DOING BUSINESS REFORMS
AND THE WORLD BANK’S SUPPORT TO JAMAICA
Overview of Session

- Doing Business Overview
- Doing Business – Jamaica
- Global Best Practices as Relevant to Jamaica
- World Bank Group Support on Business Climate
  - Competitiveness and Growth Project
  - IFC JamTax
  - Public Sector Modernization Project
  - Development Policy Loan Series
What does *Doing Business* measure?

**Doing Business indicators:**

- Focus on regulations relevant to the life cycle of a small to medium-sized domestic business.
- Are built on standardized case scenarios.
- Are measured for the most populous city in each country.
- Are focused on the formal sector.

**DOES NOT** measure all aspects of the business environment such as macroeconomic stability, corruption, level of labor skills, proximity to markets, or of regulation specific to foreign investment or financial markets.
Economies that rank high on the ease of doing business tend to combine efficient regulatory processes with strong legal institutions.

OECD high-income economies have the most business-friendly regulatory environment on both dimensions.

**Average ranking on sets of Doing Business indicators**

- **Strength of legal institutions**
- **Complexity and cost of regulatory processes**

**Stronger Legal Institutions**
- Stronger legal institutions but more complex and expensive regulatory processes

**Europe & Central Asia**
- Average ranking: 29

**Latin America & Caribbean**
- Average ranking: 71

**Middle East & North Africa**
- Average ranking: 107

**Sub-Saharan Africa**
- Average ranking: 142

**Weaker Legal Institutions**
- Weaker legal institutions and simpler and less expensive regulatory processes

**East Asia & Pacific**
- Average ranking: 88

**OECD high income**
- Average ranking: 100

**Economies that rank high on the ease of doing business tend to combine efficient regulatory processes with strong legal institutions.**

**Complexity and cost of regulatory processes**

- Simple and inexpensive
- Complex and expensive

Size of bubble represents number of economies.
### Complexity and cost of regulatory processes

<table>
<thead>
<tr>
<th>Process</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting a business</td>
<td>Procedures, time, cost and paid-in minimum capital requirement</td>
</tr>
<tr>
<td>Dealing with construction permits</td>
<td>Procedures, time and cost</td>
</tr>
<tr>
<td>Getting electricity</td>
<td>Procedures, time and cost</td>
</tr>
<tr>
<td>Registering property</td>
<td>Procedures, time and cost</td>
</tr>
<tr>
<td>Paying taxes</td>
<td>Payments, time and total tax rate</td>
</tr>
<tr>
<td>Trading across borders</td>
<td>Documents, time and cost</td>
</tr>
</tbody>
</table>

### Strength of legal institutions

<table>
<thead>
<tr>
<th>Process</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Getting credit</td>
<td>Movable collateral laws and credit information systems</td>
</tr>
<tr>
<td>Protecting investors</td>
<td>Disclosure and liability in related-party transactions</td>
</tr>
<tr>
<td>Enforcing contracts</td>
<td>Procedures, time and cost to resolve a commercial dispute</td>
</tr>
<tr>
<td>Resolving insolvency</td>
<td>Time, cost, outcome and recovery rate</td>
</tr>
<tr>
<td>Employing workers</td>
<td>Flexibility in the regulation of employment</td>
</tr>
</tbody>
</table>

*Note: The employing workers indicators are not included in this year’s ranking on the ease of doing business nor in the calculation of any data on the strength of legal institutions included in figures in the report.*
Doing Business indicators reflect some of the most important obstacles firms face

- Based on **Enterprise Surveys** in 125 countries around the world

- Direct responses from representative samples of the private sector

- **Access to finance, electricity, informality and tax rates** are the top obstacles across the developing world

Percent of firms identifying the problem as the main obstacle to their business activity

- Access to finance: 17.2%
- Electricity: 14.0%
- Practices of the informal sector: 11.4%
- Tax rates: 10.7%
- Political instability: 7.9%
- Inadequately educated workforce: 7.7%
- Corruption: 6.5%
- Crime, theft and disorder: 5.6%
- Transportation: 3.3%
- Customs and trade regulations: 3.3%
- Access to land: 3.3%
- Tax administration: 3.1%
- Business licensing and permits: 2.7%
- Labor regulations: 2.5%
- Courts: 0.9%

*Source: Enterprise Surveys database*
Jamaica: Top 10 Business Environment Constraints

Top 10 Business Environment Constraints for Firms

- Political instability: 2.0 (Jamaica 2010), 2.2 (Latin America & Caribbean)
- Inadequately educated workforce: 2.2 (Jamaica 2010), 3.4 (Latin America & Caribbean)
- Corruption: 3.4 (Jamaica 2010), 4.4 (Latin America & Caribbean)
- Customs and trade regulations: 4.4 (Jamaica 2010), 5.2 (Latin America & Caribbean)
- Tax administration: 5.2 (Jamaica 2010), 6.9 (Latin America & Caribbean)
- Crime, theft and disorder: 6.9 (Jamaica 2010), 11.6 (Latin America & Caribbean)
- Practices of the informal sector: 11.6 (Jamaica 2010), 11.7 (Latin America & Caribbean)
- Access to finance: 11.7 (Jamaica 2010), 12.4 (Latin America & Caribbean)
- Electricity: 12.4 (Jamaica 2010), 35.1 (Latin America & Caribbean)
- Tax rates: 38.1 (Latin America & Caribbean)

Source: Enterprise Surveys (www.enterprisesurveys.org), The World Bank
Jamaica ranks as one of the best in the Caribbean region in Starting a Business

<table>
<thead>
<tr>
<th>Region</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>OECD High Income</td>
<td>60</td>
</tr>
<tr>
<td>Regional Average</td>
<td>78</td>
</tr>
<tr>
<td>East Asia Pacific Islands</td>
<td>102</td>
</tr>
<tr>
<td>Southern African Development Community (SADC)</td>
<td>109</td>
</tr>
<tr>
<td>Common Market for Eastern and Southern Africa (COMESA)</td>
<td>115</td>
</tr>
<tr>
<td>Latin America</td>
<td>121</td>
</tr>
<tr>
<td>Puerto Rico (U.S.)</td>
<td>18</td>
</tr>
<tr>
<td>Jamaica</td>
<td>23</td>
</tr>
<tr>
<td>Dominica</td>
<td>51</td>
</tr>
<tr>
<td>St. Lucia</td>
<td>57</td>
</tr>
<tr>
<td>Trinidad and Tobago</td>
<td>67</td>
</tr>
<tr>
<td>St. Vincent and the Grenadines</td>
<td>68</td>
</tr>
<tr>
<td>Grenada</td>
<td>72</td>
</tr>
<tr>
<td>St. Kitts and Nevis</td>
<td>73</td>
</tr>
<tr>
<td>Barbados</td>
<td>77</td>
</tr>
<tr>
<td>Bahamas, The</td>
<td>83</td>
</tr>
<tr>
<td>Antigua and Barbuda</td>
<td>92</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>144</td>
</tr>
<tr>
<td>Haiti</td>
<td>187</td>
</tr>
</tbody>
</table>
Jamaica ranks less favorably than other economies in the Caribbean region in Getting Electricity and Paying Taxes

**Getting Electricity**

- OECD High Income: 53
- Regional Average: 56
- East Asia Pacific Islands: 81
- Latin America: 87
- Common Market for Eastern and Southern Africa (COMESA): 130
- Southern African Development Community (SADC): 139
- Trinidad and Tobago: 10
- St. Kitts and Nevis: 19
- Antigua and Barbuda: 20
- St. Vincent and the Grenadines: 25
- St. Lucia: 31
- Puerto Rico (U.S.): 38
- Bahamas, The: 45
- Dominica: 64
- Haiti: 67
- Grenada: 71
- Barbados: 83
- Dominican Republic: 127
- Jamaica: 132

**Paying Taxes**

- OECD High Income: 55
- East Asia Pacific Islands: 67
- Southern African Development Community (SADC): 89
- Common Market for Eastern and Southern Africa (COMESA): 98
- Regional Average: 104
- Latin America: 127
- St. Lucia: 45
- Bahamas, The: 45
- St. Vincent and the Grenadines: 72
- Dominica: 75
- Grenada: 90
- Trinidad and Tobago: 97
- Dominican Republic: 106
- Puerto Rico (U.S.): 110
- Barbados: 112
- Haiti: 132
- St. Kitts and Nevis: 145
- Antigua and Barbuda: 151
- Jamaica: 168
Jamaica’s access to finance is weak, marked by low financial depth and financial repression.

Low depth and size, characterized by high concentration, profitability and margins by banks while low lending levels to the real sector. This has led to high debt levels with illiquid markets.

Source: WB FinStats
What are some of the good practices that can be implemented to help improve in the Doing Business indicators: Getting Electricity

- In economies where getting electricity is most efficient, requiring fewer interactions with authorities and less time, utilities often carry out the external connection works themselves.

- They also obtain the necessary approvals and streamline procedures with other agencies.

Where is it easier to get electricity?

- Iceland
- Korea, Rep
- Germany
- United Arab Emirates
- Hong Kong, China
- Singapore
- Taiwan, China
- Switzerland
- Sweden
- San Marino
What are some of the good practices that can be implemented to help improve in the Doing Business indicators: Registering Property

Global good practices

- Computerized registries
- Making information and procedures available online
- Offering expedited procedures
- Low transaction costs
- Setting fixed transfer fees
- Setting effective time limits

Georgia
New Zealand
Belarus
United Arab Emirates
Armenia
Lithuania
Denmark
Rwanda
Norway
Kyrgyz Republic
What are some of the good practices that can be implemented to help improve in the Doing Business indicators: Paying Taxes

<table>
<thead>
<tr>
<th>Practice</th>
<th>Economies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic filing and payment</td>
<td>Australia; <strong>Canada</strong>; Colombia; India; Lithuania; Mauritius; Russia; Tunisia</td>
</tr>
<tr>
<td>One tax per tax base</td>
<td>Greece; FYR Macedonia; Namibia; Paraguay; United Kingdom</td>
</tr>
<tr>
<td>Self-assessment</td>
<td>Argentina; <strong>Canada</strong>; China; Rwanda; Russia; Sri Lanka; Turkey</td>
</tr>
</tbody>
</table>

- Electronic filing and payment: (76 economies)
- One tax per tax base: (55 economies)
- Self-assessment: (160 economies)
What are some of the good practices that can be implemented to help improve in the Doing Business indicators: Trading across Borders

Global good practice

Singapore
- Paper-free electronic submission and processing for customs clearance.

Hong Kong SAR, China
- Pre-arrival submission of customs declaration and manifest.

Korea, Rep.

United Arab Emirates
- Less than 10% of containers are physically controlled, using risk based inspection systems.

Malaysia

Sweden

Estonia

Denmark

Finland

Israel
- Single Window for obtaining trade documents and approvals.
- Efficient ports and transportation infrastructure.
What are some of the good practices that can be implemented to help improve in the Doing Business indicators: Enforcing Contracts

Top 10 Performers

1. Luxembourg
3. Iceland
4. Norway
5. Germany
6. Austria
7. France
8. Finland
9. Hong Kong SAR, China
10. Russian Federation

Good Practices

• Specialized commercial courts
• Making judgments publicly available
• Electronic filing and automation
• Performance measuring
Improving the business climate is a key objective of the World Bank’s Country Partnership Strategy for Jamaica. Based on extensive public and private sector consultations, this support is principally being done through the following key instruments:
World Bank Support to Jamaica

Competitiveness and Growth Project

- **Investment Climate Reforms (coordinated by the National Competitiveness Council)**
  - Development approvals and construction permits
  - Support for the Port Community System
  - Access to finance
- **Increasing competition in key sectors**: Competition policy reform and capacity-building at the Fair Trade Commission
- **Supporting a logistics hub**: Support for the LHI Master Plan, Development of the legal and regulatory framework for the Port Community System (PCS); legal and regulatory development for the new SEZ regime to replace the Export Free Zone regime
World Bank Group Support to Jamaica: When the “cost of formalization” is too high...

- Businesses stay out of the formal economy and can get a “free-ride”
- However: more risks, less opportunities (esp. access to finance)
- Serious limitations to business growth...
- Government is not reaching revenue potential
- Spurs vicious cycle of “squeezing” the few compliers => ticket price ↑
World Bank Support to Jamaica

IFC Jam Tax Technical Assistance

- **Making it easier for businesses to comply with fiscal obligations**: Business tax process simplification, including e-filing
- **Reducing compliance costs for small businesses**: Simplified tax regimes for SMEs
- **Resolving disputes between taxpayers and TAJ**: Appeals and dispute resolution mechanisms
- **A more accessible and transparent administration**: Increased education, outreach, and communication with taxpayers
World Bank Support to Jamaica

Public Sector Modernization Project: BSJ and JCA

- Support revamping the Bureau of Standards of Jamaica (BSJ) and the Jamaica Customs Agency (JCA) to become service providers. The restructuring will allow the country to be fully compliant with international and regional trade agreements, such as the WTO Agreement on Technical Barriers to Trade.
- The Bureau of Standards will transition from a regulatory and enforcement agency into a service provider organization that will assist Jamaican enterprises to meet the demands of a multilateral trading system and conform to international standards.
- Improve the performance of the JCA by the adoption of international good practices promoted by the WTO and WCO.
World Bank Support to Jamaica

Development Policy Loan Series

• Planned annual budget support for a set of 8-10 key policy reforms for each year for the next 3 years - $250 million

• Currently designing the 2014-2015 programmatic loan series that will address key investment climate issues and public financial management, looking for significant reforms that are feasible in the timeframe

• Potential areas: electricity reform, ICT, Amanda implementation, MSME reforms
Thank you!
REFERENCE SLIDES
How are the data collected?

To start, the Doing Business team, with academic advisers, designed a standardized case study and developed a survey.

Surveys are administered through more than 10,000 local experts, including lawyers, business consultants, accountants, government officials and other professionals.

These experts have several (typically 4) rounds of interaction with the Doing Business team, involving conference calls, written correspondence and country visits (e.g. Doing Business team went on mission to Jamaica in December 2011).

The data from surveys are subjected to numerous tests for robustness, which lead to revisions or expansions of the information collected.

The data and reforms for all sets of indicators in Doing Business 2014 are from June 1, 2012 to June 1, 2013 (except for Paying Taxes, for which the data refer to Jan–Dec 2012).
Sources of information for the Doing Business indicators: legal

- **Civil Code** – property rights, contractual obligations, pledge regimes
- **Commercial Code** – company creation procedures, minimum paid-in capital requirements, shareholder rights, winding-up provisions
- **Tax Code** – applicable taxes and contributions
- **Secured Transactions Law** – creation and publicity of security interest, collateral regime
- **Civil Procedure Code** – litigation and courts system, judicial enforcement of a commercial dispute
- **Insolvency Law** – bankruptcy, insolvency, reorganization and liquidation procedures, priority rules
- **Labor Code** – hiring and redundancy of workers, definition of working hours

The Doing Business Law Library is the largest free online collection of business laws and regulations: more than **5,088** business regulatory references can be found at [http://www.doingbusiness.org/law-library](http://www.doingbusiness.org/law-library)
Sources of information for the Doing Business indicators: practitioners with various relevant types of expertise

<table>
<thead>
<tr>
<th>Activity</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting a Business</td>
<td>Registering a limited liability company and setting it up for operations</td>
</tr>
<tr>
<td>Dealing with Construction</td>
<td>Expertise in construction licensing and laws, building regulations</td>
</tr>
<tr>
<td>permits</td>
<td></td>
</tr>
<tr>
<td>Getting electricity</td>
<td>Expertise in obtaining electricity connection and electrical engineering</td>
</tr>
<tr>
<td>Registering Property</td>
<td>Transferring property between two limited liability companies</td>
</tr>
<tr>
<td>Getting Credit</td>
<td>Legal rights of borrowers and lenders and sharing of credit information; service in public credit registry or private credit bureau</td>
</tr>
<tr>
<td>Protecting Investors</td>
<td>Expertise in the rights of minority shareholders against harmful related party transaction</td>
</tr>
<tr>
<td>Paying Taxes</td>
<td>Preparing, filing and paying taxes and social contributions</td>
</tr>
<tr>
<td>Trading across Borders</td>
<td>Providing logistics, freight-forwarding and customs brokerage service; knowledge on Letter of Credit</td>
</tr>
<tr>
<td>Enforcing Contracts</td>
<td>Litigation experience in resolving commercial disputes in court</td>
</tr>
<tr>
<td>Resolving Insolvency</td>
<td>Expertise in local bankruptcy proceedings</td>
</tr>
<tr>
<td>Employing Workers</td>
<td>Expertise in regulation of hiring, working hours, and dismissal</td>
</tr>
</tbody>
</table>
The foundation of the Doing Business Indicators - 8 seminal papers published in top academic journals

• **The Regulation of Entry** by Djankov and others, Quarterly Journal of Economics, Feb 2002.
  - *Countries that regulate entry more heavily have greater corruption and larger unofficial economies, but not better quality of public or private goods*

  - *Creditor protection through the legal system and information sharing institutions such as credit bureaus are associated with higher ratios of private credit to GDP. Credit rises after improvements in creditor rights and in information sharing*

  - *Stronger disclosure rules and private enforcement mechanisms for minority shareholders are associated with better stock market outcomes*

  - *Each additional day that a product is delayed prior to being shipped reduces trade by more than one percent*

• **Courts** by Djankov and others, Quarterly Journal of Economics, May 2003.
  - *Procedural formalism is associated with higher expected duration of judicial proceedings, more corruption, less consistency, less honesty, less fairness in judicial decisions, and inferior access to justice*

  - *Several characteristics of debt enforcement procedures, such as the structure of appeals and availability of floating charge finance, influence its efficiency*

• **The Regulation of Labor** by Botero and others, Quarterly Journal of Economics, June 2004.
  - *Heavier regulation of labor is associated with a larger unofficial economy, lower labor force participation, and higher unemployment, especially of the young*

  - *The corporate tax rate has a large adverse impact on aggregate investment, FDI, and entrepreneurial activity. It is also correlated with investment in manufacturing as well as with the size of the informal economy.*
Global best performers adopted most of the good practices across indicators

Complexity and cost of regulatory processes

- **Starting a Business**: Australia and Canada have a one-stop shop to start a business and have no minimum capital requirement
- **Trading across borders**: Germany adopted all the good practices in this area, such as allowing electronic submission and processing documents and using risk-based inspections
- **Paying Taxes**: Spain, Sweden and the United Kingdom have one tax per tax base and allow self-assessment
- **Registering Property**: Singapore use an electronic database for encumbrances
- **Dealing with construction permits**: Georgia has a one-stop shop to deliver building permits
- **Getting Electricity**: Iceland and Korea, Rep. adopted all the good practices in this area, including providing transparent connection costs and processes

Strength of legal institutions

- **Protecting Investors**: Canada regulates the approval of related party transactions and clearly define duties for directors
- **Getting Credit**: Malaysia and United Kingdom allow a general description of collateral and maintain a unified registry
- **Enforcing Contracts**: Germany adopted all the good practices in this area, such as maintaining specialized commercial courts.
- **Resolving Insolvency**: Japan and New Zealand have a legal framework for out-of-court workout
Doing Business 2014 report presented Case Studies on implementation of various good practices in various countries

✓ Tackling High Costs for Getting Electricity: Trinidad and Tobago’s New Approach
✓ Implementing trade single windows in Singapore, Colombia and Azerbaijan
✓ Improving court efficiency: the Republic of Korea’s e-court experience
✓ Why are minimum capital requirements a concern for entrepreneurs?
✓ What role should risk-based inspections play in construction?
✓ Malaysia: implementing electronic tax filing and payments
Importing and exporting could be faster if economies followed *Doing Business* good practices.

- According to the Enterprise Survey, approximately **63.1%** of firms use material inputs and/or supplies of foreign origin and **15.4%** of firms export directly or indirectly at least 1% of their sales.

- Assuming that they followed the rules and regulations for international trade in their home economy as measured by *Doing Business*, these firms together spent **272.5** million days to import one 20 feet container and **65.4** million days to export it.

- Time saved if economies followed the best practices in **importing goods** → **200.2** million days

- Time saved if economies followed the best practices in **exporting goods** → **38.9** million days

*Source: Enterprise surveys; World Bank’s Entrepreneurship Database; Doing Business database.*
Following *Doing Business* good practices would also significantly decrease the time to pay taxes

- In the **93** economies covered by both *Doing Business* and the World Bank’s Entrepreneurship Database, an estimated 28.6 million limited liability companies were **in operation** in 2012.

- Assuming that they followed the rules and regulations for paying taxes in their home economy as measured by *Doing Business*, these firms together spent **1.1 billion** days to file their taxes.

- Time saved if economies followed the best practices in paying taxes → **806 million days**

*Source: World Bank’s Entrepreneurship Database; Doing Business database.*
Simpler entry regulations increase formalization and employment
  • E.g. Branstetter and others 2013, Bruhn 2013, 2011, Kaplan, Piedra and Seira 2011, Barseghyan 2008. Simplified business registration led informal firms to shift to the formal economy and increased employment.

Improvements in trade facilitation stimulate exports
  • E.g. Freund and Rocha 2011, Djankov, Seker 2011, Freund and Pham 2010. Reduction in transport time leads to significant increases in the export volumes of economies.

Credit reporting system improves financial access and reduces the probability of banking crisis
  • E.g. Giannetti and Jentzsch 2013, Büyükkarabacak and Valev 2012.

Tax reforms promote entrepreneurial activity and domestic and foreign investment
  • E.g. Lawless 2013, Monteiro and Assunção 2012, Djankov and others 2010.