Executive summary

Over the past 8 years the 5 members of the East African Community (EAC)—Burundi, Kenya, Rwanda, Tanzania and Uganda—have continued to take steps to make it easier for local firms to start up and operate (box 1.1). Driving these efforts has been a recognition that regional integration alone is not enough to spur growth. The EAC needs an investment climate—including a business regulatory environment—that is well suited to scaling up trade and investment and can act as a catalyst to modernize the regional economy. Improving the investment climate in the EAC is therefore an essential ingredient for successful integration—the foundation for expanding business activity, boosting competitiveness, spurring growth and, ultimately, supporting human development.

Continual improvement of the business environment is important for countries seeking to benefit from greater trade and investment through regional integration. The common market protocol, which entered into force in July 2010, is supposed to be fully implemented by December 2015. By that time the EAC is expected to have achieved the "4 freedoms"—free movement of people, goods, services and capital within the common market. Several committees were set up to work on realizing each of these freedoms, such as the Monetary Affairs Committee, which is overseeing the harmonization of monetary and exchange rate policies, and the Committee on Fiscal Affairs, which is in charge of the harmonization of both tax policy and administrative processes. In addition, the secretariat is working on a monitoring system to track commitments made under the common market protocol and flag areas where implementation is slow.

Among the main tasks of the committees is to set up and implement coherent, broad-based regional reform programs to improve the investment climate of the region as a whole and make it an attractive destination for external investors. The development of regional strategies and frameworks that connect and streamline national reform programs is an indispensable condition for a well-functioning common market that can attract foreign investment. A lack of coordination among

BOX 1.1 MAIN FINDINGS SINCE THE FIRST *DOING BUSINESS* REPORT

- Over the past 8 years the 5 EAC economies implemented a total of 74 institutional or regulatory reforms improving the business environment for local entrepreneurs.
- Globally, business regulatory practices have been slowly converging as economies with initially poor performance narrow the gap with better performers. Among the 50 economies with the biggest improvements since 2005, the largest share—a third—are in Sub-Saharan Africa. Within the EAC, Rwanda is the country that has narrowed the gap the most, followed by Burundi.
- The EAC has achieved greater convergence in the complexity and cost of regulatory processes than in the strength of legal institutions relevant to business regulation. Of the 74 institutional or regulatory reforms implemented by EAC economies in the past 8 years, the largest numbers were in the areas of starting a business (11), registering property (9) and dealing with construction permits (8).

- **All 5 economies of the East African Community (EAC) implemented institutional or regulatory reforms making it easier to do business in 2011/12—just as in the previous year. The 9 reforms were spread across 8 areas of regulation measured by *Doing Business*. Worldwide, 108 economies implemented 201 reforms making it easier to do business in 2011/12.**
- **The EAC economies have an average ranking on the ease of doing business of 117 (among 185 economies globally). But there is great variation among them—from Rwanda at 52 in the global ranking to Burundi at 159. This wide variation in business regulations is among the issues that the EAC needs to tackle to achieve the desired level of integration.**
- **While the regional average ranking is less than ideal, if a hypothetical EAC economy were to adopt the region's best regulatory practices in each area measured by *Doing Business*, it would stand at 26 in the global ranking on the ease of doing business.**
- **Burundi was among the world's most active economies in implementing regulatory reforms in 2011/12. It implemented policy changes in 4 areas measured by *Doing Business*: starting a business, dealing with construction permits, registering property and trading across borders.**

TABLE 1.1 Global rankings on the ease of doing business

Rank	Economy	DB2013 reforms	Rank	Economy	DB2013 reforms	Rank	Economy	DB2013 reforms
1	Singapore	0	63	Antigua and Barbuda	0	125	Honduras	0
2	Hong Kong SAR, China	0	64	Ghana	0	126	Bosnia and Herzegovina	2
3	New Zealand	1	65	Czech Republic	3	127	Ethiopia	1
4	United States	0	66	Bulgaria	1	128	Indonesia	1
5	Denmark	1	67	Azerbaijan	0	129	Bangladesh	1
6	Norway	2	68	Dominica	1	130	Brazil	1
7	United Kingdom	1	69	Trinidad and Tobago	2	131	Nigeria	0
8	Korea, Rep.	4	70	Kyrgyz Republic	0	132	India	1
9	Georgia	6	71	Turkey	2	133	Cambodia	1
10	Australia	1	72	Romania	2	134	Tanzania	1
11	Finland	0	73	Italy	2	135	West Bank and Gaza	1
12	Malaysia	2	74	Seychelles	0	136	Lesotho	2
13	Sweden	0	75	St. Vincent and the Grenadines	0	137	Ukraine	3
14	Iceland	0	76	Mongolia	3	138	Philippines	0
15	Ireland	2	77	Bahamas, The	0	139	Ecuador	0
16	Taiwan, China	2	78	Greece	3	140	Sierra Leone	2
17	Canada	1	79	Brunei Darussalam	2	141	Tajikistan	1
18	Thailand	2	80	Vanuatu	0	142	Madagascar	1
19	Mauritius	2	81	Sri Lanka	4	143	Sudan	0
20	Germany	2	82	Kuwait	0	144	Syrian Arab Republic	1
21	Estonia	0	83	Moldova	2	145	Iran, Islamic Rep.	1
22	Saudi Arabia	2	84	Croatia	1	146	Mozambique	0
23	Macedonia, FYR	1	85	Albania	2	147	Gambia, The	0
24	Japan	1	86	Serbia	3	148	Bhutan	0
25	Latvia	0	87	Namibia	1	149	Liberia	3
26	United Arab Emirates	3	88	Barbados	0	150	Micronesia, Fed. Sts.	0
27	Lithuania	2	89	Uruguay	2	151	Mali	1
28	Switzerland	0	90	Jamaica	2	152	Algeria	1
29	Austria	0	91	China	2	153	Burkina Faso	0
30	Portugal	3	92	Solomon Islands	0	154	Uzbekistan	4
31	Netherlands	4	93	Guatemala	1	155	Bolivia	0
32	Armenia	2	94	Zambia	1	156	Togo	1
33	Belgium	0	95	Maldives	0	157	Malawi	1
34	France	0	96	St. Kitts and Nevis	0	158	Comoros	2
35	Slovenia	3	97	Morocco	1	159	Burundi	4
36	Cyprus	1	98	Kosovo	2	160	São Tomé and Príncipe	0
37	Chile	0	99	Vietnam	1	161	Cameroon	1
38	Israel	1	100	Grenada	1	162	Equatorial Guinea	0
39	South Africa	1	101	Marshall Islands	0	163	Lao PDR	3
40	Qatar	1	102	Malta	0	164	Suriname	0
41	Puerto Rico (U.S.)	1	103	Paraguay	0	165	Iraq	0
42	Bahrain	0	104	Papua New Guinea	0	166	Senegal	0
43	Peru	2	105	Belize	1	167	Mauritania	0
44	Spain	2	106	Jordan	0	168	Afghanistan	0
45	Colombia	1	107	Pakistan	0	169	Timor-Leste	0
46	Slovak Republic	4	108	Nepal	0	170	Gabon	0
47	Oman	1	109	Egypt, Arab Rep.	0	171	Djibouti	0
48	Mexico	2	110	Costa Rica	4	172	Angola	1
49	Kazakhstan	3	111	Palau	0	173	Zimbabwe	0
50	Tunisia	0	112	Russian Federation	2	174	Haiti	0
51	Montenegro	2	113	El Salvador	1	175	Benin	4
52	Rwanda	2	114	Guyana	0	176	Niger	1
53	St. Lucia	0	115	Lebanon	0	177	Côte d'Ivoire	0
54	Hungary	3	116	Dominican Republic	0	178	Guinea	3
55	Poland	4	117	Kiribati	0	179	Guinea-Bissau	0
56	Luxembourg	0	118	Yemen, Rep.	0	180	Venezuela, RB	0
57	Samoa	0	119	Nicaragua	0	181	Congo, Dem. Rep.	1
58	Belarus	2	120	Uganda	1	182	Eritrea	0
59	Botswana	1	121	Kenya	1	183	Congo, Rep.	2
60	Fiji	1	122	Cape Verde	0	184	Chad	1
61	Panama	3	123	Swaziland	1	185	Central African Republic	0
62	Tonga	0	124	Argentina	0			

Note: The rankings for all economies are benchmarked to June 2012. This year's rankings on the ease of doing business are the average of the economy's percentile rankings on the 10 topics included in this year's aggregate ranking. The number of reforms excludes those making it more difficult to do business.

Source: Doing Business database.

member countries and the implementation of "isolated" national reforms—which often focus on short-term gains and fail to consider the impact on the region—can hinder progress in fully implementing the common market. Conversely, continual exchange among different authorities across countries, the implementation of an agreed-on regional reform agenda and a focus on common goals and objectives create synergies and help the region as a whole to improve its investment climate.

Fostering economic growth by tapping the potential of the private sector is among the main objectives of the fourth EAC development strategy.[1] In addition to increasing institutional coordination, other important steps to achieve this objective are better integrating small and medium-size enterprises into the financial sector and creating business-friendly administrative structures and tax regimes. Additional challenges are to ensure the availability of reliable data and statistics and to implement credible surveillance and enforcement mechanisms, goals restated at a January 2013 workshop in Arusha, Tanzania, on the implications of the planned monetary union for partner states' fiscal policies.

Recognizing the importance of creating a well-functioning regulatory framework that is transparent and not excessively burdensome for companies, the EAC is determined to continue its steady pace of reform. This fourth edition of the *Doing Business in the East African Community* report shows that in 2011/12, for the second year in a row, all 5 EAC economies implemented at least 1 institutional or regulatory reform making it easier to do business—9 reforms in total (table 1.1). In Sub-Saharan Africa 61% of economies implemented reforms improving their business regulatory environment as measured by *Doing Business*.

The *Doing Business* data can help inform the policy debate around business regulatory reforms and within the context of the common market. Through indicators benchmarking 185 economies, *Doing Business* measures and tracks changes in the regulations applying to domestic small and medium-size companies in 11 areas in their life cycle. This year's aggregate ranking on the ease of doing business is based on indicator sets that measure and benchmark regulations affecting 10 of those areas: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. *Doing Business* also documents regulations on employing workers, which are not included in this year's aggregate ranking or in the count of reforms. Regional *Doing Business* reports capture differences in business regulations and their enforcement across economies within a single region. They provide data on the ease of doing business, rank each economy and recommend reforms to improve performance in each of the areas measured by *Doing Business*.

The economies that rank highest on the ease of doing business are not those where there is no regulation—but those where governments have managed to create rules that facilitate interactions in the marketplace without needlessly hindering the development of the private sector. In essence, *Doing Business* is about SMART business regulations—Streamlined, Meaningful, Adaptable, Relevant, Transparent—not necessarily fewer regulations (see figure 2.1 in the chapter "About *Doing Business*").

HOW DO EAC ECONOMIES COMPARE IN BUSINESS REGULATIONS?

Doing Business encompasses 2 types of indicators: indicators relating to the *strength of legal institutions* relevant to business regulation and indicators relating to the *complexity and cost of regulatory processes*. Those in the first group focus on the legal and regulatory framework for getting credit, protecting investors, enforcing contracts and resolving insolvency. Those in the second focus on the cost and efficiency of regulatory processes for starting a business, dealing with construction permits, getting electricity, registering property, paying taxes and trading across borders. Based on time-and-motion case studies from the perspective of the business, these indicators measure the procedures, time and cost required to complete a transaction in accordance with relevant regulations. (For a detailed explanation of the *Doing Business* methodology, see the data notes and the chapter "About *Doing Business*.")

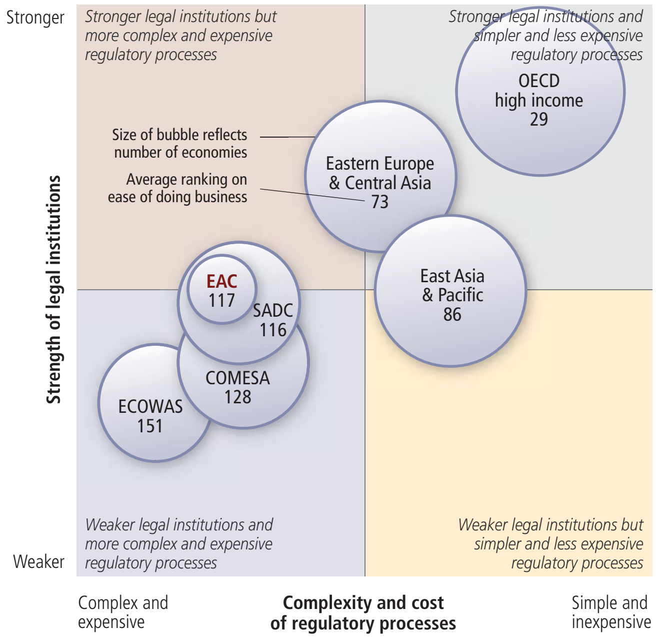
Economies that rank high on the ease of doing business tend to combine efficient regulatory processes with strong legal institutions that protect property and investor rights. Entrepreneurs in the EAC tend to face both weaker legal institutions and more complex and costly regulatory processes compared with global averages and with averages for more developed economies (figure 1.1). Yet EAC economies have stronger legal institutions for enforcing contracts, protecting investors and resolving insolvency on average than the broader region of Sub-Saharan Africa.

Despite the reform efforts of all 5 member economies, the EAC's average ranking on the ease of doing business has remained fairly constant over the past 4 years, at around 117. This is a clear indication that critical obstacles to entrepreneurial activity remain and that economies in other regions have picked up the pace in improving business regulation. But good regulatory practices do exist in the EAC. Indeed, if a hypothetical EAC economy were to adopt the best practices among partner states as measured by all *Doing Business* indicators, it would stand at 26 in the global ranking on the ease of doing business.

Comparison of the performance of different regional blocs on *Doing Business* indicators may reveal unexpected strengths in an area of business regulation—such as a regulatory process that can be completed with a small number of procedures in a few days and at a low cost. One area where the EAC shows strong performance is business start-up. To start a business in the EAC requires only 8 procedures and

FIGURE 1.1 The EAC has more efficient regulatory processes and stronger legal institutions than ECOWAS

Average global ranking on sets of *Doing Business* indicators



Note: Strength of legal institutions refers to the average ranking on getting credit, protecting investors, enforcing contracts and resolving insolvency. *Complexity and cost of regulatory processes* refers to the average ranking on starting a business, dealing with construction permits, getting electricity, registering property, paying taxes and trading across borders. COMESA = Common Market for Eastern and Southern Africa; ECOWAS = Economic Community of West African States; SADC = Southern African Development Community.

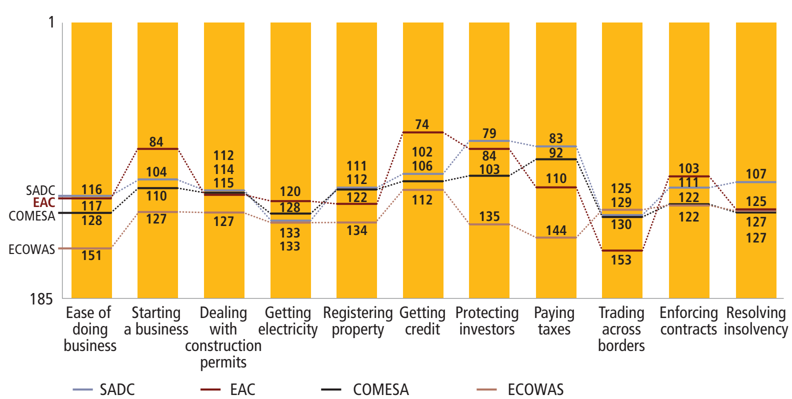
Source: Doing Business database.

20 days on average. The EAC's average ranking on the ease of starting a business is 84, higher than those of other regional blocs in Africa—104 for the Southern African Development Community (SADC), 110 for the Common Market for Eastern and Southern Africa (COMESA) and 127 for the Economic Community of West African States (ECOWAS) (figure 1.2).[2]

Comparison of the performance of individual EAC economies with regional average performance is also revealing. The sometimes substantial differences

FIGURE 1.2 The EAC outperforms other regional blocs in Africa in some areas of regulation

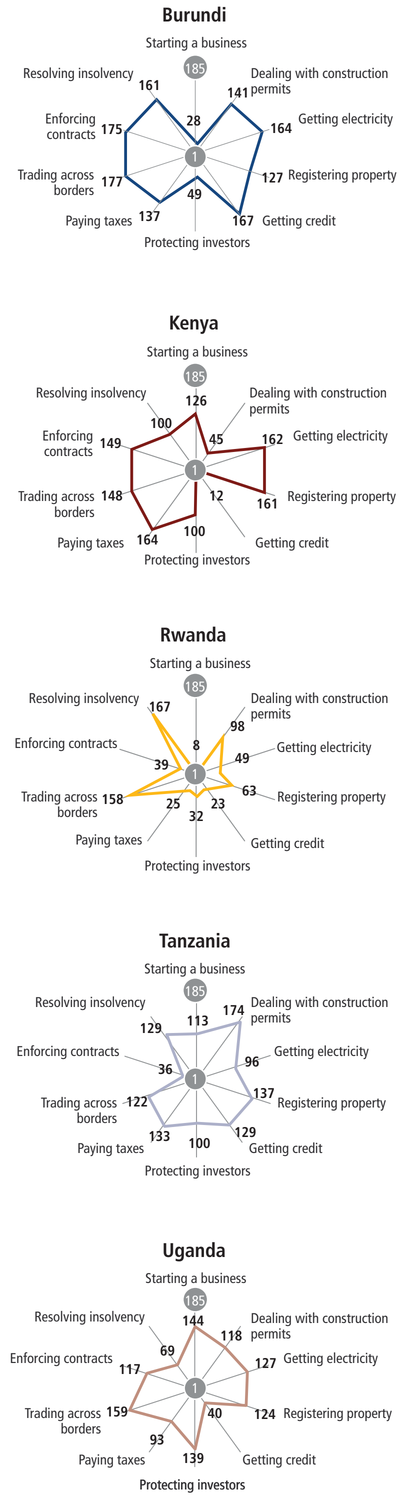
Average global ranking, by *Doing Business* topic



Source: Doing Business database.

FIGURE 1.3 How do EAC economies perform on *Doing Business* indicators?

Global ranking, by *Doing Business* topic



Source: Doing Business database.

between economy rankings and regional average rankings in areas measured by *Doing Business* clearly show that EAC economies remain at different stages of regulatory reform. Take paying taxes, where the EAC's average ranking is 110. While 2 EAC economies have higher rankings—with Rwanda at 25 and Uganda at 93—the rest have much lower rankings, with Tanzania at 133, Burundi at 137 and Kenya at 164 (figure 1.3). The closer an economy's ranking is to the center of the graph, the easier it is to do business.

Another area of stark difference is business start-up. Rwanda still has the most efficient process in the EAC to start a business, with a global ranking of 8, followed by Burundi at 28, Tanzania at 113, Kenya at 126 and Uganda at 144. In general, 3 of 5 EAC economies rank well below the regional average in all areas measured by *Doing Business*.

WHO IN THE EAC NARROWED THE REGULATORY GAP IN 2011/12?

From June 2011 to June 2012, 108 of the 185 economies covered by *Doing Business* (58%) implemented at least 1 institutional or regulatory reform making it easier to do business in the areas measured; 23 undertook reforms in 3 or more areas. The total amounted to 201 reforms making it easier to do business. In the EAC all 5 economies implemented at least 1 institutional or regulatory reform making it easier to do business—9 in total.

EAC economies accounted for 2 of the 11 regulatory reforms implemented in Sub-Saharan Africa to make it easier to start a business. Burundi eliminated 4 requirements: to have company documents notarized, to register the new company with the commercial court, to register it with the department of taxation and to publish information on it in a journal. Tanzania eliminated a requirement for inspections by health, town and land officers as a prerequisite for obtaining a business license.

The improvements in Burundi came thanks to the implementation of a one-stop shop at the Burundi Revenue Authority in 2012. This not only eliminated 4 procedures; it also reduced the time to start a business by 5 days and the cost by 98.4% of income per capita. Burundi moved up 80 places in the global ranking on the ease of starting a business, from 108 to 28.

Starting a business was not the only area in which Burundi made improvements in 2011/12. The country also implemented reforms making it easier to deal with construction permits, register property and trade across borders. As recorded in the global *Doing Business 2013* report, Burundi ranks among the 10 economies improving the most across 3 or more areas measured—and it moved up 13 places in the global ranking on the ease of doing business, from 172 to 159 (table 1.2).

Kenya launched an online platform to facilitate the process of dealing with construction permits in 2011. Architects may now submit and track the status of permit applications online. And paying taxes became easier in Kenya in 2011/12. An online filing system for value added tax introduced by the Kenya Revenue Authority in 2009 has gained in popularity among taxpayers over the past 3 years. In addition, thanks to the increased popularity of tax software, the average annual time for calculating corporate income tax has been reduced by 53 hours.

WHO IN THE EAC HAS NARROWED THE GAP OVER THE LONG RUN?

To complement the ease of doing business ranking, a relative measure, the *Doing Business 2012* report introduced the

TABLE 1.2 The 10 economies improving the most across 3 or more areas measured by *Doing Business* in 2011/12

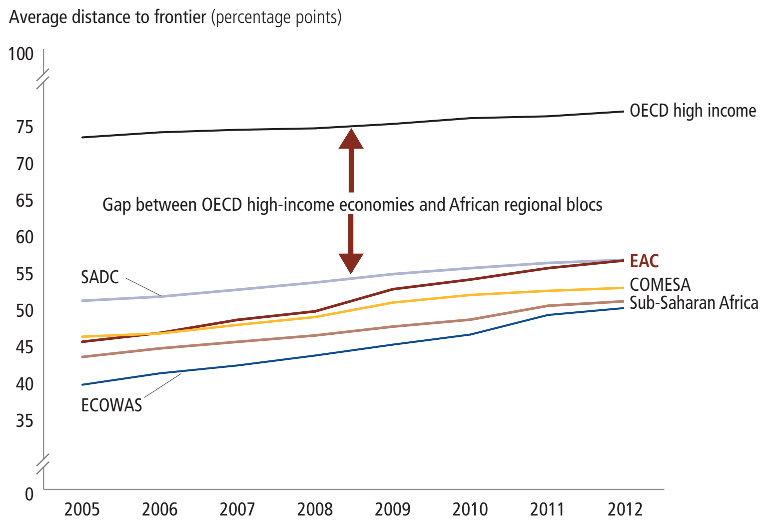
			Reforms making it easier to do business									
	Economy	Ease of doing business rank	Starting a business	Dealing with construction permits	Getting electricity	Registering property	Getting credit	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts	Resolving insolvency
1	Poland	55				√			√		√	√
2	Sri Lanka	81	√			√	√			√		
2	Ukraine	137	√			√			√			
4	Uzbekistan	154	√				√			√		√
5	Burundi	159	√	√		√				√		
6	Costa Rica	110	√	√			√		√			
6	Mongolia	76	√				√	√				
8	Greece	78		√				√				√
9	Serbia	86	√								√	√
10	Kazakhstan	49	√				√					√

Note: Economies are ranked on the number of their reforms and on how much they improved in the ease of doing business ranking. First, *Doing Business* selects the economies that implemented reforms making it easier to do business in 3 or more of the 10 topics included in this year's aggregate ranking. Regulatory reforms making it more difficult to do business are subtracted from the number of those making it easier to do business. Second, *Doing Business* ranks these economies on the increase in their ranking on the ease of doing business from the previous year. The increase in economy rankings is not calculated using the published ranking of last year but by using a comparable ranking for DB2012 that captures the effects of other factors, such as the inclusion this year of 2 new economies in the sample, Barbados and Malta. The choice of the most improved economies is determined by the largest improvement in rankings, among those economies with at least 3 reforms.

Source: Doing Business database.

distance to frontier, an absolute measure of business regulatory efficiency. This measure aids in assessing how much the regulatory environment for local entrepreneurs improves in absolute terms over time by showing the distance of each economy to the "frontier," which represents the best performance observed on each of the *Doing Business* indicators across all economies and years included since 2005. The measure is normalized to range between 0 and 100, with 100 representing the frontier. A higher score therefore indicates a more efficient business regulatory system (for a detailed description of the methodology, see the chapter on the ease of doing business and distance to frontier).

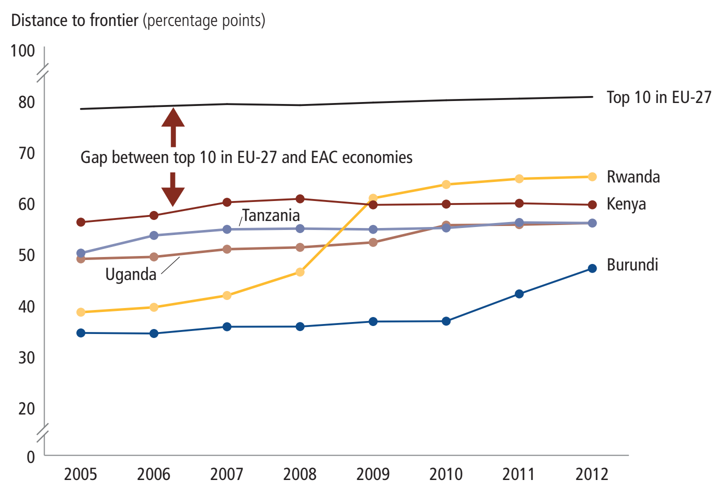
FIGURE 1.4 Doing business is easier today than in 2005 in the EAC and other African regional blocs



Note: The distance to frontier measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator since 2005. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). The data refer to the 174 economies included in *Doing Business 2006* (2005) and to the regional classifications applying in 2012. Eleven economies were added in subsequent years.

Source: Doing Business database.

FIGURE 1.5 Rwanda has reduced the gap with the frontier by almost half



Note: The distance to frontier measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator since 2005. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). The top 10 in EU-27 are the 10 economies closest to the frontier among current members of the European Union.

Source: Doing Business database.

Analysis based on the distance to frontier measure shows that the burden of regulation has declined since 2005 in the areas measured by *Doing Business*. On average the 174 economies covered by *Doing Business* since that year are today closer to the frontier in regulatory practice. In 2005 these economies were 46 percentage points from the frontier on average, with the closest economy 10 percentage points away and the furthest one 74 percentage points away. Now these 174 economies are 40 percentage points from the frontier on average, with the closest economy 8 percentage points away and the furthest economy 69 percentage points away. OECD high-income economies are closest to the frontier on average. But other world regions are narrowing the gap—and so are the EAC and other African regional blocs (figure 1.4).

Rwanda, the number 2 improver globally since 2005 and the top improver in the EAC, has reduced the gap with the frontier by almost half—26.5 percentage points. Indeed, Rwanda is approaching the average distance to frontier of the top 10 in the European Union (figure 1.5). To highlight key lessons emerging from the country's sustained efforts, this year's report features a case study of its reform process. But Rwanda is far from alone in Sub-Saharan Africa: of the 50 economies advancing the most toward the frontier since 2005, 17 are in that region. Burundi is among them. The number 16 improver globally and the number 2 in the EAC, Burundi has closed the gap with the frontier by 12.6 percentage points (table 1.3). Among ECOWAS members, 67% are among the 50 economies narrowing the gap the most since 2005.

Worldwide, economies at all income levels are narrowing the gap with the frontier on average—but low-income economies more so than high-income ones. This is an important achievement. Indeed, while business regulatory practices in all lower-income groups are converging toward those in high-income economies on

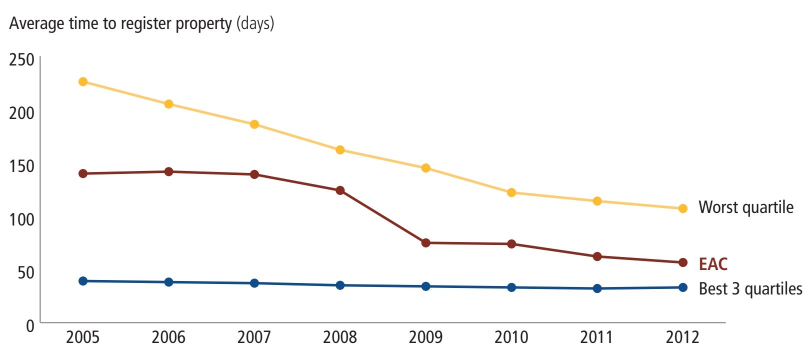
TABLE 1.3 The 50 economies narrowing the distance to frontier the most since 2005

Rank	Economy	Region	Improvement (percentage points)	Rank	Economy	Region	Improvement (percentage points)
1	Georgia	ECA	31.6	26	Saudi Arabia	MENA	10.7
2	Rwanda	SSA	26.5	27	India	SAS	10.6
3	Belarus	ECA	23.5	28	Guatemala	LAC	10.4
4	Burkina Faso	SSA	18.5	29	Madagascar	SSA	10.3
5	Macedonia, FYR	ECA	17.4	30	Morocco	MENA	10.1
6	Egypt, Arab Rep.	MENA	16.3	31	Yemen, Rep.	MENA	10.1
7	Mali	SSA	15.8	32	Peru	LAC	10.1
8	Colombia	LAC	15.3	33	Mozambique	SSA	10.0
9	Tajikistan	ECA	15.2	34	Czech Republic	OECD	9.8
10	Kyrgyz Republic	ECA	14.8	35	Timor-Leste	EAP	9.7
11	Sierra Leone	SSA	14.7	36	Côte d'Ivoire	SSA	9.5
12	China	EAP	14.3	37	Togo	SSA	9.5
13	Azerbaijan	ECA	12.9	38	Slovenia	OECD	9.5
14	Croatia	ECA	12.8	39	Mexico	LAC	9.4
15	Ghana	SSA	12.7	40	Niger	SSA	9.4
16	Burundi	SSA	12.6	41	Nigeria	SSA	9.0
17	Poland	OECD	12.3	42	Portugal	OECD	9.0
18	Guinea-Bissau	SSA	12.2	43	Solomon Islands	EAP	8.9
19	Armenia	ECA	12.2	44	Uruguay	LAC	8.8
20	Ukraine	ECA	12.0	45	Dominican Republic	LAC	8.8
21	Kazakhstan	ECA	11.9	46	Taiwan, China	EAP	8.8
22	Senegal	SSA	11.5	47	São Tomé and Príncipe	SSA	8.7
23	Cambodia	EAP	11.1	48	France	OECD	8.6
24	Angola	SSA	11.0	49	Bosnia and Herzegovina	ECA	8.4
25	Mauritius	SSA	10.9	50	Albania	ECA	8.3

Note: Rankings are based on the absolute difference for each economy between its distance to frontier in 2005 and that in 2012. The data refer to the 174 economies included in *Doing Business 2006* (2005). Eleven economies were added in subsequent years. The distance to frontier measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator since 2005. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). EAP = East Asia and the Pacific; ECA = Eastern Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; OECD = OECD high income; SAS = South Asia; SSA = Sub-Saharan Africa.

Source: Doing Business database.

FIGURE 1.6 The speed of property registration in the EAC is converging toward the best performances



Note: Economies are ranked in quartiles by performance in 2005 on time to register property. The data refer to the 174 economies included in *Doing Business 2006* (2005). Eleven economies were added in subsequent years.

Source: Doing Business database.

average, low-income economies have reduced the gap the most, by 4 percentage points since 2005. Lower-middle-income economies have closed the gap with high-income economies by 3 percentage points and upper-middle-income economies by 2 percentage points. This convergence is far from complete, however.

In improving business regulatory practices since 2005, the EAC has achieved greater convergence in the complexity and cost of regulatory processes than in the strength of legal institutions relevant to business regulation. Of the 74 institutional or regulatory reforms implemented by EAC economies in the past 8 years, the largest numbers were in the areas of starting a business (11), registering property (9) and dealing with construction permits (8). These efforts have led to clear results. In 2005 starting a business in the EAC took 29 days on average; today it takes 20. But the time needed to register property had the biggest reduction, dropping from an average of 140 days in 2005 to 56 days today (figure 1.6).

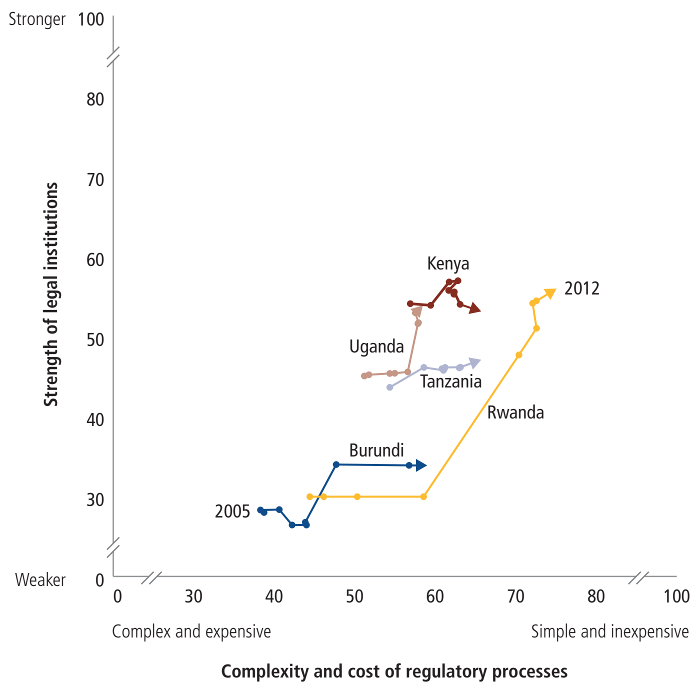
Individual EAC economies have followed different—and varying—regulatory reform paths. In 2005 Rwanda was number 4 in the ranking of EAC economies on the complexity and cost of regulatory processes. From 2005 to 2008 Rwanda focused its regulatory reform efforts on reducing regulatory complexity and cost to improve the business environment. The country has continued to reduce complexity and cost but has focused even more on strengthening legal institutions relevant to business regulation—surpassing Kenya in the process (figure 1.7). Burundi has also been strengthening legal institutions since 2005, though to a lesser degree, and is now focusing more on reducing the complexity and cost of regulatory processes.

HOW ACCESSIBLE IS REGULATORY INFORMATION IN THE EAC?

Beyond the quality of data, transparency and access to data play an important part

FIGURE 1.7 Different EAC economies have followed different regulatory reform paths

Average distance to frontier in sets of *Doing Business* indicators (percentage points)

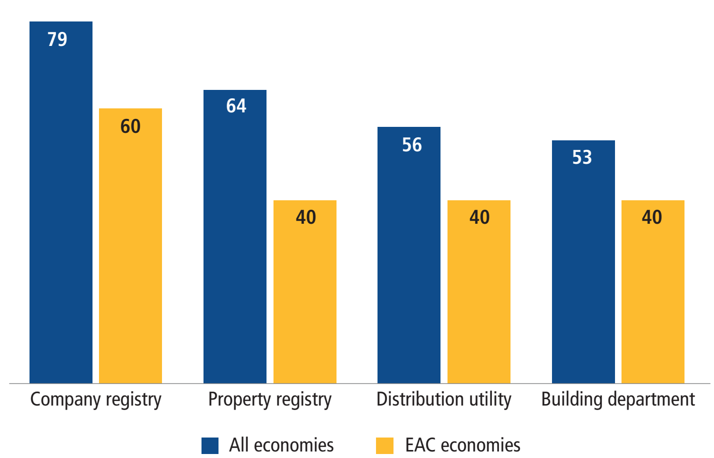


Note: Strength of legal institutions refers to the average distance to frontier in getting credit, protecting investors, enforcing contracts and resolving insolvency. *Complexity and cost of regulatory processes* refers to the average distance to frontier in starting a business, dealing with construction permits, registering property, paying taxes and trading across borders. Each dot refers to a different year, starting in 2005 and ending in 2012. The distance to frontier measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator since 2005. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier).

Source: Doing Business database.

FIGURE 1.8 Which agencies are more likely to make regulatory information easily accessible—globally and in the EAC?

Share of economies where agency makes fee schedules easily accessible (%)



Note: Fee schedules are considered easily accessible if they can be obtained through the website of the relevant agency or through public notices (brochures or notice boards) available at that agency or a related one, without a need to meet with an official.

Source: Doing Business database.

in effective and efficient management of public resources by the government. Lack of transparency around the decisions made by policy makers and government officials can lead to resource misallocation as funds, rather than being directed toward their most productive ends, are instead captured for private gain. Lack of transparency can also undermine the credibility of those who are perceived as being its beneficiaries and thus sharply limit their ability to gain public support for economic and other reforms.

Access to information also plays an essential part in the ability of businesses to operate efficiently. Company registries, property registries, building departments and power distribution utilities in too many economies make it difficult to access basic information such as fee schedules for their services. In only 25% of economies do all 4 agencies make fee schedules easily accessible through their websites or through brochures or notice boards. These are mostly higher-income economies, but they also include low- and lower-middle-income economies such as Burkina Faso and Tanzania.

Around the world company registries are most likely to make information available online or through brochures or notice boards, and building departments least likely to do so (figure 1.8). In 60% of EAC economies—Rwanda, Tanzania and Uganda—the company registry makes fee schedules for incorporation easily accessible. But in only 40% of EAC economies does the relevant agency make fee schedules for electricity connections, property registration or building permits easily accessible.

On the brighter side, in only 7 of 176 economies worldwide do all 4 types of agencies require that customers meet with an official to obtain fee schedules. Access to fee schedules is most limited in Sub-Saharan Africa and the Middle East and North Africa. Of the 7 economies globally where fee schedules cannot be obtained from any of the agencies surveyed without meeting with an official, 6 are in Sub-Saharan Africa and 1 in the Middle East and North Africa.[3]

Tanzania makes more information easily accessible than such high-income economies as Greece, Kuwait and the United Arab Emirates. Cape Verde and Georgia, 2 lower-middle-income economies, also have higher accessibility levels than some richer economies. There are multiple ways in which governments can share information with the public. Where internet access might be difficult, for example, information can be distributed though brochures and notice boards. Low-income economies such as Burkina Faso and Tanzania show that brochures can be an effective means of creating more transparency around regulatory information.

WHAT CHALLENGES LIE AHEAD?

The EAC has set some ambitious goals. Over the years the region has substantially improved its business regulatory environment. But challenges remain, and only comprehensive, broad-based regional development strategies will help in getting the priorities right and achieving the agreed-on milestones over the coming years.

One challenge is tax harmonization, an important topic in the EAC. The Committee on Fiscal Affairs was set up to harmonize taxes (especially value added and excise taxes) within the region to facilitate the implementation of the common market. Macroeconomic convergence as well as the harmonization of financial sector laws and regulations and of major taxes and tax procedures remains key for the integration process. The Committee on Fiscal Affairs has made significant progress in tax harmonization—for example, achieving homogeneity in the value added tax, the harmonization of excise taxes and the conclusion of a double tax agreement among all 5 economies. Nevertheless, there is room for improvement, especially with respect to the different national tax regimes for small and medium-size businesses.

Another challenge is the implementation of a regional "e-registry"—an electronic registry including both registration and licensing—aimed at harmonizing business registration across the 5 countries. This regional system for sharing company information will support the provisions of the EAC common market protocol on right of establishment of companies—and will substantially improve the administration of business entry even for domestic firms, which will now have access to digitized platforms for business registration. Kenya, Rwanda and Tanzania are already implementing online business registration. But Uganda's online registry is still in the initial stages, and Burundi has yet to digitize its records. And a business registration certificate from one EAC country is not yet accepted in another.

In addition, with the implementation of the common market there was agreement that nontariff barriers would be gradually removed. But progress has been limited. There are still substantial delays in the issuance of certificates of origin, regulations are not yet fully harmonized, and there is no consistent application of the agreed-on standards.[4]

Despite the remaining challenges, the EAC has great potential. It has been among the fastest growing regional blocs in Africa in the past decade[5] and has already made much progress in harmonizing national policies in different areas. Many regulatory reforms have been implemented, and many good regulatory practices can be found in EAC economies, especially in the areas of starting a business, getting credit and protecting investors. Indeed, thanks largely to the EAC, Sub-Saharan Africa has had some of the most comprehensive reforms to strengthen minority investor protections. And among African regional blocs, an EAC economy tops the ranking on each of the 3 aspects of investor protections measured by *Doing Business*. The EAC could serve as a model for other regional blocs in Africa, especially with respect to the dynamic and ambitious discussions on the business environment and the consequent actions taken.

NOTES

1. EAC 2011.
2. This report covers the following economies in these 4 African regional blocs: In the EAC, Burundi, Kenya, Rwanda, Tanzania and Uganda. In COMESA, Burundi, the Comoros, the Democratic Republic of Congo, Djibouti, the Arab Republic of Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, the Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe. In ECOWAS, Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo. And in SADC, Angola, Botswana, the Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, the Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.
3. These economies are Botswana, the Republic of Congo, Equatorial Guinea, Eritrea, Gabon and Mauritania in Sub-Saharan Africa and Iraq in the Middle East and North Africa.
4. McAuliffe, Saxena and Yabara 2012.
5. McAuliffe, Saxena and Yabara 2012.