

12TH EDITION

Doing Business 2015

Going Beyond Efficiency

Economy Profile 2015

Mexico



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 Mexico. 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: 122,332,399

GNI per capita (US\$): 9,940

DB2015 rank: 39

DB2014 rank: 43*

Change in rank: 4

DB 2015 DTF: 71.5

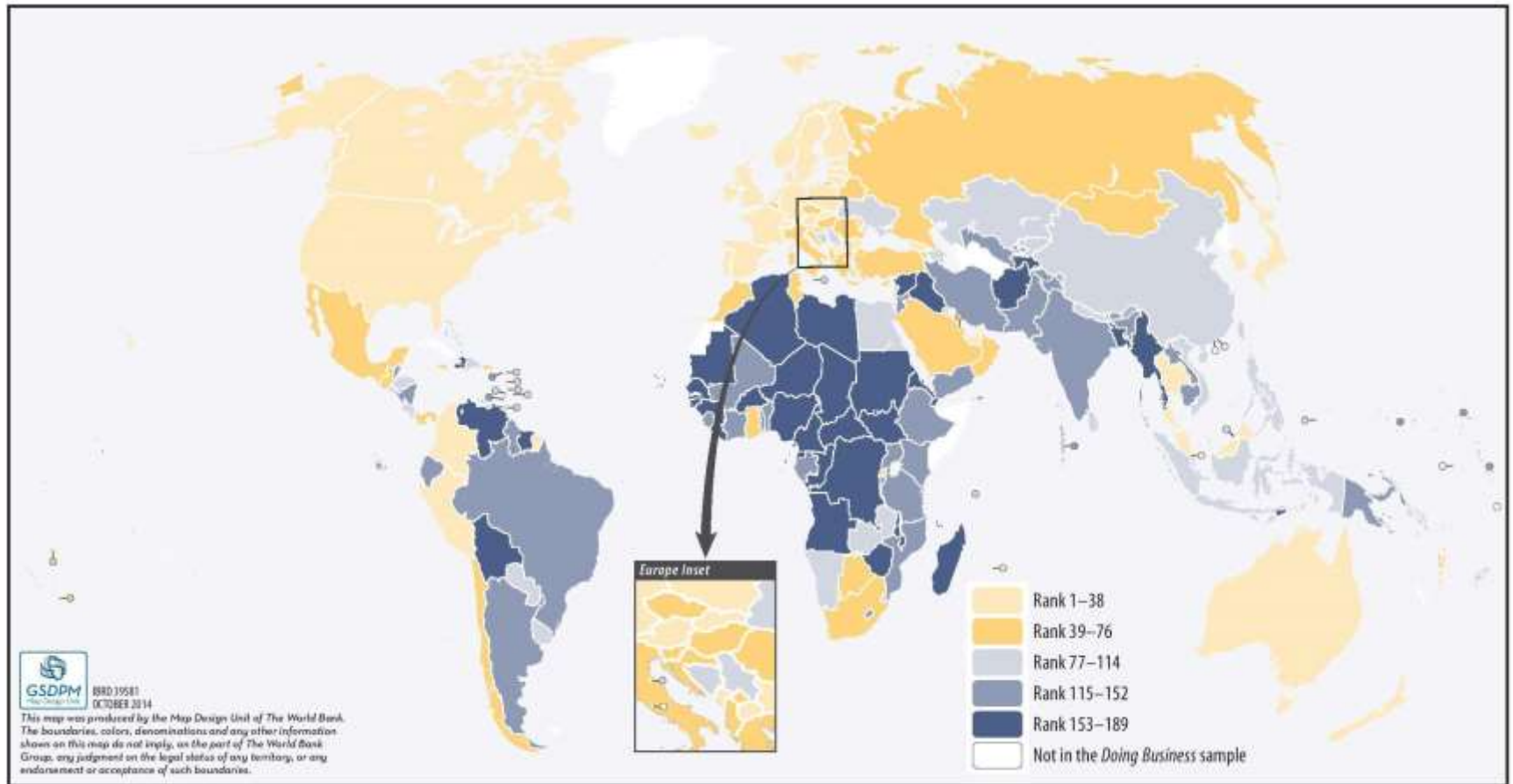
DB 2014 DTF: 70.6

Change in DTF: 0.9

* 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



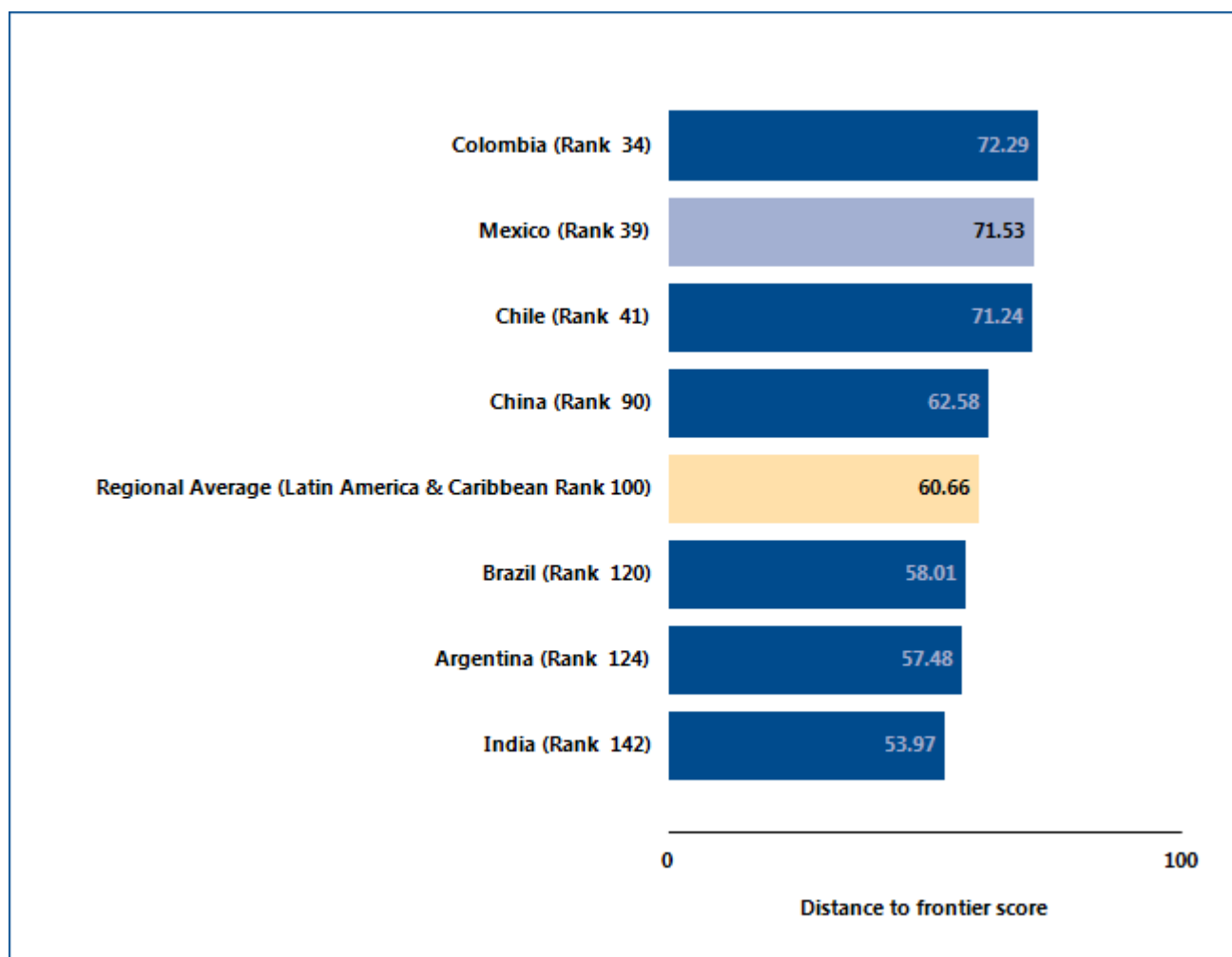
Source: *Doing Business* database.

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 Mexico 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 - Mexico
 (Scale: Rank 189 center, Rank 1 outer edge)

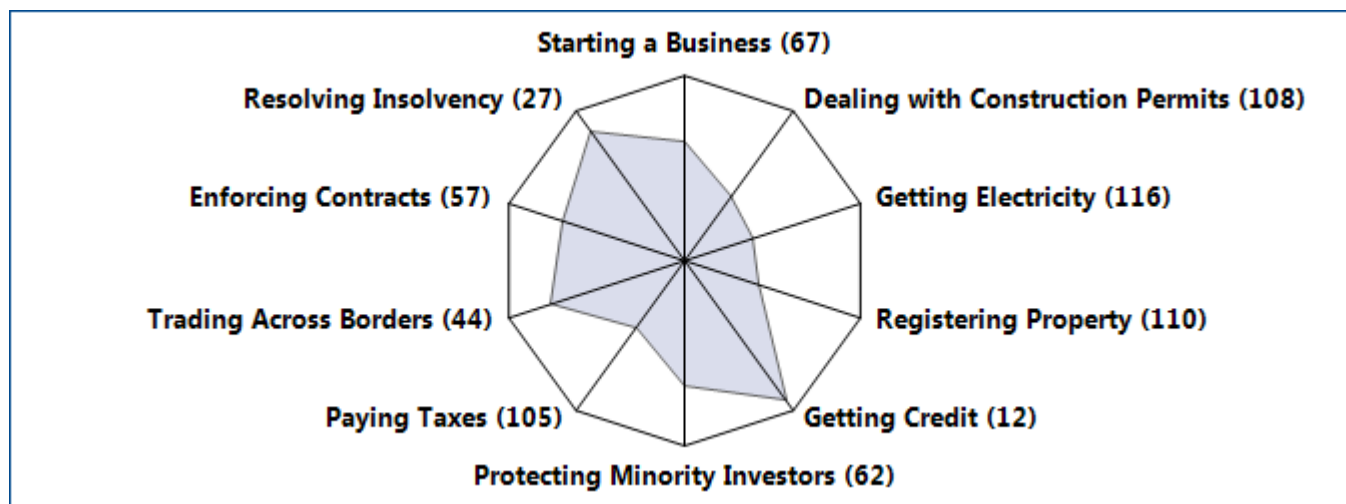
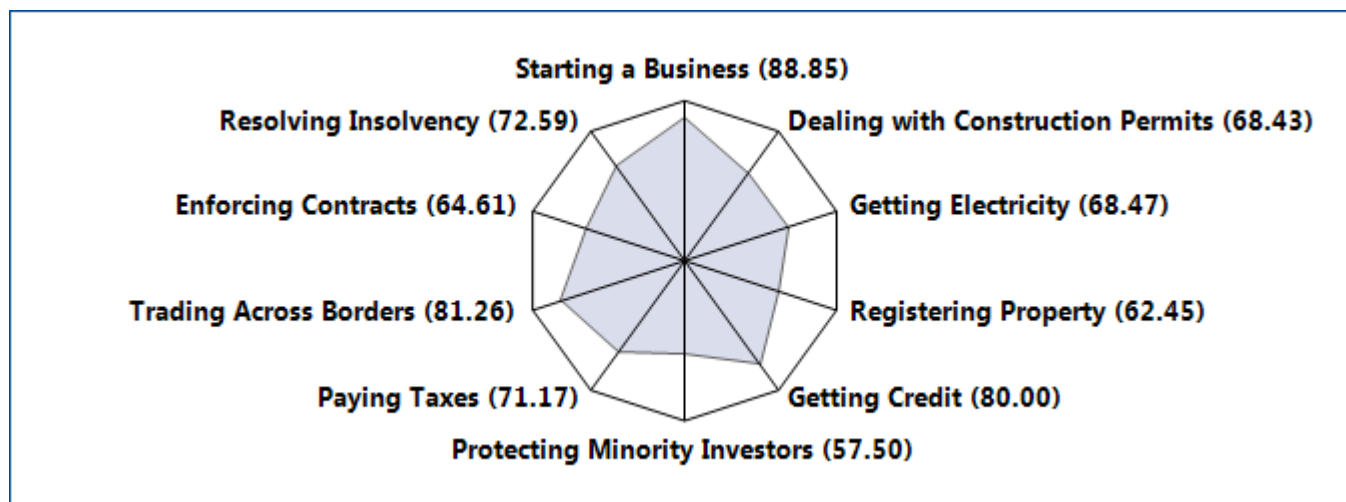


Figure 1.4 Distance to frontier scores on *Doing Business* topics - Mexico
 (Scale: Score 0 center, Score 100 outer edge)



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

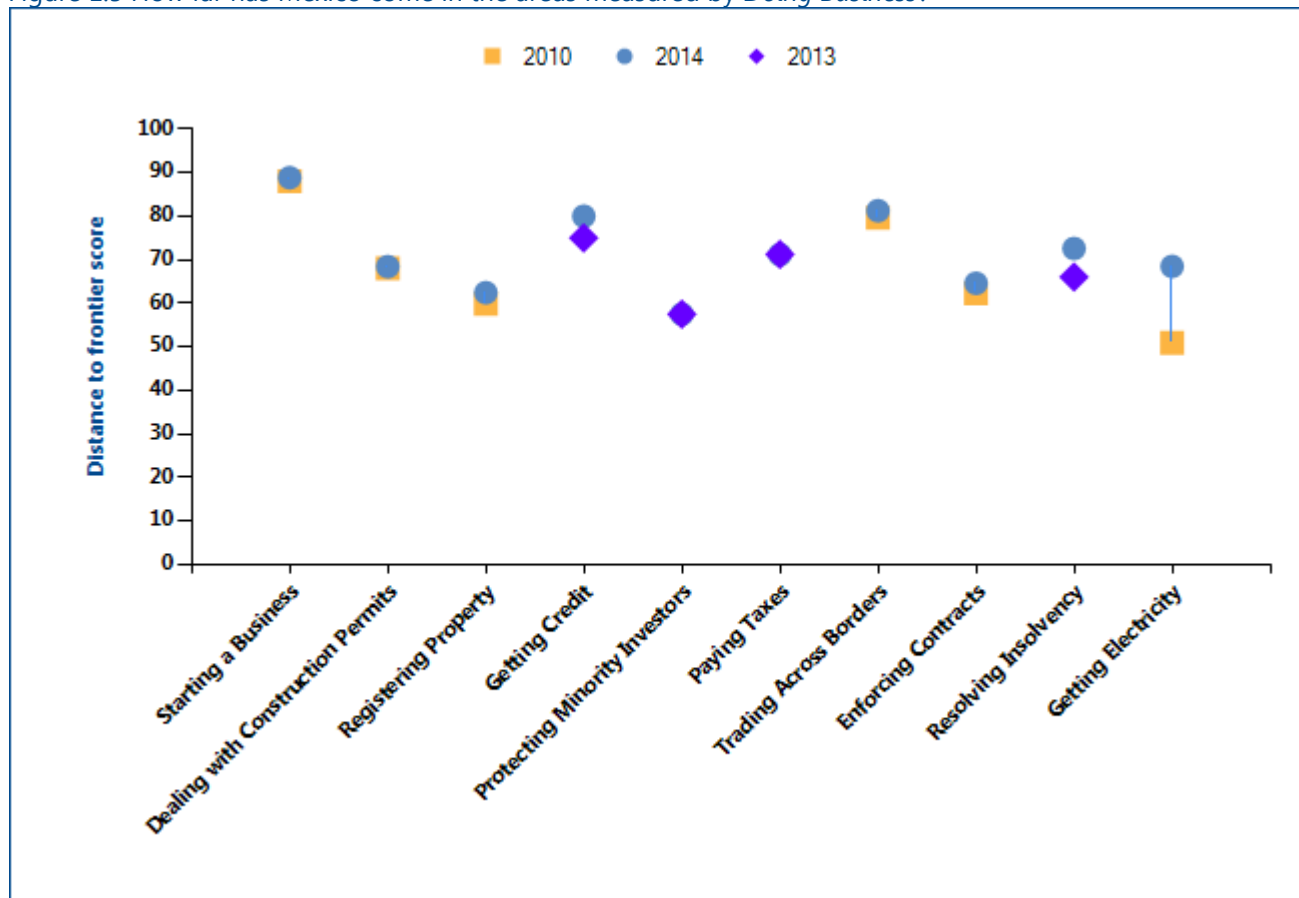
Just as the overall ranking on the ease of doing business tells only part of the story, so do changes in that ranking. Yearly movements in rankings can provide some indication of changes in an economy’s regulatory environment for firms, but they are always relative.

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 Mexico 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 Mexico

Indicator	Mexico DB2015	Mexico DB2014	Mexico City DB2015	Monterrey DB2015	Argentina DB2015	Brazil DB2015	Chile DB2015	China DB2015	Best performer globally DB2015
Starting a Business (rank)	67	61	--	--	146	167	59	128	New Zealand (1)
Starting a Business (DTF Score)	88.85	88.88	88.76	89.28	72.58	63.37	89.83	77.43	New Zealand (99.96)
Procedures (number)	6.0	6.0	6.0	6.0	14.0	11.6	7.0	11.0	New Zealand (1.0)*
Time (days)	6.3	6.3	6.0	8.0	25.0	83.6	5.5	31.4	New Zealand (0.5)
Cost (% of income per capita)	18.6	18.4	20.0	11.8	15.2	4.3	0.7	0.9	Slovenia (0.0)
Paid-in min. capital (% of income per capita)	0.0	0.0	0.0	0.0	4.0	0.0	0.0	0.0	112 Economies (0.0)*
Dealing with Construction Permits (rank)	108	97	--	--	181	174	62	179	Hong Kong SAR, China (1)
Dealing with Construction Permits (DTF Score)	68.43	70.77	66.95	75.66	42.54	48.31	76.13	43.75	Hong Kong SAR, China (95.53)

Indicator	Mexico DB2015	Mexico DB2014	Mexico City DB2015	Monterrey DB2015	Argentina DB2015	Brazil DB2015	Chile DB2015	China DB2015	Best performer globally DB2015
Procedures (number)	11.3	11.3	11.0	13.0	21.0	18.2	13.0	22.0	Hong Kong SAR, China (5.0)
Time (days)	87.6	87.6	82.0	115.0	341.0	426.1	152.0	244.3	Singapore (26.0)
Cost (% of warehouse value)	10.3	8.9	11.8	3.1	3.5	0.4	0.7	7.6	Qatar (0.0)*
Getting Electricity (rank)	116	112	--	--	104	19	49	124	Korea, Rep. (1)
Getting Electricity (DTF Score)	68.47	68.46	66.55	77.85	72.42	89.20	81.34	66.35	Korea, Rep. (99.83)
Procedures (number)	6.8	6.8	7.0	6.0	6.0	4.0	6.0	5.5	12 Economies (3.0)*
Time (days)	78.9	78.9	85.0	49.0	92.0	53.3	30.0	143.2	Korea, Rep. (18.0)*
Cost (% of income per capita)	346.1	349.2	367.8	240.3	45.4	31.6	62.1	459.4	Japan (0.0)
Registering Property (rank)	110	109	--	--	119	138	45	37	Georgia (1)
Registering Property (DTF Score)	62.45	62.54	59.76	75.59	60.63	56.18	78.96	80.67	Georgia (99.88)
Procedures (number)	6.8	6.8	7.0	6.0	7.0	13.6	6.0	4.0	4 Economies (1.0)*
Time (days)	63.6	64.5	73.0	18.0	51.5	31.7	28.5	19.4	3 Economies (1.0)*
Cost (% of property value)	5.1	5.0	5.4	3.5	6.6	2.5	1.2	3.6	4 Economies (0.0)*
Getting Credit (rank)	12	14	--	--	71	89	71	71	New Zealand (1)
Getting Credit (DTF Score)	80.00	75.00	80.00	80.00	50.00	45.00	50.00	50.00	New Zealand (100)
Strength of legal rights index (0-12)	8	7	8	8	2	2	4	4	3 Economies (12)*

Indicator	Mexico DB2015	Mexico DB2014	Mexico City DB2015	Monterrey DB2015	Argentina DB2015	Brazil DB2015	Chile DB2015	China DB2015	Best performer globally DB2015
Depth of credit information index (0-8)	8	8	8	8	8	7	6	6	23 Economies (8)*
Credit registry coverage (% of adults)	0.0	0.0	0.0	0.0	41.2	52.5	44.7	33.2	Portugal (100.0)
Credit bureau coverage (% of adults)	100.0	100.0	100.0	100.0	100.0	63.6	8.8	0.0	23 Economies (100.0)*
Protecting Minority Investors (rank)	62	61	--	--	62	35	56	132	New Zealand (1)
Protecting Minority Investors (DTF Score)	57.50	57.50	57.50	57.50	57.50	62.50	58.33	45.00	New Zealand (81.67)
Extent of conflict of interest regulation index (0-10)	6.0	6.0	6.0	6.0	5.0	5.7	6.7	5.0	Singapore (9.3)*
Extent of shareholder governance index (0-10)	5.5	5.5	5.5	5.5	6.5	6.8	5.0	4.0	France (7.8)*
Strength of minority investor protection index (0-10)	5.8	5.8	5.8	5.8	5.8	6.3	5.8	4.5	New Zealand (8.2)
Paying Taxes (rank)	105	102	--	--	170	177	29	120	United Arab Emirates (1)*
Paying Taxes (DTF Score)	71.17	71.24	71.20	71.00	44.99	41.31	84.50	67.44	United Arab Emirates (99.44)*
Payments (number per year)	6.0	6.0	6.0	6.0	9.0	9.0	7.0	7.0	Hong Kong SAR, China (3.0)*
Time (hours per year)	334.0	334.0	334.0	334.0	405.0	2,600.0	291.0	261.0	Luxembourg (55.0)
Trading Across Borders (rank)	44	44	--	--	128	123	40	98	Singapore (1)
Trading Across Borders	81.26	81.29	81.98	77.75	65.11	66.11	82.05	71.68	Singapore (96.47)

Indicator	Mexico DB2015	Mexico DB2014	Mexico City DB2015	Monterrey DB2015	Argentina DB2015	Brazil DB2015	Chile DB2015	China DB2015	Best performer globally DB2015
(DTF Score)									
Documents to export (number)	4	4	4	4	6	6	5	8	Ireland (2)*
Time to export (days)	12.0	12.0	11.0	17.0	12.0	13.4	15.0	21.0	5 Economies (6.0)*
Cost to export (US\$ per container)	1,499.3	1,499.3	1,450.0	1,740.0	1,770.0	2,322.8	910.0	823.0	Timor-Leste (410.0)
Cost to export (deflated US\$ per container)	1,499.3	1,529.9	1,450.0	1,740.0	1,770.0	2,322.8	910.0	823.0	
Documents to import (number)	4	4	4	4	8	8	5	5	Ireland (2)*
Time to import (days)	11.2	11.2	11.0	12.0	30.0	17.0	12.0	24.0	Singapore (4.0)
Cost to import (US\$ per container)	1,887.6	1,804.6	1,840.0	2,120.0	2,320.0	2,322.8	860.0	800.0	Singapore (440.0)
Cost to import (deflated US\$ per container)	1,887.6	1,841.4	1,840.0	2,120.0	2,320.0	2,322.8	860.0	800.0	
Enforcing Contracts (rank)	57	59	--	--	63	118	64	35	Singapore (1)
Enforcing Contracts (DTF Score)	64.61	64.61	64.10	67.14	63.88	53.60	63.85	68.21	Singapore (89.54)
Time (days)	388.9	388.9	400.0	335.0	590.0	731.0	480.0	452.8	Singapore (150.0)
Cost (% of claim)	30.9	30.9	31.0	30.4	20.5	16.5	28.6	16.2	Iceland (9.0)
Procedures (number)	36.8	36.8	37.0	36.0	36.0	43.6	36.0	37.0	Singapore (21.0)*
Resolving Insolvency (rank)	27	33	--	--	83	55	73	53	Finland (1)
Resolving Insolvency (DTF Score)	72.59	66.05	72.59	72.59	45.10	54.52	47.38	55.31	Finland (93.85)

Indicator	Mexico DB2015	Mexico DB2014	Mexico City DB2015	Monterrey DB2015	Argentina DB2015	Brazil DB2015	Chile DB2015	China DB2015	Best performer globally DB2015
Time (years)	1.8	1.8	1.8	1.8	2.8	4.0	3.2	1.7	Ireland (0.4)
Cost (% of estate)	18.0	18.0	18.0	18.0	12.0	12.0	14.5	22.0	Norway (1.0)
Outcome (0 as piecemeal sale and 1 as going concern)	1	1	1	1	0	1	0	0	
Recovery rate (cents on the dollar)	68.1	67.6	68.1	68.1	28.6	25.8	30.0	36.0	Japan (92.9)
Strength of insolvency framework index (0-16)	11.5	9.5	11.5	11.5	9.5	13.0	10.0	11.5	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

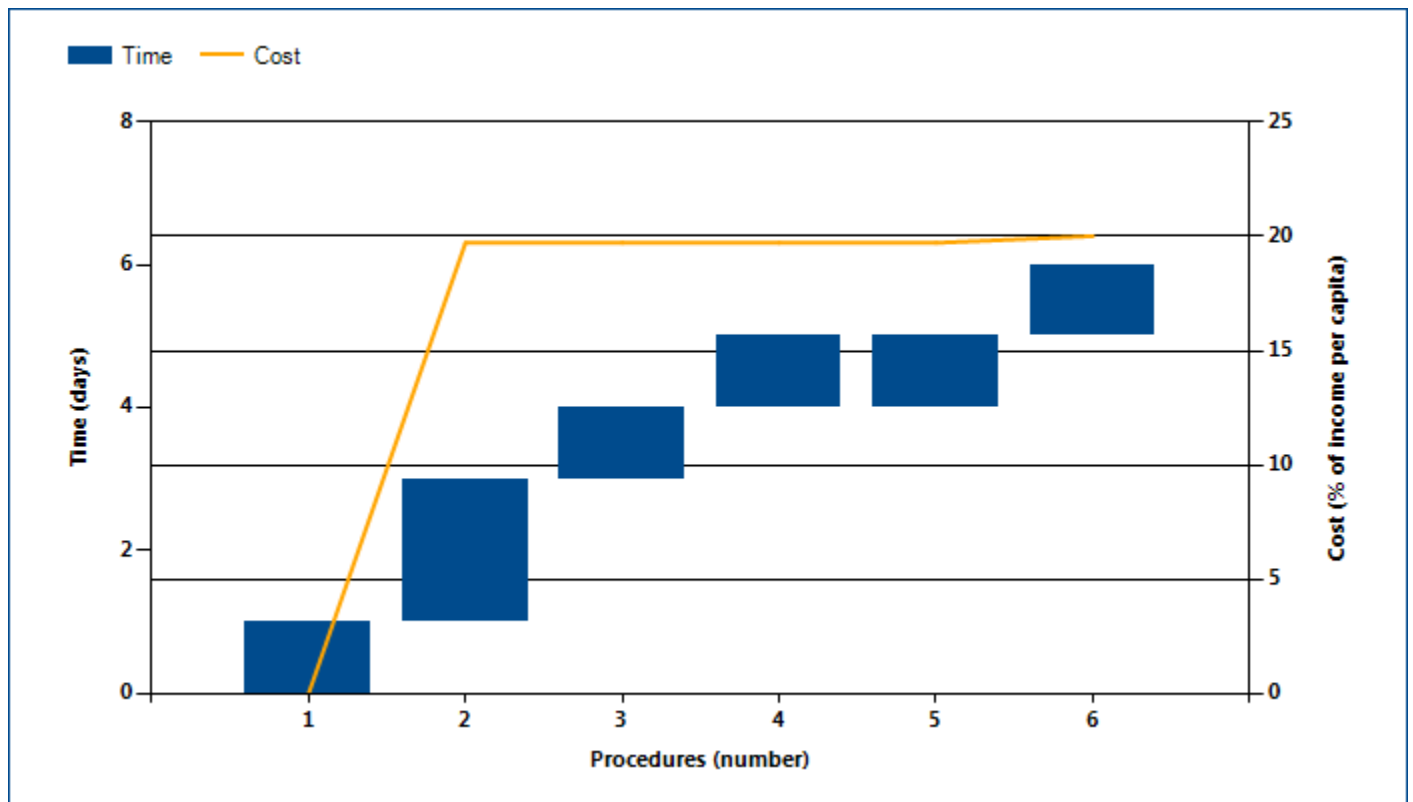
Where does the economy stand today?

What does it take to start a business in Mexico? According to data collected by *Doing Business*, starting a business there requires 6.0 procedures, takes 6.3 days, costs 18.6% 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

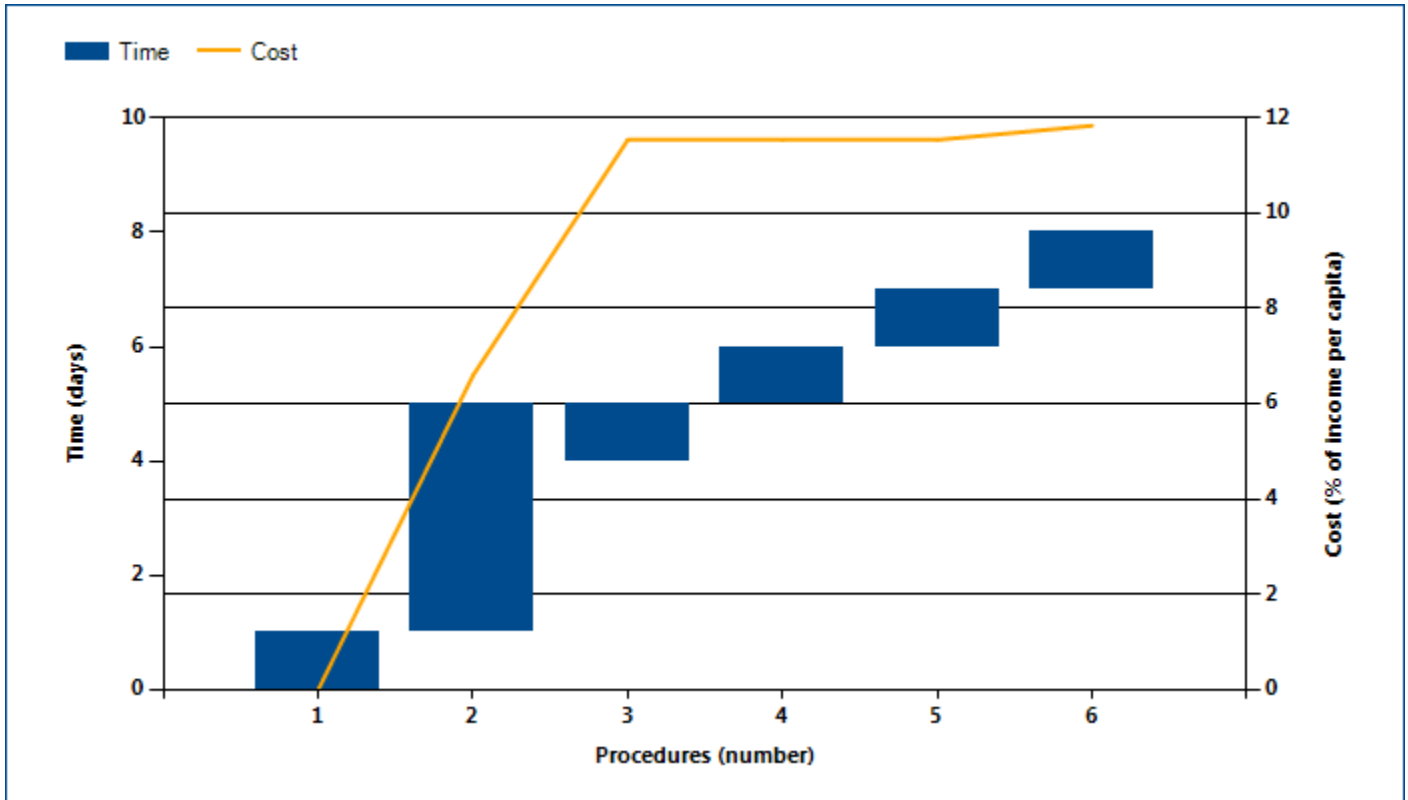
largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 2.1 What it takes to start a business in Mexico - Mexico City

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



What it takes to start a business in Mexico - Monterrey



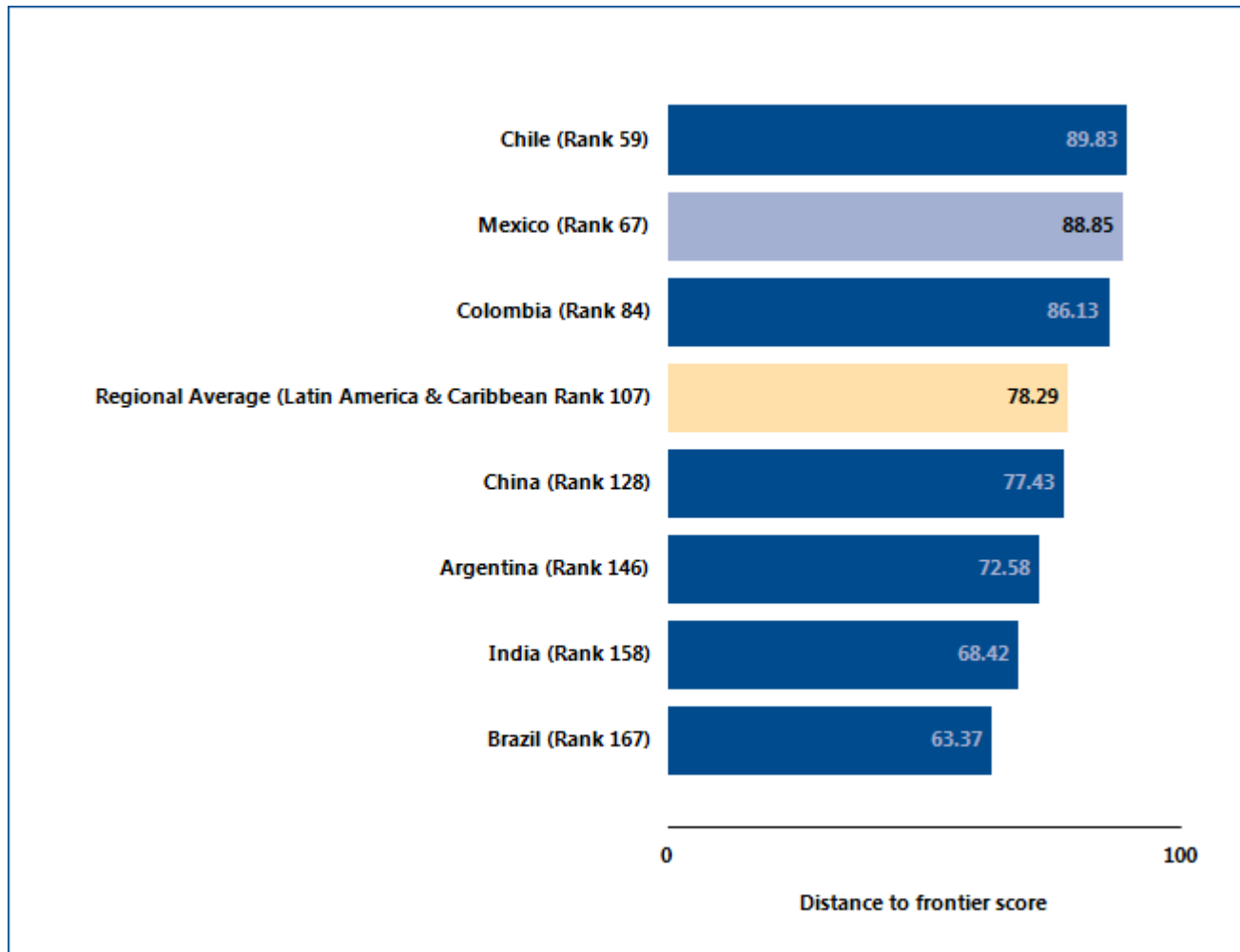
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the starting a business indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For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

STARTING A BUSINESS

Globally, Mexico stands at 67 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 Mexico to start a business.

Figure 2.2 How Mexico 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 Mexico (table 2.1)?

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

DB year	Reform
DB2010	Mexico made starting a business easier by establishing an electronic platform for company registration, by substantially reducing the time required for registration and by eliminating the requirement to register with the statistical office.
DB2011	Mexico launched an online one-stop shop for initiating business registration.
DB2013	Mexico made starting a business easier by eliminating the minimum capital requirement for limited liability companies.

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 Mexico 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 Anónima (S.A.) - Corporation

Paid in minimum capital requirement: MXN 0

City: Mexico City, Monterrey

Start-up Capital: 10 times GNI per capita

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

No.	Procedure	Time to complete	Cost to complete
1	<p>Obtain the authorization of using the company name online and file the draft deed of incorporation with the notary online</p> <p>The applicant can obtain the authorization of using the company name online from the website www.tuempresa.gob.mx and the Ministry of Economy will issue the corresponding authorization. After the authorization is given, the entrepreneur can choose the notary public that will grant the incorporation deed and then file online the draft of incorporation deed together with the authorization issued by the Ministry of Economy. The notary public informs the entrepreneur by email of the appointment to sign the incorporation deed.</p> <p><i>Agency: Ministry of Economy (Secretaría de Economía)</i></p>	Less than one day (online procedure)	no charge
2	<p>Sign the deed of incorporation before a notary public, obtain Tax Registry Number (RFC) and file online the deed of incorporation with the Public Register of Commerce</p> <p>If the notary public drafts or provides expert advice on the company bylaws, notary fees are generally high, from MXN 5,000 to MXN 11,000. The company charter and bylaws must be drafted before appearing before a notary public.</p> <p>Certain notaries in Mexico City have signed an agreement with the Ministry of Finance and Public Credit (Secretaría de Hacienda y Crédito Público) (through the Sistema de Administración Tributaria, SAT) to grant the tax registration number. The notary who issues the tax registration number must also issue the deed of incorporation. The</p>	2 days on average	MXN 10,500 (notary fees) + MXN 14,899 (registration fees)

No.	Procedure	Time to complete	Cost to complete
	<p>notary files the notarized deed of incorporation with the Public Registry of Commerce through the online portal - tuempresa.gob.mx - and obtain the tax number online as well.</p> <p>It usually takes the notary 2-3 days to review the documents and process the final incorporation deed for execution by the relevant parties.</p> <p><i>Agency: Public Notary</i></p>		
3	<p>Register with the Mexican Social Security Institute (IMSS)</p> <p>In order to make this registration faster the company must file a pre-application on the website of the IMSS, and an appointment in order to register the company at the IMSS offices is generated, the website follows: http://www.imss.gob.mx/patrones/alta-patronal.</p> <p><i>Agency: Mexican Social Security Institute (IMSS)</i></p>	1 day	no charge
4	<p>Register with the local tax administration (Secretaría de Finanzas del Gobierno del Distrito Federal) for payroll tax</p> <p>The company must register with the local tax administration after registering with the IMSS. The local office can be found at www.finanzas.df.gob.mx. The tax registration number and the company's postal code are required to register.</p> <p><i>Agency: Ministry of Finance and Credit</i></p>	1 day	no charge
5	<p>Notify the local government (Delegación) online of the opening of a mercantile establishment.</p> <p>The notice of opening a mercantile establishment is fully completed online through the website www.sedeco.df.gob.mx. For low risk activities, the notification record is received automatically in an email.</p> <p><i>Agency: local tax administration</i></p>	Less than one day (online procedure)	no charge
6	<p>Register with the National Business Information Registry (Sistema de Información Empresarial, SIEM)</p> <p>Mandatory registration with the National Business Information Registry (Sistema de Información Empresarial, SIEM) has been in effect since January 1997. The company will be registered with the specific chamber corresponding to its corporate purpose or activities. The cost varies with the number of employees and the company's activities as shown below.</p> <p>Fees for industry related activities (maximum fees)</p>	1 day	The costs can vary from MXN \$100 to MXN \$670

No.	Procedure	Time to complete	Cost to complete
	<p>-6 or more employees \$ 670 -3 to 5 employees \$ 350 -Up to 2 employees \$ 150</p> <p>Fees for commercial and services related activities (maximum fees): -4 or more employees \$ 640 -3 or less employees \$ 300 -Up to 2 employees \$ 100</p> <p>The costs can vary from MXN \$100 to MXN \$670.</p> <p><i>Agency: Local Government Office or Delegation</i></p>		

* Takes place simultaneously with another procedure.

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

Source: *Doing Business* database.

Summary of time, cost and procedures for starting a business in Mexico - Monterrey

No.	Procedure	Time to complete	Cost to complete
1	<p>Obtain the authorization of using the company name online and file the draft deed of incorporation with the notary online</p> <p>This is a federal procedure that must be completed by the entrepreneur to choose and reserve a company name. The information is available in the Ministry, by phone and on the website: http://www.tuempresa.gob.mx/ The employer must be registered in the portal tuempresa.gob.mx with her/his Advanced Electronic Signature and must enter the desired corporate name to check availability. If available the request will be approved and the name can be reserved; otherwise if the name is already in use or does not meet the criteria the request will be rejected. The process is regulated by the General Commercial Law, the Organic Law of the Federal Public Administration, the Foreign Investment Law and the Regulations for the Authorization of Use of Company Names. Once the name is reserved and the entrepreneur selects the public broker or notary with whom the process will be completed and should visit her/him to draft the company charter.</p> <p><i>Agency: Ministry of Economy (Secretaría de Economía)</i></p>	Less than one day (online procedure)	no charge
2	<p>Sign the deed of incorporation before a notary public, obtain Tax Registry Number (RFC)</p> <p>This procedure consists in the formalization of the company's charter by the notary. Upon receipt of authorization regarding the company name, the notary proceeds to notify of the use of the corporate name and drafts the articles of incorporation in order to be duly signed by the partners. The founding partners must provide their general personal information and present their official identifications and their Tax IDs.</p>	4 days	MXN 8,500

No.	Procedure	Time to complete	Cost to complete
	<p>Some notaries in the city signed an agreement with the Ministry of Finance through the Tax Administration Service (SAT) to obtain the certificate and register the company in the Federal Taxpayers Registry (RFC) through remote means. The process is legislated in Arts. 24 to 27 of the Regulations for the Authorization of Use of Company Names; Arts. 5 and 6 of the General Corporations Law; Article 27 of the Fiscal Code of the Federation; Arts. 19 and 20 of the Regulations of the Fiscal Code of the Federation; and Rule II.2.3.1. of the Fiscal Miscellaneous Resolution. The notary fees vary between MXN 8,000 and MXN 14,000.</p> <p><i>Agency: Public Notary</i></p>		
3	<p>File online or in person the deed of incorporation with the Public Register of Commerce</p> <p>This procedure is intended to publicize the act of incorporation and is mandatory for all companies registered in the Public Registry of Commerce regarding their constitution, transformation, merger, dissolution and liquidation. To perform the procedure, the user must have: a. Duly notarized articles of incorporation (+ a copy); b. Document certifying age above 18 years old. The information is available at the agency, by phone and on its website: http://www.nl.gob.mx/ The notary public is in charge of making the registration of the articles of incorporation at the Public Registry of Commerce whether in person or through remote electronic means. The process is regulated by Article 92 of the General Commercial Law; Arts. 18 to 20 of the Commercial Code; and Arts. 23 and 24 of the Regulatory Law of Public Registry of Properties and Commerce of Nuevo León. The cost is based on Article 271, Section I of the Finance Act of the State of Nuevo León, effective in 2014, for the payment of fees to the Public Registry of Commerce. If the procedure is completed online the payment to the Registry is generated through Recaudanet (www.recaudanet.gob.mx), once it is paid the information is uploaded into the RIE system, the pre-coded forms are filled out with information included in the articles of incorporation, then they are sent to the Public Registry of Commerce and enrollment takes place immediately.</p> <p><i>Agency: Public Registry of Commerce</i></p>	Less than one day (online procedure)	MXN 6,369
4	<p>Register with the Mexican Social Security Institute (IMSS)</p> <p>This is a federal procedure that is performed to enroll at least one worker in Social Security. Information is available in person, by phone and on the agency's website: http://www.imss.gob.mx/ The employer must file AFIL02 format. The application may be pre-submitted online and then visit the agency's office where the entrepreneur will obtain his registry May be performed pre-internet high and then go to the IMSS administrative sub-delegation where the employer and the record high for at least one worker is obtained. The process is regulated by the Social Security Act and the Regulations of the Law on Social Insurance regarding Membership, Business Classification, Collection and Taxation.</p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>At the same time the company registers with the IMSS, registration at the National Worker's Housing Fund Institute (INFONAVIT) takes place and individual retirement savings accounts for the employees (Afore) are opened.</p> <p><i>Agency: Mexican Social Security Institute (IMSS)</i></p>		
<p>5</p>	<p>Register with the State Taxpayer Registry at the Ministry of Finance of the State of Nuevo León</p> <p>This procedure consists in registering the tax payer's information at the State Registry to obtain an account to file the tax returns corresponding to the payroll tax (ISN). To complete the procedure, the user must have:</p> <p>a. State Registry Form (original and copy); b. Proof of fiscal residence, no older than one month (original and copy); c. Official current photo ID of the person concerned and her/his representative if applicable (original and copy); d . Articles of incorporation (copy); e . Proof of the identity of the legal representative, and where applicable the notarized power of attorney and a valid official identification with photograph of the representative (original and copy) ; f . Being a person or entity; g .Domicile or establishment located in the state of Nuevo León.</p> <p>Information about this procedure is available in person, by phone and on the agency's website: http://www.nl.gob.mx/ The employer must go to the Taxpayers Registry, Lodging, Awards and ISAN window, and proceeded to register her/his data in the system and at the end is given an account number. The procedure is regulated by Arts. 154 and 155 of the Finance Act of the State of Nuevo León; and by the Agreement of Cooperation in Fiscal Federal Matters between Mexico's Federal Ministry of Finance and the State of Nuevo León.</p> <p><i>Agency: Ministry of Finance</i></p>	<p>1 day</p>	<p>no charge</p>
<p>6</p>	<p>Register with the National Business Information Registry (Sistema de Information Empresarial, SIEM)</p> <p>Mandatory registration with the National Business Information Registry (Sistema de Information Empresarial, SIEM) has been in effect since January 1997. The company will be registered with the specific chamber corresponding to its corporate purpose or activities. The cost varies with the number of employees and the company's activities as shown below.</p> <p>Fees for industry related activities (maximum fees):</p> <ul style="list-style-type: none"> -6 or more employees \$ 670 -3 to 5 employees \$ 350 -Up to 2 employees \$ 150 <p>Fees for commercial and services related activities (maximum fees):</p> <ul style="list-style-type: none"> -4 or more employees \$ 640 -3 or less employees \$ 300 -Up to 2 employees \$ 100 	<p>1 day</p>	<p>The costs can vary from MXN \$100 to MXN \$670</p>

No.	Procedure	Time to complete	Cost to complete
	The costs can vary from MXN \$100 to MXN \$670. <i>Agency: National Business Information Registry</i>		

* 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).

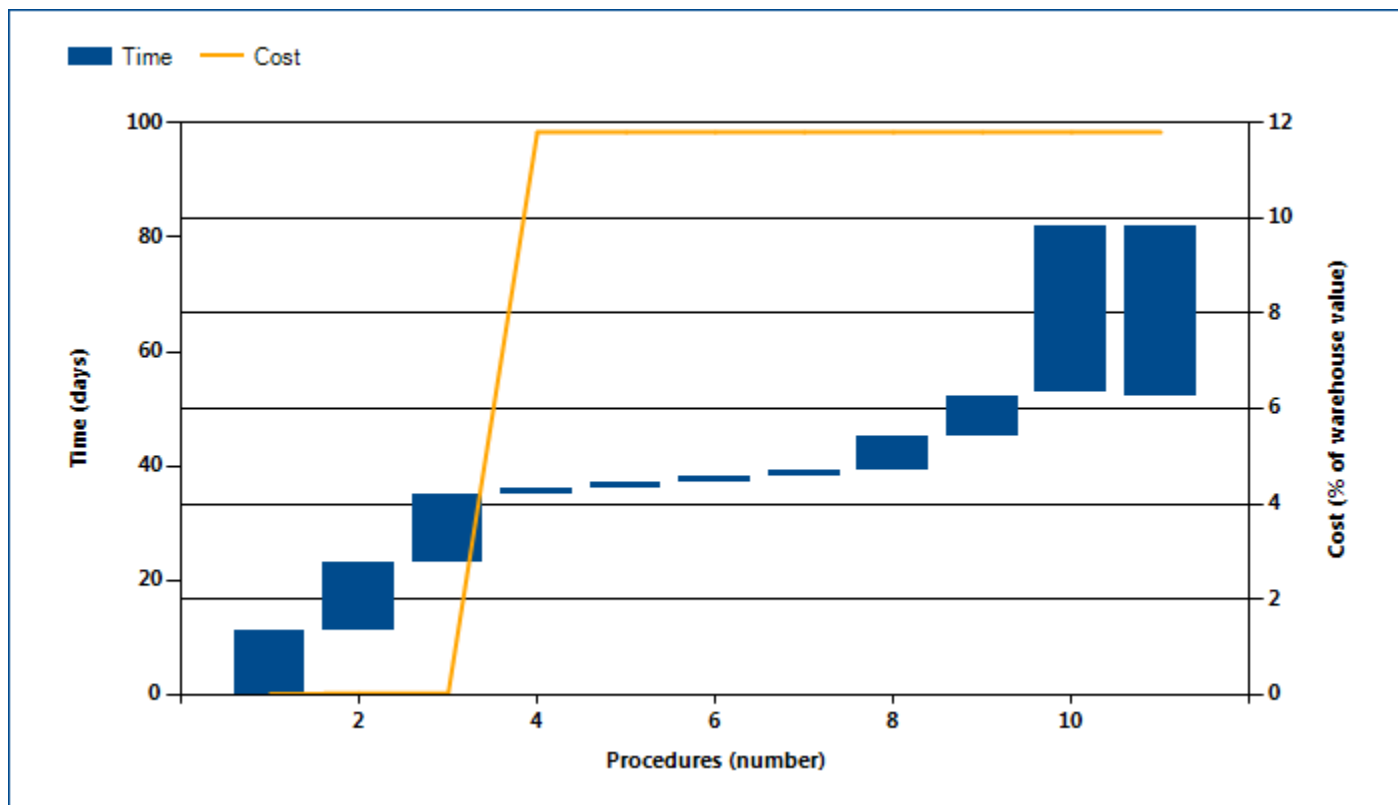
DEALING WITH CONSTRUCTION PERMITS

Where does the economy stand today?

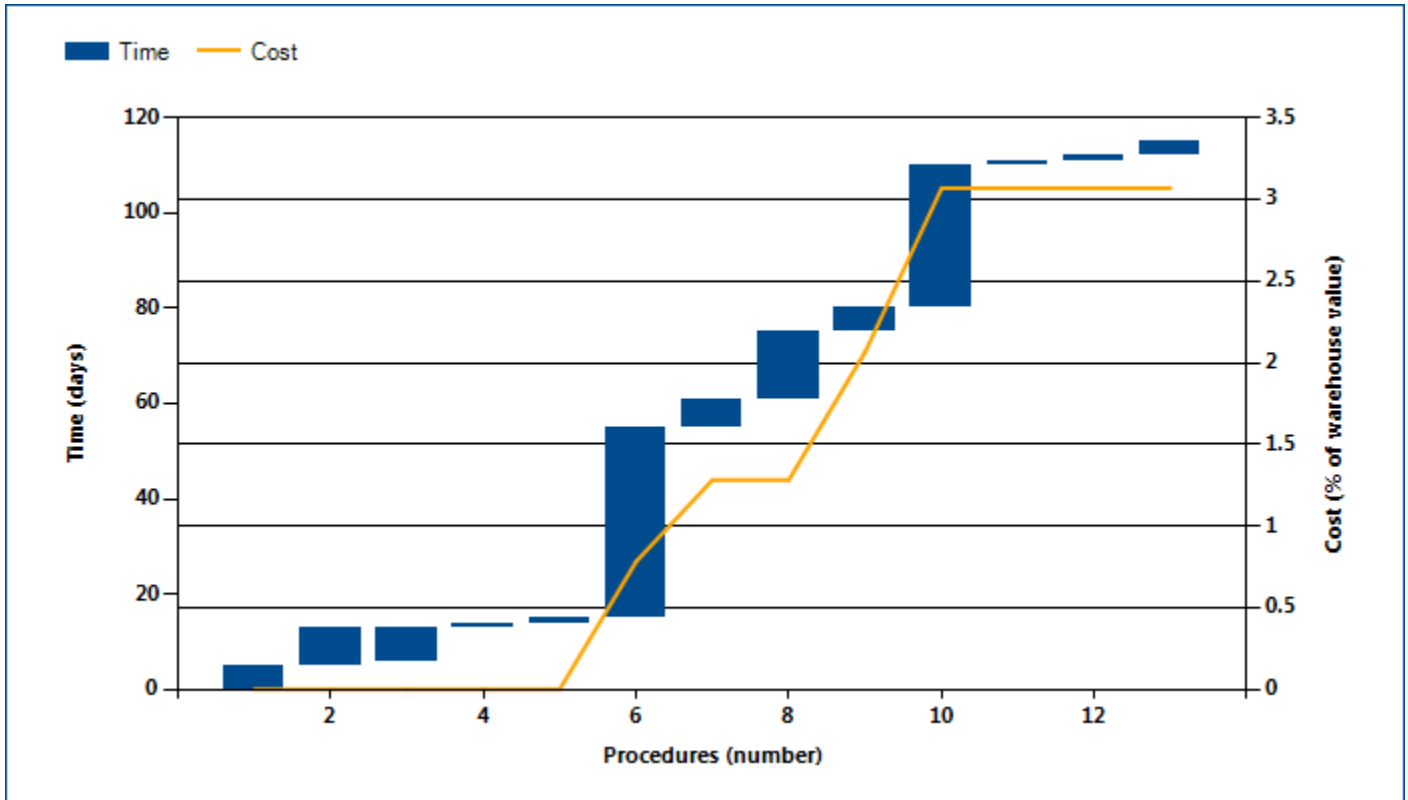
What does it take to comply with the formalities to build a warehouse in Mexico? According to data collected by *Doing Business*, dealing with construction permits there requires 11.3 procedures, takes 87.6 days and costs 10.3% of the warehouse value (figure 3.1). Most indicator sets refer to a case 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 Mexico - Mexico City



What it takes to comply with formalities to build a warehouse in Mexico - Monterrey



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.

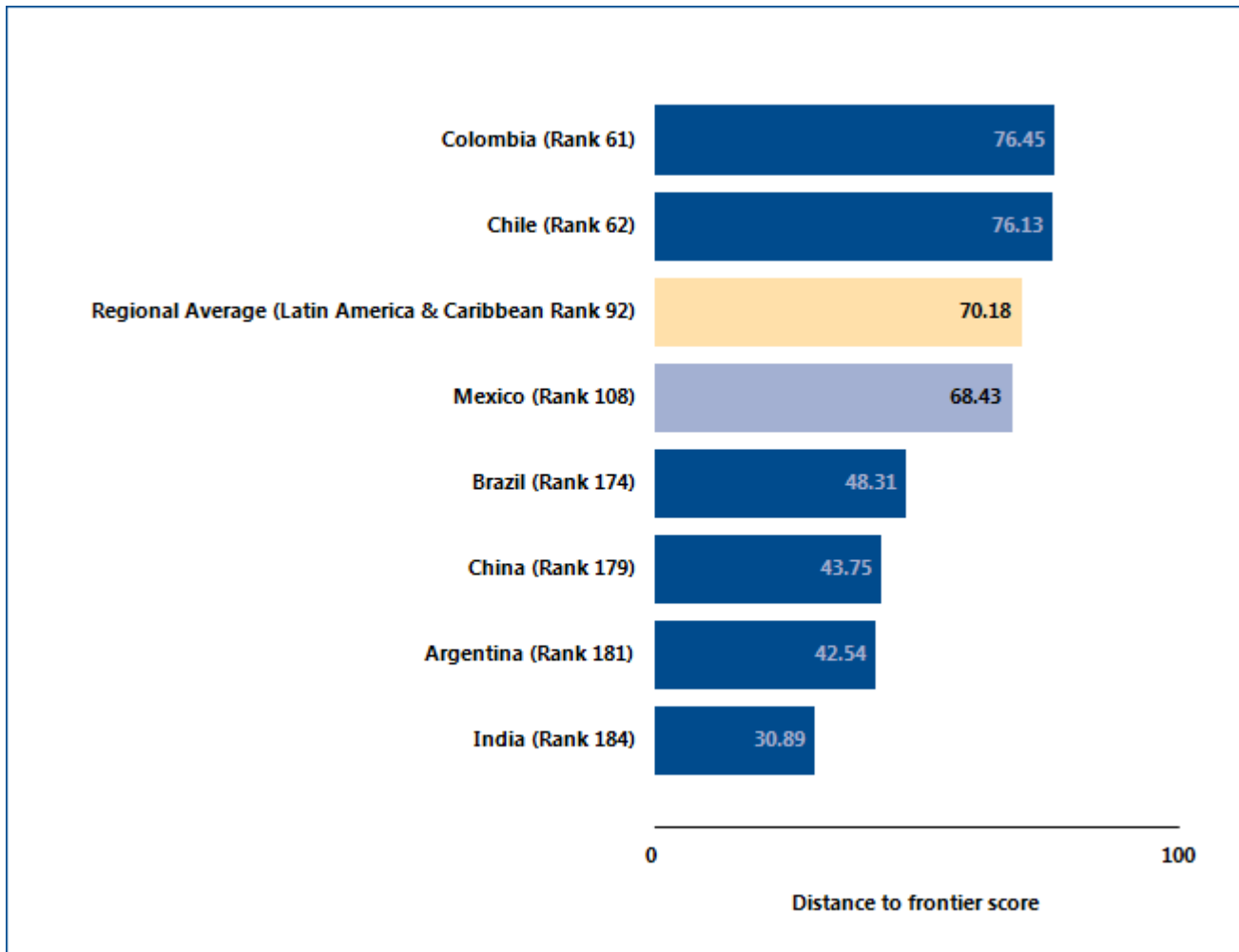
Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

Globally, Mexico stands at 108 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 Mexico to legally build a warehouse.

Figure 3.2 How Mexico 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 Mexico (table 3.1)?

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

By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2012	Mexico made dealing with construction permits faster by consolidating internal administrative procedures.

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 Mexico 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 : **MXN 6,441,848**

City : **Mexico City, Monterrey**

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 Mexico - Mexico City

No.	Procedure	Time to complete	Cost to complete
1	<p>Request and obtain the alignment certificate (alineamiento) and official number (número oficial)</p> <p>The relevant agencies for this procedure are the Delegational One-Stop Shop (Ventanilla Única Delegacional), the Urban Development and Housing Ministry (Secretaría de Desarrollo Urbano y Vivienda), and the Federal District Department (Gobierno del Distrito Federal). Either a simple original copy or a certified one is acceptable.</p> <p>For the official number, the Federal District Department will assign a single official number for each property, at the request of the interested party, that has a front facing the public pathway. For the official alignment, the plot across the land indicates the restrictions or expropriation lines to be respected in the interaction between the property and the public pathway. Obtaining the single zoning certificate stating specific land use and feasibility is required.</p> <p>The following documents must be submitted:</p> <ul style="list-style-type: none"> • Proof of payment of applicable real estate taxes (copy) • Public deed certifying property or title ownership (original and copy) • Payment of all fees • Application form (original) • Identification of the person completing the procedure and document certifying the respective identity (original and copy) <p>Payment is made the same day when the certificate is requested. At the same time, a date is set for the taxpayer to return to receive the certificate, generally within 3 or 4 working days. The certificate is valid for 2 years.</p> <p>The cost is established by the Financial Code of the Federal District, Articles 233 and 234. The official cost, as amended in December 2013, is the sum of the alignment at MXN 35.82 per linear meter in the front of the building, plus a general fee for the official number at MXN 233.</p>	11 days	MXN 1,039

No.	Procedure	Time to complete	Cost to complete
	<p>In this case, the front of the building is assumed to be 22.5 meters, so the total cost would be MXN 1,038.95 (= 35.82 x 22.5 m+233) .</p> <p>The official time limit is 8 days, but in practice, the process can take 1 -- 2 weeks.</p> <p><i>Agency: Delegational One-Stop Shop (Ventanilla Única Delegacional), Urban Development and Housing Ministry (Secretaría de Desarrollo Urbano y Vivienda), and Federal District Department (Gobierno del Distrito Federal)</i></p>		
2	<p>Request and obtain single zoning certificate stating specific land use and feasibility</p> <p>At this stage, BuildCo obtains the document that certifies whether a specific use of a given building is authorized. The Financial Code of the Federal District, Article 235, Section III, was amended in December 2013.</p> <p><i>Agency: Subdirección de Ventanilla Única of the Secretaría de Desarrollo Urbano y Vivienda attached to the Dirección del Registro de los Planes y Programas de Desarrollo Urbano of the Dirección General de Desarrollo Urbano</i></p>	12 days	MXN 926
3	<p>Request and obtain a water feasibility study</p> <p>This certificate reflects the technical opinion of the competent administrative units and indicates whether water supply and sewage and rainwater drainage services are feasible. This procedure precedes the application for drinking water supply.</p> <p><i>Agency: Sistema de Aguas de la Ciudad de México</i></p>	12 days	no charge
4	<p>Register Construction Statement Type B</p> <p>Construction Statement Type B applies to nonresidential or mixed uses of up to 5,000 square meters or up to 10,000 square meters for residential use or for single-family dwelling units within a risk zone.</p> <p>The following documents must be submitted:</p> <ul style="list-style-type: none"> • Valid alignment certificate and official number (simple original copy or certified one) • Single zoning certificate for specific land use and feasibility (simple original copy or certified copy for collation) • Four copies of the architectural project for the construction work on duly outlined scale maps and containing all specifications regarding materials, finishes, and equipment to be used, signed by the owner, the director responsible for the construction work, and the co-responsible party for urban and architectural design and installations, as the case may be • Project descriptive report 	1 day	MXN 758,425

No.	Procedure	Time to complete	Cost to complete
	<ul style="list-style-type: none"> • Calculation report • Registration and identification card of the director responsible for the construction work and the co-responsible party for structural safety, urban and architectural design, and installations as appropriate (simple original copy or certified copy for collation) • Two copies of the structural design signed by the director responsible for the construction work and the co-responsible party for structural safety • Proof of payment of improvement taxes for potable water and sewerage works provided by the Federal District Department and license issuance fees if the application is required (simple original copy or certified copy for collation). Because the building considered here requires installation or modification of the water main and hook-up to the sewage system, the application and proof of payment of the corresponding fees are attached. <p>After registration of the construction statement, the one-stop shop (Ventanilla Única Delegacional) reviews the submitted data and documents and verifies the progress of the construction work under the terms stated in the Administrative Verification Rules (Reglamento de Verificación Administrativa) for the Federal District.</p> <p>The director responsible for the construction work undertakes to post a signboard showing the registration number in the construction work statement and the general construction work data, including the location and statement validity. The signboard must be posted in a visible place and legible from the public pathway.</p> <p>The validity of the statement (for construction work completion) is as follows:</p> <ul style="list-style-type: none"> • Up to 300 square meters: 1 year • 300 -- 1,000 square meters: 2 years • More than 1,000 square meters: 3 years <p>The cost breakdown for obtaining the building permit is the following:</p> <ul style="list-style-type: none"> • Register: MXN 524.50 (DF Tax Code 2013 Article 185, Sec. B, fr. I, p.a) • Analysis: MXN 76.50 x 1,300.6 m2 = MXN 99,495.9 (DF Tax Code 2013 Article 185, Sec. B, fr. I, p.b) • Compensations for the Environment: MXN 40.50 x 1300.6 m2 = 52,674.3 MXN (DF Tax Code 2013 Article 300) • Compensations for road impact: MXN 116.80 x 1300.6 m2 = 151,910.08 MXN (DF Tax Code 2013 Article 301) • Rights for new water and sewage connection: MXN 295 x 1300.6 m2 = 383,677 MXN (DF Tax Code 2013 Article 302) <p>TOTAL= 688,281.78 MXN</p> <p>The cost breakdown for water and sewage:</p> <p>A) Services of Hydraulic Construction and Operation (Art. 181)</p> <ul style="list-style-type: none"> • Water Connection: MXN 13,393.81 (DF Tax Code Article 181, Section A, fr. I, p. c) • Water measurer device: MXN 6,720.22 (DF Tax Code Article 181, Section A, fr. III, p. c) • "Armado de Cuadro": MXN 1,405.83 (DF Tax Code Article 181, Section A, fr. IV, p. c) • Sewage Connection: MXN 9,069.08 (DF Tax Code, Article 181, Section 		

No.	Procedure	Time to complete	Cost to complete
	<p>B, fr. I, p. a) B) Authorization to use the Water and Sewage Network (Art. 182) • Technical assessment: MXN 38,388.40 (DF Tax Code, Article 182, fr. I, p. 2) • Water pipes usage fee: MXN 1,165.69 (DF Tax Code, Article 182, fr. III) TOTAL = 70,143.03</p> <p>Thus, the cost breakdown to Register Construction Statement Type B: MXN 688,281.78 + MXN 70,143.03 = 758,424.81</p> <p>The cost for the water connection includes the installation of the main pipeline, board, and meter. The cost to connect to water and sewage services are included in this procedure since the proof of payment of such fees are needed to request connection to these utility services (procedure 10). The cost is established by the Financial Code of the Federal District.</p> <p><i>Agency: Ventanilla Única Delegacional</i></p>		
5	<p>Receive inspection (structure) by the Municipality (Directorate of General Works)</p> <p>According to Article III, Section VI of Building Regulations, an inspection of the structure by the Municipality is required.</p> <p><i>Agency: Municipality (Directorate of General Works)</i></p>	1 day	no charge
6	<p>Notify the Municipal Authority upon completion of construction work</p> <p>The notification of completion is made in writing once the construction has been completed. Once notified, inspectors may visit the location within a week to verify the construction is in compliance with all applicable regulation.</p> <p><i>Agency: Municipality</i></p>	1 day	no charge
7	<p>Receive inspection upon completion of construction work from Directorate of General Works</p> <p><i>Agency: Directorate of General Works (Municipality)</i></p>	1 day	no charge
8	<p>Request and obtain occupancy clearance</p> <p>Building use clearance is granted by the one-stop shop.</p> <p><i>Agency: Delegational One-Stop Shop</i></p>	6 days	no charge

No.	Procedure	Time to complete	Cost to complete
9	<p>Request and obtain authorization from civil protection</p> <p>An inspection from the civil protection agency (Secretaria de Protección Civil) will not be necessary -- only for more complex installations. After the form and the emergency plan are filed, the civil protection agency will issue a certificate within 7 days.</p> <p><i>Agency: Secretaria de Protección Civil</i></p>	7 days	no charge
10	<p>Update the building record at the Tax Ministry</p> <p>The time and cost of updating the building record are established by the Financial Code of the Federal District, Article 217. The building is not actually registered with the Property Registry. Once built, a cadastral actualization document (manifestacion de actualizacion del valor cadastral) is filed for tax purposes with the Tax Ministry. The information in the new deed is updated only when the property (with the building included) is sold. In Mexico, the owner of the land is automatically the owner of the building unless otherwise specified. Only in cases where the owner of the building and the owner of the property are two different people would the building be registered.</p> <p><i>Agency: Tax Ministry</i></p>	1 day	no charge
11	<p>* Request and connect to water and sewage services</p> <p><i>Agency: Sistema de Aguas de la Ciudad de México</i></p>	30 days	no charge

* Takes place simultaneously with another procedure.

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

Source: Doing Business database.

Summary of time, cost and procedures for dealing with construction permits in Mexico - Monterrey

No.	Procedure	Time to complete	Cost to complete
1	<p>Obtain feasibility of zoning certificate (uso de suelo) in the Secretariat for Urban Development and Ecology</p> <p>The zoning certificate provides information on the type of constructions that are allowed on the land.</p> <p>The following documents must be provided:</p> <ol style="list-style-type: none"> Feasibility application for urbanizing the land (original) Property title (1 copy) A document certifying the legal status of the applicant: Incorporation charter registered with the relevant authority (1 copy) Power of Attorney (1 copy) Official identification of owner and agent (1 copy) Updated proof of payment of the property tax (1 copy) 	5 days	MXN 135

No.	Procedure	Time to complete	Cost to complete
	<p>h. Location plan of the property i. Payment of the corresponding fees</p> <p>In areas considered high risk, a geophysical, geological and hydrological study done by a registered expert may also be requested.</p> <p>The procedure is legislated in Arts. 140 and 143 of the Zoning and Land Use Regulations of the City of Monterrey, Nuevo León. The basis of the cost is Art. BIS-52, Section I of the Finance Act for the Municipalities of Nuevo León.</p> <p><i>Agency: Secretariat for Urban Development and Ecology</i></p>		
<p>2</p>	<p>Receive civil protection authorization from the Department of Civil Protection at the Secretariat for Urban Development and Ecology (SEDUE)</p> <p>This consists of the verification that the premises comply with the security measures and minimum standards of protection to prevent civil contingencies when in operation.</p> <p>The following documents must be provided:</p> <p>a. Official identification of the legal representative; b. 2 copies of the architectural plan; c. Proof of payment of the property taxes; d. Photograph of the land; e. Constitutive Act.</p> <p>The procedure is legislated in Art. 12, Section XXVI of the Civil Protection Rules of the City of Monterrey, and Art. 26, Section XXI of the Civil Protection Code of the State of Nuevo León.</p> <p><i>Agency: Department of Civil Protection</i></p>	<p>8 days</p>	<p>no charge</p>
<p>3</p>	<p>* Obtain alignment certificate (alineamiento vial) from the Secretariat for Urban Development and Ecology</p> <p>The certificate of alignment is issued by the Secretariat for Urban Development and Ecology to provide the exact limit of the private property in regards to public roads.</p> <p>The following documents must be provided:</p> <p>a. Document proving ownership; b. Official identification of the legal representative; c. Proof of property taxes paid; d. Plan of the location of the property</p> <p>The procedure is legislated in Art. Regulation 73 of the Zoning and Land Use Rules of the City of Monterrey, Nuevo León. The basis of the cost is in Art. 52-BIS, Section IX of the Finance Act for the Municipalities of Nuevo León.</p>	<p>5 days</p>	<p>MXN 101</p>

No.	Procedure	Time to complete	Cost to complete
	<p><i>Agency: Secretariat for Urban Development and Ecology</i></p>		
<p>4</p>	<p>Request zoning certificate, building use license, official number and construction license from the Secretariat for Urban Development and Ecology</p> <p><i>Agency: Secretariat for Urban Development and Ecology</i></p>	<p>1 day</p>	<p>no charge</p>
<p>5</p>	<p>Receive inspection prior to issuing of construction license by the Secretariat for Urban Development and Ecology</p> <p>Prior to the issuance of the building permit, there is a site visit to verify the conditions of the property. The inspection is scheduled at the time of the application for licenses of land use, building use and construction.</p> <p>The procedure is legislated in Art. 351 of the Law of Urban Development of the State of Nuevo Leon.</p> <p><i>Agency: Secretariat for Urban Development and Ecology</i></p>	<p>1 day</p>	<p>no charge</p>
<p>6</p>	<p>Receive zoning certificate, building use license, official number and construction license from the Secretariat for Urban Development and Ecology</p> <p>Through a unique form issued by the City of Monterrey, the official number that corresponds to the property is provided, in addition to the permitted and prohibited uses at the site. The authorization of the construction of a new building on the premises is also provided.</p> <p>The following documents must be presented:</p> <ul style="list-style-type: none"> a. Application form; b. Document proving ownership; c. Proof of payment of property tax; d. Professional license and responsive letter signed by the DRO; e. 4 photographs of the exterior of the property; f. Drawings of the draft; g. Architectural plans of the project in physical and AutoCAD 2004 format; h. Evidence of alignment; i. Soil mechanics and technical report of the project; j. Policy of liability insurance; k. Approval of Municipal Civil Protection; l. Proof of payment of fees. <p>The customer must go to the Dirección de Control Urbano to complete the procedure from Monday to Friday between 8:00 am to 2:00 pm.</p>	<p>40 days</p>	<p>MXN 50,315</p>

No.	Procedure	Time to complete	Cost to complete
	<p>The procedure is legislated in Art. 11 of the Zoning and Land Use Rules of the Municipality of Monterrey, Nuevo Leon and Arts. 17 and 20 of the Building Rules of the City of Monterrey, Nuevo León. The basis of the cost is in Art. 52, Section I, Subsection A, Art. 52- BIS, Section II, Paragraph E, Section III, Paragraph E and Art. 55 of the Finance Act for the Municipalities of the State of Nuevo León.</p> <p><i>Agency: Secretariat for Urban Development and Ecology</i></p>		
<p>7</p>	<p>Update the cadastral registry</p> <p>BuildCo must update the cadastral information of the property (surface and value) before beginning construction.</p> <p>The following documents must be presented:</p> <ol style="list-style-type: none"> a. Application form b. Official property plan approved by the municipal authority c. Proof of payment of the property tax d. Land use license e. Title deed f. Power of attorney of the legal representative g. Identification document of the person submitting the application h. Payment of the corresponding fees <p>The procedure is regulated in Arts. 9, 22, and 31 bis 1 of the Cadastral Law of the State of Nuevo León and Arts. 12, 14, 25, 26, 29, 31 and 21 of the regulations of the Cadastral Law of the State of Nuevo León.</p> <p>The cost is regulated by Art. 277, Section V of the Finance Law of the State of Nuevo León.</p> <p><i>Agency: Municipal Treasury</i></p>	<p>6 days</p>	<p>MXN 32,209</p>
<p>8</p>	<p>Request and obtain feasibility study for water and drainage services from the Water and Drainage Services of Monterrey (SADM)</p> <p>It is the process that confirms the possibility of providing a potable water and sewer service connection in a certain area of the city.</p> <p>To perform the procedure, BuildCo must have:</p> <ol style="list-style-type: none"> a. Unique form to request the service; b. Sketch of the location. <p>BuildCo must visit any commercial office the SADM at the Customer Service Section and request the feasibility to contract the service.</p> <p>The procedure is legislated in Art. 42 of the Finance Act for the Municipalities of Nuevo León.</p>	<p>14 days</p>	<p>no charge</p>

No.	Procedure	Time to complete	Cost to complete
	<p><i>Agency: Water and Drainage Services of Monterrey (SADM)</i></p>		
<p>9</p>	<p>Obtain excavation permit from the Secretariat of Public Services (Technical Department, Permit Coordination)</p> <p>This permit allows BuildCo to conduct any excavation of the road to install the pipes. The pavement must be repaired to its initial status after the completion of the work.</p> <p>To obtain the permit, BuildCo must submit:</p> <ul style="list-style-type: none"> a. Communication addressed to the Technical Director; b. Proof of payment of property tax; c. Copy of the constitution; d. Official identification of the legal representative; e. Work project; f. Work program; g. Copy of professional license and identification of the DRO; h. Payment of fees; i. Escrow; j. Feasibility of water and drainage. <p>The procedure is legislated in Art. 37 of the Building Code of the City of Monterrey, Nuevo León. The basis of the cost is in the Art. 52, Section III of the Finance Act for the Municipalities of Nuevo León.</p> <p><i>Agency: Secretariat of Public Services (Technical Department, Permit Coordination)</i></p>	<p>5 days</p>	<p>MXN 50,468</p>
<p>10</p>	<p>Request and connect to water and drainage services at the Water and Drainage Services of Monterrey (SADM)</p> <p>BuildCo must submit the following:</p> <ul style="list-style-type: none"> a. Document proving ownership; b. Official identification of the legal representative; c. Articles of incorporation; d. Land use permit; e. Building permit; f. Registration of wastewater discharge; g. Architectural plan. <p>The procedure is legislated in Art. 42 of the Finance Act for the Municipalities of Nuevo Leon and Art. 31 of the Building Code of the City of Monterrey, Nuevo León. The basis of the cost is in the Second Agreement, Title Services Water and Sewerage of Monterrey, IPD Meter Installation Fees for Connection and Service Standards Reinstalling Meter; Official Gazette no. 147.</p> <p>The cost is calculated as follows: [MXN 44,221 for the infrastructure contribution] + [MXN 9,140 for water connection] + [MXN 9,350 for drain connection] + [MXN 1,750 for the meter and installation]. It is assumed that the water consumption is for a business with 50</p>	<p>30 days</p>	<p>MXN 64,461</p>

No.	Procedure	Time to complete	Cost to complete
	<p>employees for the infrastructure contribution fee. A diameter of 1 inch for the drinking water connection and 4 inches for the drain connection are also assumed. Connection costs include labor, materials and costs of repaving.</p> <p><i>Agency: Water and Drainage Services of Monterrey (SADM)</i></p>		
<p>11</p>	<p>Submit notification of construction work completion at the Secretariat for Urban Development and Ecology</p> <p>BuildCo must notify the Secretariat for Urban Development and Ecology of the completion of the construction.</p> <p>BuildCo must submit the following:</p> <ul style="list-style-type: none"> a. Application form; b. Proof of payment of property tax; c. Responsive letter and copy of the professional license of the DRO; d. 2 original and 1 copy of the flat plane of history; e. Approval of civil protection; f. Articles of incorporation. g. Approved building license <p>Payment is then made to obtain the certificate.</p> <p>The procedure is legislated in Art. 123 of the Building Code the City of Monterrey, Nuevo León.</p> <p><i>Agency: Secretariat for Urban Development and Ecology</i></p>	<p>1 day</p>	<p>no charge</p>
<p>12</p>	<p>Receive final inspection from the Secretariat for Urban Development and Ecology</p> <p>A final inspection is carried out to verify that the warehouse has been built in accordance with the regulations and the approved plans. The inspection is scheduled at the time of the notification of the completion of the construction.</p> <p>The procedure is legislated in Art. 351 of the Urban Development Law of the State of Nuevo Leon.</p> <p><i>Agency: Secretariat for Urban Development and Ecology</i></p>	<p>1 day</p>	<p>no charge</p>
<p>13</p>	<p>Obtain certificate of completion of construction work from the Secretariat for Urban Development and Ecology</p> <p>Once the final inspection is complete and the appropriate fees are paid, the Secretariat for Urban Development and Ecology will issue the certificate of completion, certifying that the warehouse is built in accordance with existing regulations and approved plans.</p>	<p>3 days</p>	<p>MXN 168</p>

No.	Procedure	Time to complete	Cost to complete
	<p>The procedure is legislated in Art. 123 of the Building Code of the City of Monterrey, Nuevo León. The basis of the cost is in Art. 52-BIS, Section VIII of the Finance Act for the Municipalities of Nuevo León.</p> <p><i>Agency: Secretariat for Urban Development and Ecology</i></p>		

* 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.

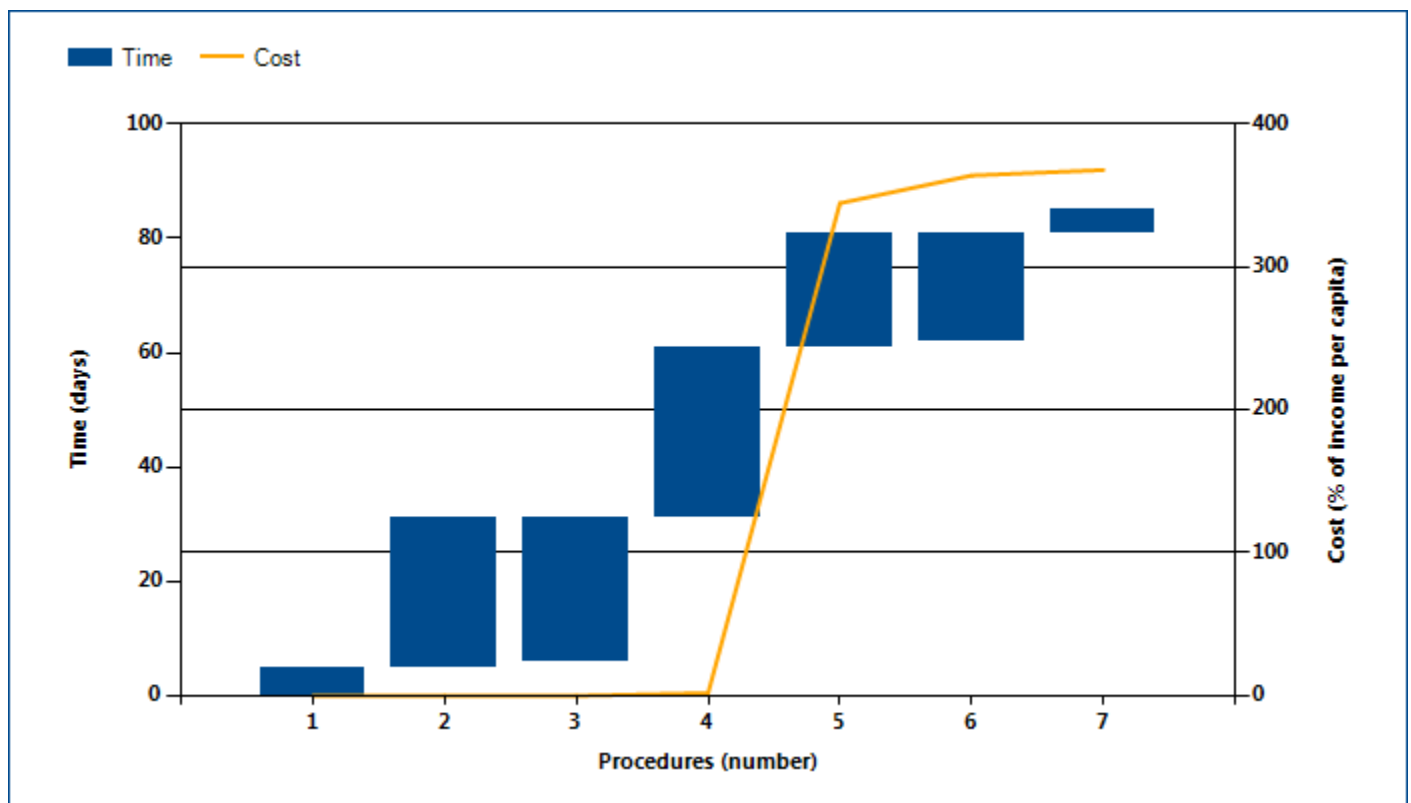
GETTING ELECTRICITY

Where does the economy stand today?

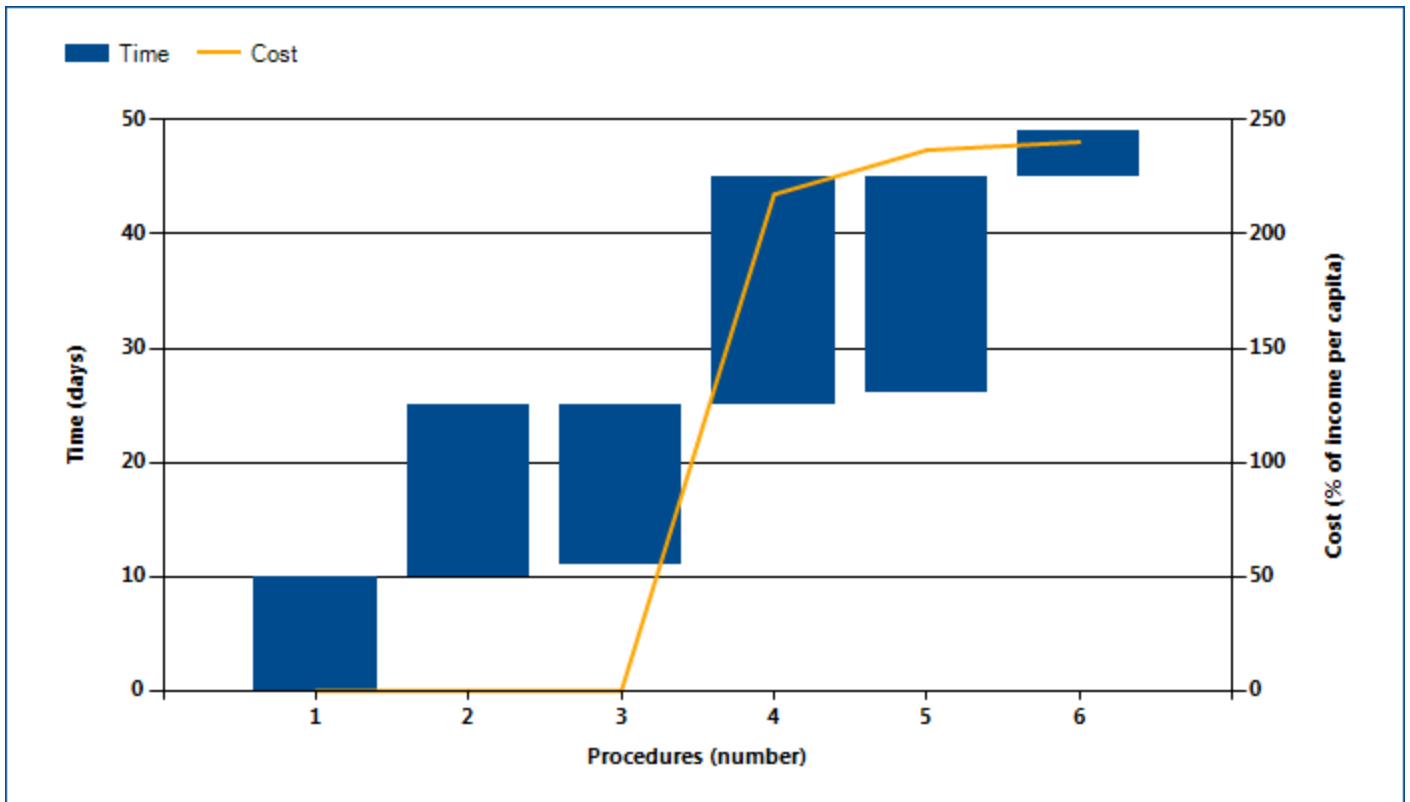
What does it take to obtain a new electricity connection in Mexico? According to data collected by *Doing Business*, getting electricity there requires 6.8 procedures, takes 78.9 days and costs 346.1% of income per capita (figure 4.1).

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 Mexico - Mexico City



What it takes to obtain an electricity connection in Mexico - Monterrey



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.

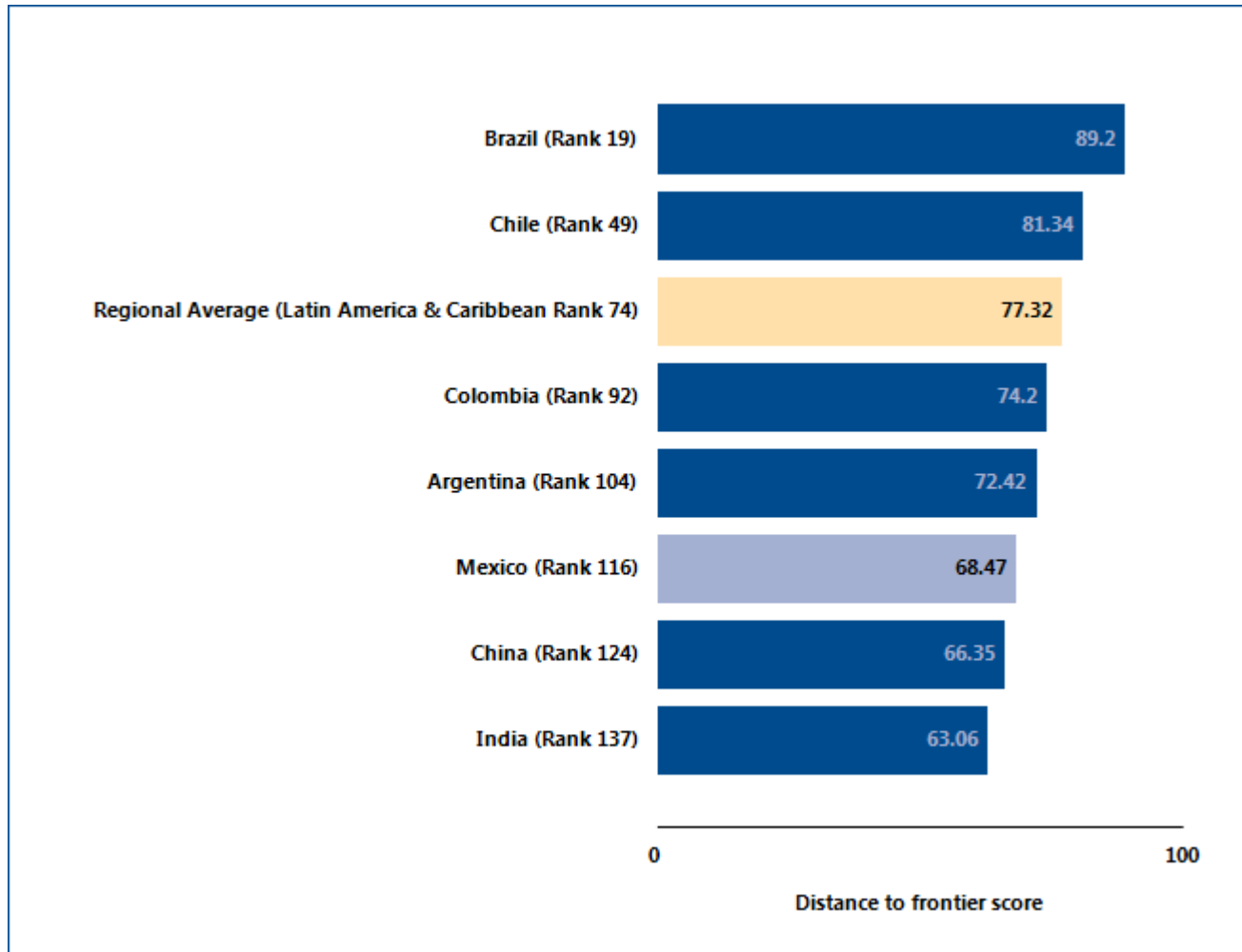
Source: *Doing Business* database.

GETTING ELECTRICITY

Globally, Mexico stands at 116 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 Mexico to connect a warehouse to electricity.

Figure 4.2 How Mexico 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 Mexico (table 4.1)?

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

By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2013	In Mexico the distribution utility made getting electricity easier by streamlining procedures, offering training opportunities to private contractors, using a geographic information system (GIS) to map the electricity distribution network and increasing the stock of materials.
DB2014	Mexico made getting electricity easier by increasing the efficiency of the utility's internal processes and by enforcing a "silence is consent" rule for the approval of the feasibility study for a new connection.

Source: *Doing Business* database.

GETTING ELECTRICITY

What are the details?

The indicators reported here for Mexico 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 - Mexico City:	CFE
Name of utility - Monterrey:	Comisión Federal de Electricidad (CFE)
City:	Mexico City, Monterrey

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 Mexico - Mexico City

No.	Procedure	Time to complete	Cost to complete
1	<p>The customer submits a request for a feasibility study (Technical Evaluation) to one of the offices of the Comisión Federal de Electricidad (CFE).</p> <p>The client request a feasibility study to the Comisión Federal de Electricidad (CFE). The energy demand and a sketch of the localization of the warehouse are requested by the CFE.</p> <p><i>Agency: Comisión Federal de Electricidad (CFE)</i></p>	5 calendar days	MXN 0
2	<p>The customer hires an electrical contractor who designs the connection, submits the plans to the Comisión Federal de Electricidad (CFE) and awaits approval.</p> <p>Once the feasibility of the project has been confirmed by Comisión Federal de Electricidad (CFE), the clients electrical contractor obtains the design specifications from CFE, prepares the design of the electrical works needed to carry out the connection on the basis of these specifications and awaits approval of the plans from CFE.</p> <p><i>Agency: Comisión Federal de Electricidad (CFE)</i></p>	26 calendar days	MXN 0

No.	Procedure	Time to complete	Cost to complete
3	<p>* The Comisión Federal de Electricidad (CFE) carries out a technical inspection in order to approve the design of the connection</p> <p>This external inspection is necessary to validate the design of the connection works.</p> <p><i>Agency: Comisión Federal de Electricidad (CFE)</i></p>	1 calendar day	MXN 0
4	<p>The customer obtains a permit for the external connection works at the Municipality</p> <p>The customer or the electrical contractor obtains the authorization from the municipality to carry out the connection works in public land.</p> <p><i>Agency: Municipality</i></p>	30 calendar days	MXN 2,445
5	<p>The private electrical company hired to do the design carries out the external connection works according to the approved design.</p> <p>The installation of the transformer substation and the external connection works are the responsibility of the customer, who can choose to hire a private contractor to do the works.</p> <p><i>Agency: Comisión Federal de Electricidad (CFE)</i></p>	20 calendar days	MXN 441,500
6	<p>* The customer must obtain approval of his internal wiring installations from a specialized firm.</p> <p>The monitoring of the internal wiring installations is done by a specialized firm (Unidad de Verificación de Instalaciones Eléctricas) which is responsible for checking that the wiring was done according to Mexican standards.</p> <p>The applicant must go to a Unidad de Verificación de Instalaciones Eléctricas (UVIE), accredited with the Entidad Mexicana de Acreditamiento (EMA) and registered with the Ministry of Energy (Secretaria de Energia). The firm will verify that the electrical installation meets the safety standards established in NOM 001-SEDE; the UVIE also oversees the external work that is performed by the client (construction of the electrical substation).</p> <p>A certificate issued at the end of the inspection is needed by the time the</p>	2 calendar days	MXN 25,000

No.	Procedure	Time to complete	Cost to complete
	<p>supply contract is signed. This procedure may be performed simultaneously with other procedures. The costs associated with this procedure are determined by the Unidad Verificadora and the applicant. If the wiring is done within the provisions of the Mexican Standards, usually one inspection is sufficient to issue the approval (Dictamen de Verificación), but if the applicant did not perform its electrical work within the rules, then the Unidad Verificadora must make several visits to ensure that the wiring corresponds to the standards.</p> <p>Link to http://www.sener.gob.mx/webSener/portal/index.jsp?id=120</p> <p><i>Agency: Empresa privada</i></p>		
7	<p>The customer signs the supply contract, pays a security deposit and awaits the installation of the meter by the Comisión Federal de Electricidad (CFE).</p> <p>At the signing of the contract for providing electrical service connection the certificate of verification for the internal wiring installation must be submitted. The process of signing the supply contract is done after the security deposit has been paid for. Payment is made at the offices of the company. It is possible to settle the security deposit with a bank guarantee. The meter installation is done by the Área comercial which coordinates with the Departamento de Distribucion.</p> <p><i>Agency: Comisión Federal de Electricidad (CFE)</i></p>	4 calendar days	MXN 4,953.2

* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

Summary of time, cost and procedures for getting electricity in Mexico - Monterrey

No.	Procedure	Time to complete	Cost to complete
1	<p>The customer submits a request for a feasibility study (Technical Evaluation) to one of the offices of the Comisión Federal de Electricidad (CFE).</p> <p>The client request a feasibility study to the Comisión Federal de Electricidad (CFE). The energy demand and a sketch of the localization of the warehouse are requested by the CFE.</p> <p><i>Agency: Comisión Federal de Electricidad (CFE)</i></p>	10 calendar days	MXN 0

No.	Procedure	Time to complete	Cost to complete
2	<p>The customer hires an electrical contractor who designs the connection, submits the plans to the Comisión Federal de Electricidad (CFE) and awaits approval.</p> <p>Once the feasibility of the project has been confirmed by Comisión Federal de Electricidad (CFE), the clients electrical contractor obtains the design specifications from CFE, prepares the design of the electrical works needed to carry out the connection on the basis of these specifications and awaits approval of the plans from CFE.</p> <p><i>Agency: Comisión Federal de Electricidad (CFE)</i></p>	15 calendar days	MXN 0
3	<p>* The Comisión Federal de Electricidad (CFE) carries out a technical inspection in order to approve the design of the connection</p> <p>This external inspection is necessary to validate the design of the connection works.</p> <p><i>Agency: Comisión Federal de Electricidad (CFE)</i></p>	1 calendar day	MXN 0
4	<p>The private electrical company hired to do the design carries out the external connection works according to the approved design.</p> <p>The installation of the transformer substation and the external connection works are the responsibility of the private contractor hired by the client</p> <p><i>Agency: Comisión Federal de Electricidad (CFE)</i></p>	20 calendar days	MXN 280,000
5	<p>* The customer must obtain approval of his internal wiring installations from a specialized firm.</p> <p>The monitoring of the internal wiring installations is done by a specialized firm (Unidad de Verificación de Instalaciones Eléctricas) which is responsible for checking that the wiring was done according to Mexican standards. The applicant must go to a Unidad de Verificación de Instalaciones Eléctricas (UVIE), accredited with the Entidad Mexicana de Acreditamiento (EMA) and registered with the Ministry of Energy (Secretaria de Energia). The firm will verify that the electrical installation meets the safety standards established in NOM 001-SEDE; the UVIE also oversees the external work that is performed by the client (construction of the electrical substation). A certificate issued at the end of the inspection is needed by the time the supply contract is signed. This procedure may be performed simultaneously with other procedures. The costs associated with this procedure are determined by the Unidad Verificadora and the applicant. If the wiring is done within the provisions of the Mexican Standards, usually one inspection is sufficient to issue the approval (Dictamen de Verificación), but if the applicant did not perform</p>	2 calendar days	MXN 25,000

No.	Procedure	Time to complete	Cost to complete
	<p>its electrical work within the rules, then the Unidad Verificadora must make several visits to ensure that the wiring corresponds to the standards.</p> <p><i>Agency: Private company</i></p>		
<p>6</p>	<p>The customer signs the supply contract, pays a security deposit and awaits the installation of the meter by the Comisión Federal de Electricidad (CFE).</p> <p>At the signing of the contract for providing electrical service connection the certificate of verification for the internal wiring installation must be submitted. The process of signing the supply contract is done after the security deposit has been paid for. Payment is made at the offices of the company. It is possible to settle the security deposit with a bank guarantee. The meter installation is done by the Área comercial which coordinates with the Departamento de Distribucion.</p> <p><i>Agency: Comisión Federal de Electricidad (CFE)</i></p>	<p>4 calendar days</p>	<p>MXN 4,553.64</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.

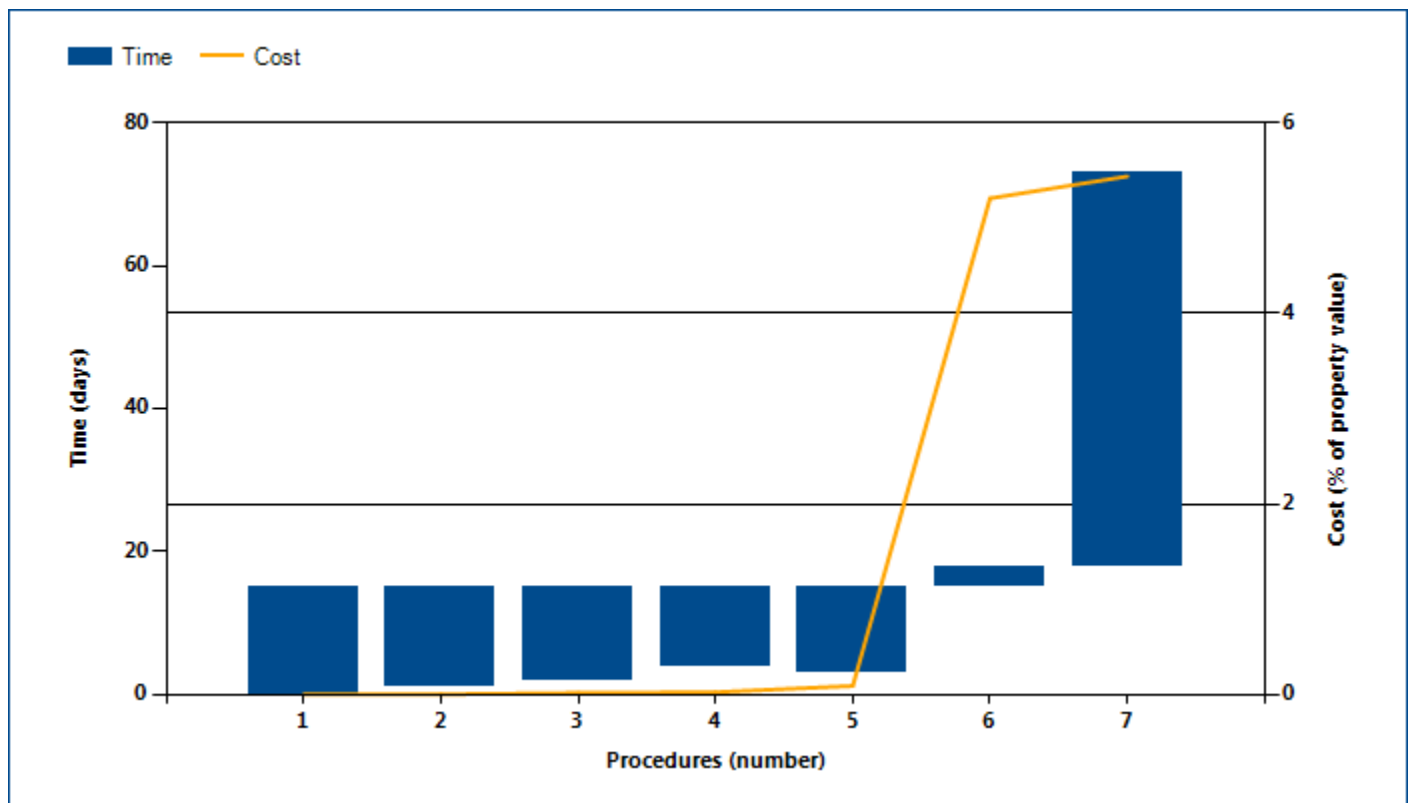
REGISTERING PROPERTY

Where does the economy stand today?

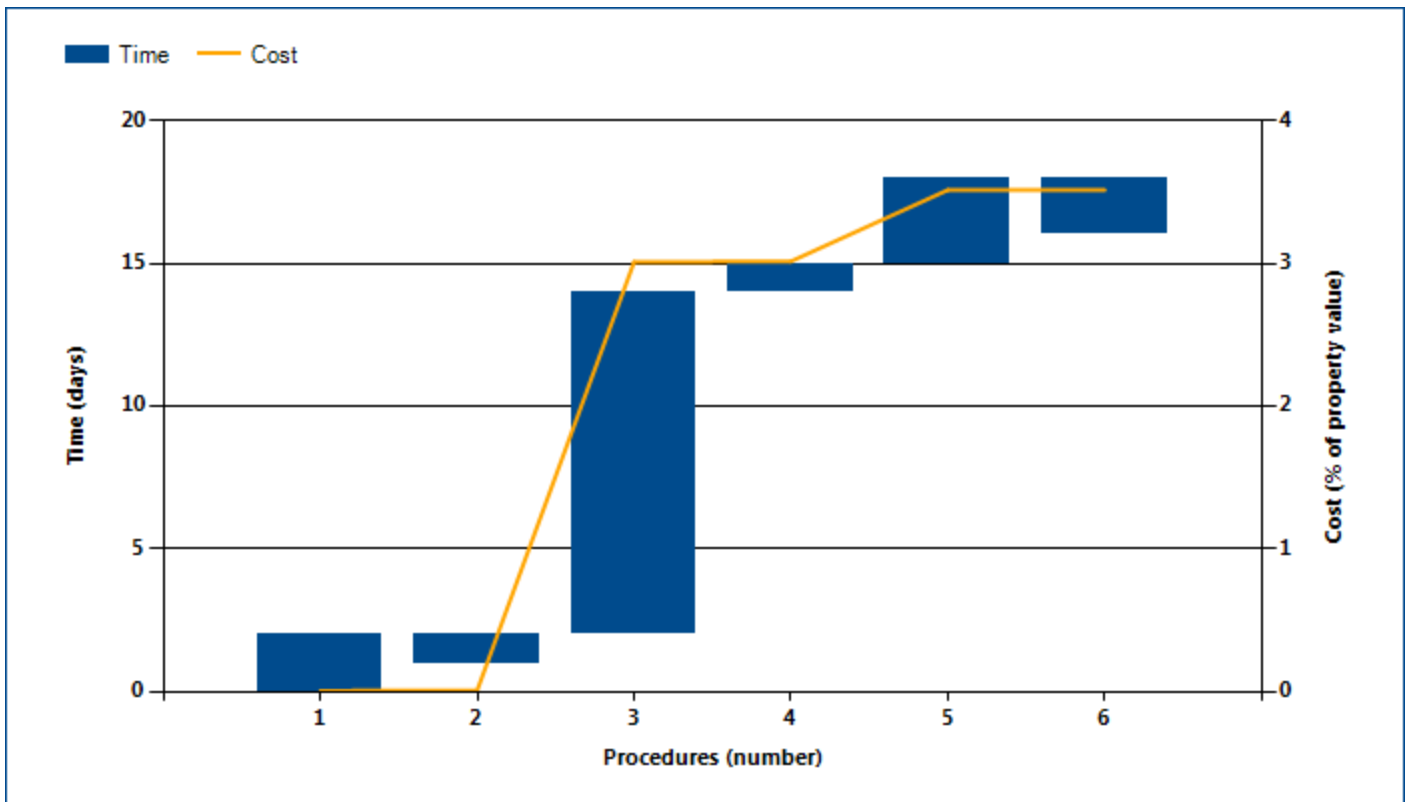
What does it take to complete a property transfer in Mexico? According to data collected by *Doing Business*, registering property there requires 6.8 procedures, takes 63.6 days and costs 5.1% of the property value (figure 5.1).

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 Mexico - Mexico City



What it takes to register property in Mexico - Monterrey



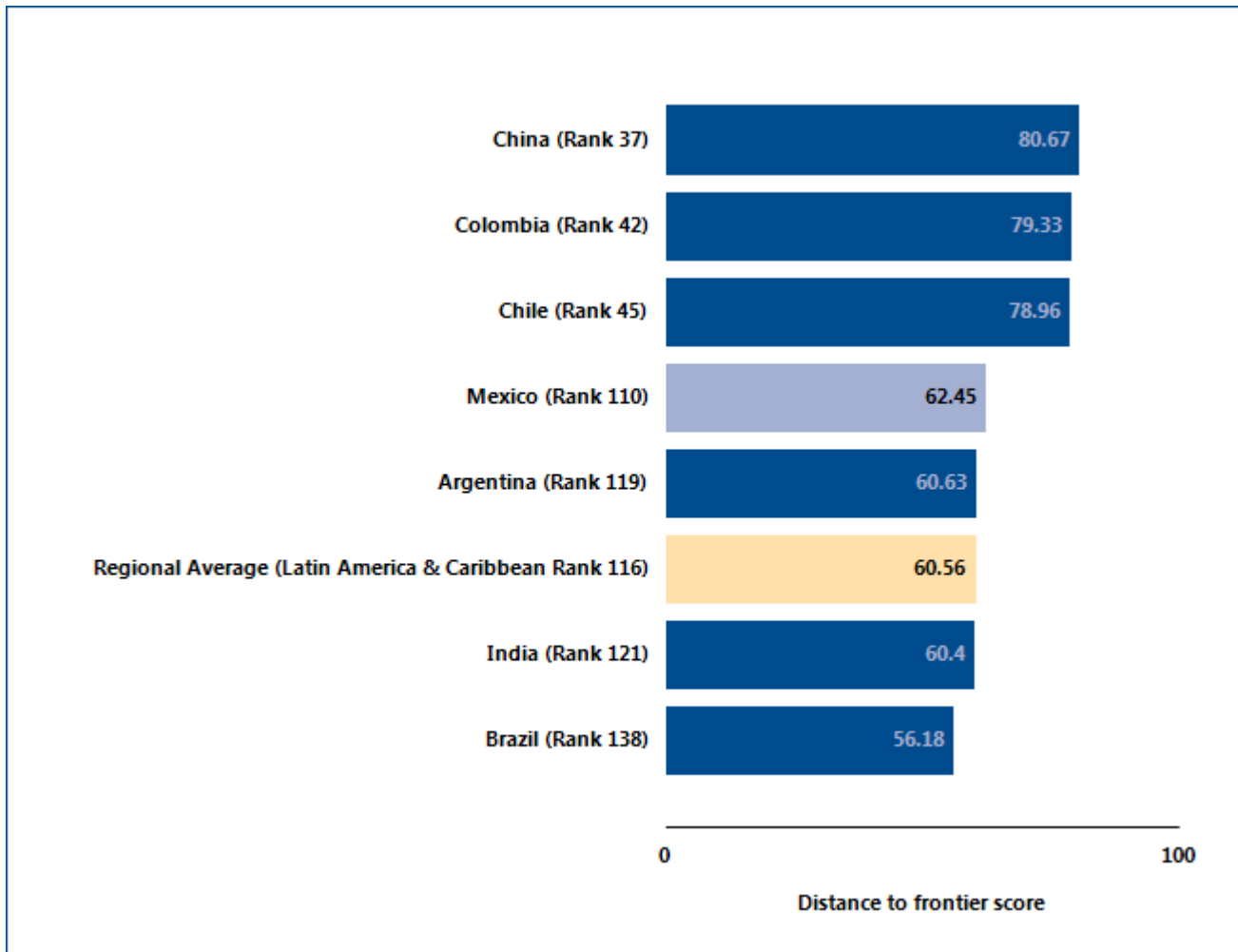
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the registering property indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For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

REGISTERING PROPERTY

Globally, Mexico stands at 110 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 Mexico to transfer property.

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



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:	MXN 6,441,849
City:	Mexico City, Monterrey

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 Mexico

No.	Procedure	Time to complete	Cost to complete
1	<p>The notary obtains the non-encumbrance certificate and gives the pre-preventive notice (aviso pre-preventivo) to the Public Registry (IRCNL)</p> <p>The non-encumbrance certificate contains information including the description of the property and information regarding any charges, liens, mortgages or other encumbrances.</p> <p>To complete the procedure the notary must present the non-encumbrance certificate form (original and copy) with the information included in the deed. The pre-preventive notice serves as a notification of the intention to conduct the transfer of a property and as a protection of the transfer against the registration of any encumbrances by third parties such as mortgages.</p> <p>The procedure is regulated by Art. 2910 of the Civil Code of the State of Nuevo León, Art. 8 Section VII and Articles 59, 61 and 63 of the Regulatory Law of the Property and Commercial Public Registry of the State of Nuevo León. The cost is regulated by Art. 271 Sections X and XII of the Finance Law of the State of Nuevo León.</p> <p><i>Agency: Public Registry (Instituto Registral y Catastral del Estado de Nuevo León, IRCNL)</i></p>	2 days (simultaneous with procedure 2)	MXN 202 for the non-encumbrance certificate (3 daily minimum wages at MXN 67.29 per minimum wage for the geographic area A corresponding to Monterrey) and MXN 269 for the pre-preventive notice (4 daily minimum wages)
2	<p>* Obtain the cadastral value of the property from the Cadaster (Dirección de Catastro - IRCNL)</p> <p>The property transfer tax is calculated based on the cadastral value obtained through this procedure. The notaries can complete this procedure online through the Cadaster’s online platform receiving the response immediately.</p> <p>If the value is requested in person the following documents are required:</p> <ol style="list-style-type: none"> Application form (original and copy) Receipt of payment of property tax “predial” (copy) 	Less than 1 day (online procedure, simultaneous with procedure 1)	MXN 269 (4 daily minimum wages)

No.	Procedure	Time to complete	Cost to complete
	<p>c. ID of the owner d. Document identifying the applicant as the legal representative of the company (when requested on behalf of a company, copy) e. Public deed or sale agreement (copy) f. Receipt of payment of fees</p> <p>The procedure is regulated by Art. 34 of the Regulatory Law of the Cadaster Law. The cost is regulated by Art. 276, Section III-A of the Finance Law of the State of Nuevo León.</p> <p><i>Agency: Cadaster (Dirección del Catastro - IRCNL)</i></p>		
<p>3</p>	<p>The notary prepares and executes the public deed, and collects and pays the property transfer (ISAI) tax at the municipality</p> <p>Currently there is not an official fee schedule for notary fees in Monterrey. Notaries in would normay charge 1% of the property value. To complete the payment of the property transfer tax the notarey would go the municipality and present the following documents:</p> <p>a. Public deed b. Cadastral value (obtained in procedure 2) c. Receipt of payment of property tax "predial" d. Statement of payment</p> <p>The procedure is regulated by Art. 28 Bis fo the Finance Law for the Municipalities of the State of Nuevo León. The property transfer taxi is based on the highest value between the sale price or the cadastral value. With the entry into force in July 2013 of the Federal Law for the Prevention and Identification of Operations with Illicit Resources (Ley Federal para la Prevención e Identificación de Operaciones con Recursos de Procedencia Ilícita) the notaries have to notify the Ministry of Finance (Secretaría de Hacienda y Crédito Público) if they provide services related with the transfer of a property above a certain amount.</p> <p><i>Agency: Notary</i></p>	<p>12 days</p>	<p>MXN 191,887 (2% of the property value for the property transfer tax + 1% of the property value for notary fees)</p>
<p>4</p>	<p>The notary gives the preventive notice to the Public Registry (IRCNL)</p> <p>Once the deed is signed the notary gives notice to the Public Registry informing of the conclusion of the transaction. The notice will have a validity of 60 days during which this transaction will have the priority over any other recordable action on the property.</p> <p>To complete this procedure the notary must present the following:</p> <p>a. Notice with the names of the parties of the transaction b. The purpose of the transaction c. The deed number d. Signature date</p> <p>The notary must bring the documentation to the Public Registry, pay the corresponding fees and receive the confirmation that the notice has been processed by the Registry. The procedure is regulated by Art. 2910</p>	<p>1 day</p>	<p>MXN 269 (4 daily minimum wages)</p>

No.	Procedure	Time to complete	Cost to complete
	<p>of the Civil Code of the State of Nuevo León. The cost is regulated by Art. 271, Section XII of the Finance Law of the State of Nuevo León.</p> <p><i>Agency: Public Registry (Instituto Registral y Catastral del Estado de Nuevo León, IRCNL)</i></p>		
5	<p>The deed is registered at the Public Registry (IRCNL)</p> <p>To complete the registration the notary must bring the following documents:</p> <ul style="list-style-type: none"> a. Notarized public deed b. Receipt of payment of transfer tax (ISAI) c. Paymet of Income Tax d. Non-encumbrance certificate e. Cadastral value <p>The notary must bring the documentation to the Public Registry and pay the corresponding fees. Once the procedure is completed the notary will come back to the registry to pick up the documentation. The cost is MXN 5 for every thousand or fraction of the property value with a minimum of 5 daily minimum wages (MXN 336) and a maximum of 570 daily minimum wages (MXN 38,355).</p> <p>The procedure is regulated by Art. 8, Section IV and Arts. 21, 22 and 23 of the Regulatory Law of the Commercial and Property Public Registry of the State of Nuevo León as well as by Arts. 2901, 2904 and 2910 of the Civil Code of the State of Nuevo León. The cost is regulated by Art. 271, Section I of the Finance Law of the State of Nuevo León.</p> <p><i>Agency: Public Registry (Instituto Registral y Catastral del Estado de Nuevo León, IRCNL)</i></p>	3 days (simultaneous with procedure 6)	MXN 31,981 (MXN 5 for every thousand or fraction of the property value)
6	<p>* The notary gives notice of the sale to the Cadaster (Dirección del Catastro – IRCNL)</p> <p>In this procedure the changes in property ownership are recorded in the cadastral registry through the notice provided by the notary. To complete this procedure the following documents are presented by the notary:</p> <ul style="list-style-type: none"> a. Notification of sale form (original) b. Copy of the receipt of payment of the property tax (predial) c. Description of the property <p>The notary presents the sale notice at the Tax Payer Service Department with the required documents. The documents are reviewed and processed by the corresponding department for their approval. After their evaluation the notary returns for the results of the procedure. The procedure is regulated by Art. 29 of the Cadastral Law and Art. 28 of the Regulatory Law of the Cadastral Law.</p> <p><i>Agency: Cadaster (Dirección del Catastro - IRCNL)</i></p>	1 day (simultaneous with procedure 5)	no cost

* 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.

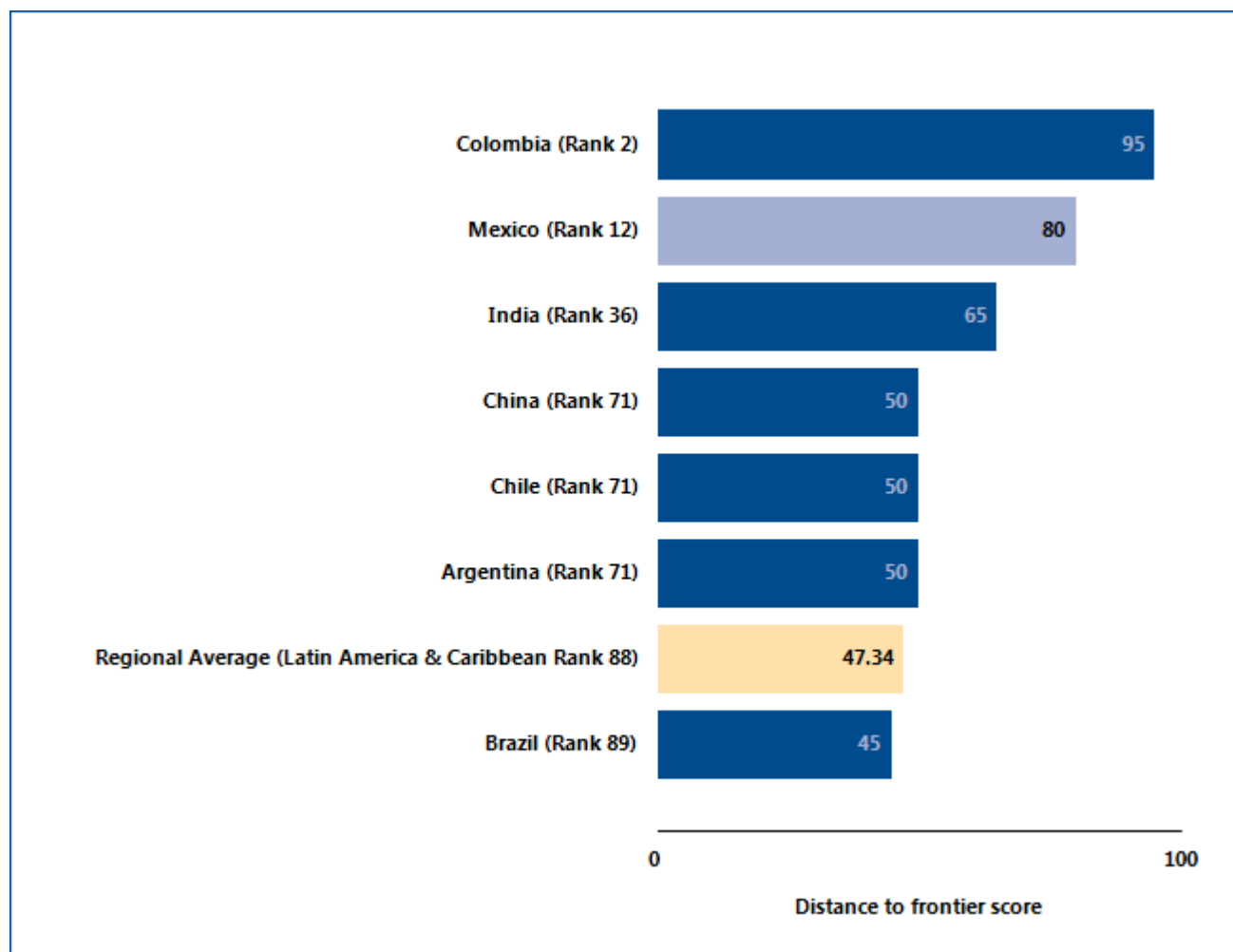
GETTING CREDIT

Where does the economy stand today?

How well do the credit information system and collateral and bankruptcy laws in Mexico facilitate access to credit? The economy has a score of 8 on the depth of credit information index and a score of 8 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, Mexico stands at 12 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 Mexico support lending and borrowing.

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



Source: Doing Business database.

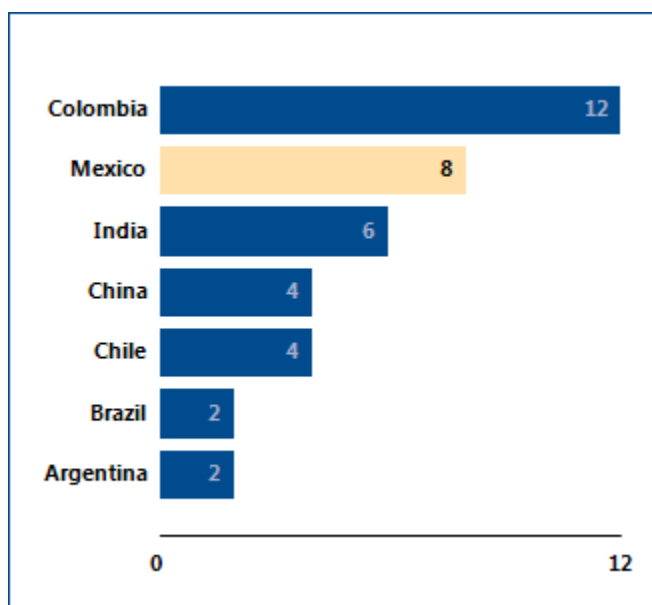
GETTING CREDIT

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 Mexico 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?

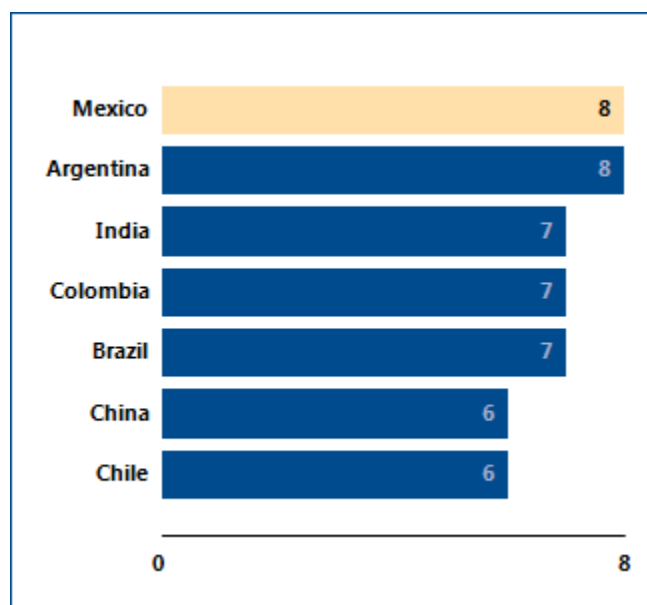
Economy scores on strength of legal rights index



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 Mexico (table 6.1)?

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

DB year	Reform
DB2012	Mexico strengthened its secured transactions system by implementing a centralized collateral registry with an electronic database that is accessible online.
DB2015	Mexico improved access to credit by amending its insolvency proceedings law and establishing clear grounds for relief from a stay of enforcement actions by secured creditors during reorganization procedures. This reform applies to both Mexico City and Monterrey.

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 Mexico 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)	Mexico City Index score: 8	Monterrey Index score: 8
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	Yes
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	No	No
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	Yes	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?	No	No
Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	Yes	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	Yes
Does a notice-based collateral registry exist in which all functional equivalents can be registered?	Yes	Yes
Does a modern collateral registry exist in which registrations, amendments, cancellations and searches can be performed online by any interested third party?	Yes	Yes

Strength of legal rights index (0–12)	Mexico City Index score: 8	Monterrey Index score: 8
Are secured creditors paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	No	No
Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated?	No	No
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	Yes
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	Yes

Depth of credit information index (0–8)	Credit bureau	Credit registry	Index score: 8
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.)	Yes	No	1
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	3,300,000	0
Number of individuals	88,100,000	0
Percent of total	100.0	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

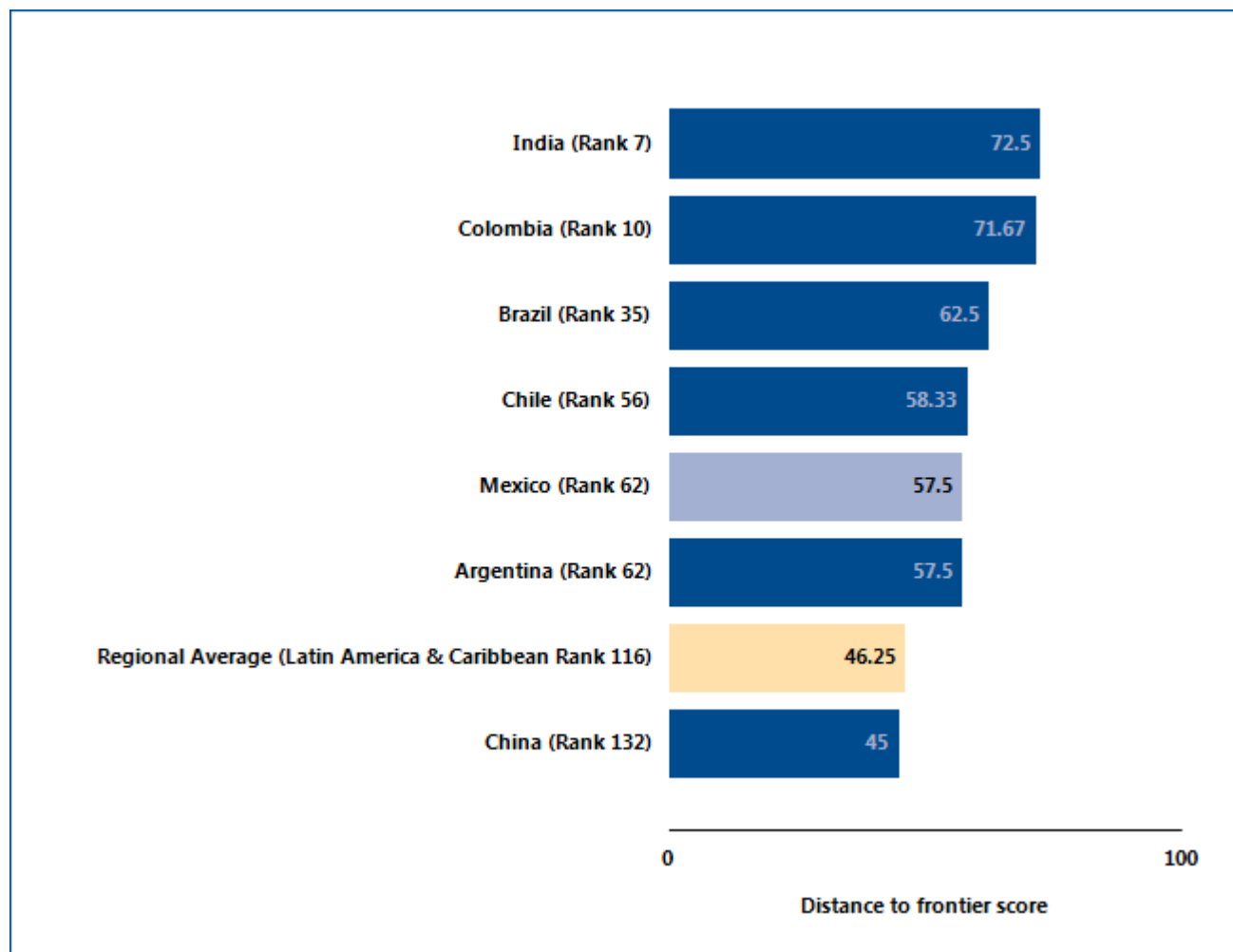
Where does the economy stand today?

How strong are minority investor protections against self-dealing in Mexico? The economy has a score of 5.8 on the strength of minority investor protection index, with a higher score indicating stronger protections.

Globally, Mexico stands at 62 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 Mexico and comparator economies perform on the strength of minority investor protection index



Source: Doing Business database.

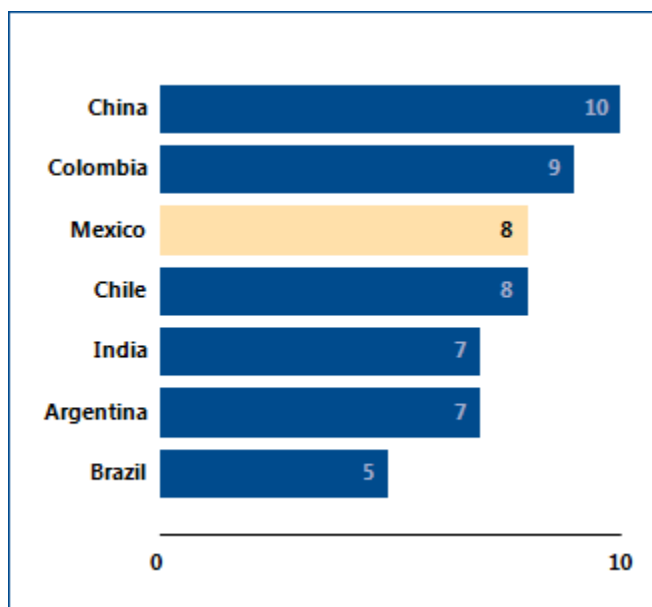
PROTECTING MINORITY INVESTORS

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 Mexico 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?

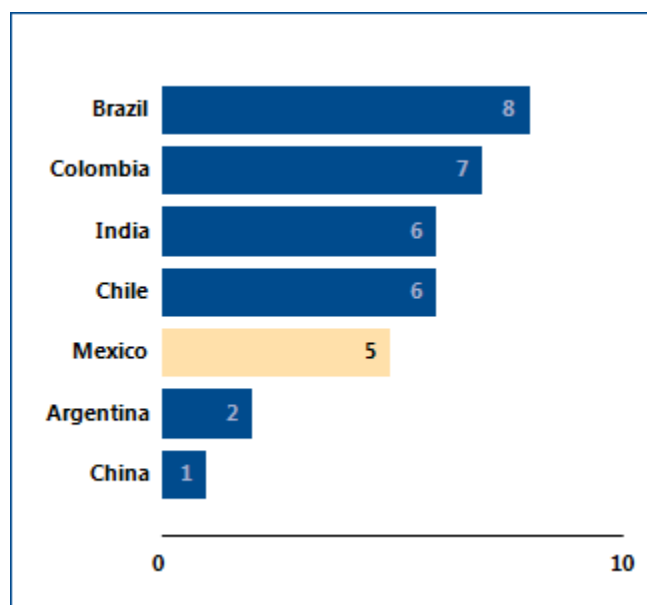
Extent of disclosure index (0-10)



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)

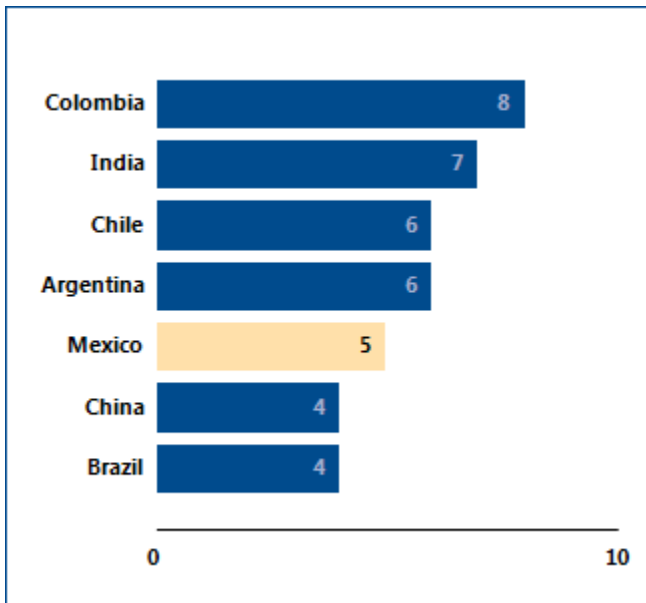


Note: Higher scores indicate greater liability of directors.
Source: Doing Business database.

PROTECTING MINORITY INVESTORS

Figure 7.4 How easy is accessing internal corporate documents?

Ease of shareholder suits index (0-10)



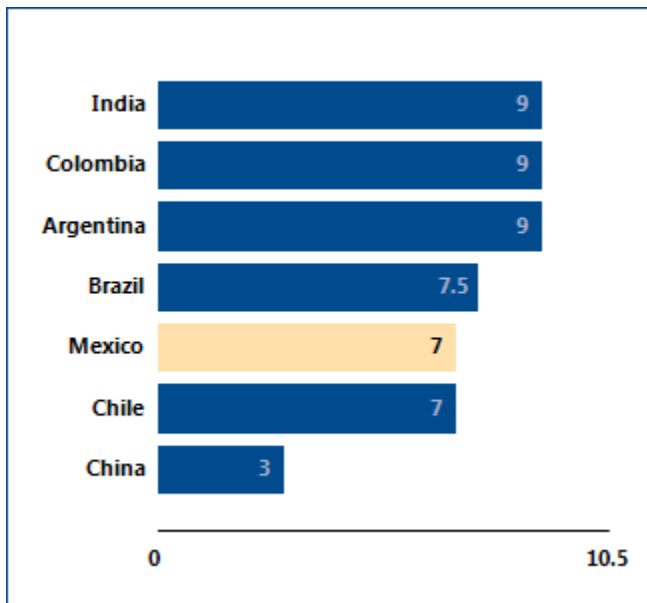
Note: Higher scores indicate greater minority shareholder access to evidence before and during trial.

Source: Doing Business database.

PROTECTING MINORITY INVESTORS

Figure 7.5 How extensive are shareholder rights?

Extent of shareholder rights index (0-10.5)

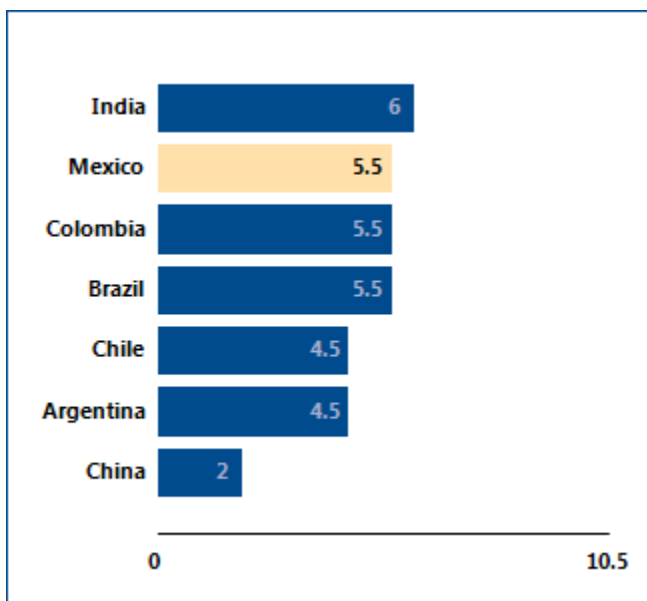


Note: The higher the score, the stronger the protections.

Source: Doing Business database.

Figure 7.6 How strong is the governance structure?

Strength of governance structure index (0-10.5)

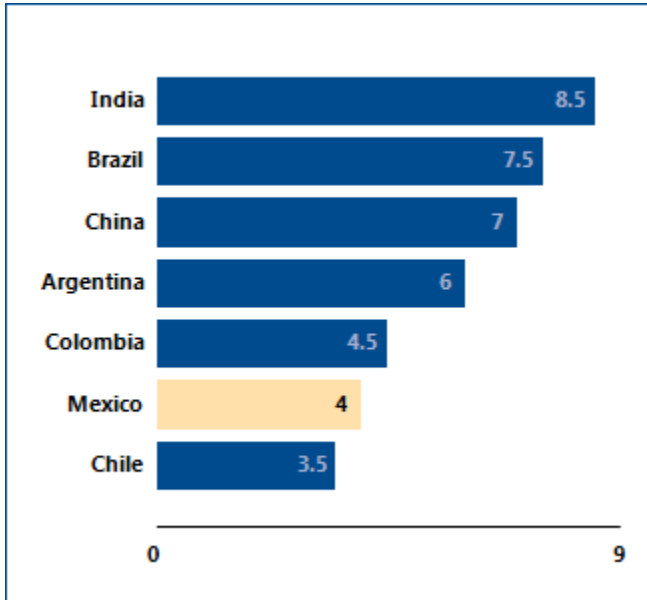


Note: Higher scores indicate more stringent governance structure requirements.

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

What are the details?

The protecting minority investors indicators reported here for Mexico 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 Mexico.

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

	Answer (Mexico City)	Score (Mexico City)	Answer (Monterrey)	Score (Monterrey)
Extent of disclosure index (0-10)		8.0		8.0
Which corporate body can provide legally sufficient approval for the Buyer-Seller transaction? (0-3)	Board of directors excluding interested members	2	Board of directors excluding interested members	2
Is disclosure by the interested director to the board of directors required? (0-2)	Existence of a conflict without any specifics	1	Existence of a conflict without any specifics	1
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	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	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)	Yes	1	Yes	1
Extent of director liability index (0-10)		5.0		5.0
Can shareholders sue directly or derivatively for the damage caused by the Buyer-Seller transaction to the company? (0-1)	Yes	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	Liable if unfair or prejudicial	2
Can shareholders hold members of the approving body liable for the damage caused by the transaction to the company? (0-2)	Liable if negligent	1	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	Yes	1
Must the interested director repay profits made from the transaction upon a successful claim by a shareholder	No	0	No	0

plaintiff? (0-1)				
Can both fines and imprisonment be applied against the interested indrector? (0-1)	No	0	No	0
Can a court void the transaction upon a successful claim by a shareholder plaintiff? (0-2)	Only in case of fraud or bad faith	0	Only in case of fraud or bad faith	0
Ease of shareholder suits index (0-10)		5.0		5.0
Before filing suit, can shareholders owning 10% of the company's share capital inspect the transaction documents? (0-1)	Yes	1	Yes	1
Can the plaintiff obtain any documents from the defendant and witnesses during trial? (0-3)	Documents that directly prove specific facts in the plaintiff's claim	2	Documents that directly prove specific facts in the plaintiff's claim	2
Can the plaintiff request categories of documents from the defendant without identifying specific ones? (0-1)	No	0	No	0
Can the plaintiff directly question the defendant and witnesses during trial? (0-2)	No	1	No	1
Is the level of proof required for civil suits lower than that of criminal cases? (0-1)	No	0	No	0
Can shareholder plaintiffs recover their legal expenses from the company? (0-2)	Yes if successful	1	Yes if successful	1
Strength of minority investor protection index (0-10)		5.8		5.8
Extent of conflict of interest regulation index (0-10)		6.0		6.0
Extent of shareholder rights index (0-10.5)		7.0		7.0
Can shareholders amend company bylaws or statutes with a simple majority?	Yes	1.5	Yes	1.5
Can shareholders owning 10% of the company's share capital call for an extraordinary meeting of shareholders?	Yes for listed companies	1	Yes for listed companies	1
Can shareholders remove members of the board of directors before the end of their term.	Yes	1.5	Yes	1.5
Must a company obtain its shareholders' approval every time it issues new shares?	Yes	1.5	Yes	1.5
Are shareholders automatically granted subscription rights on new shares?	Yes	1.5	Yes	1.5
Must shareholders approve the election and dismissal of the external auditor?	No	0	No	0
Can shareholders freely trade shares prior to a major corporate action or meeting of shareholders?	No	0	No	0
Strength of governance structure index (0-10.5)		5.5		5.5
Is the CEO barred from also serving as chair of the board of directors?	Yes	1.5	Yes	1.5
Must the board of directors include independent board members?	Yes for listed companies	1	Yes for listed companies	1
Must a company have a separate audit committee?	Yes for listed companies	1	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	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	Yes for listed companies	1

Is cross-shareholding between 2 independent companies limited to 10% of outstanding shares?	No	0	No	0
Is a subsidiary barred from acquiring shares issued by its parent company?	No	0	No	0
Extent of corporate transparency index (0-9)		4.0		4.0
Must ownership stakes representing 10% be disclosed?	No	0	No	0
Must information about board members' other directorships as well as basic information on their primary employment be disclosed?	Yes for listed companies	1	Yes for listed companies	1
Must the compensation of individual managers be disclosed?	No	0	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	Yes for listed companies	1
Must annual financial statements be audited by an external auditor?	Yes for listed companies	1	Yes for listed companies	1
Must audit reports be disclosed to the public?	Yes for listed companies	1	Yes for listed companies	1
Extent of shareholder governance index (0-10)		5.5		5.5

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 paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government.

⁵ The nonlinear distance to frontier for the total tax rate is equal to the distance to frontier for the total tax rate to the power of 0.8. The threshold is defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis. It is calculated and adjusted on a yearly basis. The threshold is not based on any economic theory 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 levied on medium-size enterprises in the manufacturing sector as observed through the paying taxes indicators. This reduces the bias in the indicators 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). This year’s threshold is 26.1%.

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

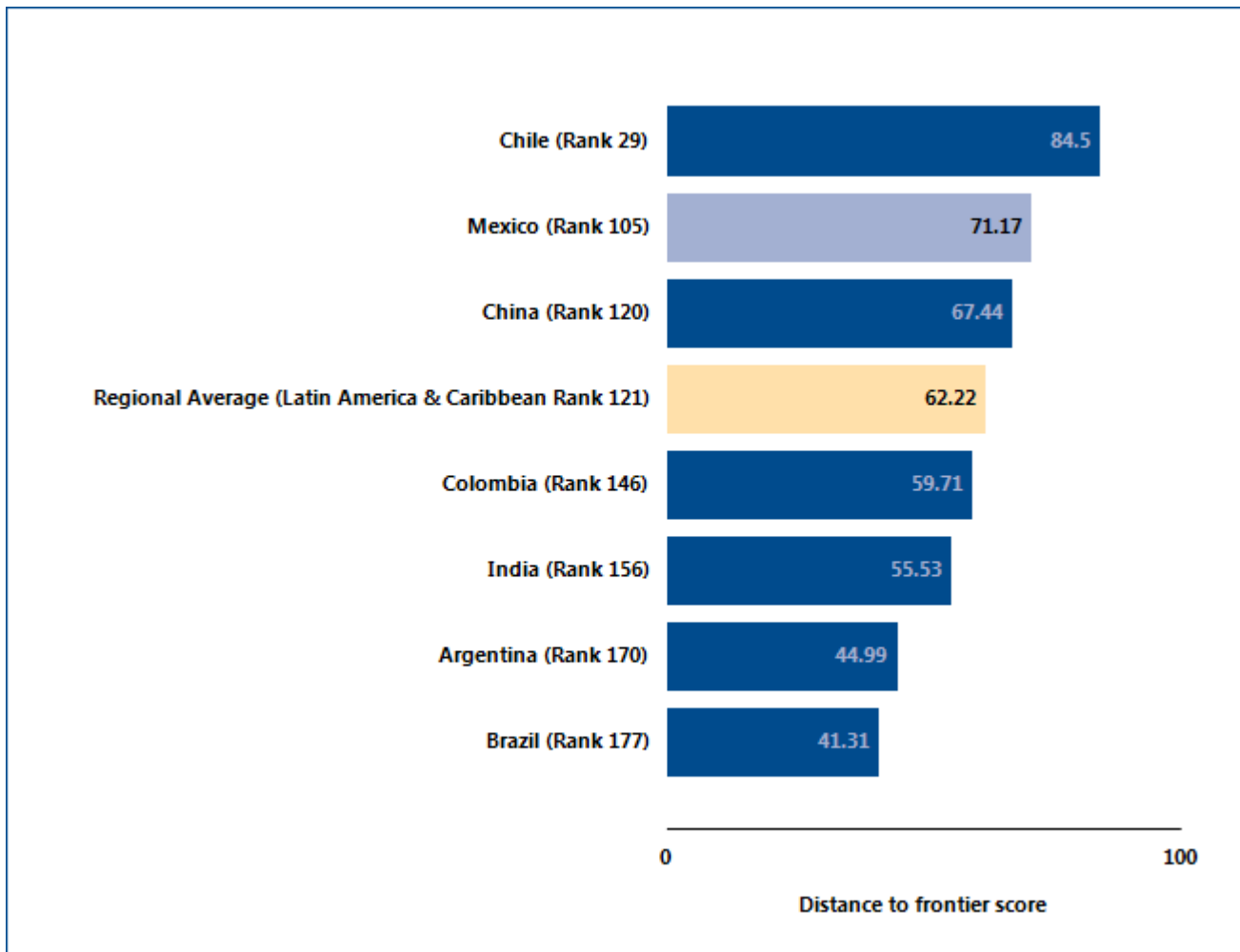
Where does the economy stand today?

What is the administrative burden of complying with taxes in Mexico—and how much do firms pay in taxes? On average, firms make 6.0 tax payments a year, spend 334.0 hours a year filing, preparing and paying taxes and pay total taxes amounting to 51.8% 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, Mexico stands at 105 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 Mexico.

Figure 8.1 How Mexico 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 Mexico (table 8.1)?

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

DB year	Reform
DB2010	Mexico made paying taxes easier for companies by introducing electronic payment systems for payroll, property and social security taxes.
DB2011	Mexico increased taxes on companies by raising several tax rates, including the corporate income tax and the rate on cash deposits. At the same time, the administrative burden was reduced slightly with more options for online payment and increased use of accounting software.
DB2012	Mexico continued to ease the administrative burden of paying taxes for firms by ending the requirement to file a yearly value added tax return and reduced filing requirements for other 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 Mexico 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: Mexico City, Monterrey

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

Mexico City: Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Corporate income tax	1	online filing	170	30%	taxable profit	25	
Employer paid - Social security contributions	1	online filing	64	various rates	gross salaries	23	
Employer paid - Payroll tax	1	online filing	0	2.5%	gross salaries	2.8	
Property tax	1	online filing	0	various rates	property value	0.9	
Vehicle tax	1	online filing	0	various rates	value of vehicle	0	
Business flat tax (IETU)	0	online filing	0	17.5%	IETU taxable profits	0	not included
Value added tax (VAT)	1	online filing	100	16%	sales price	0	not included
Employee paid - Social security contributions	0	paid jointly	0	various rates	gross salaries	0	withheld
Totals	6.0		334.0			51.7	

Monterrey: Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Corporate income tax	1	online filing	170	30%	taxable profit	24.8	
Employer paid - Social security contributions	1	online filing	64	various rates	gross salaries	23	
Employer paid - Payroll tax	1	online filing	0	3%	gross salaries	3.4	
Property tax	1	online filing	0	various rates	property value	0.9	
Vehicle tax	1	online filing	0	various rates	value of vehicle	0	
Business flat tax (IETU)	0	online filing	0	17.5%	IETU taxable profits	0	not included
Value added tax (VAT)	1	online filing	100	16%	sales price	0	not included
Employee paid - Social security contributions	0	paid jointly	0	various rates	gross salaries	0	withheld
Totals	6.0		334.0			52.1	

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

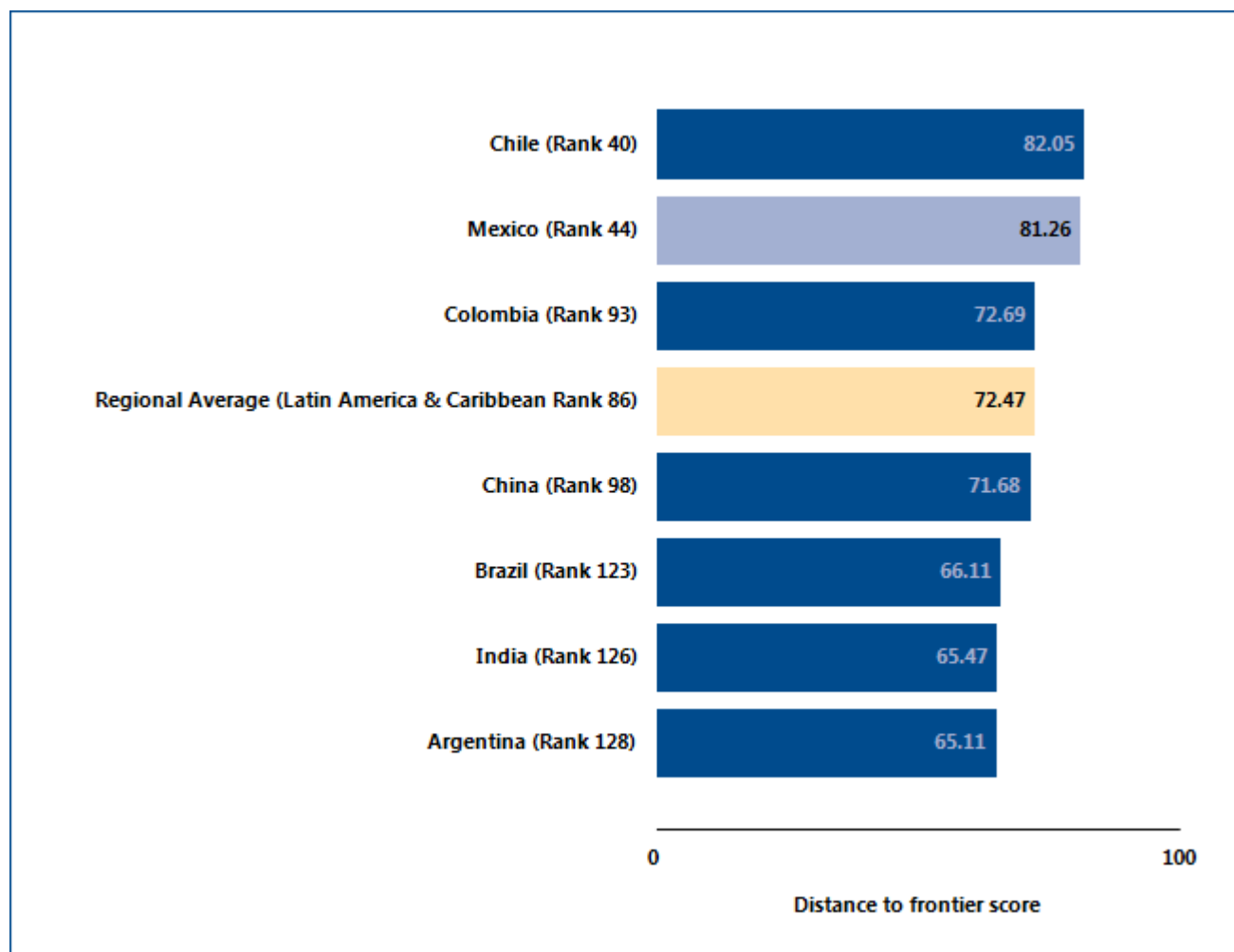
Where does the economy stand today?

What does it take to export or import in Mexico? According to data collected by *Doing Business*, exporting a standard container of goods requires 4 documents, takes 12.0 days and costs \$1499.3. Importing the same container of goods requires 4 documents, takes 11.2 days and costs \$1887.6 (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, Mexico stands at 44 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 Mexico to export and import goods.

Figure 9.1 How Mexico 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 Mexico (table 9.1)?

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

DB year	Reform
DB2014	Mexico made trading across borders easier by implementing an electronic single-window system.

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 Mexico 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 - Mexico City: Manzanillo (Import) and Veracruz (Export)

Port Name - Monterrey: Manzanillo (Import) and Altamira (Export)

City: Mexico City, Monterrey

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.

Stages to export	Mexico City		Monterrey	
	Time (days)	Cost (US\$)	Time (days)	Cost (US\$)
Customs clearance and inspections	2	150	3	370
Documents preparation	5	200	10	200
Inland transportation and handling	2	900	2	870
Ports and terminal handling	2	200	2	300
Totals	11	1,450	17	1,740

Stages to import	Mexico City		Monterrey	
	Time (days)	Cost (US\$)	Time (days)	Cost (US\$)
Customs clearance and inspections	2	300	2	300
Documents preparation	4	290	4	290
Inland transportation and handling	2	950	3	1,230
Ports and terminal handling	3	300	3	300
Totals	11	1,840	12	2,120

Documents to export

Bill of lading
Commercial invoice
Customs export declaration
Packing List

Documents to import

Bill of lading
Commercial invoice
Customs import declaration
Packing list

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

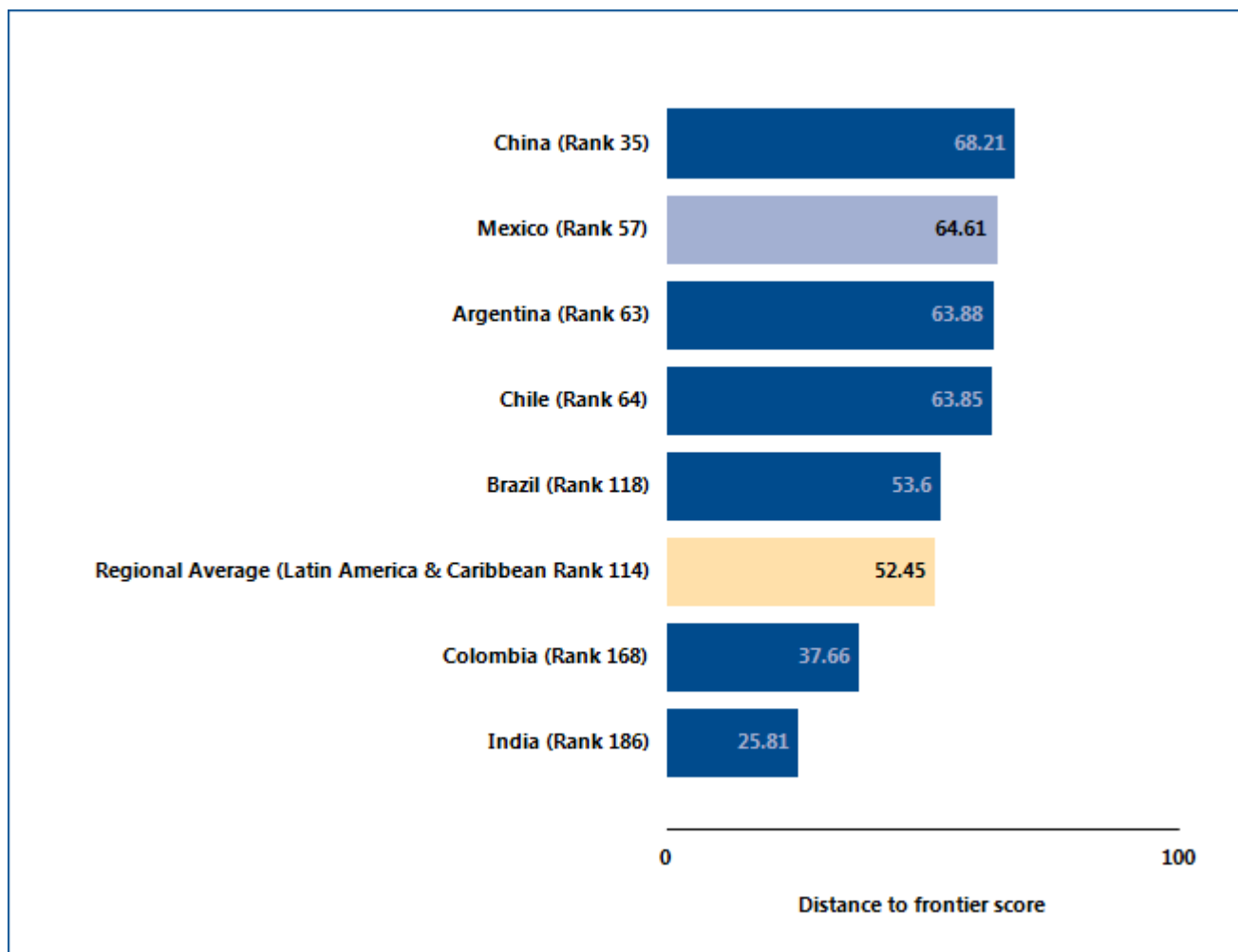
Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in Mexico? According to data collected by *Doing Business*, contract enforcement takes 388.9 days, costs 30.9% of the value of the claim and requires 36.8 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, Mexico stands at 57 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 Mexico.

Figure 10.1 How Mexico 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 Mexico (table 10.1)?

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

By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2014	Mexico made enforcing contracts easier by creating small claims courts, with oral proceedings, that can hear both civil and commercial cases.

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 Mexico 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 - Mexico City:	MXN 255,849
Claim value - Monterrey:	MXN 255,849
Court name - Mexico City:	Mexico City First Instance Oral Civil Court
Court name - Monterrey:	Monterrey First Instance Oral Civil Court
City:	Mexico City, Monterrey

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

Indicator	Mexico City	Monterrey	Latin America & Caribbean average
Time (days)	400	335	737
Filing and service	42	15	
Trial and judgment	175	160	
Enforcement of judgment	183	160	
Cost (% of claim)	31	30.4	30.6
Attorney cost (% of claim)	20	20.4	
Court cost (% of claim)	5	5	
Enforcement Cost (% of claim)	6	5	
Procedures (number)	37	36	40
Number of procedures (without bonus points)	37	37	
Specialized commercial courts			
Total number of procedures (including bonus points)	37	37	

No.	Mexico City Procedures
	Filing and service:
1	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).
2	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).
3	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).
4	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).
5	Attempt at physical delivery: An attempt to physically deliver summons and complaint to Defendant is made.
6	Second attempt at physical delivery: If a first attempt is not ordinarily successful, a second attempt to physically deliver the summons and complaint to Defendant is required by law or standard practice. (Check 'yes' only if a first attempt at physical delivery is not ordinarily successful)
*	Application for pre-judgment attachment: Plaintiff submits an application in writing for the attachment of Defendant's property prior to judgment.
*	Decision on pre-judgment attachment: Judge decides whether to grant Plaintiff's request for pre-judgment attachment of Defendant's property and notifies Plaintiff and Defendant of the decision.
7	Pre-judgment attachment order: Defendant's property is attached prior to judgment. Attachment order either involves physical attachment, or is achieved by freezing, registering, marking, or otherwise separating and restricting Defendant's movement of specific moveable assets.
8	Custody of assets attached prior to judgment: If physical attachment is ordered, Defendant's attached assets are placed in the custody or control of an enforcement officer or private bailiff.
	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

No.	Mexico City Procedures
*	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.
9	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.
10	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).
11	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.
12	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.
*	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).
14	Oral hearing (prevalent in civil law): The parties argue the merits of the case at an oral hearing before the judge. Witnesses and a court-appointed independent expert may be heard and questioned at the oral hearing.
15	Closing of the evidence period: The court makes the formal decision to close the evidence period.
16	Order for submission of final arguments: The judge sets a deadline for the submission of final factual and legal arguments.
*	Final arguments: The parties present their final factual and legal arguments to the court either by oral presentation or by a written submission.
17	Judgment date: The judge sets a date for delivery of the judgment.
18	Notification of judgment in court: The parties are notified of the judgment at a court hearing.
19	Writing of judgment: The judge produces a written copy of the judgment.
20	Registration of judgment: The court office registers the judgment after receiving a written copy of the judgment.
	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.
21	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.	Mexico City Procedures
22	Publication of judgment: The judgment is published in an official journal, gazette or local newspaper.
*	Plaintiff requests an enforcement order: Plaintiff applies to the court to obtain the enforcement order ('seal' on judgment).
23	Plaintiff advances enforcement fees: Plaintiff pays the fees related to the enforcement of the judgment.
24	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
25	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
26	Request to Defendant to comply voluntarily with judgment: Plaintiff, a court enforcement officer or a private bailiff requests Defendant to voluntarily comply with the judgment.
27	Identification of Defendant's assets by court official or Defendant for purposes of enforcement: The judge, a court enforcement officer, a private bailiff or the Defendant himself identifies Defendant's movable assets for the purposes of enforcing the judgment through a sale of Defendant's assets.
28	Contestation of selection of assets identified for sale: A party, Plaintiff or Defendant, which was not involved in the designation of the assets for attachment, contests the selection of assets for enforcement of judgment through a sale.
29	Plaintiff identifies Defendant's assets for attachment: Plaintiff identifies Defendant's assets for attachment.
30	Attachment: Defendant's movable goods are attached (physically or by registering, marking or separating assets).
31	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.
32	Valuation or appraisal of attached movable goods: The court or court-appointed valuation expert evaluates the attached goods.
33	Enforcement disputes before court: The enforcement of the judgment is delayed because Defendant opposes aspects of the enforcement process before the judge.
34	Call for public auction: Judge calls a public auction by, for example, advertising or publication in the newspapers.
35	Sale through public auction: The Defendant's movable property is sold at public auction.
36	Judge's decision on bids: Judge determines the adequacy of the bids presented at public auction.
37	Payment: Court orders that the proceeds of the public auction or the direct sale be delivered to Plaintiff.

No.	Monterrey Procedures
	Filing and service:

* 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

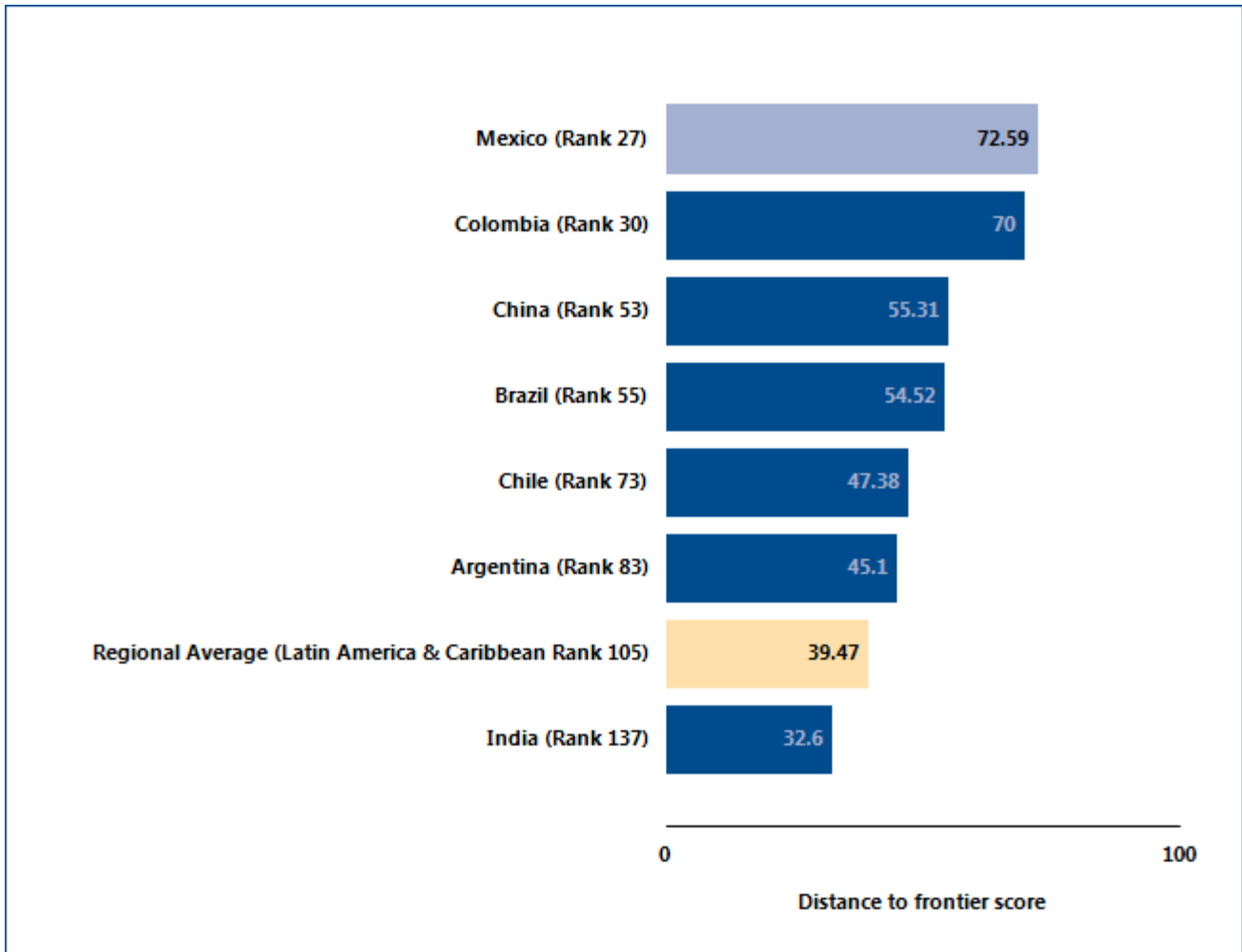
Where does the economy stand today?

Combination of quality regulations and efficient practice characterize the top-performing economies. How efficient are insolvency proceedings in Mexico? According to data collected by *Doing Business*, resolving insolvency takes 1.8 years on average and costs 18.0% 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 68.1 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*, Mexico scores 2.5 out of 3 points on the commencement of proceedings index, 5.5 out of 6 points on the management of debtor's assets index, 1.5 out of 3 points on the reorganization proceedings index, and 2.0 out of 4 points on the creditor participation index. Mexico's total score on the strength of insolvency framework index is 11.5 out of 16.

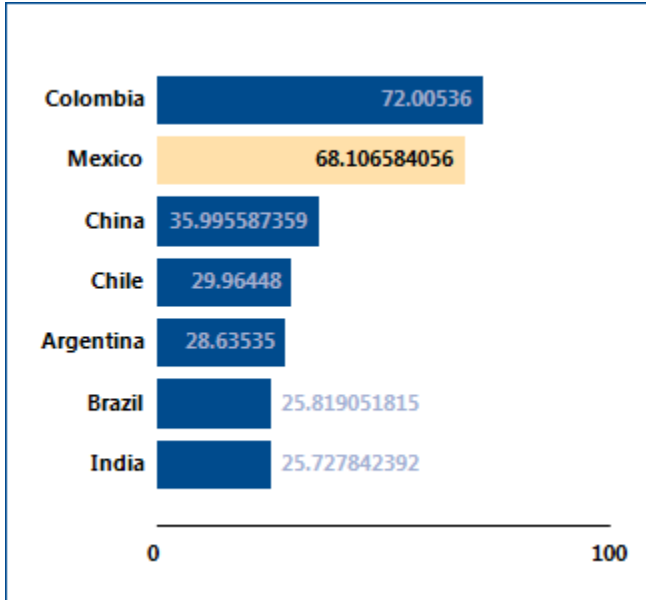
Globally, Mexico stands at 27 in the ranking of 189 economies on the ease of resolving insolvency (figure 11.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of insolvency proceedings in Mexico.

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



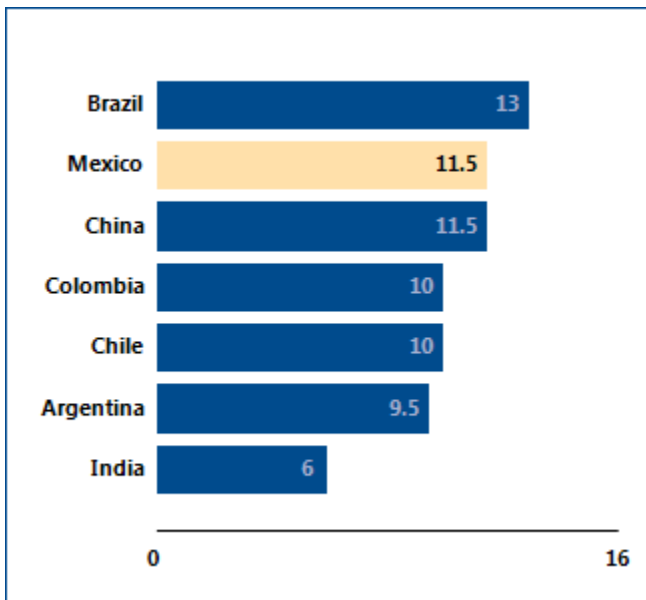
Source: Doing Business database.

Figure 11.2 Recovery Rate (0-100) - Mexico



Source: Doing Business database.

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



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 Mexico (table 11.1)?

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

By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2015	Mexico made resolving insolvency easier by clarifying several rules, shortening the time extensions allowed during reorganization, facilitating the electronic submission of documents and improving the legal rights of creditors and other parties involved in bankruptcy procedures. This reform applies to both Mexico City and Monterrey.

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 Mexico 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	Mexico City Data	Monterrey Data
Fixed-term contracts prohibited for permanent tasks?	Yes	Yes
Maximum length of a single fixed-term contract (months)	No limit	No limit
Maximum length of fixed-term contracts, including renewals (months)	No limit	No limit
Minimum wage applicable to the worker assumed in the case study (US\$/month)	174.50	174.50
Ratio of minimum wage to value added per worker	0.14	0.14

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	Mexico City Data	Monterrey Data
50-hour workweek allowed for 2 months a year in case of a seasonal increase in workload?	Yes	Yes
Maximum working days per week	6.0	6.0
Premium for night work (% of hourly pay)	0%	0%
Premium for work on weekly rest day (% of hourly pay)	25%	25%
Major restrictions on night work?	No	No
Major restrictions on weekly holiday?	No	No
Paid annual leave for a worker with 1 year of tenure (in working days)	6.0	6.0
Paid annual leave for a worker with 5 years of tenure (in working days)	14.0	14.0
Paid annual leave for a worker with 10 years of tenure (in working days)	16.0	16.0
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	12.0	12.0

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	Mexico City Data	Monterrey Data
Maximum length of probationary period (months)	1.0	1.0
Dismissal due to redundancy allowed by law?	Yes	Yes
Third-party notification if 1 worker is dismissed?	Yes	Yes
Third-party approval if 1 worker is dismissed?	Yes	Yes
Third-party notification if 9 workers are dismissed?	Yes	Yes
Third-party approval if 9 workers are dismissed?	Yes	Yes
Retraining or reassignment obligation before redundancy?	No	No
Priority rules for redundancies?	Yes	Yes
Priority rules for reemployment?	Yes	Yes

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)	Mexico City	Monterrey
	Data	Data
Notice period for redundancy dismissal for a worker with 1 year of tenure	0.0	0.0
Notice period for redundancy dismissal for a worker with 5 years of tenure	0.0	0.0
Notice period for redundancy dismissal for a worker with 10 years of tenure	0.0	0.0
Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	0.0	0.0
Severance pay for redundancy dismissal for a worker with 1 year of tenure	14.6	14.6
Severance pay for redundancy dismissal for a worker with 5 years of tenure	21.4	21.4
Severance pay for redundancy dismissal for a worker with 10 years of tenure	30.0	30.0
Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	22.0	22.0

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	Mexico City Data	Monterrey Data
Availability of unemployment protection scheme?	Yes	Yes
Health insurance existing for permanent employees?	Yes	Yes
Availability of courts or court sections specializing in labor disputes?	Yes	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.

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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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