

Doing Business 2011

Malawi

**Making
a Difference for
Entrepreneurs**

COMPARING BUSINESS REGULATION IN 183 ECONOMIES



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Doing Business 2011
Business Reforms

Doing Business 2011: Making a Difference for Entrepreneurs is the eighth in a series of annual reports investigating regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 9 stages of a business's life are measured: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2011* are current as of June 1, 2010*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The Doing Business methodology has limitations. Other areas important to business such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 18 in the Middle East and North Africa and 8 in South Asia, as well as 30 OECD high-income economies.

The following pages present the summary Doing Business indicators for Malawi. The data used for this economy profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator.

The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2011: Making a Difference for Entrepreneurs* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website (www.doingbusiness.org).

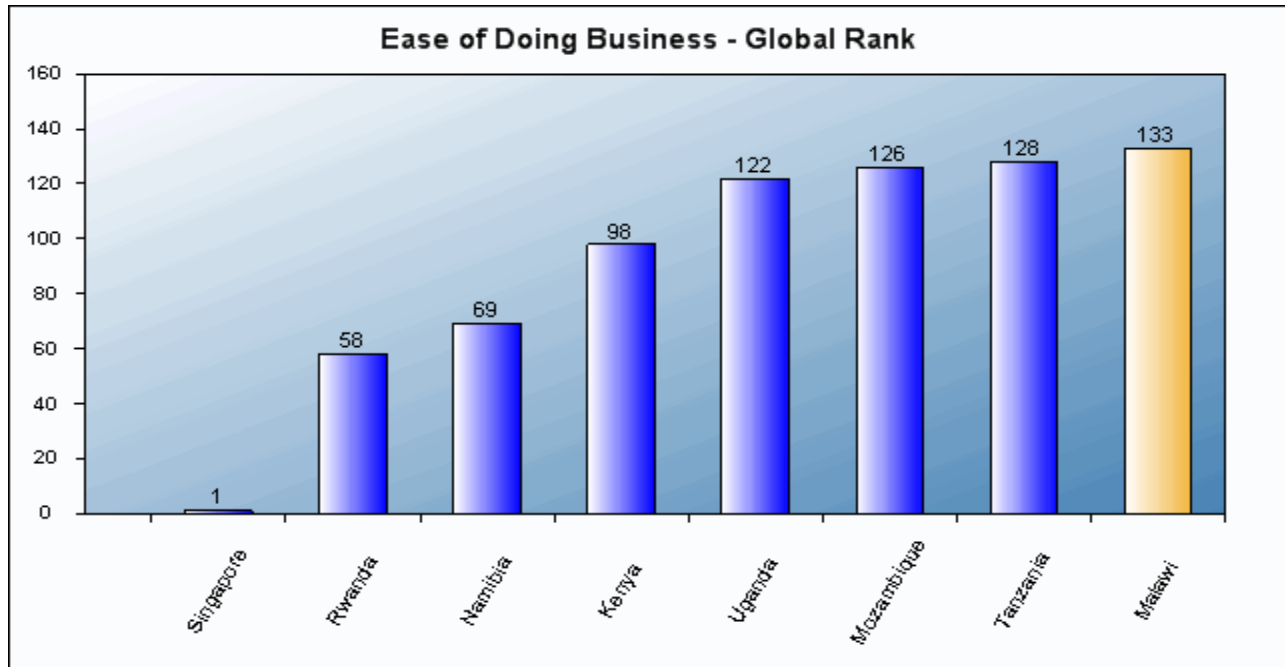
* Except for the Paying Taxes indicator that refers to the period January to December of 2009.

Note: 2008-2010 Doing Business data and rankings have been recalculated to reflect changes to the methodology and the addition of new economies (in the case of the rankings).

Economy Rankings - Ease of Doing Business

Malawi is ranked 133 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

Malawi - Compared to global good practice economy as well as selected economies:



Malawi's ranking in Doing Business 2011

Rank	Doing Business 2011
Ease of Doing Business	133
Starting a Business	132
Dealing with Construction Permits	174
Registering Property	81
Getting Credit	116
Protecting Investors	74
Paying Taxes	25
Trading Across Borders	173
Enforcing Contracts	121
Closing a Business	126

Summary of Indicators - Malawi

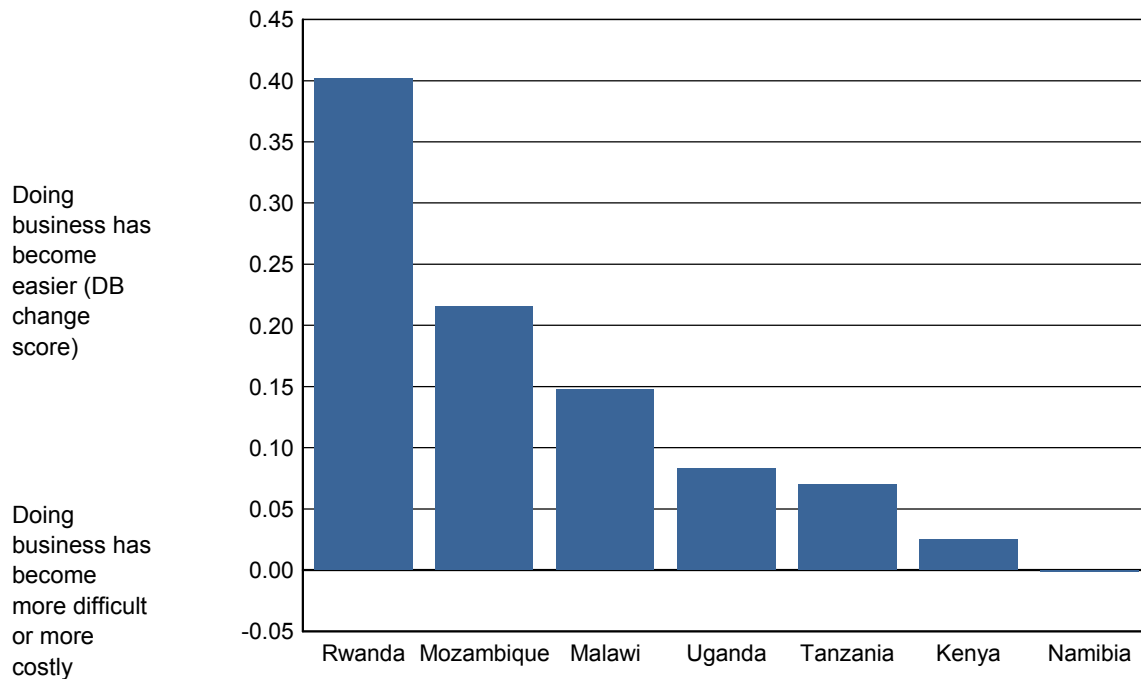
Starting a Business	Procedures (number)	10
	Time (days)	39
	Cost (% of income per capita)	108.4
	Min. capital (% of income per capita)	0.0
Dealing with Construction Permits	Procedures (number)	21
	Time (days)	268
	Cost (% of income per capita)	1316.7
Registering Property	Procedures (number)	6
	Time (days)	49
	Cost (% of property value)	3.2
Getting Credit	Strength of legal rights index (0-10)	7
	Depth of credit information index (0-6)	0
	Public registry coverage (% of adults)	0.0
	Private bureau coverage (% of adults)	0.0
Protecting Investors	Extent of disclosure index (0-10)	4
	Extent of director liability index (0-10)	7
	Ease of shareholder suits index (0-10)	5
	Strength of investor protection index (0-10)	5.3
Paying Taxes	Payments (number per year)	19
	Time (hours per year)	157
	Profit tax (%)	23.3
	Labor tax and contributions (%)	1.1
	Other taxes (%)	0.7
	Total tax rate (% profit)	25.1
Trading Across Borders	Documents to export (number)	11
	Time to export (days)	41
	Cost to export (US\$ per container)	1713
	Documents to import (number)	10
	Time to import (days)	51
	Cost to import (US\$ per container)	2570

Enforcing Contracts	Procedures (number)	42
	Time (days)	312
	Cost (% of claim)	94.1
Closing a Business	Recovery rate (cents on the dollar)	17.9
	Time (years)	2.6
	Cost (% of estate)	25

The 5 year measure of cumulative change illustrates how the business regulatory environment has changed in 174 economies from *Doing Business 2006* to *Doing Business 2011*. Instead of highlighting which countries currently have the most business friendly environment, this new approach shows the extent to which an economy's regulatory environment for business has changed compared with 5 years ago.

This snapshot reflects all cumulative changes in an economy's business regulation as measured by the Doing Business indicators-such as a reduction in the time to start a business thanks to a one-stop shop or an increase in the strength of investor protection index thanks to new stock exchange rules that tighten disclosure requirements for related-party transactions.

This figure shows the distribution of cumulative change across the 9 indicators and time between *Doing Business 2006* and *Doing Business 2011*



Many economies have undertaken reforms to smooth the starting a business process in stages—and often as part of a larger regulatory reform program. A number of studies have shown that among the benefits of streamlining the process to start a business have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms.

Some reform outcomes

In Egypt reductions of the minimum capital requirement in 2007 and 2008 led to an increase of more than 30% in the number of limited liability companies.

In Portugal creation of One-Stop Shop in 2006 and 2007 resulted in a reduction of time to start a business from 54 days to 5. In 2007 and 2008 new business registrations were up by 60% compared with 2006.

In Malaysia reduction of registration fees in 2008 led to an increase in registrations by 16% in 2009.

What does Starting a Business measure?

Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration
- Post registration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law

Paid-in minimum capital (% of income per capita)

- Deposited in a bank or with a notary prior to registration begins

Starting a Business: getting a local limited liability company up and running
Rankings are based on 4 subindicators



Case Study Assumptions

- Doing Business records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business.
- Any required information is readily available and that all agencies involved in the start-up process function without corruption.

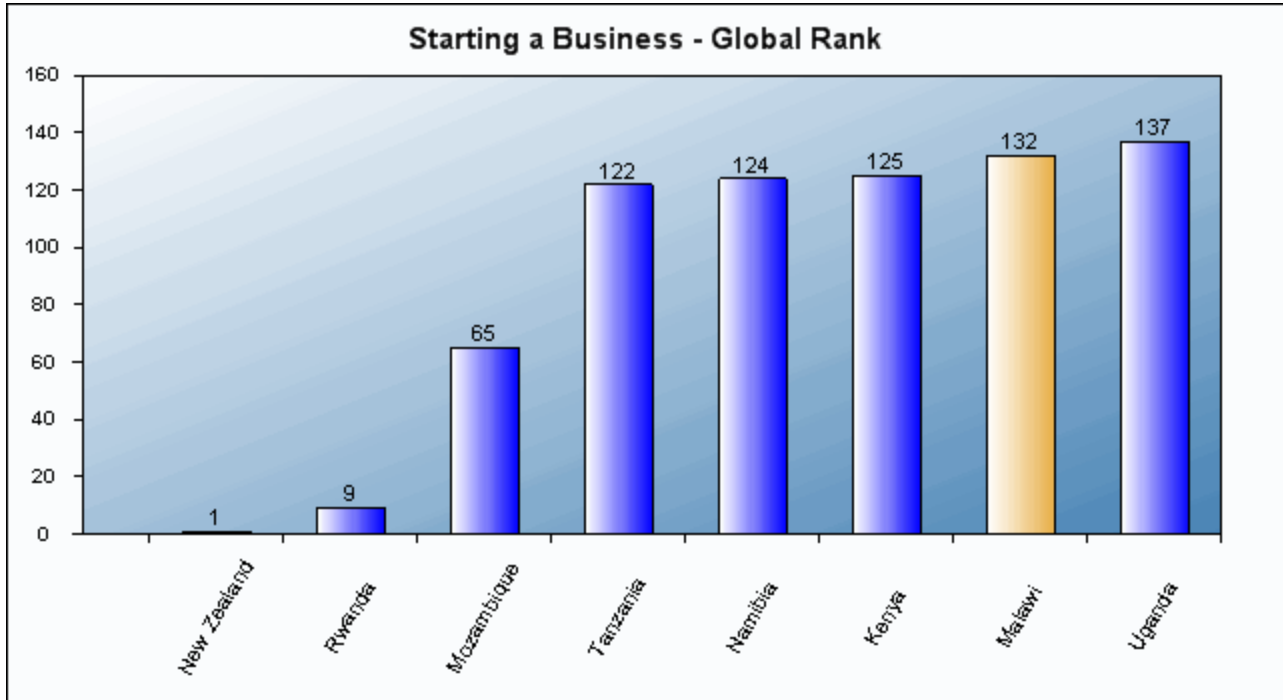
The business:

- is a limited liability company, located in the largest business city
- conducts general commercial activities
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has at least 10 and up to 50 employees
- does not qualify for investment incentives or any special benefits
- leases the commercial plant and offices and is not a proprietor of real estate

1. Benchmarking Starting a Business Regulations:

Malawi is ranked 132 overall for Starting a Business.

Ranking of Malawi in Starting a Business - Compared to good practice and selected economies:



The following table shows Starting a Business data for Malawi compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)	Min. capital (% of income per capita)
Denmark*			0.0	
New Zealand*	1	1		0.0

<i>Selected Economy</i>				
Malawi	10	39	108.4	0.0

<i>Comparator Economies</i>				
Kenya	11	33	38.3	0.0
Mozambique	9	13	13.9	0.0
Namibia	10	66	18.5	0.0
Rwanda	2	3	8.8	0.0
Tanzania	12	29	30.9	0.0
Uganda	18	25	94.4	0.0

* The following economies are also good practice economies for :

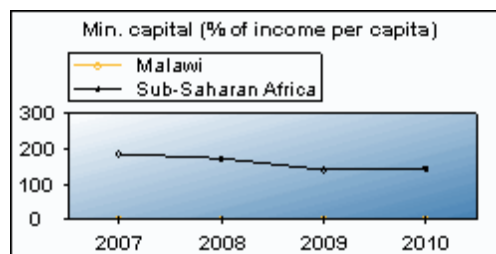
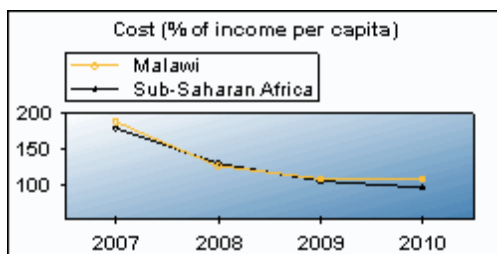
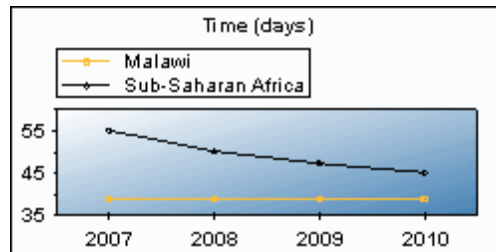
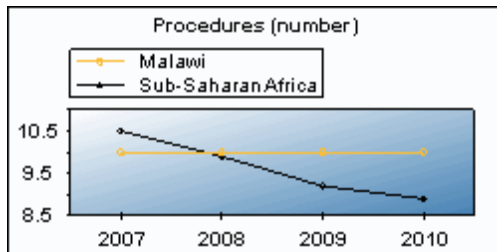
Procedures (number): Canada

Cost (% of income per capita): Slovenia

2. Historical data: Starting a Business in Malawi

Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	130	132
Procedures (number)	10	10	10	10
Time (days)	39	39	39	39
Cost (% of income per capita)	188.7	125.9	108.0	108.4
Min. capital (% of income per capita)	0.0	0.0	0.0	0.0

3. The following graphs illustrate the Starting a Business sub indicators in Malawi over the past 4 years:



What are the time, cost, paid-in minimum capital and number of procedures to get a local, limited liability company up and running?



This table summarizes the procedures and costs associated with setting up a business in Malawi.

STANDARDIZED COMPANY

Legal Form: Private Limited Liability Company

City: Blantyre

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Initiate a company name search.	1	MWK 500
2	Submit application for a Certificate of Incorporation to the Registrar General, Ministry of Justice.	5	MWK 4,213
3	Register for payment of income tax with the Malawi Revenue Authority	1	no charge
4	Obtain a company seal	3	MWK 19,000
5 *	File an application form to obtain a license from the City Assembly	29	MWK 400
6 *	Inspection of premises for the issue of the license	14	no charge
7 *	Pay license fee upon approval of license and obtain license	1	MWK 20,000
8 *	Apply for a registration of the workplace	28	MWK 1,000

9	* Inspection of premises by the Occupational Safety, Health, and Welfare Department	7	no charge
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10	* Register for PAYE and fringe benefit tax with the Malawi Revenue Authority by mail	1	no charge
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* Takes place simultaneously with another procedure.

Starting a Business Details - Malawi

Procedure	1	Initiate a company name search.
Time to complete:	1	
Cost to complete:	MWK 500	
Comment:	To initiate a company name search, promoters must submit a name application to the Registrar General either in person, which takes a few hours, or by completing a form and submitting it to the Registrar general.	
Procedure	2	Submit application for a Certificate of Incorporation to the Registrar General, Ministry of Justice.
Time to complete:	5	
Cost to complete:	MWK 4,213	
Comment:	The law provides standard articles of association. The procedure can be done by mail. By law, registration has to be completed in a maximum delay of 21 days.	
Procedure	3	Register for payment of income tax with the Malawi Revenue Authority
Time to complete:	1	
Cost to complete:	no charge	
Comment:	Company promoters must register with the Malawi Revenue Authority by filing the memorandum and articles of association, the certificate of incorporation (copy), and an application letter or completed application for registration form, including the accounting date, the name of a public officer, and the nature of the business. The Malawi government then issues a taxpayer income tax number.	
Procedure	4	Obtain a company seal
Time to complete:	3	
Cost to complete:	MWK 19,000	
Comment:	Making a seal may take up to a week. Costs depend on the length of the name of the company and the size of the seal.	
Procedure	5	File an application form to obtain a license from the City Assembly
Time to complete:	29	
Cost to complete:	MWK 400	
Comment:	Under the Business Licensing Act, wholesalers must apply for a wholesaler's license; and retailers, for a retailer's license. For industrial activities, relevant fees, procedures, and licensing requirements depend on the manufactured goods. Licenses are thus administered by the corresponding ministry. By law, the licensing authority must post notices of application for wholesaler or retailer license for review for 21 days outside the licensing authority's offices. The Department of Planning checks whether the premises location and business use is consistent with	

the city code.

Procedure 6 Inspection of premises for the issue of the license

Time to complete: 14

Cost to complete: no charge

Comment: The inspectors differ by type of business, but typically, include fire, the environment, and health and hygiene. Scheduling of inspections depends on the nature of the business and the locality. With increasing distance from the inspectors' offices, the company experiences delays owing to transport constraints, so some companies offer their own transport.

Procedure 7 Pay license fee upon approval of license and obtain license

Time to complete: 1

Cost to complete: MWK 20,000

Comment: On approval, the license is issued in a couple of days and mailed to the investor.

Procedure 8 Apply for a registration of the workplace

Time to complete: 28

Cost to complete: MWK 1,000

Comment: Promoters must file Form Lab/W/1 (application for registration of workplace), with the Occupational Safety, Health, and Welfare Department of the Ministry of Labor.

Fee schedule for workplace registration:

- Fewer than 20 employees: MWK 1,000.
- 21 to 50 employees: MWK 3,000.
- 51 to 200 employees: MWK 5,000.
- 201 to 500 employees: MWK 10,000.
- More than 500 employees: MWK 15,000.

Procedure 9 Inspection of premises by the Occupational Safety, Health, and Welfare Department

Time to complete: 7

Cost to complete: no charge

Comment:

Procedure 10 Register for PAYE and fringe benefit tax with the Malawi Revenue Authority by mail

Time to complete: 1

Cost to complete: no charge

Comment: Promoters must file Form P1 (PAYE) and Form FBT1 (fringe benefit tax). On registering for pay-as-you-earn (PAYE) tax, applicants are provided with the following forms: WTF1 (withholding tax certificate); WTF2 (summary of withholding tax); P9 (PAYE certificate of total emoluments and tax deducted); P10 (advice of employees tax deduction certificates issued); P12 (PAYE monthly deduction payment form; and P16 (reconciliation of the number of tax deduction certificates and schedule of tax deductions to be sent to the Inspector of Taxes).

In many economies, especially developing ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

Some reform outcomes

In Burkina Faso, a one-stop shop for construction permits, "Centre de Facilitation des Actes de Construire", was opened in May 2008. The new regulation merged 32 procedures into 15, reduced the time required from 226 days to 122 and cut the cost by 40%. From May 2009 to May 2010 611 building permits were granted in Ouagadougou, up from an average of about 150 a year in 2002-06.

Toronto, Canada revamped its construction permitting process in 2005 by introducing time limits for different stages of the process and presenting a unique basic list of requirements for each project. Later it provided for electronic information and risk-based approvals with fast-track procedures. Between 2005 and 2008 the number of commercial building permits increased by 17%, the construction value of new commercial buildings by 84%.

What does the Dealing with Construction Permits indicator measure?

Procedures to legally build a warehouse (number)

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Completing all required notifications and receiving all necessary inspections
- Obtaining utility connections for electricity, water, sewerage and a land telephone line
- Registering the warehouse after its completion (if required for use as collateral or for transfer of warehouse)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes

Case Study Assumptions

The business:

- is a small to medium-size limited liability company in the construction industry, located in the economy's largest business city
- is 100% domestically and privately owned and operated
- has 60 builders and other employees
- has at least one employee who is a licensed architect and registered with the local association of architects

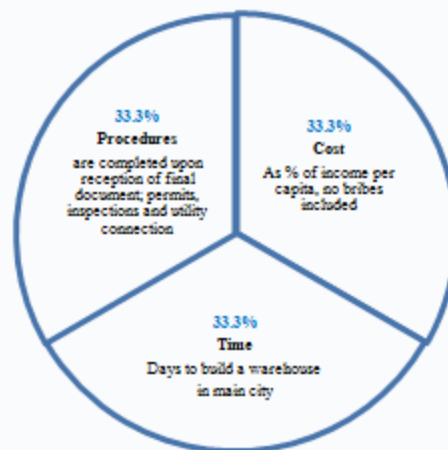
The warehouse:

- is a new construction (there was no previous construction on the land)
- has 2 stories, both above ground, with a total surface of approximately 1,300.6 sq. meters (14,000 sq. feet)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and a land telephone line
- will be used for general storage of non-hazardous goods, such as books
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements)

Dealing with Construction Permits:

Building a warehouse

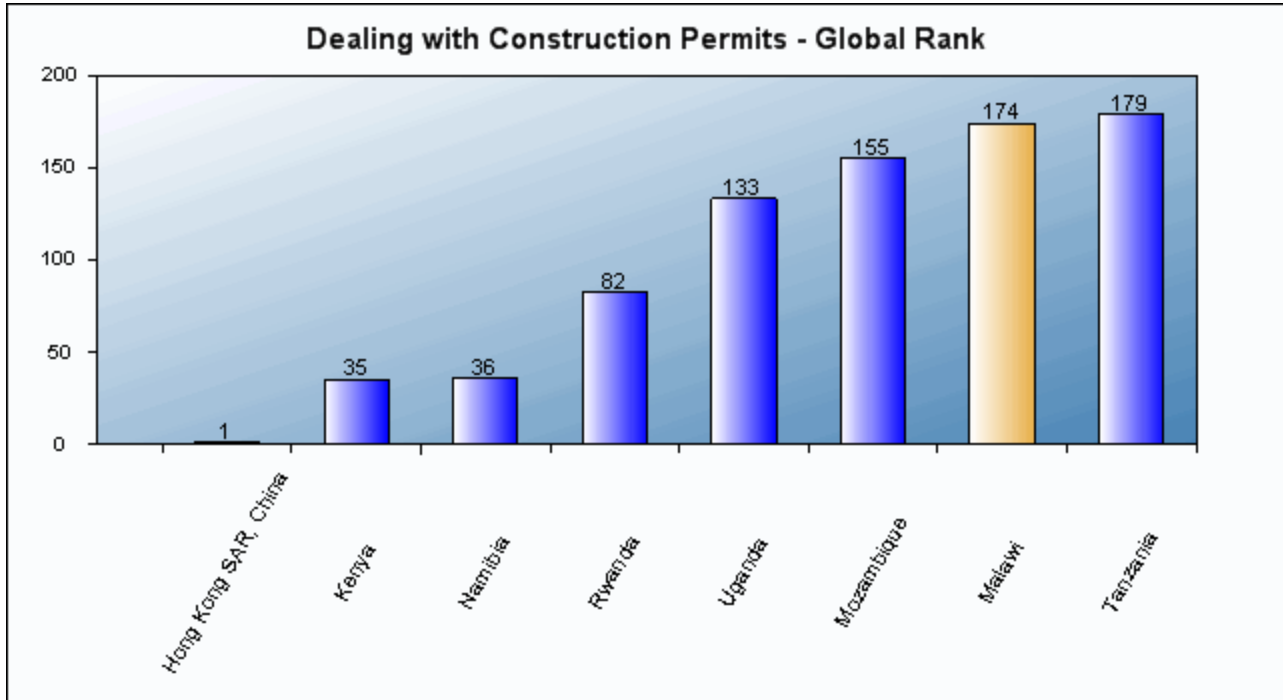
Rankings are based on 3 subindicators



1. Benchmarking Dealing with Construction Permits Regulations:

Malawi is ranked 174 overall for Dealing with Construction Permits.

Ranking of Malawi in Dealing with Construction Permits - Compared to good practice and selected economies:



The following table shows Dealing with Construction Permits data for Malawi compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)
Denmark	6		
Qatar			0.8
Singapore		25	

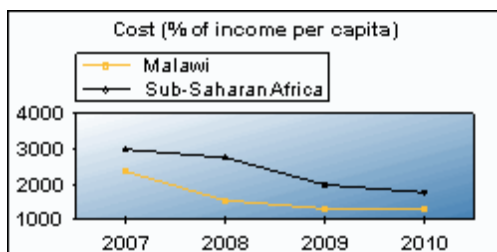
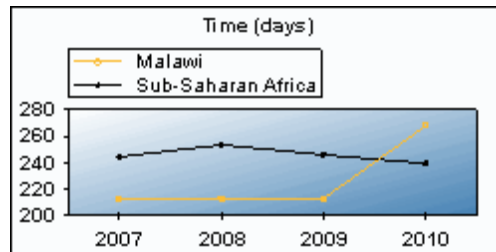
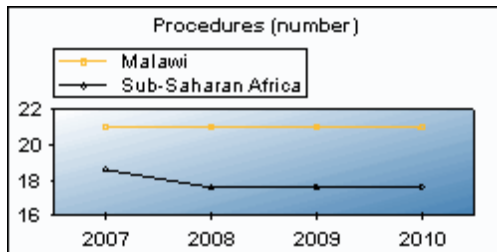
<i>Selected Economy</i>			
Malawi	21	268	1316.7

<i>Comparator Economies</i>			
Kenya	11	120	167.8
Mozambique	17	381	530.3
Namibia	12	139	113.0
Rwanda	14	195	353.6
Tanzania	22	328	2756.3
Uganda	18	171	1287.8

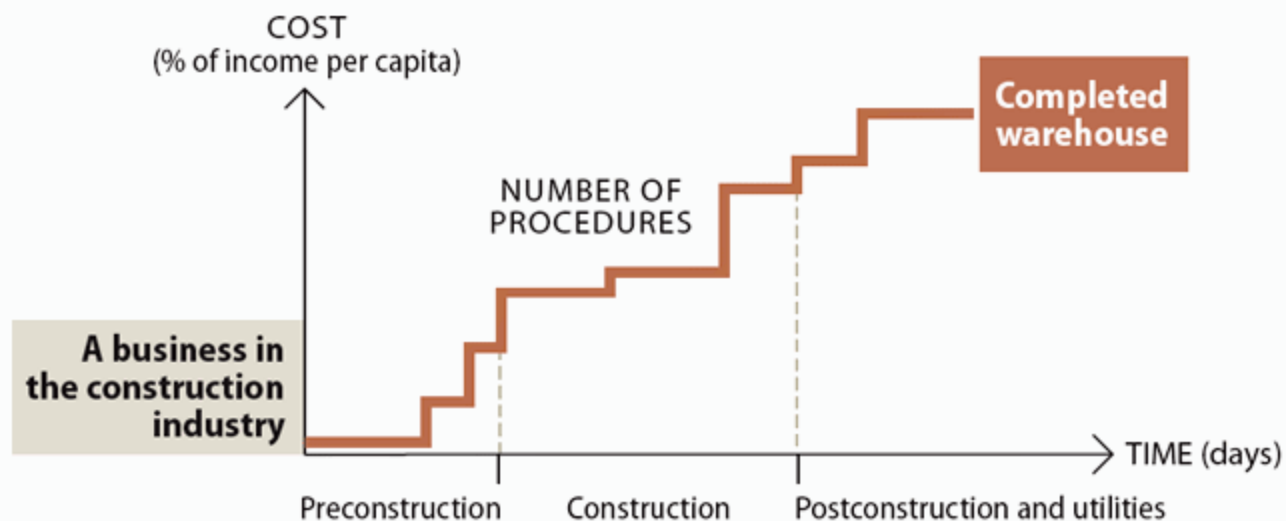
2. Historical data: Dealing with Construction Permits in Malawi

Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	164	174
Procedures (number)	21	21	21	21
Time (days)	213	213	213	268
Cost (% of income per capita)	2369.1	1544.1	1311.3	1316.7

3. The following graphs illustrate the Dealing with Construction Permits sub indicators in Malawi over the past 4 years:



What are the time, cost and number of procedures to comply with formalities to build a warehouse?



The table below summarizes the procedures, time, and costs to build a warehouse in Malawi.

BUILDING A WAREHOUSE

City: Blantyre

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Obtain approval of plan from the City Assembly	60 days	MWK 528,795
2	Notify the City Assembly of the commencement of construction	14 days	no charge
3	Receive inspection on setting out/commencement	1 day	no charge
4	Notify the City Assembly of foundation excavation	14 days	no charge
5	Receive inspection on foundation excavation	1 day	no charge
6	Notify the City Assembly of Brick work foundation	14 days	no charge
7	Receive inspection on Brick work foundation	1 day	no charge
8	Notify the City Assembly of damp roof course	14 days	no charge

9	Receive inspection on damp roof course	1 day	no charge
10	Notify the City Assembly when the construction reaches wall plate level	14 days	no charge
11	Receive inspection on construction	1 day	no charge
12	Apply for telephone connections	42 days	MWK 6,000
13	Receive a property inspection by the telephone service provider	1 day	no charge
14	Apply for electricity power connection	90 days	MWK 5,000
15 *	Submit certification by BuildCo's registered electrical contractor	1 day	no charge
16 *	Receive an inspection by the power supplier	1 day	no charge
17 *	Apply for waste and sewerage connections at the City Assembly and obtain connection	14 days	MWK 4,000
18 *	Receive an inspection by City Assembly's engineers	1 day	no charge
19 *	Apply for an occupancy permit	3 days	MWK 2,000
20	Receive final inspection	1 day	no charge
21	Register the property title in Lands Registry	7 days	MWK 2,000

* Takes place simultaneously with another procedure.

Dealing with Construction Permits Details - Malawi

Procedure ¹ Obtain approval of plan from the City Assembly

Time to complete: 60 days

Cost to complete: MWK 528,795

Agency: City Assembly

Comment: The general procedure for obtaining the approval of the project plan is as follows:

1. BuildCo arranges for a private engineering consultant to complete the building plans. The plans must be prepared by licensed architects and signed by an engineer. One complication: the type of engineer is not specified, so they do not have to know anything about construction. There is an abusive practice of architects / engineers signing plans prepared by technicians who worked independently without actually reviewing them just to get payment.
2. BuildCo completes the “application for permission to develop or to subdivide land” and a by-laws form, and submits the forms and the plans to the City Assembly with payment of a fee based on the size of the building and the assessed value of the land.
3. The plans and application are then forwarded to a Technical Panel for consideration. The panel’s members are representatives from the following organizations:
 - Electricity Supply Corporation of Malawi.
 - Malawi Telecommunications Limited.
 - Water Board.
 - City Assembly Physical Planning Department.
 - City Assembly Engineering Department.
 - City Assembly Parks and Recreation Department.
 - City Assembly Health and Environment Department.
 - City Assembly Building Department.
 - Occupational Safety, Health, and Welfare Department of the Ministry of Labor.
 - Malawi Housing Corporation.
 - Ministry of Transport and Public Works.

The panel reviews the building plans and application and either approves development or suggests amendments. If the panel requires amendments, BuildCo is notified by mail of the changes required. BuildCo can also contact the City Assembly by phone or in person to inquire about the status of the application.

A water connection application is filed along with the site plan. If the panel accepts the application, it is forwarded to the Town and Country Planning Committee, which meets monthly. The committee notifies BuildCo by mail and a notice of decision, a legally binding document, and the by-laws form are issued.

The meeting of the Town and Planning Committee takes place only once a month, and the Technical Panel meets only once every 2 weeks. However, companies may choose to opt for a fast track option which allows companies to convene an emergency meeting of the Town and Planning Committee at a higher fee charged on top of standard fees. The fee for fast track option would be MWK 50,000. In this case, the meeting will take place within about a week of the payment being made. BuildCo will get an oral decision at the end of the meeting. If there is an affirmative decision, construction can begin right away. The official document will be issued soon after. Practice, is however this option is used seldom by companies. Many companies plan ahead of the time, and have prior consultations with the municipal officials.

Under normal circumstances by Town and Country Planning Act, the Planning Committee should either approve the application or tell why it cannot be approved within 60 days of the application being submitted. In reality, this is likely not to happen. However, there is a silence is consent rule. If after 60 days, there is no response;

construction can begin which not too many companies resort to.

Cost: As of May 1st, 2004 the cost according to Blantyre City Assembly is MWK 391,530.7 (MWK 48,828,847 x 0.8%+MWK 800 (local tax)+MWK 100 (application fee)).

Procedure 2 Notify the City Assembly of the commencement of construction

Time to complete: 14 days

Cost to complete: no charge

Agency: City Assembly

Comment: During the construction phase of an approved project, the City Assembly sends out inspectors at various stages of construction. Inspectors from the City Assembly’s Departments of Building, Environment and Health, and Fire join the national-level Occupational Safety, Health, and Welfare Department to inspect the construction approximately five times. These inspectors come as a team, and there is no charge for these visits. The Building Department issues six cards that specify when a building should be inspected. BuildCo notifies the inspectors by sending a card at the appropriate stage of construction. The City Assembly inspectors come within 2 days to 2 weeks of notification. However in reality many do not come due to scarcity of resources. BuildCo does not stop construction and wait until the inspection is completed. In practice, builders continue construction after submitting the notice without waiting for the inspection.

Procedure 3 Receive inspection on setting out/commencement

Time to complete: 1 day

Cost to complete: no charge

Agency: City Assembly

Comment: The inspection usually takes a day.

Procedure 4 Notify the City Assembly of foundation excavation

Time to complete: 14 days

Cost to complete: no charge

Agency: City Assembly

Comment:

Procedure 5 Receive inspection on foundation excavation

Time to complete: 1 day

Cost to complete: no charge

Agency: City Assembly

Comment:

Procedure 6 Notify the City Assembly of Brick work foundation

Time to complete: 14 days

Cost to complete: no charge

Agency: City Assembly

Comment:

Procedure 7 Receive inspection on Brick work foundation

Time to complete: 1 day

Cost to complete: no charge

Agency: City Assembly

Comment:

Procedure 8 Notify the City Assembly of damp roof course

Time to complete: 14 days

Cost to complete: no charge

Agency: City Assembly

Comment:

Procedure 9 Receive inspection on damp roof course

Time to complete: 1 day

Cost to complete: no charge

Agency: City Assembly

Comment:

Procedure 10 Notify the City Assembly when the construction reaches wall plate level

Time to complete: 14 days

Cost to complete: no charge

Agency: City Assembly

Comment:

Procedure 11 Receive inspection on construction

Time to complete: 1 day

Cost to complete: no charge

Agency: City Assembly

Comment:

Procedure 12 Apply for telephone connections

Time to complete: 42 days

Cost to complete: MWK 6,000

Agency: Malawi Telecommunications Ltd.

Comment:

Procedure 13 Receive a property inspection by the telephone service provider

Time to complete: 1 day

Cost to complete: no charge

Agency: Malawi Telecommunications Ltd.

Comment: After the inspection by the telephone service provider, an agreement form is sent by mail to the applicant stating the cost of connecting to the telephone service and the monthly charges. BuildCo waits until advised of the availability of lines and then pays the fees for the connection to be activated.

Procedure 14 Apply for electricity power connection

Time to complete: 90 days

Cost to complete: MWK 5,000

Agency: Electricity Supply Corporation of Malawi (ESCOM)

Comment: BuildCo can write, fax, or e-mail the power supplier (ESCOM) to get a quotation, or visit one of ESCOM's sales offices to pick up an application form. Connection times vary based on the extent of the work and availability of materials.

Before the application for electrical connection is made, the plans must be signed by an electrician certified by ESCOM. In practice, applications for utility connections are made as soon as the building plans are approved.

Because of shortage of materials, this takes about 90 days.

Procedure 15 Submit certification by BuildCo’s registered electrical contractor

Time to complete: 1 day

Cost to complete: no charge

Agency: Water Board of the City Assembly

Comment: The form certifies that the installation has been wired to standards and is safe for occupancy.

Procedure 16 Receive an inspection by the power supplier

Time to complete: 1 day

Cost to complete: no charge

Agency: Electricity Supply Corporation of Malawi (ESCOM)

Comment:

Procedure 17 Apply for waste and sewerage connections at the City Assembly and obtain connection

Time to complete: 14 days

Cost to complete: MWK 4,000

Agency: Water Board of the City Assembly

Comment: Sewerage services can be obtained by completing a form that asks for technical information about the capacity needed and the location of the pipelines. In practice, the type of construction considered here would include a septic tank.

Procedure 18 Receive an inspection by City Assembly’s engineers

Time to complete: 1 day

Cost to complete: no charge

Agency: City Assembly

Comment: After the inspection, the cost of extending the sewer pipes to the facilities is estimated, and the investor BuildCo is informed of how much to pay to complete the connection.

Procedure 19 Apply for an occupancy permit

Time to complete: 3 days

Cost to complete: MWK 2,000

Comment: Definition of fee for the occupancy permit is a debatable matter between officials and construction companies. To define the base for levying fee municipality has to evaluate the construction cost according to its methodology. In addition Quantitative Surveyors, who work for construction companies provide monthly updates to the authorities on the cost incurred. That is then summed to the information that municipality has. Based on that the fee will be 0.1% and must be paid before the occupancy permit is issued. In our case it

will be MWK 48,828 of warehouse value MWK 48,828,847.

Procedure 20 Receive final inspection

Time to complete: 1 day

Cost to complete: no charge

Agency: City Assembly

Comment:

Procedure 21 Register the property title in Lands Registry

Time to complete: 7 days

Cost to complete: MWK 2,000

Agency: Lands Registry

Comment:

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. *Doing Business* records the full sequence of procedures necessary for a business to purchase a property from another business and transfer the property title to the buyer's name. In the past 6 years 105 economies undertook 146 reforms making it easier to transfer property. Globally, the time to transfer property fell by 38% and the cost by 10% over this time. The most popular feature of property registration reform in these 6 years, implemented in 52 economies, was lowering transfer taxes and government fees.

Some reform outcomes

Georgia now allows property transfers to be completed through 500 authorized users, notably banks. This saves time for entrepreneurs. A third of people transferring property in 2009 chose authorized users, up from 7% in 2007. Also, Georgia's new electronic registry managed 68,000 sales in 2007, twice as many as in 2003.

Belarus's unified and computerized registry was able to cope with the addition of 1.2 million new units over 3 years. The registry issued 1 million electronic property certificates in 2009.

What does the Registering Property indicator measure?

Registering Property: transfer of property between 2 local companies

Rankings are based on 3 subindicators

Procedures to legally transfer title on immovable property (number)

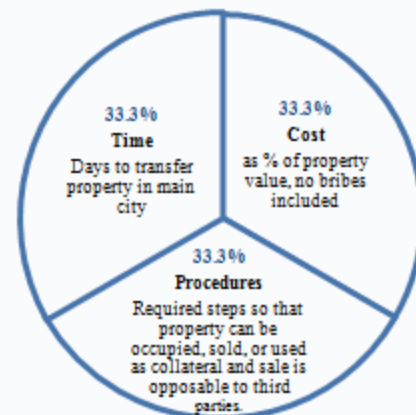
- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Post registration (for example, transactions with the local authority, tax authority or cadastre)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior personal contact with officials

Cost required to complete each procedure (% of property value)

- Official costs only, no bribes
- No value added or capital gains taxes included



Case Study Assumptions

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in the periurban area of the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

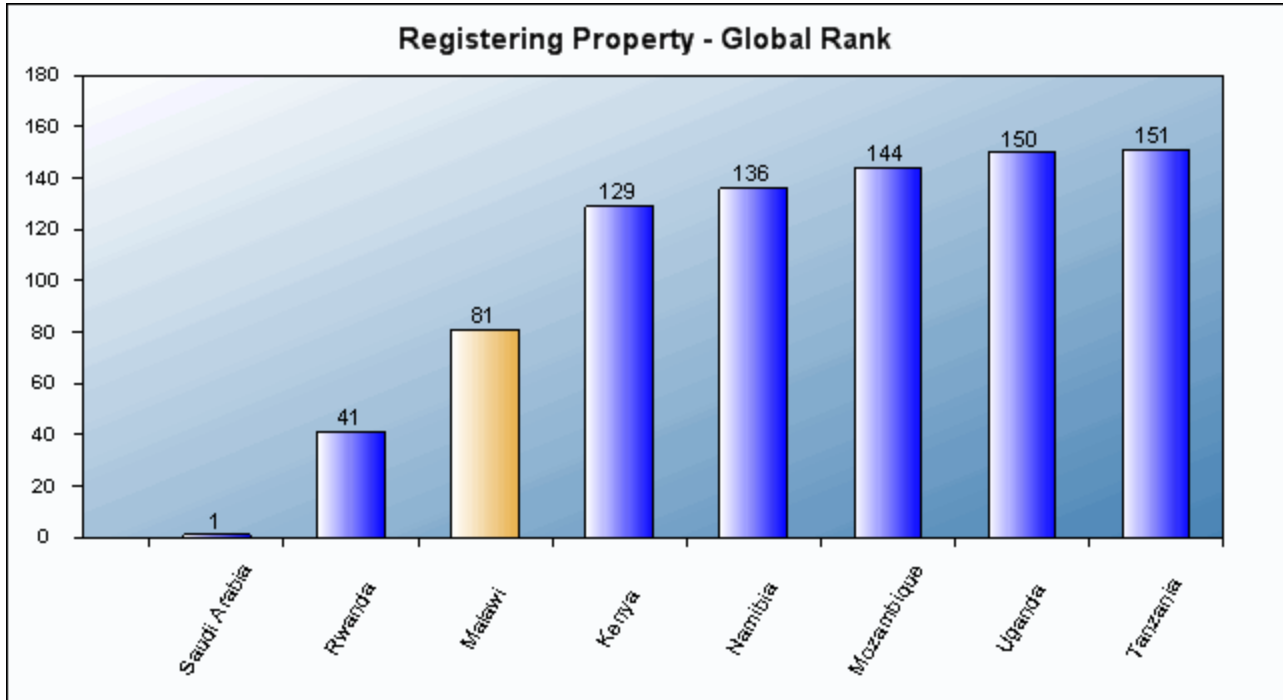
The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of a 557.4 square meters (6,000 square feet) land and 10 years old 2-story warehouse of 929 square meters (10,000 square feet) located on the land. The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

1. Benchmarking Registering Property Regulations:

Malawi is ranked 81 overall for Registering Property.

Ranking of Malawi in Registering Property - Compared to good practice and selected economies:



The following table shows Registering Property data for Malawi compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of property value)
New Zealand*		2	
Norway*	1		
Saudi Arabia			0.0

<i>Selected Economy</i>			
Malawi	6	49	3.2

<i>Comparator Economies</i>			
Kenya	8	64	4.2
Mozambique	8	42	9.9
Namibia	9	23	9.6
Rwanda	4	55	0.4
Tanzania	9	73	4.4
Uganda	13	77	3.2

* The following economies are also good practice economies for :

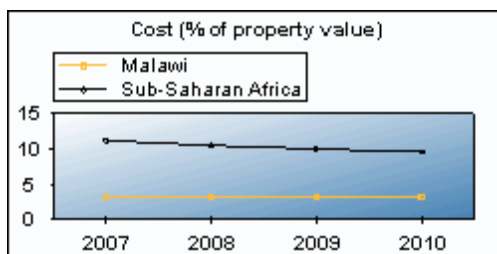
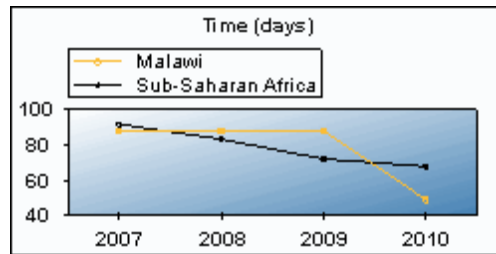
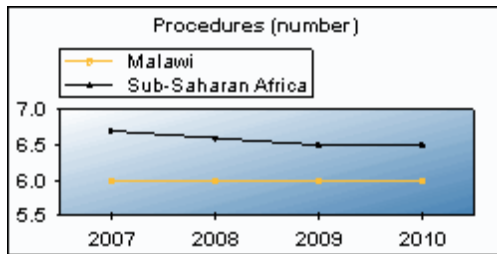
Procedures (number): United Arab Emirates

Time (days): Saudi Arabia, Thailand, United Arab Emirates

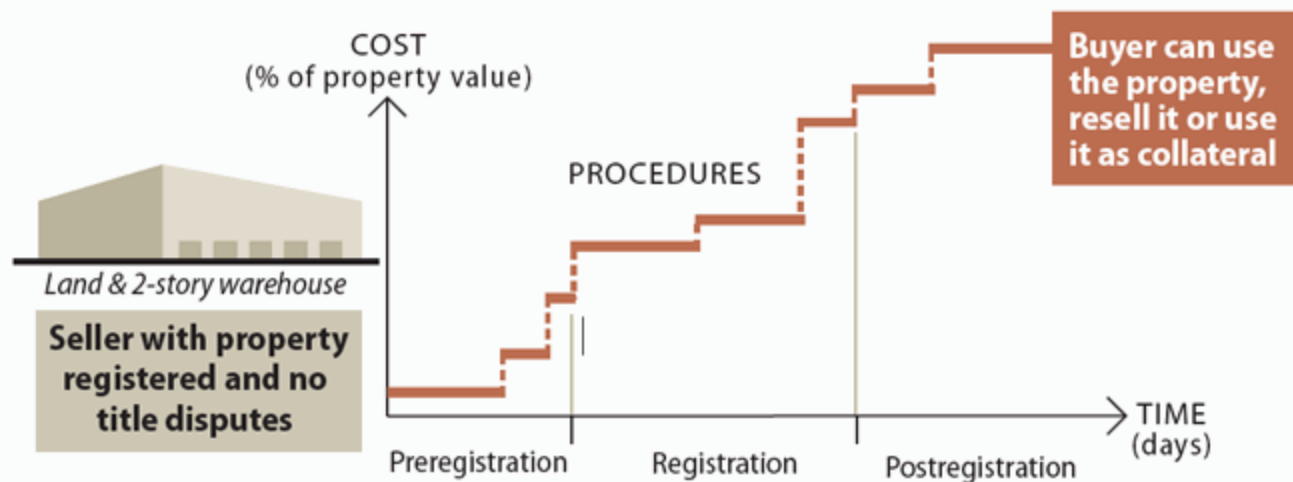
2. Historical data: Registering Property in Malawi

Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	101	81
Procedures (number)	6	6	6	6
Time (days)	88	88	88	49
Cost (% of property value)	3.3	3.3	3.2	3.2

3. The following graphs illustrate the Registering Property sub indicators in Malawi over the past 4 years:



What are the time, cost and number of procedures required to transfer a property between 2 local companies?



This topic examines the steps, time, and cost involved in registering property in Malawi.

STANDARDIZED PROPERTY

Property Value: 2,080,187.71

City: Blantyre

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Search for encumbrances at the Lands Registry	1 day	MWK 500
2	Obtain City rates clearance certificate	1 day, up to one week	MWK 500
3	Apply to Ministry of Lands for consent to transfer the property	21 days (on average)	MWK 2,000
4 *	Obtain a Tax Clearance Certificate from the Malawi Revenue Authority	7-28 days (simultaneous with procedure 5)	no cost
5 *	Stamping of the conveyance deed at the Registrar General's office	1 day (simultaneous with procedure 4)	3% of property value
6	Apply for registration at the Deeds Registry	7 days	MWK 2,000

* Takes place simultaneously with another procedure.

Registering Property Details - Malawi

Procedure	1	Search for encumbrances at the Lands Registry
Time to complete:	1 day	
Cost to complete:	MWK 500	
Agency:	Lands Registry	
Comment:	Parties conduct a search at the Deeds Registry to ensure that no encumbrances are still pending on the property. The search can be conducted either by the title number (faster) or by plot number (slower). Malawi still has two systems of land title registration i.e. Title registration under the Registered Land Act and Title registration under the Deeds Registration Act. The former is simpler and searches are also simpler and quicker. If it is just one property search it takes no more than 15 minutes in the Title Registry but it may take longer in the Deeds Registry because of cross-referencing. For one property it could take on average about an hour.	
Procedure	2	Obtain City rates clearance certificate
Time to complete:	1 day, up to one week	
Cost to complete:	MWK 500	
Agency:	Blantyre City Council	
Comment:	A letter is sent to the City Assembly to obtain a City rates clearance certificate. The parties search for unpaid city taxes on the property at the Municipality, which is free of charge . The system is computerized and it is just a matter of punching in the Rate Payer's details and the account comes up on the screen with all outstanding taxes. One can call to obtain the basic information, but this information cannot be used for official purposes. However, a written certificate is required to be signed by the Chief Executive, which substantially extends the time.	
Procedure	3	Apply to Ministry of Lands for consent to transfer the property
Time to complete:	21 days (on average)	
Cost to complete:	MWK 2,000	
Agency:	Ministry of Lands	
Comment:	Parties apply to the Ministry of Lands for consent to transfer the property. The application now is done directly in Blantyre since The Ministry must give its approval of the transaction. The process starts with an application to the Regional Commissioner for Lands, who then forwards the application with an accompanying memo to the Principal Secretary at the Ministry of Lands, who then passes it on to the Minister's office.	
Procedure	4	Obtain a Tax Clearance Certificate from the Malawi Revenue Authority
Time to complete:	7-28 days (simultaneous with procedure 5)	

Cost to complete: no cost

Agency: Malawi Revenue Authority

Comment: Parties apply for a Tax Clearance Certificate from the Malawi Revenue Authority. The step can take up to four weeks or longer depending on how readily personal tax information is made available to the Revenue Authority by seller.

Procedure 5 Stamping of the conveyance deed at the Registrar General's office

Time to complete: 1 day (simultaneous with procedure 4)

Cost to complete: 3% of property value

Agency: Registrar General's office

Comment: The deed application and other relevant documents are taken for stamping at the Registrar General's office. Other relevant documents include: personal identification of the people in charge of the registration procedure, consent certificate from the Minister of Lands (obtained in Procedure 3), old deed provided by the seller, and non-encumbrance certificate (obtained in Procedure 1). If done in person will take 1 day, but by mail could take 1 month.

Procedure 6 Apply for registration at the Deeds Registry

Time to complete: 7 days

Cost to complete: MWK 2,000

Agency: Deeds Registry

Comment: The parties take all the documents for registration at the Deeds Registry that will issue a title deed under the name of the buyer. The City rates clearance certificate must be presented at that time
The documentation shall include:
Stamped deed (obtained in Procedure 4)
Tax clearance certificate (obtained in Procedure 5)

Through two sets of indicators, *Doing Business* assesses the legal rights of borrowers and lenders with respect to secured transactions and the sharing of credit information. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through either a public credit registry or a private credit bureau. Credit information systems mitigate the ‘information asymmetry’ in lending and enable lenders to view a borrower’s financial history (positive or negative), providing them with valuable information to consider when assessing risk. Credit information systems benefit borrowers as well, allowing good borrowers to establish a reputable credit history which will enable them to access credit more easily. The Legal Rights Index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. Sound collateral laws will enable businesses to use their assets, especially movable property, as security to generate capital while having strong creditor’s rights has been associated with higher ratios of private sector credit to GDP.

Some reform outcomes

After Vietnam’s new Civil Code was enacted in 2005, a decree further clarified the provisions governing secured transactions. Since the inclusion of the new provisions, the number of registrations increased from 43,000 (2005) to 120,000 (end of 2008).

In 2008, when Zambia established a private credit bureau, its database initially covered about 25,000 borrowers. Thanks to a strong communication campaign and a central bank directive, coverage has grown 10-fold in the past 2 years, exceeding 200,000 by the beginning of 2010.

What do the Getting Credit indicators measure?

Strength of legal rights index (0–10)

- Protection of rights of borrowers and lenders through collateral laws
- Protection of secured creditors’ rights through bankruptcy laws

Depth of credit information index (0–6)

- Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

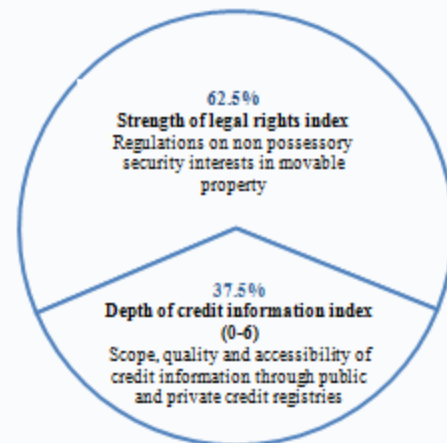
Public credit registry coverage (% of adults)

- Number of individuals and firms listed in public credit registry as percentage of a adult population

Private credit bureau coverage (% of adults)

- Number of individuals and firms listed in largest private credit bureau as percentage of a adult population

Getting Credit: collateral rules and credit information



Note: Private bureau coverage and public credit registry coverage are measured but do not count for the rankings.

Case Study Assumptions (applying to the Legal Rights Index only)

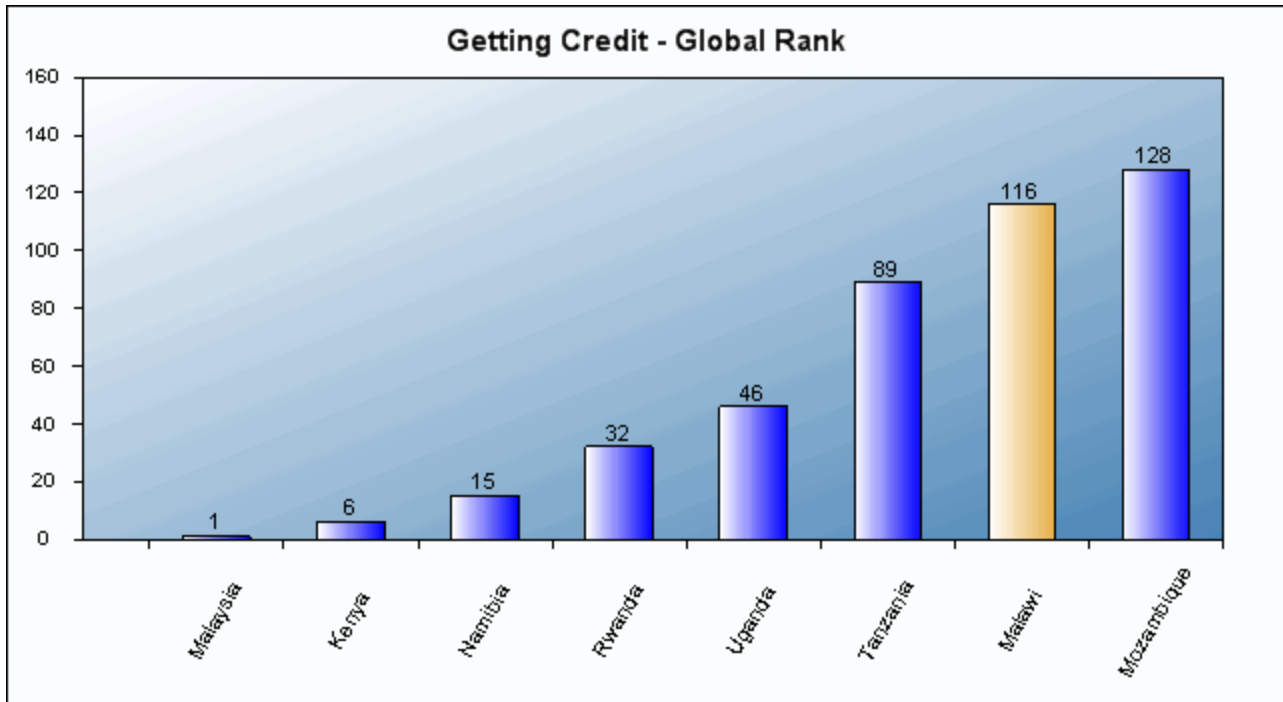
The Debtor

- is a Private Limited Liability Company
- has its Headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both creditor and debtor are 100% domestically owned.

1. Benchmarking Getting Credit Regulations:

Malawi is ranked 116 overall for Getting Credit.

Ranking of Malawi in Getting Credit - Compared to good practice and selected economies:



The following table shows Getting Credit data for Malawi compared to good practice and comparator economies:

Good Practice Economies	Strength of legal rights index (0-10)	Depth of credit information index (0-6)	Public registry coverage (% of adults)	Private bureau coverage (% of adults)
New Zealand*				100.0
Portugal			67.1	
Singapore*	10			
United Kingdom		6		

<i>Selected Economy</i>				
Malawi	7	0	0.0	0.0

<i>Comparator Economies</i>				
Kenya	10	4	0.0	3.3
Mozambique	2	4	2.2	0.0
Namibia	8	5	0.0	58.5
Rwanda	8	4	0.7	0.0
Tanzania	8	0	0.0	0.0
Uganda	7	4	0.0	1.1

* The following economies are also good practice economies for :

Strength of legal rights index (0-10): Hong Kong, China, Kenya, Kyrgyz Republic, Malaysia

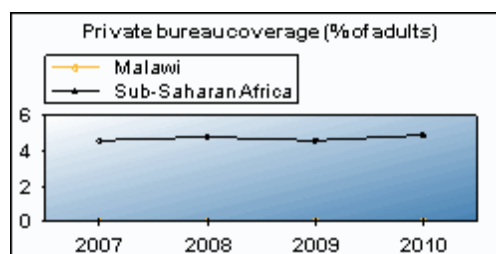
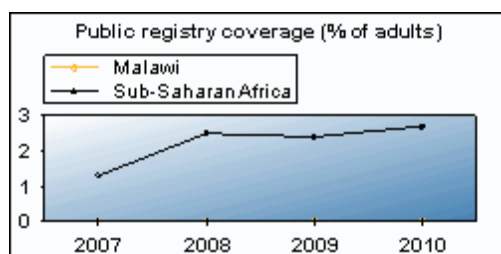
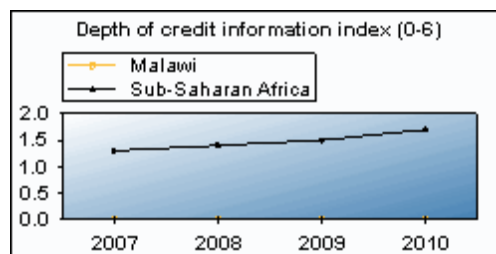
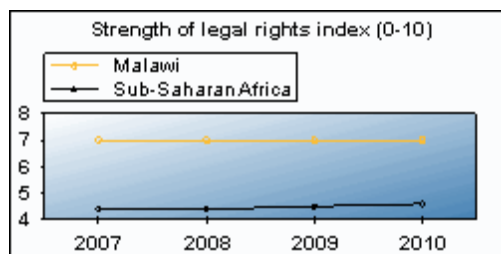
Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States

27 countries have the highest credit information index.

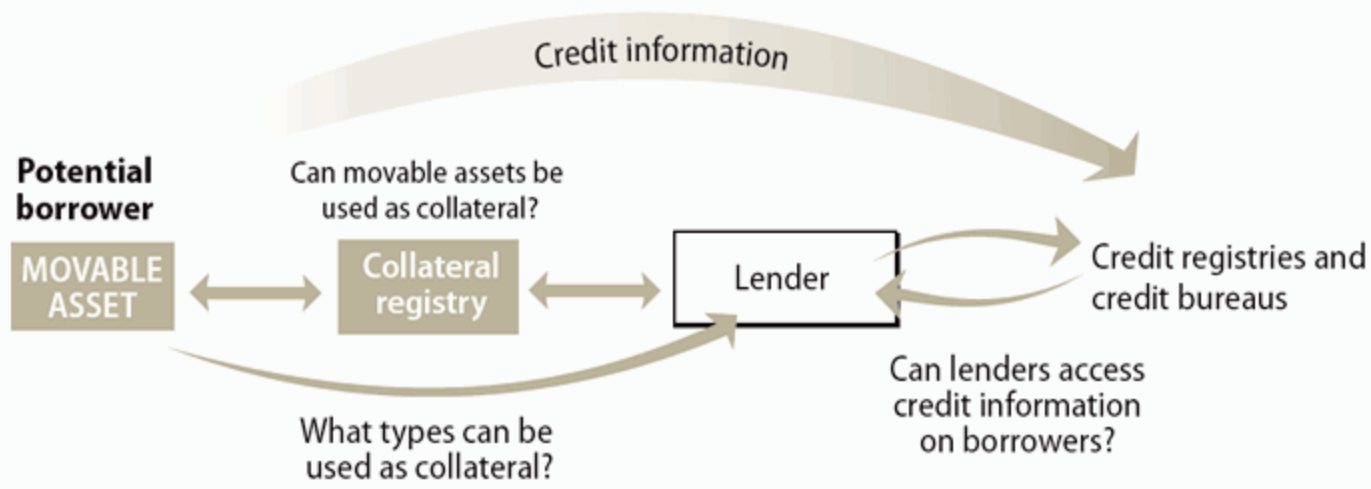
2. Historical data: Getting Credit in Malawi

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	109	116
Strength of legal rights index (0-10)	7	7	7	7
Depth of credit information index (0-6)	0	0	0	0
Private bureau coverage (% of adults)	0.0	0.0	0.0	0.0
Public registry coverage (% of adults)	0.0	0.0	0.0	0.0

3. The following graphs illustrate the Getting Credit sub indicators in Malawi over the past 4 years:



**Do lenders have credit information on entrepreneurs seeking credit?
Is the law favorable to borrowers and lenders using movable assets as collateral?**



The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in Malawi.

Getting Credit Indicators (2010)			Indicator
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry	0
Are data on both firms and individuals distributed?	No	No	0
Are both positive and negative data distributed?	No	No	0
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	No	No	0
Are more than 2 years of historical credit information distributed?	No	No	0
Is data on all loans below 1% of income per capita distributed?	No	No	0
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	No	No	0
Coverage	0.0	0.0	
Number of individuals		0	0
Number of firms		0	0

Strength of legal rights index (0-10)**7**

Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?	Yes
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	Yes
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	Yes
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?	Yes
Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?	Yes
Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?	No
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?	No
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?	No
During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?	Yes
Does the law authorize parties to agree on out of court enforcement?	Yes

Stronger investor protections matter for the ability of companies to raise the capital needed to grow, innovate, diversify and compete. This is all the more crucial in times of financial crisis when entrepreneurs must navigate through defiant environments to finance their activities. Using 3 indices of investor protection, *Doing Business* measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gains. Since 2005, 51 economies have strengthened investor protections as measured by *Doing Business*.

Some reform outcomes

In Indonesia, an economy that consistently improved its laws regulating investor protections, the number of firms listed on the Indonesia Stock Exchange increased from 331 to 396 between 2004 and 2009. Meanwhile, market capitalization grew from 680 trillion rupiah (\$75 billion) to 1,077 trillion rupiah (\$119 billion).

After Thailand amended its laws in 2006 and 2008, more than 85 transactions that failed to comply with the disclosure standards were suspended. Thirteen were deemed prejudicial and were therefore canceled, thus preventing damage to the companies involved and preserving their value. Companies were not deterred either, as more than 30 new companies joined the stock exchange since 2005 bringing the number of listed companies to 523.

What do the Protecting Investors indicators measure?

Extent of disclosure index (0–10)

- Who can approve related-party transactions
- Requirements for external and internal disclosure in case of related-party transactions

Extent of director liability index (0–10)

- Ability of shareholders to hold the interested party and the approving body liable in case of a prejudicial related-party transaction
- Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)
- Ability of shareholders to sue directly or derivatively

Ease of shareholder suits index (0–10)

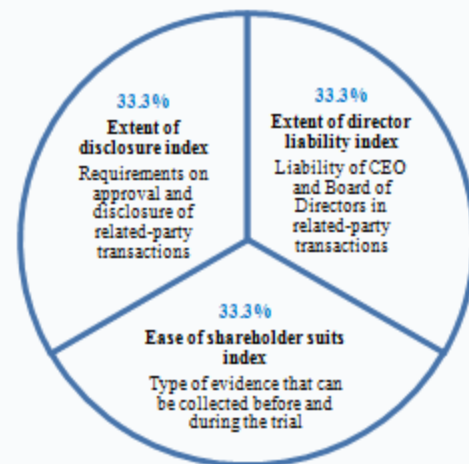
- Documents and information available during trial
- Access to internal corporate documents (directly or through a government inspector)

Strength of investor protection index (0–10)

- Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices

Protecting Investors: minority shareholder rights in related-party transactions

Rankings are based on 3 subindicators



Case Study Assumptions

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders).
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

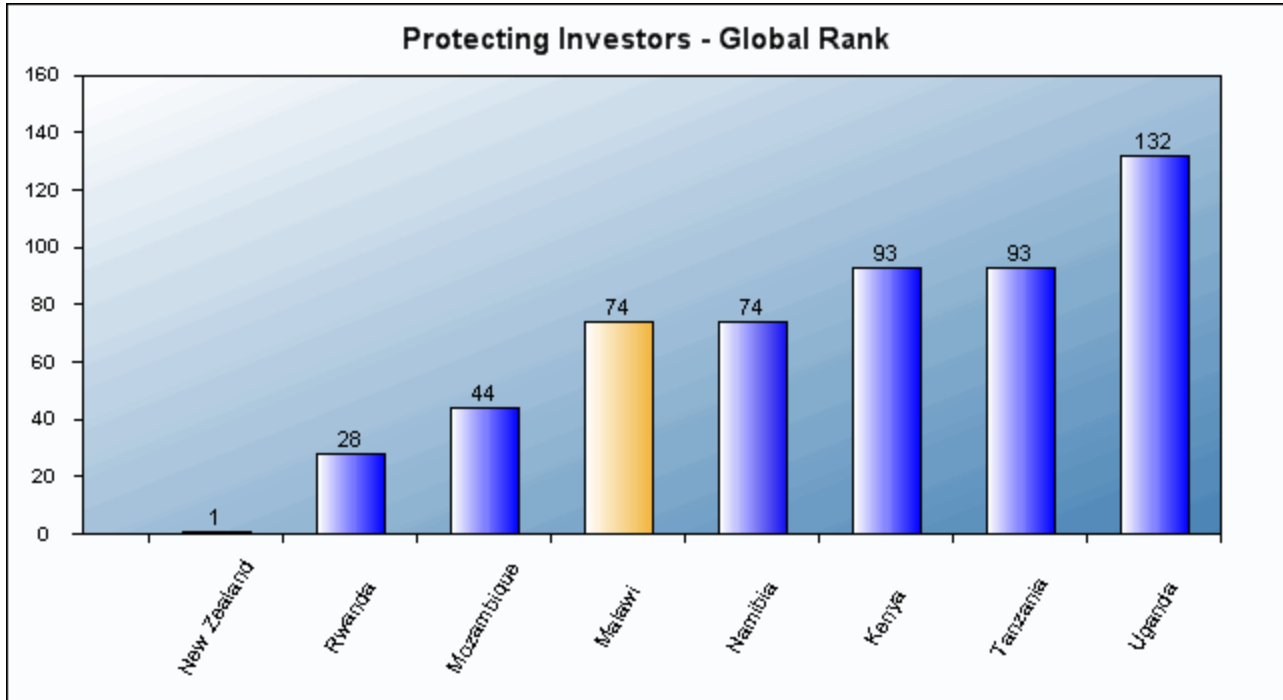
The transaction

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.
- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to the purchasing company.
- Shareholders sue the interested parties and the members of the board of directors.

1. Benchmarking Protecting Investors Regulations:

Malawi is ranked 74 overall for Protecting Investors.

Ranking of Malawi in Protecting Investors - Compared to good practice and selected economies:



The following table shows Protecting Investors data for Malawi compared to good practice and comparator economies:

Good Practice Economies	Strength of investor protection index (0-10)
New Zealand	9.7

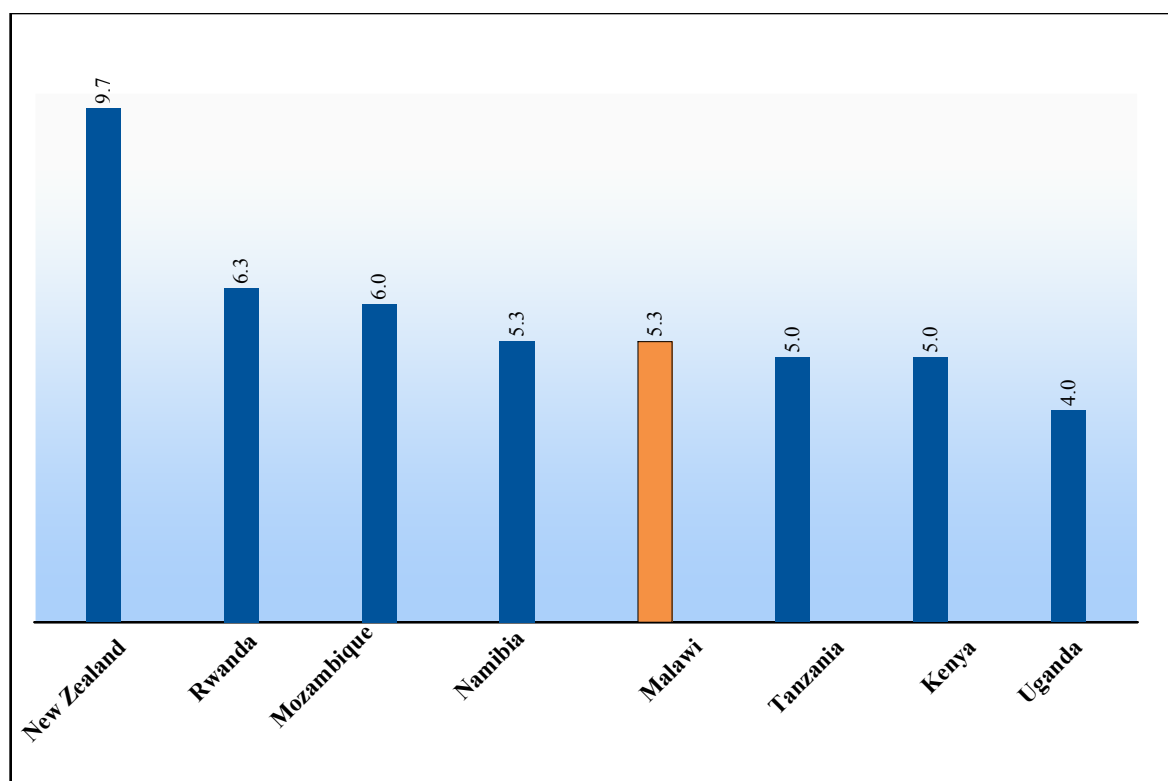
<i>Selected Economy</i>	
Malawi	5.3

<i>Comparator Economies</i>	
Kenya	5.0
Mozambique	6.0
Namibia	5.3
Rwanda	6.3
Tanzania	5.0
Uganda	4.0

2. Historical data: Protecting Investors in Malawi

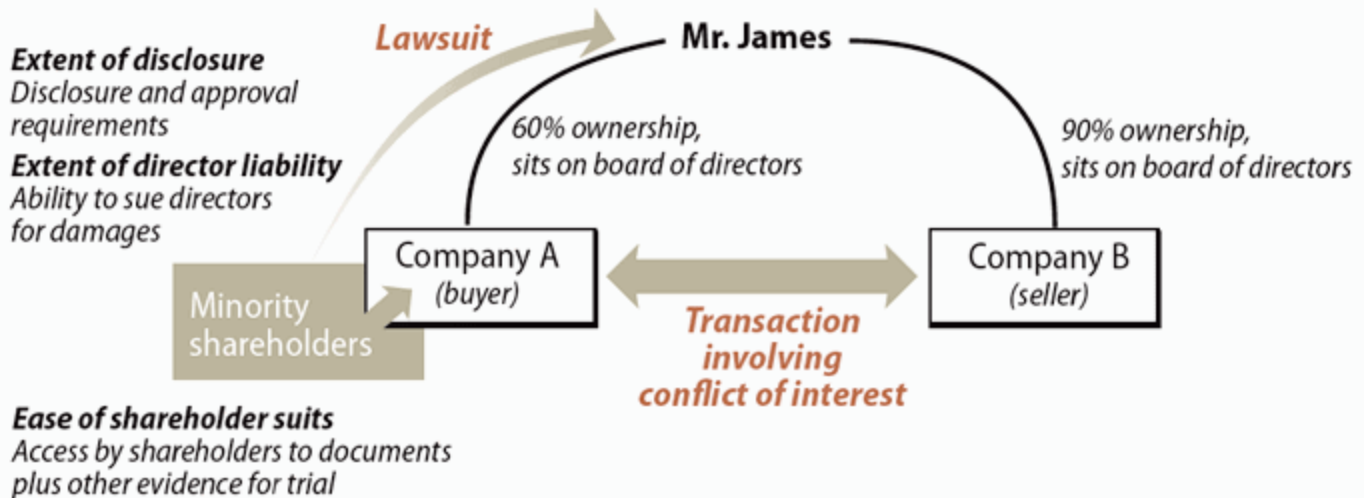
Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	73	74
Strength of investor protection index (0-10)	5.3	5.3	5.3	5.3

3. The following graph illustrates the Protecting Investors index in Malawi compared to best practice and selected Economies:



Note: The higher the score, the greater the investor protection.

How well are minority shareholders protected against self-dealing in related-party transactions?



The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in Malawi.

Protecting Investors Data (2010)	Indicator
Extent of disclosure index (0-10)	4
What corporate body provides legally sufficient approval for the transaction?	2
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	0
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	1
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	1
Whether an external body must review the terms of the transaction before it takes place?	0
Extent of director liability index (0-10)	7
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	2
Whether shareholders can hold the approving body (the CEO or board of directors) liable for the damage that the Buyer-Seller transaction causes to the company?	2
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	1
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	1

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	0
Whether fines and imprisonment can be applied against Mr. James?	0
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1
Ease of shareholder suits index (0-10)	5
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	2
Whether the plaintiff can directly question the defendant and witnesses during trial?	2
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	0
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	0
Whether the level of proof required for civil suits is lower than that of criminal cases?	1
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	0
Strength of investor protection index (0-10)	5.3

Taxes are essential to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. *Doing Business* data show that economies where it is more difficult and costly to pay taxes have larger shares of informal sector activity. More than 60% of economies have reformed in the last 6 years and are starting to see concrete results.

Some reform outcomes

Colombia introduced a new electronic system for social security and labor taxes in 2006 and by 2008 the social security contributions collected from small and medium-size companies rose by 42%, to 550 billion pesos.

Mauritius reduced the corporate income tax rate from 25% to 15% and removed exemptions and industry-specific allowances in 2006 and saw their corporate income tax revenue grow by 27% in the following year, and in 2008/09 it increased by 65%.

What do the Paying taxes indicators measure?

Tax payments for a manufacturing company in 2009
(number per year adjusted for electronic or joint filing and payment)

- Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)
- Method and frequency of filing and payment

Time required to comply with 3 major taxes (hours per year)

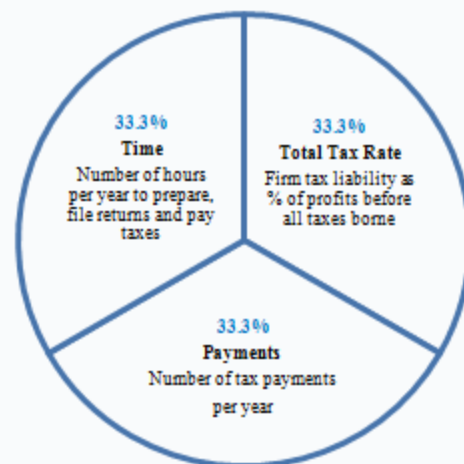
- Collecting information and computing the tax payable
- Completing tax return forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

Total tax rate (% of profit)

- Profit or corporate income tax
- Mandatory social contributions and labor taxes paid by the employer
- Property and property transfer taxes
- Dividend, capital gains and financial transactions taxes
- Waste collection, vehicle, road and other taxes

Paying Taxes: tax compliance for a local manufacturing company

Rankings are based on 3 subindicators



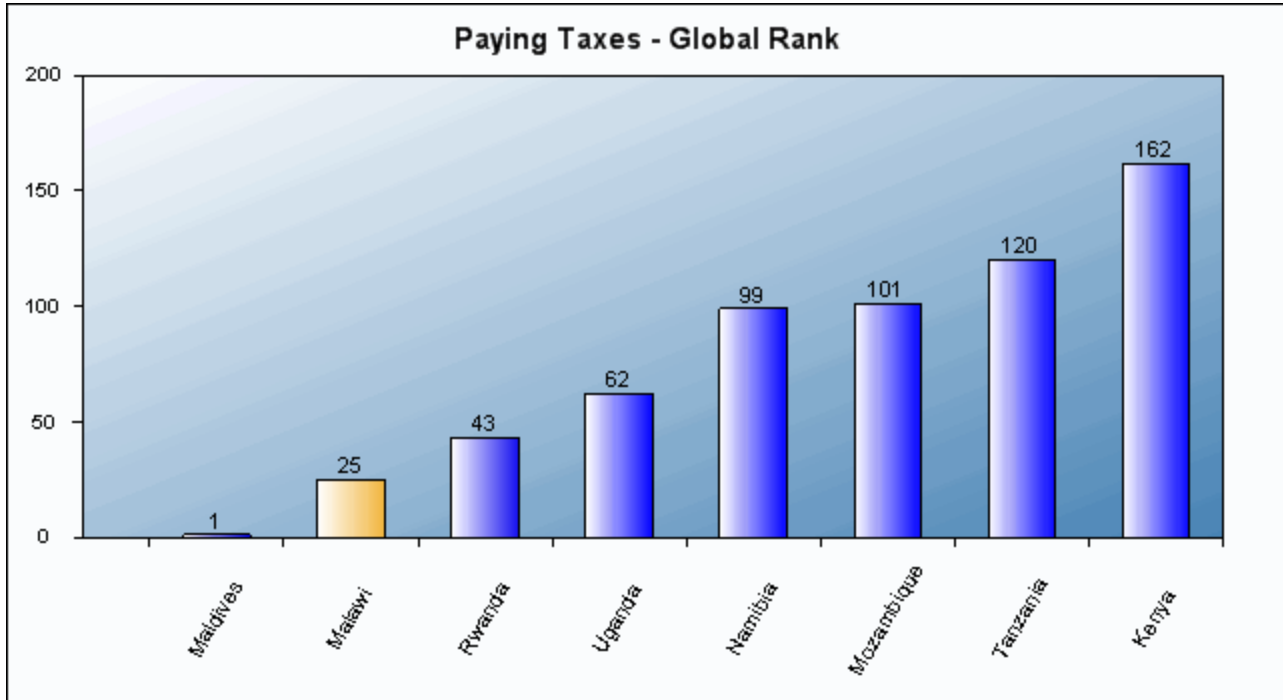
Case Study Assumptions

- TaxpayerCo is a medium-size business that started operations 2 years ago.
- Tax practitioners are asked to review its financial statements, as well as a standard list of transactions that the company completed during the year.
- Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government
- Taxes and mandatory contributions include corporate income tax, turnover tax, all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

1. Benchmarking Paying Taxes Regulations:

Malawi is ranked 25 overall for Paying Taxes.

Ranking of Malawi in Paying Taxes - Compared to good practice and selected economies:



The following table shows Paying Taxes data for Malawi compared to good practice and comparator economies:

Good Practice Economies	Payments (number per year)	Time (hours per year)	Total tax rate (% profit)
Maldives*	3	0	
Timor-Leste			0.2

<i>Selected Economy</i>			
Malawi	19	157	25.1

<i>Comparator Economies</i>			
Kenya	41	393	49.7
Mozambique	37	230	34.3
Namibia	37	375	9.6
Rwanda	26	148	31.3
Tanzania	48	172	45.2
Uganda	32	161	35.7

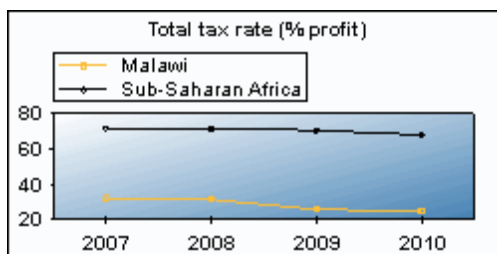
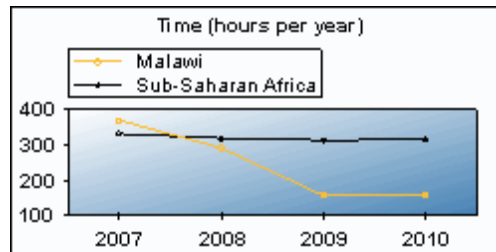
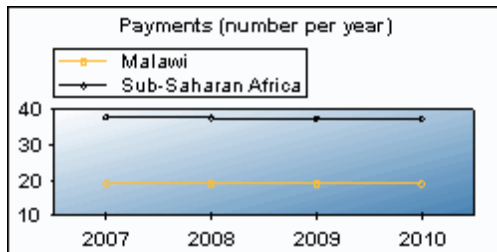
* The following economies are also good practice economies for :

Payments (number per year): Qatar

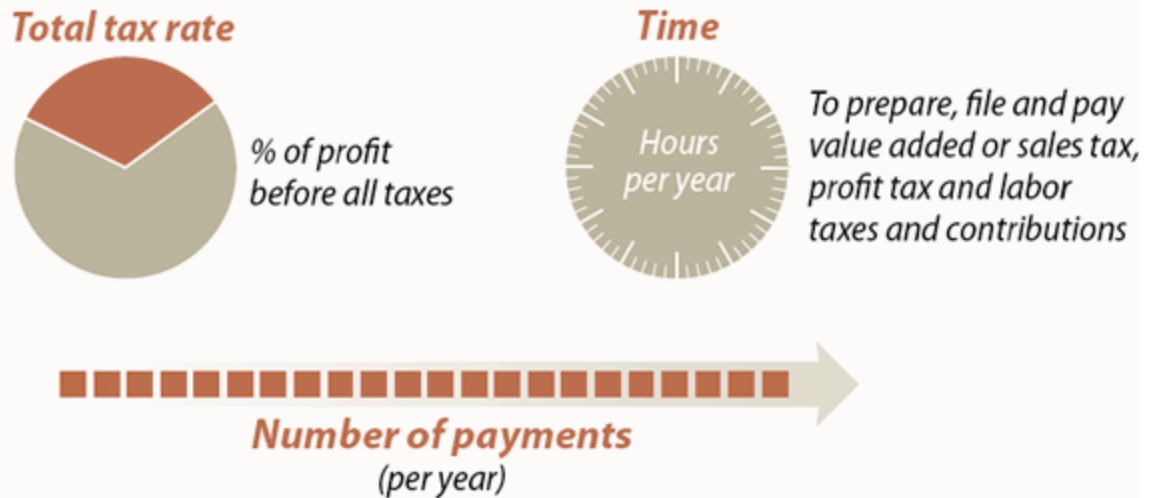
2. Historical data: Paying Taxes in Malawi

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	25	25
Total tax rate (% profit)	32.2	31.4	25.8	25.1
Payments (number per year)	19	19	19	19
Time (hours per year)	370	292	157	157

3. The following graphs illustrate the Paying Taxes sub indicators in Malawi over the past 4 years:



What are the time, total tax rate and number of payments necessary for a local medium-sized company to pay all taxes?



The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Malawi, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Stamp duty	1			MK 0.8	per contract		
Value added tax (VAT)	12		60	16.5%	value added and land sale		
Property tax	1			0.0%	assessed building value	0.00	
Fuel tax	1			20.0%	consumption value	0.70	
TEVETA Levy	1		30	1.0%	gross salaries	1.10	
Road tax	1			various rates	vehicle weight	2.80	
Corporate Income tax	2		67	30.0%	taxable profit	23.30	
Totals	19		157			25.1	

Making trade between countries easier is increasingly important for business in today's globalized world. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Trade facilitation tools such as electronic data interchange systems, risk-based inspections, and single windows help improve an economy's trading environment and boost firms' international competitiveness. *Doing Business* trade indicators take into account documents, cost and time associated with every procedure for trading a standard shipment of goods by ocean transport. Research indicates that exporters in developing countries have much more to gain by a 10% drop in their trading costs than from a similar decrease of the tariffs applied to their products in global markets.

Some reform outcomes

In Georgia, reducing customs clearance time by a day has led to operational savings of an estimated \$288 per truck, or an annual \$133 million for the country's whole trading community given the growing amount of cross-border trade in recent years.

In Korea, predictable cargo processing times and rapid turnover by ports and warehouses provide a benefit to the Korean economy of some \$2 billion annually.

What do the Trading Across Borders indicators measure?

Trading Across Borders: exporting and importing by ocean transport

Rankings are based on 3 subindicators

Documents required to export and import (number)

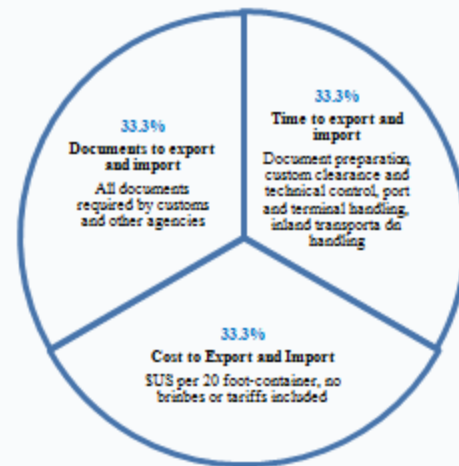
- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

Time required to export and import (days)

- Obtaining all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean transport time

Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes



Case Study Assumptions

The Business

- Has at least 60 employees and is located in the economy's largest business city
- Is a private, limited liability company, which exports more than 10% of its sales. It is fully domestically owned and does not operate in an export processing zone or an industrial estate with special export or import privileges

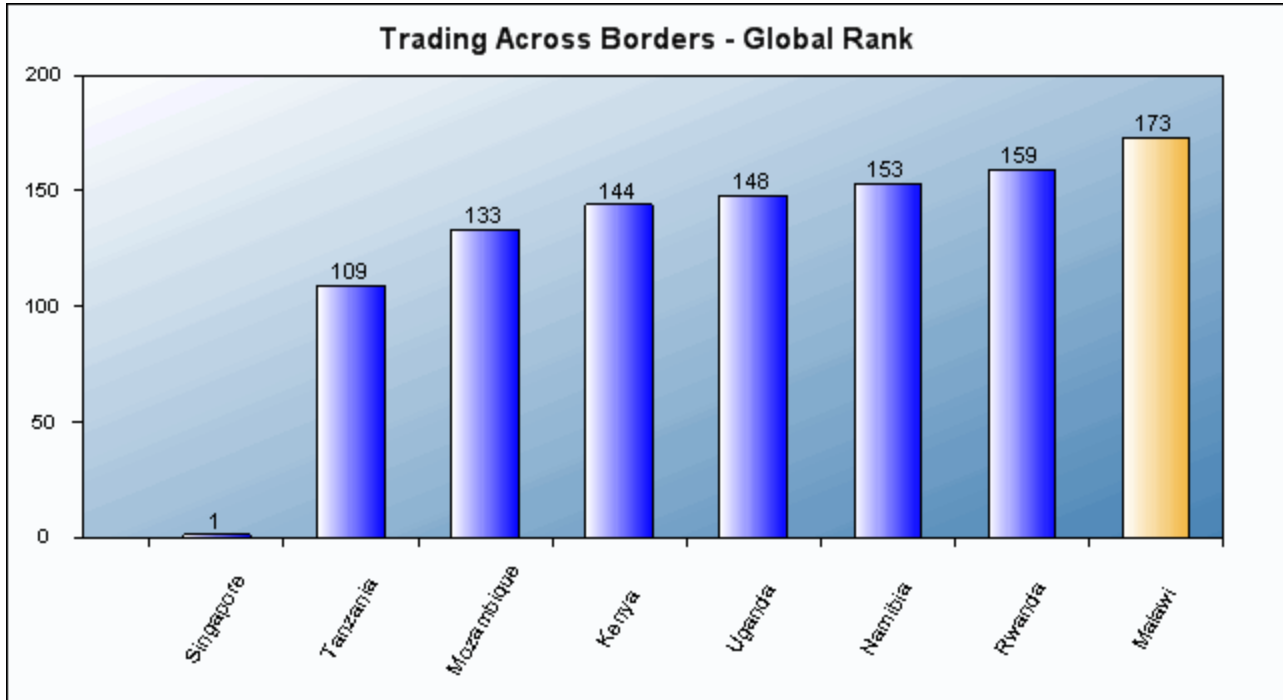
The traded product

- Is transported in a dry-cargo, 20-foot full container load; weighs 10 tons and is valued at \$20,000
- Is not hazardous or include military items; it does not require special phytosanitary or environmental safety standards, refrigeration or any other special environment
- Is one of the economy's leading export or import products

1. Benchmarking Trading Across Borders Regulations:

Malawi is ranked 173 overall for Trading Across Borders.

Ranking of Malawi in Trading Across Borders - Compared to good practice and selected economies:



The following table shows Trading Across Borders data for Malawi compared to good practice and comparator economies:

Good Practice Economies	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
Denmark*		5				
France	2			2		
Malaysia			450			
Singapore					4	439

<i>Selected Economy</i>						
Malawi	11	41	1713	10	51	2570

<i>Comparator Economies</i>						
Kenya	8	26	2055	7	24	2190
Mozambique	7	23	1100	10	30	1475
Namibia	11	29	1686	9	24	1813
Rwanda	8	35	3275	8	34	4990
Tanzania	5	24	1262	7	31	1475
Uganda	6	37	2780	8	34	2940

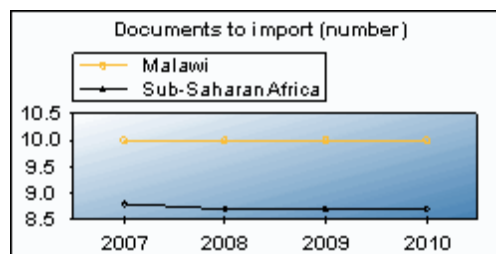
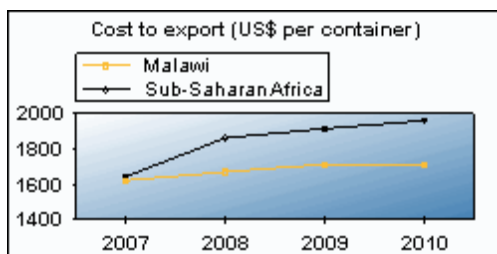
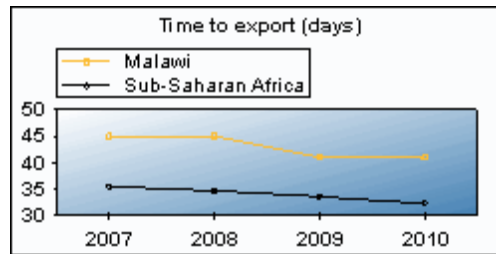
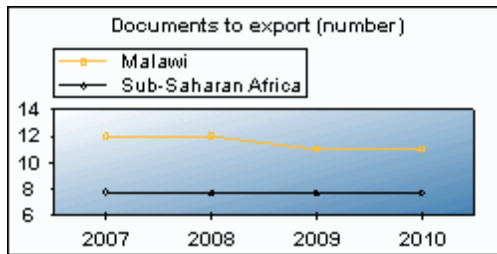
* The following economies are also good practice economies for :

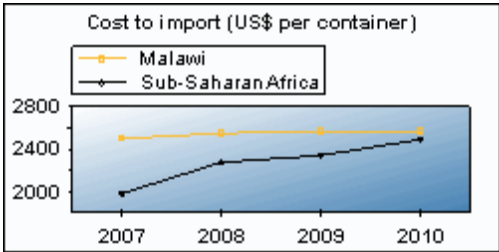
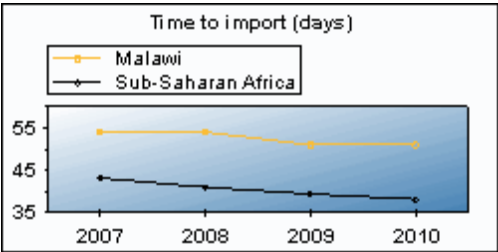
Time to export (days): Estonia

2. Historical data: Trading Across Borders in Malawi

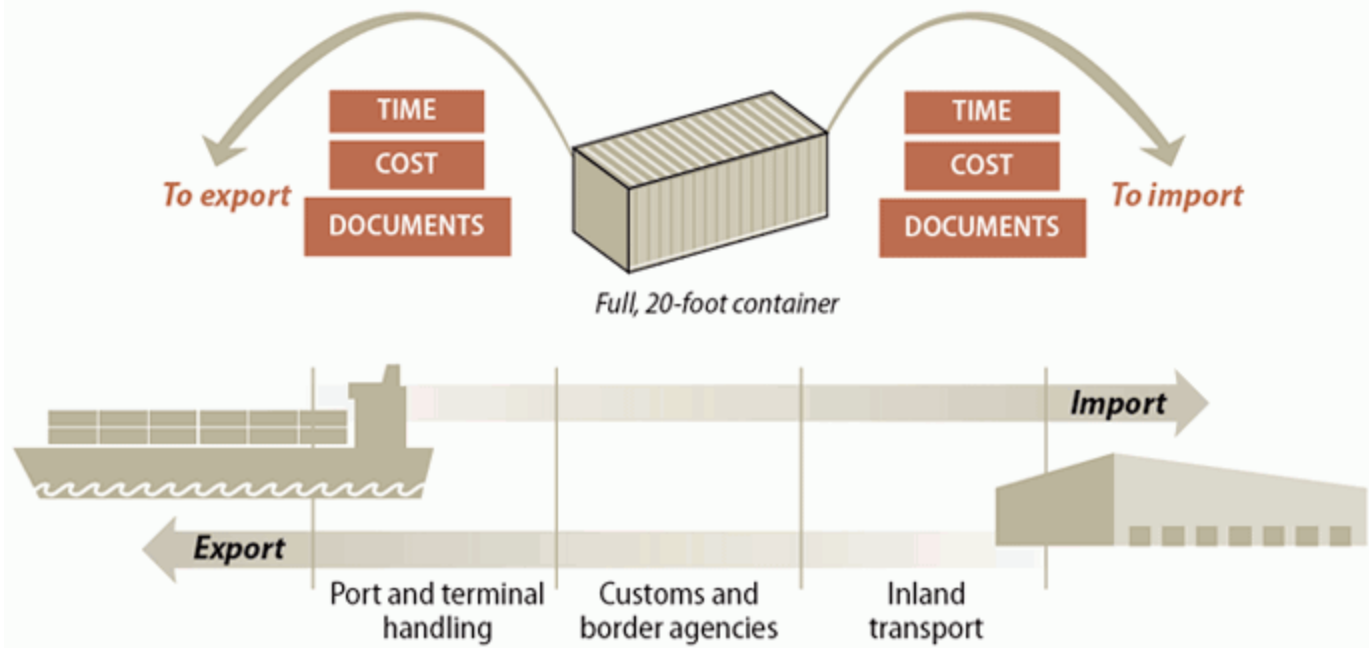
Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	173	173
Cost to export (US\$ per container)	1623	1671	1713	1713
Cost to import (US\$ per container)	2500	2550	2570	2570
Documents to export (number)	12	12	11	11
Documents to import (number)	10	10	10	10
Time to export (days)	45	45	41	41
Time to import (days)	54	54	51	51

3. The following graphs illustrate the Trading Across Borders sub indicators in Malawi over the past 4 years:





How much time, how many documents and what cost to export and import across borders by ocean transport?



These tables list the procedures necessary to import and export a standardized cargo of goods in Malawi. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	25	323
Customs clearance and technical control	2	150
Ports and terminal handling	4	240
Inland transportation and handling	10	1000
Totals	41	1713

Nature of Import Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	25	280
Customs clearance and technical control	3	150
Ports and terminal handling	9	240
Inland transportation and handling	14	1900
Totals	51	2570

Documents for Export and Import

Export

Terminal handling receipts
Transit document: COMESA certificate
Transit document: Statement of transit
Certificate of origin
Commercial invoice
Customs export declaration
Export license
Packing list
Report order (transit document)
Bill of lading
Cargo release order

Import

Transit document: Report order
Transit document: Statement of transit
Certificate of origin
Commercial invoice
Customs import declaration
Import license
Packing list
Transit document: COMESA certificate
Bill of lading
Cargo release order

Well functioning courts help businesses expand their network and markets. Where contract enforcement is efficient, firms have greater access to credit and are more likely to engage with new borrowers or customers. *Doing Business* measures the efficiency of the judicial system in resolving a commercial sale dispute before local courts. Following the step-by-step evolution of a standardized case study, data relating to the time, cost and procedural complexity of resolving a commercial lawsuit are collected through study of the codes of civil procedure and other court regulations, as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

Some reform outcomes

In Rwanda the implementation of specialized commercial courts in May 2008 resulted in a significant decrease of the case backlog, and contributed to reduce the time to resolve a commercial dispute by nearly 3 months.

In Austria a "data highway" for the courts that allows attachments to be sent electronically has produced savings of €4.4 million in postage alone.

What do the Enforcing Contracts indicators measure?

Enforcing Contracts: resolving a commercial dispute through the courts

Rankings are based on 3 subindicators

Procedures to enforce a contract (number)

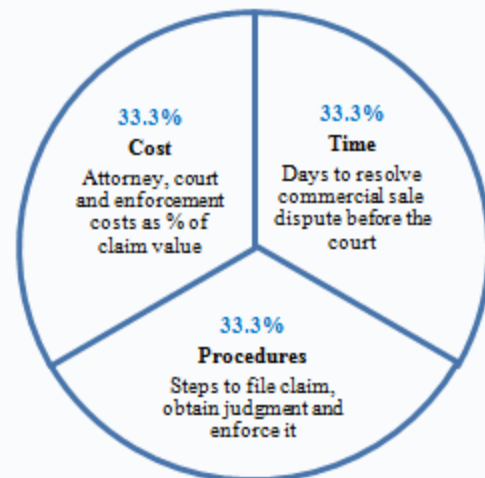
- Any interaction between the parties in a commercial dispute, or between them and the judge or court officer
- Steps to file the case
- Steps for trial and judgment
- Steps to enforce the judgment

Time required to complete procedures (calendar days)

- Time to file and serve the case
- Time for trial and obtaining judgment
- Time to enforce the judgment

Cost required to complete procedures (% of claim)

- No bribes
- Average attorney fees
- Court costs, including expert fees
- Enforcement costs



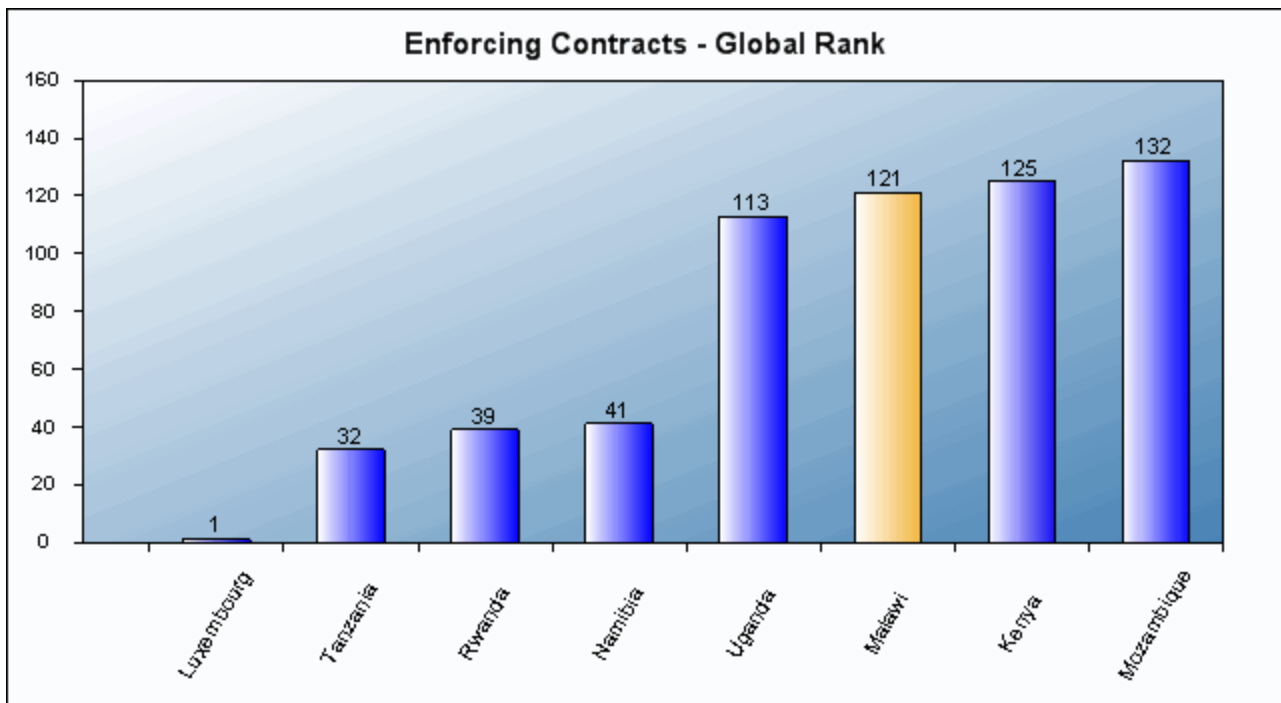
Case Study Assumptions

- Seller and Buyer are domestic companies
- Buyer orders custom-made goods, then does not pay
- Seller sues Buyer before competent court
- Value of claim is 200% of GNI per capita
- Seller requests pre-trial attachment to secure claim
- Dispute on quality of the goods requires expert opinion
- Judge decides in favor of Seller, no appeal
- Seller enforces judgment through a public sale of Buyer's movable assets.

1. Benchmarking Enforcing Contracts Regulations:

Malawi is ranked 121 overall for Enforcing Contracts.

Ranking of Malawi in Enforcing Contracts - Compared to good practice and selected economies:



The following table shows Enforcing Contracts data for Malawi compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of claim)
Bhutan			0.1
Ireland	20		
Singapore		150	

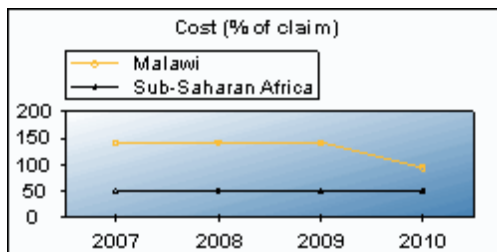
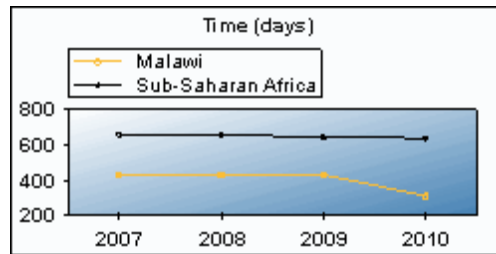
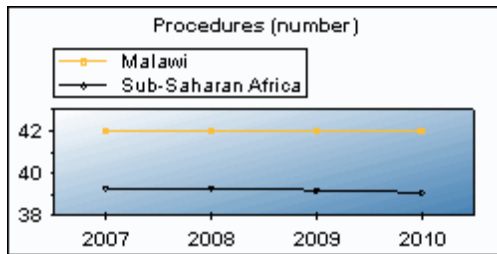
<i>Selected Economy</i>			
Malawi	42	312	94.1

<i>Comparator Economies</i>			
Kenya	40	465	47.2
Mozambique	30	730	142.5
Namibia	33	270	35.8
Rwanda	24	230	78.7
Tanzania	38	462	14.3
Uganda	38	490	44.9

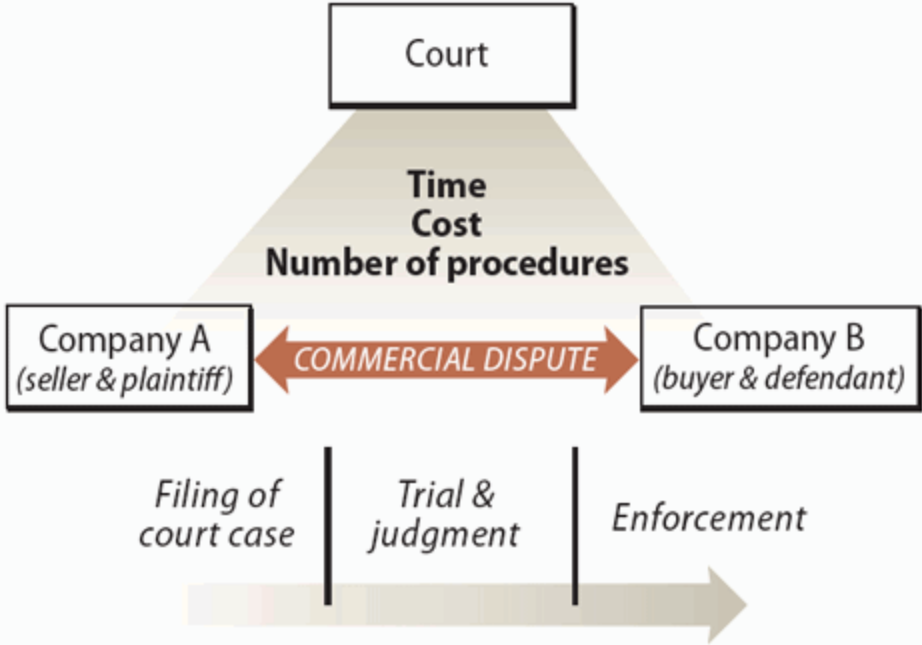
2. Historical data: Enforcing Contracts in Malawi

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	142	121
Procedures (number)	42	42	42	42
Time (days)	432	432	432	312
Cost (% of claim)	142.4	142.4	142.4	94.1

3. The following graphs illustrate the Enforcing Contracts sub indicators in Malawi over the past 4 years:



What are the time, cost and number of procedures to resolve a commercial dispute through the courts?



This topic looks at the efficiency of contract enforcement in Malawi.

Nature of Procedure (2010)	Indicator
Procedures (number)	42
Time (days)	312
Filing and service	42.0
Trial and judgment	150.0
Enforcement of judgment	120.0
Cost (% of claim)*	94.10
Attorney cost (% of claim)	75.0
Court cost (% of claim)	5.3
Enforcement Cost (% of claim)	13.8

Court information: Blantyre Resident Magistrate ("Blantyre Resident Magistrate Court")
Court

* Claim assumed to be equivalent to 200% of income per capita.

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in businesses' speedy return to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses, and thereby improve growth and sustainability in the economy overall.

Some reform outcomes

A study of the 2005 bankruptcy reform in Brazil found that it had led to an average reduction of 22% in the cost of credit for Brazilian companies, a 39% increase in overall credit and a 79% increase in long-term credit in the economy. The purpose of the reform was to improve creditor protection in insolvency proceedings.

Following the introduction of debtor-in-possession reorganizations in Korea in 2006, the number of reorganization filings increased from 76 in 2006 to 670 in 2009.

What does the Closing a Business indicator measure?

Closing a Business: insolvency proceedings against local company

Time required to recover debt (years)

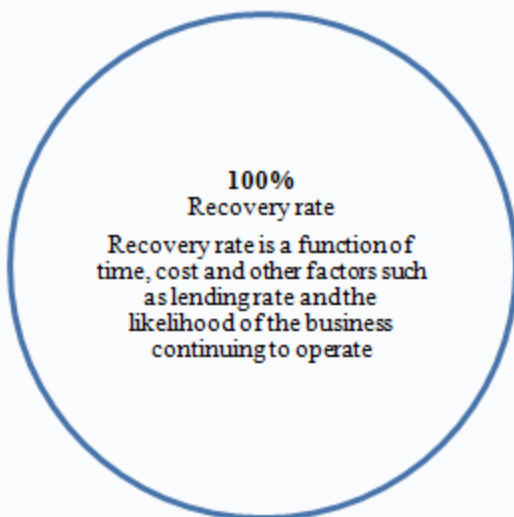
- Measured in calendar years
- Appeals and requests for extension are included

Cost required to recover debt (% of debtor's estate value)

- Measured as percentage of estate value
- Court fees
- Fees of insolvency administrators
- Lawyers' fees
- Assessors' and auctioneers' fees
- All other fees and costs

Recovery rate for creditors (cents on the dollar)

- Measures the cents on the dollar recovered by creditors
- Present value of debt recovered
- Costs of the insolvency proceedings are deducted
- Depreciation of furniture is taken into account
- Outcome for the business (survival or not) affects the maximum value that can be recovered



Case Study Assumptions

The Company

- is domestically owned
- is a limited liability company operating a hotel
- operates in the economy's largest business city
- has 201 employees, 1 secured creditor and 50 unsecured creditors
- has a higher value as a going concern and a lower value in a piecemeal sale of assets

1. Benchmarking Closing Business Regulations:

Malawi is ranked 126 overall for Closing a Business.

Ranking of Malawi in Closing Business - Compared to good practice and selected economies:



The following table shows Closing Business data for Malawi compared to good practice and comparator economies:

Good Practice Economies	Recovery rate (cents on the dollar)	Time (years)	Cost (% of estate)
Ireland		0.4	
Japan	92.7		
Singapore*			1

<i>Selected Economy</i>			
Malawi	17.9	2.6	25

<i>Comparator Economies</i>			
Kenya	29.8	4.5	22
Mozambique	17.7	5.0	9
Namibia	41.5	1.5	15
Rwanda	0.0	no practice	no practice
Tanzania	21.9	3.0	22
Uganda	39.7	2.2	30

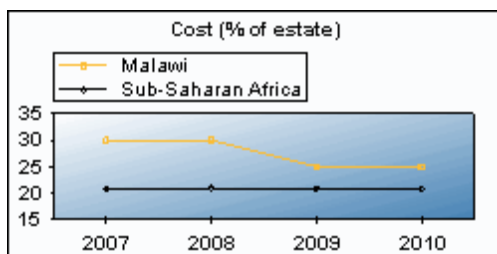
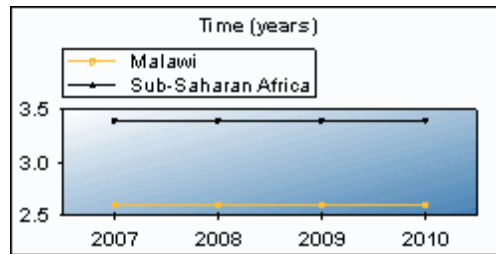
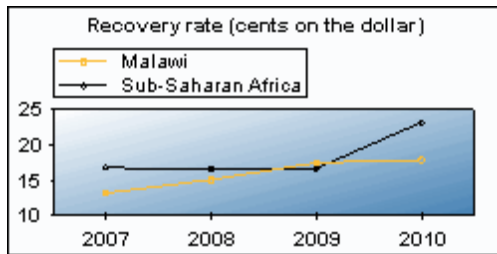
* The following economies are also good practice economies for :

Cost (% of estate): Colombia, Kuwait, Norway

2. Historical data: Closing Business in Malawi

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	129	126
Time (years)	2.6	2.6	2.6	2.6
Cost (% of estate)	30	30	25	25
Recovery rate (cents on the dollar)	13.2	15.1	17.5	17.9

3. The following graphs illustrate the Closing Business sub indicators in Malawi over the past 4 years:



Since 2004 Doing Business has been tracking reforms aimed at simplifying business regulations, strengthening property rights, opening access to credit and enforcing contracts by measuring their impact on 10 indicator sets . * Nearly 1,000 reforms have had an impact on these indicators. *Doing Business 2011*, covering June 2009 to June 2010, reports that 117 economies implemented 216 reforms to make it easier to start a business. 64% of economies measured by Doing Business have reformed this year, focusing on easing business start-up, lightening the tax burden, simplifying import and export regulations and improving credit information systems.

The top 10 most-improved in Doing Business 2011

Economy	Indicator									
	Starting a Business	Dealing with Construction Permits	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business	Employing Workers
Kazakhstan	✓	✓				✓	✓			
Rwanda		✓		✓			✓			
Peru	✓	✓	✓				✓			
Vietnam	✓	✓		✓						
Cape Verde	✓		✓				✓			
Tajikistan	✓				✓	✓				
Zambia	✓						✓	✓		
Hungary		✓	✓				✓			✓
Grenada	✓		✓				✓			
Brunei Darussalam	✓						✓	✓		

✓ Positive Change
 ✗ Negative Change

* For *Doing Business 2011* the Employing Workers indicator is not included in the aggregate ease of doing business ranking.

Summary of changes to business regulation in top 10 most improved economies in *Doing Business 2011* and selected comparator economies.

Brunei Darussalam	Brunei Darussalam made starting a business easier by improving efficiency at the company registrar and implementing an electronic system for name searches. Brunei Darussalam reduced the corporate income tax rate from 23.5% to 22% while also introducing a lower tax rate for small businesses, ranging from 5.5% to 11%. The introduction of an electronic customs system in Brunei Darussalam made trading easier.
Cape Verde	Cape Verde made start-up easier by eliminating the need for a municipal inspection before a business begins operations and computerizing the system for delivering the municipal license. Cape Verde eased property registration by switching from fees based on a percentage of the property value to lower fixed rates. Cape Verde abolished the stamp duties on sales and checks.
Grenada	Grenada eased business start-up by transferring responsibility for the commercial registry from the courts to the civil administration. The appointment of a registrar focusing only on property cut the time needed to transfer property in Grenada by almost half. Grenada's customs administration made trading faster by simplifying procedures, reducing inspections, improving staff training and enhancing communication with users.
Hungary	Hungary implemented a time limit for the issuance of building permits. Hungary reduced the property registration fee by 6% of the property value. Hungary simplified taxes and tax bases. Amendments to Hungary's bankruptcy law encourage insolvent companies to consider reaching agreements with creditors out of court so as to avoid bankruptcy.
Kazakhstan	Kazakhstan eased business start-up by reducing the minimum capital requirement to 100 tenge (\$0.70) and eliminating the need to have the memorandum of association and company charter notarized. Kazakhstan made dealing with construction permits easier by implementing a one-stop shop related to technical conditions for utilities. Kazakhstan strengthened investor protections by requiring greater corporate disclosure in company annual reports. Kazakhstan speeded up trade through efforts to modernize customs, including implementation of a risk management system and improvements in customs automation.
Kenya	Kenya eased business start-up by reducing the time it takes to get the memorandum and articles of association stamped, merging the tax and value added tax registration procedures and digitizing records at the registrar. Kenya increased the administrative burden of paying taxes by requiring quarterly filing of payroll taxes. Kenya speeded up trade by implementing an electronic cargo tracking system and linking this system to the Kenya Revenue Authority's electronic data interchange system for customs clearance.
Malawi	Malawi eased property transfers by cutting the wait for consents and registration of legal instruments by half. Malawi simplified the enforcement of contracts by raising the ceiling for commercial claims that can be brought to the magistrates court.
Mozambique	Mozambique eased business start-up by introducing a simplified licensing process.
Peru	Peru eased business start-up by simplifying the requirements for operating licenses and creating an online one-stop shop for business registration. Peru streamlined construction permitting by implementing administrative reforms. Peru introduced fast-track procedures at the land registry, cutting by half the time needed to register property. Peru made trading easier by implementing a new web-based electronic data interchange system, risk-based inspections and payment deferrals.
Rwanda	Rwanda made dealing with construction permits easier by passing new building regulations at the end of April 2010 and implementing new time limits for the issuance of various permits. Rwanda enhanced access to credit by allowing borrowers the right to inspect their own credit report and mandating that loans of all sizes be reported to the central bank's public credit registry. Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and other neighbors, leading to an improvement in the trade logistics environment.
Tajikistan	Tajikistan made starting a business easier by creating a one-stop shop that consolidates registration with the state and the tax authority. Tajikistan strengthened investor protections by requiring greater corporate disclosure in the annual report and greater access to corporate information for minority investors. Tajikistan lowered its corporate income tax rate.

Uganda	Uganda made it more difficult to start a business by increasing the trade licensing fees. Uganda enhanced access to credit by establishing a new private credit bureau. Uganda continues to improve the efficiency of its court system, greatly reducing the time to file and serve a claim.
Vietnam	Vietnam eased company start-up by creating a one-stop shop that combines the processes for obtaining a business license and tax license and by eliminating the need for a seal for company licensing. Vietnam made dealing with construction permits easier by reducing the cost to register newly completed buildings by 50% and transferring the authority to register buildings from local authorities to the Department of National Resources and Environment. Vietnam improved its credit information system by allowing borrowers to examine their own credit report and correct errors.
Zambia	Zambia eased business start-up by eliminating the minimum capital requirement. Zambia eased trade by implementing a one-stop border post with Zimbabwe, launching web-based submission of customs declarations and introducing scanning machines at border posts. Zambia improved contract enforcement by introducing an electronic case management system in the courts that provides electronic referencing of cases, a database of laws, real-time court reporting and public access to court records.



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