

World Bank Group releases
Doing Business in South Asia 2007:
Pakistan is runner-up reformer in region, Karachi has the country's most business-friendly regulations

Washington DC, February 13, 2007 – Doing business became easier in Pakistan in 2005-2006, according to a new report titled [*Doing Business in South Asia 2007*](#), released today by the [World Bank](#) and its private sector arm, [IFC](#). Two reforms in Pakistan reduced the time, cost, and hassle for businesses to comply with legal and administrative requirements. Out of the six major Pakistani cities covered by the report, **Karachi** has the most business-friendly regulations as measured by the [Doing Business](#) reports, while Quetta imposes the most complex and costly administrative barriers. Faisalabad, Lahore, Peshawar, and Sialkot rank in between.

The report compares business regulations in the World Bank's South Asia region with 175 economies around the world. Pakistan, the runner-up reformer in South Asia, implemented reforms to simplify cross-border trade and reduce corporate tax rates. The top ranked countries in the region are the Maldives (53) and Pakistan (74), followed by Bangladesh (88), Sri Lanka (89), Nepal (100), India (134), Bhutan (138), and Afghanistan (162).

Doing Business in South Asia 2007 is the third report in a series of South Asia regional reports based on the methodology of the annual global *Doing Business* report. *Doing Business* tracks a set of regulatory indicators related to business start-up, operation, trade, payment of taxes, and closure by measuring the time and cost associated with various government requirements. It does not track variables such as macroeconomic policy, quality of infrastructure, currency volatility, investor perceptions, or crime rates. This year's report covers six Pakistani cities in four different provinces.

Recent reforms have resulted in a drop in the number of days required to import in Pakistan: from 39 to 19 days. Pakistan now ranks 51st worldwide in time to import, based on a concerted effort to complement trade liberalization with improved trade logistics. Pakistan also reformed positively in the area of taxation by steadily reducing its corporate tax rate, from 39% in 2004 to 37% in 2005 and 35% in 2006. Like most other countries in the region, Pakistan scores well on the indicators related to starting a business (54th out of 175) and protecting investors (19th out of 175).

Despite these improvements and recent reforms, Pakistan can do better on the overall ease of doing business. The report finds that the greatest remaining obstacles for the country include enforcing contracts through courts, labor regulations, and paying taxes. For example, it takes 880 days or about 2.5 years in Karachi to resolve a commercial dispute. Despite the reduced tax rate, businesses must still spend about two months per year or 560 hours to comply with all tax regulations. And an employer who is faced with less demand for the products he sells must pay an average of 90 weeks of salary to make a worker redundant.

Different provincial and municipal level regulatory requirements, as well as differences in the implementation of national-level regulations, either enhance or constrain local business activity. This explains, for example, why in Sindh (Karachi), it only takes six procedures and 50 days to register property, whereas it takes 12 procedures and

96 days in Baluchistan (Quetta), with the provinces of Punjab (Faisalabad, Lahore, Sialkot) and NWFP (Peshawar) falling in the middle.

Provinces can learn from each other in the areas of business regulation where there are important regional variations. In Lahore, for example, starting a business is easiest; in Peshawar, resolving a commercial dispute through court is easiest; and in Karachi, registering property can serve as best practice. “One of the most interesting findings of the report is how Pakistan could improve significantly if it simply adopted the best practices in business regulation that already exist within the country. Pakistan could jump from its current position at 74th to 52nd on the *Doing Business* rankings,” said Caralee McLiesh, one of the authors of the report.

	Indicator	City with best score on indicator
1	Starting a business	Faisalabad, Lahore, Peshawar, Sialkot
2	Dealing with licenses	Peshawar
3	Employing workers	Peshawar
4	Registering property	Karachi
5	Getting credit	<i>No regional variation</i>
6	Protecting investors	<i>No regional variation</i>
7	Paying taxes	Karachi
8	Trading across borders	Karachi
9	Enforcing contracts	Peshawar
10	Closing a business	Karachi

Current global ranking of Pakistan: **72**

Hypothetical ranking after adopting Pakistan’s best practices: **52**

“Jobs are a priority for every country. Doing more to improve regulation and to help entrepreneurs is key to creating more jobs—in the formal sector where employees benefit social protection. Currently, an estimate 7 million people in Pakistan, out of a workforce of 45 million, have jobs in the formal private sector. Improving regulation is also a key to fighting poverty. Women and young people will be the first beneficiaries from such reforms,” said Simon Bell, World Bank Manager for Financial and Private Sector Development in South Asia.

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The Doing Business project is based on the efforts of more than 5,000 local experts – business consultants, lawyers, accountants, government officials, and leading academics around the world, who provide methodological support and review. The data, methodology, and names of contributors are publicly available online at <http://www.doingbusiness.org>.

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For copies of the *Doing Business in South Asia* report, please visit <http://www.doingbusiness.org/southasia>