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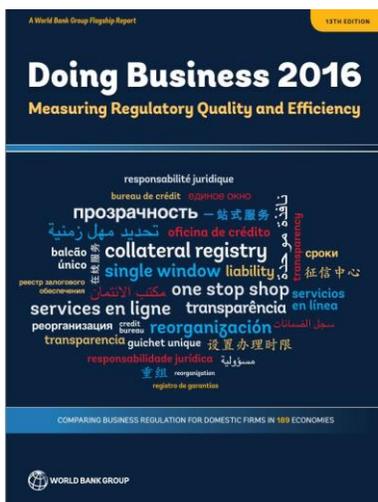
DOING BUSINESS

“World Bank Group’s flagship publications”

<http://www.doingbusiness.org/>

OBJECTIVE AND METHODOLOGY

The *Doing Business* report is one of the World Bank Group’s flagship publications. Since 2003 *Doing Business* has been publishing annual quantitative data on the main regulatory constraints affecting domestic small and medium-size enterprises throughout their life cycle across 189 economies. Ten areas of business regulations are included on the ease of doing business ranking¹: 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. Data are also collected on the labor market regulation, which is not included in the overall ranking.



The objective of the *Doing Business* report is to encourage regulations that are designed to be efficient, accessible to all who use them and simple in their implementation. By gathering and analyzing comprehensive quantitative data to compare business regulation environments across economies and over time, *Doing Business* encourages economies to compete towards more efficient regulations that are in accordance with international best practices; offers measurable benchmarks for reform; and serves as a resource for academics, journalists, private sector researchers and others interested in the business climate of each economy.

The *Doing Business* methodology is based on standardized case scenarios in the largest business city of each economy. In addition, for 11 economies a second city is covered for countries with more than 100 million inhabitants.

¹ The ease of doing business ranking is based on the distance to frontier score. The distance to frontier score benchmarks economies with respect to a measure of regulatory best practice, showing the gap between each economy’s performance and the best performance on each indicator. 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. The aggregate distance to frontier score for each economy is the simple average of the distance to frontier scores on each of the 10 topics

It is important to note however, that the report does not capture other aspects of the business environment, such as security, market size, macroeconomic stability and the prevalence of corruption.

Doing Business relies on four main sources of information: the relevant laws and regulations, *Doing Business* respondents, the governments of the economies covered and the World Bank Group regional staff. To start, the *Doing Business* team designs a questionnaire together with academic advisers. Surveys are administered through more than 11,400 local experts worldwide, including lawyers, business consultants, accountants, and other professionals routinely administering or advising on legal and regulatory requirements. The data are collected through several rounds of interaction with expert respondents (both private sector practitioners and government officials) through responses to questionnaires, conference calls, written correspondence and visits by the team.

Good practices in business regulation have evolved since the *Doing Business* indicators were first developed in 2003. Some changes have come, for example, as new technologies have transformed the ways governments interact with citizens and the business community. The new developments have created a need to expand and update the *Doing Business* methodology. Since the first *Doing Business* report (which covered 5 indicator sets and 133 economies) new economies and new indicators were added such as the dealing with construction permits and trade across borders indicators in 2006, the paying taxes indicator in 2007 and the getting electricity indicator in 2009. In addition to the 56 economies added since 2003, a second largest business city in countries with more than 100 million inhabitants was added in 2015 in the case of 11 economies. Furthermore, substantive improvements have been implemented over the last two year period. First, in *Doing Business 2015* a more sophisticated methodology was introduced to calculate the rankings. The new methodology is based in the “Distance To the Frontier score” which captures the actual distance each economy has to go to reach the frontier of “best performance”, allowing the *Doing Business* to measure the improvements, efforts, reforms and gains in efficiency made by an economy in absolute terms, rather than ranking the economies which by definition are relative in nature. Second, in the last two editions of the report, 8 of the 10 *Doing Business* indicator sets had methodology changes aimed at expanding the areas covered and complementing the emphasis on the efficiency of regulation with a greater emphasis on its quality.

LATIN AMERICA AND THE CARIBBEAN PERSPECTIVE

The *Doing Business* report finds that Latin America and the Caribbean region as a whole has created a better business environment in the past decade. For example, in 2005 a company was created in 75 days at a cost of 56.2% the regional income per capita and it took 83 days to register a property. As the years went by, for example, the majority of the economies in the regions made big improvements in these 3 areas. As a result of these initiatives, in 2015 an entrepreneur can create on average a company in 30 days, at a cost of 31.5% the income per capita and it take almost a month less to register a property. This is the result of numerous reforms implemented in the region, promoting competitiveness through improving the regulatory climate for business.

In the *Doing Business* 2016: Measuring Regulatory Quality and Efficiency, Mexico has the region's highest ranking² (38), followed by Peru (50) and Colombia (54) amongst 189 economies worldwide. Several economies in the region rank among the best in the world in areas measured by *Doing Business*—for example, Colombia in getting credit (2 in the ranking), Puerto Rico in resolving insolvency (7), and Jamaica in starting a business (9).

On average, the region's economies rank best in the areas of Getting Electricity (79) and Getting Credit (87). Getting a new electricity connection takes 65 days on average for an entrepreneur in the region, compared with a global average of 97 days.

This year *Doing Business* recorded 24 reforms in Latin America and the Caribbean. Almost half of the economies implemented at least one reform, making easier to do business. However, at a 47 percent the region reported the lowest share of economies reforming among the world's regions. While the pace of reform activity has slowed, improvements are still being made. In 2004, only eight economies in the region recorded reforms, compared to 15 in the past year.

Many good stories emerge from the region this year. The *Doing Business* 2016 finds that Costa Rica is the world's top improver; For the second year in a row, Costa Rica implemented reforms in the areas of paying taxes and getting electricity, in addition to making getting credit easier this year. Jamaica is also among the global top 10 improvers as it implemented a regional high of four reforms. On starting a business, for instance, Jamaica decreased the time to incorporate a business from 15 to three days. And Mexico implemented two reforms in the areas of getting credit and paying taxes during the past year. The Bahamas, Guatemala and Peru also implemented multiple reforms in the past year.

Furthermore, Caribbean economies continued to make remarkable progress in resolving insolvency, saving viable businesses through reorganization. The previous year, Trinidad and Tobago and St. Kitts and Nevis had modernized their insolvency frameworks. For 2014/2015, Jamaica and St. Vincent and the Grenadines adopted new insolvency laws.

Colombia appears as the country in Latin America and the Caribbean that has reformed the most its business regulation since *Doing Business* started 12 years ago. Amongst several achievements, Colombia reduced from 70 to 11 the number of payments required to file taxes and it has improved access to credit by broadening the range of assets that can be used as collateral.

INSTITUTIONALITY FOR THE ECONOMIC DEVELOPMENT

The areas where Latin America and the Caribbean region can improve the most are registering property and paying taxes. In the latter area, for example, the average time it takes a local entrepreneur to prepare, file and pay taxes is 361 hours, compared to 177 hours in the high-income Organization for Economic Cooperation and Development (OECD) economies.

This year's *Doing Business* report completes a two-year effort to expand benchmarks that measure the quality of regulation, as well as efficiency of the business regulatory framework, in order to better capture

² Chile, which is classified as an OECD high-income economy, is not included in the Latin America and the Caribbean regional averages.

ground realities. On the five indicators that saw changes in this report – dealing with construction permits, getting electricity, enforcing contracts, registering property and trading across borders – Latin America and the Caribbean economies have important room for improvement.

For example, on dealing with construction permits, the new dataset finds that economies in Latin America and the Caribbean are behind the global average when it comes to good practices in construction regulation, quality controls, and safety mechanisms. For enforcing contracts, the new quality of judicial processes index finds that the region has low levels of court automation (specifically in the areas of electronic filing and electronic service of process) and deficiencies in case management, including a general lack of electronic case management techniques.

MEASURING INSTITUTIONALITY

The *Doing Business* data highlight the important role of the government and government policies in the day-to-day life of domestic small and medium-size firms. The report measures institutional regulations and regulatory processes involved in setting up and operating a business by addressing two main factors: First, in indicator sets that primarily measure the efficiency of a transaction or service provided by a government agency (e.g. the land registry for the Registering Property Indicator). And second, the indicator sets measure some aspects of the quality of regulation, aimed at including good practices in the business areas covered by the report. Efficiency and quality of business regulations go hand-in-hand with producing more competitive, viable companies and firms, which we believe are the engine of the economy. The increased emphasis on the quality of regulation, to complement the previous focus on efficiency, is aimed at providing greater clarity between well-designed and badly designed regulations, making it easier to identify where the institutional framework in a particular country is enabling businesses to thrive and where it has the opposite effect.

The *Doing Business* 2016 added more measurements of the quality of institutions supporting the business environment, to better capture realities on the ground. For example in the area of registering property, a new index on the quality of land administration measures the reliability, transparency and geographical coverage of land administration systems. In the area of dealing with construction permits a new index on the quality of building regulation and its control was implemented. In the area of getting electricity, a new index on the reliability of electricity supply and transparency of tariff was introduced. And the enforcing contracts indicator now measures the area of quality of the judicial.

The *Doing Business* following up action to these measurements is mainly driven by regulatory reforms. A well designed and properly implemented regulatory reform agenda, can promote the private sector growth by eliminating bureaucratic obstacles, reducing the cost and time constrains to “do business” and improving the quality of legal institutions. A better regulation is strongly correlated with better perceptions of the quality of the business institutional framework in an economy.

The majority of the new reforms acknowledged in the *Doing Business* 2016 were designed to improve the efficiency of regulations, by reducing their cost and complexity, with the largest number of improvements made in the area of starting a business, which measures how long it takes to obtain a permit for starting a business and its associated processing costs. A total of 45 economies, 33 of which were developing economies, undertook reforms to make it easier for entrepreneurs to start a business. Efforts to strengthen

legal institutions and frameworks were less common, with 66 reforms implemented in 53 economies during the past year. The largest numbers of such reforms were carried out in the area of getting credit, with 32 improvements, of which nearly half were undertaken in Sub-Saharan Africa.

PRIVATE SECTOR PARTICIPATION

Private sector is the cornerstone of the *Doing Business* project. The report focuses on the rules and regulations that can help the private sector thrive, because without a dynamic private sector, no economy can provide a good, and sustainable, standard of living for people. The business environment has an important influence on the development of the private sector. *Doing Business* measures the presence of rules that establish and clarify property rights, minimize the cost of resolving disputes, increase the predictability of economic interactions and provide contractual partners with core protections against abuse.

Doing Business measures aspects of business regulations affecting private sector domestic and medium-size firms. The firms and entrepreneurs described in the *Doing Business* standardized case studies are private sector actors. On the other hand, the reforms measured by the *Doing Business* are based on its impact on the private sector, and the team ensures that the reforms in the areas measured enable the private sector to operate effectively.

As an obvious consequence, the private sector is the natural partner of *Doing Business* project and is very much involved in the construction of the report. Over the past 13 years more than 33,000 professionals, most of them from the private sector, have assisted in providing the data that inform the *Doing Business* indicators. Respondents are professionals who routinely administer or advise on the legal and regulatory requirements in the specific areas covered by *Doing Business*, selected on the basis of their expertise in these areas. Because of the focus on legal and regulatory arrangements, most of the respondents are legal professionals such as lawyers or notaries. In addition, officials of the credit bureau or registry complete the credit information questionnaire. Freight forwarders, accountants, architects, engineers and other professionals answer the questionnaires related to trading across borders, paying taxes and dealing with construction permits.

MEASURING SUB-NATIONAL COMPETITIVENESS

Doing Business also offers detailed subnational reports, which exhaustively cover business regulation and reform in different cities and regions within a nation. These reports provide data on the ease of doing business, rank each location, and recommend reforms to improve performance in each of the indicator areas. Selected cities can compare their business regulations with other cities in the economy or region and with the 189 economies that *Doing Business* has ranked. Understanding local differences in business regulations and their enforcement can promote a better investment climate.

Subnational Doing Business reports have been published in 10 economies in Latin America and the Caribbean including a regional report for the Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama in 2015, Mexico in 2014 (the fifth subnational report of the *Doing Business* series in Mexico), Colombia in 2013 (the third subnational report of the *Doing Business* series in Colombia) and Brazil

in 2006. These reports focused on many areas of local regulations affecting life of a small to medium-size domestic firm, identified differences in local regulations and the enforcement of national regulations at the local level that can enhance or constrain local business activity.

The subnational reports found that interesting factors to take into consideration for the region, for instance, uneven performance across areas reveals opportunities to continue reforming at the local level and to learn from best practices. Likewise, cities that make the most efforts to reach out to peers for knowledge sharing are also the ones with better performance and are more competitive nationally.

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