

Event Update - World Bank Releases “Doing Business - 2015” Report

Nov-2014

World Bank released its latest **Doing Business - 2015** report that measures the ease of doing business in **189 economies** based on 11 business-related regulations, including business start-up, getting credit, getting electricity, and trading across borders. The report does not cover the full breadth of business concerns, such as security, macroeconomic stability, or corruption and many other dimensions of the business environment also matter but are outside the scope of the report. This year's report, “Doing Business 2015: Going Beyond Efficiency,” uses new data and methodology in three areas: resolving insolvency, protecting minority investors, and getting credit. Accordingly, previous year rankings have been realigned to the new methodology as reflected in the below table which highlights rankings of selected economies.

As per the report, the rankings of the top seven economies for ease of doing business remained unchanged. Singapore retained its top ranking with the highest consolidated scores followed by New Zealand and Hong Kong on the second and third positions, respectively. The report also highlighted that entrepreneurs in 123 economies saw improvements in their local regulatory framework last year. Between June 2013 and June 2014, the report documented 230 business reforms, with 145 reforms aimed at reducing the complexity and cost of complying with business regulation, and 85 reforms aimed at strengthening legal institutions. The Sub-Saharan Africa region accounted for the largest number of such reforms. The region also accounts for the largest number of regulatory reforms making it easier to do business in the past year—75 of the 230 worldwide. Meanwhile, Europe and Central Asia had both the largest share of economies making it easier to do business in 2013/14 and the biggest average improvement in distance to frontier scores.

In the GCC and MENA economies, UAE featured as one of the economies that improved the most in 2013/2014. The country improved its score on indicators that include registering property, getting credit and protecting minority investors partially offset by decline in scores relating to starting a business and resolving insolvency. The rankings for the rest of the GCC and MENA economies declined during the same period, with the exception of Egypt that was able to increase its rank by one notch. Kuwait saw the steepest decline in its rank in the GCC region standing at the 86th position during the 2013/14 as compared to 79th position during the previous evaluation period. The decline came primarily on account of a drop in score for Starting a Business indicator. The country saw its rank decline on several other indicators.

The Middle-East's largest economy, Saudi Arabia, also saw a relatively steep decline in its ranking which declined from 44 in the previous report to 49 in 2013/2014 due to a decline in score for Trading Across Borders. The only area of improvement for Saudi Arabia was related to getting electricity. Meanwhile, Egypt saw its ranking notch up by one rank for strengthening rules relating to protecting interests of minority investors as well as minor improvement in score for trading across borders.

Comparative Rankings Doing Business 2014 vs. Doing Business 2015

MENA Countries				
Ease of Doing Business Ranking	2014	2015	Comparison	
UAE	25	22	Improved	
Saudi Arabia	44	49	Declined	
Qatar	45	50	Declined	
Bahrain	53	53	No change	
Tunisia	56	60	Declined	
Oman	60	66	Declined	
Morocco	68	71	Declined	
Kuwait	79	86	Declined	
Lebanon	102	104	Declined	
Egypt	113	112	Improved	
Jordan	116	117	Declined	
Syria	165	175	Declined	

Other Countries				
Ease of Doing Business Ranking	2014	2015	Comparison	
Singapore	1	1	No change	
Hong Kong	3	3	No change	
US	7	7	No change	
UK	9	8	Improved	
Germany	13	14	Declined	
Japan	27	29	Declined	
France	33	31	Improved	
Mexico	43	39	Improved	
China	93	90	Improved	
Indonesia	117	114	Improved	
Brazil	123	120	Improved	
India	140	142	Declined	

Source: World Bank - Doing Business Report - 2014 & 2015

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Doing Business reforms in the GCC

Globally, more than 80% of the economies covered by *Doing Business* had an improvement in their distance to frontier score which implies that it is now easier to do business in most parts of the world. A snapshot of reforms in the GCC economies as highlighted in the Doing Business - 2015 report are mentioned below in the latest report.

United Arab Emirates

Positive reforms in the UAE were focused on three key indicators: Registering Property, Getting Credit and Protecting Minority Investors. *Registering Property*: According to the report, the UAE has made transferring property easier by introducing new service centers and a standard contract for property transactions.

Country Comparison - GCC

	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE	Singapore
Ease of Doing Business Rank - 2014	53	86	66	50	49	22	1
Starting a Business (Rank)	131	150	123	103	109	58	6
Procedures (number)	7	12	5	8	9	6	3
Time (days)	9	31	7	8.5	20.5	8	2.5
Dealing with construction permits (Rank)	7	98	49	23	21	4	2
Procedures (number)	11	20	11	15	11	10	10
Time (days)	60	96	157	57.5	102	44	26
Getting electricity (Rank)	73	93	79	40	22	4	11
Procedures (number)	5	7	6	4	4	3	4
Time (days)	90	42	62	90	61	35	31
Registering property (Rank)	17	69	19	36	20	4	24
Procedures (number)	2	8	12	7	5	2	4
Time (days)	31	47	16	13	8	2	4.5
Getting credit (Rank)	104	116	116	131	71	89	17
Strength of legal rights index (0–12)	1.0	2.0	1.0	1.0	2.0	2.0	8.0
Depth of credit information index (0–8)	7.0	5.0	6.0	5.0	8.0	7.0	7.0
Credit bureau coverage (% of adults)	48.3	32.0	0.0	0.0	47.0	28.3	50.8
Credit registry coverage (% of adults)	0	0	20.6	23.3	0	6.8	0
Protecting minority investors (Rank)	104	43	122	122	62	43	3
Extent of conflict of interest regulation index (0–10)	4.7	5.7	5.3	4.3	6.7	7.3	9.3
Extent of shareholder governance index (0–10)	5.3	6.5	3.8	4.8	4.8	4.8	6.7
Strength of minority investor protection index (0–10)	5	6.1	4.6	4.6	5.8	6.1	8
Paying taxes (Rank)	8	11	10	1	3	1	5
Payments (number per year)	13	12	14	4	3	4	5
Time (hours per year)	60	98	68	41	64	12	82
Total tax rate (% of profit)	13.5	12.8	23	11.3	14.5	14.8	18.4
Trading across borders (Rank)	64	117	60	61	92	8	1
Documents to export (number)	6	7	7	5	6	3	3
Time to export (days)	11	15	10	15	13	7	6
Cost to export (US\$ per container)	810	1085	765	927	1285	665	460
Documents to import (number)	8	10	8	7	8	5	3
Time to import (days)	15	20	9	16	17	7	4
Cost to import (US\$ per container)	870	1250	700	1050	1309	625	440
Enforcing contracts (Rank)	123	131	130	104	108	121	1
Procedures (number)	48	50	51	43	40	49	21
Time (days)	635	566	598	570	635	524	150
Cost (% of claim)	14.7	18.8	13.5	21.6	27.5	19.5	25.8
Resolving insolvency (Rank)	87	127	112	47	163	92	19
Time (years)	2.5	4.2	4.0	2.8	2.8	3.2	0.8
Cost (% of estate)	10	10	4	22	22	20	3
Recovery rate (cents on the dollar)	41.6	32.1	37.7	56	28.7	28.6	89.7
Strength of insolvency framework index (0–16)	7	6	6	9	2	9	9.5

Source: World Bank - Doing Business Report - 2015

Getting Credit: In the UAE, reforms making it easier to get credit were undertaken at the national level. Emcredit, the Emirate's recently established credit bureau, and the Dubai Electricity and Water Authority (DEWA) began exchanging credit information in October 2013. As a result, the credit bureau can now identify customers with unpaid DEWA accounts beyond 90 days and the utility has access to the bureau's bounced check repository.

Protecting Minority Investors: The UAE strengthened minority investor protections by introducing additional approval requirements for related-party transactions, greater requirements for disclosure of such transactions to the stock exchange and a requirement that interested directors be held liable if a related-party transaction is unfair or constitutes a conflict of interest. The UAE also made it possible for shareholders to request the rescission of unfair related party transactions.

Saudi Arabia

Positive reforms in Saudi Arabia was minor and was reported merely on a single indicator i.e. *Getting Electricity*, whereas the country saw declining ranks on five of the remaining nine indicators. The steepest decline was reported for *Starting a Business* indicator followed by *Trading Across Border* indicator which was also highlighted in the previous year's report on Doing Business. For Starting a Business, the country has a relatively greater number of procedure as compared to other economies in the MENA region. The decline in rank for the latter indicator was because Saudi Arabia made trading across borders more difficult by increasing the number of documents needed to export and import, as mentioned last year.

Kuwait

Kuwait remained at the bottom in terms of relative rankings in the GCC and at the 86th position as compared to the overall coverage. According to the report, Kuwait got a negative score for *Starting a Business* as it made starting a business more difficult by increasing the commercial license fee. The country also faltered in terms of the *Getting Electricity* indicator in relative terms as other countries improved their relative rankings on this indicator. On a positive note, Kuwait is one of the countries that have formed reform committees within governments and who frequently use the Doing Business indicators as one input to inform their programs for improving the business environment. Furthermore, Kuwait recorded 63.11 points near the highest performance level index, which was slightly higher than the 63.05 points scored in the previous report.

Qatar

Improvements in Qatar were primarily related to *Trading Across Borders* and minor change with respect to *Registering Property*. As highlighted in the Doing Business report for 2013, Qatar has reduced the time to export and import by introducing a new online portal allowing electronic submission of customs declarations for clearance at the Doha seaport. The steepest decline in rank was reported for Starting a Business, with 11 notches decline in rank primarily on account of minimum paid in capital requirement for new entrepreneurs calculated as a percentage of economy's income per capita.

Bahrain

The report highlighted improving rankings for Bahrain for *Registering Property* and *Getting Credit*. The country has made registering property easier by reducing the registration fee. It has also improved access to credit information by approving the credit bureau's collection of data on firms. The country also improved ranking for *Trading Across Borders*. On the other hand, the country declined in rankings for *Getting Electricity*.

Oman

Oman ranked fifth in the GCC and sixth in the MENA region on the Doing Business rankings. According to the report, the Sultanate saw its ranking decline by six notches to 66. The country saw a decline in scores for *Getting Electricity* and *Starting a Business* due to higher minimum capital requirements for entrepreneurs. In terms of *Getting Credit*, the Sultanate lags in ranking on account of inadequate credit registry coverage.

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