# Improving the Business Regulatory Environment for Entrepreneurs and SMEs in Qatar

## An Alternative Look at the World Bank's Doing Business Survey

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## Executive Summary

1. In line with the Qatar National Vision 2030 and the National Development Strategy, this policy report aims at identifying dimensions of business regulation that require attention from policymakers to ensure a more business-friendly regulatory environment in Qatar, using the World Bank's *Doing Business* survey results. While Qatar is relatively well-positioned in the world *Ease of Doing Business* rankings, standing at 48 out of 189, recent trends have shown a fall in rankings due to insufficient regulatory reforms.
2. This report identifies key potential areas of regulatory improvement that affect essential stages of a company's life cycle, namely access to finance – which depends on the ease of getting credit and investor protection – and during the start-up phase.
3. To improve access to finance, the report recommends reinforcing borrowers' and lenders' legal rights under collateral and bankruptcy laws (Commercial Law No. 27, 2006 and the Civil Code No. 22, 2004); and deepening the coverage, scope, and accessibility of credit information (Qatar Central Bank Law No. 13, 2012).
4. To better protect investors, the report suggests strengthening disclosure rules of related-party transactions, reinforcing company directors' liability regime for self-dealing, and providing greater access of internal corporate information to minority shareholders (the Qatar Financial Markets Authority Corporate Governance Code, 2009).
5. Finally recommendations to ease of starting a business include improving both the online procedures and the one-stop shop experience while complying with the requirements of Qatar's Commercial Law, 2002; and removing both the requirement for a company seal (or make the procedure optional) and the paid-in minimum capital requirement (Commercial Law No. 5, Article 232, 2002).
6. These policy recommendations, if implemented, can significantly increase Qatar's *Doing Business* ranking from 48$^{th}$ to 18$^{th}$, and more importantly help improve the regulatory business environment for the private sector, in particular entrepreneurs and SMEs.

## Introductory Remarks

An essential foundation of sustainable economic development is a vibrant private sector, which in turn requires an enabling business regulatory environment to thrive. According to the Qatar National Vision 2030 Report, "Qatar has already made good headway in developing a political and organizational climate that supports the business sector. But further steps to enhance competitiveness and attract investment will be needed in a dynamic and increasingly borderless international economy." [1]

Furthermore, the Qatar National Development Strategy emphasizes that "the World Bank's Doing Business studies point to several regulatory encumbrances that investors in Qatar face when trying to establish a business or conduct business operations,"[2] and sets as an important target to streamline business and trade regulations in order to significantly improve Qatar's position in the World Bank's (WB) *Doing Business* rankings.

Within this context, this policy report takes a closer look at the WB's *Doing Business* survey, with the objective of identifying key areas of improvement in the business regulatory framework of Qatar that would ensure a more business-friendly environment. Additionally, based on these findings and on lessons from other countries' successful experiences and best practices, the report will suggest targeted policy recommendations that can serve as guidance for policymakers when designing and/or prioritizing regulatory reforms.

Qatar is currently relatively well-positioned at 48 out of 189 countries in aggregate *Ease of Doing Business* rankings. However, entrepreneurial activity is low as measured by the new business entry density[3] at 1.74 per 1000 working-age people in 2012 compared to a world average of 4.20.[4] Also, as pointed out by the National Development Strategy Report, the sector of small and medium-sized enterprises (SMEs) is underdeveloped and represents only fifteen percent of the economy.[5] In comparison, the SME sector represents 16 percent of GDP in low-income countries, 39 percent in middle-income countries, and 51 percent in high-income countries.[6]The analysis that follows in fact reveals that Qatar's aggregate ranking tells only a partial story, as Qatar has underperformed in regulatory areas affecting key stages of a firm's life cycle, namely at the start-up phase and in getting finance.

## A Few Words on WB's *Doing Business* Methodology

*Doing Business* provides objective measures of business regulations and their enforcement across 189 economies and selected cities at the sub-national and regional levels. It focuses on SMEs operating in the largest business city of an economy and measures the regulations that apply to firms at different stages of their life cycle. Gathering and analysing comprehensive quantitative data to compare business regulatory environments across economies and over time, *Doing Business* encourages countries to compete toward more efficient regulation, offering measurable benchmarks for reform.[7]

*Doing Business* is based on four main sources: *Doing Business* respondents, laws and regulations, governments, and the World Bank Group regional staff. This year's report relies on the contribution of more than 10,200 professionals. Respondents are mostly legal professionals such as lawyers, judges and notaries, but also officials of the credit registry or bureau, freight forwarders, accountants, architects, engineers and other professionals. Rather than creating a completely new database, the annual data collection exercise adds to the "stock of knowledge" available in the report of the previous year, by assessing the regulatory changes that have taken place since the last survey. Respondents not only complete questionnaires but also provide references to relevant laws and regulations. Once the questionnaires are filled out, information is checked against the law and follow-ups are conducted to make sure that information has been collected as exhaustively as possible. The findings are then shared with governments and the World Bank Group's regional staff for feedback to verify whether any regulatory reforms have been missed by respondents.[8]

*Doing Business* presents results of two aggregate measures: the aggregate ranking on the ease of doing business and the distance to frontier measure. The ease of doing business ranking compares economies with one another, while the distance to frontier measure benchmarks economies to the frontier in regulatory practice – measuring the absolute distance to the best performance on each indicator. When compared across years, the distance to frontier measure shows how much the regulatory environment for local entrepreneurs in each economy has changed over time in absolute terms, while the ease of doing business ranking shows relative change.[9]

The ease of doing business index ranks economies from 1 to 189. For each economy, the ranking is calculated as the simple average of the percentile rankings on each of the 10 topics included in the index: 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.[10] Doing Business therefore weights all topics equally and – within each topic – gives equal weight to each of the topic components.[11]

The distance to frontier (DTF) measure illustrates the distance of an economy to the "frontier." This is a score derived from the most efficient practice or highest score achieved on each of the component indicators across all countries since the indicator was included. For example Canada and

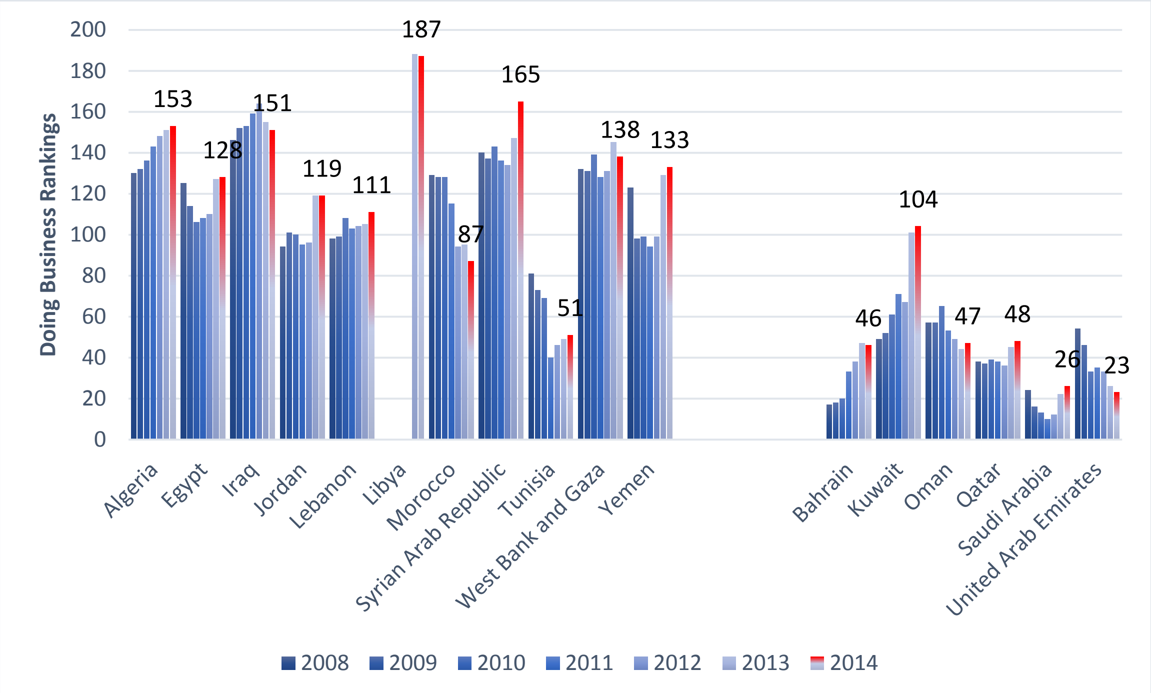
New Zealand have achieved the highest performance on the number of procedures required (1) and on the time (0.5 days) to start a business; Denmark and Slovenia on the cost (0% of income per capita); and Chile, Zambia, and 99 other economies on the paid-in minimum capital requirement (0% of income per capita). The DTF is measured on a scale from 0 to 100, where 100 is the best performance. The difference between an economy's DTF score in any previous year and its score in 2014 illustrates the extent to which the economy has closed the gap to the frontier over time. And in any given year, the score measures how far an economy is from the highest performance at that time.[12]

The analysis that follows is based on these two measures and their disaggregated counterparts to assess the relative and absolute regulatory performance of Qatar as compared to other countries, and over time.[13] This will shed light on the regulatory dimensions where reforms are needed most.

## Comparative Business Regulation Trends – "Catch Me if You Can"

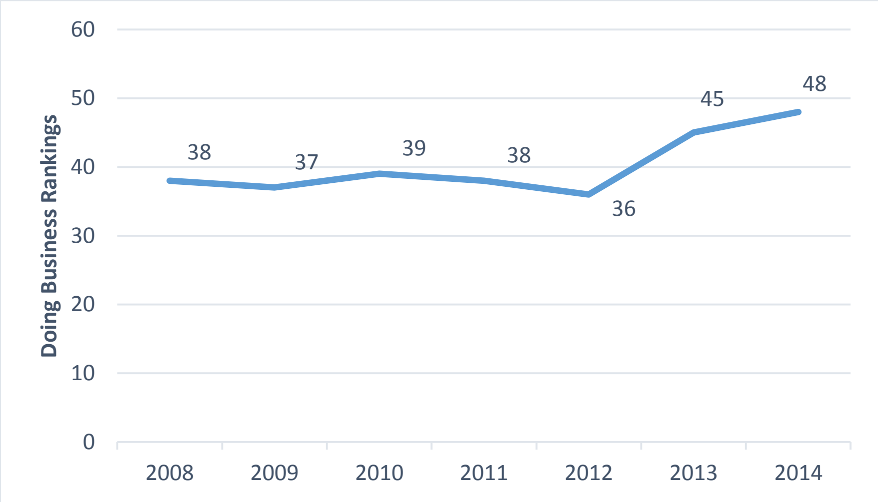
Qatar is relatively well positioned in Ease of Doing Business rankings as of 2014, ranked 48th among 189 countries, 5th in the Arab world and significantly above the regional average (111th) as shown in Figure 1. The United Arab Emirates and Saudi Arabia are leading in the Arab region. Looking at trends in recent years is however less reassuring. Indeed, since the World Bank started collecting data about Qatar in 2008, its ranking has declined by 10 points from 38th to 48th, with a pronounced drop between 2012 to 2014 (Figure 2).

*Figure 1: Ease of Doing Business Rankings in the Arab World, 2008-2014*




Source: *Doing Business* database. Note: All available Arab countries included for comparison except for Djibouti.

*Figure 2: Evolution of Qatar's Ease of Doing Business Ranking, 2008-2014*

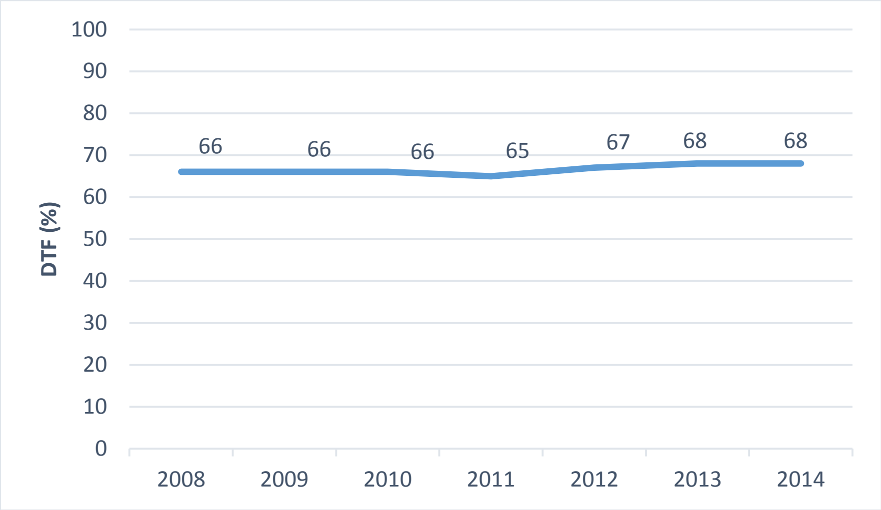



*Source: Doing Business* database.

The receding ranking is due to insufficient regulatory reforms in Qatar, with GCC countries and the rest of the world outpacing Qatar in making their regulatory frameworks more business-friendly: The business regulatory environment for local entrepreneurs has not made any improvement toward the best performing countries and has in fact stagnated over the past six years (Figure 3), suggesting that the reforms introduced have not been significantly impactful. Indeed, only six reforms were implemented during this period compared to a world average of 13 reforms and world maximum of 37. One of these reforms involved a change in starting business procedures and was in fact detrimental to entrepreneurs.[14]

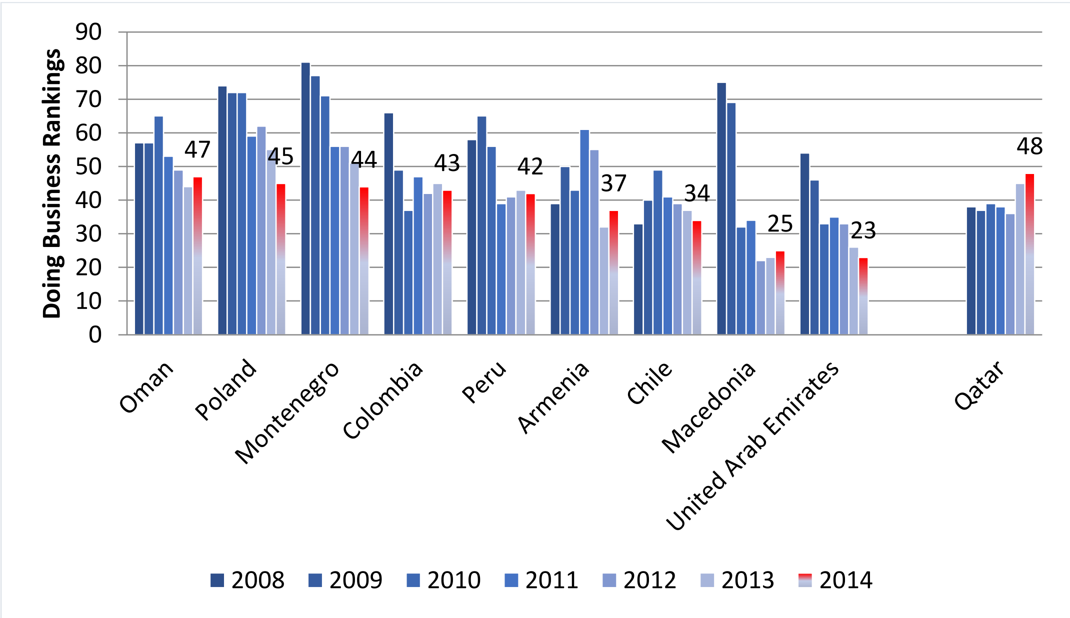
Since 2008, 12 countries have surpassed Qatar; 3 fell below its 2008 ranking; and one (Cyprus) was introduced in the ranking in 2009 ahead of Qatar. As a result Qatar has lost 10 points, falling from 38 in 2008 to 48 in 2014. Of the 12 countries that have outpaced Qatar, nine countries, including the UAE and Oman, have introduced a wide range of reforms in recent years (Figure 4). Indeed, over the period 2008-2014, *Doing Business* has recorded 34 reforms in Macedonia, 30 in Colombia, 26 in Armenia, 25 in Poland, 21 in Peru, 17 in the United Arab Emirates, 16 in Montenegro, eight in Oman and seven in Chile. Reforms were not only higher in frequency compared to Qatar, but also had a more significant impact on different areas of business regulation. Indeed, while Qatar’s regulatory performance in absolute terms has seen little change over time, these countries have moved closer to the most efficient practices and strongest regulations (Figure 5).

*Figure 3: Evolution of Qatar's Distance to Frontier (DTF), 2008-2014*



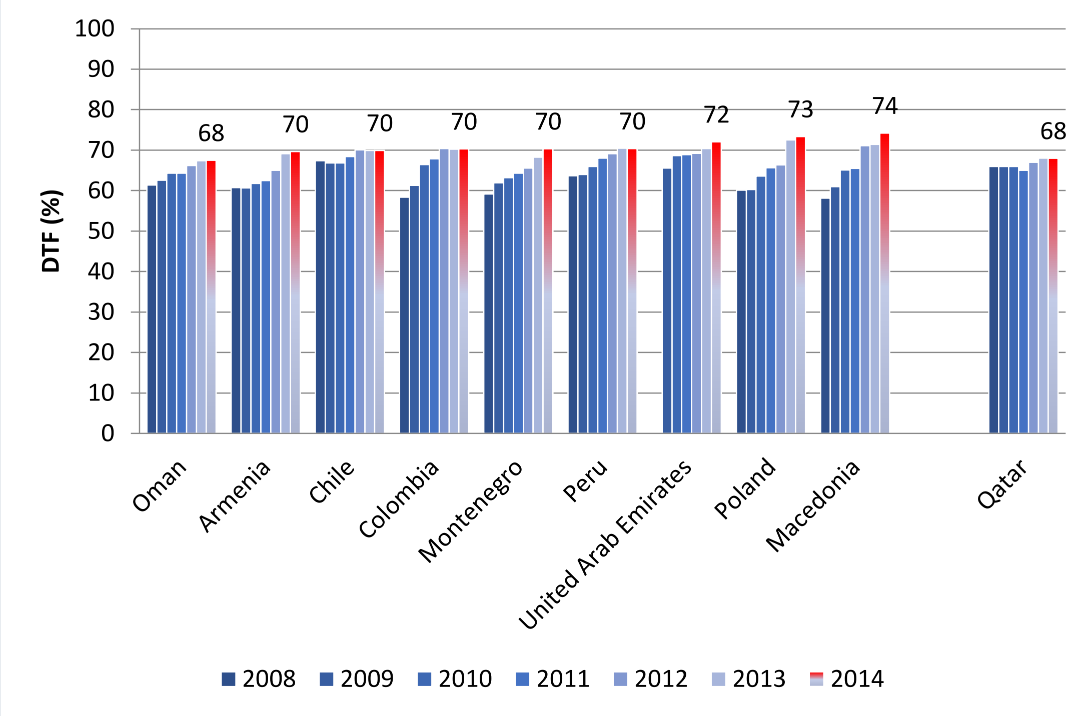

Source: *Doing Business* database.

*Figure 4: Countries in GCC and the Rest of the World are Catching Up, 2008-2014*




Source: *Doing Business* database.

*Figure 5: Countries that have Outpaced Qatar in Moving towards the Most Efficient Practices, 2008-2014*




Source: *Doing Business* database.

Thus, while Qatar had a good head start in shaping an enabling business environment, it has not capitalized on its favourable position: too few reforms have been introduced and they have not been impactful enough to bring Qatar's business regulation significantly closer to best practice. Meanwhile, other countries have been quickly catching up. If the current course of action remains unchanged, the current downward trend in ranking will likely continue. Ultimately regulatory arbitrage may encourage more investors and entrepreneurs to set up their businesses in more business-friendly neighbouring countries such as the United Arab Emirates, Saudi Arabia or Oman.

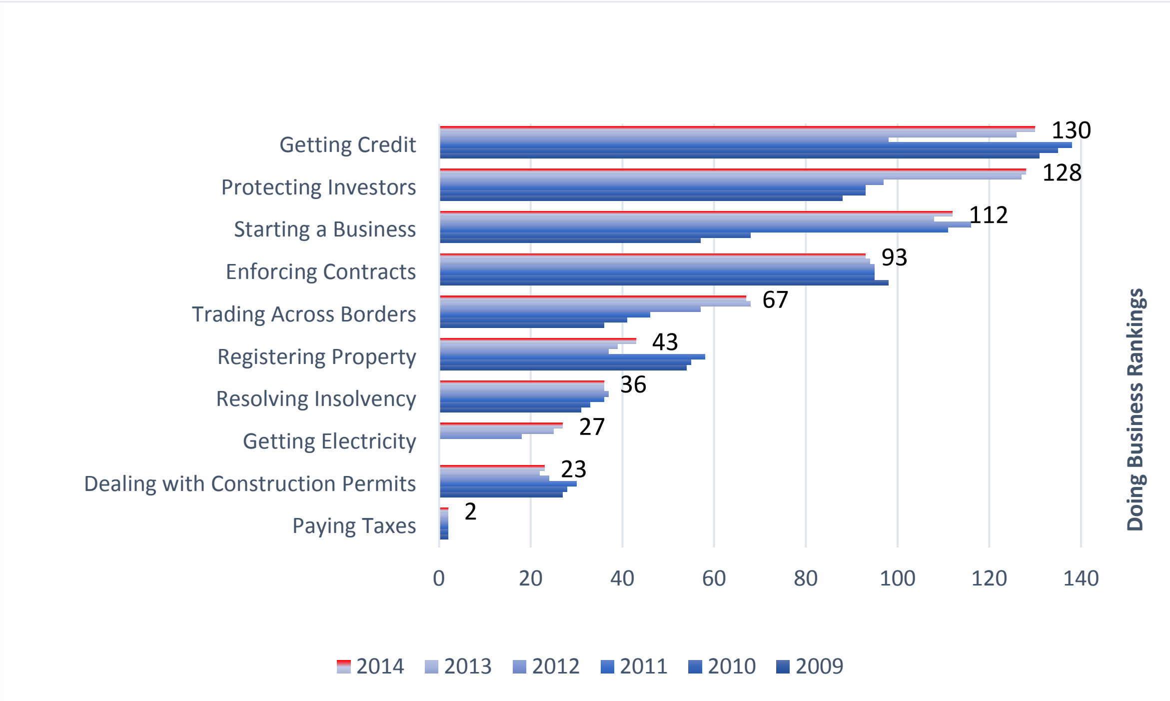
The next section identifies the weakest underlying regulatory areas where reforms are most pressing and where significant improvements can be made. It will draw lessons from experiences of countries that have implemented significant positive changes in their business regulatory framework. Specifically, we benchmark Qatar's regulatory performance against that of other GCC countries. Between 2008 and 2014, GCC countries have outperformed the rest of the Arab world and have claimed the top five spots in the region's rankings in 2014. Meanwhile, Qatar only stands in fifth place within the GCC, implying that much can be learned from improvements in institutions and regulations by its neighbouring countries.

## A Closer Look at the Underlying Regulatory Drivers

Aggregate rankings do not tell the whole story; disaggregating them often reveals substantial variation and imbalances across regulatory areas among countries monitored in *Ease of Doing Business*, and Qatar is no exception. Hence, evaluating individual indicators helps isolate regulations that are most burdensome to entrepreneurs and that require attention by policymakers.

As seen in Figure 6, Qatar ranks most favourably in *ease of paying taxes* (2nd), *dealing with construction permits* (23rd) and *getting electricity* (27th), while performing worst and above 100th in *ease of getting credit* (130th), *protecting minority investors* (128th), and *ease of starting a business* (112th). Since the overall ranking is a simple average of the percentile rankings on each of the 10 topics listed in Figure 6, the highly favourable ranking in ease of paying taxes (2nd) heavily influences Qatar's overall standing: removing this area from the overall calculation reduces the ranking significantly to 64th.[15] Furthermore, the three weakest aforementioned regulatory areas have seen their rankings fall behind in recent years, driving down the overall ranking. These regulatory dimensions should be prioritized as they affect key stages of a company's life cycle, specifically: (1) access to finance – which depends on the ease of getting credit and investor protection – and (2) the start-up phase.

*Figure 6: Qatar's Ease of Doing Business Indicators*

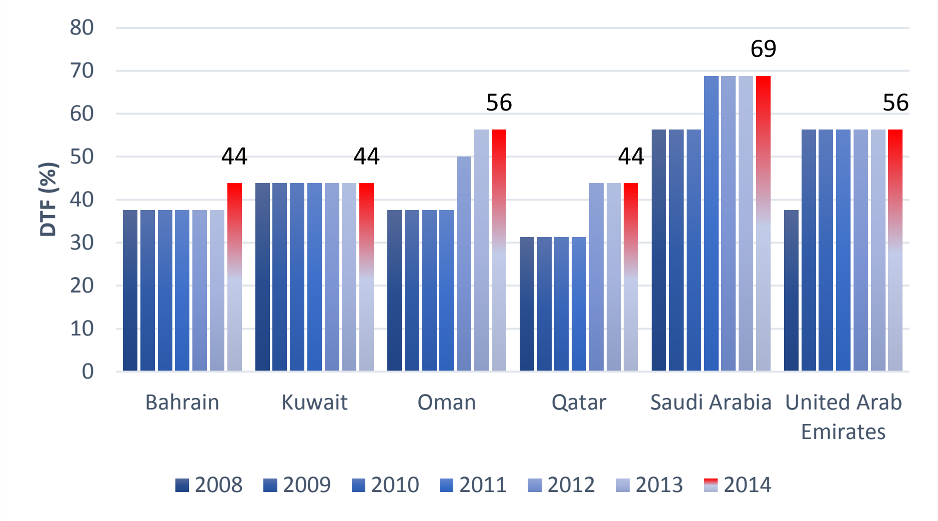



Source: *Doing Business* database.

## Improvement in Access to Credit, Yet Insufficient Reforms

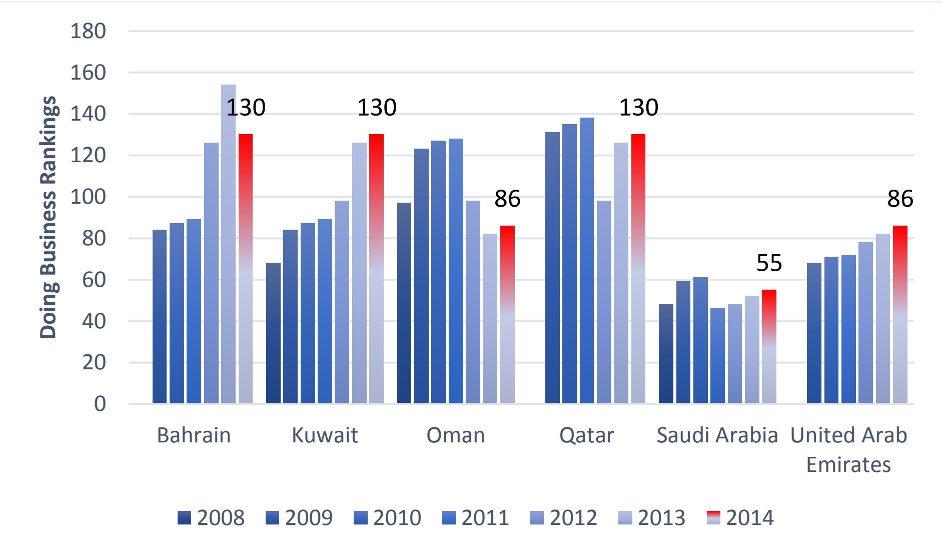
Thanks to a favourable reform aiming to improve its credit information system in 2012, Qatar strengthened regulations in supporting borrowers and lenders, getting one step closer to the most efficient practices or "frontier" in recent years (Figure 7) and gaining ground in *getting credit* rankings by 40 points from being 138th in 2011 to 98th in 2012 (Figure 8). However, due to the absence of further reforms in this area, coupled with Qatar's relative standing in the world, Qatar fell to 130th in 2014, and stands last in the GCC, at the same position as Kuwait and Bahrain (Figure 9). Saudi Arabia leads the ranking in getting credit, 31 positions ahead of both the UAE and Oman. While Qatar implemented only one reform over the past six years, Saudi Arabia introduced four significant regulatory changes, placing it first in the GCC and ahead in global rankings (55th).

*Figure 7: Evolution of Qatar's Regulatory Environment towards Access to Credit Best Practices vs. the GCC, 2008-2014*




*Source: Doing Business* database.

*Figure 8: Qatar's Ease of Getting Credit Rankings vs. the GCC, 2008-2014*

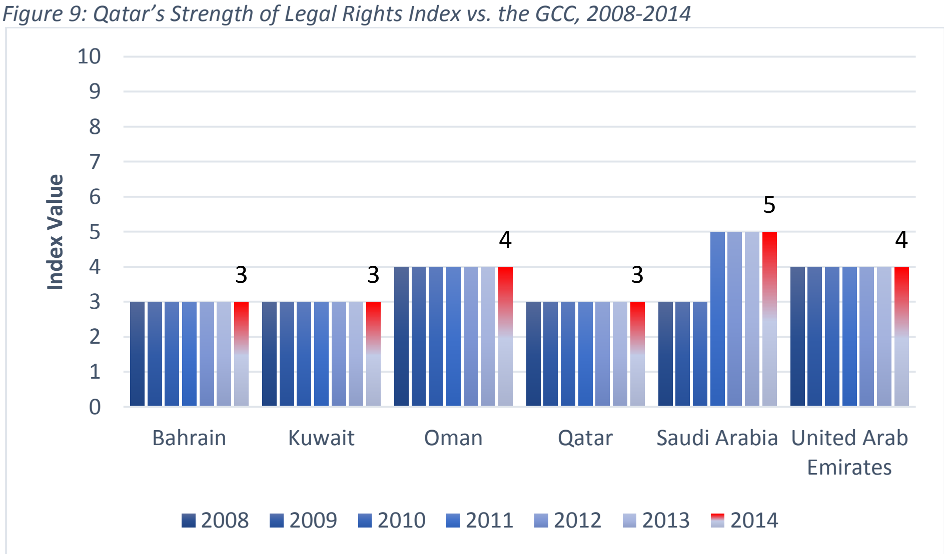



*Source: Doing Business* database.

Which institutions and regulations have the greatest potential for improvement? These can be identified by examining the determinants of access to credit. The WB's *Doing Business* measures the *ease of getting credit* by evaluating both the sharing of credit information and the legal rights of borrowers and lenders under collateral and bankruptcy laws. Doing Business operationalizes this measure through two sets of indicators: the strength of legal rights index and the depth of credit information index. 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."[16] This index is measured on a scale of 0 to 10 where higher scores indicate that collateral and bankruptcy laws are better designed to facilitate access to credit.[17] The depth of the 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."[18] This index is measured on a scale of 0 to 6 where higher scores indicate the availability of more credit information, from either a credit registry or a credit bureau, to facilitate lending decisions.[19]

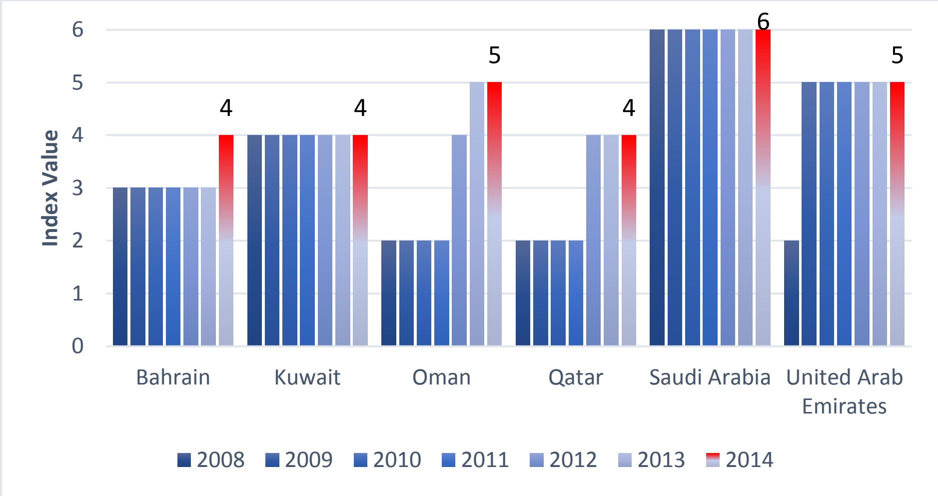
These sub-indicators highlight two areas of improvement. First, Qatar has the weakest legal rights of lenders and borrowers within the GCC, together with Kuwait and Bahrain, and has made no regulatory changes in recent years (Figure 9). Saudi Arabia, on the other hand, is currently leading within the GCC. It is the only country that made reforms to strengthen borrowers' and lenders' legal rights in GCC, by increasing the flexibility of secured lending and allowing out-of-court enforcement in the event of default.[20] Second, despite a reform of its credit information system, Qatar has the lowest depth of credit information in the GCC, while Saudi Arabia has the highest attainable score in this area (Figure 10). Hence, introducing reforms similar to the changes made by Saudi Arabia in these two areas could significantly strengthen entrepreneurs' access to credit in Qatar.

*Figure 9: Qatar's Strength of Legal Rights Index vs. the GCC, 2008-2014*




*Source: Doing Business* database.

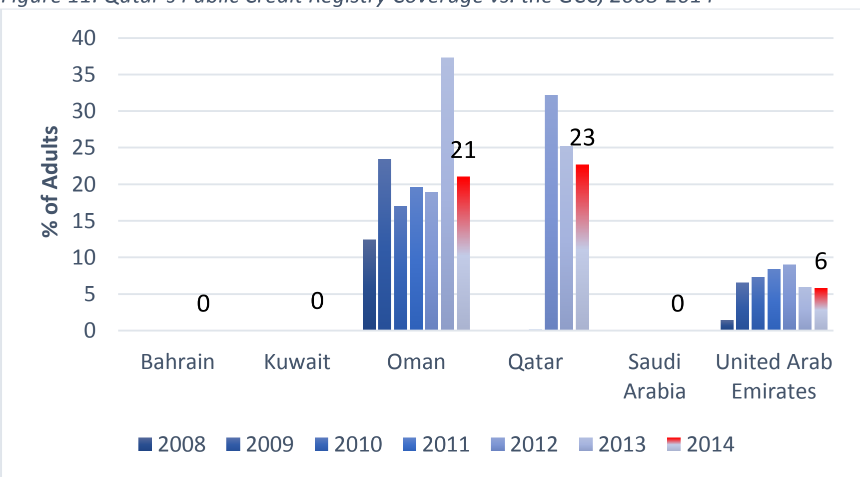
*Figure 10: Qatar's Depth of Credit Information Index vs. the GCC, 2008-2014*




*Source: Doing Business* database.

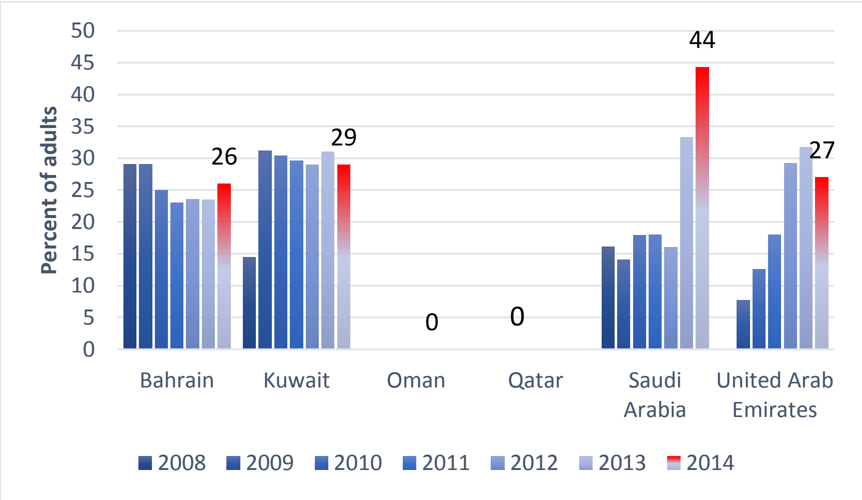
Public credit registries and private bureaus are entities that collect and maintain a database on the creditworthiness of borrowers and make credit information available to creditors. Private credit bureaus are for-profit companies that typically collect information that is far more detailed than public credit registries for creditors.[21] Qatar established a public credit registry in 2012 which improved credit information dissemination. However, comparing across both public credit registries and private bureaus (Figure 11, Figure 12), Qatar currently has the second lowest proportion (23%) of individuals and firms covered in the GCC. Also, coverage has decreased over time since the credit registry was established. Qatar does not have a private bureau – contrary to most of its GCC peers – and could therefore improve its credit information system by introducing one in the country. The United Arab Emirates for example have both public and private credit bureaus (Figure 11, Figure 12).

*Figure 11: Qatar's Public Credit Registry Coverage vs. the GCC, 2008-2014*[22]




*Source: Doing Business* database.

*Figure 12: Private credit bureau coverage in the GCC*[23]




*Source: Doing Business* database.

To illustrate and get a better sense of best practices in strengthening access to credit, the following table summarizes the most impactful reforms in this area implemented by countries that have outpaced Qatar in *Ease of Doing Business* rankings (see Figure 4). These are specific reforms that have not only improved the ease of access to credit toward the most efficient world practices, but also significantly increased their *getting credit* rankings. Reforms aimed at strengthening the depth of credit information have been the most "popular."

*Table 1: Getting Credit Reforms by Countries that have Outpaced Qatar, 2008-2014*

| Country | Getting Credit Rankings | | Reforms |
|---|---|---|---|
| | 2008 | 2014 | |
| **Oman** | 97 | 86 | **Reform 1 (2012)**: Launched the Bank Credit and Statistical Bureau System to collect historical information on performing and nonperforming loans for both firms and individuals.<br>**Reform 2 (2013)**: Guaranteed borrowers' right to inspect their personal data. |
| **Macedonia** | 48 | 3 | **Reform 1 (2009):** Implemented a law that guarantees that borrowers can review the data stored in the public credit registry.<br>**Reform 2 (2010)**: The Public Credit Bureau increased its coverage due to an improved database and a lower minimum loan threshold.<br>**Reform 3 (2012)**: Established a private credit bureau.<br>**Reform 4 (2014)**: Provided more flexibility on the description of assets in a collateral agreement and on the types of debts and obligations that can be secured. |
| **Poland** | 68 | 3 | **Reform (2010)**: Started collecting and distributing information on firms. In addition, Poland made an amendment to the 1996 Act on Registered Pledges and the Pledges Register to allow all legal persons including foreign entities to have capacity as a pledgee. |
| **Montenegro** | 84 | 3 | **Reform 1 (2009)**: Created a new public credit registry.<br>**Reform 2 (2013)**: Guaranteed borrowers' right to inspect their personal data. |

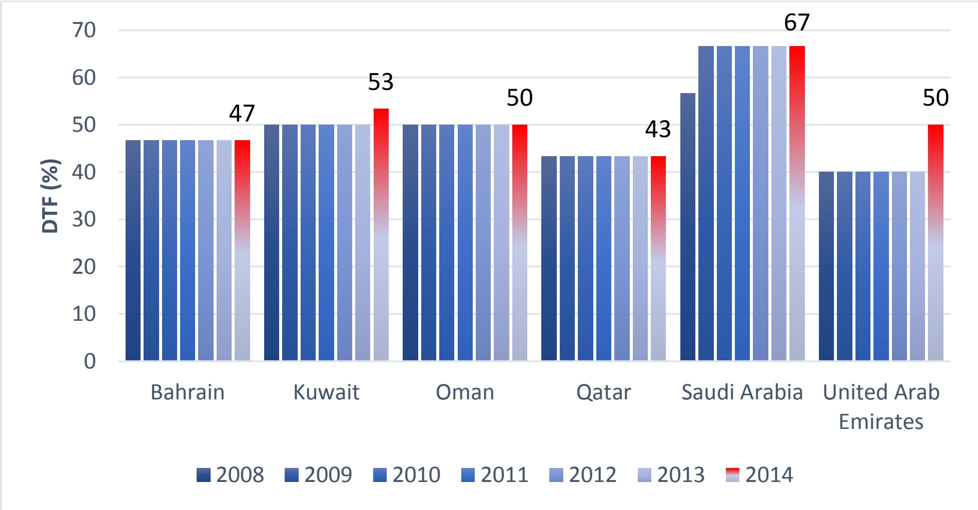
*Source: Doing Business* database.[24]

## Relatively Low Protection of Minority Investors and Absence of Needed Reforms

Investor protection is essential for firms to be able to raise capital successfully. Without a strong legal framework protecting minority shareholders, investors would be reluctant to fund firms through equity, and companies would consequently have more difficulty financing their growth. In the WB's *Doing Business*, the *protecting investor*s indicator measures "the strength of minority shareholder protections against directors' misuse of corporate assets for personal gain."[25]

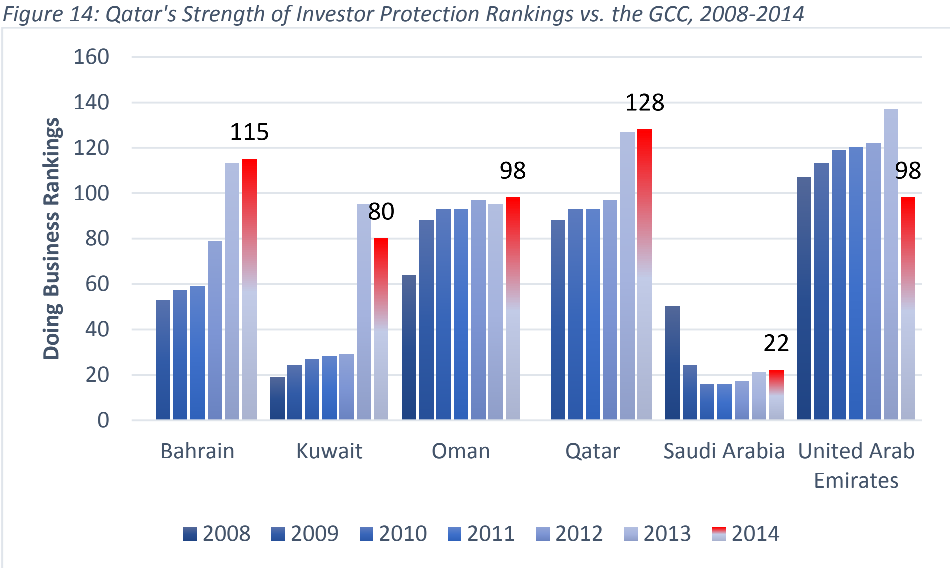
Despite the importance of protecting investors against self-dealing,[26] Qatar has not made any regulatory progress toward the most effective practices in this area over recent years due to an absence of reforms (Figure 13). Consequently, Qatar has lost ground in global rankings of investor protection, dropping 40 points down to the 128th position over the past five years with other countries implementing significant reforms during this same period. Within the GCC, Qatar ranks last as of 2014 while Saudi Arabia is leading and has significantly strengthened investor protection through reforms affecting various dimensions: it has improved its ranking from 50th to 22nd globally (Figure 14).

*Figure 13: Evolution of Qatar's Regulatory Environment towards Investor Protection Best Practices vs. the GCC, 2008-2014*




*Source: Doing Business* database.

*Figure 14: Qatar's Strength of Investor Protection Rankings vs. the GCC, 2008-2014*

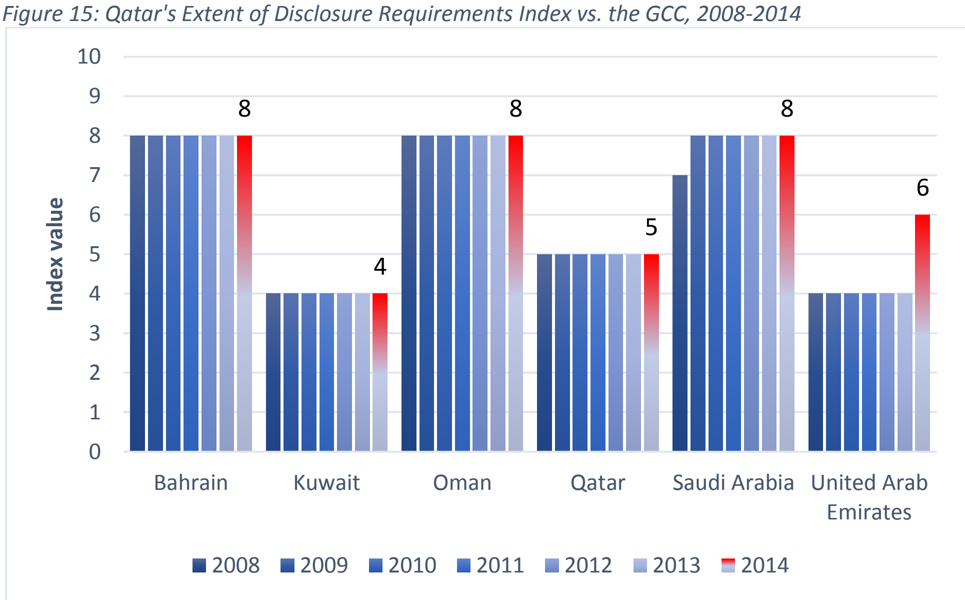



*Source: Doing Business* database.

*Doing Business* operationalizes the notion of investor protection through three indices: *extent of disclosure index*, *extent of director liability index*, and *ease of shareholder suits index*. These indices measure transparency of related-party transactions, director liability for self-dealing, and minority shareholders' access to evidence before and during trial, respectively. They are all measured on a scale of 0 to 10 where higher scores indicate stronger protections.

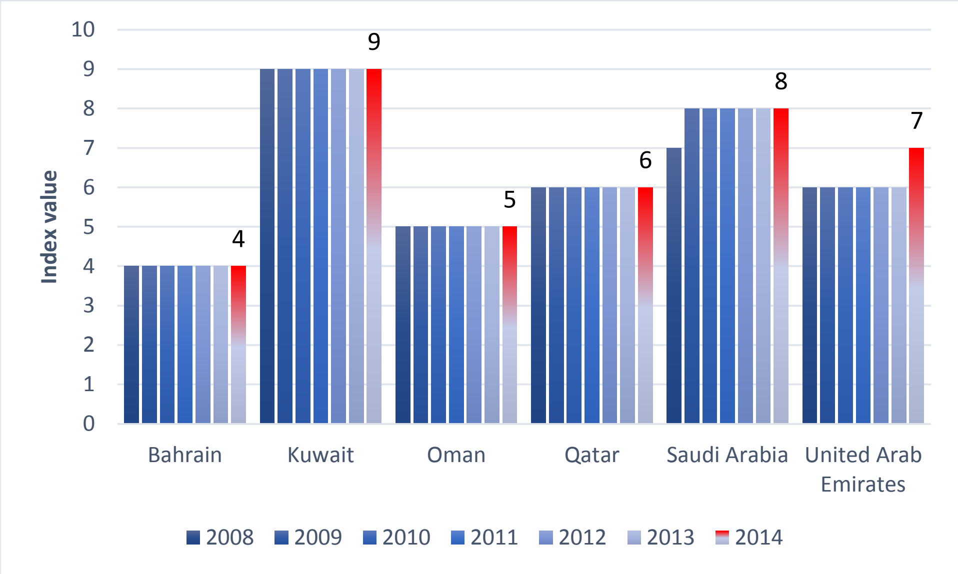
To reinforce minority investor protection, Qatar should introduce reforms in all three areas above (see Figures 15-17), with particular attention to the ease of shareholder suits where it scores the lowest value (2) in the GCC, below MENA and OECD averages (3 and 7, respectively). As a benchmark, Saudi Arabia strengthened protection across the three dimensions due to reforms implemented in 2009 that prohibited interested parties to vote on the approval of related-party transactions, and that imposed more sanctions against directors engaging in this behaviour. As a result, Saudi Arabia performs higher than the OECD average in terms of both disclosure requirements and the liability regime for directors and higher than the MENA average in ease of shareholder suits.[27]

*Figure 15: Qatar's Extent of Disclosure Requirements Index vs. the GCC, 2008-2014*



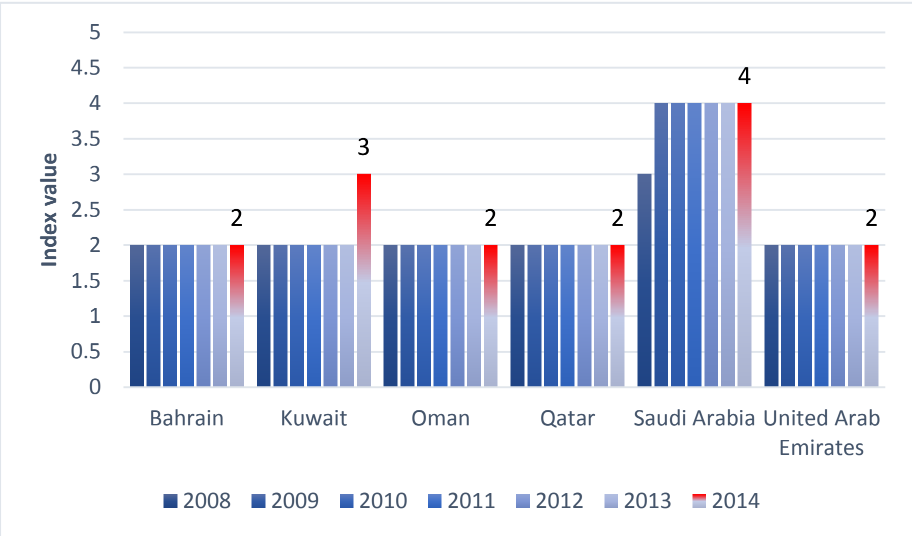

*Source: Doing Business* database.

*Figure 16: Qatar's Extent of Director Liability Index vs. the GCC, 2008-2014*




*Source: Doing Business* database.

*Figure 17: Qatar's Ease of Shareholder Suits Index vs. the GCC, 2008-2014*




*Source: Doing Business* database

To illustrate best practices in reinforcing investor protection, the following table summarizes the most impactful reforms in this area implemented by countries that have outpaced Qatar in *Ease of Doing Business* rankings (Figure 4 above). These are specific reforms that have not only improved the strength of minority shareholders' protection toward the most effective regulatory practices in the world, but also significantly increased their *protecting investors* rankings.

*Table 2: Investor Protection Reforms by Countries that have Outpaced Qatar, 2008-2014*

| Country | Protecting Investors | | Reforms |
|---|---|---|---|
| | 2008 | 2014 | |
| Saudi Arabia | 50 | 22 | **Reform (2009)**: Prohibited interested parties to vote on the approval of related-party transactions, and increased sanctions against directors. |
| United Arab Emirates | 107 | 98 | **Reform (2014)**: Introduced greater disclosure requirements for related-party transactions in the annual report and to the stock exchange, and made it possible to sue directors. |
| Armenia | 83 | 22 | **Reform (2013)**: Introduced a requirement for shareholder approval of related-party transactions, requiring greater disclosure of such transactions in the annual report and making it easier to sue directors when such transactions are prejudicial. |
| Colombia | 19 | 6 | **Reform 1 (2008)**: Required greater disclosure requirements in the annual report in case of related-party transactions. **Reform 2 (2010)**: Made it easier to sue directors in cases of prejudicial transactions between interested parties. |
| Macedonia | 83 | 16 | **Reform 1 (2010)**: Regulated the approval of transactions between interested parties, increased disclosure requirements in the annual report, and made it easier to sue directors in cases of prejudicial transactions between interested parties. **Reform 2 (2014)**: Allowed shareholders to request the rescission of unfair related-party transactions and the appointment of an auditor to investigate alleged irregularities in the company's activities. |

*Source: Doing Business* database.[28]

## Ease of Starting a Business – Persistent Burdens and Inconsistent Reforms

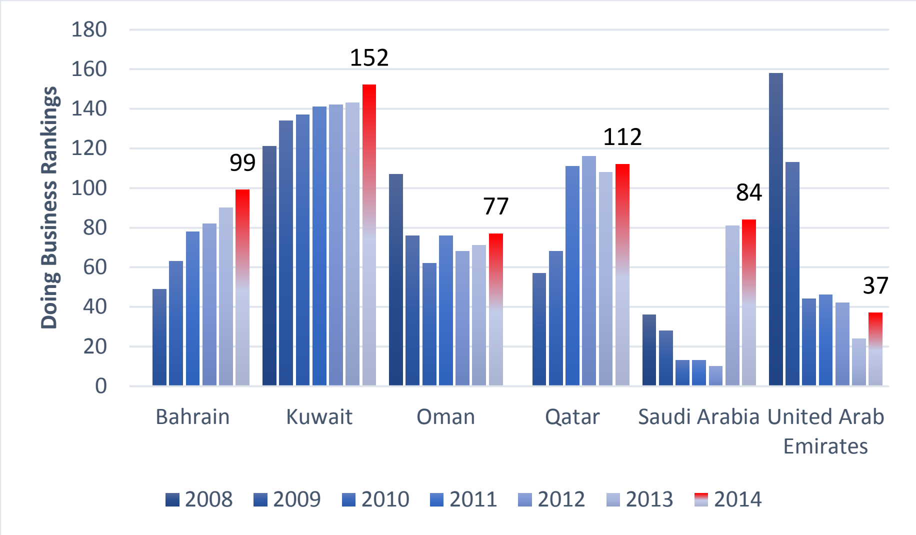
The ease of starting a business is measured using all the required official or commonly done procedures or practices for an entrepreneur to start and formally operate an industrial or commercial business. This also includes the time and cost required to complete these procedures. *Doing Business* also records the paid-in minimum capital that companies must deposit before registration or within three months. The *ease of starting a business* ranking is calculated based on the simple average of the percentile rankings on the four subcategories: procedures, time, cost, and paid-in minimum capital requirement. According to *Doing Business*, an entrepreneur looking to start a business in Qatar needs to complete eight procedures (MENA average, 8; OECD average, 5) which take 8.5 days (MENA average, 20; OECD average, 11), and cost five percent of income per capita (MENA average, 29; OECD average, 3.6). The entrepreneur is also required to deposit a paid-in minimum capital of QAR 200,000, equivalent to sixty two percent of income per capita (MENA average, 45.4; OECD average, 10.4).[29]

Over the past six years, Qatar has introduced reforms that have had a mixed effect on the ease of starting a business. In 2011, Qatar added a procedure that forced businesses to register for taxes and obtain a company seal – making it more difficult for entrepreneurs to start a business. The new procedures moved Qatar's business regulation away from best practice, contributing to a reduction in its *starting a business* ranking by 43 points (see Figures 18 and 19). Had the additional procedure not been implemented, Qatar would have lost only 12 points in its ranking but the additional procedure caused its ranking to fall by a further 31 points. Despite a favourable regulatory reform in 2012 – which allowed businesses to complete commercial registration, and registration with the

Chamber of Commerce and Industry at the one-stop shop – Qatar still has not managed to get back to its 2009 ranking (57th) and is currently standing at 112th in the world.[30]

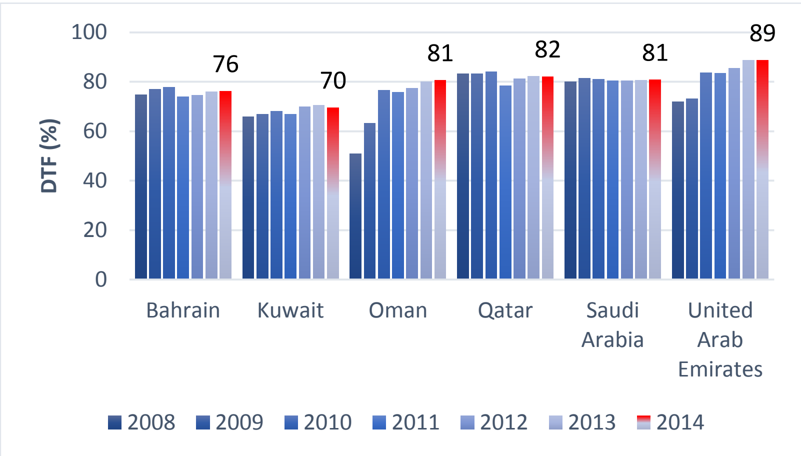
Qatar ranks fifth among GCC countries in 2014, with the UAE leading the GCC following a series of impactful reforms over recent years that have streamlined procedures and costs, and abolished the paid-in minimum capital (Table 3). Consequently, the UAE improved significantly its *ease of starting a business* ranking from 158th in 2008 to 37th in 2014 (Figure 18).

*Figure 18: Qatar's Ease of Starting a Business Rankings vs. the GCC, 2008-2014*




*Source: Doing Business* database. Note: 2008 rankings are not available for Bahrain and Qatar.

*Figure 19: Evolution of Qatar's Regulatory Environment towards Ease of Starting a Business Best Practices vs. the GCC, 2008-2014*

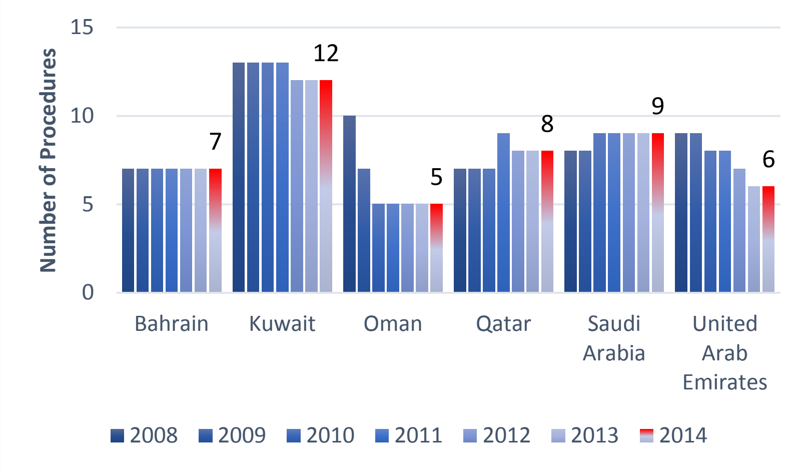



*Source: Doing Business* database.

The determinants of the *ease of starting a business* ranking – procedures, time, cost and paid-in minimum capital – are shown in Figures 20 through 23, respectively. Both the United Arab Emirates and Oman have made significant advances in reducing procedures, time, and associated costs due to a range of reforms.[31] Their experiences in making their business regulatory environment more "start-up friendly" are helpful in designing and prioritizing reforms for Qatar.

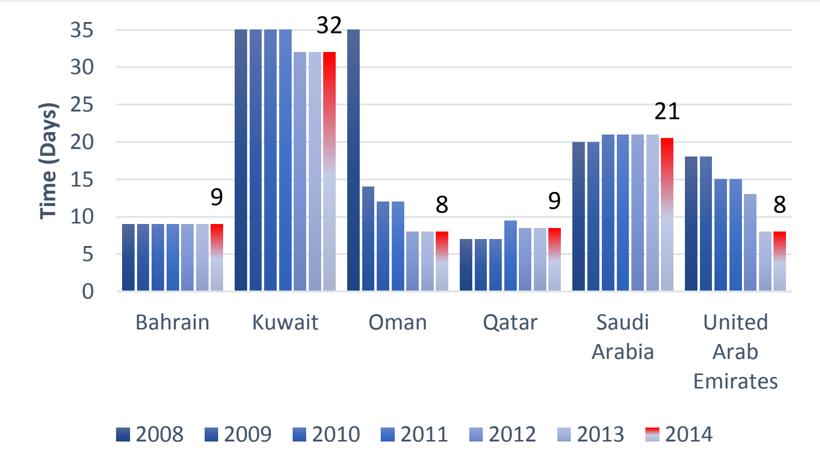
To improve the ease of starting a business in Qatar, there is room to introduce further reforms that streamline the number of procedures and their associated costs, as well as reduce or even abolish the paid-in minimum capital requirement. Indeed, within the GCC, both Saudi Arabia and the United Arab Emirates have removed the requirement (Figure 23) along with 39 countries in the world over the past seven years. In total, 99 countries out of 189 have currently no minimum capital requirement.

*Figure 20: Legal Procedures to Start and Operate a Business in Qatar vs. the GCC, 2008-2014*



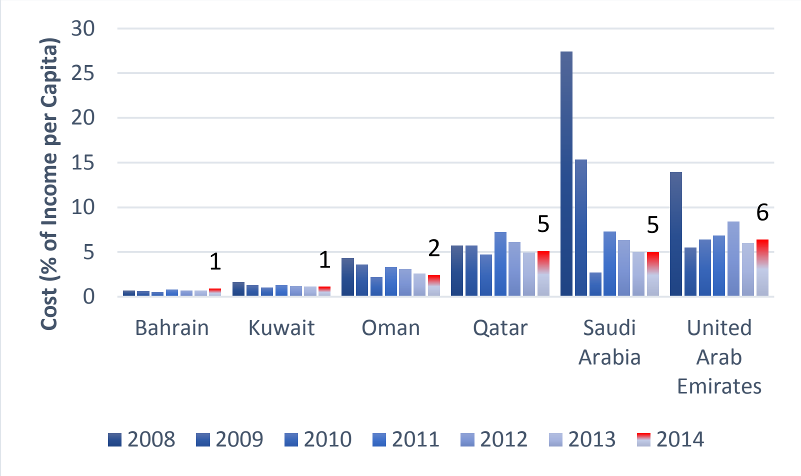

*Source: Doing Business* database.

*Figure 21: Time Required to Complete each Procedure in Qatar vs. the GCC, 2008-2014*



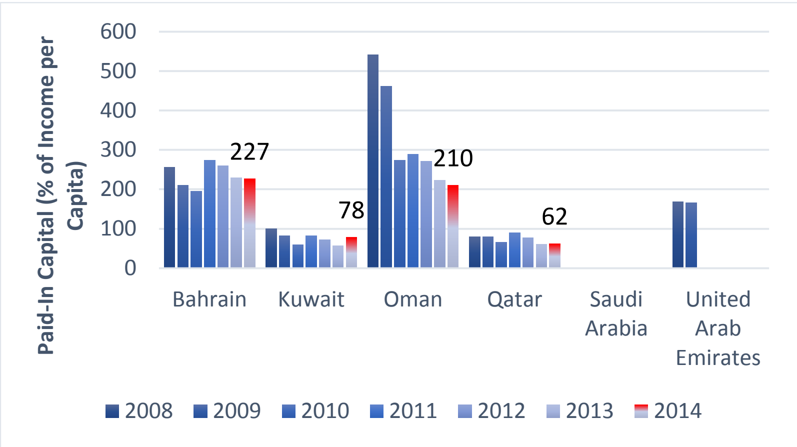

*Source: Doing Business* database.

*Figure 22: Cost Required to Complete each Procedure in Qatar vs. the GCC, 2008-2014*




*Source: Doing Business* database.

*Figure 23: Paid-In Minimum Capital in Qatar vs. the GCC, 2008-2014*




*Source: Doing Business* database.

To illustrate best practices that ease the process of starting a business, the following table summarizes the most impactful reforms in this area implemented by countries that have outpaced Qatar in *Ease of Doing Business* rankings (see Figure 4). These are specific reforms that have not only improved the *ease of starting a business* toward the most effective regulatory practices in the world, but also significantly increased their *starting a business* rankings.

*Table 3: Ease of Starting a Business Reforms by Countries that have Outpaced Qatar, 2008-2014*

| Country | Starting a Business | | Reforms |
|---|---|---|---|
| | 2008 | 2014 | |
| **Oman** | 107 | 77 | **Reform 1 (2009)**: Operationalized one-stop shop and simplified licensing procedures.<br>**Reform 2 (2010)**: Introduced online name registration and payment at the registry with a prepaid card.<br>**Reform 3 (2012)**: The one-stop shop introduced online company registration. |
| **United Arab Emirates** | 158 | 37 | **Reform 1 (2008)**: Allowed the publication of the records of the company to be done at the Department for Economic Development (DED).<br>**Reform 2 (2010)**: Abolished the minimum capital requirement and removed the requirement to show proof of deposit of capital for registration.<br>**Reform 3 (2012)**: Merged the requirements to file company documents with the DED, to obtain a trade license and to register with the Dubai Chamber of Commerce and Industry.<br>**Reform 4 (2013)**: Eliminated the requirement for a company to prepare a name board in English and Arabic after having received clearance on the use of office premises. |
| **Chile** | 39 | 22 | **Reform 1 (2011)**: Introduced an online system for registration and for filing the request for publication.<br>**Reform 2 (2012)**: Provided an immediate temporary operating license to new companies, eliminated the requirement for an inspection of premises by the tax authority before new companies can begin operations, and allowed free online publication of the notice of a company's creation.<br>**Reform 3 (2014)**: Chile made starting a business easier by creating a new online system for business registration. |
| **Armenia** | 47 | 6 | **Reform 1 (2010)**: Removed minimum capital requirement and the need for obtaining an approval from the National Police Department to prepare the company seal, and made the registration forms available on-line.<br>**Reform 2 (2012)**: Established a one-stop shop that merged the procedures for name reservation, business registration and obtaining a tax identification number, and allowed for online company registration.<br>**Reform 3 (2014)**: Eliminated the company registration fees. |
| **Peru** | 102 | 63 | **Reform 1 (2010)**: Allowed submission of electronic payroll books online at no cost and making the company forms available on line.<br>**Reform 2 (2011)**: Created an online one-stop shop.<br>**Reform 3 (2012)**: Eliminated the requirement for micro and small enterprises to deposit start-up capital in a bank before registration. |
| **Montenegro** | 98 | 69 | **Reform 1 (2010)**: Simplified the post-registration process, the registration for taxes, social security, and employment as well as the process to obtain the municipal license.<br>**Reform 2 (2011)**: Eliminated several procedures for business start-up by introducing a single registration form for submission to the tax administration.<br>**Reform 3 (2012):** Implemented a one-stop-shop. |

*Source: Doing Business* database[32]

## Policy Recommendations

Based on the above findings, successful experiences from neighbouring GCC countries and from economies that outperformed Qatar over time, as well as lessons from good practices recorded by *Doing Business* over recent years,[33] this report suggests the following recommendations in the regulatory areas where improvement is most pressing:

*Recommendations to ease access to credit*

- **Reinforce borrowers' and lenders' legal rights under collateral and bankruptcy laws**. Specifically, (1) allow a general description of movable collateral; (2) widen the range of movable assets that can be pledged as collateral; (3) establish a centralized movable collateral registry; and (4) allow out-of-court enforcement of collateral in case of default. Indeed, the law currently requires a specific description of the collateral pledged and therefore it does not allow a business to grant a non-possessory security interest in a single category of movable assets (e.g. the inventory) or in a significant part of its assets.[34] Also, not all types of movable property can be used as collateral, such as future or after-acquired assets (e.g. future crops). Allowing more flexibility around the description and type of collateral used would ease SMEs' access to finance. Additionally, Qatar does not currently have a unified (across regions) movable collateral registry, with an electronic database indexed by debtors' name. It helps creditors to effectively check if a potential borrower has already granted a security interest in a movable collateral. Reducing information asymmetry therefore supports lending based on movable collateral. Finally, in case of a default, a lender must enforce its security interest in court (which can be long and costly). Enforcement can be quicker if the law allows the parties to agree in a collateral agreement that the lender may enforce its security interest out of court. This in turn will increase the likelihood for a company to secure a loan. The aforementioned reforms would affect in particular articles in the Commercial Law (Law No. 27 of 2006) and the Civil Code (Law No. 22 of 2004) of Qatar.

- **Deepen the coverage, scope, and accessibility of credit information**. Specifically, (1) broaden the set of information collected by the credit registry; (2) distribute credit information from retailers, utilities, and trade creditors as well as financial institutions; (3) and open a private credit bureau. Qatar established a public credit bureau (CB) in March 2011, supervised under Article 5 of Qatar Central Bank Law (QCB Law No. 13 of 2012). The credit information system has been improved as it now allows the distribution of historical data and it removed the minimum threshold that restricted the data to loans above a given size. However, credit data distributed by the bureau is limited to financial institutions; including data from retailers and utilities (e.g. on payment of electricity and phone bills) would enrich the credit history information of individuals and businesses. According to credit bureau, a second phase of the system's development will include these improvements. Finally some countries (e.g. the UAE) have both a public credit bureau and a private credit registry, which can help in increasing the population/firm coverage. The aforementioned reforms would affect in particular articles in Qatar Central Bank Law (QCB Law No. 13 of 2012).

*Recommendations to strengthen minority investor protection*

- **Strengthen disclosure rules of related-party transactions**. Specifically, (1) require more detailed corporate disclosure of related-party transactions and (2) require an independent review of related-party transactions before they get through. The suggested reforms would impact in particular articles in the Qatar Financial Markets Authority Corporate Governance Code (QFMA Code 2009).

- **Reinforce company directors' liability regime for self-dealing**. Specifically, define clear duties and standards for directors and controlling shareholders. The suggested reform would affect in particular articles in the Qatar Financial Markets Authority Corporate Governance Code (QFMA Code 2009).
- **Provide greater access of internal corporate information to minority shareholders**. Specifically, grant full access to corporate documents before and during trial in the event of a shareholder suit. The suggested reform would impact in particular articles in the Qatar Financial Markets Authority Corporate Governance Code (QFMA Code 2009).

*Recommendations to ease of starting a business*

- **Further streamline registration procedures, time and costs**. Specifically, (1) improve online procedures; (2) improve the one-stop shop experience to further centralize procedures; (3) remove the requirement for a company seal or make the procedure optional; and (4) abolish the paid-in minimum capital requirement. Procedures to legally start a business can be grouped in essentially three phases: pre-registration (e.g. name reservation); registration (commercial registration, registration with the Chamber of Commerce); and post-registration (e.g. register for taxes and company seal).
- Table 4 describes the necessary steps recorded in the WB's *Doing Business* database. Comparing these steps to the best practices of business registration across countries, there is room for improvement across the different stages by streamlining and/or merging procedures while still complying with the requirements of Qatar's Commercial Law (Law No. 5 of 2002) to establish a limited liability company – in particular, Article 226, Article 229, Article 231, and Article 232. An increasing global trend to streamline the registration process is the introduction of online systems, ranging from simple name search/reservation (e.g. Qatar), the ability to submit application documents online (e.g. the UAE) to full online business registration (e.g. New Zealand, Australia, and Singapore). Currently, the only procedure available online in Qatar is company name search and reservation and there is therefore an opportunity to reduce time and costs for entrepreneurs by adding more procedures online. Another area of improvement is the one stop shop experience; according to the WB's *Doing Business* database, and the Ministry of Business and Trade's website, a one stop shop counter is available in the Ministry of Business and Trade's building to authenticate the Articles of Association, to register with the Commercial Registry and the

Chamber of Commerce, and to obtain trade and signage licenses. Anecdotal evidence from entrepreneurs suggests however that, in practice, these procedures still require applicants to go to different locations to submit applications or to obtain required documents. Hence, the one stop shop experience can be further improved for example by merging business name reservation, business registration, tax registration, and issuance of a tax identification number. Also, a number of countries have eliminated the requirement of a company seal or have made it optional (e.g. the UAE). Qatar only recently introduced this post-registration requirement (2011), increasing the time and cost to start a business. Finally, a minimum capital requirement of two hundred thousand Qatari Riyals represents a significant burden to entrepreneurs looking to start a business, and is required by Article 232 of Commercial Law (Law No. 5 of 2002). Countries such as Saudi Arabia and the UAE have completely abolished the requirement. Interestingly, a recent draft revising Qatar's Commercial Law (under review) removes the paid-in minimum capital requirement, in line with one policy recommendation of this report. This would also allow to streamline the registration procedures by eliminating the need to deposit the minimum capital in a bank account prior to authenticating the Articles of Association of the company.

*Table 4: List of Procedures to Start a Business in Qatar, Time and Costs*

| No. | Procedure | Time to complete | Cost to Complete |
|---|---|---|---|
| 1 | Reserve a unique company name at the Ministry of Business and Trade<br>*Procedure can be done online* | <1 day | QAR 1,000 |
| 2 | Obtain the approval of the Commercial Companies Inspection Department on the articles of association | 1 day | QAR 1,500 |
| 3 | Open bank account and deposit the minimum capital | 1 day | no charge |
| 4 | Authenticate the Articles of Association at the Ministry of Justice (one-stop-shop counter at the Ministry of Business and Trade) | 1 day | QAR 24 for first 2 shareholders + QAR 9 for each additional shareholder |
| 5 | Register with the Commercial Registry and the Chamber of Commerce and Industry at the one-stop-shop of the Ministry of Business and Trade | 1 day | QAR 2,200 (Chamber of Commerce) + QAR 500-5,000 (Commercial Registration) |
| 6 | Obtain the trade and signage licenses from the Municipality of Doha (one-stop-shop counter at the Ministry of Business and Trade) | 1 day | QAR 10,020 (Trade license) + QAR 50-150 (signage) |
| 7 | Register for taxes and obtain a Tax Identification number (TIN) | 1 day | no charge |
| 8 | Make a company seal | 2 days | QAR 150 |

*Source: Doing Business* database.

Table 5 below summarizes the broad policy recommendations and the specific reforms suggested across access to credit, investor protection and starting a business. The next section will show that the introduction of reforms in these regulatory areas can have a significant economic impact, based on evidence from various studies and looking at different measures of economic performance.

*Table 5: Summary of Policy Recommendations by Regulatory Area*

| Regulatory Area | Policy Recommendation | Suggested Reform |
|---|---|---|
| Access to Credit | Reinforce borrowers' and lenders' legal rights under collateral and bankruptcy laws | (1) allow a general description of movable collateral;<br>(2) widen the range of movable assets that can be pledged as collateral;<br>(3) establish a centralized movable collateral registry;<br>(4) allow out-of-court enforcement of collateral in case of default |
| | Deepen the coverage, scope, and accessibility of credit information | (1) broaden the set of information collected by the credit registry;<br>(2) distribute credit information from retailers, utilities, and trade creditors as well as financial institutions;<br>(3) open a private credit bureau |
| Investor Protection | Strengthen disclosure rules of related-party transactions | (1) require more detailed corporate disclosure of related-party transactions<br>(2) require an independent review of related-party transactions before they get through |
| | Reinforce company directors' liability regime for self-dealing | define clear duties and standards for directors and controlling shareholders |
| | Provide greater access to internal corporate information to minority shareholders | grant full access to corporate documents before and during trial in the event of a shareholder suit |
| Starting a Business | Further streamline registration procedures, time and costs | (1) improve online procedures;<br>(2) improve the one-stop shop experience to further centralize procedures;<br>(3) remove requirement for a company seal;<br>(4) abolish paid-in minimum capital requirement |

*Source: Doing Business* database.

## Economic Impact of Suggested Regulatory Reforms

While it is difficult to get a quantitative measure of the economic impact of the suggested reforms on Qatar's economy, the economic literature provides clues to the potential impact of these reforms based on past experience in other countries.

Using objective measures of business regulations in 135 countries, Djankov et al. (2006) argue that countries with better regulations grow faster. An improvement from the worst (first) to the best (fourth) quartile of business regulations is associated with a 2.3 percentage point increase in annual growth rates.[35] A study using a five-year panel data of the Doing Business project reveals that relatively poor and well-governed countries grow around .4 and .2 percentage points faster in the year immediately following one or more reforms, respectively.[36] Based on a growing body of academic research, regulatory reforms pertaining to *getting credit, protecting investors,* and *starting a business* are associated with the following economic outcomes: economic growth, firm creation and productivity, employment, formality, and access to financial services.[37]

## Access to Credit Reforms

Using data on legal creditor rights and private and public credit registries in 129 countries, Djankov et al. (2005) find that both creditor protection through the legal system and information sharing institutions are associated with higher ratios of private credit to GDP. They argue that improvements in creditor rights and in information sharing precede faster credit growth. They show that after the introduction of both public registries and private bureaus, the private credit to GDP ratio increases by over seven percent, over a five year horizon.[38]

Both collateral and bankruptcy laws are vital for the development of financial markets. The reform of the Brazilian Bankruptcy Law in 2005, for instance, was associated with a 22% reduction in the cost of debt. It also had a positive impact on the amount of credit issued to Brazilian firms: it increased the long-term and aggregated level credit by 79 and 39 percent, respectively.[39] Using bank level data in twelve transition economies of Europe, Haselmann et al. (2010) report that subsequent to legal change, specifically legal creditor rights – which is a combination of both collateral and bankruptcy law – increases the lending volume. They however find that collateral law matters even more for the development of financial markets than Bankruptcy law.[40] [41]

Analysing firm-level surveys in 73 countries, Love et al. (2013) explore the impact of introducing collateral registries for movable assets on firms' access to bank finance. They show that the introduction of registries for movable assets is associated with an increase in the likelihood that a firm obtains a bank loan, a line of credit or overdraft. It is also associated with a rise in the share of the firm's working capital and fixed assets financed by banks; a reduction in the interest rates paid on loans; and an increase in the maturity of bank loans. They find that registry reform increases access to bank finance (i.e. line of credit, access to loan or overdraft) by eight percent and access to loans (outstanding loan) by seven percent. They claim that introducing registries for moveable collateral benefits small firms more than large firms.[42]

## Investor Protection Reforms

Academic research has shown that investor protection has impact on a range of economic variables: the amount of funds available, economic growth, the size of capital markets, and firm valuation. Indeed Shleifer and Wolfenzon (2002) claim that countries with better investor protection allow firms to not only raise more funds, but also channel them to higher-productivity projects.[43] Using data from 170 countries, Haidar (2009) finds that countries with stronger investor protections tend to grow faster than those with poor investor protections.[44] Moreover, utilizing a sample of 49 countries that practice both French civil law and common law, Rafael et al. (1997) show that countries with poorer investor protections – operationalized by both the character of legal rules and the quality of law enforcement – have smaller and narrower capital (equity and debt) markets.[45] On the other hand, Julian Franks et al. (2011) argue that improving investor protections and promoting markets for corporate control reduce the persistence of family-controlled firms, expanding opportunity for firms with more diversified capital structures.[46] Using data from 371 large firms from 27 wealthy economies, La Porta et al. (2002) find that countries with better protection of minority shareholders have higher valuation of firms.[47]

## Ease of Starting a Business Reforms

Analysing the regulation of entry for start-up companies in 85 countries in 1999, Djankov et al. (2002) find that business entry is extremely expensive in countries outside the top quartile of the income distribution. Moreover, they find that heavier regulation of entry is associated with greater corruption and a larger unofficial economy.[48]

Using data from the World Bank's Doing Business project and the 2010 World Bank Entrepreneurship Database studies in 92 countries between 2004 and 2009, Klapper and Love (2011) find that substantially reducing the cost, time, or number of procedures to start a business can have a significant effect on new firm registration. They show however that small reforms – less than a 40 percent reduction in costs, days, or procedures – do not have a significant impact on new registrations. For example, among OECD countries, a reduction of 50 percent or more in registration cost or time leads to an increase in new business registrations of 19 or 30 percent on average, respectively. Klapper and Love (2011) find that combined reforms – either simultaneously or sequentially – have a substantially higher effect on new business registration than single reforms. Finally, they show that countries with relatively weaker business environments require relatively larger reforms in order to impact new business growth.[49]

Empirical research shows a positive effect of one-stop shops on business registration. Comparing firm entry before and after the implementation of a one-stop shop, studies conducted in Colombia and Mexico assess the impact of introducing one-stop shops on firm creation. In Colombia, the introduction of a one-stop shop – CAE program – in six principal cities increased formal registration of new firms by 5.2 percent.[50] In Mexico, SARE program – a program simplifying municipal licensing – increased registration of new firms and employment by 6 and 2.8 percent, respectively.[51] In

Portugal, the introduction of a one-stop shop increased new firm registrations by 17 percent.[52] In India, eliminating the License Raj – a system of central controls regulating entry and production activity – increased the number of factories within an industry by around 6 percent.[53] Moreover, a combination of simpler entry regulation and labour market flexibility decreased informal firms and increased real output by 25 and 18 percent, respectively.[54]

According to the Doing Business Report 2014, higher minimum capital requirements are positively associated with lower access to bank financing for small and medium-sized enterprises. Moreover, it claims that the burden of minimum capital requirements is negatively associated with the number of years firms operate without formal registration. One potential explanation suggested by the report is that if entry costs are high, entrepreneurs will have no incentive to formalize their businesses.[55] [56] Finally, Van Stel et al. (2006) analyse the Doing Business and the Global Entrepreneurship Monitor data in 2005 from 39 countries to assess the relationship between regulation and entrepreneurship. They find that minimum capital requirements – keeping other things constant – have a negative impact on entrepreneurship, mainly affecting nascent entrepreneurs.[57]

Table 6 below provides a summary of the key favourable economic effects resulting from the implementation of the regulatory reforms suggested by this report.

*Table 6: Economic Impact of Suggested Regulatory Reforms*

| Regulatory Area | Policy Recommendation | Economic Impact |
|---|---|---|
| **Access to Credit** | - Reinforce borrowers' and lenders' legal rights under collateral and bankruptcy laws<br>- Deepen the coverage, scope, and accessibility of credit information | Higher private credit to GDP ratio |
| **Investor Protection** | - Strengthen disclosure rules of related-party transactions<br>- Reinforce company directors' liability regime for self-dealing<br>- Provide greater access to internal corporate information to minority shareholders | Increase in funds raised; higher economic growth; higher valuation of firms |
| **Starting a Business** | Further streamline registration procedures, time and costs | Lower corruption; smaller informal economy; higher new firm registration |

*Source:* Djankov et al. (2005), Haselmann et al. (2010), Love et al. (2013), Shleifer and Wolfenzon (2002), Haidar (2009), La Porta et al. (2002), Djankov et al. (2002), Klapper and Love (2011), Van Stel et al. (2006).

## Impact of Reforms on Qatar's *Doing Business* Rankings – A Simulation

We conduct a reforms simulation in the following section to quantify the potential impact of implementing the reforms suggested on aggregate *Doing Business* rankings of Qatar. More specifically, the simulation will focus on the aforementioned reforms that have been successfully implemented in GCC countries.

The simulation is based on the following assumptions. First, the simulation introduces reforms only within the three regulatory areas where improvements are most pressing, as highlighted in the policy report: *getting credit*, *investor protection*, and *starting a business*. Second, for calculation simplicity, it is assumed that regulatory frameworks within countries other than Qatar remain constant. Third, Qatar is assumed to introduce a set of reforms that are similar to those implemented in the past by the best performing GCC country in each of the three regulatory areas. These simulated reforms were not previously introduced in Qatar according to *Doing Business* records.[58] In particular, the best performing GCC country is Saudi Arabia for both *ease of getting credit* and *strength of investor protection*, and the United Arab Emirates for *ease of starting a business*. The reforms implemented in the simulation are described in Table 7, while the pre- and post-simulation values of the impacted regulatory indicators for Qatar are shown in Table 8.

Using the World Bank's *Doing Business 2014* reform simulator,[59] and based on the parameters in Table 8, the introduction of reforms within the three regulatory areas – in line with the best performing GCC countries – significantly improves Qatar's *Doing Business* rankings from 48th to 18th, a significant 30-point impact. The suggested course of action is therefore likely to dramatically increase Qatar's ranking, and more importantly help improve the regulatory business environment to better support entrepreneurs and SMEs.

*Table 7: Simulated Reforms within Ease of Getting Credit, Strength of Investor Protection, and Ease of Starting a Business*

| | |
|---|---|
| **Getting Credit** | |
| **Depth of credit information** | Credit registry to distribute credit information from retailers or utility companies as well as financial institutions. |
| | Guarantee by law that borrowers can inspect their data in the largest credit registry.[60] |
| **Strength of legal rights** | Allow businesses to grant a non-possessory security right in a single category of movable assets, without requiring a specific description of collateral. |
| | 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. |
| **Investor Protection** | |
| **Extent of disclosure** | Require immediate disclosure on the terms of a related-party transaction to the public and/or shareholders |
| | Require disclosure not only on the terms of the transaction but also the directors' conflict of interest in published periodic filings (annual reports) |
| | Require an external body (e.g. external auditor) to review the terms of the transaction before it takes place |
| **Extent of director liability** | Make it possible for a court to void the transaction upon a successful claim by a shareholder plaintiff when the transaction is unfair or entails a conflict of interest |
| | Allow fines and imprisonment to be applied against directors |
| **Ease of shareholder suits** | Allow shareholders owning 10% or less of the company's share capital to inspect (related-party) transaction documents before filing suit |
| | Allow shareholders owning 10% or less of the company's share capital to request a government inspector to investigate the transaction before filing suit in court |
| **Starting a Business** | |
| **Procedures (number), Time (days), Cost (% Income per Capita)** | Reduce the number of procedures to legally start and operate a business, associated time and cost by removing the need to deposit the minimum capital in a bank account prior to registering the business, and eliminate the need for a company seal |
| **Paid-in min. capital (% of income per capita)** | Abolish paid-in minimum capital requirement |

*Source:* Qatar *Doing Business* Report 2014; Saudi Arabia *Doing Business* Report 2014; United Arab Emirates *Doing Business* Report 2014.

*Table 8: Pre-Simulation and Post-Simulation Parameter Values*

| Indicator | Component | Pre-Simulation Value | Simulation Value* | Gain in Rankings (Points) ** |
|---|---|---|---|---|
| **Getting Credit** | Depth of credit information index (0-6) | 4 | 6 | +8 |
| | Strength of legal rights index (0-10) | 3 | 5 | +8 |
| **Investor Protection** | Extent of disclosure index (0-10) | 5 | 8 | +6 |
| | Extent of director liability index (0-10) | 6 | 8 | +2 |
| | Ease of shareholder suits index (0-10) | 2 | 4 | +2 |
| **Starting a Business** | Procedures (number) | 8 | 6 | +2 |
| | Time (days) | 8.5 | 5.5 | +2 |
| | Cost (% of income per capita) | 5.1 | 5 | +0 |
| | Paid-in Min. Capital (% of income per capita) | 62 | 0 | +6 |
| | | | **Aggregate Impact*** ** | **+30** |

*Notes:* * Simulation values correspond to indicator values after reforms in Table 7 are introduced. ** The last column shows the gain in aggregate rankings (in points) after introducing reforms at each indicator level, keeping other things constant. *** The aggregate impact is the gain in rankings after introducing all the reforms in Table 7.
*Source:* Qatar *Doing Business* Report 2014; Saudi Arabia *Doing Business* Report 2014; United Arab Emirates *Doing Business* Report 2014

## Concluding Remarks

In line with Qatar's national development priorities, this report aimed at identifying aspects of business regulation that require most attention from policymakers to ensure a more business-friendly regulatory environment, based on the WB's *Doing Business* survey. While Qatar has been relatively well-placed in world *Ease of Doing Business* rankings and has introduced favourable business regulatory changes in recent years, reforms have been too few and not impactful enough. Furthermore, the analysis of disaggregated business rankings has helped isolate key potential areas of regulatory improvement affecting essential phases of a firm's life cycle: access to finance – as measured by the ease of getting credit and the strength of investor protection – and start-up. Meanwhile, other countries – both in the GCC and the rest of the world – have caught up with and surpassed Qatar in getting closer to the most effective business regulatory practices by implementing a range of significant reforms. If the current course of action is maintained, the downward trend in rankings will likely continue. Due to regulatory competition, investors and entrepreneurs would be increasingly inclined to shift their efforts toward more favourable business climates over time.

Consequently, the present policy report has identified a set of regulatory reforms that would help in creating a more business-friendly regulatory environment for entrepreneurs and SMEs by aiming to improve access to credit and investor protection, as well as streamline the procedures to start a business. Previous research has also revealed that the implementation of these policy changes can have a significant positive effect on economic activity, reflected on a range of economic performance indicators including economic growth, firm creation and productivity, employment, formality, and access to financial services. Finally, the report has shown through a simulation that implementing a subset of the suggested reforms that were also successfully adopted in GCC countries (as a proxy for political feasibility) could result in a significant positive impact on Qatar's *Doing Business* rankings, from the $48^{th}$ to the $18^{th}$ position.

# Glossary

**Dealing with Construction Permits** is measured by recording all procedures required for a business in the construction industry to build a warehouse: obtaining and submitting all relevant project-specific documents, hiring external third-party supervisors, obtaining all necessary licenses, submitting all required notifications, and requesting and receiving all necessary inspections.

**Enforcing Contracts** measures the efficiency of the judicial system in resolving a commercial dispute by following the step-by-step evolution of a commercial sale dispute before local courts.

**Getting Credit** measures both the sharing of credit information, and the legal rights of borrowers and lenders under collateral and bankruptcy laws.

**Getting Electricity** records all procedures required for a business to obtain a permanent electricity connection and supply for a standardized warehouse: applications and contracts with electricity utilities, all necessary inspections and clearances from the utility, and final connection works.

**Movable properties** are equipment, machineries, and receivables.

**Non-possessory security interests** is where the debtor has possession of the collateral.

**Paying Taxes** records the taxes and mandatory contributions that a medium-size company must pay in a given year, and measures the administrative burden of paying taxes and contributions.

**Possessory security interests** is where the creditor has possession of the collateral.

**Protecting Investors** measures the strength of minority shareholder protections against directors' misuse of corporate assets for personal gain.

**Registering Property** records the full sequence of procedures necessary for a business (buyer) to purchase a property from another business (seller) and to transfer the property title to the buyer's name so that the buyer can use the property for expanding his/her business, use the property as collateral in taking new loans or, sell the property to another business.

**Resolving Insolvency** records the time, cost, and outcome of insolvency proceedings involving domestic entities.

**Starting a Business** is measured using all required official or commonly done procedure or practice for an entrepreneur to start and formally operate an industrial or commercial business, which also includes the time and cost required to complete these procedures.

**Trading across Borders** measures the time and cost (excluding tariffs) associated with exporting and importing a standardized cargo of goods by sea transport.

For more information on the respective methodologies of the subcomponents of *Doing Business*, please visit the following website: http://www.doingbusiness.org/methodology.

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[13] Note that the World Bank started collecting Doing Business data for Qatar from 2008, hence the analysis will focus on the period 2008-2014.

[14] Qatar added a procedure that forced businesses to register for taxes and obtain a company seal.

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