

Doing business: WB prepares preliminary recommendations

The World Bank has prepared preliminary recommendations for improvement in doing business in Pakistan after exhaustive consultations with the stakeholders, suggesting a number of short-term and mid-term measures at the federal and provincial levels in this regard. The WB team has observed that there seems to be no consistent public-private dialogue forum either at the federal or at the provincial level, saying that making this type of consultation more systematic would be beneficial for the reform efforts in two ways.

According to the World Bank, there is a need for more communication of reforms as well as increased transparency of rule, regulations and procedures. Reforms undertaken by the government should be communicated more proactively and systematically to the private sector - through public private dialogue platform, different media channels, communication campaigns, and DB online portal. The procedures for different government services towards the business community and the fee schedules for public services should be easily accessible to the private sector and citizens.

The application of rules and regulations should be consistent and predictable through changes in the government. The private sector expresses concern about the constant changes in policies with the change of government but also during the term of one government. It increases uncertainty for their operations.

The World Bank team was of the view that more coordination is needed among government units, especially within each of the provincial level. Many business regulation reforms involve several government offices that should cooperate more to implement the changes. The reform coordinating bodies (the planning and development departments) in both Sindh and Punjab should organise joint meetings with all actors in each area of DB. The reforms led by the Punjab IT Board are an excellent example of coordination that can be replicated.

Lahore and Karachi should strive to have harmonised procedures for government-to-business services. The reforms will be more useful for the private sector if they are undertaken simultaneously in both cities. In those cases where one of the cities is more advanced, those examples should be replicated in the other towns as well. For example, the reform advancements in starting a business and registering property in Lahore could be replicated in Karachi, and the ongoing reform initiatives that K-Electric is putting in place in Karachi could be considered by Lahore Electricity Supply Company (Lesco).

Preliminary specific areas of focus that the team discussed with the authorities included: (i) amendment in the Companies Act and Listed Companies Regulation to include certain best practices in protecting minority shareholders.

The team has suggested making e-payment and e-transfers available in practice for corporate accounts to provide all kinds of companies the option to pay Corporate Income Tax (CIT) and Sales Tax through the Federal Board of Revenue (FBR) electronic platform. In medium-term, make e-filing and e-payment available for all taxes and contributions.

At the federal level, it suggested to merge EOBI registration fully with the e-services portal of Securities and Exchange Commission of Pakistan (SECP). It would allow the registration with the pension's authority to happen at the same time as incorporation with SECP.

At the provincial level, it suggested to merge the registration with social security (Sindh Employees Social Security Institution - SESSI/Punjab Employees Social Security Institution - PESSI) and the provincial labor departments and link with federal SECP registration. This process has started in Lahore and, according to

the authorities, will be completed in the next month. Karachi also has plans, but it will be implemented in the medium term. Identify ways to increase the uptake of online registration for those institutions where it exists. It can be done through communication with the private sector but also incentives that can be put in place for those that complete the company registration entirely online.

In medium-term, it suggested to merge the registrations for income tax and sales tax. Currently, those who register for sales tax have their offices inspected and are required to visit the FBR for biometric identification physically. It suggested eliminating the company seal requirement. The Companies Act would need to change, followed by extensive awareness campaigns to support implementation. Integrate one single portal for online registration with all agencies without the need for a physical presence or physical documentation.

Dealing with construction permits (short-term) re-engineering business processes for all construction types, it suggested allowing the Lahore Development Authority (LDA) and Sindh Building Control Authority (SBCA) to get No Objection Certificates (NOCs) directly from the required agencies. Currently, applicants have to apply for NOCs separately, and this delays the process. Lahore has already initiated the business process re-engineering but it is essential that the new method is implemented in practice.

It suggested removing the property valuation form (PT-1) as a requirement from Water and Sanitation Agency (WASA) in Lahore. This requirement is outside of the scope of WASA.

It suggested launching e-permit system for all construction types in Lahore and Karachi. In Lahore, this process is more advanced and will be completed in the next few months. IN Karachi, it is a medium-term project.

Getting electricity (short-term) makes processes, guidelines and fees more transparent and to introduce cost calculator. Both utilities should publish checklists with the documents required for the application process as well as increase transparency of the fees charged for completion of work through a cost calculator. It suggested setting up and enforcing binding time limits on procedures to connect to the electricity grid. National Electric Power Regulatory Authority (NEPRA) has already set some general objectives, but these are not binding and not observed by the distribution companies (DISCOs). It suggested to Calculate System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) inclusive of all power outages (including load-shedding). SAIDI and SAIFI are already calculated, but load-shedding is not included, so they don't give the right overview of electricity outages. It suggested providing option to pay the cost for the transformer and external work in installments in both Karachi and Lahore. Undertake a detailed study to understand the bottlenecks of the electrical connection process. "LESCO has agreed to conduct the study, and we suggest this for K-Electric as well. It will help them with designing a feasible plan to streamline the process."

In medium-term, it suggested to streamline internal wiring inspection currently done by the Department of Energy for both provinces, and roll out full online application system with an e-payment option.

Registering property (short-term) fully automates the process of paying stamp duties. E-payment for stamp duties is possible, but companies are still required to submit the receipt of their online payment at a designated bank to obtain stamp papers. In Lahore, it suggested to further integrate database by linking Punjab Land Record Authority (PLRA) and Excise and Taxation Department's system to check property tax liabilities automatically. It is in the plans of PLRA. In Karachi, it suggested to ensure full automation of the procedure to obtain the sales certificate. The Board of Revenue has introduced an initiative to automate the process, and it should be implemented. In Karachi, it suggested to review internal procedures at BOR to identify bottlenecks and explore ways to streamline the execution, registration, and scanning processes. A case management system at the Sub-Registrar Office of BOR could also be introduced to track registration transactions.

In medium-term, it suggested to achieve full digitalisation of ownership records and maps and continue improving the GIS system. Lahore is currently more advanced, and the digitalisation of property information

seems to be in place at least for the city of Lahore. In Karachi, records are presently being scanned, but most are maintained in paper format, it suggested establishing a single client-facing agency for land administration in Karachi. More than 20 agencies are involved in land management in Karachi.

To get credit (medium-term), it suggested extending the information covered by credit reporting service providers to include data from retailers or utilities. It would improve the coverage of the credit reporting. It suggested creating a notice-based and searchable electronic collateral registry that is unified geographically and by asset type. This registry would register all functional requirements and comply with the mandate of the Secured Transactions Act and allow for sharing information on perfected security interests with the public. It suggested introducing time limits for the duration of the automatic stay in reorganisation. The automatic stay is a crucial provision to promote the protection of value in bankruptcy. Creating an automatic deadline is an international best practice that Pakistan should consider following. Amend the Companies Act to clarify that tax authorities are not paid ahead of secured creditors outside of liquidation. It suggested operationalising the secured transactions framework to activate the possibility to enforce security interests out of court. Court procedures in Pakistan often take a long time to be resolved. Out of court procedures are often introduced to avoid such problems in other jurisdictions. Pakistan should operationalise its Secured Transactions Act (by enacting rules, regulations and adding the registry) to allow for enforcement of secured interests out of court.

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