

# What are smart rules for businesses economics essay

[Economics](#)



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## **Introduction**

Not knowing your costs can cost you. After all, costs determine investment decision and location regulates sustainability. Failure to calculate exact costs for the business unit can turn hypothetically healthy investment chances into, for all intentions and purposes, non-feasible. Holding down costs should be an over-the-top priority for every business. Having a system that precisely and consistently captures cost figures is a prerequisite, not only for BOI but for investors. The Cost of Doing Business Study has been a procedure of classifying the transaction costs involved in setting up an enterprise, in any sector of activity. The study attempts at breaking and dividing the cost involved from the point a decision is made to invest in a country up to operating that project. The Cost of Doing Business is to investors what a playbook is to a football coach - a priceless tool for success that precisely and consistently captures cost information. While caution has been taken in developing these findings, the results are essentially of a general nature and should not be took as a definitive except for those fees that are prescribed in the jurisdictions. A closing word of caution: there is no one-size-fits-all solution. A good first step is to gain a very good understanding of the information you need to start and manage your business, Once you define that, you can narrow down the costs involved, do a cost-benefit analysis and make a decision based on how the investment climate works for your circumstances.

## **WHAT ARE SMART RULES FOR BUSINESSES?**

Just as noble rules are needed to permit traffic to flow in a city, they are also vital to allow business dealings to flow. Good business rules enable the private sector to prosper and businesses to develop their dealings network. But regulations put in place to defend economic activity and ease business operations, if poorly designed, can become hurdles to doing business. They can be like traffic lights put up to prevent congestion—ineffective if a red light lasts for an hour. Most people would run the red light, just as most companies facing onerous regulations will try to avoid them to stay afloat. Striking the correct balance in business regulation can be a challenge. It converts an even greater challenge in a changing world, where rules must repeatedly adapt to new realities. Just as traffic systems have to fine-tune when a new road is being built, regulations need to adapt to new demands from the market and to variations in technology (such as the growing use of information and communication technology in business processes). Doing Business measures and tracks changes in the guidelines applying to domestic small and medium size companies in 11 areas in their life cycle. This year's aggregate ranking on the ease of doing business is constructed on indicator sets that measure and benchmark regulations affecting 10 of those areas: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. Doing Business also documents regulations on employing workers, which are not included in this year's aggregate ranking or in the count of reforms. The economies that rank highest on the easiness of doing business are not those

where there is no regulation—but those where governments have succeeded to create rules that facilitate exchanges in the marketplace without uselessly impeding the development of the private sector. In essence, Doing Business is about SMART business regulations— Streamlined, Meaningful, Adaptable, Relevant, Transparent—not necessarily fewer regulations. Doing Business comprehends 2 types of indicators: indicators relating to the strength of legal institutions relevant to business regulation and indicators relating to the complexity and cost of regulatory processes. Those in the first group focus on the legal and regulatory framework for getting credit, protecting investors, applying contracts and resolving insolvency. Those in the second focus on the cost and effectiveness of regulatory processes for starting a business, dealing with construction permits, getting electricity, registering property, paying taxes and trading across borders. Based on time-and-motion case studies from the perspective of the business, these indicators measure the procedures, time and cost required to complete a transaction in accordance with relevant regulations. Economies that rank high on the ease of doing business have a tendency to combine efficient regulatory processes with robust legal institutions that safeguard property and investor rights. OECD high-income economies have, by a large margin, the most business-friendly regulatory atmosphere on both dimensions. Regions such as East Asia and the Pacific and the Middle East and North Africa have quite efficient regulatory processes but still lag in the strength of legal institutions relevant to business regulation. Good does around the world provide insights into how governments have upgraded the regulatory environment in the past in the areas measured by Doing Business

## **Mauritius**

### **Business Environment**

Over the past 15 years, Mauritius has developed as a exclusive investment destination and as a great place to do business. The country has a energetic economy, stable democracy and high living standards. Since independence in 1968, it has determinedly moved from a small agricultural economy to an active secondary sector (textile and tourism), to the services sector through Global Business activities and lately Business Process Outsourcing. In the 2010 'Ease of Doing Business' publication of the World Bank, Mauritius is ranked 20th out of 183 economies and 1st among African countries.

Mauritius has an open economy, with very few boundaries on exports and imports. Trade policies are geared towards securing the import requirements of the population as well as promoting Mauritius as a business Centre from where export and re-export activities can fully take place. Moreover, Mauritius is a member of various important international organizations as well as regional block. It is also one of the first African countries to be eligible under the African Growth and Opportunity Act.

### **The economic profile of Mauritius for the years 2010 and 2011**

OverviewReal GDP growth rate remains strong although it is projected to have a bit slowed down to 4. 1% in 2011 from 4. 2% in 2010, with projections showing moderate growth at 4. 0% in 2012 as the euro area, the country's main export destination, falls into a new recession. The Mauritian four-pillar economy of sugar, textile, tourism and financial services has been increasingly tested for its elasticity in recent years. While macroeconomic

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performance has been judiciously strong, the fragility and uncertainty of the global economic environment continues to intimidate the country's economic recovery. Secured by a series of counter-cyclical policy measures, the country's real gross domestic product (GDP) grew by 4.2% in 2010, up from 3.0% in 2009, driven by a recovery in tourism and a strong performance in financial services, transport and communication, and fisheries. The momentum eased in 2011 with real GDP growth estimated at having slowed to 4.1% as the euro area suffered another dramatic downturn. With the headline inflation rate accelerating from 2.9% in 2010 to an estimated 6.5% in 2011, the Monetary Policy Committee raised the key repurchase agreement (repo) rate to 5.50% in the first quarter of 2011. In 2011 the fiscal deficit was estimated at 3.8% of GDP, up from 3.2% in 2010. A wide merchandise trade deficit in 2011 due to high global commodity prices put pressure on the current-account balance, which widened to -9.8% of GDP. The youth unemployment rate has fallen marginally to 21.9% in 2011 from 22.5% in 2010; it is almost three times as high as the national unemployment rate of 7.9%. At 26%, female unemployment is disproportionately higher amongst the unemployed youth compared to 19.2% for their male. Mauritius was affected by the economic downturn of the euro area that ensued from a sovereign-debt crisis in the second half of 2011. The 2011 GDP growth rate was revised to 4.1% down from 4.5% forecast at the beginning of the year and lower than the 4.2% achieved in 2010. Representing a 69.9% share of GDP, the tertiary sector grew by 3.4%, anchored by continuing recovery in tourism services and strong growth in the transport and communication, and financial services. Transport,

storage and communication registered a 5.5% growth, up from 5.3% in 2010, while financial intermediation grew by 5.7% compared to 4.3% in 2010. At 0.7%, growth in the secondary sector, which represents 26.5% share of GDP, was more subdued. Manufacturing expanded by 3.5% from 2.1% in 2010. Growth in the secondary sector was driven by a 7.0% growth rebound in the textile sector as the country exploited opportunities in the South Africa market although this was partly offset by a 6.8% contraction in 'sugar milling'. Activities of Export-oriented enterprises slowed down marginally in 2011, growing by 6.0% compared to 6.5% in 2010. The construction industry contracted by 1.8% after the 4.3% growth registered in 2010. At 3.5% as a share of GDP in 2011, the importance of the primary sector is dwindling with growth estimated at only 0.02%. Estimates show that total investments in 2011, buoyed by public investment, reached MUR 79.3 billion, representing 2.1% growth in real terms compared to a contraction of 0.7% in 2010. It is estimated that the country received MUR 11 billion in foreign direct investment (FDI) in 2011. Although lower than the MUR 13.9 billion received in 2010, it is considered within the medium-trend average following a spike in 2010 due to a one-off investment in health care and financial services. In 2011, annual FDI in Mauritius averaged about MUR 8.8 billion. Final consumption expenditure of households and government grew by 2.6% in 2011, slower than the 2.7% achieved in 2010. The saving rate increased in real terms, reaching 16.0% in 2011, up from 15.5% in 2010. Fiscal Policy An expansionary fiscal-policy framework was maintained in 2011 in response to a slow-growing euro-area economy, the destination for 63% of the country's export. The 2011 budget, however, estimated at

MUR 72.6 billion (USD 2.5 billion), was less expansionary than envisaged as capacity bottlenecks in the public sector constrained capital-investment spending. About MUR 8.6 billion was achieved in investments against a projected MUR 11.4 billion, contributing to a fiscal deficit of 3.8%, lower than the projected 4.4%. Monetary Policy Monetary policy has been supportive to the fiscal-stimulus measures and has also responded to emerging price stability challenges. A slackening demand and slowing growth prompted the Monetary Policy Committee to cut the key repo rate by 100 basis points to 4.75% in September 2010. Averaging an estimated 6.5% in 2011, up from 2.9% in 2010, CPI inflation accelerated on the back of rising global commodity prices, particularly for fuel and lubricants. This prompted a raise in the key repo rate in the first half of 2011 by an aggregate of 75 basis points to 5.50%, helping to slow down inflation to 6.3% in September 2011 from a peak of 7.2% in March 2011. In December 2011, the key repo rate was cut by 10 basis points to 5.40% as slowdown risks to growth became more important than inflationary pressures.

### **Cost of Doing Business in Mauritius: A comparison for the years 2010 and 2011**

Economies are ranked by their ease of doing business. Higher rankings indicate better, usually simpler, regulations for businesses and stronger protections of property rights. Mauritius ranks 17th out of 183 countries in global rankings on Overall Ease of Doing Business 2010 and 21st in 2011. Mauritius is among the top-performing developing countries for starting a business, protecting investors and paying taxes as highlighted by this World Bank survey. The Ibrahim Index of African Governance has also ranked



Mauritius 1st in governance for two consecutive years in 2009 and 2010. The overall ranking on the ease of doing business and changes in that ranking does not tell us the whole story. In order to have a better idea on how the rank dropped we will have a look at the absolute values of the indicators . The tables below compare the indicator of 2010 and 2011 to show where significant problem occur and in which area there were progression.

Comparing 2010 and 2011:

## **Economy**

### **Year**

### **Starting a Business**

### **Rank**

### **Procedures (number)**

### **Time (days)**

### **Cost (% of income per capita)**

### **Paid-in Min. Capital (% of income per capita)**

## **Mauritius**

201011564. 10

## **Mauritius**

201112563. 80Mauritius was ranked 11th in the year 2010, this rank moved to 10th in 2011. The number of procedures required to start up a business remain 5 in both years, days required remained 6 and Paid-in Min Capital remained 0. However the cost decreases from 4. 1% in 2010 to 3. 8% in 2011.

**Economy****Year****Dealing with Construction Permits****Rank****Procedures (number)****Time (days)****Cost (% of income per capita)****Mauritius**

2010401810735. 5

**Mauritius**

2011391810732. 3Generally, Mauritius was ranked 40th for dealing in Construction Permit in 2010, this rank raised to 39th in 2011. The number of procedure and days did not experienced any changed. Cost (% on income per capita) dropped from 35. 5% to 32. 3%.

## **Economy**

## **Year**

## **Registering Property**

## **Rank**

## **Procedures (number)**

## **Time (days)**

## **Cost (% of property value)**

## **Mauritius**

20106642610.7

## **Mauritius**

20116942610.6 Mauritius rank for Registering Property moved from 66th in 2010 to 69th in 2011, this might be because no reform was undertaken. The only changed was in its cost (% of property value) which decrease from 10.7 to 10.6.

**Economy****Year****Getting Credit****Rank****Strength of legal rights index (0-10)****Depth of credit information index (0-6)****Public registry coverage (% of adults)****Private bureau coverage (% of adults)****Mauritius**

2010875336. 80

**Mauritius**

2011895349. 80The rank for getting credit deteriorates from 87th in 2010 to 89th in 2011. While Strength of legal rights index, Private bureau coverage and depth of credit information index remained unchanged, Public registry coverage increased from 36. 8% to 49. 8%.

## **Economy**

## **Year**

## **Protecting Investors**

## **Rank**

## **Extent of disclosure index (0-10)**

## **Extent of director liability index (0-10)**

## **Ease of shareholder suits index (0-10)**

## **Strength of investor protection index (0-10)**

## **Mauritius**

2010126897. 7

## **Mauritius**

2011126897. 7Mauritius worldwide rate for Protecting Investors remain unchanged in both years, which is 12th. All the indexes namely, Extent of disclosure index, Extent of director liability index, ease of shareholder suit index and Strength of investor protection index also remained the same.

**Economy****Year****Paying Tax****Rank****Total Tax Rate****Payment ( number per year)****Time ( hour per year)****Mauritius**

20101122. 97161

**Mauritius**

20111224. 17161Mauritius was ranked 11th in 2010 and 12th in 2011 for Paying Tax. Total tax rate increased by 1. 2% in 2011. Mauritius introduced a new corporate social responsibility tax of 2 % on every corporation. The number of payment per year and time required did not change.

## **Economy**

### **Year**

### **Trading Across Borders**

#### **Rank**

#### **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)**

### **Mauritius**

201024514737614689

### **Mauritius**

201122513737613689Mauritius' rank for Trading across Borders in 2010 was 24th, thus gaining up two places in 2011 reaching the rank 22th. In 2010, the number of documents to export required was 5, time to export was 14 days, cost to export was \$737, number of document to import was 6, time to import was 14 days and cost to import was \$689. In 2011, it remained the same with the exception of the number of days required to import and export which decreased by 1 day.

**Economy****Year****Enforcing Contracts****Rank****Time (days)****Cost (% of claim)****Procedures (number)****Mauritius**

20106672017. 436

**Mauritius**

20116164517. 436The rank for Enforcing Contracts moved from 66th in 2010 to 61th in 2011. This might be because In 2011 Mauritius speeded up the resolution of commercial disputes by recruiting more judges and adding more courtrooms. The number of days required to enforce contract decreased by 75 days in 2011, while cost and number of procedures required remained unchanged.



## **Economy**

### **Year**

### **Closing business**

### **Rank**

### **Time (years)**

### **Cost (% of estate)**

### **Recovery rate (cents on the dollar)**

## **Mauritius**

2010741. 71533. 6

## **Mauritius**

2011711. 71535. 1The rank for closing business improved from 74th in 2010 to 71st in 2011. The required time for closing business was 1. 7 years in 2010, cost was 15 and recovery rate was 33. 6% . In 2011, only recovery rate changed to 35.

## **Reforms brought in Mauritius**

Mauritius brought the following reforms to its economic environment:

### **In 2010**

Positive Registering Property: Mauritius has made it easier to register property by setting a statutory time limit of 15 days to obtain the final property title from the Land Registry. Positive Getting Credit: Mauritius has strengthened access to credit information by allowing the licensing of private credit information bureaus, and by expanding the coverage of the bureau to all credit facilities. Positive Trading Across Borders: Mauritius introduced the

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electronic submission of the customs declaration and bill of lading without requirement of physical copies, thus speeding up trade process.

Positive Enforcing Contracts: Mauritius set up a specialized commercial division of its Supreme Court, thus improving contract enforcement.

Positive Resolving Insolvency: A new insolvency law in Mauritius introduces a rehabilitation procedure for companies as an alternative to winding up, and defines the rights and obligations of creditors and debtors and sanctions for those who abuse the system.

### **In 2011 :**

Negative Paying Taxes: Mauritius introduced a new corporate social responsibility tax of 2 % on every corporation. In line with the sustainable-growth objective of the Maurice Île Durable (MID) programme, the government introduced a form of carbon tax and ' green' taxes in the 2011 budget to improve energy efficiency and scale up renewable

energyPositive Enforcing Contracts: Mauritius speeded up the resolution of commercial disputes by recruiting more judges and adding more courtrooms.

### **The distance to frontier measure**

To further assess such changes in cost of doing business in Mauritius we have use the distance to frontier measure. This measure shows the distance of each economy to the " frontier," which represents the highest performance observed on each of the indicators across all economies. An economy's distance to frontier is indicated on a scale from 0 to 100, where 0 represents the lowest performance and 100 the frontier. The table below shows the result for 2010 and 2011. In 2011 the distance from frontier for '

starting business' indicator increased to 91. 4 compare to 91. 3 in 2010, ' Dealing with Construction Permits' remains 76. 6, ' Getting Electricity' increases from 81. 6 to 81. 7, ' Registering Property' increased from 68. 6 to 68. 8.' Getting Credit' , ' Protecting Investor' and ' Paying Taxes' 56. 3 , 79. 6 and 90. 2 respectively, remain unchanged . While, ' Trading Across Borders' increased from 79. 4 to 80, ' Enforcing Contract' increases from 59. 7 to 61. 8 and ' Resolving Insolvency' increases from 36. 3 to 37. 8.

## **Madagascar**

### **Overview of the economy**

The political crisis continued in 2011, affecting the economy and society. Higher oil and food prices and poor rainfall also played their part and real GDP rose by only 0. 6%, barely more than the 0. 5% in 2010. Continuing austerity kept the budget deficit to 1. 3% of GDP in 2011. Consumer price inflation was high at 9. 5% in 2011 because of increases in oil and food prices. The current account deficit shrank from 9. 7% of GDP in 2010 to 3. 4% in 2011 because of revived goods exports and a drop in imports arising from less economic activity. The weakness of the economy since the start of the political crisis has greatly affected living conditions and a 2010 household survey showed 76% of Madagascans were considered poor, up from 68% in 2005. The only Millennium Development Goal (MDG) the country will achieve is that for reducing the rate of HIV/AIDS. The household survey showed unemployment was fairly low (3. 8%) but under-employment very high (67. 2%) because of unsuitable jobs or the number of hours worked. Young people are most affected by this joblessness pattern. The government has a national employment policy PNE (Politique nationale d'emploi) being <https://assignbuster.com/what-are-smart-rules-for-businesses-economics-essay/>

implemented through a national employment support programme PNSE (Programme national de soutien à l'emploi), but the current political and institutional uncertainty has prevented it from achieving its goals. So practical steps to help young people enter the jobs market are little known about and, in any case, assessment of their results is difficult for lack of data. The mismatch between training and employers' needs, especially in the private sector, is a big problem and the process for seeking work is inefficient. With so many young people, getting them into jobs should be a major government concern and special programmes to do this should be launched when the political crisis is over. The economy grew an estimated 0.6% in 2011, only slightly more than 2010 (0.5%) and was driven by the secondary sector (up 2.7% over 2010) and the tertiary (up 2.1%). The primary sector shrank by 2.3% because of poor agricultural output resulting from sparse rainfall and several hurricanes. Mining remained one of the economy's chief strengths and extractive industries grew 25.9%. The secondary sector's best performers were beverages, paper and food-processing and in the tertiary sector banking, telecommunications and transport, supported by tourism, which recovered in 2011 with a 14.8% rise in visitors (from 196 052 to 225 055). Overall investment fell to 14.9% of GDP in 2011 from 18.8% in 2010 as a result of less development aid and the end of the building and installation phases of big mining projects. In real terms, the drop was 11.2% and also affected public and private investment (down 8% and 12% respectively). Total consumption by volume was slightly up (1.1%) but private consumption rose more (1.2%) than public (0.7%). Total consumption was 93% of GDP, down 2.7 percentage points from 2010,

mainly because of private consumption dropping from 86.3% of GDP to 83.6%. Public consumption was steady at 9.5% of GDP (9.4% in 2010).

## **Fiscal Policy**

With direct external funding of the government reduced, the government continued budgetary austerity in 2011, but the deficit still widened slightly to 1.3% of GDP (from 0.9% in 2010). Priorities were the ministries of finance, education, health, decentralisation and agriculture, which got about 60% of the budget. Government revenue fell to 12.2% of GDP in 2011 from 13.3% in 2010 because of the drop in foreign aid and slower economic activity.

## **Monetary Policy**

Madagascar does not belong to any monetary union. The official job of the central bank (BCM) is to keep the currency stable at home and abroad. Despite the current crisis, the ariary was fairly steady in 2011 against major currencies because of the bank's intervention, with the euro (EUR) at an average of MGA 2 815.07 and the US dollar at MGA 2025.06. Monetary aggregates expanded during the year. The money supply (M3) grew 13.5%, with the increase in net external assets to a record USD 1.1 billion in December (the equivalent of about four months of imports). Despite the crisis, loans to the economy (chiefly medium and long term) were up an average 7%. The BCM's intervention rate (9.5%) has not changed since August 2009. Inflation was an average 9.5% in 2011. Prices for local products rose more (7.5%) than for imports (5.5%) and semi-finished imports (3.4%). Food prices were up 9%, including rice (9.7%), which the

government was forced to import to meet demand. Energy was 7.8% dearer because of higher world oil prices.

## **Cost of Doing Business in Madagascar: A comparison for the years 2010 and 2011**

1) Starting a Business in Madagascar  
Starting a Business Data  
Doing Business 2010  
Doing business 2011  
Rank 52 70  
Procedures (number) 22  
Time

(days) 77  
Cost (% of income per capita) 6.2 12.9  
Min capital (% of income per capita) 207.4 248.1  
The rank of starting a business in 2010 was 52 whereas in 2011 the rank shifted from 50 to 70. Madagascar have sought to improve the entrepreneurial environment by lowering taxes, reducing the number of procedures to launch a business, and lowering minimum capital requirements for business start-ups. The country has done well in limiting its trade barriers, spurring an agriculture industry that accounts for 80 percent of the economy.

## **2) Dealing with construction permit**

Dealing with Construction Permits data  
2010 2011  
Rank 130 131  
Procedures (number) 16 16  
Time (days) 178 178  
Cost (% of income per capita) 630.7 654.9

For Madagascar, dealing with construction permits has also not experienced such a significant change. It was ranked 130th in 2010/2011 but however, compared to Mauritius, it lost 1 place, reaching the 131st place. Again, this is mainly because of the fact that there has been no reform undertaken since 2008/2009, therefore allowing other countries to overtake it.

### **3) Getting Credit data**

20102011Rank167176Strength of legal index (0-10)22Depth of credit information (0-6)10For getting credit data, madagascar rank changed by from 167th to 176th, this might be due to the minimum threshold for loans included in the database and making it mandatory for banks to share credit information with the credit bureau.

### **4) Paying Taxes in Madagascar**

20102011Rank7272Total Tax rate( % profit)39. 237. 7Payments( number per year)2323Time(hours per year)201201For paying taxes there has been no change concerning madagascar rank, payments and time. The only change consist of the total rate of tax rate which decreased by 1. 5%. In 2011, Madagascar has reduce its corporate tax rates and also improved communication and coordination between customs and the terminal port operators through its single-window system (GASYNET), reducing both the time and the cost to export and import.

## **Reforms brought in Madagascar**

### **In 2010**

Positive Paying Taxes: Madagascar continued to reduce corporate tax rates.  
Positive Trading Across Borders: Madagascar improved communication and coordination between customs and the terminal port operators through its single-window system (GASYNET), reducing both the time and the cost to export and import.

## **In 2011**

Positive Starting a Business: Madagascar simplified business start-up through the streamlining of procedures at the one stop shop, elimination of stamp duty and elimination of the minimum capital requirement.

Negative Registering Property: Madagascar made it more costly to transfer a property by introducing the mandatory use of notary for property transactions.

## **Comparing the cost of doing business between Mauritius and Madagascar for the year 2011**

1.

### **Economy**

### **Year**

### **Starting a Business**

### **Rank**

### **Procedures (number)**

### **Time (days)**

### **Cost (% of income per capita)**

### **Paid-in Min. Capital (% of income per capita)**

### **Mauritius**

201112563. 80. 0

### **Madagascar**

2011702712. 9248. 1Mauritius was ranked 12th regarding to the start of a business while Madagascar is ranked 70th which is far from Mauritius.

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Madagascar is also taking 1 day longer for the time required to start a business. The cost which arises to start a business is 3 times more than that of Mauritius. 2.

## **Economy**

### **Year**

### **Dealing with Construction Permits**

### **Rank**

### **Procedures (number)**

### **Time (days)**

### **Cost (% of income per capita)**

### **Mauritius**

2011391614332. 3

### **Madagascar**

2011131161721298. 7Mauritius was ranked 39th for dealing in Construction Permit compared to Madagascar which is ranked 131th. The number of days taking to deal with construction permits is 29 days longer and besides the cost arising is far too expensive when compared. 3.

## **Economy**

## **Year**

## **Registering Property**

## **Rank**

## **Procedures (number)**

## **Time (days)**

## **Cost (% of property value)**

## **Mauritius**

20116942610. 6

## **Madagascar**

20111416749. 8Mauritius rank for Registering Property is 69th while that of Madagascar is 141th. Even if there are not much difference regarding procedures and cost for both countries, the number of days taken to register a property is longer by 48 days for Madagascar. 4.

## **Economy**

### **Year**

### **Getting Credit**

### **Rank**

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

### **Depth of credit information index (0-6)**

### **Public registry coverage (% of adults)**

### **Private bureau coverage (% of adults)**

## **Mauritius**

2011896349. 80

## **Madagascar**

20111762000The rank for getting credit for Mauritius is 89th while that of Madagascar is 176th. It is good to be noted that as for Madagascar the depth of credit information index is zero. 5.

## **Economy**

### **Year**

### **Protecting Investors**

### **Rank**

**Extent of disclosure index (0-10)**

**Extent of director liability index (0-10)**

**Ease of shareholder suits index (0-10)**

**Strength of investor protection index (0-10)**

### **Mauritius**

2011126897. 7

### **Madagascar**

2011605665. 7Mauritius rank for protecting investors is 12th while that of Madagascar is 60th. Hence Mauritius is far much better at protecting the rights of investors. This will act as an advantages as potential investors will likely want to invest in a country where his rights are being protected while it is a drawback for Madagascar as it will act as a deterrent for potential investors leading to a decline in the rate of foreign direct investment. 6.

## **Economy**

**Year**

**Paying Tax**

**Rank**

**Total Tax Rate(% of profit)**

**Payment (number per year)**

**Time ( hour per year)**

## **Mauritius**

2011

**12**

**27.2**

**23**

**161**

2011

**72**

**37.7**

**7**

**201**

## **Madagascar**

Mauritius was ranked 12th for Paying Tax and Madagascar is ranked 72th.

Also the tax rate for Madagascar is about 10% higher compared to that of

Mauritius.

7.

## **Economy**

### **Year**

### **Trading Across Borders**

### **Rank**

### **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)**

## **Mauritius**

201122510737610689

## **Madagascar**

201111042111979241555Mauritius' rank for Trading across Borders in 2011 was 22thwhile that of Madagascar is 110th. Furthermore it can be seen that the cost to export a container is US\$460 higher for Madagascar which has a significant impact on the cost of exports. Hence cost of doing business is really expensive regarding Madagascar and also as the imports are higher, the cost of importing raw materials for businesses will obviously be higher. 8.

## **Economy**

## **Year**

## **Enforcing Contracts**

## **Rank**

## **Time (days)**

## **Cost (% of claim)**

## **Procedures (number)**

## **Mauritius**

20116164516. 336

## **Madagascar**

201115687142. 438The rank for Enforcing Contracts for Mauritius is 61th.

This might be because in 2011 Mauritius speeded up the resolution of commercial disputes by recruiting more judges and adding more courtrooms.

While that of Madagascar is 156th. 9.

## **Economy**

### **Year**

### **Closing business**

### **Rank**

### **Time (years)**

### **Cost (% of estate)**

### **Recovery rate (cents on the dollar)**

## **Mauritius**

2011711. 71535. 1

## **Madagascar**

20111472. 03014. 3The rank for closing business for Mauritius is 71th in closing a business while Madagascar is ranked 147th. It takes approximately 0. 3 years longer to close a business in Madagascar and the recovery rate per cents of dollar is half that of Mauritius.

## **Conclusion**

In Madagascar, the top income and corporate tax rates are 23 percent whereas in Mauritius the income and corporate tax rates are 15 percent. Concerning Madagascar taxes include a value-added tax (VAT) and a capital gains tax with the overall tax burden amounting to 10. 5 percent of total domestic income and government spending is equivalent to 14. 6 percent of total domestic output. The budget balance has been in deficit, and public debt is at a level equivalent to 34 percent of GDP. However in Mauritius overall tax burden amounts to 18. 9 percent and government spending has



come down slightly to a level equivalent to 23.5 percent of total domestic output. The budget deficit has been under control, and public debt hovers at around 50 percent of GDP. In Mauritius, the overall regulatory framework has undergone a series of reforms. There is no minimum capital required to start a business, and the overall start-up process has been simplified. The pace of reform has slowed in recent years compared to other emerging economies. Labor regulations are relatively flexible. Inflation has moderated, and monetary stability has been well maintained. In Madagascar, Procedures for setting up a business have been simplified, and no minimum capital requirement is now imposed. Licensing requirements are now less burdensome. The outmoded labor laws are restrictive and not conducive to the development of a dynamic labor market. Inflation has declined somewhat but still averaged a high 9 percent over the most recent three years. The government influences prices through state-owned enterprises. Trade weighted average tariff rate is 8.3 percent, and complex non-tariff barriers further restrict the freedom to trade. The investment regime's inefficiency and lack of transparency curtail prospects for dynamic growth in new investment. Despite some progress, the relatively high cost of financing is a barrier to entrepreneurial growth in the private sector, particularly for small and medium-size firms.