

Doing Business 2008: Ghana and Kenya Set Pace of Reform in Africa, Mauritius Is Region's Easiest Place to Do Business

WASHINGTON, D.C., September 26, 2007 – Doing business has become easier in some parts of Africa, finds Doing Business 2008—the fifth in an annual series issued by the World Bank and IFC. In 2006/07, 24 African countries implemented 49 reforms. In the regional rankings on the pace of reform, however Africa fell from third place to fifth, overtaken by South Asia and by the Middle East and North Africa.

Ghana and Kenya both rank among the top 10 reformers worldwide this year, and made the most significant advance in the aggregate ease of doing business rankings amongst countries in Africa. Mauritius, with six reforms, tops the rankings in Africa on the ease of doing business and places 27th in the global rankings. Burkina Faso and Mozambique continue to become more business-friendly.

The top 10 reformers globally—including the two in Africa—are, in order, Egypt, Croatia, Ghana, FYR Macedonia, Georgia, Colombia, Saudi Arabia, Kenya, China, and Bulgaria. Another 11 countries, including three in Africa, had three or more reforms: Armenia, Bhutan, Burkina Faso, the Czech Republic, Guatemala, Honduras, Mauritius, Mozambique, Portugal, Tunisia, and Uzbekistan. Reformers made it simpler to start a business, strengthened property rights, enhanced investor protections, increased access to credit, eased tax burdens, and expedited trade while reducing costs. Worldwide, 200 reforms—in 98 economies—were introduced between April 2006 and June 2007.

The report finds that higher rankings on the ease of doing business are associated with higher percentages of women among entrepreneurs and employees. “The benefits of regulatory reform are especially large for women,” said Sylvia Solf, an author of the report. “Women often face regulations that may be designed to protect them but that instead force them into the informal sector. There women have little job security and few social benefits,” she added. In the Democratic Republic of Congo, where women need their husbands’ consent to start a business, they run only 18 percent of small businesses. In neighboring Rwanda, which has no such regulations, women run more than 41 percent of small businesses.

Top reformers in Africa in 2007

Ghana, a top 10 reformer for the second year running, continues to increase the efficiency of its public services. It cut bottlenecks in property registration, reducing delays from six months to one. Greater efficiency at the company registry and the environment agency cut the time for business start-up to 42 days. Changes in the port authority's operations sped up imports. New civil procedure rules and mandatory arbitration and mediation reduced the time it takes to enforce contracts.

Kenya, the region's other top 10 reformer, launched an ambitious licensing reform program. So far the program has eliminated 110 business licenses and simplified eight others. The changes have streamlined business start-up and cut both the time and cost of getting building permits. The program will eventually eliminate or simplify at least 900 more of the country's 1,300 licenses. Property registration is also faster now, thanks to the introduction of competition among land valuers. And the country's private credit bureau now collects a wider range of data.

Mauritius, already the region's most business-friendly country, made it even easier to do business, in part by simplifying taxes. A three-year program is harmonizing the tax system and ultimately will create a single corporate tax rate with few tax credits or tax holidays. Other reforms reduced the property registration fee to 5 percent of the property value and simplified construction permitting. A central database now links the company registry with tax, social security, and local authorities—shortening business start-up to just one week. A new risk management system accelerated customs clearance for low-risk importers. And a new law will help creditors recover their debt faster in bankruptcy cases.

Burkina Faso introduced specialized commercial chambers in the general courts and lowered the cost of enforcing a judgment by cutting the related registration tax from 4 to 2 percent of the judgment amount. The cost of property registration was reduced to 12.2 percent of the property value. And a one-stop shop for company registration cut the time for business start-up to 18 days.

Mozambique replaced legislation dating from 1888 with a new commercial code that introduces stricter corporate governance rules and strengthens the rights of minority shareholders. The new commercial code also modernizes the business registration process, cutting provisional registration and making notaries optional. Start-up time for new firms fell by almost three months. Specialized judges for commercial cases should improve court efficiency.

Other notable reforms in the region

- **Burundi** abolished its property registration tax. Benin and Guinea-Bissau reduced their rates for such taxes.
- **The Democratic Republic of Congo** launched specialized commercial courts. New court rules set strict deadlines, for example, eight days to appeal judgments.
- **Côte d'Ivoire**, Lesotho, Seychelles, and Sierra Leone reduced the tax burden on companies by simplifying tax structures and lowering rates.
- **Lesotho** adopted a new law allowing married women to transfer land without their husbands' signature.
- **Madagascar** cut business start-up to just seven days by eliminating five procedures and streamlining operations at its one-stop shop. The port authority introduced an electronic data interchange system and privatized port and terminal handling, injecting much-needed capital and operational expertise. These changes, along with simpler requirements for documentation, helped speed exports.
- **Malawi** launched the commercial division of its high court and appointed specialized commercial judges.
- **Mali and Niger** sped up property registration by decentralizing and reorganizing their registries. Niger also cut the registration tax to 5 percent of the property value, greatly reducing the total cost. Both countries also reformed business start-up, with Niger reducing the cost to 175% of income per capita and Mali introducing a single company identification number. Mali has cut the time for start-up to 26 days.
- **Mauritania and Tanzania** cut the cost of starting a business. Mauritania lowered the cost to 56 percent of income per capita, and Tanzania to 47 percent—both among the lowest in Africa. Mauritania also set up specialized commercial courts.
- **Nigeria** computerized its company registry, speeding up company name searches and increasing efficiency. Entrepreneurs can now start operating a new business within 34 days. And the planning authority now issues construction permits in 30 days.
- **Rwanda** reduced the cost of port and terminal handling by liberalizing the warehouse services sector. Competition has cut costs by 40 percent, and new customs declaration points have accelerated trade. Decentralization has sped the issuance of building permits. The privatization of Electrogaz, the water and electricity company, has reduced delays in getting utility connections easing dealing with licenses.
- **Uganda** was the only African country to positively reform its labor law in 2007. The new laws make working hours more flexible, provide clarity on overtime, and require that the employer notify the labor union's representative and the commissioner in specific dismissal cases.

Doing Business 2008 ranks 178 economies on the ease of doing business based on 10 indicators of business regulation. Singapore, for the second year, tops the aggregate rankings. The rest of the top 25, in order, are New Zealand, the United States, Hong Kong (China), Denmark, the United Kingdom, Canada, Ireland, Australia, Iceland, Norway, Japan, Finland, Sweden, Thailand, Switzerland, Estonia, Georgia, Belgium, Germany, the Netherlands, Latvia, Saudi Arabia, Malaysia, and Austria.

The top-ranked countries in Sub-Saharan Africa are Mauritius (27), South Africa (35), Namibia (43), Botswana (51), and Kenya (72). 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. Since 2003 Doing Business has inspired or informed more than 113 reforms worldwide.

Source
IFC/World Bank