

## **World Bank Group Launches *Doing Business in Mexico:* Report Compares Ease of Doing Business in 13 Mexican Cities**

*Mexico City, December 1, 2005* – Mexican cities vary significantly in the ease of doing business, according to the new *Doing Business in Mexico* report. Launched in Mexico City today, it is the first sub-national report of its kind to be issued in Latin America. It looks at regulations that enhance business activity, as well as those that constrain it. It finds that reforms increase the competitiveness of economies, allowing firms to grow faster and create more jobs.

Cosponsored by COFEMER, USAID, and the World Bank Group, the report covers four areas of regulation: starting a business, registering property, obtaining credit, and enforcing a contract. The cities it covers are Aguascalientes, Celaya, Ciudad Juarez, Guadalajara, Merida, Mexico City, Monterrey, Puebla, Queretaro, San Luis Potosí, Tlalnepantla, Torreon, and Veracruz.

“Benchmarking the ease of business transactions allows government officials to focus on removing the constraints to economic growth. The pressure to reform is greater when comparisons are made within a country, contrasting cities and states that implement identical national-level regulations,” says Simeon Djankov, author of *Doing Business in Mexico*.

When compared, Mexico City and the 12 other cities differ dramatically on the four indicators the report measures. An entrepreneur spends 29 days to fulfill administrative requirements for starting a business in Celaya, but 52 in Queretaro and 58 in Mexico City. The start-up cost is equivalent to 7% of the average income per capita in Aguascalientes, but 36% in Veracruz and 74% in Tlalnepantla. It takes 30 days to register commercial property in Merida but 94 days in Queretaro. To recover debt, creditors pay 5% of the debt value in Guadalajara but 33% in Merida.

If an entrepreneur wants to open a business in Aguascalientes, she will have to wait a month and spend 7.3% of her annual income in taxes and fees. This may actually make it the least expensive city in Mexico in which to start a business, but it would rank 33<sup>rd</sup> globally, behind Tehran at 6.3%.

On the ease of doing business, the report finds Aguascalientes has the most business-friendly environment, followed by Celaya. Businesses face the most bureaucratic hurdles in Queretaro, followed by Puebla. Even Mexico’s easiest cities in which to do business lag behind Bangkok, Santiago de Chile, or Madrid. The report concludes that reform is sorely needed.

**Doing business in Mexico:  
where is it easiest?**

<b>Easiest</b>	
Aguascalientes	1
Celaya	2
Ciudad Juarez	3
Guadalajara	4
Monterrey	5
Veracruz	6
Merida	7
San Luis Potosí	8
Torreon	9
Mexico City	10
Tlalnepantla	11
Puebla	12
Querétaro	13
<b>Most difficult</b>	

Mexico's credit information system remains weak, despite significant improvements in the past four years. Credit registries are not linked across states and most are paper-based, making it difficult for banks to assess creditworthiness. Even in Celaya, the least expensive city for property registration, fees amount to 1.2% of the loan value, 100 times more than in New York City.

Court efficiency varies even more across Mexican cities. Aguascalientes is the most efficient, at 184 days to enforce a contract; this ranks it 21<sup>st</sup> globally, on par with Berlin and Zurich. But it takes nearly two years in Merida to enforce a contract, longer than in such other Latin American cities as La Paz and Asuncion.

Earlier World Bank studies in China and Russia have shown the benefits of state- and city-level benchmarking. Much of the opportunity for improvement is in local administrative procedures, which can be changed by a governor or a mayor. And as the news about reform and its benefits spread, it is increasing interest in replicating success stories across Mexico.

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