



Doing Business 2013: Chile Makes Progress, but there are Pending Issues

In the current report, our country ranks 37 out of 185 countries, leading in Latin America and the Caribbean and advancing two positions in the total ranking. In terms of scores, we observe a slight drop in “trading across borders” and “resolving insolvency”. Chile points in the right direction and the government has tried to create a favorable environment for undertaking businesses, but it is necessary to streamline certain bills that wait in the Congress.

The report of the World Bank and the International Finance Corporation (IFC) “*Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises*” was recently published, highlighting the developing countries for significantly improving regulations for doing business, Chile included.

This report measures the ease for doing business, by assessing the regulations applied to the firms during their life cycle, based specifically on 10 indicators: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

In particular, our country ranked 37 out of 185 countries, leading in Latin America and the Caribbean and advancing two positions in the total ranking from 2012 to 2013. In terms of scores we had a slight drop in relation to the previous year, with 69.7 points this time versus the maximum of 70.0 obtained in 2012, from a total of 100.

This slight drop is explained by the score in “trading across borders” and “resolving insolvency” which could not completely compensate for the better scores in the indicators “starting a business”, “dealing with construction permits” and “paying taxes”. Table 1 shows the specific progress of each indicator.

Table 1

SCORES AND RANKING OF CHILE IN DOING BUSINESS 2012-2013, BY INDICATORS

	2012 Scores	2013 Scores	2012 Ranking	2013 Ranking
Starting a business	87.2	87.3	27	32
Dealing with construction permits	76.7	76.8	84	84
Getting electricity	77.8	77.8	41	40
Registering property	77.7	77.7	54	55
Getting credit	68.8	68.8	52	53
Protecting investors	65.6	65.6	29	32
Paying taxes	83.3	84.1	35	36
Trading across borders	73.6	73	44	48
Enforcing contracts	61.7	61.7	68	70
Resolving insolvency	35.3	32.5	89	98

Source: Database "Doing Business 2013"

As we can appreciate, the item "resolving insolvency" is our weakest indicator, since we ranked 95, dropping 9 positions in relation to the previous report.

At global level, the study is led for the seventh consecutive year by Singapore, followed by other economies which also rely on favorable regulatory frameworks for doing businesses, such as Hong Kong SAR (China), New Zealand, United States, Denmark, Norway, United Kingdom, Republic of Korea, Georgia and Australia. Poland should also be highlighted, since it showed the most improved ease for doing business in relation to the past year.

Table 2

DOING BUSINESS RANKING 2012-2013

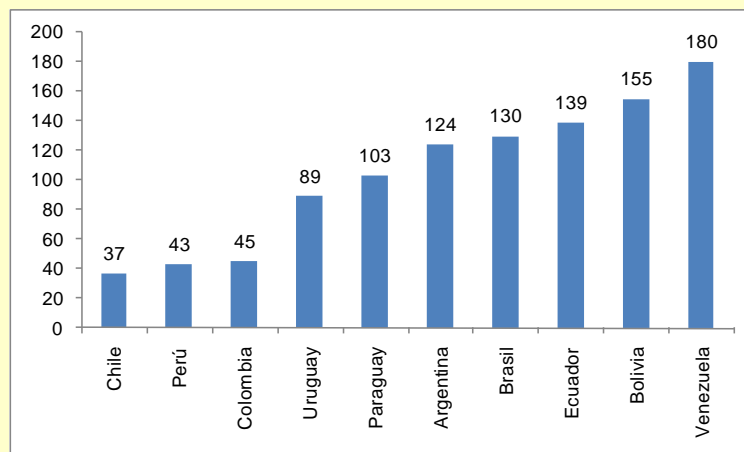
	2013 Ranking	2012 Ranking
1	Singapore	Singapore
2	Hong Kong SAR, China	Hong Kong SAR, China
3	New Zealand	New Zealand
4	United States	United States
5	Denmark	Denmark
6	Norway	Norway
7	United Kingdom	United Kingdom
8	Republic of Korea	Republic of Korea
9	Georgia	Iceland
10	Australia	Ireland
37	Chile	Slovenia
39	South Africa	Chile

Source: Database "Doing Business 2013"

At regional level, East Europe and Central Asia stood out, since they registered the largest share of economies implementing regulatory reforms. Specifically, 88% of their economies reformed in at least one of the areas measured by Doing Business. Latin America and the Caribbean are also highlighted in the report, mentioning that 15 out of 33 economies of the region implemented regulatory reforms aimed at facilitating businesses, particularly Costa Rica. Although our country was not mentioned in this respect, we are still leading at regional level, advancing 14 positions since 2010, thus having the best place since we were included in the ranking.

Chart 1

DOING BUSINESS 2013 - RANKING OF MAIN LATIN AMERICAN ECONOMIES



Source: Database "Doing Business 2013"

In evolution terms, the report indicates that throughout the last ten years, almost 2,000 regulatory reforms have been registered and implemented in 180 economies, favoring local entrepreneurs around the world. Among the reforms named by the latest study the main findings were the following:

1. Since 2005, the average time required to create a business has been reduced from 50 to 30 days, and in lower-middle-income economies the average time has been reduced by half.
2. Over the last 8 years, the average time required for registering property was reduced by 35 days, from 90 to 55, and the average cost was reduced by 1.2 percentage points, from 7.1% of the property value to 5.9%.
3. In the past 8 years, the improvements aimed at simplifying the payment of taxes have reduced by 54 hours the estimated annual time required to pay the three kinds of taxes measured by the report: profit taxes, labor taxes and consumption taxes.

From the 50 economies that most improved business regulation since 2005, six of them are in Latin America and the Caribbean, being Colombia the leader.

It is clear then that for entrepreneurs of different countries, doing business is easier than 10 years ago, which shows the progress achieved in improving regulatory environment practices at global level.

Investors and authorities are expecting the results of this ranking to assess the progress made by the countries concerning the ease for doing business and competitiveness improvement. In Chile, this is a matter of concern both at private and public level; therefore, from the very beginning the current government has tried to create a favorable environment for entrepreneurship. Consequently, it has considerably increased the gross fixed capital formation and foreign direct investment; on the other hand, the creation of businesses reached record levels, which finally means more competition, more employment (thanks to the implementation of the "Start-up Chile" program, among others) and new ideas that generate more productivity, a matter which still needs to be improved.

Furthermore, the Work Agenda "Competitive Impulse" was created, which is a pack of 50 measures aimed at promoting economic growth by eliminating barriers, streamlining proceedings and improving conditions to undertake and innovate in an environment of free competition and equal opportunities. The list of measures aims at increasing productivity in the overall economy with the purpose of achieving the goal of Chile being a developed country by 2020. Until now, only 40 of the 50 measures have

been implemented, but their effects are still not clear. Moreover, 10 new measures which should be implemented by December 2012 were added. Within the ongoing initiatives proposed by the government and included in the agenda, but that are still pending at the Congress, we can highlight the Insolvency Law modernization, the proposal for quality construction, the reform of the Civil Procedural System, the simplified ways of forming corporations, among others, which should come forth as soon as possible to obtain their associated benefits.

One of the initiatives that did show some progress was streamlining proceedings to start business in new firms, where it was possible to reduce the time needed to start business from 27 to 7 days, and there is a bill at the Congress to shorten this time by 1 day, which in the end have meant to improve our score in the item “starting a business”.

We are pointing in the right direction and the current government’s work has been clear; however, it seems a paradox that these efforts are trapped in the Congress, where proceedings do not advance as quickly as they should, when measurements as prestigious as *Doing Business* demonstrate the need to do it, especially if we want to keep the GDP at 6% per year until the end of the decade with an unstable global environment.

In brief...

DOING BUSINESS 2013:

- The *Doing Business* report measures the ease for doing business.
- Chile ranked 37 in the international ranking, improving 2 positions in relation to the previous report and leading in Latin America and the Caribbean.
- The weakest indicators are “trading across borders”, “closing a business” and “resolving insolvency”, the latter being affected by the delay for approving the Insolvency Law modernization.
- Chile is going in the right direction and the government has tried to create a favorable environment for entrepreneurship, but it is necessary to streamline certain bills which are at the Congress.