

MEDIA STATEMENT

WORLD BANK RANKS MALAYSIA 23RD FOR EASE OF DOING BUSINESS

1. The World Bank's Doing Business Report 2017 (DB 2017), released today, ranks Malaysia at 23rd position with an overall distance to frontier (DTF) score of 78.11 amongst the 190 economies surveyed, down from 22nd position on a score of 78.18 last year.
2. Malaysia was initially ranked 18th in DB 2016, but the ranking for that year was revised to 22nd taking into account some changes in methodology.
3. Overall, the Report ranks New Zealand as the most business friendly in the world, ahead of Singapore and Denmark followed by Hong Kong SAR and the Republic of Korea. Within ASEAN, Malaysia was ranked second after Singapore and ahead of economies such as Thailand (46th), Indonesia (91st), Japan (34th), China (78th), France (29th), Switzerland (31st) and India (130th).
4. The slight decline in Malaysia's DTF score from 78.18 to 78.11 is mainly due to drop in performance in the following indicators:
 - i. Starting A Business (DTF score declined from 89.31 to 83.67)
 - The number of procedures increased from 6 to 8.5 procedures; and
 - The number of days increased from 7 to 18.5 days.
 - ii. Paying Taxes (DTF score declined from 79.31 to 79.2)
 - The time taken in hours per year increased from 118 to 164 hours.

5. On the other hand, Malaysia has recorded improvement in the following indicators and sub-indicators in DB 2017:
 - i. Getting Electricity (DTF score improved from 94.33 to 94.34)
 - Cost (percentage of income per capita) reduced from 28.8% to 26.6%
 - ii. Getting Credit (DTF score improved from 70.0 to 75.0)
 - Depth of credit information index improved from 7 to the maximum score of 8;
 - Credit registry coverage (percentage of adults) improved from 57.0 to 62.4.
 - iii. Dealing with Construction Permits (DTF score improved from 81.08 to 81.10)
 - iv. Starting a Business
 - Cost (percentage of income per capita) reduced from 6.7 to 6.2.
 - v. Paying Taxes
 - Payments (number per year) reduced from 13 to 9.
 - vi. Trading Across Borders
 - Cost to export: Border compliance (US\$) reduced from US\$ 321.20 to US\$ 321; and
 - Cost to import: Border compliance (US\$) reduced from US\$ 321.20 to US\$ 321.
6. PEMUDAH, the public-private sector Special Task Force to facilitate business, through its Focus Group on Starting a Business which consists of a number of private sector players, and representatives from the Malaysian Administrative Modernisation and Management Planning Unit (MAMPU), Companies Commission of Malaysia (SSM) and Inland Revenue Department (LHDN), will identify the necessary areas for further improvement.
7. The new Companies Act 2016, which was recently passed by Dewan Rakyat, once implemented, will bring about improvements in the business registration process. This new act will simplify the incorporation process by dispensing multiple forms, common seals, Memorandum & Articles of Association as well as appointment of company secretary at the point of incorporation becomes optional, hence reducing time and cost for starting a business. We believe this will further improve the ease of doing business in Malaysia.

8. Likewise, the Focus Group on Paying Taxes, which consists of representatives from LHDN, Employees' Provident Fund (EPF) and Social Security Organisation (SOCSO) as well as private sector representatives, is engaging with the World Bank to understand further on the components of the time taken for Paying Taxes, and to identify, learn and adopt from best practices to improve Malaysia's performance in this indicator.
9. Revisions made to the methodology since DB 2015 included the introduction of DTF scores and changes in the scope of the study in three indicators, namely Getting Credit, Protecting Minority Investors and Resolving Insolvency. DB 2016 has made further changes to the methodology to take into account five other Doing Business indicator sets, namely, Registering Property, Dealing with Construction Permits, Getting Electricity, Enforcing Contracts and Trading Across Borders.
10. In DB 2017, improvements were again made, this time, by expanding the Paying Taxes indicator set to cover post filing processes (what happens after a firm pays taxes) such as tax refunds, tax audits and administrative tax appeals as well as incorporating a gender dimension in the Starting a Business, Registering Property and Enforcing Contracts indicator sets. It was the result of these changes in methodology this year that Malaysia's position has been revised from 18th to 22nd in the previous report.
11. The revised methodology has expanded the focus of the indicator sets in such a way that:
 - i. the quality aspects are considered in measuring the efficiency of a transaction or service
 - ii. recent good practices in the areas covered are also taken into account in assessing the quality aspects of regulation
12. PEMUDAH with its Secretariat at Malaysia Productivity Corporation (MPC) works closely with various Government agencies to tap on their expertise and experience to help initiate,

implement and monitor the measures undertaken to raise efficiency and quality in all the areas of doing business.

13. The Minister mentioned that PEMUDAH, which is co-chaired by Tan Sri Dr. Ali Hamsa, the Chief Secretary of Malaysian Government and Tan Sri Saw Choo Boon, President of Federation of Malaysian Manufacturers (FMM), will continue to be the game-changer in striving for a better regulatory environment in Malaysia. Among initiatives that PEMUDAH is undertaking is the standardisation on e-consent management system at states that will reduce the cost and time in getting consent to transfer the property.
14. For Resolving Insolvency PEMUDAH Focus Group on Resolving Insolvency is undertaking initiatives to expedite the tax clearance letter and the court order. This will reduce the time taken for Resolving Insolvency process.
15. DB 2017 measures regulatory quality and efficiency using the DTF methodology and has accorded Malaysia a score of 78.11 out of a maximum of 100. The DTF score identifies the gap between the performance of an economy and best practices across 45 sub-indicators of quality and efficiency where a score of 100 represents the frontier and a zero score is the furthest from the frontier.
16. Malaysia recorded the highest DTF score in the Getting Electricity indicator, with a score of 94.34. Of the other nine indicators which are ranked in the report, Malaysia achieved DTF scores of at least 80.0 in 4 other indicators; Starting a Business (83.67), Trading Across Borders (82.38), Dealing with Construction Permits (81.10) and Protecting Minority Investors (80.0). For the remaining 5 indicators, DTF scores are, for Paying Taxes, 79.20, Registering Property, 76.29, Enforcing Contracts, 66.61 and Resolving Insolvency, 62.49.

17. Malaysia is credited alongside countries such as Germany, Hong Kong, and the United Kingdom as being the best performers on the “Reliability of Supply and Transparency of Tariffs Index” under the Getting Electricity indicator. Malaysia is one of the best performers on this index for 2 consecutive years. Malaysia is also acknowledged in the Report as having made Paying Taxes easier by enhancing the electronic system for filing and paying the goods and services tax (GST).

18. In terms of improving the sharing of credit information, Malaysia is recognised as one of the economies which have introduced bureau or registry credit scores as a value-added service. The positive impact of this initiative has gained Malaysia the maximum score of 8.0 on the “Depth of Credit Information Index” which placed Malaysia in the same league as the Republic of Korea, Taiwan (China) and the United Kingdom.

19. According to the Minister of International Trade and Industry, Dato' Sri Mustapa Mohamed, “We take note of the areas mentioned where improvements are needed, and we will continue to work to the best of our ability to be better. The Good Regulatory Practice (GRP) initiative through the National Policy on the Development and Implementation of Regulations (NPDIR) undertaken by PEMUDAH has seen positive outcomes since its launch in 2013. As at September 2016, a total of 154 regulatory proposals were received from Ministries and agencies for MPC’s assessment,”

20. “Malaysia continues to be recognised for our business-friendly policy and competitive economy. The weaknesses pointed in this year’s report will be addressed accordingly and hopefully through greater public-private collaboration we will be able to improve our ranking in the upcoming Doing Business Report,” Dato’ Sri Mustapa Mohamed further added.

26th October 2016

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About MITI:

MITI is the key driver in making Malaysia the preferred destination for quality investments and enhancing the nation's rising status as a globally competitive trading nation. Its objectives and roles are oriented towards ensuring Malaysia's rapid economic development and help achieve the country's stated goal of becoming a developed nation by 2020 .

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