

DOING BUSINESS REPORT 2009

How easy is it to do business in Jamaica?

Jamaica ranks 63rd out of 181 countries surveyed in the 2009 Doing Business Report (DBR 2009) – slipping one place when compared to the 62nd ranking received in DBR 2008. Published by the World Bank, the DBR provides quantitative measures of a set of regulations affecting 10 key stages of a business lifecycle. (See Table below, organized in order of performance). Data in the DBR 2009 are current as of June 2008.

	2009	2008	Chg	
Ease of Doing Business	63	62	-1	
Starting a Business	11	11	0	=
Closing a Business	22	23	+1	↑
Employing Workers	32	33	+1	↑
Dealing with Construction Permits	49	74	+25	↑
Protecting Investors	70	66	-4	↓
Getting Credit	84	79	-5	↓
Trading Across Borders	100	96	-4	↓
Registering Property	109	108	-1	↓
Enforcing Contracts	127	102	-25	↓
Paying Taxes	173	173	0	=

What's good about doing business in Jamaica?

The most substantive improvement for Jamaica came in the area of *Dealing with Construction Permits*. There was a one-time increase of 25 places (from 74th to 49th), relative to prior-year's performance. While the number of procedures remained unchanged at 10 (between 2007 and 2009), the cost to procure permits (as a percentage of income per capita) improved from 469.5% to 396.3% and the number of days required for the process to be completed was drastically reduced from 236 to 156 days, between 2008 and 2009. This 34% reduction stems largely from a November 2007 GOJ initiative to reduce the number of days to obtain a permit from 210 to 90 days.

Starting and Closing a Business and *Employing Workers* continue to be the 3 top performers for Jamaica. With respect to *Starting a Business*, the DBR assesses the number of procedures, time, cost and the minimum amount of capital required for a new firm to legally operate. Over the period 2007 to 2009, the values for these components have remained constant, with the exception of the cost which has consistently improved from 9.4% to 7.9% of Gross National Income per capita. The measures for time, cost and recovery rate associated with *Closing a Business* all remained unchanged over the 3-year period, with the exception of the amount of an insolvent estate that is recoverable by a stakeholder. This improved by 0.2 cents on the dollar. For *Employing Workers*, there were neither recorded changes in the values of the rigidity of employment index nor the firing costs (in weeks of salary), between 2007 and 2009.

Although not ranked in the top 50, *Protecting Investors* and *Getting Credit* received fairly respectable ratings of 70th and 84th, respectively of 181 countries. The only disturbing observation is that both represent reductions in rankings of -4 and -5 places, compared to 2008. Interestingly, these outcomes are as a result of 'doing nothing' in these areas to improve on the protection of the rights of investors or increasing an investor's access to credit. Between 2007 and 2009, the investor protection index (which is composed of sub-indices relating to the extent of disclosure and director liability and the ease of shareholder lawsuits) has remained constant at 5.3, while most of the Caribbean territories are at 6.3 and above.

With reference to *Getting Credit*, perhaps the primary explanation for the performance of this index is the continued absence of a credit information index and credit registries (public and private). Credit registries and related information have been known to greatly increase access to credit as they provide information to lenders that assist with risk assessment and a more efficient allocation of credit. Other countries have been actively pursuing the development and implementation of these measures. The legal rights index (which measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending) has remained constant, at 8 (out of a maximum of 10), for the past 3 years.

Areas for Improvement

The last four business indicators, listed in the Table above, represent areas for immediate attention insofar as they fall in the latter half of the overall rankings. In reference to *Trading Across Borders* and *Registering Property*, the reduction in rankings are largely the result of very limited remedial efforts to improve performance. For the former, over the period 2007 to 2009, the number of documents for export and import remained unchanged at 6 documents each and so did the time for exporting and importing at 21 and 22 days, respectively. The cost to export and import remained constant at US\$1750 and US\$1350 per container in 2007 and 2008. In 2009, that was changed to US\$1750 and US\$1420 per container, respectively. It is a curious observation that, in Jamaica, the cost to export is higher than the cost to import. Interestingly, of the 181 countries surveyed in DBR 2009, Jamaica's differential of US\$330 per container is second only to that of Afghanistan (US\$400).

Formal property titles help promote the transfer of land, encourage investment and give entrepreneurs access to formal lines of credit. Consequently, the number of procedures, time and cost associated with *Registering Property* are important to doing business. In Jamaica, the first 2 components, that is, the number of procedures and the time it takes to register property have remained unchanged at 5 and 54 days, respectively. There was however a significant reduction in cost associated with registering property from 13.5% (2008) of the property value to 11% (in 2009). This followed from the GOJ's decision to reduce property transfer tax from 7.5 to 6% and stamp duty from 5.5 to 4.5%, of the property value.

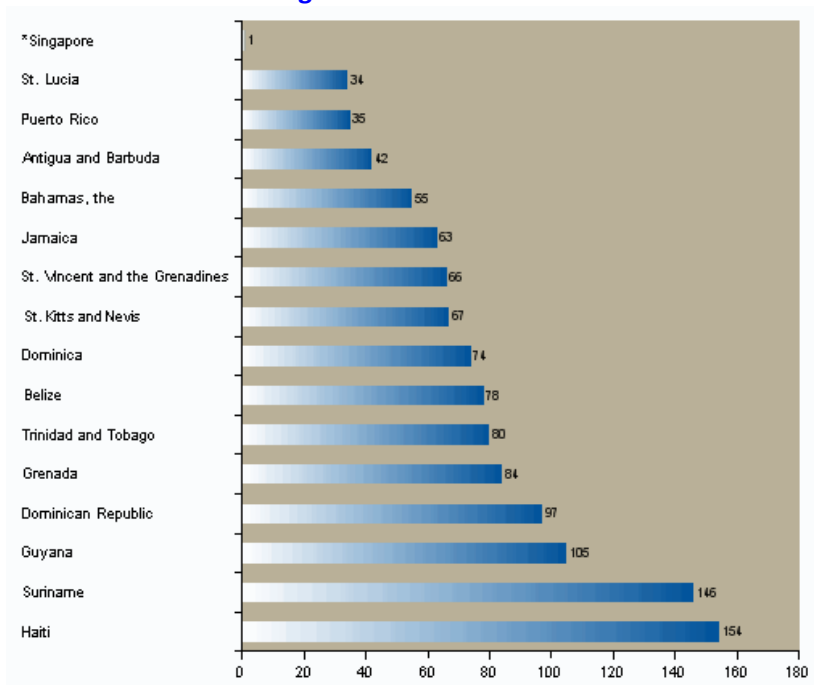
Enforcing Contracts relates to the efficiency of the judicial system in resolving a commercial dispute. According to DBR 2009, Jamaica plummeted 25 places (from 102nd to 127th), relative to 2008. This is the result of negative reform, which now stipulates mandatory mediation for all cases (irrespective of whether or not it is warranted). The result has been an increase in trial time of 3 months.

As it relates to *Paying Taxes*, Jamaica ranked 173rd (or eight places up from the lowest rank) two years in a row. What is more surprising is that there is no recorded effort to reduce: the 414 hours spent each year to prepare, file and pay taxes; the 72 separate tax payments required each year nor the effective tax rate of 51.3% (as a percentage of profits) experienced by businesses. The values of these indicators have remained unchanged since 2006.

Relative to the rest of the Caribbean...

Relative to the rest of the Caribbean, Jamaica's performance was good – ranking 5th out of the 15 regional countries for *Ease of Doing Business*. (See Chart Below)

Chart 1: Ease of Doing Business in the Caribbean



*Singapore was included for additional information.

The Case of the Dominican Republic: the #1 Caribbean Reformer

While the Dominican Republic ranked 97th for the *Ease of Doing Business*, this represents an improvement of 13 places (from 110th in 2008). This impressive performance positioned them among the top 10 reformers for DBR 2009. Some of the reforms introduced included: a reduction in corporate tax from 29 to 25%; the abolition of several taxes including stamp duty – reducing the number of tax payments required annually from 74 to 9; a cut in property transfer tax from 4.3 to 3%; a decrease in property transfer costs from 5.1 to 3.8% of the property value; a 3-day reduction in the time required to export and import and greater incorporation of online facilities to improve efficiencies.

At this rate of transformation one wonders where the Dominican Republic will rank in a few years and, equally, where Jamaica will place, if the necessary reforms are not effected.

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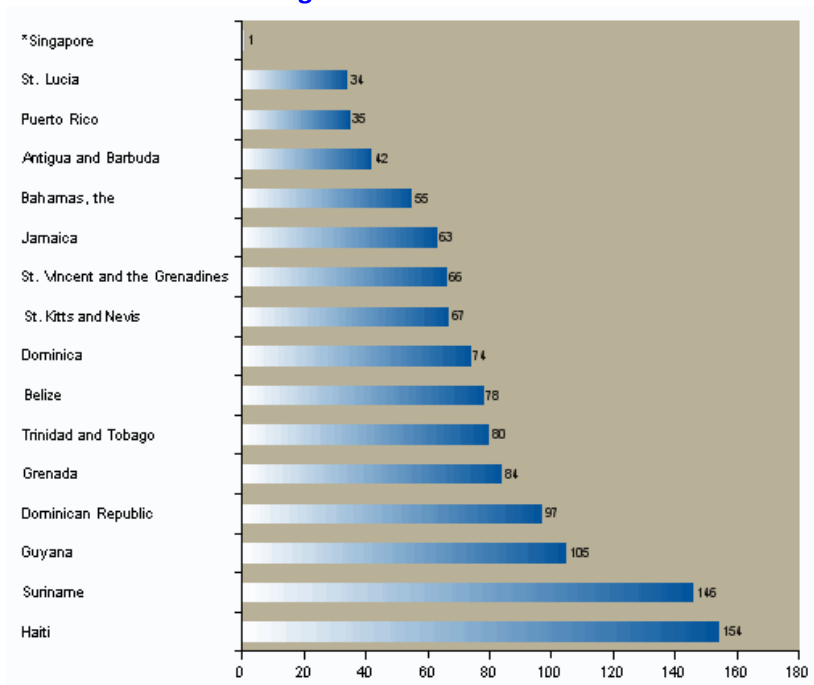
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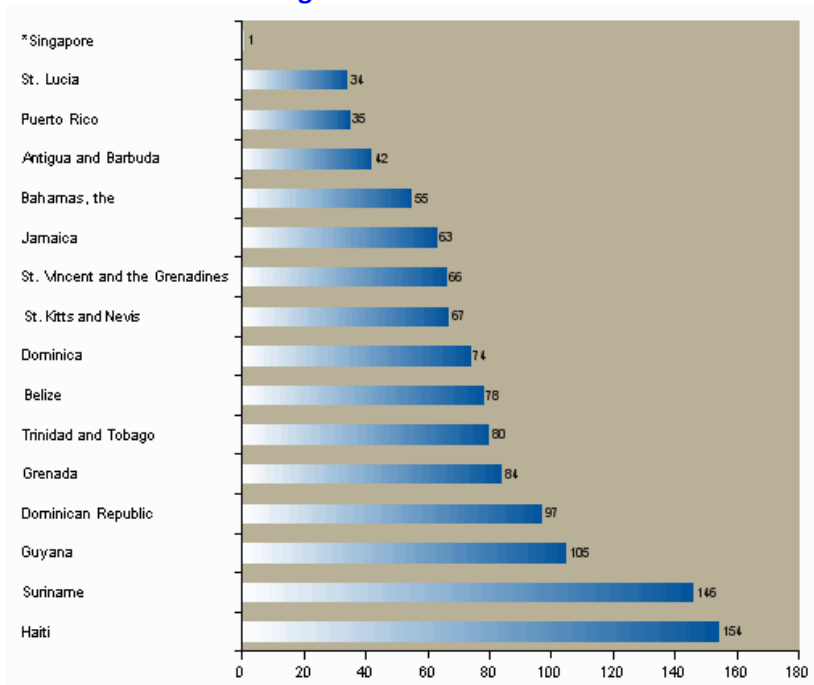
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