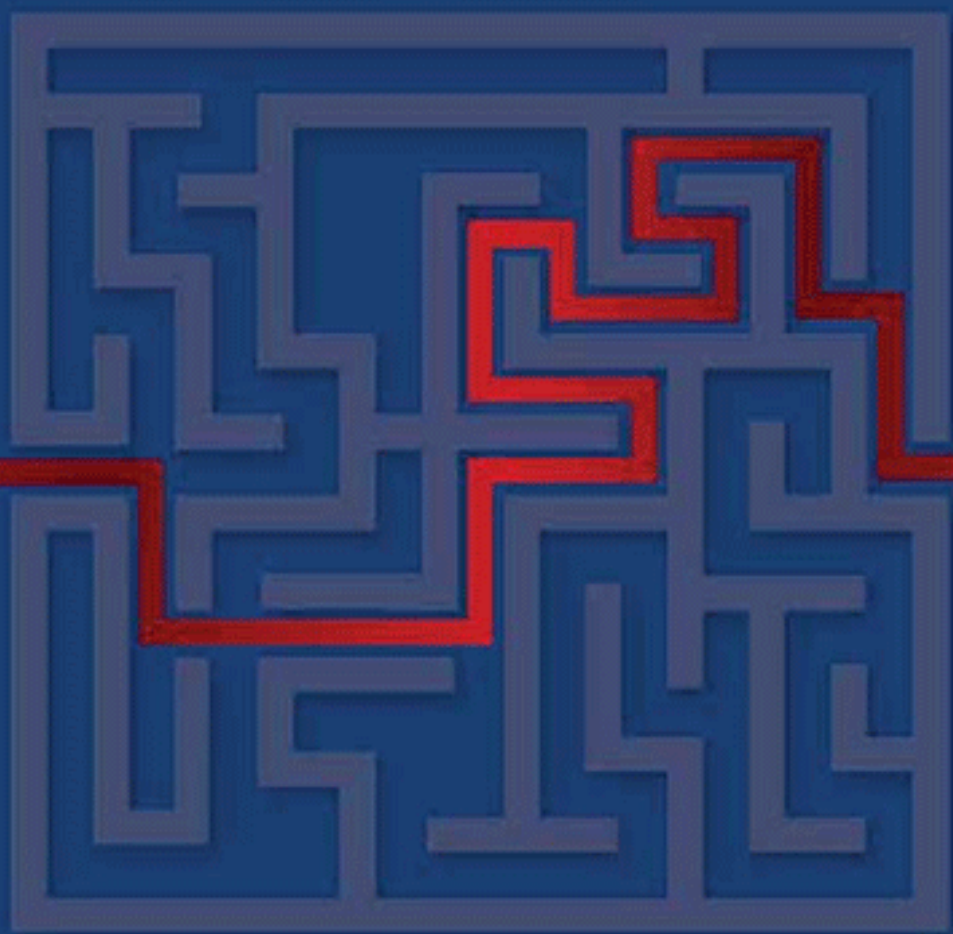




Doing Business 2014

Regional Profile: Arab World



Comparing Business Regulations for Domestic Firms in 189 Economies

11TH EDITION

A World Bank Group Corporate Flagship

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The World Bank

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INTRODUCTION

Doing Business sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 11 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and employing workers.

In a series of annual reports *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 189 economies, from Afghanistan to Zimbabwe, over time. The data set covers 47 economies in Sub-Saharan Africa, 33 in Latin America and the Caribbean, 25 in East Asia and the Pacific, 25 in Eastern Europe and Central Asia, 20 in the Middle East and North Africa and 8 in South Asia, as well as 31 OECD high-income economies. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

This regional profile presents the *Doing Business* indicators for economies in Arab World. It also shows the regional average, the best performance globally for each indicator and data for the following comparator regions: Common Market for Eastern and Southern Africa (COMESA), East Asia and the Pacific (EAP), Europe and Central Asia (ECA), Latin America

and OECD High Income. The data in this report are current as of June 1, 2013 (except for the paying taxes indicators, which cover the period January–December 2012).

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 and getting electricity), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions—are not directly studied by *Doing Business*. 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 policy makers in designing regulatory reform.

More information is available in the full report. *Doing Business 2014* presents the indicators, analyzes their relationship with economic outcomes and recommends regulatory reforms. The data, along with information on ordering the *Doing Business 2014* report, are available on the *Doing Business* website at <http://www.doingbusiness.org>.

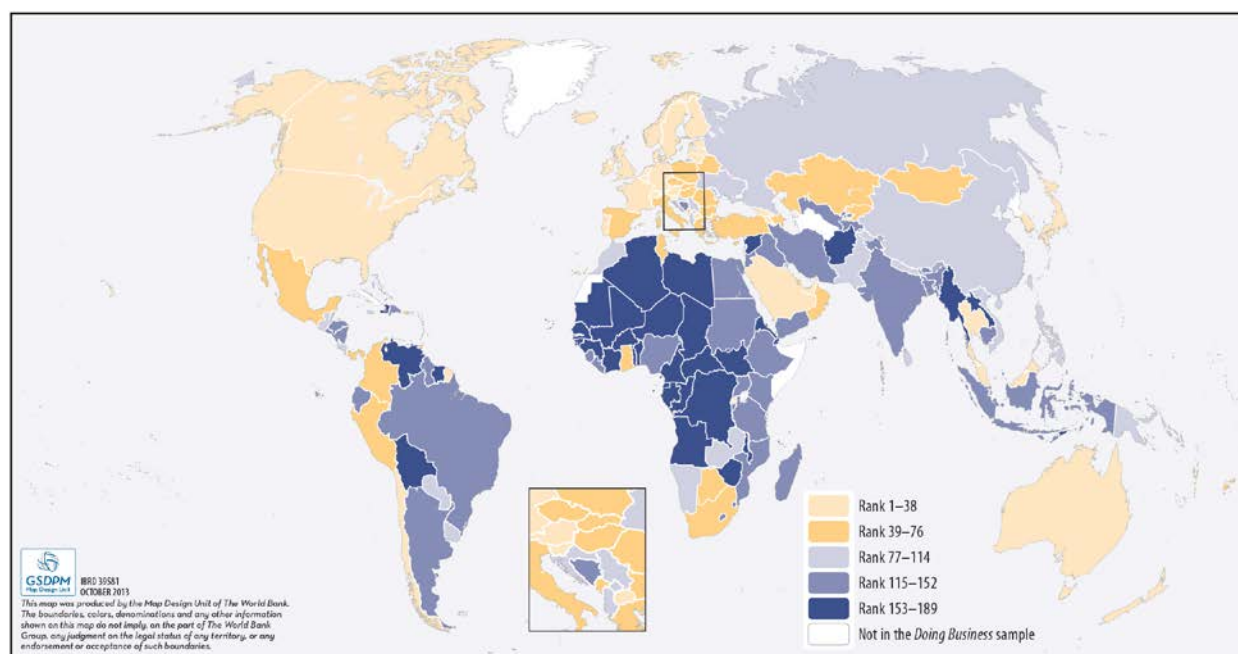
THE BUSINESS ENVIRONMENT

For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. *Doing Business* provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 189 by the ease of doing business index. For each economy the index is calculated as the ranking on the simple average of its percentile rankings on each of the 10 topics included in the index in *Doing Business 2014*: 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.

The ranking on each topic is the simple average of the percentile rankings on its component indicators (see the data notes for more details).

The aggregate ranking on the ease of doing business benchmarks each economy's performance on the indicators against that of all other economies in the *Doing Business* sample (figure 1.1). While this ranking tells much about the business environment in an economy, it does not tell the whole story. The ranking on the ease of doing business, and the underlying indicators, do not measure all aspects of the business environment that matter to firms and investors or that affect the competitiveness of the economy. Still, a high ranking does mean that the government has created a regulatory environment conducive to operating a business.

Figure 1.1 Where economies stand in the global ranking on the ease of doing business

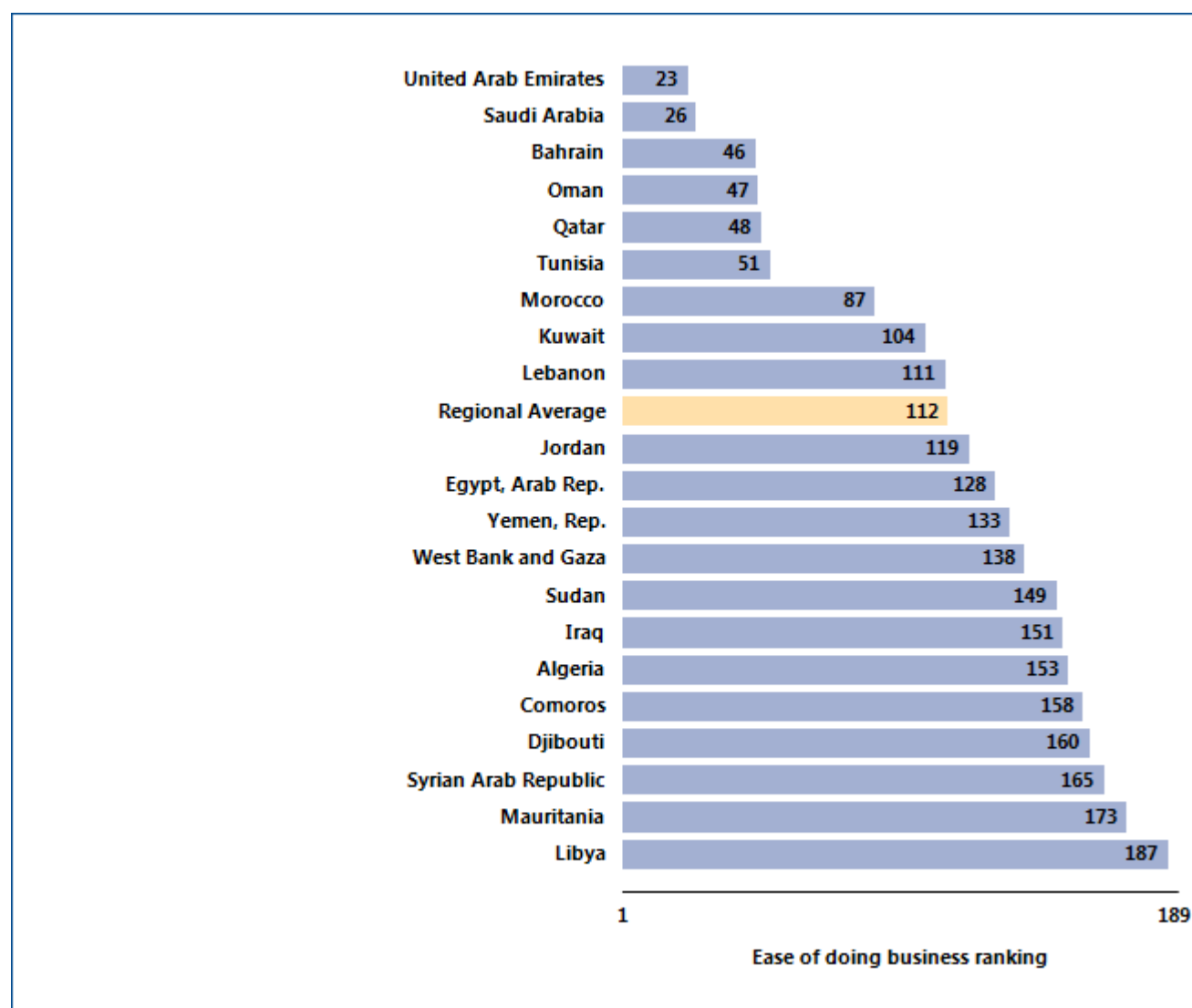


Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

For policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful. Also useful is to know how it ranks compared with other economies in the region and compared with the regional average (figure 1.2). Another perspective is provided by the regional average rankings on the topics included in the ease of doing business index (figure 1.3).

Figure 1.2 How economies in Arab World rank on the ease of doing business



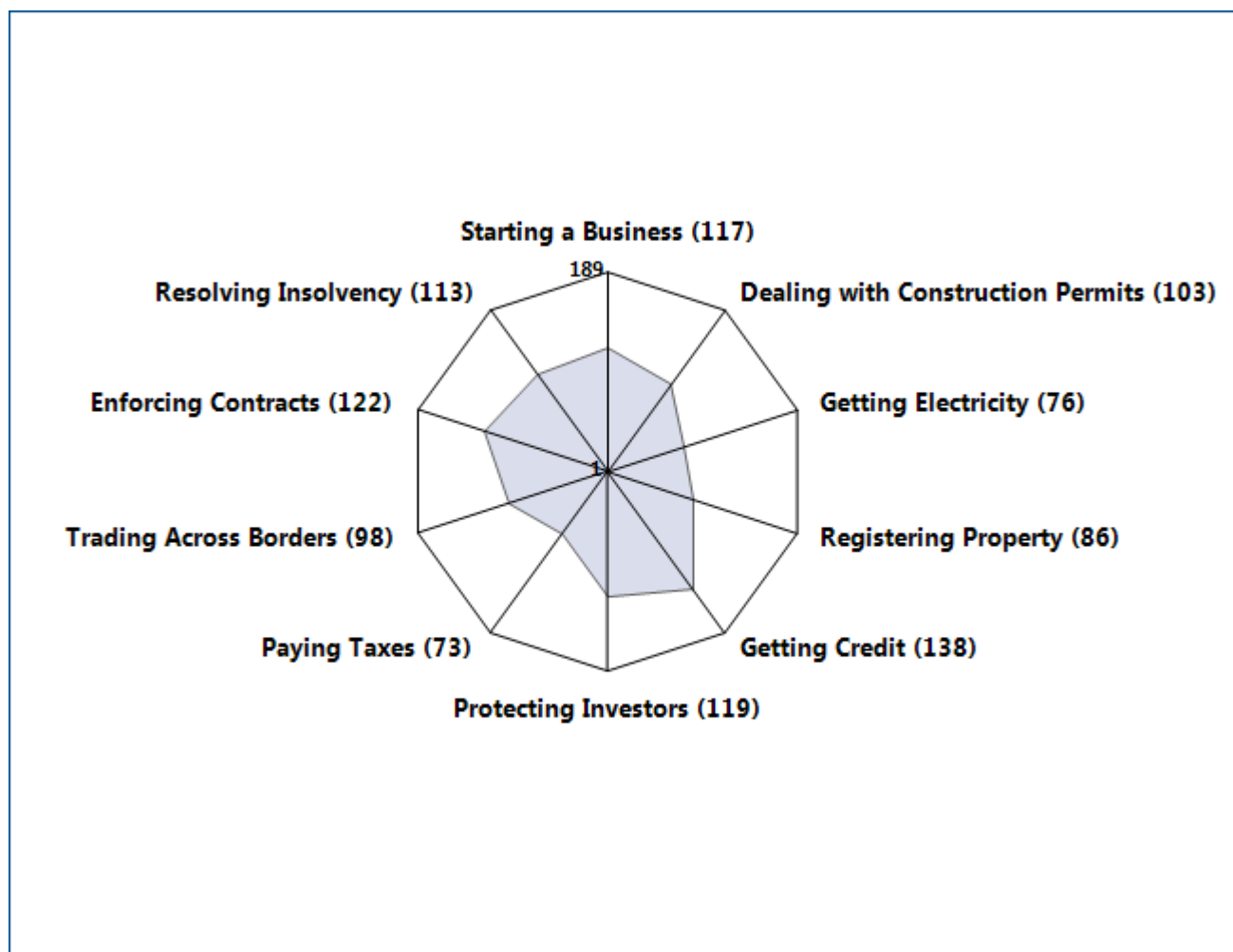
*The economy with the best performance globally is included as a benchmark.

Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

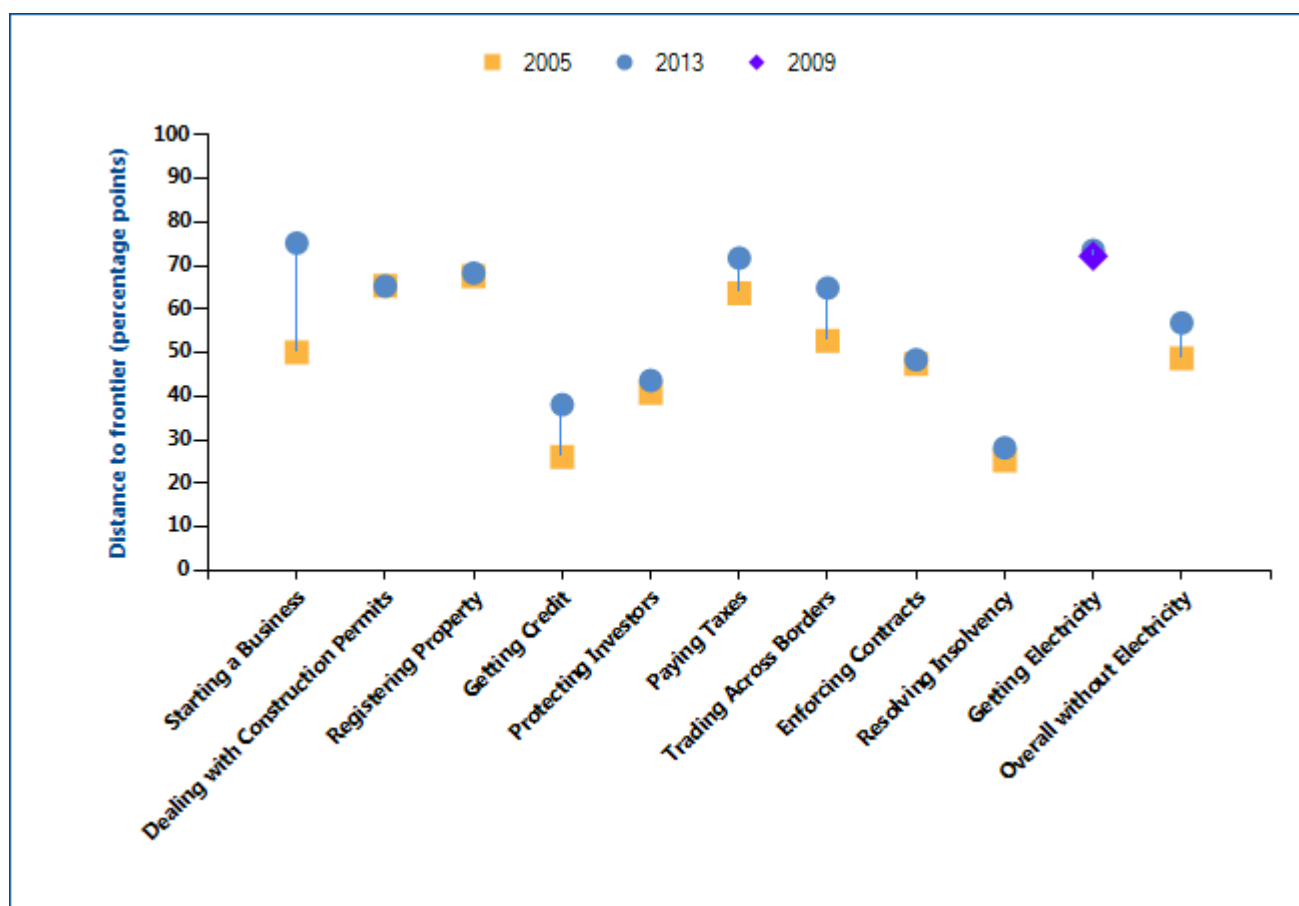
Figure 1.3 How Arab World ranks on *Doing Business* topics

Regional average ranking



Source: *Doing Business* database.

Figure 1.4 How far has Arab World come in the areas measured by Doing Business?



Note: The distance to frontier measure shows how far on average a region is from the best performance achieved by any region on each *Doing Business* indicator since 2005, except for the getting electricity indicators, which were introduced in 2009. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). The overall distance to frontier is the average of the distance to frontier in the first 9 indicator sets shown in the figure and does not include getting electricity. Data on the overall distance to frontier including getting electricity is available at <http://www.doingbusiness.org/data/distance-to-frontier>. See the data notes for more details on the distance to frontier measure.

Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

Just as the overall ranking on the ease of doing business tells only part of the story, so do changes in that ranking. Yearly movements in rankings can provide some indication of changes in an economy's regulatory environment for firms, but they are always relative. An economy's ranking might change because of developments in other economies. An economy that implemented business regulation reforms may fail to rise in the rankings (or may even drop) if it is passed by others whose business regulation reforms had a

more significant impact as measured by *Doing Business*.

The absolute values of the indicators tell another part of the story (table 1.1). Policy makers can learn much by comparing the indicators for their economy with those for the lowest- and highest-scoring economies in the region as well as those for the best performers globally. These comparisons may reveal unexpected strengths in an area of business regulation—such as a regulatory process that can be completed with a small number of procedures in a few days and at a low cost.

Table 1.1 Summary of *Doing Business* indicators for Arab World

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
Starting a Business (rank)	173 (Mauritania)	37 (United Arab Emirates)	117	1 (New Zealand)
Procedures (number)	14 (Algeria)	5 (Oman)*	8	1 (New Zealand)*
Time (days)	45.0 (West Bank and Gaza)	8.0 (3 Economies*)	19.6	1.0 (New Zealand)
Cost (% of income per capita)	184.7 (Djibouti)	0.9 (Bahrain)	35.7	0.0 (Slovenia)
Paid-in Min. Capital (% of income per capita)	314.4 (Mauritania)	0.0 (10 Economies*)	69.4	0.0 (112 Economies*)
Dealing with Construction Permits (rank)	189 (Libya)	4 (Bahrain)	103	1 (Hong Kong SAR, China)
Procedures (number)	24 (Kuwait)	10 (Iraq)	16	6 (Hong Kong SAR, China)
Time (days)	270.0 (Sudan)	44.0 (United Arab Emirates)	133.7	26.0 (Singapore)
Cost (% of income per capita)	2,681.0 (Mauritania)	1.1 (Qatar)	406.4	1.1 (Qatar)
Getting Electricity (rank)	148 (Algeria)	4 (United Arab Emirates)	76	1 (Iceland)
Procedures (number)	7 (Egypt, Arab Rep.)*	3 (Comoros)*	5	3 (10 Economies*)
Time (days)	180 (Djibouti)*	35 (United Arab Emirates)	82	17 (Germany)

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
Cost (% of income per capita)	7,487.0 (Djibouti)	4.0 (Qatar)	1,555.5	0.0 (Japan)
Registering Property (rank)	189 (Libya)	4 (United Arab Emirates)	86	1 (Georgia)
Procedures (number)	10 (Algeria)	2 (3 Economies*)	6	1 (4 Economies*)
Time (days)	63.0 (Algeria)	6.0 (United Arab Emirates)	33.2	1.0 (New Zealand)*
Cost (% of property value)	27.8 (Syrian Arab Republic)	0.0 (Saudi Arabia)	5.7	0.0 (5 Economies*)
Getting Credit (rank)	186 (Libya)	55 (Saudi Arabia)	138	1 (Malaysia)*
Strength of legal rights index (0-10)	1 (3 Economies*)	6 (Comoros)	3	10 (10 Economies*)
Depth of credit information index (0-6)	1 (3 Economies*)	6 (Saudi Arabia)*	4	6 (31 Economies*)
Public registry coverage (% of adults)	0.3 (Djibouti)	28.8 (Tunisia)	9.0	100.0 (Portugal)*
Private bureau coverage (% of adults)	19.6 (Egypt, Arab Rep.)*	44.3 (Saudi Arabia)	27.6	100.0 (22 Economies*)
Protecting Investors (rank)	187 (Libya)	22 (Saudi Arabia)	119	1 (New Zealand)
Extent of disclosure index (0-10)	0 (Sudan)	9 (Lebanon)	5	10 (10 Economies*)
Extent of director liability index (0-10)	1 (4 Economies*)	9 (Kuwait)	4	10 (Cambodia)
Ease of shareholder suits index (0-10)	0 (Djibouti)	6 (Tunisia)*	3	10 (3 Economies*)
Strength of investor protection index (0-10)	1.7 (Libya)	6.7 (Saudi Arabia)	4.4	9.7 (New Zealand)
Paying Taxes (rank)	181 (Mauritania)	1 (United Arab Emirates)	73	1 (United Arab Emirates)
Payments (number per year)	44 (Yemen, Rep.)	3 (Saudi Arabia)	21	3 (Hong Kong SAR, China)*
Time (hours per year)	889 (Libya)	12 (United Arab Emirates)	233	12 (United Arab Emirates)
Trading Across Borders (rank)	179 (Iraq)	4 (United Arab Emirates)	98	1 (Singapore)
Documents to export	10 (Iraq)	3 (United Arab Emirates)	6	2 (Ireland)*

Indicator	Lowest regional performance	Best regional performance	Regional average	Best global performance
(number)				
Time to export (days)	80 (Iraq)	7 (United Arab Emirates)	21	6 (5 Economies*)
Cost to export (US\$ per container)	3,550 (Iraq)	595 (Morocco)	1,200	450 (Malaysia)
Documents to import (number)	10 (4 Economies*)	5 (United Arab Emirates)*	8	2 (Ireland)*
Time to import (days)	82 (Iraq)	7 (United Arab Emirates)	26	4 (Singapore)
Cost to import (US\$ per container)	3,650 (Iraq)	615 (United Arab Emirates)	1,421	440 (Singapore)
Enforcing Contracts (rank)	179 (Syrian Arab Republic)	75 (Mauritania)	122	1 (Luxembourg)
Time (days)	1,225 (Djibouti)	370 (Mauritania)	659	150 (Singapore)
Cost (% of claim)	89.4 (Comoros)	13.5 (Oman)	27.2	0.1 (Bhutan)
Procedures (number)	55 (Syrian Arab Republic)	36 (Yemen, Rep.)	44	21 (Singapore)*
Resolving Insolvency (rank)	(5 Economies*)	27 (Bahrain)	113	1 (Japan)
Time (years)	5.0 (Djibouti)	1.3 (Tunisia)	3.1	0.4 (Ireland)
Cost (% of estate)	22 (3 Economies*)	4 (Oman)	14	1 (Norway)
Recovery rate (cents on the dollar)	0.0 (5 Economies*)	67.4 (Bahrain)	26.6	92.8 (Japan)

* Two or more economies share the top ranking on this indicator. A number shown in place of an economy's name indicates the number of economies that share the top ranking on the indicator. For a list of these economies, see the *Doing Business* website (<http://www.doingbusiness.org>).

Source: *Doing Business* database.

STARTING A BUSINESS

Formal registration of companies has many immediate benefits for the companies and for business owners and employees. Legal entities outlive their founders. Resources are pooled as several shareholders join forces to start a company. Formally registered companies have access to services and institutions from courts to banks as well as to new markets. And their employees can benefit from protections provided by the law. An additional benefit comes with limited liability companies. These limit the financial liability of company owners to their investments, so personal assets of the owners are not put at risk.

Where governments make this process easy, more entrepreneurs start businesses in the formal sector, creating more good jobs and generating more revenue for the government.

What do the indicators cover?

Doing Business measures the ease of starting a business in an economy by recording all procedures officially required or commonly done in practice by an entrepreneur to start up and formally operate an industrial or commercial business—as well as the time and cost required to complete these procedures. It also records the paid-in minimum capital that companies must deposit before registration. The ranking on the ease of starting a business is the simple average of the percentile rankings on the 4 component indicators: procedures, time, cost and paid-in minimum capital requirement.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the procedures. It assumes that all information is readily available to the entrepreneur and that there has been no prior contact with officials. It also assumes that the entrepreneur will pay no bribes. And it assumes that the business:

- Is a 100% domestically owned limited liability company, located in the largest business city.
- Has between 10 and 50 employees.

WHAT THE STARTING A BUSINESS

INDICATORS MEASURE

Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration in the economy's largest business city
- Postregistration (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 (2 procedures cannot start on the same day). Procedures that can be fully completed online are an exception to this rule.
- Procedure considered 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)

- Funds deposited in a bank or with a notary before registration (or within 3 months)

- Conducts general commercial or industrial activities.
- Has a start-up capital of 10 times income per capita and has a turnover of at least 100 times income per capita.
- Does not qualify for any special benefits.
- Does not own real estate.

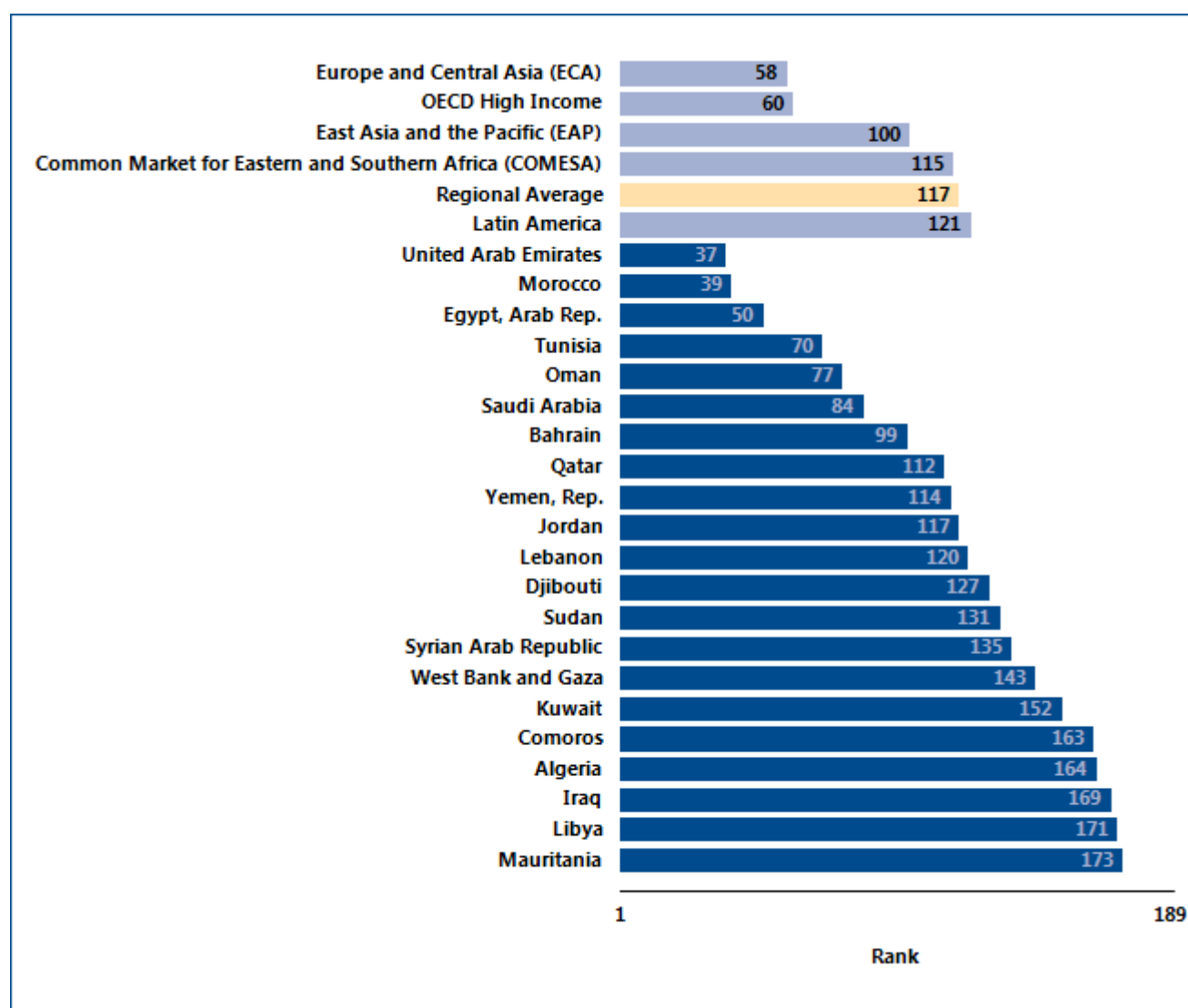
STARTING A BUSINESS

Where do the region's economies stand today?

How easy is it for entrepreneurs in economies in Arab World to start a business? The global rankings of these economies on the ease of starting a business suggest

an answer (figure 2.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 2.1 How economies in Arab World rank on the ease of starting a business



Source: Doing Business database.

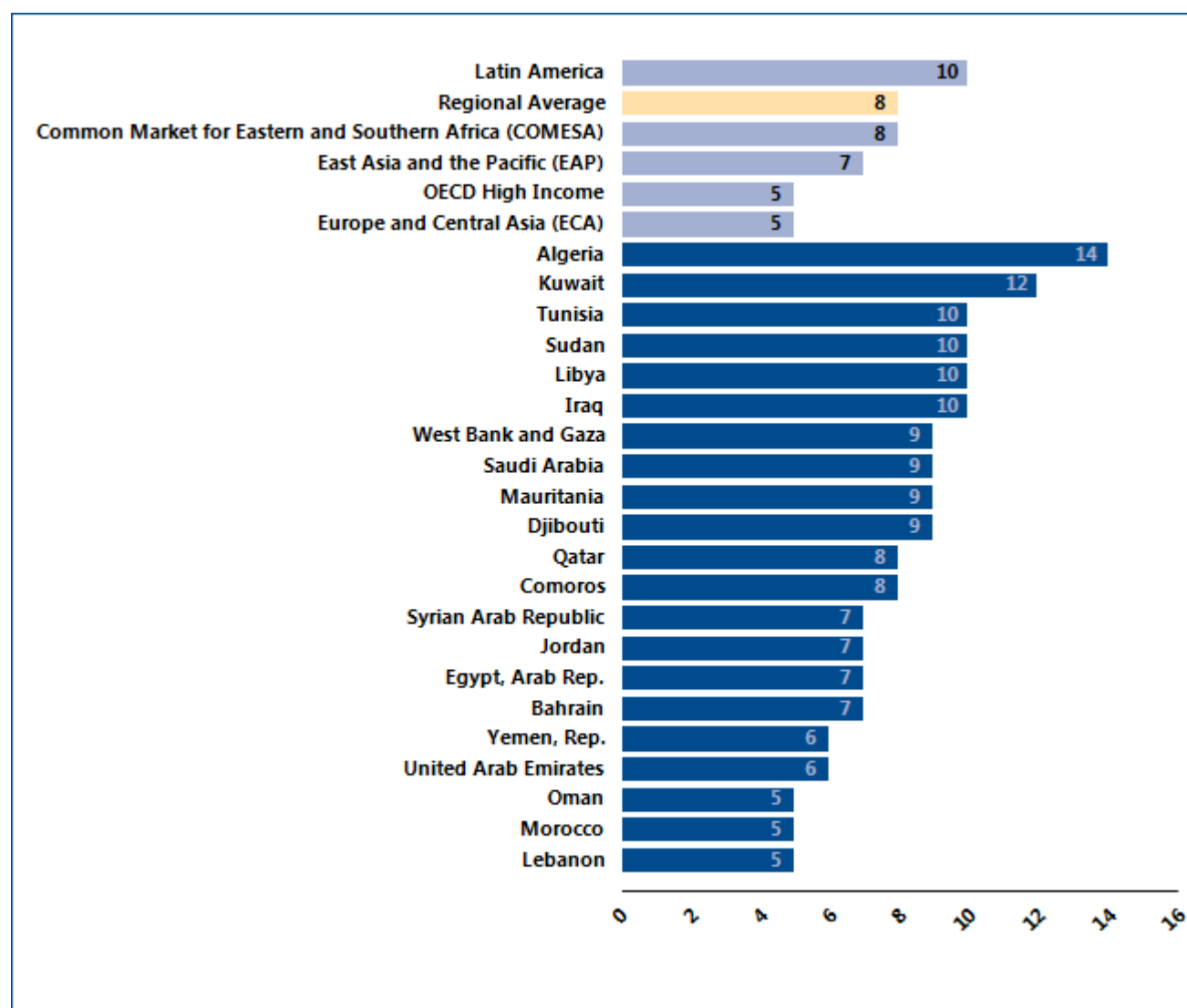
STARTING A BUSINESS

The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to start a business in each economy in the region: the number of procedures, the time, the

cost and the paid-in minimum capital requirement (figure 2.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

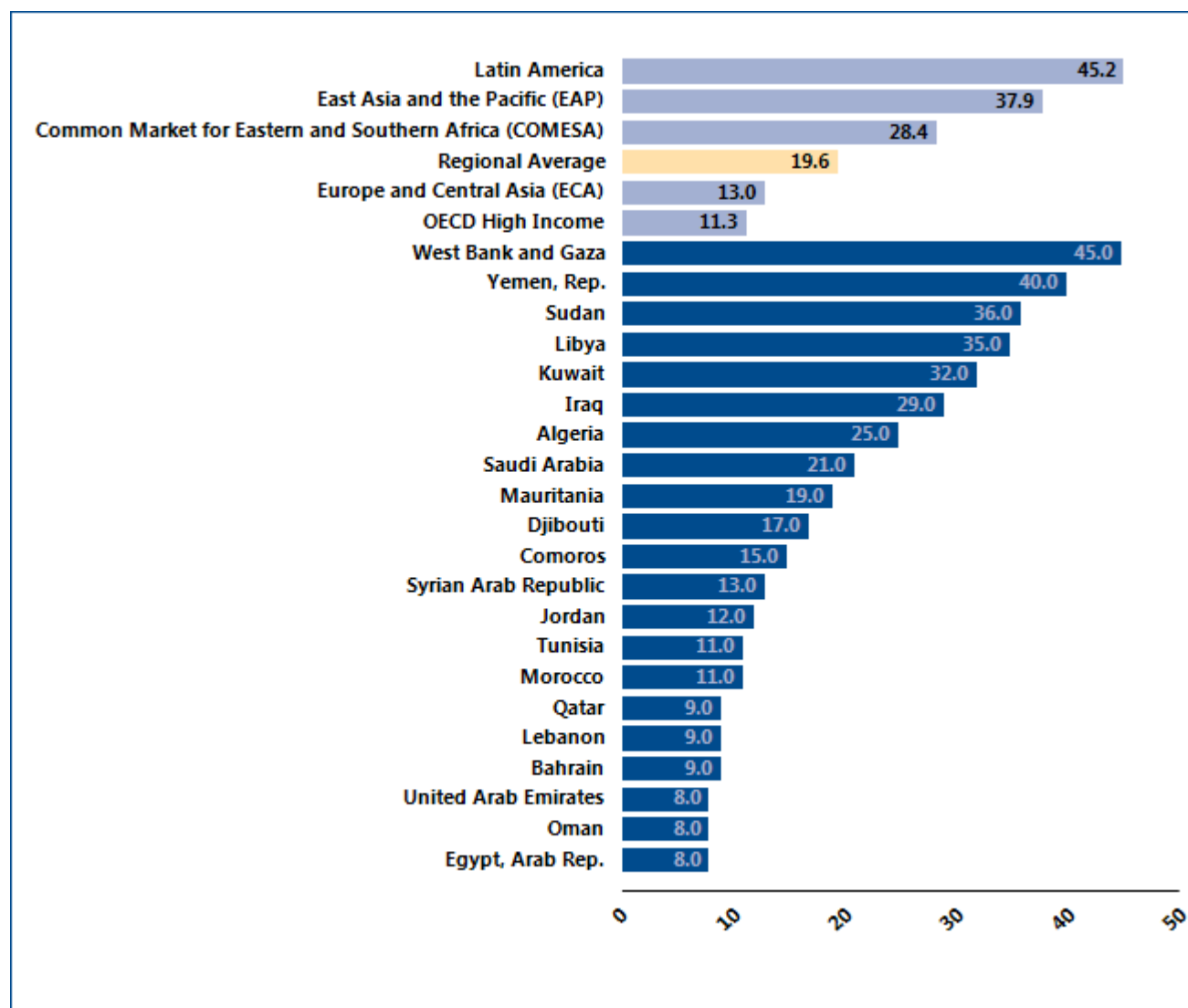
Figure 2.2 What it takes to start a business in economies in Arab World

Procedures (number)



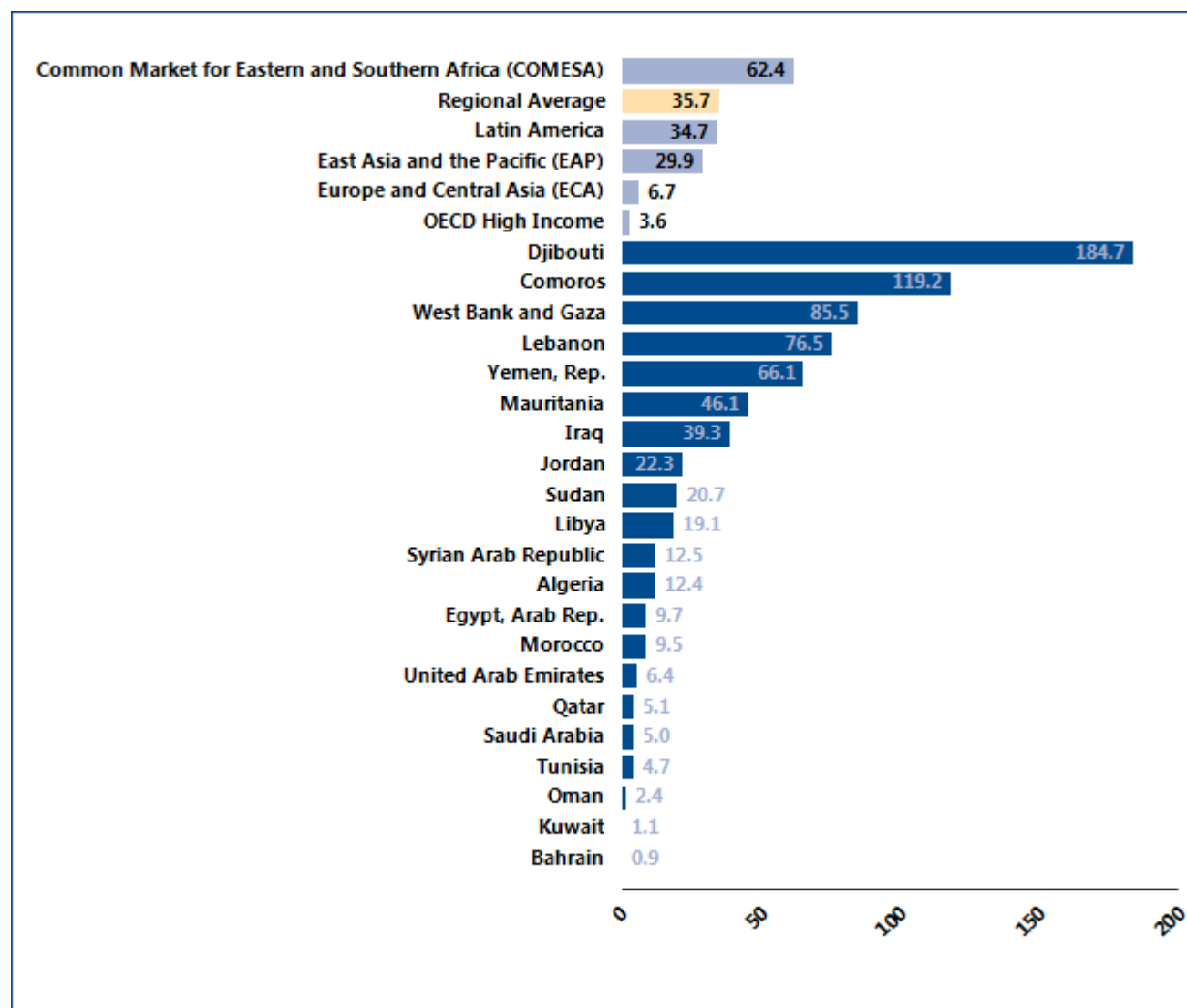
STARTING A BUSINESS

Time (days)



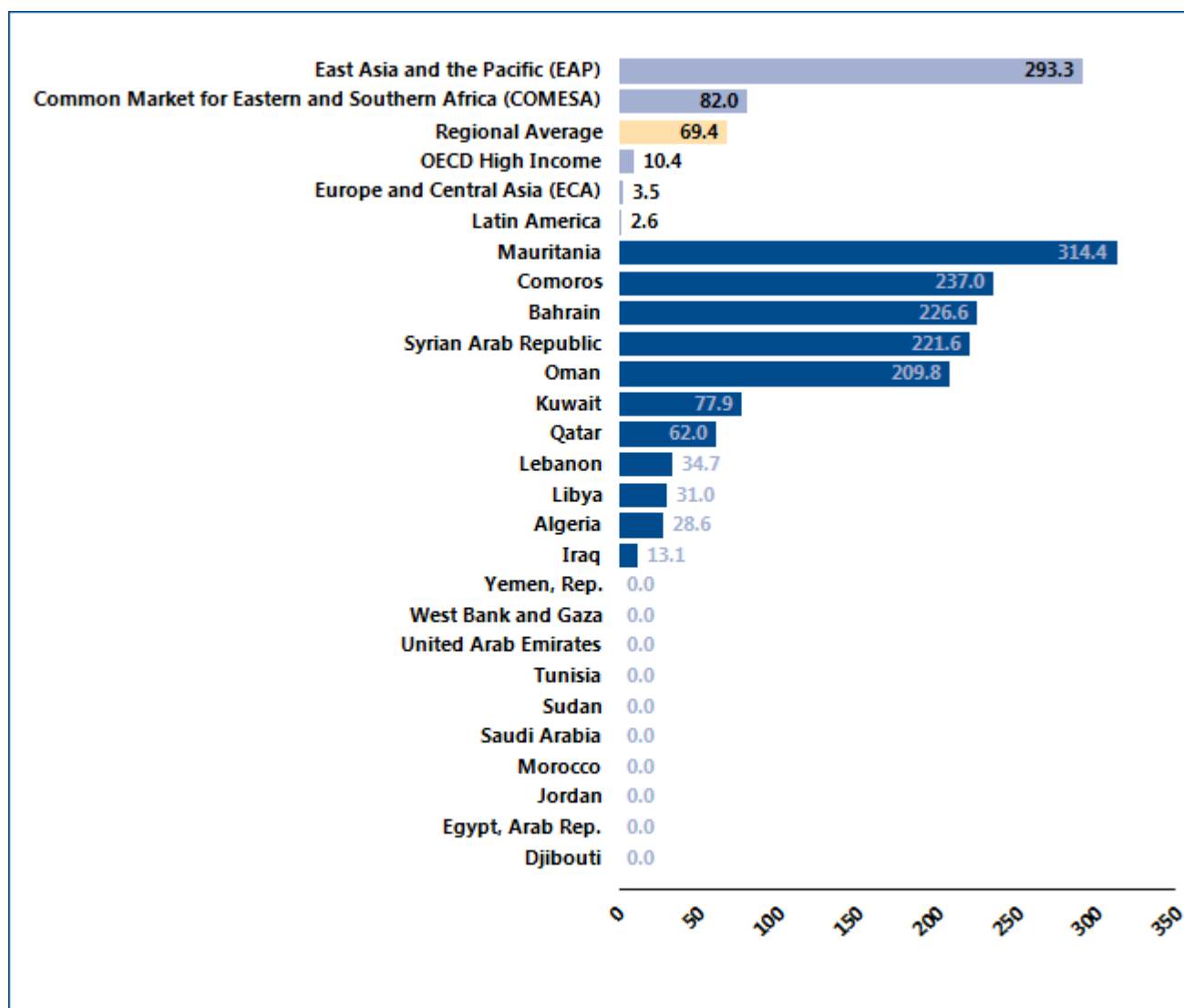
STARTING A BUSINESS

Cost (% of income per capita)



STARTING A BUSINESS

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



Source: Doing Business database.

STARTING A BUSINESS

What are the changes over time?

Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology, and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in

stages—and often as part of a larger regulatory reform program. Among the benefits have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities.

What business registration reforms has *Doing Business* recorded in Arab World (table 2.1)?

Table 2.1 How have economies in Arab World made starting a business easier—or not?
By *Doing Business* report year

DB year	Economy	Reform
DB2008	<i>Egypt, Arab Rep.</i>	The minimum capital required to start a business was cut from EGP 50,000 to EGP 1,000, and halved start-up time and cost.
DB2008	<i>Jordan</i>	Operations within the one-stop shop at the Company Registry were enhanced and a representative of the municipality of Amman was made present at the Company Registry, reducing the number of procedures and the time to start a business.
DB2008	<i>Mauritania</i>	Mauritania made starting a business cheaper by reducing the registration fees.
DB2008	<i>Saudi Arabia</i>	The minimum capital requirement of 1057% income per capita was eliminated and company registration was sped up.
DB2008	<i>Syrian Arab Republic</i>	The Syrian Arab Republic enforced the requirement for Limited Liability Companies and Joint Stock Companies to publish their memorandum of association in the official gazette and showing proof of payment.
DB2008	<i>United Arab Emirates</i>	United Arab Emirates eased the process of starting a business by allowing the publication of the records of the company to be done at DED
DB2009	<i>Egypt, Arab Rep.</i>	Paid in minimum capital was reduced by 20%, and cost was reduced as a result of bar association fees' abolishment and time was cut due to tax registration automation.
DB2009	<i>Jordan</i>	The minimum paid in capital was reduced by more than 96%.
DB2009	<i>Lebanon</i>	Streamlining of the business registration process resulted in tremendous time reduction.
DB2009	<i>Mauritania</i>	Simplification of the registration process requirement has resulted in tremendous time, cost and number of procedures

DB year	Economy	Reform
		reduction.
DB2009	<i>Oman</i>	The operationalization of the one-stop shop and the simplification of licensing procedures has resulted in reducing the number of procedures and days significantly.
DB2009	<i>Saudi Arabia</i>	Simplification of the start-up processes by eliminating non-added value formalities and thus reducing registration fees and number of days.
DB2009	<i>Syrian Arab Republic</i>	New commercial and commercial code simplified the registration process, abolished the court and lawyers involvement in the registration process, and reforms at the tax directorate further simplified tax registration reducing number of procedures and time significantly.
DB2009	<i>Tunisia</i>	Paid in- minimum capital was abolished.
DB2009	<i>West Bank and Gaza</i>	Full operationalization of the Information Management System project at the commercial registry resulted in substantial time reduction.
DB2009	<i>Yemen, Rep.</i>	The activation of the one-stop shop made it possible to complete start-up process at once in a single location and made it easier to obtain a license from the municipality and to register with the chamber of commerce and the tax office. It also abolished the seal and paid in minimum capital requirements reducing substantially the number of procedures and days.
DB2010	<i>Egypt, Arab Rep.</i>	Egypt has eased the business start-up process by abolishing the minimum capital requirement.
DB2010	<i>Jordan</i>	Jordan eased the process of business start up by offering a single reception service for company registration at the company registrar.
DB2010	<i>Lebanon</i>	Lebanon simplified business start up process through the simplification of the formalities to stamp company books
DB2010	<i>Oman</i>	Oman simplified business start up with the introduction of online name registration and payment at the registry with a prepaid card
DB2010	<i>Saudi Arabia</i>	Saudi Arabia eased business start up with the introduction of a new one-stop Unified Office at the Ministry of Commerce that merged registration procedures and simplified the publication requirements.
DB2010	<i>Syrian Arab Republic</i>	Syria eased business start up by reducing the minimum paid in capital requirement, and allowing access to online standardized incorporation forms.
DB2010	<i>United Arab Emirates</i>	The UAE eased the process of business start-up by abolishing the minimum capital requirement and removing the

DB year	Economy	Reform
		requirement to show proof of deposit of capital for registration, and further simplified the documents necessary for registration.
DB2010	<i>West Bank and Gaza</i>	West Bank & Gaza made it more difficult to start a business by increasing the minimum capital requirement
DB2010	<i>Yemen, Rep.</i>	Yemen simplified the process of business start up by deleting the requirement of obtaining a bank account certificate as a requirement to register the company.
DB2011	<i>Egypt, Arab Rep.</i>	Egypt reduced the cost to start a business.
DB2011	<i>Lebanon</i>	Lebanon increased the cost of starting a business.
DB2011	<i>Qatar</i>	Qatar made starting a business more difficult by adding a procedure to register for taxes and obtain a company seal.
DB2011	<i>Syrian Arab Republic</i>	Syria eased business start-up by reducing the minimum capital requirement for limited liability companies by two-thirds. It also decentralized approval of the company memorandum.
DB2011	<i>West Bank and Gaza</i>	West Bank and Gaza made starting a business more difficult by increasing the lawyers' fees that must be paid for incorporation.
DB2012	<i>Comoros</i>	Comoros made the process of starting a business more difficult by increasing the minimum capital requirement.
DB2012	<i>Iraq</i>	In Iraq starting a business became more expensive because of an increase in the cost to obtain a name reservation certificate and in the cost for lawyers to draft articles of association.
DB2012	<i>Jordan</i>	Jordan made starting a business easier by reducing the minimum capital requirement from 1,000 Jordanian dinars to 1 dinar, of which only half must be deposited before company registration.
DB2012	<i>Oman</i>	The one-stop shop in Oman introduced online company registration and sped up the process to register a business from 7 days to 3 days.
DB2012	<i>Qatar</i>	Qatar made starting a business easier by combining commercial registration and registration with the Chamber of Commerce and Industry at the one-stop shop.
DB2012	<i>Saudi Arabia</i>	Saudi Arabia made starting a business easier by bringing together representatives from the Department of Zakat and Income Tax and the General Organization of Social Insurance at the Unified Center to register new companies with their agencies.
DB2012	<i>Syrian Arab Republic</i>	Syria eased the starting a business process by reducing the

DB year	Economy	Reform
		minimum capital requirement from SYP 1 million to SYP 400,000 and by reducing the cost of publication from SYP 25,000 to SYP 4,000.
DB2012	<i>United Arab Emirates</i>	The United Arab Emirates made starting a business easier by merging the requirements to file company documents with the Department for Economic Development, to obtain a trade license and to register with the Dubai Chamber of Commerce and Industry.
DB2013	<i>Comoros</i>	The Comoros made starting a business easier and less costly by replacing the requirement for a copy of the founders' criminal records with one for a sworn declaration at the time of the company's registration and by reducing the fees to incorporate a company.
DB2013	<i>Morocco</i>	Morocco made starting a business easier by eliminating the minimum capital requirement for limited liability companies.
DB2013	<i>United Arab Emirates</i>	The United Arab Emirates made starting a business easier by eliminating the requirement for a company to prepare a name board in English and Arabic after having received clearance on the use of office premises.
DB2014	<i>Bahrain</i>	Bahrain made starting a business more expensive by increasing the cost of the business registration certificate.
DB2014	<i>Comoros</i>	Comoros made starting a business easier by eliminating the requirement to deposit the minimum capital in a bank before incorporation.
DB2014	<i>Djibouti</i>	Djibouti made starting a business easier by simplifying registration formalities and eliminating the minimum capital requirement for limited liability companies.
DB2014	<i>Kuwait</i>	Kuwait made starting a business more difficult by increasing the minimum capital requirement.
DB2014	<i>Morocco</i>	Morocco made starting a business easier by reducing the company registration fees.
DB2014	<i>Tunisia</i>	Tunisia made starting a business more difficult by increasing the cost of company registration.
DB2014	<i>West Bank and Gaza</i>	West Bank and Gaza made starting a business less costly by eliminating the paid-in minimum capital requirement.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

Regulation of construction is critical to protect the public. But it needs to be efficient, to avoid excessive constraints on a sector that plays an important part in every economy. Where complying with building regulations is excessively costly in time and money, many builders opt out. They may pay bribes to pass inspections or simply build illegally, leading to hazardous construction that puts public safety at risk. Where compliance is simple, straightforward and inexpensive, everyone is better off.

What do the indicators cover?

Doing Business records the procedures, time and cost for a business in the construction industry to obtain all the necessary approvals to build a simple commercial warehouse in the economy's main city, connect it to basic utilities and register the property so that it can be used as collateral or transferred to another entity.

The ranking on the ease of dealing with construction permits is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the warehouse, including the utility connections.

The business:

- Is a limited liability company operating in the construction business and located in the largest business city.
- Is domestically owned and operated.
- Has 60 builders and other employees.

The warehouse:

- Is a new construction (there was no previous construction on the land).
- Has complete architectural and technical plans prepared by a licensed architect or engineer.

WHAT THE DEALING WITH CONSTRUCTION PERMITS INDICATORS MEASURE

Procedures to legally build a warehouse (number)

Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates

Submitting all required notifications and receiving all necessary inspections

Obtaining utility connections for 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. Procedures that can be fully completed online are an exception to this rule.

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

- Will be connected to water, sewerage (sewage system, septic tank or their equivalent) and a fixed telephone line.
- The connection to each utility network will be 10 meters (32 feet, 10 inches) long.
- Will be used for general storage, such as of books or stationery (not for goods requiring special conditions).
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

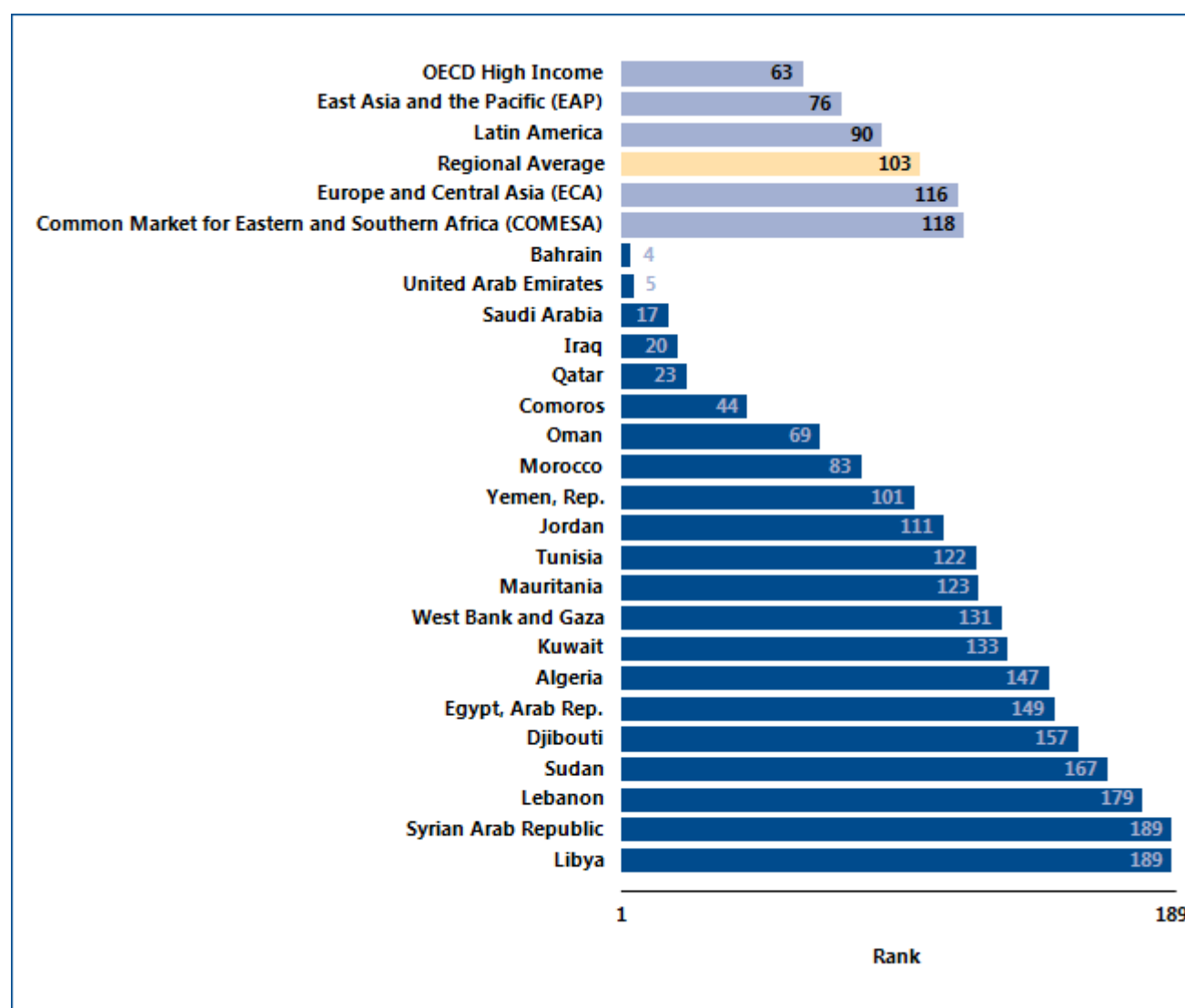
DEALING WITH CONSTRUCTION PERMITS

Where do the region's economies stand today?

How easy it is for entrepreneurs in economies in Arab World to legally build a warehouse? The global rankings of these economies on the ease of dealing

with construction permits suggest an answer (figure 3.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 3.1 How economies in Arab World rank on the ease of dealing with construction permits



Source: Doing Business database.

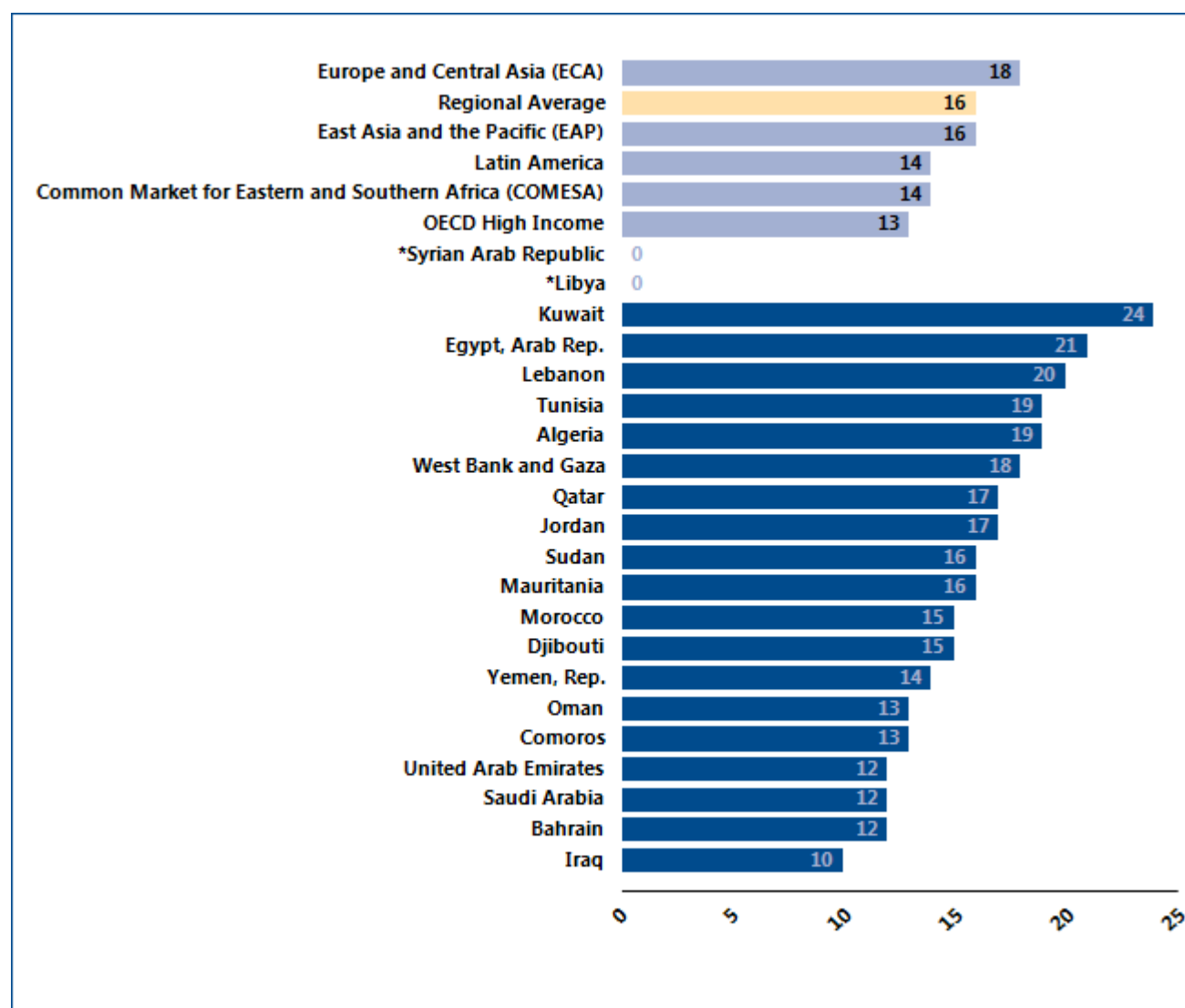
DEALING WITH CONSTRUCTION PERMITS

The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to comply with formalities to build a warehouse in each economy in the region: the number

of procedures, the time and the cost (figure 3.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

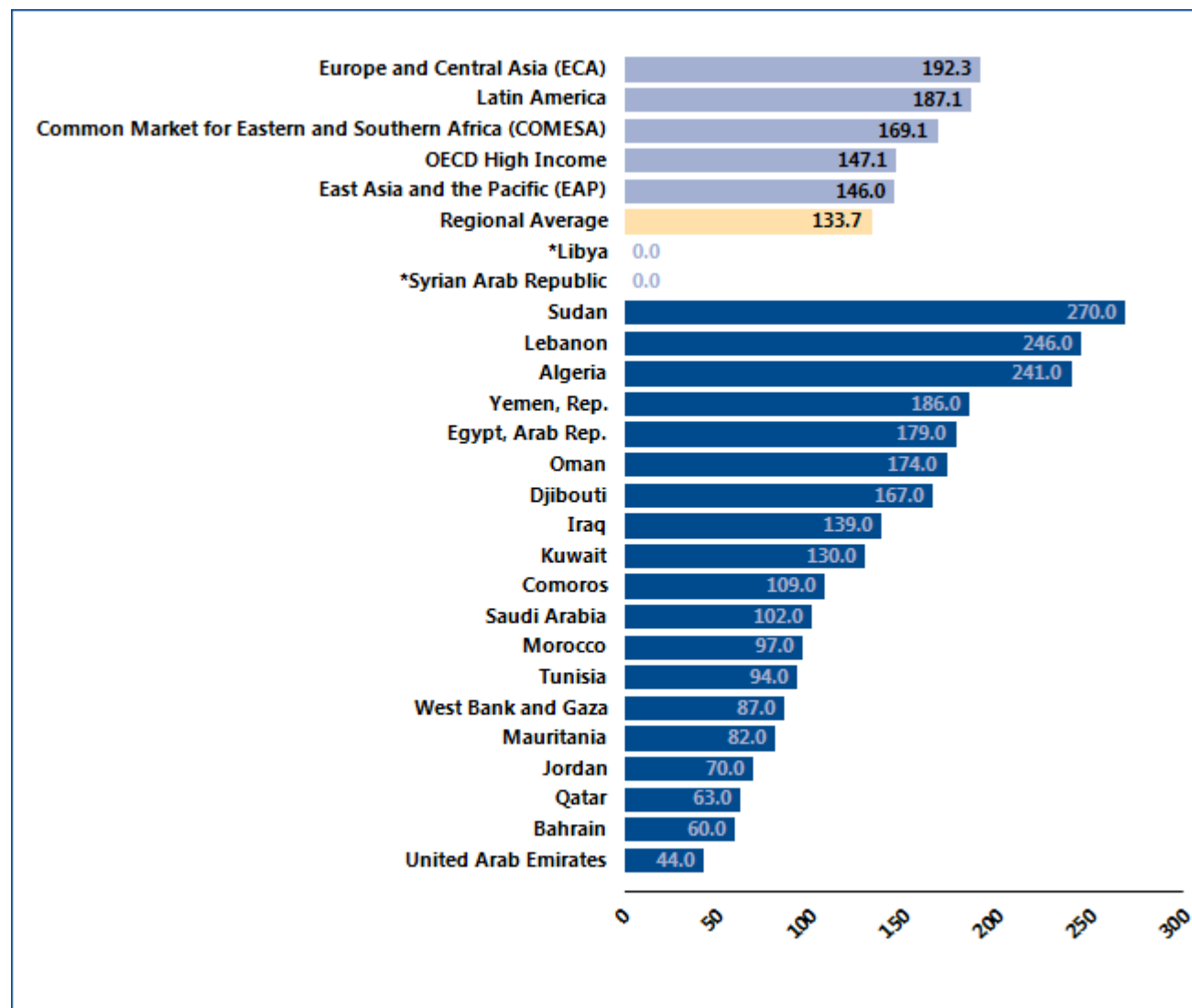
Figure 3.2 What it takes to comply with formalities to build a warehouse in economies in Arab World

Procedures (number)



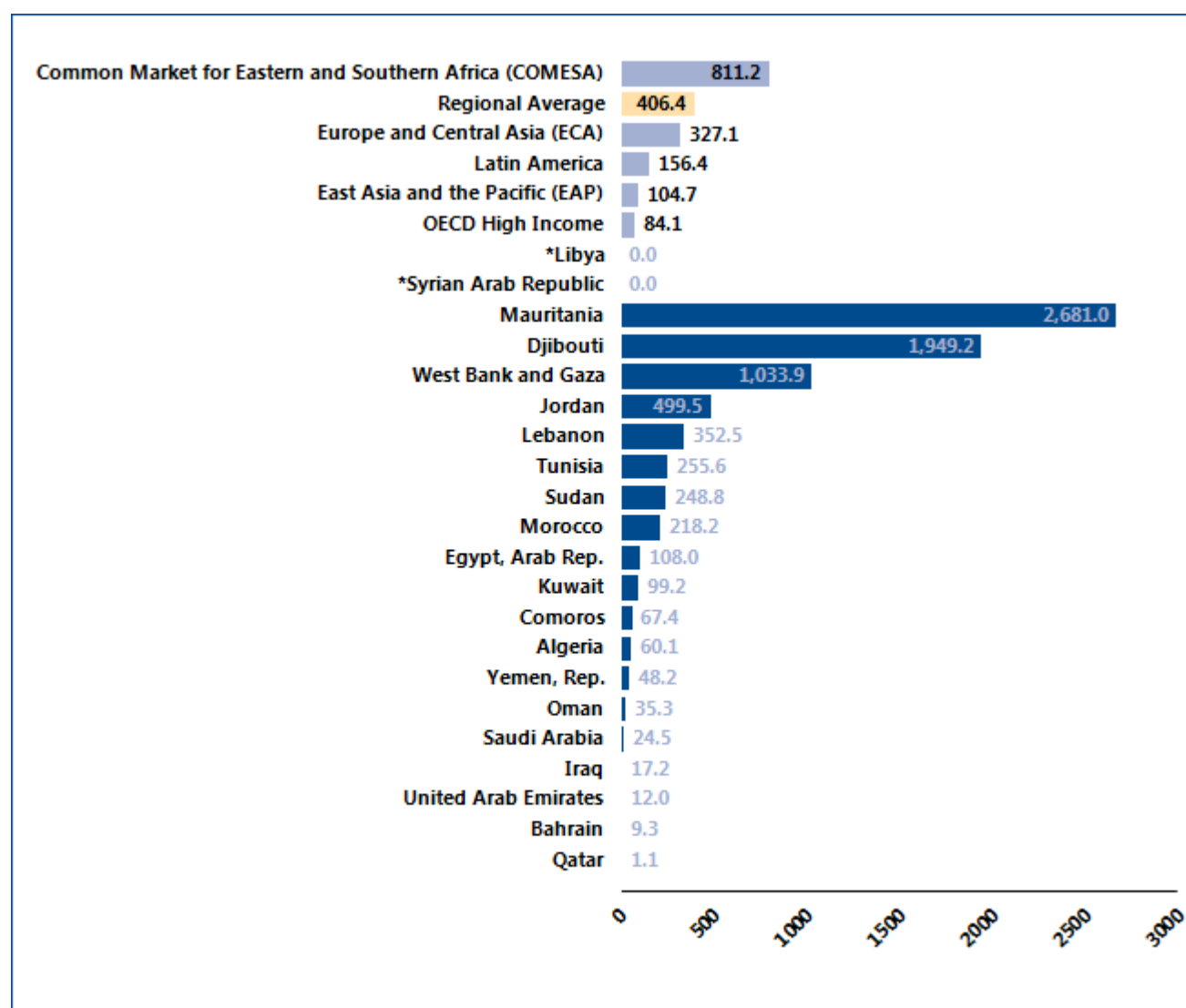
DEALING WITH CONSTRUCTION PERMITS

Time (days)



DEALING WITH CONSTRUCTION PERMITS

Cost (% of income per capita)



* Indicates a "no practice" mark. See the data notes for details.

Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

What are the changes over time?

Smart regulation ensures that standards are met while making compliance easy and accessible to all. Coherent and transparent rules, efficient processes and adequate allocation of resources are especially important in sectors where safety is at stake. Construction is one of them. In an effort to ensure

building safety while keeping compliance costs reasonable, governments around the world have worked on consolidating permitting requirements. What construction permitting reforms has *Doing Business* recorded in Arab World (table 3.1)?

Table 3.1 How have economies in Arab World made dealing with construction permits easier—or not?
By *Doing Business* report year

DB year	Economy	Reform
DB2008	<i>Egypt, Arab Rep.</i>	Egypt made obtaining construction permits less expensive by reducing the fee for building registration.
DB2008	<i>Kuwait</i>	Kuwait made obtaining construction permits faster by introducing a new automated system for utility approvals and therefore reduced the total time.
DB2008	<i>Morocco</i>	Morocco made obtaining construction permits easier by introducing a one-stop shop which made the permit application less time consuming.
DB2009	<i>Egypt, Arab Rep.</i>	Egypt passed a new building code in 2008 that aims to establish a single window for processing construction related approvals and reduce procedures and time.
DB2009	<i>Mauritania</i>	Mauritania introduced its first building code. This simplifies the requirements for small construction projects and lays the groundwork for a one-stop shop for building permits.
DB2009	<i>West Bank and Gaza</i>	Rising prices for construction materials and price indexation increased the cost of dealing with building permits by ILS 14,923.499.
DB2010	<i>Algeria</i>	Algeria introduced new regulations to better administer the construction permitting process and ensure the timely and safe completion of construction projects.
DB2010	<i>Bahrain</i>	Bahrain made obtaining construction permits easier by further consolidating preliminary approvals for building permits in the One-Stop Shop; and reducing the time to obtain a building permit.

DB year	Economy	Reform
DB2010	<i>Egypt, Arab Rep.</i>	Egypt continued to ease the process of dealing with construction permits with the issuance of the Executive Articles of the 2008 Construction Law, and eliminating most pre-approvals for construction permits.
DB2010	<i>Jordan</i>	Jordan eased the process of dealing with construction permits by extending the services of the one-stop shop at the Greater Amman to mid-size commercial construction projects in 2009.
DB2010	<i>Saudi Arabia</i>	Saudi Arabia sped up the process of dealing with construction permits by introducing a 1 day permitting procedure, where builders can obtain a temporary building permit allowing them to begin construction after 1 day and a final building permit after 1 week.
DB2010	<i>United Arab Emirates</i>	The United Arab Emirates continued to improve its online system for processing building permits, which sped up building permit delivery times.
DB2011	<i>Saudi Arabia</i>	Saudi Arabia made dealing with construction permits easier for the second year in a row by introducing a new, streamlined process.
DB2012	<i>Djibouti</i>	Djibouti made dealing with construction permits costlier by increasing the fees for inspections and the building permit and adding a new inspection in the preconstruction phase.
DB2012	<i>Mauritania</i>	Mauritania made dealing with construction permits easier by opening a one-stop shop.
DB2012	<i>Morocco</i>	Morocco made dealing with construction permits easier by opening a one-stop shop.
DB2012	<i>Qatar</i>	Qatar made dealing with construction permits more difficult by increasing the time and cost to process building permits.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

GETTING ELECTRICITY

Access to reliable and affordable electricity is vital for businesses. To counter weak electricity supply, many firms in developing economies have to rely on self-supply, often at a prohibitively high cost. Whether electricity is reliably available or not, the first step for a customer is always to gain access by obtaining a connection.

What do the indicators cover?

Doing Business records all procedures required for a local business to obtain a permanent electricity connection and supply for a standardized warehouse, as well as the time and cost to complete them. These procedures include applications and contracts with electricity utilities, clearances from other agencies and the external and final connection works. The ranking on the ease of getting electricity is the simple average of the percentile rankings on its component indicators: procedures, time and cost. To make the data comparable across economies, several assumptions are used.

The warehouse:

- Is located in the economy's largest business city, in an area where other warehouses are located.
- Is not in a special economic zone where the connection would be eligible for subsidization or faster service.
- Has road access. The connection works involve the crossing of a road or roads but are carried out on public land.
- Is a new construction being connected to electricity for the first time.
- Has 2 stories, both above ground, with a total surface of about 1,300.6 square meters (14,000 square feet), and is built on a plot of 929 square meters (10,000 square feet).

The electricity connection:

- Is a 3-phase, 4-wire Y, 140-kilovolt-ampere (kVA) (subscribed capacity) connection.

WHAT THE GETTING ELECTRICITY INDICATORS MEASURE

Procedures to obtain an electricity connection (number)

- Submitting all relevant documents and obtaining all necessary clearances and permits
- Completing all required notifications and receiving all necessary inspections
- Obtaining external installation works and possibly purchasing material for these works
- Concluding any necessary supply contract and obtaining final supply

Time required to complete each procedure (calendar days)

- Is at least 1 calendar day
- Each procedure starts on a separate day
- Does not include time spent gathering information
- Reflects the time spent in practice, with little follow-up and no prior contact with officials

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

- Official costs only, no bribes
- Excludes value added tax

- Is 150 meters long.
- Is to either the low-voltage or the medium-voltage distribution network and either overhead or underground, whichever is more common in the economy and in the area where the warehouse is located. The length of any connection in the customer's private domain is negligible.
- Requires crossing of a 10-meter road but all the works are carried out in a public land, so there is no crossing into other people's private property.

- Involves installing one electricity meter. The monthly electricity consumption will be 0.07 gigawatt-hour (GWh). The internal electrical wiring has been completed.

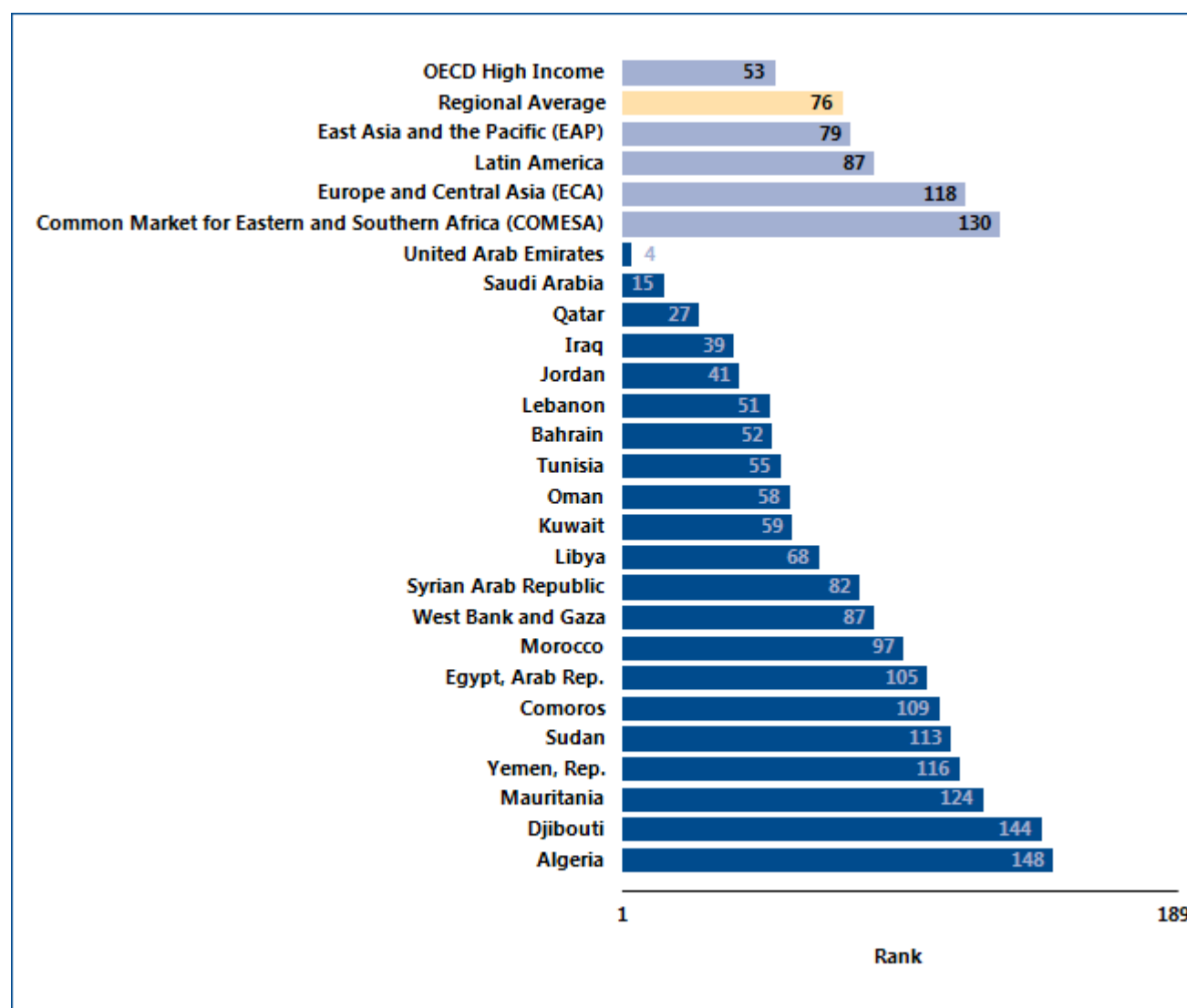
GETTING ELECTRICITY

Where do the region's economies stand today?

How easy is it for entrepreneurs in economies in Arab World to connect a warehouse to electricity? The global rankings of these economies on the ease of getting electricity suggest an answer (figure 4.1). The

average ranking of the region and comparator regions provide a useful benchmark.

Figure 4.1 How economies in Arab World rank on the ease of getting electricity



Source: Doing Business database.

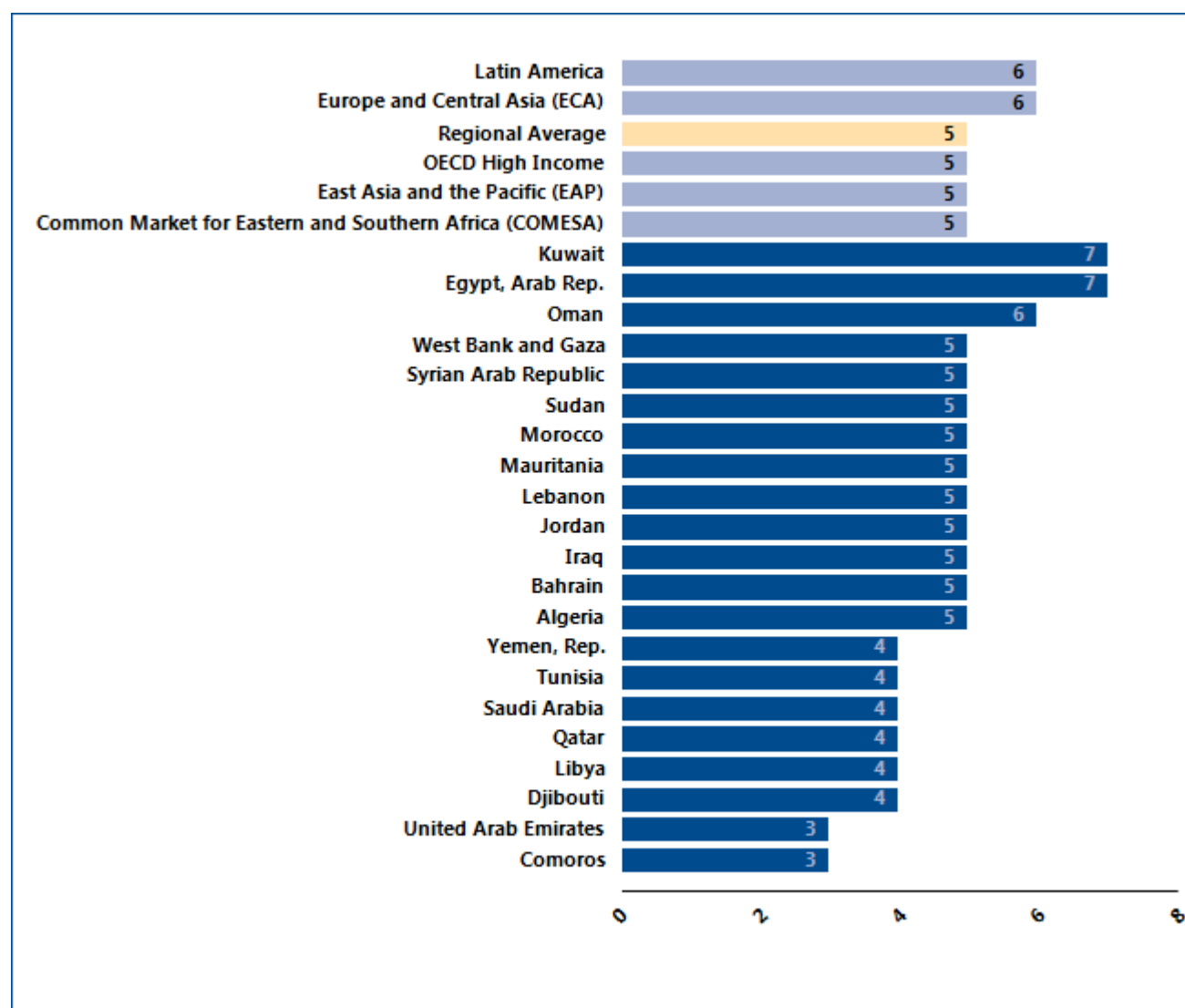
GETTING ELECTRICITY

The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to get a new electricity connection in each economy in the region: the number of procedures, the

time and the cost (figure 4.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

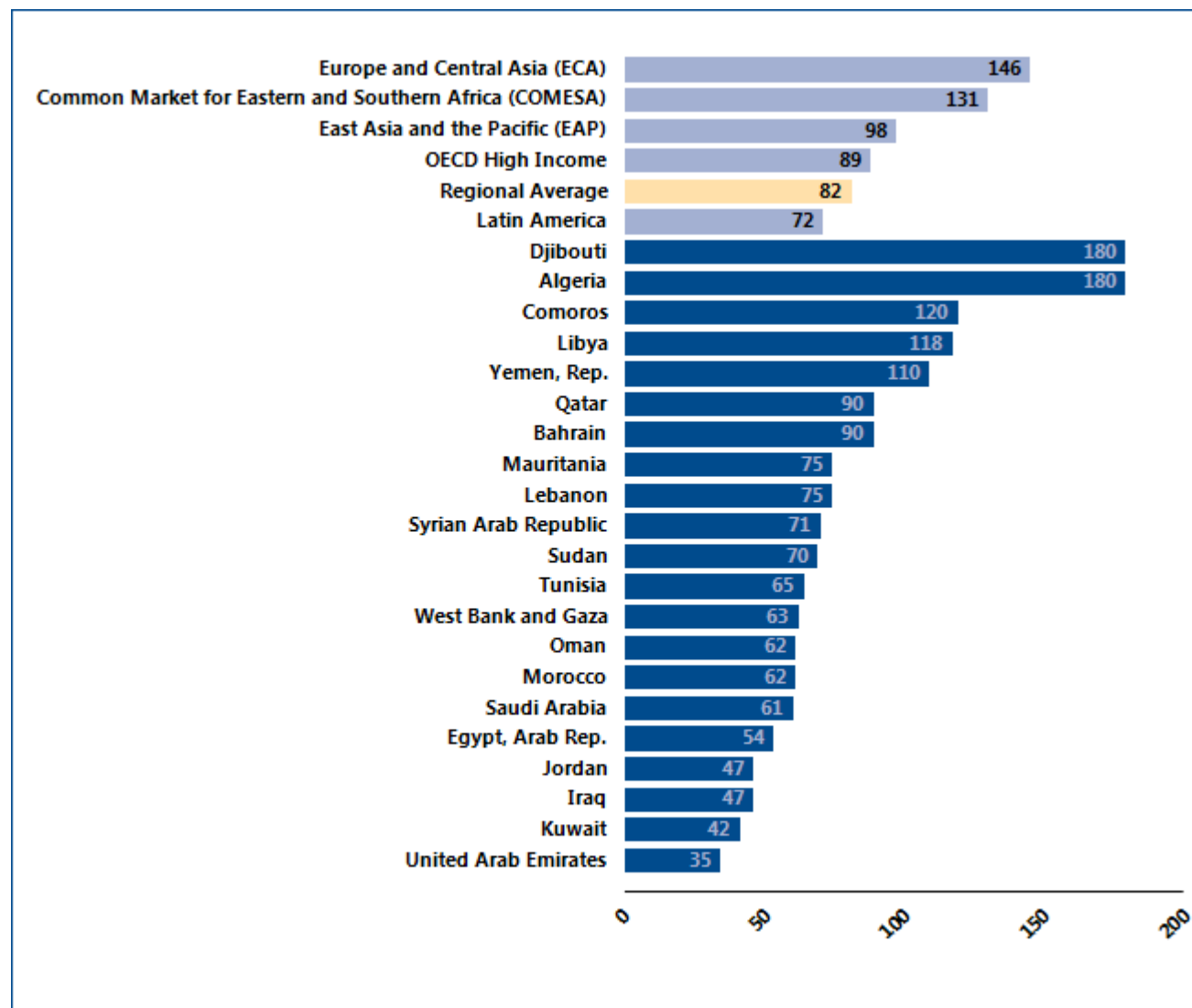
Figure 4.2 What it takes to get an electricity connection in economies in Arab World

Procedures (number)



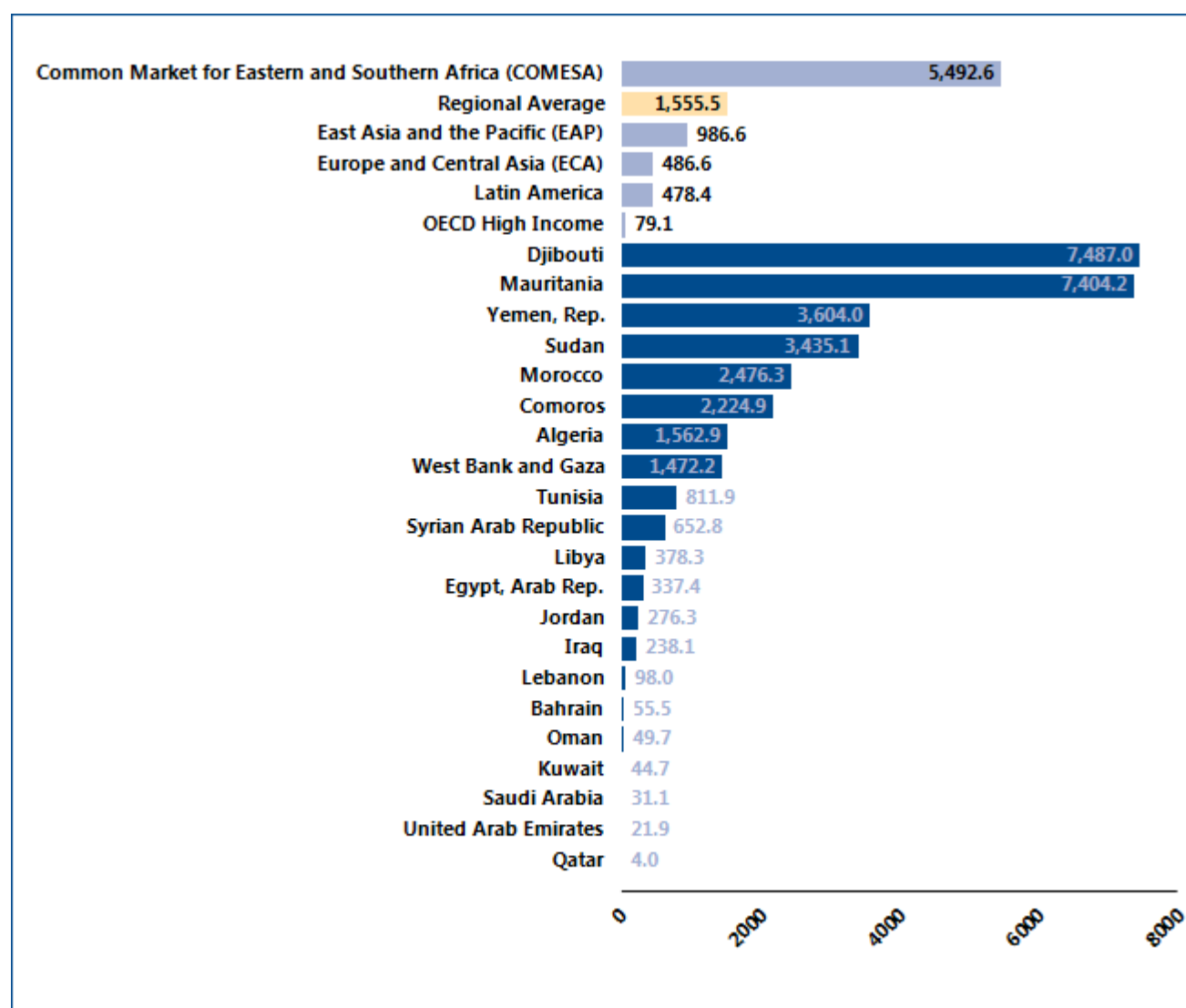
GETTING ELECTRICITY

Time (days)



GETTING ELECTRICITY

Cost (% of income per capita)



Source: Doing Business database.

GETTING ELECTRICITY

What are the changes over time?

Obtaining an electricity connection is essential to enable a business to conduct its most basic operations. In many economies the connection process is complicated by the multiple laws and regulations involved—covering service quality, general safety, technical standards, procurement practices and internal wiring installations. In an effort to ensure

safety in the connection process while keeping connection costs reasonable, governments around the world have worked to consolidate requirements for obtaining an electricity connection. What reforms in getting electricity has *Doing Business* recorded in Arab World (table 4.1)?

Table 4.1 How have economies in Arab World made getting electricity easier—or not?
By *Doing Business* report year

DB year	Economy	Reform
DB2012	<i>Lebanon</i>	Lebanon made getting electricity less costly by reducing the application fees and security deposit for a new connection.
DB2013	<i>Saudi Arabia</i>	Saudi Arabia made getting electricity more expensive by increasing the connection fees.
DB2013	<i>United Arab Emirates</i>	In the United Arab Emirates the Dubai Electricity and Water Authority made getting electricity easier by introducing an electronic “one window, one step” application process allowing customers to submit and track their applications online and reducing the time for processing the applications.
DB2014	<i>United Arab Emirates</i>	The United Arab Emirates made getting electricity easier by eliminating the requirement for site inspections and reducing the time required to provide new connections.

Source: *Doing Business* database.

REGISTERING PROPERTY

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. And where property is informal or poorly administered, it has little chance of being accepted as collateral for loans—limiting access to finance.

What do the indicators cover?

Doing Business records the full sequence of procedures necessary for a business to purchase property from another business and transfer the property title to the buyer's name. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it. The ranking on the ease of registering property is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

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.
- 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.

WHAT THE REGISTERING PROPERTY INDICATORS MEASURE

Procedures to legally transfer title on immovable property (number)

Preregistration procedures (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)

Registration procedures in the economy's largest business city

Postregistration procedures (for example, filing title with the municipality)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are an exception to this rule.

Procedure considered completed once final document is received

No prior 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

- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Consists of 557.4 square meters (6,000 square feet) of land and a 10-year-old, 2-story warehouse of 929 square meters (10,000 square feet). The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. There is no heating system. The property will be transferred in its entirety.

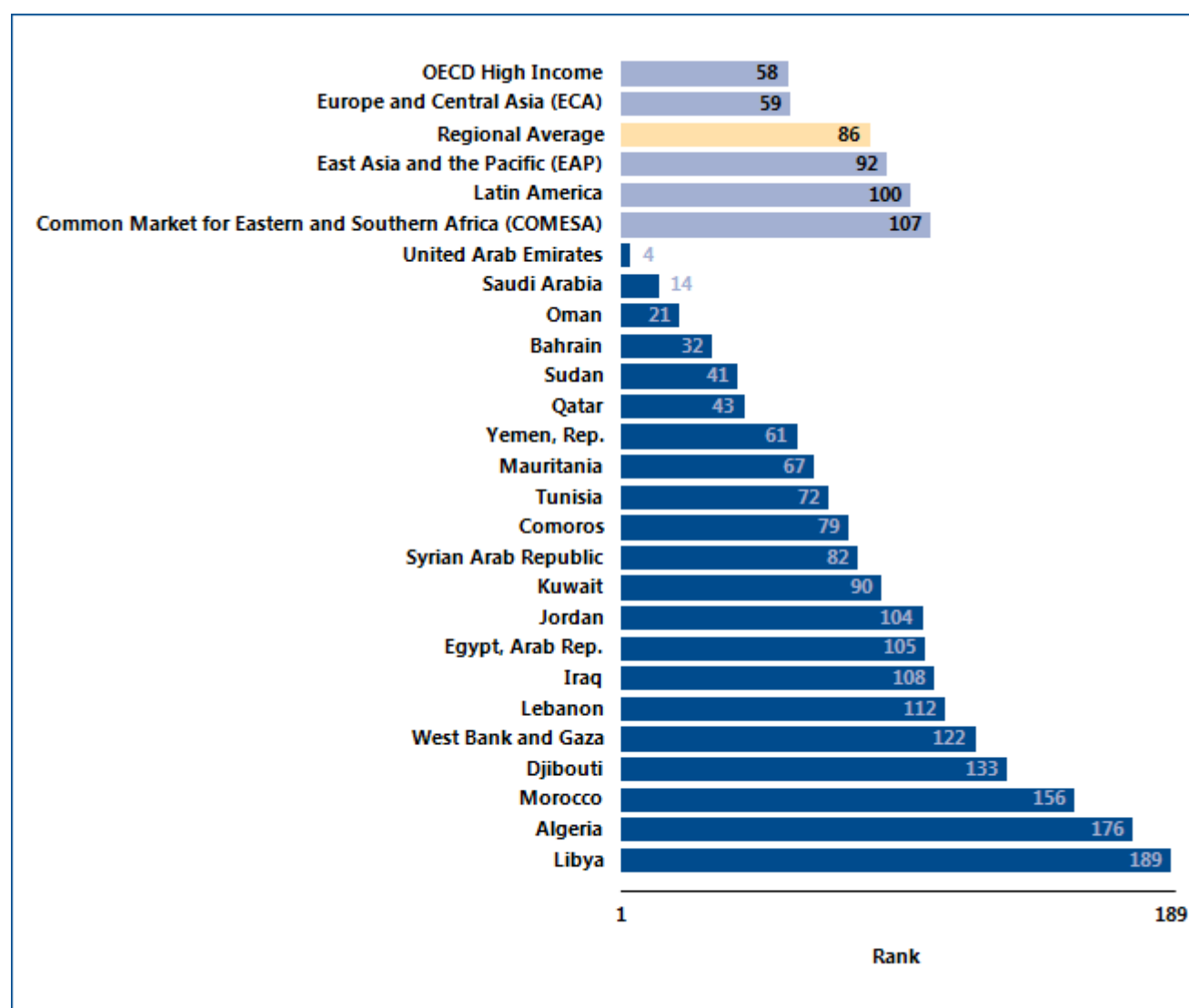
REGISTERING PROPERTY

Where do the region's economies stand today?

How easy is it for entrepreneurs in economies in Arab World to transfer property? The global rankings of these economies on the ease of registering property

suggest an answer (figure 5.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 5.1 How economies in Arab World rank on the ease of registering property



Source: Doing Business database.

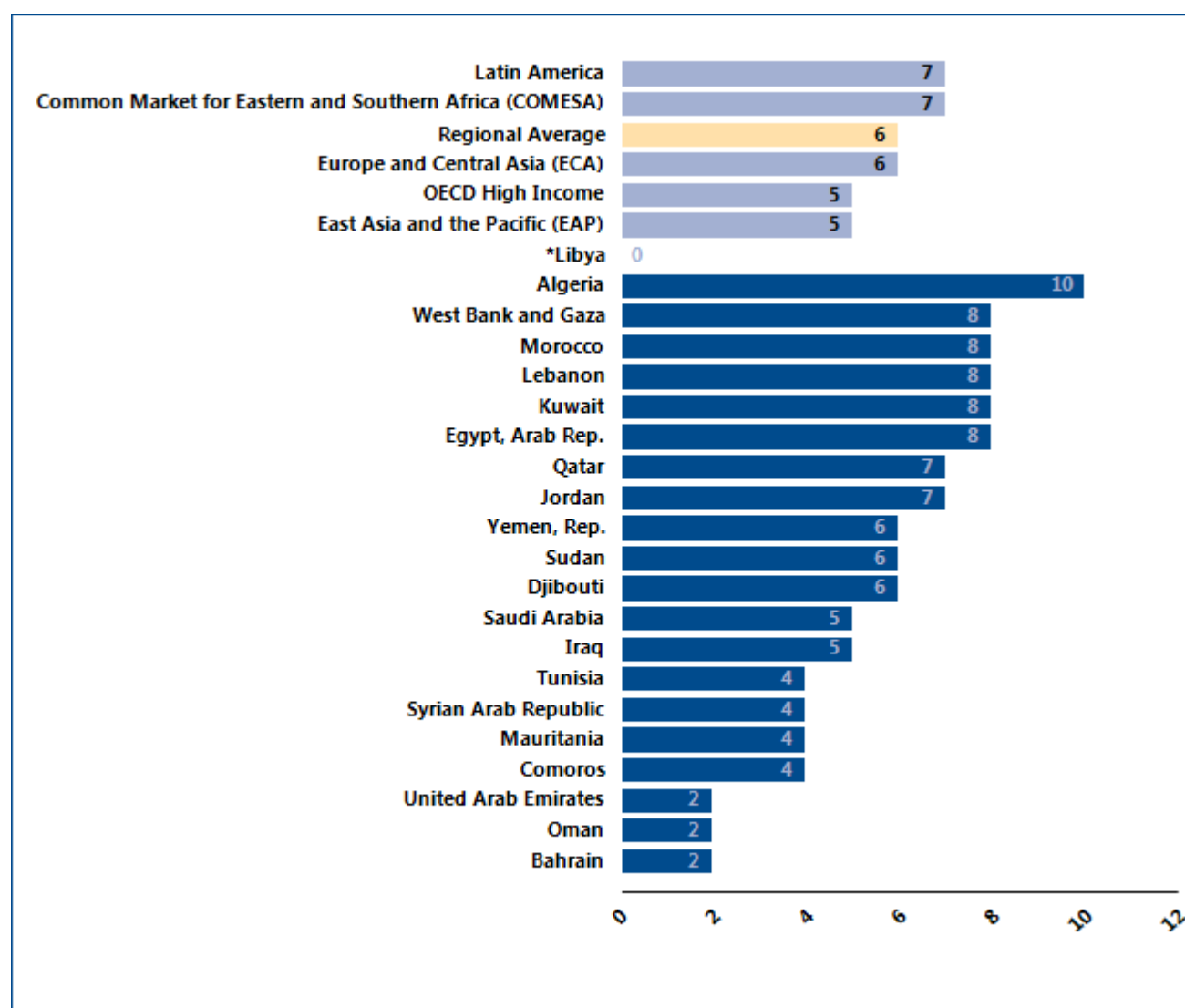
REGISTERING PROPERTY

The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to complete a property transfer in each economy in the region: the number of procedures,

the time and the cost (figure 5.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

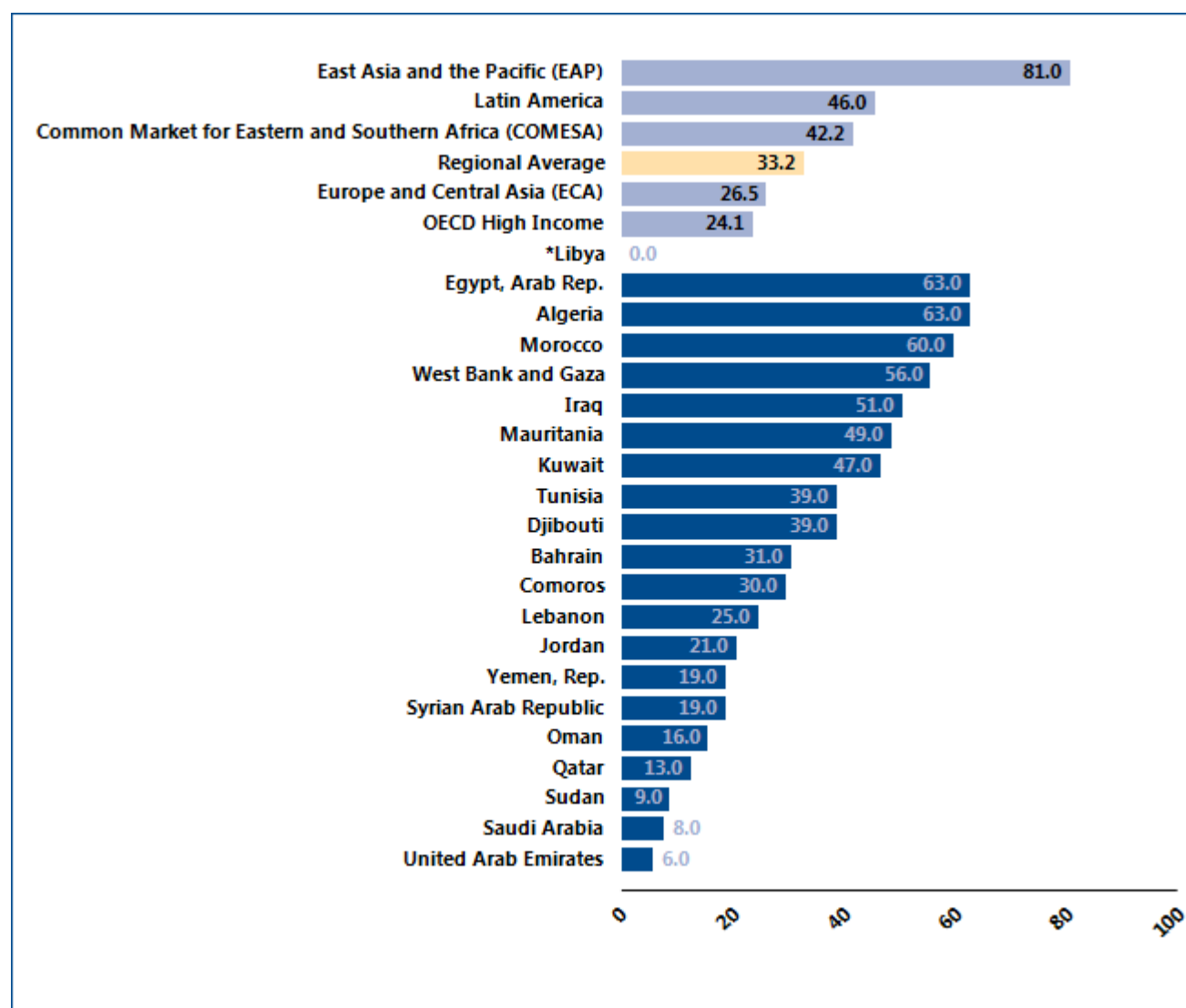
Figure 5.2 What it takes to register property in economies in Arab World

Procedures (number)



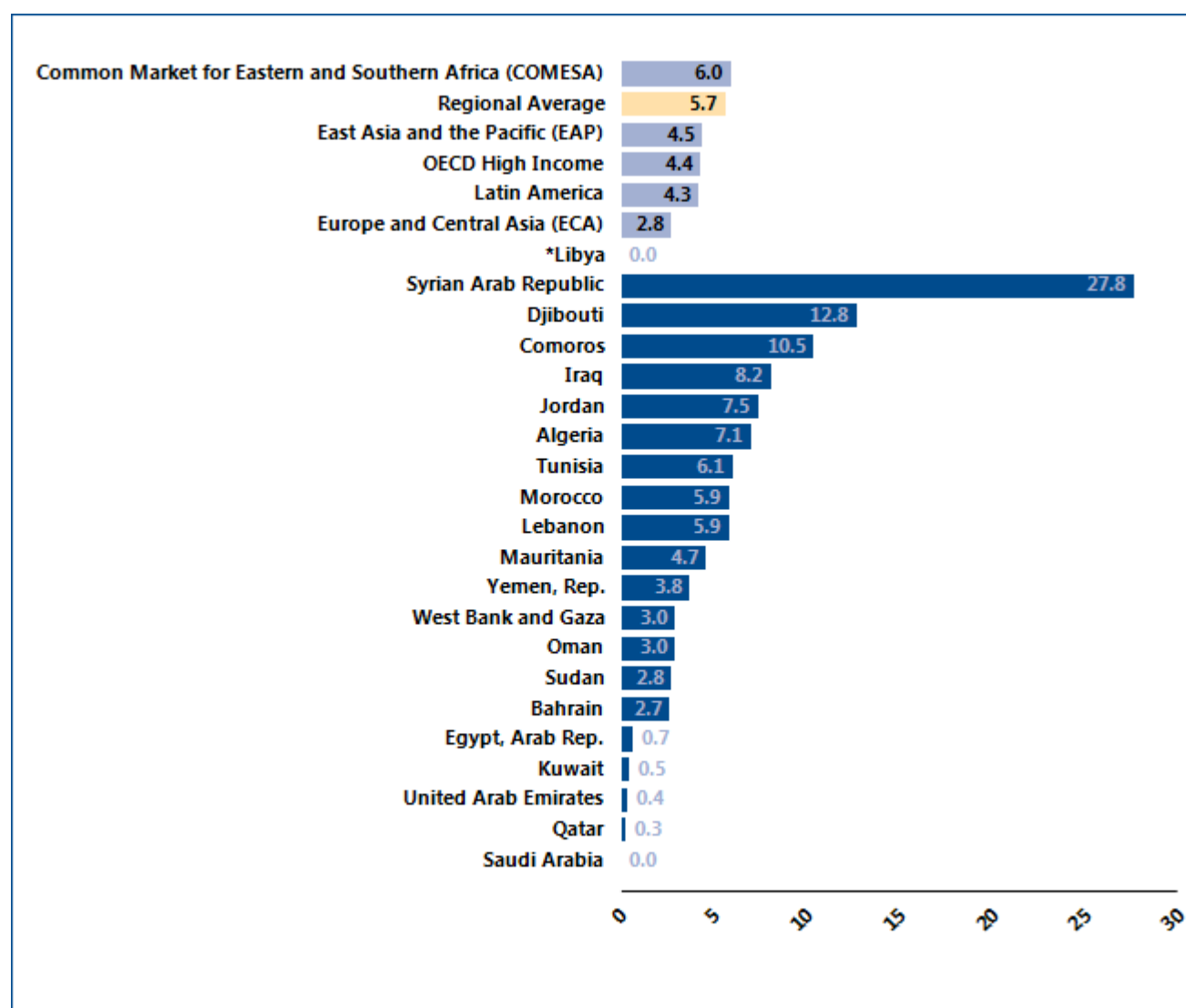
REGISTERING PROPERTY

Time (days)



REGISTERING PROPERTY

Cost (% of property value)



* Indicates a "no practice" mark. See the data notes for details.

Source: *Doing Business* database.

REGISTERING PROPERTY

What are the changes over time?

Economies worldwide have been making it easier for entrepreneurs to register and transfer property—such as by computerizing land registries, introducing time limits for procedures and setting low fixed fees. Many have cut the time required substantially—enabling

buyers to use or mortgage their property earlier. What property registration reforms has *Doing Business* recorded in Arab World (table 5.1)?

Table 5.1 How have economies in Arab World made registering property easier—or not?
By *Doing Business* report year

DB year	Economy	Reform
DB2008	<i>Djibouti</i>	Property registration was sped up by improving efficiency at the Service des Domaines.
DB2008	<i>Egypt, Arab Rep.</i>	The cost of registering property was reduced from 3% of the property value to a low fixed fee.
DB2008	<i>Morocco</i>	Morocco made registering property more cumbersome by implementing the requirement to check several tax agencies, rather than just one, in order to obtain a tax clearance certificate.
DB2008	<i>Tunisia</i>	Property registry files were computerized, reducing the time needed to register a property.
DB2009	<i>Egypt, Arab Rep.</i>	Egypt simplified administrative procedures, reorganized the business workflow between the real estate registry and the Egyptian Surveying Authority (ESA) and introduced time limits in several procedures. These reforms decreased the time to transfer a property in Cairo from 193 to 72 days.
DB2009	<i>Saudi Arabia</i>	Saudi Arabia adopted a comprehensive electronic system of registering title deeds. Procedures that were done manually, such as sending the original title deed to the Records Department or copy the details of the transaction are now done electronically from the Notary Public's office. As a result, the parties can transfer a property in 2 procedures and 2 days.
DB2010	<i>Algeria</i>	Algeria has made it easier and less costly to register property by reducing notary fees by 0.39% of the value of the property,

DB year	Economy	Reform
		and eliminating the capital gains tax.
DB2010	<i>Jordan</i>	Jordan reduced property transfer fees from 10 to 7.5% of property value.
DB2010	<i>West Bank and Gaza</i>	The West Bank and Gaza has sped up the process of registering property with a major project to computerize records at the land registry.
DB2011	<i>Bahrain</i>	Bahrain made registering property more burdensome by increasing the fees at the Survey and Land Registration Bureau.
DB2013	<i>Comoros</i>	The Comoros made it easier to transfer property by reducing the property transfer tax.
DB2013	<i>Morocco</i>	Morocco made registering property more costly by increasing property registration fees.
DB2013	<i>West Bank and Gaza</i>	West Bank and Gaza made transferring property more costly by increasing the property transfer fee.
DB2014	<i>Morocco</i>	Morocco made transferring property easier by reducing the time required to register a deed of transfer at the tax authority.
DB2014	<i>United Arab Emirates</i>	The United Arab Emirates made transferring property easier by increasing the operating hours of the land registry and reducing transfer fees.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

GETTING CREDIT

Two types of frameworks can facilitate access to credit and improve its allocation: credit information systems and the borrowers and lenders' rights in collateral and bankruptcy laws. Credit information systems enable lenders to view a potential borrower's financial history (positive or negative)—valuable information to consider when assessing risk. And they permit borrowers to establish a good credit history that will allow easier access to credit. Sound collateral laws enable businesses to use their assets, especially movable property, as security to generate capital—while strong creditors' rights have been associated with higher ratios of private sector credit to GDP.

What do the indicators cover?

Doing Business assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a public credit registry or a private credit bureau. The strength of legal rights index measures whether certain features that facilitate lending exist within the applicable collateral and bankruptcy laws. *Doing Business* uses case scenarios to determine the scope of the secured transactions system, involving a secured borrower and a secured lender and examining legal restrictions on the use of movable collateral. These scenarios assume that the borrower:

- Is a private, incorporated, limited liability company.
- Has its headquarters and only base of operations in the largest business city.

WHAT 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 adult population

Private credit bureau coverage (% of adults)

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

- Has up to 100 employees.
- Is 100% domestically owned, as is the lender.

The ranking on the ease of getting credit is based on the percentile rankings on the sum of its component indicators: the depth of credit information index and the strength of legal rights index.

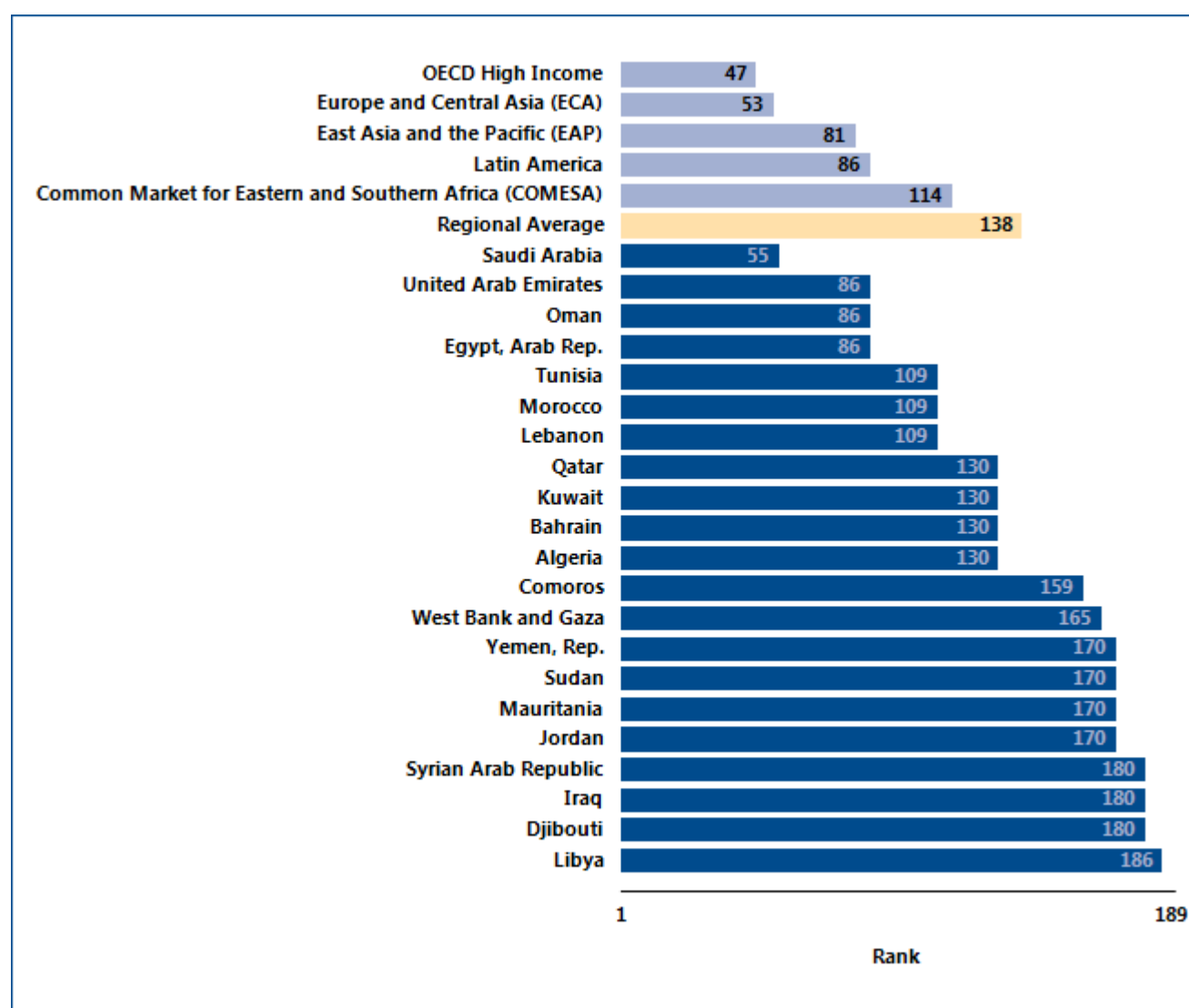
GETTING CREDIT

Where do the region's economies stand today?

How well do the credit information systems and collateral and bankruptcy laws in economies in Arab World facilitate access to credit? The global rankings of these economies on the ease of getting credit suggest

an answer (figure 6.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 6.1 How economies in Arab World rank on the ease of getting credit



Source: Doing Business database.

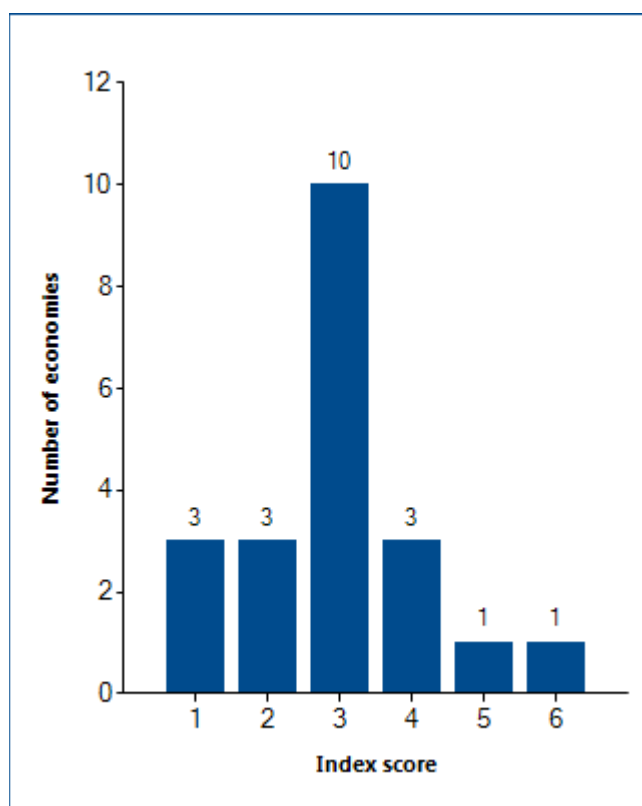
GETTING CREDIT

Another way to assess how well regulations and institutions support lending and borrowing in the region is to look at the distribution of its economies by their scores on the getting credit indicators. Figure 6.2 shows how many economies in the region received a

particular score on the strength of legal rights index. Figure 6.3 shows the same thing for the depth of credit information index. Higher scores indicate stronger legal rights for borrowers and lenders and more credit information.

Figure 6.2 How strong are legal rights for borrowers and lenders in economies in Arab World?

Number of economies in region with each score on strength of legal rights index (0–10)

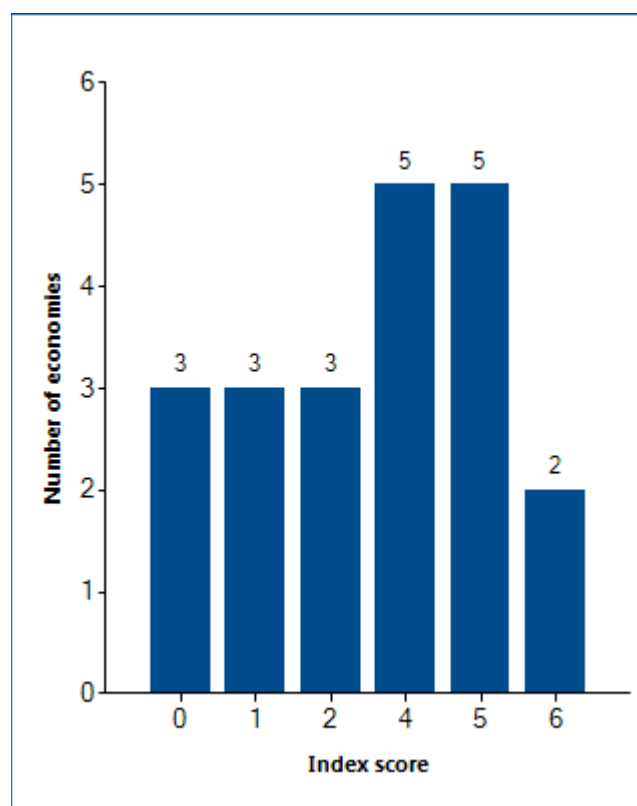


Note: Higher scores indicate that collateral and bankruptcy laws are better designed to facilitate access to credit.

Source: Doing Business database.

Figure 6.3 How extensive—and how accessible—is credit information in economies in Arab World?

Number of economies in region with each score on depth of credit information index (0–6)



Note: Higher scores indicate the availability of more credit information, from either a credit registry or a credit bureau, to facilitate lending decisions.

Source: Doing Business database.

GETTING CREDIT

What are the changes over time?

When economies strengthen the legal rights of lenders and borrowers under collateral and bankruptcy laws, and increase the scope, coverage and accessibility of

credit information, they can increase entrepreneurs' access to credit. What credit reforms has *Doing Business* recorded in Arab World (table 6.1)?

Table 6.1 How have economies in Arab World made getting credit easier—or not?
By *Doing Business* report year

DB year	Economy	Reform
DB2008	<i>Egypt, Arab Rep.</i>	Egypt eased the access to credit information by creating a new private credit bureau. The new credit bureau will distribute negative data about consumers and firms. It is guaranteed by law that borrowers can access the credit information stored in the private bureau.
DB2008	<i>Kuwait</i>	The private credit bureau has added retailers to its information suppliers database
DB2008	<i>Saudi Arabia</i>	The credit information index for the private bureau was enhanced by launching a commercial credit bureau that issues reports including the credit exposure of companies.
DB2008	<i>Tunisia</i>	Credit information was enhanced by lowering the minimum loan requirement at its public registry from 20,000 DT to zero.
DB2008	<i>West Bank and Gaza</i>	The public credit registry lowered the minimum loan requirement from 10,000 USD to 0, and instructed all the banks to disclose all loans granted to customers without minimum requirements; coverage has tripled.
DB2009	<i>Egypt, Arab Rep.</i>	Borrowers have the right to inspect the data stored in the private credit bureau, thanks to new regulations from the Central bank of Egypt. Allowing borrowers to check their data helps improve the quality and accuracy of credit information in Egypt
DB2009	<i>Morocco</i>	New regulations in Morocco guarantee the right of borrowers to inspect the data stored in the public credit registry. By being able to review their credit information, borrowers help improve the quality and accuracy of the credit data utilized by financial institutions
DB2009	<i>Tunisia</i>	After a legal reform, Tunisia now collects and distributes more detailed information from banks, including positive

DB year	Economy	Reform
		information (like loan amounts) and negative information (like arrears and defaults). Also, it is now guaranteed by law that individuals and firms can consult their credit data in all Central Bank offices.
DB2009	<i>United Arab Emirates</i>	<p>United Arab Emirates established a new private credit bureau that collects information on all loans. Borrowers also have the right to inspect their credit data in the new bureau.</p> <p>The bureau will significantly increase the capacity of banks to better assess the credit worthiness of borrowers.</p>
DB2009	<i>West Bank and Gaza</i>	West Bank and Gaza's public credit registry set up an online system for banks to update information and obtain credit reports. Facilitating the exchange of information increases the quality and scope of information distributed by the public credit registry.
DB2010	<i>Egypt, Arab Rep.</i>	Access to credit information in Egypt has expanded with the addition of retailers to the database of the private credit bureau, I-score.
DB2010	<i>Morocco</i>	Morocco has strengthened access to credit with a new private credit bureau which started operations in March 2009.
DB2010	<i>Yemen, Rep.</i>	Yemen improved its access to credit information by removing the minimum loan threshold for inclusion in the database and guaranteeing the right of borrowers to view their credit reports.
DB2011	<i>Jordan</i>	Jordan improved its credit information system by setting up a regulatory framework for establishing a private credit bureau as well as lowering the threshold for loans to be reported to the public credit registry.
DB2011	<i>Lebanon</i>	Lebanon improved its credit information system by allowing banks online access to the public credit registry's reports.
DB2011	<i>Saudi Arabia</i>	An amendment to Saudi Arabia's commercial lien law enhanced access to credit by making secured lending more flexible and allowing out-of-court enforcement in case of default.
DB2011	<i>Syrian Arab Republic</i>	Syria enhanced access to credit by eliminating the minimum threshold for loans included in the database, which expanded the coverage of individuals and firms to 2.8% of the adult

DB year	Economy	Reform
		population.
DB2011	<i>United Arab Emirates</i>	The United Arab Emirates enhanced access to credit by setting up a legal framework for the operation of the private credit bureau and requiring that financial institutions share credit information.
DB2012	<i>Algeria</i>	Algeria improved its credit information system by guaranteeing by law the right of borrowers to inspect their personal data.
DB2012	<i>Comoros</i>	Access to credit in Comoros was improved through amendments to the OHADA Uniform Act on Secured Transactions that broaden the range of assets that can be used as collateral (including future assets), extend the security interest to the proceeds of the original asset and introduce the possibility of out-of-court enforcement.
DB2012	<i>Oman</i>	Oman improved its credit information system by launching the Bank Credit and Statistical Bureau System, which collects historical information on performing and nonperforming loans for both firms and individuals.
DB2012	<i>Qatar</i>	Qatar improved its credit information system by starting to distribute historical data and eliminating the minimum threshold for loans included in the database.
DB2012	<i>United Arab Emirates</i>	The United Arab Emirates improved its credit information system through a new law allowing the establishment of a federal credit bureau under the supervision of the central bank.
DB2013	<i>Algeria</i>	Algeria improved access to credit information by eliminating the minimum threshold for loans to be included in the database.
DB2013	<i>Oman</i>	Oman improved access to credit information by guaranteeing borrowers' right to inspect their personal data.
DB2013	<i>Syrian Arab Republic</i>	Syria improved access to credit information by establishing an online system for data exchange between all banks and microfinance institutions and the central bank's credit registry.
DB2013	<i>West Bank and Gaza</i>	West Bank and Gaza improved access to credit information by guaranteeing borrowers' right to inspect their personal

DB year	Economy	Reform
		data.
DB2014	<i>Bahrain</i>	Bahrain improved access to credit information by starting to collect payment information from retailers.
DB2014	<i>Djibouti</i>	Djibouti strengthened its secured transactions system by adopting a new commercial code, which broadens the range of movable assets that can be used as collateral.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

PROTECTING INVESTORS

Protecting investors matters for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. If the laws do not protect minority shareholders, investors may be reluctant to provide funding to companies through the purchase of shares unless they become the controlling shareholders. Effective regulations define related-party transactions precisely, promote clear and efficient disclosure requirements, require shareholder participation in major decisions of the company and set detailed standards of accountability for company insiders.

What do the indicators cover?

Doing Business measures the strength of minority shareholder protections against directors' use of corporate assets for personal gain—or self-dealing. The indicators distinguish 3 dimensions of investor protections: transparency of related-party transactions (extent of disclosure index), liability for self-dealing (extent of director liability index) and minority shareholders' access to evidence before and during (ease of shareholder suits index). The ranking on the strength of investor protection index is the simple average of the percentile rankings on these 3 indices. To make the data comparable across economies, a case study uses several assumptions about the business and the transaction.

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 involves the following details:

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.

WHAT THE PROTECTING INVESTORS INDICATORS MEASURE

Extent of disclosure index (0–10)

- Approval process for related-party transactions
- Disclosure requirements in case of related-party transactions

Extent of director liability index (0–10)

- Ability of minority shareholders to file a direct or derivative lawsuit
- Ability of minority shareholders to hold interested parties and members of the approving body liable for prejudicial related-party transactions
- Available legal remedies (damages, disgorgement of profits, fines, imprisonment and rescission of the transaction)

Ease of shareholder suits index (0–10)

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

Strength of investor protection index (0–10)

- Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices
- 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 Buyer.
- Shareholders sue the interested parties and the members of the board of directors.

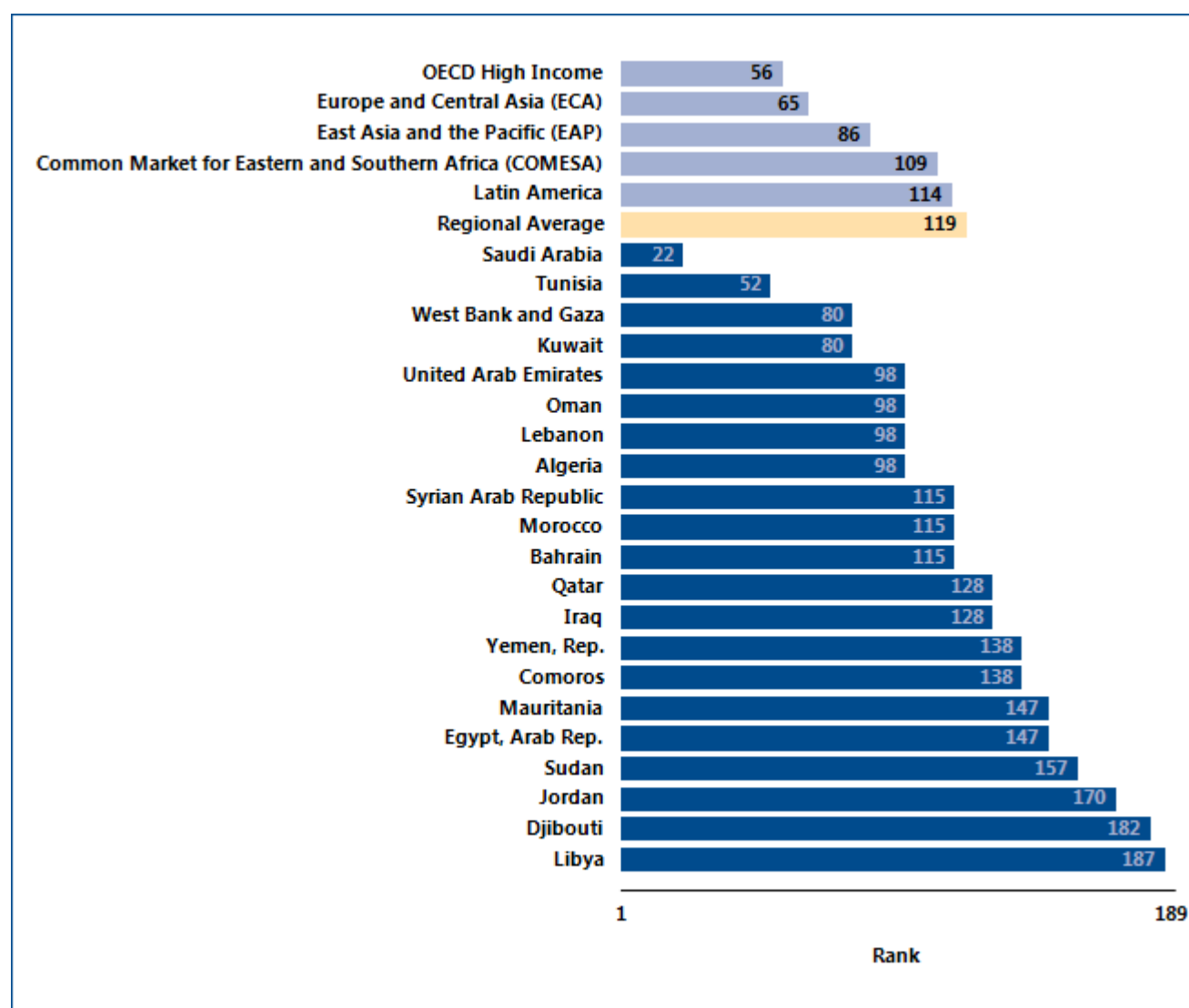
PROTECTING INVESTORS

Where do the region's economies stand today?

How strong are investor protections against self-dealing in economies in Arab World? The global rankings of these economies on the strength of investor protection index suggest an answer (figure 7.1). While the indicator does not measure all aspects

related to the protection of minority investors, a higher ranking does indicate that an economy's regulations offer stronger investor protections against self-dealing in the areas measured.

Figure 7.1 How economies in Arab World rank on the strength of investor protection index



Source: Doing Business database.

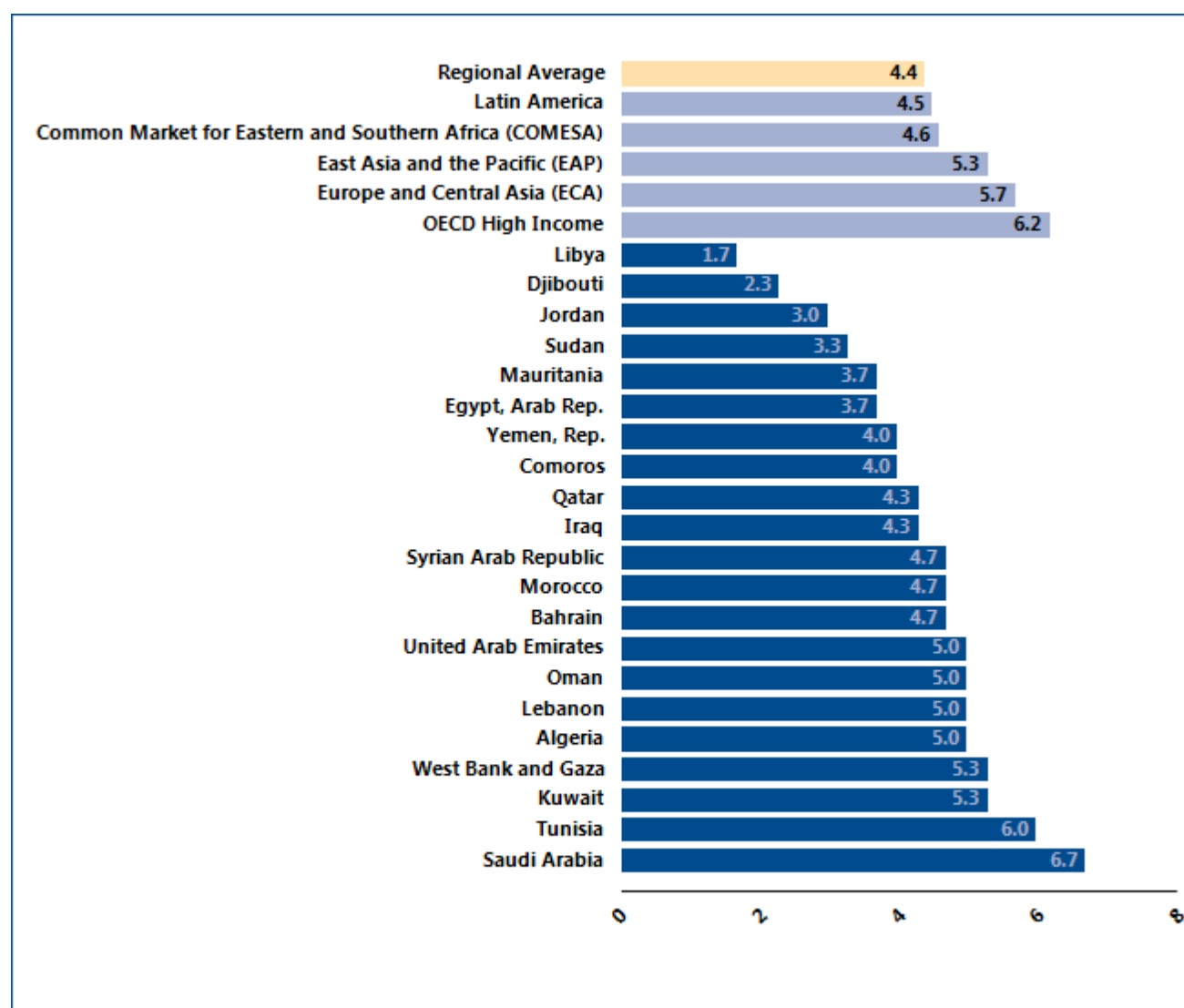
PROTECTING INVESTORS

But the overall ranking on the strength of investor protection index tells only part of the story. Economies may offer strong protections in some areas but not others. So the number of economies in Arab World that have a certain score recorded on the extent of disclosure, extent of director liability and ease of

shareholder suits indices may also be revealing (figure 7.2). Higher scores indicate stronger investor protections. Comparing the scores across the region on the strength of investor protection index and with averages both for the region and for comparator regions can provide useful insights.

Figure 7.2 How strong are investor protections in economies in Arab World?

Strength of investor protection index (0–10)

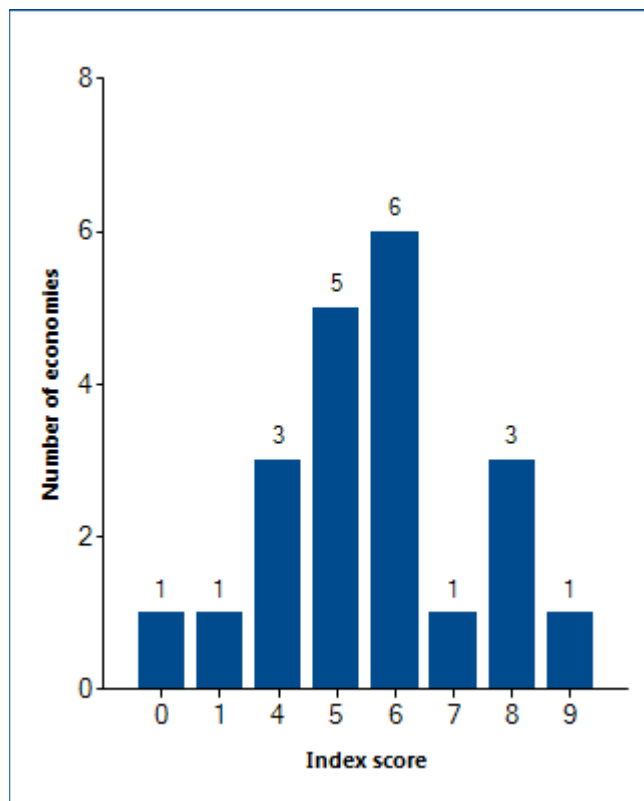


Source: Doing Business database.

PROTECTING INVESTORS

Extent of disclosure index (0–10)

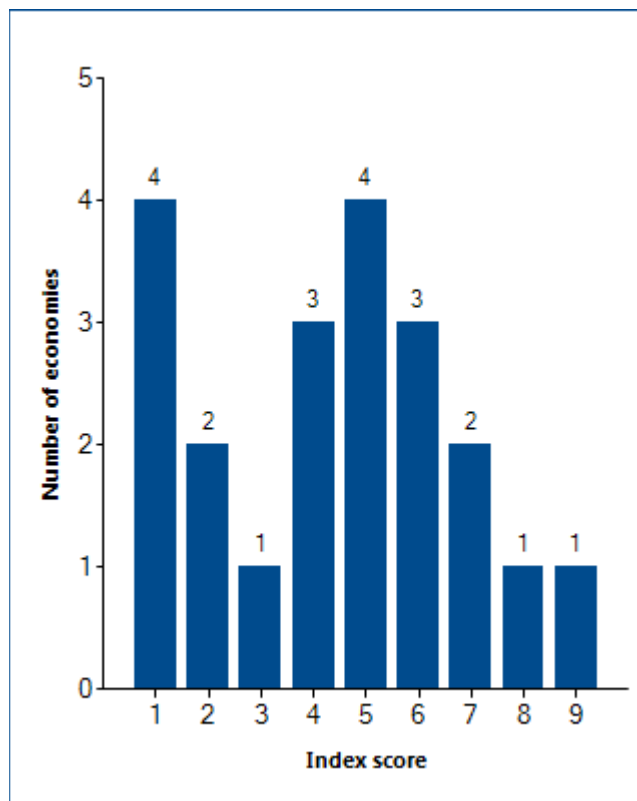
Number of economies in region with each score on extent of disclosure index (0–10)



Note: Higher scores indicate greater disclosure.
Source: Doing Business database.

Extent of director liability index (0–10)

Number of economies in region with each score on extent of director liability index (0–10)

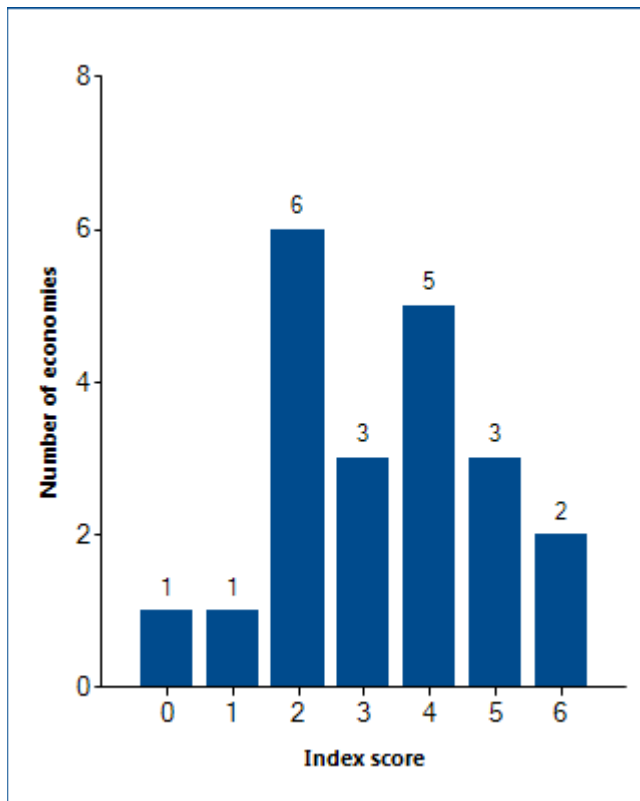


Note: Higher scores indicate greater liability of directors.
Source: Doing Business database.

PROTECTING INVESTORS

Ease of shareholder suits index (0–10)

Number of economies in region with each score on ease of shareholder suits index (0–10)



Note: Higher scores indicate greater powers of shareholders to challenge the transaction.

Source: *Doing Business* database.

PROTECTING INVESTORS

What are the changes over time?

Economies with the strongest protections of minority investors from self-dealing require detailed disclosure and define clear duties for directors. They also have well-functioning courts and up-to-date procedural rules that give minority shareholders the means to prove their case and obtain a judgment within a

reasonable time. So reforms to strengthen investor protections may move ahead on different fronts—such as through new or amended company laws, securities regulations or revisions to court procedures. What investor protection reforms has *Doing Business* recorded in Arab World (table 7.1)?

Table 7.1 How have economies in Arab World strengthened investor protections—or not?
By *Doing Business* report year

DB year	Economy	Reform
DB2009	<i>Egypt, Arab Rep.</i>	Egypt strengthened investor protections by requiring that an independent body (auditor) assess transactions between interested parties as a prior step to approval.
DB2009	<i>Saudi Arabia</i>	Saudi Arabia strengthened investor protections by prohibiting interested parties to vote on the approval of related-party transactions, and by increasing sanctions against directors.
DB2009	<i>Tunisia</i>	Tunisia strengthened investor protections by allowing minority investors to request in court the rescission of prejudicial related-party transactions.
DB2010	<i>Tunisia</i>	Tunisia amended the Code des Sociétés Commerciales that strengthened investor protections by requiring greater corporate disclosure.
DB2011	<i>Morocco</i>	Morocco strengthened investor protections by requiring greater disclosure in companies' annual reports.
DB2012	<i>Morocco</i>	Morocco strengthened investor protections by allowing minority shareholders to obtain any nonconfidential corporate document during trial.
DB2014	<i>Kuwait</i>	Kuwait strengthened investor protections by making it possible for minority shareholders to request the appointment of an auditor to review the company's activities.
DB2014	<i>United Arab Emirates</i>	The United Arab Emirates strengthened investor protections by introducing greater disclosure requirements for related-

DB year	Economy	Reform
		party transactions in the annual report and to the stock exchange and by making it possible to sue directors when such transactions harm

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

PAYING TAXES

Taxes are essential. They fund the public amenities, infrastructure and services that are crucial for a properly functioning economy. But the level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. According to *Doing Business* data, in economies where it is more difficult and costly to pay taxes, larger shares of economic activity end up in the informal sector—where businesses pay no taxes at all.

What do the indicators cover?

Using a case scenario, *Doing Business* measures the taxes and mandatory contributions that a medium-size company must pay in a given year as well as the administrative burden of paying taxes and contributions. This case scenario uses a set of financial statements and assumptions about transactions made over the year. Information is also compiled on the frequency of filing and payments as well as time taken to comply with tax laws. The ranking on the ease of paying taxes is the simple average of the percentile rankings on its component indicators: number of annual payments, time and total tax rate, with a threshold being applied to the total tax rate.¹ To make the data comparable across economies, several assumptions about the business and the taxes and contributions are used.

- TaxpayerCo is a medium-size business that started operations on January 1, 2011.
- 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.

WHAT THE PAYING TAXES INDICATORS MEASURE

Tax payments for a manufacturing company in 2012 (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

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

- Taxes and mandatory contributions include corporate income tax, turnover tax and all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

¹ The threshold is defined as the highest total tax rate among the top 15% of economies in the ranking on the total tax rate. It is calculated and adjusted on a yearly basis. The threshold is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the lower end of the distribution of tax rates levied on medium-size enterprises in the manufacturing sector as observed through the paying taxes indicators. This reduces the bias in the indicators toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). This year's threshold is 25.5%.

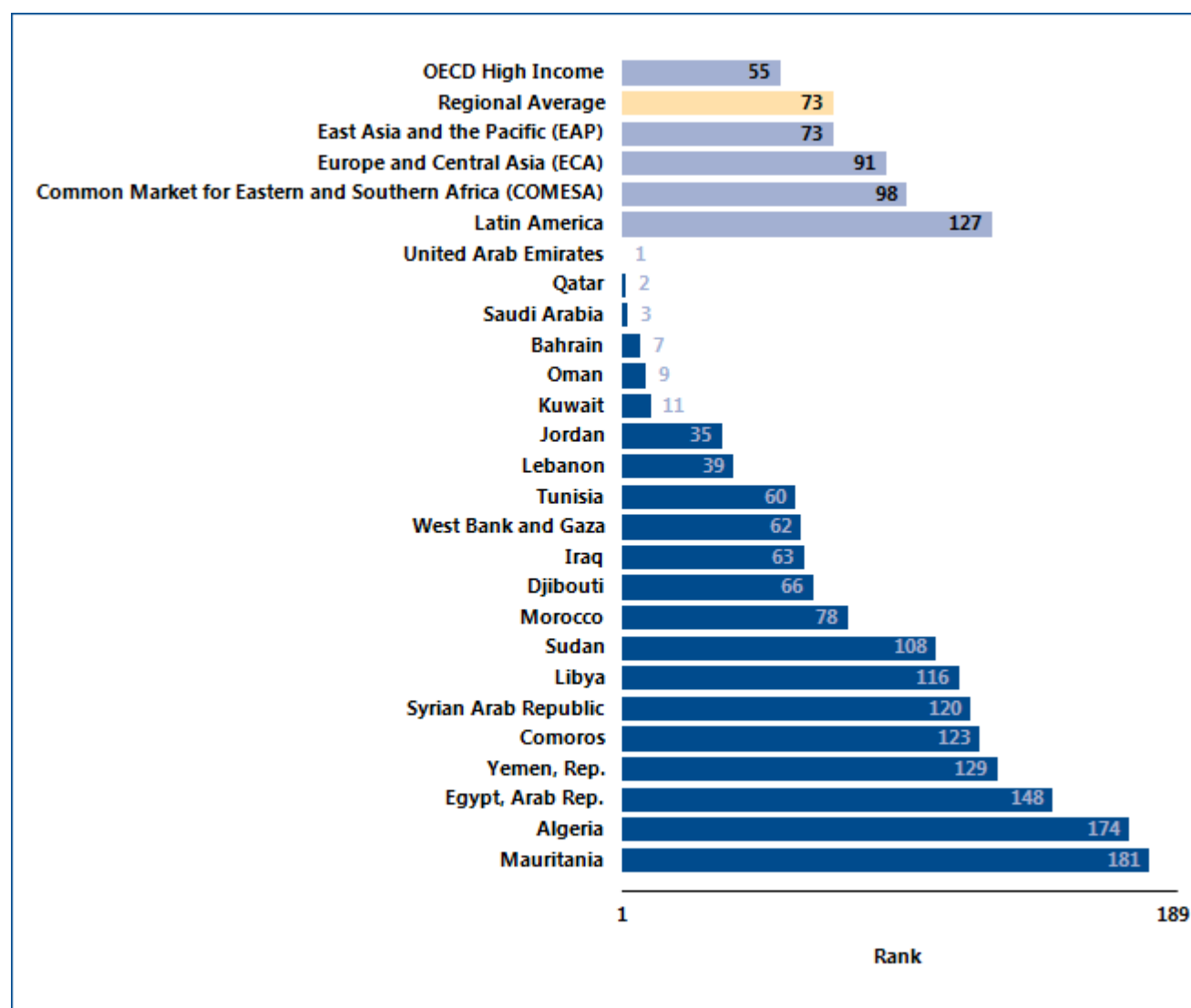
PAYING TAXES

Where do the region's economies stand today?

What is the administrative burden of complying with taxes in economies in Arab World—and how much do firms pay in taxes? The global rankings of these economies on the ease of paying taxes offer useful

information for assessing the tax compliance burden for businesses (figure 8.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 8.1 How economies in Arab World rank on the ease of paying taxes



Note: For all economies with a total tax rate below the threshold of 25.5% applied in DB2014, the total tax rate is set at 25.5% for the purpose of calculating the ranking on the ease of paying taxes.

Source: Doing Business database.

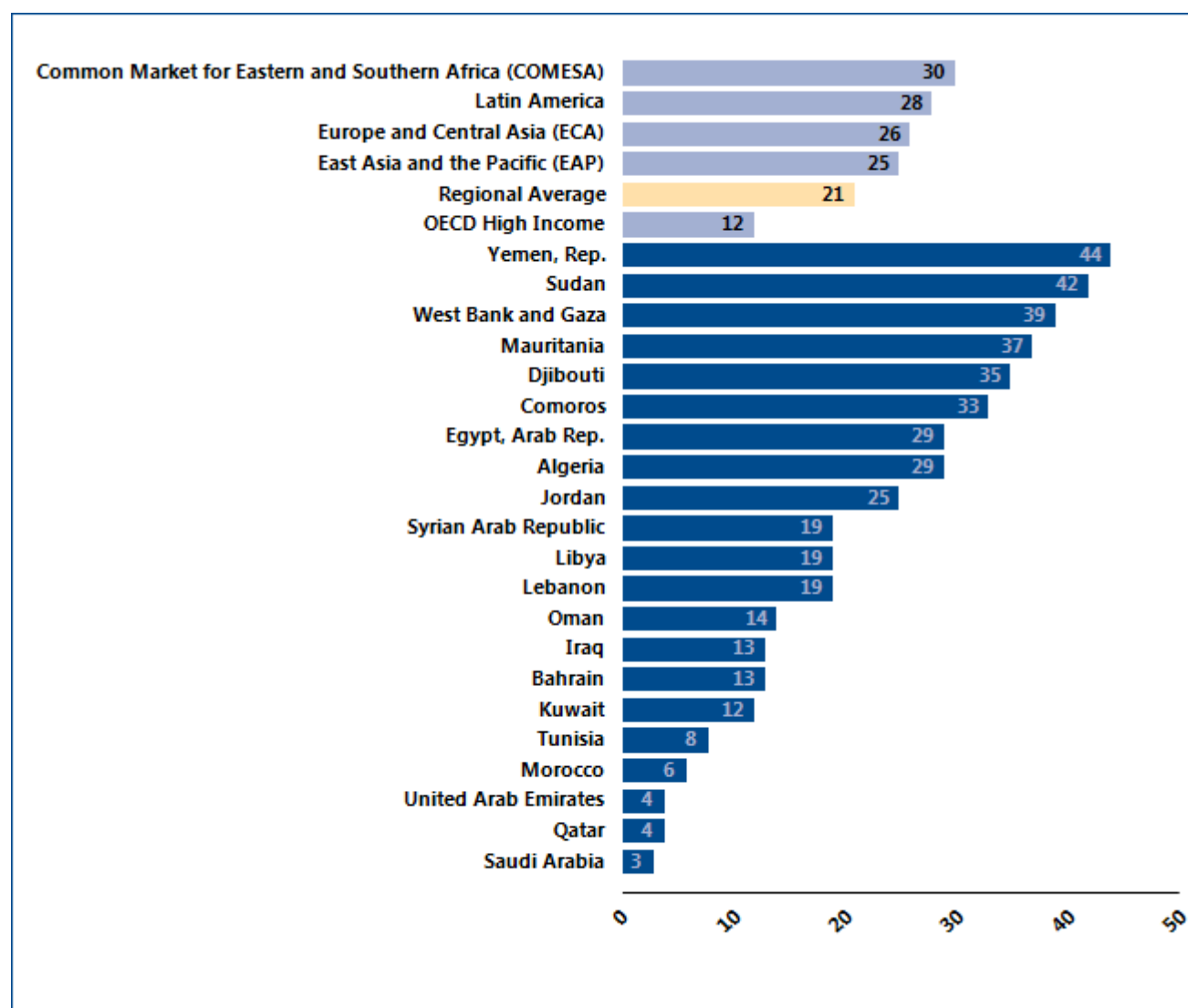
PAYING TAXES

The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to comply with tax regulations in each economy in the region—the number of payments per year and the time required to prepare and file taxes—

as well as the total tax rate (figure 8.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

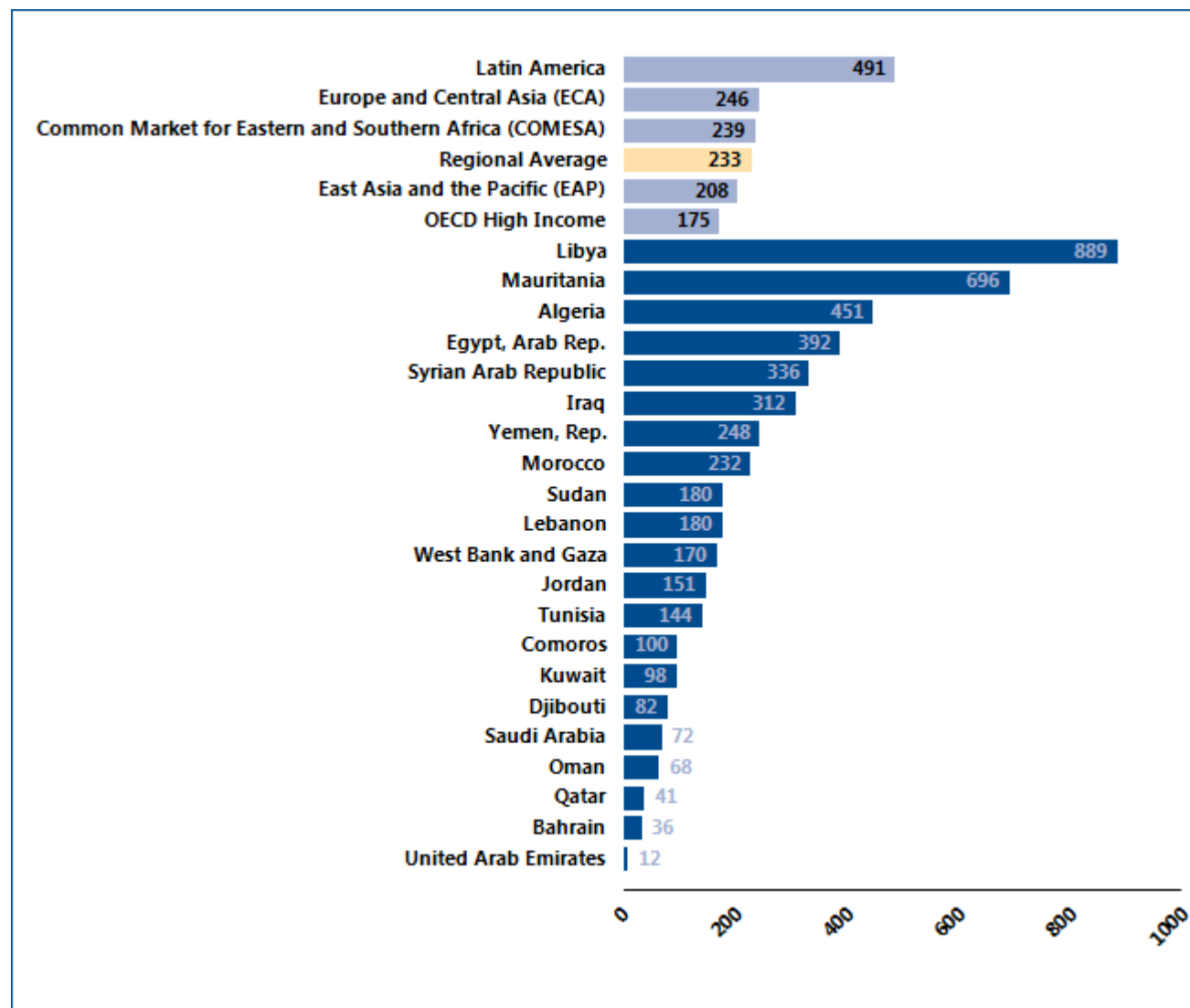
Figure 8.2 How easy is it to pay taxes in economies in Arab World—and what are the total tax rates?

Payments (number per year)



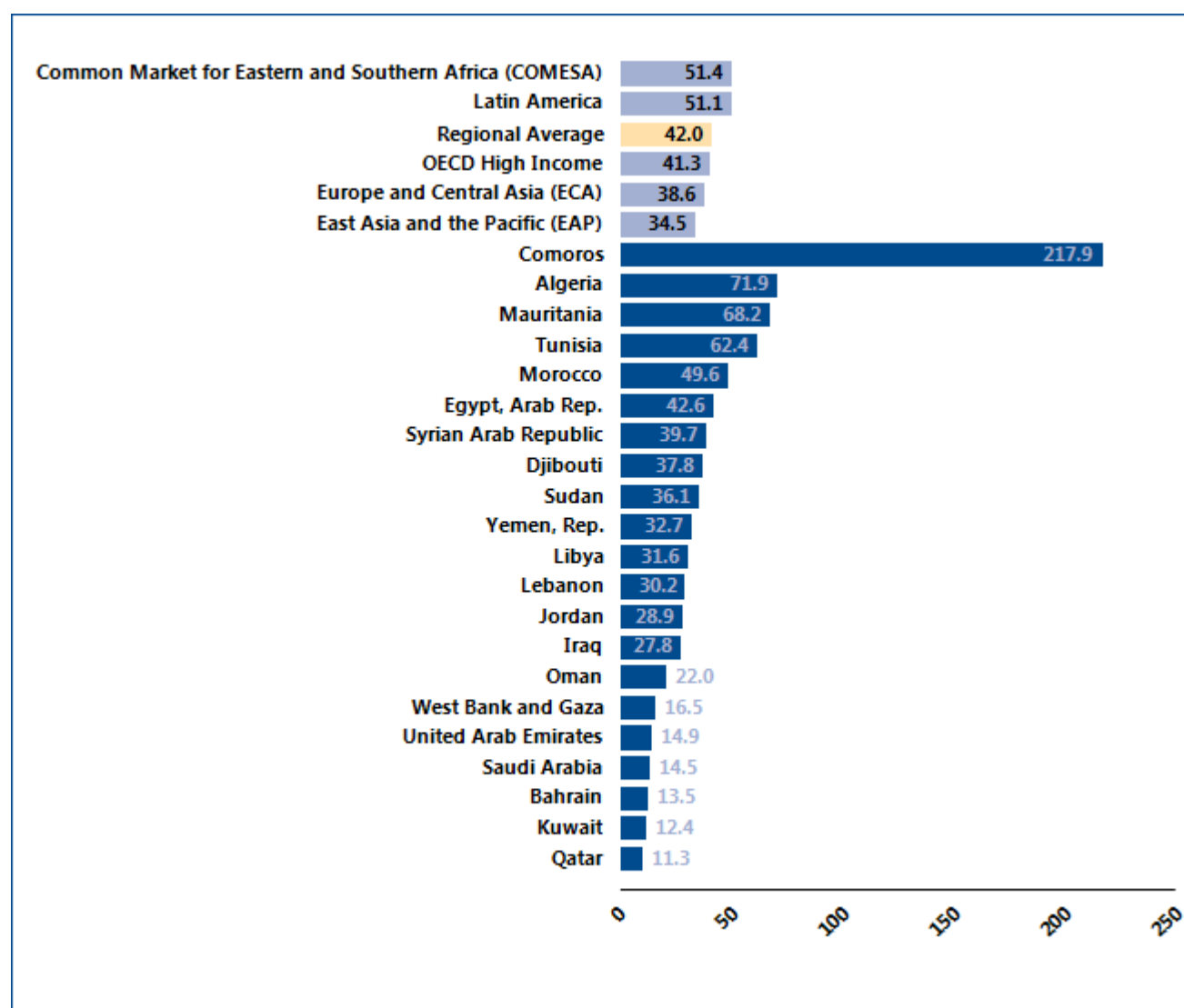
PAYING TAXES

Time (hours per year)



PAYING TAXES

Total tax rate (% of profit)



Source: Doing Business database.

PAYING TAXES

What are the changes over time?

Economies around the world have made paying taxes faster and easier for businesses—such as by consolidating filings, reducing the frequency of payments or offering electronic filing and payment. Many have lowered tax rates. Changes have brought

concrete results. Some economies simplifying tax payment and reducing rates have seen tax revenue rise. What tax reforms has *Doing Business* recorded in Arab World (table 8.1)?

Table 8.1 How have economies in Arab World made paying taxes easier—or not?
By *Doing Business* report year

DB year	Economy	Reform
DB2008	<i>Syrian Arab Republic</i>	No impact on Doing Business 2008 indicators.
DB2008	<i>Tunisia</i>	No impact on Doing Business 2008 indicators.
DB2008	<i>West Bank and Gaza</i>	West Bank and Gaza reduced the tax burden for companies by reducing the CIT rate
DB2009	<i>Morocco</i>	Effective 2008, the corporate income tax rate will be reduced from 35% to 30%. Gains made from sale of certain buildings exempt from Capital Gains Tax. Fixed registration duty rates on deeds are abolished and the various tax rates on insurance contracts are increased.
DB2009	<i>Tunisia</i>	On March 15, 2008, the Ministry of Finance introduced the option for <i>télliquidation</i> which enables online declaration of taxes accompanied by physical payments at the tax bureaus.
DB2010	<i>Algeria</i>	Algeria reduced the corporate income tax rate from 25% to 19% for production of goods, construction and public works and tourism.
DB2010	<i>Djibouti</i>	Djibouti eased the burden of paying taxes on businesses by introducing VAT of 7% on the supply of goods and services to replace the consumption tax
DB2010	<i>Jordan</i>	Jordan eased the process of paying taxes for business with the introduction of an online filing and payment system, and a simplification of filing forms.
DB2010	<i>Lebanon</i>	Lebanon has made it easier to pay taxes by removing the

DB year	Economy	Reform
		requirement to obtain permission to use accelerated depreciation, and by introducing electronic payment.
DB2010	<i>Oman</i>	A new tax law in Oman has been legislated to modernise the existing tax regime and simplify procedures.
DB2010	<i>Sudan</i>	The new tax law in Sudan has reduced the tax burden on business by reducing the corporate tax rate by an average of 15% and the capital gains tax by 5% on average, while the tax on labor has been abolished.
DB2010	<i>Tunisia</i>	Tunisia has increased the tax cost of employment by raising social security contributions.
DB2011	<i>Jordan</i>	Jordan abolished certain taxes and made it possible to file income and sales tax returns electronically.
DB2011	<i>Tunisia</i>	Tunisia introduced the use of electronic systems for payment of corporate income tax and value added tax.
DB2012	<i>Morocco</i>	Morocco eased the administrative burden of paying taxes for firms by enhancing electronic filing and payment of the corporate income tax and value added tax.
DB2012	<i>Oman</i>	Oman enacted a new income tax law that redefined the scope of taxation.
DB2012	<i>Yemen, Rep.</i>	The Republic of Yemen enacted a new tax law that reduced the general corporate tax rate from 35% to 20% and abolished all tax exemptions except those granted under the investment law for investment projects.
DB2013	<i>Saudi Arabia</i>	Saudi Arabia made paying taxes easier for companies by introducing online filing and payment systems for social security contributions.
DB2013	<i>United Arab Emirates</i>	The United Arab Emirates made paying taxes easier for companies by establishing an online filing and payment system for social security contributions.
DB2014	<i>Egypt, Arab Rep.</i>	Egypt made paying taxes more costly for companies by increasing the corporate income tax rate.

DB year	Economy	Reform
DB2014	<i>Mauritania</i>	Mauritania made paying taxes more costly for companies by introducing a new health insurance contribution for employers that is levied on gross salaries.
DB2014	<i>Morocco</i>	Morocco made paying taxes easier for companies by increasing the use of the electronic filing and payment system for social security contributions.
DB2014	<i>Qatar</i>	Qatar made paying taxes easier for companies by eliminating certain requirements associated with the corporate income tax return.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

TRADING ACROSS BORDERS

In today's globalized world, making trade between economies easier is increasingly important for business. 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. Research shows that exporters in developing countries gain more from a 10% drop in their trading costs than from a similar reduction in the tariffs applied to their products in global markets.

What do the indicators cover?

Doing Business measures the time and cost (excluding tariffs and the time and cost for sea transport) associated with exporting and importing a standard shipment of goods by sea transport, and the number of documents necessary to complete the transaction. The indicators cover procedural requirements such as documentation requirements and procedures at customs and other regulatory agencies as well as at the port. They also cover trade logistics, including the time and cost of inland transport to the largest business city. The ranking on the ease of trading across borders is the simple average of the percentile rankings on its component indicators: documents, time and cost to export and import.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the traded goods.

The business:

- Is of medium size and employs 60 people.
- Is located in the periurban area of the economy's largest business city.
- Is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the economy.

The traded goods:

- Are not hazardous nor do they include military items.

WHAT THE TRADING ACROSS BORDERS INDICATORS MEASURE

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, filling out and submitting all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include sea 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

- Do not require refrigeration or any other special environment.
- Do not require any special phytosanitary or environmental safety standards other than accepted international standards.
- Are one of the economy's leading export or import products.
- Are transported in a dry-cargo, 20-foot full container load.

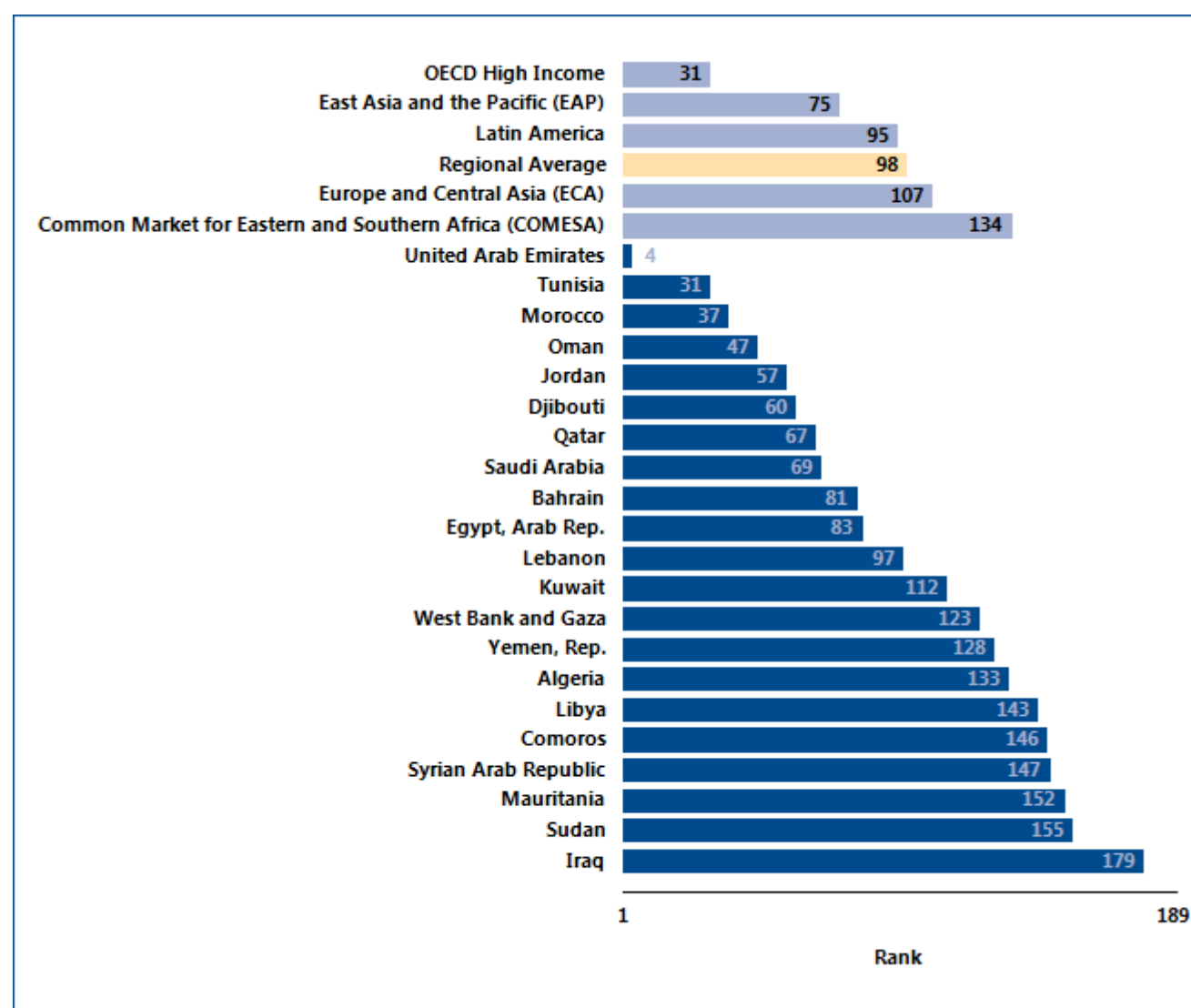
TRADING ACROSS BORDERS

Where do the region's economies stand today?

How easy it is for businesses in economies in Arab World to export and import goods? The global rankings of these economies on the ease of trading

across borders suggest an answer (figure 9.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 9.1 How economies in Arab World rank on the ease of trading across borders



Source: Doing Business database.

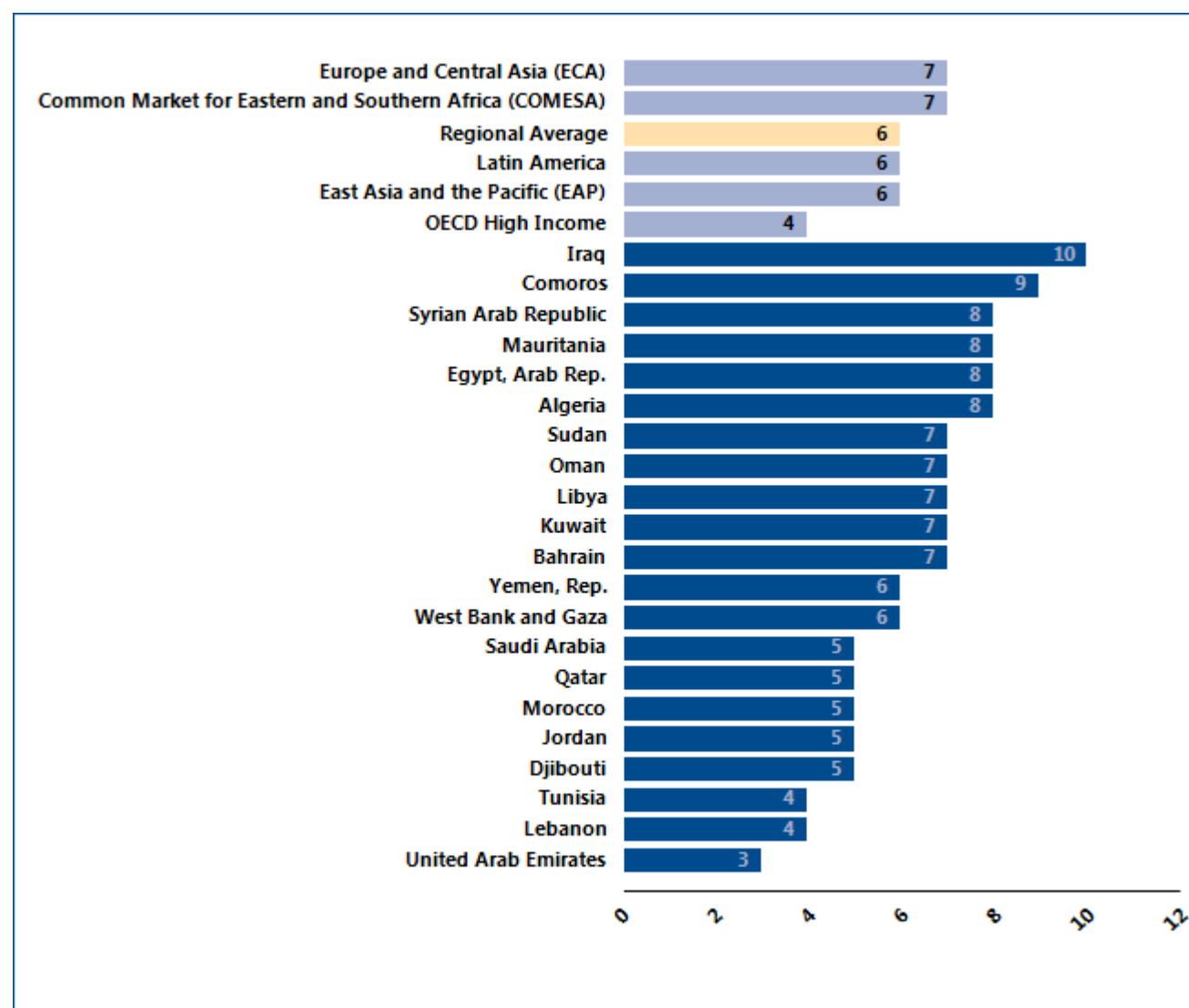
TRADING ACROSS BORDERS

The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show what it takes to export or import a standard container of goods in each economy in the region: the number of

documents, the time and the cost (figure 9.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

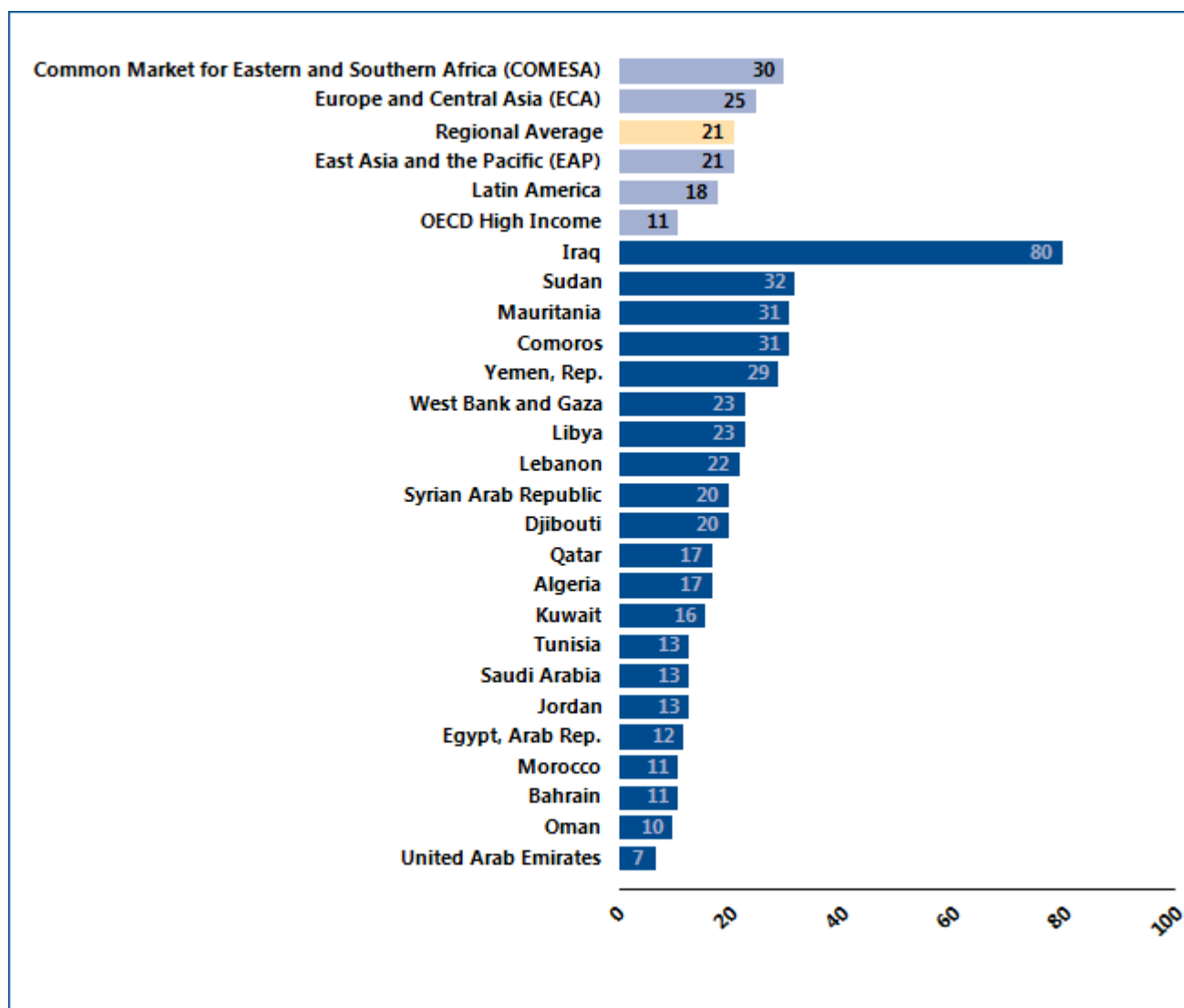
Figure 9.2 What it takes to trade across borders in economies in Arab World

Documents to export (number)



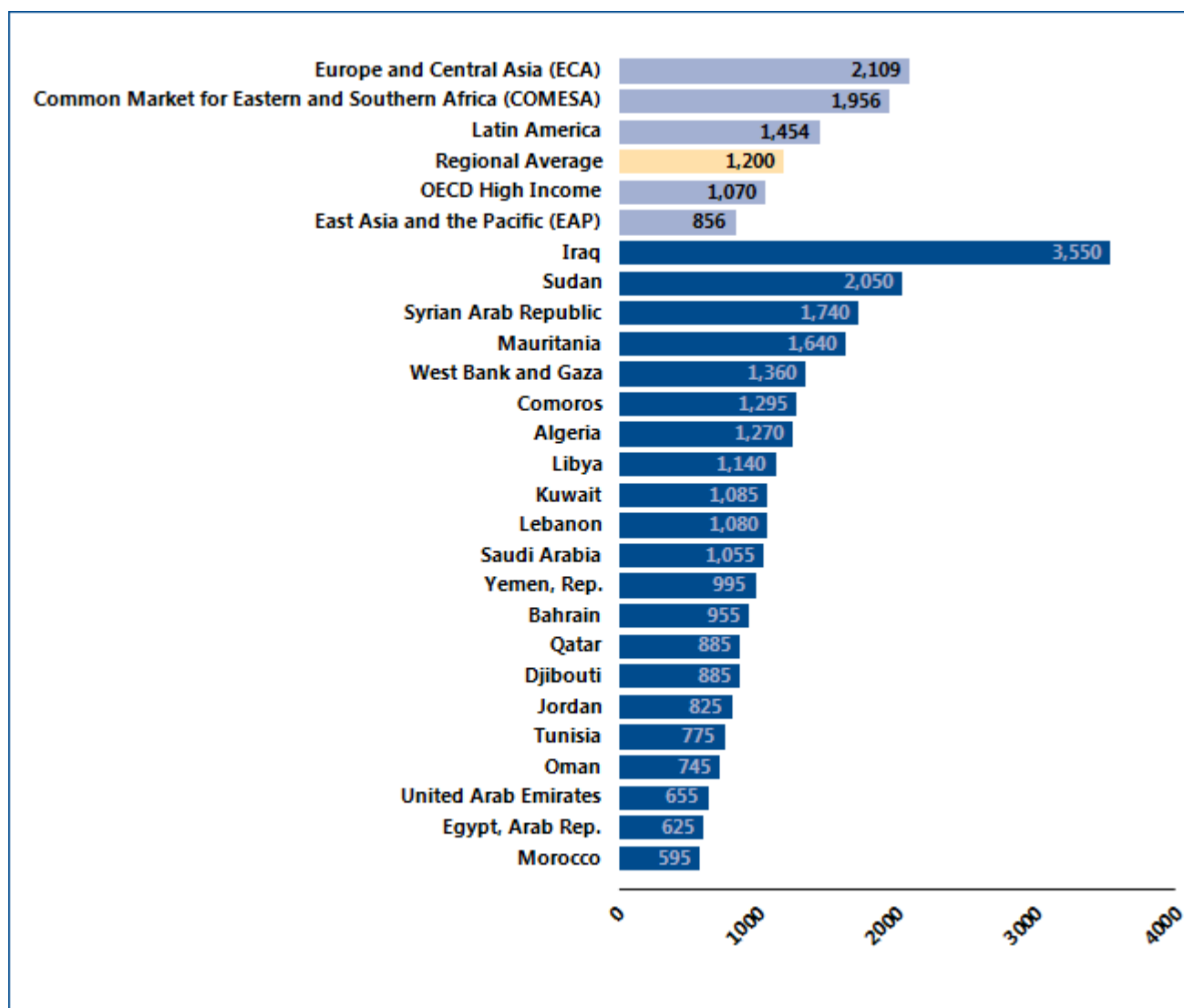
TRADING ACROSS BORDERS

Time to export (days)



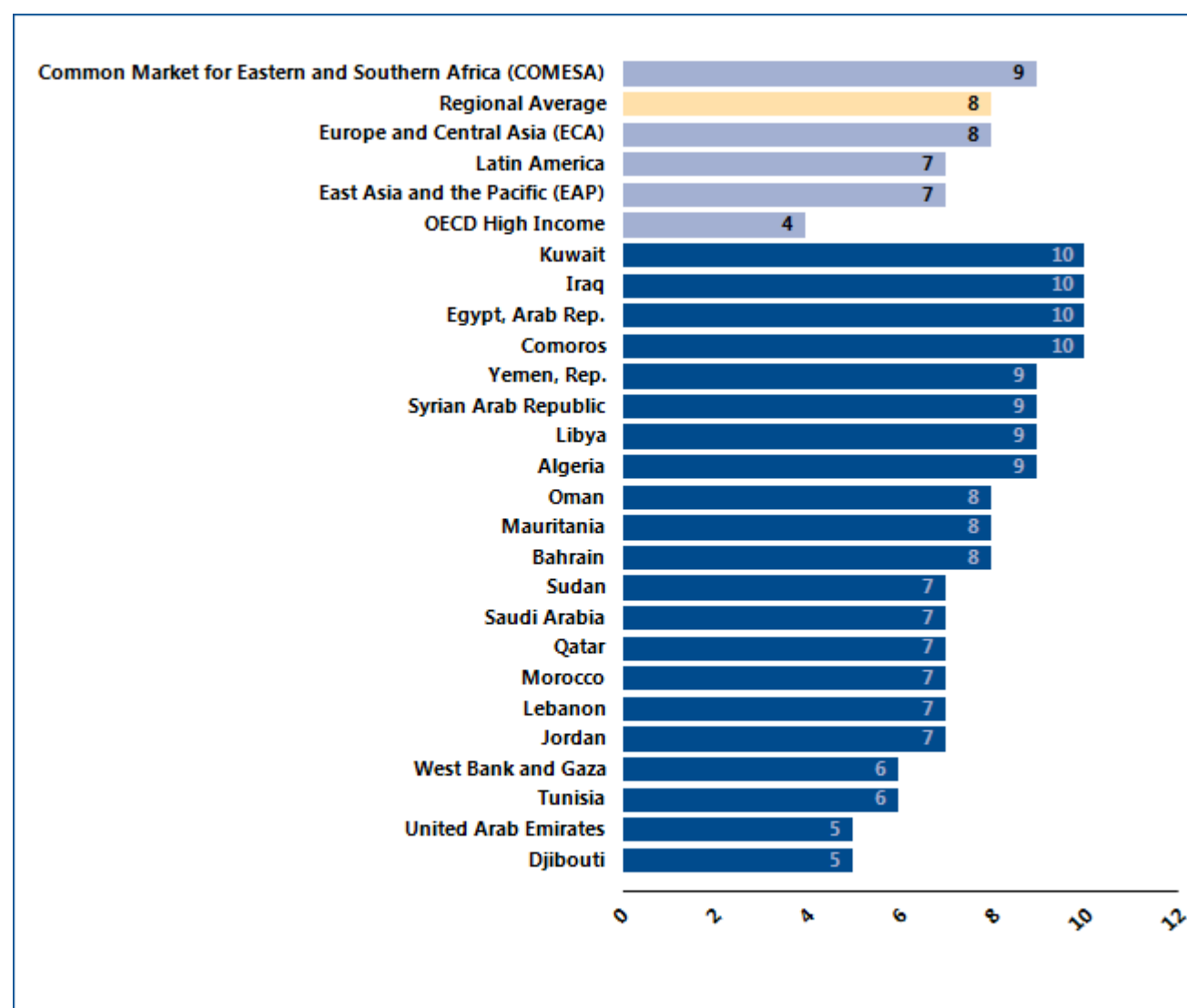
TRADING ACROSS BORDERS

Cost to export (US\$ per container)



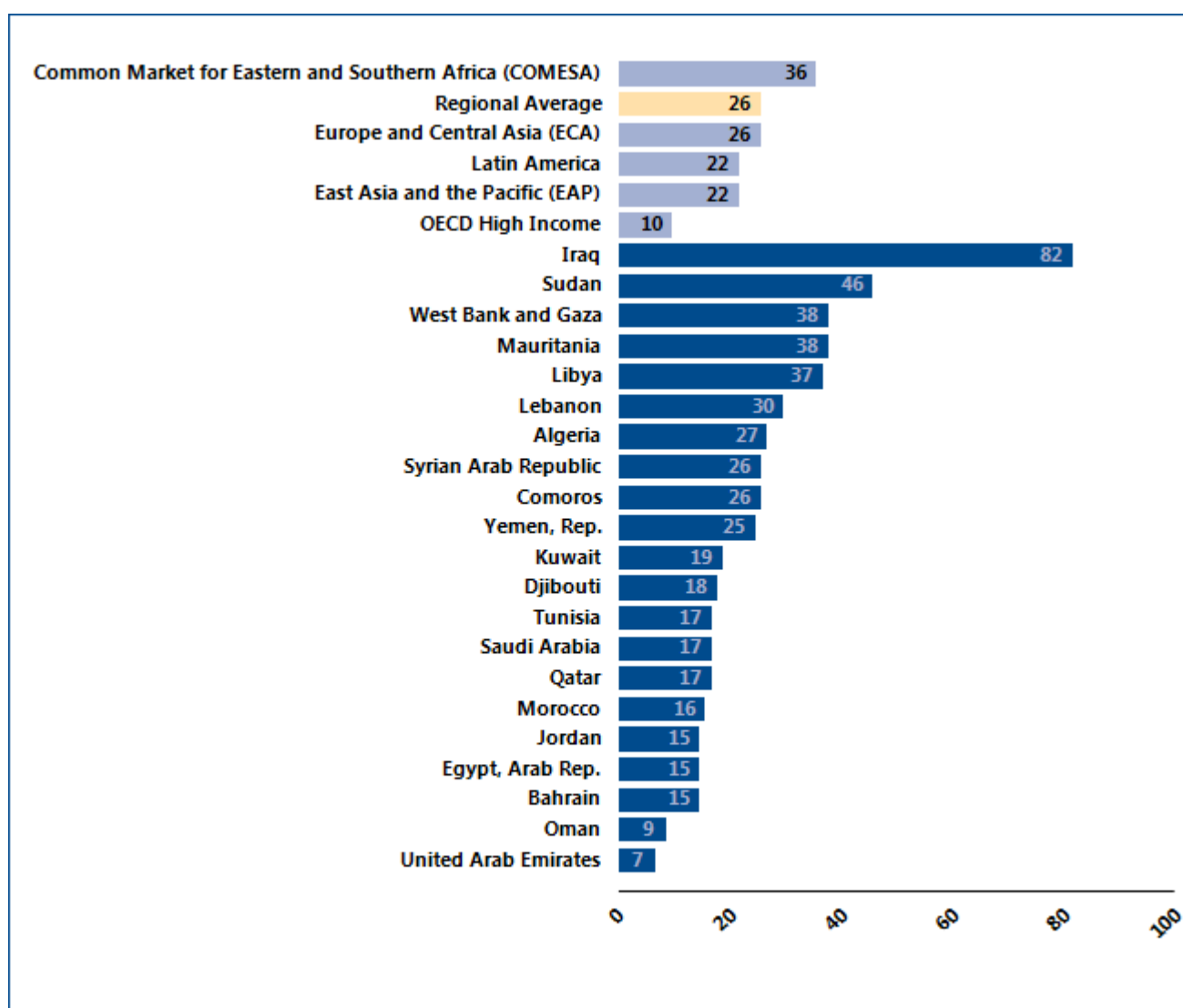
TRADING ACROSS BORDERS

Documents to import (number)



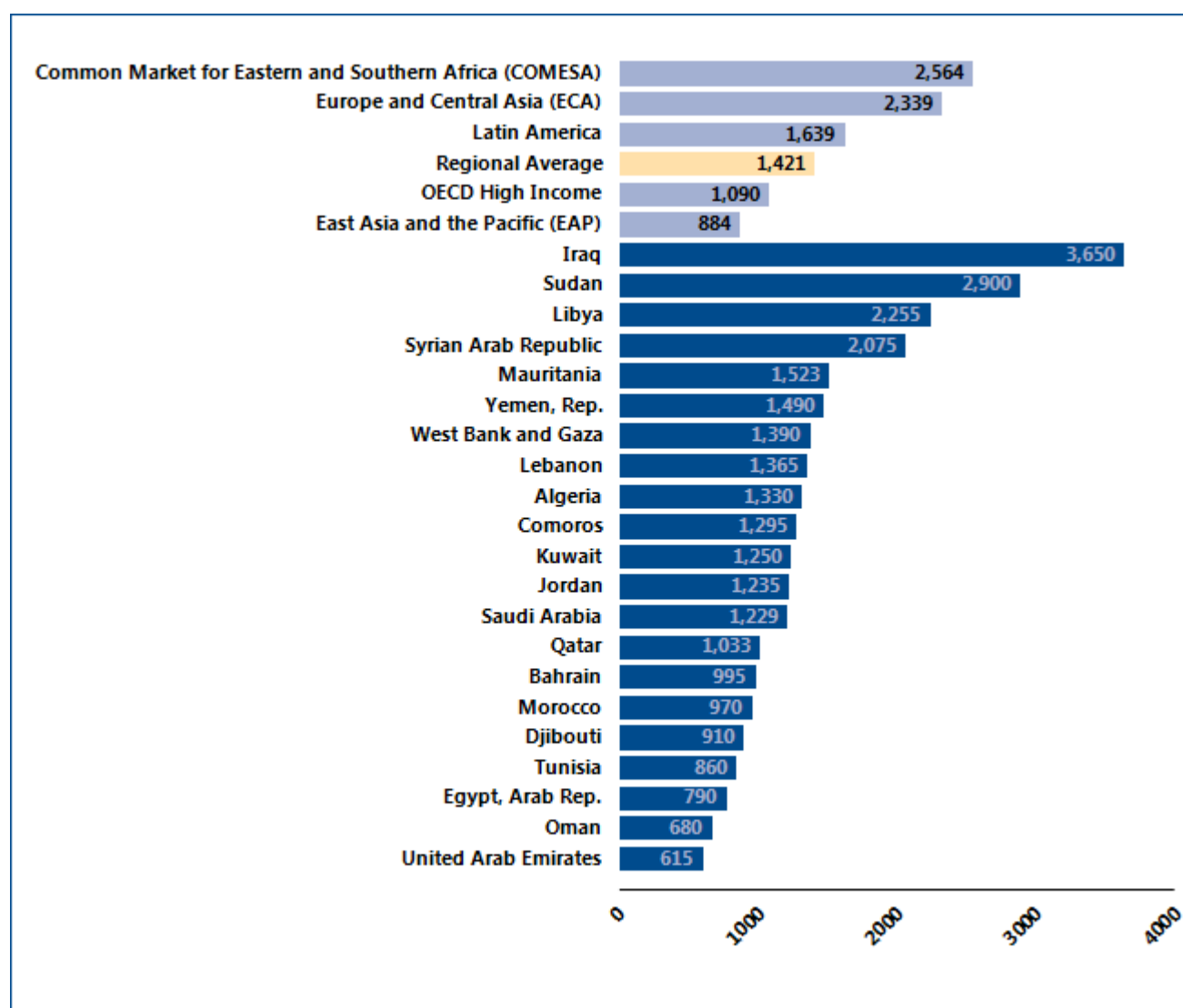
TRADING ACROSS BORDERS

Time to import (days)



TRADING ACROSS BORDERS

Cost to import (US\$ per container)



Source: Doing Business database.

TRADING ACROSS BORDERS

What are the changes over time?

In economies around the world, trading across borders as measured by Doing Business has become faster and easier over the years. Governments have introduced tools to facilitate trade—including single windows, risk-based inspections and electronic data interchange

systems. These changes help improve their trading environment and boost firms' international competitiveness. What trade reforms has Doing Business recorded in Arab World (table 9.1)?

Table 9.1 How have economies in Arab World made trading across borders easier—or not?
By *Doing Business* report year

DB year	Economy	Reform
DB2008	<i>Algeria</i>	Algeria has made trading across borders more difficult by increasing the amount of inspections carried out by authorities.
DB2008	<i>Djibouti</i>	Djibouti eased trading across borders by implementign an e-manifest system.
DB2008	<i>Egypt, Arab Rep.</i>	Egypt eased trade by improving Customs administration.
DB2008	<i>Morocco</i>	Morocco eased trading across borders by introducing a risk-based system for inspections.
DB2008	<i>Saudi Arabia</i>	Saudi Arabia eased importing by abolishing the requirement for a consular certificate as well as allowing the transfer of data electronically thereby not requiring hard copies of documents to be submitted. There has also been an improvement in the capacity of ports facilities, thus allowing the port of Jeddah to clear higher number of containers per day.
DB2009	<i>Djibouti</i>	Port administration improvements and abolishing of documents decreased export and import documentation, as well as import time.
DB2009	<i>Egypt, Arab Rep.</i>	Egypt upgraded port facilities at Alexandria and speeded up customs clearance and greater competition in the banking sector led to a reduction in the time to open a letter of credit.
DB2009	<i>Morocco</i>	Morocco abolished the container ID card thereby speeding

DB year	Economy	Reform
		up the import and export process.
DB2009	<i>Syrian Arab Republic</i>	The entry of private banks into the Syrian market sped up the issuing of Letters of Credit.
DB2009	<i>Tunisia</i>	Tunisia required freight arriving at the port to be accompanied by a unit of the customs authority and thereby increased the time to import.
DB2010	<i>Jordan</i>	The implementation of a risk-based inspections regime of post-destination clearance for pre-approved traders as well as a reduction of the number of containers subject to physical inspection to 30% as well as the full implementation of ASYCUDA WORLD, allowing online customs declaration submission, have reduced the clearance time by customs by 2 days for exporters and 3 days for importers.
DB2010	<i>Kuwait</i>	Improvement of the customs administrative procedures and training of human resources have helped reduce the time to clear goods in Kuwait.
DB2010	<i>Sudan</i>	Sudan has sped up trading across borders with improved customs clearance and the electronic connection of 10 customs offices with facilitation for traders to file their declaration remotely, and with the addition 2 new scanners at the Port of Sudan .nal.
DB2010	<i>Tunisia</i>	Through the expansion of the TradeNet electronic single window, Tunisian traders can quickly file all documents required to clear their cargo online. While this has decreased the delays of processing by 2 days, the requirement to still physically provide original documents obstruct on the greater impact the technological innovation could have.
DB2010	<i>United Arab Emirates</i>	Trading across borders in Dubai, UAE has improved due to greater capacity at the container terminal, the elimination of the terminal handling receipt as a necessary document, and increased trade finance products.
DB2010	<i>Yemen, Rep.</i>	The implementation of a risk-based inspection and the installation of an EDI system has reduced the time required to

DB year	Economy	Reform
		clear goods at the customs
DB2011	<i>Bahrain</i>	Bahrain made it easier to trade by building a modern new port, improving the electronic data interchange system and introducing risk-based inspections.
DB2011	<i>Egypt, Arab Rep.</i>	Egypt made trading easier by introducing an electronic system for submitting export and import documents.
DB2011	<i>Saudi Arabia</i>	Saudi Arabia reduced the time to import by launching a new container terminal at the Jeddah Islamic Port.
DB2011	<i>Tunisia</i>	Tunisia upgraded its electronic data interchange system for imports and exports, speeding up the assembly of import documents.
DB2011	<i>United Arab Emirates</i>	The United Arab Emirates streamlined document preparation and reduced the time to trade with the launch of Dubai Customs' comprehensive new customs system, Mirsal 2.
DB2011	<i>West Bank and Gaza</i>	More efficient processes at Palestinian customs made trading easier in the West Bank.
DB2012	<i>Djibouti</i>	Djibouti made trading across borders faster by developing a new container terminal.
DB2012	<i>Jordan</i>	Jordan made trading across borders faster by introducing X-ray scanners for risk management systems.
DB2013	<i>Qatar</i>	Qatar 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.
DB2014	<i>Mauritania</i>	Mauritania made trading across borders easier by introducing a new riskbased inspection system with scanners.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

ENFORCING CONTRACTS

Effective commercial dispute resolution has many benefits. Courts are essential for entrepreneurs because they interpret the rules of the market and protect economic rights. Efficient and transparent courts encourage new business relationships because businesses know they can rely on the courts if a new customer fails to pay. Speedy trials are essential for small enterprises, which may lack the resources to stay in business while awaiting the outcome of a long court dispute.

What do the indicators cover?

Doing Business measures the efficiency of the judicial system in resolving a commercial dispute before local courts. Following the step-by-step evolution of a standardized case study, it collects data relating to the time, cost and procedural complexity of resolving a commercial lawsuit. The ranking on the ease of enforcing contracts is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

The dispute in the case study involves the breach of a sales contract between 2 domestic businesses. The case study assumes that the court hears an expert on the quality of the goods in dispute. This distinguishes the case from simple debt enforcement. To make the data comparable across economies, *Doing Business* uses several assumptions about the case:

- The seller and buyer are located in the economy's largest business city.
- The buyer orders custom-made goods, then fails to pay.
- The seller sues the buyer before a competent court.
- The value of the claim is 200% of income per capita.
- The seller requests a pretrial attachment to secure the claim.

WHAT THE ENFORCING CONTRACTS INDICATORS MEASURE

Procedures to enforce a contract through the courts (number)

- Steps to file and serve 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)

- Average attorney fees
- Court costs
- Enforcement costs

- The dispute on the quality of the goods requires an expert opinion.
- The judge decides in favor of the seller; there is no appeal.
- The seller enforces the judgment through a public sale of the buyer's movable assets.

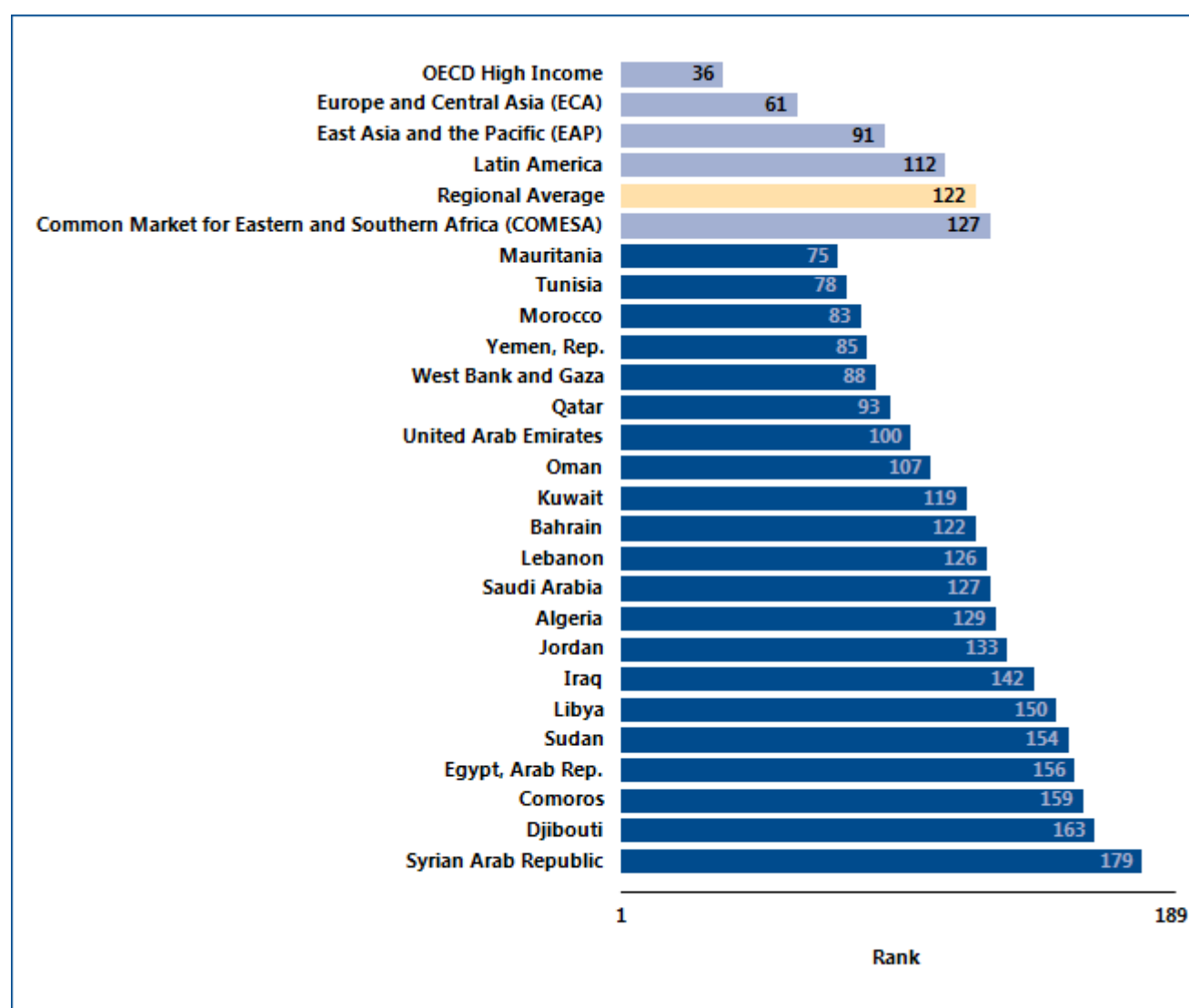
ENFORCING CONTRACTS

Where do the region's economies stand today?

How efficient is the process of resolving a commercial dispute through the courts in economies in Arab World? The global rankings of these economies on the

ease of enforcing contracts suggest an answer (figure 10.1). The average ranking of the region and comparator regions provide a useful benchmark.

Figure 10.1 How economies in Arab World rank on the ease of enforcing contracts



Source: Doing Business database.

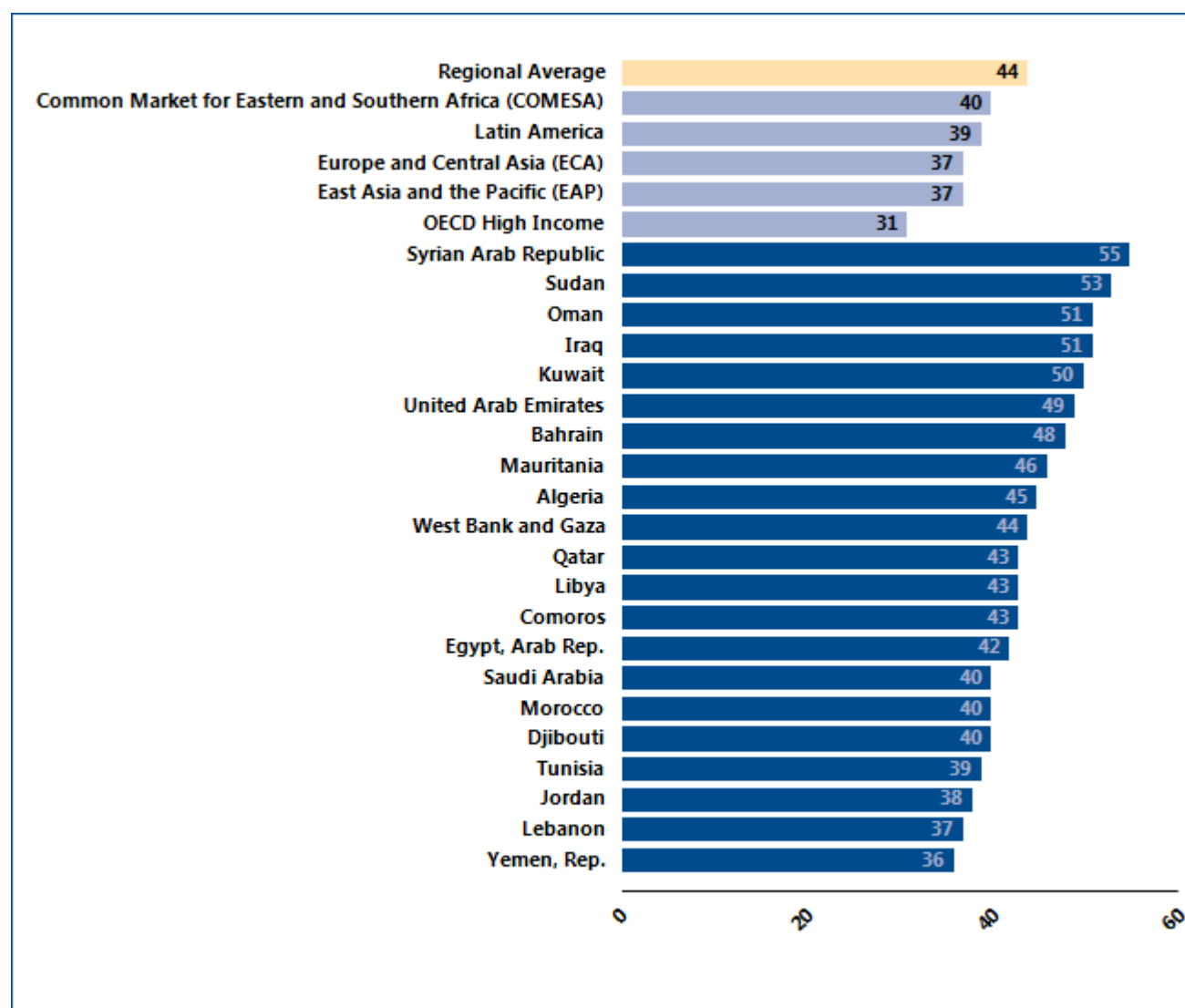
ENFORCING CONTRACTS

The indicators underlying the rankings may also be revealing. Data collected by *Doing Business* show what it takes to enforce a contract through the courts in each economy in the region: the number of

procedures, the time and the cost (figure 10.2). Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

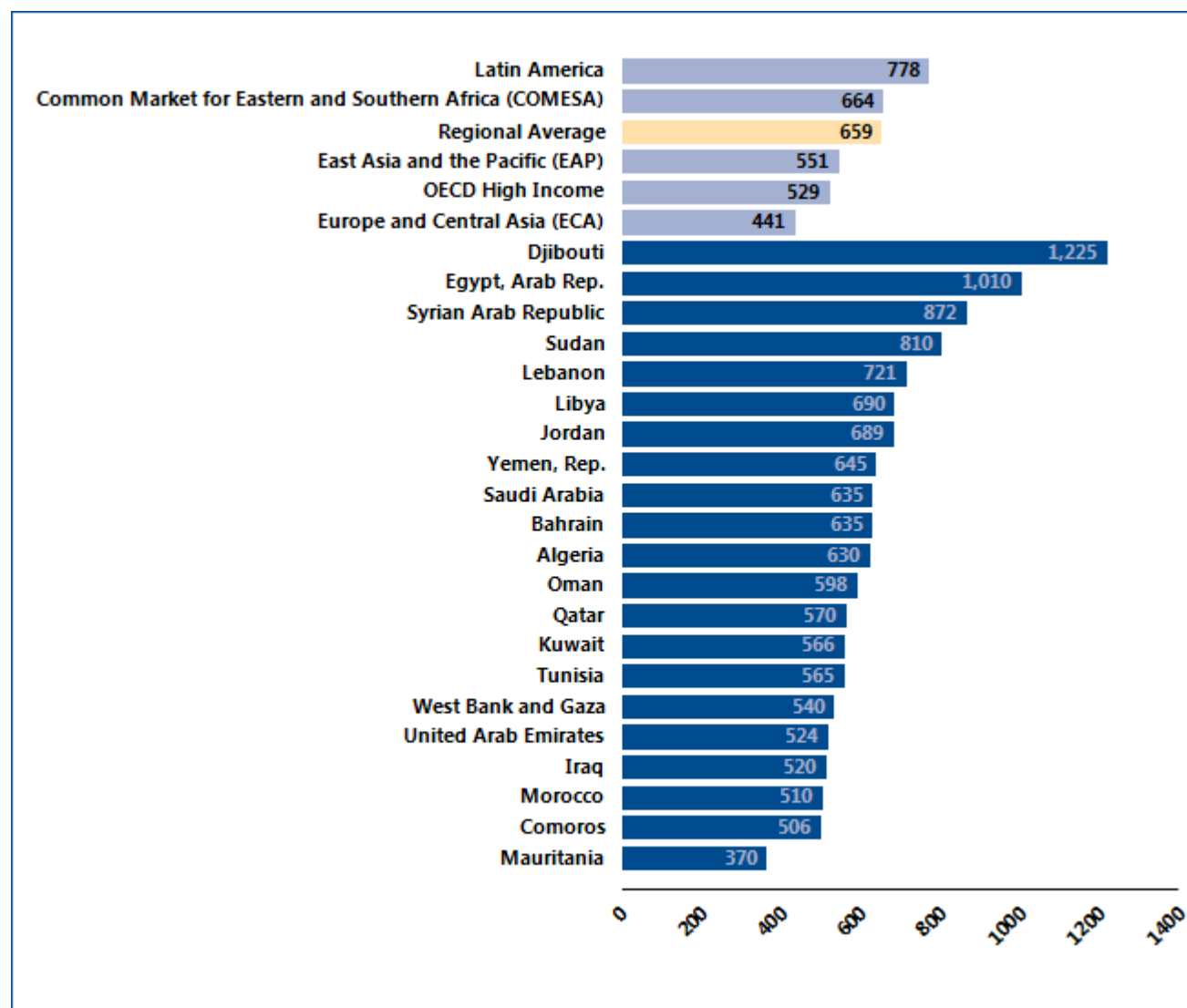
Figure 10.2 What it takes to enforce a contract through the courts in economies in Arab World

Procedures (number)



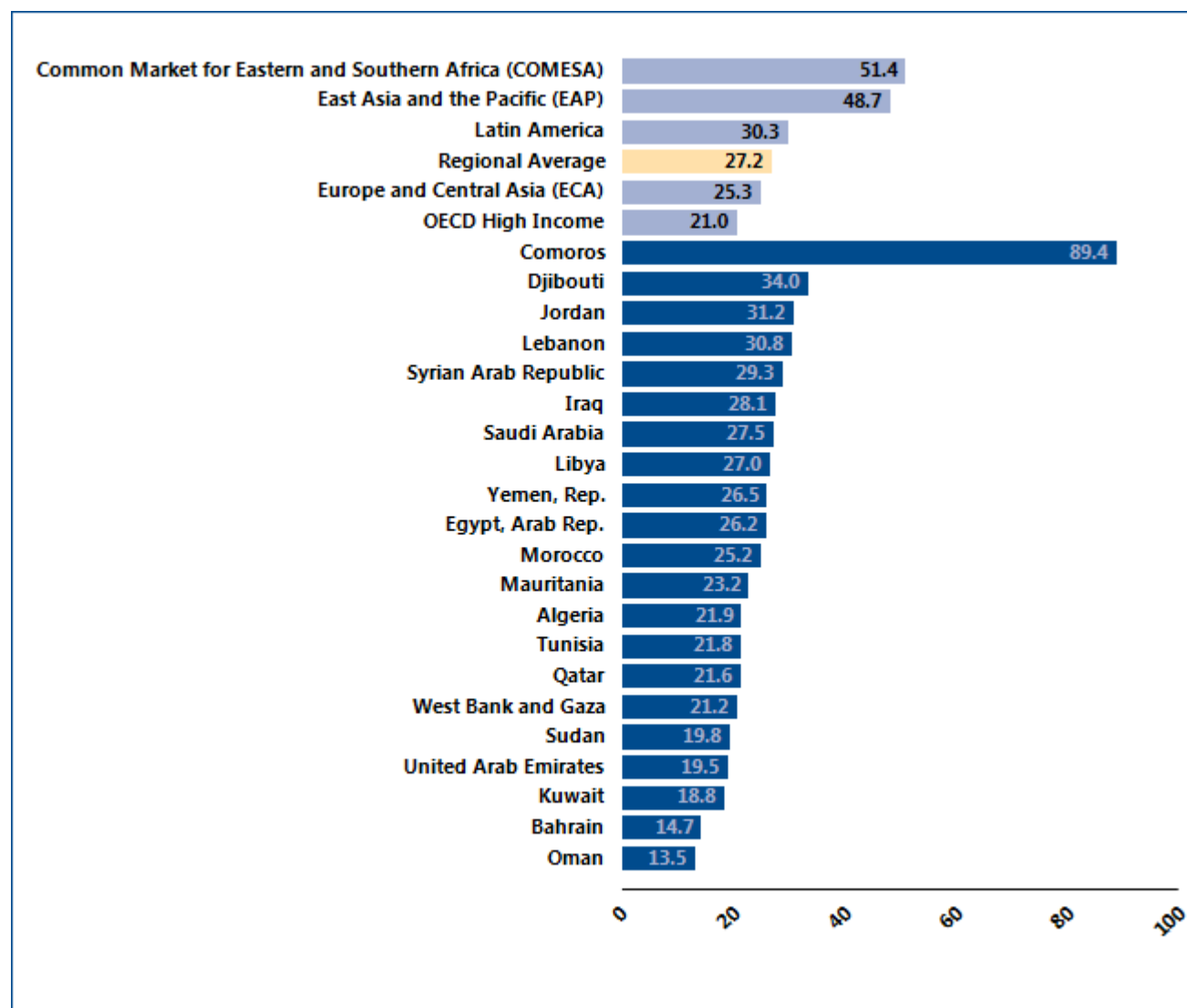
ENFORCING CONTRACTS

Time (days)



ENFORCING CONTRACTS

Cost (% of claim)



Source: Doing Business database.

ENFORCING CONTRACTS

What are the changes over time?

Economies in all regions have improved contract enforcement in recent years. A judiciary can be improved in different ways. Higher-income economies tend to look for ways to enhance efficiency by introducing new technology. Lower-income economies often work on reducing backlogs by introducing

periodic reviews to clear inactive cases from the docket and by making procedures faster. What reforms making it easier (or more difficult) to enforce contracts has *Doing Business* recorded in Arab World (table 10.1)?

Table 10.1 How have economies in Arab World made enforcing contracts easier—or not?
By *Doing Business* report year

DB year	Economy	Reform
DB2008	<i>Mauritania</i>	Mauritania increased the capacity of the courts by hiring new judges and updated the way that commercial courts function.
DB2009	<i>United Arab Emirates</i>	UAE introduced e-filing
DB2010	<i>Algeria</i>	Algeria has improved contract enforcement with a new Code of Civil Procedure that reduces steps and time, and the courts are now being fully computerized that includes setting up an electronic case register and case management software.
DB2010	<i>Egypt, Arab Rep.</i>	Egypt eased the process of enforcing contracts by creating commercial courts.
DB2010	<i>Jordan</i>	Jordan has improved contract enforcement by setting up a specialized commercial court division and equipping its courts with a computer aided case-management system. Further, a raise in threshold of the Conciliation Court (the lower Court) is expected to result in a better distribution of case load.
DB2010	<i>West Bank and Gaza</i>	In the West Bank and Gaza, contract enforcement has sped up as new judges have been trained, recruited and appointed. Courts now have an “enforcement judge” in charge solely of execution, and now possess computerized case management software.
DB2013	<i>Saudi Arabia</i>	Saudi Arabia made enforcing contracts easier by expanding the computerization of its courts and introducing an electronic filing system.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

RESOLVING INSOLVENCY

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 the speedy return of businesses 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.

What do the indicators cover?

Doing Business studies the time, cost and outcome of insolvency proceedings involving domestic entities. It does not measure insolvency proceedings of individuals and financial institutions. The data are derived from survey responses by local insolvency practitioners and verified through a study of laws and regulations as well as public information on bankruptcy systems.

The ranking on the ease of resolving insolvency is based on the recovery rate, which is recorded as cents on the dollar recouped by creditors through reorganization, liquidation or debt enforcement (foreclosure) proceedings. The recovery rate is a function of time, cost and other factors, such as lending rate and the likelihood of the company continuing to operate.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the case. It assumes that the company:

- Is a domestically owned, limited liability company operating a hotel.
- Operates in the economy's largest business city.
- Has 201 employees, 1 main secured creditor and 50 unsecured creditors.

WHAT THE RESOLVING INSOLVENCY INDICATORS MEASURE

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)

Measured as percentage of estate value

Court fees

Fees of insolvency administrators

Lawyers' fees

Assessors' and auctioneers' fees

Other related fees

Outcome

Whether business continues operating as a going concern or business assets are sold piecemeal

Recovery rate for creditors (cents on the dollar)

Measures the cents on the dollar recovered by creditors

Present value of debt recovered

Official 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

- Has a higher value as a going concern—and that the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation.

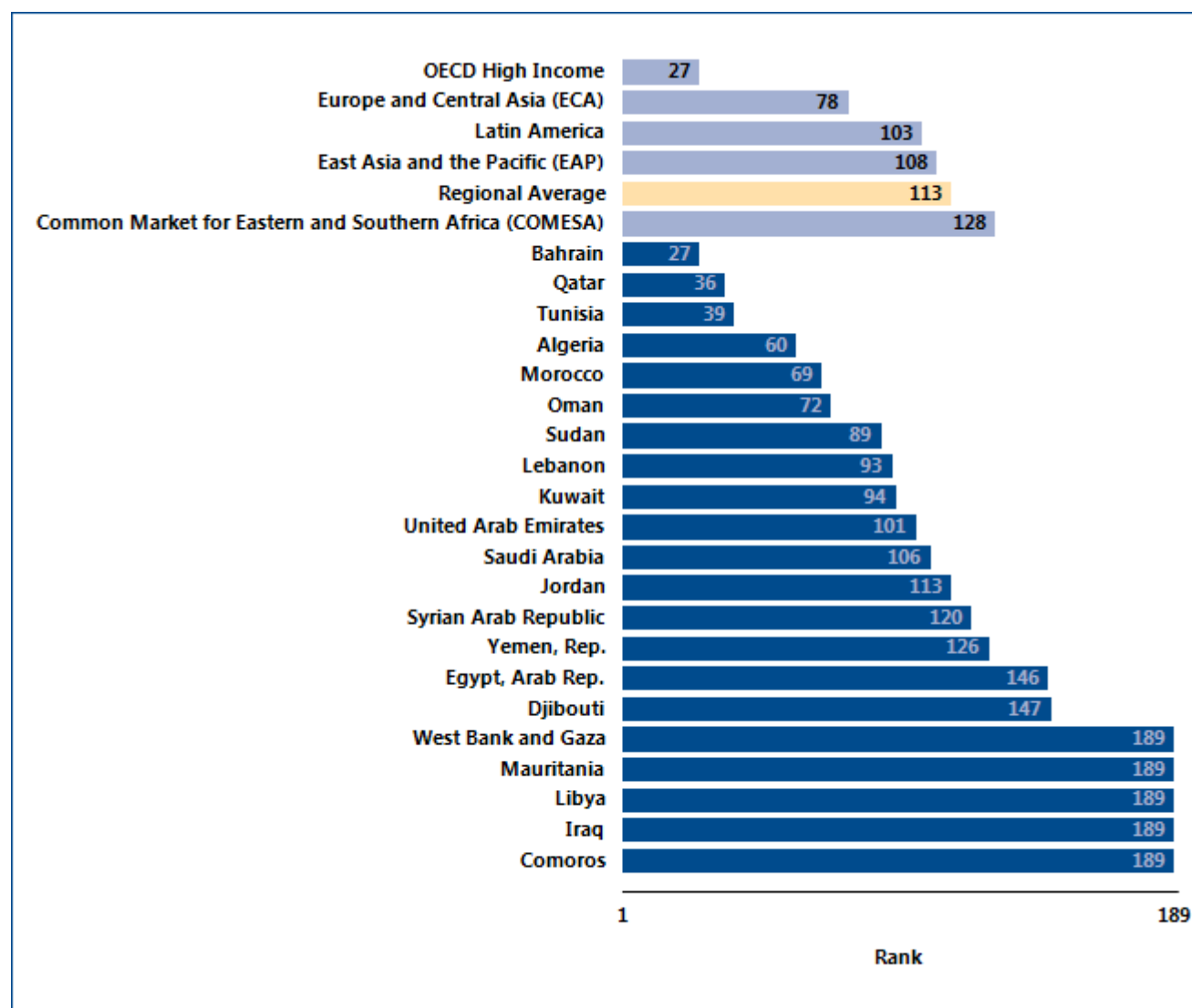
RESOLVING INSOLVENCY

Where do the region's economies stand today?

How efficient are insolvency proceedings in economies in Arab World? The global rankings of these economies on the ease of resolving insolvency suggest an answer (figure 11.1). The average ranking of the region and comparator regions provide a useful

benchmark for assessing the efficiency of insolvency proceedings. Speed, low costs and continuation of viable businesses characterize the top-performing economies.

Figure 11.1 How economies in Arab World rank on the ease of resolving insolvency



Source: Doing Business database.

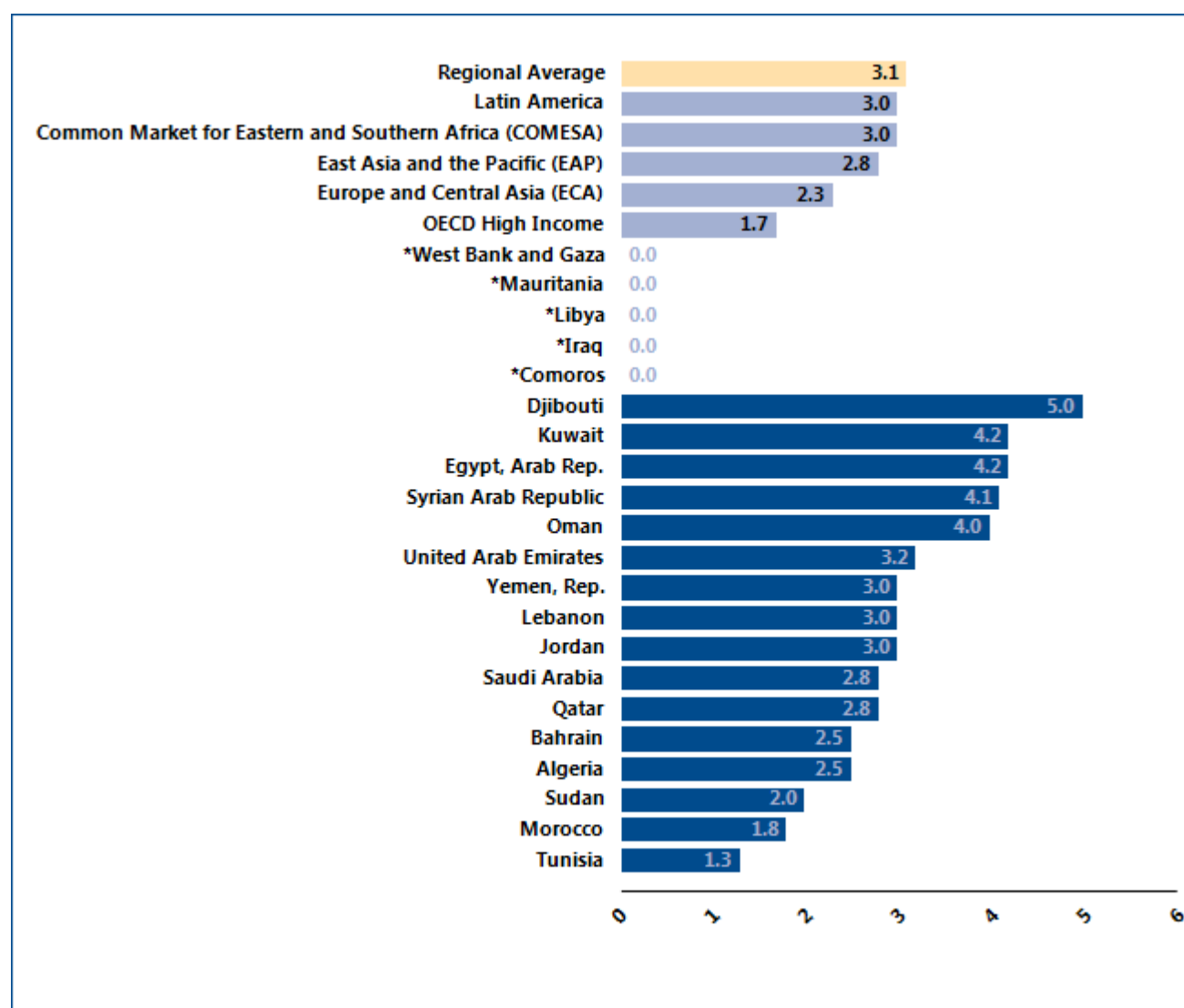
RESOLVING INSOLVENCY

The indicators underlying the rankings may be more revealing. Data collected by *Doing Business* show the average time and cost required to resolve insolvency as well as the average recovery rate (figure 11.2).

Comparing these indicators across the region and with averages both for the region and for comparator regions can provide useful insights.

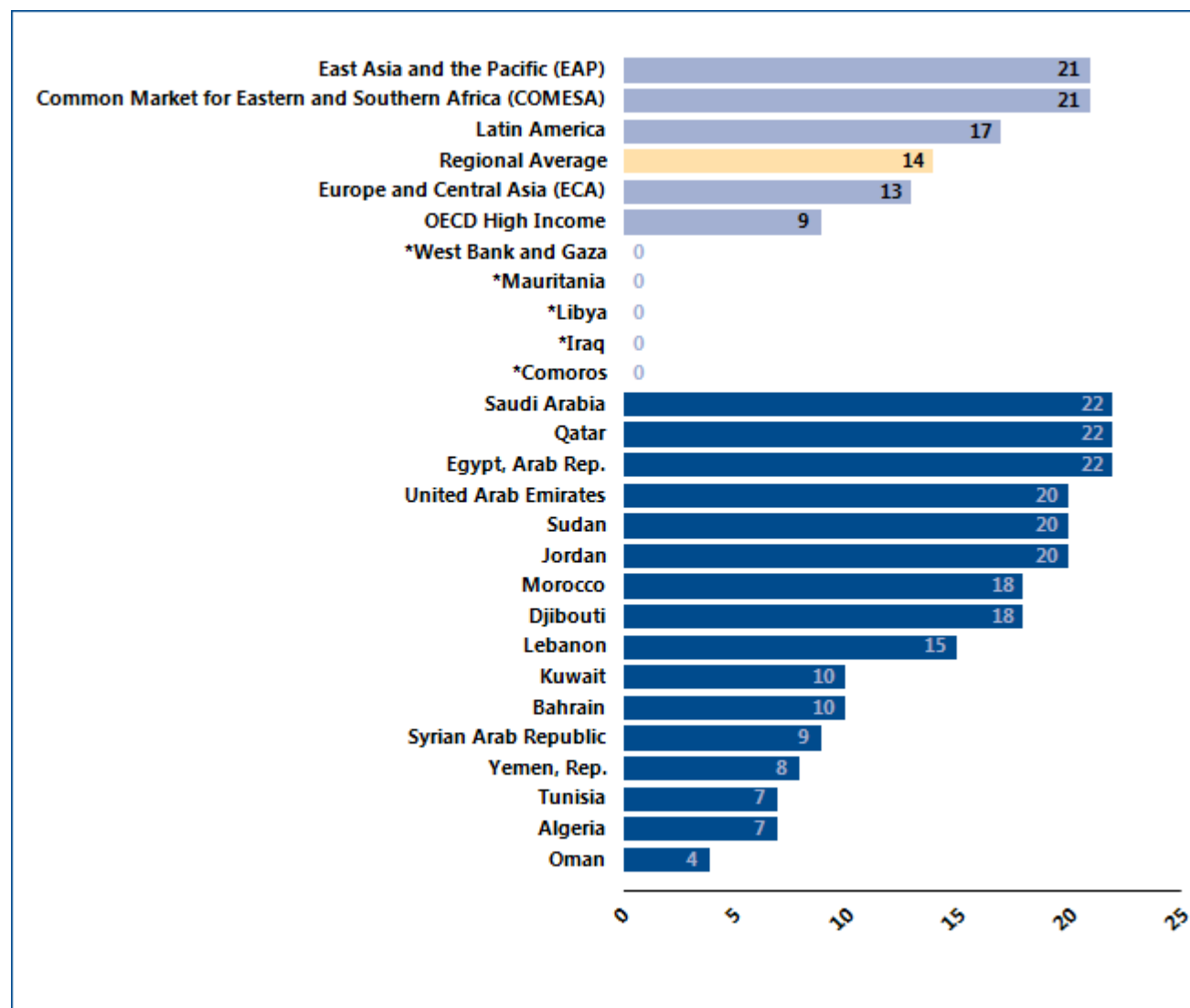
Figure 11.2 How efficient is the insolvency process in economies in Arab World

Time (years)



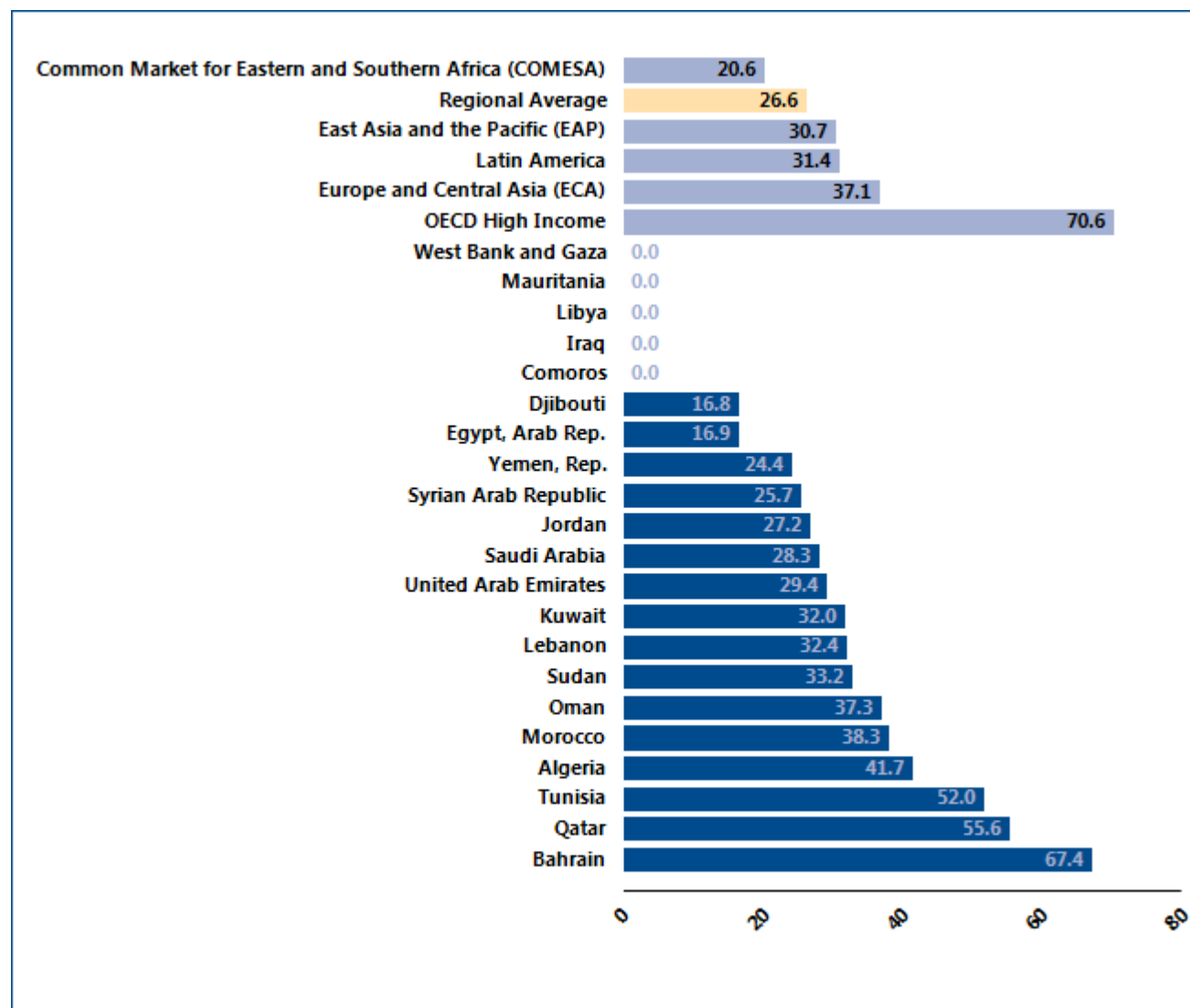
RESOLVING INSOLVENCY

Cost (% of estate)



RESOLVING INSOLVENCY

Recovery rate (cents on the dollar)



* Indicates a "no practice" mark. See the data notes for details.

Source: *Doing Business* database.

RESOLVING INSOLVENCY

What are the changes over time?

A well-balanced bankruptcy system distinguishes companies that are financially distressed but economically viable from inefficient companies that should be liquidated. But in some insolvency systems even viable businesses are liquidated. This is starting to

change. Many recent reforms of bankruptcy laws have been aimed at helping more of the viable businesses survive. What insolvency reforms has *Doing Business* recorded in Arab World (table 11.1)?

Table 11.1 How have economies in Arab World made resolving insolvency easier—or not?
By *Doing Business* report year

DB year	Economy	Reform
DB2009	<i>Saudi Arabia</i>	The Ministry of Commerce introduced strict deadlines for bankruptcy procedures. Auctions of debtors' assets now take place quicker than before.
DB2010	<i>Kuwait</i>	Kuwait introduced a new law that establishes a new legal procedure enabling companies in financial difficulties on the verge of insolvency to restructure.
DB2011	<i>Saudi Arabia</i>	Saudi Arabia speeded up the insolvency process by providing earlier access to amicable settlements and putting time limits on the settlements to encourage creditors to participate.
DB2014	<i>Djibouti</i>	Djibouti made resolving insolvency easier through its new commercial code, which allows an insolvent debtor to file for preventive settlement, legal redress or liquidation and sets out clear rules on the steps and procedures for each of the alternatives a

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

DATA NOTES

The indicators presented and analyzed in *Doing Business* measure business regulation and the protection of property rights—and their effect on businesses, especially small and medium-size domestic firms. First, the indicators document the complexity of regulation, such as the number of procedures to start a business or to register and transfer commercial property. Second, they gauge the time and cost to achieve a regulatory goal or comply with regulation, such as the time and cost to enforce a contract, go through bankruptcy or trade across borders. Third, they measure the extent of legal protections of property, for example, the protections of investors against looting by company directors or the range of assets that can be used as collateral according to secured transactions laws. Fourth, a set of indicators documents the tax burden on businesses. Finally, a set of data covers different aspects of employment regulation. The 11 sets of indicators measured in *Doing Business* were added over time, and the sample of economies expanded.

The data for all sets of indicators in *Doing Business 2014* are for June 2013.²

Methodology

The *Doing Business* data are collected in a standardized way. To start, the *Doing Business* team, with academic advisers, designs a questionnaire. The questionnaire uses a simple business case to ensure comparability across economies and over time—with assumptions about the legal form of the business, its size, its location and the nature of its operations. Questionnaires are administered to more than 10,200 local experts, including lawyers, business consultants, accountants, freight forwarders, government officials and other professionals routinely administering or advising on legal and regulatory requirements (table 21.2). These experts have several rounds of interaction with the *Doing Business* team, involving conference calls, written correspondence and visits by the team. For *Doing Business 2014* team members visited 33 economies to verify data and recruit respondents. The data from questionnaires are subjected to numerous

rounds of verification, leading to revisions or expansions of the information collected.

ECONOMY CHARACTERISTICS

Gross national income per capita

Doing Business 2014 reports 2012 income per capita as published in the World Bank's *World Development Indicators 2013*. Income is calculated using the Atlas method (current U.S. dollars). For cost indicators expressed as a percentage of income per capita, 2012 gross national income (GNI) in U.S. dollars is used as the denominator. GNI data were not available from the World Bank for Afghanistan, The Bahamas, Bahrain, Barbados, Brunei Darussalam, Djibouti, the Islamic Republic of Iran, Kuwait, Libya, Myanmar, New Zealand, Oman, San Marino, the Syrian Arab Republic, West Bank and Gaza, and the Republic of Yemen. In these cases GDP or GNP per capita data and growth rates from other sources, such as the International Monetary Fund's World Economic Outlook database and the Economist Intelligence Unit, were used.

Region and income group

Doing Business uses the World Bank regional and income group classifications, available at <http://data.worldbank.org/about/country-classifications>. The World Bank does not assign regional classifications to high-income economies. For the purpose of the *Doing Business* report, high-income OECD economies are assigned the "regional" classification *OECD high income*. Figures and tables presenting regional averages include economies from all income groups (low, lower middle, upper middle and high income).

Population

Doing Business 2014 reports midyear 2012 population statistics as published in *World Development Indicators 2013*.

The *Doing Business* methodology offers several advantages. It is transparent, using factual information

² The data for paying taxes refer to January – December 2012.

about what laws and regulations say and allowing multiple interactions with local respondents to clarify potential misinterpretations of questions. Having representative samples of respondents is not an issue; *Doing Business* is not a statistical survey, and the texts of the relevant laws and regulations are collected and answers checked for accuracy. The methodology is inexpensive and easily replicable, so data can be collected in a large sample of economies. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. Finally, the data not only highlight the extent of specific regulatory obstacles to business but also identify their source and point to what might be reformed. Information on the methodology for each *Doing Business* topic can be found on the *Doing Business* website at <http://www.doingbusiness.org/methodology>.

Limits to what is measured

The *Doing Business* methodology has 5 limitations that should be considered when interpreting the data. First, the collected data refer to businesses in the economy's largest business city (which in some economies differs from the capital) and may not be representative of regulation in other parts of the economy. To address this limitation, subnational *Doing Business* indicators were created (box 21.1). Second, the data often focus on a specific business form—generally a limited liability company (or its legal equivalent) of a specified size—and may not be representative of the regulation on other businesses, for example, sole proprietorships. Third, transactions described in a standardized case scenario refer to a specific set of issues and may not represent the full set of issues a business encounters. Fourth, the measures of time involve an element of judgment by the expert respondents. When sources indicate different estimates, the time indicators reported in *Doing Business* represent the median values of several responses given under the assumptions of the standardized case.

Finally, the methodology assumes that a business has full information on what is required and does not waste time when completing procedures. In practice, completing a procedure may take longer if the business lacks information or is unable to follow up promptly. Alternatively, the business may choose to disregard some burdensome procedures. For both

reasons the time delays reported in *Doing Business 2014* would differ from the recollection of entrepreneurs reported in the World Bank Enterprise Surveys or other perception surveys.

This year *Doing Business* completed subnational studies in Colombia, Italy and the city of Hargeisa (Somaliland) and is currently updating indicators in Egypt, Mexico and Nigeria. *Doing Business* also published regional studies for the g7+ and the East African Community. The g7+ group is a country-owned and country-led global mechanism established in April 2010 to monitor, report and draw attention to the unique challenges faced by fragile states. The member countries included in the report are Afghanistan, Burundi, the Central African Republic, Chad, the Comoros, the Democratic Republic of Congo, Côte d'Ivoire, Guinea, Guinea-Bissau, Haiti, Liberia, Papua New Guinea, Sierra Leone, the Solomon Islands, South Sudan, Timor-Leste and Togo.

The subnational studies point to differences in business regulation and its implementation—as well as in the pace of regulatory reform—across cities in the same economy. For several economies subnational studies are now periodically updated to measure change over time or to expand geographic coverage to additional cities. This year that is the case for all the subnational studies published.

Changes in what is measured

The methodology for 2 indicator sets—trading across borders and paying taxes—was updated this year. For trading across borders, documents that are required purely for purposes of preferential treatment are no longer included in the list of documents (for example, a certificate of origin if the use is only to qualify for a preferential tariff rate under trade agreements). For paying taxes, the value of fuel taxes is no longer included in the total tax rate because of the difficulty of computing these taxes in a consistent way across all economies covered. The fuel tax amounts are in most cases very small, and measuring these amounts is often complicated because they depend on fuel consumption. Fuel taxes continue to be counted in the number of payments.

In a change involving several indicator sets, the rule establishing that each procedure must take at least 1 day was removed for procedures that can be fully

completed online in just a few hours. This change affects the time indicator for starting a business, dealing with construction permits and registering property.³ For procedures that can be fully completed online, the duration is now set at half a day rather than a full day.

The threshold for the total tax rate introduced in 2011 for the purpose of calculating the ranking on the ease of paying taxes was updated. All economies with a total tax rate below the threshold (which is calculated and adjusted on a yearly basis) receive the same ranking on the total tax rate indicator. The threshold is not based on any economic theory of an “optimal tax rate” that minimizes distortions or maximizes efficiency in the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the lower end of the distribution of tax rates levied on medium-size enterprises in the manufacturing sector as observed through the paying taxes indicators. This reduces the bias in the indicators toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). This year the threshold is 25.5%.

Data challenges and revisions

Most laws and regulations underlying the *Doing Business* data are available on the *Doing Business* website at <http://www.doingbusiness.org>. All the sample questionnaires and the details underlying the indicators are also published on the website. Questions on the methodology and challenges to data can be submitted through the website’s “Ask a Question” function at <http://www.doingbusiness.org>.

Ease of doing business and distance to frontier

Doing Business 2014 presents results for 2 aggregate measures: the aggregate ranking on the ease of doing

business and the distance to frontier measure. The ease of doing business ranking compares economies with one another, while the distance to frontier measure benchmarks economies to the frontier in regulatory practice, measuring the absolute distance to the best performance on each indicator. Both measures can be used for comparisons over time. When compared across years, the distance to frontier measure shows how much the regulatory environment for local entrepreneurs in each economy has changed over time in absolute terms, while the ease of doing business ranking can show only relative change.

Ease of doing business

The ease of doing business index ranks economies from 1 to 189. For each economy the ranking is calculated as the simple average of the percentile rankings on each of the 10 topics included in the index in *Doing Business 2014*: 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. The employing workers indicators are not included in this year’s aggregate ease of doing business ranking.

Construction of the ease of doing business index

Here is one example of how the ease of doing business index is constructed. In Denmark it takes 4 procedures, 5.5 days and 0.2% of annual income per capita in fees to open a business. The minimum capital requirement is 24% of annual income per capita. On these 4 indicators Denmark ranks in the 12th, 11th, 1st and 79th percentiles. So on average Denmark ranks in the 25th percentile on the ease of starting a business. It ranks in the 21st percentile on getting credit, 19th percentile on paying taxes, 27th percentile on enforcing contracts, 5th percentile on resolving insolvency and so on. Higher rankings indicate simpler regulation and stronger protection of property rights. The simple average of Denmark’s percentile rankings on all topics is 17th. When all economies are ordered by their average percentile rankings, Denmark stands at 5 in the aggregate ranking on the ease of doing business.

More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly identical to the simple average

³ For getting electricity the rule that each procedure must take a minimum of 1 day still applies because in practice there are no cases in which procedures can be fully completed online in less than a day. For example, even though in some cases it is possible to apply for an electricity connection online, additional requirements mean that the process cannot be completed in less than 1 day.

used by *Doing Business*.⁴ Thus, *Doing Business* uses the simplest method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components.

If an economy has no laws or regulations covering a specific area—for example, insolvency—it receives a “no practice” mark. Similarly, an economy receives a “no practice” or “not possible” mark if regulation exists but is never used in practice or if a competing regulation prohibits such practice. Either way, a “no practice” mark puts the economy at the bottom of the ranking on the relevant indicator.

The ease of doing business index is limited in scope. It does not account for an economy’s proximity to large markets, the quality of its infrastructure services (other than services related to trading across borders and getting electricity), the strength of its financial system, the security of property from theft and looting, macroeconomic conditions or the strength of underlying institutions.

Variability of economies’ rankings across topics

Each indicator set measures a different aspect of the business regulatory environment. The rankings of an economy can vary, sometimes significantly, across indicator sets. The average correlation coefficient between the 10 indicator sets included in the aggregate ranking is 0.38, and the coefficients between any 2 sets of indicators range from 0.18 (between getting electricity and getting credit) to 0.58 (between trading across borders and resolving insolvency and between trading across borders and getting electricity). These correlations suggest that economies rarely score universally well or universally badly on the indicators.

Consider the example of Canada. It stands at 19 in the aggregate ranking on the ease of doing business. Its ranking is 2 on starting a business, 4 on protecting investors, and 8 on paying taxes. But its ranking is only

58 on enforcing contracts, 116 on dealing with construction permits and 145 on getting electricity.

Variation in performance across the indicator sets is not at all unusual. It reflects differences in the degree of priority that government authorities give to particular areas of business regulation reform and the ability of different government agencies to deliver tangible results in their area of responsibility.

Distance to frontier measure

A drawback of the ease of doing business ranking is that it can measure the regulatory performance of economies only relative to the performance of others. It does not provide information on how the absolute quality of the regulatory environment is improving over time. Nor does it provide information on how large the gaps are between economies at a single point in time.

The distance to frontier measure is designed to address both shortcomings, complementing the ease of doing business ranking. This measure illustrates the distance of an economy to the “frontier,” and the change in the measure over time shows the extent to which the economy has closed this gap. The frontier is a score derived from the most efficient practice or highest score achieved on each of the component indicators in 10 *Doing Business* indicator sets (excluding the employing workers indicators) by any economy. In starting a business, for example, Canada and New Zealand have achieved the highest performance on the number of procedures required (1) and on the time (0.5 days), Denmark and Slovenia on the cost (0% of income per capita) and Chile, Zambia and 99 other economies on the paid-in minimum capital requirement (0% of income per capita) (table 22.2).

Calculating the distance to frontier for each economy involves 2 main steps. First, individual indicator scores are normalized to a common unit: except for the total tax rate, each of the 31 component indicators y is rescaled to $(\max - y)/(\max - \min)$, with the minimum value (\min) representing the frontier—the highest performance on that indicator across all economies since 2003 or the first year the indicator was collected.⁵ For the total tax rate, consistent with the calculation of

⁴ See Simeon Djankov, Darshini Manraj, Caralee McLiesh and Rita Ramalho, “*Doing Business* Indicators: Why Aggregate, and How to Do It” (World Bank, Washington, DC, 2005). Principal components and unobserved components methods yield a ranking nearly identical to that from the simple average method because both these methods assign roughly equal weights to the topics, since the pairwise correlations among indicators do not differ much. An alternative to the simple average method is to give different weights to the topics, depending on which are considered of more or less importance in the context of a specific economy.

⁵ Even though scores for the distance to frontier are calculated from 2005, data from as early as 2003 are used to define the frontier

the rankings, the frontier is defined as the total tax rate at the 15th percentile of the overall distribution of total tax rates for all years. Second, for each economy the scores obtained for individual indicators are aggregated through simple averaging into one distance to frontier score, first for each topic and then across all topics. 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 maximum (max) and minimum (min) observed values are computed for all economies included in the *Doing Business* sample since 2003 and for all years (from 2003 to 2013). To mitigate the effects of extreme outliers in the distributions of the rescaled data (very few economies need 694 days to complete the procedures to start a business, but many need 9 days), the maximum (max) is defined as the 95th percentile of the pooled data for all economies and all years for each indicator. The exceptions are the getting credit, protecting investors and resolving insolvency indicators, whose construction precludes outliers. In addition, the cost to export and cost to import for each year are divided by the GDP deflator, so as to take the general price level into account when benchmarking these absolute-cost indicators across economies with different inflation trends. The base year for the deflator is 2013 for all economies.

The difference between an economy's distance to frontier score in any previous year and its score in 2013 illustrates the extent to which the economy has closed the gap to the frontier over time. And in any given year the score measures how far an economy is from the highest performance at that time.

Take Colombia, which has a score of 70.5 on the distance to frontier measure for 2014. This score indicates that the economy is 29.5 percentage points away from the frontier constructed from the best performances across all economies and all years. Colombia was further from the frontier in 2009, with a score of 66.2. The difference between the scores shows an improvement over time.

The distance to frontier measure can also be used for comparisons across economies in the same year, complementing the ease of doing business ranking. For example, Colombia stands at 63 this year in the ease of doing business ranking, while Peru, which is 29.3 percentage points from the frontier, stands at 42.

Economies that improved the most across 3 or more Doing Business topics in 2012/13

Doing Business 2014 uses a simple method to calculate which economies improved the most in the ease of doing business. First, it selects the economies that in 2012/13 implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year's ease of doing business ranking.⁶ Twenty-nine economies meet this criterion: Azerbaijan, Belarus, Burundi, Côte d'Ivoire, Croatia, Djibouti, Gabon, Guatemala, Guinea, Italy, Kosovo, Latvia, the former Yugoslav Republic of Macedonia, Malaysia, Mauritius, Mexico, Moldova, Mongolia, Morocco, Panama, the Philippines, the Republic of Congo, Romania, the Russian Federation, Rwanda, Sri Lanka, Ukraine, Uzbekistan and the United Arab Emirates. Second, *Doing Business* sorts these economies on the increase in their distance to frontier measure from the previous year using comparable data.

Selecting the economies that implemented regulatory reforms in at least 3 topics and improved the most in the distance to frontier measure is intended to highlight economies with ongoing, broadbased reform programs. The criterion for identifying the top improvers was changed from last year. The improvement in ease of doing business ranking is no longer used. The improvement in the distance to frontier measure is used instead because under this measure economies are sorted according to their absolute improvement instead of relative improvement.

⁶ *Doing Business* reforms making it more difficult to do business are subtracted from the total number of those making it easier to do business.

RESOURCES ON THE *DOING BUSINESS* WEBSITE

Current features

News on the *Doing Business* project
<http://www.doingbusiness.org>

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How economies rank—from 1 to 189
<http://www.doingbusiness.org/rankings/>

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All the data for 189 economies—topic rankings, indicator values, lists of regulatory procedures and details underlying indicators
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Short summaries of DB2014 business reforms, lists of reforms since DB2008 and a ranking simulation tool
<http://www.doingbusiness.org/reforms/>

Historical data

Customized data sets since DB2004
<http://www.doingbusiness.org/custom-query/>

Law library

Online collection of business laws and regulations relating to business and gender issues
<http://www.doingbusiness.org/law-library/>
<http://wbl.worldbank.org/>

Contributors

More than 10,200 specialists in 189 economies who participate in *Doing Business*
<http://www.doingbusiness.org/contributors/doing-business/>

Entrepreneurship data

Data on business density for 139 economies
<http://www.doingbusiness.org/data/exploretopics/entrepreneurship/>

***Doing Business* iPhone App**

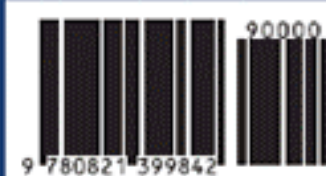
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