



Doing Business in **Hargeisa 2012**

COMPARING REGULATION FOR DOMESTIC FIRMS IN HARGEISA AND WITH 183 ECONOMIES



THE WORLD BANK



IFC International
Finance Corporation
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Doing Business in Hargeisa 2012

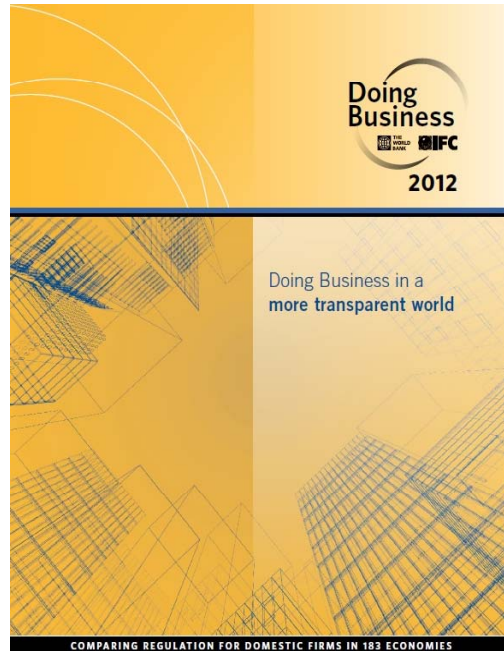


Presentation of report findings

Hargeisa – October 10, 2012

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What does Doing Business measure?



Doing Business indicators:

- ✓ Focus on regulations relevant to the life cycle of a small to medium-sized domestic business.
- ✓ Are measured for the largest economic center in each economy.
- ✓ Are built on standardized case scenarios.
- ✓ Are focused on the formal sector.

DO NOT measure all aspects of the business environment such as: macroeconomic stability, corruption, level of labor skills, proximity to markets, or regulation specific to foreign investment or financial markets.

Doing Business indicators – 11 areas of business regulation (10 included in the DB2012 ranking)

Start-up	Expansion	Operations	Closing
<p>Starting a business</p> <p><i>Minimum capital requirement, procedures, time and cost</i></p>	<p>Registering property</p> <p><i>Procedures, time and cost</i></p> <p>Getting credit</p> <p><i>Credit information systems</i></p> <p><i>Movable collateral laws</i></p> <p>Protecting investors</p> <p><i>Disclosure and liability in related party transactions</i></p> <p>Enforcing contracts</p> <p><i>Procedures, time and cost to resolve a commercial dispute</i></p>	<p>Dealing with construction permits</p> <p><i>Procedures, time and cost</i></p> <p>Paying taxes</p> <p><i>Payments, time and total tax rate</i></p> <p>Trading across borders</p> <p><i>Documents, time and cost</i></p> <p>Getting electricity</p> <p><i>Procedures, time and cost</i></p> <p>Employing workers (annex)</p>	<p>Resolving insolvency</p> <p><i>Time, cost and outcome: Recovery rate</i></p>
<p>Entry</p>	<p>Property rights</p> <p>Investor protection</p> <p>Access to credit</p>	<p>Administrative burden</p> <p>Flexibility in hiring</p>	<p>Recovery rate</p> <p>Reallocation of assets</p>

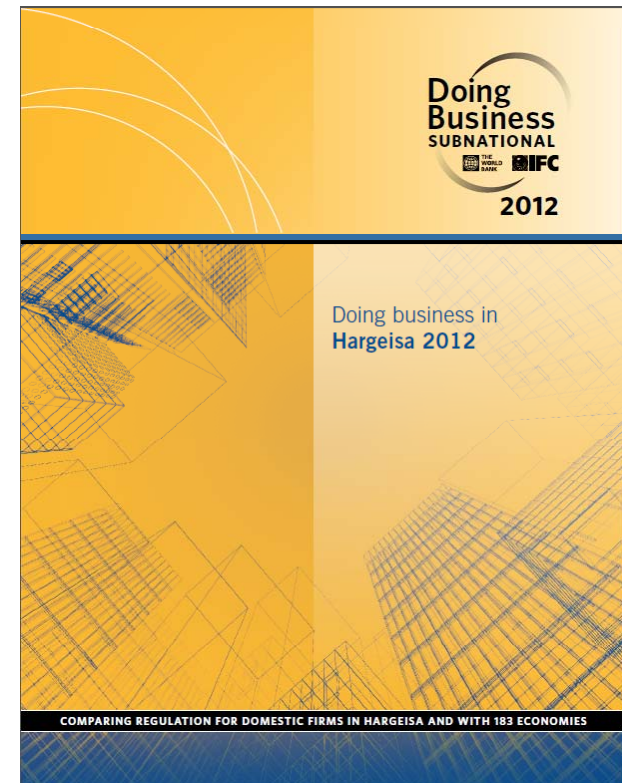
What do city profiles add?



- Provide data on the *Doing Business* indicators for a city not measured by the global report.
- Study rules and regulations at all levels of government.
- Provide a tool for cities to compete globally.
- Combine media appeal with active participation of the government in the reform process.

Doing Business in Hargeisa 2012

- Measures regulations in Hargeisa as they apply to domestic small and medium-size enterprises (*data is as of May 2012*).
- Includes global comparisons with 183 economies and reform recommendations.
- Covers 11 indicators:
 - Starting a business
 - Dealing with construction permits
 - Getting electricity
 - Registering property
 - Getting credit
 - Protecting investors
 - Paying taxes
 - Trading across borders
 - Enforcing contracts
 - Closing a business
 - *Employing workers (annex)*



How does Hargeisa benefit from it?

Generates micro-level data
on business regulations
globally comparable.

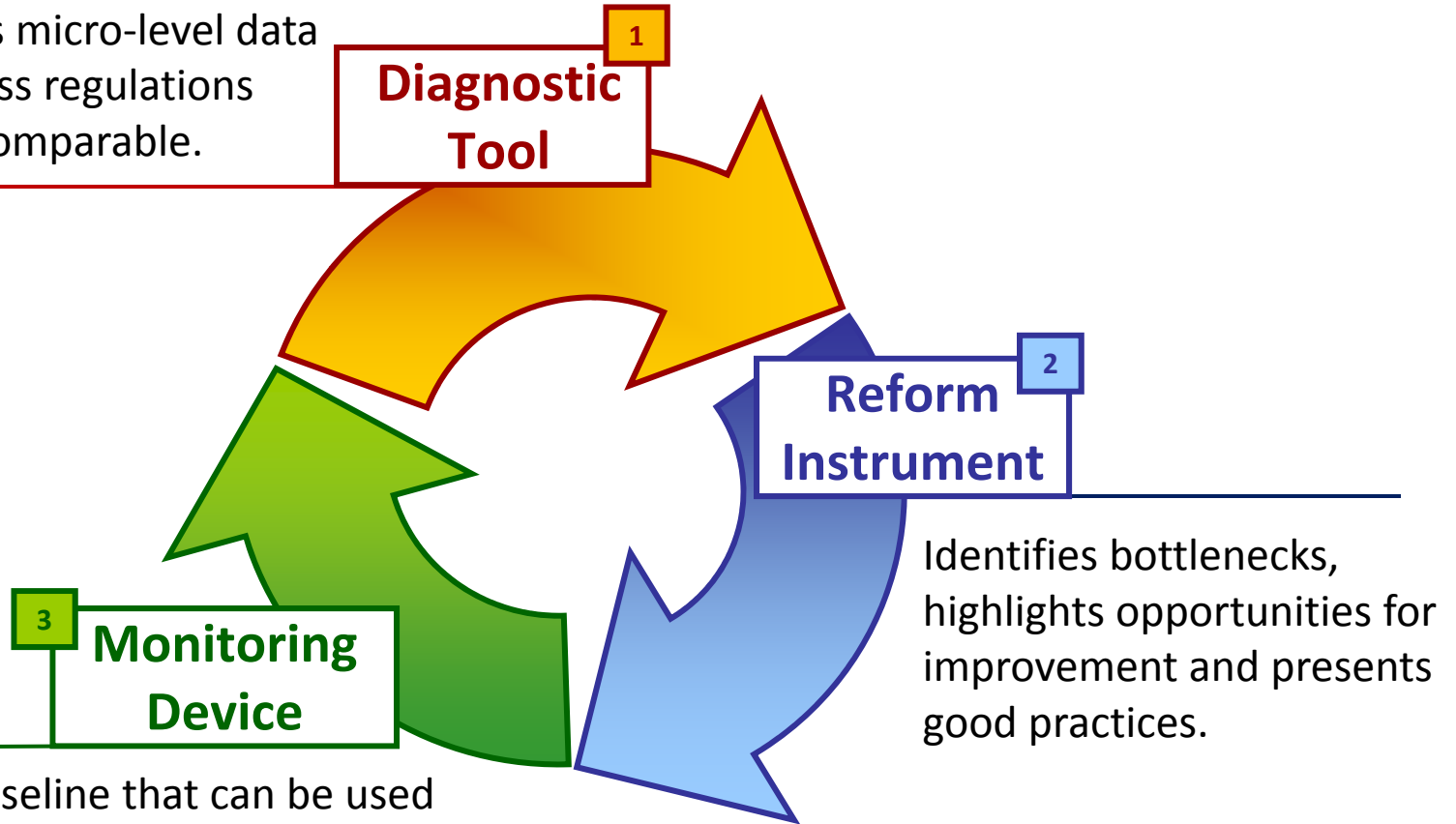
1
**Diagnostic
Tool**

2
**Reform
Instrument**

Identifies bottlenecks,
highlights opportunities for
improvement and presents
good practices.

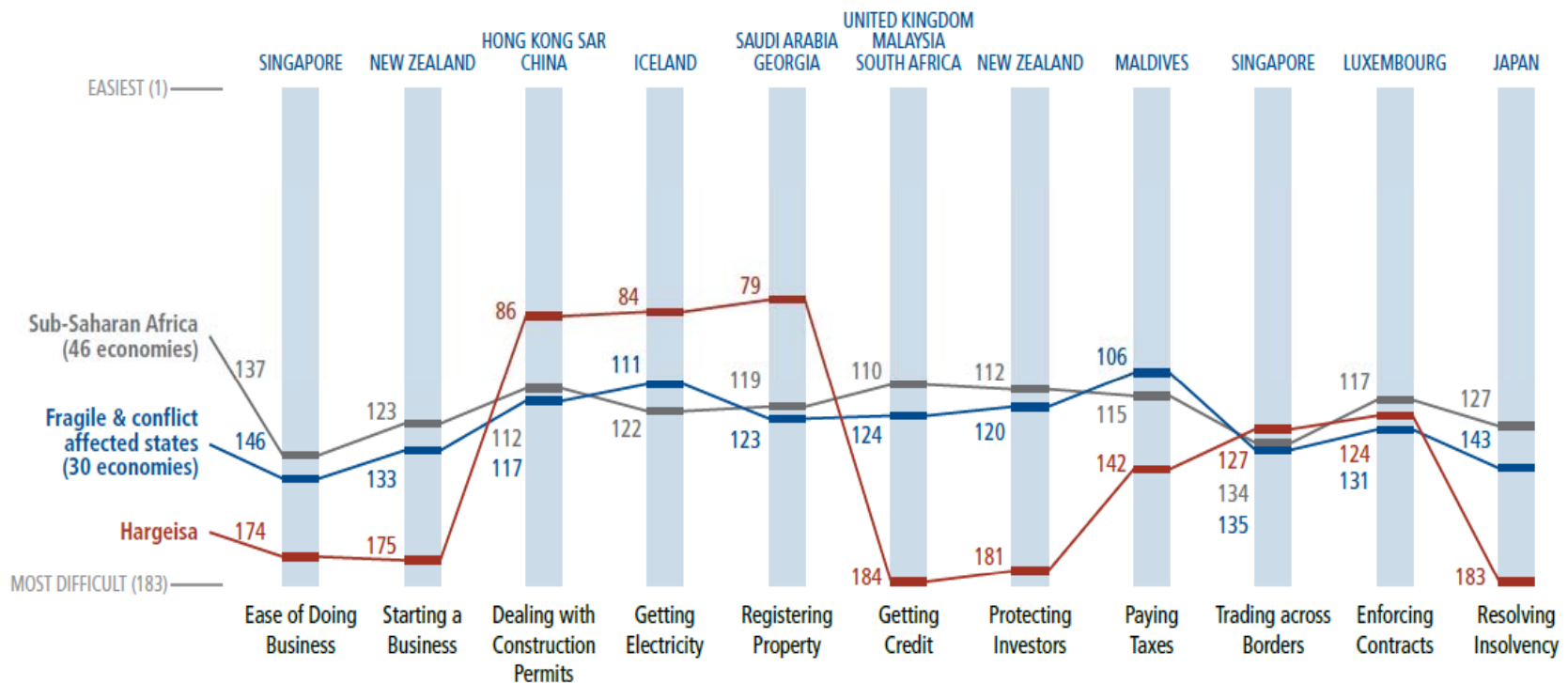
3
**Monitoring
Device**

Creates baseline that can be used
to measure progress over time.



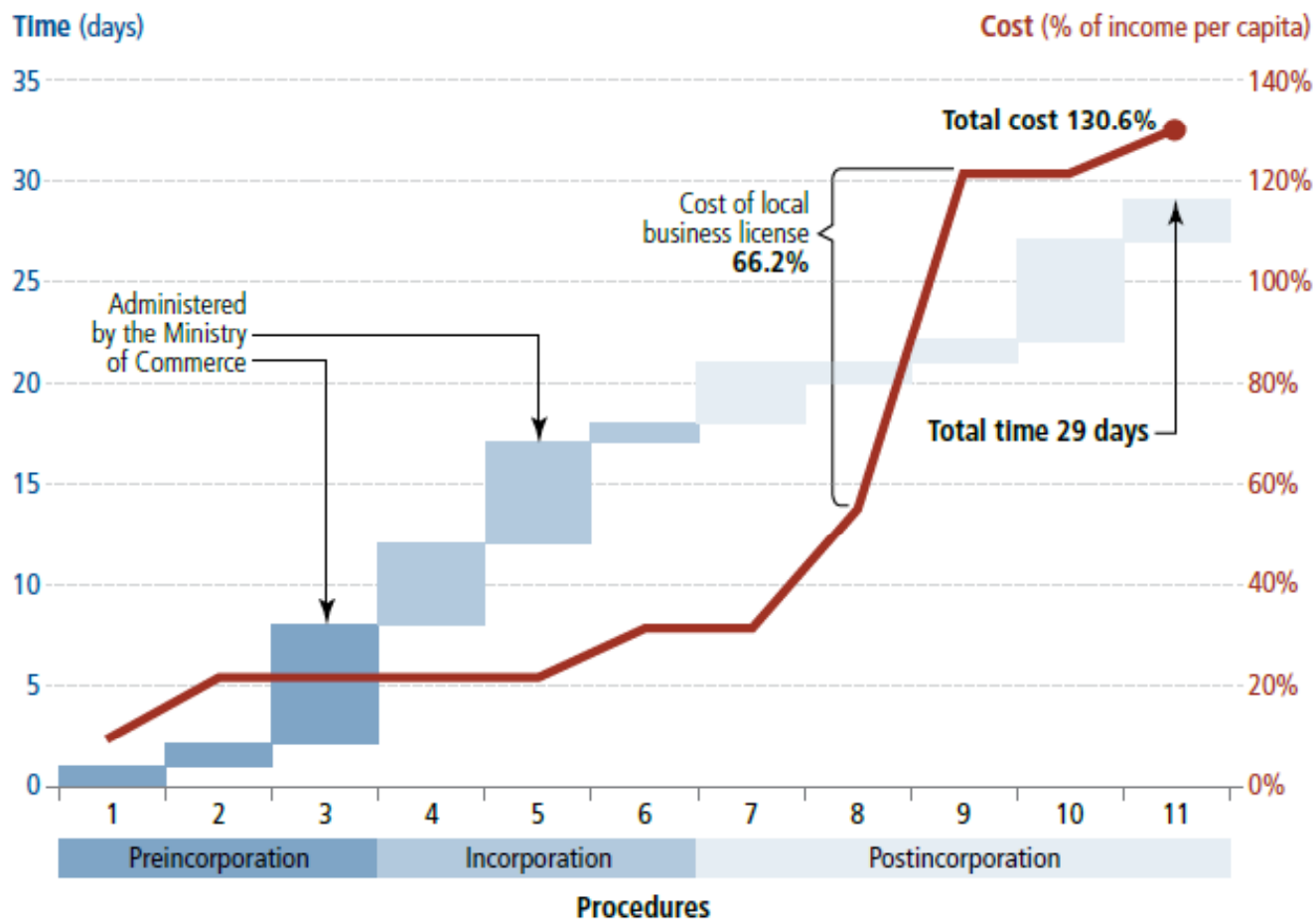
Main findings

- The government has made strides setting up some of the institutions and regulation necessary for businesses to operate. Yet challenges persist including enacting and implementing key business regulations.
- Hargeisa's performance varies by indicator.



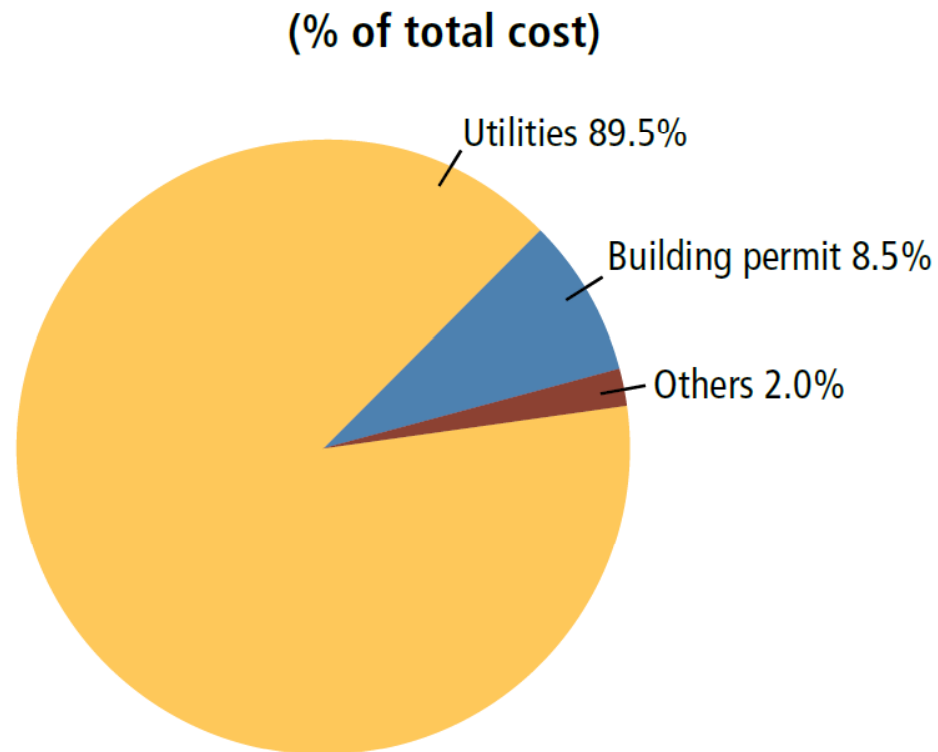
Starting a business is fast but expensive

- Starting a limited liability company in Hargeisa takes 11 procedures, 29 days, and costs 130.6% of income per capita. Minimum paid-in capital requirement is 2,365% of income per capita.



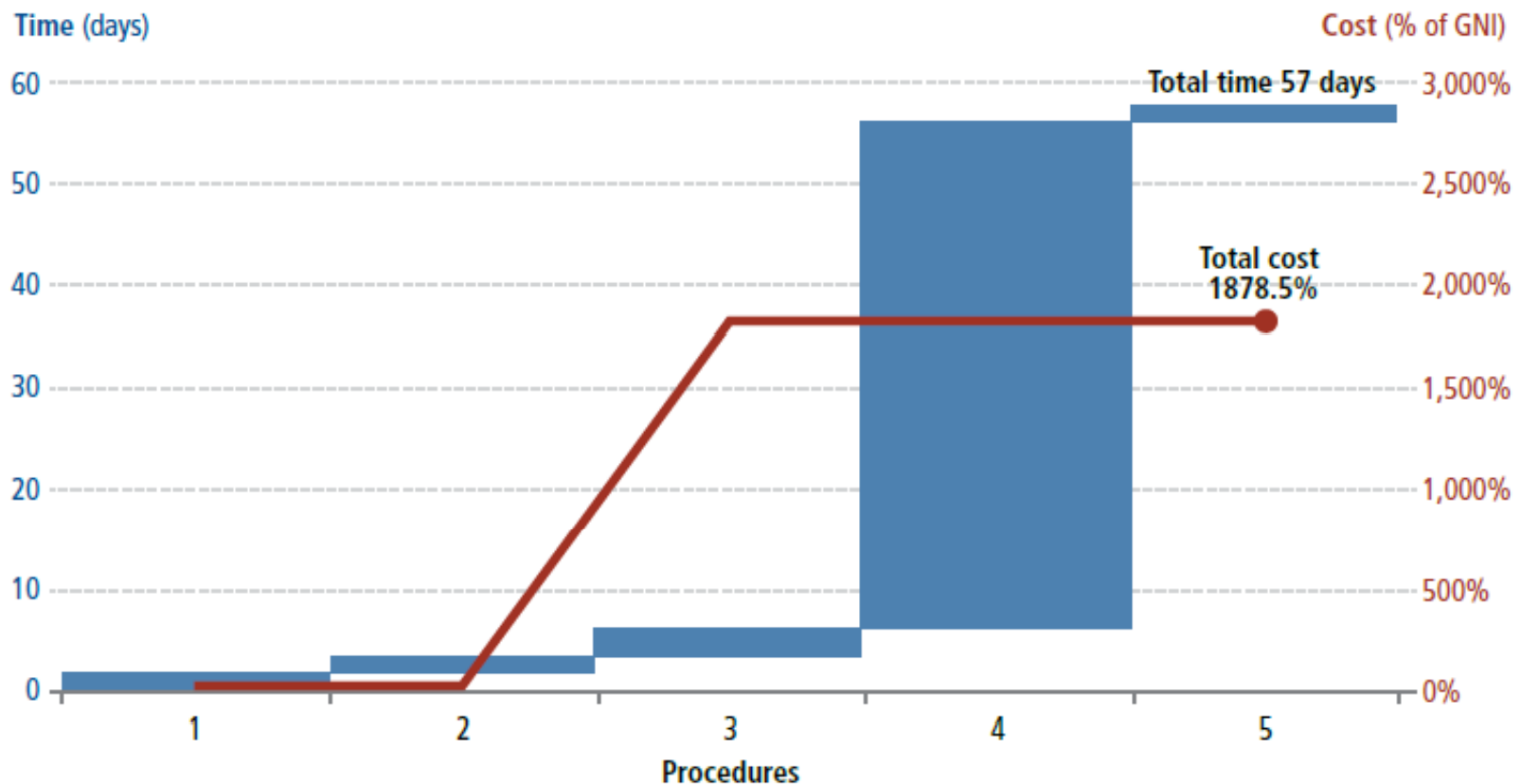
Utility connections make **dealing with construction permits** expensive

- To obtain all permits to build a warehouse and connect it to utilities, it takes 15 procedures, 56 days, and costs 1,039% of income per capita



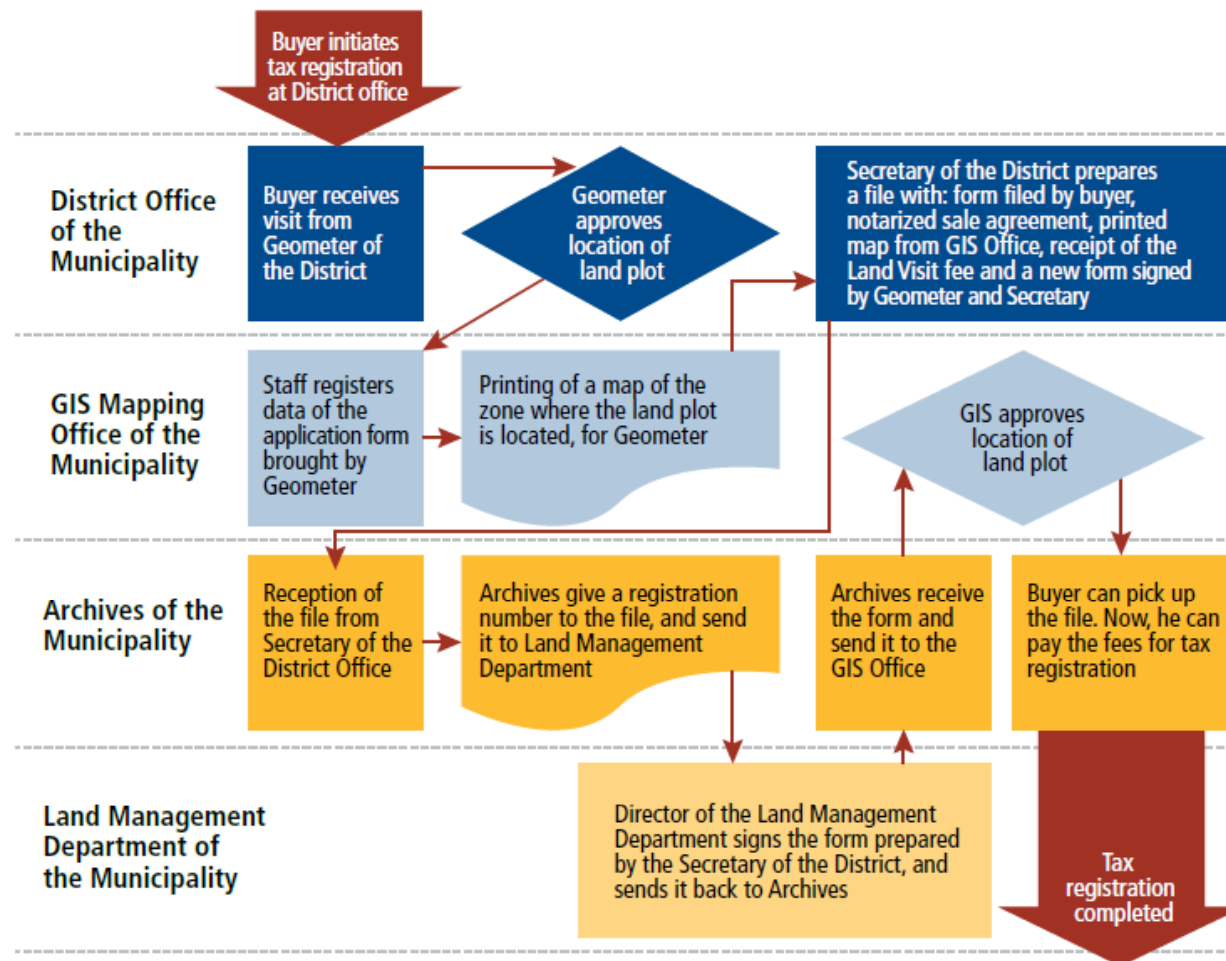
Getting electricity is fast but more expensive than in many regions in the world

- Obtaining an electricity connection in Hargeisa requires 5 procedures, takes 57 days and costs 1,878.5% of income per capita.

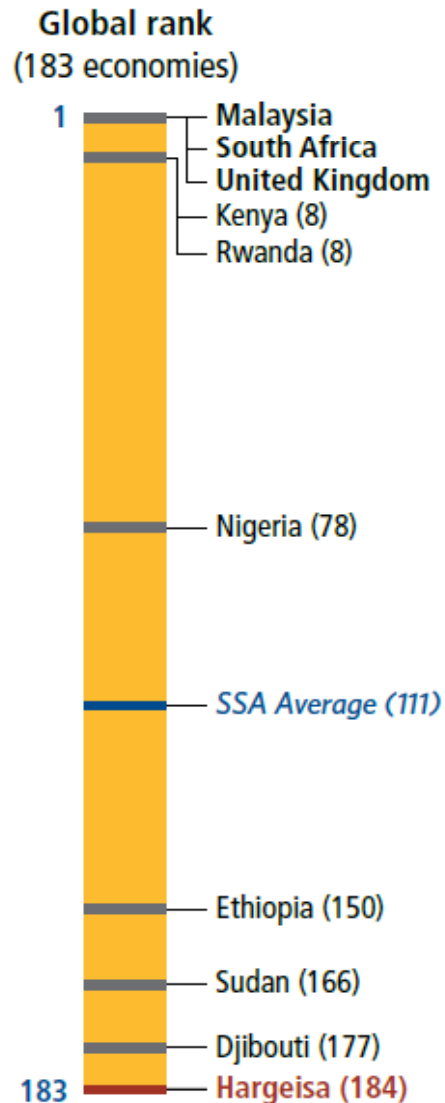


Registering property is fast and cheap, but secured property rights are a concern

- To transfer a property in Hargeisa, an entrepreneur must complete 6 procedures that take 25 days and cost 5.7% of property value.

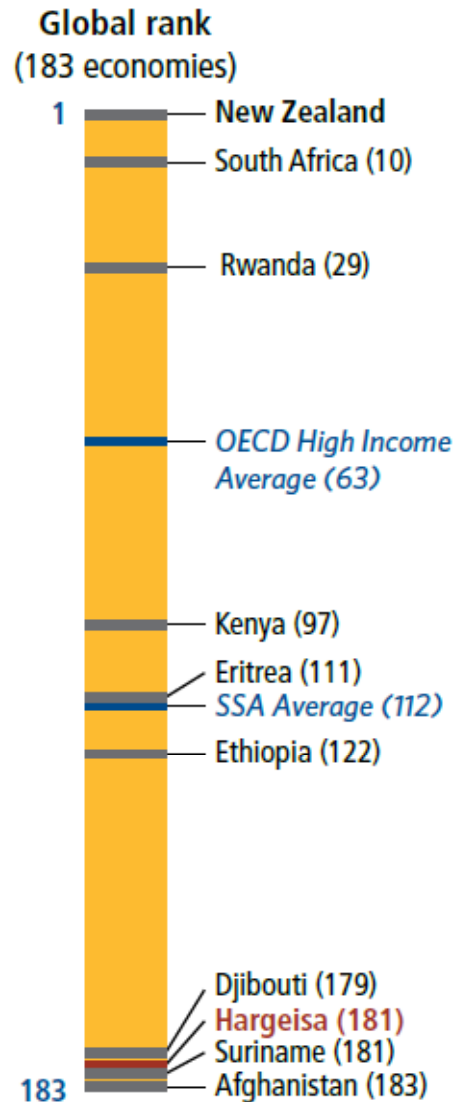


Getting credit is difficult – no credit sharing mechanisms or secured transactions regulation



- **On the strength of legal rights index**
 - Hargeisa scores 0 of 10.
 - No regulation for secured transactions.
 - No unified functioning registry for collateral.
- **On the depth of credit information index**
 - Hargeisa scores 0 of 6.
 - No credit information registry or bureau.

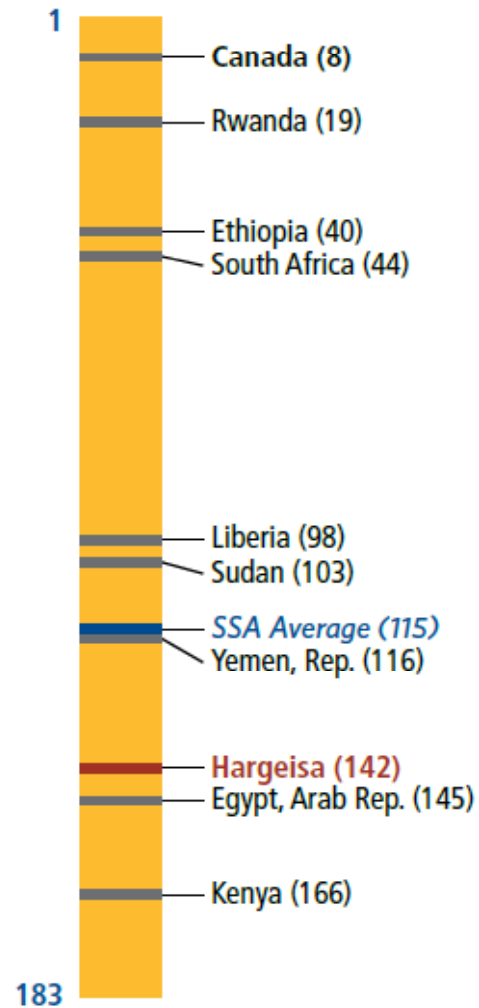
The laws protecting investors offer limited protection to minority shareholders



- Hargeisa scores 2 of 10 on the overall **strength of investor protection** index:
 - 2 out of 10 on the extent of **disclosure** index
 - 3 out of 10 on the **director liability** index
 - 1 out of 10 on the ease of **shareholder suits** index

Paying taxes is fast but the total tax rate is high

Global rank
(183 economies)

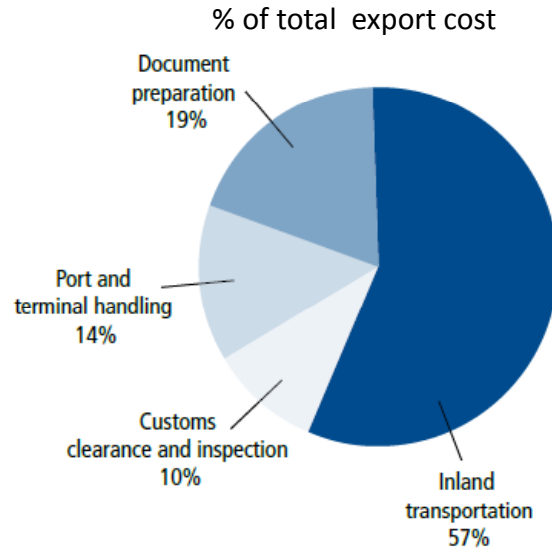


- A company spends 188 hours per year making 34 tax payments, and pays 101.9% of its profits paying taxes.
- Lack of compliance and transparency are major obstacles.

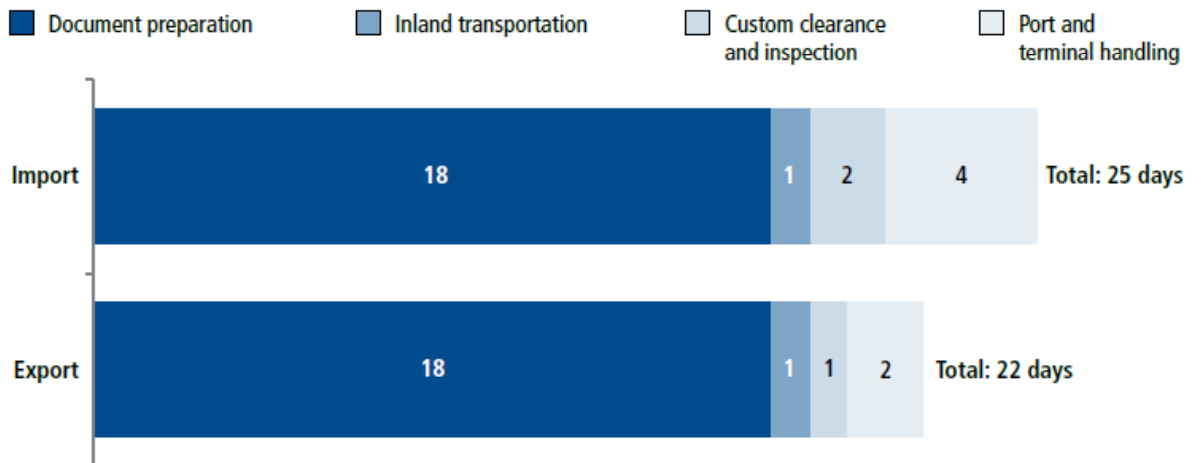
Trading across borders is faster and cheaper than the Sub-Saharan Africa average

- To import: submit 7 documents, wait 25 days, and spend \$ 1,920
- To export: submit 6 documents, wait 22 days, and spend \$ 1,940

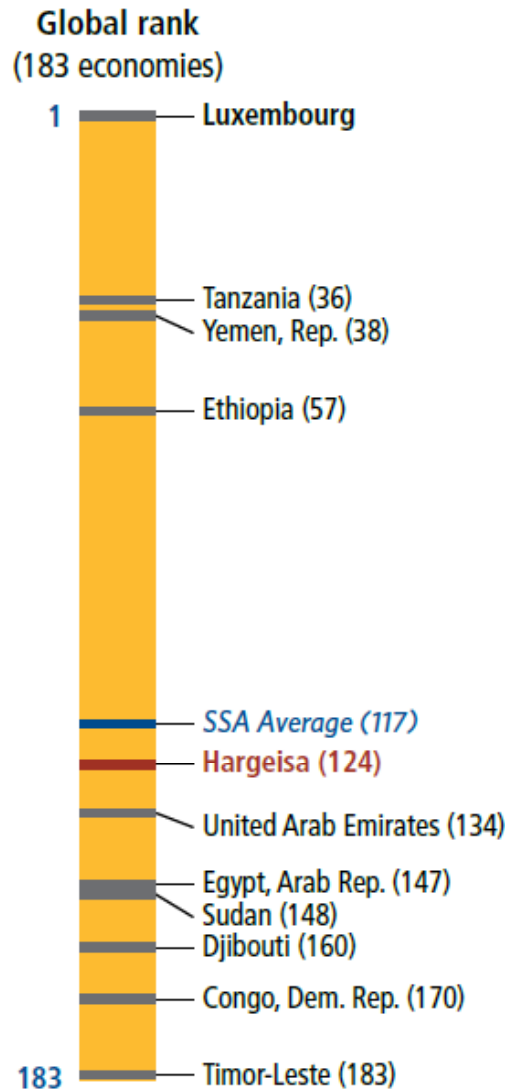
Inland transportation drives the cost up



Obtaining a letter of credit is the biggest bottleneck in terms of time

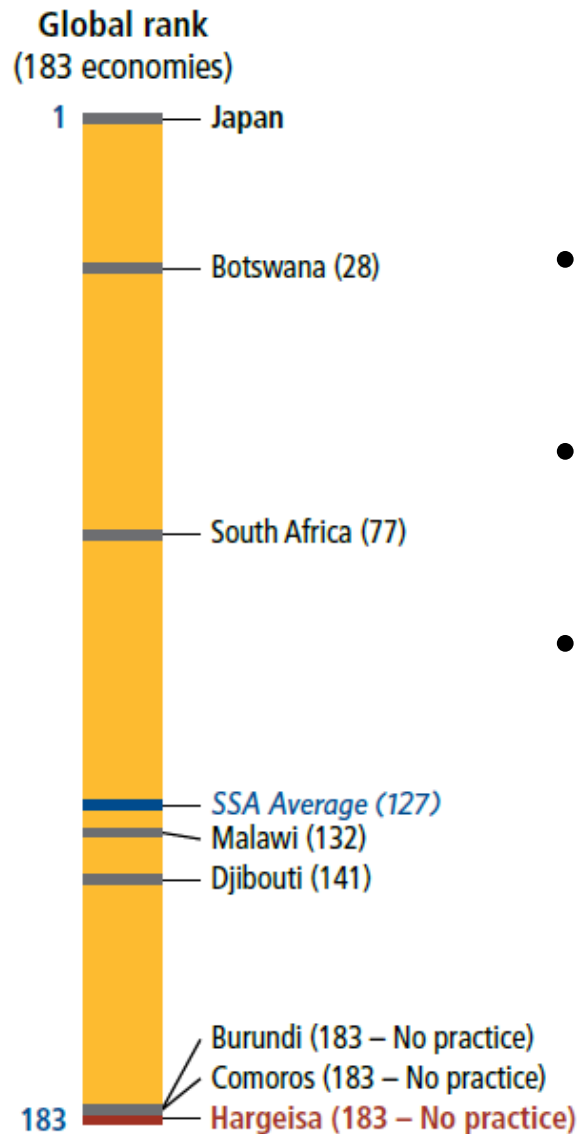


Enforcing contracts is fast, but few cases go to court



- Enforcing a contract takes 52 procedures over 281 days and costs 40.4% of the claim value.
- The short time to enforce a contract is partly due to the low caseload, because most cases are solved through traditional justice mechanisms.
- The judiciary was reestablished in the past decade and there are promising signs: legal professionals are back, law faculties have opened their doors, and courthouses have been rebuilt.

Resolving insolvency is considered a no practice indicator



- Formal bankruptcy proceedings are rarely used in Hargeisa.
- *Doing Business* methodology requires at least 5 cases a year during the last 5 years.
- Hargeisa is classified as a “no practice economy”.

Moving forward

- Complete legal and regulatory framework
- Reduce costs across the indicators measured
- Streamline administrative procedures
- Improve compliance with regulations

Why does it matter?

- Improving business start up is associated with an increase in **economic growth** and investment rate.
- Lowering barriers to entry correlates to less perceived **corruption** and a smaller **informal** sector.
- Removing barriers also gives opportunities of **inclusion** to youth and women.
- Efficient property registration can make it easier to transfer property and can help boost the number of property registration.

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Thank you!

www.doingbusiness.org/Hargeisa