



MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY

MEDIA STATEMENT:

WORLD BANK RANKS MALAYSIA 24TH FOR EASE OF DOING BUSINESS

Despite the drop in ranking, Malaysia records an improvement in its score from previous year

1. The World Bank's Doing Business Report 2018 (DB 2018) released today, continues to rank Malaysia among the top 25 economies in the world with a favourable business climate. At 24th position among 190 economies, Malaysia's ranking is marginally lower than the 23rd position last year.
2. Despite the slight decline, Malaysia actually recorded an improvement by 0.96 in terms of overall distance to frontier (DTF) score, from 77.47 in the previous year to 78.43 this year. The drop in ranking was a result of reforms undertaken by the UAE translating to an increase in DTF score of 1.87, enabling them to leapfrog from 26th last year to a ranking of 21st this year.
3. Out of the top 25 economies ranked, only Malaysia and 10 others recorded an improvement in DTF scores. The DTF score measures the distance of each economy to the "frontier economy," which refers to the best performing country on each of the indicators across all countries involved since DB 2005. The 78.43 overall DTF score recorded by Malaysia this year means our economy is 21.57 percentage points away from the frontier constructed from the best performances across all economies and across time.
4. The World Bank Doing Business 2018 report is the 15th in a series of annual report measuring regulations affecting 11 areas of the life of a business. Ten of these areas are included in this year's ranking on the ease of doing business: 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. It also measures labor market regulation, which has not been included in the rankings.

5. The report covers the data collection during the period from 2 June 2016 – 1 June 2017. These data come in the form of responses to the questionnaires, conference calls, written correspondence and visits by the World Bank team. These data are subjected to numerous rounds of verification which could lead to revisions or expansions of the information collected.

6. The World Bank relies on four main sources of information namely the relevant laws and regulations, respondents made up of 43,000 professionals in 190 economies, the Government officials from the countries involved and the World Bank Group regional staff.

7. Overall, the Report ranks New Zealand as the most business-friendly in the world, ahead of Singapore and Denmark, followed by the Republic of Korea and Hong Kong SAR. Within ASEAN, Malaysia was ranked second after Singapore and ahead of economies such as Thailand (26th), Brunei (56th) and Viet Nam (68th). In the Asian region, Malaysia is ranked in top 5, behind Singapore, the Republic of Korea, Hong Kong SAR and Taiwan.

8. Although Malaysia dropped one place, some successes in our business regulatory reforms were singled out by the World Bank:

- (i) strengthened access to credit through the new Companies Act 2016 that establishes a modern collateral registry;
- (ii) strengthened minority investor protection by requiring greater corporate transparency, placing Malaysia as the 4th best country for protection of minority investors; and
- (iii) improved infrastructure facilities at Port Klang which has eased the handling processes at the terminal and facilitated import and export processes.

9. Dato' Sri Mustapa Mohamed, Minister of International Trade and Industry applauded the reforms undertaken last year, "A total of 23 reforms was undertaken

by Malaysia over the last 15 years, higher than the average of 15 reforms undertaken by countries in the East Asia and the Pacific region. These reforms sent a strong signal of Malaysia's commitment to reduce regulatory burden to ensure our laws will encourage, instead of hinder enterprises, especially SMEs to do business in our country.

10. Malaysia recorded the highest DTF score in the Getting Electricity indicator, with a score of 94.33 (ranked 8th, UAE 1st). For the other nine indicators which are ranked in the report, Malaysia achieved DTF scores of at least 80.0 in five of them:

- i) 83.78 for Starting a Business (ranked 111th, New Zealand 1st);
- ii) 82.75 for Trading Across Borders (ranked 61st, Spain and other 11 countries jointly ranked 1st);
- iii) 82.19 for Dealing with Construction Permits (ranked 11th, Denmark 1st);
- iv) 80.0 for Getting Credit (ranked 20th, New Zealand 1st); and
- v) 80.0 for Protecting Minority Investors (ranked 4th, Kazakhstan 1st).

11. For the remaining 4 indicators, we recorded the following DTF scores: Paying Taxes (76.07), Registering Property (76.06), Enforcing Contracts (66.61) and Resolving Insolvency (62.51). Meanwhile, our improvements across sub-indicators in DB 2018 are attached in *Annex 1*.

12. The World Bank commended Malaysia for being one of the 60 countries that have established regulatory reform committee as a coordination mechanism across agencies, using the Report's indicators to address issues related to ease of doing business. "I would like to congratulate PEMUDAH, the special task force to facilitate businesses, which is co-chaired by Tan Sri Dr. Ali Hamsa, the Chief Secretary of Malaysian Government and Tan Sri Saw Choo Boon, Immediate Past President of Federation of Malaysian Manufacturers (FMM) for its continuous effort in steering the regulatory reforms in the country", said Dato' Sri Mustapa.

13. Dato' Sri Mustapa noted "the positive outcome of the Doing Business report is a result of the continuous reforms undertaken by the Government over the past decade. These measures have benefited local and foreign businesses, which now

have fewer hurdles to cross and are in a better position to make full use of their resources”.

14. Malaysia attained the maximum score of 8 for the Depth of Credit Information index (under the Getting Credit indicator) for the second consecutive year. Meanwhile for the Extent of Disclosure Index (under the Protecting Minority Investors indicator), we also scored the maximum score of 10 once again. “Such consistent strong performance on these indices have demonstrated that our regulatory reforms in these areas are not only effective, but also sustainable”, said Dato’ Sri Mustapa.

15. Dato’ Sri Mustapa explained, “We also noted the room for improvement as indicated by the World Bank. For example, under the Starting a Business indicator, the Companies Act 1965 was completely overhauled last year. We removed several requirements which had made the incorporation process complicated in the past, especially for SMEs. The Act has been modernised now, on par with global standards. However, these reforms have not been acknowledged yet in the report as the measures were only implemented during the first half of 2017 and thus have not produced tangible results yet.”

16. “Similarly, we have made progress under the Registering Property indicator through the launch of e-Tanah system in Kuala Lumpur Federal Territory in June 2017, which has not been reflected in this year’s Report. The same goes with the Enforcing Contracts indicator, where the e-Lelong system implemented in July 2017 could favour us in the next year’s Report”, he said.

17. He added, “Despite the reforms undertaken in the area of paying taxes, including the introduction of the e-payment system and single-tier corporate tax system, Malaysia is still lagging behind in terms of average time taken for the entire process of tax preparation, filing and payment. There are some measures such as the launch of the SOCSO portal implemented in March 2017 that will reduce the time taken to pay taxes, but have not been taken into account for this year’s Report”.

18. Moving ahead, Dato’ Sri Mustapa cautioned that “despite the improvement in our scores, the slight drop in our ranking indicates that other countries have been successful in implementing deeper reforms at a much faster pace. We need to do more and move faster in pushing through further reforms to improve our business

regulatory environment. It is hoped that Malaysia will do better in its future rankings, given the positive impact that will be produced by the abovementioned reforms as well as the initiative undertaken by the Civil Service Delivery Unit with regards to the coordination of data collection”.

Ministry of International Trade and Industry

1 November 2017

Annex 1:

Malaysia has improved in the following indicators and sub-indicators in DB 2018:

a) Starting a Business

- DTF score improved from 83.67 to 83.78;
- Cost (% of income per capita) reduced from 6.2 % to 5.4%.

b) Trading Across Borders

- DTF score improved from 82.38 to 82.75; and
- Border compliance hours (import) reduced from 72 to 69.

c) Dealing with Construction Permits

- DTF score improved from 81.1 to 82.19.

d) Getting Credit

- DTF score improved from 75.0 to 80.0;
- Strength of Legal rights Index improved from 7 to 8; and
- Credit bureau coverage (percentage of adults) improved from 76.4 to 82.6; and
- Credit registry coverage (percentage of adults) improved from 62.4 to 63.6.

e) Protecting Minority Investors

- DTF score improved from 78.33 to 80.00; and
- Extent of corporate transparency Index improved from 7 to 8.

f) Paying Taxes

- DTF score improved from 73.39 to 76.07;
- Payments (number per year) reduced from 9 to 8;
- Total tax rate (% of profit) reduced from 40% to 39.2%; and
- Postfiling index (1-100) improved from 41.06 to 52.65.

g) Resolving Insolvency

- DTF score improved from 62.49 to 62.51.