

GUEST EDITORIAL

GE&D



BY JEAN FREYMOND

IMPROVING THE DOING BUSINESS CONDITIONS AND FOSTERING ENTREPRENEURSHIP A CHALLENGE FOR AFRICA AND AFRICAN RURAL COMMUNITIES

Governments in Africa and elsewhere dream to see the number of jobs dramatically improve. Results are far from what they envision. They tend to forget that jobs are created largely by entrepreneurs and particularly the very small ones. They also incline to minimize the importance of providing appropriate framework conditions when fostering entrepreneurship. The recent release of the World Bank *Doing Business 2016* Report (<http://www.doingbusiness.org/reports/global-reports/doing-business-2016>) once more underlines the centrality of those conditions.

The report measures the “regulations that enhance business activity and those that constrain it” through a presentation of “quantitative indicators on business regulations” compared across 189 economies ranked according to a distance towards a potential “best” score. Its chief value is that it is actionable. It can trigger required improvements thus facilitating the launch and the life of enterprises. In many countries, it has done so successfully.

The 2016 report points at progresses in the conditions to do business - although disparate across the planet - with 122 economies implementing at least one reform.

Some findings of the 2016 report are stunning. Africa is doing well. Last year, half of the ten best economies upgrading conditions were African. Over the last few years, Rwanda has

improved its business conditions in an impressive manner. It is now placed 62 just next to Luxemburg, 61. The same Rwanda, measured by registered property, ranks 12, far in front of Belgium, 132 on the list, or France, 85. Signs of progress are however all over, with, for example, Georgia positioned before Switzerland, France and the Netherlands.

What matters, however is not ranking, but the demonstration that there is an enormous room for improving the conditions for entrepreneurs to start their business and to operate with more effectiveness and efficiency, thus to create jobs. In 86 economies, 5.6 million companies with limited liabilities spent 57.8 million days getting incorporated. Ideally, if the framework conditions in those economies would reflect the best practice, they would have spent 3 million days.

But the benefits of improved conditions for both the State and business extend further. Better conditions impact corruption as they diminish opportunities to corrupt. Facilitating the start of a business tends to reduce the temptation of the entrepreneurs to stay in the shadow of informality. Improving the payment of tax may increase the revenue of the State, while it allows reducing tax for the entrepreneurs, which in turn results in new enterprises being launched. In short, common sense at its best is generating win-win situation.

Why then when the benefits of improving the conditions to do business are so clear, reforms are still so limited? Why are so many African States not replacing obsolete regulations and practices with ones which would boost economic development?

Entrepreneurship is indeed not easy. It is about struggling and often failing. Many other conditions are also required to facilitate the life of entrepreneurs, such as better access to credit, training and business support. All are important and have to be tackled together in a general and common effort. Improving the framework conditions the State is responsible for belongs to those essential conditions.

What is at stake is huge. Jobs creation is fundamental. It is a matter of human dignity. But it is more so ensuring that cash flies to the pockets of the big number of people whose life is very much about surviving. In developed countries, they are somewhat protected by unemployment benefits. But for the large majority of the jobless in the rest of the world, no cash means no food and starvation, and for millions – some 25'000 people a day - dying from hunger. Joblessness leads to despair, a chief cause of socio-political instability, revolt, terrorism, war and massive migration.

In the rural areas, fostering entrepreneurship is of vital importance. Success in increasing productivity and production is likely to drive large numbers of smallholders away from the farm. They will look for jobs. Those jobs should be provided as much as possible in the rural areas, in the next town, so to lessen migration to big cities.

Improving the Doing Business conditions is not an easy process. But the World Bank not only publishes the report. It also provides proper assistance to the less developed countries demonstrating their readiness to engage in reforms. The example of Rwanda offers an impressive illustration of a contribution to reform by the Bank and of the commitment of a country. Rwanda ranked 158 in the 2007 report compared to 62 nowadays.

Reforms should not be limited to countries in the South, Eastern Europe and central Asia. They ought to extend to European countries where more entrepreneurship could influence the creation of desperately needed jobs.

But what matters urgently is addressing the situation in Africa - and also the Middle East, - sources of waves of migrants fleeing conflict zones and miserable economic conditions with little hope for a better future. African and European Heads of State have met in Malta. It is hoped they have discussed not only providing significant finance, but also a development strategy for Africa which includes fostering very small entrepreneurship, and comprises the betterment of doing business conditions. This should be for Africa a priority.

Jean F. Freymond

President, Network for Governance, Entrepreneurship & Development

Geneva, November 12, 2015