

12TH EDITION

Doing Business 2015

Going Beyond Efficiency

Economy Profile 2015

Colombia



COMPARING BUSINESS REGULATIONS FOR DOMESTIC FIRMS IN **189** ECONOMIES

A World Bank Group Flagship Report

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INTRODUCTION

Doing Business sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 11 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labor market regulation.

In a series of annual reports *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 189 economies, from Afghanistan to Zimbabwe, over time. The data set covers 47 economies in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in East Asia and the Pacific, 26 in Eastern Europe and Central Asia, 20 in the Middle East and North Africa and 8 in South Asia, as well as 31 OECD high-income economies. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

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

1, 2014 (except for the paying taxes indicators, which cover the period January–December 2013).

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

More information is available in the full report. *Doing Business 2015* presents the indicators, analyzes their relationship with economic outcomes and presents business regulatory reforms. The data, along with information on ordering *Doing Business 2015*, are available on the *Doing Business* website at <http://www.doingbusiness.org>.

CHANGES IN *DOING BUSINESS 2015*

As part of a 2-year update in methodology, *Doing Business 2015* incorporates 7 important changes. First, the ease of doing business ranking as well as all topic-level rankings are now computed on the basis of distance to frontier scores (see the chapter on the distance to frontier and ease of doing business ranking). Second, for the 11 economies with a population of more than 100 million, data for a second city have been added to the data set and the ranking calculation. These economies are Bangladesh, Brazil, China, India, Indonesia, Japan, Mexico, Nigeria, Pakistan, the Russian Federation and the United States. Third, for getting credit, the methodology has been revised for both the strength of legal rights index and the depth of credit information index. The number of points has been increased in both indices, from 10 to 12 for the strength of legal rights index and from 6 to 8 for the depth of credit information index. In addition, only credit bureaus and registries that cover at least 5% of the adult population can receive a score on the depth of credit information index.

Fourth, the name of the protecting investors indicator set has been changed to protecting minority investors to better reflect its scope—and the scope of the indicator set has been expanded to include shareholders' rights in corporate governance beyond related-party transactions. Fifth, the resolving insolvency indicator set has been expanded to include an index measuring the strength of the legal framework for insolvency. Sixth, the calculation of the distance to frontier score for paying taxes has been changed. The total tax rate component now enters the score in a nonlinear fashion, in an approach different from that used for all other indicators (see the chapter on the distance to frontier and ease of doing business ranking).

Finally, the name of the employing workers indicator set has been changed to labor market regulation, and the scope of this indicator set has also been changed. The indicators now focus on labor market regulation applying to the retail sector rather than the manufacturing sector, and their coverage has been expanded to include regulations on labor disputes and on benefits provided to workers. The labor market regulation indicators continue to be excluded from the aggregate distance to frontier score and ranking on the ease of doing business.

Beyond these changes there are 3 other updates in methodology. For paying taxes, the financial statement variables have been updated to be proportional to 2012 income per capita; previously they were proportional to 2005 income per capita. For enforcing contracts, the value of the claim is now set at twice the income per capita or \$5,000, whichever is greater. For dealing with construction permits, the cost of construction is now set at 50 times income per capita (before, the cost was assessed by the *Doing Business* respondents). In addition, this indicator set no longer includes the procedures for obtaining a landline telephone connection.

For more details on the changes, see the "What is changing in *Doing Business*?" chapter starting on page 24 of the *Doing Business 2015* report. For more details on the data and methodology, please see the "Data Notes" chapter starting on page 114 of the *Doing Business 2015* report. For more details on the distance to frontier metric, please see the "Distance to frontier and ease of doing business ranking" chapter in this profile.

THE BUSINESS ENVIRONMENT

For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. *Doing Business* provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 189 by the ease of doing business ranking. This year's report presents results for 2 aggregate measures: the distance to frontier score and the ease of doing business ranking. The ranking of economies is determined by sorting the aggregate distance to frontier (DTF) scores. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. (See the chapter on the distance to frontier and ease of doing business). The 10 topics included in the ranking in *Doing Business 2015*: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The labor market regulation indicators (formerly employing workers) are not included in this year's aggregate ease of doing business ranking, but the data are presented in this year's economy profile.

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

ECONOMY OVERVIEW

Region: Latin America & Caribbean

Income category: Upper middle income

Population: 48,321,405

GNI per capita (US\$): 7,560

DB2015 rank: 34

DB2014 rank: 53*

Change in rank: 19

DB 2015 DTF: 72.3

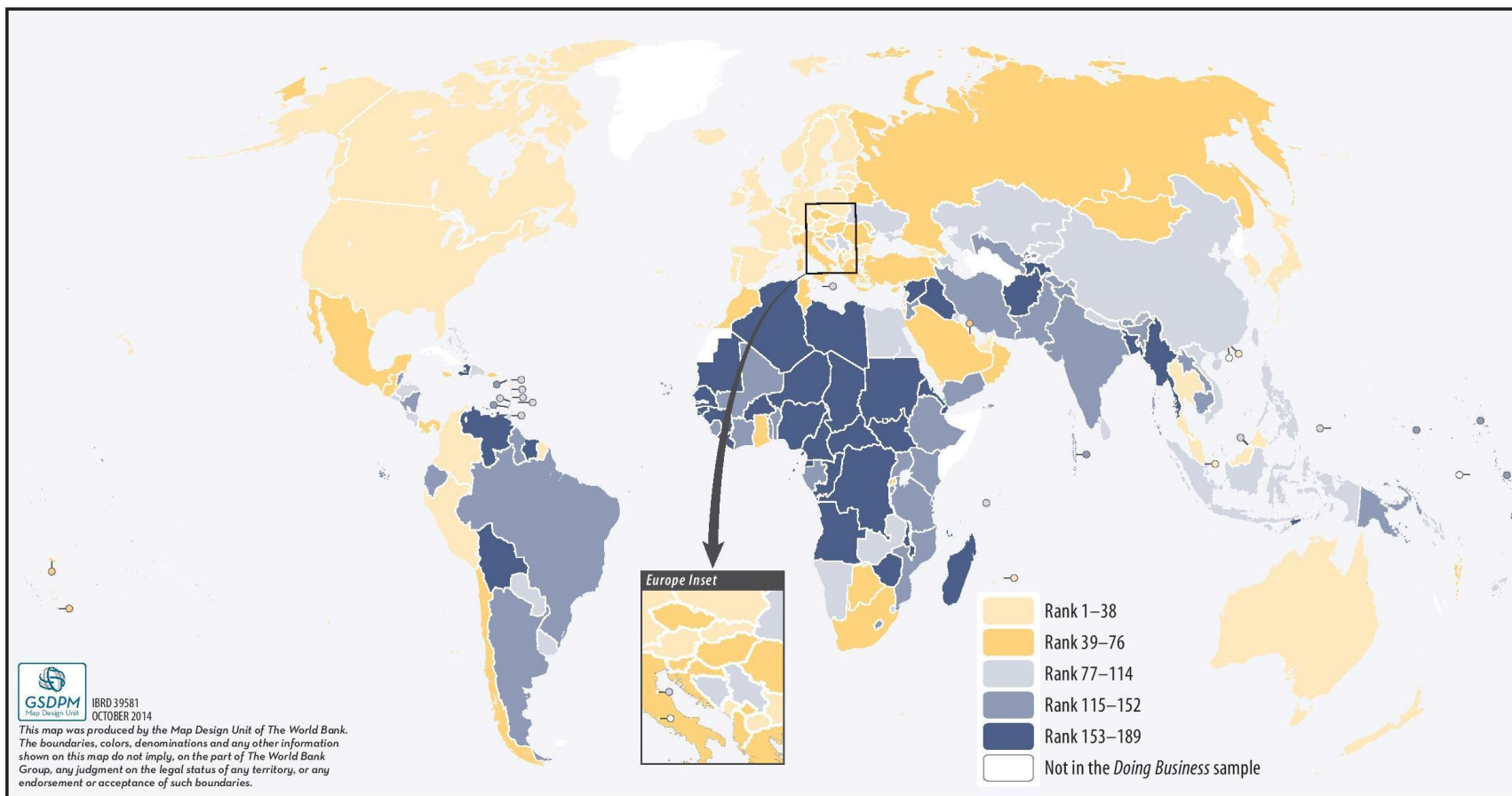
DB 2014 DTF: 68

Change in DTF: 4.3

* DB2014 ranking shown is not last year's published ranking but a comparable ranking for DB2014 that captures the effects of such factors as data corrections and the changes in methodology. See the data notes starting on page 114 of the *Doing Business 2015* report for sources and definitions.

THE BUSINESS ENVIRONMENT

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



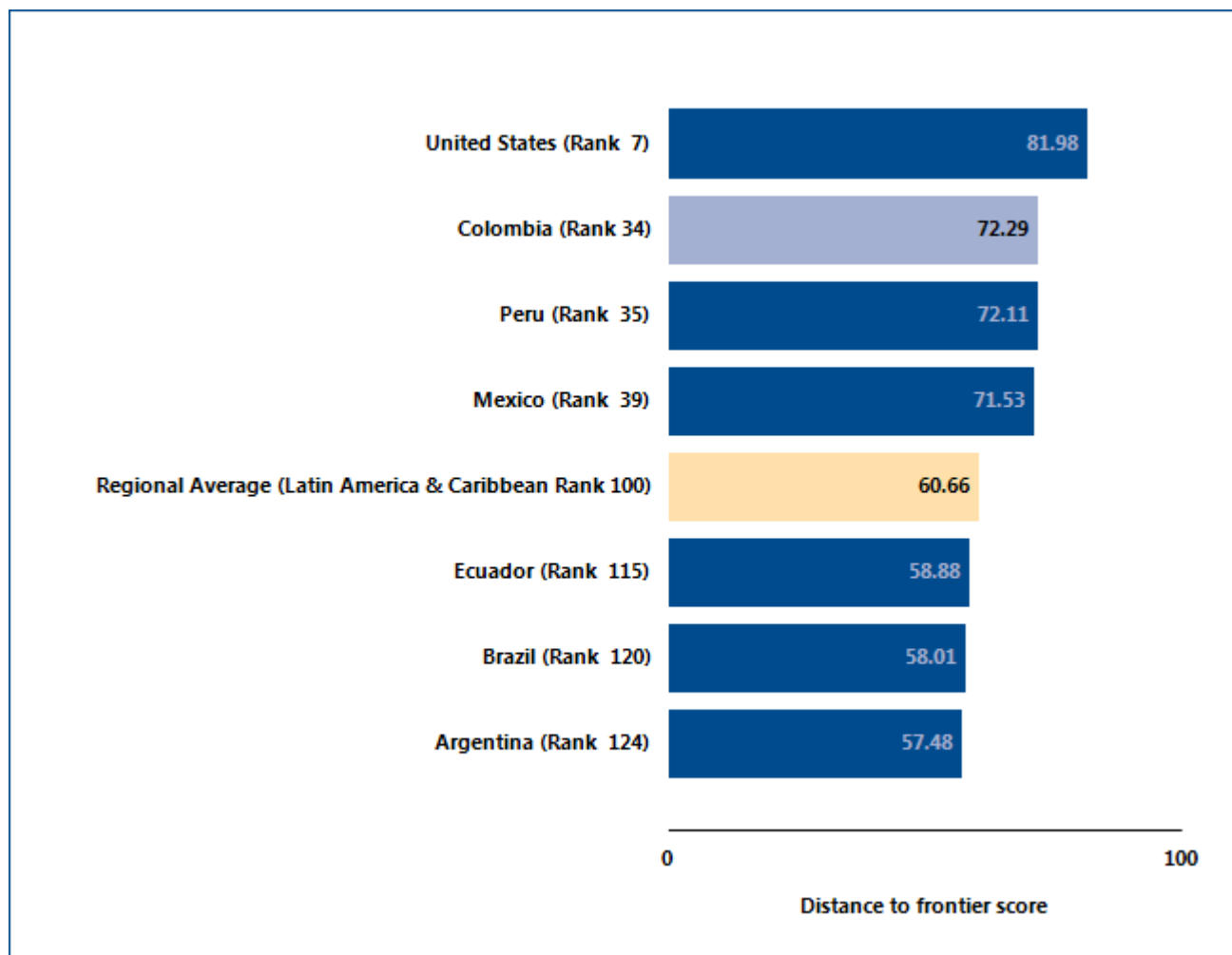
Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

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

regional average (figure 1.2). The economy's rankings (figure 1.3) and distance to frontier scores (figure 1.4) on the topics included in the ease of doing business ranking provide another perspective.

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



Note: The rankings are benchmarked to June 2014 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.

Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

Figure 1.3 Rankings on *Doing Business* topics - Colombia
 (Scale: Rank 189 center, Rank 1 outer edge)

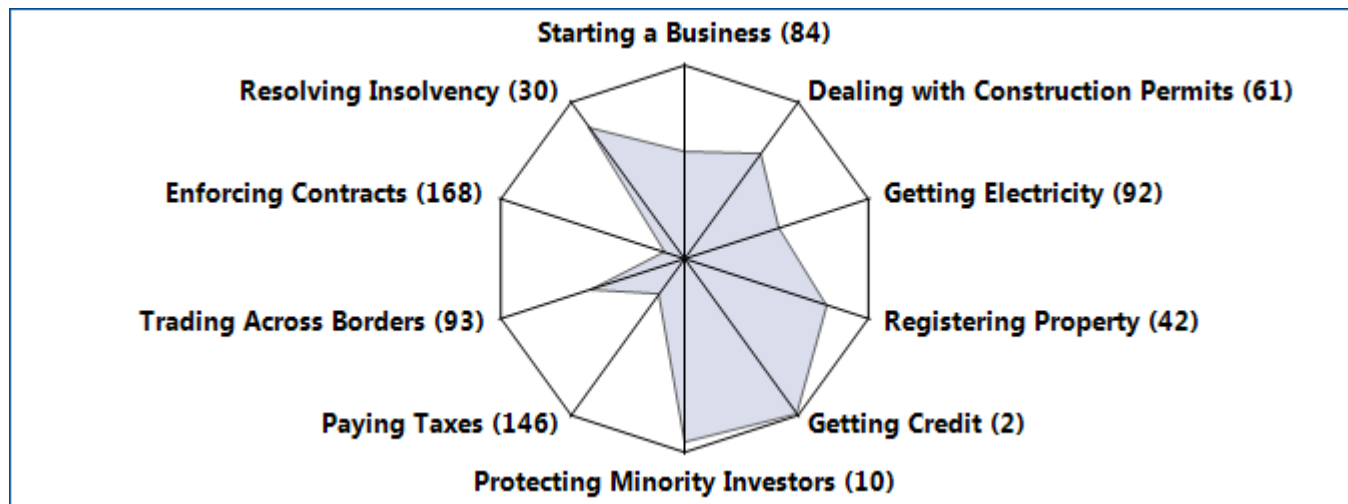
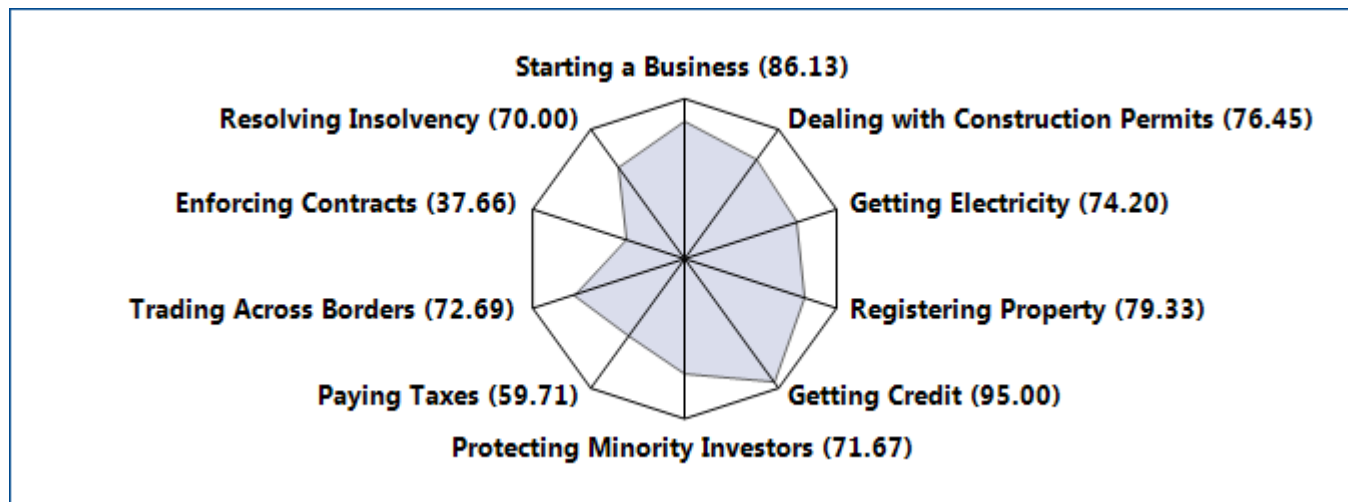


Figure 1.4 Distance to frontier scores on *Doing Business* topics - Colombia
 (Scale: Score 0 center, Score 100 outer edge)



Note: The rankings are benchmarked to June 2014 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.
 Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

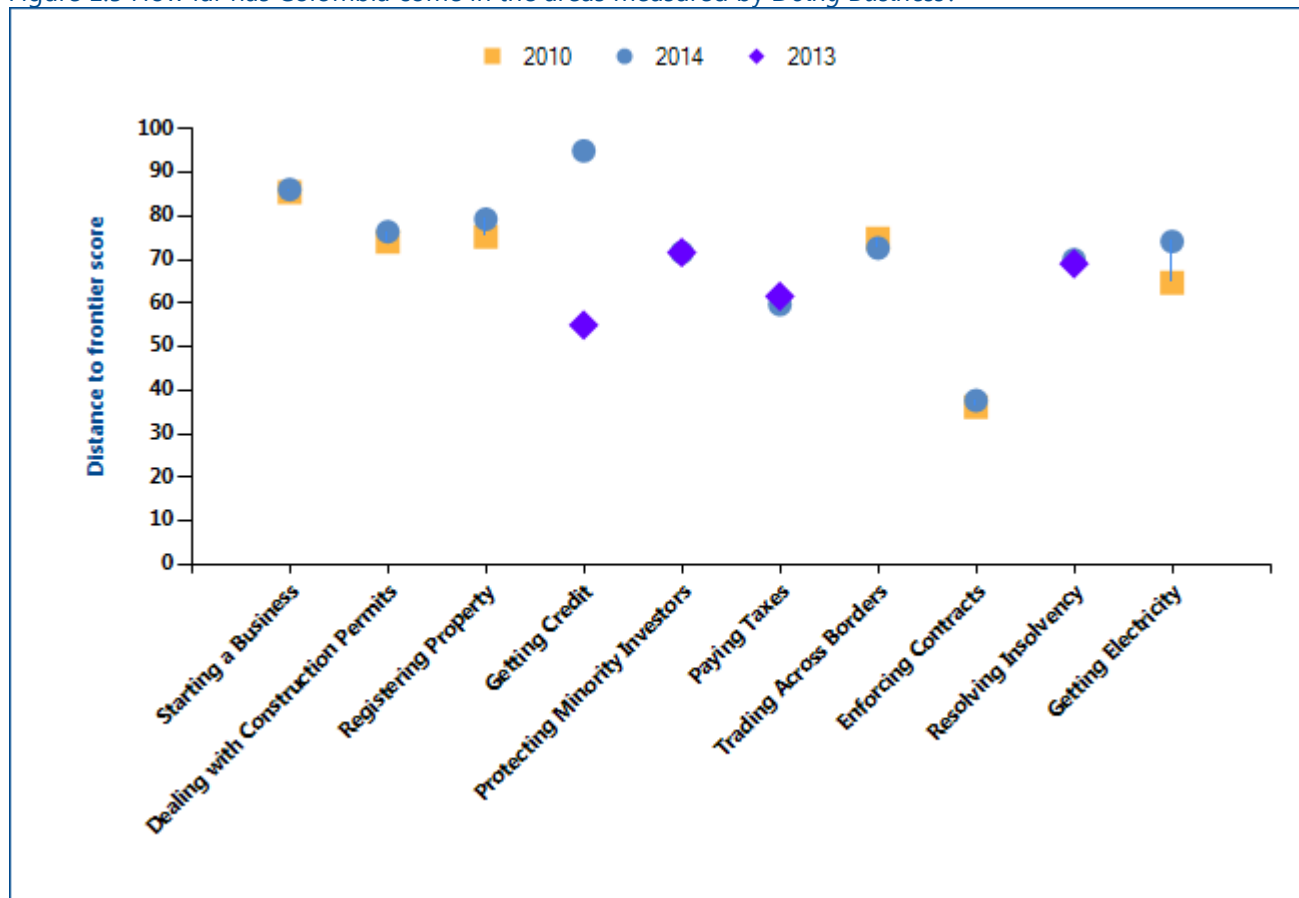
Just as the overall ranking on the ease of doing business tells only part of the story, so do changes in that ranking. Yearly movements in rankings can provide some indication of changes in an economy’s regulatory environment for firms, but they are always relative.

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

Doing Business introduced the distance to frontier score. This measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator.

Comparing the measure for an economy at 2 points in time allows users to assess how much the economy’s regulatory environment as measured by *Doing Business* has changed over time—how far it has moved toward (or away from) the most efficient practices and strongest regulations in areas covered by *Doing Business* (figure 1.5).

Figure 1.5 How far has Colombia come in the areas measured by *Doing Business*?



Note: The distance to frontier score shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator since 2010, except for getting credit, paying taxes, protecting minority investors and resolving insolvency which had methodology changes in 2014 and thus are only comparable to 2013. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). See the data notes starting on page 114 of the *Doing Business 2015* report for more details on the distance to frontier score.

Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

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

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

Table 1.1 Summary of *Doing Business* indicators for Colombia

Indicator	Colombia DB2015	Colombia DB2014	Argentina DB2015	Brazil DB2015	Ecuador DB2015	Mexico DB2015	Peru DB2015	United States DB2015	Best performer globally DB2015
Starting a Business (rank)	84	79	146	167	165	67	89	46	New Zealand (1)
Starting a Business (DTF Score)	86.13	86.13	72.58	63.37	65.31	88.85	85.10	91.22	New Zealand (99.96)
Procedures (number)	8.0	8.0	14.0	11.6	13.0	6.0	6.0	6.0	New Zealand (1.0)*
Time (days)	11.0	11.0	25.0	83.6	55.5	6.3	26.0	5.6	New Zealand (0.5)
Cost (% of income per capita)	7.5	7.5	15.2	4.3	24.0	18.6	9.2	1.2	Slovenia (0.0)
Paid-in min. capital (% of income per capita)	0.0	0.0	4.0	0.0	3.5	0.0	0.0	0.0	112 Economies (0.0)*
Dealing with Construction Permits (rank)	61	62	181	174	59	108	87	41	Hong Kong SAR, China (1)
Dealing with Construction Permits (DTF Score)	76.45	76.02	42.54	48.31	76.86	68.43	72.91	78.87	Hong Kong SAR, China (95.53)

Indicator	Colombia DB2015	Colombia DB2014	Argentina DB2015	Brazil DB2015	Ecuador DB2015	Mexico DB2015	Peru DB2015	United States DB2015	Best performer globally DB2015
Procedures (number)	10.0	10.0	21.0	18.2	15.0	11.3	14.0	15.8	Hong Kong SAR, China (5.0)
Time (days)	73.0	73.0	341.0	426.1	114.0	87.6	174.0	78.6	Singapore (26.0)
Cost (% of warehouse value)	7.4	7.7	3.5	0.4	0.8	10.3	0.5	1.0	Qatar (0.0)*
Getting Electricity (rank)	92	88	104	19	120	116	86	61	Korea, Rep. (1)
Getting Electricity (DTF Score)	74.20	74.05	72.42	89.20	67.03	68.47	75.67	79.52	Korea, Rep. (99.83)
Procedures (number)	5.0	5.0	6.0	4.0	7.0	6.8	5.0	4.8	12 Economies (3.0)*
Time (days)	105.0	105.0	92.0	53.3	74.0	78.9	100.0	89.6	Korea, Rep. (18.0)*
Cost (% of income per capita)	504.4	541.6	45.4	31.6	638.5	346.1	325.5	25.5	Japan (0.0)
Registering Property (rank)	42	54	119	138	80	110	26	29	Georgia (1)
Registering Property (DTF Score)	79.33	76.53	60.63	56.18	70.21	62.45	83.48	82.92	Georgia (99.88)
Procedures (number)	6.0	7.0	7.0	13.6	8.0	6.8	4.0	4.4	4 Economies (1.0)*
Time (days)	16.0	16.0	51.5	31.7	39.0	63.6	6.5	15.2	3 Economies (1.0)*
Cost (% of property value)	2.0	2.0	6.6	2.5	1.9	5.1	3.3	2.4	4 Economies (0.0)*
Getting Credit (rank)	2	55	71	89	89	12	12	2	New Zealand (1)
Getting Credit (DTF Score)	95.00	55.00	50.00	45.00	45.00	80.00	80.00	95.00	New Zealand (100)
Strength of legal rights index (0-12)	12	4	2	2	1	8	8	11	3 Economies (12)*

Indicator	Colombia DB2015	Colombia DB2014	Argentina DB2015	Brazil DB2015	Ecuador DB2015	Mexico DB2015	Peru DB2015	United States DB2015	Best performer globally DB2015
Depth of credit information index (0-8)	7	7	8	7	8	8	8	8	23 Economies (8)*
Credit registry coverage (% of adults)	0.0	0.0	41.2	52.5	0.0	0.0	33.5	0.0	Portugal (100.0)
Credit bureau coverage (% of adults)	87.0	83.8	100.0	63.6	73.0	100.0	100.0	100.0	23 Economies (100.0)*
Protecting Minority Investors (rank)	10	9	62	35	117	62	40	25	New Zealand (1)
Protecting Minority Investors (DTF Score)	71.67	71.67	57.50	62.50	46.67	57.50	61.67	65.83	New Zealand (81.67)
Extent of conflict of interest regulation index (0-10)	8.0	8.0	5.0	5.7	4.3	6.0	7.0	8.3	Singapore (9.3)*
Extent of shareholder governance index (0-10)	6.3	6.3	6.5	6.8	5.0	5.5	5.3	4.8	France (7.8)*
Strength of minority investor protection index (0-10)	7.2	7.2	5.8	6.3	4.7	5.8	6.2	6.6	New Zealand (8.2)
Paying Taxes (rank)	146	139	170	177	138	105	57	47	United Arab Emirates (1)*
Paying Taxes (DTF Score)	59.71	61.60	44.99	41.31	62.84	71.17	79.43	80.84	United Arab Emirates (99.44)*
Payments (number per year)	11.0	10.0	9.0	9.0	8.0	6.0	9.0	10.6	Hong Kong SAR, China (3.0)*
Time (hours per year)	239.0	203.0	405.0	2,600.0	654.0	334.0	293.0	175.0	Luxembourg (55.0)
Trading Across Borders (rank)	93	95	128	123	114	44	55	16	Singapore (1)
Trading Across Borders	72.69	72.34	65.11	66.11	68.23	81.26	78.81	88.25	Singapore (96.47)

Indicator	Colombia DB2015	Colombia DB2014	Argentina DB2015	Brazil DB2015	Ecuador DB2015	Mexico DB2015	Peru DB2015	United States DB2015	Best performer globally DB2015
(DTF Score)									
Documents to export (number)	4	4	6	6	7	4	5	3	Ireland (2)*
Time to export (days)	14.0	14.0	12.0	13.4	19.0	12.0	12.0	6.0	5 Economies (6.0)*
Cost to export (US\$ per container)	2,355.0	2,355.0	1,770.0	2,322.8	1,535.0	1,499.3	890.0	1,224.0	Timor-Leste (410.0)
Cost to export (deflated US\$ per container)	2,355.0	2,407.4	1,770.0	2,322.8	1,535.0	1,499.3	890.0	1,224.0	
Documents to import (number)	6	6	8	8	6	4	7	5	Ireland (2)*
Time to import (days)	13.0	13.0	30.0	17.0	24.0	11.2	17.0	5.4	Singapore (4.0)
Cost to import (US\$ per container)	2,470.0	2,470.0	2,320.0	2,322.8	1,520.0	1,887.6	1,010.0	1,289.0	Singapore (440.0)
Cost to import (deflated US\$ per container)	2,470.0	2,524.9	2,320.0	2,322.8	1,520.0	1,887.6	1,010.0	1,289.0	
Enforcing Contracts (rank)	168	167	63	118	88	57	100	41	Singapore (1)
Enforcing Contracts (DTF Score)	37.66	37.66	63.88	53.60	58.30	64.61	57.46	67.26	Singapore (89.54)
Time (days)	1,288.0	1,288.0	590.0	731.0	588.0	388.9	426.0	420.0	Singapore (150.0)
Cost (% of claim)	47.9	47.9	20.5	16.5	27.2	30.9	35.7	30.5	Iceland (9.0)
Procedures (number)	33.0	33.0	36.0	43.6	39.0	36.8	41.0	33.6	Singapore (21.0)*
Resolving Insolvency (rank)	30	29	83	55	151	27	76	4	Finland (1)
Resolving Insolvency (DTF Score)	70.00	69.09	45.10	54.52	28.36	72.59	46.57	90.12	Finland (93.85)

Indicator	Colombia DB2015	Colombia DB2014	Argentina DB2015	Brazil DB2015	Ecuador DB2015	Mexico DB2015	Peru DB2015	United States DB2015	Best performer globally DB2015
Time (years)	1.7		2.8	4.0	5.3	1.8	3.1	1.5	Ireland (0.4)
Cost (% of estate)	6.0	6.0	12.0	12.0	18.0	18.0	7.0	8.2	Norway (1.0)
Outcome (0 as piecemeal sale and 1 as going concern)	1	1	0	1	0	1	0	1	
Recovery rate (cents on the dollar)	72.0	70.3	28.6	25.8	17.9	68.1	28.5	80.4	Japan (92.9)
Strength of insolvency framework index (0-16)	10.0	10.0	9.5	13.0	6.0	11.5	10.0	15.0	5 Economies (15.0)*

Note: DB2014 rankings shown are not last year's published rankings but comparable rankings for DB2014 that capture the effects of such factors as data corrections and changes to the methodology. Trading across borders deflated and non-deflated values are identical in DB2015 because it is defined as the base year for the deflator. The best performer on time for paying taxes is defined as the lowest time recorded among all economies in the DB2015 sample that levy the 3 major taxes: profit tax, labor taxes and mandatory contributions, and VAT or sales tax. If an economy has no laws or regulations covering a specific area—for example, insolvency—it receives a “no practice” mark. Similarly, an economy receives a “no practice” or “not possible” mark if regulation exists but is never used in practice or if a competing regulation prohibits such practice. Either way, a “no practice” mark puts the economy at the bottom of the ranking on the relevant indicator.

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

Source: *Doing Business* database.

STARTING A BUSINESS

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

What do the indicators cover?

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

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the procedures. It assumes that all information is readily available to the entrepreneur and that there has been no prior contact with officials. It also assumes that the entrepreneur will pay no bribes. And it assumes that the business:

- Is a limited liability company, located in the largest business city and is 100% domestically owned¹.
- Has between 10 and 50 employees.
- Conducts general commercial or industrial activities.
- Has a start-up capital of 10 times income per capita.
- Has a turnover of at least 100 times income per capita.
- Does not qualify for any special benefits.
- Does not own real estate.

WHAT THE STARTING A BUSINESS

INDICATORS MEASURE

Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration in the economy's largest business city¹
- Postregistration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day (2 procedures cannot start on the same day). Procedures that can be fully completed online are recorded as ½ day.
- Procedure completed once final document is received
- No prior contact with officials

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

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

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

- Deposited in a bank or with a notary before registration (or within 3 months)

¹ For the 11 economies with a population of more than 100 million, data for a second city have been added.

STARTING A BUSINESS

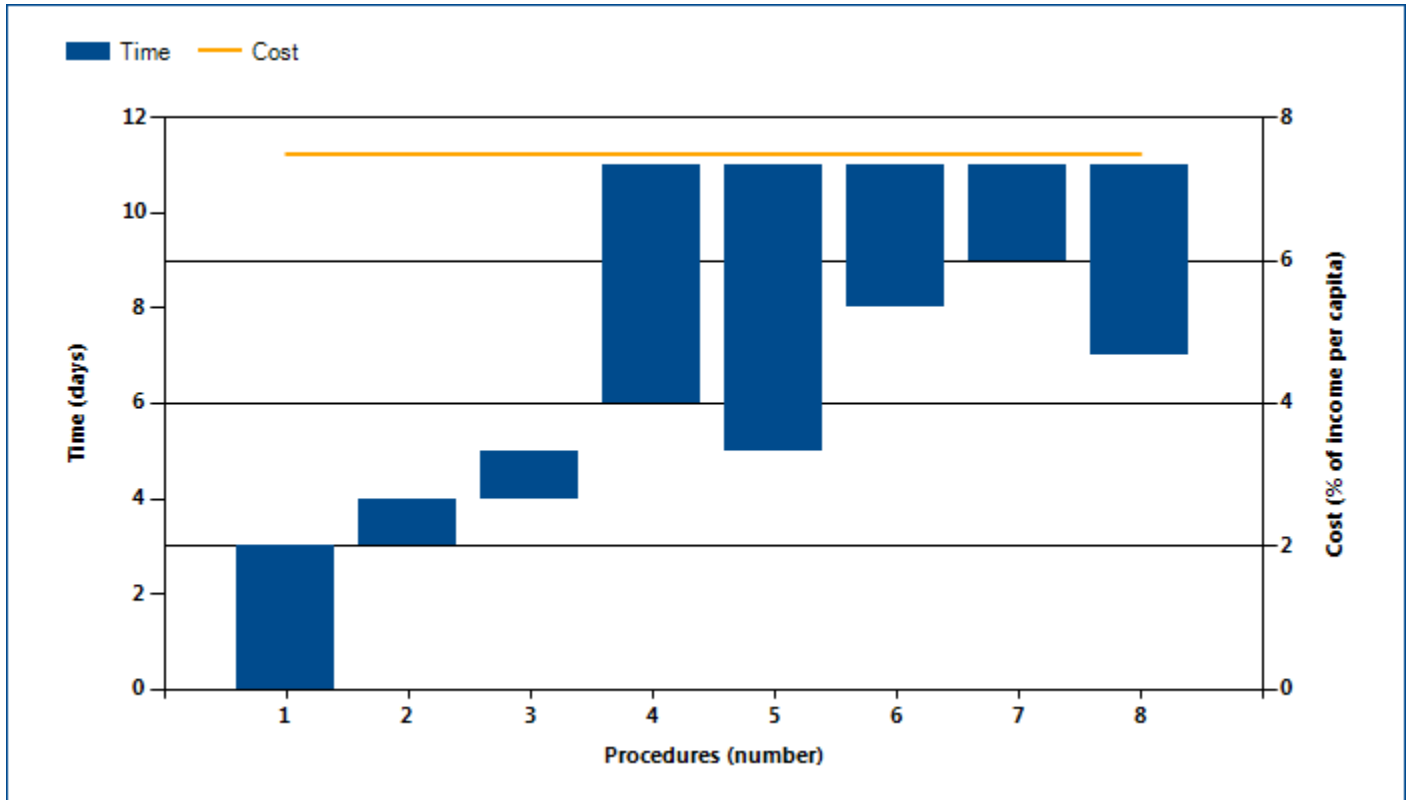
Where does the economy stand today?

What does it take to start a business in Colombia? According to data collected by *Doing Business*, starting a business there requires 8.0 procedures, takes 11.0 days, costs 7.5% of income per capita and requires paid-in minimum capital of 0.0% of income per capita (figure 2.1). Most indicator sets refer to a case scenario in the

largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 2.1 What it takes to start a business in Colombia -

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



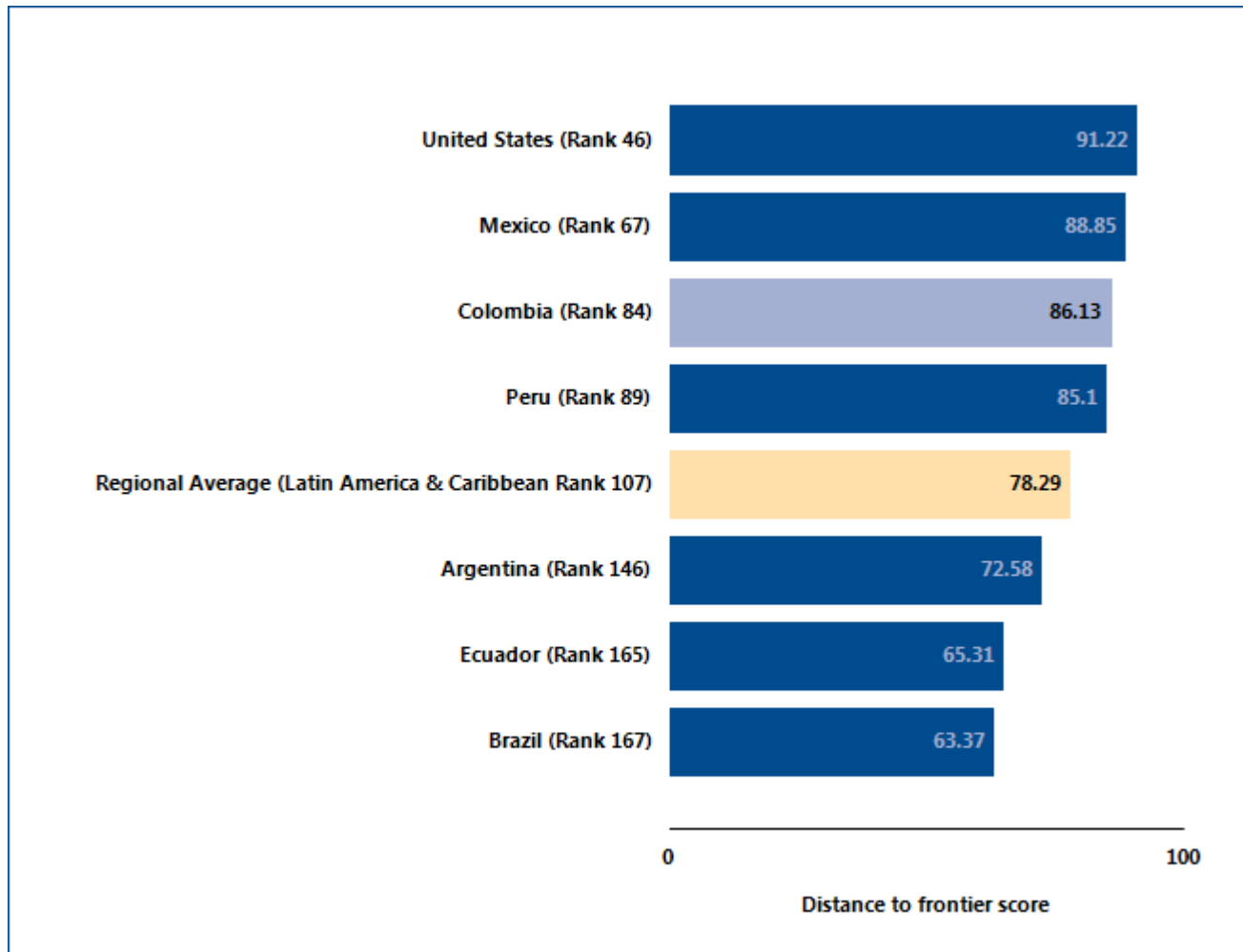
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the starting a business indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter. Source: *Doing Business* database.

STARTING A BUSINESS

Globally, Colombia stands at 84 in the ranking of 189 economies on the ease of starting a business (figure 2.2). The rankings for comparator economies and the regional

average ranking provide other useful information for assessing how easy it is for an entrepreneur in Colombia to start a business.

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



Source: *Doing Business* database.

STARTING A BUSINESS

Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages—and

they often are part of a larger regulatory reform program. Among the benefits have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities.

What business registration reforms has *Doing Business* recorded in Colombia (table 2.1)?

Table 2.1 How has Colombia made starting a business easier—or not?
By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2010	Colombia made starting a business easier by establishing a new public-private health provider (Nueva EPS) that enables faster enrollment of employees and by introducing online preenrollment with the Social Security Institute (Instituto de Seguro Social).
DB2011	Colombia eased the process of Starting a Business by reducing the number of days to register with the Social Security System.
DB2012	Colombia reduced the costs associated with starting a business, by no longer requiring upfront payment of the commercial license fee.
DB2013	Colombia made starting a business easier by eliminating the requirement to purchase and register accounting books at the time of incorporation.

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

Source: *Doing Business* database.

STARTING A BUSINESS

What are the details?

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

STANDARDIZED COMPANY

Legal form: Sociedad por Acciones Simplificada (SAS)

Paid in minimum capital requirement: COP 0

City: Bogota

Start-up Capital: 10 times GNI per capita

Table 2.2 Summary of time, cost and procedures for starting a business in Colombia -

No.	Procedure	Time to complete	Cost to complete
1	<p>Register with the Registry of Commerce and obtain a "pre-taxpayer ID" (pre RUT)</p> <p>The new Law 1429 of 2010 and decree 545 of 2011 introduced a new progressive fee schedule in which new companies are exempted from paying certain fees during their first years in operation. For example, the "matricula comercial" is no longer payable at registration.</p> <p>Law 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).</p> <p>Since May 2008, applicants can go online to register all of the above at portal www.dian.gov.co. The portal provides access to information and speeds up the process of starting a business.</p> <p>The cost are the following: 0.7% of capital registration tax + COP 30.000 fix fee + COP 4.000 for the registration form + 4000 for the certificate of existence and legal representative (required to open a bank account) + COL 5,500 per book (Libro de Actas de Asamblea and Libro de Registro de Accionistas) + COP 20,600 (COP 10,300 cost of registration per book).</p> <p><i>Agency: Chamber of Commerce</i></p>	3 days	see comment

No.	Procedure	Time to complete	Cost to complete
2	<p>Open a bank account with a "pre-taxpayer ID" (pre RUT) and deposit the nominal capital</p> <p>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.</p> <p><i>Agency: Bank</i></p>	1 day	no charge
3	<p>Obtain a final tax payer ID number</p> <p>In order to obtain the final ID number (RUT) from the tax agency (DIAN), the "pre-tax ID" (pre RUT) and the bank account certificate are required. The tax authority will then electronically inform the formalized RUT to the Registry for the issuance of the Certificate of Registration and the final ID number.</p> <p><i>Agency: Tax authority (DIAN)</i></p>	1 day	no charge
4	<p>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)</p> <p>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) and the Family Compensation Fund (Caja de Compensación Familiar). This unified form must be submitted electronically or in person.</p> <p>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 (NIT) of the company.</p> <p><i>Agency: Family Compensation Fund (Caja de Compensación Familiar), the Governmental Learning Service (Servicio Nacional de Aprendizaje,</i></p>	5 days	no charge

No.	Procedure	Time to complete	Cost to complete
	<p><i>SENA) and the Colombian Family Institute (Instituto Colombiano de Bienestar Familiar, ICBF)</i></p>		
<p>5</p>	<p>* Register employees for health coverage (public)</p> <p>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) 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.</p> <p>In practice, it usually takes longer than assumed here, because the providers normally do not accept affiliations immediately. The employer is obligated to complete and present different forms, enclosing the documents requested by each entity (which may vary), including the administrator of professional risks.</p> <p><i>Agency: EPS</i></p>	<p>6 days, simultaneous with previous procedure</p>	<p>no charge</p>
<p>6</p>	<p>* Register employer and employees for pension with Colpensiones or one of the private funds</p> <p>The company must affiliate itself 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 Colpensiones 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.</p> <p><i>Agency: Social Security Institute</i></p>	<p>1 day, simultaneous with previous procedure</p>	<p>no charge</p>
<p>7</p>	<p>* Register company with the Administrator of Professional Risks (ARL)</p> <p>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.</p>	<p>1 day, simultaneous with previous procedure</p>	<p>no charge</p>

No.	Procedure	Time to complete	Cost to complete
	<p>"</p> <p><i>Agency: Administrator of Professional Risks (ARP)</i></p>		
<p>8</p>	<p>* Register employees with a severance fund</p> <p>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.</p> <p><i>Agency: Severance fund</i></p>	<p>1 day, simultaneous with previous procedure</p>	<p>no charge</p>

* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

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

What do the indicators cover?

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

The ranking of economies on the ease of dealing with construction permits is determined by sorting their distance to frontier scores for dealing with construction permits. These scores are the simple average of the distance to frontier scores for each of the component indicators.

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

The business:

- Is a limited liability company operating in the construction business and located in the largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added. Is domestically owned and operated.
- Has 60 builders and other employees.

The warehouse:

- Is valued at 50 times income per capita.
- Is a new construction (there was no previous construction on the land).

WHAT THE DEALING WITH CONSTRUCTION PERMITS INDICATORS MEASURE

Procedures to legally build a warehouse (number)

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

Submitting all required notifications and receiving all necessary inspections

Obtaining utility connections for water and sewerage

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

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are recorded as ½ day.

Procedure considered completed once final document is received

No prior contact with officials

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

Official costs only, no bribes

- Will have complete architectural and technical plans prepared by a licensed architect or engineer.
- Will be connected to water and sewerage (sewage system, septic tank or their equivalent). The connection to each utility network will be 150 meters (492 feet) long.
- Will be used for general storage, such as of books or stationery (not for goods requiring special conditions).
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

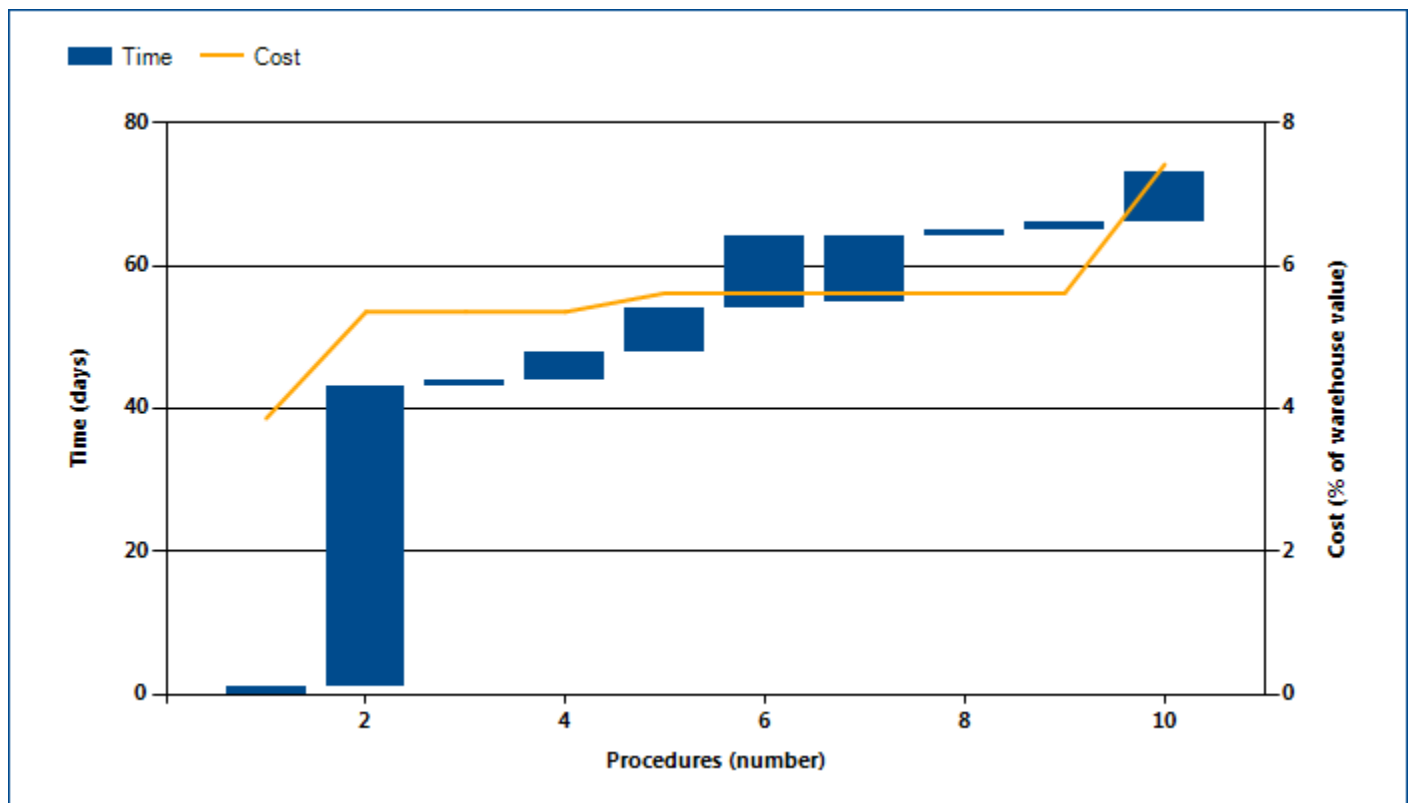
DEALING WITH CONSTRUCTION PERMITS

Where does the economy stand today?

What does it take to comply with the formalities to build a warehouse in Colombia? According to data collected by *Doing Business*, dealing with construction permits there requires 10.0 procedures, takes 73.0 days and costs 7.4% of the warehouse value (figure 3.1). Most indicator sets refer to a case scenario in the largest business city of

an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

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



Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the dealing with construction permits indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

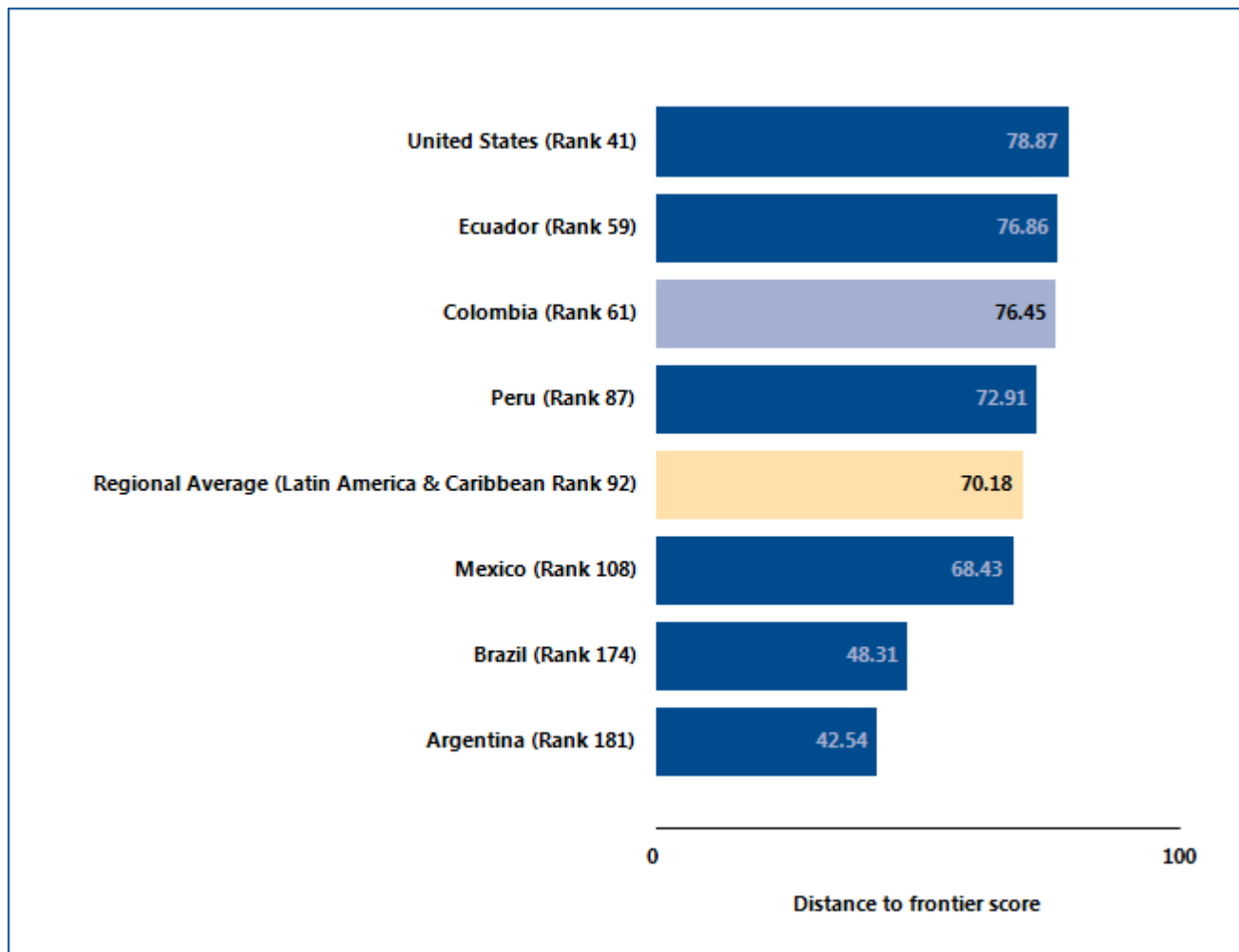
Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

Globally, Colombia stands at 61 in the ranking of 189 economies on the ease of dealing with construction permits (figure 3.2). The rankings for comparator economies and the regional average ranking provide

other useful information for assessing how easy it is for an entrepreneur in Colombia to legally build a warehouse.

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



Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

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

an effort to ensure building safety while keeping compliance costs reasonable, governments around the world have worked on consolidating permitting requirements. What construction permitting reforms has *Doing Business* recorded in Colombia (table 3.1)?

Table 3.1 How has Colombia made dealing with construction permits easier—or not?

By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2010	Colombia made dealing with construction permits easier by introducing regulations that categorize building projects on the basis of risk and allow electronic verification for certain documents.
DB2011	Colombia eased construction permitting by improving the electronic verification of prebuilding certificates.

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

Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

What are the details?

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

BUILDING A WAREHOUSE

Estimated cost of construction : **COP 703,285,539**

City : **Bogota**

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

Table 3.2 Summary of time, cost and procedures for dealing with construction permits in Colombia -

No.	Procedure	Time to complete	Cost to complete
1	<p>Pay variable charges and tax on urban delineation (impuesto de delimitación urbana) at the bank</p> <p>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 is calculated at a rate of 2.6% over the minimum building direct completion costs.</p> <p>Minimum building direct completion costs (MBDCC)* - estimated by DANE (National Statistics Department): COP 804,212.00 per sq. m. (only direct costs) x 1300.6 sq. m. = COP 828,482,200.00 x 2.6% = COP 27,194,911.31</p> <p>* MBDCC in 2009 was COP 637,000.00 but it was updated by DANE in January 2011 to COP 804,212.00 (details in Resolución 0087 January 31, 2011)</p> <p>This is a one-time payment. 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 issuance of the approved license. If at the end of the construction the actual costs surpass the estimated ones, BuildCo must pay an additional 3% of the difference.</p> <p><i>Agency: Commercial Bank</i></p>	1 day	COP 27,194,911
2	<p>File for and obtain construction license (licencia de construcción)</p> <p>Decree 1600 (2005) was revoked and replaced by Decree 564 (2006) and further updated with Decree 1272 (2009). All these regulations were compiled into Decree 1469 of 2010. According to the regulations, any license application must be accompanied by the following documents:</p> <ul style="list-style-type: none"> • Certificate of free transferability (copy). The certificate's date of 	42 days	COP 10,483,748

No.	Procedure	Time to complete	Cost to complete
	<p>issuance cannot be older than one month before the date of application.</p> <ul style="list-style-type: none"> • 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 • 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 one month before the date of application. • Power of attorney, when needed • 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. • Plot location and identification plan • List of the adjoining plots (the real property contiguous to the project) • 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. <p>Article 21 of Decree 564 also establishes these additional documents for construction license applications:</p> <ul style="list-style-type: none"> • Copy of (a) the report of the structural calculations and the structural designs; and (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 the one that issued the original license, the interested party will present the previous licenses. <p>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. m. and 2,000 sq. m.) and should be approved by the Curator within 30 business days (42 calendar days). However, if it requests additional documentation, such requests suspend the 42-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 42-day term -- only if correctly justified by written resolution -- up to 90 calendar days. If process has no delays, the "silent is consent" rule will apply and the license will be issued within 42 calendar days.</p> <p>The license cost is calculated by the formula below, defined in Article 118 of Decree 1469, 2010: $E = (Cf*i*m) (Cv*i*j*m)$</p> <p>Where</p>		

No.	Procedure	Time to complete	Cost to complete
	<p>Cf = fixed charge: COP 246,400.00 (40% of minimum salary) Cv = variable charge, according to the use and area: COP 492,800.00 (80% of minimum salary). i = use and socioeconomic stratification index, 4 (defined by Article 118). m = town factor, according to market, 0.938 (for Bogotá, according to Article 119). j = Ratio between expenses and square meters, given by the formula assigned in Paragraph 3, Article 118. 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.</p> <p>Then, applying the formula to the aforementioned values, the cost of the license (E) would be the following:</p> <p>$E = (246,400.00 \times 4 \times 0.938) + (492,800.00 \times 4 \times 5.17 \times 0.938)$ - No VAT included. $E = 924,492.8 + 9,559,255.5 = 10,483,748.35$</p> <p>Article 118 of Decree No. 1469 (2010) 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.</p> <p>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.</p> <p>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:</p> <ul style="list-style-type: none"> • Legal representation certificate (Certificado de Existencia y Representación Legal) • Certificate of free transferability (Certificado de libertad y tradición) • Proof of municipal tax payment (Paz y salvo de impuesto predial) <p>Agency: <i>Curaduría Urbana (Urban Curator)</i></p>		
3	<p>Receive random inspection</p> <p>Agency: <i>Municipality</i></p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
4	<p>Request water connection approval from EAAB and receive water inspection</p> <p>EAAB undertakes supervision, control, and evaluation of construction according to regulations. It takes place during the whole construction process.</p> <p>The water connection approval from EAAB only happens after the inspection is conducted, which usually takes 3 to 4 business days. From the time the inspection takes place, it takes another 6 days for the approval to be processed.</p> <p><i>Agency: Empresa de Acueducto y Alcantarillado de Bogotá (EAAB)</i></p>	4 days	no charge
5	<p>Receive water connection approval from EAAB</p> <p>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:</p> <ul style="list-style-type: none"> • 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) <p>According to Resolution 1281 from August 2008 the cost is: COP 1,123,520.00 for connection fee, COP 699,120.00 to install the meters and COP 22,660.00 for meter verification. EAAB has 21 points of service at the different service centers that the local government has established throughout Bogotá.</p> <p><i>Agency: Empresa de Acueducto y Alcantarillado de Bogotá (EAAB)</i></p>	6 days	COP 1,845,300
6	<p>Obtain water connection from EAAB</p> <p><i>Agency: Empresa de Acueducto y Alcantarillado de Bogotá (EAAB)</i></p>	10 days	no charge
7	<p>* Receive inspection from authorized contractor</p> <p>No later than 20 days after requesting the connection, Codensa must send a service agent that will review the construction.</p> <p><i>Agency: Codensa S.A. ESP</i></p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
8	<p>Receive final inspection by Mayor's Office</p> <p>Through its agents, the Mayor's Office (Alcaldía Distrital) is the entity in charge of monitoring and controlling construction projects in Bogotá. The inspections are carried out to confirm that the construction has been completed according to the construction license.</p> <p><i>Agency: Mayor's Office (Alcaldía Distrital)</i></p>	1 day	no charge
9	<p>Obtain occupancy permit</p> <p>According to Decree 1469 of 2010, BuildCo must obtain an occupancy permit. Once the approved project has been completed, the owner or builder who is responsible for the works requests the occupancy permit from the authority responsible for executing the urban control and subsequent works.</p> <p><i>Agency: Mayor's Office (Alcaldía Distrital)</i></p>	1 day	no charge
10	<p>Register building at Real Estate Registry</p> <p>Registration of the building is required for it to be registered as collateral. Once the building is completed, it is necessary to formalize the public deeds of "Declaration of the Building" at a Public Notary. The public deeds must be registered at the Public Office of Registration after having been updated by a notary. The fees for the public deeds and registration are as follows:</p> <ol style="list-style-type: none"> 1. Public notary: 3 x 1000% of the value of the building + 16% VAT (VAT is not included in the Doing Business case study) 2. Public Office of Registration: 10 x 1000% of the value of the building (registration tax) + 5 x 1000% of the value of the building (registration fees) <p>Time for registration at the Registry can vary from 1 to 2 weeks, depending on the location in the city. The registry where the warehouse is located takes on average one week.</p> <p><i>Agency: Public Office of Registration</i></p>	7 days	COP 12,659,140

* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: Doing Business database.

GETTING ELECTRICITY

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

What do the indicators cover?

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

The warehouse:

- Is owned by a local entrepreneur, located in the economy's largest business city, in an area where other warehouses are located. For the 11 economies with a population of more than 100 million, data for a second city have been added.
- Is not in a special economic zone where the connection would be eligible for subsidization or faster service.
- Is located in an area with no physical constraints (ie. property not near a railway).
- Is a new construction being connected to electricity for the first time.
- Is 2 stories, both above ground, with a total surface of about 1,300.6 square meters (14,000 square feet), is built on a plot of 929 square meters (10,000 square feet), is used for storage of refrigerated goods

The electricity connection:

- Is 150 meters long and is a 3-phase, 4-wire Y, 140-kilovolt-ampere (kVA) (subscribed capacity) connection.

WHAT THE GETTING ELECTRICITY INDICATORS MEASURE

Procedures to obtain an electricity connection (number)

- Submitting all relevant documents and obtaining all necessary clearances and permits
- Completing all required notifications and receiving all necessary inspections
- Obtaining external installation works and possibly purchasing material for these works
- Concluding any necessary supply contract and obtaining final supply

Time required to complete each procedure (calendar days)

- Is at least 1 calendar day
- Each procedure starts on a separate day
- Does not include time spent gathering information
- Reflects the time spent in practice, with little follow-up and no prior contact with officials

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

- Official costs only, no bribes
- Excludes value added tax
- Is to either the low-voltage or the medium-voltage distribution network and either overhead or underground, whichever is more common in the area where the warehouse is located. Included only negligible length in the customer's private domain.
- Requires crossing of a 10-meter road but all the works are carried out in a public land, so there is no crossing into other people's private property.
- Involves installing one electricity meter. The monthly electricity consumption will be 26880 kilowatt hour (kWh). The internal electrical wiring has been completed.

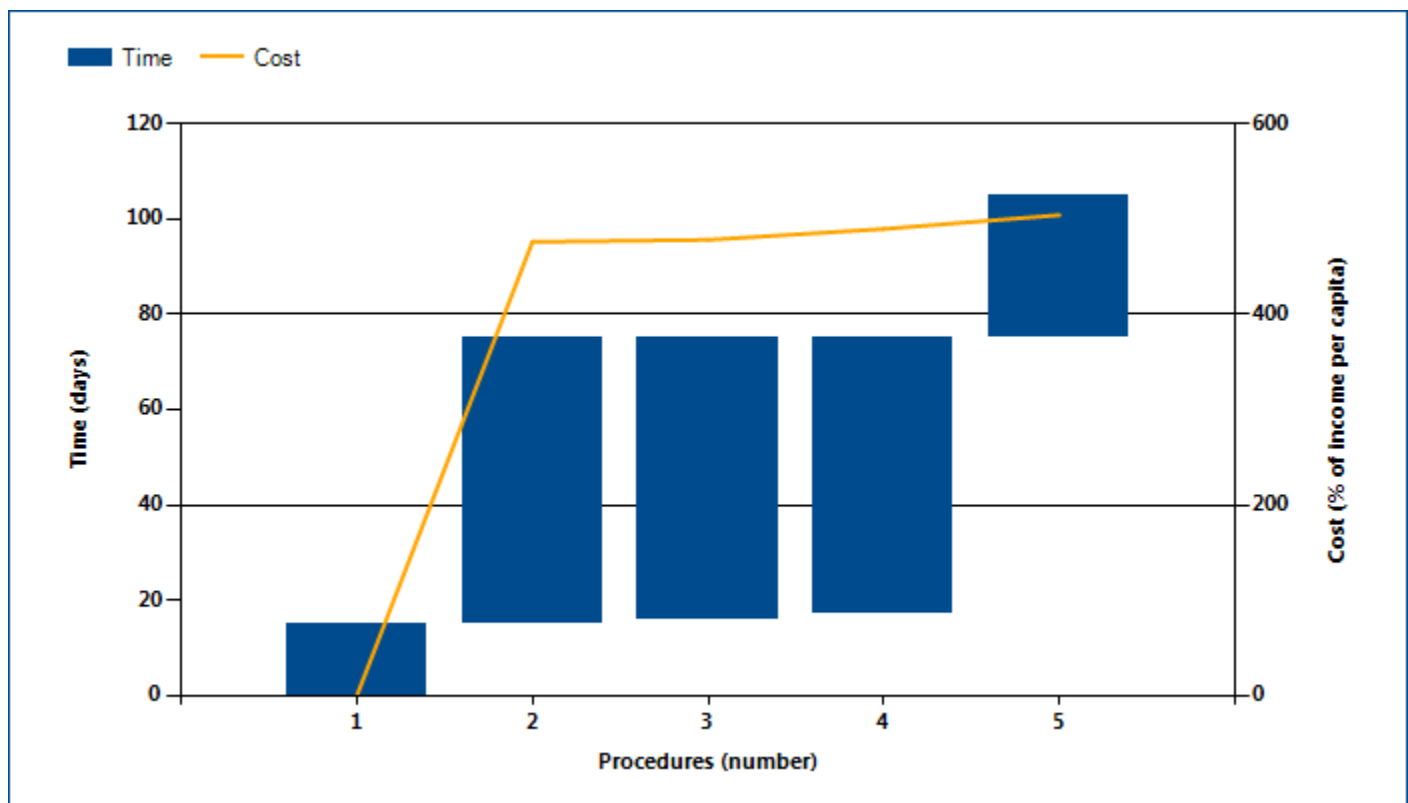
GETTING ELECTRICITY

Where does the economy stand today?

What does it take to obtain a new electricity connection in Colombia? According to data collected by *Doing Business*, getting electricity there requires 5.0 procedures, takes 105.0 days and costs 504.4% of income per capita (figure 4.1).

Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 4.1 What it takes to obtain an electricity connection in Colombia -



Note: Time shown in the figure above may not reflect simultaneity of procedures. For more information on the methodology of the getting electricity indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

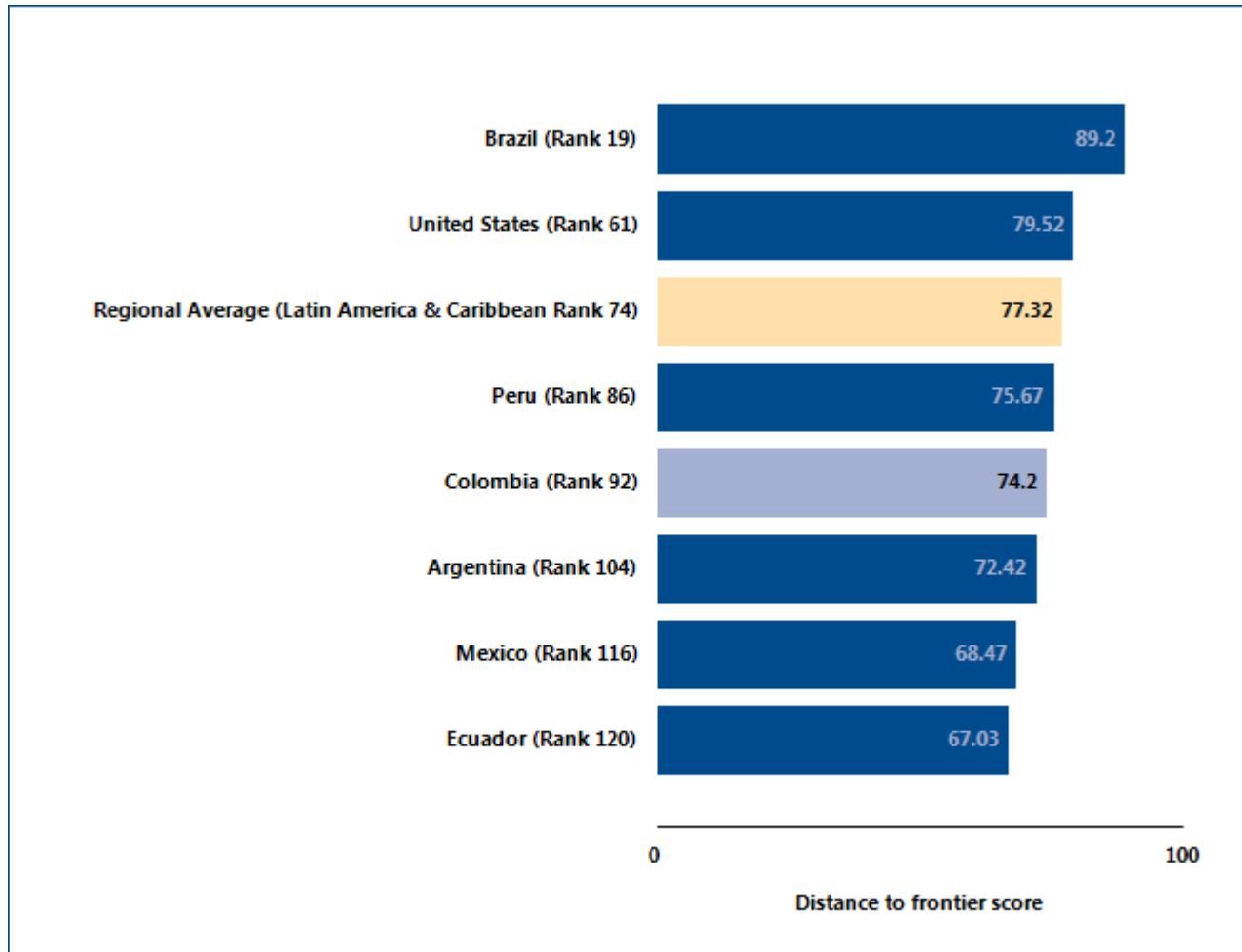
Source: *Doing Business* database.

GETTING ELECTRICITY

Globally, Colombia stands at 92 in the ranking of 189 economies on the ease of getting electricity (figure 4.2). The rankings for comparator economies and the regional

average ranking provide another perspective in assessing how easy it is for an entrepreneur in Colombia to connect a warehouse to electricity.

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



Source: Doing Business database.

GETTING ELECTRICITY

Obtaining an electricity connection is essential to enable a business to conduct its most basic operations. In many economies the connection process is complicated by the multiple laws and regulations involved—covering service quality, general safety, technical standards, procurement practices and internal wiring installations. In an effort to

ensure safety in the connection process while keeping connection costs reasonable, governments around the world have worked to consolidate requirements for obtaining an electricity connection. What reforms in getting electricity has *Doing Business* recorded in Colombia (table 4.1)?

Table 4.1 How has Colombia made getting electricity easier—or not?

By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2014	Colombia made getting electricity easier by opening a one-stop shop for electricity connections and improving the efficiency of the utility's internal processes.

Source: *Doing Business* database.

GETTING ELECTRICITY

What are the details?

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

OBTAINING AN ELECTRICITY CONNECTION

Name of utility: CODENSA

City: Bogota

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

Table 4.2 Summary of time, cost and procedures for getting electricity in Colombia -

No.	Procedure	Time to complete	Cost to complete
1	<p>The customer submits a service application to Codensa and awaits the preparation of a feasibility study and cost estimate</p> <p>The customer submits his service application in person in one of the offices of Codensa. The application has to indicate the electricity load required and include a number of supporting documents. Codensa will conduct an internal study to assess whether the new connection is feasible or not. In simple cases, Codensa will just authorize the connection. In more complicated cases, the utility will request a design of the works necessary to do the connection first. This second case is more likely for a load of 140kVA. The client will receive a letter summarizing the availability of electricity in the area in question and the works that will be required for the connection. The approved application has a validity of one year, which means that the customer has one year from the moment of approval to finalize the relevant procedures needed to obtain an electricity connection from Codensa.</p> <p><i>Agency: Codensa</i></p>	15 calendar days	COP 0
2	<p>The customer contracts a construction firm or an approved design engineer to prepare a design of the external connection works and to carry out the connection works</p> <p>If the customer choose a private company to do the external connection work the firm will have to prepare a design of the planned works. Codensa's engineers will then review the design that was prepared. During this period, Codensa also obtains the relevant right of ways/excavation permits from the Instituto de Desarrollo Urbano (IDU). Once the design is approved, the sub-contractor can carry out the need</p>	60 calendar days	COP 67,000,000

No.	Procedure	Time to complete	Cost to complete
	<p>connection works.</p> <p>According to the regulations, only an electrical engineer (ingeniero electricista) is allowed to prepare the design for the external connection works. The actual works can be later carried out by an electrician with just a technical formation (un técnico con matricula). In the majority of the cases, the construction firm that constructed the building will also do the connection works of installing a dedicated distribution transformer or a small sub-station. The actual works take only a few days.</p> <p><i>Agency: Ingeniero electricista con matricula profesional o empresa de construccion</i></p>		
<p>3</p>	<p>* The customer's electrical contractor obtains the necessary permit to construct the new connection</p> <p><i>Agency: IDU and Secretaria de Transito</i></p>	<p>45 calendar days</p>	<p>COP 300,000</p>
<p>4</p>	<p>* The customer has to obtain a certification of the internal wiring installations from a firm registered with the Superintendencia de Industria y Comercio (SIC)</p> <p>Once the internal wiring installations have been finalized, the customer has to request an inspection from a firm registered with the ONAC (Organismo Nacional De Acreditación) or the Superintendencia de Industria y Comercio (SIC). The firm will assess whether the internal wiring installations comply with the standards of the RETIE (Reglamento Técnico de Instalaciones Eléctricas) and issue an inspection certificate to the customer. The inspection certificate has to be submitted to Codensa before the electricity supply is turned on. A list of firms accredited to conduct inspection can be found at http://www.sic.gov.co/Informacion_Interes/Entidades%20acreditadas/Directorio%20-%20Area2.php.</p> <p><i>Agency: Firm accredited with ONAC (Organismo Nacional De Acreditación) or the Superintendencia de Industria y Comercio (SIC)</i></p>	<p>7 calendar days</p>	<p>COP 1,600,000</p>
<p>5</p>	<p>After the customer signs the supply contract, Codensa inspects the external works, installs the meter and energizes the project</p> <p>The supply contract is signed after the external connection works have been inspected by Codensa. Codensa will then energize the project. In order to energize the new connection Codensa has to inform other customers that are connected in the same area that their electricity will</p>	<p>30 calendar days</p>	<p>COP 2,049,835</p>

No.	Procedure	Time to complete	Cost to complete
	<p>be cut to connect a new client. Codensa does this usually through the press and the last bill before the disconnection is made. This means they have to give their clients at least two weeks of advance notice. In most of the cases, this time frame is enough to connect the new customer. The meter is installed and the electricity is flowing from that point in time. Codensa provides the meter.</p> <p>The customer also has to pay a security deposit equivalent to one month of consumption. The deposit is returned to the client without interest at the end of the contract.</p> <p><i>Agency: Codensa</i></p>		

* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

REGISTERING PROPERTY

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

What do the indicators cover?

Doing Business records the full sequence of procedures necessary for a business to purchase property from another business and transfer the property title to the buyer's name. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it. The ranking of economies on the ease of registering property is determined by sorting their distance to frontier scores for registering property. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned and perform general commercial activities.
- Are located in the economy's largest business city².
- Have 50 employees each, all of whom are nationals.

The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Is registered in the land registry or cadastral, or both, and is free of title disputes.
- Property will be transferred in its entirety.

WHAT THE REGISTERING PROPERTY INDICATORS MEASURE

Procedures to legally transfer title on immovable property (number)

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

Registration in the economy's largest business city²

Postregistration (for example, filing title with the municipality)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are recorded as ½ day.

Procedure considered completed once final document is received

No prior contact with officials

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

Official costs only, no bribes

No value added or capital gains taxes included

- Is located in a periurban commercial zone, and no rezoning is required.
- Has no mortgages attached, has been under the same ownership for the past 10 years.
- Consists of 557.4 square meters (6,000 square feet) of land and a 10-year-old, 2-story warehouse of 929 square meters (10,000 square feet). The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. There is no heating system.

² For the 11 economies with a population of more than 100 million, data for a second city have been added.

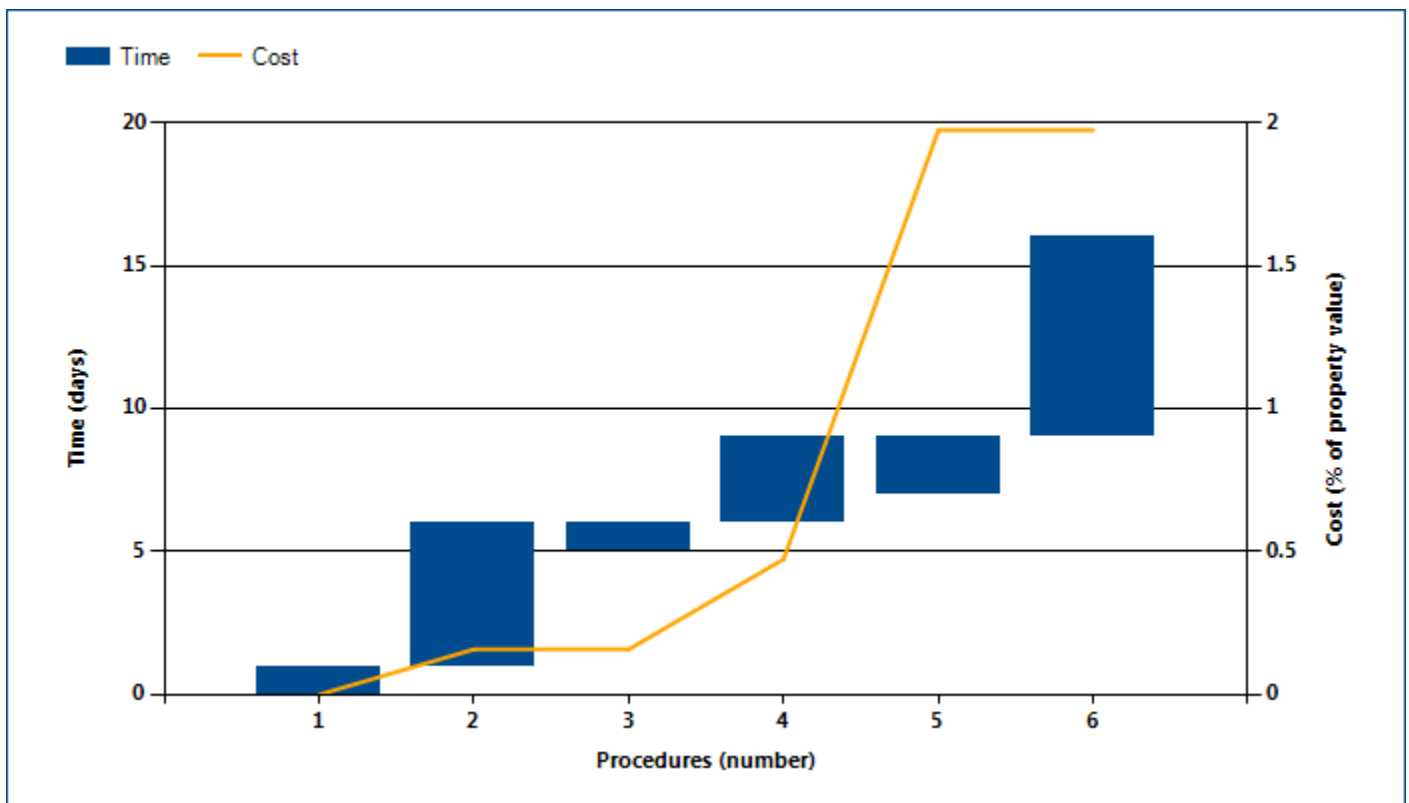
REGISTERING PROPERTY

Where does the economy stand today?

What does it take to complete a property transfer in Colombia? According to data collected by *Doing Business*, registering property there requires 6.0 procedures, takes 16.0 days and costs 2.0% of the property value (figure 5.1).

Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 5.1 What it takes to register property in Colombia -



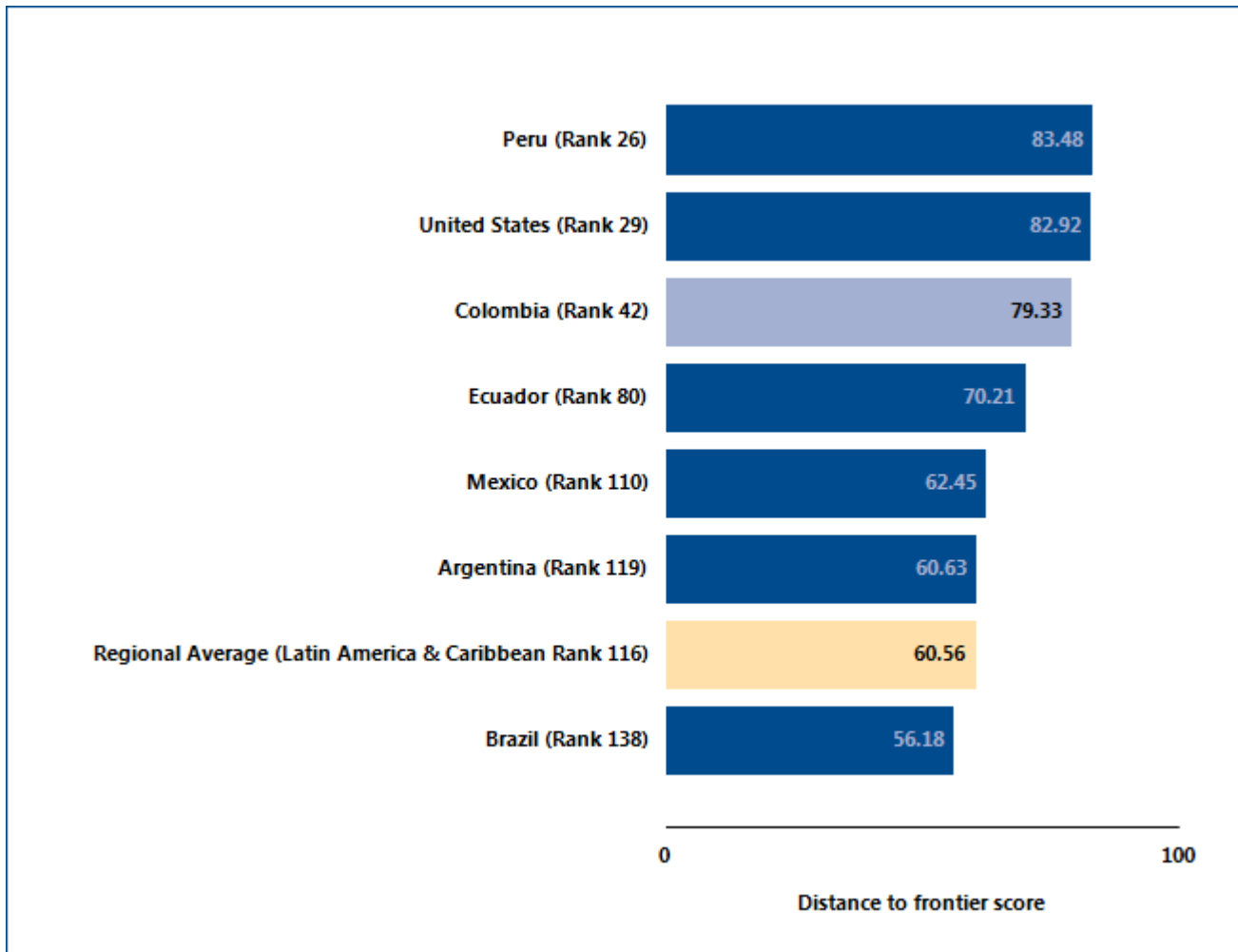
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the registering property indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter. Source: *Doing Business* database.

REGISTERING PROPERTY

Globally, Colombia stands at 42 in the ranking of 189 economies on the ease of registering property (figure 5.2). The rankings for comparator economies and the

regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Colombia to transfer property.

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



Source: Doing Business database.

REGISTERING PROPERTY

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

the time required substantially—enabling buyers to use or mortgage their property earlier. What property registration reforms has *Doing Business* recorded in Colombia (table 5.1)?

Table 5.1 How has Colombia made registering property easier—or not?
By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2010	Colombia made transferring property easier by making certificates required for the process available online and providing a standard preliminary sale agreement free of charge, online and in notary offices.
DB2015	Colombia made transferring property easier by eliminating the need for a provisional registration.

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

Source: *Doing Business* database.

REGISTERING PROPERTY

What are the details?

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

STANDARD PROPERTY TRANSFER	
Property value:	COP 703,285,539
City:	Bogota

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

Table 5.2 Summary of time, cost and procedures for registering property in Colombia

No.	Procedure	Time to complete	Cost to complete
1	<p>A certificate of good standing ("Existencia y Representacion legal") of the company must be obtained at the Chamber of Commerce</p> <p>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.</p> <p>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://serviciosonline.ccb.org.co/cerple/index.aspx).The value of the Certificate of Exitance and Legal Representation is updated once a year according to the increase of the minimum monthly legal wage. The amount to pay is 0.70% of the minimum monthly legal wage.</p> <p>Agency: Chamber of Commerce (http://serviciosonline.ccb.org.co/cerple/index.aspx)</p>	Less than a day (online procedure)	COP 4,100
2	<p>A study of the titles of the property is done by a lawyer</p> <p>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 property transactions. 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 in order to complete this Procedure.</p>	5 days	COP 1,113,000

No.	Procedure	Time to complete	Cost to complete
	<p>Agency: Lawyer's office</p>		
<p>3</p>	<p>Obtain tax certificates ("predial" and "valorizacion")</p> <p>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).</p> <p>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".</p> <p>The VUR website is: http://www.registratupropiedad.com/</p> <p>Agency: Ventanilla Unica de Registro (or CADE)</p>	<p>Less than a day (online procedure)</p>	<p>no cost</p>
<p>4</p>	<p>The notary prepares the public deed</p> <p>The notary public will prepare the final public deed with all the documentation previously obtained by the parties. The notary will also check the Board of directors minutes authorizing the sale and purchase of each property respectively for each limited liability company. The participation of a notary in the preparation of the public deed is mandatory by law, and his/her fees are also established by law (0.27% of property value + other indicated fees).</p> <p>The minuta establishes the terms of the sale between the 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 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</p> <p>Agency: Notary</p>	<p>3 days</p>	<p>COP 16,100 on the first COP 135,500 + 0.3% of the property value above 135,500 + COP 12,000 for the escritura (COP 3000 per page) + COP 36,000 for 3 copies of the escritura (COP 3000 per page) + COP 22,100 for the Superintendency of Notary and Registry + COP 22,100 for the National Notary Fund.</p>

No.	Procedure	Time to complete	Cost to complete
5	<p>* The notary pays transfer tax and registration fee online</p> <p>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. The payment can also be made online at the website http://190.255.46.84/pagos/usuarios/ingreso.aspx. 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.</p> <p><i>Agency: Registry Office (Oficina de Registro de Instrumentos Públicos)</i></p>	Less than a day (online procedure and simultaneous with Procedure 5)	1% of property value (Registry Tax) + 0.5% of property value (Registration Fee)
6	<p>The public deed must be registered at the Registry Office</p> <p>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.</p> <p><i>Agency: Registry Office (Oficina de Registro de Instrumentos Públicos)</i></p>	7 days	already paid in Procedure 6

* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: *Doing Business* database.

GETTING CREDIT

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

What do the indicators cover?

Doing Business assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a credit registry or a credit bureau. The strength of legal rights index measures whether certain features that facilitate lending exist within the applicable collateral and bankruptcy laws. *Doing Business* uses two case scenarios, Case A and Case B, to determine the scope of the secured transactions system, involving a secured borrower and a secured lender and examining legal restrictions on the use of movable collateral (for more details on each case, see the Data Notes section of the *Doing Business 2015* report). These scenarios assume that the borrower:

- Is a private limited liability company.
- Has its headquarters and only base of operations in the largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.

WHAT THE GETTING CREDIT INDICATORS MEASURE

Strength of legal rights index (0–12)³

Rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

Depth of credit information index (0–8)⁴

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

Credit bureau coverage (% of adults)

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

Credit registry coverage (% of adults)

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

- Has up to 50 employees.
- Is 100% domestically owned, as is the lender.

The ranking of economies on the ease of getting credit is determined by sorting their distance to frontier scores for getting credit. These scores are the distance to frontier score for the strength of legal rights index and the depth of credit information index.

³ For the legal rights index, 2 new points are added in *Doing Business 2015* for new data collected to assess the overall legal framework for secured transactions and the functioning of the collateral registry.

⁴ For the credit information index, 2 new points are added in *Doing Business 2015* for new data collected on accessing borrowers' credit information online and availability of credit scores.

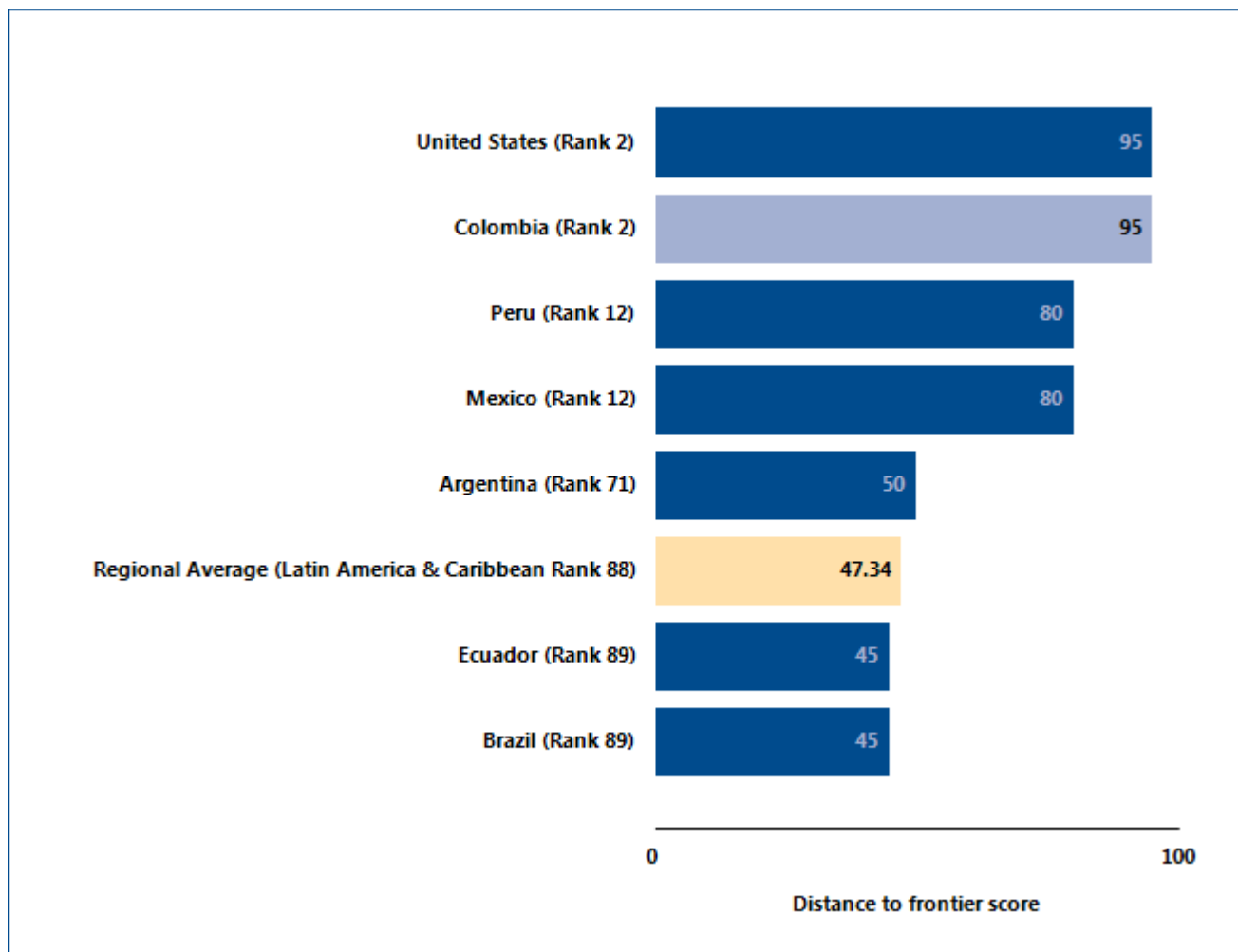
GETTING CREDIT

Where does the economy stand today?

How well do the credit information system and collateral and bankruptcy laws in Colombia facilitate access to credit? The economy has a score of 7 on the depth of credit information index and a score of 12 on the strength of legal rights index (see the summary of scoring at the end of this chapter for details). Higher scores indicate more credit information and stronger legal rights for borrowers and lenders.

Globally, Colombia stands at 2 in the ranking of 189 economies on the ease of getting credit (figure 6.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how well regulations and institutions in Colombia support lending and borrowing.

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



Source: Doing Business database.

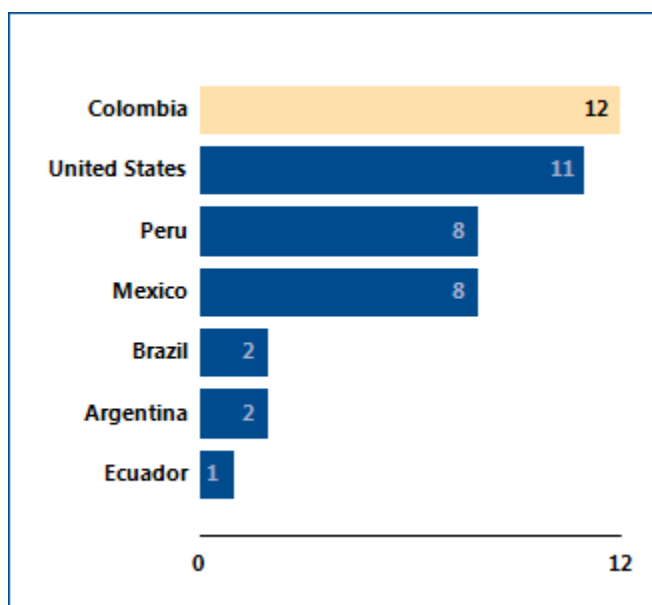
GETTING CREDIT

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

rights index for Colombia and shows the scores for comparator economies as well as the regional average score. Figure 6.3 shows the same for the depth of credit information index.

Figure 6.2 How strong are legal rights for borrowers and lenders?

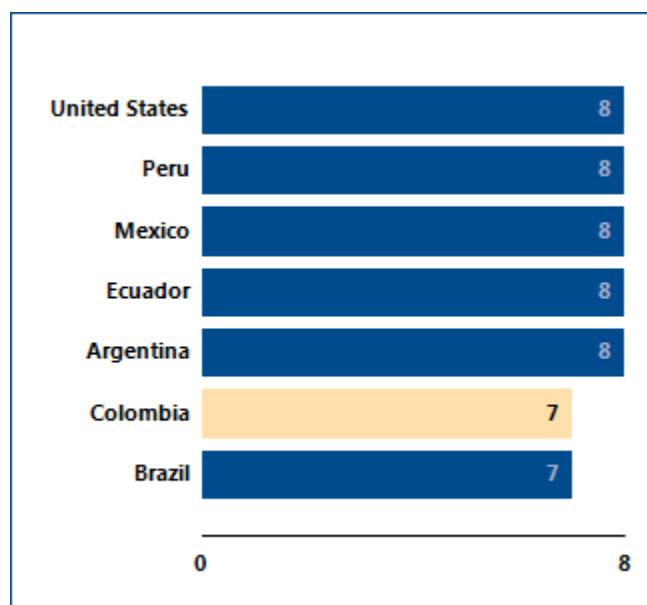
Economy scores on strength of legal rights index



Note: Higher scores indicate that collateral and bankruptcy laws are better designed to facilitate access to credit.
Source: Doing Business database.

Figure 6.3 How much credit information is shared—and how widely?

Economy scores on depth of credit information index



Note: Higher scores indicate the availability of more credit information, from either a credit registry or a credit bureau, to facilitate lending decisions. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.
Source: Doing Business database.

GETTING CREDIT

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

information, they can increase entrepreneurs' access to credit. What credit reforms has *Doing Business* recorded in Colombia (table 6.1)?

Table 6.1 How has Colombia made getting credit easier—or not?
By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2010	Colombia improved access to credit information by guaranteeing borrowers' right to inspect their own data and by making it mandatory for credit providers to consult and share information with credit bureaus.
DB2015	Colombia improved access to credit by adopting a new secured transactions law that establishes a functional secured transactions system and a centralized, notice-based collateral registry. The law broadens the range of assets that can be used as collateral, allows a general description of assets granted as collateral, establishes clear priority rules inside bankruptcy for secured creditors, sets out grounds for relief from a stay of enforcement actions by secured creditors during reorganization procedures and allows out-of-court enforcement of collateral.

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

Source: *Doing Business* database.

GETTING CREDIT

What are the details?

The getting credit indicators reported here for Colombia are based on detailed information collected in that economy. The data on credit information sharing are collected through a survey of a credit registry and/or credit bureau (if one exists). To construct the depth of credit information index, a score of 1 is assigned for each of 8 features of the credit registry or credit bureau (see summary of scoring below).

The data on the legal rights of borrowers and lenders are gathered through a survey of financial lawyers and verified through analysis of laws and regulations as well as public sources of information on collateral and bankruptcy laws. For the strength of legal rights index, a score of 1 is assigned for each of 10 aspects related to legal rights in collateral law and 2 aspects in bankruptcy law.

Strength of legal rights index (0–12)	Index score: 12
Does an integrated or unified legal framework for secured transactions that extends to the creation, publicity and enforcement of functional equivalents to security interests in movable assets exist in the economy?	Yes
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	Yes
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?	Yes
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets?	Yes
Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	Yes
Is a collateral registry in operation for both incorporated and non-incorporated entities, that is unified geographically and by asset type, with an electronic database indexed by debtor's name?	Yes
Does a notice-based collateral registry exist in which all functional equivalents can be registered?	Yes
Does a modern collateral registry exist in which registrations, amendments, cancellations and searches can be performed online by any interested third party?	Yes
Are secured creditors paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	Yes
Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated?	Yes
Are secured creditors subject to an automatic stay on enforcement when a debtor enters a court-supervised reorganization procedure? Does the law protect secured creditors' rights by providing clear grounds for relief from the stay and/or sets a time limit for it?	Yes

Strength of legal rights index (0–12)	Index score: 12
Does the law allow parties to agree on out of court enforcement at the time a security interest is created? Does the law allow the secured creditor to sell the collateral through public auction and private tender, as well as, for the secured creditor to keep the asset in satisfaction of the debt?	Yes

Depth of credit information index (0–8)	Credit bureau	Credit registry	Index score: 7
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative credit data distributed?	Yes	No	1
Are data from retailers or utility companies - in addition to data from banks and financial institutions - distributed?	Yes	No	1
Are at least 2 years of historical data distributed? (Credit bureaus and registries that distribute more than 10 years of negative data or erase data on defaults as soon as they are repaid obtain a score of 0 for this component.)	No	No	0
Are data on loan amounts below 1% of income per capita distributed?	Yes	No	1
By law, do borrowers have the right to access their data in the credit bureau or credit registry?	Yes	No	1
Can banks and financial institutions access borrowers' credit information online (for example, through an online platform, a system-to-system connection or both)?	Yes	No	1
Are bureau or registry credit scores offered as a value-added service to help banks and financial institutions assess the creditworthiness of borrowers?	Yes	No	1

Note: Prior to *Doing Business 2015*, the depth of credit information index covered only the first 6 features listed above. An economy receives a score of 1 if there is a "yes" to either bureau or registry. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.

Coverage	Credit bureau (% of adults)	Credit registry (% of adults)
Number of firms	1,240,367	0
Number of individuals	26,584,144	0
Percent of total	87.0	0.0

Source: Doing Business database.

PROTECTING MINORITY INVESTORS

Protecting minority investors matters for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. Effective regulations define related-party transactions precisely, promote clear and efficient disclosure requirements, require shareholder participation in major decisions of the company and set detailed standards of accountability for company insiders.

What do the indicators cover?

Doing Business measures the protection of minority investors from conflicts of interest through one set of indicators and shareholders' rights in corporate governance through another. The ranking of economies on the strength of minority investor protections is determined by sorting their distance to frontier scores for protecting minority investors. These scores are the simple average of the distance to frontier scores for the extent of conflict of interest regulation index and the extent of shareholder governance index. To make the data comparable across economies, a case study uses several assumptions about the business and the transaction.

The business (Buyer):

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

The transaction involves the following details:

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.
- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to Buyer.
- Shareholders sue the interested parties and the members of the board of directors.

WHAT THE PROTECTING MINORITY INVESTORS INDICATORS MEASURE

Extent of disclosure index (0–10)

Review and approval requirements for related-party transactions ; Disclosure requirements for related-party transactions

Extent of director liability index (0–10)

Ability of minority shareholders to sue and hold interested directors liable for prejudicial related-party transactions; Available legal remedies (damages, disgorgement of profits, fines, imprisonment, rescission of the transaction)

Ease of shareholder suits index (0–10)

Access to internal corporate documents; Evidence obtainable during trial and allocation of legal expenses

Extent of conflict of interest regulation index (0–10)

Sum of the extent of disclosure, extent of director liability and ease of shareholder indices, divided by 3

Extent of shareholder rights index (0-10.5)

Shareholders' rights and role in major corporate decisions

Strength of governance structure index (0-10.5)

Governance safeguards protecting shareholders from undue board control and entrenchment

Extent of corporate transparency index (0-9)

Corporate transparency on ownership stakes, compensation, audits and financial prospects

Extent of shareholder governance index (0–10)

Sum of the extent of shareholders rights, strength of governance structure and extent of corporate transparency indices, divided by 3

Strength of investor protection index (0–10)

Simple average of the extent of conflict of interest regulation and extent of shareholder governance indices

PROTECTING MINORITY INVESTORS

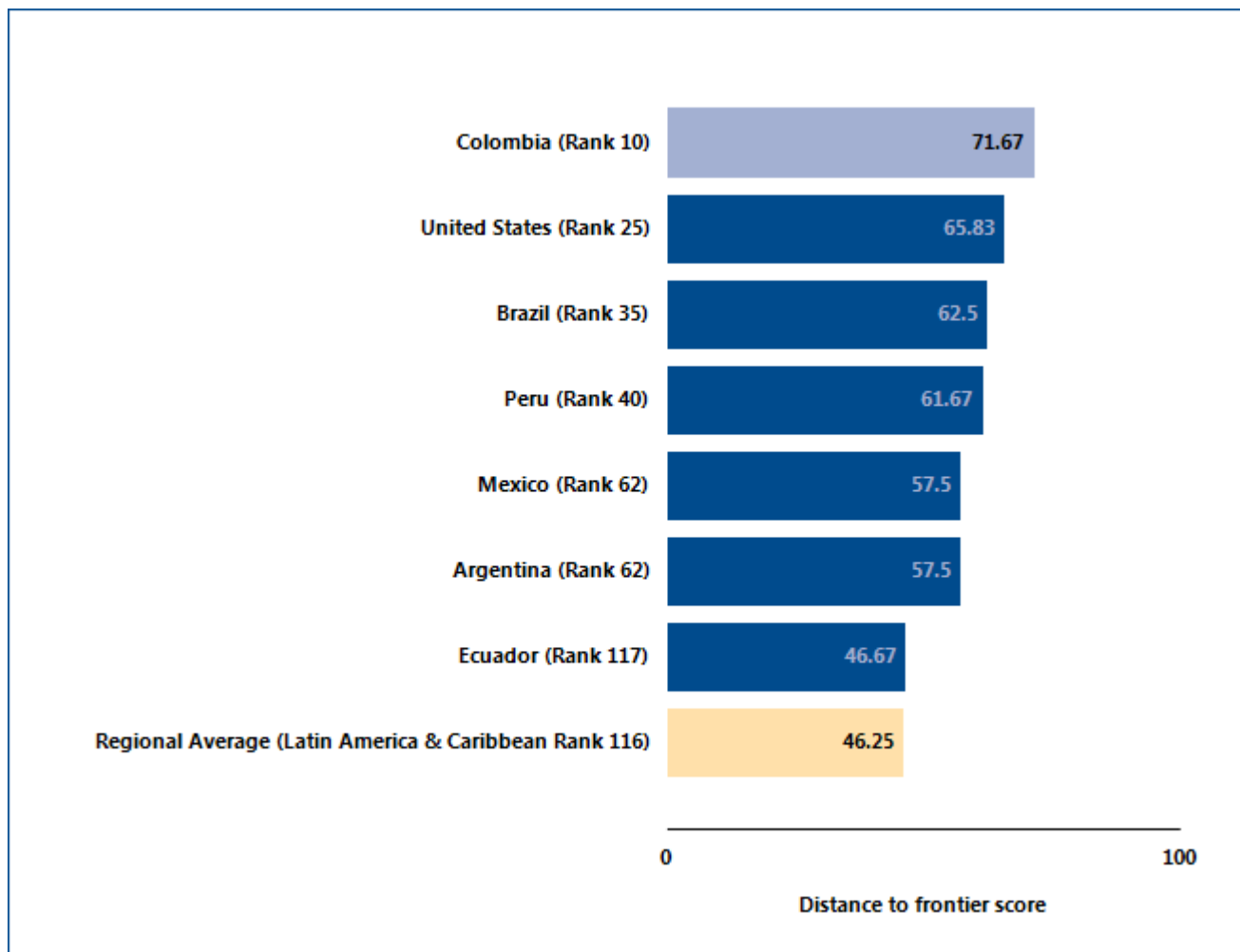
Where does the economy stand today?

How strong are minority investor protections against self-dealing in Colombia? The economy has a score of 71.67 on the strength of minority investor protection index, with a higher score indicating stronger protections.

Globally, Colombia stands at 10 in the ranking of 189 economies on the strength of minority investor

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

Figure 7.1 How Colombia and comparator economies perform on the strength of minority investor protection index



Source: Doing Business database.

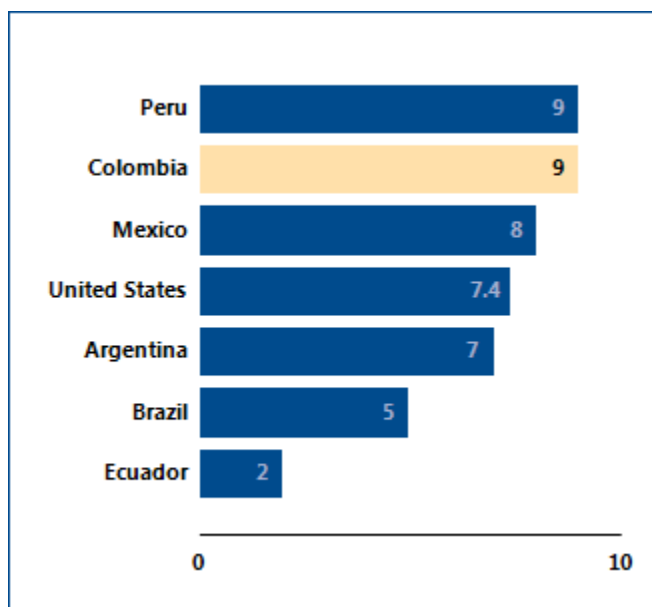
PROTECTING MINORITY INVESTORS

One way to put an economy's scores on the protecting minority investors indicators into context is to see where the economy stands in the distribution of scores across comparator economies. Figures 7.2 through 7.7 highlight the scores on the various minority investor protection

indices for Colombia in 2014. A summary of scoring for the protecting minority investors indicators at the end of this chapter provides details on how the indices were calculated.

Figure 7.2 How extensive are disclosure requirements?

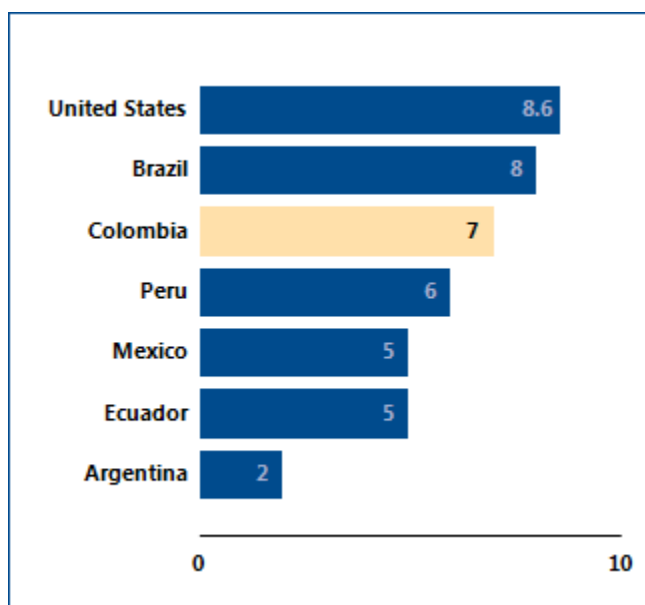
Extent of disclosure index (0-10)



Note: Higher scores indicate greater disclosure.
Source: Doing Business database.

Figure 7.3 How extensive is the liability regime for directors?

Extent of director liability index (0-10)

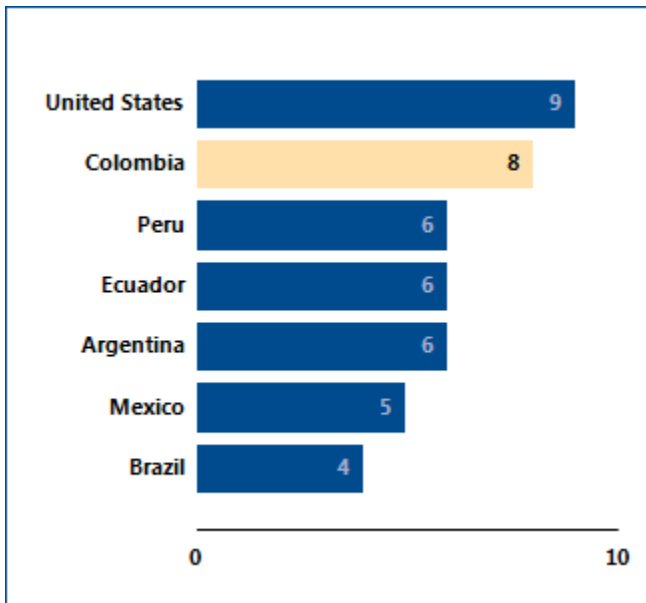


Note: Higher scores indicate greater liability of directors.
Source: Doing Business database.

PROTECTING MINORITY INVESTORS

Figure 7.4 How easy is accessing internal corporate documents?

Ease of shareholder suits index (0-10)



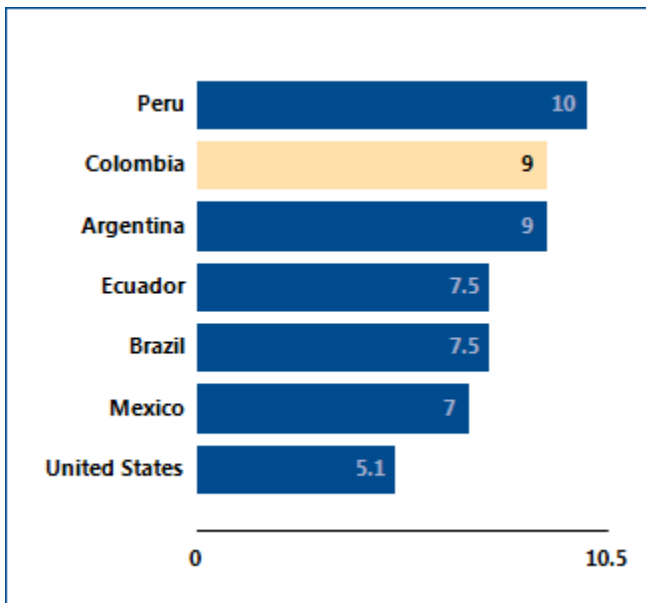
Note: Higher scores indicate greater minority shareholder access to evidence before and during trial.

Source: Doing Business database.

PROTECTING MINORITY INVESTORS

Figure 7.5 How extensive are shareholder rights?

Extent of shareholder rights index (0-10.5)

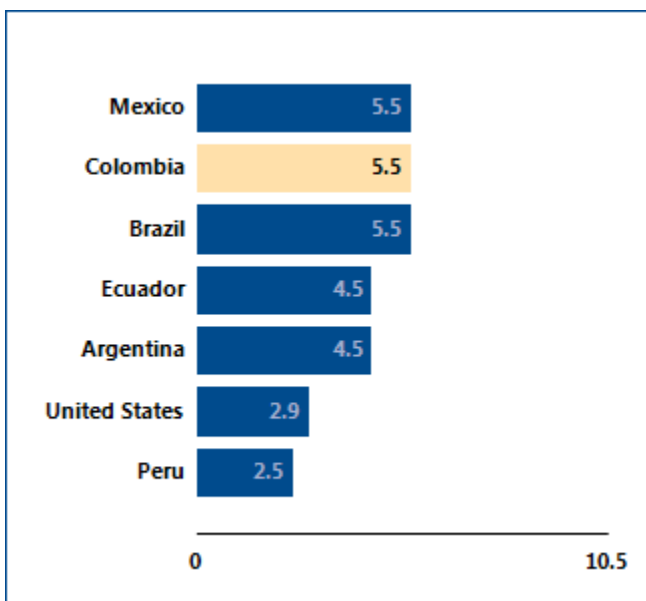


Note: The higher the score, the stronger the protections.

Source: Doing Business database.

Figure 7.6 How strong is the governance structure?

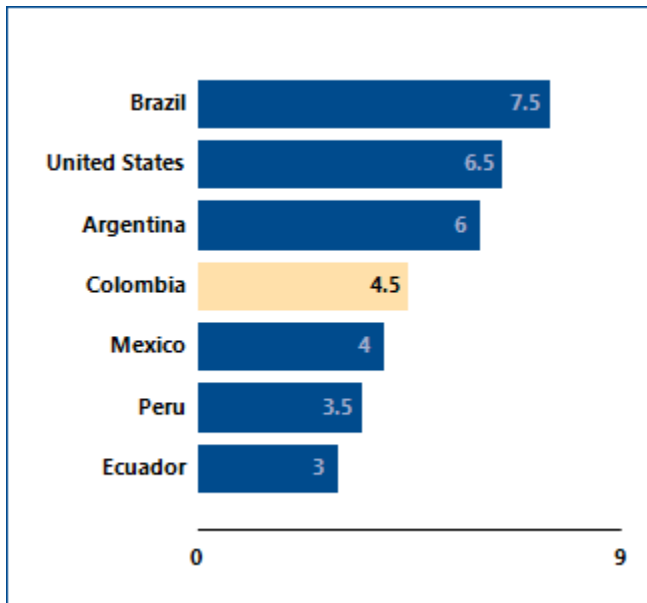
Strength of governance structure index (0-10.5)



Note: Higher scores indicate more stringent governance structure requirements.

Source: Doing Business database.

Figure 7.7 How extensive is corporate transparency?

Extent of corporate transparency index (0-9)

Note: Higher scores indicate greater transparency.

Source: Doing Business database.

PROTECTING MINORITY INVESTORS

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

result, reforms to strengthen minority investor protections may move ahead on different fronts—such as through new or amended company laws, securities regulations or civil procedure rules. What minority investor protection reforms has *Doing Business* recorded in Colombia (table 7.1)?

Table 7.1 How has Colombia strengthened minority investor protections—or not?
By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2010	Colombia strengthened investor protections by making it easier to sue directors when a related-party transaction harms the company.

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

Source: *Doing Business* database.

PROTECTING MINORITY INVESTORS

What are the details?

The protecting minority investors indicators reported here for Colombia are based on detailed information collected through a survey of corporate and securities lawyers about securities regulations, company laws and court rules of evidence and procedure. To construct the six indicators on minority investor protection, scores are assigned to each based on a range of conditions relating

to disclosure, director liability, shareholder suits, shareholder rights, governance structure and corporate transparency in a standard case study (for more details, see the Data Notes section of the *Doing Business 2015* report). The summary below shows the details underlying the scores for Colombia.

Table 7.2 Summary of scoring for the protecting minority investors indicators in Colombia

	Answer	Score
Extent of disclosure index (0-10)		9.0
Which corporate body can provide legally sufficient approval for the Buyer-Seller transaction? (0-3)	Shareholders excluding interested parties	3
Is disclosure by the interested director to the board of directors required? (0-2)	Full disclosure of all material facts	2
Is disclosure of the transaction in published periodic filings (annual reports) required? (0-2)	Disclosure on the transaction and on the conflict of interest	2
Is immediate disclosure of the transaction to the public and/or shareholders required? (0-2)	Disclosure on the transaction and on the conflict of interest	2
Must an external body review the terms of the transaction before it takes place? (0-1)	No	0
Extent of director liability index (0-10)		7.0
Can shareholders sue directly or derivatively for the damage caused by the Buyer-Seller transaction to the company? (0-1)	Yes	1
Can shareholders hold the interested director liable for the damage caused by the transaction to the company? (0-2)	Liable if unfair or prejudicial	2
Can shareholders hold members of the approving body liable for the damage cause by the transaction to the company? (0-2)	Liable if negligent	1
Must the interested director pay damages for the harm caused to the company upon a successful claim by a shareholder plaintiff? (0-1)	Yes	1
Must the interested director repay profits made from the transaction upon a successful claim by a shareholder plaintiff? (0-1)	Yes	1
Can both fines and imprisonment be applied against the interested indrector? (0-1)	No	0
Can a court void the transaction upon a successful claim by a shareholder plaintiff? (0-2)	Voidable if negligently concluded	1
Ease of shareholder suits index (0-10)		8.0
Before filing suit, can shareholders owning 10% of the company's share capital inspect the transaction documents? (0-1)	Yes	1
Can the plaintiff obtain any documents from the defendant	Any relevant document	3

and witnesses during trial? (0-3)		
Can the plaintiff request categories of documents from the defendant without identifying specific ones? (0-1)	No	0
Can the plaintiff directly question the defendant and witnesses during trial? (0-2)	Yes	2
Is the level of proof required for civil suits lower than that of criminal cases? (0-1)	Yes	1
Can shareholder plaintiffs recover their legal expenses from the company? (0-2)	Yes if successful	1
Strength of minority investor protection index (0-10)		7.2
Extent of conflict of interest regulation index (0-10)		8.0
Extent of shareholder rights index (0-10.5)		9.0
Can shareholders amend company bylaws or statutes with a simple majority?	Yes	1.5
Can shareholders owning 10% of the company's share capital call for an extraordinary meeting of shareholders?	No	0
Can shareholders remove members of the board of directors before the end of their term.	Yes	1.5
Must a company obtain its shareholders' approval every time it issues new shares?	Yes	1.5
Are shareholders automatically granted subscription rights on new shares?	Yes	1.5
Must shareholders approve the election and dismissal of the external auditor?	Yes	1.5
Can shareholders freely trade shares prior to a major corporate action or meeting of shareholders?	Yes	1.5
Strength of governance structure index (0-10.5)		5.5
Is the CEO barred from also serving as chair of the board of directors?	No	0
Must the board of directors include independent board members?	Yes for listed companies	1
Must a company have a separate audit committee?	Yes for listed companies	1
Must changes to the voting rights of a series or class of shares be approved only by the holders of the affected shares?	Yes	1.5
Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of a company?	Yes for listed companies	1
Is cross-shareholding between 2 independent companies limited to 10% of outstanding shares?	No	0
Is a subsidiary barred from acquiring shares issued by its parent company?	Yes	1.5
Extent of corporate transparency index (0-9)		4.5
Must ownership stakes representing 10% be disclosed?	Yes for listed companies	1
Must information about board members' other directorships as well as basic information on their primary employment be disclosed?	No	0
Must the compensation of individual managers be disclosed?	No	0
Must financial statements contain explanatory notes on significant accounting policies, trends, risks, uncertainties and other factors influencing the reporting?	Yes for listed companies	1
Must annual financial statements be audited by an external	Yes	1.5

auditor?		
Must audit reports be disclosed to the public?	Yes for listed companies	1
Extent of shareholder governance index (0-10)		6.3

Source: *Doing Business* database.

PAYING TAXES

Taxes are essential. The level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. Firms in economies that rank better on the ease of paying taxes in the *Doing Business* study tend to perceive both tax rates and tax administration as less of an obstacle to business according to the World Bank Enterprise Survey research.

What do the indicators cover?

Using a case scenario, *Doing Business* measures the taxes and mandatory contributions that a medium-size company must pay in a given year as well as the administrative burden of paying taxes and contributions. This case scenario uses a set of financial statements and assumptions about transactions made over the year. Information is also compiled on the frequency of filing and payments as well as time taken to comply with tax laws. The ranking of economies on the ease of paying taxes is determined by sorting their distance to frontier scores on the ease of paying taxes. These scores are the simple average of the distance to frontier scores for each of the component indicators, with a threshold and a nonlinear transformation applied to one of the component indicators, the total tax rate⁵. The financial statement variables have been updated to be proportional to 2012 income per capita; previously they were proportional to 2005 income per capita. To make the data comparable across economies, several assumptions are used.

- TaxpayerCo is a medium-size business that started operations on January 1, 2012.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions are recorded the second year of operation.

⁵ The nonlinear distance to frontier for the total tax rate is equal to the distance to frontier for the total tax rate for the 15th percentile of the distribution for all economies included in the analysis. It is calculated and adjusted on a yearly basis. The threshold is based on the distribution of an "optimal tax rate" that minimizes distortions or maximizes efficiency in the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the lower end of the distribution of tax rates based on medium-size enterprises in the manufacturing sector as observed through the paying taxes indicator. Exemptions are also recorded. Taxes and mandatory contributions are measured at all levels of government. A range of standard deductions and exemptions are also recorded.

WHAT THE PAYING TAXES INDICATORS MEASURE

Tax payments for a manufacturing company in 2013 (number per year adjusted for electronic and joint filing and payment)

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

Method and frequency of filing and payment

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

Collecting information and computing the tax payable

Completing tax return forms, filing with proper agencies

Arranging payment or withholding

Preparing separate tax accounting books, if required

Total tax rate (% of profit before all taxes)

Profit or corporate income tax

Social contributions and labor taxes paid by the employer

Property and property transfer taxes

Dividend, capital gains and financial transactions taxes

Waste collection, vehicle, road and other taxes

- Taxes and mandatory contributions include corporate income tax, turnover tax and all labor taxes and contributions paid by the company.

- A range of standard deductions and exemptions are also recorded.

PAYING TAXES

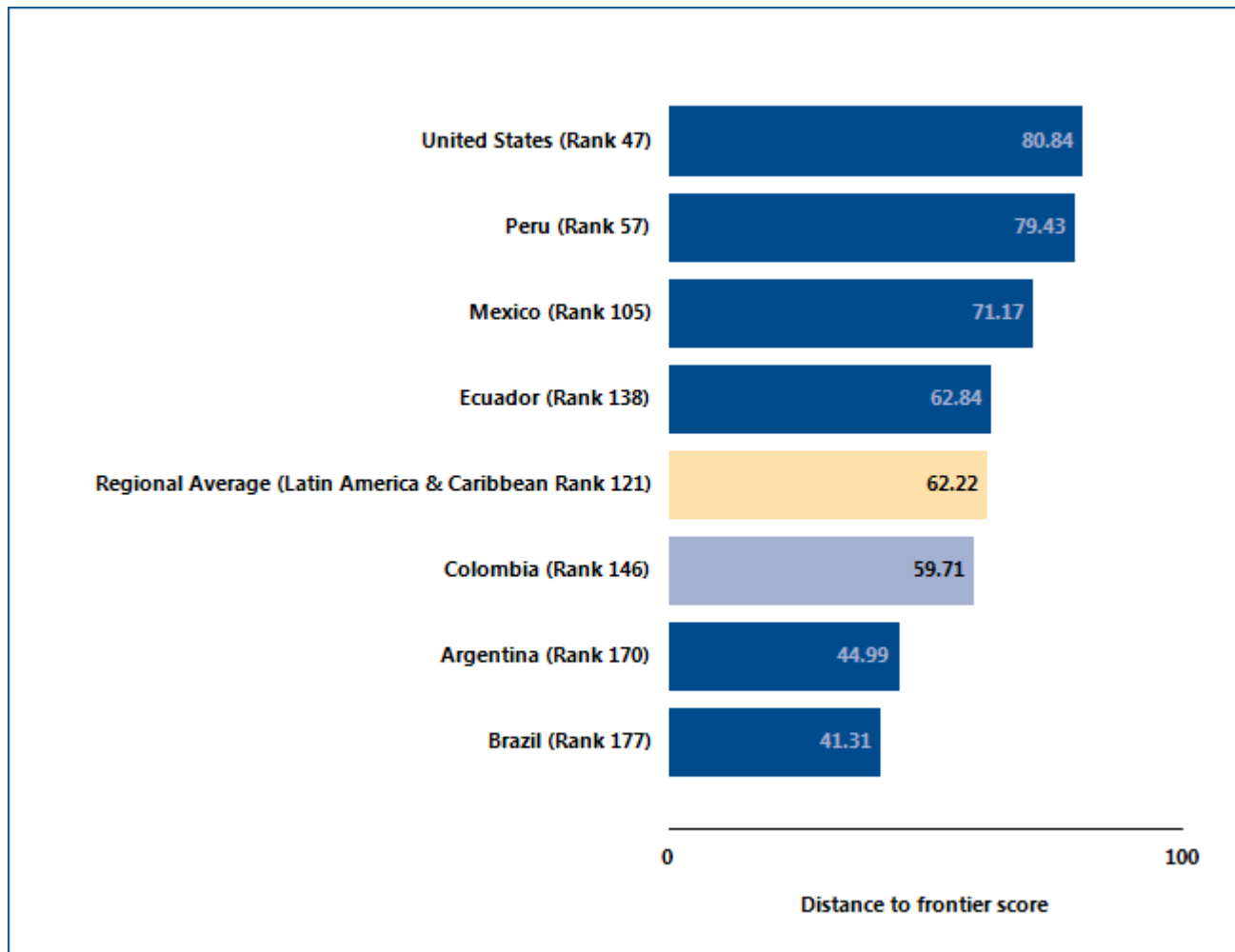
Where does the economy stand today?

What is the administrative burden of complying with taxes in Colombia—and how much do firms pay in taxes? On average, firms make 11.0 tax payments a year, spend 239.0 hours a year filing, preparing and paying taxes and pay total taxes amounting to 75.4% of profit (see the summary at the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the

2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Globally, Colombia stands at 146 in the ranking of 189 economies on the ease of paying taxes (figure 8.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing the tax compliance burden for businesses in Colombia.

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



Source: Doing Business database.

PAYING TAXES

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

concrete results. Some economies simplifying tax payment and reducing rates have seen tax revenue rise. What tax reforms has *Doing Business* recorded in Colombia (table 8.1)?

Table 8.1 How has Colombia made paying taxes easier—or not?
By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2010	Colombia made paying taxes easier and less costly for companies by introducing electronic filing and payment and reducing some payments.
DB2012	Colombia eased the administrative burden of paying taxes for firms by establishing mandatory electronic filing and payment for some of the major taxes.
DB2015	Colombia made paying taxes more complicated for companies by introducing a new profit tax (CREE), though it also reduced the corporate income tax rate and payroll taxes.

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

Source: *Doing Business* database.

PAYING TAXES

What are the details?

The indicators reported here for Colombia are based on the taxes and contributions that would be paid by a standardized case study company used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). Tax practitioners are asked to review a set of financial statements as well as a standardized list of assumptions and transactions that the company completed during its 2nd year of operation. Respondents are asked how much taxes and mandatory contributions the business must pay and how these taxes are filed and paid.

LOCATION OF STANDARDIZED COMPANY

City: Bogota

The taxes and contributions paid are listed in the summary below, along with the associated number of payments, time and tax rate.

Table 8.2 Summary of tax rates and administration

Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Social security contributions	1	online filing	87	12%	gross salaries	23.7	
Municipal tax	1	online filing	0	1.104%	turnover	19.5	
Corporate income tax	1	online filing	86	34%	taxable profit	14.3	
Financial transactions tax	1		0	0.4%	withdrawals from bank account	6.5	
Income Tax for Equity - CREE	1	online filing	0	9%	taxable profit	5.6	
Payroll tax	0	paid jointly	0	4.5%	gross salaries	3.2	
Real estate tax	1		0	1%	assessed real estate value	1.5	
Urban Boundary Tax	1		0	2.6%	Project budget	0.8	
Vehicle tax	1		0	2.5%		0.3	

Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Stamp duty	1		0			0	small amount
Fuel tax	1		0	6%	consumption value	0	small amount
Employee contributions	0		0	8% - 10%		0	not included
Value added tax (VAT)	1	online filing	66	16%	value added	0	not included
Welfare security system	0	paid jointly	0	8.5%	gross salaries	0	included in other taxes
Labor risk insurance	0	paid jointly	0	0.522%	gross salaries	0	included in other taxes
Totals	11.0		239.0			75.4	

Source: Doing Business database.

TRADING ACROSS BORDERS

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

What do the indicators cover?

Doing Business measures the time and cost (excluding tariffs and the time and cost for sea transport) associated with exporting and importing a standard shipment of goods by sea transport, and the number of documents necessary to complete the transaction. The indicators cover predefined stages such as documentation requirements and procedures at customs and other regulatory agencies as well as at the port. They also cover trade logistics, including the time and cost of inland transport to the largest business city. The ranking of economies on the ease of trading across borders is determined by sorting their distance to frontier scores for trading across borders. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the traded goods.

The business:

- Is located in the economy's largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.
- Is a private, limited liability company, domestically owned and does not operate with special export or import privileges.
- Conducts export and import activities, but does not have any special accreditation such as an authorized economic operator status.

WHAT THE TRADING ACROSS BORDERS INDICATORS MEASURE

Documents required to export and import (number)

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

Time required to export and import (days)

- Obtaining, filling out and submitting all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include sea 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

The traded product:

- Is not hazardous nor includes military items.
- Does not require refrigeration or any other special environment.
- Do not require any special phytosanitary or environmental safety standards other than accepted international standards.
- Is one of the economy's leading export or import products.
- Is transported in a dry-cargo, 20-foot full container load.

TRADING ACROSS BORDERS

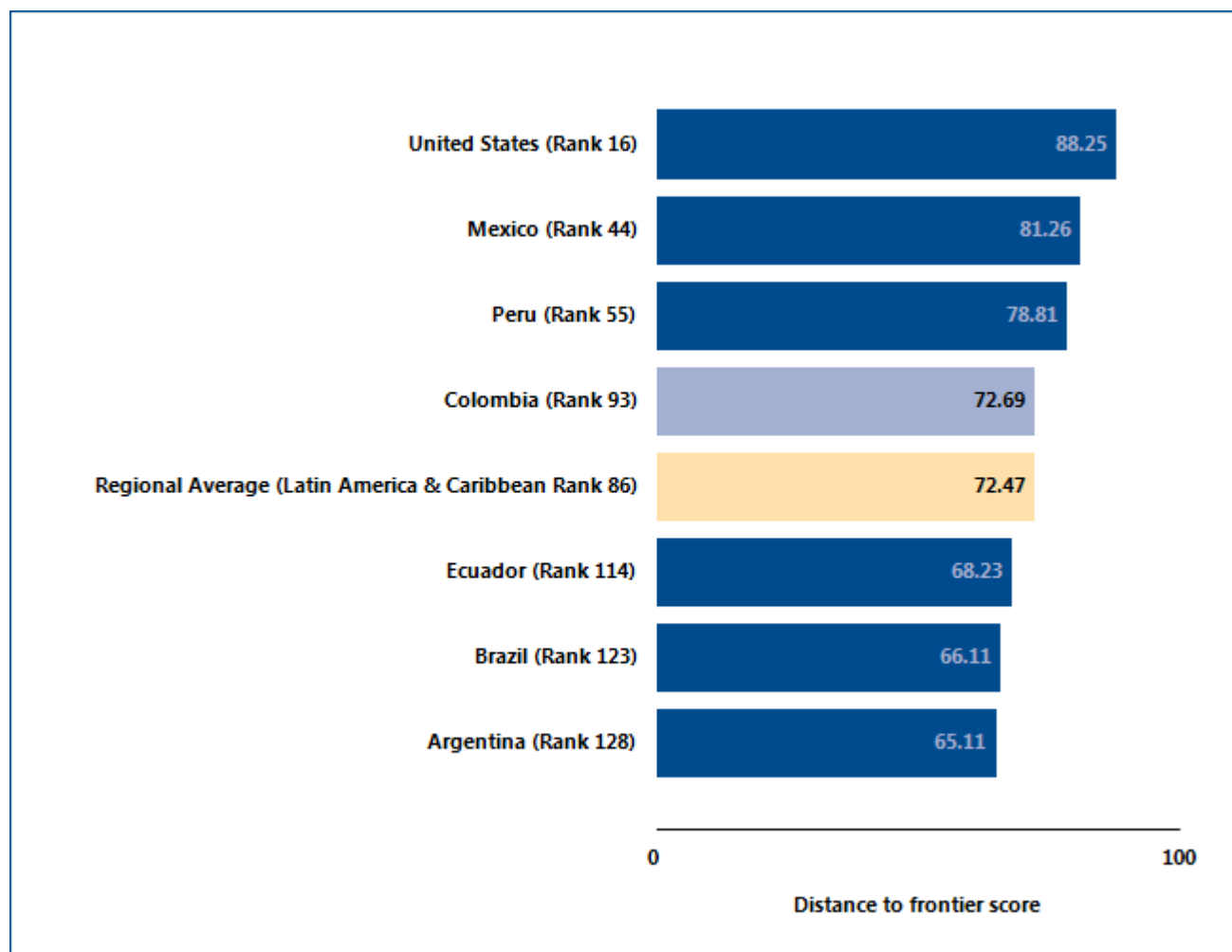
Where does the economy stand today?

What does it take to export or import in Colombia? According to data collected by *Doing Business*, exporting a standard container of goods requires 4 documents, takes 14.0 days and costs \$2355.0. Importing the same container of goods requires 6 documents, takes 13.0 days and costs \$2470.0 (see the summary of four predefined stages and documents at the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a

population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Globally, Colombia stands at 93 in the ranking of 189 economies on the ease of trading across borders (figure 9.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for a business in Colombia to export and import goods.

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



Source: *Doing Business* database.

TRADING ACROSS BORDERS

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

systems. These changes help improve the trading environment and boost firms' international competitiveness. What trade reforms has *Doing Business* recorded in Colombia (table 9.1)?

Table 9.1 How has Colombia made trading across borders easier—or not?
By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2010	Colombia speeded up the customs clearance process by implementing the electronic data interchange system MUISCA.

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

Source: *Doing Business* database.

TRADING ACROSS BORDERS

What are the details?

The indicators reported here for Colombia are based on a set of specific predefined stages for trading a standard shipment of goods by ocean transport (see the section in this chapter on what the indicators cover). Information on the required documents and the time and cost to complete export and import is collected from local freight forwarders, shipping lines, customs brokers, port officials and banks.

LOCATION OF STANDARDIZED COMPANY

Port Name: Cartagena SPRC

City: Bogota

The predefined stages, and the associated time and cost, for exporting and importing a standard shipment of goods are listed in the summary below, along with the required documents.

Table 9.2 Summary of predefined stages and documents for trading across borders in Colombia

Stages to export	Time (days)	Cost (US\$)
Customs clearance and inspections	2	350
Documents preparation	5	300
Inland transportation and handling	4	1,535
Ports and terminal handling	3	170
Totals	14	2,355

Stages to import	Time (days)	Cost (US\$)
Customs clearance and inspections	2	170
Documents preparation	6	250
Inland transportation and handling	3	1,900
Ports and terminal handling	2	150
Totals	13	2,470

Documents to export

Bill of lading
Commercial invoice
Customs export declaration
Inspection report

Documents to import

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

Source: *Doing Business* database.

ENFORCING CONTRACTS

Effective commercial dispute resolution has many benefits. Courts are essential for entrepreneurs because they interpret the rules of the market and protect economic rights. Efficient and transparent courts encourage new business relationships because businesses know they can rely on the courts if a new customer fails to pay. Speedy trials are essential for small enterprises, which may lack the resources to stay in business while awaiting the outcome of a long court dispute.

What do the indicators cover?

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

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

- The seller and buyer are located in the economy's largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.
- The buyer orders custom-made goods, then fails to pay.
- The seller sues the buyer before a competent court.
- The value of the claim is 200% of the income per capita or the equivalent in local currency of USD 5,000, whichever is greater.

WHAT THE ENFORCING CONTRACTS INDICATORS MEASURE

Procedures to enforce a contract through the courts (number)

- Steps to file and serve the case
- Steps for trial and judgment
- Steps to enforce the judgment

Time required to complete procedures (calendar days)

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

Cost required to complete procedures (% of claim)

- Average attorney fees
- Court costs
- Enforcement costs

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

ENFORCING CONTRACTS

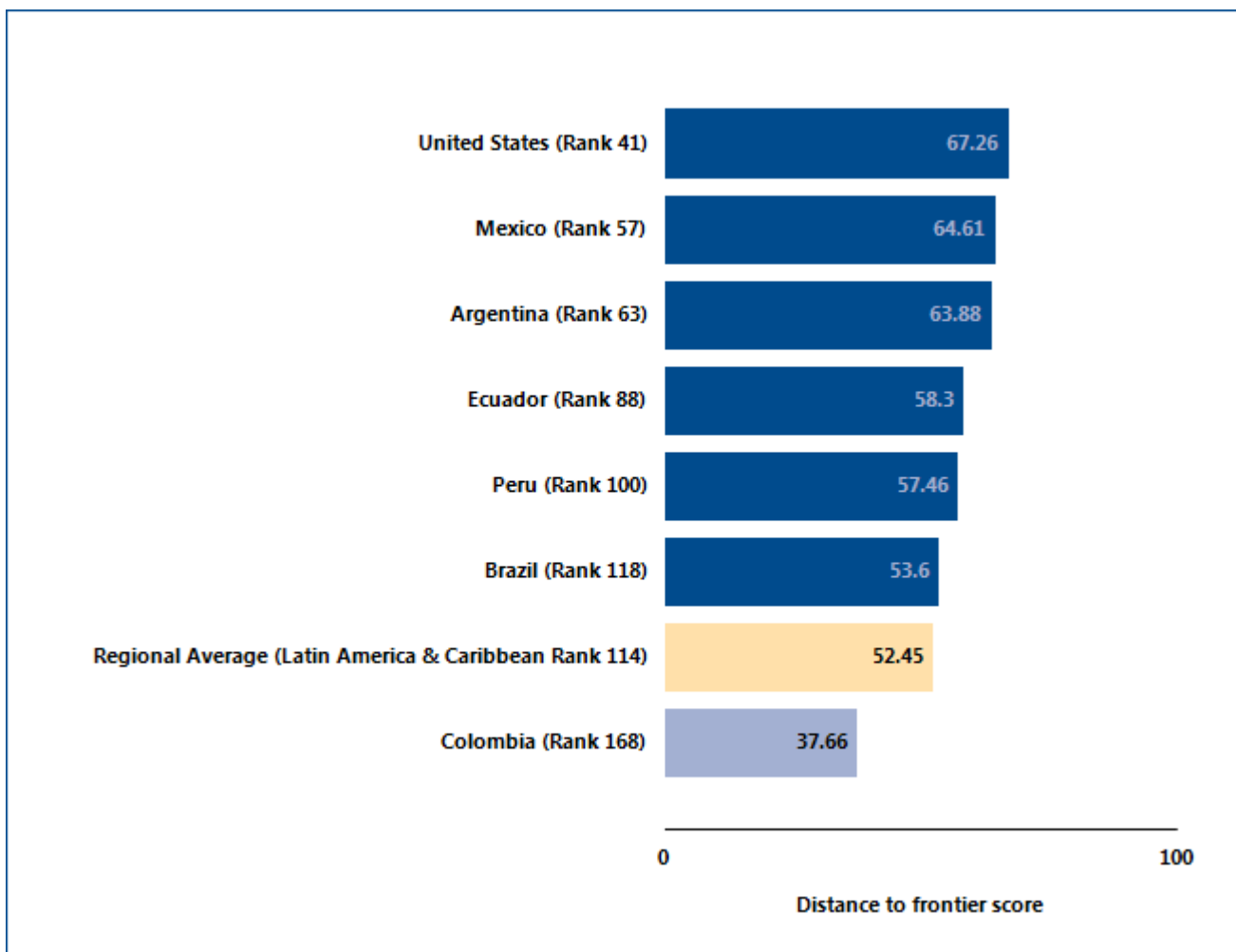
Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in Colombia? According to data collected by *Doing Business*, contract enforcement takes 1288.0 days, costs 47.9% of the value of the claim and requires 33.0 procedures (see the summary at the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest

business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Globally, Colombia stands at 168 in the ranking of 189 economies on the ease of enforcing contracts (figure 10.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of contract enforcement in Colombia.

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



Source: *Doing Business* database.

ENFORCING CONTRACTS

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

reducing backlogs by introducing periodic reviews to clear inactive cases from the docket and by making procedures faster. What reforms making it easier (or more difficult) to enforce contracts has *Doing Business* recorded in Colombia (table 10.1)?

Table 10.1 How has Colombia made enforcing contracts easier—or not?

By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2014	Colombia made enforcing contracts easier by simplifying and speeding up the proceedings for commercial disputes.

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

Source: *Doing Business* database.

ENFORCING CONTRACTS

What are the details?

The indicators reported here for Colombia are based on a set of specific procedural steps required to resolve a standardized commercial dispute through the courts (see the section in this chapter on what the indicators cover). These procedures, and the time and cost of completing them, are identified through study of the codes of civil procedure and other court regulations, as well as through questionnaires completed by local litigation lawyers (and, in a quarter of the economies covered by *Doing Business*, by judges as well).

COURT NAME	
Claim value:	COP 26,589,577
Court name:	Bogota Civil Municipal Court
City:	Bogota

Table 10.2 Summary of time, cost and procedures for enforcing a contract in Colombia

Indicator	Colombia	Latin America & Caribbean average
Time (days)	1,288	737
Filing and service	68	
Trial and judgment	855	
Enforcement of judgment	365	
Cost (% of claim)	47.9	30.6
Attorney cost (% of claim)	23.2	
Court cost (% of claim)	12.6	
Enforcement Cost (% of claim)	12.1	
Procedures (number)	33	40
Number of procedures (without bonus points)	33	
Total number of procedures (including bonus points)	33	

No.	Procedures
	Filing and service:
1	Plaintiff requests payment: Plaintiff or his lawyer asks Defendant orally or in writing to comply with the contract.
2	Mandatory conciliation or mediation: Plaintiff and Defendant attempt to settle the dispute prior to initiating the lawsuit. Conciliation or mediation is unsuccessful. Attempts at settlement are recorded and the judge is informed of same.
3	Plaintiff hires a lawyer: Plaintiff hires a lawyer.
*	Plaintiff files a summons and complaint: Plaintiff files a summons and complaint with the court (orally or in writing).
4	Registration of court case: Registration of court case by the court administration (this can include assigning a reference number to the case).
*	Assignment of court case to a judge: Assignment of court case to a judge (through a random procedure, automated system, ruling of an administrative judge, court officer, etc).
5	Judicial scrutiny of summons and complaint: Judge examines Plaintiff's summons and complaint for formal requirements as a matter of law or standard practice.
*	Judge admits summons and complaint: Judge admits summons and complaint (after verifying the formal requirements).
6	Court order for service: Upon Plaintiff's request, judge orders process be served on Defendant.
*	Arrangements for physical delivery of summons and complaint: Plaintiff takes the necessary steps to arrange for physical service of process on Defendant (e.g. instructing a court officer or a private bailiff).
*	Mailing of summons and complaint: Court or process server, including (private) bailiff, mails summons and complaint to Defendant.
7	Attempt at physical delivery: An attempt to physically deliver summons and complaint to Defendant is made.
*	Proof of service: Plaintiff submits proof of service to court, as required by law or standard practice.
	Trial and judgment:
*	Defendant files preliminary objections.: Defendant presents preliminary objections to the court. (Preliminary exemptions differ from answers on the merits. Examples of preliminary motions are motions to dismiss on the basis of the statute of limitations or jurisdictional objections, etc.) Checke
*	Plaintiff's answer to preliminary motions: Plaintiff responds to preliminary motions raised by Defendant. Checked as 'yes' if preliminary motions are commonly raised (step 30) and if Plaintiff responds to them immediately.
8	Judge's resolution on preliminary objections: Judge decides on preliminary objections separately from the merits of the case. Checked as 'yes' if preliminary objections are commonly made (step 30) and if judge resolves the question before rendering his decision.

No.	Procedures
9	Defendant files an answer to Plaintiff's claim: Defendant files a written pleading which includes his answer or defense on the merits of the case (see assumption 4).
10	Deadline for Plaintiff to reply to Defendant's defense or answer: Judge sets a deadline for Plaintiff's submission of a reply to the Defendant's defense or answer.
11	Plaintiff's written reply to Defendant's answer: Plaintiff responds to Defendant's answer with a written pleading, which may or may not include witness statements or expert (witness) statements.
12	Filing of written submissions: Plaintiff and Defendant file written pleadings and submissions with the court and transmit copies of the written pleadings or submissions to one another. The pleadings may or may not include witness statements or expert (witness) statements.
*	Court appointment of independent expert: Judge appoints, either at the parties' request or at his own initiative, an independent expert to decide whether the quality of the goods Plaintiff delivered to Defendant is adequate. (see assumption 5-b).
13	Notification of court-appointment of independent expert: The court notifies both parties that the court is appointing an independent expert (see assumption 5-b).
*	Delivery of expert report by court-appointed expert: The independent expert, appointed by the court, delivers his or her expert report to the court (see assumption 5-b).
*	List of (expert) witnesses: The parties file a list of (expert) witnesses with the court (see assumption 5-a).
14	Summoning of (expert) witnesses: The court summons (expert) witnesses to appear in court for the oral hearing or trial (see assumption 5-a).
15	Closing of the evidence period: The court makes the formal decision to close the evidence period.
*	Final arguments: The parties present their final factual and legal arguments to the court either by oral presentation or by a written submission.
16	Writing of judgment: The judge produces a written copy of the judgment.
17	Court notification of availability of the written judgment: The court notifies the parties that the written judgment is available at the courthouse.
18	Defendant is formally notified of the judgment: Plaintiff or court formally notifies the Defendant of the judgment. The appeal period starts to run from the day the Defendant is formally notified of the judgment.
19	Appeal period: By law Defendant has the opportunity to appeal the judgment during a specified period. Defendant decides not to appeal. Seller decides to start enforcing the judgment when the appeal period ends (see assumption 8).
	Enforcement of judgment:
*	Plaintiff hires a lawyer: Plaintiff hires a lawyer to enforce the judgment or continues to be represented by a lawyer during the enforcement of judgment phase.
20	Plaintiff retains an enforcement agent to enforce the judgment.: Plaintiff retains the services of a court enforcement officer such as a court bailiff or sheriff, or a private bailiff.

No.	Procedures
*	Plaintiff requests an enforcement order: Plaintiff applies to the court to obtain the enforcement order ('seal' on judgment).
21	Plaintiff advances enforcement fees: Plaintiff pays the fees related to the enforcement of the judgment.
22	Attachment of enforcement order to judgment: The judge attaches the enforcement order ('seal') to the judgment.
*	Delivery of enforcement order: The court's enforcement order is delivered to a court enforcement officer or a private bailiff.
*	Plaintiff's request for physical enforcement: As Plaintiff commonly fears that Defendant might physically resist the taking into custody of its previously attached movable assets, Plaintiff requests the judge or the police authorities to obtain police assistance during the physical enforcement of the
23	Judge's order for physical enforcement: Judge orders the police to assist with the physical enforcement of the attachment of Defendant's movable assets. Check as "yes" only if the pretrial order of attachment for Defendant's moveable assets does not ordinarily involve physical seizure of the as
24	Plaintiff identifies Defendant's assets for attachment: Plaintiff identifies Defendant's assets for attachment.
25	Creditor notification of intent to attach: A court enforcement officer or private bailiff notifies other creditors of the intent to attach Defendant's goods.
26	Attachment: Defendant's movable goods are attached (physically or by registering, marking or separating assets).
27	Report on execution of attachment: A court enforcement officer or private bailiff delivers a report on the attachment of Defendant's movable goods to the judge.
28	Valuation or appraisal of attached movable goods: The court or court-appointed valuation expert evaluates the attached goods.
29	Call for public auction: Judge calls a public auction by, for example, advertising or publication in the newspapers.
30	Sale through public auction: The Defendant's movable property is sold at public auction.
31	Judge's decision on bids: Judge determines the adequacy of the bids presented at public auction.
32	Reimbursement of Plaintiff's enforcement fees: Defendant reimburses Plaintiff's enforcement fees which Plaintiff had advanced previously.
33	Payment: Court orders that the proceeds of the public auction or the direct sale be delivered to Plaintiff.

* Not counted in the total number of procedures.

Source: *Doing Business* database.

RESOLVING INSOLVENCY

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

What do the indicators cover?

Doing Business studies the time, cost and outcome of insolvency proceedings involving domestic legal entities. These variables are used to calculate the recovery rate, which is recorded as cents on the dollar recouped by secured creditors through reorganization, liquidation or debt enforcement (foreclosure) proceedings. To determine the present value of the amount recovered by creditors, *Doing Business* uses the lending rates from the International Monetary Fund, supplemented with data from central banks and the Economist Intelligence Unit.

In addition, *Doing Business* evaluates the adequacy and integrity of the existing legal framework applicable to liquidation and reorganization proceedings through the strength of insolvency framework index. The index tests whether economies adopted internationally accepted good practices in four areas: commencement of proceedings, management of debtor's assets, reorganization proceedings and creditor participation.

The ranking of the Resolving Insolvency indicator is based on the recovery rate and the total score of the strength of insolvency framework index. The Resolving Insolvency indicator does not measure insolvency proceedings of individuals and financial institutions. The data are derived from survey responses by local insolvency practitioners and verified through a study of laws and regulations as well as public information on bankruptcy systems.

WHAT THE RESOLVING INSOLVENCY INDICATORS MEASURE

Time required to recover debt (years)

Measured in calendar years

Appeals and requests for extension are included

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

Measured as percentage of estate value

Court fees

Fees of insolvency administrators

Lawyers' fees

Assessors' and auctioneers' fees

Other related fees

Outcome

Whether business continues operating as a going concern or business assets are sold piecemeal

Recovery rate for creditors

Measures the cents on the dollar recovered by secured creditors

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

Official costs of the insolvency proceedings are deducted

Depreciation of furniture is taken into account

Present value of debt recovered

Strength of insolvency framework index (0-16)

Sum of the scores of four component indices:

Commencement of proceedings index (0-3)

Management of debtor's assets index (0-6)

Reorganization proceedings index (0-3)

Creditor participation index (0-4)

RESOLVING INSOLVENCY

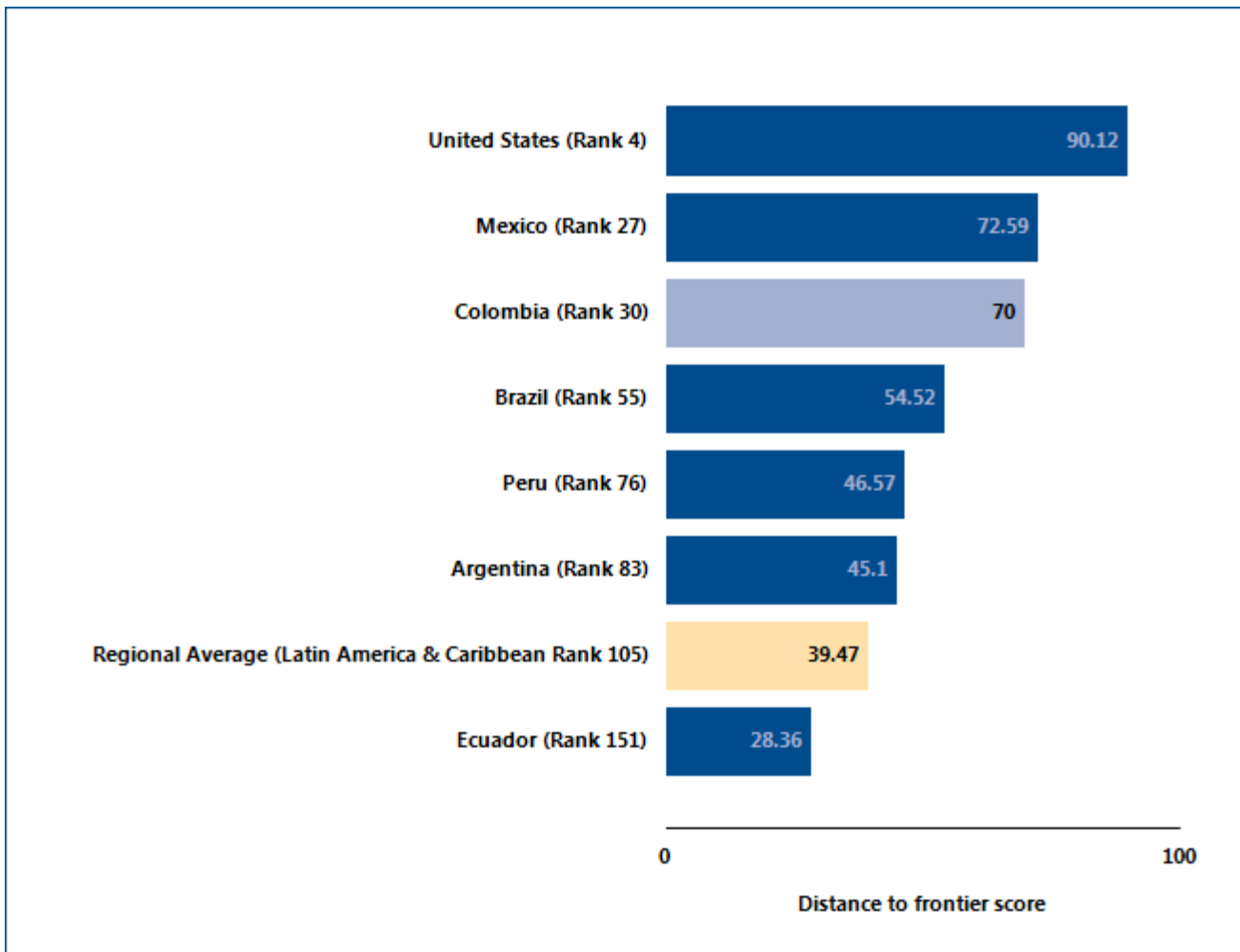
Where does the economy stand today?

Combination of quality regulations and efficient practice characterize the top-performing economies. How efficient are insolvency proceedings in Colombia? According to data collected by *Doing Business*, resolving insolvency takes 1.7 years on average and costs 6.0% of the debtor's estate, with the most likely outcome being that the company will be sold as going concern. The average recovery rate is 72.0 cents on the dollar. Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

According to data collected by *Doing Business*, Colombia scores 3.0 out of 3 points on the commencement of proceedings index, 5.5 out of 6 points on the management of debtor's assets index, 0.5 out of 3 points on the reorganization proceedings index, and 1.0 out of 4 points on the creditor participation index. Colombia's total score on the strength of insolvency framework index is 10.0 out of 16.

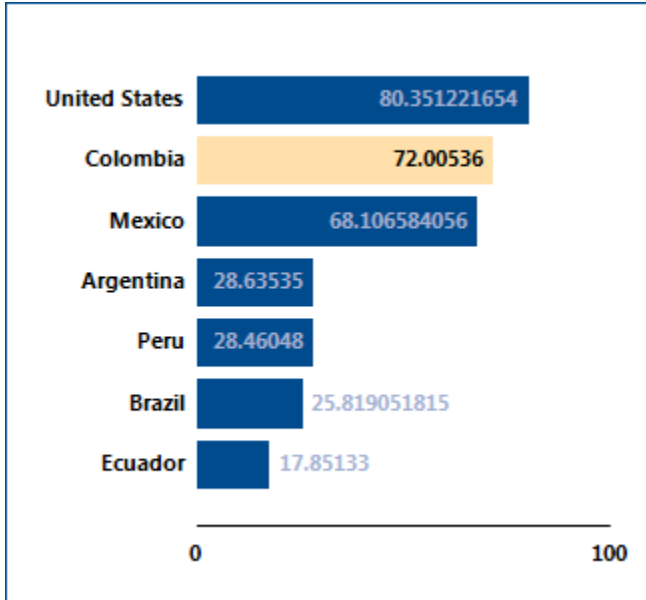
Globally, Colombia stands at 30 in the ranking of 189 economies on the ease of resolving insolvency (figure 11.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of insolvency proceedings in Colombia.

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



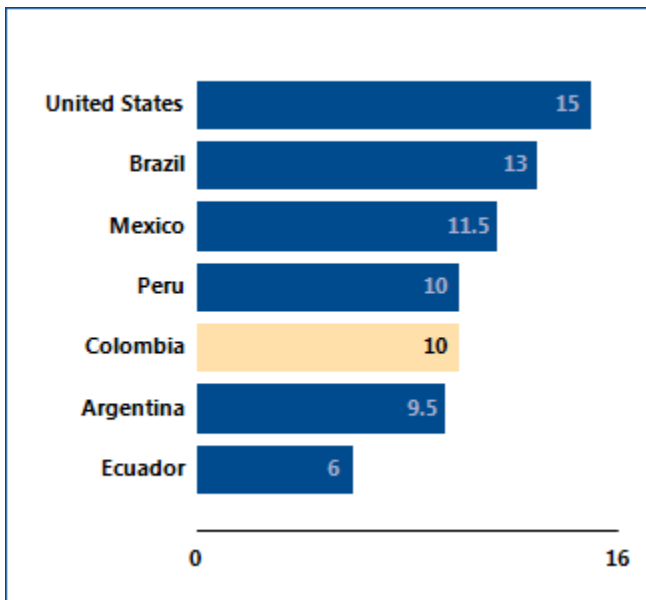
Source: Doing Business database.

Figure 11.2 Recovery Rate (0-100) - Colombia



Source: Doing Business database.

Figure 11.3 Strength of insolvency framework index (0-16) - Colombia



Source: Doing Business database.

RESOLVING INSOLVENCY

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

change. Many recent reforms of bankruptcy laws have been aimed at helping more of the viable businesses survive. What insolvency reforms has *Doing Business* recorded in Colombia (table 11.1)?

Table 11.1 How has Colombia made resolving insolvency easier—or not?

By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2010	Colombia enhanced its insolvency process through several decrees regulating the profession of insolvency administrators.
DB2012	Colombia amended regulations governing insolvency proceedings to simplify the proceedings and reduce their time and cost

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

Source: *Doing Business* database.

LABOR MARKET REGULATION

Doing Business measures flexibility in the regulation of employment, specifically as it affects the hiring and redundancy of workers and the rigidity of working hours. This year, for the first time, the indicators measuring flexibility in labor market regulations focus on those affecting the food retail industry, using a standardized case study of a cashier in a supermarket. Also new is that *Doing Business* collects data on regulations applying to employees hired through temporary-work agencies as well as on those applying to permanent employees or employees hired on fixed-term contracts. The indicators also cover additional areas of labor market regulation, including social protection schemes and benefits as well as labor disputes.

Over the period from 2007 to 2011 improvements were made to align the methodology for the labor market regulation indicators (formerly the employing workers indicators) with the letter and spirit of the International Labour Organization (ILO) conventions. Only 6 of the 188 ILO conventions cover areas measured by *Doing Business*: employee termination, weekend work, holiday with pay, night work, protection against unemployment and medical care and sickness benefits. The *Doing Business* methodology is fully consistent with these 6 conventions. The ILO conventions covering areas related to the labor market regulation indicators do not include the ILO core labor standards—8 conventions covering the right to collective bargaining, the elimination of forced labor, the abolition of child labor and equitable treatment in employment practices.

Between 2009 and 2011 the World Bank Group worked with a consultative group—including labor lawyers, employer and employee representatives, and experts from the ILO, the Organisation for Economic Co-operation and Development (OECD), civil society and the private sector—to review the methodology for the labor market regulation indicators and explore future areas of research.

A full report with the conclusions of the consultative group is available at:
<http://www.doingbusiness.org/methodology/employing-workers>.

Doing Business 2015 presents the data for the labor market regulation indicators in an annex. The report does not present rankings of economies on these indicators nor include the topic in the aggregate distance to frontier score or ranking on the ease of doing business. Detailed data collected on labor market regulations are available on the *Doing Business* website (<http://www.doingbusiness.org>). The data on labor market regulations are based on a detailed survey of employment regulations that is completed by local lawyers and public officials. Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy. To make the data comparable across economies, several assumptions about the worker and the business are used.

The worker:

- Is a cashier in a supermarket or a grocery store
- Is a full-time employee
- Is not a member of the labor union, unless membership is mandatory

The business:

- Is a limited liability company (or the equivalent in the economy) with 60 employees.
- Operates a supermarket or grocery store in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is subject to collective bargaining agreements if such agreements cover more than 50% of the food retail sector and they apply even to firms that are not party to them.
- Abides by every law and regulation but does not grant workers more benefits than those mandated by law, regulation or (if applicable) collective bargaining agreements.

LABOR MARKET REGULATION

What are the details?

The data reported here for Colombia are based on a detailed survey of labor market regulation that is completed by local lawyers and public officials.

Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy.

Difficulty of hiring index

Difficulty of hiring covers 4 areas: (i) whether fixed-term contracts are prohibited for permanent tasks; (ii) the maximum cumulative duration of fixed-term contracts; (iii) the minimum wage for a cashier, age 19, with 1 year of work experience; and (iv) the ratio of the minimum

wage to the average value added per worker. The average value added per worker is the ratio of an economy's GNI per capita to the working-age population as a percentage of the total population.

Difficulty of hiring index	Data
Fixed-term contracts prohibited for permanent tasks?	No
Maximum length of a single fixed-term contract (months)	36 - Art. 46, CST
Maximum length of fixed-term contracts, including renewals (months)	No limit
Minimum wage applicable to the worker assumed in the case study (US\$/month)	331.09
Ratio of minimum wage to value added per worker	0.35

Source: *Doing Business* database.

LABOR MARKET REGULATION

Rigidity of hours index

Rigidity of hours covers 7 areas: (i) whether the workweek can extend to 50 hours or more (including overtime) for 2 months in a year to respond to a seasonal increase in workload; (ii) the maximum number of days allowed in the workweek; (iii) the premium for night work (as a percentage of hourly pay); (iv) the premium for work on a weekly rest day (as a percentage of hourly pay); (v) whether there are restrictions on night work; (vi) whether there are restrictions on weekly holiday work; and (vii) the average paid annual leave for workers with 1 year of tenure, 5 years of tenure and 10 years of tenure.

Rigidity of hours index	Data
50-hour workweek allowed for 2 months a year in case of a seasonal increase in workload?	Yes
Maximum working days per week	6.0
Premium for night work (% of hourly pay)	35%
Premium for work on weekly rest day (% of hourly pay)	75%
Major restrictions on night work?	No
Major restrictions on weekly holiday?	No
Paid annual leave for a worker with 1 year of tenure (in working days)	15.0
Paid annual leave for a worker with 5 years of tenure (in working days)	15.0
Paid annual leave for a worker with 10 years of tenure (in working days)	15.0
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	15.0

Source: *Doing Business* database.

LABOR MARKET REGULATION

Difficulty of redundancy index

Difficulty of redundancy index looks at 9 questions: (i) what the length is in months of the maximum probationary period; (ii) whether redundancy is disallowed as a basis for terminating workers; (iii) whether the employer needs to notify a third party (such as a government agency) to terminate 1 redundant worker; (iv) whether the employer needs to notify a third party to terminate a group of 9 redundant workers; (v)

whether the employer needs approval from a third party to terminate 1 redundant worker; (vi) whether the employer needs approval from a third party to terminate a group of 9 redundant workers; (vii) whether the law requires the employer to reassign or retrain a worker before making the worker redundant; (viii) whether priority rules apply for redundancies; and (ix) whether priority rules apply for reemployment.

Difficulty of redundancy index	Data
Maximum length of probationary period (months)	2.0
Dismissal due to redundancy allowed by law?	Yes
Third-party notification if 1 worker is dismissed?	No
Third-party approval if 1 worker is dismissed?	No
Third-party notification if 9 workers are dismissed?	No
Third-party approval if 9 workers are dismissed?	No
Retraining or reassignment obligation before redundancy?	No
Priority rules for redundancies?	No
Priority rules for reemployment?	No

Source: *Doing Business* database.

LABOR MARKET REGULATION

Redundancy cost

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

requirements and severance payments applicable to a worker with 1 year of tenure, a worker with 5 years and a worker with 10 years is considered. One month is recorded as 4 and 1/3 weeks.

Redundancy cost indicator (in salary weeks)	Data
Notice period for redundancy dismissal for a worker with 1 year of tenure	0.0
Notice period for redundancy dismissal for a worker with 5 years of tenure	0.0
Notice period for redundancy dismissal for a worker with 10 years of tenure	0.0
Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	0.0
Severance pay for redundancy dismissal for a worker with 1 year of tenure	4.3
Severance pay for redundancy dismissal for a worker with 5 years of tenure	15.7
Severance pay for redundancy dismissal for a worker with 10 years of tenure	30.0
Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	16.7

Source: *Doing Business* database.

Social protection schemes and benefits & Labor disputes

Doing Business collects data on the existence of unemployment protection schemes as well as data on whether employers are legally required to provide health insurance for employees with permanent contracts.

Doing Business also assesses the mechanisms available to resolve labor disputes. More specifically, it collects data on what courts would be competent to hear labor disputes and whether the competent court is specialized in resolving labor disputes.

Social protection schemes and benefits & Labor disputes indicator	Data
Availability of unemployment protection scheme?	Yes
Health insurance existing for permanent employees?	Yes
Availability of courts or court sections specializing in labor disputes?	Yes

Source: *Doing Business* database.

DISTANCE TO FRONTIER AND EASE OF DOING BUSINESS RANKING

This year's report presents results for 2 aggregate measures: the distance to frontier score and the ease of doing business ranking, which for the first time this year is based on the distance to frontier score. The ease of doing business ranking compares economies with one another; the distance to frontier score benchmarks economies with respect to regulatory best practice, showing the absolute distance to the best performance on each *Doing Business* indicator. When compared across years, the distance to frontier score shows how much the regulatory environment for local entrepreneurs in an economy has changed over time in absolute terms, while the ease of doing business ranking can show only how much the regulatory environment has changed relative to that in other economies.

Distance to Frontier

The distance to frontier score captures the gap between an economy's performance and a measure of best practice across the entire sample of 31 indicators for 10 *Doing Business* topics (the labor market regulation indicators are excluded). For starting a business, for example, Canada and New Zealand have the smallest number of procedures required (1), and New Zealand the shortest time to fulfill them (0.5 days). Slovenia has the lowest cost (0.0), and Australia, Colombia and 110 other economies have no paid-in minimum capital requirement (table 15.1 in the *Doing Business 2015* report).

Calculation of the distance to frontier score

Calculating the distance to frontier score for each economy involves 2 main steps. First, individual component indicators are normalized to a common unit where each of the 31 component indicators y (except for the total tax rate) is rescaled using the linear transformation $(\text{worst} - y)/(\text{worst} - \text{frontier})$. In this formulation the frontier represents the best performance on the indicator across all economies since 2005 or the third year after data for the indicator were collected for the first time. For legal indicators such as those on getting credit or protecting minority investors, the frontier is set at the highest possible value. For the total tax rate, consistent with the use of a threshold in calculating the rankings on this indicator, the frontier is

defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis. For the time to pay taxes the frontier is defined as the lowest time recorded among all economies that levy the 3 major taxes: profit tax, labor taxes and mandatory contributions, and value added tax (VAT) or sales tax. In addition, the cost to export and cost to import for each year are divided by the GDP deflator, to take the general price level into account when benchmarking these absolute-cost indicators across economies with different inflation trends. The base year for the deflator is 2013 for all economies.

In the same formulation, to mitigate the effects of extreme outliers in the distributions of the rescaled data for most component indicators (very few economies need 700 days to complete the procedures to start a business, but many need 9 days), the worst performance is calculated after the removal of outliers. The definition of outliers is based on the distribution for each component indicator. To simplify the process, 2 rules were defined: the 95th percentile is used for the indicators with the most dispersed distributions (including time, cost, minimum capital and number of payments to pay taxes), and the 99th percentile is used for number of procedures and number of documents to trade. No outlier was removed for component indicators bound by definition or construction, including legal index scores (such as the depth of credit information index, extent of conflict of interest regulation index and strength of insolvency framework index) and the recovery rate (figure 15.1 in the *Doing Business 2015* report).

Second, for each economy the scores obtained for individual indicators are aggregated through simple averaging into one distance to frontier score, first for each topic and then across all 10 topics: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly identical to the simple average used by *Doing Business*⁶. Thus *Doing Business* uses the simplest

⁶ See Djankov, Manraj and others (2005). Principal components and unobserved components methods yield a ranking nearly identical to

method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components⁷.

An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. All distance to frontier calculations are based on a maximum of 5 decimals. However, indicator ranking calculations and the ease of doing business ranking calculations are based on 2 decimals. The difference between an economy's distance to frontier score in any previous year and its score in 2014 illustrates the extent to which the economy has closed the gap to the regulatory frontier over time. And in any given year the score measures how far an economy is from the best performance at that time.

Treatment of the total tax rate

This year, for the first time, the total tax rate component of the paying taxes indicator set enters the distance to frontier calculation in a different way than any other indicator. The distance to frontier score obtained for the total tax rate is transformed in a nonlinear fashion before it enters the distance to frontier score for paying taxes. As a result of the nonlinear transformation, an increase in the total tax rate has a smaller impact on the distance to frontier score for the total tax rate—and therefore on the distance to frontier score for paying taxes—for economies with a below-average total tax rate than it would have in the calculation done in previous years (line B is smaller than line A in figure 15.2 of the *Doing Business 2015* report). And for economies with an extreme total tax rate (a rate that is very high relative to the average), an increase has a greater impact on both these distance to frontier scores than before (line D is bigger than line C in figure 15.2 of the *Doing Business 2015* report).

The nonlinear transformation is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in an economy's

that from the simple average method because both these methods assign roughly equal weights to the topics, since the pairwise correlations among indicators do not differ much. An alternative to the simple average method is to give different weights to the topics, depending on which are considered of more or less importance in the context of a specific economy.

⁷ For getting credit, indicators are weighted proportionally, according to their contribution to the total score, with a weight of 60% assigned to the strength of legal rights index and 40% to the depth of credit information index. Indicators for all other topics are assigned equal weights

overall tax system. Instead, it is mainly empirical in nature. The nonlinear transformation along with the threshold reduces the bias in the indicator toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). In addition, it acknowledges the need of economies to collect taxes from firms.

Calculation of scores for economies with 2 cities covered

For each of the 11 economies for which a second city was added in this year's report, the distance to frontier score is calculated as the population-weighted average of the distance to frontier scores for the 2 cities covered (table 12.1). This is done for the aggregate score, the scores for each topic and the scores for all the component indicators for each topic.

Table 12.1 Weights used in calculating the distance to frontier scores for economies with 2 cities covered

Economy	City	Weight (%)
Bangladesh	Dhaka	78
	Chittagong	22
Brazil	São Paulo	61
	Rio de Janeiro	39
China	Shanghai	55
	Beijing	45
India	Mumbai	47
	Delhi	53
Indonesia	Jakarta	78
	Surabaya	22
Japan	Tokyo	65
	Osaka	35
Mexico	Mexico City	83
	Monterrey	17
Nigeria	Lagos	77
	Kano	23
Pakistan	Karachi	65
	Lahore	35
Russian Federation	Moscow	70
	St. Petersburg	30
United States	New York	60
	Los Angeles	40

Source: United Nations, Department of Economic and Social Affairs, Population Division, World Urbanization Prospects, 2014 Revision. <http://esa.un.org/unpd/wup/CD-ROM/Default.aspx>.

Economies that improved the most across 3 or more *Doing Business* topics in 2013/14

Doing Business 2015 uses a simple method to calculate which economies improved the ease of doing business the most. First, it selects the economies that in 2013/14 implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year's aggregate distance to frontier score. Twenty-one economies meet this criterion: Azerbaijan; Benin; the Democratic Republic of Congo; Côte d'Ivoire; the Czech Republic; Greece; India; Ireland; Kazakhstan; Lithuania; the former Yugoslav Republic of Macedonia; Poland; Senegal; the Seychelles; Spain; Switzerland; Taiwan, China; Tajikistan; Togo; Trinidad and Tobago; and the United Arab Emirates. Second, *Doing Business* sorts these economies on the increase in their distance to frontier score from the previous year using comparable data.

Selecting the economies that implemented regulatory reforms in at least 3 topics and had the biggest improvements in their distance to frontier scores is intended to highlight economies with ongoing, broad-based reform programs. The improvement in the distance to frontier score is used to identify the top improvers because this allows a focus on the absolute improvement—in contrast with the relative improvement shown by a change in rankings—that economies have made in their regulatory environment for business.

Ease of *Doing Business* ranking

The ease of doing business ranking ranges from 1 to 189. The ranking of economies is determined by sorting the aggregate distance to frontier scores, rounded to 2 decimals.

RESOURCES ON THE *DOING BUSINESS* WEBSITE

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Short summaries of DB2015 business regulation reforms, lists of reforms since DB2008 and a ranking simulation tool
<http://www.doingbusiness.org/reforms>

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Customized data sets since DB2004
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Online collection of business laws and regulations relating to business
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More than 10,700 specialists in 189 economies who participate in *Doing Business*
<http://www.doingbusiness.org/contributors/doing-business>

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Data on business density (number of newly registered companies per 1,000 working-age people) for 139 economies
<http://www.doingbusiness.org/data/exploretopics/entrepreneurship>

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Data benchmarking 189 economies to the frontier in regulatory practice
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