

## A Prize for Brazil, for Red Tape

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A World Bank report suggests that firms in Brazil and similar poorer countries around the world face twice as much bureaucracy as in their wealthier counterparts.

The process of opening, running, or shutting a firm in a poor country is twice as difficult as in a rich country.

Brazil is the 141st most bureaucratic country in which to open a business, among the 145 countries surveyed. On the average, 152 days are required to open a firm here.

Only Haiti, Laos, Mozambique, and the Democratic Republic of the Congo are slower.

The study, entitled "Doing Business in 2005: Removing Obstacles to Growth" and based on research financed by the World Bank and the International Finance Corporation, also shows that reforms, such as the ones carried out last year by Turkey and France to reduce the time and cost of opening new businesses, produce big gains.

Following the reforms, these countries witnessed an 18% growth in the number of new firms registered.

In terms of ease of doing business, the principal economies are: New Zealand, the United States, Singapore, Hong Kong/China, Australia, Norway, the United Kingdom, Canada, Sweden, Japan, Switzerland, Denmark, and the Netherlands.

The study took into account five business incentive indicators: opening a new firm, hiring and firing employees, fulfilling contracts, obtaining loans, and shutting a firm.

Brazil's Minister of Development, Industry, and Foreign Trade, Luiz Fernando Furlan, said last month that 5% of the Gross Domestic Product (GDP), or US\$ 25 billion, annually, is wasted on bureaucracy.

According to Furlan, a World Bank report reveals that to start a company in Brazil, it is necessary to go through 27 federal, state, and municipal government organs.

Furlan participated in the Debureaucratize to Grow forum, sponsored by Exame magazine, in São Paulo, to make an assessment of bureaucracy in the country and its implications for private enterprise.

Simeon Djankov, an economist with the World Bank, gave at the time a preview of a report dealing specifically with small and medium-size companies in 145 countries in which Brazil appears nearly last on the list.

According to Djankov, the report indicates that, among the three levels of the Executive, the federal government has the best performance, while that of states and municipalities is worse.

According to the report, one of the things that stands out is the time it takes a small or micro firm to obtain a license to initiate its activities. The city of São Paulo receives the worst evaluation. There, 132 days are spent just to get a municipal license.

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