Business Regulatory Reforms and Cost of Doing Business:

– A Case Study of SAARC Countries

A Research Paper produced by the 'Research & Publications Department', ICMA Pakistan in association with Muhammad Iqbal Ghori, FCMA

Preamble

This Research paper provides a brief overview of the business and regulatory reforms undertaken by the governments in SAARC countries (i.e. Bangladesh, India, Nepal, Pakistan, Sri Lanka, Bhutan and Maldives) to improve the cost of doing business in their respective countries. For developing this paper, we have referred to 'Doing Business' Reports of the World Bank, as base document. In addition, policy documents released by the governments in South Asian countries have also been studied to identify recent initiatives taken to bring improvements in ease of doing business.

In the later part of this Paper, we would also analyse whether there is any correlation between the ease of doing business rankings of World Bank and the economic growth of countries. For this purpose, we would confine our analysis only to the SAARC region.

Doing Business Reports of World Bank

The 'Doing Business Report' was launched by the World Bank in 2002 and the first Doing Business Report was published in 2003, which covered 133 countries. The Doing Business Reports is one of the flagship knowledge products of the World Bank Group in the area of private sector development. Over the years, these Reports have been helpful in encouraging countries to compete towards more efficient regulation and improving performance through introducing business and regulatory reforms. Today the Doing Business Report analyzes comprehensive quantitative data to compare business regulations and their enforcement across 189 economies of the world as well as in selected cities at sub-national and regional level. It also gives rankings for each country, based on analysis of costs, requirements and procedures in business.

The 'Ease of Doing Business Index' presented in the Report, is an aggregate of the following subjects, which in itself are aggregate of different set of indicators:

1) **Starting a Business** – It is a measure of the procedures, time and cost for a small and medium size limited liability company to start up and formally operate.

2) **Dealing with Construction Permits** – It is a measure of the procedures, time and costs required to build a warehouse including obtaining necessary licenses and permits.

3) **Getting Electricity** – It is a measure of procedures, time and cost required for a business to obtain a permanent electricity connection for a newly constructed warehouse.

4) **Registering Property** – It is a measure of the procedures, time and cost required to register commercial real estate.

5) **Getting Credit** – This measures two sets of issues i.e. the strength of credit reporting systems and the effectiveness of collateral and bankruptcy laws in facilitating lending.

6) **Protecting Investors** – It is a measure of the strength of minority shareholder protections against misuse of corporate assets by directors for their personal gain.

7) **Paying Taxes** – It measures the number of taxes paid, hours per year spent preparing tax returns and the total tax payable as a share of gross profit.

8) **Trading Across Borders** – It is a measure of the number of documents, cost and time (excluding tariff) required to export and import goods by sea transport.

9) **Enforcing Contracts** – It is a measure of number of procedures, time and cost involved from the moment the plaintiff files the lawsuit until payment is received.

10) **Resolving Insolvency** – It is a measure of the time, cost and percentage recovery rate involved with the bankruptcy proceedings.

The countries that shows improvement in areas measured by 'Doing Business' are on average more likely than others to also implement reforms in other areas as well such as good governance, health, education and gender equality.

South Asia is no more a fastest growing Region – A 'Wake-up Call' by World Bank

The World Bank in its recent Report on "South Asia Economic FocusFall 2013" has given a 'Wake-up Call' to the policy makers in South Asian countries that their economic progress is slowing down and they are no more a 'fastest growing' region in the world. The Report says that global capital rebalancing has highlighted structural weaknesses and vulnerability in South Asian countries of Afghanistan, Pakistan, Bangladesh, Bhutan, India, Nepal, Sri Lanka and Maldives. Some of the major structural weaknesses in South Asian countries are summarized below:

1. Lackluster industrial production across South Asian region
2. Inflation twice as high as in other developing regions that constrain monetary policy
3. High ratios of fiscal deficits and public debt to GDP
4. The lion's share of the region's public debt is domestic.
5. Large current account deficits which are extraordinarily high by international standards.
6. Decline in capital inflows / FDIs in recent months.
7. Depreciating Real Effective Exchange Rate (REER).
8. Financial and private sector debt constitutes an increasing risk factor in some countries.
9. Low tax revenue in South Asia when compared to international peers
10. South Asia has around 500 million people living in extreme poverty.

The World Bank has noted in its Report that the Governments in South Asian countries must work harder on reforms to raise growth in the region. It observes that India's slowdown, being the largest economy in the region, will have significant spillover effects on the rest of South Asia. Unless the South Asian countries do not take effective regulatory reforms, the regional economic growth rate cannot even reach eight percent, which was before the global financial crisis.

South Asia leads in Business Regulatory Reforms

According to the Doing Business Report 2014 of the World Bank, South Asia leads the world in making rapid pace of reforms which is advancing the region towards global good practices. In the South Asian region, Sri Lanka leads the other countries (see Table-1) by implementing regulatory reforms related to simplifying access to electricity for firms, reducing fees in construction permits and implementing electronic systems for filing taxes and paying for port services. Other countries have also made some regulatory reforms, which will be discussed later in this paper under the respective country's headings. Table-2 shows the best and lowest regional performance for each indicator of ease of doing business, as well as the regional average.

Table - 1: Rankings of South Asian Countries on Ease of Doing Business

No.	Country	Overall Ranking in 189 Countries	Ranking in SAARC countries
1.	Sri Lanka	85	1
2.	Maldives	95	2
3.	Nepal	105	3
4.	Pakistan	110	4
5.	Bangladesh	130	5
6.	India	134	6
7.	Bhutan	141	7
8.	Afghanistan	164	8

Table- 2: Best and Lowest Performance in South Asian Countries

Indicator	Lowest performance in South Asia	Best performance in South Asia	Regional average
Starting a Business (rank)	179 (India)	24 (Afghanistan)	86
Dealing with Construction Permits (rank)	182 (India)	18 (Maldives)	114
Getting Electricity (rank)	189 (Bangladesh)	91 (Sri Lanka)	124
Registering Property (rank)	177 (Bangladesh)	24 (Nepal)	123
Getting Credit (rank)	130 (Afghanistan)	28 (India)	83
Protecting Investors (rank)	189 (Afghanistan)	22 (Bangladesh)	80
Paying Taxes (rank)	171 (Sri Lanka)	98 (Afghanistan)	130
Trading Across Borders (rank)	184 (Afghanistan)	51 (Sri Lanka)	134
Enforcing Contracts (rank)	186 (India)	37 (Bhutan)	137
Resolving Insolvency (rank)	189 (Bhutan)	40 (Maldives)	105

Business Regulatory Reforms in SAARC Countries

Now, let's see what kind of regulatory reforms have been taken by the SAARC countries for improving the doing business climate and removing the regulatory bottlenecks.

Business Reforms in Sri Lanka

Sri Lanka is ranked 85th out of 189 economies in Doing Business 2014. In South Asia, Sri Lanka stands on top (1st Rank) in implementing regulatory reforms and ease of doing business. Some business reforms taken by Sri Lanka during the period from 2008 to 2013 are given as under:

- Starting a new business in Sri Lanka was made easier by computerizing and expediting the process of obtaining a registration number for Employees Provident Fund and Employees Trust Fund. Earlier, a new "Companies Act' was adopted in May 2007 which simplified the business start-up by eliminating cumbersome approval processes. A flat registration fee was introduced and the company seals and notaries were made optional.
- Dealing with construction permits was made easier by doing away with the requirement of obtaining a tax clearance and reducing the building permit fees.
- Tax payment procedure was simplified for companies by introducing an electronic filing system for social security contributions. Similarly, paying taxes was made less costly for businesses by abolishing the turnover tax and social security contribution and by reducing corporate income tax, value added tax and national building tax rates.
- Getting electricity was made easier and processing time was reduced for new connection applications as the Ceylon Electricity Board used information technology.
- The process of registering property was made faster by introducing an electronic system at the Land Registry in Colombo.
- For getting credit, secured transactions system was strengthened by establishing an electronic, searchable collateral registry and issuing regulations for its operation. Similarly, the access to credit information was strengthened by introducing a new 'system consolidation process' at the private credit bureau, allowing credit data to be submitted by all shareholders lending institutions without reporting threshold. This has resulted in growth of registry data. The private credit bureau also set up an online system for banks to update information and obtain credit reports.
- Trading across borders was made easier by introducing an electronic system for port services. The time to export was reduced by implementing the ASYCUDA World electronic data interchange system. A new EDI system was introduced in September 2006 that enabled electronic submission and processing of customs declarations and shippers cargo manifest. For this purpose, an Electronic Transactions Act was promulgated which provided legal cover to Customs to accept invoices, bills of exchange, packing list and other supportive trade documents in electronic form.
- For protecting investors, it was made compulsory to make greater corporate disclosure in case of transactions between interested parties.

Business Reforms in Maldives

Maldives is ranked 95th out of 189 economies in Doing Business 2014. In South Asia, Maldives stands at 2nd position in implementing regulatory reforms and ease of doing business. Some of the business reforms taken by Maldives during the period from 2010 to 2013 are as under:

- o Maldives made paying taxes easier for companies by introducing electronic systems for filing corporate income tax, sales tax and pension contributions.
- o Maldives allowed the registered companies to own land as long as all company shares are owned by the Maldives nationals.
- o The maximum duration of fixed-term contracts was reduced and mandatory paid annual leaves was increased.
- o Maldives has improved in resolving insolvencies with an asset recovery rate of 50 percent, as compared to the regional average of 33 percent, in half the time (1.5 years)

Business Reforms in Nepal

Nepal is ranked 105th out of 189 economies in Doing Business 2014. In South Asia, Nepal stands at 3rd position in implementing regulatory reforms and ease of doing business. Some of the business reforms taken by Nepal during the period from 2008 to 2013 are given as under:

- o Nepal made business start up faster by reducing the administrative processing time at the office of Company Registrar and by establishing a data link between agencies involved in the incorporation process.
- o Nepal introduced electronic filing of documents, reducing registration time from 15 days to 07 days.
- o The oversight and monitoring system in the Courts were improved that speeded up the process of filing claims.
- o Through the Finance Act 2008, the registration fee to transfer a property in Nepal was reduced from 6% to 4.5% of the property value.
- o For getting credit, Nepal started to distribute historical data.
- o Nepal has started e-bidding to make obtaining construction permits easier.

Business Reforms in Pakistan

The Pakistan's ranking in the World Bank "Doing Business Report' 2014 has gone down due to economic slowdown, however, as far as ease of doing business ranking is concerned, Pakistan at 110th position is ahead of Bangladesh (130th rank) and India (134th rank). **Pakistan ranks at 110th position out of 189 economies (dropped from 106th position in 2013) whereas in South Asia, it stands at 4th position in implementing regulatory reforms and ease of doing business.** Some of the business reforms taken by Pakistan since 2008 are:

- o Pakistan simplified business start up by introducing an e-service registration system, allowing online registration for sales tax, and removing the requirement to make declaration of compliance on a stamped paper.
- o Pakistan reduced the time to export by improving electronic communication between the Karachi Port authorities and private terminals. This has resulted in improved efficiency.
- o Pakistan had made significant progress on softening border trade rules.
- o Pakistan made some progress on the index of resolving insolvency.
- o The private credit bureau has expanded the scope of distributed information by including positive as well as negative credit information. Besides, information on late payments and defaults, the original and outstanding loan amounts are distributed to lenders as well.

Business Reforms in Bangladesh

Bangladesh is ranked 130th out of 189 economies in Doing Business 2014. In South Asia, Bangladesh stands at 5th position in implementing regulatory reforms and ease of doing business. Some key business reforms taken by Bangladesh during period from 2008 to 2013 are as under:

- o Bangladesh has made business start-up faster by reducing administrative processing time and automating the registration process. A full-fledge online business name clearance and registration process was launched few years back. The simplification of registration formalities has resulted in reducing the number of procedures, time and cost.
- o The time required to obtain a trading licence and to complete tax and VAT registration has also been reduced. The requirement to buy adhesive stamps has been eliminated in order to simplify the business start-up.
- o The access to credit information has been considerably improved by establishing an online platform for sharing such information.
- o The property transfer tax has been reduced to 6.7% of the property value. The efficiency of internal organization to issue original sale deed has been improved by the Municipal Deed Registry Office, reducing the time from 360 to 180 days. This has brought the total time to register property in Bangladesh to from 425 to 245 days.
- o To ease burden of paying taxes on businesses, the Bangladeshi government has reduced the corporate income tax rate from 40% to 37.5 percent.
- o To improve trading across borders, the customs clearance procedures at Chittagong Port of Bangladesh have been automated which has decreased the time required to clear goods.

Business Reforms in India

India is ranked 134th out of 189 economies in Doing Business 2014. In South Asia, India stands at 6th position in implementing regulatory reforms and ease of doing business. Some of the key business reforms taken by India during the period from 2008 to 2013 are given as under:

- o India eased business start-up by establishing an online VAT registration system and replacing the physical stamp previously required with on online version.

- o The time required to obtain a building permit in India has been reduced by establishing strict time limits for pre-construction approvals.
- o The administrative burden of paying taxes has been eased for firms through introduction of mandatory electronic filing and payment for value added tax. The fringe benefit tax was also abolished earlier to reduce administrative burden on tax payers.
- o The process of closing or winding up a business was also eased in 2010 by making processes more effective, which resulted in reduction in time needed.
- o To reduce the export time for cross border trading, India implemented an Electronic Data Interchange (EDI) system by the name of ICEGATE that enabled to lodge customs declaration via internet and facilitated operation of a Risk Management System (RMS). The electronic systems have also been introduced at some of India's major ports.
- o An electronic registry was introduced that covers the rights granted by companies. The registry can be searched by name of debtor, and is linked geographically to cover the whole country. The private credit bureau has incorporated firms to its database and provides credit information on corporate entities.
- o A unified collateral registry which is centralized geographically became operational in India which strengthened access to credit and the secured transaction regime.

Business Reforms in Bhutan

Bhutan is ranked 141st out of 189 economies in Doing Business 2014. In South Asia, Bhutan stands at 7th position in implementing regulatory reforms and ease of doing business. Some of the key business reforms taken by Bhutan form the year 2008 to 2013 are given as under:

- o Bhutan eased the process of starting a business by reducing the time required in obtaining the security clearance certificate. Moreover, the criminal records search has been made electronic and rubber company stamps were made available in local market.
- o The procedure for starting 'limited liability' trading companies was made easier by eliminating the requirements of name approval and location clearance. Initiatives were also taken to improve efficiency at the Registrar of Companies.

  The access to credit information was improved through new regulations governing the licensing and functioning of credit bureau and guaranteeing borrowers right to access their data. Further, operation of a public credit registry was launched.
- o Bhutan has introduced a minimum wage and established mandatory paid annual leave. The maximum duration of fixed-term contracts was also increased.
- o A Land Commission was established to handle property transfer cases. This reduced the total time required to enforce a contract from 275 to 225 days.

Correlation between Economic Growth and Doing Business Rankings

The correlation between the World Bank's Doing Business rankings of countries and regions; and the actual economic growth rates achieved by them is quite vague and ambiguous. ICMA Pakistan's research concludes that it is not necessary that if any country is high in ranking on World Bank's 'ease of doing index' is also be having a high GDP growth rate.

Table-3 provides the GDP growth rates achieved by the SAARC countries during the period from 2006 to 2012 and their Ease of

Table- 3: GDP Growth rate vis-à-vis Doing Business Rankings of SAARC countries

	Sri Lanka	Maldives	Nepal	Pakistan	Bangladesh	India	Bhutan
DB Ranking in 2014	85	95	105	110	130	134	141
GDP Growth in 2014 (%)	—	—	—	—	—	—	—
DB Ranking in 2013	81	95	108	107	129	132	148
GDP Growth in 2013 (%)	—	—	—	—	—	—	—
DB Ranking in 2012	89	79	107	105	122	132	142
GDP Growth in 2012 (%)	6.4%	3.42%	4.60%	3.70%	6.3%	6.21%	9.90%
DB Ranking in 2011	102	85	116	83	107	134	142
GDP Growth in 2011 (%)	8.2%	7.05%	3.90%	2.96%	6.7%	9.32%	8.50%
DB Ranking in 2010	102	96	112	75	111	135	140
GDP Growth in 2010 (%)	8.0%	7.06%	4.80%	3.55%	6.1%	8.6%	11.70%
DB Ranking in 2009	97	71	123	85	115	132	124
GDP Growth in 2009 (%)	3.5%	- 3.64%	4.90%	3.60%	5.7%	6.7%	6.70%
DB Ranking in 2008	103	69	112	74	106	120	122
GDP Growth in 2008 (%)	6.0%	12.20%	6.10%	1.60%	6.2%	9.3%	4.7%
DB Ranking in 2007	101	65	103	69	102	124	117
GDP Growth in 2007 (%)	6.8%	10.56%	3.30%	5.68%	6.4%	9.6%	17.9%
DB Ranking in 2006	81	54	80	61	82	116	111
GDP Growth in 2006 (%)	7.7%	19.59%	3.40%	6.18%	6.6%	9.5%	6.8%

(Source: Research Dept. ICMA Pakistan analysis)

Table- 4: Growth of Output in SAARC Countries Average Annual %age Growth

	Sri Lanka	Maldives	Nepal	Pakistan	Bangladesh	India	Bhutan
Gross Domestic Product							
1990 2000 % Growth	5.3	—	4.9	3.8	4.8	6.0	5.2
2000 2012 % Growth	5.9	7.2	4.0	4.4	6.0	7.6	8.7
Agriculture							
1990 2000 % Growth	1.9	—	2.5	4.4	2.9	3.2	1.7
2000 2012 % Growth	3.5	- 0.1	3.3	3.1	3.7	3.2	1.8
Industry							
1990 2000 % Growth	6.9	—	7.1	4.1	7.3	6.1	6.6
2000 2012 % Growth	6.3	8.5	2.7	5.9	7.7	8.1	10.8
Manufacturing							
1990 2000 % Growth	8.1	—	8.9	3.8	7.2	6.9	8.9
2000 2012 % Growth	5.0	3.5	1.2	6.7	7.9	8.2	10.4
Services							
1990 2000 % Growth	6.0	—	6.2	4.4	4.5	7.8	7.2
2000 2012 % Growth	6.3	7.4	4.6	5.1	6.2	9.3	9.3

(Source: World Development Report 2013)

Doing Business rankings given by World Bank. **Table-4** gives a detailed look at the average annual percentage GDP growth during the period from 1990 -2000 and 2000-2012 in agriculture, industry, manufacturing and services sectors.

The above analysis gives a very interesting picture of rankings vs. economic growth correlation. Some of the interesting facts that transpires from figures given at Table-3 are as under:

In 2012, the GDP growth rate of Bhutan was the highest at 9.9% as compared to other SAARC countries (and even countries in other regions) but it was ranked at overall 142nd position on ease of doing business index and at the last ranking in the South Asian countries. On the other hand, Maldives with just 3.42% growth rate in 2012 was ranked at 79th position in the world and topped in the South Asian countries, ahead of Sri Lanka at 89th position.

In 2011, Bhutan remained at the last ranking in SAARC countries, though it achieved 8.5% growth rate, whereas India with the highest growth rate during 2011 at 9.32% was at the second last position in SAARC region and 134th ranking in the world. Quite interestingly, Pakistan with the lowest growth rate of only 2.96% during 2011, was ranked 83rd out of 183 countries on ease of doing business; and in South Asia it was on top, followed by Maldives at 85th position.

Again **in 2010**, Bhutan with highest ever growth rate of 11.7% was rated at 140th position in the world and last rank in the SAARC region, whereas Pakistan with growth rate of 3.55% was rated at 75th position in the world ranking and it was on first rank in the South Asian region in 2011, followed by Maldives at 96th position.

From the above case studies, it can be easily deduced that high growth rate achieved by any country does not signify that it's economy is robust. In fact, economic growth is determined by investment in different sectors and not by the prevailing economic conditions. Let's take the example of Bhutan whose phenomenal growth rates of 9.9% in 2012 and record 11.7% in 2010 were actually fueled by heavy investments in the Hydropower sector. This impressive growth rate is contrary to the negative balance of payment faced by Bhutan due mainly to surplus imports of capital goods for the developments taking place in the energy sector.

Another conclusion that can be drawn from Table-3 is that there is no apparent correlation between the ease of doing business and the overall economic growth. Let's take the example of India, which stands at 6th position in the South Asian countries in business friendliness, although it is economically much stronger than Pakistan and Bangladesh, which are ahead in Doing Business Rankings for 2014. The un-correlative feature of Rankings vs. Economic growth can be gauged from the fact that China, which is one of the booming economies in the world, has been ranked at 96th position in the Doing Business Report 2014. In contrast, Hong Kong is a Special Administrative Region of the People's Republic of China, which has been given 2nd rank, after Singapore, out of the 189 economies included in the Doing Business Report 2014.

Despite the vagueness in the correlation of rankings and economic growth; the international business community closely monitors the Doing Business rankings of countries for making investment

Table- 5: Trading Volume, Reserves and Current Account Balance in 2012 ($ Million)

	Sri Lanka	Maldives	Nepal	Pakistan	Bangladesh	India	Bhutan
Trading Volume							
Exports in 2012 ($ Million)	13,562	2,346	1,929	31,245	27,593	443,845	694
Imports in 2012 ($ Million)	21,721	2,366	6,847	48,328	37,660	579,909	1,210
Total Reserves							
2005 ($ Million)	2,735	189	1,565	11,109	2,825	137,825	467
2012 ($ Million)	7,106	318	5,585	13,688	12,754	300,426	955
Current Account Balance							
2005 ($ Million)	- 650	-273	153	-3,606	-176	-10,284	-38
2012 ($ Million)	- 4,003	-600	577	-2,025	2,648	-91,471	-350

(Source: World Development Report 2013)

decisions. Any downslide in ranking can make it difficult for any country to attract foreign investment, which eventually leads to economic growth. It is also interesting to note that despite India' lowest rankings in the South Asian countries, the Foreign Direct Investment (FDI) inflows has remained high to India in this region. According to a Report released recently by the UNCTAD, the FDI inflows to India has increased by about 35 percent to USD 13.6 billion during the first half of 2013 (Jan-June) with mergers and acquisitions accounting for the bulk of inflows.

Sri Lanka stands on top in SAARC Region in Legatum Prosperity Index

Apart from the World Bank's Ease of Doing Business Index, Sri Lanka also stands on top in SAARC countries according to the Legatum Prosperity Index, which is an annual ranking developed by the Legatum Institute - an independent public policy body for the advancement of policies in support of free and prosperous societies in around the world.

The Prosperity Index is distinctive in the sense that it is the only global measurement of prosperity, based on a variety of factors such as income and wealth, economic growth, well being and quality of life of people. This Index is developed on underlying concept that prosperity cannot be judged solely on macro-economic indicators, such as country's GDP, but it is also the joy of everyday life and the prospect of being able to build an even better life in the future.

Variables for Calculating Prosperity Index

The Prosperity Index is calculated on the basis of the following variables or sub-index:

Economy – This sub-index measures countries' performance in four key areas i.e. macroeconomic policies, economic satisfaction and expectations, growth foundations and financial sector efficiency.

Entrepreneurship & Opportunity – This sub-index measures a country's entrepreneurial environment, its promotion of innovative activity and the evenness of opportunity.

Governance – This sub-index measures countries' performance in three areas i.e. effective and accountable government, fair elections and political participation, and rule of law.

Education – This sub-index measures countries' performance in three areas viz. access to education, quality of education and human capital.

Health – This sub-index measures countries' performance in three areas viz. basic health outcomes (both objective and subjective), health infrastructure, and preventative care.

Safety and Security – This sub-index measures countries' performance in two respects i.e. national security and personal safety.

Personal Freedom – This sub-index measures performance and progress of nations in guaranteeing individual freedom and encouraging social tolerance.

Social Capital – This sub-index measures countries' performance in two areas viz. social cohesion and engagement, and community and family networks.

Prosperity Index Rankings 2013 of SAARC Countries

Now, let's see the Legatum Prosperity Rankings for 2013 of the SAARC countries, which are derived from their data on Asia-Pacific Region.

Sri Lanka - 60th

Sri Lanka has moved up 11 places to 60th in overall Prosperity since 2009. Over the past five years, Sri Lanka has increased 12 places to 35th in Social Capital sub-index, due to increases in willingness to help strangers and trust levels. The Economy sub-index has risen 28 places to 74th since 2009, as a result of increases in capital per worker, gross domestic savings, perceived job availability and satisfaction with access to adequate food and shelter.

Nepal - 102nd

Nepal has moved down 1 place since 2009 to 102 on the overall Prosperity Index. The Economy sub-index has declined by 5 places to 92, mainly because of decline in gross domestic savings. The Safety & Security sub-index has also moved down, by 17 places to 101 until 2013, due to increases in state violence and the number of refugees.

Bangladesh - 103rd

Bangladesh has moved up 5 places to 103rd on Prosperity Index since 2009. It moved two places on Safety & Security sub-index to 109th due to fall in grievances between different social groups and a decrease in state violence. Bangladesh improved 18 places on Governance sub-index, rising to 88 as a result of fall in perceptions of corruption and increase in government stability.

Bangladesh ranks above India (106th) in the Prosperity Index for the first time in 2013. Although Bangladesh 's rank has remained constant since last year, India has declined five places in same period. India has fallen down the Prosperity Index rankings consistently over the last five years.

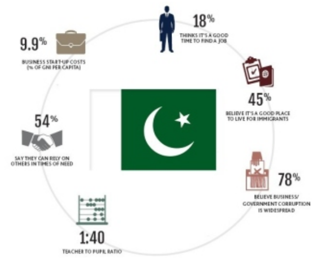
India - 106th

India moved down by 15 places to 106 in overall prosperity. The Personal Freedom sub-index dropped by 45 places to 100 due to drop in tolerance of immigrants and civic choice variables. Safety & Security sub-index dropped by 27 places to 120 due to increase in stolen property, assault rates, group grievances and drop in perception of feeling safe walking alone at night.

Prosperity Index Rankings 2013 of SAARC Countries

Country	Ranking in 142 countries	Ranking in SAARC	Ranking in Economy	Ranking in Entrepreneurship & opportunity	Ranking in Governance	Ranking in Education	Ranking in Health	Ranking in Safety & Security	Ranking in Personal Freedom	Ranking in Social Capital
Sri Lanka	60	1	74	88	48	44	76	121	60	35
Nepal	102	2	92	111	100	104	97	101	77	95
Bangladesh	103	3	77	106	88	101	95	109	65	132
India	106	4	62	104	54	97	109	120	100	133
Pakistan	132	5	107	100	123	124	110	140	135	130

Pakistan - 132nd



Rank	Indicator	Year	Data	Global Av.
107	ECONOMY			
	5 year growth rate	2011	1.6%	2.7%
	Confidence in financial institutions?* (% yes)	2012	61.2%	59.5%
	Satisfaction with living standards?* (% yes)	2012	58.1%	58.2%
100	ENTREPRENEURSHIP & OPPORTUNITY			
	R&D expenditure (% of GDP)	2011	0.8%	0.8%
	Mobile phones (per 100 ppl)	2012	66.8	103.9
	Will working hard get you ahead?* (% yes)	2012	84.5%	81.0%
123	GOVERNANCE			
	Confidence in the government?* (% yes)	2012	23.9%	51.5%
	Confidence in the judiciary?* (% yes)	2012	59.1%	52.1%
	Government effectiveness [1]	2011	-0.82	0.04
124	EDUCATION			
	Gross secondary enrolment rate	2011	35%	79.3%
	Satisfaction with education quality?* (% yes)	2012	60.1%	66.3%
	Perception children are learning?* (% yes)	2012	61.8%	70.2%
110	HEALTH			
	Self-reported health problems?* (% yes)	2012	32.8%	23.9%
	Hospital beds* (per 1000 people)	2010	0.6	3.1
	Satisfaction with health?* (% yes)	2012	81.0%	78.2%
140	SAFETY & SECURITY			
	Human flight [2]	2012	7.2	5.3
	Safe walking alone at night?* (% yes)	2012	41.4%	62.8%
	Property stolen in past 12 months?* (% yes)	2012	10.7%	16.5%
135	PERSONAL FREEDOM			
	Civil liberties [3]	2012	3	4.7
	Tolerance for ethnic groups?* (% yes)	2012	70.1%	68.0%
	Satisfaction with freedom of choice?* (% yes)	2012	36.7%	71.7%
130	SOCIAL CAPITAL			
	Volunteered time in past month?* (% yes)	2012	14.8%	20.1%
	Donated to charity in past month?* (% yes)	2012	38.5%	28.3%
	Helped strangers in past month?* (% yes)	2012	51.2%	47.9%

Pakistan's rank on overall Prosperity declined by one place since 2009 to 132nd. The Safety & Security sub-index moved down by 7 places to 140, which is due to increases in war casualties and refugees. The Governance sub-index dropped as well, by four places to 123 in 2013, given an increase in the perceptions of corruption and reductions of political constraints.

With regard to Pakistan's ranking lower than India (on the Prosperity Index is due mainly to the fact that Pakistan faces distinct security challenges that affect "all aspects of life… and impede development". As a result, Pakistan 's rank in the Prosperity Index has remained relatively unchanged over the last five years, showing neither a big increase nor a decline.

India leads Pakistan in Market Potential Index for Emerging Markets

India has been ranked at 9th position out of 26 emerging economies in the Market Potential Index (MPI) 2013 of the International Business Centre (IBC) of Michigan State University (MSU). Pakistan has been ranked at 24th position in 2013 MPI Index, well behind India. Pakistan has all along remained in the ranks between 20 to 24 since 2007 in MPI Index.

Market Potential Index (MPI) study is conducted by the MSU-IBC to help business professionals, companies and academics to evaluate and compare the emerging markets across the globe, based on the following eight dimensions, representing the market potential of a country over a scale of 1 to 100. Each dimension is measured using various indicators, and are weighed in determining their contribution to the overall Market Potential Index:

1. Market Size
2. Market Growth Rate
3. Market Intensity
4. Market Consumption Capacity
5. Commercial Infrastructure
6. Economic Freedom
7. Market Receptivity
8. Country Risk

It may be added here that the focus of this study is to rank the market potential of countries identified as 'emerging markets' by 'The Economist' magazine. These emerging economies comprise more than half of the world's population, account for a large share of world output and have high growth rates., which are all indicators of huge market potential.

Suggestions to Improve Ease of Doing Business in SAARC Countries

1. Formation of Special Task Force / Committee on Improving Doing Business Climate

The SAARC Governments may consider constitution of 'Special Task Force' or Committees with objective to devise an action plan on how to bring business regulatory reforms to improve the doing business climate in their respective countries. The committee should carry out a through due diligence to point out bearer in doing cross border business between SAARC countries. The committee may engage ICMAP and ICWA India for a comprehensive research on cost reduction through business process. These institute can play significant role in the implementation of uniform Cost Standards.

2. Formation of Regulatory Reforms Committee

A Regulatory Reforms Committee or Commission may be formed by the SAARC countries to coordinate all the initiatives taken by different Government Ministries/ Division in developing and implementing regulatory, economic, financial, capital market, governance and other reforms. In Brunei Darussalam, Columbia and Rwanda, such Regulatory Reforms Committees have been formed which ensures coordination of efforts across different agencies, and reports directly to the President. In addition, more than 45 countries have also formed such regulatory reforms committee at the Inter-Ministerial levels. In the Asian region, the East Asian countries of Korea, Malaysia, Philippines, China, Taiwan and Vietnam have taken lead in forming the Regulatory Committee. The South Asian countries should also take the initiative and form such committee at their levels.

3. Overhauling the Existing Laws and Regulations and Removing Regulatory Barriers

All the laws and regulations, having an impact on the ease of doing business, should be carefully re-examined and necessary changes and improvements be made therein with a view to improve ranking in the Doing Business Report of the World Bank. Special focus should be given to lower the regulatory barriers in line with international best practices.

4. One Window Facility for Businessmen and Foreign Investors

Onewindow facility or 'one-stop shop' should be provided for those entrepreneurs, both local and foreign, who intend to start new business. All procedural and legal requirements should be simplified and completed in shortest possible time. For this purpose, exclusive 'Facilitation Desk/ Cell' be established in the Board of Investment and the Registrar of Companies offices.

5. Strengthening System of Commercial Arbitration Courts

The system of 'Commercial Arbitration Courts' need to be strengthened for expeditious discharge and settlement of commercial and financial disputes, as the Civil courts are heavily burdened with the backlog of civil cases. This would help bring down the transaction cost; encourage robust commercial activity and facilitate foreign investments. Introduction of e-filing of cases in commercial courts may also be considered.

6. Doing away with Corruption and Red tapism in Bureaucratic set up

Corruption and red-tapism in the bureaucratic system is a major

Market Potential Index (MPI) for Emerging Markets - 2013										
Overall Rank	**Country**	**Market Size**	**Market Growth Rate**	**Market Intensity**	**Market Consumption**	**Commercial Infrastructure Capacity**	**Economic Freedom**	**Market Receptivity**	**Country Risk**	**Overall Score**
1	Singapore	1	86	74	66	80	83	97	100	62
2	Hong Kong	1	44	100	58	100	90	100	92	61
3	China	100	100	1	70	39	8	4	54	56
4	South Korea	9	40	56	100	87	82	18	65	49
5	Israel	1	39	65	79	70	78	22	66	43
6	Czech Republic	1	11	45	95	88	88	16	71	43
7	Poland	3	33	55	82	72	81	8	63	41
8	Turkey	6	73	65	79	52	53	5	49	41
9	India	37	74	28	78	22	52	3	42	41
10	Chile	1	40	48	35	60	100	15	79	38
11	Hungary	1	1	58	88	77	78	20	37	37
12	Malaysia	3	60	29	58	63	52	21	61	37
13	Russia	19	45	36	68	73	17	4	43	36
14	Peru	2	76	40	56	40	70	6	50	35
15	Mexico	9	31	53	49	47	63	21	53	35
16	Indonesia	10	68	28	77	32	54	3	39	34
17	Brazil	18	36	42	37	56	60	1	55	34
18	Argentina	4	68	49	67	60	45	4	11	33
19	Saudi Arabia	4	68	15	0	56	15	14	67	32
20	Thailand	3	19	31	66	47	49	17	48	30
21	Egypt	4	33	58	83	47	27	4	10	30
22	Colombia	3	44	42	31	45	62	4	52	29
23	Philippines	4	24	52	58	31	51	5	37	28
24	Pakistan	5	37	66	83	1	32	1	1	25
25	Venezuela	3	40	36	67	44	1	8	10	24
26	South Africa	5	29	40	1	25	66	5	50	22

deterrent to investment. The SAARC countries must take stringent action against them and provide a transparent mechanism for the investors with less contact with the bureaucracy. This would not only eliminate the 'hidden cost' of doing business e.g. bribes to regulators and tax authorities; speed money to government departments; payments to extortionists etc, but it would also help create a conducive business climate and ease the business start-up process.

7. Simplifying Taxation Laws

The taxation laws should be simplified so that every business faces equal tax burden with no tax exemptions, tax holidays, special treatments for large of foreign businesses. This would help attract more investments and increase the number of tax payers.

8. Drawing Lessons from Success of Economies implementing Business Reforms but should prefer local recipes.

There is no harm to learn lesson from the success of Developed Economies but requires customization that suits to the needs of region. The formulation of policies on the dictation of donors is devastating the established Public Sector Institute.

The SAARC countries should draw lessons from other economies those are successfully implementing business reforms, for instance, better use of information technology to make governance transparent and efficient; and introduction of online and computer based services to ease business start-up, construction permits and property transfers.

9. Corporatization of Public Institutions

The Public sector entities (PSEs) should be corporatized and their operation be given in the hands of private sector, which is the main driver and player for economic progress. This would increase the efficiency of the public enterprises and make them viable.

10. Regulatory Authority in Social Sector

The social sector areas such as education, health, etc be given more regulatory authority as they collectively contribute towards the economic development and well being of the people. For this purpose, the regulating bodies in SAARC countries need to be made effective and modernized to play a dynamic role in this regard.

Energy Pool – The SAARC countries should make collective efforts to increase their dependency on sustainable energy to for economic and industrial growth. The tilted energy mix is hampering the development growth in SAARC Countries in general and Pakistan in particular. The Regional Block countries should develop energy parks at borders to explore cross border distribution and transmission of electricity and other energy sources.

Conclusion

It can be concluded that Pakistan, have tremendous potential for economic and social growth, however, several impeding factors are restricting them to accelerate their pace of growth. The above studies have brought out different snags that are common to all SAARC economies with reference to security , energy shortages, bureaucratic red-tapism, immature regulators and corruption. Unless some pragmatic measures are taken, the situation would remain unchanged. There is also need to synergize the efforts of all these countries through the existing platform of SAARC to seriously consider the 'wake-up call' of the World bank that south Asia is no more a fastest growing region in the world, and devise joint economic strategy in this regard. The SAARC countries should come up with local recipes correspond to the needs of the region.