

Third National Report on Non-Exhaustive Reforms in Doing Business in the State of Kuwait

June 1, 2015-May 31, 2016

Submitted to:

Doing Business Unit, the World Bank Group

Prepared by:

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INTRODUCTION

- 1. Third National Report:** This Report is the third official non-exhaustive update of the reforms in doing business in the State of Kuwait for the period under consideration for preparing DB2017 report. It is submitted to the Doing Business Unit (DB) at the World Bank Group (WBG) by the Kuwait Direct Investment Promotion Authority (KDIPA), whose Director General heads the Permanent Committee for Streamlining Business Environment in Kuwait (PCK). *The Reform Update Template for Kuwait in DB2017 was sent separately on April 22, 2016 to the DB Unit, a summary of which is attached in the Appendix (No. 1 Summary of Reform Template for Kuwait DB2017).*
- 2. Emerging Consolidation:** This report reflects an apparent emerging consolidation of reform efforts in Kuwait's business environment during the report period, as derived from received government official responses, outcome of one-to-one meetings and public private open dialogue, as well as the compilation of related decisions and resolutions issued. On top of reform is the launching of the official launching of MOCI national One Stop Shop (OSS), more extensive utilization of e-transactions to ensure speedy procedures and increased transparency.



IMPROVING LEGAL & REGULATORY FRAMEWORK

1. **One Stop Shop (OSS)**: The Ministry of Commerce & Industry (MOCI) issued Ministerial Decision No. 161 of 2016, dated April 20, 2016, regarding establishing a national one stop shop; it entered into force on May 29, 2016 when it was published in the official gazette issue No. 1290. According to this Decision the MOCI established an independent office for the One Stop Shop (OSS) with other represented eight government entities including: MoJ, Kuwait Municipality, Ministry of Social Affairs, PACE, MoI, KCCI, KDIPA and SME Fund. The official launching took place on May 31, 2016 whereby the OSS t will start fully licensing the limited liability companies and the one person companies in one visit aiming at making the business environment more favorable. The OSS will be under the direct supervision of the Minister, and various staff members will be designated to operate it from within various departments at MOCI and other concerned government entities including KDIPA and National SME Fund. (<http://www.alraimedia.com/ar/article/local/2016/05/31/683767/nr/nc>)

Appendix (No. 2 Ministerial Decision 161 of 2016 Establishing the One Stop Shop)

2. **E-Services**: Kuwait has taken several profound strides to deepen the application and utilization of e-services and transactions.
PAI announced on May 16, 2015 that that as of November 1, 2015, it will receive applications for industrial licensing and land lease contracts online, forbidding any submission in person or by hand. (<http://kuwaitalyawm.media.gov.kw/content/%D8%A7%D8%B3%D8%AA%D9%82%D8%A8%D8%A7%D9%84-%D8%B9%D8%AF%D8%AF%D8%A7-%D9%85%D9%86-%D8%A7%D9%84%D8%A5%D8%AC%D8%B1%D8%A7%D8%A1%D8%A7%D8%AA->

[%D8%A7%D9%84%D8%AE%D8%A7%D8%B5%D8%A9-%D8%A8%D8%A7%D9%84%D8%AA%D8%B1%D8%A7%D8%AE%D9%8A%D8%B5-%D9%88%D8%A7%D9%84%D8%B9%D9%82%D9%88%D8%AF-%D8%A5%D9%84%D9%83%D8%AA%D8%B1%D9%88%D9%86%D9%8A%D8%A7\)](#)

This is the relevant website:

<https://www.pai.gov.kw/documents/10179/13826/online+guide/003ec0b3-43c2-4c34-a73b-def341cb5d99>



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Kuwait Municipality: Introduced the following:

Online advertising announcements for general shops as of February 15, 2015 , check link:
www.baladia.gov.kw/egovadv



Renewal of sanitary licenses
www.baladia.gov.kw/egovsh/



Online inquiry on activities regarding allowed commercial & investment activities in zoning areas:
<http://esrv.baladia.gov.kw/PublicShopInq1/>



and a link to provide assistance to applicants for various services offered at the Municipality:
<http://www.baladia.gov.kw/sites/ar/municipalityservices>



MOJ: Based on a letter received by MOF informing all government entities to abide by the Council of Ministers Decision No. 432 of 2015 taken in its meeting No. 13/2015 held on March 23, 2015 to impose a mandatory use of the government e-Stamp system in all the channels and applications and through all fee collection for government services. Thus MOJ adopted a comprehensive e-Payment system as of fiscal year FY (2017/2018) starting April 1, 2017. To obtain this every government entity was requested by the MOF to assign an ad-hoc team by June 28, 2015 to coordinate with the central team for government e-stamp project at the MOF. In this regard, MOJ issued Administrative Decision No. 1104 of 2015 regarding the formulation of an internal team to implement the government e-stamp on all its services forms/templates for payment of the mandated fees. Based on that, MOJ issued Circular No. 10 of 2016 dated April 12, 2016 to start with a pilot phase implementing internal e-transactions during the period April 17, 2016 until May 15, 2016. Such that, after the

conclusion of the pilot phase (by May 15, 2016) all internal transactions and communication within MOJ will be conducted electronically. MOJ issued an online user guidebook for electronic claims and payment orders, as seen in the link below.

Appendix (No.3 MOJ Decision to utilize e-stamps)

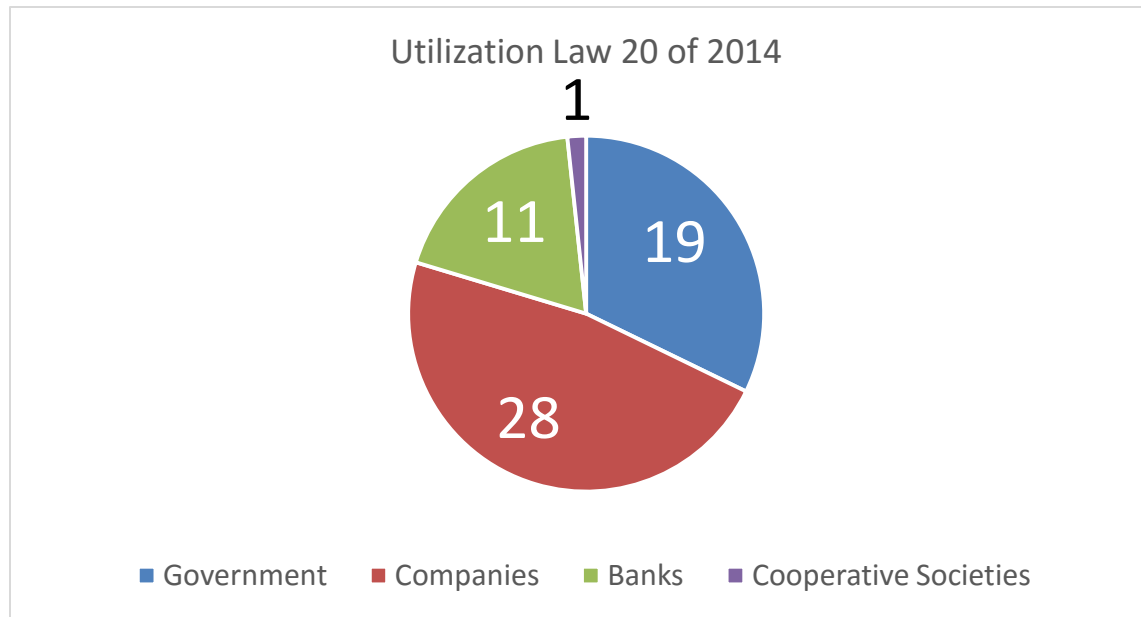
<https://www.kuwaitcourts.gov.kw/>



<https://www.kuwaitcourts.gov.kw/downloads/Manual.pdf>



PACI activated the utilization of Law 20 of 2014 by providing e-signature authorization and smartcard chip reader to 59 government entities, banks, cooperative societies, and companies. Also, PACI gave certificate authority to all the Kuwait Oil Companies, Kuwait banking Union, Public Authority for Environment, Public Authority for Industry (PAI), MOF, and a local company. PACI has opened offices to issue e-signature within 19 government and non-government entities according to their request and 14 more are waiting to be opened very soon.



Appendix (No. 4 PACI letter May 24 2016 for e-signature, ca, and offices).

3. **Insolvency Draft Law:** The World Bank's Insolvency and Creditor/Debtor Regime Mission last visited Kuwait in the period from January 18-20, 2016. A presentation was delivered on January 20, 2016 to the Council of Ministers for the draft Insolvency Law and to follow up on the status of ongoing project implementation with other government counterparts on the Kuwait ICR Project. The Council of Ministers decided to establish a committee to review the contents of the draft Insolvency Law. There are two more laws under it still to be taken to the Council of Ministers: the Credit Reporting Framework is one of them and was submitted by Kuwait CBK to the World Bank team on January 24, 2016. The original end date for the project was June 20, 2016, but the Minister of Finance approved to extend the project until June 20, 2018, in order to finalize the activity components to support the Government of Kuwait.



ADVOCAY ROLE BY KDIPA ON BAHLF OF KPC

4. **Membership:** The Permanent Committee for Streamlining Business Environment in Kuwait (PCK), in accordance with the Council of Ministers Decision No. 1551 dated December 18, 2013, and headed by KDIPA, extended its initial membership of seven government entities to include two more relevant entities, General Secretariat for Planning & Developing and Manpower Pubic Authority, in accordance the Council of Ministers Decision No. 100 of 2016 dated February 3, 2016.



KDIPA	Ministry of Commerce & Industry (MOCI)	Ministry of Justice (MOJ)
Ministry of Electricity & Water (MEW)	Kuwait Municipality	Ministry of Finance (MOF)
Kuwait General Administration of Customs (KGAC)		Central Bank of Kuwait (CBK)
General Secretariat for Planning & Development		Public Authority for Manpower

5. **Meetings:** PCK held two meetings during the report period, one on December 27, 2015, in the aftermath of the release of DB Report 2016 whereby it assessed Kuwait's position in it, and used it to develop the next action plan, delivery timeframe, seeking more engagement by various stakeholders. The other PCK meeting was held on February 23, 2016, to discuss the future reforms of Kuwait Municipality.
6. **Focal teams:** KDIPA asked members of the PCK to nominate 3-member focal follow up teams from each one of the relevant government entity. An orientation meeting was held for the focal teams on January 17, 2016 at KDIPA office, whereby Kuwait position was discussed in the DB report and clarifications were sought on several issues. The coordination has markedly improved between KDIPA and relevant government entities engaged in reform initiative.
7. **Open Dialogue:** KDIPA, on behalf of PCK, called for the second open Public Private dialogue series which was launched on January 19, 2016 with the attendance of more than 54 people from the

contributors of DB2016 report. Chairman of PCK , Director General of KDIPA opened the second meeting welcoming the attendees, and two of the members of PCK participated in an open panel responding to incoming issues by the audience. The Country Manager, Kuwait Country Office, of the World Bank and staff members attended as well as KPC focal teams. KDIPA Economic Consultant provided a presentation with an overview of Kuwait position in DB2016 and indicated the need to identify collectively reform priorities.



Overview of Kuwait Position in Doing Business 2016

Reform Priorities

Second Open Meeting with DB2016 Contributors
(PP Dialogue Series#2)

Wednesday January 19, 2016
By: Mona Salim Baraco, Elzooomic/IF Consultant

The second open dialogue focused on identifying several reform priorities in Kuwait, of which summarized as follows:

#	Reform Issues
1	Lengthy procedures and requesting excessive documents to submit to various government entities.
2	IT infrastructure at MOCI needs comprehensive overall to become user friendly and reliable.
3	Government human resources needs to be adequately informed and trained to carry on their tasks efficiently and

	in a unified understanding as the human factor is the most crucial issue.
4	Crowding of the monitoring and follow up function undertaken by several government entities.
5	Insufficient role of the Private Sector in identifying solutions for better building environment.

MOCI Undersecretary introduced several upcoming improvements of which:

#	MOCI Reforms
1	MOCI established an in-house training center to qualify its human resources through an intensive 5-month nonstop training program.
2	MOCI decided to facilitate establishing companies by eliminating the prior requirement for an address and a post office box.
3	CTC already approved the project to revamp the ICT structure at MOCI
4	Facilitate issuing a commercial registry by amending the relevant law
5	MOCI (Hawalli branch) have reduced the procedures to issue licenses, and the procedure usually takes within 1 day; compared to 15 days in MOCI.
6	Commitment to reduce the duration for issuing commercial registration at MOCI through establishing an effectively functioning One Stop Shop. Supported by all needed decisions and amendments in the organizational structure and availing the proper ICT infrastructure for e-links.

8. **Field Visits:** KDIPA, on behalf of PCK, conducted 18 field visits during the period February 11-28, 2016, with private sector entities amongst the contributors of DB2016 to detect reform priorities and enhance coordination. The suggestions and complaints complied, are summarized in the attachment **Appendix (No. 5 Summary of Priority Reform according to contributors of DB16 - Arabic).**



9. **Technical Support:** KDIPA signed on March 29, 2016 the technical support agreement between KDIPA and the World Bank Group (WBG) to “Support Investment Environment Reform” in Kuwait. On April 4, 2016, the WBG technical support team made a visit to KDIPA to discuss the action plan. The second hands-on diagnostic workshop was held in Kuwait by the DB Unit with attendance of KDIPA team, and all the relevant focal teams to discuss change in methodology of DB2016 during the period May 16-18, 2016. Several issues were clarified and the new methodology better understood. Furthermore, KDIPA team supported DB Unit in disseminating “Questionnaires for Benchmarking Public Procurement in Kuwait” . It conducted field visits to identify correct delegated individuals who

will fill the questionnaire in MoF, MOCI, Kuwait Chamber of Commerce & Industry (KCCI), Central Procurement Committee (CTC), MoPW, MOI, Ministry of Social Affairs.

Appendix (No. 6 List of steps taken by KDIPA in support of PCK Mandate for KT DB2017)



OUTCOME OF MAPPING

10. **Stocktaking of Legal & Regulatory Developments:** Kuwait witnessed several legal and regulatory developments during the period of the report.

Appendix (No. 7 Stocktaking of Legal & Regulatory Developments)

11. **Mapping Procedures:** KDIPA, on behalf of PCK, continued to request from PCK members and other related government entities to review existing procedures in terms of number, days, duration, and cost as well as answers to the newly introduced quality indices as reported in Kuwait DB2016 for all the ease of doing business indicators. Official response was received by MEW. Other government entities mainly MOCI, Kuwait Municipality, MOJ, Customs Department will provide their comments that will be duly forwarded.

12. **MEW:** The Ministry of Electricity & Water (MEW) has provided updated information regarding its procedures for Getting Electricity as compared to the ones mentioned in the Kuwait DB 2016 report. Such that the total duration for getting electricity is 16 days and the cost is KD 3,766.750 instead of KD 5,152.920.

Appendix (No. 8a MEW response and documents validating shorter procedures and time)

The calculation for electricity connection cost based on the scenario of the DB 2016 questionnaire yields a final total cost of KD 3,816.500 instead of KD 5,125.000 Mentioned in the DB 2016 Clarified in the attachment.

Appendix (No. 8b MEW cost for electricity connection)

MEW clarified that it takes on average 6 days between receiving the application for testing of electrical wiring and power supply connection is 6 days as seen in the two examples attached. (Received on 11th of April 2016 connected on 17 April 2016 for both companies).

Appendix (No. 8c MEW form of application for testing of electrical wiring)

MEW utilizes e-cabling through this link

http://power.mew.gov.kw/ecabling/check_form_view.php?editid1=26140

Appendix (No. 8d MEW e-cabling check form)

Screenshot, which shows the link between the Kuwait Municipality and MEW for studying electricity and air conditioning plans.

Appendix (No. 8e MEW Study of Electric and Air Conditioning design plan)

Screenshot of application for licensing electricity connection to show it takes 6 days for connection instead of 17 days.

Appendix (No. 8f MEW Application for electric connection License)



APPENDICES 1 – 8 (a-f)

Attached.