



## Economy Profile: **Nicaragua**

Doing business in a  
**more transparent world**

COMPARING REGULATION FOR DOMESTIC FIRMS IN 183 ECONOMIES

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The World Bank  
1818 H Street NW  
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Telephone 202-473-1000  
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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 Nicaragua. 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).<sup>1</sup>

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:** Lower middle income

**Population:** 5,822,265

**GNI per capita (US\$):** 1,080.00

**DB2012 rank:** 118

**DB2011 rank:** 122

**Change in rank:** 4

*Note:* See the data notes for sources and definitions.

<sup>1</sup> 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



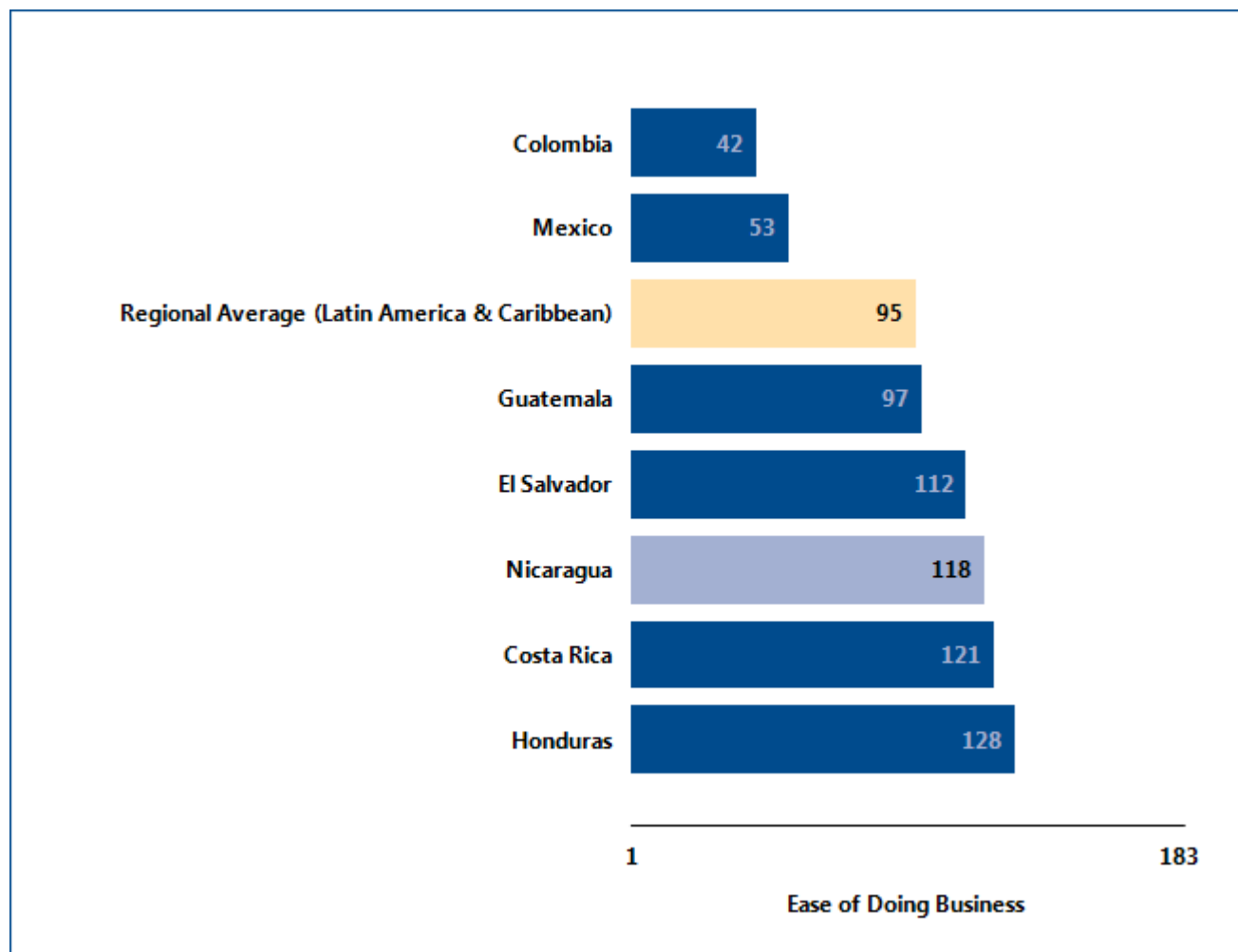
Source: *Doing Business* database.

## 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).

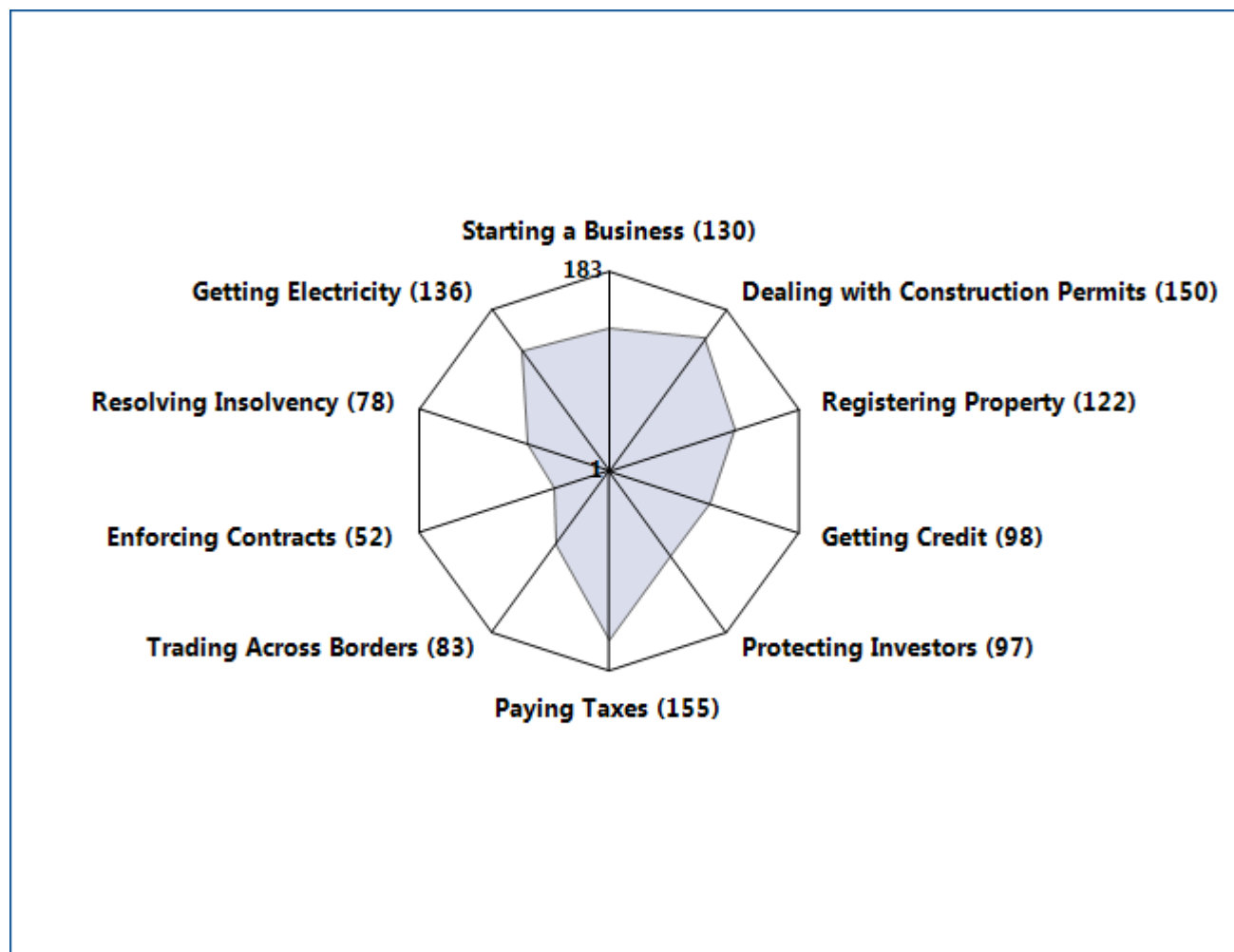
Figure 1.2 How Nicaragua and comparator economies rank on the ease of doing business



Source: Doing Business database.

## THE BUSINESS ENVIRONMENT

Figure 1.3 How Nicaragua 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*.

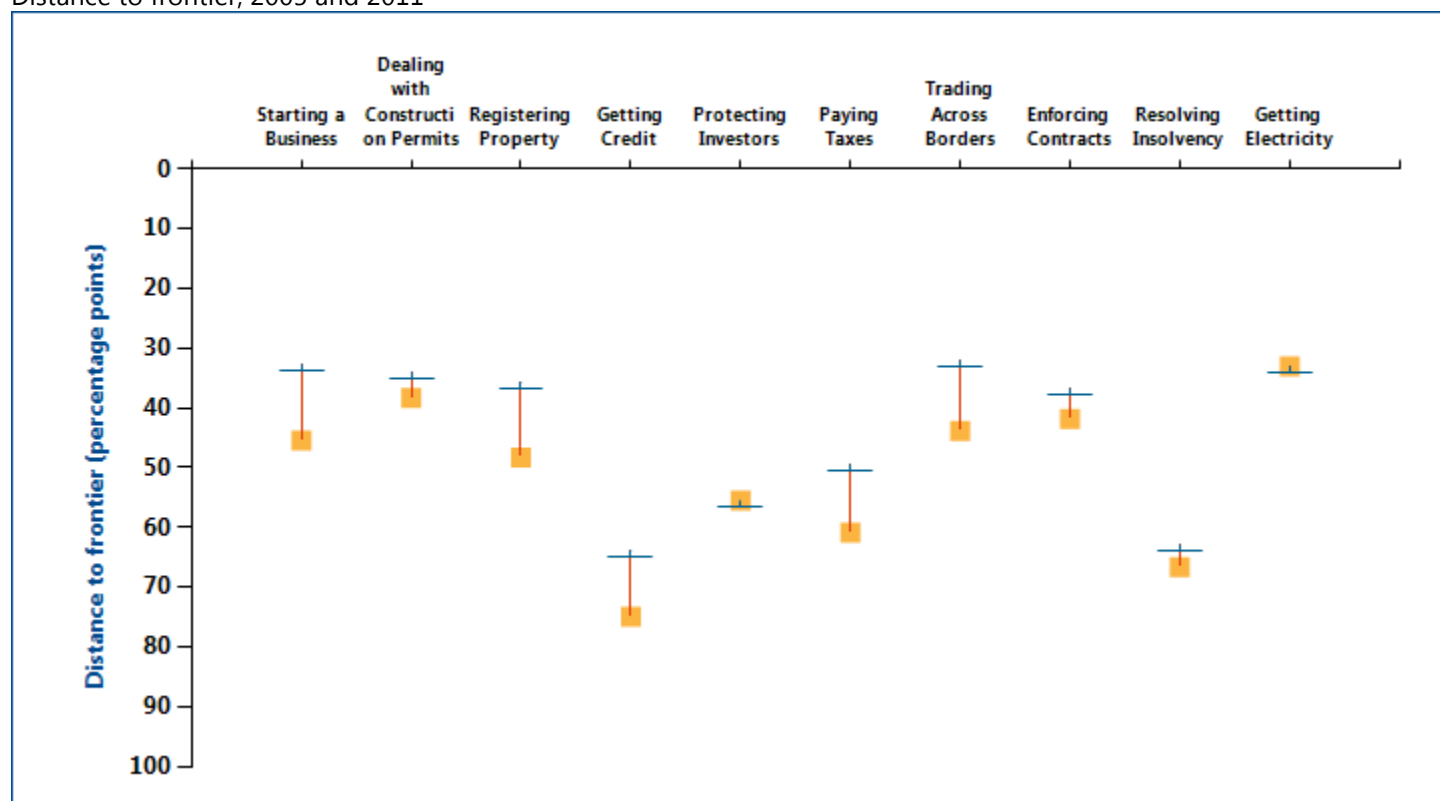
Moreover, year-to-year changes in the overall rankings do not reflect how the business regulatory environment in an economy has changed over time—or how it has changed in different areas. To aid in assessing such changes, *Doing Business 2012* introduces the distance to frontier measure.

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 Nicaragua 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 Nicaragua

Indicator	Nicaragua DB2012	Nicaragua DB2011	Colombia DB2012	Costa Rica DB2012	El Salvador DB2012	Guatemala DB2012	Honduras DB2012	Mexico DB2012	Best performer globally DB2012
<b>Starting a Business (rank)</b>	130	121	65	122	136	165	150	75	New Zealand (1)
<b>Procedures (number)</b>	8	8	9	12	8	12	13	6	Canada (1)*
<b>Time (days)</b>	39	39	14	60	17	37	14	9	New Zealand (1)
<b>Cost (% of income per capita)</b>	107.9	111.5	8.0	11.1	45.1	52.5	46.7	11.2	Denmark (0.0)*
<b>Paid-in Min. Capital (% of income per capita)</b>	0.0	0.0	0.0	0.0	3.0	22.3	17.0	8.4	82 Economies (0.0)*
<b>Dealing with Construction Permits (rank)</b>	150	146	29	141	144	151	70	43	Hong Kong SAR, China (1)
<b>Procedures (number)</b>	16	16	8	20	33	19	14	10	Denmark (5)
<b>Time (days)</b>	218	218	46	188	157	165	94	81	Singapore (26)*
<b>Cost (% of income per capita)</b>	428.7	475.5	338.9	164.5	168.3	541.7	309.8	333.1	Qatar (1.1)

Indicator	Nicaragua DB2012	Nicaragua DB2011	Colombia DB2012	Costa Rica DB2012	El Salvador DB2012	Guatemala DB2012	Honduras DB2012	Mexico DB2012	Best performer globally DB2012
Getting Electricity (rank)	136	133	134	43	130	30	114	142	Iceland (1)
Procedures (number)	6	6	5	5	7	4	8	7	Germany (3)*
Time (days)	70	70	165	62	78	39	33	114	Germany (17)
Cost (% of income per capita)	1653.8	1768.4	1081.3	299.5	533.3	624.9	1082.2	395.5	Japan (0.0)
Registering Property (rank)	122	151	51	46	54	23	94	140	New Zealand (3)
Procedures (number)	8	8	7	5	5	4	7	7	Portugal (1)*
Time (days)	49	124	15	20	31	23	23	74	Portugal (1)
Cost (% of property value)	4.1	3.9	2.0	3.4	3.7	0.9	5.7	5.3	Slovak Republic (0.0)
Getting Credit (rank)	98	96	67	98	48	8	8	40	United Kingdom (1)*
Strength of legal rights index (0-10)	3	3	5	3	5	8	8	6	New Zealand (10)*
Depth of credit information index (0-6)	5	5	5	5	6	6	6	6	Japan (6)*
Public registry coverage (% of adults)	10.5	14.0	0.0	25.5	23.9	17.3	16.3	0.0	Portugal (86.2)
Private bureau coverage (% of adults)	31.9	21.4	71.2	78.9	81.1	8.9	31.2	98.1	New Zealand (100.0)*
Protecting Investors (rank)	97	93	5	166	166	133	166	46	New Zealand (1)
Extent of disclosure index (0-10)	4	4	8	2	3	3	0	8	France (10)*

Indicator	Nicaragua DB2012	Nicaragua DB2011	Colombia DB2012	Costa Rica DB2012	El Salvador DB2012	Guatemala DB2012	Honduras DB2012	Mexico DB2012	Best performer globally DB2012
Extent of director liability index (0-10)	5	5	8	5	0	3	5	5	Singapore (9)*
Ease of shareholder suits index (0-10)	6	6	9	2	6	6	4	5	New Zealand (10)*
Strength of investor protection index (0-10)	5.0	5.0	8.3	3.0	3.0	4.0	3.0	6.0	New Zealand (9.7)
Paying Taxes (rank)	155	158	95	138	146	124	140	109	Canada (8)
Payments (number per year)	42	64	9	31	53	24	47	6	Norway (4)
Time (hours per year)	207	222	193	246	320	344	224	347	Luxembourg (59)
Trading Across Borders (rank)	83	85	87	73	69	119	103	59	Singapore (1)
Documents to export (number)	5	5	5	6	8	10	6	5	France (2)
Time to export (days)	24	26	14	13	14	17	18	12	Hong Kong SAR, China (5)*
Cost to export (US\$ per container)	1140	1140	2270	1190	845	1127	1242	1450	Malaysia (450)
Documents to import (number)	5	5	6	7	8	9	8	4	France (2)
Time to import (days)	23	25	13	15	10	17	22	12	Singapore (4)
Cost to import (US\$ per container)	1220	1220	2830	1190	845	1302	1420	1780	Malaysia (435)
Enforcing Contracts (rank)	52	82	149	129	66	97	177	81	Luxembourg (1)

Indicator	Nicaragua DB2012	Nicaragua DB2011	Colombia DB2012	Costa Rica DB2012	El Salvador DB2012	Guatemala DB2012	Honduras DB2012	Mexico DB2012	Best performer globally DB2012
<b>Time (days)</b>	409	540	1346	852	786	1459	920	415	Singapore (150)
<b>Cost (% of claim)</b>	26.8	26.8	47.9	24.3	19.2	26.5	35.2	32.0	Bhutan (0.1)
<b>Procedures (number)</b>	37	37	34	40	34	31	47	38	Ireland (21)*
<b>Resolving Insolvency (rank)</b>	78	80	12	121	88	101	131	24	Japan (1)
<b>Time (years)</b>	2.2	2.2	1.3	3.5	4.0	3.0	3.8	1.8	Ireland (0.4)
<b>Cost (% of estate)</b>	15	15	1	15	9	15	15	18	Singapore (1)*
<b>Recovery rate (cents on the dollar)</b>	35.1	33.7	82.8	22.2	31.5	27.9	19.2	67.1	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.

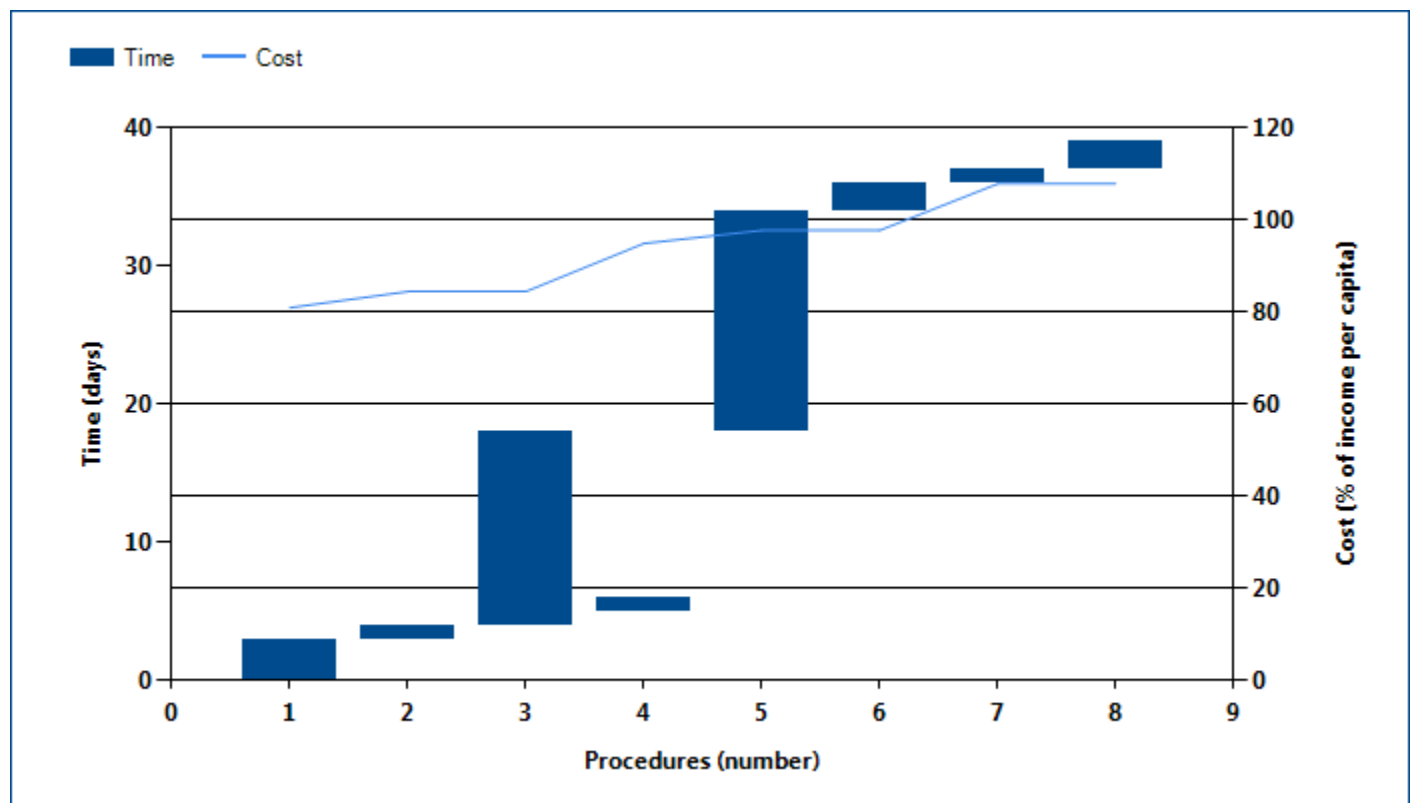
## STARTING A BUSINESS

### Where does the economy stand today?

What does it take to start a business in Nicaragua? According to data collected by *Doing Business*, starting a business there requires 8 procedures, takes 39 days,

costs 107.9% of income per capita and requires paid-in minimum capital of 0.0% of income per capita (figure 2.1).

Figure 2.1 What it takes to start a business in Nicaragua  
Paid-in minimum capital (% of income per capita): 0.0



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

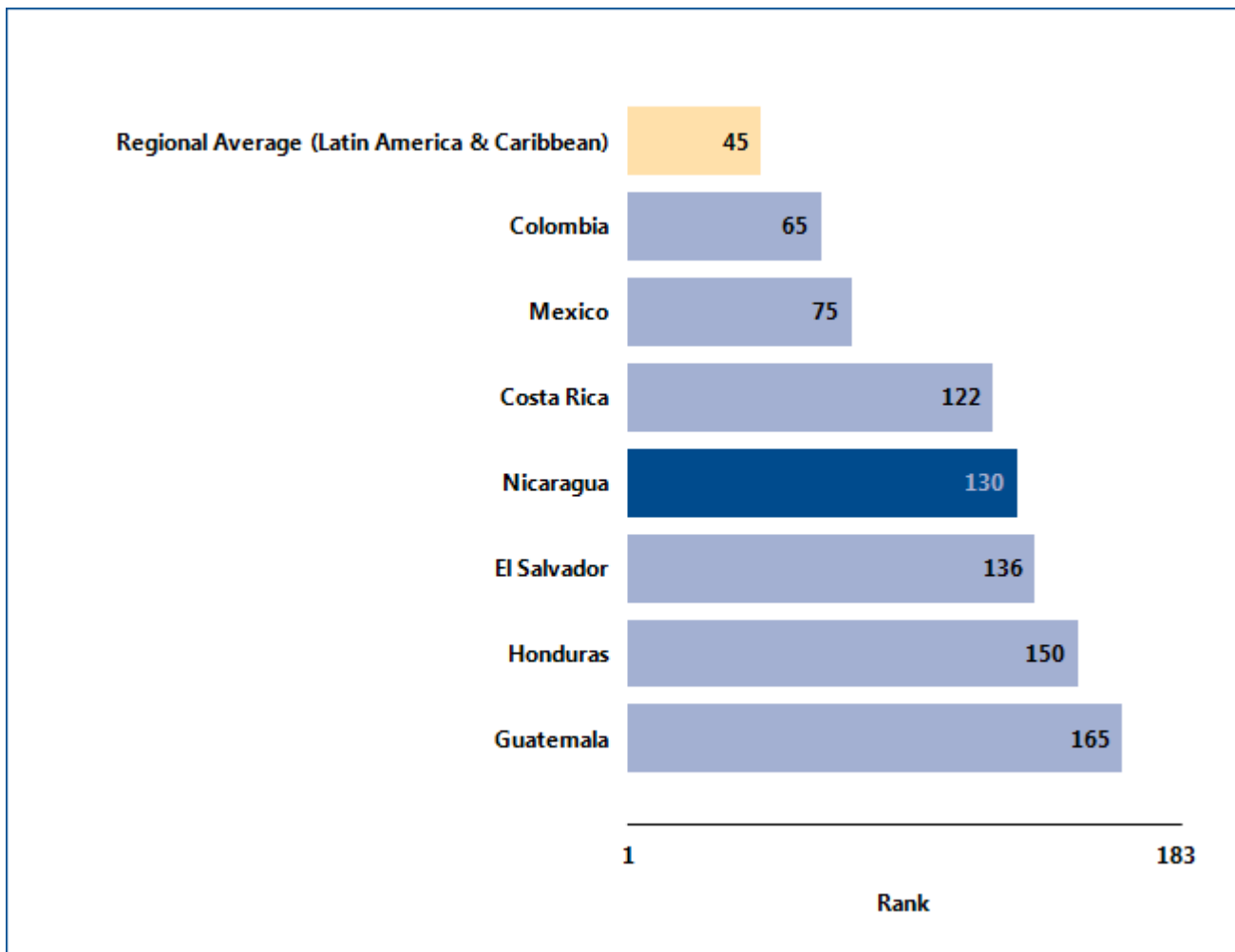
Source: *Doing Business* database.

## STARTING A BUSINESS

Globally, Nicaragua stands at 130 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 Nicaragua to start a business.

Figure 2.2 How Nicaragua 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 Nicaragua 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 Nicaragua over time  
By *Doing Business* report year

Indicator	DB2004	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	..	121	130
Procedures (number)	11	8	8	8	8	8	8	8	8
Time (days)	46	39	39	39	39	39	39	39	39
Cost (% of income per capita)	160.3	156.2	139.7	123.6	113.7	105.1	95.0	111.5	107.9
Paid-in Min. Capital (% of income per capita)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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.

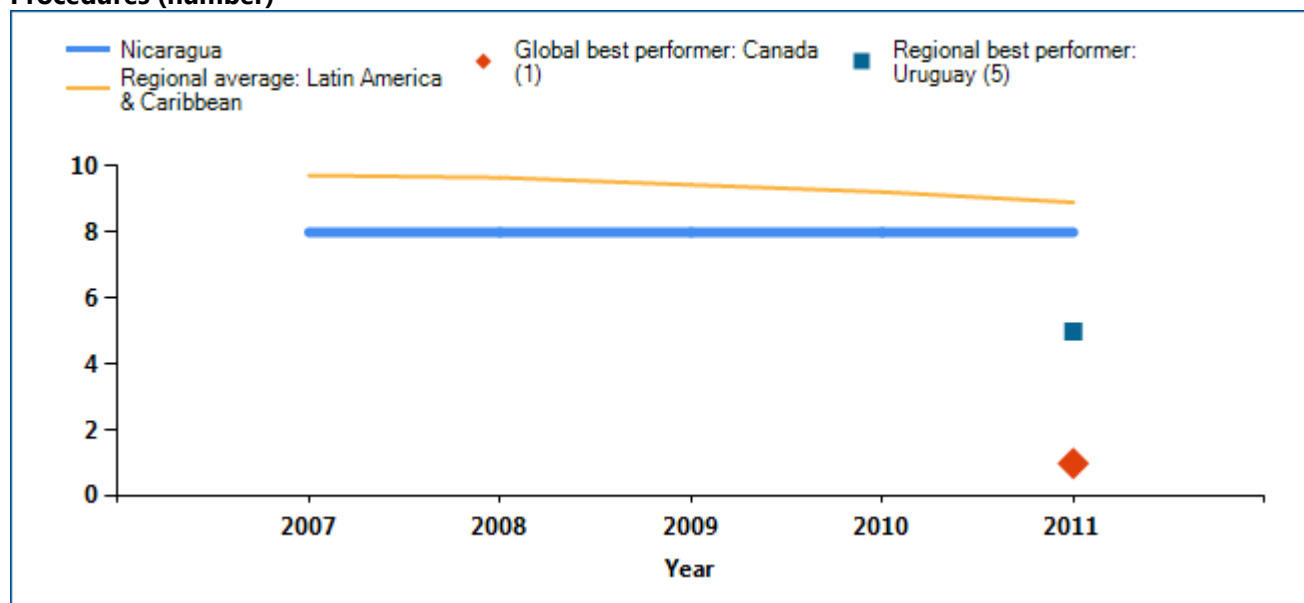
## STARTING A BUSINESS

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

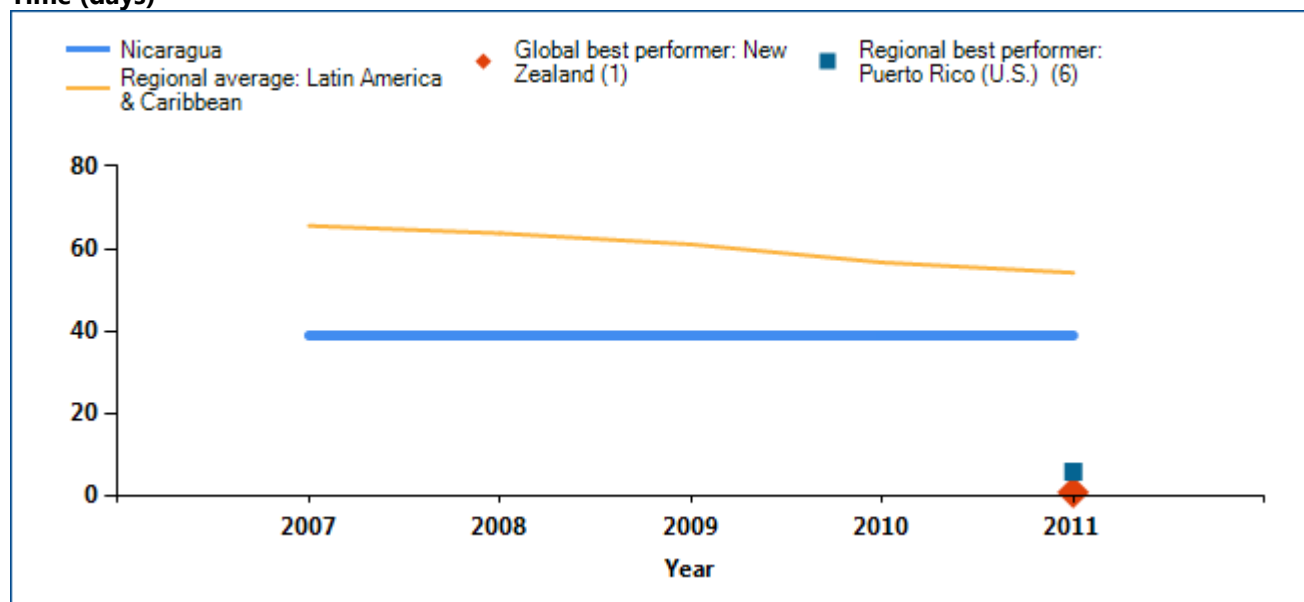
Nicaragua on ways to improve the ease of starting a business. And changes in regional averages can show where Nicaragua is keeping up—and where it is falling behind.

Figure 2.3 Has starting a business become easier over time?

### Procedures (number)



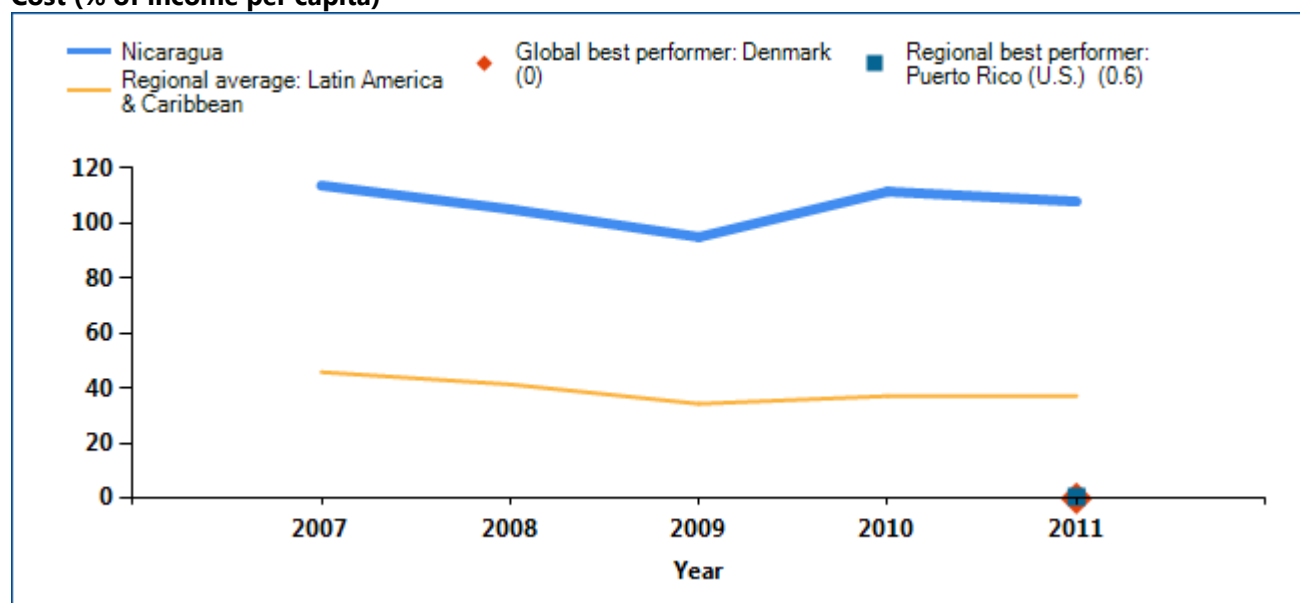
### Time (days)



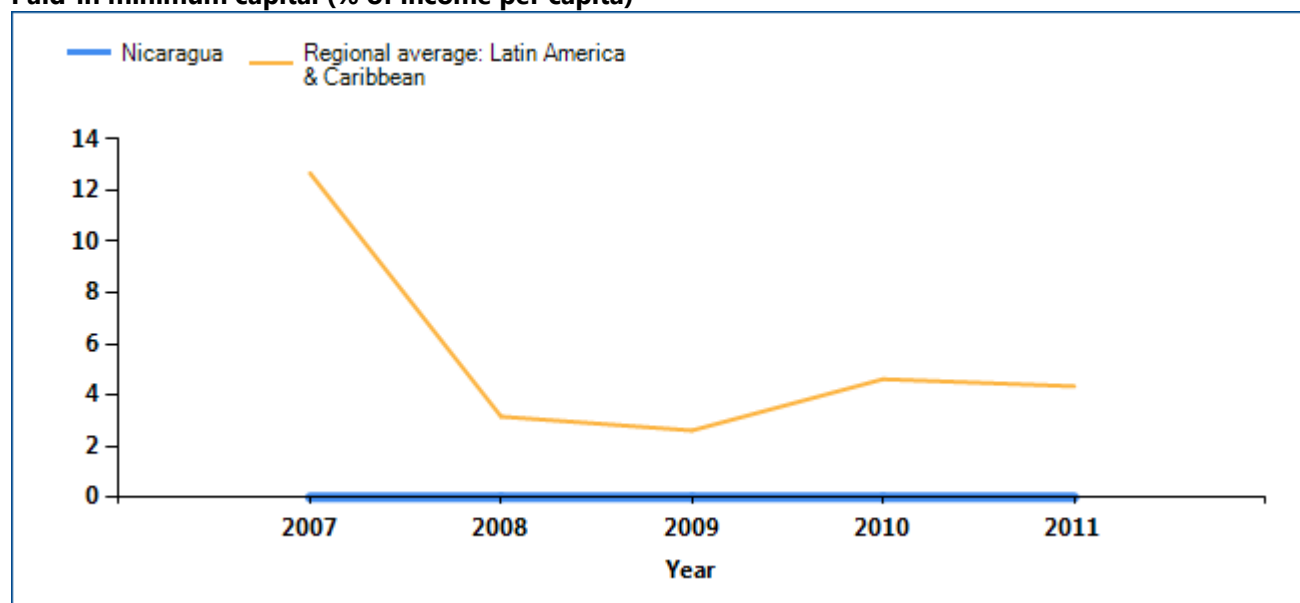


## STARTING A BUSINESS

## 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 Nicaragua (table 2.2)?

Table 2.2 How has Nicaragua made starting a business 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.

## STARTING A BUSINESS

### What are the details?

Underlying the indicators shown in this chapter for Nicaragua 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:** Managua

**Legal Form:** Sociedad Anónima (S.A.) - Corporation

**Start-up capital:** 10 times GNI per capita

**Paid-in minimum capital (% of income per capita):** 0.0

#### Summary of procedures for starting a business in Nicaragua—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	<b>Sign the incorporation papers before a notary public</b>  The documents of incorporation and the company bylaws must be drafted by a notary public. It is customary to include the company bylaws in the document of incorporation. Most notaries will also perform the remaining steps (explained in the following steps) in the incorporation process, for a fee of USD 200 (average). The notary cost is USD 750–1,000.	3 days	USD 875
2	<b>Buy company accounting books and corporate books</b>  All companies must keep four corporate books: two accounting books (diary and ledger) and two corporate books (minutes book and shares book). The cost of the books may vary from one bookstore to another.	1 day	NIO 800
3	<b>File incorporation statutes (Acta Constitutiva) with the Commercial Registry (Registro Comercial) at the one-stop shop (Ventanilla Unica)</b>  In January 2004, the government created in the Ministry of Commerce (Ministerio de Fomento, Industria y Comercio) a one-stop shop, the Unique Office for Investment (Ventanilla Unica de Inversiones), in which companies can file commercial and tax registrations. The one-stop shop cannot process any registrations but forwards the documentation daily to the relevant agencies. The one-stop shop provides information on four procedures and rationalizes them: (a) company registration; (b) tax registration at the Dirección General de Ingresos (DGI); (c) municipal registration; and (d) for foreign companies, the Foreign Secretary (Secretario Exterior).	2 weeks	included in procedure 4

No.	Procedure	Time to complete	Cost to complete
	<p>The cost for commercial registration is 1% of capital (with a minimum of NIO 1,000, maximum of NIO 30,000) and the following fees:</p> <ul style="list-style-type: none"> <li>- Inscription of constitution of internal books: NIO 100.</li> <li>- Registration fee for books (diario, mayor, actas y acciones) NIO 350.00.</li> <li>- Application (inscripcion como comerciante): NIO 350.</li> <li>- Form for municipal license (matricula): NIO 5.</li> <li>- Municipal license: for social capital lower than NIO 50,000 is NIO 500; higher than NIO 50,000 is 1% of capital.</li> <li>- Municipal license document (constancia de matricula): 1% of license fee.</li> </ul> <p>The payment must be made in any bank, and the payment receipt must be presented at the one-stop shop. Regardless whether the company has income, it must declare before the Nicaraguan Tax Authority (Dirección General de Ingresos) each month. If the company has no sales, it will not pay any taxes. However, it will have to pay the fees for the services performed by their representative in Nicaragua before the DGI.</p>		
4	<p><b>* Pay the inscription fees</b></p> <p>Fees must be paid into any bank and the receipt presented to the one-stop shop (see Procedure 5). There is a commercial bank within the Commercial Registry where the payment can be made.</p>	1 day (simultaneous with previous procedure)	1% of capital (Commercial Registration) within a minimum of NIO 1,000 and a maximum of NIO 30,000 + NIO 100 (inscription of internal books)
5	<b>Register accounting books (sellado de libros) and register as a trader (inscripcion como comerciante) with the Commercial Registry at the one-stop shop (Ventanilla Unica)</b>	16 days	NIO 350 (registration of accounting books) + NIO 300 (application as a trader)
6	<p><b>Register for general sales tax (Impuesto al Valor Agregado, IVA) and register company books at the local tax authority (Administración de Renta);</b></p> <p>Companies with an annual income higher than NIO 240,000 will be levied general sales tax (impuesto al valor agregado, IVA). The accounting books must be registered at the local office of the Tax Collector's Office (Administración de Rentas). Then, the company obtains a unique tax identification number (RUC, Registro Unico del Contribuyente).</p>	2 days	no charge
7	<p><b>Obtain a municipal licence (matrícula)</b></p> <p>The entrepreneur must go to the Municipality to request and obtain the licence (matricula). The municipal licence is issued on the same day and the fees can be paid at the municipality.</p>	1 day	1% of capital (municipal license fee) + 1% of municipal license fee (municipal license document) + NIO 5 (form for

No.	Procedure	Time to complete	Cost to complete
			municipal license)
8	Register for social security and public health with Instituto Nicaragüense de Seguridad Social (INSS)	2 days	no charge

\* 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).

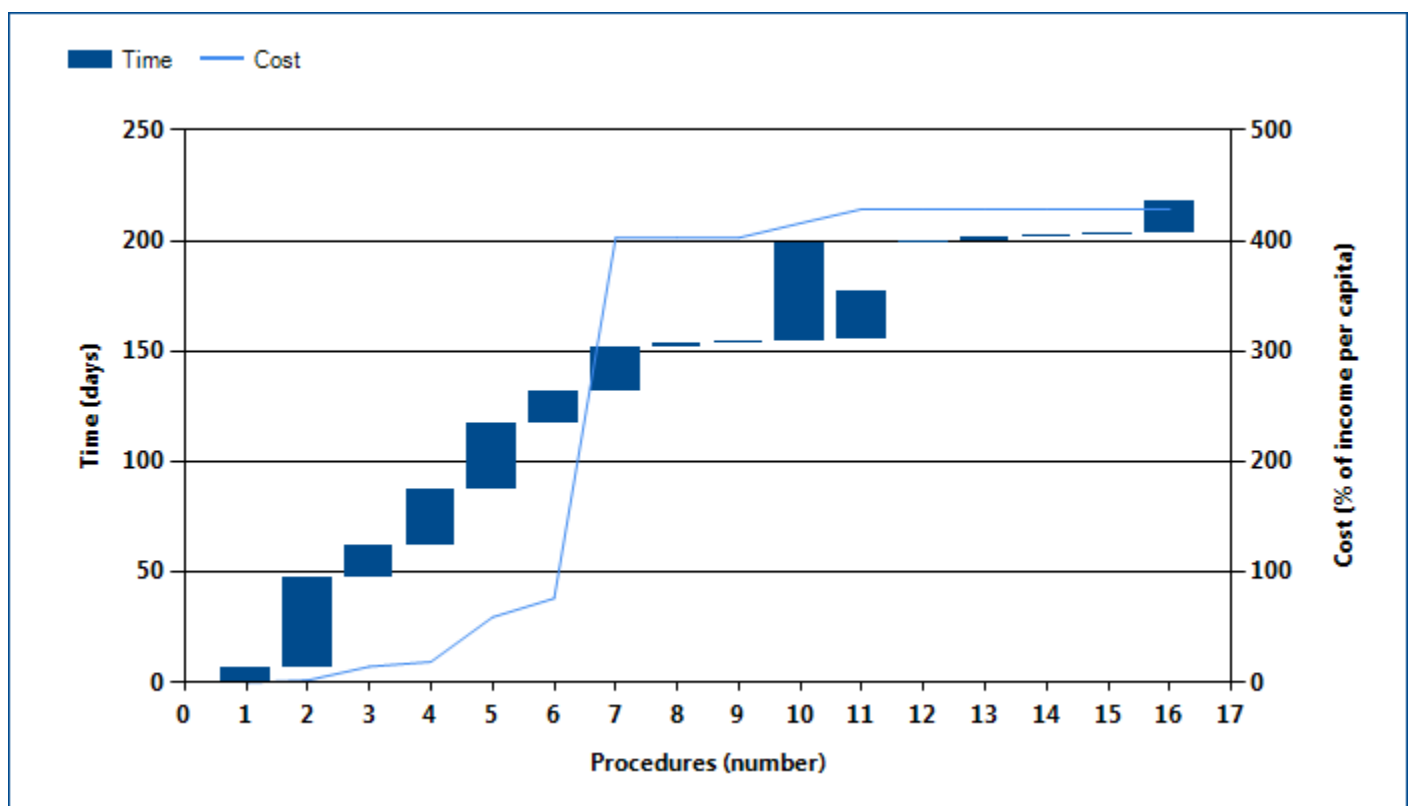
## DEALING WITH CONSTRUCTION PERMITS

### Where does the economy stand today?

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

permits there requires 16 procedures, takes 218 days and costs 428.7% of income per capita (figure 3.1).

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



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

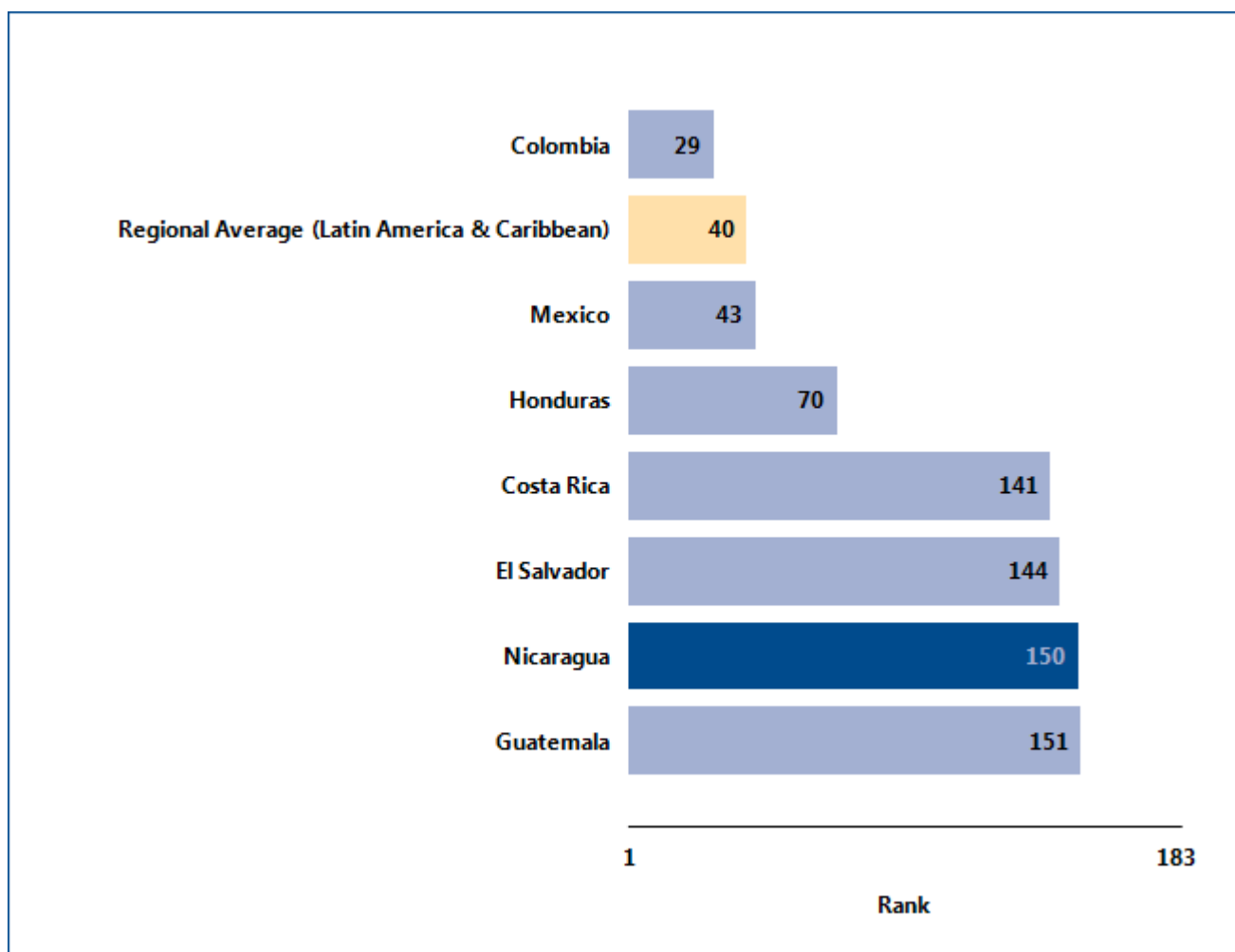
Source: *Doing Business* database.

## DEALING WITH CONSTRUCTION PERMITS

Globally, Nicaragua stands at 150 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 Nicaragua to legally build a warehouse.

Figure 3.2 How Nicaragua 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 Nicaragua 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 Nicaragua over time  
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
<b>Rank</b>	..	..	..	..	..	146	150
<b>Procedures (number)</b>	16	16	16	16	16	16	16
<b>Time (days)</b>	218	218	218	218	218	218	218
<b>Cost (% of income per capita)</b>	812.8	654.9	557.1	536.8	445.9	475.5	428.7

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.

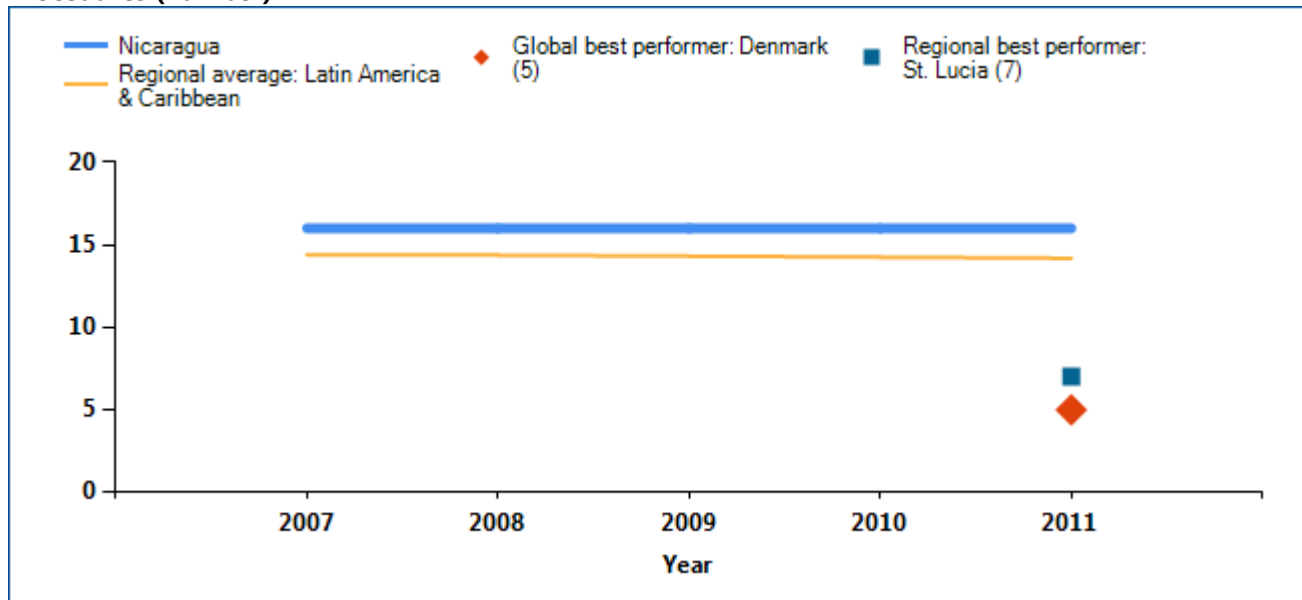
## DEALING WITH CONSTRUCTION PERMITS

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 Nicaragua

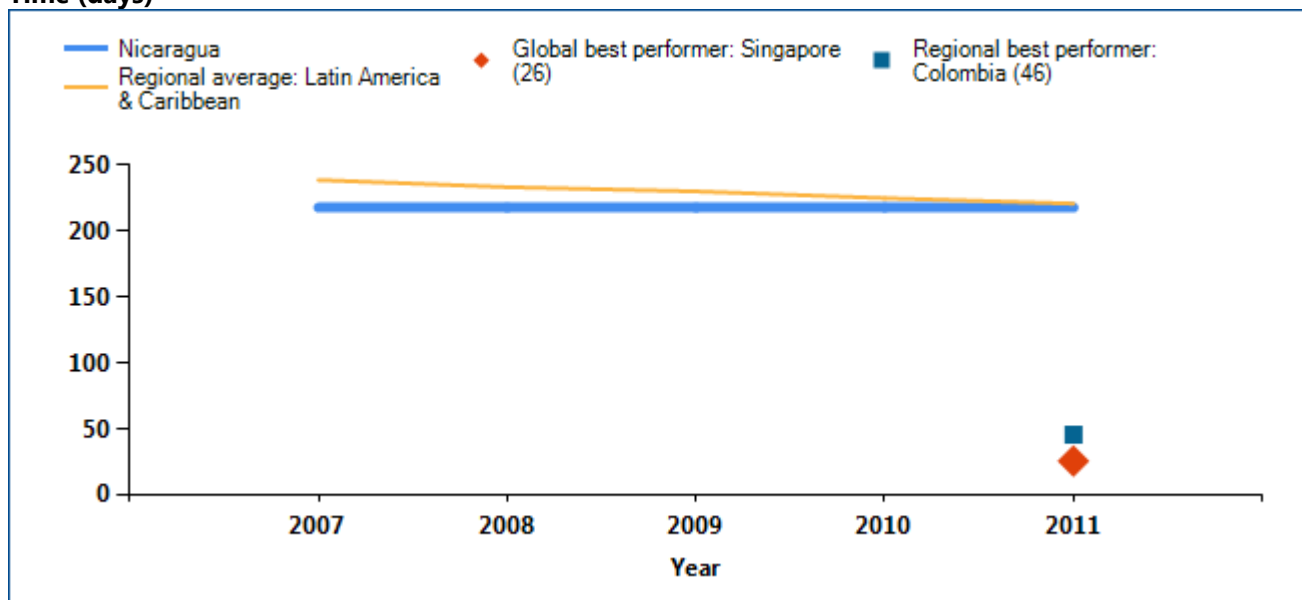
on ways to improve the ease of dealing with construction permits. And changes in regional averages can show where Nicaragua is keeping up—and where it is falling behind.

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

### Procedures (number)



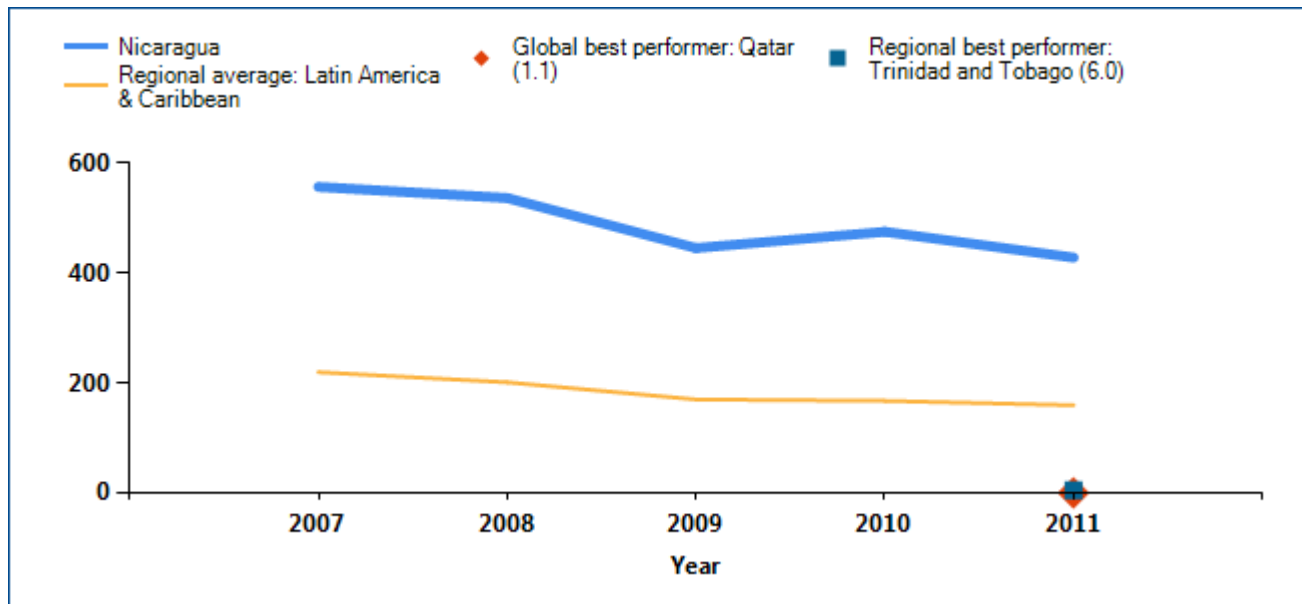
### Time (days)





## 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 Nicaragua (table 3.2)?

Table 3.2 How has Nicaragua made dealing with construction permits easier—or not?  
By *Doing Business* report year

DB Year	Reform
<b>DB2012</b>	No reform.
<b>DB2011</b>	No reform.
<b>DB2010</b>	No reform.
<b>DB2009</b>	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 Nicaragua 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 :** Managua

**Estimated Warehouse Value :** NIO 7,966,790

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

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

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Request and obtain consultations with Municipality of Managua (Alcaldía de Managua - ALMA) over the Urban Plans</b></p> <p>It is common practice to have an initial consultation with the Technical Urban Planning Committee (Comité Técnico Urbanístico) to verify all conditions before submitting any document.</p>	7 days	no charge
2	<p><b>Request and obtain the land use certificate (constancia de uso de suelo) from the Municipality of Managua (Alcaldía de Managua – ALMA))</b></p> <p>After the certificate is received, a record number is created (to be used for the following procedures until the project is approved). The documents to be submitted at this stage are an application form, a copy of the location map, a site map, and the cadastral number of the property.</p> <p>If the applicant does not agree with the decision, an appeal may be filed with the Technical Urban Planning Committee (Comité Técnico Urbanístico).</p>	40 days	NIO 500
3	<p><b>Request feasibility analysis from ENACAL and UNION FENOSA, at ALMA (One-Stop Shop)</b></p> <p>A feasibility analysis from the Union FENOSA is required to determine whether the site can be connected to the electrical network. The following documents are needed: the (original) location map, a specification of the electrical capacity to be installed, and the estimated starting date of construction work.</p> <p>The feasibility analysis is done at no charge, while the pressure measurement costs NIO 500 and other costs come to NIO 2,800.</p>	15 days	NIO 2,800

No.	Procedure	Time to complete	Cost to complete
	<p>A feasibility analysis (ENACAL) is required to determine whether the site can be connected to water and sewerage services. If no sewage system exists, an alternative would be a treatment system approved by the MARENA (Environmental Impact Assessment, Ministry of the Environment and Natural Resources).</p> <p>The documents to be submitted are an application form, the land use certificate, a project description (physical modulation and activities), a plot plan on a scale of 1:10,000, the water demand and use statement, and specifications of the inflow rate and the sewage characteristics.</p>		
4	<p><b>Request and obtain preliminary design approval from ALMA</b></p> <p>The company must obtain an approval stating that the proposed preliminary designs conform to the Regulating Plan of the Municipality of Managua and to the land-use certificate.</p> <p>The required documents are the land-use certificate; a notarized deed certifying ownership of the land; the feasibility analyses by the Nicaraguan Institute of Energy (INE) and the Nicaraguan Company of Water and Sewage (ENACAL); a local fault study endorsed by the Nicaraguan Institute of Territorial Studies INETER, if required by the land use certificate; and two sets of maps, each consisting of a location map on a scale of 1:10,000; a site map on a scale of 1:10,000, 1:500, or 1:200; a contour map; an architectural layout; exterior work drawings; and area frames.</p>	25 days	NIO 1,000
5	<p><b>Request and obtain project approval ENACAL approval (water and sewage), all at ALMA (One-Stop Shop)</b></p> <p>A project approval is a decision stating that the project conforms to the Regulating Plan of the Municipality of Managua. The fee for obtaining the approval is NIO 3 per square meter, and payment can be made either in cash or in two equal installments. The required documents are three sets of plans and the approved preliminary designs.</p> <p>Union FENOSA provides a review, design approval, and authorization, and issues a decision stating that the proposed project conforms with the Manual of Norms of Construction of Distribution (Manual de Normas de Construcción de Distribución) of the Unión FENOSA, the electrical power supply company. The following documents are required:</p> <ul style="list-style-type: none"> <li>- Design license.</li> <li>- Electrical specifications.</li> <li>- Stack-out sheet.</li> <li>- List of materials.</li> <li>- Project drawings.</li> <li>- Photocopy of the electrical power and light contract.</li> <li>- Photocopy of the feasibility certificate.</li> </ul> <p>The INE approves projects that involve heating system or the use of hydrocarbon materials for this purpose.</p> <p>The ENACAL approval certificate covers the project conceptualization</p>	30 days	NIO 9,212

No.	Procedure	Time to complete	Cost to complete
	and indicates that the project is compliant with the standards and regulations. The required documents are a project identification title page, topographic maps, an urban development plan, an existing infrastructure plan, design drawings, detail drawings, and a descriptive report.		
6	<p><b>Request and obtain approval from DGB (Dirección General de Bomberos)</b></p> <p>Indoor electrical layout drawings must be reviewed and be found to conform to all fire protection standards. For construction projects with commercial and service purposes, the fee is NIO 3 per square meter.</p> <p>The required documents are electrical installation layouts, fire protection system plans, safety measures, or plans provided for the construction work. Because the national firefighting system (SINACOI) no longer exists, the institution in charge of this procedure is now DGB (Dirección General de Bomberos).</p>	15 days	NIO 3,902
7	<p><b>Request and obtain building permit from ALMA</b></p> <p>The building permit authorizes the start of construction.</p> <p>The cost of a building permit includes a tax of 1.1 % of the total market value of the construction (NIO 70,620.20, in this case). This tax must be paid in full at the start of construction work.</p> <p>Buildings are also subject to an inspection fee, as follows:</p> <ul style="list-style-type: none"> <li>- NIO 2 per square meter for areas between 100 and 200 sq. m.</li> <li>- NIO 3 per square meter for areas between 201 and 1,000 sq. m. (in the case considered here, NIO 3 x 1,300.6 = NIO 3,901.80).</li> </ul> <p>The required documents are a project approval, an annual real estate tax (solventia de bienes inmuebles), the registration number with ALMA (the business registration), a tax clearance certificate (solventia municipal) for the project owner and builder, a builder's license granted by the Ministry of Transportation and Infrastructure (Ministerio de Transporte e Infraestructura, MTI), the builder's signature on the construction plans, bank guarantees, and official payment receipts. The building permit carries the same weight as a public deed.</p> <p>Inspections may occur during construction. However, these are rare due to a shortage of inspectors. Even if an inspection is carried out, the inspector would simply verify that the building permit is valid.</p>	20 days	NIO 74,522
8	<p><b>Request fire inspection</b></p> <p>The cost of a fire and electricity inspection is included in the inspection fee, which is paid at the Dirección General de Bomberos (DGB). A site visit may be scheduled, but it is not a rigid procedure.</p>	1 day	no charge
9	<b>* Receive fire inspection</b>	1 day	no charge
10	<p><b>* Request and connect to water and sewage services</b></p> <p>This cost covers the installation and can be higher or lower depending</p>	45 days	NIO 3,000

No.	Procedure	Time to complete	Cost to complete
	on a possible rupture of pipelines.		
<b>11</b>	<p><b>* Request and connect to a fixed telephone line</b></p> <p>For telephone service connection, the following steps must be taken:</p> <ol style="list-style-type: none"> <li>1. Apply for a new telephone line at ENITEL (cell phone provider).</li> <li>2. Submit an identity card.</li> <li>3. Complete a form.</li> <li>4. Pay USD 45 for the procedure, which may take up to a month.</li> </ol> <p>If no telephone line is available, the money is refunded. Otherwise, the remainder of the installation fee must be paid, which in this case would be USD 135. Thus, the total cost amounts to USD 180.</p> <p>Another option would be to buy a cellular phone or a cellular telephone plan, with either a post-payment plan (12 to 50 minutes, free equipment, pre-paid cards) or a pre-payment plan (coded cards costing between USD 5 and USD 50 and equipment costing from USD 99 to USD 300).</p>	22 days	NIO 2,920
<b>12</b>	<p><b>Receive inspection from Municipality</b></p> <p>Municipal inspection is a random inspection that may occur at least once during the 30-week construction period. Thus, no request is needed. An inspection report is drafted and provided to the company. The construction work is not stopped during the inspection, and no costs are associated with this procedure.</p>	1 day	no charge
<b>13</b>	<p><b>Receive inspection from Ministry of Labor</b></p> <p>Inspection by the Ministry of Labor is a random inspection that may occur at least once during the 30-week construction period. Thus, no request is needed. An inspection report is drafted and provided to the company. The construction work is not stopped during the inspection, and no costs are associated with this procedure.</p>	1 day	no charge
<b>14</b>	<p><b>Receive inspection from National Commission of Hygiene and Occupational Security</b></p> <p>Inspection by the National Commission of Hygiene and Occupational Safety is a random inspection that may occur at least once during the 30-week construction period. Thus, no request is needed. An inspection report is drafted and provided to the company. The construction is not stopped during the inspection, and no costs are associated with this procedure.</p>	1 day	no charge
<b>15</b>	<p><b>Receive inspection from National Social Security Institute</b></p> <p>Inspection by the National Social Security Institute is a random inspection that may occur at least once during the 30-week construction period. Thus, no request is needed. An inspection report is drafted and provided to the company. The construction work is not stopped during the inspection, and no costs are associated with this procedure.</p>	1 day	no charge
<b>16</b>	<p><b>Register the building with the Real Estate Appraisal Office (Avalúo de Bienes Inmuebles, ALMA)</b></p>	15 days	no charge

No.	Procedure	Time to complete	Cost to complete

\* 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.



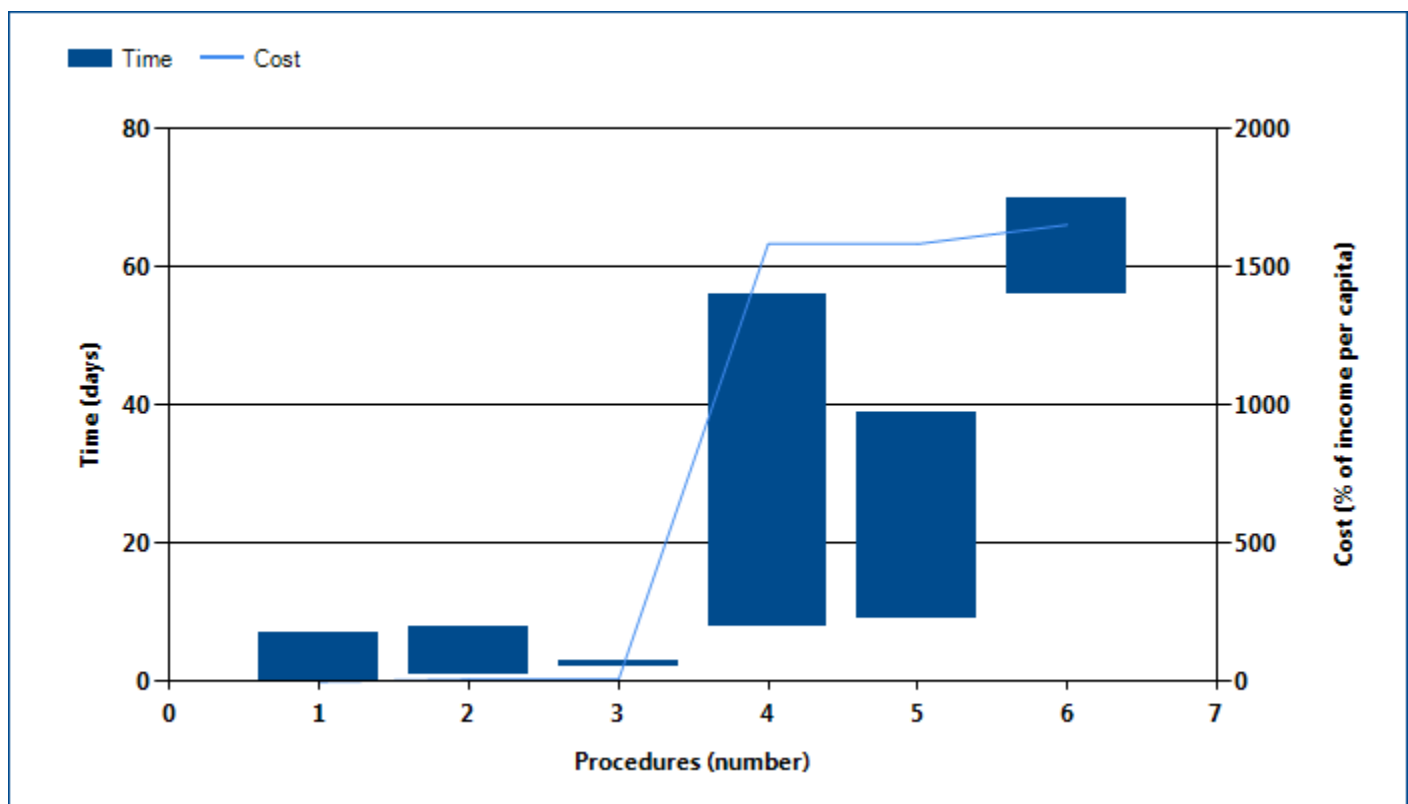
## GETTING ELECTRICITY

### Where does the economy stand today?

What does it take to obtain a new electricity connection in Nicaragua? According to data collected by *Doing Business*, getting electricity there requires 6

procedures, takes 70 days and costs 1653.8% of income per capita (figure 4.1).

Figure 4.1 What it takes to obtain an electricity connection in Nicaragua



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

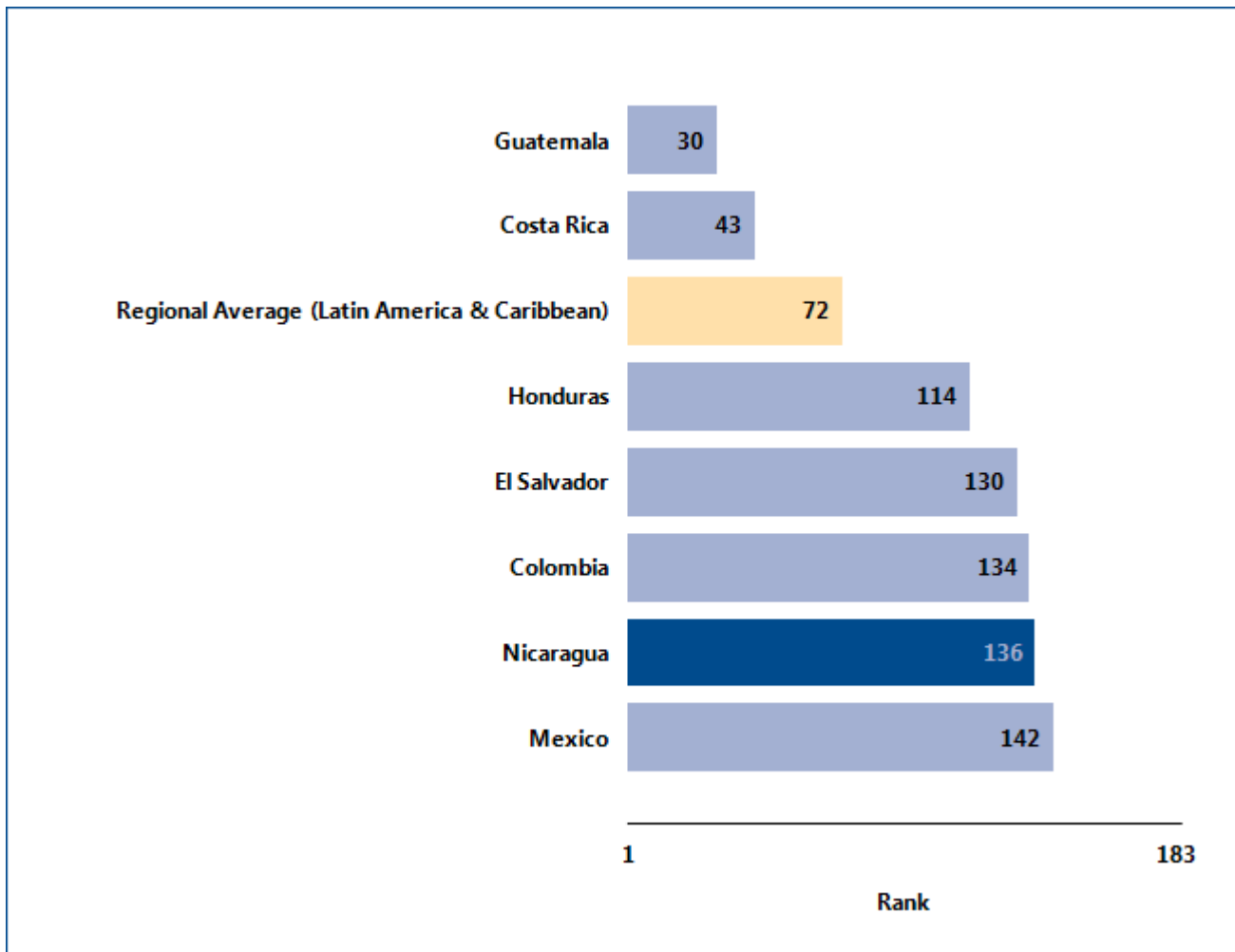
Source: *Doing Business* database.

## GETTING ELECTRICITY

Globally, Nicaragua stands at 136 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 Nicaragua to connect a warehouse to electricity.

Figure 4.2 How Nicaragua 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 Nicaragua 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 Nicaragua and comparator economies

Indicator	Nicaragua	Colombia	Costa Rica	El Salvador	Guatemala	Honduras	Mexico	Latin America & Caribbean average	Global average
Rank	136	134	43	130	30	114	142	72	..
Procedures (number)	6	5	5	7	4	8	7	5	5
Time (days)	70	165	62	78	39	33	114	65	111
Cost (% of income per capita)	1653.8	1081.3	299.5	533.3	624.9	1082.2	395.5	593.7	1,942.3

Source: Doing Business database.

## GETTING ELECTRICITY

### What are the details?

The indicators reported here for Nicaragua 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:** Managua

**Name of Utility:** DISNORTE - DISSUR

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 Nicaragua—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	<p><b>The customer submits an informal application with DISNORTE-DISSUR to establish the feasibility of the project</b></p> <p>The customer submits a first informal application to DISNORTE-DISSUR indicating the required electricity load and the location of the business that is to be connected. The Planning Department of the utility will prepare a feasibility study based on its own plans for the primary distribution lines in Managua and the existing demand in the system. No inspection of the site is necessary if the connection point is within 150 meters.</p>	7 calendar days	no charge
2	<p><b>The client obtains a compliance certificate regarding the internal wiring from the official or the voluntary Fire Department (Dirección General de Bomberos and Benemérito Cuerpo de Bomberos, respectively)</b></p> <p>The customer has to obtain a certification of the internal wiring installations from the Fire Department. The Fire Department (Dirección General de Bomberos ) certifies that the internal wiring has been done in accordance with the relevant standards for buildings as specified by the ""Norma CIEN"" (Código de instalaciones Eléctricas de Nicaragua). This certification has to be obtained before applying for a new electricity connection with the utility.</p>	7 calendar days	USD 86.3
3	<p><b>* The Fire Department (Dirección General de Bomberos or Benemérito Cuerpo de Bomberos) inspects the internal wiring installation</b></p> <p>In order to prepare the certification of the internal wiring the Fire</p>	1 calendar day	no charge

No.	Procedure	Time to complete	Cost to complete
	Department (Dirección General de Bomberos ) will visit the site.		
4	<p><b>The customer hires a private firm to prepare the design for the connection works and to carry out the actual works</b></p> <p>DISNORTE-DISSUR has a list of approved firms that will realize the design of the actual connection works. In order to be part of the list, firms have to be approved every year by the utility. In most cases the design is done by the same firm that also will later do the works.</p> <p>The works are done according to the relevant standards. They can be done either by a construction firm or an approved electrical design firm. The customer can decide who he wants to delegate the works to. The works are supervised by the technical department of the utility. The utility will also approve the designs that have been prepared by the approved firm and work hand in hand with the executing firm.</p>	48 calendar days	USD 17,025.0
5	<p><b>* The customer submits in person the design and the service application at DISNORTE-DISSUR and awaits that the utility approves the design plans</b></p> <p>The customer submits the service application together with the designs in person. The following documents have to accompany the application:</p> <ul style="list-style-type: none"> <li>• Name, address and telephone number of the applicant</li> <li>• Photocopy of national identity card or power of attorney</li> <li>• Photocopy of the property title or rental contract</li> <li>• Inspection certificate from the Fire Department indicating that the internal wiring installation complies with the norms established by the CIEN (Código de instalaciones Eléctricas de Nicaragua).</li> <li>• Photocopy of the social security number or business registration number of the customer (RUC - Registro único del contribuyente)</li> <li>• Photocopy of the company registration of the firm (used to assess which electricity tariff is applicable).</li> </ul>	30 calendar days	no charge
6	<p><b>DISNORTE-DISSUR installs the meter and energizes the project</b></p> <p>Once the works are finalized, the meter and metering accessories are installed by the distribution utility and remain property of the utility. The meter is installed in a location that can be accessed from outside the premise of the customer for inspections and meter reading. Otherwise the customer has to give a written consent that the distribution utility can enter the premise.</p> <p>The customer has to deposit a security that is calculated on the basis of one month of the future consumption of the customer. The security deposit is returned with interest (average deposit rate in the country) after 18 months if the customer had no late payment in this period.</p>	14 calendar days	NIO 15,851.8

\* 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.

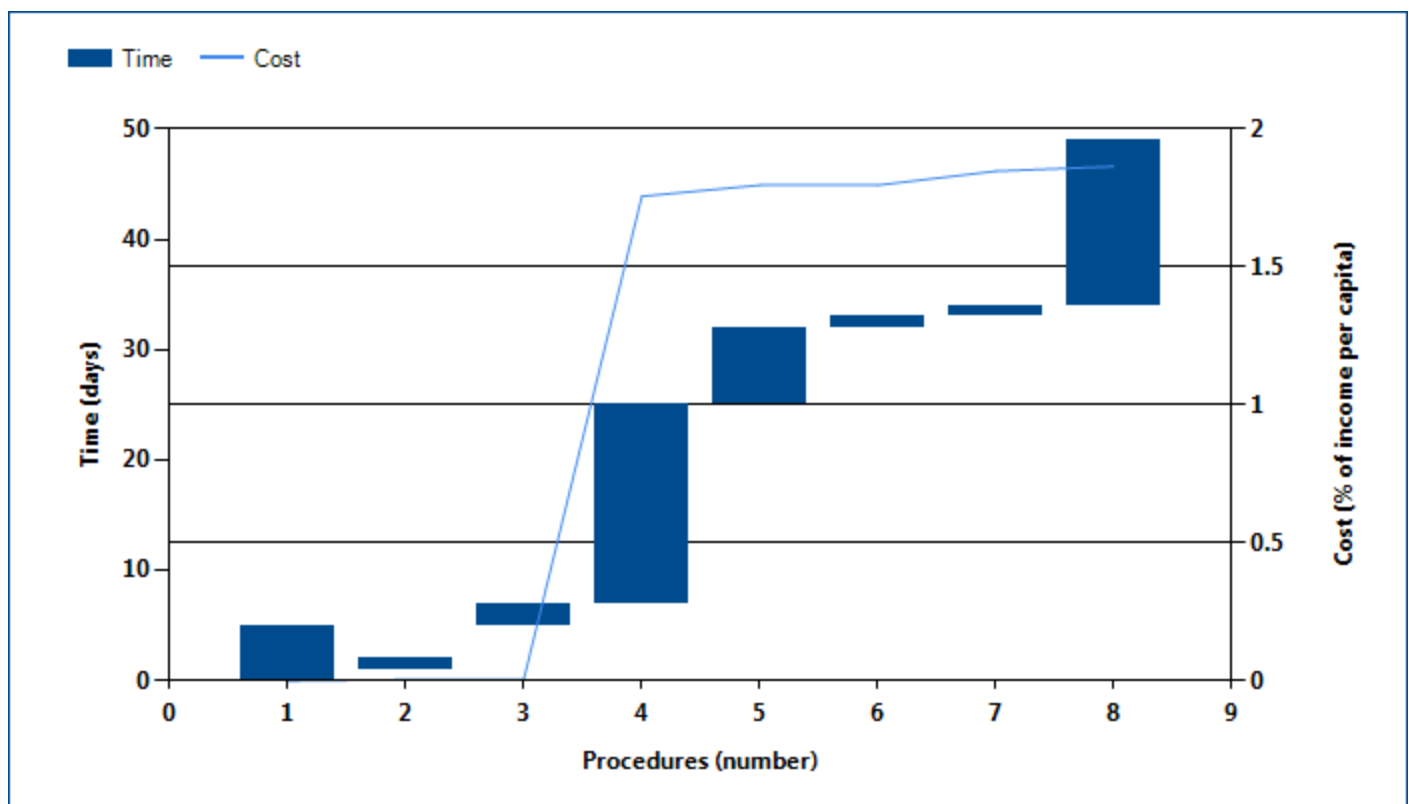
## REGISTERING PROPERTY

### Where does the economy stand today?

What does it take to complete a property transfer in Nicaragua? According to data collected by *Doing Business*, registering property there requires 8

procedures, takes 49 days and costs 4.1% of the property value (figure 5.1).

Figure 5.1 What it takes to register property in Nicaragua



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

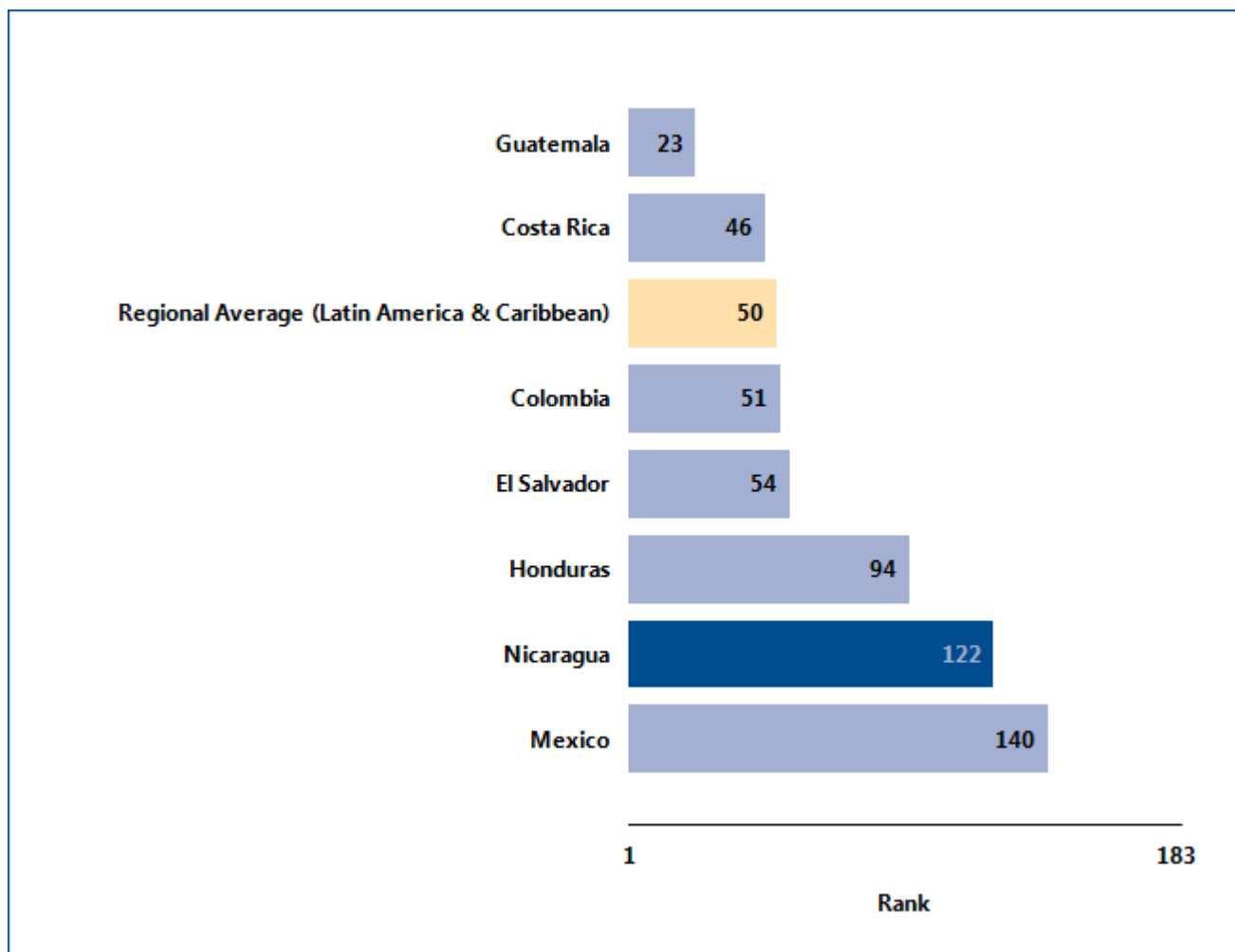
Source: *Doing Business* database.

## REGISTERING PROPERTY

Globally, Nicaragua stands at 122 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 Nicaragua to transfer property.

Figure 5.2 How Nicaragua 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 Nicaragua 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 Nicaragua over time  
By *Doing Business* report year

Indicator	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
<b>Rank</b>	..	..	..	..	..	..	151	122
<b>Procedures (number)</b>	8	8	8	8	8	8	8	8
<b>Time (days)</b>	124	124	124	124	124	124	124	49
<b>Cost (% of property value)</b>	6.6	6.6	3.5	3.5	3.5	3.8	3.9	4.1

*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.

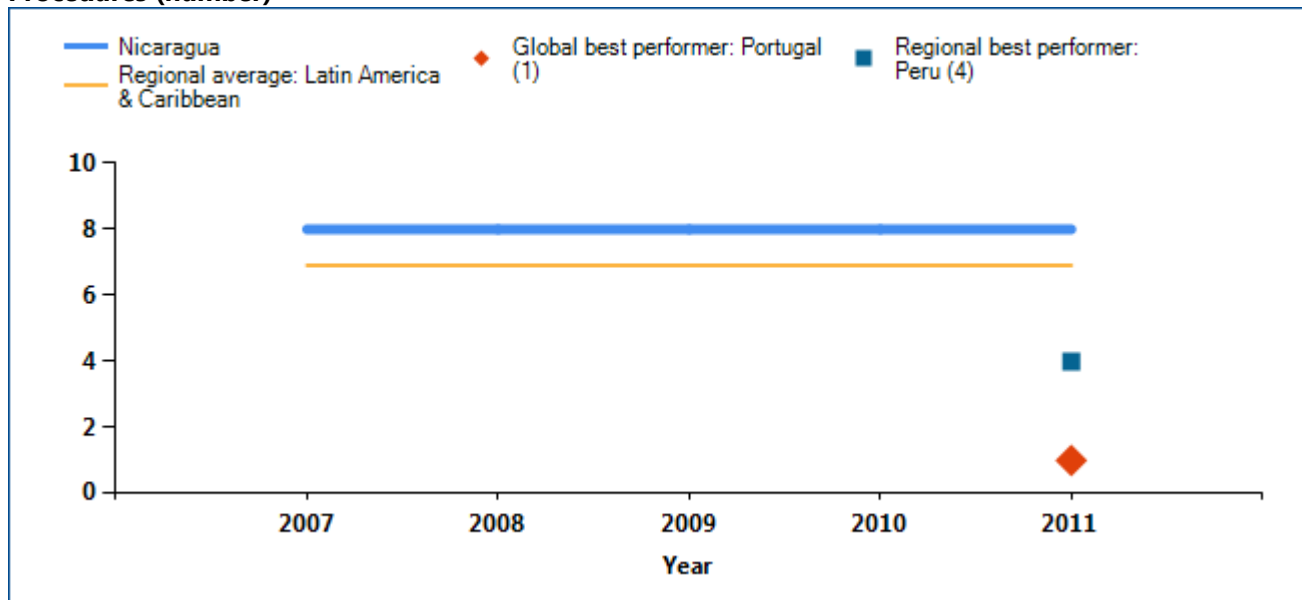
## REGISTERING PROPERTY

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 Nicaragua

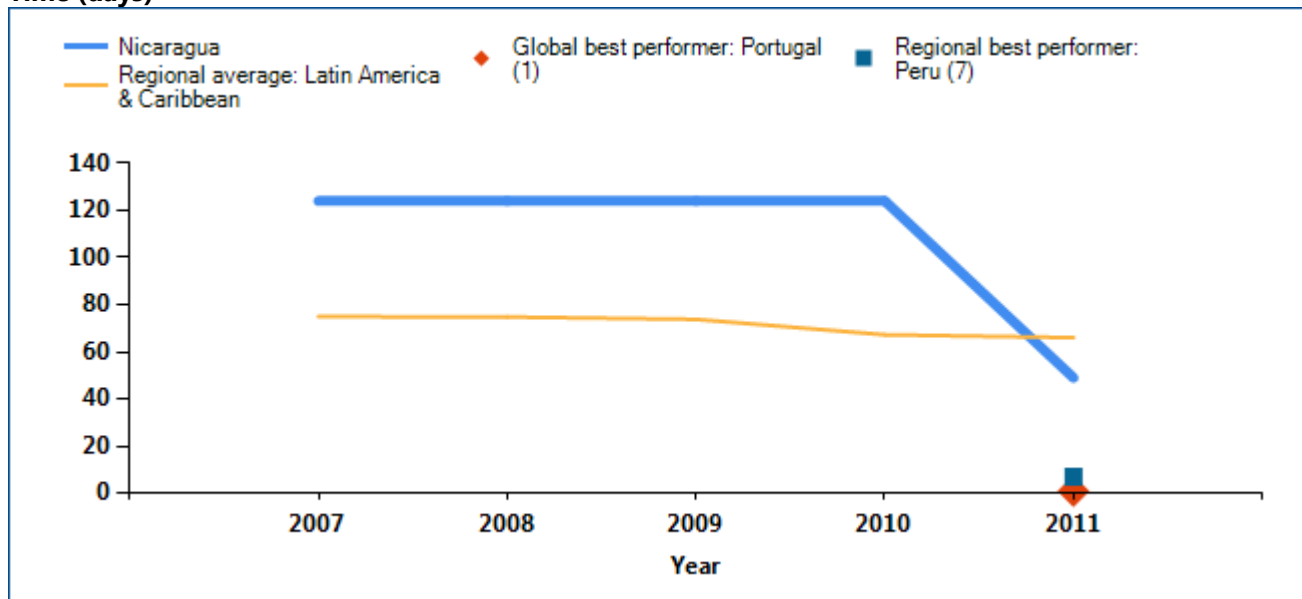
on ways to improve the ease of registering property. And changes in regional averages can show where Nicaragua is keeping up—and where it is falling behind.

Figure 5.3 Has registering property become easier over time?

### Procedures (number)

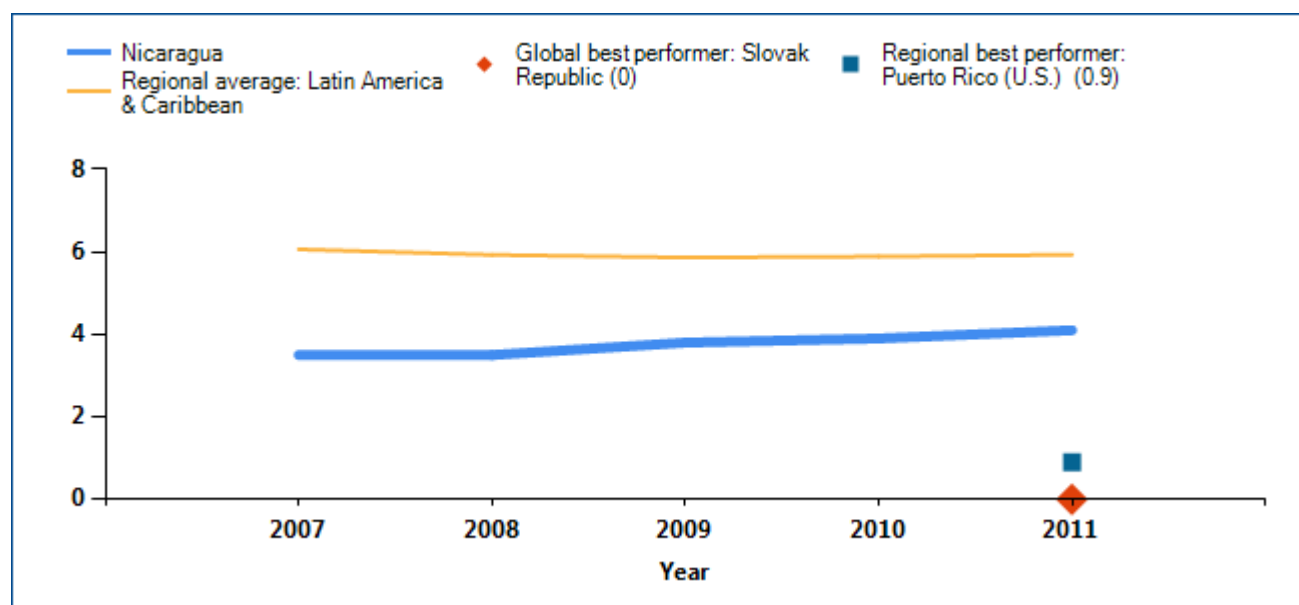


### Time (days)



## 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 Nicaragua (table 5.2)?

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

DB Year	Reform
<b>DB2012</b>	Nicaragua made transferring property more efficient by introducing a fast-track procedure for registration.
<b>DB2011</b>	No reform.
<b>DB2010</b>	No reform.
<b>DB2009</b>	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.

## 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:** Managua  
**Property Value:** 1,141,327.0

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

#### Summary of procedures for registering property in Nicaragua—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	<p><b>* Obtain a non-encumbrance certificate ("Libertad de gravamen") from Land registry</b></p> <p>The non-encumbrance certificate is an official document that shows all the owners of the real property since its first annotation or since the time that the interested person wants to know. The certificate must be obtained by the seller before starting the transaction formally. The "certificado a manera de titulo" (cost of NIO 100) can also be obtained from the registry, if the original title has been lost. The "certificado de historia registral" (cost NIO 100 + NIO 50 for every additional past transaction) that list all previous transactions related to the property can also be obtained.</p>	5 days (simultaneous with procedure 2)	NIO 50
2	<p><b>* Obtain tax clearance from the Municipality (Solvencia Municipal)</b></p> <p>A tax clearance certificate (Municipal Solvency) must be obtained by the seller from the municipality. The timing of 1 day assumes that the seller is up-to-date with tax payments on the property, and that he pays a fee of NIO 20. If he were to wait till the next business day to obtain it, it would be free of charge.</p>	1 day (simultaneous with procedure 1)	NIO 20
3	<p><b>A notary prepares and signs the public deed</b></p> <p>A notary public prepares and notarizes the public deed of purchase and sell between seller and buyer. The preparation of the deed is an exclusive act of the notary. The notary will review all past transactions from the record book on the Land Registry with the documents obtained above, to verify the ownership of the property. In practice, the notaries estimate their fees for this type of contract based on a percent, which varies between 1.5 and 2% of the property value according to agreement between the parties and notary.</p>	2 days	1.5 – 2.0% of property value (notary's fees)

No.	Procedure	Time to complete	Cost to complete
4	<p><b>Obtain the Cadastre Certificate and valuation at the Cadastre</b></p> <p>Parties must obtain the Cadastre Certificate and request a valuation from an inspector. In practice, the Cadastre requires a special power granted to notaries or any other person when the interested parties cannot realize this procedure. The parties can go to the Cadastre directly, in which case they do not need to present a special power. The Cadastre requests to see original property title (of the Seller). In case a special power is needed, the costs rise about C\$ 2,000 as the fees for the person who will go to the Cadastre, and C\$ 1,000 for the notary who will previously authorize and issue the special power.</p>	14 – 21 days	Cadastre Certificate NIO 360 + Cadastral valuation constancy NIO 100
5	<p><b>Inspector visits property to assess value</b></p> <p>After the cadastral certificate is obtained, an inspector visits the property to assess the value. In practice, one picks up the inspector and drives him/her to the property. It will take the inspector about one week to write the report on the value.</p>	7 days	no cost (but must provide transportation to inspector)
6	<p><b>Payment of Income/Transfer Tax</b></p> <p>Payment of Income/Transfer Tax at the Tax Administration Office, an agency of the Treasury Ministry. This percent is established depending on the Cadastre Value.</p> <p>The Cadastre value generally is not the same as the market price. For the payment of the transfer taxes, the fiscal authority takes as a base of calculation the highest value between the sale price in the public deed of purchase and Cadastral value.</p> <p>Fees of NIO 4 + 2 stamps of NIO 10 need to be paid to make the payment.</p> <p>The transfer tax rate of 1% was established by an injunction ("amparo") declaring the increase of the 2003 Ley de Queda Fiscal unconstitutional. An amendment to the Nicaraguan fiscal law entered into force on January 1st, 2010 (Law 712 published in the official Gazette No. 241 of December 21st 2009), changing the tax according to the following sliding scale, from 1% of the value of the property to the following percentages: 1% for properties with a value between US\$1.00 and US\$50,000.00, 2% for values between US\$50,000.01 and US\$100,000.00 and 3% for values above US\$100,000.01.</p>	1 day	sliding scale: 1% for properties with a value between USD1.00 and USD 50,000.00, 2% for values between USD 50,000.01 and USD 100,000.00 and 3% for values above USD 100,000.01
7	<p><b>The documents obtained from the Office of Cadastre are inserted in the public deed</b></p> <p>A notary will insert the documents obtained from the Offices of Cadastre in the public deed.</p>	1 day	NIO 200 (Notary's fees)
8	<p><b>Apply for registration of the public deed at the Land Registry</b></p> <p>Parties file the public deed at the Land Registry for its proper registration. The amount is calculated based on 1% of the cadastral value, with a maximum fee of NIO 30,000. This payment is made directly in the branch of a commercial bank that is located inside the Land Registry Office. The notary applying for registration will charge C\$500 as</p>	15 days (expedited procedure)	1% of cadastral value (registration fee) + NIO 500 (Notary's fees) + 20% of the registration fee for the expedited

No.	Procedure	Time to complete	Cost to complete
	<p>fees.</p> <p>At submission, the request for transfer is recorded, signaling priority rights over the property. The registration of property transfers is very slow and can take longer than 90 days. When finalized, the Land registry will write in the original deed, the book and page where the transfer was recorded. This document is then returned to the notary with all the other certificates provided.</p> <p>The Land registry operates with paper documents. However, the sale deeds are scanned and almost all past records are digitalized in Managua. In the rest of the departments in the country, records are not always accessible digitally. Newer transactions (less than 1 year) are not always digitalized. Any person can access past deeds with computers at the Land registry at no cost.</p>		<p>procedure</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%).



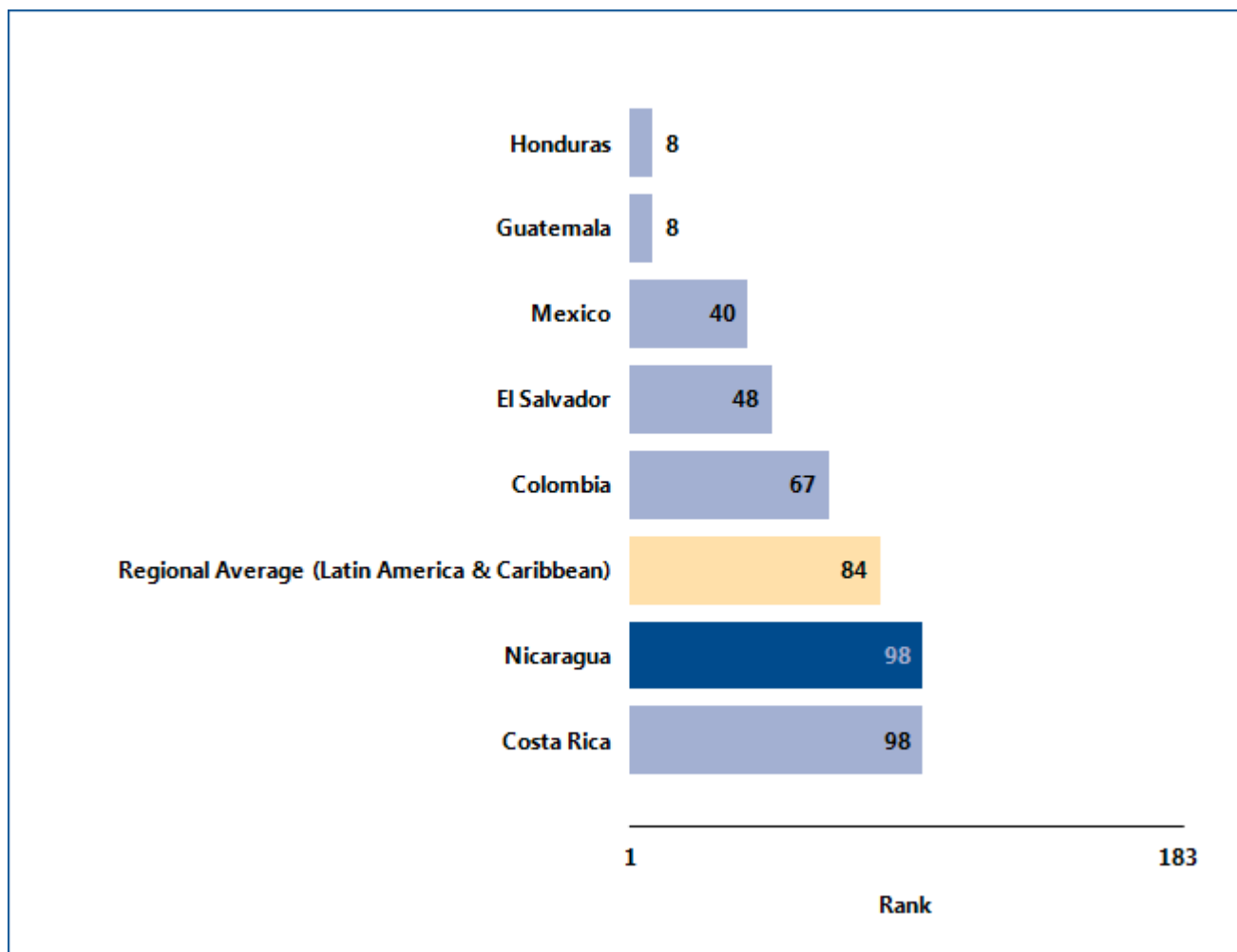
## GETTING CREDIT

### Where does the economy stand today?

How well do the credit information system and collateral and bankruptcy laws in Nicaragua facilitate access to credit? The economy has a score of 5 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, Nicaragua stands at 98 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 Nicaragua support lending and borrowing.

Figure 6.1 How Nicaragua 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 Nicaragua 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 Nicaragua over time  
By *Doing Business* report year

Indicator	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	96	98
Strength of legal rights index (0-10)	3	3	3	3	3	3	3	3
Depth of credit information index (0-6)	3	4	5	5	5	5	5	5
Public registry coverage (% of adults)	6.2	8.1	12.5	14.8	13.4	16.0	14.0	10.5
Private bureau coverage (% of adults)	0.0	0.0	3.4	100.0	27.9	28.4	21.4	31.9

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.

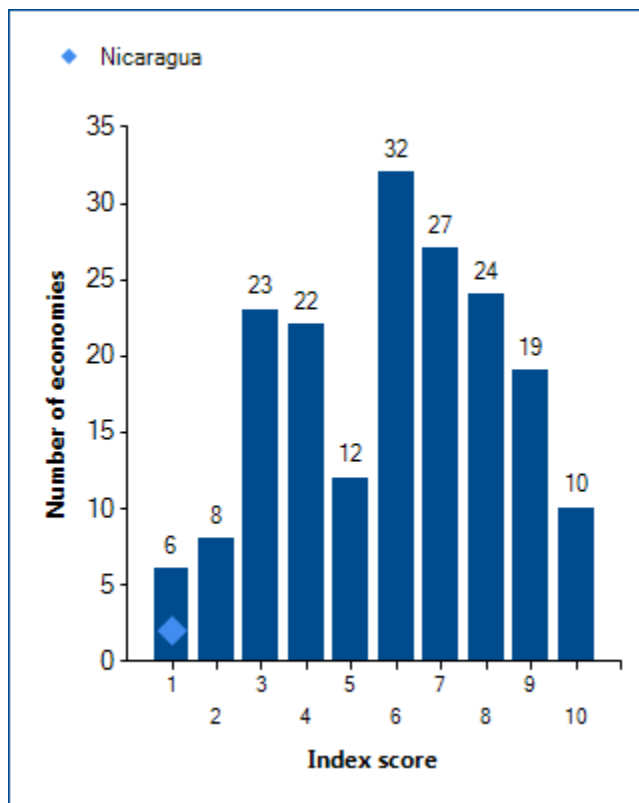
## GETTING CREDIT

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 Nicaragua 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?**

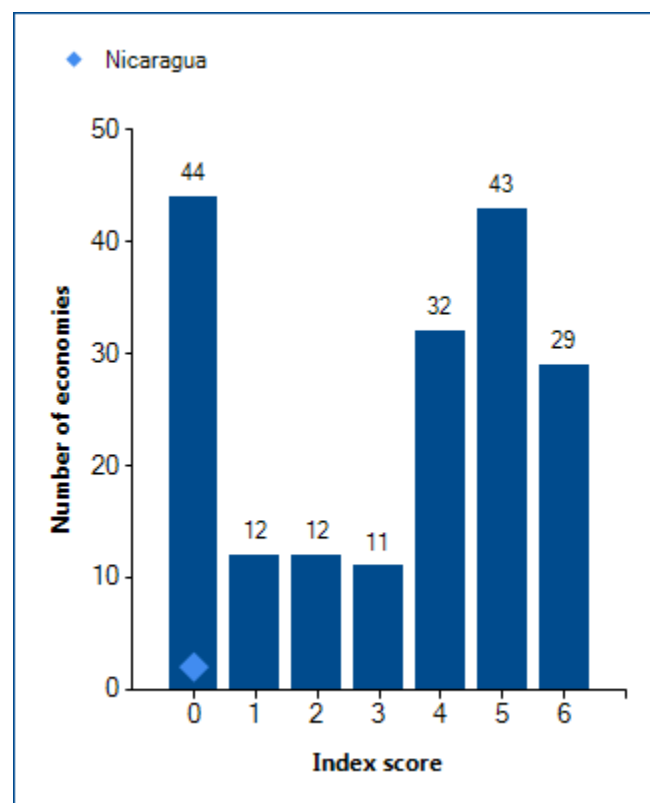
Number of economies with each score on strength of legal rights index (0–10), 2011



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 Nicaragua (table 6.2)?

Table 6.2 How has Nicaragua 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 Nicaragua 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 Nicaragua

Indicator	Nicaragua	Latin America & Caribbean	OECD high income
<b>Strength of legal rights index (0-10)</b>	3	6	7
<b>Depth of credit information index (0-6)</b>	5	3	5
<b>Public registry coverage (% of adults)</b>	10.5	10.1	9.5
<b>Private bureau coverage (% of adults)</b>	31.9	34.2	63.9

<b>Strength of legal rights index (0–10)</b>	<b>Index score: 3</b>
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?	No
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?	Yes

<b>Strength of legal rights index (0–10)</b>	<b>Index score: 3</b>
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

<b>Depth of credit information index (0–6)</b>	<b>Private credit bureau</b>	<b>Public credit registry</b>	<b>Index score: 5</b>
Are data on both firms and individuals distributed?	Yes	Yes	1
Are both positive and negative data distributed?	Yes	Yes	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	Yes	No	1
Are more than 2 years of historical credit information distributed?	No	No	0
Is data on all loans below 1% of income per capita distributed?	Yes	Yes	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	Yes	Yes	1

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

<b>Coverage</b>	<b>Private credit bureau</b>	<b>Public credit registry</b>
<b>Number of firms</b>	4,286	2,497
<b>Number of individuals</b>	1,127,965	368,393

*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

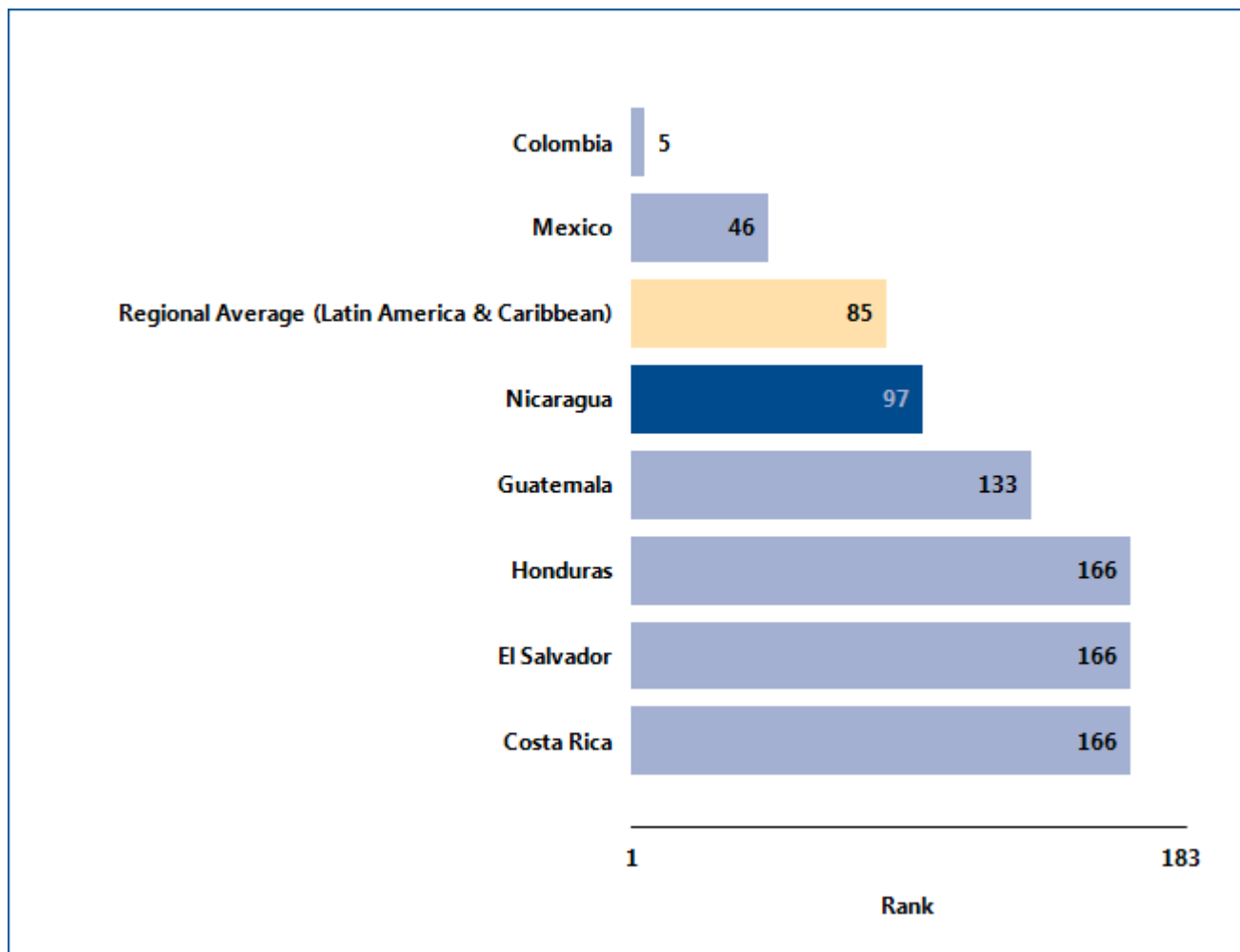
### Where does the economy stand today?

How strong are investor protections in Nicaragua? The economy has a score of 5.0 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, Nicaragua stands at 97 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 Nicaragua 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 Nicaragua 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 Nicaragua over time  
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	93	97
Extent of disclosure index (0-10)	4	4	4	4	4	4	4
Extent of director liability index (0-10)	5	5	5	5	5	5	5
Ease of shareholder suits index (0-10)	6	6	6	6	6	6	6
Strength of investor protection index (0-10)	5.0	5.0	5.0	5.0	5.0	5.0	5.0

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.

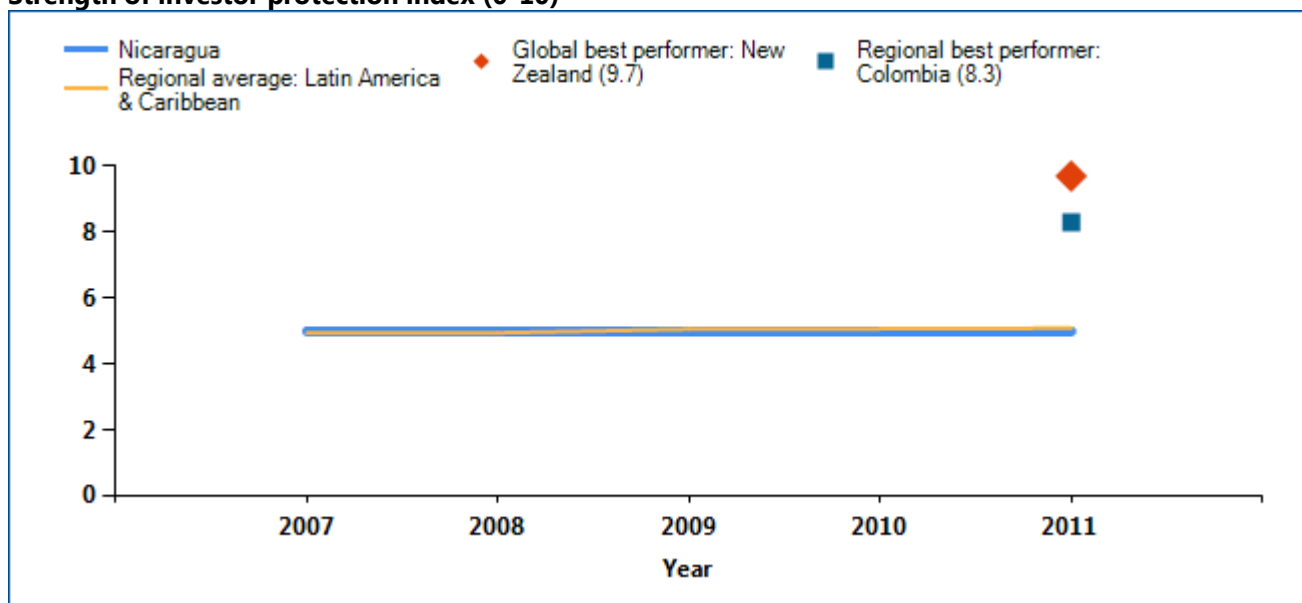
## PROTECTING INVESTORS

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 Nicaragua on the extent of disclosure, extent of director liability

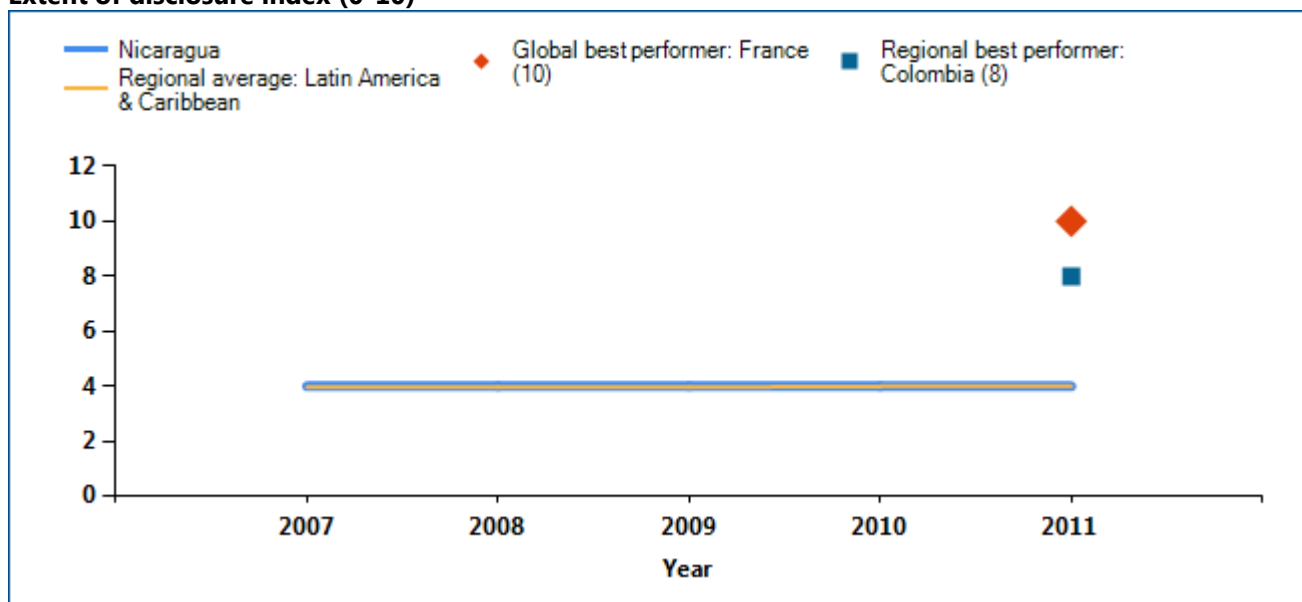
and ease of shareholder suits indices may also be revealing (figure 7.2). Equally interesting may be the changes over time in the regional average scores for those indices.

Figure 7.2 Have investor protections become stronger?

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

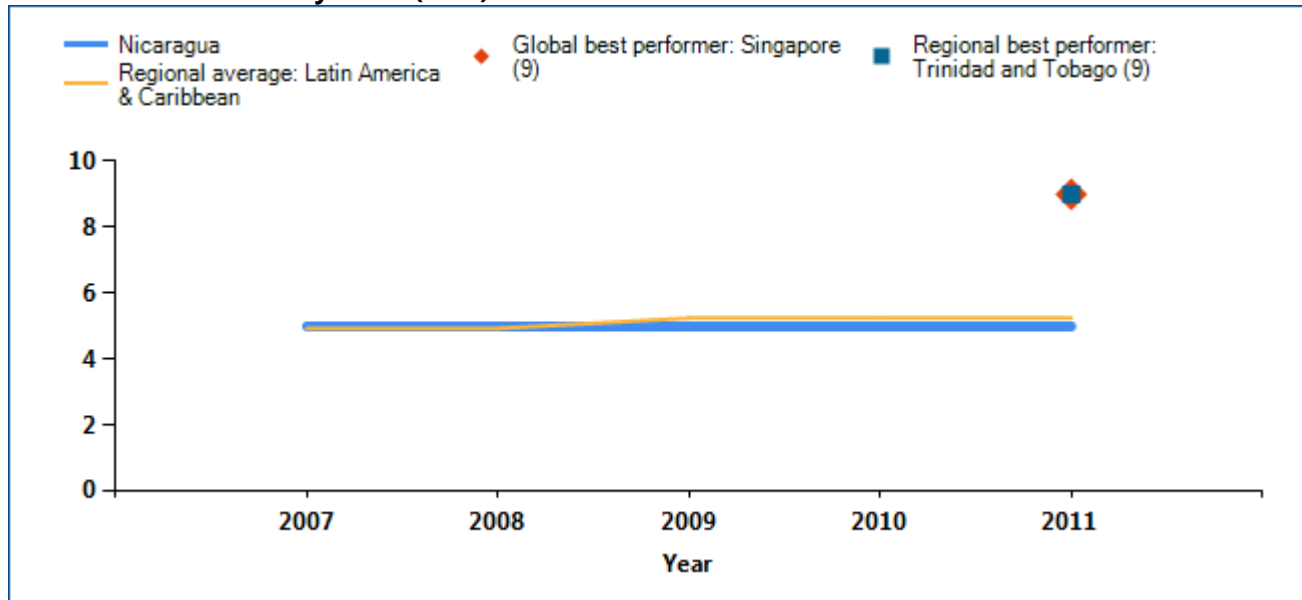


### Extent of disclosure index (0-10)

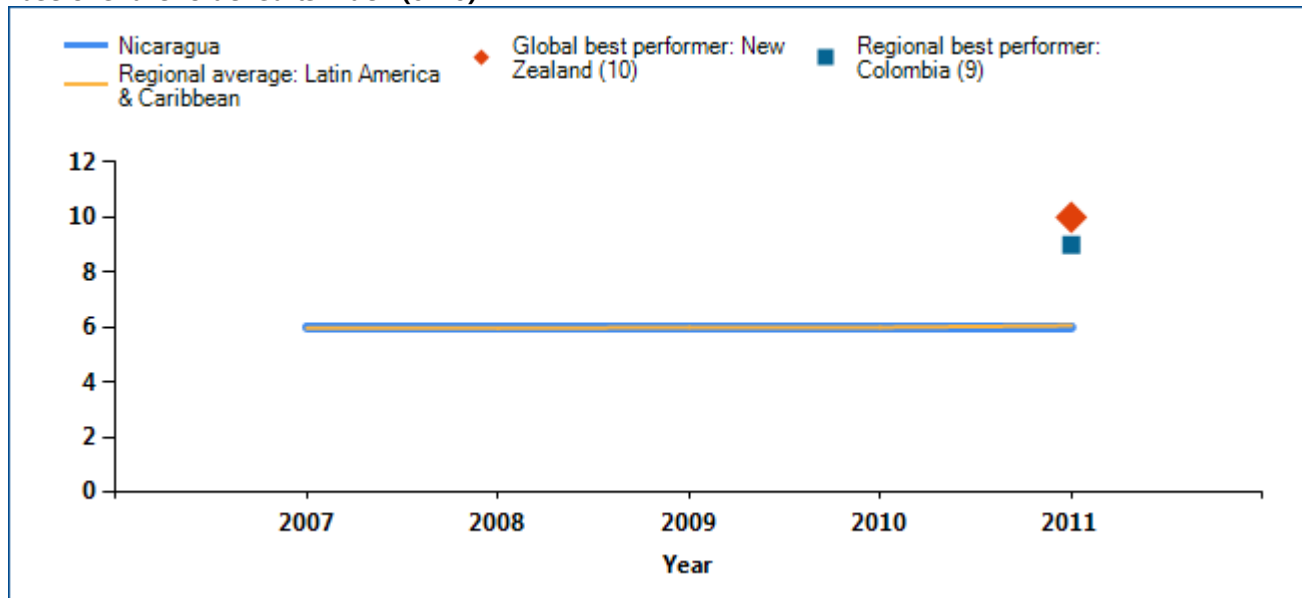


## PROTECTING INVESTORS

## 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 Nicaragua (table 7.2)?

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

DB Year	Reform
<b>DB2012</b>	No reform.
<b>DB2011</b>	No reform.
<b>DB2010</b>	No reform.
<b>DB2009</b>	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 Nicaragua 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 Nicaragua.

#### Summary of scoring for the protecting investors indicators in Nicaragua

Indicator	Nicaragua	Latin America & Caribbean	OECD high income
<b>Extent of disclosure index (0-10)</b>	4	4	6
<b>Extent of director liability index (0-10)</b>	5	5	5
<b>Ease of shareholder suits index (0-10)</b>	6	6	7
<b>Strength of investor protection index (0-10)</b>	5.0	5.1	6.0

	Score
Extent of disclosure index (0-10)	4
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?	0
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)	5
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?	1

	Score
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	1
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?	0
Ease of shareholder suits index (0-10)	6
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?	0
Whether the level of proof required for civil suits is lower than that of criminal cases?	1
Strength of investor protection index (0-10)	5.0

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.<sup>2</sup> 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.

<sup>2</sup> 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.

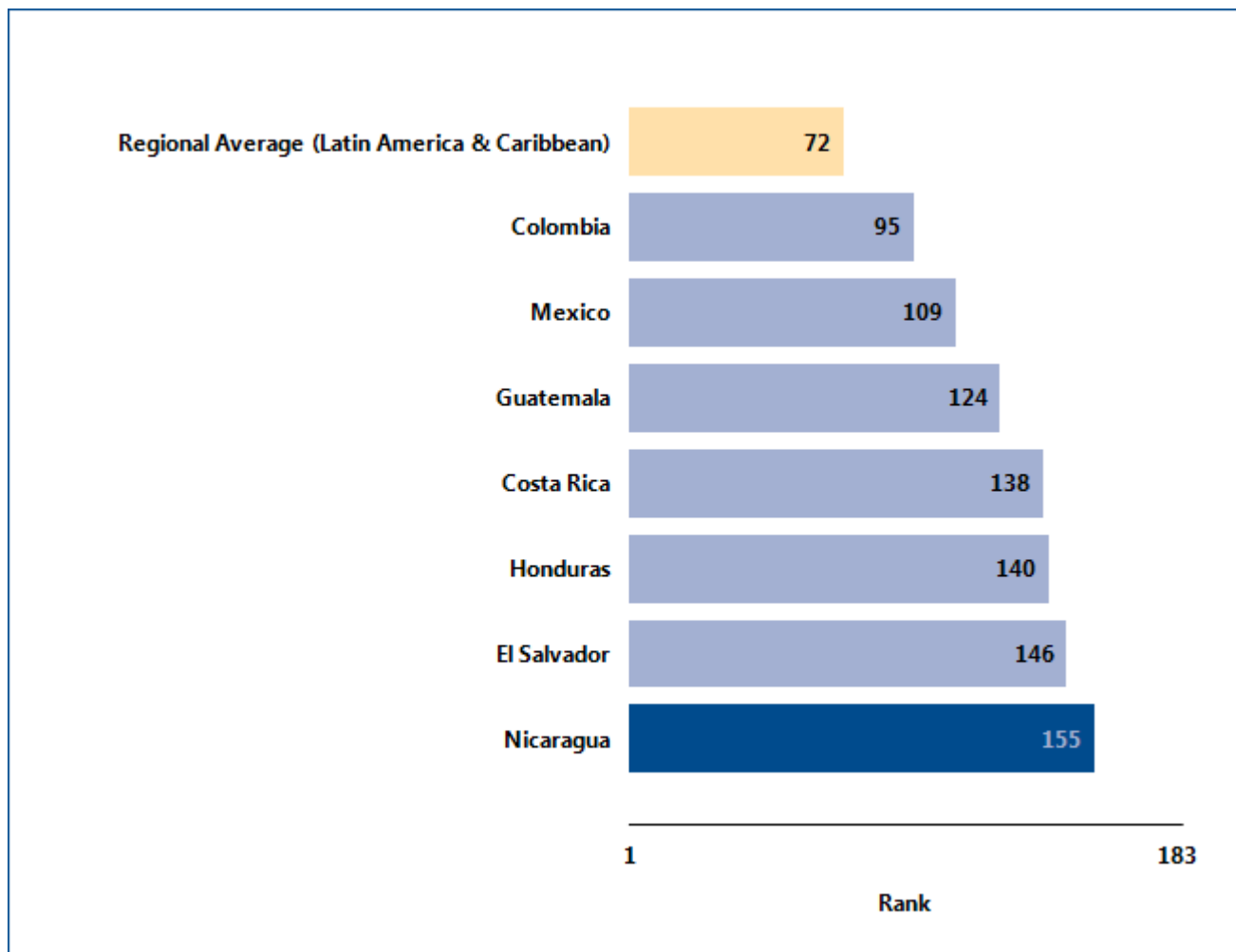
## PAYING TAXES

### Where does the economy stand today?

What is the administrative burden of complying with taxes in Nicaragua—and how much do firms pay in taxes? On average, firms make 42 tax payments a year, spend 207 hours a year filing, preparing and paying taxes and pay total taxes amounting to 24.5% of profit (see the summary at the end of this chapter for details).

Globally, Nicaragua stands at 155 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 Nicaragua.

Figure 8.1 How Nicaragua 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 Nicaragua 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 Nicaragua over time  
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
<b>Rank</b>	..	..	..	..	..	158	155
<b>Payments (number per year)</b>	64	64	64	64	64	64	42
<b>Time (hours per year)</b>	240	240	240	240	240	222	207
<b>Total tax rate (% profit)</b>	63.5	63.5	63.5	63.2	63.2	63.2	66.8

*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.

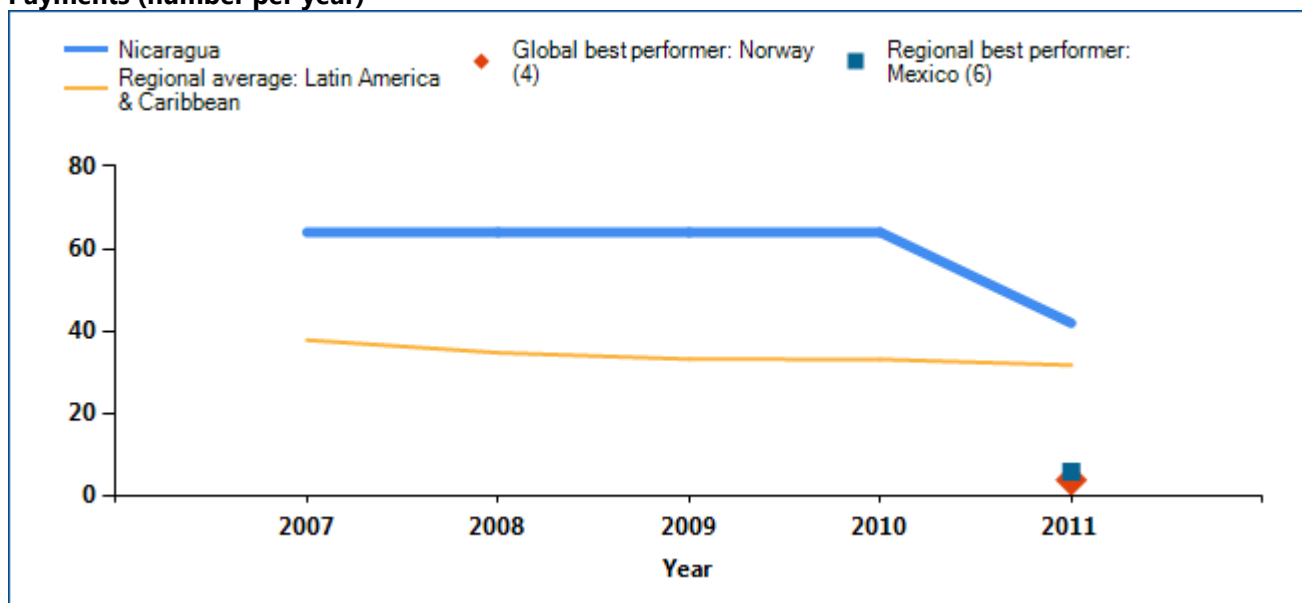
## PAYING TAXES

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 Nicaragua

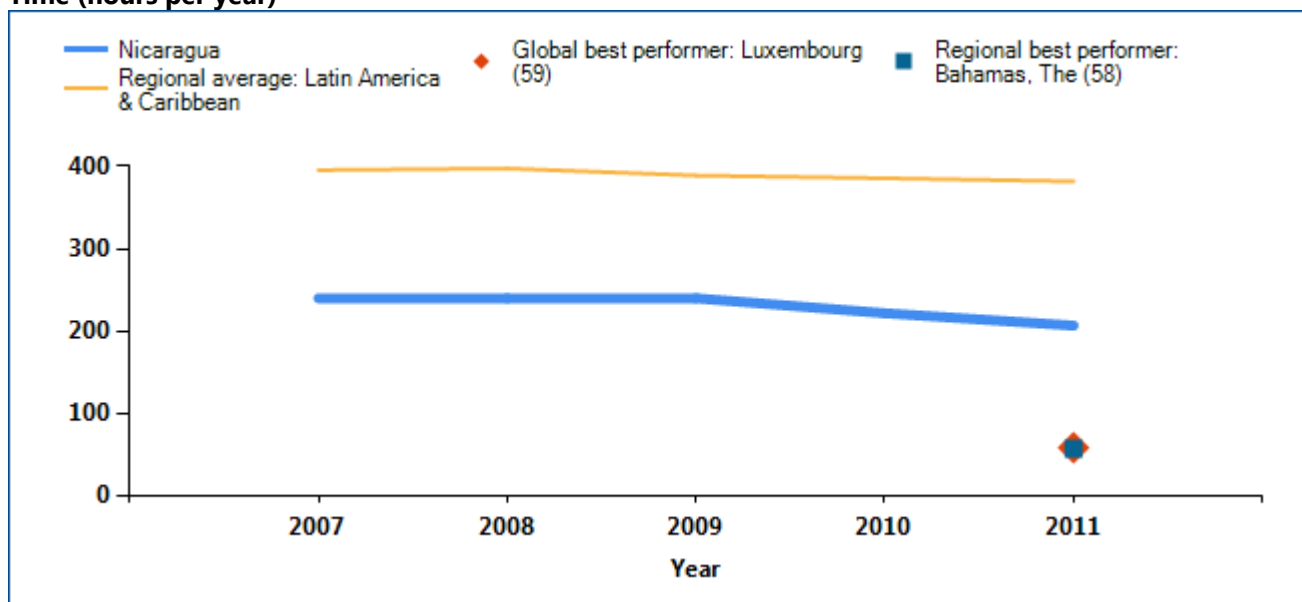
on ways to ease the administrative burden of tax compliance. And changes in regional averages can show where Nicaragua is keeping up—and where it is falling behind.

Figure 8.2 Has paying taxes become easier over time?

### Payments (number per year)

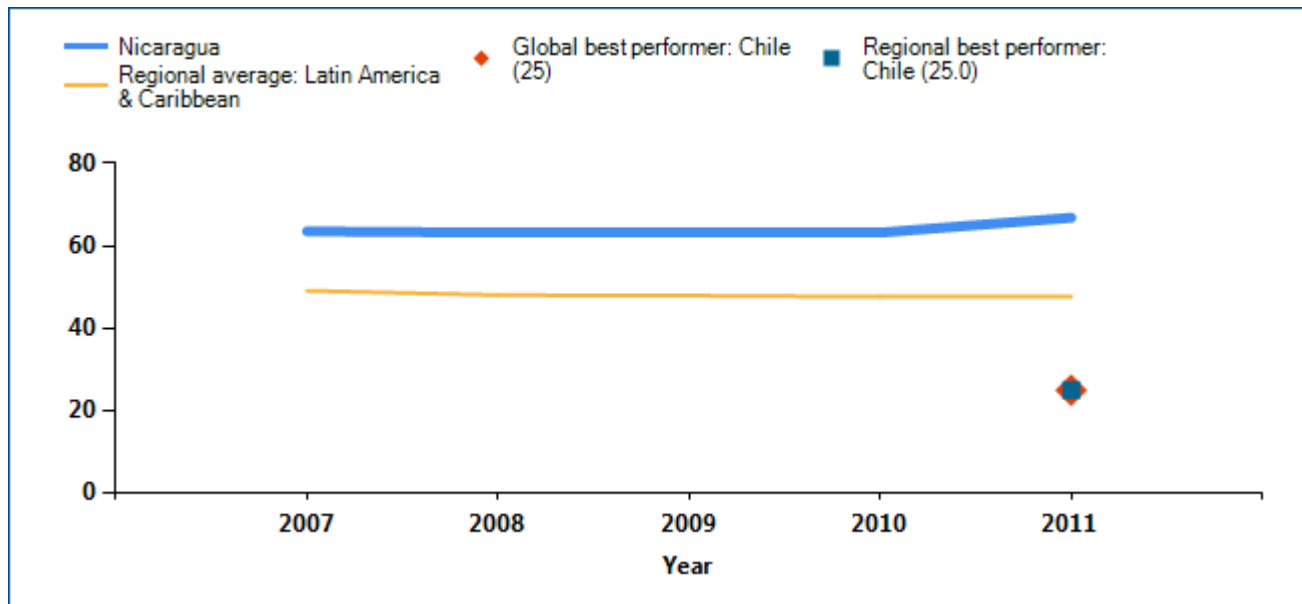


### Time (hours per year)



## 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 Nicaragua (table 8.2)?

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

DB Year	Reform
<b>DB2012</b>	Nicaragua made paying taxes easier for companies by promoting electronic filing and payment of the major taxes, an option now used by the majority of taxpayers.
<b>DB2011</b>	Nicaragua increased taxes on firms by raising social security contribution rates and introducing a 10% withholding tax on the gross interest accrued from deposits. It also improved electronic payment of taxes through bank transfer.
<b>DB2010</b>	No reform.
<b>DB2009</b>	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.

## PAYING TAXES

### What are the details?

The indicators reported here for Nicaragua 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 Nicaragua

Indicator	Nicaragua	Latin America & Caribbean	OECD high income
<b>Payments (number per year)</b>	42	32	13
<b>Time (hours per year)</b>	207	382	186
<b>Profit tax (%)</b>	24.5	19.9	15.4
<b>Labor tax and contributions (%)</b>	20.3	14.6	24.0
<b>Other taxes (%)</b>	22.0	13.2	3.2
<b>Total tax rate (% profit)</b>	66.8	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
<b>Corporate income tax</b>	1	online filing	67	24.8%	taxable income	24.5	
<b>Social security contributions</b>	12		76	16.92%	gross salaries	18	
<b>Turnover tax</b>	12		0	17.68%	sales (purchase cost)	17.7	
<b>Assets tax</b>	1		0	4.8%	assessed total asset value	4.8	included in other taxes
<b>Profit tax</b>	1		0	10%	distributed profits	2.9	
<b>Training tax</b>	12		0	2.3%	gross salaries	2.3	

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
<b>Real estate tax</b>	1		0	1.48%	property value	1.5	
<b>Value added tax (VAT)</b>	1	online filing	64		value added	0	not included
<b>fuel tax</b>	1		0	fixed fee	included in fuel price	0	
<b>Totals</b>	<b>42</b>		<b>207</b>			<b>66.8</b>	

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.

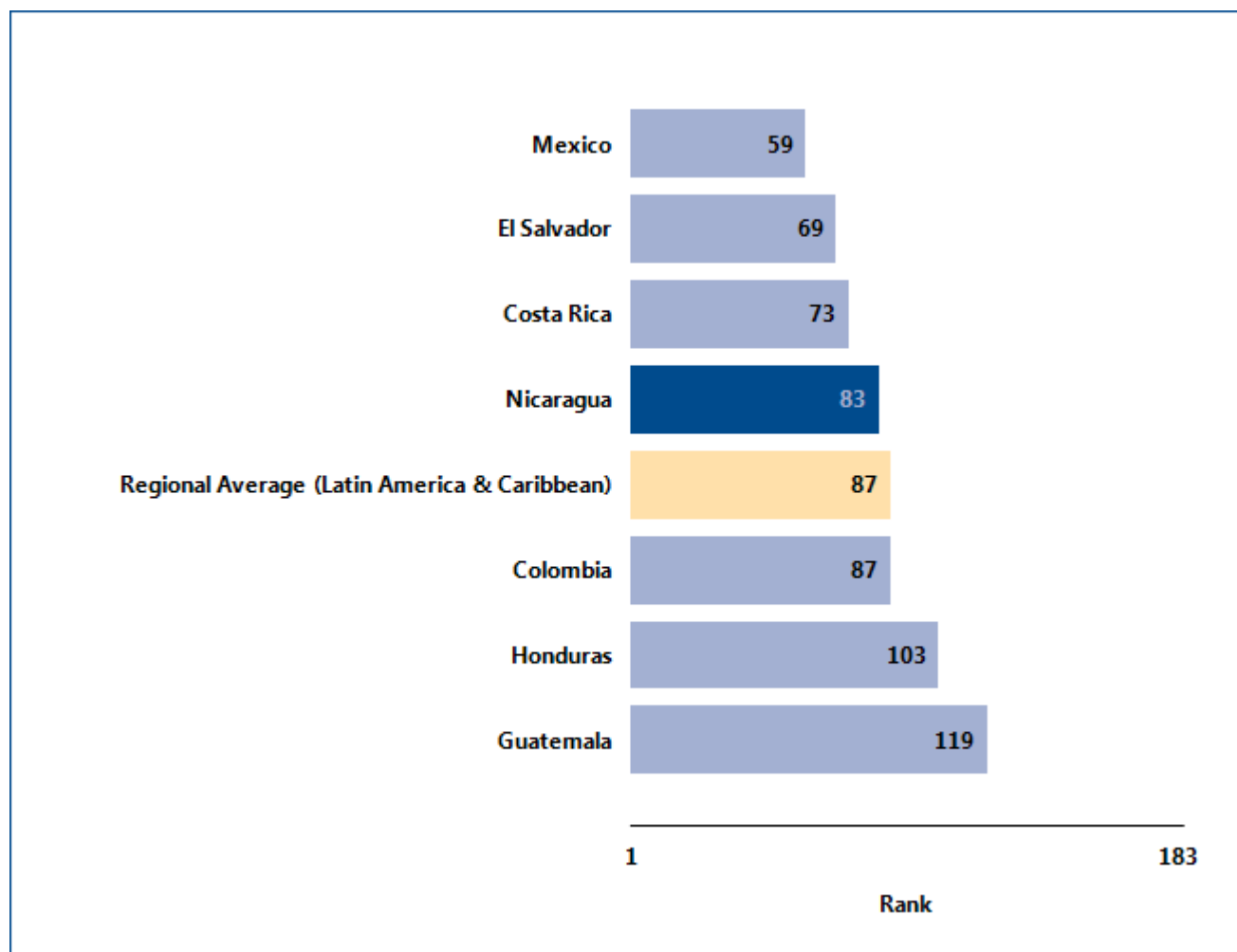
## TRADING ACROSS BORDERS

### Where does the economy stand today?

What does it take to export or import in Nicaragua? According to data collected by *Doing Business*, exporting a standard container of goods requires 5 documents, takes 24 days and costs \$1140. Importing the same container of goods requires 5 documents, takes 23 days and costs \$1220 (see the summary of procedures and documents at the end of this chapter for details).

Globally, Nicaragua stands at 83 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 Nicaragua to export and import goods.

Figure 9.1 How Nicaragua 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 Nicaragua 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 Nicaragua over time  
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	85	83
Documents to export (number)	6	5	5	5	5	5	5
Time to export (days)	38	36	36	29	29	26	24
Cost to export (US\$ per container)	1,020	1,021	1,021	1,300	1,340	1,140	1,140
Documents to import (number)	7	5	5	5	5	5	5
Time to import (days)	37	37	37	28	28	25	23
Cost to import (US\$ per container)	1,020	1,054	1,054	1,420	1,420	1,220	1,220

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.

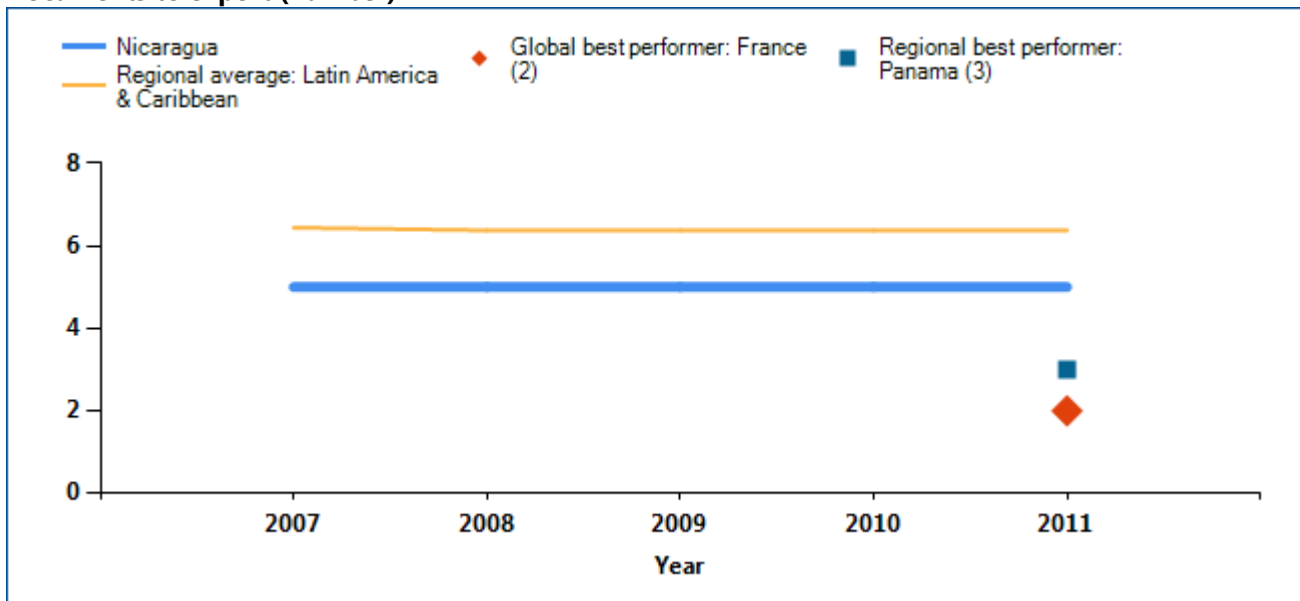
Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the documents, time or cost required to export or import (figure 9.2). These economies may provide a model for Nicaragua on

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

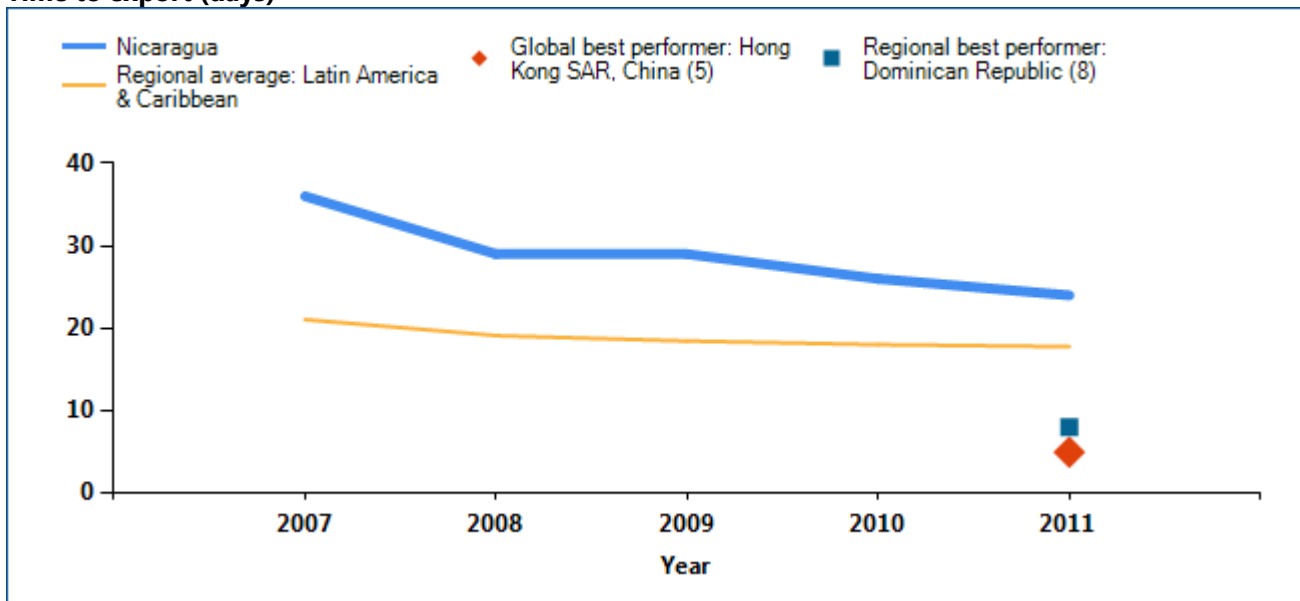
## TRADING ACROSS BORDERS

Figure 9.2 Has trading across borders become easier over time?

## Documents to export (number)

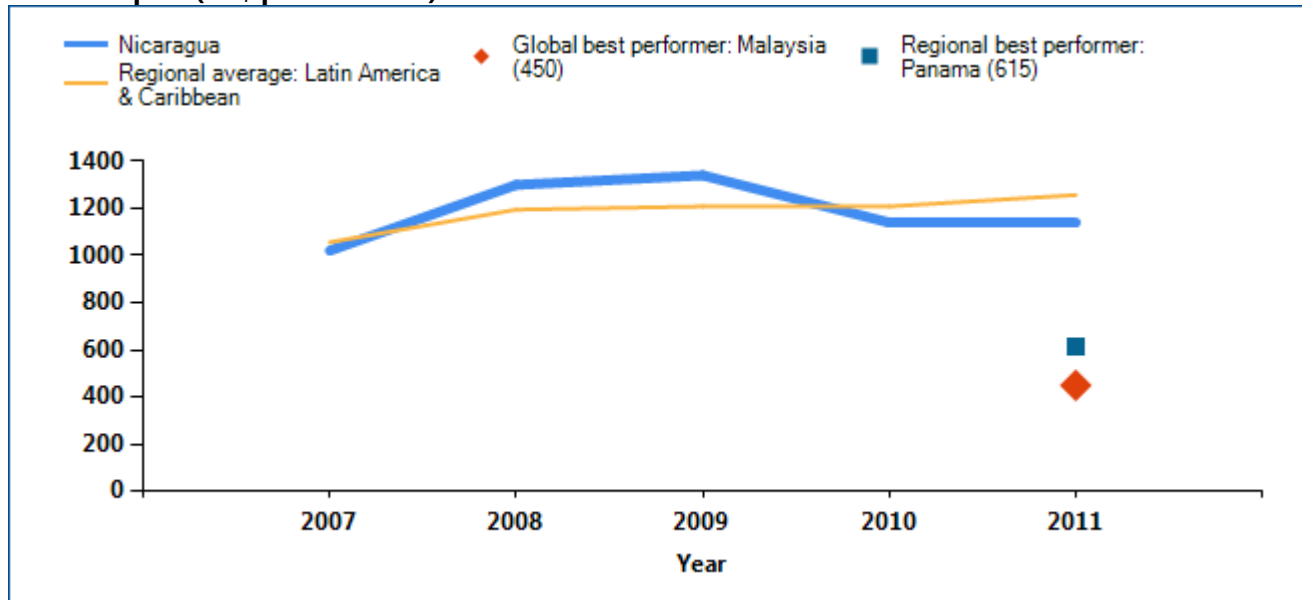


## Time to export (days)

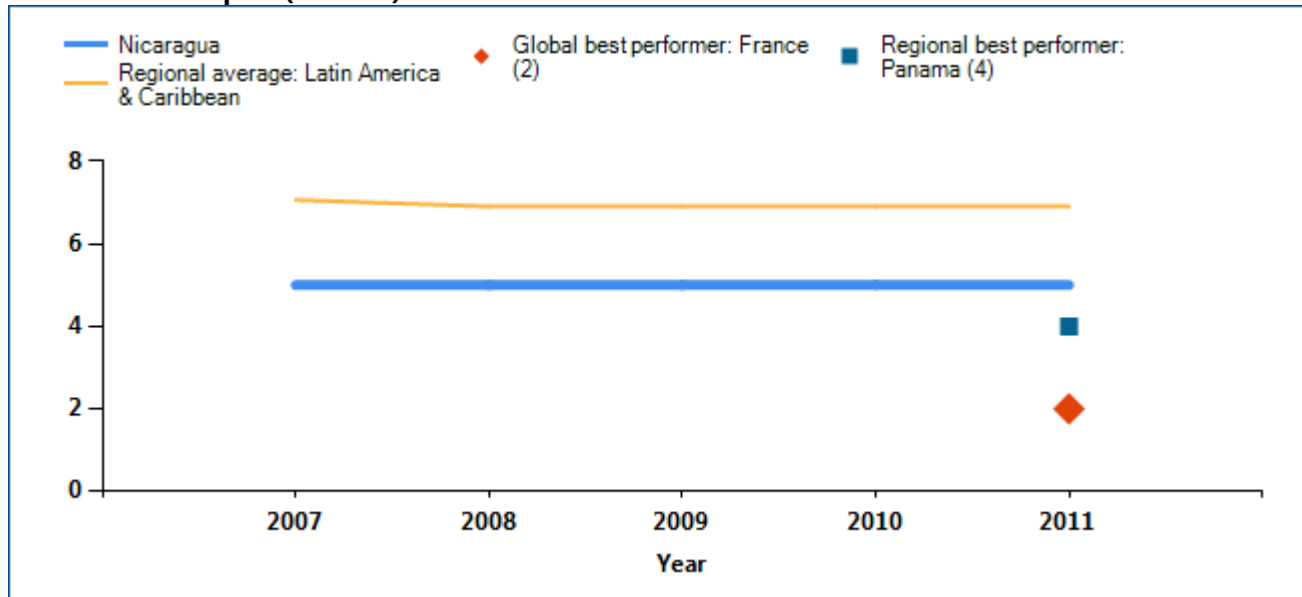


## TRADING ACROSS BORDERS

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

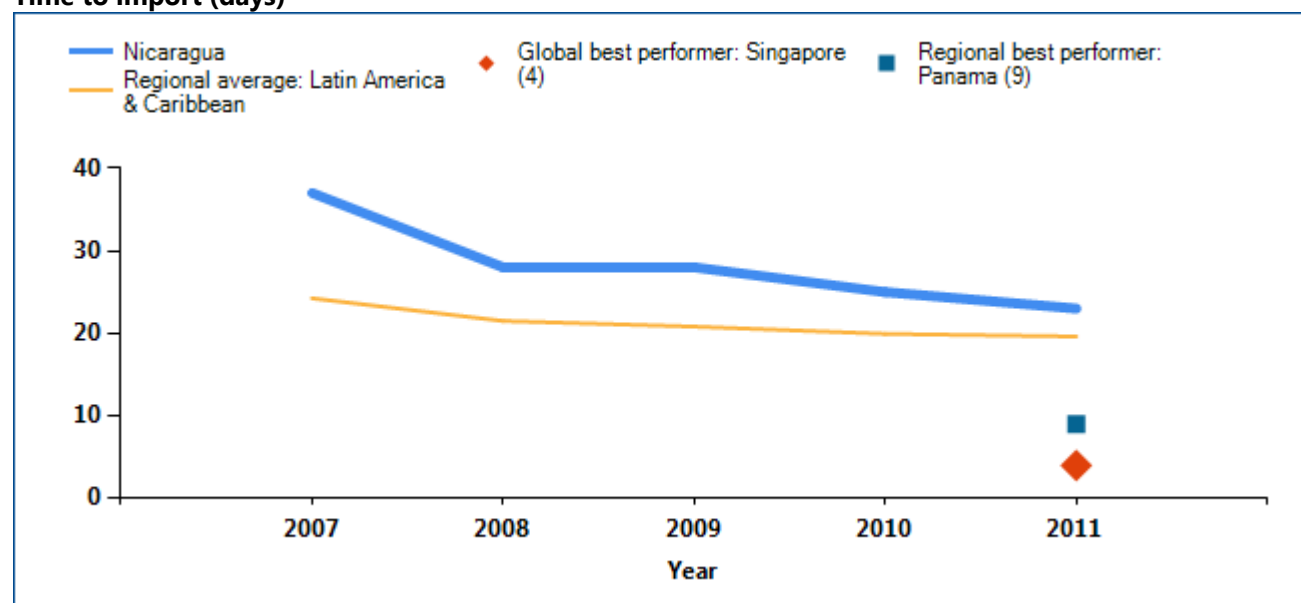


## Documents to import (number)

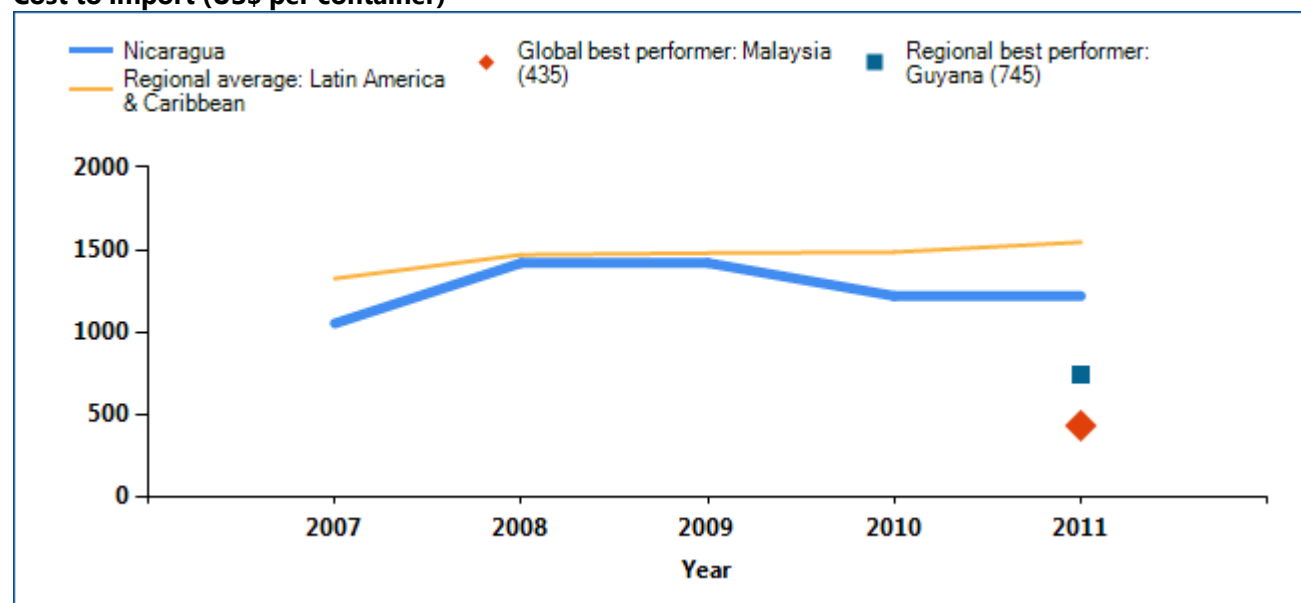


## TRADING ACROSS BORDERS

## 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 Nicaragua (table 9.2)?

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

DB Year	Reform
<b>DB2012</b>	No reform.
<b>DB2011</b>	Nicaragua expedited trade by migrating to a new electronic data interchange system for customs, setting up a physical one-stop shop for exports and investing in new equipment at the port of Corinto.
<b>DB2010</b>	No reform.
<b>DB2009</b>	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.

## TRADING ACROSS BORDERS

### What are the details?

The indicators reported here for Nicaragua 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 Nicaragua

Indicator	Nicaragua	Latin America & Caribbean	OECD high income
<b>Documents to export (number)</b>	5	6	4
<b>Time to export (days)</b>	24	18	10
<b>Cost to export (US\$ per container)</b>	1140	1,257	1,032
<b>Documents to import (number)</b>	5	7	5
<b>Time to import (days)</b>	23	20	11
<b>Cost to import (US\$ per container)</b>	1220	1,546	1,085

Procedures to export	Time (days)	Cost (US\$)
Documents preparation	10	340
Customs clearance and technical control	3	80
Ports and terminal handling	6	120
Inland transportation and handling	5	600
<b>Totals</b>	<b>24</b>	<b>1140</b>

Procedures to import	Time (days)	Cost (US\$)
Documents preparation	11	300
Customs clearance and technical control	7	200
Ports and terminal handling	3	120
Inland transportation and handling	2	600
<b>Totals</b>	<b>23</b>	<b>1220</b>



## TRADING ACROSS BORDERS

Documents to export
Bill of lading
Customs export declaration
Commercial invoice
Certificate of origin
Quality Certificate

Documents to import
Packing list
Bill of lading
Certificate of origin
Commercial invoice
Fiscal Solvency

## 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.

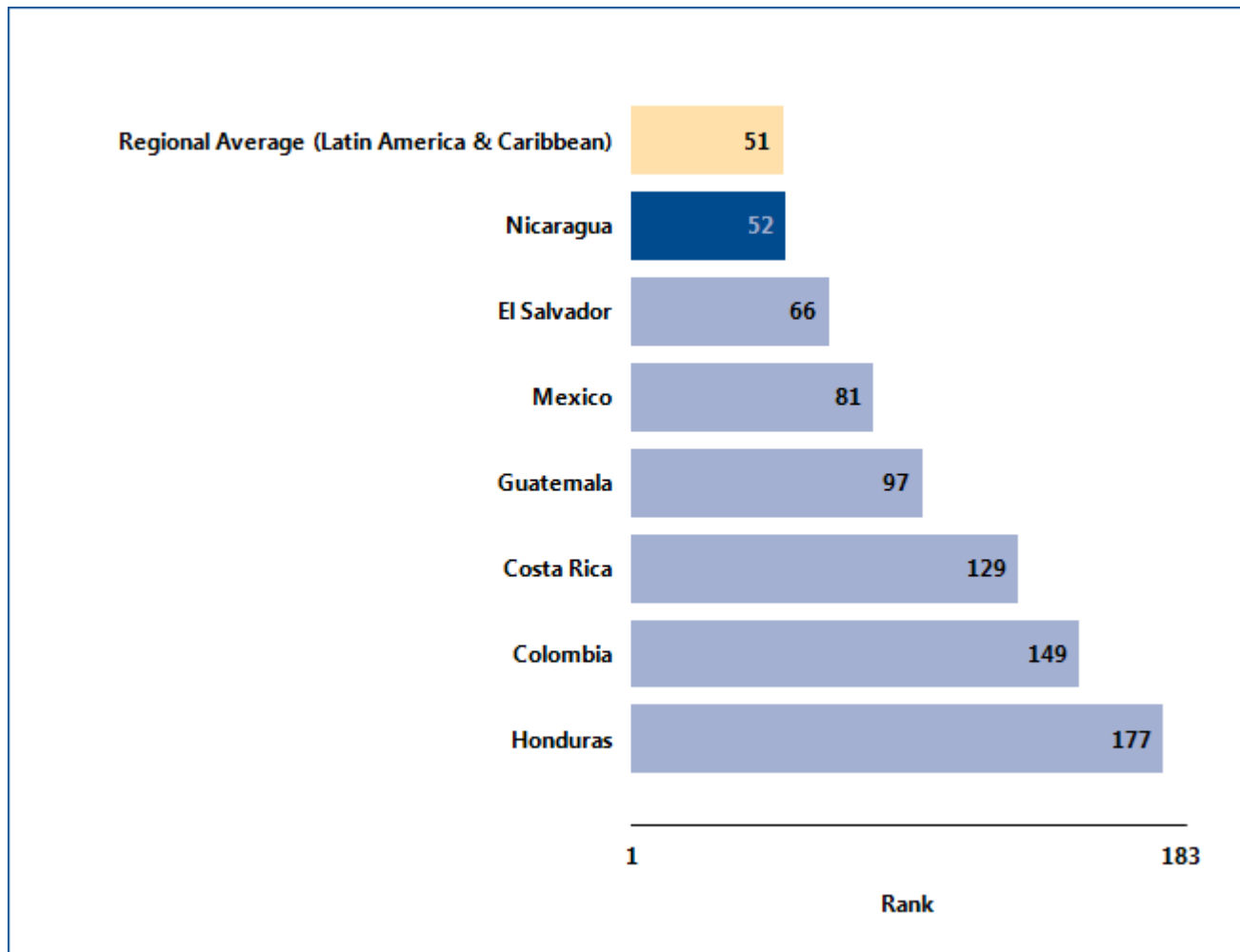
## ENFORCING CONTRACTS

### Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in Nicaragua? According to data collected by *Doing Business*, enforcing a contract requires 37 procedures, takes 409 days and costs 26.8% of the value of the claim (see the summary at the end of this chapter for details).

Globally, Nicaragua stands at 52 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 Nicaragua.

Figure 10.1 How Nicaragua 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 Nicaragua 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 Nicaragua over time  
By *Doing Business* report year

Indicator	DB2004	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	..	82	52
Time (days)	590	540	540	540	540	540	540	540	409
Cost (% of claim)	26.8	26.8	26.8	26.8	26.8	26.8	26.8	26.8	26.8
Procedures (number)	37	37	37	37	37	37	37	37	37

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.

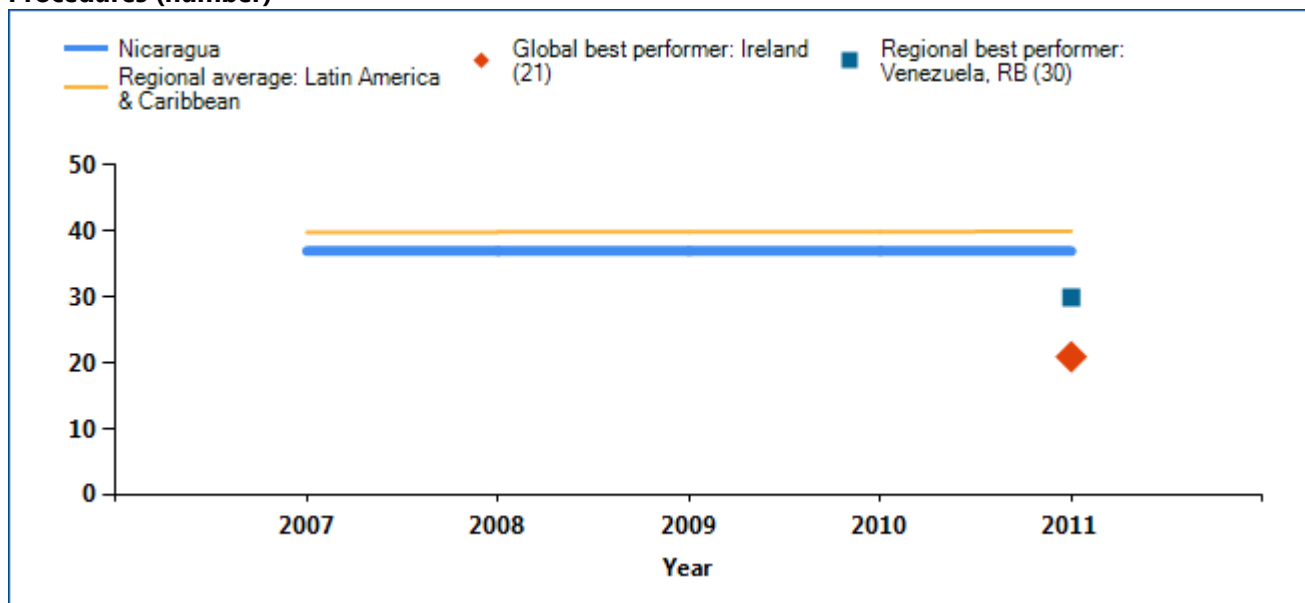
## ENFORCING CONTRACTS

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

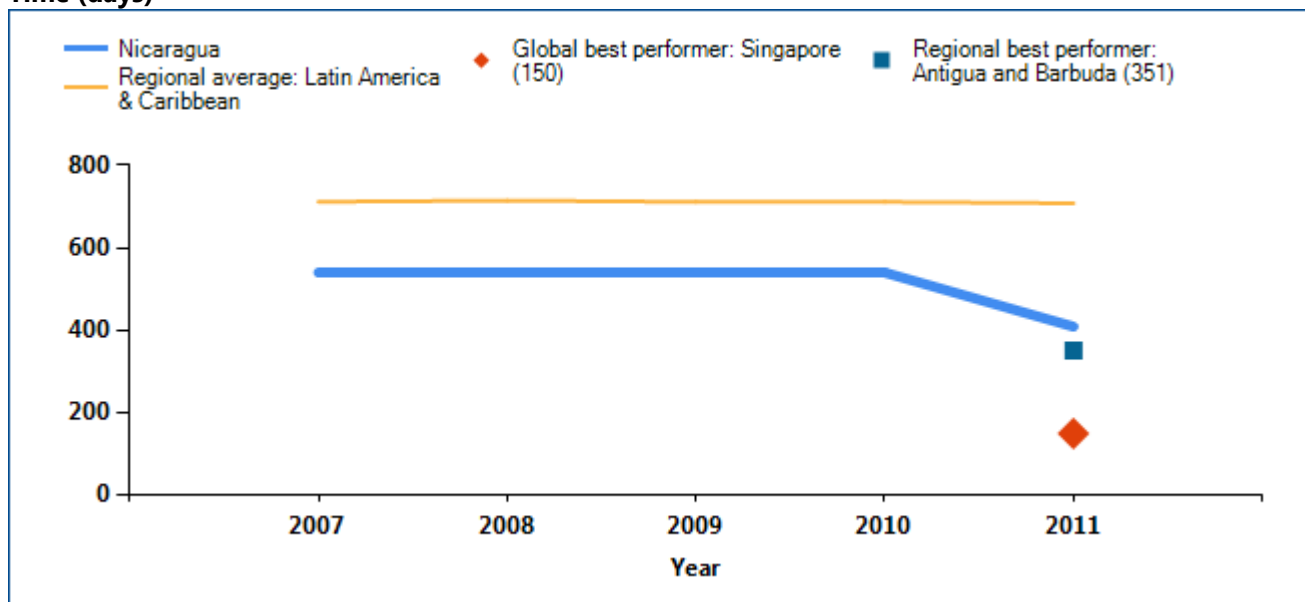
for Nicaragua on ways to improve the efficiency of contract enforcement. And changes in regional averages can show where Nicaragua is keeping up—and where it is falling behind.

Figure 10.2 Has enforcing contracts become easier over time?

### Procedures (number)

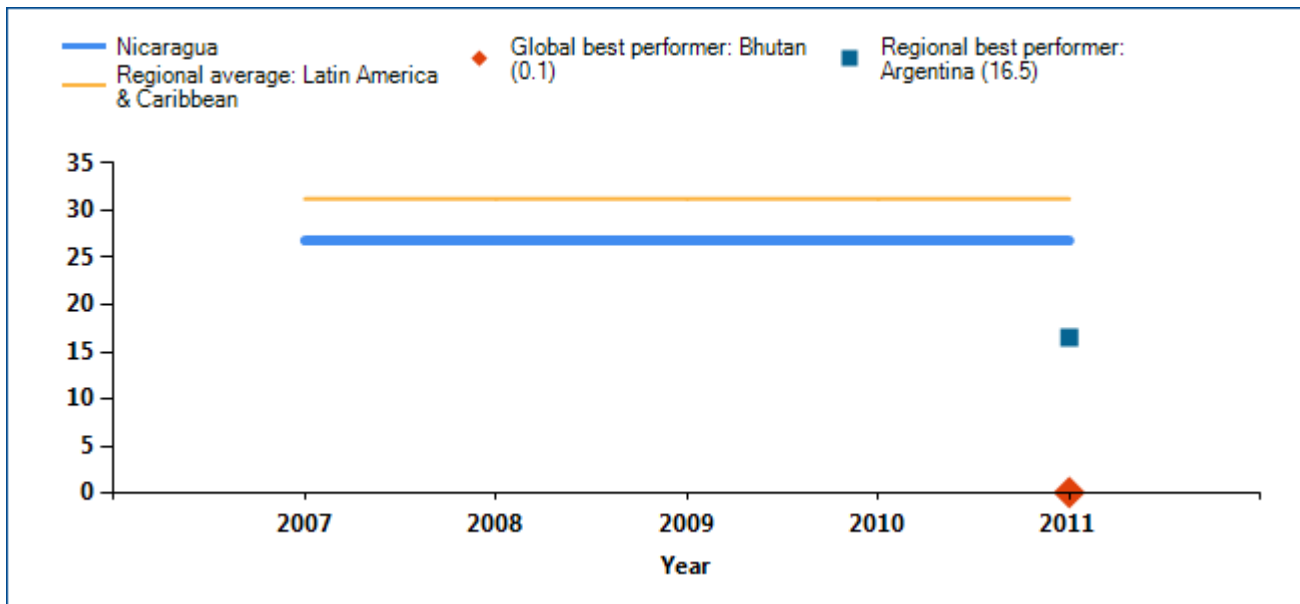


### Time (days)



## 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 Nicaragua (table 10.2)?

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

DB Year	Reform
<b>DB2012</b>	Nicaragua raised the monetary threshold for commercial claims that can be brought to the Managua local civil court, leaving lower-value claims in the local courts, where proceedings are simpler and faster.
<b>DB2011</b>	No reform.
<b>DB2010</b>	No reform.
<b>DB2009</b>	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 Nicaragua 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 Nicaragua—and the time and cost

Indicator	Nicaragua	Latin America & Caribbean	OECD high income
<b>Time (days)</b>	409	707.78	518.03
<b>Filing and service</b>	89		
<b>Trial and judgment</b>	230		
<b>Enforcement of judgment</b>	90		
<b>Cost (% of claim)</b>	26.8	31.21	19.71
<b>Attorney cost (% of claim)</b>	16.3		
<b>Court cost (% of claim)</b>	5.5		
<b>Enforcement Cost (% of claim)</b>	5		
<b>Procedures (number)</b>	37	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.

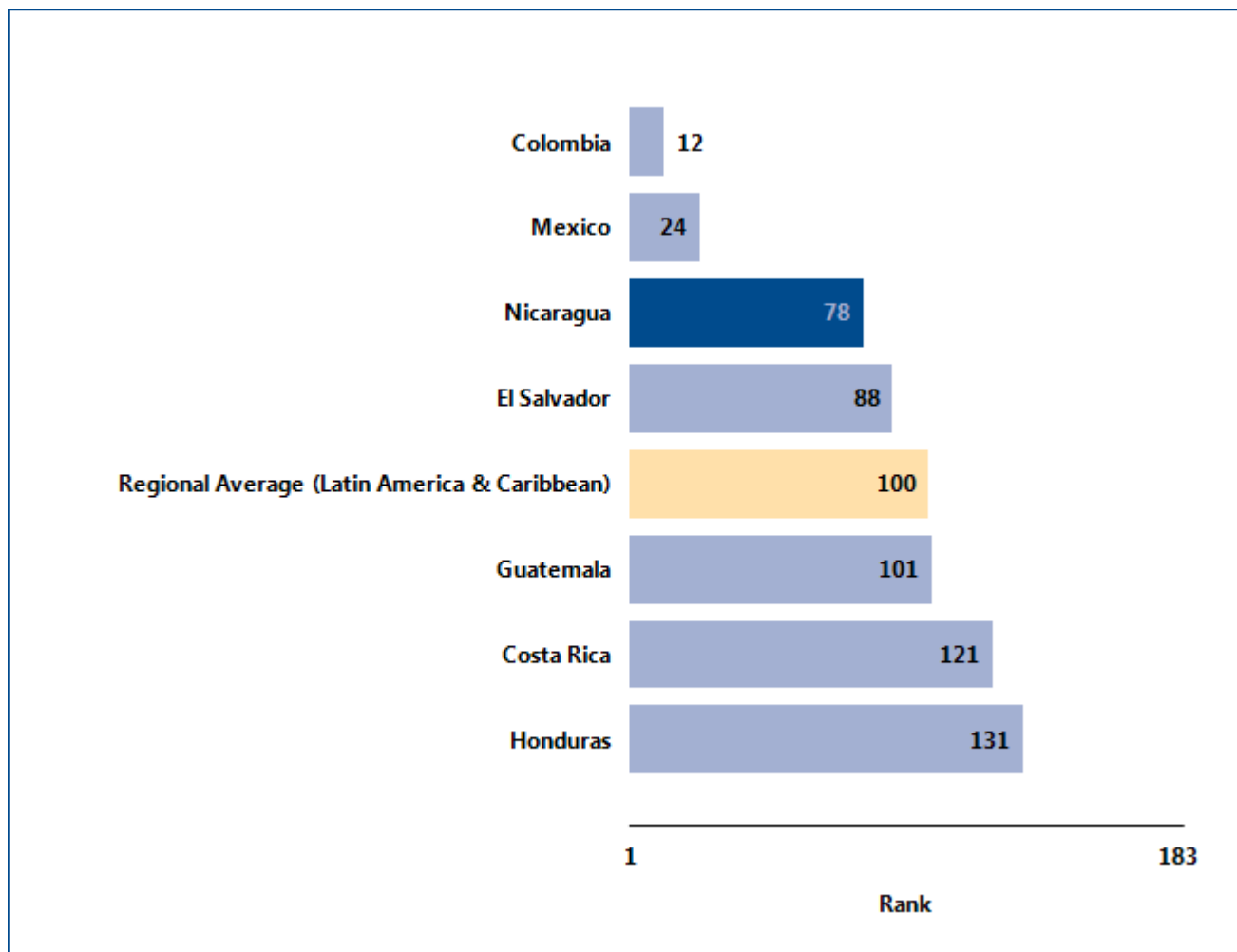
## RESOLVING INSOLVENCY

### 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 Nicaragua? According to data collected by *Doing Business*, resolving insolvency takes 2.2 years on average and costs 15% of the debtor's estate. The average recovery rate is 35.1 cents on the dollar.

Globally, Nicaragua stands at 78 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 Nicaragua.

Figure 11.1 How Nicaragua 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 Nicaragua 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 Nicaragua over time  
By *Doing Business* report year

Indicator	DB2004	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	..	80	78
Time (years)	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Cost (% of estate)	15	15	15	15	15	15	15	15	15
Recovery rate (cents on the dollar)	31.5	33.4	34.0	34.5	34.6	34.3	34.3	33.7	35.1

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.

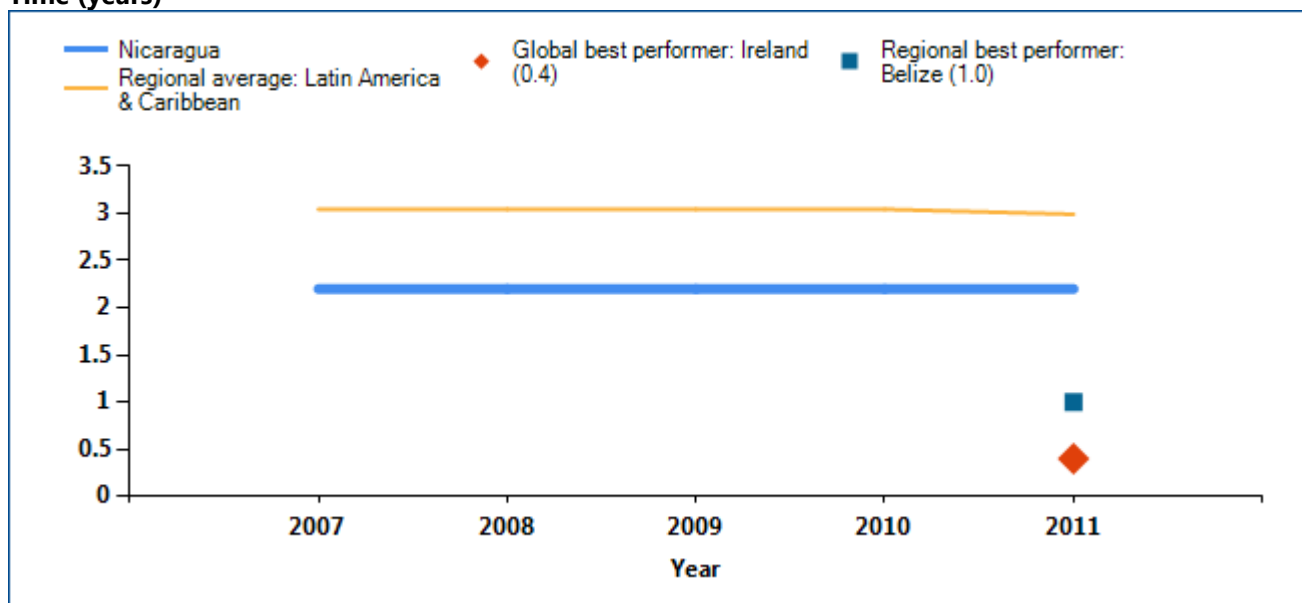
## RESOLVING INSOLVENCY

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 Nicaragua

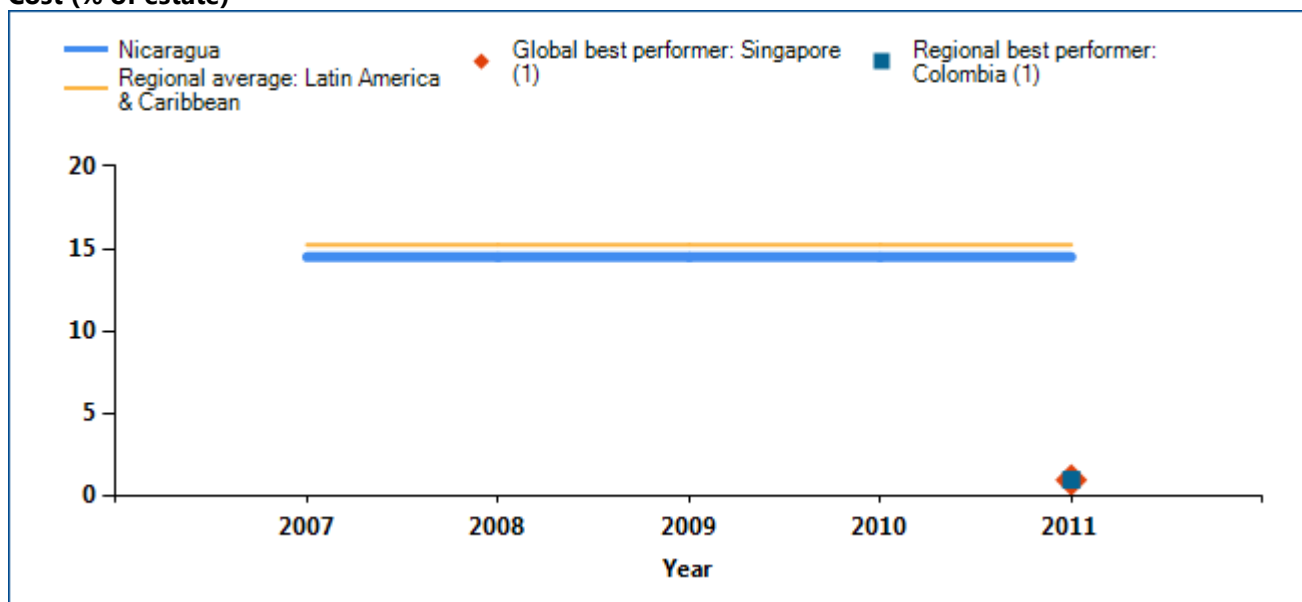
on ways to improve the efficiency of insolvency proceedings. And changes in regional averages can show where Nicaragua is keeping up—and where it is falling behind.

Figure 11.2 Has resolving insolvency become easier over time?

### Time (years)

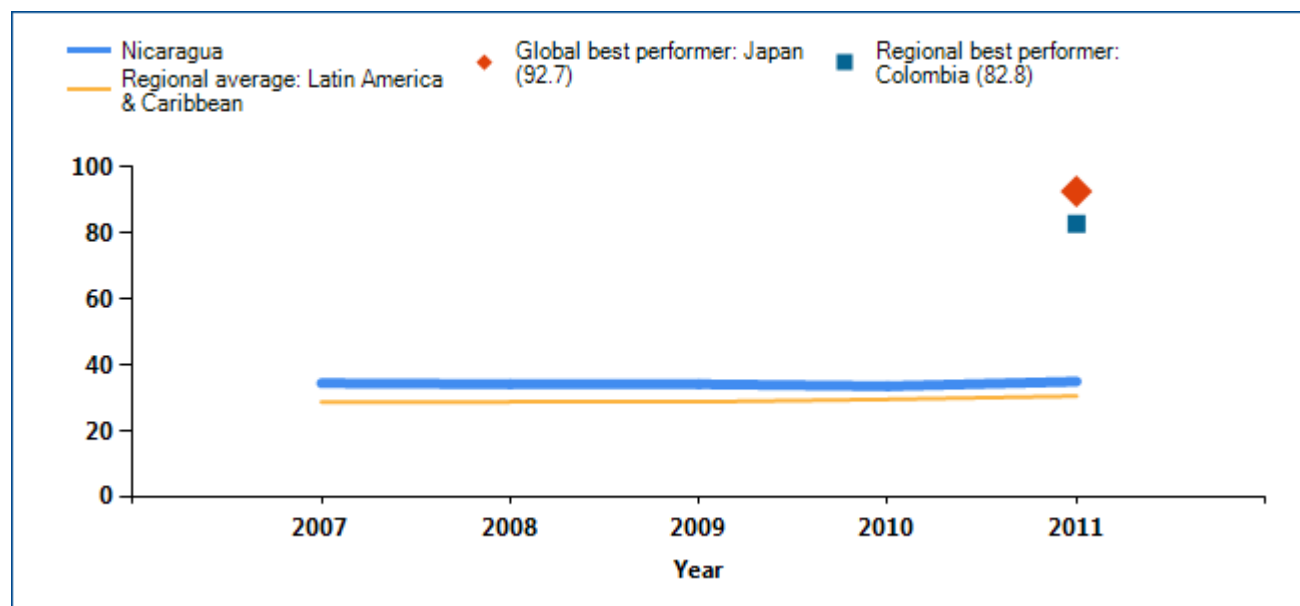


### Cost (% of estate)



## 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 Nicaragua (table 11.2)?

Table 11.2 How has Nicaragua 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.<sup>3</sup>

### 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.

<sup>3</sup> 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.<sup>4</sup>

### 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 18<sup>th</sup>, 14<sup>th</sup>, 53<sup>rd</sup> and 0 percentiles. So on average Korea ranks in the 21<sup>st</sup> percentile on the ease of starting a business. It ranks in the 12<sup>th</sup> percentile on getting credit, 25<sup>th</sup> percentile on paying taxes, 8<sup>th</sup> percentile on enforcing contracts, 7<sup>th</sup> 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 21<sup>st</sup>. 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—

<sup>4</sup> 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*.<sup>5</sup> Thus, *Doing Business* uses the simplest method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components.<sup>6</sup>

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.

<sup>5</sup> 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.

<sup>6</sup> 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.<sup>7</sup> 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

<sup>7</sup> *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 95<sup>th</sup> 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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