

Ease of Doing Business in SAARC Countries

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The World Bank's featured 'Ease of Doing Business 2020' Report, released in October 2019, carried the good news for Pakistan that it is one of those ten economies, out of 190 countries, which has improved the most across three or more reforms areas measured by DB 2018-19. In fact, since the launch of DB report in 2002, it is for the first time that Pakistan has jumped 28 points in one year with 6 reforms.

The ten economies with the most notable improvement in Doing Business 2020 are Saudi Arabia, Jordan, Togo, Bahrain, Tajikistan, Pakistan, Kuwait, China, India, and Nigeria. These economies have implemented a total of 59 regulatory reforms in 2018/19 which account for 1/5th of all the reforms recorded worldwide. Let's have a look at the DB areas in which these economies have implemented regulatory reforms:

Table-1 indicates that Bahrain excels the other nine top economies by implementing regulatory reforms in 9 areas, followed by Saudi Arabia and China [8 areas]; Kuwait [7 areas]; Pakistan and Nigeria [6 areas]; Togo [5 areas]; India [4 areas]; Jordan and Tajikistan [3 areas]. As per improvement in DB Score, Pakistan stands at 6th position out of 10 economies with DB score increased by 5.5 points. We will be discussing in detail the difference between DB Index and DB score later in this article.

The six reforms areas of Pakistan include (1) starting a business; (2) dealing with construction permits; (3) getting electricity; (4) registering property; (5) paying taxes; and (6) trading across borders.



Table-1: Top 10 economies which implemented regulatory reforms in three or more areas measured by Doing Business in 2018/19

Economy	DB Rank	Change in DB score	Starting a business	Dealing with construction permits	Getting electricity	Registering property	Getting credit	Protecting minority investors	Paying taxes	Trading across borders	Enforcing contracts	Resolving Insolvency
Saudi Arabia	62	7.7	✓	✓	✓		✓	✓		✓	✓	✓
Jordan	75	7.6					✓		✓			✓
Togo	97	7.0	✓	✓	✓	✓	✓					
Bahrain	43	5.9		✓	✓	✓	✓	✓	✓	✓	✓	✓
Tajikistan	106	5.7	✓				✓			✓		
Pakistan	108	5.5	✓	✓	✓	✓			✓	✓		
Kuwait	83	4.7	✓	✓	✓	✓	✓	✓		✓		
China	31	4.0	✓	✓	✓			✓	✓	✓	✓	✓
India	63	3.5	✓	✓						✓		✓
Nigeria	131	3.4	✓	✓	✓	✓				✓	✓	

Focus Section

Only two countries from the SAARC region viz. Pakistan and India have found a place in the top 10 economies. Pakistan, however, is better placed with 6 reforms as compared to India with 4 reforms.

Quote: "Pakistan, another top improver, developed an ambitious reform strategy, setting up a national secretariat as well as a prime minister's reform steering committee to ensure progress. Most of the programmed reforms evolved around the Doing Business indicators. Doing Business working groups have been set up at both municipal and provincial levels."

Ease of DB Ranking and Ease of DB Score

It would be appropriate to first understand the difference between the two terminologies, mostly used in the Doing Business Report, which are 'Ease of Doing Business Ranking' and 'Ease of Doing Business Score'.

Ease of DB Ranking: The EODB ranking ranges from 1 to 190 [the first rank being the best] and is based on ease of doing business score. The rankings of economies are determined by sorting the aggregate ease of doing business scores and comparing the economies with one another. A high ranking signifies that the regulatory environment is conducive to business operation.

Ease of DB Score: The EODB Score was formerly called the 'distance to frontier score'. While the EODB Ranking indicates how much the regulatory environment has changed relative to that in other countries, the EODB score benchmarks economies with regard to regulatory best practice showing the absolute distance to the best regulatory performance on each DB indicator. When compared across years, it shows how much the regulatory environment for local entrepreneurs in an economy has changed over time in absolute terms. In other words, it captures the gap of each economy from the best regulatory performance observed on each of the indicators across all economies in DB Sample since 2005.

It may be noted here that the rankings and scores of each economy can vary considerably across topics, indicating that a strong performance by an economy in one area of regulation can co-exist with weak performance in another area.

DB 2020 Indicators and their measurement

There are twelve quantitative indicators of doing Business 2020 which are classified under five broad heads as under:

1. Opening a Business
2. Getting a Location
3. Accessing Finance
4. Dealing with day-to-day operations
5. Operating in a secure business environment

1. Opening a Business

1.1. Starting a business: It measures the procedures, time, cost, and paid-in minimum capital to start a limited liability company for men and women.

1.2. Employing workers: It measures regulation in the areas of hiring, working hours, and redundancy; however, this indicator does not constitute a part of the ease of doing business ranking 2020.

2. Getting a Location

2.1. Dealing with construction permits: It measures procedures, time, and cost to complete all formalities to build a standardized warehouse and the quality control and safety mechanisms in the construction permitting system.

2.2. Getting electricity: It measures procedures, time, and cost to get connected to the electrical grid; the reliability of the electricity supply; and the transparency of tariffs

2.3. Registering property: It measures procedures, time, and cost to transfer a property and the quality of the land management and administration system. The index of land management efficiency has five dimensions: infrastructure reliability, knowledge accessibility, geographic reach, land dispute resolution and equal access to property rights.

3. Accessing Finance

3.1. Getting credit: It measures movable collateral laws and credit information systems.

3.2. Protecting minority investors: It measures minority shareholders' rights in related-party transactions and in corporate governance, in the context of governance safeguards and corporate transparency requirements that reduce the risk of abuse.

4. Dealing with day-to-day operations

4.1. Paying taxes: It measures payments, time, and total tax and contribution rate for a firm to comply with all tax regulations as well as post-filing processes in a given year. It specifically considers the administrative burden of paying taxes and contributions.

4.2. Trading across borders: It measures the time and cost (excluding tariffs) associated with three sets of procedures documentary compliance, border compliance, and domestic transport within the overall process of exporting or importing a shipment of goods

Opening
a business



Getting a
location



Accessing
finance



Dealing with
day-to-day
operations



Operating in a
secure business
environment



Starting a
business



Employing
workers



Dealing with
construction
permits



Getting
electricity



Registering
property



Getting
credit



Protecting
minority
investors



Paying
taxes



Trading
across
borders



Contracting
with the
government
(coming soon)



Enforcing
contracts



Resolving
insolvency

Note: The employing workers and contracting with the government indicator sets are not included in the ease of doing business ranking.

Table-2: Change in DB Scores of SAARC countries [DB 2019 vs. DB 2020]

Sr.	SAARC country	EODB 2019 Score	EODB 2020 Score	Change in EODB Score
1	Afghanistan	44.2	44.1	- 0.1
2	Bangladesh	42.5	45.0	+ 2.5
3	Bhutan	66.0	66.0	Unchanged
4	India	67.5	71.0	+ 3.5
5	Maldives	53.3	53.3	Unchanged
6	Nepal	59.7	63.2	+ 3.5
7	Pakistan	55.5	61.0	+ 5.5
8	Sri Lanka	61.8	61.8	Unchanged

4.3. **Contracting with the Government:** It measures the time and procedures involved in a standardized public procurement for road resurfacing.; however, this indicator does not constitute a part of the ease of doing business ranking 2020.

5. Operating in a secure business environment

5.1. **Enforcing contracts:** It measures time and cost to resolve a commercial dispute through a local first-instance court and the quality of judicial processes for men and women.

5.2. **Resolving insolvency:** It measures time, cost, outcome, and recovery rate for commercial insolvency and the strength of the legal framework for insolvency.

EODB Scores and Rankings of SAARC countries

Now let's analyze in detail the doing business scores and rankings of eight SAARC countries viz. Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.

It transpires from the Doing Business Scores data of World Bank that in the SAARC region, Pakistan has performed exceptionally well and improved by 5.5 points, followed by 3.5

Table-3: Change in DB Rankings of SAARC countries [DB 2019 vs. DB 2020]

Sr.	SAARC country	EODB 2019 Ranking	EODB 2020 Ranking	Change in EODB Ranking	Ranking within SAARC
1	Afghanistan	167	173	- 6	8
2	Bangladesh	176	168	+ 8	7
3	Bhutan	81	89	- 8	2
4	India	77	63	+ 14	1
5	Maldives	139	147	- 8	6
6	Nepal	110	94	+ 16	3
7	Pakistan	136	108	+ 28	5
8	Sri Lanka	100	99	+ 1	4

points each by India and Nepal; and 2.5 points by Bangladesh. **Table-2** depicts the DB scores of SAARC countries in 2019 and 2020:

Pakistan has also performed remarkably well in the SAARC region and improved its ranking by 28 points from 136 in 2019 to 108 in the 2020 EODB Index. The second improver in the SAARC region is Nepal, followed by India. **Table-3** presents a comparison of DB Rankings of SAARC countries in 2019 and 2020:

DB 2020 Indicator-wise Rankings

Out of ten EODB indicators, India ranks first in the SAARC region by implementing the highest regulatory measures related to five indicators; followed by Bhutan with improved performance on four indicators. Afghanistan ranks first in 'Starting a business' indicator; whereas the remaining SAARC nations, including Pakistan, have not achieved first ranking in any of the 10 indicator sets. Pakistan has, however, been able to attain 2nd ranking for taking EODB measures on three indicators viz. Starting a business; Protecting minority investors, and Resolving insolvency. **Table-4** shows indicator-wise rankings of SAARC countries:

Table-4: DB 2020 Indicator-wise Rankings of SAARC countries

EODB Indicator	Ranking	Afghanistan	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Srilanka
Starting a business	Rank in world	52	131	103	136	74	135	72	85
	Rank in SAARC	1	6	5	8	3	7	2	4
Dealing with construction permits	Rank in world	183	135	91	27	63	107	112	66
	Rank in SAARC	8	7	4	1	2	5	6	3
Getting electricity	Rank in world	173	176	78	22	149	135	123	89
	Rank in SAARC	7	8	2	1	6	5	4	3
Registering property	Rank in world	186	184	53	154	176	97	151	138
	Rank in SAARC	8	7	1	5	6	2	4	3
Getting Credit	Rank in world	104	119	94	25	144	37	119	132
	Rank in SAARC	4	5	3	1	8	2	5	7
Protecting minority investors	Rank in world	140	72	111	13	147	79	28	28
	Rank in SAARC	7	4	6	1	8	5	2	2
Paying taxes	Rank in world	178	151	15	115	119	175	161	142
	Rank in SAARC	8	5	1	2	3	7	6	4
Trading across border	Rank in world	177	176	30	68	157	60	111	96
	Rank in SAARC	8	7	1	3	6	2	5	4
Enforcing contract	Rank in world	181	189	29	163	124	151	156	164
	Rank in SAARC	7	8	1	5	2	3	4	6
Resolving insolvency	Rank in world	76	154	168	52	141	87	58	94
	Rank in SAARC	3	7	8	1	6	4	2	5

Doing Business Reforms in SAARC countries

Now let's analyze the doing business reforms initiated by the SAARC countries in the ten EODB indicator areas. The World Bank data provides a very comprehensive reference and record of all reform measures undertaken by 190 countries since 2008; however, to keep this paper brief, we are restricting ourselves to mention only those reforms of SAARC countries which are mentioned in WB's DB Reports 2019 and 2020.

Afghanistan

- a) **Starting a business** was made less costly by reducing the fees for business incorporation (2019)
- b) **Access to credit** was strengthened by enacting a new insolvency law. Secured creditors are now given absolute priority over other claims within insolvency proceedings. (2019)
- c) **Minority investor protection** was ensured by requiring greater disclosure of transactions with interested parties, easing shareholder suits by extending access to documents and evidence during the trial, increasing shareholders' rights and role in major corporate decisions, clarifying ownership and control structures and requiring greater corporate transparency. (2019)
- d) **Paying taxes** was made easier by adopting a new tax administration and law manual with clear rules and guidelines on tax audit, and by automating the submission of tax returns. (2019)
- e) **Resolving insolvency** was made easier by improving the continuation of the debtor's business during insolvency proceedings, introducing the reorganization procedure and granting creditors greater participation in the proceedings. (2019)

Afghanistan did not initiate business reforms in any of the 10 EODB areas during 2020.

Bangladesh

- a) **Starting a business** was made less expensive by reducing name clearance and registration fees and abolishing fees for certifying digital certificates in Dhaka and Chittagong. (2020)
- b) **Getting electricity** was made faster by investing in digitizing human capital at the utility, and also made less costly by reducing the amount of security deposit for a new connection. (2020).
- c) **Access to credit** was improved by expanding the coverage of the credit information bureau. This reform applies to both Dhaka and Chittagong. (2020)

Bangladesh did not initiate business reforms in any of the 10 EODB areas during 2019.

Bhutan

- a) **Paying taxes** was made easier by introducing an online platform for filing corporate income tax and personal income tax returns. (2019)

Bhutan did not initiate business reforms in any of the 10 EODB areas during 2020.

India

- a) **Starting a business** was made easier in both Delhi and Mumbai by abolishing filing fees for the SPICe company incorporation form, electronic memorandum, and articles of association. (2020)

Multiple application forms were fully integrated into a general incorporation form and VAT was replaced with GST with a faster registration process. Mumbai abolished the practice of site inspections for registering companies under the Shops and Establishments Act. (2019)

- b) **Dealing with construction permits** was streamlined by reducing the time and cost of obtaining building permits and making it faster and less expensive to get a construction permit. (2020)

Building quality control was improved in India by introducing decennial liability and insurance. This reform applies to both Delhi and Mumbai. (2019)

- c) **Trading across borders** was made easier by enabling post-clearance audits, integrating trade stakeholders in a single electronic platform, upgrading port infrastructures and enhancing the electronic submission of documents. This reform applies to both Mumbai and New Delhi. (2020)

- d) **Resolving insolvency** was made easier by promoting reorganization proceedings in practice. However, it was made difficult also by not allowing dissenting creditors to receive as much under reorganization as they would receive in liquidation. This reform applies to both Delhi and Mumbai. (2020)

- e) **Getting electricity** was made easier in Delhi through a reduction in the time for the utility to carry out the external connection works. Further, the Delhi Electricity Regulatory Commission reduced charges for low voltage connections. (2019)

- f) **Registering property** was made easier by digitizing its cadastral records and establishing an electronic database for recording the boundaries of land plots. (2019)

- g) **Access to credit** was strengthened in Delhi and Mumbai by amending insolvency law. Secured creditors are now given absolute priority over other claims within insolvency proceedings. (2019)

- h) **Paying taxes** was made easier by replacing many indirect taxes with a single indirect tax (GST) in the entire country, and also made less costly by reducing rates of corporate income tax and employees' provident funds' scheme paid by the employer. This reform applies to both Delhi and Mumbai. (2019)

- i) **Trading across borders** was made easier by reducing the time and cost to export and import through various initiatives, including the implementation of electronic

sealing of containers, upgrading of port infrastructure and allowing electronic submission of supporting documents with digital signatures. This reform applies to both Delhi and Mumbai. (2019)

Maldives

Maldives did not initiate business reforms in any of the 10 EODB areas during 2019 and 2020.

Nepal

- a) **Starting a business** was made more difficult by requiring in-person follow-up for employee registration for social security. (2020)
- b) **Dealing with construction permits** was made easier and less costly by reducing fees for building permits and improving the online e-submissions platform. (2020)
- c) **Registering property** was made more expensive by increasing the property transfer registration fee. However, the quality of the land administration system was improved by publishing the official service standards for delivering updated cadastral maps. (2020)
- d) **Access to credit information** was improved by expanding the coverage of the credit bureau. (2020)
- e) **Trading across borders** was improved by reducing the time and cost to export and the time to import by opening the Integrated Check Post Birgunj at the Nepal-India border. (2020)
- f) **Enforcing contracts** was made easier by adopting a new code of civil procedure that introduces time standards for key court events. (2020)
- g) **Paying taxes** was made more difficult by introducing a new labor contribution (gratuity contribution), medical insurance and accident insurance paid by the employer. (2019)

Pakistan

- a) **Starting a business** was made easier in Karachi and Lahore by expanding procedures available through the online one-stop-shop. The Labor Department registration fee was abolished in Lahore. (2020)

The online one-stop registration system at Karachi and Lahore was enhanced by replacing several forms for incorporation with a single application and establishing information exchange between the registry and the tax authority. (2019)

- b) **Dealing with construction permits** was made easier and faster by streamlining the approval process and also made construction safer by ensuring that building quality inspections take place regularly. Lahore streamlined the approval process and improved the operational efficiency of its one-stop-shop for construction permitting. (2020)
- c) **Getting electricity** was made easier by enforcing service delivery time frames and by launching an online portal for new applications. The transparency of electricity tariff changes was also enhanced. This reform applies to both Karachi and Lahore. (2020)
- d) **Registering property** was made faster by easing the process to execute and register a deed at the Office of the Sub-Registrar. Registering property was also made easier

in Lahore by increasing the transparency of the land administration system. (2020)

The administrative procedures for registering the property at Lahore was streamlined and automated. The transparency of the land registry in Karachi was made easier (2019)

- e) **Paying taxes** was made easier by introducing online payment modules for value-added tax and corporate income tax, and less costly by reducing the corporate income tax rate. This reform applies to both Karachi and Lahore. (2020)
- f) **Trading across borders** was made easier by enhancing the integration of various agencies in the Web-Based One Customs (WEBOC) electronic system and coordinating joint physical inspections at the port. This reform applies to both Karachi and Lahore. (2020)
- g) **Resolving insolvency** was made easier at Karachi and Lahore by introducing a reorganization procedure and improving the continuation of debtor's business during insolvency proceedings. (2019)

Sri Lanka

- a) **Dealing with construction permits** was made easier by launching a single window, increasing transparency by providing online access to building regulations and reducing the processing times to issue several building certificates. (2019)
- b) **Registering property** was made easier by implementing a single window to streamline the process of delivering several certificates and increased transparency by providing online access to cadastral information. (2019)
- c) **Paying taxes** was made easier by introducing online systems for filing corporate income tax, value-added tax and employee trust fund contributions. (2019)
- d) **Enforcing contracts** was made easier by introducing a pre-trial conference as part of the case management techniques used in court. (2019)

Sri Lanka did not initiate business reforms in any of the 10 EODB areas during 2020.

Conclusion

It is a good to see that the government is striving hard to improve the ease of doing business in the country which has already shown significant improvement as compared to the last year. The Prime Minister himself is very keen in this regard and giving top priority to ease of doing business as a pre-requisite for accelerating the economic activity. Maximum facilities are being provided to the local businesses and international investors.

The World Bank, in its 2020 Doing Business Report has also lauded Pakistan for following an 'ambitious reform strategy', and for setting up a national secretariat and a Prime Minister's reform steering committee which has been following up on the program. The report focused on two major cities, Karachi and Lahore, and acknowledged the various reforms taken by the government in those cities.

As noted by the Country Director World Bank in Pakistan, Mr. Illango Patchamuthu, this momentum needs to be sustained in the coming years for Pakistan to continue to make progress.