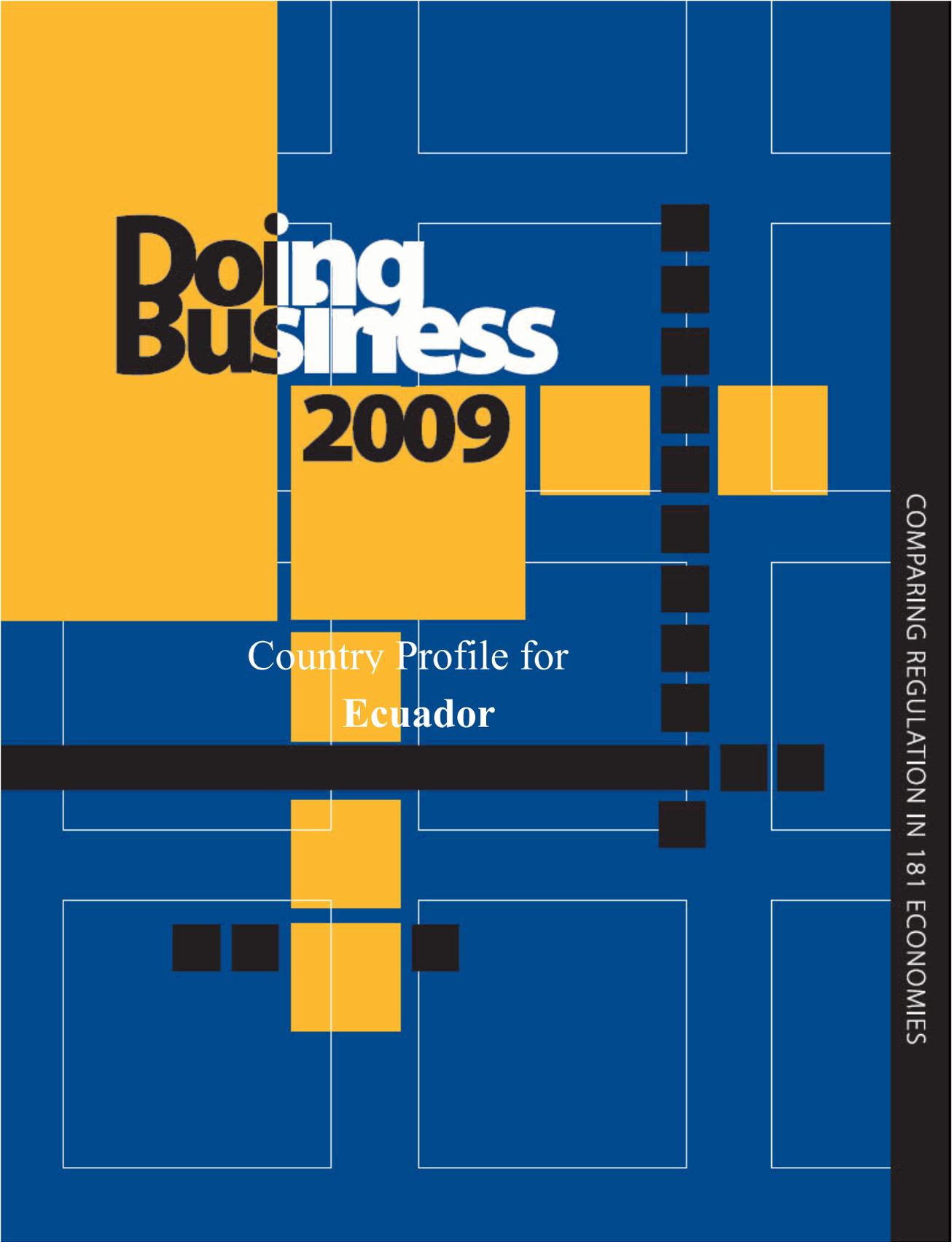


# Doing Business

## 2009

### Country Profile for Ecuador

COMPARING REGULATION IN 181 ECONOMIES



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# Introduction

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

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

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

The data set covers 181 economies: 46 in Sub-Saharan Africa, 32 in Latin America and The Caribbean, 25 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 19 in the Middle East and North Africa and 8 in South Asia, as well as 27 OECD high-income economies as benchmarks.

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.

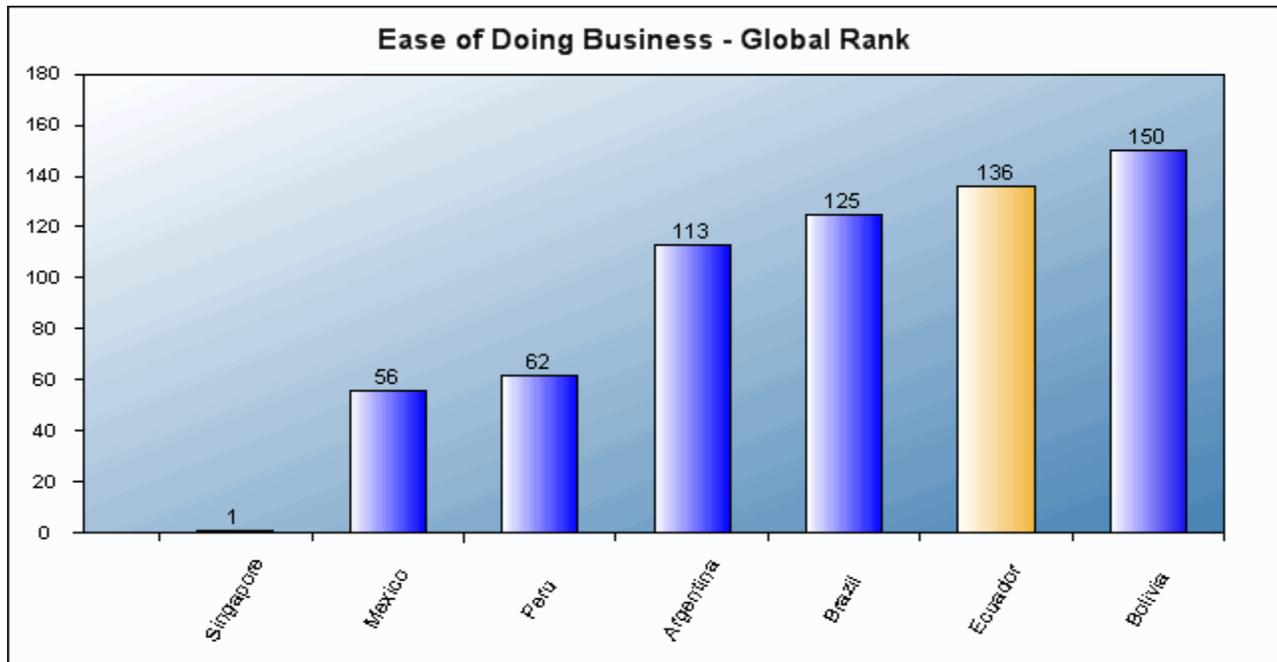
More information is available in the full report. Doing Business 2009 presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website ([www.doingbusiness.org](http://www.doingbusiness.org)).

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

## Economy Rankings - Ease of Doing Business

Ecuador is ranked 136 out of 181 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 2009

Rank	Doing Business 2009
Ease of Doing Business	136
Starting a Business	158
Dealing with Construction Permits	85
Employing Workers	171
Registering Property	64
Getting Credit	84
Protecting Investors	126
Paying Taxes	69
Trading Across Borders	124
Enforcing Contracts	101
Closing a Business	131

## Summary of Indicators - Ecuador

<b>Starting a Business</b>	<b>Procedures (number)</b>	14
	<b>Duration (days)</b>	65
	<b>Cost (% GNI per capita)</b>	38.5
	<b>Paid in Min. Capital (% of GNI per capita)</b>	12.7
<b>Dealing with Construction Permits</b>	<b>Procedures (number)</b>	19
	<b>Duration (days)</b>	155
	<b>Cost (% of income per capita)</b>	272.7
<b>Employing Workers</b>	<b>Difficulty of Hiring Index</b>	44
	<b>Rigidity of Hours Index</b>	60
	<b>Difficulty of Firing Index</b>	50
	<b>Rigidity of Employment Index</b>	51
	<b>Firing costs (weeks of salary)</b>	135
<b>Registering Property</b>	<b>Procedures (number)</b>	9
	<b>Duration (days)</b>	16
	<b>Cost (% of property value)</b>	2.2
<b>Getting Credit</b>	<b>Legal Rights Index</b>	3
	<b>Credit Information Index</b>	5
	<b>Public registry coverage (% adults)</b>	37.7
	<b>Private bureau coverage (% adults)</b>	46.8
<b>Protecting Investors</b>	<b>Disclosure Index</b>	1

<b>Protecting Investors</b>	<b>Director Liability Index</b>	5
	<b>Shareholder Suits Index</b>	6
	<b>Investor Protection Index</b>	4.0
<b>Paying Taxes</b>	<b>Payments (number)</b>	8
	<b>Time (hours)</b>	600
	<b>Profit tax (%)</b>	18.5
	<b>Labor tax and contributions (%)</b>	13.7
	<b>Other taxes (%)</b>	2.8
	<b>Total tax rate (% profit)</b>	34.9
<b>Trading Across Borders</b>	<b>Documents for export (number)</b>	9
	<b>Time for export (days)</b>	20
	<b>Cost to export (US\$ per container)</b>	1345
	<b>Documents for import (number)</b>	7
	<b>Time for import (days)</b>	29
	<b>Cost to import (US\$ per container)</b>	1332
<b>Enforcing Contracts</b>	<b>Procedures (number)</b>	39
	<b>Duration (days)</b>	588
	<b>Cost (% of claim)</b>	27.2
<b>Closing a Business</b>	<b>Time (years)</b>	5.3
	<b>Cost (% of estate)</b>	18
	<b>Recovery rate (cents on the dollar)</b>	16.1



# Starting a Business

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

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

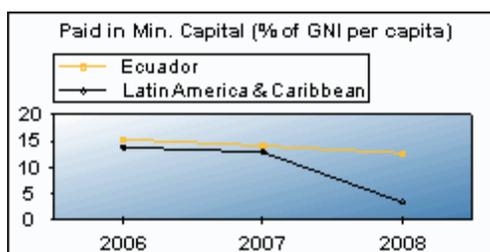
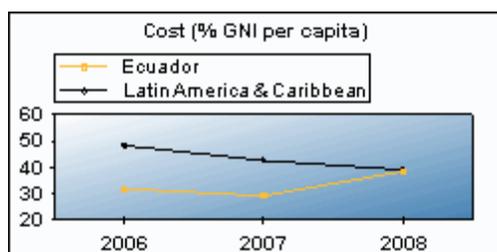
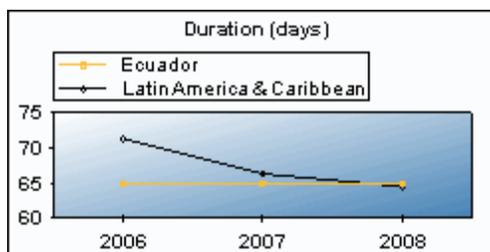
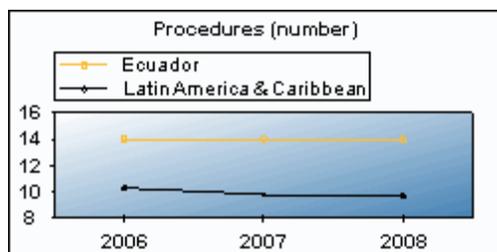
To make the data comparable across economies, detailed assumptions about the type of business are used. Among these assumptions are the following: the business is a limited liability company conducting general commercial activities in the largest business city; it is 100% domestically owned, with a start-up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

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

## 1. Historical data: Starting a Business in Ecuador

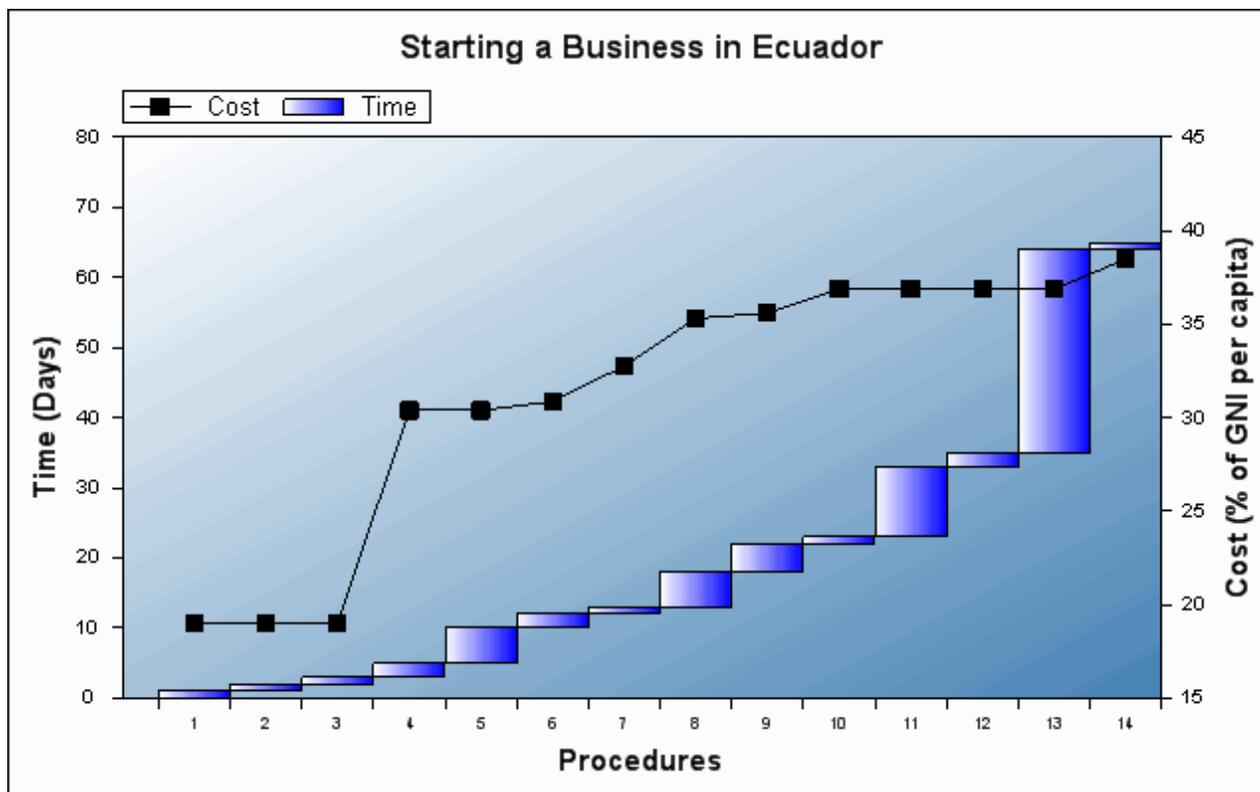
Starting a Business data	Doing Business 2007	Doing Business 2008	Doing Business 2009
Rank		154	158
Procedures (number)	14	14	14
Duration (days)	65	65	65
Cost (% GNI per capita)	31.8	29.2	38.5
Paid in Min. Capital (% of GNI per capita)	15.3	14.1	12.7

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 14 procedures, takes 65 days, and costs 38.47 % GNI per capita to start a business in Ecuador.



#### List of Procedures:

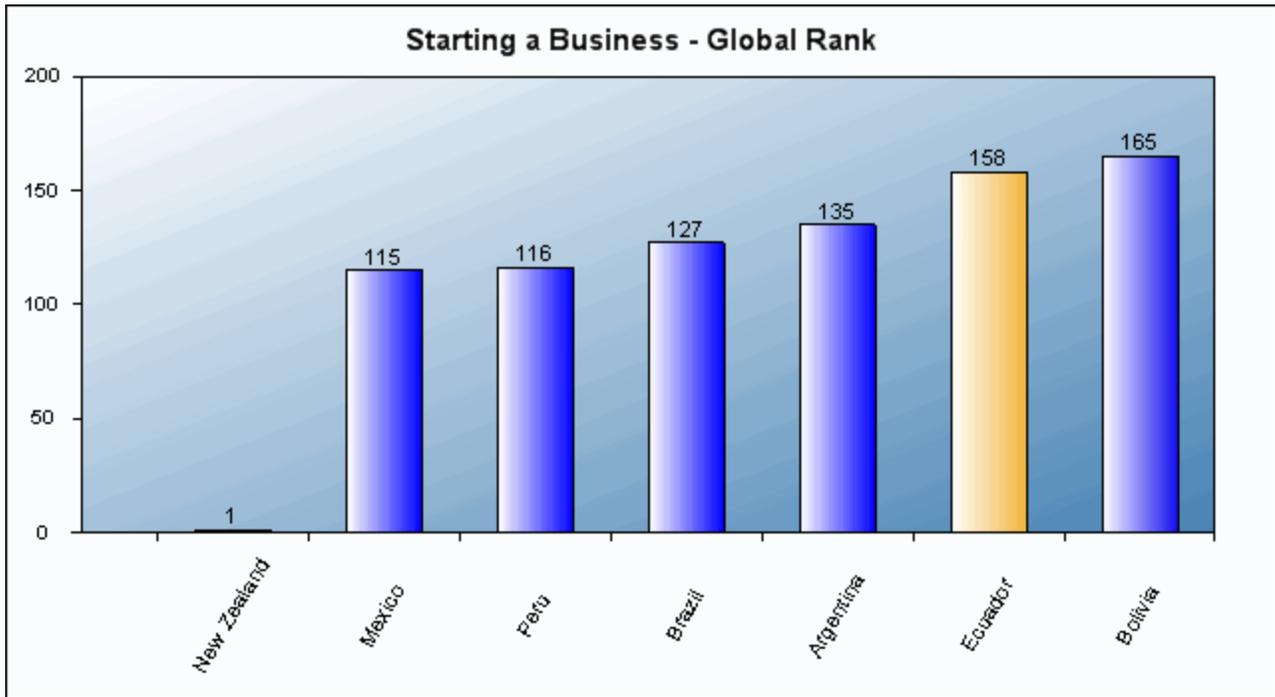
- |   |   |
|---|---|
| <ol style="list-style-type: none"> <li>1. Hire a lawyer to prepare the minutes of incorporation</li> <li>2. Register company name at the Superintendent of Companies</li> <li>3. Deposit 50% of paid-in capital in a special account of “completion of capital” (Integración de Capital ) in the name of the company being formed</li> <li>4. Notarize the charter of incorporation and bylaws</li> <li>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</li> <li>6. Publish an abstract of the charter in a daily newspaper that circulates in the area in which the company operates</li> <li>7. Enroll in the Chamber of Commerce (or Industry, etc.)</li> </ol> | <ol style="list-style-type: none"> <li>8. 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</li> <li>9. Apply for the Registro Unico de Contribuyentes (RUC)</li> <li>10. Print invoices and VAT forms at an authorized printing shop</li> <li>11. 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</li> <li>12. Inscribe all employee contracts with the Ministry of Labor (Inspectoría de Trabajo)</li> <li>13. Inspection from the municipality</li> <li>14. Obtain a “tasa municipal de habilitación” and a commercial patent from the competent municipality</li> </ol> |
|---|---|

More detail is included in the appendix.

#### 4. Benchmarking Starting a Business Regulations:

Ecuador is ranked 158 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:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Duration (days)</b>	<b>Cost (% GNI per capita)</b>	<b>Paid in Min. Capital (% of GNI per capita)</b>
<b>Denmark</b>			0.0	
<b>New Zealand*</b>	1	1		0.0

<i>Selected Economy</i>				
<b>Ecuador</b>	14	65	38.5	12.7

<i>Comparator Economies</i>				
<b>Argentina</b>	15	32	9.0	3.7
<b>Bolivia</b>	15	50	112.4	2.8
<b>Brazil</b>	18	152	8.2	0.0
<b>Mexico</b>	9	28	12.5	11.0
<b>Peru</b>	10	65	25.7	0.0

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

Procedures (number): **Canada**

# 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 and with licensing and safety regulations and 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. Striking the right balance is a challenge when it comes to construction regulations. Good regulations ensure safety standards that protect the public while making the permitting process efficient, transparent and affordable for both building authorities and the private professionals who use it. If procedures are overly complicated or costly, builders build without a permit, leading to hazardous construction.

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 (bribes not included). Time is recorded in calendar days. The survey assumes that the entrepreneur is aware of all existing regulations and does not use an intermediary to complete the procedures unless required to do so by law. To make the data comparable across economies, several assumptions about the business and its operations are used. The business is a small to medium-size limited liability company, located in the most populous city, domestically owned and operated, in the construction business, with 60 qualified employees. The warehouse to be built:

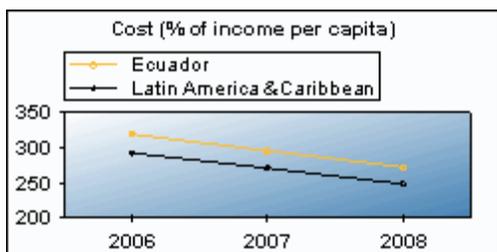
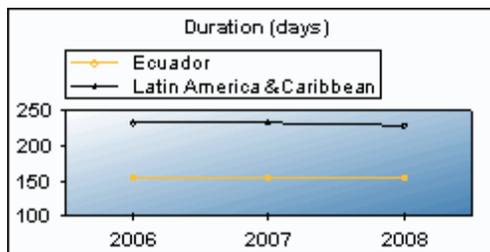
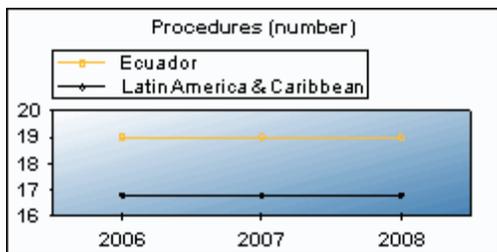
- Is a new construction (there was no previous construction on the land).
- Has 2 stories, both above ground, with a total surface of approximately 1,300.6 square meters (14,000 square feet). Each floor is 3 meters (9 feet, 10 inches) high
- Has complete architectural and technical plans prepared by a licensed architect.
- Will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and one land phone line. The connection to each utility network will be 32 feet, 10 inches (10 meters) long.
- Will be used for general storage, such as of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

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

### 1. Historical data: Dealing with Construction Permits in Ecuador

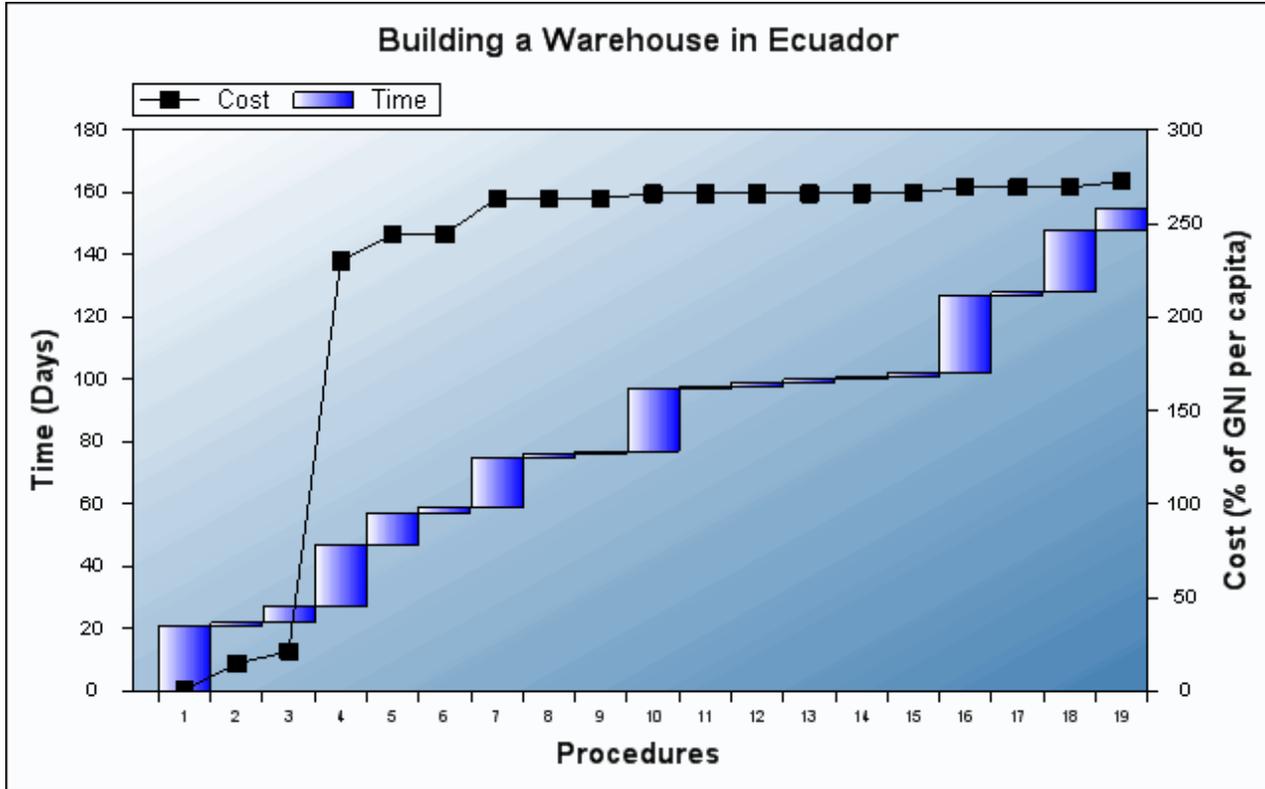
Dealing with Construction Permits data	Doing Business 2007	Doing Business 2008	Doing Business 2009
Rank		79	85
Procedures (number)	19	19	19
Duration (days)	155	155	155
Cost (% of income per capita)	319.4	295.8	272.7

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 272.71 % GNI per capita to build a warehouse in Ecuador.



#### List of Procedures:

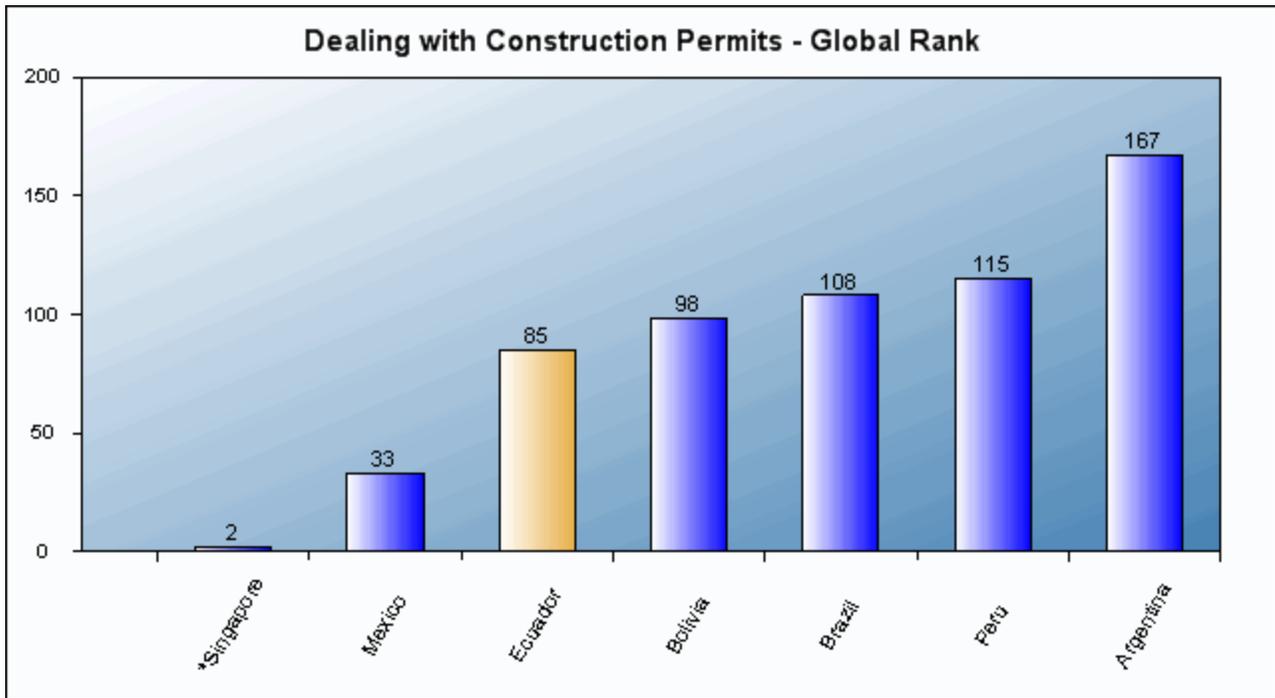
- |  |   |
|--|---|
| 1. Obtain Urban Regulation Report (Informe de Regulación Urbana - IRM)                           | 11. Request potable water and drainage hook-up                                |
| 2. Obtain proof of compliance with 1/1000 contribution to Professional Association of Architects | 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 85 overall for Dealing with Construction Permits.

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



\* The following economies are also good practice economies for Building a Warehouse: Belize, New Zealand, St. Vincent and the Grenadines

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

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Duration (days)</b>	<b>Cost (% of income per capita)</b>
<b>Denmark</b>	6		
<b>Korea</b>		34	
<b>Malaysia*</b>			7.9

<i>Selected Economy</i>			
<b>Ecuador</b>	19	155	272.7

<i>Comparator Economies</i>			
<b>Argentina</b>	28	338	183.3
<b>Bolivia</b>	17	249	121.6
<b>Brazil</b>	18	411	46.7
<b>Mexico</b>	12	138	131.0
<b>Peru</b>	21	210	139.7

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

**Cost (% of income per capita): Brunei, Palau, Qatar, St. Kitts and Nevis, Trinidad and Tobago, United Arab Emirates**



## Employing Workers

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

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

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

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

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

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

## 1. Historical data: Employing Workers in Ecuador

Employing Workers data	Doing Business 2007	Doing Business 2008	Doing Business 2009
Rank		171	171
Rigidity of Employment Index	51	51	51
Firing costs (weeks of salary)	135	135	135

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



### 3. Benchmarking Employing Workers Regulations:

Ecuador is ranked 171 overall for Employing Workers.

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



\* The following economies are also good practice economies for Employing Workers: Marshall Islands, Singapore

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

<b>Good Practice Economies</b>	<b>Rigidity of Employment Index</b>	<b>Firing costs (weeks of salary)</b>
<b>Hong Kong, China*</b>	0	
<b>New Zealand*</b>		0

<i>Selected Economy</i>		
<b>Ecuador</b>	51	135

<i>Comparator Economies</i>		
<b>Argentina</b>	35	95
<b>Bolivia</b>	79	not possible
<b>Brazil</b>	46	37
<b>Mexico</b>	48	52
<b>Peru</b>	48	52

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

**Rigidity of Employment Index: Maldives, Marshall Islands, Singapore, United States**

**Firing costs (weeks of salary): Afghanistan, Denmark, Iraq, Marshall Islands, Micronesia, 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.

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

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

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

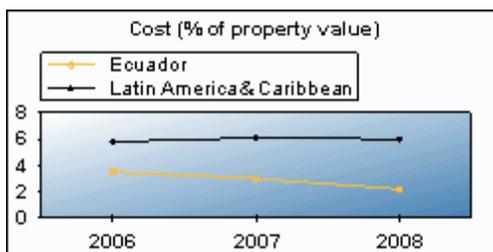
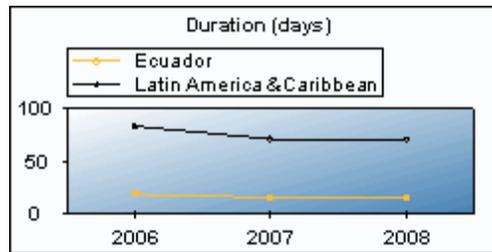
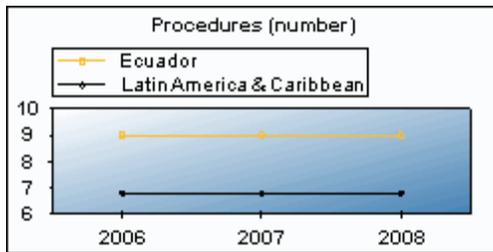
Many titling programs in Africa were futile because people bought and sold property informally, neglecting to update the title records in the property registry. Why? Doing Business shows that completing a simple formal property transfer in the largest business city of an African economy cost 10% of the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

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

## 1. Historical data: Registering Property in Ecuador

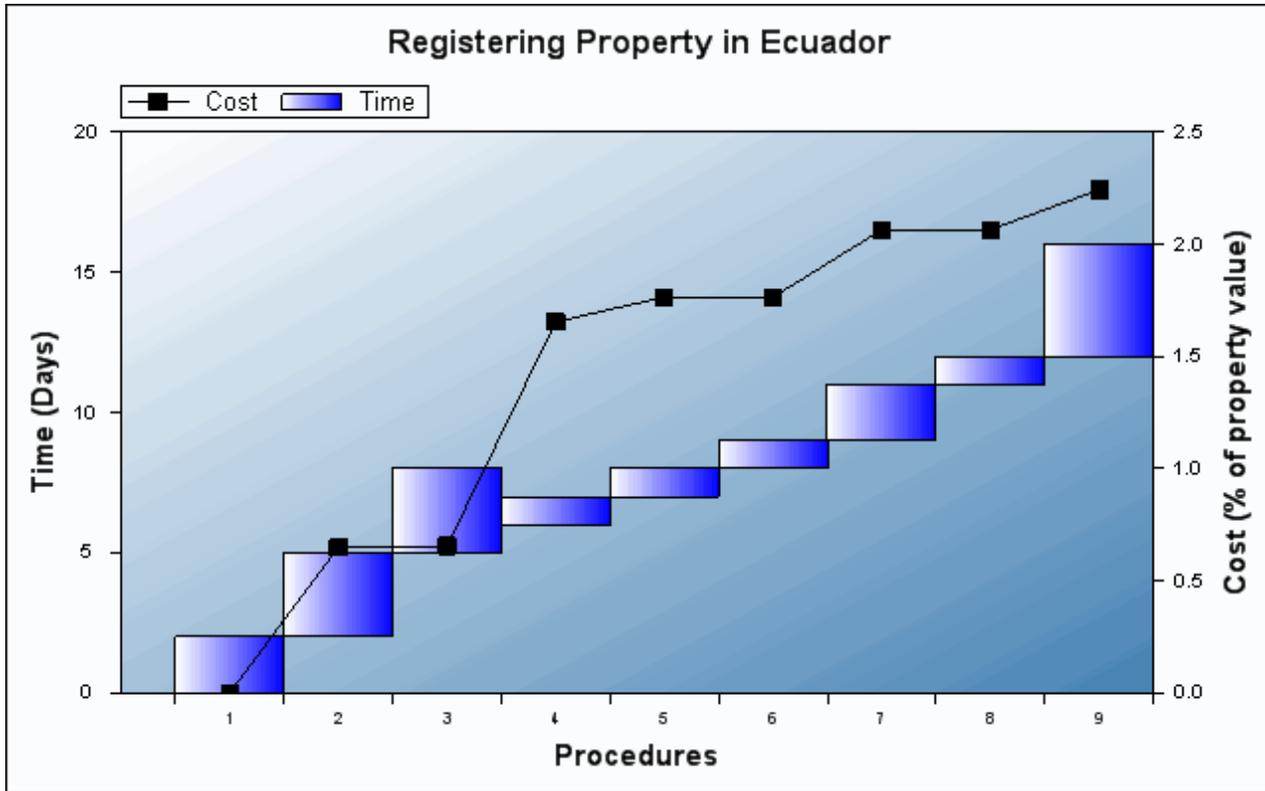
Registering Property data	Doing Business 2007	Doing Business 2008	Doing Business 2009
Rank		69	64
Procedures (number)	9	9	9
Duration (days)	19	16	16
Cost (% of property value)	3.5	3.0	2.2

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 2.24 % of property value to register the property in Ecuador.



#### List of Procedures:

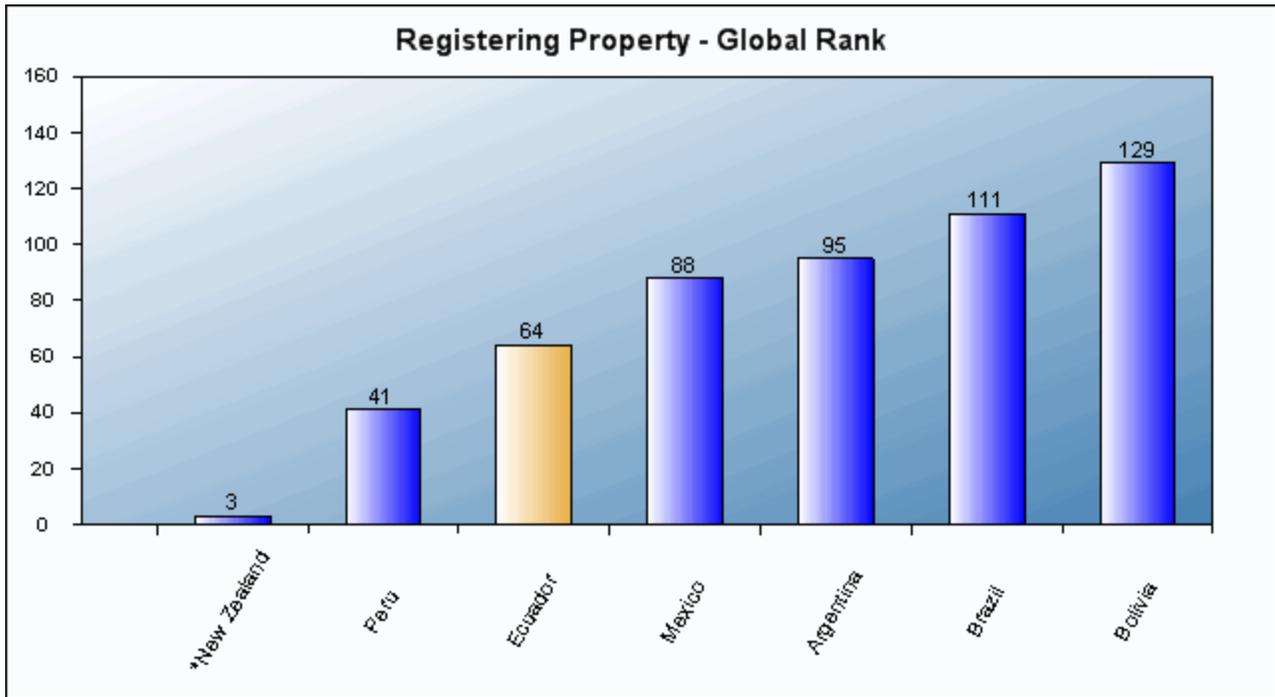
1. Lawyer prepares the contract
2. Obtain a non-encumbrance certificate from the Property Registry
3. Pay various taxes at the Municipality
4. Pay additional taxes at the Province Council (Consejo Provincial)
5. Pick-up the municipal permit-letter at the Municipality
6. Notary notarizes the public deed
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 64 overall for Registering Property.

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



*\* The following economies are also good practice economies for Registering Property: Georgia, Saudi Arabia*

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

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Duration (days)</b>	<b>Cost (% of property value)</b>
<b>New Zealand*</b>		2	
<b>Norway*</b>	1		
<b>Saudi Arabia</b>			0.0

<i>Selected Economy</i>			
<b>Ecuador</b>	9	16	2.2

<i>Comparator Economies</i>			
<b>Argentina</b>	5	51	7.5
<b>Bolivia</b>	7	92	4.9
<b>Brazil</b>	14	42	2.7
<b>Mexico</b>	5	74	4.8
<b>Peru</b>	5	33	3.3

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

**Procedures (number): Sweden**

**Duration (days): Saudi Arabia, Sweden, Thailand**



## Getting Credit

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

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

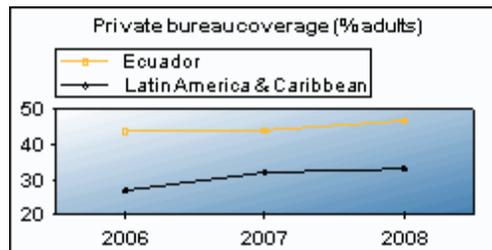
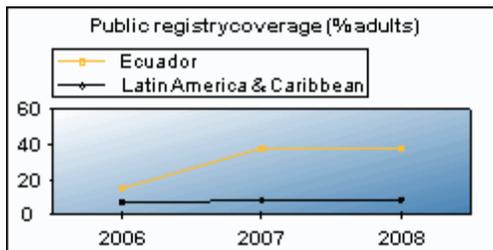
The strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. This year, three main changes were made; first, a standardized case scenario with specific assumptions was introduced to bring this indicator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

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

## 1. Historical data: Getting Credit in Ecuador

Getting Credit data	Doing Business 2007	Doing Business 2008	Doing Business 2009
Rank		79	84
Legal Rights Index	3	3	3
Credit Information Index	5	5	5
Public registry coverage (% adults)	15.2	37.9	37.7
Private bureau coverage (% adults)	43.7	44.1	46.8

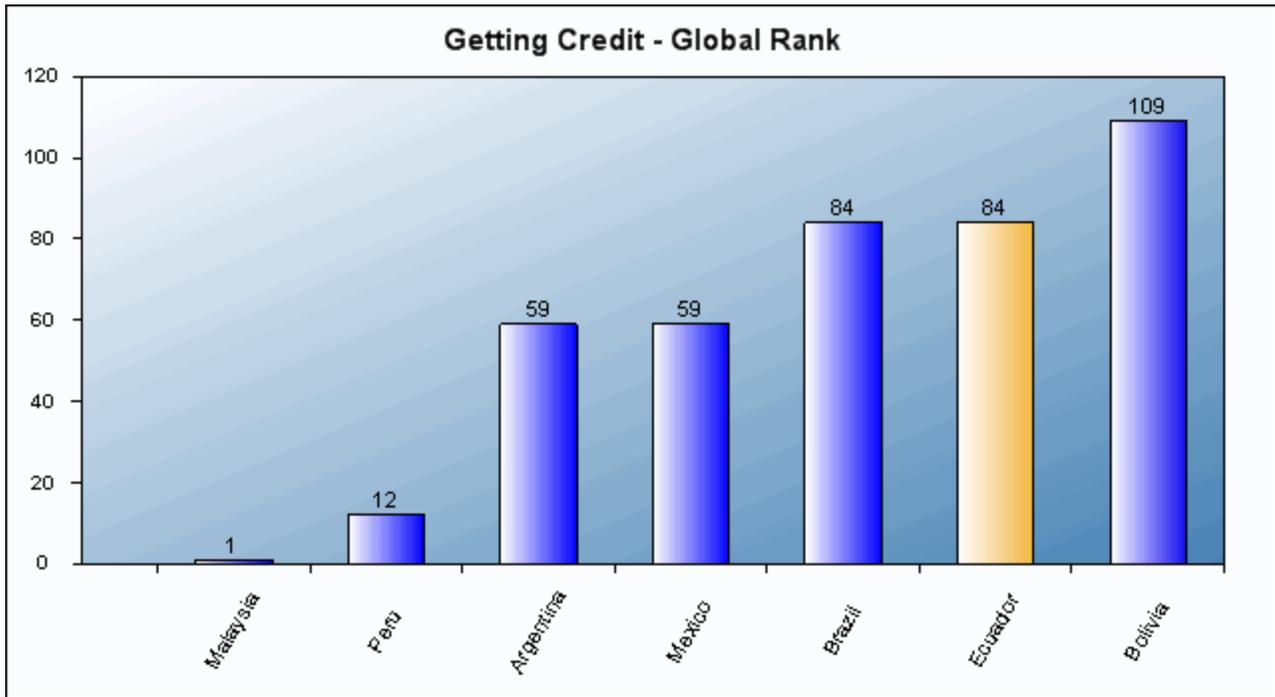
## 2. The following graphs illustrates the Getting Credit indicators in Ecuador over the past 3 years:



### 3. Benchmarking Getting Credit Regulations:

Ecuador is ranked 84 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	Legal Rights Index	Credit Information Index	Public registry coverage (% adults)	Private bureau coverage (% adults)
Malaysia*	10			
New Zealand*				100.0
Portugal			76.4	
United Kingdom		6		

<i>Selected Economy</i>				
<b>Ecuador</b>	3	5	37.7	46.8

<i>Comparator Economies</i>				
<b>Argentina</b>	4	6	31.2	100.0
<b>Bolivia</b>	1	6	11.9	29.7
<b>Brazil</b>	3	5	20.2	62.2
<b>Mexico</b>	4	6	0.0	70.8
<b>Peru</b>	7	6	23.7	33.2

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

**Legal Rights Index: Hong Kong, China, Kenya, Singapore**

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

**24 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. But investors worry about their money, and look for laws that protect them. A study finds that the presence of legal and regulatory protections for investors explains up to 73% of the decision to invest. In contrast, company characteristics explain only between 4% and 22%\*. Good protections for minority shareholders are associated with larger and more active stock markets. Thus both governments and businesses have an interest in reforms strengthening investor protections. To document some of the protections investors have, Doing Business measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gain.

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

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

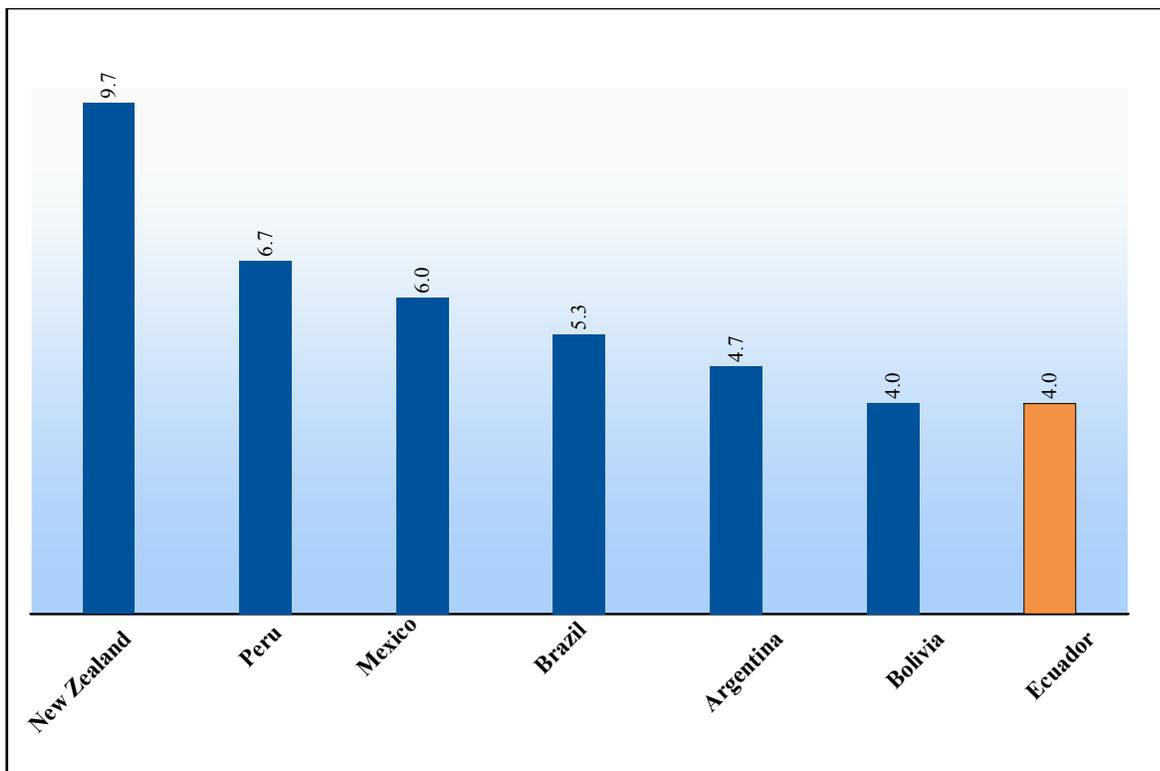
These three indices are averaged to create the strength of investor protection index. This index ranges from 0 to 10, with higher values indicating better investor protection.

\*Doidge, Karayi and Stulz (2007)

## 1. Historical data: Protecting Investors in Ecuador

Protecting Investors data	Doing Business 2007	Doing Business 2008	Doing Business 2009
Rank		125	126
Investor Protection Index	4.0	4.0	4.0

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

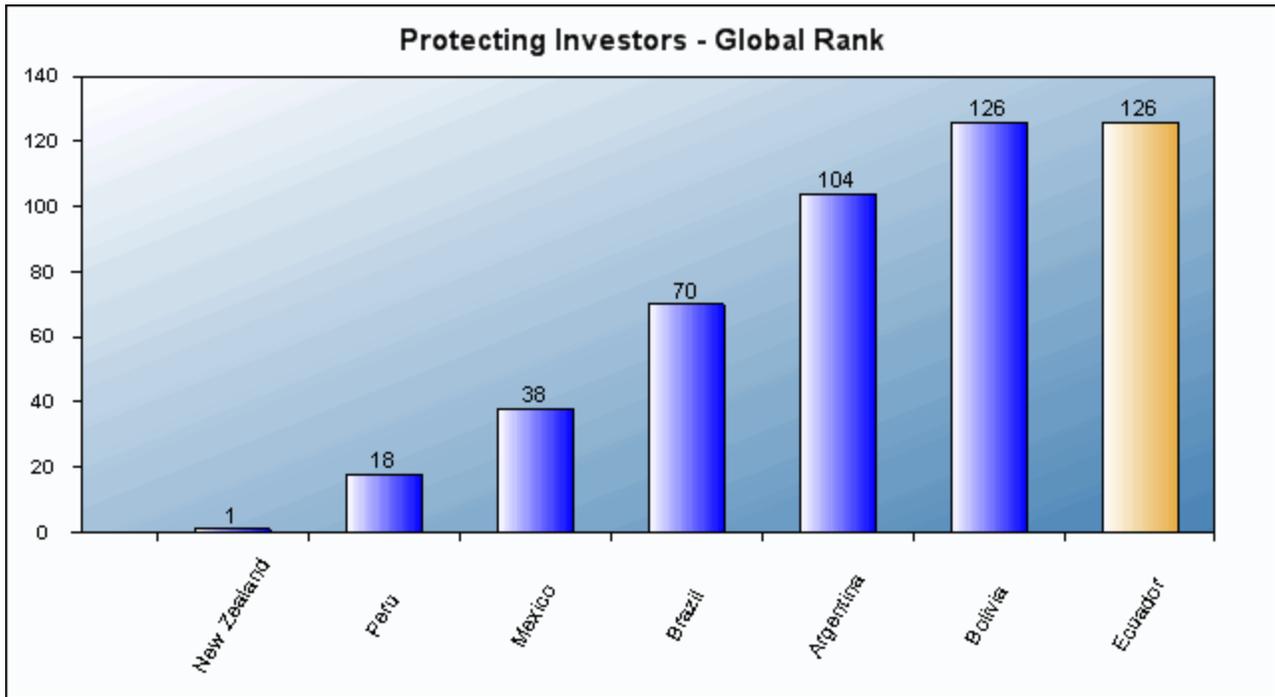


Note: The higher the score, the greater the investor protection.

### 3. Benchmarking Protecting Investors Regulations:

Ecuador is ranked 126 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:

<b>Good Practice Economies</b>	<b>Investor Protection Index</b>
<b>New Zealand</b>	9.7

<i>Selected Economy</i>	
<b>Ecuador</b>	4.0

<i>Comparator Economies</i>	
<b>Argentina</b>	4.7
<b>Bolivia</b>	4.0
<b>Brazil</b>	5.3
<b>Mexico</b>	6.0
<b>Peru</b>	6.7



## Paying Taxes

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

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

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

Three indicators are constructed:

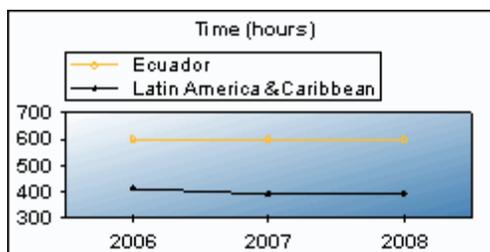
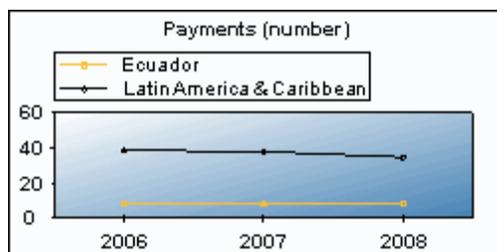
- Number of tax payments, which takes into account the method of payment, the frequency of payments and the number of agencies involved in our standardized case study.
- Time, which measures the number of hours per year necessary to prepare and file tax returns and to pay the corporate income tax, value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

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

## 1. Historical data: Paying Taxes in Ecuador

Paying Taxes data	Doing Business 2007	Doing Business 2008	Doing Business 2009
Rank		59	69
Time (hours)	600	600	600
Total tax rate (% profit)	35.3	35.3	34.9
Payments (number)	8	8	8

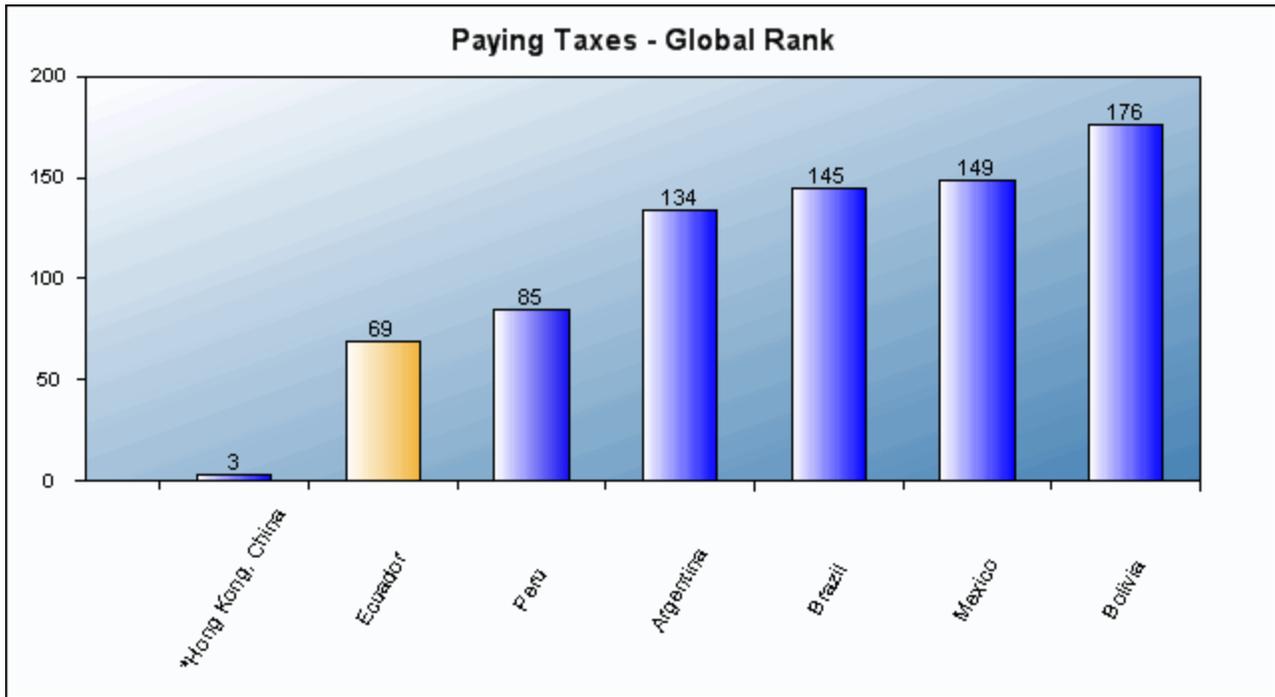
2. The following graphs illustrates the Paying Taxes indicators in Ecuador over the past 3 years:



### 3. Benchmarking Paying Taxes Regulations:

Ecuador is ranked 69 overall for Paying Taxes.

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



\* The following economies are also good practice economies for Paying Taxes: Maldives, Qatar

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

<b>Good Practice Economies</b>	<b>Payments (number)</b>	<b>Time (hours)</b>	<b>Total tax rate (% profit)</b>
<b>Luxembourg*</b>		59	
<b>Sweden*</b>	2		
<b>Vanuatu</b>			8.4

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

<i>Comparator Economies</i>			
<b>Argentina</b>	9	453	108.1
<b>Bolivia</b>	41	1080	78.1
<b>Brazil</b>	11	2600	69.4
<b>Mexico</b>	27	549	51.5
<b>Peru</b>	9	424	41.2

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

**Payments (number): Maldives, Qatar**

**Time (hours): Bahamas, Bahrain, Maldives, Qatar, United Arab Emirates**



# Trading Across Borders

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

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

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

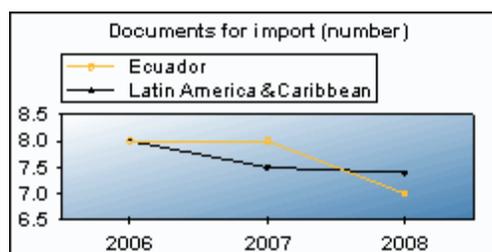
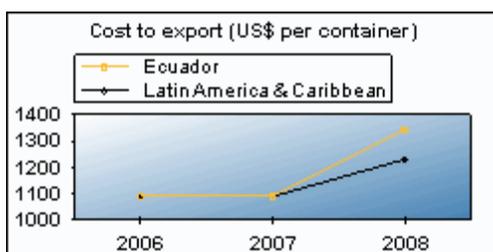
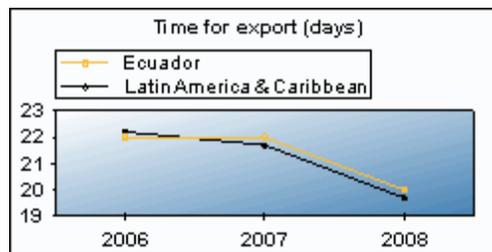
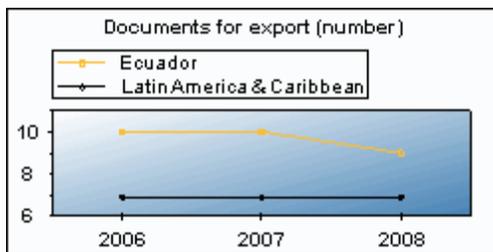
Documents recorded include port filing documents, customs declaration and clearance documents, as well as official documents exchanged between the parties to the transaction. Time is recorded in calendar days, from the beginning to the end of each procedure. Cost includes the fees levied on a 20-foot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

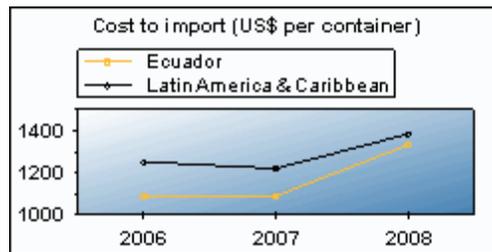
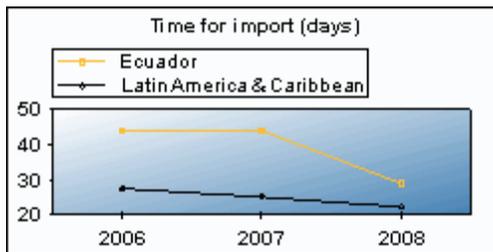
Economies that have efficient customs, good transport networks and fewer document requirements, making compliance with export and import procedures faster and cheaper, are more competitive globally. That can lead to more exports; and exports are associated with faster growth and more jobs. Conversely,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

## 1. Historical data: Trading Across Borders in Ecuador

Trading Across Borders data	Doing Business 2007	Doing Business 2008	Doing Business 2009
Rank		134	124
Documents for export (number)	10	10	9
Time for export (days)	22	22	20
Cost to export (US\$ per container)	1090	1090	1345
Documents for import (number)	8	8	7
Time for import (days)	44	44	29
Cost to import (US\$ per container)	1090	1090	1332

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

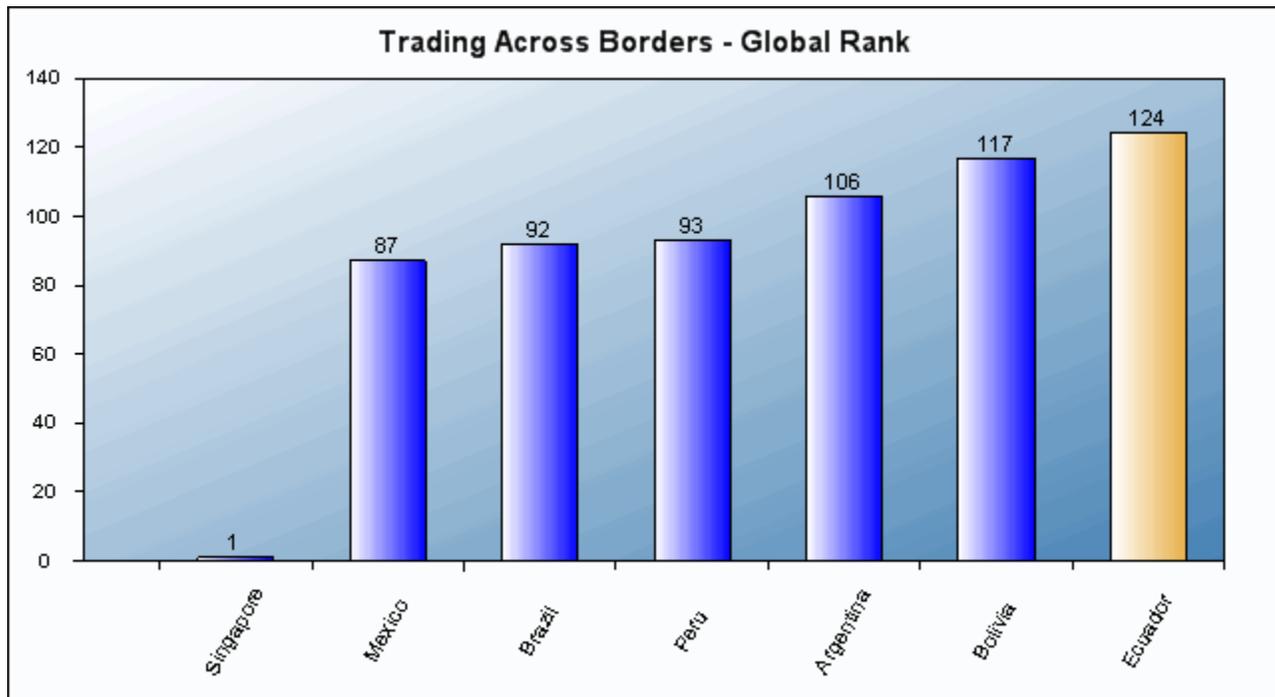




### 3. Benchmarking Trading Across Borders Regulations:

Ecuador is ranked 124 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:

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

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

<i>Comparator Economies</i>						
<b>Argentina</b>	9	13	1480	7	18	1810
<b>Bolivia</b>	8	19	1425	7	23	1747
<b>Brazil</b>	8	14	1240	7	19	1275
<b>Mexico</b>	5	17	1472	5	23	2700
<b>Peru</b>	7	24	875	8	25	895

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

**Time for export (days): Estonia, Singapore**



## Enforcing Contracts

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

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

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

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

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

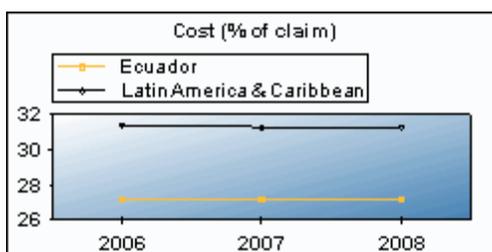
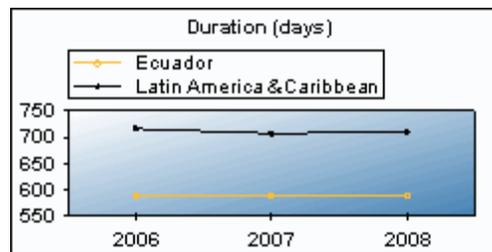
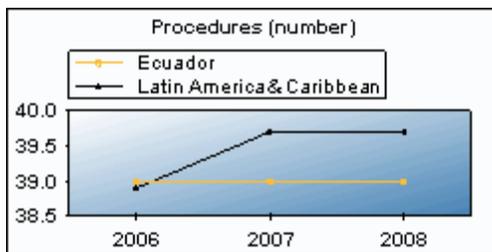
- Number of procedures, which are defined as any interaction between the parties or between them and the judge or court officer. This includes steps to file the case, steps for trial and judgment and steps necessary to enforce the judgment.
- Time, which counts the number of calendar days from the moment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

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

## 1. Historical data: Enforcing Contracts in Ecuador

Enforcing Contracts data	Doing Business 2007	Doing Business 2008	Doing Business 2009
Rank		101	101
Procedures (number)	39	39	39
Duration (days)	588	588	588
Cost (% of claim)	27.2	27.2	27.2

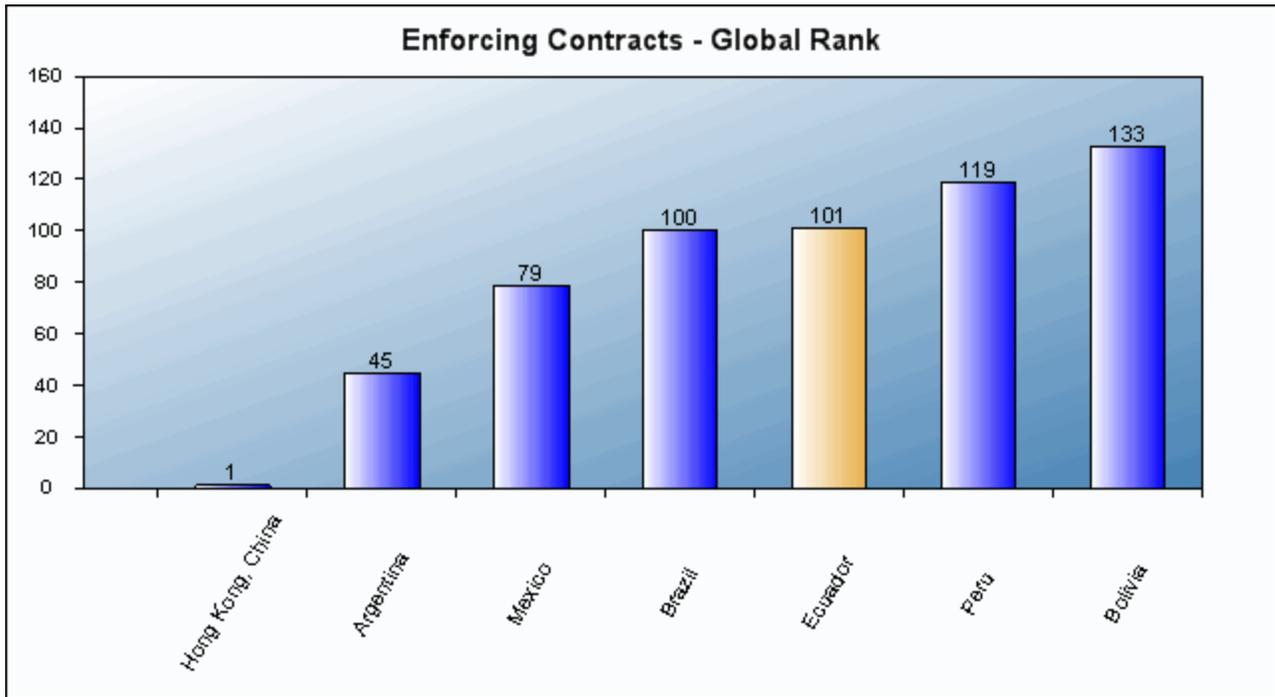
2. The following graphs illustrates the Enforcing Contracts indicators in Ecuador over the past 3 years:



### 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:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Duration (days)</b>	<b>Cost (% of claim)</b>
<b>Iceland*</b>			6.2
<b>Ireland</b>	20		
<b>Singapore</b>		150	

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

<i>Comparator Economies</i>			
<b>Argentina</b>	36	590	16.5
<b>Bolivia</b>	40	591	33.2
<b>Brazil</b>	45	616	16.5
<b>Mexico</b>	38	415	32.0
<b>Peru</b>	41	468	35.7

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

**Cost (% of claim): Bhutan**



## Closing Business

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

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

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

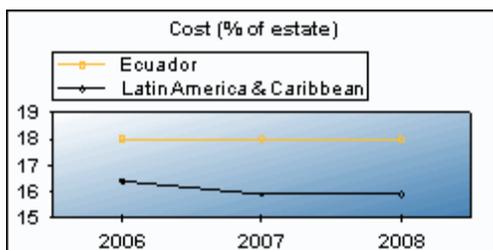
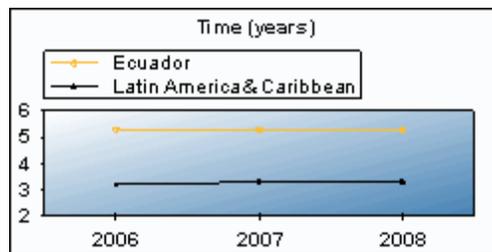
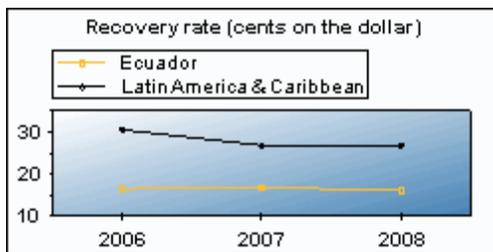
Three measures are constructed from the survey responses: the time to go through the insolvency process, the cost to go through the process and the recovery rate—how much of the insolvency estate is recovered by stakeholders, taking into account the time, cost, depreciation of assets and the outcome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

Bottlenecks in bankruptcy cut into the amount claimants can recover. In countries where bankruptcy 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.

## 1. Historical data: Closing Business in Ecuador

Closing a Business data	Doing Business 2007	Doing Business 2008	Doing Business 2009
Rank		127	131
Time (years)	5.3	5.3	5.3
Cost (% of estate)	18	18	18
Recovery rate (cents on the dollar)	16.5	16.9	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 131 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:

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

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

<i>Comparator Economies</i>			
<b>Argentina</b>	29.8	2.8	12
<b>Bolivia</b>	37.3	1.8	15
<b>Brazil</b>	17.1	4.0	12
<b>Mexico</b>	64.2	1.8	18
<b>Peru</b>	25.4	3.1	7

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

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

# DB2009 Reforms

## Number of reforms in Doing Business 2009

Rank	Economy	Reform Topics									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	Azerbaijan	✓		✓	✓	✓	✓	✓		✓	7
2	Albania	✓				✓	✓	✓			4
3	Kyrgyz Republic	✓	✓				✓				3
4	Belarus	✓	✓		✓	✓		✓	✓		6
5	Senegal	✓			✓				✓		3
6	Burkina Faso		✓	✓	✓			✓			4
7	Botswana	✓					✓	✗	✓		3
8	Colombia	✓	✓					✓	✓	✓	5
9	Dominican Republic	✓			✓			✓	✓		4
10	Egypt	✓	✓		✓	✓	✓		✓		6
	<b>Ecuador</b>								✓		1
	<b>Peru</b>										
	<b>Bolivia</b>									✗	0
	<b>Argentina</b>			✓							1
	<b>Brazil</b>							✓			1
	<b>Mexico</b>							✓		✓	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.

<b>Albania</b>	Albania, a top reformer globally and regionally, established a public credit registry allowing financial institutions to share credit information and covering 8.3 percent of the adult population. This reform allows banks to better evaluate the creditworthiness of potential borrowers, facilitating access to credit for firms and individuals. Albania also strengthened investor protections. A new company law requires that disinterested shareholders approve transactions between interested parties and obligates those parties to disclose all information on the transaction to the public. The law also reinforces directors' duties and requires directors, when found liable, to pay damages and return profits to the company. Starting a business became easier with online publication, reduction of the registration cost, and the consolidation of tax, health insurance, and labor registration into a single application. The corporate income tax rate was reduced from 20 percent to 10 percent effective January 1, 2008.
<b>Argentina</b>	Argentina reduced the severance payment for a worker with 20 years of seniority from 30 months to 20. After its unemployment rate fell below 10%, a 2007 decree abolished the 50% increase in severance payments that had been part of "emergency laws" adopted in 2002.
<b>Azerbaijan</b>	Azerbaijan, the top reformer globally and regionally, eliminated the minimum threshold for reporting loans to the public credit registry in September 2007. The public registry now records information on all loans made by the financial system, more than doubling the coverage of borrowers with a credit history. Substantial amendments to the labor code in May 2007 made hiring workers easier by allowing employers to use fixed-term contracts for permanent tasks, easing restrictions on night work, and reducing requirements for redundancy dismissals. Azerbaijan created a second commercial court in Baku, increasing the number of judges dealing with commercial cases from five to nine. The average time to enforce a contract through the courts fell from 267 days to 237. A new law strengthens investor protections by requiring that transactions between interested parties be approved by shareholders. Interested parties are allowed to vote on the matter. Other provisions protect investors because directors who are held liable must pay damages and disgorge profits. Azerbaijan introduced a new unified property registry, reducing the number of procedures required to register property from seven to four. In addition, the State Register Service introduced the option of expediting two of the four procedures, making it possible to register property in 11 days. Similarly, the country created a one-stop shop for company registration, cutting the number of procedures from 13 to six and reducing the time required by half. Azerbaijan reduced the tax burden by introducing an online filing and payment system with advanced accounting software for calculating taxes due. This saves more than 500 hours a year on average in dealing with paperwork.
<b>Belarus</b>	In Belarus, a top reformer globally and regionally, the public credit registry expanded credit information by eliminating the minimum threshold for loans recorded in its database. It also guaranteed the right of borrowers to review their data, improving accuracy. Starting a business became easier: a unified registry database was created, a time limit was introduced for registration, and the minimum capital requirement was cut by half. Belarus created a one-stop shop for property registration and introduced a broad administrative simplification program that set strict time limits at the registry and computerized its records. As a result, the time required to register property in Minsk fell from 231 days to 21. The time required for dealing with construction permits fell by 140 days, thanks to new statutory time limits for preapproval clearances and building permits. Belarus eased the tax burden by abolishing the "Chernobyl tax" (3 percent) and unemployment tax (1 percent) and amending the simplified tax system for small businesses. A new customs code and new banking regulations reduced the time to export
<b>Bolivia</b>	Bolivia suspended applications for voluntary restructuring of financially distressed companies. The only option now is a lengthy bankruptcy procedure that typically takes years.
<b>Botswana</b>	Botswana improved its business environment by speeding the start-up process through computerization. A similar effort, which included training customs officers in using an electronic data interchange system, sped the processing of trade documents and reduced the time to export by two days and the time to import by a day. A new Company Act has come into force, requiring that shareholders approve related-party transactions and that directors repay damages and surrender profits if held liable. Finally, since January 2008, companies have been required to pay 0.2 percent of turnover for the training of workers.
<b>Brazil</b>	Brazil reduced the time to export by four days. Authorities merged the current manifest reporting system, "Merchante" (for imports) and "Siscomex" (for exports) into a new and unique system, "Siscomex Carga." Due to an increase in the shares of traders allotted "green line" status, the number of inspections was reduced, speeding up the customs process.

**Burkina Faso**

Burkina Faso eliminated random inspections during construction. It also introduced a new one-stop shop for construction permits, which reduced approval fees and combined five separate payments into a single one. A new labor code, approved in May 2008, makes hiring workers easier by allowing employers to use fixed-term contracts for permanent tasks, removing the 48-month limit on the duration of such contracts, and easing restrictions on determining the weekly rest day. Requirements for redundancy dismissals were also eased: third-party notification and consent are no longer required for dismissal of a single worker, and priority rules for dismissals were abolished. Burkina Faso made it easier to transfer property by eliminating the requirement for authorization from the municipality, merging two taxes at the Land Registry (Conservation Foncière), and reducing the transfer tax. The changes reduced the time required by 46 days and the cost by 2 percent of the property value. Finally, Burkina Faso reduced the corporate income tax rate from 35 percent to 30 percent (effective January 1, 2008), and the tax on dividends from 15 percent to 12.5 percent.

**Colombia**

Colombia, a top global and regional reformer, improved in five of the 10 Doing Business indicators. It reduced the time and cost to start a business by simplifying registration formalities, including speeding up processes at the registry and eliminating the need to obtain a certificate of compliance with zoning regulations. A silence-is-consent principle for building permits is now applied, reducing the total time for dealing with construction permits by 32 days. A new unified application form was introduced. Colombia made electronic social security contributions mandatory for companies with more than 30 employees and created unified electronic forms for filing taxes. Trading across borders was expedited: better banking services and the implementation of e-payments, electronic data interchange, and coordinated inspections in customs reduced the time to export by 10 days and the time to import by five. Authorities also introduced two new insolvency proceedings: a reorganization procedure to restructure insolvent companies and a mandatory liquidation procedure. Its new insolvency law tightens time limits for negotiating reorganization agreements. Before, the term allowed was six months, with a possible extension of eight months. The new law limits the term to four months, and the extension to two.

**Dominican Republic**

The Dominican Republic, a top global and regional reformer, sped up formalities in several areas by making them electronic. An online system for filing and paying taxes, piloted in 2006, is now fully operational. And entrepreneurs can complete several start-up formalities online, including name verification, and commercial and tax registration. The Dominican Republic also reduced the corporate income tax rate from 29% to 25%, and abolished several taxes, including the stamp duty. The cost of property registration fell, thanks to a reduction in the transfer tax from 4.3% to 3%. Transferring property now costs 3.8% of the property value, down from 5.1%. In addition, authorities reduced the time to export by three days by improving the online portal for customs documentation and payment.

**Ecuador**

Ecuador streamlined the trade process through improvements in port infrastructure and banking services and a reduction in the number of documents required. The changes reduced the time to export by two days and the time to import by 15.

**Egypt**

Egypt was once again among the top 10 global reformers—the third time in 4 years—and top regional reformer this year. Egypt made starting a business easier by reducing the paid-in minimum capital requirement by more than 80%, abolishing bar association fees, and automating tax registration. A new building code introduced in 2008 is aimed at reducing the procedures and time required to deal with construction permits by establishing a single window for processing construction-related approvals. Simplified administrative procedures for registering property and new time limits have reduced the time to transfer property in Cairo from 193 days to 72. The port of Alexandria continued to upgrade its facilities and sped customs clearance, reducing the time to export by 1 day and the time to import by 3. New listing rules for the Cairo Stock Exchange strengthened protections for minority shareholders: now an independent body must assess transactions between interested parties before they are approved. And thanks to new regulations issued by the Central Bank of Egypt, borrowers have the right to inspect their data in the private credit bureau.

**Kyrgyz Republic**

The Kyrgyz Republic, a top reformer globally and regionally, strengthened investor protections through legal amendments allowing minority investors to take legal actions as shareholders. The amendments also require an independent assessment of a related-party transaction before it is approved. Moreover, directors can be held liable for negligence if they harm minority shareholders and will be forced to pay damages and disgorge profits. A new one-stop shop made it easier to start a business by streamlining and simplifying business registration processes and eliminating certain requirements such as proof of residence. Obtaining a company seal became optional. Dealing with construction permits also became easier, thanks to a one-stop shop making it possible to obtain a designing permit, construction license, and occupancy permit at a single place. This reform eliminated nine steps, reduced the time required by almost 6 months, and lowered the cost from 759 percent of income per capita to 406 percent.

**Mexico**

Mexico introduced a new tax law that abolishes the asset tax (IMPAC) and the possible eventual amalgamation of income tax applicable to corporations and individuals with business activities. A new withholding tax on cash deposit interest is being implemented, and new reporting rules were introduced for value-added tax. Mexico also amended its bankruptcy law to make reorganization more accessible. Now debtors and creditors may enter into a reorganization agreement at any stage of the insolvency procedure, which is expected to speed the process.

**Peru**

In Peru no major reform was recorded.

**Senegal**

Senegal's one-stop shop for business start-up became fully operational, merging more than half the procedures and speeding the process as a result. Similarly, the introduction of time limits at the Land Registry and the Directorate of Taxes and Property sped property registration. The top reformer globally in easing trade, Senegal introduced a single window for customs clearance, cutting document requirements in half. It also set up an electronic data interchange system, implemented risk-based inspections, extended the operating hours of customs, and improved port and road infrastructure.

## 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 day	USD 500-700
2	Register company name at the Superintendent of Companies	1 day	no charge
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 day	no charge
4	Notarize the charter of incorporation and bylaws	2 days	2% of capital for notary fees and USD 295 stamp duty
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 days	no charge
6	Publish an abstract of the charter in a daily newspaper that circulates in the area in which the company operates	2 days	USD 15
7	Enroll in the Chamber of Commerce (or Industry, etc.)	1 day	USD 60
8	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 days	USD 80
9	Apply for the Registro Unico de Contribuyentes (RUC)	4 days	USD 5 per form
10	Print invoices and VAT forms at an authorized printing shop	1 day	USD 40
11	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 days	no charge
12	Inscribe all employee contracts with the Ministry of Labor (Inspectoría de Trabajo)	2 days	no charge

13	Inspection from the municipality	29 days	no charge
14	Obtain a “tasa municipal de habilitacion” and a commercial patent from the competent municipality	1 day	USD 50

**Procedure 1 Hire a lawyer to prepare the minutes of incorporation**

**Time to complete:** 1 day

**Cost to complete:** USD 500-700

**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 Register company name at the Superintendent of Companies**

**Time to complete:** 1 day

**Cost to complete:** no charge

**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 day

**Cost to complete:** no charge

**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 days

**Cost to complete:** 2% of capital for notary fees and USD 295 stamp duty

**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 days

**Cost to complete:** no charge

**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 days

**Cost to complete:** USD 15

**Comment:**

**Procedure 7 Enroll in the Chamber of Commerce (or Industry, etc.)**

**Time to complete:** 1 day

**Cost to complete:** USD 60

**Comment:** All companies must be affiliated to one of the production chambers (e.g., the Chamber of Commerce or the Chamber of Industries) before registering the constitution deed in the Register of Commerce. The chamber chosen by the company must relate to the company's activities as stated in its bylaws. Amounts can vary depending on the chamber chosen and the amount of company's capital.

**Procedure 8 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 days

**Cost to complete:** USD 80

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

**Procedure 9 Apply for the Registro Unico de Contribuyentes (RUC)**

**Time to complete:** 4 days

**Cost to complete:** USD 5 per form

**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 10 Print invoices and VAT forms at an authorized printing shop**

**Time to complete:** 1 day

**Cost to complete:** USD 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 11 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 days

**Cost to complete:** no charge

**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 12 Inscribe all employee contracts with the Ministry of Labor (Inspección de Trabajo)**

**Time to complete:** 2 days

**Cost to complete:** no charge

**Comment:**

**Procedure 13 Inspection from the municipality**

**Time to complete:** 29 days

**Cost to complete:** no charge

**Comment:**

**Procedure 14 Obtain a “tasa municipal de habilitación” and a commercial patent from the competent municipality**

**Time to complete:** 1 day

**Cost to complete:** USD 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 2,008

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

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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

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**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 (2008)	Answer	Score
<b>Rigidity of Employment Index</b>		<b>51.5</b>
<b>Difficulty of Hiring Index</b>		<b>44.4</b>
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?	0.47	0.33
<b>Rigidity of Hours Index</b>		<b>60.0</b>
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?	Yes	1
Are there restrictions on "weekly holiday" work?	Yes	1
What is the paid annual vacation (in working days) for an employee with 20 years of service?	21	0
<b>Difficulty of Firing Index</b>		<b>50.0</b>
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 25 redundant workers?	Yes	1
Does the employer need the approval of a third party to terminate a group of 25 redundant workers?	Yes	1
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

**Firing costs (weeks of salary)**

135.4

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What is the notice period for redundancy dismissal after 20 years of continuous employment? (weeks of salary)

4.3

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What is the severance pay for redundancy dismissal after 20 years of employment? (weeks of salary)

131.1

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What is the legally mandated penalty for redundancy dismissal? (weeks of salary)

0.0

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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: 157,654.02

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 from the Property Registry	3 days	
3 *	Pay various taxes at the Municipality	2-3 days (simultaneous with procedures 4 and 5)	1% of property price (Transfer tax, or "Alcabala") + Property Appreciation tax
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	2 per thousand (notary fee) + 1 per thousand of the property value (notary's general expenses)
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 from the Property Registry****Time to complete:** 3 days**Cost to complete:**

**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") + Property Appreciation tax

**Comment:** Payment of the Property Transfer taxes (1% of official value) and the Property Appreciation tax at the Municipality (1 day). 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 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:  
Notarized public deed  
Previous property titles  
Contracting parties identification documents  
Encumbrance certificate (obtained in Procedure 2)

**Procedure 4 Pay additional taxes at the Province Council (Consejo Provincial)****Time to complete:** 1day (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% ("Impuesto adicional de alcabala") + 0.01% ("Impuesto adicional de registro"), 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:** 2 per thousand (notary fees) + 1 per thousand of the property value (notary's general expenses)

**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 (2008)			Indicator
			score
Private bureau coverage (% 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
<b>Coverage</b>		46.8	37.7
Number of individuals		..	..
Number of firms		..	..

Legal Rights Index		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 (2008)	Indicator
<b>Disclosure Index</b>	<b>1</b>
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
<b>Director Liability Index</b>	<b>5</b>
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 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
<b>Shareholder Suits Index</b>	<b>6</b>
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

## Investor Protection Index

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 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			2.5%	vehicle value	0.21	
Municipal assets tax	1			0.1%	total assets	0.43	
Contribution to superintendence	1			0.1%	total assets	0.50	
Capital gains tax (property transfer tax)	1			10.0%	capital gain	0.51	
Business license	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	25.0%	taxable profit	17.97	
<b>Totals</b>	<b>8</b>		<b>600</b>			<b>34.9</b>	

### 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 (2008)	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 (2008)	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 (2008)	Indicator
Procedures (number)	39
Duration (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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