

The background is a light blue color with several overlapping geometric shapes in a slightly darker shade of blue. These shapes include a large circle, a large triangle, and a large rectangle. A magnifying glass icon is positioned in the lower right quadrant, with its lens centered over the page. The text "Doing Business in Mexico" is written in a bold, black, sans-serif font, rotated diagonally to follow the angle of the magnifying glass's handle.

Doing Business in Mexico

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Contents

Doing Business in Mexico is the first state-level report of the Doing Business series in Latin America. Doing Business investigates the scope and manner of regulations that enhance business activity and those that constrain it. In this project quantitative indicators on business regulations and their enforcement have been created for 12 cities and states, which can now be compared with Mexico City, and to 154 countries around the world. The indicators cover four Doing Business topics: starting a business, registering property, getting credit and enforcing contracts. The 12 cities and states are: Aguascalientes, Aguascalientes; Celaya, Guanajuato; Ciudad Juárez, Chihuahua; Guadalajara, Jalisco; Mérida, Yucatán; Monterrey, Nuevo León; Puebla, Puebla; Querétaro, Querétaro; San Luis Potosí, San Luis Potosí; Tlalnepantla, Estado de México; Torreón, Coahuila; and Veracruz, Veracruz. Comparisons with Mexico City and other countries are based on the indicators in *Doing Business in 2006—Creating Jobs*.

This project is the result of a request by the Office of Public Policies of the Presidency and a collaborative effort between the World Bank Group, COFEMER and USAID.

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Overview

Starting a business
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Starting a business is a leap of faith even in the best of circumstances. Governments should encourage the daring. And many do. In 2004, 99 countries—two thirds of the global *Doing Business* sample—introduced 185 reforms to make it easier to do business.

Reform is moving at a faster pace in some economies than in others. Regionally, the most reform took place in Eastern Europe, where every country took at least one step to make things easier for business. Serbia and Montenegro, the global leader in reforms, improved in 8 of the 10 areas covered by *Doing Business in 2006*. One of these reforms—in starting a business—reduced

start-up time from 51 to 15 days. And results were fast—registrations jumped by 42% over the previous year.

Fifteen European and six East Asian economies rank in the top 30 on the ease of doing business (table 1.1). Only one Latin American country, Chile, makes the top 30 list. Mexico, represented by Mexico City as the largest business center, ranks 73rd out of 155.

Reforms in Mexican states

In the past year, seven of the 12 states reformed in the four areas covered in this report—starting a business, registering property, getting credit and enforcing contracts. Changes were made to simplify some aspect of business regulation—from strengthening property rights and reducing taxes, to computerizing and consolidating procedures and easing the burden placed on courts.

When ranked globally on the cost of starting a business, Mexican states vary significantly (figure 1.1). Aguascalientes is the least costly—7.3% of state income per capita—and still ranks 33rd globally in cost to start-up. Jalisco follows, costing 10.9%, at 52nd place, behind Gabarone (Botswana) and Santiago (Chile). Estado de México ranks lowest at 127th place—far behind Lima (Peru) and Guatemala City. However, it is less expensive to start a business in any of the Mexican states than in Jakarta or Managua.

The easiest state in Mexico in which to register property is Aguascalientes, where registration takes 29 days. Still, this delay is longer than in Madrid, Bogotá or Bangkok. Property registration in Querétaro takes 94 days—as long as in Bujumbura (Burundi) and slightly longer than La Paz (Bolivia). Other states do better—an

TABLE 1.1

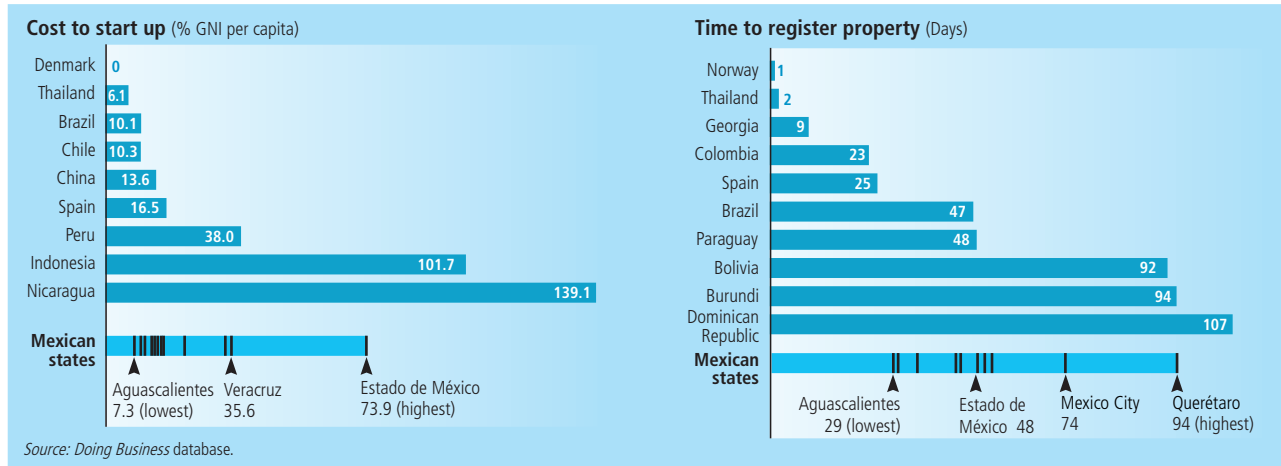
Top 30 economies on the ease of doing business

1	New Zealand	16	Estonia
2	Singapore	17	Switzerland
3	United States	18	Belgium
4	Canada	19	Germany
5	Norway	20	Thailand
6	Australia	21	Malaysia
7	Hong Kong, China	22	Puerto Rico
8	Denmark	23	Mauritius
9	United Kingdom	24	Netherlands
10	Japan	25	Chile
11	Ireland	26	Latvia
12	Iceland	27	Korea
13	Finland	28	South Africa
14	Sweden	29	Israel
15	Lithuania	30	Spain

Note: The rankings for all economies are benchmarked to January 2005 and reported in the Country tables. The ease of doing business averages country rankings across the 10 topics covered in *Doing Business in 2006*. This year's rankings are not comparable to last year's as three new sets of indicators - on dealing with licenses, paying taxes and trading across borders-have been included. See the Data notes for details.

Source: *Doing Business* database.

FIGURE 1.1

Start up cost and time to register property in Mexico and other selected economies

entrepreneur in Estado de México spends as many days to register as in Asunción (Paraguay), but still more than in São Paulo (figure 1.1).

Reforms can improve competitiveness and reduce informality

Mexico City and the 12 states vary dramatically on Doing Business indicators, with Aguascalientes outperforming the rest (table 1.2). But a big gap remains between Mexico's best and the ease of doing business in Bangkok or Johannesburg. Reform is sorely needed. States may look for best practices within Mexico—for example, by introducing online procedures to register businesses or property—while also aiming for the pace and nature of reform in countries like Colombia, Vietnam or Georgia.

Reforms increase the competitiveness of economies, allowing firms to grow faster and create more jobs. Improving a country's Doing Business indicators to the level of the top 30 countries is associated with a 9 percentage point fall in the share of national income accounted for by informal activity (figure 1.2). In other words, reform expands the reach of regulation by bringing businesses

and employees into the formal sector. Jobs will be in the formal economy because the benefits of being formal (such as easier access to credit and better utility services) often outweigh the costs (like taxes). Women, who now make up three quarters of workers in the informal sector, will be big beneficiaries. So will young and inexperienced workers looking for their first job.

Establishing benchmarks of the time and cost to perform everyday business transactions—like the benchmarks presented here—allows reformers to focus on the main constraints to economic growth. Competition across countries to fare better on the Doing Business rankings has already led to numerous improvements, for example in Cambodia and El Salvador. The pressure to reform is even larger if comparisons are made within a country, as it contrasts how different localities implement identical national-level regulations. Studies in China and India have shown the benefits of state- and city-level benchmarking. Much of the inefficiency is in local administrative procedures, which can be changed by a governor or a mayor. And as the news about reforms spreads, there is increased interest to replicate success stories.

TABLE 1.2

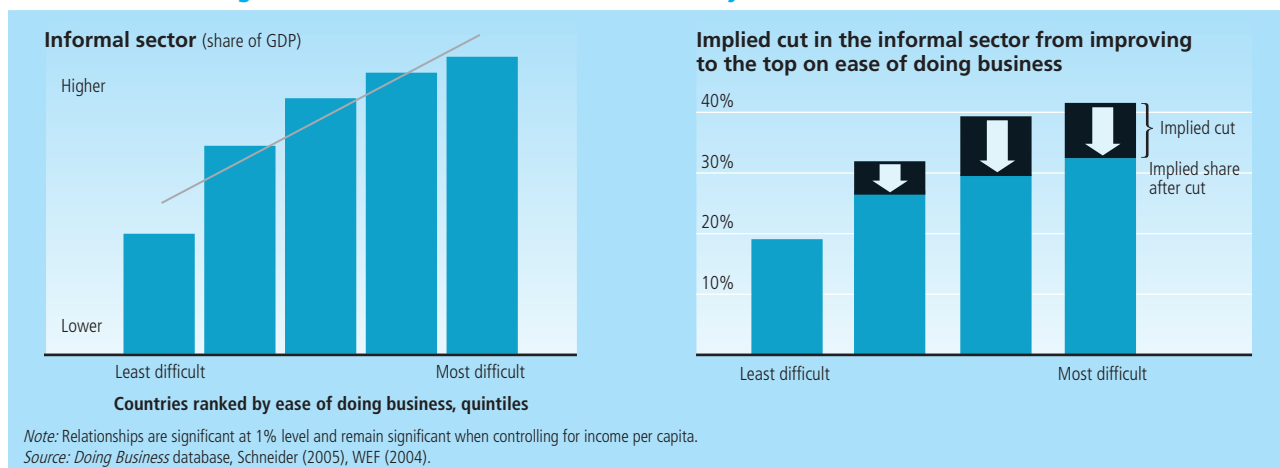
Doing business in Mexico: where is it easiest?

1	Aguascalientes (Easiest)	8	San Luis Potosí
2	Guanajuato	9	Coahuila
3	Chihuahua	10	Mexico City
4	Jalisco	11	Estado de México
5	Nuevo León	12	Puebla
6	Veracruz	13	Querétaro (Most difficult)
7	Yucatán		

Source: Doing Business database.

FIGURE 1.2

Greater ease of doing business is associated with less informality



Starting a business

When an entrepreneur draws up a business plan and tries to get underway, the first hurdles that need to be overcome are the procedures required to incorporate and register the new firm. Countries differ significantly in the way they regulate the entry of new businesses. In some, the process is straightforward and affordable. In others, the procedures are so burdensome that entrepreneurs either bribe officials to speed up the process or run their business informally. Mexico City ranks 10th out of 22 capital cities in Latin America and the Caribbean on the ease of starting a business. The rank is an aggregate of its rankings on number of procedures, time, cost and minimum capital. Aguascalientes is even better—it ranks 5th in the region, behind Santiago de Chile.

The data on starting a business are based on a survey of the required procedures for a domestic medium sized company. This includes obtaining all necessary permits and licenses and completing all the required inscriptions, verifications and notifications with all requisite authorities—local and federal—to enable the

company to start operation. The survey calculates the costs and time necessary for fulfilling each procedure under normal circumstances.

Within Mexico, starting a business is easiest in the states of Aguascalientes and Nuevo León, and most difficult in Guanajuato, Querétaro and Puebla (table 1.3).

Indicators vary across states, depending on local requirements. The time spent on start-up in Guanajuato is 29 days, in San Luis Potosí and Jalisco, 41 days, in Estado de México 46, and in Querétaro 52 (figure 1.3). Cost ranges more widely—from 7.3% income per capita in Aguascalientes, to 73.9% in Estado de México (figure 1.4). Still, costs in several states are similar to costs in Mexico City—for example, 15% of income per capita in San Luis Potosí and 15.2% in Yucatán and Nuevo León. And though minimum capital to start-up is set at a national level—50,000 pesos—as a percentage of income per capita of each state, the amount weighs heavier on

TABLE 1.3

Where is it easy to start a business—and where not?

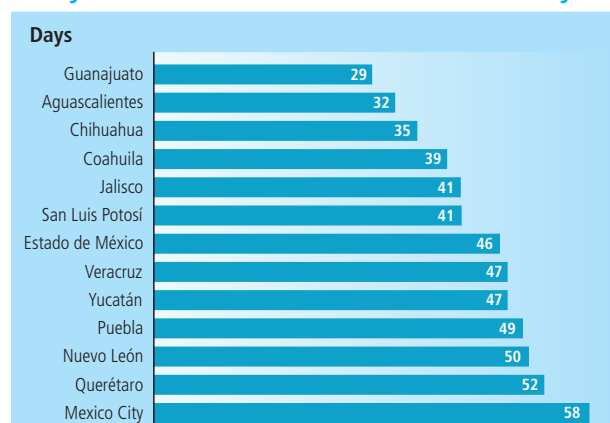
1	Aguascalientes (Easiest)	8	Veracruz
2	Nuevo León	9	Mexico City
3	Jalisco	10	Estado de México
4	Chihuahua	11	Guanajuato
5	Yucatán	12	Querétaro
6	Coahuila	13	Puebla (Most difficult)
7	San Luis Potosí		

Note: The ease of business start-up is a simple average of the ranking of the number of procedures, the associated time and cost, and the capital (as a % of state GNI per capita) required at the start of business.

Source: *Doing Business* database.

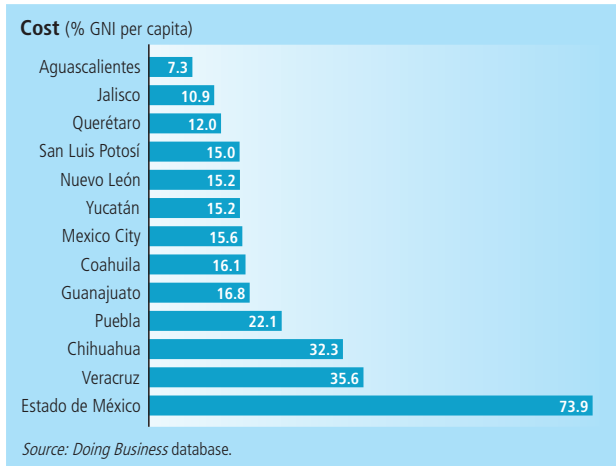
FIGURE 1.3

Nearly 2 months to start a business in Mexico City



Source: *Doing Business* database.

FIGURE 1.4

Start-up cost—high in Estado de México

the entrepreneur in Yucatán where income is lower, than in Nuevo León, the highest income state.

The states where it is easiest to start a business—Aguascalientes (figure 1.5), Nuevo León and Jalisco—have much in common. In these states, the local registry spends on average 9 days to complete the registration. In Puebla, the most difficult state for start-up, the registry spends 18 days on the same task. In some states, such as Veracruz, additional municipal approvals are required. In Coahuila, an operational license delays start-up by 10 days.

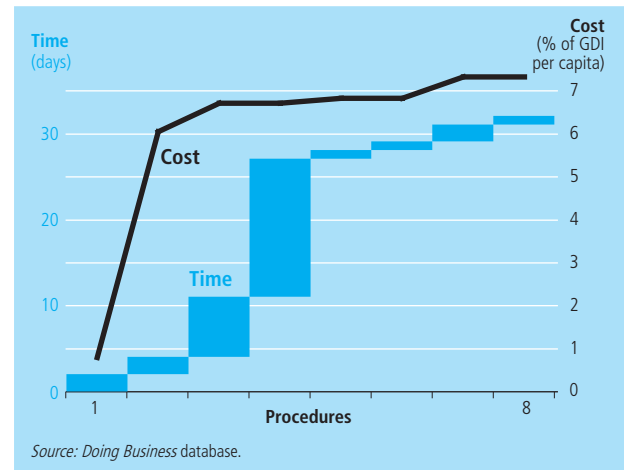
Municipal requirements tend to be inexpensive but vary in the delays they cause. The largest cost is notary fees, followed by registration fees. Notaries are used in all states to facilitate registration, but their charges fluctuate, sometimes following an official schedule. In Estado de México notary fees make up over 60% of the total cost to start-up, while in Puebla such fees account for 75% of the total cost and in Veracruz, 80%. Registration at the Public Registry of Commerce is required in all states, but fees are determined locally. In Yucatán the entrepreneur spends only 5% of the total start-up expenses to register, and in Aguascalientes just 9% of the total. But the entrepreneur in Chihuahua will spend 70% of the total cost just to register.

What to reform?

Introduce electronic procedures The registry is a good place to start. Electronic records are beginning to make life easier for entrepreneurs in San Luis Potosí, but access needs to be extended to benefit more businesses.

Establish single access points for businesses All 12 states have introduced some element of the SARE (Sistema de Apertura Rápida de Empresas) system, but

FIGURE 1.5

Starting a business in Aguascalientes

implementation varies. Aguascalientes has been successful in implementing its system of rapid opening of companies, making start-up cheaper and faster. But SARE only addresses certain municipal or state procedures, while entrepreneurs must conduct many federal steps separately. Since most of these can be done online, SARE should be linked with those federal systems.

Reduce taxes and fees States could simplify registration by eliminating unnecessary taxes and reducing fees. Aguascalientes took the initiative this year by cutting the 2% payroll tax.

Extend access to online tax registration Only some notaries can access online payment schemes for taxes, causing an unnecessary bottleneck for the entrepreneur. Online access for all would speed up the process. In the meantime, recent reforms at the federal level will cut two weeks from the total time to register. Previously, notaries with access to an electronic system for federal taxes (Hacienda) obtained a provisional number on the first day, but would wait up to three months to acquire the permanent one. As of October 2005, for those notaries with access to the system, the provisional tax number serves as the permanent one.

Across countries, cumbersome entry procedures are associated with more corruption. Each procedure is a point of contact—an opportunity to extract a bribe. Empirical analysis shows that burdensome entry regulations do not increase the quality of products, make work safer, or reduce pollution. They hold back private investment, push more people into the informal economy, and increase consumer prices.

Registering Property

Property registries were first developed to raise tax revenue. Defining and publicizing property rights through registries has proven good for entrepreneurs as well. Land and buildings account for between half and three-quarters of wealth in any economy. Securing rights to this property strengthens incentives to invest and facilitates trade. And with formal property titles, entrepreneurs can obtain mortgages on their homes or land and start businesses.

Registering property in Mexico City is difficult in comparison with the rest of Latin America and the Caribbean. An entrepreneur spends 74 days and 5.3% of the property value to register. This ranks Mexico City 14th out of 22 capital cities in Latin America on the ease of property registration, where the rank is an average of country rankings on number of procedures, time and cost.

Different states within Mexico make it easier or more difficult to register. The cost and time vary considerably. Aguascalientes ranks first—it only takes 29 days and 3.2% of property value to register (table 1.4). Jalisco, Puebla and Veracruz are in the middle. Registration is most difficult in Querétaro, where the entrepreneur spends 94 days and 5.4% of the property value.

With near-identical requirements to register, the wide variation in the time to transfer property is puzzling. Time is measured in calendar days, from the start of the transaction to the sale-purchase agreement and finally the registration of the new title at the public registry and often the cadastre (figure 1.6). In four states—Aguascalientes, Yucatán, San Luis Potosí and Chihuahua—the entrepreneur spends a month from start to finish registering a property. In Estado de México and Coahuila, 48

TABLE 1.4
Where is it easy to register property—and where not ?

1	Aguascalientes (Easiest)	8	Veracruz
2	Nuevo León	9	San Luis Potosí
3	Guanajuato	10	Mexico City
4	Chihuahua	11	Estado de México
5	Yucatán	12	Coahuila
6	Jalisco	13	Querétaro (Most difficult)
7	Puebla		

Note: The ease of registering property is a simple average of the ranking of the number of procedures and the associated time and cost (as a % of property value) required to register a property.
Source: Doing Business database.

and 50 days, respectively. In Puebla, 69 days.

Costs come largely from taxes, notary charges and registration fees—all determined at the state or municipal level (figure 1.7). In Guanajuato it is cheapest to register—2.1% property value. Yucatán is second, with 2.4%. Estado de México ranks most costly—6.1% of property value—followed by Veracruz, 6%.

Entrepreneurs pay transfer tax in all states, but in Yucatán it is lowest—0.02% of the property value—and rivals total cost to register of some of the world’s best, like New Zealand. Guanajuato is also competitive, at 0.75%. In Estado de México the tax is 3% and in Veracruz 4%—half the total cost to register in those states.

Notaries register on behalf of entrepreneurs in all states and account for the second major expense. Often the state or municipality sets notary fee schedules, though these may be outdated or simply not used. Doing Business recorded the most commonly charged fees in each state, whether or not they comply with the official fee schedules. In Jalisco and Chihuahua, notary fees are low. They vary between 0.6% and 0.7% of the

FIGURE 1.6
Time to register property—over 3 months in Querétaro

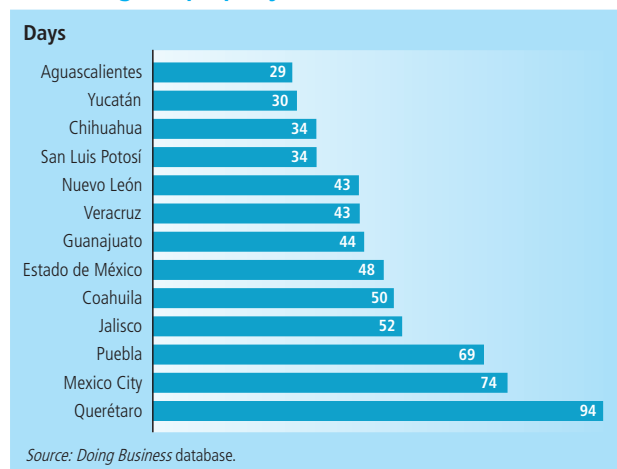
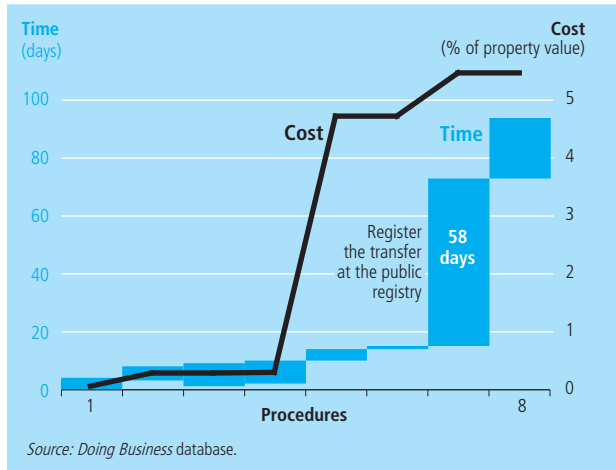


FIGURE 1.7
Cost to register property



FIGURE 1.8

Registering property in Querétaro

property value, or about 15% of the total cost to register. In contrast, in San Luis Potosí and Yucatán fees are 2% of the property value, making up 49% to 85% of the total cost.

Though tax payments and other procedures—title search, proof of no pending taxes, valuation, deed preparation, notice of the transfer, and registration of the new deed—are required across most states, the times to complete these steps vary significantly. When a notary in Querétaro registers a new deed, it takes the public registry almost two months to record the transaction. Compare that to Aguascalientes and Chihuahua, where the same procedure—in the same local institution—takes about two weeks. A title change at the Municipal Cadastre of Querétaro takes three weeks (figure 1.8). In San Luis Potosí and Nuevo León, this step is unnecessary since the title will change automatically after a cadastre official conducts the valuation.

Respondents point to high work volume, lack of trained personnel and bias against out-of-state applicants as causes of delays. Quicker procedures can result from better managed workload—such as in San Luis Potosí and Guanajuato—where some notaries have access to online databases to conduct title searches. Still, implementation is not complete and in San Luis Potosí, records prior to the year 2000 are only available in hard copy. Because the procedures are identical, states can easily replicate best practices from each other.

What to reform?

Simplify procedures In all 12 states and Mexico City, notaries carry out registration on behalf of parties—from preparing the sale-purchase agreement, to paying taxes. Their participation means more expense and often wasted time for the entrepreneur. On average, notary fees account for 38% of the total cost to register. If procedures were simplified, for example by having standardized forms and making online payments publicly available, more entrepreneurs could complete registration themselves. Mexico could follow the lead of Thailand, the most efficient country in which to register property, where contracts are prepared at the public registry as part of registration.

First link, and then unify the cadastre and the registry

All states currently keep the agencies separate, so notaries shuttle between them to complete registration. Linking them will not only reduce time, but increase the quality of information as well. Mexican states could look to Spain or Costa Rica as examples of successful reform.

Provide easier access to the registry

Follow the lead of Guanajuato, San Luis Potosí and Yucatán and digitize registry records. Online access saves time and money for both the entrepreneur and the registry. But even in these three states, only a few notaries have access to the system.

Efficient property registration reduces transaction costs and keeps formal titles from slipping to informal status. Simple procedures to register property are also associated with more perceived security of property rights and less corruption. This benefits all entrepreneurs, especially women, the young and the poor. The rich have few problems protecting their property rights. They can afford the costs of investing in security systems and other measures to defend their property. But small entrepreneurs cannot. Reform can change this.

Getting Credit

Access to credit is consistently rated by firms as one of the greatest barriers to operating and growth. Small businesses are constrained the most. Women, who are more likely to run small businesses, face the biggest hurdles. Two sets of indicators, on the time and cost to create and register collateral and on legal rights of borrowers and lenders are covered by this report.

When the type of security is agreed, lenders want to check for existing rights to the collateral. The best way is with a collateral registry. Collateral registries are most effective when they are unified by region and cover all types of assets. In Mexico, the 2000 reform and the Law on Negotiable Instruments and Credit Operations provided for the establishment of the Public Registry of Commerce on movable property which would operate at the federal level. However, in practice it is run by each state, is not linked between regions and occupies the same physical space as older registries. Five years after the reform, most registries are paper-based, thus hindering the clear establishment of priorities among creditors, and causing delays in the creation, registration and enforcement of security rights.

The time and cost to create and register collateral vary significantly among the 12 states in Mexico. In Aguascalientes it takes 9 days (figure 1.9). In Guanajuato, which makes it easier to retrieve information by permitting users to search its Public Registry archives electronically, only 9 days are necessary, although certificates regarding the status of a property require an additional five days. Most states register charges within 2 weeks. But it takes almost a month in Jalisco where everything has to be done manually. In Veracruz, 5 days are sufficient

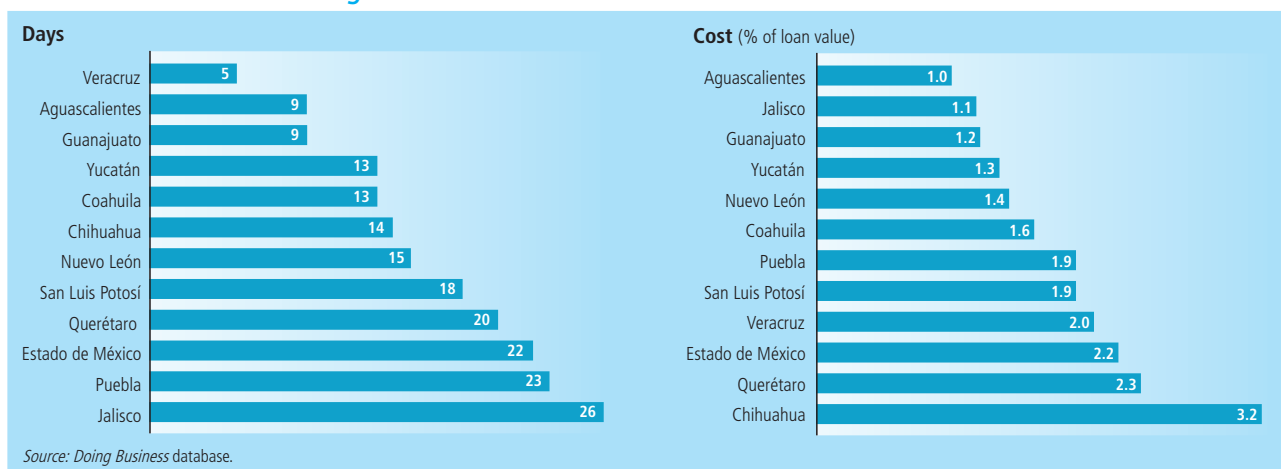
because the registry is seldom used. But creditors lose out elsewhere because they cannot notify others of their right to the collateral.

The costs to register a security right result from taxes, official duties and notary fees, which are all determined at the state or municipal level. Conditions are most difficult in Chihuahua, where high taxes and notary fees result in costs to register collateral of 3.2% of the value of the loan—double the average across the 12 states, at approximately 1.6% of the value of the loan (figure 1.9). In Querétaro and Estado de México, where taxes are high, the cost is 2.3% and 2.2%, respectively. In contrast, with low taxes and notary fees, in Guanajuato an entrepreneur spends only 1.2% of the loan value for the same procedures. This is still significantly more than the world leaders. In the United Kingdom and Canada, for example, collateral can be registered for a flat, nominal fee amounting to less than 0.01% of the loan.

Collateral registration is only part of the story. The absence of legal rights of borrowers and creditors introduces another set of risks. The Law on Negotiable Instruments and Credit Operations allows debtors to pledge assets while retaining them in their possession. It also establishes a Guarantee Trust which allows debtors to secure obligations by transferring assets to a trust. In practice however, banks are reluctant to use these new security devices for two main reasons—out-of-court enforcement can be easily challenged by the debtor and priorities are hard to establish given the lack of properly functioning registries.

In Mexico, even while non-judicial remedies are provided for by the law, a creditor cannot enforce a non-judicial order if the debtor opposes it. In that case, the asset remains with the debtor until a court rules on

FIGURE 1.9
Time and cost to create and register collateral



the issue. This, in effect, eliminates the advantages of out-of-court enforcements sought in the first place (out-of-court enforcement should be faster and cheaper) by redirecting the case to a court. As a result, enforcement via extra-judicial mechanism is rarely used by creditors since it is very likely to end up in courts anyway. Moreover, the debtor is likely to successfully challenge as unconstitutional any private enforcement action by the creditor to seize his property, even if the original security agreement provided for out-of-court enforcement.

What to reform?

Establish a unified credit registry The most effective registries permit a simple administrative filing of a notice of the charge—and do not have legal review or authentication. Those which permit notice filing and are accessible online allow creditors to check for existing liens instantly.

Enforcing Contracts

Efficient contract enforcement encourages businesses to engage with new customers. The institution that enforces contracts—between debtors and creditors, suppliers and customers—is the courts. Yet in many countries around the world, courts are slow, inefficient and corrupt. This is especially true in Latin America, where the average time spent enforcing a contract is over a year and costs amount to more than 30% of the debt. Mexico City ranks 14th out of 22 capital cities in the region in the time and cost to enforce contracts.

Doing Business tracks the efficiency of contract enforcement, looking at simple transactions of relevance to the average firm in everyday business activity. Based on survey responses, three indicators are created: the complexity of procedures, the time and cost to enforce a contract.

The more complex the procedures for resolving disputes, the less likely firms are to report that judges are impartial and court decisions fair.¹ In the words of the former Assistant Attorney General of Mexico: “It is often stated that delay in the administration of justice is equivalent to a denial of justice. If this is so, Mexico is plagued by denials of justice. An excessive formalism of the proceedings is the main cause of this situation.”²

In Mexico the commercial code and required procedures are set at a federal level. However, the degree to which such procedures are enforced—strictly or with some flexibility—varies by state. The indices for

Enable out-of-court enforcement Ensuring that out-of-court enforcement does not collapse at the first objection of the debtor cuts enforcement time by three-quarters on average. The less courts are involved, the shorter the time, and the more willing creditors are to lend. The point of collateral agreements is to avoid a regular trial. And if the case goes to court, efficiency can be improved by introducing summary proceeding, without judicial analysis of the cause of the dispute, and with limitations on the debtor’s ability to appeal.

Firms in countries with well-functioning collateral registries and strong legal rights are less likely to report obstacles in obtaining finance. Stronger legal rights are associated with deeper credit markets and lower default rates. And the overall link between the development of financial markets and economic growth is well established.

the twelve states plus Mexico City fluctuate between 62 and 88—higher numbers indicating greater complexity (figure 1.10).

Mexico City, Chihuahua, Estado de México and Coahuila have the most flexible procedures. Puebla, Querétaro and San Luis Potosí impose the largest procedural burdens.

The range of cost and time is even wider. Cost is comprised of court expenses and attorney fees. Access to justice is cheapest in Jalisco, costing just 5% of the debt value to enforce a contract. The same process will cost the entrepreneur 33% of the debt value in Yucatán. Costs in Coahuila, Puebla, Guanajuato and Mexico City are around the average 19% for the country (figure 1.11).

FIGURE 1.10
Difficulty of enforcing a contract

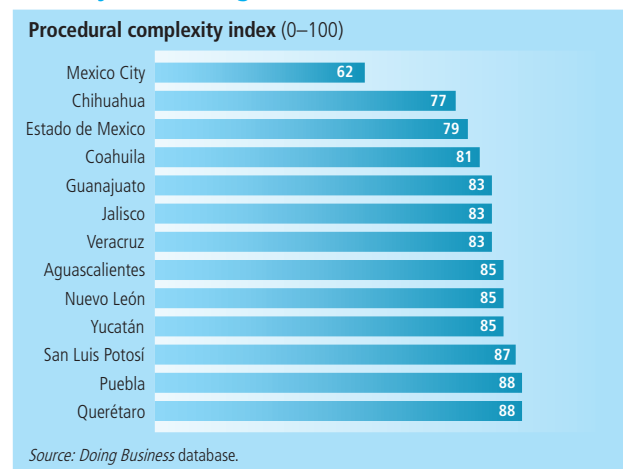
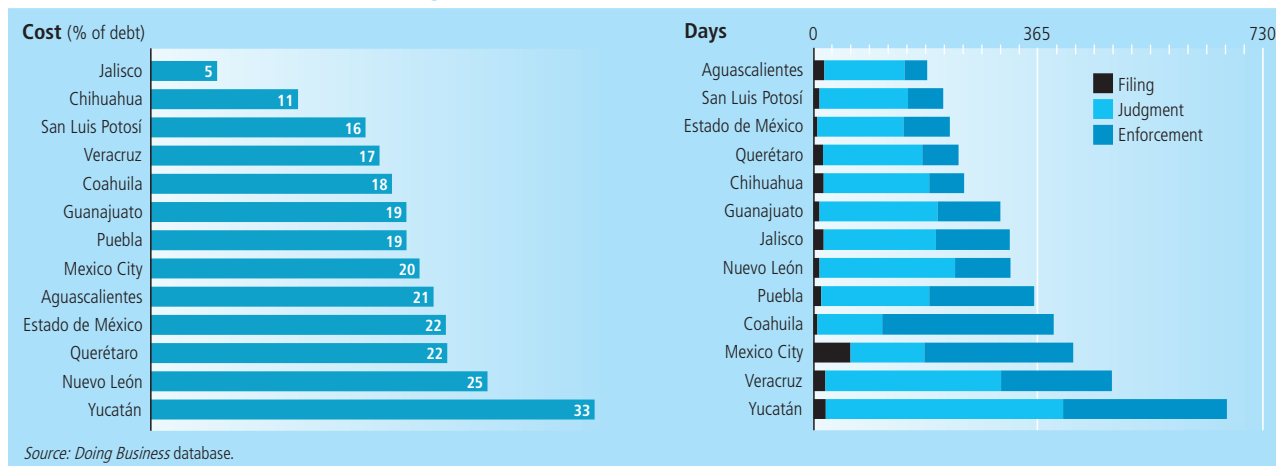


FIGURE 1.11

Cost and time to enforce a contract—greatest in Yucatán

Efficient courts are not only inexpensive to use, they are fast in their proceedings and enforcement. When an entrepreneur files a case in Estado de México, he will wait just 6 days for a judge to be designated (figure 1.13). In Coahuila, the judge decides the case in 105 days—the least time in court across the states. And in Aguascalientes, the decision is put into force in only 37 days—the shortest enforcement time. Total time in court, including enforcement, is just 6 months in Aguascalientes. Compare that with Yucatán, where filing is 20 days, judgment takes 385 days and enforcement 266 days—costing the entrepreneur nearly 2 years in delays.

Though the courts charge only nominal fees in most states, attorney charges vary widely—and increase as the case drags on. Court organization often accounts for speed. Some states, like Jalisco and Estado México, have specialized courts to handle commercial cases and they work—both states can enforce a contract in less than a year. Mexico City also has specialized courts, but these are overrun with cases, causing delays.

Reforms

Introduce summary proceedings In most states procedures are rigid, placing burdens on lawyers and clients to comply. Puebla and Nuevo León have recently reformed. Puebla passed legislation in 2004 to make procedures more flexible—eliminating appeals, allowing some evidence to be submitted orally, and concentrating procedures. Yet despite these reforms, Puebla still ranks high on the complexity index. Nuevo León allows entrepreneurs to consult historical data on lawsuits online and aims to make online applications possible.

Allow private enforcement of judgments All states leave debt collection to the courts and the police—a generally inefficient practice, as reflected in the average enforcement time across states, 133 days. This could be reduced if enforcement of judgments were left to private enforcement specialists, as in Colombia or France.

Set up specialized commercial courts Jalisco and Estado de México have well-functioning specialized courts. Commercial cases are usually sent to these courts and benefit from faster trials and services.

Businesses that have little or no access to efficient courts must rely on other mechanisms—both formal and informal, such as trade associations, social networks, credit bureaus or private information channels—to decide with whom to do business and under what conditions. Businesses may also adopt conservative business practices and deal only with a small group of people linked through kinship, ethnic origin, or previous dealings. Transactions are then structured to forestall disputes. Whichever alternative is chosen, economic and social value may be lost. The main reason to regulate procedures in commercial dispute resolution is that informal justice is vulnerable to subversion by the rich and powerful. But heavy regulation of dispute resolution has negative consequences. Across the region, the more complex are the procedures, the longer the delays and the higher the cost to enforce a contract. Less wealth is created.

- 1 World Bank. 2003. *Doing Business in 2005: Removing Obstacles to Growth*, Washington, DC.
- 2 Samano, Rafael. 2002. “Administration of Justice in Mexico: What Does the Future Hold?” p.9, available at <http://www.natlaw.com/pubs/usmxmlaw/usmjnm4.htm>.

Data Notes

Starting a business

Registering property

Getting credit

Enforcing contracts

The indicators presented and analyzed in *Doing Business in Mexico* measure government regulation and the protection of property rights—and their effect on businesses, especially small and medium-size domestic firms. First, the indicators document the degree of regulation, such as the number of procedures to start a business or register commercial property. Second, they gauge regulatory outcomes, such as the time and cost to enforce a contract. Third, they measure the extent of legal protections of property, for example, the scope of assets that can be used as collateral according to secured transactions laws. The data for all sets of indicators in *Doing Business in Mexico* are for July 2005. In this project, Doing Business indicators have been created for major cities in 12 Mexican states—the complete list is available in page 3. The data presented in this report for Mexico City and other countries is based on the global report *Doing Business in 2006: Creating Jobs* and are benchmarked to January 2005.

Based on the study of laws and regulations—with input and verification by more than 90 government officials, lawyers and other professionals routinely administering or advising on legal and regulatory requirements—the Doing Business methodology offers several advantages. It uses factual information about what laws and regulations say and allows for multiple interactions with local respondents to clarify potential misinterpretations of questions. Having representative samples of respondents is not an issue, as the texts of the relevant laws and regulations are collected and answers checked for accuracy. The methodology is inexpensive, so data can be collected in a large sample of economies—155 published in the global report *Doing Business in 2006*, 12

states in Mexico for this report. Because the same standard assumptions are applied in the data collection, which is transparent and easily replicable, comparisons and benchmarks are valid across countries and states. And the data not only highlight the extent of obstacles but also help identify their source, supporting policymakers in designing reform.

The Doing Business methodology has 4 limitations that should be considered when interpreting the data. First, the collected data refer to businesses in the state's selected city and may not be representative of regulatory practices in other parts of the state. Second, the data often focus on a specific business form—a limited liability company of a specified size—and may not be representative of the regulation on other businesses, for example, sole proprietorships. Third, the measures of time involve an element of judgment by the expert respondents. Therefore, if sources indicate different estimates, the time indicators reported in *Doing Business* represent the median values of several responses given under the assumptions of the case study. Fourth, the methodology assumes that the business has full information on what is required and does not waste time in completing procedures. In practice, completing a procedure may take longer if the business lacks information or is unable to follow up promptly.

Questions on the methodology and challenges to data may be submitted through the “Ask a Question” function on the Doing Business website at <http://www.doingbusiness.org>. Updated indicators, as well as any revisions of or corrections to the printed data, are posted on the website.

Economy characteristics

Region and income group

Doing Business uses the World Bank regional and income groupings available at <http://www.worldbank.org/data/countryclass/countryclass.html>. Throughout the report the term rich economies refers to the high income group, middle income refers to the upper middle income group and poor economies refers to the lower middle and low income groups.

Exchange rate

The exchange rate used in this report is: 1USD = 10.79MXN

Income per capita and population

Doing Business in Mexico reports 2003 income per capita in each of the sample states (current MXN). It was estimated from the 2003 Gross Domestic Product (PIB) by federal entity as published by the National Institute of Statistics—INEGI's *Sistema de Cuentas Nacionales* and divided by 2003 projected population figures.

Doing Business in Mexico reports 2003 projected population figures as published by the National Population Council—CONAPO's *Proyecciones de la Población de México 2000–2050*.

Starting a Business

Doing Business records all generic procedures that are officially required for an entrepreneur to start up an industrial or commercial business. These include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions with relevant authorities. After a study of laws, regulations and publicly available information on business entry, a detailed list of procedures, time, cost and paid-in minimum capital requirements is developed. Subsequently, local incorporation lawyers and government officials complete and verify the data on applicable procedures, the time and cost of complying with each procedure under normal circumstances. Information is also collected on the sequence in which procedures are to be completed and whether procedures may be carried out simultaneously. It is assumed that any required information is readily available and that all government and non-government agencies involved in the start-up process function efficiently and without corruption. If answers by local experts differ, inquiries continue until the data are reconciled.

To make the data comparable, several assumptions about the business and the procedures are used.

Assumptions about the Business

The business:

- Is a limited liability company. If there is more than one type of limited liability company in the country, the most popular limited liability form among domestic firms is chosen—in Mexico a *sociedad anónima*. Information on the most popular form is obtained from incorporation lawyers or the statistical office.
- Operates in the state's selected city.
- Is 100% domestically owned and has 5 owners, none of whom is a legal entity.
- Has start-up capital of 10 times the state's income per capita at the end of 2003, paid in cash.
- Performs general industrial or commercial activities, such as the production or sale of products or services to the public. It does not perform foreign trade activities

and does not handle products subject to a special tax regime, for example, liquor or tobacco. The business is not using heavily polluting production processes.

- Leases the commercial plant and offices and is not a proprietor of real estate.
- Does not qualify for investment incentives or any special benefits.
- Has up to 50 employees 1 month after the commencement of operations, all of them nationals.
- Has a turnover at least 100 times the state's income per capita.
- Has a company deed 10 pages long.

Assumptions about Procedures

- A procedure is defined as any interaction of the company founder with external parties (government agencies, lawyers, auditors, notaries). Interactions between company founders or company officers and employees are not considered separate procedures.
- The founders complete all procedures themselves, without middlemen, facilitators, accountants or lawyers, unless the use of such a third party is mandated by law or is standard practice.
- Procedures that are not required by law for starting a business are ignored. For example, obtaining exclusive rights over the company name is not counted in a state where businesses may use a number as identification.
- Shortcuts are counted only if they fulfill 3 criteria: they are legal, they are available to the general public, and avoiding them causes substantial delays.
- Only procedures required of all businesses are covered. Industry-specific procedures are excluded. For example, procedures to comply with environmental regulations are included only when they apply to all businesses.
- Procedures that the company undergoes to connect to electricity, water, gas and waste disposal services are not included unless they entail inspections required before starting operations.

Time Measure

Time is recorded in calendar days. It is assumed that the minimum time required for each procedure is 1 day. Time captures the median duration that incorporation lawyers indicate is necessary to complete a procedure. If a procedure can be accelerated for an additional cost, the fastest procedure is chosen. It is assumed that the entrepreneur does not waste time and commits to completing each remaining procedure without delay. The time that the entrepreneur spends on gathering information is ignored. It is assumed that the entrepreneur is aware of all entry regulations and their sequence from the beginning.

Cost Measure

The text of the company law, the commercial code and specific regulations and fee schedules are used as sources for calculating the cost of start-up. If there are conflicting sources and the laws are not clear, the most authoritative source is used. The constitution supersedes the company law, and the law prevails over regulations and decrees. If conflicting sources are of the same rank, the source indicating the most costly procedure is used, since an entrepreneur never second-

guesses a government official. In the absence of fee schedules, a government officer's estimate is taken as an official source. In the absence of a government officer's estimate, estimates of incorporation lawyers are used. If several incorporation lawyers provide different estimates, the median reported value is applied. In all cases the cost excludes bribes.

Paid-in Minimum Capital Requirement

Paid-in minimum capital requirement The paid-in minimum capital requirement reflects the amount that the entrepreneur needs to deposit in a bank before registration starts. This amount is typically specified in the commercial code or the company law. Many countries require paid-in capital but allow businesses to pay only a part of it before registration, with the rest to be paid after the first year of operation.

This methodology is originally developed by Simeon Djankov, Rafael La Porta, Florencio Lopez-de-Silanes and Andrei Shleifer in "The Regulation of Entry", Quarterly Journal of Economics, 117, 1-37, Feb. 2002 and adopted with minor changes here.

Registering Property

Doing Business records the full sequence of procedures necessary when a business purchases land and a building to transfer the property title from the seller to the buyer. Every required procedure is included, whether it is the responsibility of the seller or the buyer or required to be completed by a third party on their behalf. Local property lawyers and property registries provide information on required procedures as well as the time and cost to complete each of them. To make the data comparable across countries, several assumptions about the business, the property and the procedures are used.

Assumptions about the Business

The business:

- Is a limited liability company.
- Is located in a periurban area of the state's selected city.
- Is 100% domestically and privately owned (no foreign or state ownership).
- Has 50 employees, all of whom are nationals.
- Performs general commercial activities.

Assumptions about the Property

The property:

- Has a value of 50 times the state's income per capita.
- Is fully owned by another domestic limited liability company.
- Has no mortgages attached and has been under the same ownership for the past 10 years.

- Is adequately measured and filed in the cadastre, registered in the land register and free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of land and a building. The land area is 6,000 square feet (557.4 square meters). A warehouse of 10,000 square feet (929 square meters) is located on the land. The warehouse is 10 years old, is in good condition and complies with all safety standards, building codes and other legal requirements.
- Will not be subject to renovations or additional building following the purchase.
- Has no trees, natural water sources, natural reserves or historical monuments of any kind.
- Will not be used for special purposes, and no special permits, such as for residential use, industrial plants, waste storage or certain types of agricultural activities, are required.
- Has no occupants (legal or illegal), and no other party holds a legal interest in it.

Procedures

A procedure is defined as any interaction of the buyer or the seller, their agents (if the agent is required by law) or the property with external parties, including government agencies, inspectors, notaries and lawyers. Interactions between company officers and employees are not considered. All procedures that are legally required for registering property are recorded, even if they may be avoided in exceptional cases. It is assumed that the buyer follows the fastest legal option available. Although the business may use lawyers or other

professionals where necessary in the registration process, it is assumed that it does not employ an outside facilitator in the registration process unless required to by law or is standard practice to do so.

Time Measure

Time is recorded in calendar days. It is assumed that the minimum time required for each procedure is 1 day. Time captures the median duration that property lawyers or registry officials indicate is necessary to complete a procedure. It is assumed that the buyer does not waste time and commits to completing each remaining procedure without delay. If a procedure can be accelerated for an additional cost, the fastest procedure is chosen. If procedures may be undertaken

simultaneously, it is assumed that they are. It is assumed that the parties involved are aware of all regulations and their sequence from the beginning. Time spent on gathering information is not considered.

Cost Measure

Only official costs are recorded. These include fees, transfer taxes, stamp duties and any other payment to the property registry, notaries, public agencies or lawyers, if required by law. Other taxes, such as capital gains tax or value added tax, are excluded from the cost measure. If cost estimates differ among sources, the median reported value is used. Costs are expressed as a percentage of the property value, assumed to be equivalent to 50 times income per capita.

Getting Credit

Doing Business constructs measures on the legal rights of lenders. This set of indicators describes how well collateral and bankruptcy laws facilitate lending.

Time and cost to create and register collateral

The indicator assesses the ease of creating and registering collateral. The data are based on research of collateral and insolvency laws and responses to a survey on secured transactions laws, developed with input and comments from a range of experts including those from the Center for Economic Analysis of Law, the International Bar Association Committee on Financial Law, and the European Bank for Reconstruction and Development.

Participating lawyers estimate the costs, based on the following standardized case: An entrepreneur with a medium size (100 employees) textile business located in the selected city seeks a loan from a local bank. The loan would finance the purchase of industrial sewing machines worth 10 times income per capita. The entrepreneur secures the loan by pledging the industrial sewing machines as collateral while keeping both possession and ownership title (non-possessory security right).

Costs include taxes, notary fees and duties associated with creating the security right and registering it in the collateral registry, where such a registry operates. Countries or states without a registry usually have lower costs, although the secured creditor is disadvantaged elsewhere because they are unable to notify other creditors of their right to the collateral through a registry. The cost measure is presented as a percentage of the loan (state income per capita times 10).

Strength of legal rights index

This index, reflecting the legal rights of borrowers and lenders, measures the degree to which collateral and bankruptcy laws facilitate lending. It is based on data collected through study of collateral and insolvency laws, supported by the re-

sponses to the survey on secured transactions laws. The index includes 3 aspects related to legal rights in bankruptcy and 7 aspects found in collateral law. A score of 1 is assigned for each of the following features of the laws:

- Secured creditors are able to seize their collateral when a debtor enters reorganization— there is no “automatic stay” or “asset freeze” imposed by the court.
- Secured creditors, rather than other parties such as government or workers, are paid first out of the proceeds from liquidating a bankrupt firm.
- Management does not stay during reorganization. An administrator is responsible for managing the business during reorganization.
- General, rather than specific, description of assets is permitted in collateral agreements.
- General, rather than specific, description of debt is permitted in collateral agreements.
- Any legal or natural person may grant or take security in the property.
- A unified registry that includes charges over movable property operates.
- Secured creditors have priority outside of bankruptcy.
- Parties may agree on enforcement procedures by contract.
- Creditors may both seize and sell collateral out of court.

The index ranges from 0 to 10, with higher scores indicating that collateral and bankruptcy laws are better designed to expand access to credit.

This methodology is developed in “Private Credit in 129 Countries”, a working paper by Simeon Djankov and Caralee McLiesh of the World Bank, and Andrei Shleifer, Department of Economics, Harvard University, June 2005; and adapted from “Law and Finance”, by Rafael La Porta, Florencio Lopez-de-Silanes, Andrei Shleifer, and Robert Vishny, Journal of Political Economy, 106, 1113-55, 1998.

Enforcing contracts

The data are derived from questionnaires answered by attorneys at private law firms and judicial personnel at local courts. The questionnaire covers the step-by-step evolution of a debt recovery case before local courts in the selected city. The respondent firms were provided with significant detail, including the amount of the claim, the location and main characteristics of the litigants, the presence of city regulations, the nature of the remedy requested by the plaintiff, the merit of the plaintiff's and the defendant's claims, and the social implications of the judicial outcomes. These standardized details enabled the respondent law firms to describe the procedures explicitly and in full detail.

Assumptions about the case:

- Debt value equals 200% of state's income per capita.
- The plaintiff has fully complied with the contract (plaintiff is 100% right)
- Case presents a lawful transaction between residents of the selected city.
- The bank refuses payment for lack of funds in the borrower's account.
- The plaintiff files a lawsuit to collect the check.
- The debtor attempts to delay service of process but it is finally accomplished.
- The debtor raises some opposition to the complaint (default judgment is not an option).
- The judge decides every motion for the plaintiff.
- The plaintiff attempts to introduce documentary evidence and to call one witness. Debtor attempts to call one witness. Neither party presents objections.
- The judgment is in favor of the plaintiff.
- No appeals or post-judgment motions are filed by either party to the case.
- Debt is successfully collected.

The study develops three indicators of the efficiency of the judicial system as regards the enforcement of commercial contracts. The first indicator is the cost of going through court procedures, including court costs and attorney fees where the use of attorneys is mandatory or common, or the costs of an administrative debt recovery procedure, expressed as a percentage of the debt value.

The second indicator of efficiency is an estimate—in calendar days—of duration of the process of dispute resolution by the lawyers who completed the questionnaires. Duration is measured as the number of calendar days counted from the moment the plaintiff files the lawsuit in court, until the mo-

ment of actual payment. This measure includes both the days where actions take place and waiting periods between actions. The participating firms make separate estimates of the average duration until the completion of service of process, the issuance of judgment (duration of trial), and the moment of payment or repossession (duration of enforcement). To the extent that database users are interested in the ability of an ordinary person to use the legal system, these estimates of duration are highly relevant for efficiency.

The third indicator is an index of the degree of formalism, or complexity, in the procedures to resolve disputes. This index measures substantive and procedural statutory intervention in judicial cases at lower level civil trial courts, and is formed by adding the following sub-indices:

1. Professionals or laymen: This sub-index measures whether the resolution of the case provided would rely mostly in the intervention of professional judges and attorneys, as opposed to the intervention of other types of adjudicators and lay people.
2. Written or oral: This sub-index measures the written or oral nature of the actions involved in the procedure, from the filing of the complaint, until the actual enforcement.
3. Legal justification: This sub-index measures the level of legal justification required in the process of dispute resolution.
4. Statutory regulation of evidence: This sub-index measures the level of statutory control or intervention of the administration, admissibility, evaluation and recording of evidence.
5. Control of superior review: This sub-index measures the level of control or intervention of the appellate court's review of the first instance judgment.
6. Other statutory interventions: This sub-index measures the formalities required to engage someone into the procedure or to hold him/her accountable for the judgment.
7. Independent procedural actions: This sub-index measures the number of independent procedural actions involved in pursuing a claim through the court, covering the filing and service of a complaint, trial and judgment, and enforcement (normalized to fall between 0 and 1). For each sub-index, higher values indicate more formalism in the contract enforcement process. (See background paper for further detail on the construction of the sub-indices.)

For a detailed description of the methodology, see Djankov, Simeon, Rafael La Porta, Florencio Lopez-de-Silanes, and Andrei Shleifer, 2003. "Courts," Quarterly Journal of Economics, 118 (2), 453-517 and adapted with minor changes.

Ease of doing business

The ease of doing business is the simple average of state rankings in each of the four topics covered in *Doing Business in Mexico in 2006*. The ranking for each topic is the simple average of rankings for each of the indicators. The starting a business ranking averages the state rankings on the procedures, days, cost and minimum capital requirement to register a business. The property ranking averages the state rankings on the procedures, time and cost to create and register property. The credit ranking is based on the state rankings on the time and cost to register collateral. And the enforcing contracts ranking averages the state rankings on the complexity of procedures, time and cost to enforce contracts. The ease of doing business measure ranges from 1 to 13, with higher values indicating more efficient regulation and stronger protections of property rights.

This methodology is developed by Simeon Djankov, Caralee McLiesh, and Rita Ramalho in "Growth and the Ease of Doing Business," working paper, World Bank, August 2004.

Doing business indicators

State (City)	Starting a business				Registering property			
	July 2005				July 2005			
	Number of procedures	Time (days)	Cost (% of income per capita)	Ease of starting a business (rank)	Number of procedures	Time (days)	Cost (% of property value)	Ease of registering property (rank)
Aguascalientes (Aguascalientes)	8	32	7.3	1	7	29	3.2	1
Chihuahua (Ciudad Juárez)	9	35	32.3	4	6	34	3.2	4
Coahuila (Torreón)	9	39	16.1	6	8	50	4.3	12
Distrito Federal (Mexico City)	9	58	15.6	9	5	74	5.3	10
Estado de México (Tlalnepantla)	8	46	73.9	10	7	48	6.1	11
Guanajuato (Celaya)	8	29	16.8	11	7	44	2.1	3
Jalisco (Guadalajara)	9	41	10.9	3	7	52	3.9	6
Nuevo León (Monterrey)	9	50	15.2	2	5	43	3.2	2
Puebla (Puebla)	9	49	22.1	13	7	69	4.0	7
Querétaro (Querétaro)	9	52	12.0	12	8	94	5.4	13
San Luis Potosí (San Luis Potosí)	10	41	15.0	7	8	34	4.1	9
Veracruz (Veracruz)	9	47	35.6	8	7	43	6.0	8
Yucatán (Mérida)	9	47	15.2	5	8	30	2.4	5

State (City)	Getting credit			Enforcing contracts			
	July 2005			July 2005			
	Cost to create collateral (% loan value)	Time to create collateral (days)	Ease of creating collateral (rank)	Complexity index (0–100)	Time (days)	Cost (% of debt)	Ease of enforcing a contract (rank)
Aguascalientes (Aguascalientes)	0.96	9	1	85	184	21	6
Chihuahua (Ciudad Juárez)	3.20	14	9	77	245	11	1
Coahuila (Torreón)	1.56	13	5	81	389	18	7
Distrito Federal (Mexico City)	NO DATA	NO DATA	NO DATA	62	421	20	8
Estado de México (Tlalnepantla)	2.17	22	11	79	221	22	4
Guanajuato (Celaya)	1.17	9	2	83	303	19	5
Jalisco (Guadalajara)	1.14	26	7	83	318	5	2
Nuevo León (Monterrey)	1.38	15	6	85	320	25	12
Puebla (Puebla)	1.86	23	10	88	358	19	11
Querétaro (Querétaro)	2.33	20	12	88	236	22	10
San Luis Potosí (San Luis Potosí)	1.86	18	8	87	210	16	3
Veracruz (Veracruz)	1.99	5	4	83	484	17	9
Yucatán (Mérida)	1.31	13	3	85	671	33	13

State tables

AGUASCALIENTES		GNI per capita (US\$)	7,049
City: Aguascalientes		Ease of doing business (rank)	1
Starting a business			
Number of procedures	8		
Time (days)	32		
Cost (% of income per capita)	7.3		
Ease of starting a business (rank)	1		
Credit—creating collateral			
Cost to create collateral (% of loan value)	0.96		
Time (days)	9		
Ease of creating collateral (rank)	1		
		Registering property	
		Number of procedures	7
		Time (days)	29
		Cost (% of property value)	3.2
		Ease of registering property (rank)	1
		Enforcing a contract	
		Complexity index	85
		Time (days)	184
		Cost (% of debt)	21
		Ease of enforcing a contract (rank)	6
CHIHUAHUA		GNI per capita (US\$)	7,577
City: Ciudad Juárez		Ease of doing business (rank)	3
Starting a business			
Number of procedures	9		
Time (days)	35		
Cost (% of income per capita)	32.3		
Ease of starting a business (rank)	4		
Credit—creating collateral			
Cost to create collateral (% of loan value)	3.20		
Time (days)	14		
Ease of creating collateral (rank)	9		
		Registering property	
		Number of procedures	6
		Time (days)	34
		Cost (% of property value)	3.2
		Ease of registering property (rank)	4
		Enforcing a contract	
		Complexity index	77
		Time (days)	245
		Cost (% of debt)	11
		Ease of enforcing a contract (rank)	1
COAHUILA		GNI per capita (US\$)	7,647
City: Torreón		Ease of doing business (rank)	9
Starting a business			
Number of procedures	9		
Time (days)	39		
Cost (% of income per capita)	16.1		
Ease of starting a business (rank)	6		
Credit—creating collateral			
Cost to create collateral (% of loan value)	1.56		
Time (days)	13		
Ease of creating collateral (rank)	5		
		Registering property	
		Number of procedures	8
		Time (days)	50
		Cost (% of property value)	4.3
		Ease of registering property (rank)	12
		Enforcing a contract	
		Complexity index	81
		Time (days)	389
		Cost (% of debt)	18
		Ease of enforcing a contract (rank)	7
DISTRITO FEDERAL		GNI per capita (US\$)	6,770
City: Mexico City		Ease of doing business (rank)	10
Starting a business			
Number of procedures	9		
Time (days)	58		
Cost (% of income per capita)	15.6		
Ease of starting a business (rank)	9		
Credit—creating collateral			
Cost to create collateral (% of loan value)	NO DATA		
Time (days)	NO DATA		
Ease of creating collateral (rank)	NO DATA		
		Registering property	
		Number of procedures	5
		Time (days)	74
		Cost (% of property value)	5.3
		Ease of registering property (rank)	10
		Enforcing a contract	
		Complexity index	62
		Time (days)	421
		Cost (% of debt)	20
		Ease of enforcing a contract (rank)	8

ESTADO DE MÉXICO			GNI per capita (US\$)	3,847
City: Tlalnepantla			Ease of doing business (rank)	11
Starting a business				
Number of procedures	8			
Time (days)	46			
Cost (% of income per capita)	73.9			
Ease of starting a business (rank)	10			
Credit—creating collateral				
Cost to create collateral (% of loan value)	2.17			
Time (days)	22			
Ease of creating collateral (rank)	11			
Registering property				
Number of procedures	7			
Time (days)	48			
Cost (% of property value)	6.1			
Ease of registering property (rank)	11			
Enforcing a contract				
Complexity index	79			
Time (days)	221			
Cost (% of debt)	22			
Ease of enforcing a contract (rank)	4			
GUANAJUATO			GNI per capita (US\$)	4,079
City: Celaya			Ease of doing business (rank)	2
Starting a business				
Number of procedures	8			
Time (days)	29			
Cost (% of income per capita)	16.8			
Ease of starting a business (rank)	11			
Credit—creating collateral				
Cost to create collateral (% of loan value)	1.17			
Time (days)	9			
Ease of creating collateral (rank)	2			
Registering property				
Number of procedures	7			
Time (days)	44			
Cost (% of property value)	2.1			
Ease of registering property (rank)	3			
Enforcing a contract				
Complexity index	83			
Time (days)	303			
Cost (% of debt)	19			
Ease of enforcing a contract (rank)	5			
JALISCO			GNI per capita (US\$)	5,426
City: Guadalajara			Ease of doing business (rank)	4
Starting a business				
Number of procedures	9			
Time (days)	41			
Cost (% of income per capita)	10.9			
Ease of starting a business (rank)	3			
Credit—creating collateral				
Cost to create collateral (% of loan value)	1.14			
Time (days)	26			
Ease of creating collateral (rank)	7			
Registering property				
Number of procedures	7			
Time (days)	52			
Cost (% of property value)	3.9			
Ease of registering property (rank)	6			
Enforcing a contract				
Complexity index	83			
Time (days)	318			
Cost (% of debt)	5			
Ease of enforcing a contract (rank)	2			
NUEVO LEÓN			GNI per capita (US\$)	10,253
City: Monterrey			Ease of doing business (rank)	5
Starting a business				
Number of procedures	9			
Time (days)	50			
Cost (% of income per capita)	15.2			
Ease of starting a business (rank)	2			
Credit—creating collateral				
Cost to create collateral (% of loan value)	1.38			
Time (days)	15			
Ease of creating collateral (rank)	6			
Registering property				
Number of procedures	5			
Time (days)	43			
Cost (% of property value)	3.2			
Ease of registering property (rank)	2			
Enforcing a contract				
Complexity index	85			
Time (days)	320			
Cost (% of debt)	25			
Ease of enforcing a contract (rank)	12			
PUEBLA			GNI per capita (US\$)	3,896
City: Puebla			Ease of doing business (rank)	12
Starting a business				
Number of procedures	9			
Time (days)	49			
Cost (% of income per capita)	22.1			
Ease of starting a business (rank)	13			
Credit—creating collateral				
Cost to create collateral (% of loan value)	1.86			
Time (days)	23			
Ease of creating collateral (rank)	10			
Registering property				
Number of procedures	7			
Time (days)	69			
Cost (% of property value)	4.0			
Ease of registering property (rank)	7			
Enforcing a contract				
Complexity index	88			
Time (days)	358			
Cost (% of debt)	19			
Ease of enforcing a contract (rank)	11			

QUERÉTARO		GNI per capita (US\$)	6,448
City: Querétaro		Ease of doing business (rank)	13
Starting a business			
Number of procedures	9	Registering property	8
Time (days)	52	Number of procedures	94
Cost (% of income per capita)	12.0	Time (days)	5.4
Ease of starting a business (rank)	12	Cost (% of property value)	13
Credit—creating collateral			
Cost to create collateral (% of loan value)	2.33	Ease of registering property (rank)	88
Time (days)	20	Enforcing a contract	236
Ease of creating collateral (rank)	12	Complexity index	22
		Time (days)	10
		Cost (% of debt)	
		Ease of enforcing a contract (rank)	
SAN LUIS POTOSÍ		GNI per capita (US\$)	4,160
City: San Luis Potosí		Ease of doing business (rank)	8
Starting a business			
Number of procedures	10	Registering property	8
Time (days)	41	Number of procedures	34
Cost (% of income per capita)	15.0	Time (days)	4.1
Ease of starting a business (rank)	7	Cost (% of property value)	9
Credit—creating collateral			
Cost to create collateral (% of loan value)	1.86	Ease of registering property (rank)	87
Time (days)	18	Enforcing a contract	210
Ease of creating collateral (rank)	8	Complexity index	16
		Time (days)	3
		Cost (% of debt)	
		Ease of enforcing a contract (rank)	
VERACRUZ		GNI per capita (US\$)	3,269
City: Veracruz		Ease of doing business (rank)	6
Starting a business			
Number of procedures	9	Registering property	7
Time (days)	47	Number of procedures	43
Cost (% of income per capita)	35.6	Time (days)	6.0
Ease of starting a business (rank)	8	Cost (% of property value)	8
Credit—creating collateral			
Cost to create collateral (% of loan value)	1.99	Ease of registering property (rank)	83
Time (days)	5	Enforcing a contract	484
Ease of creating collateral (rank)	4	Complexity index	17
		Time (days)	9
		Cost (% of debt)	
		Ease of enforcing a contract (rank)	
YUCATÁN		GNI per capita (US\$)	4,649
City: Mérida		Ease of doing business (rank)	7
Starting a business			
Number of procedures	9	Registering property	8
Time (days)	47	Number of procedures	30
Cost (% of income per capita)	15.2	Time (days)	2.4
Ease of starting a business (rank)	5	Cost (% of property value)	5
Credit—creating collateral			
Cost to create collateral (% of loan value)	1.31	Ease of registering property (rank)	85
Time (days)	13	Enforcing a contract	671
Ease of creating collateral (rank)	3	Complexity index	33
		Time (days)	13
		Cost (% of debt)	
		Ease of enforcing a contract (rank)	

Case studies

Starting a business

Registering property

STARTING A BUSINESS PROCEDURES**Aguascalientes**

Standard company legal form: *Sociedad Anónima (SA)*

Minimum starting capital: *MXN 50,000*

City: *Aguascalientes*

Data as of: *July 2005*

Procedure 1. Obtain authorization for company name (Ministry of Foreign Affairs)

Time: 2 days

Cost: MXN 565

Comments: This is a federal procedure. It is done electronically on one day, then authorization automatically issued the following day.

Procedure 2. Notarize company deeds

Time: 2 days

Cost: MXN 4,000

Comments: The notary proceeds to formalize the incorporation statutes in the form of a public deed, as soon as he obtains authorization for the company name. The notary public, being by law a qualified expert, after listening to the parties and determining their free will, drafts the company statutes and formalizes them in a public deed. The notary cost varies but in Aguascalientes averages MXN 4,000.

Procedure 3. Register the company deed at Public Registry of Commerce

Time: 7 days

Cost: MXN 500

Comments: The cost for registration depends on the number of pages of the company statutes and the starting capital of the company.

Procedure 4. Register with Hacienda

Time: 16 days

Cost: No cost

Comments: The notary public (if enrolled in the program) can also access a provisional tax identification code via the Internet, with which the company can carry on with the opening of business, e.g. write checks and complete other administrative tasks. Later the notary brings the permanent code to the company within about 1 month.

Note that as of October 2005, *Hacienda* in all states provides a permanent tax identification code to companies upon first request, reducing the time to 1 or 2 days.

Procedure 5. Obtain operational license

Time: 1 day

Cost: MXN 85

Comments: All businesses are required to obtain the operational license. The required documents include: occupancy permit, notification of registration with the *Hacienda*, and a favorable advisory opinion on the corresponding environmental procedure. In this case only the former two documents are required, though the occupancy license is the responsibility of the proprietor.

Operational licenses are classified as normal, special and regulated. Regulated licenses are required for activities involving sale of alcohol or night entertainment. The special licenses pertain to activities with special requirements such as health, environment, education, etc. The normal licenses are required for all other activities. Depending on the type of license and size of the company, the time and cost vary.

Procedure 6. Register with IMSS (Mexican Social Security Institute)

Time: 1 day

Cost: No cost

Comments: This is a federal procedure.

Procedure 7. Register at the SIEM (Mexican System of Companies Information)

Time: 2 days

Cost: MXN 385

Comments: This is a federal procedure with reference to the Law of the Companies' Chambers and its Confederations, January 1st, 1997.

Fees by industry standards: 6 or more employees – MXN 670 3 to 5 employees – MXN 350 1 to 2 employees – MXN 150

Fees for business and service: 4 or more employees – MXN 640 3 employees – MXN 300 1 to 2 employees – MXN 100

Procedure 8. File a notice with INEGI (National Institute of Statistics, Geography and Information)

Time: 1 day

Cost: No cost

Comments: This is a federal procedure required by law, though in practice many do not conduct it.

STARTING A BUSINESS PROCEDURES

Chihuahua

Standard company legal form: *Sociedad Anónima (SA)*

Minimum starting capital: *MXN 50,000*

City: *Ciudad Juárez*

Data as of: *July 2005*

Procedure 1. Obtain authorization for company name (Ministry of Foreign Affairs)

Time: 2 days

Cost: MXN 565

Comments: This is a federal procedure. It is done electronically on one day, then authorization automatically issued the following day.

Procedure 2. Notarize company deeds

Time: 3 days

Cost: MXN 5,000

Comments: The notary proceeds to formalize the incorporation statutes in the form of a public deed, as soon as he obtains authorization for the company name. The notary public, being by law a qualified expert, after listening to the parties and determining their free will, drafts the company statutes and formalizes them in a public deed. The cost varies but in Chihuahua averages MXN 5000, at a rate of MXN 500 to 1500 per hour.

Procedure 3. Register the company deed at Public Registry of Commerce

Time: 4 days

Cost: MXN 18,600

Comments: The cost for registration depends on the number of pages of the company statutes and the starting capital of the company (in Chihuahua MXN 817,710)

Procedure 4. Register with *Hacienda*

Time: 16 days

Cost: No cost

Comments: The notary public (if enrolled in the program) can also access a provisional tax identification code via the Internet, with which the company can carry on with the opening of business, e.g. write checks and complete other administrative tasks. Later the notary brings the permanent code to the company within about 1 month.

Note that as of October 2005, *Hacienda* in all states provides a permanent tax identification code to companies upon first request, reducing the time to 1 or 2 days.

Procedure 5. Register with IMSS (Mexican Social Security Institute)

Time: 1 day

Cost: No cost

Comments: This is a federal procedure.

Procedure 6. Register with federal tax authorities for payroll tax

Time: 1 day

Cost: No cost

Comments: To complete this procedure, one needs the social security number of the employer.

Procedure 7. Register at the SIEM (Mexican System of Companies Information)

Time: 2 days

Cost: MXN 385

Comments: This is a federal procedure with reference to the Law of the Companies' Chambers and its Confederations, January 1st, 1997.

Fees by industry standards: 6 or more employees MXN 670 3 to 5 employees MXN 350 1 to 2 employees MXN 150

Fees for business and service: 4 or more employees MXN 640 3 employees MXN 300 1 to 2 employees MXN 100

Procedure 8. Obtain operational license

Time: 5 days

Cost: MXN 1872

Comments: Required documents include the occupancy permit and approval by civil protection (both are responsibility of the proprietor.)

Proc 9. File a notice with INEGI (National Institute of Statistics, Geography and Information)

Time: 1 day

Cost: No cost

Comments: This is a federal procedure required by law, though in practice many do not conduct it.

STARTING A BUSINESS PROCEDURES

Coahuila

Standard company legal form: *Sociedad Anónima (SA)*

Minimum starting capital: *MXN 50,000*

City: *Torreón*

Data as of: *July 2005*

Procedure 1. Obtain authorization for company name (Ministry of Foreign Affairs)

Time: 2 days

Cost: MXN 565

Comments: This is a federal procedure. It is done electronically on one day, then authorization automatically emitted the following day.

Procedure 2. Notarize company deeds

Time: 3 days

Cost: MXN 7289.40

Comments: The notary proceeds to formalize the incorporation statutes in the form of a public deed, as soon as he obtains authorization for the company name. The notary public, being by law a qualified expert, after listening to the parties and determining their free will, drafts the company statutes and formalizes them in a public deed. The cost is according to the notary fee schedule of Coahuila.

Procedure 3. Register the company deed at Public Registry of Commerce

Time: 3 days

Cost: MXN 4201.44

Comments: The cost for registration depends on the number of pages of the company statutes and the starting capital of the company.

Procedure 4. Register with *Hacienda*

Time: 16 days

Cost: No cost

Comments: The notary public (if enrolled in the program) can also access a provisional tax identification code via the Internet, with which the company can carry on with the opening of business, e.g. writing checks and completing other administrative tasks. Later the notary brings the permanent code to the company within about 1 month.

Note that as of October 2005, *Hacienda* in all states provides a permanent tax identification code to companies upon first request, reducing the time to 1 or 2 days.

Procedure 5. Register with IMSS (Mexican Social Security Institute)

Time: 1 day

Cost: No cost

Comments: This is a federal procedure.

Procedure 6. Register with federal tax authorities for payroll tax

Time: 1 day

Cost: No cost

Comments: To complete this procedure, one needs the social security number of the employer.

Procedure 7. Register at the SIEM (Mexican System of Companies Information)

Time: 2 days

Cost: MXN 385

Comments: This is a federal procedure with reference to the Law of the Companies' Chambers and its Confederations, January 1st, 1997.

Fees by industry standards: 6 or more employees, MXN 670; 3 to 5 employees, MXN 350; 1 to 2 employees, MXN 150.

Fees for business and service: 4 or more employees, MXN 640; 3 employees, MXN 300; 1 to 2 employees MXN 100.

Procedure 8. Obtain operational license

Time: 10 days

Cost: MXN 848.30

Comments: Required documents include application form, official identification, proof of registration with *Hacienda*, proof of company incorporation, property title and receipt of property taxes paid.

Procedure 9. File a notice with INEGI (National Institute of Statistics, Geography and Information)

Time: 1 day

Cost: No cost

Comments: This is a federal procedure required by law, though in practice many do not conduct it.

STARTING A BUSINESS PROCEDURES**Estado de México**

Standard company legal form: *Sociedad Anónima (SA)*

Minimum starting capital: *MXN 50,000*

City: *Tlalnepantla*

Data as of: *July 2005*

Procedure 1. Obtain authorization for company name (Ministry of Foreign Affairs)

Time: 2 days

Cost: MXN 565

Comments: This is a federal procedure. It is done electronically on one day, then authorization automatically issued the following day.

Procedure 2. Notarize company deeds

Time: 3 days

Cost: MXN 19,500

Comments: The notary formalizes the incorporation statutes in the form of a public deed, as soon as he obtains authorization for the company name. The notary public, being by law a qualified expert, after listening to the parties and determining their free will, drafts the company statutes and formalizes them in a public deed—an authentic and public document, with full probative value, unless proven otherwise by trial.

Procedure 3. Register the company deed at Public Registry of Commerce

Time: 20 days

Cost: MXN 10,228

Comments: For public deeds of legal entities or start-up capital, the fees are as follows in Estado de México:

1. When the acts to be registered have no determined value or a value up to MXN 151,763 MXN 1,020
2. When the value of the acts to be registered is more than MXN 151,763 and up to MXN 189,705 MXN 3,063
3. When the value of the acts to be registered is more than MXN 189,705 and up to MXN 227,645 MXN 5,103
4. When the value of the acts to be registered is more than MXN 227,645 and up to MXN 265,586 MXN 7,144
5. When the value of the acts to be registered is more than MXN 265,586 and up to MXN 303,528 MXN 9,187
6. When the value of the acts to be registered is more than MXN 303,528. MXN 10,228

Procedure 4. Register with *Hacienda*

Time: 16 days

Cost: No cost

Comments: The notary public (if enrolled in the program) can also access a provisional tax identification code via the Internet, with which the company can carry on with the opening of business with checks and other administrative tasks. Later the notary brings the permanent code to the company within 2 to 3 months. In this case the fiscal authorities, within 90 days from the date of registration with *Hacienda*, will verify that there is indeed a fiscal residence of the company. In practice, inspection visits are eventually received at the residence indicated. Later visits are not necessary, only when there is a legal need to verify compliance with an obligation. If the company requests the permanent tax identification code directly, it can be obtained within 2 or 3 weeks.

Note that as of October 2005, *Hacienda* in all states provides a permanent tax identification code to companies upon first request, reducing the time to 1 or 2 days.

Procedure 5. Register with IMSS (Mexican Social Security Institute)

Time: 1 day

Cost: No cost

Comments: This is a federal procedure.

Procedure 6. Register with federal tax authorities for payroll tax

Time: 1 day

Cost: No cost

Comments: To complete this procedure, one needs the social security number of the employer.

Procedure 7. Register at the SIEM (Mexican System of Companies Information)

Time: 2 days

Cost: MXN 385

Comments: This is a federal procedure with reference to (Law of the Companies' Chambers and its Confederations (1st January 1997).

Fees by industry standards: 6 or more employees – MXN 670 3 to 5 employees – MXN 350 1 to 2 employees – MXN 150
 Fees for business and service: 4 or more employees – MXN 640 3 employees – MXN 300 1 to 2 employees – MXN 100

Procedure 8. File a notice with INEGI (National Institute of Statistics, Geography and Information)

Time: 1 day

Cost: No cost

Comments: This is a federal procedure required by law, though in practice many do not conduct it.

STARTING A BUSINESS PROCEDURES**Guanajuato**

Standard company legal form: *Sociedad Anónima (SA)*

Minimum starting capital: *MXN 50,000*

City: *Celaya*

Data as of: *July 2005*

Procedure 1. Obtain authorization for company name (Ministry of Foreign Affairs)

Time: 2 days

Cost: MXN 565

Comments: This is a federal procedure. It is done electronically on one day, then authorization automatically emitted the following day.

Procedure 2. Notarize company deeds

Time: 3 days

Cost: MXN 5,729

Comments: The notary proceeds to formalize the incorporation statutes in the form of a public deed, as soon as he obtains authorization for the company name. The notary public, being by law a qualified expert, after listening to the parties and determining their free will, drafts the company statutes and formalizes them in a public deed, which in terms of civil legislation presiding in the State of Guanajuato, means an authentic and public document, with full probative value, unless proven otherwise by trial. Normally notaries charge approximately 1% of the transaction value as their fees.

Procedure 3. Register the company deed at Public Registry of Commerce

Time: 3 days

Cost: MXN 706

Comments: The public commercial register can also be accessed by Internet in the notary's office. Notaries in the state of Guanajuato can access the registry using their electronic signature.

Procedure 4. Register with *Hacienda*

Time: 16 days

Cost: No cost

Comments: The notary public (if enrolled in the program) can also access a provisional tax identification code via the Internet, with which the company can carry on with the opening of business, e.g. writing checks and completing other administrative tasks. Later the notary brings the permanent code to the company within 2 to 3 months. In this case the fiscal authorities, within 90 days from the date of registration with the *Hacienda*, will verify that there is indeed a fiscal residence of the company. In practice, inspection visits are eventually received at the residence indicated. Later visits are not necessary, only when there is a legal need to verify compliance with an obligation. If the company requests the permanent tax identification code directly, it can be obtained within 2 or 3 weeks.

Note that as of October 2005, *Hacienda* in all states provides a permanent tax identification code to companies upon first request, reducing the time to 1 or 2 days.

Procedure 5. Register with IMSS (Mexican Social Security Institute)

Time: 1 day

Cost: No cost

Comments: This is a federal procedure.

Procedure 6. Register with federal tax authorities for payroll tax

Time: 1 day

Cost: No cost

Comments: To complete this procedure, one needs the social security number of the employer.

Procedure 7. Register at the SIEM (Mexican System of Companies Information)

Time: 2 days

Cost: MXN 385

Comments: This is a federal procedure, Law of the Companies' Chambers and its Confederations of the 1st of January 1997.

Fees by industry standards: 6 or more employees – MXN 670 3 to 5 employees – MXN 350 1 to 2 employees, MXN 150

Fees for business and service: 4 or more employees – MXN 640 3 employees – MXN 300 1 to 2 employees MXN 100

Procedure 8. File a notice with INEGI (National Institute of Statistics, Geography and Information)

Time: 1 day

Cost: No cost

Comments: This is a federal procedure required by law, though in practice many do not conduct it.

STARTING A BUSINESS PROCEDURES

Jalisco

Standard company legal form: Sociedad Anónima (SA)

Minimum starting capital: MXN 50,000

City: Guadalajara

Data as of: July 2005

Procedure 1. Obtain authorization for company name (Ministry of Foreign Affairs)

Time: 2 days

Cost: MXN 565

Comments: This is a federal procedure. It is done electronically on one day, then authorization automatically issued the following day.

Procedure 2. Notarize company deeds

Time: 3 days

Cost: MXN 4,000

Comments: The notary proceeds to formalize the incorporation statutes in the form of a public deed, as soon as he obtains authorization for the company name. The notary public, being by law a qualified expert, after listening to the parties and determining their free will, drafts the company statutes and formalizes them in a public deed. Cost depends on the complexity of the statutes and agreement with the client, though there is a fee schedule for notaries in Jalisco according to State Decree No. 14250, which states the upper limits of fees.

Procedure 3. Register the company deed at Public Registry of Commerce

Time: 14 days

Cost: MXN 1,280

Comments: The cost for registration depends on the number of pages of the company statutes and the starting capital of the company. Through the electronic system available to over 50 notaries, one can register in 1 day. However, there is a regulated time limit (and average duration in practice) of 10 working days for the Registry to complete this procedure and emit the record of registration.

Procedure 4. Register with Hacienda

Time: 16 days

Cost: No cost

Comments: The notary public (if enrolled in the program) can also access a provisional tax identification code via the Internet, with which the company can carry on with the opening of business, e.g. writing checks and completing other administrative tasks. Later the notary brings the permanent code to the company within 2 to 3 months.

Note that as of October 2005, Hacienda in all states provides a permanent tax identification code to companies upon first request, reducing the time to 1 or 2 days.

Procedure 5. Register with IMSS (Mexican Social Security Institute)

Time: 1 day

Cost: No cost

Comments: This is a federal procedure.

Procedure 6. Register with federal tax authorities for payroll tax

Time: 1 day

Cost: No cost

Comments: To complete this procedure, one needs the social security number of the employer.

Procedure 7. Register at the SIEM (Mexican System of Companies Information)

Time: 2 days

Cost: MXN 385

Comments: This is a federal procedure, Law of the Companies' Chambers and its Confederations of the 1st of January, 1997.

Fees by industry standards: 6 or more employees, MXN 670; 3 to 5 employees, MXN 350; 1 to 2 employees, MXN 150.

Fees for business and service: 4 or more employees, MXN 640; 3 employees, MXN 300; 1 to 2 employees MXN 100.

Procedure 8. Obtain municipal license

Time: 1 day

Cost: MXN 126 (charge for form)

Comments: Licenses and time to obtain from the Municipality: Type "A" 15 - 20 minutes Type "B" 5 working days
Type "C" 10 working days Type "D" 30 working days

The great majority of licenses requested in Guadalajara correspond to type 'A', for standard businesses.

Proc 9. File a notice with INEGI (National Institute of Statistics, Geography and Information)

Time: 1 day

Cost: No cost

Comments: This is a federal procedure required by law, though in practice many do not conduct it.

STARTING A BUSINESS PROCEDURES**Nuevo León**

Standard company legal form: *Sociedad Anónima (SA)*

Minimum starting capital: *MXN 50,000*

City: *Monterrey*

Data as of: *July 2005*

Procedure 1. Obtain authorization for company name (Ministry of Foreign Affairs)

Time: 2 days

Cost: MXN 565

Comments: This is a federal procedure. It is done electronically on one day, then authorization automatically issued the following day.

Procedure 2. Notarize company deeds

Time: 8 days

Cost: MXN 8000

Comments: The notary proceeds to formalize the incorporation statutes in the form of a public deed, as soon as he obtains authorization for the company name. The notary public, being by law a qualified expert, after listening to the parties and determining their free will, drafts the company statutes and formalizes them in a public deed.

Procedure 3. Register the company deed at Public Registry of Commerce

Time: 10 days

Cost: MXN 7608

Comments: The cost for registration depends on the type of company, its activities and the starting capital. It is usually 1% of start-up capital or higher as capital increases.

Procedure 4. Register with Hacienda

Time: 16 days

Cost: No cost

Comments: The notary public (if enrolled in the program) can also access a provisional tax identification code via the Internet, with which the company can carry on with the opening of business, e.g. writing checks and completing other administrative tasks. Later the notary brings the permanent code to the company within 2 to 3 months.

Note that as of October 2005, *Hacienda* in all states provides a permanent tax identification code to companies upon first request, reducing the time to 1 or 2 days.

Procedure 5. Register with IMSS (Mexican Social Security Institute)

Time: 1 day

Cost: No cost

Comments: This is a federal procedure.

Procedure 6. Register with federal tax authorities for payroll tax

Time: 3 days

Cost: No cost

Comments: To complete this procedure, one needs the social security number of the employer. The payroll tax in Nuevo León is 2%.

Procedure 7. Register at the SIEM (Mexican System of Companies Information)

Time: 2 days

Cost: MXN 385

Comments: This is a federal procedure, Law of the Companies' Chambers and its Confederations of the 1st of January, 1997.

Fees by industry standards: 6 or more employees – MXN 670 3 to 5 employees – MXN 350 1 to 2 employees, MXN 150

Fees for business and service: 4 or more employees – MXN 640 3 employees – MXN 300 1 to 2 employees MXN 100

Procedure 8. Obtain *licencia de uso de edificación* (use of building license)

Time: 7 days

Cost: MXN 300

Comments: Note that the cost varies from one municipality to another within the state.

Procedures 9. File a notice with INEGI (National Institute of Statistics, Geography and Information)

Time: 1 day

Cost: No cost

Comments: This is a federal procedure required by law, though in practice many do not conduct it.

STARTING A BUSINESS PROCEDURES

Puebla

Standard company legal form: Sociedad Anónima (SA)

Minimum starting capital: MXN 50,000

City: Puebla

Data as of: July 2005

Procedure 1. Obtain authorization for company name (Ministry of Foreign Affairs)

Time: 2 days

Cost: MXN 565

Comments: This is a federal procedure. It is done electronically on one day, then authorization automatically issued the following day.

Procedure 2. Notarize company deeds

Time: 2 days

Cost: MXN 7000

Comments: The notary proceeds to formalize the incorporation statutes in the form of a public deed, as soon as he obtains authorization for the company name. The notary public, being by law a qualified expert, after listening to the parties and determining their free will, drafts the company statutes and formalizes them in a public deed. Notary fees in Puebla vary between MXN 3000 and MXN 20000, but on average, the amount is MXN 7000.

Procedure 3. Register the company deed at Public Registry of Commerce

Time: 18 days

Cost: MXN 840.96

Comments: The cost for registration depends on the number of pages of the company statutes and the starting capital of the company.

Procedure 4. Register with Hacienda

Time: 20 days

Cost: No cost

Comments: The notary public (if enrolled in the program) can also access a provisional tax identification code via the SAT system (Servicio de Administración Tributaria), with which the company can carry on with the opening of business, e.g. writing checks and completing other administrative tasks. Later the permanent code is sent by mail to the company within about 1 month.

Note that as of October 2005, Hacienda in all states provides a permanent tax identification code to companies upon first request, reducing the time to 1 or 2 days.

Procedure 5. Register with IMSS (Mexican Social Security Institute)

Time: 1 day

Cost: No cost

Comments: This is a federal procedure.

Procedure 6. Register with federal tax authorities for payroll tax

Time: 1 day

Cost: No cost

Comments: To complete this procedure, one needs the social security number of the employer.

Procedure 7. Register at the SIEM (Mexican System of Companies Information)

Time: 2 days

Cost: MXN 385

Comments: This is a federal procedure with reference to the Law of the Companies' Chambers and its Confederations, 1st January 1997.

Fees by industry standards: 6 or more employees – MXN 670 3 to 5 employees – MXN 350 1 to 2 employees, MXN 150

Fees for business and service: 4 or more employees – MXN 640 3 employees – MXN 300 1 to 2 employees MXN 100

Procedure 8. Obtain operational license

Time: 2 days

Cost: MXN 500

Comments: This procedure pertains to all companies. Because this case is classified as low risk, it qualifies for the SARE system (Sistema de Apertura Rápida de Empresas) which deregulates and simplifies a number of economic activities in many states and has since made the process more efficient in Puebla.

Proc 9. File a notice with INEGI (National Institute of Statistics, Geography and Information)

Time: 1 day

Cost: No cost

Comments: This is a federal procedure required by law, though in practice many do not conduct it.

STARTING A BUSINESS PROCEDURES**Querétaro**

Standard company legal form: *Sociedad Anónima (SA)*

Minimum starting capital: *MXN 50,000*

City: *Querétaro*

Data as of: *July 2005*

Procedure 1. Obtain authorization for company name (Ministry of Foreign Affairs)

Time: 2 days

Cost: MXN 565

Comments: This is a federal procedure. It is done electronically on one day, then authorization automatically emitted the following day.

Procedure 2. Notarize company deeds

Time: 7 days

Cost: MXN 5000

Comments: The notary proceeds to formalize the incorporation statutes in the form of a public deed, as soon as he obtains authorization for the company name. The notary public, being by law a qualified expert, after listening to the parties and determining their free will, drafts the company statutes and formalizes them in a public deed.

Procedure 3. Register the company deed at Public Registry of Commerce

Time: 16 days

Cost: MXN 2000

Comments: The cost for registration is a percentage of the starting capital of the company.

Procedure 4. Register with *Hacienda*

Time: 16 days

Cost: No cost

Comments: The notary public (if enrolled in the program) can also access a provisional tax identification code via the Internet, with which the company can carry on with the opening of business, e.g. writing checks and completing other administrative tasks. Later he brings the permanent code to the company within 2 to 3 months.

Note that as of October 2005, *Hacienda* in all states provides a permanent tax identification code to companies upon first request, reducing the time to 1 or 2 days.

Procedure 5. Register with IMSS (Mexican Social Security Institute)

Time: 1 day

Cost: No cost

Comments: This is a federal procedure.

Procedure 6. Register with federal tax authorities for payroll tax

Time: 1 day

Cost: No cost

Comments: To complete this procedure, one needs the social security number of the employer.

Procedure 7. Register at the SIEM (Mexican System of Companies Information)

Time: 2 days

Cost: MXN 385

Comments: This is a federal procedure with reference to Law of the Companies' Chambers and its Confederations 1st January 1997.

Fees by industry standards: 6 or more employees – MXN 670 3 to 5 employees – MXN 350 1 to 2 employees – MXN 150

Fees for business and service: 4 or more employees – MXN 640 3 employees – MXN 300 1 to 2 employees – MXN 100

Procedure 8. Obtain operational license

Time: 6 days

Cost: MXN 400

Comments: Required documents include proof of occupancy permit, workability authorization (*factibilidad de giro*) and permission from civil and environmental protection (all responsibility of the proprietor or building constructor). Through the local SARE office (*Sistema de Apertura Rápida de Empresas*) and SATI (*Sistema de Agilización de Trámites para la Industria*), and their electronic systems, in some cases it is possible to obtain this permit in 2 days.

Procedure 9. File a notice with INEGI (National Institute of Statistics, Geography and Information)

Time: 1 day

Cost: No cost

Comments: This is a federal procedure required by law, though in practice many do not conduct it.

STARTING A BUSINESS PROCEDURES

San Luis Potosí

Standard company legal form: *Sociedad Anónima (SA)*

Minimum starting capital: *MXN 50,000*

City: *San Luis Potosí*

Data as of: *July 2005*

Procedure 1. Obtain authorization for company name (Ministry of Foreign Affairs)

Time: 2 days

Cost: MXN 565

Comments: This is a federal procedure. It is done electronically on one day, then authorization automatically issued the following day.

Procedure 2. Notarize company deeds

Time: 5 days

Cost: MXN 4000

Comments: The notary formalizes the incorporation statutes in the form of a public deed, as soon as he obtains authorization for the company name. The notary public, being by law a qualified expert, after listening to the parties and determining their free will, drafts the company statutes and formalizes them in a public deed.

Procedure 3. Register the company deed at Public Registry of Commerce

Time: 7 days

Cost: MXN 1481

Comments: The cost for registration depends on the number of pages of the company statutes and the starting capital of the company. The time may be reduced for notaries who have access to the electronic system recently implemented, which in San Luis Potosí is about 10% of the notaries.

Procedure 4. Register with Hacienda

Time: 14 days

Cost: No cost

Comments: The notary public (if enrolled in the program) can also access a provisional tax identification code via the Internet, with which the company can carry on with the opening of business, e.g. writing checks and completing other administrative tasks. He brings the permanent code to the company within 2 to 3 months.

Note that as of October 2005, *Hacienda* in all states provides a permanent tax identification code upon first request, reducing the time to 1 or 2 days.

Procedure 5. Register with IMSS (Mexican Social Security Institute)

Time: 1 day

Cost: No cost

Comments: This is a federal procedure.

Procedure 6. Register with federal tax authorities for payroll tax

Time: 1 day

Cost: No cost

Comments: To complete this procedure, one needs the social security number of the employer. In San Luis Potosí, the rate is 2%.

Procedure 7. Register at the SIEM (Mexican System of Companies Information)

Time: 2 days

Cost: MXN 385

Comments: This is a federal procedure with reference to the Law of the Companies' Chambers and its Confederations, 1st January 1997.

Fees by industry standards: 6 or more employees – MXN 670 3 to 5 employees – MXN 350 1 to 2 employees, MXN 150

Fees for business and service: 4 or more employees – MXN 640 3 employees – MXN 300 1 to 2 employees MXN 100

Procedure 8. Notify the Secretary of Public Health of the State of the establishment of a business

Time: 1 day

Cost: MXN1

Comments: This is necessary for any business dealing in goods or services.

Procedure 9. Obtain operational license

Time: 7 days

Cost: MXN 308

Comments: The license is requested at the Municipality of San Luis Potosí at the one-stop-shop (*ventanilla única*). Documentation required includes the occupancy permit (responsibility of the proprietor).

Procedure 10. File a notice with INEGI (National Institute of Statistics, Geography and Information)

Time: 1 day

Cost: No cost

Comments: This is a federal procedure required by law, though in practice many do not conduct it.

STARTING A BUSINESS PROCEDURES**Veracruz**

Standard company legal form: *Sociedad Anónima (SA)*

Minimum starting capital: *MXN 50,000*

City: *Veracruz*

Data as of: *July 2005*

Procedure 1. Obtain authorization for company name (Ministry of Foreign Affairs)

Time: 2 days

Cost: MXN 565

Comments: This is a federal procedure. It is done electronically on one day, then authorization automatically issued the following day.

Procedure 2. Notarize company deeds

Time: 4 days

Cost: MXN 10000

Comments: The notary proceeds to formalize the incorporation statutes in the form of a public deed, as soon as he obtains authorization for the company name. The notary public, being by law a qualified expert, after listening to the parties and determining their free will, drafts the company statutes and formalizes them in a public deed.

Procedure 3. Obtain permit from civil protection

Time: 15 days

Cost: MXN 101

Comments: This procedure involves an inspection from the civil protection, which subsequently issues the permit on the following day.

Procedure 4. Register the company deed at Public Registry of Commerce

Time: 5 days

Cost: MXN 1500

Comments: The cost for registration depends on the number of pages of the company statutes and the starting capital of the company.

Procedure 5. Register with Hacienda

Time: 16 days

Cost: No cost

Comments: The notary public (if enrolled in the program) can also access a provisional tax identification code via the Internet, with which the company can carry on with the opening of business, e.g. writing checks and completing other administrative tasks. Later he brings the permanent code to the company within 2 to 3 months.

Note that as of October 2005, *Hacienda* in all states provides a permanent tax identification code to companies upon first request, reducing the time to 1 or 2 days.

Procedure 6. Register with IMSS (Mexican Social Security Institute)

Time: 1 day

Cost: No cost

Comments: This is a federal procedure.

Procedure 7. Register with federal tax authorities for payroll tax

Time: 1 day

Cost: No cost

Comments: To complete this procedure, one needs the social security number of the employer.

Procedure 8. Register at the SIEM (Mexican System of Companies Information)

Time: 2 days

Cost: MXN 385

Comments: This is a federal procedure with reference to the Law of the Companies' Chambers and its Confederations, 1st January 1997.

Fees by industry standards: 6 or more employees – MXN 670 3 to 5 employees – MXN 350 1 to 2 employees – MXN 150

Fees for business and service: 4 or more employees – MXN 640 3 employees – MXN 300 1 to 2 employees – MXN 100

Procedure 9. File a notice with INEGI (National Institute of Statistics, Geography and Information)

Time: 1 day

Cost: No cost

Comments: This is a federal procedure required by law, though in practice many do not conduct it.

STARTING A BUSINESS PROCEDURES

Yucatán

Standard company legal form: *Sociedad Anónima (SA)*

Minimum starting capital: *MXN 50,000*

City: *Mérida*

Data as of: *July 2005*

Procedure 1. Obtain authorization for company name (Ministry of Foreign Affairs)

Time: 2 days

Cost: MXN 565

Comments: This is a federal procedure. It is done electronically on one day, then authorization automatically issued the following day.

Procedure 2. Notarize company deeds

Time: 4 days

Cost: MXN 6000

Comments: The notary proceeds to formalize the incorporation statutes in the form of a public deed, as soon as he obtains authorization for the company name. The notary public, being by law a qualified expert, after listening to the parties and determining their free will, drafts the company statutes and formalizes them in a public deed. The cost is according to the average fees charged by notaries in Yucatán and depends on the capital of the company and the hourly rate of the notary.

Procedure 3. Register the company deed at Public Registry of Commerce

Time: 15 days

Cost: MXN 343

Comments: The cost for registration depends on the number of pages of the company statutes and the starting capital of the company.

Procedure 4. Register with *Hacienda*

Time: 16 days

Cost: No cost

Comments: The notary public (if enrolled in the program) can also access a provisional tax identification code via the Internet, with which the company can carry on with the opening of business, e.g. writing checks and completing other administrative tasks—this is common practice in Yucatán. Later the notary brings the permanent code to the company within about 1 month.

Note that as of October 2005, *Hacienda* in all states provides a permanent tax identification code to companies upon first request, reducing the time to 1 or 2 days.

Procedure 5. Register with IMSS (Mexican Social Security Institute)

Time: 1 day

Cost: No cost

Comments: This is a federal procedure.

Procedure 6. Register with federal tax authorities for payroll tax

Time: 1 day

Cost: No cost

Comments: To complete this procedure, one needs the social security number of the employer.

Procedure 7. Register at the SIEM (Mexican System of Companies Information)

Time: 2 days

Cost: MXN 385

Comments: This is a federal procedure with reference to the Law of the Companies' Chambers and its Confederations, 1st January 1997.

Fees by industry standards: 6 or more employees – MXN 670 3 to 5 employees – MXN 350 1 to 2 employees, MXN 150

Fees for business and service: 4 or more employees – MXN 640 3 employees – MXN 300 1 to 2 employees MXN 100

Procedure 8. Obtain operational license

Time: 5 days

Cost: MXN 318

Comments: There is a SARE (Sistema de Apertura Rápida de Empresas) in the municipality of Mérida, at which low-risk companies can sometimes obtain their operational license within 3 days, but on average the time is still 5 days. Documents required include the occupancy permit and authorization of establishment of the company.

Procedure 9. File a notice with INEGI (National Institute of Statistics, Geography and Information)

Time: 1 day

Cost: No cost

Comments: This is a federal procedure required by law, though in practice many do not conduct it.

REGISTERING PROPERTY PROCEDURES

Aguascalientes

Property value: \$ 352,450 = MXN 3,803,950

City: Aguascalientes

Data as of: July 2005

Procedure 1. Obtain a non-encumbrance certificate at the Public Property Registry and give preliminary notice of the sale to the Public Property Registry

Time: 1 day

Cost: MXN 80

Comments: The first notice is valid for 30 days. Here the parties also obtain the cadastral alignment and number of the property for presentation to the notary.

Procedure 2*. Request a receipt from municipal treasury/cadastré to prove that all land taxes have been paid

Time: 1 day

Cost: No cost

Comments: Here the parties also obtain the cadastral plot plan for presentation to the notary.

Procedure 3*. Obtain a valuation from an official valuer

Time: 4 days

Cost: MXN 5,000

Procedure 4. Prepare and sign public deed at the notary

Time: 7 days

Cost: MXN 107,804 (MXN 45,039 fees + MXN 62,765 transfer tax)

Comments: At this stage the notary is paid her fees and collects the transfer of property tax, equal to 1.65% of the value of property. It is common practice for the notary to take the amount of the transfer of property tax and retain it in her account for 30 days. There is a limit of 30 days within which the tax has to be paid at the bank.

Note that the notary fees here are an average. The *Ley del Notariado del Estado de Aguascalientes* provides a fee schedule (*arancel*) but this has not been updated since 1987 and in practice notaries charge fees as agreed with each client.

Procedure 5. Notary gives second notice of the sale to the Public Property Registry

Time: 1 day

Cost: No cost

Comments: The notary will give a second notice to the public registry within 2 days of executing the public deed of exchange.

Procedure 6. Register the public deed at the Public Property Registry

Time: 15 days

Cost: MXN 6,890 (registration fee)

Comments: The documentation shall include:

The seller is responsible for gathering the following documentation that must be delivered to the notary public:

- a. Property Title
- b. Public deed(s) containing the incorporation and by-laws of the seller company, together with copy of any public deed(s) containing amendments to the by-laws of the seller company
- c. Public deed(s) containing the powers of attorney granted in favor of the seller's representatives
- d. Receipts evidencing the payment for real estate taxes for 5 years
- e. Receipts evidencing the payment of water fees for 5 years
- f. The Construction License
- g. The Notice of Termination of Construction
- h. The alignment and official number (obtained in Procedure 1)

- i. The cadastral plot plan (obtained in Procedure 2)
- j. General data of the seller's representatives and copy of their official identification
- k. Copy of the official identification of the seller's representatives

The buyer must deliver to the notary public:

- a. Public deed containing the incorporation of the company and by-laws together with copy of any public deeds containing amendment to the by-laws of the buyer.
- b. Public deed(s) containing the granting of powers of attorney in favor of the representative(s) of the buyer
- c. General data of the buyer's representative(s)
- d. Official identification of the buyer's representative(s)

Procedure 7. Proceed to the municipal cadastré to change the title

Time: 7 days

Cost: MXN 120

Comments: Cadastral departments are housed in the Treasury department of all municipalities in the state but only bigger municipalities will have a branch of the state property registry. In all states, the state cadastral offices and the state property registries are not linked.

* procedure is simultaneous with previous procedure

REGISTERING PROPERTY PROCEDURES

Chihuahua

Property value: \$ 378,850 = MXN 4,088,550

City: Ciudad Juárez

Data as of: July 2005

Procedure 1. Obtain a non-encumbrance certificate at the Public Property Registry

Time: 2 days

Cost: MXN 150

Procedure 2*. Request a receipt from municipal treasury/cadastral to prove that all land taxes have been paid

Time: 1 day

Cost: No cost

Procedure 3*. Obtain a valuation from an official valuer

Time: 4 days

Cost: MXN 18,600

Procedure 4. Notary prepares and executes the public deed

Time: 6 days

Cost: MXN 113031.61 (MXN 27, 989.77 fees + MXN 85,041.84 transfer tax)

Comments: The notary public formalizes the purchase agreement in a public deed.

In order to be able to draft the purchase deed the notary requires the following documentation:

- | | |
|--|--|
| a. Original or certified copy of the public deed where the seller acquired the property. | h. Certified copy of the powers of attorney of the person representing the buyer. |
| b. Freedom of liens certificate. | i. Copy of the current registration of the seller before the Foreign Investment Registry (if applicable) |
| c. Current paid property tax receipt (from procedure 2) | j. Copy of the current registration of the buyer before the Foreign Investment Registry (if applicable) |
| d. Current paid water receipt. | k. Last annual tax return of the buyer (if the buyer wishes not to pay the value added tax immediately on the constructions and the income tax on the transaction and wants to accumulate the value to its annual tax return). |
| e. Official plot plan of the real estate (plano catastral) | |
| f. Appraisal of the property. | |
| g. Certified copy of the powers of attorney of the person representing the seller. | |

The notary's fees are based on an official sliding scale based on the property value: The sliding scale was established by the local Congress and is as follows (in MXN):

Value up to 15,690	1,569	From 167,360 to 334,720	5,700.70 + 1.5% over lower limit
From 15,690 to 83,680	1,569 + 3% over lower limit	From 334,720 to 815,880	8,211.10 + 0.75% over lower limit
From 83,680 to 167,360	3,608.70 + 2.5% over lower limit	From 815,880 to 2,719,600	11,819.80 + 0.50% over lower limit
		From 2,719,600 upwards	21,338.40 + 0.30% over lower limit

The fees are calculated on the highest value between the transaction value, the appraisal and the official tax value (valor catastral).

To the fees 10% is added for Value Added Tax (IVA).

Also, please note that the Notary charges additional fees for copies and other items.

The Notary collects from the buyer the transfer of property tax (to be paid to the municipal treasury) that equals 2% of the value of the property calculated on the highest value between the transaction value, the appraisal and the official tax value, plus to the result a 4% special tax for local university funding is added. For example in this case the transfer tax is calculated as follows:

Calculation of transfer tax: MXN 4,088,550 * 2% * 1.04 equals 85,041.84

Procedure 5. Register the public deed at the Public Property Registry

Time: 15 days

Cost: MXN 12,264

Comments: The registration fees are based on the following formula:

2% of the property value + MXN 92.96 and the result multiplied by 4% special tax (for local university funding) with a limit of MXN 12,264.

Procedure 6. Proceed to the municipal cadastral to change the title

Time: 8 days

Cost: MXN 65

* procedure is simultaneous with previous procedure

REGISTERING PROPERTY PROCEDURES

Coahuila

Property value: \$ 382,350 = MXN 4,126,200

City: Torreón

Data as of: July 2005

Procedure 1. Obtain a non-encumbrance certificate at the Public Property Registry

Time: 8 days (2–15)

Cost: MXN 165

Procedure 2*. Obtain a certificate of no debts from the local water department

Time: 1 day

Cost: MXN 200

Comments: This is an optional step but it is common practice to have this document before the notary executes the public deed.

Procedure 3*. Request a receipt from municipal treasury/cadastral to prove that all land taxes have been paid

Time: 3 days

Cost: MXN 100

Comments: The notary takes charge of checking that all land tax payments have been made.

Procedure 4*. Obtain a valuation from an official valuer

Time: 3 days

Cost: MXN 41,262 (1% of value of property)

Procedure 5. Notary prepares and executes the public deed

Time: 11 days

Cost: MXN 103,155 (MXN 41,262 fees + MXN 61,893 transfer tax)

Comments: A preliminary notice is given to the public registry, valid for 2 months. If it expires before the notary goes to register the transfer of property (because the parties have not paid up the notary yet or an authorization from another unit is not ready yet), then the notary can send a second "preventive notice" to the registry about the ensuing registration.

At this stage the notary charges her fees and also collects the transfer of property tax from the parties (1.5 % of value of property). The transfer tax is paid through the bank and the *servicios de impuestos*.

Note that the notary fees are generally charged in accordance with the fee schedule for the state of Coahuila, articles 161, 2, and 172.

Procedure 6. Give a second notice to the Public Property Registry

Time: 1 day

Cost: No cost

Procedure 7. Register the public deed at the Public Property Registry

Time: 21 days

Cost: MXN 32,214

Procedure 8. Proceed to the municipal cadastral to change the title

Time: 9 days

Cost: MXN 240

Comments: Cadastral departments are housed in the Treasury department of all municipalities in the state but only bigger municipalities will have a branch of the state property register. In all states, the state cadastral offices and the state property registries are not linked.

* procedure is simultaneous with previous procedure

REGISTERING PROPERTY PROCEDURES**Estado de México**

Property value: \$192,350= MXN 2,075,700

City: Tlalhepantla

Data as of: July 2005

Procedure 1*. Obtain a non-encumbrance certificate, serving as first notice to the Public Property Registry of the transfer of property

Time: 5–15 days

Cost: MXN 800

Procedure 2*. Obtain a certificate of no debts from the local water department

Time: 10 days

Cost: MXN 300

Comments: This is optional but common practice to submit it as well to the public registry.

Procedure 3*. Request a receipt from municipal treasury/cadastré to prove that all land taxes have been paid

Time: 10 days

Cost: MXN 300

Procedure 4. Obtain a valuation from an official valuer

Time: 10 days

Cost: MXN 9,000

Procedure 5. Notary prepares and executes the public deed

Time: 11 days

Cost: MXN 82,271 (MXN 20,000 fees + MXN 62,271 transfer tax)

Comments: The notary charges her fees and collects the transfer of property tax at this stage, which amounts to 3% of the value of property. The notary pays the amount at the bank within a set time limit. The tax amounts to MXN 62,271.

Procedure 6. Register at the public property registry

Time: 24 days (4–45)

Cost: MXN 8,000

Procedure 7*. Proceed to the municipal treasury/cadastré to change the title of the property

Time: 2 days

Cost: No cost

Comments: All offices that the notary must visit for this transaction are located in the same building.

* procedure is simultaneous with previous procedure

REGISTERING PROPERTY PROCEDURES

Guanajuato

Property value: \$203,950 = MXN 2,201,100

City: Celaya

Data as of: July 2005

Procedure 1. Obtain a non-encumbrance certificate, serving as a first notification to the Public Property Registry of the transfer of property

Time: 3 days (1-5)

Cost: MXN 200

Comments: One can obtain the non-encumbrance certificate online if the notary has access to the RPP electronic system. However, not all notaries have access to this system so the time here is still an average of manual and electronic systems.

Procedure 2*. Obtain a certificate of no debts from the water department

Time: 1 days

Cost: MXN 100

Comments: The Local Water Department is JUMAPA-Junta Municipal de Agua Potable y Alcantarillado.

Procedure 3*. Request a receipt from municipal treasury/cadastre to prove that all land taxes have been paid

Time: 2 days

Cost: MXN 93

Procedure 4*. Obtain a valuation from an official valuer

Time: 5 days

Cost: MXN 7,000 (between 4,000 and 10,000)

Procedure 5. Notary prepares and executes the public deed

Time: 6 days

Cost: MXN 38,519.25 (MXN 22,011 for 1% notary fees + 16,508.25 for 0.75% transfer tax)

Comments: The notary charges his fees and also collects the transfer of property tax at this stage, which amounts to 0.75% of the value of property, in accordance with the Tax Law of Celaya, Guanajuato of 2005. The notary pays the amount at the bank within a set time limit.

Note that the notary fee schedule is set at the state level, but the actual fees charged may vary and are agreed upon with each client.

Procedure 6. Register public deed duly signed by parties and Notary at the Public Registry

Time: 30 days

Cost: MXN 706 (registration fee)

Comments: The seller is responsible for collecting the following documentation and bringing it to the public notary:

- a. Property title
- b. Public deed(s) that have the constitution and company statutes, together with a copy of any company deed (from the selling company) that has modifications to its statutes
- c. Public deed(s) that have the powers authorized to the representatives of the seller (for administrative and property acts, in accordance with the first and second paragraph of article 2064 of the Civil Code of the State of Guanajuato)
- d. Latest receipts of any land tax payments (from procedure 3)
- e. Latest receipts from the water department (from procedure 2)
- f. The construction license
- g. The notice of termination of construction
- h. General data on the representatives of the seller and a copy of their official identification

The buyer should bring to the notary public the following documents:

- a. Public deed(s) that have the constitution and company statutes, together with a copy of any company deed (from the buying company) that has modifications to its statutes
- b. Public deed(s) that have the powers authorized to the representatives of the buyer (for administrative and property acts, in accordance with the first and second paragraph of article 2064 of the Civil Code of the State of Guanajuato) to authorize and undersign negotiations in accordance with article 9 of the General Law on Negotiable Instruments (in case the representative pays with a check or other negotiable instrument)
- c. General data on the representatives of the buyer and a copy of their official identification

Procedure 7*. Proceed to the municipal cadastre to change the title of the property

Time: 7 days

Cost: MXN 90

* procedure is simultaneous with previous procedure

REGISTERING PROPERTY PROCEDURES

Jalisco

Property value: \$ 271,300 = MXN 2,927,900

City: Guadalajara

Data as of: July 2005

Procedure 1*. Obtain a non-encumbrance certificate at the Public Property Registry

Time: 15 days

Cost: MXN 140

Procedure 2*. Request a receipt from municipal treasury/cadastre to prove that all land taxes have been paid

Time: 15 days

Cost: MXN 60

Procedure 3*. Obtain a certificate of no debts from the water department

Time: 1 day

Cost: MXN 60

Comments: The water company is *Sistema Intermunicipal de Agua Potable y Alcantarillado*

Procedure 4*. Obtain a valuation from an official valuer

Time: 15 days

Cost: MXN 15,000

Comments: Expert valuer is from the Municipal Cadastre.

Procedure 5. The Notary prepares and executes the public deed

Time: 4 days

Cost: MXN 83,215 (MXN 17,365 + MXN 65,850)

Comments: The Public Notary will take charge of the preliminary and final registration of the property at the Public Property Registry as well as pay the transfer taxes and capital gains tax.

The amount given to the notary includes, among others :

Notary fees: MXN 17,365 (The source for the notary cost is the *Decreto Numero 14250 : Ley del notariado del Estado de Jalisco. Titulo Segundo. Capito IX del Arancel.*)

Valuation: MXN15,000 (paid in previous procedure)

Transfer Tax (according to table below): MXN 65,850 (the value of property is taken as being closer 3,000,000)

Registration fees: MXN 30 + MXN 15,000

In accordance with Article 30 of the Tax Law of the Municipality of Guadalajara, Jalisco, for the fiscal year 2005, the Tax on Real Estate Transactions is effected and shall be paid in conformity with the chapter corresponding to the Law of the Hacienda Municipal of the State of Jalisco, applying the following:

Lower Limit	Upper Limit	Fixed fee	Marginal tax on the amount exceeding the limit
0.01	300,000.00	0.00	2.00%
300,000.01	500,000.00	6,000.00	2.05%
500,000.01	1,000,000.00	10,100.00	2.10%
1,000,000.01	1,500,000.00	20,600.00	2.15%
1,500,000.01	2,000,000.00	31,350.00	2.20%
2,000,000.01	2,500,000.00	42,350.00	2.30%
2,500,000.01	3,000,000.00	53,850.00	2.40%
3,000,000.01	and upwards	65,850.00	2.50%

In accordance with article 116 of the Law of the Hacienda Municipal, the transfer tax should be paid at the Municipal Treasury within 2 months after the deed is executed by the Notary.

Procedure 6. Register the public deed at the Public Property Registry

Time: 30 days

Cost: 30 + 15,000 for registration fees (already included in amount given to notary)

Comments: The registration fees are equal to 0.5% of the property value, for the preliminary and final registration of the property, in accordance with article 15 of the Law on Taxes of the State of Jalisco for the fiscal year 2005. According to article 104 of the Law on the Public Property Registry of Jalisco, one pays the preliminary registration tax within two working days of signing the deed and the final registration tax once all procedures of the deed and payment of all other relevant taxes is complete.

Procedure 7. Proceed to the municipal cadastre to change the title of the property

Time: 2 days

Cost: No cost

* procedure is simultaneous with previous procedure

REGISTERING PROPERTY PROCEDURES

Nuevo León

Property value: \$512,650 = MXN 5,532,450

City: Monterrey

Data as of: July 2005

Procedure 1. Obtain a non-encumbrance certificate, serving as preliminary notice of the sale to the Public Property Registry

Time: 4 days

Cost: MXN 220.40

Comments: It is advisable and customary (although not legally required) to file for the non-encumbrance certificate with a pre-closing preliminary (preventative) notice of the purported sale, including name of parties involved, so that such sale is the first transaction on the order of priority of recordable acts with respect to the property for 30 days following the filing. In case the relevant registration information is not available, the party should conduct an asset search on the public register of property at the same time. Normally, however, this information should be available on the previous public deed where the title to the property is documented.

Procedure 2. Obtain a valuation from an official valuer

Time: 3 days

Cost: MXN 108.32

Comments: The valuer is commissioned from the Cadastre Department (an agency of the State Finances and General Treasury Secretariat). The calculation of the transfer tax would be based on the cadastral evaluation.

Procedure 3. Notary prepares and executes the public deed

Time: 20 days (15 days to execute the public deed and 5 days for paying the transfer tax)

Cost: MXN 165,649 (MXN 55,000 fees + MXN 110,649 transfer tax)

Comments: Execute Purchase and Sale Public Deed before the Notary Public. The notary will require:

- a. Seller to prove that the property is up to date in payment of real estate property taxes, with the official receipt of payment thereof being sufficient (although not legally required for change of ownership recordation, it is advisable to have evidence of payment of last five years, as well as evidence of payment of utilities)
- b. Incorporation deed, current by-laws and powers of attorney of both seller and purchaser
- c. Official identifications and personal information of individuals representing the parties. Although not legally required for recordation of the transfer of the property, it is advisable to request seller to provide use of land and building permits. There is no official schedule currently for notary fees but it is based on the average that notaries normally charge in Monterrey.

The notary also collects the transfer of property tax at this stage equal to 2% of the higher of purchase price and cadastre value. The payment of the transfer tax is done within 30 days after the execution of the deed. When the notary pays this tax at the Municipal Cadastre/Treasury, this act also serves as the notification of the change of title to the Cadastre.

Procedure 4*. Notary gives second notice of the sale to the Public Property Registry

Time: 1 day (may be on the same day as execution of the public deed)

Cost: MXN 136.05

Comments: File (through the Notary Public) a post-closing ('second') preventive notice describing the transaction, so that the sale is the first transaction on the order of preference of recordable acts for 30 days following the filing. This is advisable although it is not a legal requirement, and may be skipped when a pre-closing ('preliminary') preventive notice is still effective with enough time for the notary to pay the transfer tax and notify the Municipal Cadastre of the sale and information of new owner before the time elapses.

Procedure 5. Register the public deed at the Public Property Registry

Time: 18 days (15–21)

Cost: MXN 9,977 (registration fee)

Comments: The cost is calculated as follows: (2 per thousand for the first MXN 50,000 and 2.5 per thousand for value in excess of MXN 50,000, with minimum of 3 and maximum of 220 quotas. A quota is equal to the minimum daily wage in effect in the Monterrey Metropolitan Area. Current minimum daily wage is MXN 45.35

* procedure simultaneous with the previous procedure

REGISTERING PROPERTY PROCEDURES**Puebla**

Property value: \$194,800 = MXN 2,102,400

City: Puebla

Data as of: July 2005

Procedure 1. Obtain a non-encumbrance certificate and give preliminary notice of the sale to the Public Property Registry

Time: 10 days (5–15)

Cost: MXN 200

Procedure 2*. Obtain a certificate of no debts from the water department

Time: 3 days

Cost: MXN 100

Procedure 3*. Request a receipt from municipal treasury/cadastral to prove that all land taxes have been paid

Time: 3 days

Cost: MXN 100

Procedure 4*. Obtain a valuation from an official valuer

Time: 10 days

Cost: MXN 5,000

Procedure 5. Notary prepares and executes the public deed

Time: 10 days

Cost: MXN 73,584 (MXN 21,024 fees + MXN 52,560 transfer tax)

Comments: The notary also collects and pays on behalf of the parties the transfer of property tax at this stage. It amounts to MXN 52,560 (2.5% of value of property).

Procedure 6. Register the public deed at the Public Property Registry

Time: 45 days

Cost: MXN 4,500

Procedure 7*. Proceed to the municipal cadastre to change the title of the property

Time: 1 day

Cost: No cost

* procedure is simultaneous with the previous procedure.

REGISTERING PROPERTY PROCEDURES

Querétaro

Property value: \$322,456 = MXN 3,479,300

City: Querétaro

Data as of: July 2005

Procedure 1. Obtain a non-encumbrance certificate and give preliminary notice of the sale to the Public Property Registry

Time: 4 days

Cost: MXN 310 (220 +90)

Comments: The non-encumbrance certificate costs 220 pesos and the *aviso preventivo* costs 90 pesos

Procedure 2*. Request a receipt from municipal treasury/cadastral to prove that all land taxes have been paid

Time: 8 days

Cost: MXN 60

Comments: The Notary carries out this procedure.

Procedure 3*. Obtain a certificate of no debts from the water department

Time: 8 days

Cost: MXN 60

Comments: The Local Water Authority is the CEA.

Procedure 4*. Obtain a valuation from an official valuer

Time: 5 days

Cost: MXN 8,116.50 (average between MXN 7,000 and MXN 9,233)

Comments: Notary commissions an expert valuer (*perito*) who serves later to calculate the taxes owed on the value of the property.

Procedure 5. Prepare and sign public deed at the notary

Time: 4 days

Cost: MXN 154,586 (MXN 85,000+MXN 69,586)

Comments: The notary also collects the transfer of property tax at this stage and pays the amount at the municipal treasury at a later date. The transfer tax amounts to 2% of the value of property.

Procedure 6. Notary gives second notice of the sale to the Public Property Registry

Time: 1 day

Cost: MXN 56

Comments: This is also known as the *aviso definitivo* of the transfer of property.

Procedure 7. Register the public deed at the Public Property Registry

Time: 58 days

Cost: MXN 26,094

Comments: The registration cost is equal to 0.6% of the value of the operation plus 25% of the result (in total, it will be 0.75%). Documentation required:

- Property title (first testimony), duly registered in the Public Registry of Property describing the owner as the seller
- Cadastral number (*boleta predial*), duly paid biannually and with the signature of the respective owner
- Official alignment and number (case by case)
- Valuation done by the *perito* or other authorized institution
- Documents that accredit the legal existence and capacity of the persons intervening in the transaction (case by case)
- Evidence of payment of utilities like water and electricity.

Procedure 8. Proceed to municipal cadastral to change the title of property

Time: 21 days

Cost: No cost

Comments: The municipal cadastral is housed in the Treasury. The procedure consists of the revision of the transaction with respect to the value of the property that they have registered against the official valuation by the *perito*, also known as the fiscal value. The office will examine the differences if there are any and review the value.

* procedure is simultaneous with previous procedure

REGISTERING PROPERTY PROCEDURES

San Luis Potosí

Property value: \$208,000 = MXN 2,244,500

City: San Luis Potosí

Data as of: July 2005

Procedure 1*. Obtain a non-encumbrance certificate and give preliminary notice of the sale to the Public Property Registry

Time: 2 days

Cost: MXN 220

Procedure 2*. Request a receipt from municipal treasury/cadastral to prove that all land taxes have been paid

Time: 11 days

Cost: MXN 44.05

Comments: Roughly 10% of notaries have access to an online system and would normally request this and the previous certificates that way in just one day (no-liens certificate and a tax-free certificate).

Procedure 3*. Obtain a valuation from an official valuer

Time: 5 days

Cost: MXN 215 (first deposit for requesting valuation)

Comments: Before issuing the cadastral certificate, an employee of the Municipal Cadastral Department may visit the real estate to verify the status of it. An expert private evaluation from a *perito* would be required only if the value of the property exceeded 5 million pesos. Whereas in other states often a notice of change of title to the Municipal Cadastre is required, this valuation is a way of notifying of the upcoming transfer of property and they will record it as such.

Procedure 4. Pay for cadastral valuation

Time: 1 day

Cost: MXN (0.2% of the cadastral valuation)

Comments: This is paid to the Municipal Cadastral Department.

Procedure 5. Prepare and sign the public deed at the notary

Time: 13 days (8 days for execution of public deed and 5 days for paying taxes)

Cost: MXN 82,148 (MXN44,890 fees +MXN37,258 transfer tax)

Comments: The public notary charges her fee according to the tariff (duty) approved by the State Congress in 1993, which establishes progressive fixed charts depending on the value of the real state. The fee has a maximum limit of 80 days of the minimum wage in San Luis Potosí (MXN44.05) plus the 0.0035% of the value of the real state.

At this stage, the notary also charges the transfer tax, which he pays at the bank at a later date. The transfer of property tax is 1.66% of the value of property as valued in procedure 3.

Procedure 6. Notary gives second notice of the sale to the Public Property Registry

Time: 1 day

Cost: No cost

Procedure 7. Register the public deed at the Public Property Registry

Time: 15 days

Cost: MXN 5,237

* procedure is simultaneous with previous procedure

REGISTERING PROPERTY PROCEDURES**Veracruz**

Property value: \$163,450 = MXN 1,763,800

City: Veracruz

Data as of: July 2005

Note: Each municipality will have a cadastral department but only bigger municipalities have their own branch of the property registry.

Procedure 1*. Obtain a non-encumbrance certificate and give preliminary notice to the Public Property Registry

Time: 5–10 days

Cost: MXN 1,000

Comments: The notary gives preliminary notice to the RPP at a cost of MXN 200, then pays MXN 800 for the non-encumbrance certificate.

Procedure 2*. Obtain an up-to-date certificate on the cadastral value of property and a receipt from municipal treasury/cadastral to prove that all land taxes have been paid

Time: 3 days

Cost: MXN 300

Procedure 3*. Obtain a certificate of no debts from the water department

Time: 3 days

Cost: MXN 300

Comments: This is optional but in general, it is preferable and common practice to have this document at hand.

Procedure 4*. Obtain a valuation from an official valuer

Time: 9 days

Cost: MXN 9,000

Procedure 5. Notary prepares and executes the public deed

Time: 11 days

Cost: MXN 90,552 (MXN 20,000 fees + MXN 70,552 transfer tax)

Comments: The notary charges her fees and also collects the transfer tax at this stage.

Procedure 6. Register the public deed at the Public Property Registry

Time: 20 days

Cost: MXN 5,000

Procedure 7*. Proceed to the municipal cadastre to change the title of the property

Time: 1 day

Cost: No cost

* simultaneous with the previous procedure

REGISTERING PROPERTY PROCEDURES

Yucatán

Property value: \$232,450= MXN 2,508,800

City: Mérida

Data as of: July 2005

Note: All procedures are completed by the notary so that the parties do not have to go to the different offices

Procedure 1. Obtain a non-encumbrance certificate and give preliminary notice of the sale to the Public Property Registry

Time: 2 days

Cost: MXN 35

Procedure 2*. Proceed to municipal cadastre to obtain a plan of construction (*cedula y plano catastral*)

Time: 1 day

Cost: MXN 250

Procedure 3*. Request a receipt from municipal treasury/cadastre to prove that all land taxes have been paid

Time: 2 days

Cost: MXN 20

Comments: In the capital Mérida, less than a majority of the notaries have access to the online service that allows them to pay the registration fees and obtain this certificate immediately.

Procedure 4*. Obtain a valuation from an official valuer

Time: 3 days

Cost: MXN 5,018

Procedure 5. Notary prepares and executes the public deed

Time: 3 days

Cost: MXN 50,678 (MXN50,176 fees + 501.76 transfer tax)

Comments: There are no official notary fees in Yucatán. They are based on notary fees in other states and in the 'Distrito Federal'.

Documents required for the seller:

- a. Property title
- b. Public deed of constitution of the company, including any modifications, as well as the power of attorney of his representative.
- c. Plan of Construction (*Cédula Catastral and Plano Catastral*) obtained in procedure 2.
- d. Receipt of payment of all land taxes.
- e. General data of the seller and his official identification.
- f. Even though not required for the transaction, it is recommended to have the receipts of payment for the utilities like electricity, water, and telephone so the buyer can verify there are no outstanding debts.

Documents required for the buyer:

- a. Public deed of constitution of the company, including any modifications, as well as the power of attorney of his representative.
- b. General data of the buyer and his official identification

The notary also collects the transfer tax at the same time and pays it within 38 days after the transfer of title is officially registered. It is one of the states with the lowest transfer of property tax rate (0.02% of the value of property)

Procedure 6. Notary gives second notice of the sale to the Public Property Registry

Time: 1 day

Cost: No cost

Comments: Usually, the notary gives the second preliminary notice within 2 days of executing the public deed and it is valid for 90 days.

Procedure 7. Register the public deed at the Public Property Registry

Time: 2 days

Cost: MXN 2,750 (registration fee)

Procedure 8. Proceed to the municipal cadastre to change the title of the property

Time: 5 days

Cost: MXN 180

* procedure is simultaneous with previous procedure

Acknowledgments

Contact details of local partners are available
on the Doing Business website at
www.doingbusiness.org

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