

# Doing Business 2011

Ecuador

**Making  
a Difference for  
Entrepreneurs**

COMPARING BUSINESS REGULATION IN 183 ECONOMIES



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# Contents

Introduction  
and Aggregate Rankings

5 - Year Measure of  
Cumulative Change

Starting a Business

Dealing with  
Construction Permits

Registering Property

Getting Credit

Protecting Investors

Paying Taxes

Trading Across Borders

Enforcing Contracts

Closing a Business

Doing Business 2011  
Business Reforms

*Doing Business 2011: Making a Difference for Entrepreneurs* is the eighth in a series of annual reports investigating regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 9 stages of a business's life are measured: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2011* are current as of June 1, 2010\*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

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

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 18 in the Middle East and North Africa and 8 in South Asia, as well as 30 OECD high-income economies.

The following pages present the summary Doing Business indicators for Ecuador. The data used for this economy profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator.

The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2011: Making a Difference for Entrepreneurs* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website ([www.doingbusiness.org](http://www.doingbusiness.org)).

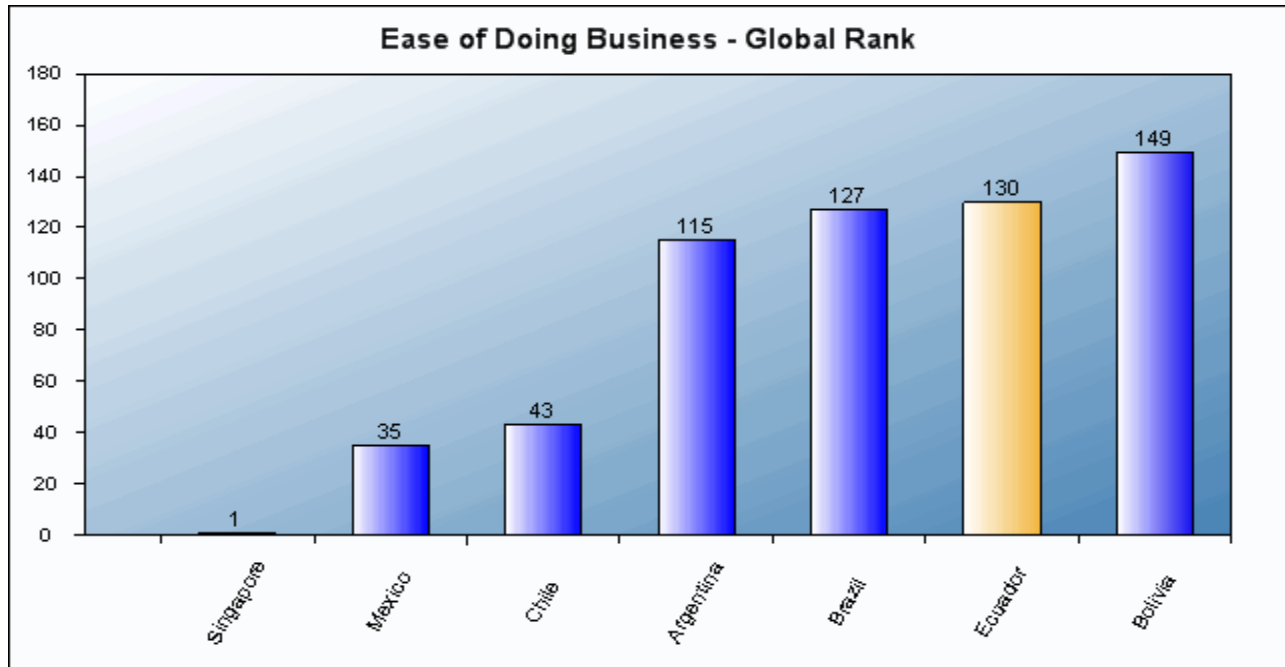
\* Except for the Paying Taxes indicator that refers to the period January to December of 2009.

Note: 2008-2010 Doing Business data and rankings have been recalculated to reflect changes to the methodology and the addition of new economies (in the case of the rankings).

## Economy Rankings - Ease of Doing Business

Ecuador is ranked 130 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

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



### Ecuador's ranking in Doing Business 2011

Rank	Doing Business 2011
Ease of Doing Business	130
Starting a Business	158
Dealing with Construction Permits	88
Registering Property	69
Getting Credit	89
Protecting Investors	132
Paying Taxes	81
Trading Across Borders	126
Enforcing Contracts	100
Closing a Business	133

## Summary of Indicators - Ecuador

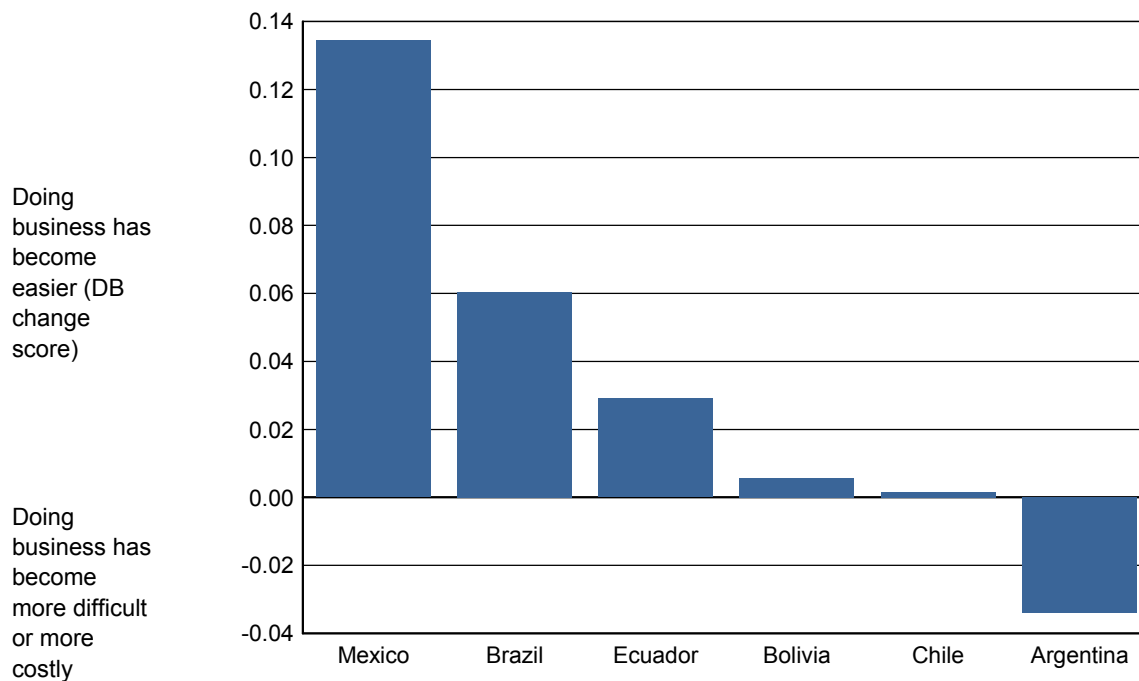
<b>Starting a Business</b>	Procedures (number)	13
	Time (days)	56
	Cost (% of income per capita)	32.6
	Min. capital (% of income per capita)	4.9
<b>Dealing with Construction Permits</b>	Procedures (number)	19
	Time (days)	155
	Cost (% of income per capita)	213.2
<b>Registering Property</b>	Procedures (number)	9
	Time (days)	16
	Cost (% of property value)	2.2
<b>Getting Credit</b>	Strength of legal rights index (0-10)	3
	Depth of credit information index (0-6)	5
	Public registry coverage (% of adults)	36.5
	Private bureau coverage (% of adults)	45.0
<b>Protecting Investors</b>	Extent of disclosure index (0-10)	1
	Extent of director liability index (0-10)	5
	Ease of shareholder suits index (0-10)	6
	Strength of investor protection index (0-10)	4.0
<b>Paying Taxes</b>	Payments (number per year)	8
	Time (hours per year)	654
	Profit tax (%)	18.4
	Labor tax and contributions (%)	13.7
	Other taxes (%)	3.2
	Total tax rate (% profit)	35.3
<b>Trading Across Borders</b>	Documents to export (number)	9
	Time to export (days)	20
	Cost to export (US\$ per container)	1345
	Documents to import (number)	7
	Time to import (days)	29
	Cost to import (US\$ per container)	1332

<b>Enforcing Contracts</b>	Procedures (number)	39
	Time (days)	588
	Cost (% of claim)	27.2
<b>Closing a Business</b>	Recovery rate (cents on the dollar)	17.0
	Time (years)	5.3
	Cost (% of estate)	18

The 5 year measure of cumulative change illustrates how the business regulatory environment has changed in 174 economies from *Doing Business 2006* to *Doing Business 2011*. Instead of highlighting which countries currently have the most business friendly environment, this new approach shows the extent to which an economy's regulatory environment for business has changed compared with 5 years ago.

This snapshot reflects all cumulative changes in an economy's business regulation as measured by the Doing Business indicators-such as a reduction in the time to start a business thanks to a one-stop shop or an increase in the strength of investor protection index thanks to new stock exchange rules that tighten disclosure requirements for related-party transactions.

This figure shows the distribution of cumulative change across the 9 indicators and time between *Doing Business 2006* and *Doing Business 2011*





Many economies have undertaken reforms to smooth the starting a business process in stages—and often as part of a larger regulatory reform program. A number of studies have shown that among the benefits of streamlining the process to start a business have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms.

### Some reform outcomes

*In Egypt reductions of the minimum capital requirement in 2007 and 2008 led to an increase of more than 30% in the number of limited liability companies.*

*In Portugal creation of One-Stop Shop in 2006 and 2007 resulted in a reduction of time to start a business from 54 days to 5. In 2007 and 2008 new business registrations were up by 60% compared with 2006.*

*In Malaysia reduction of registration fees in 2008 led to an increase in registrations by 16% in 2009.*

### What does Starting a Business measure?

#### Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration
- Post registration (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 prior to registration begins

**Starting a Business:** getting a local limited liability company up and running  
Rankings are based on 4 subindicators



### Case Study Assumptions

- Doing Business records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business.
- Any required information is readily available and that all agencies involved in the start-up process function without corruption.

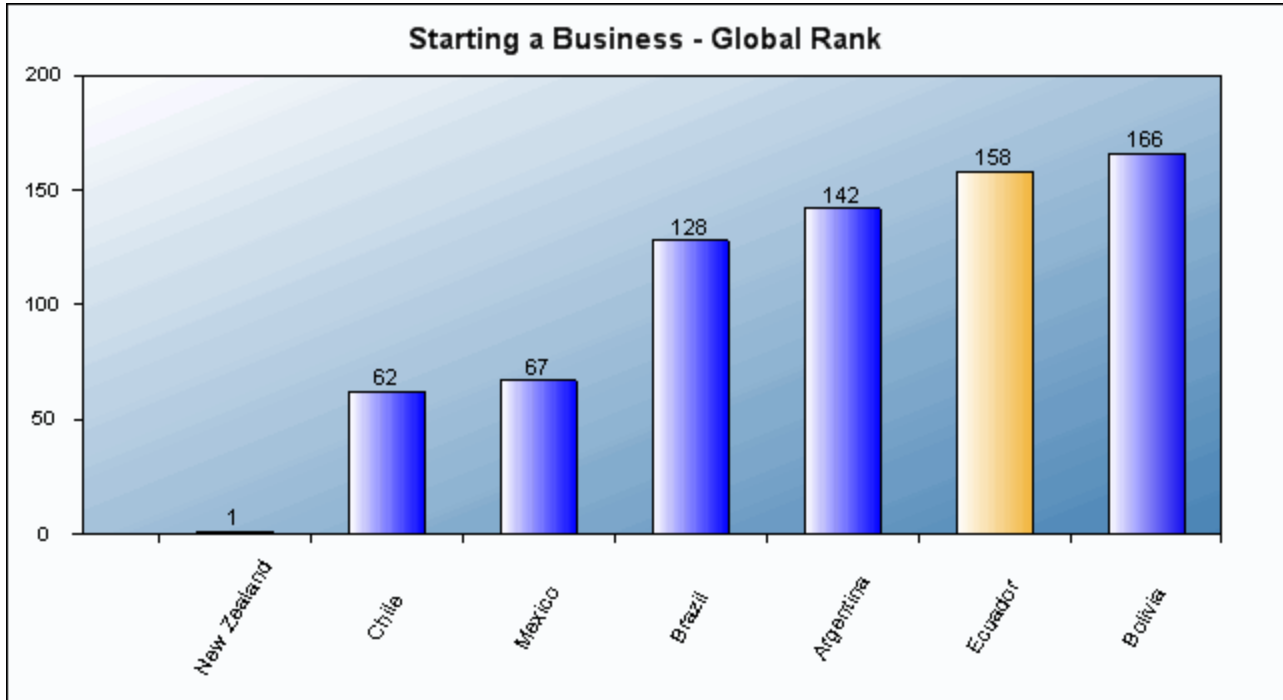
#### The business:

- is a limited liability company, located in the largest business city
- conducts general commercial activities
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has at least 10 and up to 50 employees
- does not qualify for investment incentives or any special benefits
- leases the commercial plant and offices and is not a proprietor of real estate

## 1. Benchmarking Starting a Business Regulations:

Ecuador is ranked 158 overall for Starting a Business.

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



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

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

<i>Selected Economy</i>				
<b>Ecuador</b>	<b>13</b>	<b>56</b>	<b>32.6</b>	<b>4.9</b>

<i>Comparator Economies</i>				
<b>Argentina</b>	14	26	14.2	2.7
<b>Bolivia</b>	15	50	100.8	2.5
<b>Brazil</b>	15	120	7.3	0.0
<b>Chile</b>	8	22	6.8	0.0
<b>Mexico</b>	6	9	12.3	9.2

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

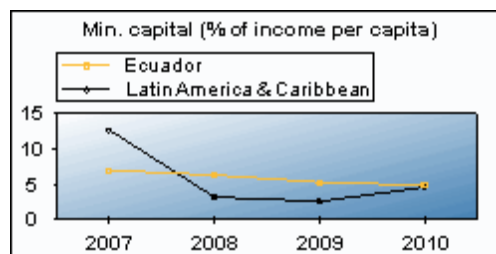
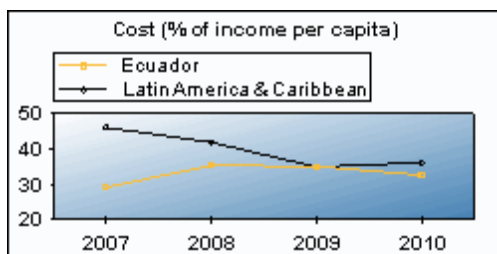
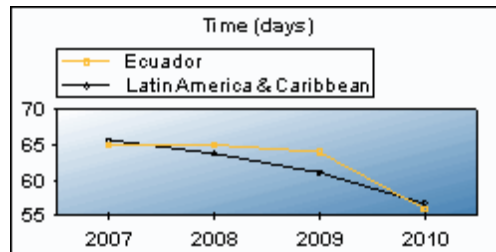
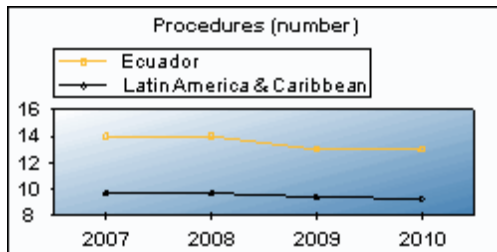
**Procedures (number):** **Canada**

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

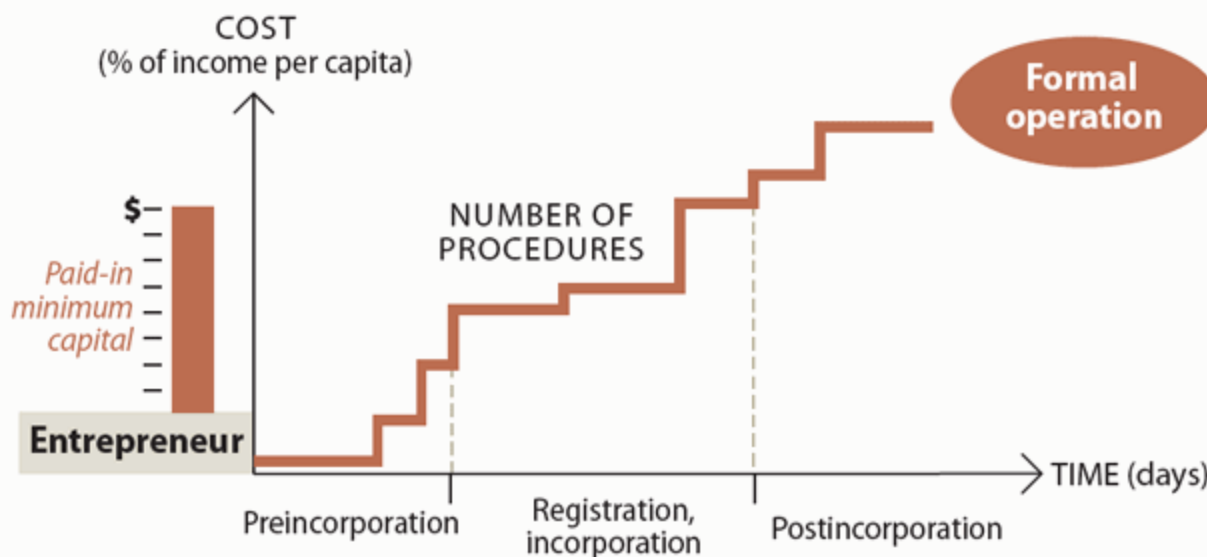
## 2. Historical data: Starting a Business in Ecuador

Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	161	158
Procedures (number)	14	14	13	13
Time (days)	65	65	64	56
Cost (% of income per capita)	29.2	35.3	35.1	32.6
Min. capital (% of income per capita)	7.0	6.3	5.3	4.9

## 3. The following graphs illustrate the Starting a Business sub indicators in Ecuador over the past 4 years:



## What are the time, cost, paid-in minimum capital and number of procedures to get a local, limited liability company up and running?



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

STANDARDIZED COMPANY  
 Legal Form: Compañía Limitada  
 City: Quito

### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Reservation of the company name at the Superintendent of Companies	1	no charge
2	Hire a lawyer to prepare the minutes of incorporation	1	USD 800
3	Deposit 50% of paid-in capital in a special account of "completion of capital" (Integración de Capital ) in the name of the company being formed	1	no charge
4	Notarize the charter of incorporation and bylaws	2	USD 277
5	The lawyer presents the documents (attached with three certified copies of charter and bylaws) to the Superintendent of Companies for the approval of the constitution of the company	5	no charge
6	Publish an abstract of the charter in a daily newspaper that circulates in the area in which the company operates	2	USD 75

7	The general stockholder's meeting inscribes the charter and resolutions in the Mercantile Registry; register the names of the legal representatives in the Mercantile Registry	5	USD 80
8	Apply for the Registro Unico de Contribuyentes (RUC)	4	USD 10
9	Print invoices and VAT forms at an authorized printing shop	1	USD 40
10	Sign up online for Instituto Ecuatoriano de Seguridad Social (IESS, social security institute) and obtain password to operate the online system	2	no charge
11	Inscribe all employee contracts with the Ministry of Labor (Inspectoría de Trabajo)	2	no charge
12	Inspection from the municipality	29	no charge
13	Obtain "tasa de habilitación" and pay commercial patent at the competent municipality	1	USD 50

## Starting a Business Details - Ecuador

<b>Procedure</b>	<b>1</b>	<b>Reservation of the company name at the Superintendent of Companies</b>
<b>Time to complete:</b>	1	
<b>Cost to complete:</b>	no charge	
<b>Comment:</b>	The certificate is valid for 30 days according the Resolution No. 06-Q-IJ-002 dated on 24-07-2006 issued by the Superintendencia of Companies.	
<b>Procedure</b>	<b>2</b>	<b>Hire a lawyer to prepare the minutes of incorporation</b>
<b>Time to complete:</b>	1	
<b>Cost to complete:</b>	USD 800	
<b>Comment:</b>	The minutes include the constituting contract, the articles of incorporation, the bylaws of the company, and the formation of capital. A lawyer must prepare and sign the minutes on the contract for the company incorporation. Moreover, a notary public must notarize these documents; the lawyer cannot do so. The cost includes all the operating expenses and legal fees.	
<b>Procedure</b>	<b>3</b>	<b>Deposit 50% of paid-in capital in a special account of “completion of capital” (Integración de Capital ) in the name of the company being formed</b>
<b>Time to complete:</b>	1	
<b>Cost to complete:</b>	no charge	
<b>Comment:</b>	The minimum deposit for opening the completion-of-capital account is 50% of share capital. Proof of the approved company name is required.	
<b>Procedure</b>	<b>4</b>	<b>Notarize the charter of incorporation and bylaws</b>
<b>Time to complete:</b>	2	
<b>Cost to complete:</b>	USD 277	
<b>Comment:</b>		
<b>Procedure</b>	<b>5</b>	<b>The lawyer presents the documents (attached with three certified copies of charter and bylaws) to the Superintendent of Companies for the approval of the constitution of the company</b>
<b>Time to complete:</b>	5	
<b>Cost to complete:</b>	no charge	
<b>Comment:</b>	The registration fee is paid annually to the Superintendent of Companies. The cost of contribution is 1% of total assets.  The Superintendent of Companies cut the time for processing company applications, by eliminating internal processes, increasing staff, and upgrading the computer system. The company founders can now verify the status of the registration procedure online.	

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

**Time to complete:** 2

**Cost to complete:** USD 75

**Comment:**

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

**Time to complete:** 5

**Cost to complete:** USD 80

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

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

**Time to complete:** 4

**Cost to complete:** USD 10

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

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

**Time to complete:** 1

**Cost to complete:** USD 40

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

**Procedure 10 Sign up online for Instituto Ecuatoriano de Seguridad Social (IESS, social security institute) and obtain password to operate the online system**

**Time to complete:** 2

**Cost to complete:** no charge

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

An employer can register with the Social Security online through the webpage of Ecuador’s Social Security Institute. After completing the registration online, the employer needs to obtain a password which will allow the employer to operate the system online. The system will allow the employer to register all employee’s movements (entries of new employees and termination of employees, contributions, etc.). The following day the employer can present the documents/information to the Social Security and obtain the password to operate the online system.



**Procedure 11 Inscribe all employee contracts with the Ministry of Labor (Inspectoria de Trabajo)****Time to complete:** 2**Cost to complete:** no charge**Comment:** The department responsible for registering labor contracts is the National Technical Secretariat of Human Resources Development and Public Sector Remuneration SENRES (Secretaría Nacional Técnica de Desarrollo de Recursos Humanos y de Remuneraciones del Sector Público) this office is part of the Ministry of Labor.**Procedure 12 Inspection from the municipality****Time to complete:** 29**Cost to complete:** no charge**Comment:****Procedure 13 Obtain “tasa de habilitación” and pay commercial patent at the competent municipality****Time to complete:** 1**Cost to complete:** USD 50**Comment:** The Law of Municipal Regime, which regulates the operation of Municipalities that run each city, contemplates the possibility of the Municipalities collecting certain fees or “tasas”, which are a form of a tax which is paid as a compensation for a service which is provided to whoever pays the fee. The Law of Municipal Regime provides for the Municipalities being able to collect a fee or “tasa” for the “habilitación y control de establecimientos comerciales e industriales” or the “approval of the ability to operate and the control of commercial and industrial establishments”. Although the tasa de habilitación was phased out on December 31, 2004 for all companies, the payment of the "tasa" is still required in practice for some companies. The fee varies depending on the type of company and on the type, location, and size of the facilities in which the company will operate

Before any commercial or industrial business starts operating, the Municipality will inspect the building/offices/shop where the business is going to operate to make sure that such place complies with all of the City’s requirements for the operation of such business, including that the specific location where the business is going to operate is in an area where such types of business are permitted to operate. Once the inspection has been made, and the operation of the business has been approved, the Municipality declares such business as able to operate, and grants the “tasa de habilitación” as evidence of such ability to operate. The average time to obtain the permit is a month.

The entrepreneur is also required to pay the Commercial Patent - a tax that every person or company engaged in commercial or industrial activities has to pay to the Municipality of the City where such activities are being executed. The Commercial Patent has to be paid each year. Companies should pay the Commercial Patent Tax within 30 days following the last day of the month when the company started operating.

In many economies, especially developing ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

### Some reform outcomes

*In Burkina Faso, a one-stop shop for construction permits, "Centre de Facilitation des Actes de Construire", was opened in May 2008. The new regulation merged 32 procedures into 15, reduced the time required from 226 days to 122 and cut the cost by 40%. From May 2009 to May 2010 611 building permits were granted in Ouagadougou, up from an average of about 150 a year in 2002-06.*

*Toronto, Canada revamped its construction permitting process in 2005 by introducing time limits for different stages of the process and presenting a unique basic list of requirements for each project. Later it provided for electronic information and risk-based approvals with fast-track procedures. Between 2005 and 2008 the number of commercial building permits increased by 17%, the construction value of new commercial buildings by 84%.*

### What does the Dealing with Construction Permits indicator 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 electricity, water, sewerage and a land telephone line
- Registering the warehouse after its completion (if required for use as collateral or for transfer of 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

### Case Study Assumptions

#### The business:

- is a small to medium-size limited liability company in the construction industry, located in the economy's largest business city
- is 100% domestically and privately owned and operated
- has 60 builders and other employees
- has at least one employee who is a licensed architect and registered with the local association of architects

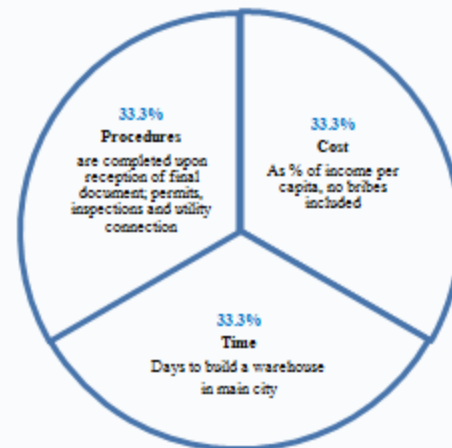
#### The warehouse:

- is a new construction (there was no previous construction on the land)
- has 2 stories, both above ground, with a total surface of approximately 1,300.6 sq. meters (14,000 sq. feet)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and a land telephone line
- will be used for general storage of non-hazardous goods, such as books
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements)

### Dealing with Construction Permits:

#### Building a warehouse

Rankings are based on 3 subindicators



## 1. Benchmarking Dealing with Construction Permits Regulations:

Ecuador is ranked 88 overall for Dealing with Construction Permits.

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



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

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of income per capita)</b>
<b>Denmark</b>	6		
<b>Qatar</b>			0.8
<b>Singapore</b>		25	

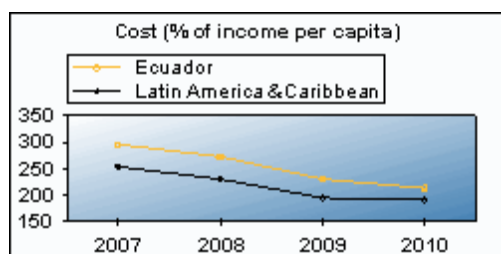
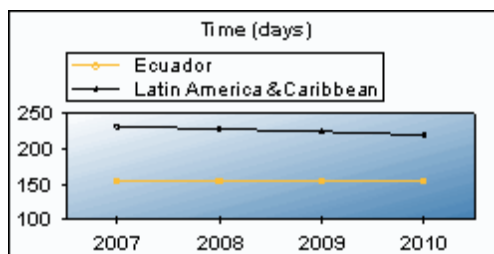
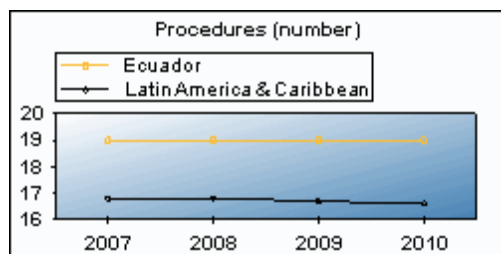
<i>Selected Economy</i>			
<b>Ecuador</b>	<b>19</b>	<b>155</b>	<b>213.2</b>

<i>Comparator Economies</i>			
<b>Argentina</b>	28	338	133.9
<b>Bolivia</b>	17	249	109.1
<b>Brazil</b>	18	411	46.6
<b>Chile</b>	18	155	93.8
<b>Mexico</b>	11	105	117.0

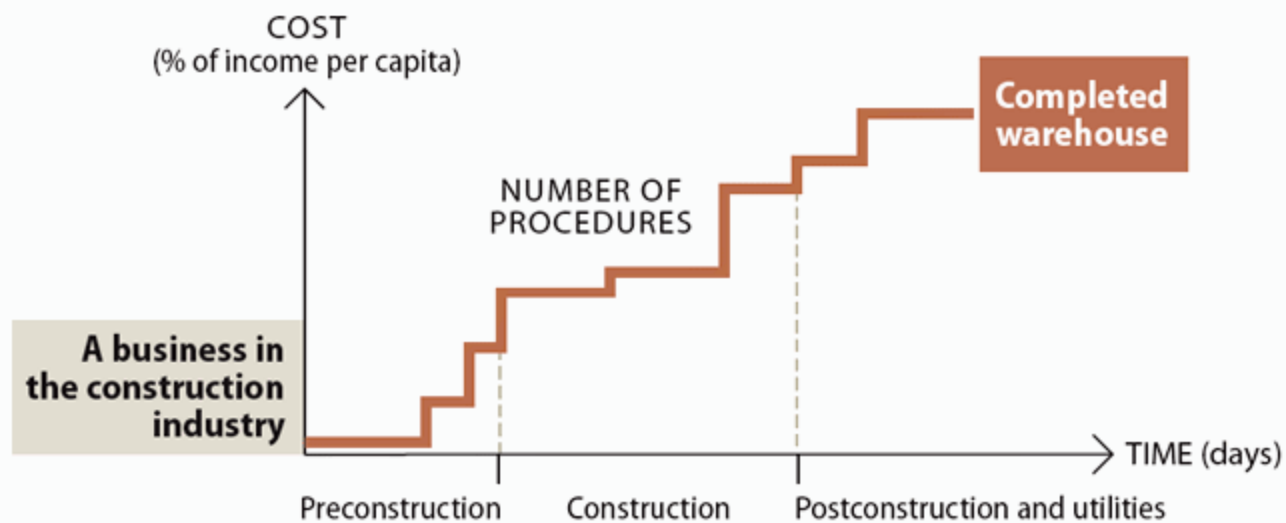
## 2. Historical data: Dealing with Construction Permits in Ecuador

Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	87	88
Procedures (number)	19	19	19	19
Time (days)	155	155	155	155
Cost (% of income per capita)	295.8	272.7	230.6	213.2

3. The following graphs illustrate the Dealing with Construction Permits sub indicators in Ecuador over the past 4 years:



## What are the time, cost and number of procedures to comply with formalities to build a warehouse?



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

### BUILDING A WAREHOUSE

City: Quito

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Obtain Urban Regulation Report (Informe de Regulación Urbana - IRM)	21 days	USD 25
2	Obtain proof of compliance with 1/1000 contribution to Professional Association of Architects	1 day	USD 429
3	Request and obtain permit from the Fire Department	5 days	USD 200
4	Request approval for the plans	20 days	USD 6,435
5	Verify structure plan with Professional Association of Engineers	10 days	USD 429
6	Obtain construction guarantee and deposit it afterwards with the Municipality	2 days	USD 9
7	Obtain the final building permit	16 days	USD 595
8	Request and obtain foundation inspection	1 day	no charge

9	Request and obtain structure inspection	1 day	no charge
10	Request and obtain telephone connection	20 days	USD 77
11	Request potable water and drainage hook-up	1 day	no charge
12	Receive water and sewage inspection	1 day	no charge
13	Obtain potable water and drainage hook-up	1 day	no charge
14	Request electric power service hook-up from Empresa Electrica Quito (EEQ)	1 day	no charge
15	Receive inspection by Empresa Electrica Quito (EEQ)	1 day	USD 15
16	Obtain electric power service	25 days	USD 86
17	Request and obtain final inspection	1 day	no charge
18	Obtain habitability permit and guarantee retrieval	20 days	no charge
19	Register the building at the Property Registry	7 days	USD 100

## Dealing with Construction Permits Details - Ecuador

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

<b>Time to complete:</b>	21 days
<b>Cost to complete:</b>	USD 25
<b>Agency:</b>	Municipality of Quito (Municipio de Quito, Administración Zonal)
<b>Comment:</b>	<p>The Urban Regulation Report (Informe de Regulación Urbana, IRM) is required for most procedures before the District Municipality, such as purchasing, selling, dividing, and building a property, as well as determining if the site is affected by road construction design.</p> <p>Valid for 2 years, this report provides the parameters to subdivide or urbanize the following:</p> <ul style="list-style-type: none"><li>- Area available to construct the ground floor.</li><li>- Maximum building area.</li><li>- Maximum building height permitted.</li><li>- Maximum number of dwelling units.</li><li>- Building separation distances.</li><li>- Permitted and unauthorized land use.</li><li>- Basic service availability.</li><li>- Manufacturing line (línea de fábrica) reference.</li></ul> <p>To obtain the report, BuildCo must do the following:</p> <ul style="list-style-type: none"><li>- Purchase the IRM form, whose value is equivalent to 5% of the effective unified basic wage (salario básico unificado vigente), at the respective Subdivision Administration (Administración Zonal).</li><li>- Register the property's data and enclose a copy of the property tax payment receipt.</li><li>- Submit copies of the citizenship identification and of the updated voting voucher or owner's exemption certificate.</li><li>- Enclose a cartographic sheet of the Geographical Military Institute (scale, 1:5,000 or 1:25,000), showing the exact property location and the respective public deeds registered at the Property Registry.</li><li>= Enclose a copy of the public writ of the estate (a request signed by the owner to guarantee the payment of water, electricity, or telephone service).</li></ul>

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

<b>Time to complete:</b>	1 day
<b>Cost to complete:</b>	USD 429
<b>Agency:</b>	Association of Architects of Ecuador (Colegio de Arquitectos del Ecuador –CAE) and/or Association of Civil Engineers of Pichincha (Colegio de Ingenieros Civiles de Pichincha)
<b>Comment:</b>	The proof of payment for the construction contribution is one of the documents required for the approval of the layout plans and the building permit application. The cost is 0.1% of the warehouse value.

### Procedure 3 Request and obtain permit from the Fire Department

<b>Time to complete:</b>	5 days
<b>Cost to complete:</b>	USD 200



**Agency:** Fire Department

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

#### **Procedure 4 Request approval for the plans**

**Time to complete:** 20 days

**Cost to complete:** USD 6,435

**Agency:** Municipality of Quito (Municipio de Quito, Administración Zonal)

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

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

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

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

#### **Procedure 5 Verify structure plan with Professional Association of Engineers**

**Time to complete:** 10 days

**Cost to complete:** USD 429

**Agency:** Municipality of Quito (Municipio de Quito, Administración Zonal)

**Comment:**

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

**Time to complete:** 2 days

**Cost to complete:** USD 9

**Agency:** Municipality of Quito (Municipio de Quito)

**Comment:** Proof of the guarantee deposit is a required document for the building permit application. Once the land plans have been registered for zoning and before their approval, the municipality notifies the applicant the amount to be guaranteed (fondo de garantía). The applicant can deposit the guarantee in cash or certified check or in the form of an insurance policy. The insurance policy is purchased in 2 days from a local insurance company. The fee to purchase the guarantee depends on the value to be guaranteed. After construction is finalized, the municipality will return the guarantee upon inspecting the construction. The guarantee will be returned in full only if the actual construction conforms to the plans approved by the municipality. The transaction fee for the guarantee amounts to 0.05% of the guarantee itself. The guarantee amount is determined by the municipality and depends on the type of construction, the size, the sector, and the relevant zone. For construction under 600 sq. m., the guarantee will range between 1.5% and 3% of the warehouse value. For construction over 600 sq. m., the guarantee will be about 4% of the warehouse value. As a reference, the municipality would assume a warehouse value of USD 200 per square meter.

## Procedure 7 Obtain the final building permit

**Time to complete:** 16 days

**Cost to complete:** USD 595

**Agency:** Municipality of Quito/ Empresa Metropolitana de Obras Públicas (EMOP-Q)

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

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

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

## Procedure 8 Request and obtain foundation inspection

**Time to complete:** 1 day  
**Cost to complete:** no charge  
**Agency:** Municipality of Quito/ Empresa Metropolitana de Obras Públicas (EMOP-Q)  
**Comment:**

#### **Procedure 9 Request and obtain structure inspection**

**Time to complete:** 1 day  
**Cost to complete:** no charge  
**Agency:** Municipality of Quito/ Empresa Metropolitana de Obras Públicas (EMOP-Q)  
**Comment:**

#### **Procedure 10 Request and obtain telephone connection**

**Time to complete:** 20 days  
**Cost to complete:** USD 77  
**Agency:** Andinatel  
**Comment:** Not all areas are covered by a phone network. The telephone connection is not a prerequisite for the occupancy permit. Hence, the occupancy permit can be requested in parallel with the telephone connection.

#### **Procedure 11 Request potable water and drainage hook-up**

**Time to complete:** 1 day  
**Cost to complete:** no charge  
**Agency:** Empresa Metropolitana de Alcantarillado y Agua Potable (EMAAP)  
**Comment:** The proof of payment for service installation is one of the documents required for the approval of the layout plans and the building permit application.

#### **Procedure 12 Receive water and sewage inspection**

**Time to complete:** 1 day  
**Cost to complete:** no charge  
**Agency:** Empresa Metropolitana de Alcantarillado y Agua Potable (EMAAP)  
**Comment:** Depending on whether a meter is already available, an inspection may be conducted before BuildCo obtains its water connection. Given that the project considered here is a new construction, it is assumed that BuildCo must obtain the meter with the new electricity connection. Hence, an inspection also takes place to evaluate the cost of new service.

**Procedure 13 Obtain potable water and drainage hook-up**

**Time to complete:** 1 day  
**Cost to complete:** no charge  
**Agency:** Empresa Metropolitana de Alcantarillado y Agua Potable (EMAAP)  
**Comment:**

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

**Time to complete:** 1 day  
**Cost to complete:** no charge  
**Agency:** Empresa Eléctrica Quito S.A. (EEQ)  
**Comment:** An electric power service connection takes about 2 weeks.

**Procedure 15 Receive inspection by Empresa Electrica Quito (EEQ)**

**Time to complete:** 1 day  
**Cost to complete:** USD 15  
**Agency:** Empresa Eléctrica Quito S.A. (EEQ)  
**Comment:** The site visit is completed 4–6 days following the application for electrical power service.

**Procedure 16 Obtain electric power service**

**Time to complete:** 25 days  
**Cost to complete:** USD 86  
**Agency:** Empresa Eléctrica Quito S.A. (EEQ)  
**Comment:** The electric power service fee includes the meter and the installation.

**Procedure 17 Request and obtain final inspection**

**Time to complete:** 1 day  
**Cost to complete:** no charge  
**Agency:** Municipality of Quito/ Empresa Metropolitana de Obras Públicas (EMOP-Q)  
**Comment:**

**Procedure 18 Obtain habitability permit and guarantee retrieval**

**Time to complete:** 20 days

**Cost to complete:** no charge

**Agency:** Municipality of Quito (Municipio de Quito)

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

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

**Procedure 19 Register the building at the Property Registry**

**Time to complete:** 7 days

**Cost to complete:** USD 100

**Agency:** Property Registry (Registro de la Propiedad)

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

	Initial value	Final value	Total registration fee
1	01	1.60	1.40
2	1.61	3.00	1.80
3	3.01	4.00	2.25
4	4.01	6.00	2.80
5	6.01	10.00	3.75
6	10.01	14.00	4.50
7	14.01	20.00	5.25
8	20.01	30.00	6.50
9	30.01	40.00	8.20
10	40.01	80.00	11.25
11	80.01	120.00	12.50
12	120.01	200.00	17.25
13	200.01	280.00	22.30
14	280.01	400.00	26.00
15	400.01	600.00	33.70
16	600.01	800.00	37.00
17	800.01	1200.00	44.25
18	1200.01	1600.00	58.90
19	1600.01	2000.00	74.55
20	2000.01	2400.00	80.00
21	2400.01	2800.00	85.00
22	2800.01	3200.00	90.00
23	3200.01	3600.00	95.00
24	3600.01	10000.00	100.00
25	1000/more	100 will be charged	Plus 0.5%

for amounts  
exceeding this value  
The maximum fee levied by the Property Registry is USD 100 plus VAT.

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. *Doing Business* records the full sequence of procedures necessary for a business to purchase a property from another business and transfer the property title to the buyer's name. In the past 6 years 105 economies undertook 146 reforms making it easier to transfer property. Globally, the time to transfer property fell by 38% and the cost by 10% over this time. The most popular feature of property registration reform in these 6 years, implemented in 52 economies, was lowering transfer taxes and government fees.

### Some reform outcomes

*Georgia now allows property transfers to be completed through 500 authorized users, notably banks. This saves time for entrepreneurs. A third of people transferring property in 2009 chose authorized users, up from 7% in 2007. Also, Georgia's new electronic registry managed 68,000 sales in 2007, twice as many as in 2003.*

*Belarus's unified and computerized registry was able to cope with the addition of 1.2 million new units over 3 years. The registry issued 1 million electronic property certificates in 2009.*

### What does the Registering Property indicator measure?

**Registering Property:** transfer of property between 2 local companies

Rankings are based on 3 subindicators

### Procedures to legally transfer title on immovable property (number)

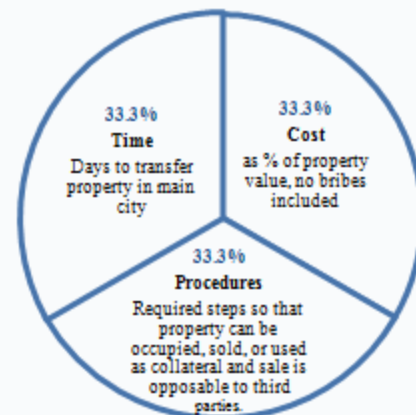
- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Post registration (for example, transactions with the local authority, tax authority or cadastre)

### 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 personal 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



### Case Study Assumptions

#### 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.

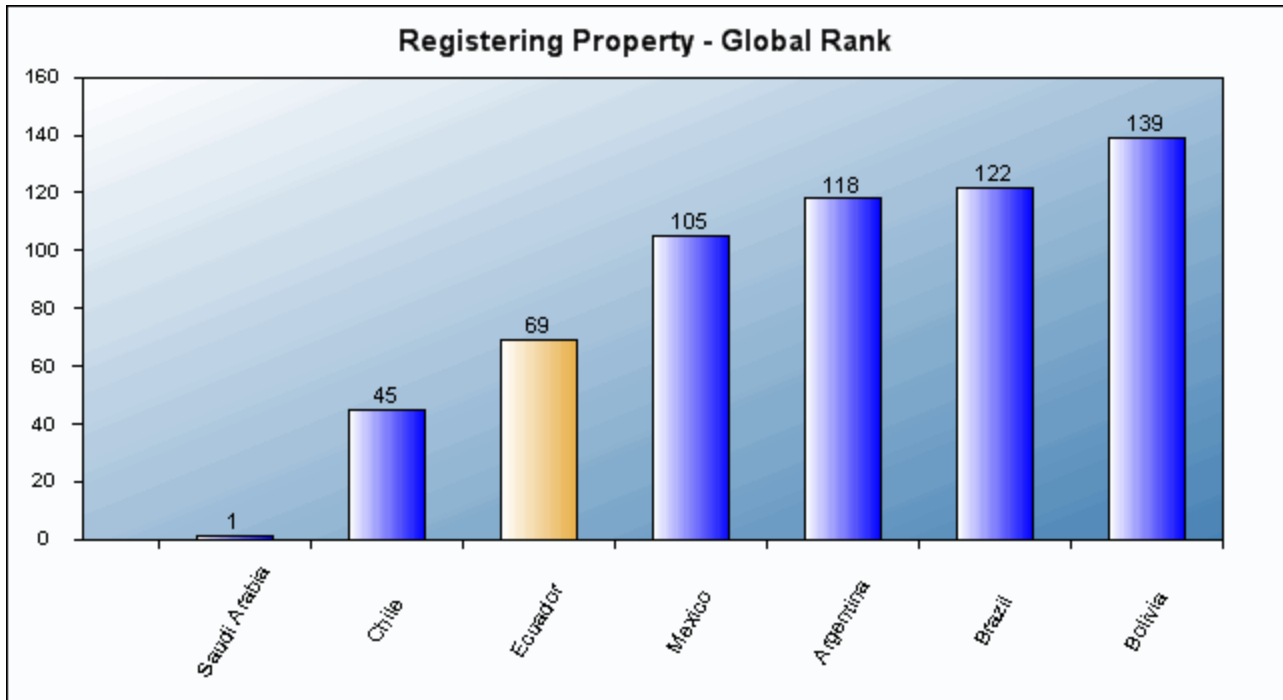
#### The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- 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.
- Consists of a 557.4 square meters (6,000 square feet) land and 10 years old 2-story warehouse of 929 square meters (10,000 square feet) located on the land. 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.

## 1. Benchmarking Registering Property Regulations:

Ecuador is ranked 69 overall for Registering Property.

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





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

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

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

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

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

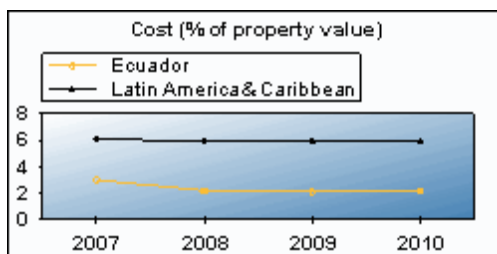
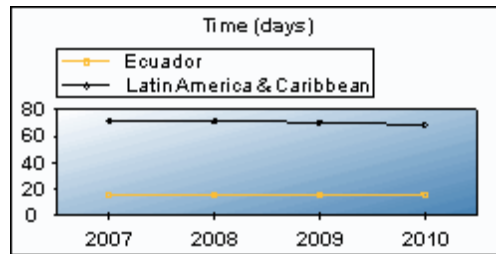
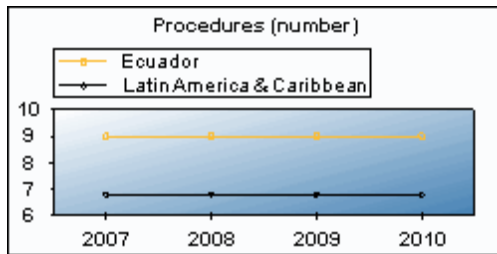
**Procedures (number): United Arab Emirates**

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

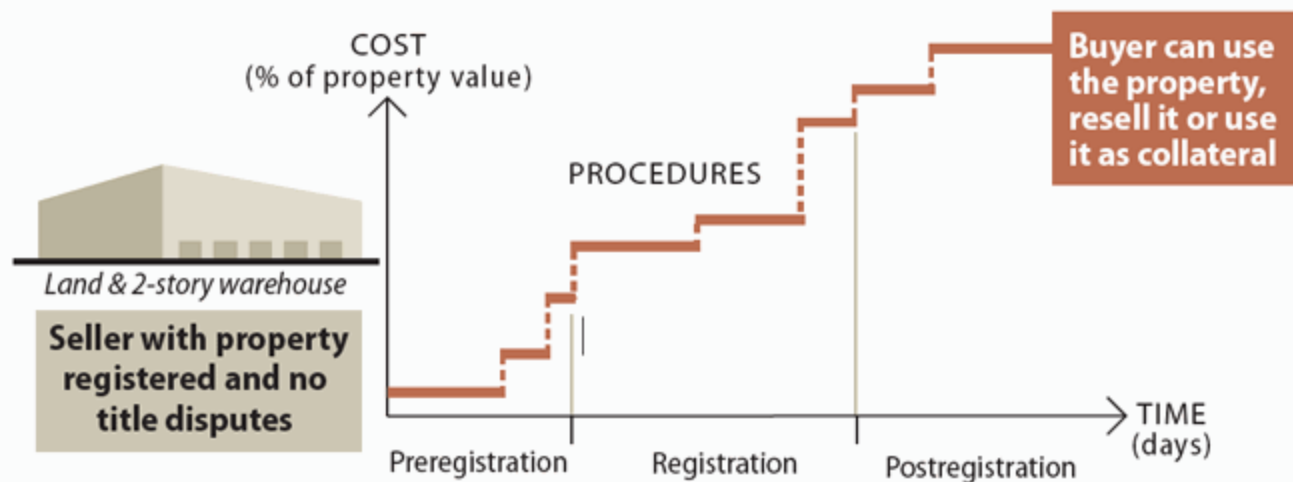
## 2. Historical data: Registering Property in Ecuador

Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	69	69
Procedures (number)	9	9	9	9
Time (days)	16	16	16	16
Cost (% of property value)	3.0	2.2	2.1	2.2

3. The following graphs illustrate the Registering Property sub indicators in Ecuador over the past 4 years:



## What are the time, cost and number of procedures required to transfer a property between 2 local companies?



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

### STANDARDIZED PROPERTY

Property Value: 204,136.92

City: Quito

#### Registration Requirements:

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

7	Conduct a general check at the Property Registry	2 days	No additional cost
8	Pay registration fee at the Property Registry	1 day	\$100 + 0.5% of the value of the property exceeding \$10,000, according to cadastral value of 2005. Max total value \$500.
9	Obtain notice of registration from the Property Registry	4 days	no cost

\* Takes place simultaneously with another procedure.

## Registering Property Details - Ecuador

<b>Procedure</b>	<b>1</b>	<b>Lawyer prepares the contract</b>
<b>Time to complete:</b>	1-2 days	
<b>Cost to complete:</b>	\$1,000	
<b>Comment:</b>	A rough copy of the contract -“Minuta” is prepared by a lawyer. It is mandatory to hire a lawyer to register property in Ecuador, according to the “Ley de federación de Abogados” of March 7th 1974. Lawyer’s fees are calculated on the market price of the property.	
<b>Procedure</b>	<b>2</b>	<b>Obtain a non-encumbrance certificate (“Certificado de gravámenes”) from the Property Registry</b>
<b>Time to complete:</b>	3 days	
<b>Cost to complete:</b>	\$7.84	
<b>Agency:</b>	Real Estate Public Registry	
<b>Comment:</b>	A certificate of real estate encumbrances ("Certificado de Gravámenes") must be obtained at the Real Estate Public Registry. The certificate remains valid for 30 days (with the certificate dated with the request date, and not the date the document is issued). If the registration has not been demanded by then, a new certificate would have to be requested.	
<b>Procedure</b>	<b>3</b>	<b>Pay various taxes at the Municipality</b>
<b>Time to complete:</b>	2-3 days (simultaneous with procedures 4 and 5)	
<b>Cost to complete:</b>	1% of property price (Transfer tax, or "Alcabala")	
<b>Agency:</b>	Municipality of Quito (Administración Zonal del Distrito Metropolitano de Quito)	
<b>Comment:</b>	<p>These taxes are paid based on the official or on the market value of the property. The Municipality calculates the taxes according to the highest value of the two.</p> <p>The Property Appreciation tax (a capital gains tax) is also paid at this stage and is calculated on the difference between the sale-price and acquisition-price of the property. In addition, the amount of the tax is reduced taking into account the economic benefits added to the property by the seller and the antiquity of the property. The tax is 10% of the difference. The tax was cut to 0.5% only for the first transfer of any real estate delivered after January 1st, 2006, with a discount of 5% of that for every year old that the property/building is.</p> <p>The registration tax (1% of the official value) was eliminated.</p> <p>After payment of the taxes, the Municipality will issue a municipal permit-letter and register the property in the cadastre.</p> <p>The documentation shall include:</p> <ul style="list-style-type: none"><li>a) Notarized public deed</li><li>b) Previous property titles</li><li>c) Contracting parties identification documents</li><li>d) Encumbrance certificate (obtained in Procedure 2)</li><li>e) Copy of the municipal permit for commercial activities for companies for the year in which the transfer is performed (patente municipal);</li></ul>	

- f) Copy of the Unique Contributors Number (RUC);
- g) Copy of the 1.5 x 1000 municipal tax of the companies;
- h) Property Appreciation Tax form duly signed by the Seller;
- i) Letter of appointment of the legal representatives of both companies;
- j) Minutes of the meeting of the Board of Shareholder of both companies in which the board authorizes the legal representative to buy and/or sell the property of the company; Copy of the voting certificate of the legal representatives which appear in the contract;
- k) Certificate of payment of the municipal annual tax of the property (impuesto predial)

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

<b>Time to complete:</b>	1day (simultaneous with procedures 3 and 5)
<b>Cost to complete:</b>	0.11% of property value (Provincial transfer tax) + \$1.80 administrative fee is for each tax
<b>Agency:</b>	Province Council (Consejo Provincial)
<b>Comment:</b>	Some additional taxes must be paid at the Consejo Provincial de Pichincha (Provincial Council). These taxes were lowered in 2006 in Quito to 0.1% ("Adicional de registro") + 0.01% ("Adicional de alcabala"), and \$1.80 administrative fee for each tax (total charge \$3.60). The value used to calculate the fees is the highest value between the cadastral value and the contract value. The cadastre was updated in 2005 and the values are reasonably close to reality.

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

<b>Time to complete:</b>	1 day (simultaneous with procedures 3 and 4)
<b>Cost to complete:</b>	no cost
<b>Agency:</b>	Municipality
<b>Comment:</b>	At the time of payment of the taxes at the Municipality in Procedure 3, a municipal permit-letter is obtained and must be picked-up at the Municipality. By this time the property is registered in the cadastre.

#### Procedure 6 Notary notarizes the public deed

<b>Time to complete:</b>	1 day						
<b>Cost to complete:</b>	0.2% (notary fees) + 0.1% (notary's general expenses) of the property value						
<b>Comment:</b>	<p>The public deed is notarized by a public notary.</p> <p>Notary's fees were changed according to regulations passed on September 26th 2007. The fees for property transfers over 60,000 US\$ are 2 per thousand of the property value up until US\$ 1,000. Notaries can also add other general expenses to the fees, that cannot exceed USD 4,000.</p> <p>The receipts of previous payments are attached to the public deed by the notary.</p> <p>Article 1 of the Official Register No. 178 published on 26-09-2007 by " Consejo Nacional De La Judicatura "(Administrative Organism of the Judicial Branch) establishes official Notary Fees according to the contract value:</p> <table> <tr> <td>contract value</td> <td>nottary fee</td> </tr> <tr> <td>1.00 to 1,000.00</td> <td>USD 20</td> </tr> <tr> <td>1,001.00 to 5,000.00</td> <td>USD 35</td> </tr> </table>	contract value	nottary fee	1.00 to 1,000.00	USD 20	1,001.00 to 5,000.00	USD 35
contract value	nottary fee						
1.00 to 1,000.00	USD 20						
1,001.00 to 5,000.00	USD 35						

5,001.00 to 10,000.00 USD 50  
 10,001.00 to 30,000.00 USD 75  
 30,001.00 to 60,000.00 USD 100  
 + 60,001.00 USD 2x1,000 of the total amount (the top rate is 1,000.00)

**Procedure 7 Conduct a general check at the Property Registry**

**Time to complete:** 2 days

**Cost to complete:** No additional cost

**Agency:** Real Estate Public Registry

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

**Procedure 8 Pay registration fee at the Property Registry**

**Time to complete:** 1 day

**Cost to complete:** \$100 + 0.5% of the value of the property exceeding \$10,000, according to cadastral value of 2005. Max total value \$500.

**Agency:** Real Estate Public Registry

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

**Procedure 9 Obtain notice of registration from the Property Registry**

**Time to complete:** 4 days

**Cost to complete:** no cost

**Agency:** Real Estate Public Registry

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

Through two sets of indicators, *Doing Business* assesses the legal rights of borrowers and lenders with respect to secured transactions and the sharing of credit information. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through either a public credit registry or a private credit bureau. Credit information systems mitigate the ‘information asymmetry’ in lending and enable lenders to view a borrower’s financial history (positive or negative), providing them with valuable information to consider when assessing risk. Credit information systems benefit borrowers as well, allowing good borrowers to establish a reputable credit history which will enable them to access credit more easily. The Legal Rights Index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. Sound collateral laws will enable businesses to use their assets, especially movable property, as security to generate capital while having strong creditor’s rights has been associated with higher ratios of private sector credit to GDP.

**Some reform outcomes**

*After Vietnam’s new Civil Code was enacted in 2005, a decree further clarified the provisions governing secured transactions. Since the inclusion of the new provisions, the number of registrations increased from 43,000 (2005) to 120,000 (end of 2008).*

*In 2008, when Zambia established a private credit bureau, its database initially covered about 25,000 borrowers. Thanks to a strong communication campaign and a central bank directive, coverage has grown 10-fold in the past 2 years, exceeding 200,000 by the beginning of 2010.*

**What do 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

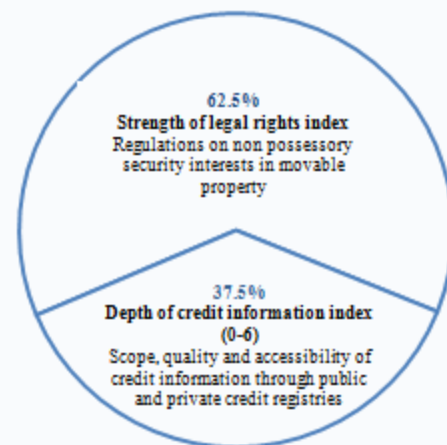
**Public credit registry coverage (% of adults)**

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

**Private credit bureau coverage (% of adults)**

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

**Getting Credit: collateral rules and credit information**



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

**Case Study Assumptions (applying to the Legal Rights Index only)**

**The Debtor**

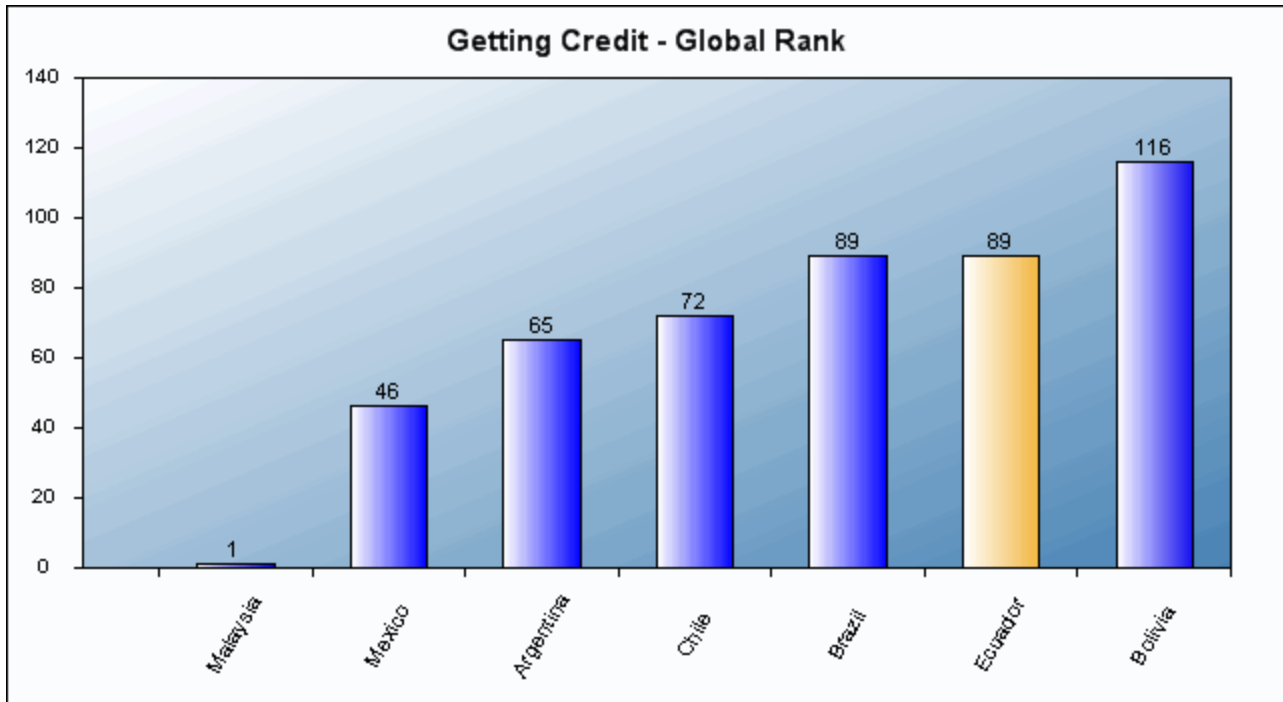
- is a Private Limited Liability Company
- has its Headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both creditor and debtor are 100% domestically owned.



## 1. Benchmarking Getting Credit Regulations:

Ecuador is ranked 89 overall for Getting Credit.

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



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

<b>Good Practice Economies</b>	<b>Strength of legal rights index (0-10)</b>	<b>Depth of credit information index (0-6)</b>	<b>Public registry coverage (% of adults)</b>	<b>Private bureau coverage (% of adults)</b>
<b>New Zealand*</b>				100.0
<b>Portugal</b>			67.1	
<b>Singapore*</b>	10			
<b>United Kingdom</b>		6		

<i>Selected Economy</i>				
<b>Ecuador</b>	<b>3</b>	<b>5</b>	<b>36.5</b>	<b>45.0</b>

<i>Comparator Economies</i>				
<b>Argentina</b>	4	6	30.8	100.0
<b>Bolivia</b>	1	6	11.3	31.4
<b>Brazil</b>	3	5	26.9	53.5
<b>Chile</b>	4	5	30.9	22.9
<b>Mexico</b>	5	6	0.0	71.6

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

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

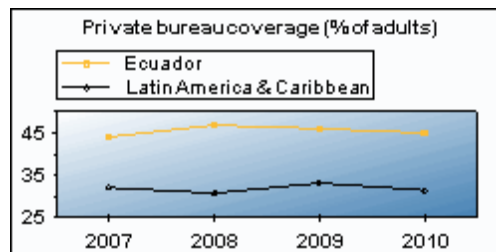
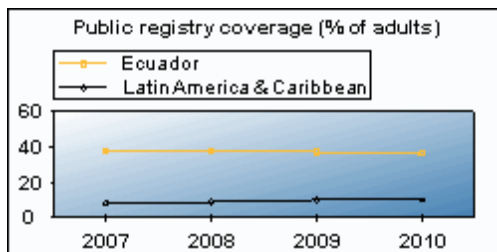
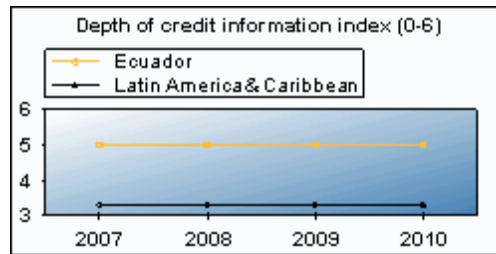
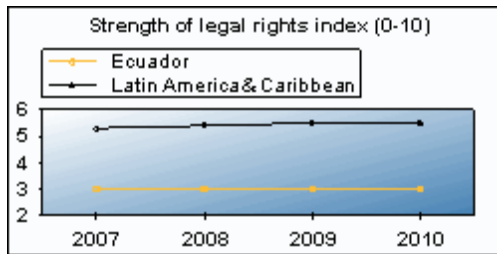
**Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States**

**27 countries have the highest credit information index.**

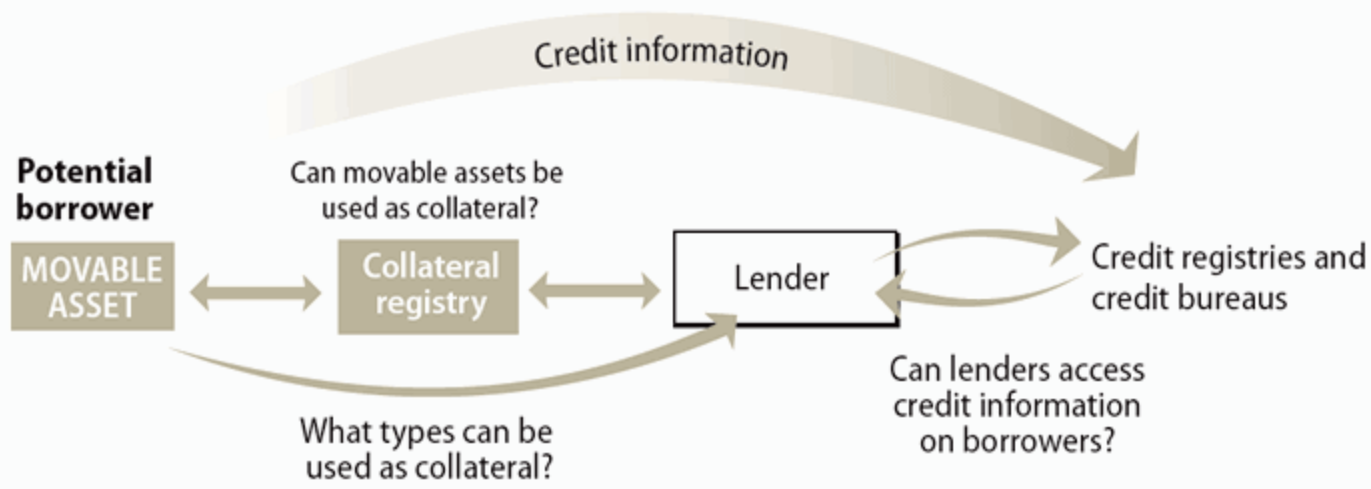
## 2. Historical data: Getting Credit in Ecuador

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	87	89
Strength of legal rights index (0-10)	3	3	3	3
Depth of credit information index (0-6)	5	5	5	5
Private bureau coverage (% of adults)	44.1	46.8	46.0	45.0
Public registry coverage (% of adults)	37.9	37.7	37.2	36.5

## 3. The following graphs illustrate the Getting Credit sub indicators in Ecuador over the past 4 years:



**Do lenders have credit information on entrepreneurs seeking credit?  
Is the law favorable to borrowers and lenders using movable assets as collateral?**



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

Getting Credit Indicators (2010)			Indicator
<b>Private bureau coverage (% of adults)</b>	<b>Private credit bureau</b>	<b>Public credit registry</b>	<b>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
<b>Coverage</b>	45.0	36.5	
Number of individuals	4,200,000	3,105,520	
Number of firms	2,600	306,607	

**Strength of legal rights index (0-10)****3**

Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?

---

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?

---

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?

---

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 ?

---

Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?

---

Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?

---

Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?

---

Do secured creditors have absolute priority to their collateral in bankruptcy procedures?

---

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

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

---

Stronger investor protections matter for the ability of companies to raise the capital needed to grow, innovate, diversify and compete. This is all the more crucial in times of financial crisis when entrepreneurs must navigate through defiant environments to finance their activities. Using 3 indices of investor protection, *Doing Business* measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gains. Since 2005, 51 economies have strengthened investor protections as measured by *Doing Business*.

### Some reform outcomes

*In Indonesia, an economy that consistently improved its laws regulating investor protections, the number of firms listed on the Indonesia Stock Exchange increased from 331 to 396 between 2004 and 2009. Meanwhile, market capitalization grew from 680 trillion rupiah (\$75 billion) to 1,077 trillion rupiah (\$119 billion).*

*After Thailand amended its laws in 2006 and 2008, more than 85 transactions that failed to comply with the disclosure standards were suspended. Thirteen were deemed prejudicial and were therefore canceled, thus preventing damage to the companies involved and preserving their value. Companies were not deterred either, as more than 30 new companies joined the stock exchange since 2005 bringing the number of listed companies to 523.*

### What do the Protecting Investors indicators measure?

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

- Who can approve related-party transactions
- Requirements for external and internal disclosure in case of related-party transactions

#### Extent of director liability index (0–10)

- Ability of shareholders to hold the interested party and the approving body liable in case of a prejudicial related-party transaction
- 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)

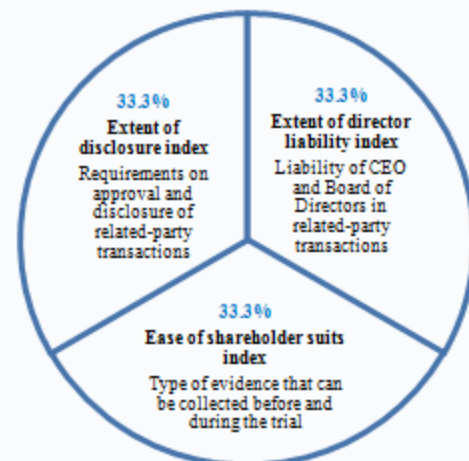
- Documents and information available during trial
- Access to internal corporate documents (directly or through a government inspector)

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

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

**Protecting Investors:** minority shareholder rights in related-party transactions

Rankings are based on 3 subindicators



### Case Study Assumptions

#### 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.

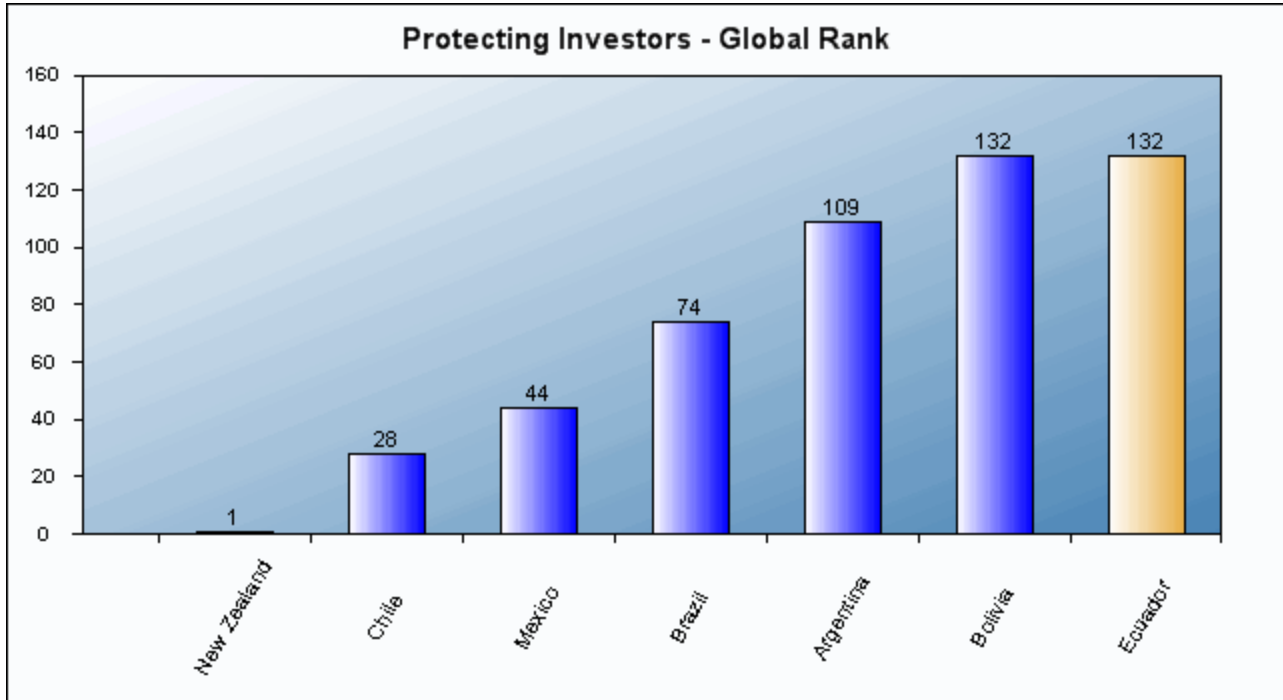
#### The transaction

- Mr. James, a director and the majority shareholder of the company, proposes that 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 the purchasing company.
- Shareholders sue the interested parties and the members of the board of directors.

## 1. Benchmarking Protecting Investors Regulations:

Ecuador is ranked 132 overall for Protecting Investors.

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



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

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

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

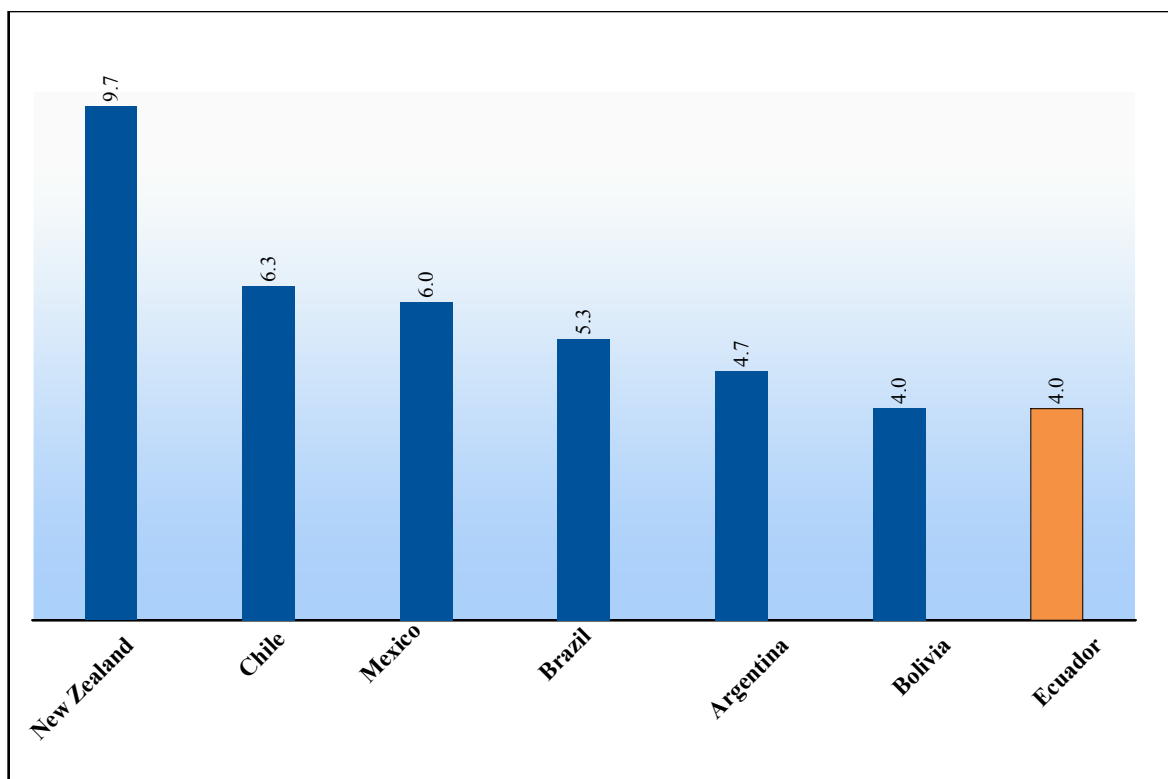
<i>Comparator Economies</i>	
<b>Argentina</b>	4.7
<b>Bolivia</b>	4.0
<b>Brazil</b>	5.3
<b>Chile</b>	6.3
<b>Mexico</b>	6.0



## 2. Historical data: Protecting Investors in Ecuador

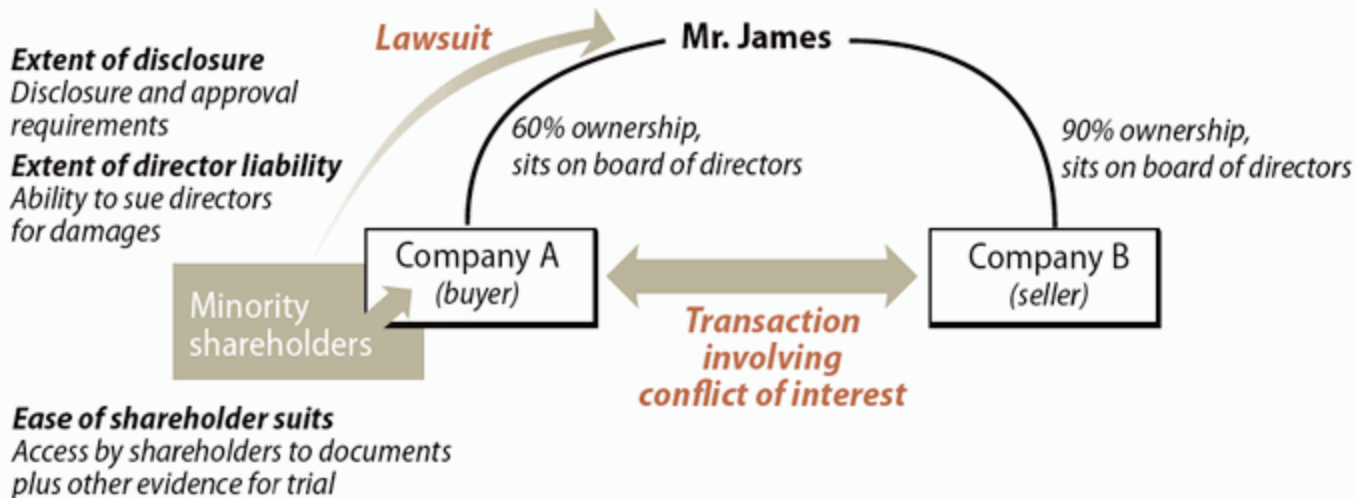
Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	131	132
Strength of investor protection index (0-10)	4.0	4.0	4.0	4.0

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



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

## How well are minority shareholders protected against self-dealing in related-party transactions?



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

Protecting Investors Data (2010)	Indicator
<b>Extent of disclosure index (0-10)</b>	<b>1</b>
What corporate body provides legally sufficient approval for the transaction?	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?	1
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	0
Whether an external body must review the terms of the transaction before it takes place?	0
<b>Extent of director liability index (0-10)</b>	<b>5</b>
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether shareholders can hold the approving body (the CEO or board of directors) liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	0
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?	1
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1
<b>Ease of shareholder suits index (0-10)</b>	<b>6</b>
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	4
Whether the plaintiff can directly question the defendant and witnesses during trial?	1
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	0
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	1
Whether the level of proof required for civil suits is lower than that of criminal cases?	0
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	0
<b>Strength of investor protection index (0-10)</b>	<b>4.0</b>

Taxes are essential to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. *Doing Business* data show that economies where it is more difficult and costly to pay taxes have larger shares of informal sector activity. More than 60% of economies have reformed in the last 6 years and are starting to see concrete results.

### Some reform outcomes

*Colombia introduced a new electronic system for social security and labor taxes in 2006 and by 2008 the social security contributions collected from small and medium-size companies rose by 42%, to 550 billion pesos.*

*Mauritius reduced the corporate income tax rate from 25% to 15% and removed exemptions and industry-specific allowances in 2006 and saw their corporate income tax revenue grow by 27% in the following year, and in 2008/09 it increased by 65%.*

### What do the Paying taxes indicators measure?

**Tax payments for a manufacturing company in 2009**  
(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)

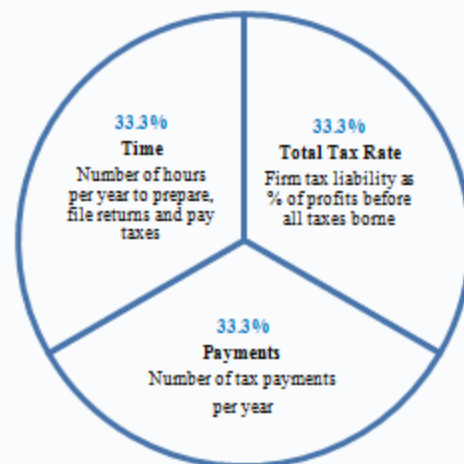
- Collecting information and computing the tax payable
- Completing tax return forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

**Total tax rate** (% of profit)

- Profit or corporate income tax
- Mandatory 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

**Paying Taxes:** tax compliance for a local manufacturing company

Rankings are based on 3 subindicators



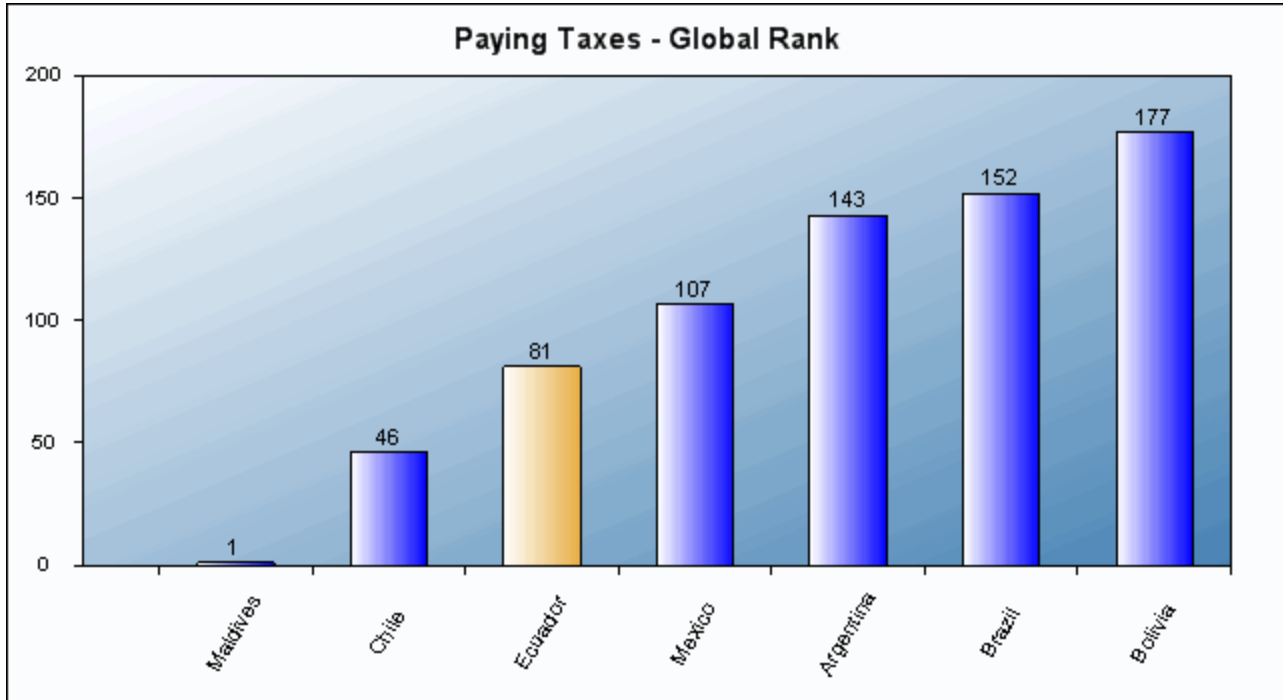
### Case Study Assumptions

- TaxpayerCo is a medium-size business that started operations 2 years ago.
- Tax practitioners are asked to review its 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 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
- Taxes and mandatory contributions include corporate income tax, turnover tax, all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

## 1. Benchmarking Paying Taxes Regulations:

Ecuador is ranked 81 overall for Paying Taxes.

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



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

<b>Good Practice Economies</b>	<b>Payments (number per year)</b>	<b>Time (hours per year)</b>	<b>Total tax rate (% profit)</b>
<b>Maldives*</b>	3	0	
<b>Timor-Leste</b>			0.2

<i>Selected Economy</i>			
<b>Ecuador</b>	<b>8</b>	<b>654</b>	<b>35.3</b>

<i>Comparator Economies</i>			
<b>Argentina</b>	9	453	108.2
<b>Bolivia</b>	42	1080	80.0
<b>Brazil</b>	10	2600	69.0
<b>Chile</b>	9	316	25.0
<b>Mexico</b>	6	404	50.5

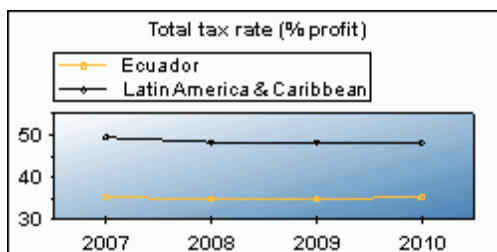
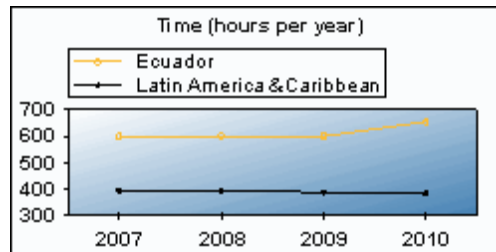
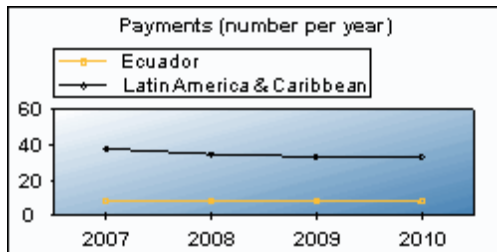
\* The following economies are also good practice economies for :

**Payments (number per year): Qatar**

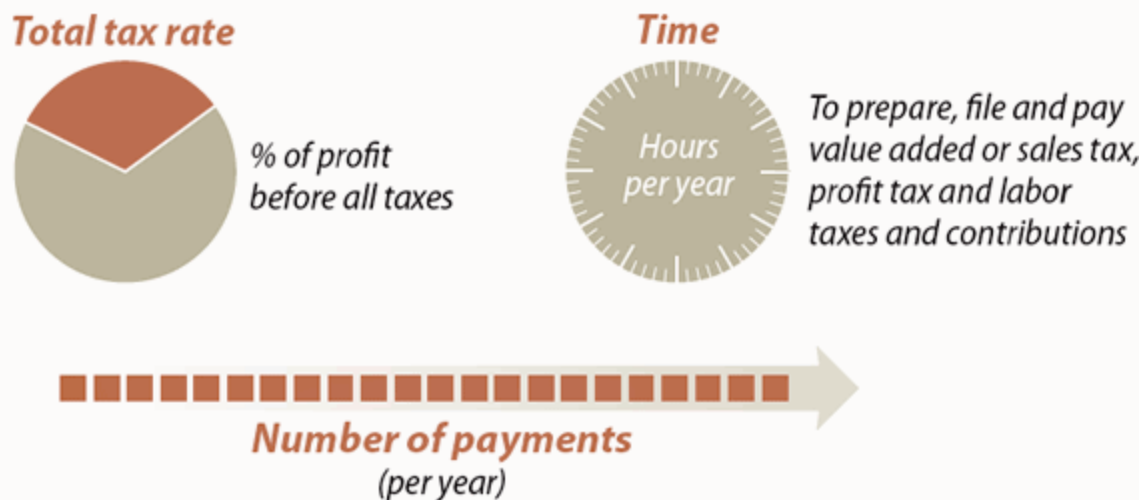
## 2. Historical data: Paying Taxes in Ecuador

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	75	81
Total tax rate (% profit)	35.3	34.9	34.9	35.3
Payments (number per year)	8	8	8	8
Time (hours per year)	600	600	600	654

## 3. The following graphs illustrate the Paying Taxes sub indicators in Ecuador over the past 4 years:



## What are the time, total tax rate and number of payments necessary for a local medium-sized company to pay all taxes?



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

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Value added tax (VAT)	1	online filing	240	12.0%	value added		
Vehicle tax	1			2.5%	vehicle value	0.20	
Municipal assets tax	1			0.2%	total assets	0.40	
Capital gains tax (property transfer tax)	1			10.0%	capital gains	0.50	
Contribution to superintendence	1			0.1%	total assets	0.50	
Patent tax	1			fixed fee		2.10	
Social security contributions	1	online filing	306	12.2%	gross salaries	13.70	
Corporate income tax	1	online filing	108	25.0%	taxable profit	17.90	
<b>Totals</b>	<b>8</b>		<b>654</b>			<b>35.3</b>	



Making trade between countries easier is increasingly important for business in today's globalized world. 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. Trade facilitation tools such as electronic data interchange systems, risk-based inspections, and single windows help improve an economy's trading environment and boost firms' international competitiveness. *Doing Business* trade indicators take into account documents, cost and time associated with every procedure for trading a standard shipment of goods by ocean transport. Research indicates that exporters in developing countries have much more to gain by a 10% drop in their trading costs than from a similar decrease of the tariffs applied to their products in global markets.

### Some reform outcomes

*In Georgia, reducing customs clearance time by a day has led to operational savings of an estimated \$288 per truck, or an annual \$133 million for the country's whole trading community given the growing amount of cross-border trade in recent years.*

*In Korea, predictable cargo processing times and rapid turnover by ports and warehouses provide a benefit to the Korean economy of some \$2 billion annually.*

### What do the Trading Across Borders indicators measure?

**Trading Across Borders:** exporting and importing by ocean transport

Rankings are based on 3 subindicators

#### Documents required to export and import (number)

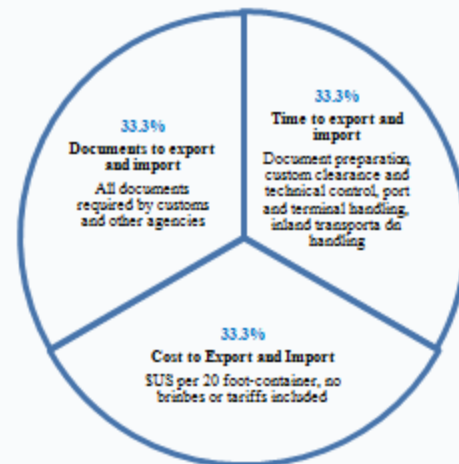
- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

#### 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



### Case Study Assumptions

#### The Business

- Has at least 60 employees and is located in the economy's largest business city
- Is a private, limited liability company, which exports more than 10% of its sales. It is fully domestically owned and does not operate in an export processing zone or an industrial estate with special export or import privileges

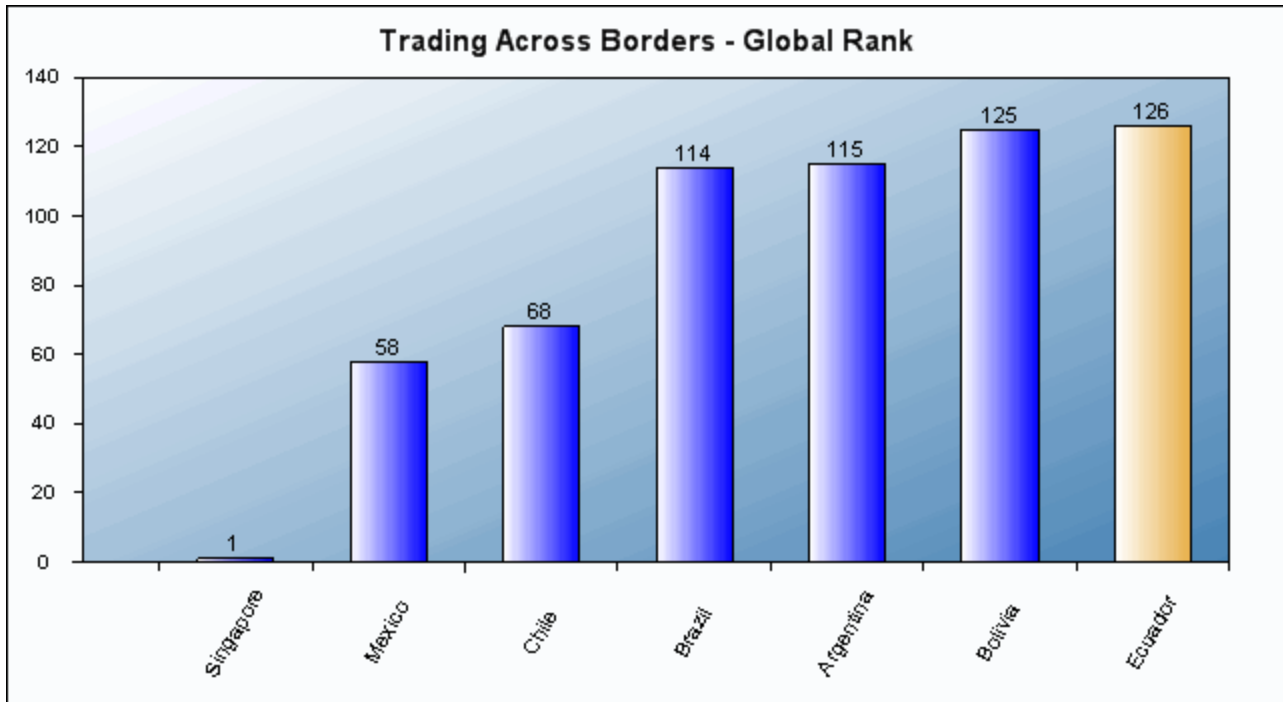
#### The traded product

- Is transported in a dry-cargo, 20-foot full container load; weighs 10 tons and is valued at \$20,000
- Is not hazardous or include military items; it does not require special phytosanitary or environmental safety standards, refrigeration or any other special environment
- Is one of the economy's leading export or import products

## 1. Benchmarking Trading Across Borders Regulations:

Ecuador is ranked 126 overall for Trading Across Borders.

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



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

<b>Good Practice Economies</b>	<b>Documents to export (number)</b>	<b>Time to export (days)</b>	<b>Cost to export (US\$ per container)</b>	<b>Documents to import (number)</b>	<b>Time to import (days)</b>	<b>Cost to import (US\$ per container)</b>
<b>Denmark*</b>		5				
<b>France</b>	2			2		
<b>Malaysia</b>			450			
<b>Singapore</b>					4	439

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

<i>Comparator Economies</i>						
<b>Argentina</b>	9	13	1480	7	16	1810
<b>Bolivia</b>	8	19	1425	7	23	1747
<b>Brazil</b>	8	13	1790	7	17	1730
<b>Chile</b>	6	21	745	7	21	795
<b>Mexico</b>	5	12	1420	4	12	1880

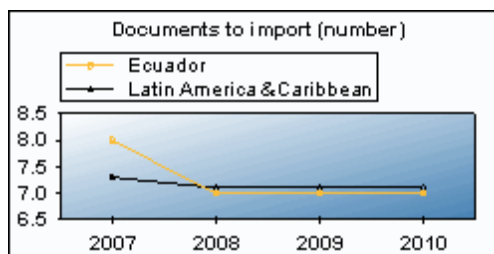
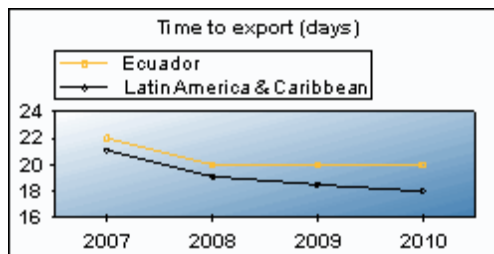
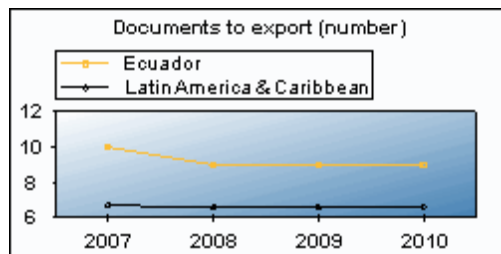
\* The following economies are also good practice economies for :

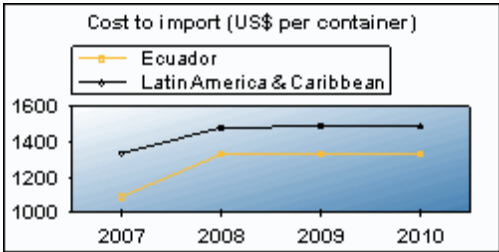
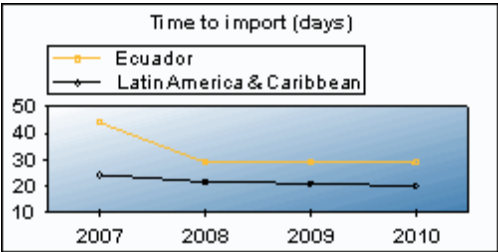
**Time to export (days): Estonia**

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

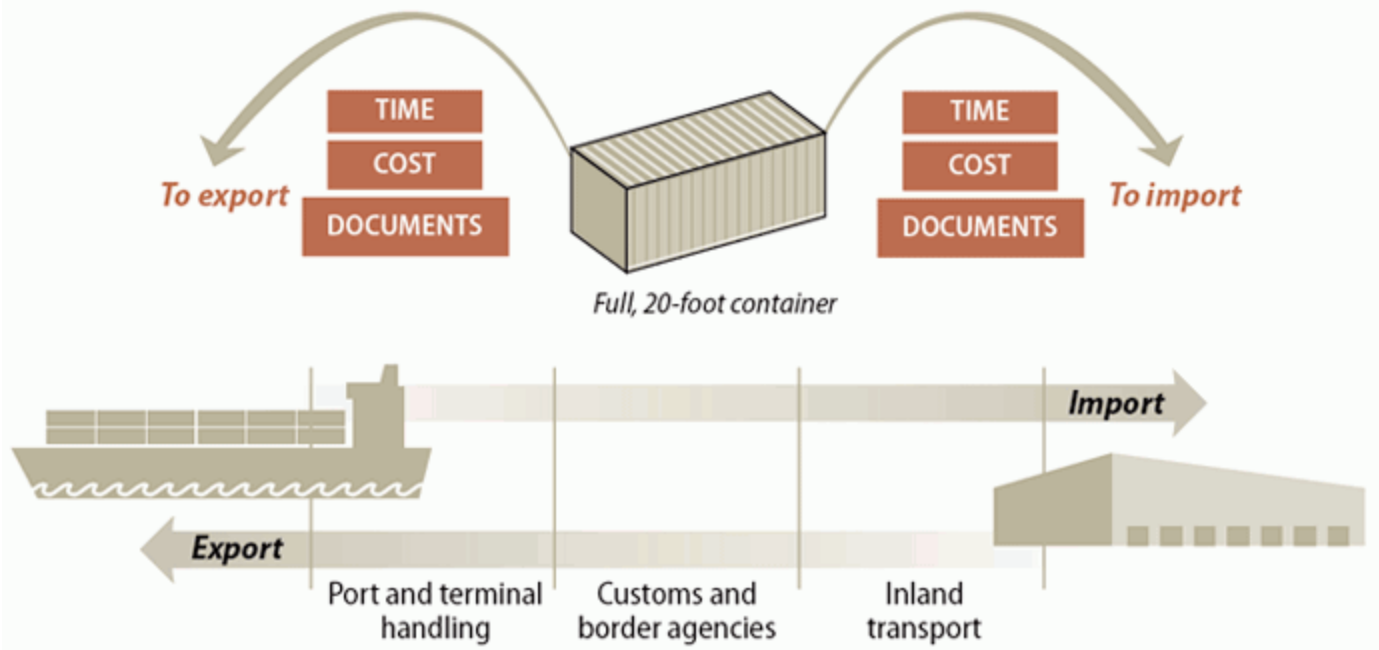
Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	124	126
Cost to export (US\$ per container)	1090	1345	1345	1345
Cost to import (US\$ per container)	1090	1332	1332	1332
Documents to export (number)	10	9	9	9
Documents to import (number)	8	7	7	7
Time to export (days)	22	20	20	20
Time to import (days)	44	29	29	29

3. The following graphs illustrate the Trading Across Borders sub indicators in Ecuador over the past 4 years:





## How much time, how many documents and what cost to export and import across borders by ocean transport?



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

Nature of Export Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	10	375
Customs clearance and technical control	4	170
Ports and terminal handling	2	250
Inland transportation and handling	4	550
Totals	20	1345

Nature of Import Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	19	362
Customs clearance and technical control	4	170
Ports and terminal handling	4	250
Inland transportation and handling	2	550
Totals	29	1332

**Documents for Export and Import**

**Export**

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

**Import**

Bill of lading
Cargo release order
Certificate of origin
Commercial invoice
Customs import declaration
Packing list
Terminal handling receipts

Well functioning courts help businesses expand their network and markets. Where contract enforcement is efficient, firms have greater access to credit and are more likely to engage with new borrowers or customers. *Doing Business* measures the efficiency of the judicial system in resolving a commercial sale dispute before local courts. Following the step-by-step evolution of a standardized case study, data relating to the time, cost and procedural complexity of resolving a commercial lawsuit are collected through study of the codes of civil procedure and other court regulations, as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

#### Some reform outcomes

*In Rwanda the implementation of specialized commercial courts in May 2008 resulted in a significant decrease of the case backlog, and contributed to reduce the time to resolve a commercial dispute by nearly 3 months.*

*In Austria a "data highway" for the courts that allows attachments to be sent electronically has produced savings of €4.4 million in postage alone.*

#### What do the Enforcing Contracts indicators measure?

**Enforcing Contracts:** resolving a commercial dispute through the courts

Rankings are based on 3 subindicators

#### Procedures to enforce a contract (number)

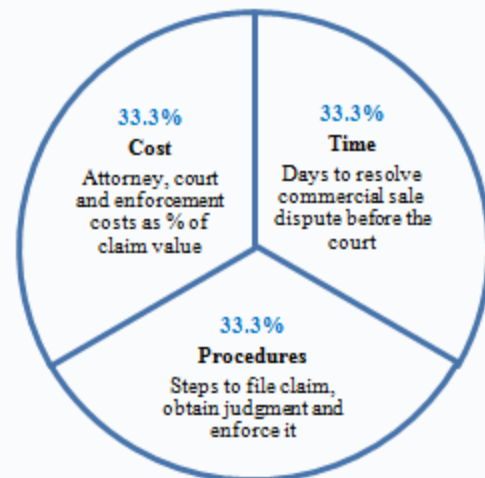
- Any interaction between the parties in a commercial dispute, or between them and the judge or court officer
- Steps to file the case
- Steps for trial and judgment
- Steps to enforce the judgment

#### 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



#### Case Study Assumptions

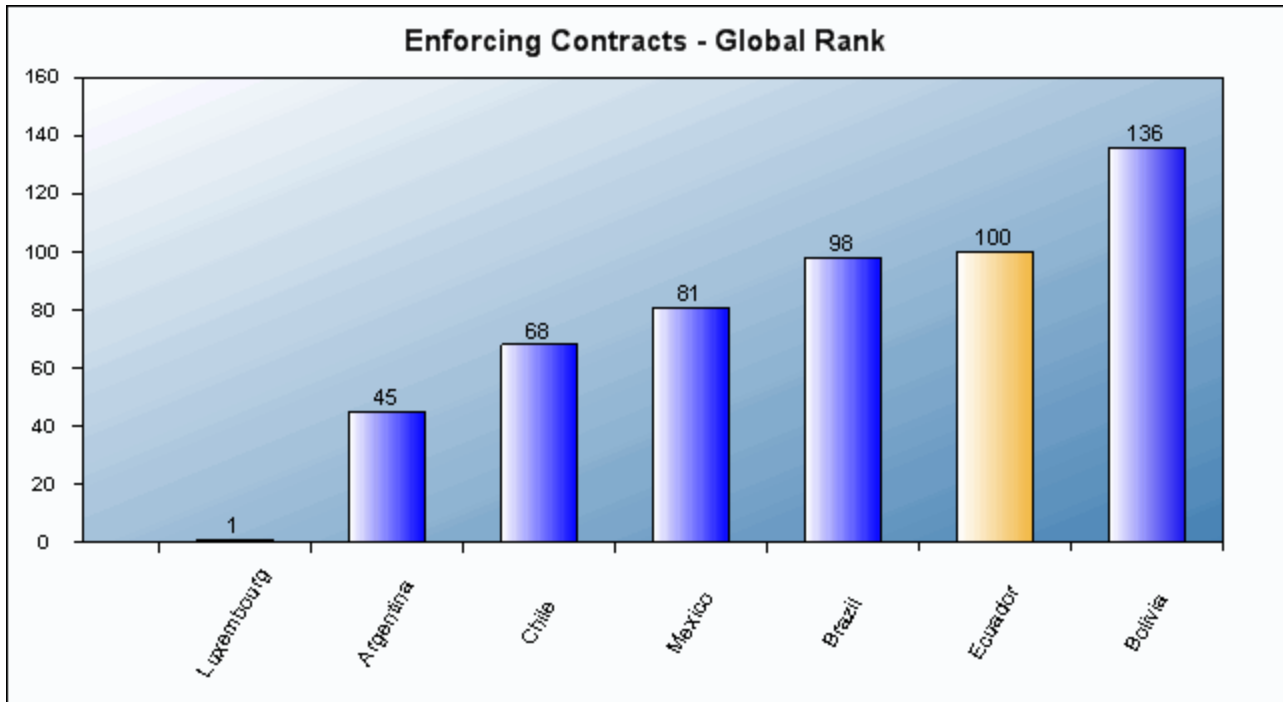
- Seller and Buyer are domestic companies
- Buyer orders custom-made goods, then does not pay
- Seller sues Buyer before competent court
- Value of claim is 200% of GNI per capita
- Seller requests pre-trial attachment to secure claim
- Dispute on quality of the goods requires expert opinion
- Judge decides in favor of Seller, no appeal
- Seller enforces judgment through a public sale of Buyer's movable assets.



## 1. Benchmarking Enforcing Contracts Regulations:

Ecuador is ranked 100 overall for Enforcing Contracts.

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



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

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

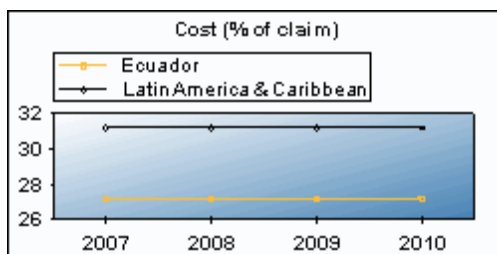
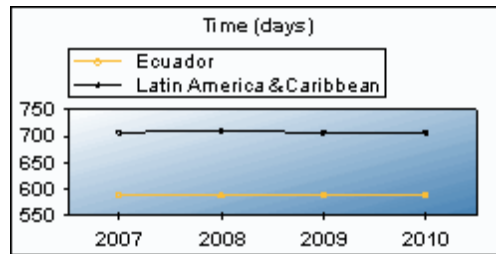
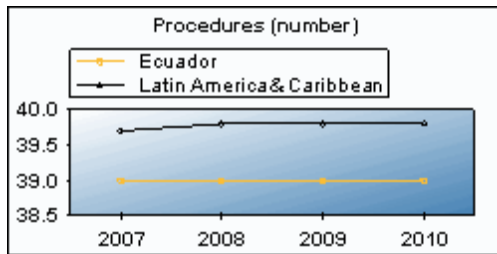
<i>Selected Economy</i>			
<b>Ecuador</b>	<b>39</b>	<b>588</b>	<b>27.2</b>

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

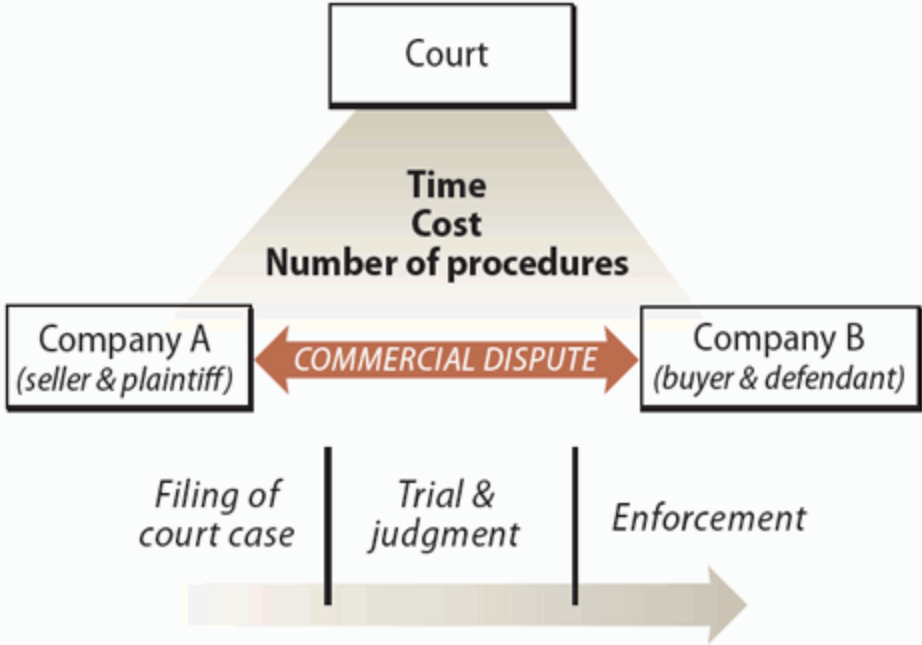
## 2. Historical data: Enforcing Contracts in Ecuador

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	99	100
Procedures (number)	39	39	39	39
Time (days)	588	588	588	588
Cost (% of claim)	27.2	27.2	27.2	27.2

3. The following graphs illustrate the Enforcing Contracts sub indicators in Ecuador over the past 4 years:



**What are the time, cost and number of procedures to resolve a commercial dispute through the courts?**



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

Nature of Procedure (2010)	Indicator
Procedures (number)	39
Time (days)	588
Filing and service	38.0
Trial and judgment	455.0
Enforcement of judgment	95.0
<b>Cost (% of claim)*</b>	<b>27.20</b>
Attorney cost (% of claim)	15.0
Court cost (% of claim)	5.0
Enforcement Cost (% of claim)	7.2

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

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

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 businesses' speedy return 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.

### Some reform outcomes

*A study of the 2005 bankruptcy reform in Brazil found that it had led to an average reduction of 22% in the cost of credit for Brazilian companies, a 39% increase in overall credit and a 79% increase in long-term credit in the economy. The purpose of the reform was to improve creditor protection in insolvency proceedings.*

*Following the introduction of debtor-in-possession reorganizations in Korea in 2006, the number of reorganization filings increased from 76 in 2006 to 670 in 2009.*

### What does the Closing a Business indicator measure?

**Closing a Business:** insolvency proceedings against local company

#### 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 value)

- Measured as percentage of estate value
- Court fees
- Fees of insolvency administrators
- Lawyers' fees
- Assessors' and auctioneers' fees
- All other fees and costs

#### Recovery rate for creditors (cents on the dollar)

- Measures the cents on the dollar recovered by creditors
- Present value of debt recovered
- 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



### *Case Study Assumptions*

#### The Company

- is domestically owned
- is a limited liability company operating a hotel
- operates in the economy's largest business city
- has 201 employees, 1 secured creditor and 50 unsecured creditors
- has a higher value as a going concern and a lower value in a piecemeal sale of assets

## 1. Benchmarking Closing Business Regulations:

Ecuador is ranked 133 overall for Closing a Business.

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



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

<b>Good Practice Economies</b>	<b>Recovery rate (cents on the dollar)</b>	<b>Time (years)</b>	<b>Cost (% of estate)</b>
<b>Ireland</b>		0.4	
<b>Japan</b>	92.7		
<b>Singapore*</b>			1

<i>Selected Economy</i>			
<b>Ecuador</b>	<b>17.0</b>	<b>5.3</b>	<b>18</b>

<i>Comparator Economies</i>			
<b>Argentina</b>	32.8	2.8	12
<b>Bolivia</b>	39.3	1.8	15
<b>Brazil</b>	17.1	4.0	12
<b>Chile</b>	28.2	4.5	15
<b>Mexico</b>	66.7	1.8	18

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

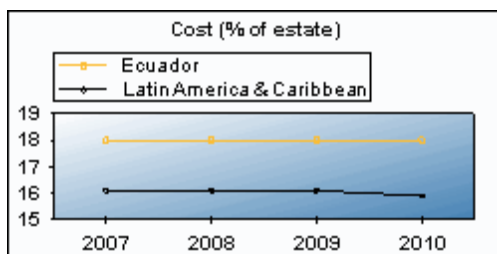
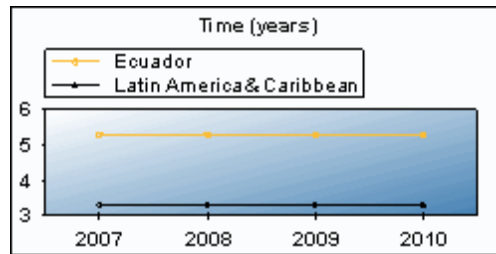
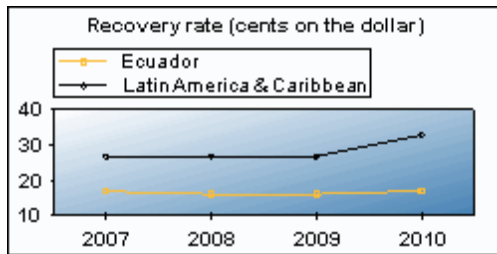
**Cost (% of estate): Colombia, Kuwait, Norway**



## 2. Historical data: Closing Business in Ecuador

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	133	133
Time (years)	5.3	5.3	5.3	5.3
Cost (% of estate)	18	18	18	18
Recovery rate (cents on the dollar)	16.9	16.1	16.1	17.0

## 3. The following graphs illustrate the Closing Business sub indicators in Ecuador over the past 4 years:



Since 2004 Doing Business has been tracking reforms aimed at simplifying business regulations, strengthening property rights, opening access to credit and enforcing contracts by measuring their impact on 10 indicator sets . \* Nearly 1,000 reforms have had an impact on these indicators. *Doing Business 2011*, covering June 2009 to June 2010, reports that 117 economies implemented 216 reforms to make it easier to start a business. 64% of economies measured by Doing Business have reformed this year, focusing on easing business start-up, lightening the tax burden, simplifying import and export regulations and improving credit information systems.

## The top 10 most-improved in Doing Business 2011

Economy	Indicator									
	Starting a Business	Dealing with Construction Permits	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business	Employing Workers
Kazakhstan	✓	✓				✓	✓			
Rwanda		✓		✓			✓			
Peru	✓	✓	✓				✓			
Vietnam	✓	✓		✓						
Cape Verde	✓		✓				✓			
Tajikistan	✓				✓		✓			
Zambia	✓						✓	✓		
Hungary		✓	✓				✓			✓
Grenada	✓		✓				✓			
Brunei Darussalam	✓						✓	✓		

 Positive Change  
 Negative Change

\* For *Doing Business 2011* the Employing Workers indicator is not included in the aggregate ease of doing business ranking.

## Summary of changes to business regulation in top 10 most improved economies in *Doing Business 2011* and selected comparator economies.

<b>Brazil</b>	Brazil eased business start-up by further enhancing the electronic synchronization between federal and state tax authorities.
<b>Brunei Darussalam</b>	Brunei Darussalam made starting a business easier by improving efficiency at the company registrar and implementing an electronic system for name searches. Brunei Darussalam reduced the corporate income tax rate from 23.5% to 22% while also introducing a lower tax rate for small businesses, ranging from 5.5% to 11%. The introduction of an electronic customs system in Brunei Darussalam made trading easier.
<b>Cape Verde</b>	Cape Verde made start-up easier by eliminating the need for a municipal inspection before a business begins operations and computerizing the system for delivering the municipal license. Cape Verde eased property registration by switching from fees based on a percentage of the property value to lower fixed rates. Cape Verde abolished the stamp duties on sales and checks.
<b>Chile</b>	Chile made business start-up easier by introducing an online system for registration and for filing the request for publication. An amendment to Chile's securities law strengthened investor protections by requiring greater corporate disclosure and regulating the approval of transactions between interested parties.
<b>Ecuador</b>	Ecuador made starting a business easier by introducing an online registration system for social security.
<b>Grenada</b>	Grenada eased business start-up by transferring responsibility for the commercial registry from the courts to the civil administration. The appointment of a registrar focusing only on property cut the time needed to transfer property in Grenada by almost half. Grenada's customs administration made trading faster by simplifying procedures, reducing inspections, improving staff training and enhancing communication with users.
<b>Hungary</b>	Hungary implemented a time limit for the issuance of building permits. Hungary reduced the property registration fee by 6% of the property value. Hungary simplified taxes and tax bases. Amendments to Hungary's bankruptcy law encourage insolvent companies to consider reaching agreements with creditors out of court so as to avoid bankruptcy.
<b>Kazakhstan</b>	Kazakhstan eased business start-up by reducing the minimum capital requirement to 100 tenge (\$0.70) and eliminating the need to have the memorandum of association and company charter notarized. Kazakhstan made dealing with construction permits easier by implementing a one-stop shop related to technical conditions for utilities. Kazakhstan strengthened investor protections by requiring greater corporate disclosure in company annual reports. Kazakhstan speeded up trade through efforts to modernize customs, including implementation of a risk management system and improvements in customs automation.
<b>Mexico</b>	Mexico launched an online one-stop shop for initiating business registration. Mexico improved construction permitting by merging and streamlining procedures related to zoning and utilities. Mexico increased taxes on companies by raising several tax rates, including the corporate income tax and the rate on cash deposits. At the same time, the administrative burden was reduced slightly with more options for online payment and increased use of accounting software.
<b>Peru</b>	Peru eased business start-up by simplifying the requirements for operating licenses and creating an online one-stop shop for business registration. Peru streamlined construction permitting by implementing administrative reforms. Peru introduced fast-track procedures at the land registry, cutting by half the time needed to register property. Peru made trading easier by implementing a new web-based electronic data interchange system, risk-based inspections and payment deferrals.
<b>Rwanda</b>	Rwanda made dealing with construction permits easier by passing new building regulations at the end of April 2010 and implementing new time limits for the issuance of various permits. Rwanda enhanced access to credit by allowing borrowers the right to inspect their own credit report and mandating that loans of all sizes be reported to the central bank's public credit registry. Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and other neighbors, leading to an improvement in the trade logistics environment.

**Tajikistan**

Tajikistan made starting a business easier by creating a one-stop shop that consolidates registration with the state and the tax authority. Tajikistan strengthened investor protections by requiring greater corporate disclosure in the annual report and greater access to corporate information for minority investors. Tajikistan lowered its corporate income tax rate.

**Vietnam**

Vietnam eased company start-up by creating a one-stop shop that combines the processes for obtaining a business license and tax license and by eliminating the need for a seal for company licensing. Vietnam made dealing with construction permits easier by reducing the cost to register newly completed buildings by 50% and transferring the authority to register buildings from local authorities to the Department of National Resources and Environment. Vietnam improved its credit information system by allowing borrowers to examine their own credit report and correct errors.

**Zambia**

Zambia eased business start-up by eliminating the minimum capital requirement. Zambia eased trade by implementing a one-stop border post with Zimbabwe, launching web-based submission of customs declarations and introducing scanning machines at border posts. Zambia improved contract enforcement by introducing an electronic case management system in the courts that provides electronic referencing of cases, a database of laws, real-time court reporting and public access to court records.



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