

Doing Business in Brazil Is Always Hard. In Some Cities Is Even Harder.

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The Brazilian cities vary significantly in the ease of doing business, according to the new Doing Business in Brazil report, launched today, July 26, in Rio de Janeiro.

The event, organized by Movimento Brasil Competitivo (MBC) in partnership with the World Bank Group, was co-sponsored by Merck Sharp & Dohme and Petrobras, and had the participation of Brazil's Development Minister, Luiz Fernando Furlan, the President of Movimento Brasil Competitivo, Jorge Gerdau Johannpeter, the Adviser to the Private Sector Development Vice Presidency of the World Bank, Penelope Brook, and USAID Representative Bruce Williamson.

The report covers five areas of business regulation - starting a business, registering property, obtaining credit, paying taxes, and enforcing a contract - across 13 cities: Belo Horizonte, Minas Gerais; Brasília, Federal District; Campo Grande, Mato Grosso do Sul; Cuiabá, Mato Grosso; Florianópolis, Santa Catarina; Fortaleza, Ceará; Manaus, Amazonas; Porto Alegre, Rio Grande do Sul; Porto Velho, Rondônia; Rio de Janeiro, Rio de Janeiro; Salvador, Bahia; São Luís, Maranhão; and São Paulo, São Paulo.

Varying state- and municipal-level regulatory requirements, as well as differences in the implementation of national-level regulations, can either enhance or constrain local business activity.

The report finds that state and city level reforms are becoming increasingly important in a globalized world, where cities, as much as countries, compete for investment - e.g., São Paulo competes with Shanghai rather than Brazil with China.

Some report findings:

Complying with business regulations is easiest in Brasília, followed by Manaus, and most onerous in Fortaleza. Low income is not a barrier to good regulation: São Luís in Maranhão, which has the lowest income per capita of the states in which cities were evaluated, ranks 5th among the 13 cities in the overall ease of doing business.

The report also looks at how the Brazilian cities compare with other cities globally, providing another perspective on the time it takes to start a business. São Paulo ranks 149 out of 155 major cities, whereas Belo Horizonte, the Brazilian city with the fastest time to start a business, ranks 30th.

When compared with a similar subnational study in Mexico, Brazilian cities perform better when it comes to the cost of registering property. But despite identical regulations across Brazil, there is a wide variation in the time it takes to transfer property.

In São Luís an entrepreneur spends less than a month to register property, while in Campo Grande and Salvador the entrepreneur needs almost three months to do this.

In Belo Horizonte it takes a mere two days to create and register collateral, as compared to 45 days in Brasília. In Rio de Janeiro, an entrepreneur spends 0.2% of the loan value to register a security right, while in Fortaleza it costs 3.8% of the value of the loan - much higher than the state average of 1.7%.

The tax burden is heavy in Brazil, both in terms of tax rates and administrative complexities: businesses in Rio de Janeiro have one of the highest tax burdens in the world.

The city where it is easiest to enforce a contract is São Paulo, at 18 months. By contrast, in Campo Grande, contract enforcement takes over 4 years.

The report finds a gap between Brazil's best performer (Brasília) and the ease of doing business in other world cities such as Bangkok or Shanghai. But reforms are underway - state and city officials are taking measures to simplify procedures, share information among agencies, and introduce online processes.

Cities and states can look for best practice reforms within Brazil, while also learning from reforms in other countries, such as Egypt, New Zealand, and Spain.

Doing business in Brazil: where is it easiest?

1 - Brasília, Federal District (Easiest)

2 - Manaus, Amazonas

- 3 - Belo Horizonte, Minas Gerais
- 4 - Porto Velho, Rondônia
- 5 - São Luís, Maranhão
- 6 - Porto Alegre, Rio Grande do Sul
- 7 - Campo Grande, Mato Grosso do Sul
- 8 - Rio de Janeiro, Rio de Janeiro
- 9 - Florianópolis, Santa Catarina
- 10 - Salvador, Bahia
- 11 - São Paulo, São Paulo
- 12 - Cuiabá, Mato Grosso
- 13 - Fortaleza, Ceará (Most difficult)

This report is the second of its kind to be issued in Latin America - following the release of Doing Business in Mexico last year. The subnational report in Mexico showed that the pressure to reform is even larger if comparisons are made within a country. And as the news about reforms spreads, there will be increased public interest in replicating success stories throughout Brazil.

Doing Business in Brazil is a World Bank Group production cofinanced by United States Agency for International Development (USAID), with support from Movimento Brasil Competitivo (MBC). It creates quantitative indicators on business regulations and their enforcement for 13 cities and states in Brazil.

More information on the Doing Business report series can be found at www.doingbusiness.org