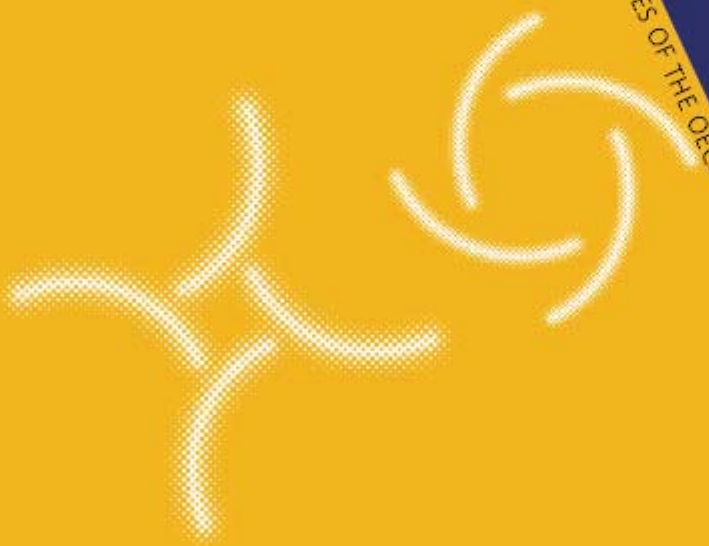


COMPARING
REGULATION IN THE 6 INDEPENDENT MEMBER STATES OF THE OECS

Doing Business 2007

Organization of Eastern Caribbean States



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Copies of *Doing Business 2007: How to Reform*, *Doing Business in 2006: Creating Jobs*, *Doing Business in 2005: Removing Obstacles to Growth*, and *Doing Business in 2004: Understanding Regulation* may be purchased at www.doingbusiness.org.

Contents

Doing Business 2007: Organization of Eastern Caribbean States is a regional report drawing on the data of the global *Doing Business* project and database, as well as the findings of *Doing Business 2007: How to Reform*, an annual report published by the World Bank and the International Finance Corporation.

Doing Business analyzes government regulations that enhance business activity and those that constrain it in 175 countries, including the six independent member states of the Organization of Eastern Caribbean States (OECS): Antigua and Barbuda, the Commonwealth of Dominica, Grenada, the Federation of St. Christopher (St. Kitts) and Nevis, St. Lucia, and St. Vincent and the Grenadines. Quantitative indicators on business regulations and their enforcement can now be compared with 169 economies around the world, including 9 other Caribbean economies and 34 small states.

Regulations affecting 10 areas of everyday business are measured: starting a business, dealing with licenses, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why. Comparisons with other countries in this report are based on the indicators in *Doing Business 2007: How to reform*. Other areas important to business—such as a country's proximity to large markets, quality of infrastructure services (other than services 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*.

This regional report is the result of requests by the governments of the 6 countries to the Foreign Investment Advisory Service (FIAS), which is a multidonor service of the World Bank and the International Finance Corporation. It was produced with support from the United States Agency for International Development (USAID).

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Overview

If you were opening a new business in Grenada, the start-up procedures would take 52 days. In Micronesia, it takes only 16 days. If your company were to comply with all tax requirements in Antigua and Barbuda, it would take 44 separate payments and 528 administrative hours per year. The same firm would make only 7 payments in Mauritius, requiring 158 hours of preparation time. And if you needed to take a customer to court in Dominica, resolving the dispute would take an average of 681 days. In Singapore the same case could be resolved in just 120 days.

Starting a business is a leap of faith even in the best of circumstances. Governments should encourage the daring. And many do. Globally, 213 reforms in 112 economies were introduced between January 2005 and April 2006. The reforms led to simpler business regulations, stronger property rights, lighter tax burdens and easier tax administration, improved access to credit and lower costs of cross-border trade for entrepreneurs worldwide.

Doing Business measures the ways in which government regulations enhance business activity or restrain it. The results for the OECS¹ countries are presented here (figure 1.1). The OECS countries perform well on the ease of starting a business, dealing with licenses and the strength of investor protections. OECS countries fall behind on the ease of getting credit, enforcing contracts and closing a business. Results are mixed for trading across borders, registering property and paying taxes (table 1.1).

Globally, small states² perform slightly better than larger economies on the *Doing Business* rankings. Two-thirds of the 40 small states included in the global

sample rank in the top half on the ease of doing business. Small states perform well on the ease of dealing with licenses, employing workers and paying taxes. But few small states make it easy to register property, get credit or enforce contracts.

Last year, 13 small states introduced 18 reforms to make it easier to do business, while 5 had negative reforms. Only 2 of the positive reforms were in OECS countries, both in Antigua and Barbuda: improved regulations for registering a new business and reduced tax rates (table 1.2). More reform in OECS countries is needed.

Reform can ease the bureaucratic burden on all businesses: small and large, domestic and foreign, rural and urban. By providing easy start-up requirements and strong property rights, any business will have the opportunity to thrive. Better performance on the indicators

FIGURE 1.1

Where is it easy to do business in the OECS, and where not?

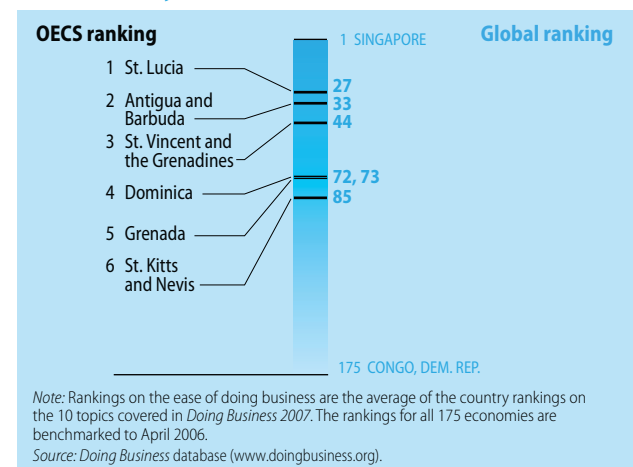


TABLE 1.1

How do the OECS countries rank globally across the *Doing Business* topics?

	Starting a business	Dealing with licenses	Employing workers	Registering property	Getting credit	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts	Closing a business
Antigua and Barbuda	22	15	40	71	101	19	145	47	47	54
Dominica	24	34	50	78	101	19	20	97	159	151
Grenada	50	12	34	145	83	19	45	84	143	151
St. Kitts and Nevis	105	7	35	136	117	19	116	37	135	151
St. Lucia	43	10	29	51	101	19	9	45	160	39
St. Vincent and the Grenadines	29	1	48	101	83	19	32	48	125	151
OECS average	46	13	39	97	98	19	61	60	128	116

Note: Rankings for each indicator set are the average of the country rankings across the 175 economies measured by *Doing Business* on each group of sub-indicators. See the Data notes for details.
Source: *Doing Business* database (www.doingbusiness.org).

measured by *Doing Business* is associated with greater economic growth,³ lower unemployment and less informality.⁴ Yet good regulatory performance is not a function of wealth: poorer economies can—and frequently do—perform better than richer economies on the *Doing Business* indicators.

Reforming business regulations in OECS countries

The OECS member states are on a path to greater economic integration—among themselves and in the context of the Caribbean Single Market Economy. As they integrate economically, reform is needed to further harmonize regulations across member countries.

This has several advantages. First, economic harmonization will make it easier for businesses to expand across the sub-region. Currently, companies willing to operate in several OECS countries must deal with different procedures and requirements in each of them, hampering their entry and growth in the different markets. Second, countries can focus on attracting investors by

adopting the best regulations in the world rather than through competing against each other. With harmonized regulations, investors have less opportunity to play individual countries against each other. Third, coordinating the reform effort can reduce the costs of adopting technologies to improve the efficiency of government.

Some laws affecting businesses have already been harmonized. The OECS countries share similar companies acts that guide business start-up and the legal rights of borrowers and lenders, as well as bankruptcy procedures. Contract enforcement is subject to common civil procedure rules. And a common trade policy is being developed in the context of the larger Caribbean Community (CARICOM). Yet in the remaining areas of business regulation covered by this report—construction licensing, labor, taxes and property registration—the OECS member countries continue to use different legislation.

Differences also arise in how harmonized legislation is implemented in each jurisdiction. Despite the similar companies acts, starting a business in St. Vincent and the Grenadines takes 12 days while in St. Kitts and Nevis an entrepreneur needs 47 days to complete all the requirements. Similarly, a business seeking to resolve a dispute with its customer has to follow the same set of procedures in all jurisdictions, but doing so takes an average of 297 days in Antigua and Barbuda and 635 in St. Lucia.

The variation in performance is even more striking when the regulation has not been harmonized across countries. St. Vincent and the Grenadines emerges as the global leader in licensing for the construction industry. It takes 74 days and 10.6% of average income per capita to meet all legal requirements to build a warehouse on the outskirts of Kingstown. Compare this to 195 days in Dominica or to 34.9% of average annual income in St. Lucia. Similar differences can be found when transferring property: St. Kitts and Nevis requires 81 days com-

TABLE 1.2

Thirteen small states reformed in 2005/06

Indicator	Positive reformers (<i>negative reformers</i>)
Starting a business	Antigua and Barbuda, Lesotho, Micronesia (<i>Palau, Swaziland</i>)
Dealing with licenses	(<i>Timor-Leste</i>)
Employing workers	(<i>Djibouti, Maldives</i>)
Registering property	Botswana, Mauritius, Seychelles, Swaziland
Getting credit	Mauritius
Paying taxes	Antigua and Barbuda, Estonia, Guinea-Bissau, Lesotho, Montenegro
Trading across borders	Jamaica
Enforcing contracts	Estonia, Gambia, Guyana
Closing a business	Micronesia

Source: *Doing Business* database (www.doingbusiness.org).

TABLE 1.3

Caribbean countries can learn from each other

Economy	Indicator set	Global ranking
Dominica	Starting a business	24
St. Vincent and the Grenadines	Dealing with licenses	1
Grenada	Employing workers	34
St. Lucia	Registering property	51
Trinidad and Tobago	Getting credit	48
All OECS	Protecting investors	19
St. Lucia	Paying taxes	9
St. Kitts and Nevis	Trading across borders	37
Antigua and Barbuda	Enforcing contracts	47
Jamaica	Closing a business	23
Hypothetical ranking after adopting all best practices		14

Source: *Doing Business* database (www.doingbusiness.org).

pared to only 26 in Antigua and Barbuda.

The OECS countries can learn from each other. If each OECS country were to adopt the region's best practice in each of the *Doing Business* indicators, they would rank 14th in the world on the ease of doing business. This means adopting St. Vincent and the Grenadines's licensing regulations, Grenada's labor regulations and St. Lucia's tax code, for example (table 1.3). And where OECS countries do not match the global best performers, lessons can be learned from good practices in other island economies such as Mauritius.

Who is reforming among the OECS countries?

Reforms are underway. Antigua and Barbuda separated its commercial registry from the country's high court in 2005, reducing the time to start a business by 10 days. It also cut the corporate income tax from 35% to 30%. Other reforms are ongoing. Grenada is digitizing its registry records. St. Lucia is debating a new labor code and upgrading electronic processing systems at customs. Dominica has introduced a new value-added tax and Antigua and Barbuda plans to follow suit next year. Electronic customs systems are also under construction in other OECS countries.

Yet more needs to be done. Reforms are needed to keep up with the rest of the world's economies, two-thirds of which made at least one reform to improve the business environment last year. Studies like *Doing Business* can help. Since its inception in October 2003, the *Doing Business* project has inspired or informed 48 re-

forms around the world. The indicators presented in this report pinpoint the bottlenecks entrepreneurs face when complying with business regulations. They also provide examples of effective reforms that can eliminate these bottlenecks, borrowing from the best practices within the region. And as the news about reform spreads, there is more interest in replicating success stories.

Notes

1. The term "OECS" in this report refers to the 6 independent member states of the Organization of Eastern Caribbean States: Antigua and Barbuda, the Commonwealth of Dominica, Grenada, the Federation of St. Christopher (St. Kitts) and Nevis, St. Lucia and St. Vincent and the Grenadines. The OECS member territories Anguilla, the British Virgin Islands and Montserrat are not included.
2. In this report "small state" refers to any country with a population of 1.5 million people or less, plus Botswana, Guinea-Bissau, Jamaica, Lesotho and Namibia.
3. World Bank. 2004. *Doing Business* in 2005: Removing Obstacles to Growth. Washington, D.C.
4. World Bank. 2005. *Doing Business* in 2006: Creating Jobs. Washington, D.C.

Starting a business

When an entrepreneur draws up a business plan and tries to get underway, she must first face the bureaucracy of registering the new firm. Countries differ in the way they regulate the entry of new businesses. In some, the process is straightforward and affordable. In others, the procedures are so burdensome that entrepreneurs either bribe officials to speed up the process or run their businesses informally.

Doing Business documents all the procedures required for a domestically-owned small company to start operations in general industrial or commercial activities. These include obtaining all necessary permits and licenses and completing all the required inscriptions, verifications and notifications with the relevant authorities. The survey calculates the cost and time necessary for completing each procedure under normal circumstances.

Starting a business in the OECS is relatively hassle-free compared to other regions of the world. On average, it takes 6 procedures, 32 days and costs about 28% of income per capita. But there are wide differences within the OECS. Antigua and Barbuda makes it easiest for entrepreneurs, and St. Kitts and Nevis the most difficult (table 2.1). Reforms can bring the region closer to the top international performers Australia and Canada, where it takes only 2 procedures, less than 3 days and between 1% and 2% of income per capita to start a business. The OECS can start by looking at Jamaica, which ranks number 10 globally on the ease of starting a business. Entrepreneurs there can open a business in 8 days with a cost of 9% of income per capita.

The time to start a business varies within the OECS—from 12 days in St. Vincent and the Grenadines

TABLE 2.1

Where is it easy to start a business, and where not?

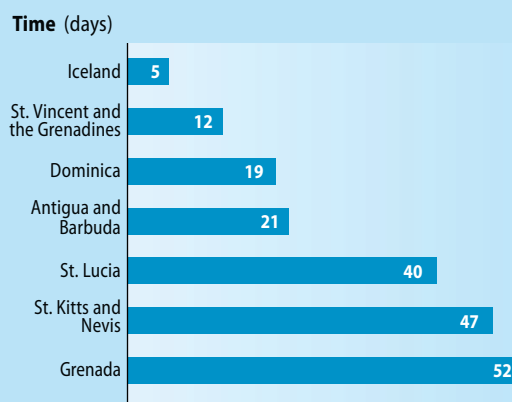
Economy	OECS ranking	Global ranking
Antigua and Barbuda	1	22
Dominica	2	24
St. Vincent and the Grenadines	3	29
St. Lucia	4	43
Grenada	5	50
St. Kitts and Nevis	6	105

Note: Rankings are the average of the country rankings on the procedures, time, cost and minimum capital for starting a business. See the Data notes for details.

Source: *Doing Business* database (www.doingbusiness.org).

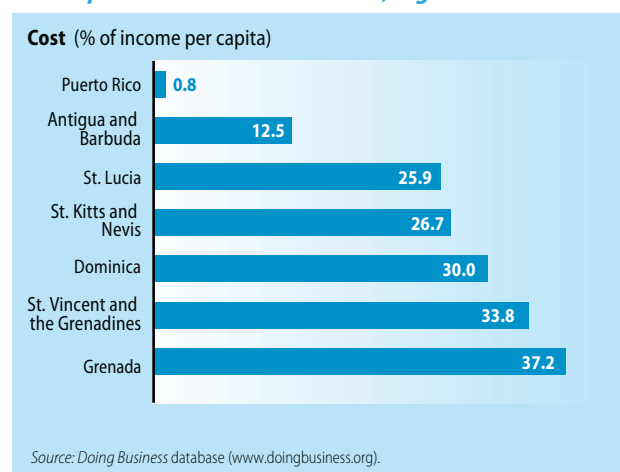
FIGURE 2.1

St. Vincent and the Grenadines—fastest start-up in the OECS



Source: *Doing Business* database (www.doingbusiness.org).

FIGURE 2.2

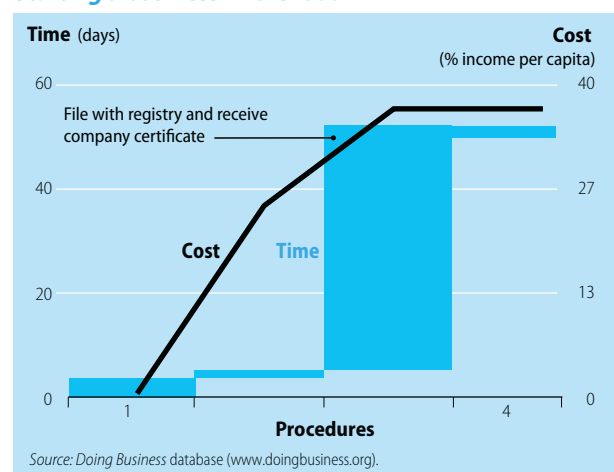
Start-up costs—low in Puerto Rico, high in the OECS

to 52 days in Grenada (figure 2.1). The variation in cost is also significant. An entrepreneur in Antigua and Barbuda spends 12.5% of the country's income per capita to start up a business. Compare that with 33.8% in St. Vincent and the Grenadines and 37.2% in Grenada (figure 2.2).

Grenada requires the fewest procedures to open a business of any OECS country. But these procedures take the longest time to complete due to slow agency interactions (figure 2.3). After the entrepreneur files the registration documents with the registry, the registrar then informs the tax authority and social security agency of the proposed business. These agencies subsequently complete the registrations and inform the firm. This saves the entrepreneur trips to multiple agencies, but it still takes over a month to complete all the registrations. Compare that to 7 days in Puerto Rico and 8 days in Jamaica.

The OECS countries have already harmonized their companies acts, but the procedures required in each country to start a new business continue to vary. Businesses in St. Vincent and the Grenadines and St. Kitts and Nevis must obtain a separate business license, which increases the time and costs of starting a business. In St. Kitts and Nevis, entrepreneurs must complete an extra procedure—obtaining the criminal record of the company's directors.

FIGURE 2.3

Starting a business in Grenada

The largest determinants of total cost for company start-up in the OECS are lawyers' and notary fees, followed by registration fees. Legal fees range from 50% to 90% of start-up costs and average EC\$2,500. As a percentage of income per capita, legal fees are higher in Grenada (25%) and Dominica (22%) and lower in Antigua and Barbuda (11%) and St. Kitts and Nevis (14%). Registration fees also vary widely—from EC\$200 (Antigua and Barbuda) to EC\$1,200 (Grenada). In St. Kitts and Nevis, one third of start-up costs are paid for obtaining the business license.

Some reforms are underway. In Grenada, where the company registry is combined with the property registry, lawyers take on average 3 days to search for a company name. As one lawyer put it, "The room is always very cramped and we are always fighting with our colleagues to get hold of the books." Not surprisingly, mistakes occur and duplicate company names exist. But this is changing: an ongoing project will digitize all records. Antigua and Barbuda separated the company registry from the high court, cutting the registration time from 31 to 21 days. But records are still kept in paper format. The St. Kitts registry has an electronic database, but the registry in Nevis, the island where most companies are registered, still uses paper records.

What to reform

Reduce the number of procedures

Reforms to new business start-up can be simple, inexpensive and often do not require legislative changes. Experience across the world shows how removing obstacles to business start-up is associated with new formal businesses, added jobs and more investment.¹ OECS countries could simplify business start-up by eliminating procedures such as the need to obtain criminal records or general business licenses. These steps add bureaucratic hurdles to company registration and do not improve the quality of the business or how it serves the public.

Another way to simplify business start-up is by creating a single access point for entrepreneurs, bringing officials from different agencies into a single location or sharing information between agencies. Currently entrepreneurs in the OECS must separately register the company, obtain the tax identification number and register for social security. Portugal introduced a fast-track system to start a business that cut the time from 54 to 8 days last year. The reform reduced the number of approvals and government visits in business start-up. It was implemented in 5 months and cost around US\$350,000. Guatemala also linked commercial, tax and social security registration last year.

Computerize records and introduce electronic name search

Creating a unified electronic database of businesses can cut the time spent on business registration, especially if it links several government agencies. Also, countries can benefit from using the internet. Online procedures such as search for company name can cut start-up time and cost. Introducing electronic databases and online filing can reduce time to start a business by 50%.² Moving forward, the OECS could follow the lead of the European Union and create a unified name database for businesses, accessible online.³

Notes

1. World Bank. 2005. *Doing Business in 2006: Creating Jobs*. Washington, D.C.
2. World Bank. 2004. *Doing Business in 2005: Removing Obstacles to Growth*. Washington, D.C.
3. European Business Register. 2006. <http://www.ebr.org>.

Dealing with licenses

In 2004, Hurricane Ivan swept through the Caribbean leaving a massive trail of destruction and claiming dozens of lives. Grenada was the worst hit, with 90% of homes suffering damage. In the days following the devastating storm, the BBC reported that: “Ivan left Grenada a wasteland of flattened houses, twisted metal, and splintered wood.” Grenadians realized that the damage stemmed in part from poor construction practices, with few or inadequate building inspections and frequent failure to meet established building code standards.

Stricter codes result in fewer deaths—except when regulation is so burdensome that construction companies go around them altogether. Control of the process by the government is unrealistic. Yet letting businesses do what they like can result in disaster. Striking the right balance between consumer safety and affordable

construction requires a thorough review of the existing regulations and adjustment as needed on the basis of practical experience.

Doing Business measures the procedures, time and costs involved for a typical medium-size company to construct a 2-story warehouse in the country’s largest city. The warehouse complies with all zoning and building regulations. It has electricity, water and sewerage connections, as well as a fixed phone line.

On average, it takes 11 procedures, 127 days and 24% of the average OECS country’s income per capita for a builder to comply with all regulations. Across the OECS countries, however, there are wide variations. St. Vincent and the Grenadines is the world’s top performer and OECS leader (table 3.1). It takes 11 procedures, 74 days and costs 10.6% of income per capita to build a

TABLE 3.1
St. Vincent and the Grenadines—global #1

Economy	OECS ranking	Global ranking
St. Vincent and the Grenadines	1	1
St. Kitts and Nevis	2	7
St. Lucia	3	10
Grenada	4	12
Antigua and Barbuda	5	15
Dominica	6	34

Note: Rankings are the average of the country rankings on the procedures, time and cost to build a warehouse. See the Data notes for details.

Source: *Doing Business* database (www.doingbusiness.org).

TABLE 3.2
Who regulates licensing the most, and who the least?

Economy	Procedure (number)	Time (days)	Cost (% income per capita)
St. Vincent and the Grenadines	11	74	10.6
St. Kitts and Nevis	14	72	15.2
St. Lucia	9	139	34.9
Grenada	8	142	36.5
Antigua and Barbuda	12	139	27.8
Dominica	11	195	16.8

Source: *Doing Business* database (www.doingbusiness.org).

warehouse there. St. Kitts and Nevis and St. Lucia also rank in the top 10. Building a warehouse is most difficult in Dominica, where costs are lower but it takes 195 days to comply with all procedures (table 3.2).

The variation across islands is partly due to different processing times by the local planning authorities. In Dominica it can take up to 7 months for the licensing authority to process and approve a building plan (figure 3.1). In St. Kitts and Nevis and St. Vincent and the Grenadines, this process takes 1 month.

Lost time and multiple administrative procedures are costly in and of themselves. So are the associated fees for building plan approvals, utility connections and inspections. These processes are most expensive in Grenada, where the cost is equivalent to 36.5% of income per capita. The high fees charged for building plan approvals stand out in particular. St. Lucia follows, with fees costing 34.5% of income per capita. There, the high cost is due to high charges for electrical, fire and building plan approvals. In contrast, a local construction company in St. Vincent and the Grenadines spends only 10.6% of income per capita and in Dominica, 16.8%.

Effective construction regulation goes beyond the speed and cost of completing a construction job. Protecting public safety and health through an effective inspection system is also important. Across the OECS countries, inspections are rare. In St. Kitts and Nevis, unannounced inspections take place 4 or 5 times throughout the building process. In Dominica, buildings are inspected 3 times. In Grenada, St. Lucia and Antigua and Barbuda, no inspections are carried out. One reason is lack of transport for the development authorities. An engineer in Antigua and Barbuda notes: "If I want my site inspected, I have to call the inspector, pick him

up and drive him to the site. This takes time and most people don't do it."

Lack of inspections and irregular enforcement also compromise worker safety on building sites. A respondent in St. Kitts and Nevis comments: "Local contractors do not enforce proper safety standards at the construction sites. Hard hats are not worn consistently and workers often walk barefoot on the site." In contrast, international contractors working in OECS countries impose more stringent occupational health and safety standards to meet their insurance requirements. Moreover, foreign firms tend to abide by the building codes of their country of origin and choose to hire independent inspectors such as certified engineers or designers to inspect their sites.

What to reform

Introduce risk-based inspections

Currently, inspections are inconsistent across OECS countries. In Antigua, the building code requires 10 inspections for each building site but these rarely occur. A better approach would be to introduce risk-based inspections: one inspection once the foundation is laid and another after construction is completed. This would ensure that the building is in compliance with the submitted plans and that faulty work is not masked or safety jeopardized. The current movement throughout the Caribbean to standardize inspection procedures and improve building code enforcement is a welcome reform.

Adopt a "silence is consent" rule

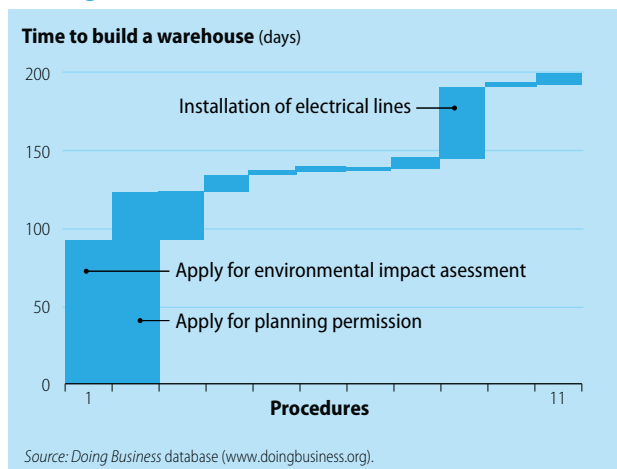
Time is money for businesses. Often, entrepreneurs do not know when their building application will be approved. Sometimes the application process takes longer than actual construction. To avoid the time uncertainty, a statutory time limit can be set for officials to respond to and decide on an application. If the time limit is exceeded, consent is automatically inferred and the project proceeds. This approach would be most appropriate for administrative procedures where safety is not critical.

Consolidate project clearances and provide information to builders to improve transparency

In St. Lucia, builders must get sign-off on the technical specifications of building plans from the Health Department, the Ministry of Communications and Works, the Fire Department, and the Development Control Author-

FIGURE 3.1

Building a warehouse in Dominica—burdensome



ity. Negotiating the bureaucracy takes 4 to 5 months. In St. Vincent and the Grenadines, all project clearances are consolidated into one office—the Development Planning Authority—and the clearance process takes only 1 month.

Unless one is a seasoned contractor in Antigua and Barbuda, it would be close to impossible to find out all the steps and procedures required to obtain a building permit. “It’s a shot in the dark and you just hope you get it right,” one respondent comments. “Even the government printery does not have copies of the building code.” A publicly available chart showing which offices to visit, when and with what documents, and listing the offices’ addresses, working hours and contact numbers, would save builders a lot of time and frustration.

Provide on-the-job training to development authority staff

Respondents across the OECS countries point to the poor capacity of the local authorities to review building plans and carry out on-site inspections. “It’s not the fault of the people who work in the Development Control Authority. They simply don’t receive any on-the-job training and have no resources to inspect building sites,” says an Antiguan contractor. Development authority capacity would improve with staff training and sufficient budget and transport resources to enable inspections.

Do not mandate use of specific sources for materials

The Commonwealth Act, which applies to all OECS member countries, requires construction companies to purchase materials from within CARICOM. In 2005, there was a cement shortage in St. Kitts and Nevis. Contractors eager to keep their projects on track wanted to import cement from Colombia. Such imports require cabinet-level approval, which proved to be burdensome and slowed down construction by several months. Having no restrictions on construction materials would enable contractors to adapt to market conditions as they arise, helping keep costs down so that local industries stay competitive.

Employing workers

Employment regulations are designed to protect workers from arbitrary, unfair or discriminatory actions by their employers. These regulations—from mandatory minimum wage, to premiums for overtime work, grounds for dismissal and severance pay—have been introduced to remedy apparent market failures.

But each point of regulation creates a new restriction on a company's ability to use its workforce effectively. Governments struggle to reach the right balance between labor market flexibility and job stability. Most developing countries err on the side of excessive rigidity, to the detriment of businesses and workers alike. The less flexible the regulations, the more businesses will find a way around them—hiring workers informally, paying them low wages and avoiding health insurance or other social benefits (figure 4.1). Those whom employment

regulation is supposed to protect are hurt the most.

Labor regulations in OECS countries are relatively flexible compared to the global average (table 4.1). St. Lucia's labor regulations offer the most flexibility to employers, while Dominica's, the least. But OECS countries still fall behind the world's top performers. Top performers include other small states such as Maldives and the Marshall Islands as well as larger economies like Hong Kong (China) and the United States.

Hiring employees in OECS countries is relatively easy. Each country allows fixed-term contracts, giving businesses the flexibility to hire more workers when demand for their products rises, without imposing high costs for dismissal if demand declines. Such contracts can be used for any type of task and do not limit the duration of the contract.

FIGURE 4.1

Rigid employment regulation, more informality

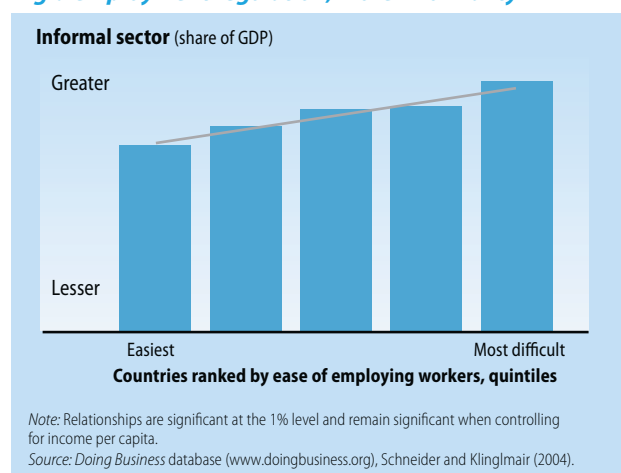


TABLE 4.1

Where is employing workers easy, and where not?

Economy	OECS ranking	Global ranking
St. Lucia	1	29
Grenada	2	34
St. Kitts and Nevis	3	35
Antigua and Barbuda	4	40
St. Vincent and the Grenadines	5	48
Dominica	6	50

Note: Rankings are the average of the country rankings on the difficulty of firing and the cost of firing indices. See the Data notes for details.

Source: Doing Business database (www.doingbusiness.org).

Restrictions in working hours, however, lower OECS countries' performance on the *Doing Business* employing workers measurement. Employees working more than 8 hours a day or during a weekend or holiday must receive overtime pay equal to at least one and a half times the regular wage, except in St. Lucia where such compensation is only required for weekend overtime work. In Dominica, few restaurants are open on Sundays and holidays because of these regulations, according to respondents of our survey. This creates a net financial loss in the tourism sector. Yet such rigid regulations allegedly increase workers' welfare. In economies driven by the highs and lows of tourism, agribusiness and construction, workers might prefer that employers adjust to changing demand through flexible working hours rather than through the alternatives: termination or informal work.

Redundancy regulations are also important. Employers in OECS countries benefit from relatively flexible firing laws—they are not required to notify a third party prior to dismissal, or to solicit third party approval. But if a company needs to let people go, obstacles do exist. In St. Kitts and Nevis and in St. Vincent and the Grenadines, an employer must notify the labor commissioner first if the company is to make more than 10 employees redundant. Dominica, St. Vincent and the Grenadines and St. Kitts and Nevis have priority rules for reemployment, requiring employers to first rehire senior staff that were previously dismissed.

Long dismissal notification periods and high severance pay requirements can also be burdensome to employers. Notification times are similar across OECS countries and are low compared to the global average, ranging from 1 month in Antigua and Barbuda to 2 months in St. Kitts and Nevis. In contrast, rules sur-

rounding severance pay vary widely. St. Kitts and Nevis is the most restrictive, requiring 60 weeks of severance, followed by St. Lucia with 56 weeks. Grenada is the least burdensome, requiring only 20 weeks of severance pay for an employee of 20 years (table 4.2).

Making labor regulations more flexible is about creating jobs. But the message is often lost in bad marketing on the part of reformers. Opponents of flexible employment stall reforms by pitting business against workers. Rigid regulation indeed benefits a select group of incumbent workers, but it shuts out others from a job in the formal sector altogether. And when someone does lose a job, it is harder to find a new one.

What to reform

Allow flexible working hours

To accommodate fluctuations in demand, businesses sometimes need to have longer workweeks. The current premiums for overtime work result in higher production costs and lost competitiveness. To meet a temporary 20% increase in demand, labor costs in OECS countries increase by 30%. Other countries (Hungary, Czech Republic) have addressed these swings by allowing swaps of working hours between peak and low times. Countries that move to more flexible working hours can bring labor costs down considerably.

Move from severance pay to unemployment insurance

Rather than requiring high severance payments which often hit a troubled business at the worst possible time, OECS countries could introduce unemployment insurance. This shifts the focus of regulation from protecting jobs to helping workers deal with the transition to a new job when it becomes necessary.

Introduce a unified labor code

As CARICOM integration advances, more people and especially youth will take advantage of job opportunities away from their home islands. Greater flexibility in labor regulations and a unified labor code would facilitate this growing labor mobility, which in turn will lead to higher employment levels in the region.

TABLE 4.2

Severance pay—high in the OECS

Economy	Firing cost (weeks of salary)
Grenada	20
Antigua and Barbuda	48
Dominica	49
St. Vincent and the Grenadines	54
St. Lucia	56
St. Kitts and Nevis	60

Source: *Doing Business* database (www.doingbusiness.org).

Registering property

Helen, the owner of a retail company in Basseterre, wants to buy a warehouse outside of town to store her extra inventory. She has identified the property she wants and negotiated a good deal with the owner. But it will take almost 3 months and will cost 13.3% of the property value to legally transfer the property title. Helen doesn't have that much money. The deal is put on hold.

Making it difficult to transfer title on property discourages investment. When it is too burdensome to go through the official channels, owners transfer ownership informally. Governments lose transfer tax revenue. Owners lose clear title to their land. And the ability to use the land as collateral for a business loan can be lost.

Among the 175 economies measured by *Doing Business*, 4 small island states prove most difficult to register property—the Maldives, Marshall Islands, Micronesia

and Timor-Leste. In Maldives, companies are not allowed to transfer property at all. In the Marshall Islands, only one property has been registered in the last year and that process took 2 years and multiple disputes.

The OECS countries fare better. Still, registering property there is costly. A domestic entrepreneur spends on average 47 days and 11% of property value to transfer title of land from one owner to another.¹ Transferring title is easiest in St. Lucia and Antigua and Barbuda (table 5.1). Registration is most difficult in St. Kitts and Nevis and Grenada. The best performer, St. Lucia, ranks 51st out of the 175 countries measured by *Doing Business* on the ease of registering property. Grenada ranks 145th.

In St. Lucia the entrepreneur needs 20 days from start to finish to transfer the title on a piece of property—the shortest time among OECS countries. But there are wide

TABLE 5.1

Where is it easy to register property, and where not?

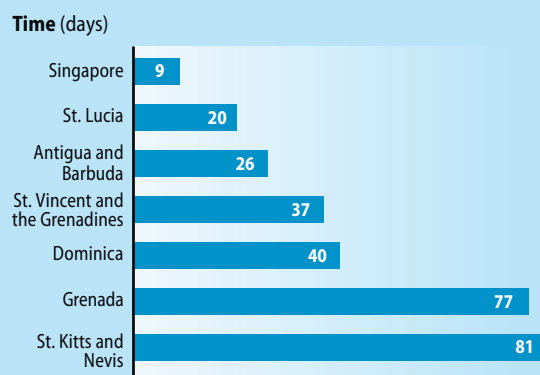
Economy	OECS ranking	Global ranking
St. Lucia	1	51
Antigua and Barbuda	2	71
Dominica	3	78
St. Vincent and the Grenadines	4	101
St. Kitts and Nevis	5	136
Grenada	6	145

Note: Rankings are the average of the country rankings on the procedures, time and cost to register property. See the Data notes for details.

Source: *Doing Business* database (www.doingbusiness.org).

FIGURE 5.1

Almost 3 months to register property in St. Kitts and Nevis



Source: *Doing Business* database (www.doingbusiness.org).

differences between St. Lucia and the rest. In Antigua and Barbuda, it takes 26 days to register property. It takes over 5 weeks in St. Vincent and the Grenadines and Dominica, and more than 11 weeks in Grenada and St. Kitts and Nevis (figure 5.1).

St. Lucia has the shortest process for transferring title on property. It takes 5 steps: the lawyer searches the title at the land registry, checks for encumbrances at the High Court, parties pay taxes at the Inland Revenue Authority, the lawyer prepares the deed of sale and registers the title deed with the land registry. The last step accounts for 14 out of the 20 days needed to complete the transfer (figure 5.2). Other OECS countries require similar procedures, with some additions. In St. Kitts and Nevis, the land plan must be verified by a surveyor, causing a delay of 2 weeks. Obtaining clearance from the water authority takes 2 weeks in Grenada. Property valuation in St. Vincent and the Grenadines takes 9 days.

The longest delays are at the property registries. Often, the registries are overloaded and lack sufficient staff. In St. Vincent and the Grenadines, lawyers must search large books page by page for encumbrances. One respondent in Dominica summarized her experience at the registry: “There is not enough staff and the method is laborious. It requires physical handling of documents and takes anywhere from a couple of weeks up to several months.” Just receiving confirmation of the title takes time. In addition to property titles, the registry in St. Kitts and Nevis also handles deeds of conveyance, bills of sale, intellectual property, probate, marriages, friendly societies, newspapers and trade unions. It takes 2 months to register the title transfer. Antigua and Barbuda is the most efficient, with 7 days to register the transfer. Still, the time can be shortened—in New Zealand the process

is done online and takes only a few minutes.

Registering property is also expensive in OECS countries—ranging from 7.3% to 13.3% of property value. Costs come largely from stamp duties and other taxes, followed by legal fees, since lawyers complete most of these procedures on behalf of their clients. In Antigua and Barbuda, Dominica and St. Kitts and Nevis, the costs add up to over 13% of property value (figure 5.3). Compare that with Slovakia and New Zealand, where entrepreneurs pay only 0.1%. St. Lucia and Grenada have the lowest costs among the OECS countries studied but they are still higher than in other Caribbean economies. The cost in Belize is 5% of property value, Guyana 4.5%.

Stamp duties and other taxes and fees vary from country to country. Grenada has the lowest stamp duty at 1% of property value, but also charges 5% transfer tax. Property owners in St. Kitts and Nevis face the highest stamp duties at 12%, followed by 10% for St. Vincent and the Grenadines and Antigua and Barbuda. In Dominica, registration fees add another cost of 2.5% of property value, and in St. Vincent and the Grenadines it is 2%. Often, both the buyer and the seller must pay taxes and stamp duties.

What to reform

Digitize records and introduce online access

Evidence shows that efficient property registration is associated with greater access to land and finance.² It is also linked with less corruption and informality. Reformers in OECS countries should follow the lead of St. Lucia, Antigua and Barbuda and Grenada to fully digitize

FIGURE 5.2

Registering property in St. Lucia

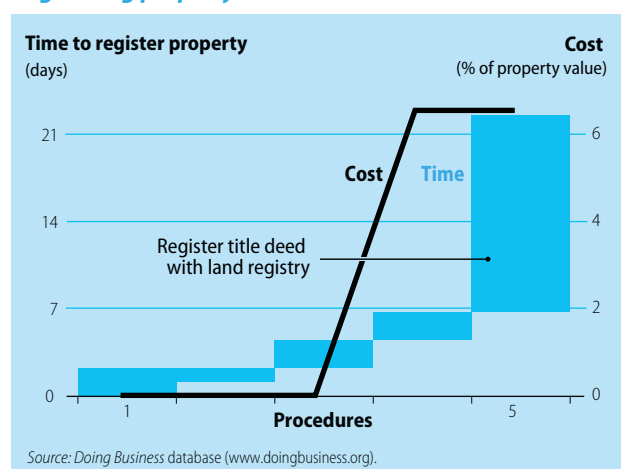
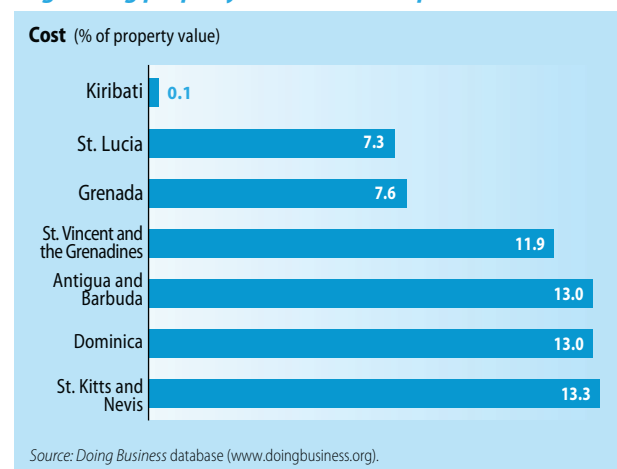


FIGURE 5.3

Registering property in the OECS—expensive



registry records. Dominica has an electronic database of records which cuts the time to search the title to one day, although the actual title certificates are paper-based. Grenada expects to fully digitize its records by 2008. All records from 1992 are already available electronically. The next step will be to introduce online title search, execution and registration—following the example of the Netherlands and Australia.

Consolidate and reduce taxes and fees

Countries in the OECS could also cut stamp duties and other fees. This does not necessarily mean reducing government revenues. High costs encourage informal transactions and underreporting of property values. Government revenue is lost and the title security for property owners falls. In 2005, 15 countries (including Costa Rica and Nicaragua) reduced or eliminated transfer tax and stamp duties. Another simple reform is to consolidate payments. Grenada's entrepreneurs must complete 3 separate steps to comply with registration payments—stamp duty, transfer tax and registration fee. One single payment, preferably at the registrar, would save them time in completing the transaction.

Notes

1. *Doing Business* records all the procedures necessary to transfer a property title from the seller to the buyer when a domestic company purchases land and a building. The case of a foreign buyer is not measured. See the Data notes for details.
2. World Bank. 2004. *Doing Business in 2005: Removing Obstacles to Growth*. Washington, D.C.

Getting credit

Access to credit is consistently cited by the private sector as one of the greatest barriers to growing a business in OECS countries. Small businesses are constrained the most. *Doing Business* covers two dimensions of access to credit in the OECS: access to credit information and the legal rights of borrowers and lenders. Where lenders have more information about potential borrowers, they can make better loans to a broader base of customers. And, where a broad pool of assets may be pledged and lenders can collect them easily, more loans are extended.

Getting credit is difficult across the OECS (table 6.1). All six countries fall in the bottom half of the global ranking on the ease of getting credit. The main reasons include the lack of a credit information system and weaknesses in the regulations affecting the legal rights of borrowers and lenders.

TABLE 6.1

Getting credit—difficult in the OECS

Economy	OECS ranking	Global ranking
United Kingdom	..	1
Hong Kong, China	..	2
Grenada	1	83
St. Vincent and the Grenadines	2	83
Antigua and Barbuda	3	101
Dominica	4	101
St. Lucia	5	101
St. Kitts and Nevis	6	117

Source: *Doing Business* database (www.doingbusiness.org).

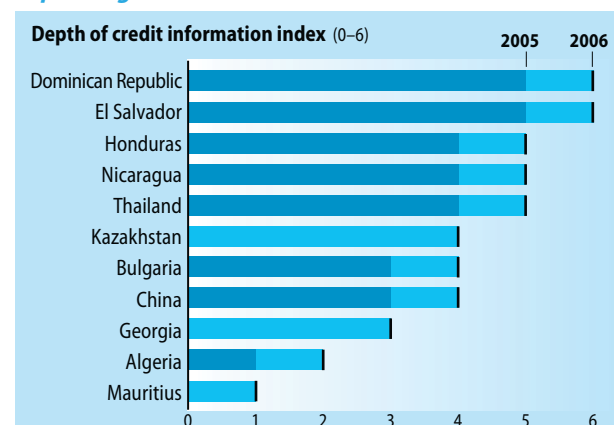
Credit information sharing allows creditors to distinguish good borrowers from bad, price loans correctly and reduce the costs of client screening. This can be done through a public credit registry or a private credit bureau.

Access to credit information has expanded in many countries but not yet in the OECS. The Dominican Republic has started offering more information on outstanding loans and on-time payments. The Dominican Republic, Honduras and Portugal are also allowing bureaus to use public sources of credit information, such as court files, when preparing their credit reports. Mauritius established a new credit registry in 2005 (figure 6.1).

There are no credit information agencies in the OECS. Currently, credit information on borrowers is only available through informal data-sharing agree-

FIGURE 6.1

Expanding credit information



Source: *Doing Business* database (www.doingbusiness.org).

ments between banks. Lenders must contact multiple banks to get client references—which can take up to 3 days. References are usually general and can be misleading. According to one respondent, “It’s as vague as you can imagine. Sometimes other banks would try to pass on bad clients to us by presenting them in a better light than they deserve, while if they try to attract a client, it’s the opposite.” A bank might indicate that “the client has been delinquent on a 6-digit loan,” but no specific figures or details of the delinquency are shared.

Collateral laws regulate which assets firms can use as security to raise capital—from a farmer pledging his cow for a tractor loan to the securitization of loan portfolios that drives mortgage finance in the United States. By providing creditors with a right to an asset on default, collateral also reduces a lender’s cost for screening loan applicants. And well-designed collateral agreements facilitate the efficient sale and liquidation of bankrupt firms, if this should become necessary.

Doing Business measures 10 areas affecting the rights of borrowers and creditors. Grenada and St. Vincent and the Grenadines score 7 out of 10 on the strength of legal rights index. St. Lucia, Dominica and Antigua and Barbuda are in the middle with 6, while St. Kitts and Nevis scores 5. Although a global leader in this area is Hong Kong (China), poor countries such as Kenya also score well (figure 6.2).

A common weakness in all OECS countries is the treatment of secured creditors in liquidation proceedings. The Companies Act, which is harmonized across the OECS, stipulates that in liquidation proceedings the tax and employee claims rank before debt to secured creditors. This makes creditor risk higher. Worldwide, 62% of countries rank secured creditors first in liquidation proceedings.

Out-of-court enforcement, which allows creditors to seize and sell collateral without court involvement, is unavailable in four of the OECS states. Creditors in Grenada and St. Kitts and Nevis can seize and sell collateral without a judicial order. But in the other OECS countries judicial intervention is required. This often takes a long time. In St. Lucia for example, land foreclosure can take up to 7 years.

When the type of security is agreed upon, lenders want to check for existing rights to the collateral. The best way is through an efficient and well-organized collateral registry. While all OECS countries have registries that handle collateral in one form or another, no country has a specialized collateral registry. OECS registries are also paper-based, which often causes delays in the creation and enforcement of security rights.

Registering collateral takes 2 days in St. Kitts and Nevis, Antigua and Barbuda and Dominica, but up to 15 days in Grenada. Even though the same legal procedures apply across the OECS, delays are caused due to overburdened registrar facilities. The situation is most difficult in Grenada. Ever since Hurricane Ivan destroyed Grenada’s supreme court and interrupted business and legal activity, the Grenadian registry has been confined to one room. Its staff still faces a large backlog of requests. The current effort to create an electronic registry should help address the problem and is expected to significantly reduce the time to register collateral.

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What to reform

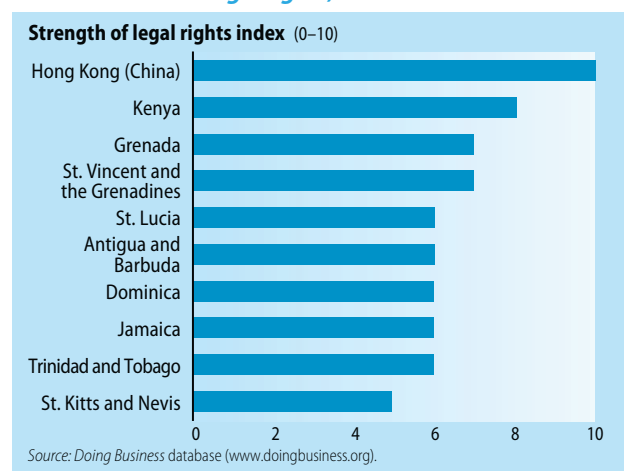
Establish a credit information system

The need for a credit information-sharing system in OECS countries is apparent. Private credit bureaus have been more successful worldwide than public bureaus. Regulations permit them to collect data from various sources—banks, utility companies, etc. and provide both positive and negative credit information. When India established a new consumer credit bureau in 2005, it enabled banks to check the credit history of more than 12 million borrowers in the first year.

Credit bureaus also allow banks to share the fixed cost of having a credit information system, which benefits the banks and their customers. With the move towards further CARICOM integration and the growing cross-country movement of individuals and companies, the need for a unified OECS-wide credit bureau will

FIGURE 6.2

Who has the most legal rights, and who the least?



grow further. Companies creating multi-country operations are likely to borrow from banks in their new host islands, while individuals will seek credit as they settle in jurisdictions away from home in their pursuit of job opportunities.

Provide general asset descriptions in secured transactions

When banks in the OECS set up collateral agreements, they accept a limited set of assets as security: land, vehicles and inventory. They also require detailed descriptions of the assets, such as a vehicle's chassis and engine numbers. This forces borrowers to continually revise the collateral agreement every time an asset leaves the pool. Expanding the assets that can be used as collateral, allowing for a rotating pool of assets and providing general asset descriptions makes it easier for borrowers to secure a loan and for lenders to approve it.

Enable out-of-court enforcement

Ensuring that out-of-court enforcement does not collapse at the first objection of the debtor cuts enforcement time by three-quarters on average. The less courts are involved, the shorter the time and the more willing creditors are to lend. But if the case does go to court, summary proceedings can improve efficiency by limiting the debtor's ability to delay the process. Armenia has recently encouraged enforcement out of court by removing the requirement that summary judgment be agreed to by both parties following a debtor's default.

Introduce electronic collateral registry

More than 25 countries make the collateral registry accessible electronically. Those that do often have significantly faster registration and more credit, controlling for other factors. The Romanian registry permits notice filing and is online, allowing creditors to check for existing liens instantly.

Refrain from credit subsidies

Access to credit is critical to ensure strong business growth—and a lack of access affects small business the most. Problems often lie in weak credit information systems and weak collateral laws. Reformers should address these areas first. Some have been tempted by the idea that subsidies can increase access to credit. But experience shows otherwise. Before being closed in 2005, Mexico's Banrural, which subsidized loans for farmers, lost \$20 million a month. Every dollar of loans cost 30 cents to process, and more than 45% of loans were nonperforming. Worse, the continued subsidies kept out sound lending from private banks.

Protecting investors

Financial markets can prosper where laws regulate self-dealing—the use of corporate assets for personal gain—and punish looting by corporate insiders. Regulations can encourage equity financing by requiring companies to report on their operations and allowing investors to vet major actions by the company. Where small investors see a high risk of expropriation, they do not invest.

The harmonized companies acts and civil procedure codes provide the foundation for strong corporate governance in OECS countries. Based on these provisions, the OECS score 6.3 out of a maximum of 10 possible points in the *Doing Business* protecting investors' measurements. New Zealand—the global best performer—scores 9.7 (figure 7.1). Because all the applicable laws are harmonized, there is no variation among the OECS countries.

OECS countries fall short, however, in the disclosure required for large transactions involving a corporate insider (table 7.1). The OECS regulations require full disclosure to the board of directors in case one of its members has a conflict of interest in a company's transaction, but no immediate disclosure of the transaction to the shareholders or the public is required. Nor is a review of the transaction by an external expert required. Mexico recently reformed its laws to require all of these things.

Investors do have redress against directors who harm the company for their own profit. The companies acts permit investors to recover damages against any director when the company's actions are unfair or prejudicial to minority shareholders. Investors may also void the harmful transaction, although the director cannot be fined or imprisoned for it. And while at trial, investors

FIGURE 7.1

New Zealand tops the global ranking in investor protections

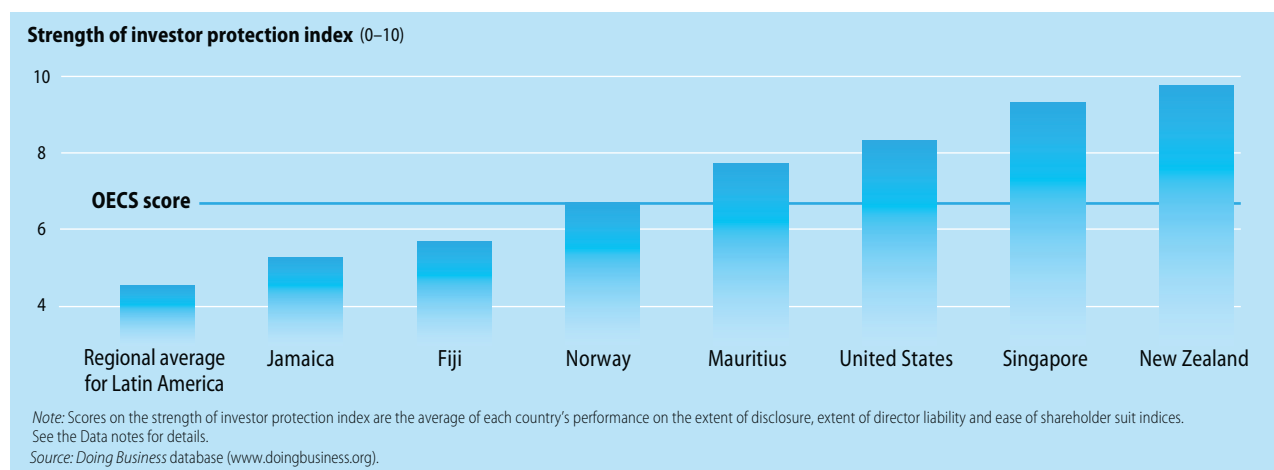


FIGURE 7.1

Who protects investors the most, and who the least?

	Extent of disclosure index	Extent of director liability index	Ease of shareholder suit index	Strength of investor protection index
New Zealand	10	9	10	9.7
Israel	7	9	9	8.3
Mauritius	6	8	9	7.7
OECS	4	8	7	6.3
France	10	1	5	5.3
Iceland	4	5	6	5.0

Source: *Doing Business* database (www.doingbusiness.org).

have extensive rights to access information and challenge witnesses in court.

The Eastern Caribbean Stock Exchange's effort to create new corporate governance principles is a good start to strengthening investor protections. Around the world, since 2004, 13 countries have increased their disclosure requirements: Israel, Italy, Mexico, Pakistan, Peru, Romania, Spain, Sweden, Thailand, Turkey, United Kingdom and Vietnam. Broader disclosure requirements can deepen investor trust—thereby deepening investment—in OECS companies.

Paying taxes

All businesses complain about taxes. But governments need to collect taxes to provide the public goods necessary for businesses to grow and society to prosper. Yet there are good and bad ways to collect taxes. In many developing countries tax evasion is high because rates are high, administration is complex and people feel their tax money is wasted.

Doing Business records all the taxes paid by a medium-size company during its second year of operations. To allow comparisons across countries, *Doing Business* measures all taxes—including corporate income tax, social security contributions and labor taxes paid by the employer, property taxes, dividend tax, capital gains tax, financial transactions tax, waste collection taxes and vehicle and road taxes—paid by a standardized firm. Consumption taxes such as sales tax or value-added tax are excluded.

St. Lucia has the lowest tax burden among OECS countries, paying 31.5% of commercial profits¹ and ranks 9th out of 175 economies (table 8.1). Businesses in St. Vincent and the Grenadines and Dominica also pay about a third of commercial profits in taxes. The tax burden is higher in Grenada (42.8%), Antigua and Barbuda (48.5%) and St. Kitts and Nevis (52.7%) (figure 8.1). Corporate income tax and payroll taxes account for the majority of tax payments. But businesses in OECS countries also pay several stamp duties. For example, Antigua and Barbuda, Grenada and St. Lucia charge a small fixed amount on check transactions.

Some OECS countries are reforming. Antigua and Barbuda lowered corporate tax by 5% in 2005. This follows an international trend: 23 countries reduced profit tax in 2005. After the reform in Antigua and Barbuda,

TABLE 8.1

Where is it easy to pay taxes, and where not?

Economy	Global ranking
St. Lucia	9
Dominica	20
Solomon Islands	23
Seychelles	24
St. Vincent and the Grenadines	32
Grenada	45
St. Kitts and Nevis	116
Antigua and Barbuda	145

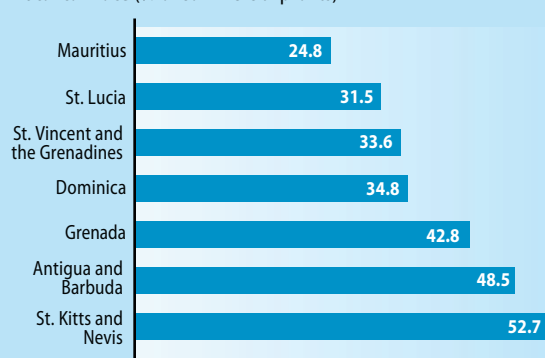
Note: Rankings are the average of the country rankings on the number of payments, time and total tax rate. See the Data notes for details.

Source: *Doing Business* database (www.doingbusiness.org).

FIGURE 8.1

St. Lucia—lowest tax burden in the OECS

Total tax rate (% of commercial profits)



Source: *Doing Business* database (www.doingbusiness.org).

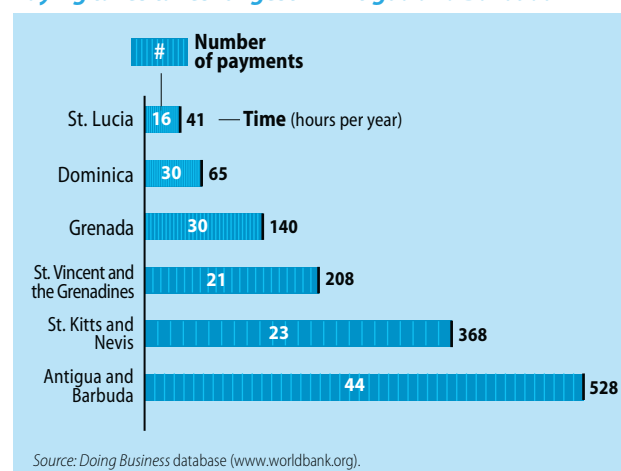
corporate income tax rates in all OECS countries are at 30% except St. Kitts and Nevis, which charges 35%. The rates are higher than in other countries such as Chile (17%) or Puerto Rico (19%). Dominica introduced a value added tax in March 2006 to replace 4 separate taxes on goods and services. Antigua and Barbuda will follow in 2007.

Doing Business also measures the complexity of tax administration. Complex tax systems encourage tax evasion. The OECS country with the lowest tax burden, St. Lucia, is also where businesses spend the fewest hours per year complying with tax regulations. It takes 41 hours per year to comply with St. Lucia's business tax regulations—the 4th shortest time in the world and 5 times less than the OECS country average of 225 hours (figure 8.2). Compare that to Antigua and Barbuda, where entrepreneurs spend 528 hours and must pay 3 different payroll taxes every month, in person and at 3 different locations. St. Kitts and Nevis has the second longest time to file taxes among the OECS countries. It has 4 different payroll taxes, but they can be paid at the same location.

Discretionary tax concessions also add to the complexity and cost of dealing with taxes. Efforts are underway in Antigua and Barbuda to reduce the number of discretionary tax concessions by setting criteria for granting incentives. Yet a new draft law still provides for extensive use of concessions. These incentives include tax holidays and exemptions for certain sectors, such as tourism. Governments also grant discretionary concession packages to individual investors. The effects are well-documented in terms of forgone revenue and distortions in allocation of resources.² Big businesses with political clout tend to benefit; small businesses do not.

FIGURE 8.2

Paying taxes takes longest in Antigua and Barbuda



What to reform

Allow electronic filing and payment

Tax compliance is greater if the tax administration is simple and transparent. Permitting direct transfer of the company's financial data into electronic tax forms allows tax declarations to be processed faster and more efficiently by the tax authorities. This can be especially useful for labor taxes, which require the majority of time for complying with taxes in OECS countries.

Keep tax rates moderate and consolidate the number of taxes

Moderate corporate income tax rates with fewer exemptions can broaden the tax base and increase revenue. But reform should go beyond cutting profit taxes, which globally account for only 36% of the tax burden on businesses. One place to start is with stamp duties, such as the tax on check transactions. Minor excise taxes and stamp duties are costly to administer and do not raise much revenue. Reformers in the OECS can also focus on consolidating payroll taxes. A good example is Slovakia, which combined all health, unemployment and pension payments into a single social contribution tax.

Cut back special treatment

Political interests and lobbying often create a multiplicity of tax incentives and other privileges. The OECS countries are no exception. Special privileges erode the tax base but only a few countries have dared to eliminate them. Estonia is one that has. In 1994, it introduced a 26% flat tax on corporate and personal income and eliminated all concessions. Tax revenues increased.

Notes

1. Commercial profits are defined as sales minus cost of goods, minus labor costs, minus other deductible expenses, minus deductible provisions, plus capital gains (from a property sale), minus interest expense, plus interest income and minus commercial depreciation.
2. See Sosa, Sebastian. 2006. "Tax Incentives and Investment in the Eastern Caribbean." IMF Working Paper WP/06/23, Washington, D.C.; Chai, Jingqing, and Rishi Goyal. 2005. "Tax Concessions and Foreign Direct Investment in the ECCU." IMF Country Report No. 05/305. Washington, D.C.; and Miller, Sutherland et al. 2004. "The Investor Roadmap and Sectoral Analysis of Dominica and The Antigua and Barbuda Investor Roadmap." The Services Group, Arlington, VA. Studies commissioned by USAID.

Trading across borders

Trade is critical for the OECS countries. It represents a high percentage of GDP—124% on average—and tariffs make up over half of government revenues. And many trade regulations have improved. Special and differential treatment preferences have eroded. New opportunities for trade are emerging through agreements such as the Caribbean Single Market Economy. Yet costly delays, document preparation and administrative fees continue to slow business in these countries. One importer shares his experience: “I’ve had a shipment from the UK sitting in the port warehouse for a month. The process is simply not moving. Everything sits on someone’s desk. Only if the head of customs decides to clear my papers am I able to get my goods.”

Doing Business compiles the steps, time and cost required to import and export a standardized cargo of

goods. The process starts with preparing the original documents and continues through the goods’ transport to its final destination in a major city. Across OECS countries, it is easier to export a good than import one. St. Kitts and Nevis tops the rankings for ease of importing and exporting in the OECS. Dominica is at the bottom (table 9.1).

Importing a good into an OECS country takes on average 16 days and requires 8 documents. St. Kitts and Nevis and St. Vincent and the Grenadines are typically faster at 13 days, while St. Lucia and Grenada are typically slower at 19 and 20 days respectively (figure 9.1).¹ The costs, which exclude customs duties, vary from US\$756 in St. Kitts and Nevis to US\$1,513 in Dominica. Compare that with the lowest costs worldwide: Singapore (US\$333) and Tonga (US\$360). Exporting goods from OECS member countries takes on average 13 days. It is

TABLE 9.1

Who makes it easy to import and export, and who does not?

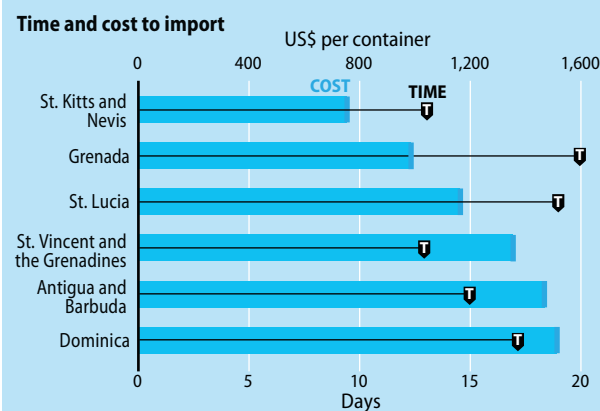
Economy	OECS ranking	Global ranking
St. Kitts and Nevis	1	37
St. Lucia	2	45
Antigua and Barbuda	3	47
St. Vincent and the Grenadines	4	48
Grenada	5	84
Dominica	6	97

Note: Rankings are the average of the country rankings on the documents, time and cost required to import and export. See the Data notes for details.

Source: *Doing Business* database (www.doingbusiness.org).

FIGURE 9.1

Importing into OECS countries—costly



Source: *Doing Business* database (www.doingbusiness.org).

fastest and requires less paperwork in St. Lucia. But the costs are lower in St. Kitts and Nevis and St. Vincent and the Grenadines (figure 9.2).

All OECS countries require at least 4 documents for the import of goods—bill of lading, invoice, certificate of origin and customs declaration. But additional documents vary across countries. Antigua and Barbuda and St. Vincent and the Grenadines require importers to have special import licenses. In St. Kitts and Nevis, each importer must obtain a port gate pass. Dominica asks for 13 documents from its importers. Meeting these bureaucratic requirements takes 7 days of the import agent's time.

OECS countries can learn from each other's best practices. In St. Lucia, exporters fill out a single electronic document for export administration, speeding time through customs. Clearing customs is also fast in Dominica, St. Lucia and St. Vincent and the Grenadines—only 1 day. But it takes on average 3 days in Antigua and Barbuda and 4 days in Grenada, despite relatively small volumes involved. Delays are compounded by the lack of training of customs officials, and confusion over classification and valuation systems for goods. Restaurant and hotel owners often complain about delays at customs for food imports. Given the importance of tourism in OECS countries, ensuring fast clearance of supplies for this sector can contribute to making it more competitive internationally.

Ongoing reforms aim to improve this. St. Lucia is upgrading its ASYCUDA++ electronic system at customs, improving technology that had been in place for over a decade. The new system allows traders to directly input customs declarations. New electronic systems are being implemented in St. Kitts and Nevis and are planned in Antigua and Barbuda. However, these new systems are

not set up to be compatible, reducing opportunities to reap economies of scale in regional shipping of products.

Improving customs efficiency is only part of the story. Eliminating import licenses is another way to ease the burden on importers and exporters. A recent study showed that each OECS country required trade licenses and import quotas for an average of 50 products from outside CARICOM.² In Antigua and Barbuda, imports of 80 products and any import from 34 countries require an import license. Different agencies are involved in granting the licenses. And the criteria to grant the licenses are not always clear.

Port infrastructure and services also matter. Even though port and terminal fees make up the largest import and export costs, respondents in St. Lucia complain about the poor condition of equipment at the port. Respondents in Grenada cite port services as a bottleneck, mainly due to staff absenteeism and charges for services not rendered. Both add to the cost of importing and exporting—in time and money.

What to reform

Continue improvements on electronic data exchange and processing

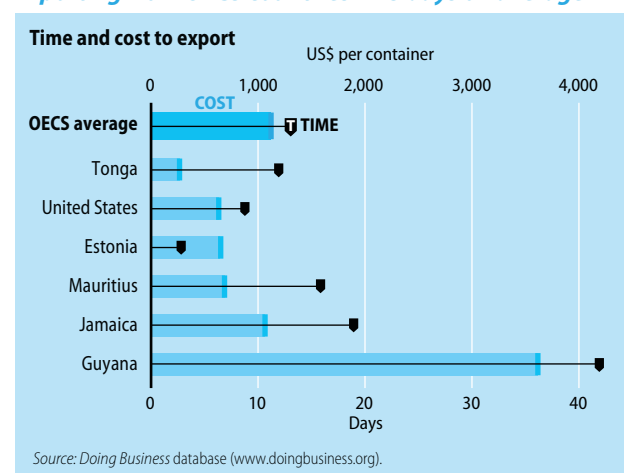
Electronic filing can allow early submission and fast approval of customs forms—before the cargo reaches the port. Singapore introduced electronic filing at customs, cutting the cargo clearance time from 4 days to 30 minutes. Mauritius adapted Singapore's technology with similar results. Jamaica introduced software that detects incomplete customs documents and calculates custom duties. Electronic payment of duties is the next step. OECS countries can also learn from the ongoing efforts in St. Lucia. And, given the high cost of implementing computerized customs systems, sharing the effort across OECS member states is a good option.

Introduce risk assessment for inspections across OECS countries

Procedures at the port take longer when physical inspections cover 100% of imports like in Antigua and Barbuda, Dominica and St. Vincent and the Grenadines. Costs increase too. In Antigua and Barbuda and Dominica, customs officials often work overtime to complete the inspections, with the import broker paying for it. In contrast, officials in St. Kitts and Nevis, St. Lucia and Grenada inspect randomly, depending on the history

FIGURE 9.2

Exporting from OECS countries—13 days on average



of the importer and the nature of the cargo. This is the right approach but the share of cargo inspected is variable—from about 60% in St. Kitts and Nevis, to 30-40% in St. Lucia, to rarely in Grenada.

Reduce the number of import licenses

Licenses add to the burden for importers but do not add significantly to the quality of the goods coming in or to government revenue. Eliminating this bureaucratic requirement would speed trade by reducing the time traders spend checking paperwork at customs.

Improve customs administration

Reformers in Antigua and Barbuda and Grenada could set a time limit of 1 day for going through customs, as in Thailand. Some countries have also introduced performance indicators to measure the efficiency of customs. They can be used to identify bottlenecks and reward the most efficient customs officials with bonuses.

Continue with regional trade integration initiatives

Efficient customs and trade transport are associated with more trade and lower costs for exporters. Continued integration in the region can help achieve this. Greater harmonization of customs and transport procedures can help reduce costly delays, while increasing trade volume.

Notes

1. *Doing Business* measures the time and cost for importing and exporting goods from a variety of countries. Since goods coming into and going out of the OECS typically transfer through larger ports in the region, *Doing Business* calculates the time and cost for this transfer stage (6 days and \$356 dollars.) Such transshipment treatment is consistent with the calculations for all 175 countries *Doing Business* measures, and affects the outcomes for several countries, including Fiji, Vanuatu, Papua New Guinea, Solomon Islands, Seychelles and some Eastern European countries, as well as the OECS countries.
2. World Bank. 2005. "Towards a New Agenda for Growth: Organization of Eastern Caribbean States." Washington, D.C.

Enforcing contracts

Commercial courts should be fast, fair and affordable. Long delays force businesses to look for other means of resolving disputes. But efficiency and fairness need to be balanced, and the complexity of judicial procedures should be proportionate to the claim.

Despite an identical code of civil procedure dictating the process for commercial court cases, there is a striking difference among OECS countries on the efficiency of contract enforcement. The top performers are Antigua and Barbuda and St. Vincent and the Grenadines (table 10.1), where it takes 297 and 394 days respectively from the time a claim is submitted until a judgment is enforced. In contrast, the same process is much more burdensome in Dominica and St. Lucia, where it takes 681 days and 635 days, respectively. St. Kitts and Nevis and Grenada occupy the middle of the range with 583

days and 578 days. But even the top OECS performers lag significantly behind other economies. In Lithuania, commercial disputes are handled within 166 days and in the Gambia the average is 247 days (figure 10.1).

The variation among OECS countries is rooted mainly in the administration of the courts. Antigua and Barbuda benefits from a resident judge who handles commercial disputes, but St. Kitts and Nevis, Grenada and St. Vincent and the Grenadines depend on a rotating judge who can hear commercial cases only 6 weeks during the year. Although the rotating judge system functioned well when initially introduced, today respondents call the judge “stretched” and unable to keep up with case volume. “Today I got a trial date for January 2007. It was the first spot available. The judges just can’t keep up,” says one practitioner in St. Lucia. Foreign investors

TABLE 10.1

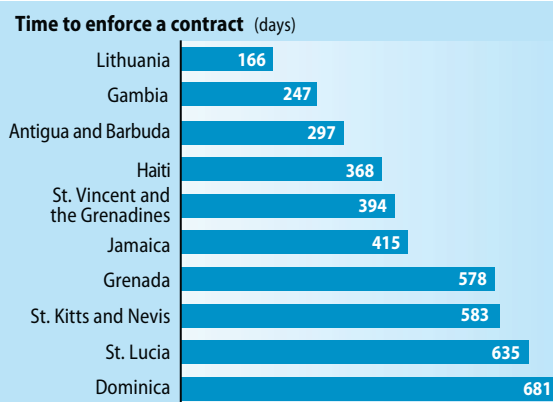
Where is it easy to enforce contracts, and where not?

Economy	OECS ranking	Global ranking
Antigua and Barbuda	1	47
St. Vincent and the Grenadines	2	125
St. Kitts and Nevis	3	135
Grenada	4	143
Dominica	5	159
St. Lucia	6	160

Note: Rankings are the average of the country rankings on the procedures, time and cost for enforcing contracts through the courts. See the Data notes for details.
Source: Doing Business database (www.doingbusiness.org).

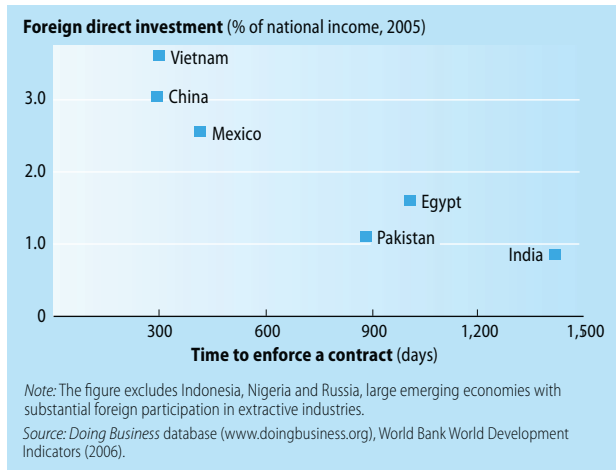
FIGURE 10.1

Enforcing a contract—slower in the OECS



Source: Doing Business database (www.doingbusiness.org).

FIGURE 10.2

Foreign investors avoid countries with inefficient courts

take note as well, and globally tend to avoid countries with inefficient courts (figure 10.2).

Lack of resident judges is only part of the story. The magistrate courts, whose primary function is to reduce the burden of the high courts by handling low-value cases, also suffer from serious inefficiencies. Taking a case to the magistrate court in Antigua and Barbuda is more time consuming than taking it to the high court. “I prefer to go to the high court. I have a 10-year-old case sitting in the magistrate’s court. I have written dozens of letters and have yet to get a response,” shares one Antiguan lawyer. But when operating properly, magistrate courts can resolve simple commercial matters efficiently and effectively. St. Kitts and Nevis recently expanded the reach of magistrate courts by amending the civil procedural code to increase the value of claims heard by the court from EC\$10,000 to EC\$25,000.

What to reform**Expedited enforcement for simple debt disputes**

If the creditor can present the judge with evidence of the transaction and nonpayment, summary proceedings would permit immediate recovery of the debt. Such reform can cut significantly the time it takes to decide a commercial case. One step further is to take the cases out of court altogether and give them to bailiffs for direct enforcement. If the claim is not disputed, the need for a court process would be eliminated, which in turn would bring down enforcement time. If the case is contested before the bailiff, the case would be referred back to court.

Make enforcement competitive

The best way to speed recovery of overdue debt is to allow competition in enforcing judgments. Colombia did this in 2003 by scrapping the monopoly of the courts to enforce judges’ rulings. Private companies quickly moved into the business. The result: time was cut by 2 months. Moving the bailiffs out of the court system and hiring private firms to enforce claims could have similar impact in OECS countries.

Introduce performance-based incentives for court staff

Court staff in OECS countries are often poorly trained and not well organized. According to one respondent, “My case files are often displaced. When this happens (and it happens frequently), I don’t know what to tell my clients. It’s embarrassing and frustrating for both me and my clients.” Another respondent says: “I sent a letter of acknowledgement to the high court and the staff would not accept it because the person who handles these was on vacation. I had to take my letter back and wait for the person to get back. It’s absurd.” Providing court staff with training and introducing performance-based incentives for their work would help address these capacity gaps.

Closing a business

Good bankruptcy laws reassure lenders that they will not lose their money if the borrower's business goes sour. Small firms in countries with long and costly bankruptcy procedures get only 9% of their capital from bank loans while large firms get 34%.¹ In countries with efficient bankruptcy procedures the difference is only 4 percentage points.

Bankruptcy law is rarely used in OECS countries. Out of the 6 countries covered in this report, only Antigua and Barbuda and St. Lucia see at least 5 bankruptcy cases a year. St. Kitts and Nevis, Dominica, Grenada and St. Vincent and the Grenadines sometimes see cases of bankruptcy, but these are rare. Lack of practice is frequently a symptom of poor or non-existing regulations but this is not the case in the OECS. The Companies Act, harmonized across the OECS member states, outlines bankruptcy provisions for all countries.

Despite the common regulations, implementation time and costs differ. In St. Lucia, completing bankruptcy

procedures takes 2 years, while in Antigua and Barbuda 3 years are needed. One contributor in Antigua and Barbuda ascribes this delay to poor record-keeping: "Many companies don't prepare balance sheets, so we need to draft their financial statements from scratch. We have one case that has dragged on for 10 years." In Ireland, which sets the global standard in bankruptcy efficiency, the process typically takes less than 6 months (table 11.1).

Antigua and Barbuda is among the global best performers in terms of cost of going through bankruptcy, along with Singapore, Kuwait, the Netherlands, Colombia and Norway. In all of these countries, the cost of bankruptcy proceedings amounts to 1% of the value of the estate. In St. Lucia, going through bankruptcy is more expensive: 9% of estate value.

One of the goals of bankruptcy is to maximize the total value of proceeds received by creditors, shareholders, employees and other stakeholders. Businesses should be rehabilitated, sold as a going concern, or liquidated—whichever generates the greatest total value. St. Lucia performs slightly better than Antigua and Barbuda in this area. The recovery rate for creditors in St. Lucia is 42.2%, while in Antigua and Barbuda it is 37.3%. This is mainly due to lending rate differentials. The higher the lending rate, the lower the recovery rate and vice versa. Antigua and Barbuda lends at 13.11%, while St. Lucia's rate is 9.92%. Not surprisingly, Japan tops the list in terms of recovery rate, with 92.7%, supported by a 1.63% lending rate.²

TABLE 11.1

Ireland—efficient bankruptcy procedures, low lending rate

Economy	Time (years)	Cost (% of estate value)	Recovery rate (%)	Lending rate (%)
Ireland	0.4	9.0	87.9	2.8
Japan	0.6	4.0	92.7	1.6
Singapore	0.8	1.0	91.3	5.3
St. Lucia	2.0	9.0	42.2	9.9
Antigua and Barbuda	3.0	1.0	37.3	13.1

Source: Doing Business database (www.doingbusiness.org).

But to recover a greater share of their investment, creditors have to be given priority in bankruptcy proceedings. In all OECS countries, creditors rank behind government debt—including taxes, employee benefits, etc. This reduces the likelihood that creditors will recover anything.

What to reform

Introduce time limits to avoid delays

Introducing time limits to certain steps in the bankruptcy case can reduce delays. The United States has made it more difficult for debtors in reorganization to cause delays. Debtors have 120 days to propose a reorganization plan. While the previous law allowed bankruptcy judges to extend this period at their discretion, the new law allows only 1 extension of up to 18 months. As a result, creditors can now push earlier for liquidation of unviable businesses. In Macedonia, a new bankruptcy law introduces strict deadlines: some appeals must now be resolved in as little as 8 days. And the claims in a bankruptcy case there can now be consolidated, which will reduce delays and improve secured creditors' ability to enforce their claims.

Place secured creditors higher on the hierarchy of claimants

In the process of claim settlement, creditors in OECS countries rank behind all government debt, including taxes, social security payments and wage claims. In 62% of countries around the world, secured creditors receive priority above all other claimants. Other countries have introduced wage caps, which entitle workers to a certain amount of wages first, followed by secured creditors and other government debt. Placing secured creditors higher on the claimants' hierarchy in the OECS would increase the likelihood of debt recovery for creditors, thus reducing investor risk and leading to higher overall levels of investment.

Notes

1. Galindo, Arturo, and Alejandro Micco. 2005. "Bank Credit to Small and Medium-Sized Enterprises: The Role of Creditor Protections." Working Paper 347. Central Bank of Chile, Santiago.
2. International Monetary Fund. 2005. <http://sima.world-bank.org/ifs/>.



Data notes

The indicators presented and analyzed in *Doing Business* publications measure business regulation and the protection of property rights—and their effect on businesses, especially small and medium-size domestic firms. First, the indicators document the degree of regulation, such as the number of procedures to start a business or register commercial property. Second, they gauge regulatory outcomes, such as the time and cost to enforce a contract, go through bankruptcy or trade across borders. Third, they measure the extent of legal protections of property, for example, the protections of investors against looting by company directors or the scope of assets that can be used as collateral according to secured transactions laws. Fourth, they measure the flexibility of employment regulation. Finally, a set of indicators documents the tax burden on businesses. The data for all sets of indicators in *Doing Business 2007: Organization of Eastern Caribbean States* are for March 2006.

The *Doing Business* data are collected in a standardized way. To start, the *Doing Business* team, with academic advisers, designs a survey. The survey uses a simple business case to ensure comparability across countries and over time—with assumptions about the legal form of the business, its size, its location and the nature of its operations. Surveys are administered through local experts, including lawyers, business consultants, accountants, government officials and other professionals routinely administering or advising on legal and regulatory requirements. These experts have several rounds of interaction with the *Doing Business* team, involving conference calls, written correspondence and country visits.

The *Doing Business* methodology has 5 limitations that should be considered when interpreting the data. First, the collected data refer to businesses in the country's most populous city and may not be representative of regulatory practices in other parts of the country. Second, the data often focus on a specific business form—a limited liability company of a specified size—and may not be representative of the regulation on other businesses, for example, sole proprietorships. Third, transactions described in a standardized case study refer to a specific set of issues and may not represent the full set of issues a business encounters. Fourth, the measures of time involve an element of judgment by the expert respondents. When sources indicate different estimates, the time indicators reported in *Doing Business* publications represent the median values of several responses given under the assumptions of the case study. Fifth, the methodology assumes that a business has full information on what is required and does not waste time when completing procedures. In practice, completing a procedure may take longer if the business lacks information or is unable to follow up promptly.

The laws and regulations underlying the *Doing Business* data are now available on the *Doing Business* website at <http://www.doingbusiness.org>. All the sample surveys and the details underlying the indicators are also published on the website. Questions on the methodology and challenges to data may be submitted through the “Ask a Question” function on the *Doing Business* home page. Updated indicators, as well as any revisions of or corrections to the printed data, are posted continuously on the website.

Economy characteristics

Region and income group

Doing Business uses the World Bank regional and income group classifications, available at <http://www.worldbank.org/data/countryclass/countryclass.html>.

Population

Doing Business 2007 reports midyear 2005 population statistics as published in *World Development Indicators 2006*.

Gross national income (GNI) per capita

Doing Business 2007: Organization of Eastern Caribbean States reports 2005 income per capita as published in the World Bank's *World Development Indicators 2006*. Income is calculated using the Atlas method (current US\$). For cost indicators expressed as a percentage of income per capita, 2005 GNI in local currency units is used as the denominator.

Starting a business

Doing Business records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business. These include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities.

After a study of laws, regulations and publicly available information on business entry, a detailed list of procedures is developed, along with the time and cost of complying with each procedure under normal circumstances and the paid-in minimum capital requirements. Subsequently, local incorporation lawyers and government officials complete and verify the data. On average 4 law firms participate in each country.

Information is also collected on the sequence in which procedures are to be completed and whether procedures may be carried out simultaneously. It is assumed that any required information is readily available and that all agencies involved in the start-up process function efficiently and without corruption. If answers by local experts differ, inquiries continue until the data are reconciled.

To make the data comparable across countries, several assumptions about the business and the procedures are used.

Assumptions about the business

The business:

- Is a limited liability company. If there is more than one type of limited liability company in the country, the limited liability form most popular among domestic firms is chosen. Information on the most popular form is obtained from incorporation lawyers or the statistical office.
- Operates in the country's most populous city.
- Is 100% domestically owned and has 5 owners, none of whom is a legal entity.
- Has start-up capital of 10 times income per capita at the end of 2005, paid in cash.
- Performs general industrial or commercial activities, such as the production or sale of products or services to the public. It does not perform foreign trade activities and does not handle products subject to a special tax regime, for example, liquor or tobacco. The business is not using heavily polluting production processes.

- Leases the commercial plant and offices and is not a proprietor of real estate.
- Does not qualify for investment incentives or any special benefits.
- Has up to 50 employees 1 month after the commencement of operations, all of them nationals.
- Has a turnover of at least 100 times income per capita.
- Has a company deed 10 pages long.

Procedures

A procedure is defined as any interaction of the company founder with external parties (government agencies, lawyers, auditors, notaries). Interactions between company founders or company officers and employees are not counted as procedures. Procedures that must be completed in the same building but in different offices are counted as separate procedures. The founders are assumed to complete all procedures themselves, without middlemen, facilitators, accountants or lawyers, unless the use of such a third party is mandated by law.

Both pre- and post-incorporation procedures that are officially required for an entrepreneur to formally operate a business are recorded. Procedures that are not required to start and formally operate a business are ignored. For example, obtaining exclusive rights over the company name is not counted in a country where businesses may use a number as identification.

Procedures required for official correspondence or transactions with public agencies are included. For example, if a company seal or stamp is required on official documents, such as tax declarations, obtaining it is counted. Similarly, if a company must open a bank account before registering for sales tax or value added tax, this transaction is included as a procedure. Shortcuts are counted only if they fulfill 3 criteria: they are legal, they are available to the general public, and avoiding them causes substantial delays.

Only procedures required of all businesses are covered. Industry-specific procedures are excluded. For example, procedures to comply with environmental regulations are included only when they apply to all businesses conducting general commercial or industrial activities. Procedures that the company undergoes to connect to electricity, water, gas and waste disposal services are not included.

Time

Time is recorded in calendar days. The measure captures the median duration that incorporation lawyers indicate is necessary to complete a procedure. It is assumed that the minimum time required for each procedure is 1 day. Although procedures may take place simultaneously, they cannot start on the same day. A procedure is considered completed once the company has received the final document, such as the company registration certificate or tax number. If a procedure can be accelerated for an additional cost, the fastest procedure is chosen. It is assumed that the entrepreneur does not waste time and commits to completing each remaining procedure without delay. The time that the entrepreneur spends on gathering information is ignored. It is assumed that the entrepreneur is aware of all entry regulations and their sequence from the beginning but has had no prior contact with any of the officials.

Cost

Cost is recorded as a percentage of the country's income per capita. Only official costs are recorded. The company law, the commercial code and specific regulations and fee schedules are used as sources for calculating costs. In the absence of fee schedules, a government officer's estimate is taken as an official source. In the absence of a government officer's estimate, estimates of incorporation lawyers are used. If several incorporation lawyers provide different estimates, the median reported value is applied. In all cases the cost excludes bribes.

Paid-in minimum capital

The paid-in minimum capital requirement reflects the amount that the entrepreneur needs to deposit in a bank before registration starts and is recorded as a percentage of the country's income per capita. The amount is typically specified in the commercial code or the company law. Many countries have a minimum capital requirement but allow businesses to pay only a part of it before registration, with the rest to be paid after the first year of operation.

This methodology was developed by Simeon Djankov, Rafael La Porta, Florencio López-de-Silanes and Andrei Shleifer in "The Regulation of Entry." Quarterly Journal of Economics 117 (1): 1–37. 2002.

Dealing with licenses

Doing Business records all procedures required for a business in the construction industry to build a standardized warehouse as an example of dealing with licenses. These procedures include obtaining all necessary licenses and permits, receiving all required inspections and completing all required notifications and submitting the relevant documents (for example, building plans and site maps) to the authorities. *Doing Business* also records procedures for obtaining utility connections, such as electricity, telephone, water and sewerage. Procedures necessary to be able to use the property as collateral or transfer it to another business are also counted. The survey divides the process of building a warehouse into distinct procedures and calculates the time and cost of completing each procedure under normal circumstances.

Information is collected from construction lawyers, construction firms, utility service providers and public officials who deal with building regulations. To make the data comparable across countries, several assumptions about the business, the warehouse project and the procedures are used.

Assumptions about the construction company

The business (BuildCo):

- Is a limited liability company.
- Operates in the country's most populous city.
- Is 100% domestically owned and has 5 owners, none of whom is a legal entity.
- Carries out construction projects, such as building a warehouse.
- Has up to 20 builders and other employees, all of them nationals with the technical expertise and professional experience necessary to develop architectural and technical plans for building a warehouse.

Assumptions about the warehouse project

The warehouse:

- Has 2 stories and approximately 14,000 square feet (1,300.6 square meters). Each floor is 9 feet, 10 inches (3 meters) high.
- Is located in a periurban area of the country's most populous city.
- Is located on a land plot of 10,000 square feet (929 square meters), which is 100% owned by BuildCo and is accurately registered in the cadastre and land registry.
- Is a new construction (there was no previous construction on the land).
- Has complete architectural and technical plans.
- Will be connected to electricity, water, sewerage and one land phone line. The connection to each utility network will be 32 feet, 10 inches (10 meters) long.
- Will require a 10-ampere power connection and 140 kilowatts of electricity.
- Will be used for storing books.

Procedures

A procedure is any interaction of the company's employees or managers with external parties, including government agencies, public inspectors, notaries, the land registry and cadastre and technical experts apart from architects and engineers. Interactions between company employees, such as development of the warehouse plans and inspections conducted by employees, are not counted as procedures. Procedures that the company undergoes to connect to electricity, water, sewerage and phone services are included. All procedures that are legally or in practice required for building a warehouse are counted, even if they may be avoided in exceptional cases.

Time

Time is recorded in calendar days. The measure captures the median duration that local experts indicate is necessary to complete a procedure. It is assumed that the minimum time required for each procedure is 1 day. If a procedure can be accelerated legally for an additional cost, the fastest procedure is chosen. It is assumed that BuildCo does not waste time and commits to completing each remaining procedure without delay. The time that BuildCo spends on gathering information is ignored. It is assumed that BuildCo is aware of all building requirements and their sequence from the beginning.

Cost

Cost is recorded as a percentage of the country's income per capita. Only official costs are recorded. The building code, specific regulations and fee schedules and information from local experts are used as sources for costs. If several local partners provide different estimates, the median reported value is used. All the fees associated with completing the procedures to legally build a warehouse, including utility hook-up, are included.

Employing workers

Doing Business measures the regulation of employment, specifically as it affects the hiring and firing of workers and the rigidity of working hours. The data on employing workers are based on a detailed survey of employment regulations that is completed by local law firms. The employment laws of most countries are available online in the NATLEX database, published by the International Labour Organization. Laws and regulations as well as secondary sources are reviewed to ensure accuracy. Conflicting answers are further checked against 2 additional sources, including a local legal treatise on employment regulation.

To make the data comparable across countries, several assumptions about the worker and the business are used.

Assumptions about the worker

The worker:

- Is a nonexecutive, full-time male employee who has worked in the same company for 20 years.
- Earns a salary plus benefits equal to the country's average wage during the entire period of his employment.
- Is a lawful citizen with a wife and 2 children. The family resides in the country's most populous city.
- Is not a member of a labor union, unless membership is mandatory.

Assumptions about the business

The business:

- Is a limited liability company.
- Operates in the country's most populous city.
- Is 100% domestically owned.
- Operates in the manufacturing sector.
- Has 201 employees.
- Abides by every law and regulation but does not grant workers more benefits than what is legally mandated.
- Is subject to collective bargaining agreements in countries where such bargaining covers more than half the manufacturing sector.

Rigidity of employment index

The rigidity of employment index is the average of three sub-indices: a difficulty of hiring index, a rigidity of hours index and a difficulty of firing index. All the subindices have several components. And all take values between 0 and 100, with higher values indicating more rigid regulation.

The difficulty of hiring index measures (i) whether term contracts can be used only for temporary tasks; (ii) the maximum cumulative duration of term contracts; and (iii) the ratio of the minimum wage for a trainee or first-time employee to the average value added per worker. A country is assigned a score of 1 if term contracts can be used only for temporary tasks and a score of 0 if they can be used for any task. A score of 1 is assigned if the maximum cumulative duration of term contracts is less than 3 years; 0.5 if it is between 3 and 5 years; and 0 if term contracts can last 5 years or more. Finally, a score of 1 is assigned if the ratio of the minimum wage to the average value added per worker is higher than 0.75; 0.67 for a ratio greater than 0.50 and less than or equal to 0.75; 0.33 for a ratio greater than 0.25 and less than or equal to 0.50; and 0 for a ratio less than or equal to 0.25. In Country X, for example, term contracts are allowed only for temporary tasks (a score of 1), and they can be used for a maximum of 2 years (a score of 1). The ratio of the mandated minimum wage to the value added per worker is 0.66 (a score of 0.67). Averaging the three subindices and scaling the index to 100 gives Country X a score of 89.

The rigidity of hours index has 5 components: (i) whether night work is unrestricted; (ii) whether weekend work is un-

restricted; (iii) whether the workweek can consist of 5.5 days; (iv) whether the workweek can extend to 50 hours or more (including overtime) for 2 months a year; and (v) whether paid annual vacation is 21 working days or fewer. For each of these questions, if the answer is no, the country is assigned a score of 1; otherwise a score of 0 is assigned. For example, Country Y imposes restrictions on night work (a score of 1) and weekend work (a score of 1), allows 5.5-day workweeks (a score of 0), permits 50-hour workweeks for 2 months (a score of 0) and requires paid vacation of 20 working days (a score of 0). Averaging the scores and scaling the result to 100 gives a final index of 40 for Country Y.

The difficulty of firing index has 8 components: (i) whether redundancy is disallowed as a basis for terminating workers; (ii) whether the employer needs to notify a third party (such as a government agency) to terminate 1 redundant worker; (iii) whether the employer needs to notify a third party to terminate a group of more than 20 redundant workers; (iv) whether the employer needs approval from a third party to terminate 1 redundant worker; (v) whether the employer needs approval from a third party to terminate a group of more than 20 redundant workers; (vi) whether the law requires the employer to consider reassignment or retraining options before redundancy termination; (vii) whether priority rules apply for redundancies; and (viii) whether priority rules apply for reemployment. For the first question an answer of yes for workers of any income level gives a score of 10 and means that the rest of the questions do not apply. An answer of yes to question (iv) gives a score of 2. For every other question, if the answer is yes, a score of 1 is assigned; otherwise a score of 0 is given. Questions (i) and (iv), as the most restrictive regulations, have greater weight in the construction of the index.

In Country Z, for example, redundancy is allowed as grounds for termination (a score of 0). An employer has to both notify a third party (a score of 1) and obtain its approval (a score of 2) to terminate a single redundant worker, and has to both notify a third party (a score of 1) and obtain its approval (a score of 1) to terminate a group of redundant workers. The law mandates consideration of retraining or alternative placement before termination (a score of 1). There are priority rules for termination (a score of 1) and reemployment (a score of 1). Adding up the scores and scaling to 100 gives a final index of 80 for Country Z.

Nonwage labor cost

The nonwage labor cost indicator measures all social security payments (including retirement fund; sickness, maternity and health insurance; workplace injury; family allowance; and other obligatory contributions) and payroll taxes associated with hiring an employee in fiscal year 2005. The cost is expressed as a percentage of the worker's salary.

Firing cost

The firing cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weekly wages. One month is recorded as 4 and 1/3 weeks.

This methodology was developed by Juan C. Botero, Simeon Djankov, Rafael La Porta, Florencio López-de-Silanes and Andrei Shleifer in "The Regulation of Labor." Quarterly Journal of Economics 119 (4): 1339–82. 2004.

Registering property

Doing Business records the full sequence of procedures necessary when a business purchases land and a building to transfer the property title from the seller to the buyer so that the buyer can use the property for expanding its business, as collateral in taking new loans or, if necessary, to sell to another business. Every required procedure is included, whether it is the responsibility of the seller or the buyer or must be completed by a third party on their behalf. Local property lawyers and property registries provide information on required procedures as well as the time and cost to complete each of them.

To make the data comparable across countries, several assumptions about the business, the property and the procedures are used.

Assumptions about the business

The business:

- Is a limited liability company.
- Is located in a periurban area of the country's most populous city.
- Is 100% domestically and privately owned.
- Has 50 employees, all of whom are nationals.
- Performs general commercial activities.

Assumptions about the property

The property:

- Has a value of 50 times income per capita.
- Is fully owned by another domestic limited liability company.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is adequately measured and filed in the cadastre, registered in the land registry and free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of land and a building. The land area is 6,000 square feet (557.4 square meters). A 2-story warehouse of 10,000 square feet (929 square meters) is located on the land. The warehouse is 10 years old, is in good condition

and complies with all safety standards, building codes and other legal requirements. The property of land and building will be transferred in its entirety.

- Will not be subject to renovations or additional building following the purchase.
- Has no trees, natural water sources, natural reserves or historical monuments of any kind.
- Will not be used for special purposes, and no special permits, such as for residential use, industrial plants, waste storage or certain types of agricultural activities, are required.
- Has no occupants (legal or illegal), and no other party holds a legal interest in it.

Procedures

A procedure is defined as any interaction of the buyer or the seller, their agents (if an agent is legally or in practice required) or the property with external parties, including government agencies, inspectors, notaries and lawyers. Interactions between company officers and employees are not considered. All procedures that are legally or in practice required for registering property are recorded, even if they may be avoided in exceptional cases. It is assumed that the buyer follows the fastest legal option available and used by the general public. Although the business may use lawyers or other professionals where necessary in the registration process, it is assumed that it does not employ an outside facilitator in the registration process unless legally or in practice required to do so.

Time

Time is recorded in calendar days. The measure captures the median duration that property lawyers or registry officials indicate is necessary to complete a procedure. It is assumed that the minimum time required for each procedure is 1 day. Although procedures may take place simultaneously, they cannot start on the same day. It is assumed that the buyer does not waste time and commits to completing each remaining procedure without delay. If a procedure can be accelerated for an additional cost, the fastest legal procedure available and used by the general public is chosen. If procedures can be undertaken simultaneously, it is assumed that they are. It is assumed that the parties involved are aware of all regulations and their sequence from the beginning. Time spent on gathering information is not considered.

Cost

Cost is recorded as a percentage of the property value, assumed to be equivalent to 50 times income per capita. Only official costs required by law are recorded, including fees, transfer taxes, stamp duties and any other payment to the property registry, notaries, public agencies or lawyers. Other taxes, such as capital gains tax or value added tax, are excluded from the cost measure. If cost estimates differ among sources, the median reported value is used.

Getting credit

Doing Business constructs measures of the legal rights of borrowers and lenders and the sharing of credit information. The first set of indicators describes how well collateral and bankruptcy laws facilitate lending. The second set measures the coverage, scope, quality and accessibility of credit information available through public and private credit registries.

The data on the legal rights of borrowers and lenders are gathered through a survey of financial lawyers and verified through analysis of laws and regulations as well as public sources of information on collateral and bankruptcy laws. The data on credit information sharing are built in two stages. First, banking supervision authorities and public information sources are surveyed to confirm the presence of public credit registries and private credit information bureaus. Second, when applicable, a detailed survey on the public or private credit registry's structure, law and associated rules is administered to the credit registry. Survey responses are verified through several rounds of follow-up communication with respondents as well as by contacting third parties and consulting public sources. The survey data are confirmed through teleconference calls in most countries.

Strength of legal rights index

The strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. The index includes 7 aspects related to legal rights in collateral law and 3 aspects in bankruptcy law. A score of 1 is assigned for each of the following features of the laws:

- General rather than specific description of assets is permitted in collateral agreements.
- General rather than specific description of debt is permitted in collateral agreements.
- Any legal or natural person may grant or take security in the property.
- A unified registry operates that includes charges over movable property.
- Secured creditors have priority outside of bankruptcy.
- Secured creditors, rather than other parties such as government or workers, are paid first out of the proceeds from liquidating a bankrupt firm.
- Secured creditors are able to seize their collateral when a debtor enters reorganization; there is no "automatic stay" or "asset freeze" imposed by the court.
- Management does not stay during reorganization. An administrator is responsible for managing the business during reorganization.
- Parties may agree on enforcement procedures by contract.
- Creditors may both seize and sell collateral out of court without restriction.

The index ranges from 0 to 10, with higher scores indicating that collateral and bankruptcy laws are better designed to expand access to credit.

Depth of credit information index

The depth of credit information index measures rules affecting the scope, accessibility and quality of credit information available through either public or private credit registries. A score of 1 is assigned for each of the following 6 features of the credit information system:

- Both positive (for example, amount of loan and on-time repayment pattern) and negative (for instance, number and amount of defaults, late payments, bankruptcies) credit information is distributed.
- Data on both firms and individuals are distributed.
- Data from retailers, trade creditors or utilities as well as financial institutions are distributed.
- More than 2 years of historical data are distributed.
- Data on loans above 1% of income per capita are distributed.
- By law, borrowers have the right to access their data.

The index ranges from 0 to 6, with higher values indicating the availability of more credit information, from either a public registry or a private bureau, to facilitate lending decisions. In Turkey, for example, both a public and a private registry operate. Both distribute positive and negative information (a score of 1). The private bureau distributes data only on individuals, but the public registry covers firms as well as individuals (a score of 1). The public and private registries share data among financial institutions only; no data are collected from retailers or utilities (a score of 0). The private bureau distributes more than 2 years of historical data (a score of 1). The public registry collects data only on loans of \$3,132 (66% of income per capita) or more, but the private bureau collects information on loans of any value (a score of 1). Borrowers have the right to access their data (a score of 1). Summing across the indicators gives Turkey a total score of 5.

Public credit registry coverage

The public credit registry coverage indicator reports the number of individuals and firms listed in a public credit registry with current information on repayment history, unpaid debts or credit outstanding. The number is expressed as a percentage of the adult population. A public credit registry is defined as a database managed by the public sector, usually by the central bank or the superintendent of banks, that collects information on the creditworthiness of borrowers (persons or businesses) in the financial system and makes it available to financial institutions. If no public registry operates, the coverage value is 0.

Private credit bureau coverage

The private credit bureau coverage indicator reports the number of individuals or firms listed by a private credit bureau with current information on repayment history, unpaid debts or credit outstanding. The number is expressed as a percentage of the adult population. A private credit bureau is defined as a private firm or nonprofit organization that maintains a database on the creditworthiness of borrowers (persons or businesses) in the financial system and facilitates the exchange of credit information among banks and financial institutions. Credit investigative bureaus and credit reporting firms that do not directly facilitate information exchange between banks and other financial institutions are not considered. If no private bureau operates, the coverage value is 0.

This methodology was developed by Simeon Djankov, Caralee McLiesh and Andrei Shleifer in "Private Credit in 129 Countries." Forthcoming in the Journal of Financial Economics.

Protecting investors

Doing Business measures the strength of minority shareholder protections against directors' misuse of corporate assets for personal gain. The indicators distinguish 3 dimensions of investor protection: transparency of transactions (extent of disclosure index), liability for self-dealing (extent of director liability index) and shareholders' ability to sue officers and directors for misconduct (ease of shareholder suits index). The data come from a survey of corporate lawyers and are based on company laws, court rules of evidence and securities regulations.

To make the data comparable across countries, several assumptions about the business and the transaction are used.

Assumptions about the business

The business (Buyer):

- Is a publicly traded corporation listed on the country's most important stock exchange. If the number of publicly traded companies listed on that exchange is less than 10, or if there is no stock exchange in the country, it is assumed that Buyer is 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.
- Has only national shareholders.
- Has invested only in the country and has no subsidiaries or operations abroad.
- Is a food manufacturer.
- Has its own distribution network.

Assumptions about the transaction

- Mr. James is Buyer's controlling shareholder and a member of Buyer's board of directors. He owns 60% of Buyer and elected 2 directors to Buyer's 5-member board.
- Mr. James also owns 90% of Seller, a company that operates a chain of retail hardware stores. Seller recently closed a large number of its stores.
- Mr. James proposes to Buyer that it purchase Seller's unused fleet of trucks to expand Buyer's distribution of its food products. Buyer agrees. The price is equal to 10% of Buyer's assets and is higher than the market value.
- The proposed transaction is part of the company's ordinary course of business and is not outside the authority of the company.
- Buyer enters into the transaction. All required approvals are obtained, and all required disclosures made.
- The transaction is unfair to Buyer. Shareholders sue Mr. James and the other parties that approved the transaction.

Extent of disclosure index

The extent of disclosure index has 5 components: (i) what corporate body can provide legally sufficient approval for the transaction (a score of 0 is assigned if it is the CEO or the managing director alone; 1 if the board of directors or shareholders must vote and Mr. James is permitted to vote; 2 if the board of directors must vote and Mr. James is not permitted to vote; 3 if shareholders must vote and Mr. James is not permitted to vote); (ii) whether immediate disclosure of the transaction to the public, the shareholders or both is required (a score of 0 is assigned if no disclosure is required; 1 if disclosure on the terms of the transaction but not Mr. James's conflict of interest is required; 2 if disclosure on both the terms and Mr. James's conflict of interest is required); (iii) whether disclosure in the annual report is required (a score of 0 is assigned if no disclosure on the transaction is required; 1 if disclosure on the terms of the transaction but not Mr. James's conflict of interest is required; 2 if disclosure on both the terms and Mr. James's conflict of interest is required); (iv) whether disclosure by Mr. James to the board of directors is required (a score of 0 is assigned if no disclosure is required; 1 if a general disclosure of the existence of a conflict of interest is required without any specifics; 2 if full disclosure of all material facts relating to Mr. James's interest in the Buyer-Seller transaction is required); and (v) whether it is required that an external body, for example, an external auditor, review the transaction before it takes place (a score of 0 is assigned if no; 1 if yes).

The index ranges from 0 to 10, with higher values indicating greater disclosure. In Country X, for example, the board of directors must approve the transaction and Mr. James is not allowed to vote (a score of 2). Buyer is required to disclose immediately all information affecting the stock price, including the conflict of interest (a score of 2). In its annual report Buyer must also disclose the terms of the transaction and Mr. James's ownership in Buyer and Seller (a score of 2). Before the

transaction Mr. James must disclose his conflict of interest to the other directors, but he is not required to provide specific information about it (a score of 1). Country X does not require an external body to review the transaction (a score of 0). Adding these numbers gives Country X a score of 7 on the extent of disclosure index.

Extent of director liability index

The extent of director liability index measures (i) a shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company (a score of 0 is assigned if Mr. James cannot be held liable or can be held liable only for fraud or bad faith; 1 if Mr. James can be held liable only if he influenced the approval of the transaction or was negligent; 2 if Mr. James can be held liable when the transaction was unfair or prejudicial to the other shareholders); (ii) a shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage the transaction causes to the company (a score of 0 is assigned if the approving body cannot be held liable or can be held liable only for fraud or bad faith; 1 if the approving body can be held liable for negligence; 2 if the approving body can be held liable when the transaction is unfair or prejudicial to the other shareholders); (iii) whether a court can void the transaction upon a successful claim by a shareholder plaintiff (a score of 0 is assigned if rescission is unavailable or is available only in case of fraud or bad faith; 1 if rescission is available when the transaction is oppressive or prejudicial to the other shareholders; 2 if rescission is available when the transaction is unfair or entails a conflict of interest); (iv) whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff (a score of 0 is assigned if no; 1 if yes); (v) whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff (a score of 0 is assigned if no; 1 if yes); (vi) whether fines and imprisonment can be applied against Mr. James (a score of 0 is assigned if no; 1 if yes); and (vii) shareholder plaintiffs' ability to sue directly or derivatively for damage the transaction causes to the company (a score of 0 is assigned if suits are unavailable or are available only for shareholders holding more than 10% of the company's share capital; 1 if direct or derivative suits are available for shareholders holding 10% or less of share capital).

The index ranges from 0 to 10, with higher values indicating greater liability of directors. To hold Mr. James liable in Country Y, for example, a plaintiff must prove that Mr. James influenced the approving body or acted negligently (a score of 1). To hold the other directors liable, a plaintiff must prove that they acted negligently (a score of 1). The unfair transaction cannot be voided (a score of 0). If Mr. James is found liable, he must pay damages (a score of 1) but he is not required to disgorge his profits (a score of 0). Mr. James cannot be fined or imprisoned (a score of 0). Direct suits are available for shareholders holding 10% or less of share capital (a score of 1). Adding these numbers gives Country Y a score of 4 on the extent of director liability index.

Ease of shareholder suits index

The ease of shareholder suits index measures (i) the range of documents available to the shareholder plaintiff from the defendant and witnesses during trial (a score of 1 is assigned for each of the following types of documents available: information that the defendant has indicated he intends to rely on for his defense; information that directly proves specific facts in the plaintiff's claim; any information relevant to the subject matter of the claim; and any information that may lead to the discovery of relevant information); (ii) whether the plaintiff can directly examine the defendant and witnesses during trial (a score of 0 is assigned if no; 1 if yes, with prior approval of the questions by the judge; 2 if yes, without prior approval); (iii) whether the plaintiff can obtain any documents from the defendant without identifying them specifically (a score of 0 is assigned if no; 1 if yes); (iv) whether shareholders owning 10% or less of the company's share capital can request that a government inspector investigate the Buyer-Seller transaction (a score of 0 is assigned if no; 1 if yes); (v) whether shareholders owning 10% or less of the company's share capital have the right to inspect the transaction documents before filing suit (a score of 0 is assigned if no; 1 if yes); and (vi) whether the standard of proof for civil suits is lower than that for a criminal case (a score of 0 is assigned if no; 1 if yes).

The index ranges from 0 to 10, with higher values indicating greater powers of shareholders to challenge the transaction. In Country Z, for example, the plaintiff can access documents that the defendant intends to rely on for his defense and that directly prove facts in the plaintiff's claim (a score of 2). The plaintiff can examine the defendant and witnesses during trial, though only with prior approval of the questions by the court (a score of 1). The plaintiff must specifically identify the documents being sought (for example, the Buyer-Seller purchase agreement of July 15, 2005) and cannot just request categories (for example, all documents related to the transaction) (a score of 0). A shareholder holding 5% of Buyer's shares can request that a government inspector review suspected mismanagement by Mr. James and the CEO (a score of 1). And any shareholder can inspect the transaction documents before deciding whether to sue (a score of 1). The standard of proof for civil suits is the same as that for criminal suits (a score of 0). Adding these numbers gives Country Z a score of 5 on the ease of shareholder suits index.

Strength of investor protection index

The strength of investor protection index is the average of the extent of disclosure index, the extent of director liability index and the ease of shareholder suits index. The index ranges from 0 to 10, with higher values indicating better investor protection.

This methodology was developed by Simeon Djankov, Rafael La Porta, Florencio López-de-Silanes and Andrei Shleifer in "The Law and Economics of Self-Dealing." Harvard University, Department of Economics, Cambridge, Mass. 2005.

Paying taxes

Doing Business records the tax that a medium-size company must pay or withhold in a given year, as well as measures of the administrative burden in paying taxes. Taxes are measured at all levels of government and include the profit or corporate income tax, social security contributions and labor taxes paid by the employer, property taxes, property transfer taxes, the dividend tax, the capital gains tax, the financial transactions tax, waste collection taxes and vehicle and road taxes.

To measure the tax paid by a standardized business and the complexity of a country's tax law, a case study is prepared with a set of financial statements and assumptions about transactions made over the year. Experts in each country compute the taxes owed in their jurisdiction based on the standardized case facts. Information on the frequency of filing, audits and other costs of compliance is also compiled. The project was developed and implemented in cooperation with PricewaterhouseCoopers.

To make the data comparable across countries, several assumptions about the business and the taxes are used.

Assumptions about the business

The business:

- Is a limited liability, taxable company. If there is more than one type of limited liability company in the country, the limited liability form most popular among domestic firms is chosen. Incorporation lawyers or the statistical office report the most popular form.
- Started operations on January 1, 2004. At that time the company purchased all the assets shown in its balance sheet and hired all its workers.
- Operates in the country's most populous city.
- Is 100% domestically owned and has 5 owners, all of whom are natural persons.
- Has a start-up capital of 102 times income per capita at the end of 2004.
- Performs general industrial or commercial activities. Specifically, it produces ceramic flowerpots and sells them at retail. It does not participate in foreign trade (no import or export) and does not handle products subject to a special tax regime, for example, liquor or tobacco.
- Owns 2 plots of land, 1 building, machinery, office equipment, computers and 1 truck and leases another truck.
- Does not qualify for investment incentives or any special benefits apart from those related to the age or size of the company.
- Has 60 employees—4 managers, 8 assistants and 48 workers. All are nationals, and 1 of the managers is also an owner.
- Has a turnover of 1,050 times income per capita.
- Makes a loss in the first year of operation.
- Has the same gross margin (pre-tax) across all economies.

- Distributes 50% of its profits as dividends to the owners at the end of the second year.
- Sells one of its plots of land at a profit during the second year.
- Is subject to a series of detailed assumptions on expenses and transactions to further standardize the case.

Assumptions about the taxes

- All the taxes paid or withheld in the second year of operation are recorded. A tax is considered distinct if it has a different name or is collected by a different agency. Taxes with the same name and agency, but charged at different rates depending on the business, are counted as the same tax.
- The number of times the company pays or withholds taxes in a year is the number of different taxes multiplied by the frequency of payment (or withholding) for each tax. The frequency of payment includes advance payments (or withholding) as well as regular payments (or withholding).

Tax payments

The tax payments indicator reflects the total number of taxes paid, the method of payment, the frequency of payment and the number of agencies involved for this standardized case during the second year of operation. It includes payments made by the company on consumption taxes, such as sales tax or value added tax. These taxes are traditionally withheld on behalf of the consumer. The number of payments takes into account electronic filing. Where full electronic filing is allowed, the tax is counted as paid once a year even if the payment is more frequent.

Time

Time is recorded in hours per year. The indicator measures the time to prepare, file and pay (or withhold) three major types of taxes: the corporate income tax, value added or sales tax and labor taxes, including payroll taxes and social security contributions. Preparation time includes the time to collect all information necessary to compute the tax payable. If separate accounting books must be kept for tax purposes—or separate calculations must be made for tax purposes—the time associated with these processes is included. Filing time includes the time to complete all necessary tax forms and make all necessary calculations. Payment time is the hours needed to make the payment online or at the tax office. When taxes are paid in person, the time includes delays while waiting.

Total tax rate

The total tax rate measures the amount of taxes payable by the business in the second year of operation, expressed as a share of commercial profits. *Doing Business 2007* reports tax rates for fiscal year 2005. The total amount of taxes is the sum of all the different taxes payable after accounting for deductions and exemptions. The taxes withheld (such as sales tax or

value added tax) but not paid by the company are excluded. The taxes included can be divided into five categories: profit or corporate income tax, social security contributions and other labor taxes paid by the employer, property taxes, turnover taxes and other small taxes (such as municipal fees and vehicle and fuel taxes).

Commercial profits are defined as sales minus cost of goods sold, minus gross salaries, minus administrative expenses, minus other deductible expenses, minus deductible provisions, plus capital gains (from the property sale) minus interest expense, plus interest income and minus commercial depreciation. To compute the commercial depreciation, a straight-line depreciation method is applied with the following rates: 0% for the land, 5% for the building, 10% for the machinery, 33% for the computers, 20% for the office equipment, 20% for the truck and 10% for business development expenses.

The methodology is consistent with the total tax calculation applied by PricewaterhouseCoopers.

This methodology was developed in “Tax Burdens around the World,” an ongoing research project by Simeon Djankov, Caralee McIles, Rita Ramalho and Andrei Shleifer.

Trading across borders

Doing Business compiles procedural requirements for exporting and importing a standardized cargo of goods. Every official procedure for exporting and importing the goods is recorded—from the contractual agreement between the two parties to the delivery of goods—along with the time and cost necessary for completion. All documents required for clearance of the goods across the border are also recorded. For exporting goods, procedures range from packing the goods at the factory to their departure from the port of exit. For importing goods, procedures range from the vessel's arrival at the port of entry to the cargo's delivery at the factory warehouse.

Local freight forwarders, shipping lines, customs brokers and port officials provide information on required documents and cost as well as the time to complete each procedure. To make the data comparable across countries, several assumptions about the business and the traded goods are used.

Assumptions about the business

The business:

- Has 200 or more employees.
- Is located in the country's most populous city.
- Is a private, limited liability company. It does not operate within an export processing zone or an industrial estate with special export or import privileges.
- Is domestically owned with no foreign ownership.
- Exports more than 10% of its sales.

Assumptions about the traded goods

The traded product travels in a dry-cargo, 20-foot, full container load. The product:

- Is not hazardous nor does it include military items.
- Does not require refrigeration or any other special environment.
- Does not require any special phytosanitary or environmental safety standards other than accepted international standards.
- Falls under one of the following Standard International Trade Classification (SITC) Revision categories:
 - SITC 65: textile yarn, fabrics and made-up articles.
 - SITC 84: articles of apparel and clothing accessories.
 - SITC 07: coffee, tea, cocoa, spices and manufactures thereof.

Documents

All documents required to export and import the goods are recorded. It is assumed that the contract has already been agreed upon and signed by both parties. Documents include bank documents, customs declaration and clearance documents, port filing documents, import licenses and other official documents exchanged between the concerned parties. Documents filed simultaneously are considered different documents but with the same time frame for completion.

Time

Time is recorded in calendar days. The time calculation for a procedure starts from the moment it is initiated and runs until it is completed. If a procedure can be accelerated for an additional cost, the fastest legal procedure is chosen. It is assumed that neither the exporter nor the importer wastes time and that each commits to completing each remaining procedure without delay. Procedures that can be completed in parallel are measured as simultaneous for the purpose of measuring time. The waiting time between procedures (for example, during unloading of the cargo) is included in the measure.

Cost

Cost is recorded as the fees levied on a 20-foot container in United States dollars. All the fees associated with completing the procedures to export or import the goods are included. These include costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include tariffs or trade taxes. Only official costs are recorded.

Enforcing contracts

Indicators on enforcing contracts measure the efficiency of the judicial system in resolving a commercial dispute. The data are built by following the step-by-step evolution of a payment dispute before local courts. The data are collected through study of the codes of civil procedure and other court regulations as well as surveys completed by local litigation lawyers

(and, in a quarter of the countries, by judges as well).

Assumptions about the case

- The value of the claim equals 200% of the country's income per capita.
- The plaintiff has fully complied with the contract (that is, the plaintiff is 100% right).
- The case represents a lawful transaction between businesses located in the country's most populous city.
- The plaintiff files a lawsuit to enforce the contract.
- A court in the most populous city decides the dispute.
- The defendant attempts to delay service of process but it is finally accomplished.
- The defendant opposes the complaint (default judgment is not an option) on the grounds that the delivered goods were not of adequate quality.
- The plaintiff introduces documentary evidence and calls one witness. The defendant calls one witness. Neither party presents objections.
- The judgment is in favor of the plaintiff and the defendant does not appeal the judgment.
- The plaintiff takes all required steps for prompt enforcement of the judgment. The debt is successfully collected through sale of the defendant's movable assets (such as a vehicle) at a public auction.

Procedures

A procedure is defined as any interaction mandated by law or court regulation between the parties, or between them and the judge (or administrator) or court officer. This includes steps to file the case, steps for trial and judgment and steps necessary to enforce the judgment.

Time

Time is recorded in calendar days, counted from the moment the plaintiff files the lawsuit in court until payment. This includes both the days when actions take place and the waiting periods between actions. The respondents make separate estimates of the average duration of different stages of dispute resolution: the completion of service of process (time to file the case), the issuance of judgment (time for the trial) and the moment of payment (time for enforcement).

Cost

Cost is recorded as a percentage of the claim, assumed to be equivalent to 200% of income per capita. Only official costs required by law are recorded, including court costs and average attorney fees where the use of attorneys is mandatory or common.

This methodology was developed by Simeon Djankov, Rafael La Porta, Florencio López-de-Silanes and Andrei Shleifer in "Courts." Quarterly Journal of Economics 118 (2): 453–517. 2003.

Closing a business

Doing Business studies the time, cost and outcomes of bankruptcy proceedings involving domestic entities. The data are derived from survey responses by local insolvency lawyers and verified through a study of laws and regulations as well as public information on bankruptcy systems.

To make the data comparable across countries, several assumptions about the business and the case are used.

Assumptions about the business

The business:

- Is a limited liability company.
- Operates in the country's most populous city.
- Is 100% domestically owned, with the founder, who is also the chairman of the supervisory board, owning 51% (no other shareholder holds more than 5% of shares).
- Has downtown real estate, where it runs a hotel, as its major asset.
- Has a professional general manager.
- Has had average annual revenue of 1,000 times income per capita over the past 3 years.
- Has 201 employees and 50 suppliers, each of whom is owed money for the last delivery.
- Borrowed from a domestic bank 5 years ago (the loan has 10 years to full repayment) and bought real estate (the hotel building), using it as security for the bank loan.
- Has observed the payment schedule and all other conditions of the loan up to now.
- Has a mortgage, with the value of the mortgage principal being exactly equal to the market value of the hotel.

Assumptions about the case

- The business is experiencing liquidity problems. The company's loss in 2005 reduced its net worth to a negative figure. There is no cash to pay the bank interest or principal in full, due tomorrow. Therefore, the business defaults on its loan. Management believes that losses will be incurred in 2007 and 2008 as well.
- The bank holds a floating charge against the hotel in countries where floating charges are possible. If the law does not permit a floating charge but contracts commonly use some other provision to that effect, this provision is specified in the lending contract.
- The business has too many creditors to renegotiate out of court. It has the following options: a procedure aimed at rehabilitation or any procedure that will reorganize the business to permit further operation; a procedure aimed at liquidation; or a procedure aimed at selling the hotel, as a going concern or piecemeal, enforced either through court (or by a government authority like a debt collection agency) or out of court (receivership).

Time

Time is recorded in calendar years. It captures the estimated duration required to complete a bankruptcy. Information is collected on the sequence of the bankruptcy procedures and on whether any procedures can be carried out simultaneously. Delays due to legal derailment tactics that parties to the bankruptcy may use—in particular, the extension of response periods or appeals—are considered.

Cost

The cost of the bankruptcy proceedings is recorded as a percentage of the estate's value. The cost is calculated on the basis of survey responses by practicing insolvency lawyers. If several respondents report different estimates, the median reported value is used. Only official costs are recorded, including court costs as well as fees of insolvency practitioners, independent assessors, lawyers and accountants. The cost figures are averages of the estimates on a multiple-choice question, where the respondents choose among the following options: 0–2%, 3–5%, 6–8%, 9–10%, 11–18%, 19–25%, 26–33%, 34–50%, 51–75% and more than 75% of the estate value of the bankrupt business.

Recovery rate

The recovery rate is recorded as cents on the dollar recovered by claimants—creditors, tax authorities and employees—through the bankruptcy proceedings. The calculation takes into account whether the business is kept as a going concern during the proceedings, as well as bankruptcy costs and the loss in value due to the time spent closing down. If the business keeps operating, no value is lost on the initial claim, set at 100 cents on the dollar. If it does not, the initial 100 cents on the dollar are reduced to 70 cents on the dollar. Then the official costs of the insolvency procedure are deducted (1 cent for each percentage of the initial value). Finally, the value lost as a result of the time that the money remains tied up in insolvency procedures is taken into account, including the loss of value due to depreciation of the hotel furniture. Consistent with international accounting practice, the depreciation rate for furniture is taken to be 20%. The furniture is assumed to account for a quarter of the total value of assets. The recovery rate is the present value of the remaining proceeds, based on end-2005 lending rates from the International Monetary Fund's *International Financial Statistics*, supplemented with data from central banks.

This methodology was developed by Simeon Djankov, Oliver Hart, Caralee McLiesh and Andrei Shleifer in "Efficiency in Bankruptcy," Harvard University, Department of Economics, Cambridge, Mass. 2006.

Ease of doing business

The ease of doing business index ranks economies from 1 to 175. The index is calculated as the ranking on the simple average of country percentile rankings on each of the 10 topics covered in *Doing Business 2007*. The ranking on each topic is the simple average of the percentile rankings on its component indicators (table 12.1).

One example: The ranking on starting a business is the average of the country percentile rankings on the procedures, time, cost and paid-in minimum capital requirement to register a business. In Iceland it takes 5 procedures, 5 days and 3% of annual income per capita in fees to open a business. The minimum capital required amounts to 16% of income per capita. On these 4 indicators Iceland ranks in the 7th, 1st, 8th and 48th percentiles. So on average, Iceland ranks in the 18th percentile on the ease of starting a business. It ranks in the 55th percentile on protecting investors, 18th percentile on trading across borders, 10th percentile on enforcing contracts, 7th percentile on closing a business and so on. Higher ranks indicate simpler regulation and stronger protections of property rights. The simple average of Iceland's percentile rankings on all topics is 20%. When all countries are ordered by their average percentile rank, Iceland is in 12th place.

Each indicator set studies a different aspect of the business environment. Country rankings vary, sometimes significantly, across indicator sets. For example, Iceland ranks in the 7th percentile on closing a business, its highest ranking, and in the 55th percentile on protecting investors, its lowest. This points to priorities for reform: Protecting investors is

one place to start in further improving business conditions in Iceland. Across all 175 economies the average correlation coefficient between the 10 sets of indicators is 0.39, and the coefficients between any 2 sets of indicators range from 0.16 (between employing workers and trading across borders) to 0.66 (between closing a business and enforcing contracts). The low correlations suggest that countries rarely score universally well or universally badly on the indicators. In other words, there is much room for partial reform.

When an economy has no laws or regulations covering a specific area—for example bankruptcy—it receives a "no practice" mark. Similarly, if regulation exists but is never used in practice, or if a competing regulation prohibits such practice, the economy receives a "no practice" mark. This puts it at the bottom of the ranking.

The ease of doing business index is limited in scope. It does not account for a country's proximity to large markets, the quality of its infrastructure services (other than services related to trading across borders), the security of property from theft and looting, macroeconomic conditions or the strength of underlying institutions. There remains a large unfinished agenda for research into what regulation constitutes binding constraints, what package of reforms is most effective and how these issues are shaped by the country context. The *Doing Business* indicators provide a new empirical data set that may improve understanding of these issues.

This methodology was developed in "Regulation and Growth," by Simeon Djankov, Caralee McLiesh and Rita Ramalho. Forthcoming in Economics Letters.

TABLE 12.1

Which indicators make up the ranking?

Starting a business

Procedures, time, cost and paid-in minimum capital to open a new business

Dealing with licenses

Procedures, time and cost of business inspections and licensing (construction industry)

Employing workers

Difficulty of hiring index, rigidity of hours index, difficulty of firing index and firing cost

Registering property

Procedures, time and cost to register commercial real estate

Getting credit

Strength of legal rights index, depth of credit information index

Protecting investors

Indices of the extent of disclosure, extent of director liability and ease of shareholder suits

Paying taxes

Number of tax payments, time to prepare tax returns and total taxes as a share of commercial profits

Trading across borders

Documents, time and cost to export and import

Enforcing contracts

Procedures, time and cost to resolve a commercial dispute

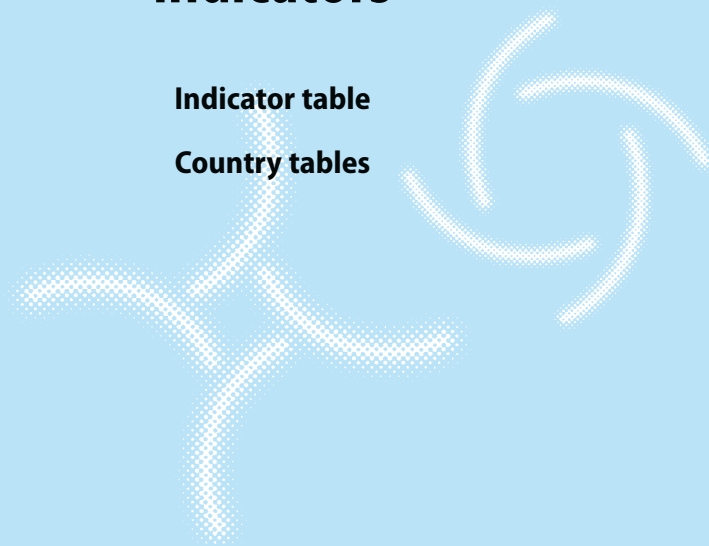
Closing a business

Recovery rate in bankruptcy

Doing business indicators

Indicator table

Country tables



	Antigua and Barbuda	Dominica	Grenada	St. Kitts and Nevis	St. Lucia	St. Vincent and the Grenadines	Small states average	World average
GNI per capita (US\$)	10,920	3,790	3,920	8,210	4,800	3,590	4,800	7,853
Ease of doing business (global rank)	33	72	73	85	27	44	84	88
Ease of doing business (OECS rank)	2	4	5	6	1	3	–	–
STARTING A BUSINESS (global rank)	22	24	50	105	43	29	80	88
Procedures (number)	7	5	4	8	6	8	9	9
Time (days)	21	19	52	47	40	12	67	48
Cost (% of income per capita)	12.5	30.0	37.2	26.7	25.9	33.8	65.0	68
Minimum capital (% of income per capita)	0.0	0.0	0.0	45.4	0.0	0.0	73.7	150.8
DEALING WITH LICENSES (global rank)	15	34	12	7	10	1	59	88
Procedures (number)	12	11	8	14	9	11	15	18
Time (days)	139	195	142	72	139	74	157	205
Cost (% of income per capita)	27.8	16.8	36.4	15.2	34.9	10.6	450.0	506.4
EMPLOYING WORKERS (global rank)	40	50	34	35	29	48	66	88
Difficulty of hiring index (0-100)	11	11	44	0	0	11	25	34
Rigidity of hours index (0-100)	0	20	20	20	20	20	30	42
Difficulty of firing index (0-100)	20	20	0	20	20	20	26	33
Rigidity of employment index (0-100)	10	17	21	13	13	17	27	37
Nonwage labor cost (% of salary)	9	7	5	10	5	4	8	16
Firing cost (weeks of salary)	52	58	29	60	56	54	45	51
REGISTERING PROPERTY (global rank)	71	78	145	136	51	101	105	88
Procedures (number)	5	4	8	6	5	6	6	6
Time (days)	26	40	77	81	20	37	101	86
Cost (% of property value)	13.0	13.0	7.6	13.3	7.3	11.9	8.2	6.7
GETTING CREDIT (global rank)	101	101	83	117	101	83	101	88
Strength of legal rights index (0-10)	6	6	7	5	6	7	5	5
Depth of credit information index (0-6)	0	0	0	0	0	0	1	3
Public registry coverage index (% of adults)	0.0	0.0	0.0	0.0	0.0	0.0	0.7	3.8
Private bureau coverage index (% of adults)	0.0	0.0	0.0	0.0	0.0	0.0	7.5	17.4
PROTECTING INVESTORS (global rank)	19	19	19	19	19	19	84	88
Extent of disclosure index (0-10)	4	4	4	4	4	4	4	5
Extent of director liability index (0-10)	8	8	8	8	8	8	5	5
Ease of shareholder suits index (0-10)	7	7	7	7	7	7	6	6
Strength of investor protection index (0-10)	6.3	6.3	6.3	6.3	6.3	6.3	4.9	5
PAYING TAXES (global rank)	145	20	45	116	9	32	63	88
Payments (number)	44	30	30	23	16	21	29	36
Time (hours per year)	528	65	140	368	41	208	198	332
Total tax rate (% of profit)	48.5	34.8	42.8	52.7	31.5	33.6	48.3	53.8
TRADING ACROSS BORDERS (global rank)	47	97	84	37	45	48	63	88
Documents to export (number)	5	7	6	8	5	7	7	7
Time to export (days)	13	11	19	11	9	15	20	28
Cost to export (US\$ per container)	1,056	1,477	858	706	1,053	756	1,237	1,196
Documents to import (number)	6	13	6	8	8	6	9	10
Time to import (days)	15	17	20	13	19	13	23	34
Cost to import (US\$ per container)	1,467	1,512	984	756	1,163	1,354	1,395	1,413
ENFORCING A CONTRACT (global rank)	47	159	143	135	160	125	108	88
Procedures (number)	48	52	50	49	51	52	38	35
Time (days)	297	681	583	578	635	394	630	541
Cost (% of debt)	10.7	28.2	22.1	17.1	31.2	22.2	32.7	28.7
CLOSING A BUSINESS (global rank)	54	151	151	151	39	151	103	88
Time (years)	3	NO PRACTICE	NO PRACTICE	NO PRACTICE	2	NO PRACTICE	3	3
Cost (% of estate)	1	NO PRACTICE	NO PRACTICE	NO PRACTICE	9	NO PRACTICE	21	16
Recovery rate (cents on the dollar)	37	NO PRACTICE	NO PRACTICE	NO PRACTICE	42	NO PRACTICE	22	30.6

ANTIGUA AND BARBUDA		Latin America & Caribbean		GNI per capita (US\$)	10,920
Ease of doing business (rank)	33	High income		Population (m)	0.1
Starting a business (rank)	22	Registering property (rank)	71	Trading across borders (rank)	47
Procedures (number)	7	Procedures (number)	5	Documents to export (number)	5
Time (days)	21	Time (days)	26	Time to export (days)	13
Cost (% of income per capita)	12.5	Cost (% of property value)	13.0	Cost to export (US\$ per container)	1,056
Minimum capital (% of income per capita)	0.0			Documents to import (number)	6
		Getting credit (rank)	101	Time to import (days)	15
Dealing with licenses (rank)	15	Strength of legal rights index (0–10)	6	Cost to import (US\$ per container)	1,467
Procedures (number)	12	Depth of credit information index (0–6)	0		
Time (days)	139	Public registry coverage (% of adults)	0.0	Enforcing contracts (rank)	47
Cost (% of income per capita)	27.8	Private bureau coverage (% of adults)	0.0	Procedures (number)	48
				Time (days)	297
Employing workers (rank)	40	Protecting investors (rank)	19	Cost (% of claim)	10.7
Difficulty of hiring index (0–100)	11	Extent of disclosure index (0–10)	4		
Rigidity of hours index (0–100)	0	Extent of director liability index (0–10)	8	Closing a business (rank)	54
Difficulty of firing index (0–100)	20	Ease of shareholder suits index (0–10)	7	Time (years)	3.0
Rigidity of employment index (0–100)	10	Strength of investor protection index (0–10)	6.3	Cost (% of estate)	1
Nonwage labor cost (% of salary)	9			Recovery rate (cents on the dollar)	37.3
Firing cost (weeks of salary)	52	Paying taxes (rank)	145		
		Payments (number per year)	44		
		Time (hours per year)	528		
		Total tax rate (% of profit)	48.5		

DOMINICA		Latin America & Caribbean		GNI per capita (US\$)	3,790
Ease of doing business (rank)	72	Upper middle income		Population (m)	0.1
Starting a business (rank)	24	Registering property (rank)	78	Trading across borders (rank)	97
Procedures (number)	5	Procedures (number)	4	Documents to export (number)	7
Time (days)	19	Time (days)	40	Time to export (days)	11
Cost (% of income per capita)	30.0	Cost (% of property value)	13.0	Cost to export (US\$ per container)	1,477
Minimum capital (% of income per capita)	0.0			Documents to import (number)	13
		Getting credit (rank)	101	Time to import (days)	17
Dealing with licenses (rank)	34	Strength of legal rights index (0–10)	6	Cost to import (US\$ per container)	1,512
Procedures (number)	11	Depth of credit information index (0–6)	0		
Time (days)	195	Public registry coverage (% of adults)	0.0	Enforcing contracts (rank)	159
Cost (% of income per capita)	16.8	Private bureau coverage (% of adults)	0.0	Procedures (number)	52
				Time (days)	681
Employing workers (rank)	50	Protecting investors (rank)	19	Cost (% of claim)	28.2
Difficulty of hiring index (0–100)	11	Extent of disclosure index (0–10)	4		
Rigidity of hours index (0–100)	20	Extent of director liability index (0–10)	8	Closing a business (rank)	151
Difficulty of firing index (0–100)	20	Ease of shareholder suits index (0–10)	7	Time (years)	NO PRACTICE
Rigidity of employment index (0–100)	17	Strength of investor protection index (0–10)	6.3	Cost (% of estate)	NO PRACTICE
Nonwage labor cost (% of salary)	7			Recovery rate (cents on the dollar)	0.0
Firing cost (weeks of salary)	58	Paying taxes (rank)	20		
		Payments (number per year)	30		
		Time (hours per year)	65		
		Total tax rate (% of profit)	34.8		

GRENADA		Latin America & Caribbean		GNI per capita (US\$)	3,920
Ease of doing business (rank)	73	Upper middle income		Population (m)	0.1
Starting a business (rank)	50	Registering property (rank)	145	Trading across borders (rank)	84
Procedures (number)	4	Procedures (number)	8	Documents to export (number)	6
Time (days)	52	Time (days)	77	Time to export (days)	19
Cost (% of income per capita)	37.2	Cost (% of property value)	7.6	Cost to export (US\$ per container)	858
Minimum capital (% of income per capita)	0.0			Documents to import (number)	6
		Getting credit (rank)	83	Time to import (days)	20
Dealing with licenses (rank)	12	Strength of legal rights index (0–10)	7	Cost to import (US\$ per container)	984
Procedures (number)	8	Depth of credit information index (0–6)	0		
Time (days)	142	Public registry coverage (% of adults)	0.0	Enforcing contracts (rank)	143
Cost (% of income per capita)	36.4	Private bureau coverage (% of adults)	0.0	Procedures (number)	50
				Time (days)	583
Employing workers (rank)	34	Protecting investors (rank)	19	Cost (% of claim)	22.1
Difficulty of hiring index (0–100)	44	Extent of disclosure index (0–10)	4		
Rigidity of hours index (0–100)	20	Extent of director liability index (0–10)	8	Closing a business (rank)	151
Difficulty of firing index (0–100)	0	Ease of shareholder suits index (0–10)	7	Time (years)	NO PRACTICE
Rigidity of employment index (0–100)	21	Strength of investor protection index (0–10)	6.3	Cost (% of estate)	NO PRACTICE
Nonwage labor cost (% of salary)	5			Recovery rate (cents on the dollar)	0.0
Firing cost (weeks of salary)	29	Paying taxes (rank)	45		
		Payments (number per year)	30		
		Time (hours per year)	140		
		Total tax rate (% of profit)	42.8		

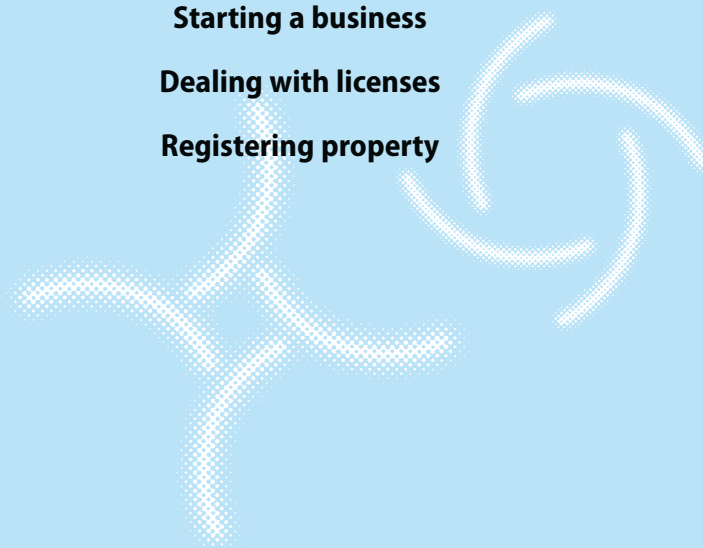
ST. KITTS AND NEVIS		Latin America & Caribbean		GNI per capita (US\$)	8,210
Ease of doing business (rank)	85	Upper middle income		Population (m)	0.1
Starting a business (rank)	105	Registering property (rank)	136	Trading across borders (rank)	37
Procedures (number)	8	Procedures (number)	6	Documents to export (number)	8
Time (days)	47	Time (days)	81	Time to export (days)	11
Cost (% of income per capita)	26.7	Cost (% of property value)	13.3	Cost to export (US\$ per container)	706
Minimum capital (% of income per capita)	45.4			Documents to import (number)	8
		Getting credit (rank)	117	Time to import (days)	13
Dealing with licenses (rank)	7	Strength of legal rights index (0–10)	5	Cost to import (US\$ per container)	756
Procedures (number)	14	Depth of credit information index (0–6)	0		
Time (days)	72	Public registry coverage (% of adults)	0.0	Enforcing contracts (rank)	135
Cost (% of income per capita)	15.2	Private bureau coverage (% of adults)	0.0	Procedures (number)	49
				Time (days)	578
Employing workers (rank)	35	Protecting investors (rank)	19	Cost (% of claim)	17.1
Difficulty of hiring index (0–100)	0	Extent of disclosure index (0–10)	4		
Rigidity of hours index (0–100)	20	Extent of director liability index (0–10)	8	Closing a business (rank)	151
Difficulty of firing index (0–100)	20	Ease of shareholder suits index (0–10)	7	Time (years)	NO PRACTICE
Rigidity of employment index (0–100)	13	Strength of investor protection index (0–10)	6.3	Cost (% of estate)	NO PRACTICE
Nonwage labor cost (% of salary)	10			Recovery rate (cents on the dollar)	0.0
Firing cost (weeks of salary)	60	Paying taxes (rank)	116		
		Payments (number per year)	23		
		Time (hours per year)	368		
		Total tax rate (% of profit)	52.7		
ST. LUCIA		Latin America & Caribbean		GNI per capita (US\$)	4,800
Ease of doing business (rank)	27	Upper middle income		Population (m)	0.2
Starting a business (rank)	43	Registering property (rank)	51	Trading across borders (rank)	45
Procedures (number)	6	Procedures (number)	5	Documents to export (number)	5
Time (days)	40	Time (days)	20	Time to export (days)	9
Cost (% of income per capita)	25.9	Cost (% of property value)	7.3	Cost to export (US\$ per container)	1,053
Minimum capital (% of income per capita)	0.0			Documents to import (number)	8
		Getting credit (rank)	101	Time to import (days)	19
Dealing with licenses (rank)	10	Strength of legal rights index (0–10)	6	Cost to import (US\$ per container)	1,163
Procedures (number)	9	Depth of credit information index (0–6)	0		
Time (days)	139	Public registry coverage (% of adults)	0.0	Enforcing contracts (rank)	160
Cost (% of income per capita)	34.9	Private bureau coverage (% of adults)	0.0	Procedures (number)	51
				Time (days)	635
Employing workers (rank)	29	Protecting investors (rank)	19	Cost (% of claim)	31.2
Difficulty of hiring index (0–100)	0	Extent of disclosure index (0–10)	4		
Rigidity of hours index (0–100)	20	Extent of director liability index (0–10)	8	Closing a business (rank)	39
Difficulty of firing index (0–100)	20	Ease of shareholder suits index (0–10)	7	Time (years)	2.0
Rigidity of employment index (0–100)	13	Strength of investor protection index (0–10)	6.3	Cost (% of estate)	9
Nonwage labor cost (% of salary)	5			Recovery rate (cents on the dollar)	42.2
Firing cost (weeks of salary)	56	Paying taxes (rank)	9		
		Payments (number per year)	16		
		Time (hours per year)	41		
		Total tax rate (% of profit)	31.5		
ST. VINCENT AND THE GRENADINES		Latin America & Caribbean		GNI per capita (US\$)	3,590
Ease of doing business (rank)	44	Upper middle income		Population (m)	0.1
Starting a business (rank)	29	Registering property (rank)	101	Trading across borders (rank)	48
Procedures (number)	8	Procedures (number)	6	Documents to export (number)	7
Time (days)	12	Time (days)	37	Time to export (days)	15
Cost (% of income per capita)	33.8	Cost (% of property value)	11.9	Cost to export (US\$ per container)	756
Minimum capital (% of income per capita)	0.0			Documents to import (number)	6
		Getting credit (rank)	83	Time to import (days)	13
Dealing with licenses (rank)	1	Strength of legal rights index (0–10)	7	Cost to import (US\$ per container)	1,354
Procedures (number)	11	Depth of credit information index (0–6)	0		
Time (days)	74	Public registry coverage (% of adults)	0.0	Enforcing contracts (rank)	125
Cost (% of income per capita)	10.6	Private bureau coverage (% of adults)	0.0	Procedures (number)	52
				Time (days)	394
Employing workers (rank)	48	Protecting investors (rank)	19	Cost (% of claim)	22.2
Difficulty of hiring index (0–100)	11	Extent of disclosure index (0–10)	4		
Rigidity of hours index (0–100)	20	Extent of director liability index (0–10)	8	Closing a business (rank)	151
Difficulty of firing index (0–100)	20	Ease of shareholder suits index (0–10)	7	Time (years)	NO PRACTICE
Rigidity of employment index (0–100)	17	Strength of investor protection index (0–10)	6.3	Cost (% of estate)	NO PRACTICE
Nonwage labor cost (% of salary)	4			Recovery rate (cents on the dollar)	0.0
Firing cost (weeks of salary)	54	Paying taxes (rank)	32		
		Payments (number per year)	21		
		Time (hours per year)	208		
		Total tax rate (% of profit)	33.6		

Case studies

Starting a business

Dealing with licenses

Registering property



STARTING A BUSINESS

Antigua and Barbuda

Standard company legal form: Private Limited Liability Company
 City: Saint John's
 Minimum capital requirement: N/A

Procedure 1: Search and reserve company name

Time to complete: 1 day

Cost to complete: EC\$25

Comments: The company name search is done manually by going through large registration books. Once the person is sure that no other company has their proposed name, a form is submitted. This form serves as a name reservation for 3 months.

Procedure 2: Lawyer prepares incorporation documents

Time to complete: 1 day

Cost to complete: EC\$150

Comments: Cost pertains to the fee charged by a lawyer or justice of peace to prepare a declaration swearing that the company owner is not bankrupt, is mentally sound and over 18 years of age. This is the only document which requires an attorney's intervention by law. However, the general practice is that an attorney will prepare all incorporation documents: Notice of Address, Notice of Directors and Articles of Incorporation. In this case the average attorney fee is EC\$2,500. All the necessary documents are forms from the Company Act and are completed by filling in blanks.

Procedure 3: Registration with the Commercial Registry (receive certificate of incorporation)

Time to complete: 10 days

Cost to complete: EC\$3,000 (legal fees for incorporation) + EC\$200 (incorporation certificate)

Comments: The annual return is filed at the companies' registry with the directors' names, shares issued, address and type of business activities.

***Procedure 4: Make a company seal**

Time to complete: 7 days

Cost to complete: EC\$200

Comments: Company seals are not required by the Company Act, but are in practice required for everyday transactions of the company. The cost varies between EC\$150 and EC\$250.

***Procedure 5: Apply for tax payer identification number (register the company for tax) and education levy**

Time to complete: 3 days

Cost to complete: no charge

Comments: Both the tax payer identification number and the registration for the education levy take place at the Inland Revenue Authority.

Procedure 6: Register for medical benefit

Time to complete: 1 day

Cost to complete: no charge

Procedure 7: Register for social security

Time to complete: 1 day

Cost to complete: no charge

*** Procedures 4 & 5 can occur simultaneously.**

Dominica

Standard company legal form: Private Limited Liability Company
 City: Roseau
 Minimum capital requirement: N/A

Procedure 1. Search for a company name and reserve the proposed name

Time to complete: 7 days

Cost to complete: EC\$25

Comments: In practice, companies seldom search for the company name. The lawyer often simply fills out the registration form with the name of choice and if there is a conflict at the registry, the Registrar will send back the application.

Procedure 2. Lawyer verifies affidavit

Time to complete: 2 days

Cost to complete: EC\$2,125

Comments: Documents required for incorporation: Articles of Incorporation, Notice of Address and Notice of Directors. Bylaws are also required by the Company's Act, but can be created later. Companies need to produce an affidavit saying persons incorporating the company are not bankrupt or mentally incompetent. The documents as well as affidavit are prepared by an attorney.

Procedure 3. Registration with the Commercial Registry

Time to complete: 2 days

Cost to complete: EC\$750

Comments: Company receives Certificate of Incorporation

Procedure 4. Apply for tax payer identification number (register the company for tax)

Time to complete: 7 days

Cost to complete: no charge

Comments: Registers company with Inland Revenue Department.

Procedure 5. Register as employer with social security institute

Time to complete: 1 day

Cost to complete: no charge

Comments: The employer registers as such and receives a social security employer number. He also verifies the social security cards of each employee at the time of employment.

Grenada

Standard company legal form: Private Limited Liability Company
 City: Saint George's
 Minimum capital requirement: N/A

Procedure 1. Search and reserve company name

Time to complete: 3 days

Cost to complete: EC\$10

Comments: The amount charged is the submission fee to the registrar

Procedure 2. Prepare and notarize company statutes

Time to complete: 2 days

Cost to complete: EC\$2,500

Comments: The business registration application includes: Articles of Incorporation, Notice of Address, Notice of Directors and Request for Company Name Search.

STARTING A BUSINESS

Procedure 3. Register with the Supreme Court Registry and receive company certificate*Time to complete:** 47 days**Cost to complete:** EC\$1,200

Comments: Statement of particulars is submitted to the Supreme Court Registry for processing. Applicant must file a statutory declaration with the Registry indicating that all particulars in the statement are true. The Registrar issues the company certificate in 8 days.

The Registrar informs the tax authority (Internal Revenue Department) about newly formed companies so they are registered for General Consumption Tax (45 days).

The National Insurance Scheme (NIS) contacts the registrar on a monthly basis and provides the firm with its corresponding NIS number, which the registrar mails to the firm owner (30 days).

Procedure 4. Make company seal*Time to complete:** 2 days**Cost to complete:** EC\$75

*** Procedures 3 & 4 can occur simultaneously.**

St. Kitts and Nevis

Standard company legal form: Private Limited Liability Company

City: Basseterre

Minimum capital requirement: EC\$10,000

Procedure 1: Deposit required amount in a bank and obtain deposit evidence**Time to complete:** 1 day**Cost to complete:** no charge

Comments: The required deposit is a minimum of EC\$4,000.

Procedure 2: Search and reserve company name**Time to complete:** 1 day**Cost to complete:** EC\$5**Procedure 3: Prepare and notarize company statutes****Time to complete:** 1 day**Cost to complete:** EC\$2,500 (lawyer's fees) + EC\$150 (notarization cost)

Comments: An attorney is needed to prepare incorporation documents and an affidavit. Notarization costs are separate from attorney costs; the notarization fee is EC\$25 per document.

Procedure 4: Procurement of directors' criminal record**Time to complete:** 1 day**Cost to complete:** EC\$375

Comments: The fee refers to notarization costs, since the documents can be prepared by the applicants themselves, not necessarily an attorney. Notarization fee is EC\$25 per document; and 3 documents are required per director.

Procedure 5: Register with Commercial Registry and obtain Certificate of Incorporation**Time to complete:** 7 days**Cost to complete:** EC\$770

Comments: There is an annual renewal fee of EC\$25 required per document (i.e., change of directors, change of address, etc.)

Procedure 6: Purchase company stamp*Time to complete:** 10 days**Cost to complete:** EC\$50

Comments: The company can choose between a company stamp or a company seal (they serve the same purpose). However, since company seals have to be ordered from overseas it is more costly and takes more time to acquire a seal than it is to purchase a stamp.

Procedure 7: Obtain business license and tax identification number*Time to complete:** 35 days (simultaneous with Procedure 6)**Cost to complete:** EC\$2,000

Comments: The Ministry of Finance issues the business license and notifies the Inland Revenue Department to issue the company a tax number.

Procedure 8: Register firm as an employer with the Social Security Office*Time to complete:** 21 days**Cost to complete:** no charge

*** Procedures 6–8 can occur simultaneously.**

St. Lucia

Standard company legal form: Private Limited Liability Company

City: Castries

Minimum capital requirement: N/A

Procedure 1. Search for a company name and reserve the proposed name**Time to complete:** 2 days**Cost to complete:** EC\$25

Comments: In practice, companies seldom search for the company name. The lawyer often simply fills out the registration form with the name of choice and if there is a conflict at the registry, the Registrar will return the application. A name can be reserved for a three-month period.

Procedure 2. Lawyer prepares incorporation documents**Time to complete:** 1 day**Cost to complete:** EC\$2,325

Comments: An attorney prepares incorporation documents: Articles of Incorporation, Notice of Directors, Notice of Registered Office of the Company and a notarized declaration swearing that the company owner is mentally sound and over 18 years of age. Bylaws are not essential for the formation of the company but are highly recommended and these are usually filed together with the documents mentioned above and are included in the formation price.

Procedure 3. Registration with the Commercial Registry**Time to complete:** 30 days**Cost to complete:** EC\$850

Comments: The cost refers to the administrative fee paid at the Commercial Registry when the company documents are presented for registration. The Registry issues a Certification of Incorporation once the registration process is finalized.

Procedure 4. Make company seal*Time to complete:** 7 days**Cost to complete:** EC\$75

Comments: A company can obtain a seal locally in the form of a rubber stamp within seven days. If a more formal embossed seal is required, it can be obtained from overseas in a 14 day period at a cost of approximately EC\$260.

STARTING A BUSINESS

*Procedure 5. Obtain tax payer identification number

Time to complete: 1 day

Cost to complete: no charge

Comments: The responsible authority is the Inland Revenue Department

*Procedure 6. Register as employer with Social Security Institute

Time to complete: 1 day

Cost to complete: no charge

Comments: The responsible authority is the National Insurance Corporation (NIC)

* Procedures 4–6 can occur simultaneously.

St. Vincent and the Grenadines

Standard company legal form: Private Limited Liability Company

City: Kingstown

Minimum capital requirement: N/A

Procedure 1. Search and reserve company name

Time to complete: 2 days

Cost to complete: EC\$2

Comments: The applicant searches the index of companies at the Commerce and Intellectual Property Office and verifies that the proposed name is available.

Procedure 2. Obtain and legalize the incorporation documents

Time to complete: 1 day

Cost to complete: EC\$1,750

Comments: The documents are prescribed forms from the Company Registration Act of 1996 and amendments thereto. The lawyers' fees are for procurement of documents. Owners seldom prepare their own forms. In all cases, the documents must be signed by an attorney.

Procedure 3. Registration with the Commercial Registry

Time to complete: 2 days

Cost to complete: EC\$950

Comments: The cost represents the initial administrative fee. The required documents are: Article of Incorporation, Notice of Directors, Notice of Registered Office, request for name search and name reservation, lawyer's declaration and a cover letter in the event one of the directors does not have a middle name (a middle initial is required in the forms). After 2 days, if all documents are in order, the Registry releases a Certificate of Incorporation.

Procedure 4. Make rubber seal

Time to complete: 1 days

Cost to complete: EC\$145

Comments: The company seal must be affixed to the Bylaws before filing.

Procedure 5. File Bylaws and Notice of Appointment of Secretary

Time to complete: 2 days

Cost to complete: EC\$150

Comments: When the applicant retrieves the Certificate of Incorporation he files 2 copies of the Bylaws and the Notice of Appointment of Secretary. Two days later he retrieves a registered copy.

Procedure 6. Apply for a trade/industrial license

Time to complete: 2 days

Cost to complete: EC\$100

Comments: Applies to all businesses conducting commercial or industrial activities. Governmental officials do not inspect the company before issuing the license. The reported cost is an average since license fees depend on the type and the amount of stock for each company.

Procedure 7. Enroll for income tax

Time to complete: 1 day

Cost to complete: no charge

Comments: The Registrar notifies the Inland Revenue Department once the company is incorporated and the company must then register at their office.

Procedure 8. Enroll company and workers at the National Insurance Services

Time to complete: 1 day

Cost to complete: no charge

Comments: The company submits a form with their information as well as a form for every worker hired. The contribution to National Insurance Services (NIS) is based on each employee's salary.

DEALING WITH LICENSES

Antigua and Barbuda*Data as of: March 2006**City: St. Johns***Procedure 1. Obtain "approval in principle"****Time to complete:** 21 days (2 weeks—1 month)**Cost to complete:** EC\$65**Comments:** Although this procedure is not required by law, it is done in practice to ensure that area residents will not object to the structure.**Agency:** Development Control Authority**Procedure 2. Obtain project clearance from Fire Department****Time to complete:** 14 days**Cost to complete:** free of charge**Agency:** Fire Department**Procedure 3. Obtain project clearance from Environmental Department****Time to complete:** 14 days**Cost to complete:** free of charge**Agency:** Environmental Department**Procedure 4. Obtain approval permit from Municipal Authority****Time to complete:** 35 days (4-6 weeks)**Cost to complete:** EC\$7035 (EC\$35 for forms + EC\$0.50 per sq. ft)**Comments:** The architect must submit all drawings, a 3-page application and proof of ownership such as a title deed. This procedure also includes approval of the sewage connection.**Agency:** Municipality**Procedure 5. Obtain approval from the Development Control Authority Board****Time to complete:** 21 days (2—4 weeks)**Cost to complete:** included in previous procedure**Comments:** This procedure is only required for commercial buildings. Approval is at the discretion of the director of the board.**Agency:** Development Control Authority**Procedure 6. Inspection by the Development Control Authority****Time to complete:** 1 day**Cost to complete:** free of charge**Comments:** The law requires 10 inspections to take place at various stages of construction. In practice however, all 10 inspections rarely take place. Contractors often have to provide transport to the inspectors for them to come to the site.**Agency:** Development Control Authority**Procedure 7. Inspection by the Electrical Department****Time to complete:** 7 days**Cost to complete:** EC\$10**Comments:** The Electrical Department inspects circuits and network connectivity.**Agency:** Antigua Power Utilities Authority**Procedure 7. Apply for electrical connection****Time to complete:** 1 day**Cost to complete:** EC\$10**Comments:** Builders must present the Electrical Inspection Certificate along with the application form.**Agency:** Antigua Power Utilities Authority**Procedure 8. Apply for water connection****Time to complete:** 1 day (simultaneous with Procedure 7)**Cost to complete:** EC\$10**Comments:** No inspection by the water department is required.**Agency:** Antigua Power Utilities Authority**Procedure 9. Obtain electricity connection****Time to complete:** 14 days**Cost to complete:** EC\$200 for installation**Agency:** Antigua Power Utilities Authority**Procedure 10. Obtain water connection****Time to complete:** 30 days (simultaneous with Procedure 9)**Cost to complete:** EC\$450 (usually between EC\$350 and 600)**Agency:** Water and Sewage Company, Antigua Power Utilities Authority**Procedure 11. Obtain fixed telephone line****Time to complete:** 14 days**Cost to complete:** EC\$185**Agency:** Antigua Power Utilities Authority**Dominica***Data as of: March 2006**City: Roseau***Procedure 1. Apply for an environmental impact assessment (EIA)****Time to complete:** 1-3 months**Cost to complete:** EC\$100**Comments:** Prepared by an independent consultant, must be approved by the Government Development & Planning Corporation (D&PC).**Procedure 2. Apply for outline planning permission****Time to complete:** 4 months, simultaneous to procedure 1.**Cost to complete:** EC\$1,000**Agency:** D&PC**Procedure 3. Resubmit plans to the D&PC after incorporating changes suggested by the EIA****Time to complete:** included in the previous procedure**Cost to complete:** included in the previous procedure**Comments:** There are always changes needed.**Procedure 4. Install temporary water and sewage utilities****Time to complete:** 10 days (1-2 weeks)**Cost to complete:** EC\$300 deposit**Agency:** Dominica Water and Sewage Company (DOWASCO)**Procedure 5. Inspection****Time to complete:** 2 days**Cost to complete:** no charge**Comments:** According to the building code, nine inspections should be conducted during the process of building. However, only three happen in practice. There are no fees for the inspections. Each comes within 48 hours of being called by contractor for review.**Procedure 6. Inspection of substructure (foundation) prepared****Time to complete:** 2 days**Cost to complete:** no charge

DEALING WITH LICENSES

Procedure 7. Inspection of framing for roof

Time to complete: 1 day
Cost to complete: no charge

Procedure 8. Inspection and testing of electrical system

Time to complete: 7 days
Cost to complete: free of charge
Comments: Conducted by Electrical Division. Certificate is received if inspection is passed.

Procedure 9. Installation of electrical lines

Time to complete: 45 days (1-2 months)
Cost to complete: EC\$70.2 (EC\$2.14/ft of cable) + EC\$2000 (refundable deposit)
Comments: Official Requirements:

- Where line extension is required, the customer must give the company much advance notice
- Customer must provide load requirements; voltage(s) and watts
- Customer must provide an approve certification of the installation from the Government Electrical Division
- Customer pays a contribution towards the connection of power supply.

Agency: Dominica Electricity Service LTD

Procedure 10. Convert temporary water and sewage into permanent utility

Time to complete: 1 day
Cost to complete: no charge
Agency: Dominica Water and Sewage Company (DOWASCO)

Procedure 11. Apply for a fixed telephone line

Time to complete: 7 days
Cost to complete: EC\$150
Agency: Cable & Wireless

Grenada

Data as of: March 2006
City: St. George's

Procedure 1. Submit application and building designs

Time to complete: 1 day
Cost to complete: free of charge
Agency: Physical Planning Unit (PPU) of the Ministry of Works

Procedure 2. Obtain building permit

Time to complete: 90 days
Cost to complete: EC\$3000
Comments: PPU sends copies of the documents to Ministry of Health, Ministry of Works, a structural engineer and an architect at PPU. All review the plans and send recommendations to PPU, which then prepares a report to the Development Control Authority (DCA). The DCA meets to decide whether the plan passes or fails. If it fails, comments are sent to the client for resubmission. If it passes, the permit is issued and construction can begin. If nothing is built on the site for 1 year, the client needs to resubmit the application.

Agency: PPU

Procedure 3. Inspection by the Ministry of Public Works

Time to complete: 1 day
Cost to complete: free of charge
Comments: Although inspections are rarely preformed, the Ministry of Public Works has the authority to inspect a project at any point during construction.
Agency: Ministry of Public Works

Procedure 4. Obtain temporary electric connection

Time to complete: 14 days (2 weeks)
Cost to complete: EC\$170
Agency: Grenlick (electricity company)

Procedure 5. Obtain electric inspection certificate

Time to complete: 7 days (1 week)
Cost to complete: EC\$5
Agency: Ministry of Works

Procedure 6. Install electrical power

Time to complete: 35 days (1 week –2 months)
Cost to complete: EC\$150
Agency: Ministry of Public Works

Procedure 7. Obtain water and sewage connection

Time to complete: 7 days—simultaneous with Procedure 6
Cost to complete: EC\$120
Comments: In St. George's, most buildings connect to the sewerage system. Outside of St. George's, septic tanks are used.
Agency: National Water and Sewage Authority (NAWASA)

Procedure 8. Install fixed telephone line

Time to complete: 7 days—simultaneous with Procedure 6
Cost to complete: EC\$250
Agency: Grenada Cable & Wireless

St. Kitts and Nevis

Data as of: January 2006
City: Basseterre

Procedure 1. Obtain land usage approval (approval in principal)

Time to complete: 21 days
Cost to complete: free of charge
Comments: Buildco must submit preliminary drawings and a site plan.
Agency: Land Usage Board

*Procedure 2. Obtain lot plan

Time to complete: 5 days
Cost to complete: free of charge
Comments: Buildco must obtain a topographic plan
Agency: Planning Department or private surveyor

*Procedure 3. Obtain environmental approval

Time to complete: 5 days
Cost to complete: EC\$108 (US\$40)
Agency: Planning/Urban Department
Comments: The environmental approval obtains information on all proposed chemical and or other entities to be used that will affect the environment.

*Procedure 4. Obtain approval on Power Consumption Grid Planning from Electrical Department

Time to complete: 5 days
Cost to complete: EC\$162 (US\$60)
Agency: Electrical Department

Procedure 5. Obtain approval of building plans

Time to complete: 21 days
Cost to complete: EC\$2430 (US\$900)
Agency: Planning Department

DEALING WITH LICENSES

Procedure 6. Receive inspection from the Planning Department

Time to complete: 1 day
Cost to complete: free of charge
Agency: Planning Department

Procedure 7. Notify the building authority of the start of construction

Time to complete: 1 day
Cost to complete: no cost
Agency: Planning Department

Procedure 8. Receive inspection approval

Time to complete: 1 day
Cost to complete: free of charge
Agency: Planning Department

Procedure 9. Receive final inspection approval

Time to complete: 1 day
Cost to complete: free of charge
Agency: Planning Department

Procedure 10. Obtain occupancy permit

Time to complete: 5 days
Cost to complete: free of charge
Comments: Fire department inspects as part of the approval process for obtaining an occupancy permit.
Agency: Planning Department

Procedure 11. Receive electrical inspection approval

Time to complete: 3 days
Cost to complete: free of charge
Agency: Electrical Department

***Procedure 12. Obtain electricity connection**

Time to complete: 5 days
Cost to complete: EC\$200
Agency: Electrical Department

***Procedure 13. Obtain water connection**

Time to complete: 5 days
Cost to complete: EC\$300
Comments: There is no sewage system in Basseterre. Septic tanks are used. The Water Department is not involved in the connection process. A septic tank plan is submitted along with the rest of the application documents to the Local Planning Authority, who then approves the connection.

***Procedure 14. Obtain telephone connection**

Time to complete: 14 days
Cost to complete: EC\$150
Agency: Cable & Wireless

* Procedures 2–4 and 12–14 can occur simultaneously.

St. Lucia

Data as of: March 2006
City: Castries

***Procedure 1. Obtain Health Department approval for construction**

Time to complete: 21 days (2-4 weeks)
Cost to complete: EC\$250
Comments: Present site plan and floor plan, showing adequate drainage and septic tanks.

***Procedure 2. Obtain electrical approval from Ministry of Communications and Works**

Time to complete: 14 days (1-3 weeks)
Cost to complete: Approximately EC\$1000 [EC\$1.5 per point (i.e. electrical outlet), + EC\$2 per kilowatt]

***Procedure 3. Obtain approval from Fire Department**

Time to complete: 14 days (1-3 weeks)
Cost to complete: EC\$600

Procedure 4. Obtain approval from the Development Control Authority's (DCA) commercial committee

Time to complete: 75 days (2-3.5 months)
Cost to complete: EC\$2200
Comments: The committee meets every three weeks. The applicant must enclose copies of all previous approvals.

***Procedure 5. Obtain certificate from electrical inspectors at the Ministry of Communications and Works**

Time to complete: 8 days (5-10 days)
Cost to complete: EC\$200
Comments: This procedure is undertaken once construction is completed.

Procedure 6. Connect to electrical grid

Time to complete: 14 days
Cost to complete: free of charge

***Procedure 7. Receive inspection from WASCO (water department)**

Time to complete: 17 days (2-3 weeks)
Cost to complete: free of charge

Procedure 8. Obtain water connection

Time to complete: 30 days
Cost to complete: EC\$150

***Procedure 9. Obtain fixed telephone line**

Time to complete: 10 days (1-2 weeks)
Cost to complete: no charge

* Procedures 1–3 and 5, 7 & 9 can occur simultaneously.

DEALING WITH LICENSES

St. Vincent and the Grenadines*Data as of: March 2006**City: Kingstown***Procedure 1. Submit building plans to Physical Planning Unit****Time to complete:** 1 week**Cost to complete:** free of charge**Comments:** Applicant must first obtain a set of conditions and guidelines. Then he can submit the application form, building plans and a location map.**Agency:** Physical Planning Unit (PPU)**Procedure 2. Obtain approval of the plan by the Physical Planning Unit****Time to complete:** 35 days (4-6 weeks)**Cost to complete:** EC\$300**Comments:** Upon receipt of the application and building plans the PPU advertises the proposed plans in the local newspaper for a minimum of two weeks to officially notify area residents of the proposed commercial construction. If there are no complaints and if all other documents are in order, the PPU approves the application. The approval is granted and the stamped documents and application are returned to the applicant.**Agency:** PPU**Procedure 3. Notify the building authority of construction start-up****Time to complete:** 1 day**Cost to complete:** free of charge**Comments:** This is not always done in practice.**Agency:** PPU**Procedure 4. Receive inspection****Time to complete:** 1 day**Cost to complete:** free of charge**Comments:** Though inspections are stipulated in the law, they are rarely enforced in practice due to limited manpower and resources. There are two conditions under which an inspection will definitely take place:

1. If there is a complaint or the PPU suspects noncompliance or an infraction.
2. If the builder has taken a loan for the construction, the bank will send its own inspectors to the site to ensure conformity with loan requirements.

Agency: PPU**Procedure 5. Notify the building authority of the completion of construction and receive final inspection****Time to complete:** 7 days**Cost to complete:** free of charge**Comments:** This is a formality and is not always done in practice.**Agency:** PPU***Procedure 6. Request electrical connection****Time to complete:** 1 day**Cost to complete:** free of charge**Comments:** The builder must submit a standard application form, the Electric Inspection Certificate, copies of personal identification documents, a copy of the business' Certificate of Registration and a written statement of the required peak electricity demand, work method and times of operation and installed capacity of the machines.**Agency:** Electrical Department in the Ministry of Works and Housing**Procedure 7. Electrical inspection and inspection certificate****Time to complete:** 7 days**Cost to complete:** free of charge**Comments:** All applicants for new connections must submit an inspection certificate signed by the government electrical inspector. This certificate is only valid for 3 months.**Agency:** Electrical Department in the Ministry of Works and Housing***Procedure 8. Obtain electricity connection****Time to complete:** 14 days (within 7 working days)**Cost to complete:** EC\$250**Comments:** Within two days of the service being connected the builder must pay a deposit equivalent to approximately two months average electricity bills.**Agency:** VINLEC (St. Vincent Electricity Services Ltd)***Procedure 9. Request water connection****Time to complete:** 1 day (simultaneous with Procedure 6)**Cost to complete:** free of charge**Agency:** Central Water and Sewage Authority***Procedure 10. Obtain water connection****Time to complete:** 7 days**Cost to complete:** EC\$300**Agency:** Central Water and Sewage Authority***Procedure 11. Obtain fixed line phone connection****Time to complete:** 7 days**Cost to complete:** EC\$125**Comments:** The applicant must present copies of personal identification along with the application for a fixed telephone line.**Agency:** Cable & Wireless*** Procedures 6 & 9, and 8, 10 & 11 can occur simultaneously.**

REGISTERING PROPERTY

Antigua and Barbuda*Data as of: March 2006**City: Saint John's**Property value: US\$546,000 (EC\$1,431,096)****Procedure 1. Preparation of the sale purchase agreement and instrument of transfer****Time to complete:** 3–4 days**Cost to complete:** (paid in Procedure 5)

Comments: The sale purchase agreement is prepared by a lawyer. At this point the purchaser usually gives a deposit on the property to the vendor. The vendor guarantees that there are no encumbrances (or they are noted in the agreement) and no outstanding taxes associated with the property. Both companies present the resolution of their shareholders to engage in the transaction, as well as powers of attorney to act on behalf of the company. At the end of this time period, the parties execute the instrument of transfer (a prescribed form according to Laws of Antigua and Barbuda, revised in 1992, Vol. 13, CAP 374) and swear the certifications of their signatures.

Procedure 2. Title search at the Land Registry*Time to complete:** 1 day**Cost to complete:** EC\$25

Comments: The lawyer checks for encumbrances at the Land Registry. The registry is computerized, so the lawyer gives the clerk the block and parcel number. The clerk then provides the title record.

Procedure 3. Executed instrument of transfer submitted to the Inland Revenue Commission**Time to complete:** 14 days**Cost to complete:** none

Comments: The Inland Revenue Commission checks to see if all property taxes have been paid, and assesses the value of the land according to the existing cadastre to decide the amount of stamp duty to be paid. When there is a discrepancy between the records of property taxes and the cadastral value, evaluation officers inspect the property in order to determine its value.

Procedure 4. Payment of stamp duty on the Instrument of Transfer at the Inland Revenue Commission**Time to complete:** 1 day**Cost to complete:** 10% property value

Comments: Usually the vendor pays 7.5% and the purchaser pays 2.5%, but the parties can negotiate this between themselves. Once it is found that no taxes are owed, an evaluation officer from the Property Tax Division certifies the rates and taxes attached to the transfer. Parties pay the assessed stamp duty and the instrument of transfer is stamped.

Procedure 5. Instrument of transfer is submitted to the Land Registry for registration**Time to complete:** 7 days**Cost to complete:** Registration fee EC\$20 + fee for Land Certificate EC\$50 + payment of lawyer/notary's fees (1-5% of property value)

Comments: The previous Land Certificate must be submitted to the registry for destruction. The documents for the instrument of transfer are then filed with the date and time submitted noted on the document itself. All copies are sealed by the Registry, but only one copy needs the stamps attached. A copy is returned to the buyer. The change of ownership is noted on the requisite register. This is then submitted to the Registrar of Lands for signature, at which point the transfer is considered registered. The application for a new Land Certificate can occur during this time, and is usually issued simultaneously. The registration fee of EC\$20 is paid in stamps at the Antigua and Barbuda Registry of Lands. Lawyers and notaries usually keep a supply of these at their offices for this purpose. The registration fee is EC\$20 if no more than 3 months have passed between execution and registration of the Instrument of Transfer. For every month that passes thereafter, a fee of EC\$20 applies, not to exceed EC\$100.

Once the Land Certificate is issued and the documents are registered, lawyer and notary fees are usually paid. The fee is usually a percentage of property value (1-5%), but this is negotiable between lawyer and client.

Documents required:

- Instrument of Transfer (2 copies required by law)
- Proof of payment of all taxes relating to the property
- Old Land Certificate
- Application for new Land Certificate (optional, blanks available at the registry)

*** Procedures 1 and 2 can occur simultaneously, but must start on different days.**

Dominica*Data as of: March 2006**City: Roseau**Property value: US\$189,500 (EC\$484,002)****Procedure 1. Lawyer prepares Memorandum of Transfer****Time to complete:** 2 days**Cost to complete:** 3% of property value

Comments: The vendor presents his proof of payment (receipts) of municipal taxes to the City Council, a duplicate original of the deed and a copy of the survey plan to the lawyer for preparation of the Memorandum of Transfer. It is mandatory for companies in such a transaction to be represented by a lawyer. The lawyer's fee is regulated by law.

Procedure 2. Lawyer searches the title at the Land Registry*Time to complete:** 1 day**Cost to complete:** EC\$5**Comments:**

The records at the Land Registry are recorded by number in the computer system and the original certificates are kept in paper form. The EC\$5 stamp fee is for an adhesive stamp that can be obtained at a post office, but a lawyer would normally have a supply of these for this purpose.

Procedure 3. Payment of government fees and stamp duty at the Accountant General's Office**Time to complete:** 1 day**Cost to complete:** 1% of property value (assurance fund) + 4% property value (purchaser's stamp duty) + 2.5% property value (vendor's stamp duty) + 2.5% property value (judicial fee)**Comments:**

The lawyer pays all fees on behalf of the clients. Fees are charged to the purchaser, except the vendor's stamp duty (2.5%). The Memorandum of Transfer and the new copy of the Certificate of Title are embossed with proof of payment.

Procedure 4. Memorandum of Transfer is lodged with Registry**Time to complete:** 14–60 days**Cost to complete:** no additional cost**Comments:**

The Registrar signs the Memorandum of Transfer and the copy of the Certificate of Title, which is given back to the lawyer.

Documents required:

- Memorandum of Transfer (embossed)
- 2 copies of the survey plan
- 2 duplicate originals of the Certificate of Title

***Procedures 1 and 2 can occur simultaneously, but must start on different days.**

REGISTERING PROPERTY

Grenada*Data as of: March 2006**City: Saint George's**Property value: US\$196,000 (EC\$508,034)****Procedure 1. Lawyer prepares the Title Deed****Time to complete:** 5 days**Cost to complete:** 1–2% property value

Comments: The purchaser's lawyer prepares the Title Deed and ensures that all rates and taxes are paid by the vendor. Water rates are paid to the National Water and Sewerage Authority, and property tax and property transfer tax are paid by the vendor to the Department of Inland Revenue, Ministry of Finance. The purchaser pays lawyer's fees at this point.

Procedure 2. Title search at the Deeds and Land Registry*Time to complete:** 5 days**Cost to complete:** EC\$200

Comments: The lawyer conducts searches on the vendor's Title Deed, going back as far as 60 years. The lawyer also searches the wills under the previous owners and any judgments against the property for the last 12 years.

Procedure 3. Obtain tax clearance from Inland Revenue*Time to complete:** 1–2 days**Cost to complete:** no cost***Procedure 4. Obtain clearance from National Water and Sewage Authority****Time to complete:** up to 14 days**Cost to complete:** no cost

Comments: The lawyer sends a written request to the National Water and Sewage Authority in order to obtain clearance that all water rates and taxes for the property have been paid.

Procedure 5. Payment of transfer fee at Inland Revenue**Time to complete:** 1 day**Cost to complete:** 5% property value**Procedure 6. Execution of the deed at the lawyer's office****Time to complete:** 1 day**Cost to complete:** (lawyer's fees paid in Procedure 1)

Comments: Deed is executed in the presence of the lawyer and the check is exchanged for the deed. All previous deeds relating to the land, all papers (including insurance policy), and all keys are delivered to the purchaser.

Procedure 7. Payment of Stamp Duty at the Deeds and Land Registry**Time to complete:** 1 day**Cost to complete:** 1% property value**Procedure 8. Registration of the deed in the Deeds and Land Registry****Time to complete:** 40 days**Cost to complete:** EC\$5 (registration fee)

Comments: The deed is collected by the purchaser's lawyer after registration and processing.

Documents required:

- Original deed
- New deed (with stamps from Procedure 7)
- Proof of payment of all taxes and rates relating to the property
- History of title

***Procedures 1–4 can occur simultaneously, but must start on different days.**

St. Kitts and Nevis*Data as of: March 2006**City: Basseterre**Property value: US\$410,500 (EC\$1,101,907)***Procedure 1. Property is surveyed or plan is verified by surveyor****Time to complete:** 14 days**Cost to complete:** EC\$350 per copy of plan

Comments: If this is a new property title, the cost for the new survey is EC\$1000 per acre.

Procedure 2. Lawyer prepares Memorandum of Transfer*Time to complete:** 14 days**Cost to complete:** (fees paid in Procedure 5)

Comments: Lawyer will prepare the Memorandum of Transfer over a period of about two weeks, during which he will also search the title at the land registry. At the end of this period the parties sign the Memorandum of Transfer.

Documents required:

Tax receipts relevant to the property (vendor) and survey plan (obtained in Procedure 1).

Procedure 3. Lawyer searches the title at the Land Registry*Time to complete:** 1 day**Cost to complete:** EC\$5

Comments: During the preparation of the Memorandum of Transfer, the lawyer will search the title at the Land Registry for encumbrances. The fee is EC\$5 for an adhesive stamp that can be purchased at the registry or from a post office.

Procedure 4. Revenue Receipt Voucher and Memorandum of Transfer submitted to the Inland Revenue Department**Time to complete:** 14 days

Cost to complete: 12% of purchase price (stamp duty) + \$7.20 (registration fee) + 0.2% of purchase price (Land Assurance Fund)

Comments: Revenue Receipt Voucher (a standard form) is submitted with the Memorandum of Transfer, along with payment of stamp duty. The stamp duty is paid by the vendor. All fees are paid at the Inland Revenue Department.

Procedure 5. Vendor's attorney prepares a linen copy of the new Certificate of Title and finalizes Memorandum of Transfer**Time to complete:** 1 day**Cost to complete:** Lawyer's fees (cumulative):

Property purchase price	Fee
First EC\$25,000	2.5%
Second EC\$25,000	2.0%
Remainder	1.0%

Comments: At this step the balance of the purchase price is exchanged for the Memorandum of Transfer. The vendor's attorney prepares a linen copy of the new Certificate of Title.

Documents required:

Stamped Memorandum of Transfer and receipts for payment of fees (obtained in Procedure 4).

Procedure 6. Memorandum of Transfer submitted to Supreme Court Registry**Time to complete:** 30–45 days**Cost to complete:** (fees paid in Procedure 4)

Comments: The Memorandum of Transfer is submitted to the Registrar for approval. The old certificate is then cancelled and a new Certificate of Title is issued. All records at the Registry are in paper format. It can take over a month for

REGISTERING PROPERTY

the transfer to be approved because the Registry is often overloaded with work. Documents required:

- One copy of the cadastral survey of land, attached to the linen copy of the Certificate of Title
- Proof of payment of all taxes relating to the property

*** Procedures 2 and 3 can occur simultaneously but must start on different days.**

St. Lucia

Data as of: March 2006

City: Castries

Property value: US\$240,000 (EC\$631,213)

***Procedure 1. The purchaser's lawyer conducts search of title at Land Registry and retrieves survey plan at the Ministry of Planning**

Time to complete: 1-2 days

Cost to complete: EC\$5 per parcel (property) + EC\$1 for survey plan

Comments: The Land Registry and Ministry of Planning are located in the same building, so the title search and retrieval of survey plan can occasionally occur within one day. However, if the file/plan is unavailable (i.e., in front of the Registrar for other reasons), it would take longer. The plan number is needed to retrieve the survey plan. (This is usually found on the vendor's title.) It is common practice for a lawyer to conduct these searches.

***Procedure 2. Search for encumbrances at the Registry of the High Court**

Time to complete: 1 day

Cost to complete: EC\$5 + EC\$1 for each page copied

Comments: This search is necessary to ascertain whether or not there are any judgments against the purchaser. Unless all judgments are settled, the transaction cannot proceed.

***Procedure 3. Pay taxes at Inland Revenue Authority**

Time to complete: 1-3 days

Cost to complete: no cost

Comments: In order for the execution of the deed to proceed, both the seller and purchaser must have paid all outstanding income taxes and property taxes. Therefore, clearance from the Inland Revenue Authority must be granted. This usually takes a few days because the Revenue Authority scans all documents and then must send the clearance certificate to the Land Registry. For non-nationals, the vendor must pay an additional tax of 10%.

Procedure 4. Lawyer prepares and executes deed of sale

Time to complete: 1-2 days

Cost to complete: Lawyer's fees + vendor's tax + stamp duty (2% of property value) + EC\$20

Lawyer's fees: flat fee of EC\$100 + % of property value, according to the following scale:

Property value	Fee
Up to 50,000	2.5%
Between 51,000 and 150,000	1.5%
Between 151,000 and 1 million	1.0%
Over 1 million	0.5%

Vendor's tax: Seller pays vendor's tax according to the following sliding scale (for a St. Lucian national):

Comments: Ideally, the lawyer can prepare and execute the deed in one day. However, this is dependent upon receiving the "Radiation" document of discharge of the seller's mortgage from the bank. If there are no mortgages attached to the property, execution of the deed can be done in one or two days at the most. The purchaser pays stamp duty to the Inland Revenue Authority, in addition to EC\$20, which represents stamp duty on two additional copies at EC\$10 per copy.

The schedule of lawyers' fees is set by the Bar Association of St. Lucia. A minimum flat fee of EC\$100 is charged in addition to a percentage of property value.

Property value:	Vendor's tax:
Up to 50,000	no charge
Between 50,000 and 75,000	2.5%
Between 75,000 and 150,000	3.5%
Balance	5.0%

The seller will also pay vendor's tax at this stage.

Procedure 5. Register title deed with Land Registry

Time to complete: 7-14 days

Cost to complete: EC\$20 Registration fee

Comments: The registration fee is EC\$20 for copies of the deed (one to the purchaser and one for the Registry to keep). Registration time depends on whether or not all documentation is complete and all fees and taxes have been paid.

Stamp duty is paid to the Inland Revenue Authority.

Documents required: Deed of sale

*** Procedures 1, 2 and 3 can occur simultaneously, but must start on different days.**

St. Vincent and the Grenadines

Data as of: March 2006

City: Kingstown

Property value: US\$179,500 (EC\$458,174.133)

Procedure 1. Search root of title at the Land Registry

Time to complete: up to 21 days

Cost to complete: EC\$2 per day + EC\$0.50 per page to be copied (on average, 3 pages)

Comments: It is common practice for the lawyer or lawyer's clerk to search the Index of Deeds at the Lands Registry. This can take a long time if the title is not properly indexed- i.e., names of individuals not recorded accurately or omitted. If the indexing is not up-to-date, it may be necessary to search individual deeds for the relevant timeframe. Also, the indexing is done by hand and the quality of paper is diminishing, making the durability of the records more susceptible to wear and tear. The search area is limited and there are several persons searching at the same time. Once the search is complete, a copy of the deed is prepared and forwarded to the Valuation Office with the details of the property being sold, the location of the property and the price agreed by the parties (Procedure 5). During this time, the clerk also searches the Cause Books at the Registry for any judgments against the property.

***Procedure 2. Conduct company search at the Commerce and Intellectual Property Organization**

Time to complete: 1 day

Cost to complete: EC\$10

Comments: When companies are involved in the transaction, a search is done on the company's file for the registration number, the directors, secretary and the by-laws of the company.

***Procedure 3. Make inquiry to utility services**

Time to complete: 1 day

Cost to complete: no cost

Comments: Utility services (Central Water & Sewerage Authority, Vinlec and Cable & Wireless) are contacted to inquire whether or not there are any outstanding bills.

REGISTERING PROPERTY

Procedure 4. Preparation of deed by lawyer

Time to complete: 2 days

Cost to complete: Schedule of lawyer's fees as regulated by the St. Vincent and the Grenadines Bar Association

Comments: Lawyer (or lawyer's clerk) witnesses the signature(s) of the vendor and purchaser and signs a declaration that he witnessed the signature of the vendor on the deed. (The purchaser does not have to sign the deed of conveyance.) The declaration is filed during registration.

Property value Fees

EC\$1,000 EC\$125

EC\$1,000–EC\$5,000 Charge as for EC\$1,000 with addition of 5% of excess

EC\$5,000 EC\$325

EC\$5,000–EC\$10,000 . . . Charge as for EC\$5,000 with addition of 4% of excess

EC \$10,000 EC\$525

EC\$10,000–EC\$25,000 . . Charge as for EC\$10,000 with addition of 3% of excess

EC\$25,000 EC\$975

EC\$25,000–EC\$50,000 . . Charge as for EC\$25,000 with addition of 2.25% of excess

EC\$50,000 EC\$1,538

Over EC\$50,000 Charge as for EC\$50,000 with addition of excess

Procedure 5. Valuation of property by the Land Tax Office (Inland Revenue Dept.)

Time to complete: 3-14 days

Cost to complete: no charge

Comments: A copy of the deed is attached to the Valuation Certificate and sent to the Valuation Office (Land Tax Office) for approval. Clerks at the Valuation Office usually conduct a search on the current owner of the property and make sure that all taxes have been paid. If there are no outstanding taxes, the Valuation is returned to the purchaser's lawyers. It is not mandatory to inspect the property, but the Valuation Office may decide to inspect if they are not familiar with the property or if the property value is deemed too low. Inspection is conducted by a valuation officer and the chief surveyor.

Procedure 6. Registration of the title deed

Time to complete: 2-3 days

Cost to complete: Stamp Duty 10% (5% paid by purchaser; 5% paid by vendor) + registration fee according to the following scale: EC\$40 for the first 15,000 (of sale price), and EC\$2.50 per \$1000 thereafter.

Comments: Once the receipt is issued for payment of stamp duty and registration fees, the time and date of receipt by the Registry is recorded on the deed. The deed is then registered, a number is allocated to it, the original is retained in the records of the Registry (it becomes part of the documents for search) and a copy is handed back to the person registering the deed.

Documentation required:

- Two copies of the deed with Valuation Certificate

*** Procedures 2 and 3 can occur simultaneously, but must start on different days.**

Acknowledgments

Contact details for local partners are available
on the *Doing Business* website at
<http://www.doingbusiness.org>

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