Doing Business Report 2007 - Africa among top three reforming regions

Tanzania, Ghana are two of the top 10 global reformers for 2005-2006 and the continent as an entity moved up the rankings.

Africa has moved from last place to third in this year's regional rankings for reforms that encourage new enterprises, formal sector jobs and growth, according to the World Bank/IFC report, *Doing Business 2007: How to Reform*.

This marks the first time Africa has been among the top three reformers, following Eastern Europe and the OECD countries in the number of business-friendly regulation reforms. Forty-five regulatory changes 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. In addition, two African countries –
Ghana and Tanzania – ranked ninth and tenth across 175 economies for improvements that ease the terms of doing business.

While Africa performed well in reforming the business climate, the continent still lags behind other regions in its overall rankings under the Doing Business index.

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.

Reforms for growth

Doing business in Africa became easier in 2005-2006 because reformers simplified business regulations, strengthened property rights, eased tax burdens, increased access to credit, and reduced the cost of exporting and importing.

"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."

A country breakdown shows the extent of the reforms:

Ghana – is 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% to 32.3% of profits. In addition, it decreased the stamp duty on property transfers from 2% to 0.5% of the property value.

Tanzania – the tenth-ranked reformer worldwide – reduced the cost to register new businesses by 40% 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% 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 of them 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 post-clearance 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% to 30% 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 – quickened 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% of Mauritian adults before extending them loans. Mauritius also made property transfers easier with a 50% cut in the registration tax: from 10% to 5% 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%.

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.

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 available online at http://www.doingbusiness.org

Read the full *Doing Business Report 2007* here: http://www.doingbusiness.org/documents/2006-MENA.pdf