

# IMPROVING THE INVESTMENT CLIMATE IN THE EAST AFRICAN COMMUNITY

*Using the Doing Business surveys to prioritize and promote reform*

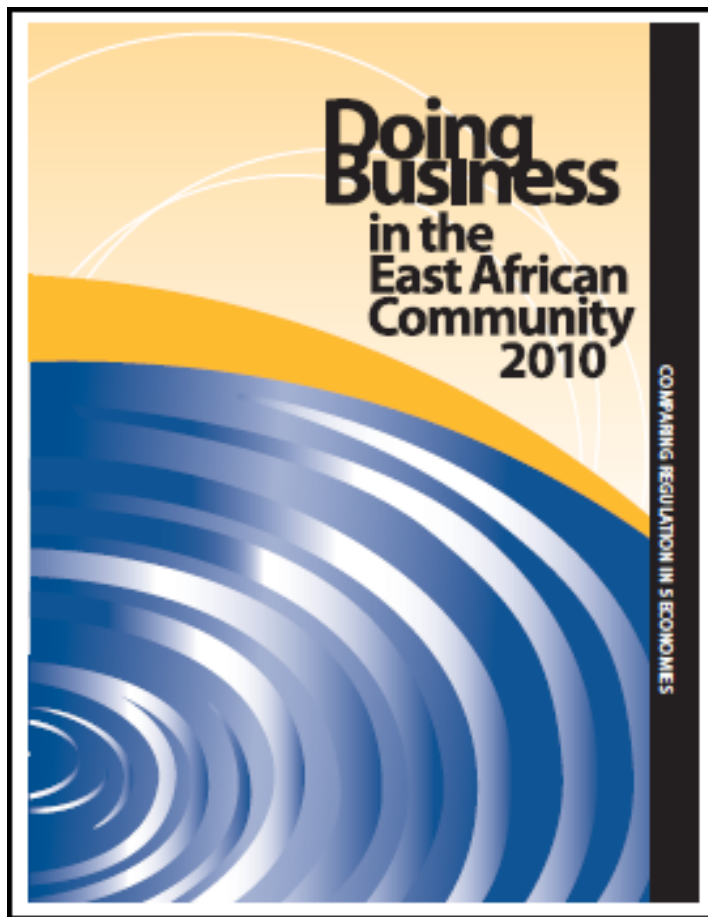
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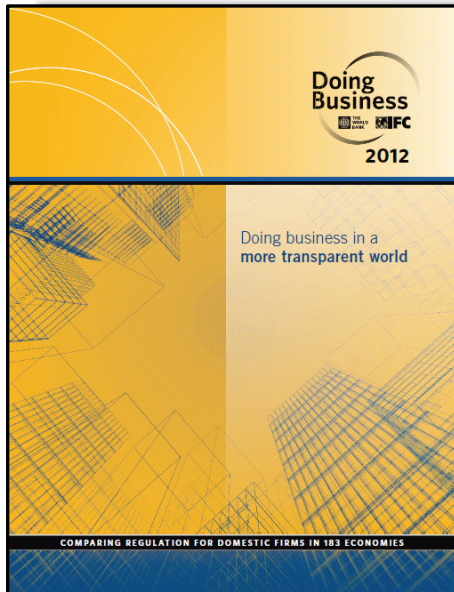
IMF/EAC Conference | THE EAST AFRICAN COMMUNITY AFTER 10 YEARS: DEEPENING EAC INTEGRATION | Arusha, 27-28 February 2012



# 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?

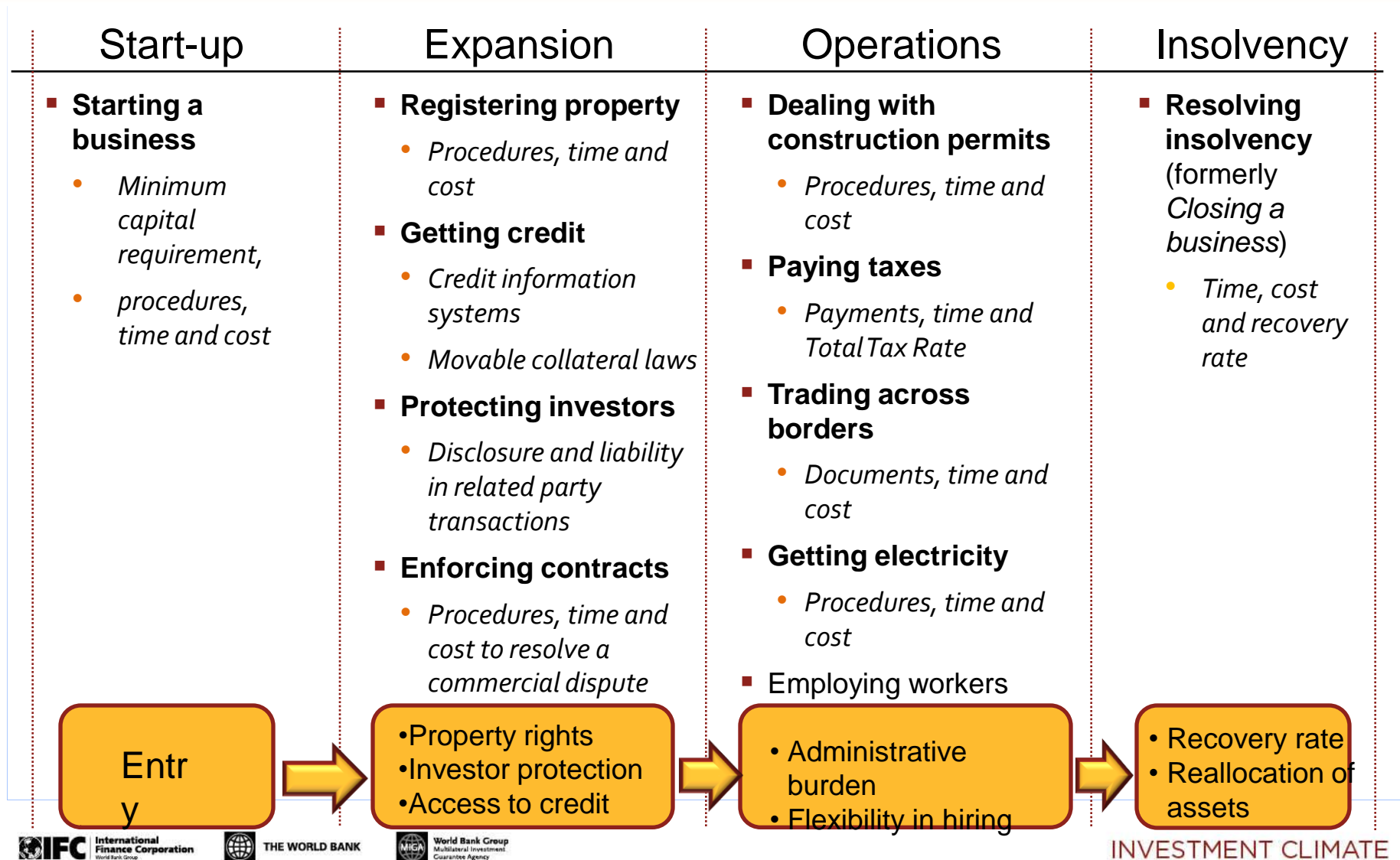


## Doing Business indicators:

- ✓ 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)



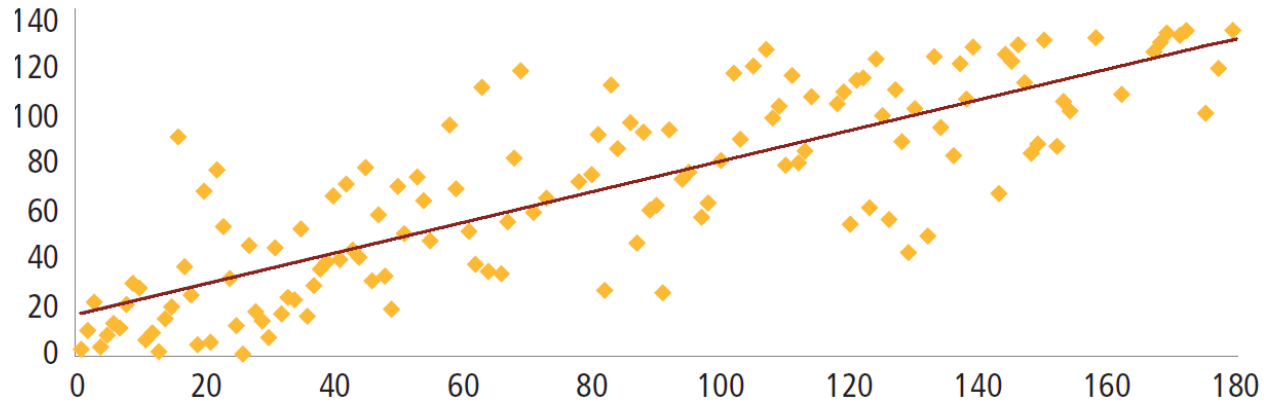
# What's new in *Doing Business* 2012?

2007	2008	2009	2010	2011	2012
175 economies	178 economies	181 economies	183 economies	183 economies	183 economies
<ul style="list-style-type: none"> <li>▪ Starting a business</li> <li>▪ Dealing with construction permits</li> <li>▪ Employing workers</li> <li>▪ Registering property</li> <li>▪ Getting credit</li> <li>▪ Protecting investors</li> <li>▪ Paying taxes</li> <li>▪ Trading across borders</li> <li>▪ Enforcing contracts</li> <li>▪ Resolving Insolvency (formerly <i>Closing a business</i>)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Update of 2007</li> <li>▪ Add 3 countries</li> <li>▪ Reformer's Club, and 16 case studies</li> </ul>	<ul style="list-style-type: none"> <li>▪ New "About DB" chapter</li> <li>▪ Trends analysis DB04-DB09                             <ul style="list-style-type: none"> <li>• Most popular reforms</li> <li>• Most effective reforms</li> <li>• Lessons learned</li> </ul> </li> <li>▪ Add 3 new countries (Bahamas, Bahrain, Qatar)</li> <li>▪ Methodology change in Getting Credit (Legal Rights)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Business regulation and reform in the context of the global crisis</li> <li>▪ EWI and social protection</li> <li>▪ Worker Protection: Researching ILO core labor standards</li> <li>▪ Piloting a new infrastructure indicator</li> <li>▪ Add Cyprus, Kosovo</li> </ul>	<ul style="list-style-type: none"> <li>▪ New metric on 5-year change at country level</li> <li>▪ Focus on reform results</li> <li>▪ Getting Electricity: added 36 countries and indicator level ranking</li> <li>▪ Methodology review for Employing Workers indicator</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Getting Electricity included in overall ranking</b></li> <li>▪ <b>New metric on an economy's distance to the frontier</b></li> <li>▪ <b>Illustration of variability of performance across indicators</b></li> <li>▪ <b>Access to information data</b></li> <li>▪ <b>4 case studies on regulatory reform</b></li> <li>▪ <b>E-chapters for indicators</b></li> <li>▪ <b>Threshold applied to the TTR in <i>Paying Taxes</i></b></li> </ul>

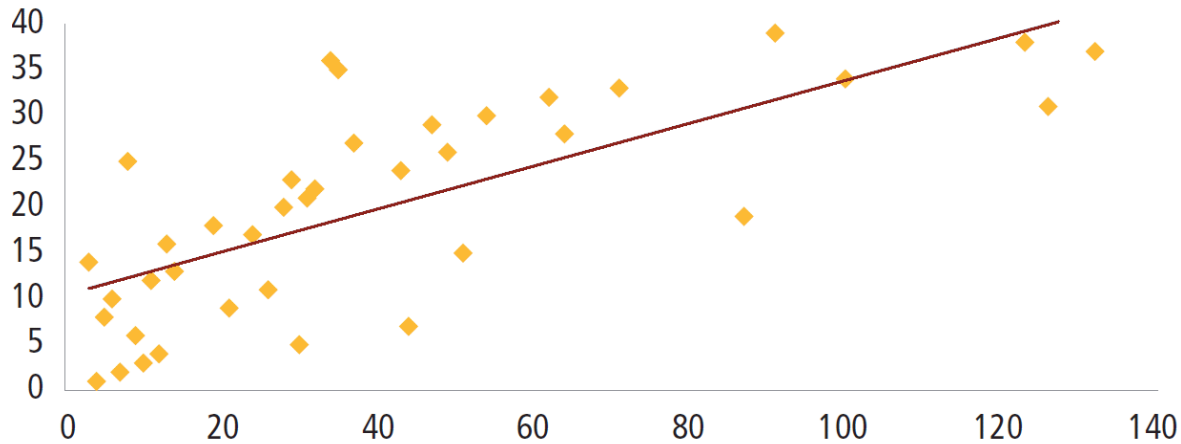
# Strong correlation between Doing Business rankings and broader competitiveness indices

Improvements to business regulations and investment climate have become a central part of economies' broader competitiveness and growth agendas

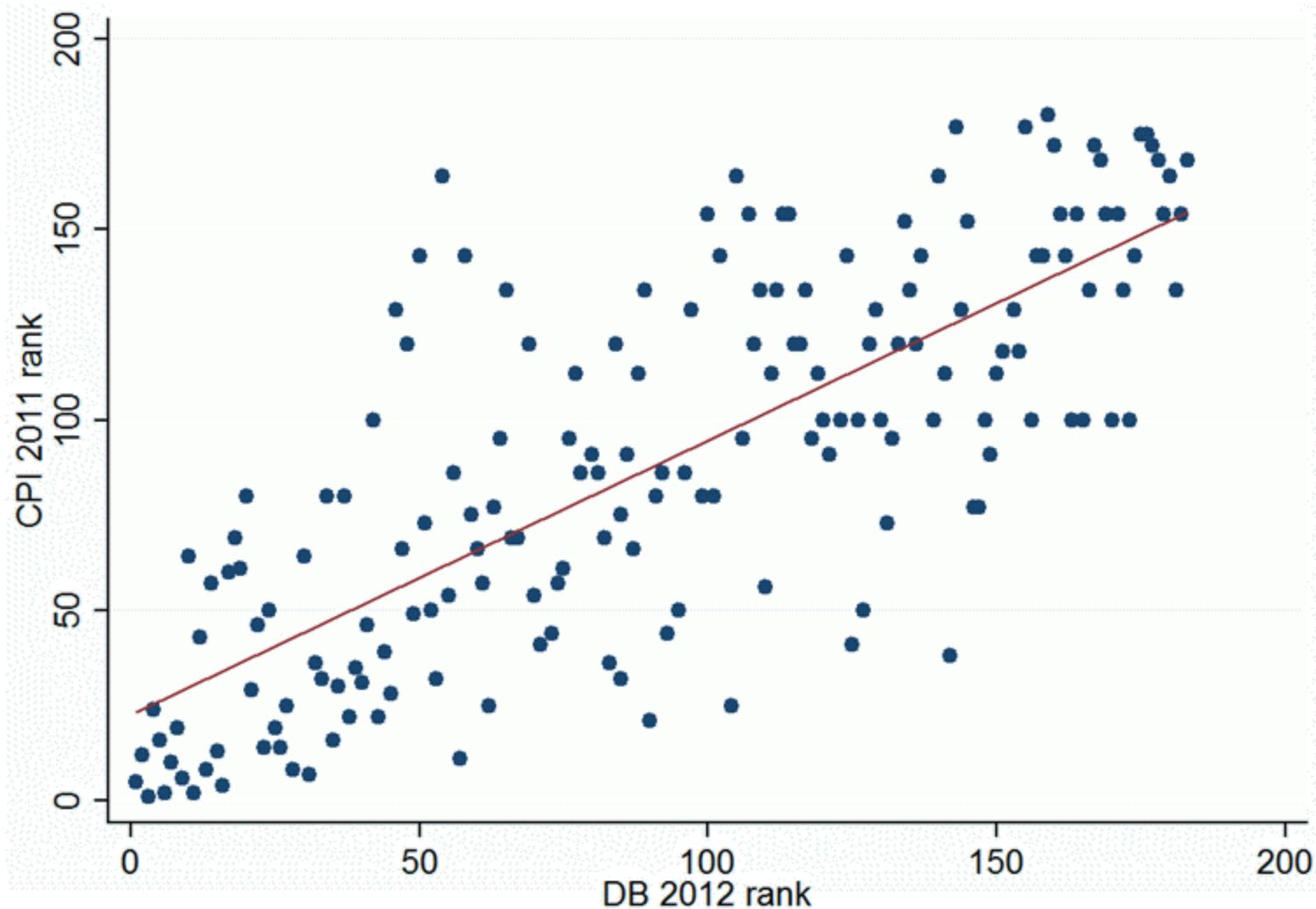
Ranking on Global Competitiveness Index



Ranking on Global OECD product market regulation indicators



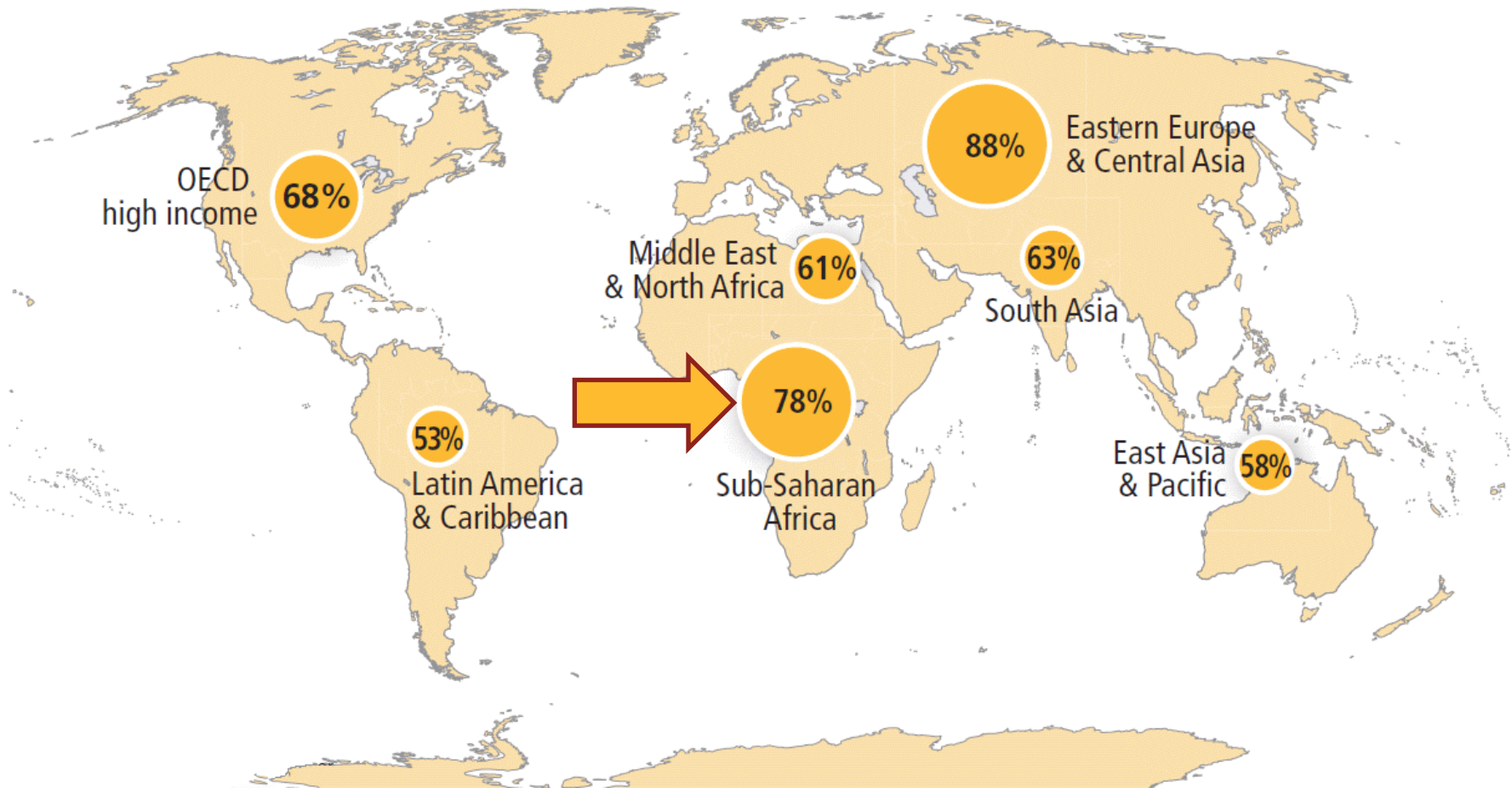
# 2011 Corruption Perceptions Index vs. 2012 Ease of Doing Business Ranks





# A record number of economies in Sub-Saharan Africa reformed business regulations in 2010/11

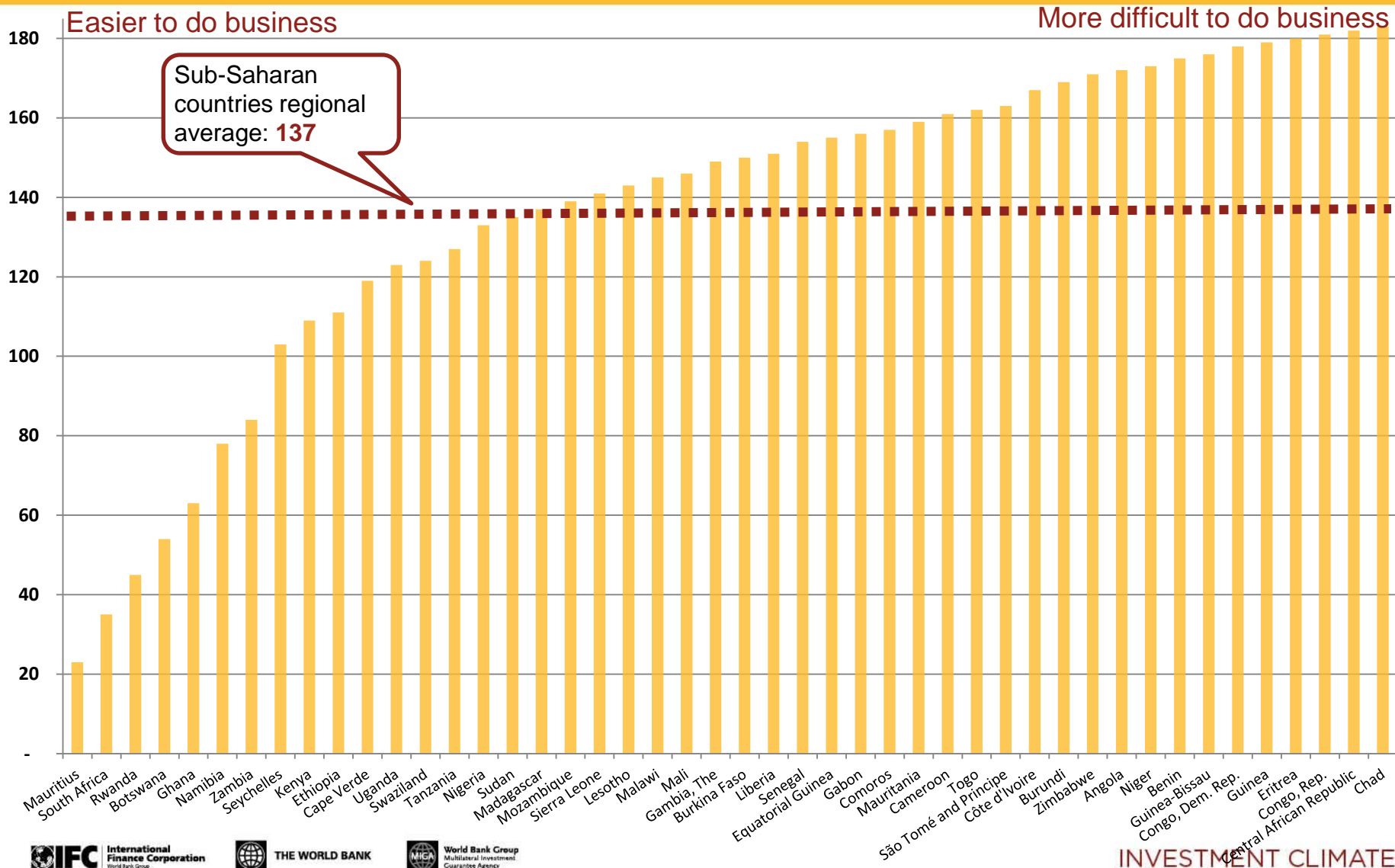
36 out of 46 governments in the region improved their economy's regulatory environment for domestic businesses in 2010/11



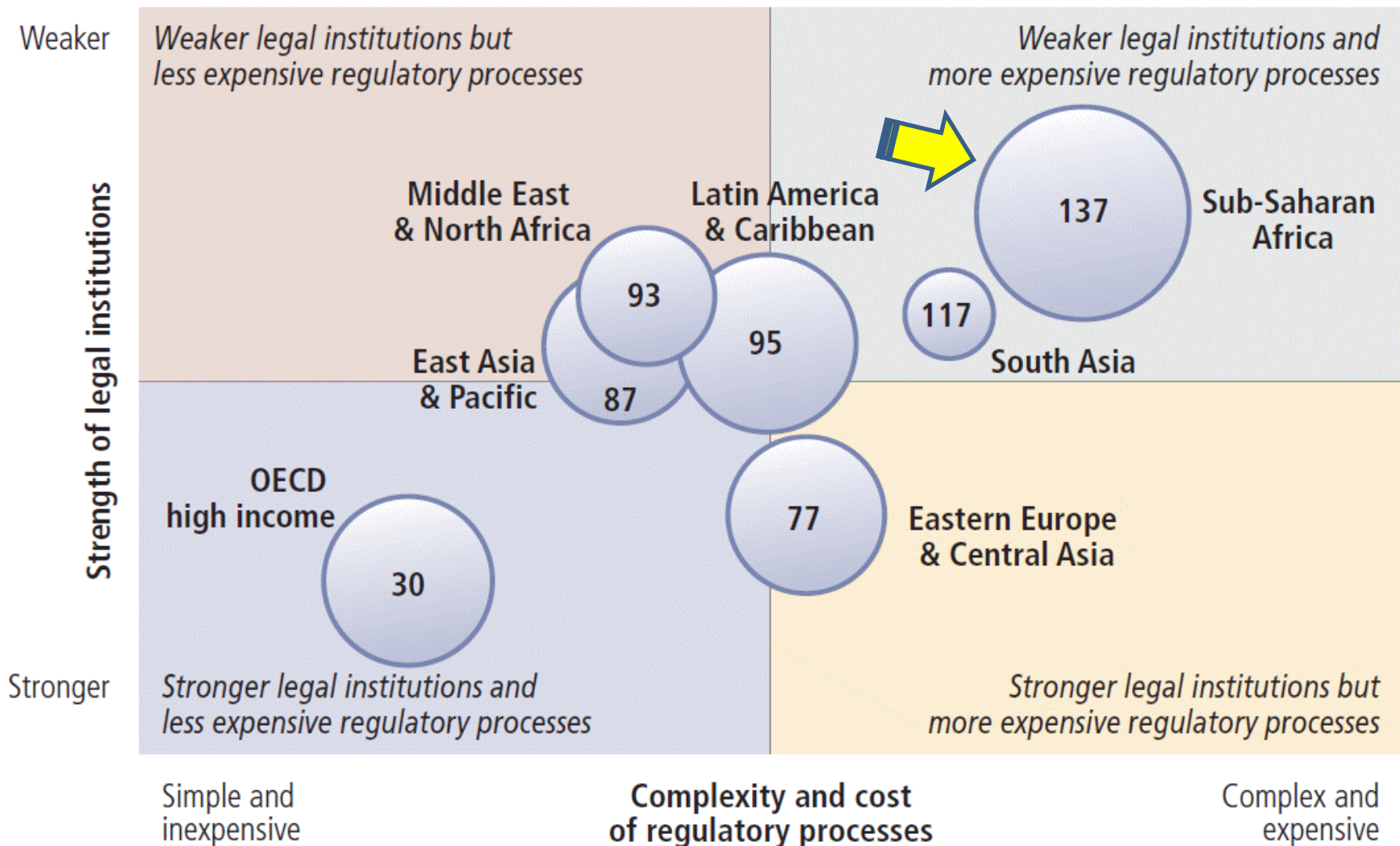
# 4 of the economies improving the most in the ease of doing business in 2010/11 are from Sub-Saharan Africa

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

# Sub-Saharan Africa rankings on the ease of Doing Business 2010/11



# 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

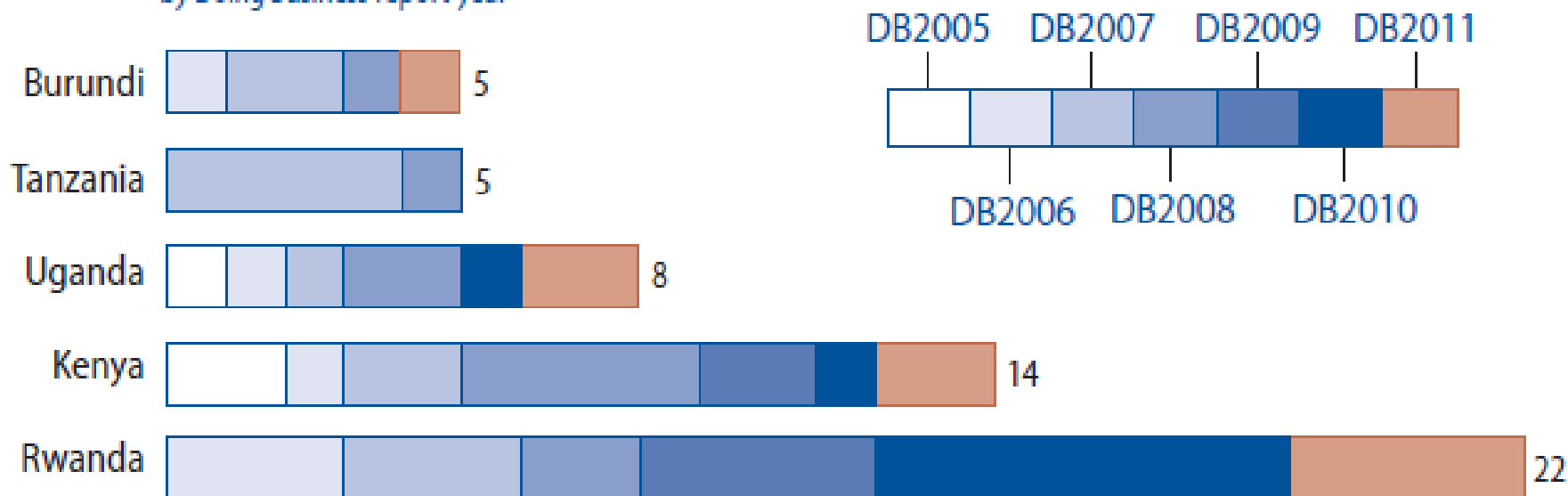
EAC countries	DB 2012 rank	DB 2011 rank	DB 2010 rank	Change in DB rank
Rwanda	45	58	70	Steady, significant improvements
Kenya	109	98	94	Continued drop – others are reforming faster
Uganda	123	122	129	Slight improvement
Tanzania	127	128	125	Slight drop
Burundi	169	181	181	Rapid improvements from low base

Analysis of a five-year DB change score in Doing Business indicators between DB2006 and DB2011 shows positive scores for all EAC economies.

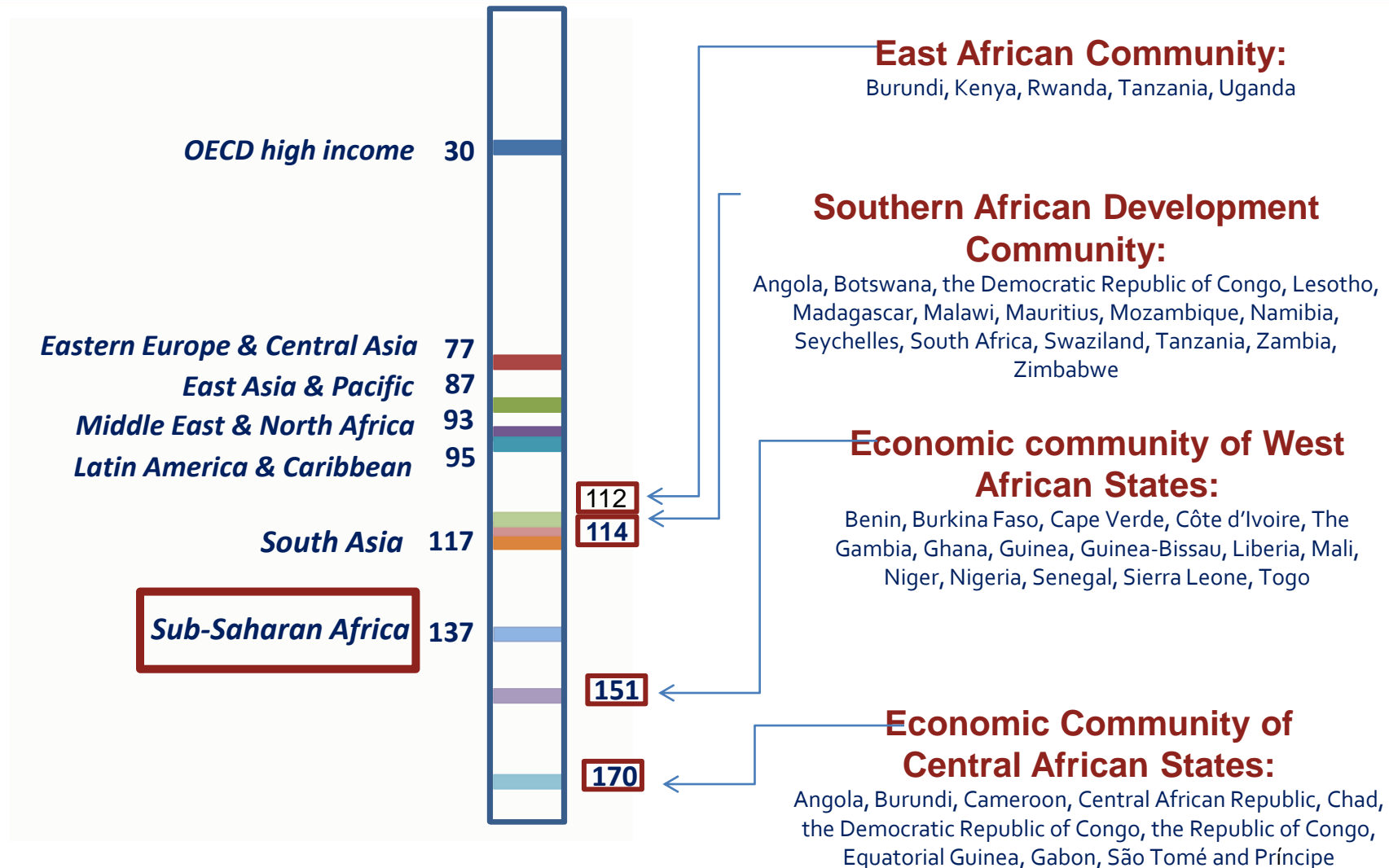
# 54 Reforms among countries in the East African Community since *Doing Business 2005*

## Number of reforms that made doing business easier

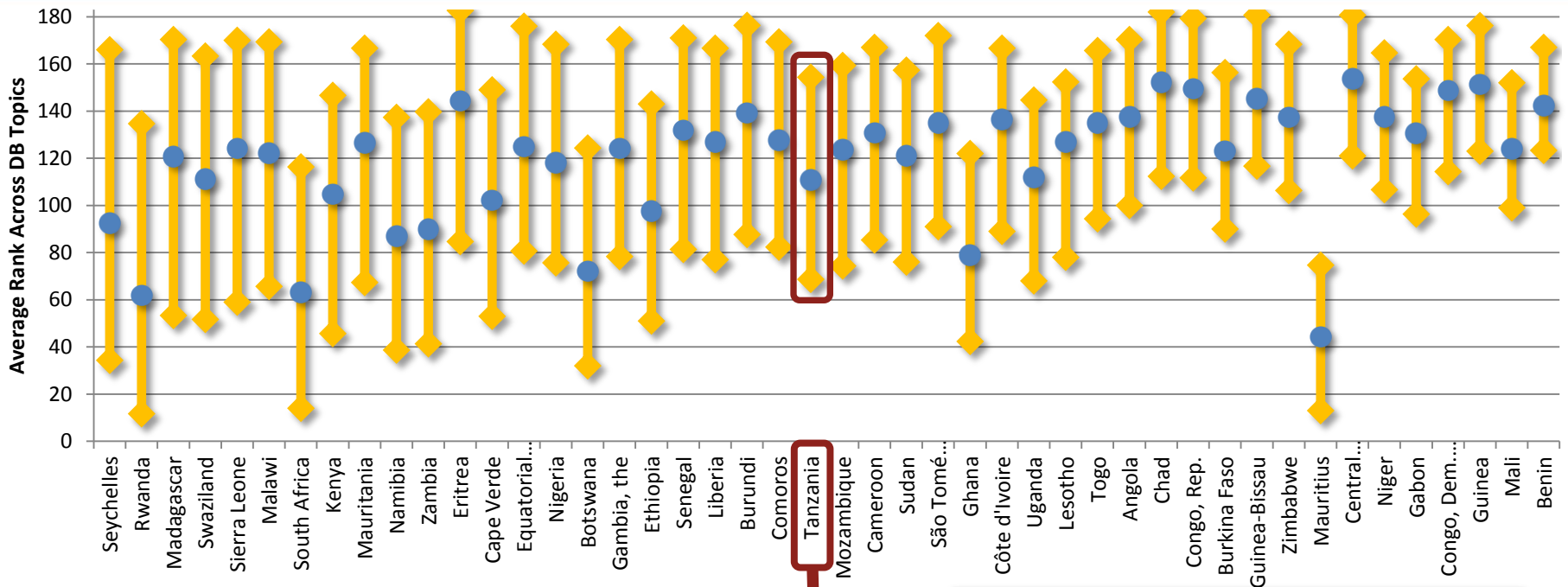
by *Doing Business* report year



# East and Southern African economies rank on average higher than the regional average on the ease of doing business



# 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

Indicator	World's top ranked	Sub-Saharan Africa's top ranked
Starting a business	New Zealand	<b>Rwanda (8)</b> Mauritius (15)
Dealing with construction permits	Hong Kong SAR, China	<i>South Africa (31)</i> <b>Kenya (37)</b>
Getting electricity	Iceland	Mauritius (44) <b>Rwanda (50)</b>
Registering property	Georgia / Saudi Arabia	Ghana (36) Sudan (36-41)
Getting credit	Malaysia / <b>South Africa</b> / U.K.	South Africa (1) <b>Rwanda (8)</b>
Protecting investors	New Zealand	South Africa (10) Mauritius (13)
Paying taxes	Maldives	Mauritius (9) Botswana (25)
Trading across borders	Singapore	Mauritius (21) Seychelles (33)
Enforcing contracts	Luxembourg	<b>Tanzania (36)</b> Cape Verde (37)
Resolving Insolvency	Japan	Botswana (28) Namibia (56)

# The EAC business environment can be comparable to that in Japan

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

If each East African country were to adopt **the region's best practice** for each Doing Business indicator, East Africa would rank **18<sup>th</sup>** instead of **117<sup>th</sup>** bringing the community closer to the global top performers such as **Japan**.



# Business Regulation in the EAC: A Scorecard for monitoring implementation of the Common Market Scorecard

- ◆ 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

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**

# Thank you

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