

Sub-Saharan Africa Region

Regional Profile

**Doing business
in 2006**

Creating Jobs

A project Benchmarking Business Regulations in 155 Countries

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1818 H Street, NW
Washington, DC 20433
Telephone 202-473-1000
Internet www.worldbank.org
E-mail feedback@worldbank.org

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To order copies of the *Doing Business in 2006* Report, please visit <http://www.doingbusiness.org> and click on "Now Available: Doing Business in 2006".

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Introduction

A vibrant private sector—with firms investing, creating jobs, and improving productivity—promotes growth and expands opportunities for poor people. That is why governments around the world have implemented wide-ranging reforms, including macro-stabilization programs, price liberalization, privatization, and opening to foreign trade. In many countries, however, entrepreneurial activity remains limited, poverty high, and growth stagnant. Other countries have spurned orthodox macro reforms and done well. How so?

Although macro policies are unquestionably important, there is a growing consensus that the quality of government regulation of business is a major determinant of prosperity. Hong Kong (China)'s economic success, Botswana's stellar growth performance, and Hungary's smooth transition experience have all been stimulated by a good regulatory environment. But there is little work measuring specific aspects of regulation and analyzing their impact on economic outcomes, such as productivity, investment, informality, corruption, unemployment, and poverty. The lack of systematic knowledge prevents policymakers from assessing how effective their legal and regulatory systems are and how to design and sequence reforms.

Doing Business in 2006: Creating Jobs is the third in a series of annual reports investigating regulations that enhance business activity and those that constrain it. New quantitative indicators on business regulations and their enforcement can be compared across 155 countries—from Afghanistan to Zimbabwe—and over time. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The indicators presented and analyzed in *Doing Business* measure government regulation and the protection of property rights—and their effect on businesses, especially on small and medium-size domestic firms. First, they document the degree of regulation, such as the number of procedures to start a business or register commercial property. Second, they gauge regulatory outcomes, such as the time and cost to enforce a contract, go through bankruptcy, or trade across borders. Third, the indicators measure the extent of legal protections of property, for example in the protections of investors against looting by the company directors or the scope of assets that can be used as collateral according to secured transactions laws. Finally, a new set of indicators documents the tax burden on businesses.

The data for all sets of indicators are for January 2005. Based on research of laws and regulations, with input and verification from local government officials, lawyers, business consultants, accountants and other professionals routinely administering or advising on legal and regulatory requirements, this methodology offers several advantages. It uses factual information and allows for multiple interactions with local respondents, clarifying potential misinterpretations of questions. It is inexpensive, so data can be collected in a large sample of economies.

Because the same standard assumptions are applied in the data collection, which are transparent and easily replicable, comparisons and benchmarks are valid across countries. And the data highlight not only the extent of obstacles, but also help identify their source, supporting policymakers in designing reform.

The initial data covered in the database and included in this country profile are:

- Starting a Business: Entry Regulation
- Dealing with Licenses: Building a Warehouse
- Hiring and Firing Workers: Employment Regulation
- Registering Property: Regulation of Property Transfers
- Getting Credit: Legal Rights and Credit Information
- Protecting Investors: Corporate Governance
- Trading Across Borders: Imports and Exports
- Enforcing Contracts: Court Efficiency
- Paying Taxes: Tax Payable and Compliance
- Closing a Business: Bankruptcy

The data set covers 155 economies and is benchmarked to January 2005. The sample includes 22 high-income OECD economies as benchmarks, 37 from Sub-Saharan Africa, 24 from East Asia and the Pacific region, 26 economies from Europe and Central Asia, 22 from Latin America, 16 from the Middle East and North Africa, and eight from South Asia. The sample covers every economy with a population greater than 1.5 million, except for six economies that are not members of the World Bank or are inactive International Development Association borrowers. It also includes nine Pacific Islands, Bhutan and the Maldives. Inclusion of other economies with less than 1.5 million population may be considered on a case by case basis upon request by Governments or World Bank departments.

The following pages present the summary *Doing Business* indicators for the Sub-Saharan Africa Region. Further information is available in the full report *Doing Business in 2006: Creating Jobs*, which presents the indicators, analyses their relationships with economic outcomes and recommends reforms. The data, and information on ordering the report, is also available online at <http://www.doingbusiness.org>.

Starting a Business: Entry Regulation

When an entrepreneur draws up a business plan and tries to get underway, the first hurdles that need to be overcome are the procedures required to incorporate and register the new firm.

Economies differ significantly in the way in which they regulate the entry of new businesses. In some economies the process is straightforward and affordable. In others, the procedures are so burdensome that entrepreneurs either have to bribe officials to speed up the process or they decide to run their business informally.

The starting a business data are based on a survey that investigates the required procedures that an average small-medium sized company needs to start operation legally. This includes obtaining all necessary permits and licenses and completing all the required inscriptions, verifications and notifications with all requisite authorities to enable the company to start operation. The survey calculates the costs and time necessary for fulfilling each procedure under normal circumstances, as well as the minimum capital requirements to operate. The assumption is that information is readily available to the entrepreneur and that all government and non-government entities involved in the process function efficiently and without corruption.

To make the data comparable across countries, the indicators track the procedures for a standardized company to register a business formally. Detailed assumptions about the type of business are applied. Among these, it is assumed that the business: is a limited liability company conducting general commercial activities in the capital city; that it is 100% domestically owned, with start up capital of 10 times income per capita, turnover of 100 times income per capita and between 5 and 50 employees; and that it does not qualify for any special benefits, nor does it own real estate. Similarly detailed assumptions about the type of procedures are made, including, procedures are only recorded where interaction is required with an external party; the founders complete all procedures themselves; voluntary procedures are not measured; lawful shortcuts are counted; and industry specific requirements and utility hook-ups are not measured.

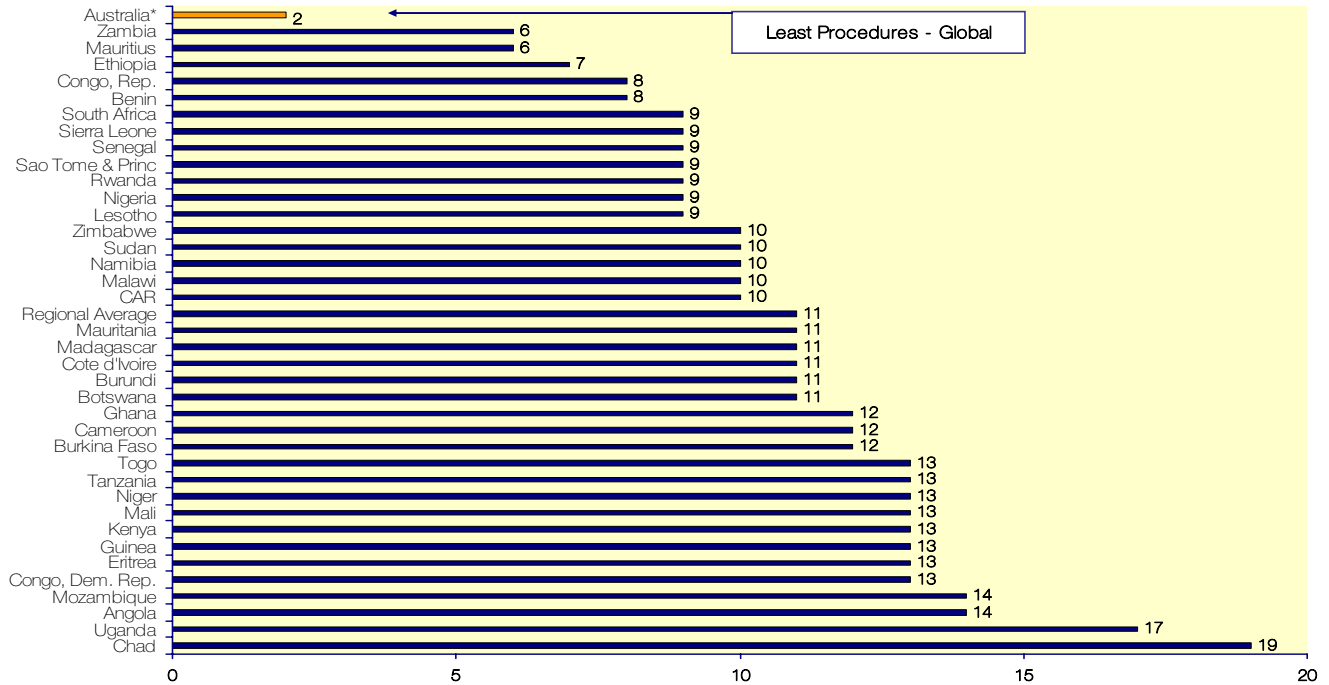
Across countries, cumbersome entry procedures are associated with more corruption, particularly in developing countries. Each procedure is a point of contact—an opportunity to extract a bribe. Empirical analysis shows that burdensome entry regulations do not increase the quality of products, make work safer, or reduce pollution. They hold back private investment, push more people into the informal economy, increase consumer prices and fuel corruption.

Benchmarking—Entry Regulation

Sub-Saharan Africa Region—Compared to Global Best / Selected Other Countries

Procedures to Start a Business

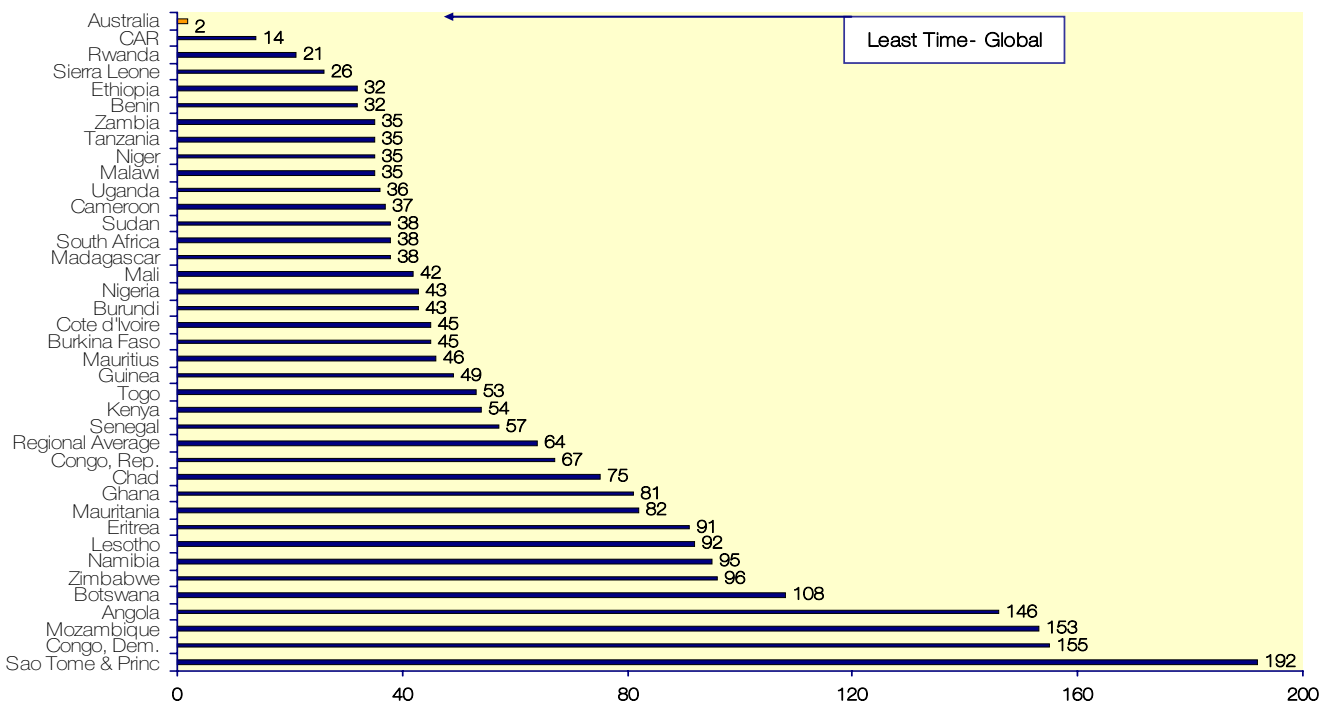
Source: Doing Business Database



*Other countries with the least procedures are Afghanistan, Canada and New Zealand.

Time to Start a Business (days)

Source: Doing Business Database

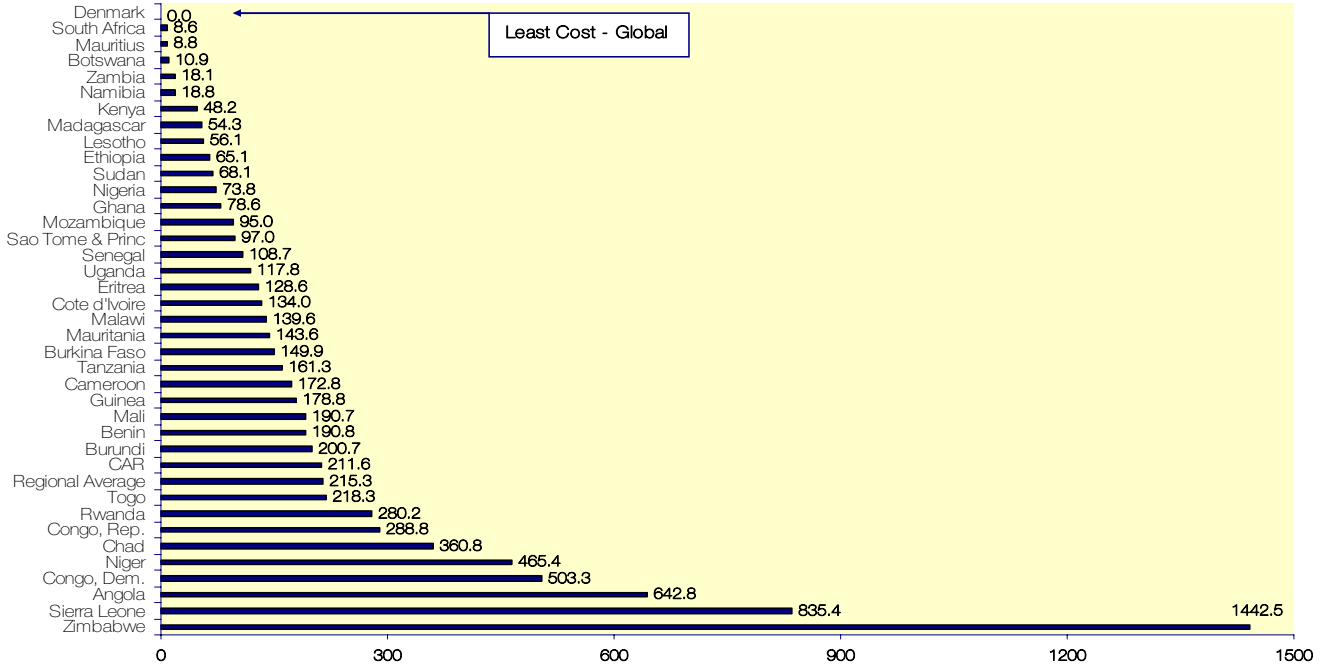


Benchmarking—Entry Regulation

Sub-Saharan Africa Region—Compared to Global Best / Selected Other Countries

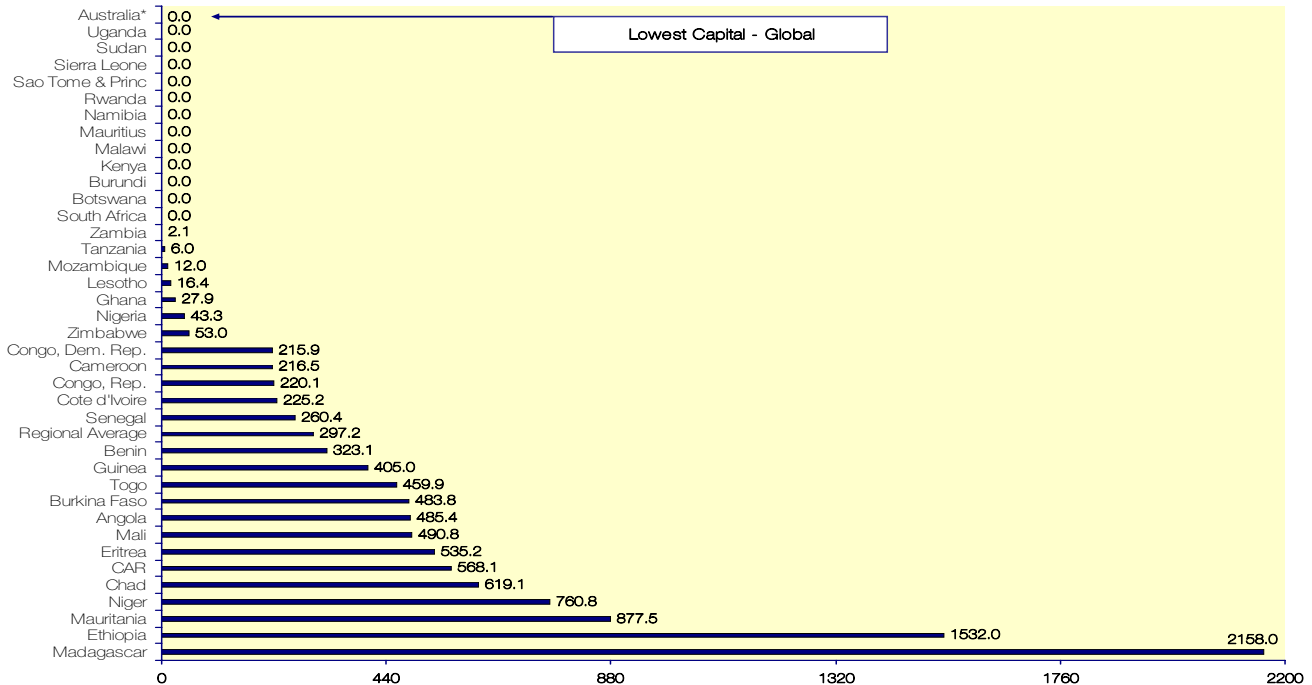
Cost to Start a Business (% of income per capita)

Source: Doing Business Database



Minimum Capital to Start a Business (% income per capita)

Source: Doing Business Database



*Other countries with no minimum capital requirements include Canada, France, Thailand, United States and Nepal.

Dealing with Licenses: Building a Warehouse

Once an entrepreneur has registered a business, what are the regulations to operate it? *Doing Business in 2006* measures regulation of operations in the case of the construction sector. Construction companies are under constant pressure—on the one hand, from entrepreneurs to be quick and cost-effective, and on the other, from government to comply with inspections, licensing and safety regulations. There is a trade-off, however, between protecting the lives of people, including construction workers, tenants and passer-bys, and the cost of building.

In many countries, mostly poor, it is too difficult to comply with the building rules, so many opt out. Builders may pay bribes to avoid inspections, or just build illegally, constructing hazardous buildings. In others, the process is straightforward, easily followed, and inexpensive—yielding better results. To see this, a new survey studies the procedures, time and cost for the construction of a warehouse. The planned building complies with all zoning and building regulations. What would it take to build it legally?

The licensing survey records all procedures officially required for an entrepreneur in the construction industry to build such a warehouse. These include obtaining all necessary licenses and permits and completing any required notifications, inspections, and document (plans and maps) submission with relevant authorities for legally completing a warehouse. The survey also investigates procedures associated with obtaining utility connections, such as electricity, telephone, water and sewage. The costs and time necessary for accomplishing each procedure under normal circumstances are calculated. All the official fees associated with legally completing the procedures are included. Time is recorded in calendar days. The survey assumes the entrepreneur is aware of all existing regulations and does not use an intermediary to complete the procedures, unless required by law.

To make the data comparable across countries, several assumptions about the business and the nature of its operations are employed: The business (BuildCo) is a small-medium limited liability company, located in the most populous city, domestically owned and operated, in the construction business, with 20 qualified employees, and a turnover of at least 100 times income per capita. The warehouse to be built:

- Has two stories and is approximately 14,000 square feet (1,300.6 square meters).
- Is located in the peri-urban area of the most populous city in the country.
- Is located in land owned 100 percent by BuildCo, has a plot size of 8,000 square feet (743.2 square meters), and is accurately registered in the cadastre and land registry.
- Is a new construction (there was no previous construction on the land).
- Has complete architectural and technical plans.
- Will be connected to the following utilities: electrical power, water, sewage and one regular phone line;
- Will be used for storing books or stationary, but not for food-handling activities, chemical or pharmaceutical production or storage.

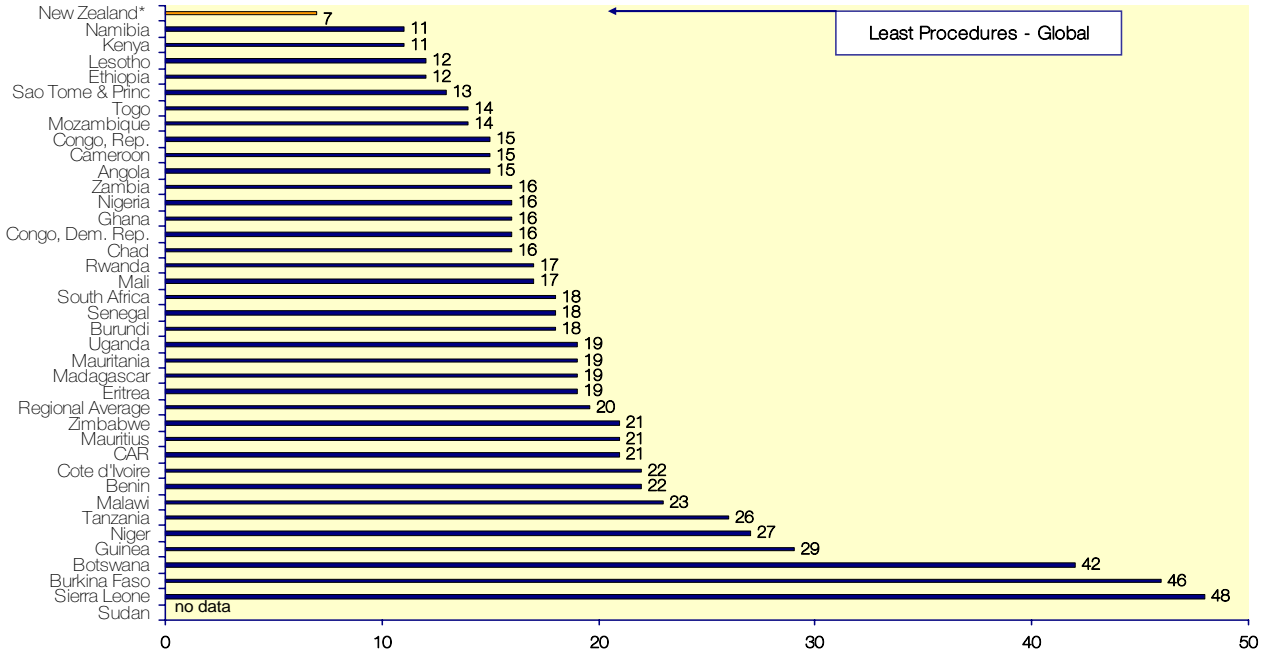
Faced with high regulatory burden, entrepreneurs move their activity to the informal economy. There, they operate with less concern for safety, leaving everyone worse off.

Benchmarking—Dealing with Licenses

Sub-Saharan Africa Region —Compared to Global Best / Selected Other Countries

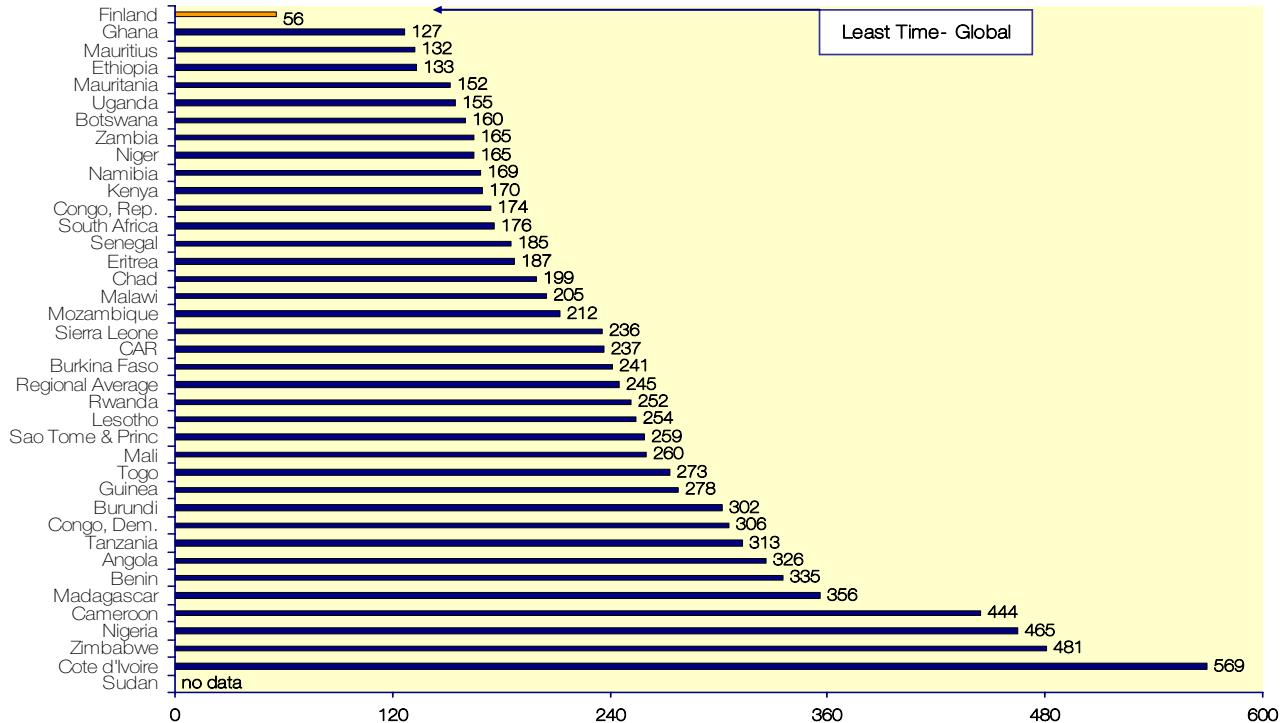
Procedures to Obtain a License

Source: Doing Business Database



Time to Obtain a License (days)

Source: Doing Business Database



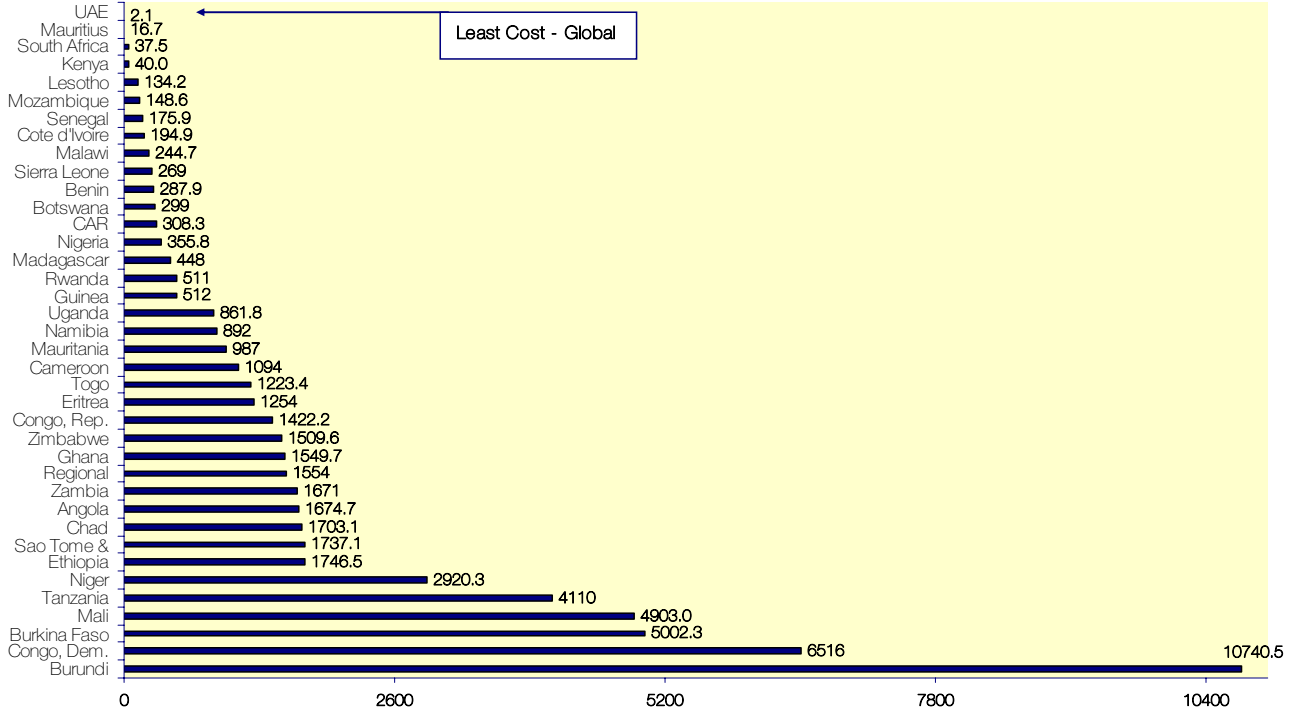
*Another country with the least procedures is Denmark.

Benchmarking—Dealing with Licenses

Sub-Saharan Africa Region —Compared to Global Best / Selected Other Countries

Cost to Obtain a License (% income per capita)

Source: Doing Business Database



Hiring and Firing Workers: Employment Regulation

Every economy has established a complex system of laws and institutions intended to protect the interests of workers and to guarantee a minimum standard of living for its population. This system encompasses four bodies of law: employment laws, industrial relations laws, occupational health and safety laws, and social security laws. *Doing Business* examines government regulation in the area of employment and social security laws.

Three measures are presented: a rigidity of employment index, a cost of hiring measure and a cost of firing measure. The rigidity of employment index is an average of three sub-indices: difficulty of hiring, rigidity of hours, and difficulty of firing. Each index takes values between 0 and 100, with higher values implying more rigid regulation. Difficulty of hiring measures flexibility of contracts and the ratio of minimum wage to the value-added per worker. Rigidity of hours covers restrictions on weekend and night work, working time and workweek requirements, and mandated days of annual leave with pay. Difficulty of firing covers workers' legal protections against dismissal, including the grounds for dismissal, and procedures for dismissal (individual and collective). Cost of hiring covers all social security payments and payroll taxes associated with hiring a new employee, expressed as a percentage of the worker's salary. A cost of firing indicator measures the cost of advance notice requirements, severance payments and penalties due when firing a worker, expressed in terms of weekly wages.

The indicators on employment regulations are based upon a detailed study of employment laws. Data are also gathered on the specific constitutional provisions governing these two areas. Both the actual laws and a secondary source were used to ensure accuracy. Finally, all data are verified and completed by local law firms through a detailed survey on employment regulations.

To make the data comparable across countries, a range of assumptions about the worker and the company are applied. Assumptions on the worker include that he is a non-executive full-time male employee who has worked in the same company for 20 years, has a wife and two children, and is not a member of the labor union (unless membership is mandatory). It is assumed that the company is a limited liability manufacturing corporation that operates in the country's most populous city. It is 100% domestically-owned, and has 201 employees. Finally, the company is subject to collective bargaining agreements in countries where collective bargaining covers more than half the economy.

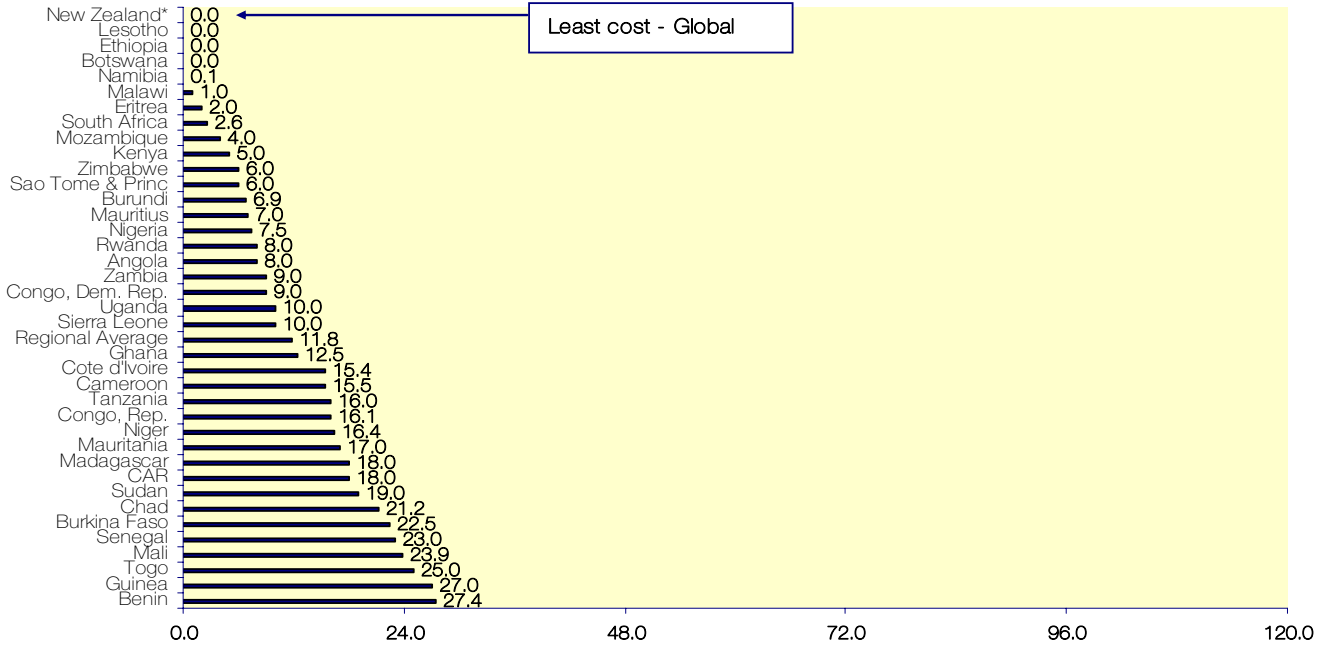
Although most employment regulations are enacted in response to market failures, it does not mean that today's regulations are optimal. Analysis of the indicators across countries shows that while employment regulation generally increases the tenure and wages of incumbent workers, strict regulatory intervention has many undesirable side effects, including less job creation, longer unemployment spells and the related skill obsolescence of workers, less R&D investment and smaller company size—all of which may reduce productivity growth. Many countries err on the side of excessive rigidity, to the detriment of businesses and workers alike. Flexible employment regulation strengthens the link between productivity and pay.

Benchmarking—Employment Regulation

Sub-Saharan Africa Region —Compared to Global Best / Selected Other Countries

Cost of Hiring (% salary)

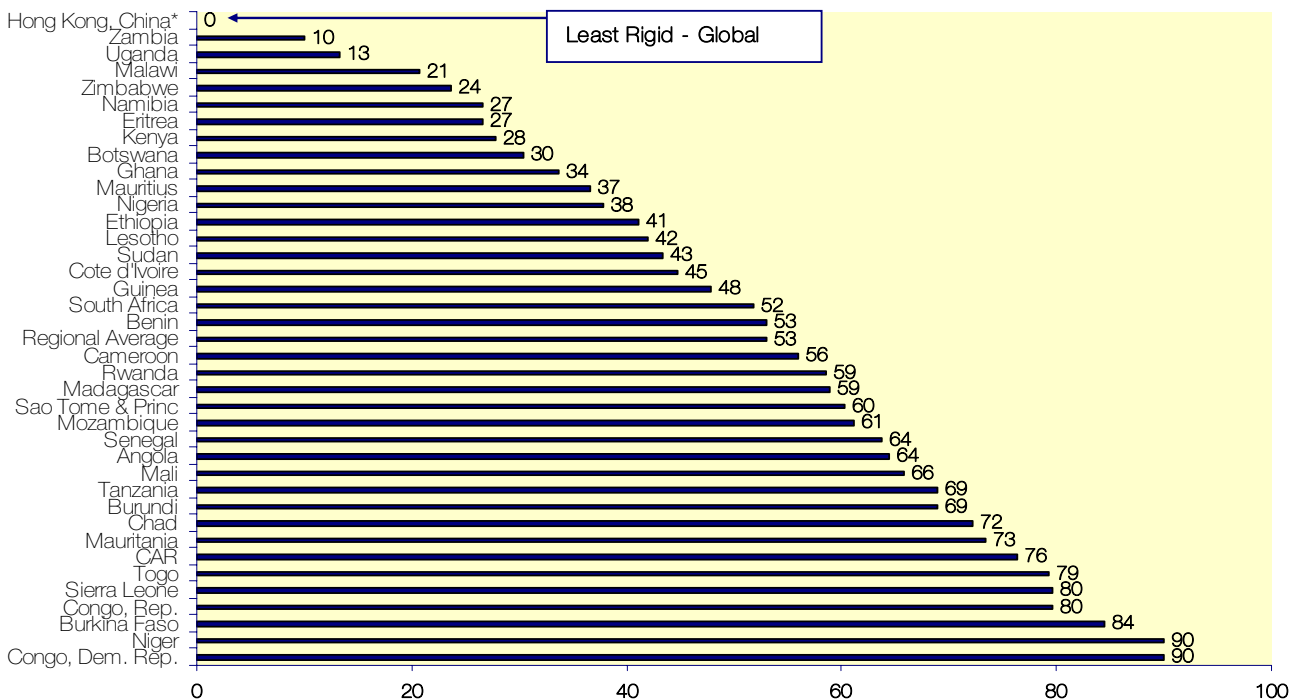
Source: Doing Business Database



*Other countries with the least cost of hiring are Botswana, Ethiopia and Nepal.

Rigidity of Employment Index

Source: Doing Business Database



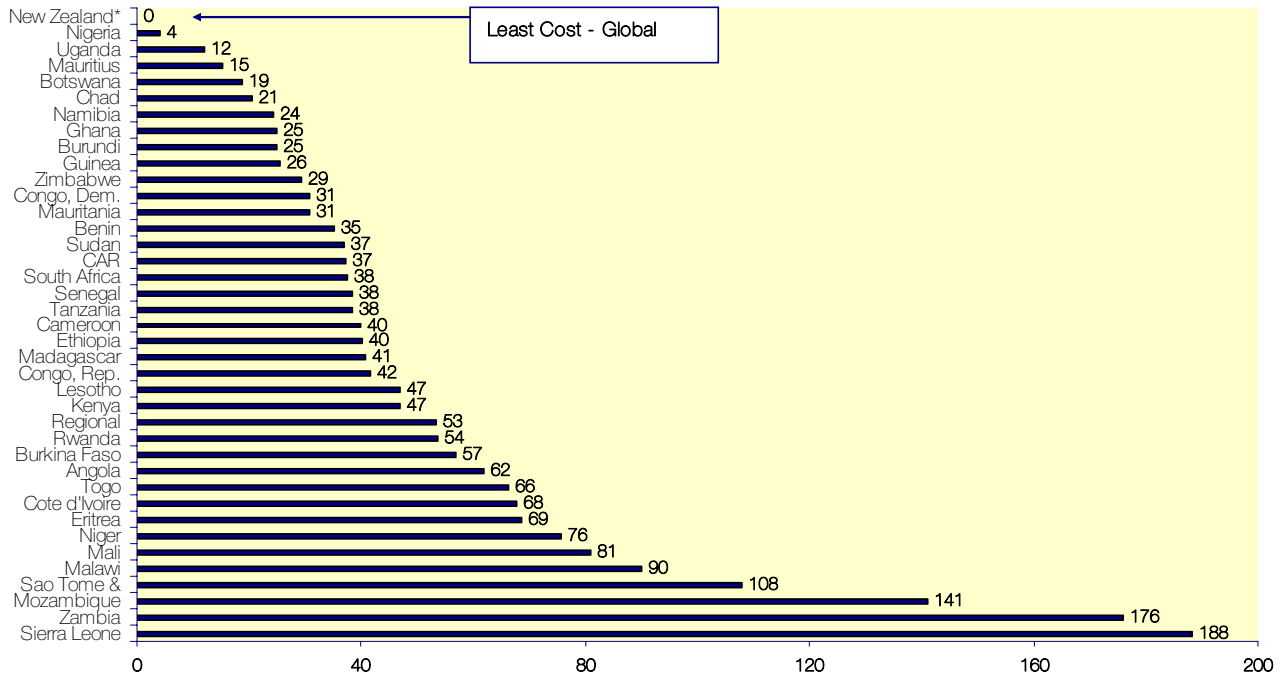
*Another country with the least rigid employment is Singapore.

Benchmarking—Employment Regulation

Sub-Saharan Africa Region —Compared to Global Best / Selected Other Countries

Cost of Firing (weekly wages)

Source: Doing Business Database



*Another country with the least firing cost is the United States.

Registering Property: Regulation of Property Transfers

Property registries were first developed to help raise tax revenue. Defining and publicizing property rights through registries has proven good for entrepreneurs as well. Land and buildings account for between half and three-quarters of country wealth in most economies. Securing rights to this property strengthens incentives to invest and facilitates trade. And with formal property titles, entrepreneurs can obtain mortgages on their homes or land and start businesses.

Doing Business measures the ease of registering property, assuming a standardized case of an entrepreneur who wants to purchase land and building in the largest business city. It is assumed the property is already registered and free of title dispute. The data cover the full sequence of procedures necessary to transfer the property title from the seller to the buyer. Every required procedure is included, whether it is the responsibility of the seller, the buyer, or where it is required to be completed by a third party on their behalf.

Local property lawyers and property registries provide information on required procedures, as well as the time and the cost to fulfill each of them. In most countries, the data are based on responses by both lawyers and officials in the property registries.

Based on the responses, three indicators are constructed:

- Number of procedures to register property
- Time to register property (in calendar days)
- Official costs to register property (as a percentage of the property value)

A large proportion of property in developing countries is not formally registered, limiting the financing opportunities for businesses. Recognizing these obstacles, governments have embarked on extensive property titling programs in developing countries. Yet bringing assets into the formal sector is of little value unless they stay there. Many titling programs in Africa were futile because people bought and sold property informally—neglecting to update the title records in the property registry. *Why? Doing Business* shows that in the average African country a simple formal property transfer in the largest business city costs 14% of the value of the property and takes more than 100 days. Worse, the property registries are so poorly organized that they provide little security of ownership. For both reasons, formalized titles quickly go informal again.

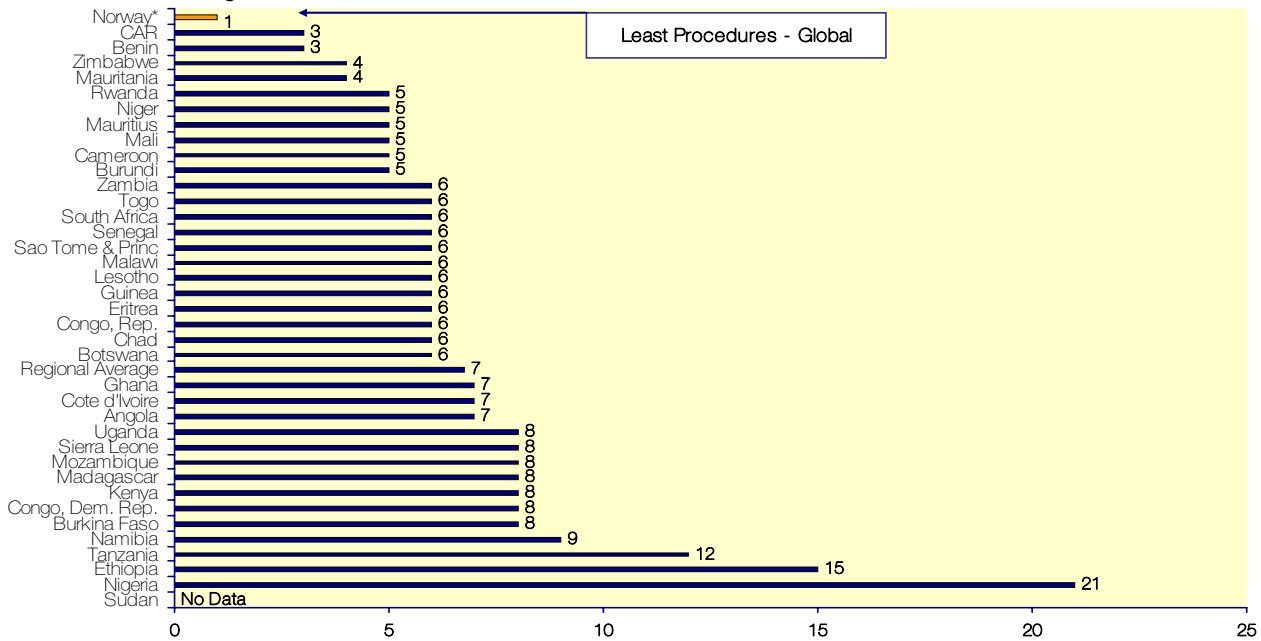
Efficient property registration reduces transaction costs and helps keep formal titles from slipping to informal status. Simple procedures to register property are also associated with more perceived security of property rights and less corruption. This benefits all entrepreneurs, especially women, the young and the poor. The rich have few problems protecting their property rights. They can afford the costs of investing in security systems and other measures to defend their property. But small entrepreneurs cannot. Reform can change this.

Benchmarking— Registering Property

Sub-Saharan Africa Region —Compared to Global Best / Selected Other Countries

Procedures to Register Property

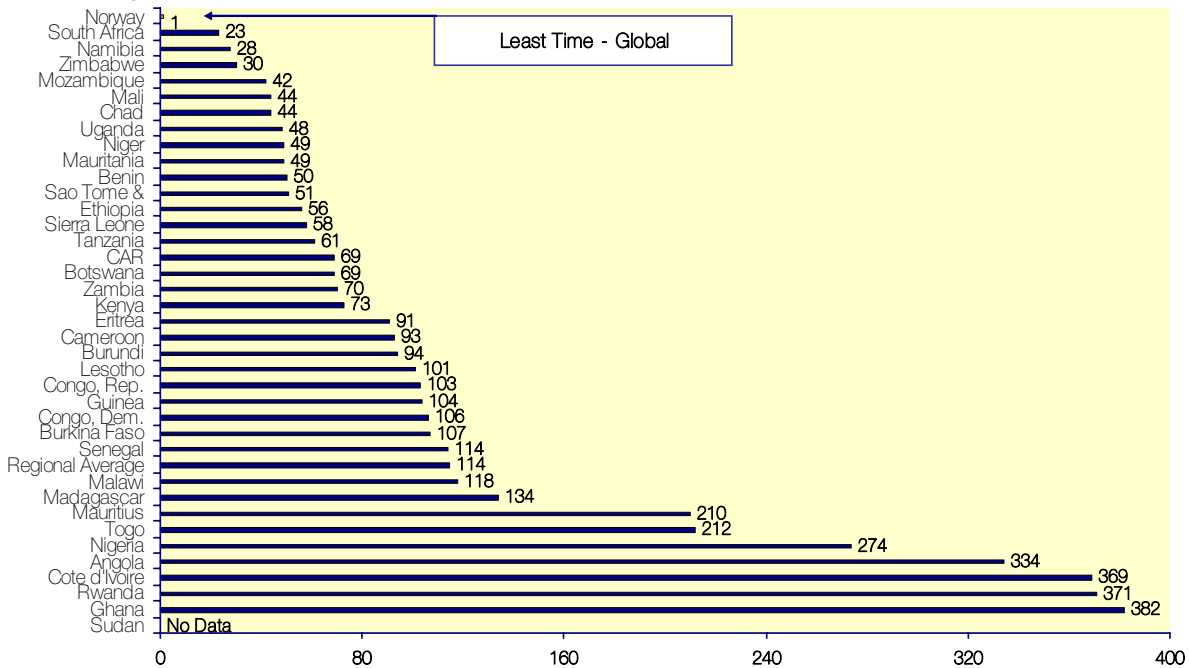
Source: Doing Business Database



*Another country with the least procedures is Sweden.

Time to Register Property (days)

Source: Doing Business Database

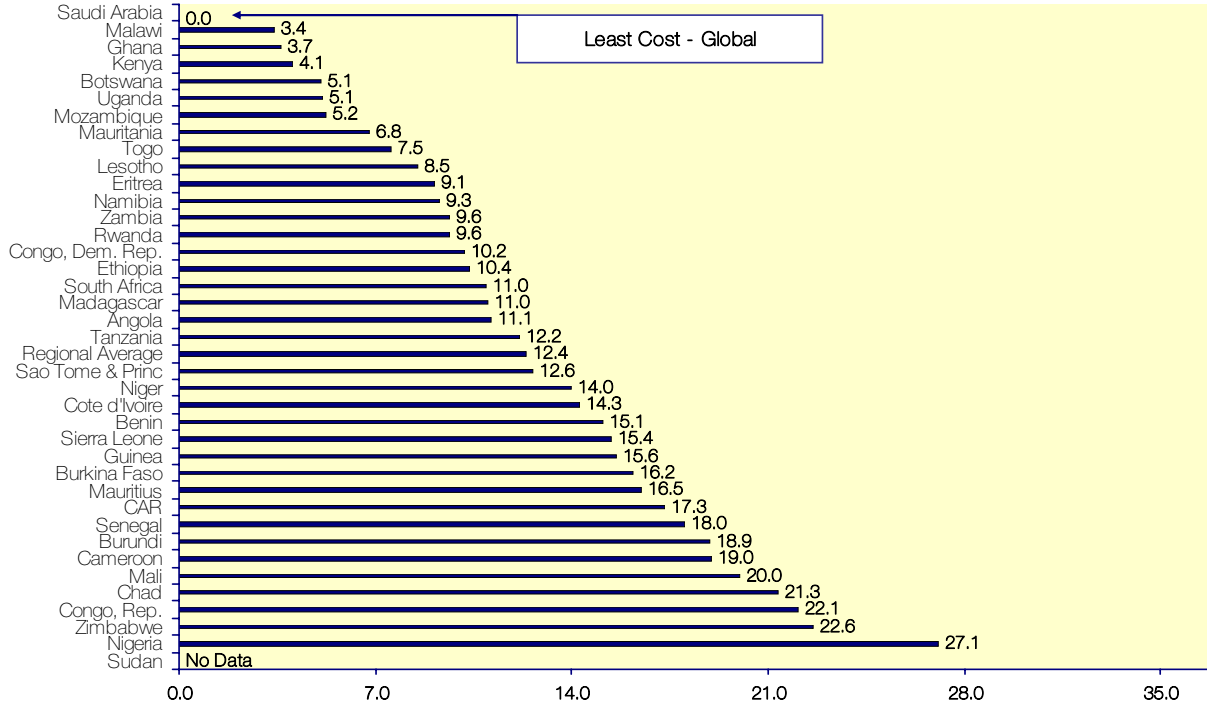


Benchmarking— Registering Property

Sub-Saharan Africa Region —Compared to Global Best / Selected Other Countries

Cost to Register Property (% of property value)

Source: Doing Business Database



Getting Credit: Legal Rights & Credit Information

Access to credit is consistently rated by firms as one of the greatest barriers to operation and growth. Two sets of indicators, on credit information registries and legal rights, are covered by the *Doing Business* database.

Access to credit may be expanded significantly by credit registries—institutions that gather and disseminate information on credit histories. The information-sharing role of credit registries helps lenders to assess risk and allocate credit more efficiently, which means that entrepreneurs don't need to rely on only personal relations when trying to obtain credit. The indicators report whether public credit registries or private credit bureaus operate and the amount of credit information they cover. An index of the extent to which the rules of credit information registries facilitate lending is constructed on the basis of: scope of information distributed; ease of access to information and quality of information. The data were obtained from surveys of public and private credit registries.

Effective regulations on secured lending—through collateral and bankruptcy laws—are another institutional solution to credit constraints. With collateral, a lender can seize and sell the borrower's secured assets upon default of a loan, which limits the potential losses of a lender and acts as a screening device of borrowers.

The legal rights indicator measures ten powers of borrowers and creditors in collateral and bankruptcy laws, including whether:

- general rather than specific descriptions of assets and debt are permitted in collateral agreements (expanding the scope of assets and debt covered);
- any legal or natural person may grant or take security over business credits;
- a unified registry including charges over movable property operates;
- security provides priority both in and outside bankruptcy;
- parties may agree on enforcement procedures by contract;
- creditors may both seize and sell collateral out of court, no automatic stay or “asset freeze” applies upon bankruptcy, and the bankrupt debtor does not retain control of the firm.

A minimum score of 0 represents weak legal rights and the maximum score of 10 represents strong legal rights. Data were obtained from by examining collateral and bankruptcy laws and legal summaries, and verified through a survey of financial lawyers.

These two measures are important indicators of well functioning credit markets. Across countries, stronger legal rights and more information sharing are associated with deeper credit markets and lower default rates. More credit is extended when legal rights are stronger and quality credit information is available. And benefits flow beyond access to credit—non-performing loans are lower. Women, small firms, and low-income benefit the most. And with better functioning credit markets, unemployment is lower.

Benchmarking – Credit Information Indicators

Sub-Saharan Africa Region —Compared to Global Best / Selected Other Countries

Coverage of Borrowers (firms/individuals) in Public Registries and Private Bureaus

Source: Doing Business Database

Country	Public registry coverage (borrowers as % of adult population)	Private bureau coverage (borrowers as % of adult population)	Credit Information Index **
Portugal	64.3 (highest coverage)	9.8	4
United States *	0	100 (highest coverage)	6
Senegal	4.3	0.0	1
Benin	3.5	0.0	1
Togo	3.5	0.0	1
Cote D'Ivoire	3.0	0.0	1
Angola	2.9	0.0	4
Mali	2.3	0.0	1
Congo, Rep.	2.3	0.0	2
Burkina Faso	1.9	0.0	1
CAR	1.2	0.0	2
Niger	0.9	0.0	1
Cameroon	0.8	0.0	2
Regional Average	0.8	3.5	1
Mozambique	0.8	0.0	4
Madagascar	0.3	0.0	2
Burundi	0.2	0.0	3
Mauritania	0.2	0.0	1
Chad	0.2	0.0	2
Rwanda	0.1	0.0	2
Nigeria	0.0	0.3	3
Guinea	0.0	0.0	1
Botswana	0.0	30.8	5
Congo, Dem. Rep.	0.0	0.0	0

Eritrea	0.0	0.0	0
Ethiopia	0.0	0.0	0
Ghana	0.0	0.0	0
Kenya	0.0	0.1	5
Lesotho	0.0	0.0	0
Malawi	0.0	0.0	0
Mauritius	0.0	0.0	0
Namibia	0.0	35.2	5
Sao Tome & Principe	0.0	0.0	0
Sierra Leone	0.0	0.0	0
South Africa	0.0	63.4	5
Sudan	0.0	0.0	0
Tanzania	0.0	0.0	0
Uganda	0.0	0.0	0
Zambia	0.0	0.0	0
Zimbabwe	0.0	0.0	0

* Other countries that offer the most coverage globally include Australia, Canada, Iceland, Ireland, Norway, and Sweden.

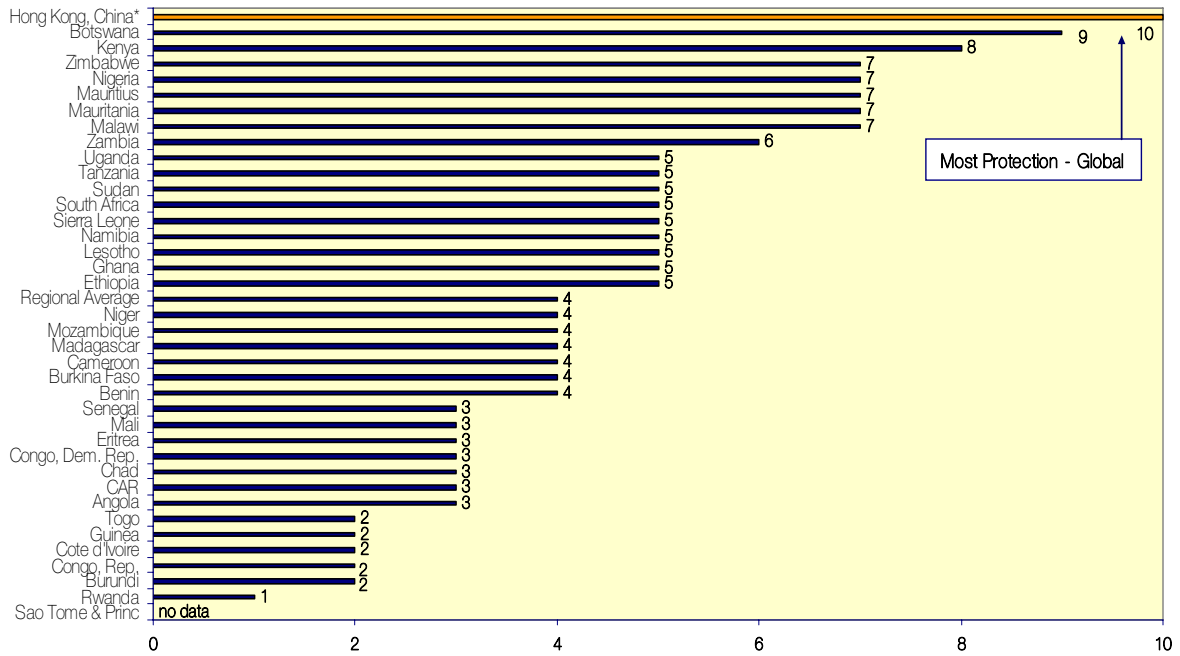
**The index measures whether either public or private credit registries have: both positive information, meaning loans outstanding and payment behavior on accounts in good standing—as well as negative information, meaning defaults and arrears; data on both firms and individuals; data from retailers, utilities and financial institutions; more than 2 years of historical data preserved, data on all loans above 1% of income per capita, and legal guarantees for the consumer’s right to inspect their data. The index varies between 0 and 6, with higher values indicating broader information sharing.

Benchmarking—Legal Rights Indicator

Sub-Saharan Africa Region - Compared to Global Best / Selected Other Countries

Legal Rights Index

Source: Doing Business Database



*Other countries with the most protection globally are Singapore and the United Kingdom.

Protecting Investors: Corporate Governance

Officials at Elf Aquitaine, France's largest oil company, awarded business deals in return for large side payments. Along with the extra cash, they got seven years in jail and a €2 million fine for abuse of power. Russian oil firm Gazprom purchased materials for new pipelines through intermediaries owned by company officers. The high cost raised eyebrows, but not court battles.

Big cases make headlines. But looting by corporate insiders occurs every day on a smaller scale, and often goes unnoticed. To document the protections investors have, *Doing Business* measures how countries regulate a standard case of self-dealing—use of corporate assets for personal gain.

The case facts are simple. Mr. James, the majority shareholder and director of a public company, proposes to purchase 50 used trucks from another company he owns. The price is higher than the going price for used trucks. Mr. James enters into the transaction. All required approvals were obtained and all the required disclosures made, though the transaction was unfair to Mr. James' public company. Shareholders sue the interested parties and the members of the Board of Directors.

Several questions arise. Who approves the transaction? What information must be disclosed? What company documents can investors access? What do minority shareholders have to prove for the transaction to be stopped or to receive compensation from Mr. James? Three indices of investor protection are constructed based on these and other answers. All indices vary from 0 to 10 with higher values indicating more protections or higher disclosure.

- The Liability of Directors index comprises the ability of investors to hold Mr. James and the directors' board liable for damages; the ability to rescind the transaction; fines and jail time associated with self-dealing; availability of derivative or direct suits and the requirement that Mr. James pays back his personal profits made on the transaction.
- The Disclosure of Information index comprises approval procedures, immediate disclosure to the public and shareholders of proposed transactions, disclosure in periodic filings and reports, and availability of external review of transactions before they take place.
- The Ease of Shareholder Suits index comprises the availability of documents that can be used during trial, the ability of the investor to examine the defendant and other witnesses, the legality of inspection of company documents, who appoints an inspector, and the standard of proof.
- Finally, the Good Governance index is a sum of Liability of Directors index, the Disclosure index, and the Ease of Shareholders Suits index. The index ranges between 0 and 30, with higher values indicating better governance in companies.

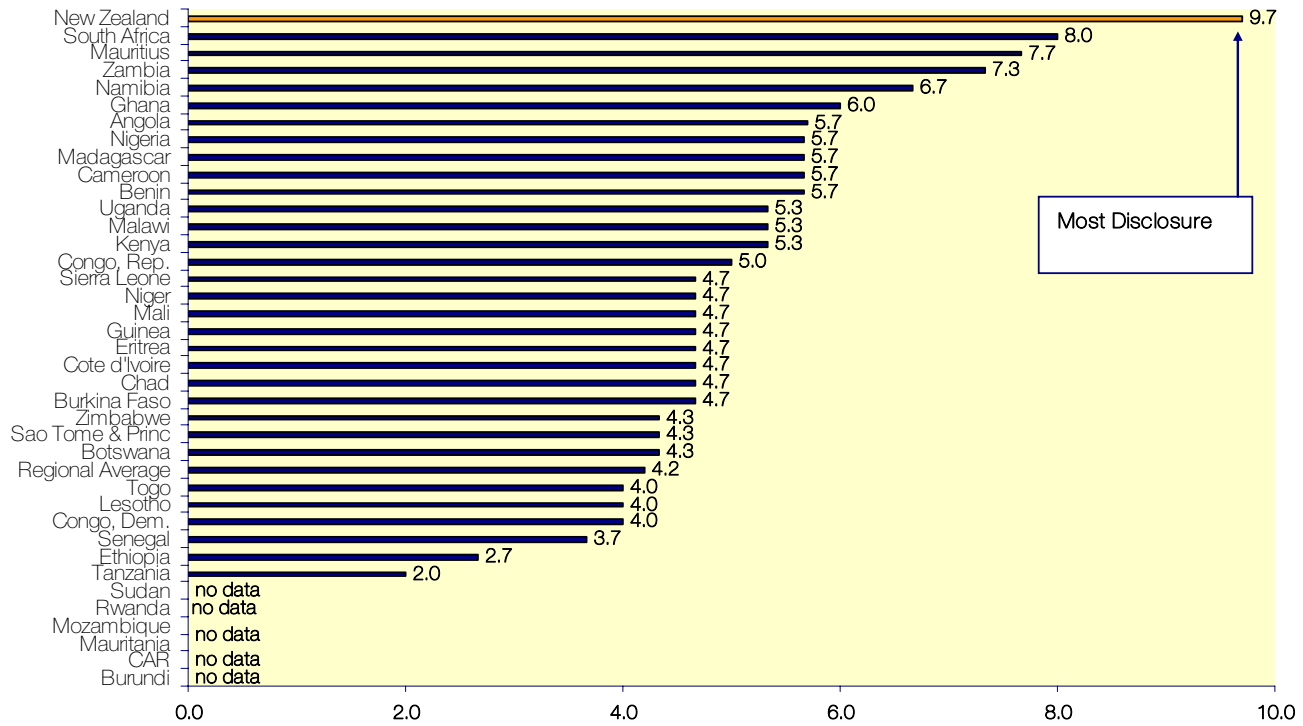
If the rights of investors are not protected, majority ownership in a business is the only way to eliminate expropriation. But then investors must devote more oversight attention to fewer investments. The result: entrepreneurship is suppressed and fewer profitable investment projects are undertaken. Good corporate governance can be expensive, but the payoff is large. Where self-dealing is curbed, equity investment is higher, ownership concentration is lower and trust of the business sector is deeper. Investors gain portfolio diversification, and entrepreneurs gain access to cash.

Benchmarking—Corporate Governance

Sub-Saharan Africa Region - Compared to Global Best / Selected Other Countries

Good Governance Index

Source: Doing Business Database



Sub-Saharan Africa Region

Trading Across Borders: Imports and Exports

The benefits of trade are well documented—as are the obstacles to trade. Distance from large markets, tariffs and quotas greatly increase the costs of goods or altogether prevent trading. But with faster ships and bigger planes, the world is shrinking. Global or regional agreements have brought down trade barriers. Yet Africa's share of global trade is lower today than 25 years ago. So is the Middle East's, excluding oil exports. The reason is simple: many entrepreneurs face numerous hurdles. They often give up. Others never try.

Doing Business compiles procedural requirements for trading a standardized shipment of goods. Every official procedure—including time, signatures and documents—for importing and exporting the goods is recorded—starting from the final contractual agreement between the two parties, and ending on delivery of the goods. For importing the goods, the procedures measured range from the vessel's arrival at the port of entry to the shipment's delivery at the factory warehouse. For exporting the goods, the procedures measured range from the packing of the goods at the factory to their departure from the port of exit.

To make the data comparable across countries, several assumptions about the business and the traded goods are employed. The business: is of medium size with 100 employees or more; located in a peri-urban area of the country's most populous city; is a private, limited liability company, domestically-owned, formally registered, and operating under commercial laws and regulations of the country. It does not operate within an export processing zone or an industrial estate with special export or import privileges and it exports over 10% of its sales. The traded goods: are ordinary, legally manufactured products; travel in a dry cargo, 20-foot FCL (full container load) container. They are not: a hazardous product nor include military arms or equipment, require refrigeration or any other special environment, nor involve any special phytosanitary or environmental safety standards other than accepted international standards. Respondents chose to consider goods from one of the following SITC categories: Textile yarn, Fabrics, Made-up Articles; Articles of Apparel and Clothing Accessories; Coffee, Tea, Cocoa, Spices, and Manufactures Thereof.

Time is in calendar days, from start to finish of each procedure. A signature value is assigned for each approval, signature, or stamp that clears one or more formal procedures. If the signature is electronic or transmitted through alternative means, it is also awarded a signature value. Verification from supervisors that is mandatory to complete a procedure is also counted as a signature. Documentation includes port filing documents, customs declaration and clearance documents, and official documents exchanged between the concerned parties.

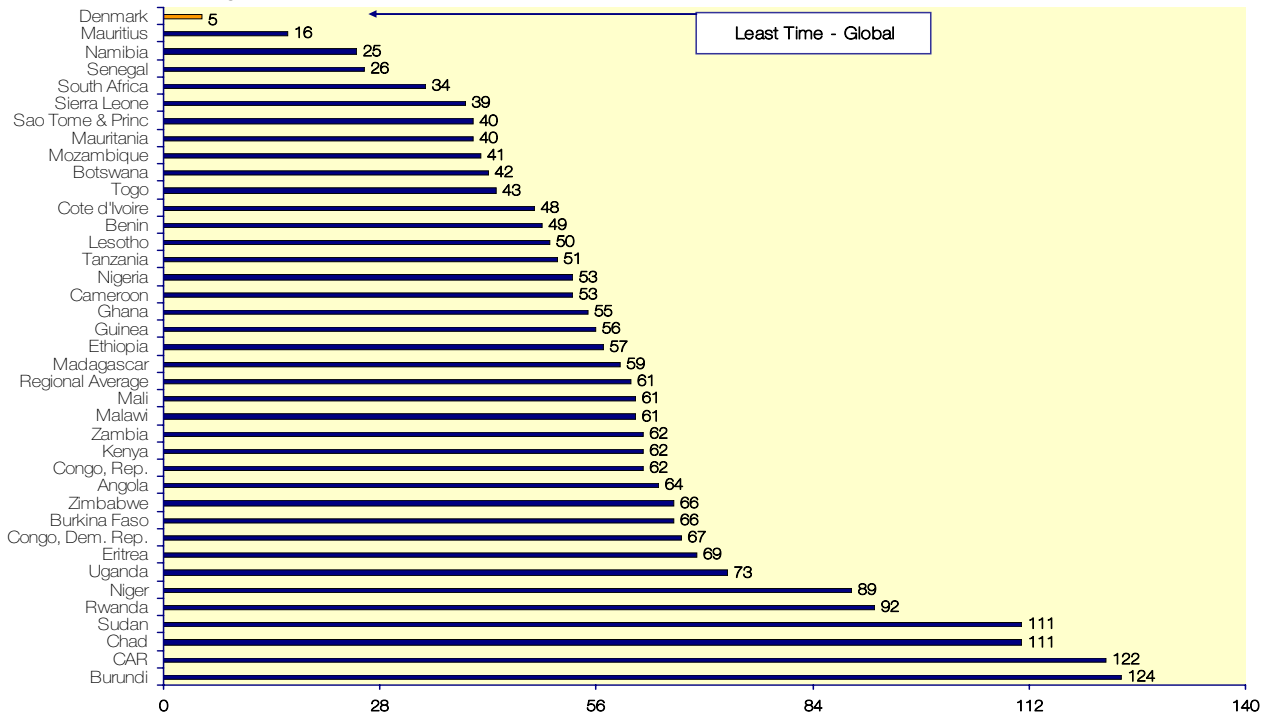
The countries which have efficient customs and trade transport—fewer documents and signatures, less time necessary to comply with various procedures—also export more. And exports are associated with faster growth and more jobs. Having to file many documents is associated with more corruption in customs. Faced with long delays and frequent demands for bribes, many traders avoid customs altogether. Instead, they smuggle goods across the border. Smuggling defeats the very reason to have border control of trade: ensure high quality of goods and levy taxes.

Benchmarking—Trading Across Borders

Sub-Saharan Africa Region - Compared to Global Best / Selected Other Countries

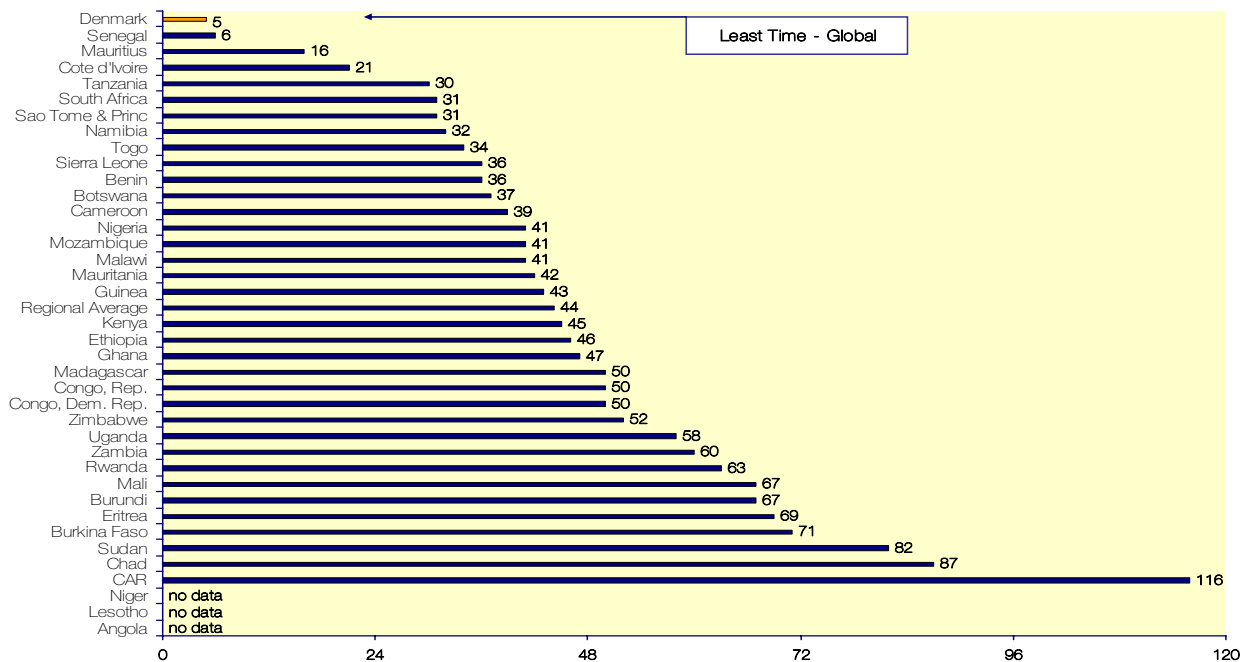
Time to Import (days)

Source: Doing Business Database



Time to Export (days)

Source: Doing Business Database

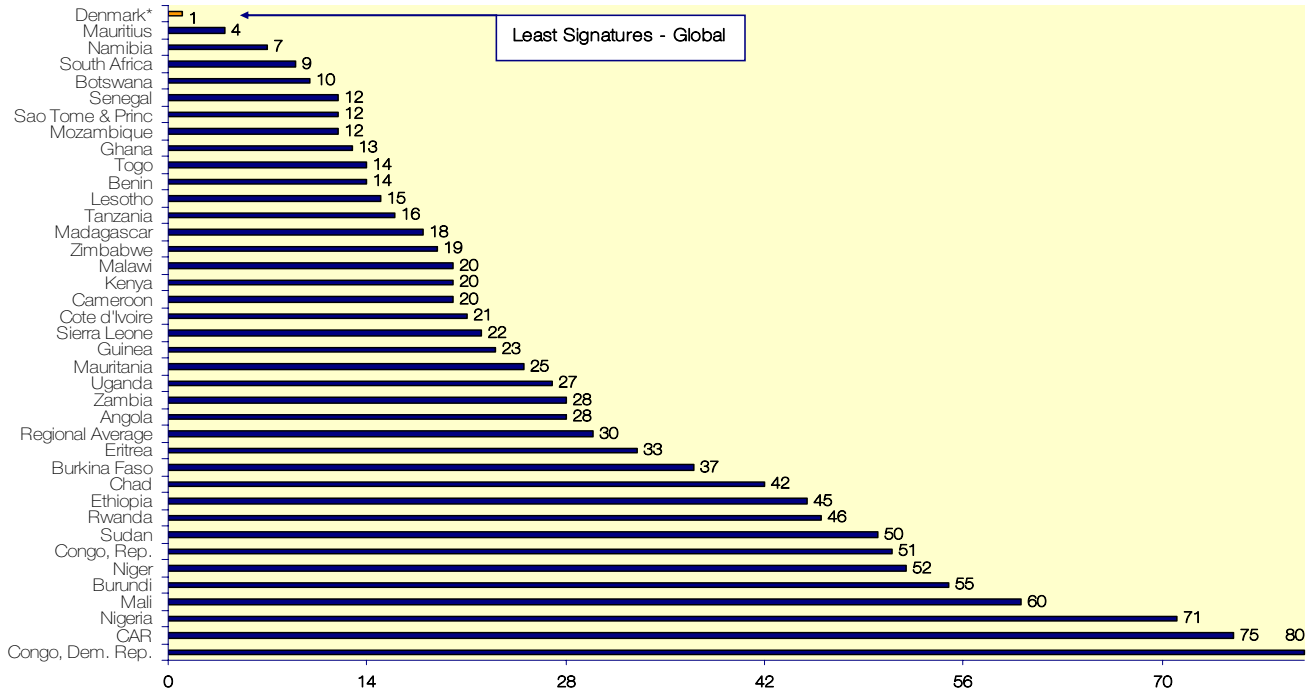


Benchmarking— Trading Across Borders

Sub-Saharan Africa Region - Compared to Global Best / Selected Other Countries

Signatures to Import

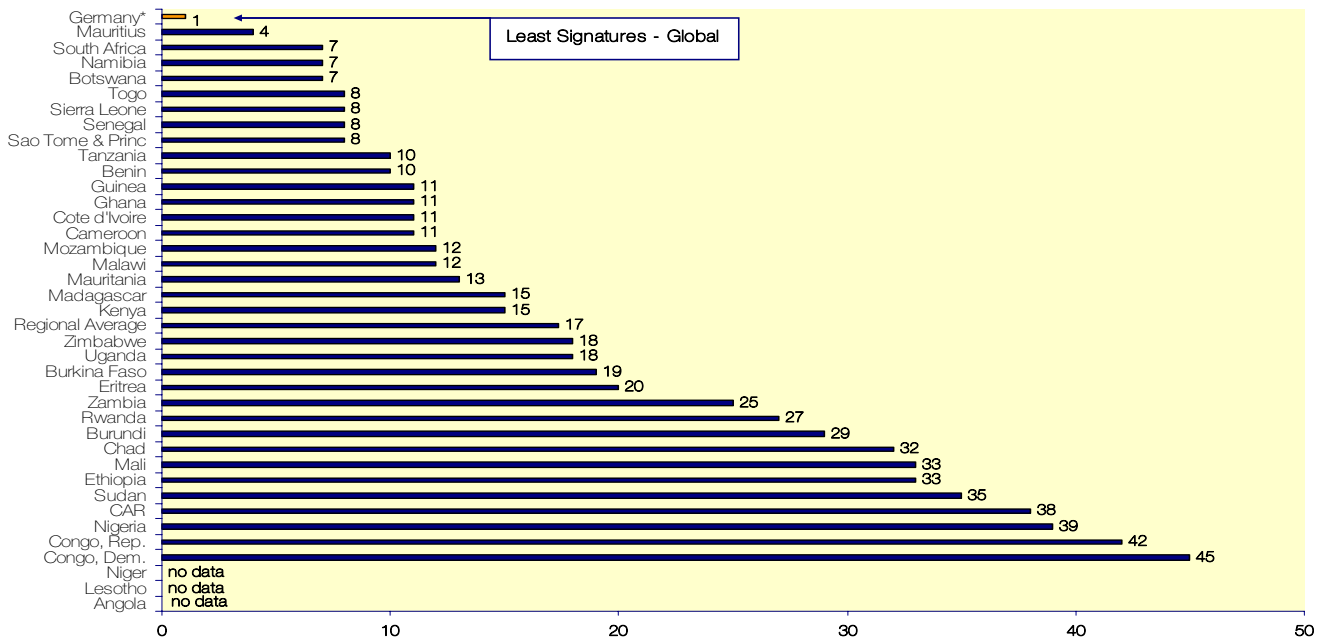
Source: Doing Business Database



*Other countries with the least signatures to import are: Canada, Finland, Germany, Netherlands and Sweden.

Signatures to Export

Source: Doing Business Database



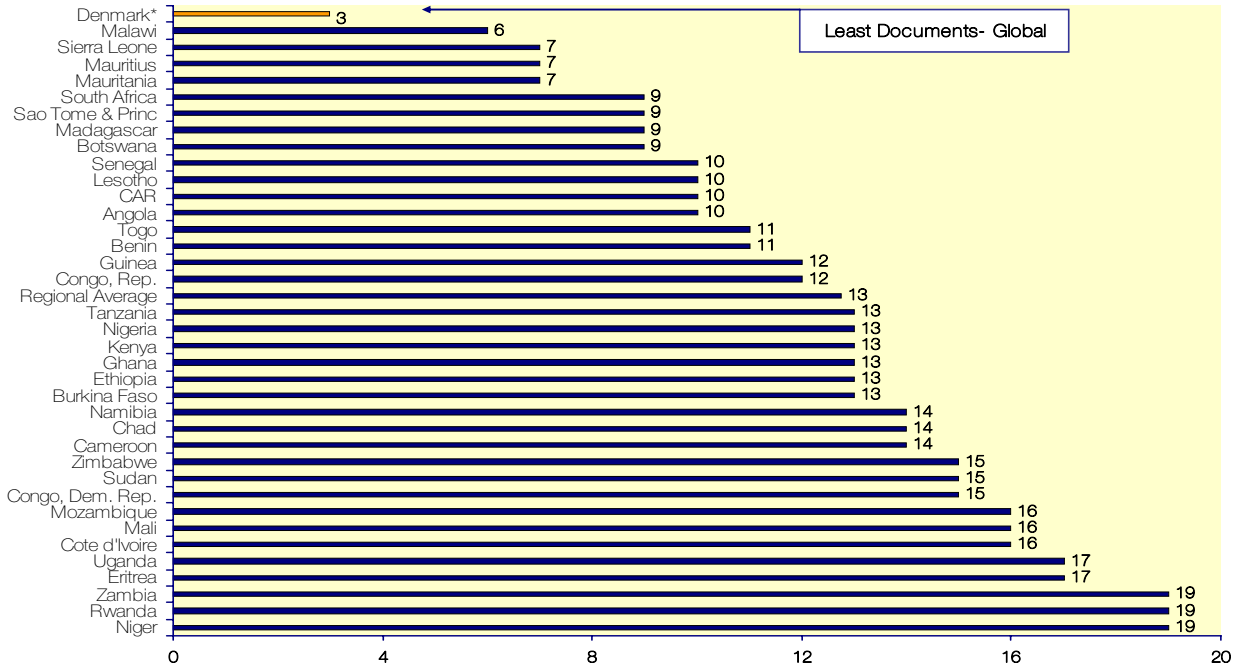
*Another country with the least signatures to export is Sweden.

Benchmarking—Trading Across Borders

Sub-Saharan Africa Region - Compared to Global Best / Selected Other Countries

Documents to Import

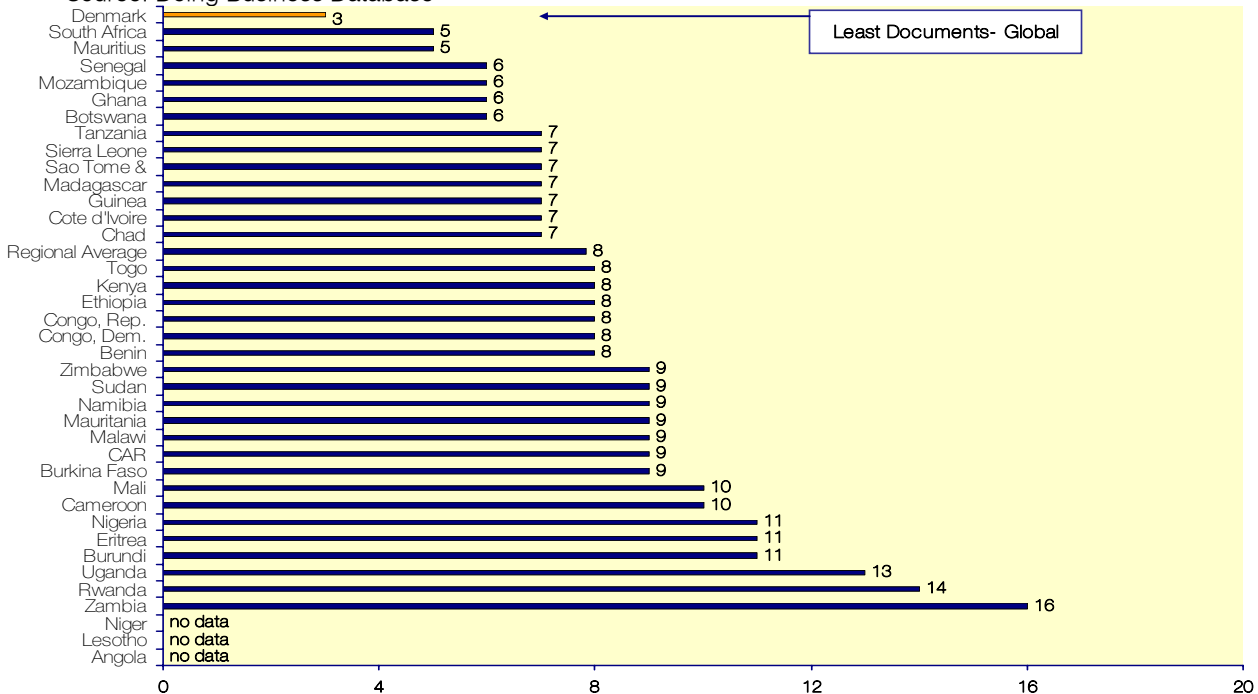
Source: Doing Business Database



*Other countries with the least documents to import are Finland and Sweden.

Documents to Export

Source: Doing Business Database



Enforcing Contracts: Court Efficiency

Efficient contract enforcement encourages businesses to engage with new borrowers or customers. The institution that enforces contracts—between debtors and creditors, suppliers and customers—is the courts. Yet in many countries around the world, courts are slow, inefficient, and even corrupt.

Doing Business tracks the efficiency of contract enforcement, looking at simple transactions of relevance to the average firm in everyday business activity. The indicators on contract enforcement are constructed assuming a standardized case of a payment dispute over 200% of income per capita in the country's most populous city. The data track the procedures to recover the debt through the courts (or through an administrative process, if available and preferred by creditors). It is assumed that the plaintiff has fully complied with the contract (plaintiff is 100% right) and files a lawsuit to recover the debt. The debtor attempts to delay and raises opposition to the complaint. The judge decides every motion for the plaintiff. There are no appeals or post-judgment motions. The data are derived from reading of the Codes of Civil Procedures and other court regulations, as well as administering surveys to local litigation attorneys. The respondents are members of the Lex Mundi or Lex Africa association of law firms, with at least two lawyers participating in each country.

Based upon the survey responses, three indicators of the efficiency of commercial contract enforcement are developed. The first indicator is the number of procedures, mandated by law or court regulation, that demand interaction between the parties or between them and the judge or court officer. The second indicator of efficiency is the time—in calendar days—of dispute resolution. Time is measured as the number of days counted from the moment the plaintiff files the lawsuit in court, until the moment of settlement or, when appropriate, payment. This measure includes both the days where actions take place and waiting periods between actions. The third indicator is the official cost of going through court procedures, measured as a percentage of the debt. The cost includes court costs and attorney fees.

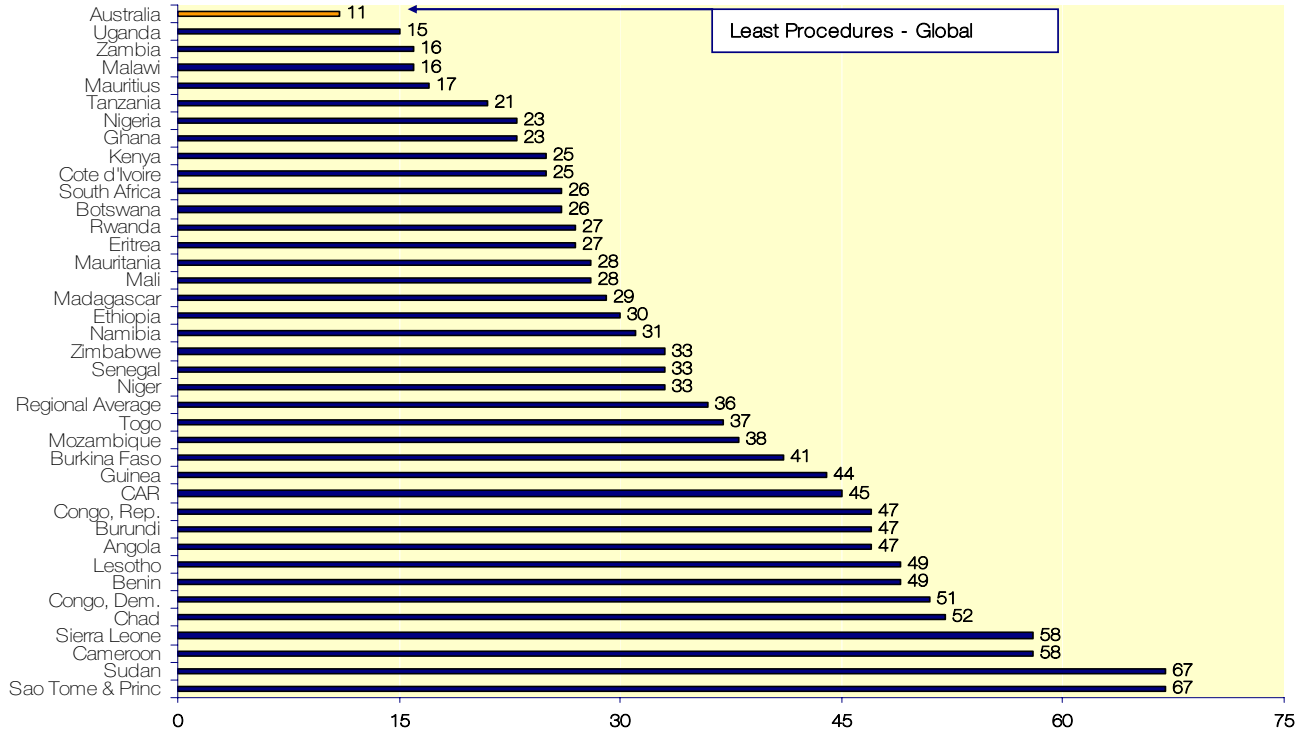
Businesses that have little or no access to efficient courts must rely on other mechanisms—both formal and informal, such as trade associations, social networks, credit bureaus or private information channels—to decide with whom to do business and under what conditions. Businesses may also adopt conservative business practices and deal only with a small group of people linked through kinship, ethnic origin, or previous dealings. Transactions are then structured to forestall disputes. Whichever alternative is chosen, economic and social value may be lost. The main reason to regulate procedures in commercial dispute resolution is that informal justice is vulnerable to subversion by the rich and powerful. But heavy regulation of dispute resolution has negative consequences. Across countries, the more procedures it takes to enforce a contract, the longer the delays and the higher the cost. Less wealth is created.

Benchmarking—Contract Enforcement

Sub-Saharan Africa —Compared to Global Best / Selected Other Countries

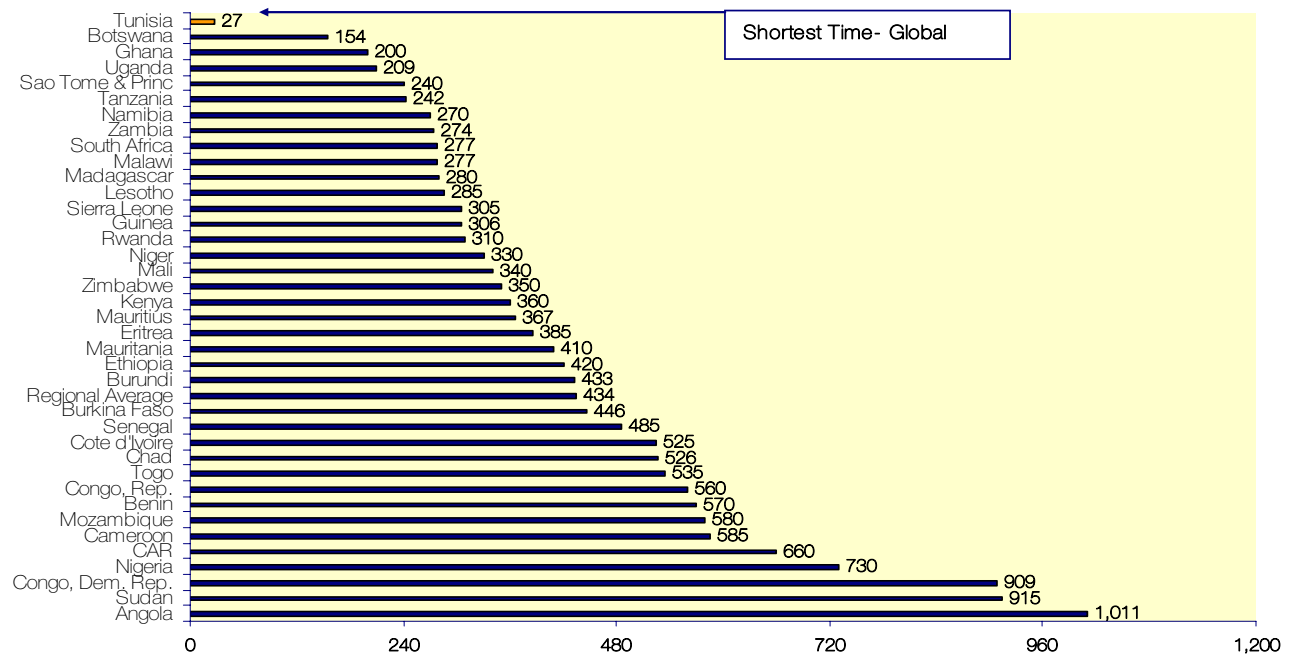
Procedures to Enforce a Contract

Source: Doing Business Database



Time to Enforce a Contract (days)

Source: Doing Business Database

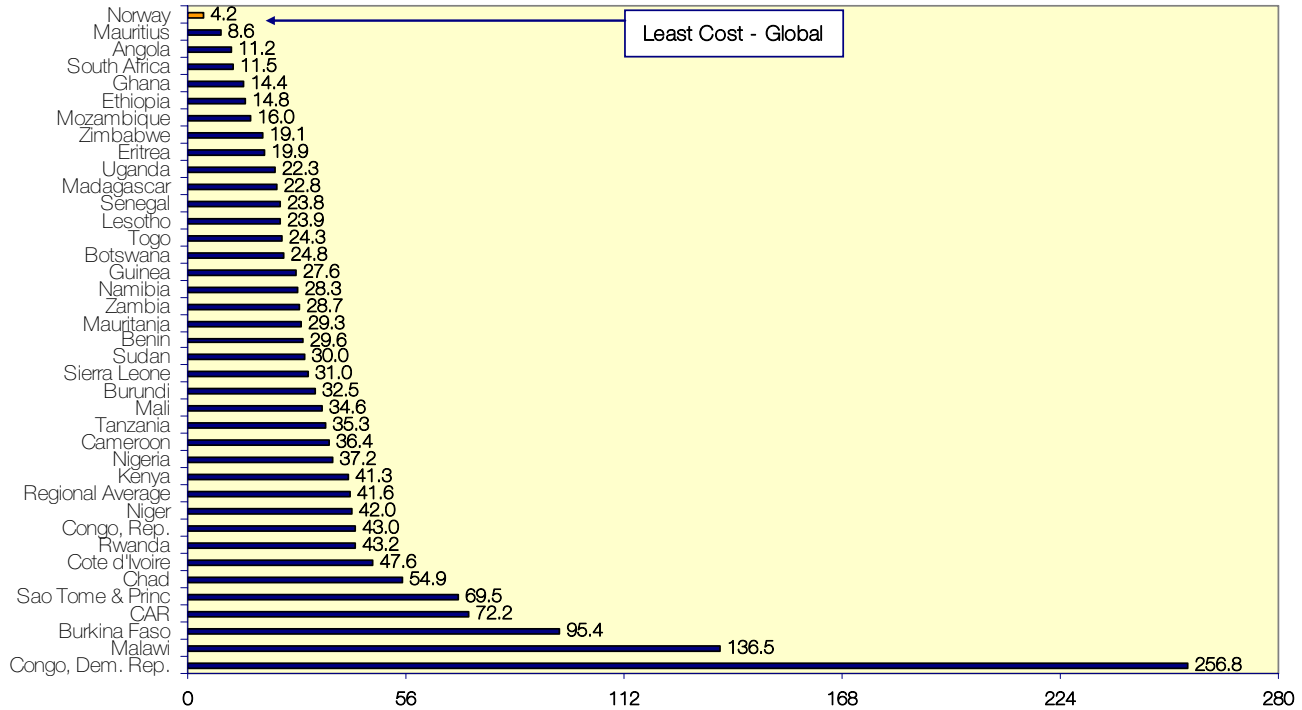


Benchmarking—Contract Enforcement

Sub-Saharan Africa Region —Compared to Global Best / Selected Other Countries

Cost to Enforce a Contract (% of debt value)

Source: Doing Business Database



Sub-Saharan Africa Region

Paying Taxes: Tax Payable and Compliance

Taxes are essential. Without them, there would be no money to fund schools, hospitals, courts, roads, water, waste collection and other public services that help businesses to be more productive. Still, there are good ways and bad ways to collect tax.

The *Doing Business* tax survey records the effective tax that a medium size company must pay or withhold. Imagine a medium sized business—TaxpayerCo—that started operations last year. *Doing Business* asked accountants in 155 countries to review TaxpayerCo's financial statements and list of standard transactions it made throughout the year. The business starts from the same financial position in each country. What differ are the tax requirements. Respondents were asked the total amount of tax that must be paid by the business and the process to do so.

All the taxes paid or withheld within the second year of operations are recorded. Taxes are measured at all levels of government and include corporate income tax, personal income tax withheld by the company, social security contributions paid or withheld by the company, value added tax (VAT) or sales tax, property taxes, property transfer taxes, dividend tax, capital gains tax, financial transactions tax, and vehicle tax. A range of standard deductions and exemptions is also recorded.

The indicators are measured as follows:

- The tax payable indicator measures the total amount of taxes payable by the company within the second year of operation. The total amount of taxes is the sum of all the different taxes payable after accounting for various deductions and exemptions. The total amount of taxes payable is presented as proportional to gross profits (sales less material and labor costs).
- The total number of tax payments, which takes into account the method of payment/withholding, frequency of payment/withholding, and the number of agencies involved for the standardized case study.
- The time indicator measures the total hours per year necessary to prepare, file and pay corporate income, VAT, and labor taxes.

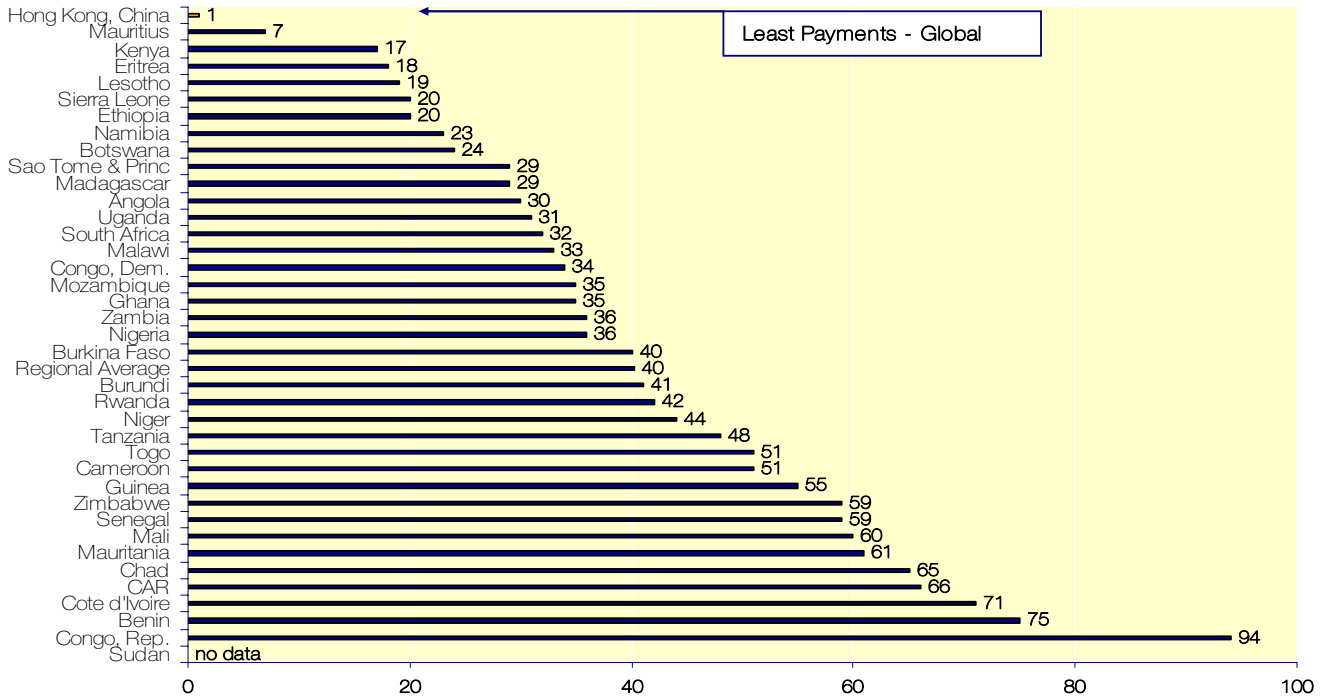
Businesses care about what they get for their taxes, such as quality of infrastructure and social services. Poor countries tend to use businesses as a collection point for taxes, whereas rich countries tend to charge less and have less complexity. And rich countries get more for their money. Simple, moderate taxes and fast and cheap administration mean less hassle for business—but also more revenue collected and better public goods. More burdensome taxes provide an incentive to evade.

Benchmarking—Paying Taxes

Sub-Saharan Africa Region —Compared to Global Best / Selected Other Countries

Number of Payments (per year)

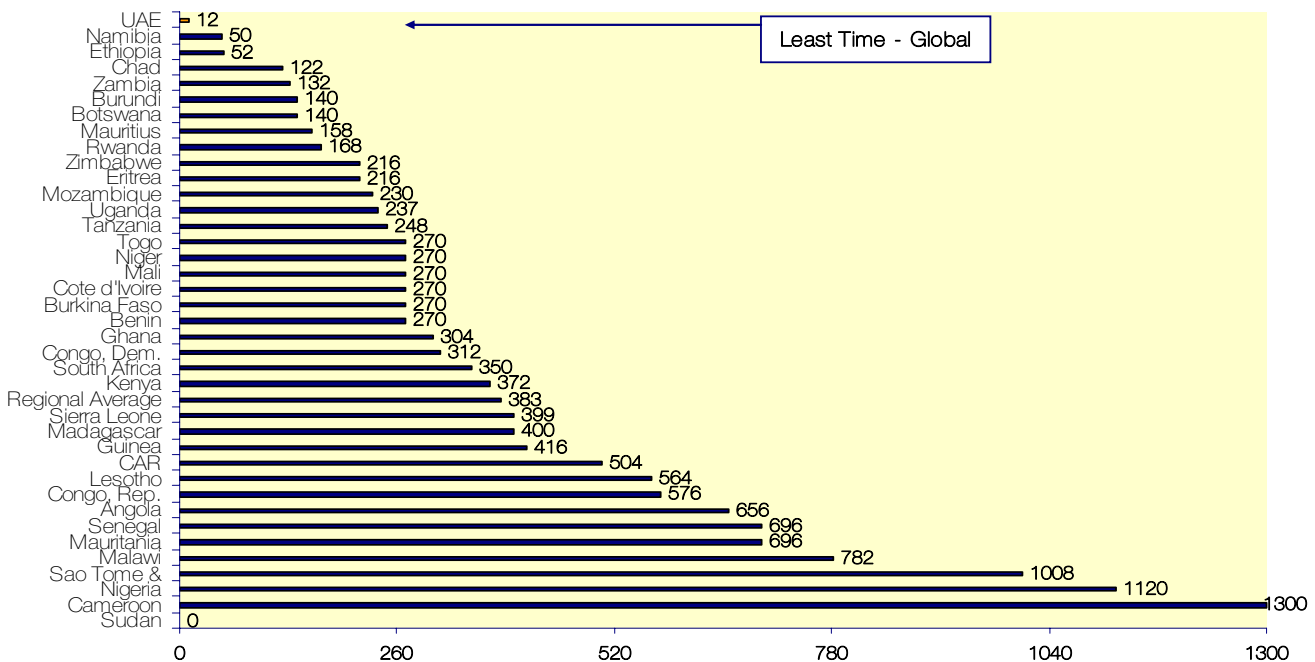
Source: Doing Business Database



Sub-Saharan Africa Region

Time to Pay Taxes (hours per year)

Source: Doing Business Database

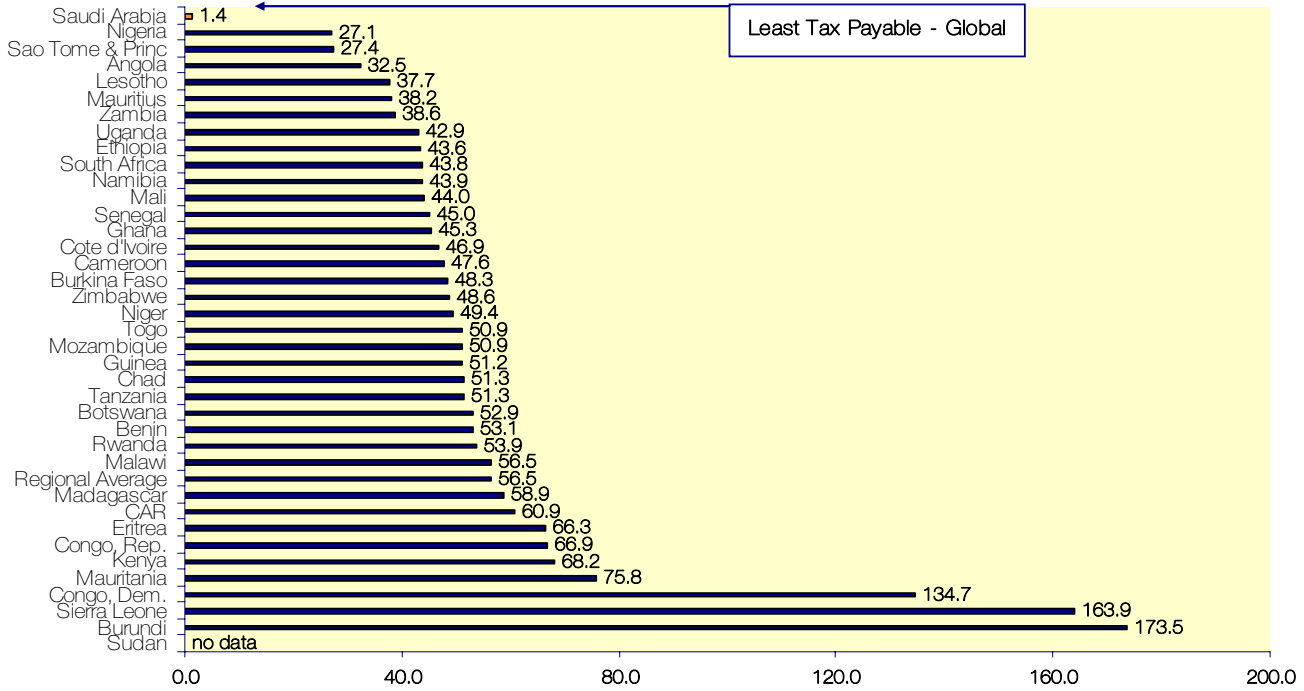


Benchmarking—Paying Taxes

Sub-Saharan Africa Region —Compared to Global Best / Selected Other Countries

Tax Payable (% gross profits)

Source: Doing Business Database



Closing a Business: Bankruptcy

Recent economic crises in emerging markets, from East Asia, to Latin America, to Russia and Mexico, have raised concerns about the design of bankruptcy systems and the ability of such systems to help reorganize viable companies and close down unviable ones. In countries where bankruptcy is inefficient, unviable businesses linger around for years, not allowing assets and human capital to be reallocated to more productive uses. Most often, the bottlenecks in bankruptcy are associated with an inefficient judicial process, and hence the unwillingness of banks and other lenders to push for a formal bankruptcy resolution.

The *Doing Business* indicators identify weaknesses in the bankruptcy law, as well as the main procedural and administrative bottlenecks in the bankruptcy process. In many developing countries, bankruptcy is so inefficient that creditors hardly ever use it. In such countries, reform would best focus on improving contract enforcement outside of bankruptcy.

The closing a business data track the step-by-step procedures for a standardized company to go through the bankruptcy process. It is assumed that the company is a domestically owned limited liability corporation, operating a hotel in the most populous city. The company has 201 employees, 1 main secured creditor and 50 unsecured creditors. Detailed assumptions about the debt structure and future cash flows are made. It is assumed that the company becomes insolvent on January 1. The case is designed so that the company has a higher value as a going concern—that is, the efficient outcome is either reorganization or sale as a going concern but not piecemeal liquidation. The indicators are derived from questionnaires answered by attorneys at private law firms and bankruptcy judges. Most respondents are members of the International Bar Association.

Three indicators were constructed from the survey responses: the time and cost to go through the insolvency process, and a measure of the proportion of the insolvency estate recovered by stakeholders—taking into account the time, cost, depreciation of assets and the outcome of the insolvency proceeding.

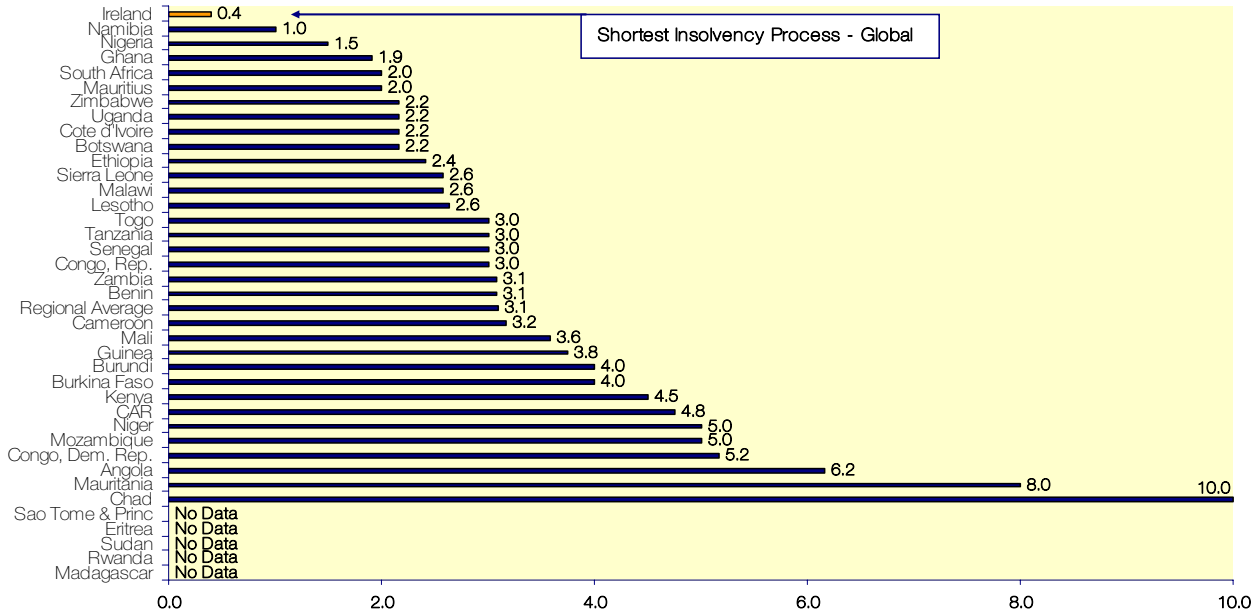
Countries with ill-functioning judiciaries are better off without sophisticated bankruptcy systems. There is a general misperception that bankruptcy laws are needed to enforce creditor rights. In practice, the laws usually exacerbate legal uncertainty and delays in developing countries. Private negotiations of debt restructuring under contract law, the efficient enforcement of secured debt contracts outside insolvency under collateral law, through summary judgments and private enforcement will do better. As countries develop, bankruptcy laws can also encourage entrepreneurs—one study shows that reforms to encourage a fresh start have increased rates of entrepreneurship by 8 to 9% in OECD countries. The freedom to fail, and do so through an efficient process, puts people and capital to its most effective use. The result is more productive businesses, and more jobs.

Benchmarking—Bankruptcy

Sub-Saharan Africa Region —Compared to Global Best / Selected Other Countries

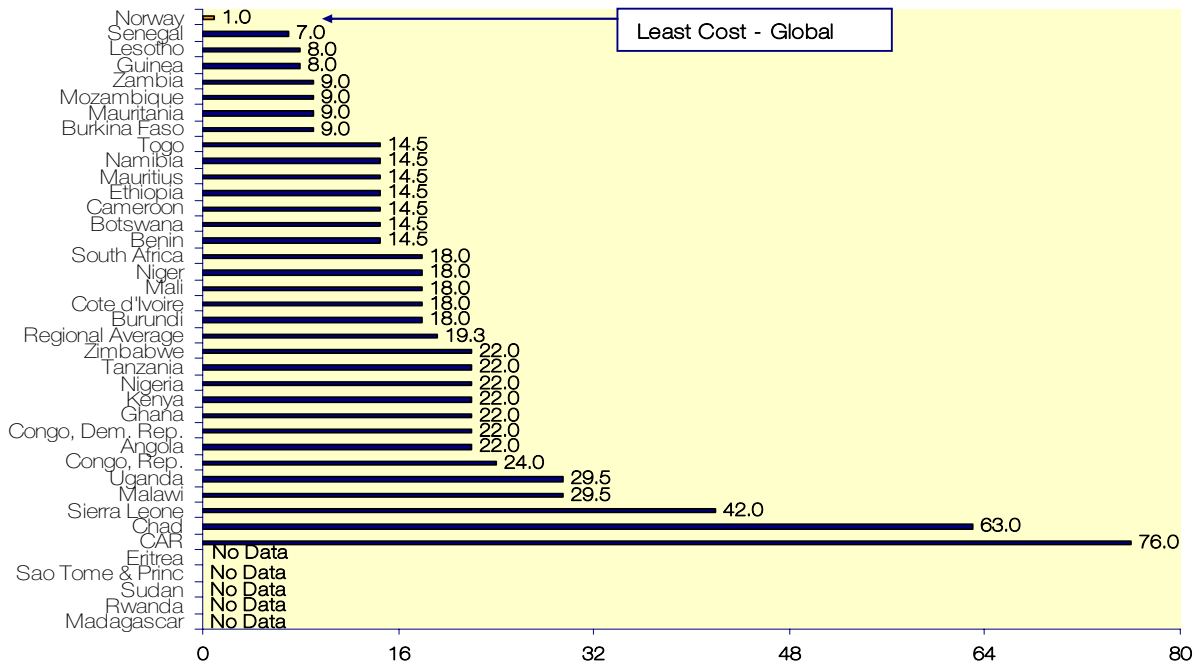
Time to go through Insolvency (years)

Source: Doing Business Database



Cost of Insolvency (% of estate)

Source: Doing Business Database



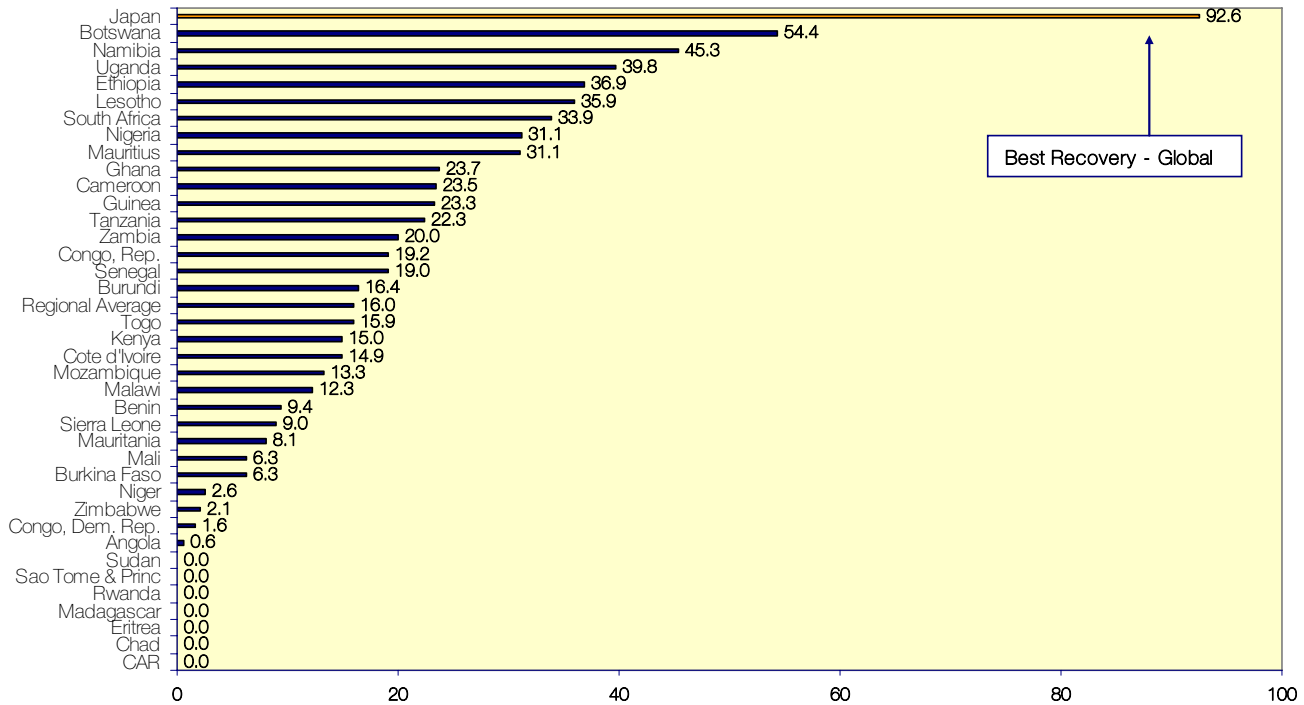
*Other countries with the least cost are Colombia, Kuwait, Netherlands and Singapore.

Benchmarking—Bankruptcy

Sub-Saharan Africa Region —Compared to Global Best / Selected Other Countries

Recovery Rate (cents on the dollar)

Source: Doing Business Database

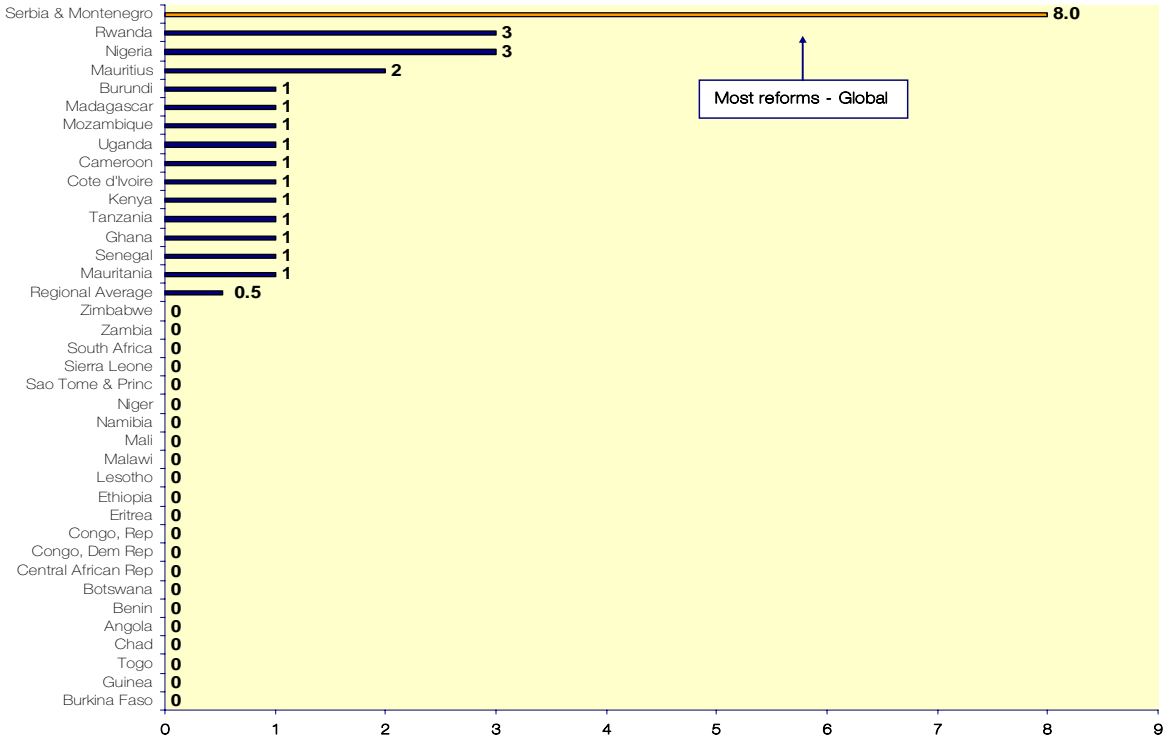


Reforms—Who is reforming in the region?

Sub-Saharan Africa Region —Compared to Global Best / Selected Other Countries

Number of reforms that improve a set of *Doing Business* Indicators

Source: Doing Business Database



Note: A value of 1 is assigned when a country introduces a reform that improves one of the sets of *Doing Business* indicators between 2004 and 2005. For example, if a country reforms to reduce the procedures and time to start a business, and the cost to register property, it is recorded as having 2 reforms: one to the *Starting a Business* indicators, and one to the *Registering Property* indicators.

Doingbusiness

Monitoring, Analysis and Policy Unit
Investment Climate Department
World Bank Group

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The World Bank Group
1818 H Street, NW
Washington, DC 20433
Telephone 202-473-1000
Internet www.worldbank.org
E-mail feedback@worldbank.org

