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News Release

Doing Business 2007: Morocco is top reformer in the Middle East and North Africa

WASHINGTON, D.C., September 6, 2006 – Morocco was the top reformer in the region on the ease of doing business in the Middle East and North Africa in 2005–2006, according to a new report by the World Bank and the International Finance Corporation (IFC). Morocco cut the cost of starting a business, complying with tax regulations, and doing property transfers, all measures that can help support job creation—an urgent challenge across the whole region. Egypt, a global top-10 reformer in last year’s report, continued to reform but at a slower pace. Seventeen regulatory reforms—in 10 economies in the region—reduced the time, cost, and hassle required for businesses to comply with legal and administrative requirements. More countries in the region are reforming compared with last year. The region ranks fourth in the world on the pace of reform, up two places from last year.

Doing Business 2007: How to Reform, covering 175 economies, finds that the top 10 global reformers are, in order, Georgia, Romania, Mexico, China, Peru, France, Croatia, Guatemala, Ghana, and Tanzania. Reformers simplified business regulations, strengthened property rights, eased tax burdens, increased access to credit, and reduced the cost of exporting and importing. Algeria, Egypt, Israel, Jordan, Kuwait, Saudi Arabia, Syria, Tunisia, and Yemen, each implemented at least one reform. There were no reforms in Iran, Iraq, Lebanon, or the West Bank and Gaza.

Doing Business 2007 also ranks 175 economies on the ease of doing business—covering 20 more economies than last year’s report. The top-ranked countries in the region are Israel (26), Saudi Arabia (39), and Kuwait (45).

The top 30 economies in the world, in order, are Singapore, New Zealand, the United States, Canada, Hong Kong (China), the United Kingdom, Denmark, Australia, Norway, Ireland, Japan, Iceland, Sweden, Finland, Switzerland, Lithuania, Estonia, Thailand, Puerto Rico, Belgium, Germany, the Netherlands, Korea, Latvia, Malaysia, Israel, St. Lucia, Chile, South Africa, and Austria.

The rankings track indicators of the time and cost to meet government requirements in business start-up, operation, trade, taxation, and closure. They do not track variables such as macroeconomic policy, quality of infrastructure, currency volatility, investor perceptions, or crime rates.

Morocco, the region’s top reformer, improved in three of the 10 areas studied by *Doing Business*. It reduced the minimum capital required to start a new business from 100,000 to 10,000 dirham. It also eased transfer of property by cutting the transfer tax from 5 percent to 2.5 percent of the property’s value and simplified its tax rules by combining multiple tax regulations into one source, making compliance easier.

Other notable reforms in the region:

- **Israel** permitted a private credit bureau to start operations and now it is among the top 10 in credit information coverage globally, easing access to credit. The bureau offers credit histories on all Israeli adults, an increase from 0.7 percent only a year ago. Israel also cut corporate and VAT taxes for businesses and increased investor protections by tightening approval requirements for related-party transactions.
- **Egypt** continued reforming with improvements to new company start-up and tax administration. It cut registration fees for new businesses, reducing the cost by 40 percent and implemented a flat 20 percent corporate income tax rate.
- **Algeria** instructed banks and financial institutions to report unpaid credits and loans to the public credit registry, increasing available information about potential borrowers. It also reduced the corporate income tax rate from 30 percent to 25 percent.
- **Syria** modernized its trade administration. Traders can now submit customs declarations electronically, cutting the time to clear customs from eight days to seven days for imports and three days to one day for exports. Syria also decreased the cost to register a new company by 40 percent through a reduced stamp duty.
- **Saudi Arabia** simplified the process for registering a new company. The changes decreased business start-up time by almost a month (from 64 to 39 days).
- **Yemen** reduced its sales tax from 10 percent to 5 percent for most products.
- **Tunisia** increased investor protections by opening the books of the company to shareholders, strengthening auditor responsibility, and prohibiting company loans to company insiders.
- **Jordan** improved port efficiency at Aqaba. Vessel turnaround time dropped from eight days to a few hours, and congestion surcharges were canceled. This represents a US\$120 million savings to the Jordanian economy.
- **Kuwait** sped property registration by increasing staff at the registry. Time to transfer real estate titles dropped from 75 to 55 days.
- **Djibouti**, already one of the lowest in the *Doing Business* rankings, made it even more difficult to do business. It limited the availability of fixed-term contracts for workers and capped their duration to 12 months, with one possible renewal.

"More progress is sorely needed. Middle Eastern and North African countries would greatly benefit from new enterprises and jobs, which can come with more business-friendly regulations," said Michael Klein, World Bank-IFC vice president for financial and private sector development and IFC chief economist.

The report finds that the region is not reforming in the areas producing the greatest obstacles to business: high licensing requirements and inefficient courts. For example, in Iran, complying with the licensing requirements for a simple construction project takes two years and costs six times the average worker's annual salary. In Djibouti, resolving a simple commercial dispute in the courts takes three years and costs 27 percent of the value of the claim.

Doing Business allows policymakers to compare regulatory performance with other countries, learn from best practices globally, and prioritize reforms. "The annual *Doing Business* updates have already had an impact. The analysis has inspired and informed at least 48 reforms around the world. The lesson—what gets measured gets done," said Caralee McLiesh, an author of the report.



Globally, the most popular reform in 2005–2006 was easing the regulations of business start-up. Forty-three countries simplified procedures, reducing costs and delays. The second most popular reform—implemented in 31 countries—was reducing tax rates and the administrative hassle of paying taxes.

Whatever reformers do, they should always ask the question, Who will benefit the most? If reforms are seen to benefit only foreign investors, or large investors, or bureaucrats-turned-investors, they reduce the legitimacy of the government. “Reforms should ease the burden on all businesses: small and large, domestic and foreign, rural and urban. This way there is no need to guess where the next boom in jobs will come from. Any business will have the opportunity to thrive,” said Simeon Djankov, an author of the report.

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The Doing Business project is based on the efforts of more than 5,000 local experts – business consultants, lawyers, accountants, government officials, and leading academics around the world, who provided methodological support and review. The data, methodology, and names of contributors are publicly available online at <http://www.doingbusiness.org>.

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