NOTES TO ACCOMPANY TEMPLATE FOR "AGGREGATE COST SAVINGS" USING BACK OF THE ENVELOPE (BOTE) METHODOLOGY

The template for calculating "aggregate cost savings" for some of our BEE products is a work-in-progress intended as a very simple (simplistic) "back of the envelope" methodology for the core impact indicator "Value of aggregate private sector savings from recommended changes." We will definitely try to expand, improve and refine it over time, with help from the various Product teams.

Kindly refer to the attached spreadsheet.

Yellow cells are for data to be input by the TTL; green cells are what's calculated. We have the template filled in as an example using available data (and guestimates) for Kenya, and make maximum use of readily available data:

- DB indicators (http://www.doingbusiness.org/),
- "Business snapshot: (http://rru.worldbank.org/besnapshots)
- MIGA "snapshots" ("Benchmarking FDI competitiveness in …")[1] or
- ILO wage data: (http://laborsta.ilo.org/),
- Entrepreneurship database: (http://www.ifc.org/ifcext/sme.nsf/Content/Entrepreneurship+Database)
- exchange rates: (http://cdsnew/cds/audit/curr_main.idc).

We start with "**taxes**" first as the easiest. DB says it takes 432 hours per year in Kenya for tax preparation (and I plugged in 300 for the "after reform" scenario). TTL only needs to try to find data on number of firms paying taxes (ideally from tax authorities) and wage rates for a bookkeeper. For Kenya, we have data from the national statistical registry showing 43,057 firms.[2] Wage rate I took from MIGA "Snapshot Africa" data for "Operating Costs: Shared Services (call centers)" for "professional workers" ($25,502 / 240 days per year / 8 hours per day).

[1] We will get the available data into a user-friendly excel spreadsheet and put it on the FIAS intranet.
[2] These are registered, "active" firms with at least 5 employees (as determined by a census carried out by the statistical agency), so presumably formal firms paying most relevant taxes, having most of their needed licenses, etc.

Then "**construction permits**". Unfortunately, DB gives "duration", not "staff days" so I took a guess at the ratio of staff time to DB "no. days" as about 25% (the rest of the time is the company cooling its heels waiting for various agencies to process their paperwork). Fees/other costs are also from DB (look in details for the country to get local currency figure: KSh 24,600 divided by exchange rate about KSh 60/US$ or $410). Wage rate also from MIGA "Snapshot Africa" but this one for "technical workers" (cheaper than "professionals" like an accountant). TTL will have to try to find out how many firms are getting construction permits each year. Frankly, that will be a challenge in most countries, as the data are likely to be available only at the municipal level, so we may have to guess. I took a stab at 2000 per year (but I may be WAY off – pls do try to get better estimates based on discussions with local experts).

Then a "**general trading license**", (I'm mostly making this up but am also looking at the details for Kenya DB "starting a business", which includes "apply for a business permit" which has to be renewed every year or two). Ideally, for all licenses, you should get data from the relevant authorities re how many licenses they issue per year, but that might not be feasible. Here I'm assuming the baseline situation is that all (active) formal firms have to get it renewed every year. The after-reform scenario is that the procedure is: (a) simplified/shortened, (b) fees reduced, and (c) renewal period moved to once every five years. Time and cost requirements would normally be captured in a licensing reform project "standard cost model" and/or business survey.

Next one is **inspections** - based on number of "active firms" (should be roughly the same as number of firms paying taxes). Data can only come from surveys or focus groups (nothing in DB) and should ideally be broken down by type of inspection (e.g., tax inspection, sanitary inspection, etc.).

Then "**starting a business**", again using DB indicators (plus perhaps some local research re lawyer's fees if applicable). Again, I took a guess at a ratio of staff time to "duration" of about 25%. New registrations per year would be data from the company registry (and luckily that's a number that's reasonably reliable). I got this figure from the Entrepreneurship Database.

Trading across borders – Most of the data is straight from DB indicators. The time requirement here I assume involves a higher ratio of "staff time" to "duration" so I plugged in 50%. Data on container traffic is from the Kenya Port Authority: http://www.kpa.co.ke/kpaDocs/Performance/Annual/Container/CONTAINER%20TRAFFIC%202002-2006.pdf