

INDEX OF BUREAUCRACY

in Ibero-America

2023

FIU

Adam Smith Center
for Economic Freedom

Ibero-American Index of Bureaucracy 2023

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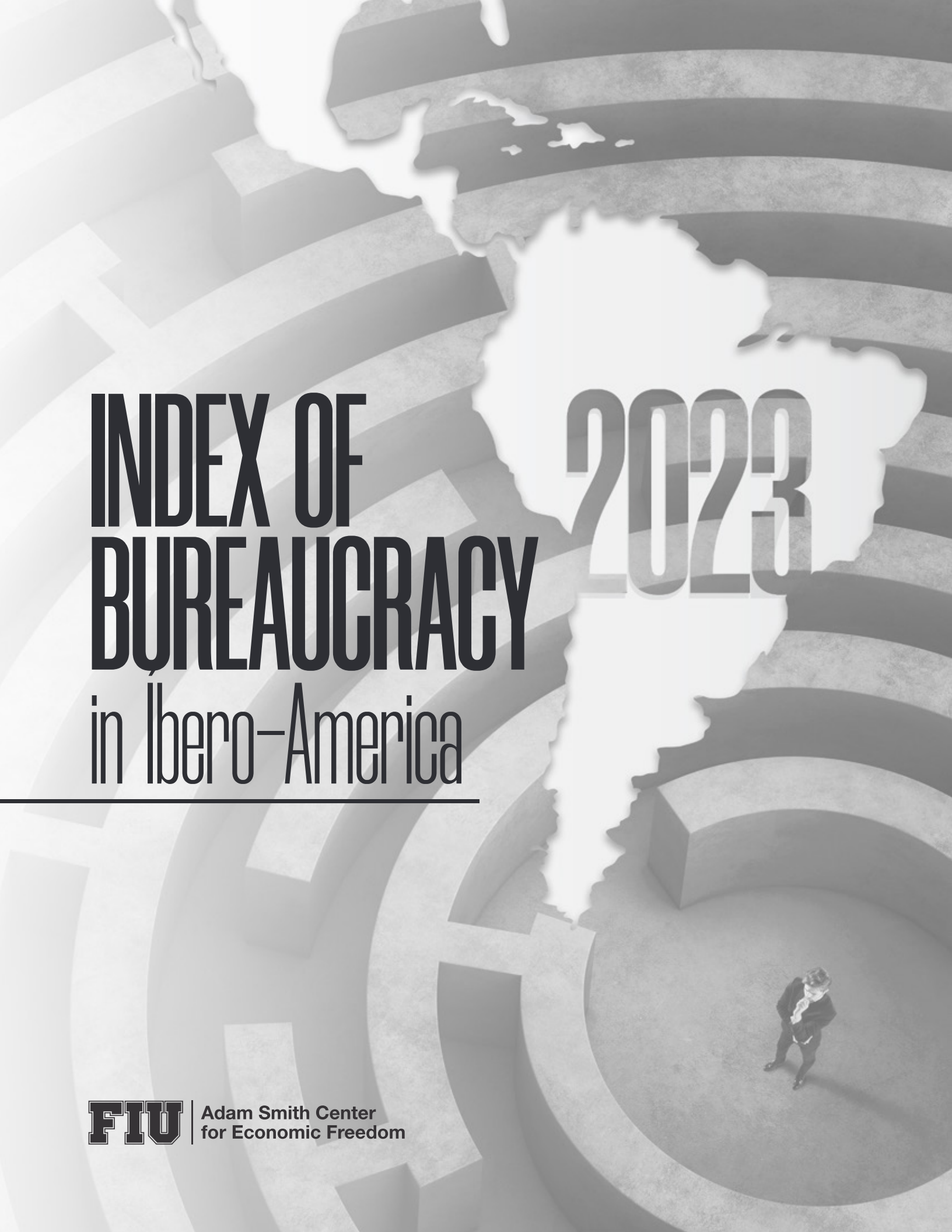
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Preface

Dr. Carlos Díaz Rosillo | Adam Smith Center for Economic Freedom, Florida International University



Economic freedom as an antidote to crises

This new edition of our Index of Bureaucracy 2023, once again highlights the importance of understanding, in a serious and rigorous manner, the impact of hyper-regulation on our societies. Day after day, we see news and reports about the crises affecting Ibero-America: economic stagnation, fiscal crises, migration, unemployment, violence. All are related in one way or another to the lack of economic opportunities. That's precisely what this 2023 report, prepared for the second consecutive year as part of the research program of the Adam Smith Center for Economic Freedom, addresses. By reviewing it, two important questions can be answered: how fast and complex is it to start a small business in the region? And how difficult is it to keep it running? The study provides us with all the information about bureaucratic obstacles, the number of procedures, and the time a small business must dedicate to them in 16 Latin American countries and Spain, allowing us to refer to it as a truly Ibero-American study.

Why do these questions, and their answers, have anything to do with the crises we have mentioned? Because the role of the state is one of the factors determining economic dynamics, and legal and public policy reforms can make a significant difference in the reality we have referred to.

The countries selected for the study collectively represent more than a quarter of the global gross domestic product. Small businesses, in turn, make up almost the entire business fabric and generate more than half of the employment in the studied area. Therefore, from a global impact perspective, as well as considering their national relevance, the information in this index can be crucial for revitalizing the economy.

The methodology, already tested on previous occasions, disaggregates the steps for starting procedures and the permanent requirements for the operation of this business fabric. In both cases, requirements from national and municipal entities are addressed, as well as procedures related to employee management. For the identification of the representative activity of each sector, an analysis of the productive structure of each country was carried out.

Both the Bureaucracy index for Starting and Running a business show enormous differences between countries and sectors (see Appendices). In the first case, it takes an average of 3.7 months to start a business. The country with the fewest obstacles and delays is Paraguay, where it takes 15.7 days; while in Spain, this process would take 18 months. In the second case, the usual procedures to keep a company running require an average of 112 working days, equivalent to 43% of a worker's time. The highest demand for requirements and procedures is in Paraguay, with 433.5 working days; while in Panama, this operation according to all bureaucratic requirements implies 30.7 days. Between these two extreme cases, there is a difference of more than a year!

By conducting a combined analysis, it is possible to organize countries into clusters and identify those with better results with bureaucratic requirements below the average. For 2023, these countries are Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, the Dominican Republic, and Uruguay.

"#LetMeWork" is once again the slogan we have chosen to promote the study because the realization of the burden of bureaucratic requirements points to states and regulations that, in practice, hinder the free development of citizens' economic initiative. For the Adam Smith Center for Economic Freedom, this study also provides a deep reflection on the role of states and how to ensure that they do not hinder the creativity and private drive that is the engine of individuals, society, and the economy.

We trust that this index will be of great use to those responsible for leading countries, regions, and cities, as well as to all those involved in public debate. We deliver this analysis as a tool for the growth and economic freedom of the countries of Ibero-America.

DR. CARLOS DÍAZ ROSILLO

Adam Smith Center for Economic Freedom, Florida International University



Introduction

Roberto Salinas León | Senior Fellow for Latin America, Atlas Network

So much work, alas, just to be able to work. This odious truism embodies the struggle faced by Latin American citizens when aspiring to do, to undertake, and to strive for progress within the tortuous regulatory ecosystem that governs daily activities. It's a struggle that doesn't discriminate between micro, medium, or large enterprises: the endeavor to prosper, to live better, represents an act with high transaction costs and extremely high opportunity costs within an institutional environment that doesn't allow progress—where regulatory extortion, bribes, and “understanding costs” become our daily routine.

These are some of the conclusions of this multi-institutional Index of Bureaucracy in Ibero-America 2023, now with the collaboration of 17 institutions across the Ibero-American continent, led by the Adam Smith Center at Florida International University, in collaboration with Atlas Network. On behalf of Atlas Network, we are proud that this project has found a new home, where, under the leadership of its founding director, Dr. Carlos Díaz-Rosillo, it will scale the potential of the report to new heights, aiming to create a collective awareness about the urgent need to develop agile, adaptable, and simple bureaucratic systems—that allow citizens to work without so much struggle.

We are convinced that, to address the problems of informality, underdevelopment, corruption, and low productivity, we must first identify the causes of these issues. This report is aimed at citizens, entrepreneurs, and policymakers, providing a tool with empirical support to identify the critical points presented by existing bureaucracies and to promote reductions in current bureaucratic processes. The emphasis on the average time worked in hours per year is fundamental. This allows quantifying the “time-tax,” that is, the number of annual work hours that Ibero-American microenterprises must dedicate to complying with the full range of bureaucratic requirements. The results are dramatic. For example, the average time it takes an entrepreneur to complete the procedures to start a business is 3.7 months or 111.1 continuous days. Likewise, the average time a company needs to complete the necessary procedures to stay operational is 901.95 hours per year,

representing 43% of working time. One of several factors that increases the opportunity costs in meeting the demands of bureaucratic procedures is the formidable complexity of the tasks required for each procedure, which is related to the existence of previous steps that must be completed and are a prerequisite for the next one. The loss of time represents a huge obstacle that has a negative impact on the productivity of microenterprises, which in turn increases the incentive to operate in the extra-legality of the informal economy.

A controversial editorial from *The Economist* last year posed an uncomfortable question: what is behind the low productivity of workers in Latin America? One explanation is the lack of education, another is the absence of sufficient productive investment; perpetual corruption, a third. And, of course, the informal sector, or the “shadow economy”—which, by the way, has very little “shadow” as it is fully visible to all. Some critics with sensitive ideological sensibilities were offended by the characterization of Latin American workers as “strikingly unproductive”—a fact that is nonetheless true. But *The Economist's* analysis falls short and confuses causes with consequences. The lack of sufficient productive investment (including physical and human capital), rampant corruption, and certainly the informal economy, are largely the product of a legal system lacking in trust and clarity, victim of what Luis de la Calle calls “the extortion economy”—a market of rents that uses bureaucratic extortion as a weapon to “shadow tax” the everyday activity of working. This phenomenon is indeed a source of legitimate offense, acknowledging a reality independent of the low labor productivity in Latin America. In particular, the microenterprise sector, which generates a large portion of jobs in the region, is a constant victim of inefficient institutional structures, which prevent greater opportunities for growth. From the Rio Grande to Patagonia, citizens seeking to improve their standard of living must first confront and “come to terms” with bureaucracy.

Those who do not have this opportunity resort to extra-legal avenues—the informal economy, as well as the networks of required bribes (as an extra-legal tax)—in order to survive to see another day. Here we see a

credible reason for how the rules of the game prevent the productive potential of the average citizen; as well as an explanation of why Latin American workers tend to be “strikingly unproductive.” Indeed, not even a genius equipped with the entrepreneurial talent of Elon Musk, the intellect of Saul Kripke, or the microenterprise prowess equivalent to Lionel Messi, could survive the burden of rules, regulations, processes, procedures, “come back tomorrow” and other cases of wanton administrative torture, not to mention that the opportunity cost of entering the “shadow economy” or calculating the “costs of mutual understanding” of the corresponding bribe is lower than the cost of facing the bureaucratic Leviathan.

This dramatically demonstrates the extremely high opportunity cost of the “time-tax” imposed by administrative bureaucracy, as small-business owners are forced to dedicate much of their working day to dealing with the absence of a simple and general legal system. Only a few minutes remain each day to think about how to improve a distribution channels, or to think of a new sales pitch, or to find a more efficient way to allocate the goods intended for the target market. Always, at the end of the workday, more time—and more money too—is required.

The results of this Index of Bureaucracy in Ibero-America 2023 demonstrate the urgent need to rethink the functioning of administrative bureaucracy and thereby achieve the necessary space for greater innovation, productivity, and wealth creation. It is essential that, looking to the future, we make it our mission to identify the changes our countries require to remove obstacles to trade, innovation, and productivity.

Would it be too much to ask, respectfully, that in order to work, they simply let us work?

ROBERTO SALINAS LEÓN

Senior Fellow for Latin America, Atlas Network



Acknowledgments

Sary Levy Carciente | Author and coordinator

This project is entering its third year, and during this time, it has managed to expand its geographical scope, its study dimensions, consolidate its methodology, and contribute to raising awareness of the importance of addressing the heavy burden that bureaucratic demands impose on businesses. It is only fair to recognize those whose collaboration has made it possible.

Since we incubated the idea and shared it with Roberto Salinas León, executive director of Atlas Network's Latin American Center, we have had his steadfast support, as well as that of the network's leadership, which embraced the proposal, fostering mechanisms of dialogue among its members on a topic of common interest. Therefore, our sincere words of gratitude for the trust and backing.

Likewise, to Carlos Díaz Rosillo, director of the Adam Smith Center for Economic Freedom at Florida International University, who, since learning about the project in 2021, showed interest, initially joined as a co-organizer, and has since taken ownership of the project, with the institutional support that this entails for this effort and its promising possibilities for expansion and impact.

I wish to emphasize the commitment shown by the distinguished researchers from each of the participating centers, as well as that of their directors/executive managers, without whose participation this project would be nothing more than a mere outline on paper, an idea without data to support it. Special mention of Óscar Torrealba, CSM economist, whose responsible assistance was crucial for the achievement of this edition, and the professional contribution of statistician Karen Tizado, whose technical expertise allowed us to enrich the analysis of the collected data.

Particular gratitude to Sergio Daga, who thoroughly reviewed this work and whose recommendations allowed us to improve it, and who also

granted us his reflections on the effects of bureaucracy on productivity, informality, and innovation.

My thanks to the technical and administrative team of Atlas Network, especially Derek Hosford and Rómulo López, for their steadfast support throughout the entire process.

Finally, to you, dear reader, for considering us a valuable source of information in the task of building free and prosperous societies

SARY LEVY CARCIENTE

Author and coordinator



Introduction

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Effects of Bureaucracy on Productivity, Informality, and Innovation

Empirical studies have tacitly demonstrated that high rates of long-term economic growth (in per capita terms) result in better living standards for all people in all countries around the world. The primary force for achieving high and sustainable rates of economic growth over time is increased productivity: finding better ways to efficiently use production factors such as natural resources, labor, and physical and human capital. In developing countries, relatively low productivity growth is the main determinant of low rates of economic growth, so achieving higher productivity should be at the center of the current economic debate in these countries.

How can we foster productivity? Increases in productivity are often associated with advances in a country's technological progress, but some argue that this is a complex issue that goes beyond that. In fact, depending on the level of development of the country, technological readiness could be a necessary but insufficient condition. New paradigms of institutional economics and public policies framed in the reduction and effectiveness of the State point out that for developing countries to achieve productivity gains, they must advance in what the Global Competitiveness Report of the World Economic Forum calls "the fundamental pillars for development." One of the most important pillars is to have a strong and fair institutional environment, and the other is to have public policies aimed at fostering a friendly environment for a vibrant, innovative, and job-creating business environment.

Institutions establish the rules that shape incentives for businesses. Market-friendly institutions ensure fair competition for resources and provide companies with good ideas the opportunity to thrive and grow. Therefore, low productivity is often the result of State failures that distort incentives for innovation and also prevent the expansion of efficient companies while promoting the survival and growth of inefficient ones. Regulatory policies, on the other hand, are decisive in the creation

and operation of companies; if they generate the right incentives by making bureaucratic procedures agile and simple, they reduce transaction costs, promoting the efficient allocation of the scarce resources available to business units in Latin America and other developing regions.

The Index of Bureaucracy in Ibero-America 2023 that the reader holds in their hands is a tremendously valuable tool to understand and, above all, to delineate the "size of bureaucracy" linked to business activity, understood as the number of hours required to carry out procedures demanded by government authorities that small businesses in the 17 countries presented here must bear, both in terms of starting their business and its operation. It is not surprising that the larger the "size of bureaucracy," the greater the corruption. In fact, regarding the latter, the World Bank in a report on the results of Enterprise Surveys called "Dealing with Government in Latin America and the Caribbean (ALC)" states that "[t]he quality and effectiveness of a regulatory system have a significant effect on the private sector. Poorly designed or complicated regulatory systems can become a burden for companies and can also open up opportunities for corruption." In the same report, it is affirmed that companies in ALC face a greater regulatory burden than companies in the rest of the world. Entrepreneurs in this region spend more time dealing with bureaucratic burdens than in any other region of the world. These data are concerning and should call us to action. The effort to carry out this Index of Bureaucracy in Ibero-America 2023 is a concrete action.

A final aspect that I would like to highlight about the impact of the "size of bureaucracy," in line with the results of this report, is the relationship of business regulatory policies with informality and innovation. Recently, F. Schneider, A. Buehn, and C. E. Montenegro measured the size of informality in 162 countries and found that the Latin America and the Caribbean region showed the

highest informality of all regions in the world, concluding that heavier regulatory burdens, particularly in product and labor markets, reduce growth and induce informality. On the other hand, heavier bureaucratic burdens divert time and resources from companies that could focus on research and development of new products and processes. Latin America invests less than 0.7% of its GDP in research and development, while OECD countries invest 2.4%. The low capacity for innovation in the region is the result of an inadequate regulatory environment that does not facilitate the initiation and maintenance of formal ventures, in addition to legal and political instability, poor infrastructure, and low collaboration between universities, knowledge-generation centers, and industry.

In conclusion, I congratulate the work of those who made this edition of the Index of Bureaucracy in Ibero-America 2023 possible, reiterating that it is perhaps the only tangible and consistently systematized study that manages to measure the “size of bureaucracy” in different countries in a homogeneous way, an aspect that undoubtedly should be used by policymakers, the business community, and society in general as a highly useful tool to advance freedom and prosperity for all.

SERGIO DAGA, PH.D.

Vicerrector

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I. General Considerations

It is common to highlight the complexity of our times, where geopolitical, techno-economic, and socio-cultural structural transformations coexist simultaneously with interdependent dynamics. In this blurry web of actors, relationships, and mechanisms, disruptions emerge, some with the potential for positive future synergies (such as advances in science and technology that would benefit quality of life, health, access to education, citizen participation, and efficient use of natural resources), while others are worryingly destabilizing (such as financial and banking crises, the global spread of the pandemic, warlike events like Russia's invasion of Ukraine, and more recently, Hamas's criminal terrorist attack on the State of Israel and its civilian population—all of which forge bleak futures and showcase the worst of humanity).

Specifically, in its economic dimension, the year 2023 has managed to overcome fears of a major recession, and in this process of “soft landing,” the focus has been on inflation control. Thus, various central banks have adopted restrictive monetary policies, with a notable increase in interest rates, aiming to reduce the excess money supply resulting from expansive monetary and fiscal policies implemented between 2020 and 2021, whose stated purpose was to counteract the demand shock caused by the global COVID-19 pandemic.

The progressive increase in interest rates has quickly evidenced its negative impact on the leverage of productive activity, which, by raising its cost, reduces the financial viability of projects, leading them to be reduced to their minimum expression or totally dismissed, with consequent impacts on job creation, economic growth, and citizen quality of life.

The above is of great concern for Latin American countries, with less advanced economies; shallower credit systems; a business universe composed of over 95% micro, small, and medium-sized enterprises; and where banking and access to credit are already below the global average, even after a significant boost during the pandemic when there was a considerable increase in the Latin American region's financial inclusion index according to the World Bank (Demirgüç-Kunt et al., 2022).

The latest reading on this issue indicates that, despite the increase in interest rates by approximately 400 basis points since late 2021 and by 650 basis points in emerging market economies, underlying inflation remains significant in some economies. This may require central banks to maintain a restrictive monetary policy for a longer period than anticipated in developed markets (International Monetary Fund, 2023).

This poses significant economic risks, with one of the most worrying being the weakening of borrowers' solvency and liquidity, as their default probabilities increase, thereby raising the credit risk of banking entities, which in turn puts upward pressure on interest rates. This situation impacts both companies and individuals, who, by depleting their incomes, savings, and the reach afforded by credit cards, enter into a cycle of very costly consumer loans, leading to increased delinquency (Tobias, 2023).

While necessary to control the scourge of inflation, monetary tightening, by raising the cost of money to levels that do not correspond to the dynamics of its market, also generates a negative impact on short-term economic growth by affecting financing capacity, investment, production, and consumption. This further exacerbates the challenges faced by companies (especially smaller ones) to remain active within established legal formalities and ensure their continuity, in addition to seeking growth and productivity.

Thus, the review of all mechanisms affecting the company's cost structure becomes even more important, including the implementation of institutional, procedural, and technological reforms focused on minimizing operational costs, either by relieving tax pressure or simplifying administrative management imposed to comply with bureaucratic requirements demanded by the public administration.

These measures can significantly contribute to improving the business environment, attracting investments, fostering innovation and competitiveness, and generating confidence in markets. Through these actions aimed at promoting a creative and efficient ecosystem that drives entrepreneurship, business activity, and innovation, the recessive effects currently threatening the global economy can be countered, thus laying the foundations for sustained long-term recovery.

Entrepreneurship and Innovation: Productive Pillars

The study of entrepreneurship and innovation has become an important vein of academic research¹, as its capacity to drive economic growth and enhance people's quality of life is recognized.

Based on the positive relationship between entrepreneurship and economic growth, Aparicio et al. (2016) review institutional factors in 43 countries between 2004 and 2021 as opportunities to promote entrepreneurship, highlighting the importance of redefining public policy strategies towards institutional frameworks. Although these do not show automatic effects that can be recorded in growth models, they shape behavioral models of productive processes and entrepreneurial activity, influencing long-term growth. Thus, corruption control, greater access to credit, and the promotion of individual capacities drive opportunities for entrepreneurship and, thereby, for growth. This is particularly relevant for the Latin American region, not only in terms of economic

growth but also in formalizing its economy and, naturally, for generating well-paid jobs.

Recently, Stoica et al. (2020) examine the potential effect of different types of entrepreneurship (classified as: nascent, opportunity-driven, and necessity-driven) on economic growth, considering differences in countries' development levels. The study includes 17 European countries between 2002 and 2018 and concludes that all types of entrepreneurship impact growth, but nascent entrepreneurship and opportunity-driven entrepreneurship have a greater effect. The latter also has a greater impact on transition economies, while necessity-driven entrepreneurship does not significantly affect economic growth in transition countries but negatively and significantly influences economic growth in innovation-driven countries.

The results are a call to policymakers to identify and implement measures to eliminate obstacles in the macroeconomic and regulatory environment faced by entrepreneurs and to favor innovative activities.

They also emphasize the importance of a high-quality business environment that contributes to sustainable economic growth and positively reinforces the improvement of that business environment.

Furthermore, Bosma et al. (2018) integrate three elements in their research: institutional frameworks, entrepreneurship, and economic growth. They highlight that institutional frameworks have a decisive impact on the prevalence and nature of entrepreneurship, with financial stability, government size, and perceived entrepreneurial skills being the most significant variables for productive entrepreneurship (defined as contributing to the net production of the economy). Their results show a positive association between institutional frameworks and economic growth through productive entrepreneurship.

Additionally, they observe that the variability in economic growth explained by entrepreneurship is mainly related to human capital. This suggests that the impact of entrepreneurial activity on economic growth is largely associated with the population's level of education. Thus, they point out that

[i]n terms of directions for policy, this combination of findings potentially signals that education should not only be directed towards cognitive skills, but also towards recognizing (business) opportunities and challenges, as well as teaching approaches to evaluate and exploit such opportunities and challenges. Greater attention to such soft and hard skills, possibly starting from primary education, would raise the awareness and appreciation of individuals' own skills and knowledge required for (productive) entrepreneurship. This, paired with regulations around credit, labor, and business regulation that is "friendly" for entrepreneurs, increases per capita income growth. (Bosma et al., p. 14)

¹ In recent years, there has been a growing interest in understanding the virtues and benefits associated with entrepreneurship and innovation. Specifically in the academic realm, the publication of scientific articles that relate entrepreneurship or innovation to economic growth, human development, or quality of life has increased at an annual rate of 15.3% over the last 20 years (2002–2022), rising from 51 to 1,188 articles annually associated with the topic. Source: Scopus. Own calculations.

In terms of regulation, the results indicate the effect of specific regulations, such as those related to credit, labor, and business, which are positively associated with entrepreneurial activity, while the overall size of the government shows a negative correlation. These findings suggest that regulations do not necessarily imply greater government intervention, but rather a more sophisticated legal framework that reduces uncertainty in economic relationships. Finally, concerning the cognitive element, promoting an entrepreneurial culture that fosters awareness and perceived capabilities emerges as a beneficial strategy to boost entrepreneurial activity. This supports the notion that high-quality institutions and a strong entrepreneurial culture are essential factors in stimulating entrepreneurial activity and, consequently, economic growth.

These studies highlight the importance of entrepreneurship and its positive impact on economic growth. They indicate that fostering entrepreneurship, particularly opportunity-driven entrepreneurship, can be a key factor in stimulating long-term economic growth. However, for entrepreneurship to thrive, it is essential to address obstacles present in the business environment. One of these obstacles is excessive bureaucracy and unfriendly regulations for entrepreneurs. Reducing bureaucracy and improving business regulations are crucial elements in creating a favorable environment for entrepreneurship. Therefore, to fully leverage entrepreneurial potential, it is fundamental for Latin American countries—and naturally those in other regions of the globe—to progress in simplifying bureaucratic processes and creating a conducive business environment that encourages innovation, business productivity, and sustainable economic growth.

Bureaucratic Simplification: Stimulus to Entrepreneurship and Innovation

The simplification of procedures, the reduction of bureaucratic hurdles, and the elimination of market entry barriers are fundamental aspects to promote efficiency, competitiveness, and economic development across various sectors and countries.

In Gizaw et al. (2023:2), the following is highlighted:

A good business environment enables good ideas to take root, leads to jobs creation and leads to better lives. As studied by (Moges, Ebero & Begum, 2016), when the business environment becomes more complex, turbulent, and dynamic, the impact on business operations and performance will be greater. Therefore, it could be a requirement for all organizations to direct their attention to the business environment when formulating their business models and strategic management policies to determine their survival, growth, and profit motives. Furthermore, it is suggested that the easier it is to start and run a firm, the more investors are enticed to do so, resulting in more jobs being created.

This, in turn, is capable of creating viable private sector development and growth of FDI inflow and GDP in developing countries. (Schulpen & Gibbon, 2002)

This citation, which is supported by two other research studies, reinforces the idea that a conducive business environment not only benefits companies and investors but also has a positive impact on society as a whole by generating job opportunities and improving quality of life. Therefore, it is essential for policymakers and stakeholders to prioritize the simplification of procedures and the removal of barriers to promote sustained economic growth.

In this study, Gizaw et al. (2023:2) analyze the incidence of the business regulatory environment on foreign direct investment inflows and economic growth in East African countries during the period 2010–2019. They found that certain indicators of ease of doing business, such as dealing with construction permits, enforcing contracts, getting credit, obtaining electricity, paying taxes, and protecting minority investors, have a significant and favorable impact on attracting foreign direct investment in this region. Moreover, indicators such as contract enforcement, getting credit, protecting minority investors, resolving insolvency, starting a business, and facilitating cross-border trade positively influence economic growth.

The study asserts that public policy reforms that improve the business environment can contribute to the growth of less-developed nations. These reforms also transform the behavior of firms, incentivizing them to promote investment and stimulate innovation. Thus, it encourages policymakers to focus on reducing business costs and risks and increasing competitive pressure by improving tax administration and policies, access to financing, legislation, labor administration, and market information access.

Another enlightening work is that of Munemo (2021), who analyzes the relationship between trade regulations and export entrepreneurship, and how this relationship is affected by governance quality, using a sample panel of 60 countries spanning the period from 2006 to 2014. The study finds robust evidence that unfavorable trade regulations (increased barriers) significantly negatively affect export entrepreneurship by increasing trade costs, and low-quality governance institutions significantly increase the magnitude of this negative relationship. These results can also be interpreted as evidence in favor of public choice theory and institutional economics: stricter regulations and low-quality governance are associated with higher transaction costs or greater inefficiency of public institutions resulting in negative consequences, in this case, lower export entrepreneurial activity.

Therefore, bureaucratic burden reduction and simplification of procedures are fundamental objectives in the pursuit of an efficient and growth-oriented business environment. Additionally, social mobility and improvement in quality of life are closely linked to reducing bureaucratic burden. When individuals have the opportunity to access economic and development opportunities without excessive obstacles, social mobility is encouraged and a more equitable society is

promoted. The elimination of administrative barriers allows more people to start businesses, access formal employment, and improve their socioeconomic situation.

Simplification and streamlining of bureaucracy require a comprehensive and coordinated approach. This not only involves eliminating forms or reducing requirements but also entails a profound transformation of administrative culture, including adopting citizen-centered approaches, transparency in public management, inter-institutional collaboration, and implementing efficient and privacy-respecting digital systems.

It is crucial to recognize that bureaucratic simplification and burden reduction are not achieved through static goals but should be seen as an ongoing process that requires constant evaluation, updating, and adaptation. Best practices and academic studies provide valuable lessons learned and guidance for effectively addressing these challenges.

In summary, reducing bureaucratic burdens and simplifying procedures are essential for promoting competitiveness, economic growth, and social mobility, especially in a highly complex global context where various central banks insist on maintaining high rates that negatively impact economic activity. The concerns raised here converge on the need to establish a favorable business environment where procedures are agile, transparent, and service-oriented. Through a combination of appropriate policies, efficient legal frameworks, and innovative approaches, it is possible to move towards more efficient public administration and a more prosperous society. Bureaucratic simplification is a crucial step in this direction, and its successful implementation requires the commitment and collaboration of all stakeholders involved.

Bureaucracy and Corruption

The interplay between bureaucracy and corruption has been subject to deep analysis in the context of economic development. Excessive bureaucracy not only can be cumbersome and undermine business productivity, but it also tends to create opportunities for corruption. The latter, by undermining institutional integrity and eroding trust, weakens the effectiveness of regulations and bureaucratic processes, creating fertile ground for dishonest practices. These phenomena, in their interaction, not only distort the efficient functioning of markets and institutions but also undermine productivity by diverting resources towards inefficient channels and eroding investor confidence.

The study by Cieřlik & Goczek (2018) reveals the importance of the interaction between corruption and investment levels in the economic growth of countries. The results indicate that corruption plays a more significant role in countries with lower levels of investment. This suggests that the partial effect of corruption on economic growth varies depending on the level of investment. Specifically, it is observed that in countries with low levels of investment, significant effects of corruption on economic growth are expected due to the increased uncertainty and instability it generates. The authors argue that

[t]he uncertainty induced by corruption acts as a tax on entrepreneurship and productive action. Thus, it decreases the return on investment and increases its variance, which discourages investment activities. This is important from a policy standpoint because private investment is essential for ensuring economic growth, sustainable development, and poverty reduction. It increases the productive capacity of an economy, drives job creation, encourages innovation and new technologies, and boosts income growth. (p. 330)

The authors argue that corruption imposes significant costs on the economy as it exacts a disproportionately high price by denying countries access to international capital markets, as well as disincentivizing investment and thus undermining growth. Bribes, unlike taxes, entail unpredictable distortions in the discretionary and uncertain use of governmental power. This results in additional costs for businesses, which, along with resources allocated to non-productive activities and policy distortions, pose a significant problem for firms regarding their productivity.

Using data from nationally representative surveys of 39,732 private firms in 111 economies across six different regions of the world, Amin & Ulku (2019) conclude that there is a negative relationship between corruption and firm productivity, with this relationship being stronger in environments with higher levels of regulation. They observe that corruption has a significant impact on productivity in highly regulated environments, whereas in low-regulation environments, this impact becomes insignificant. According to the authors, this evidence supports the premise that corruption affects productivity more pronouncedly in contexts with stricter regulations.

On the other hand, Cieřlik & Goczek (2021) address the factors influencing corruption at the business level, using a large dataset covering 164,000 firms from 144 countries between 2005 and 2020. The results show that companies that spend more time dealing with government officials and face frequent inspections tend to perceive corruption as a more significant obstacle and tend to make higher bribe payments. Furthermore, smaller, less-productive firms experiencing delays in obtaining licenses tend to make higher bribe payments relative to their revenues.

In terms of policy recommendations, Cieřlik & Goczek highlight the importance of minimizing direct contacts between firms and government officials. They emphasize the need to simplify administrative procedures, reducing their quantity and promoting transparency through the use of online applications. Additionally, they acknowledge the persistence of corruption in environments where it is considered widespread and normalized, indicating the need for ongoing efforts to address the entrenched nature of these corrupt practices. The research reveals the importance of structural changes in administrative processes and reducing direct interactions between firms and the government to effectively combat corruption in the business sphere.

Therefore, it is crucial to recognize that the studies presented emphasize the importance of implementing specific policies

to reduce corruption and its detrimental effects on productivity and economic development. The interaction between corruption and excessive bureaucracy has shown a decrease in investor confidence, directly affecting investment and business productivity. Thus, public policy strategies should aim to minimize opportunities for corruption by simplifying administrative procedures and promoting transparency in interactions between firms and the government.

Highly regulated environments appear to be more susceptible to the negative impacts of corruption on productivity. In this regard, policies must strike a balance between regulation and transparency to mitigate the harmful effects of corruption on business productivity. Reducing direct contacts between firms and government officials through administrative simplification and digitization of processes may be crucial in preventing the recurrence of corrupt practices.

Moreover, the persistence of corruption in business environments emphasizes the need for structural changes. Reducing bureaucracy, establishing monitoring and accountability systems, and adopting technology in administrative management can strengthen integrity and decrease the occurrence of corrupt acts, crucial for enhancing efficiency and economic productivity. Policies that promote transparency and integrity will not only attract more investments but also create more competitive and sustainable business environments in the long run

II. Bureaucracy Index

Bureaucratic procedures represent a significant burden for every business organization, particularly for small ones with limited resources. In most cases, small businesses start with just their entrepreneur, driven by their creative spirit to advance a project with hopes of carving out a space in the market and assuming a risk they hope to offset with the benefits to be achieved. Therefore, allocating limited financial and personnel resources to carry out bureaucratic procedures could be prohibitive for small businesses, leading them to either abandon the investment project or condemn it to informality.

Whether we are talking about all the steps required to start a business and get it up and running or about those that are recurrently demanded to comply with legality and remain within the realm of formality, public bureaucracy can become one of the greatest obstacles for small businesses to overcome.

Focused on these small businesses, Atlas Network's Latin American Center, together with the Adam Smith Center for Economic Freedom, Florida International University, have advanced this third edition of the Index of Bureaucracy in Ibero-America 2023, to contribute to the necessary transformation

agenda aimed at promoting a future of productive dynamism and citizen freedom in the Latin American region.

The metric was inspired by the one developed by the Institute of Economic and Social Studies of Slovakia (INESS), which was modified and expanded in this edition—as it includes not only operational procedures but also the procedures for starting a business—considering the most relevant productive activities in each of the economic sectors that small businesses advance in the countries of the region.

It is worth noting that the Index of Bureaucracy is not an index in the statistical sense nor a number index that contrasts a magnitude in two situations, with one of them as a reference. The metric shows the number of hours required of the small business to comply with public bureaucratic requirements, allowing for monitoring and comparative analysis in this unit of measure: number of hours. In this regard, its objectives are:

1. to promote critical analysis of the quality and efficiency of public management in Latin American countries;

2. To provide a measurement that serves as a guide to policymakers and entrepreneurs, as well as input for citizens for proper oversight of public administration;
3. To promote the principle of subsidiarity of the State against private activity; and
4. To promote the development of a free, responsible, and prosperous society.

In this third edition, the geographical scope of the index covers 17 countries, and the information gathering was carried out with the support of centers from Atlas Network, namely:

- Fundación Libertad, Argentina
- Libera Bolivia, Bolivia
- Instituto Millenium, Brazil
- Instituto Libertad y Desarrollo, Chile
- Instituto de Ciencia Política “Hernán Echavarría Olózaga,” Colombia
- IDEAS Lab, Costa Rica
- Instituto Ecuatoriano de Economía Política, Ecuador
- Centro de Investigaciones Económicas Nacionales, CIEN, Guatemala (also responsible for the information gathering in El Salvador)

- México Evalúa, Mexico
- Fundación Libertad, Panama
- Instituto Fernando de la Mora, Paraguay
- Asociación de Contribuyentes del Perú, Peru
- Instituto OMG, Dominican Republic
- Centro de Estudios para el Desarrollo, Uruguay
- Centro de Divulgación y Conocimiento Económico, Venezuela
- CITAD, Universidad de Alcalá, Spain.

The report provides a detailed overview of the set of bureaucratic procedures required of small businesses, both to be started and to remain operational, informing about their nature, level of digitalization, public entity requiring them, frequency of requirement, and time required to complete them.

Likewise, a comparative analysis of the results exhibited by the countries included in the sample is developed, taking into consideration the economic sectors and the type of procedure to be performed. This is done with the aim of providing information to policymakers, entrepreneurs, and citizens who are driving transformations to promote improvements in governance, productivity, and the quality of citizen life.



III. Methodology

This Index of Bureaucracy is a metric that calculates the number of hours demanded by bureaucratic procedures from businesses.

For the purposes of this study, bureaucratic burden is recognized as that which is required by a public authority and would not be necessary to meet market demands, or would be much lower and/or more flexible if not for the imposed regulation. For data collection, procedures of specific interest to a particular company or of very irregular frequency were excluded, as well as those required for a unique or infrequent project (such as changing a brand, expanding physical facilities, changes in the company's founding document, or similar).

The methodology used was guided by the following principles:

- Attention to the differences in the productive structures of each country.
- Focus on small businesses, following national definitions for this purpose.
- Two groups of bureaucratic procedures were considered:

- a) Those required to start a business, up to its operational launch.
- b) Those required to keep the business legally and formally operational.

- Validation of information on processes and bureaucratic requirements directly with small-business owners.
- The unit of analysis is the country/territory, and the unit of measurement used is time, in hours for starting procedures and in annual hours for operational ones.

In line with the above, the collection and analysis of information were organized as follows:

a) Sample

In 2023, the sample includes 17 Ibero-American countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Spain, Guatemala, Mexico, Panama, Paraguay, Peru, Dominican Republic, Uruguay, and Venezuela; which collectively represent 28% of the world population and 26% of global product.

b) Definition of the Representative Productive Activity of the Small Business

The productive structure of each country was characterized, with emphasis on the most important productive activities carried out by small businesses in the primary, secondary, and tertiary sectors. From this assessment, the identification of the sectoral representative productive activity derives. In cases of several productive activities of similar relevance, two or three of them were considered in the representative universe:

c) Starting a Business

It includes the procedures required by public authorities to start a new small business, up to its launch. Procedures were grouped into five categories:

- *Identification and Registration, including procedures for requesting a trade name, drafting and registering the company's articles of incorporation, to registration and obtaining a tax identification.*
- *Registration with National Public Entities, containing mandatory procedures required for labor, social security, social insurance, industrial registry, agricultural registry, among others.*

Fig .1 Starting Procedures



- Municipal Registration and Permits, which includes procedures related to land use conformity, cadastral registration, and other local requirements. Considering the potential variation between local and regional governments, the specific locality for data collection was specified.
- Basic Services Application, which covers procedures for water and sanitation, electricity, and telecommunications services. These services were considered regardless of whether the companies providing them are public or private in nature.
- Activity-Specific Procedures, which includes those procedures that may be required based on the particularities of the activity being undertaken

Nota: Hay trámites que a su vez son prerequisite para el cumplimiento de un procedimiento posterior, y su diligencia ante las instancias públicas no supone la entrega inmediata del documento que absuelve al empresario de las obligaciones correspondientes, sino que supone un tiempo adicional de espera. En estos casos, si la instancia pública entrega un documento a modo de comprobante que actúa como sustituto del documento original y su ausencia no supone un retraso en el cumplimiento de obligaciones subsiguientes, el tiempo imputado al trámite corresponde solo a las diligencias realizadas hasta obtener el comprobante correspondiente. Si, por el contrario, no existe la posibilidad de avanzar con algún documento sustitutivo y se ha de esperar el documento definitivo, el tiempo imputado al trámite incluye la espera hasta la entrega de dicho documento.

Figura 2 Trámites de Funcionamiento



d) Data Collection

Once the representative productive activities in each economic sector were defined, a group of small businesses was identified to validate the collected information on the required bureaucratic procedures. A guidance instrument was developed for interviews with experts in the field (administrators, accountants, lawyers), as well as with small-business owners. Considering that many companies reported subcontracting firms dedicated to managing these procedures, interviews were also conducted with them.

e) Measurement

After gathering all the information, the time required for each procedure to be completed was quantified. For starting procedures, the possibility of simultaneous completion of various procedures was identified, reducing the total time required. For operational procedures, the time required to complete each procedure, the frequency with which it must be done, and the number of people involved in its completion were identified. Additionally, the degree of digitization of the processing of the procedure was identified: non-digitalized, partially digitalized, digitalized, both modalities (in-person and digital).

Subsequently, for each country, the time required to complete each type of procedure was calculated, as well as the total for starting and operational procedures. Likewise, averages were established by economic sector and by country (simple and weighted by sectoral relevance)

IV. Summary of Results

An evaluation of the results was conducted by country and an aggregate analysis of the countries included in the sample.

It is worth noting that the comparative analysis is conducted in terms of absolute hours and does not intend to indicate equivalence of opportunity costs in each of the analyzed economies.

- This is because the level of productivity of activities, economic sectors, and overall productivity of each country are not considered, and therefore, the opportunity cost represented by the time dedicated to complying with the respective bureaucratic requirements is not evaluated. Therefore, the opportunity cost of the time spent on bureaucratic compliance in countries with high productivity is higher than in countries with low productivity, showing the same demand in absolute hours to meet the bureaucratic procedures under analysis. This is a rich vein of research to advance: a comparative analysis of the average productivity of the countries in the region, usually measured by their remuneration, which would complement

and enrich the results presented in this report.

- A review of the definition of a small business in the countries of the sample indicates that it is subject to three criteria: number of employees, income from sales, and, in a few cases, company assets. In general terms, in the 17 countries studied, a company is considered small if its annual sales exceed US\$155,985 and are below US\$1,930,386¹ (with exceptions such as Venezuela, with annual turnover less than US\$51,000; and Spain, with a maximum of US\$10,638,297 in sales). In terms of the number of employees, they employ between 9 and 42 people (with exceptions such as Argentina, [5-15] depending on the productive activity; and Uruguay, [4-19]).
- In most countries, in the primary sector, the productive activity is located in Section A: Agriculture, Forestry, Fishing, and Hunting, specifying the respective crops (cereals and oilseeds, coffee, horticultural) and in the case of Brazil, livestock farming. In the secondary sector, in Section

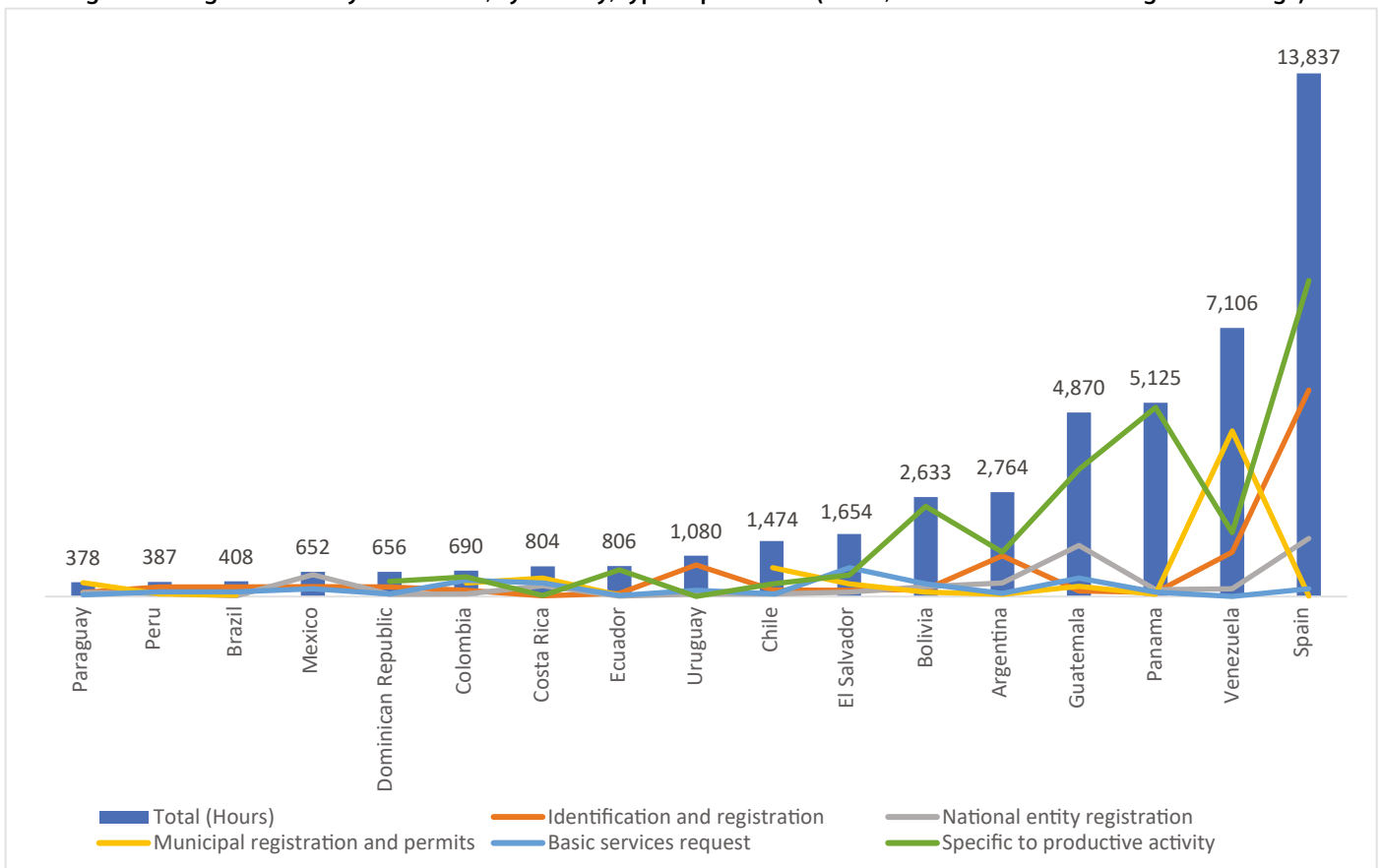
¹ The currency values were calculated by converting the values found in the different definitions into their respective national currencies at the exchange rate on 2023-11-10. In some cases, the definitions included standardized measures (such as tax units, promotion units, indexed units, etc.), for which the necessary conversions were made.

C: Manufacturing (9/17 countries), specifically in Division 10: Manufacture of Food Products (6/17 countries); and in Section F: Construction (8/17 countries). In the tertiary sector, in Section G: Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles; specifically in Divisions 46 and 47: Wholesale and Retail Trade, in 14 countries, followed by Division 45 (4520): Maintenance and Repair of Motor Vehicles, in 8 countries; and in Section I: Accommodation and Food Service Activities, in 7 countries.

- The Bureaucracy Index of this 2023 edition offers two dimensions, the first associated with the procedures required to start a business, and the second that collects the set of requirements to keep the company running, complying with all requirements.
- The Starting Bureaucracy Index yields an average of 2,666h, equivalent to 111.1 continuous days or 3.7 months or 154 working days; showing at the same time a huge dispersion: Paraguay, which leads the series, exhibits 378h (15.75 continuous days), while Spain 13,837.3h (576.5 continuous days or 1.57 years or 18 months and 26 days). In general terms, the most demanding starting procedures are those specific to the productive activity (1,667h), and the fastest are those associated with the request for basic services (219.8h) and registration with national entities (317.9h).

- There are notable instances of agility in certain types of starting procedures, such as Costa Rica (identification and registration, 24h), Ecuador (registration in national entities, 15.3h), Spain (registration and municipal permits, 11.4h), and Venezuela (request for basic services, 5h). There are significantly high outliers in certain types of starting procedures, including Spain (specific to productive activity, 8,364h, and identification and registration, 5,461.4h), Venezuela (registration and municipal permits, 4,380h), and El Salvador (request for basic services, 842h).
- By economic sector, starting procedures show similar sample averages, with Spain and Venezuela standing out as the high outliers in the sample, a trend that is also evident in cluster analysis. Argentina, Brazil, Chile, Ecuador, Mexico, Paraguay, Peru, Dominican Republic, and Uruguay are present in clusters with better results, whether analyzing each economic sector individually or their average.
- The Bureaucracy Index for Operations yields an average of 901.95h/year, equivalent to 37.6 continuous days or 112.7 working days, representing 43% of a worker's working time solely devoted to bureaucratic compliance. The series exhibits high dispersion, with Panama leading at 246h/year, while Paraguay ranks at the other extreme with 3468h/year. Among operational procedures, those related to operations management are the most demanding (504.5h/

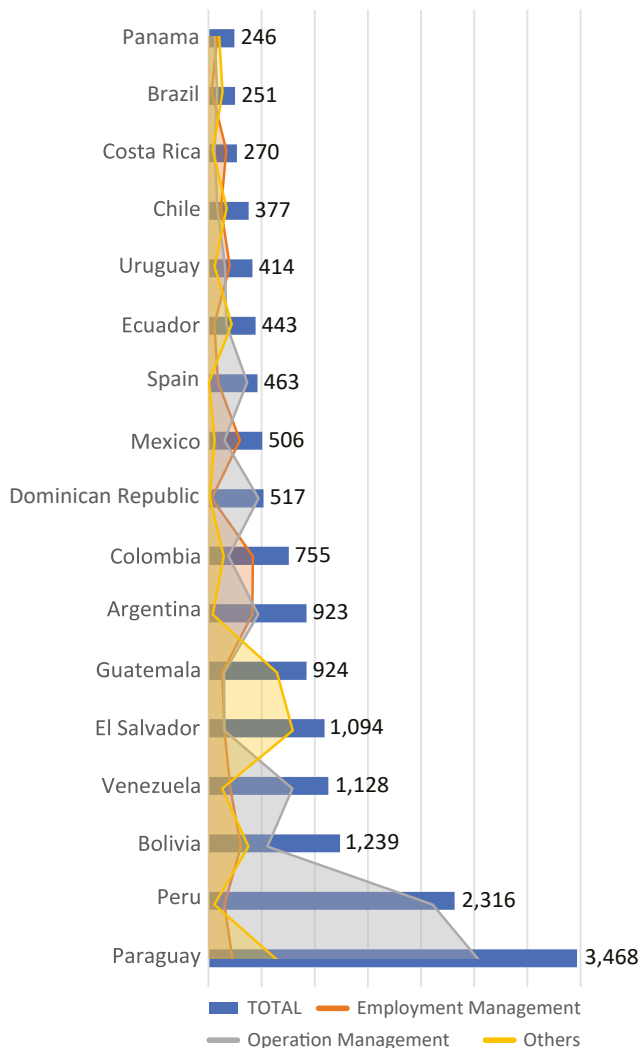
Fig. 3 Starting Bureaucracy Index 2023, by country, type of procedure (hours, sectorial relevance-weighted average).



year), followed by those grouped under Others (215.48h/year), and finally those related to employment administration (181.8h/year), with the caveat that the distribution of times associated with types of procedures is very dissimilar.

- Paraguay and Peru stand out for exhibiting unusually high results in operations management, while the best results are shown by Panama (58.6h/year) and Costa Rica (59.3h/year).

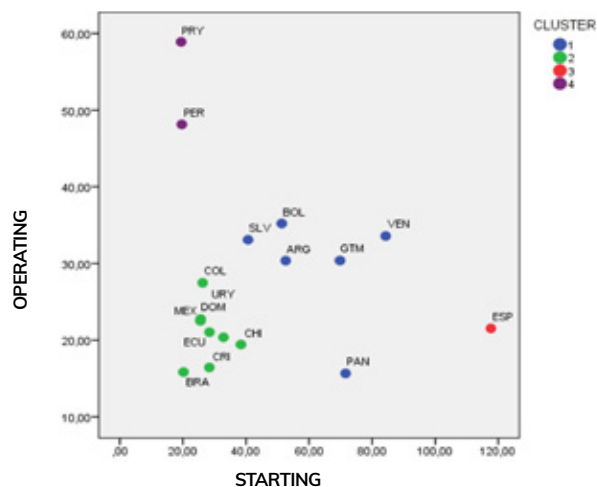
Fig. 5. Bureaucracy Index for Running business 2023, by country, type of procedure (hours/year, weighted average by sectorial relevance)



- By economic sector, the operating procedures present similar sample averages, with Paraguay's unusually high values standing out in all cases (I: 3,700h/year; II: 3,615.5h/year; III: 3,320.3h/year), followed by El Salvador in the primary sector (3,210h/year) and Peru in the tertiary sector (3,320h/year).
- Considering the weighted totals (by sectorial relevance) of both starting and operating procedures, the statistical procedure of cluster analysis was applied, resulting in four

clusters or groups of countries, each with clear differentiated characteristics, aiming to provide specific guidance for public policy direction.

Fig. 6. Clusters considering both Starting and Running business (totals weighted by sectorial relevance)



- The countries showing better results are those located in Cluster 2: Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Dominican Republic, and Uruguay.

IV.1. Final Reflections

From the data collected in different countries, it is confirmed that as the procedures become more numerous, cumbersome, frequent, and subject to change, companies tend to subcontract specialized agents, and in many cases, informal, opaque, and even illegal channels emerge, feeding perverse incentives and networks of corruption, weakening trust in the rule of law and social cohesion.

If theory tells us about the relevance of good governance, institutional strength, and the promotion of comprehensive and sustainable development over time, then the results of this study prompt us to immediately address the structure of bureaucratic procedures required for productive activities, especially those to be carried out by small businesses.

At certain times, we observe experiences in countries of the region guided by policy guidelines for streamlining procedures; however, there are also periods of stagnation or even regression. In many cases, the introduction of new technologies has led to the digitalization of processes; nevertheless, the weaknesses of the platforms, connectivity issues, and lack of knowledge about these new tools have not allowed citizens to fully leverage these opportunities.

It is worth highlighting the crucial importance of promoting the efficiency and transparency of public bureaucracies, but even more so, identifying unjustified, unnecessary, and intrusive demands that only encourage excessive control. Identifying and eliminating them is a priority for a prosperous society.

We reiterate: **the purpose of the Bureaucracy Index is to provide policymakers, entrepreneurs, and the general public with valuable information that they can use to review their strategies and tools and address the critical nodes in their bureaucracies to promote better standards of living for their citizens in environments of freedom.**

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VI. Appendix

VI.1 Starting a business Index of Bureaucracy: Summary Table by Country

ARGENTINA	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (hours)	2,522.5	2,891.5	2,759.5	2,724.5	2,764.5
Identification and registration	1,080.0	1,080.0	1,080.0	1,080.0	1,080.0
National entity registration	362.5	362.5	362.5	362.5	362.5
Municipal registration and permits	60.0	60.0	60.0	60.0	60.0
Basic services request	84.0	84.0	84.0	84.0	84.0
Specific to productive activity	936.0	1,305.0	1,173.0	1,138.0	1,178.0
Sectorial weighting	12.37%	25.96%	61.67%		

BOLIVIA	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (hours)	3,072.0	528.0	3,072.0	2,224.0	2,633.0
Identification and registration	192.0	192.0	192.0	192.0	192.0
National entity registration	264.0	264.0	264.0	264.0	264.0
Municipal registration and permits	120.0	120.0	120.0	120.0	120.0
Basic services request	336.0	336.0	336.0	336.0	336.0
Specific to productive activity	2,880.0	-	2,880.0	1,920.0	2,384.1
Sectorial weighting	26.44%	17.22%	56.34%		

BRAZIL	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (hours)	638.3	321.8	200.6	386.9	407.8
Identification and registration	433.7	194.1	76.4	234.7	253.3
National entity registration	40.6	15.7	12.2	22.8	23.9
Municipal registration and permits	45.0	38.5	41.6	41.7	41.6
Basic services request	164.0	112.0	112.0	129.3	130.7
Specific to productive activity	16.5	33.0	28.0	25.8	25.9
Sectorial weighting	35,94%	41,19%	22,87%		

CHILE	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (hours)	1,056.0	1,474.7	1,519.5	1,350.1	1,474.1
Identification and registration	168.0	168.0	168.0	168.0	168.0
National entity registration	72.0	72.0	72.0	72.0	72.0
Municipal registration and permits	768.0	768.0	768.0	768.0	768.0
Basic services request	72.0	72.0	72.0	72.0	72.0
Specific to productive activity	-	418.7	463.5	294.1	418.1
Sectorial weighting	8.20%	16.50%	75.30%		

COLOMBIA	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (hours)	552.0	1,389.0	528.0	823.0	689.5
Identification and registration	168.0	168.0	168.0	168.0	168.0
National entity registration	72.0	72.0	72.0	72.0	72.0
Municipal registration and permits	360.0	360.0	360.0	360.0	360.0
Basic services request	432.0	432.0	432.0	432.0	432.0
Specific to productive activity	384.0	1,221.0	360.0	655.0	521.3
Sectorial weighting	10.70%	18.40%	71.00%		

COSTA RICA	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (hours)	804.0	804.0	804.0	804.0	804.0
Identification and registration	24.0	24.0	24.0	24.0	24.0
National entity registration	288.0	288.0	288.0	288.0	288.0
Municipal registration and permits	492.0	492.0	492.0	492.0	492.0
Basic services request	360.0	360.0	360.0	360.0	360.0
Specific to productive activity	-	120.0	-	120.0	26.0
Sectorial weighting	5.06%	21.36%	73.58%		

ECUADOR	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (hours)	1,057.0	657.0	817.0	843.7	806.0
Identification and registration	90.0	90.0	90.0	90.0	90.0
National entity registration	15.3	15.3	15.3	15.3	15.3
Municipal registration and permits	40.3	40.3	40.3	40.3	40.3
Basic services request	32.0	32.0	32.0	32.0	32.0
Specific to productive activity	960.0	560.0	720.0	746.7	709.0
Sectorial weighting	14.40%	28.50%	57.10%		

EL SALVADOR	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (hours)	1,618.0	1,639.0	1,663.0	1,640.0	1,653.8
Identification and registration	171.3	171.3	171.3	171.3	171.3
National entity registration	120.5	120.5	120.5	120.5	120.5
Municipal registration and permits	339.3	339.3	339.3	339.3	339.3
Basic services request	842.5	842.5	842.5	842.5	842.5
Specific to productive activity	604.3	625.3	649.5	626.4	640.2
Sectorial weighting	5.60%	27.80%	66.60%		

Spain	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (hours)	22,590.0	14,418.0	12,188.4	16,398.8	13,837.3
Identification and registration	19,092.0	12,480.0	1,080.0	10,884.0	5,461.4
National entity registration	3,091.2	3,019.0	843.6	2,317.9	1,541.4
Municipal registration and permits	18.0	18.0	8.4	14.8	11.4
Basic services request	268.0	268.0	184.0	240.0	210.5
Specific to productive activity	3,480.0	1,920.0	11,100.0	5,500.0	8,364.4
Sectorial weighting	11.60%	20.11%	68.24%		

GUATEMALA	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (hours)	6,113.5	6,126.0	4,603.5	5,614.3	4,870.1
Identification and registration	153.5	153.5	153.5	153.5	153.5
National entity registration	1,350.0	1,350.0	1,350.0	1,350.0	1,350.0
Municipal registration and permits	270.0	270.0	270.0	270.0	270.0
Basic services request	675.0	675.0	450.0	600.0	489.6
Specific to productive activity	4,610.0	4,622.5	3,100.0	4,110.8	3,366.6
Sectorial weighting	11%	24%	65%		

MEXICO	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (hours)	652.0	652.0	652.0	652.0	652.0
Identification and registration	260.5	260.5	260.5	256.5	260.5
National entity registration	575.0	575.0	575.0	575.0	575.0
Basic services request	206.0	206.0	206.0	206.0	206.0
Sectorial weighting	6%	53%	41%		

PANAMA	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (hours)	5,125.0	5,125.0	5,125.0	5,125.0	5,125.0
Identification and registration	112.5	112.5	112.5	112.5	112.5
National entity registration	186.0	186.0	186.0	186.0	186.0
Municipal registration and permits	60.0	60.0	60.0	60.0	60.0
Basic services request	120.0	120.0	120.0	120.0	120.0
Specific to productive activity	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0
Sectorial weighting	6.8%	21.1%	72.1%		

PARAGUAY	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (hours)	372.0	840.0	372.0	372.0	378.1
Identification and registration	108.0	108.0	108.0	108.0	108.0
National entity registration	108.0	108.0	108.0	108.0	108.0
Municipal registration and permits	372.0	372.0	372.0	372.0	372.0
Basic services request	48.0	48.0	48.0	48.0	48.0
Specific to productive activity	-	732.0	12.5	248.2	270.1
Sectorial weighting	11.00%	36.00%	53.00%		

PERU	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (hours)	512.0	363.0	352.0	409.0	387.0
Identification and registration	272.0	202.7	272.0	248.9	259.5
National entity registration	160.0	69.0	60.0	96.3	82.5
Municipal registration and permits	200.0	18.3	40.0	86.1	69.5
Basic services request	240.0	200.0	80.0	160.0	127.8
Sectorial weighting	20.9%	18.0%	61.1%		

DOMINICAN REPUBLIC	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (hours)	329.6	419.0	833.0	527.2	656.1
Identification and registration	257.0	257.0	257.0	257.0	257.0
National entity registration	63.0	63.0	63.0	63.0	63.0
Basic services request	72.6	72.6	72.6	72.6	72.6
Specific to productive activity	-	162.0	576.0	246.0	399.1
Sectorial weighting	7.0%	33.0%	60.0%		

URUGUAY	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (hours)	1,080.0	1,080.0	1,080.0	1,080.0	1,080.0
Identification and registration	840.0	840.0	840.0	840.0	840.0
National entity registration	72.0	72.0	72.0	72.0	72.0
Basic services request	168.0	168.0	168.0	168.0	168.0
Specific to productive activity	72.0	-	-	24.0	5.3
Sectorial weighting	6.50%	17.80%	64.30%		

VENEZUELA	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (hours)	10,816.0	5,416.0	6,766.0	7,666.0	7,106.2
Identification and registration	1,180.0	1,180.0	1,180.0	1,180.0	1,180.0
National entity registration	207.7	207.7	207.7	207.7	207.7
Municipal registration and permits	4,380.0	4,380.0	4,380.0	4,380.0	4,380.0
Basic services request	5.0	5.0	5.0	5.0	5.0
Specific to productive activity	5,400.0	-	1,350.0	2,250.0	1,690.2
Sectorial weighting	10.7%	6.9%	82.4%		

VI.2. Running a business. Index of Brueaucracy: Summary Table by Country

ARGENTINA	Economic Sectors			Average	
	I	II	III	Simple	Weighted
TOTAL (annual hours)	523.30	1,388.0	806.60	906.00	922.50
Employment management	312.50	672.10	322.50	435.70	412.00
Wages, taxes, and contributions	149.50	437.20	201.30	262.70	256.20
Hiring and firing	12.00	122.30	29.00	54.40	51.10
Work reports	151.00	112.60	92.20	118.60	104.70
Operations management	170.80	622.30	463.60	418.90	468.60
Tax administration	154.00	567.10	439.20	386.80	437.10
Waste management	-	9.80	-	3.30	2.50
Vehicles	13.50	23.70	15.00	17.40	17.10
Health and safety at work	3.30	21.70	9.40	11.40	11.80
Others	40.00	93.60	20.50	51.40	41.90
Changes in tax code	24.00	38.00	8.40	23.40	18.00
Changes in labor code	8.00	20.30	6.10	11.50	10.00
Changes in commercial code	8.00	15.60	6.10	9.90	8.80
Specifics	-	19.80	-	6.60	5.10
Sectorial weighting	0.12	0.26	0.62		
BOLIVIA	Economic Sectors			Average	
	I	II	III	Simple	Weighted
TOTAL (annual hours)	613.00	1,241.00	1,532.00	1,128.67	1,238.90
Employment management	248.00	328.00	328.00	301.33	306.85
Wages, taxes, and contributions	212.00	212.00	212.00	212.00	212.00
Hiring and firing	36.00	36.00	36.00	36.00	36.00
Work reports	-	80.00	80.00	53.33	58.85
Operations management	365.00	289.00	724.00	459.33	554.18
Tax administration	359.00	279.00	654.00	430.67	511.43
Certifications, authorizations, and services	6.00	10.00	70.00	28.67	42.75
Others	-	624.00	480.00	368.00	377.88
Regulatory changes	-	-	80.00	26.67	45.07
Activity-specific requirements	-	624.00	400.00	341.33	332.81
Sectorial weighting	0.26	0.17	0.56		
BRAZIL	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (annual hours)	154.05	287.00	337.77	259.61	250.80
Employment management	23.60	39.50	31.68	31.59	32.00
Wages and contributions	12.50	20.50	17.33	16.78	16.90
Hiring/termination	7.6	11.75	9.5	9.62	9.7
Work reports	3.50	4.00	5.33	4.28	4.10
Operations management	66.95	63.50	142.17	90.87	82.70
Taxes	58.95	53.25	131.17	81.12	73.10
Health and safety at work	8.00	8.50	13.50	10.00	9.50
Others	63.50	182.50	151.92	132.64	132.70
Certifications/authorizations	53.50	166.50	118.08	112.69	114.80
Legal	3.50	2.50	8.17	4.72	4.20
Activity-specific requirements	6.50	5.00	14.67	8.72	7.70
Sectorial weighting	0.36	0.41	0.23		

CHILE	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (annual hours)	176.18	1,094.94	241.90	504.34	377.26
Employment management	84.42	129.42	120.28	111.37	118.85
Wages, taxes, and contributions	73.67	110.55	108.44	97.55	105.94
Hiring and termination	7.17	15.40	8.87	10.48	9.81
Work reports	3.58	3.47	2.97	3.34	3.10
Operations management	91.76	82.25	87.15	87.05	86.72
Taxes	72.67	67.82	74.17	71.55	73.00
Health and safety at work	14.34	12.36	12.53	13.08	12.65
Vehicles	4.75	02.07	0.45	2.42	01.07
Others	-	883.27	34.47	305.91	171.70
Specific requirements	-	883.27	34.47	305.91	171.70
Sectorial weighting	0.08	0.17	0.75		
COLOMBIA	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (annual hours)	798.52	1496.15	555.41	950.03	755.08
Employment management	476.4	671.92	343.1	497.14	418.21
Wages, taxes, and contributions	448.75	400.82	296.2	381.92	332.07
Hiring and termination	27.65	271.1	46.9	115.22	86.14
Operations management	294.03	282.83	151.3	242.72	190.92
Taxes	86.88	158.66	84	109.85	98.13
Waste management	0	14.5	1.8	5.43	3.95
Vehicle	6.9	10.29	6.5	7.9	7.25
Health and safety at work	200.25	99.38	59	119.54	81.6
Others	28.1	541.4	61.01	210.17	145.94
Regulatory updates	28.1	61.4	21.81	37.1	29.79
Activity-specific requirements	0	480	39.2	173.07	116.15
Sectorial weighting	10.70%	18.40%	71%		
COSTA RICA	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (annual hours)	277.00	439.00	220.00	312.00	269.66
Employment management	232.03	209.33	152.00	197.79	168.30
Wages, taxes, and contributions	133.70	163.33	106.00	134.34	119.65
Hiring and termination	52.33	24.33	24.33	33.67	25.75
Work reports	46.00	21.67	21.67	29.78	22.90
Operations management	39.67	43.00	65.33	49.33	59.26
Taxes	30.67	36.67	49.33	38.89	45.68
Waste management	-	1.00	0.67	0.56	0.70
Vehicles	9.00	5.33	5.33	6.56	5.52
Health and safety at work	-	-	10.00	3.33	7.36
Other procedures	5.30	186.67	2.67	64.88	42.10
Regulatory changes	1.00	-	-	0.33	0.05
Activity-specific requirements	4.30	186.67	2.67	64.54	42.05
Sectorial weighting	5.06%	21.36%	73.58%		

ECUADOR	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (annual hours)	307.15	807.05	294.83	469.68	442.59
Employment administration	107.36	72.11	36.54	72.00	56.88
Wages, taxes, and contributions	28.38	24.68	18.00	23.69	21.40
Hiring and firing	76.48	47.27	13.40	45.72	32.14
Labor reports	2.50	0.16	5.15	2.60	3.34
Operations management	152.00	186.93	162.29	167.07	167.83
Taxes	152.00	152.93	152.00	152.31	152.26
Vehicles	-	13.00	-	4.33	3.71
Health and safety at work	-	21.00	10.29	10.43	11.86
Other procedures	47.79	548.01	95.99	230.60	217.88
Activity-specific requirements	46.29	314.96	94.49	151.92	150.39
Inspections and audits	1.50	233.05	1.50	78.68	67.49
Sectorial weighting	0.14	0.29	0.57		
EL SALVADOR	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (annual hours)	3,210.25	799.00	1,039.00	1,682.75	15,820.20
Employment management	150.30	150.30	150.30	150.30	2,975.94
Wages, taxes, and contributions	38.20	38.20	38.20	38.20	756.36
Hiring and firing	78.70	78.70	78.70	78.70	1,558.26
Labor reports	33.40	33.40	33.40	33.40	661.32
Operations management	150.90	150.90	150.90	150.90	2,987.82
Taxes	52.60	52.60	52.60	52.60	1,041.48
Health and safety at work	98.30	98.30	98.30	98.30	1,946.34
Other procedures	2,909.05	497.80	737.80	1,381.55	9,856.44
Certifications, authorizations, and services	1.00	1.00	1.00	1.00	19.80
Inspections and audits	12.10	12.10	12.10	12.10	239.58
Regulatory changes	0.70	0.70	0.70	0.70	13.86
Activity-specific requirements	2,895.25	484.00	724.00	1,367.75	9,583.20
Sectorial weighting	5.60%	27.80%	66.60%		
SPAIN	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (annual hours)	753.32	547.95	388.94	563.4	462.99
Employment management	83.25	151.37	73.75	102.79	90.42
Wages, taxes, contributions	36.42	59.37	37.5	44.43	41.75
Contract and termination	26.83	57.67	27.25	37.25	33.3
Labor reports	20	34.33	9	21.11	15.37
Operations management	661.23	386.08	310.5	452.61	366.23
Taxes	335.5	236.25	279.17	283.64	276.93
Waste management	241.73	120.21	0	120.65	52.21
Vehicles	10	8.75	0	6.25	2.92
Health and safety at work	74	20.88	31.33	42.07	34.16
Other procedures	8.83	10.5	4.69	08.01	6.34
Regulatory changes	2.5	6	0.33	2.94	1.72
Certifications, authorizations, and services	0.5	4.5	0.03	1.68	0.98
Activity-specific requirements	5.83	0	4.33	3.39	3.63
Sectorial weighting	116	2.011	6.824		

GUATEMALA	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (annual hours)	710,2	1318,7	813,7	947,5	923,5
Employment management	130,5	130,5	130,5	130,5	130,5
Wages, taxes, contributions	69	69	69	69	69
Contract and termination	51,7	51,7	51,7	51,7	51,7
Labor reports	9,8	9,8	9,8	9,8	9,8
Operations management	148,6	148,6	148,6	148,6	148,6
Taxes	13,6	13,6	13,6	13,6	13,6
Health and safety at work	135	135	135	135	135
Other procedures	431,1	1039,6	534,6	668,5	644,4
Certifications, authorizations, and services	276	36	232,5	181,5	190,1
Inspections and audits	1,4	1,4	1,4	1,4	1,4
Regulatory changes	0,8	0,8	0,8	0,8	0,8
Activity-specific requirements	153	1001,5	300	484,8	452,2
Sectorial weighting	0.11	0.24	0.65		
MEXICO	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (annual hours)	619.90	467.40	540.90	542.70	506.30
Employment management	297.90	297.90	297.90	297.90	297.90
Contract and termination	103.90	103.90	103.90	103.90	103.90
Labor reports	194.00	194.00	194.00	194.00	194.00
Operations management	146.00	153.50	146.00	148.50	150.00
Taxes	130.80	138.30	130.80	133.30	134.70
Waste management	3.00	3.00	3.00	3.00	3.00
Vehicles	12.30	12.30	12.30	12.30	-
Other procedures	176.00	16.00	96.80	96.30	58.70
Activity-specific requirements	176.00	16.00	96.80	96.30	58.70
Sectorial weighting	0.06	0.53	0.41		
PANAMA	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (annual hours)	184.5	226	257	222.5	245.5
Employment management	84.5	85	87	85.5	86.4
Wages/taxes/contributions	25	30	32	29	31.1
Contract/termination	37	40	40	39	39.8
Work reports	22.5	15	15	17.5	15.5
Operations management	34	62	60	52	58.6
Taxes	12	40	35	29	34.5
Health and safety at work	22	22	25	23	24.2
Other	66	79	110	85	100.5
Certifications/authorizations	26	32	50	36	44.6
Legal	18	22	30	23.3	27.5
Activity-specific requirements	22	25	30	25.7	28.4
Sectorial weighting	68	211	721		

PARAGUAY	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (annual hours)	3,700.00	3,615.50	3,320.30	3,545.27	3,468.34
Employment management	188.00	96.50	329.30	204.60	229.95
Wages, taxes, and contributions	130.50	52.50	72.00	85.00	71.42
Hiring and dismissal	14.50	5.50	82.60	34.20	47.35
Work reports	43.00	38.50	174.70	85.40	111.18
Operations management	3,512.00	1,647.00	2,991.00	2,716.67	2,564.47
Taxes	75.50	192.00	15.50	94.33	85.64
Waste management	3.50	9.00	18.00	10.17	13.17
Vehicles	8.50	4.00	17.50	10.00	11.65
Health and safety at work	3,424.50	1,442.00	2,940.00	2,602.17	2,454.02
Others	-	1,872.00	-	624.00	673.92
Regulatory changes	-	-	-	-	-
Activity-specific requirements	-	1,872.00	-	624.00	673.92
Sectorial Weighting	11.00%	36.00%	53.00%		
PERU	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (annual hours)	1,310.00	720.30	3,130.50	1,720.30	2,316.20
Employment management	326.50	269.20	54.80	216.80	150.20
Wages, taxes, and contributions	276.00	97.70	15.20	129.60	84.50
Hiring / dismissal	45.00	148.20	34.70	75.90	57.30
Work reports	5.50	23.30	5.00	11.30	8.40
Operations management	827.50	412.20	3,047.70	1,429.10	2,109.30
Taxes	616.50	281.50	173.30	357.10	285.40
Health and safety at work	211.00	130.70	2,874.30	1,072.00	1,823.80
Others	156.00	39.00	28.00	74.30	56.70
Certifications / authorizations	81.00	1.00	2.00	28.00	18.30
Inspections / audits	5.0	2.0	2.00	3.00	2.60
Activity-specific requirements	70.00	36.00	24.00	43.30	35.80
Sectorial weighting	209	0.18	611		
DOMINICAN REPUBLIC	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (annual hours)	664.14	780.42	359.73	601.43	517.4
Employment management	131.4	33.7	21.33	62.14	32.6
Wages, taxes, contributions	129	30.1	18.26	59.12	29.41
Hiring and dismissal	2.25	2.66	1.81	2.24	2.11
Work reports	0.15	0.95	1.27	0.79	01.08
Operations management	528.52	722.65	330.23	527.13	471.67
Taxes	528.52	722.65	330.23	527.13	471.67
Others	4.22	24.07	8.17	12.15	13.13
Certifications, authorizations, and services	3.89	5.25	8.14	5.76	6.88
Activity-specific requirements	0.33	18.82	0.03	6.39	6.25
Sectorial Weighting	0.07	0.33	0.60		

URUGUAY	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (annual hours)	587.80	362.50	411.00	453.80	414.20
Employment management	141.00	140.00	224.00	168.30	201.00
Wages, taxes, and contributions	102.00	115.00	154.00	123.70	142.30
Hiring and dismissal	15.00	6.00	34.50	18.50	27.30
Work reports	24.00	19.00	35.50	26.20	31.30
Operations management	136.80	206.50	144.00	162.40	156.00
Taxes	129.80	188.00	122.00	146.60	135.80
Waste management	-	8.00	14.00	7.30	11.80
Vehicles	7.00	4.50	5.00	5.50	5.00
Health and safety at work	-	6.00	3.00	3.00	3.40
Others	310.00	16.00	43.00	123.00	57.20
Regulatory changes	4.00	2.00	13.00	6.30	10.10
Sector-specific	306.00	14.00	30.00	116.70	47.00
Sectorial weighting	6.50%	17.80%	64.30%		
VENEZUELA	Economic Sectors			Average	
	I	II	III	Simple	Weighted
Total (annual hours)	869.00	1,106.20	1,163.30	1,046.10	1,127.80
Employment management	208.20	208.20	208.20	208.20	208.20
Wages, taxes, contributions	71.50	71.50	71.50	71.50	71.50
Hiring and dismissal	50.20	50.20	50.20	50.20	50.20
Work reports	86.50	86.50	86.50	86.50	86.50
Operations management	459.80	830.20	830.20	706.70	790.60
Taxes	178.30	535.70	535.70	416.60	497.50
Health and safety at work	281.50	294.50	294.50	290.20	293.10
Others	201.00	67.80	124.90	131.20	129.10
Certifications, authorizations, and services	-	13.50	13.50	9.00	12.10
Specific	158.80	4.00	61.10	74.60	67.60
Inspection and oversight	22.30	30.30	30.30	27.60	29.40
Regulatory changes	20.00	20.00	20.00	20.00	20.00
Sectorial weighting	0.11	0.07	0.82		

