

Doing Business 2010

Ecuador

COMPARING REGULATION IN 183 ECONOMIES



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1818 H Street NW
Washington, D.C. 20433
Telephone 202-473-1000
Internet www.worldbank.org
E-mail feedback@worldbank.org

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Introduction

Doing Business 2010: Reforming Through Difficult Times is the seventh 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 183 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 2010: Reforming Through Difficult Times* are current as of June 1, 2009*. 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 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and The Caribbean, 27 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.

The following pages present the summary Doing Business indicators for Ecuador. The data used for this country 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 2010: Reforming Through Difficult Times* 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).

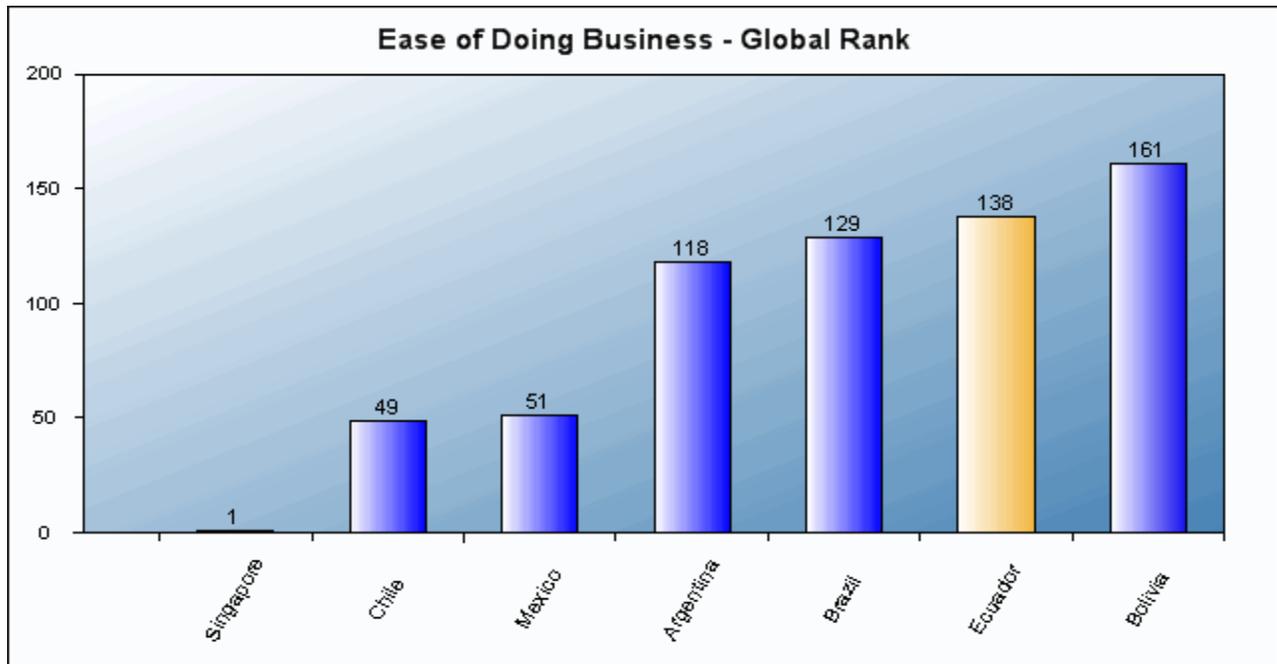
* Except for the Paying Taxes indicator that refers to the period January to December of 2008.

Note: Doing Business 2008 and Doing Business 2009 data and rankings have been recalculated to reflect changes to the methodology and the addition of new countries (in the case of the rankings).

Economy Rankings - Ease of Doing Business

Ecuador is ranked 138 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

Ecuador - Compared to global good practice economy as well as selected economies:



Ecuador's ranking in Doing Business 2010

Rank	Doing Business 2010
Ease of Doing Business	138
Starting a Business	163
Dealing with Construction Permits	86
Employing Workers	160
Registering Property	69
Getting Credit	87
Protecting Investors	132
Paying Taxes	77
Trading Across Borders	125
Enforcing Contracts	101
Closing a Business	134

Summary of Indicators - Ecuador

Starting a Business	Procedures (number)	13
	Time (days)	64
	Cost (% of income per capita)	37.7
	Min. capital (% of income per capita)	10.6
Dealing with Construction Permits	Procedures (number)	19
	Time (days)	155
	Cost (% of income per capita)	230.6
Employing Workers	Difficulty of hiring index (0-100)	44
	Rigidity of hours index (0-100)	40
	Difficulty of redundancy index (0-10)	30
	Rigidity of employment index (0-100)	38
	Redundancy costs (weeks of salary)	135
Registering Property	Procedures (number)	9
	Time (days)	16
	Cost (% of property value)	2.1
Getting Credit	Strength of legal rights index (0-10)	3
	Depth of credit information index (0-6)	5
	Public registry coverage (% of adults)	37.2
	Private bureau coverage (% of adults)	46.0
Protecting Investors	Extent of disclosure index (0-10)	1
	Extent of director liability index (0-10)	5
	Ease of shareholder suits index (0-10)	6
	Strength of investor protection index (0-10)	4.0
Paying Taxes	Payments (number per year)	8
	Time (hours per year)	600
	Profit tax (%)	18.0
	Labor tax and contributions (%)	13.7
	Other taxes (%)	3.3
	Total tax rate (% profit)	34.9

Trading Across Borders	Documents to export (number)	9
	Time to export (days)	20
	Cost to export (US\$ per container)	1345
	Documents to import (number)	7
	Time to import (days)	29
	Cost to import (US\$ per container)	1332
Enforcing Contracts	Procedures (number)	39
	Time (days)	588
	Cost (% of claim)	27.2
Closing a Business	Recovery rate (cents on the dollar)	16.1
	Time (years)	5.3
	Cost (% of estate)	18

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 up the process or may decide to run their businesses informally.

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.

Methodology

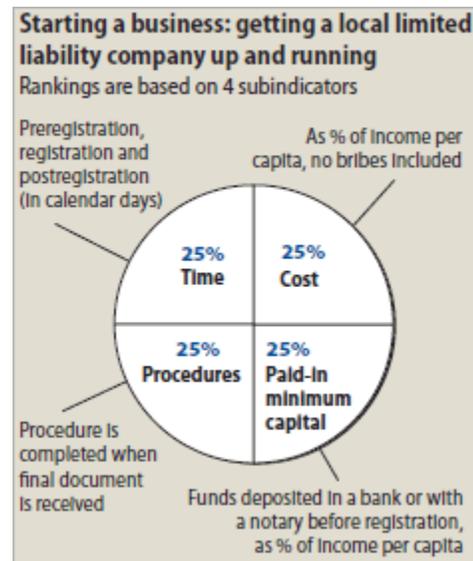
The data on starting a business is based on a survey and research investigating the procedures that a standard small to medium-size company needs to complete to start operations legally. This includes obtaining all necessary permits and licenses and completing all required inscriptions, verifications and notifications with authorities to enable the company to formally operate. 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.

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.

Survey Case Study

The business:

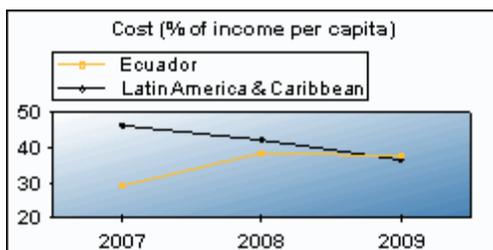
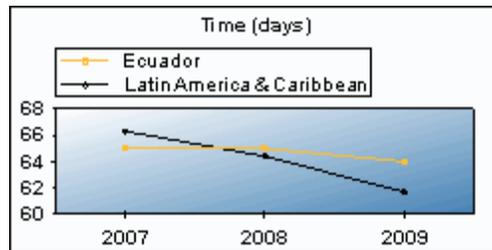
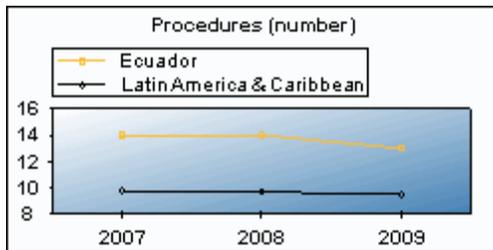
- is a limited liability company conducting general commercial activities
- is located in the largest business city
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has between 10 and 50 employees
- does not qualify for any special benefits
- does not own real estate



1. Historical data: Starting a Business in Ecuador

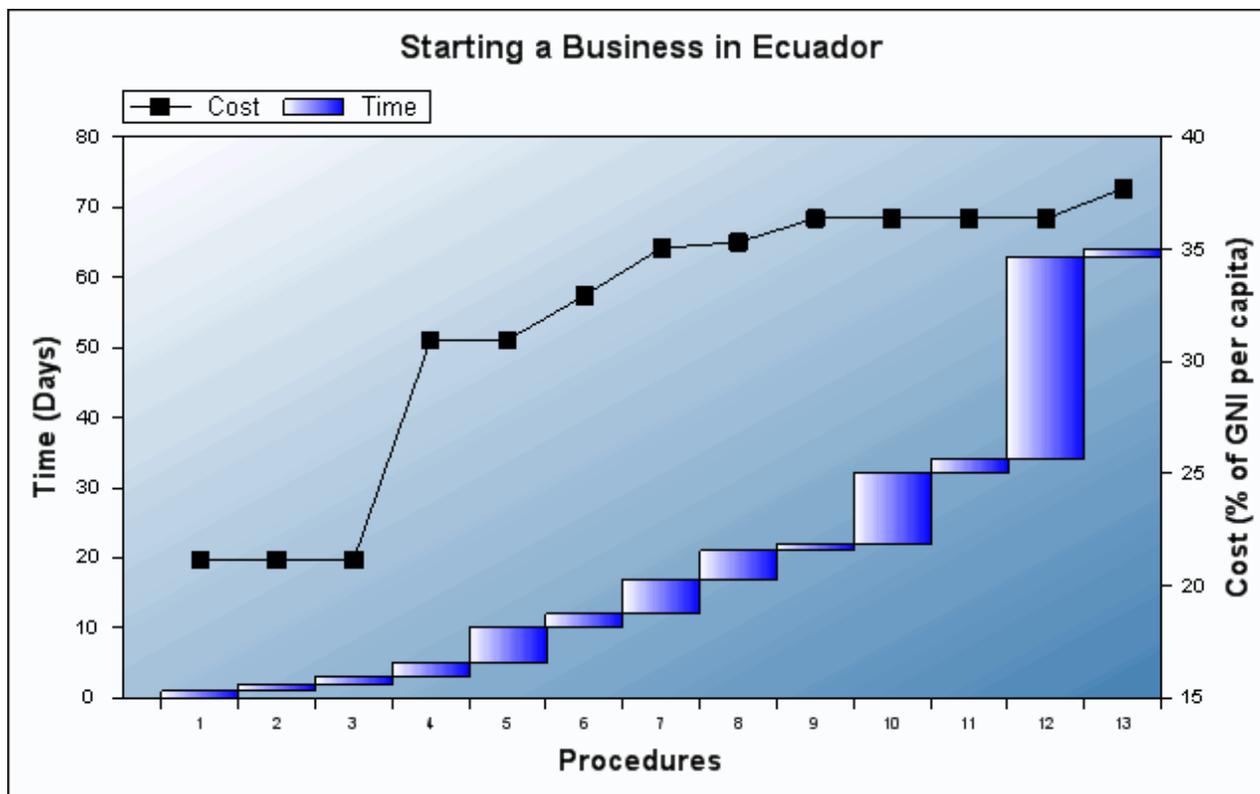
Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	160	163
Procedures (number)	14	14	13
Time (days)	65	65	64
Cost (% of income per capita)	29.2	38.5	37.7
Min. capital (% of income per capita)	14.1	12.7	10.6

2. The following graphs illustrates the Starting a Business indicators in Ecuador over the past 3 years:



3. Steps to Starting a Business in Ecuador

It requires 13 procedures, takes 64 days, and costs 37.70 % GNI per capita to start a business in Ecuador.



List of Procedures:

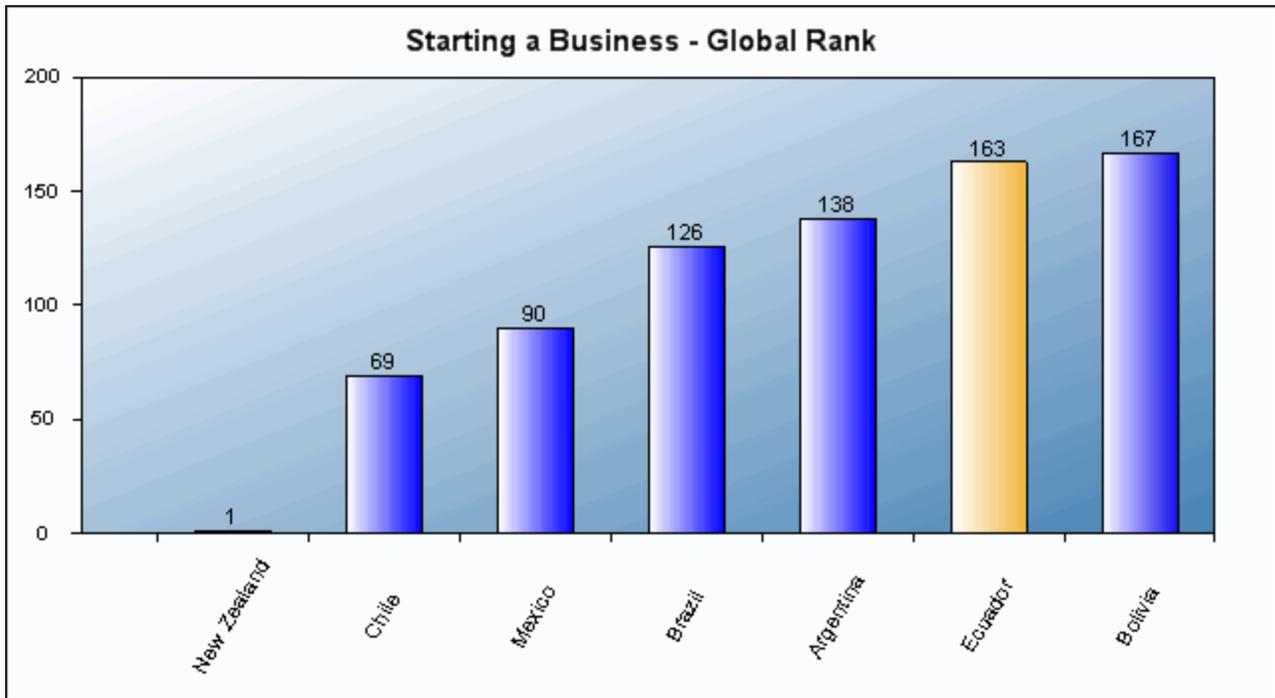
1. Hire a lawyer to prepare the minutes of incorporation
2. Reservation of the company name at the Superintendent of Companies
3. Deposit 50% of paid-in capital in a special account of "completion of capital" (Integración de Capital) in the name of the company being formed
4. Notarize the charter of incorporation and bylaws
5. The lawyer presents the documents (attached with three certified copies of charter and bylaws) to the Superintendent of Companies for the approval of the constitution of the company
6. Publish an abstract of the charter in a daily newspaper that circulates in the area in which the company operates
7. The general stockholder's meeting inscribes the charter and resolutions in the Mercantile Registry; register the names of the legal representatives in the Mercantile Registry
8. Apply for the Registro Unico de Contribuyentes (RUC)
9. Print invoices and VAT forms at an authorized printing shop
10. Sign up for Instituto Ecuatoriano de Seguridad Social (IESS, social security institute) to get employer's identification number and obtain approval of payroll forms at IESS
11. Inscribe all employee contracts with the Ministry of Labor (Inspectoría de Trabajo)
12. Inspection from the municipality
13. Obtain a "tasa municipal de habilitación" and a commercial patent from the competent municipality

More detail is included in the appendix.

4. Benchmarking Starting a Business Regulations:

Ecuador is ranked 163 overall for Starting a Business.

Ranking of Ecuador in Starting a Business - Compared to good practice and selected economies:



The following table shows Starting a Business data for Ecuador compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)	Min. capital (% of income per capita)
Denmark*			0.0	
New Zealand*	1	1		0.0

<i>Selected Economy</i>				
Ecuador	13	64	37.7	10.6

<i>Comparator Economies</i>				
Argentina	15	27	11.0	2.9
Bolivia	15	50	99.2	2.5
Brazil	16	120	6.9	0.0
Chile	9	27	6.9	0.0
Mexico	8	13	11.7	8.9

* The following economies are also good practice economies for :

Procedures (number): **Canada**

Cost (% of income per capita): **Slovenia**

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. 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. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

Methodology

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.

Survey Case Study

The business:

- is a small to medium-size limited liability company
- is located in the largest business city
- is domestically owned and operated, in the construction business
- has 20 qualified employees

The warehouse to be built:

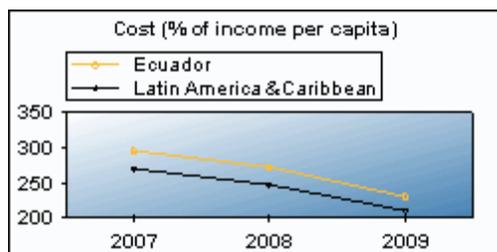
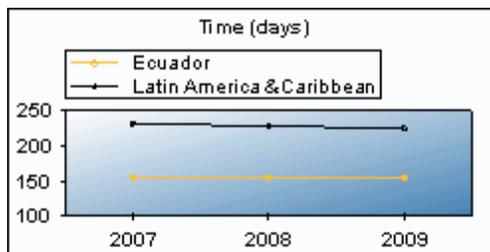
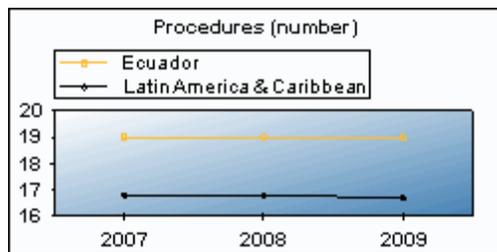
- is a new construction (there was no previous construction on the land)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and one land phone line. The connection to each 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).



1. Historical data: Dealing with Construction Permits in Ecuador

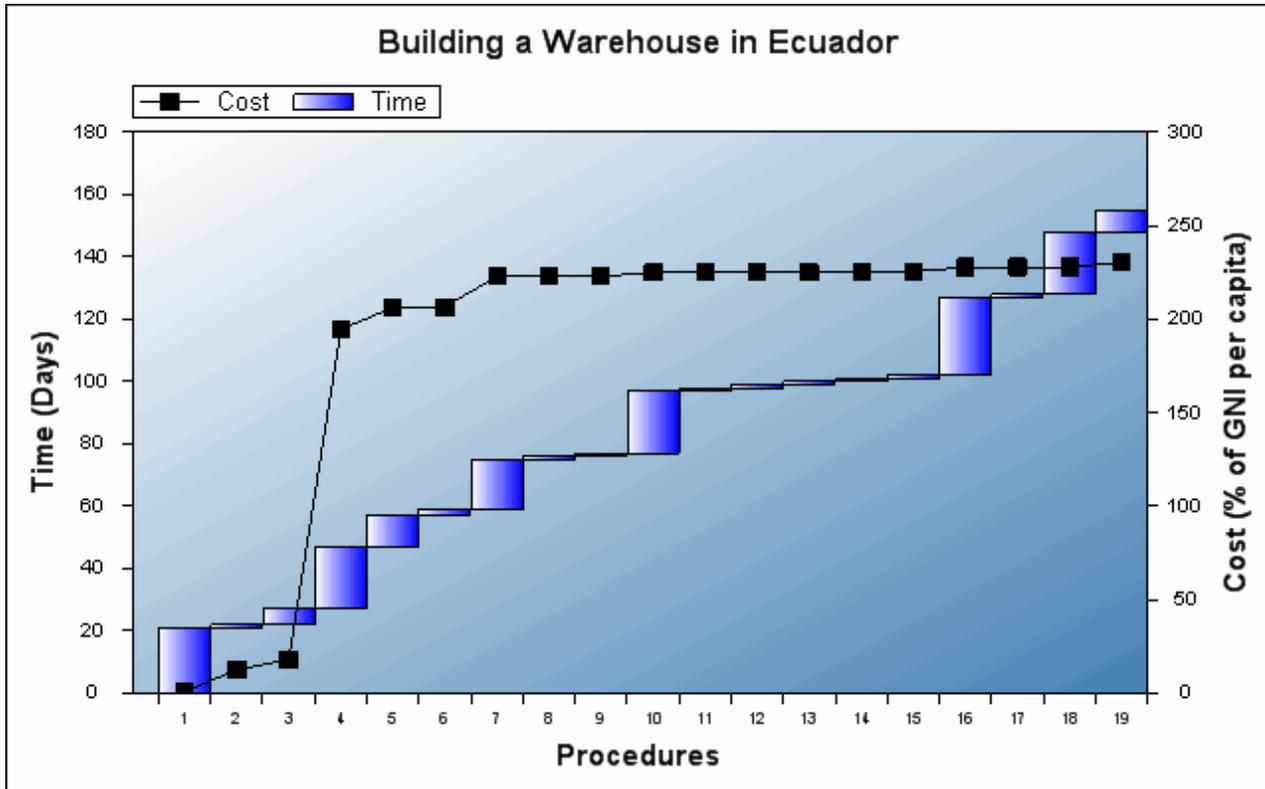
Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	85	86
Procedures (number)	19	19	19
Time (days)	155	155	155
Cost (% of income per capita)	295.8	272.7	230.6

2. The following graphs illustrates the Dealing with Construction Permits indicators in Ecuador over the past 3 years:



3. Steps to Building a Warehouse in Ecuador

It requires 19 procedures, takes 155 days, and costs 230.56 % GNI per capita to build a warehouse in Ecuador.



List of Procedures:

- | | |
|--|---|
| 1. Obtain Urban Regulation Report (Informe de Regulación Urbana - IRM) | 11. Request potable water and drainage hook-up |
| 2. Obtain proof of compliance with 1/1000 contribution to Professional Association of Architects | 12. Receive water and sewage inspection |
| 3. Request and obtain permit from the Fire Department | 13. Obtain potable water and drainage hook-up |
| 4. Request approval for the plans | 14. Request electric power service hook-up from Empresa Electrica Quito (EEQ) |
| 5. Verify structure plan with Professional Association of Engineers | 15. Receive inspection by Empresa Electrica Quito (EEQ) |
| 6. Obtain construction guarantee and deposit it afterwards with the Municipality | 16. Obtain electric power service |
| 7. Obtain the final building permit | 17. Request and obtain final inspection |
| 8. Request and obtain foundation inspection | 18. Obtain habitability permit and guarantee retrieval |
| 9. Request and obtain structure inspection | 19. Register the building at the Property Registry |
| 10. Request and obtain telephone connection | |

More detail is included in the appendix.

4. Benchmarking Dealing with Construction Permits Regulations:

Ecuador is ranked 86 overall for Dealing with Construction Permits.

Ranking of Ecuador in Dealing with Construction Permits - Compared to good practice and selected economies:



The following table shows Dealing with Construction Permits data for Ecuador compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)
Denmark	6		
Qatar			0.6
Singapore		25	

<i>Selected Economy</i>			
Ecuador	19	155	230.6

<i>Comparator Economies</i>			
Argentina	28	338	145.1
Bolivia	17	249	107.4
Brazil	18	411	50.6
Chile	18	155	97.8
Mexico	12	138	113.1

Employing Workers

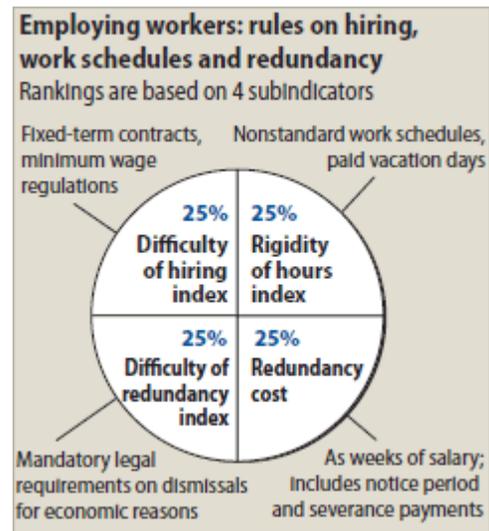
Economies worldwide have established a system of laws and institutions intended to protect workers and guarantee a minimum standard of living for its population. This system generally encompasses four bodies of law: employment, industrial relations, social security and occupational health and safety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

Employment regulations are needed to allow efficient contracting between employers and workers and to protect workers from discriminatory or unfair treatment by employers. 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.

Methodology

Two measures are presented: a rigidity of employment index and a redundancy cost measure. The rigidity of employment index is the average of three sub-indices: difficulty of hiring, rigidity of hours and difficulty of redundancy. 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 taking into account legal provisions that refer specifically to small to medium-size companies in the manufacturing industry in which continuous operation is economically necessary, as well as mandated days of annual leave with pay. The difficulty of redundancy 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 Redundancy cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary.

Survey Case Study

The business:

- is a limited liability company operating in the manufacturing sector
- is located in the largest business city
- is 100% domestically owned
- has 60 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.

1. Historical data: Employing Workers in Ecuador

Employing Workers data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	164	160
Redundancy costs (weeks of salary)	135	135	135
Rigidity of employment index (0-100)	38	42	38

2. The following graphs illustrates the Employing Workers indicators in Ecuador over the past 3 years:



3. Benchmarking Employing Workers Regulations:

Ecuador is ranked 160 overall for Employing Workers.

Ranking of Ecuador in Employing Workers - Compared to good practice and selected economies:



The following table shows Employing Workers data for Ecuador compared to good practice and comparator economies:

Good Practice Economies	Rigidity of employment index (0-100)	Redundancy costs (weeks of salary)
Hong Kong, China*	0	
New Zealand*		0

<i>Selected Economy</i>		
Ecuador	38	135

<i>Comparator Economies</i>		
Argentina	21	95
Bolivia	77	not possible
Brazil	46	46
Chile	18	52
Mexico	41	52

* *The following economies are also good practice economies for :*

Rigidity of employment index (0-100): Australia, Brunei Darussalam, Kuwait, Marshall Islands, Singapore, St. Lucia, Uganda, United States

Redundancy costs (weeks of salary): Denmark, Iraq, Marshall Islands, Micronesia, Fed. Sts., Palau, Puerto Rico, Tonga, United States

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.

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.

Methodology

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)

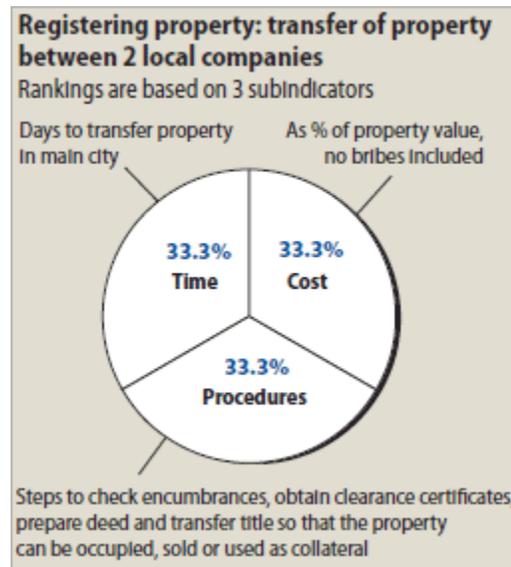
Survey Case Study

The buyer and seller:

- are limited liability companies
- are private nationals (no foreign ownership)
- are located in periurban area of the largest business city
- conduct general commercial activities

The property:

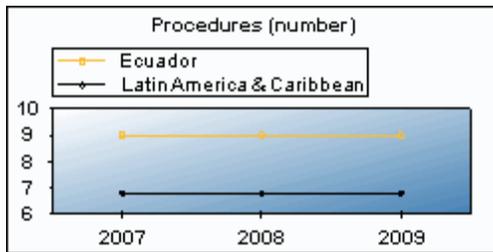
- consists of land and a 2-story building (warehouse)
- is located in the periurban commercial zone of the largest business city
- The land area is 557.4 m² (6,000 square feet).
- The warehouse has a total area of 929 m² (10,000 square feet).
- has a value equal to 50 times income per capita
- The seller company owned the property for the last 10 years.
- is registered in the land registry and/or cadastre and is free of all disputes.



1. Historical data: Registering Property in Ecuador

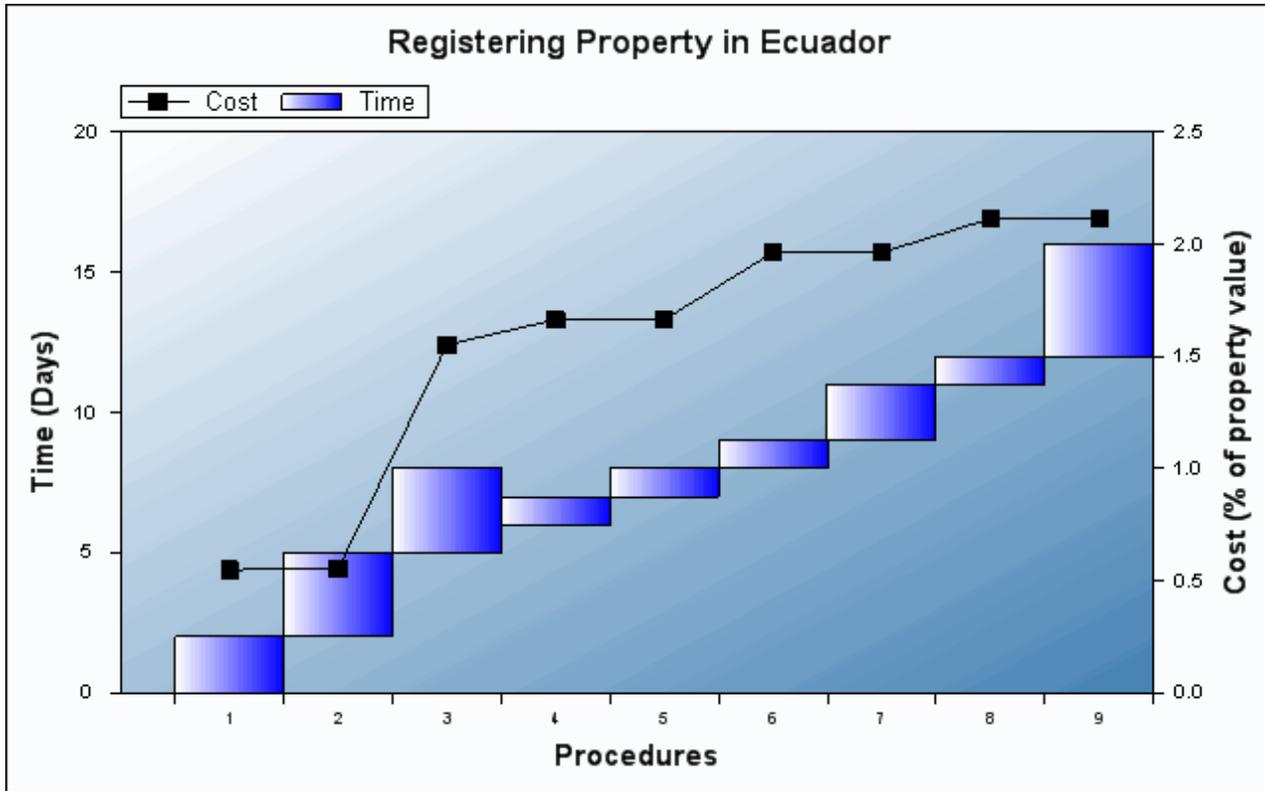
Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	65	69
Procedures (number)	9	9	9
Time (days)	16	16	16
Cost (% of property value)	3.0	2.2	2.1

2. The following graphs illustrates the Registering Property indicators in Ecuador over the past 3 years:



3. Steps to Registering Property in Ecuador

It requires 9 procedures, takes 16 days, and costs 2.12 % of property value to register the property in Ecuador.



List of Procedures:

1. Lawyer prepares the contract
2. Obtain a non-encumbrance certificate (“Certificado de gravámenes”) from the Property Registry
3. Pay various taxes at the Municipality
4. Pay additional taxes at the Province Council (Consejo Provincial)
5. Pick-up the municipal permit-letter at the Municipality
6. Notary notarizes the public deed
7. Conduct a general check at the Property Registry
8. Pay registration fee at the Property Registry
9. Obtain notice of registration from the Property Registry

More detail is included in the appendix.

4. Benchmarking Registering Property Regulations:

Ecuador is ranked 69 overall for Registering Property.

Ranking of Ecuador in Registering Property - Compared to good practice and selected economies:



The following table shows Registering Property data for Ecuador compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of property value)
New Zealand*		2	
Norway*	1		
Saudi Arabia			0.0

<i>Selected Economy</i>			
Ecuador	9	16	2.1

<i>Comparator Economies</i>			
Argentina	6	52	7.0
Bolivia	7	92	4.8
Brazil	14	42	2.7
Chile	6	31	1.3
Mexico	5	74	5.2

* The following economies are also good practice economies for :

Procedures (number): United Arab Emirates

Time (days): Saudi Arabia, Thailand, United Arab Emirates

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. They also free entrepreneurs from having to rely on personal connections alone when trying to obtain credit.

Methodology

Credit information: three indicators are constructed

- 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

Legal Rights: the strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders. Ten points are analyzed:

- Can a business use movable assets as collateral while keeping possession of the assets, and can any financial institution accept such assets as collateral?
- Does the law allow 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?
- Does the law allow a business to grant a non-possessory security right in substantially all of its assets, without requiring a specific description of the secured assets?
- Can a security right extend to future or after-acquired assets and extend automatically to the products, proceeds or replacements of the original assets?
- Is general description of debts and obligations 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?
- Is a collateral registry in operation that is unified geographically and by asset type as well as being indexed by the name of the grantor of a security right?
- Are secured creditors paid first when a debtor defaults outside an insolvency procedure or when a business is liquidated?
- Are secured creditors subject to an automatic stay or moratorium on enforcement procedures when a debtor enters a court-supervised reorganization procedure?
- Are parties allowed to agree in a collateral agreement that the lender may enforce its security right out of court?

Legal Rights Survey Case Study

The Debtor:

- is a Private Limited Liability Company
- has its headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both debtor and creditor are 100% domestically owned.

Getting credit: collateral rules and credit information

Rankings are based on 2 subindicators

Regulations on nonpossessory security interests in movable property

62.5%
Strength of legal rights index
(0-10)

37.5%
Depth of credit information index
(0-6)

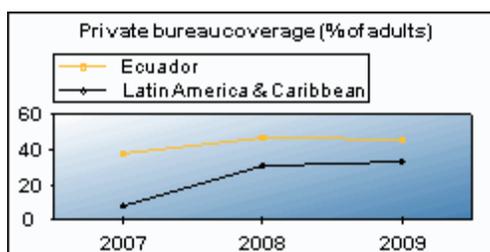
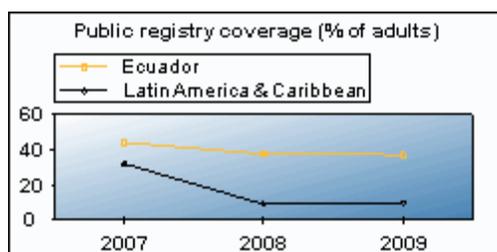
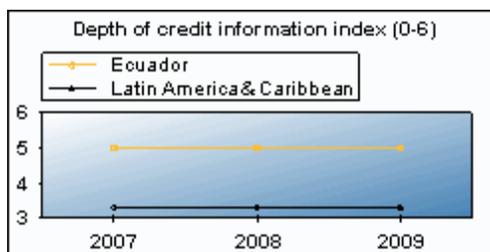
Scope, quality and accessibility of credit information through public and private credit registries

Note: Private bureau coverage and public registry coverage are measured but do not count for the rankings.

1. Historical data: Getting Credit in Ecuador

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	84	87
Strength of legal rights index (0-10)	3	3	3
Depth of credit information index (0-6)	5	5	5
Private bureau coverage (% of adults)	37.9	46.8	46.0
Public registry coverage (% of adults)	44.1	37.7	37.2

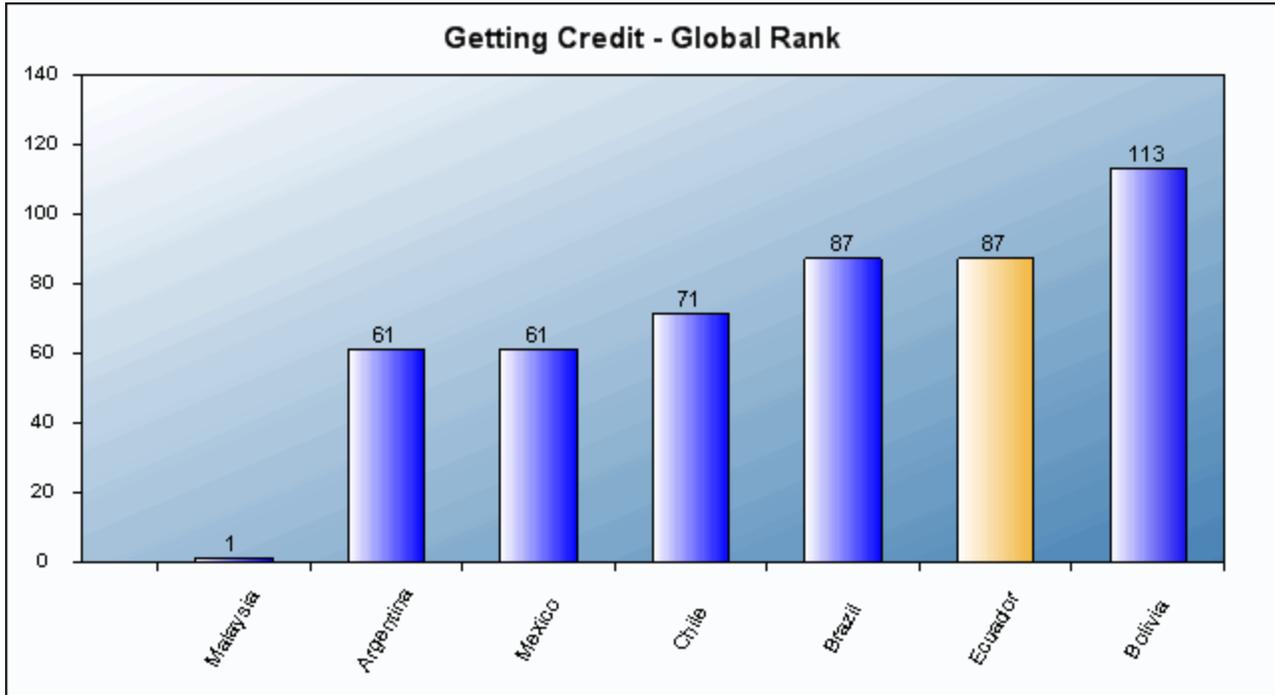
2. The following graphs illustrates the Getting Credit indicators in Ecuador over the past 3 years:



3. Benchmarking Getting Credit Regulations:

Ecuador is ranked 87 overall for Getting Credit.

Ranking of Ecuador in Getting Credit - Compared to good practice and selected economies:



The following table shows Getting Credit data for Ecuador compared to good practice and comparator economies:

Good Practice Economies	Strength of legal rights index (0-10)	Depth of credit information index (0-6)	Public registry coverage (% of adults)	Private bureau coverage (% of adults)
New Zealand*				100.0
Portugal			81.3	
Singapore*	10			
United Kingdom		6		

<i>Selected Economy</i>				
Ecuador	3	5	37.2	46.0

<i>Comparator Economies</i>				
Argentina	4	6	34.3	100.0
Bolivia	1	6	11.6	33.9
Brazil	3	5	23.7	59.2
Chile	4	5	32.9	33.9
Mexico	4	6	0.0	77.5

* The following economies are also good practice economies for :

Strength of legal rights index (0-10): Hong Kong, China, Kenya, Kyrgyz Republic, Malaysia

Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States

27 countries have the highest credit information index.

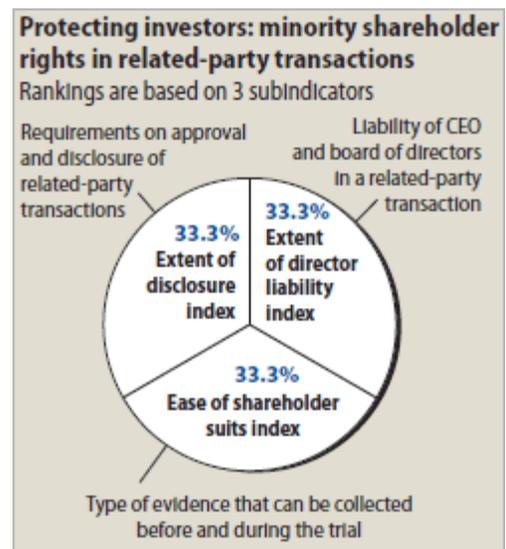
Protecting Investors

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. However, 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.

Methodology

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. 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 three indices are:

- 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.

Survey case study

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:

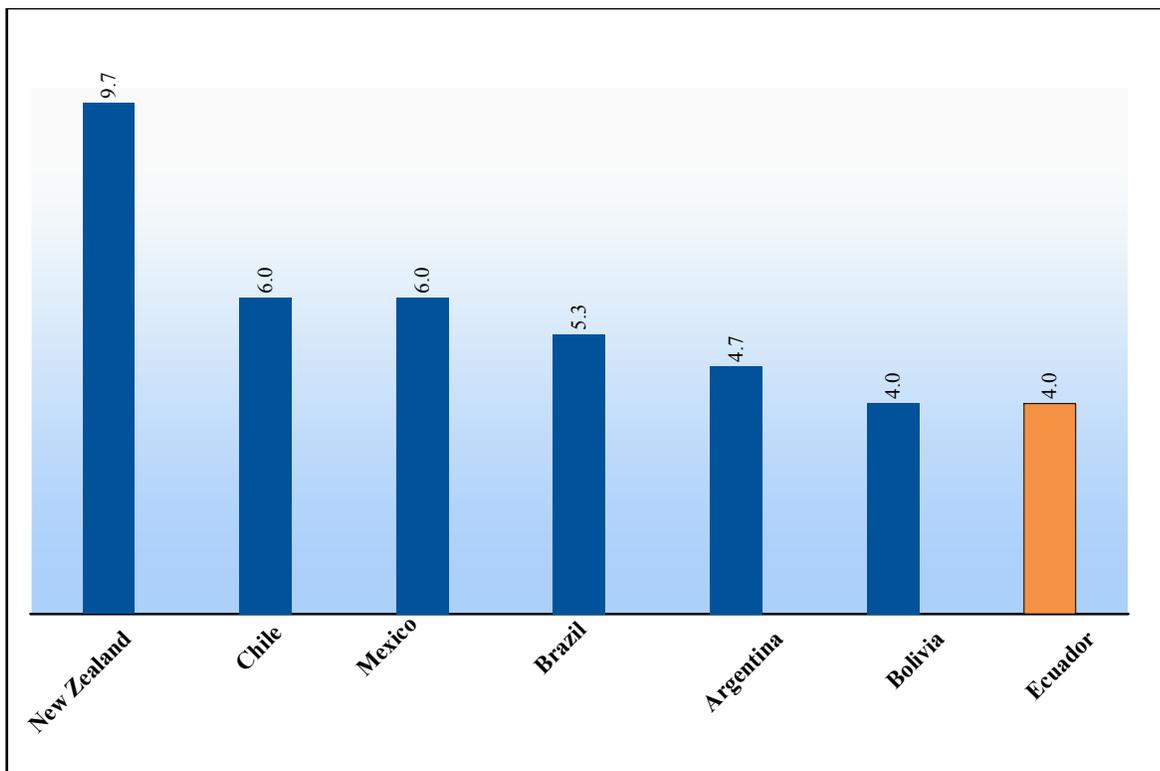
- Who approves the transaction?
- What information must be disclosed?
- What company documents can investors access?
- What do minority shareholders have to prove to get the transaction stopped or to receive compensation from Mr. James?

*Doidge, Kardy and Stulz (2007)

1. Historical data: Protecting Investors in Ecuador

Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	127	132
Strength of investor protection index (0-10)	4.0	4.0	4.0

2. The following graph illustrates the Protecting Investors index in Ecuador compared to best practice and selected Economies:

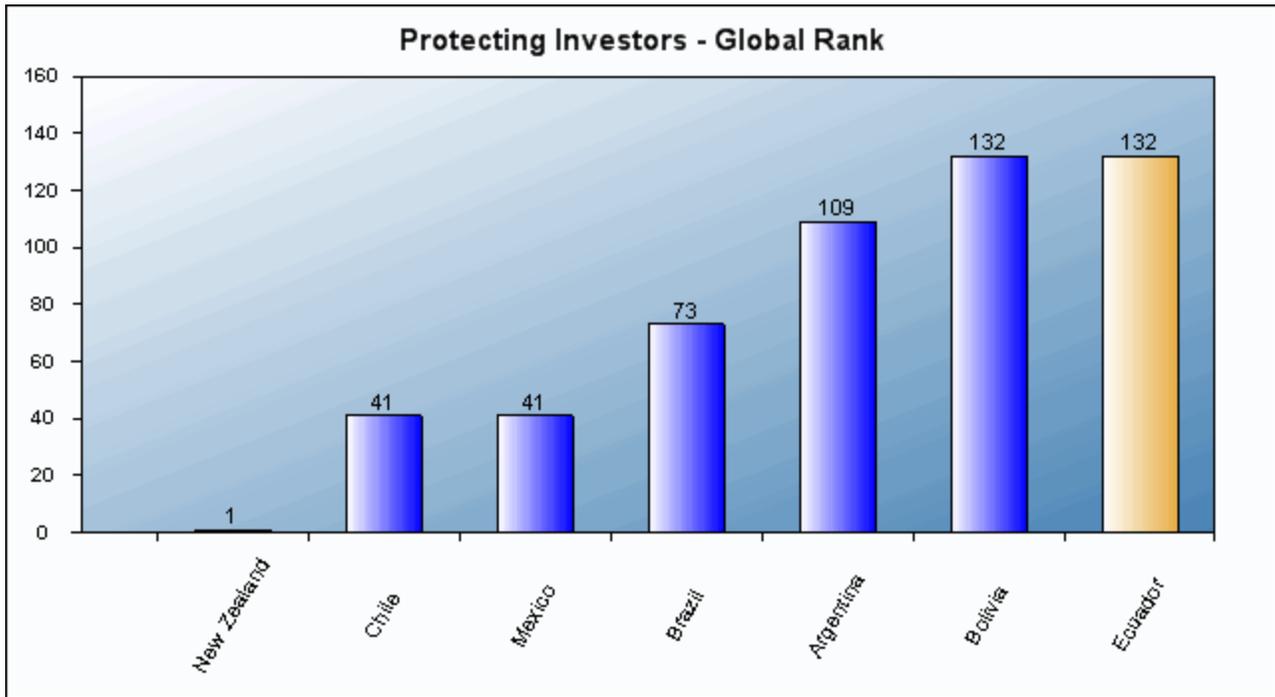


Note: The higher the score, the greater the investor protection.

3. Benchmarking Protecting Investors Regulations:

Ecuador is ranked 132 overall for Protecting Investors.

Ranking of Ecuador in Protecting Investors - Compared to good practice and selected economies:



The following table shows Protecting Investors data for Ecuador compared to good practice and comparator economies:

Good Practice Economies	Strength of investor protection index (0-10)
New Zealand	9.7

<i>Selected Economy</i>	
Ecuador	4.0

<i>Comparator Economies</i>	
Argentina	4.7
Bolivia	4.0
Brazil	5.3
Chile	6.0
Mexico	6.0

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.

Methodology

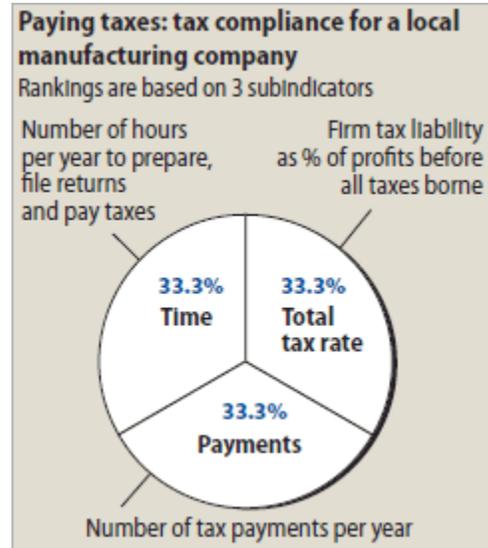
The Doing Business tax survey records the effective tax that a small and medium company must pay and the administrative costs of doing so.

Three indicators are constructed:

- number of tax payments, which takes in to 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.

Survey case study

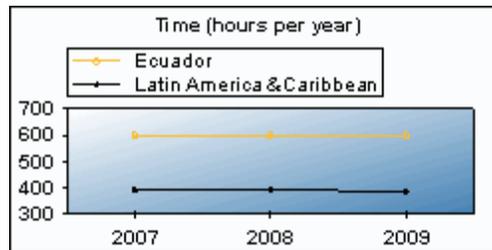
- TaxpayerCo is a medium-size business that started operations last year. Doing Business asks tax practitioners in 183 economies to review TaxpayerCo's financial statements and a standard list of transactions that the company completed during the year. Respondents are asked how much in taxes and mandatory 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.



1. Historical data: Paying Taxes in Ecuador

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	69	77
Total tax rate (% profit)	35.3	34.9	34.9
Payments (number per year)	8	8	8
Time (hours per year)	600	600	600

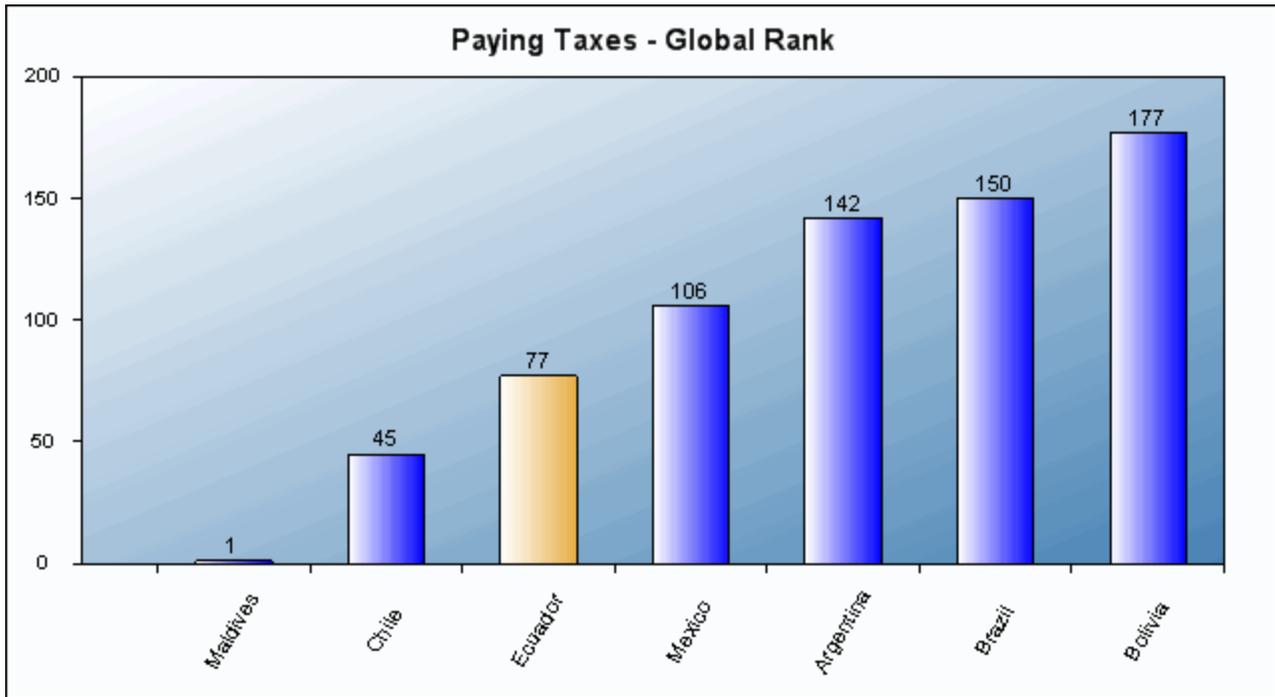
2. The following graphs illustrates the Paying Taxes indicators in Ecuador over the past 3 years:



3. Benchmarking Paying Taxes Regulations:

Ecuador is ranked 77 overall for Paying Taxes.

Ranking of Ecuador in Paying Taxes - Compared to good practice and selected economies:



The following table shows Paying Taxes data for Ecuador compared to good practice and comparator economies:

Good Practice Economies	Payments (number per year)	Time (hours per year)	Total tax rate (% profit)
Maldives*	1	0	
Timor-Leste			0.2

<i>Selected Economy</i>			
Ecuador	8	600	34.9

<i>Comparator Economies</i>			
Argentina	9	453	108.1
Bolivia	42	1080	80.0
Brazil	10	2600	69.2
Chile	10	316	25.3
Mexico	6	517	51.0

* The following economies are also good practice economies for :

Payments (number per year): Qatar

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.

Methodology

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.

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.

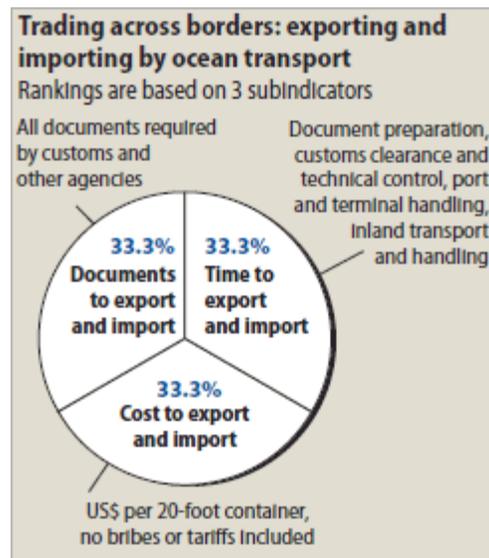
All the fees associated with completing the procedures to export or import the goods are included, such as costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include tariffs or duties.

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.

Survey case study

To make the data comparable across countries, several assumptions about the business and the traded goods are used:

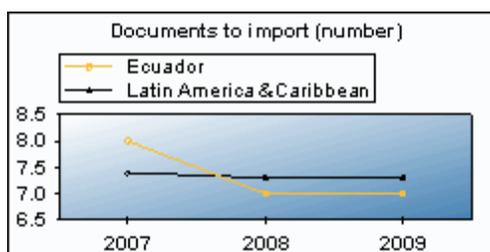
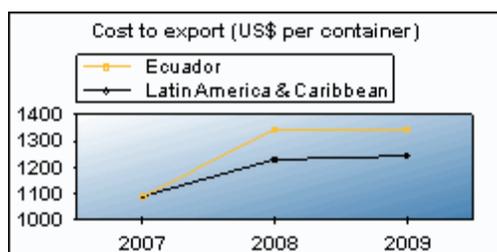
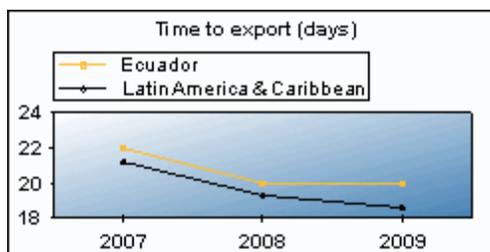
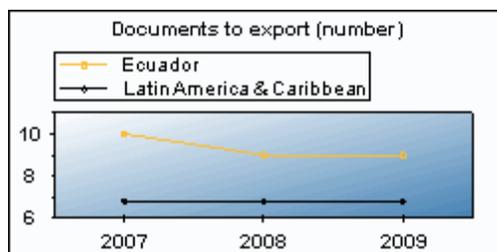
- The business is of medium size.
- The business employs 60 people.
- The business is located in the peri-urban area of the economy's largest business city.
- The business is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the economy.
- The traded goods are ordinary, legally manufactured products transported in a dry-cargo, 20-foot FCL (full container load) container.

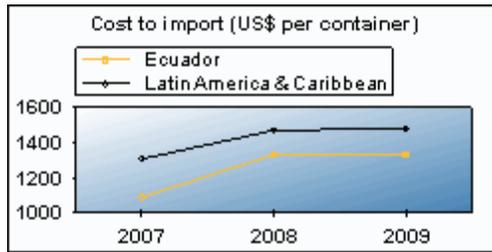
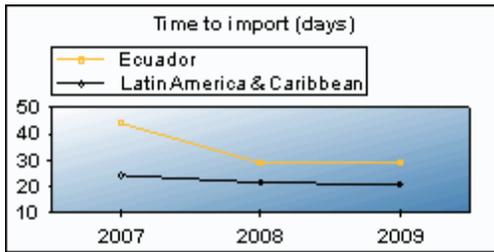


1. Historical data: Trading Across Borders in Ecuador

Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	125	125
Cost to export (US\$ per container)	1090	1345	1345
Cost to import (US\$ per container)	1090	1332	1332
Documents to export (number)	10	9	9
Documents to import (number)	8	7	7
Time to export (days)	22	20	20
Time to import (days)	44	29	29

2. The following graphs illustrates the Trading Across Borders indicators in Ecuador over the past 3 years:

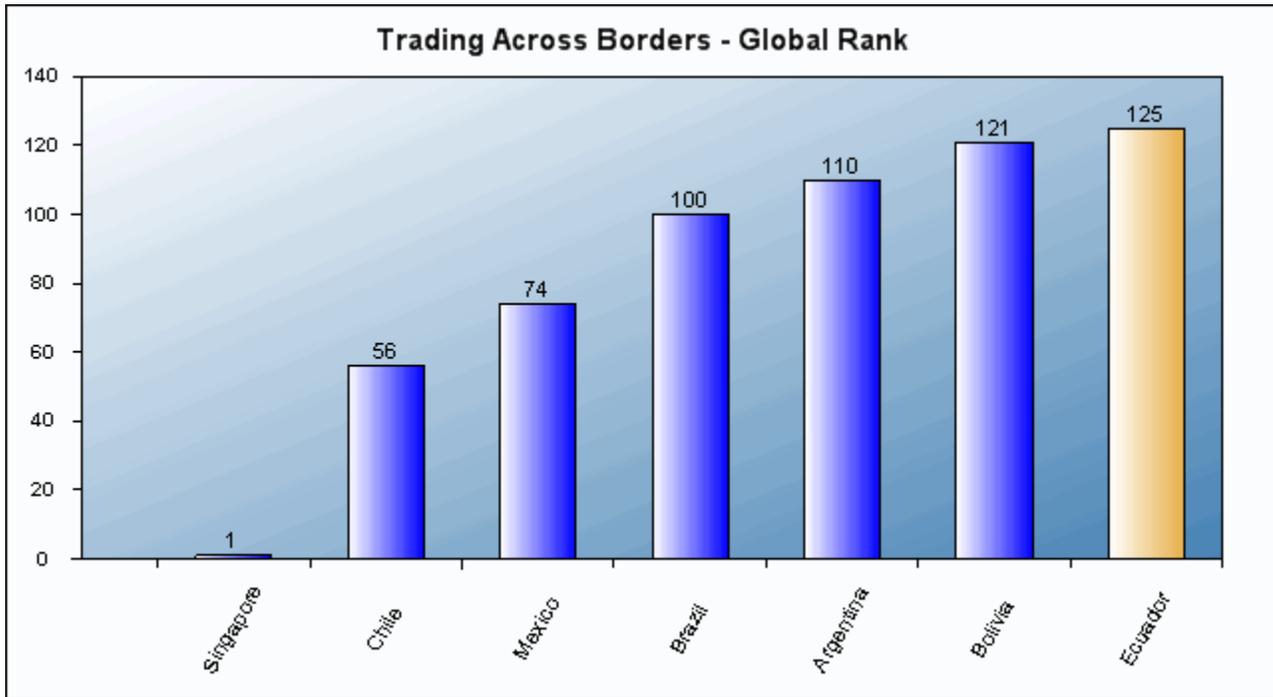




3. Benchmarking Trading Across Borders Regulations:

Ecuador is ranked 125 overall for Trading Across Borders.

Ranking of Ecuador in Trading Across Borders - Compared to good practice and selected economies:



The following table shows Trading Across Borders data for Ecuador compared to good practice and comparator economies:

Good Practice Economies	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
Denmark*		5				
France	2			2		
Malaysia			450			
Singapore					3	439

<i>Selected Economy</i>						
Ecuador	9	20	1345	7	29	1332

<i>Comparator Economies</i>						
Argentina	9	13	1480	7	16	1810
Bolivia	8	19	1425	7	23	1747
Brazil	8	12	1540	7	16	1440
Chile	6	21	745	7	21	795
Mexico	5	14	1472	5	17	2050

* The following economies are also good practice economies for :

Time to export (days): Estonia

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).

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.

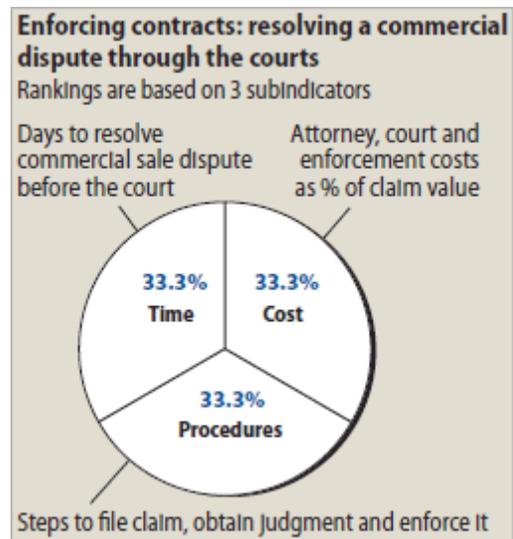
Methodology

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.

Survey case Study

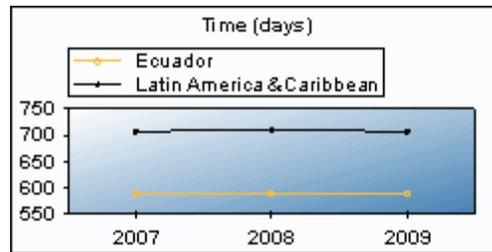
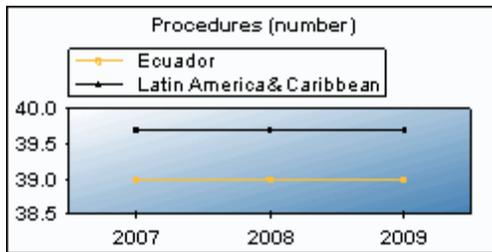
- The dispute concerns a contract for the sale of goods between two businesses (the Seller and the Buyer).
- Both are located in the economy's largest business city.
- The Seller sells and delivers goods, worth 200% of the economy's income per capita, to the Buyer. The Buyer refuses to pay on the grounds 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.
- The Seller enforces the judgment and the money is successfully collected through a public sale of Buyer's assets.



1. Historical data: Enforcing Contracts in Ecuador

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	101	101
Procedures (number)	39	39	39
Time (days)	588	588	588
Cost (% of claim)	27.2	27.2	27.2

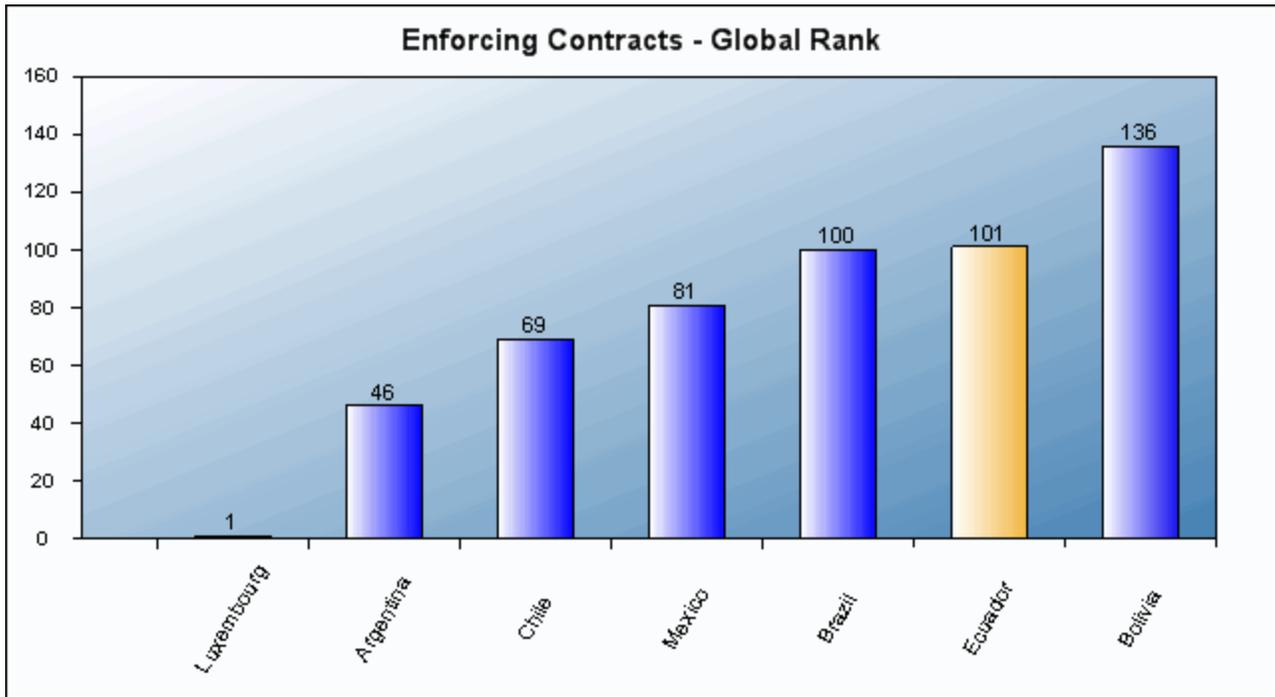
2. The following graphs illustrates the Enforcing Contracts indicators in Ecuador over the past 3 years:



3. Benchmarking Enforcing Contracts Regulations:

Ecuador is ranked 101 overall for Enforcing Contracts.

Ranking of Ecuador in Enforcing Contracts - Compared to good practice and selected economies:



The following table shows Enforcing Contracts data for Ecuador compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of claim)
Bhutan			0.1
Ireland	20		
Singapore		150	

<i>Selected Economy</i>			
Ecuador	39	588	27.2

<i>Comparator Economies</i>			
Argentina	36	590	16.5
Bolivia	40	591	33.2
Brazil	45	616	16.5
Chile	36	480	28.6
Mexico	38	415	32.0

Closing a 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.

Bottlenecks in bankruptcy cut into the amount claimants can recover. In countries where bankruptcy laws are inefficient, 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.

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.

Methodology

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.

Survey case study

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:

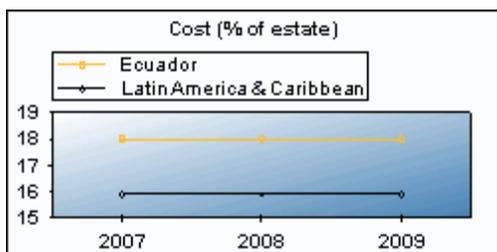
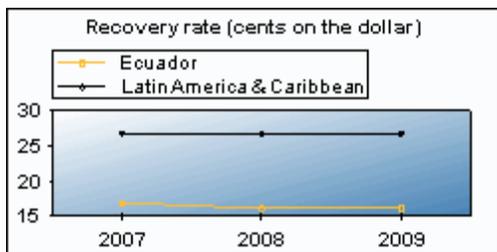
- the company is a domestically owned
- the company is a limited liability corporation operating a hotel in the country's largest business city
- the company has 201 employees, 1 main secured creditor and 50 unsecured creditors
- Assumptions are also made about the future cash flows.
- The case is designed 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.



1. Historical data: Closing Business in Ecuador

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	133	134
Time (years)	5.3	5.3	5.3
Cost (% of estate)	18	18	18
Recovery rate (cents on the dollar)	16.9	16.1	16.1

2. The following graphs illustrates the Closing Business indicators in Ecuador over the past 3 years:



3. Benchmarking Closing Business Regulations:

Ecuador is ranked 134 overall for Closing a Business.

Ranking of Ecuador in Closing Business - Compared to good practice and selected economies:



The following table shows Closing Business data for Ecuador compared to good practice and comparator economies:

Good Practice Economies	Recovery rate (cents on the dollar)	Time (years)	Cost (% of estate)
Ireland		0.4	
Japan	92.5		
Singapore*			1

<i>Selected Economy</i>			
Ecuador	16.1	5.3	18

<i>Comparator Economies</i>			
Argentina	29.8	2.8	12
Bolivia	37.3	1.8	15
Brazil	17.1	4.0	12
Chile	21.3	4.5	15
Mexico	64.2	1.8	18

* The following economies are also good practice economies for :

Cost (% of estate): Colombia, Kuwait, Norway

Doing Business 2010 Reforms

Number of reforms in Doing Business 2010

Rank	Economy	 Positive Reform  Negative Reform									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	
1	Rwanda	✓		✓	✓	✓	✓		✓	✓	7
2	Kyrgyz Republic	✓	✓	✓	✓	✓		✓	✓		7
3	Macedonia, FYR	✓	✓	✓	✓	✓	✓	✓			7
4	Belarus	✓	✓	✓	✓			✓	✓		6
5	United Arab Emirates	✓	✓					✓	✓		3
6	Moldova	✓			✓			✓			3
7	Colombia	✓	✓		✓	✓	✓	✓	✓	✓	8
8	Tajikistan	✓	✓		✗	✓	✓			✓	5
9	Egypt, Arab Rep.	✓	✓			✓			✓		4
10	Liberia	✓	✓					✓			3
	Ecuador										
	Bolivia										
	Chile										
	Argentina	✓			✗						1
	Brazil	✓									1
	Mexico	✓						✓			2

Note: Economies are ranked on the number and impact of reforms, Doing Business selects the economies that reformed in 3 or more of the Doing Business topics. Second, it ranks these economies on the increase in rank in Ease of Doing Business from the previous year. The larger the improvement, the higher the ranking as a reformer.

Argentina	Argentina made it more difficult to register property by requiring declarations for all transactions over AR\$300,000. Business start-up was eased with an expedited publication process.
Belarus	Belarus eased the process for getting construction permits by simplifying approval processes. Restrictions relating to redundancy dismissals were eased by raising the threshold for prior notification requirements. Tax payments were made more convenient through increased use of electronic systems—reducing tax compliance times—while lower ecological and turnover tax rates and a reduction in the number of payments for property tax reduced the tax burden on businesses. Property registration continues to improve, with faster processing and elimination of the requirement for notarization. Business start-up was eased by simplifying registration formalities, abolishing the minimum capital requirement, limiting the role of notaries, and removing the need for a company seal approval. Implementation of a risk-based management system and improvement of border crossing operations reduced transit times for trade.
Bolivia	In Bolivia no major reform was recorded.
Brazil	Brazil eased the process of starting a business by removing the requirement to obtain a fire brigade license and inspection before obtaining an operational license from a municipality.
Chile	In Chile no major reform was recorded.
Colombia	Colombia passed several decrees continuing its efforts to regulate the profession of insolvency administrators. The government eased the construction permit process with a new construction decree that categorizes building projects based on risk and allows electronic verification for certain documents. Access to credit improved thanks to a new credit information law that guarantees the right of borrowers to inspect their own data and new rules that make it mandatory for credit providers to consult and share information with credit bureaus. The tax burden on businesses was eased with the introduction of electronic tax filing and payment, and some payments were reduced. An amendment to the Company Law strengthened investor protections by making it easier to sue directors in cases of prejudicial transactions between interested parties. Property registration was made easier by making it possible to obtain required certificates online and by making standard preliminary sale agreements available free of charge. Business start-up was made easier by creating a public-private health provider that enables faster affiliation of employees and through a tool that allows online pre-enrollment with the social security office. Implementation of an electronic declaration system has expedited customs clearance.
Ecuador	In Ecuador no major reform was recorded.
Egypt, Arab Rep.	The Arab Republic of Egypt, a former global leading reformer and a regional leading reformer in 2008/09, continued to make it easier to deal with construction permits by issuing executive articles for the 2008 construction law and eliminating most preapprovals for construction permits. Contract enforcement was expedited with the creation of commercial courts. Access to credit information has expanded with the addition of retailers to the database of the private credit bureau. Finally, company start-up was eased by the removal of the minimum capital requirement.
Kyrgyz Republic	The Kyrgyz Republic eased the process for getting construction permits by streamlining the fee structure, introducing a risk-based system of approval and building control, allowing low-risk projects to conduct an internal building control process, and simplifying the process for obtaining utility connections. Requirements relating to redundancy dismissals and worker reassignment were eased. Access to credit was enhanced by making secured lending more flexible and allowing general descriptions of encumbered assets and of debts and obligations. In addition, amendments to the Civil Code provide for automatic extension of security rights to proceeds of the original assets. The tax burden on businesses was eased by reducing the rates for several taxes and the number of payments for several. Surveying and notarization requirements were made optional for property registration, and business start-up was eased by eliminating the minimum capital requirement, reducing the registration time, and abolishing various post-registration fees and the need to open a bank account before registration. The elimination of six previously required documents and the simplification of inspection procedures has sped up trading across borders.

Liberia	Liberia eased the process for getting construction permits by lowering the permit fee and cost of obtaining a power generator, abolishing the requirement to obtain a tax waiver certificate before submitting documents to obtain a building permit, and making fixed telephone connections more readily available for public use with the reopening of the national phone company. Business start-up was eased by removing the need to obtain an environmental impact assessment when forming a general trading company. The trade process was expedited by creating a one-stop shop bringing together various ministries and agencies, and streamlining the inspection regime.
Macedonia, FYR	The Former Yugoslav Republic of Macedonia has been reforming the construction permit process, shortening waiting times but raising fees. Worker hiring was made more flexible by allowing greater use of fixed-term contracts, easing restrictions on working hours, and making redundancy dismissals more flexible. The public credit bureau increased its coverage by introducing a better database that includes more information and by lowering the minimum loan threshold. Social security payments were classified in five groups, and social security contribution rates reduced. Investor protections were increased by regulating the approval of transactions between interested parties, increasing disclosure requirements in annual reports, and making it easier to sue directors in cases of prejudicial transactions between interested parties. Property registration was eased with the introduction of new time limits at the real estate cadastre—reducing the average time to register a title deed by eight days—and a non-encumbrance certificate can now be obtained from the real estate registry instead of through the court. Business start-up was simplified by integrating procedures at a one-stop shop.
Mexico	Mexico eased taxpaying by introducing electronic payment systems for payroll, property, and social security taxes. Business start-up was eased by establishing an electronic platform for company registration, substantially reducing the number of days for registration, and eliminating the requirement to register with the statistical office.
Moldova	Moldova lowered the rates for social security contributions paid by employers. Property registration was simplified by eliminating the requirement for a cadastral sketch, reducing procedures from six to five and days from 48 to 5. Business start-up was eased by implementing an expedited company registration service.
Rwanda	Rwanda improved the process for dealing with distressed companies with a new law aimed at streamlining reorganization. Employing workers was made easier by abolishing the maximum duration for fixed-term contracts and allowing unlimited renewals of such contracts, as well as by allowing redundancy procedures to be more flexible, with consultation and notification of third parties no longer required. Getting credit was made easier with a new secured transactions act and insolvency act to make secured lending more flexible, allowing a wider range of assets to be used as collateral and a general description of debts and obligations. In addition, out of court enforcement of collateral has become available to secured creditors, who also now have top priority within bankruptcy. A new company law has strengthened investor protections by requiring greater corporate disclosure, director liability, and shareholder access to information. Property registration was simplified by decreasing the number of days required to transfer a property. Business start-up was eased by eliminating a notarization requirement; introducing standardized memorandums of association; enabling online publication; consolidating name checking, registration fee payment, tax registration, and company registration procedures; and shortening the time required to process completed applications. By implementing administrative changes—such as increased operating hours and enhanced cooperation at the border, along with the removal of some documentation requirements for importers and exporters—Rwanda has improved trading times.
Tajikistan	Tajikistan amended its insolvency law, aiming to reduce statutory time limits and the costs of proceedings. Changes were introduced that simplified the construction permit process, reducing procedures and time. A new law on credit histories improves access to credit information by creating a private credit bureau. Investor protections were strengthened with amendments to the joint stock company law, increasing disclosure requirements for transactions involving conflicts of interest, allowing for greater director liability, and giving shareholders the chance to request that harmful related-party transactions be rescinded. The state duty for property transfer has quadrupled, raising the cost of registering property by 2.8 percent of a property's value. Business start-up was eased by reducing the minimum capital requirement and shortening the time to obtain a tax identification number.

United Arab Emirates

The United Arab Emirates shortened the time for delivering building permits by improving its online system for processing applications. Business start-up was eased by simplifying the documents needed for registration, abolishing the minimum capital requirement, and removing the requirement that proof of deposit of capital be shown for registration. Greater capacity at the container terminal, elimination of the terminal handling receipt as a required document, and an increase in trade finance products, have improved trade processes.

APPENDICES

Starting a Business in Ecuador

This table summarizes the procedures and costs associated with setting up a business in Ecuador.

STANDARDIZED COMPANY

Legal Form: Compañía Limitada

Minimum Capital Requirement:

City: Quito

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Hire a lawyer to prepare the minutes of incorporation	1	800
2	Reservation of the company name at the Superintendent of Companies	1	0
3	Deposit 50% of paid-in capital in a special account of “completion of capital” (Integración de Capital) in the name of the company being formed	1	0
4	Notarize the charter of incorporation and bylaws	2	295.002
5	The lawyer presents the documents (attached with three certified copies of charter and bylaws) to the Superintendent of Companies for the approval of the constitution of the company	5	0
6	Publish an abstract of the charter in a daily newspaper that circulates in the area in which the company operates	2	75
7	The general stockholder's meeting inscribes the charter and resolutions in the Mercantile Registry; register the names of the legal representatives in the Mercantile Registry	5	80
8	Apply for the Registro Unico de Contribuyentes (RUC)	4	10
9	Print invoices and VAT forms at an authorized printing shop	1	40
10	Sign up for Instituto Ecuatoriano de Seguridad Social (IESS, social security institute) to get employer's identification number and obtain approval of payroll forms at IESS	10	0
11	Inscribe all employee contracts with the Ministry of Labor (Inspectoría de Trabajo)	2	0
12	Inspection from the municipality	29	0

Procedure 1 Hire a lawyer to prepare the minutes of incorporation

Time to complete: 1

Cost to complete: 800

Comment: The minutes include the constituting contract, the articles of incorporation, the bylaws of the company, and the formation of capital. A lawyer must prepare and sign the minutes on the contract for the company incorporation. Moreover, a notary public must notarize these documents; the lawyer cannot do so. The cost includes all the operating expenses and legal fees.

Procedure 2 Reservation of the company name at the Superintendent of Companies

Time to complete: 1

Cost to complete: 0

Comment:

Procedure 3 Deposit 50% of paid-in capital in a special account of “completion of capital” (Integración de Capital) in the name of the company being formed

Time to complete: 1

Cost to complete: 0

Comment: The minimum deposit for opening the completion-of-capital account is 50% of share capital. Proof of the approved company name is required.

Procedure 4 Notarize the charter of incorporation and bylaws

Time to complete: 2

Cost to complete: 295.002

Comment:

Procedure 5 The lawyer presents the documents (attached with three certified copies of charter and bylaws) to the Superintendent of Companies for the approval of the constitution of the company

Time to complete: 5

Cost to complete: 0

Comment: The registration fee is paid annually to the Superintendent of Companies. The cost of contribution is 1% of total assets.

The Superintendent of Companies cut the time for processing company applications, by eliminating internal processes, increasing staff, and upgrading the computer system. The company founders can now verify the status of the registration procedure online.

Procedure 6 Publish an abstract of the charter in a daily newspaper that circulates in the area in which the company operates

Time to complete: 2

Cost to complete: 75

Comment:

Procedure 7 The general stockholder's meeting inscribes the charter and resolutions in the Mercantile Registry; register the names of the legal representatives in the Mercantile Registry

Time to complete: 5

Cost to complete: 80

Comment: The Mercantile Registry ("Registro Mercantil") provides a registration number "Numero de codigo", with the date the company starts its legal existence.

Procedure 8 Apply for the Registro Unico de Contribuyentes (RUC)

Time to complete: 4

Cost to complete: 10

Comment: The Registro Unico de Contribuyentes (RUC) must be obtained (a) once the constitution procedure is completed; and (b) after the company has appointed its legal representatives and registered those appointments in the Register of Commerce. The application procedure is done at the Servicio de Rentas Internas (SRI) and takes 48 hours after the submission of all required documents (the registered deed, the registered appointments, and the certification of publication). Because the VAT (Impuesto al Valor Agregado) goes by the same identification number, it does not require a separate registration. The RUC is obtained immediately, but a paper receipt is sent by mail in the following 3 days.

Procedure 9 Print invoices and VAT forms at an authorized printing shop

Time to complete: 1

Cost to complete: 40

Comment: With the RUC, companies must buy invoices from SRI-authorized companies and state monthly VAT declarations on special forms. The cost to print a 100-page book of invoices (one original and two copies) is about USD 40.

Procedure 10 Sign up for Instituto Ecuatoriano de Seguridad Social (IESS, social security institute) to get employer's identification number and obtain approval of payroll forms at IESS

Time to complete: 10

Cost to complete: 0

Comment: The company must present a petition for an employer identification number (cédula patronal). Obligatory for employers, social security payments cover health, pension, and accident and work-related illness.

Procedure 11 Inscribe all employee contracts with the Ministry of Labor (Inspectoría de Trabajo)

Time to complete: 2

Cost to complete: 0

Comment:

Procedure 12 Inspection from the municipality

Time to complete: 29

Cost to complete: 0

Comment:

Procedure 13 Obtain a “tasa municipal de habilitacion” and a commercial patent from the competent municipality

Time to complete: 1

Cost to complete: 50

Comment: Although the tasa de habilitación was phased out on December 31, 2004 for all companies, the permit is still required in practice for some companies. The permit fee varies depending on the type of company and on the type, location, and size of the facilities in which the company will operate. The municipal operation permit is obtained upon payment of the “ability and control of establishments” tax (“permiso de funcionamiento”). All payments to the municipality can be made only in the municipality. Permits usually require an inspection made by the officers of the various institutions. So, the average time to obtain the permit is a month. The following permits are required: the health permit (granted by the Ministry of Public Health through the General Directorate of Health); the fire department permit; and the municipal permit of function and the annual patent

Dealing with Construction Permits in Ecuador

The table below summarizes the procedures, time, and costs to build a warehouse in Ecuador.

BUILDING A WAREHOUSE

Date as of: January 2009

Estimated Warehouse Value:

City: Quito

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Obtain Urban Regulation Report (Informe de Regulación Urbana - IRM)	21 days	USD 25
2	Obtain proof of compliance with 1/1000 contribution to Professional Association of Architects	1 day	USD 429
3	Request and obtain permit from the Fire Department	5 days	USD 200
4	Request approval for the plans	20 days	USD 6,435
5	Verify structure plan with Professional Association of Engineers	10 days	USD 429
6	Obtain construction guarantee and deposit it afterwards with the Municipality	2 days	USD 9
7	Obtain the final building permit	16 days	USD 595
8	Request and obtain foundation inspection	1 day	no charge
9	Request and obtain structure inspection	1 day	no charge
10	Request and obtain telephone connection	20 days	USD 77
11	Request potable water and drainage hook-up	1 day	no charge
12	Receive water and sewage inspection	1 day	no charge
13	Obtain potable water and drainage hook-up	1 day	no charge
14	Request electric power service hook-up from Empresa Electrica Quito (EEQ)	1 day	no charge
15	Receive inspection by Empresa Electrica Quito (EEQ)	1 day	USD 15

16	Obtain electric power service	25 days	USD 86
17	Request and obtain final inspection	1 day	no charge
18	Obtain habitability permit and guarantee retrieval	20 days	no charge
19	Register the building at the Property Registry	7 days	USD 100

Procedure 1 Obtain Urban Regulation Report (Informe de Regulación Urbana - IRM)

Time to complete: 21 days

Cost to complete: USD 25

Comment: The Urban Regulation Report (Informe de Regulacion Urbana, IRM) is required for most procedures before the District Municipality, such as purchasing, selling, dividing, and building a property, as well as determining if the site is affected by road construction design.

Valid for 2 years, this report provides the parameters to subdivide or urbanize the following:

- Area available to construct the ground floor.
- Maximum building area.
- Maximum building height permitted.
- Maximum number of dwelling units.
- Building separation distances.
- Permitted and unauthorized land use.
- Basic service availability.
- Manufacturing line (línea de fábrica) reference.

To obtain the report, BuildCo must do the following:

- Purchase the IRM form, whose value is equivalent to 5% of the effective unified basic wage (salario básico unificado vigente), at the respective Subdivision Administration (Administración Zonal).
- Register the property's data and enclose a copy of the property tax payment receipt.
- Submit copies of the citizenship identification and of the updated voting voucher or owner's exemption certificate.
- Enclose a cartographic sheet of the Geographical Military Institute (scale, 1:5,000 or 1:25,000), showing the exact property location and the respective public deeds registered at the Property Registry.
- = Enclose a copy of the public writ of the estate (a request signed by the owner to guarantee the payment of water, electricity, or telephone service).

Procedure 2 Obtain proof of compliance with 1/1000 contribution to Professional Association of Architects

Time to complete: 1 day

Cost to complete: USD 429

Comment: The proof of payment for the construction contribution is one of the documents required for the approval of the layout plans and the building permit application. The cost is 0.1% of the warehouse value.

Procedure 3 Request and obtain permit from the Fire Department

Time to complete: 5 days

Cost to complete: USD 200

Comment: Apart from the aforementioned uses, the fire department report is also required for buildings hosting more than 25 persons or with more than four stories.

Procedure 4 Request approval for the plans

Time to complete: 20 days

Cost to complete: USD 6,435

Comment: To request approval for the plans, the following documents must be submitted to the Subdivision Administration (Administración Zonal):

- Plan approval form for buildings, with data record and stamps.
- Metropolitan Regulation Report (Informe de Regulación Metropolitana, IRM), updated.
- Two sets of architectural drawings (scale, 1:100 to 1:50), with an area map, plotted on the first sheet of the project. The drawings must contain the plot area, (COS) percentage; (CUS) percentage; construction area at ground level; total building floor area; and total gross construction area, including housing area, business store and office area, parking area, community area, number of dwelling units, and number of parking lots.
- If the construction is financed with a mortgage loan, three additional sets must be attached.
- Proof of payment of 1 x 1,000 to professional associations
- Proof of payment of property tax (impuesto predial) corresponding to the current year (simple copy of receipt).
- Real estate deed or purchase option agreement duly notarized and registered at the Property Registry
- Copies of the municipal registration and professional registration identification cards.
- Copy of the citizenship card and updated voting voucher or owner's exemption certificate (Los Chillos deemed unnecessary).
- Certificates granted by the Metropolitan Water and Sewage Utility Company (EMAAP), stating utility service provision (potable water and sewage) (Los Chillos Administration).

The company may request the approval of the draft project (for consultation before final plan approval). The plans also must be approved by the fire department and the professional associations for architects and engineers. The approval of the draft project is valid for 2 years and is informative in nature.

1.5 x 1,000 of total project cost. Cost/sq. m.. = ca. USD 180 (USD 120 - 250).

Procedure 5 Verify structure plan with Professional Association of Engineers

Time to complete: 10 days

Cost to complete: USD 429

Comment:

Procedure 6 Obtain construction guarantee and deposit it afterwards with the Municipality

Time to complete: 2 days

Cost to complete: USD 9

Comment: Proof of the guarantee deposit is a required document for the building permit application. Once the land plans have been registered for zoning and before their approval, the municipality notifies the applicant the amount to be guaranteed (fondo de garantía). The applicant can deposit the guarantee in cash or certified check or in the form of an insurance policy. The insurance policy is purchased in 2 days from a local insurance company. The fee to purchase the guarantee depends on the value to be guaranteed. After construction is finalized, the municipality will return the guarantee upon inspecting the construction. The guarantee will be returned in full only if the actual construction conforms to the plans approved by the municipality. The transaction fee for the guarantee

amounts to 0.05% of the guarantee itself. The guarantee amount is determined by the municipality and depends on the type of construction, the size, the sector, and the relevant zone. For construction under 600 sq. m., the guarantee will range between 1.5% and 3% of the warehouse value. For construction over 600 sq. m., the guarantee will be about 4% of the warehouse value. As a reference, the municipality would assume a warehouse value of USD 200 per square meter.

Procedure 7 Obtain the final building permit

Time to complete: 16 days

Cost to complete: USD 595

Comment: The documents required to obtain the construction work execution clearance are the following:

- Building permit application form, with stamps and data record.
- Architectural drawing approval report (original or certified copy).
- Set of approved architectural drawings (original or certified copy).
- Sets (two) of structural maps, with the professional signature registration.
- Sets (two) of electrical and hydro sanitary installation plans, with the professional signature registration.
- Proof of payment for building work to professional associations.
- Proof of the guarantee fund deposit.
- Proof of payment for plan and drawing approval.
- Proof of payment to the Metropolitan Water and Sewage Utility Company (EMAAP) for service installation.
- Construction statistical sheet.
- Copy of municipal and professional registration cards for the builder and designer (Los Chillos).
- Copy of the citizenship card and updated voting voucher or owner's exemption certificate.
- For four stories or more, survey report for soil and subsoil of more than 2.5 m and structural calculation report.
- Proof of payment received of the corresponding property tax for the current year (La Delicia).

This procedure does not entail any charges. However, the scanner services fee is 20% of the current minimum wage for each sheet, and a form must be purchased with the required stamps. The form fee is USD 0.40, which is the same as the cost of the stamps. These fees are on a per-filing basis, and more than one filing is normally necessary.

Procedure 8 Request and obtain foundation inspection

Time to complete: 1 day

Cost to complete: no charge

Comment:

Procedure 9 Request and obtain structure inspection

Time to complete: 1 day

Cost to complete: no charge

Comment:

Procedure 10 Request and obtain telephone connection

Time to complete: 20 days

Cost to complete: USD 77

Comment: Not all areas are covered by a phone network. The telephone connection is not a prerequisite for the occupancy permit. Hence, the occupancy permit can be requested in parallel with the telephone connection.

Procedure 11 Request potable water and drainage hook-up

Time to complete: 1 day

Cost to complete: no charge

Comment: The proof of payment for service installation is one of the documents required for the approval of the layout plans and the building permit application.

Procedure 12 Receive water and sewage inspection

Time to complete: 1 day

Cost to complete: no charge

Comment: Depending on whether a meter is already available, an inspection may be conducted before BuildCo obtains its water connection. Given that the project considered here is a new construction, it is assumed that BuildCo must obtain the meter with the new electricity connection. Hence, an inspection also takes place to evaluate the cost of new service.

Procedure 13 Obtain potable water and drainage hook-up

Time to complete: 1 day

Cost to complete: no charge

Comment:

Procedure 14 Request electric power service hook-up from Empresa Electrica Quito (EEQ)

Time to complete: 1 day

Cost to complete: no charge

Comment: An electric power service connection takes about 2 weeks.

Procedure 15 Receive inspection by Empresa Electrica Quito (EEQ)

Time to complete: 1 day

Cost to complete: USD 15

Comment: The site visit is completed 4–6 days following the application for electrical power service.

Procedure 16 Obtain electric power service

Time to complete: 25 days

Cost to complete: USD 86

Comment: The electric power service fee includes the meter and the installation.

Procedure 17 Request and obtain final inspection

Time to complete: 1 day

Cost to complete: no charge

Comment:

Procedure 18 Obtain habitability permit and guarantee retrieval

Time to complete: 20 days

Cost to complete: no charge

Comment: The habitability permit authorizes BuildCo to bring the building into service and enables retrieval of the guarantee fund. To this end, BuildCo must present the following documents at the respective Subdivision Administration (Administración Zonal):

- Inhabitability permit application form, with stamps and data record.
- Approved architectural drawings (one copy).
- Plan and drawing approval report.
- Building permit.
- Original proof of guarantee fund receipt.
- Citizenship card and updated voting voucher or owner exemption certificate (copy).
- For guarantee fund retrieval in cash, an application form must be filed with the General Financial Department (Dirección General Financiera), with the respective stamps.

Procedure 19 Register the building at the Property Registry

Time to complete: 7 days

Cost to complete: USD 100

Comment: The following fees apply for the payment of the property registration fee for the qualification and registration of acts implying the incorporation, amendment, title transfer, awards, and extinction of real or personal title over movable or immovable property, as well as for tax assessments or title restrictions, and any similar act.

	Initial value	Final value	Total registration fee
1	01	1.60	1.40
2	1.61	3.00	1.80
3	3.01	4.00	2.25

4	4.01	6.00	2.80
5	6.01	10.00	3.75
6	10.01	14.00	4.50
7	14.01	20.00	5.25
8	20.01	30.00	6.50
9	30.01	40.00	8.20
10	40.01	80.00	11.25
11	80.01	120.00	12.50
12	120.01	200.00	17.25
13	200.01	280.00	22.30
14	280.01	400.00	26.00
15	400.01	600.00	33.70
16	600.01	800.00	37.00
17	800.01	1200.00	44.25
18	1200.01	1600.00	58.90
19	1600.01	2000.00	74.55
20	2000.01	2400.00	80.00
21	2400.01	2800.00	85.00
22	2800.01	3200.00	90.00
23	3200.01	3600.00	95.00
24	3600.01	10000.00	100.00
25	100o/more	100 will be charged	Plus 0.5%

for amounts
exceeding this value

The maximum fee levied by the Property Registry is USD 100 plus VAT.

Employing Workers in Ecuador

Employing workers indices are based on responses to survey questions. The table below shows these responses in Ecuador.

Employing Workers Indicators (2009)	Answer	Score
Difficulty of hiring index (0-100)		44.4
Are fixed-term contracts prohibited for permanent tasks?	No	0
What is the maximum duration of fixed-term contracts (including renewals)? (in months)	24	1.0
What is the ratio of mandated minimum wage to the average value added per worker?	0.42	0.33
Difficulty of redundancy index (0-10)		30.0
Is the termination of workers due to redundancy legally authorized?	Yes	0
Must the employer notify a third party before terminating one redundant worker?	No	0
Does the employer need the approval of a third party to terminate one redundant worker?	No	0
Must the employer notify a third party before terminating a group of 9 redundant workers?	No	0
Does the employer need the approval of a third party to terminate a group of 9 redundant workers?	No	0
Is there a retraining or reassignment obligation before an employer can make a worker redundant?	Yes	1
Are there priority rules applying to redundancies?	Yes	1
Are there priority rules applying to re-employment?	Yes	1
Redundancy costs (weeks of salary)		135.4
What is the notice period for redundancy dismissal after 20 years of continuous employment? (weeks of salary)		4.3
What is the severance pay for redundancy dismissal after 20 years of employment? (weeks of salary)		131.1
What is the legally mandated penalty for redundancy dismissal? (weeks of salary)		0.0
Rigidity of employment index (0-100)		38.1
Rigidity of hours index (0-100)		40.0
Can the workweek extend to 50 hours (including overtime) for 2 months per year to respond to a seasonal increase in production?	Yes	0

What is the maximum number of working days per week?	5	1
Are there restrictions on night work and do these apply when continuous operations are economically necessary?	Yes	0.33
Are there restrictions on "weekly holiday" work and do these apply when continuous operations are economically necessary?	Yes	0.67
What is the paid annual vacation (in working days) for an employee with 20 years of service?	21	0

Note: The first three indices measure how difficult it is to hire a new worker, how rigid the regulations are on working hours, and how difficult it is to dismiss a redundant worker. Each index assigns values between 0 and 100, with higher values representing more rigid regulations. The overall Rigidity of Employment Index is an average of the three indices.

Registering Property in Ecuador

This topic examines the steps, time, and cost involved in registering property in Ecuador.

STANDARDIZED PROPERTY

Property Value: 189,058.95

City: Quito

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Lawyer prepares the contract	1-2 days	\$1,000
2	Obtain a non-encumbrance certificate ("Certificado de gravámenes") from the Property Registry	3 days	\$7.84
3 *	Pay various taxes at the Municipality	2-3 days (simultaneous with procedures 4 and 5)	1% of property price (Transfer tax, or "Alcabala")
4 *	Pay additional taxes at the Province Council (Consejo Provincial)	1 day (simultaneous with procedures 3 and 5)	0.11% of property value (Provincial transfer tax) \$1.80
5 *	Pick-up the municipal permit-letter at the Municipality	1 day (simultaneous with procedures 3 and 4)	no cost
6	Notary notarizes the public deed	1 day	\$462 (0.2% (notary fees) 0.1% (notary's general expenses) of the property value)
7	Conduct a general check at the Property Registry	2 days	No additional cost
8	Pay registration fee at the Property Registry	1 day	\$275 (\$100 + 0.5% of the value of the property according to cadastral value of 2005)
9	Obtain notice of registration from the Property Registry	4 days	no cost

* Takes place simultaneously with another procedure.

Procedure 1 Lawyer prepares the contract

Time to complete: 1-2 days

Cost to complete: \$1,000

Comment: A rough copy of the contract -“Minuta” is prepared by a lawyer. It is mandatory to hire a lawyer to register property in Ecuador, according to the “Ley de federación de Abogados” of March 7th 1974. Lawyer’s fees are calculated on the market price of the property.

Procedure 2 Obtain a non-encumbrance certificate (“Certificado de gravámenes”) from the Property Registry

Time to complete: 3 days

Cost to complete: \$7.84

Comment: A certificate of real estate encumbrances ("Certificado de Gravámenes") must be obtained at the Real Estate Public Registry. The certificate remains valid for 30 days (with the certificate dated with the request date, and not the date the document is issued). If the registration has not been demanded by then, a new certificate would have to be requested.

Procedure 3 Pay various taxes at the Municipality

Time to complete: 2-3 days (simultaneous with procedures 4 and 5)

Cost to complete: 1% of property price (Transfer tax, or "Alcabala")

Comment: These taxes are paid based on the official or on the market value of the property. The Municipality calculates the taxes according to the highest value of the two. The Property Appreciation tax (a capital gains tax) is also paid at this stage and is calculated on the difference between the sale-price and acquisition-price of the property. In addition, the amount of the tax is reduced taking into account the economic benefits added to the property by the seller and the antiquity of the property. The tax is 10% of the difference. The tax was cut to 0.5% only for the first transfer of any real estate delivered after January 1st, 2006, with a discount of 5% of that for every year old that the property/building is. The registration tax (1% of the official value) was eliminated. After payment of the taxes, the Municipality will issue a municipal permit-letter and register the property in the cadastre.

The documentation shall include:

- a) Notarized public deed
- b) Previous property titles
- c) Contracting parties identification documents
- d) Encumbrance certificate (obtained in Procedure 2)
- e) Copy of the municipal permit for commercial activities for companies for the year in which the transfer is performed (patente municipal);
- f) Copy of the Unique Contributors Number (RUC);
- g) Copy of the 1.5 x 1000 municipal tax of the companies;
- h) Property Appreciation Tax form duly signed by the Seller;
- i) Letter of appointment of the legal representatives of both companies;
- j) Minutes of the meeting of the Board of Shareholder of both companies in which the board authorizes the legal representative to buy and/or sell the property of the company;

Copy of the voting certificate of the legal representatives which appear in the contract;
k) Certificate of payment of the municipal annual tax of the property (impuesto predial)

Procedure 4 Pay additional taxes at the Province Council (Consejo Provincial)

Time to complete: 1 day (simultaneous with procedures 3 and 5)

Cost to complete: 0.11% of property value (Provincial transfer tax) + \$1.80

Comment: Some additional taxes must be paid at the Consejo Provincial de Pichincha (Provincial Council). These taxes were lowered in 2006 in Quito to 0.1% ("Adicional de registro") + 0.01% ("Adicional de alcabala"), and \$1.80 administrative fee. The value used to calculate the fees is the highest value between the cadastral value and the contract value. The cadastre was updated in 2005 and the values are reasonably close to reality.

Procedure 5 Pick-up the municipal permit-letter at the Municipality

Time to complete: 1 day (simultaneous with procedures 3 and 4)

Cost to complete: no cost

Comment: At the time of payment of the taxes at the Municipality in Procedure 3, a municipal permit-letter is obtained and must be picked-up at the Municipality. By this time the property is registered in the cadastre.

Procedure 6 Notary notarizes the public deed

Time to complete: 1 day

Cost to complete: \$462 (0.2% (notary fees) + 0.1% (notary's general expenses) of the property value)

Comment: The public deed is notarized by a public notary. Notary's fees were changed according to regulations passed on September 26th 2007. The fees for property transfers over 60,000 US\$ are 2 per thousand of the property value up until US\$ 1,000. Notaries can also add other general expenses to the fees, that cannot exceed USD 4,000. The receipts of previous payments are attached to the public deed by the notary.

Procedure 7 Conduct a general check at the Property Registry

Time to complete: 2 days

Cost to complete: No additional cost

Comment: The Municipal permit-letter obtained in Procedure 5 must be taken to the Real Estate Public Registry together with the notarized public deed. The Registry does a general check of the documents and the history of the property. The documentation shall include:
Public deed (notarized in Procedure 6)
Receipts of tax payments obtained in Procedures 3-4

Procedure 8 Pay registration fee at the Property Registry

Time to complete: 1 day

Cost to complete: \$275 (\$100 + 0.5% of the value of the property according to cadastral value of 2005)

Comment: After the revision, the amount of the registration fee to be paid is obtained from the Registry. The fee is paid according to the sliding scale "Tabla de aranceles de registro de la propiedad" (Resolución del Consejo Nacional de la Judicatura, Registro Oficial 44, 20 de Marzo de 2003), but using cadastral values from 2005. The fee is paid in the same building and office where the documentation is submitted at the property registry.

Procedure 9 Obtain notice of registration from the Property Registry

Time to complete: 4 days

Cost to complete: no cost

Comment: After payment of the registration fee, the Real Estate Public Registry issues a notice of registration.

Getting Credit in Ecuador

The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in Ecuador.

Getting Credit Indicators (2009)			Indicator
			score
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry	5
Are data on both firms and individuals distributed?	Yes	Yes	1
Are both positive and negative data distributed?	Yes	Yes	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	Yes	No	1
Are more than 2 years of historical credit information distributed?	No	No	0
Is data on all loans below 1% of income per capita distributed?	Yes	Yes	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	Yes	Yes	1
Coverage		46.0	37.2
Number of individuals	4,200,000		3,105,520
Number of firms	26,000		306,607

Strength of legal rights index (0-10)		3
Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?		Yes
Does the law allow businesses to grant a non possessory security right in a single category of revolving movable assets, without requiring a specific description of the secured assets ?		No
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of the secured assets ?		No
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?		Yes
Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?		Yes
Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?		No
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?		No
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?		No

During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?

No

Does the law authorize parties to agree on out of court enforcement?

No

Protecting Investors in Ecuador

The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in Ecuador.

Protecting Investors Data (2009)	Indicator
Extent of disclosure index (0-10)	1
What corporate body provides legally sufficient approval for the transaction? (0-3; see notes)	0
Immediate disclosure to the public and/or shareholders (0-2; see notes)	0
Disclosures in published periodic filings (0-2; see notes)	1
Disclosures by Mr. James to board of directors (0-2; see notes)	0
Requirement that an external body review the transaction before it takes place (0=no, 1=yes)	0
Extent of director liability index (0-10)	5
Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company. (0-2; see notes)	1
Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company. (0-2; see notes)	1
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff (0-2; see notes)	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	1
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	0
Whether fines and imprisonment can be applied against Mr. James (0=no, 1=yes)	1
Shareholder plaintiff's ability to sue directly or derivatively for damage the transaction causes to the company (0-1; see notes)	1
Ease of shareholder suits index (0-10)	6
Documents available to the plaintiff from the defendant and witnesses during trial (0-4; see notes)	4
Ability of plaintiffs to directly question the defendant and witnesses during trial (0-2; see notes)	1
Plaintiff can request categories of documents from the defendant without identifying specific ones (0=no, 1=yes)	0
Shareholders owning 10% or less of Buyer's shares can request an inspector investigate the transaction (0=no, 1=yes)	1

Level of proof required for civil suits is lower than that for criminal cases (0=no, 1=yes) 0

Shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit (0=no, 1=yes) 0

Strength of investor protection index (0-10) 4.0

Notes:

Extent of Disclosure Index

What corporate body provides legally sufficient approval for the transaction?

0=CEO or managing director alone; 1=shareholders or board of directors vote and Mr. James can vote; 2=board of directors votes and Mr. James cannot vote; 3 = shareholders vote and Mr. James cannot vote

Immediate disclosure to the public and/or shareholders

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

Disclosures in published periodic filings

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

Disclosures by Mr. James to board of directors

0=none; 1=existence of a conflict without any specifics; 2= full disclosure of all material facts

Director Liability Index

Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company

0= Mr. James is not liable or liable only if he acted fraudulently or in bad faith; 1= Mr. James is liable if he influenced the approval or was negligent; 2= Mr. James is liable if the transaction was unfair, oppressive or prejudicial to minority shareholders

Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for for damage to the company

0=members of the approving body are either not liable or liable only if they acted fraudulently or in bad faith; 1=liable for negligence in the approval of the transaction; 2=liable if the transaction is unfair, oppressive, or prejudicial to minority shareholders

Whether a court can void the transaction upon a successful claim by a shareholder plaintiff

0=rescission is unavailable or available only in case of Seller's fraud or bad faith; 1=available when the transaction is oppressive or prejudicial to minority shareholders; 2=available when the transaction is unfair or entails a conflict of interest

Shareholder plaintiffs' ability to sue directly or derivatively for damage the transaction causes to the company

0=not available; 1=direct or derivative suit available for shareholders holding 10% of share capital or less

Shareholder Suits Index

Documents available to the plaintiff from the defendant and witnesses during trial

Score 1 each for (1) information that the defendant has indicated he intends to rely on for his defense; (2) information that directly proves specific facts in the plaintiff's claim; (3) any information that is relevant to the subject matter of the claim; and (4) any information that may lead to the discovery of relevant information.

Ability of plaintiffs to directly question the defendant and witnesses during trial

0=no; 1=yes, with prior approval by the court of the questions posed; 2=yes, without prior approval

Paying Taxes in Ecuador

The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Ecuador, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Value added tax (VAT)	1	online filing	240	12.0%	value added		
Vehicle tax	1			2.50%	vehicle value	0.21	
Municipal assets tax	1			0.15%	total assets	0.43	
Contribution to superintendence	1			0.1%	total assets	0.50	
Capital gains tax	1			0.1	gain on property sale	0.51	
Patent tax	1			fixed fee		1.61	
Social security contributions	1	online filing	300	12.2%	gross salaries	13.71	
Corporate income tax	1	online filing	60	0.25	taxable profits	17.97	
Totals	8		600			34.9	

Notes:

- a) data not collected
- b) VAT is not included in the total tax rate because it is a tax levied on consumers
- c) very small amount
- d) included in other taxes
- e) Withheld tax
- f) electronic filling available
- g) paid jointly with another tax

Name of taxes have been standardized. For instance income tax, profit tax, tax on company's income are all named corporate income tax in this table.

When there is more than one statutory tax rate, the one applicable to TaxpayerCo is reported.

The hours for VAT include all the VAT and sales taxes applicable.

The hours for Social Security include all the hours for labor taxes and mandatory contributions in general.

Trading Across Borders in Ecuador

These tables list the procedures necessary to import and exports a standardized cargo of goods in Ecuador. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2009)	Duration (days)	US\$ Cost
Documents preparation	10	375
Customs clearance and technical control	4	170
Ports and terminal handling	2	250
Inland transportation and handling	4	550
Totals	20	1345

Nature of Import Procedures (2009)	Duration (days)	US\$ Cost
Documents preparation	19	362
Customs clearance and technical control	4	170
Ports and terminal handling	4	250
Inland transportation and handling	2	550
Totals	29	1332

Export

Bill of lading
Certificate of origin
Commercial invoice
Customs export declaration
Equipment interchange receipt
Insurance certificate
Packing list
Preferential certificate
Technical standard/health certificate

Import

Bill of lading
Cargo release order

Certificate of origin
Commercial invoice
Customs import declaration
Packing list
Terminal handling receipts

Enforcing Contracts in Ecuador

This topic looks at the efficiency of contract enforcement in Ecuador.

Nature of Procedure (2009)	Indicator
Procedures (number)	39
Time (days)	588
Filing and service	38.0
Trial and judgment	455.0
Enforcement of judgment	95.0
Cost (% of claim)*	27.20
Attorney cost (% of claim)	15.0
Court cost (% of claim)	5.0
Enforcement Cost (% of claim)	7.2

Court information: Quito Civil Court ("Juzgado de lo Civil de Pichincha")

* Claim assumed to be equivalent to 200% of income per capita.



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