



Jordan in the Doing Business Report 2018: The Way Forward

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منتدى الاستراتيجيات الأردني
JORDAN STRATEGY FORUM



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The Jordan Strategy Forum (JSF) is a not-for-profit organization, which represents a group of Jordanian private sector companies that are active in corporate and social responsibility (CSR) and in promoting Jordan's economic growth. JSF's members are active private sector institutions, who demonstrate a genuine will to be part of a dialogue on economic and social issues that concern Jordanian citizens. The Jordan Strategy Forum promotes a strong Jordanian private sector that is profitable, employs Jordanians, pays taxes and supports comprehensive economic growth in Jordan.

The JSF also offers a rare opportunity and space for the private sector to have evidence-based debate with the public sector and decision-makers with the aim to increase awareness, strengthening the future of the Jordanian economy and applying best practices.

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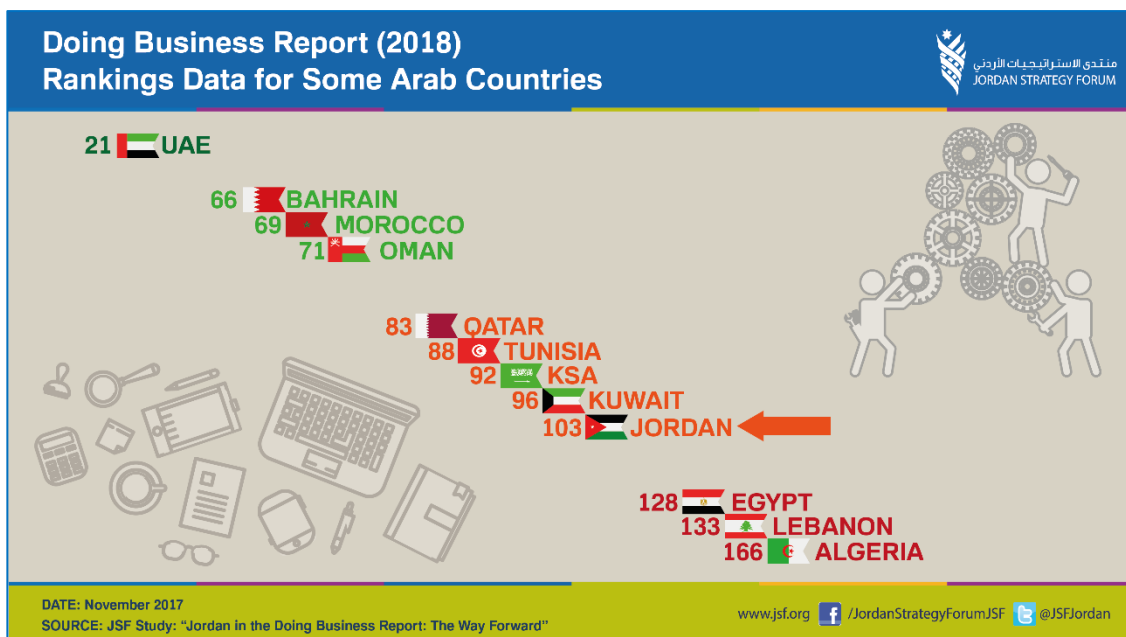
I. Executive Summary

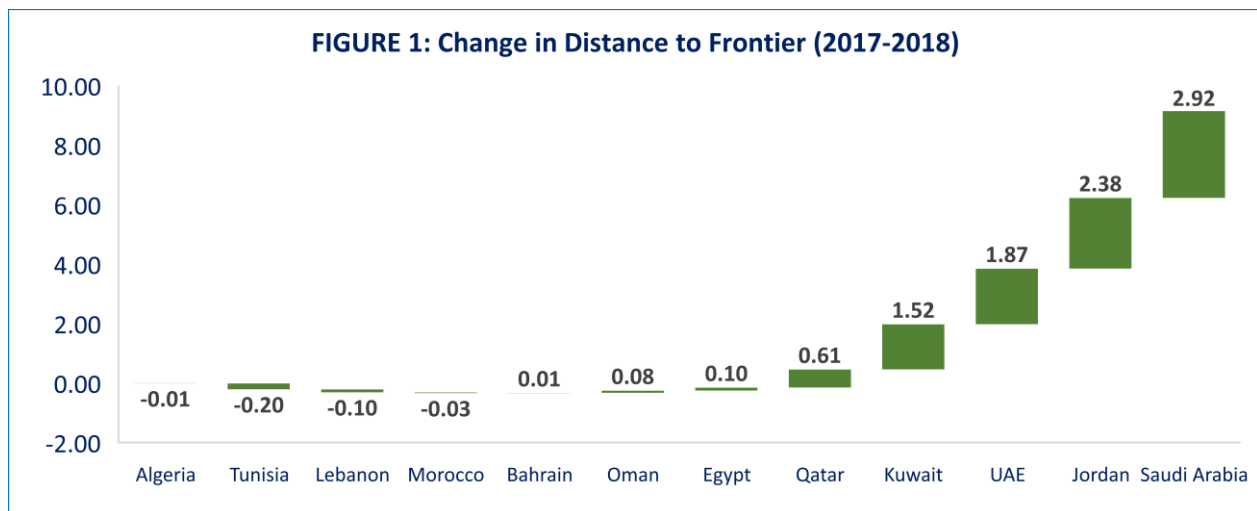
The Doing Business Project, which was launched by the World Bank in 2002, publishes objective measures of business regulations and their enforcement for a total of 190 economies. “By gathering and analyzing comprehensive quantitative data to compare business regulation environments across economies and over time, Doing Business encourages economies to compete towards more efficient regulation; offers measurable benchmarks for reform; and serves as a resource for academics, journalists, private sector researchers and others interested in the business climate of each economy” (World Bank).

The Doing Business 2018 report was released in October, 2017. The report ranked Jordan **103 out of 190 countries** with a DTF score of **60.58**. We report the ranking data for a number of Arab countries, their DTF scores, and the number of adopted reforms. Clearly, the United Arab Emirates (UAE) is the highest ranked economy (21), followed by Bahrain (66) and Morocco (69). What is encouraging, however, is the fact that following Saudi Arabia, Jordan achieved the largest improvement in the DTF score (2.38 points).

TABLE 1: Rankings Data for Some Arab Countries

Economy	Rank (1-190) 2018	DTF Score 2017 (0 – 100)	DTF Score 2018 (0 – 100)	Number of Reforms 2017	Number of Reforms 2018
UAE	21	76.86	78.73	5	4
Bahrain	66	68.12	68.13	3	0
Morocco	69	67.94	67.91	5	2
Oman	71	67.12	67.20	2	1
Qatar	83	64.25	64.86	2	2
Tunisia	88	63.78	63.58	1	0
Saudi Arabia	92	59.58	62.50	2	6
Kuwait	96	59.71	61.23	1	2
Jordan	103	58.20	60.58	2	1
Egypt	128	56.12	56.22	2	1
Lebanon	133	54.77	54.67	0	0
Algeria	166	46.72	46.71	4	0





All in all, Jordan's rank and DTF score leave a lot to be desired. Within this context, the objective of this analytical paper is to report where Jordan stands in terms of the overall rank (and DTF score), as well as in the rank (and DTF score) of each of the indicators that make-up the overall index. More importantly, the paper estimates how much Jordan's rank (and DTF score) improves following the adoption of some key sub-indices.

Some of our key recommendations include the followings.

1) At the level of the overall rank, few improvements in the number of procedures to start a business, cost of formalities to build a warehouse, cost of registering a property, number of tax payments, tax post-filing index, quality of the judiciary index, recovery rate for commercial solvency cases and in the strength of insolvency framework would move Jordan's rank up from 103rd to 78th.

2) At the level of individual sub-indices, if Jordan, for example, reduces the number of tax payments from 25 times a year to 15 times a year, the overall rank would move up from 103rd to 98th. Similarly, if

the legal rights index improves from 0 to 2 (1.7 in the MENA region and 6 in the OECD countries), Jordan's rank would become 95th.

3) Based on our analysis, some of the specific recommendations include, for example, shortening the time to comply with sales tax refund, time to obtain sales refund, and time to complete a corporate income audits.

"The effect of improving regulations on economic growth is claimed to be very strong. Moving from the worst one-fourth of nations to the best one-fourth implies a 2.3 percentage point increase in annual growth" (World Bank).

Naturally, all Jordanian stakeholders would want the national economy to realize some strong, consistent, and sustainable real economic growth. One way to promote this overall objective, is to look deeply in each of the doing business sub-indices, and where possible, to adopt the necessary remedial reforms.

2. Introduction

The World Bank has been publishing the “**Doing Business Reports**” since 2003. In recent years, however, this publication has become an authoritative resource for a number of stakeholders including academic researchers, practitioners, think tanks, policymakers, as well as others. Indeed, extensive effort has been spent on assessing how the regulatory environment for business (doing business) affects, for example, the number of business start-ups, company productivity, real economic growth, employment levels, trade (imports and exports), investment (local and foreign), and the size of informal economy.

The first Doing Business report was published back in 2003. The resultant “ease of doing business index” covered a total of 5 indicators and 133 nations. The 2018 report, on the other hand, covered a total of 190 economies and 10 main indicators. What determines a nation’s ranking on the index is the average of 10 main indicators and these are starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, trading across borders, paying taxes, enforcing contracts, and resolving insolvency.

In addition to the rankings of nations, the Doing Business report publishes what is called “Distance to Frontier” (DTF). The DTF score “captures the gap between an economy’s current performance and the best practice across the entire sample of 41 indicators across 10 Doing Business indicator sets” (Doing Business Report, 2018). The frontier is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier.

Within the context of the economic importance of the regulatory environment for business, it is stated that, for example, “high start-up costs can result in lower overall productivity. Specifically, incumbent firms are more likely to continue

operating despite poor productivity because there is little competition from new, more productive firms” (World Bank 2018 Doing Business Report). Similarly, it is stated that “**the effect of improving regulations on economic growth is claimed to be very strong. Moving from the worst one-fourth of nations to the best one-fourth implies a 2.3 percentage point increase in annual growth**” (World Bank).

The Doing Business 2018 report was released in October, 2017. The report ranked Jordan **103 out of 190 countries** with a DTF score of **60.58**. To put these figures in perspective, it is useful to note that the average rank of the Middle East and North Africa (MENA) region is 115 and the average DTF score is 56.72. It is also useful to note that Jordan’s ease of doing business has improved in ranking (from 118 in 2017 to 103 in 2018) and in the DTF score (57.30 in 2017 to 60.58 in 2018).

The objective of this analytical paper is to report where Jordan stands in terms of the overall rank (and DTF), as well as in the rank (and DTF) of each of the indicators which make up the overall index. More importantly, in this paper, the Jordan Strategy Forum (JSF) provides some scenario analysis. We calculate how Jordan’s rank (and DTF) changes following improvements in some of the key indicators / measures. Indeed, this is important because it enables Jordanian stakeholders specify the indicators which have the largest impact on Jordan’s score and distance to frontier, and accordingly, if improved, will also improve the doing business environment in Jordan and encourage starting businesses and investing in new businesses.

The rest of this paper is organized as follows. In section 2, we provide some background about the Doing Business report. In section 3, we examine the status quo of Jordan in terms of doing business, and provide some scenario analysis, and finally, we conclude.

3. The Doing Business Report: Some Background Information

The Doing Business report covers 11 indicator sets to measure various aspects of business regulation and their enforcements across 190 economies. These indicators are illustrated below (Doing Business Report, 2018).

The Doing Business measures the processes for starting a business, getting a business location, accessing credit, dealing with day-to-day operations, and operating in a secure environment. Naturally, each of these activities has its own quantitative indicators and measures (Table 2).



TABLE 2: What Doing Business Measures

Indicator Set	What is Measured
Starting a business	Procedures, time, cost and paid-in minimum capital to start a limited liability company.
Dealing with construction permits	Procedures, time and cost to complete all formalities to build a warehouse and the quality control and safety mechanisms in the construction permitting system.
Getting electricity	Procedures, time and cost to get connected to the electrical grid, the reliability of the electricity supply and the transparency of tariffs.
Registering property	Procedures, time and cost to transfer a property and the quality of the land administration system.
Getting credit	Movable collateral laws and credit information systems.
Protecting minority investors	Minority shareholders’ rights in related-party transactions and in corporate governance.
Paying taxes	Payments, time and total tax and contribution rate for a firm to comply with all tax regulations as well as post-filing processes.
Trading across borders	Time and cost to export the product of comparative advantage and import auto parts.
Enforcing contracts	Time and cost to resolve a commercial dispute and the quality of judicial processes.
Resolving insolvency	Time, cost, outcome and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency.

Based on the indicators sets, economies are ranked according to ranks (ease of doing business) and DTF, as defined in the introduction.

The Doing Business ranking ranges from 1 to 190. “The ranking of 190 economies is determined by sorting the aggregate distance to frontier scores, rounded to two decimals” (Doing Business Report,

2018). Doing Business involves a number of dimensions of the regulatory environment that local firms face. It provides quantitative measures for a total of 10 indicators and these are regulation for starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors,

paying taxes, trading across borders, enforcing contracts and resolving insolvency (Table 2).

Relative to the above-mentioned 10 regulatory environment dimensions, it is useful to note that the Doing Business measures a number of labor market regulation features. However, these measures are not used in the ranking the economies. In addition, one must also note that many other factors, policies and institutions do affect the business environment in any economy but not included in the doing business report. These, for example, include the financial system, quality of the labor force, corruption level, market size, and many others.

Hence it is important to stress that though it is important to use the doing business report to guide a country to improve on several aspects of doing business , yet that is not enough and many other aspects needs to visited and improved.

“The Doing Business methodology is designed to be an easily replicable way to benchmark specific aspects of business regulation. Its advantages and limitations should be understood when using the data” (Doing Business, 2018). These advantages and limitations are reported in Table 3.

TABLE 3: Advantages and Limitations of Doing Business Methodology

Feature	Advantages	Limitations
Use of standardized case scenarios.	Makes data comparable across economies and methodology transparent.	Reduces scope of data; only regulatory reforms in areas measured can be systematically tracked.
Focus on largest business city.	Makes data collection manageable (cost effective) and data comparable.	Reduces representativeness of data for an economy if there are significant differences across locations.
Focus on domestic and formal sector.	Keeps attention on formal sector—where regulations are relevant and firms are most productive.	Unable to reflect reality for informal sector—important where that is large—or for foreign firms facing a different set of constraints.
Reliance on expert respondents.	Ensures that data reflect knowledge of those with most experience in conducting types of transactions measured.	Indicators less able to capture variation in experiences among entrepreneurs.
Focus on the law.	Makes indicators “actionable”—because the law is what policy makers can change.	Where systematic compliance with the law is lacking, regulatory changes will not achieve full results desired.

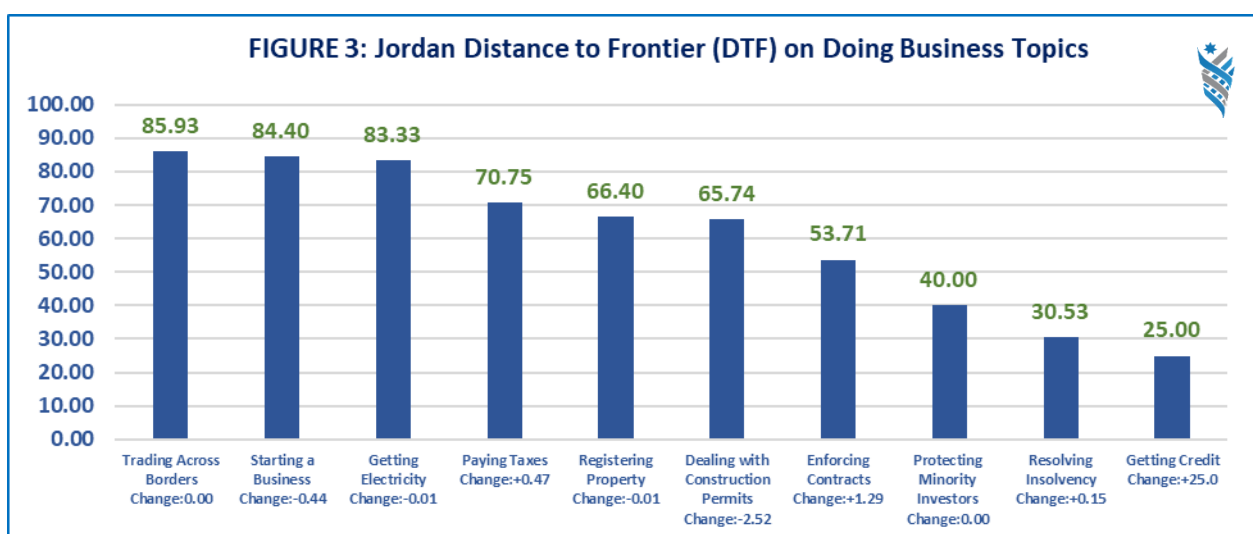
4. The Jordanian Case: The Status Quo & What if Analysis?

The Doing Business Report 2018 ranked Jordan **103 out of 190 countries** with a Distance to Frontier (DTF) score of **60.58**. Figure (2) shows Jordan's ranking and DTF scores and their change in 2017/2018 for the ten published indicators.

These figures show that Jordan ranks the lowest in getting credit (159th), protecting minority investors (146th), and in resolving insolvency (146th). This does not mean, however, that Jordan's ranking in enforcing contracts and others are encouraging. Naturally, the low ranking of Jordan in, for example, getting credit, is also reflected in the DTF of this topic. Indeed, the DTF on getting credit is equal to 25.0. This indicates that Jordan needs to go a long way to reach the 100 on this scale! It must also be noted here that Jordan witnessed the

largest improvement in this measure during 2017/2018 (from 0 to +25.0). Within this context, it is also important to note that the DTF on paying taxes, enforcing contracts, and resolving insolvency have improved. However, the DTF on starting a business, getting electricity, registering property, and dealing with construction permits have deteriorated Figure 3).

Relative to the above two figures, we report below (Tables 4 – 13) the scores of each of the components of the Doing Business topics' for Jordan. In addition, we report in these Tables the corresponding scores for the MENA region and the OECD High-Income countries. Based on these Tables, we can highlight the following observations.



4.1 Starting a business

As far as the process of starting a business is concerned, the scores of the components of this item are reported, for Jordan, MENA average, and the OECD average in Table 4. The component in which Jordan is relatively most disadvantaged is the cost required to complete each procedure. This sub-index is equal to 24.2% of income per capita. While Jordan's scores in the number and time of procedures (for both men and women) are better than the Middle East and North Africa region (MENA), the OECD mean is clearly superior.

Table 4: Starting a Business

Sub-Indices	Jordan	MENA	OECD High-Income
Procedures - Men (Number)	7	7.7	4.9
Time - Men (Days)	12	18.6	8.5
Cost - Men (% of Income Per Capita)	24.2	18.7	3.1
Procedures - Women (Number)	8	8.4	4.9
Time - Women (Days)	13	19.3	8.5
Cost - Women (% of Income Per Capita)	24.2	18.7	3.1
Paid-in-Minimum Capital (% of Income Per Capita)	0.1	9.9	8.7

The fact that the cost of procedures is relatively high, it is worth asking the following question: What happens to the DTF score on starting a business and to the ranking of Jordan in starting a business if this sub-index improves.

Clearly, Jordan's ranking and DTF score would improve. For example, if the cost (for men and women) of starting a business comes down from 24.2% of income per capita to 15%, the ranking of Jordan in this indicator improves from 105th to 92nd.



Procedures Cost Scenarios	Rank	DTF
24.2 to 15	105 to 92	84.40 to 85.55
24.2 to 10	105 to 89	84.40 to 86.17
24.2 to 5	105 to 86	84.40 to 86.80

4.2 Dealing with construction permits

In dealing with construction permits (Table 5), it is clear that Jordan is not competitive at all in terms of the required cost to complete the procedures (as a proportion of warehouse value) necessary to obtain the permission for construction. Indeed, the 12% of warehouse value is much higher than the MENA average (4.3%).

Table 5: Dealing with Construction Permits

Sub-Indices	Jordan	MENA	OECD High-Income
Procedures (Number)	15.0	16.2	12.5
Time (Days)	62.0	132.1	154.6
Cost (% of Warehouse Value)	12.0	4.3	1.6
Building Quality Control Index (0-15)	11.0	11.8	11.4

Again, assuming that the cost of procedures is reduced, the rank of Jordan and the DTF on dealing with construction permits would improve as shown below.



Cost (% of Warehouse Value)	Rank	DTF
12.0 to 8.0	110 to 72	65.74 to 70.74
12.0 to 5.0	110 to 44	65.74 to 74.49
12.0 to 3.0	110 to 30	65.74 to 76.99

4.3 Getting Electricity

As far as getting electricity is concerned, we can see that Jordan stands relatively well in terms of the sub-indices of this topic. Indeed, and for example, while it takes 79 days in the OECD countries to obtain a permanent electricity connection, the Jordanian number is 55 days. Naturally, where possible, any improvements in the sub-indices of getting electricity are warranted. However, there is really no point in doing scenario analysis for this issue.

Table 6: Getting Electricity

Sub-Indices	Jordan	MENA	OECD High-Income
Procedures (Number)	5.0	4.8	4.7
Time (Days)	55.0	81.4	79.1
Cost (% of Income Per Capita)	384.1	780.3	63.0
Reliability of Supply & Transparency of Tariff Index (0-8)	7.0	4.2	7.4

4.4 Registering Property

In terms of registering property, Table 7 shows that Jordan's rank and DTF need improving in the cost sub-index. Indeed, it is interesting to note that in 2010, Jordan made registering property easier by reducing the property transfer fees. However, clearly this sub-index needs some improving.



Table 7: Registering Property

Sub-Indices	Jordan	MENA	OECD High-Income
Procedures (Number)	6.0	5.7	4.6
Time (Days)	17.0	30.3	22.3
Cost (% of Property Value)	9.0	6.0	4.2
Quality of the Land Administration Index (0-30)	22.5	13.4	22.7

Assuming that the cost of registering property does down from 9.0% of property value to, for example, 6% and to 4%, Jordan's rank and DTF on this sub-index improve as shown below.

Cost of Registering Property	Rank	DTF
9 to 6	72 to 60	66.40 to 71.42
9 to 4	72 to 45	66.40 to 74.75

4.5 Getting Credit

Jordan's rank in getting credit stands at 159th out of 190 countries. Similarly, Jordan's DTF on the getting credit issue is equally low (25). These discouraging observations are clearly due to the zero score in the strength of legal rights index. Similarly, the credit information index (depth of credit information, credit registry coverage, and credit bureau coverage) is relatively weak (Table 8). Within this context, it is worth noting that in 2011, Jordan improved its credit information system by setting up a regulatory framework for establishing a private credit bureau as well as lowering the threshold for loans to be reported to the public credit registry. In addition, Jordan, in 2018, improved access to credit information by establishing a new credit bureau which improved its rank and DTF in the 2018 report.

Table 8: Getting Credit

Sub-Indices	Jordan	MENA	OECD High-Income
Strength of Legal Rights Index (0-12)	0.0	1.7	6.0
Depth of Credit Information Index (0-8)	5.0	4.8	6.6
Credit Registry Coverage (% of Adults)	2.2	14.0	18.3
Credit Bureau Coverage (% of Adults)	15.3	14.2	63.7

Given the relatively weak ranking (and DTF) of Jordan in getting credit, we argue that this issue must be improved because it has a large impact on ranking and DTF. Indeed, improving the legal rights index from 0 to 4 (close to the MENA average) would improve Jordan's ranking from 159 to 105. Similarly, the DTF of this issue would increase from 25 to 45.



Legal Rights Index	Rank	DTF
From 0 to 2	159 to 133	25 to 35
From 0 to 4	159 to 105	25 to 45
From 0 to 6	159 to 77	25 to 55

4.6 Protecting Minority Interests

In terms of protecting minority interests, the World Bank's results show that Jordan standing in the shareholder suit index (access to internal corporate documents and evidence obtainable during trial and allocation of legal expenses), shareholder rights index (rights and role in major corporate decisions) are weak (Table 9). The values of these sub-indices are relatively low.

Table 9: Protecting Minority Interests

Sub-Indices	Jordan	MENA	OECD High-Income
Disclosure Index (0-10)	5.0	4.2	5.2
Director Liability Index (0-10)	4.0	4.6	5.6
Shareholder Suit Index (0-10)	2.0	4.0	7.4
Shareholder Rights Index (0-10)	2.0	4.7	6.3
Ownership & Control Index (0-10)	5.0	4.2	5.2
Corporate Transparency Index (0-10)	7.0	5.2	7.3

Below, we show what happens to Jordan's ranking and DTF if both of these indices improve. For example, if the shareholder suit index increases

from 2 to 4, Jordan's rank in protecting minority interest improves from 146 to 132, and the DTF score increases from 40 to 43.3.

Shareholder Suit Index	Rank	DTF
From 2 to 4	146 to 132	40 to 43.3
From 2 to 6	146 to 124	40 to 46.7

Shareholder Rights Index	Rank	DTF
From 2 to 4	146 to 132	40 to 43.3
From 2 to 6	146 to 124	40 to 46.7

4.7 Paying Taxes

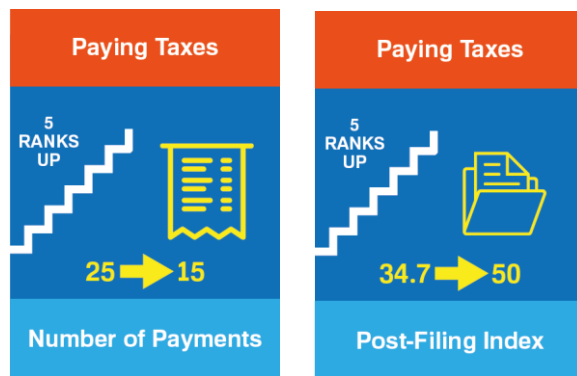
The paying tax indicator records the taxes and other mandatory contributions that a company is required to pay or withhold. In addition, this indicator measures the administrative burden in paying taxes and contributions. The reported values in Table 10 indicate that a medium-size company in Jordan makes 25 payments a year, and these payments take about 128 hours to take care of. Relatively speaking, these measures are fine.

Table 10: Paying Taxes

Sub-Indices	Jordan	MENA	OECD High-Income
Payments (Number Per Year)	25.00	17.90	10.90
Time (Hours Per Year)	128.50	203.40	160.70
Total Tax & Contribution Rate (% of Profit)	28.10	32.60	40.10
Post-filing Index (0-100)	34.69	50.56	83.45

However, in terms of the post-filing index (what happens after a firm pays taxes, such as tax refunds, tax audits and administrative tax appeals), Jordan's score is weak.

Below, we show some scenario analysis for both the number of payments and post-filing index. Making the post-filing index equal to the MENA average improves Jordan's rank in this indicator from 97 to 79 and the DTF score from 70.75 to 74.92!



Number of Payments	Rank	DTF
From 25 to 15	97 to 77	70.75 to 74.92
From 25 to 10	97 to 65	70.75 to 77.0

Post-Filing Index	Rank	DTF
From 34.7 to 50	97 to 79	70.75 to 74.58
From 34.7 to 60	97 to 64	70.75 to 77.08
From 34.7 to 70	97 to 50	70.75 to 79.58

4.8 Trading Across Borders

Jordan's rank and DTF in trading across borders are relatively good (Table 11). The ranking and DTF score are equal to 53 and 85.93 respectively. In terms of the sub-indices of this indicator, while they reflect good scores in the export-related sub-indices, the imports side of international trade needs some improving. For example, the time to import (documentary compliance) is equal to 55 hours and this is much higher than the OECD average (3.5 hours).

Table 11: Trading Across Borders

Sub-Indices	Jordan	MENA	OECD High-Income
Time to Export: Border Compliance (Hours)	38	62.6	127.7
Cost to Export: Border Compliance (USD)	131	464.4	149.9
Time to Export: Documentary Compliance (Hours)	6	74.3	2.4
Cost to Export: Documentary Compliance (USD)	16	243.6	35.4

Time to Import: Border Compliance (Hours)	79	112.3	8.7
Cost to Import: Border Compliance (USD)	181	540.7	111.6
Time to Import: Documentary Compliance (Hours)	55	94.5	3.5
Cost to Import: Documentary Compliance (USD)	30	266.2	25.6

To carry-out some scenario analysis, we consider the import's side of the equation. Again, based on the below, some significant improvements can be realized if the import's compliance measures improve.

Time to Import: Border Compliance (Hours)	Rank	DTF
From 79 hours to 50 hours	53 to 48	85.93 to 87.22
From 79 hours to 30	53 to 47	85.93 to 88.12

Time to Import: Documentary Compliance (Hours)	Rank	DTF
From 55 hours to 40 hours	53 to 49	85.93 to 86.70
From 55 hours to 20 hours	53 to 47	85.93 to 87.75

4.9 Enforcing Contracts

The DTF score for the enforcing contracts indicator is derived from an assessment of the time (in days), cost, and quality of the judiciary process in regards to enforcing contracts. With a DTF score of 53.71, the ranking of Jordan in this aspect is equal to 118. Clearly, there is room to improve this indicator. The reported results in Table indicate that Jordan can improve in time, cost, and quality of the judiciary processes index.

Table 12: Enforcing Contracts

Sub-Indices	Jordan	MENA	OECD High-Income
Time (Days)	642	638.5	577.8
Cost (% of Claim)	31.2	24.4	21.5
Quality of Judicial Processes Index (0-18)	7	5.9	11

The below scenario analysis shows the extent of the benefit in Jordan's rank in this indicator (and DTF) following some improvements in the sub-indices of enforcing contracts.



Enforcing Contracts (Days)	Rank	DTF
From 642 days to 600 days	118 to 107	53.71 to 54.85
From 642 days to 550 days	118 to 97	53.71 to 56.22

Enforcing Contracts (Cost)	Rank	DTF
From 31.2 to 25	118 to 98	53.71 to 56.03
From 31.2 to 20	118 to 93	53.71 to 57.91

Quality of Judicial Processes Index	Rank	DTF
From 7 to 10	118 to 78	53.71 to 59.26

4.10 Resolving Insolvency

The resolving insolvency indicator assesses the time and cost required to resolve bankruptcies. The sub-indices of this indicator are reported in Table 13. Clearly, the recovery rate (how many cents on the dollar will be compensated in case of insolvency) is low relative to the OECD average. Similarly, the strength of insolvency framework index is also low.

Table 13: Resolving Insolvency

Sub-Indices	Jordan	MENA	OECD High-Income
Recovery Rate (Cents on the Dollar)	27.7	25.5	71.2
Strength of Insolvency Framework Index (0-16)	5	5.4	12.1

If Jordan can increase the recovery rate and strength of the insolvency framework index and make them closer to that of the OECD average, the ranking and DTF values would improve significantly.

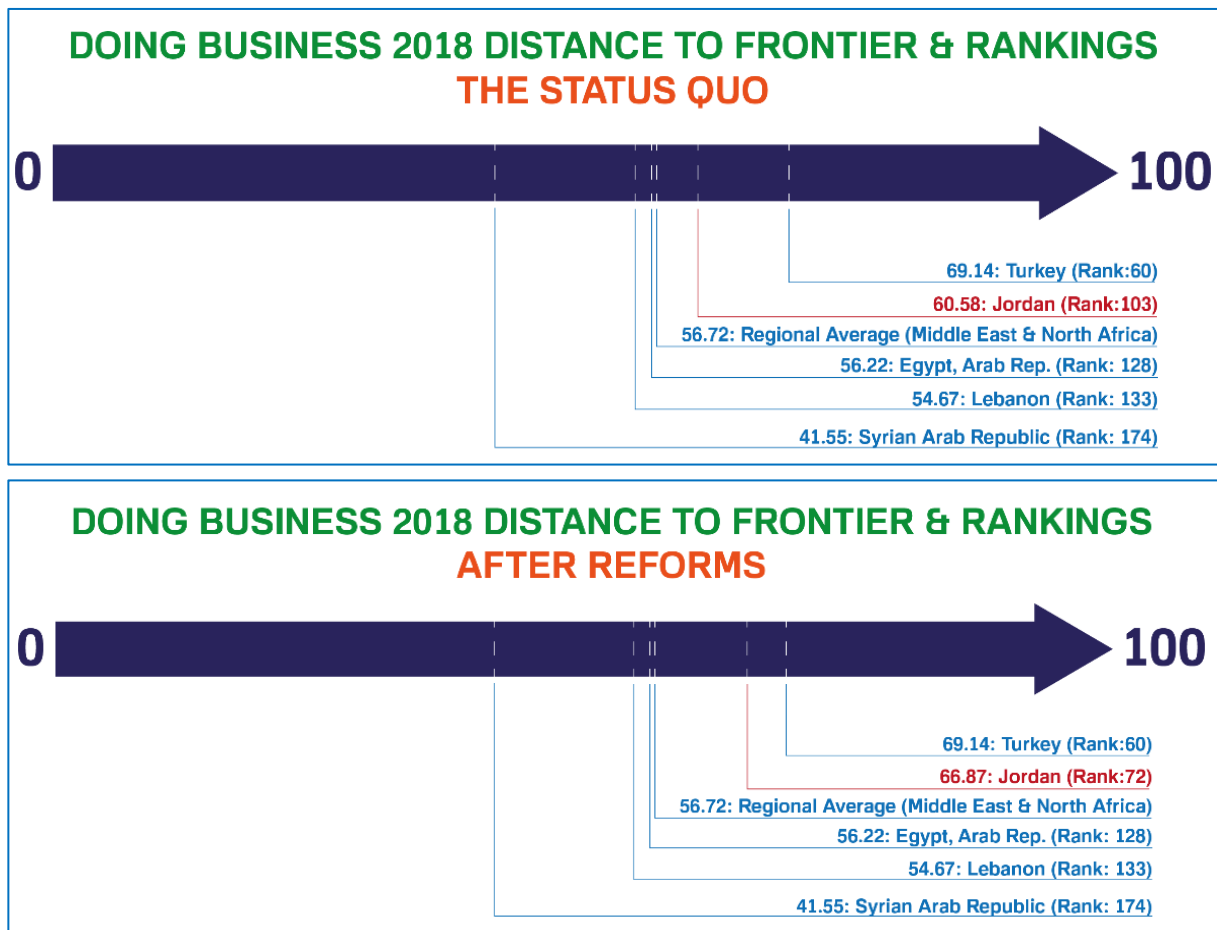


Recovery Rate	Rank	DTF
From 27.7 to 40.0	146 to 123	30.53 to 37.15
From 27.7 to 60.0	146 to 77	30.35 to 47.92

Strength of Insolvency Framework Index (0-16)	Rank	DTF
From 5 to 8	146 to 107	30.53 to 39.91
From 5 to 12	146 to 66	30.35 to 52.41

5. What Happens to Jordan's Overall Rank and DTF if the First Scenario for Improvement is Applied?

If Jordan follows the First Scenario described in Section 4 of this paper, Jordan's ranking will improve as shown below:



As expected, the results are encouraging. Indeed, and on average, Jordan's rank would improve from 103rd to 72nd. Similarly, Jordan's DTF score increases from 60.58 to 66.87. That is assuming no change in other countries.

In addition to the above analysis, we choose 9 sub-indices which have the largest impact of the ranking of Jordan.

In Table 14, we report the scores for Jordan, MENA region and OECD countries, a new score for Jordan, and re-calculate how Jordan's position changes.

TABLE 14: Jordan's New Ranking and DTF Scores

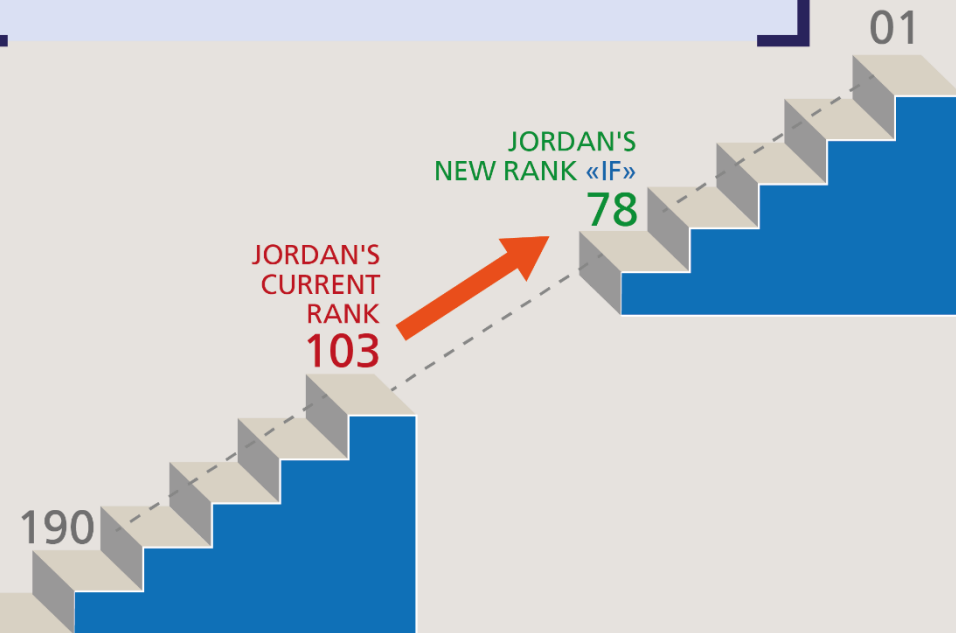
Main Indicator	Sub-Indicator	Jordan	MENA	OECD	Jordan New Score	New Rank	New DTF
Starting A Business	Cost of Procedures (% Income per Capita)	24.2%	18.7%	3.1%	15.0%	102	60.69
Dealing with Construction Permits	Cost of Procedures (% of warehouse value)	12%	4.3%	1.6%	8%	98	61.08
Registering Property	Cost of Registering Property (% of Property Value)	9.0%	6.0%	4.2%	6%	98	61.08
Getting Credit	Strength of Legal Rights Index Score (0-12)	0	1.7	6.0	2	95	61.58
Paying Taxes	Number of Payments	25	17.9	10.9	15	98	61.0
Paying Taxes	Post-Filing Index	34.7	50.56	83.45	50	98	60.96
Enforcing Contracts	Quality of Judicial Processes Index	7	5.9	11	10	99	60.95
Resolving Insolvency	Recovery Rate (Cents on the Dollar)	27.7	25.5	71.2	40	96	61.24
Resolving Insolvency	Strength of Insolvency Framework Index (0-16)	5.0	5.4	12.1	8.0	95	61.52
<p>If all of the above Doing Business Sub-Indices materialize, Jordan's Ranking would improve from 103rd to 78th. The DTF score would also increase from 60.58 to 65.65!</p>							

“What If” Scenarios to Improve Jordan’s Ranking on The Doing Business Report

DOING BUSINESS SUB-INDICES

Starting A Business 1 RANK UP 24.2% → 15% Cost of Procedures (% Income Per Capita)	Dealing with Construction Permits 5 RANKS UP 12% → 8% Cost of Procedures (% of warehouse value)	Registering Property 5 RANKS UP 9% → 6% Cost of Registering Property (% of Property Value)
Getting Credit 8 RANKS UP 0 → 2 Strength of Legal Rights Index Score (0-12)	Paying Taxes 5 RANKS UP 25 → 15 Number of Payments	Paying Taxes 5 RANKS UP 34.7 → 50 Post-Filing Index
Enforcing Contracts 4 RANKS UP 7 → 10 Quality of Judicial Processes Index	Resolving Insolvency 7 RANKS UP 27.7 → 40 Recovery Rate (cents on the dollar)	Resolving Insolvency 5 RANKS UP 5 → 8 Strength of Insolvency Framework Index (0-16)

If these 9 Doing Business sub-indices materialize, Jordan’s Ranking would improve from 103rd to 78th.



DATE: November 2017

SOURCE: JSF Study: “Jordan in the Doing Business Report: The Way Forward”

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6. Room for Improvement

Based on the reported information, Jordan Strategy Forum highlights in this section the relevant regulations, procedures, fees, taxes and others, which needs to be revised and visited in order to improve and enhance the doing business environment in Jordan and will reflect on the rank and DTF of Jordan on the ease of doing business index. The final aim of this exercise is to improve the business and investment environment in Jordan which will eventually reflect positively on economic growth, creating jobs and on prosperity of Jordanians .

Jordan Strategy Forum recommends a revisit to all the below mentioned items and improve where ever possible:

First, the cost of procedures to get a local limited liability company up and running is relatively high. These include:

Cost of Procedures		
1	Registration Fees	Ministry of Trade and Industry
2	Stamp Fees	
3	Fees for publication in the official gazette	
4	Fee for obtaining the standard form of the memorandum and articles of association	
5	Fee for the registration certificate	
6	Filing Fee	
7	Registration	Chamber of Commerce and Chamber of Industry
8	Vocational License	Greater Municipality of Amman

Second, the cost of dealing with construction permits. These include:

Cost of Dealing with Construction Permits		
1	Sale Form	Land and Survey Directorate
2	Certificate of Ownership	
3	Cadastral Map	
4	Zoning Map for the district and a non-objection letter on the Official Sale Form	Head of Land Registration Department
5	Fee for the registration certificate	
6	Payment of Fees for Conducting a Sale Hearing Session	

Third, cost of registering property. These include:

Cost of Registering Property	
1	Soil Examination License
2	Approval of Project Design
3	Building Permit
4	Authorized engineer for inspection of construction
5	Water and sewerage connection
6	Payment of Fees for Conducting a Sale Hearing Session

Fourth, legal rights index. These include a number of issues. For example, the law is NO in terms of many issues:

Legal Rights Index	
1	Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated?
2	Is a collateral registry in operation for both incorporated and non-incorporated entities, that is unified geographically and by asset type, with an electronic database indexed by debtor's name?

Fifth, number of tax payments. These include:

Number of Tax Payments	
1	Social Security Contribution (12)
2	Corporate Income Tax (1)
3	Property Tax (1)
4	Vehicle Tax (1)
5	Municipal Business Tax (1)
6	Fuel Tax (1)
7	Sales Tax (6)
8	Stamp Duty (1)

Sixth, post-filing tax. This includes issues like:

Post-Filing Tax	
1	Time to comply with sales tax refund
2	Time to obtain sales tax refund
3	Time to complete a corporate income tax audits

Seventh, quality of the judiciary system. These include a number of issues. For example, the answer is NO for the following questions:

Quality of the Judiciary system	
1	Is there a court or division of a court dedicated solely to hearing commercial cases?
2	Does the law regulate the maximum number of adjournments that can be granted?
3	Are the creditors divided into classes for the purposes of voting on the reorganization plan, does each class vote separately and are creditors in the same class treated equally?
4	Does the insolvency framework require approval by the creditors for selection or appointment of the insolvency representative?
5	Does the insolvency framework require approval by the creditors for sale of substantial assets of the debtor?
6	Does the insolvency framework provide that a creditor has the right to request information from the insolvency representative?

Eighth, the recovery rate is recorded as cents on the dollar recovered by secured creditors through:

Recovery Rate (Cents on the Dollar)	
1	Judicial Reorganization
2	Liquidation or debt enforcement (foreclosure or receivership) proceedings

Naturally, this rate is a function of time, cost, and outcome.

Finally, the strength of the insolvency framework index. These include a number of issues. For example, the answer is NO for the following questions:

Strength of the Insolvency Framework Index	
1	Does the insolvency framework allow the continuation of contracts supplying essential goods and services to the debtor?
2	Does the insolvency framework provide for the possibility of the debtor obtaining credit after commencement of insolvency proceedings?
3	Can two of the following four reports be generated about the competent court: (i) time to disposition report; (ii) clearance rate report; (iii) age of pending cases report; and (iv) single case progress report?
4	Are adjournments limited to unforeseen and exceptional circumstances?
5	Are there any electronic case management tools in place within the competent court for use by lawyers?

THE DOING BUSINESS REPORT has become an important global measure with important economic and political implications. On the economic side, the international evidence shows that the impact of the ease of doing business on economic growth is positive. "The effect of improving regulations on economic growth is claimed to be very strong. Moving from the worst one-fourth of nations to the best one-fourth implies a 2.3 percentage point increase in annual growth" (World Bank). On the political side, undoubtedly, the index has become a source of competition between nations, and against which the success of governments is evaluated and measured. Given these implications, it is only natural to recommend to all Jordanian stakeholders to examine each of the indicators' sub-indices, and adopt policy, regulatory, and other reforms to improve Jordan's stance in this globally important index.

7. References

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