (days)



This graph compares the number of days that it takes in order to recover a commercial debt through the courts. \* The economy requiring the least time is included as a benchmark

## Cost to enforce a contract (% of claim)



This graph compares the costs across economies that it takes in order to recover a commercial debt through the courts. \* An economy with the lowest cost is included as a benchmark. Bhutan also requires the lowest costs.



## Closing Business

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

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

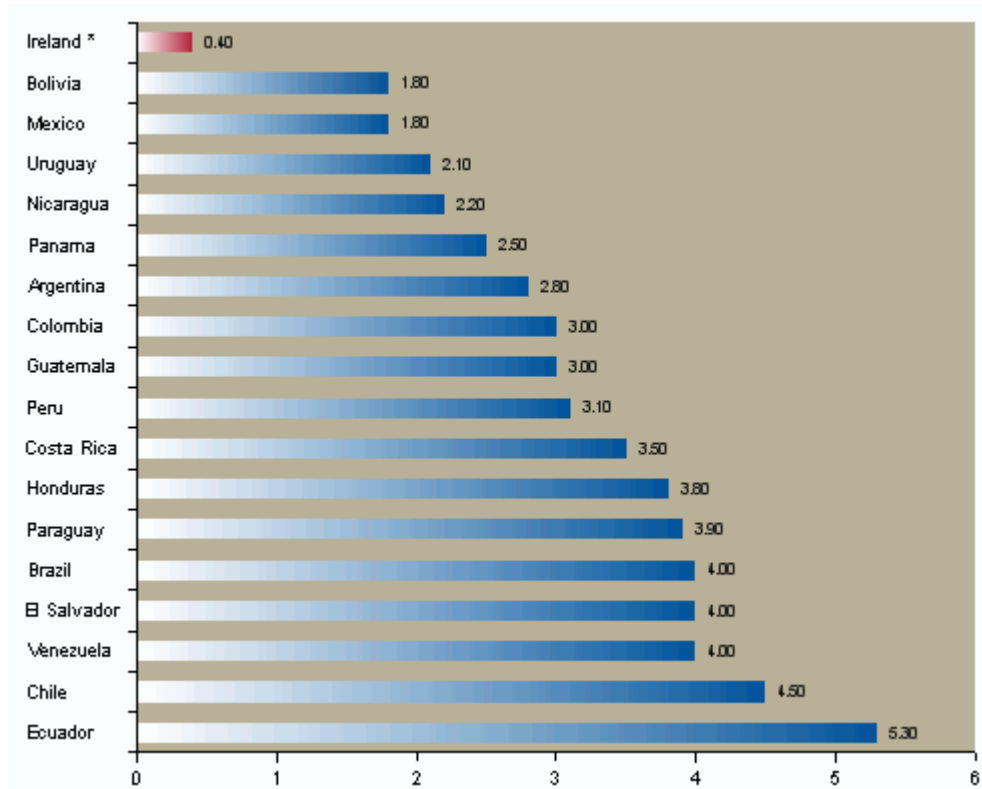
The data on closing a business are developed using a standard set of case assumptions to track a company going through the step-by-step procedures of the bankruptcy process. It is assumed that the company is a domestically owned, limited liability corporation operating a hotel in the country's largest business city. The company has 201 employees, 1 main secured creditor and 50 unsecured creditors. Assumptions are also made about the debt structure and future cash flows. The case is designed so that the company has a higher value as a going concern, that is, the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation. The data are derived from questionnaires answered by attorneys at private law firms.

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

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

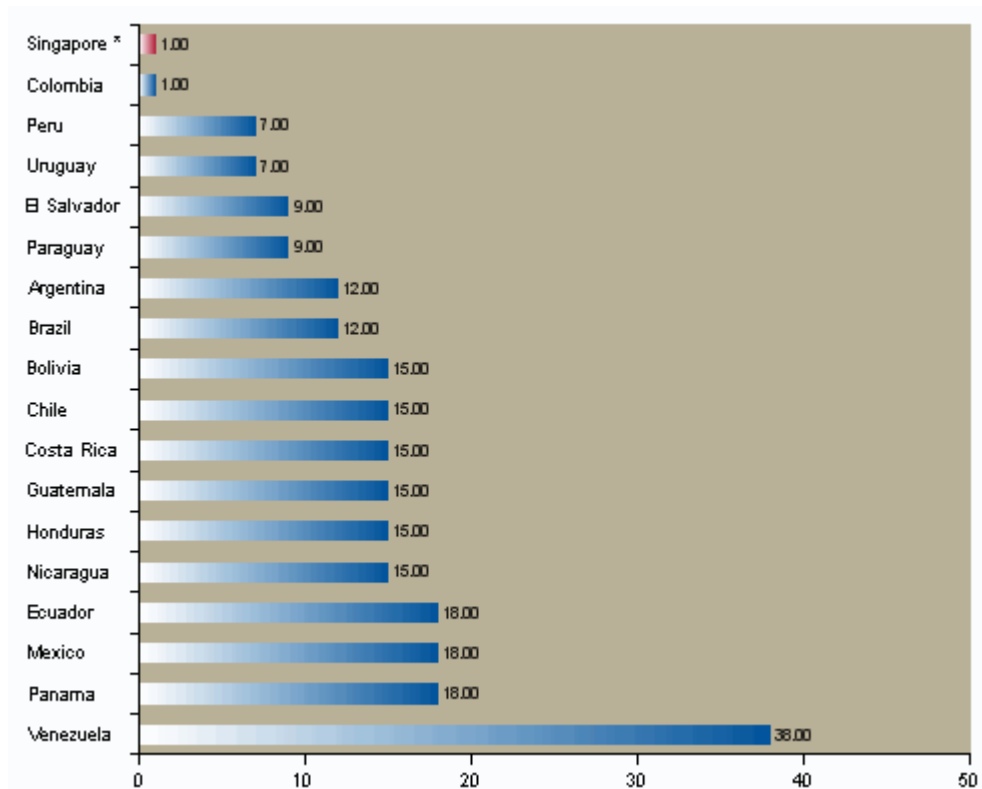


## Time to go through insolvency (years)



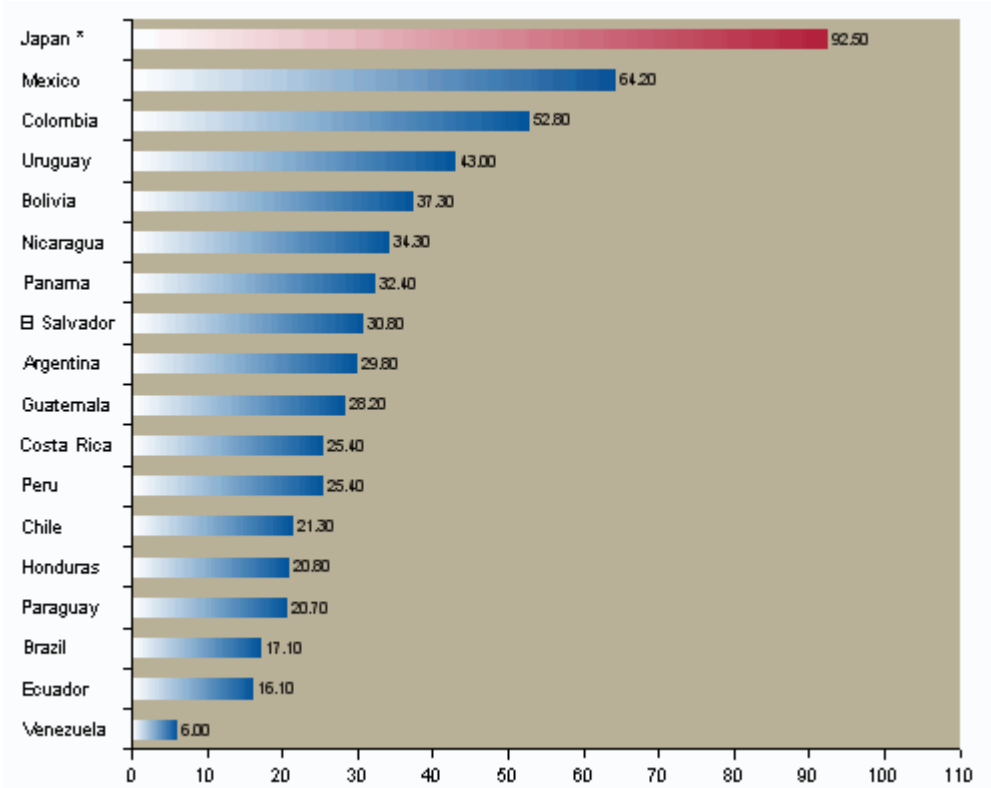
This graph compares the number years to go through the insolvency process. \* The economy with the least time is included as a benchmark.

## Cost of insolvency (% of estate)



This graph compares the costs needed to go through the insolvency process. \* An economy requiring the lowest cost is included as a benchmark. Colombia, Kuwait, and Norway also require the lowest costs to go through the insolvency process.

**Recovery rate (cents on the dollar)**



This graph compares the recovery rate after an insolvency process. \* The economy with the highest recovery rate is included as a benchmark

























# DB2009 Reforms

Since 2004 Doing Business has been tracking reforms aimed at simplifying business regulations, strengthening property rights, opening up access to credit and enforcing contracts by measuring their impact on 10 indicator sets. Nearly 1,000 reforms have had an impact on these indicators. Doing Business 2009, covering June 2007 to June 2008, reports that 113 economies implemented 239 reforms to make it easier to do business. That is the most reforms recorded in a single year since the Doing Business project began. In the past year reformers focused on easing business start-up, lightening the tax burden, simplifying import and export regulations and improving credit information systems.

## The top 10 reformers in 2007/08

Economy	Starting a Business	Dealing with Construction Permits	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business
Azerbaijan	✓		✓	✓	✓	✓	✓		✓	
Albania	✓				✓	✓	✓			
Kyrgyz Republic	✓	✓				✓				
Belarus	✓	✓		✓	✓		✓	✓		
Senegal	✓			✓				✓		
Burkina Faso		✓	✓	✓			✓			
Botswana	✓					✓		✓		
Colombia	✓	✓					✓	✓		✓
Dominican Republic	✓			✓			✓	✓		
Egypt	✓	✓		✓	✓	✓		✓		

Note: Economies are ranked on the number and impact of reforms. First, Doing Business selects the economies that implemented reforms making it easier to do business in 3 or more of the Doing Business topics. Second, it ranks these countries on the increase in rank on the ease of doing business from the previous year. The larger the improvement, the higher the ranking as a reformer.

Economy	 <i>Positive Reform</i>  <i>Negative Reform</i>										Total number of reforms
	Starting a Business	Dealing with Construction Permits	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business	
Argentina											1
Bolivia											-1
Brazil											1
Chile											0
Colombia											5
Costa Rica											1
Ecuador											1
El Salvador											2
Guatemala											1
Honduras											2
Mexico											2
Nicaragua											0
Panama											1
Paraguay											0
Peru											0
Uruguay											3
Venezuela											-1



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