

Doing Business 2011

Nicaragua

**Making
a Difference for
Entrepreneurs**

COMPARING BUSINESS REGULATION IN 183 ECONOMIES



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Doing Business 2011
Business Reforms

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

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

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

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

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

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

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

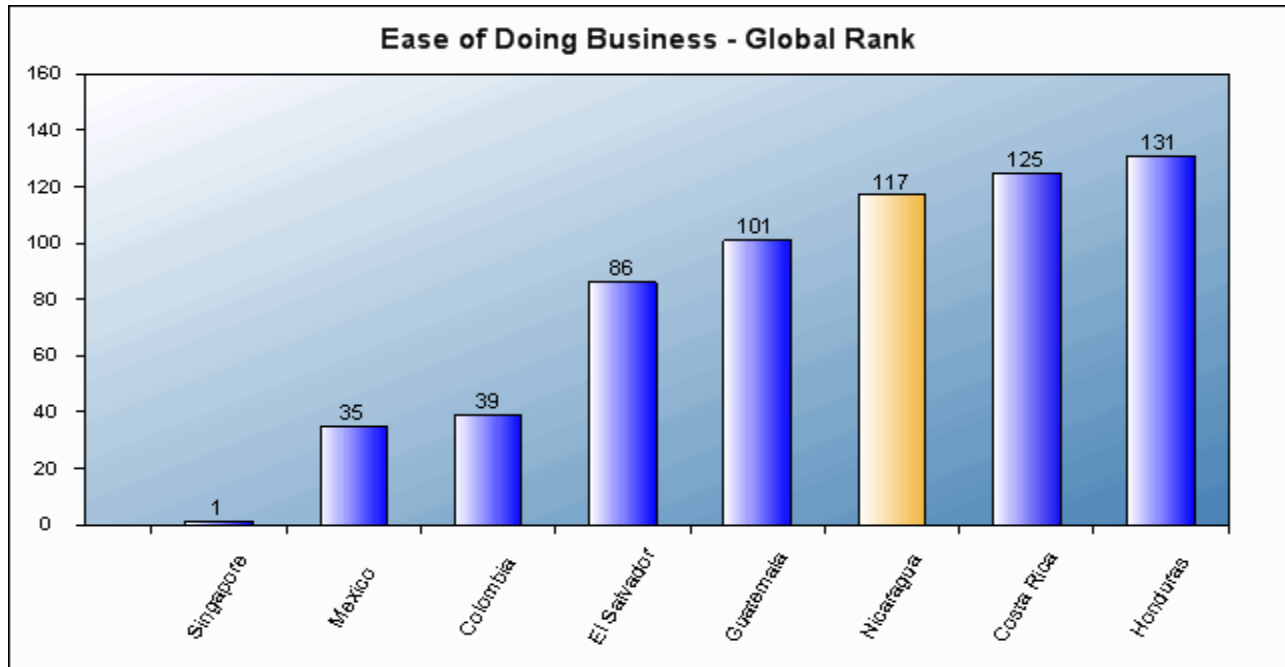
* Except for the Paying Taxes indicator that refers to the period January to December of 2009.

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

Economy Rankings - Ease of Doing Business

Nicaragua is ranked 117 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

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



Nicaragua's ranking in Doing Business 2011

Rank	Doing Business 2011
Ease of Doing Business	117
Starting a Business	97
Dealing with Construction Permits	138
Registering Property	142
Getting Credit	89
Protecting Investors	93
Paying Taxes	158
Trading Across Borders	85
Enforcing Contracts	66
Closing a Business	75

Summary of Indicators - Nicaragua

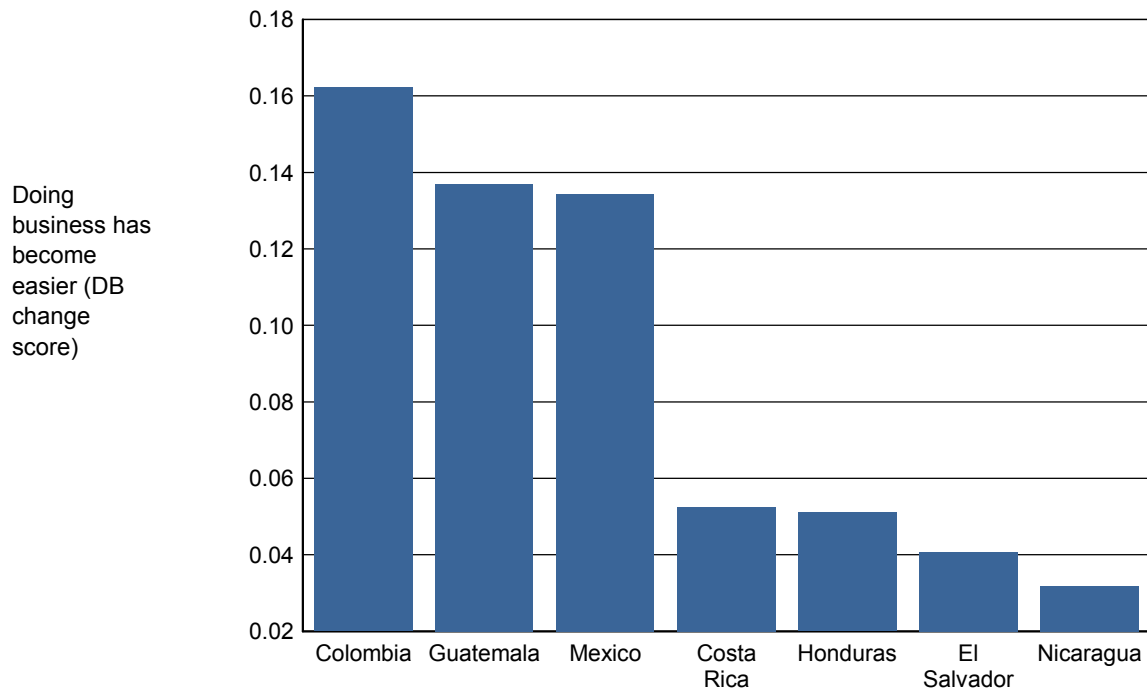
Starting a Business	Procedures (number)	6
	Time (days)	39
	Cost (% of income per capita)	117.9
	Min. capital (% of income per capita)	0.0
Dealing with Construction Permits	Procedures (number)	17
	Time (days)	219
	Cost (% of income per capita)	767.1
Registering Property	Procedures (number)	8
	Time (days)	124
	Cost (% of property value)	3.9
Getting Credit	Strength of legal rights index (0-10)	3
	Depth of credit information index (0-6)	5
	Public registry coverage (% of adults)	14.0
	Private bureau coverage (% of adults)	21.4
Protecting Investors	Extent of disclosure index (0-10)	4
	Extent of director liability index (0-10)	5
	Ease of shareholder suits index (0-10)	6
	Strength of investor protection index (0-10)	5.0
Paying Taxes	Payments (number per year)	64
	Time (hours per year)	222
	Profit tax (%)	24.8
	Labor tax and contributions (%)	19.2
	Other taxes (%)	19.2
	Total tax rate (% profit)	63.2
Trading Across Borders	Documents to export (number)	5
	Time to export (days)	26
	Cost to export (US\$ per container)	1140
	Documents to import (number)	5
	Time to import (days)	26
	Cost to import (US\$ per container)	1220

Enforcing Contracts	Procedures (number)	35
	Time (days)	540
	Cost (% of claim)	26.8
Closing a Business	Recovery rate (cents on the dollar)	33.7
	Time (years)	2.2
	Cost (% of estate)	15

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

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

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



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

Some reform outcomes

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

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

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

What does Starting a Business measure?

Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration
- Post registration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

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

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

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

- Deposited in a bank or with a notary prior to registration begins

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



Case Study Assumptions

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

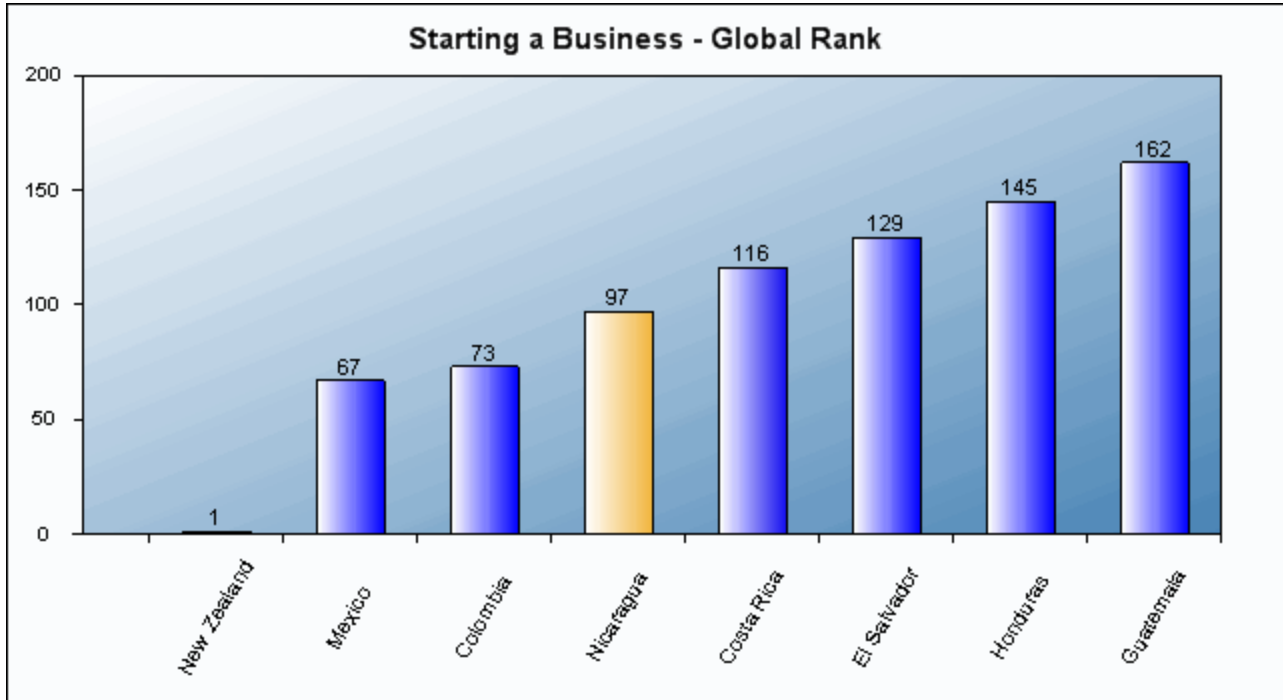
The business:

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

1. Benchmarking Starting a Business Regulations:

Nicaragua is ranked 97 overall for Starting a Business.

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



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

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

<i>Selected Economy</i>				
Nicaragua	6	39	117.9	0.0

<i>Comparator Economies</i>				
Colombia	9	14	14.7	0.0
Costa Rica	12	60	10.5	0.0
El Salvador	8	17	45.0	3.0
Guatemala	12	37	49.1	24.2
Honduras	13	14	47.2	17.5
Mexico	6	9	12.3	9.2

* The following economies are also good practice economies for :

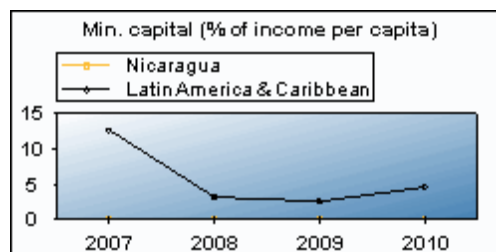
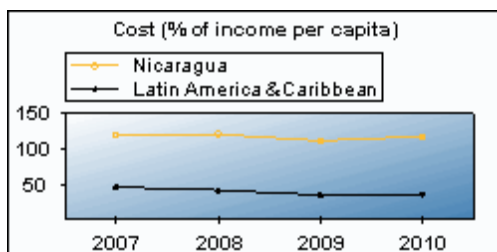
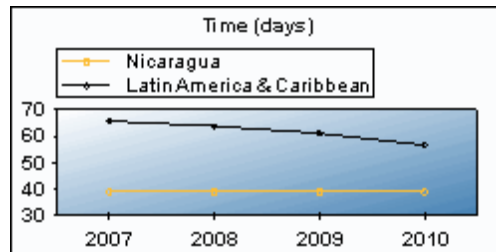
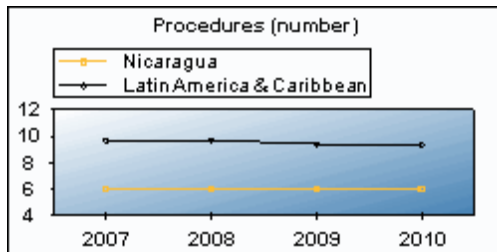
Procedures (number): Canada

Cost (% of income per capita): Slovenia

2. Historical data: Starting a Business in Nicaragua

Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	95	97
Procedures (number)	6	6	6	6
Time (days)	39	39	39	39
Cost (% of income per capita)	119.1	121.0	111.7	117.9
Min. capital (% of income per capita)	0.0	0.0	0.0	0.0

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



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



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

STANDARDIZED COMPANY

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

City: Managua

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Sign the incorporation papers before a notary public	3	USD 875
2	Buy company accounting books, corporate books, and invoices from a bookstore	1	USD 100
3	File incorporation statutes for commercial registration and apply for tax and municipal registration at the one-stop shop in Managua	30	USD 4,401
4	Pay the inscription fees	1	no charge
5	Register for general sales tax (Impuesto al Valor Agregado, IVA) at the local Administración de Rentas; register accounting books	2	no charge
6	Register for social security and public health with Instituto Nicaragüense de Seguridad Social (INSS)	2	no charge

Starting a Business Details - Nicaragua

Procedure 1 Sign the incorporation papers before a notary public

Time to complete: 3

Cost to complete: USD 875

Comment: The documents of incorporation and the company bylaws must be drafted by a notary public. It is customary to include the company bylaws in the document of incorporation. Most notaries will also perform the remaining steps (explained in the following steps) in the incorporation process, for a fee of USD 200 (average). The notary cost is USD 750–1,000.

Procedure 2 Buy company accounting books, corporate books, and invoices from a bookstore

Time to complete: 1

Cost to complete: USD 100

Comment: All companies must keep four corporate books: two accounting books (diary and ledger) and two corporate books (minutes book and shares book). Invoices must meet printing legal requirements including company information. The books and initial invoices would cost approximately USD 100.

Procedure 3 File incorporation statutes for commercial registration and apply for tax and municipal registration at the one-stop shop in Managua

Time to complete: 30

Cost to complete: USD 4,401

Comment: In January 2004, the government created in the Ministry of Commerce (Ministerio de Fomento, Industria y Comercio) a one-stop shop, the Unique Office for Investment (Ventanilla Unica de Inversiones), in which companies can file commercial and tax registrations. The one-stop shop cannot process any registrations but forwards the documentation daily to the relevant agencies. The one-stop shop provides information on four procedures and rationalizes them: (a) company registration; (b) tax registration at the Dirección General de Ingresos (DGI); (c) municipal registration; and (d) for foreign companies, the Foreign Secretary (Secretario Exterior).

The cost for commercial registration is 1% of capital (with a minimum of NIO 500, maximum of NIO 20,000) and the following fees:

- Inscription of constitution of internal books: NIO 60.
- Registration fee for books: up to 50 pages is NIO 25.00; up to 100 pages is NIO 50.00.
- Application: NIO 100.
- Registration of power of attorney (if applicable): NIO 110.
- Form for municipal license (matricula): NIO 5.
- Municipal license: for social capital lower than NIO 50,000 is NIO 500; higher than NIO 50,000 is 1% of capital.
- Municipal license document (constancia de matricula): 1% of license fee.

The payment must be made in any bank, and the payment receipt must be presented at the one-stop shop. Regardless whether the company has income, it must declare before the Nicaraguan Tax Authority (DGI) each month. If the company has no sales, it will not pay any taxes. However, it will have to pay the fees for the services performed by their representative in Nicaragua before the

DGI. Fees are USD 5.

Registration with the City Hall (Alcaldia) of Managua: Regardless of whether the company has sales, it must declare before the City Hall each month. If the company has no sales it will not pay any taxes; it will pay only the fees for the services performed by their representative in Nicaragua.

Procedure 4 Pay the inscription fees

Time to complete: 1

Cost to complete: no charge

Comment: Fees must be paid into any bank and the receipt presented to the one-stop shop (see Procedure 5).

Procedure 5 Register for general sales tax (Impuesto al Valor Agregado, IVA) at the local Administración de Rentas; register accounting books

Time to complete: 2

Cost to complete: no charge

Comment: Companies with an annual income higher than NIO 240,000 will be levied general sales tax (impuesto al valor agregado, IVA). The accounting books must be registered at the local office of the Tax Collector's Office (Administración de Rentas).

Procedure 6 Register for social security and public health with Instituto Nicaragüense de Seguridad Social (INSS)

Time to complete: 2

Cost to complete: no charge

Comment:

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

Some reform outcomes

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

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

What does the Dealing with Construction Permits indicator measure?

Procedures to legally build a warehouse (number)

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Completing all required notifications and receiving all necessary inspections
- Obtaining utility connections for electricity, water, sewerage and a land telephone line
- Registering the warehouse after its completion (if required for use as collateral or for transfer of warehouse)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

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

- Official costs only, no bribes

Case Study Assumptions

The business:

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

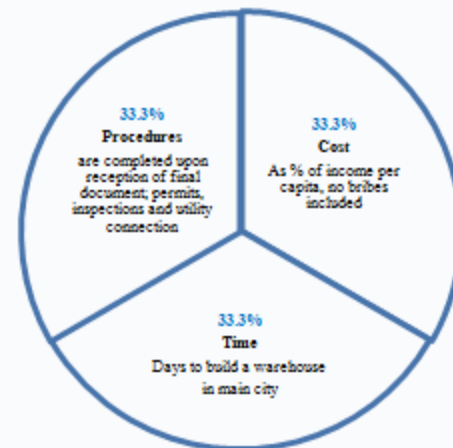
The warehouse:

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

Dealing with Construction Permits:

Building a warehouse

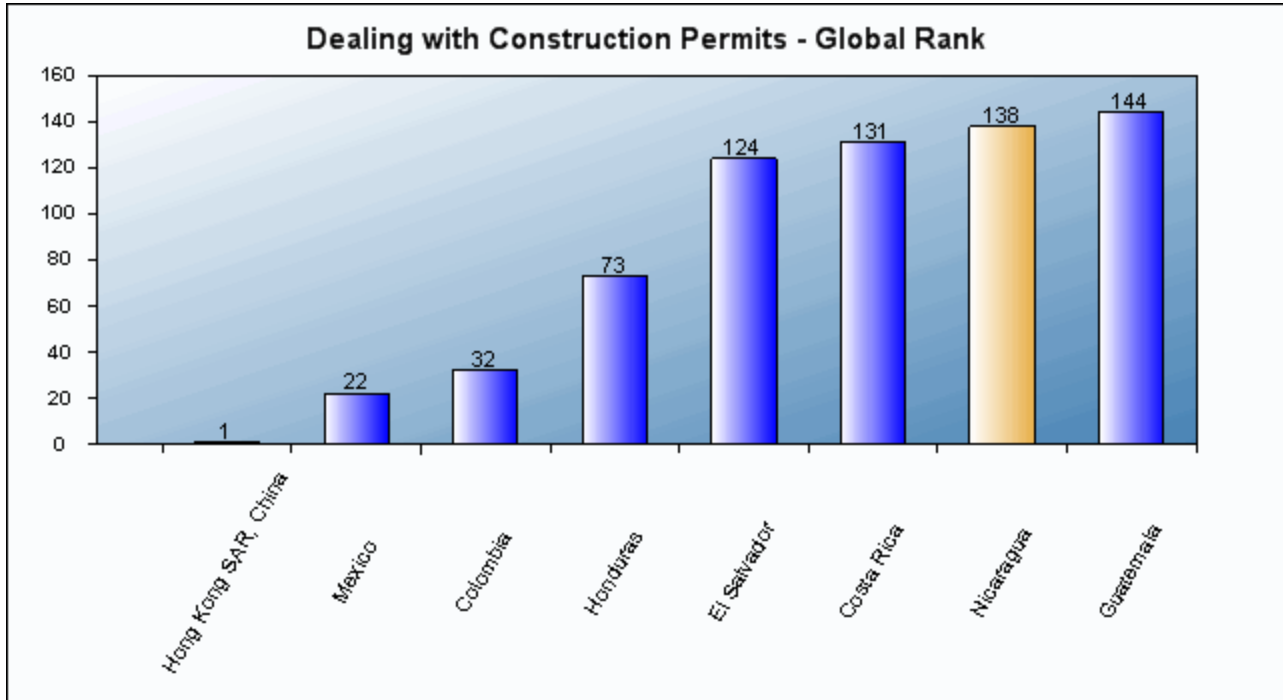
Rankings are based on 3 subindicators



1. Benchmarking Dealing with Construction Permits Regulations:

Nicaragua is ranked 138 overall for Dealing with Construction Permits.

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



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

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

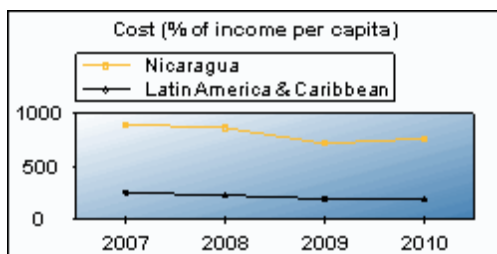
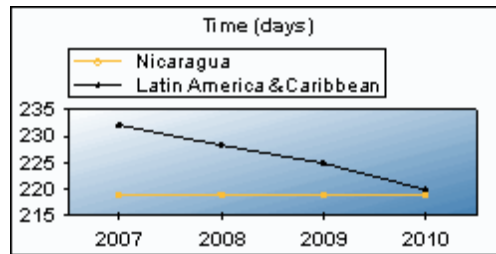
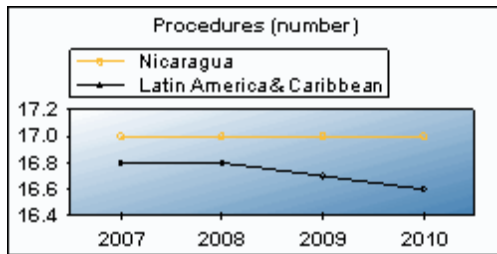
<i>Selected Economy</i>			
Nicaragua	17	219	767.1

<i>Comparator Economies</i>			
Colombia	10	50	405.9
Costa Rica	23	191	172.2
El Salvador	34	155	171.7
Guatemala	22	178	599.4
Honduras	17	106	469.3
Mexico	11	105	117.0

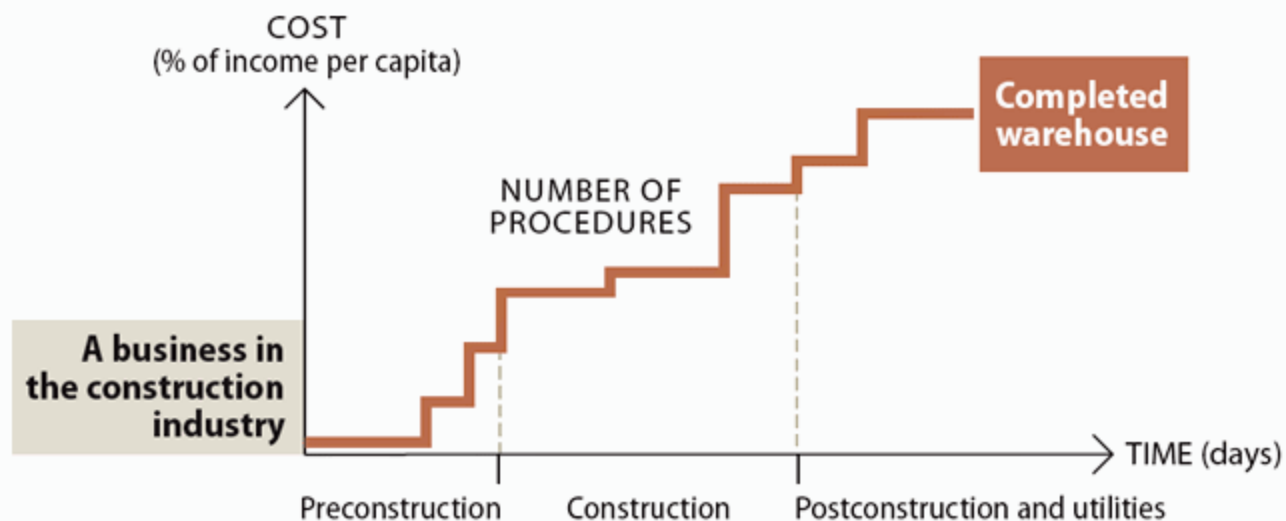
2. Historical data: Dealing with Construction Permits in Nicaragua

Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	137	138
Procedures (number)	17	17	17	17
Time (days)	219	219	219	219
Cost (% of income per capita)	898.6	866.0	719.3	767.1

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



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



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

BUILDING A WAREHOUSE

City: Managua

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Request and obtain consultations with the municipality of Managua (Alcaldía de Managua, ALMA) regarding Urban Plans	7 days	no charge
2	Request and obtain occupancy permit (constancia de uso de suelo) from the municipality of Managua (Alcaldía de Managua, ALMA)	40 days	NIO 500
3	Request feasibility analysis from the ENACAL and UNION FENOSA, at the ALMA (one-stop shop)	15 days	NIO 2,800
4	Request and obtain preliminary design approval from the ALMA	25 days	NIO 1,000
5	Request and obtain project approval, INE approval (electrical power), and ENACAL approval (water and sewage), all at the ALMA (one-stop shop)	30 days	NIO 9,212
6	Request and obtain approval from the DGB (Dirección General de Bomberos)	15 days	NIO 3,902
7	Request and obtain a building permit from the ALMA	20 days	NIO 74,522

8	Request fire and electricity inspection	1 day	no charge
9 *	Receive a fire and electricity inspection	1 day	no charge
10 *	Connect to electrical power through Union FENOSA	15 days	NIO 60,000
11 *	Request and connect to water and sewage services	45 days	NIO 3,000
12 *	Request and connect to a fixed telephone line	22 days	NIO 2,920
13	Receive an inspection by the municipality	1 day	no charge
14	Receive an inspection by the Ministry of Labor	1 day	no charge
15	Receive an inspection by the National Commission of Hygiene and Occupational Safety	1 day	no charge
16	Receive an inspection by the National Social Security Institute	1 day	no charge
17	Register the building with the Real Estate Appraisal Office (Avalúo de Bienes Inmuebles, ALMA)	15 days	no charge

* Takes place simultaneously with another procedure.

Dealing with Construction Permits Details - Nicaragua

Procedure 1 Request and obtain consultations with the municipality of Managua (Alcaldía de Managua, ALMA) regarding Urban Plans

Time to complete: 7 days

Cost to complete: no charge

Agency: Municipality of Managua

Comment: It is common practice to have an initial consultation with the Technical Urban Planning Committee (Comité Técnico Urbanístico) to verify all conditions before submitting any document.

Procedure 2 Request and obtain occupancy permit (constancia de uso de suelo) from the municipality of Managua (Alcaldía de Managua, ALMA)

Time to complete: 40 days

Cost to complete: NIO 500

Agency: Municipality of Managua

Comment: After the certificate is received, a record number is created (to be used for the following procedures until the project is approved). The documents to be submitted at this stage are an application form, a copy of the location map, a site map, and the cadastral number of the property.

If the applicant does not agree with the decision, an appeal may be filed with the Technical Urban Planning Committee (Comité Técnico Urbanístico).

Procedure 3 Request feasibility analysis from the ENACAL and UNION FENOSA, at the ALMA (one-stop shop)

Time to complete: 15 days

Cost to complete: NIO 2,800

Agency: Alcaldía de Managua - ALMA (One-stop Shop)

Comment: A feasibility analysis from the Union FENOSA is required to determine whether the site can be connected to the electrical network. The following documents are needed: the (original) location map, a specification of the electrical capacity to be installed, and the estimated starting date of construction work.

The feasibility analysis is done at no charge, while the pressure measurement costs NIO 500 and other costs come to NIO 2,800.

A feasibility analysis (ENACAL) is required to determine whether the site can be connected to water and sewerage services. If no sewage system exists, an alternative would be a treatment system approved by the MARENA (Environmental Impact Assessment, Ministry of the Environment and Natural Resources).

The documents to be submitted are an application form, the land use certificate, a project description (physical modulation and activities), a plot plan on a scale of 1:10,000, the water demand and use statement, and specifications of the inflow rate and the sewage characteristics.

Procedure 4 Request and obtain preliminary design approval from the ALMA

Time to complete: 25 days

Cost to complete: NIO 1,000

Agency: Alcaldía de Managua - ALMA (One-stop Shop)

Comment: The company must obtain an approval stating that the proposed preliminary designs conform to the Regulating Plan of the Municipality of Managua and to the land-use certificate.

The required documents are the land-use certificate; a notarized deed certifying ownership of the land; the feasibility analyses by the Nicaraguan Institute of Energy (INE) and the Nicaraguan Company of Water and Sewage (ENACAL); a local fault study endorsed by the Nicaraguan Institute of Territorial Studies INETER, if required by the land use certificate; and two sets of maps, each consisting of a location map on a scale of 1:10,000; a site map on a scale of 1:10,000, 1:500, or 1:200; a contour map; an architectural layout; exterior work drawings; and area frames.

Procedure 5 Request and obtain project approval, INE approval (electrical power), and ENACAL approval (water and sewage), all at the ALMA (one-stop shop)

Time to complete: 30 days

Cost to complete: NIO 9,212

Agency: Alcaldía de Managua - ALMA (One-stop Shop)

Comment: A project approval is a decision stating that the project conforms to the Regulating Plan of the Municipality of Managua. The fee for obtaining the approval is NIO 3 per square meter, and payment can be made either in cash or in two equal installments. The required documents are three sets of plans and the approved preliminary designs.

Union FENOSA provides a review, design approval, and authorization, and issues a decision stating that the proposed project conforms with the Manual of Norms of Construction of Distribution (Manual de Normas de Construcción de Distribución) of the Unión FENOSA, the electrical power supply company. The following documents are required:

- Design license.
- Electrical specifications.
- Stack-out sheet.
- List of materials.
- Project drawings.
- Photocopy of the electrical power and light contract.
- Photocopy of the feasibility certificate.

The INE approves projects that involve heating system or the use of hydrocarbon materials for this purpose.

The ENACAL approval certificate covers the project conceptualization and indicates that the project is compliant with the standards and regulations. The required documents are a project identification title page, topographic maps, an urban development plan, an existing infrastructure plan, design drawings, detail drawings, and a descriptive report.

Procedure 6 Request and obtain approval from the DGB (Dirección General de Bomberos)

Time to complete: 15 days

Cost to complete: NIO 3,902

Agency: Dirección General de Bomberos (DGB)

Comment: Indoor electrical layout drawings must be reviewed and be found to conform to all fire protection standards. For construction projects with commercial and service purposes, the fee is NIO 3 per square meter.

The required documents are electrical installation layouts, fire protection system plans, safety measures, or plans provided for the construction work. Because the national firefighting system (SINACOI) no longer exists, the institution in charge of this procedure is now DGB (Dirección General de Bomberos).

Procedure 7 Request and obtain a building permit from the ALMA

Time to complete: 20 days

Cost to complete: NIO 74,522

Agency: Alcaldía de Managua - ALMA (One-stop Shop)

Comment: The building permit authorizes the start of construction.

The cost of a building permit includes a tax of 1.1 % of the total market value of the construction (NIO 70,620.20, in this case). This tax must be paid in full at the start of construction work.

Buildings are also subject to an inspection fee, as follows:

- NIO 2 per square meter for areas between 100 and 200 sq. m.
- NIO 3 per square meter for areas between 201 and 1,000 sq. m. (in the case considered here, $\text{NIO } 3 \times 1,300.6 = \text{NIO } 3,901.80$).

The required documents are a project approval, an annual real estate tax (solventia de bienes inmuebles), the registration number with ALMA (the business registration), a tax clearance certificate (solventia municipal) for the project owner and builder, a builder's license granted by the Ministry of Transportation and Infrastructure (Ministerio de Transporte e Infraestructura, MTI), the builder's signature on the construction plans, bank guarantees, and official payment receipts. The building permit carries the same weight as a public deed.

Inspections may occur during construction. However, these are rare due to a shortage of inspectors. Even if an inspection is carried out, the inspector would simply verify that the building permit is valid.

Procedure 8 Request fire and electricity inspection

Time to complete: 1 day

Cost to complete: no charge

Agency: Dirección General de Bomberos (DGB)

Comment: The cost of a fire and electricity inspection is included in the inspection fee, which is paid at the Dirección General de Bomberos (DGB). A site visit may be scheduled, but it is not a rigid procedure.

Procedure 9 Receive a fire and electricity inspection

Time to complete: 1 day

Cost to complete: no charge
Agency: Dirección General de Bomberos (DGB)
Comment:

Procedure 10 Connect to electrical power through Union FENOSA

Time to complete: 15 days
Cost to complete: NIO 60,000
Agency: Unión FENOSA, ALMA
Comment: This cost covers only the connection of the meter to the public electrical grid and will be refunded to the owner. It is a security deposit.

Procedure 11 Request and connect to water and sewage services

Time to complete: 45 days
Cost to complete: NIO 3,000
Agency: ENACAL (Empresa Nicaraguense de Acueductos y Alcantarillados), ALMA
Comment: This cost covers the installation and can be higher or lower depending on a possible rupture of pipelines.

Procedure 12 Request and connect to a fixed telephone line

Time to complete: 22 days
Cost to complete: NIO 2,920
Agency: ENITEL
Comment: For telephone service connection, the following steps must be taken:
1. Apply for a new telephone line at ENITEL (cell phone provider).
2. Submit an identity card.
3. Complete a form.
4. Pay USD 45 for the procedure, which may take up to a month.

If no telephone line is available, the money is refunded. Otherwise, the remainder of the installation fee must be paid, which in this case would be USD 135. Thus, the total cost amounts to USD 180.

Another option would be to buy a cellular phone or a cellular telephone plan, with either a post-payment plan (12 to 50 minutes, free equipment, pre-paid cards) or a pre-payment plan (coded cards costing between USD 5 and USD 50 and equipment costing from USD 99 to USD 300).

Procedure 13 Receive an inspection by the municipality

Time to complete: 1 day

Cost to complete: no charge

Agency: Municipality

Comment: Municipal inspection is a random inspection that may occur at least once during the 30-week construction period. Thus, no request is needed. An inspection report is drafted and provided to the company. The construction work is not stopped during the inspection, and no costs are associated with this procedure.

Procedure 14 Receive an inspection by the Ministry of Labor

Time to complete: 1 day

Cost to complete: no charge

Agency: Ministry of Labor

Comment: Inspection by the Ministry of Labor is a random inspection that may occur at least once during the 30-week construction period. Thus, no request is needed. An inspection report is drafted and provided to the company. The construction work is not stopped during the inspection, and no costs are associated with this procedure.

Procedure 15 Receive an inspection by the National Commission of Hygiene and Occupational Safety

Time to complete: 1 day

Cost to complete: no charge

Agency: National Commission of Hygiene and Occupational Security

Comment: Inspection by the National Commission of Hygiene and Occupational Safety is a random inspection that may occur at least once during the 30-week construction period. Thus, no request is needed. An inspection report is drafted and provided to the company. The construction is not stopped during the inspection, and no costs are associated with this procedure.

Procedure 16 Receive an inspection by the National Social Security Institute

Time to complete: 1 day

Cost to complete: no charge

Agency: National Social Security Institute

Comment: Inspection by the National Social Security Institute is a random inspection that may occur at least once during the 30-week construction period. Thus, no request is needed. An inspection report is drafted and provided to the company. The construction work is not stopped during the inspection, and no costs are associated with this procedure.

Procedure 17 Register the building with the Real Estate Appraisal Office (Avalúo de Bienes Inmuebles, ALMA)

Time to complete: 15 days

Cost to complete: no charge

Agency: Real Estate Appraisal Office (Avalúo de Bienes Inmuebles), ALMA

Comment:

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. *Doing Business* records the full sequence of procedures necessary for a business to purchase a property from another business and transfer the property title to the buyer's name. In the past 6 years 105 economies undertook 146 reforms making it easier to transfer property. Globally, the time to transfer property fell by 38% and the cost by 10% over this time. The most popular feature of property registration reform in these 6 years, implemented in 52 economies, was lowering transfer taxes and government fees.

Some reform outcomes

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

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

What does the Registering Property indicator measure?

Registering Property: transfer of property between 2 local companies

Rankings are based on 3 subindicators

Procedures to legally transfer title on immovable property (number)

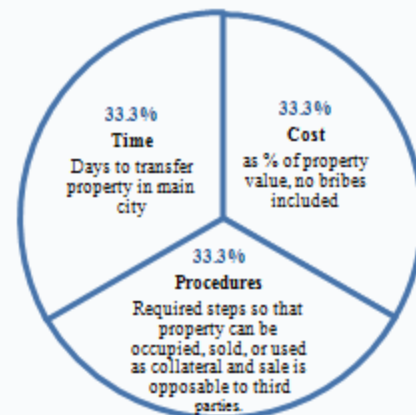
- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Post registration (for example, transactions with the local authority, tax authority or cadastre)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior personal contact with officials

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

- Official costs only, no bribes
- No value added or capital gains taxes included



Case Study Assumptions

The parties (buyer and seller):

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

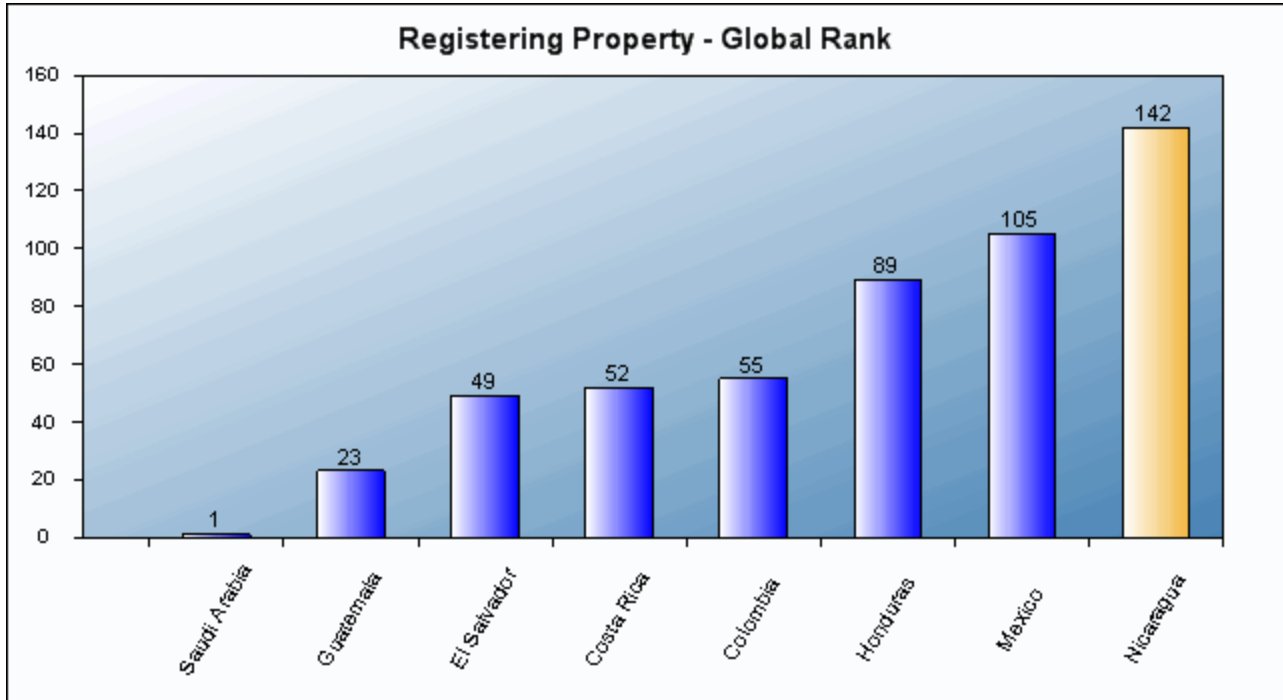
The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of a 557.4 square meters (6,000 square feet) land and 10 years old 2-story warehouse of 929 square meters (10,000 square feet) located on the land. The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

1. Benchmarking Registering Property Regulations:

Nicaragua is ranked 142 overall for Registering Property.

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



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

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

<i>Selected Economy</i>			
Nicaragua	8	124	3.9

<i>Comparator Economies</i>			
Colombia	7	20	2.0
Costa Rica	6	21	3.4
El Salvador	5	31	3.8
Guatemala	4	23	1.0
Honduras	7	23	5.5
Mexico	5	74	5.2

* The following economies are also good practice economies for :

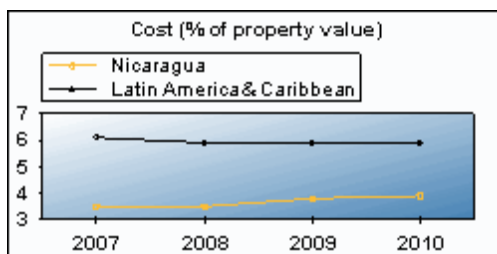
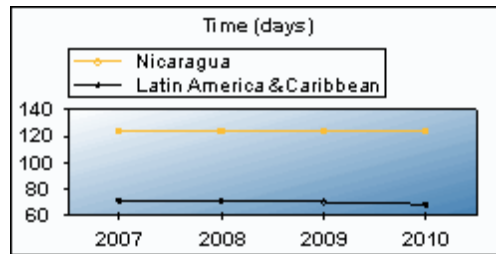
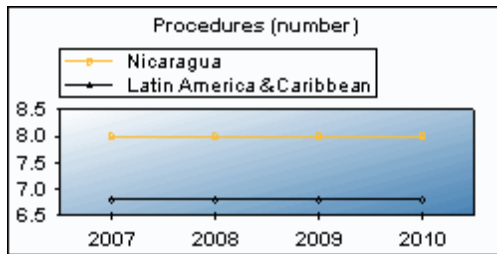
Procedures (number): United Arab Emirates

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

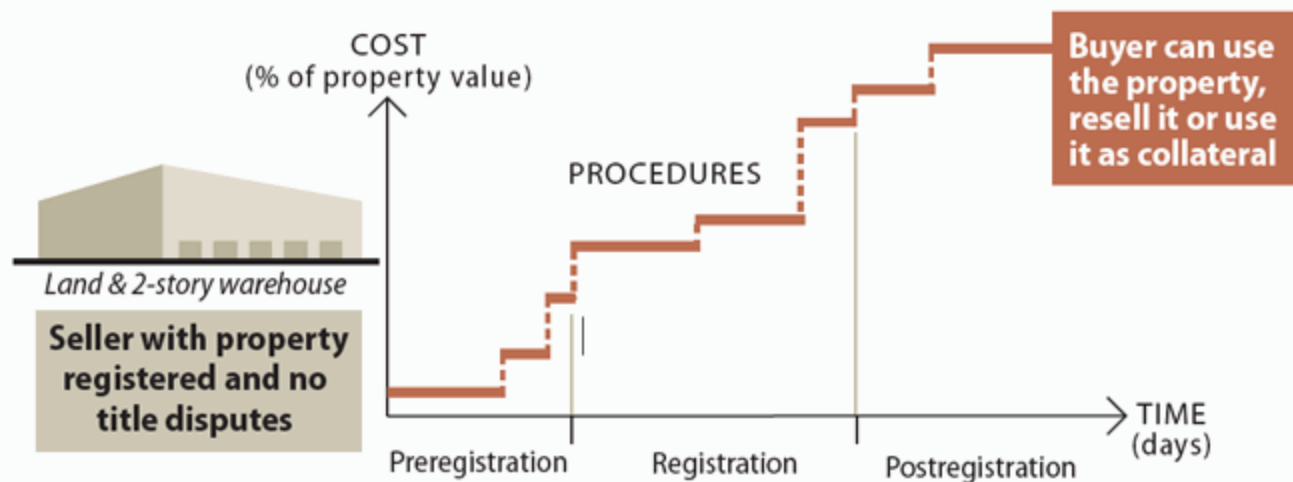
2. Historical data: Registering Property in Nicaragua

Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	144	142
Procedures (number)	8	8	8	8
Time (days)	124	124	124	124
Cost (% of property value)	3.5	3.5	3.8	3.9

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



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



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

STANDARDIZED PROPERTY

Property Value: 1,028,958.76

City: Managua

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1 *	Obtain a non-encumbrance certificate ("Libertad de gravamen") from Land registry	5 days (simultaneous with procedure 2)	NIO 50
2 *	Obtain tax clearance from the Municipality	1 day (simultaneous with procedure 1)	NIO 20
3	A notary prepares and signs the public deed	2 days	1.5 – 2.0% of property value (notary's fees)
4	Obtain the Cadastre Certificate and valuation at the Cadastre	14 – 21 days	Cadastre Certificate NIO 300 + Cadastral valuation constancy NIO 100
5	Inspector visits property to assess value	7 days	no cost (but must provide transportation to inspector)

6	Payment of Income/Transfer Tax	1 day	NIO 24 + sliding scale: 1% for properties with a value between US\$1.00 and US\$50,000.00, 2% for values between US\$50,000.01 and US\$100,000.00 and 3% for values above US\$100,000.01
7	The documents obtained from the Office of Cadastre are inserted in the public deed	1 day	NIO 200 (Notary's fees)
8	Apply for registration of the public deed at the Land Registry	90 days	1% of cadastral value (registration fee) + NIO 500 (Notary's fees)

* Takes place simultaneously with another procedure.

Registering Property Details - Nicaragua

Procedure	1	Obtain a non-encumbrance certificate ("Libertad de gravamen") from Land registry
Time to complete:		5 days (simultaneous with procedure 2)
Cost to complete:		NIO 50
Agency:		Land registry (Registro Público de la Propiedad Inmueble y Mercantil)
Comment:		The non-encumbrance certificate is an official document that shows all the owners of the real property since its first annotation or since the time that the interested person wants to know. The certificate must be obtained by the seller before starting the transaction formally. The "certificado a manera de título" (cost of NIO 100) can also be obtained from the registry, if the original title has been lost. The "certificado de historia registral" (cost NIO 100 + NIO 50 for every additional past transaction) that list all previous transactions related to the property can also be obtained.
Procedure	2	Obtain tax clearance from the Municipality
Time to complete:		1 day (simultaneous with procedure 1)
Cost to complete:		NIO 20
Agency:		Municipality
Comment:		A tax clearance certificate (Municipal Solvency) must be obtained by the seller from the municipality. The timing of 1 day assumes that the seller is up-to-date with tax payments on the property, and that he pays a fee of NIO 20. If he were to wait till the next business day to obtain it, it would be free of charge.
Procedure	3	A notary prepares and signs the public deed
Time to complete:		2 days
Cost to complete:		1.5 – 2.0% of property value (notary's fees)
Comment:		A notary public prepares and notarizes the public deed of purchase and sell between seller and buyer. The preparation of the deed is an exclusive act of the notary. The notary will review all past transactions from the record book on the Land Registry with the documents obtained above, to verify the ownership of the property. In practice, the notaries estimate their fees for this type of contract based on a percent, which varies between 1.5 and 2% of the property value according to agreement between the parties and notary.
Procedure	4	Obtain the Cadastre Certificate and valuation at the Cadastre
Time to complete:		14 – 21 days
Cost to complete:		Cadastre Certificate NIO 300 + Cadastral valuation constancy NIO 100

Agency: Cadastre

Comment: Parties must obtain the Cadastre Certificate and request a valuation from an inspector. In practice, the Cadastre requires a special power granted to notaries or any other person when the interested parties cannot realize this procedure. The parties can go to the Cadastre directly, in which case they do not need to present a special power. The Cadastre requests to see original property title (of the Seller).
In case a special power is needed, the costs rise about C\$ 2,000 as the fees for the person who will go to the Cadastre, and C\$ 1,000 for the notary who will previously authorize and issue the special power.

Procedure 5 Inspector visits property to assess value

Time to complete: 7 days

Cost to complete: no cost (but must provide transportation to inspector)

Agency: Tax agency (Catastro fiscal - Direccion General de Ingresos)

Comment: After the cadastral certificate is obtained, an inspector visits the property to assess the value. In practice, one picks up the inspector and drives him/her to the property. It will take the inspector about one week to write the report on the value.

Procedure 6 Payment of Income/Transfer Tax

Time to complete: 1 day

Cost to complete: NIO 24 + sliding scale: 1% for properties with a value between US\$1.00 and US\$50,000.00, 2% for values between US\$50,000.01 and US\$100,000.00 and 3% for values above US\$100,000.01

Agency: Tax agency (Administracion de Rentas - Direccion General de Ingresos)

Comment: Payment of Income/Transfer Tax at the Tax Administration Office, an agency of the Treasury Ministry. This percent is established depending on the Cadastre Value.
The Cadastre value generally is not the same as the market price. For the payment of the transfer taxes, the fiscal authority takes as a base of calculation the highest value between the sale price in the public deed of purchase and Cadastral value.
Fees of NIO 4 + 2 stamps of NIO 10 need to be paid to make the payment.
The transfer tax rate of 1% was established by an injunction ("amparo") declaring the increase of the 2003 Ley de Queda Fiscal unconstitutional. An amendment to the Nicaraguan fiscal law entered into force on January 1st, 2010 (Law 712 published in the official Gazette No. 241 of December 21st 2009), changing the tax according to the following sliding scale, from 1% of the value of the property to the following percentages: 1% for properties with a value between US\$1.00 and US\$50,000.00, 2% for values between US\$50,000.01 and US\$100,000.00 and 3% for values above US\$100,000.01.

Procedure 7 The documents obtained from the Office of Cadastre are inserted in the public deed

Time to complete: 1 day

Cost to complete: NIO 200 (Notary's fees)

Comment: A notary will insert the documents obtained from the Offices of Cadastre in the public deed.

Procedure 8 Apply for registration of the public deed at the Land Registry

Time to complete: 90 days

Cost to complete: 1% of cadastral value (registration fee) + NIO 500 (Notary's fees)

Agency: Real Estate Registry (Registro Público de la Propiedad Inmueble y Mercantil)

Comment: Parties file the public deed at the Land Registry for its proper registration. The amount is calculated based on 1% of the cadastral value, with a maximum fee of NIO 30,000. This payment is made directly in the branch of a commercial bank that is located inside the Land Registry Office. The notary applying for registration will charge C\$500 as fees.

At submission, the request for transfer is recorded, signaling priority rights over the property. The registration of property transfers is very slow and can take longer than 90 days. When finalized, the Land registry will write in the original deed, the book and page where the transfer was recorded. This document is then returned to the notary with all the other certificates provided.

The Land registry operates with paper documents. However, the sale deeds are scanned and almost all past records are digitalized in Managua. In the rest of the departments in the country, records are not always accessible digitally. Newer transactions (less than 1 year) are not always digitalized. Any person can access past deeds with computers at the Land registry at no cost.

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

Some reform outcomes

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

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

What do the Getting Credit indicators measure?

Strength of legal rights index (0–10)

- Protection of rights of borrowers and lenders through collateral laws
- Protection of secured creditors’ rights through bankruptcy laws

Depth of credit information index (0–6)

- Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

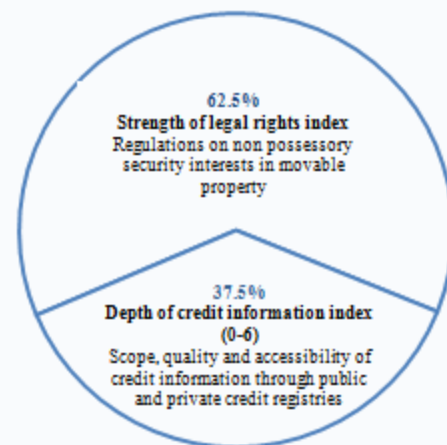
Public credit registry coverage (% of adults)

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

Private credit bureau coverage (% of adults)

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

Getting Credit: collateral rules and credit information



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

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

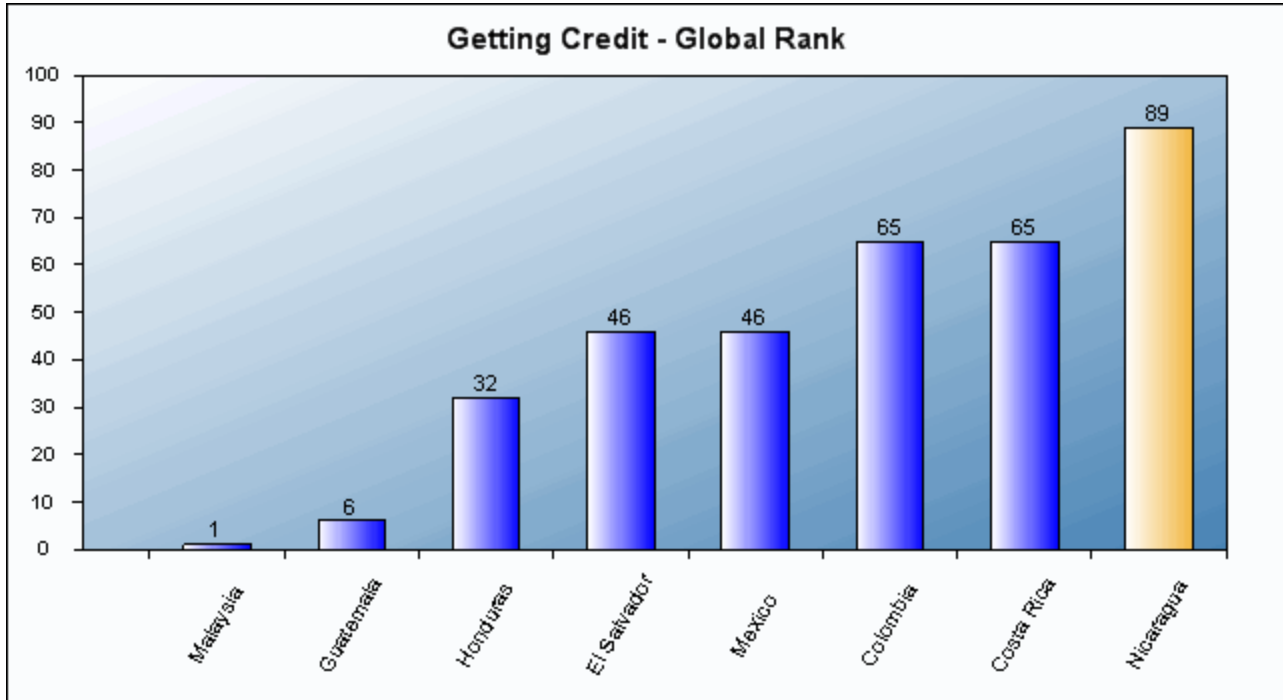
The Debtor

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

1. Benchmarking Getting Credit Regulations:

Nicaragua is ranked 89 overall for Getting Credit.

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



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

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

<i>Selected Economy</i>				
Nicaragua	3	5	14.0	21.4

<i>Comparator Economies</i>				
Colombia	5	5	0.0	63.1
Costa Rica	5	5	23.3	64.8
El Salvador	5	6	21.8	95.0
Guatemala	8	6	16.4	8.8
Honduras	6	6	22.7	100.0
Mexico	5	6	0.0	71.6

* The following economies are also good practice economies for :

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

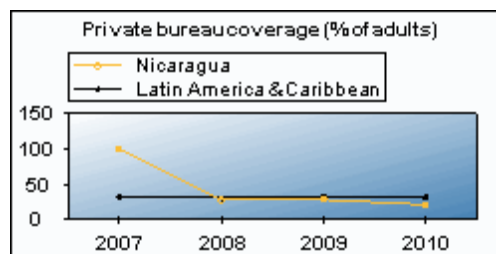
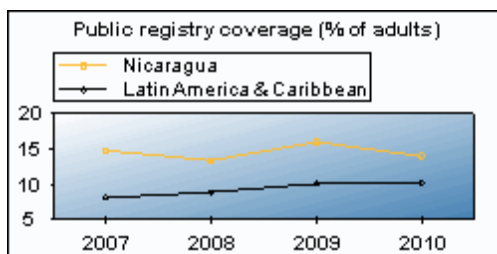
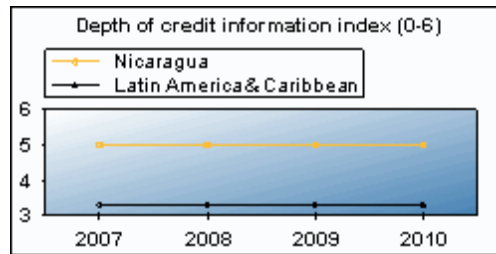
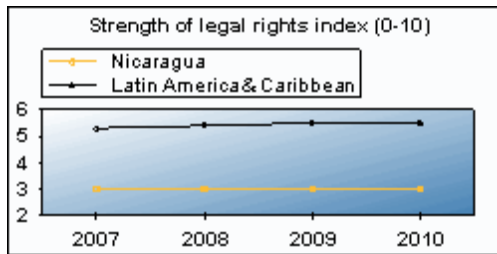
Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States

27 countries have the highest credit information index.

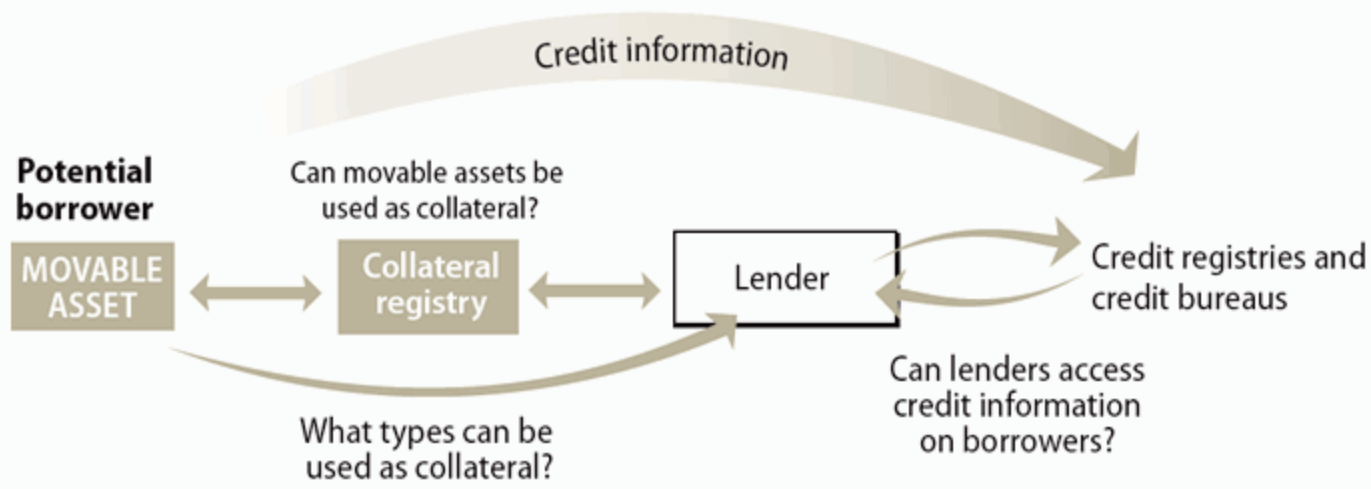
2. Historical data: Getting Credit in Nicaragua

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	87	89
Strength of legal rights index (0-10)	3	3	3	3
Depth of credit information index (0-6)	5	5	5	5
Private bureau coverage (% of adults)	100.0	27.9	28.4	21.4
Public registry coverage (% of adults)	14.8	13.4	16.0	14.0

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



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



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

Getting Credit Indicators (2010)			Indicator
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry	5
Are data on both firms and individuals distributed?	Yes	Yes	1
Are both positive and negative data distributed?	Yes	Yes	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	Yes	No	1
Are more than 2 years of historical credit information distributed?	No	No	0
Is data on all loans below 1% of income per capita distributed?	Yes	Yes	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	Yes	Yes	1
Coverage	21.4	14.0	
Number of individuals	971,430	633,461	
Number of firms	3,981	4,224	

Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?	Yes
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	No
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	No
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?	No
Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?	No
Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?	No
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?	Yes
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?	No
During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?	Yes
Does the law authorize parties to agree on out of court enforcement?	No

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

Some reform outcomes

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

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

What do the Protecting Investors indicators measure?

Extent of disclosure index (0–10)

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

Extent of director liability index (0–10)

- Ability of shareholders to hold the interested party and the approving body liable in case of a prejudicial related-party transaction
- Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)
- Ability of shareholders to sue directly or derivatively

Ease of shareholder suits index (0–10)

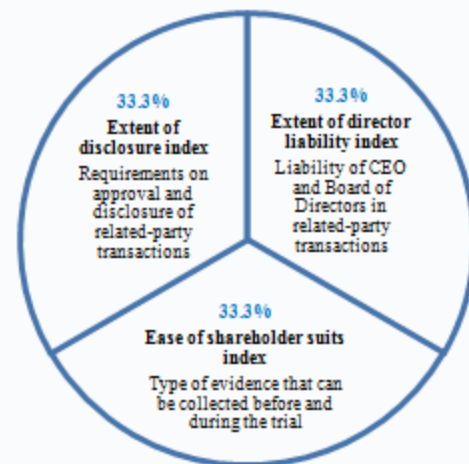
- Documents and information available during trial
- Access to internal corporate documents (directly or through a government inspector)

Strength of investor protection index (0–10)

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

Protecting Investors: minority shareholder rights in related-party transactions

Rankings are based on 3 subindicators



Case Study Assumptions

The business (Buyer):

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

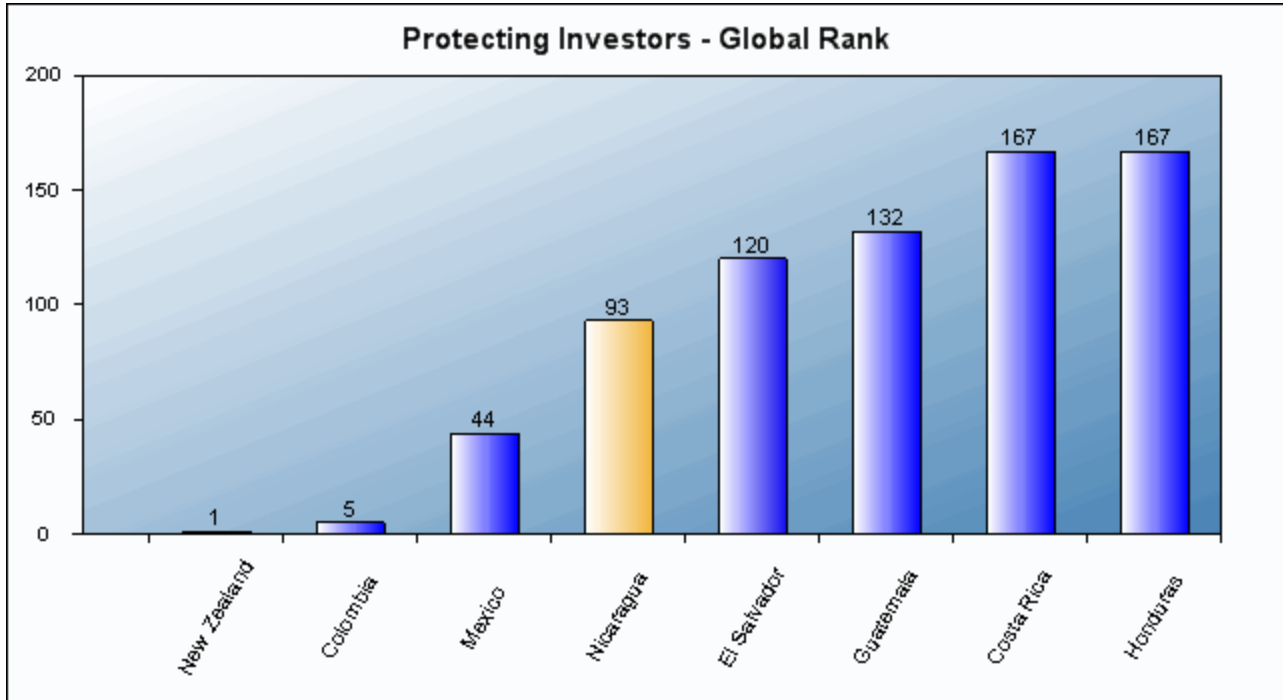
The transaction

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

1. Benchmarking Protecting Investors Regulations:

Nicaragua is ranked 93 overall for Protecting Investors.

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



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

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

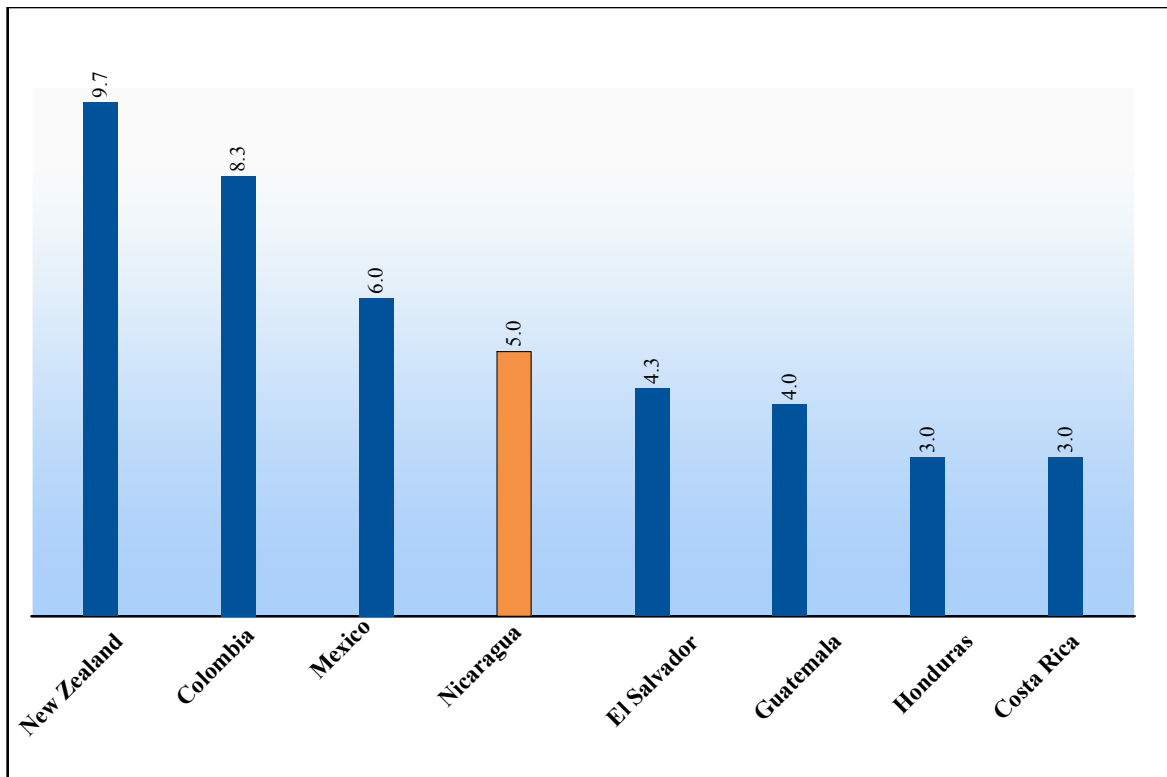
<i>Selected Economy</i>	
Nicaragua	5.0

<i>Comparator Economies</i>	
Colombia	8.3
Costa Rica	3.0
El Salvador	4.3
Guatemala	4.0
Honduras	3.0
Mexico	6.0

2. Historical data: Protecting Investors in Nicaragua

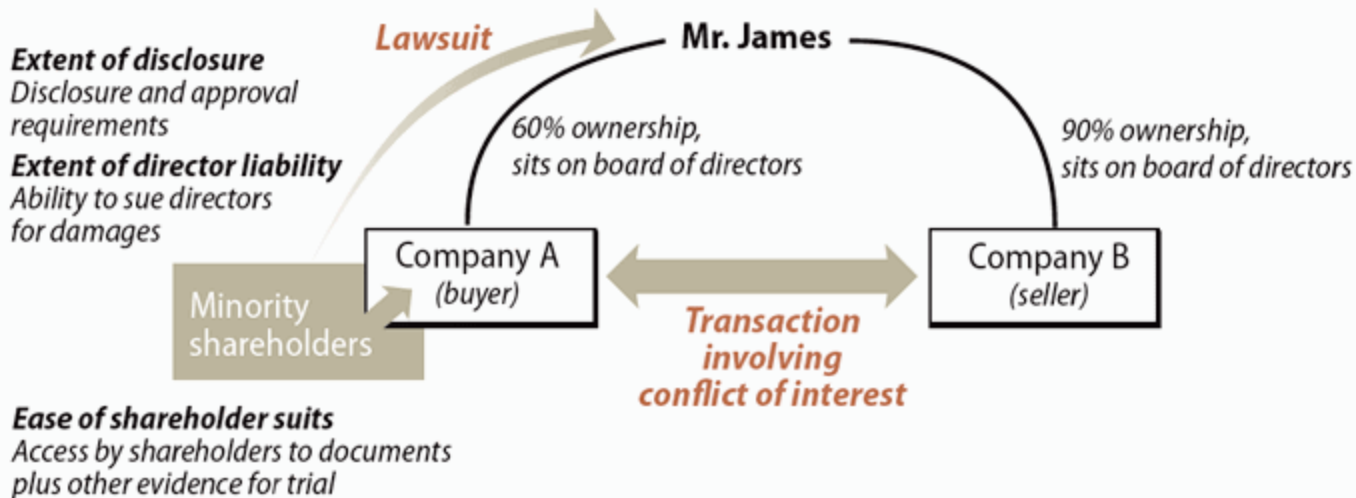
Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	92	93
Strength of investor protection index (0-10)	5.0	5.0	5.0	5.0

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



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

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



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

Protecting Investors Data (2010)	Indicator
Extent of disclosure index (0-10)	4
What corporate body provides legally sufficient approval for the transaction?	2
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	0
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	2
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	0
Whether an external body must review the terms of the transaction before it takes place?	0
Extent of director liability index (0-10)	5
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether shareholders can hold the approving body (the CEO or board of directors) liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	1
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	1

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	0
Whether fines and imprisonment can be applied against Mr. James?	0
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1
Ease of shareholder suits index (0-10)	6
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	3
Whether the plaintiff can directly question the defendant and witnesses during trial?	0
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	0
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	1
Whether the level of proof required for civil suits is lower than that of criminal cases?	1
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	1
Strength of investor protection index (0-10)	5.0

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

Some reform outcomes

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

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

What do the Paying taxes indicators measure?

Tax payments for a manufacturing company in 2009
(number per year adjusted for electronic or joint filing and payment)

- Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)
- Method and frequency of filing and payment

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

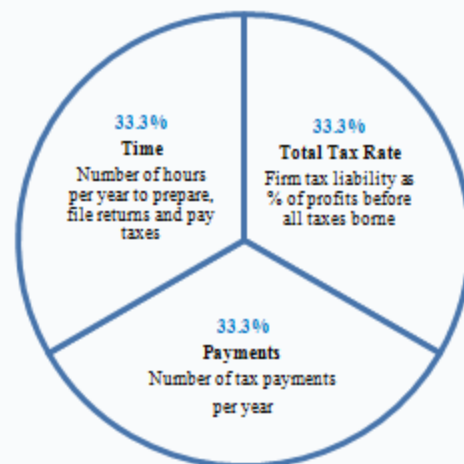
- Collecting information and computing the tax payable
- Completing tax return forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

Total tax rate (% of profit)

- Profit or corporate income tax
- Mandatory social contributions and labor taxes paid by the employer
- Property and property transfer taxes
- Dividend, capital gains and financial transactions taxes
- Waste collection, vehicle, road and other taxes

Paying Taxes: tax compliance for a local manufacturing company

Rankings are based on 3 subindicators



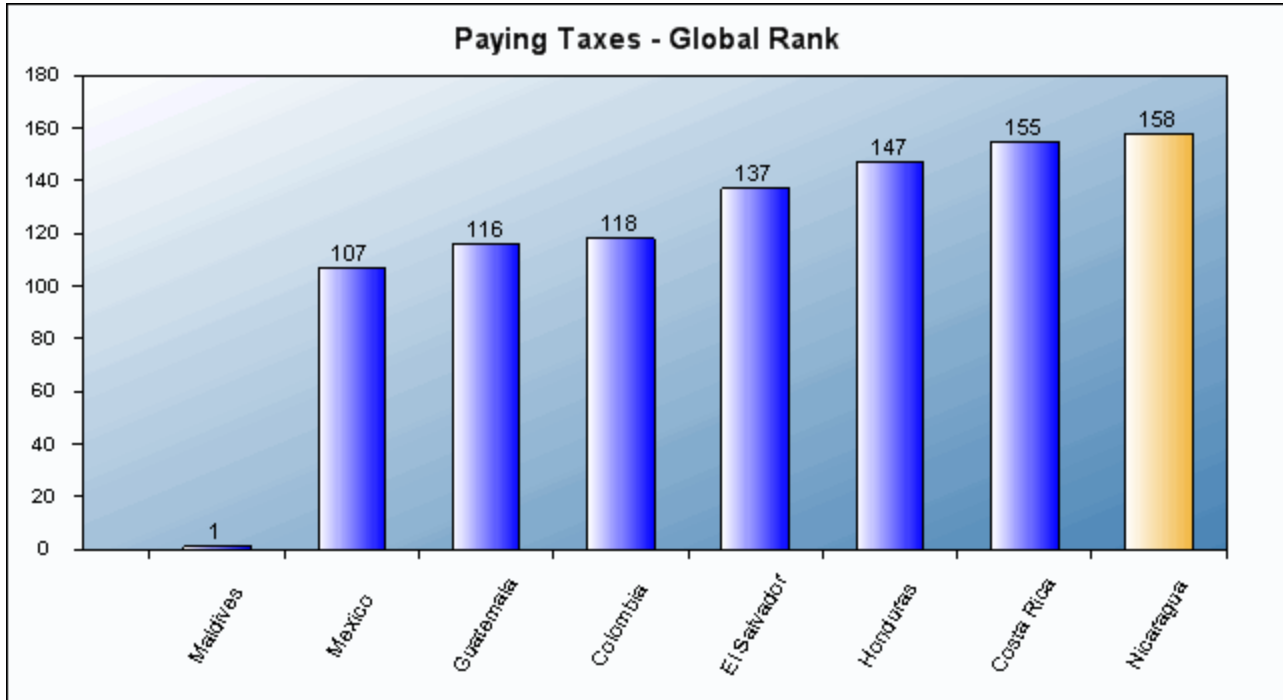
Case Study Assumptions

- TaxpayerCo is a medium-size business that started operations 2 years ago.
- Tax practitioners are asked to review its financial statements, as well as a standard list of transactions that the company completed during the year.
- Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government
- Taxes and mandatory contributions include corporate income tax, turnover tax, all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

1. Benchmarking Paying Taxes Regulations:

Nicaragua is ranked 158 overall for Paying Taxes.

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



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

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

<i>Selected Economy</i>			
Nicaragua	64	222	63.2

<i>Comparator Economies</i>			
Colombia	20	208	78.7
Costa Rica	42	272	55.0
El Salvador	53	320	35.0
Guatemala	24	344	40.9
Honduras	47	224	48.3
Mexico	6	404	50.5

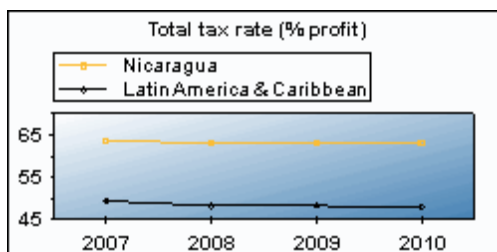
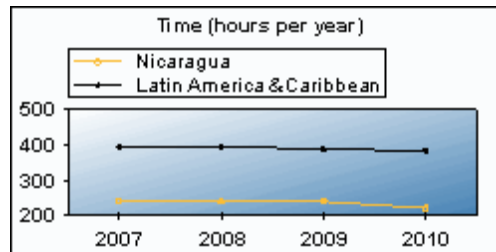
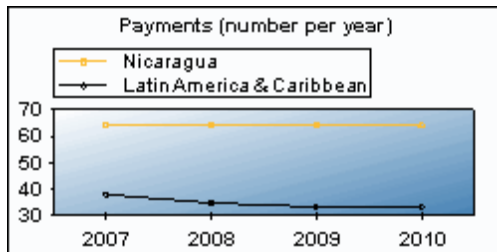
* The following economies are also good practice economies for :

Payments (number per year): Qatar

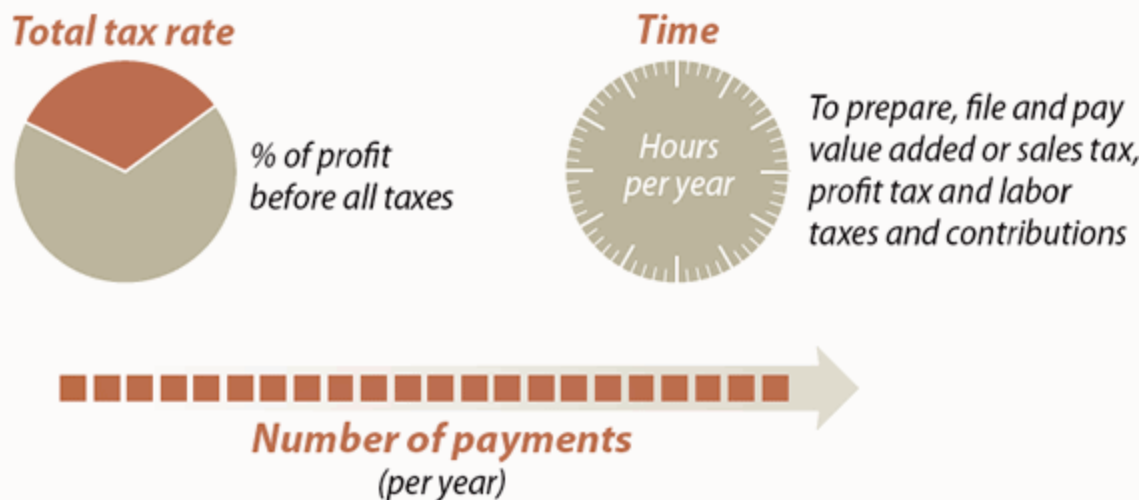
2. Historical data: Paying Taxes in Nicaragua

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	164	158
Total tax rate (% profit)	63.5	63.2	63.2	63.2
Payments (number per year)	64	64	64	64
Time (hours per year)	240	240	240	222

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



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



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

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Value added tax (VAT)	12		72	15.0%	value added		
Fuel tax	1				included in fuel price	0.00	
Real estate tax	1			1.0%	property value	1.50	
Training tax	12			2.0%	gross salaries	2.30	
Assets tax	1			1.0%	assessed total asset value	4.80	
Social security contributions	12		76	15.0%	gross salaries	16.90	
Turnover tax	12			1.0%	sales (purchase cost)	17.70	
Corporate income tax	13		74	30.0%	taxable profit	24.80	
Totals	64		222			63.2	

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

Some reform outcomes

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

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

What do the Trading Across Borders indicators measure?

Trading Across Borders: exporting and importing by ocean transport

Rankings are based on 3 subindicators

Documents required to export and import (number)

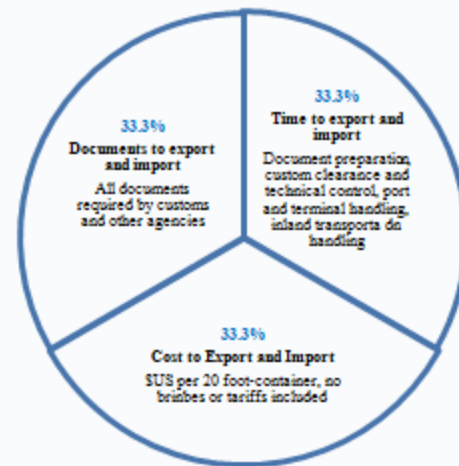
- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

Time required to export and import (days)

- Obtaining all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean transport time

Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes



Case Study Assumptions

The Business

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

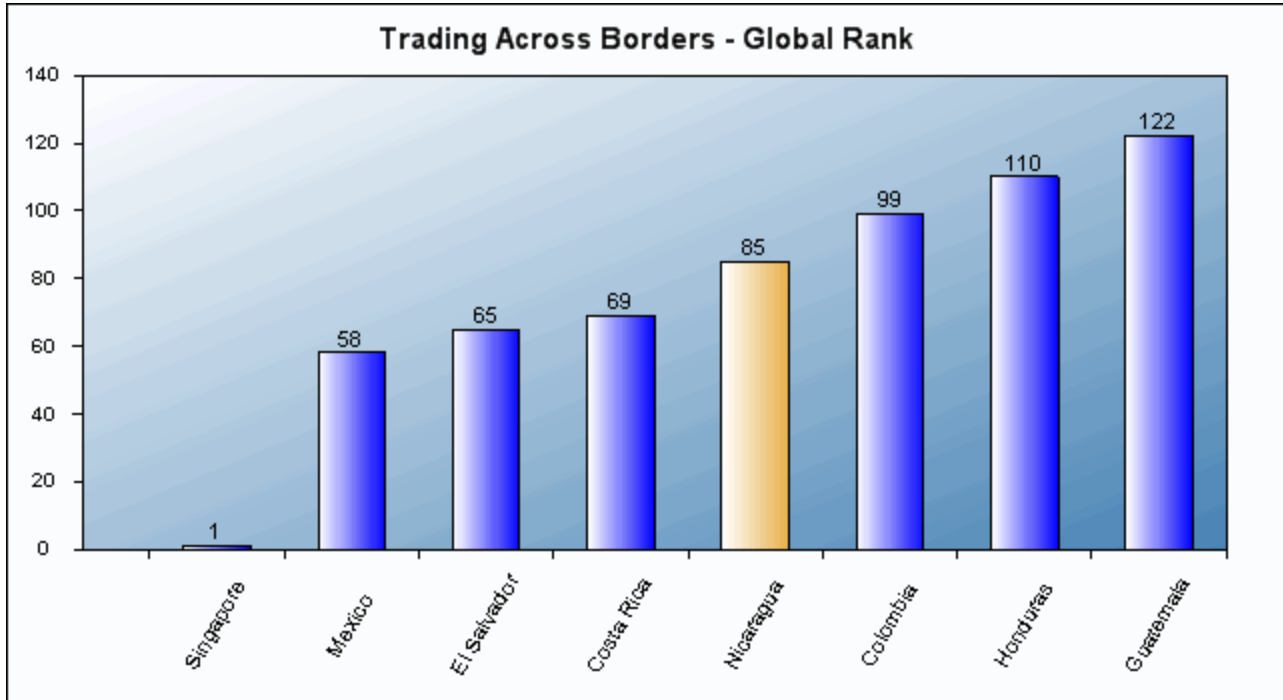
The traded product

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

1. Benchmarking Trading Across Borders Regulations:

Nicaragua is ranked 85 overall for Trading Across Borders.

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



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

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

<i>Selected Economy</i>						
Nicaragua	5	26	1140	5	26	1220

<i>Comparator Economies</i>						
Colombia	6	14	1770	8	13	1700
Costa Rica	6	13	1190	7	15	1190
El Salvador	8	14	845	8	10	845
Guatemala	10	17	1182	10	17	1302
Honduras	6	19	1193	10	23	1205
Mexico	5	12	1420	4	12	1880

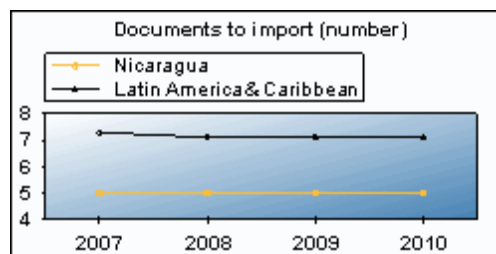
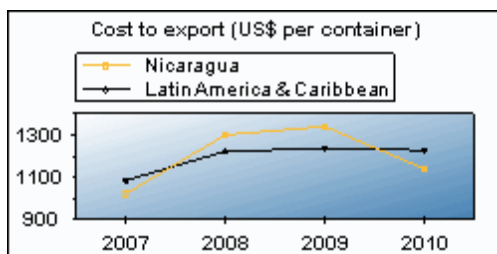
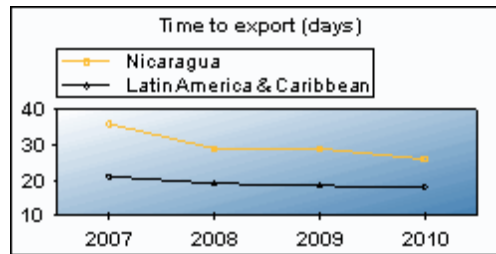
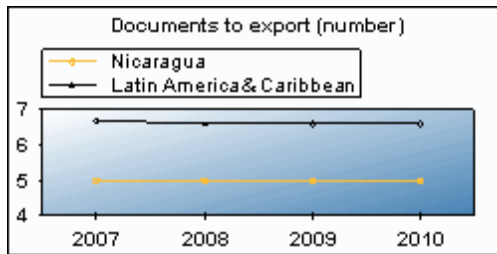
* The following economies are also good practice economies for :

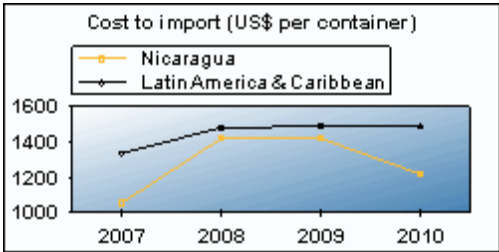
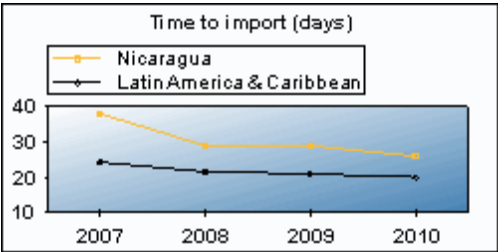
Time to export (days): Estonia

2. Historical data: Trading Across Borders in Nicaragua

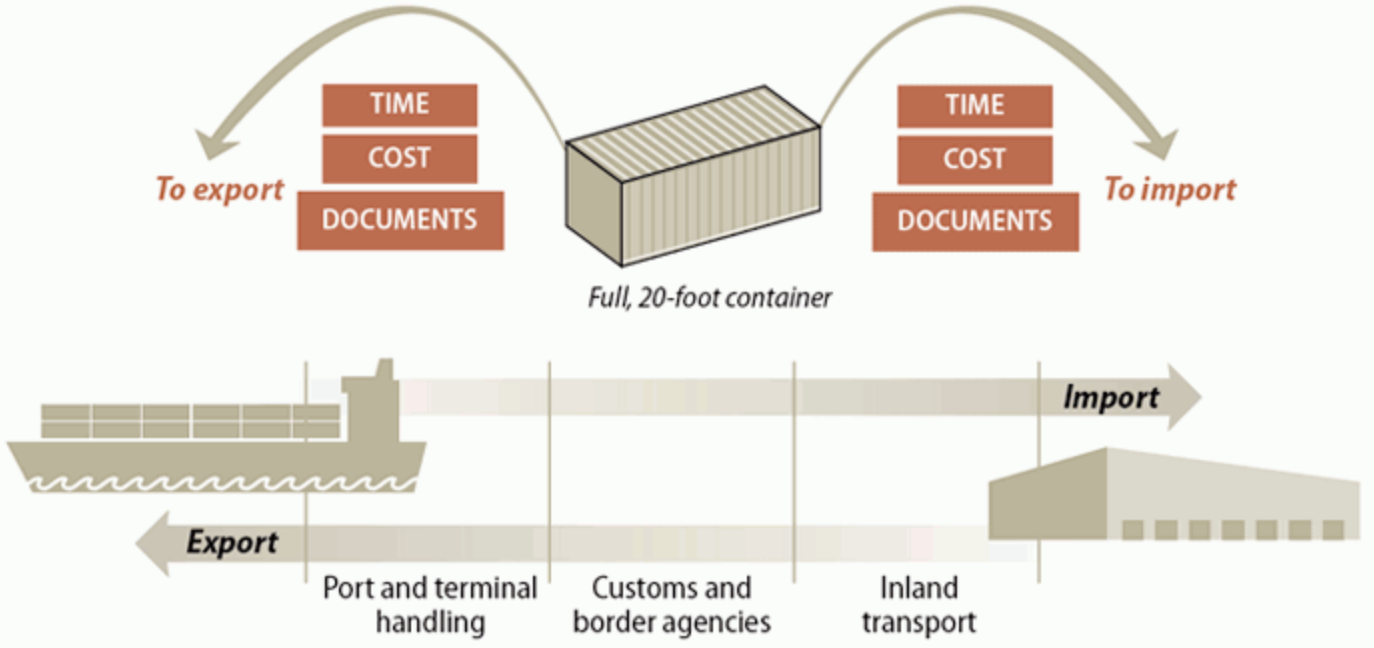
Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	100	85
Cost to export (US\$ per container)	1021	1300	1340	1140
Cost to import (US\$ per container)	1054	1420	1420	1220
Documents to export (number)	5	5	5	5
Documents to import (number)	5	5	5	5
Time to export (days)	36	29	29	26
Time to import (days)	38	29	29	26

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





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



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

Nature of Export Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	10	340
Customs clearance and technical control	4	80
Ports and terminal handling	7	120
Inland transportation and handling	5	600
Totals	26	1140

Nature of Import Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	12	300
Customs clearance and technical control	7	200
Ports and terminal handling	5	120
Inland transportation and handling	2	600
Totals	26	1220

Documents for Export and Import

Export

- Bill of lading
- Certificate of origin
- Commercial invoice
- Customs export declaration
- Export license

Import

- Bill of lading
- Certificate of origin
- Commercial invoice
- Manifest
- Packing list

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

Some reform outcomes

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

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

What do the Enforcing Contracts indicators measure?

Enforcing Contracts: resolving a commercial dispute through the courts

Rankings are based on 3 subindicators

Procedures to enforce a contract (number)

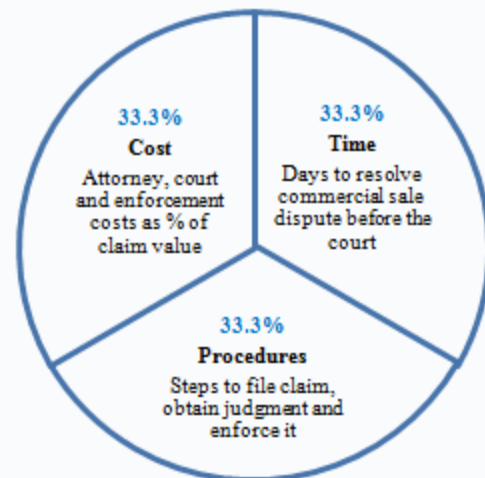
- Any interaction between the parties in a commercial dispute, or between them and the judge or court officer
- Steps to file the case
- Steps for trial and judgment
- Steps to enforce the judgment

Time required to complete procedures (calendar days)

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

Cost required to complete procedures (% of claim)

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



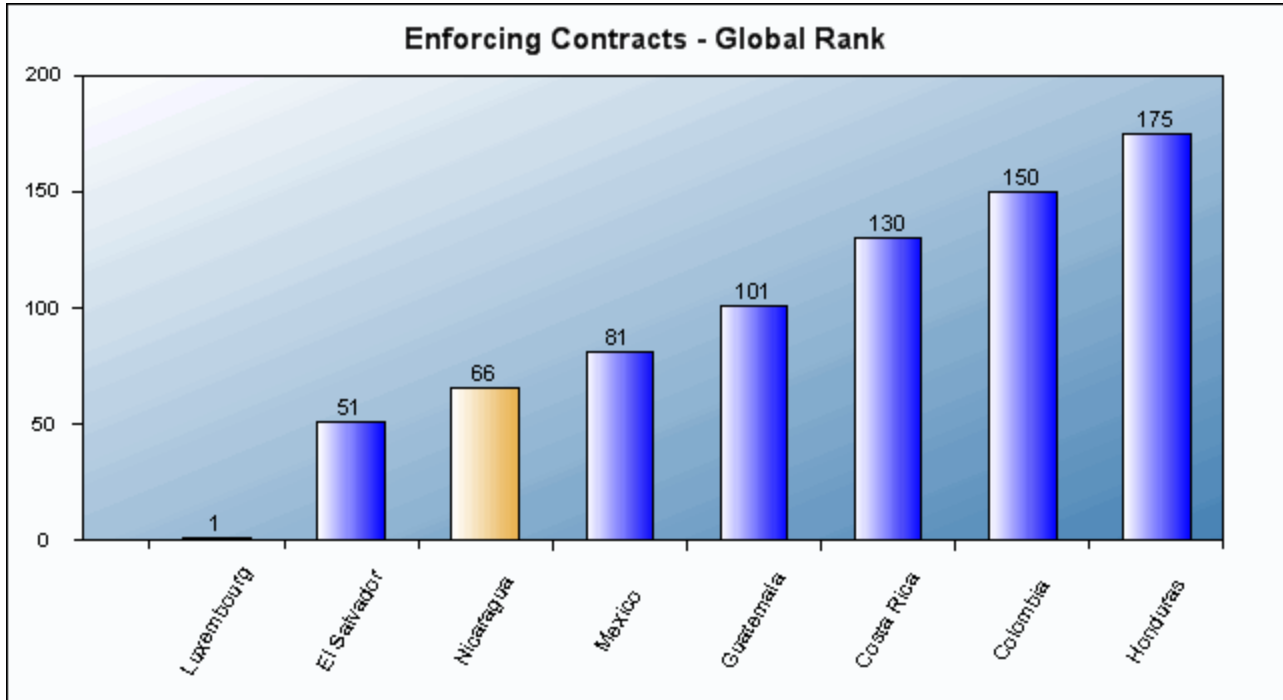
Case Study Assumptions

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

1. Benchmarking Enforcing Contracts Regulations:

Nicaragua is ranked 66 overall for Enforcing Contracts.

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



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

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

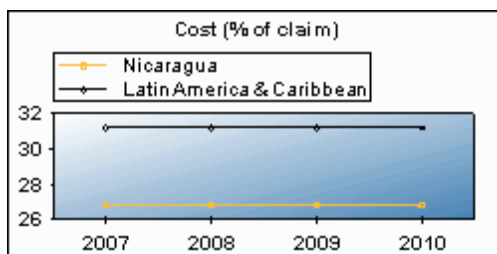
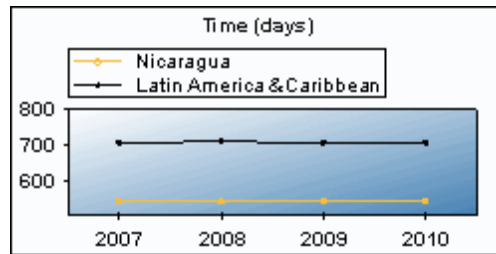
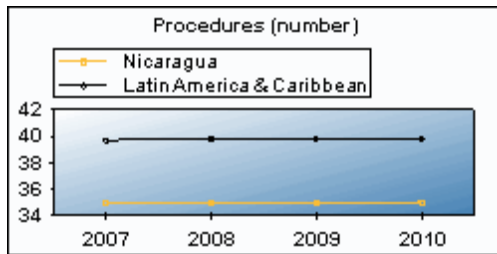
<i>Selected Economy</i>			
Nicaragua	35	540	26.8

<i>Comparator Economies</i>			
Colombia	34	1346	47.9
Costa Rica	40	852	24.3
El Salvador	30	786	19.2
Guatemala	31	1459	26.5
Honduras	45	900	35.2
Mexico	38	415	32.0

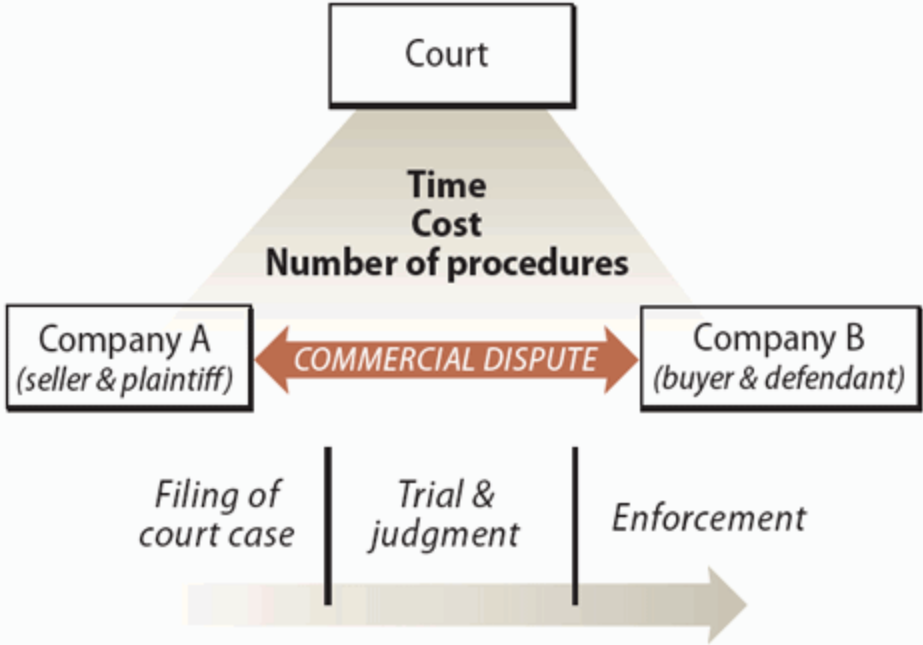
2. Historical data: Enforcing Contracts in Nicaragua

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	67	66
Procedures (number)	35	35	35	35
Time (days)	540	540	540	540
Cost (% of claim)	26.8	26.8	26.8	26.8

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



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



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

Nature of Procedure (2010)	Indicator
Procedures (number)	35
Time (days)	540
Filing and service	89.0
Trial and judgment	331.0
Enforcement of judgment	120.0
Cost (% of claim)*	26.80
Attorney cost (% of claim)	16.3
Court cost (% of claim)	5.5
Enforcement Cost (% of claim)	5.0

Court information: Managua District Civil Court ("Juzgado Civil de Distrito de Managua")

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

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

Some reform outcomes

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

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

What does the Closing a Business indicator measure?

Closing a Business: insolvency proceedings against local company

Time required to recover debt (years)

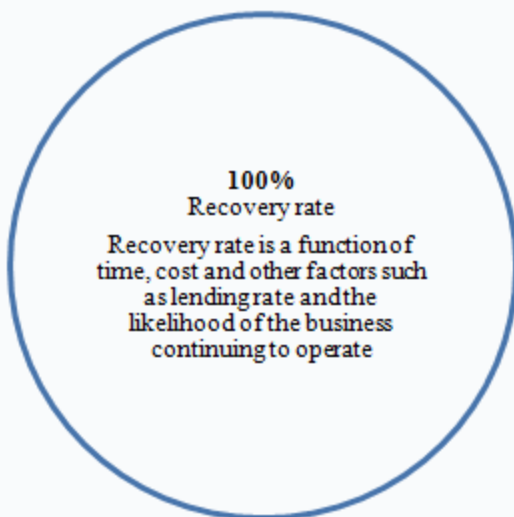
- Measured in calendar years
- Appeals and requests for extension are included

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

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

Recovery rate for creditors (cents on the dollar)

- Measures the cents on the dollar recovered by creditors
- Present value of debt recovered
- Costs of the insolvency proceedings are deducted
- Depreciation of furniture is taken into account
- Outcome for the business (survival or not) affects the maximum value that can be recovered



Case Study Assumptions

The Company

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

1. Benchmarking Closing Business Regulations:

Nicaragua is ranked 75 overall for Closing a Business.

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



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

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

<i>Selected Economy</i>			
Nicaragua	33.7	2.2	15

<i>Comparator Economies</i>			
Colombia	62.4	3.0	1
Costa Rica	21.2	3.5	15
El Salvador	29.2	4.0	9
Guatemala	27.5	3.0	15
Honduras	19.9	3.8	15
Mexico	66.7	1.8	18

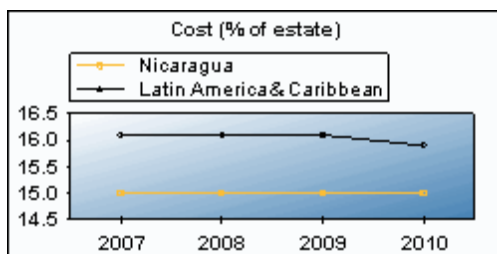
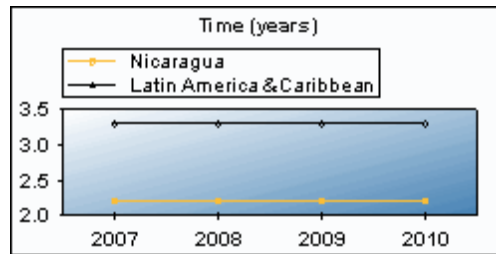
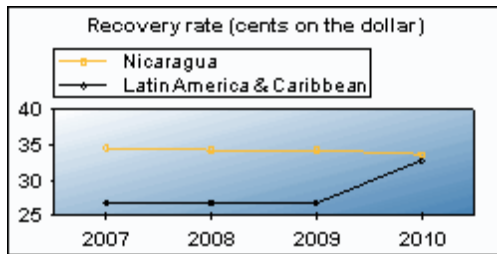
* The following economies are also good practice economies for :

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

2. Historical data: Closing Business in Nicaragua

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	71	75
Time (years)	2.2	2.2	2.2	2.2
Cost (% of estate)	15	15	15	15
Recovery rate (cents on the dollar)	34.6	34.3	34.3	33.7

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



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

The top 10 most-improved in Doing Business 2011

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

 Positive Change
 Negative Change

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

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

Brunei Darussalam	Brunei Darussalam made starting a business easier by improving efficiency at the company registrar and implementing an electronic system for name searches. Brunei Darussalam reduced the corporate income tax rate from 23.5% to 22% while also introducing a lower tax rate for small businesses, ranging from 5.5% to 11%. The introduction of an electronic customs system in Brunei Darussalam made trading easier.
Cape Verde	Cape Verde made start-up easier by eliminating the need for a municipal inspection before a business begins operations and computerizing the system for delivering the municipal license. Cape Verde eased property registration by switching from fees based on a percentage of the property value to lower fixed rates. Cape Verde abolished the stamp duties on sales and checks.
Colombia	Colombia eased construction permitting by improving the electronic verification of prebuilding certificates.
Grenada	Grenada eased business start-up by transferring responsibility for the commercial registry from the courts to the civil administration. The appointment of a registrar focusing only on property cut the time needed to transfer property in Grenada by almost half. Grenada's customs administration made trading faster by simplifying procedures, reducing inspections, improving staff training and enhancing communication with users.
Hungary	Hungary implemented a time limit for the issuance of building permits. Hungary reduced the property registration fee by 6% of the property value. Hungary simplified taxes and tax bases. Amendments to Hungary's bankruptcy law encourage insolvent companies to consider reaching agreements with creditors out of court so as to avoid bankruptcy.
Kazakhstan	Kazakhstan eased business start-up by reducing the minimum capital requirement to 100 tenge (\$0.70) and eliminating the need to have the memorandum of association and company charter notarized. Kazakhstan made dealing with construction permits easier by implementing a one-stop shop related to technical conditions for utilities. Kazakhstan strengthened investor protections by requiring greater corporate disclosure in company annual reports. Kazakhstan speeded up trade through efforts to modernize customs, including implementation of a risk management system and improvements in customs automation.
Mexico	Mexico launched an online one-stop shop for initiating business registration. Mexico improved construction permitting by merging and streamlining procedures related to zoning and utilities. Mexico increased taxes on companies by raising several tax rates, including the corporate income tax and the rate on cash deposits. At the same time, the administrative burden was reduced slightly with more options for online payment and increased use of accounting software.
Nicaragua	Nicaragua increased taxes on firms by raising social security contribution rates and introducing a 10% withholding tax on the gross interest accrued from deposits. It also improved electronic payment of taxes through bank transfer. Nicaragua expedited trade by migrating to a new electronic data interchange system for customs, setting up a physical one-stop shop for exports and investing in new equipment at the port of Corinto.
Peru	Peru eased business start-up by simplifying the requirements for operating licenses and creating an online one-stop shop for business registration. Peru streamlined construction permitting by implementing administrative reforms. Peru introduced fast-track procedures at the land registry, cutting by half the time needed to register property. Peru made trading easier by implementing a new web-based electronic data interchange system, risk-based inspections and payment deferrals.
Rwanda	Rwanda made dealing with construction permits easier by passing new building regulations at the end of April 2010 and implementing new time limits for the issuance of various permits. Rwanda enhanced access to credit by allowing borrowers the right to inspect their own credit report and mandating that loans of all sizes be reported to the central bank's public credit registry. Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and other neighbors, leading to an improvement in the trade logistics environment.

Tajikistan

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

Vietnam

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

Zambia

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



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