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# Uphill task in search for better business climate

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**KAMPALA.** The procedures for registering a business are among the most crucial incentives that attract investment into an economy; it is a window into the kind of regulatory treatment that investors expect to receive while they operate in an economy.

Yet, for all the other incentives that Uganda offers investors, the procedures for registering business remain unacceptably many and cumbersome. Although Uganda reduced the procedures for registering a business from 18 to 16 between 2010 and 2011, those procedures are still twice the average for sub-Saharan Africa.

Within the East African region, Uganda has substantially more procedures for starting a business than nearly all its neighbours. Tanzania has 12 procedures, Kenya 11 and Rwanda only two.

Computed in monetary terms, it costs much more to register a business in Uganda than anywhere else in the region. In terms of time, it for instance takes 34 days to register a business in Uganda but only four days in Rwanda.

This situation, according to Dr Xavier Mugisha, a Senior Policy Researcher at the Makerere-based think-tank, the Economic Policy Research Centre (EPRC), puts Uganda at a great competitive disadvantage in a case where all other economic considerations are evenly matched.

"If an investor is coming from Europe or North America and they find that in Rwanda they have to go through two procedures to register a business and in Uganda they have got 16, where will this person go if they don't have much time?" asked Dr Mugisha.

And yet, to borrow a phrase, that seems to be just the tip of the iceberg. Uganda also falls short on many other parameters, according to the 2011 edition of the World Bank's annual 'Doing Business' report, which analyses efforts by countries to improve the business environment. Within a period of 12 months, Uganda dropped from 108th to 118th on the Global Competitiveness Index 2010/11.

The Doing Business Report, which ranked Uganda 123rd this year out of 183 economies, measures regulations affecting 10 areas of everyday business activities. These include starting a business, securing construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

A report commissioned by the Inspectorate of Government, which was prepared by EPRC

and released last week, analysed five of those procedures; registering a business, securing construction permits, registering a property, number of tax payments per year, and enforcing contracts.

While Uganda has reduced the numbers of procedures for securing a construction permit from 18 in 2010 to 15 in 2011, according to an analysis of the Doing Business report carried out by the EPRC, those for registering a property have remained unchanged at 13 for the last five years. By comparison, it takes nine procedures to register a property in Tanzania, eight in Kenya and five in Rwanda.

It is in the number of tax payments per year that Uganda posts its best comparative performance regionally, with 32 tax payments compared to Tanzania's 48 and Kenya's 41. But even this performance is still dwarfed by that of Rwanda, which reduced its number of payments from 34 in 2010 to 18 in 2011. Rwanda's performance in this parameter is a lot better than the sub-Saharan average of 37 and close to the Organisation for Economic Co-operation and Development (OECD) countries' average of 13.

For the procedures to enforce a contract, nearly all the East African countries are at par. Uganda has 38 procedures, which is consistent with the sub-Saharan average of 39, and is about 20 per cent above the OECD average of 31. Within East Africa, Uganda is at par with Tanzania and Kenya, although all three lag behind Rwanda which has only 24 contract enforcement procedures. Dr Mugisha argued that having several procedures at each stage reduces the ease of doing business and could drive away investors to countries with more refined systems that reduce bureaucratic hurdles.

"When you have too many procedures, you make it very difficult for people to start business and to do business because each procedure takes time. For people to start a business in Uganda, they have to go and buy documents from the Uganda Bookshop; they have to go to the Commissioner of oaths, etc. Why not create a one-stop centre where all these things can be done?"

Reducing the procedures for each of the 10 parameters has a lot to do with more than just efficiency, says the IGG's report. It explains that more procedures mean more opportunity for corrupt behaviour.

"Each procedure may involve its own officials, expanding the possibility of the number of officials who request for a bribe," says the report. "Increased procedures also mean there are more hurdles to be crossed, creating opportunity for public officials to elicit a bribe at each step of the procedure. Lastly, lengthy multi-