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News Release

Doing Business 2007: Business Becomes Easier Worldwide; African Nations Push Through Regulatory Reforms

WASHINGTON, D.C., September 6, 2006 – Doing business became easier worldwide in 2005/06, according to a new report by the World Bank and the International Finance Corporation (IFC), the private sector arm of the World Bank Group. Two hundred and thirteen regulatory reforms—in 112 economies—reduced the time, cost, and hassle for businesses to comply with legal and administrative requirements. The report also finds that Africa is reforming and ranks the region's progress ahead of Asia, Latin America, and the Middle East.

Doing Business 2007: How to Reform finds that the top-10 reformers on the ease of doing business, in order, are Georgia, Romania, Mexico, China, Peru, France, Croatia, Guatemala, Ghana, and Tanzania. Thirteen other economies—Armenia, Australia, Bulgaria, Czech Republic, El Salvador, India, Israel, Latvia, Lithuania, Morocco, Nicaragua, Nigeria and Rwanda—had three or more reforms. 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 30 economies in the world, in order, are 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 report points out that in many economies the costs of doing business are so prohibitive that most entrepreneurs are forced to operate outside the formal economy," said Paul Wolfowitz, President of the World Bank Group. "The report is a critical tool for developing countries to determine where more reforms are needed," he said.

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

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.

Georgia was the top reformer in 2005/06, improving in 6 of the 10 areas studied by *Doing Business*. It reduced the minimum capital required to start a business, sped up customs, licensing, and court procedures, and made labor regulation more flexible. Business registrations rose by 55% between 2005 and 2006. And unemployment has fallen by 2 percentage points.

China and Eastern European countries were also active in enacting reforms. China sped business entry, increased investor protections, and reduced red tape in trading across borders. It also established a credit information registry for consumer loans. Now banks can check credit histories of 340 million citizens before extending them loans. The desire to join the European Union inspired reformers in Bulgaria, Croatia, and Romania (the second-fastest reformer). And regulatory competition in the enlarged union added to Latvia's momentum for reform.

For the first time, Africa makes the top-three among reforming regions, after Eastern Europe and the OECD countries. Two-thirds of African countries made at least one reform, and Tanzania and Ghana rank among the top 10 reformers. In Côte d'Ivoire registering property took 397 days in 2005. Reforms eliminated a requirement to obtain governmental consent to transfer property, decreasing the time to 32 days. Burkina Faso cut the procedures for starting a business from 12 to 8 and the time from 45 days to 34. Madagascar reduced the minimum capital for start-ups from 10 million francs to 2 million. Tanzania introduced electronic data interexchange and risk-based inspections at customs. The time to clear imports fell by 12 days. Gambia, Nigeria, and Tanzania reduced delays in the courts.

"Such progress is sorely needed. African countries still have the most complex business regulations. They 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 Financial and Private Sector Development and IFC Chief Economist. "Big improvements are possible. If an African country adopts the region's best practices in the ten areas covered by *Doing Business*, it would rank 11th globally."

The most popular reform in 2005/06 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 the names of contributors are publicly available online at www.doingbusiness.org.

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