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News Release

Doing Business 2007: Africa lifts pace of reform to encourage business, jobs, and growth; Ghana and Tanzania make global list of top ten reformers

WASHINGTON, D.C., September 6, 2006 – Doing business became easier in Africa in 2005–2006, according to a new report by the World Bank and the International Finance Corporation (IFC). For the first time, Africa made the top three among reforming regions, after Eastern Europe and the OECD countries. Forty-five regulatory reforms in 30 economies in the region reduced the time, cost, and hassle for businesses to comply with legal and administrative requirements. Two-thirds of African countries made at least one reform.

Doing Business 2007: How to Reform finds that two African countries—Ghana and Tanzania—made the list of top 10 reformers on the ease of doing business across 175 economies. Ghana ranked ninth and Tanzania tenth. The top 10 reformers are, in order, Georgia, Romania, Mexico, China, Peru, France, Croatia, Guatemala, Ghana, and Tanzania. Reformers simplified business regulations, strengthened property rights, eased tax burdens, increased access to credit, and reduced the cost of exporting and importing.

Doing Business 2007 also ranks 175 economies on the ease of doing business—covering 20 more economies than last year’s report. The top-ranked countries in Africa are South Africa (29), Mauritius (32), and Namibia (42). Guinea-Bissau (173) and the Democratic Republic of Congo (175) rank lowest in the region. The Democratic Republic of Congo also ranks lowest in the world.

The top 30 economies on the ease of doing business are, in order, Singapore, New Zealand, the United States, Canada, Hong Kong (China), the United Kingdom, Denmark, Australia, Norway, Ireland, Japan, Iceland, Sweden, Finland, Switzerland, Lithuania, Estonia, Thailand, Puerto Rico, Belgium, Germany, the Netherlands, Korea, Latvia, Malaysia, Israel, St. Lucia, Chile, South Africa, and Austria.

The rankings track indicators of the time and cost to meet government requirements in business start-up, operation, trade, taxation, and closure. They do not track variables such as macroeconomic policy, quality of infrastructure, currency volatility, investor perceptions, or crime rates.

Ghana, the top reformer in Africa, reformed trade, tax, and property administration. It introduced a single-window clearance process at customs where traders can now file all paperwork—for all agencies—at one place. Clearance time dropped from seven days to three days for imports and from four days to two days for exports. Ghana also reduced the corporate tax rate and reconstruction levy for businesses, cutting the

overall tax burden from 35.6 percent to 32.3 percent of profits. And it decreased the stamp duty on property transfers from 2 percent to 0.5 percent of the property value.

Other notable reforms in the region:

- **Tanzania**—the tenth-ranked reformer worldwide—reduced the cost to register new businesses by 40 percent through a reduction in licensing requirements. It introduced a new electronic customs clearance system and implemented risk-based inspections of cargo to cut turnaround time. Customs clearance times dropped from 51 to 39 days for imports and 30 to 24 days for exports. Tanzania also cut fees associated with transferring property by 3 percent and revised its company law to better protect small investors.
- **Nigeria** embarked on a large-scale court reform to improve court efficiency. The time to resolve simple commercial cases dropped from 730 days to 457, and now close to one-third are settled during pretrial conferences. When contracts are enforced more efficiently, businesses expand their trade networks, employ more workers, and have easier access to credit. Nigeria also cut registration time for property from 274 days to 80 days by placing time limits on government consent and digitizing records; it also updated customs clearance software, increasing information sharing among government units handling imports and exports. Import delays dropped eight days, and export delays dropped 16 days. A postclearance audit system ensures that improvements to port operations will continue.
- **Rwanda** reorganized its court structure under a new constitution and introduced a specialized commercial division in the high court. To ease company start-up, a presidential decree increased authorized notaries from one (a legacy from King Leopold's colonial era) to 33, with 449 expected once implementation is complete. As a result, time to register a new business fell from 21 days to 16 days. Rwanda also decreased its corporate income tax rate from 35 percent to 30 percent in 2005.
- **Kenya** replaced its paper-based customs administration with an electronic data interface system. Traders can electronically submit their customs declarations and pay for customs duties online. Importing sped up by seven days as a result. Kenya also eliminated 26 licensing requirements for businesses, with a proposed cut of 92 more.
- **Niger** sped new company registration by nine days (from 35 to 24 days) by permitting legal clerks to continue with registration while founders obtain the criminal records, previously a prerequisite. It also cut compliance costs by standardizing inspections of construction sites and limited the total number to two.
- **Mauritius** launched a public credit information bureau within the central bank to collect and distribute credit information. Now lenders can check the credit history for 10 percent of Mauritian adults before extending them loans. Mauritius also made property transfers easier with a 50 percent cut in the registration tax: from 10 percent to 5 percent of the property's value.
- **Mali** eased construction requirements by placing a time limit on obtaining a building permit. It also streamlined on-site inspections. These reforms cut construction time by two months and reduced the cost by 36 percent.
- **Burundi** cut the time to resolve simple business disputes from 433 to 403 days. It also adopted its first bankruptcy law, providing more detailed guidelines for administrators and setting time limits for accomplishing major steps in closing down the business.
- **Lesotho** computerized its tax system and unified VAT and income tax registration forms. Tax registration for new companies can now be accomplished in one day. Time for businesses to comply with tax regulations decreased from 564 to 352 hours annually.

- **Benin, Ethiopia, Madagascar, Mozambique, and Uganda** eased registration requirements for new companies, making it easier for them to operate in the formal sector and facilitating their access to credit, allowing them to grow.
- **Botswana, the Central African Republic, Côte d'Ivoire, Mauritania, Seychelles, South Africa, and Swaziland** strengthened property rights by making it easier to transfer titles on real estate.

More reforms are underway in Africa, and these will show up in next year's rankings. Several countries are becoming more ambitious. Mauritius, for example, currently ranked 32 on ease of doing business, has set a goal of reaching the top 10 by 2009.

"Such progress is sorely needed. African countries would greatly benefit from new enterprises and jobs, which can come with more business-friendly regulations," said Michael Klein, World Bank-IFC vice president for finance and private sector development and IFC chief economist. "Big improvements are possible. If an African country adopts the region's best practices in the 10 areas covered by *Doing Business*, it would rank eleventh globally."

The report finds that particular remaining obstacles in the region are complicated and costly business start-up procedures and lengthy import and export procedures. For example, in Guinea-Bissau, starting a business takes 233 days and costs double what the average worker earns in a year. In Burundi, it takes 80 days to export goods from the country, at a cost of \$3,625 a container load.

Doing Business allows policymakers to compare regulatory performance with other countries, learn from best practices globally, and prioritize reforms. "The annual *Doing Business* updates have already had an impact. The analysis has inspired and informed at least 48 reforms around the world. The lesson—what gets measured gets done," said Caralee McLiesh, an author of the report.

Globally, the most popular reform in 2005–2006 was easing the regulations of business start-up. Forty-three countries simplified procedures, reducing costs and delays. The second most popular reform—implemented in 31 countries—was reducing tax rates and the administrative hassle of paying taxes.

Whatever reformers do, they should always ask the question, Who will benefit the most? If reforms are seen to benefit only foreign investors, or large investors, or bureaucrats-turned-investors, they reduce the legitimacy of the government. "Reforms should ease the burden on all businesses: small and large, domestic and foreign, rural and urban. This way there is no need to guess where the next boom in jobs will come from. Any business will have the opportunity to thrive," said Simeon Djankov, an author of the report.

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The Doing Business project is based on the efforts of more than 5,000 local experts – business consultants, lawyers, accountants, government officials, and leading academics around the world, who provided



methodological support and review. The data, methodology, and names of contributors are publicly available online at <http://www.doingbusiness.org>.

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