

Doing Business 2011

Colombia

**Making
a Difference for
Entrepreneurs**

COMPARING BUSINESS REGULATION IN 183 ECONOMIES



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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 Colombia. 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).

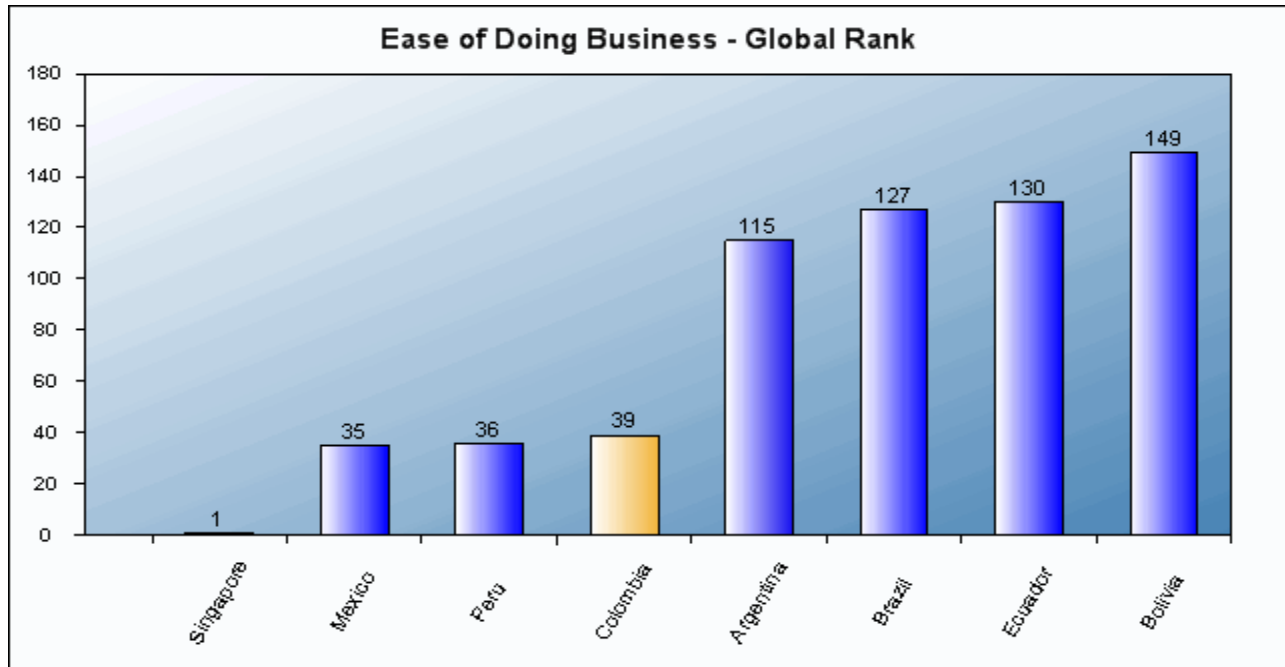
* Except for the Paying Taxes indicator that refers to the period January to December of 2009.

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

Colombia is ranked 39 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

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



Colombia's ranking in Doing Business 2011

Rank	Doing Business 2011
Ease of Doing Business	39
Starting a Business	73
Dealing with Construction Permits	32
Registering Property	55
Getting Credit	65
Protecting Investors	5
Paying Taxes	118
Trading Across Borders	99
Enforcing Contracts	150
Closing a Business	29

Summary of Indicators - Colombia

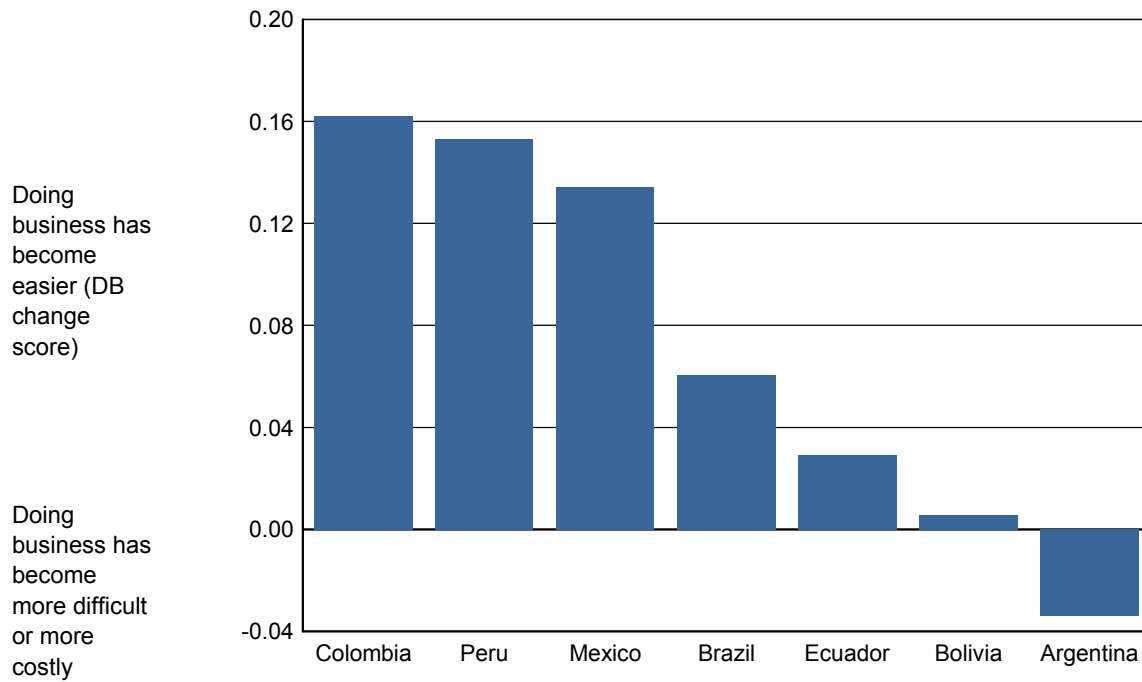
Starting a Business	Procedures (number)	9
	Time (days)	14
	Cost (% of income per capita)	14.7
	Min. capital (% of income per capita)	0.0
Dealing with Construction Permits	Procedures (number)	10
	Time (days)	50
	Cost (% of income per capita)	405.9
Registering Property	Procedures (number)	7
	Time (days)	20
	Cost (% of property value)	2.0
Getting Credit	Strength of legal rights index (0-10)	5
	Depth of credit information index (0-6)	5
	Public registry coverage (% of adults)	0.0
	Private bureau coverage (% of adults)	63.1
Protecting Investors	Extent of disclosure index (0-10)	8
	Extent of director liability index (0-10)	8
	Ease of shareholder suits index (0-10)	9
	Strength of investor protection index (0-10)	8.3
Paying Taxes	Payments (number per year)	20
	Time (hours per year)	208
	Profit tax (%)	17.7
	Labor tax and contributions (%)	33.9
	Other taxes (%)	27.1
	Total tax rate (% profit)	78.7
Trading Across Borders	Documents to export (number)	6
	Time to export (days)	14
	Cost to export (US\$ per container)	1770
	Documents to import (number)	8
	Time to import (days)	13
	Cost to import (US\$ per container)	1700

Enforcing Contracts	Procedures (number)	34
	Time (days)	1346
	Cost (% of claim)	47.9
Closing a Business	Recovery rate (cents on the dollar)	62.4
	Time (years)	3.0
	Cost (% of estate)	1

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.

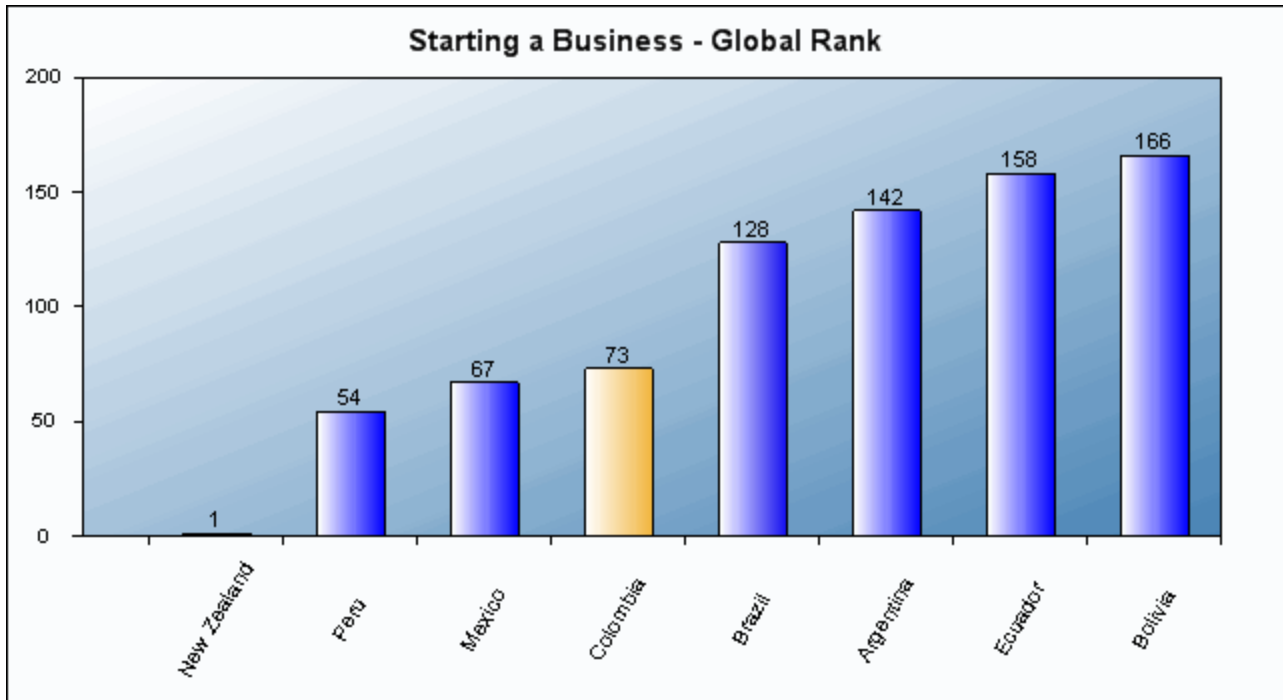
The business:

- 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:

Colombia is ranked 73 overall for Starting a Business.

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



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

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

<i>Selected Economy</i>				
Colombia	9	14	14.7	0.0

<i>Comparator Economies</i>				
Argentina	14	26	14.2	2.7
Bolivia	15	50	100.8	2.5
Brazil	15	120	7.3	0.0
Ecuador	13	56	32.6	4.9
Mexico	6	9	12.3	9.2
Peru	6	27	13.6	0.0

* The following economies are also good practice economies for :

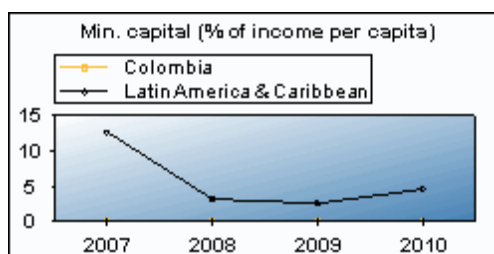
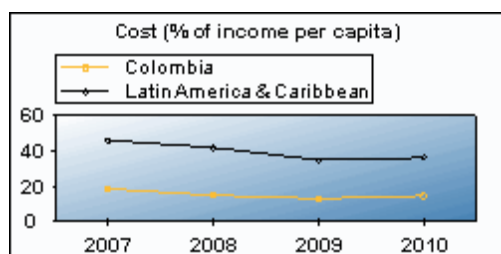
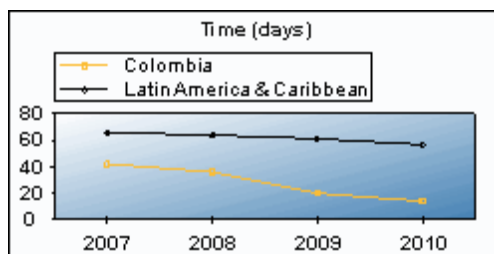
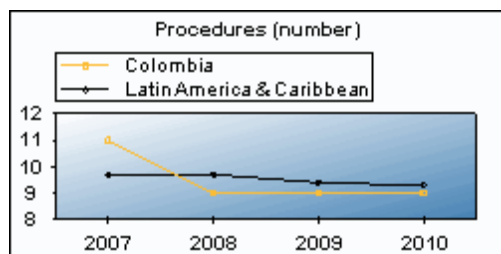
Procedures (number): Canada

Cost (% of income per capita): Slovenia

2. Historical data: Starting a Business in Colombia

Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	72	73
Procedures (number)	11	9	9	9
Time (days)	42	36	20	14
Cost (% of income per capita)	18.6	14.9	13.1	14.7
Min. capital (% of income per capita)	0.0	0.0	0.0	0.0

3. The following graphs illustrate the Starting a Business sub indicators in Colombia 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 Colombia.

STANDARDIZED COMPANY

Legal Form: Sociedad por Acciones Simplificada (SAS)

City: Bogota

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Purchase corporate and accounting books	1	COP 40,000
2	Register with the Registry of Commerce, obtain the "certificate of existence and legal representation"; register the company books and register with the National Tax Office (DIAN) at the Chamber of Commerce	2	COP 1,496,438
3	Open a bank account and deposit the nominal capital	1	no charge
4	Register company with the Family Compensation Fund (Caja de Compensación Familiar), the Governmental Learning Service (Servicio Nacional de Aprendizaje, SENA) and the Colombian Family Institute (Instituto Colombiano de Bienestar Familiar, ICBF)	10	no charge
5 *	Register company with the Administrator of Professional Risks (ARP)	1	no charge
6 *	Register employer and employees for pension with the Social Security System – ISS	3	no charge

7	* Register employees with a private pension fund	1	no charge
8	* Register employees for health coverage (public)	6	no charge
9	* Register employees with a severance fund	1	no charge

* Takes place simultaneously with another procedure.

Starting a Business Details - Colombia

Procedure 1 Purchase corporate and accounting books

Time to complete: 1

Cost to complete: COP 40,000

Comment: The applicant can select the corporate and accounting book format and the store location. Although the books can also be obtained or ordered from the Chamber of Commerce via the Internet, the general practice is to acquire them before visiting the Chamber of Commerce.

Procedure 2 Register with the Registry of Commerce, obtain the "certificate of existence and legal representation"; register the company books and register with the National Tax Office (DIAN) at the Chamber of Commerce

Time to complete: 2

Cost to complete: COP 1,496,438

Comment: Ley 1258 of 2009 introduced a new type of company - the SAS (Sociedad por Acciones Simplificada). An SAS is incorporated by the parties through a private document (or by attorney, if that is the case) that is submitted to the Chamber of Commerce. There is no need for a public deed. As an exception for this rule, if the procedure supposes the transference of real property, it is mandatory to set up the company by public deed (Notary Public).

In May 2003, with the introduction of one-stop shops known as Centros de Atención Empresarial (CAE), procedures were consolidated so that a single form is now required to:

- Register the company and commercial establishments (if any) with the Registry of Commerce.
- Register the corporate books with the Chamber of Commerce.
- Register with the National Tax Office (DIAN) and the District Tax Office to obtain the tax identification number (TIN) and the district tax registration number.

Since May 2008, applicants can go on-line to register all the above at portal www.crearempresa.com.co

The portal provides access to information and speeds up business start up.

Procedure 3 Open a bank account and deposit the nominal capital

Time to complete: 1

Cost to complete: no charge

Comment: To open an account at a branch of a commercial bank, the owner encloses the certificate of existence and legal representation, the TIN document, and a photocopy of the certificate of citizenship of the legal representative. A savings account may be opened in minutes, but a checking account could take 3 or more business days for the bank to verify the company information, due to the compliance and revision requirements stemming from money-laundering prevention laws and regulations. Depending on the bank, a minimum initial deposit of about COP 500,000 is required.

Procedure 4 Register company with the Family Compensation Fund (Caja de Compensación Familiar), the Governmental Learning Service (Servicio Nacional de Aprendizaje, SENA) and the Colombian Family Institute (Instituto Colombiano de Bienestar Familiar, ICBF)

Time to complete: 10

Cost to complete: no charge

Comment: Decree 3667 of 2004 created a unified form to self-assess and pay social security and payroll contribution. And be advised that the unified form can be submitted electronically but not in person to the Governmental Learning Service (Servicio Nacional de Aprendizaje, or SENA), the Colombian Family Institute (Instituto Colombiano de Bienestar Familiar, or ICBF), the Family Compensation Fund (Caja de Compensación Familiar), and the school of public administration (Escuela Superior de Administración Pública, ESAP). This unified form may be submitted electronically or in person. The time to register varies from 2 days to 3 weeks, depending on the family compensation fund chosen.
The term for payment of the monthly contributions to the Family Compensation Fund expires within the first thirteen business days of each month depending on the last number of the Tax Identification Number (TIN) of the company.

Procedure 5 Register company with the Administrator of Professional Risks (ARP)

Time to complete: 1

Cost to complete: no charge

Comment: The company must submit a form listing its affiliation and its employees to an administrator of professional risks (ARP), private or public (Instituto de Seguros Sociales, ISS), which covers workplace injury and professional illness. The employer chooses the ARP to which it affiliates all employees and pays the monthly contributions. Coverage begins 24 hours after submitting the form. Before affiliating employees, some administrators of professional risks request that they attend a short course.

Procedure 6 Register employer and employees for pension with the Social Security System – ISS

Time to complete: 3

Cost to complete: no charge

Comment: The company must affiliate itself with with the pension system. The company must then submit a form that indicates employee affiliation to the pension system (affiliation either to the public pension fund through the Social Security System (ISS) or to a private pension and compensation fund). The employer cannot choose the pension fund on behalf of the employee. Each employee has the right to choose between the public or private pension fund, and the company must complete the respective submissions to the pension funds.

Recently, the creation of a new tool allows online pre-enrollment, which is accessed through the ISS webpage, <http://www.iss.gov.co/>.

Procedure 7 Register employees with a private pension fund

Time to complete: 1

Cost to complete: no charge

Comment: The process to register an employee with a private pension fund is the same as with the public pension fund (the ISS), but a private fund representative visits the company and completes the registration quickly.

Procedure 8 Register employees for health coverage (public)

Time to complete: 6

Cost to complete: no charge

Comment: To register employees for health coverage, the company must submit a form that indicates the affiliation of its employees to the national health system (Plan Obligatorio de Salud, POS), be it through the public entity (EPS-ISS) or through a private "promoter of health" (EPS). Each employee has the right to choose a provider, and the company is obliged to submit the respective form to the provider designated by the employee. Normally, each company must make its submissions to at least one provider.

In practice, it usually takes longer than assumed here, because the providers normally do not accept affiliations immediately. The process of acceptance varies depending on the provider and the history of the employee. The employer is obligated to complete and present different forms, enclosing the documents requested by each entity (which may vary), including evidence of affiliation to the pension fund and the administrator of professional risks, as well as a deposition before a notary public for the affiliation of beneficiaries (some entities request these documents).

Procedure 9 Register employees with a severance fund

Time to complete: 1

Cost to complete: no charge

Comment: The company is required to present a form that indicates employee affiliation to the severance fund. Each employee has the right to freely choose the severance fund. Consequently, the company is obliged to complete the respective submission to the severance fund requested by the employee. Although 1 day is typically required to affiliate an employee to a severance fund, the time frame may vary depending on the number of entities chosen by the employees. The employer must deposit the employee's severance payment annually before February 15th.

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

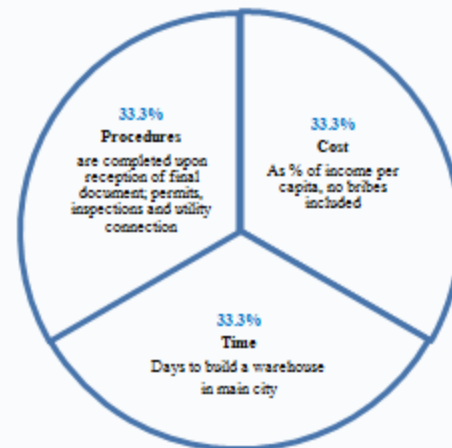
The warehouse:

- 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

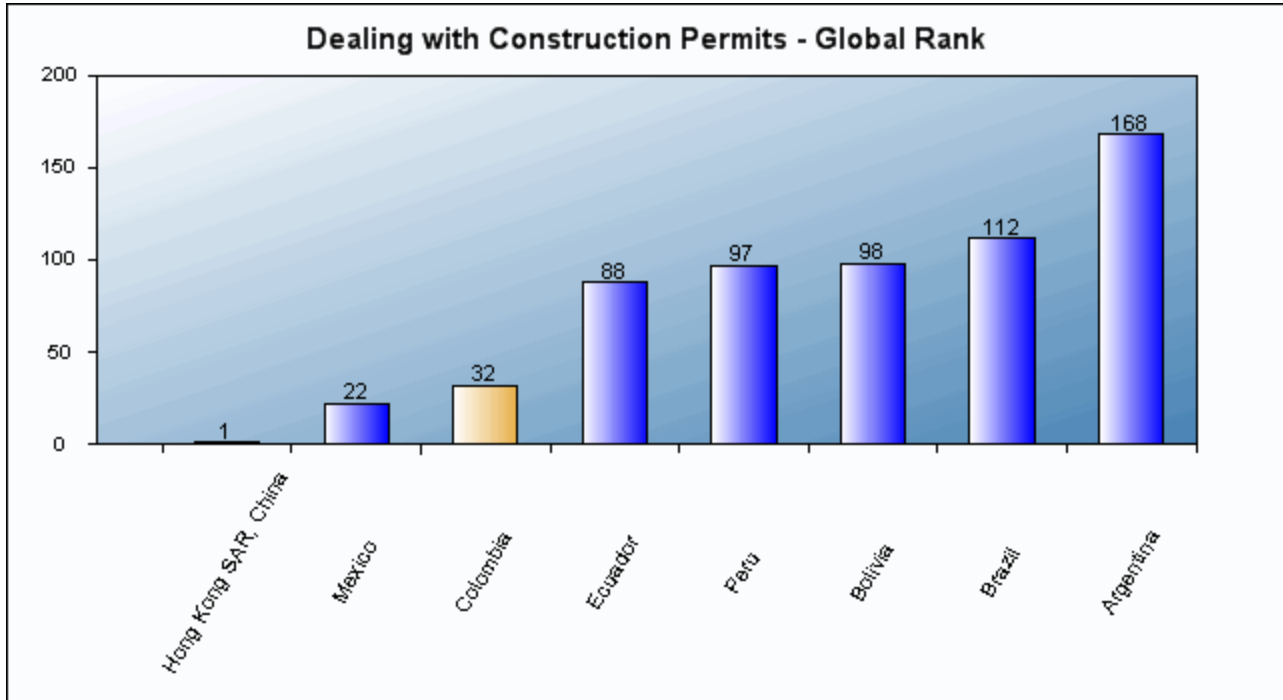
Rankings are based on 3 subindicators



1. Benchmarking Dealing with Construction Permits Regulations:

Colombia is ranked 32 overall for Dealing with Construction Permits.

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



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

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

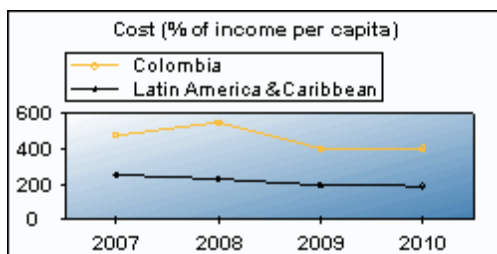
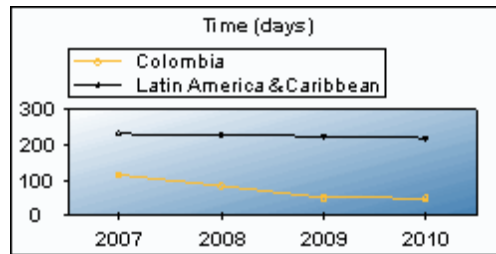
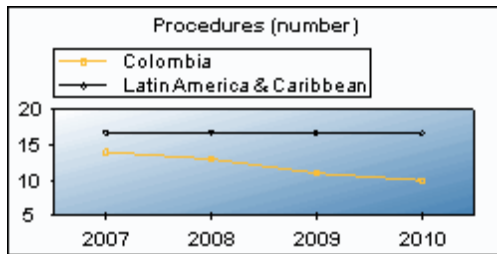
<i>Selected Economy</i>			
Colombia	10	50	405.9

<i>Comparator Economies</i>			
Argentina	28	338	133.9
Bolivia	17	249	109.1
Brazil	18	411	46.6
Ecuador	19	155	213.2
Mexico	11	105	117.0
Peru	19	188	128.1

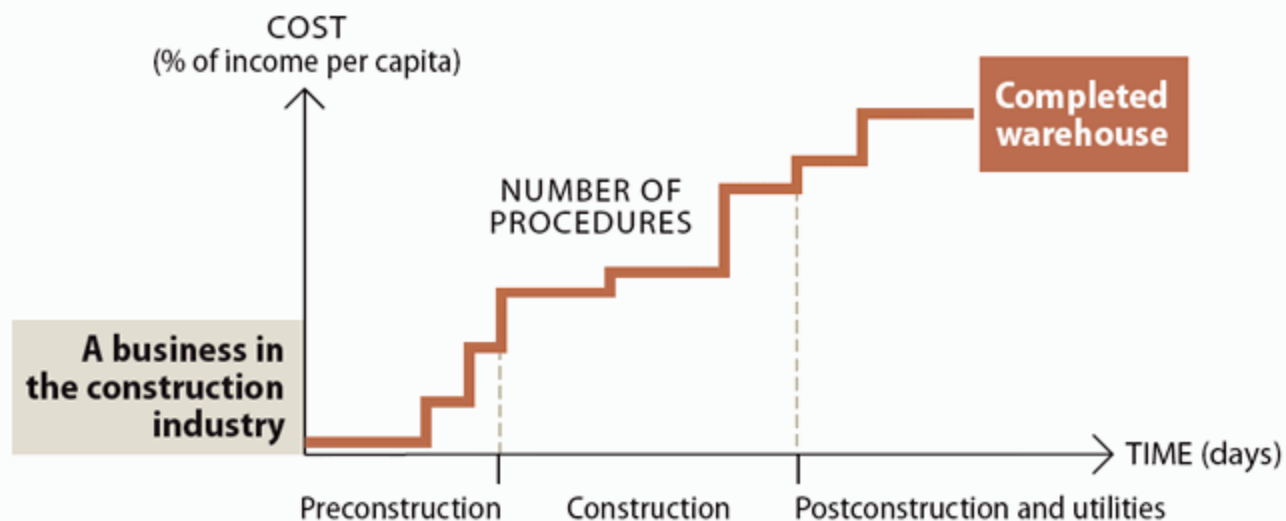
2. Historical data: Dealing with Construction Permits in Colombia

Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	31	32
Procedures (number)	14	13	11	10
Time (days)	116	84	51	50
Cost (% of income per capita)	476.8	551.3	402.8	405.9

3. The following graphs illustrate the Dealing with Construction Permits sub indicators in Colombia 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 Colombia.

BUILDING A WAREHOUSE

City: Bogota

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	File for and obtain construction license (licencia de construcción)	33 days	COP 13,146,393
2 *	Pay variable charges and tax on Urban Delineation and Occupation (Impuesto de Delineación Urbana y Ocupación) at the bank	1 day	COP 21,540,537
3	Request and obtain water connection approval from EAAB	10 days	COP 1,845,300
4 *	Receive water inspection from EAAB	1 day	no charge
5 *	Receive water inspection from EAAB	10 days	no charge
6 *	Request installation electricity utilities connection from Codensa	1 day	COP 5,650,000
7 *	Receive inspection from Codensa	1 day	no charge
8 *	Receive connection to electricity from Codensa	11 days	no charge

9 *	Request and obtain telephone connection	4 days	COP 200,000
10	Receive final inspection by mayor's office	1 day	no charge

* Takes place simultaneously with another procedure.

Dealing with Construction Permits Details - Colombia

Procedure ¹ File for and obtain construction license (licencia de construcción)

Time to complete: 33 days

Cost to complete: COP 13,146,393

Agency: Curaduría Urbana (urban curator)

Comment: The previous Decree 1600 (2005) was revoked and replaced by Decree 564 (2006) and further updated with Decree 1272 (2009). According to Article 18 of Decree 564 of 2006, any license application must be accompanied by the following documents:

1. Certificate of free transferability (copy). The certificate's date of issuance cannot be older than a month before the date of application.
2. Unique national format of application for a license (completed). This format was adopted by Resolution 0984, 2005, of the Ministry of Environment, Housing, and Territorial Development.
3. When the applicant for a license is a corporation, the existence and representation must be certified through the proper legal document. The certificate's date of issuance cannot be older than a month before the date of application.
4. Power of attorney, when needed.
5. Payment receipt for real property tax of the plot for the past 5 years, stating the plot's alphanumeric nomenclature or its identification. Whenever there is a payment agreement, the interested party will have to bring a certificate of fulfillment, issued by the Secretariat of Finance.
6. Plot location and identification plan.
7. List of the adjoining plots (the real property contiguous to the project).
8. Manifestation whether the project under consideration will be assigned as a social interest dwelling. Such evidence must be recorded within the act that resolves the license.

Article 21 of Decree 564 also establishes these additional documents for construction license applications:

- Copy of (a) the report of the structural calculations and the structural designs; and of (b) the reports of other nonstructural designs and of geotechnical and soil studies that determine the stability of the work, elaborated according to the norms in force at the moment of application, duly signed and labeled by professionals authorized for such purpose. These persons will be legally responsible for the designs and the information in them.
- Heliographic and magnetic copy of the architectural project, elaborated according to the architectural and urban planning norms in force at the moment of application, duly signed and labeled by a registered architect who will be legally responsible for the design and the information contained therein.
- If the application is presented to a different authority than issued the original license, the interested party will present the previous licenses.

Decree 1272 (2009) introduces risk based categories to determined the time to complete this process. The case study analyzed by Doing Business will be Category III (Medium complex between 500 sq meters and 2,000 sq meters) and should be approved by the Curator within 33 days (25 calendar days). However, if it requests additional documentation, such requests suspend the 33-day term until the requesting party presents the additional documents. In addition to the suspension of the terms explained above, the urban curator may extend the original 35-day term -only if correctly justified by written resolution- to up to 90 calendar days. If process has no delays the "silent is consent" rule will apply and license will be issued in 45 calendar days.

The cost to complete COP 13,146,493

The license cost is calculated by the formula below, defined in Article 108 of Statutory

Decree 564, 2006:

$$E = (Cf \cdot i \cdot m) + (Cv \cdot i \cdot j \cdot m)$$

Where

Cf = fixed charge, according to the use and area: COP 865,068 (including VAT).

Cv = variable charge, according to the use and area: COP 440,000 (formula defined by Article 108 - 80% of minimum salary).

i = use and socioeconomic stratification index, 4 (defined by Article 108).

m = town factor, according to market, 0.938 (for Bogotá, according to Article 110).

j = Ratio between expenses and square meters, given by the formula assigned in Paragraph 3, Article 108 of the Statutory Decree 564, 2006. The variable j is calculated as $3.8/[0.12+(800/Q)]$, where Q is the total area in sq. m. Applying this formula, the "j" ratio is equal to 5.17.

Then, applying the formula to the aforementioned values, the cost of the license (E) would be the following:

$$E = (865,068 \times 4 \times 0.938) + (440,000 \times 4 \times 5.17 \times 0.938 + 16\%).$$

$$E = 3,245,735 + 9,900,658$$

$$E = 13,146,493$$

Article 108 of Decree No. 564, 2006, specifies that licenses may not be granted by the urban curator without the previous payment of any taxes caused by the license procedure. BuildCo must also pay the urban delimitation and occupation tax (impuesto de delimitación urbana y ocupación) at the local bank. The fees and taxes must be deposited at a designated account held by the district authorities at any bank in Bogotá.

Direct costs are those related to materials, labor, and ancillary elements such as tools and so forth. Indirect costs relate to fees charged by the architects and the engineers and to ancillary payments related to such honoraria. It does not include costs for taxes, land acquisition, project financing, or utility surcharges.

According to Decrees 1272 of 2009 and 1469 of 2010, in cities with more than 500,000 inhabitants, the presentation of documents by a license applicant which contain information available through virtual or remote inquiry is no longer necessary. Urban curators must check by these means the information at the time of filing of the application. This is why the following documents are no longer required to be obtained by the entrepreneur:

- Legal representation certificate (Certificado de Exsistencia y Representación Legal)
- Certificate of free transferability (Certificado de libertad y tradición)
- Proof of municipal tax payment (Paz y salvo de impuesto predial)

Procedure	2	Pay variable charges and tax on Urban Delineation and Occupation (Impuesto de Delineación Urbana y Ocupación) at the bank
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Time to complete: 1 day

Cost to complete: COP 21,540,537

Agency: Commercial Bank

Comment: The fees and taxes must be deposited at a designated account held by the district authorities at any bank in Bogotá. Urban delimitation and occupation tax for the warehouse amounts (calculated at a rate of 2.6% over the Minimum building direct completion costs).

Minimum building direct completion costs (MBDCC)* - estimated by DANE (National Statistics Department): COP 637,000/sq. m. (only direct costs) x 1300.6 sq. m. = COP 828,482,200 x 2.6%=COP 21,540,537

* MBDC in 2009 was 652,461 but it was updated by DANE in January 2010 to 637,000

This is a one-time payment. Direct costs are those related to materials, labor, and ancillary elements such as tools and so forth. Indirect costs relate to fees charged by the architects and engineers and to ancillary payments for such honoraria. It does not include costs for taxes, land acquisition, project financing, and utility surcharges.

The fees and taxes must be deposited at a designated account held by the district authorities at any bank in Bogotá. This tax is payable once the license has been approved, and it is a precondition for the delivery of the approved license. If at the end of the construction the actual costs surpass the estimated ones, BuildCo must pay an additional 3% on the difference.

Procedure 3 Request and obtain water connection approval from EAAB

Time to complete: 10 days

Cost to complete: COP 1,845,300

Agency: Empresa de Acueducto y Alcantarillado de Bogotá (EAAB)

Comment: The owner of the plot (or a representative) must request a water connection by providing Bogotá's public water utility (Empresa de Acueducto y Alcantarillado de Bogotá, EAAB) with copies of the following documents:

- Nomenclature certificate (boletín de nomenclatura) of the plot where the warehouse will be located.
- Certificate of free transferability of the plot.
- Authorization of the plot owner for the installation service request, if the owner is not requesting the service directly.
- Description of the warehouse purpose (whether commercial or industrial).

According to Resolution 1281 from August 2008 the cost is: COP 1,123,520 for connection fee and COP 699,120 to install the meters and COP 22,660 for meter verification. EAAB has 21 points of service at the different service centers that the local government has established throughout Bogotá.

Procedure 4 Receive water inspection from EAAB

Time to complete: 1 day

Cost to complete: no charge

Agency: Empresa de Acueducto y Alcantarillado de Bogotá (EAAB)

Comment: EAAB undertakes supervision, control, and evaluation of construction according to regulations. It takes place during the whole construction process.

Procedure 5 Receive water inspection from EAAB

Time to complete: 10 days

Cost to complete: no charge

Agency: Empresa de Acueducto y Alcantarillado de Bogotá (EAAB)

Comment: EAAB undertakes the final inspection.

Procedure 6 Request installation electricity utilities connection from Codensa**Time to complete:** 1 day**Cost to complete:** COP 5,650,000**Agency:** Codensa S.A. ESP

Comment: The owner of the plot (or a representative) must request that Codensa install the electric utilities by furnishing copies of the following documents:

- Nomenclature certificate (boletín de nomenclatura) of the plot where the warehouse will be located.
- Certificate of the plot's free transferability.
- Authorization of the plot owner for the service installation request if the owner is not requesting the service directly.
- A description of the use that will be given to the warehouse (whether commercial or industrial).

No later than 20 days after requesting the connection, Codensa must send a service agent that will review the construction and estimate the connection costs.

Procedure 7 Receive inspection from Codensa**Time to complete:** 1 day**Cost to complete:** no charge**Agency:** Codensa S.A. ESP

Comment: No later than 20 days after requesting the connection, Codensa must send a service agent that will review the construction and estimate the connection costs.

Procedure 8 Receive connection to electricity from Codensa**Time to complete:** 11 days**Cost to complete:** no charge**Agency:** Codensa S.A. ESP

Comment: If the party agrees with the quote (see previous procedure), Codensa must complete the installation within 10 days after the installation approval. Generally, it takes 3 days after the party agrees with Condensa's quote.

Procedure 9 Request and obtain telephone connection**Time to complete:** 4 days**Cost to complete:** COP 200,000**Agency:** Telefónica Telecom

Comment: The line may be requested by phone or in person at any of the points of service. In both cases, the party requesting the installation must provide its citizen's identification number (número de cédula), the information on the exact plot location, and the stratus of the place where the plot is located.

Procedure 10 Receive final inspection by mayor's office

Time to complete: 1 day

Cost to complete: no charge

Agency: Mayor's office (Alcaldía Distrital)

Comment: Through its agents, the mayor's office (Alcaldía Distrital) is the entity in charge of monitoring and controlling construction projects in Bogotá. This is true also of municipal major's offices nationwide for construction projects developed within their jurisdictions. The inspections are carried out to confirm that the construction is being completed according to the construction license.

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)

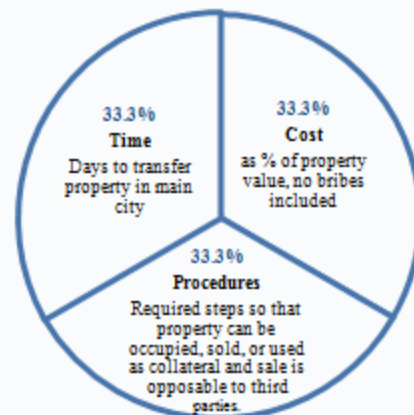
- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Post registration (for example, transactions with the local authority, tax authority or cadastre)

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.

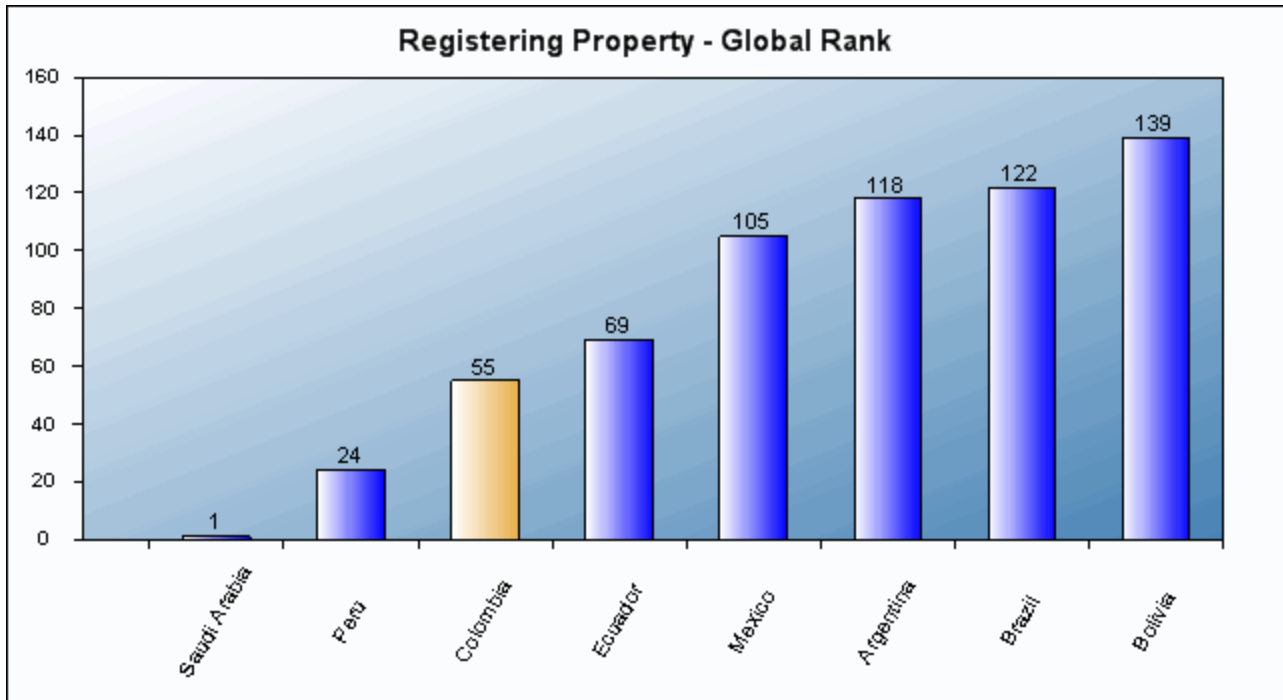
The property (fully owned by the seller):

- 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:

Colombia is ranked 55 overall for Registering Property.

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



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

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

<i>Selected Economy</i>			
Colombia	7	20	2.0

<i>Comparator Economies</i>			
Argentina	6	52	7.0
Bolivia	7	92	4.8
Brazil	14	42	2.7
Ecuador	9	16	2.2
Mexico	5	74	5.2
Peru	4	7	3.3

* The following economies are also good practice economies for :

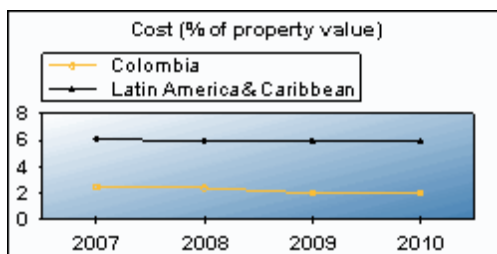
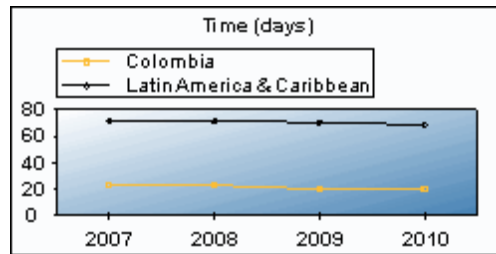
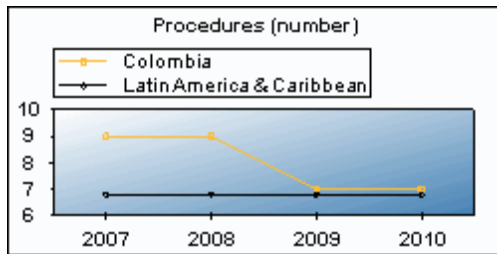
Procedures (number): United Arab Emirates

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

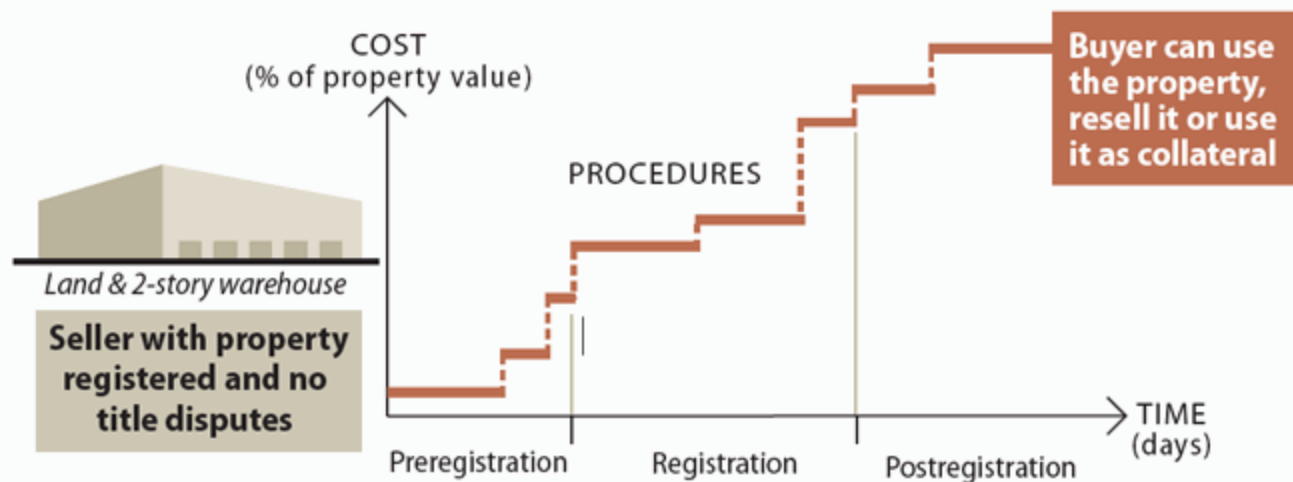
2. Historical data: Registering Property in Colombia

Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	52	55
Procedures (number)	9	9	7	7
Time (days)	23	23	20	20
Cost (% of property value)	2.5	2.4	2.0	2.0

3. The following graphs illustrate the Registering Property sub indicators in Colombia 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 Colombia.

STANDARDIZED PROPERTY

Property Value: 522,027,000.80

City: Bogota

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Obtain certificate about history of the property ("Libertad y tradicion")	1 day	COP 12,080
2	A certificate of good standing ("Existencia y Representacion legal") of the company must be obtained at the Chamber of Commerce	1 day	COP 3,600
3	A study of the titles of the property is done by a lawyer	5 days	COP 1,113,000
4	Obtain tax certificates ("predial" and "valorizacion")	1 day	no cost
5	The notary prepares the public deed	8 days	0.27% of property value + COP 7,120 for the escritura + COP 26,700 for copies of escritura + COP 3,465 to the Superintendency of the Notary + COP 3,465 to the National Fund of the Notary

6	Pay registration fees at the bank counter in the registry	1 day	1% of property value (Registry Tax) + 0.5% of property value (Registration Fee)
7	The public deed must be registered at the Registry Office	3 days	already paid in procedure 6

Registering Property Details - Colombia

Procedure	1	Obtain certificate about history of the property ("Libertad y tradicion")
Time to complete:	1 day	
Cost to complete:	COP 12,080	
Agency:	Ventanilla Unica de Registro	
Comment:	It is possible to obtain online the certificado de libertad y tradición. This certificate with the ownership history (at least 20 years) of the property ("Certificado de Tradición") can also be obtained at the corresponding registry office. Fees are set by Decree 2280 of 2008. For properties with no liens, the certificate obtained and printed out from the internet at the notary's offices can now be submitted to the Land Registry. The Superintendencia de Notariado y Registro, by means of Resolution 0081 of January 13, 2010, established the fees for the Certificado de Tradición y Libertad.	
Procedure	2	A certificate of good standing ("Existencia y Representacion legal") of the company must be obtained at the Chamber of Commerce
Time to complete:	1 day	
Cost to complete:	COP 3,600	
Agency:	Chamber of Commerce (http://serviciosonlinea.ccb.org.co/cerple/index.aspx)	
Comment:	When the parties are companies, a certificate of good standing ("Certificado de Existencia y Representación legal de la Compañía") of the company must be requested at the Chamber of Commerce. This certificate does not have an expiration date for its validity, but some entities, such banks or authorities, request for certificates issued with less than three months in order to obtain updated information. Electronic Certificates of Existence and Legal Representation can also be obtained online since 2010. The certificate can be requested, paid and obtained online. Payment can be paid by credit card. The certificate provides real time information of the company (Bogota Chamber of Commerce: http://serviciosonlinea.ccb.org.co/cerple/index.aspx)	
Procedure	3	A study of the titles of the property is done by a lawyer
Time to complete:	5 days	
Cost to complete:	COP 1,113,000	
Comment:	A lawyer, usually external to the company, will make a study of the past titles of the property and about the history of the owners to carry out the transaction. The study of the titles is not mandatory, but it takes place almost always for the transactions that follow these assumptions. The documentation shall include: The lawyer must be provided with the certificates obtained in Procedures 1 and 2 and with a copy of the company's shareholders act authorizing its representative to act on their behalf.	

Procedure 4 Obtain tax certificates ("predial" and "valorizacion")**Time to complete:** 1 day**Cost to complete:** no cost**Agency:** Ventanilla Unica de Registro (or CADE)

Comment: From the VUR website, it is now possible to see and obtain online the "certificado de paz y salvo predial" (stating municipal property taxes have been paid from Secretaría de Hacienda del Distrito.) and the "certificado de paz y salvo de valorización" (taxes related to increases in the value of the property due to constructions, roads, etc- Instituto de Desarrollo Urbano -IDU).

For properties with no liens, the certificates obtained and printed out from the internet at the notary's offices can now be submitted to the Land Registry. Notaries have a special login to access these certificates. This certificate has no cost if requested online and can be obtained by submitting the "chip catastral".

The VUR website is: <http://www.registratupropiedad.com/>

Procedure 5 The notary prepares the public deed**Time to complete:** 8 days**Cost to complete:** 0.27% of property value + COP 7,120 for the escritura + COP 26,700 for copies of escritura + COP 3,465 to the Superintendency of the Notary + COP 3,465 to the National Fund of the Notary

Comment: The notary public will prepare the final public deed with all the documentation previously obtained by the parties

The participation of a notary in the preparation of the public deed is mandatory by law, and his fees are also established by law (0.27% of property value + other indicated fees).

The standard preliminary deed "minuta" that can be prepared by the parties can be obtained for free in the notaries offices or online at http://www.registratupropiedad.com/index.php?option=com_content&view=article&id=71&Itemid=76

The minuta establishes the terms of the sale between parties. It is not mandatory, but it is normally prepared by a lawyer. If parties prepare the minuta, the notary will review it while preparing the public deed. The documentation presented shall include: certificates of good standing (procedure 2), of municipal tax payments (procedure 4), and the Board of directors minutes authorizing the sale and purchase of each property respectively for each limited liability company.

Procedure 6 Pay registration fees at the bank counter in the registry**Time to complete:** 1 day**Cost to complete:** 1% of property value (Registry Tax) + 0.5% of property value (Registration Fee)**Agency:** Registry Office (Oficina de Registro de Instrumentos Públicos)

Comment: The "registry tax" or "Impuesto de Registro" can be paid at the registry office in the city of Bogotá and other large cities, where the commercial bank in charge of collection of this tax has installed a branch for this purpose. In smaller cities it will have to be paid prior to registration in a commercial bank. Despite its name, the "Impuesto de Registro" is a tax that goes to finance state-level programs on public health. It is not a fee for a service but a tax.

Procedure 7 The public deed must be registered at the Registry Office

Time to complete: 3 days

Cost to complete: already paid in procedure 6

Agency: Registry Office (Oficina de Registro de Instrumentos Públicos)

Comment: After the “registry tax” is paid, the public deed prepared by the notary must be registered at the Registry Office for its validity. After registration, the new public deed is automatically sent (internal procedure) to the Office of the Cadastre to register the change of ownership.

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

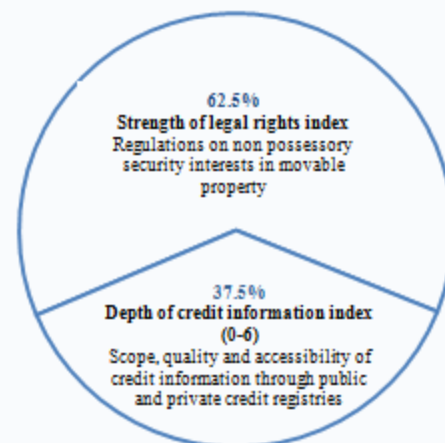
Public credit registry coverage (% of adults)

- 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)

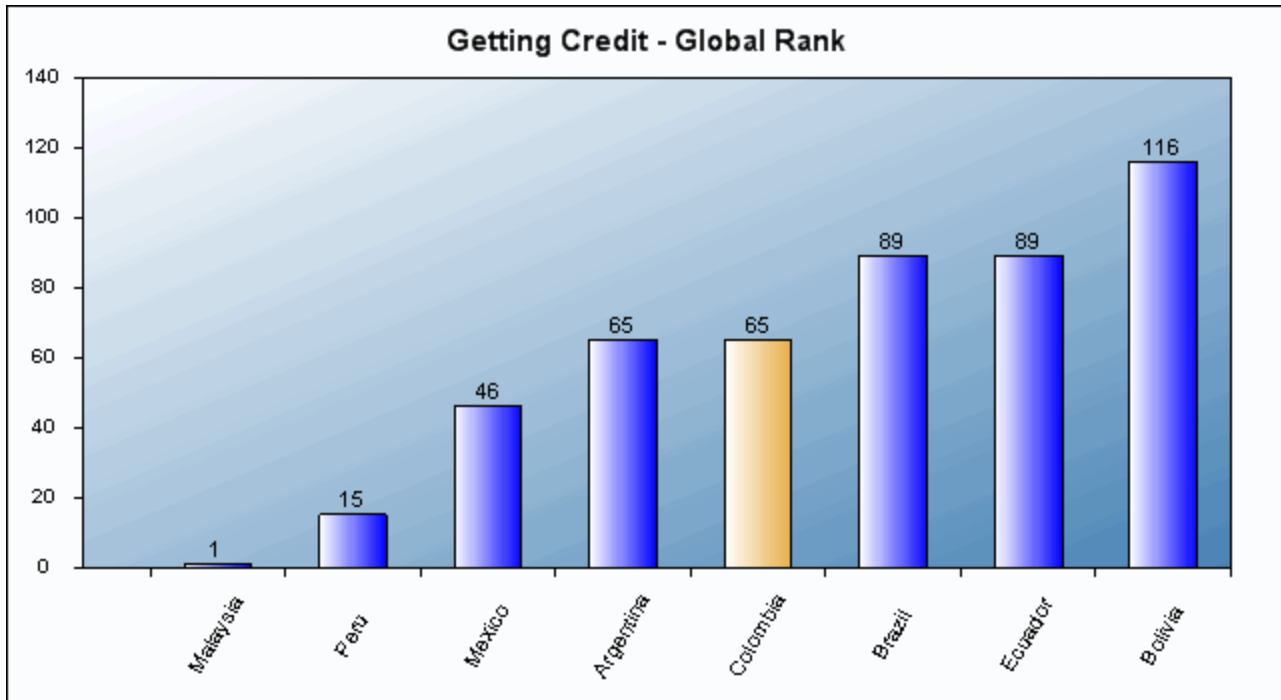
The Debtor

- 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:

Colombia is ranked 65 overall for Getting Credit.

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



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

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

<i>Selected Economy</i>				
Colombia	5	5	0.0	63.1

<i>Comparator Economies</i>				
Argentina	4	6	30.8	100.0
Bolivia	1	6	11.3	31.4
Brazil	3	5	26.9	53.5
Ecuador	3	5	36.5	45.0
Mexico	5	6	0.0	71.6
Peru	7	6	25.5	33.3

* The following economies are also good practice economies for :

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

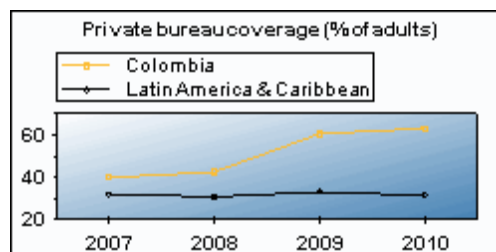
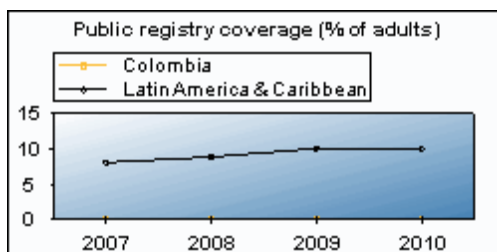
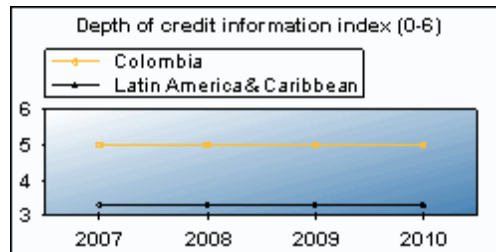
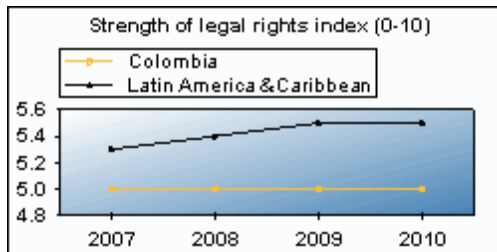
Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States

27 countries have the highest credit information index.

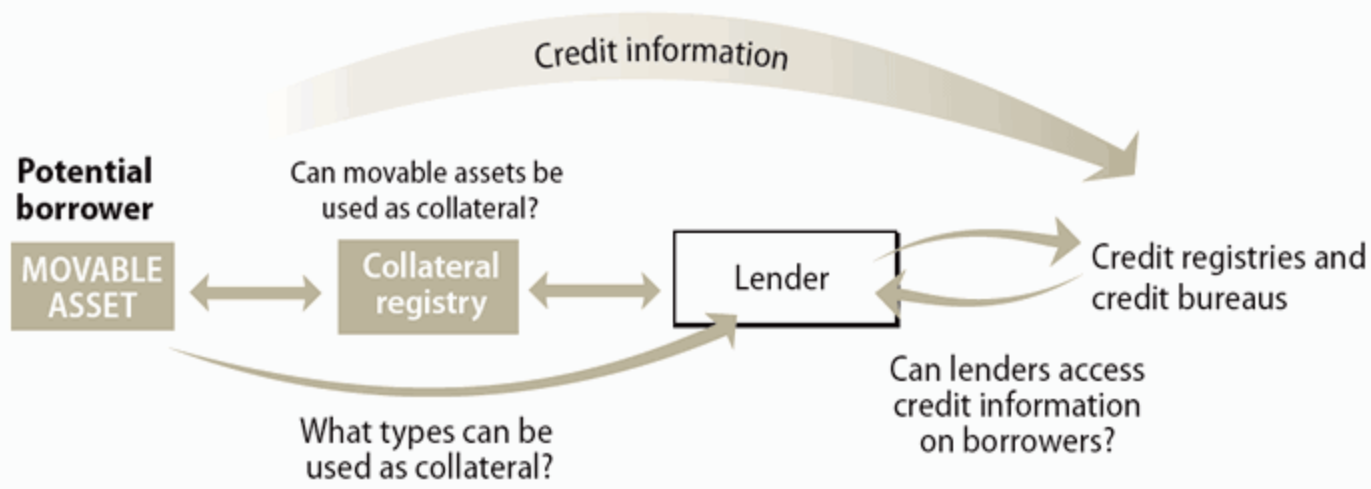
2. Historical data: Getting Credit in Colombia

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	61	65
Strength of legal rights index (0-10)	5	5	5	5
Depth of credit information index (0-6)	5	5	5	5
Private bureau coverage (% of adults)	39.9	42.5	60.5	63.1
Public registry coverage (% of adults)	0.0	0.0	0.0	0.0

3. The following graphs illustrate the Getting Credit sub indicators in Colombia 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 Colombia.

Getting Credit Indicators (2010)			Indicator
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry	5
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative data distributed?	Yes	No	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	No	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	Yes	No	1
Coverage	63.1	0.0	
Number of individuals	19,631,900		0
Number of firms	659,694		0

Strength of legal rights index (0-10)**5**

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?

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)

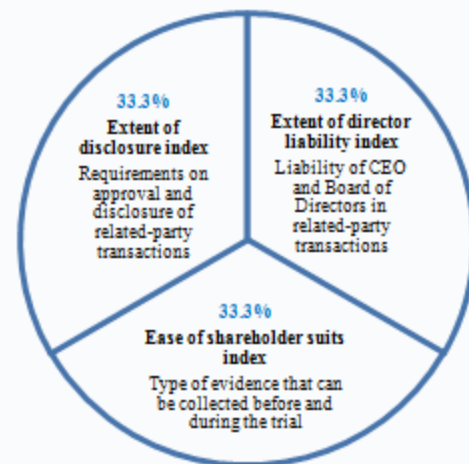
- Documents and information available during trial
- Access to internal corporate documents (directly or through a government inspector)

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.

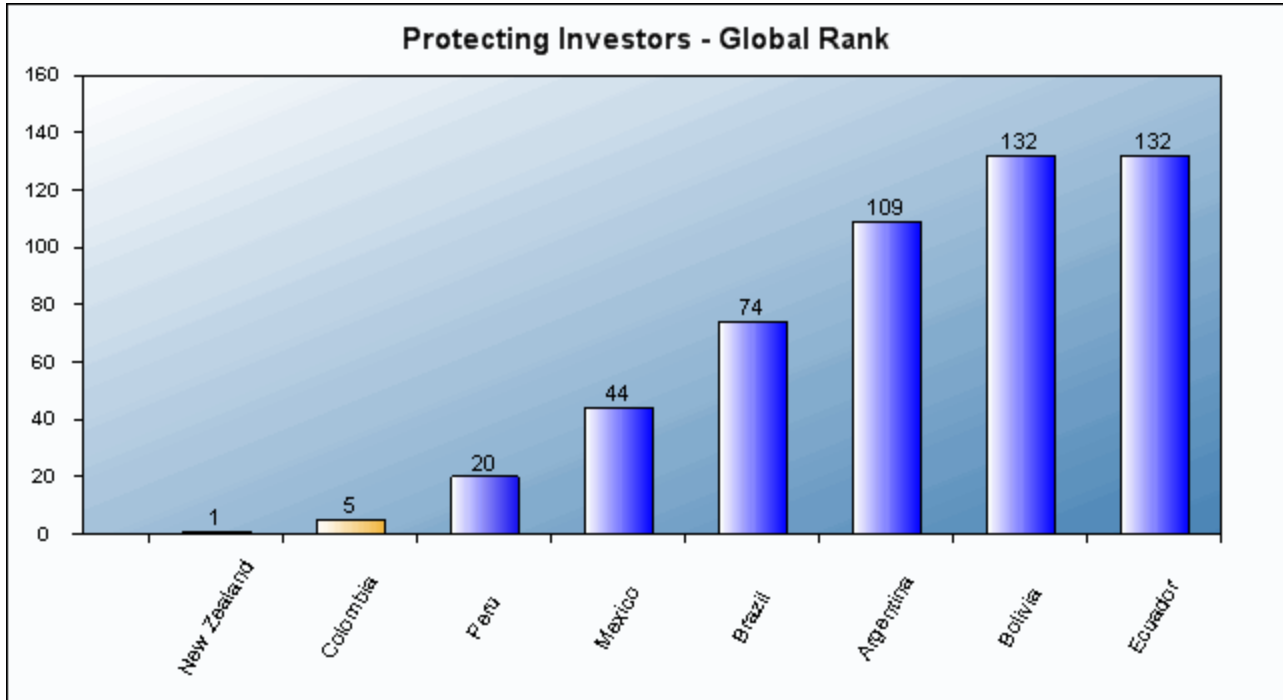
The transaction

- 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:

Colombia is ranked 5 overall for Protecting Investors.

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



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

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

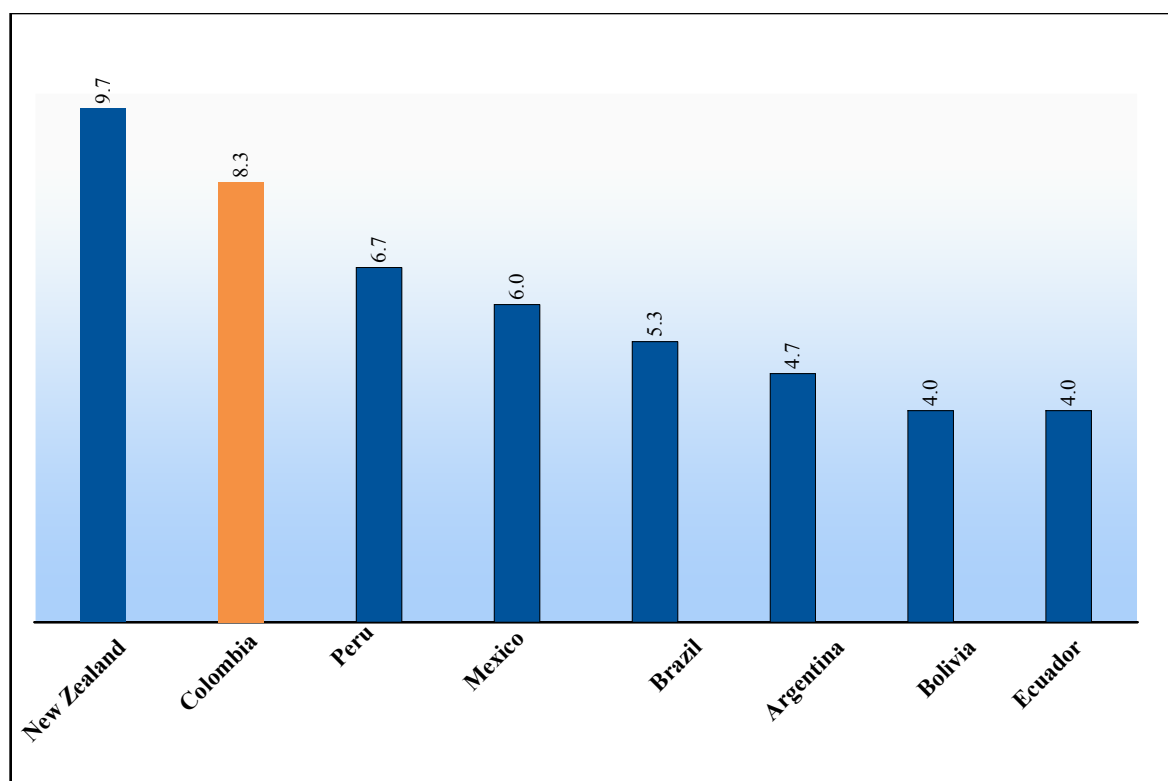
<i>Selected Economy</i>	
Colombia	8.3

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

2. Historical data: Protecting Investors in Colombia

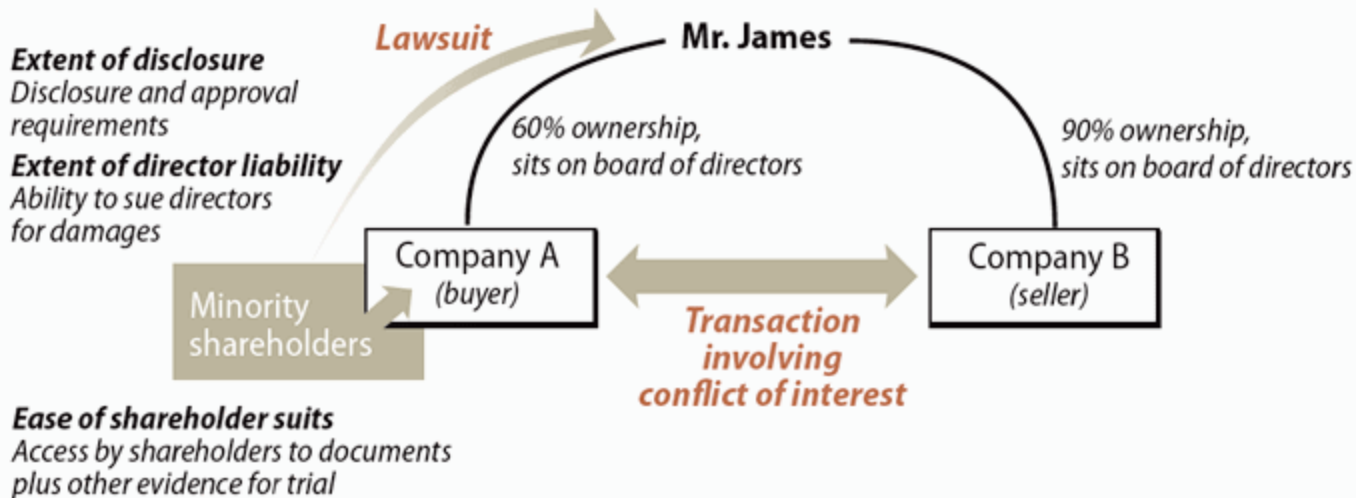
Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	5	5
Strength of investor protection index (0-10)	6.3	6.3	8.3	8.3

3. The following graph illustrates the Protecting Investors index in Colombia 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 Colombia.

Protecting Investors Data (2010)	Indicator
Extent of disclosure index (0-10)	8
What corporate body provides legally sufficient approval for the transaction?	3
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	2
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?	2
Whether an external body must review the terms of the transaction before it takes place?	0
Extent of director liability index (0-10)	8
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	2
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?	2
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	1
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?	1
Whether fines and imprisonment can be applied against Mr. James?	0
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1
Ease of shareholder suits index (0-10)	9
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?	2
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?	1
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	1
Strength of investor protection index (0-10)	8.3

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)

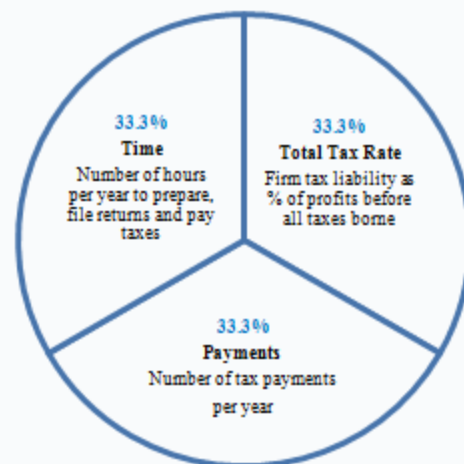
- Collecting information and computing the tax payable
- Completing tax return forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

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



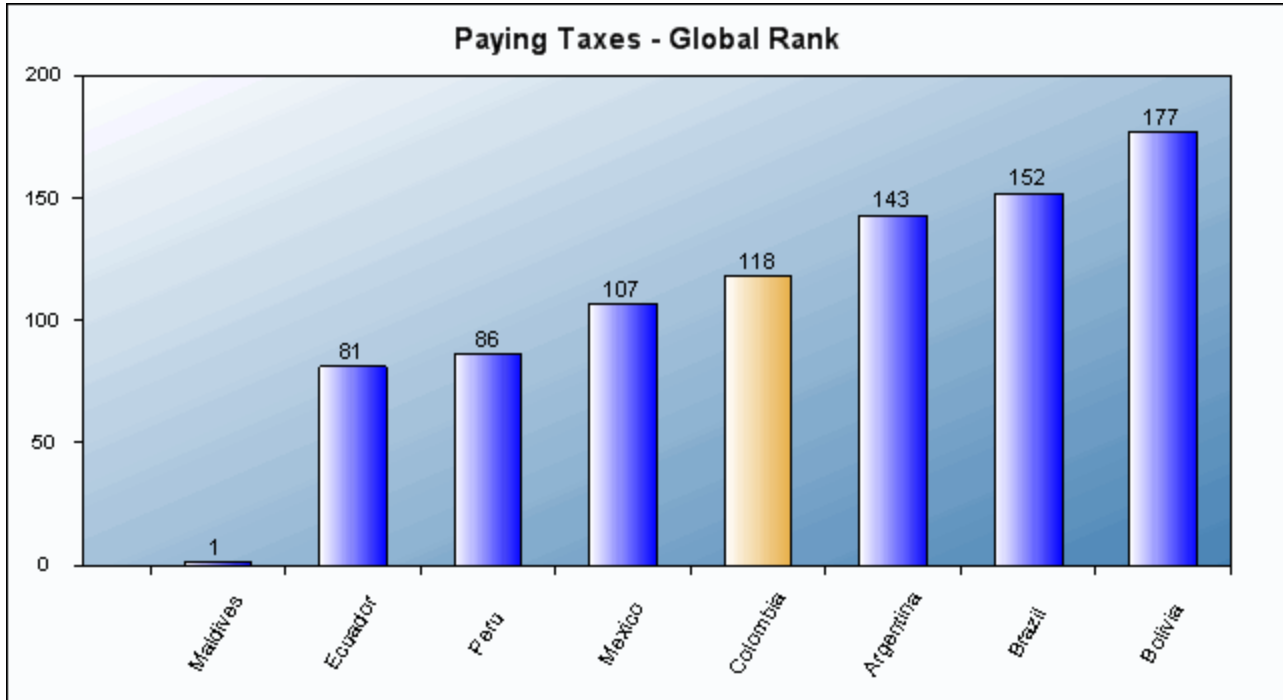
Case Study Assumptions

- 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:

Colombia is ranked 118 overall for Paying Taxes.

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



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

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

<i>Selected Economy</i>			
Colombia	20	208	78.7

<i>Comparator Economies</i>			
Argentina	9	453	108.2
Bolivia	42	1080	80.0
Brazil	10	2600	69.0
Ecuador	8	654	35.3
Mexico	6	404	50.5
Peru	9	380	40.2

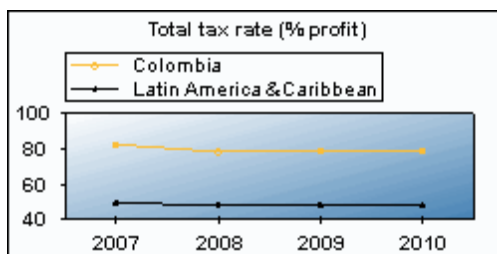
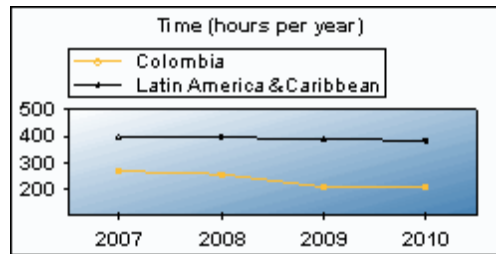
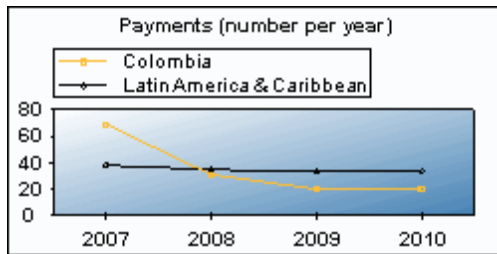
* The following economies are also good practice economies for :

Payments (number per year): Qatar

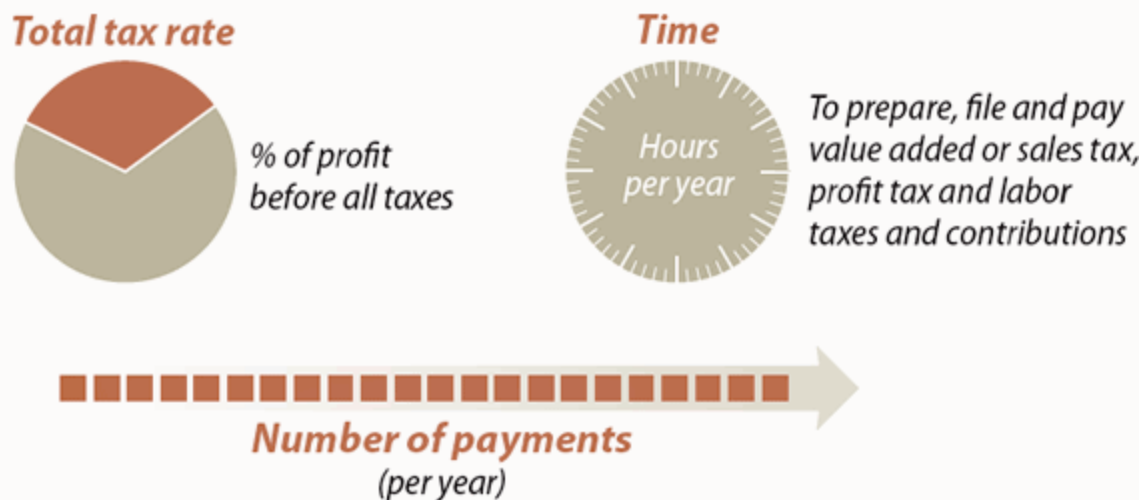
2. Historical data: Paying Taxes in Colombia

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	113	118
Total tax rate (% profit)	82.6	78.4	78.7	78.7
Payments (number per year)	69	31	20	20
Time (hours per year)	268	256	208	208

3. The following graphs illustrate the Paying Taxes sub indicators in Colombia 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 Colombia, 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)	6		66	16.0%	value added		
Stamp duty	1						
Welfare security system	0	paid jointly		8.0%	gross salaries		
Labor risk insurance	0	paid jointly		0.5%	gross salaries		
Real estate tax	1			0,002% to 0.033%	assessed real estate value	0.00	
Fuel tax	1			6.0%	consumption value	0.20	
Vehicle tax	1			fixed fee		0.20	
Financial transactions tax	1			0.4%	withdrawals from bank account	6.60	
Payroll tax	0	paid jointly		9.0%	gross salaries	10.20	
Corporate income tax	2		40	33.0%	taxable profit	17.70	

Municipal tax	6			0.1%	gross income	20.20
Social security contributions	1	online filing	102	11.6%	gross salaries	23.70
Totals	20		208			78.7

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)

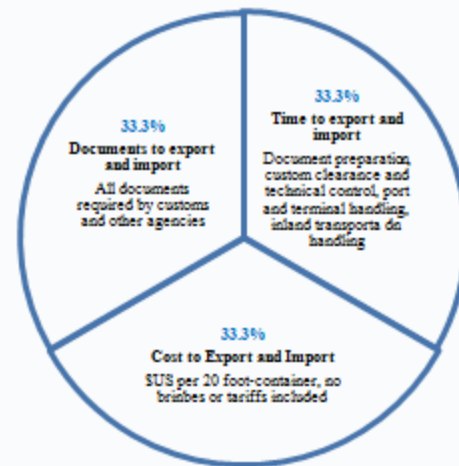
- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

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

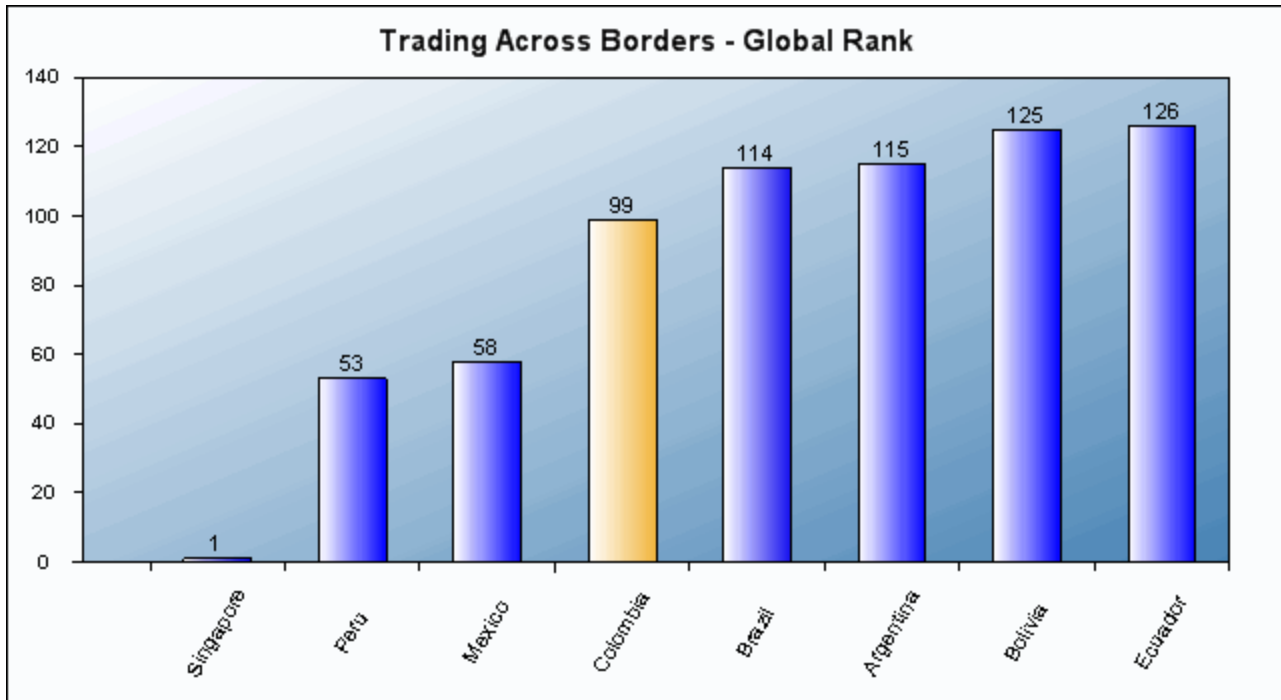
The traded product

- 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:

Colombia is ranked 99 overall for Trading Across Borders.

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



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

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

<i>Selected Economy</i>						
Colombia	6	14	1770	8	13	1700

<i>Comparator Economies</i>						
Argentina	9	13	1480	7	16	1810
Bolivia	8	19	1425	7	23	1747
Brazil	8	13	1790	7	17	1730
Ecuador	9	20	1345	7	29	1332
Mexico	5	12	1420	4	12	1880
Peru	6	12	860	8	17	880

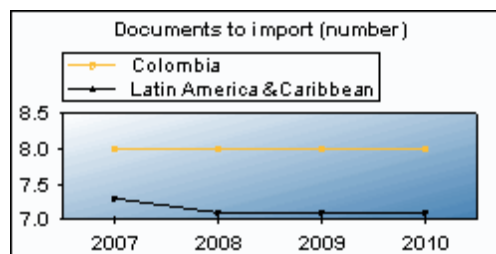
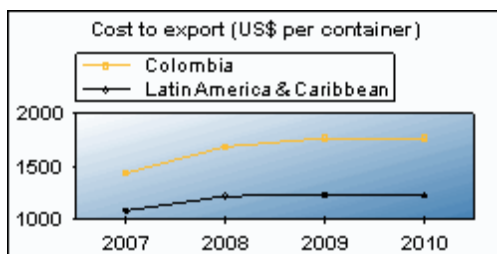
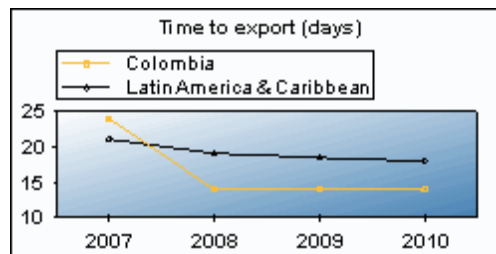
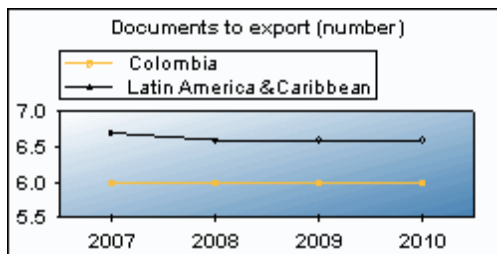
* The following economies are also good practice economies for :

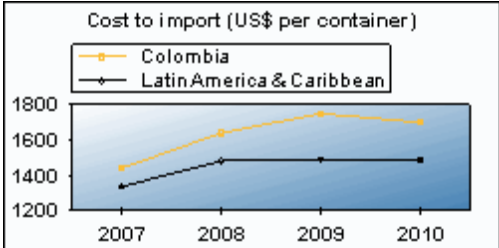
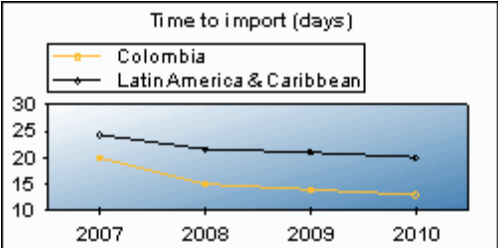
Time to export (days): Estonia

2. Historical data: Trading Across Borders in Colombia

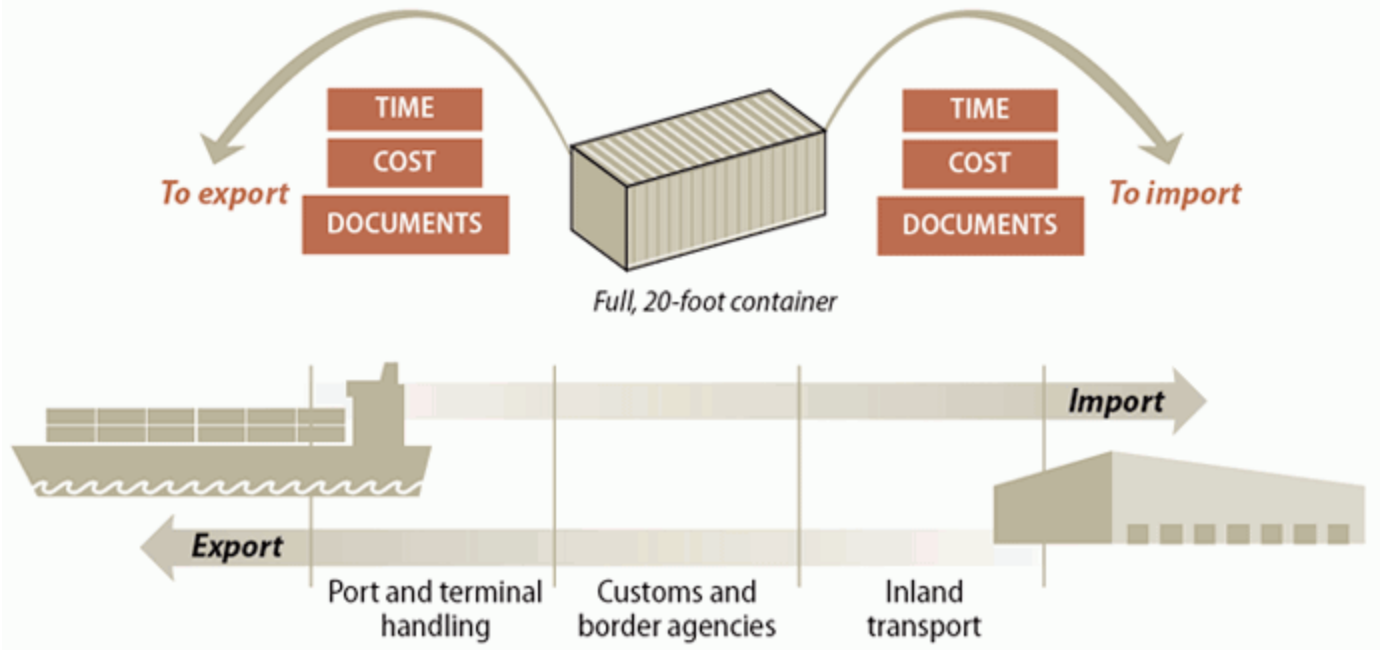
Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	99	99
Cost to export (US\$ per container)	1440	1690	1770	1770
Cost to import (US\$ per container)	1440	1640	1750	1700
Documents to export (number)	6	6	6	6
Documents to import (number)	8	8	8	8
Time to export (days)	24	14	14	14
Time to import (days)	20	15	14	13

3. The following graphs illustrate the Trading Across Borders sub indicators in Colombia 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 Colombia. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	5	350
Customs clearance and technical control	2	250
Ports and terminal handling	3	170
Inland transportation and handling	4	1000
Totals	14	1770

Nature of Import Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	6	330
Customs clearance and technical control	2	200
Ports and terminal handling	2	170
Inland transportation and handling	3	1000
Totals	13	1700

Documents for Export and Import

Export

- Bill of lading
- Certificate of origin
- Commercial invoice
- Customs export declaration
- Inspection report
- Packing list

Import

- Bill of lading
- Cargo release order
- Certificate of origin
- Commercial invoice
- Customs import declaration
- Inspection report
- Technical standard
- 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?

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)

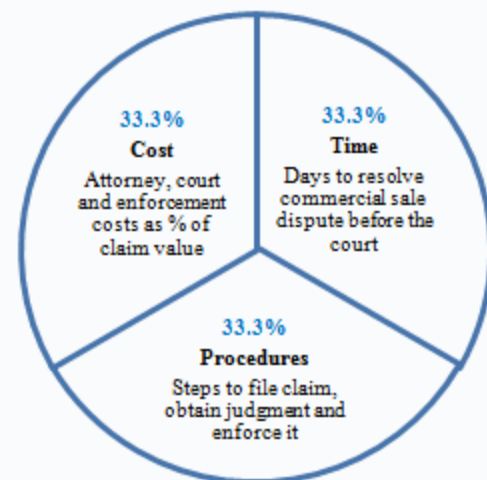
- Time to file and serve the case
- Time for trial and obtaining judgment
- Time to enforce the judgment

Cost required to complete procedures (% of claim)

- No bribes
- Average attorney fees
- Court costs, including expert fees
- Enforcement costs

Enforcing Contracts: resolving a commercial dispute through the courts

Rankings are based on 3 subindicators



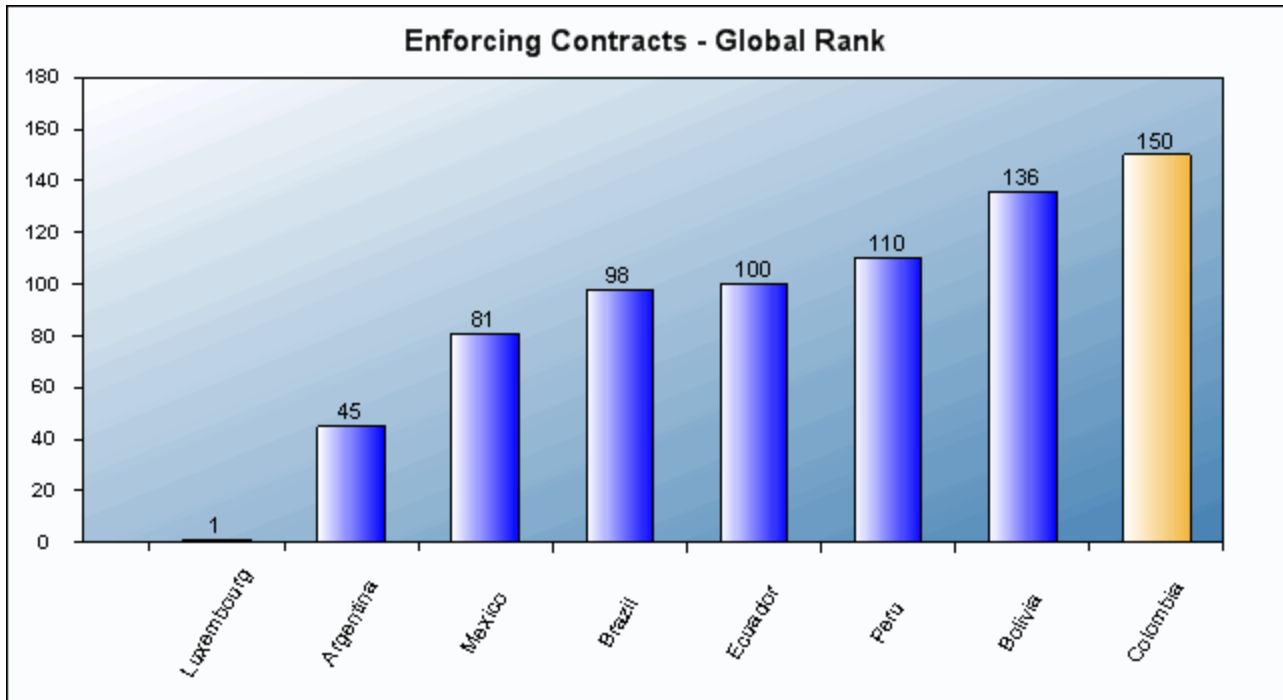
Case Study Assumptions

- 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:

Colombia is ranked 150 overall for Enforcing Contracts.

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



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

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

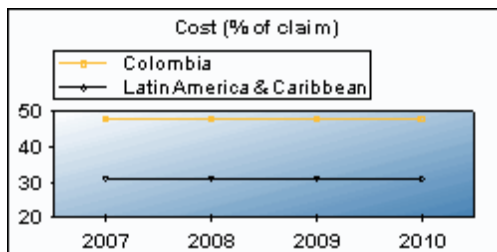
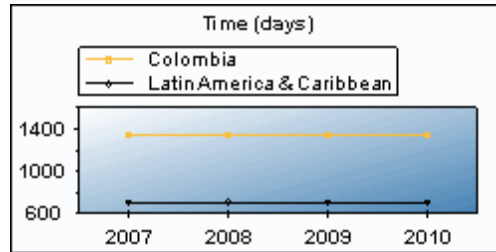
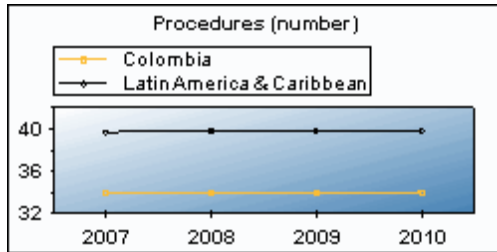
<i>Selected Economy</i>			
Colombia	34	1346	47.9

<i>Comparator Economies</i>			
Argentina	36	590	16.5
Bolivia	40	591	33.2
Brazil	45	616	16.5
Ecuador	39	588	27.2
Mexico	38	415	32.0
Peru	41	428	35.7

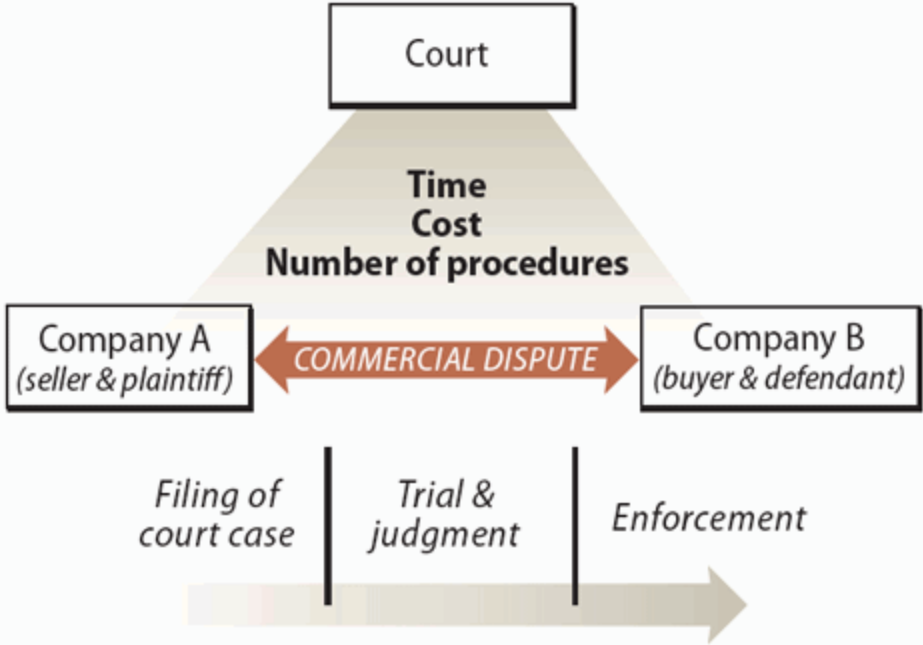
2. Historical data: Enforcing Contracts in Colombia

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	150	150
Procedures (number)	34	34	34	34
Time (days)	1346	1346	1346	1346
Cost (% of claim)	47.9	47.9	47.9	47.9

3. The following graphs illustrate the Enforcing Contracts sub indicators in Colombia 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 Colombia.

Nature of Procedure (2010)	Indicator
Procedures (number)	34
Time (days)	1346
Filing and service	68.0
Trial and judgment	913.0
Enforcement of judgment	365.0
Cost (% of claim)*	47.90
Attorney cost (% of claim)	23.2
Court cost (% of claim)	12.6
Enforcement Cost (% of claim)	12.1

Court information: Bogota Civil Municipal Court ("Juzgado Civil Municipal de Bogotá")

* 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)

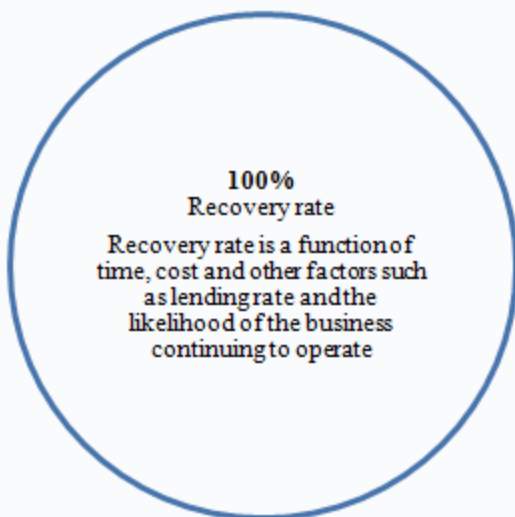
- Measured in calendar years
- Appeals and requests for extension are included

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

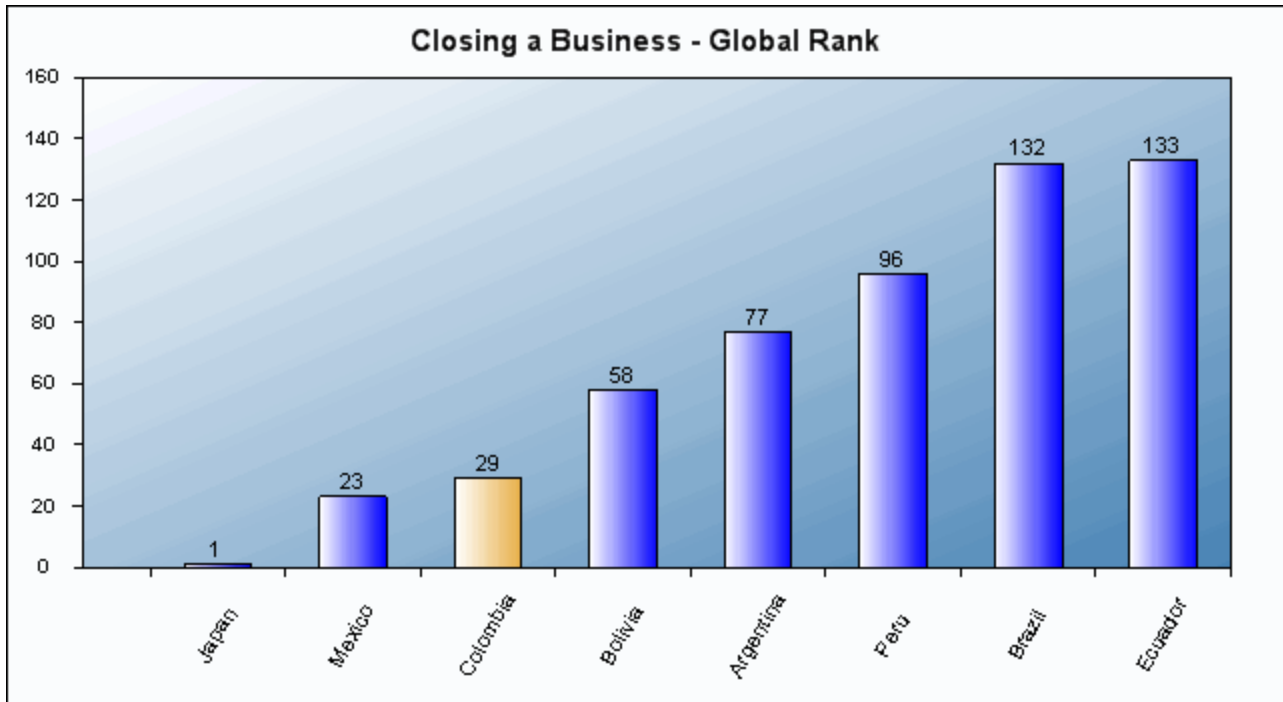
The Company

- 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:

Colombia is ranked 29 overall for Closing a Business.

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



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

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

<i>Selected Economy</i>			
Colombia	62.4	3.0	1

<i>Comparator Economies</i>			
Argentina	32.8	2.8	12
Bolivia	39.3	1.8	15
Brazil	17.1	4.0	12
Ecuador	17.0	5.3	18
Mexico	66.7	1.8	18
Peru	27.2	3.1	7

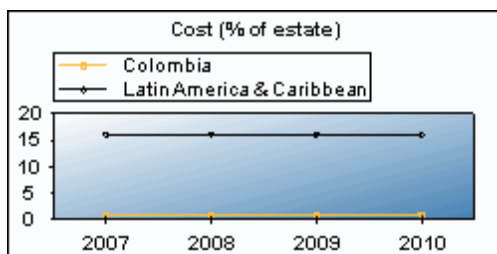
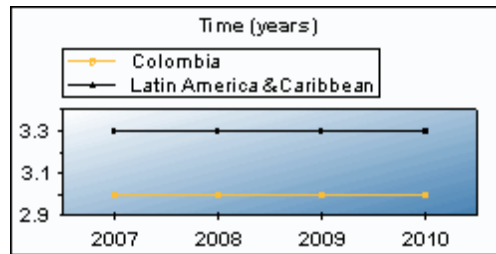
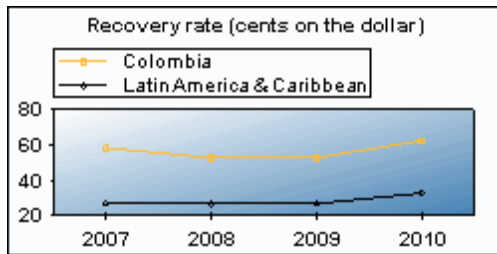
* The following economies are also good practice economies for :

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

2. Historical data: Closing Business in Colombia

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	32	29
Time (years)	3.0	3.0	3.0	3.0
Cost (% of estate)	1	1	1	1
Recovery rate (cents on the dollar)	58.3	52.8	52.8	62.4

3. The following graphs illustrate the Closing Business sub indicators in Colombia 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.

Brazil	Brazil eased business start-up by further enhancing the electronic synchronization between federal and state tax authorities.
Brunei Darussalam	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.
Cape Verde	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.
Colombia	Colombia eased construction permitting by improving the electronic verification of prebuilding certificates.
Ecuador	Ecuador made starting a business easier by introducing an online registration system for social security.
Grenada	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.
Hungary	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.
Kazakhstan	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.
Mexico	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.
Peru	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.
Rwanda	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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