

Doing Business



2012

Economy Profile: **Kuwait**

Doing business in a
more transparent world

COMPARING REGULATION FOR DOMESTIC FIRMS IN 183 ECONOMIES

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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 10 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 and resolving insolvency.

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 183 economies, from Afghanistan to Zimbabwe, over time. The data set covers 46 economies in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 24 in East Asia and the Pacific, 24 in Eastern Europe and Central Asia, 18 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 economy profile presents the *Doing Business* indicators for Kuwait. To allow useful comparison, it also provides data for other selected economies (comparator economies) for each indicator. The data in this report are current as of June 1, 2011 (except for

the paying taxes indicators, which cover the period January–December 2010).

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 2012* presents the indicators, analyzes their relationship with economic outcomes and recommends regulatory reforms. The data, along with information on ordering *Doing Business 2012*, 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 183 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 2012*: 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).¹

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.

ECONOMY OVERVIEW

Region: Middle East & North Africa

Income category: High income

Population: 2,863,000

GNI per capita (US\$): 36,412.00

DB2012 rank: 67

DB2011 rank: 71

Change in rank: 4

Note: See the data notes for sources and definitions.

¹ Except for the ease of getting credit, for which the percentile rankings on its component indicators are weighted, the depth of credit information index at 37.5% and the strength of legal rights index at 62.5%.

THE BUSINESS ENVIRONMENT

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



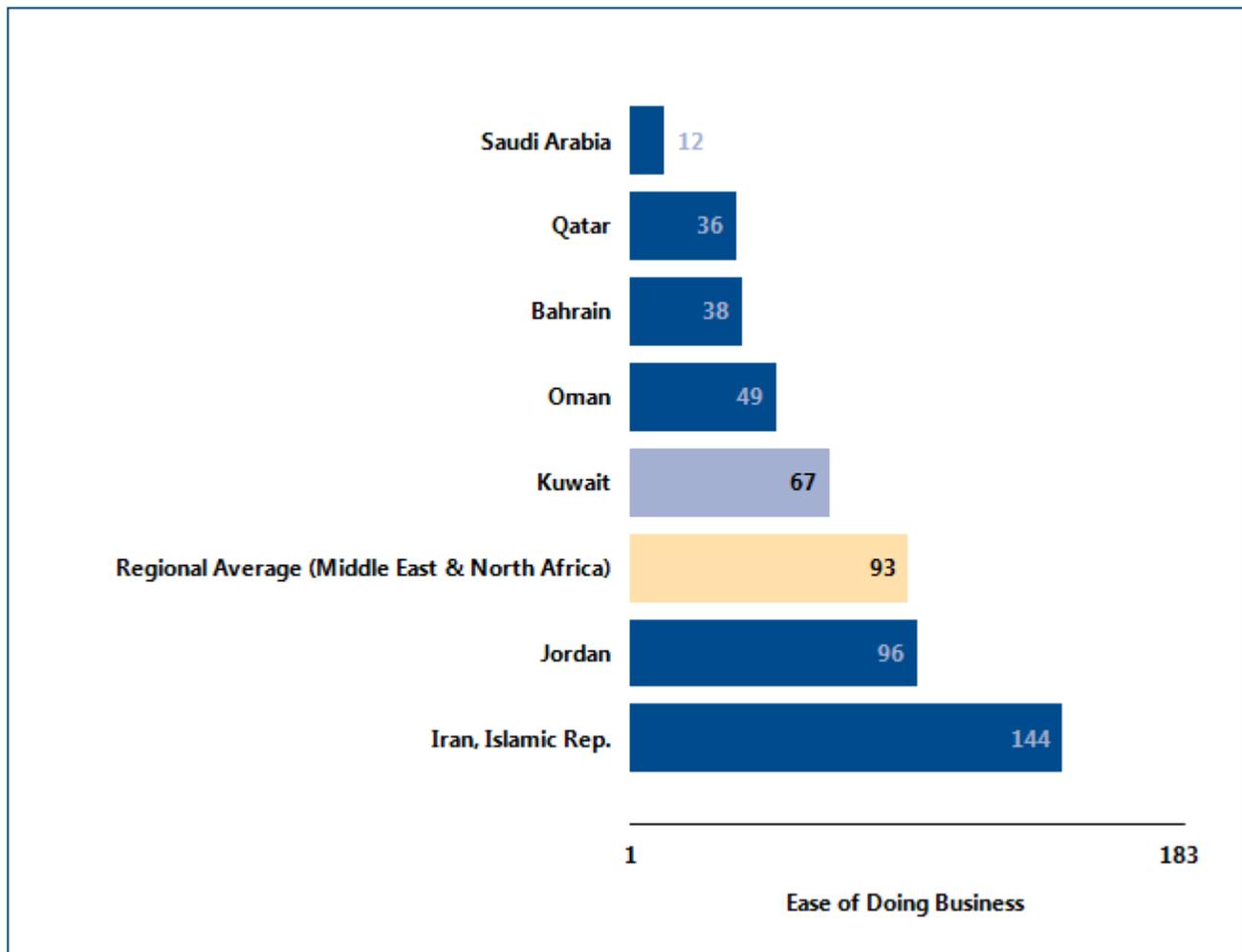
Source: *Doing Business* database.

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 and compared with

the regional average (figure 1.2). The economy's rankings on the topics included in the ease of doing business index provide another perspective (figure 1.3).

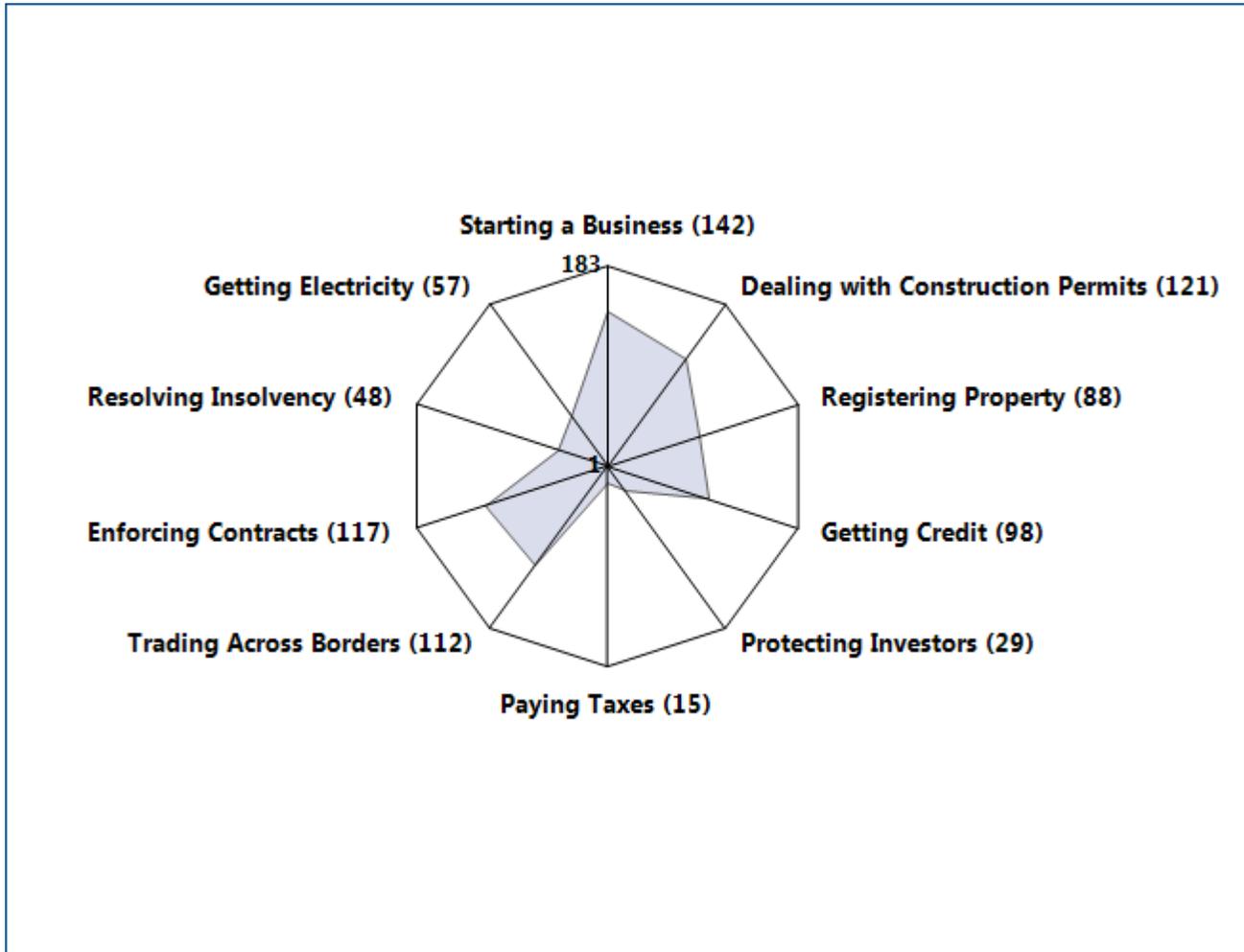
Figure 1.2 How Kuwait and comparator economies rank on the ease of doing business



Source: Doing Business database.

THE BUSINESS ENVIRONMENT

Figure 1.3 How Kuwait ranks on *Doing Business* topics



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*.

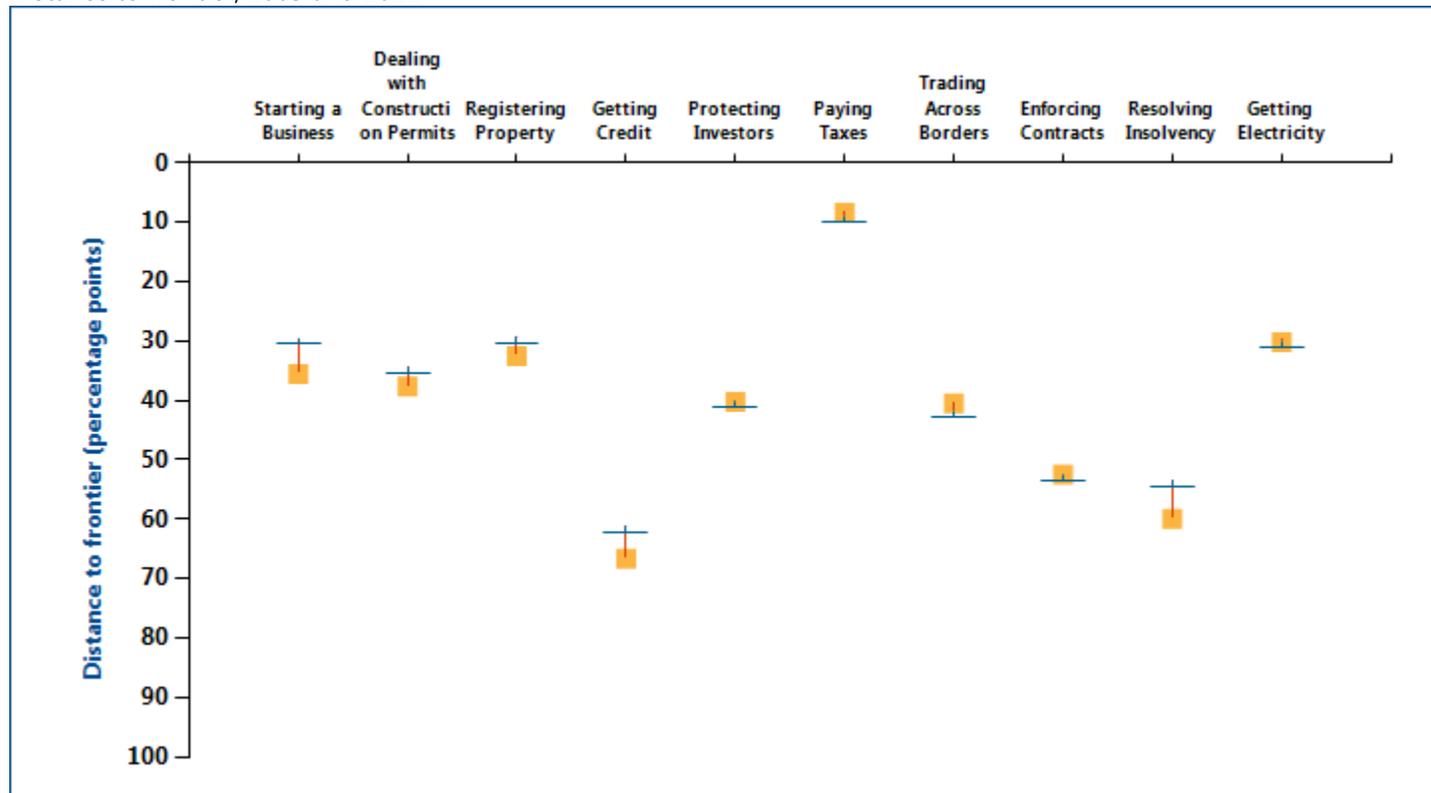
Moreover, year-to-year changes in the overall rankings do not reflect how the business regulatory environment in an economy has changed over time—or how it has changed in different areas. To aid in assessing such changes, *Doing Business 2012* introduces the distance to frontier measure.

This measure shows the distance of each economy to the "frontier," a synthetic measure based on the most efficient practice or highest score observed for each *Doing Business* indicator across all economies and years included in the *Doing Business* sample since 2005. Nine areas of business regulation are covered.

Comparing the measure for an economy at 2 points in time allows users to assess how much the economy's regulatory environment as measured by *Doing Business* has changed over time—how far it has moved toward (or away from) the most efficient practices and strongest regulations in areas covered by *Doing Business* (figure 1.4). The results may show that the pace of change varies widely across the areas measured. They also may show that an economy is relatively close to the frontier in some areas and relatively far from it in others.

Figure 1.4 How far has Kuwait come in the areas measured by *Doing Business*?

Distance to frontier, 2005 and 2011



Note: For economies added to the *Doing Business* sample after 2005, the starting point is the year in which they were added: 2006 for Montenegro; 2007 for Brunei Darussalam, Liberia and Luxembourg; 2008 for The Bahamas, Bahrain and Qatar; and 2009 for Cyprus and Kosovo. See the data notes for more details on the distance to frontier measure.

Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

The absolute values of the indicators tell another part of the story (table 1.1). The indicators, on their own or in comparison with the indicators of a good practice economy or those of comparator economies in the region, may reveal bottlenecks reflected in large numbers of procedures, long delays or high costs. Or they 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. Comparison of the economy's indicators today with those in the previous year may show where substantial bottlenecks persist—and where they are diminishing.

Table 1.1 Summary of *Doing Business* indicators for Kuwait

Indicator	Kuwait DB2012	Kuwait DB2011	Bahrain DB2012	Iran, Islamic Rep. DB2012	Jordan DB2012	Oman DB2012	Qatar DB2012	Saudi Arabia DB2012	Best performer globally DB2012
Starting a Business (rank)	142	141	82	53	95	68	116	10	New Zealand (1)
Procedures (number)	12	13	7	6	7	5	8	3	Canada (1)*
Time (days)	32	35	9	8	12	8	12	5	New Zealand (1)
Cost (% of income per capita)	1.2	1.3	0.7	3.8	13.9	3.1	8.3	5.9	Denmark (0.0)*
Paid-in Min. Capital (% of income per capita)	71.8	82.7	259.8	0.7	0.0	271.7	64.0	0.0	82 Economies (0.0)*
Dealing with Construction Permits (rank)	121	118	7	164	93	64	24	4	Hong Kong SAR, China (1)
Procedures (number)	24	24	12	16	17	14	17	9	Denmark (5)
Time (days)	130	130	43	320	70	174	70	75	Singapore (26)*
Cost (% of income per capita)	121.8	140.3	10.7	355.6	534.2	45.7	1.1	19.4	Qatar (1.1)

Indicator	Kuwait DB2012	Kuwait DB2011	Bahrain DB2012	Iran, Islamic Rep. DB2012	Jordan DB2012	Oman DB2012	Qatar DB2012	Saudi Arabia DB2012	Best performer globally DB2012
Getting Electricity (rank)	57	62	49	162	36	61	18	18	Iceland (1)
Procedures (number)	7	7	5	7	5	6	3	4	Germany (3)*
Time (days)	42	42	90	140	43	62	90	71	Germany (17)
Cost (% of income per capita)	48.2	63.4	63.6	1058.5	274.2	62.5	4.1	18.1	Japan (0.0)
Registering Property (rank)	88	93	30	163	101	21	37	1	New Zealand (3)
Procedures (number)	8	8	2	9	7	2	7	2	Portugal (1)*
Time (days)	47	55	31	36	21	16	13	2	Portugal (1)
Cost (% of property value)	0.5	0.5	2.7	10.5	7.5	3.0	0.3	0.0	Slovak Republic (0.0)
Getting Credit (rank)	98	96	126	98	150	98	98	48	United Kingdom (1)*
Strength of legal rights index (0-10)	4	4	4	4	4	4	4	5	New Zealand (10)*
Depth of credit information index (0-6)	4	4	3	4	2	4	4	6	Japan (6)*
Public registry coverage (% of adults)	0.0	0.0	0.0	26.5	1.6	18.9	32.2	0.0	Portugal (86.2)
Private bureau coverage (% of adults)	29.0	29.6	40.0	24.4	0.0	0.0	0.0	16.0	New Zealand (100.0)*
Protecting Investors (rank)	29	28	79	166	122	97	97	17	New Zealand (1)
Extent of disclosure index (0-10)	7	7	8	5	5	8	5	9	France (10)*

Indicator	Kuwait DB2012	Kuwait DB2011	Bahrain DB2012	Iran, Islamic Rep. DB2012	Jordan DB2012	Oman DB2012	Qatar DB2012	Saudi Arabia DB2012	Best performer globally DB2012
Extent of director liability index (0-10)	7	7	4	4	4	5	6	8	Singapore (9)*
Ease of shareholder suits index (0-10)	5	5	4	0	4	2	4	4	New Zealand (10)*
Strength of investor protection index (0-10)	6.3	6.3	5.3	3.0	4.3	5.0	5.0	7.0	New Zealand (9.7)
Paying Taxes (rank)	15	14	18	126	21	9	2	10	Canada (8)
Payments (number per year)	15	15	25	20	25	14	3	14	Norway (4)
Time (hours per year)	118	118	36	344	116	62	36	79	Luxembourg (59)
Trading Across Borders (rank)	112	112	49	138	58	47	57	18	Singapore (1)
Documents to export (number)	7	7	6	7	6	8	5	5	France (2)
Time to export (days)	16	16	11	25	13	10	21	13	Hong Kong SAR, China (5)*
Cost to export (US\$ per container)	1085	1060	955	1275	825	745	860	615	Malaysia (450)
Documents to import (number)	10	10	7	8	7	8	7	5	France (2)
Time to import (days)	19	19	15	32	15	9	20	17	Singapore (4)
Cost to import (US\$ per container)	1242	1217	995	1885	1335	680	730	686	Malaysia (435)
Enforcing Contracts (rank)	117	117	114	50	130	107	95	138	Luxembourg (1)

Indicator	Kuwait DB2012	Kuwait DB2011	Bahrain DB2012	Iran, Islamic Rep. DB2012	Jordan DB2012	Oman DB2012	Qatar DB2012	Saudi Arabia DB2012	Best performer globally DB2012
Time (days)	566	566	635	505	689	598	570	635	Singapore (150)
Cost (% of claim)	18.8	18.8	14.7	17.0	31.2	13.5	21.6	27.5	Bhutan (0.1)
Procedures (number)	50	50	48	39	38	51	43	43	Ireland (21)*
Resolving Insolvency (rank)	48	65	25	118	104	76	37	73	Japan (1)
Time (years)	4.2	4.2	2.5	4.5	4.3	4.0	2.8	1.5	Ireland (0.4)
Cost (% of estate)	1	1	10	9	9	4	22	22	Singapore (1)*
Recovery rate (cents on the dollar)	43.9	37.9	66.0	23.1	27.2	35.7	53.1	36.8	Japan (92.7)

Note: The methodology for the paying taxes indicators changed in *Doing Business 2012*; see the data notes for details. For these indicators, the best performer globally is the economy that has implemented the most efficient practices in its tax system and is not necessarily the one with the highest ranking. For more information on “no practice” marks, see the data notes for details.

* 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 can 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 registration 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 that are 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 (or within 3 months). 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 all government and nongovernment entities involved in the process function without corruption. And it assumes that the business:

- Is a limited liability company, located in the largest business city.
- Conducts general commercial or industrial activities.

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
- 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
- No professional fees unless services required by law

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

- Deposited in a bank or with a notary before registration (or within 3 months)
- Has a start-up capital of 10 times income per capita.
- Has a turnover of at least 100 times income per capita.
- Does not qualify for any special benefits.
- Does not own real estate.
- Is 100% domestically owned.

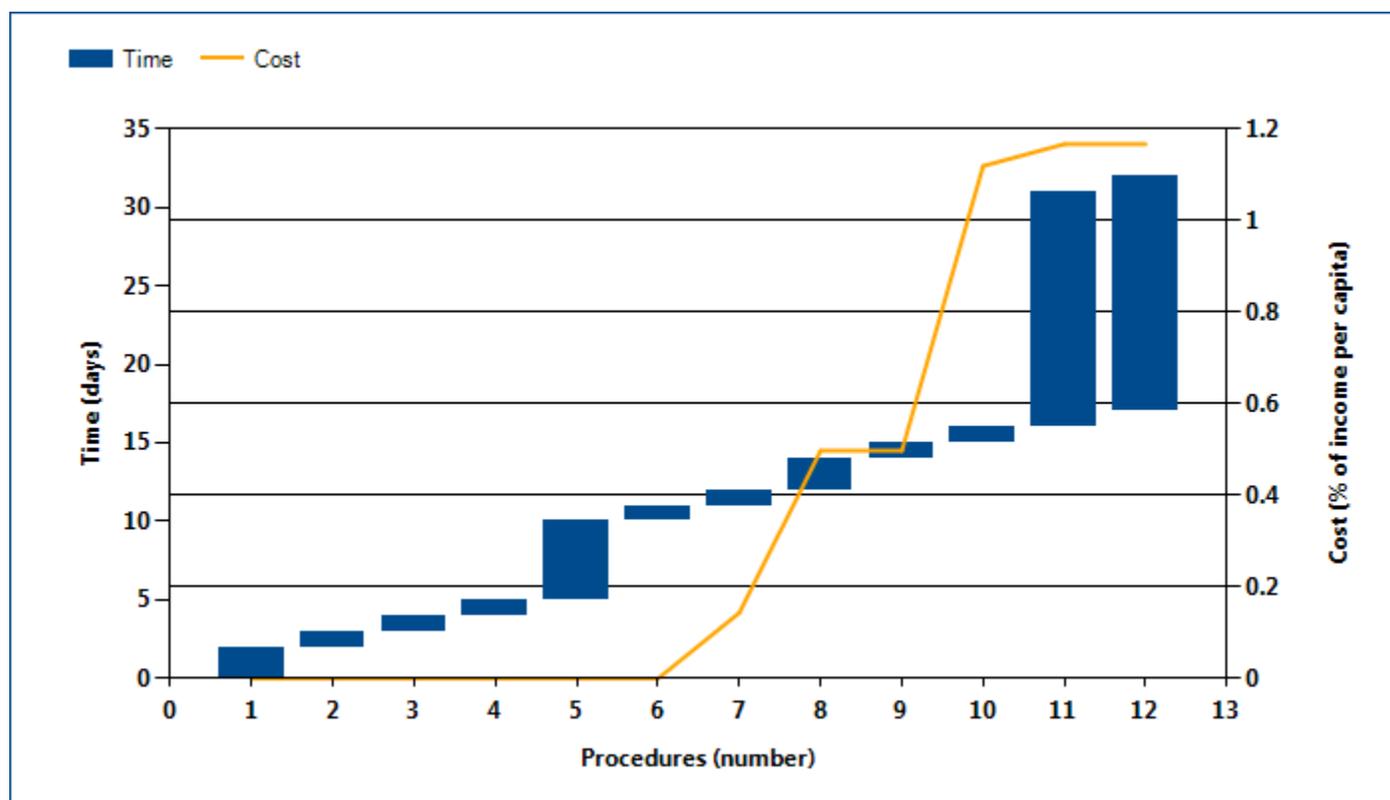
STARTING A BUSINESS

Where does the economy stand today?

What does it take to start a business in Kuwait? According to data collected by *Doing Business*, starting a business there requires 12 procedures, takes 32 days,

costs 1.2% of income per capita and requires paid-in minimum capital of 71.8% of income per capita (figure 2.1).

Figure 2.1 What it takes to start a business in Kuwait
Paid-in minimum capital (% of income per capita): 71.8



Note: For details on the procedures reflected here, see the summary at the end of this chapter.

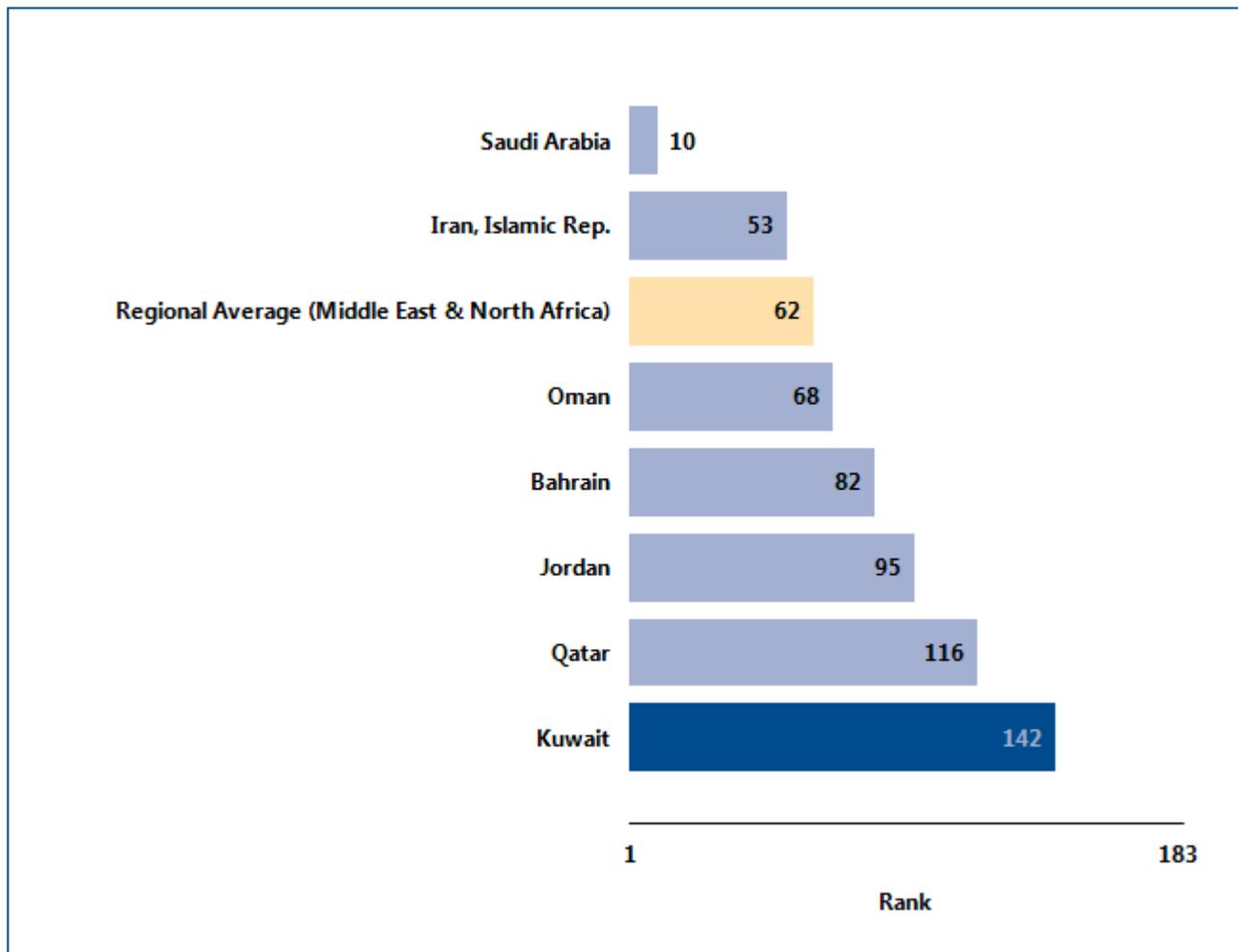
Source: *Doing Business* database.

STARTING A BUSINESS

Globally, Kuwait stands at 142 in the ranking of 183 economies on the ease of starting a business (figure 2.2). The rankings for comparator economies and the

regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Kuwait to start a business.

Figure 2.2 How Kuwait and comparator economies rank on the ease of starting a business



Source: Doing Business database.

STARTING A BUSINESS

What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to start a business in Kuwait today, data over time show which aspects of the process have changed—and which have not (table 2.1). That can help identify where the potential for improvement is greatest.

Table 2.1 The ease of starting a business in Kuwait over time
By *Doing Business* report year

Indicator	DB2004	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	..	141	142
Procedures (number)	13	13	13	13	13	13	13	13	12
Time (days)	35	35	35	35	35	35	35	35	32
Cost (% of income per capita)	2.0	2.4	2.2	1.6	1.6	1.3	1.0	1.3	1.2
Paid-in Min. Capital (% of income per capita)	148.5	148.5	133.8	100.8	99.9	81.7	59.2	82.7	71.8

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.

Source: *Doing Business* database.

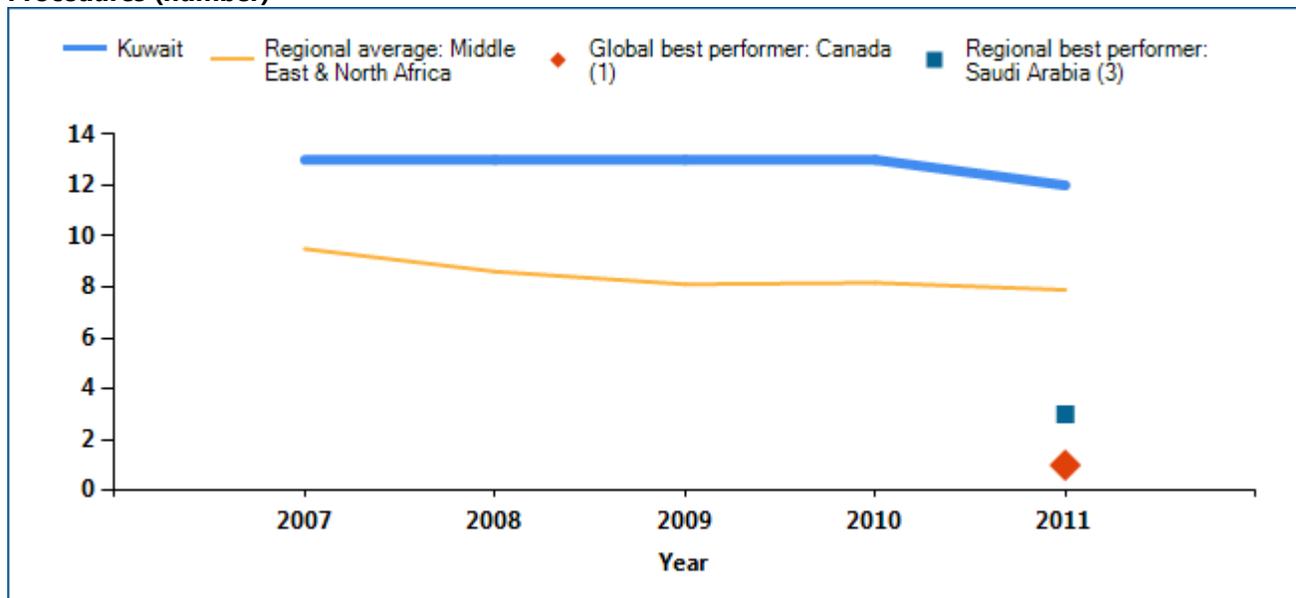
STARTING A BUSINESS

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the procedures, time, cost or paid-in minimum capital required to start a business (figure 2.3). These economies may provide a model for

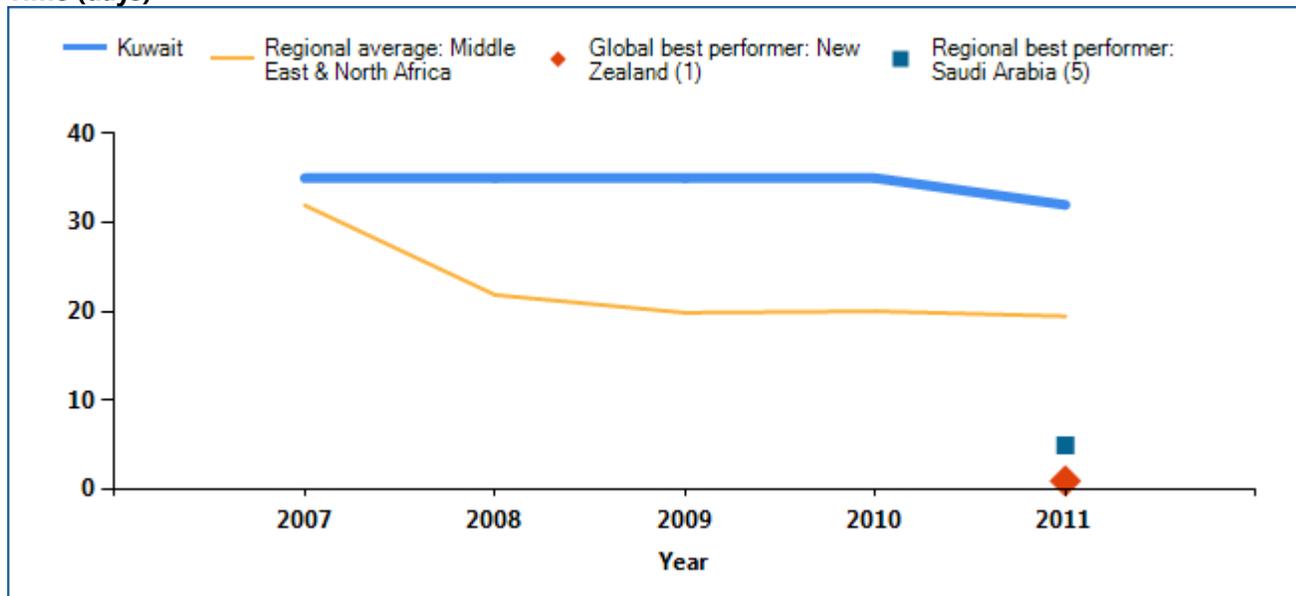
Kuwait on ways to improve the ease of starting a business. And changes in regional averages can show where Kuwait is keeping up—and where it is falling behind.

Figure 2.3 Has starting a business become easier over time?

Procedures (number)

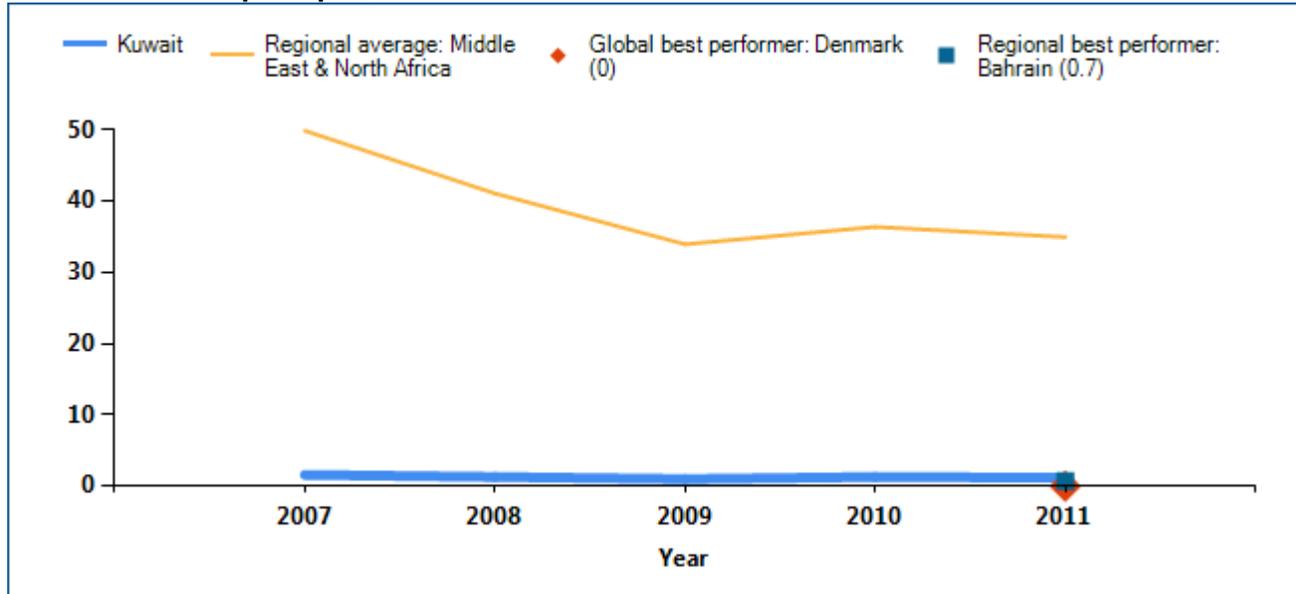


Time (days)

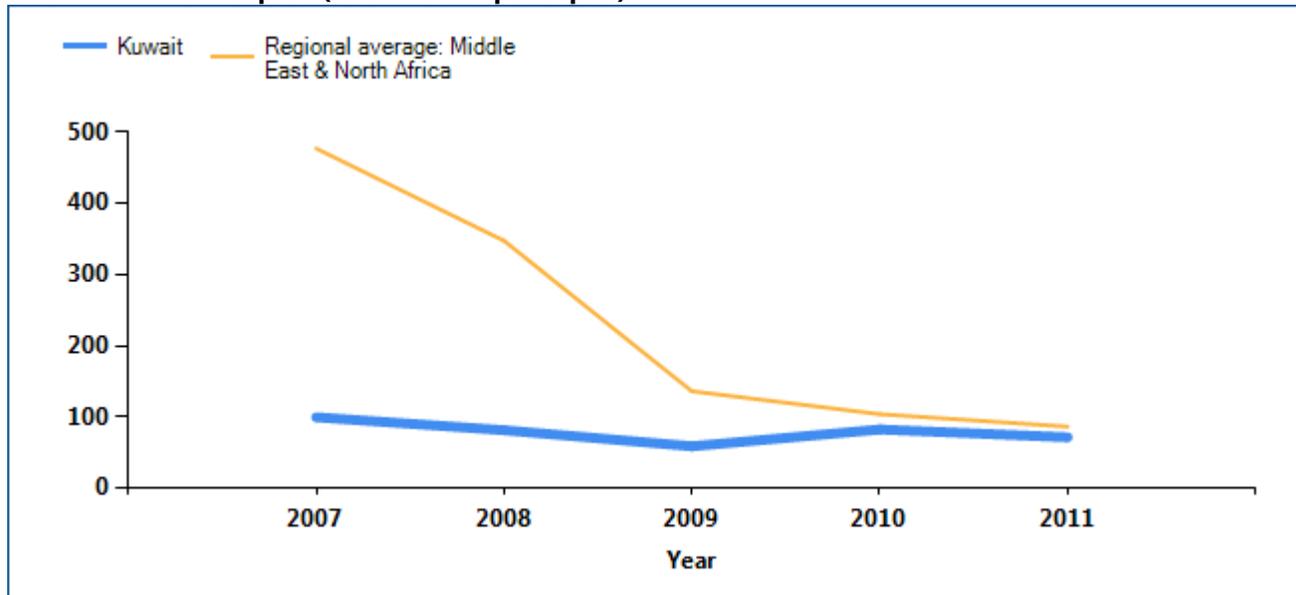


STARTING A BUSINESS

Cost (% of income per capita)



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



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator. In the case of paid-in minimum capital, 82 economies globally and economies in Middle East & North Africa have no paid-in minimum capital.

Source: Doing Business database.

STARTING A BUSINESS

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 they often are 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 Kuwait (table 2.2)?

Table 2.2 How has Kuwait made starting a business easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	No reform.
DB2009	No reform.

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.

STARTING A BUSINESS

What are the details?

Underlying the indicators shown in this chapter for Kuwait is a set of specific procedures—the bureaucratic and legal steps that an entrepreneur must complete to incorporate and register a new firm. These are identified by *Doing Business* through collaboration with relevant local professionals and the study of laws, regulations and publicly available information on business entry in that economy. Following is a detailed summary of those procedures, along with the associated time and cost. These procedures are those that apply to a company matching the standard assumptions (the “standardized company”) used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators measure).

STANDARDIZED COMPANY

City: Kuwait City

Legal Form: Limited Liability company (WLL)

Start-up capital: 10 times GNI per capita

Paid-in minimum capital (% of income per capita): 71.8

Summary of procedures for starting a business in Kuwait—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	<p>File with the Department of Partnerships (DOP) at the Ministry of Commerce (MOC) an application to set up the company, obtain background clearance</p> <p>To set up the company, the founders must file an application with the Department of Partnerships (DOP) at the Ministry of Commerce and Industry (MOCI). The application form is obtained from the Companies’ Department at the Ministry. This application must indicate the name of the founding partners, the company capital, the percentage of ownership by each partner, the company business, the identity of company management, the company’s scope, duration and business objective. Then , the MOCI stamps the application and give it a number then the director at DOP signs it. As for the submitted documents, these include the Company’s Memorandum of Incorporation, certificate of incorporation, any required resolutions as per the company’s Memorandum of Incorporation requested for the establishment of a new company and any additional documents that might be requested in light of the type and nationality of the Company. In addition, a certificate issued by the social security institution is requested from the Kuwaiti partners in order to verify that they are not civil servants. The MOCI would electronically submit an inspection request to the Municipality at the relevant point of the incorporation process and the officials at the Municipality should proceed to inspect the premises whose details are provided in the request from the MOCI upon receipt of such request. An internal inter-ministerial request is sent to the Ministry of Interior, which receives and responds to requests for background clearance when entrepreneurs open their license</p>	2 days	no charge

No.	Procedure	Time to complete	Cost to complete
	application.		
2	<p>Pick a name for the company and file an application with the Commercial Register</p> <p>The founding shareholders must select a company name and file an application with the Commercial Register. If the name already exists or resembles an existing company name, the Commercial Register will inform the applicant and request an alternative name.</p>	1 day	no charge
3	<p>Retrieve from the Department of Partnerships the notes addressed to the bank and to the municipality.</p> <p>Upon successfully filing the application for company name with the Commercial Registrar and after having already filed the registration application with DOP, the applicant must go back to DOP to retrieve notes issued by DOP and addressed to the bank, and the Kuwaiti municipality.</p> <p>Depending on the scope of the company's activities, the Companies' Department issues letters to the founders addressed to the relevant government agency: the municipality, and Commercial Bank chosen by the founders for the deposit of the capital. Depending on the scope of business, letters are issued in some cases to other governmental agencies or departments: for example, to the fire department for restaurants or cafes, to the Ministry of Health for food establishments, to the Ministry of Communication, to the Ministry of Oil and Energy for the oil industry, and so forth.</p>	1 day	no charge
4	<p>Deposit the legally required initial capital in a bank and obtain deposit evidence</p> <p>The note from DOP to the bank instructs it to accept the deposit of capital in an account opened in the company's name. Once the capital is deposited, the bank issues a detailed bank statement on the amount deposited by each partner against his/her share in the company. When credited to the account, the capital stays frozen in the account opened with the bank in the company name, and the founders cannot withdraw from the money deposited in the account until they submit the commercial license to the bank.</p>	1 day	no charge
5	<p>The Municipality Inspects the company's premises and issues a certificate</p> <p>The Municipality automatically receives notice that an entrepreneur has opened a license application along with the address listed on that application. The municipality then contacts the entrepreneur by telephone to schedule a site inspection. The note from the DOP to the municipality instructs it to inspect the company premises to check whether they comply with health and safety regulations. The founders must submit a lease contract for the company's premises to the municipality and the Fire Department as well as a receipt for the payment of the rent and a certificate from the Public Authority for Civil Information stating that the premises are registered with the Authority</p>	5 days	no charge

No.	Procedure	Time to complete	Cost to complete
	are also requested. The Fire Department inspects the premises to check for fire regulation compliance and then issues a document which is a fire department license in the name of the company before the issuance of the certificate from the municipality. This process usually takes 5 to 7 days. Eventually, the municipality issues a certificate indicating that the offices conform to regulations.		
6	Obtain a memorandum of association form from the Department of Partnership	1 day	no charge
7	Sign and notarize the memorandum of association before a public notary Upon receiving a standard memorandum of association from the DOP, the founding partners or their representatives must go to the Public Notary Department at the Ministry of Justice and sign and notarize the document before a notary public. The founders' lawyer must amend the memorandum of association if the partners wish to make changes to the standard document. This additional step can take more than a day, depending on the lawyer and the number of changes. When the memorandum of incorporation is signed and notarized, the Ministry of Justice issues three copies, one for the Ministry of Commerce and the other two for the founders (even if there are more than two).	1 day	KWD 15 for a 10 page Memorandum (KWD1.5 per page)
8	Obtain from the Department of Partnerships a license to start activity After a public notary at the Ministry of Justice notarizes the memorandum of association, the applicant gives the Department of Partnerships at Ministry of Commerce a signed and notarized copy of the document, a copy of the lease contract for the company premises, and a receipt showing that the initial rent was paid. DOP issues the company a license to start activity.	2 days	KWD 37
9	Register with the Commercial Registry The applicant registers the company with the Commercial Registry in person. Once the company is registered, the Registry issues a certificate indicating the registration date and number.	1 day	no charge
10	Register with the Kuwait Chamber of Commerce and Industry Once registered, the company must first certify a signature specimen for the company representative with the Kuwait Chamber of Commerce and Industry, which provides a special form for this purpose. The chamber will require this certified specimen in its dealings with other governmental bodies and entities such as the banks. To this end, the company must register as a Chamber of Industry and Commerce member.	1 day	KWD 65 initial registration, then yearly KD55 for renewal of membership
11	Register with the Civil Data Department The company must register with the Public Authority for Civil	15 days	KWD 5

No.	Procedure	Time to complete	Cost to complete
	Information' ("PACI") to obtain a "civil number," which is required in dealings with other governmental bodies.		
12	<p>* Open a company's labor file at the Ministry of Labor and Social Affairs</p> <p>The Ministry of Labor may inspect the premises to determine whether the premise size and the business scope are commensurate with the number of employees registered with the Ministry and to identify the number of non-national employees.</p>	15 days (simultaneous with procedure 12)	no charge

* Takes place simultaneously with another procedure.

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 to obtain all the necessary approvals to build a simple commercial warehouse in the economy's largest business 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.

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

Completing all required notifications and receiving all necessary inspections

Obtaining utility connections for water, sewerage and a fixed telephone line

Registering the warehouse after its completion (if required for use as collateral or for transfer of the warehouse)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day

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).

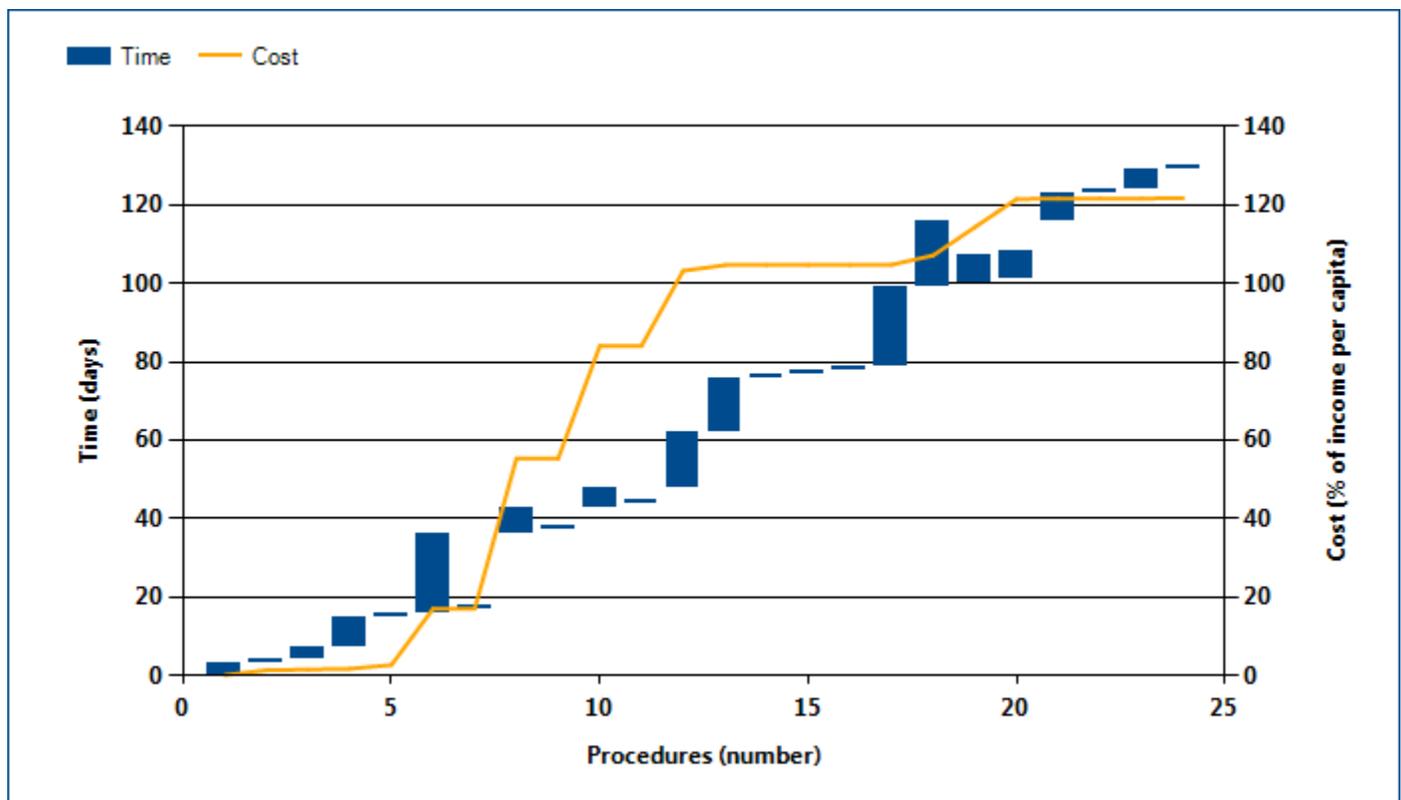
DEALING WITH CONSTRUCTION PERMITS

Where does the economy stand today?

What does it take to comply with the formalities to build a warehouse in Kuwait? According to data collected by *Doing Business*, dealing with construction

permits there requires 24 procedures, takes 130 days and costs 121.8% of income per capita (figure 3.1).

Figure 3.1 What it takes to comply with formalities to build a warehouse in Kuwait



Note: For details on the procedures reflected here, see the summary at the end of this chapter.

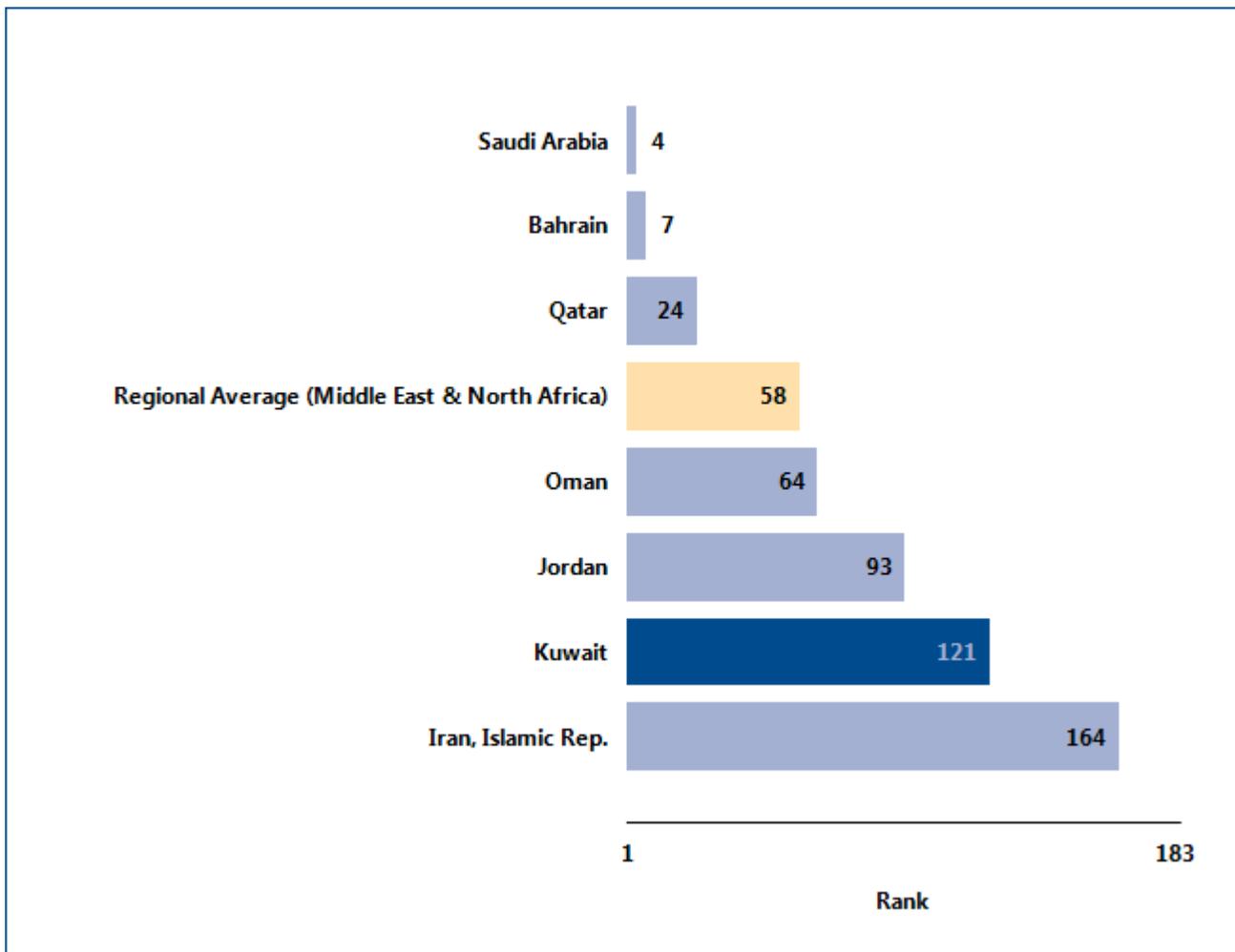
Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

Globally, Kuwait stands at 121 in the ranking of 183 economies on the ease of dealing with construction permits (figure 3.2). The rankings for comparator

economies and the regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Kuwait to legally build a warehouse.

Figure 3.2 How Kuwait and comparator economies rank on the ease of dealing with construction permits



Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to deal with construction permits in Kuwait today, data over time show which aspects of the process have changed—and which have not (table 3.1). That can help identify where the potential for improvement is greatest.

Table 3.1 The ease of dealing with construction permits in Kuwait over time
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	118	121
Procedures (number)	24	24	24	24	24	24	24
Time (days)	156	156	130	130	130	130	130
Cost (% of income per capita)	225.4	169.8	169.4	138.7	100.4	140.3	121.8

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology. For more information on “no practice” marks, see the data notes for details.

Source: *Doing Business* database.

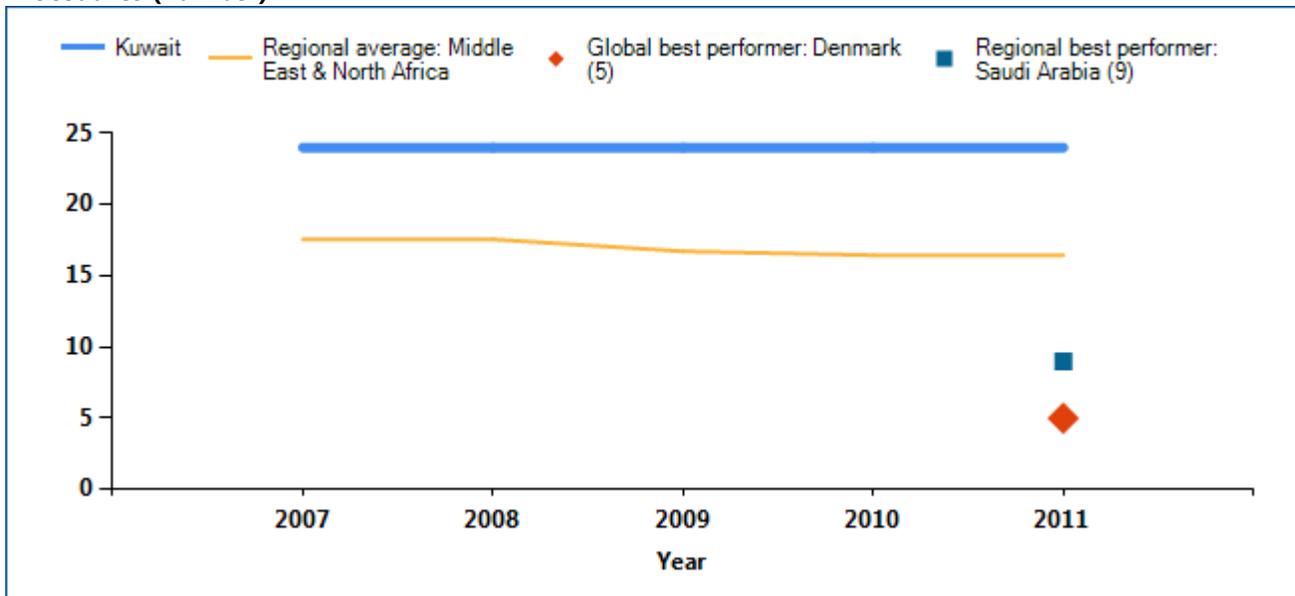
DEALING WITH CONSTRUCTION PERMITS

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the procedures, time or cost required to deal with construction permits (figure 3.3). These economies may provide a model for Kuwait on

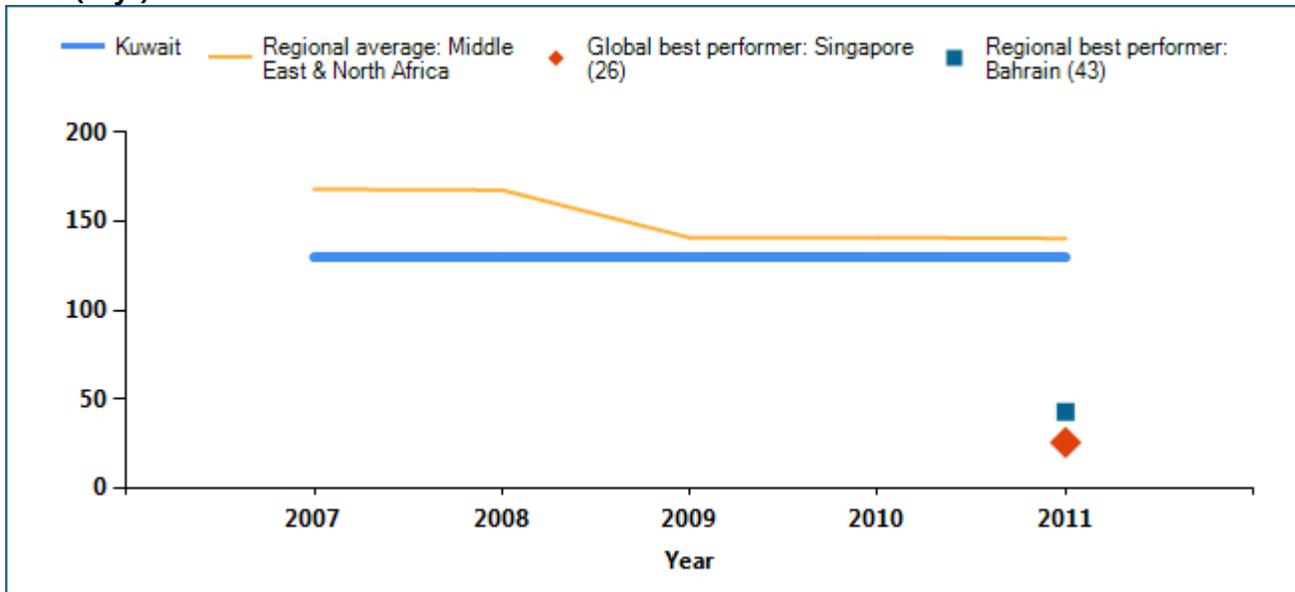
ways to improve the ease of dealing with construction permits. And changes in regional averages can show where Kuwait is keeping up—and where it is falling behind.

Figure 3.3 Has dealing with construction permits become easier over time?

Procedures (number)

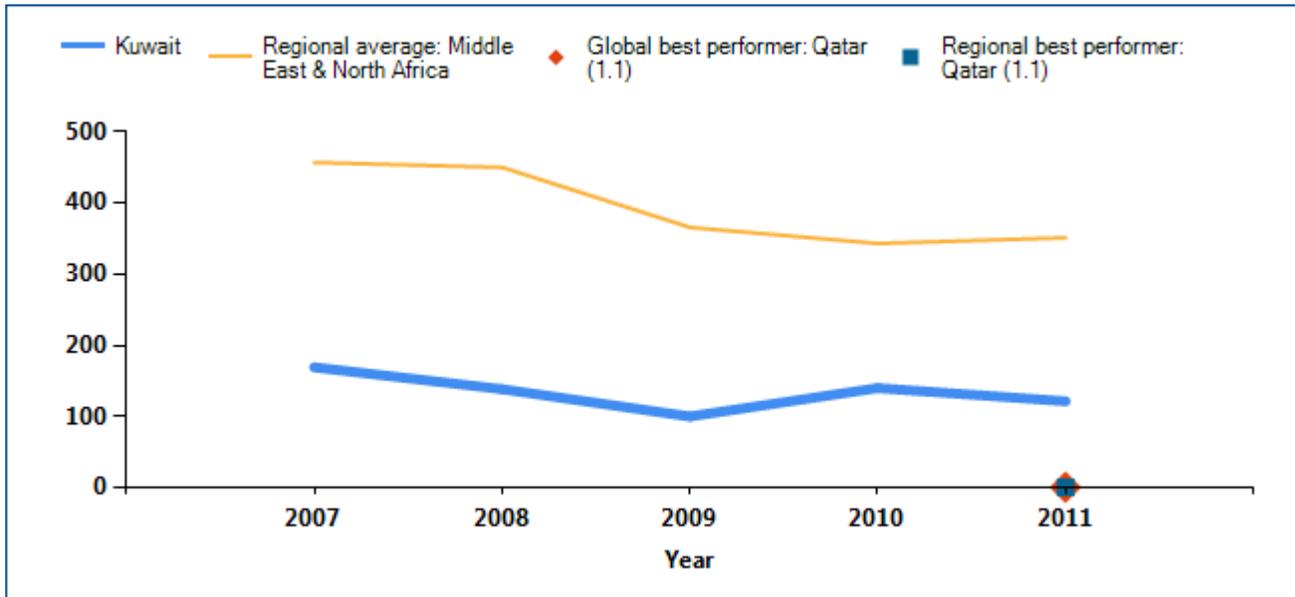


Time (days)



DEALING WITH CONSTRUCTION PERMITS

Cost (% of income per capita)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator. In cases where no data are displayed above for the economy, this indicates that the economy has received a "no practice" mark; see the data notes for details.

Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

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 Kuwait (table 3.2)?

Table 3.2 How has Kuwait made dealing with construction permits easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	No reform.
DB2009	No reform.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

What are the details?

The indicators reported here for Kuwait are based on a set of specific procedures—the steps that a company must complete to legally build a warehouse—identified by *Doing Business* through information collected from experts in construction licensing, including architects, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations. These procedures are those that apply to a company and structure matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

BUILDING A WAREHOUSE

City : Kuwait City

Estimated Warehouse Value : KWD 277,000

The procedures, along with the associated time and cost, are summarized below.

Summary of procedures for dealing with construction permits in Kuwait—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	Obtain lot plan with site map from the Municipality of Kuwait	3 days	KWD 20
2	Obtain location clearances from the Municipal Authority	1 day	KWD 130
3	Obtain project clearance from the Ministry of Commerce and Industry	3 days	KWD 20
4	Obtain zoning approval from the Municipal Authority Builders request a lot plan as well as a zoning approval physically at the municipality. In fact, to obtain a copy of the lot plan a copy of the government's lease agreement need to be taken to the municipality.	8 days	KWD 20
5	Submit building permit application to the Municipal Authority	1 day	KWD 100
6	Obtain telephone plan approval from the Ministry of Communications	20 days	KWD 1,500
7	* Receive electricity inspection from Ministry of Electricity and Water	1 day	no charge
8	Obtain electricity plans approval from Ministry of Electricity and Water	7 days	KWD 4,000

No.	Procedure	Time to complete	Cost to complete
9	* Receive water inspection from Ministry of Electricity and Water	1 day	no charge
10	Obtain water plan approval from Ministry of Electricity and Water	5 days	KWD 3,000
11	* Receive sewage inspection from Ministry of Public Works	1 day	no charge
12	Obtain sewage plans approval from Ministry of Public Works	14 days	KWD 2,000
13	<p>Obtain building permit</p> <p>BuildCo must submit Application Form 1 for a building license and attach the following documents (including the documents described in the procedures above): - A copy of the deed of title to the land, allocation decree, or lease agreement. In the case of an allocation decree or lease agreement, a recent rent receipt should be submitted. - A copy of the architectural contract between BuildCo and an accredited engineering firm responsible for the architecture of the building, - Original letter of zoning opinion. - Third-party liability insurance policy (covering 2 or 3 years, depending on the time required to complete the building). - Original copies of plans or blueprints of the building from the engineering firm, including all details of the external facade, internal design, internal and external diameters, calculation of building area and space area around the building. - Original soil test report. - Approval from the Safety Department. - Approval from the Roads Department, if underground parking is included (which does not apply to the warehouse project). - Form 2, Undertaking of compliance of the plans with the buildings codes and cadastres, which should be signed and submitted (by an engineering firm). - Form 3, Undertaking of compliance with the construction plans, which should be signed and submitted (by an engineering firm). - Undertaking to provide specific plans (done by an engineering firm) that meet the requirements of -- The Ministry of Electricity and Energy for the electric supply. -- The Ministry of Public Works for the sewerage system. -- The Public Authority for Civil Aviation for the height of the warehouse. -- The Ministry of Communications for the telephone lines.</p>	14 days	KWD 150
14	<p>Receive soil test inspection from the municipality</p> <p>Several inspections may take place during construction. The following inspections are conducted by the municipality or by a local consulting engineer who submits the information to the municipality: soil inspection; excavation work inspection; foundation work inspection; steel work for slabs inspection; frame inspection; damp-proof course inspection; drainage inspection; timber scaffolding inspection; environmental inspection; inspection of the building's surroundings; final inspection. The concrete work inspection and inspection of the structure are conducted by the Construction Board. The labor inspection is conducted by the Labor Inspection Agency from the</p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
	Ministry of Social Affairs and Labor. The fire inspection is conducted by the Fire Department. All these inspections may take place. However, on average, the warehouse would undergo 3 to 4 inspections per year. Therefore, only three inspections are included here as procedures.		
15	Receive mid-way through construction inspection from the municipality	1 day	no charge
16	Receive on-site inspection from municipality The municipality inspects the buildings to ensure compliance with the drawings.	1 day	no charge
17	Obtain site take-over letter BuildCo must submit an application for the site take-over letter and attach the following documents: - A copy of the construction license. - An undertaking from BuildCo that it shall carry out the construction work on the warehouse or, alternatively, that it has a construction contract with a contractor. In case of a construction contract with a contractor, a copy of the performance bond should be submitted. - An undertaking from an accredited supervising engineer to supervise the construction approved by the municipality. - Signature of the site take-over letter by BuildCo, the contractor (if any), and the municipality.	20 days	KWD 10
18	Obtain telephone connection	17 days	KWD 250
19	* Obtain water connection	7 days	KWD 750
20	* Obtain sewage connection	7 days	KWD 750
21	Prepare the file of cadastral measure of the structure	7 days	KWD 10
22	Receive inspection from the fire department and obtain inspection certificate	1 day	KWD 5
23	Obtain certificate of fire and panic safety form Civil Defense department	5 days	no charge
24	Register building with the real estate registry	1 day	KWD 10

* Takes place simultaneously with another procedure.

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

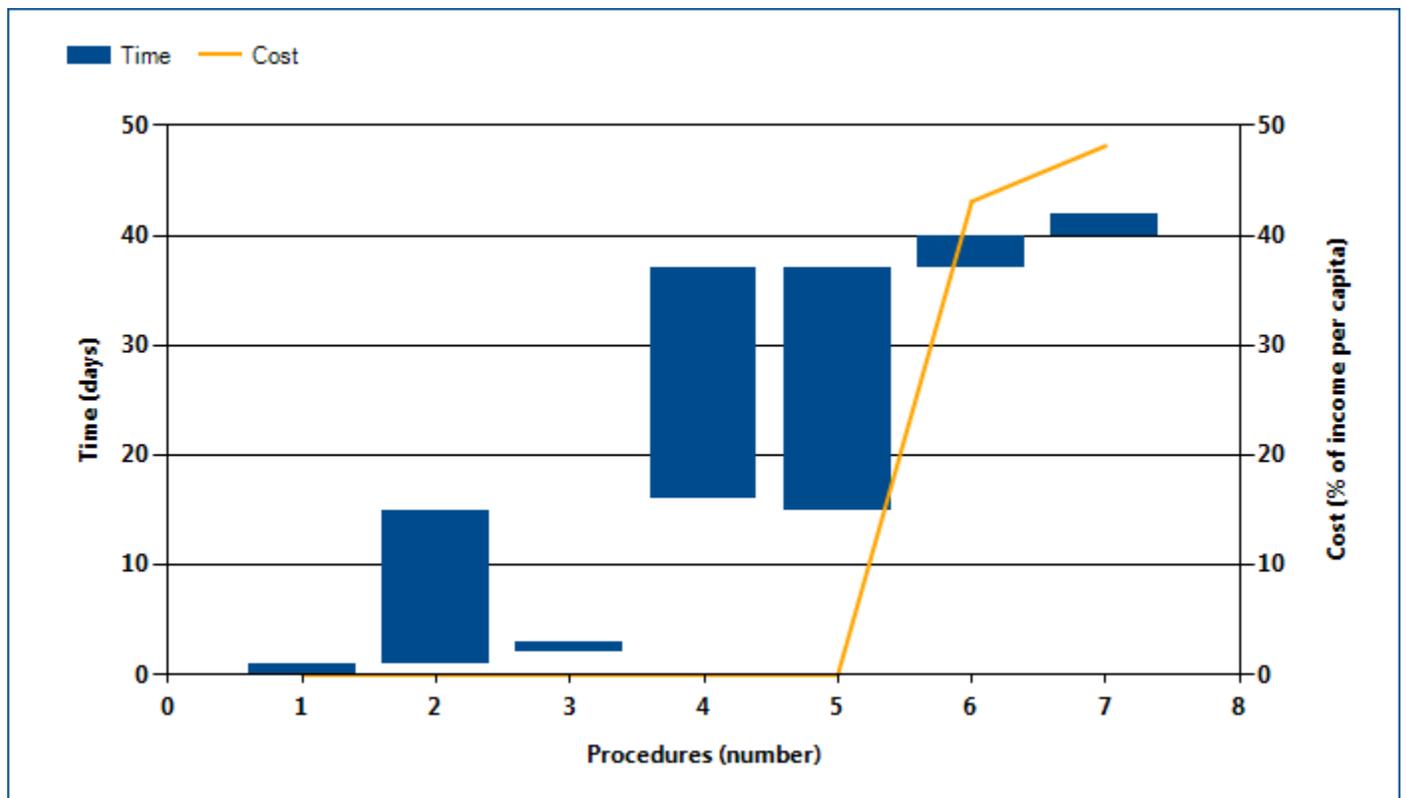
GETTING ELECTRICITY

Where does the economy stand today?

What does it take to obtain a new electricity connection in Kuwait? According to data collected by *Doing Business*, getting electricity there requires 7

procedures, takes 42 days and costs 48.2% of income per capita (figure 4.1).

Figure 4.1 What it takes to obtain an electricity connection in Kuwait



Note: For details on the procedures reflected here, see the summary at the end of this chapter.

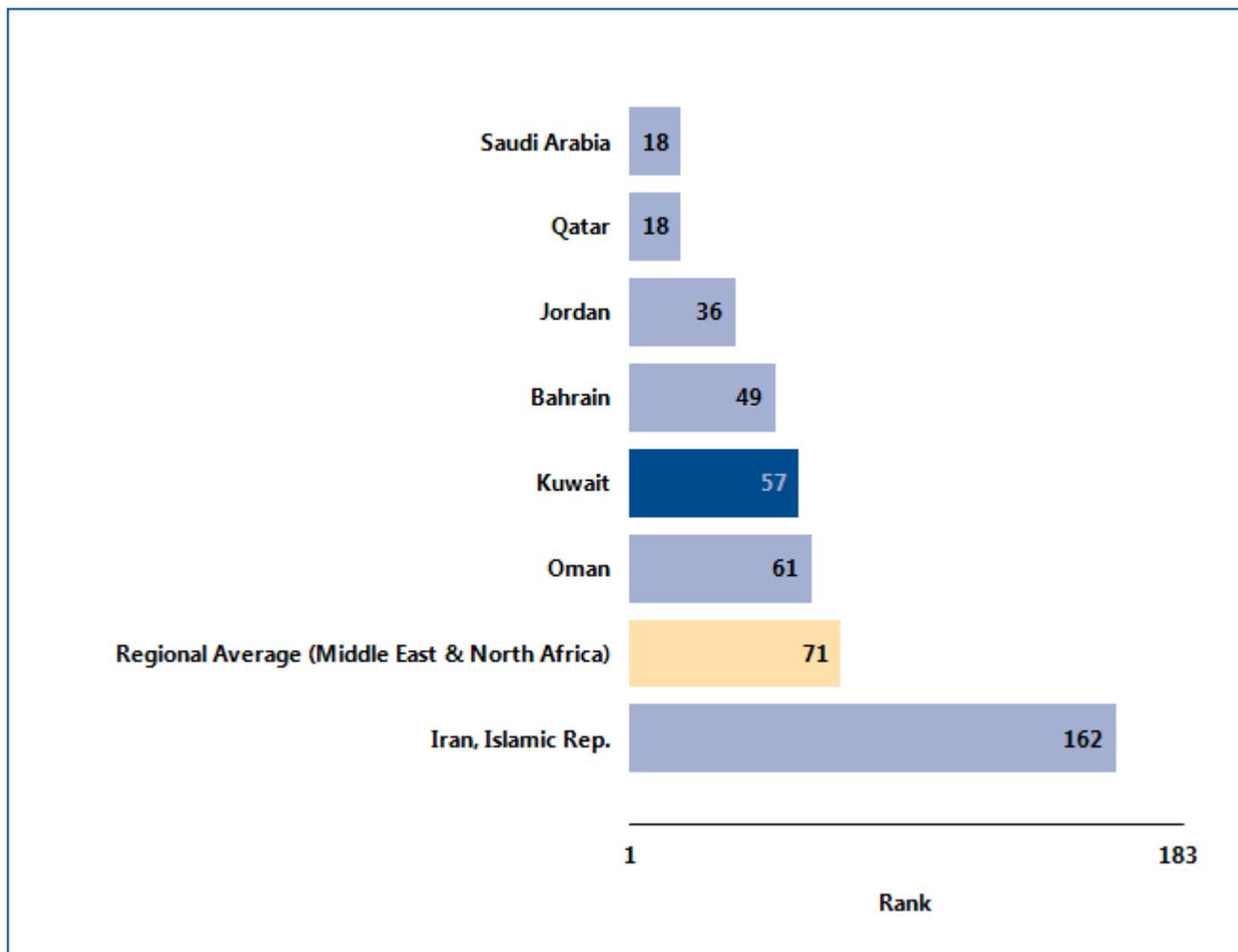
Source: *Doing Business* database.

GETTING ELECTRICITY

Globally, Kuwait stands at 57 in the ranking of 183 economies on the ease of getting electricity (figure 4.2). The rankings for comparator economies and the

regional average ranking provide another perspective in assessing how easy it is for an entrepreneur in Kuwait to connect a warehouse to electricity.

Figure 4.2 How Kuwait and comparator economies rank on the ease of getting electricity



Source: Doing Business database.

GETTING ELECTRICITY

Even more helpful than rankings for other economies may be the indicators underlying those rankings (table 4.1). If obtaining a new electricity connection requires fewer procedures, less time or less cost in other

economies, the practices of their utilities may provide a model for Kuwait on ways to improve the ease of getting electricity. Regional and global averages on these indicators may provide useful benchmarks.

Table 4.1 The ease of getting electricity in Kuwait and comparator economies

Indicator	Kuwait	Bahrain	Iran, Islamic Rep.	Jordan	Oman	Qatar	Saudi Arabia	Middle East & North Africa average	Global average
Rank	57	49	162	36	61	18	18	71	..
Procedures (number)	7	5	7	5	6	3	4	5	5
Time (days)	42	90	140	43	62	90	71	79	111
Cost (% of income per capita)	48.2	63.6	1058.5	274.2	62.5	4.1	18.1	1,317.1	1,942.3

Source: Doing Business database.

GETTING ELECTRICITY

What are the details?

The indicators reported here for Kuwait are based on a set of specific procedures—the steps that an entrepreneur must complete to get a warehouse connected to electricity by the local distribution utility—identified by *Doing Business*. Data are collected from the distribution utility, then completed and verified by electricity regulatory agencies and independent professionals such as electrical engineers, electrical contractors and construction companies. The electricity distribution utility surveyed is the one serving the area (or areas) in which warehouses are located. If there is a choice of distribution utilities, the one serving the largest number of customers is selected.

OBTAINING AN ELECTRICITY CONNECTION

City: Kuwait City

Name of Utility: Ministry of Electricity and Water (MEW)

The procedures are those that apply to a warehouse and electricity connection matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). The procedures, along with the associated time and cost, are summarized below.

Summary of procedures for getting electricity in Kuwait—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	<p>The client hires an electrical engineer licensed by the Ministry of Electricity and Water (MEW) to design and obtain approval of the design for the internal installation</p> <p>There are no minimum educational or professional requirements for electricians who carry out the external works. The Ministry issues licenses to electrical engineers only.</p> <p>The client can hire any electrician to carry out the internal wiring. The design approval however, needs to be submitted by an electrical engineer licensed by the Ministry of Electricity and Water (MEW). There are 2 approvals needed: one before executing the internal wiring, and one during execution so the Ministry can inspect the internal installation before final turn-on of supply.</p>	1 calendar day	no charge
2	<p>The client submits application for electricity and awaits estimate of connection fees from the Ministry of Electricity and Water (MEW)</p> <p>The application process for obtaining an electricity connection is typically handled by the customer, a consulting firm engaged by the customer to design the construction project and assist with obtaining the required approvals (for the building permit), and a third party electrical engineer licensed by the Ministry of Electricity and Water (MEW) to design the internal works and obtain approval of the design.</p> <p>The Ministry of Electricity and Water (MEW) will inspect the site upon receiving the application, and will issue an estimate of the connection fees on the spot. No one from the applicant’s party needs to be present at the inspection.</p>	14 calendar days	no charge

No.	Procedure	Time to complete	Cost to complete
3	<p>* The client obtains inspection of the site by the Ministry of Electricity and Water (MEW)</p>	1 calendar day	no charge
4	<p>The client obtains external works from the Electrical Installation Department of the Ministry of Electricity and Water (MEW)</p> <p>External works are designed by the Ministry and carried out by the Electrical Installation Department (at the Distribution Department) of the Ministry of Electricity and Water (MEW) only. A 140-kVA load can be supplied from an existing distribution sub-station in the area, if capacity is available.</p> <p>In the absence of the infrastructure facilities, the holder of the license can allocate a space on the plot not exceeding 5x5 m² for the MEW to install an electrical transformer to provide additional power to the plot. Having the transformer installed will not result in additional cost to the customer.</p> <p>The former scenario is however, the more likely one for the assumed case.</p>	21 calendar days	no charge
5	<p>* The client obtains a No-Objection Letter from the municipality</p> <p>After completing the building works and obtaining the approval of the municipality, the applicant will need to apply for a no-objection letter from the municipality. The municipality will then send the letter by mail to the Ministry of Electricity and Water (MEW) so the latter can install the meter and turn on supply of electricity to the project.</p>	22 calendar days	no charge
6	<p>The client's licensed electrical engineer submits final electrical drawings for approval to the Electrical Installation Department of the Ministry of Electricity and Water (MEW) and obtains inspection of internal wiring</p> <p>During or after execution of the internal wiring the client's licensed engineer will need to submit the final electrical drawings related to the internal wiring for approval to the Electrical Installation Department of the Ministry. These drawings include air-conditioning, lighting and all other electrical equipment, electrical mains, switches, cable sizes, circuit breakers and fuses.</p> <p>The client will also need to submit a load form in order to obtain inspection of internal wiring and final connection. The load form will then be handed over to the applicant themselves. If the applicant is a company, the form will be handed over to an authorized staff of the company.</p> <p>The approval itself is granted after a couple of weeks, but is obtained in parallel with the external works. The inspection however, happens only after the Ministry of Electricity and Water (MEW) has obtained the letter of no-objection from the municipality.</p> <p>If the drawings meet the Ministry's specifications, then inspectors from the Electrical Installation Department of the Ministry will inspect the internal installation (size of cables, type of fuses, cable connection process and installation of main panels and sub-panels inside and</p>	3 calendar days	KWD 4,503.5

No.	Procedure	Time to complete	Cost to complete
	outside the warehouse).		
7	<p>The client obtains meter installation and final turn-on of supply from the Ministry of Electricity and Water (MEW)</p> <p>Upon successful inspection the applicant will pay the connection fees at one of the Ministry offices. The client will then need to show a receipt of payment to one of the nearest emergency departments of the Ministry to obtain final supply. The meter is handed over to the client directly by the Consumer Affairs Department, and the installation is carried out by the Electrical Installation Department in charge of the external works.</p>	2 calendar days	KWD 528.6

* Takes place simultaneously with another procedure.

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

Registration in the economy's largest business city

Postregistration (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

Procedure 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. The property will be transferred in its entirety.

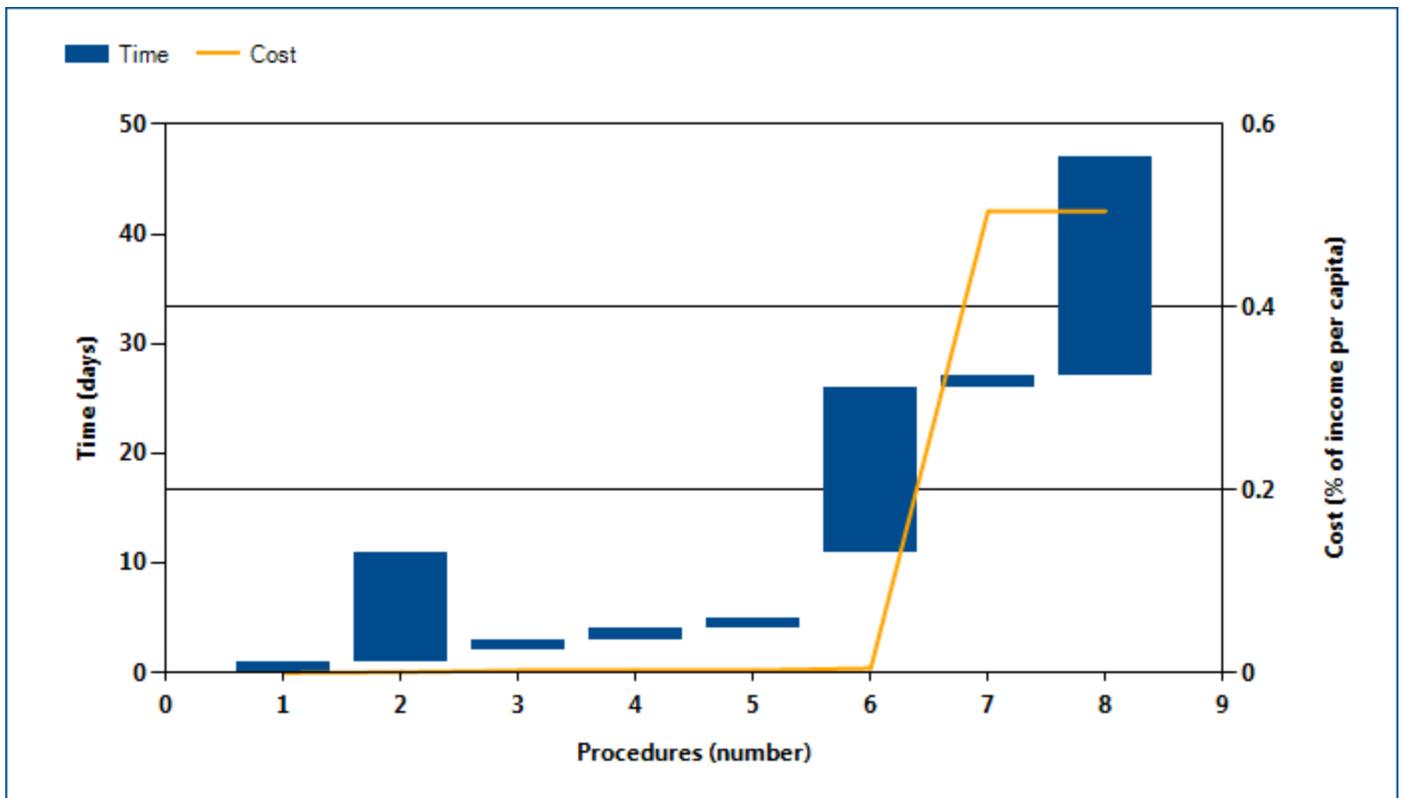
REGISTERING PROPERTY

Where does the economy stand today?

What does it take to complete a property transfer in Kuwait? According to data collected by *Doing Business*, registering property there requires 8 procedures, takes

47 days and costs 0.5% of the property value (figure 5.1).

Figure 5.1 What it takes to register property in Kuwait



Note: For details on the procedures reflected here, see the summary at the end of this chapter.

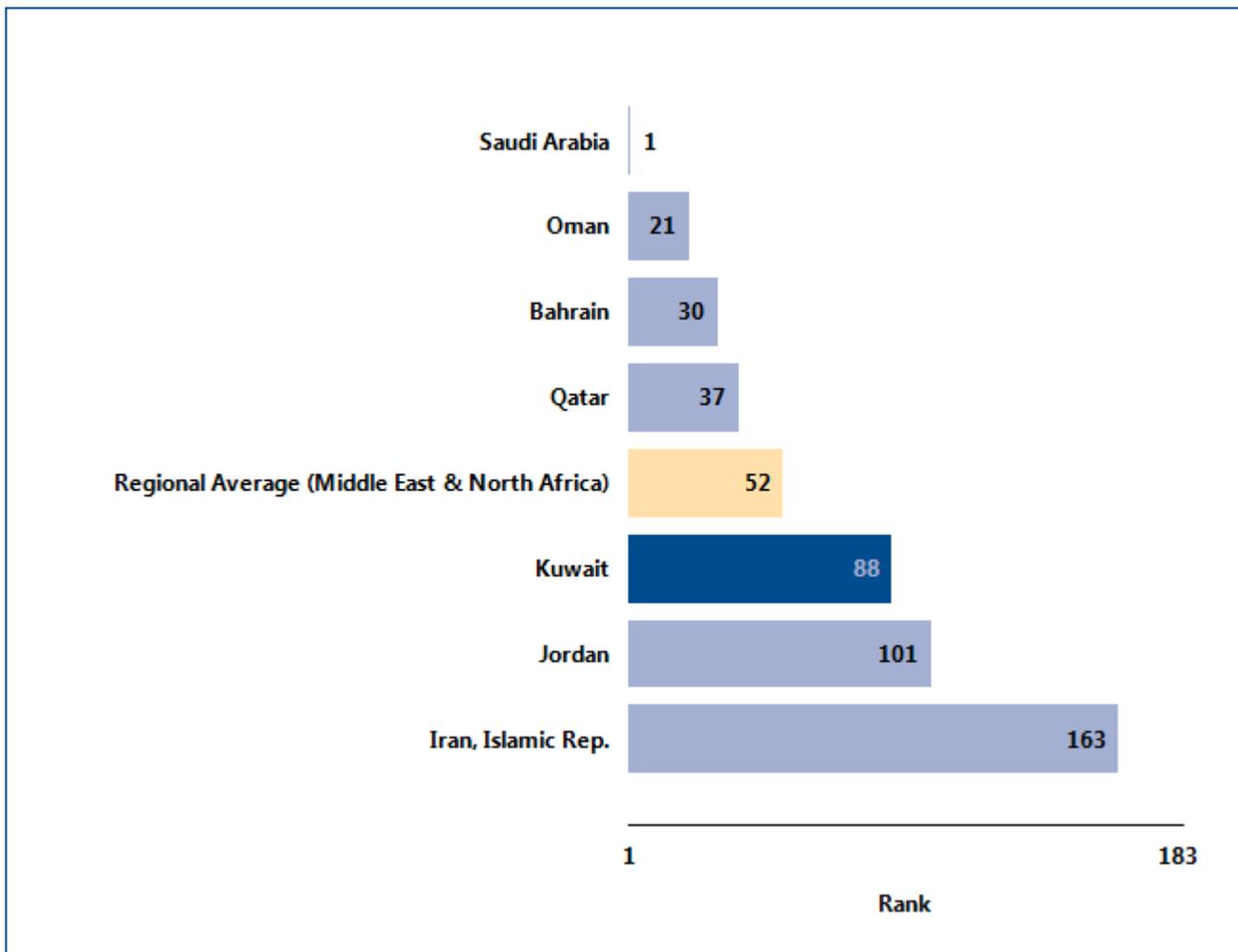
Source: *Doing Business* database.

REGISTERING PROPERTY

Globally, Kuwait stands at 88 in the ranking of 183 economies on the ease of registering property (figure 5.2). The rankings for comparator economies and the

regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Kuwait to transfer property.

Figure 5.2 How Kuwait and comparator economies rank on the ease of registering property



Source: Doing Business database.

REGISTERING PROPERTY

What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to register property in Kuwait today, data over time show which aspects of the process have changed—and which have not (table 5.1). That can help identify where the potential for improvement is greatest.

Table 5.1 The ease of registering property in Kuwait over time
By *Doing Business* report year

Indicator	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	93	88
Procedures (number)	8	8	8	8	8	8	8	8
Time (days)	75	75	55	55	55	55	55	47
Cost (% of property value)	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology. For more information on “no practice” marks, see the data notes for details.

Source: *Doing Business* database.

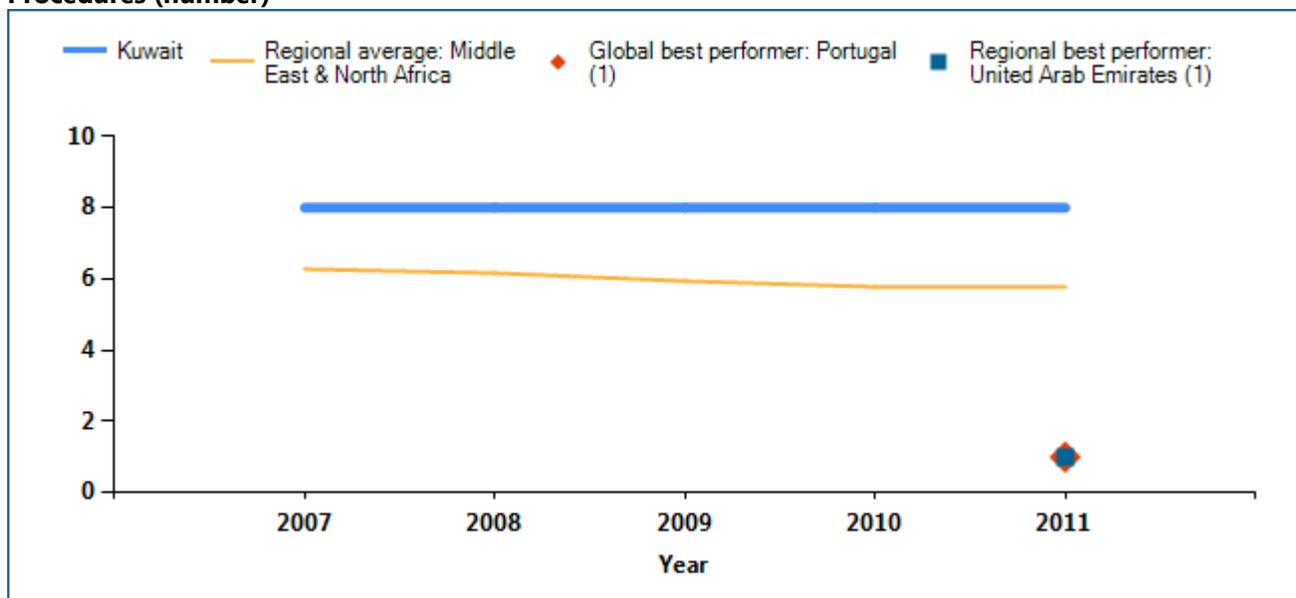
REGISTERING PROPERTY

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the procedures, time or cost required to complete a property transfer (figure 5.3).

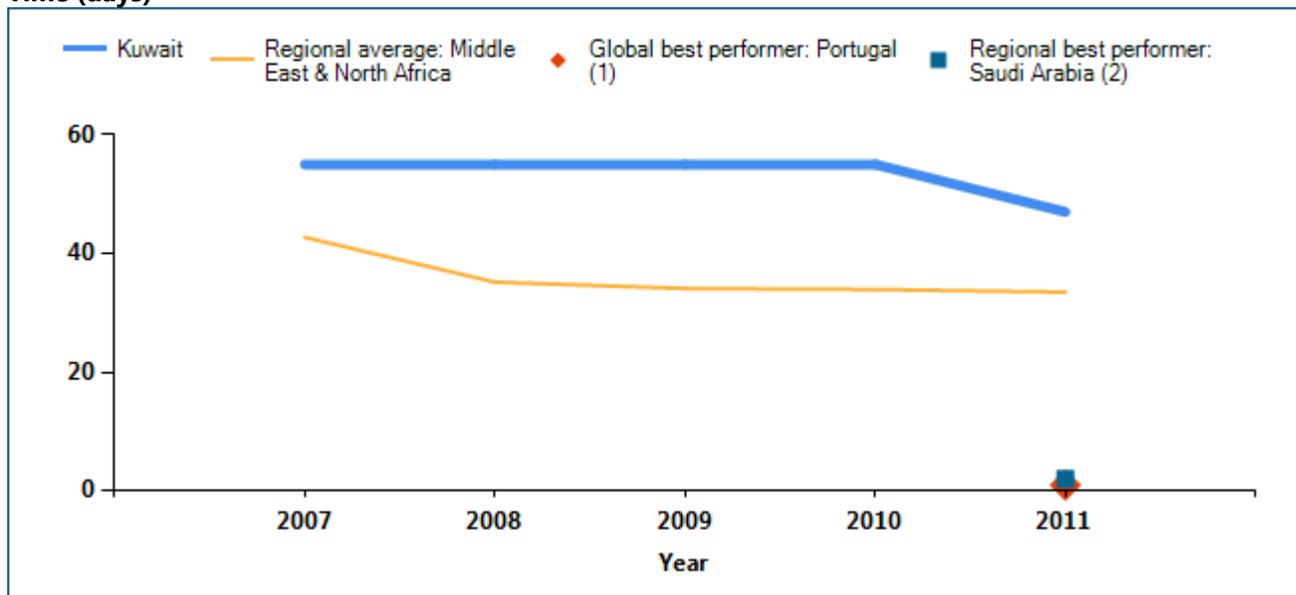
These economies may provide a model for Kuwait on ways to improve the ease of registering property. And changes in regional averages can show where Kuwait is keeping up—and where it is falling behind.

Figure 5.3 Has registering property become easier over time?

Procedures (number)

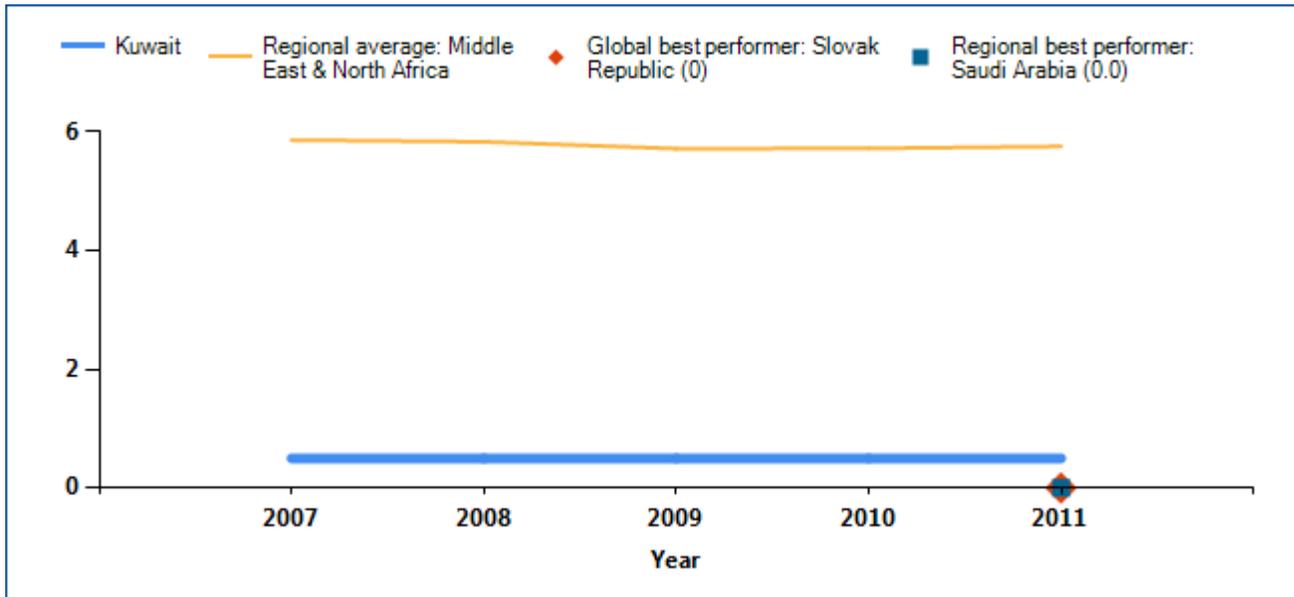


Time (days)



REGISTERING PROPERTY

Cost (% of property value)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator. In cases where no data are displayed above for the economy, this indicates that the economy has received a “no practice” mark; see the data notes for details.

Source: *Doing Business* database.

REGISTERING PROPERTY

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 Kuwait (table 5.2)?

Table 5.2 How has Kuwait made registering property easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	No reform.
DB2009	No reform.

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.

REGISTERING PROPERTY

What are the details?

The indicators reported here are based on a set of specific procedures—the steps that a buyer and seller must complete to transfer the property to the buyer's name—identified by *Doing Business* through information collected from local property lawyers, notaries and property registries. These procedures are those that apply to a transaction matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

STANDARD PROPERTY TRANSFER

City: Kuwait City
Property Value: 522,512.2

The procedures, along with the associated time and cost, are summarized below.

Summary of procedures for registering property in Kuwait—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	<p>Apply for the Borders and Cadastral Sheet from the Municipality</p> <p>The seller must request a Borders and Cadastral Sheet from the Municipality providing the details of the property in question (i.e. its size, the developments on it, the zoning, etc) and confirming that the property is in compliance with all the Municipality regulations. This document is prepared following an inspection of the property by an architect of the Municipality. The warehouse is likely to be in one of the following areas; Shuwaikh, Sulaibiya, Sabhan, Al Rai, Anghara and Ardiya. This is however not an exclusive list. The Kuwait Municipality, which is the authority responsible for zoning, may authorize the construction of a warehouse in an area that is not ordinarily used for warehousing.</p> <p>The documentation shall include:</p> <ul style="list-style-type: none"> Application from the seller on the selling company's letterhead Copy of the deed of title of the property provided by the seller Documents proving the authority of the person submitting the application on behalf of the seller <p>The Borders and Cadastral Sheet will also include among other things; any violations that the property has incurred (e.g. non-maintenance of the property, or encroachment of the property borders on neighboring plots), any violations of the structure (e.g. if the building does not meet the fire regulations), usage of the plot (e.g. for commercial or residential purpose). Any licenses granted to the plot (e.g. license to have machinery brought onto the property to be used on the plot) and drawings of the plot and structures approved from the Municipality showing the areas and utilization of the plot.</p>	1 day	KWD 5
2	<p>* Inspection of the property by an architect representing the Municipality</p>	7-12 days (simultaneous with procedures 3, 4,	KWD 10

No.	Procedure	Time to complete	Cost to complete
	<p>The Municipality will send out an inspector/architect to inspect the property in question and collect the relevant information; after which the Municipality will issue the Borders and Cadastral Sheet and transfer the same along with a letter of no objection to the transfer to the Ministry of Justice to continue the process of the property transfer.</p> <p>It ordinarily takes between 7 – 12 days for the inspection of the property that is located within the Capital Province by an architect/engineer representing the Municipality. For properties located in the other provinces, the process may be shorter or longer depending on the work load of the Municipality officials.</p> <p>The process is typically as follows: the seller will go to the Municipality (with jurisdiction over the location of the warehouse to be sold) to submit an application for an allocation letter (specifying the size of the plot and the buildings on it if any) and a description certificate (description of the existing buildings if any on the plot and size/use of such building). The fee to be paid for these documents is KD10. The seller concurrently delivers the warehouse's title deed to the Municipality against a receipt thereof. The engineer/architect responsible for the area then fixes a date to meet with the seller at the warehouse to carry out the inspection, or may alternatively carry out the inspection on his own.</p> <p>Generally, this procedure may take 10 working days (two weeks). Meanwhile, the seller should obtain clearance from the utility authorities (i.e. electricity, water and telephone). When the Municipality engineer completes the inspection and the Municipality has issued the descriptions certificate and the allocation letter for the property, the seller will be issued with a receipt with a reference number from the Municipality with which the seller will receive the original title deed, the allocation letter and the descriptions certificate from the General Registry Division at the Ministry of Justice.</p>	and 5)	
3	<p>* Obtain clearance from the Ministry of Communications</p> <p>The Seller must obtain a clearance from the Ministry of Communications (necessary for all types of properties both commercial and residential). The clearance is to confirm that the previous owner/seller has settled all related utility bills.</p>	1 day (simultaneous with procedures 2, 4, and 5)	no cost
4	<p>* Obtain clearance from the Ministry of the Electricity regarding outstanding electricity bills</p> <p>Parties obtain a certificate of the Ministry of the Electricity that there are no outstanding electricity bills or other dues to the Ministry.</p>	1 day (simultaneous with procedures 2, 3, and 5)	no cost
5	<p>* Obtain a certificate from the Minister of Commerce and Industry evidencing the signatory authority of the legal representative of the parties</p> <p>Parties obtain a certificate from the Minister of Commerce and Industry evidencing the signatory authority of the legal representative of the parties who will sign the sale agreement, together with copies of their civil identification cards. They obtain Form I "Undertaking &</p>	1 day (simultaneous with procedures 2, 3, and 4)	KWD 10-14

No.	Procedure	Time to complete	Cost to complete
	<p>Acknowledgement" and Form IX "Acknowledgement of the Representative" from the Department of Commercial Companies at the Ministry of Commerce and Industry, that must be submitted for registration in Procedure 6. Form I shows that the parties exist and have the power to conclude the sale/purchase transaction in accordance with their own Article of Association. Form IX confirms the authority of their representatives who follow up the procedures with the Department.</p>		
6	<p>File an application requesting a transfer of title with the Contracts Control Department of the Real Estate Registration Office of the Ministry of Justice</p> <p>The seller must prepare an application requesting a transfer of title to be filed with the Contracts Control Department of the Real Estate Registration Office of the Ministry of Justice. The Contracts Control Department reviews the application and the attached documents internally (3-7 days). After reviewing the application, the Contracts Control Department will take an extra 17-28 days to check all the documentation and approve the transfer. If approved, the form of the sale agreement is transferred to the notarization department for review. Once approved, the same is printed on the official green papers used by the Ministry and becomes ready for signature.</p> <p>The 0.5% registration fee is paid to the Department of Real Estate Registration & Authentication (Ministry of Justice) upon the completion of the registration procedures, who approves the submitted documents before parties sign the notarized sale contract.</p> <p>The documentation shall include:</p> <ul style="list-style-type: none"> a) Form of the sale agreement (available at the Real Estate Registration Office) b) Form I "Undertaking & Acknowledgement" signed by parties (obtained in Procedure 5) c) Form II "Immediate Sale Form" signed by parties (available at the Real Estate Registration Office) d) Form IX "Acknowledgement of the Representative" signed by parties (obtained in Procedure 5) e) Original deed of title of the property; f) A recent certificate from the Minister of Commerce and Industry evidencing the signatory power of the legal representative of the parties (obtained in Procedure 5). g) Copies of the articles of association of both companies. h) If powers of attorneys are used, copies thereof must be attached i) Municipal certificate of no objection (obtained in Procedure 3) 	2 weeks	0.5% of property value (registration fee)
7	<p>Legal representative of the parties must appear in person to sign the sale agreement before the notary public</p> <p>The parties must appear in person or through their attorneys to sign the sale agreement before the notary public. The notary public verifies the contents of the written agreement (a form commonly prescribed by the Ministry of Justice), authenticates the required signatures, and satisfies all</p>	1 day	no cost

No.	Procedure	Time to complete	Cost to complete
	<p>other related matters. The notary public is a governmental body in Kuwait providing public service and is part of the Ministry of Justice.</p> <p>The process may however take a longer (two working weeks at most) or shorter time frame depending on characteristics of the transaction (i.e. if it is a contentious issue) or the work load in the Ministry at the time of application. The duration of the process may also be affected by the identity of the entities or people involved (i.e. the process is relatively shorter and more straight forward for individuals while companies will likely take a longer period of time as more documentation is required – e.g. board resolutions, minutes of meetings, etc).</p> <p>Furthermore, if the warehouse price reflected in the sale agreement is considered to be below the market value/price, the Ministry in such case may dispatch an expert to carry out a valuation of the warehouse to avoid any loss that may be incurred by the Ministry when it collects the transfer charges that are 0.5% of the property value. The process of the valuation of the warehouses may take approximately 5 - 10 days (one to two working weeks).</p> <p>The parties must either appear in person or send an attorney authorized to act on their behalf (holder of a Power of Attorney).</p> <p>The buyer typically receives the title deed on the same day after it has been signed by both parties and the notary public and after it has been stamped and given a registration number from the Department of Real Estate and Registration at the Ministry of Justice.</p>		
8	<p>The sale agreement is recorded under the name of the buyer by the Contracts Control Department</p> <p>The notary public delivers the notarized sale agreement to the Contracts Control Department for it to be recorded under the name of the purchasing company. The sale agreement is used as the deed of title. An original of the sale agreement, proving title, is delivered to the buyer thereafter.</p> <p>The actual registration process when the transaction is allocated a registration number occurs at the time the parties sign the agreement before the notary public who issues a registration number under which the agreement will be registered under the purchaser's name.</p> <p>The process is initiated when the parties receive the documents from the General Registry Division at the Ministry of Justice and fill in the application to register the transfer of title based on the sale agreement (i.e. registration application) and enclose all relevant documentation and submit it before the notary public at the Department for Real Estate and Registration.</p> <p>The notary public automatically delivers a copy of the notarized sale agreement to the Department of Real Estate and Registration.</p>	20 days	no cost

No.	Procedure	Time to complete	Cost to complete
	<p>The buyer will receive a registration number on the notarized sale agreement (which is the new title deed for the property) at the time of signing the agreement before the notary public.</p> <p>The notarized sale agreement received on the date of signing the agreement will reflect the registration number under which the agreement has been registered.</p>		

* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

GETTING CREDIT

Two types of frameworks can facilitate access to credit and improve its allocation: credit information systems and the legal rights of borrowers and lenders 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 the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. *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, 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 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 its component indicators: the depth of credit information index (weighted at 37.5%) and the strength of legal rights index (weighted at 62.5%).

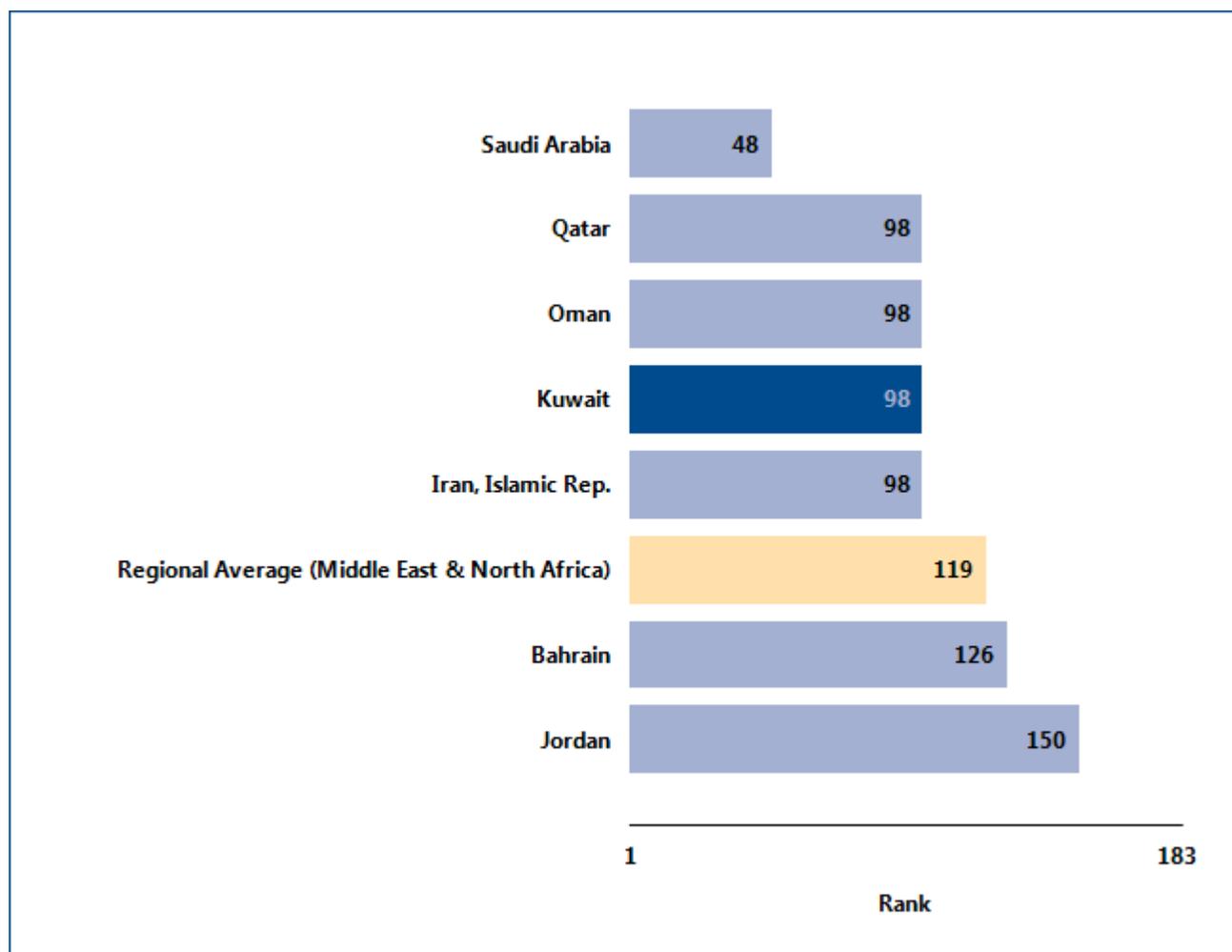
GETTING CREDIT

Where does the economy stand today?

How well do the credit information system and collateral and bankruptcy laws in Kuwait facilitate access to credit? The economy has a score of 4 on the depth of credit information index and a score of 4 on the strength of legal rights index (see the summary of scoring at the end of this chapter for details). Higher scores indicate more credit information and stronger legal rights for borrowers and lenders.

Globally, Kuwait stands at 98 in the ranking of 183 economies on the ease of getting credit (figure 6.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how well regulations and institutions in Kuwait support lending and borrowing.

Figure 6.1 How Kuwait and comparator economies rank on the ease of getting credit



Source: Doing Business database.

GETTING CREDIT

What are the changes over time?

While the most recent *Doing Business* data reflect how well the credit information system and collateral and bankruptcy laws in Kuwait support lending and borrowing today, data over time can help show where

institutions and regulations have been strengthened—and where they have not (table 6.1). That can help identify where the potential for improvement is greatest.

Table 6.1 The ease of getting credit in Kuwait over time
By *Doing Business* report year

Indicator	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	96	98
Strength of legal rights index (0-10)	4	4	4	4	4	4	4	4
Depth of credit information index (0-6)	3	3	3	4	4	4	4	4
Public registry coverage (% of adults)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private bureau coverage (% of adults)	16.6	16.1	16.1	14.5	31.2	30.4	29.6	29.0

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.

Source: *Doing Business* database.

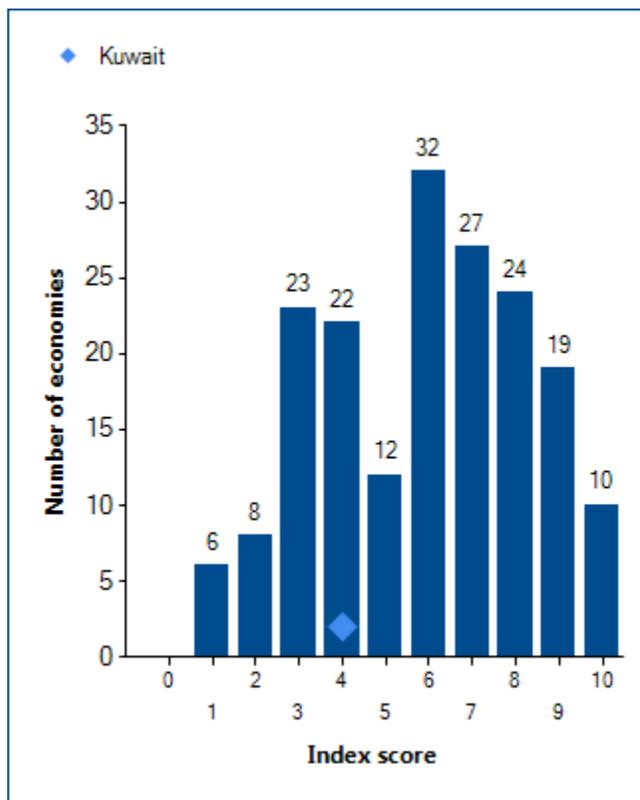
GETTING CREDIT

One way to put an economy's getting credit indicators into context is to see where the economy stands in the distribution of scores across other economies. Figure 6.2 highlights the score on the strength of legal rights

index for Kuwait in 2011 and shows the number of other economies having the same score in 2011. Figure 6.3 shows the same thing for the depth of credit information index.

Figure 6.2 Have legal rights for borrowers and lenders become stronger?

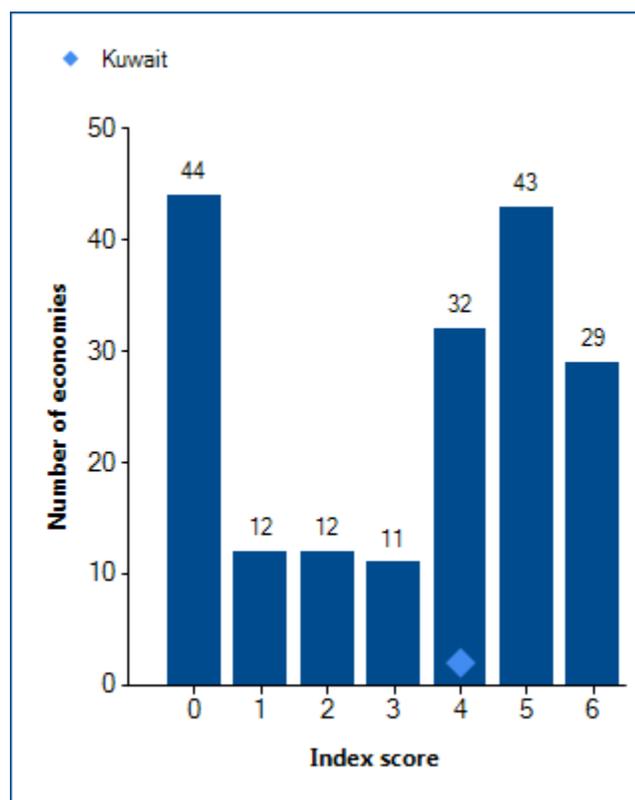
Number of economies with each score on strength of legal rights index (0–10), 2011



Source: Doing Business database.

Figure 6.3 Have the coverage and accessibility of credit information grown?

Number of economies with each score on depth of credit information index (0–6), 2011



Source: Doing Business database.

GETTING CREDIT

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 Kuwait (table 6.2)?

Table 6.2 How has Kuwait made getting credit easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	No reform.
DB2009	No reform.

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

What are the details?

The getting credit indicators reported here for Kuwait are based on detailed information collected in that economy. The data on credit information sharing are collected through a survey of a public credit registry or private credit bureau (if one exists). To construct the depth of credit information index, a score of 1 is assigned for each of 6 features of the public credit registry or private credit bureau (see summary of scoring below).

The data on the legal rights of borrowers and lenders are gathered through a survey of financial lawyers and verified through analysis of laws and regulations as well as public sources of information on collateral and bankruptcy laws. For the strength of legal rights index, a score of 1 is assigned for each of 8 aspects related to legal rights in collateral law and 2 aspects in bankruptcy law.

Summary of scoring for the getting credit indicators in Kuwait

Indicator	Kuwait	Middle East & North Africa	OECD high income
Strength of legal rights index (0-10)	4	3	7
Depth of credit information index (0-6)	4	4	5
Public registry coverage (% of adults)	0.0	8.1	9.5
Private bureau coverage (% of adults)	29.0	9.3	63.9

Strength of legal rights index (0–10)	Index score: 4
Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?	Yes
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	No
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	Yes
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?	No
Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	Yes
Is a collateral registry in operation, that is unified geographically and by asset type, with an electronic database indexed by debtor's names?	Yes
Are secured creditors paid first (i.e. before general tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	No

Strength of legal rights index (0–10)	Index score: 4
Are secured creditors paid first (i.e. before general tax claims and employee claims) when a business is liquidated?	No
Are secured creditors either not subject to an automatic stay or moratorium on enforcement procedures when a debtor enters a court-supervised reorganization procedure, or the law provides secured creditors with grounds for relief from an automatic stay or	No
Does the law allow parties to agree in a collateral agreement that the lender may enforce its security right out of court, at the time a security interest is created?	No

Depth of credit information index (0–6)	Private credit bureau	Public credit registry	Index score: 4
Are data on both firms and individuals distributed?	No	No	0
Are both positive and negative data distributed?	Yes	No	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	Yes	No	1
Are more than 2 years of historical credit information distributed?	Yes	No	1
Is data on all loans below 1% of income per capita distributed?	Yes	No	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	No	No	0

Note: An economy receives a score of 1 if there is a "yes" to either private bureau or public registry.

Coverage	Private credit bureau	Public credit registry
Number of firms	0	0
Number of individuals	617,539	0

Source: Doing Business database.

PROTECTING INVESTORS

Investor protections matter for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. If the laws do not provide such protections, investors may be reluctant to invest unless they become the controlling shareholders. Strong regulations clearly define related-party transactions, promote clear and efficient disclosure requirements, require shareholder participation in major decisions of the company and set clear 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 shareholders' ability to sue officers and directors for misconduct (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

WHAT THE PROTECTING INVESTORS INDICATORS MEASURE

Extent of disclosure index (0–10)

- Who can approve related-party transactions
- Disclosure requirements in case of related-party transactions

Extent of director liability index (0–10)

- Ability of shareholders to hold interested parties and members of the approving body liable in case of related-party transactions
- Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)
- Ability of shareholders to sue directly or derivatively

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 company purchase used trucks from another company he owns.

- 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

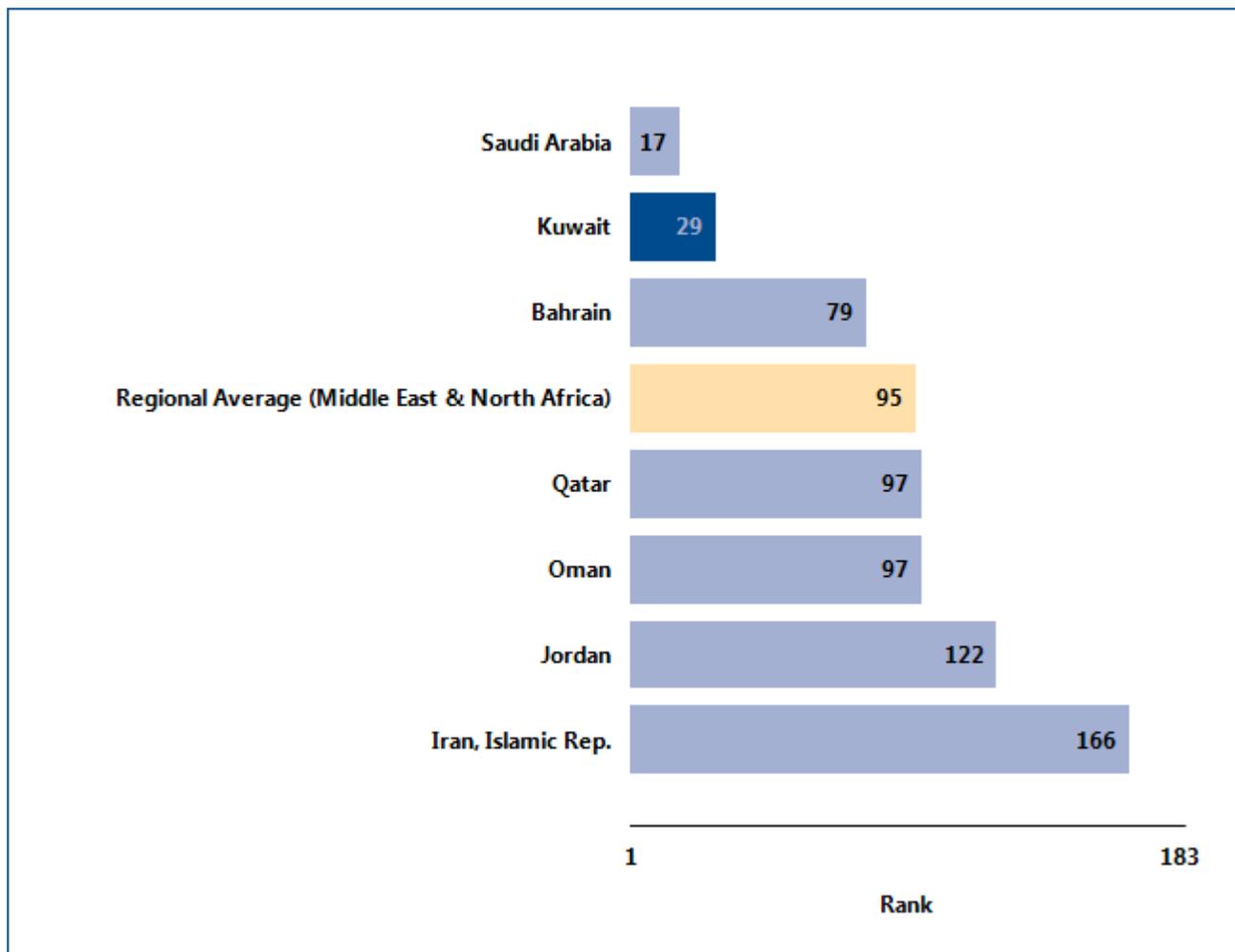
Where does the economy stand today?

How strong are investor protections in Kuwait? The economy has a score of 6.3 on the strength of investor protection index, with a higher score indicating stronger protections (see the summary of scoring at the end of this chapter for details).

Globally, Kuwait stands at 29 in the ranking of 183 economies on the strength of investor protection

index (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 Kuwait and comparator economies rank on the strength of investor protection index



Source: Doing Business database.

PROTECTING INVESTORS

What are the changes over time?

While the most recent *Doing Business* data reflect how well regulations in Kuwait protect minority investors today, data over time show whether the protections have been strengthened (table 7.1). And the global

ranking on the strength of investor protection index over time shows whether the economy is slipping behind other economies in investor protections—or surpassing them.

Table 7.1 The strength of investor protections in Kuwait over time
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	28	29
Extent of disclosure index (0-10)	7	7	7	7	7	7	7
Extent of director liability index (0-10)	7	7	7	7	7	7	7
Ease of shareholder suits index (0-10)	5	5	5	5	5	5	5
Strength of investor protection index (0-10)	6.3	6.3	6.3	6.3	6.3	6.3	6.3

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.

Source: *Doing Business* database.

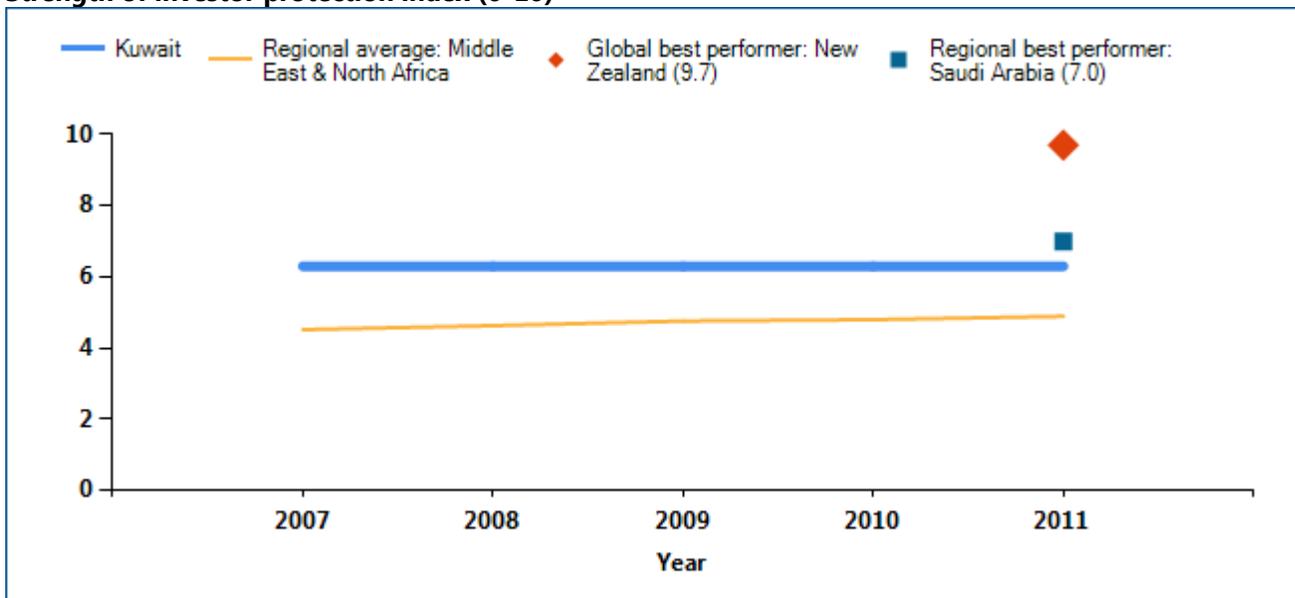
PROTECTING INVESTORS

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 scores recorded over time for Kuwait on the extent of disclosure, extent of director liability and

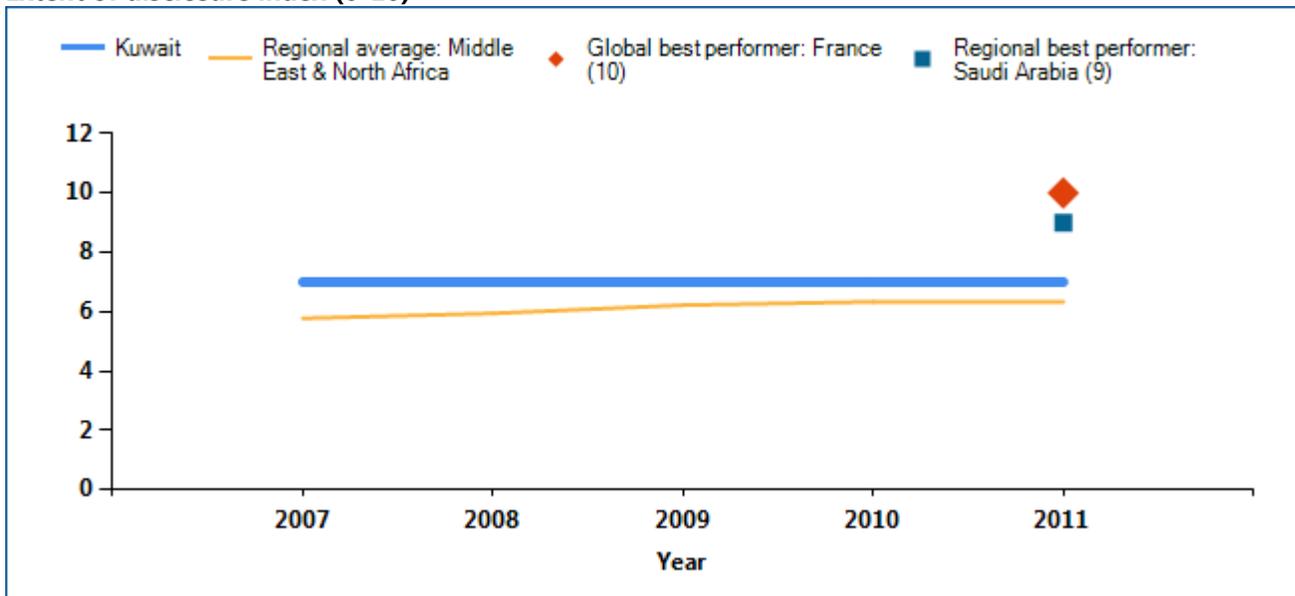
ease of shareholder suits indices may also be revealing (figure 7.2). Equally interesting may be the changes over time in the regional average scores for those indices.

Figure 7.2 Have investor protections become stronger?

Strength of investor protection index (0-10)

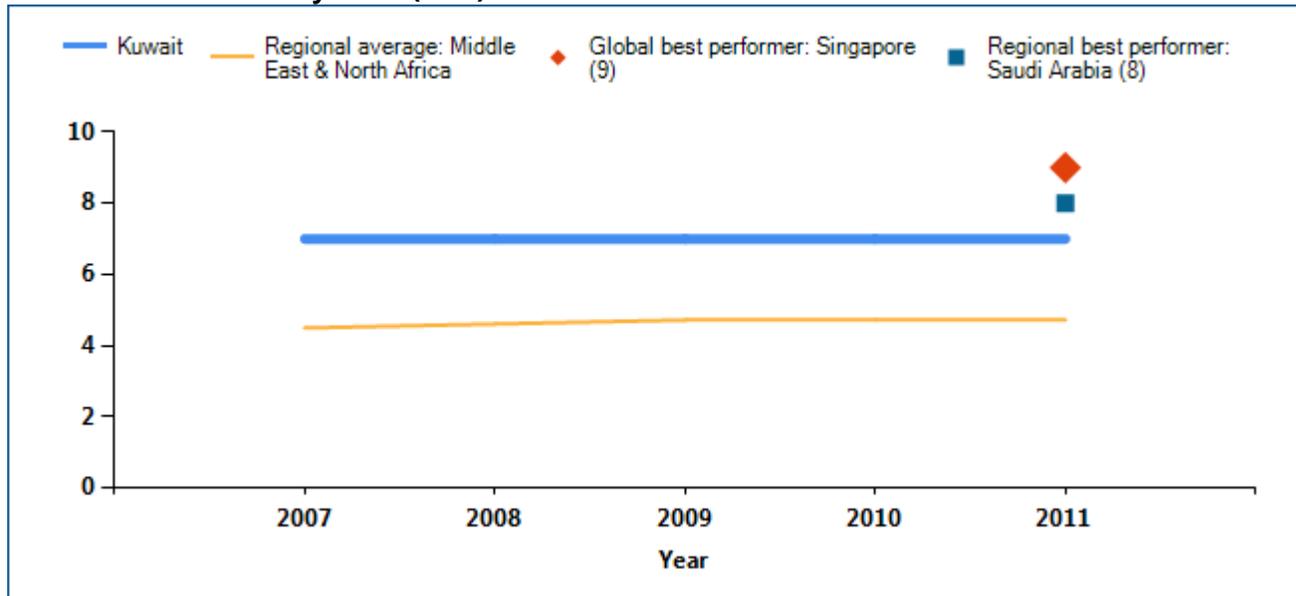


Extent of disclosure index (0-10)

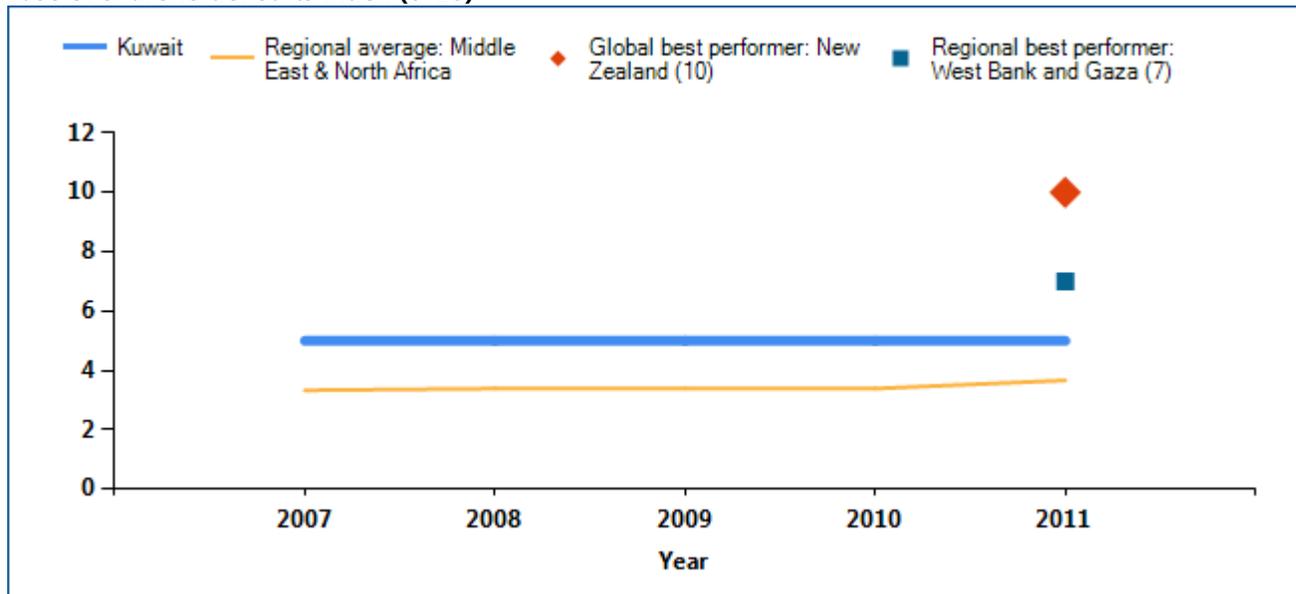


PROTECTING INVESTORS

Extent of director liability index (0-10)



Ease of shareholder suits index (0-10)



Note: The higher the score, the stronger the investor protections. The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator.

Source: *Doing Business* database.

PROTECTING INVESTORS

Economies with the strongest protections of minority investors from self-dealing require more disclosure and define clear duties for directors. They also have well-functioning courts and up-to-date procedural rules that give minority investors 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 or civil procedure rules. What investor protection reforms has *Doing Business* recorded in Kuwait (table 7.2)?

Table 7.2 How has Kuwait strengthened investor protections—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	No reform.
DB2009	No reform.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

PROTECTING INVESTORS

What are the details?

The protecting investors indicators reported here for Kuwait are based on detailed information collected through a survey of corporate and securities lawyers and are based on securities regulations, company laws and court rules of evidence. To construct the extent of disclosure, extent of director liability and ease of

shareholder suits indices, a score is assigned for each of a range of conditions relating to disclosure, director liability and shareholder suits in a standard case study transaction (see the notes at the end of this chapter). The summary below shows the details underlying the scores for Kuwait.

Summary of scoring for the protecting investors indicators in Kuwait

Indicator	Kuwait	Middle East & North Africa	OECD high income
Extent of disclosure index (0-10)	7	6	6
Extent of director liability index (0-10)	7	5	5
Ease of shareholder suits index (0-10)	5	4	7
Strength of investor protection index (0-10)	6.3	4.9	6.0

	Score
Extent of disclosure index (0-10)	7
What corporate body provides legally sufficient approval for the transaction?	1
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	2
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	2
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	2
Whether an external body must review the terms of the transaction before it takes place?	0
Extent of director liability index (0-10)	7
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	2
Whether shareholders can hold members of the approving body liable for the damage that the Buyer-Seller transaction causes to the company?	0
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	2

	Score
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	1
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	0
Whether fines and imprisonment can be applied against Mr. James?	1
Ease of shareholder suits index (0-10)	5
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	0
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	0
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	4
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	0
Whether the plaintiff can directly question the defendant and witnesses during trial?	0
Whether the level of proof required for civil suits is lower than that of criminal cases?	1
Strength of investor protection index (0-10)	6.3

Source: *Doing Business* database.

Notes:

Extent of disclosure index (0–10)

Scoring for the extent of disclosure index is based on 5 components:

Which corporate body can provide legally sufficient approval for the transaction

0 = CEO or managing director alone; 1 = shareholders or board of directors vote and Mr. James can vote; 2 = board of directors votes and Mr. James cannot vote; 3 = shareholders vote and Mr. James cannot vote.

Whether disclosure of the conflict of interest by Mr. James to the board of directors is required

0 = no disclosure; 1 = disclosure of the existence of a conflict without any specifics; 2 = full disclosure of all material facts.

Whether immediate disclosure of the transaction to the public, the regulator or the shareholders is required

0 = no disclosure; 1 = disclosure on the transaction only; 2 = disclosure on the transaction and Mr. James's conflict of interest.

Whether disclosure of the transaction in the annual report is required

0 = no disclosure; 1 = disclosure on the transaction only; 2 = disclosure on the transaction and Mr. James's conflict of interest.

Whether it is required that an external body (for example, an external auditor) review the transaction before it takes place

0 = no; 1 = yes.

Extent of director liability index (0–10)

Scoring for the extent of director liability index is based on 7 components:

Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company

0 = suits are unavailable or available only for shareholders holding more than 10% of the company's share capital; 1 = direct or derivative suits available for shareholders holding 10% of share capital or less.

Whether shareholders can hold Mr. James liable for the damage that the transaction causes to the company

0 = Mr. James is not liable or is liable only if he acted fraudulently or in bad faith; 1 = Mr. James is liable if he influenced the approval or was negligent; 2 = Mr. James is liable if the transaction is unfair or prejudicial to the other shareholders.

Whether shareholders can hold the approving body (the CEO or members of the board of directors) liable for the damage that the transaction causes to the company

0 = members of the approving body are either not liable or liable only if they acted fraudulently or in bad faith; 1 = liable for negligence in the approval of the transaction; 2 = liable if the transaction is unfair or prejudicial to the other shareholders.

Whether a court can void the transaction upon a successful claim by a shareholder plaintiff

0 = rescission is unavailable or available only in case of Seller's fraud or bad faith; 1 = rescission is available when the transaction is oppressive or prejudicial to the other shareholders; 2 = rescission is available when the transaction is unfair or entails a conflict of interest.

Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff

0 = no; 1 = yes.

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff

0 = no; 1 = yes.

Whether both fines and imprisonment can be applied against Mr. James

0 = no; 1 = yes.

Ease of shareholder suits index (0–10)

Scoring for the ease of shareholder suits index is based on 6 components:

What range of documents is available to the plaintiff from the defendant and witnesses during trial

Score of 1 for each of the following: information that the defendant has indicated he intends to rely on for his defense; information that directly proves specific facts in the plaintiff's claim; any information relevant to the subject matter of the claim; and any information that may lead to the discovery of relevant information.

Whether the plaintiff can directly examine the defendant and witnesses during trial

0 = no; 1 = yes, with prior approval by the court of the questions posed; 2 = yes, without prior approval.

Whether the plaintiff can obtain categories of relevant documents from the defendant without identifying each document specifically

0 = no; 1 = yes.

Whether shareholders owning 10% or less of the company's share capital can request that a government inspector investigate the transaction without filing suit in court

0 = no; 1 = yes.

Whether shareholders owning 10% or less of the company's share capital have the right to inspect the transaction documents before filing suit

0 = no; 1 = yes.

Whether the standard of proof for civil suits is lower than that for a criminal case

0 = no; 1 = yes.

Strength of investor protection index (0–10)

Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices.

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.² 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, 2009.
- 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 2010 (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 before all taxes)

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.

² The threshold is defined as the highest total tax rate among the top 30% of economies in the ranking on the total tax rate. It will be calculated and adjusted on a yearly basis. The threshold is not based on any underlying theory. Instead, it is intended to mitigate the effect of very low tax rates on the ranking on the ease of paying taxes.

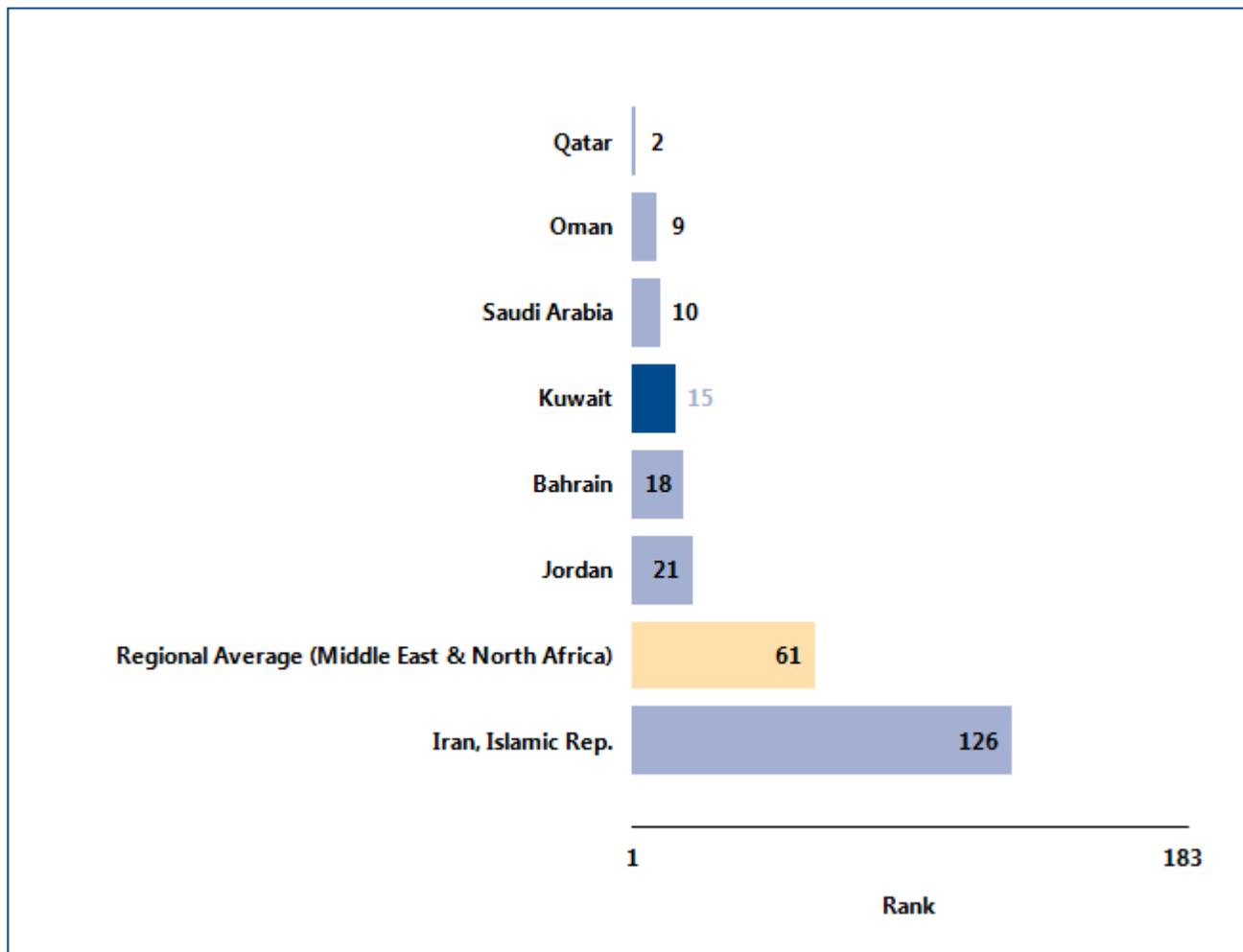
PAYING TAXES

Where does the economy stand today?

What is the administrative burden of complying with taxes in Kuwait—and how much do firms pay in taxes? On average, firms make 15 tax payments a year, spend 118 hours a year filing, preparing and paying taxes and pay total taxes amounting to 4.7% of profit (see the summary at the end of this chapter for details).

Globally, Kuwait stands at 15 in the ranking of 183 economies on the ease of paying taxes (figure 8.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing the tax compliance burden for businesses in Kuwait.

Figure 8.1 How Kuwait and comparator economies rank on the ease of paying taxes



Note: DB2012 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 32.5% applied in DB2012, the total tax rate is set at 32.5% for the purpose of calculating the ranking on the ease of paying taxes.

Source: *Doing Business* database.

PAYING TAXES

What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to comply with tax rules in Kuwait today, data over time show which aspects of the

process have changed — and which have not (table 8.1). That can help identify where the potential for easing tax compliance is greatest.

Table 8.1 The ease of paying taxes in Kuwait over time
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	14	15
Payments (number per year)	14	14	14	14	15	15	15
Time (hours per year)	118	118	118	118	118	118	118
Total tax rate (% profit)	14.4	14.4	14.4	14.4	15.5	15.5	15.5

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 32.5% applied in DB2012, the total tax rate is set at 32.5% for the purpose of calculating the rank on the ease of paying taxes.

Source: *Doing Business* database.

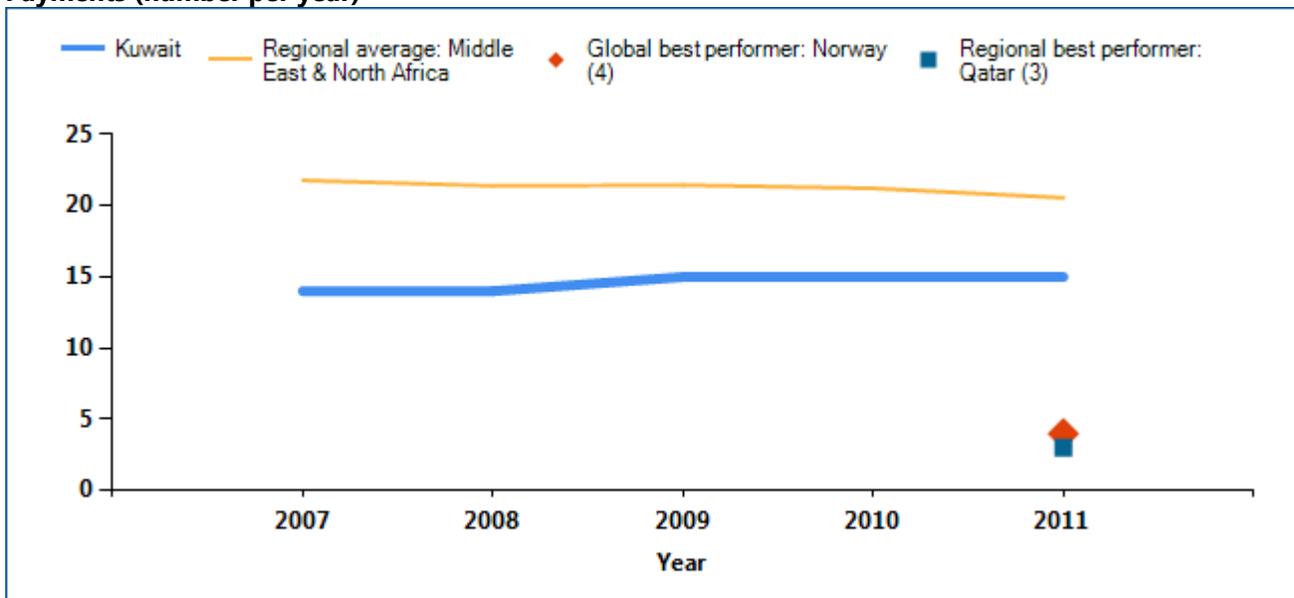
PAYING TAXES

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the number of payments or the time required to prepare and file taxes (figure 8.2). These economies may provide a model for Kuwait on

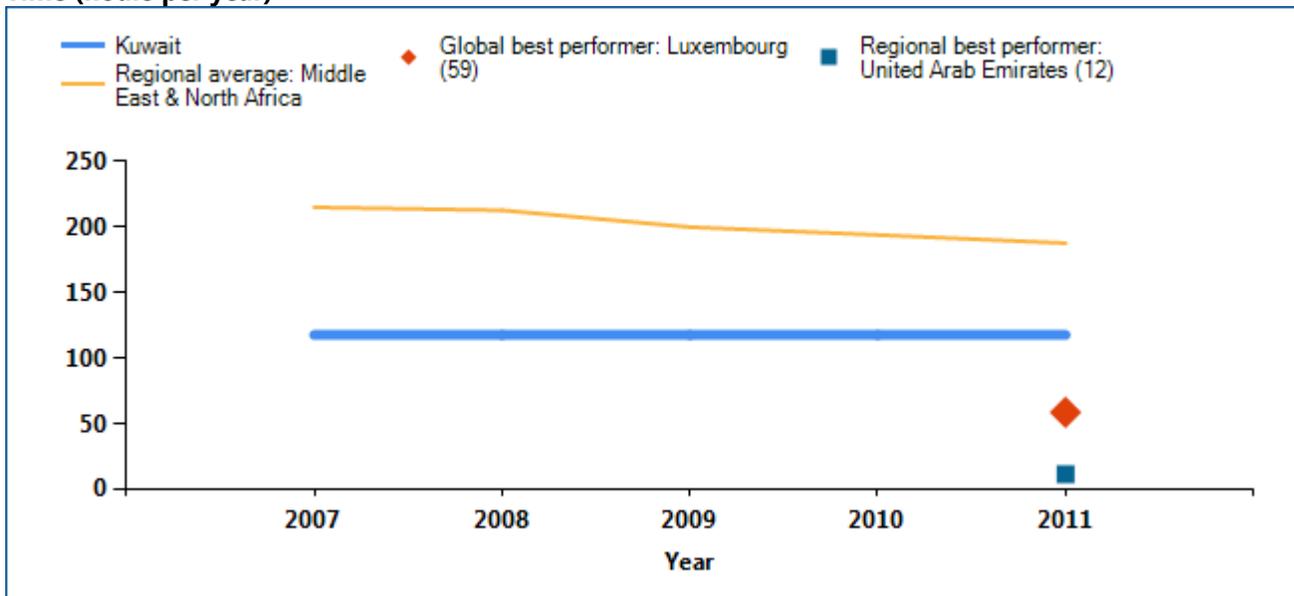
ways to ease the administrative burden of tax compliance. And changes in regional averages can show where Kuwait is keeping up—and where it is falling behind.

Figure 8.2 Has paying taxes become easier over time?

Payments (number per year)

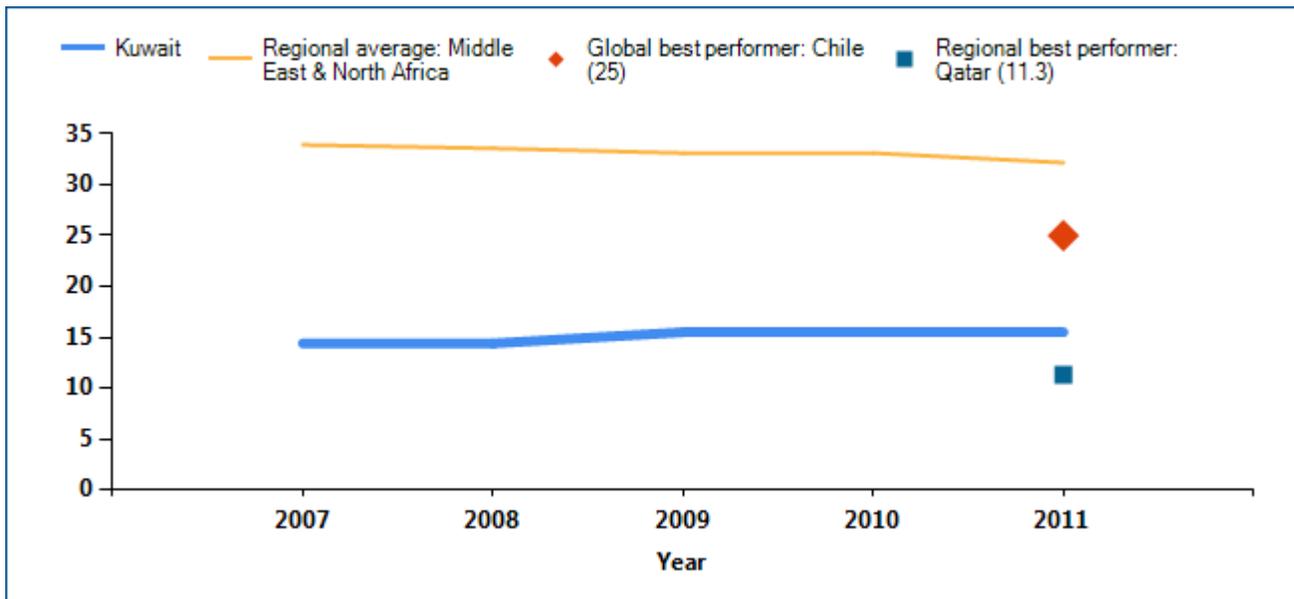


Time (hours per year)



PAYING TAXES

Total tax rate (% of profit)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. The best performer globally on an indicator has implemented the most efficient practices in its tax system but is not necessarily the one with the highest ranking on the indicator. In some cases 2 or more economies share the top regional ranking on an indicator. DB2012 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 32.5% applied in DB2012, the total tax rate is set at 32.5% for the purpose of calculating the ranking on the ease of paying taxes.

Source: *Doing Business* database.

PAYING TAXES

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 Kuwait (table 8.2)?

Table 8.2 How has Kuwait made paying taxes easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	No reform.
DB2009	No reform.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

PAYING TAXES

What are the details?

The indicators reported here for Kuwait are based on a standard set of taxes and contributions that would be paid by the case study company used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). Tax practitioners are asked to review standard financial statements as well as a standard list of transactions that the company

completed during the year. Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so. The taxes and contributions paid are listed in the summary below, along with the associated number of payments, time and tax rate.

Summary of tax rates and administrative burden in Kuwait

Indicator	Kuwait	Middle East & North Africa	OECD high income
Payments (number per year)	15	21	13
Time (hours per year)	118	188	186
Profit tax (%)	4.7	11.2	15.4
Labor tax and contributions (%)	10.7	16.9	24.0
Other taxes (%)	0.0	4.0	3.2
Total tax rate (% profit)	15.5	32.2	42.7

Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Social security contributions	12		70	11.0%	gross salaries	10.7	
National Labor Support tax	1		0	2.50%	taxable profits	2.6	
Zakat	1		0	1.00%	taxable profits	1	
Contribution to the Kuwait foundation for the advancement of sciences (KFAS)	1		48	1.00%	taxable profits	1	
Totals	15		118			15.5	

Note: DB2012 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 32.5% applied in DB2012, the total tax rate is set at 32.5% for the purpose of calculating the ranking on the ease of paying taxes.

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) associated with exporting and importing a standard shipment of goods by ocean 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 all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean 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.

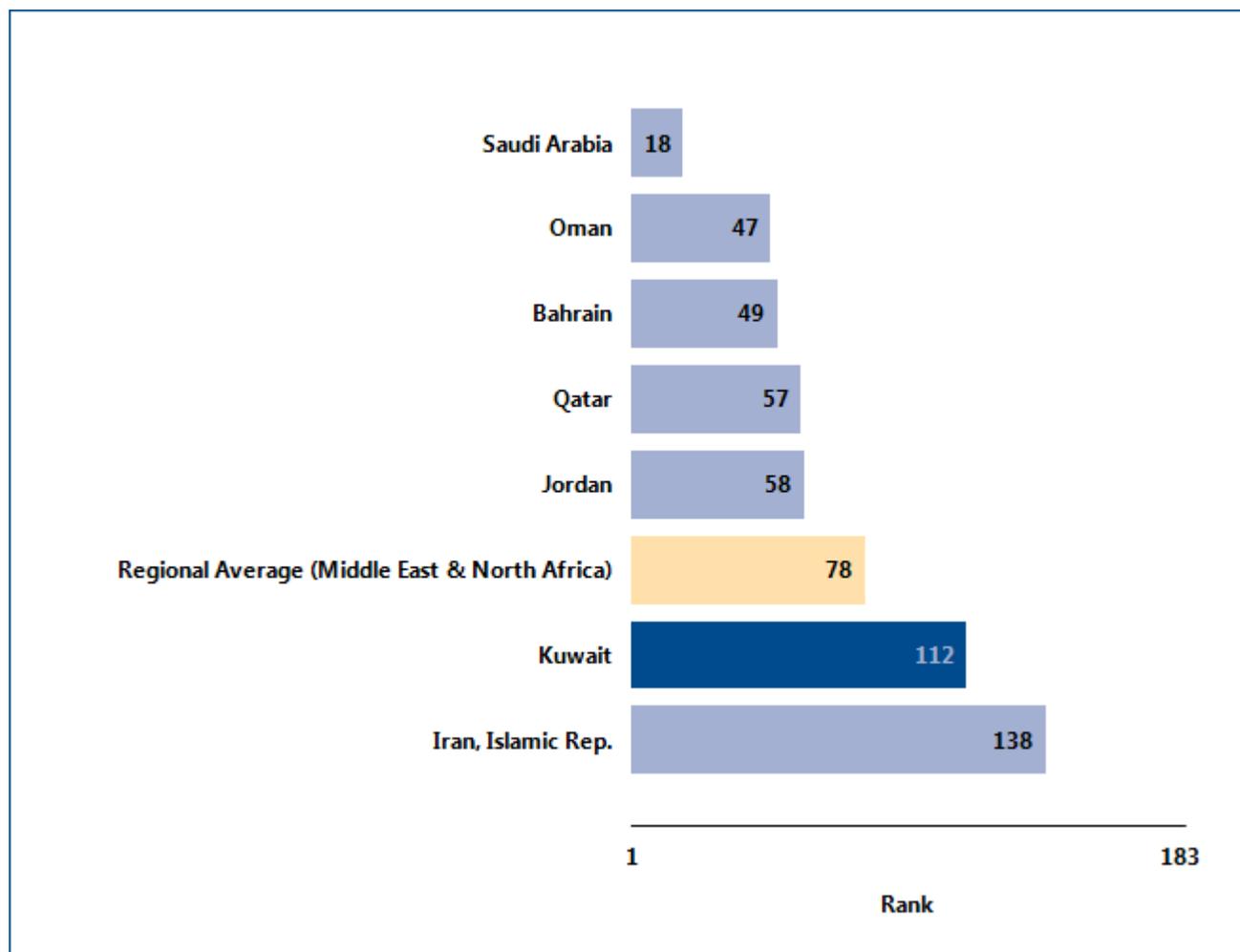
TRADING ACROSS BORDERS

Where does the economy stand today?

What does it take to export or import in Kuwait? According to data collected by *Doing Business*, exporting a standard container of goods requires 7 documents, takes 16 days and costs \$1085. Importing the same container of goods requires 10 documents, takes 19 days and costs \$1242 (see the summary of procedures and documents at the end of this chapter for details).

Globally, Kuwait stands at 112 in the ranking of 183 economies on the ease of trading across borders (figure 9.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for a business in Kuwait to export and import goods.

Figure 9.1 How Kuwait and comparator economies rank on the ease of trading across borders



Source: *Doing Business* database.

TRADING ACROSS BORDERS

What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to export or import in Kuwait today, data over time show which aspects of the process have changed—and which have not (table 9.1). That can help identify where the potential for improvement is greatest.

Table 9.1 The ease of trading across borders in Kuwait over time
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	112	112
Documents to export (number)	7	7	7	7	7	7	7
Time to export (days)	19	19	19	19	16	16	16
Cost to export (US\$ per container)	935	935	935	995	1,060	1,060	1,085
Documents to import (number)	10	10	10	10	10	10	10
Time to import (days)	20	20	20	20	19	19	19
Cost to import (US\$ per container)	935	935	935	1,152	1,217	1,217	1,242

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.

Source: *Doing Business* database.

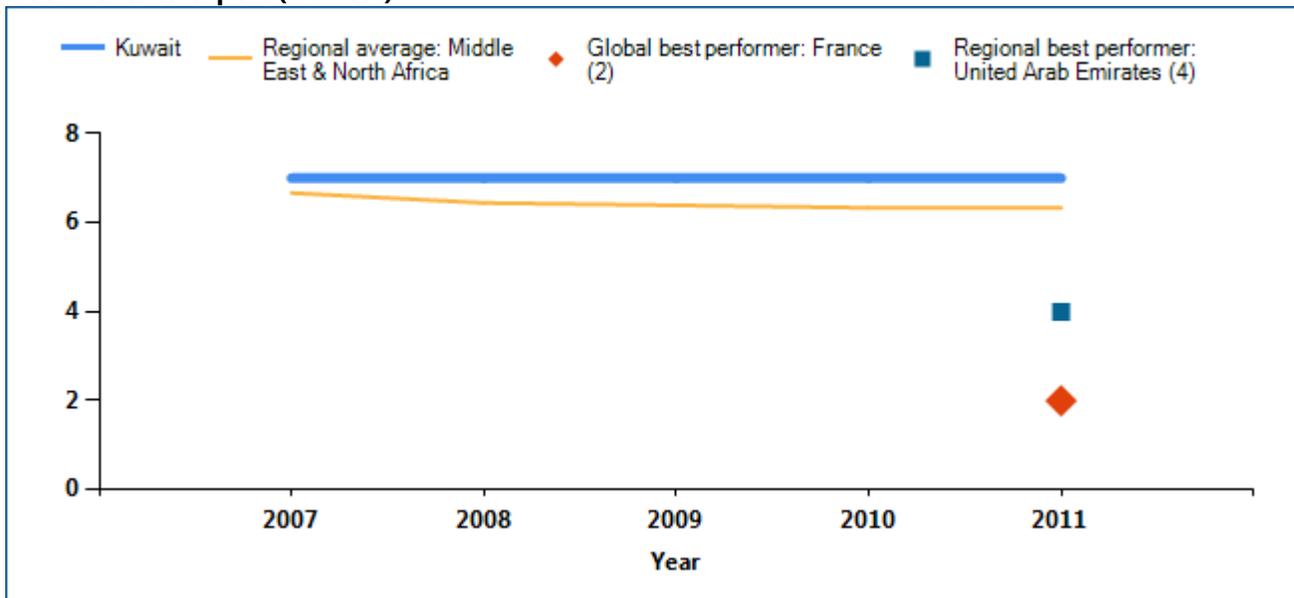
Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the documents, time or cost required to export or import (figure 9.2). These

economies may provide a model for Kuwait on ways to improve the ease of trading across borders. And changes in regional averages can show where Kuwait is keeping up—and where it is falling behind.

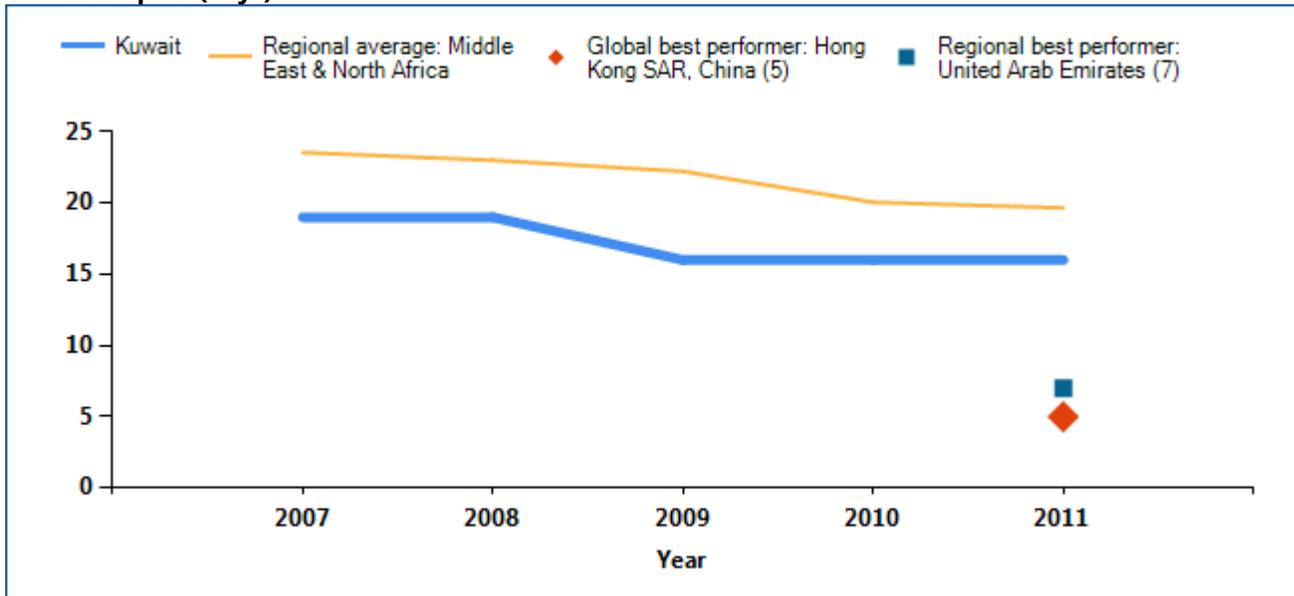
TRADING ACROSS BORDERS

Figure 9.2 Has trading across borders become easier over time?

Documents to export (number)

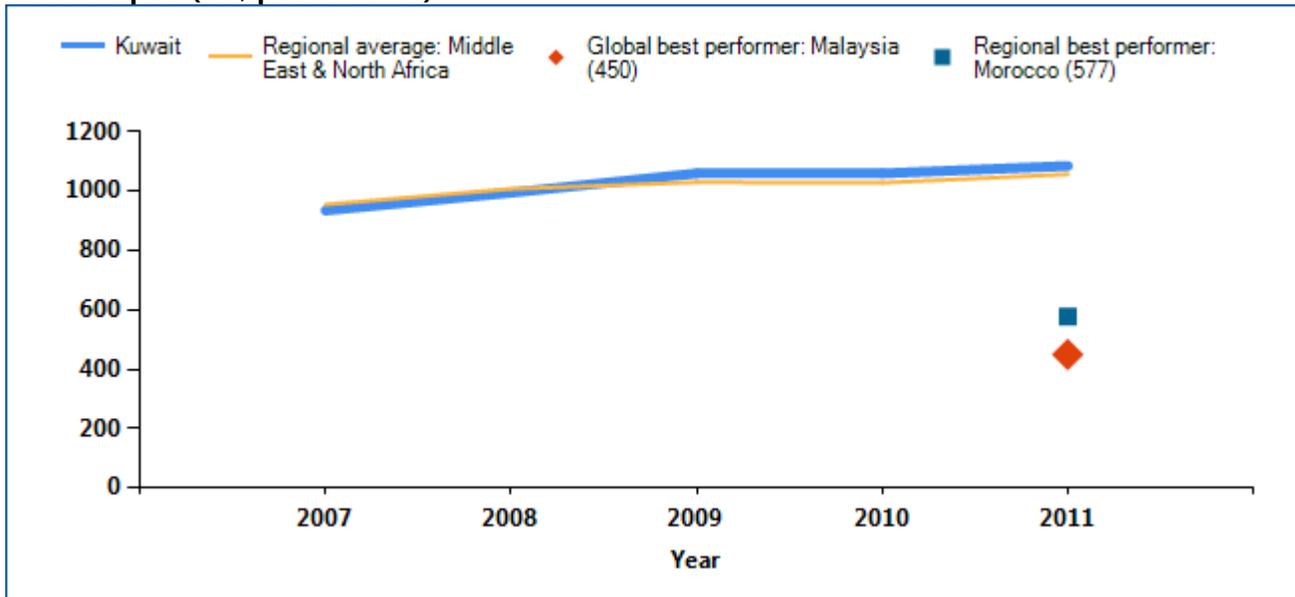


Time to export (days)

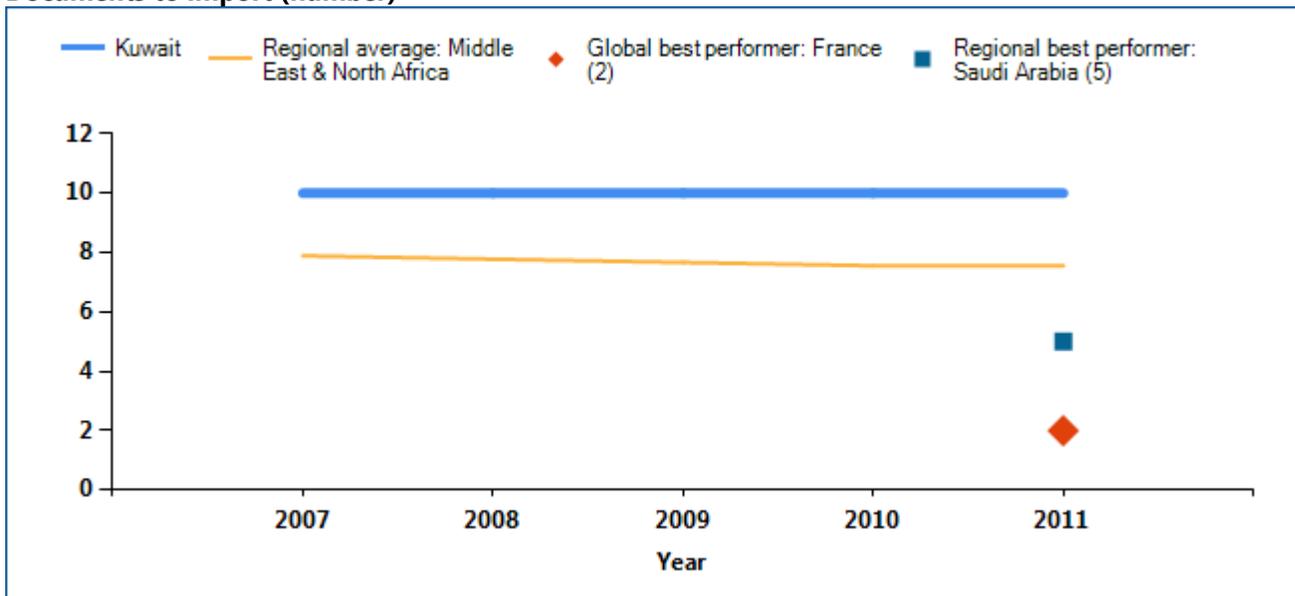


TRADING ACROSS BORDERS

Cost to export (US\$ per container)

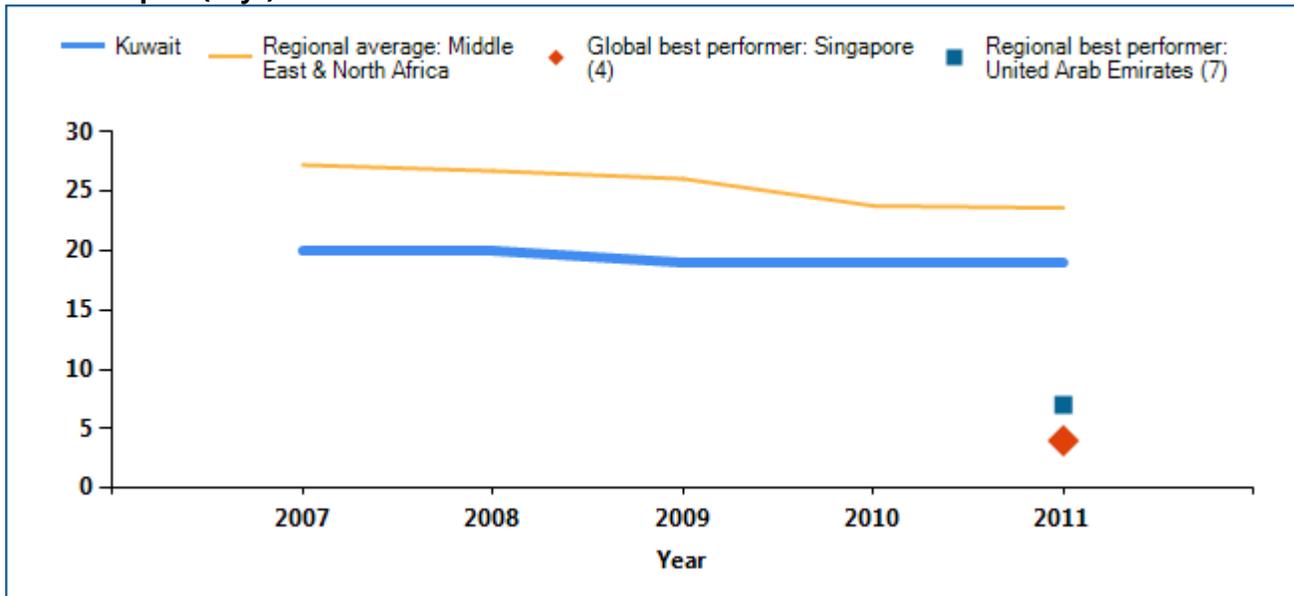


Documents to import (number)

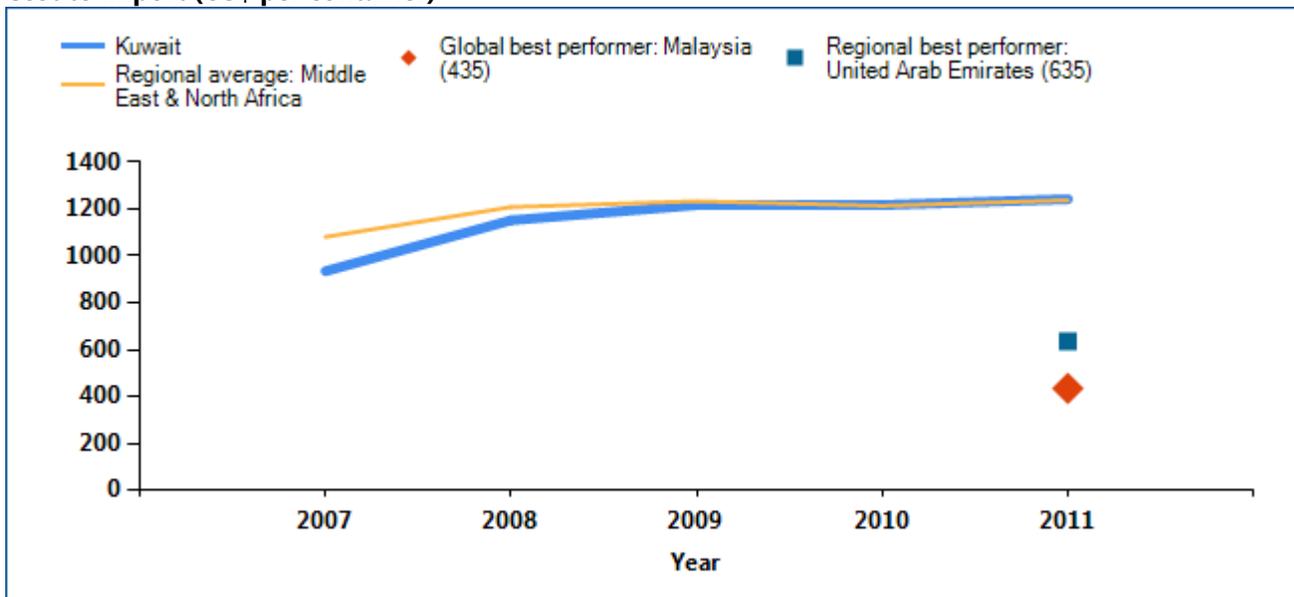


TRADING ACROSS BORDERS

Time to import (days)



Cost to import (US\$ per container)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator.

Source: Doing Business database.

TRADING ACROSS BORDERS

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 the trading environment and boost firms' international competitiveness. What trade reforms has *Doing Business* recorded in Kuwait (table 9.2)?

Table 9.2 How has Kuwait made trading across borders easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	Improvements to customs administration procedures and staff training have helped shorten the time required to clear goods for import and export.
DB2009	No reform.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

TRADING ACROSS BORDERS

What are the details?

The indicators reported here for Kuwait are based on a set of specific procedural requirements for trading a standard shipment of goods by ocean transport (see the section in this chapter on what the indicators cover). Information on the procedures as well as the required documents and the time and cost to complete each procedure is collected from local

freight forwarders, shipping lines, customs brokers, port officials and banks. The procedural requirements, and the associated time and cost, for exporting and importing a standard shipment of goods are listed in the summary below, along with the required documents.

Summary of procedures and documents for trading across borders in Kuwait

Indicator	Kuwait	Middle East & North Africa	OECD high income
Documents to export (number)	7	6	4
Time to export (days)	16	20	10
Cost to export (US\$ per container)	1085	1,057	1,032
Documents to import (number)	10	8	5
Time to import (days)	19	24	11
Cost to import (US\$ per container)	1242	1,238	1,085

Procedures to export	Time (days)	Cost (US\$)
Documents preparation	7	440
Customs clearance and technical control	2	180
Ports and terminal handling	4	225
Inland transportation and handling	3	240
Totals	16	1085

Procedures to import	Time (days)	Cost (US\$)
Documents preparation	13	632
Customs clearance and technical control	2	145
Ports and terminal handling	3	225
Inland transportation and handling	1	240
Totals	19	1242

TRADING ACROSS BORDERS

Documents to export
Bill of Lading
Customs export declaration
Commercial Invoice
Certificate of origin
Cargo release order
Inspection report
Packing list

Documents to import
Bill of Lading
Cargo release order
Certificate of origin
Commercial invoice
Consular invoice
Customs import declaration
Inspection report
Packing list
Certificate of conformity
Terminal handling receipts

ENFORCING CONTRACTS

Well-functioning courts help businesses expand their network and markets. Without effective contract enforcement, people might well do business only with family, friends and others with whom they have established relationships. Where contract enforcement is efficient, firms are more likely to engage with new borrowers or customers, and they have greater access to credit.

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)

Any interaction between the parties in a commercial dispute, or between them and the judge or court officer

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)

No bribes

Average attorney fees

Court costs, including expert fees

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.

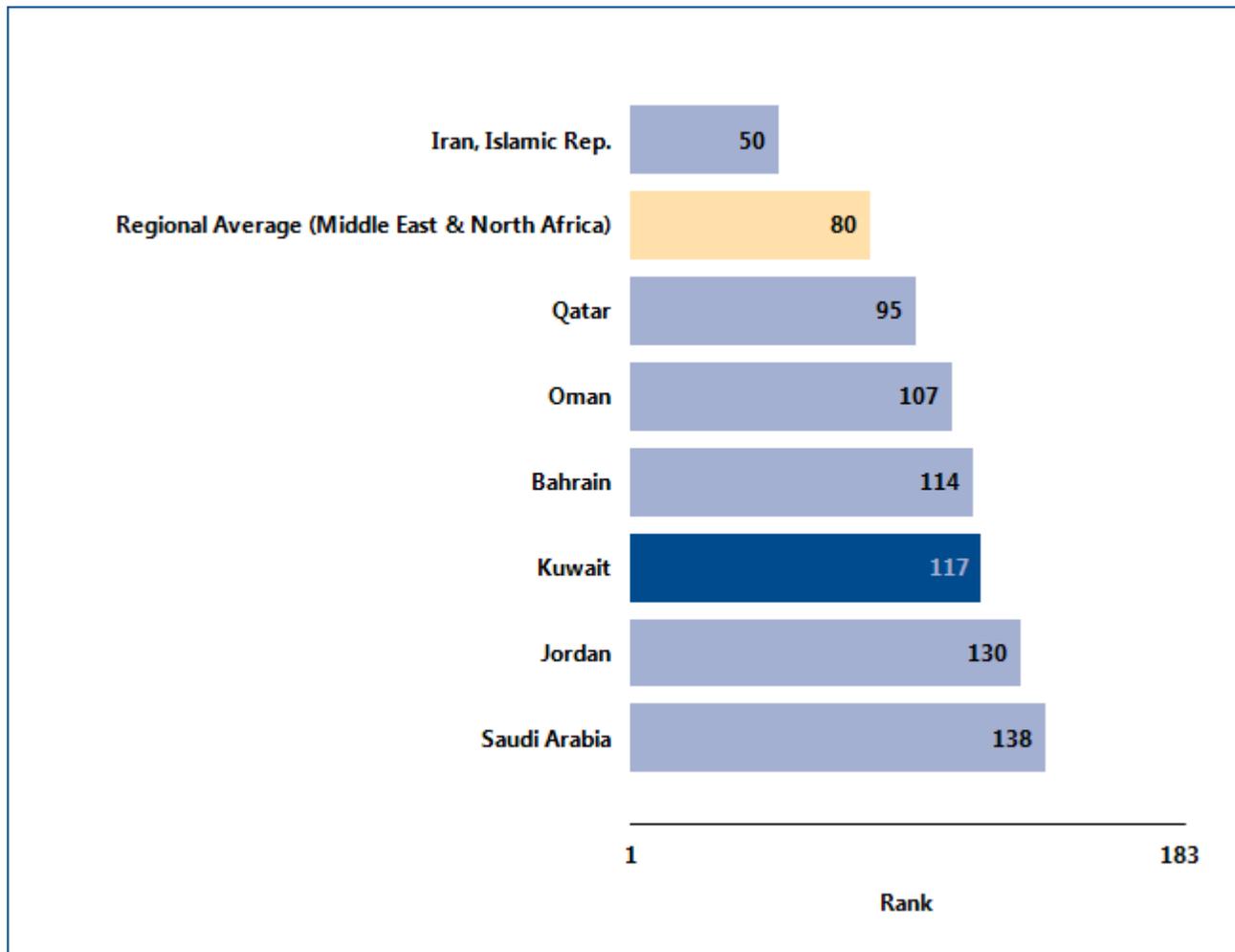
ENFORCING CONTRACTS

Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in Kuwait? According to data collected by *Doing Business*, enforcing a contract requires 50 procedures, takes 566 days and costs 18.8% of the value of the claim (see the summary at the end of this chapter for details).

Globally, Kuwait stands at 117 in the ranking of 183 economies on the ease of enforcing contracts (figure 10.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of contract enforcement in Kuwait.

Figure 10.1 How Kuwait and comparator economies rank on the ease of enforcing contracts



Source: *Doing Business* database.

ENFORCING CONTRACTS

What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to enforce a contract in Kuwait today, data on the underlying indicators over time help

identify which areas have changed and where the potential for improvement is greatest (table 10.1).

Table 10.1 The ease of enforcing contracts in Kuwait over time
By *Doing Business* report year

Indicator	DB2004	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	..	117	117
Time (days)	566	566	566	566	566	566	566	566	566
Cost (% of claim)	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8
Procedures (number)	50	50	50	50	50	50	50	50	50

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.

Source: *Doing Business* database.

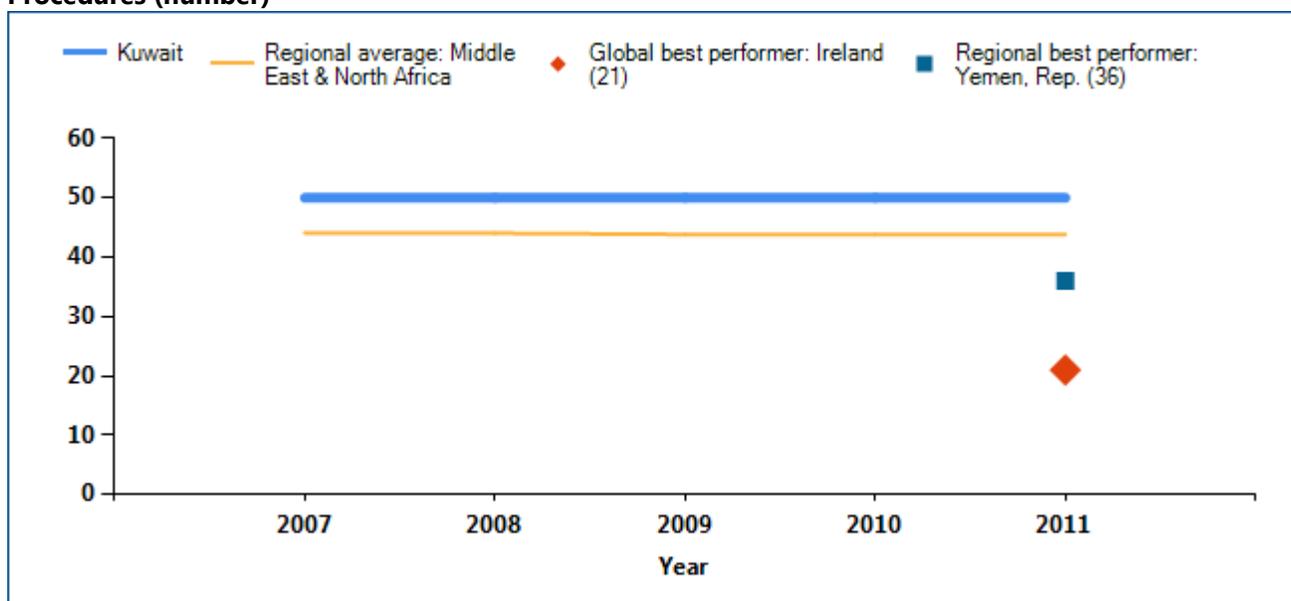
ENFORCING CONTRACTS

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the number of steps, time or cost required to enforce a contract through the courts (figure 10.2). These economies may provide a model

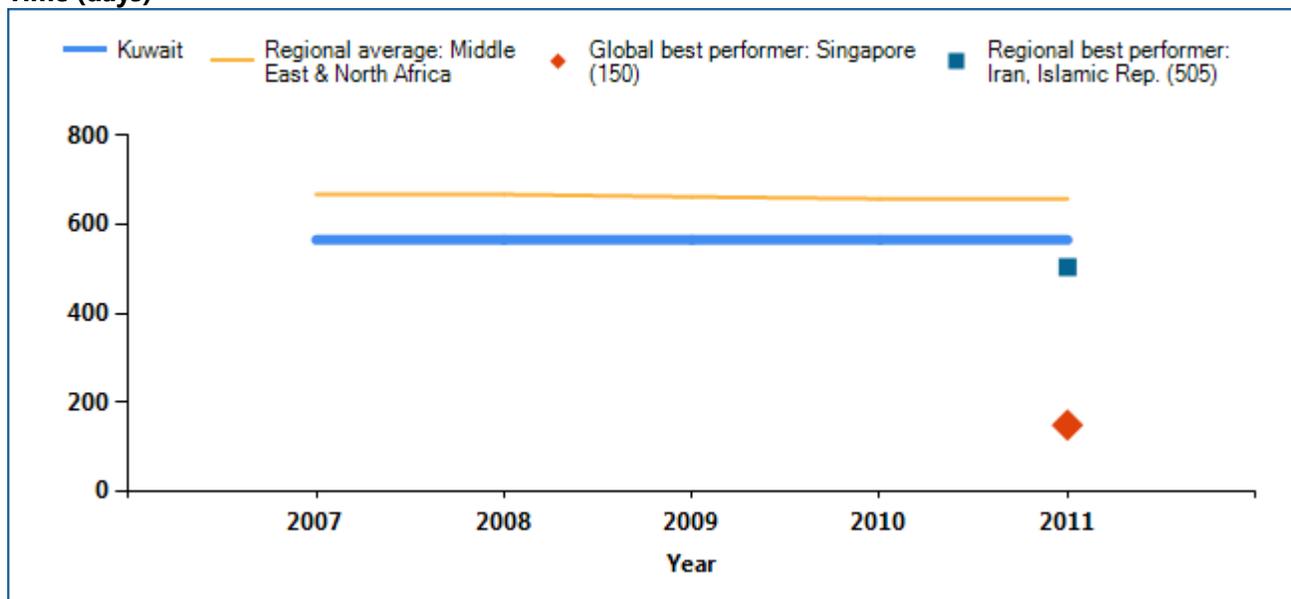
for Kuwait on ways to improve the efficiency of contract enforcement. And changes in regional averages can show where Kuwait is keeping up—and where it is falling behind.

Figure 10.2 Has enforcing contracts become easier over time?

Procedures (number)

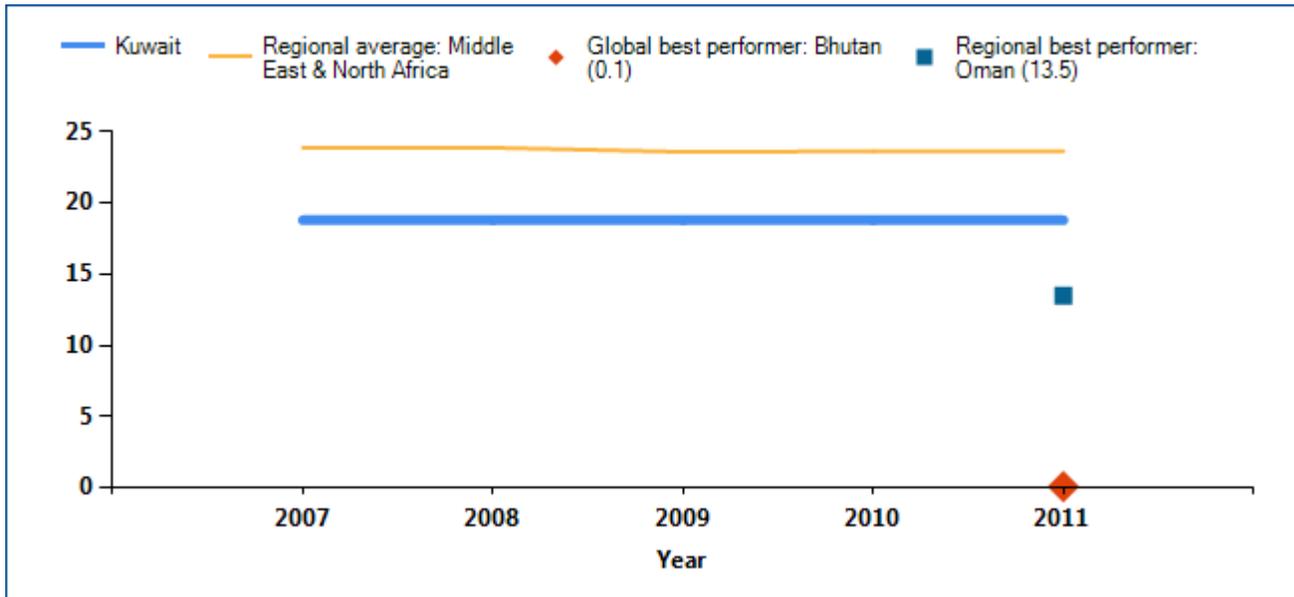


Time (days)



ENFORCING CONTRACTS

Cost (% of claim)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator.

Source: *Doing Business* database.

ENFORCING CONTRACTS

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 Kuwait (table 10.2)?

Table 10.2 How has Kuwait made enforcing contracts easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	No reform.
DB2009	No reform.

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

What are the details?

The indicators reported here for Kuwait are based on a set of specific procedural steps required to resolve a standardized commercial dispute through the courts (see the section in this chapter on what the indicators cover). These procedures, and the time and cost of completing them, are identified through study of the

codes of civil procedure and other court regulations, as well as through surveys completed by local litigation lawyers (and, in a quarter of the economies covered by *Doing Business*, by judges as well). The procedures for resolving a commercial lawsuit, and the associated time and cost, are listed in the summary below.

Summary of procedures for enforcing a contract in Kuwait—and the time and cost

Indicator	Kuwait	Middle East & North Africa	OECD high income
Time (days)	566	658.22	518.03
Filing and service	26		
Trial and judgment	420		
Enforcement of judgment	120		
Cost (% of claim)	18.8	23.64	19.71
Attorney cost (% of claim)	10.7		
Court cost (% of claim)	2.6		
Enforcement Cost (% of claim)	5.49		
Procedures (number)	50	43.83	31.42

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.

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

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 201 employees, 1 main secured creditor and 50 unsecured creditors.
- Has a higher value as a going concern—and the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation.

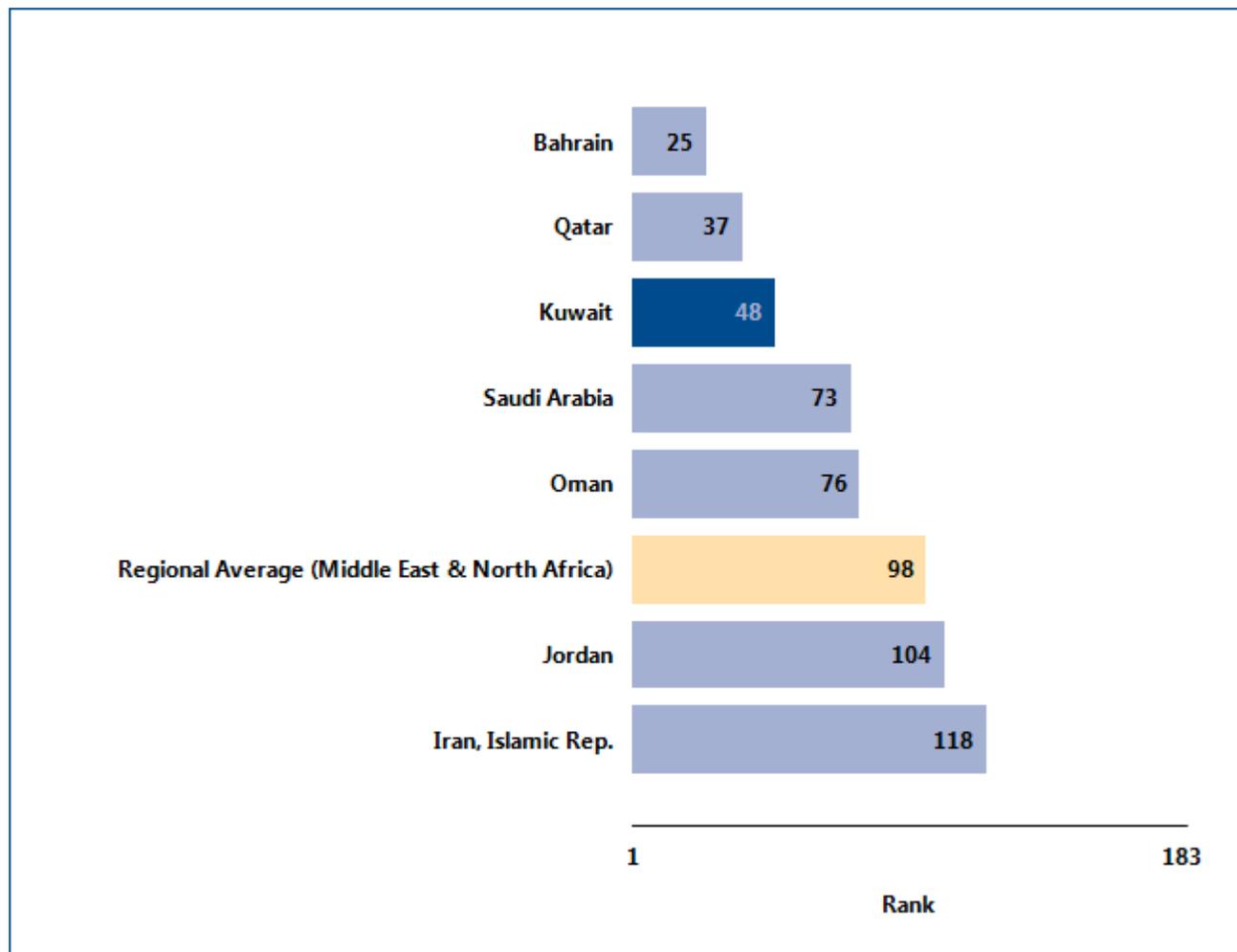
RESOLVING INSOLVENCY

Where does the economy stand today?

Speed, low costs and continuation of viable businesses characterize the top-performing economies. How efficient are insolvency proceedings in Kuwait? According to data collected by *Doing Business*, resolving insolvency takes 4.2 years on average and costs 1% of the debtor’s estate. The average recovery rate is 43.9 cents on the dollar.

Globally, Kuwait stands at 48 in the ranking of 183 economies on the ease of resolving insolvency (figure 11.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of insolvency proceedings in Kuwait.

Figure 11.1 How Kuwait and comparator economies rank on the ease of resolving insolvency



Source: *Doing Business* database.

RESOLVING INSOLVENCY

What are the changes over time?

While the most recent *Doing Business* data reflect the efficiency of insolvency proceedings in Kuwait today, data over time show where the efficiency has changed—and where it has not (table 11.1). That can help identify where the potential for improvement is greatest.

Table 11.1 The ease of resolving insolvency in Kuwait over time
By *Doing Business* report year

Indicator	DB2004	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	..	65	48
Time (years)	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Cost (% of estate)	1	1	1	1	1	1	1	1	1
Recovery rate (cents on the dollar)	37.8	38.7	38.3	34.5	33.6	34.5	34.5	37.9	43.9

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology. "No practice" indicates that in each of the previous 5 years the economy had no cases involving a judicial reorganization, judicial liquidation or debt enforcement procedure (foreclosure). This means that creditors are unlikely to recover their money through a formal legal process (in or out of court). The recovery rate for "no practice" economies is 0.

Source: *Doing Business* database.

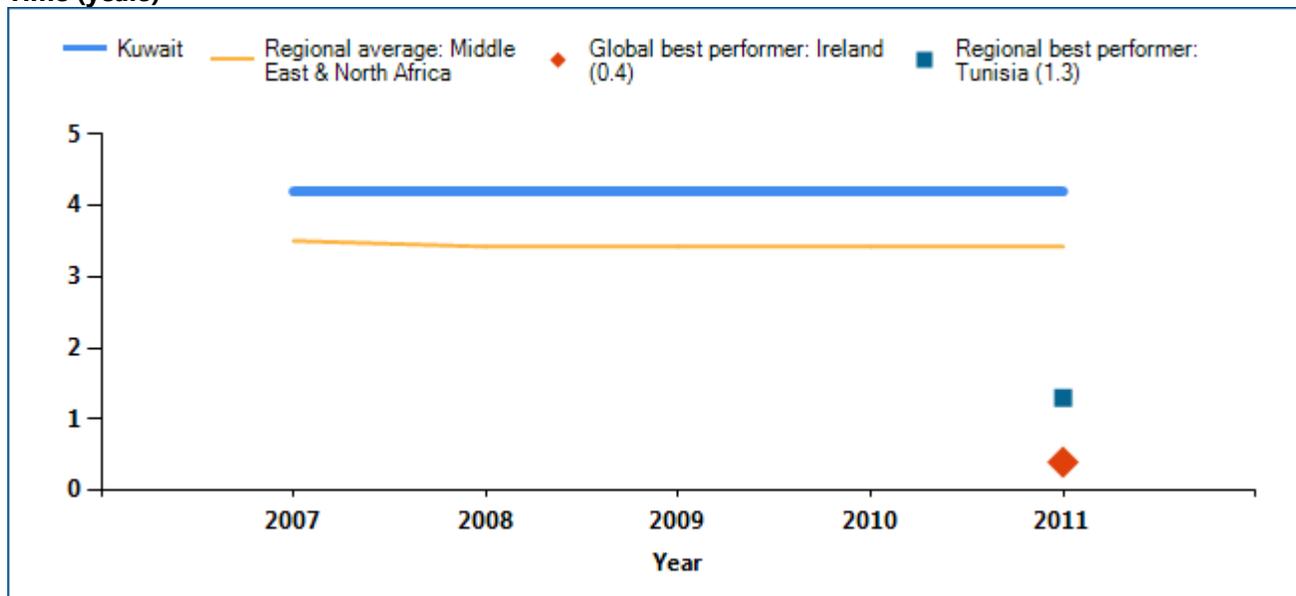
RESOLVING INSOLVENCY

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the time or cost of insolvency proceedings or on the recovery rate (figure 11.2). These economies may provide a model for Kuwait on

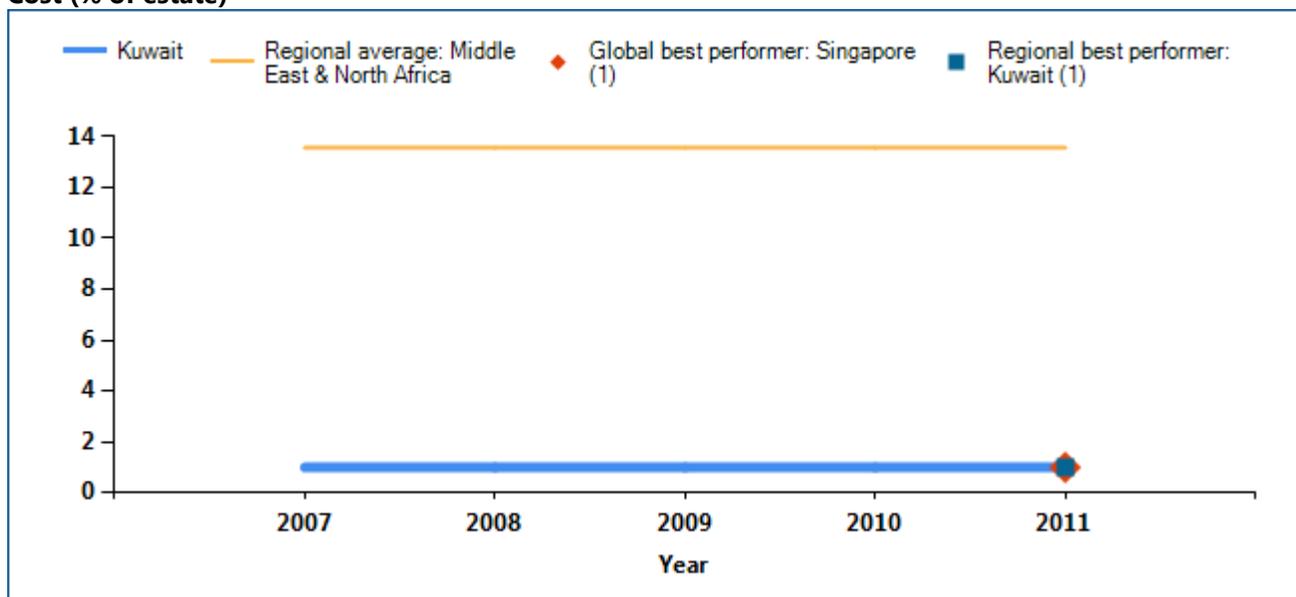
ways to improve the efficiency of insolvency proceedings. And changes in regional averages can show where Kuwait is keeping up—and where it is falling behind.

Figure 11.2 Has resolving insolvency become easier over time?

Time (years)

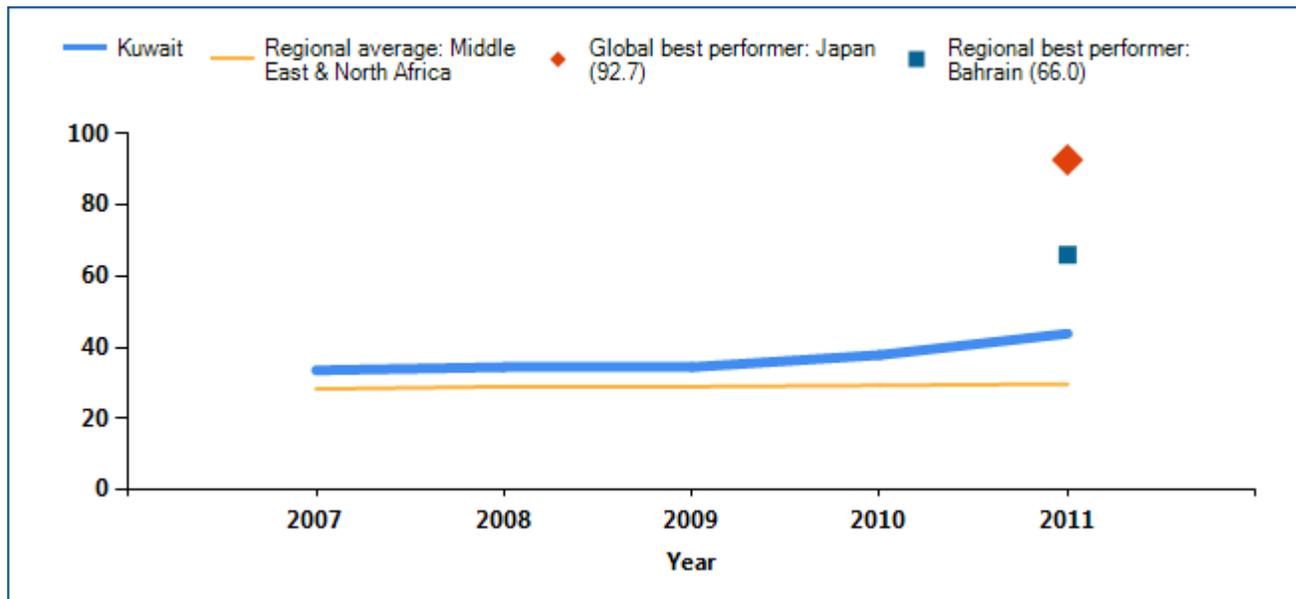


Cost (% of estate)



RESOLVING INSOLVENCY

Recovery rate (cents on the dollar)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator. In cases where no data are displayed above for the economy, this indicates that the economy has received a “no practice” mark; see the data notes for details.

Source: *Doing Business* database.

RESOLVING INSOLVENCY

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 Kuwait (table 11.2)?

Table 11.2 How has Kuwait made resolving insolvency easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	A law was established enabling restructuring of companies facing financial difficulty or insolvency.
DB2009	No reform.

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 of achieving a regulatory goal or complying 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 data for all sets of indicators in *Doing Business 2012* are for June 2011.³

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 through more than 9,028 local experts, including lawyers, business consultants, accountants, freight forwarders, government officials and other professionals routinely administering or advising on legal and regulatory requirements. 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 2012* team members visited 40 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.

³ The data for paying taxes refer to January – December 2010.

ECONOMY CHARACTERISTICS

Gross national income (GNI) per capita

Doing Business 2012 reports 2010 income per capita as published in the World Bank's *World Development Indicators 2011*. Income is calculated using the Atlas method (current US\$). For cost indicators expressed as a percentage of income per capita, 2010 GNI in U.S. dollars is used as the denominator. Data were not available from the World Bank for Afghanistan; Australia; The Bahamas; Bahrain; Brunei Darussalam; Canada; Cyprus; Djibouti; the Islamic Republic of Iran; Kuwait; New Zealand; Oman; Puerto Rico (territory of the United States); Qatar; Saudi Arabia; Suriname; Taiwan, China; the United Arab Emirates; West Bank and Gaza; and the Republic of Yemen. In these cases GDP or GNP per capita data and growth rates from 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://www.worldbank.org/data/countryclass>. 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 2012 reports midyear 2010 population statistics as published in *World Development Indicators 2011*.

The *Doing Business* methodology offers several advantages. It is transparent, using factual information 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 and may not be representative of regulation in other parts of the economy. To address this limitation, subnational *Doing Business* indicators were created (see the section on subnational *Doing Business* indicators). 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 2012* would differ from the recollection of

entrepreneurs reported in the World Bank Enterprise Surveys or other perception surveys.

Subnational *Doing Business* indicators

This year *Doing Business* published a subnational study for the Philippines and a regional report for Southeast Europe covering 7 economies (Albania, Bosnia and Herzegovina, Kosovo, the former Yugoslav Republic of Macedonia, Moldova, Montenegro and Serbia) and 22 cities. It also published a city profile for Juba, in the Republic of South Sudan.

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 the subnational studies in the Philippines; the regional report in Southeast Europe; the ongoing studies in Italy, Kenya and the United Arab Emirates; and the projects implemented jointly with local think tanks in Indonesia, Mexico and the Russian Federation.

Besides the subnational *Doing Business* indicators, *Doing Business* conducted a pilot study this year on the second largest city in 3 large economies to assess within-country variations. The study collected data for Rio de Janeiro in addition to São Paulo in Brazil, for Beijing in addition to Shanghai in China and for St. Petersburg in addition to Moscow in Russia.

Changes in what is measured

The methodology for 3 of the *Doing Business* topics was updated this year—getting credit, dealing with construction permits and paying taxes.

First, for getting credit, the scoring of one of the 10 components of the strength of legal rights index was amended to recognize additional protections of secured creditors and borrowers. Previously the highest score of 1 was assigned if secured creditors were not subject to an automatic stay or moratorium on enforcement procedures when a debtor entered a court-supervised reorganization procedure. Now the highest score of 1 is also assigned if the law provides secured creditors with grounds for relief from an

automatic stay or moratorium (for example, if the movable property is in danger) or sets a time limit for the automatic stay.

Second, because the ease of doing business index now includes the getting electricity indicators, procedures, time and cost related to obtaining an electricity connection were removed from the dealing with construction permits indicators.

Third, a threshold has been introduced for the total tax rate for the purpose of calculating the ranking on the ease of paying taxes. All economies with a total tax rate below the threshold (which will be calculated and adjusted on a yearly basis) will now receive the same ranking on the total tax rate indicator. The threshold is not based on any underlying theory. Instead, it is meant to emphasize the purpose of the indicator: to highlight economies where the tax burden on business is high relative to the tax burden in other economies. Giving the same ranking to all economies whose total tax rate is below the threshold avoids awarding economies in the scoring for having an unusually low total tax rate, often for reasons unrelated to government policies toward enterprises. For example, economies that are very small or that are rich in natural resources do not need to levy broad-based taxes.

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

This year's report presents results for 2 aggregate measures: the aggregate ranking on the ease of doing business and a new measure, the "distance to frontier." While the ease of doing business ranking compares economies with one another at a point in time, the distance to frontier measure shows how much the

regulatory environment for local entrepreneurs in each economy has changed over time.

Ease of doing business

The ease of doing business index ranks economies from 1 to 183. 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 2012*: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and, new this year, getting electricity. The employing workers indicators are not included in this year's aggregate ease of doing business ranking. In addition to this year's ranking, *Doing Business* presents a comparable ranking for the previous year, adjusted for any changes in methodology as well as additions of economies or topics.⁴

Construction of the ease of doing business index

Here is one example of how the ease of doing business index is constructed. In the Republic of Korea it takes 5 procedures, 7 days and 14.6% of annual income per capita in fees to open a business. There is no minimum capital required. On these 4 indicators Korea ranks in the 18th, 14th, 53rd and 0 percentiles. So on average Korea ranks in the 21st percentile on the ease of starting a business. It ranks in the 12th percentile on getting credit, 25th percentile on paying taxes, 8th percentile on enforcing contracts, 7th percentile on resolving insolvency and so on. Higher rankings indicate simpler regulation and stronger protection of property rights. The simple average of Korea's percentile rankings on all topics is 21st. When all economies are ordered by their average percentile rankings, Korea stands at 8 in the aggregate ranking on the ease of doing business.

More complex aggregation methods—such as principal components and unobserved components—

⁴ In case of revisions to the methodology or corrections to the underlying data, the data are back-calculated to provide a comparable time series since the year the relevant economy or topic was first included in the data set. The time series is available on the *Doing Business* website (<http://www.doingbusiness.org>). The *Doing Business* report publishes yearly rankings for the year of publication as well as the previous year to shed light on year-to-year developments. Six topics and more than 50 economies have been added since the inception of the project. Earlier rankings on the ease of doing business are therefore not comparable.

yield a ranking nearly identical to the simple average used by *Doing Business*.⁵ Thus, *Doing Business* uses the simplest method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components.⁶

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, its 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 0.36, and the coefficients between any 2 sets of indicators range from 0.17 (between protecting investors and getting electricity) to 0.57 (between starting a business and protecting investors). These correlations suggest that economies rarely score universally well or universally badly on the indicators.

⁵ 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.

⁶ A technical note on the different aggregation and weighting methods is available on the *Doing Business* website (<http://www.doingbusiness.org>).

Consider the example of Canada. It stands at 12 in the aggregate ranking on the ease of doing business. Its ranking is 3 on both starting a business and resolving insolvency, and 5 on protecting investors. But its ranking is only 59 on enforcing contracts, 42 on trading across borders and 156 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.

Economies that improved the most across 3 or more Doing Business topics in 2010/11

Doing Business 2012 uses a simple method to calculate which economies improved the most in the ease of doing business. First, it selects the economies that in 2010/11 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.⁷ Thirty economies meet this criterion: Armenia, Burkina Faso, Burundi, Cape Verde, the Central African Republic, Chile, Colombia, the Democratic Republic of Congo, Côte d’Ivoire, The Gambia, Georgia, Korea, Latvia, Liberia, FYR Macedonia, Mexico, Moldova, Montenegro, Morocco, Nicaragua, Oman, Peru, Russia, São Tomé and Príncipe, Senegal, Sierra Leone, Slovenia, the Solomon Islands, South Africa and Ukraine. Second, *Doing Business* ranks these economies on the increase in their ranking on the ease of doing business from the previous year using comparable rankings.

Selecting the economies that implemented regulatory reforms in at least 3 topics and improved the most in the aggregate ranking is intended to highlight economies with ongoing, broad-based reform programs.

Distance to frontier measure

This year’s report introduces a new measure to illustrate how the regulatory environment for local businesses in each economy has changed over time. The distance to frontier measure illustrates the distance of an economy to the “frontier” and shows

⁷ *Doing Business* reforms making it more difficult to do business are subtracted from the total number of those making it easier to do business.

the extent to which the economy has closed this gap over time. The frontier is a score derived from the most efficient practice or highest score achieved on each of the component indicators in 9 *Doing Business* indicator sets (excluding the employing workers and getting electricity indicators) by any economy since 2005. In starting a business, for example, New Zealand has achieved the highest performance on the time (1 day), Canada and New Zealand on the number of procedures required (1), Denmark and Slovenia on the cost (0% of income per capita) and Australia on the paid-in minimum capital requirement (0% of income per capita).

Calculating the distance to frontier for each economy involves 2 main steps. First, individual indicator scores are normalized to a common unit. To do so, each of the 32 component indicators y is rescaled to $(y - \min)/(max - \min)$, with the minimum value (min) representing the frontier—the highest performance on that indicator across all economies since 2005. Second, for each economy the scores obtained for individual indicators are aggregated through simple averaging into one distance to frontier score. An economy's distance to the frontier is indicated on a scale from 0 to 100, where 0 represents the frontier and 100 the lowest performance.

The difference between an economy's distance to frontier score in 2005 and its score in 2011 illustrates the extent to which the economy has closed the gap to the frontier over time.

The maximum (max) and minimum (min) observed values are computed for the 174 economies included in the *Doing Business* sample since 2005 and for all years (from 2005 to 2011). The year 2005 was chosen as the baseline for the economy sample because it was the first year in which data were available for the majority of economies (a total of 174) and for all 9 indicator sets included in the measure. 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.

Take Colombia, which has a score of 0.21 on the distance to frontier measure for 2011. This score indicates that the economy is 21 percentage points away from the frontier constructed from the best performances across all economies and all years. Colombia was further from the frontier in 2005, with a score of 0.43. The difference between the scores shows an improvement over time.

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