



Economy Profile: **Dominican Republic**

Doing business in a
more transparent world

COMPARING REGULATION FOR DOMESTIC FIRMS IN 183 ECONOMIES

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Copies of *Doing Business 2012: Doing Business in a More Transparent World*, *Doing Business 2011: Making a Difference for Entrepreneurs*, *Doing Business 2010: Reforming through Difficult Times*, *Doing Business 2009*, *Doing Business 2008*, *Doing Business 2007: How to Reform*, *Doing Business in 2006: Creating Jobs*, *Doing Business in 2005: Removing Obstacles to Growth* and *Doing Business in 2004: Understanding Regulations* may be downloaded at www.doingbusiness.org.

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INTRODUCTION

Doing Business sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 10 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

In a series of annual reports *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time. The data set covers 46 economies in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 24 in East Asia and the Pacific, 24 in Eastern Europe and Central Asia, 18 in the Middle East and North Africa and 8 in South Asia, as well as 31 OECD high-income economies. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

This economy profile presents the *Doing Business* indicators for Dominican Republic. To allow useful comparison, it also provides data for other selected economies (comparator economies) for each indicator. The data in this report are current as of June 1, 2011

(except for the paying taxes indicators, which cover the period January–December 2010).

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

More information is available in the full report. *Doing Business 2012* presents the indicators, analyzes their relationship with economic outcomes and recommends regulatory reforms. The data, along with information on ordering *Doing Business 2012*, are available on the *Doing Business* website at <http://www.doingbusiness.org>.

THE BUSINESS ENVIRONMENT

For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. *Doing Business* provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 183 by the ease of doing business index. For each economy the index is calculated as the ranking on the simple average of its percentile rankings on each of the 10 topics included in the index in *Doing Business 2012*: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The ranking on each topic is the simple average of the percentile rankings on its component indicators (see the data notes for more details).¹

The aggregate ranking on the ease of doing business benchmarks each economy's performance on the indicators against that of all other economies in the *Doing Business* sample (figure 1.1). While this ranking tells much about the business environment in an economy, it does not tell the whole story. The ranking on the ease of doing business, and the underlying indicators, do not measure all aspects of the business environment that matter to firms and investors or that affect the competitiveness of the economy. Still, a high ranking does mean that the government has created a regulatory environment conducive to operating a business.

ECONOMY OVERVIEW

Region: Latin America & Caribbean

Income category: Upper middle income

Population: 10,225,482

GNI per capita (US\$): 4,860.00

DB2012 rank: 108

DB2011 rank: 105

Change in rank: -3

Note: See the data notes for sources and definitions.

¹ Except for the ease of getting credit, for which the percentile rankings on its component indicators are weighted, the depth of credit information index at 37.5% and the strength of legal rights index at 62.5%.

THE BUSINESS ENVIRONMENT

Figure 1.1 Where economies stand in the global ranking on the ease of doing business



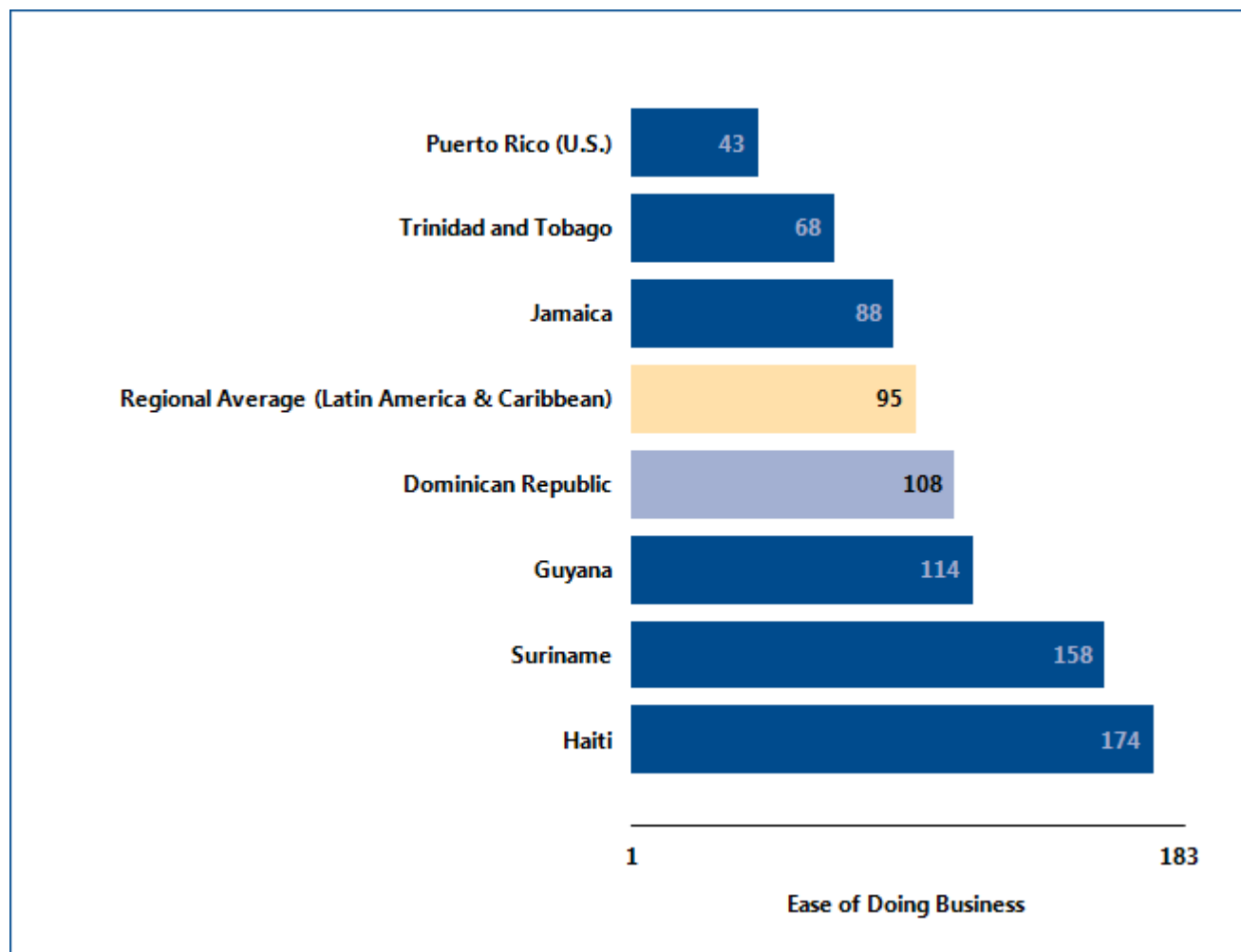
Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

For policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful. Also useful is to know how it ranks compared with other economies and compared with

the regional average (figure 1.2). The economy's rankings on the topics included in the ease of doing business index provide another perspective (figure 1.3).

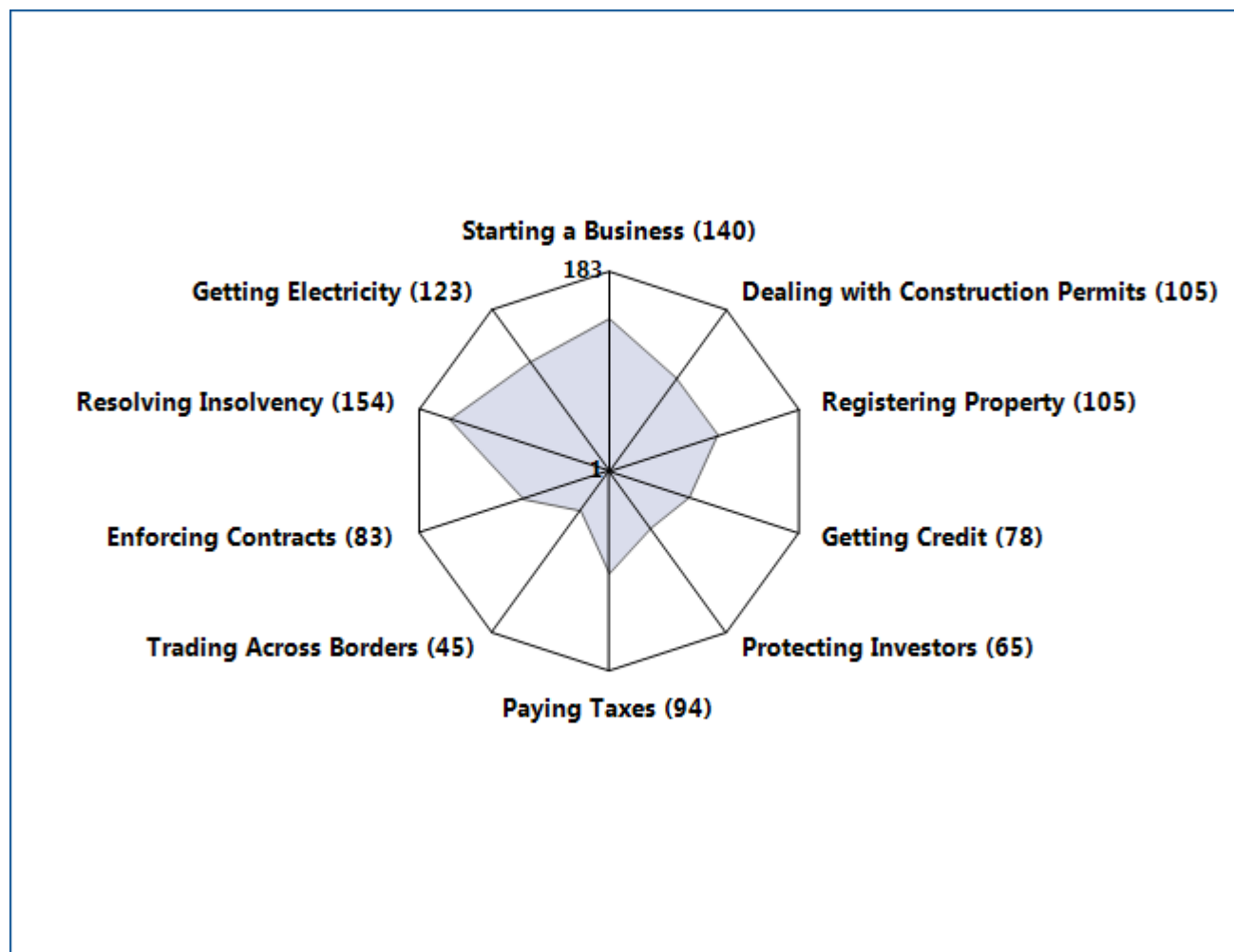
Figure 1.2 How Dominican Republic and comparator economies rank on the ease of doing business



Source: Doing Business database.

THE BUSINESS ENVIRONMENT

Figure 1.3 How Dominican Republic ranks on *Doing Business* topics



Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

Just as the overall ranking on the ease of doing business tells only part of the story, so do changes in that ranking. Yearly movements in rankings can provide some indication of changes in an economy's regulatory environment for firms, but they are always relative. An economy's ranking might change because of developments in other economies. An economy that implemented business regulation reforms may fail to rise in the rankings (or may even drop) if it is passed by others whose business regulation reforms had a more significant impact as measured by *Doing Business*.

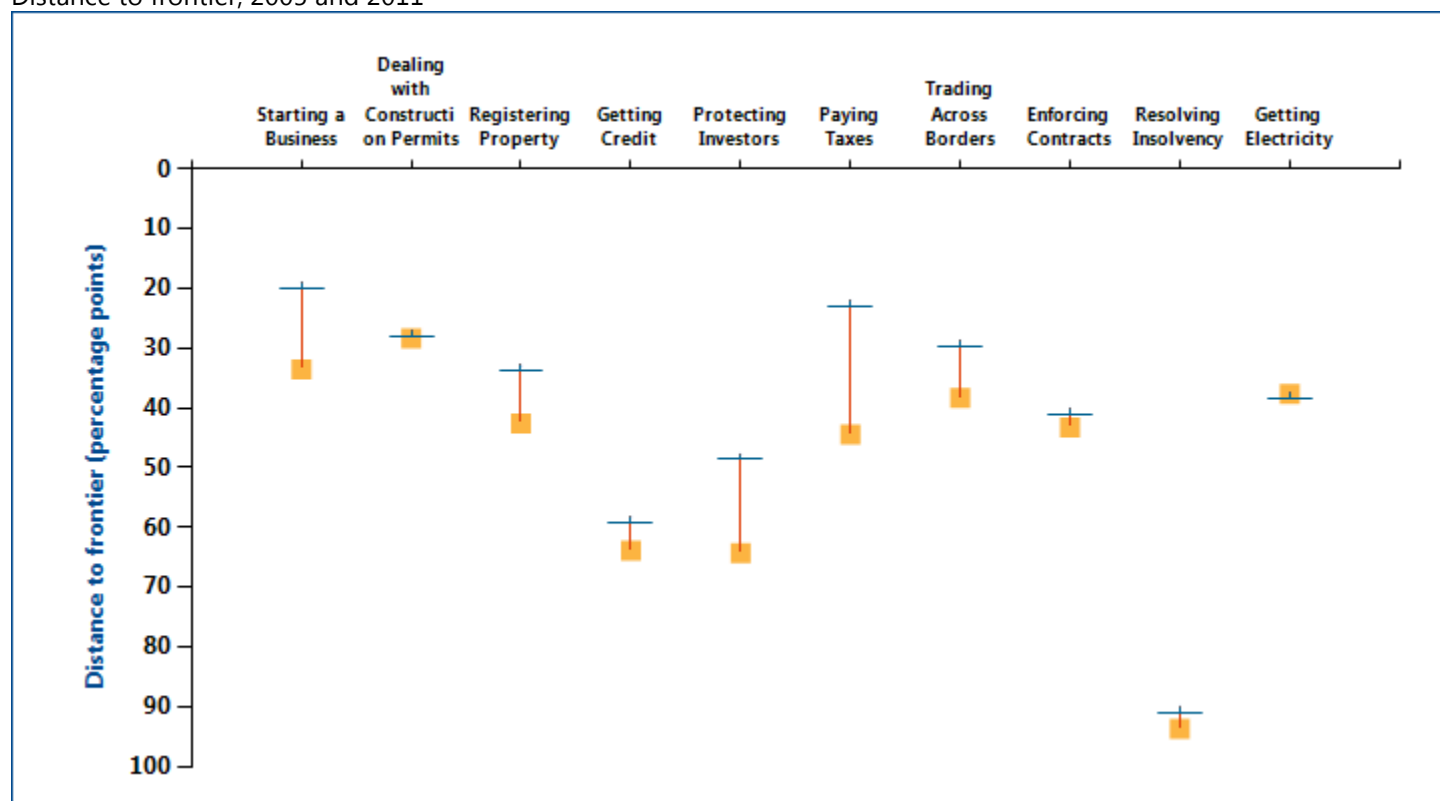
Moreover, year-to-year changes in the overall rankings do not reflect how the business regulatory environment in an economy has changed over time—or how it has changed in different areas. To aid in assessing such changes, *Doing Business 2012* introduces the distance to frontier measure.

This measure shows the distance of each economy to the “frontier,” a synthetic measure based on the most efficient practice or highest score observed for each *Doing Business* indicator across all economies and years included in the *Doing Business* sample since 2005. Nine areas of business regulation are covered.

Comparing the measure for an economy at 2 points in time allows users to assess how much the economy's regulatory environment as measured by *Doing Business* has changed over time—how far it has moved toward (or away from) the most efficient practices and strongest regulations in areas covered by *Doing Business* (figure 1.4). The results may show that the pace of change varies widely across the areas measured. They also may show that an economy is relatively close to the frontier in some areas and relatively far from it in others.

Figure 1.4 How far has Dominican Republic come in the areas measured by *Doing Business*?

Distance to frontier, 2005 and 2011



Note: For economies added to the *Doing Business* sample after 2005, the starting point is the year in which they were added: 2006 for Montenegro; 2007 for Brunei Darussalam, Liberia and Luxembourg; 2008 for The Bahamas, Bahrain and Qatar; and 2009 for Cyprus and Kosovo. See the data notes for more details on the distance to frontier measure.

Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

The absolute values of the indicators tell another part of the story (table 1.1). The indicators, on their own or in comparison with the indicators of a good practice economy or those of comparator economies in the region, may reveal bottlenecks reflected in large numbers of procedures, long delays or high costs. Or they may reveal unexpected strengths in an area of

business regulation—such as a regulatory process that can be completed with a small number of procedures in a few days and at a low cost. Comparison of the economy's indicators today with those in the previous year may show where substantial bottlenecks persist—and where they are diminishing.

Table 1.1 Summary of *Doing Business* indicators for Dominican Republic

Indicator	Dominican Republic DB2012	Dominican Republic DB2011	Guyana DB2012	Haiti DB2012	Jamaica DB2012	Puerto Rico (U.S.) DB2012	Suriname DB2012	Trinidad and Tobago DB2012	Best performer globally DB2012
Starting a Business (rank)	140	138	87	180	23		173	74	New Zealand (1)
Procedures (number)	7	8	8	12	6		13	9	Canada (1)*
Time (days)	19	19	26	105	7		694	43	New Zealand (1)
Cost (% of income per capita)	18.2	19.2	14.6	314.2	7.2		115.0	0.9	Denmark (0.0)*
Paid-in Min. Capital (% of income per capita)	55.7	62.6	0.0	23.2	0.0		0.5	0.0	82 Economies (0.0)*
Dealing with Construction Permits (rank)	105	98	28	139	49		98	93	Hong Kong SAR, China (1)
Procedures (number)	14	14	8	9	8		11	17	Denmark (5)
Time (days)	216	216	195	1129	145		461	297	Singapore (26)*
Cost (% of income per capita)	82.1	92.3	17.5	764.5	227.5		72.0	6.0	Qatar (1.1)

Indicator	Dominican Republic DB2012	Dominican Republic DB2011	Guyana DB2012	Haiti DB2012	Jamaica DB2012	Puerto Rico (U.S.) DB2012	Suriname DB2012	Trinidad and Tobago DB2012	Best performer globally DB2012
Getting Electricity (rank)	123	124	144	75	112		38	24	Iceland (1)
Procedures (number)	7	7	7	4	6		4	5	Germany (3)*
Time (days)	87	87	109	66	96		58	61	Germany (17)
Cost (% of income per capita)	356.7	405.3	518.7	4032.8	354.6		647.1	7.9	Japan (0.0)
Registering Property (rank)	105	107	104	131	103		170	175	New Zealand (3)
Procedures (number)	7	7	6	5	6		6	8	Portugal (1)*
Time (days)	60	60	75	301	37		197	162	Portugal (1)
Cost (% of property value)	3.7	3.7	4.6	6.6	7.5		13.8	7.0	Slovak Republic (0.0)
Getting Credit (rank)	78	75	166	159	98		159	40	United Kingdom (1)*
Strength of legal rights index (0-10)	3	3	4	3	8		5	8	New Zealand (10)*
Depth of credit information index (0-6)	6	6	0	2	0		0	4	Japan (6)*
Public registry coverage (% of adults)	35.9	28.5	0.0	0.7	0.0		0.0	0.0	Portugal (86.2)
Private bureau coverage (% of adults)	54.3	47.3	0.0	0.0	0.0		0.0	46.0	New Zealand (100.0)*
Protecting Investors (rank)	65	60	79	166	79		181	24	New Zealand (1)
Extent of disclosure index (0-10)	5	5	5	2	4		1	4	France (10)*

Indicator	Dominican Republic DB2012	Dominican Republic DB2011	Guyana DB2012	Haiti DB2012	Jamaica DB2012	Puerto Rico (U.S.) DB2012	Suriname DB2012	Trinidad and Tobago DB2012	Best performer globally DB2012
Extent of director liability index (0-10)	4	4	5	3	8		0	9	Singapore (9)*
Ease of shareholder suits index (0-10)	8	8	6	4	4		5	7	New Zealand (10)*
Strength of investor protection index (0-10)	5.7	5.7	5.3	3.0	5.3		2.0	6.7	New Zealand (9.7)
Paying Taxes (rank)	94	82	115	118	172		34	65	Canada (8)
Payments (number per year)	9	9	35	46	72		17	39	Norway (4)
Time (hours per year)	324	324	263	184	414		199	210	Luxembourg (59)
Trading Across Borders (rank)	45	39	82	145	97		105	52	Singapore (1)
Documents to export (number)	6	6	7	8	6		8	5	France (2)
Time to export (days)	8	9	19	33	21		25	14	Hong Kong SAR, China (5)*
Cost to export (US\$ per container)	1040	916	730	1185	1410		995	843	Malaysia (450)
Documents to import (number)	7	7	8	10	6		6	6	France (2)
Time to import (days)	10	10	22	31	22		25	19	Singapore (4)
Cost to import (US\$ per container)	1150	1150	745	1545	1420		1065	1260	Malaysia (435)
Enforcing Contracts (rank)	83	83	73	96	126		178	169	Luxembourg (1)

Indicator	Dominican Republic DB2012	Dominican Republic DB2011	Guyana DB2012	Haiti DB2012	Jamaica DB2012	Puerto Rico (U.S.) DB2012	Suriname DB2012	Trinidad and Tobago DB2012	Best performer globally DB2012
Time (days)	460	460	581	530	655		1715	1340	Singapore (150)
Cost (% of claim)	40.9	40.9	25.2	42.6	45.6		37.1	33.5	Bhutan (0.1)
Procedures (number)	34	34	36	35	35		44	42	Ireland (21)*
Resolving Insolvency (rank)	154	153	138	162	26		157	133	Japan (1)
Time (years)	3.5	3.5	3.0	5.7	1.1		5.0	4.0	Ireland (0.4)
Cost (% of estate)	38	38	29	30	18		30	25	Singapore (1)*
Recovery rate (cents on the dollar)	9.5	9.1	17.6	5.8	65.3		8.6	17.9	Japan (92.7)

Note: The methodology for the paying taxes indicators changed in *Doing Business 2012*; see the data notes for details. For these indicators, the best performer globally is the economy that has implemented the most efficient practices in its tax system and is not necessarily the one with the highest ranking. For more information on “no practice” marks, see the data notes for details.

* Two or more economies share the top ranking on this indicator. A number shown in place of an economy’s name indicates the number of economies that share the top ranking on the indicator. For a list of these economies, see the *Doing Business* website (<http://www.doingbusiness.org>).

Source: *Doing Business* database.

STARTING A BUSINESS

Formal registration of companies has many immediate benefits for the companies and for business owners and employees. Legal entities can outlive their founders. Resources are pooled as several shareholders join forces to start a company. Formally registered companies have access to services and institutions from courts to banks as well as to new markets. And their employees can benefit from protections provided by the law. An additional benefit comes with limited liability companies. These limit the financial liability of company owners to their investments, so personal assets of the owners are not put at risk. Where governments make registration easy, more entrepreneurs start businesses in the formal sector, creating more good jobs and generating more revenue for the government.

What do the indicators cover?

Doing Business measures the ease of starting a business in an economy by recording all procedures that are officially required or commonly done in practice by an entrepreneur to start up and formally operate an industrial or commercial business—as well as the time and cost required to complete these procedures. It also records the paid-in minimum capital that companies must deposit before registration (or within 3 months). The ranking on the ease of starting a business is the simple average of the percentile rankings on the 4 component indicators: procedures, time, cost and paid-in minimum capital requirement.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the procedures. It assumes that all information is readily available to the entrepreneur and that there has been no prior contact with officials. It also assumes that all government and nongovernment entities involved in the process function without corruption. And it assumes that the business:

- Is a limited liability company, located in the largest business city.
- Conducts general commercial or industrial activities.

WHAT THE STARTING A BUSINESS INDICATORS MEASURE

Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration in the economy's largest business city
- Postregistration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law

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

- Deposited in a bank or with a notary before registration (or within 3 months)
- Has a start-up capital of 10 times income per capita.
- Has a turnover of at least 100 times income per capita.
- Does not qualify for any special benefits.
- Does not own real estate.
- Is 100% domestically owned.

STARTING A BUSINESS

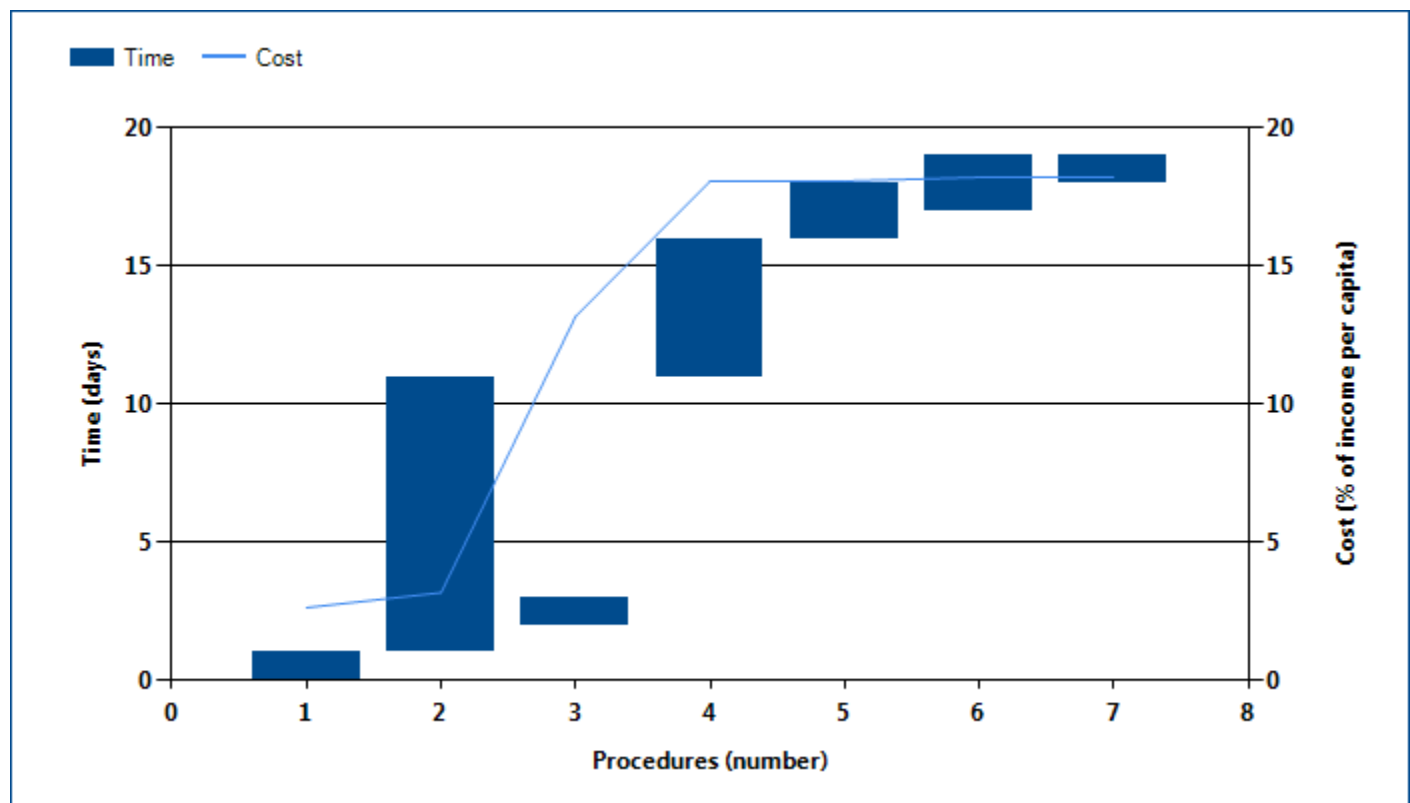
Where does the economy stand today?

What does it take to start a business in Dominican Republic? According to data collected by *Doing Business*, starting a business there requires 7

procedures, takes 19 days, costs 18.2% of income per capita and requires paid-in minimum capital of 55.7% of income per capita (figure 2.1).

Figure 2.1 What it takes to start a business in Dominican Republic

Paid-in minimum capital (% of income per capita): 55.7



Note: For details on the procedures reflected here, see the summary at the end of this chapter.

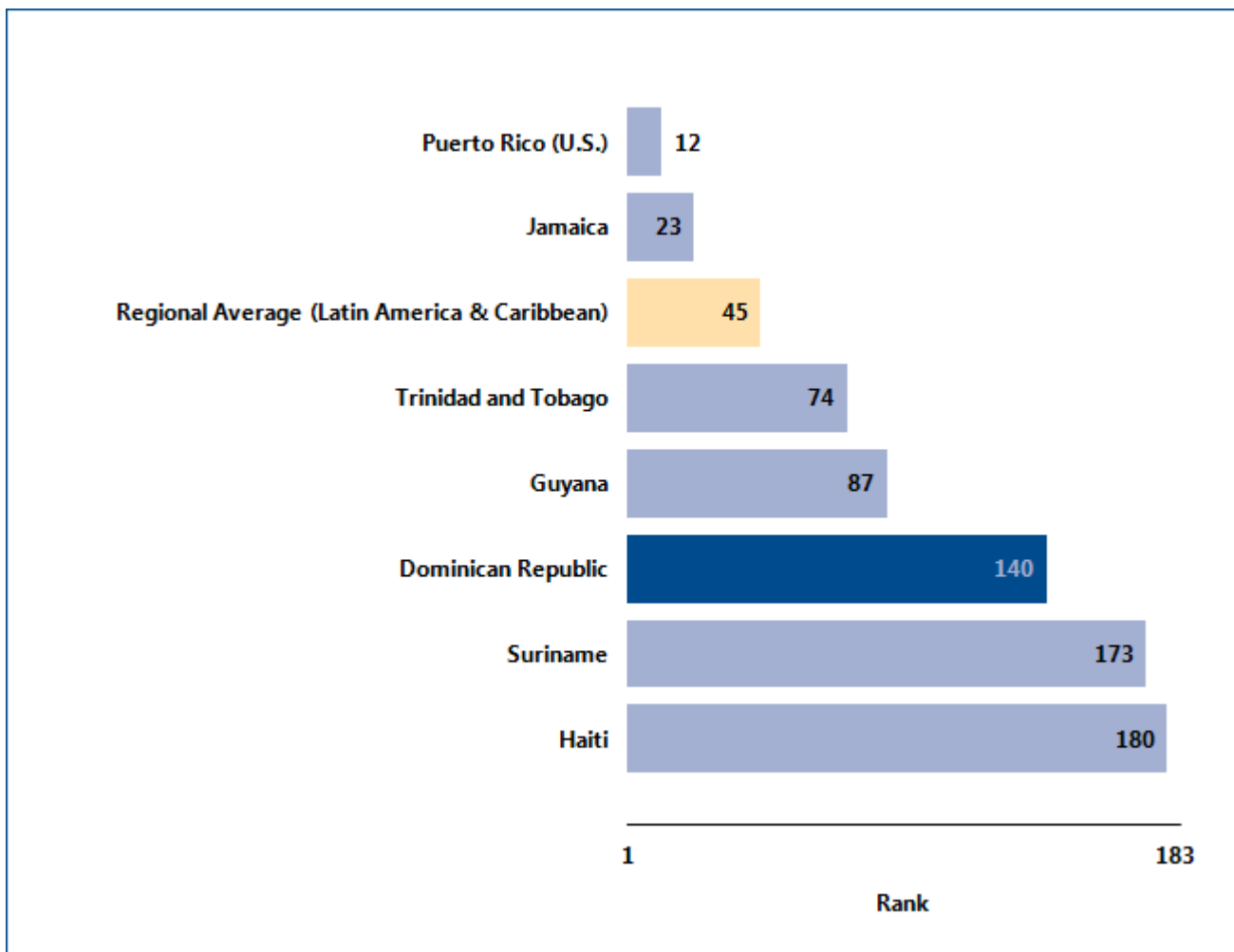
Source: *Doing Business* database.

STARTING A BUSINESS

Globally, Dominican Republic stands at 140 in the ranking of 183 economies on the ease of starting a business (figure 2.2). The rankings for comparator economies and the regional average ranking provide

other useful information for assessing how easy it is for an entrepreneur in Dominican Republic to start a business.

Figure 2.2 How Dominican Republic and comparator economies rank on the ease of starting a business



Source: Doing Business database.

STARTING A BUSINESS

What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to start a business in Dominican Republic today, data over time show which aspects of

the process have changed—and which have not (table 2.1). That can help identify where the potential for improvement is greatest.

Table 2.1 The ease of starting a business in Dominican Republic over time
By *Doing Business* report year

Indicator	DB2004	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	..	138	140
Procedures (number)	9	9	9	9	9	8	8	8	7
Time (days)	77	77	74	72	22	19	19	19	19
Cost (% of income per capita)	28.3	25.4	30.8	30.2	31.1	19.4	17.3	19.2	18.2
Paid-in Min. Capital (% of income per capita)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	62.6	55.7

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.

Source: *Doing Business* database.

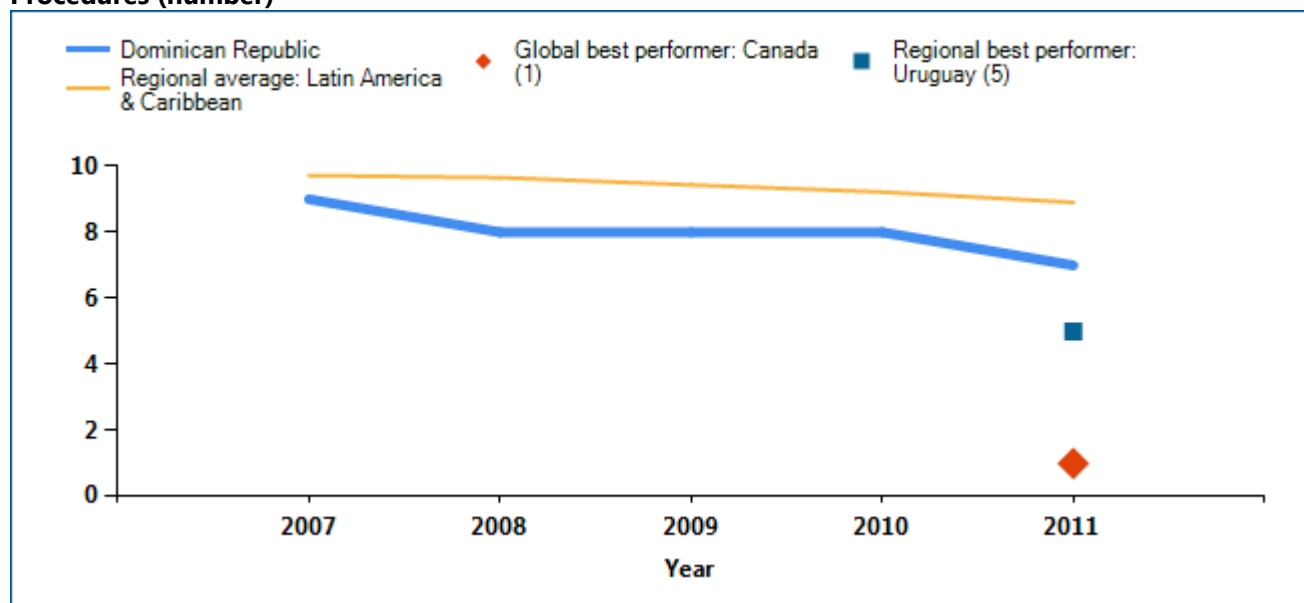
STARTING A BUSINESS

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the procedures, time, cost or paid-in minimum capital required to start a business (figure 2.3). These economies may provide a model for

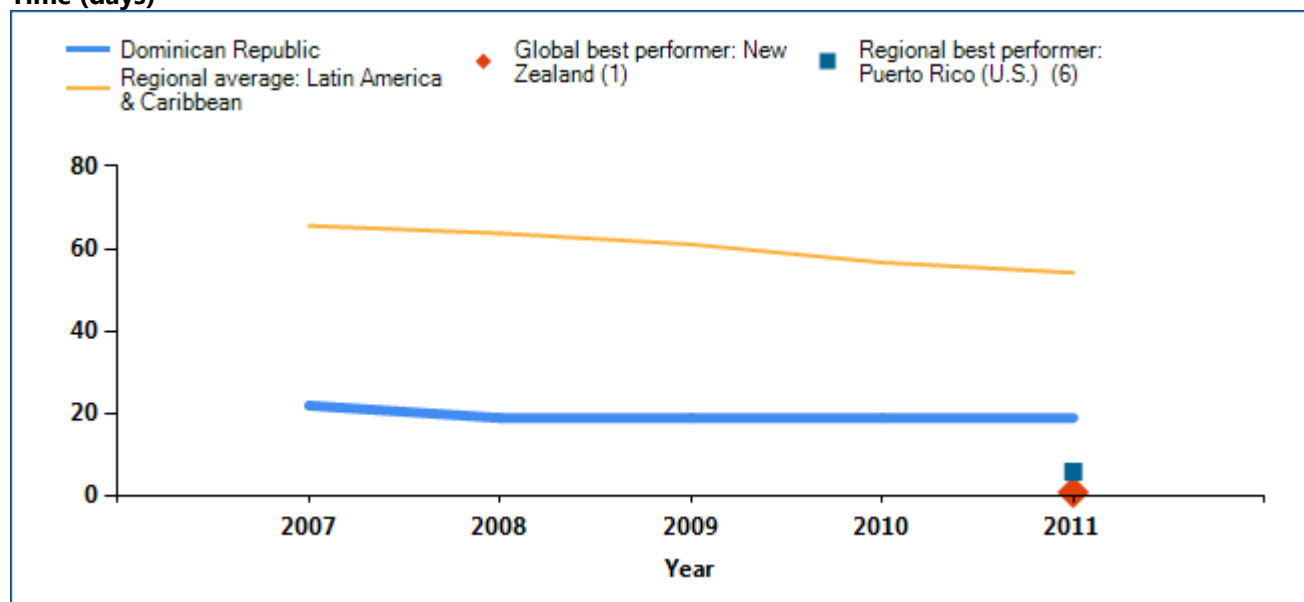
Dominican Republic on ways to improve the ease of starting a business. And changes in regional averages can show where Dominican Republic is keeping up—and where it is falling behind.

Figure 2.3 Has starting a business become easier over time?

Procedures (number)

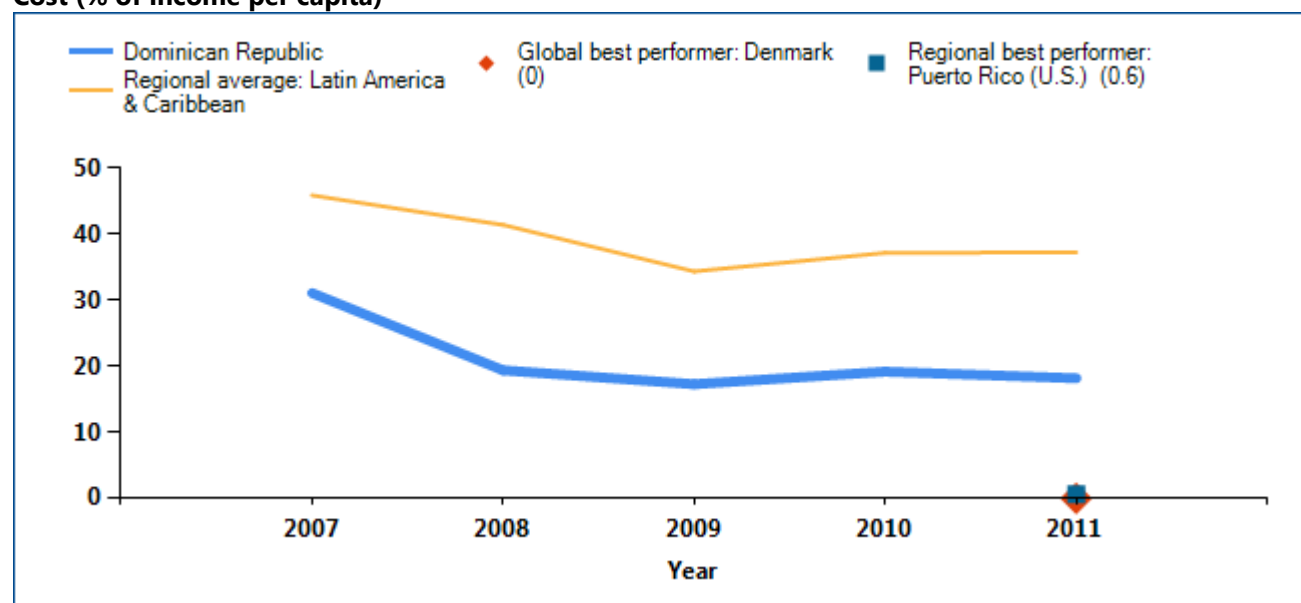


Time (days)

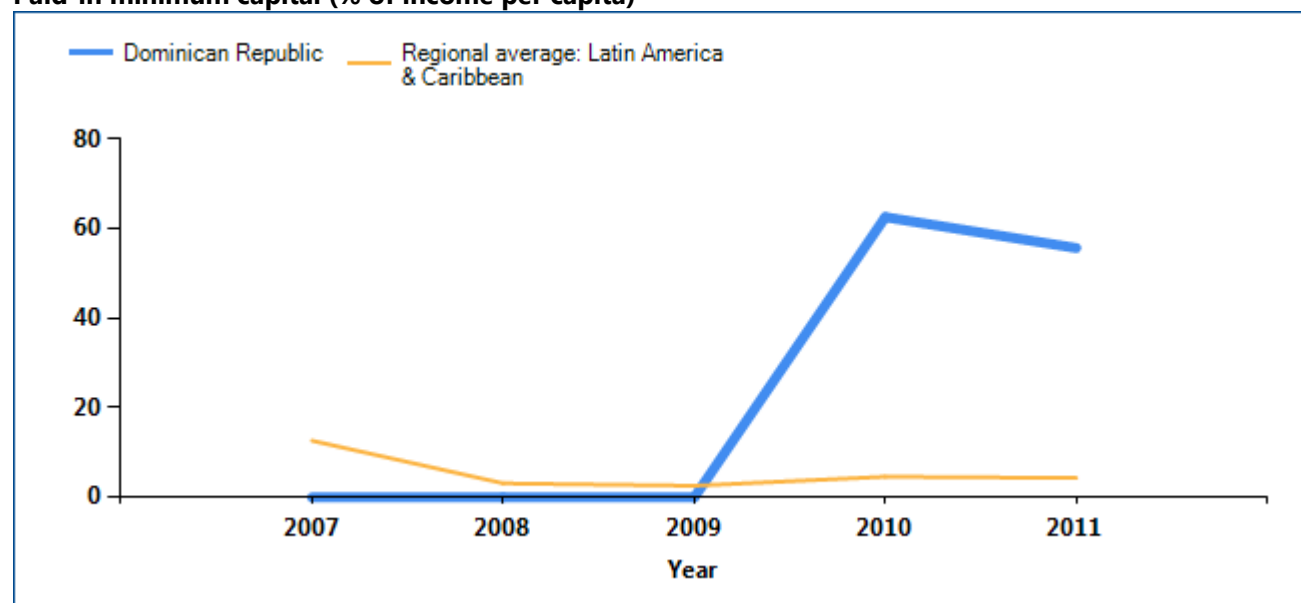


STARTING A BUSINESS

Cost (% of income per capita)



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



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator. In the case of paid-in minimum capital, 82 economies globally and 21 economies in Latin America & Caribbean have no paid-in minimum capital.

Source: Doing Business database.

STARTING A BUSINESS

Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages—and they often are part of a larger regulatory reform program. Among the benefits have been

greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities.

What business registration reforms has *Doing Business* recorded in Dominican Republic (table 2.2)?

Table 2.2 How has Dominican Republic made starting a business easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	The Dominican Republic made starting a business easier by eliminating the requirement for a proof of deposit of capital when establishing a new company.
DB2011	The Dominican Republic made it more difficult to start a business by setting a minimum capital requirement of 100,000 Dominican pesos (\$2,855) for its new type of company, sociedad de responsabilidad limitada (limited liability company).
DB2010	No reform.
DB2009	Entrepreneurs can now complete several start-up formalities online, including name verification, and commercial and tax registration.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

STARTING A BUSINESS

What are the details?

Underlying the indicators shown in this chapter for Dominican Republic is a set of specific procedures—the bureaucratic and legal steps that an entrepreneur must complete to incorporate and register a new firm. These are identified by *Doing Business* through collaboration with relevant local professionals and the study of laws, regulations and publicly available information on business entry in that economy. Following is a detailed summary of those procedures, along with the associated time and cost. These procedures are those that apply to a company matching the standard assumptions (the “standardized company”) used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators measure).

STANDARDIZED COMPANY

City: Santo Domingo

Legal Form: Sociedad de Responsabilidad Limitada (SRL)

Start-up capital: 10 times GNI per capita

Paid-in minimum capital (% of income per capita): 55.7

Summary of procedures for starting a business in Dominican Republic—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	<p>Check company name and purchase it on-line</p> <p>With the introduction of the virtual portal : the applicant can search and pay for a fee of DOP 3,607 for its company name. Currently, the interested party may enter www.onapi.gov.do to check if the name has been registered or not. The www.creatuempresa.gob.do website is in an upgrade process and still not working as of June 01, 2011.</p>	1 day	DOP 4747
2	<p>Arrange for the publication of the company name in the monthly publication of the National Office of Industrial Property (Oficina Nacional de la Propiedad Industrial)</p> <p>The company name announcement is published in a national circulation newspaper in about 10 days. The company name announcement is published in a national circulation newspaper only the 15 or 30 of each month. The National Office of Industrial Property publishes the list of requested business/corporate names and their petitioners twice a month. After that publication, third parties may lodge protests within 45 days. The publication receipt suffices for the company to continue with subsequent simultaneous formalities.</p> <p>The publication can also be in the virtual portal of www.onapi.gov.do (oficina nacional de propiedad industrial-national office of the intellectual property)</p> <p>The Decree 326-06 dated 8 August, 2006 modifies Article 66 of the Application Ruling of Law 20-00, establishing that after the petition or request of the registration of a commercial or trade name is made the National Office of Industrial Property (ONAPI) has a time limit of five (5)</p>	10 days	DOP 971

No.	Procedure	Time to complete	Cost to complete
	business days to issue the Formal Certificate. The actual value for the publication is DOP 971. After requesting the registration of the commercial name, in a term of 5 labor days, ONAPI issues its response; if the registration is accepted, immediately the Certificate of Registry is handed over, for which an amount of DOP 971 has to be paid, to cover the costs of publication. If ONAPI rejects the registration of the commercial name, a term of 60 days is given to the solicitor to answer the rejection. When the publication is paid, ONAPI, publishes the registered name, with the information of the certificate, in the official bulletins that are published every two weeks (15 and 30 of each month) in a newspaper of national circulation (currently "El Nacional").		
3	<p>* Payment of Incorporation tax</p> <p>The relevant incorporation taxes are paid by certified check issued to the Collector of the Internal Revenue Department (Colector de Impuestos Internos), through online banking (BHD and Leon banks) or at the counter at Banco del Progreso. According to new Law of Eficiencia Recaudatoria (from April 1st 2007) , the incorporation taxes have been unified and only one tax should be paid that accounts as 1% of the amount of the authorized capital. The incorporation tax can also be paid directly at the Internal Revenue Service offices (Dirección General de Impuestos Internos). Also, if the amount does not exceed DOP 5,000, it can be paid in cash. This tax is also payable at the counter of Banco de Reservas.</p>	1 day (simultaneous with previous procedure)	1% of the capital
4	<p>Register the company in the Chamber of Commerce and obtain the identification number (RNC) on-line</p> <p>The company is registered online at www.creatuempresa.gob.do. The identification (RNC) is also obtained through the same portal. However the virtual portal is currently in an upgrade process due to the new company law that brings new type of companies like the SRL and the EIRL. It is necessary to include these new companies in the portfolios of offers that the portal provide. Currently and until the portal is operational, the registration is being done physically by visiting the registry at the Chamber of Commerce and the tax number (RNC) is obtained from the tax office's virtual portal www.dgii.gov.do.</p> <p>The following documents have to be filed at the Mercantile Registry at the Chamber of Commerce:</p> <ul style="list-style-type: none"> - By-Laws properly signed and sealed with the company's seal; - General Constitutive Assembly with its corresponding list of presence of Associates; - List of the distribution of each of the associates investment to the company and their corresponding amounts of corporate quotas; - Application Form for registration of Limited Liability Company, duly completed and signed by the authorized manager or agent (must attach original power of attorney, if applicable) . - Association Partnership Agreement - Receipt of payment of incorporation taxes - Photocopies of identity card - Copy of Business Name Registration issued by the National Office of 	5 days	DOP 8,800

No.	Procedure	Time to complete	Cost to complete
	<p>Industrial Property (ONAPI)</p> <p>Within three (3) days, the Mercantile Registry Certificate will be issued. Incorporation fees are based on the company's authorized capital and are calculated according to the fee schedule established by each Chamber of Commerce and Production every two years. Fees do not vary significantly by location.</p> <p>Fees for document registration:</p> <ul style="list-style-type: none"> - Originals: DOP 200 (each document). - Copies: DOP 200 (each document). - Usual cost: DOP 800 (one set of originals, copies are for free). <p>In this case DOP 8000 for the incorporation and DOP 800 for the registration of the documents.</p>		
5	<p>File for the National Taxpayers Registry at the Internal Revenue Service (DGII) and apply for fiscal receipts.</p> <p>According to Decree 254-06, companies that render services or whose operations require the transfer of goods must issue receipts with a fiscal number (numero de comprobante fiscal). The application can be made online. Within 5 working days, the Internal Tax Directorate must analyze the information and notify the taxpayer (either physically or electronically) of the administrative resolution of the authorization to issue the fiscal receipts.</p> <p>Even in the case that the application for the National Taxpayers Registry is made online, through the Internal Revenue Service's webpage, physical documents still need to be filed at the Internal Revenue Service. Additionally, even if the incorporation is undertaken via the virtual portal creatuempresa.gob.do, physical documents still need to be filed both at the Mercantile Registry and the Internal Revenue Service.</p>	2 days	no charge
6	<p>* Register local employees with the Department of Labor</p> <p>Forms DGT-3, DGT-4, and the employer's registration form (registro nacional laboral, RNL) must be completed within the first week of employment. The following forms, found at the local Department of Labor office, must be filed: a list of permanent personnel and employee work schedules and vacation periods.</p> <p>Fees for registering local employees with the Department of Labor: The book of visits costs DOP 250, whereas the Registration of personnel Form costs DOP 300 for each 50 employees. This procedure can be completed only once the taxpayer's identification number has been obtained.</p>	2 days (simultaneous with previous procedure)	DOP 250
7	<p>* Register employees at the main social security office (Consejo Nacional de Seguridad Social, CNSS)</p>	1 day (simultaneous with previous)	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>To control the contributions made by the company (the employer) and the employee, every company shall be registered and file the list of its employees at the Social Security National Treasury (Tesorería Nacional de la Seguridad Social, TNSS), a dependency of the main social security office (Consejo Nacional de Seguridad Social, CNSS). The TNSS distributes all the contributions to each plan's corresponding administrator.</p> <p>According to the Law 188-07 dated August 2007 the TNSS is under the obligation of updating the above mentioned percentages. Accordingly, the new percentages are as follows (these new provisions came into effect on August 2009 and will be effective until July 2010):</p> <ul style="list-style-type: none"> - Retirement Plan of 9.97 % of the employee's salary to the Administradora de Fondos de Pensiones (AFP) (7.10% by the employer and 2.87 % by the employee at a public or private organization) - Health plan: Administradora de Riesgos de Salud (ARS), 10.13% of the employee's salary as of August 1, 2009 (7.09% by the employer and 3.04% by the employee) - Labor risk plan: Administradora de Riesgos Laborales (ARL) <p>Under Law 87-01, employers must register employees at the CNSS within 3 days of hiring them or upon the start of business. New ARS provisions came into effect on May 1, 2007. According to law, the contribution should be 9% of the employee's salary. That contribution is paid 70% by the employer and 30% by the employee.</p> <p>This procedure can be done online : http://www.tss.gov.do/ or at the Tesorería Nacional de la Seguridad Social. The ARL contributions are set according to the risk index of the activities carried out. A taxpayer's identification number is required to proceed with TSS registration of an entity. This procedure may, however, be carried out simultaneously with registration with the Department of Labor.</p>	procedure)	

* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

Regulation of construction is critical to protect the public. But it needs to be efficient, to avoid excessive constraints on a sector that plays an important part in every economy. Where complying with building regulations is excessively costly in time and money, many builders opt out. They may pay bribes to pass inspections or simply build illegally, leading to hazardous construction that puts public safety at risk. Where compliance is simple, straightforward and inexpensive, everyone is better off.

What do the indicators cover?

Doing Business records the procedures, time and cost for a business to obtain all the necessary approvals to build a simple commercial warehouse in the economy's largest business city, connect it to basic utilities and register the property so that it can be used as collateral or transferred to another entity.

The ranking on the ease of dealing with construction permits is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the warehouse, including the utility connections.

The business:

- Is a limited liability company operating in the construction business and located in the largest business city.
- Is domestically owned and operated.
- Has 60 builders and other employees.

The warehouse:

- Is a new construction (there was no previous construction on the land).
- Has complete architectural and technical plans prepared by a licensed architect.

WHAT THE DEALING WITH CONSTRUCTION PERMITS INDICATORS MEASURE

Procedures to legally build a warehouse (number)

Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates

Completing all required notifications and receiving all necessary inspections

Obtaining utility connections for water, sewerage and a fixed telephone line

Registering the warehouse after its completion (if required for use as collateral or for transfer of the warehouse)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day

Procedure completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of income per capita)

Official costs only, no bribes

- Will be connected to water, sewerage (sewage system, septic tank or their equivalent) and a fixed telephone line. The connection to each utility network will be 10 meters (32 feet, 10 inches) long.
- Will be used for general storage, such as of books or stationery (not for goods requiring special conditions).
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

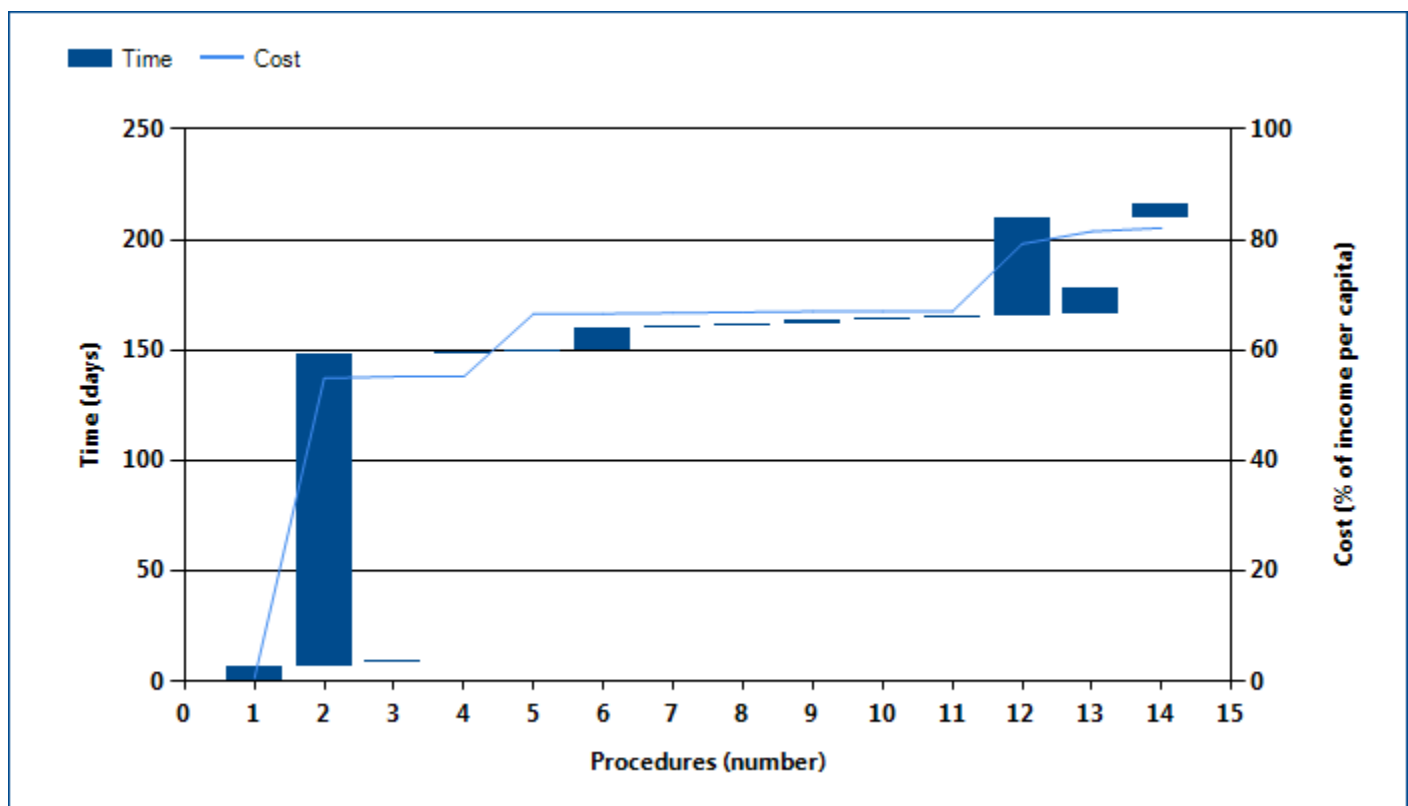
DEALING WITH CONSTRUCTION PERMITS

Where does the economy stand today?

What does it take to comply with the formalities to build a warehouse in Dominican Republic? According to data collected by *Doing Business*, dealing with

construction permits there requires 14 procedures, takes 216 days and costs 82.1% of income per capita (figure 3.1).

Figure 3.1 What it takes to comply with formalities to build a warehouse in Dominican Republic



Note: For details on the procedures reflected here, see the summary at the end of this chapter.

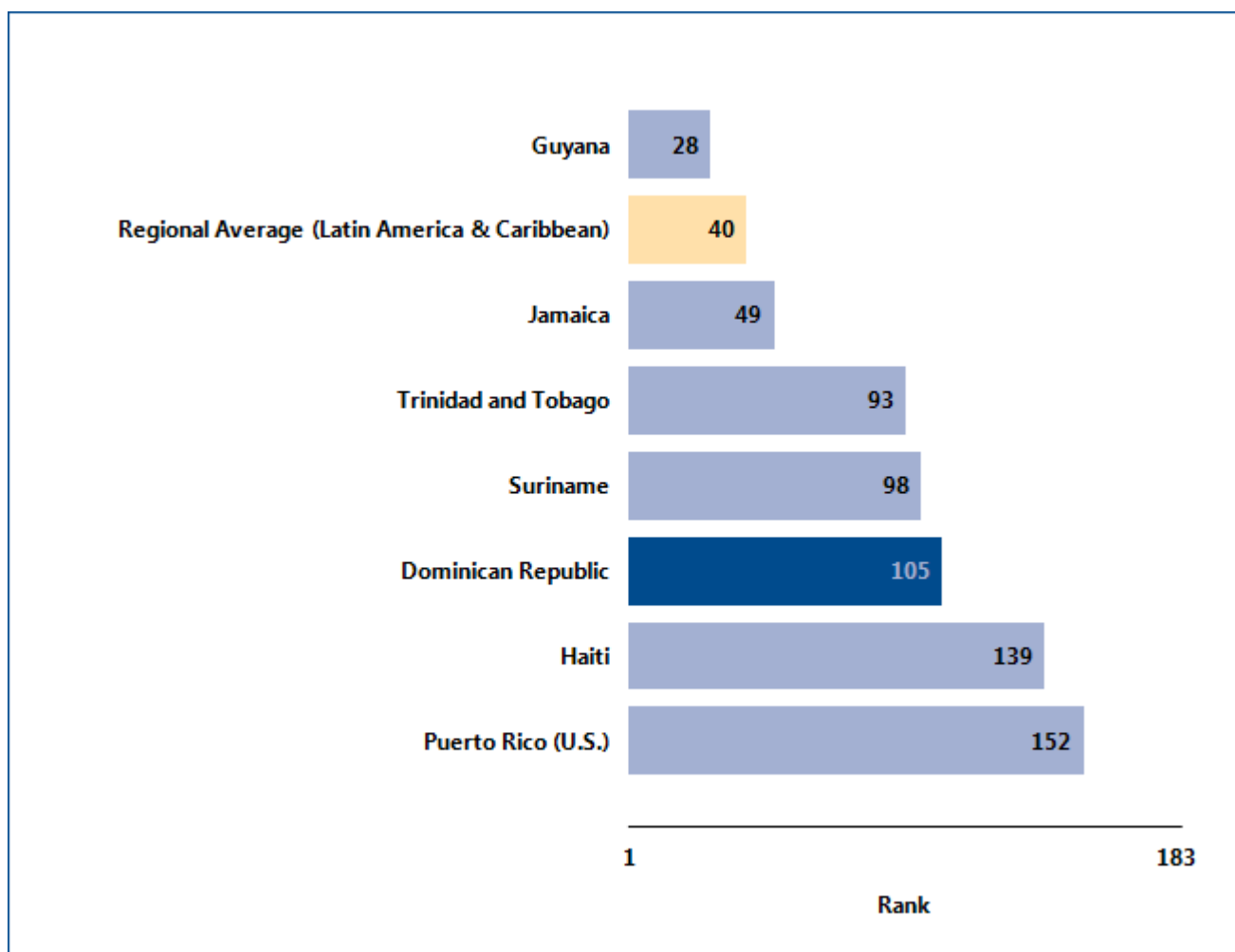
Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

Globally, Dominican Republic stands at 105 in the ranking of 183 economies on the ease of dealing with construction permits (figure 3.2). The rankings for comparator economies and the regional average

ranking provide other useful information for assessing how easy it is for an entrepreneur in Dominican Republic to legally build a warehouse.

Figure 3.2 How Dominican Republic and comparator economies rank on the ease of dealing with construction permits



Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to deal with construction permits in Dominican Republic today, data over time show

which aspects of the process have changed—and which have not (table 3.1). That can help identify where the potential for improvement is greatest.

Table 3.1 The ease of dealing with construction permits in Dominican Republic over time
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	98	105
Procedures (number)	14	14	14	14	14	14	14
Time (days)	216	216	216	216	216	216	216
Cost (% of income per capita)	180.5	165.3	155.1	124.4	95.9	92.3	82.1

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology. For more information on “no practice” marks, see the data notes for details.

Source: *Doing Business* database.

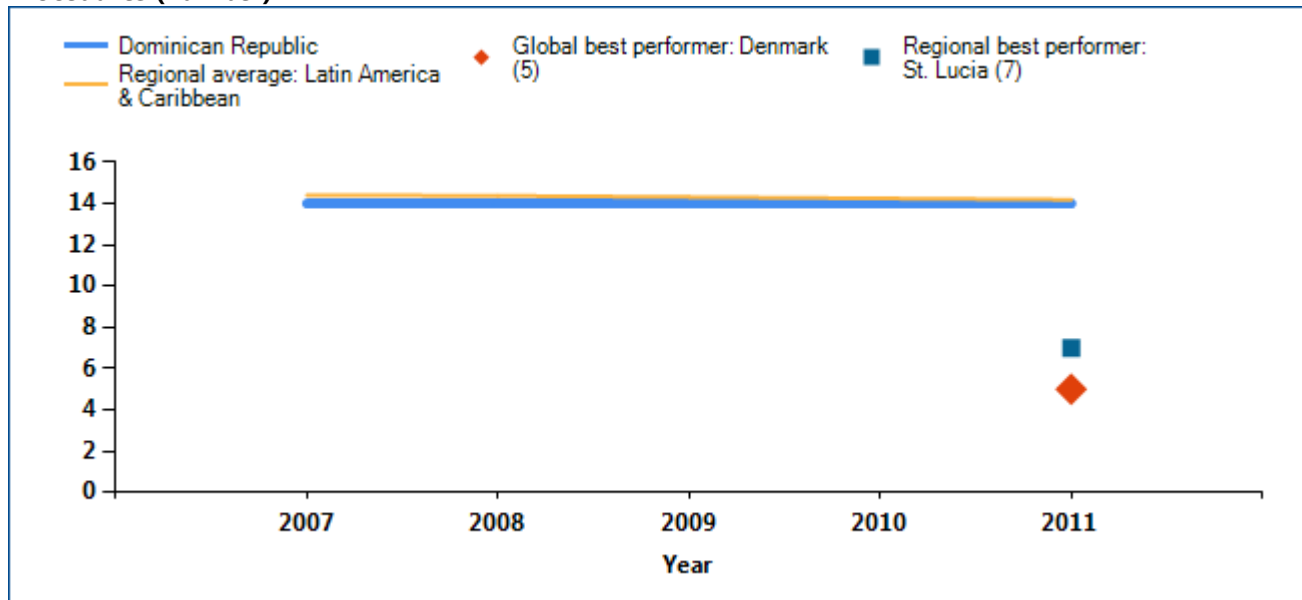
DEALING WITH CONSTRUCTION PERMITS

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the procedures, time or cost required to deal with construction permits (figure 3.3). These economies may provide a model for Dominican

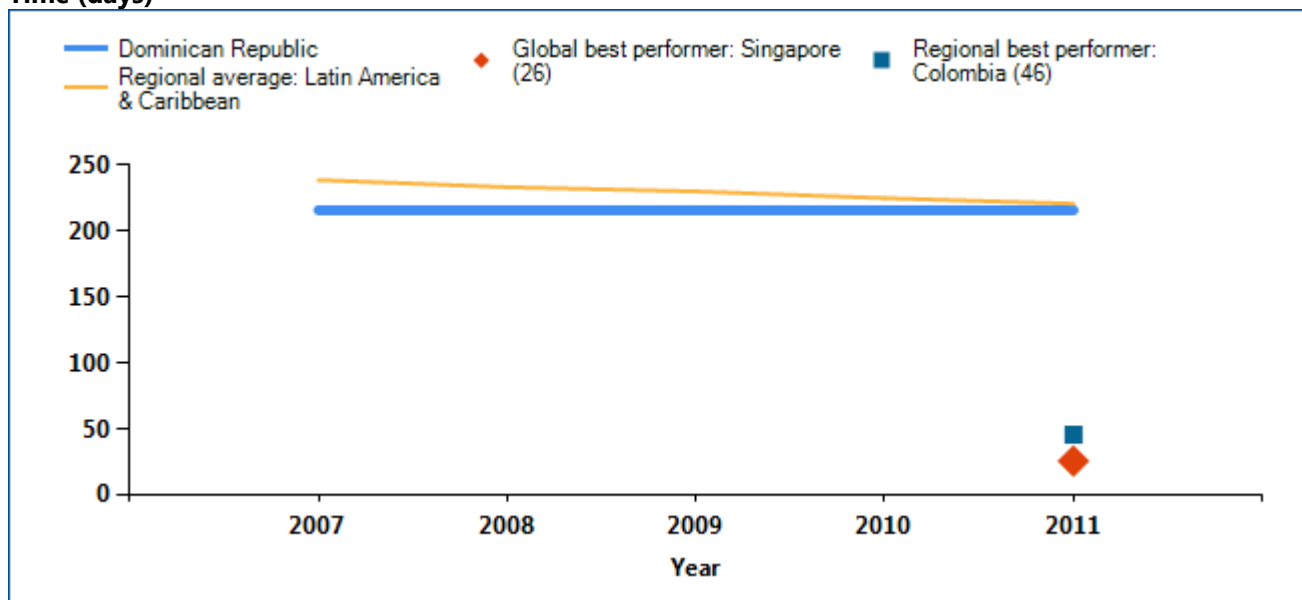
Republic on ways to improve the ease of dealing with construction permits. And changes in regional averages can show where Dominican Republic is keeping up—and where it is falling behind.

Figure 3.3 Has dealing with construction permits become easier over time?

Procedures (number)

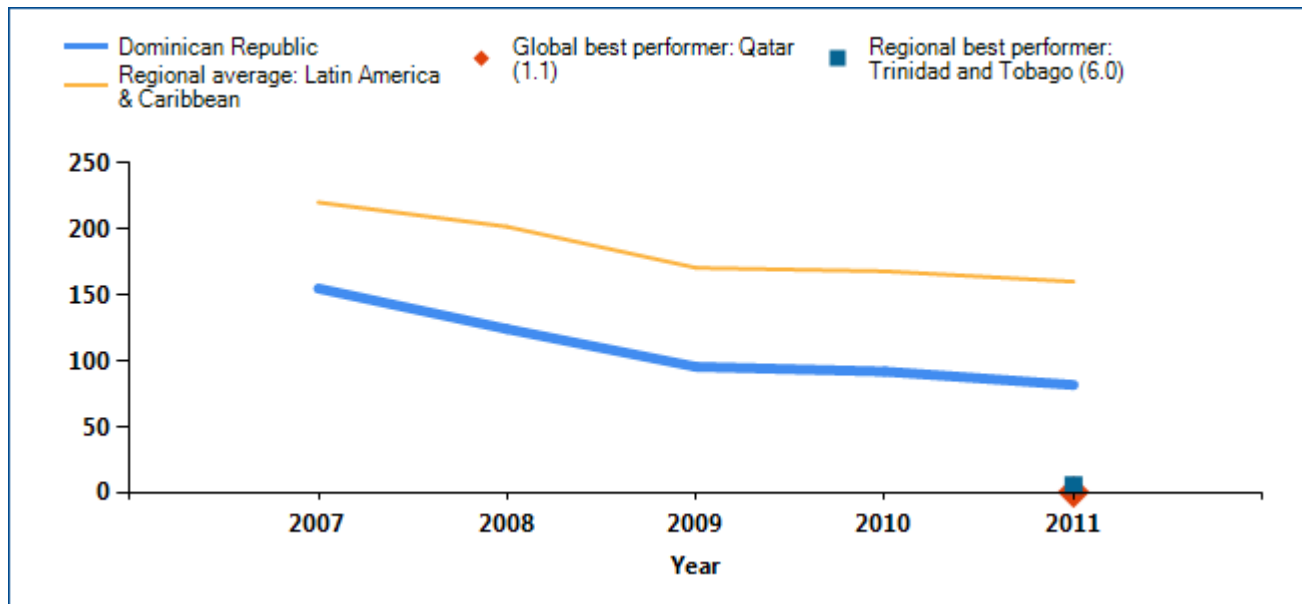


Time (days)



DEALING WITH CONSTRUCTION PERMITS

Cost (% of income per capita)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator. In cases where no data are displayed above for the economy, this indicates that the economy has received a “no practice” mark; see the data notes for details.

Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

Smart regulation ensures that standards are met while making compliance easy and accessible to all. Coherent and transparent rules, efficient processes and adequate allocation of resources are especially important in sectors where safety is at stake. Construction is one of them. In an effort to ensure

building safety while keeping compliance costs reasonable, governments around the world have worked on consolidating permitting requirements. What construction permitting reforms has *Doing Business* recorded in Dominican Republic (table 3.2)?

Table 3.2 How has Dominican Republic made dealing with construction permits easier—or not?

By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	No reform.
DB2009	No reform.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

What are the details?

The indicators reported here for Dominican Republic are based on a set of specific procedures—the steps that a company must complete to legally build a warehouse—identified by *Doing Business* through information collected from experts in construction licensing, including architects, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations. These procedures are those that apply to a company and structure matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

BUILDING A WAREHOUSE

City : Santo Domingo

Estimated Warehouse Value : DOP 13,250,000

The procedures, along with the associated time and cost, are summarized below.

Summary of procedures for dealing with construction permits in Dominican Republic—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	<p>Obtain a certificate to use the land and possibly, one of no objection ("certificación de no objeción, certificación de uso de suelo")</p> <p>The land-use certificate confers the right to build on the plot, but it does not authorize construction. The certificate ensures that the project conforms to zoning regulations. It is a prerequisite for other procedures. The request for this permit may include a request for the certification of "no objection." The request must be accompanied by several documents related to the land, including (a) a copy (simple, unnotarized) of the real property deed for the plot (does not have to be recently obtained; (b) a cadastral plan; (c) a map of the project's location; and (d) a first draft of the project design drawings.</p> <p>Should the no-objection certification be requested along with the permit for use of land, the cost involved in such procedure is DOP 1,080. If the land-use permit is requested separately from the no-objection certification, the fee is DOP 530. If requested separately from the land-use permit, the no-objection certification fee is DOP 550. In both cases, the requests must be accompanied by the inspection request.</p>	7 days	DOP 1,080
2	<p>Obtain approval of project design drawings by the Municipal Council, and of the construction license by the Ministry of Public Works and Communications</p> <p>The request for approval of the project design drawings must be accompanied by several documents, including the property deed, the cadastral plan, and project design drawings, certified by an architect or engineer registered at the Dominican College of Engineers and Architects (CODIA) by the corresponding Municipal Council. BuildCo</p>	141 days	DOP 97,545

No.	Procedure	Time to complete	Cost to complete
	<p>must request an inspection upon filing the project drawings. Doing so is a prerequisite for other procedures. If the certification of no objection to the project construction is not requested along with the land use permit, it must be requested along with this procedure.</p> <p>Once the request is approved by the Municipal Council (usually after 14 days), the municipality forwards the request to the Ministry of Public Works and Communications. The ministry then grants a construction license for the project (usually in another 14 days). The license is granted to the project itself and not to BuildCo. During this process, BuildCo must follow up with both agencies to ensure license processing. The construction must be initiated within 6 months from the date of issuance of the license. The license expires if construction work has not begun within 6 months.</p> <p>According to Resolution # 5, 2004 of the National District Office (Ayuntamiento del Distrito Nacional de Santo Domingo) the official cost for the construction of a warehouse is DOP 75 per square meter. For a warehouse of 1300.6 square meters the total cost will be DOP 97,545.</p>		
3	<p>* Receive inspection by the Municipal Council (Departamento de Planeamiento Urbano)</p> <p>The inspection is a prerequisite for the Municipal Council's project design approval and is undertaken by the municipal authorities. According to Resolution # 5, 2004 of the National District Office (Ayuntamiento del Distrito Nacional de Santo Domingo) the official cost for this inspection is DOP 500.</p>	1 day	DOP 500
4	<p>Receive inspection by the Ministry of Public Works and Communications</p> <p>An inspector from the Inspection Department of the Ministry of Public Works (Departamento de Inspección de la Secretaría de Estado de Obras Públicas) inspects the site to determine the project's magnitude and taxes and license fees.</p>	1 day	no charge
5	<p>Pay license fees and taxes associated with the construction license and obtain proof of payment</p> <p>Fees are paid once the license has been approved and the inspector has valued the project. The formula used by the Ministry of Public Works and Communications to determine construction fees is DOP 2,800 per square meter (1,300 sq. m. x DOP 2,800 = DOP 3,640,000). Thus, the applicable administrative fees (based on a project value of DOP 3,640,000) for this procedure are as follows:</p> <ul style="list-style-type: none"> - Internal taxes: DOP 464. - Construction permit, equivalent to 2.5 X 1,000 of the construction cost: DOP 9,100. - Fee for the Dominican College of Engineers and Architects (CODIA), equivalent to 2 x 1,000 of the construction cost: DOP 7,280. <p>The total cost to complete this process is DOP 20,484.</p>	1 day	DOP 20,484
6	<p>Obtain recibo de entrada from Ministry of Public Works and</p>	10 days	no charge

No.	Procedure	Time to complete	Cost to complete
	Communications The following documents are filed before the Ministry of Public Works and Communications: - Deed of real estate property. - Cadastral plan. - No objection certification, issued by the municipal authorities (see Procedure 1). - Form F-3 DGPU, provided by the municipal authorities. - Evidence of payment of the taxes for the construction permit. - Plans, duly certified by the corresponding municipal authorities. - Plans, duly approved by the Directorate of Terrestrial Transit (Direccion General de Transito Terrestre). - Structural calculations. - Permit for the use of land.		
7	Receive an inspection before the lintel (zapata) of the project is made It is unnecessary to interrupt construction, either during construction inspections or between the inspection request date and the actual inspection.	1 day	DOP 232
8	Receive an inspection before the space between galleries (entrepiso) is completed	1 day	DOP 232
9	Receive an inspection before the roof of the project is completed The inspection is carried out by an inspector from the Inspection Department of the Ministry of Public Works and Communications (Departamento de Inspeccion de la Secretaria de Estado de Obras Publicas y Comunicaciones).	1 day	DOP 232
10	Request water and sewage connection	1 day	no charge
11	Receive on-site inspection for water and sewage connection	1 day	no charge
12	Receive water and sewage connection A contract must be executed with the Corporation of Aqueducts and Sewage System of Santo Domingo.	45 days	DOP 22,000
13	* Receive on-site inspection and connection to telephone	12 days	DOP 4,000
14	Notify the Ministry of Public Works and Communications of the building completion, and obtain final approval (inspection) Once notified of construction completion, the Ministry of Public Works undertakes a final on-site inspection. Usually, the inspectors visit the site in about a week or so. To obtain final inspection, BuildCo must pay internal taxes of DOP 1,160 (five times the tax of DOP 232). This inspection verifies if the transit regulations have been fulfilled and	6 days	DOP 1,160

No.	Procedure	Time to complete	Cost to complete
	examines the roof's impermeability, the sanitary installations, the electrical installations, and the door, floor, and window installations.		

* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

GETTING ELECTRICITY

Access to reliable and affordable electricity is vital for businesses. To counter weak electricity supply, many firms in developing economies have to rely on self-supply, often at a prohibitively high cost. Whether electricity is reliably available or not, the first step for a customer is always to gain access by obtaining a connection.

What do the indicators cover?

Doing Business records all procedures required for a local business to obtain a permanent electricity connection and supply for a standardized warehouse, as well as the time and cost to complete them. These procedures include applications and contracts with electricity utilities, clearances from other agencies and the external and final connection works. The ranking on the ease of getting electricity is the simple average of the percentile rankings on its component indicators: procedures, time and cost. To make the data comparable across economies, several assumptions are used.

The warehouse:

- Is located in the economy's largest business city, in an area where other warehouses are located.
- Is not in a special economic zone where the connection would be eligible for subsidization or faster service.
- Has road access. The connection works involve the crossing of a road or roads but are carried out on public land.
- Is a new construction being connected to electricity for the first time.
- Has 2 stories, both above ground, with a total surface of about 1,300.6 square meters (14,000 square feet), and is built on a plot of 929 square meters (10,000 square feet).

The electricity connection:

- Is a 3-phase, 4-wire Y, 140-kilovolt-ampere (kVA) (subscribed capacity) connection.

WHAT THE GETTING ELECTRICITY INDICATORS MEASURE

Procedures to obtain an electricity connection (number)

Submitting all relevant documents and obtaining all necessary clearances and permits

Completing all required notifications and receiving all necessary inspections

Obtaining external installation works and possibly purchasing material for these works

Concluding any necessary supply contract and obtaining final supply

Time required to complete each procedure (calendar days)

Is at least 1 calendar day

Each procedure starts on a separate day

Does not include time spent gathering information

Reflects the time spent in practice, with little follow-up and no prior contact with officials

Cost required to complete each procedure (% of income per capita)

Official costs only, no bribes

Excludes value added tax

- Is 150 meters long.
- Is to either the low-voltage or the medium-voltage distribution network and either overhead or underground, whichever is more common in the economy and in the area where the warehouse is located. The length of any connection in the customer's private domain is negligible.
- Involves installing one electricity meter. The monthly electricity consumption will be 0.07 gigawatt-hour (GWh). The internal electrical wiring has been completed.

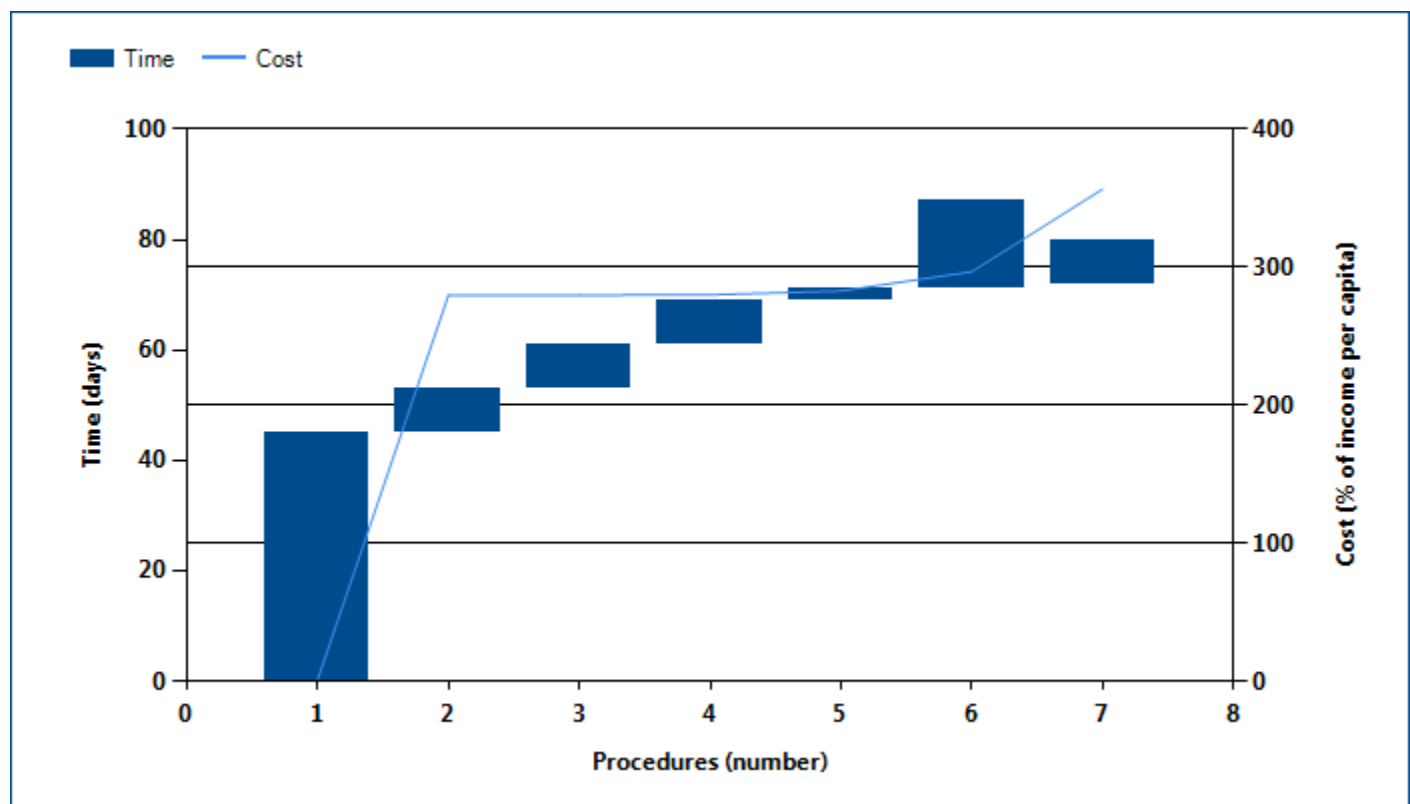
GETTING ELECTRICITY

Where does the economy stand today?

What does it take to obtain a new electricity connection in Dominican Republic? According to data collected by *Doing Business*, getting electricity there

requires 7 procedures, takes 87 days and costs 356.7% of income per capita (figure 4.1).

Figure 4.1 What it takes to obtain an electricity connection in Dominican Republic



Note: For details on the procedures reflected here, see the summary at the end of this chapter.

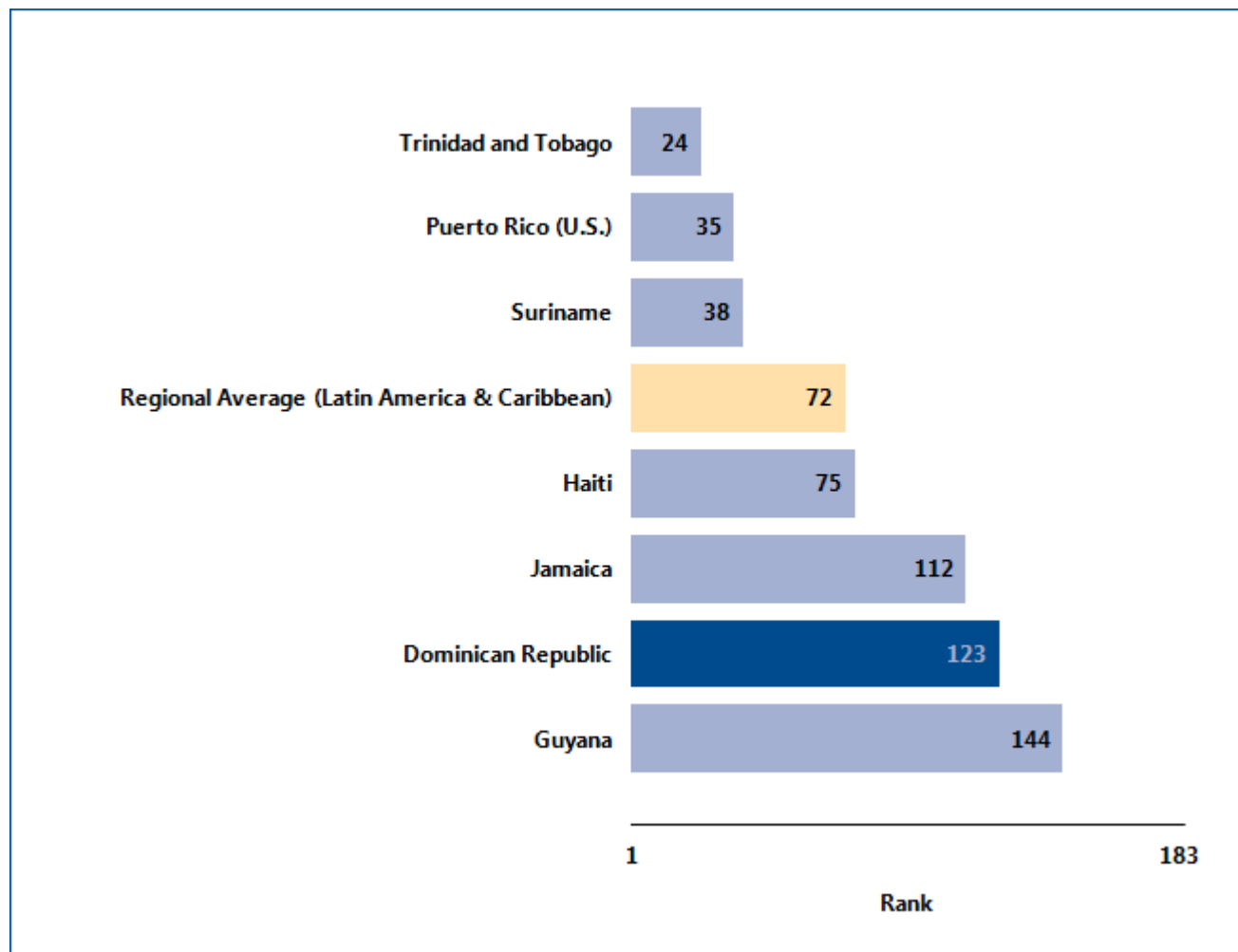
Source: *Doing Business* database.

GETTING ELECTRICITY

Globally, Dominican Republic stands at 123 in the ranking of 183 economies on the ease of getting electricity (figure 4.2). The rankings for comparator economies and the regional average ranking provide

another perspective in assessing how easy it is for an entrepreneur in Dominican Republic to connect a warehouse to electricity.

Figure 4.2 How Dominican Republic and comparator economies rank on the ease of getting electricity



Source: Doing Business database.

GETTING ELECTRICITY

Even more helpful than rankings for other economies may be the indicators underlying those rankings (table 4.1). If obtaining a new electricity connection requires fewer procedures, less time or less cost in other

economies, the practices of their utilities may provide a model for Dominican Republic on ways to improve the ease of getting electricity. Regional and global averages on these indicators may provide useful benchmarks.

Table 4.1 The ease of getting electricity in Dominican Republic and comparator economies

Indicator	Dominican Republic	Guyana	Haiti	Jamaica	Puerto Rico (U.S.)	Suriname	Trinidad and Tobago	Latin America & Caribbean average	Global average
Rank	123	144	75	112		38	24	72	..
Procedures (number)	7	7	4	6		4	5	5	5
Time (days)	87	109	66	96		58	61	65	111
Cost (% of income per capita)	356.7	518.7	4032.8	354.6		647.1	7.9	593.7	1,942.3

Source: Doing Business database.

GETTING ELECTRICITY

What are the details?

The indicators reported here for Dominican Republic are based on a set of specific procedures—the steps that an entrepreneur must complete to get a warehouse connected to electricity by the local distribution utility—identified by *Doing Business*. Data are collected from the distribution utility, then completed and verified by electricity regulatory agencies and independent professionals such as electrical engineers, electrical contractors and construction companies. The electricity distribution utility surveyed is the one serving the area (or areas) in which warehouses are located. If there is a choice of distribution utilities, the one serving the largest number of customers is selected.

OBTAINING AN ELECTRICITY CONNECTION

City: Santo Domingo

Name of Utility: EdeSur

The procedures are those that apply to a warehouse and electricity connection matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). The procedures, along with the associated time and cost, are summarized below.

Summary of procedures for getting electricity in Dominican Republic—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	Obtain approval of electrical plans from EDESUR A certified electrician of the client designs the interconnection plans and sends them to EDESUR for approval. In those plans the electrician specifies the nature of the transformer to be installed. Two copies of the plans need to be submitted to nearest commercial office of EDESUR to the neighbourhood of the warehouse. EDESUR analyses the interconnection plans and suggest corrections. Two or three visits to EDESUR to correct plans are usual. A tax of RD\$ 1,500 must be paid at the time of submission of the application by the client and RD\$ 500 for any further visit for submission of corrected plans. When the final connections have been approved, the client will have to submit 6 copies of the plans and will get back 5 of them duly stamped by EDESUR.	45 calendar days	DOP 2,500.0
2	An electrician hired by the client does the external works Once the interconnection plans have been approved by EDESUR, the client hires an electrician to build the electric system (medium voltage net, substation, meter, etc.)	7 calendar days	DOP 500,000.0
3	Receive external inspection by EDESUR EDESUR comes to check that the works follow the approved plan and raises observations to correct those works which do not follow the approved plans. The client must request the inspection when he considers everything is ready for interconnection. The first inspections do not bear any cost, but EDESUR charges RD\$ 500 for each inspection after the third one. EDESUR delivers a letter of approval (carta de Aceptación de la Obra).	7 calendar days	no charge

No.	Procedure	Time to complete	Cost to complete
4	Receive interconnection estimate by EDESUR The interconnection estimate contains the cost that the client must pay to EDESUR to carry out the interconnection works to the electricity distribution network. The client must submit the final letter of approval of EDESUR, two copies of the approved plans, a CD with the approved plan in DWG, a letter of request of estimate and he has to pay a stamp duty of RD\$ 500.	7 calendar days	DOP 500.0
5	Client pays taxes to CODIA After receiving the interconnection estimate from EDESUR, the client must pay the stamp duty of CODIA. The client must pay within 3 months. After payment has been done, EDESUR will carry out the interconnection works.	1 calendar day	DOP 5,000.0
6	Receive external works by EDESUR Interconnection works are carried out by EDESUR with a TCT team (Brigada de Trabajo Con Tensión). If the works cannot be carried out with full voltage, EDESUR will stop the energy in the circuit and will charge that cost to the client.	15 calendar days	DOP 25,000.0
7	* Client signs supply contract with EDESUR and meter is installed The client has to open a user account with EDESUR. The client has to deposit an amount which is reimbursed at the cancelation of the contract. The deposit equals twice the client's bill in RD\$. That is calculated on the basis of the capacity declared by the client or as a percentage of the substation capacity which would go between 60 to 80%. Law 125-01 establishes a payment of monthly interest for the deposit but this dispositions have not been implemented yet.	7 calendar days	DOP 107,507.8

* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

REGISTERING PROPERTY

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. And where property is informal or poorly administered, it has little chance of being accepted as collateral for loans—limiting access to finance.

What do the indicators cover?

Doing Business records the full sequence of procedures necessary for a business to purchase property from another business and transfer the property title to the buyer's name. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it. The ranking on the ease of registering property is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in the periurban area of the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.

WHAT THE REGISTERING PROPERTY INDICATORS MEASURE

Procedures to legally transfer title on immovable property (number)

Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)

Registration in the economy's largest business city

Postregistration (for example, filing title with the municipality)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day

Procedure completed once final document is received

No prior contact with officials

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

Official costs only, no bribes

No value added or capital gains taxes included

- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Consists of 557.4 square meters (6,000 square feet) of land and a 10-year-old, 2-story warehouse of 929 square meters (10,000 square feet). The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

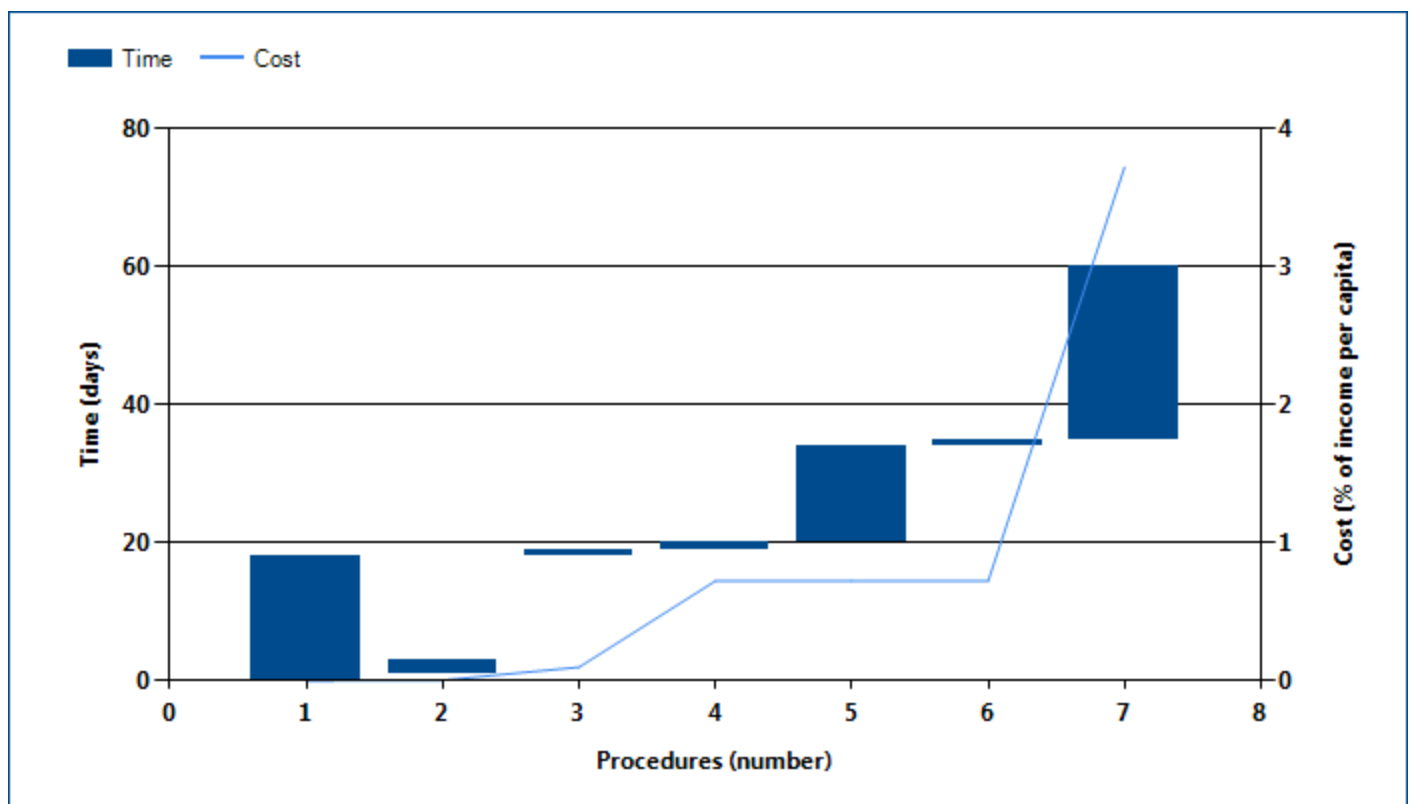
REGISTERING PROPERTY

Where does the economy stand today?

What does it take to complete a property transfer in Dominican Republic? According to data collected by *Doing Business*, registering property there requires 7

procedures, takes 60 days and costs 3.7% of the property value (figure 5.1).

Figure 5.1 What it takes to register property in Dominican Republic



Note: For details on the procedures reflected here, see the summary at the end of this chapter.

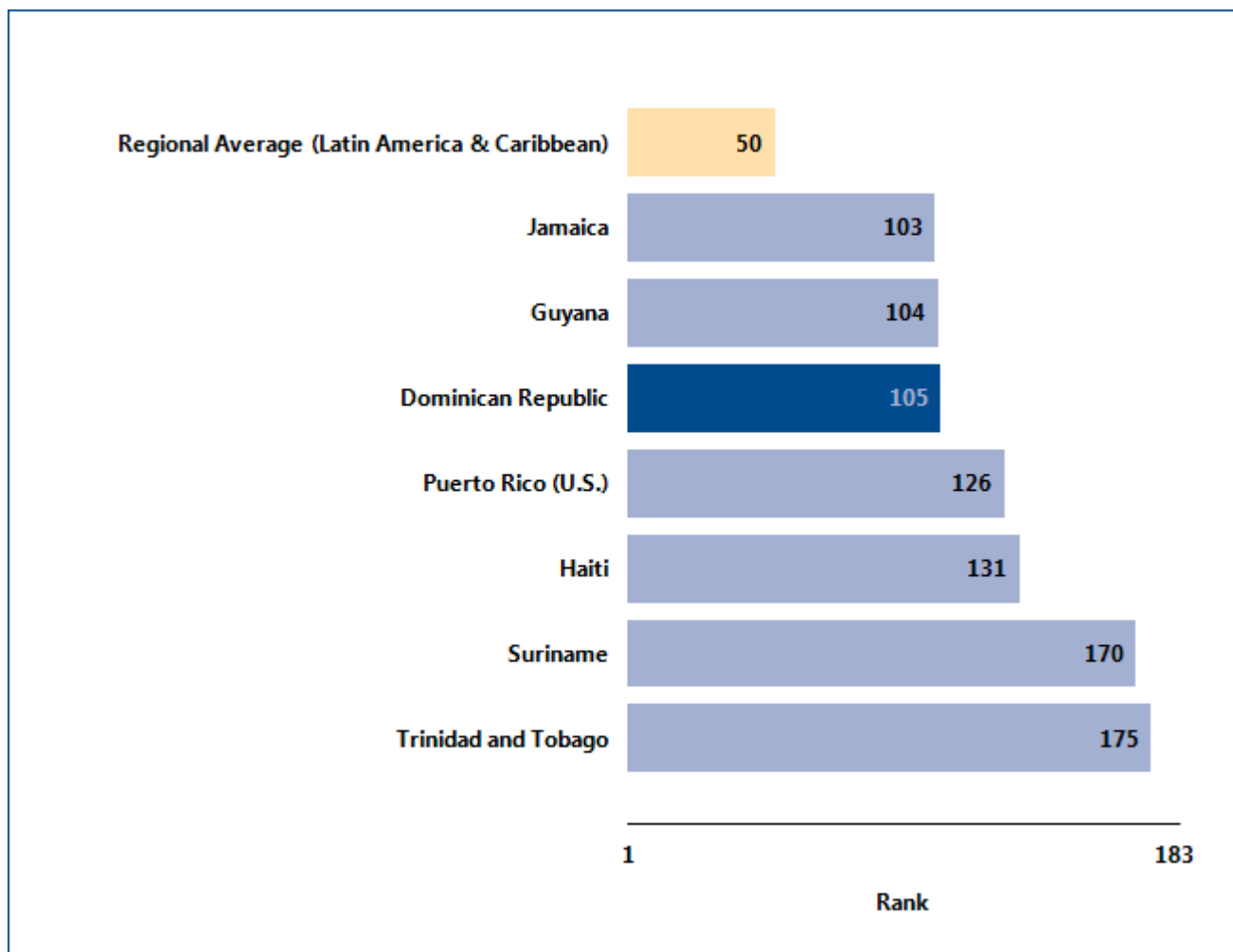
Source: *Doing Business* database.

REGISTERING PROPERTY

Globally, Dominican Republic stands at 105 in the ranking of 183 economies on the ease of registering property (figure 5.2). The rankings for comparator economies and the regional average ranking provide

other useful information for assessing how easy it is for an entrepreneur in Dominican Republic to transfer property.

Figure 5.2 How Dominican Republic and comparator economies rank on the ease of registering property



Source: *Doing Business* database.

REGISTERING PROPERTY

What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to register property in Dominican Republic today, data over time show which aspects of the process have changed—and which have not (table 5.1). That can help identify where the potential for improvement is greatest.

Table 5.1 The ease of registering property in Dominican Republic over time
By *Doing Business* report year

Indicator	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	107	105
Procedures (number)	7	7	7	7	7	7	7	7
Time (days)	107	107	107	60	60	60	60	60
Cost (% of property value)	6.3	5.1	5.1	5.1	3.8	3.7	3.7	3.7

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology. For more information on “no practice” marks, see the data notes for details.

Source: *Doing Business* database.

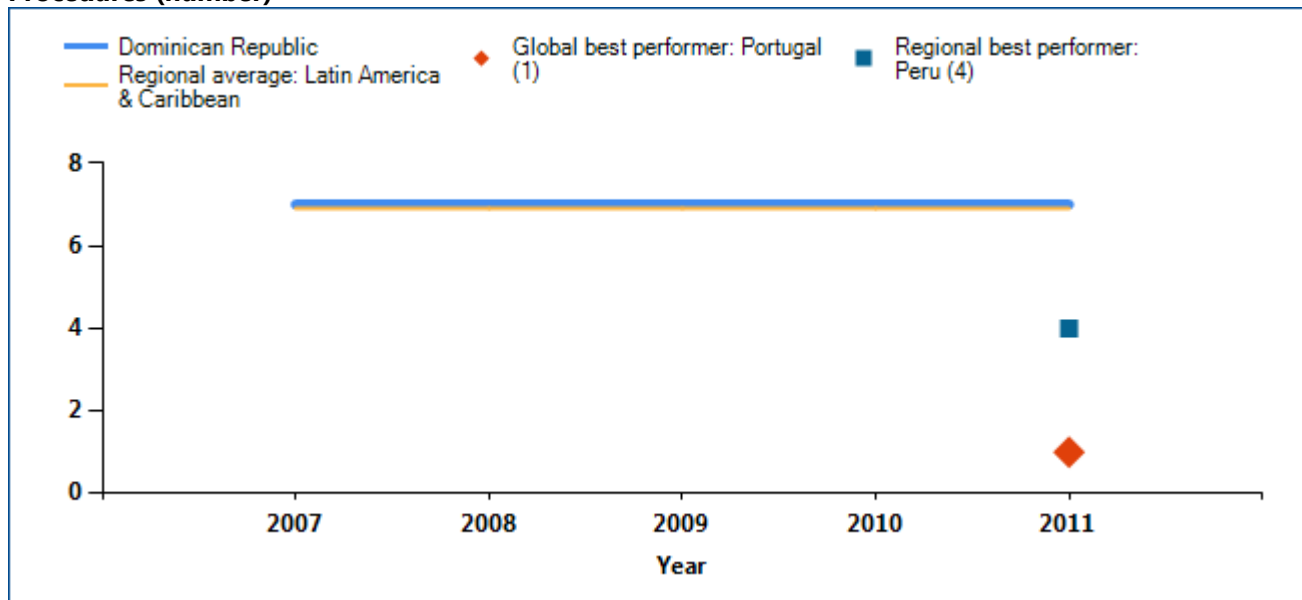
REGISTERING PROPERTY

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the procedures, time or cost required to complete a property transfer (figure 5.3). These economies may provide a model for Dominican

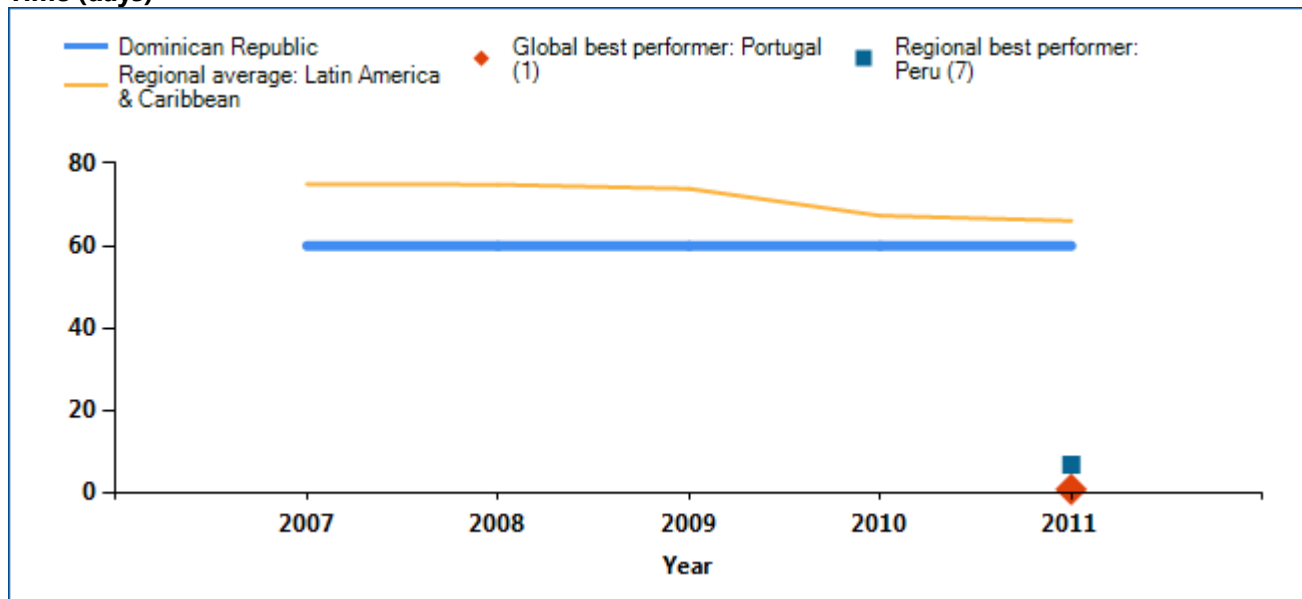
Republic on ways to improve the ease of registering property. And changes in regional averages can show where Dominican Republic is keeping up—and where it is falling behind.

Figure 5.3 Has registering property become easier over time?

Procedures (number)

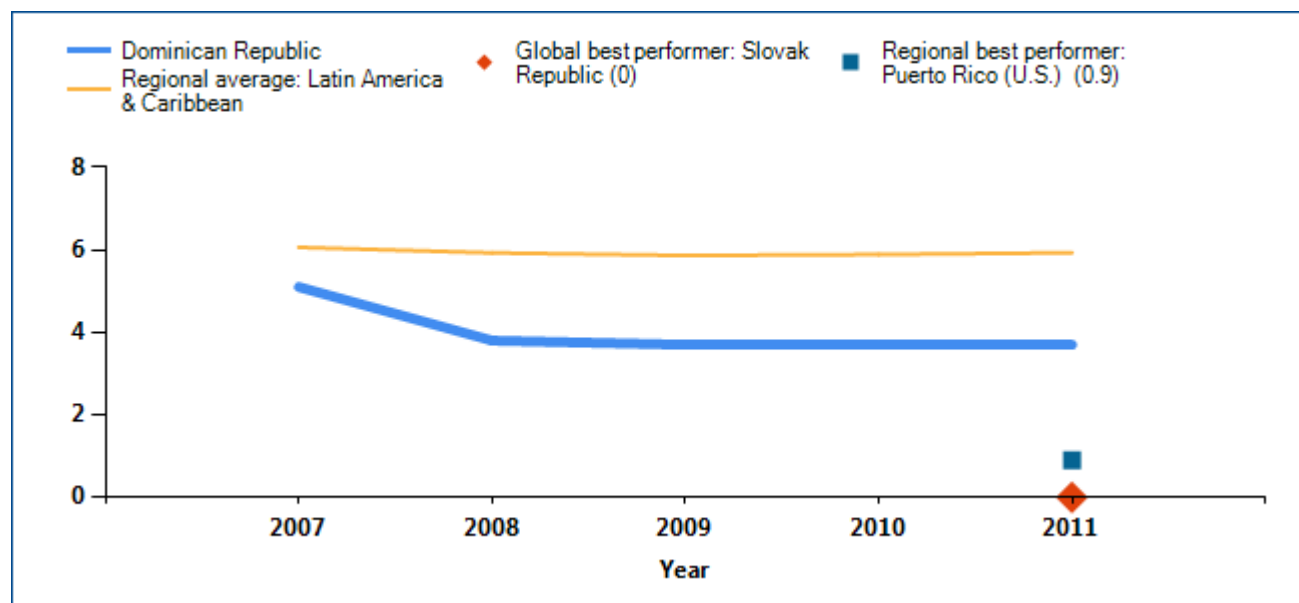


Time (days)



REGISTERING PROPERTY

Cost (% of property value)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator. In cases where no data are displayed above for the economy, this indicates that the economy has received a “no practice” mark; see the data notes for details.

Source: *Doing Business* database.

REGISTERING PROPERTY

Economies worldwide have been making it easier for entrepreneurs to register and transfer property—such as by computerizing land registries, introducing time limits for procedures and setting low fixed fees. Many

have cut the time required substantially—enabling buyers to use or mortgage their property earlier. What property registration reforms has *Doing Business* recorded in Dominican Republic (table 5.2)?

Table 5.2 How has Dominican Republic made registering property easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	No reform.
DB2009	The cost of property registration fell, thanks to a reduction in the transfer tax from 4.3% to 3%.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

REGISTERING PROPERTY

What are the details?

The indicators reported here are based on a set of specific procedures—the steps that a buyer and seller must complete to transfer the property to the buyer's name—identified by *Doing Business* through information collected from local property lawyers, notaries and property registries. These procedures are those that apply to a transaction matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

STANDARD PROPERTY TRANSFER

City: Santo Domingo
Property Value: 8,977,360.8

The procedures, along with the associated time and cost, are summarized below.

Summary of procedures for registering property in Dominican Republic—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	<p>* Obtain a judicial status certificate from the title Registry Office.</p> <p>A non-encumbrance certificate ("Certificado del Estado de la Propiedad") must be obtained from the Property Registry in order to ensure that the property has no liens and there are no other conflicts related to it. The time varies in each district. In Santo Domingo it takes about 15-20 days, while in the interior of the country it is faster. Fees have been increased by the Resolución nr. 9-2009.</p>	15 - 20 days (simultaneous with procedure 2)	DOP 400
2	<p>* Site inspection to establish the exact location of the property</p> <p>A surveyor ("agrimensor") inspects the site in order to establish the exact location of the property. This is not mandatory, but a way the buyer has to protect against potential problems.</p>	2 days (simultaneous with procedure 1)	DOP 5,000 – 12,000
3	<p>Notarization of the sale purchase agreement</p> <p>After the agreement is reached and the documentation has been exchanged by the parties, the sale purchase agreement must be notarized by the public notary. The notary freely establishes its fees.</p>	1 day	0.25 – 1% of the property price
4	<p>Request the appraisal of the property at the Dirección General de Impuestos Internos (Tax Authority)</p> <p>The parties must submit an application to the Tax Authority (Dirección General de Impuestos) for the valuation of the property. The Tax Authority decides which cases will need a valuation, and then an appointment for the inspection of the property is scheduled. The</p>	1 day	no cost

No.	Procedure	Time to complete	Cost to complete
	valuation will be used in the calculation of taxes.		
5	<p>An inspector of the Tax Authority visits the property in order to confirm the amount of the appraisal.</p> <p>An inspector of the Tax Authority visits the property in order to confirm the amount of the appraisal.</p>	14 days	no cost
6	<p>Payment of taxes at the Dirección General de Impuestos (Tax Authority)</p> <p>After the inspection is over and the value of the property is calculated, a tax of 3% of the property value must be paid before the Dirección General de Impuestos (Tax Authority) before registering the property transfer, by virtue of de "Eficiencia Recaudatoria" Law No. 173-07 dated July 17th, 2007.</p> <p>Transfer tax: 3% of property value (if there is a difference between the property value indicated in the purchase agreement and the one estimated by the Internal Revenue Department upon valuation, the higher value will be the one considered as valid for calculation of this transfer tax).</p> <p>However, said law provides an exemption of this tax in cases of transfer of real estate properties acquired by means of loans with financial institutions and cooperatives, if such real estate property has a value under DOP\$1,000,000.00 adjustable upon inflation (approximately USD\$28,572).</p> <p>The property tax must be paid within the six (6) months following to the Sale and Purchase Agreement entered by the parties. Otherwise, surcharges will be applied. Surcharges amount to 10% of the sum not paid (the corresponding transfer taxes) for the first month or fraction of the month. To any additional delays the Tax authorities will charge a 4% (per month or fraction) over the 10% plus a 1.73% indemnity (per month or fraction).</p> <p>Moreover, on July 10, 2009, Law 182-09 was enacted granting a tax exemption on the 2% that must be paid to record a mortgage. This exemption only applies when it is proved that a new loan/mortgage has been obtained to pay off an existing loan secured with the same land. Consequently, the former mortgage would be cancelled to record the new one, with no additional cost.</p>	1 day	3% of property value (transfer tax)
7	<p>Buyer files the property transfer request before the Title Registrar's Office</p> <p>When filing request for property registration before the Title Registrar's Office, stamp duties are paid. After all payments have been made and all documents are ready, the buyer will apply for registration of the property under his name at the Property Registry.</p>	20 - 30 days	DOP 50 (Stamp duty)

No.	Procedure	Time to complete	Cost to complete
	<p>The registrar will analyze the documentation and, if everything is correct, will register the property under the name of the buyer, issue a new Certificate of Title in the name of the buyer, cancel the old Certificate and will set the date for giving the new title to the buyer. Because of the higher workload, this procedure takes longer in Santo Domingo and Santiago than in other provinces. Registration can take at the most up to 90-180 days in Santo Domingo and Santiago and 60-90 days in other provinces.</p> <p>However, the new "Ley de Registro de la Propiedad Inmobiliaria", passed on March 2005 to replace the previous law from 1947, introduced changes into the system seen up to now. The registrar has no more than 15 days to qualify the transfer.</p> <p>The filed documentation shall include:</p> <ul style="list-style-type: none"> -Notarized purchase agreement (obtained in Procedure 3) - Real estate property taxes declaration and receipt of payment (obtained in Procedure 6). -Payment of stamp duties (obtained in Procedure 7). - Copy of identity documents for seller and buyer (such documents may vary whether seller and buyer are natural persons or companies). <p>The land registry operates with the Torrens title system and is being digitalized since 2005. All new transactions are completed digitally, but all titles created before 2005 are not computerized yet. The registry has consultation room units ("Departamento de sala de consultas") where the registry's electronic database is available.</p>		

* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

GETTING CREDIT

Two types of frameworks can facilitate access to credit and improve its allocation: credit information systems and the legal rights of borrowers and lenders in collateral and bankruptcy laws. Credit information systems enable lenders to view a potential borrower's financial history (positive or negative)—valuable information to consider when assessing risk. And they permit borrowers to establish a good credit history that will allow easier access to credit. Sound collateral laws enable businesses to use their assets, especially movable property, as security to generate capital—while strong creditors' rights have been associated with higher ratios of private sector credit to GDP.

What do the indicators cover?

Doing Business assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a public credit registry or a private credit bureau. 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. *Doing Business* uses case scenarios to determine the scope of the secured transactions system, involving a secured borrower and a secured lender and examining legal restrictions on the use of movable collateral. These scenarios assume that the borrower:

- Is a private, limited liability company.
- Has its headquarters and only base of operations in the largest business city.

WHAT THE GETTING CREDIT INDICATORS MEASURE

Strength of legal rights index (0–10)

Protection of rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

Depth of credit information index (0–6)

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

Public credit registry coverage (% of adults)

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

Private credit bureau coverage (% of adults)

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

- Has 100 employees.
- Is 100% domestically owned, as is the lender.

The ranking on the ease of getting credit is based on the percentile rankings on its component indicators: the depth of credit information index (weighted at 37.5%) and the strength of legal rights index (weighted at 62.5%).

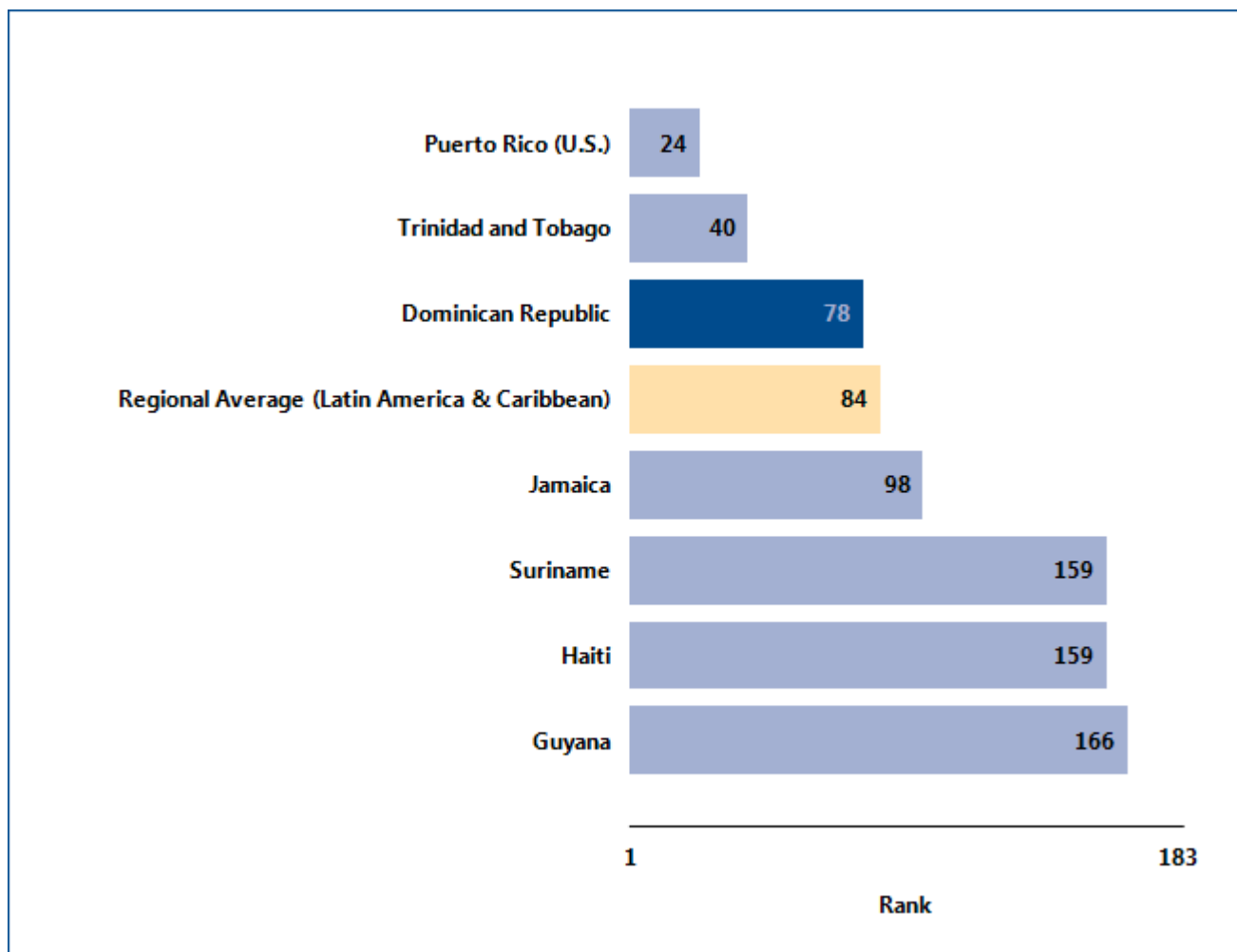
GETTING CREDIT

Where does the economy stand today?

How well do the credit information system and collateral and bankruptcy laws in Dominican Republic facilitate access to credit? The economy has a score of 6 on the depth of credit information index and a score of 3 on the strength of legal rights index (see the summary of scoring at the end of this chapter for details). Higher scores indicate more credit information and stronger legal rights for borrowers and lenders.

Globally, Dominican Republic stands at 78 in the ranking of 183 economies on the ease of getting credit (figure 6.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how well regulations and institutions in Dominican Republic support lending and borrowing.

Figure 6.1 How Dominican Republic and comparator economies rank on the ease of getting credit



Source: Doing Business database.

GETTING CREDIT

What are the changes over time?

While the most recent *Doing Business* data reflect how well the credit information system and collateral and bankruptcy laws in Dominican Republic support lending and borrowing today, data over time can help

show where institutions and regulations have been strengthened—and where they have not (table 6.1). That can help identify where the potential for improvement is greatest.

Table 6.1 The ease of getting credit in Dominican Republic over time
By *Doing Business* report year

Indicator	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	75	78
Strength of legal rights index (0-10)	3	3	3	3	3	3	3	3
Depth of credit information index (0-6)	5	5	6	6	6	6	6	6
Public registry coverage (% of adults)	n.a.	19.2	11.9	13.3	33.9	29.7	28.5	35.9
Private bureau coverage (% of adults)	29.4	34.6	57.1	35.4	35.0	46.1	47.3	54.3

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.

Source: *Doing Business* database.

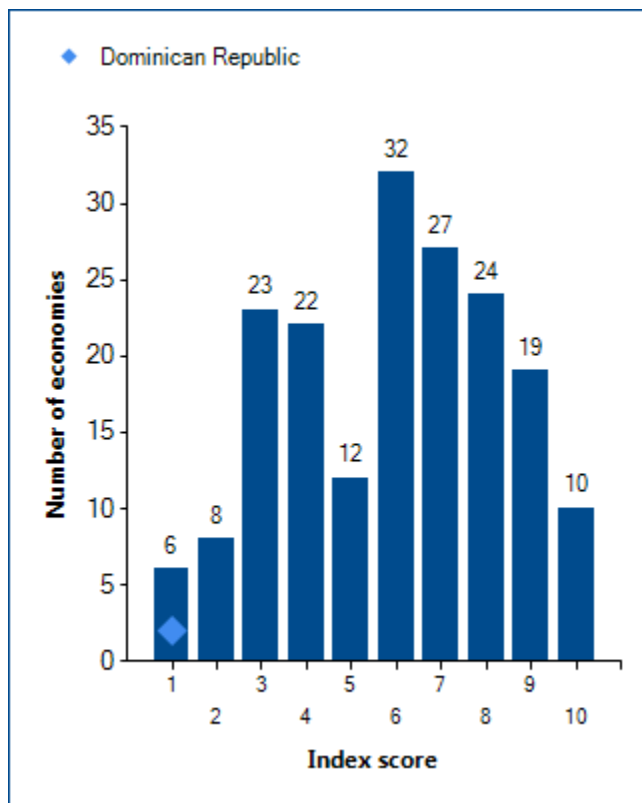
GETTING CREDIT

One way to put an economy's getting credit indicators into context is to see where the economy stands in the distribution of scores across other economies. Figure 6.2 highlights the score on the strength of legal rights

index for Dominican Republic in 2011 and shows the number of other economies having the same score in 2011. Figure 6.3 shows the same thing for the depth of credit information index.

Figure 6.2 Have legal rights for borrowers and lenders become stronger?

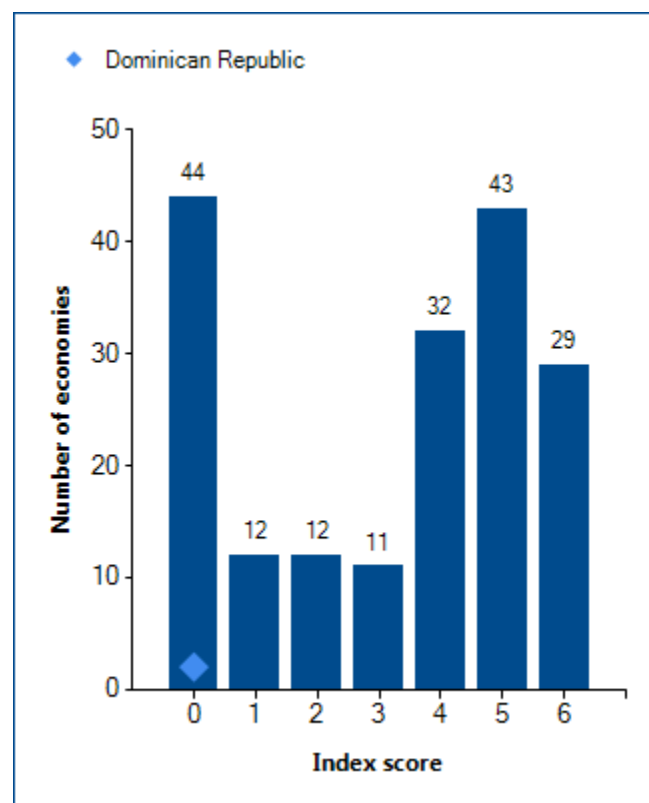
Number of economies with each score on strength of legal rights index (0–10), 2011



Source: Doing Business database.

Figure 6.3 Have the coverage and accessibility of credit information grown?

Number of economies with each score on depth of credit information index (0–6), 2011



Source: Doing Business database.

GETTING CREDIT

When economies strengthen the legal rights of lenders and borrowers under collateral and bankruptcy laws, and increase the scope, coverage and accessibility of

credit information, they can increase entrepreneurs' access to credit. What credit reforms has *Doing Business* recorded in Dominican Republic (table 6.2)?

Table 6.2 How has Dominican Republic made getting credit easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	No reform.
DB2009	No reform.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

GETTING CREDIT

What are the details?

The getting credit indicators reported here for Dominican Republic are based on detailed information collected in that economy. The data on credit information sharing are collected through a survey of a public credit registry or private credit bureau (if one exists). To construct the depth of credit information index, a score of 1 is assigned for each of 6 features of the public credit registry or private credit bureau (see summary of scoring below).

The data on the legal rights of borrowers and lenders are gathered through a survey of financial lawyers and verified through analysis of laws and regulations as well as public sources of information on collateral and bankruptcy laws. For the strength of legal rights index, a score of 1 is assigned for each of 8 aspects related to legal rights in collateral law and 2 aspects in bankruptcy law.

Summary of scoring for the getting credit indicators in Dominican Republic

Indicator	Dominican Republic	Latin America & Caribbean	OECD high income
Strength of legal rights index (0-10)	3	6	7
Depth of credit information index (0-6)	6	3	5
Public registry coverage (% of adults)	35.9	10.1	9.5
Private bureau coverage (% of adults)	54.3	34.2	63.9

Strength of legal rights index (0–10)	Index score: 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 movable assets, without requiring a specific description of collateral?	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 collateral?	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 ?	No
Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	Yes
Is a collateral registry in operation, that is unified geographically and by asset type, with an electronic database indexed by debtor's names?	No
Are secured creditors paid first (i.e. before general tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	No

Strength of legal rights index (0–10)	Index score: 3
Are secured creditors paid first (i.e. before general tax claims and employee claims) when a business is liquidated?	No
Are secured creditors either not subject to an automatic stay or moratorium on enforcement procedures when a debtor enters a court-supervised reorganization procedure, or the law provides secured creditors with grounds for relief from an automatic stay or	Yes
Does the law allow parties to agree in a collateral agreement that the lender may enforce its security right out of court, at the time a security interest is created?	No

Depth of credit information index (0–6)	Private credit bureau	Public credit registry	Index score: 6
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?	Yes	No	1
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	No	1

Note: An economy receives a score of 1 if there is a "yes" to either private bureau or public registry.

Coverage	Private credit bureau	Public credit registry
Number of firms	56,833	31,042
Number of individuals	3,427,107	2,271,861

Source: Doing Business database.

PROTECTING INVESTORS

Investor protections matter for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. If the laws do not provide such protections, investors may be reluctant to invest unless they become the controlling shareholders. Strong regulations clearly define related-party transactions, promote clear and efficient disclosure requirements, require shareholder participation in major decisions of the company and set clear standards of accountability for company insiders.

What do the indicators cover?

Doing Business measures the strength of minority shareholder protections against directors' use of corporate assets for personal gain—or self-dealing. The indicators distinguish 3 dimensions of investor protections: transparency of related-party transactions (extent of disclosure index), liability for self-dealing (extent of director liability index) and shareholders' ability to sue officers and directors for misconduct (ease of shareholder suits index). The ranking on the strength of investor protection index is the simple average of the percentile rankings on these 3 indices. To make the data comparable across economies, a case study uses several assumptions about the business and the transaction.

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders).
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

The transaction involves the following details:

- Mr. James, a director and the majority shareholder of the company, proposes that

WHAT THE PROTECTING INVESTORS INDICATORS MEASURE

Extent of disclosure index (0–10)

- Who can approve related-party transactions
- Disclosure requirements in case of related-party transactions

Extent of director liability index (0–10)

- Ability of shareholders to hold interested parties and members of the approving body liable in case of related-party transactions
- Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)
- Ability of shareholders to sue directly or derivatively

Ease of shareholder suits index (0–10)

- Access to internal corporate documents (directly or through a government inspector)
- Documents and information available during trial

Strength of investor protection index (0–10)

- Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices

the company purchase used trucks from another company he owns.

- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to Buyer.
- Shareholders sue the interested parties and the members of the board of directors.

PROTECTING INVESTORS

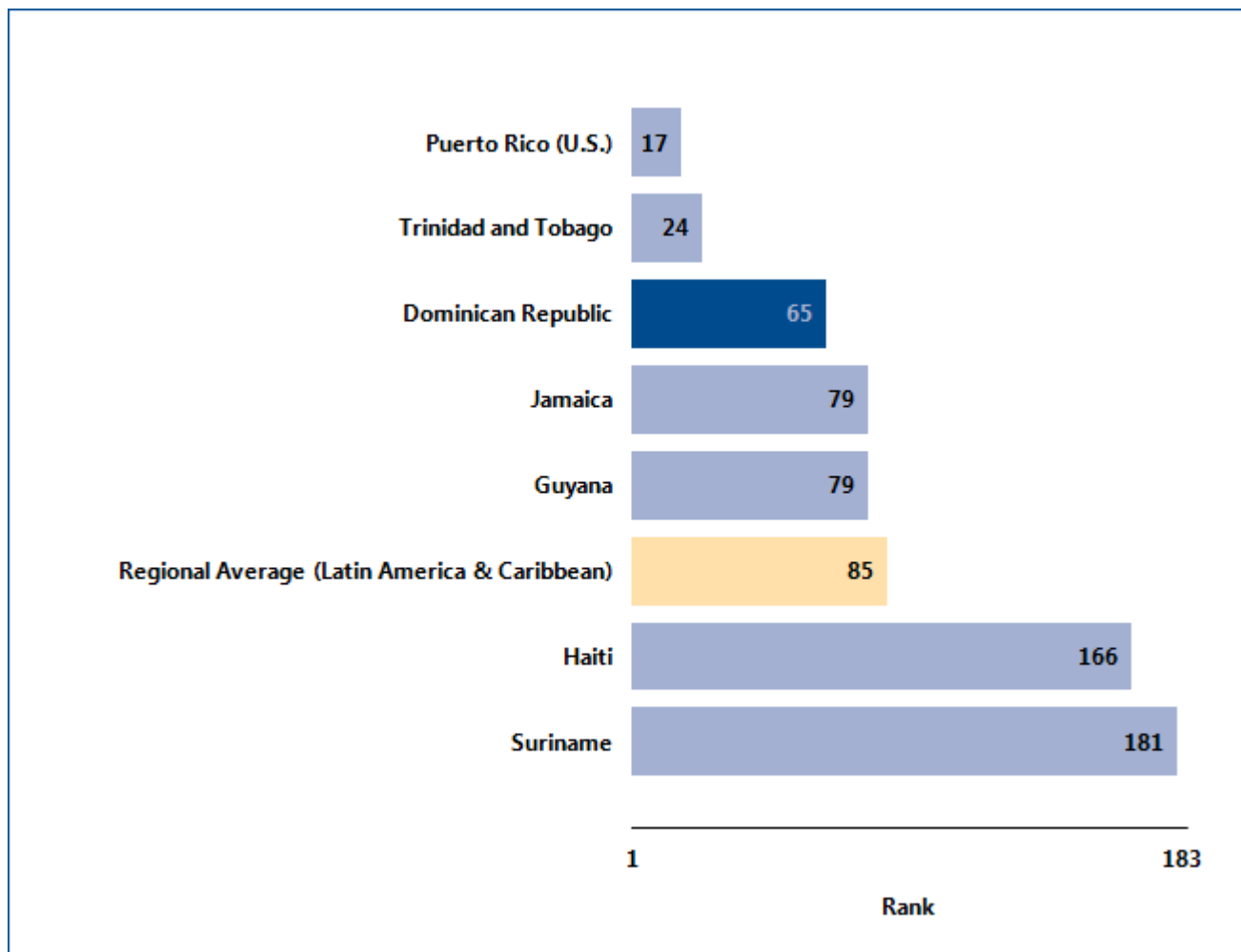
Where does the economy stand today?

How strong are investor protections in Dominican Republic? The economy has a score of 5.7 on the strength of investor protection index, with a higher score indicating stronger protections (see the summary of scoring at the end of this chapter for details).

Globally, Dominican Republic stands at 65 in the ranking of 183 economies on the strength of investor

protection index (figure 7.1). While the indicator does not measure all aspects related to the protection of minority investors, a higher ranking does indicate that an economy's regulations offer stronger investor protections against self-dealing in the areas measured.

Figure 7.1 How Dominican Republic and comparator economies rank on the strength of investor protection index



Source: Doing Business database.

PROTECTING INVESTORS

What are the changes over time?

While the most recent *Doing Business* data reflect how well regulations in Dominican Republic protect minority investors today, data over time show whether the protections have been strengthened (table 7.1).

And the global ranking on the strength of investor protection index over time shows whether the economy is slipping behind other economies in investor protections—or surpassing them.

Table 7.1 The strength of investor protections in Dominican Republic over time
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	60	65
Extent of disclosure index (0-10)	5	5	5	5	5	5	5
Extent of director liability index (0-10)	0	0	0	0	4	4	4
Ease of shareholder suits index (0-10)	7	7	7	7	8	8	8
Strength of investor protection index (0-10)	4.0	4.0	4.0	4.0	5.7	5.7	5.7

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.

Source: *Doing Business* database.

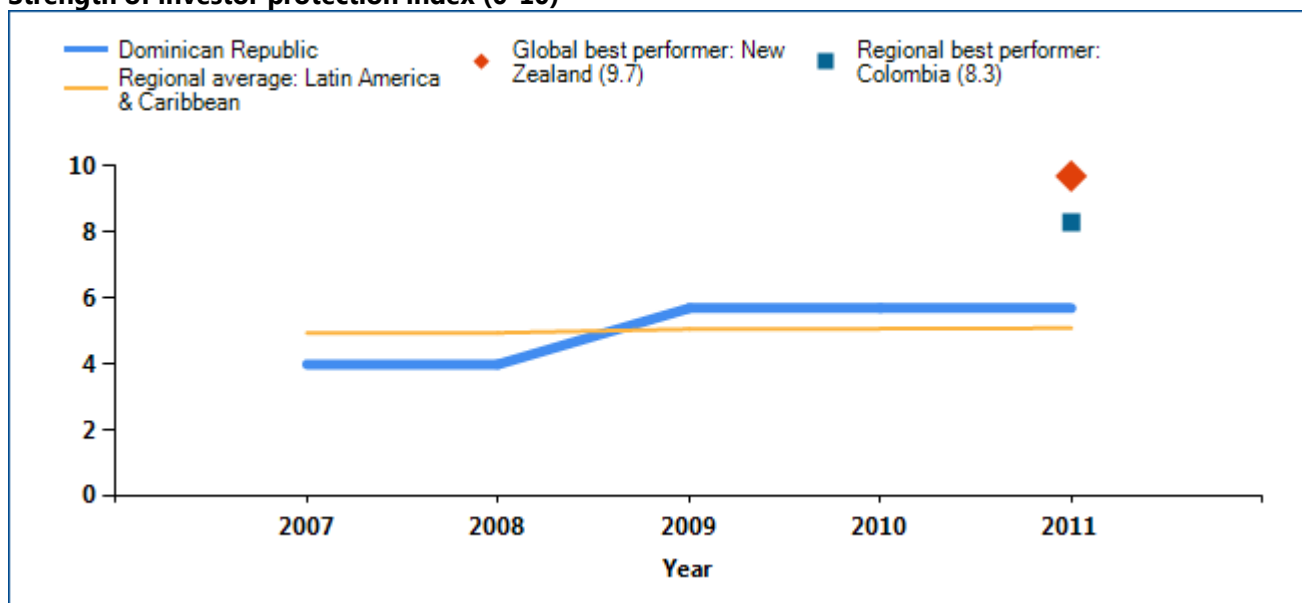
PROTECTING INVESTORS

But the overall ranking on the strength of investor protection index tells only part of the story. Economies may offer strong protections in some areas but not others. So the scores recorded over time for Dominican Republic on the extent of disclosure, extent

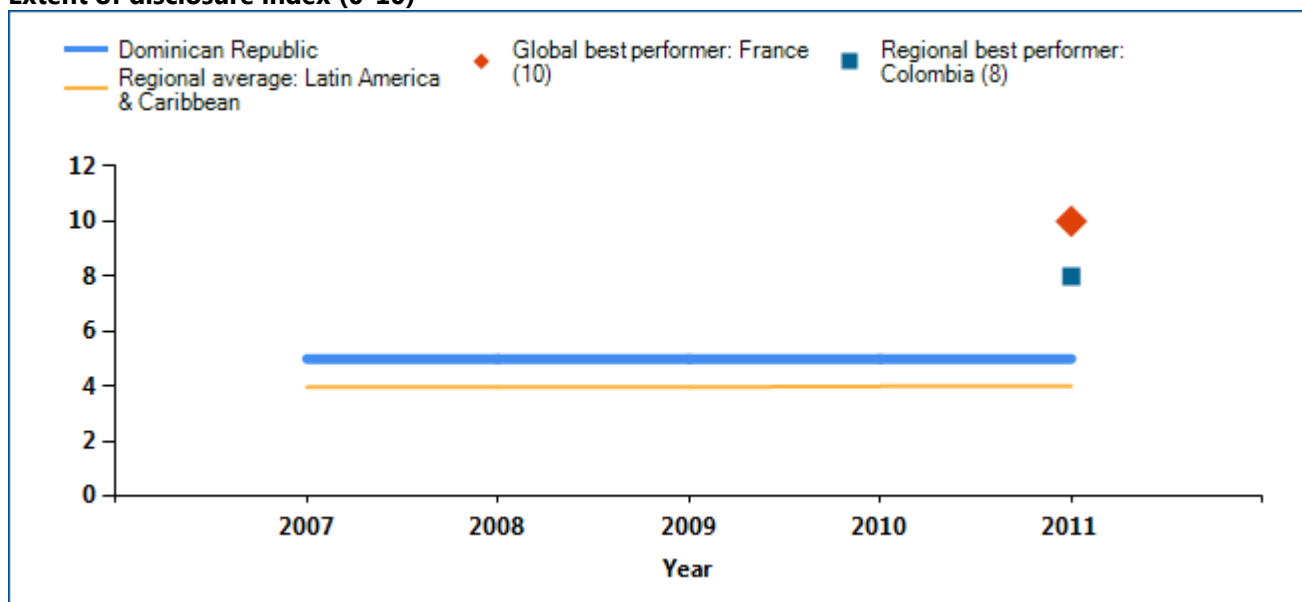
of director liability and ease of shareholder suits indices may also be revealing (figure 7.2). Equally interesting may be the changes over time in the regional average scores for those indices.

Figure 7.2 Have investor protections become stronger?

Strength of investor protection index (0-10)

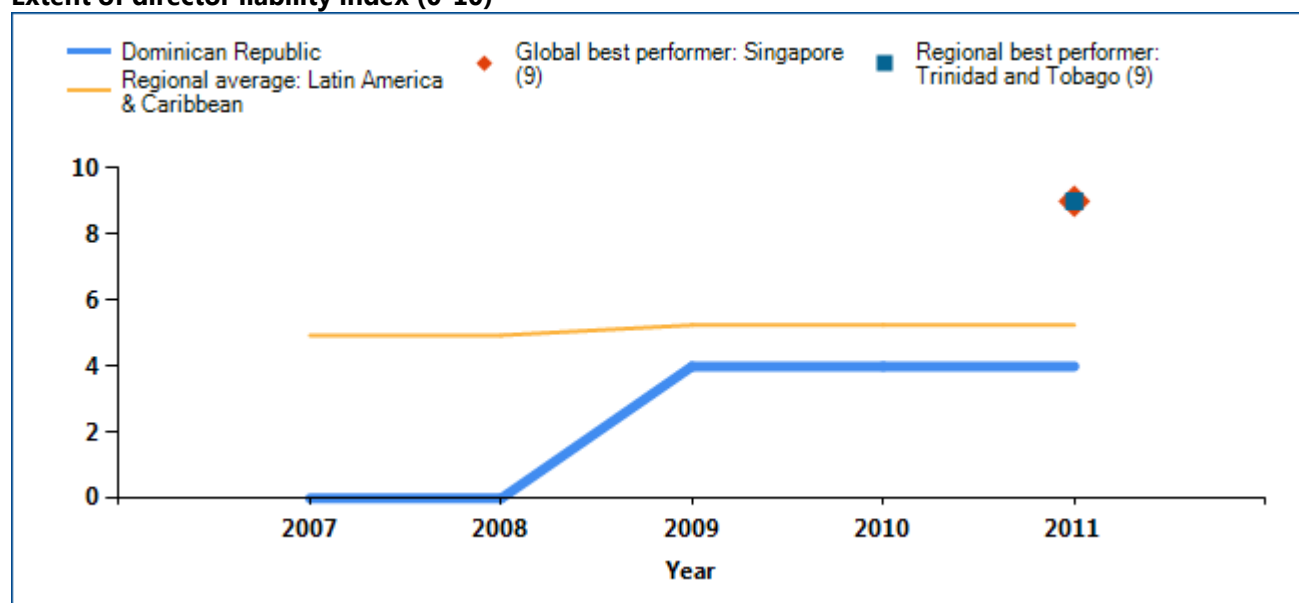


Extent of disclosure index (0-10)

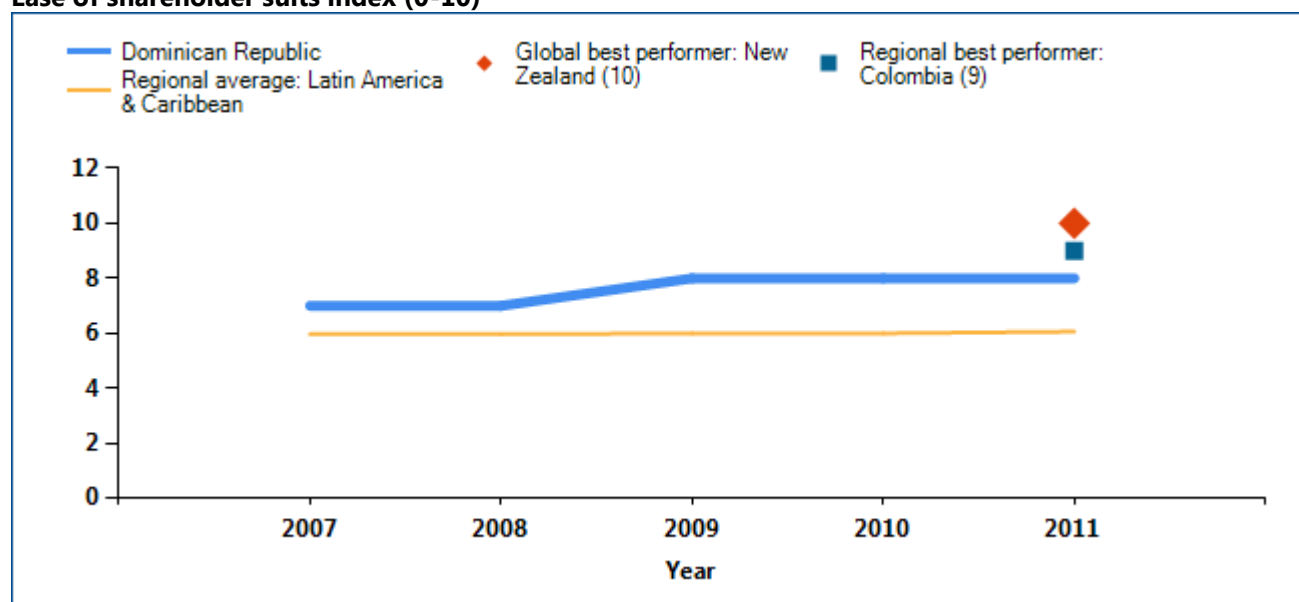


PROTECTING INVESTORS

Extent of director liability index (0-10)



Ease of shareholder suits index (0-10)



Note: The higher the score, the stronger the investor protections. The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator.

Source: *Doing Business* database.

PROTECTING INVESTORS

Economies with the strongest protections of minority investors from self-dealing require more disclosure and define clear duties for directors. They also have well-functioning courts and up-to-date procedural rules that give minority investors the means to prove their case and obtain a judgment within a reasonable

time. So reforms to strengthen investor protections may move ahead on different fronts—such as through new or amended company laws or civil procedure rules. What investor protection reforms has *Doing Business* recorded in Dominican Republic (table 7.2)?

Table 7.2 How has Dominican Republic strengthened investor protections—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	A new company law was adopted that strengthened investor protections by requiring greater corporate disclosure, director liability, and shareholder access to information.
DB2009	No reform.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

PROTECTING INVESTORS

What are the details?

The protecting investors indicators reported here for Dominican Republic are based on detailed information collected through a survey of corporate and securities lawyers and are based on securities regulations, company laws and court rules of evidence. To construct the extent of disclosure, extent of director

liability and ease of shareholder suits indices, a score is assigned for each of a range of conditions relating to disclosure, director liability and shareholder suits in a standard case study transaction (see the notes at the end of this chapter). The summary below shows the details underlying the scores for Dominican Republic.

Summary of scoring for the protecting investors indicators in Dominican Republic

Indicator	Dominican Republic	Latin America & Caribbean	OECD high income
Extent of disclosure index (0-10)	5	4	6
Extent of director liability index (0-10)	4	5	5
Ease of shareholder suits index (0-10)	8	6	7
Strength of investor protection index (0-10)	5.7	5.1	6.0

	Score
Extent of disclosure index (0-10)	5
What corporate body provides legally sufficient approval for the transaction?	2
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	1
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	0
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	2
Whether an external body must review the terms of the transaction before it takes place?	0
Extent of director liability index (0-10)	4
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether shareholders can hold members of the approving body liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	0

	Score
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	0
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	0
Whether fines and imprisonment can be applied against Mr. James?	1
Ease of shareholder suits index (0-10)	8
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	1
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	1
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	3
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	0
Whether the plaintiff can directly question the defendant and witnesses during trial?	2
Whether the level of proof required for civil suits is lower than that of criminal cases?	1
Strength of investor protection index (0-10)	5.7

Source: *Doing Business* database.

Notes:

Extent of disclosure index (0–10)

Scoring for the extent of disclosure index is based on 5 components:

Which corporate body can provide 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.

Whether disclosure of the conflict of interest by Mr. James to the board of directors is required

0 = no disclosure; 1 = disclosure of the existence of a conflict without any specifics; 2 = full disclosure of all material facts.

Whether immediate disclosure of the transaction to the public, the regulator or the shareholders is required

0 = no disclosure; 1 = disclosure on the transaction only; 2 = disclosure on the transaction and Mr. James's conflict of interest.

Whether disclosure of the transaction in the annual report is required

0 = no disclosure; 1 = disclosure on the transaction only; 2 = disclosure on the transaction and Mr. James's conflict of interest.

Whether it is required that an external body (for example, an external auditor) review the transaction before it takes place

0 = no; 1 = yes.

Extent of director liability index (0–10)

Scoring for the extent of director liability index is based on 7 components:

Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company

0 = suits are unavailable or available only for shareholders holding more than 10% of the company's share capital; 1 = direct or derivative suits available for shareholders holding 10% of share capital or less.

Whether shareholders can hold Mr. James liable for the damage that the transaction causes to the company

0 = Mr. James is not liable or is 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 is unfair or prejudicial to the other shareholders.

Whether shareholders can hold the approving body (the CEO or members of the board of directors) liable for the damage that the transaction causes 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 or prejudicial to the other 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 = rescission is available when the transaction is oppressive or prejudicial to the other shareholders; 2 = rescission is available when the transaction is unfair or entails a conflict of interest.

Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff

0 = no; 1 = yes.

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff

0 = no; 1 = yes.

Whether both fines and imprisonment can be applied against Mr. James

0 = no; 1 = yes.

Ease of shareholder suits index (0–10)

Scoring for the ease of shareholder suits index is based on 6 components:

What range of documents is available to the plaintiff from the defendant and witnesses during trial

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

Whether the plaintiff can directly examine 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.

Whether the plaintiff can obtain categories of relevant documents from the defendant without identifying each document specifically

0 = no; 1 = yes.

Whether shareholders owning 10% or less of the company's share capital can request that a government inspector investigate the transaction without filing suit in court

0 = no; 1 = yes.

Whether shareholders owning 10% or less of the company's share capital have the right to inspect the transaction documents before filing suit

0 = no; 1 = yes.

Whether the standard of proof for civil suits is lower than that for a criminal case

0 = no; 1 = yes.

Strength of investor protection index (0–10)

Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices.

PAYING TAXES

Taxes are essential. They fund the public amenities, infrastructure and services that are crucial for a properly functioning economy. But the level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. According to *Doing Business* data, in economies where it is more difficult and costly to pay taxes, larger shares of economic activity end up in the informal sector—where businesses pay no taxes at all.

What do the indicators cover?

Using a case scenario, *Doing Business* measures the taxes and mandatory contributions that a medium-size company must pay in a given year as well as the administrative burden of paying taxes and contributions. This case scenario uses a set of financial statements and assumptions about transactions made over the year. Information is also compiled on the frequency of filing and payments as well as time taken to comply with tax laws. The ranking on the ease of paying taxes is the simple average of the percentile rankings on its component indicators: number of annual payments, time and total tax rate, with a threshold being applied to the total tax rate.² To make the data comparable across economies, several assumptions about the business and the taxes and contributions are used.

- TaxpayerCo is a medium-size business that started operations on January 1, 2009.
- 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.

WHAT THE PAYING TAXES INDICATORS MEASURE

Tax payments for a manufacturing company in 2010 (number per year adjusted for electronic or joint filing and payment)

Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)

Method and frequency of filing and payment

Time required to comply with 3 major taxes (hours per year)

Collecting information and computing the tax payable

Completing tax return forms, filing with proper agencies

Arranging payment or withholding

Preparing separate tax accounting books, if required

Total tax rate (% of profit before all taxes)

Profit or corporate income tax

Social contributions and labor taxes paid by the employer

Property and property transfer taxes

Dividend, capital gains and financial transactions taxes

Waste collection, vehicle, road and other taxes

- Taxes and mandatory contributions include corporate income tax, turnover tax and all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

² The threshold is defined as the highest total tax rate among the top 30% of economies in the ranking on the total tax rate. It will be calculated and adjusted on a yearly basis. The threshold is not based on any underlying theory. Instead, it is intended to mitigate the effect of very low tax rates on the ranking on the ease of paying taxes.

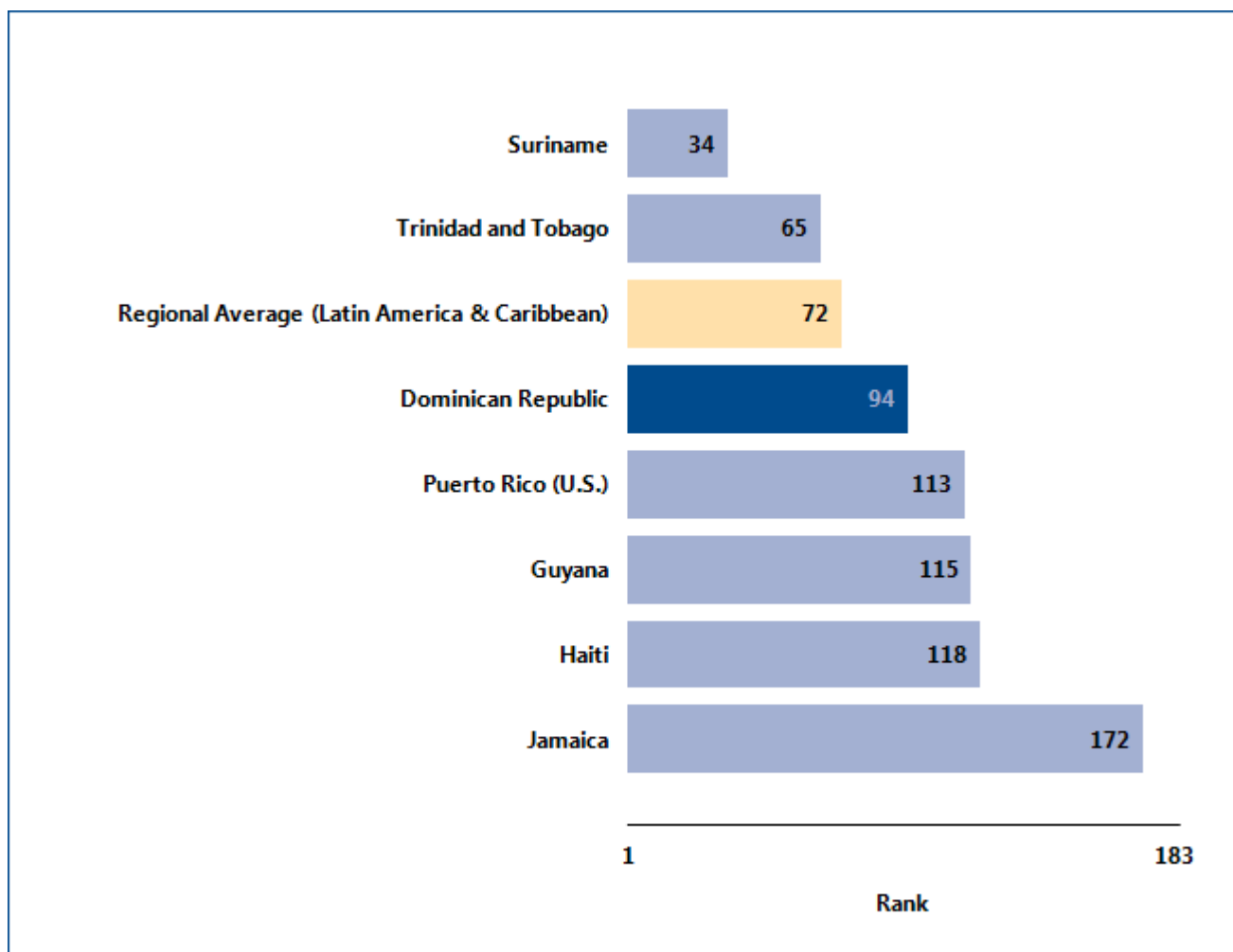
PAYING TAXES

Where does the economy stand today?

What is the administrative burden of complying with taxes in Dominican Republic—and how much do firms pay in taxes? On average, firms make 9 tax payments a year, spend 324 hours a year filing, preparing and paying taxes and pay total taxes amounting to 21.3% of profit (see the summary at the end of this chapter for details).

Globally, Dominican Republic stands at 94 in the ranking of 183 economies on the ease of paying taxes (figure 8.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing the tax compliance burden for businesses in Dominican Republic.

Figure 8.1 How Dominican Republic and comparator economies rank on the ease of paying taxes



Note: DB2012 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 32.5% applied in DB2012, the total tax rate is set at 32.5% for the purpose of calculating the ranking on the ease of paying taxes.

Source: *Doing Business* database.

PAYING TAXES

What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to comply with tax rules in Dominican Republic today, data over time show which

aspects of the process have changed — and which have not (table 8.1). That can help identify where the potential for easing tax compliance is greatest.

Table 8.1 The ease of paying taxes in Dominican Republic over time
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	82	94
Payments (number per year)	75	75	74	9	9	9	9
Time (hours per year)	232	286	286	480	324	324	324
Total tax rate (% profit)	36.2	36.5	40.2	35.7	39.0	40.7	41.7

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 32.5% applied in DB2012, the total tax rate is set at 32.5% for the purpose of calculating the rank on the ease of paying taxes.

Source: *Doing Business* database.

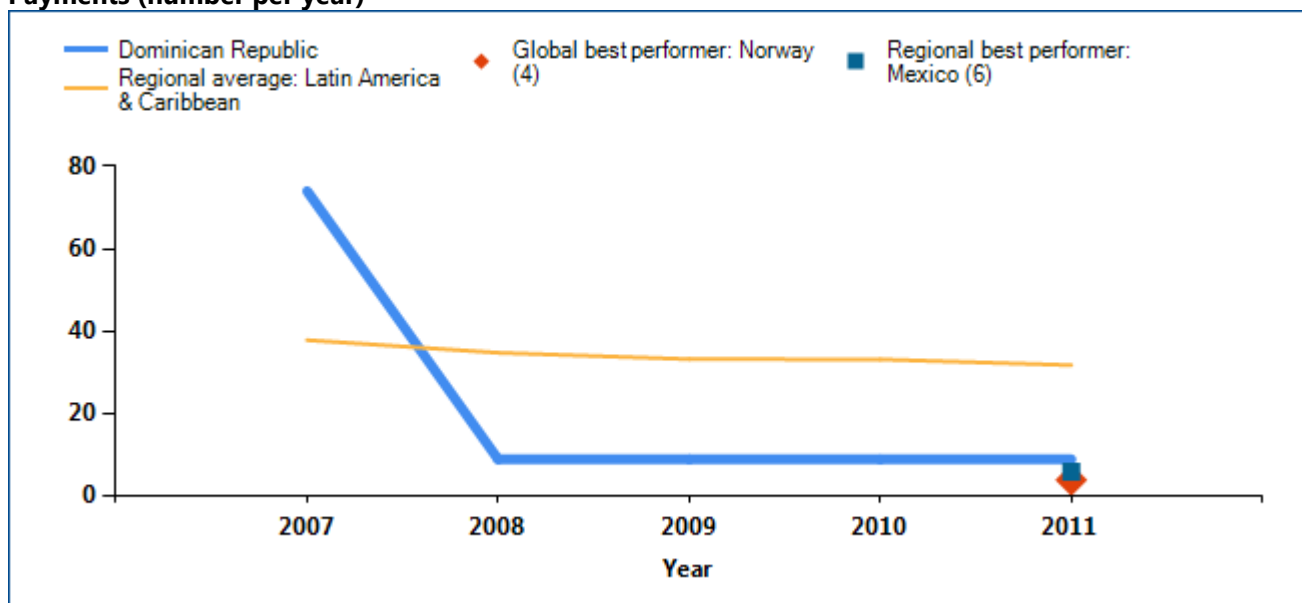
PAYING TAXES

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the number of payments or the time required to prepare and file taxes (figure 8.2). These economies may provide a model for Dominican

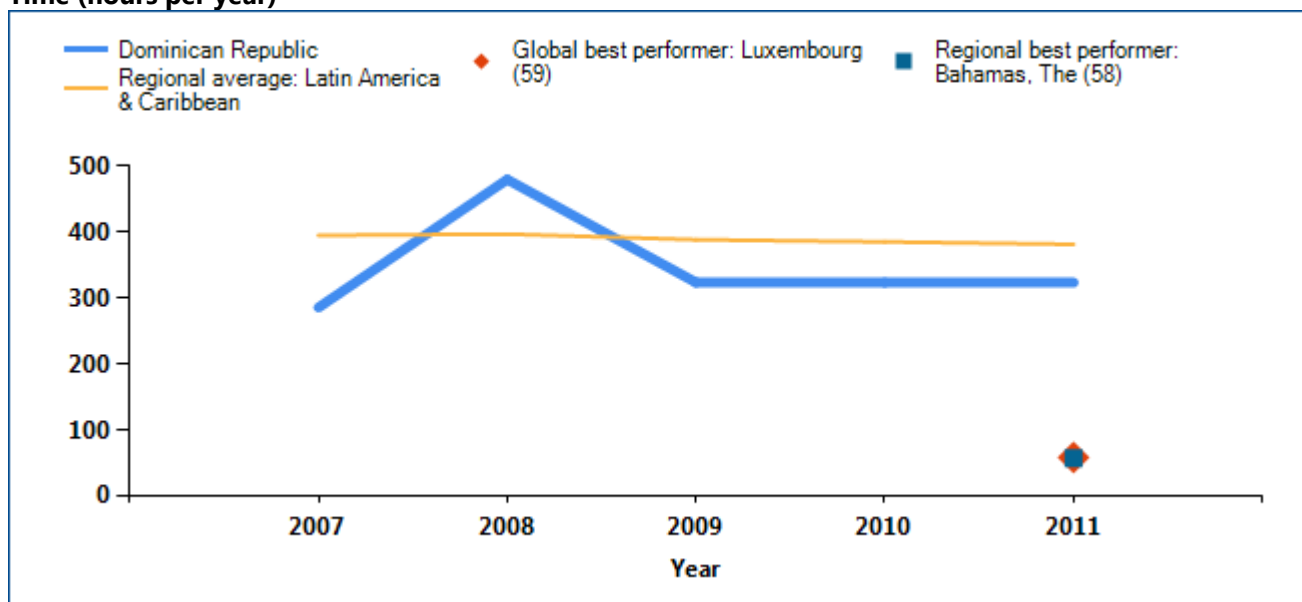
Republic on ways to ease the administrative burden of tax compliance. And changes in regional averages can show where Dominican Republic is keeping up—and where it is falling behind.

Figure 8.2 Has paying taxes become easier over time?

Payments (number per year)

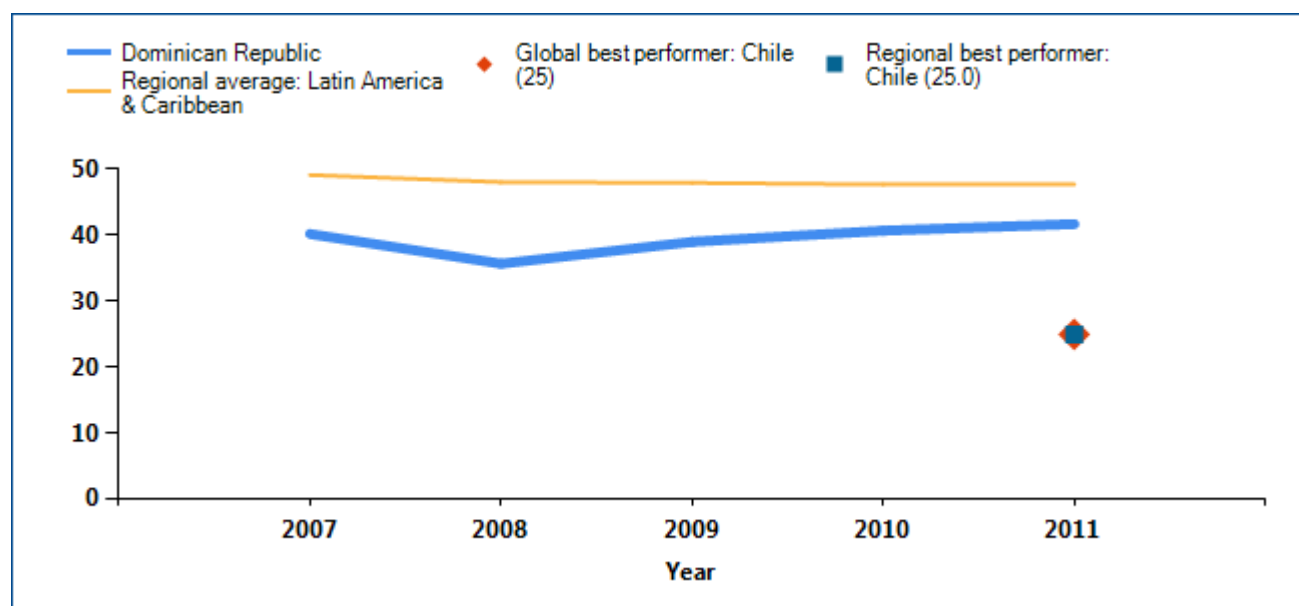


Time (hours per year)



PAYING TAXES

Total tax rate (% of profit)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. The best performer globally on an indicator has implemented the most efficient practices in its tax system but is not necessarily the one with the highest ranking on the indicator. In some cases 2 or more economies share the top regional ranking on an indicator. DB2012 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 32.5% applied in DB2012, the total tax rate is set at 32.5% for the purpose of calculating the ranking on the ease of paying taxes.

Source: Doing Business database.

PAYING TAXES

Economies around the world have made paying taxes faster and easier for businesses—such as by consolidating filings, reducing the frequency of payments or offering electronic filing and payment. Many have lowered tax rates. Changes have brought

concrete results. Some economies simplifying tax payment and reducing rates have seen tax revenue rise. What tax reforms has *Doing Business* recorded in Dominican Republic (table 8.2)?

Table 8.2 How has Dominican Republic made paying taxes easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	No reform.
DB2009	An online system for filing and paying taxes, piloted in 2006, is now fully operational. The Dominican Republic also reduced the corporate income tax rate from 29% to 25%, and abolished several taxes, including the stamp duty.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

PAYING TAXES

What are the details?

The indicators reported here for Dominican Republic are based on a standard set of taxes and contributions that would be paid by the case study company used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). Tax practitioners are asked to review standard financial statements as well as 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 taxes and contributions paid are listed in the summary below, along with the associated number of payments, time and tax rate.

Summary of tax rates and administrative burden in Dominican Republic

Indicator	Dominican Republic	Latin America & Caribbean	OECD high income
Payments (number per year)	9	32	13
Time (hours per year)	324	382	186
Profit tax (%)	21.3	19.9	15.4
Labor tax and contributions (%)	18.6	14.6	24.0
Other taxes (%)	1.8	13.2	3.2
Total tax rate (% profit)	41.7	47.7	42.7

Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Corporate income tax	1	online filing	82	25%	taxable profits	21.3	
Pension contributions	1	online filing	80	7.10%	gross salaries	15.6	
Labor risk insurance contributions	1	online filing	0	1.30%	gross salaries	1.5	
Training tax (INFOTEP)	1	online filing	0	1.00%	gross salaries	1.1	
Tax on electronic transfers	1	online filing	0	0.15%	payments via check or electronic means	1.1	

Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Fuel tax	1		0	DOP 6.3 per gallon	fuel consumption	0.7	
Health insurance contributions	1	online filing	0	7.09%	gross salaries	0.4	
Vehicle tax	1		0	DOP 2200	fixed fee	0	
Value added tax (VAT)	1	online filing	162	16%	value added	0	not included
Totals	9		324			41.7	

Note: DB2012 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 32.5% applied in DB2012, the total tax rate is set at 32.5% for the purpose of calculating the ranking on the ease of paying taxes.

Source: Doing Business database.

TRADING ACROSS BORDERS

In today's globalized world, making trade between economies easier is increasingly important for business. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Research shows that exporters in developing countries gain more from a 10% drop in their trading costs than from a similar reduction in the tariffs applied to their products in global markets.

What do the indicators cover?

Doing Business measures the time and cost (excluding tariffs) associated with exporting and importing a standard shipment of goods by ocean transport, and the number of documents necessary to complete the transaction. The indicators cover procedural requirements such as documentation requirements and procedures at customs and other regulatory agencies as well as at the port. They also cover trade logistics, including the time and cost of inland transport to the largest business city. The ranking on the ease of trading across borders is the simple average of the percentile rankings on its component indicators: documents, time and cost to export and import.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the traded goods.

The business:

- Is of medium size and employs 60 people.
- Is located in the periurban area of the economy's largest business city.
- Is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the economy.

The traded goods:

- Are not hazardous nor do they include military items.

WHAT THE TRADING ACROSS BORDERS INDICATORS MEASURE

Documents required to export and import (number)

- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

Time required to export and import (days)

- Obtaining all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean transport time

Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes

- Do not require refrigeration or any other special environment.
- Do not require any special phytosanitary or environmental safety standards other than accepted international standards.
- Are one of the economy's leading export or import products.
- Are transported in a dry-cargo, 20-foot full container load.

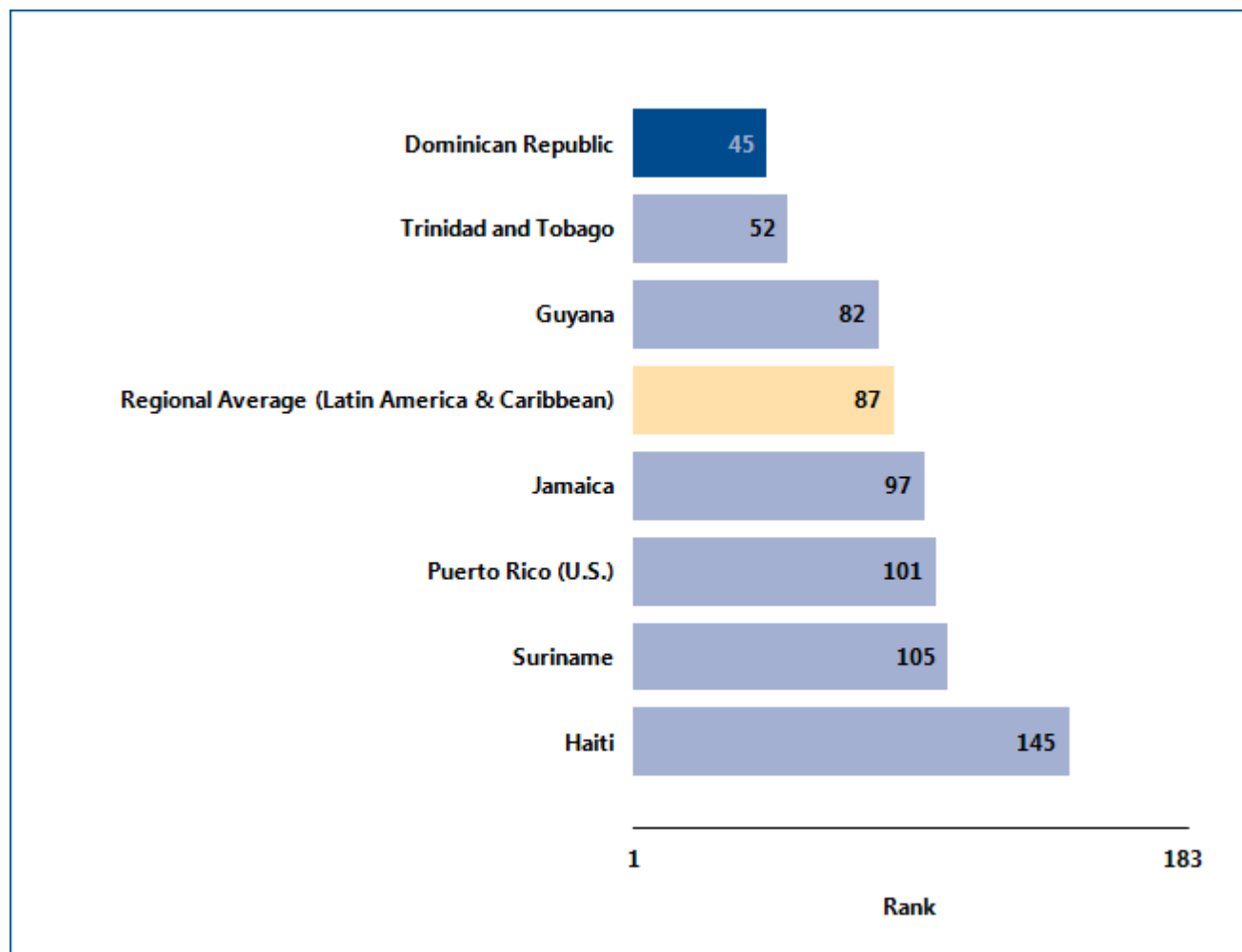
TRADING ACROSS BORDERS

Where does the economy stand today?

What does it take to export or import in Dominican Republic? According to data collected by *Doing Business*, exporting a standard container of goods requires 6 documents, takes 8 days and costs \$1040. Importing the same container of goods requires 7 documents, takes 10 days and costs \$1150 (see the summary of procedures and documents at the end of this chapter for details).

Globally, Dominican Republic stands at 45 in the ranking of 183 economies on the ease of trading across borders (figure 9.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for a business in Dominican Republic to export and import goods.

Figure 9.1 How Dominican Republic and comparator economies rank on the ease of trading across borders



Source: *Doing Business* database.

TRADING ACROSS BORDERS

What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to export or import in Dominican Republic today, data over time show which aspects of

the process have changed—and which have not (table 9.1). That can help identify where the potential for improvement is greatest.

Table 9.1 The ease of trading across borders in Dominican Republic over time
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	39	45
Documents to export (number)	7	7	6	6	6	6	6
Time to export (days)	17	17	12	9	9	9	8
Cost to export (US\$ per container)	770	770	815	916	916	916	1,040
Documents to import (number)	10	10	7	7	7	7	7
Time to import (days)	17	17	13	10	10	10	10
Cost to import (US\$ per container)	990	990	1,015	1,150	1,150	1,150	1,150

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.

Source: *Doing Business* database.

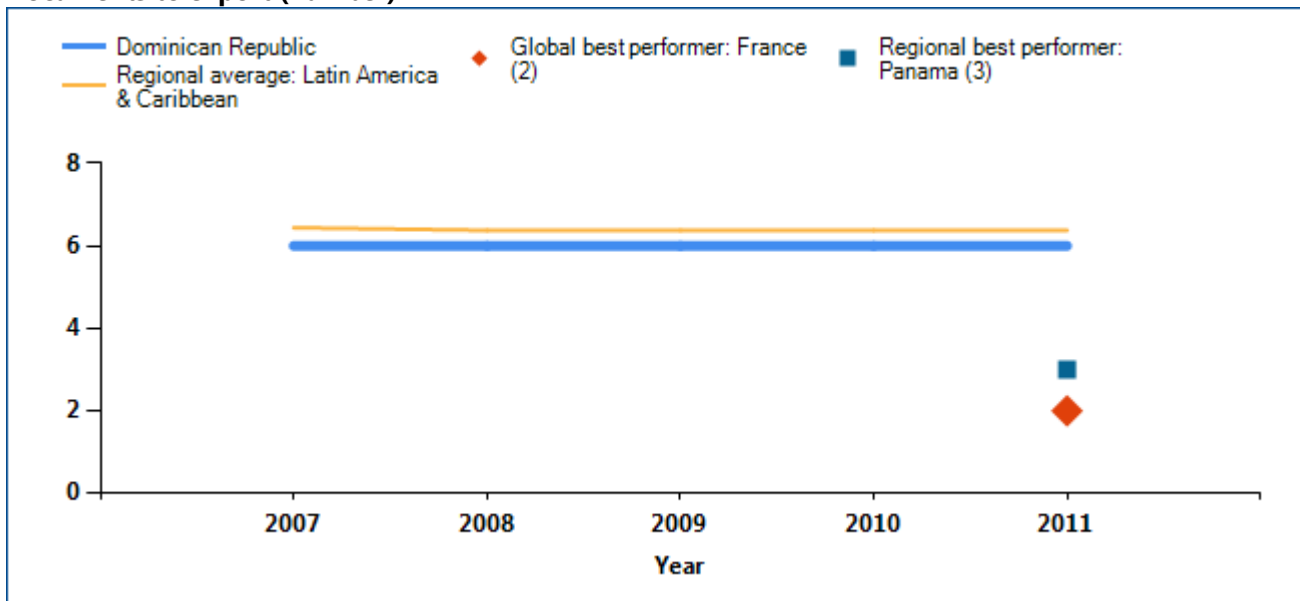
Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the documents, time or cost required to export or import (figure 9.2). These economies may provide a model for Dominican

Republic on ways to improve the ease of trading across borders. And changes in regional averages can show where Dominican Republic is keeping up—and where it is falling behind.

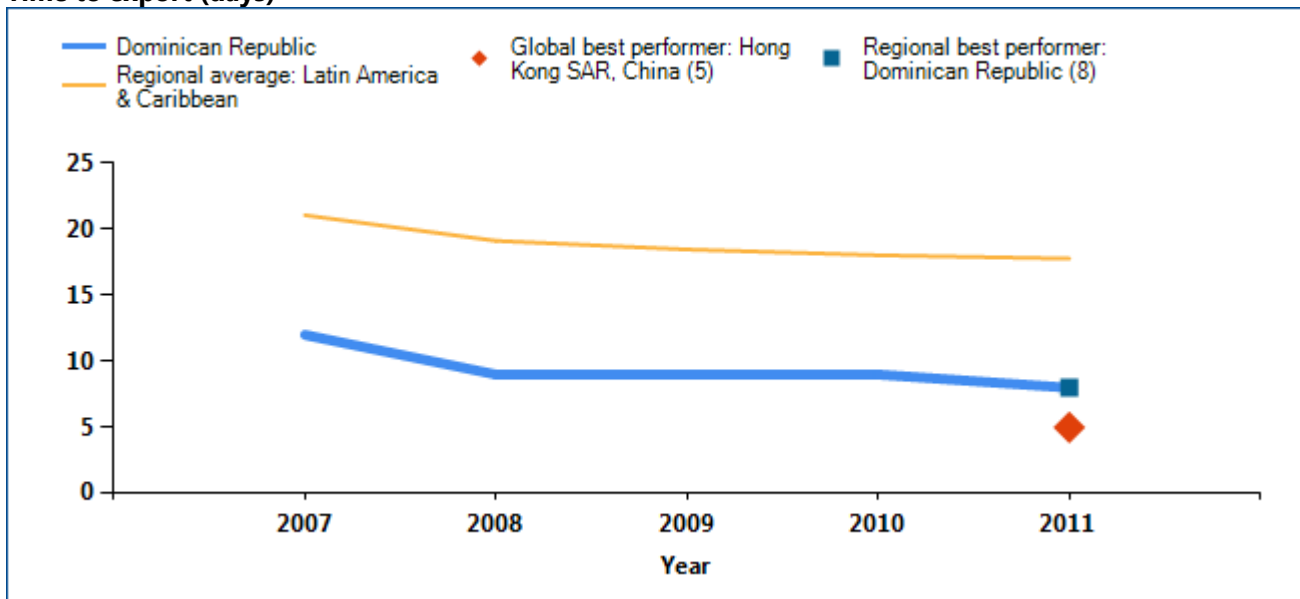
TRADING ACROSS BORDERS

Figure 9.2 Has trading across borders become easier over time?

Documents to export (number)

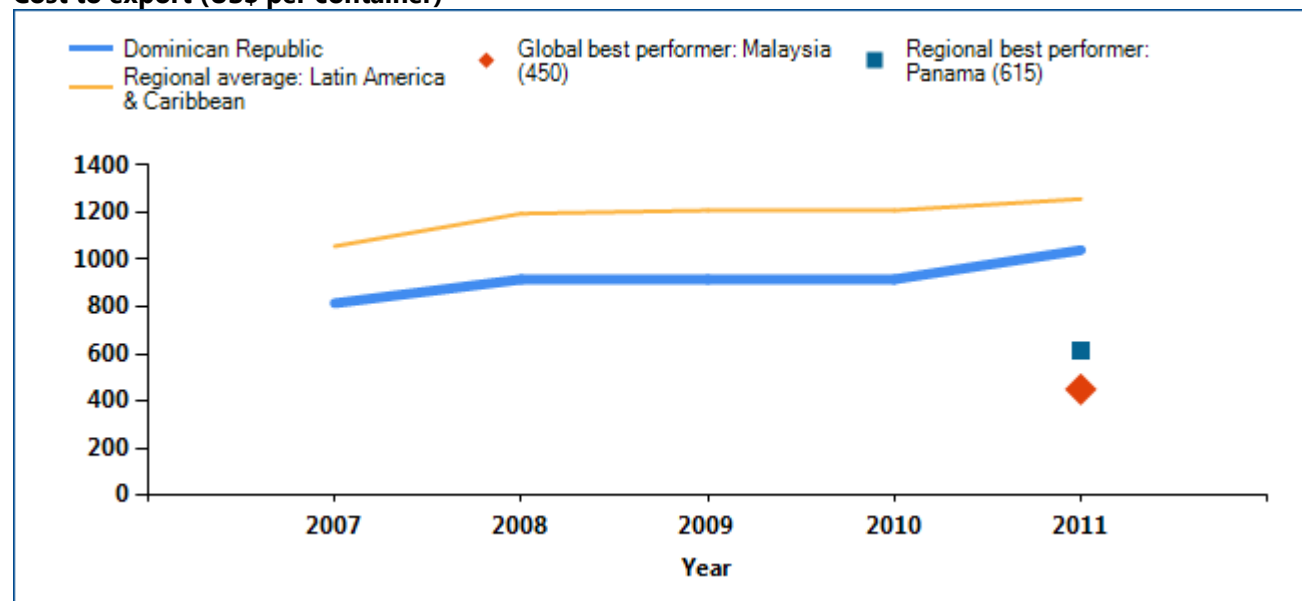


Time to export (days)

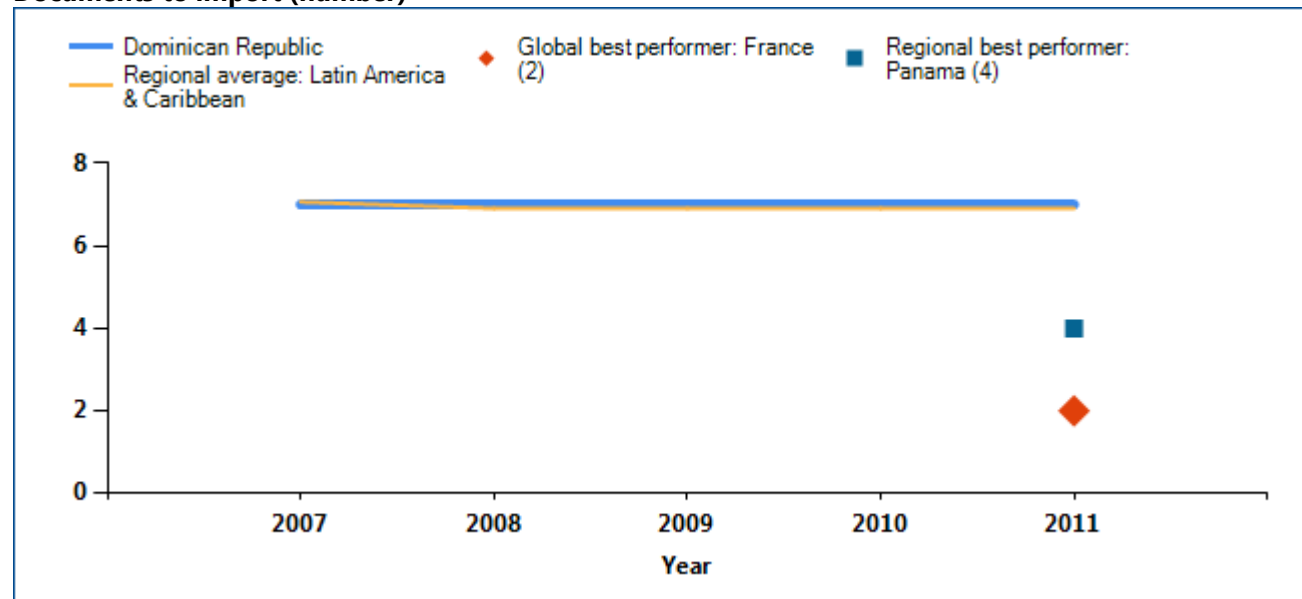


TRADING ACROSS BORDERS

Cost to export (US\$ per container)

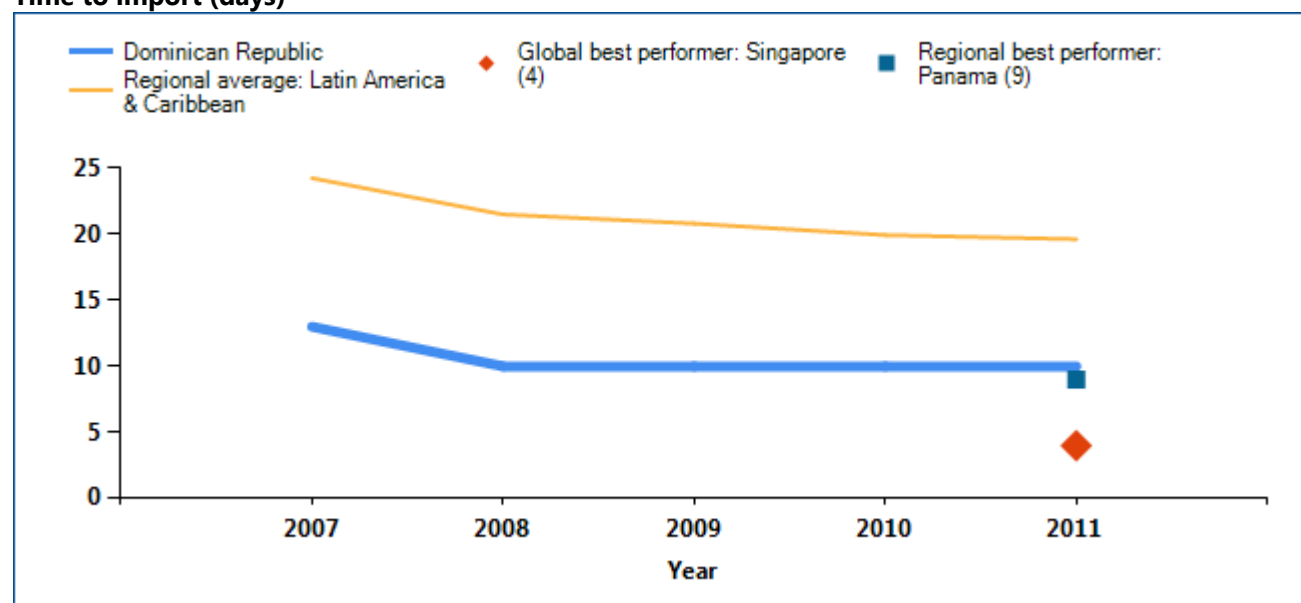


Documents to import (number)

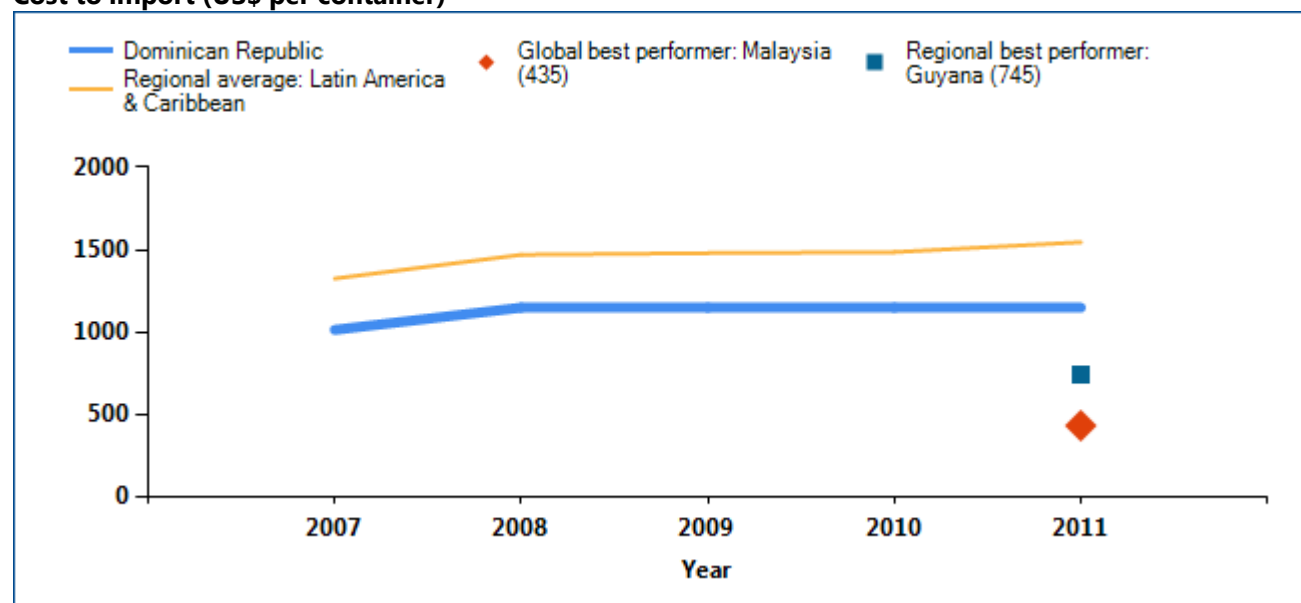


TRADING ACROSS BORDERS

Time to import (days)



Cost to import (US\$ per container)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator.

Source: Doing Business database.

TRADING ACROSS BORDERS

In economies around the world, trading across borders as measured by *Doing Business* has become faster and easier over the years. Governments have introduced tools to facilitate trade—including single windows, risk-based inspections and electronic data interchange

systems. These changes help improve the trading environment and boost firms' international competitiveness. What trade reforms has *Doing Business* recorded in Dominican Republic (table 9.2)?

Table 9.2 How has Dominican Republic made trading across borders easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	No reform.
DB2009	Authorities reduced the time to export by improving the online portal for customs documentation and payment.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

TRADING ACROSS BORDERS

What are the details?

The indicators reported here for Dominican Republic are based on a set of specific procedural requirements for trading a standard shipment of goods by ocean transport (see the section in this chapter on what the indicators cover). Information on the procedures as well as the required documents and the time and cost to complete each procedure is collected from local

freight forwarders, shipping lines, customs brokers, port officials and banks. The procedural requirements, and the associated time and cost, for exporting and importing a standard shipment of goods are listed in the summary below, along with the required documents.

Summary of procedures and documents for trading across borders in Dominican Republic

Indicator	Dominican Republic	Latin America & Caribbean	OECD high income
Documents to export (number)	6	6	4
Time to export (days)	8	18	10
Cost to export (US\$ per container)	1040	1,257	1,032
Documents to import (number)	7	7	5
Time to import (days)	10	20	11
Cost to import (US\$ per container)	1150	1,546	1,085

Procedures to export	Time (days)	Cost (US\$)
Documents preparation	3	215
Customs clearance and technical control	2	125
Ports and terminal handling	1	400
Inland transportation and handling	2	300
Totals	8	1040

Procedures to import	Time (days)	Cost (US\$)
Documents preparation	5	240
Customs clearance and technical control	2	150
Ports and terminal handling	2	460
Inland transportation and handling	1	300
Totals	10	1150

TRADING ACROSS BORDERS

Documents to export
Bill of lading
Certificate of origin
Commercial Invoice
Customs export declaration
Packing List
Pre-shipment inspection clean report of findings

Documents to import
Bill of lading
Cargo release order
Certificate of origin
Commercial invoice
Formulario Declaración Unica Aduanera
Packing list
Terminal handling receipts

ENFORCING CONTRACTS

Well-functioning courts help businesses expand their network and markets. Without effective contract enforcement, people might well do business only with family, friends and others with whom they have established relationships. Where contract enforcement is efficient, firms are more likely to engage with new borrowers or customers, and they have greater access to credit.

What do the indicators cover?

Doing Business measures the efficiency of the judicial system in resolving a commercial dispute before local courts. Following the step-by-step evolution of a standardized case study, it collects data relating to the time, cost and procedural complexity of resolving a commercial lawsuit. The ranking on the ease of enforcing contracts is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

The dispute in the case study involves the breach of a sales contract between 2 domestic businesses. The case study assumes that the court hears an expert on the quality of the goods in dispute. This distinguishes the case from simple debt enforcement. To make the data comparable across economies, *Doing Business* uses several assumptions about the case:

- The seller and buyer are located in the economy's largest business city.
- The buyer orders custom-made goods, then fails to pay.
- The seller sues the buyer before a competent court.
- The value of the claim is 200% of income per capita.
- The seller requests a pretrial attachment to secure the claim.

WHAT THE ENFORCING CONTRACTS INDICATORS MEASURE

Procedures to enforce a contract through the courts (number)

Any interaction between the parties in a commercial dispute, or between them and the judge or court officer

Steps to file and serve the case

Steps for trial and judgment

Steps to enforce the judgment

Time required to complete procedures (calendar days)

Time to file and serve the case

Time for trial and obtaining judgment

Time to enforce the judgment

Cost required to complete procedures (% of claim)

No bribes

Average attorney fees

Court costs, including expert fees

Enforcement costs

- The dispute on the quality of the goods requires an expert opinion.
- The judge decides in favor of the seller; there is no appeal.
- The seller enforces the judgment through a public sale of the buyer's movable assets.

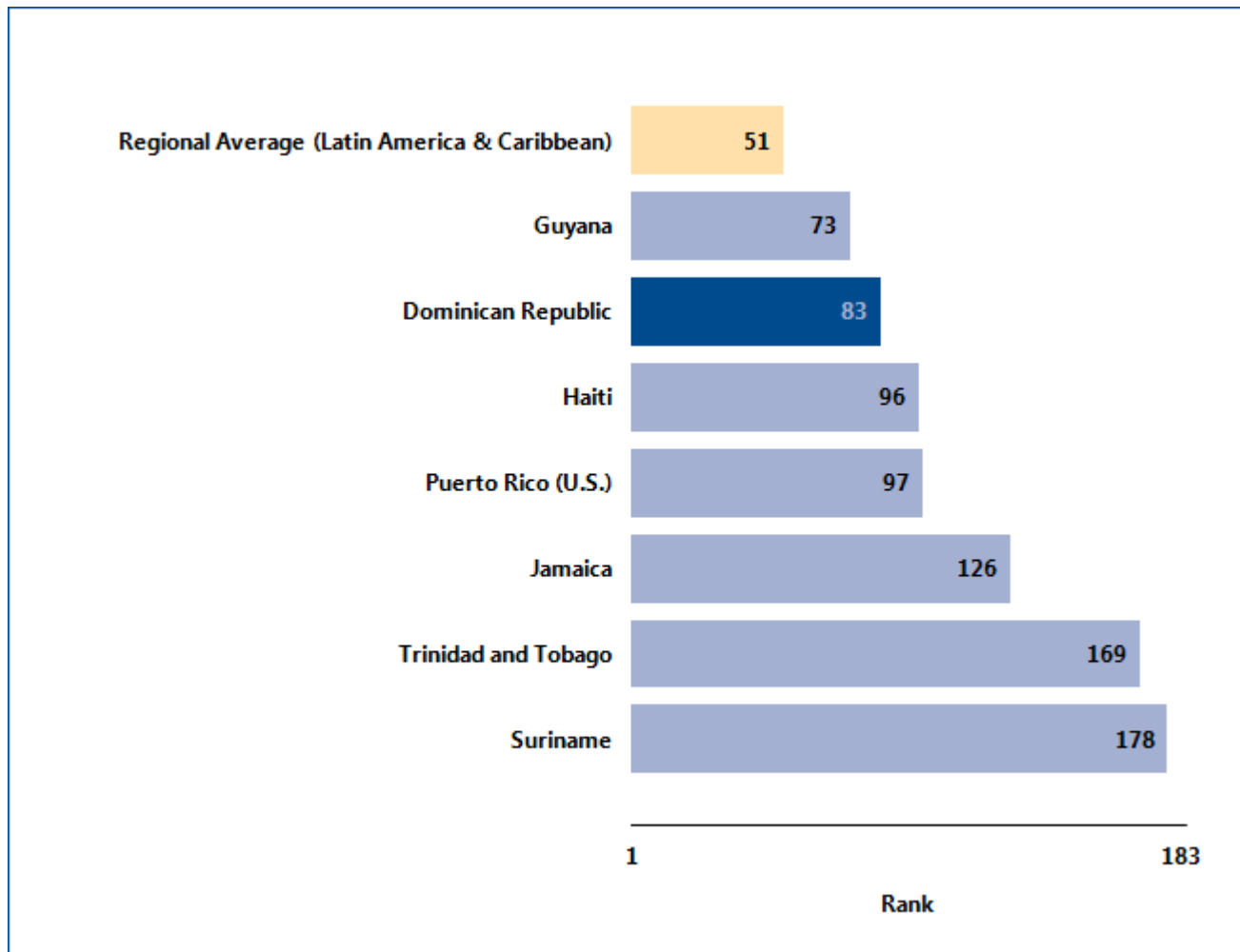
ENFORCING CONTRACTS

Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in Dominican Republic? According to data collected by *Doing Business*, enforcing a contract requires 34 procedures, takes 460 days and costs 40.9% of the value of the claim (see the summary at the end of this chapter for details).

Globally, Dominican Republic stands at 83 in the ranking of 183 economies on the ease of enforcing contracts (figure 10.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of contract enforcement in Dominican Republic.

Figure 10.1 How Dominican Republic and comparator economies rank on the ease of enforcing contracts



Source: *Doing Business* database.

ENFORCING CONTRACTS

What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to enforce a contract in Dominican Republic today, data on the underlying

indicators over time help identify which areas have changed and where the potential for improvement is greatest (table 10.1).

Table 10.1 The ease of enforcing contracts in Dominican Republic over time
By *Doing Business* report year

Indicator	DB2004	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	..	83	83
Time (days)	580	580	580	460	460	460	460	460	460
Cost (% of claim)	40.9	40.9	40.9	40.9	40.9	40.9	40.9	40.9	40.9
Procedures (number)	34	34	34	34	34	34	34	34	34

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.

Source: *Doing Business* database.

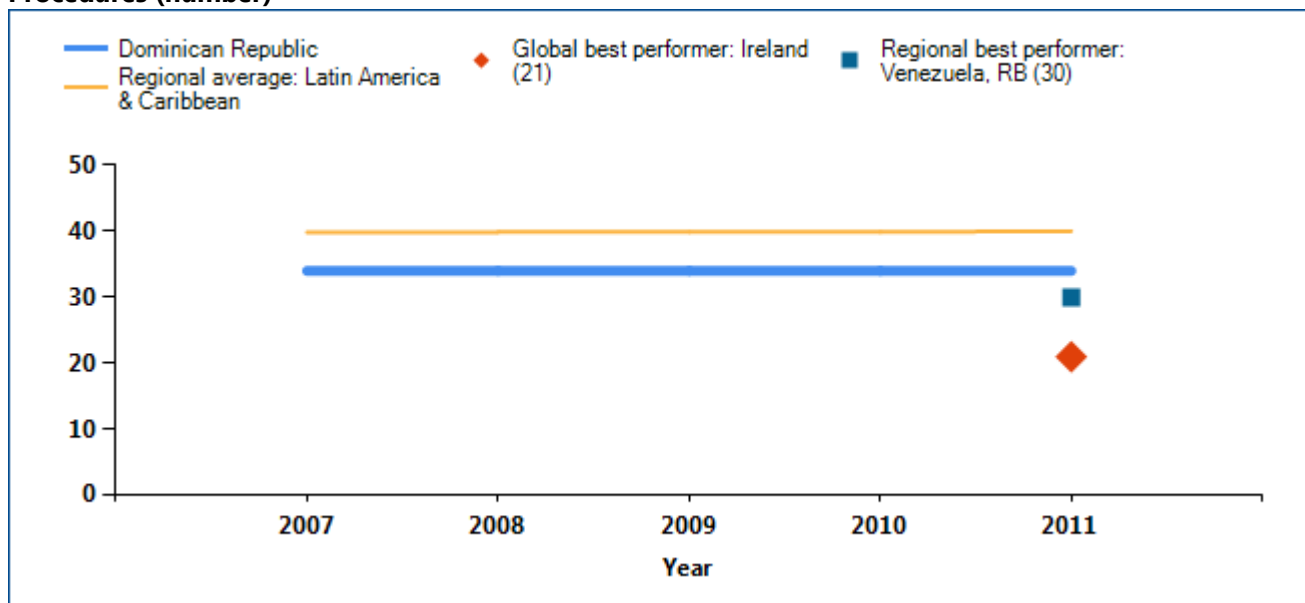
ENFORCING CONTRACTS

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the number of steps, time or cost required to enforce a contract through the courts (figure 10.2). These economies may provide a model

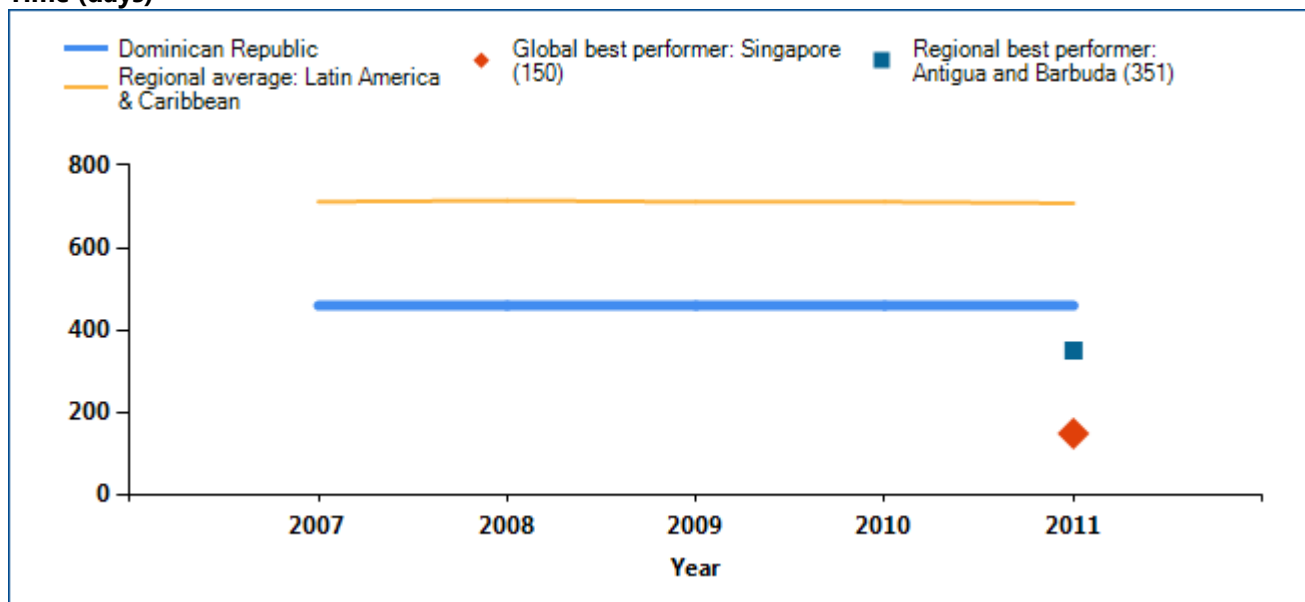
for Dominican Republic on ways to improve the efficiency of contract enforcement. And changes in regional averages can show where Dominican Republic is keeping up—and where it is falling behind.

Figure 10.2 Has enforcing contracts become easier over time?

Procedures (number)

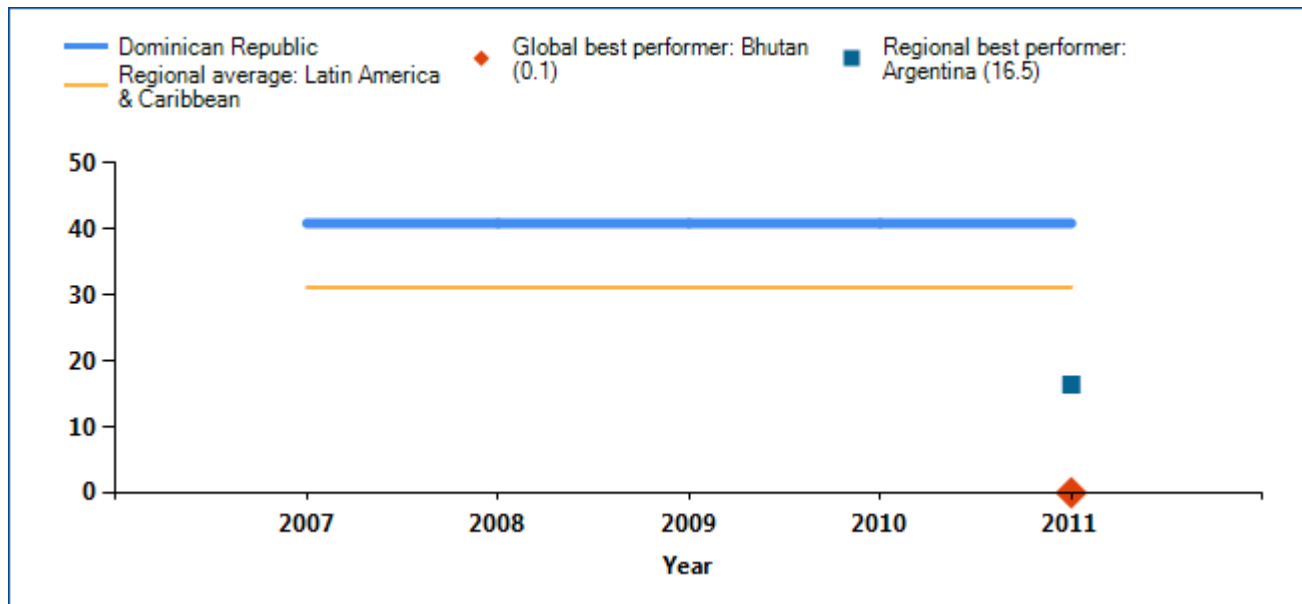


Time (days)



ENFORCING CONTRACTS

Cost (% of claim)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator.

Source: *Doing Business* database.

ENFORCING CONTRACTS

Economies in all regions have improved contract enforcement in recent years. A judiciary can be improved in different ways. Higher-income economies tend to look for ways to enhance efficiency by introducing new technology. Lower-income economies often work on reducing backlogs by introducing

periodic reviews to clear inactive cases from the docket and by making procedures faster. What reforms making it easier (or more difficult) to enforce contracts has *Doing Business* recorded in Dominican Republic (table 10.2)?

Table 10.2 How has Dominican Republic made enforcing contracts easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	No reform.
DB2009	No reform.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

ENFORCING CONTRACTS

What are the details?

The indicators reported here for Dominican Republic are based on a set of specific procedural steps required to resolve a standardized commercial dispute through the courts (see the section in this chapter on what the indicators cover). These procedures, and the time and cost of completing them, are identified 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 economies covered by *Doing Business*, by judges as well). The procedures for resolving a commercial lawsuit, and the associated time and cost, are listed in the summary below.

Summary of procedures for enforcing a contract in Dominican Republic—and the time and cost

Indicator	Dominican Republic	Latin America & Caribbean	OECD high income
Time (days)	460	707.78	518.03
Filing and service	20		
Trial and judgment	320		
Enforcement of judgment	120		
Cost (% of claim)	40.9	31.21	19.71
Attorney cost (% of claim)	25		
Court cost (% of claim)	7.5		
Enforcement Cost (% of claim)	8.4		
Procedures (number)	34	40.03	31.42

Source: *Doing Business* database.

RESOLVING INSOLVENCY

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in the speedy return of businesses to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses and thereby improve growth and sustainability in the economy overall.

What do the indicators cover?

Doing Business studies the time, cost and outcome of insolvency proceedings involving domestic entities. It does not measure insolvency proceedings of individuals and financial institutions. The data are derived from survey responses by local insolvency practitioners and verified through a study of laws and regulations as well as public information on bankruptcy systems.

The ranking on the ease of resolving insolvency is based on the recovery rate, which is recorded as cents on the dollar recouped by creditors through reorganization, liquidation or debt enforcement (foreclosure) proceedings. The recovery rate is a function of time, cost and other factors, such as lending rate and the likelihood of the company continuing to operate.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the case. It assumes that the company:

- Is a domestically owned, limited liability company operating a hotel.
- Operates in the economy's largest business city.

WHAT THE RESOLVING INSOLVENCY INDICATORS MEASURE

Time required to recover debt (years)

Measured in calendar years

Appeals and requests for extension are included

Cost required to recover debt (% of debtor's estate)

Measured as percentage of estate value

Court fees

Fees of insolvency administrators

Lawyers' fees

Assessors' and auctioneers' fees

Other related fees

Recovery rate for creditors (cents on the dollar)

Measures the cents on the dollar recovered by creditors

Present value of debt recovered

Official costs of the insolvency proceedings are deducted

Depreciation of furniture is taken into account

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

- Has 201 employees, 1 main secured creditor and 50 unsecured creditors.
- Has a higher value as a going concern—and the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation.

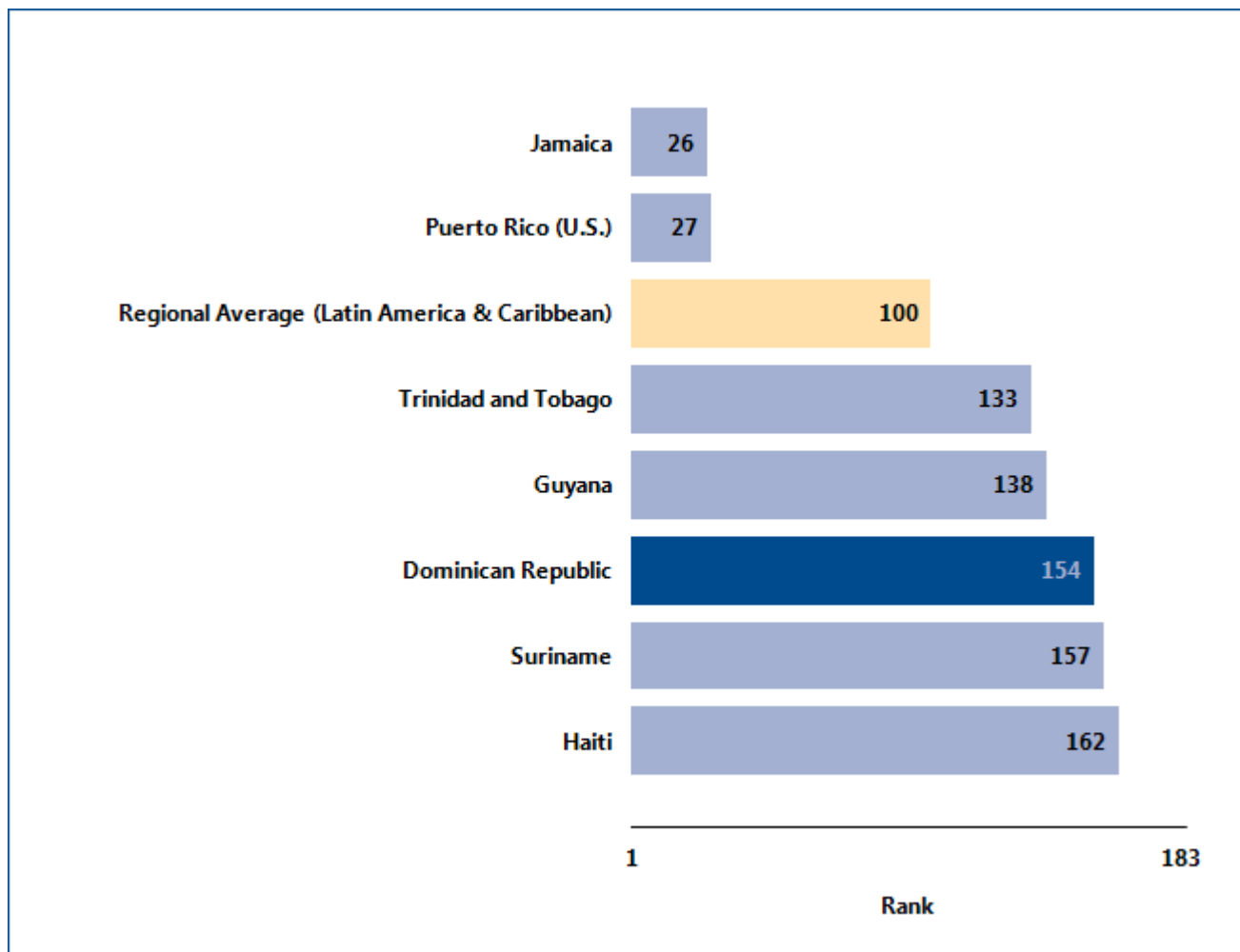
RESOLVING INSOLVENCY

Where does the economy stand today?

Speed, low costs and continuation of viable businesses characterize the top-performing economies. How efficient are insolvency proceedings in Dominican Republic? According to data collected by *Doing Business*, resolving insolvency takes 3.5 years on average and costs 38% of the debtor's estate. The average recovery rate is 9.5 cents on the dollar.

Globally, Dominican Republic stands at 154 in the ranking of 183 economies on the ease of resolving insolvency (figure 11.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of insolvency proceedings in Dominican Republic.

Figure 11.1 How Dominican Republic and comparator economies rank on the ease of resolving insolvency



Source: *Doing Business* database.

RESOLVING INSOLVENCY

What are the changes over time?

While the most recent *Doing Business* data reflect the efficiency of insolvency proceedings in Dominican Republic today, data over time show where the efficiency has changed—and where it has not (table 11.1). That can help identify where the potential for improvement is greatest.

Table 11.1 The ease of resolving insolvency in Dominican Republic over time
By *Doing Business* report year

Indicator	DB2004	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	..	153	154
Time (years)	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Cost (% of estate)	38	38	38	38	38	38	38	38	38
Recovery rate (cents on the dollar)	5.9	5.6	5.4	7.4	8.4	8.9	8.9	9.1	9.5

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology. "No practice" indicates that in each of the previous 5 years the economy had no cases involving a judicial reorganization, judicial liquidation or debt enforcement procedure (foreclosure). This means that creditors are unlikely to recover their money through a formal legal process (in or out of court). The recovery rate for "no practice" economies is 0.

Source: *Doing Business* database.

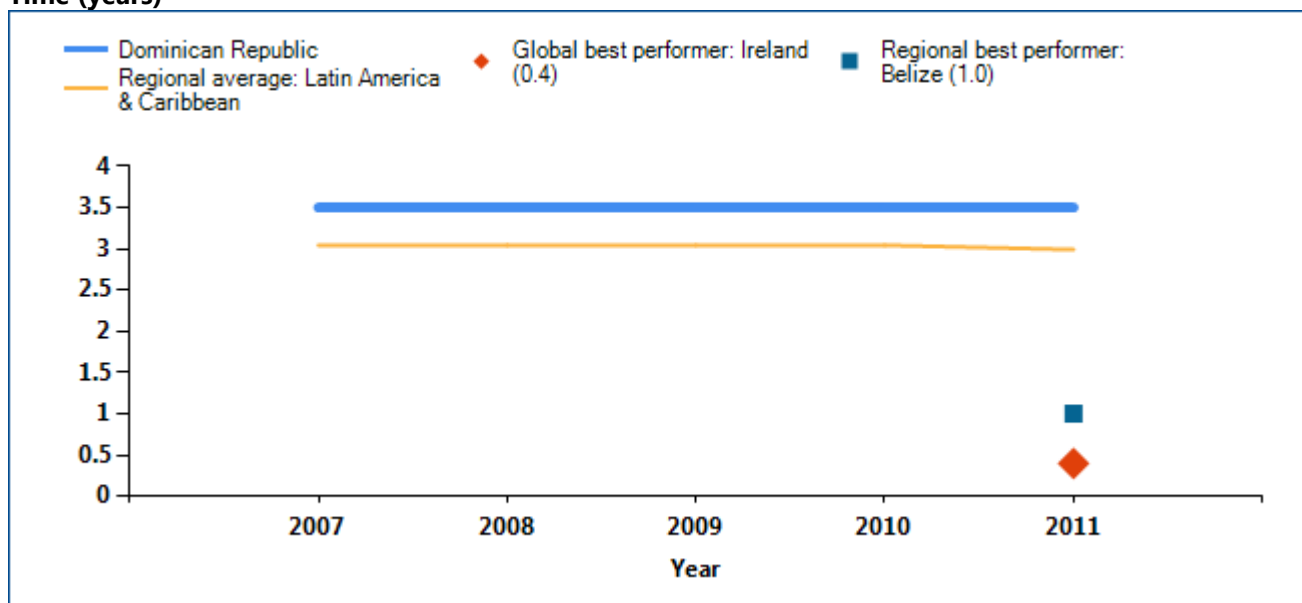
RESOLVING INSOLVENCY

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the time or cost of insolvency proceedings or on the recovery rate (figure 11.2). These economies may provide a model for Dominican

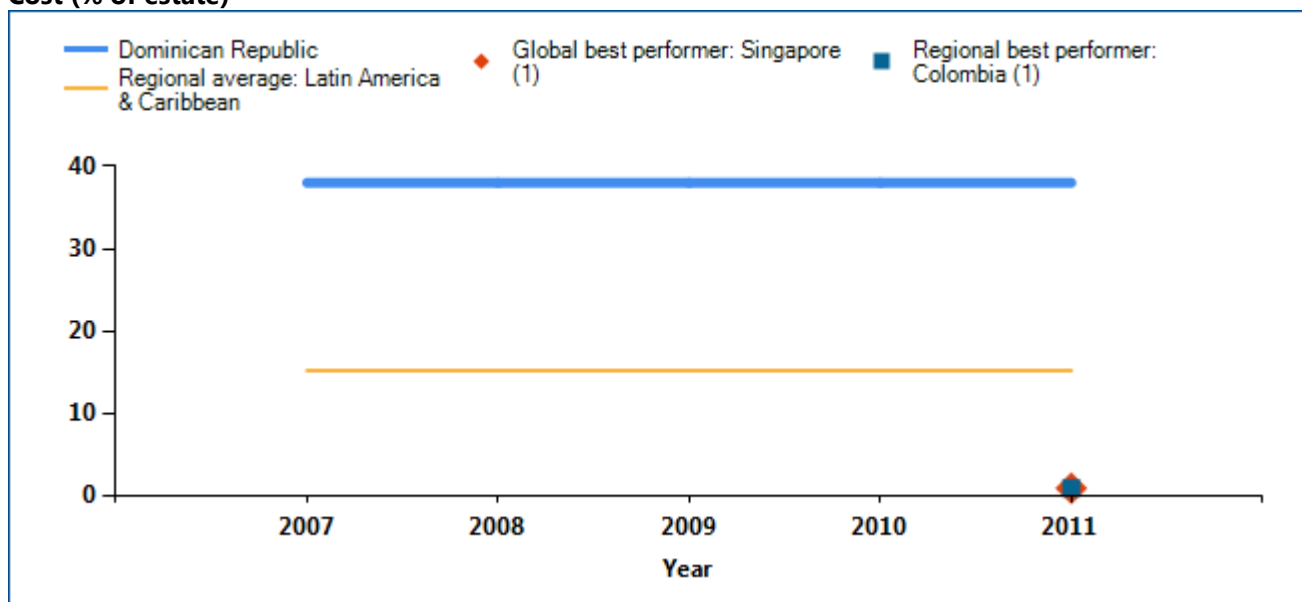
Republic on ways to improve the efficiency of insolvency proceedings. And changes in regional averages can show where Dominican Republic is keeping up—and where it is falling behind.

Figure 11.2 Has resolving insolvency become easier over time?

Time (years)

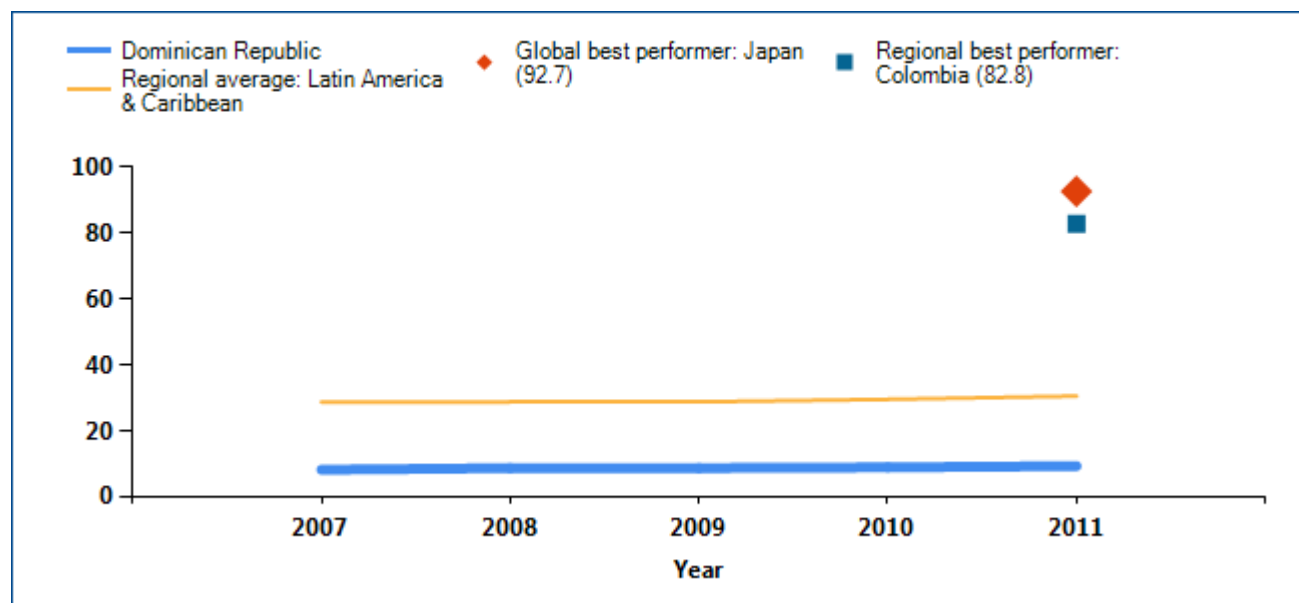


Cost (% of estate)



RESOLVING INSOLVENCY

Recovery rate (cents on the dollar)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator. In cases where no data are displayed above for the economy, this indicates that the economy has received a “no practice” mark; see the data notes for details.

Source: *Doing Business* database.

RESOLVING INSOLVENCY

A well-balanced bankruptcy system distinguishes companies that are financially distressed but economically viable from inefficient companies that should be liquidated. But in some insolvency systems even viable businesses are liquidated. This is starting to

change. Many recent reforms of bankruptcy laws have been aimed at helping more of the viable businesses survive. What insolvency reforms has *Doing Business* recorded in Dominican Republic (table 11.2)?

Table 11.2 How has Dominican Republic made resolving insolvency easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	No reform.
DB2009	No reform.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

DATA NOTES

The indicators presented and analyzed in *Doing Business* measure business regulation and the protection of property rights—and their effect on businesses, especially small and medium-size domestic firms. First, the indicators document the complexity of regulation, such as the number of procedures to start a business or to register and transfer commercial property. Second, they gauge the time and cost of achieving a regulatory goal or complying with regulation, such as the time and cost to enforce a contract, go through bankruptcy or trade across borders. Third, they measure the extent of legal protections of property, for example, the protections of investors against looting by company directors or the range of assets that can be used as collateral according to secured transactions laws. Fourth, a set of indicators documents the tax burden on businesses. Finally, a set of data covers different aspects of employment regulation.

The data for all sets of indicators in *Doing Business 2012* are for June 2011.³

Methodology

The *Doing Business* data are collected in a standardized way. To start, the *Doing Business* team, with academic advisers, designs a questionnaire. The questionnaire uses a simple business case to ensure comparability across economies and over time—with assumptions about the legal form of the business, its size, its location and the nature of its operations. Questionnaires are administered through more than 9,028 local experts, including lawyers, business consultants, accountants, freight forwarders, government officials and other professionals routinely administering or advising on legal and regulatory requirements. These experts have several rounds of interaction with the *Doing Business* team, involving conference calls, written correspondence and visits by the team. For *Doing Business 2012* team members visited 40 economies to verify data and recruit respondents. The data from questionnaires are subjected to numerous rounds of verification, leading to revisions or expansions of the information collected.

³ The data for paying taxes refer to January – December 2010.

ECONOMY CHARACTERISTICS

Gross national income (GNI) per capita

Doing Business 2012 reports 2010 income per capita as published in the World Bank's *World Development Indicators 2011*. Income is calculated using the Atlas method (current US\$). For cost indicators expressed as a percentage of income per capita, 2010 GNI in U.S. dollars is used as the denominator. Data were not available from the World Bank for Afghanistan; Australia; The Bahamas; Bahrain; Brunei Darussalam; Canada; Cyprus; Djibouti; the Islamic Republic of Iran; Kuwait; New Zealand; Oman; Puerto Rico (territory of the United States); Qatar; Saudi Arabia; Suriname; Taiwan, China; the United Arab Emirates; West Bank and Gaza; and the Republic of Yemen. In these cases GDP or GNP per capita data and growth rates from the International Monetary Fund's World Economic Outlook database and the Economist Intelligence Unit were used.

Region and income group

Doing Business uses the World Bank regional and income group classifications, available at <http://www.worldbank.org/data/countryclass>. The World Bank does not assign regional classifications to high-income economies. For the purpose of the *Doing Business* report, high-income OECD economies are assigned the "regional" classification *OECD high income*. Figures and tables presenting regional averages include economies from all income groups (low, lower middle, upper middle and high income).

Population

Doing Business 2012 reports midyear 2010 population statistics as published in *World Development Indicators 2011*.

The *Doing Business* methodology offers several advantages. It is transparent, using factual information about what laws and regulations say and allowing multiple interactions with local respondents to clarify potential misinterpretations of questions. Having representative samples of respondents is not an issue;

Doing Business is not a statistical survey, and the texts of the relevant laws and regulations are collected and answers checked for accuracy. The methodology is inexpensive and easily replicable, so data can be collected in a large sample of economies. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. Finally, the data not only highlight the extent of specific regulatory obstacles to business but also identify their source and point to what might be reformed.

Information on the methodology for each *Doing Business* topic can be found on the *Doing Business* website at <http://www.doingbusiness.org/methodology/>.

Limits to what is measured

The *Doing Business* methodology has 5 limitations that should be considered when interpreting the data. First, the collected data refer to businesses in the economy's largest business city and may not be representative of regulation in other parts of the economy. To address this limitation, subnational *Doing Business* indicators were created (see the section on subnational *Doing Business* indicators). Second, the data often focus on a specific business form—generally a limited liability company (or its legal equivalent) of a specified size—and may not be representative of the regulation on other businesses, for example, sole proprietorships. Third, transactions described in a standardized case scenario refer to a specific set of issues and may not represent the full set of issues a business encounters. Fourth, the measures of time involve an element of judgment by the expert respondents. When sources indicate different estimates, the time indicators reported in *Doing Business* represent the median values of several responses given under the assumptions of the standardized case.

Finally, the methodology assumes that a business has full information on what is required and does not waste time when completing procedures. In practice, completing a procedure may take longer if the business lacks information or is unable to follow up promptly. Alternatively, the business may choose to disregard some burdensome procedures. For both reasons the time delays reported in *Doing Business 2012* would differ from the recollection of

entrepreneurs reported in the World Bank Enterprise Surveys or other perception surveys.

Subnational *Doing Business* indicators

This year *Doing Business* published a subnational study for the Philippines and a regional report for Southeast Europe covering 7 economies (Albania, Bosnia and Herzegovina, Kosovo, the former Yugoslav Republic of Macedonia, Moldova, Montenegro and Serbia) and 22 cities. It also published a city profile for Juba, in the Republic of South Sudan.

The subnational studies point to differences in business regulation and its implementation—as well as in the pace of regulatory reform—across cities in the same economy. For several economies subnational studies are now periodically updated to measure change over time or to expand geographic coverage to additional cities. This year that is the case for the subnational studies in the Philippines; the regional report in Southeast Europe; the ongoing studies in Italy, Kenya and the United Arab Emirates; and the projects implemented jointly with local think tanks in Indonesia, Mexico and the Russian Federation.

Besides the subnational *Doing Business* indicators, *Doing Business* conducted a pilot study this year on the second largest city in 3 large economies to assess within-country variations. The study collected data for Rio de Janeiro in addition to São Paulo in Brazil, for Beijing in addition to Shanghai in China and for St. Petersburg in addition to Moscow in Russia.

Changes in what is measured

The methodology for 3 of the *Doing Business* topics was updated this year—getting credit, dealing with construction permits and paying taxes.

First, for getting credit, the scoring of one of the 10 components of the strength of legal rights index was amended to recognize additional protections of secured creditors and borrowers. Previously the highest score of 1 was assigned if secured creditors were not subject to an automatic stay or moratorium on enforcement procedures when a debtor entered a court-supervised reorganization procedure. Now the highest score of 1 is also assigned if the law provides secured creditors with grounds for relief from an

automatic stay or moratorium (for example, if the movable property is in danger) or sets a time limit for the automatic stay.

Second, because the ease of doing business index now includes the getting electricity indicators, procedures, time and cost related to obtaining an electricity connection were removed from the dealing with construction permits indicators.

Third, a threshold has been introduced for the total tax rate for the purpose of calculating the ranking on the ease of paying taxes. All economies with a total tax rate below the threshold (which will be calculated and adjusted on a yearly basis) will now receive the same ranking on the total tax rate indicator. The threshold is not based on any underlying theory. Instead, it is meant to emphasize the purpose of the indicator: to highlight economies where the tax burden on business is high relative to the tax burden in other economies. Giving the same ranking to all economies whose total tax rate is below the threshold avoids awarding economies in the scoring for having an unusually low total tax rate, often for reasons unrelated to government policies toward enterprises. For example, economies that are very small or that are rich in natural resources do not need to levy broad-based taxes.

Data challenges and revisions

Most laws and regulations underlying the *Doing Business* data are available on the *Doing Business* website at <http://www.doingbusiness.org>. All the sample questionnaires and the details underlying the indicators are also published on the website. Questions on the methodology and challenges to data can be submitted through the website's "Ask a Question" function at <http://www.doingbusiness.org>.

Ease of doing business and distance to frontier

This year's report presents results for 2 aggregate measures: the aggregate ranking on the ease of doing business and a new measure, the "distance to frontier." While the ease of doing business ranking compares economies with one another at a point in time, the distance to frontier measure shows how much the

regulatory environment for local entrepreneurs in each economy has changed over time.

Ease of doing business

The ease of doing business index ranks economies from 1 to 183. For each economy the ranking is calculated as the simple average of the percentile rankings on each of the 10 topics included in the index in *Doing Business 2012*: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and, new this year, getting electricity. The employing workers indicators are not included in this year's aggregate ease of doing business ranking. In addition to this year's ranking, *Doing Business* presents a comparable ranking for the previous year, adjusted for any changes in methodology as well as additions of economies or topics.⁴

Construction of the ease of doing business index

Here is one example of how the ease of doing business index is constructed. In the Republic of Korea it takes 5 procedures, 7 days and 14.6% of annual income per capita in fees to open a business. There is no minimum capital required. On these 4 indicators Korea ranks in the 18th, 14th, 53rd and 0 percentiles. So on average Korea ranks in the 21st percentile on the ease of starting a business. It ranks in the 12th percentile on getting credit, 25th percentile on paying taxes, 8th percentile on enforcing contracts, 7th percentile on resolving insolvency and so on. Higher rankings indicate simpler regulation and stronger protection of property rights. The simple average of Korea's percentile rankings on all topics is 21st. When all economies are ordered by their average percentile rankings, Korea stands at 8 in the aggregate ranking on the ease of doing business.

More complex aggregation methods—such as principal components and unobserved components—

⁴ In case of revisions to the methodology or corrections to the underlying data, the data are back-calculated to provide a comparable time series since the year the relevant economy or topic was first included in the data set. The time series is available on the *Doing Business* website (<http://www.doingbusiness.org>). The *Doing Business* report publishes yearly rankings for the year of publication as well as the previous year to shed light on year-to-year developments. Six topics and more than 50 economies have been added since the inception of the project. Earlier rankings on the ease of doing business are therefore not comparable.

yield a ranking nearly identical to the simple average used by *Doing Business*.⁵ Thus, *Doing Business* uses the simplest method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components.⁶

If an economy has no laws or regulations covering a specific area—for example, insolvency—it receives a “no practice” mark. Similarly, an economy receives a “no practice” or “not possible” mark if regulation exists but is never used in practice or if a competing regulation prohibits such practice. Either way, a “no practice” mark puts the economy at the bottom of the ranking on the relevant indicator.

The ease of doing business index is limited in scope. It does not account for an economy’s proximity to large markets, the quality of its infrastructure services (other than services related to trading across borders and getting electricity), the strength of its financial system, the security of property from theft and looting, its macroeconomic conditions or the strength of underlying institutions.

Variability of economies’ rankings across topics

Each indicator set measures a different aspect of the business regulatory environment. The rankings of an economy can vary, sometimes significantly, across indicator sets. The average correlation coefficient between the 10 indicator sets included in the aggregate ranking is 0.36, and the coefficients between any 2 sets of indicators range from 0.17 (between protecting investors and getting electricity) to 0.57 (between starting a business and protecting investors). These correlations suggest that economies rarely score universally well or universally badly on the indicators.

⁵ See Simeon Djankov, Darshini Manraj, Caralee McLiesh and Rita Ramalho, “*Doing Business* Indicators: Why Aggregate, and How to Do It” (World Bank, Washington, DC, 2005). Principal components and unobserved components methods yield a ranking nearly identical to that from the simple average method because both these methods assign roughly equal weights to the topics, since the pairwise correlations among indicators do not differ much. An alternative to the simple average method is to give different weights to the topics, depending on which are considered of more or less importance in the context of a specific economy.

⁶ A technical note on the different aggregation and weighting methods is available on the *Doing Business* website (<http://www.doingbusiness.org>).

Consider the example of Canada. It stands at 12 in the aggregate ranking on the ease of doing business. Its ranking is 3 on both starting a business and resolving insolvency, and 5 on protecting investors. But its ranking is only 59 on enforcing contracts, 42 on trading across borders and 156 on getting electricity.

Variation in performance across the indicator sets is not at all unusual. It reflects differences in the degree of priority that government authorities give to particular areas of business regulation reform and the ability of different government agencies to deliver tangible results in their area of responsibility.

Economies that improved the most across 3 or more Doing Business topics in 2010/11

Doing Business 2012 uses a simple method to calculate which economies improved the most in the ease of doing business. First, it selects the economies that in 2010/11 implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year’s ease of doing business ranking.⁷ Thirty economies meet this criterion: Armenia, Burkina Faso, Burundi, Cape Verde, the Central African Republic, Chile, Colombia, the Democratic Republic of Congo, Côte d’Ivoire, The Gambia, Georgia, Korea, Latvia, Liberia, FYR Macedonia, Mexico, Moldova, Montenegro, Morocco, Nicaragua, Oman, Peru, Russia, São Tomé and Príncipe, Senegal, Sierra Leone, Slovenia, the Solomon Islands, South Africa and Ukraine. Second, *Doing Business* ranks these economies on the increase in their ranking on the ease of doing business from the previous year using comparable rankings.

Selecting the economies that implemented regulatory reforms in at least 3 topics and improved the most in the aggregate ranking is intended to highlight economies with ongoing, broad-based reform programs.

Distance to frontier measure

This year’s report introduces a new measure to illustrate how the regulatory environment for local businesses in each economy has changed over time. The distance to frontier measure illustrates the distance of an economy to the “frontier” and shows

⁷ *Doing Business* reforms making it more difficult to do business are subtracted from the total number of those making it easier to do business.

the extent to which the economy has closed this gap over time. The frontier is a score derived from the most efficient practice or highest score achieved on each of the component indicators in 9 *Doing Business* indicator sets (excluding the employing workers and getting electricity indicators) by any economy since 2005. In starting a business, for example, New Zealand has achieved the highest performance on the time (1 day), Canada and New Zealand on the number of procedures required (1), Denmark and Slovenia on the cost (0% of income per capita) and Australia on the paid-in minimum capital requirement (0% of income per capita).

Calculating the distance to frontier for each economy involves 2 main steps. First, individual indicator scores are normalized to a common unit. To do so, each of the 32 component indicators y is rescaled to $(y - \min)/(\max - \min)$, with the minimum value (\min) representing the frontier—the highest performance on that indicator across all economies since 2005. Second, for each economy the scores obtained for individual indicators are aggregated through simple averaging into one distance to frontier score. An economy's distance to the frontier is indicated on a scale from 0 to 100, where 0 represents the frontier and 100 the lowest performance.

The difference between an economy's distance to frontier score in 2005 and its score in 2011 illustrates the extent to which the economy has closed the gap to the frontier over time.

The maximum (\max) and minimum (\min) observed values are computed for the 174 economies included in the *Doing Business* sample since 2005 and for all years (from 2005 to 2011). The year 2005 was chosen as the baseline for the economy sample because it was the first year in which data were available for the majority of economies (a total of 174) and for all 9 indicator sets included in the measure. To mitigate the effects of extreme outliers in the distributions of the rescaled data (very few economies need 694 days to complete the procedures to start a business, but many need 9 days), the maximum (\max) is defined as the 95th percentile of the pooled data for all economies and all years for each indicator.

Take Colombia, which has a score of 0.21 on the distance to frontier measure for 2011. This score indicates that the economy is 21 percentage points away from the frontier constructed from the best performances across all economies and all years. Colombia was further from the frontier in 2005, with a score of 0.43. The difference between the scores shows an improvement over time.

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