DOING BUSINESS REFORM STRATEGY 2016

Reform agenda enabling "Ease of Doing Business"

Smart Regulations
Simplified Procedures
Competitive Costs

Implementation & Economic Reforms Unit, Ministry of Finance
in consultation with
Federal Board of Revenue, Securities & Exchange Commission of Pakistan, State Bank of Pakistan, Board of Investment and the Provincial Governments & World Bank

Table of Contents

List of Abbreviations 2
1. Executive Summary 4
2. Introduction 8
3. Pakistan's Doing Business Rankings: Recent Trends 9
4. **Developments in Investment Climate Reform Agenda** 11
5. Doing Business Reform Strategy 2016 13
5.1 Starting a Business 14
5.2 Dealing with Construction Permits 25
5.3 Getting Electricity 37
5.4 Registering a Property 45
5.5 Getting Credit 55
5.6 Protecting Minority Investors 60
5.7 Paying Taxes 66
5.8 Trading Across Borders 79
5.9 Enforcing Contracts 89
5.10 Resolving Insolvency 96
6 Communication and Implementation 103
ANNEX-A: Impact of Methodological Changes on Pakistan's DB Ranking 107
ANNEX-B: Methodology overview of Doing Business Indicators (As in DB report 2016) 109

List of Abbreviations

BOI	Board of Investment
BOR	Board of Revenue
BRA	Balochistan Revenue Authority
CARs	Central Asian Republics
CPFTA	China Pakistan Free Trade Agreement
CPRN	Computerized Payment Receipt Number
CPPA(G)	Central Power Purchase Authority
DB	Doing Business
DISCOs	Distribution Companies
DTP	Director Training Program
EDB	Engineering Development Board
EDE	Electronic Data Exchange
EOBI	Employees Old-Age Benefit Institution
EPA	Environment Protection Agencies
FBR	Federal Board of Revenue
FDI	Foreign Direct Investment
FED	Federal Excise Duty
FTA	Trade Facilitation Agreement
GENCOs	Generation Companies
GNI	Gross National Income
GoP	Government of Pakistan
GST	General Sales Tax
ICRU	Investment Climate Reforms Unit
IERU	Implementation and Economic Reforms Unit
ITTMS	Integrated Transit Trade Management System
K-E	Karachi Electric
KMC	Karachi Metropolitan Corporation
KYC	Know Your Customer
LESCO	Lahore Electricity Supply Company
LRMIS	Land Record Management Information System
LTU	Large Taxpayers Unit
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MoWP	Ministry of Water & Power
NADRA	National Database and Registration Authority
NBP	National Bank of Pakistan
NEPRA	National Electric Power Regulatory Authority
NFIS	National Financial Inclusion Strategy
NIFT	National Institutional Facilitation Technologies
NTDC	National Transmission and Despatch Company
NTN	National Tax Number
OECD	Organisation for Economic Cooperation and Development
PACCS	Pakistan Automated Customs Clearance System
PCA	Post Clearance Audit
PESSI	Punjab Employees Social Security Institution

PICG	Pakistan Institute of Corporate Governance
PSID	Payment Slip Identity
PRAL	Pakistan Revenue Automation Limited
RMS	Risk Management System
ROSC	Reports on the Observance of Standards and Codes
RTOs	Regional Tax Office
SBCA	Sindh Building Control Authority
SBP	State Bank of Pakistan
SCADA	Supervisory Control and Data Acquisition
SECP	Securities & Exchange Commission of Pakistan
SGF	Settlement Guarantee Fund
SHC	Sindh High Court
SESSI	Sindh Employees Social Security Institution
SMEDA	Small and Medium Enterprise Development Authority
TEPA	Traffic Engineering and Transport Planning Agency
TFA	Trade Facilitation Agreement
TIR	International Road Transports
VOSS	Virtual One stop Shop
WASA	Water and Sanitation Agency
WB	World Bank
WBG	World Bank Group
WTO	World Trade Organization
WeBOC	Web Based One Customs system

1. Executive Summary

The "Doing Business Reform Strategy 2016" is the national roadmap for improving Pakistan's Investment Climate. The Strategy – a key element of the Government's Economic Revival Agenda is designed to create an enabling environment for attracting higher investment (both foreign as well as domestic) to help boost the country's growth prospects. The Strategy aims at improving Pakistan's Ease of Doing Business ranking in the medium term to bring it back to a two- digit ranking, it held a decade ago.

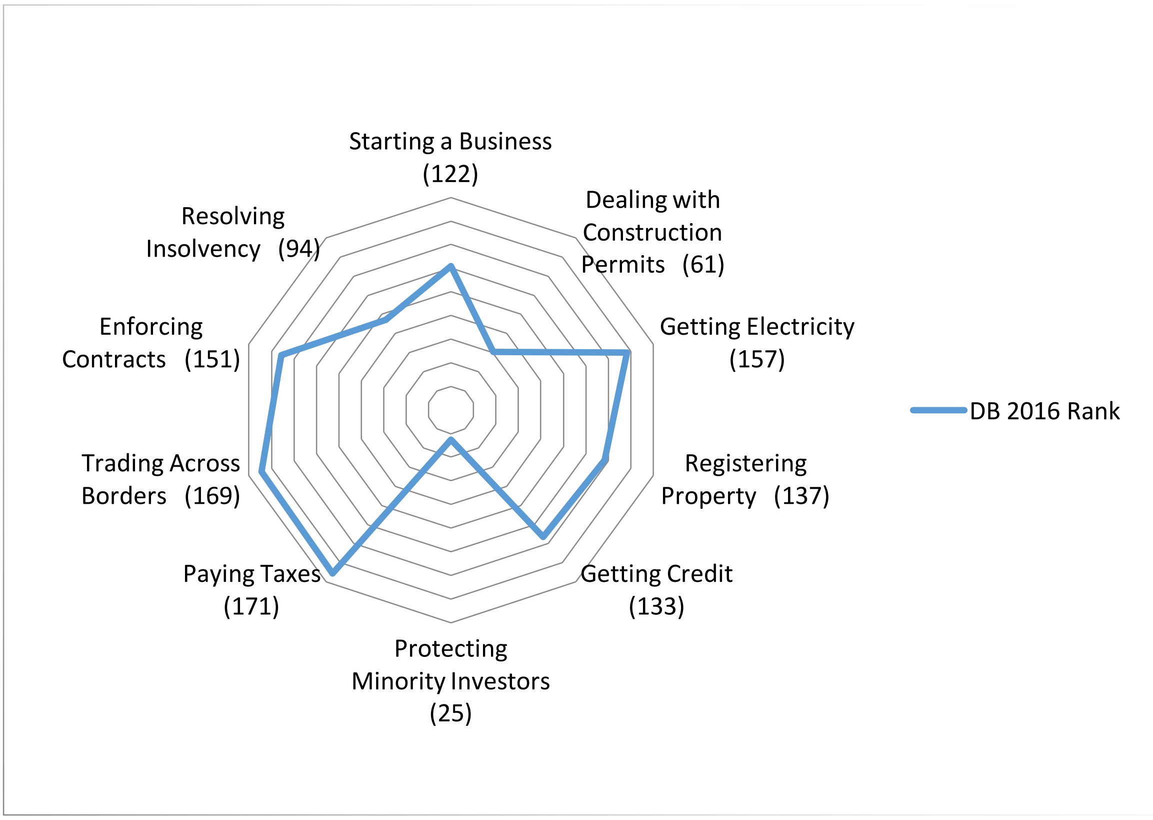
In order to achieve this objective, the Strategy encompasses a set of comprehensive reform actions not only at the federal government level but also includes provinces in the reform initiatives falling within their domains. The reforms focus on regulatory changes, improving technology and building capacity of implementing agencies for simplification of procedures involved in making businesses operational. It is based on a time bound implementation strategy that clearly lays down the roles and responsibilities of each implementing agency.

The Strategy was developed as a result of inclusive consultations with all relevant public sector agencies at the federal and provincial level as well as the private sector in the country. This inclusive consultative process will increase ownership and encourage efficient implementation of the proposed reform measures. The Strategy benefits from advice of World Bank Group (WBG) on important regulatory bottlenecks to identify priority areas for reforming the investment landscape.

Consolidating the reforms already implemented under the earlier Action Plan 2014, the Doing Business (DB) Reform Strategy 2016 includes reform actions under each of the ten DB indicators, which include;

i. Starting a Business
ii. Dealing with Construction Permits
iii. Getting Electricity
iv. Registering Property
v. Getting Credit
vi. Protecting Minority Investors
vii. Paying Taxes
viii. Trading Across Borders
ix. Enforcing Contracts
x. Resolving Insolvency

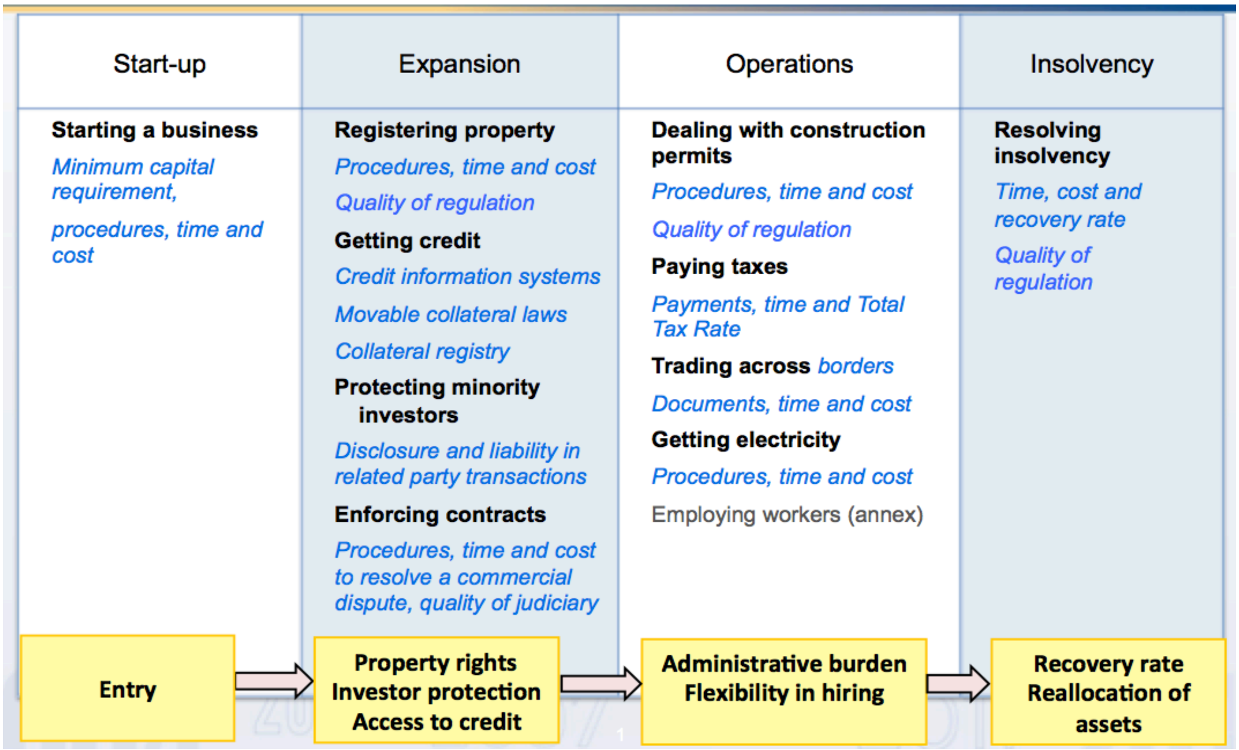
Pakistan's performance on each of the ten DB indicators in 2016 is shown in the figure below.



The Strategy is structured in topic-specific sections. Each section presents features of effective regulatory systems in the respective area, a brief overview of Pakistan's performance in the topic area, and specific recommendations together with relevant examples from across the world. The reform recommendations focus on major areas of private sector development, including:

- Easing business operations with a focus primarily on small and medium-sized domestic firms;
- Strengthening the regulatory and institutional framework supporting easier access to credit and market expansion

The recommendations take into account a number of important reform initiatives and policy discussions currently ongoing in Pakistan which have an impact on the business environment in the country. Some of the recommendations provided can be addressed in the short to medium term, while others maybe sequenced over the longer term. The indicated time frames have been crafted by the relevant authorities keeping Pakistani peculiarities and context in view of implementation. The reform experience of other countries has also been taken into account. The recommendations have been formulated to effectively address critical bottlenecks faced by a small and medium business during all stages of its life cycle, as shown below.



It is fully recognized that there is no regulatory blueprint for the reform and the path may vary in different countries. However, governments that succeed in sustaining reform programs tend to have common features. Following are some of the key elements for success that are common to many countries that have been successful in the investment climate reform process:

- A long-term, comprehensive vision, and clear objectives
- The vision is supported by a detailed plan with measurable goals which are monitored and evaluated
- The reform is inclusive and has an appropriate institutional mechanism
- Private sector involvement
- Effective communication

The types of reforms envisaged under the Strategy will facilitate business start up, improve security of title by streamlining land and property procedures, improve access to credit through expanding availability of credit information and enhancing secured lending framework, improve contract enforcement through enhancing judicial case management and capacity building of judiciary. This will facilitate cross border trade and improve tax collection through enhanced tax administration.

Key game changers that have been suggested include:
Reviewing and consolidating procedures
Completing automation and online roll out of the Virtual One Stop Shop for start-up (encompassing the whole country)
Optimizing procedures for property registration to ensure security and transparency of land titles and property titles
Creating One Stop Shop for granting construction permits
Enforcing Secured Transactions Act and collateral registry to facilitate access to credit
Integrated platform for clearance of goods to facilitate cross border trade
Completing roll out of electronic tax filing under simplified rules and implementation of electronic payment systems
Completing roll out of case management systems in district courts and expanding ADR, establishing specialized commercial courts (benches)
Enactment of legislation to facilitate rehabilitation of distressed enterprises

The timelines for implementation of reform actions range from six months to a year for the short term, and from one to three years for the medium and long term. Many measures aiming at improving transparency can be improved in the short term. It has to be recognized that the theme of this Strategy is to create smart regulation in the country while ensuring investor protection and robust legal and regulatory framework for getting credit and resolving insolvency.

The Strategy also encompasses development of a communication strategy to build effective feedback processes so that bottlenecks in implementation are identified in a timely manner and dealt accordingly. The communication strategy is two pronged and covers communication within the government departments as well as with the general public and direct beneficiaries of reforms.

2. Introduction

A comprehensive agenda for economic revival of the country has been put in place to enhance economic growth and achieve sustainable development. The key areas of reforms under implementation include fiscal consolidation through both raising revenues and reducing expenditures; energy sector restructuring covering all elements of the energy supply chain, demand management and pricing policies; reform of loss making public sector enterprises; monetary and exchange rate management reforms and improvement of the business environment. The reform program has ensured macroeconomic stabilization and set the stage for taking the country to a higher growth trajectory.

Reforms to improve Pakistan's business environment are an important pillar of the economic revival agenda of the government. The government is working for the removal of key binding constraints including energy, infrastructure and human development to support the investment climate in the country. A thriving investment climate is a pre-requisite for attracting higher inflows of foreign direct investment as well as spurring domestic investment. The World Bank's Doing Business (DB) rankings, which rank economies annually on basis of regulations affecting various aspects of the life cycle of a small and medium business, serve as an important benchmark of the quality of business environment in a country.

A fundamental premise of DB rankings is that economic activity requires good rules – rules that establish and clarify property rights and reduce the cost of resolving disputes; rules that increase the predictability of economic interactions and provide contractual partners with certainty and protection against abuse. The rankings are closely monitored by global institutional investors and are an important determinant of investment inflows into emerging economies. Other research also show that DB reforms lead to greater domestic investment and GDP growth and confirm the finding that reforms implemented to improve the quality of the regulatory environment are positively correlated with Foreign Direct Investment (FDI) inflows. Having institutional, regulatory and legal structures in place that facilitate the growth of businesses also attracts FDI to the country.

In the following section "Pakistan's DB rankings: Recent Trends", the discussion revolves around how Pakistan has performed in the different areas that *Doing Business* measures, before and after the recent methodology changes for understanding Pakistan in the broader framework of *Doing Business.*

The section on "Developments in Investment Climate Reform Agenda" outlines the progress the Government of Pakistan has made towards enabling *Ease of Doing Business.*

Section on "Doing Business Reform Strategy 2016" gives details of all reform initiatives to be undertaken by the federal and provincial governments over the medium term.

3. Pakistan's Doing Business Rankings: Recent Trends

Doing Business rankings reflect the ease with which a business can be set up in a country and evolve through its entire cycle. The World Bank's Doing Business Report ranks economies across the world annually on the basis of following 11 areas of the life cycle of a business

i. Starting a business,
ii. Dealing with construction permits,
iii. Getting electricity,
iv. Registering property,
v. Getting credit,
vi. Protecting minority investors,
vii. Paying taxes,
viii. Trading across borders,
ix. Enforcing contracts,
x. Resolving insolvency and
xi. Labour market regulation[1].

Pakistan's overall ranking on the Ease of Doing Business Index stood at 138 in 2016, slightly down from 136 in 2015, out of 189 economies globally. The recent drop in ranking is due both to methodology changes in the calculation of the indicators and to other countries reforming faster[2]. The indicator-wise performance of Pakistan during 2015 and 2016 shown in table 1 below indicates that Pakistan's ranking on starting a business, getting credit, protecting investors and trading across borders has slipped in 2016[3]. On the other hand, the country's ranking on the remaining five indicators of getting electricity, registering property, paying taxes, enforcing contracts and resolving insolvency has remained unchanged in 2016. It has improved in "Construction Permits" from 63 to 61 even when allowing for methodology changes.

[1] This indicator only presents a qualitative assessment and does not rank countries.
[2] For details on the impact of methodological change in five DB indicators, see Annex A.
[3] Detailed methodological overview of each DB indicator is presented in Annex B.

Table 1: Pakistan's Doing Business Rankings

		2016 New Methodology	2015 New Methodology	Trends (Point-wise change)
	Ease of Doing Business	**138**	**136**	
1.	Starting a Business	122	114	8 ↓
2.	Dealing with Construction Permits	61	63	2 ↑
3.	Getting Electricity	157	157	=
4.	Registering Property	137	137	=
5.	Getting Credit	133	128	5 ↓
6.	Protecting Investors	25	24	1 ↓
7.	Paying Taxes	171	171	=
8.	Trading across Borders	169	168	1 ↓
9.	Enforcing Contracts	151	151	=
10.	Resolving Insolvency	94	78	=

For detailed methodology and measurement of all indicators for Pakistan, see Annex B.

The comparison of Pakistan's indicator-wise performance with the South Asian average shows that in construction permits, protecting minority investors and resolving insolvency, it performs better than the regional average. However, for the remaining indicators, Pakistan has lower rankings relative to the regional average.

Table 2: Pakistan's Comparison with South Asia

		Pakistan	South Asia Average
	Ease of Doing Business	**138**	**128**
1.	Starting a Business	122	96
2.	Dealing with Construction Permits	61	103
3.	Getting Electricity	157	122
4.	Registering Property	137	137
5.	Getting Credit	133	105
6.	Protecting Investors	25	83
7.	Paying Taxes	171	118
8.	Trading across Borders	169	120
9.	Enforcing Contracts	151	*
10.	Resolving Insolvency	94	129

*Average not available

4. Developments in Investment Climate Reform Agenda

Action Plan 2014

In line with its commitment for improving the investment climate in Pakistan, the present government has been implementing an Action Plan for Improving Pakistan's Business Environment. This Plan jointly prepared by Board of Investment (BOI) and Implementation and Economic Reforms Unit (IERU-MoF) with the assistance of World Bank Group was developed in October 2014 after consultations with concerned stakeholders. The Plan focused on bringing improvements in the following six Doing Business indicators:

i. Starting a Business
ii. Dealing with Construction Permits
iii. Getting Credit
iv. Paying Taxes
v. Trading Across Borders
vi. Enforcing Contracts

The Plan focused on short, medium and long term reforms to be implemented for reducing time, procedures and costs associated with fulfilling regulatory requirements for business firms under these six areas.

Formation of Committee for Improving Ease of Doing Business

In order to give further impetus to the investment climate reform agenda, a high powered Committee on Improving Pakistan's Rating on Ease of Doing Business was constituted by the Finance Minister in May 2015, under the chairmanship of a leading industrialist. The Committee was mandated with developing a comprehensive Reform Strategy for improvement in all components of Doing Business indicators as well as formulating a time bound implementation plan for rolling out investment climate reforms over the next 2-3 years. The Committee has broad representation from concerned federal ministries/ agencies and also encompasses provincial Chief Secretaries from four provinces along with private sector representation from leading chambers of commerce and industry across the country.

Subsequent to the first meeting of the Committee in July 2015, the IERU, Ministry of Finance as Secretariat to the Committee initiated work on the development of the Doing Business Reform Strategy in collaboration with the Board of Investment (BOI), Securities and Exchange Commission of Pakistan (SECP) Federal Board of Revenue (FBR), State Bank of Pakistan (SBP) and other federal Agencies as well as provincial Governments. The key activities with regard to development of the DB Reform Strategy 2016 are outlined below:

- Formation of provincial working groups in four provinces to work on reforming indicators falling under the purview of provincial governments,
- Facilitating communication on methodological concerns with World Bank
- Improving awareness and understanding of DB methodology among concerned stakeholders through visit of World Bank's DB team
    - One on one meetings with concerned federal and provincial government agencies
    - Workshops in three cities with a broad spectrum of stakeholders including private sector contributors
- Review of Action Plan 2014 through updates from relevant departments
- Development of reform actions under each indicator through input from relevant federal/ provincial government agencies and support of WBG experts

With a view to having a country wide impact, the DB Reform Strategy 2016 encompasses 10 of the DB indicators, including those that fall under the provincial domain. The Strategy is the product of an in depth consultation with all stake holders, including representatives from provincial governments as well as relevant provincial authorities. The federal agencies have been closely involved with input on indicators in their domain. The formulation of the report is therefore a result of an inclusive, participatory process and envisions greater cooperation in the future, as Pakistan's policy makers move towards reforming the environment for "Doing Business" in the country.

5. Doing Business Reform Strategy 2016

The DB Reform Strategy 2016 encompasses a set of comprehensive reform actions at both the federal and provincial governments' level. The Strategy is structured in indicator-specific sections. Each section presents features of effective regulatory systems in the respective area, a brief overview of Pakistan's performance in that indicator, and specific recommendations together with relevant examples from across the world.

The reforms focus on regulatory changes, improving technology and building capacity of implementing agencies for simplification of procedures involved in making businesses operational. It is based on a time bound implementation strategy that clearly lays down the roles and responsibilities of each implementing agency.

The recommendations take into account a number of important reform initiatives and policy discussions currently ongoing in Pakistan, having great impact potential on the business environment in the country. The timelines for implementation of reform actions range from six months to a year for the short run, and from one to three years for the medium and long term. A number of measures aiming at improving transparency can be strengthened in the short run. It has to be recognized that the theme of this Strategy is to create smart regulation in the country while ensuring investor protection, robust legal and regulatory framework for getting credit and resolving insolvency.

The subsequent section gives details of recommended reform actions under ten DB indicators.

5.1 Starting a Business

Indicator Relevance and Experience of Leading Reformers

A growing body of empirical research has explored the links between business entry regulation and social and economic outcomes. Formal entrepreneurship where higher, job creation and economic growth also tend to be higher. Evidence suggests that regulatory reforms making it easier to start a formal business are associated with increases in the number of newly-registered firms and with higher levels of employment and productivity. Cumbersome regulations and administrative procedures for Starting a Business are found to be associated with a smaller number of legally registered firms, greater informality (a finding particularly relevant to many developing economies), a smaller tax base and more opportunities for corruption.

A recent study found that barriers to Starting a Business are significantly and negatively correlated with business density, calculated as the total number of businesses registered as a percentage of the economically active population (ages 15–64) that year. For example, the fewer the procedures required to start a business, the greater the number of registered firms. There is also a significant relationship between the cost of "Starting a Business" (as a percentage of gross national income, or GNI) and business density. For every 10 percentage point decrease in entry costs, density increases by about one percentage point.

Regulatory reforms to ease start up requirements can have an impressive impact when they tackle the right bottleneck. After a reform simplifying business registration in different municipalities at different points in time across Mexico, a study found that the number of registered businesses increased by 5 percent and employment by 2.8 percent.The legal form under which a company is registered also matters. Limited liabilities companies limit the financial liability of company owners to their investments, giving entrepreneurs more freedom to innovate because their personal assets are not put at risk. Sole proprietorships do not provide this kind of protection but can usually be set up with fewer procedures and at a lower cost.

Economies with the most efficient registration systems use simplified and standardized laws and documents, operate a single electronic interface between the user and authorities, a central database with interoperability between agencies involved, one single company ID, and one flat fee. In Canada, UK, Malaysia or Singapore, for example, an integrated IT system links the databases of relevant agencies (company registry, tax administration, social security system, and statistical agency). The entrepreneur submits the information and the payment electronically via the website through a single form and the company is automatically registered with all agencies. Legal formalities for company registration are embedded into the electronic system and if all requirements are met and the payment is received, the system automatically processes the information and issues the registration certificate instantly. Companies are issued a single ID number, which is used across agencies.

This facilitates compliance checks throughout the life of the company and reduces the administrative burden of submitting information multiple times with different forms to several agencies. Norway even took this a step further. Since 2005, all public registers and public authorities have a legal obligation to use the data registered in the Central Coordinating Register for Legal Entities instead of requiring businesses to resubmit this data to the relevant agency.

Today more than 110 economies use information and communication technology for services ranging from name search to full online business registration. Seventy three economies offer electronic registration services. A first step is always to make registration records electronic. This not only improves security and prevents potential losses of data; it also aids transparency and information sharing and makes it easier to introduce new online services later on.

Pakistan's Performance

Doing Business 2016 reported that in Pakistan entrepreneurs must go through an average of 10 procedures to start a business (compared with South Asia's average of 7.9), which would take 19 days (compared with 15.7 days SA average) and cost 9.4 percent of Pakistan's income per capita, lower than 14 percent South Asia's average, but higher than OECD's average (Annex B). There is no minimum capital requirement. Pakistan, as represented by the average performance of its largest cities Karachi and Lahore, ranks 122nd among 189 countries on the Ease of Starting a Business.

For more details on Pakistan's performance under Starting a Business, please refer to Annex B.

Reform Actions

For enabling businesses to register easily and speedily, the main agency responsible is SECP. However, other federal agencies are also involved with relevance to their specific role, e.g. FBR and EOBI. The SECP acts as the key regulator in the country steers the reforms under this indicator. The following section includes the ongoing reforms that SECP is undertaking as well as the planned actions in the near future (short- term to medium-term) along with highlighting reforms being undertaken by some provinces to ease start up procedures falling in their domain.

Ongoing Reforms

- Enhancing the utilisation of the newly- introduced integrated registration system-**Virtual One-Stop Shop** which integrates the registration procedures falling under the purview of SECP, FBR and EOBI. VOSS portal is now publicly available through SECP's website.

- **Physical One-Stop Shops** have been established by the government in collaboration with the local Chambers of Commerce and Industries at Lahore and Islamabad and there are plans to expand these to other provincial capitals.

Other reform actions planned over the short-to-medium term by Federal Agencies include:

- Finalising the Company Law Review exercise to introduce amendments pertaining to exemptions/relaxations for small sized companies
- Introducing a Limited Liability Partnership business vehicle to attract SMEs
- Rationalising fee structure through amendment in the Sixth Schedule to the Companies Ordinance, 1984
- Enabling online submission of application for obtaining digital signatures from NIFT
- Merging the process for application of National Tax Number and Sales Tax Number with the FBR.

Reforms envisaged by provinces for easing business start-up are highlighted below:

Punjab:

- Automation of registration process under the West Pakistani Shops and Establishment Ordinance 1969 with district Labour Departments to reduce time taken from seven to two days.
- Reduction in registration time with PESSI.

Khyber Pakhtunkhwa:

The Government has also proposed to reduce the number of days it takes to start a new business by taking the following initiatives:

- Full functionality of online incorporation systems.
- Elimination of antiquated requirements such as getting companies seal.
- Creation of single access point for all tax registration and for social security requirements.
- Implementation of a proposal to subsidise new projects including
  a) 5 percent mark up on financing for five years for new/expansion projects availed up to June 2017
  b) financing 25 percent of cost of property (plots) acquired for setting up industrial units up to December 2017
  c) focus on early bird investment to expedite the industrialisation process;
  d) finance up to 25 percent of equity investments with a maximum of Rs3 million per investor for females.

Provincial integration will remain a core area of reform as federal systems' capacities improve. Provincial departments like excise and taxation, Punjab Employees Social Security Institution (PESSI), Sindh Employees Social Security Institution (SESSI), labour departments in districts, in conjunction with Federal authorities will continue to work towards successful integration consequent to the actions outlined in the matrix.

Reform Actions- Starting a Business					
Topic	**Recommendation**	**Intended Outcome/Impact**	**Actions Required**	**Agency Responsible for Implementation**	**Timeline**
Legal	Review of Companies Ordinance 1984 and the subsidiary legislation	Improved business start up procedures	Submit amended Companies Bill to the Parliament after review against international best practices and stakeholder consultation	SECP	March 2017
	Introduction of Limited Liability Partnership law and subsidiary legislation	Provide an alternate business platform for small-scale businesses	Submission of the draft law to the Parliament	SECP	Sep 2016
Cost	Rationalise fee structure	Rationalisation of the cost of business start up	Amendment to the sixth schedule of the Companies ordinance 1984	SECP	May 2016
	Provide a set of certified true copies of company formation documents to promoters free of cost	Reduction in start up cost by Rs. 2400 for online registration and by Rs. 6000 for offline mode		SECP	May 2016
Virtual One-Stop Shop (VOSS)	Resolve existing IT problems to enable integration among systems	Reduced processing/approval time to start a business	Review compatibility of systems, process flow and other barriers to integration and operationalisation, take action as appropriate.	PRAL	April 2016
	Improve usefulness and accessibility to online registration system	Reduced preparation time to start a business	Ensure uninterrupted service and improve VOSS website (voss.gov.pk) with information relevant for Starting a Business, including procedures, time and costs covered by VOSS and other institutions involved in Starting a Business	SECP, PRAL	May 2016

			Enhance visibility of VOSS link on SECP website.	SECP, PRAL	March 2016
			Establish links from FBR and EOBI to VOSS (also on other websites e.g. BOI, SMEDA,SBP etc.)	FBR, EOBI	March 2016
			Encourage other Government and non-governmental bodies to give link to VOSS	National and regional Boards of Investment, Chambers of Commerce and Industry, Business Associations	May 2016
	Streamline help desk for users of VOSS system	Reduced preparation time to start a business; Faster uptake of the system. Improved clarity of requirements; Fewer problems with registration	Provide space, equipment and technology required. Produce troubleshooting manuals and Q&A documents, post on website. Tracking system already in place to check registration status and relevant organization.	SECP, PRAL	Sep 2016
	Prepare medium- and long-term development plan for VOSS	Interim activity/output	Drafting and consultation with stakeholders. Broad dissemination.	IERU, Ministry of Finance	Sep 2016
	Establish informational link between VOSS, other national institutions and provincial-level institutions	Reduced preparation time to start a business; Improved clarity of requirements	Identify interested and necessary institutions. Prepare Memoranda of Understanding with relevant institutions. Content manager maintains standardised information templates.	IERU, SECP, EOBI, FBR	Sep 2016 and later

	Establish transactional functions between VOSS, other national-level institutions, and provincial-level institutions	Reduced processing/approval time to start a business	Identify interested and key institutions. Prepare Memoranda of Understanding with relevant institutions. Process and systems mapping. Integrate software and platforms.	IERU, SECP, EOBI, FBR	May 2017 and later
Streamline existing procedures	Reduce time taken for processing of application at provincial level ESSIs	Reduced processing/approval time to start a business	Process mapping and business process reengineering. Hire consultants, if needed.	SESSI and PESSI;	Dec 2016
	Make registration through the e-services mandatory	Reduced processing/approval time to start a business; Improved clarity of requirements	Making submission through e-services mandatory	SECP	May 2016
	Ensure that SECP-regulated procedures are merged	Reduced processing/approval time to start a business; Reduced number of procedures	Combine: reserving the company name online; paying the name reservation and company incorporation fees; completing online reservation. (To be included into VOSS)	SECP	Aug 2016
	Streamline obtaining a digital signature	Reduced preparation time to start a business	Enabling online submission of application for obtaining digital signatures from NIFT	NIFT, SECP	May 2016
	Merge applications for income tax and sales tax numbers	Reduced number of procedures; Reduced processing/approval time	Determine compatibility of systems. Establish a single process and taxpayer ID so taxpayer or representative can register for both at once.	FBR, Regional tax offices	Dec 2016
	Reduce time taken for registration with EOBI	Reduced processing/approval time	Process mapping and business process reengineering. Hire	EOBI	May 2016

			consultant, if needed		
	Consolidate all payments at provincial level into single one-time payment	Reduced number of procedures	Review legal and practical feasibility of consolidating payments for registration for professional tax, registration with ESSI, registration under West Pakistan Shops and Establishment Ordinance of 1969	Excise and Taxation Department of the District, provincial ESSI, Labour Department of District	May 2017
	Register under the West Pakistan Shops and Establishment Ordinance 1969 with the district Labour Department	Reduced to two days	Automation and process re-engineering	Labour Department-Punjab	May 2016
	Establish mechanism for data sharing	Reduced processing/approval time	First collect information on types of data required by relevant agencies, then assess feasibility of integration of databases. Take action (longer term) as appropriate.	SECP, FBR, EOBI	Dec 2016 and later
Physical One-Stop Shops	Expand Physical OSS to other provincial capitals	Reduced preparation time; improved clarity of requirements	Designate and train OSS facilitators in all registration procedures related to Starting a Business.	SECP, FBR, EOBI, Chambers of Commerce	May 2017
Investor facilitation	Centralise incorporation of companies and issuance of certificate of incorporation	Reduce one form for filing of public companies and reduce filing fee byRS600(online) nd Rs	Form to be drafted	SECP	Dec 2016 and later

	authenticated by the registrar's seal at any CRO	1500 (offline) subject to the process for approval/enactment			
	Provision of basic company formation documents, guidelines and awareness material in Urdu and other languages	Facilitate business registration	Translation of existing forms and guidelines	SECP	May 2017
	Establishment of a company registration office in Gilgit Baltistan	Expand SECP outreach		SECP	Dec 2016
Recommended Reform Measures – Starting a Business					
	Consider abolishing the requirement to reserve a company name	Reduced number of procedures	Research legal feasibility. If the requirement is not in law, then consider available options.	SECP, PRAL	June 2016
	Consider removing mandatory requirements to complete procedures that can be needs-based instead	Reduced number of procedures	Review feasibility of removing the following from mandatory registration: Register for Professional Tax with the Excise & Taxation Department of the district; Register with the Employee Social Security Institute; Register under the West Pakistan Shops and Establishment Ordinance 1969 with the Labour Department of the district.	Excise and Taxation Department of the district, provincial ESSI, Labour Department of district	Dec 2016

	Develop user functionality for VOSS in Urdu	Facilitate end user	Develop "how to use VOSS" guidelines in Urdu and English	SECP	May 2017

Strategic Reforms Envisaged in the Long Term

These reforms include:

- **Mandatory requirement to register through VOSS for all applicants:** to incentivize that cost through online application is lower.
- **Consolidation of all payments at the provincial level into a single one-time payment.** This will involve the following departments to agree on modalities for panning out a single online platform, Excise & Taxation Department of the district, Employee Social Security Institute, District Labour Department.
- **Digitization of payment into a single form** involving linking of data bases and integration of systems.
- **A single unique business identification number should be introduced across all agencies**. This will help with data sharing and database integration at the back end and should significantly relieve the burden on businesses. As in many countries, a good place to start is between the company registry and the tax authority.

In the meantime, cost reducing, automating measures will be implemented which are in line with the international best practices to have a quantifiable impact on Pakistan's ranking in this indicator.

5.2 Dealing with Construction Permits

Indicator Relevance and Experience of Leading Reformers

Good construction regulation matters for public safety, as well as for growth of the building sector, and the economy as a whole. According to a recent study, the construction industry, on average, accounts for 6.5 percent of GDP in OECD economies. The building sector is Europe's largest industrial employer, accounting for about 7 percent of employment. In the European Union, and the United States and Japan combined, more than 40 million people are employed in the construction sector. It is estimated that for every 10 jobs directly related to a construction project, another eight may be created in the local economy. Small domestic firms account for most of the sector's output and most of its jobs.

Reforms that make construction regulations more efficient and transparent can help reduce corruption and informality, while encouraging construction companies to go through formal channels and ensuring compliance with critical standards, such as those impacting safety or mitigating climate change. Good regulations, combined with sound enforcement mechanisms, ensure safety standards that protect the public while making the permitting process efficient, transparent and affordable for both building authorities and the private professionals who use it. A recent study shows that long delays to obtain permits could lead to higher transaction costs leading to greater informality. However, the payoff of construction permitting reforms can be significant. In 2005, a PricewaterhouseCoopers study found that accelerating permit processes in the United States could permanently increase government revenues. These impacts yield not only additional income for the community, but also additional investment and tax revenues for the Government. Beyond economic returns and the pay off in attracting more investment, the most important benefit of building permit reforms is to protect public safety.

Best practice reform experience consistently shows that new policy objectives, including those going beyond the improvement of public safety, can be combined with effective red tape reduction programmes, and more efficient and streamlined processes. In fact, building permit reforms, as observed in good practice countries, have all generated positive impacts on processes, although streamlining procedures might not have been the original or main focus.

Research has identified the following five major procedures to obtain a permit in good practice countries:

i. Submitting an application for a permit to the local authority
ii. Review of the application carried out by the municipality
iii. Issuance of the building permit
iv. Site inspections once the construction has started
v. Issuance of the occupancy license or completion certificate

These are the very minimum procedures that need to be in place to ensure a sound and effective protection of key public goods. Many countries do not necessarily show a radically different model, but over time, numerous complexities and inadequate practices develop around these five core processes.

Efficient building permitting systems share key features for example, clear building codes written with a consultative process are at the core of well-designed construction permitting systems, and countries like Canada and New Zealand are increasingly steering towards performance-based codes. Germany, Singapore and Mauritius have incorporated risk-management tools to streamline the issuing of permits and optimise the effectiveness of inspections.

Also, up-to-date land use and zoning plans improve transparency and predictability for developers. Establishing sound licensing mechanisms for practitioners, in addition to well-functioning liability regimes and compulsory insurance systems, have become pivotal in order to introduce more efficient regulatory systems and many countries are now outsourcing building control procedures to the private sector. For example, France and the UK have introduced inspections by accredited bodies, which in turn required improvements in their private liability and insurance regimes.

To improve Pakistan's performance in the area of construction permitting, the Government may consider a set of measures focusing on merging and streamlining the permitting processes of multiple departments and agencies, improving land management practices, introducing risk-based permitting system and establishing electronic permitting regime. For these reforms to be captured by the **Doing Business** report, it will be essential that they are fully implemented and enforced by the public sector and adopted by practitioners.

Pakistan's Performance

Pakistan's overall ranking for Dealing with Construction Permits is 61 out of 189 economies, second-best ranked in the South Asian region. Pakistan performs in line with OECD's practices in terms of time and cost to complete construction formalities, as well as on the building quality control measures, but it lags behind on the time indicator. It will take an entrepreneur in Pakistan over three months longer to obtain all necessary authorisations, compared with the OECD averages.

Within Pakistan, the data for Karachi and Lahore reveal little differences. While the number of procedures and cost are the same in both cities, the time taken for necessary construction authorisations in Karachi is one day shorter than that in Lahore.

For more details on Pakistan's performance under Dealing with Construction Permits, please refer to Annex B.

Reform Actions

In Pakistan's case, Dealing with Construction Permits has become largely a provincial subject, following the 18^{th} Amendment to the Constitution in 2010. After extensive consultations within the DB committee, Punjab and Sindh, housing the two largest business cities of the country, have committed to reforming Dealing with Construction Permits and aligning their ongoing reforms with the best practices highlighted by **Doing Business**.

Reforms being undertaken by Punjab include:

- Automation of the Lahore Development Authority (LDA) Construction Permits process
- Introduction and dissemination of IT-based module for inspections, through provision of android phones to staff for gathering pictorial evidence at the site and other data related to the process which will be stored at a central database maintained at LDA's head office.
- Availability of online information regarding procedures, time and cost involved in getting a construction permit
- Capacity-building of LDA's staff at one window operations on a regular basis in customer service management to improve their customer treatment
- Streamlined complaint management and dispute resolution mechanisms through: outsourcing to a third-party service provider. This system will provide citizens with an integrated and efficient complaints management system
- Integrated public facilitation counters: to streamline the process, officials from Environment Protection Agency (EPA), Traffic Engineering and Transport Planning Agency (TEPA) and Water and Sanitation Agency (WASA) will be deputed at one window operations to deal with information and applications related to their relevant departments. Additionally, an information sharing platform

will be developed that will allow participating agencies to electronically transmit information and decisions regarding applications. This is expected to reduce the number of days taken to get CP approval

- Establishment of separate counters for industrial and commercial buildings to speed the process of getting permits.

Reforms underway in Sindh

As Karachi carries 65 percent weights in DB ranking methodology, reforms in the province of Sindh are crucial for improving Pakistan's rankings on this indicator. The Sindh Building Control Authority (SBCA) is the main regulatory and supervisory body in the province tasked with approval/issuance of building plans and NOCs etc. in accordance with the existing building and town planning regulations. These regulations are updated from time to time in order to ease the general public in getting the required permits to carry out construction work.

The process for getting Construction Permits in Karachi will be made easier by:

- Reduction in time taken to obtain the building permit from Sindh Building Control Authority from 60 days to 45 days
- Reduction in time required for issuance of completion certificate from SBCA by 21 days
- The SBCA will also be working on developing a robust risk categorisation system in line with global best practices to streamline the construction permitting framework.

The reforms mentioned above are mainly focusing on the short-term however, for a holistic reform agenda long-term strategies are also in place and consultations with stakeholders will be conducted in due time where further actions will receive their timelines.

The details of the reform actions are presented in the matrix below:

Reform Actions (Lahore)- Dealing with Construction Permits					
Topic	**Recommendation**	**Intended Outcome/Impact**	**Actions Required**	**Agency Responsible for Implementation**	**Timeline**
	Reducing time to obtain land title confirmation	Reduction to 3 days for ownership verification	Digitization of land records	LDA/BOR	July 2016
	Reducing days to obtain a building permit by 24 days	Reduction to 36 days	Capacity building to handle increased work volumes Automation of processes to enable online submission of building plans	LDA	June 2016
	Improving the process for completion of Foundation Works		Capacity building for handling the automation for the process of notifying LDA in writing of the completion and inspection of foundation works	LDA	Dec 2016
Process Streamlining	Consider improving the process for issuing a completion certificate	Reduce time a to obtain a completion certificate for projects with no observations	Consider a set of measures to ensure that completion certificate is obtained for all projects to ensure safety.	ICRU(P&D), LDA	March 2016
			Review by-laws allowing utility connections without completion certificate.	LDA, LESCO, SNGPL	July 2016
			Review capacity constraints at LDA for issuing completion certificates (e.g. personnel, equipment, etc.). Project already structured and submitted for funding to P&D Department.	LDA	June 2016

	Making Forms A, B easily available	Increase transparency	Making Forms A, B easily available at LDA offices	LDA	March 2016
Single Window System	Continue supporting implementation of single window/automated process for application and approval of all building permits.	Reduce time and procedures to obtain a construction permit and enhance transparency	Compile guidelines/responsibilities of agencies/authorities working at the single window	LDA	July 2016
			Include WASA, TEPA, EPA on the ongoing efforts to implement the single window	ICRU, LDA, WASA, TEPA, EPA	Long term
Recommended Reform Measures – Dealing with Construction Permits					
Risk management	Review complexity classification of buildings based on their intrinsic features and intended use	Improve risk management to enhance efficient use of resources at LDA	Highlight steps required to change by-laws/regulations for including changes to the complexity categorization. Including the identification of authorities that need to approve these changes.	LDA	July 2016
	Improve approval process to obtain building permits in the municipality for low-complexity buildings.		Present proposal to update complexity categorization list and guidelines to relevant authorities upon considering WBG's comments. Including changing time limits for issuing building permits for low complexity buildings.	LDA/ WBG	Sep 2016
			Establish a systematic Public-Private Dialogue (PPD) to socialize the complexity categorization proposal	LDA	Sep 2016

		Change relevant by-laws/regulations taking into account WBG's review on current practices and by-laws and overview of global best practices	LDA	Sep2016
		Follow-up on the implementation of updated complexity categorization list and guidelines. Including the preparation of a pilot project.	LDA	Dec 2016
		Share revised complexity categorization list and guidelines with WASA and explore the possibility of harmonize it for both institutions.	LDA, WASA	Long term

Reform Actions (Karachi)- Dealing With Construction Permits					
Topic	**Recommendation**	**Intended Outcome/Impact**	**Actions Required**	**Agency Responsible for Implementation**	**Timeline**
Land Titling	Reduction in time for obtaining letter confirming land title from Karachi Municipal Corporation	Reduction to 15 days	Review of existing practices	KMC/BOR/LU	May 2017
	Consider lowering time limit for issuing copy of property tax valuation and copy of the certificate from Excise and Taxation Department	Reduced time to obtain copy of property tax valuation and copy of the certificate from Excise and Taxation Department	Review and produce a list of current bylaws/regulations governing the time limits to issue copy of property tax valuation and copy of the certificate from Excise and Taxation Department.	Excise and Taxation	May 2017
			Highlight steps required to change bylaws/regulations for lowering time limits for copy of property tax valuation and copy of the certificate from Excise and Taxation Department, including the identification of authorities that need to approve this change	Excise and Taxation	May 2017
			Present proposal to lower time limits for copy of property tax valuation and copy of the certificate from Excise and Taxation Department	Excise and Taxation	May 2017
			Change relevant bylaws/regulations.	Excise and Taxation	Dec 2018
	Establish a qualified initial review	Improved quality of initial review of documents to	Propose changes to current process	WBG	May 2016

		improve efficiency and transparency	Implement proposed changes	SBCA	Dec 2016
	Implement a manual tracking system for building permitting approvals for commercial buildings	Improved internal performance at SBCA	Set up a manual system to track time spent by each officer in SBCA that needs to review commercial building applications in Karachi.	SBCA	April 2016
			Compile data and develop M&E framework.	SBCA	Sep 2016
	Consider lowering time limit for issuing completion certificate for projects with no observations	Reduced time to obtain a completion certificate for projects with no observations	Review and produce a list of current bylaws/regulations governing the time limits to issue completion certificates in Karachi	SBCA	May 2016
			Highlight steps required to change bylaws/regulations for lowering time limits for completion certificates (Done), including the identification of authorities that need to approve this change	SBCA	July 2016
			Present proposal to lower time limits for completion certificates to relevant authorities.	SBCA	July 2016
			Change relevant bylaws/regulations.	SBCA	Dec 2016
Risk-based classification of buildings	Review complexity classification of buildings based on their intrinsic features and intended use	Improved risk management to enhance efficient use of resources at SBCA	Share guidelines for complexity categorisation with WBG.	SBCA	March 2016
			WBG will prepare comments on complexity categorisation list/guidelines	WBG	May 2016
	Improve approval process to obtain		Review and produce a list of current bylaws/regulations governing complexity categorisation.	SBCA	May 2016

	building permits in the municipality for low-complexity buildings.		Highlight steps required to change byaws/regulations for including changes to the complexity categorisation, including the identification of authorities that need to approve these changes	SBCA	June 2016
			Present proposal to update complexity categorisation list and guidelines to relevant authorities, including changing time limits for issuing building permits for low complexity buildings	SBCA/WBG	July 2016
			Seek feedback and input of private sector in development of new risk-based classification system	SBCA	July 2016
			Change relevant bylaws/regulations (committee has been constituted for reviewing these laws)	SBCA	Dec 2016
			Follow up on the implementation of updated complexity categorisation list and guidelines, including the preparation of a pilot project	SBCA/WBG	Feb 2017
			Share revised complexity categorisation list and guidelines with Karachi Water and Sewerage Board and explore the possibility of harmonising it for both institutions	SBCA, Karachi Water and Sewerage Board	Long-term
Recommended Reform Measures - Dealing With Construction Permits					
Single window system	Introduce a single window/automated process for application and approval of all building permits	Reduced time and procedures to obtain a construction permit and enhance transparency	Based on the manual tracking system and previous mapping reports, prepare TORs for firm responsible for automated process application involving all relevant departments	SBCA/relevant departments	Long-term

Strategic Reforms Envisaged in the Long Term

Most of the short to medium-term recommendations based on global best practices are now part of the DB Reform Strategy 2016 for Pakistan. However, the sequencing for some reforms is envisioned at the far end of the horizon and will be undertaken subsequently as and when medium-term targets are met.

These reforms include the following potential process improvements:

Improve the current risk-based construction permitting system.

Pakistan is one of the 88 economies listed by **Doing Business** as having a risk-based construction permitting system. Nevertheless, there is room for improvement. Not all building projects are associated with the same social, economic or environmental risks. The construction of a hospital or skyscraper cannot be compared with the construction of a two-story commercial warehouse. Efficient governments have implemented rigorous yet differentiated construction permitting processes to treat buildings according to their risk level and location.

The United Kingdom started modifying its building control system in 2007 to add a risk-based component. The goal was to develop a risk assessment tool for building inspectors and move from strict public enforcement toward a combination of public and private practices. In 2009, the Department for Communities and Local Government partnered with the private sector to develop a risk assessment tool. High-risk projects such as hotels and movie theatres would have at least as many inspections as low-risk projects at key stages of construction — and in most cases would require additional inspections to comply with safety regulations. The use of risk assessment has improved the inspection system. Since 2008 it has eliminated eight procedures and 49 days from the process of obtaining a construction permit and connecting to utilities, as measured by **Doing Business**.

The Republic of Korea introduced risk-based approvals in 2005/06. In May 2006 small construction projects were allowed to choose a fast-track option. This allowed regulators to focus their time and resources on more complex projects. The reform was timely because it coincided with higher demand for construction.

Automated Platform

Both LDA and SBCA should ensure development and deployment of efficient automated platform where users can submit online their building permit applications. On top of physically consolidating pre- and post-clearances, a further degree of efficiency is attained by creating an online platform where building permit applicants can apply for all initial clearances simultaneously by submitting one form along with the final drawings. This form would then be accessed by the various agencies, which could review their own maps and approve the designs electronically. Building information could then be stored in a manner that is easily accessible, and development requests can be crosschecked for ownership, compliance, permits and inspections.

Several countries already have such computerised systems in place. Developers in Austria, Denmark, Iceland, Norway, Portugal and the United States can complete their building permit applications online. In Singapore, the data management system, established in 2001, enables easy access to information needed for obtaining a building permit. It allows on-line submission of plans, and it facilitates efficient permit processing. Today, builders regularly receive updates on the status of their application either by e-mail or text messaging. In 2009, Egypt introduced a single window for processing construction-related approvals. In 2011, Kenya introduced a new platform for building permits, while Russia implemented a single window for all procedures pertaining to land use. More recently, Malaysia established a one-stop service for construction permits.

One Stop Shops

Building approvals tend to require technical oversight by multiple agencies, and one way to simplify this process is by establishing one-stop shops. But the success of one-stop shops depends on good coordination among all agencies involved and often requires overarching legislation that ensures information sharing and establishes oversight mechanisms to minimize cases of noncompliance.

Today less than 40 economies around the world have some kind of one-stop shop for construction permitting. Since 2009, about 20 economies have successfully implemented one-stop shops for permit applications. In 2011, Taiwan, China established its first one-stop shop for construction permits and continues to improve its operations. By 2012, the number of procedures required to process permit applications had fallen from 25 to 11 and the time from 125 days to 94. In order to establish a successful one-stop shop for construction permitting, the following steps could be taken:

- Complete review of the manual process across agencies
- Design consolidated process facilitating approvals from the related regulatory agencies such as the Water and Sewerage Board, Development Authority, Municipal Corporation, Tax Authority etc.
- Based on the manual tracking system and previous mapping reports, prepare TORs for firm responsible for automated process application
- Pilot and launch the application.

5.3 Getting Electricity

Indicator relevance and experience of leading reformers

Infrastructure services, particularly electricity, are a concern for businesses around the world. Unreliable and costly electricity are hurdles to entrepreneurial activity. According to 2013 World Bank Enterprise Survey data for 135 economies, business owners find getting electricity connection and the quality of electricity supply as a bottleneck to their activities.

The primary concern for most business is to get a new connection, however, reliability of electricity supply is equally important. Greater time and costs to get an electricity connection are associated with lower electrification rates. Additional connection procedures are more common in economies where the electricity supply is weak as a result of high losses in the transmission and distribution systems.

The connection process is governed by many laws and regulations covering quality of service, general safety, technical standards, procurement practices and internal wiring installations. The process also involves multiple institutions including utilities, municipalities, testing agencies, transport agencies, regulatory agencies and those responsible for safety controls. Studies have shown that poor electricity supply adversely affects the productivity of firms and the investments they make in their productive capacity. Research also shows that capital (domestic and foreign) tends to go to countries that are able to offer a more reliable and competitively-priced supply of electricity.

Outages hamper all users – from small households, to hospitals and large industrial factories – and affect the economy as a whole. In many instances, a long-term approach may be required to mitigate the adverse consequences of unreliable power infrastructure, such as considerable capital investments into the grid and its proper maintenance. There are many practical actions that governments can take for ensuring more reliable power supply. These can include enforcing a robust regulatory framework with the right oversight and incentives, such as establishing minimum quality standards on outages, or investing in automated systems to identify network faults and restore service.

Electricity services are among the most regulated areas of economic activity, and research has shown that sector performance in infrastructure services is linked to the quality of regulatory institutions. A study covering 28 developing economies found that a high quality of regulatory governance is associated with higher per capita electricity generation.

Finally, transparency of tariffs is important to customers to plan their expenses, better understand the utility billing system, and contest the charges when needed. Businesses want to know in advance of any change in expenditure so that they can adjust their allocation of financial resources accordingly. In some economies, the law requires utilities to announce changes several billing cycles ahead. In others, the regulator helps ensure that tariffs are published through different media outlets and that adequate information and details are provided so customers can calculate their prices.

Among the most effective and common features of improvements on this indicator around the world include streamlining procedures with public agencies or within the utility, regulating the electrical profession to ensure the quality of internal wiring, increasing the transparency of the connection cost and lessening the burden of security deposits.

A total of 110 economies including Cambodia, Malaysia and Armenia have streamlined the approval processes in recent years. Among the procedures most commonly transferred to customers is applying to the municipality or the department of roads or transport for an excavation permit or right of way so that the utility can lay the cables or extend wires for the connection. Wait times range from one day in Nicaragua to 60 days in Venezuela. In Taiwan, the utility and local city administration revised their internal administrative processes and expedited the time needed to obtain an excavation permit, thus reducing the connection time by two days.

The safety of internal wiring installations is a concern not only for those using a building but also for utilities. One customer's faulty internal wiring can lead to power outages affecting other customers connected to the same distribution line. In most economies customers therefore need to comply with certain procedures aimed at ensuring quality. But the approach taken to address safety issues varies. Some economies address safety by regulating the electrical profession, establishing clear liability arrangements for electrical contractors. In economies such as Latvia and Paraguay the quality of the internal wiring is the responsibility of the electrical contractor who did the installation.

Pakistan's Performance

Pakistan's overall ranking for Getting Electricity is 157 out of 189 economies in 2016. Data for Karachi and Lahore reveals performance broadly in line with the regional averages, but behind OECD averages, particularly in the cost category. Within Pakistan, the data for Karachi and Lahore reveal some differences. While the number of procedures is the same in both cities, the time taken to obtain an electricity connection in Karachi is 15 days shorter than that in Lahore. Like their counterparts across the South Asian region, consumers in Pakistan experience high levels of service interruption – 865 hours per year in Karachi and 1357 hours in Lahore. Most of these interruptions are attributable to insufficient generation capacity in the country.

Businesses in Pakistan incur losses due to power outages amounting to 34 percent of annual revenue. Power outages also affect output levels. Several steps could be taken by the regulators and utility companies in Pakistan to reduce time and cost of electricity connections and improve reliability of supply.

For more details on Pakistan's performance under Getting Electricity, please refer to Annex B.

Reform Actions

Energy is high on the country's priority list of reforms because it affects the smooth operation of not just commercial life but life of the ordinary citizen as well. The power sector involves complex institutional frameworks where National Electric Power Regulatory Authority (NEPRA) acts as the main body, setting standards and ensuring their implementation. Each major urban center has its own Distribution Companiy (DISCOs) that get their supply from Generation Companies (GENCOs). The two other important institutions are the CPPA(G) and NTDC that are involved in the purchase of electricity from supplier. They are also responsible for ensuring that price agreements are met, as well as maintaining the electricity supply infrastructure. The DB report captures the two largest business cities of Pakistan - Lahore and Karachi.

Reforms specific to the DISCOs, Lahore Electricity Supply Company (LESCO) and Karachi Electric (KE), operating in Karachi and Lahore are outlined below:

- **Reduce time to obtain connection** by strictly enforcing existing standards as well as reviewing and updating these standards on a periodic basis.
- With regards to the inspection procedure, a **clear set of service deadlines** needs to be developed and communicated to the clients. For example, the inspection could be scheduled by the service provider within seven days of submission of the application. The inspection date could then be communicated to the applicant at the time of the filing of application and upon payment of a fixed fee. It is important to note that for such time limits to have any impact, they would need to be strictly monitored and enforced. An entity responsible for carrying out this monitoring and enforcement needs to be identified, to which the enterprise can turn to in the event of needing to report grievances and seeking redressal. A good practice is to publish performance statistics/processing time on the company's website.
- A detailed discussion with the relevant stakeholders, K-Electric and Lahore Electric Supply Company is envisioned to establish the exact turnaround time for connections to determine the extent of time savings achieved by streamlining application procedures and increasing inspection capacity.
- Similarly, there is a need to break down the longest procedure - Await external works, meter installation and electricity flow (120 days) to understand whether some process and capacity improvement could lead to shortening external works timeline.

- **Increase the transparency of connection costs and processes:** Costs can usually be divided into two categories: a clearly regulated connection fee based on a formula or set as a fixed price; and variable costs for the connection, accounting for the actual labour and material required. While both K-Electric and LESCO publish an extensive list of tariffs, information on the new connection cost is not easily available. One solution would be publishing an online calculator, allowing for estimation of the connection costs for different types of projects. MOESK, a Russian utility is one good practice example of a fully transparent new connection process, including availability of an online calculator.

Reform Actions- Getting Electricity					
Topic	**Recommendation**	**Intended Outcome/Impact**	**Actions Required**	**Agency Responsible for Implementation**	**Timeline**
Process Streamlining	Improve enforcement of existing service standards	Improve efficiency and reduce time to obtain connection	Review and produce a list of current by-laws/regulations governing the time limits to obtain connection against good international practices	National Electric Power Regulatory Authority, K-Electric/LESCO	Ongoing
			Ensure effective implementation of existing timelines for provision of electricity connection as laid down in existing NEPRA Performance Standards Rules (2005)	National Electric Power Regulatory Authority, K-Electric/LESCO	Ongoing
			Capacity-building of regulator for knowledge on performance standards. This is a 2-3 month exercise dependent on when the review is done.	National Electric Power Regulatory Authority	Sep 2016

	Consider introducing new service delivery standards		In line with international standards and best practices, review periodically the time required to provide new connection	NEPRA	Oct- Dec 2016
	Consider streamlining of application procedures by allowing for online submission of the full application and relevant documents and automatic scheduling of the inspection.	Improve efficiency and reduce time to obtain connection	Identify technology and human resources requirements to enable fully electronic application	MoWP, K-Electric/LESCO	Sep 2016
			Conduct stakeholder consultations and training workshops to promote the system		Dec 2016
			Highlight steps required to change by-laws/regulations to enable fully electronic submission	National Electric Power Regulatory Authority MoWP, K-Electric/LESCO	Feb 2017
			Develop and implement full solution for online submission of application for new connection	National Electric Power Regulatory Authority, K-Electric/LESCO	June 2017

	Improve reliability of supply	Improved access to electricity	Develop technical set of measures to reduce outages and improve quality of service e.g. bifurcation of lines, introduction of sectionalizers	National Electric Power Regulatory Authority, K-Electric/LESCO	Jan -Feb 2017
			Implementation of technical standards		Dec 2018
			Consider implementing Supervisory Control and Data Acquisition (SCADA) system or an Incidence Management System (or any elements of these systems) to monitor outages and restore service.	National Electric Power Regulatory Authority, K-Electric/LESCO	Dec 2018

Strategic Reforms Envisaged in the Long Term

Most of the short and medium-term recommendations highlighted above are based on global best practices. However, the sequencing for some reforms is envisioned at the far end of the horizon and will be undertaken subsequently to the fulfillment of medium-term targets.

These reforms include the following:

- **Streamline** the application procedures by allowing for online submission of the full application and relevant documents and automatic scheduling of the inspection.
- An **electronic platform** could be developed linking all approving entities, which is also accessible to the applicant. Such a platform would allow the applicant for an electricity connection to check online which relevant municipal agency has provided clearance for the connection to be processed, and what the status is, rather than having to visit each agency and follow up separately.
- **Improve reliability of supply:** A detailed discussion with K-Electric and LESCO is envisioned to establish how unscheduled outages are recorded, how long it takes to send out maintenance crews to find the location of the fault and identify the cause and to what extent the companies are relying on a Supervisory Control and Data Acquisition (SCADA) system or an Incidence Management System (or any elements of these systems) to monitor outages and restore service.

In Bolivia, the regulator allows tariff discounts to customers if the quality of supply does not meet the standards set by the regulator. Alternatively, regulators may impose a fine on utilities. For instance, in Turkey the regulator may fine the utility if outages occur without prior notification to affected customers. In 65 of the economies where there is an independent regulatory oversight, distribution utilities compensate customers or are required to pay fines if outages exceed the limits set by the regulator. The size of such penalties varies across economies. But those using such compensation mechanisms had 14 power cuts on average in 2014, lasting for approximately 30 hours, while economies having no financial deterrents to limit outages, had five times more outages for a total duration that was ten times longer.

5.4 Registering a Property

Indicator Relevance and Experience of Leading Reformers

Secured property rights are a prerequisite to support investment, productivity and growth. Research suggests that property owners with secure ownership are more likely to invest in private enterprises and transfer land to more efficient users. The ability to easily access authoritative information on land ownership also reduces the transaction cost in financial markets, making it easier to use property as collateral. Land registries, together with cadastres that identify the location of a property, are institutions used around the world to map, preserve and secure property rights. These institutions are part of the land information system of an economy. The benefits of land registration go beyond the private sector. For governments, having reliable, up-to-date information in cadastres and land registries is essential to correctly assess and collect tax revenues. With up-to-date land information, governments can map out the varying requirements of their cities and strategically plan the provision of services and infrastructure in the areas of each city where they are most needed.

International experience also shows that a unified computerised registry with clear titles is one of the main features of an effective property registration system. A unified computerised registry would make information and procedures available online; offer expedited procedures, lower transaction costs, set reasonable transfer fees, and set effective time limits to complete the property transfer process. In countries with the most efficient property registry systems, such as Norway, New Zealand and Denmark, a single agency oversees all property transfers and registration. In Norway, for example, the Norwegian Mapping and Cadastre Authority maintains a single registration office for the entire country. Property registration can be done in one procedure and three days. The application is easily accessible online. In Denmark, Norway, Portugal, Belgium and New Zealand, the transfer can be done electronically. In Italy and Poland, there are strict time limits to complete property transfers, but these have been successfully implemented by streamlining procedures through reorganisation and computerisation. In Latvia, the land registry has electronic access to the municipal tax information on real estate, which frees entrepreneurs from having to provide this information in paper format. Procedural requirements for property transfers usually involve encumbrance checks to ensure, for example, that the property is free of hidden or unknown charges, or that the borders are clearly defined. In Sweden and the United States, it is possible to check all encumbrances using an electronic database. Slovenia, New Zealand and Russia have a flat fee structure for all property-related transactions.

Pakistan's Performance

Pakistan's performance is at par with the South Asia regional average but is below the OECD's average particularly on the Quality of the Land Administration index. **Doing Business** 2016 reported that in Pakistan entrepreneurs must go through an average of six procedures to execute a property transfer (compared with 6.4 South Asia's average), which would take 50 days (compared with 97.6 days South Asia average) and cost between 7.7 percent (Karachi) and 7.2 percent (Lahore) of property value. Pakistan, as represented by the average performance of its largest cities Karachi and Lahore, ranks 137th among 189 countries on Registering Property. Karachi and Lahore perform very similarly on the indicator, differentiating only on cost, driven by the different levels of capital value tax.

In order to improve property registration framework, the Government of Pakistan is considering a set of measures to streamline registration procedures, reduce registration cost and increase transparency.

For more details on Pakistan's performance under Registering Property, please refer to Annex B.

Reform Actions

In the case of Pakistan, Registering Property has become largely a provincial domain. Following the 18th Amendment to the Constitution in 2010, the provinces of Sindh and Punjab, home to the two largest business cities of the country, are committed to reforming Registering Property and have aligned their ongoing reforms with the best practices highlighted by **Doing Business**.

In the short run Punjab envisions:

- Development of a website that will contain forms and information regarding the procedure/requirement for the registration of property and fee structure.
- Development of an automated system for the digitisation of all valuation tables having online access for performing all pre-service delivery tasks;
- Development of an IT system for the digitisation of stay orders/court orders with indexing of record having a built-in digitised searching module,
- Provision of services to the population – with the objective of managing, operating, making accessible property-related information – and incorporating feedback from stakeholders in further elaboration of the system
- Indexation and archiving of old registries for securing of the record and searching/verification of registries prior to approval.

Reforms envisaged by Punjab in the long term:

1. *Digitising all stay orders and its linkage through management, preservation and accessibility of all stay and court orders through:*

    - Development of software for the archiving and linkage with khasra numbers to ensure transparency and implementation of court orders. This will restrict the transfer of properties under litigation or pending issues which need to be settled before transfer. The software will allow the indexation of these stay orders
    - Training of sub-registrar offices and establishment of special counters for instant archiving and indexing of stay orders/court orders

2. *Scaling-up of computerised deed registration project*

Under the Land record Management Information System (**LRMIS)** Project, computerisation of deeds for automating the process of mutation is being carried out through registries. Automation project of deeds registration has been successfully running in all the *kacheries* of nine divisional headquarters. Every registered deed can be directly searched and identified within LRMIS. Scanned documents are readily available for inspection and extraction of the data required for the mutation.

3. *Archiving and indexation of old registered deeds*

As part of the above reform, action to computerise all the new Registrations of Deeds, LRMIS Project has also started archiving and indexing old registered deeds at tehsil level for the nine divisional headquarters districts.

4. *Computerization of property tax in urban areas*

The Excise & Taxation Department has commenced a project involving GIS-based computerisation of property tax in urban areas of six large districts in Punjab - Lahore, Faisalabad, Rawalpindi, Gujranwala, Multan, and Sialkot

Sindh envisions:

- Automation of district account/ treasury offices/ sub-treasury offices
- Extension of corporate records database and inspector performance system to increase control over revenue from corporate sector
- Registration information for all cases available centrally at Karachi and Hyderabad SROs
- Online report generation of each record
- Online working status of each office
- Full management reports, extracting statistical data to assess, and daily registration
- Record of all legal documents placed for registration at the sub-registrar offices on behalf of the document owner

- CVT revenue collection at each office
- Registration fee collection at each SRO
- Daily stamp sale and availability.

Details for the reform actions from the two major provinces, focusing on the business capitals Lahore and Karachi, are given in the matrices below:

Reform Actions (Karachi)- Registering Property					
Topic	**Recommendation**	**Intended Outcome/Impact**	**Actions Required**	**Agency Responsible for Implementation**	**Timeline**
Land Administration	Improve reliability of infrastructure of the land administration	Improve quality of land administration and secure property rights	Follow up on the computerization process of land records in Karachi	Board of Revenue, Sindh	July 2016
			Follow up on the development of an electronic database for checking for encumbrances (liens, mortgages, restrictions and the like)	Board of Revenue, Sindh	Aug 2016
			Digitalise majority of maps of land plots kept in Karachi	Board of Revenue, Sindh	Dec 2016
	Reduce the time for execution and registration of a deed before registration authority (sub-registrar of Conveyance/Assurances)	Reduction to 19 days	Automation/digitisation of microfilms	Board of Revenue, Sindh	Jan 2018
			Automation of district account/treasury office/sub-treasury offices	Board of Revenue, Sindh	
			Link information recorded by immovable property registration agency and the cadastral or mapping agency	Board of Revenue, Sindh	Dec 2016
			Promote the usage of the same identification number for immovable property registration agency and cadastral or mapping agency	Board of Revenue, Sindh	Dec 2016

	Improve transparency of information		Make publicly available (online) the list of documents/fees that are required to complete any type of property transaction	Board of Revenue, Sindh	June 2016
			Make official statistics tracking the number of transactions at the immovable property registration publicly available (online).	Board of Revenue, Sindh	June 2016
			Develop a specific and separate mechanism for filing complaints about a problem that occurred at the agency in charge of immovable property registration	Board of Revenue, Sindh	Dec 2016
			Online access to land records data and report generation facility	Board of Revenue, Sindh	Dec 2016
Process Streamlining	Eliminate the requirement of advertisement of a transaction in newspapers and inviting objections	Reduce the time, cost and number of procedures to transfer property	Review and produce a list of current bylaws/regulations governing the advertisement of a transaction in newspapers and inviting objections.	Board of Revenue, Sindh	June 2016
			Highlight steps required to change bylaws/regulations to eliminate this procedure. Including the identification of authorities that need to approve this change.	Board of Revenue, Sindh	June 2016
			Present alternatives for the advertisement of a transaction in newspapers and inviting objections. For example, with the publication of	Board of Revenue, Sindh	June 2016

			the transaction on the website of the Office of the Registrar.		
			Change relevant by-laws/regulations.	Board of Revenue, Sindh	May 2016
	Finalise the implementation of a standard sale-purchase agreement	Eliminate the need to hire a lawyer for simple property transfer transactions.	Share the draft standard sale purchase agreement with professional associations (lawyers, real estate companies)	Board of Revenue, Sindh	June 2016
			Incorporate changes/comments	Board of Revenue, Sindh	June 2016
			Make the standard sale- purchase agreement publicly available	Board of Revenue, Sindh	July 2016
			Organize workshops/seminars to train the public on the usage of standard sale-purchase agreement.	Board of Revenue, Sindh	July 2016

Reform Actions (Lahore)- Registering Property					
Topic	**Recommendation**	**Intended Outcome/Impact**	**Actions Required**	**Agency Responsible for Implementation**	**Timeline**
Land Administration	Improve reliability of infrastructure of the land administration	Improved quality of the land administration	Finalise the computerisation process of land records in Lahore	Board of Revenue, Punjab	Aug 2016
			Digitalise the available maps of land plots kept in Lahore	Board of Revenue, Punjab	Dec 2016
			Link information recorded by the immovable property registration agency and the cadastral or mapping agency	Board of Revenue, Punjab	Mar 2017
	Improve transparency of information	Improved transparency of information	Finalise the process to make publicly available (online) the list of documents/fees required to complete any type of property transaction	Board of Revenue, Punjab	June 2016
			Enhance the complaint- handling mechanism for resolving problem that occurred at the agency in charge of immovable property registration	Board of Revenue, Punjab	Dec 2016
			Make official statistics tracking the number of transactions at the immovable property registration publicly available (online).	Board of Revenue, Punjab	July 2016

Recommended Reform Measures - Registering Property					
	Finalise the implementation of a standard sale-purchase agreement	Eliminate the need to hire a lawyer for simple property transfer transactions	Share the draft standard sale-purchase agreement with professional associations (lawyers, real estate companies)	Board of Revenue, Punjab	July 2016
			Incorporate changes/comments	Board of Revenue, Punjab	July 2016
			Make the standard sale-purchase agreement publicly available	Board of Revenue, Punjab	Sep 2016
			Organize workshops/seminars to train the public on the usage of standard sale-purchase agreement	Board of Revenue, Punjab	Sep 2016
	Improve reliability of infrastructure of land administration		Finalise creation of database for checking for encumbrances (liens, mortgages, restrictions and the like)	Board of Revenue, Punjab	Sep 2016
			Promote usage of the same identification number for immovable property registration agency and cadastral or mapping agency	Board of Revenue, Punjab	Dec 2016

Strategic Reforms Envisaged in the Long Term

Most of the medium and short-term recommendations based on global best practices are now part of the DB Reform Strategy 2016 for Pakistan. However, the sequencing for some reforms is envisioned at the far end of the horizon and will be undertaken subsequently as and when medium term targets are met.

These reforms include:

1. **Process streamlining** to improve reliability and transparency of information and ultimately security of title through:

    - Follow up on the development of an electronic database for checking for encumbrances (liens, mortgages, restrictions and the like)
    - Digitisation of the majority of maps of land plots kept in Karachi and Lahore
    - Linking information recorded by the immovable property registration agency and the cadastral or mapping agency
    - Promote the usage of the same identification number for immovable property registration agency and cadastral or mapping agency

2. **Finalise the implementation of a standard sale-purchase agreement using the following steps:**
    - Share the draft standard sale-purchase agreement with professional associations (lawyers, real estate companies)
    - Incorporate changes/comments
    - Make the standard sale-purchase agreement publicly available
    - Organize workshops/seminars to train the public on usage of standard sale-purchase agreement.

3. **Reduce cost of property transfer**

    - Lower fees can encourage property owners to register their land and buildings in the formal property ownership system, which in turn increase the capital available to businesses
    - Global experience suggests that reducing fees could contribute to reducing informality too. Alternatively, options to substitute land taxes might be investigated

The Government could assess the possibility of reducing the tax rate for the stamp duty and gradually reduce reliance on the transfer property tax as other forms of taxing immoveable property become more viable (e.g. property tax, VAT and capital gains tax). This reduction should be done in conjunction with the implementation of a simple, annual property/real estate tax and sound valuation methods.

5.5 Getting Credit

Indicator Relevance and Experience of Leading Reformers

Credit bureaus and registries are essential elements of the financial infrastructure that helps to address the issue of access to financial services including credit. By sharing credit information, they help to reduce information asymmetries, increase access to credit for small firms, lower interest rates, improve borrower discipline, and support bank supervision and credit risk monitoring. A credit history cannot override the importance of risk analysis, but when banks share information, loan officers can assess borrowers' creditworthiness using objective criteria. For regulators, credit information systems provide a powerful tool for supervising and monitoring credit risk in the economy. Access to credit information also benefits deserving borrowers by increasing their chances to get credit. Besides providing credit information, credit bureaus also offer fraud detection, debt collection, marketing services and credit scoring, while credit registries offer ratings to financial institutions and other services to financial supervisors.

Reduced information asymmetries - The inability of lenders to accurately assess the creditworthiness of borrowers contributes to higher default rates and smaller loan portfolios. Lenders are also more likely to lend to larger firms, which may be more transparent as a result of more elaborate legal and accounting rules and regular publication of certified auditors' reports on their financial transactions. Credit reporting systems offer one way to minimise problems of asymmetric information since past behaviour is considered a reliable predictor of future behaviour. A good credit history — sometimes referred to as "reputational collateral"— minimises the perception of risk, thus enabling an individual or firm to gain access to financing.

Greater access to credit for small firms - Credit bureaus and credit registries are one way of increasing access to finance for individuals and small firms. With better, cheaper and faster access to credit information, lending officers can use accurate and objective data to make unbiased decisions in offering loans. Supported by credit reporting systems, banks can base their credit decisions on past borrower behaviour and therefore sensibly extend credit to smaller firms.

Better borrower discipline - Credit information sharing can act as a disciplinary device for borrowers. When lenders are known to share information about customers' credit records, borrowers know that defaults on loans from one lender may disrupt future access to credit from all other lenders. So borrowers have greater incentive to repay. Research has shown that repayment rates can increase by up to 80 percent when a credit registry or bureau starts operation.

Support for bank supervision and credit risk monitoring - For regulators, credit information systems provide a powerful tool for supervising banks and monitoring credit risk and credit trends in the economy. Regulators often use information from credit bureaus and credit registries to assess whether current provisioning is adequate and to analyse developments in credit markets and interest rates. The results may guide changes in the legislation governing financial institutions.

Pakistan's Performance

Pakistan ranks 133 out of 189 economies on the Getting Credit indicator, sharing the last place in the South Asia region with Nepal and Bangladesh. In the **Doing Business 2016** report, Pakistan scores three (out of eight) on the Depth of Credit Information index.

Both a private credit bureau and a public credit registry operate in Pakistan, the public credit registry covering 6.70 percent of adults and the private bureau only 4.80 percent of adults. Compared to the region and OECD, Pakistan underperforms on both the Strength of Legal Rights index and Depth of Credit Information index. The government is currently implementing series of reforms in the Getting Credit area, which once fully implemented will improve the country's performance on this indicator.

The Government of Pakistan is well underway with implementing reforms in the area of credit information and secured lending, with a number of regulatory and IT initiatives under implementation.

Reform Actions

Federal departments are responsible for legal reforms in this area; mainly the State Bank of Pakistan but the judicial system is also heavily involved. The reforms revolve around two major legislations covering both of the indicators that **Doing Business** measures.

The Credit Bureaus Act, 2015 was enacted in August 2015, with regards to strengthening the credit information market. It is expected that credit bureaus in the private sector will be licensed under the said Act by last quarter of CY 2016.

With a view to promote the conduct of banking business and to increase access to credit for unincorporated entities and farmers, SBP drafted a Secured Transactions Act to enable legal provision for the creation, registration, priority and enforcement of security interests over movable property. Final draft of the Secured Transactions Act is under process and has been submitted to the Parliament in January, 2016.

Moreover, SBP has developed a broader National Financial Inclusion Strategy (NFIS) for Pakistan, under which improving the credit information system and facilitating banks to extend credit to broader sections of society is a critical component. To achieve the above objectives, various legislations have been drafted to ensure credit information sharing and development of regulatory and operational framework. In addition, plans have been devised to strengthen the financial literacy among banking sector clients under NFIS.

The details of reform actions under the area Getting Credit is given in the matrix below:

Reform Actions –Getting Credit					
Topic	**Recommendation**	**Intended Outcome/Impact**	**Actions required**	**Agency responsible for implementation**	**Timeline**
Legislative reform	Improve credit information and collateral regulatory environment	Modern credit information and secured lending framework	Finalise credit information legislation/by-laws and regulations	MOF/SBP	May 2016
			License private credit bureaus under the new law		Dec 2016
			Enact the Secured Transactions Law	MOF/SBP	July 2016
			Provisions relating to or concerning secured transactions in different laws such as those dealing with property transfer, Contract enforcement, Companies Act should be harmonised with the Secured Transactions (concerning movable assets) Law	MOF/SBP	Dec 2016
			Develop regulations to implement Secured Transactions Law and Collateral registry.	MOF/SBP	Mar 2017
	Develop modern notice-based electronic collateral registry	Improved access to finance	Develop technology platform, train staff and users subject to enactment of Law	MOF/SBP	May 2017

Strategic Reforms Envisaged in the Long Term

The Credit Bureaus Act of 2015 has been enacted, hence paving the way for further reforms. Under the new law, work is in progress on the licensing regime, as licensing provisions need to be finalised and the credit bureaus are required to obtain licenses to be able to provide enhanced services to customers and their operating procedures amended accordingly.

Most of the medium and short-term recommendations based on global best practices are now part of the DB Reform Strategy 2016 for Pakistan. However, the sequencing for some reforms is envisioned at the far end of the horizon and will be undertaken subsequently as and when medium-term targets are met.

Some of the broader ideas for **Credit Information Reform** are as follows:

- **Lowering or eliminating minimum loan thresholds** will benefit female entrepreneurs and small enterprises the most, whose loans are typically smaller. Indonesia, Tunisia, and West Bank and Gaza eliminated their loan thresholds in 2008. This action was spurred by the rapid growth in consumer loans, which had led banks to request more detailed information on a larger group of borrowers.[4]
- ***Providing online access for subscribed banks and financial institutions*** will enable more efficient credit reporting service providers share their data online. Offering online access for subscribed banks and financial institutions has become a must for many credit bureaus and credit registries. Ethiopia's central bank established a credit information centre to allow banks to submit data and inquiries electronically. A pilot program was launched in August 2011 with three commercial banks, and by April 2012 the online system was fully implemented. Today 19 Ethiopian banks are registered as data users and provide monthly updates.
- ***Offering bureau or registry credit scores as a value added service*** including credit scoring, marketing services, portfolio monitoring, fraud detection and debt collection will help creditors predict bad debts. The credit bureau TransUnion Nicaragua introduced credit scoring based on the data in its database as a value added service for its subscribed banks and financial institutions in June 2013.

[4] Interview with a credit bureau in Azerbaijan.

The new Secured Transactions Bill in Pakistan has been drafted, and was presented to the National Assembly on the 1st January 2016. However, it still waits to be passed and implementing regulations need to be drafted. The new law will address the gaps identified in the current legislation by including the following best practices for strengthening **Legal Rights of Creditors and Borrowers in Secured Transactions:**

- **Allow general description of collateral and debt in collateral agreements.** Currently, parties to a collateral agreement need to provide a full detailed description of the assets used as collateral, both in the agreement and at the registry. The reviewed law should allow more flexibility regarding these types of agreements and in the registration process. For example, parties to a security agreement granting a security interest in the debtor's inventory could be allowed to describe the collateral using the term "all inventory". The reviewed legislation should allow general descriptions of debt and obligations, for example, such that parties can use a particular asset to secure "all debts and obligations" between them.
- **Ensure that the priority scheme ranks secured creditors as high as possible, while respecting other critical national policy objectives.** It is critical that creditors or potential creditors of a business be able to determine, with a high degree of predictability, where their claims against the business will rank. Given the important role that secured creditors often play in providing credit to businesses, their claims should have the highest priority reasonably possible, both within and outside of insolvency procedures, unless other claims were registered before the secured creditor's claim. Claims that rank ahead of secured creditors are likely to increase the cost, or limit the availability, of credit.
- **Establish an electronic secured transactions registry for the purpose of administering the Secured Transactions Bill, 2016,** including creation, perfection, registration, and enforcement of security interests. The Registry is expected to become operational by June 2017. Before accepting collateral, creditors need an effective way to find out whether the potential borrower has already granted a security interest in the collateral and, if so, what priority those rights have. Studies show that the impact of a new collateral registry can be economically significant. In economies with such reforms, the number of firms with access to bank finance increases by about 8 percent on average, with a three percentage point reduction in interest rates and a six-month extension of the maturity of loans. The positive impact on smaller firms tends to be large.

5.6 Protecting Minority Investors

Indicator Relevance and Experience of Leading Reformers

One of the most important issues in corporate governance is self-dealing — the use of corporate assets by company insiders for personal gain. Related-party transactions are the most common example. High ownership concentration and informal business relations can create the perfect environment for such transactions, which allow controlling shareholders to profit at the expense of the company's financial health — whether because company assets are sold at an excessively low price, assets are purchased at an inflated price or loans are given by the company to controlling shareholders on terms far better than the market offers.

The existing body of empirical evidence shows that stricter regulation of self-dealing is associated with greater equity investment and lower concentration of ownership. This is in line with the view that stronger legal protection makes minority investors more confident about their investments, reducing the need for concentrated ownership to mitigate inherent weaknesses in corporate governance structures.

Other aspects of corporate law are also indicative of the strength of protection of minority shareholders. The literature provides evidence that corporate governance standards in certain areas are particularly important — such as those relating to board composition and independence, firm transparency and disclosure, and the rights of shareholders relative to the board of directors and management. Sound rules and regulations in these areas of corporate governance minimize the agency problem between majority and minority shareholders as well as that between minority shareholders and the board of directors and management.

Sound investor protection is critical for companies to raise the capital needed to grow, innovate, diversify and compete. Without investor protections, equity markets fail to develop and banks become the only source of finance. Economies that have dynamic capital markets tend to effectively protect investors. In such economies, investors receive financial information they can trust, enabling them to participate in major decisions of the company, and directors are held accountable for their managerial decisions. If the laws do not provide such protection, investors may be reluctant to invest, unless they become controlling shareholders.

Economies with the strongest protection of minority investors from self-dealing require detailed disclosure, define clear duties for directors, and offer wide access to corporate information. They also have well-functioning courts and up-to-date procedural rules that give minority investors the means to prove their case and obtain a judgment within a reasonable time. Overall, OECD high-income economies have the strongest protections of minority shareholders as measured by **Doing Business**. These economies have the highest average score both on the extent of conflict of interest regulation index, which is the average of three existing indices of minority shareholder protections, and on the extent of shareholder governance index, which is the average of the three new ones. Hong Kong, New Zealand and Singapore are sharing top positions on Protecting Minority Shareholders indicator.

Pakistan's Performance

According to the **Doing Business 2016** report Pakistan has a highly sophisticated corporate governance regime, ranking among the top 25 economies worldwide on Protecting Minority Investors. Reform to improve corporate governance in Pakistan has been significant, including the introduction of a code of corporate governance and increased vigilance by regulators. Nevertheless, there are several measures that are envisaged to further enhance protection of Minority shareholders.

For more details on Pakistan's performance under Protecting Minority Investors, please refer to Annex B.

Reform Actions

With a view to strengthening the existing investor protection framework in the country, the SECP, which regulates the capital markets in the country, is working on bringing improvements in the existing investor protection framework over the medium-term.

The important initiatives in this regard are outlined below:

Self-assessment of Reports on the Observance of Standards and Codes **(ROSC) on Corporate Governance**
SECP is currently undertaking the self-assessment of ROSC on Corporate Governance, which is scheduled to be completed by March-end 2016. The World Bank may peer review the self–assessment under its ROSC Program to bring it in line with international best practices.

Subsidiary legislation under the Securities Act, 2015
A number of crucial rules and regulations are being framed under the Securities Act, 2015 for effective functioning of the capital market and investor protection. These include:

- Introduction of a revised securities broker regime which will provide for categorisation of brokers according to their financial strength and capacity to undertake different functions such as trading, clearing, custody and settlement. Eligibility criteria for each such class will be specified to improve entry barriers to ensure protection of clients' assets and interest.

- Regulatory framework encompassing licensing, conduct of business, financial resource and other requirements are being introduced for market intermediaries and entities that directly interact and deal with investors and whose activities directly impact the investors, such as securities advisers, securities managers, credit rating agencies, debenture trustees, ballotters, underwriters etc.

- Framing of rules and regulations for establishment of a centralised investor protection fund by the securities exchange(s) for settlement of investor claims in case of defaults by brokers, in line with global best practices.

Establishment of Settlement Guarantee Fund (SGF)

Regulatory framework will be introduced for National Clearing Company of Pakistan (NCCPL) to attain the status of a Central Counter Party with a Settlement Guarantee Fund (SGF) of appropriate size in accordance with actuarial valuations. The establishment of SGF will be a revolutionary step towards improving the risk and default management system at the capital market, thereby enhancing investor protection.

Establishment of a Centralised KYC Organisation

To facilitate the securities market investors, a Centralizsed KYC Organisation shall be established whose objective will be to register and maintain investors' KYC records in line with the international best practices pertaining to KYC and CDD policies. The said KYC records will be available for access by all market intermediaries and this measure will assist in removing the duplication presently faced in the KYC process by bringing uniformity to the same. The same will also ensure authenticity, integrity and security of KYC information pertaining to investors.

Details for reform actions under this indicator are given in the matrix below:

Recommended Reform Measures- Protecting Minority Investors					
Topic	**Recommendation**	**Intended Outcome/Impact**	**Actions Required**	**Agency Responsible for Implementation**	**Timeline**
Legislative reform	Further improve Corporate Governance Framework	Most modern Corporate Governance framework	Review existing legal framework against best international practices and Doing Business Protecting Minority Investors indicator. - SECP is undertaking self-assessment of ROSC on Corporate Governance scheduled to be completed by March-end 2016. World Bank may peer review the self –assessment	SECP	July 2016
			Subsidiary legislation under the Securities Act, 2015 - Revised securities broker regime will be introduced entailing categorisation of brokers according to financial strength and capacity to undertake different functions - Regulatory framework encompassing licensing, conduct of business, financial resource and other requirements being introduced for market intermediaries/entities that directly interact with investors - Rules/regulations will be framed for establishment of a centralised investor protection fund for settlement of investor claims, in line with global best practices.	SECP	Dec 2016
			Regulatory framework will be introduced for National Clearing Company of Pakistan (NCCPL) to attain the status of a Central	SECP	Dec 2016

		Counter Party with a Settlement Guarantee Fund (SGF) of appropriate size in accordance with actuarial valuations.		
		To facilitate the securities market investors, a Centralized KYC Organisation shall be established to register and maintain investors' KYC records in line with the international best practices pertaining to KYC and CDD policies.	SECP	Dec 2016

Strategic Reforms Envisaged in the Long Term

The Government of Pakistan has been championing Corporate Governance reforms over the past years. Regulators, industry associations, academic institutions and non- governmental organisations have raised awareness of the value of good corporate governance practice, and have established the Pakistan Institute of Corporate Governance (PICG), which aims to build understanding and provide training. PICG has been recognised both nationally as well as internationally for the services it provides, in particular the Director Training Programme (DTP). In the Code of Corporate Governance 2013, it is mandatory for directors of listed companies to attain certification under any DTP offered by any institution (local or foreign), which meets the criteria specified by the SECP. The current regulatory framework already incorporates many international good practices.

Some more measures could be introduced to further improve protection of minority shareholders in Pakistan:

- Mandate **external review** of the transaction (under paragraph 35, sub-section of PICG, the matter is to be referred to the internal audit committee).
- Mandate **shareholders' meeting approval** of large related parties' transactions representing more than 5 percent of the assets of the company (under paragraph 35, sub-sections b & c of PICG; the matter is to be referred to the board).
- Mandate **immediate disclosure** (within 48 hours) of material related to party transactions to the stock exchange, public and market regulator (under paragraph 35, sub-section d of PICG; only periodic disclosure is contemplated).
- Mandate **remuneration disclosure for chief managers** (e.g. CEO, CFO, COO and General Counsel). Currently PICG contains transparency requirements for directors’ remuneration, but not for the upper management of the companies.
- **Allow shareholders representing 5 percent of the capital** of the company to **include items in the agenda** of the shareholders' meeting.

5.7 Paying Taxes

Indicator Relevance and Experience of Leading Reformers

Governments need sustainable funding for social programmes and public investments to promote economic growth and development. Programmes providing health, education, infrastructure and other amenities are important to achieve a common goal of a prosperous, functional and orderly society. And they require that governments raise revenues. This is so even in low-income economies that often receive large amounts of external assistance to help meet their needs.

All governments need revenue, but the challenge is to carefully choose not only the level of tax rates but also the tax base. Governments also need to design a tax compliance system that will not discourage taxpayers from participating. Recent firm surveys in 121 economies show that companies consider tax rates to be among the top five constraints to their business, and tax administration to be among the top 11. Firms in economies that rank better on the ease of paying taxes tend to perceive both tax rates and tax administration as less of an obstacle to business.

A recent study shows that higher tax rates are associated with fewer formal businesses and lower private investment. A 10 percentage point increase in the effective corporate income tax rate is associated with a reduction in the ratio of investment to GDP of up to two percentage points and a decrease in the business entry rate of about one percentage point. A tax increase equivalent to 1 percent of GDP reduces output over the next three years by nearly 3 percent.

Efficient tax administration can help encourage businesses to become formally registered and the economy to grow — and thus expand the tax base and increase tax revenues. Administration that is unfair and inefficient will bring the tax system into disrepute and weaken the legitimacy of government. In many transition economies in the 1990s, failure to improve tax administration when new tax systems were introduced resulted in very uneven imposition of taxes, widespread tax evasion and lower-than-expected revenue.

Compliance with tax laws is important to keep the system working for all and to support the programmes and services that improve lives. New research evidence shows that an important determinant of firm entry is the ease of Paying Taxes, regardless of the corporate tax rate. A study of 118 economies over six years found that a 10 percent reduction in the tax administrative burden—as measured by the number of tax payments per year and the time required to pay taxes — led to a 3 percent increase in annual business entry rates.

One way to encourage compliance is to keep the rules as clear and simple as possible. In Hong Kong and China, for example, the standard case study firm would have to make only three payments a year, the lowest number of payments globally. In Norway it would have to make four payments, still among the lowest requirements in the world. In Ireland, complying with profit tax, value added tax, and labour taxes and contributions take only 82 hours a year, around 10 working days.

Compliance tends to take less time in economies where value added tax is administered by the same tax authority as the one that deals with corporate income tax. The use of online filing and payment greatly reduces compliance time. By 2014, 84 economies had fully implemented electronic filing and payment of taxes. Sixty-four of them adopted or enhanced their systems in the past 11 years. The frequency and length of value added tax returns also matter. Requirements to submit invoices or other documentation with the returns add to compliance time. Streamlining the compliance process and reducing the time needed to comply is important for value added tax systems to work efficiently.

Another good practice is adopting self-assessment as an effective tool for tax collection. Taxpayers determine their own liability under the law and pay the correct amount. For governments, the computer system and software for self-assessment, if they function well, ensure effective quality control. Economies that have introduced their tax system recently or undertaken major revision of their tax regulations have tended to adopt self-assessment principles. These include all economies in Eastern Europe and Central Asia and almost two-thirds in East Asia and the Pacific, the Middle East and North Africa, and South Asia.

Pakistan's Performance

Pakistan ranks 158 (out of 190 countries, on Paying Taxes and this is primarily due to high number of payments and increased time taken to pay taxes in a year. The firms in Pakistan are making 47 tax payments annually, which has remained constant since 2006. On the other hand, the total tax rate (percent of profit) has decreased from 35.3 percent in 2012 to 33.3 percent in 2016, which is below the regional and OECD averages.

Among different taxes paid by the firm in a year, payment of General Sales Tax (GST) takes most of the time, followed by corporate tax and social security contributions. The firms reported highest compliance time taken at the preparation stage, as more details are required to be filed with GST returns, on a monthly basis.

Doing Business 2017 expands the paying taxes indicators to include a new measure of the time businesses spend complying with two postfiling processes: claiming a VAT refund and correcting a mistake in the corporate income tax return. Pakistan scores 37.61 out of 100 points on the post-filing index.

For more details on Pakistan’s performance under Paying Taxes, please refer to Annex B.

Reform Actions

The Federal Board of Revenue (FBR) is the primary institution in the country responsible for matters pertaining to taxation. In order to make the procedure for filing taxes simpler and faster, the FBR has automated the tax filing system and reduced the number of payments of taxes. This will reduce both the time spent on data entry and link data across several departments to avoid duplication.

The taxpayers can make tax payments easily by generating a personal ID with their account in National Bank of Pakistan (NBP) which generates Computerised Payment Receipt Number (CPRN). The taxpayers file the tax returns by feeding CPRN in the system. Since CPRN data of National Bank is linked with the FBR system, payments are verified in real time and return is filed electronically without going to the bank for confirmation of payment and filing of return.

The FBR has linked all import and export data of registered persons with their NTN. When taxpayers want to upload Import/Export data in the system, they just need to feed their NTN and with one click their entire Export/Import data of the tax period is provided in their returns along with values and taxes paid on them. The system itself calculates the liability as per sales/purchases data uploaded by the taxpayers.

Future reforms agreed upon with the FBR are as follows:

- *Advance filing of Sales invoices*

The taxpayers will be required to upload sales data in advance up to the fifth day of each month. This data will help all GST return filers as purchase data will automatically be uploaded by the system once they feed their NTN. Purchases and admissible input will be calculated automatically by the system which will reduce the time of return compilation by 40-50 percent and the burden on the taxpayer of gathering any information from his suppliers.

- *Payment of Tax/CPRN*

Presently, a taxpayer has to visit an authorised branch of NBP to make tax payment and get CPRN. The proposal is to facilitate the taxpayer to visit any bank branch where his account is maintained to make payment and get CPRN.

- *Direct debit from the accounts*

Certain taxpayers complain that Payment Slip Identity (PSID) and (CPRN) is not a satisfactory arrangement for making payment of taxes. In order to avoid the delay, FBR has considered introducing direct debit account system for payment of taxes. Under this system, after filing Sales Tax return, a taxpayer may authorise direct debit from designated account. This step will reduce the time consumed in Paying Taxes.

- Automating post-filing processes, including refunds.

Reforms are planned not only at the federal level but also at the Provincial level. Balochistan and Khyber Pakhtunkhwa have taken up Paying Taxes as an area to reform. Their plans in this regard are outlined below:

Khyber Pakhtunkhwa

- Collection, registration and filing of Sales Tax are being done online.
- Dedicated counters have been established in most of the NBP branches
- Streamlining collection of motor vehicle fees through a fully computerised vehicle registration system
- Streamlining collection of property tax and professional tax through one window facility in Peshawar, Mardan, and Abbottabad with plans to expand to Swat, Kohat, Bannu, and D.I. Khan
- Automation of Transport Department to integrate the online system of motor vehicle registration with other relevant Provincial departments to verify the integrity of registration/renewals carried out in other provinces
- Time reduction in the registration of a motor vehicle; efforts are being made in collaboration with NADRA to access data of manufacturers by the Provintial motor vehicle registration authorities for requisite verification of vehicle

Balochistan

- Balochistan Revenue Authority (BRA) has completed the automation of its tax collection system for sales tax on services to reduce human interaction for tax enforcement. Other departments including Excise and Taxation, Board of Revenue and Mines and Minerals have also initiated the process of automation in stages.

- Taxation system of Excise and Taxation Department in Hub and Quetta will be automated and one window for collection will be established

- To increase taxpayer compliance and use the new systems effectively, the BRA, Excise and Taxation, Mines, BOR, and Labour Department will promote awareness on tax payment procedures

- Capacity-building for improving taxpayer knowledge and compliance is planned to continue till June 2017

- Review and simplification of taxation system (rules, processes and forms for Paying Taxes) to improve clarity, transparency and reduce discretion will be conducted by BRA, Excise & Taxation, Mines and Minerals Departments, BOR, and Industries and Labour Departments.

- Balochistan is also planning to club taxes under the heads of profession tax, trade tax, welfare cess and entertainment duty together and reduce number of taxes/duties/royalties and frequency of payments in an ongoing process till 2017.

- Protocols for data sharing and process coordination between Federal and Provincial tax authorities will be developed

Reform Actions – Paying Taxes					
Topic	**Recommendation**	**Intended Outcome/Impact**	**Actions Required**	**Agency Responsible for Implementation**	**Timeline**
Tax administration	Integrate procedures for filing returns	Reduced cost and time of compliance	Document technical and legal requirements needed to integrate all sales tax returns system (Federal and Provincial) for filing. Develop detailed conceptual design for online filing of returns approved. Draft and adopt necessary amendments	FBR	Mar 2017
			Replace the ballot process with a risk-based audit selection	FBR	May 2017
			Consolidate all arrears paper registration into one registrar per RTO/LTO Develop engagement strategies for large taxpayers	FBR	Feb 2017
			Implement an Integrated Current Account for taxpayers	FBR	May 2017
			Implement mass audits	FBR	May 2017
	Harmonize sales tax rules		Eliminate the Sales Tax Registration Number (STRN)	FBR	May 2017
			For Sales Tax, eliminate Annex G, the other blocks such as “head-wise payment” and “province-wise breakup of Sales Tax and	FBR	May 2017

			Federal Excise Duty Integrate the system of sales tax on goods and that on services for granting lawful and preventing unlawful claim of inter-jurisdictional input adjustment as needed. Adopt common principles/rules as to time and place of taxation of a service.	FBR	July 2016 (on-going)
	Improve IT system	Reduced preparation time to file tax returns. Faster uptake of the system. Improved clarity of requirements; Fewer problems with registration	Complete development of data warehouse and business intelligence system to better inform policy decisions; Complete development of new simplified forms (Excel-based as well as online); improve system usability	FBR	Jun 2017
			Create shortened income tax return on IRIS	FBR	Feb 2017
			Implement operational feedback; measure satisfaction levels; measure processing time	FBR	Feb 2017
			Institutionalize third party information sharing (establish deadlines, data formats etc.)	FBR	May 2017

		Enhance tax portal capacity and ensure that new e-filing procedure, based on new forms, is made available. Ensure thorough review and fixing problems of frequent formula errors, slow updating of the lists of filers and non-filers and inadequate capacity to cater to numerous users simultaneously without hanging up	FBR	Ongoing
		Incorporate arrears automation into the IT system	FBR	May 2017
		For each IRIS module maintained, construct a strategic development roadmap, planning improvements to each application for the next three to five years	FBR	Feb 2017
		Implement a quality assurance review on IT Wing	FBR	Feb 2017
		Widen data collection through development of a state of the art Data Warehouse.	FBR	July 2017
		Develop information cross-checking system and report discrepancies to withholding unit staff	FBR	May 2017
		Broaden e-payment option with commercial banks, utility companies, mobile-banking service providers, and include payments	FBR	May 2017

			through ATMs Establish a task force to clean up the taxpayer database and systematically flag dormant taxpayers	FBR	Feb 2017
	Document and improve post- filing procedures	Reduce time and cost of compliance	Computerize the income tax return process by including a module on post-filing procedures, including refunds, audits and dispute resolution in the already planned taxpayer perception and compliance survey Establish a system of direct deposit of refunds	FBR	TBD Feb 2017
			Streamline procedures for getting refunds	FBR	TBD
			Enhance existing dispute resolution system and improve risk-based audit systems	FBR	TBD
	Recruit more staff and provide training of trainers in areas of tax and IT, LTU, RTO for facilitation centres, hotlines and e-support	Improved service delivery	Implement specialised training for new entrants through expert trainers and tax professionals (instead of current five-month training by current FBR officers) as well as capacity- building of tax audit officers and staff (forensic audit techniques, and risk profile of the taxpayers) under highly qualified professional auditors	FBR	March 2016 (on-going)
Recommended Reform Measures					
Outreach and communications	Continue tax payer education	Reduced time of compliance	Develop capacity, materials and tools for continuous process of taxpayer education,	FBR	July 2016 (ongoing)

	campaign	based on the analysis of the current level of understanding of taxpayers. Establish taxpayers' facilitation centres at various big markets and chambers to assist the taxpayers in resolving day-to-day problems.		
		Conduct a taxpayer perception and compliance survey to assess improvement from previous survey	FBR /WBG	July 2016

Reform Actions (Balochistan) - Paying Taxes				
Topic	**Intended Impact**	**Reform action**	**Responsibility**	**Timeline**
	Efficiency and transparency in tax compliance	Collection of taxes in Hub area and Quetta city through online tax collection system	Excise and Taxation Department	June 2017
Tax administration	Accuracy in assessment of value in registering property at the time of sale and purchase.	Mechanism to establish coordination between registration authorities and Excise Department being established to determine capital gains at the time of transfer, sale and purchase of properties	BOR and Excise and Taxation	Dec 2016
	Time for compliance will be reduced	Number of taxes including the tax on trade, profession and callings, trade tax, welfare cess, and entertainment duty will be clubbed together and their payment installments will be reduced	Excise and Taxation Department	June 2017
	Streamlining of collection and improving regulatory frameworks	Establishment of computerised database for shops and establishment of registration and regular annual payments through banks for business registration fee, education cess, and prospecting license	Labour and Manpower Department and Mines and Minerals Department	June 2017
	Improved accuracy and reduced time for processing	Royalty of minerals will be collected through automated system at check posts	Mines and Minerals Department	June 2017

Strategic Reforms Envisaged in the Long Term

The following recommendations aim to complement the above-mentioned tax administration reform efforts. Starting with this year's report, **Doing Business** is planning to expand the Paying Taxes indicator to include measures of the post-filing processes, such as tax audits, tax refunds and tax appeals, which can also impose substantial administrative burden on firms. Therefore, it is also recommended to conduct an assessment of post-filing processes and develop a set of reform measures in the areas of tax audits, tax refunds and appeals.

Complete risk criteria and improve data access, creating risk profiles to guide the scope and focus of taxpayer audits. Develop and refine taxpayer risk criteria for audits, based on data currently available while taking into account future data accessibility as a result of planned data integration. Develop a mechanism to review annually the effectiveness and relevance of risk model, criteria, and parameters. Ensure that taxpayer audit selection function is separate from the audit implementation function to avoid conflict of interest, targeting of taxpayers, and opportunities for rent seeking.

Provide updated online tax compliance guides as per new process, and enhance capacity of staff at facilitation centres and PRAL to enable them to provide direct, personalised and timely guidance to taxpayers on how to comply with their obligations. While FBR is already conducting a number of activities in this area, it is important to provide continuous update of the guides and trainings accordingly. Improving taxpayer services (by training and recruiting more staff) can be an effective method of widening the tax base as it provides support to taxpayers who seek to be compliant but are unable to due to the complexity of the system. Taxpayer service centres are an important channel of communication with the taxpayer, and can be an opportunity for the tax administration to collect data on the challenges taxpayers are facing. Moreover, the availability of online guides (in English and Urdu) can be used by taxpayers anytime (without the restriction of seeking guidance during office hours).

Resolve the issue of jurisdiction or double taxation: Charging of FED by federation on services subject to sales tax in provinces. In order to clearly delineate between applicability of FED and/or provincial sales tax, this issue requires adoption of common understanding respecting sales tax law and principles as to time, place and manner of taxation of a service. Additionally, jurisdictional issues on trans-jurisdictional services like telecommunications simultaneously provided in federal and provincial territories require resolution through adoption of principles as to time and place of taxation of a service. Similarly, allocation of tax revenue in respect of cross-jurisdictional services is also necessary. Recognition of registration of federal jurisdiction by provinces and vice versa is required to resolve various issues on the basis of common principles as to time and place of taxation.

Introduce formal/legal mechanism to better coordinate GST filing deadlines with the federal and provincial authorities. Complexity of tax regimes (e.g., lack of clarity of legal texts, diffusion of tax-related matters in multiple legal texts, multiple tax rates, bases, filing requirements) appear to drive up tax compliance costs, create opportunities for discretion, and affect the tax base. Tax regulations and processes need to be continuously reviewed, clarified, and simplified, to make them more transparent and predictable to entrepreneurs, and more efficient to administer.

Develop protocols, roles and responsibilities for data sharing and process coordination between federal and provincial tax authorities. Currently there are no such protocols/roles defined. As PRAL is custodian of data and cannot share it without permission of FBR, so at FBR level there is a need to set such protocols.

Widening data collection to include third party data sources, ensure data usability. The planned roll out of IT automation is a good opportunity to review and streamline existing procedures, as the tax rules, permissions, and administrative requirements will all be inputs of the new automated systems. Currently, there are some third party data sources that are providing data on ad-hoc basis. However, there is a need to create a formal mechanism to add new sources, collect data regularly and frequently and ensure that the data is being used.

5.8 Trading Across Borders

Indicator Relevance and Experience of Leading Reformers

Customs performance, other trade-related technical control regulations, the quality of infrastructure for trade, and the existence of trade barriers impact the ease of trading among countries. While access to international markets is important for all economies, developing economies are uniquely affected by trade policy. Because they are skewed toward labour-intensive activities, their growth depends on their ability to import capital-intensive products. Without access to international markets, developing economies must produce these goods themselves and at a higher cost, which pulls resources away from areas where they hold a comparative advantage. In addition, low income per capita limits domestic opportunities for economies of scale. A trade regime that permits low-cost producers to expand their output well beyond local demand can therefore boost business opportunities. Thus while international trade can benefit developed and developing economies alike, trade policy is clearly inseparable from development policy.

In many economies inefficient processes, unnecessary bureaucracy and redundant procedures add to the time and cost for border and documentary compliance. Only recently has the relationship between administrative controls and trade volumes attracted the attention of multilateral trade networks. In 2013, for example, members of the World Trade Organization (WTO) concluded a Trade Facilitation Agreement (TFA) aimed at streamlining trade procedures. The Organisation for Economic Cooperation and Development (OECD) estimates that fully implementing the WTO TFA could reduce trade costs by 14.1 percent for low-income economies, 15.1 percent for lower-middle income economies and 12.9 percent for upper middle-income economies. Adopting even its simple (though often still costly) recommendations, such as automating trade and Customs processes, could reduce costs for these income groups by 2.1-2.4 percent. In measuring the time and cost associated with border and documentary compliance across 189 economies, Doing Business supports more efficient regulatory practices for trading across borders.

Pakistan's Performance

Doing Business 2016 reported that in Pakistan entrepreneurs must spend on average of 79 hours and $426 to comply with border formalities and 62 hours and $307 on nine documents for compliance to export. To import 141 hours and $957 would be spent on border compliance in addition to 153 hours and $786 required for preparation of eight documents - higher than South Asia and OECD averages. Pakistan, as represented by the average performance of its largest cities Karachi and Lahore, ranks 169th among 189 countries on the Trading Across Borders indicator (6th out of eight countries in the region), compared with 168th position (6th in the region) in previous year. As per WBG’s 2014 International Logistic

Performance Index - a worldwide survey of global freight forwarders and express carriers to measure the trade and logistics “friendliness” of the countries in which they operate and those with which they trade - Pakistan ranks 72 among 160 countries, compared with 71st position among 155 countries in 2012.

The details of “Trading Across Borders” indicator and Pakistan’s performance are given in Annex B.

Reform Actions

Pakistan Customs is responsible for trade-related operations and has been moving towards automated clearance procedures as part of an indigenous reform agenda. It started with the Pakistan Automated Customs Clearance System (PACCS) launched as a pilot program in 2005 to replace the ‘One Customs’. The PACCS was replaced by the Web Based One Customs system (WeBOC) in 2011.

In order to reduce the cost and time of Doing Business both in import and export streams, Pakistan Customs is taking various measures, some of which are listed below:

Articulate a vision and strategy for implementing an integrated platform for facilitation of cross border trade. An integrated platform is defined as a facility that allows parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfill all import, export, and transit related requirements. If information is electronic, then individual data elements could only be submitted once.

Creating Disaster Recovery and Business Continuity infrastructure: To ensure continuous operations and availability of the system, Business Continuity plan and a Disaster Recovery Center development is envisioned. Similarly, given frequent power outages in Pakistan, to ensure system availability at the operational border checkpoints, backup generators will also be financed. Practically it would require:

- Translate findings of the Gap Analysis into actions.
- Eliminate any chances of WeBOC system unavailability for the processing of imports, exports and transit consignments due to lack of proper ICT infrastructure.

Rolling Out & Improvising WeBOC

Pakistan Customs is currently striving to completely replace its old manual clearance system of ‘One Customs’ with WeBOC. Currently 80 percent of overall goods declarations are processed through WeBOC which covers 83 percent of overall revenue collected by Pakistan Customs. WeBOC provides a web-based portal for filing and processing of export and import-related documents. Currently, there are more than 58,646 users of WeBOC and it operates 24/7.

Besides, working on development and maintenance of existing modules, WeBOC team is currently in the process of developing and implementing many other modules aimed at enhancing automation like IATA-WCO Cargo XML standard for Air Manifests, Bond-to-Bond Transfer (liquid/bulk cargo), EDE with China and Afghanistan, launching of TIR modules etc. Pakistan Customs also expects to roll out WeBOC at Torkhum, Chaman and Taftan Customs stations in the current fiscal year and is actively pursuing development of data warehousing and acquiring business intelligence tools to strengthen WeBOC.

Integrating Regulatory Authorities

Pakistan Customs using the platform of WeBOC has integrated Ministry of Textile and Engineering Development Board (EDB). Efforts are underway to integrate additional regulatory bodies such as the Ministries of Commerce, Interior, Foreign Affairs, Defence, Anti Narcotics Force, National Tariff Commission, Drug Regulatory Authority, Pakistan Telecommunication Authority, Board of Investment, and Plant and Animal Quarantine Department, etc.

Enhancing Risk Management System (RMS) & Non-Intrusive Inspections

An effective Risk Management System (RMS) has been deployed in WeBOC. Periodic review and assessment of performance of RMS is being carried out by a committee. Export and import cargo are being scanned on need basis depending on level of risk as determined by the software parameters. Similarly, Afghan Transit consignments are being scanned reducing the physical interceptions to less than 5 percent only. The WeBOC team is also developing a RMS for Afghan Transit Trade cargo.

Enabling Real Time Electronic Data Exchange (EDE)

Pakistan Customs successfully exchanged real time electronic data with China Customs in November 2015, on trial basis, with the aim to facilitate trade and to improve Customs controls by sharing consignment-wise data on real time basis. This system is expected to become operational by July 2016 under the auspices of China Pakistan Free Trade Agreement. It would bring transparency in trade between the two countries and at a later stage enable traders to file goods declarations in advance for completing Customs formalities before goods arrive at the ports. Pakistan Customs intends to expand the scope of EDE with other interested trade partners like Iran, Afghanistan and Sri Lanka.

Dealing with causes of current congestion at Karachi Port as it is resulting in significant loss of time and additional cost to move cargo while diminishing suitable storage space for incoming and outgoing goods.

- Assess dwell times to establish baseline for improvement

- Identification of bottlenecks/points of congestion responsible for inflated dwell time
- Initiate focused interventions such as joint inspections by various border agencies
- Faster disposal of abandoned cargo through speeding up of Customs auction process
- Increase the use of green channel
- Increase focus on non-intrusive inspections
- Introduction of smart inspections

Reform Actions- Trading Across Borders					
Topic	**Recommendation**	**Intended outcome/impact**	**Actions required**	**Responsibility**	**Timeline**
	Streamline and coordinate multiple reform efforts	Non-overlapping & unified reform plan	-Document all ongoing reform/technical assistance initiatives in the area of cross-border trade; -Reduce activities overlap; -Develop a unified reform plan.	FBR	May 2016
	Creation of an automated environment that allows self-assessed electronic declarations.	Reduced time and cost of compliance	-Rolling out of WeBOC at border Customs stations of Torkhum, Chaman and Taftan	FBR	July 2016
			-Integrating WeBOC with banks for Form-I		
			-Integrating WeBOC with TDAP for certificate of origin		
			-EDE with China under CPFTA		
			- Ensure robust IT infrastructure, data storage and management, including back up;	FBR	July 2017
			- Deployment of remaining modules in WeBOC		

			-Integration of WeBOC with relevant regulatory authorities		
			-Preparing and adopting legislative reform, as needed;	FBR	On-going
			-Train officers and end users;		
	Reducing the need (or opportunity) for physical intervention (including non-intrusive) in the transaction, especially at the point where they cross the border	Reduce cost and time to compliance	- Consider an assessment whether all the current physical (or even documentary) interventions in the name of regulatory compliance necessary and effective;	FBR	July 2017
			-Widening the scope of RMS to cover requirements of other regulatory authorities both at import and export stage		
			- Improving existing risk management techniques, including external and internal data collection and management;		
			- Deployment of Non-Intrusive Inspections		
			- Strengthening PCA;		
			-Regional connectivity through EDE for trade;		

	Reducing the opportunity for the exercise of discretion in how a transaction is processed through automation		- Deployment of effective business intelligence and performance monitoring tools	FBR	July 2017
			-SOPs, development of manuals (assessment, examination)		
			- Creating a regulatory environment that encourages (demands) greater levels of voluntary compliance through:		
			- Penalty provisions (legislation)		
			- Benefits		
			- Availability of information		
			- Training of clients /staff		
Compliance with international conventions and standards on transit	Complying with TIR and Implementation of ITTMS	Implementation of TIR and ITTMS will result in upgrading of border Customs stations, reducing the national transit procedure requirements. Would simplify documentation, reduce time for transit and improve controls	-Sign the TIR agreement;	FBR	July 2016
			- Prepare compliance/ implementation plan		
			-Implementation of ITTMS project	FBR	July 2019
	Implementation and enforcement of Trade and	TFA aims at reducing steps and cost for trading across	-Sign and ratify the relevant agreement;	Ministry of Commerce, FBR,	TBD

	Facilitation Agreement	borders with major focus on Customs-related activities. It will improve the overall automation ecosystem and concerning import and export regime	- Ensure compliance	NTTFC and other government agencies	

Strategic Reforms Envisaged in the Long Term

Achieving an improved DB 'Trading Across Borders' outcome for Pakistan relies on three factors - reduction in time, cost, and number of documents required to trade. Such reforms are often technology-intensive and require multi-year efforts. Some of the key initiatives necessary to produce positive outcome in Pakistan's context are outlined below:

Integrated Transit Trade Management System

The Federal Government has envisioned establishing an Integrated Transit Trade Management System (ITTMS), which is in line with the vision to make Pakistan an 'Economic Corridor' by developing trade and transit network connecting Central Asian Republics (CARs) and South Asia. This would lay a foundation for greater economic integration with CARs and South Asian countries strengthening Pakistan's economic position.

International Road Transports (TIR)

The TIR Convention provides access to 58 countries for seamless flow of goods in transit. In order to exploit its potential for a transit corridor as well as to get greater access to wider range of markets for Pakistani goods, the TIR Convention has been acceded to by Pakistan. The TIR reduces the normal requirements of national transit procedures with respect to Customs control measures at borders. The international transit operation is covered by a single and harmonised transit document, the TIR Carnet supported by a guarantee covering duty and taxes.

Trade Facilitation Agreement

World Trade Organization's flagship instrument i.e. TFA was concluded in 2013. Pakistan submitted Category-A notification in March 2015 and ratified the multilateral TFA in October 2015 with support of Pakistan Customs. The TFA would be enforced after it is ratified by 2/3rd members of WTO. However, Pakistan Customs is committed to enforce the requisite trade facilitative measures under this agreement. It is working on an implementation plan by identifying the legislative changes, reviewing the procedures, upgrading the infrastructure and developing human resources skills with the assistance of development partners.

Introduction of "smart inspections"

- Define the business process
- Integrate with WeBOC
- Identify a pilot site
- Provide enabling ICT infrastructure
- Assess results/approve and plan for countrywide roll out
- Arrange for ICT infrastructure
- Roll out "smart inspections" nationwide
- Capacity-building

Introduction of electronic payments system of customs and port handling fees to facilitate trade across international borders. Electronic payments would also reduce face-to-face interaction between the traders/brokers and Customs, thus curtailing risk of corruption.

- Introduce electronic payment gateway to provide a choice of methods for paying duties, taxes and fees for import, export and transit of cargo
- Introduce necessary regulatory reforms to facilitate e-payments

5.9 Enforcing Contracts

Indicator Relevance and Experience of Leading Reformers

Research in various countries around the world suggests that in the absence of efficient courts, firms make fewer investments and business transactions while informal economic activity becomes more attractive. A study of 27 economies found that the informal sector's share in overall economic activity decreased with better contract enforcement quality, evaluated by a countrywide measure of rule of law, as well as by the firm's perception of the fairness of courts. Improvements in court efficiency are associated with a lower share of the informal sector in the overall economic activity, increased investor confidence and with increased bank financing of firms for new investment. Reforms in other areas, such as creditors' rights, can increase bank lending only if contracts can be enforced before the courts. Overall, enhancing the efficiency of the judicial system can improve the business climate, foster innovation, attract foreign direct investment and secure tax revenues.

A study examining court efficiency in different provinces in Argentina and Brazil found that firms located in provinces with more effective courts have greater access to credit. Another study, focusing on Mexico, found that states with better court systems have larger and more efficient firms. Effective courts reduce the risks faced by firms and increase their willingness to invest. Firms in Brazil, Peru and the Philippines report that they would be willing to invest more if they had greater confidence in the courts.

The efficiency of courts continues to vary greatly around the world. Enforcing a contract through the courts can take less than 10 months in New Zealand, Norway and Rwanda but almost four years in Bangladesh. The cost of doing so ranges from less than 10 percent of the value of the claim in Iceland, Luxembourg and Norway to more than 80 percent in Burkina Faso and Zimbabwe. In five economies, including Indonesia and Mozambique, the cost of resolving the standardised dispute through local courts exceeds the value in dispute, indicating that litigation may not be worth it at all.

Over the years, common features of judicial reforms relating to commercial dispute resolution have included: establishing specialized commercial courts or divisions; introducing small claims courts and simplified procedures for small claims; introducing or expanding existing case management systems; automating processes through the introduction of electronic filing of the initial complaint, electronic service of process or electronic fee payment; and using alternative means to resolve disputes.

The data show that 97 of the 189 economies covered by **Doing Business** have a specialised commercial jurisdiction — established by setting up a dedicated stand-alone court, a specialized commercial section within an existing court or specialised judges within a general civil court. Economies with stand-alone commercial courts include Austria, Belgium and Sri Lanka. Those with a commercial division within their courts include Kenya, Nigeria, the United Kingdom and the United States. Out of 11 economies where two cities are measured, China and the Russian Federation are the only ones where commercial courts or divisions have been established in both cities.

Pakistan's Performance

Doing Business 2016 reported that in Pakistan entrepreneurs would spend between 976 days and 18 percent of the claim's value in Karachi and 1,025 days and 32 percent of the claim value in Lahore to resolve a commercial dispute, compared with 1,077 days and 30.5 percent of claim value (South Asia's average) and 538 days and 11 percent of claim value (OECD average). Pakistan, as represented by the average performance of its largest cities Karachi and Lahore, ranks 151st among 189 countries on the ease of contracts enforcement.

Please refer to Annex B for details on methodology and other criteria covered under Enforcing Contracts.

Reform Actions

The judicial system of Pakistan encompasses district courts, high courts and a Supreme Court. The federal capital houses the Supreme Court while provinces are governed by the high courts. For the purpose of Doing Business, Lahore and Karachi, measured as the two largest commercial cities in the country, each being a provincial capital, house the high courts in question. The reform actions are also focused on these two cities for the time being and reforms are being administered by the Punjab and Sindh high courts covering all the districts in their domain. The details of the national reform agenda under this indicator are given in the matrix below:

Reform Actions- Enforcing Contracts					
Topic	**Recommendation**	**Intended Outcome/Impact**	**Actions required**	**Agency responsible for implementation**	**Timeline**
Legislative reform	Improve time to resolve commercial disputes	Efficient contract enforcement regime	Conduct a best practice review of the current legal framework, such as the Contract Act of 1872, Specific Relief Act of 1877, Civil Procedure Code of 1908, the Court Rules of Lahore High Court, Court Rules of Sindh High Court, and the Arbitration Act of 1940, West Pakistan Civil Court ordinance 1962, Code of Civil Procedure (West Pakistan Amendment) Act, 1964, ADR framework.	Ministry of Law and Justice/ Provincial Law Departments	Dec 2016
			Finalise the draft for amended Civil Procedure Code 1908 in line with international best practices and submit to parliament	Ministry of Law and Justice/ Provincial Law Departments	Mar 2017
			Assess the need to establish commercial courts/benches at Karachi District Court, Sindh High Court , Lahore District and Lahore High Court and determine necessary legislative changes.	Lahore High Court; Sindh High Court	May 2016
			Conduct stakeholders consultations and finalise amendments	Ministry of Law and Justice/ Provincial Law Departments	May 2017
			Draft and enact necessary amendments to the relevant laws	Ministry of Law and Justice/ Provincial Law	Dec 2017

				Departments	
			Change relevant by-laws/regulations	Ministry of Law and Justice/ Provincial Law Departments	Dec 2017
Alternate Dispute Resolution	Improve arbitration and mediation services availability	Reduced burden on courts	Assess the need for further expanding Alternative Dispute Resolution services	National Centre for Dispute Resolution, Lahore Chamber of Commerce & Industry; Ministry of Law and Justice	Dec 2016
Capacity-building	Improve efficiency and time of dispute resolution	Improved capacity of staff involved in dispute resolution	Develop a comprehensive approach to capacity-building of judges and staff to manage commercial cases effectively, including IT and case management applications	LHC & SHC	Ongoing
Recommended Reform Measures – Enforcing contracts					

Process re-engineering	Improve efficiency and reduce time for dispute resolution	Streamlined processes to resolve disputes	Conduct an assessment of the current "as-is" process at the Karachi District Court, High Court of Sindh, Lahore District Court and Lahore High Court. The assessment will evaluate operations of the courts and their ability to deliver services to commercial court users efficiently and identify causes of backlog and develop mitigation strategies. The assessment will include matters related to human resources and potential need (such as judicial salaries, tenure of judges, judiciary entrance examinations, etc)	Lahore High Court; Sindh High Court	Dec 2016
			Consider introducing administrative and legal rules to institute processing standards and rules that can be enforced to limit unjustified delays. Once case processing standards and court performance measures are developed, refine existing performance evaluation systems.	Lahore High Court; Sindh High Court	May 2017
			Consider necessary resources to establish specialised commercial bench. Develop a required set of competencies, selection process and curriculum	Ministry of Law and Justice	TBD
			Continue to enhance the current automated Case Management System	Law Departments of Governments of Punjab and	TBD

			Sindh	
		Improve electronic records system in subordinate courts	Ministry of Law and Justice	TBD

Strategic Reforms Envisaged in the Long Term

Most of the short-term to medium term recommendations based on global best practices are now part of the DB Reform Strategy 2016. However, the sequencing for some reforms is envisioned at the far end of the horizon and will be undertaken subsequent to fulfillment of medium-term targets.

Continue to enhance the current automated Case Management System including digitisation of documents

The Sindh High Court and Lahore High Court are interested in developing an advanced Case Management System and are working with the Government of Pakistan on developing a pilot project in the courts. Furthermore, the position of a Reform Judge was created to gain regular input from all internal and external court users to inform reform efforts, including automation approaches. The Karachi and Lahore District and High Courts have some of these capacities but should review resource requirements, including outsourcing options to develop a more advanced system.

The courts first must review their own operations and then define performance goals and measures, such as creating timelines for processing cases that follow acceptable time standards for different case types and processing steps, and adjusting work practices to be more efficient to better meet these goals. Operational policies and tools to guide and adhere to new procedures should also be developed along with assessing and adjusting resource needs to effectively manage cases, monitor performance and outcomes to assure quality and justice, and effectively communicating processing standards and requirements internally and externally.

5.10 Resolving Insolvency

Indicator Relevance and Experience of Leading Reformers

Keeping viable businesses operating is among the most important goals of bankruptcy systems. A good insolvency regime should inhibit premature liquidation of sustainable businesses. It should discourage lenders from issuing high-risk loans—and managers and shareholders from taking imprudent loans and making reckless financial decisions. A firm suffering from bad management choices or a temporary economic downturn may still be turned around, to the benefit of all stakeholders. Creditors can recover a larger part of their investment, more employees keep their jobs, and the network of suppliers and customers is preserved.

Studies show that effective reforms of creditor rights are associated with lower costs of credit, increased access to credit, improved creditor recovery and strengthened job preservation. If at the end of bankruptcy proceedings creditors can recover most of their investments, they can keep reinvesting in viable firms and improving companies' access to credit. Similarly, if a bankruptcy regime respects the absolute priority of claims, it allows secured creditors to continue lending and maintains confidence in the bankruptcy system.

Economy-specific research has shown that insolvency reforms that encourage debt restructuring and reorganization reduce both failure rates among small and medium-size enterprises and the liquidation of profitable businesses. After Belgium introduced a new bankruptcy law in 1997 that encouraged corporate rehabilitation rather than liquidation, bankruptcies among small and medium-size enterprises fell by 8.4 percent. Similar results have been observed in Thailand and Colombia. In Thailand evidence suggests that reform of the bankruptcy laws reduced the expected costs of financial distress. In Colombia bankruptcy reform made reorganization an attractive option for distressed but viable firms by reducing its costs, although this mainly benefited larger firms. About 40 percent of firms filing for reorganization under the old bankruptcy law underwent liquidation, while only about 26 percent did so under the new law. Research has also shown that bankruptcy reform can aid in the quick recovery of an economy during a recession, as in Chile during the early 1980s and in Colombia in 1999.

Even when bankruptcy laws are similar across economies, the use of bankruptcy procedures can differ because of differences in the efficiency of debt enforcement. If courts cannot be used effectively in a case of default, creditors and debtors are likely to engage in informal negotiations outside of court. And in economies with weak judiciary systems borrowers are more likely to exhibit risky financial behavior, which could lead to more defaults and higher levels of financial distress. Conversely, if a legal system is strong and debt enforcement procedures are well observed, debtors and borrowers are more likely to avoid taking unnecessary risks and to make prudent financial decisions.

In many economies, professional insolvency practitioners play a key role in the operation of a swift and efficient insolvency system. Courts are of course needed to supervise the proceedings and make legal decisions, but they do not have the technical expertise to, for example, restructure a struggling enterprise or run a company with the aim of maximizing the liquidation value of its assets. Therefore, many countries—such as the United Kingdom, Canada, Australia, China, Japan, Korea, Brazil, Mexico and Russia—have facilitated the development of a professional insolvency practitioner profession whose members manage the economic and operational aspects of a proceeding. Aside from their function, the defining characteristic of insolvency practitioners is that they should form a cadre of (largely) private sector professionals—much as lawyers or chartered accountants do, with strict qualification, training, monitoring, and licensing or registration requirements. With time, insolvency practitioners can be expected to significantly improve the efficiency of insolvency procedures, by decreasing the duration and cost of proceedings, maximizing the value of company assets, increasing the likelihood that a business will continue to operate, and raising creditors' recovery rate. All these factors are reflected in the Resolving Insolvency indicator.

Pakistan`s Performance

Pakistan's overall ranking for Resolving Insolvency is 94 out of 189 economies, third among the South Asian region. On average it takes 2.8 years, in line with the regional average and 4 percent of the estate, significantly less costly compared with the regional averages to complete an insolvency proceeding in Karachi and Lahore. The country over-performs regional averages on the strength of insolvency framework index, yet it underperforms compared with OECD countries.

For more details on Pakistan's performance under "Resolving Insolvency", please refer to Annex B.

Reform Actions

For "Resolving Insolvency", the key responsible agency is the Securities and Exchange Commission however; the judicial system has to enable SECP to play its role effectively. Consultative process with this key regulator and overseer of business creation and operation in the country has enabled consensus on some key reforms in the medium to short run. The details are given in the matrix below:

Reform Actions- Resolving Insolvency					
Topic	**Recommendation**	**Intended Outcome/Impact**	**Actions Required**	**Agency Responsible for Implementation**	**Timeline**
Legislative reform	Introduce Modern Reorganization Framework	Improve efficiency of insolvency regime, including efficiency and the management of debtor's assets and creditors' participation in the insolvency process.	Enactment of Corporate Restructuring Companies law based on international best practices	SECP	Dec 2016
			Draft rules, regulations for establishment, licensing and regulation of corporate restructuring companies	SECP	May 2017
			Submission of draft Government Corporate Rehabilitation Bill to Parliament after stakeholder consultation	SECP	Dec 2016
			Draft/change relevant by-laws/regulations governing bankruptcy.	SECP	May 2017
Capacity building	Improving capacity of judiciary to effectively resolve insolvencies		Conduct needs assessment to increase capacity of lower judiciary and insolvency practitioners	SECP/ Judiciary	May 2017
			Design a program to train cadre of insolvency experts	SECP/ Judiciary	May 2017
			Review the professional qualifications and regulation of insolvency professionals in line with best international practices	SECP/ Judiciary	March 2017

		Revise and adopt the professional qualifications and regulation of insolvency professionals against best international practices	SECP/Judiciary	May 2017

Strategic Reforms Envisaged in the Long Term

Most of the medium and short term recommendations based on global best practices are now part of the DB Reform Strategy 2016 for Pakistan. However, the sequencing for some reforms is envisioned at the far end of the horizon and will be undertaken subsequently as and when medium term targets are met.

These reforms include the following:

1. **Increase creditors' participation in the insolvency process.** Creditor participation in the insolvency system is important. As the party with the primary economic stake in the outcome of the proceedings, creditors may lose confidence in proceedings where key decisions are made without consulting them by individuals who may be perceived by creditors as having limited experience or expertise in the debtor's type of business or a lack of independence, depending upon the manner in which the representative is appointed. In particular, the insolvency laws should require approval by the creditors for the appointment of the insolvency representative. Moreover, the creditor should have the right to request information from such insolvency representative.

2. **Strengthen capacity building of judiciary and insolvency professionals, including the regulation of insolvency professionals.** Insolvency law is underutilized in Pakistan. There is an absence of a trained cadre of insolvency experts to steer distressed companies through formal proceedings, to provide legal and business advice during such proceedings, and to provide judicial oversight of the process. Any reforms to the laws and regulations involving insolvency should be accompanied by training and ongoing support to the judiciary and insolvency professionals as well as awareness raising campaigns. This also includes reviewing the professional qualifications and regulation of insolvency professionals (such as disciplinary proceedings, the appointment process, etc.).

3. As with the Enforcing Contracts recommendations, **peer-to-peer learning and knowledge-sharing activities** should be organized for the judiciary of Pakistan in order to facilitate change. These workshops should enable international good practice countries and Pakistan judiciary leaders to share their experience and learn from their peers. Resource persons from the World Bank's Insolvency & Debt Resolution Unit, reform experts, and reformers from countries in the region (as well as from global top-ranked countries) should be invited to share their knowledge and experience.

4. **Enable regulatory environment.** To improve efficiency of its insolvency regime, the Government of Pakistan may consider a set of reforms. In order to play their role effectively, professional insolvency practitioners need an enabling regulatory

framework that clearly sets the following elements - not all of which need be enshrined in the law itself:

- Qualification and experience requirements;
- Method of appointment;
- Legal powers and duties;
- Remuneration;
- Licensing or registration system;
- Monitoring, supervision and discipline;
- Training and continuing education requirements;
- Performance and ethics standards.

6 Communication and Implementation

The DB Reform Strategy 2016 is a blue print for the DB reform landscape in Pakistan. The Strategy consists of reform actions on all 10 indicators measured by the ‘Doing Business Report’. The Strategy is a successor to Action Plan 2014 that covered 6 indicators. The Strategy is larger in scope and involves all 10 Doing Business indicators and the provinces have played an active role in the formulation of the Strategy. Each province has chosen indicators that fall in their domain and have planned reforms in these identified areas, which would improve ‘Doing Business’ in their region.

The consultative process in the preparation of this Strategy has highlighted the importance of having a communication framework to effectively build feedback mechanisms between public and private sector. Communication is at the heart of implementing reform, because without filling knowledge gaps within departments, everyone would be working in silos and reform process will be slow and there will be weak ownership of the envisaged reforms across the spectrum of stakeholders.

Framework

A two pronged strategy is envisaged for strengthening feedback mechanism among all set of stakeholders. Currently, communication channels are focused on coordinating with provincial focal persons and federal representatives. A communication gap with respect to the private sector exists. Engagement with the business community is through the chambers of commerce and industry. However, an entire group of tax consultants and business support professionals that contribute to the DB report do not get timely information about reforms. It will be useful to hear directly from people that the reforms target and engage in a ‘hearing’ process to undertake measures in the true spirit of reform.

The communication framework therefore needs to encompass elements that cover the ‘inward’ and ‘outward’ information flow. The inward strategies may focus on interdepartmental communication, while the outward would focus on private sector outreach and engagement.

Communication and Evaluation Matrix

Proposed actions are outlined in the matrix below with reference to the inward and outward flows. These will be finalized in consultation with the relevant stakeholders:

Action	Targeted stakeholder	Rationale
	Inward	
Quarterly progress update exercise	Provinces and Federation	The aim is to establish an accountability mechanism, so those departments responsible for reform actions are measured against their designated responsibility.
	Outward	
Online presence of reform updates on regulatory and procedural changes	Public sector departments and general public	Develop a portal on the Ministry of Finance website for uploading the Reform Strategy 2016 as well as all periodic accomplishments and updates from relevant departments and provinces
Develop a feedback mechanism from the private sector on reform implementation.	Private sector contributors and public sector officials	Possible measures could include establishment of hotlines in the relevant authorities, crowd sourcing and perception surveys on measuring reform implementation.
Quarterly Newsletter for latest DB reforms	Public and private contributors, business community in general	To establish a relationship with beneficiaries and increase accuracy of information pool available to contributors. A direct communication channel will alleviate the trust deficit within the state-public dynamics.
Focused workshops with contributors on specific indicators	Contributors and Government departments	Will remove confusion related to methodology and questions in the DB questionnaire. Will also allow a two-way feedback situation, were relevant government departments can ear directly from beneficiaries of reforms and improve their strategies accordingly.
Media engagement	Private and public sector	Design and implement a media campaign including presence on social media.

Quarterly Progress updates

The focal person from each province and federal agencies may be asked to fill out an evaluation sheet based on the updates on reform action. They may share their successes in implementing reforms and present any model case studies for other departments and even countries as well as outline the impediments to implementation of reforms. A template may be developed and circulated every quarter.

Quarterly Newsletter

A newsletter based on updates received from focal persons as well as other stakeholders (e.g. chambers of commerce) may be sent out to contributors of the DB report as well as those members from private sector who would like to subscribe to this. A mailing list maybe developed and a database will be maintained enabling the secretariat to engage the beneficiaries and general public in the reform feedback process.

Focused Workshops

Workshops for some indicators can be planned. The workshop can involve all stakeholders including private sector contributors and the relevant public sector organizations responsible for implementing reforms in those areas. The workshop may be structured in a way where healthy dialogue is enabled.

For example, in ‘Paying taxes’ representatives from FBR can interact with tax consultants in the private sector like PwC, Ernest and Young, Deloitte to get to understand how the implemented reforms are felt by their beneficiaries. The idea is to create an enabling environment for policy maker to understand its target market and user experience.

Updated and fully functional departmental websites

Assistance from development partners can be obtained to develop departmental websites and also establish portal on the Ministry of Finance, BOI and FBR websites.

Technical Support

In the long term the DB reform agenda would require extensive, well organized communication systems and technology to support the complex networks. Provision for technical support from IT department or outsourced technical consultants need to be made. In the beginning, an excel function can do the job but eventually a dedicated server might be needed. Further analysis for future communication mechanism needs maybe required.

Resource/funding

Some reform actions presented in the Strategy are resource dependent. For example, for “Enforcing Contracts”, Lahore High Court has developed an extensive plan to shift to electronic case management systems and timely funding can be helpful for implementing this vital reform.

Communication: An Enabler for Implementation

Effective communication is the nucleus of a healthy reform momentum. Without smooth flow of information, reform effort in any part of the world is likely to fail. Therefore, this Strategy has two-way communication flows built into its design. The government is committed to making these reform measures successful and urges all stakeholders to develop and build on communication channels for healthier work relationships and reduce room for misunderstanding and inefficiency. A successful implementation of reforms is dependent on the effective communication between all reform partners.

ANNEX-A: Impact of Methodological Changes on Pakistan's DB Ranking

In the 2016 Doing Business Report launched by the World Bank in October 2015, introduced changes in methodology for computation of the following five indicators has been introduced:

1. Dealing with construction permits,
2. Getting electricity,
3. Registering property,
4. Trading across borders
5. Enforcing contracts

The methodological changes in each of the above indicators are outlined below[5]:

1. Dealing with construction permits: This indicator now also include an index of the quality of building regulation and its implementation.
2. Getting electricity: This now also includes a measure of the price of electricity consumption and an index of the reliability of electricity supply and transparency of tariffs.
3. Registering property: This indicator now also includes an index of the quality of the land administration system in each economy.
4. Trading across borders: The case study underlying this indicators has been changed; the export product and partner are now determined on basis of each economy's comparative advantage, while import product is assumed to be auto parts.
5. Enforcing contracts: An index on the quality and efficiency of judicial processes has now been added to this indicator, while information on the number of procedures to enforce a contract has been dropped.

Pakistan's overall ranking on the Ease of Doing Business index in 2015, according to the new methodology now stands at 136, compared to 128 when measured using the old methodology of 2015 Report. This ranking has now declined by two points to reach 138 in 2016.

The indicator-wise comparison under the new and old methodology, in the base year 2015, provided in the table below indicates that out of the five indicators that underwent methodological changes, Pakistan's position improved on two (construction permits & enforcing contracts) and deteriorated on three (getting electricity, registering property and trading across borders). On the construction permits indicator, Pakistan's ranking jumped substantially by 62 points, from 125 to 63 due to changes in methodology. On the other hand, Pakistan's ranking on the trading across borders indicator has deteriorated by 60 points due to the change in methodology.

[5] For details on the methodology and measurement of these five indicators, as well as all the other DB indicators, please refer to Annex B.

Figure A1

		2015 New Methodology	2015 Old Methodology	Trends (Point-wise change)
Ease of Doing Business		**136**	**128**	
1.	Starting a Business	114	116	2
2.	Dealing with Construction Permits	63	125	62
3.	Getting Electricity	157	146	11
4.	Registering Property	137	114	23
5.	Getting Credit	128	131	3
6.	Protecting Investors	24	21	3
7.	Paying Taxes	171	172	1
8.	Trading across Borders	168	108	60
9.	Enforcing Contracts	151	161	10
10.	Resolving Insolvency	78	78	=

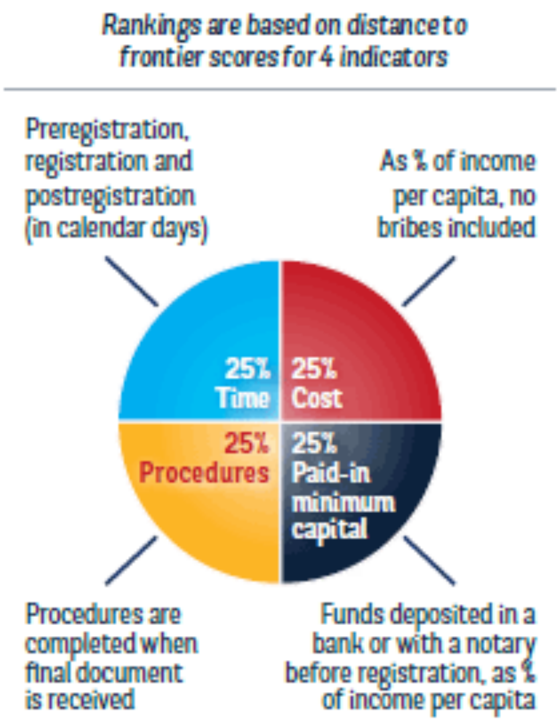
ANNEX-B: Methodology overview of Doing Business Indicators (As in DB report 2016)

1. *Starting a business*

Methodology Overview

Doing Business records all procedures officially required, or commonly done in practice, for an entrepreneur to start up and formally operate an industrial or commercial business, as well as the time and cost to complete these procedures and the paid-in minimum capital requirement (figure B1). These procedures include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities. The ranking of economies on the ease of starting a business is determined by sorting their distance to frontier scores for starting a business. These scores are the simple average of the distance to frontier scores for each of the component indicators. The distance to frontier score shows the distance of an economy to the "frontier," which is derived from the most efficient practice or highest score achieved on each indicator.

Figure B1 - Starting a business: getting a local limited liability company up and running



After a study of laws, regulations and publicly available information on business entry, a detailed list of procedures is developed, along with the time and cost to comply with each procedure under normal circumstances and the paid-in minimum capital requirement. Subsequently, local incorporation lawyers, notaries and government officials complete and verify the data.

Information is also collected on the sequence in which procedures are to be completed and whether procedures may be carried out simultaneously. It is assumed that any required information is readily available and that the entrepreneur will pay no bribes. If answers by local experts differ, inquiries continue until the data is reconciled.

To make data comparable across economies, several assumptions about the business and the procedures are used.

Assumptions about the business

The business:

- Is a limited liability company (or its legal equivalent). If there is more than one type of limited liability company in the economy, the limited liability form most common among domestic firms is chosen. Information on the most common form is obtained from incorporation lawyers or the statistical office.
- Operates in the economy's largest business city. For 11 economies the data is also collected for the second largest business city (for example, Karachi and Lahore in Pakistan).
- Is 100 percent domestically owned and has five owners, none of whom is a legal entity.
- Has start-up capital of 10 times income per capita.
- Performs general industrial or commercial activities, such as the production or sale to the public of products or services. The business does not perform foreign trade activities and does not handle products subject to a special tax regime, for example, liquor or tobacco. It is not using heavily polluting production processes.
- Leases the commercial plant or offices and is not a proprietor of real estate.
- Does not qualify for investment incentives or any special benefits.
- Has at least 10 and up to 50 employees one month after the commencement of operations, all of them domestic nationals.
- Has a turnover of at least 100 times income per capita.
- Has a company deed 10 pages long.

Starting a business in Pakistan, Doing Business 2016 data

Doing Business 2016 reported that in Pakistan entrepreneurs must go through an average of 10 procedures to start a business (compared with 7.9 South Asia's average), which would take 19 days (compared with 15.7 days SA average) and cost 9.4 percent of Pakistan's income per capita, lower than 14 percent South Asia's average, but three times as much as OECD's average (Table B1). There is no minimum capital requirement. Pakistan, as represented by the average performance of its largest cities Karachi and Lahore, ranks 122nd among 189 countries on the ease of starting a business (7th out of 8 countries in the region), compared with 114th position (7th in the region) in previous year. Pakistan's current business density, defined as the number of newly registered corporations per 1,000 working-age people is 0.04, the lowest among 8 South Asian countries.[6]

Over the past years only 1 reform in the area of business start-up was recorded by the *Doing Business* in 2009, when Pakistan made starting a business easier by introducing an electronic registration system, allowing online registration for sales tax and eliminating the requirement to make the declaration of compliance on a stamped paper. The Government of Pakistan is currently implementing a large scale business registration reform, integrating all processes under a single window format.

Table B1. Starting a business in Pakistan compared with regional averages

	Pakistan	**South Asia**	**OECD**
Procedures (number) The total number of procedures required to register a firm. A procedure is defined as any interaction of the company founders with external parties in practice (for example, government agencies, lawyers, auditors or notaries).	10	7.9	4.7
Time (days) The total number of days required to register a firm. For procedures that can be fully completed online the time required is recorded as half a day. The measure captures the median duration that incorporation lawyers indicate is necessary to complete a procedure with minimum follow-up with government agencies and no extra payments.	19	15.7	8.3
Cost (percent of income per capita) Cost is recorded as a percentage of the economy's income per capita. It includes all official fees and fees for legal or professional services if such services are required by law.	9.4	14.0	3.2
Paid-in min. capital (percent of income per capita) The amount that the entrepreneur needs to deposit in a bank or with a notary	0.0	0.2	9.6

[6] http://www.doingbusiness.org/data/exploretopics/entrepreneurship

before registration and up to 3 months following incorporation and is recorded as a percentage of the economy's income per capita.			

The following detailed list of procedures (Table B2) was recorded by the *Doing Business 2016* report.

Table B2. Starting a Business in Pakistan, detailed procedure list for Karachi

No.	Procedure	Time to Complete	Associated Costs
1	Reserve a company name online via the Securities and Exchange Commission of Pakistan (SECP) E-services website	1 day	PKR 200 (E-services online name reservation)
2	Pay the name reservation and company incorporation fees at the MCB Bank	1 day	included in procedure 1 (name reservation fees) and procedure 3 (registration fees)
3	Obtain a digital signature from the National Institutional Facilitation Technologies (NIFT) system of SECP	1 day	PKR 837 (certificate charges) + PKR 163 (sales tax at 19.5 percent) + PKR 500 (validation charges)
4	Complete online registration on the Securities & Exchange Commission of Pakistan (SECP) e-portal	2 days	PKR 8,500 registration fee + PKR 2,400 filing fees of Form 1, Form 21, Form 29, and Copy of the memorandum and articles of association
5	Apply for a national tax number (NTN) and register for income tax	2 days	no charge
6	Apply for a Sales Tax Number (STN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR) in Karachi	1 day	no charge
*7	Register for Professional Tax with the Excise & Taxation Department of the District	7 days (simultaneous with the previous procedure)	no charge

*8	Register with the Sind Employees Social Security Institution (SESSI)	11 days (simultaneous with the previous procedure)	no charge
*9	Register with Employees Old-Age Benefits Institution (EOBI)	11 days (simultaneous with the previous procedure)	no charge
*10	Register under the West Pakistan Shops and Establishment Ordinance 1969 with the Labor Department of the District	7 days (simultaneous with the previous procedure)	PKR 1,000

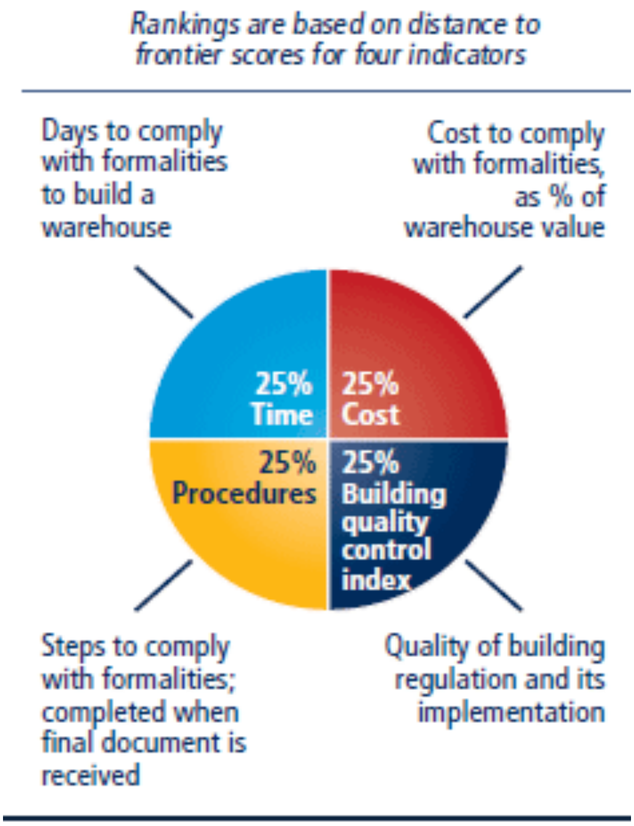
* Takes place simultaneously with another procedure.

2. *Dealing with Construction Permits*

Methodology Overview

Doing Business records all procedures required for a business in the construction industry to build a warehouse along with the time and cost to complete each procedure. In addition, this year Doing Business introduces a new measure, **the building quality control index**, evaluating the quality of building regulations, the strength of quality control and safety mechanisms, liability and insurance regimes, and professional certification requirements. Information is collected through a questionnaire administered to experts in construction licensing, including architects, civil engineers, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations, including approvals, permit issuance and inspections.

Figure B2 - Dealing with construction permits: efficiency and quality of building regulation



The ranking of economies on the ease of dealing with construction permits is determined by sorting their distance to frontier scores for this indicator.

Efficiency of Construction Permitting

Doing Business divides the process of building a warehouse into distinct procedures in the questionnaire and solicits data for calculating the time and cost to complete each procedure. These procedures include obtaining and submitting all relevant project-specific documents (for example, building plans, site maps and certificates of urbanism) to the authorities; hiring external third-party supervisors, engineers or inspectors (if necessary); obtaining all necessary clearances, licenses, permits and certificates; submitting all required notifications; and requesting and receiving all necessary inspections (unless completed by a private, third-party inspector). Interactions between company employees, such as development of the warehouse plans and inspections conducted by employees, are not counted as procedures. However, interactions with external parties that are required for the architect to prepare the plans and drawings (such as obtaining topographic or geological surveys), or to have such documents approved or stamped by external parties, are counted as procedures. *Doing Business* also records procedures for obtaining connections for water and sewerage. Procedures necessary to register the warehouse so that it can be used as collateral or transferred to another entity are also counted.

Building Quality Control

The building quality control index is based on six other indices—the quality of building regulations, quality control before construction, quality control during construction, quality control after construction, liability and insurance regimes, and professional certifications indices (table B4 below). The indicator is based on the same case study assumptions as the measures of efficiency. Further methodology details are available at http://www.doingbusiness.org/methodology/dealing-with-construction-permits

Dealing with Construction Permits – Pakistan's performance

Pakistan's overall ranking for Dealing with Construction Permits is 61 out of 189 economies, second best ranked in the South Asia region. The following tables show Pakistan's results – for Karachi and Lahore - on this indicator set, relative to the regional and OECD average. Pakistan performs in line with OECD's practices in terms of time and cost to complete construction formalities, as well as on the Building quality control measures, but it lags behind on the time indicator. It will take an entrepreneur in Pakistan over 3 months longer to obtain all necessary authorizations, compared with OECD averages.

Table B3: Dealing with Construction Permits - Measure of Efficiency Scores compared with region and OECD

Number of procedures	10	10	15.1	12.4
	250	251	194.6	152.1
Cost (percent of warehouse value)	3.2	3.2	14.7	1.7
	14	13	9.2	11.4

Source: *Doing Business* 2016

Table B4: Dealing with Construction Permits, detailed procedure list for Karachi

No.	Procedure	Time to Complete	Associated Costs
1	Obtain letter from the relevant land owning authority confirming the land title	30 days	no charge
2	Obtain building permit	60 days	PKR 140,000
3	Notify the Sindh Building Control Authority (SBCA) in writing of the completion of foundations	1 day	no charge
4	Receive foundations work inspection from the Sindh Building Control Authority (SBCA) and await approval	15 days	no charge
5	Request a copy of property tax valuation and copy of the certificate from the Excise and Taxation Department	30 days	no charge
6	Receive inspection from the Excise and Taxation Department and obtain a copy of property tax valuation and copy of the certificate from the tax authorities	1 day	no charge
7	Request water and sewerage connection	60 days	PKR 90,000
8	Apply for occupancy permit and request final inspection	1 day	no charge
9	Receive final inspection	1 day	no charge
10	Receive completion certificate from the Sindh Building Control Authority (SBCA)	51 days	no charge

Source: *Doing Business* 2016

Table B5: Dealing with Construction Permits, detailed procedure list for Lahore

No.	Procedure	Time to Complete	Associated Costs
1	Obtain letter from concerned authority confirming the land title	30 days	no charge
2	Obtain a building permit	60 days	PKR 140,000
3	Notify the Lahore Development Authority (LDA) in writing of the completion of foundations	1 day	no charge
4	Receive foundations work inspection from the Lahore Development Authority (LDA)	1 day	no charge

5	Request assessment copy of property unit from the Excise and Taxation Department	30 days	no charge
6	Receive inspection from the Excise and Taxation Department and obtain the assessment copy of property unit	1 day	no charge
7	Request water and sewerage connection	60 days	PKR 90,000
8	Apply for occupancy permit and request final inspection	7 days	no charge
9	Receive final inspection	1 day	
10	Receive completion certificate from the Lahore Development Authority (LDA)	60 days	no charge

Source: *Doing Business* 2016

Data for Karachi and Lahore reveals better than regional average performance on cost and number of procedures to complete construction permitting formalities, but the time taken to receive a construction permit is significantly longer.

Table B6: Building Control Quality Index for Karachi

	Answer	Score
Building quality control index (0-15)		14.0
Quality of building regulations index (0-2)		2.0
In what way are the building regulations (including the building code) or any regulations dealing with construction permits made available? (0-1)	Available online.	1.0
Which requirements for obtaining a building permit are clearly specified by the building regulations or by any accessible website, brochure or pamphlet? (0-1)	List of required documents; Fees to be paid; Required preapprovals.	1.0
Quality control before construction index (0-1)		1.0
Who is part of the committee or team that reviews and approves building permit applications in the relevant permit-issuing agency? (0-1)	Licensed architect; Licensed engineer.	1.0
Quality control during construction index (0-3)		2.0
What types of inspections (if any) are required by law to be carried out	Inspections by in-house engineer; Inspections at various phases.	1.0

during construction? (0-2)		
Do legally mandated inspections occur in practice during construction? (0-1)	Mandatory inspections are always done in practice.	1.0
Quality control after construction index (0-3)		2.0
Is there a final inspection required by law to verify that the building was built in accordance with the approved plans and regulations? (0-2)	Yes, final inspection is done by government agency.	2.0
Do legally mandated final inspections occur in practice? (0-1)	Yes, final inspection is done by government agency.	1.0
Liability and insurance regimes index (0-2)		2.0
Which parties (if any) are held liable by law for structural flaws or problems in the building once it is in use? (0-1)	Architect or engineer; Professional in charge of the supervision; Construction company.	1.0
Which parties (if any) are required by law to obtain an insurance policy to cover possible structural flaws or problems in the building once it is in use? (0-1)	Construction company.	1.0
Professional certifications index (0-4)		4.0
What are the qualification requirements for the professional responsible for verifying that the architectural plans or drawings are in compliance with existing building regulations? (0-2)	Minimum number of years of experience; University degree in architecture or engineering; Being a registered architect or engineer.	2.0
What are the qualification requirements for the professional who supervises the construction on the ground? (0-2)	Minimum number of years of experience; University degree in engineering, construction or construction management; Being a registered architect or engineer.	2.0

Source: *Doing Business* 2016

Table B7: Building Control Quality Index for Lahore

	Answer	Score
Building quality control index (0-15)		13.0

Quality of building regulations index (0-2)		2.0
In what way are the building regulations (including the building code) or any regulations dealing with construction permits made available? (0-1)	Available online.	1.0
Which requirements for obtaining a building permit are clearly specified by the building regulations or by any accessible website, brochure or pamphlet? (0-1)	List of required documents; Fees to be paid; Required preapprovals.	1.0
Quality control before construction index (0-1)		1.0
Who is part of the committee or team that reviews and approves building permit applications in the relevant permit-issuing agency? (0-1)	Licensed architect; Licensed engineer.	1.0
Quality control during construction index (0-3)		2.0
What types of inspections (if any) are required by law to be carried out during construction? (0-2)	Inspections by in-house engineer; Inspections at various phases.	1.0
Do legally mandated inspections occur in practice during construction? (0-1)	Mandatory inspections are always done in practice.	1.0
Quality control after construction index (0-3)		2.0
Is there a final inspection required by law to verify that the building was built in accordance with the approved plans and regulations? (0-2)	Yes, final inspection is done by government agency.	2.0
Do legally mandated final inspections occur in practice? (0-1)	Final inspection occurs most of the time.	0.0
Liability and insurance regimes index (0-2)		2.0
Which parties (if any) are held liable by law for structural flaws or problems in the building once it is in use? (0-1)	Architect or engineer; Professional in charge of the supervision; Construction company.	1.0
Which parties (if any) are required	Construction company.	1.0

by law to obtain an insurance policy to cover possible structural flaws or problems in the building once it is in use? (0-1)		
Professional certifications index (0-4)		4.0
What are the qualification requirements for the professional responsible for verifying that the architectural plans or drawings are in compliance with existing building regulations? (0-2)	Minimum number of years of experience; University degree in architecture or engineering; Being a registered architect or engineer.	2.0
What are the qualification requirements for the professional who supervises the construction on the ground? (0-2)	Minimum number of years of experience; University degree in engineering, construction or construction management; Being a registered architect or engineer.	2.0

Source: Doing Business 2016

Within Pakistan, the data for Karachi and Lahore reveal little differences. While the number of procedures and cost are the same in both cities, the time taken for necessary construction authorizations in Karachi is 1 day shorter that in Lahore.

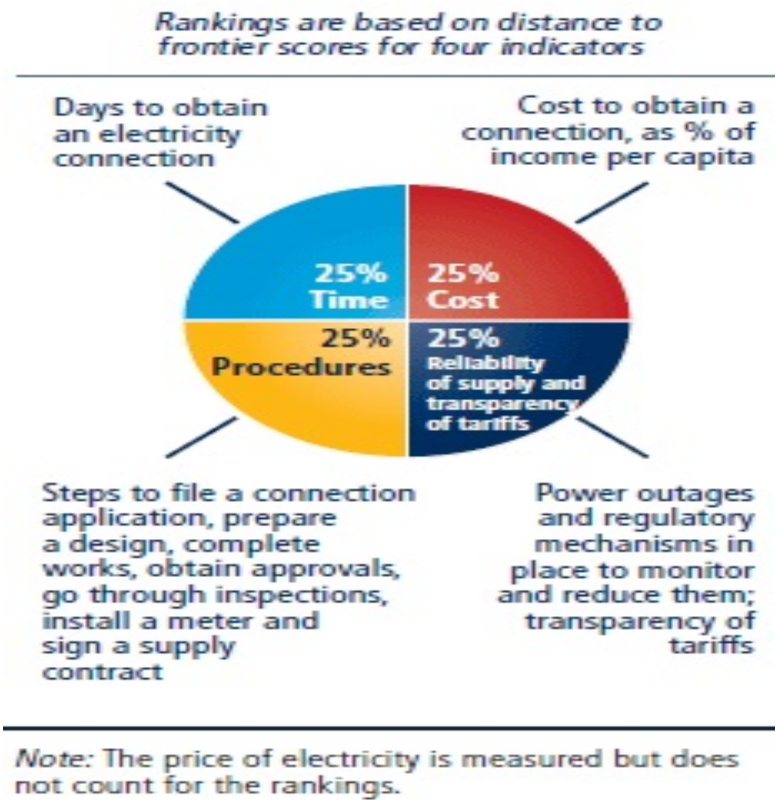
To improve Pakistan's performance in the area of construction permitting, the Government may consider a set of measures focusing on merging and streamlining the permitting processes of multiple departments and agencies, improving land management practices, introducing risk-based permitting system and establishing electronic permitting regime. For these reforms to be captured by the Doing Business report, it will be essential that they are fully implemented and enforced by the public sector and adopted by practitioners.

3. ***Getting Electricity***

Methodology Overview

The Getting Electricity indicator records all procedures required for a business to obtain a permanent electricity connection for 140KVA connected load and supply for a standardized warehouse. These procedures include applications and contracts with electricity utilities, all necessary inspections and clearances from the utility and other agencies, and the external and final connection works.

Figure B3



The methodology looks at four aspects of the interaction (Figure B3):

- Time (days): days to obtain an electricity connection
- Cost (percent): as a percentage of the national average annual per capita income
- Procedures (number): Steps to file an application; prepare a design; complete works; obtain approvals; go through inspections; install a meter; sign a supply contract.
- Reliability of electricity: including reliability of supply and transparency of tariffs index.

Assumptions about the warehouse

To make the data comparable across economies, several assumptions about the warehouse, the electricity connection and the monthly consumption are used.

The warehouse:

- Is owned by a local entrepreneur;
- Is located in the economy's largest business city. For 11 economies the data are also collected for the second largest business city;
- Is located in an area where similar warehouses are typically located. In this area a new electricity connection is not eligible for a special investment promotion regime (offering special subsidization or faster service, for example);
- Is located in an area with no physical constraints. For example, the property is not near a railway;
- Is a new construction and is being connected to electricity for the first time;
- Has two stories, both above ground, with a total surface area of approximately 1,300.6 square meters (14,000 square feet). The plot of land on which it is built is 929 square meters (10,000 square feet);
- Is used for storage of goods;

Assumptions about the electricity connection

The electricity connection:

- Is a permanent one;
- Is a three-phase, four-wire Y, 140-kilovolt-ampere (kVA) (subscribed capacity) connection (where the voltage is 120/208 V, the current would be 400 amperes; where it is 230/400 B, the current would be nearly 200 amperes);
- Is 150 meters long. The connection is to either the low-voltage or the medium-voltage distribution network and either overhead or underground, whichever is more common in the area where the warehouse is located;
- Requires works that involve the crossing of a 10-meter road (such as by excavation or overhead lines) but are all carried out on public land. There is no crossing of other owners' private property because the warehouse has access to a road;
- Includes only a negligible length in the customer's private domain;
- Will supply monthly electricity consumption of 26,880 kilowatt-hours (kWh);

- Does not involve work to install the internal electrical wiring. This has already been completed, up to and including the customer's service panel or switchboard and installation of the meter base;

Assumptions about the monthly consumption

- The warehouse operates daily from 9:00 a.m. to 5:00 p.m. (not for 24 hours), without electricity cuts (assumed for simplicity), and has a subscribed capacity of 140 kVA, a power factor of 1 (1 kVA = 1 kW) and a monthly consumption of 26,880 kWh. The warehouse is operated for commercial purposes 30 days a month. The hourly consumption is therefore 112 kWh (26,880 kWh/30 days/8 hours);
- If multiple electricity suppliers exist, the warehouse is served by the cheapest supplier;
- Tariffs effective in March of the current year are used for calculation of the price of electricity for the warehouse.

Data is collected from the electricity distribution utility, then completed and verified by electricity regulatory agencies and independent professionals such as electrical engineers, electrical contractors and construction companies. The electricity distribution utility consulted is the one serving the area (or areas) where warehouses are located. If there is a choice of distribution utilities, the one serving the largest number of customers is selected.

In addition, this year Doing Business adds two new measures: **the reliability of supply and transparency of tariffs index** (included in the aggregate distance to frontier score and ranking on the ease of Doing Business) and the price of electricity (not included in the score and ranking). Doing Business uses the system average interruption duration index (SAIDI) and the system average interruption frequency index (SAIFI) to measure the duration and frequency of power outages. SAIDI is the average total duration of outages over the course of a year for each customer served, while SAIFI is the average number of service interruptions experienced by a customer in a year. Annual data (covering the calendar year) are collected from distribution utility companies and national regulators on SAIDI and SAIFI. Both SAIDI and SAIFI estimates include load shedding.

An economy is eligible to obtain a score on the reliability of supply and transparency of tariffs index if the utility collects data on electricity outages (measuring the average total duration of outages per customer and the average number of outages per customer) and the SAIDI value is below a threshold of 100 hours and the SAIFI value below a threshold of 100 outages.

Data are collected from the electricity distribution utility, then completed and verified by electricity regulatory agencies and independent professionals such as electrical engineers, electrical contractors and construction companies. The electricity distribution utility consulted is the one serving the area (or areas) where warehouses are located. If there is a choice of distribution utilities, the one serving the largest number of customers is selected.

Pakistan's Performance on Getting Electricity

Pakistan's overall ranking for Getting electricity is 157 out of 189 economies. The following tables shows Pakistan's results – for Karachi and Lahore - on this indicator set relative to the regional and OECD average.

Table B8: Getting Electricity Measure of Efficiency Scores compared with region and OECD

Indicator	Karachi	Lahore	South Asia	OECD
Number of procedures	5	5	5.5	4.8
Time (days)	173	188	141.7	77.7
Cost (percent of income per capita)	1,225.5	1,225.5	1,386.2	65.1
Reliability of supply and transparency of tariff index (0-8)	0	0	1.9	7.2

Source: Doing Business 2016

Table B9: Getting Electricity, detailed procedure list for Karachi

	No.	Procedure	Time to Complete	Associated Costs
	1	Submit application to K-Electric Ltd. and await site inspection	30 calendar days	PKR 0
	2	Obtain site inspection by K-Electric Ltd. and await and receive estimate	21 calendar days	PKR 0
	3	Obtain wiring test form	1 calendar day	PKR 0
*	4	Pay estimate and submit internal wiring test report to K-Electric Ltd.	1 calendar day	PKR 1,777,186.23
	5	Await external works, meter installation and electricity flow from K-Electric Ltd.	120 calendar days	PKR 0

* Takes place simultaneously with another procedure.

Table B10: Getting Electricity, detailed procedure list for Lahore

No.	Procedure	Time to Complete	Associated Costs

1	Submit application to LESCO and await site inspection	30 calendar days	PKR 0
2	Obtain site inspection by LESCO and await and receive estimate	30 calendar days	PKR 0
3	Obtain wiring test form	7 calendar days	PKR 0
4	Pay estimate and submit internal wiring test report to LESCO	1 calendar day	PKR 1,777,186.23
5	Await external works, meter installation and electricity flow from LESCO	120 calendar days	PKR 0

Data for Karachi and Lahore reveals performance broadly in line with the regional averages, but behind OECD averages, particularly in the cost category. Pakistan is among 40 most expensive countries in the word to obtain a new connection.

Table B11: Getting electricity, Measure of Quality Scores

	Karachi	Lahore
Reliability of supply and transparency of tariff index (0-8)	0.0	0.0
Total duration and frequency of outages per customer a year (0-3)	0.0	0.0
System average interruption duration index (SAIDI, hours)	864.4	1356.8
System average interruption frequency index (SAIFI, number of times)	389.7	443.0
Mechanisms for monitoring outages (0-1)	0.0	0.0
Does the distribution utility use automated tools to monitor outages?	No	No
Mechanisms for restoring service (0-1)	0.0	0.0
Does the distribution utility use automated tools to restore service?	No	No
Regulatory monitoring (0-1)	1.0	1.0
Does a regulator—that is, an entity separate from the utility—monitor the utility's performance on reliability of supply?	Yes	Yes
Financial deterrents aimed at limiting outages (0-1)	1.0	1.0
Does the utility either pay compensation to customers or face fines by the regulator (or both) if outages exceed a certain cap?	Yes	Yes
Communication of tariffs and tariff changes (0-1)	1.0	1.0
Are effective tariffs available online?	Yes	Yes
Link to the website, if available online	http://www.k	http://www.l

	e.com.pk/customer-services/tariff-structure/index.html	esco.gov.pk/3000063
Are customers notified of a change in tariff ahead of the billing cycle?	Yes	Yes

Source: Doing Business 2016

Within Pakistan, the data for Karachi and Lahore reveal several differences. While the number of procedures is the same in both cities, the time taken to obtain an electricity connection in Karachi is 15 days shorter that in Lahore. Consumers in Pakistan experience one of the highest in the world level of service interruption – 865 hours per year in Karachi and 1357 hours in Lahore. The number of outages is also among the top 10 highest in the word – 390 times per year in Karachi and 443 times in Lahore. Not surprisingly, businesses in Pakistan estimated losses due to power outages at up to 34 percent of annual revenue.[7] Power outages also affect output levels. For example, according to the Doing Business 2016, as a result of power supply interruptions in Bangladesh in 2001–03, utilities failed to meet an estimated 13.6 percent of the industrial sector's demand. In 2000–01 the resulting economic losses amounted to 1.7 percent of GDP. Several steps could be taken by the regulators and utility companies in Pakistan to reduce time and cost of electricity connections and improve reliability of supply.

[7] Doing Business 2016.

4. *Registering property*

Methodology Overview

Doing Business records the full sequence of procedures necessary for a business (the buyer) to purchase a property from another business (the seller) and to transfer the property title to the buyer's name so that the buyer can use the property for expanding its business, use the property as collateral in taking new loans or, if necessary, sell the property to another business. It also measures the time and cost to complete each of these procedures.

In addition, this year *Doing Business* adds a new measure to the set of registering property indicators, an index of the quality of the land administration system in each economy. The quality of land administration index has four dimensions: reliability of infrastructure, transparency of information, geographic coverage and land dispute resolution (Table1).

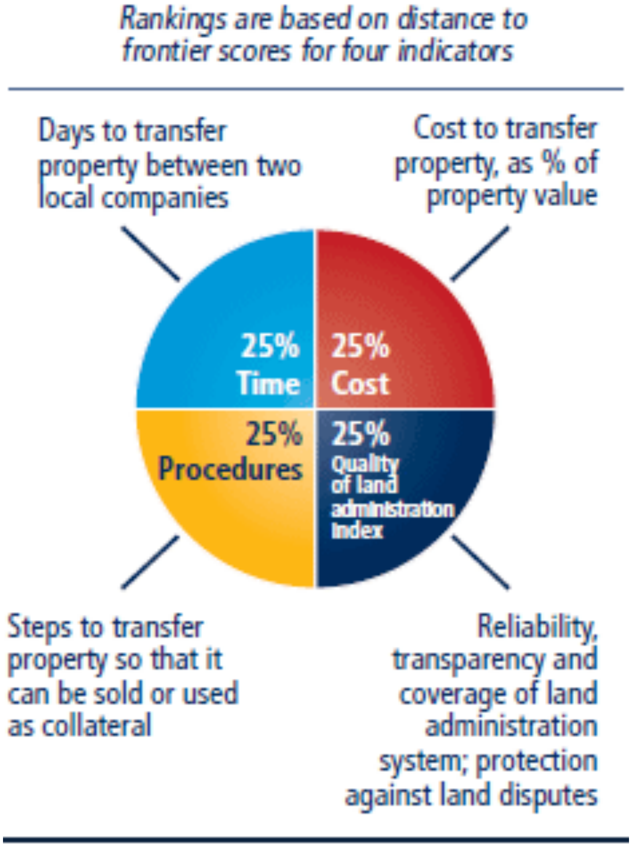
Table B12 - What do the indicators on the quality of land administration measure?

Reliability of infrastructure index (0–8)
Type of system for archiving information on land ownership
Availability of electronic database to check for encumbrances
Type of system for archiving maps
Availability of geographic information system
Link between property ownership registry and mapping system
Transparency of information index (0–6)
Accessibility of information on land ownership
Accessibility of maps of land plots
Publication of fee schedules, lists of registration documents, service standards
Availability of a specific and separate mechanism for complaints
Publication of statistics about the number of property transactions
Geographic coverage index (0–8)
Coverage of land registry at the level of the largest business city and the economy[a]
Coverage of mapping agency at the level of the largest business city and the economy[a]
Land dispute resolution index (0–8)
Legal framework for immovable property registration
Mechanisms to prevent and resolve land disputes
Quality of land administration index (0–30)
Sum of the reliability of infrastructure, transparency of information, geographic coverage and land dispute resolution indices

a. For 11 economies the data are also collected for the second largest business city.

The ranking of economies on the ease of registering property is determined by sorting their distance to frontier scores for registering property. These scores are the simple average of the distance to frontier scores for each of the component indicators (Figure B4).

Figure B4 - Registering property: efficiency and quality of land administration system



As recorded by *Doing Business*, the process of transferring property starts with obtaining the necessary documents, such as a copy of the seller's title if necessary, and conducting due diligence if required. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it. Every procedure required by law or necessary in practice is included, whether it is the responsibility of the seller or the buyer or must be completed by a third party on their behalf. Local property lawyers, notaries and property registries provide information on procedures as well as the time and cost to complete each of them.

To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

Assumptions about the parties

The parties (buyer and seller):

- Are limited liability companies;
- Are located in the periurban area of the economy's largest business city. For 11 economies the data are also collected for the second largest business city (see cities list). For Pakistan, data is collected from both Karachi and Lahore;
- Are 100 percent domestically and privately owned;
- Have 50 employees each, all of whom are nationals;
- Perform general commercial activities.

Assumptions about the parties

The parties (buyer and seller):

- Are limited liability companies (or the legal equivalent);
- Are located in the periurban area of the economy's largest business city. For 11 economies the data are also collected for the second largest business city. For Pakistan, data is collected from both Karachi and Lahore;
- Are 100 percent domestically and privately owned;
- Have 50 employees each, all of whom are nationals;
- Perform general commercial activities.

Assumptions about the property

The property:

- Has a value of 50 times income per capita. The sale price equals the value;
- Is fully owned by the seller;
- Has no mortgages attached and has been under the same ownership for the past 10 years;
- Is registered in the land registry or cadastre, or both, and is free of title disputes;
- Is located in a periurban commercial zone, and no rezoning is required;
- Consists of land and a building. The land area is 557.4 square meters (6,000 square feet). A two-story warehouse of 929 square meters (10,000 square feet) is located on the land. The warehouse is 10 years old, is in good condition and complies with all safety standards, building codes and other legal requirements. It has no heating system. The property of land and building will be transferred in its entirety;
- Will not be subject to renovations or additional building following the purchase.
- Has no trees, natural water sources, natural reserves or historical monuments of any kind;
- Will not be used for special purposes, and no special permits, such as for residential use, industrial plants, waste storage or certain types of agricultural activities, are required;
- Has no occupants, and no other party holds a legal interest in it.

Pakistan's Performance on Registering Property

Doing Business 2016 reported that in Pakistan entrepreneurs must go through an average of 6 procedures to execute a property transfer (compared with 6.4 South Asia's average), which would take 50 days (compared with 97.6 days SA average) and cost between 7.7 percent (Karachi) and 7.2 percent (Lahore) of property value, in line with the regional average, yet underperforming compared with OECD's average, particularly on the Quality of the land administration index (Table B13). Pakistan, as represented by the average performance of its largest cities Karachi and Lahore, ranks 137th among 189 countries on the ease of starting a business (3d out of 8 countries in the region). Karachi and Lahore preform very similarly on the indicator, differentiating only on cost, driven by the different levels of capital value tax.

Table B13. Registering property in Pakistan compared with regional averages

Indicator	Karachi	Lahore	South Asia	OECD high income
Procedures (number)	6	6	6.4	4.7
Time (days)	50	50	97.6	21.8
Cost (percent of property value)	7.7	7.2	7.2	4.2
Quality of the land administration index (0-30)	5	5	7.6	22.7

Source: *Doing Business* 2016

The following detailed list of procedures (Table B14 and B15) was recorded by the *Doing Business 2016* report.

Table B14. Registering Property in Pakistan, detailed procedure list for Karachi

No.	Procedure	Time to Complete	Associated Costs
1	Advertisement of transaction in newspapers inviting objections	8 days	PKR 10,000
2	Hire deed writer or lawyer to draft sale purchase agreement	1 day	PKR 5,000
3	Payment of stamp duty, capital value tax, Town tax and registration fee	1 day	2.5 percent of the property price (Capital value tax) +3 percent of property price (stamp

			duty) + 1 percent of property price (registration fee)+ 1 percent Town Tax
4	Obtaining a Non-Objection Certificate	1 day	included in Procedure 3
5	Receipt of payment is taken to Stamp Office	1 day	no cost
6	Execution and registration of the deed before the registration authority	38 days	no cost

Table B15. Registering Property in Pakistan, detailed procedure list for Lahore

No.	Procedure	Time to Complete	Associated Costs
1	Advertisement of a transaction in newspapers and inviting objections	8 days	PKR 10,000
2	Hire the deed writer or the lawyer to draft the sale purchase agreement	1 day	PKR 8,000
3	Payment of the stamp duty, capital value tax, town tax and registration fee	1 day	2 percent of the property price (Capital value tax) +3 percent of property price (stamp duty) + 1 percent of property price (registration fee)+ 1 percent Town Tax
4	Obtain the Non-Objection Certificate	1 day	Already paid in Procedure 3
5	Receipt of the payment is submitted to the Stamp Office	1 day	no cost
6	Execution and registration of a deed before the registration authority	38 days	no cost

Source: *Doing Business* 2016

In order to improve property registration framework, the Government of Pakistan could consider a set of measures to streamline registration procedures, reduce registration cost and increase transparency.

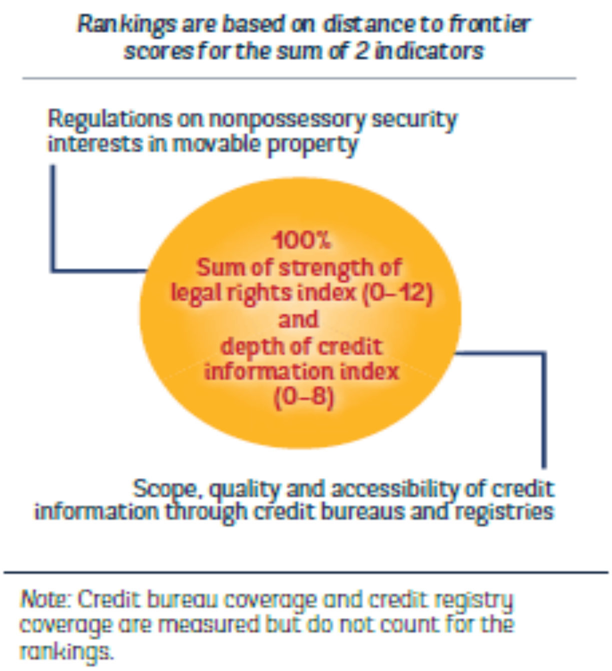
5. *Getting Credit*

Methodology Overview

Doing Business covers two aspects of the regulatory framework and infrastructure that affect the availability of credit: the depth of credit information and the strength of the legal rights of borrowers and lenders. The first aspect, measured by the depth of credit information index, includes the coverage, scope and quality of credit information available through credit registries and credit bureaus. The second, measured by the strength of legal rights index, evaluates the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders.

Doing Business measures the legal rights of borrowers and lenders with respect to secured transactions through one set of indicators and the reporting of credit information through another. The first set of indicators measures whether certain features that facilitate lending exist within the applicable collateral and bankruptcy laws. The second set measures the coverage, scope and accessibility of credit information available through credit reporting service providers such as credit bureaus or credit registries (figure B5). The ranking of economies on the ease of getting credit is determined by sorting their distance to frontier scores for getting credit. These scores are the distance to frontier score for the sum of the strength of legal rights index and the depth of credit information index.

Figure B5 - Getting credit: collateral rules and credit information



Strength of legal rights index

The strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending). For each economy it is first determined whether a unitary secured transactions system exists. Then two case scenarios, case A and case B, are used to determine how a nonpossessory security interest is created, publicized and enforced according to the law. Special emphasis is given to how the collateral registry operates (if registration of security interests is possible). The case scenarios involve a secured borrower, company ABC, and a secured lender, BizBank.
In some economies the legal framework for secured transactions will allow only case A or case B (not both) to apply. Both cases examine the same set of legal provisions relating to the use of movable collateral. The index ranges from 0 to 12, with higher scores indicating that collateral and bankruptcy laws are better designed to expand access to credit. For more information please see http://www.doingbusiness.org/methodology/getting-credit

Credit information

The data on the reporting of credit information are built in two stages. First, banking supervision authorities and public information sources are surveyed to confirm the presence of a credit reporting service provider, such as a credit bureau or credit registry. Second, when applicable, a detailed questionnaire on the credit bureau's or credit registry's structure, laws and associated rules is administered to the entity itself. Questionnaire responses are verified through several rounds of follow-up communication with respondents as well as by contacting third parties and consulting public sources.

The index ranges from 0 to 8, with higher values indicating the availability of more credit information, from either a credit bureau or a credit registry, to facilitate lending decisions. If the credit bureau or registry is not operational or covers less than 5 percent of the adult population, the score on the depth of credit information index is 0. Credit bureau coverage reports the number of individuals and firms listed in a credit bureau's database as of January 1, 2015, with information on their borrowing history within the past five years, plus the number of individuals and firms that have had no borrowing history in the past five years but for which a lender requested a credit report from the bureau in the period between January 1, 2014, and January 1, 2015. Credit registry coverage reports the number of individuals and firms listed in a credit registry's database as of January 1, 2015, with information on their borrowing history within the past five years, plus the number of individuals and firms that have had no borrowing history in the past five years but for which a lender requested a credit report from the registry in the period between January 1, 2014, and January 1, 2015. The number is expressed as a percentage of the adult population (the population age 15 and above in 2014 according to the World Bank's *World*

Development Indicators). For more information on the methodology please see http://www.doingbusiness.org/methodology/getting-credit

Pakistan's Performance on Getting Credit

Pakistan ranks 133 out of 189 economies on Getting credit indicator, sharing the last place in the South Asia region with Nepal and Bangladesh. In the *Doing Business* 2016 report, Pakistan scores a 3 (out of 8) on the depth of credit information index.

Both a private credit bureau and a public credit registry operate in Pakistan, the public credit registry covering 6.70 percent of adults and the private bureau only 4.80 percent of adults.

Table B16. Getting credit in Pakistan compared with regional averages

Indicator	Pakistan	South Asia	OECD high income
Strength of legal rights index (0-12)	3	4.9	6
Depth of credit information index (0-8)	3	3.4	6.5
Credit registry coverage (percent of adults)	6.7	3.0	11.9
Credit bureau coverage (percent of adults)	4.8	12.7	66.7

Source: *Doing business* 2016

Compared with the region and OECD, Pakistan underperforms on both the Strength of legal rights index and Depth of credit information index. The Government is currently implementing series of reforms in the getting credit area, which once fully implemented will improve country's performance on this indicator.

Table B17. Getting credit in Pakistan, Depth of credit information index (0-8)

	Credit bureau	Credit registry	Score
Are data on both firms and individuals distributed?	No	Yes	1
Are both positive and negative credit data	No	No	0

distributed?			
Are data from retailers or utility companies - in addition to data from banks and financial institutions - distributed?	No	No	0
Are at least 2 years of historical data distributed? (Credit bureaus and registries that distribute more than 10 years of negative data or erase data on defaults as soon as they are repaid obtain a score of 0 for this component.)	No	No	0
Are data on loan amounts below 1 percent of income per capita distributed?	No	Yes	1
By law, do borrowers have the right to access their data in the credit bureau or credit registry?	No	No	0
Can banks and financial institutions access borrowers' credit information online (for example, through an online platform, a system-to-system connection or both)?	No	Yes	1
Are bureau or registry credit scores offered as a value-added service to help banks and financial institutions assess the creditworthiness of borrowers?	No	No	0
Score ("yes" to either public bureau or private registry)			3.00

Coverage	Credit bureau	Credit registry
Number of individuals	5,531,978	7,618,314
Number of firms	0	111,580
Total	5,531,978	7,729,894
Percentage of adult population	4.80	6.70

Table B18. Getting credit in Pakistan, strength of legal rights index (0-12)

Does an integrated or unified legal framework for secured transactions that extends to the creation, publicity and enforcement of functional equivalents to security interests in movable assets exist in the economy?	No
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	Yes
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	Yes

May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets?	Yes
Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	No
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?	No
Does a notice-based collateral registry exist in which all functional equivalents can be registered?	No
Does a modern collateral registry exist in which registrations, amendments, cancellations and searches can be performed online by any interested third party?	No
Are secured creditors paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	No
Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated?	No
Are secured creditors subject to an automatic stay on enforcement when a debtor enters a court-supervised reorganization procedure? Does the law protect secured creditors' rights by providing clear grounds for relief from the stay and/or sets a time limit for it?	No
Does the law allow parties to agree on out of court enforcement at the time a security interest is created? Does the law allow the secured creditor to sell the collateral through public auction and private tender, as well as, for the secured creditor to keep the asset in satisfaction of the debt?	No
Score (number of "yes" responses)	3.00

6. *Protecting minority investors*

Methodology Overview

Doing Business measures the protection of minority investors from conflicts of interest through one set of indicators and shareholders' rights in corporate governance through another. The data come from a questionnaire administered to corporate and securities lawyers and are based on securities regulations, company laws, civil procedure codes and court rules of evidence. The ranking of economies on the strength of minority investor protections is determined by sorting their distance to frontier scores for protecting minority investors. These scores are the simple average of the distance to frontier scores for the extent of conflict of interest regulation index and the extent of shareholder governance index (Table B19).

Table B19 - What do the protecting minority investors indicators measure?

Extent of disclosure index (0–10)	**Extent of shareholder rights index (0–10)**
Review and approval requirements for related-party transactions Internal, immediate and periodic disclosure requirements for related-party transactions	Shareholders' rights and role in major corporate decisions
Extent of director liability index (0–10)	**Extent of ownership and control index (0–10)**
Minority shareholders' ability to sue and hold interested directors liable for prejudicial related-party transactions Available legal remedies (damages, disgorgement of profits, fines, imprisonment, rescission of transactions)	Governance safeguards protecting shareholders from undue board control and entrenchment
Ease of shareholder suits index (0–10)	**Extent of corporate transparency index (0–10)**
Access to internal corporate documents Evidence obtainable during trial Allocation of legal expenses	Corporate transparency on ownership stakes, compensation, audits and financial prospects
Extent of conflict of interest regulation index (0–10)	**Extent of shareholder governance index (0–10)**
Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices	Simple average of the extent of shareholder rights, extent of ownership and control and extent of corporate transparency indices
Strength of minority investor protection index (0–10)	
Simple average of the extent of conflict of interest regulation and extent of shareholder governance indices	

Source: *Doing Business* 2016

The extent of conflict of interest regulation index measures the protection of shareholders against directors' misuse of corporate assets for personal gain by distinguishing three dimensions of regulation that address conflicts of interest: transparency of related-party transactions (extent of disclosure index), shareholders' ability to sue and hold directors liable for self-dealing (extent of director liability index) and access to evidence and allocation of legal expenses in shareholder litigation (ease of shareholder suits index). To make the data comparable across economies, several assumptions about the business and the transaction are used:

Assumptions about the business

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange. If the number of publicly traded companies listed on that exchange is less than 10, or if there is no stock exchange in the economy, it is assumed that Buyer is a large private company with multiple shareholders.
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.
- Has a supervisory board (applicable to economies with a two-tier board system) on which 60 percent of the shareholder-elected members have been appointed by Mr. James, who is Buyer's controlling shareholder and a member of Buyer's board of directors.
- Has not adopted any bylaws or articles of association that differ from default minimum standards and does not follow any non-mandatory codes, principles, recommendations or guidelines relating to corporate governance.
- Is a manufacturing company with its own distribution network.

Assumptions about the transaction

- Mr. James owns 60 percent of Buyer and elected two directors to Buyer's five-member board.
- Mr. James also owns 90 percent of Seller, a company that operates a chain of retail hardware stores. Seller recently closed a large number of its stores.
- Mr. James proposes that Buyer purchase Seller's unused fleet of trucks to expand Buyer's distribution of its food products, a proposal to which Buyer agrees. The price is equal to 10 percent of Buyer's assets and is higher than the market value.
- The proposed transaction is part of the company's ordinary course of business and is not outside the authority of the company.
- Buyer enters into the transaction. All required approvals are obtained, and all required disclosures made (that is, the transaction is not fraudulent).
- The transaction causes damages to Buyer. Shareholders sue Mr. James and the other parties that approved the transaction.

Further information about the methodology is available at:
http://www.doingbusiness.org/methodology/protecting-minority-investors.

Pakistan's Performance on Getting Credit

According to the *Doing Business* 2016 reported Pakistan has a highly sophisticated corporate governance regime, ranking among the top 25 economies world-wide on Protecting Minority Investors indicator, 2d in the South Asia region.

Table B20. Protecting Minority Shareholders in Pakistan compared with regional averages

Indicator	Karachi	South Asia	OECD high income
Strength of minority investor protection index (0-10)	6.7	5.1	6.4
Extent of conflict of interest regulation index (0-10)	6.0	5.3	6.3
Extent of disclosure index (0-10)	6.0	4.5	6.4
Extent of director liability index (0-10)	6.0	4.8	5.4
Ease of shareholder suits index (0-10)	6.0	6.5	7.2
Extent of shareholder governance index (0-10)	7.3	5.0	6.4
Extent of shareholder rights index (0-10)	8.0	5.5	7.3
Extent of ownership and control index (0-10)	9.0	5.3	5.6

Source: *Doing Business* 2016

Further details on Pakistan's performance on Protecting Minority Shareholders indicator are available at http://www.doingbusiness.org/data/exploreeconomies/pakistan#protecting-minority-investors.

7. *Paying Taxes*

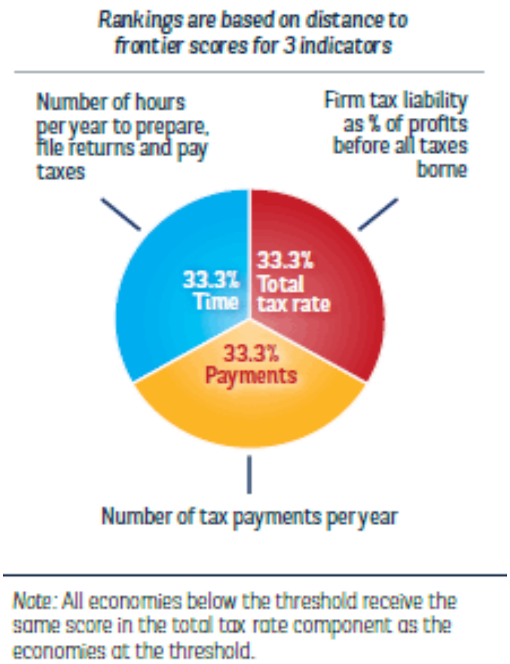
Methodology Overview

The Paying Taxes indicator records the taxes and mandatory contributions that a medium-size company must pay in a given year as well as measures of the administrative burden of paying taxes and contributions. The project was developed and implemented in cooperation with PricewaterhouseCoopers (PwC). The 'tax payments' indicator reflects the total number of taxes and contributions paid, the method of payment, the frequency of payment, the frequency of filing and the number of agencies involved for this standardized case study company during the second year of operation. The 'time' indicator is recorded in hours per year. The indicator measures the time taken to prepare, file and pay 3 major types of taxes and contributions: the corporate income tax, value added or sales tax, and labor taxes, including payroll taxes and social contributions. Preparation time includes the time to collect all information necessary to compute the tax payable and to calculate the amount payable. Lastly, the 'total tax rate' indicator measures the amount of taxes and mandatory contributions borne by the business in the second year of operation, expressed as a share of commercial profit.

The ranking of economies on the ease of paying taxes is determined by sorting their distance to frontier scores for paying taxes. These scores are the simple average of the distance to frontier scores for each of the component indicators (figure B6), with a threshold and a nonlinear transformation applied to one of the component indicators, the total tax rate. The threshold is defined as the total tax rate at the 15th percentile of the overall distribution of the total tax rate indicator for all years included in the analysis up to and including *Doing Business 2015.* The threshold is set at is 26.1 percent. All economies with a total tax rate below this threshold receive the same score as the economy at the threshold.

Doing Business uses a case scenario to measure the taxes and contributions paid by a standardized business and the complexity of an economy's tax compliance system. This case scenario uses a set of financial statements and assumptions about transactions made over the course of the year. In each economy tax experts from a number of different firms (in many economies these include PwC) compute the taxes and mandatory contributions due in their jurisdiction based on the standardized case study facts. Information is also compiled on the frequency of filing and payments as well as the time taken to comply with tax laws in an economy. To make the data comparable across economies, several assumptions about the business and the taxes and contributions are used. For more details please see http://www.doingbusiness.org/methodology/paying-taxes.

Figure B6 - Paying taxes: tax compliance for a local manufacturing company



Pakistan's Performance on Paying Taxes

On this indicator, Pakistan ranks 171st (out of 189 countries) steadily declining over the past years, having ranked 124th (out of 181 countries) in 2009. This is primarily due to high number of payments and increased time it takes to pay taxes in a year. The firms in Pakistan are paying 47 tax payments in a year, which has remained constant since 2006. However, the total time it takes to prepare, file and pay taxes has increased from 560 hours during past five years to 594 hours in 2015, despite introduction of mandatory electronic filing and payment facility and tax payer facilitation services. This administrative burden of paying taxes is higher than in other South Asian and OECD countries. On the other hand, the total tax rate (percent of profit) has decreased from 35.3 percent in 2012 to 32.6 percent in 2015, which is below the regional and OECD averages (see Tables B21 & B22).

Among different taxes paid by the firm in a year, payment of General Sales Tax (GST) takes most of the time (514 hours), followed by corporate tax and social security contributions (40 hours). The firms reported highest compliance time taken at the preparation stage, as more details are required to be filed with GST returns, on monthly basis.

Table B21: Pakistan's performance on paying taxes indicator – international comparison

Indicator	Karachi	Lahore	South Asia	OECD high income
Payments (number per year)	47	47	31.3	11.1
Time (hours per year)	594	594	299.3	176.6
Total tax rate (percent of profit)	32.5	32.8	38.9	41.2
Profit tax (percent of profit)	18.7	18.6	13.2	14.9
Labor tax and contributions (percent of profit)	12.7	13	7.2	24.1
Other taxes (percent of profit)	1.1	1.2	16.9	1.7

Source: *Doing Business* database

1.

Table B22: Details of Pakistan's performance on paying taxes indicator

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (percent of profit)	Notes on TTR
Corporate income tax	5		40	25 percent	taxable profit	18.62	
Social security contributions	12		40	6 percent	gross salaries	6.46	
Employer paid - Pension contributions	12			5 percent or PKR 400 per employee per month	gross salaries	5.64	
Education cess	1			PKR 100 per month	per worker	0.93	
Property tax	1			18 percent (including 10 percent discount)	annual rental value of property	0.89	
Tax on interest	0			10	interest	0.26	included

				percent			in other taxes
Professional tax	1			PKR 10,000	fixed fee	0.14	
Vehicle tax	1			varies	fixed fee depending on type of vehicle	0.07	
Fuel tax	1			25 percent	included into fuel price	0.00	small amount
Employee paid - Pension contributions	0	jointly		1 percent or PKR 80 per employee per month	gross salaries	0.00	withheld
Goods and sales tax (VAT)	12		514	17 percent	value added	0.00	not included
Stamp duty	1			rate based on contract value		0.00	
Totals:	47		594			32.8	

2. *Notes:* Name of taxes have been standardized. For instance income tax, profit tax and tax on company's income are all named corporate income tax in this table.
3. The hours for VAT include all the VAT and sales taxes applicable.
4. The hours for Social Security include all the hours for labor taxes and mandatory contributions in general.

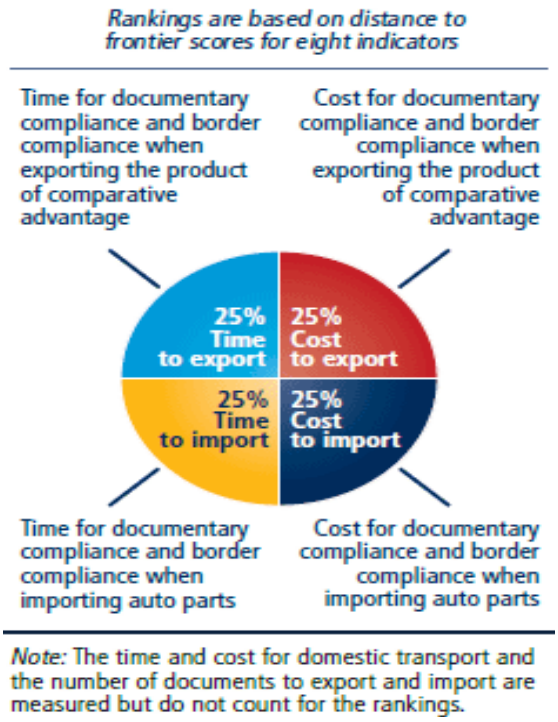
8. Trading across Borders

Methodology Overview

Doing Business records the time and cost associated with the logistical process of exporting and importing goods. Under the new methodology introduced this year, *Doing Business* 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. To increase the relevance of the trading across borders indicators, this year's report changes the standardized case study to assume different traded products for the import and export process. For export from Pakistan to China HS 52: Cotton category of goods is used, for import from Thailand to Pakistan HS 8708: Parts and accessories of motor vehicles are used.

The ranking of economies on the ease of trading across borders is determined by sorting their distance to frontier scores for trading across borders. These scores are the simple average of the distance to frontier scores for the time and cost for documentary compliance and border compliance to export and import (Figure B7).

Figure B7 - Trading across borders: time and cost to export and import



Although *Doing Business* collects and publishes data on the time and cost for domestic transport, it does not use these data in calculating the distance to frontier score for trading across borders or the ranking on the ease of trading across borders. The main reason for this is that the time and cost for domestic transport are affected by many external factors—such as the geography and topography of the transit territory, road capacity and general infrastructure, proximity to the nearest port or border, and the location of warehouses where the traded goods are stored—and so are not directly influenced by an economy's trade policies and reforms. In addition, *Doing Business* continues to collect data on the number of documents needed to trade internationally. Unlike in previous years, however, these data too are excluded from the calculation of the distance to frontier score and ranking. The time and cost for documentary compliance serve as better measures of the overall cost and complexity of compliance with documentary requirements than does the number of documents required. Full description of the methodology is available at http://www.doingbusiness.org/methodology/trading-across-borders.

Pakistan's Performance on Trading across Borders

Doing Business 2016 reported that in Pakistan entrepreneurs spend on average of 79 hours and $426 to comply with border formalities and 62 hours and $307 on 9 documents compliance to export. To import 141 hours and $957 would be spent on border compliance in addition to 153 hours and $786 required for 8 documents preparation - significantly higher than South Asia and OECD averages (Table B23). Pakistan, as represented by the average performance of its largest cities Karachi and Lahore, ranks 169 among 189 countries on the ease of starting a business (6 out of 8 countries in the region), compared with 168 position (6th in the region) in previous year. As per WBG's 2014 International Logistic Performance Index - a worldwide survey of global freight forwarders and express carriers to measure the trade and logistics "friendliness" of the countries in which they operate and those with which they trade - Pakistan ranks 72 among 160 countries, compared with 71st position among 155 countries in 2012.

Table B23. Trading across borders in Pakistan[8] compared with regional averages

Indicator	Pakistan	South Asia	OECD high income
Time to export: Border compliance (hours)	79	61	15
Cost to export: Border compliance (USD)	426	376	160
Time to export: Documentary compliance (hours)	62	80	5
Cost to export: Documentary compliance (USD)	307	184	36
Time to import: Border compliance (hours)	141	114	9
Cost to import: Border compliance (USD)	957	653	123

[8] Data is the same for Karachi and Lahore

Time to import: Documentary compliance (hours)	153	108	4
Cost to import: Documentary compliance (USD)	786	349	25

Source: *Doing Business* 2016

Karachi

Characteristics	Export	Import
Product	HS 52 : Cotton	HS 8708: Parts and accessories of motor vehicles
Trade partner	China	Thailand
Border	Qasim port	Qasim port
Distance (km)	54	54
Domestic transport time (hours)	6	4
Domestic transport cost (USD)	200	200
Domestic transport speed (km/hour)	9.0	13.5
Domestic transport cost per distance (USD/km)	3.7	3.7

Lahore

Characteristics	Export	Import
Product	HS 52 : Cotton	HS 8708: Parts and accessories of motor vehicles
Trade partner	China	Thailand
Border	Qasim port	Qasim port
Distance (km)	1,296	1,296
Domestic transport time (hours)	27	27
Domestic transport cost (USD)	386	500
Domestic transport speed (km/hour)	47.3	47.3
Domestic transport cost per distance (USD/km)	0.3	0.4

1.

Export documents (same for Karachi and Lahore)
Bill of lading
Certificate of origin
Customs Export Declaration
E Form (with Commercial Bank)
Export General Manifest (EGM)

Gate pass
Inspection report
Insurance certificate
Packing list
Import documents
Bill of lading
Certificate of origin
Form E
Import declaration
Import General Manifest
Packing list
Pre-shipment inspection
Technical standards certificate

Source: *Doing Business* 2016

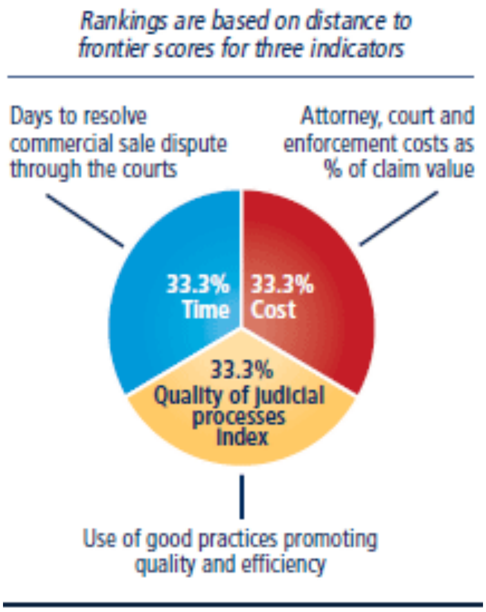
Although, with the implementation and roll out of Web Based One Customs (WeBOC) clearance system at the sea ports, there has been some reduction in dwell time for importing/exporting cargo across borders, there are still certain bottlenecks which hamper trade and increase the cost of doing business that need to be addressed.

9. *Enforcing contracts*

Methodology overview

Doing Business measures the time and cost for resolving a commercial dispute through a local first-instance court. In addition, this year it introduces a new measure, the quality of judicial processes index, evaluating whether each economy has adopted a series of good practices that promote quality and efficiency in the court system. This new index replaces the indicator on procedures, which was eliminated this year. The data are collected through study of the codes of civil procedure and other court regulations as well as questionnaires completed by local litigation lawyers and judges. The ranking of economies on the ease of enforcing contracts is determined by sorting their distance to frontier scores for enforcing contracts. These scores are the simple average of the distance to frontier scores for each of the component indicators (figure B8). The time, cost and procedures are measured from the perspective of an entrepreneur (the plaintiff) pursuing the standardized case through local courts.

Figure B8 - Enforcing contracts: efficiency and quality of commercial dispute resolution



The data on time and cost are built by following the step-by-step evolution of a commercial sale dispute. The data are collected for a specific court for each city covered (Karachi District Court and Lahore District Court in case of Pakistan), under the assumptions about the standardized case study. Claim value for Pakistan is PKR 478,333. The quality of judicial processes index measures whether each economy has adopted a series of good practices in its court system in four areas: court structure and proceedings, case management, court automation and alternative dispute resolution. Further details on the methodology can be found at http://www.doingbusiness.org/methodology/enforcing-contracts.

Pakistan's Performance on enforcing contracts

Doing Business 2016 reported that in Pakistan entrepreneurs would spend between 976 days and 18 percent of the claim's value in Karachi and 1,025 days and 32 percent of claim value in Lahore to resolve a commercial dispute, compared with 1,077 days and 30.5 percent of claim value South Asia's average and 538 days and 11 percent of claim value OECD average. Pakistan, as represented by the average performance of its largest cities Karachi and Lahore, ranks 151st among 189 countries on the ease of contracts enforcement (3d out of 8 countries in the region).

Table B24. Enforcing contracts in Pakistan compared with regional averages

Indicator	Karachi	Lahore	South Asia	OECD high income
Time (days)	976	1,025	1,076.9	538.3
Cost (percent of claim)	18.1	32	30.5	21.1
Quality of judicial processes index (0-18)	6	6	6.5	11.0

	Karachi	Lahore
Total time (days)	976	1,025
Filing and service	96	60.0
Trial and judgment	580	600
Enforcement of judgment	300	365
Cost (percent of claim)	18.1	32
Attorney fees	11	15
Court fees	5.9	7[9]
Enforcement fees	1.2	10
Quality of judicial processes index (0-18)	6	6
Court structure and proceedings (0-5)	3	3
Case management (0-6)	0.5	0.5
Court automation (0-4)	0.5	0.5
Alternative dispute resolution (0-3)	2	2

Source: *Doing Business* 2016

In order to improve access to justice, the Government of Pakistan could consider a set of measures, focusing on improving efficiency of commercial litigation processes, introducing judicial specialization and expanding availability of ADR services.

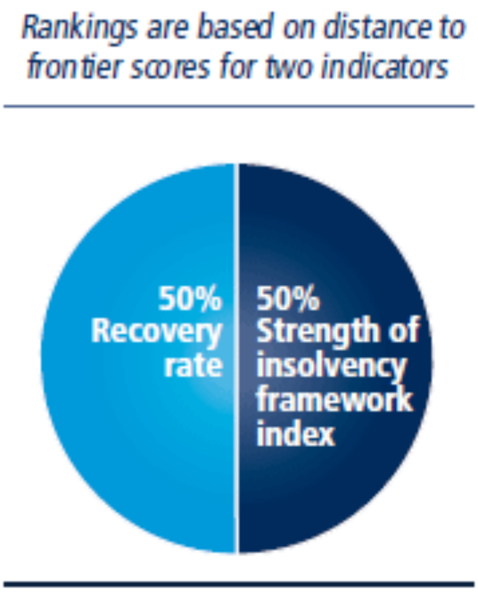
[9] Maximum court fee for any Suit irrespective of the amount of claim is Rs. 15,000/- under the Court Fee Act.

10. *Resolving Insolvency*

Methodology overview

The indicator examines the time, cost and outcome of insolvency proceedings involving domestic entities, expressed as a recovery rate (cents on the dollar recovered by secured creditors) as well as the strength of the legal framework applicable to liquidation and reorganization proceedings. The strength of insolvency framework index component of the indicator is based on four indices: commencement of proceedings index, management of debtor's assets index, reorganization proceedings index and creditor participation index. The ranking of economies on the ease of resolving insolvency is determined by sorting their distance to frontier scores for resolving insolvency. These scores are the simple average of the distance to frontier scores for the recovery rate and the strength of insolvency framework index (figure B9).

Figure B9 - Resolving insolvency: recovery rate and strength of insolvency framework



To make the data on the time, cost and outcome of insolvency proceedings comparable across economies, several assumptions about the business and the case are used. Full description of the methodology and underlying assumptions is available athttp://www.doingbusiness.org/methodology/resolving-insolvency.

The data for the resolving insolvency indicators is derived from questionnaire responses by local insolvency practitioners and verified through a study of laws and regulations as well as public information on insolvency systems. The ranking of economies on the ease of resolving insolvency is determined by sorting their distance to frontier scores for resolving insolvency. These scores are the simple average of the distance to frontier scores for the recovery rate and the strength of insolvency framework index.

Pakistan's Performance on Resolving Insolvency

Pakistan's overall ranking for Resolving Insolvency is 94 out of 189 economies, third among the South Asian region. On average it takes 2.8 years, in line with the regional average and 4 percent of the estate, significantly less costly compared with the regional averages to complete an insolvency proceeding in Karachi and Lahore. The country over-performs regional averages on the strength of insolvency framework index, yet it underperforms compared with OECD countries.

Table B25. Resolving Insolvency in Pakistan compared with regional averages

Indicator	Pakistan	South Asia	OECD high income
Recovery rate (cents on the dollar)	39.7	31.8	72.3
Time (years)	2.8	2.6	1.7
Cost (percent of estate)	4.0	10.1	9.0
Outcome (0 as piecemeal sale and 1 as going concern)	0	0	1
Strength of insolvency framework index (0-16)	7.0	4.5	12.1
Commencement of proceedings index (0-3)	2.0	2.1	2.8
Management of debtor's assets index (0-6)	3.0	1.3	5.3
Reorganization proceedings index (0-3)	0.0	0.3	1.7
Creditor participation index (0-4)	2.0	0.7	2.2

Source: *Doing Business* 2016

Table B26. Resolving insolvency Pakistan, strength of insolvency framework index (0-16)

	Answer	Score
Strength of insolvency framework index (0-16)		7.0
Commencement of proceedings index (0-3)		2.0
What procedures are available to a DEBTOR when commencing insolvency proceedings?	(b) Debtor may file for liquidation only	0.5
Does the insolvency framework allow a CREDITOR to file for insolvency of the debtor?	(b) Yes, but a creditor may file for liquidation only	0.5
What basis for commencement of the insolvency	(a) Debtor is generally	1.0

proceedings is allowed under the insolvency framework?	unable to pay its debts as they mature	
Management of debtor's assets index (0-6)		3.0
Does the insolvency framework allow the continuation of contracts supplying essential goods and services to the debtor?	No	0.0
Does the insolvency framework allow the rejection by the debtor of overly burdensome contracts?	Yes	1.0
Does the insolvency framework allow avoidance of preferential transactions?	Yes	1.0
Does the insolvency framework allow avoidance of undervalued transactions?	Yes	1.0
Does the insolvency framework provide for the possibility of the debtor obtaining credit after commencement of insolvency proceedings?	No	0.0
Does the insolvency framework assign priority to post-commencement credit?	(c) No priority is assigned to post-commencement creditors	0.0
Reorganization proceedings index (0-3)		0.0
Which creditors vote on the proposed reorganization plan?	N/A	0.0
Does the insolvency framework require that dissenting creditors in reorganization receive at least as much as what they would obtain in a liquidation?	No	0.0
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?	No	0.0
Creditor participation index (0-4)		2.0
Does the insolvency framework require approval by the creditors for selection or appointment of the insolvency representative?	No	0.0
Does the insolvency framework require approval by the creditors for sale of substantial assets of the debtor?	Yes	1.0
Does the insolvency framework provide that a creditor has the right to request information from the insolvency representative?	No	0.0
Does the insolvency framework provide that a creditor has the right to object to decisions	Yes	1.0

accepting or rejecting creditors' claims?
Source: *Doing Business* 2016

In order to improve insolvency framework in Pakistan several regulatory and capacity building measures could be introduced in line with good international practices.

Doing Business Reform Strategy 2016

Government of Pakistan