IMPROVING THE INVESTMENT CLIMATE IN THE EAST AFRICAN COMMUNITY

Using the Doing Business surveys to prioritize and promote reform

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Investment Climate, East and Southern Africa
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Overview of Presentation

1. The DB Indicators – what they are and what they’re not
2. Africa among the fastest reforming regions in the World
3. Insights from recent EAC Doing Business reports
4. Beyond indicators: Supporting a better Investment Climate in the EAC
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 built on standardized case scenarios.
- Are measured for the most populous city in each country.
- 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 of regulation specific to foreign investment or financial markets.
### Doing Business indicators – 11 areas of business regulation
(9 included in the DB2011 ranking; 10 in DB2012)

<table>
<thead>
<tr>
<th>Start-up</th>
<th>Expansion</th>
<th>Operations</th>
<th>Insolvency</th>
</tr>
</thead>
</table>
| **Starting a business**  
  - Minimum capital requirement,  
  - procedures, time and cost | **Registering property**  
  - Procedures, time and cost | **Dealing with construction permits**  
  - Procedures, time and cost | **Resolving insolvency** (formerly Closing a business)  
  - Time, cost and recovery rate |
| **Getting credit**  
  - Credit information systems  
  - Movable collateral laws | **Protecting investors**  
  - Disclosure and liability in related party transactions | **Paying taxes**  
  - Payments, time and Total Tax Rate |  
| **Enforcing contracts**  
  - Procedures, time and cost to resolve a commercial dispute | **Trading across borders**  
  - Documents, time and cost | **Getting electricity**  
  - Procedures, time and cost |  
| **Employing workers** | **Employing workers** | **Employing workers** |  

**Enrollment**  
- Property rights  
- Investor protection  
- Access to credit

**INVESTMENT CLIMATE**
- Recovery rate  
- Reallocation of assets
## What's new in *Doing Business* 2012?

<table>
<thead>
<tr>
<th>Year</th>
<th>Economies</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>175</td>
<td>178</td>
<td>181</td>
<td>183</td>
<td>183</td>
<td>183</td>
</tr>
</tbody>
</table>

- **Starting a business**
- **Dealing with construction permits**
- **Employing workers**
- **Registering property**
- **Getting credit**
- **Protecting investors**
- **Paying taxes**
- **Trading across borders**
- **Enforcing contracts**
- **Resolving Insolvency** (formerly *Closing a business*)

### 2007
- Update of 2007
- Add 3 countries
- New “About DB” chapter
- Trends analysis DB04-DB09
  - Most popular reforms
  - Most effective reforms
  - Lessons learned
- Add 3 new countries (Bahamas, Bahrain, Qatar)
- Methodology change in Getting Credit (Legal Rights)

### 2008
- New metric on 5-year change at country level
- Focus on reform results
- Getting Electricity: added 36 countries and indicator level ranking
- Methodology review for Employing Workers indicator

### 2009
- New metric on an economy’s distance to the frontier
- Illustration of variability of performance across indicators
- Access to information data
- 4 case studies on regulatory reform
- E-chapters for indicators
- Threshold applied to the TTR in *Paying Taxes*
Strong correlation between Doing Business rankings and broader competitiveness indices

Improvements to business regulations and investment climate have become a central part of economies’ broader competitiveness and growth agendas.
2011 Corruption Perceptions Index vs. 2012 Ease of Doing Business Ranks
36 out of 46 governments in the region improved their economy’s regulatory environment for domestic businesses in 2010/11
4 of the economies improving the most in the ease of doing business in 2010/11 are from Sub-Saharan Africa.

<table>
<thead>
<tr>
<th>Country</th>
<th>Change in ranking DB11 to DB12</th>
<th>Starting a Business</th>
<th>Dealing with construction permits</th>
<th>Getting electricity</th>
<th>Registering property</th>
<th>Getting credit</th>
<th>Protecting investors</th>
<th>Paying taxes</th>
<th>Trading across borders</th>
<th>Enforcing contracts</th>
<th>Resolving insolvency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morocco</td>
<td>115 → 94 (-21)</td>
<td>√</td>
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<td>√</td>
<td>√</td>
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<tr>
<td>Moldova</td>
<td>99 → 81 (-18)</td>
<td>√</td>
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<td>√</td>
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<td>√</td>
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<tr>
<td>Macedonia, FYR</td>
<td>34 → 22 (-12)</td>
<td>√</td>
<td>√</td>
<td>√</td>
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<td>√</td>
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<td>√</td>
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<tr>
<td>São Tomé and Principe</td>
<td>174 → 163 (-11)</td>
<td>√</td>
<td>√</td>
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<td>√</td>
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<tr>
<td>Latvia</td>
<td>31 → 21 (-10)</td>
<td>√</td>
<td>√</td>
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<td>√</td>
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<tr>
<td>Cape Verde</td>
<td>129 → 119 (-10)</td>
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<td>√</td>
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<td>√</td>
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<tr>
<td>Sierra Leone</td>
<td>150 → 141 (-9)</td>
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<td>√</td>
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<td>√</td>
<td>√</td>
<td>√</td>
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<tr>
<td>Burundi</td>
<td>177 → 169 (-8)</td>
<td>√</td>
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<td>√</td>
<td>√</td>
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<tr>
<td>Solomon islands</td>
<td>81 → 74 (-7)</td>
<td>√</td>
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<td>√</td>
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<td>√</td>
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<tr>
<td>Korea, Rep.</td>
<td>15 → 8 (-7)</td>
<td>√</td>
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<td>√</td>
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<tr>
<td>Armenia</td>
<td>61 → 55 (-6)</td>
<td>√</td>
<td>√</td>
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<td>√</td>
<td>√</td>
<td></td>
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<tr>
<td>Colombia</td>
<td>47 → 42 (-5)</td>
<td>√</td>
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<td>√</td>
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</tbody>
</table>
Sub-Saharan Africa rankings on the ease of Doing Business 2010/11

Sub-Saharan countries regional average: 137
Economies in Sub-Saharan Africa on average have weaker legal institutions and more expensive regulatory processes than other regions.
### Change in EAC economies’ rank according to Doing Business 2012

<table>
<thead>
<tr>
<th>EAC countries</th>
<th>DB 2012 rank</th>
<th>DB 2011 rank</th>
<th>DB 2010 rank</th>
<th>Change in DB rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rwanda</td>
<td>45</td>
<td>58</td>
<td>70</td>
<td>Steady, significant improvements</td>
</tr>
<tr>
<td>Kenya</td>
<td>109</td>
<td>98</td>
<td>94</td>
<td>Continued drop – others are reforming faster</td>
</tr>
<tr>
<td>Uganda</td>
<td>123</td>
<td>122</td>
<td>129</td>
<td>Slight improvement</td>
</tr>
<tr>
<td>Tanzania</td>
<td>127</td>
<td>128</td>
<td>125</td>
<td>Slight drop</td>
</tr>
<tr>
<td>Burundi</td>
<td>169</td>
<td>181</td>
<td>181</td>
<td>Rapid improvements from low base</td>
</tr>
</tbody>
</table>

Analysis of a five-year DB change score in Doing Business indicators between DB2006 and DB2011 shows positive scores for all EAC economies.
54 Reforms among countries in the East African Community since *Doing Business 2005*

**Number of reforms that made doing business easier**

*by Doing Business report year*

- **Burundi**: 5 reforms
- **Tanzania**: 5 reforms
- **Uganda**: 8 reforms
- **Kenya**: 14 reforms
- **Rwanda**: 22 reforms
East and Southern African economies rank on average higher than the regional average on the ease of doing business.

- **OECD high income**: 30
- **Eastern Europe & Central Asia**: 77
- **East Asia & Pacific**: 87
- **Middle East & North Africa**: 93
- **Latin America & Caribbean**: 95
- **South Asia**: 117
- **Sub-Saharan Africa**: 137
- **East African Community**: Burundi, Kenya, Rwanda, Tanzania, Uganda
- **Southern African Development Community**: Angola, Botswana, the Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe
- **Economic community of West African States**: Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo
- **Economic Community of Central African States**: Angola, Burundi, Cameroon, Central African Republic, Chad, the Democratic Republic of Congo, the Republic of Congo, Equatorial Guinea, Gabon, São Tomé and Príncipe
Most Sub-Saharan African countries have a high degree of variability among the different areas of regulation.

The average rank in 10 areas of business regulation in Tanzania is 111, but in fact performance varies significantly across indicators.

**Tanzania TOP 3 rankings:**
- Enforcing contracts: 36
- Getting electricity: 78
- Trading across borders: 92

**Tanzania BOTTOM 3 rankings:**
- Paying taxes: 129
- Registering property: 158
- Dealing with construction permits: 176
Several Sub-Saharan African economies rank highly in numerous areas of business regulations.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>World’s top ranked</th>
<th>Sub-Saharan Africa’s top ranked</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting a business</td>
<td>New Zealand</td>
<td>Rwanda (8)</td>
</tr>
<tr>
<td>Dealing with construction permits</td>
<td>Hong Kong SAR, China</td>
<td>South Africa (31)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Kenya (37)</td>
</tr>
<tr>
<td>Getting electricity</td>
<td>Iceland</td>
<td>Mauritius (44)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rwanda (50)</td>
</tr>
<tr>
<td>Registering property</td>
<td>Georgia / Saudi Arabia</td>
<td>Ghana (36)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sudan (36-41)</td>
</tr>
<tr>
<td>Getting credit</td>
<td>Malaysia / South Africa / U.K.</td>
<td>South Africa (1)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rwanda (8)</td>
</tr>
<tr>
<td>Protecting investors</td>
<td>New Zealand</td>
<td>South Africa (10)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mauritius (13)</td>
</tr>
<tr>
<td>Paying taxes</td>
<td>Maldives</td>
<td>Mauritius (9)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Botswana (25)</td>
</tr>
<tr>
<td>Trading across borders</td>
<td>Singapore</td>
<td>Mauritius (21)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Seychelles (33)</td>
</tr>
<tr>
<td>Enforcing contracts</td>
<td>Luxembourg</td>
<td>Tanzania (36)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cape Verde (37)</td>
</tr>
<tr>
<td>Resolving Insolvency</td>
<td>Japan</td>
<td>Botswana (28)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Namibia (56)</td>
</tr>
</tbody>
</table>
The EAC business environment can be comparable to that in Japan

<table>
<thead>
<tr>
<th>Topic</th>
<th>East African Community best practice according DB 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting a business</td>
<td>Rwanda (9)</td>
</tr>
<tr>
<td>Dealing with construction permits</td>
<td>Kenya (35)</td>
</tr>
<tr>
<td>Registering property</td>
<td>Rwanda (41)</td>
</tr>
<tr>
<td>Getting credit</td>
<td>Kenya (6)</td>
</tr>
<tr>
<td>Protecting investors</td>
<td>Rwanda (28)</td>
</tr>
<tr>
<td>Paying taxes</td>
<td>Rwanda (43)</td>
</tr>
<tr>
<td>Trading across borders</td>
<td>Tanzania (109)</td>
</tr>
<tr>
<td>Enforcing contracts</td>
<td>Tanzania (32)</td>
</tr>
<tr>
<td>Closing a business</td>
<td>Uganda (56)</td>
</tr>
</tbody>
</table>

If each East African country were to adopt the region’s best practice for each Doing Business indicator, East Africa would rank 18th instead of 117th bringing the community closer to the global top performers such as Japan.
Purpose: Strengthen the implementation and monitoring process of the EAC Common Market Protocol by scoring Member States’ commitments against actual delivery.

Approach: Tracking the degree of finalization of the EAC Common Market Protocol and tracking the level of implementation of decisions reached by state parties to the protocol.

Main Data points: The EAC Common Market Protocol and associated documents (Annexes); EAC Council of Ministers decisions; Economic indicators on regional integration.

Governance: Independent publication of the WBG authored in close collaboration with the EAC Secretariat.
The EAC Investment Climate Program
Supported by IFC, TMEA and the EU

Impact:
Increased trade and investment opportunities leading to faster growth and higher poverty reduction.

Outcome: Improvement of the legal and regulatory framework for trade and investment in the EAC.

Activity 1: Harmonization of Commercial Laws.
Activity 2: Tax Harmonization and Simplification.
Activity 3: Common Market Scorecard.
Activity 4: Network of Reformers.
Activity 5: Annual EAC Doing Business Reports.
Activity 6: EAC Business Registry.
Activity 7: Regulatory Capacity Building of the EAC Secretariat.

Pillar One: Streamlining and Harmonization of Commercial Laws
Pillar Two: Benchmarking and Peer-to-peer Networks
Pillar Three: Regulatory Management and Transparency

Outcome:

Impact:

Outcome:

Impact:
Thank you

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