

12TH EDITION

Doing Business 2015

Going Beyond Efficiency

Economy Profile 2015

Pakistan



COMPARING BUSINESS REGULATIONS FOR DOMESTIC FIRMS IN 189 ECONOMIES

A World Bank Group Flagship Report

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CONTENTS

Introduction	4
The business environment	6
Starting a business	16
Dealing with construction permits	32
Getting electricity	43
Registering property	50
Getting credit	58
Protecting minority investors	64
Paying taxes	73
Trading across borders	79
Enforcing contracts	84
Resolving insolvency	91
Labor market regulation	94
Distance to frontier and ease of doing business ranking	101
Resources on the <i>Doing Business</i> website	104

INTRODUCTION

Doing Business sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 11 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labor market regulation.

In a series of annual reports *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 189 economies, from Afghanistan to Zimbabwe, over time. The data set covers 47 economies in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in East Asia and the Pacific, 26 in Eastern Europe and Central Asia, 20 in the Middle East and North Africa and 8 in South Asia, as well as 31 OECD high-income economies. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

This economy profile presents the *Doing Business* indicators for Pakistan. To allow useful comparison, it also provides data for other selected economies (comparator economies) for each indicator. The data in this report are current as of June

1, 2014 (except for the paying taxes indicators, which cover the period January–December 2013).

The *Doing Business* methodology has limitations. Other areas important to business—such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders and getting electricity), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions—are not directly studied by *Doing Business*. The indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policy makers in designing regulatory reform.

More information is available in the full report. *Doing Business 2015* presents the indicators, analyzes their relationship with economic outcomes and presents business regulatory reforms. The data, along with information on ordering *Doing Business 2015*, are available on the *Doing Business* website at <http://www.doingbusiness.org>.

CHANGES IN *DOING BUSINESS 2015*

As part of a 2-year update in methodology, *Doing Business 2015* incorporates 7 important changes. First, the ease of doing business ranking as well as all topic-level rankings are now computed on the basis of distance to frontier scores (see the chapter on the distance to frontier and ease of doing business ranking). Second, for the 11 economies with a population of more than 100 million, data for a second city have been added to the data set and the ranking calculation. These economies are Bangladesh, Brazil, China, India, Indonesia, Japan, Mexico, Nigeria, Pakistan, the Russian Federation and the United States. Third, for getting credit, the methodology has been revised for both the strength of legal rights index and the depth of credit information index. The number of points has been increased in both indices, from 10 to 12 for the strength of legal rights index and from 6 to 8 for the depth of credit information index. In addition, only credit bureaus and registries that cover at least 5% of the adult population can receive a score on the depth of credit information index.

Fourth, the name of the protecting investors indicator set has been changed to protecting minority investors to better reflect its scope—and the scope of the indicator set has been expanded to include shareholders' rights in corporate governance beyond related-party transactions. Fifth, the resolving insolvency indicator set has been expanded to include an index measuring the strength of the legal framework for insolvency. Sixth, the calculation of the distance to frontier score for paying taxes has been changed. The total tax rate component now enters the score in a nonlinear fashion, in an approach different from that used for all other indicators (see the chapter on the distance to frontier and ease of doing business ranking).

Finally, the name of the employing workers indicator set has been changed to labor market regulation, and the scope of this indicator set has also been changed. The indicators now focus on labor market regulation applying to the retail sector rather than the manufacturing sector, and their coverage has been expanded to include regulations on labor disputes and on benefits provided to workers. The labor market regulation indicators continue to be excluded from the aggregate distance to frontier score and ranking on the ease of doing business.

Beyond these changes there are 3 other updates in methodology. For paying taxes, the financial statement variables have been updated to be proportional to 2012 income per capita; previously they were proportional to 2005 income per capita. For enforcing contracts, the value of the claim is now set at twice the income per capita or \$5,000, whichever is greater. For dealing with construction permits, the cost of construction is now set at 50 times income per capita (before, the cost was assessed by the *Doing Business* respondents). In addition, this indicator set no longer includes the procedures for obtaining a landline telephone connection.

For more details on the changes, see the "What is changing in *Doing Business*?" chapter starting on page 24 of the *Doing Business 2015* report. For more details on the data and methodology, please see the "Data Notes" chapter starting on page 114 of the *Doing Business 2015* report. For more details on the distance to frontier metric, please see the "Distance to frontier and ease of doing business ranking" chapter in this profile.

THE BUSINESS ENVIRONMENT

For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. *Doing Business* provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 189 by the ease of doing business ranking. This year's report presents results for 2 aggregate measures: the distance to frontier score and the ease of doing business ranking. The ranking of economies is determined by sorting the aggregate distance to frontier (DTF) scores. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. (See the chapter on the distance to frontier and ease of doing business). The 10 topics included in the ranking in *Doing Business 2015*: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The labor market regulation indicators (formerly employing workers) are not included in this year's aggregate ease of doing business ranking, but the data are presented in this year's economy profile.

The aggregate ranking on the ease of doing business benchmarks each economy's performance on the indicators against that of all other economies in the *Doing Business* sample (figure 1.1). While this ranking tells much about the business environment in an economy, it does not tell the whole story. The ranking on the ease of doing business, and the underlying indicators, do not measure all aspects of the business environment that matter to firms and investors or that affect the competitiveness of the economy. Still, a high ranking does mean that the government has created a regulatory environment conducive to operating a business.

ECONOMY OVERVIEW

Region: South Asia

Income category: Lower middle income

Population: 182,142,594

GNI per capita (US\$): 1,380

DB2015 rank: 128

DB2014 rank: 127*

Change in rank: -1

DB 2015 DTF: 56.6

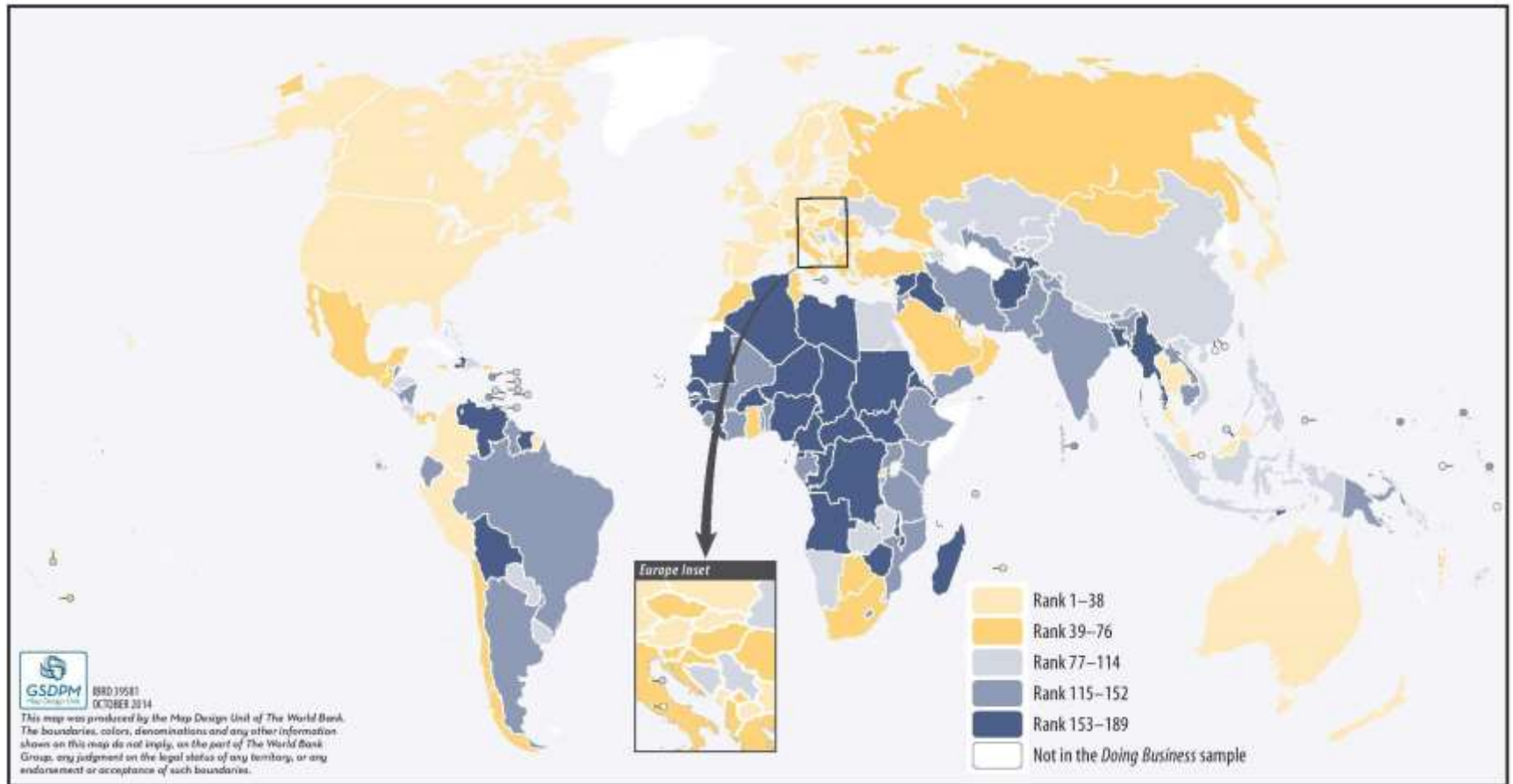
DB 2014 DTF: 56.4

Change in DTF: 0.2

* DB2014 ranking shown is not last year's published ranking but a comparable ranking for DB2014 that captures the effects of such factors as data corrections and the changes in methodology. See the data notes starting on page 114 of the *Doing Business 2015* report for sources and definitions.

THE BUSINESS ENVIRONMENT

Figure 1.1 Where economies stand in the global ranking on the ease of doing business



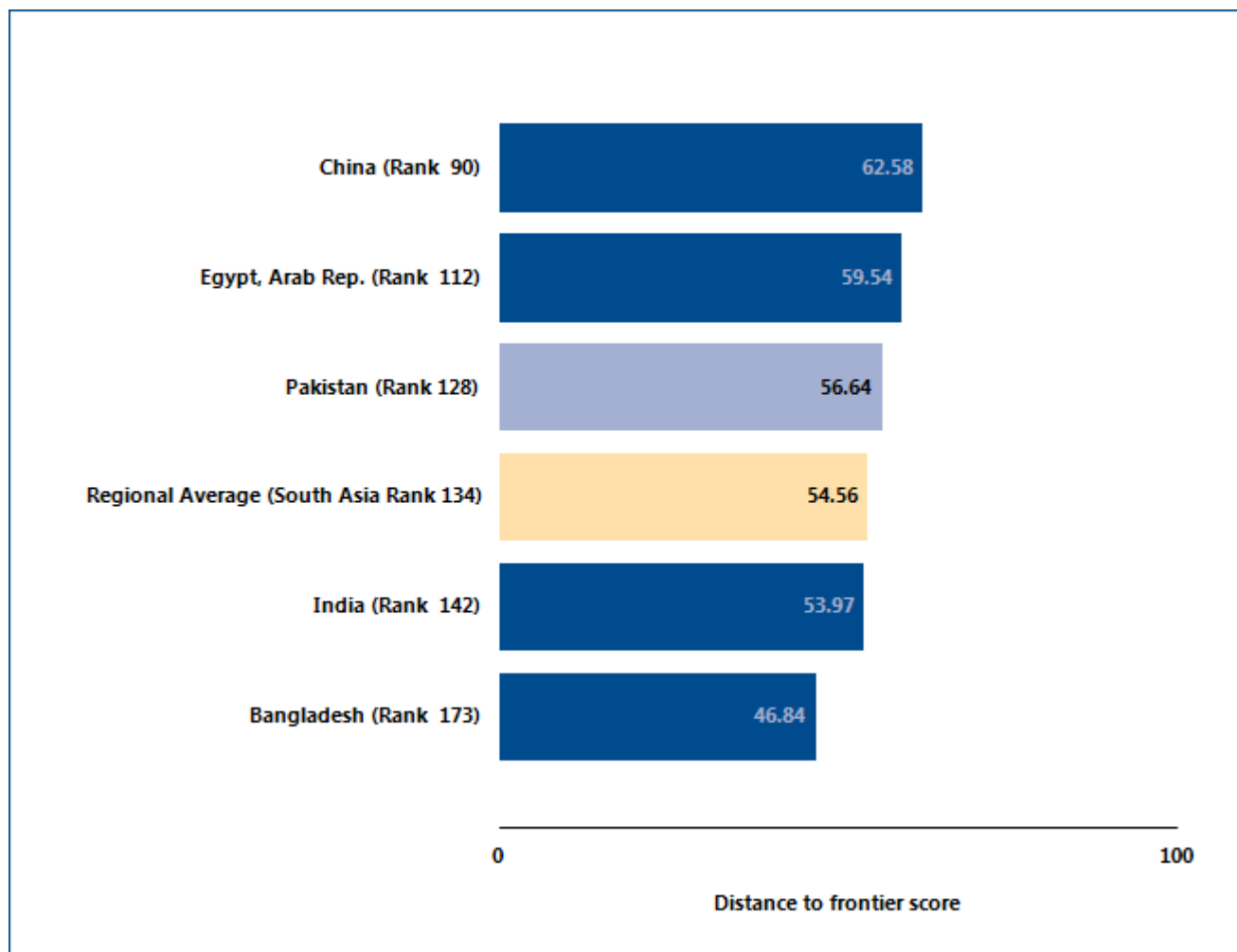
Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

For policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful. Also useful is to know how it ranks relative to comparator economies and relative to the

regional average (figure 1.2). The economy's rankings (figure 1.3) and distance to frontier scores (figure 1.4) on the topics included in the ease of doing business ranking provide another perspective.

Figure 1.2 How Pakistan and comparator economies rank on the ease of doing business



Note: The rankings are benchmarked to June 2014 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.

Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

Figure 1.3 Rankings on *Doing Business* topics - Pakistan
 (Scale: Rank 189 center, Rank 1 outer edge)

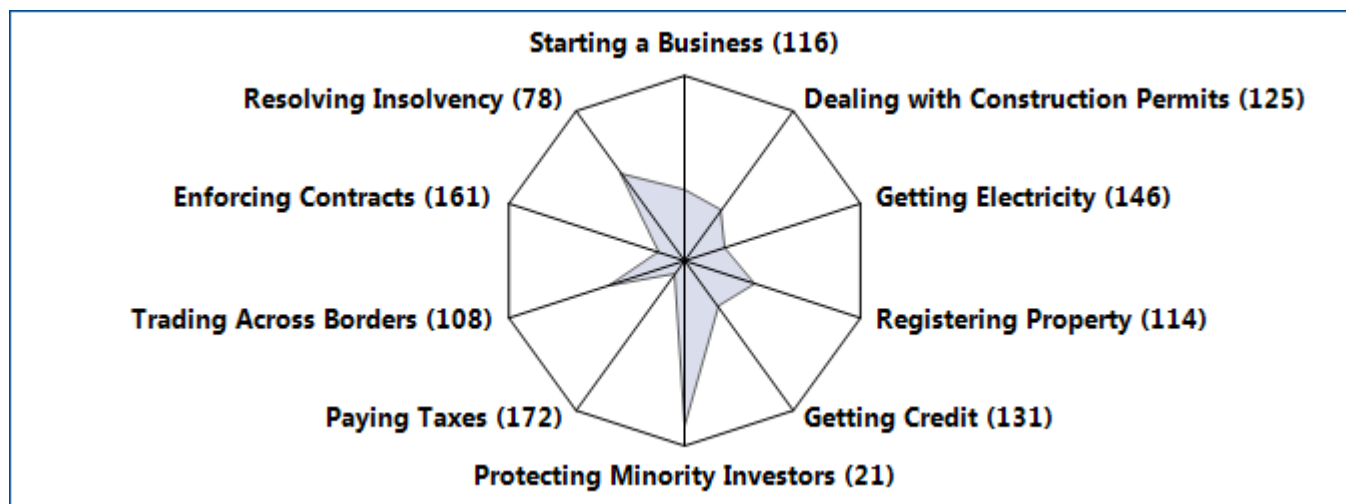
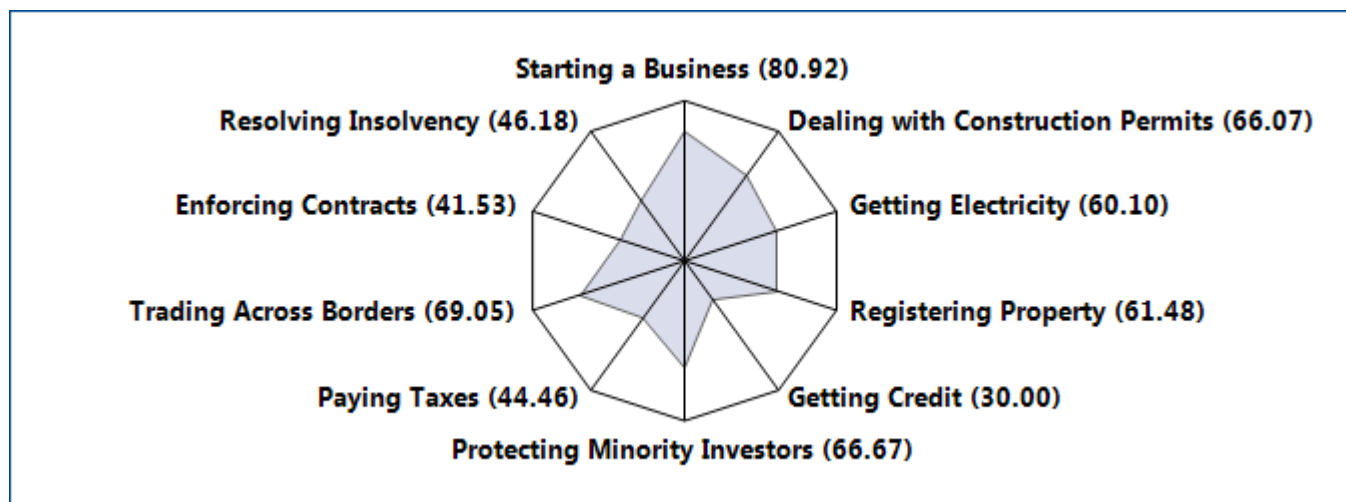


Figure 1.4 Distance to frontier scores on *Doing Business* topics - Pakistan
 (Scale: Score 0 center, Score 100 outer edge)



Note: The rankings are benchmarked to June 2014 and based on the average of each economy’s distance to frontier (DTF) scores for the 10 topics included in this year’s aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy’s distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.
Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

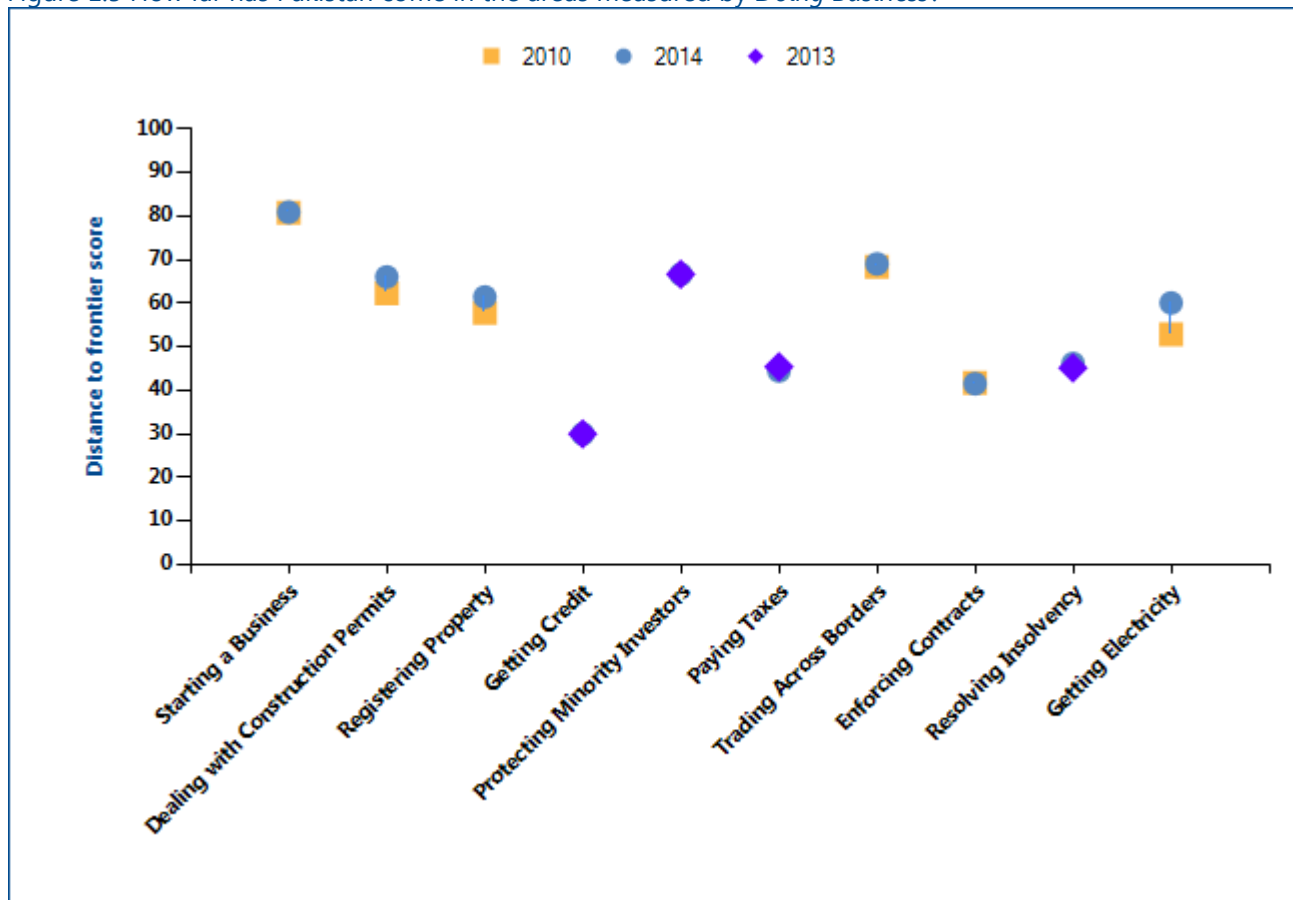
Just as the overall ranking on the ease of doing business tells only part of the story, so do changes in that ranking. Yearly movements in rankings can provide some indication of changes in an economy’s regulatory environment for firms, but they are always relative.

Moreover, year-to-year changes in the overall rankings do not reflect how the business regulatory environment in an economy has changed over time—or how it has changed in different areas. To aid in assessing such changes,

Doing Business introduced the distance to frontier score. This measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator.

Comparing the measure for an economy at 2 points in time allows users to assess how much the economy’s regulatory environment as measured by *Doing Business* has changed over time—how far it has moved toward (or away from) the most efficient practices and strongest regulations in areas covered by *Doing Business* (figure 1.5).

Figure 1.5 How far has Pakistan come in the areas measured by *Doing Business*?



Note: The distance to frontier score shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator since 2010, except for getting credit, paying taxes, protecting minority investors and resolving insolvency which had methodology changes in 2014 and thus are only comparable to 2013. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). See the data notes starting on page 114 of the *Doing Business 2015* report for more details on the distance to frontier score.

Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

The absolute values of the indicators tell another part of the story (table 1.1). The indicators, on their own or in comparison with the indicators of a good practice economy or those of comparator economies in the region, may reveal bottlenecks reflected in large numbers of procedures, long delays or high costs. Or they may reveal unexpected strengths in an area of business

regulation—such as a regulatory process that can be completed with a small number of procedures in a few days and at a low cost. Comparison of the economy's indicators today with those in the previous year may show where substantial bottlenecks persist—and where they are diminishing.

Table 1.1 Summary of *Doing Business* indicators for Pakistan

Indicator	Pakistan DB2015	Pakistan DB2014	Karachi DB2015	Lahore DB2015	Bangladesh DB2015	China DB2015	Egypt, Arab Rep. DB2015	India DB2015	Best performer globally DB2015
Starting a Business (rank)	116	109	--	--	115	128	73	158	New Zealand (1)
Starting a Business (DTF Score)	80.92	80.82	80.92	80.92	81.36	77.43	88.14	68.42	New Zealand (99.96)
Procedures (number)	10.0	10.0	10.0	10.0	9.0	11.0	7.0	11.9	New Zealand (1.0)*
Time (days)	19.0	19.0	19.0	19.0	19.5	31.4	8.0	28.4	New Zealand (0.5)
Cost (% of income per capita)	9.6	10.4	9.6	9.6	16.8	0.9	9.2	12.2	Slovenia (0.0)
Paid-in min. capital (% of income per capita)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	111.2	112 Economies (0.0)*
Dealing with Construction Permits (rank)	125	121	--	--	144	179	142	184	Hong Kong SAR, China (1)
Dealing with Construction Permits (DTF Score)	66.07	65.55	66.10	66.01	61.90	43.75	62.06	30.89	Hong Kong SAR, China (95.53)

Indicator	Pakistan DB2015	Pakistan DB2014	Karachi DB2015	Lahore DB2015	Bangladesh DB2015	China DB2015	Egypt, Arab Rep. DB2015	India DB2015	Best performer globally DB2015
Procedures (number)	10.0	10.0	10.0	10.0	13.4	22.0	20.0	25.4	Hong Kong SAR, China (5.0)
Time (days)	249.4	249.4	249.0	250.0	269.2	244.3	179.0	185.9	Singapore (26.0)
Cost (% of warehouse value)	3.5	3.8	3.5	3.5	2.1	7.6	1.9	28.2	Qatar (0.0)*
Getting Electricity (rank)	146	145	--	--	188	124	106	137	Korea, Rep. (1)
Getting Electricity (DTF Score)	60.10	59.54	60.86	58.68	17.32	66.35	71.31	63.06	Korea, Rep. (99.83)
Procedures (number)	5.0	5.0	5.0	5.0	9.0	5.5	7.0	7.0	12 Economies (3.0)*
Time (days)	178.3	178.3	173.0	188.0	428.9	143.2	54.0	105.7	Korea, Rep. (18.0)*
Cost (% of income per capita)	1,353.3	1,487.3	1,353.3	1,353.3	3,890.1	459.4	304.6	487.7	Japan (0.0)
Registering Property (rank)	114	111	--	--	184	37	84	121	Georgia (1)
Registering Property (DTF Score)	61.48	61.43	61.12	62.13	31.34	80.67	69.13	60.40	Georgia (99.88)
Procedures (number)	6.0	6.0	6.0	6.0	8.0	4.0	8.0	7.0	4 Economies (1.0)*
Time (days)	50.0	50.0	50.0	50.0	244.0	19.4	63.0	47.0	3 Economies (1.0)*
Cost (% of property value)	7.6	7.6	7.7	7.3	7.2	3.6	0.7	7.0	4 Economies (0.0)*
Getting Credit (rank)	131	125	--	--	131	71	71	36	New Zealand (1)
Getting Credit (DTF Score)	30.00	30.00	30.00	30.00	30.00	50.00	50.00	65.00	New Zealand (100)
Strength of legal rights index (0-12)	3	3	3	3	6	4	2	6	3 Economies (12)*

Indicator	Pakistan DB2015	Pakistan DB2014	Karachi DB2015	Lahore DB2015	Bangladesh DB2015	China DB2015	Egypt, Arab Rep. DB2015	India DB2015	Best performer globally DB2015
Depth of credit information index (0-8)	3	3	3	3	0	6	8	7	23 Economies (8)*
Credit registry coverage (% of adults)	7.3	8.0	7.3	7.3	0.9	33.2	5.8	0.0	Portugal (100.0)
Credit bureau coverage (% of adults)	4.5	2.1	4.5	4.5	0.0	0.0	21.8	22.4	23 Economies (100.0)*
Protecting Minority Investors (rank)	21	19	--	--	43	132	135	7	New Zealand (1)
Protecting Minority Investors (DTF Score)	66.67	66.67	66.67	66.67	60.83	45.00	44.17	72.50	New Zealand (81.67)
Extent of conflict of interest regulation index (0-10)	6.0	6.0	6.0	6.0	6.3	5.0	4.7	6.7	Singapore (9.3)*
Extent of shareholder governance index (0-10)	7.3	7.3	7.3	7.3	5.8	4.0	4.2	7.8	France (7.8)*
Strength of minority investor protection index (0-10)	6.7	6.7	6.7	6.7	6.1	4.5	4.4	7.3	New Zealand (8.2)
Paying Taxes (rank)	172	168	--	--	83	120	149	156	United Arab Emirates (1)*
Paying Taxes (DTF Score)	44.46	45.42	44.50	44.38	73.98	67.44	58.84	55.53	United Arab Emirates (99.44)*
Payments (number per year)	47.0	47.0	47.0	47.0	21.0	7.0	29.0	33.0	Hong Kong SAR, China (3.0)*
Time (hours per year)	594.0	577.0	594.0	594.0	302.0	261.0	392.0	243.0	Luxembourg (55.0)
Trading Across Borders (rank)	108	112	--	--	140	98	99	126	Singapore (1)
Trading Across Borders	69.05	68.00	70.88	65.65	61.36	71.68	71.56	65.47	Singapore (96.47)

Indicator	Pakistan DB2015	Pakistan DB2014	Karachi DB2015	Lahore DB2015	Bangladesh DB2015	China DB2015	Egypt, Arab Rep. DB2015	India DB2015	Best performer globally DB2015
(DTF Score)									
Documents to export (number)	8	8	8	8	6	8	8	7	Ireland (2)*
Time to export (days)	20.7	21.7	20.0	22.0	28.3	21.0	12.0	17.1	5 Economies (6.0)*
Cost to export (US\$ per container)	765.0	765.0	660.0	960.0	1,281.0	823.0	625.0	1,332.0	Timor-Leste (410.0)
Cost to export (deflated US\$ per container)	765.0	822.4	660.0	960.0	1,281.0	823.0	625.0	1,332.0	
Documents to import (number)	8	8	8	8	9	5	10	10	Ireland (2)*
Time to import (days)	18.4	19.4	17.0	21.0	33.6	24.0	15.0	21.1	Singapore (4.0)
Cost to import (US\$ per container)	1,005.0	1,005.0	725.0	1,525.0	1,515.0	800.0	790.0	1,462.0	Singapore (440.0)
Cost to import (deflated US\$ per container)	1,005.0	1,080.4	725.0	1,525.0	1,515.0	800.0	790.0	1,462.0	
Enforcing Contracts (rank)	161	161	--	--	188	35	152	186	Singapore (1)
Enforcing Contracts (DTF Score)	41.53	41.53	43.82	37.27	20.82	68.21	44.02	25.81	Singapore (89.54)
Time (days)	993.1	993.1	976.0	1,025.0	1,442.0	452.8	1,010.0	1,420.0	Singapore (150.0)
Cost (% of claim)	23.0	23.0	18.1	32.0	66.8	16.2	26.2	39.6	Iceland (9.0)
Procedures (number)	46.0	46.0	46.0	46.0	41.0	37.0	42.0	46.0	Singapore (21.0)*
Resolving Insolvency (rank)	78	81	--	--	147	53	126	137	Finland (1)
Resolving Insolvency (DTF Score)	46.18	45.14	46.48	45.64	29.49	55.31	36.17	32.60	Finland (93.85)

Indicator	Pakistan DB2015	Pakistan DB2014	Karachi DB2015	Lahore DB2015	Bangladesh DB2015	China DB2015	Egypt, Arab Rep. DB2015	India DB2015	Best performer globally DB2015
Time (years)	2.7	2.7	2.8	2.5	4.0	1.7	2.5	4.3	Ireland (0.4)
Cost (% of estate)	5.6	5.6	4.0	8.5	8.0	22.0	22.0	9.0	Norway (1.0)
Outcome (0 as piecemeal sale and 1 as going concern)	0	0	0	0	0	0	0	0	
Recovery rate (cents on the dollar)	39.4	37.4	39.9	38.3	25.8	36.0	26.6	25.7	Japan (92.9)
Strength of insolvency framework index (0-16)	8.0	8.0	8.0	8.0	5.0	11.5	7.0	6.0	5 Economies (15.0)*

Note: DB2014 rankings shown are not last year's published rankings but comparable rankings for DB2014 that capture the effects of such factors as data corrections and changes to the methodology. Trading across borders deflated and non-deflated values are identical in DB2015 because it is defined as the base year for the deflator. The best performer on time for paying taxes is defined as the lowest time recorded among all economies in the DB2015 sample that levy the 3 major taxes: profit tax, labor taxes and mandatory contributions, and VAT or sales tax. If an economy has no laws or regulations covering a specific area—for example, insolvency—it receives a “no practice” mark. Similarly, an economy receives a “no practice” or “not possible” mark if regulation exists but is never used in practice or if a competing regulation prohibits such practice. Either way, a “no practice” mark puts the economy at the bottom of the ranking on the relevant indicator.

* Two or more economies share the top ranking on this indicator. A number shown in place of an economy's name indicates the number of economies that share the top ranking on the indicator. For a list of these economies, see the *Doing Business* website (<http://www.doingbusiness.org>).

Source: *Doing Business* database.

STARTING A BUSINESS

Formal registration of companies has many immediate benefits for the companies and for business owners and employees. Legal entities can outlive their founders. Resources are pooled as several shareholders join forces to start a company. Formally registered companies have access to services and institutions from courts to banks as well as to new markets. And their employees can benefit from protections provided by the law. An additional benefit comes with limited liability companies. These limit the financial liability of company owners to their investments, so personal assets of the owners are not put at risk. Where governments make registration easy, more entrepreneurs start businesses in the formal sector, creating more good jobs and generating more revenue for the government.

What do the indicators cover?

Doing Business measures the ease of starting a business in an economy by recording all procedures officially required or commonly done in practice by an entrepreneur to start up and formally operate an industrial or commercial business—as well as the time and cost required to complete these procedures. It also records the paid-in minimum capital that companies must deposit before registration (or within 3 months). 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.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the procedures. It assumes that all information is readily available to the entrepreneur and that there has been no prior contact with officials. It also assumes that the entrepreneur will pay no bribes. And it assumes that the business:

- Is a limited liability company, located in the largest business city and is 100% domestically owned¹.
- Has between 10 and 50 employees.
- Conducts general commercial or industrial activities.
- Has a start-up capital of 10 times income per capita.
- Has a turnover of at least 100 times income per capita.
- Does not qualify for any special benefits.
- Does not own real estate.

WHAT THE STARTING A BUSINESS

INDICATORS MEASURE

Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration in the economy's largest business city¹
- Postregistration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day (2 procedures cannot start on the same day). Procedures that can be fully completed online are recorded as ½ day.
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law

Paid-in minimum capital (% of income per capita)

- Deposited in a bank or with a notary before registration (or within 3 months)

¹ For the 11 economies with a population of more than 100 million, data for a second city have been added.

STARTING A BUSINESS

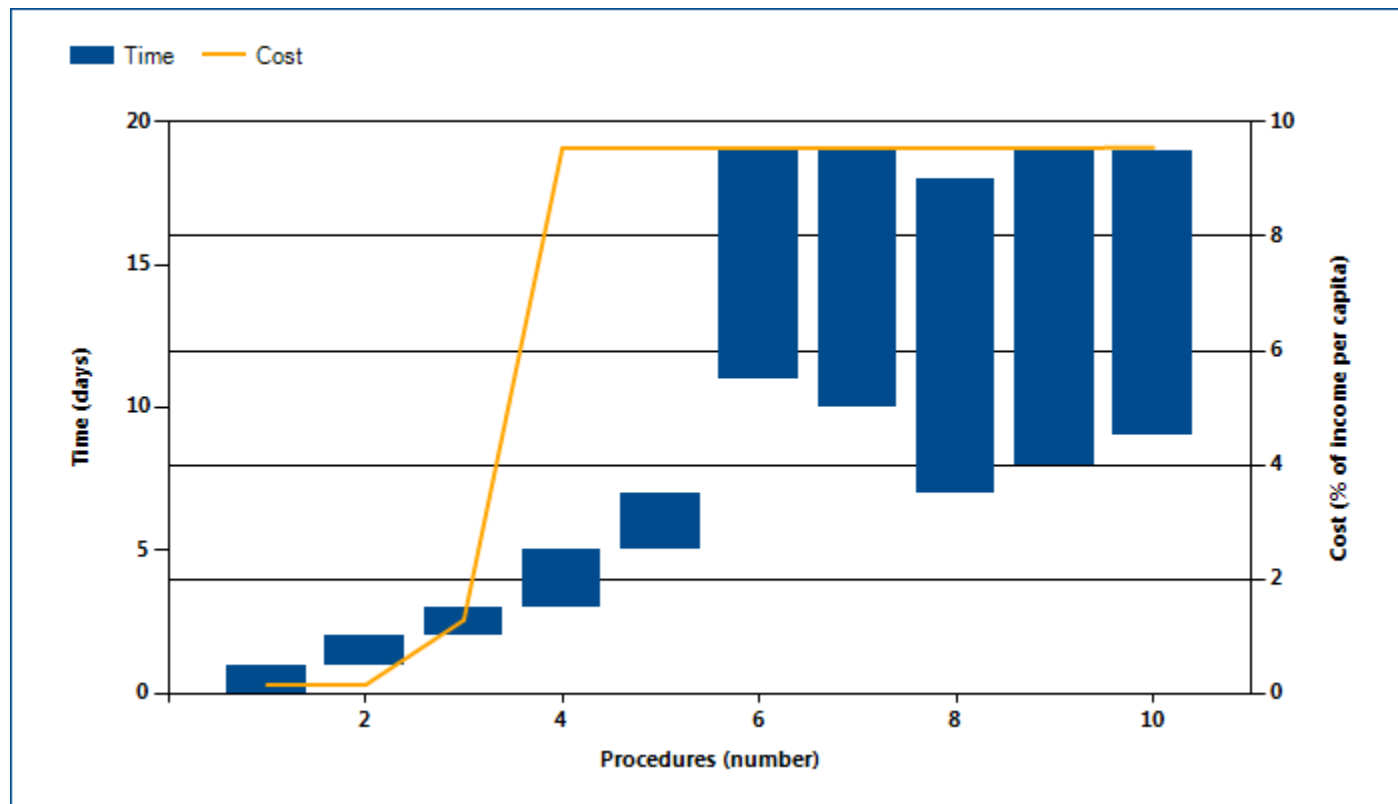
Where does the economy stand today?

What does it take to start a business in Pakistan? According to data collected by *Doing Business*, starting a business there requires 10.0 procedures, takes 19.0 days, costs 9.6% of income per capita and requires paid-in minimum capital of 0.0% of income per capita (figure 2.1). Most indicator sets refer to a case scenario in the

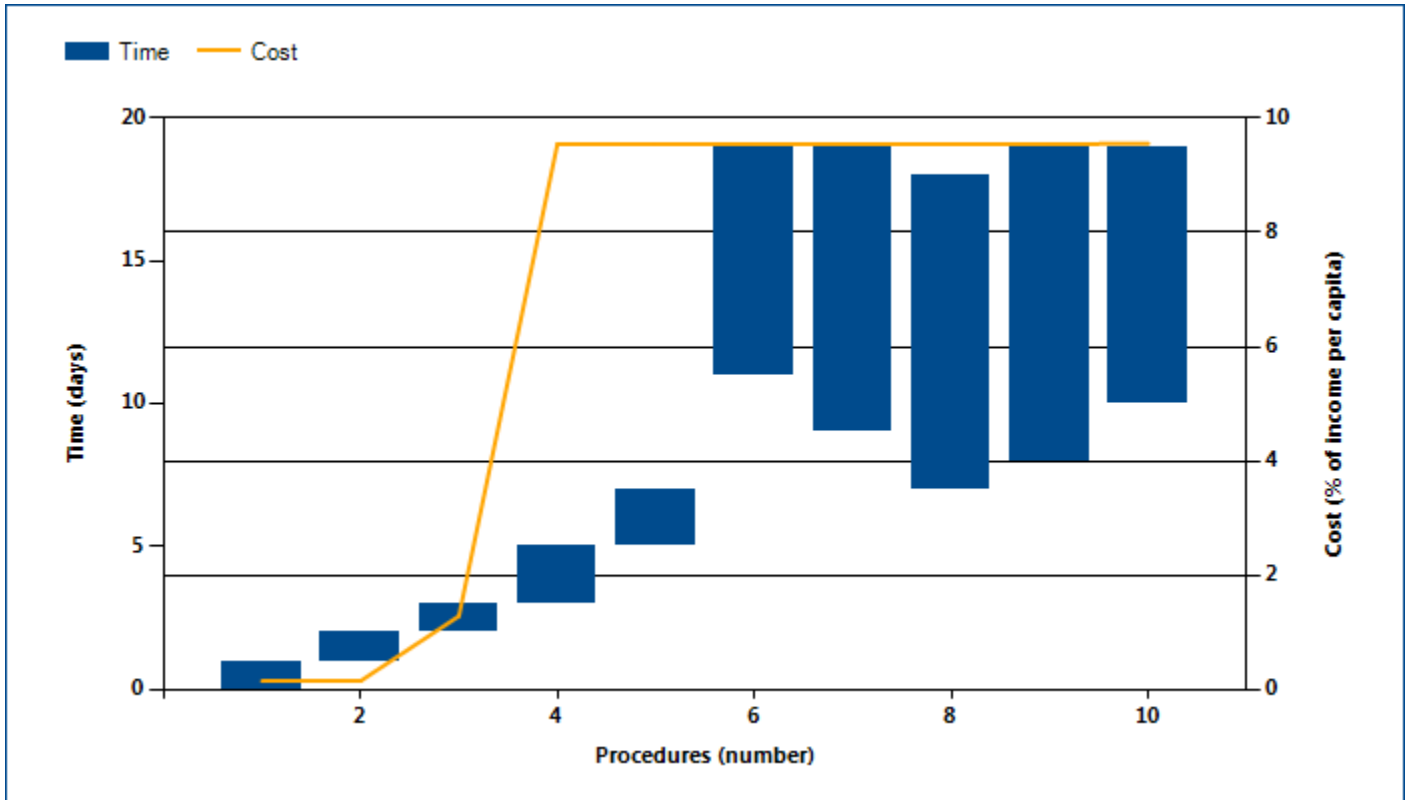
largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 2.1 What it takes to start a business in Pakistan - Karachi

Paid-in minimum capital (% of income per capita): 0.0



What it takes to start a business in Pakistan - Lahore



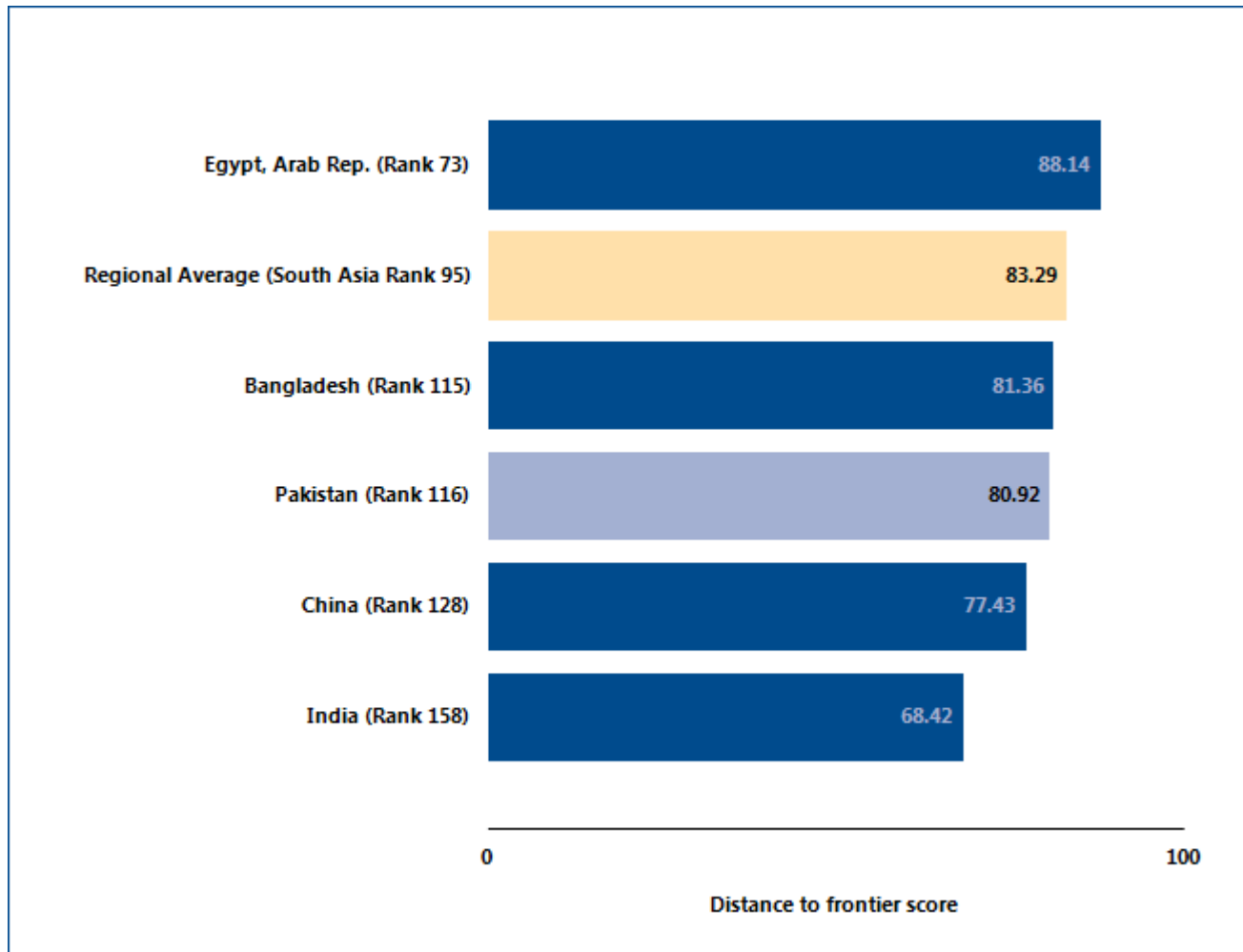
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the starting a business indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter. Source: *Doing Business* database.

STARTING A BUSINESS

Globally, Pakistan stands at 116 in the ranking of 189 economies on the ease of starting a business (figure 2.2). The rankings for comparator economies and the regional

average ranking provide other useful information for assessing how easy it is for an entrepreneur in Pakistan to start a business.

Figure 2.2 How Pakistan and comparator economies rank on the ease of starting a business



Source: Doing Business database.

STARTING A BUSINESS

Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages—and

they often are part of a larger regulatory reform program. Among the benefits have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities.

What business registration reforms has *Doing Business* recorded in Pakistan (table 2.1)?

Table 2.1 How has Pakistan made starting a business easier—or not?
By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2010	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.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

STARTING A BUSINESS

What are the details?

Underlying the indicators shown in this chapter for Pakistan is a set of specific procedures—the bureaucratic and legal steps that an entrepreneur must complete to incorporate and register a new firm. These are identified by *Doing Business* through collaboration with relevant local professionals and the study of laws, regulations and publicly available information on business entry in that economy. Following is a detailed summary of those procedures, along with the associated time and cost. These procedures are those that apply to a company matching the standard assumptions (the “standardized company”) used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators measure).

STANDARDIZED COMPANY

Legal form: Private Limited Liability Company

Paid in minimum capital requirement: PKR 0

City: Karachi, Lahore

Start-up Capital: 10 times GNI per capita

Table 2.2 Summary of time, cost and procedures for starting a business in Pakistan - Karachi

No.	Procedure	Time to complete	Cost to complete
1	<p>Reserve a company name online via the Securities and Exchange Commission of Pakistan (SECP) E-services website</p> <p>The entrepreneur can check the availability of the desired company name via the website of the Securities and Exchange Commission of Pakistan (SECP). To reserve a company name, the applicant proposes one or more names in order of preference, and submits the application form to SECP either online or in person. The official confirmation (or rejection) of the chosen name and its availability is received by email or via courier upon payment of the name reservation fee of PKR 200 (online name reservation) or PKR 500 (offline name reservation) at the SECP-designated bank. The approved name is reserved for 90 days, during which the company must be incorporated.</p> <p>SECP recently introduced the Fast Track Registration Services (FTRS), processing the company name reservation applications within 4 hours of submission for an expedited fee of PKR 500 online and PKR 1,000 in person payable in addition to the normal fees.</p> <p><i>Agency: Securities and Exchange Commission of Pakistan (SECP)</i></p>	1 day	PKR 200 (E-services online name reservation)

No.	Procedure	Time to complete	Cost to complete
2	<p>Pay the name reservation and company incorporation fees at the Muslim Commercial Bank (MCB)</p> <p>The company must pay the name reservation and incorporation fees at the designated Muslim Commercial Bank Ltd. The fee challan form indicating the amount due is obtained from SECP either online (downloaded) or on-site, or from the bank.</p> <p>The SECP launched online payment facility for its stakeholders in April 2014, therefore, online filing and payment is now possible for SECP's online filers, without visiting the Bank or the SECP offices.</p> <p><i>Agency: Bank (MCB)</i></p>	1 day	included in procedure 1 (name reservation fees) and procedure 3 (registration fees)
3	<p>Obtain a digital signature from the National Institutional Facilitation Technologies (NIFT) system of SECP</p> <p>The digital signature is obtained from the National Institutional Facilitation Technologies (NIFT) through e-Services or at the SECP offices. To apply, the company must submit the Digital Signature Certificate Request Form, along with scanned copies of the Directors' identity cards, the Name Availability Certificate and the proof of payment. For obtaining the Digital Signature within 1-2 hours under the Fast Track Registration Service (FTRS), an additional urgent fee of PKR 300 would apply.</p> <p><i>Agency: National Institutional Facilitation Technologies</i></p>	1 day	PKR 837 (certificate charges) + PKR 163 (sales tax at 19.5%) + PKR 500 (validation charges)
4	<p>Complete online registration on the Securities & Exchange Commission of Pakistan (SECP) e-portal</p> <p>Registration can either be completed online or in person at SECP. The following documents are required for submission:</p> <ol style="list-style-type: none"> Form 1: Declaration of compliance Form 21: Identification of the location of the office Form 29: Particulars of directors, secretary, chief accountant, auditors, and others One copy of the Memorandum and Articles of Associations with the signature of each member (in presence of a witness) <p>According to the 6th Schedule of Fee effective October 2010, the fees for incorporation of a company depends on the authorized capital as:</p> <ul style="list-style-type: none"> - Online submission: PKR 2,500 for registration of a company whose nominal share capital does not exceed PKR 100,000 and an additional fee of PKR 500 for every PKR 100,000 of nominal share capital or part thereof, up to PKR 10,000,000. The online filing fee is PKR 600 per document. - Physical submission: PKR 5,000 for registration of a company whose nominal share capital does not exceed PKR 100,000 and an additional fee of PKR 1,000 for every PKR 100,000 of nominal share capital or part thereof, up to PKR 10,000,000. The filing fee is PKR 1,500 per document. 	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

No.	Procedure	Time to complete	Cost to complete
	<p>A confirmation of the online or physical submission is received instantly, and the actual certificate a few days later via email or courier. The entrepreneur can register with any Company Registration Office, irrespective of the jurisdiction. All regional SECP offices are computerized. In February 2012, SECP launched the Fast Track Registration Services (FTRS), under which the incorporation of a company can take place within 4 hours for an expedited fee of PKR 20,000 for on-site incorporation and PKR 10,000 for online incorporation payable in addition to the normal fees above. To register a company online, the entrepreneur must first obtain a digital signature through the National Institutional Facilitation Technologies (NIFT) system. If the application is received with less than four hours remaining in the working day, the same shall be disposed of in the next working day.</p> <p><i>Agency: Securities and Exchange Commission of Pakistan (SECP)</i></p>		
5	<p>Apply for a national tax number (NTN) and register for income tax</p> <p>To apply, the company must submit a simple one page form called the NTN Form as well as a proof of registration, the Memorandum and Articles of Association, bank account number, copies of the national identity cards of its directors, and an attestation of the registered business address at the nearest tax facilitation counter of the Regional Tax Office in Pakistan.</p> <p>All applications are forwarded to the Central Registration Office (CRO) in Islamabad that allocates a uniform NTN number to each company. The center processes the application and issues the NTN at no charge. The certificate is then sent to the registered address of the applicant. The company can track the application online or through the RTO helpline. If undelivered, the NTN certification can be collected from the specified office at the Central Board of Revenue. Recently, the Federal Board of Revenue launched electronic services enabling online applications for NTN numbers to be made through its website: www.fbr.gov.pk.</p> <p><i>Agency: Tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR) in Karachi</i></p>	2 days	no charge
6	<p>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</p> <p>According to the Sections 14, 15 and 16 of the Sales Tax Act 1990 and Sales Tax Rules 2006, the company must register for sales tax by submitting the application Form STR-1 at any tax facilitation counter at the nearest Regional Tax Office (RTO). The local RTO forwards all applications to the Central Registration Office. After verification, the</p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>CRO issues a Registration Certificate bearing the registration number and mails the same to the registered company, on a prescribed Form STR-5.</p> <p>The Sales Tax General Order No. 4/2007 introduced electronic filing of the sales tax returns; and as of July 1st 2008, electronic filing was made mandatory for all categories of taxpayers.</p> <p><i>Agency: Tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR) in Karachi</i></p>		
7	<p>* Register for Professional Tax with the Excise & Taxation Department of the District</p> <p>Following the Devolution Plan 2001, professional tax is enforced at the district level by the Excise and Taxation Department of the relevant provincial district. According to the Punjab Finance Act 1977, the tax is levied upon businesses, professionals, trades, callings or companies employing such professionals. The responsible district Excise and Taxation Officer (ET officer) is empowered to enroll in survey register every person who carries on any such business or profession and thereafter, give notice to such enrolled person. In case of a new business, the company is required to make a request to the ET officer to get enrolled by submitting a simple assessment form. The ET officer issues a registration number that acts as the reference number for the registered company and is noted down on every Bank Challan when assessments are paid into the Bank.</p> <p><i>Agency: Excise & Taxation Department of the District</i></p>	<p>7 days (simultaneous with the previous procedure)</p>	<p>no charge</p>
8	<p>* Register with the Sind Employees Social Security Institution (SESSI)</p> <p>According to the Punjab Industrial Policy 2003, registration with the Sind Employees Social Security Institution is governed at the provincial level by an independent institution called the Punjab ESSI. Employers covered under the scheme contribute 6% of the wages to their insured workers. The wage ceiling should not exceed PKR 15,000 per month or PKR 600 per day 2 as per Notification No: N-L-II (SEESI) 5-12- 91 dated 30 October, 2013. Registration is compulsory. The company has to complete a simple form to be allotted a registration number and to later receive an employee card.</p> <p><i>Agency: Sind Employees Social Security Institution (SESSI)</i></p>	<p>11 days (simultaneous with the previous procedure)</p>	<p>no charge</p>

No.	Procedure	Time to complete	Cost to complete
9	<p>* Register with Employees Old-Age Benefits Institution (EOBI)</p> <p>According to the Amendment in EOBI Act 1976 effective as of July 2008, every industry or a commercial establishment with 5 or more employees must register with the federal Employees Old Age Benefits Institution. Under the Employees Old Age Benefit Scheme, insured persons are entitled to pension upon retirement, invalidity in the case of a disability, old-age grant in the case of a retiring elder lacking the minimum threshold for pension, and survivor's pension. A contribution of 5% of minimum wage must be paid by the employer and 1% of minimum wage must be paid by the employee.</p> <p>An employer shall before expiration of thirty days from the day on which the Act becomes applicable to the industry or establishment in respect of which he/she is the employer, communicate to the Institution the name and particulars of the industry or establishment in Form PR-01 and of every insured person employed therein in Form PE-01 and, in the case of Form PE-01, give the receipt appended to the Form to the insured persons. An insured person may also communicate his/her name and other particulars to the Institution in Form PE-02.</p> <p>Upon receipt of the requisite particulars in Forms PR-01 and PE-01 from an employer, the Institution shall register the name of the industry or establishment in respect of which he/she is the employer and of the insured person and issue to the employer a Certificate of Registration in Form PI-02 and to each insured person a Registration Card in Form PI-03.</p> <p>The institution may send the Registration Card in Form PI-03 to the employer for delivery to the insured person to whom it relates.</p> <p>The minimum Pension has been increased from PKR 3000 per month to PKR 3600 per month.</p> <p><i>Agency: Employees Old-Age Benefits Institution (EOBI)</i></p>	<p>11 days (simultaneous with the previous procedure)</p>	<p>no charge</p>
10	<p>* Register under the West Pakistan Shops and Establishment Ordinance 1969 with the Labor Department of the District</p> <p>Pakistan Shops and Establishment Ordinance 1969 requires every establishment other than a one man shop to be registered with the Deputy Chief Inspector of the Labor Department in each district. This is to safeguard the labor standards of the workers.</p> <p>To register, the employer must submit the application Form A accompanied by a bank challan. The application for a new establishment shall be made within 2 months of setting up the establishment. The fees for registration are as follows:</p> <ul style="list-style-type: none"> - 1-5 workers: PKR 2 - 6-10 workers: PKR 3 - 11-20 workers: PKR5 - More than 20 workers: PKR 10 <p>Once the payment is settled, the Deputy Chief Inspection lists the establishment in the Register of Establishments maintained in Form B and issues a registration certificate in Form C. The registration</p>	<p>7 days (simultaneous with the previous procedure)</p>	<p>PKR 10</p>

No.	Procedure	Time to complete	Cost to complete
	<p>certificate shall be prominently displayed by the employer at the establishment, and shall be renewed after every two years upon payment of fees.</p> <p><i>Agency: Labour Department of the District</i></p>		

* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: *Doing Business* database.

Summary of time, cost and procedures for starting a business in Pakistan - Lahore

No.	Procedure	Time to complete	Cost to complete
1	<p>Reserve a company name online via the Securities and Exchange Commission of Pakistan (SECP) E-services website</p> <p>The entrepreneur can check the availability of the desired company name via the website of the Securities and Exchange Commission of Pakistan (SECP). To reserve a company name, the applicant proposes one or more names in order of preference, and submits the application form to SECP either online or in person. The official confirmation (or rejection) of the chosen name and its availability is received by email or via courier upon payment of the name reservation fee of PKR 200 (online name reservation) or PKR 500 (offline name reservation) at the SECP-designated bank. The approved name is reserved for 90 days, during which the company must be incorporated.</p> <p>SECP recently introduced the Fast Track Registration Services (FTRS), processing the company name reservation applications within 4 hours of submission for an expedited fee of PKR 500 online and PKR 1,000 in person payable in addition to the normal fees.</p> <p><i>Agency: Securities and Exchange Commission of Pakistan (SECP)</i></p>	1 day	PKR 200 (E-services online name reservation)
2	<p>Pay the name reservation and company incorporation fees at the MCB Bank</p> <p>The company must pay the name reservation and incorporation fees at the designated Muslim Commercial Bank Ltd. The fee challan form indicating the amount due is obtained from SECP either online (downloaded) or on-site, or from the bank.</p> <p>The SECP launched online payment facility for its stakeholders in April 2014, therefore, online filing and payment is now possible for SECP's online filers, without visiting the Bank or the SECP offices.</p> <p><i>Agency: Bank (MCB)</i></p>	1 day	no cost

No.	Procedure	Time to complete	Cost to complete
3	<p>Obtain a digital signature from the National Institutional Facilitation Technologies (NIFT) system of SECP</p> <p>The digital signature is obtained from the National Institutional Facilitation Technologies (NIFT) through e-Services or at the SECP offices. To apply, the company must submit the Digital Signature Certificate Request Form, along with scanned copies of the Directors' identity cards, the Name Availability Certificate and the proof of payment. For obtaining the Digital Signature within 1-2 hours under the Fast Track Registration Service (FTRS), an additional urgent fee of PKR 300 would apply.</p> <p><i>Agency: National Institutional Facilitation Technologies</i></p>	1 day	PKR 837 (certificate charges) + PKR 163 (sales tax at 19.5%) + PKR 500 (validation charges)
4	<p>Complete online registration on the Securities & Exchange Commission of Pakistan (SECP) e-portal</p> <p>Registration can either be completed online or in person at SECP. The following documents are required for submission:</p> <ul style="list-style-type: none"> a. Form 1: Declaration of compliance b. Form 21: Identification of the location of the office c. Form 29: Particulars of directors, secretary, chief accountant, auditors, and others d. One copy of the Memorandum and Articles of Associations with the signature of each member (in presence of a witness) <p>According to the 6th Schedule of Fee effective October 2010, the fees for incorporation of a company depends on the authorized capital as:</p> <ul style="list-style-type: none"> - Online submission: PKR 2,500 for registration of a company whose nominal share capital does not exceed PKR 100,000 and an additional fee of PKR 500 for every PKR 100,000 of nominal share capital or part thereof, up to PKR 10,000,000. The online filing fee is PKR 600 per document. - Physical submission: PKR 5,000 for registration of a company whose nominal share capital does not exceed PKR 100,000 and an additional fee of PKR 1,000 for every PKR 100,000 of nominal share capital or part thereof, up to PKR 10,000,000. The filing fee is PKR 1,500 per document. <p>A confirmation of the online or physical submission is received instantly, and the actual certificate a few days later via email or courier. The entrepreneur can register with any Company Registration Office, irrespective of the jurisdiction. All regional SECP offices are computerized. In February 2012, SECP launched the Fast Track Registration Services (FTRS), under which the incorporation of a company can take place within 4 hours for an expedited fee of PKR 20,000 for on-site incorporation and PKR 10,000 for online incorporation payable in addition to the normal fees above. To register</p>	2 days	PKR 8500 registration fee + PKR 2400 filing fees of Form 1, Form 21, Form 29, and Copy of the memorandum and articles of association

No.	Procedure	Time to complete	Cost to complete
	<p>a company online, the entrepreneur must first obtain a digital signature through the National Institutional Facilitation Technologies (NIFT) system. If the application is received with less than four hours remaining in the working day, the same shall be disposed of in the next working day.</p> <p><i>Agency: Securities and Exchange Commission of Pakistan (SECP)</i></p>		
5	<p>Apply for a national tax number (NTN) and register for income tax</p> <p>To apply, the company must submit a simple one page form called the NTN Form as well as a proof of registration, the Memorandum and Articles of Association, bank account number, copies of the national identity cards of its directors, and an attestation of the registered business address at the nearest tax facilitation counter of the Regional Tax Office in Pakistan.</p> <p>All applications are forwarded to the Central Registration Office (CRO) in Islamabad that allocates a uniform NTN number to each company. The center processes the application and issues the NTN at no charge. The certificate is then sent to the registered address of the applicant. The company can track the application online or through the RTO helpline. If undelivered, the NTN certification can be collected from the specified office at the Central Board of Revenue. Recently, the Federal Board of Revenue launched electronic services enabling online applications for NTN numbers to be made through its website: www.fbr.gov.pk.</p> <p><i>Agency: Tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR) in Lahore</i></p>	2 days	no charge
6	<p>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 Lahore</p> <p>According to the Sections 14, 15 and 16 of the Sales Tax Act 1990 and Sales Tax Rules 2006, the company must register for sales tax by submitting the application Form STR-1 at any tax facilitation counter at the nearest Regional Tax Office (RTO). The local RTO forwards all applications to the Central Registration Office. After verification, the CRO issues a Registration Certificate bearing the registration number and mails the same to the registered company, on a prescribed Form STR-5.</p> <p>The Sales Tax General Order No. 4/2007 introduced electronic filing of the sales tax returns; and as of July 1st 2008, electronic filing was made mandatory for all categories of taxpayers.</p> <p><i>Agency: Tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR) in Lahore</i></p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
7	<p>* Register for Professional Tax with the Excise & Taxation Department of the District</p> <p>Following the Devolution Plan 2001, professional tax is enforced at the district level by the Excise and Taxation Department of the relevant provincial district. According to the Punjab Finance Act 1977, the tax is levied upon businesses, professionals, trades, callings or companies employing such professionals. The responsible district Excise and Taxation Officer (ET officer) is empowered to enroll in survey register every person who carries on any such business or profession and thereafter, give notice to such enrolled person. In case of a new business, the company is required to make a request to the ET officer to get enrolled by submitting a simple assessment form. The ET officer issues a registration number that acts as the reference number for the registered company and is noted down on every Bank Challan when assessments are paid into the Bank.</p> <p><i>Agency: Excise & Taxation Department of the District</i></p>	7 days (simultaneous with the previous procedure)	no charge
8	<p>* Register with the Sind Employees Social Security Institution (SESSI)</p> <p>According to the Punjab Industrial Policy 2003, registration with the Sind Employees Social Security Institution is governed at the provincial level by an independent institution called the Punjab ESSI. Employers covered under the scheme contribute 6% of the wages to their insured workers. The wage ceiling should not exceed PKR 15,000 per month or PKR 600 per day 2 as per Notification No: N-L-II (SEESI) 5-12- 91 dated 30 October, 2013. Registration is compulsory. The company has to complete a simple form to be allotted a registration number and to later receive an employee card.</p> <p><i>Agency: Sind Employees Social Security Institution (SESSI)</i></p>	11 days (simultaneous with the previous procedure)	no charge
9	<p>* Register with Employees Old-Age Benefits Institution (EOBI)</p> <p>According to the Amendment in EOBI Act 1976 effective as of July 2008, every industry or a commercial establishment with 5 or more employees must register with the federal Employees Old Age Benefits Institution. Under the Employees Old Age Benefit Scheme, insured persons are entitled to pension upon retirement, invalidity in the case of a disability, old-age grant in the case of a retiring elder lacking the minimum threshold for pension, and survivor's pension. A contribution of 5% of minimum wage must be paid by the employer and 1% of</p>	11 days (simultaneous with the previous procedure)	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>minimum wage must be paid by the employee.</p> <p>An employer shall before expiration of thirty days from the day on which the Act becomes applicable to the industry or establishment in respect of which he/she is the employer, communicate to the Institution the name and particulars of the industry or establishment in Form PR-01 and of every insured person employed therein in Form PE-01 and, in the case of Form PE-01, give the receipt appended to the Form to the insured persons. An insured person may also communicate his/her name and other particulars to the Institution in Form PE-02.</p> <p>Upon receipt of the requisite particulars in Forms PR-01 and PE-01 from an employer, the Institution shall register the name of the industry or establishment in respect of which he/she is the employer and of the insured person and issue to the employer a Certificate of Registration in Form PI-02 and to each insured person a Registration Card in Form PI-03.</p> <p>The institution may send the Registration Card in Form PI-03 to the employer for delivery to the insured person to whom it relates.</p> <p>The minimum Pension has been increased from PKR 3000 per month to PKR 3600 per month.</p> <p><i>Agency: Employees Old-Age Benefits Institution (EOBI)</i></p>		
10	<p>* Register under the West Pakistan Shops and Establishment Ordinance 1969 with the Labor Department of the District</p> <p>Pakistan Shops and Establishment Ordinance 1969 requires every establishment other than a one man shop to be registered with the Deputy Chief Inspector of the Labor Department in each district. This is to safeguard the labor standards of the workers.</p> <p>To register, the employer must submit the application Form A accompanied by a bank challan. The application for a new establishment shall be made within 2 months of setting up the establishment. The fees for registration are as follows:</p> <ul style="list-style-type: none"> - 1-5 workers: PKR 2 - 6-10 workers: PKR 3 - 11-20 workers: PKR5 - More than 20 workers: PKR 10 <p>Once the payment is settled, the Deputy Chief Inspection lists the establishment in the Register of Establishments maintained in Form B and issues a registration certificate in Form C. The registration certificate shall be prominently displayed by the employer at the establishment, and shall be renewed after every two years upon payment of fees.</p> <p><i>Agency: Labour Department of the District</i></p>	7 days (simultaneous with the previous procedure)	PKR 10

* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

Regulation of construction is critical to protect the public. But it needs to be efficient, to avoid excessive constraints on a sector that plays an important part in every economy. Where complying with building regulations is excessively costly in time and money, many builders opt out. They may pay bribes to pass inspections or simply build illegally, leading to hazardous construction that puts public safety at risk. Where compliance is simple, straightforward and inexpensive, everyone is better off.

What do the indicators cover?

Doing Business records the procedures, time and cost for a business in the construction industry to obtain all the necessary approvals to build a warehouse in the economy's largest business city, connect it to basic utilities and register the warehouse so that it can be used as collateral or transferred to another entity.

The ranking of economies on the ease of dealing with construction permits is determined by sorting their distance to frontier scores for dealing with construction permits. These scores are the simple average of the distance to frontier scores for each of the component indicators.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the warehouse, including the utility connections.

The business:

- Is a limited liability company operating in the construction business and located in the largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added. Is domestically owned and operated.
- Has 60 builders and other employees.

The warehouse:

- Is valued at 50 times income per capita.
- Is a new construction (there was no previous construction on the land).

WHAT THE DEALING WITH CONSTRUCTION PERMITS INDICATORS MEASURE

Procedures to legally build a warehouse (number)

Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates

Submitting all required notifications and receiving all necessary inspections

Obtaining utility connections for water and sewerage

Registering the warehouse after its completion (if required for use as collateral or for transfer of the warehouse)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are recorded as ½ day.

Procedure considered completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of warehouse value)

Official costs only, no bribes

- Will have complete architectural and technical plans prepared by a licensed architect or engineer.
- Will be connected to water and sewerage (sewage system, septic tank or their equivalent). The connection to each utility network will be 150 meters (492 feet) long.
- Will be used for general storage, such as of books or stationery (not for goods requiring special conditions).
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

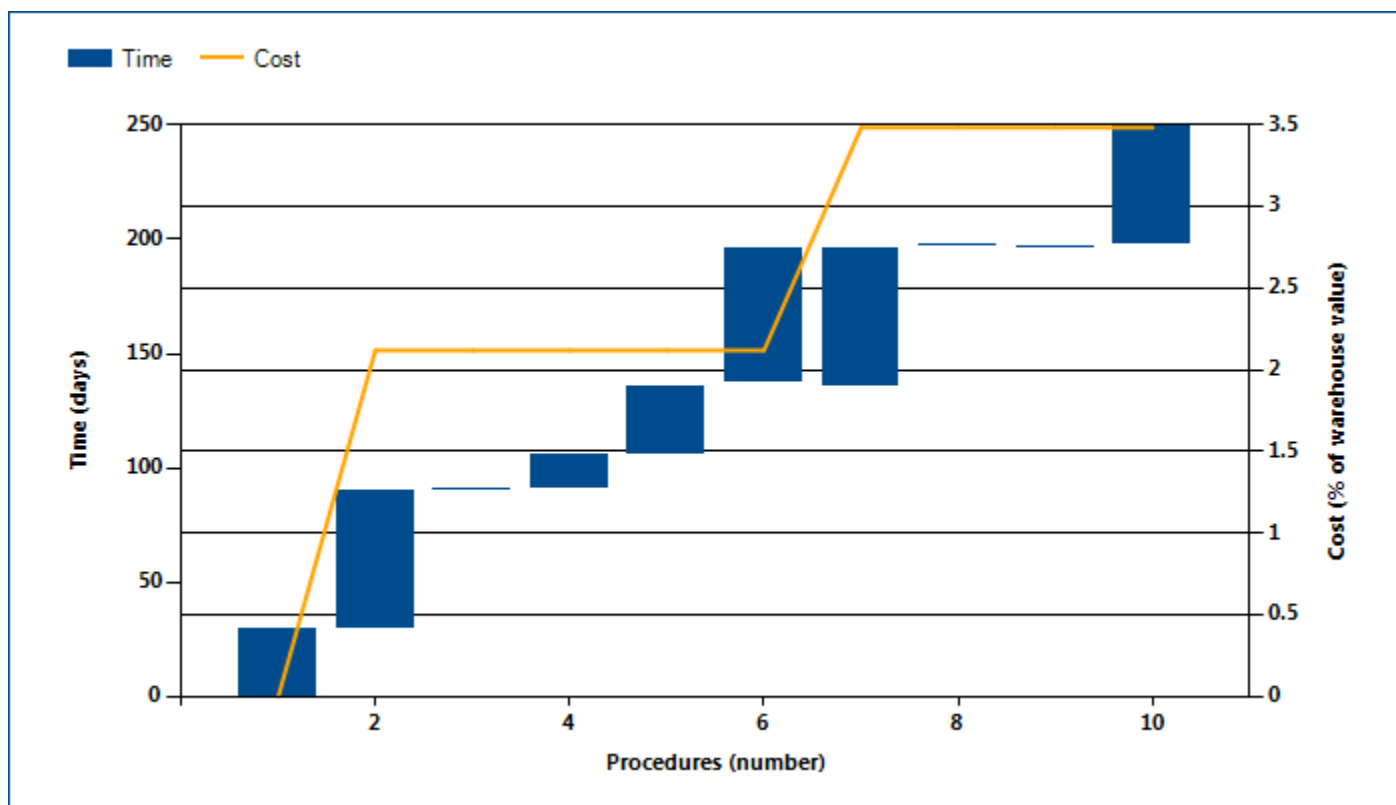
DEALING WITH CONSTRUCTION PERMITS

Where does the economy stand today?

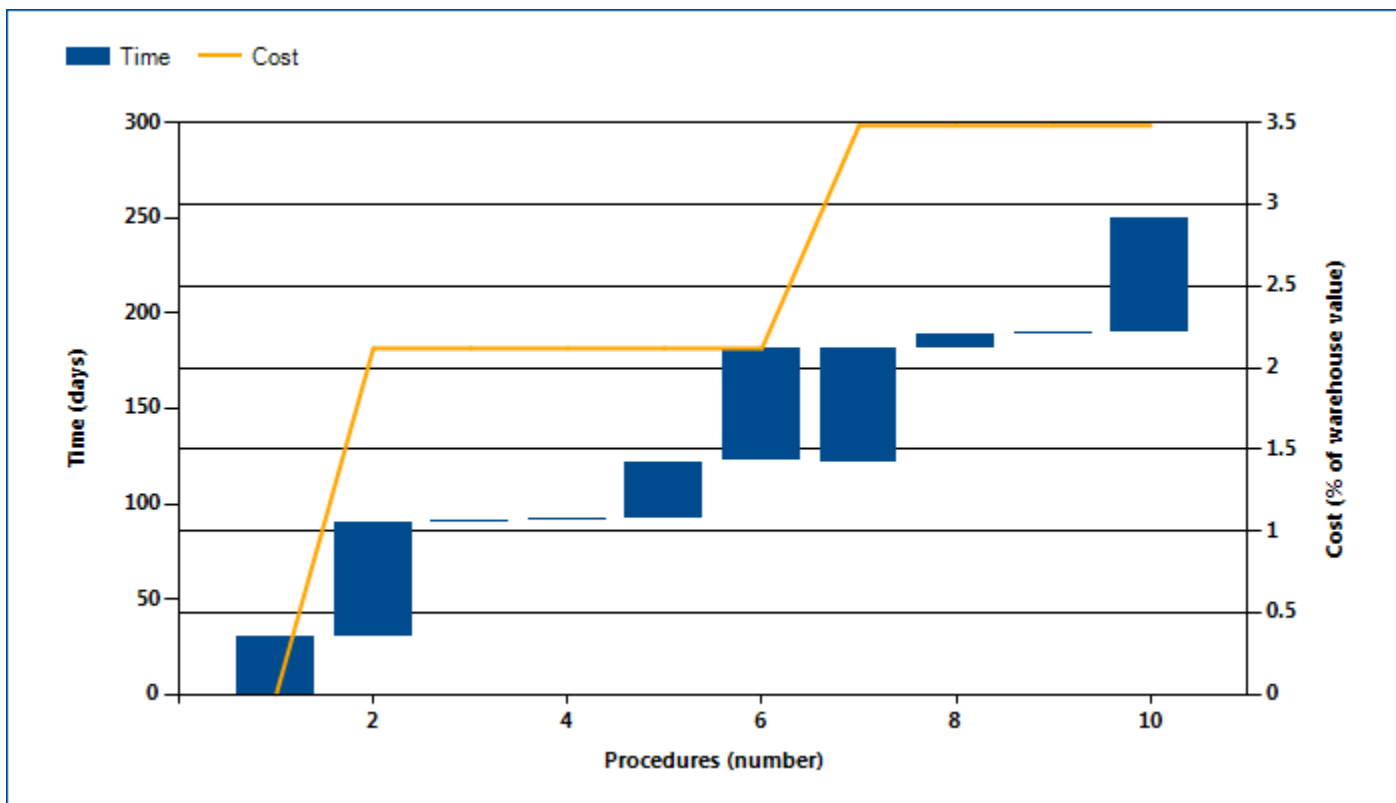
What does it take to comply with the formalities to build a warehouse in Pakistan? According to data collected by *Doing Business*, dealing with construction permits there requires 10.0 procedures, takes 249.4 days and costs 3.5% of the warehouse value (figure 3.1). Most indicator sets refer to a case scenario in the largest business city of

an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 3.1 What it takes to comply with formalities to build a warehouse in Pakistan - Karachi



What it takes to comply with formalities to build a warehouse in Pakistan - Lahore



Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the dealing with construction permits indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

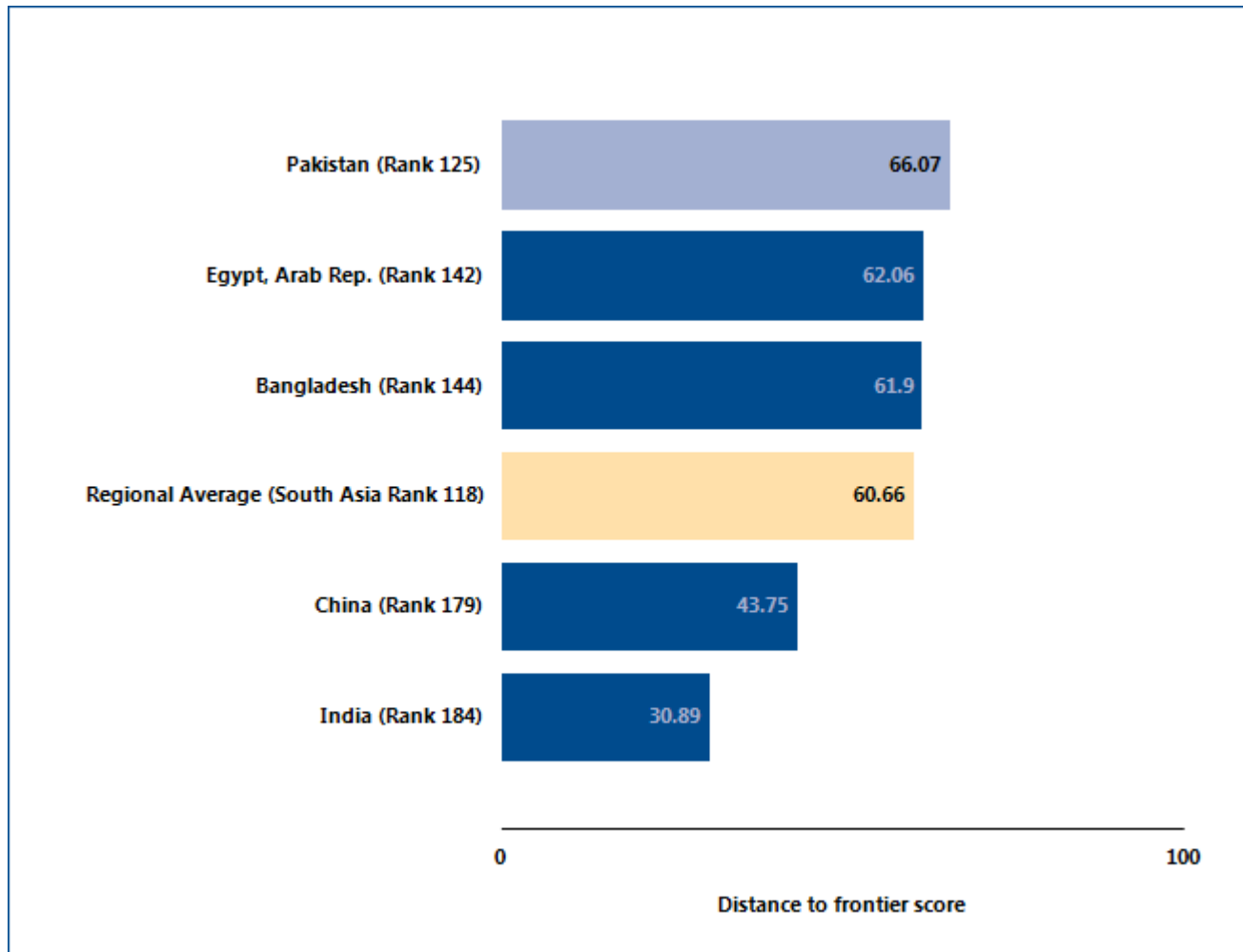
Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

Globally, Pakistan stands at 125 in the ranking of 189 economies on the ease of dealing with construction permits (figure 3.2). The rankings for comparator

economies and the regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Pakistan to legally build a warehouse.

Figure 3.2 How Pakistan and comparator economies rank on the ease of dealing with construction permits



Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

What are the details?

The indicators reported here for Pakistan are based on a set of specific procedures—the steps that a company must complete to legally build a warehouse—identified by *Doing Business* through information collected from experts in construction licensing, including architects, civil engineers, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations. These procedures are those that apply to a company and structure matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

BUILDING A WAREHOUSE

Estimated cost of construction : **PKR 6,601,001**

City : **Karachi, Lahore**

The procedures, along with the associated time and cost, are summarized below.

Table 3.2 Summary of time, cost and procedures for dealing with construction permits in Pakistan - Karachi

No.	Procedure	Time to complete	Cost to complete
1	<p>Obtain letter from the relevant land owning authority confirming the land title</p> <p>BuildCo must obtain a letter from the relevant authority confirming the title or land use, the dimensions of the plot, and the possible existence of any road widening, cut line, or reservation. In Karachi, the lands are owned by various authorities, such as the Karachi Development Authority and the Karachi Municipal Corporation. If the land belongs to the Karachi Municipal Corporation, for example, then the required letter or certificate must be obtained from that same authority.</p> <p><i>Agency: Relevant Land Owning Authority</i></p>	30 days	no charge
2	<p>Obtain building permit</p> <p>An application form is to be submitted to the Karachi Building Control Authority (KBCA) along with the following documents:</p> <ul style="list-style-type: none"> • A building plan (initially three copies and then six copies) together with: <ol style="list-style-type: none"> 1. Full particulars of the land plot with a specification of its intended use (such as residential, commercial, etc.) 2. Two sets of all documents relating to the plot and a letter from the concerned authority confirming the title or land use, the plot dimensions, and the possible existence of any road widening, cut line, or reservation • A plan description: <ol style="list-style-type: none"> 1. Any proposed and/or revised addition and/or alteration 2. Any previous approval, if applicable 3. Details of any litigation relating to the plot <p>The drawings should show plans, sections, and elevations, together with other necessary details pertaining to RCC elements, joinery work, and covered areas of every floor, including the basement (if applicable).</p>	60 days	PKR 140,000

No.	Procedure	Time to complete	Cost to complete
	<p>In addition, a block plan of the site, drawn to a scale of not less than 1:500 (1":8') should be included. Such a plan and sections should show the building's intended use; the access to and from the various parts of the building; the position dimensions; the means of ventilation; the proposed plinth height; the superstructure at each floor level; and the dimensions and descriptions of all the walls, floors, roofs, staircases, elevators, and the like.</p> <ul style="list-style-type: none"> • A description of the proposed construction: <ol style="list-style-type: none"> 1. Type of building 2. Total floor area 3. Number of floors 4. Number of units (for public sale projects only) 5. Car parking space 6. Area of amenity space • Particulars of the licensed professionals employed to prepare the plan and supervise work: <ol style="list-style-type: none"> 1. Name 2. License number/professional registration number from the Public Electricity Corporation (PEC) 3. National identity card number 4. Mailing and permanent address/ telephone number 5. Office address and telephone number • A specification of the building's intended use (i.e., is it being built for public sale) • A list of other documents to be attached to the application (photocopies should be duly attested by the professional): <ol style="list-style-type: none"> 1. Lease/sale deed, allotment order, mutation (or transfer) order (or extract) 2. Possession order 3. Acknowledgement of possession 4. Site plan 5. No-objection certificate (NOC), if applicable 6. National identity card 7. Letter from the owner, or attorney of the owner, authorizing a named professional whose license or registration number should also be provided, to complete and comply with the requirements of the Sindh Building Control Ordinance of 1979, as amended, and with the requirements of the regulations framed under the ordinance for and on behalf of the owner. The letter should also indicate that a plinth certificate notice would be provided at the completion of the plinth as required under section 3-2.10 of the Karachi Building and Town Planning Regulations of 2002. The letter should also specify that the owner would abide by all the aforementioned rules and regulations, and it must be signed by the owner or the owner's attorney, contain their national identity card number, email address, mailing and permanent address, telephone number, and the signature and particulars of the architect and structural engineer. • A form specifying the architect's and structural engineer's undertaking: <ol style="list-style-type: none"> 1. The KBCA operates under the Sindh Local Government Ordinance of 2002, and falls under the control of the Karachi City District 		

No.	Procedure	Time to complete	Cost to complete
	<p>Government of which the Nazim (elected head of Karachi city local council) is the chief executive.</p> <p>If the property is in a military cantonment jurisdiction, BuildCo must send the documents to the Cantonment Board, which takes about 30 days. The Doing Business case study considered here assumes that the property is not located in this type of jurisdiction.</p> <p><i>Agency: Karachi Building Control Authority</i></p>		
3	<p>Notify the Karachi Building Control Authority (KBCA) in writing of the completion of foundations</p> <p>Upon completion of the plinth level, BuildCo is required to notify the KBCA so that they can verify the building lines.</p> <p><i>Agency: Karachi Building Control Authority</i></p>	1 day	no charge
4	<p>Receive foundations work inspection from the Karachi Building Control Authority (KBCA)</p> <p>Except for Category 1 building works, Regulation No. 3-2.10 of the 2002 Regulations requires BuildCo to notify the KBCA upon completion of plinth level and, in the case of a basement, upon the completion of foundations, so that KBCA can verify the building lines. Regulation No. 3-2.10 also indicates that no further work can be carried out for a 15-day period following the notification date.</p> <p>During this period, the KBCA either approves the building lines or informs the owner or owner's representative of any possible errors found. If no response is received from the KBCA within the 15-day period, the owner can proceed with the building works after notifying the KBCA, provided that the construction is consistent with the approved building plan.</p> <p><i>Agency: Karachi Building Control Authority</i></p>	15 days	no charge
5	<p>Request a copy of property tax valuation and copy of the certificate from the Excise and Taxation Department</p> <p>BuildCo must obtain a copy of the property tax valuation and a copy of the certificate from the tax authorities confirming that it does not owe them any money. These documents are submitted along with the water connection application.</p> <p>The Excise and Taxation Department of the Government of Sindh provides the property tax valuation after the building is completed. The department inspects the building and issues a certificate to the owner of the building. The certificate provides an assessment of the value of the building. If BuildCo has any objections to this assessment, it is required to make them known within 14 days. Otherwise, the department issues a PT-1 Form, a certificate that provides the assessed</p>	30 days	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>value of the property and the resultant property tax to be charged.</p> <p>The documents needed are the following:</p> <ul style="list-style-type: none"> • An application providing information relating to the building • Title documents/ documents evidencing title of the property • Approved building plan • National identity card of the applicant <p><i>Agency: Excise and Taxation Department</i></p>		
6	<p>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</p> <p><i>Agency: Excise and Taxation Department</i></p>	1 day	no charge
7	<p>* Request water and sewerage connection</p> <p>An application form must be submitted to the Karachi Water and Sewerage Board along with the following documents to apply for water and sewerage connection:</p> <ul style="list-style-type: none"> • A copy of the approved building plan along with a copy of the letter under the cover of which the approved building plan was issued by the KBCA • Proof of ownership of the plot, or for a tenancy, a copy of the lease agreement • A copy of the property tax valuation • A copy of the certificate from the tax authorities confirming that the company does not owe them any money • A copy of the applicant's national identity card <p><i>Agency: Karachi Water and Sewerage Board</i></p>	60 days	PKR 90,000
8	<p>Apply for occupancy permit and request final inspection</p> <p>After the building is completed, a "notice of completion and permission for occupation" form must be submitted along with the architect's certificate. After receipt of this notice, the KBCA inspects the building to verify that it has been built according to the approved plans.</p> <p><i>Agency: Karachi Building Control Authority</i></p>	1 day	no charge
9	<p>* Receive final inspection</p> <p><i>Agency: Karachi Building Control Authority</i></p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
10	<p>Receive completion certificate from the Karachi Building Control Authority (KBCA)</p> <p><i>Agency: Karachi Building Control Authority</i></p>	51 days	no charge

* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: Doing Business database.

Summary of time, cost and procedures for dealing with construction permits in Pakistan - Lahore

No.	Procedure	Time to complete	Cost to complete
1	<p>Obtain letter from concerned authority confirming the land title</p> <p>BuildCo must obtain a letter from the concerned authority confirming the title or land use, the dimensions of the plot, and the possible existence of any road widening, cut line, or reservation.</p> <p><i>Agency: Lahore Development Authority (LDA)</i></p>	30 days	no charge
2	<p>Obtain a building permit</p> <p>According to the Building and Zoning By Laws of 2007, in order to obtain approval to execute the works, the building company must apply in writing to the Building Department of Lahore Development Authority (LDA) and submit the following documents:</p> <ol style="list-style-type: none"> Application form signed by the registered architect, the attorney-in-practice, and a registered structural engineer; Five sets of building plans (site plan, architectural drawings with elevations and sections, structural drawings, and stability certificate), each signed by the relevant professional (either the architect or the structural engineer); Proof of ownership (copy of the sale deed, copy of the allotment letter, or fard); Copy of the company's memorandum of incorporation; Power of attorney to act on behalf of the company and a copy of the national identification card of the attorney-in-practice. <p>If the building company does not receive a response to its application within 45 days of submission, it can send a written communication by registered post to the relevant authority. If such communication is not answered within 15 days, the building company can assume that the building plan approval has been granted and can start construction (as per Art. 27.6, Section 192, Fourth Schedule, Chapter 14 of the Punjab Local Government Ordinance, 2001).</p>	60 days	PKR 140,000

No.	Procedure	Time to complete	Cost to complete
	<i>Agency: Lahore Development Authority (LDA)</i>		
3	<p>Notify the Lahore Development Authority (LDA) in writing of the completion of foundations</p> <p>Upon completion of the foundation level, BuildCo is required to notify the LDA so that they can conduct an inspection.</p> <p><i>Agency: Lahore Development Authority (LDA)</i></p>	1 day	no charge
4	<p>Receive foundations work inspection from the Lahore Development Authority (LDA)</p> <p>Inspectors from LDA must inspect the building site when the foundations have been laid. Inspections are free of charge.</p> <p><i>Agency: Lahore Development Authority (LDA)</i></p>	1 day	no charge
5	<p>Request assessment copy of property unit from the Excise and Taxation Department</p> <p>BuildCo must obtain a copy of the property tax valuation and a copy of the certificate from the tax authorities confirming that the company does not owe them any money. These documents are submitted along with the water connection application.</p> <p>The Excise and Taxation Department of the Government of the Punjab provides the property tax valuation after the building is completed. The department inspects the building and issues a certificate to the owner of the building. The certificate provides an assessment of the value of the building. If BuildCo has any objections to this assessment, it is required to make them known within 14 days. Otherwise, the department issues a PT-1 Form, a certificate that provides the assessed value of the property and the resultant property tax to be charged. The following documents are needed:</p> <ul style="list-style-type: none"> • An application providing information relating to the building • Title documents/ documents evidencing title of the property • Approved building plan • National identity card of the applicant <p><i>Agency: Excise & Taxation Department, Government of The Punjab</i></p>	30 days	no charge
6	<p>Receive inspection from the Excise and Taxation Department and obtain the assessment copy of property unit</p> <p>The department inspects the building and issues a certificate to the owner of the building. The certificate provides an assessment of the value of the building.</p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
	<i>Agency: Excise & Taxation Department, Government of The Punjab</i>		
7	<p>* Request water and sewerage connection</p> <p>The following documents should be provided with the new connection form:</p> <ul style="list-style-type: none"> - Attested photocopy of CNIC - Attested photocopy of sale deed/proof of ownership - Copy of the assessment of property unit - Site plan to indicate location of property <p><i>Agency: Water and Sewerage Authority (WASA)</i></p>	60 days	PKR 90,000
8	<p>Apply for occupancy permit and request final inspection</p> <p>After the building is completed, a "notice of completion and permission for occupation" form is to be submitted along with the architect's certificate. After receipt of this notice, the LDA inspects the building to verify that it has been built according to the approved plans.</p> <p><i>Agency: Lahore Development Authority (LDA)</i></p>	7 days	no charge
9	<p>Receive final inspection</p> <p><i>Agency: Lahore Development Authority (LDA)</i></p>	1 day	no charge
10	<p>Receive completion certificate from the Lahore Development Authority (LDA)</p> <p>After the final inspection has taken place, and provided that the works have been carried out according to the approved building plan, the Lahore Development Authority (LDA) issues a certificate of completion.</p> <p><i>Agency: Lahore Development Authority (LDA)</i></p>	60 days	no charge

* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: Doing Business database.

GETTING ELECTRICITY

Access to reliable and affordable electricity is vital for businesses. To counter weak electricity supply, many firms in developing economies have to rely on self-supply, often at a prohibitively high cost. Whether electricity is reliably available or not, the first step for a customer is always to gain access by obtaining a connection.

What do the indicators cover?

Doing Business records all procedures required for a local business to obtain a permanent electricity connection and supply for a standardized warehouse, as well as the time and cost to complete them. These procedures include applications and contracts with electricity utilities, clearances from other agencies and the external and final connection works. The ranking of economies on the ease of getting electricity is determined by sorting their distance to frontier scores for getting electricity. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, several assumptions are used.

The warehouse:

- Is owned by a local entrepreneur, located in the economy's largest business city, in an area where other warehouses are located. For the 11 economies with a population of more than 100 million, data for a second city have been added.
- Is not in a special economic zone where the connection would be eligible for subsidization or faster service.
- Is located in an area with no physical constraints (ie. property not near a railway).
- Is a new construction being connected to electricity for the first time.
- Is 2 stories, both above ground, with a total surface of about 1,300.6 square meters (14,000 square feet), is built on a plot of 929 square meters (10,000 square feet), is used for storage of refrigerated goods

The electricity connection:

- Is 150 meters long and is a 3-phase, 4-wire Y, 140-kilovolt-ampere (kVA) (subscribed capacity) connection.

WHAT THE GETTING ELECTRICITY INDICATORS MEASURE

Procedures to obtain an electricity connection (number)

- Submitting all relevant documents and obtaining all necessary clearances and permits
- Completing all required notifications and receiving all necessary inspections
- Obtaining external installation works and possibly purchasing material for these works
- Concluding any necessary supply contract and obtaining final supply

Time required to complete each procedure (calendar days)

- Is at least 1 calendar day
- Each procedure starts on a separate day
- Does not include time spent gathering information
- Reflects the time spent in practice, with little follow-up and no prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- Excludes value added tax
- 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. Included only negligible length in the customer's private domain.
- Requires crossing of a 10-meter road but all the works are carried out in a public land, so there is no crossing into other people's private property.
- Involves installing one electricity meter. The monthly electricity consumption will be 26880 kilowatt hour (kWh). The internal electrical wiring has been completed.

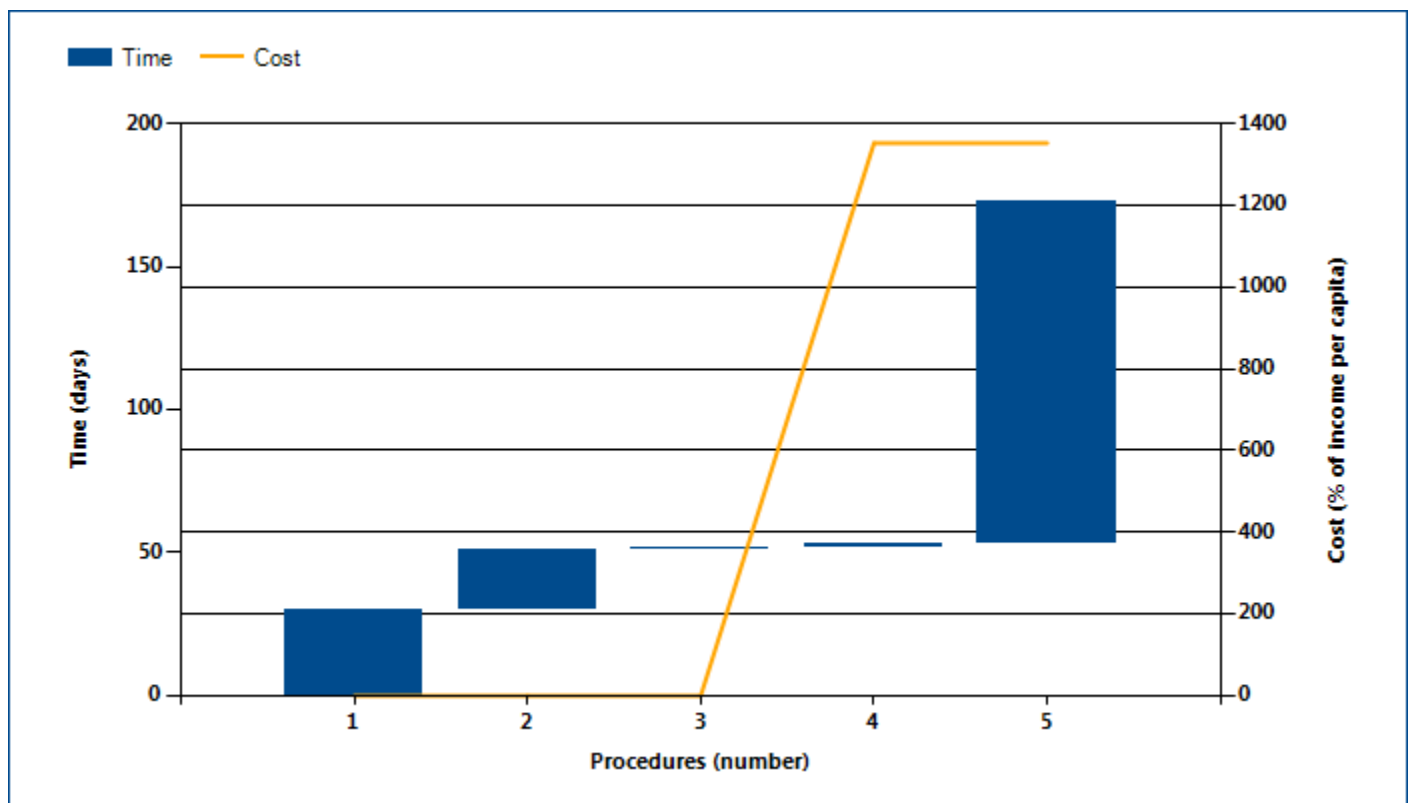
GETTING ELECTRICITY

Where does the economy stand today?

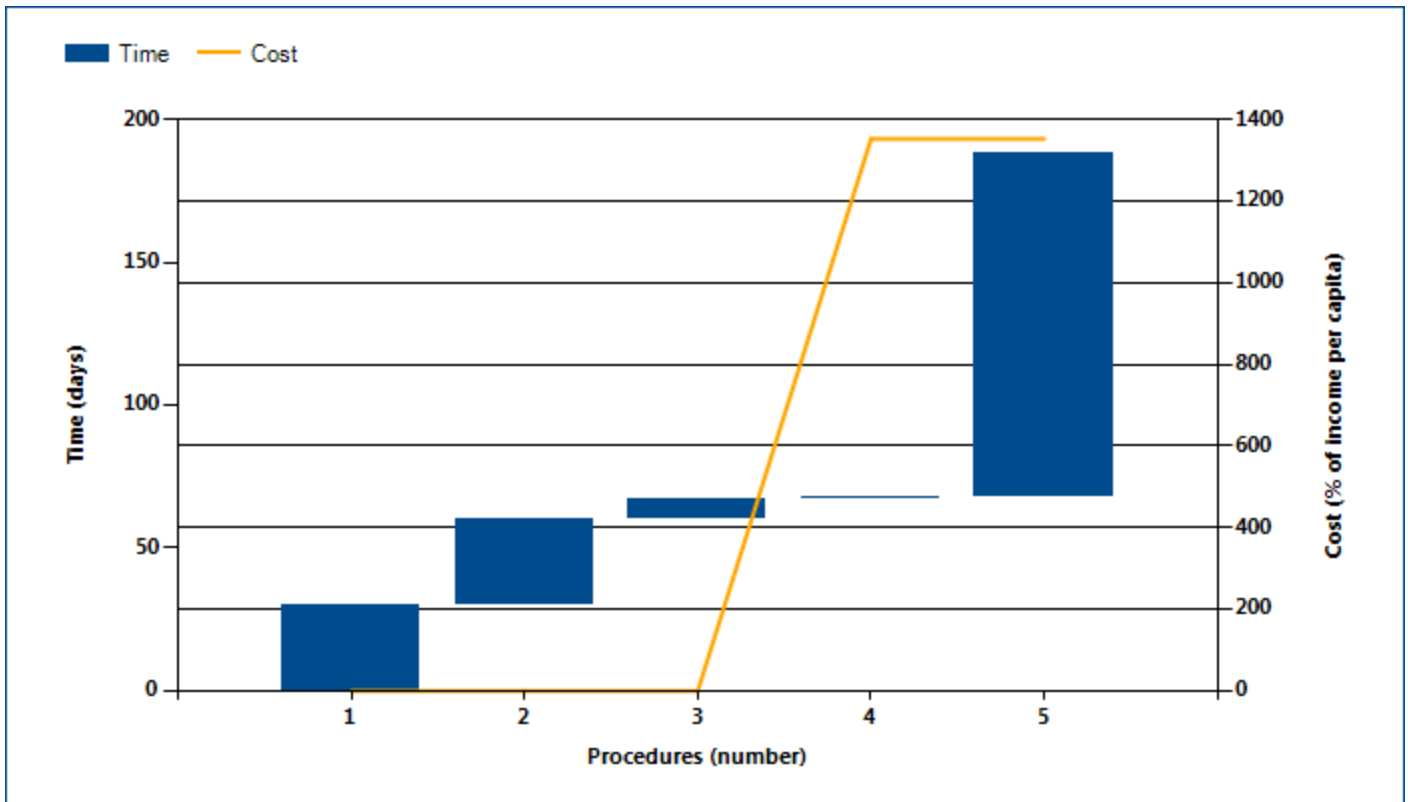
What does it take to obtain a new electricity connection in Pakistan? According to data collected by *Doing Business*, getting electricity there requires 5.0 procedures, takes 178.3 days and costs 1353.3% of income per capita (figure 4.1).

Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 4.1 What it takes to obtain an electricity connection in Pakistan - Karachi



What it takes to obtain an electricity connection in Pakistan - Lahore



Note: Time shown in the figure above may not reflect simultaneity of procedures. For more information on the methodology of the getting electricity indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

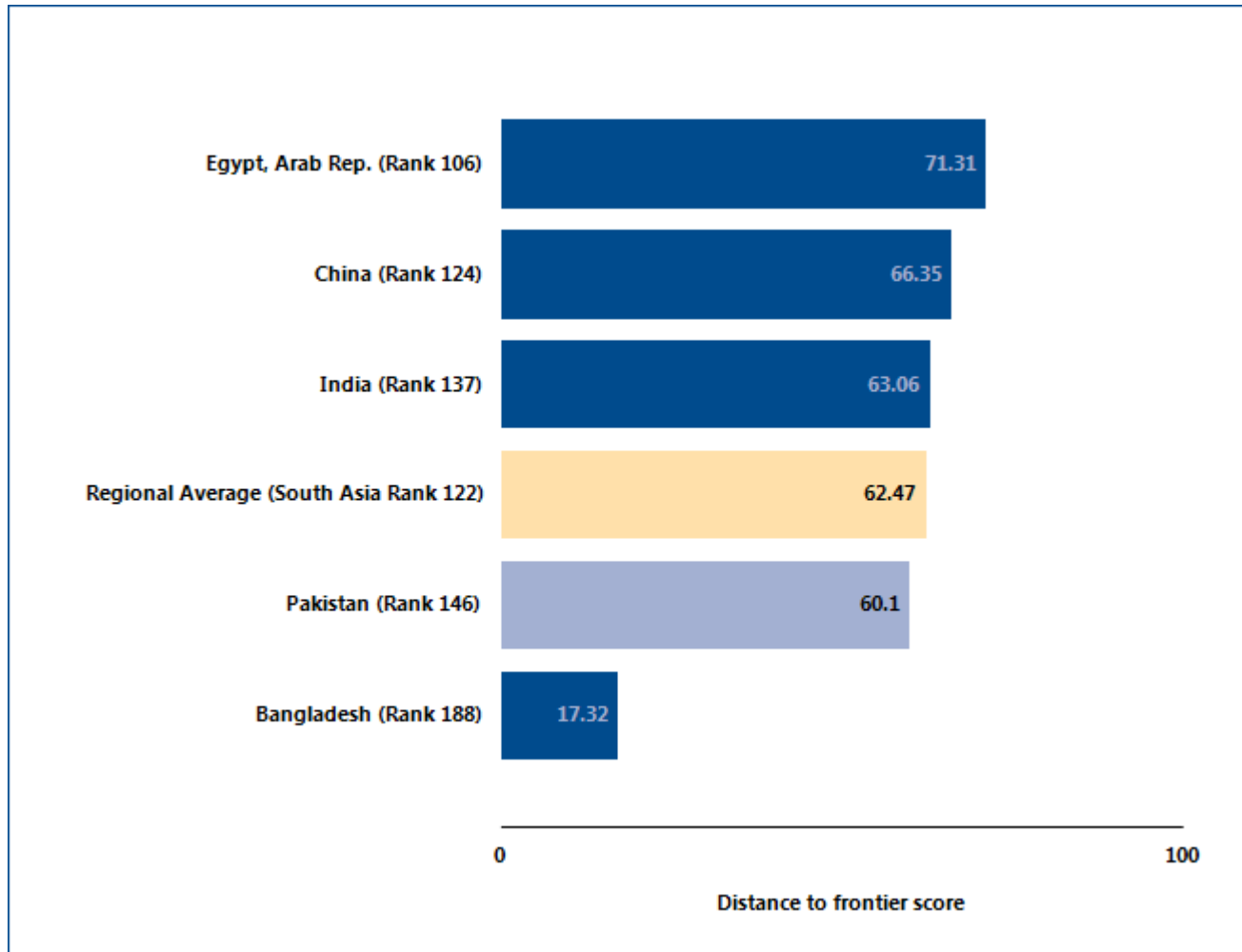
Source: *Doing Business* database.

GETTING ELECTRICITY

Globally, Pakistan stands at 146 in the ranking of 189 economies on the ease of getting electricity (figure 4.2). The rankings for comparator economies and the regional

average ranking provide another perspective in assessing how easy it is for an entrepreneur in Pakistan to connect a warehouse to electricity.

Figure 4.2 How Pakistan and comparator economies rank on the ease of getting electricity



Source: Doing Business database.

GETTING ELECTRICITY

What are the details?

The indicators reported here for Pakistan are based on a set of specific procedures—the steps that an entrepreneur must complete to get a warehouse connected to electricity by the local distribution utility—identified by *Doing Business*. Data are collected from the 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 surveyed is the one serving the area (or areas) in which warehouses are located. If there is a choice of distribution utilities, the one serving the largest number of customers is selected.

OBTAINING AN ELECTRICITY CONNECTION

Name of utility - Karachi:	Karachi Electricity Supply Company Ltd
Name of utility - Lahore:	Lahore Electricity Supply Company Ltd (LESCO)
City:	Karachi, Lahore

The procedures are those that apply to a warehouse and electricity connection matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). The procedures, along with the associated time and cost, are summarized below.

Table 4.2 Summary of time, cost and procedures for getting electricity in Pakistan - Karachi

No.	Procedure	Time to complete	Cost to complete
1	<p>Submit application to Karachi Electricity Supply Company (KESCO) and await site inspection</p> <p>Application form should be verified by Licensed Electrical Contractor, should be accompanied with Copy of the computerized national identity card (CNIC) of owner, copy of approved building plan, copy of approved layout plan, copy of covering letter of approved layout plan, copy of trade license, list of machinery, equipment, details of chiller units (in case of centrally air conditioned units), passport size photo of applicant, company letter head mentioning name of authorizing person, his CNIC number.</p> <p><i>Agency: Karachi Electricity Supply Company (KESCO)</i></p>	30 calendar days	PKR 0
2	<p>KESCO conducts site inspection and prepares and sends an estimate of costs</p> <p><i>Agency: Karachi Electricity Supply Company (KESCO)</i></p>	21 calendar days	PKR 0

No.	Procedure	Time to complete	Cost to complete
3	<p>Electrician obtains wiring test form</p> <p>Contractor has to collect this test form from the Government (they issue one form per connection application). He only needs to give the address of the property to obtain the form.</p> <p><i>Agency: Electrical Contractor</i></p>	1 calendar day	PKR 0
4	<p>* Make payment of estimated amount at the bank counter of KESCO and submits internal wiring test report form to KESCO</p> <p>The payment has to be made by cheque at the Bank counter of the utility. The internal wiring test report form is obtained by the licensed contractor from the Sindh Government and he completes the form testifying that the electrical wiring of the warehouse has been tested and meets the required testing guidelines.</p> <p><i>Agency: Karachi Electricity Supply Company (KESCO)</i></p>	1 calendar day	PKR 1,786,636.01
5	<p>Await completion of external connection works, meter installation, and electricity from KESCO</p> <p>External connection works includes erection of Poles, laying of HT/LT Cables, completion of PMT / Sub Station work and providing connection to the location, meter installation works.</p> <p><i>Agency: Karachi Electricity Supply Company (KESCO)</i></p>	120 calendar days	PKR 0

* Takes place simultaneously with another procedure.

Source: Doing Business database.

Summary of time, cost and procedures for getting electricity in Pakistan - Lahore

No.	Procedure	Time to complete	Cost to complete
1	<p>Submit application to Lahore Electricity Supply Company (LESCO) and await site inspection</p> <p>Application form should be verified by Licensed Electrical Contractor, should be accompanied with Copy of the computerized national identity card (CNIC) of owner, copy of approved building plan, copy of approved layout plan, copy of covering letter of approved layout plan, copy of trade license, list of machinery, equipment, details of chiller units (in case of centrally air conditioned units), passport size photo of applicant, company letter head mentioning name of authorizing person, his CNIC number.</p> <p><i>Agency: LESCO</i></p>	30 calendar days	PKR 0

No.	Procedure	Time to complete	Cost to complete
2	<p>LESCO conducts site inspection and prepares and sends an estimate of costs</p> <p>Agency: <i>LESCO</i></p>	30 calendar days	PKR 0
3	<p>Electrician obtains wiring test form</p> <p>Contractor has to collect this test form from the Government (they issue one form per connection application). He only needs to give the address of the property to obtain the form.</p> <p>Agency: <i>Electrical Contractor</i></p>	7 calendar days	PKR 0
4	<p>Make payment of estimated amount at the bank counter of LESCO and submits internal wiring test report</p> <p>The payment has to be made by cheque at the Bank counter of the utility. The internal wiring test report form is obtained by the licensed contractor testifying that the electrical wiring of the warehouse has been tested and meets the required testing guidelines.</p> <p>Agency: <i>LESCO</i></p>	1 calendar day	PKR 1,786,636.01
5	<p>Await completion of external connection works, meter installation, and electricity from LESCO</p> <p>External connection works includes erection of Poles, laying of HT/LT Cables, completion of PMT / Sub Station work and providing connection to the location, meter installation works.</p> <p>Agency: <i>LESCO</i></p>	120 calendar days	PKR 0

* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

REGISTERING PROPERTY

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. And where property is informal or poorly administered, it has little chance of being accepted as collateral for loans—limiting access to finance.

What do the indicators cover?

Doing Business records the full sequence of procedures necessary for a business to purchase property from another business and transfer the property title to the buyer's name. 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. 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. To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned and perform general commercial activities.
- Are located in the economy's largest business city².
- Have 50 employees each, all of whom are nationals.

The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Is registered in the land registry or cadastral, or both, and is free of title disputes.
- Property will be transferred in its entirety.

WHAT THE REGISTERING PROPERTY INDICATORS MEASURE

Procedures to legally transfer title on immovable property (number)

Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)

Registration in the economy's largest business city²

Postregistration (for example, filing title with the municipality)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are recorded as ½ day.

Procedure considered completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of property value)

Official costs only, no bribes

No value added or capital gains taxes included

- Is located in a periurban commercial zone, and no rezoning is required.
- Has no mortgages attached, has been under the same ownership for the past 10 years.
- Consists of 557.4 square meters (6,000 square feet) of land and a 10-year-old, 2-story warehouse of 929 square meters (10,000 square feet). The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. There is no heating system.

² For the 11 economies with a population of more than 100 million, data for a second city have been added.

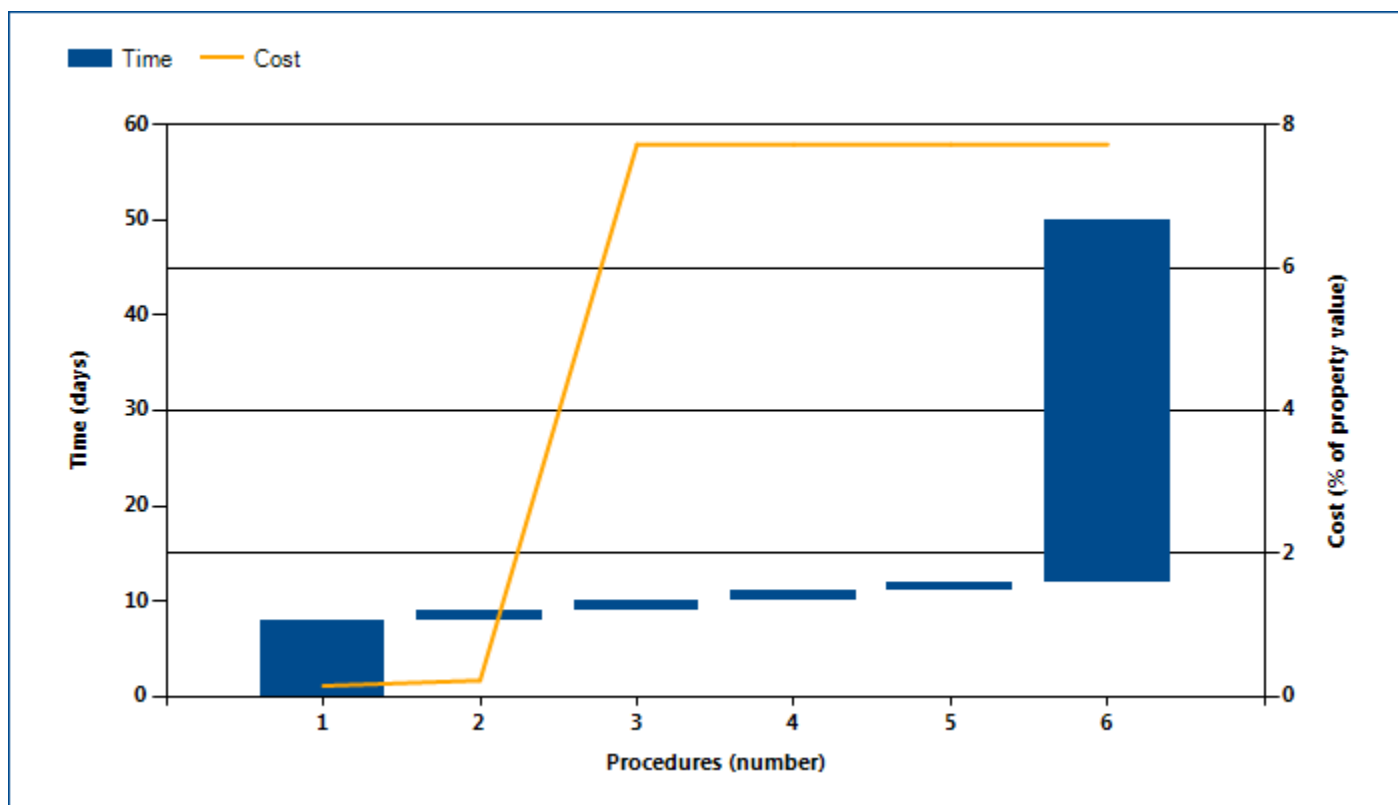
REGISTERING PROPERTY

Where does the economy stand today?

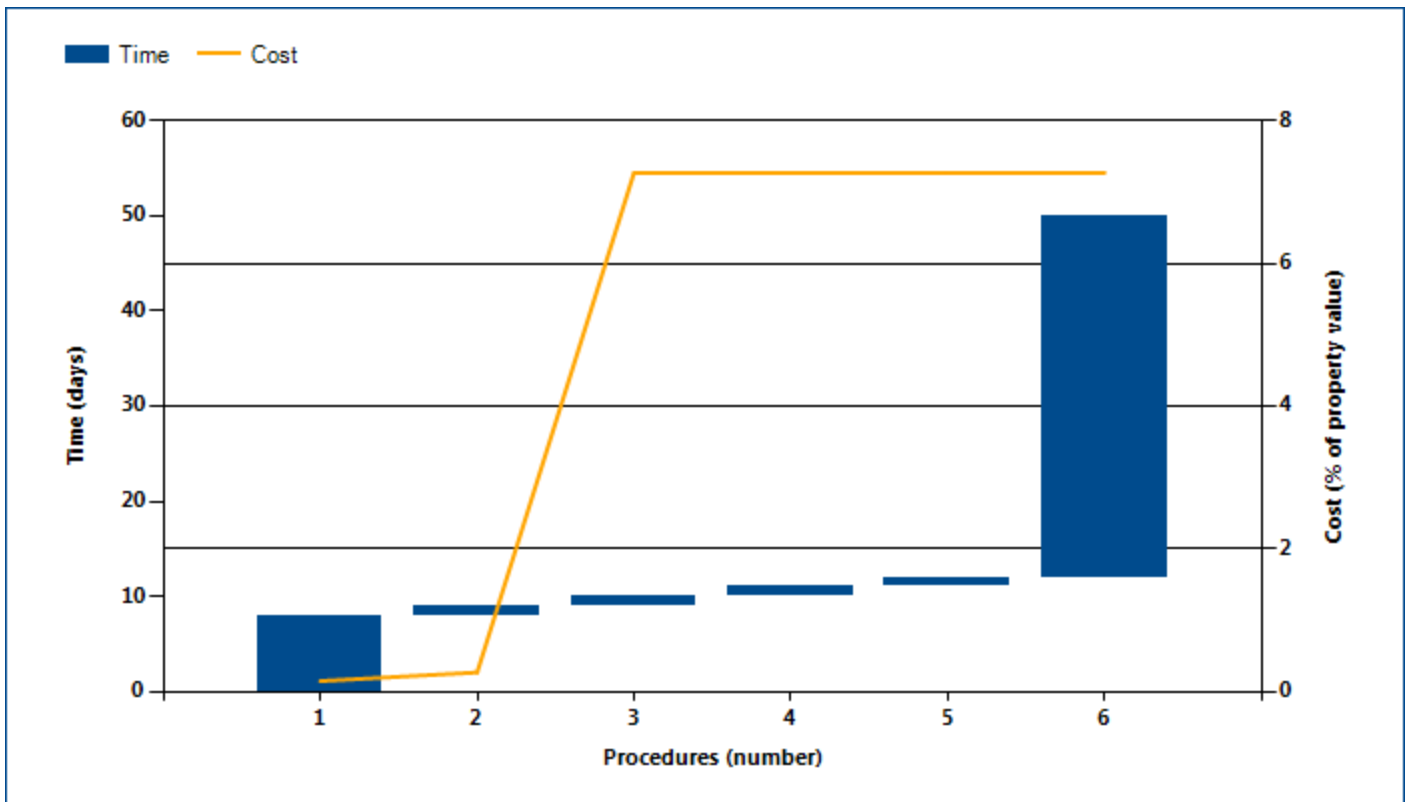
What does it take to complete a property transfer in Pakistan? According to data collected by *Doing Business*, registering property there requires 6.0 procedures, takes 50.0 days and costs 7.6% of the property value (figure 5.1).

Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 5.1 What it takes to register property in Pakistan - Karachi



What it takes to register property in Pakistan - Lahore



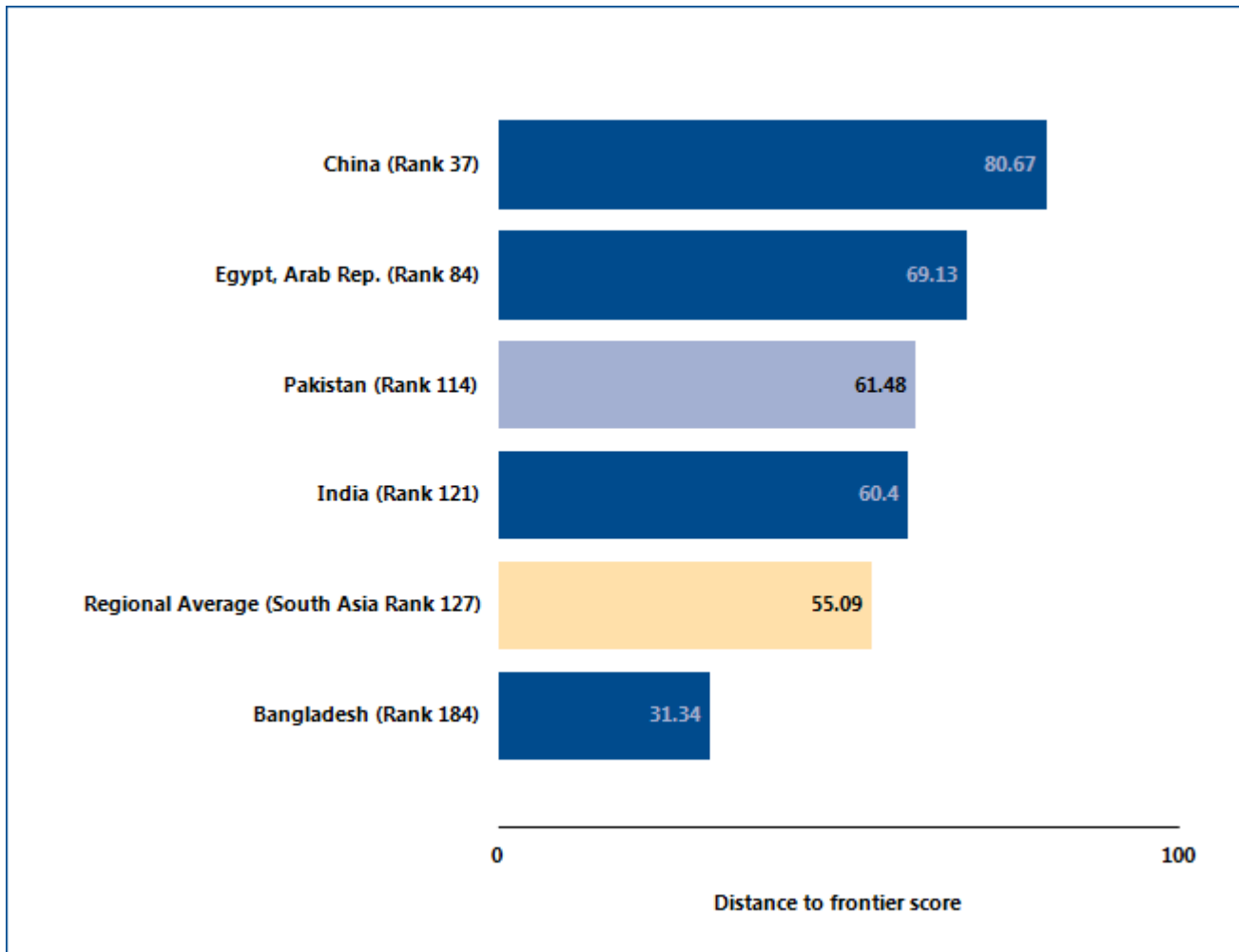
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the registering property indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter. Source: *Doing Business* database.

REGISTERING PROPERTY

Globally, Pakistan stands at 114 in the ranking of 189 economies on the ease of registering property (figure 5.2). The rankings for comparator economies and the

regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Pakistan to transfer property.

Figure 5.2 How Pakistan and comparator economies rank on the ease of registering property



Source: Doing Business database.

REGISTERING PROPERTY

Economies worldwide have been making it easier for entrepreneurs to register and transfer property—such as by computerizing land registries, introducing time limits for procedures and setting low fixed fees. Many have cut

the time required substantially—enabling buyers to use or mortgage their property earlier. What property registration reforms has *Doing Business* recorded in Pakistan (table 5.1)?

Table 5.1 How has Pakistan made registering property easier—or not?

By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2011	Pakistan made registering property more expensive by doubling the capital value tax to 4%.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

REGISTERING PROPERTY

What are the details?

The indicators reported here are based on a set of specific procedures—the steps that a buyer and seller must complete to transfer the property to the buyer's name—identified by *Doing Business* through information collected from local property lawyers, notaries and property registries. These procedures are those that apply to a transaction matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

STANDARD PROPERTY TRANSFER

Property value: **PKR 6,601,001**

City: **Karachi, Lahore**

The procedures, along with the associated time and cost, are summarized below.

Table 5.2 Summary of time, cost and procedures for registering property in Pakistan

No.	Procedure	Time to complete	Cost to complete
1	<p>Advertisement of a transaction in newspapers and inviting objections</p> <p>The public notice in two different newspapers having circulation of 100,000 copies, in English and in Urdu news paper, inviting objections/claims should be placed. After publication, there is a seven-day waiting time for arrival of objections, if any. Advertisement is published in local newspapers (dailies) having a large circulation. Simultaneously, the buyer will verify the authenticity of the documents presented by the seller as well his authority to act on behalf of the company to sell this property. At the same time, there is a checking for any encumbrances.</p> <p><i>Agency: Local Newspaper</i></p>	8 days	PKR 10,000
2	<p>Hire the deed writer or the lawyer to draft the sale purchase agreement</p> <p>It is common practice in Pakistan to hire a lawyer to draft the sale purchase agreement. People who cannot afford lawyers hire a deed writer costing around PKP 1,000.</p> <p><i>Agency: Lawyer</i></p>	1 day	PKR 8,000
3	<p>Payment of the stamp duty, capital value tax, town tax and registration fee</p> <p>Following payments must be made:</p> <ul style="list-style-type: none"> (i) Conveyance stamp duty 3% of property value. (ii) The capital value tax (CVT) is set at 2% of the property value (Punjab Finance Act, 2010). After the 18th constitutional amendment (April, 	1 day	2 % of the property price (Capital value tax) +3% of property price (stamp duty) + 1% of property

No.	Procedure	Time to complete	Cost to complete
	<p>2010), the CVT on property was transferred to the provincial governments. CVT is applicable in urban areas for residential property exceeding an area of one kanal and in case of commercial properties without any threshold of land area or size of the property. However, where the value of such property is not recorded, the CVT is payable at Rs. 100 per square yard of land area.</p> <p>(iii) 1% of property value for the registration fee. (iv) 1% of the property value for the Town Tax</p> <p>Fees are paid at the Government Treasury or National Bank of Pakistan, an autonomous bank jointly owned by Government of Pakistan and public, who issue receipt of money which is taken to the Stamp office of the Government.</p> <p>The receipt of payment is taken to the Stamp Office of the Government. The Stamp office will, upon production of receipt, issue a stamp paper of the value (money deposited) on the Sale Deed. Such typed stamp paper will be presented later before the Registrar, who registers the change of ownership.</p> <p><i>Agency: Government Treasury or National Bank of Pakistan</i></p>		<p>price (registration fee)+ 1% Town Tax</p>
4	<p>Obtain the Non-Objection Certificate</p> <p>The Deputy District Officer Revenue and the District Officer Revenue, at Town and city level respectively, issue a "No Objection Certificate" in favour of the Seller permitting the sale of the property, provided that the entire amount due and payable in respect of the property has been satisfied.</p> <p><i>Agency: District Officer Revenue</i></p>	1 day	Already paid in Procedure 3
5	<p>Receipt of the payment is submitted to the Stamp Office</p> <p>The receipt of payment obtained in Procedure 4 is taken to the Stamp Office of the Government. The Stamp office will, upon production of receipt, issue a stamp paper of the value (money deposited) on the Sale Deed. Such typed stamp paper will be presented later before the Registrar, who registers the change of ownership.</p> <p><i>Agency: Stamp Office of the Government</i></p>	1 day	no cost
6	<p>Execution and registration of a deed before the registration authority</p> <p>The conveyance deed must be executed before the registering authority. Execution of the deed is done before the Sub-Registrar of Conveyance/Assurances of the area, official responsible under the Registration Act. Registration of the deed automatically follows the</p>	38 days	no cost

No.	Procedure	Time to complete	Cost to complete
	<p>execution of sale deed. A receipt is issued immediately, but the deed is delivered a few weeks later. The name of the buyer is recorded in the new deed, showing the change in ownership. The documentation shall include: Conveyance/Sale Deed (stamped after payment in Procedure 4) ID of parties Original title deed of seller If parties have authorized someone else through a power of attorney, the power of attorney in original with copies. The buyer will conduct post registration procedures, such as changing the name at the utility companies, property taxation and municipal services.</p> <p><i>Agency: Sub-Registrar of Conveyance/Assurances</i></p>		

* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: Doing Business database.

GETTING CREDIT

Two types of frameworks can facilitate access to credit and improve its allocation: credit information systems and borrowers and lenders in collateral and bankruptcy laws. Credit information systems enable lenders' rights to view a potential borrower's financial history (positive or negative)—valuable information to consider when assessing risk. And they permit borrowers to establish a good credit history that will allow easier access to credit. Sound collateral laws enable businesses to use their assets, especially movable property, as security to generate capital—while strong creditors' rights have been associated with higher ratios of private sector credit to GDP.

What do the indicators cover?

Doing Business assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a credit registry or a credit bureau. The strength of legal rights index measures whether certain features that facilitate lending exist within the applicable collateral and bankruptcy laws. *Doing Business* uses two case scenarios, Case A and Case B, to determine the scope of the secured transactions system, involving a secured borrower and a secured lender and examining legal restrictions on the use of movable collateral (for more details on each case, see the Data Notes section of the *Doing Business 2015* report). These scenarios assume that the borrower:

- Is a private limited liability company.
- Has its headquarters and only base of operations in the largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.

WHAT THE GETTING CREDIT INDICATORS MEASURE

Strength of legal rights index (0–12)³

Rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

Depth of credit information index (0–8)⁴

Scope and accessibility of credit information distributed by credit bureaus and credit registries

Credit bureau coverage (% of adults)

Number of individuals and firms listed in largest credit bureau as percentage of adult population

Credit registry coverage (% of adults)

Number of individuals and firms listed in credit registry as percentage of adult population

- Has up to 50 employees.
- Is 100% domestically owned, as is the lender.

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 strength of legal rights index and the depth of credit information index.

³ For the legal rights index, 2 new points are added in *Doing Business 2015* for new data collected to assess the overall legal framework for secured transactions and the functioning of the collateral registry.

⁴ For the credit information index, 2 new points are added in *Doing Business 2015* for new data collected on accessing borrowers' credit information online and availability of credit scores.

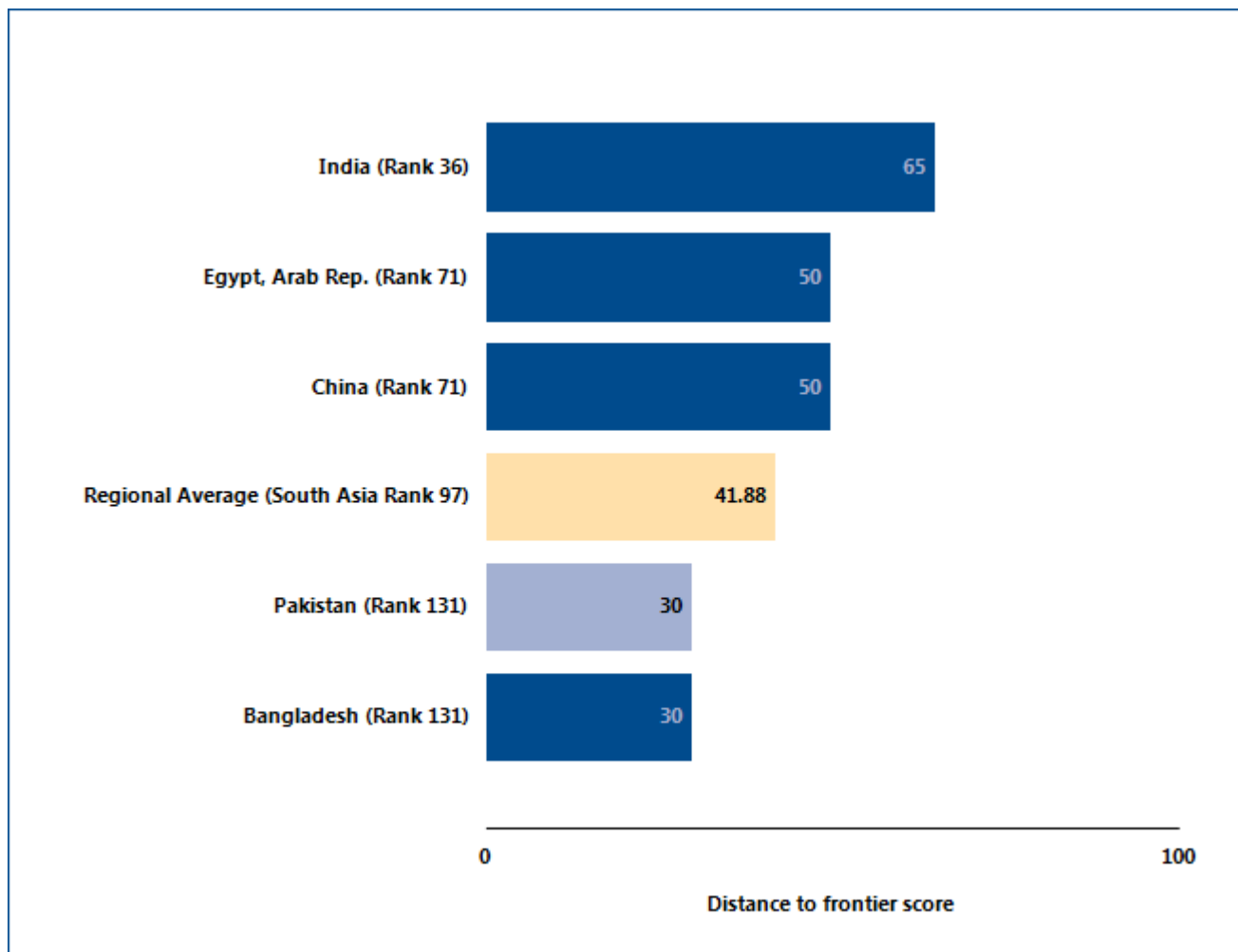
GETTING CREDIT

Where does the economy stand today?

How well do the credit information system and collateral and bankruptcy laws in Pakistan facilitate access to credit? The economy has a score of 3 on the depth of credit information index and a score of 3 on the strength of legal rights index (see the summary of scoring at the end of this chapter for details). Higher scores indicate more credit information and stronger legal rights for borrowers and lenders.

Globally, Pakistan stands at 131 in the ranking of 189 economies on the ease of getting credit (figure 6.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how well regulations and institutions in Pakistan support lending and borrowing.

Figure 6.1 How Pakistan and comparator economies rank on the ease of getting credit



Source: Doing Business database.

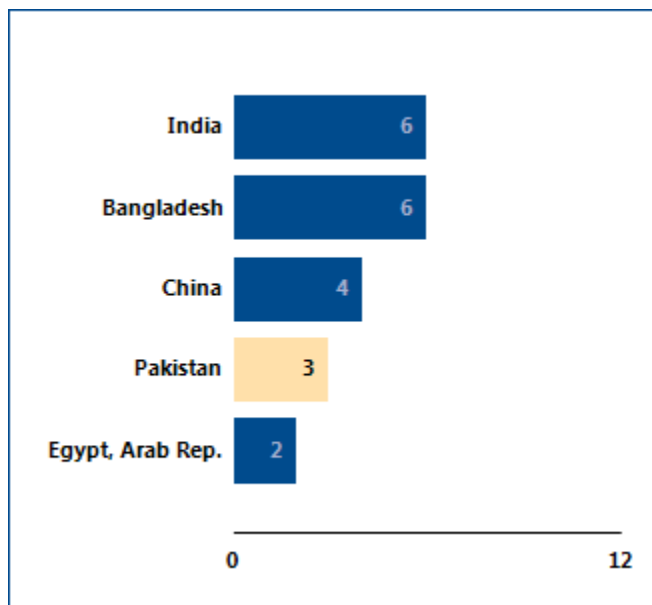
GETTING CREDIT

One way to put an economy’s score on the getting credit indicators into context is to see where the economy stands in the distribution of scores across economies. Figure 6.2 highlights the score on the strength of legal

rights index for Pakistan and shows the scores for comparator economies as well as the regional average score. Figure 6.3 shows the same for the depth of credit information index.

Figure 6.2 How strong are legal rights for borrowers and lenders?

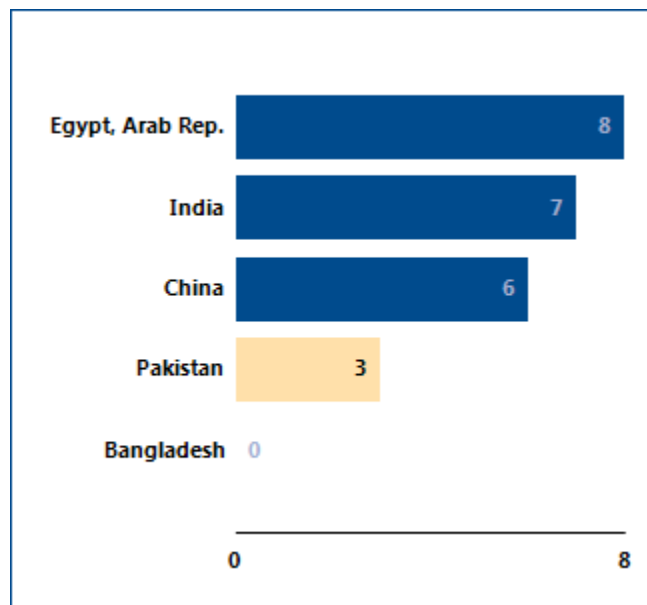
Economy scores on strength of legal rights index



Note: Higher scores indicate that collateral and bankruptcy laws are better designed to facilitate access to credit.
Source: Doing Business database.

Figure 6.3 How much credit information is shared—and how widely?

Economy scores on depth of credit information index



Note: Higher scores indicate the availability of more credit information, from either a credit registry or a credit bureau, to facilitate lending decisions. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.
Source: Doing Business database.

GETTING CREDIT

What are the details?

The getting credit indicators reported here for Pakistan are based on detailed information collected in that economy. The data on credit information sharing are collected through a survey of a credit registry and/or credit bureau (if one exists). To construct the depth of credit information index, a score of 1 is assigned for each of 8 features of the credit registry or credit bureau (see summary of scoring below).

The data on the legal rights of borrowers and lenders are gathered through a survey of financial lawyers and verified through analysis of laws and regulations as well as public sources of information on collateral and bankruptcy laws. For the strength of legal rights index, a score of 1 is assigned for each of 10 aspects related to legal rights in collateral law and 2 aspects in bankruptcy law.

Strength of legal rights index (0–12)	Karachi Index score: 3	Lahore Index score: 3
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	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	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	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	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	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	No
Does a notice-based collateral registry exist in which all functional equivalents can be registered?	No	No
Does a modern collateral registry exist in which registrations, amendments, cancellations and searches can be performed online by any interested third party?	No	No
Are secured creditors paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	No	No

Strength of legal rights index (0–12)	Karachi Index score: 3	Lahore Index score: 3
Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated?	No	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	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	No

Depth of credit information index (0–8)	Credit bureau	Credit registry	Index score: 3
Are data on both firms and individuals distributed?	No	Yes	1
Are both positive and negative credit data distributed?	No	No	0
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% 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

Note: Prior to *Doing Business 2015*, the depth of credit information index covered only the first 6 features listed above. An economy receives a score of 1 if there is a "yes" to either bureau or registry. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.

Coverage	Credit bureau (% of adults)	Credit registry (% of adults)
Number of firms	0	108,174
Number of individuals	5,048,638	8,110,126
Percent of total	4.5	7.3

Source: *Doing Business* database.

PROTECTING MINORITY INVESTORS

Protecting minority investors matters for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. Effective regulations define related-party transactions precisely, promote clear and efficient disclosure requirements, require shareholder participation in major decisions of the company and set detailed standards of accountability for company insiders.

What do the indicators cover?

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 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. To make the data comparable across economies, a case study uses several assumptions about the business and the transaction.

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least 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.

The transaction involves the following details:

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.
- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to Buyer.
- Shareholders sue the interested parties and the members of the board of directors.

WHAT THE PROTECTING MINORITY INVESTORS INDICATORS MEASURE

Extent of disclosure index (0–10)

Review and approval requirements for related-party transactions ; Disclosure requirements for related-party transactions

Extent of director liability index (0–10)

Ability of minority shareholders to sue and hold interested directors liable for prejudicial related-party transactions; Available legal remedies (damages, disgorgement of profits, fines, imprisonment, rescission of the transaction)

Ease of shareholder suits index (0–10)

Access to internal corporate documents; Evidence obtainable during trial and allocation of legal expenses

Extent of conflict of interest regulation index (0–10)

Sum of the extent of disclosure, extent of director liability and ease of shareholder indices, divided by 3

Extent of shareholder rights index (0-10.5)

Shareholders' rights and role in major corporate decisions

Strength of governance structure index (0-10.5)

Governance safeguards protecting shareholders from undue board control and entrenchment

Extent of corporate transparency index (0-9)

Corporate transparency on ownership stakes, compensation, audits and financial prospects

Extent of shareholder governance index (0–10)

Sum of the extent of shareholders rights, strength of governance structure and extent of corporate transparency indices, divided by 3

Strength of investor protection index (0–10)

Simple average of the extent of conflict of interest regulation and extent of shareholder governance indices

PROTECTING MINORITY INVESTORS

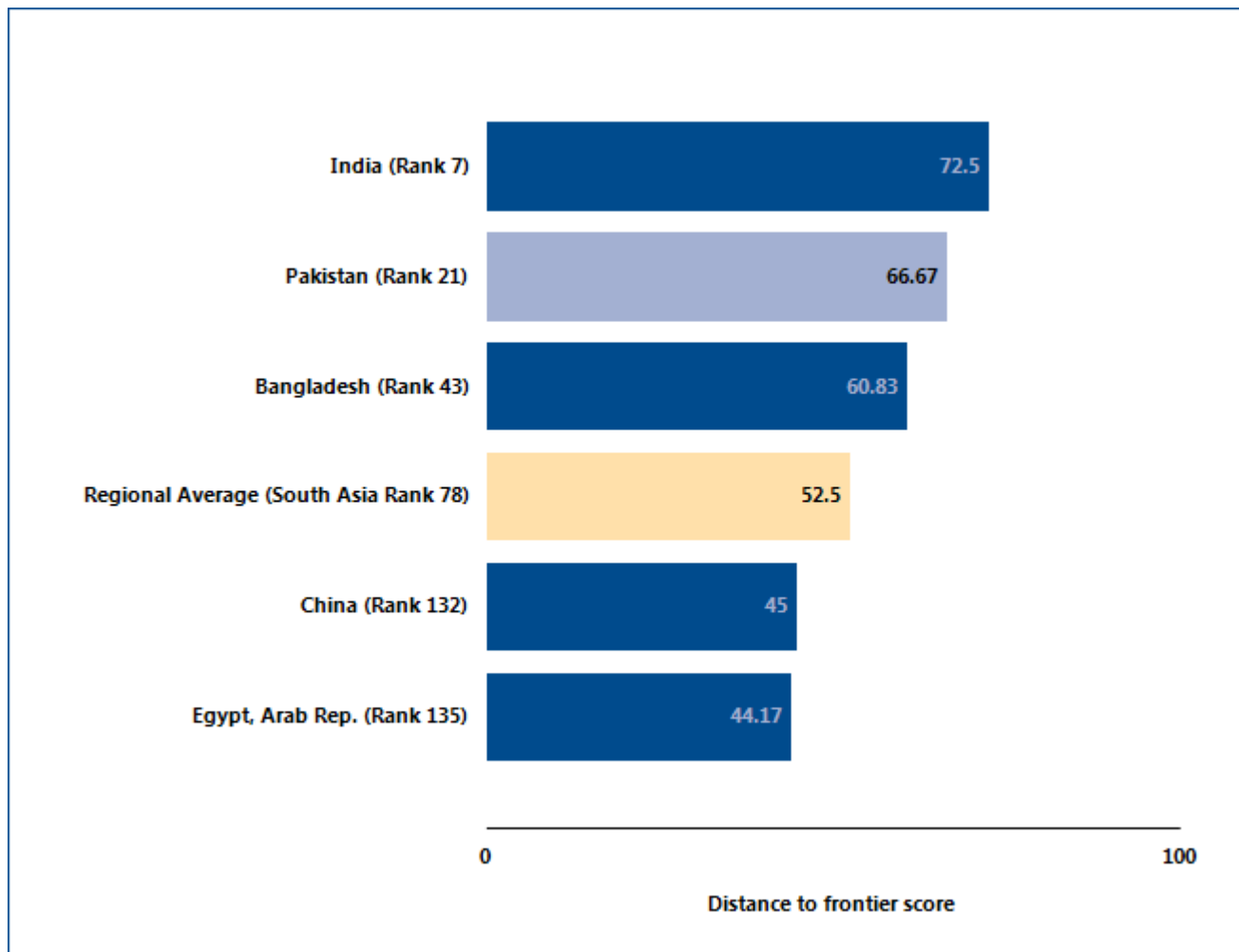
Where does the economy stand today?

How strong are minority investor protections against self-dealing in Pakistan? The economy has a score of 6.7 on the strength of minority investor protection index, with a higher score indicating stronger protections.

Globally, Pakistan stands at 21 in the ranking of 189 economies on the strength of minority investor

protection index (figure 7.1). While the indicator does not measure all aspects related to the protection of minority investors, a higher ranking does indicate that an economy's regulations offer stronger minority investor protections against self-dealing in the areas measured.

Figure 7.1 How Pakistan and comparator economies perform on the strength of minority investor protection index



Source: Doing Business database.

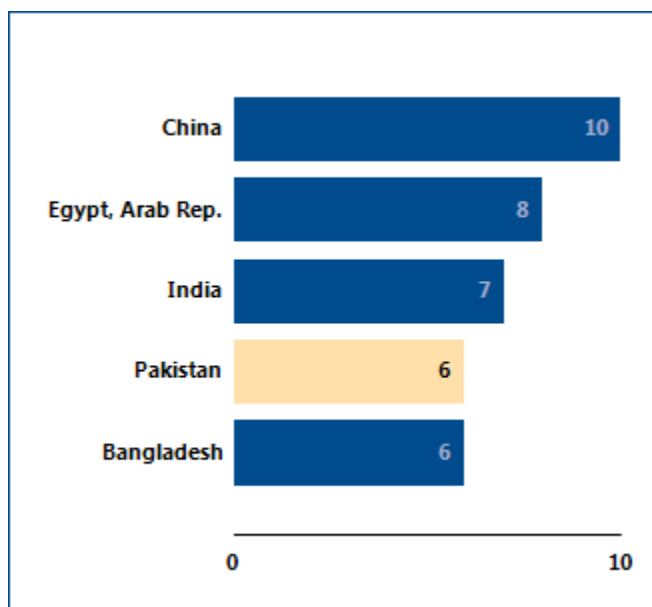
PROTECTING MINORITY INVESTORS

One way to put an economy's scores on the protecting minority investors indicators into context is to see where the economy stands in the distribution of scores across comparator economies. Figures 7.2 through 7.7 highlight the scores on the various minority investor protection

indices for Pakistan in 2014. A summary of scoring for the protecting minority investors indicators at the end of this chapter provides details on how the indices were calculated.

Figure 7.2 How extensive are disclosure requirements?

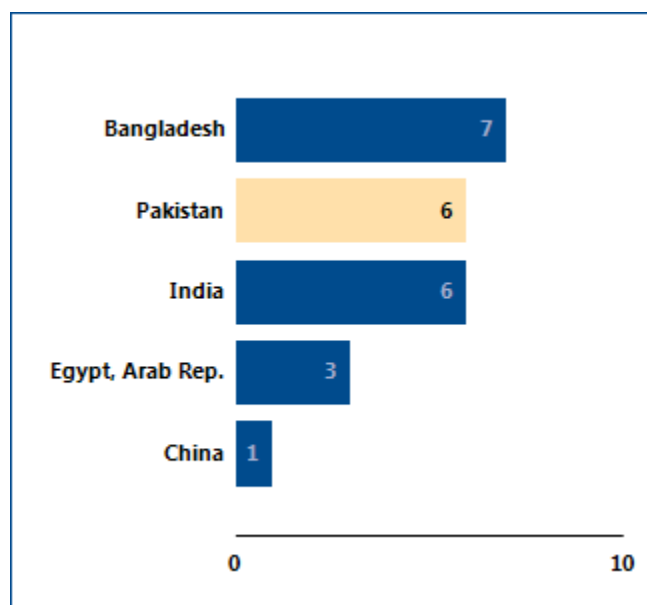
Extent of disclosure index (0-10)



Note: Higher scores indicate greater disclosure.
Source: Doing Business database.

Figure 7.3 How extensive is the liability regime for directors?

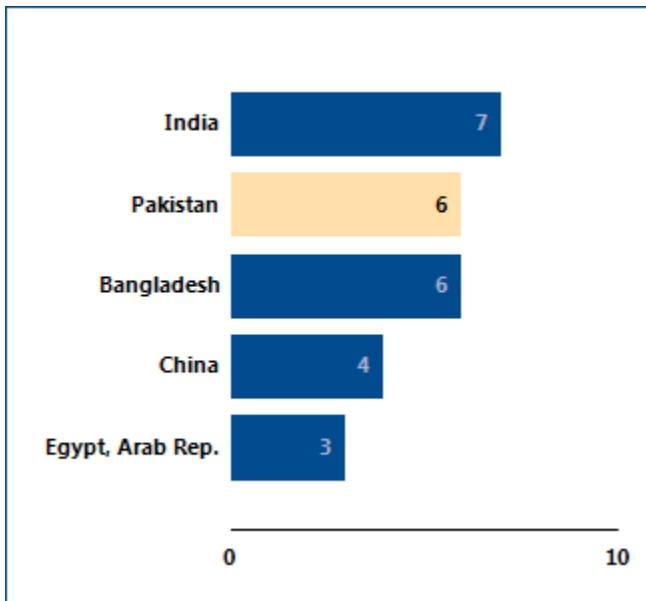
Extent of director liability index (0-10)



Note: Higher scores indicate greater liability of directors.
Source: Doing Business database.

PROTECTING MINORITY INVESTORS

Figure 7.4 How easy is accessing internal corporate documents?

Ease of shareholder suits index (0-10)

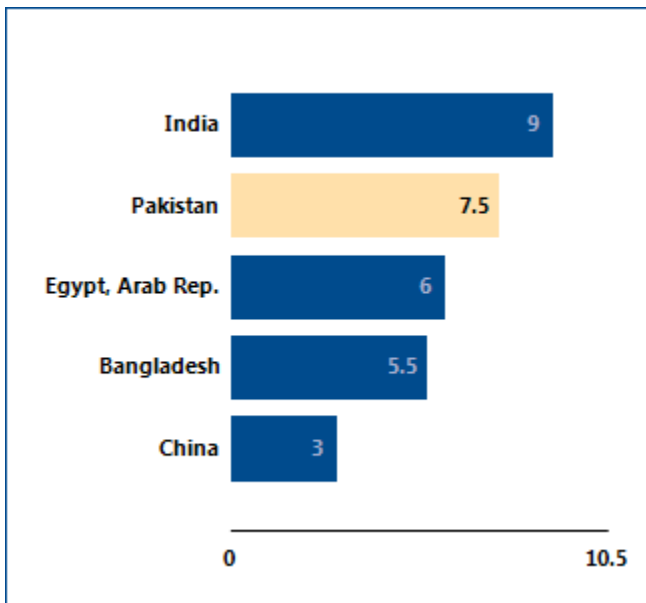
Note: Higher scores indicate greater minority shareholder access to evidence before and during trial.

Source: Doing Business database.

PROTECTING MINORITY INVESTORS

Figure 7.5 How extensive are shareholder rights?

Extent of shareholder rights index (0-10.5)

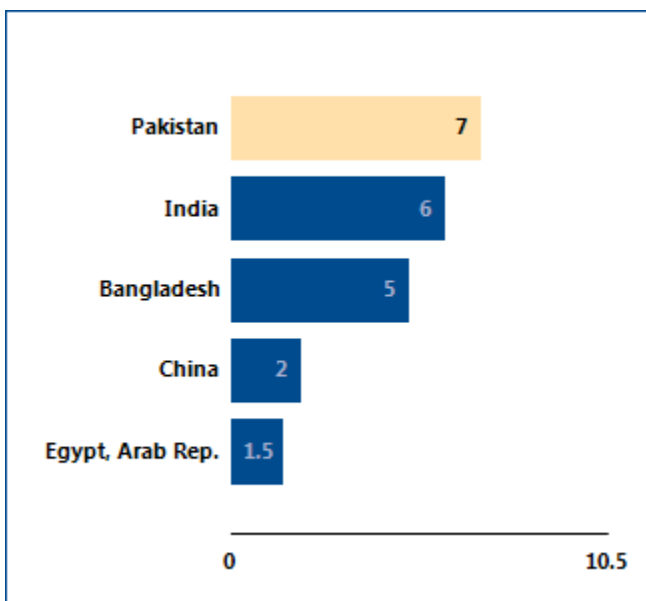


Note: The higher the score, the stronger the protections.

Source: Doing Business database.

Figure 7.6 How strong is the governance structure?

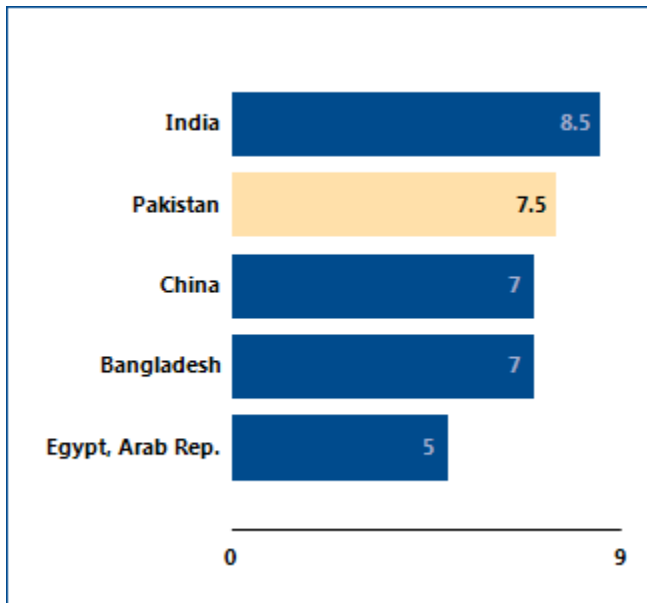
Strength of governance structure index (0-10.5)



Note: Higher scores indicate more stringent governance structure requirements.

Source: Doing Business database.

Figure 7.7 How extensive is corporate transparency?

Extent of corporate transparency index (0-9)

Note: Higher scores indicate greater transparency.
Source: Doing Business database.

PROTECTING MINORITY INVESTORS

What are the details?

The protecting minority investors indicators reported here for Pakistan are based on detailed information collected through a survey of corporate and securities lawyers about securities regulations, company laws and court rules of evidence and procedure. To construct the six indicators on minority investor protection, scores are assigned to each based on a range of conditions relating

to disclosure, director liability, shareholder suits, shareholder rights, governance structure and corporate transparency in a standard case study (for more details, see the Data Notes section of the *Doing Business 2015* report). The summary below shows the details underlying the scores for Pakistan.

Table 7.2 Summary of scoring for the protecting minority investors indicators in Pakistan

	Answer (Karachi)	Score (Karachi)	Answer (Lahore)	Score (Lahore)
Extent of disclosure index (0-10)		6.0		6.0
Which corporate body can provide legally sufficient approval for the Buyer-Seller transaction? (0-3)	Board of directors excluding interested members	2	Board of directors excluding interested members	2
Is disclosure by the interested director to the board of directors required? (0-2)	Full disclosure of all material facts	2	Full disclosure of all material facts	2
Is disclosure of the transaction in published periodic filings (annual reports) required? (0-2)	Disclosure on the transaction and on the conflict of interest	2	Disclosure on the transaction and on the conflict of interest	2
Is immediate disclosure of the transaction to the public and/or shareholders required? (0-2)	No disclosure obligation	0	No disclosure obligation	0
Must an external body review the terms of the transaction before it takes place? (0-1)	No	0	No	0
Extent of director liability index (0-10)		6.0		6.0
Can shareholders sue directly or derivatively for the damage caused by the Buyer-Seller transaction to the company? (0-1)	No	0	No	0
Can shareholders hold the interested director liable for the damage caused by the transaction to the company? (0-2)	Liable if negligent	1	Liable if negligent	1
Can shareholders hold members of the approving body liable for the damage caused by the transaction to the company? (0-2)	Liable if negligent	1	Liable if negligent	1
Must the interested director pay damages for the harm caused to the company upon a successful claim by a shareholder plaintiff? (0-1)	Yes	1	Yes	1
Must the interested director repay profits made from the transaction upon a successful claim by a shareholder plaintiff? (0-1)	Yes	1	Yes	1
Can both fines and imprisonment be applied against the interested director? (0-1)	Yes	1	Yes	1

Can a court void the transaction upon a successful claim by a shareholder plaintiff? (0-2)	Voidable if negligently concluded	1	Voidable if negligently concluded	1
Ease of shareholder suits index (0-10)		6.0		6.0
Before filing suit, can shareholders owning 10% of the company's share capital inspect the transaction documents? (0-1)	Yes	1	Yes	1
Can the plaintiff obtain any documents from the defendant and witnesses during trial? (0-3)	No	3	No	3
Can the plaintiff request categories of documents from the defendant without identifying specific ones? (0-1)	No	0	No	0
Can the plaintiff directly question the defendant and witnesses during trial? (0-2)	No	1	No	1
Is the level of proof required for civil suits lower than that of criminal cases? (0-1)	Yes	1	Yes	1
Can shareholder plaintiffs recover their legal expenses from the company? (0-2)	At the discretion of the court	0	At the discretion of the court	0
Strength of minority investor protection index (0-10)		6.7		6.7
Extent of conflict of interest regulation index (0-10)		6.0		6.0
Extent of shareholder rights index (0-10.5)		7.5		7.5
Can shareholders amend company bylaws or statutes with a simple majority?	Yes	1.5	Yes	1.5
Can shareholders owning 10% of the company's share capital call for an extraordinary meeting of shareholders?	Yes	1.5	Yes	1.5
Can shareholders remove members of the board of directors before the end of their term.	Yes	1.5	Yes	1.5
Must a company obtain its shareholders' approval every time it issues new shares?	No	0	No	0
Are shareholders automatically granted subscription rights on new shares?	Yes	1.5	Yes	1.5
Must shareholders approve the election and dismissal of the external auditor?	Yes	1.5	Yes	1.5
Can shareholders freely trade shares prior to a major corporate action or meeting of shareholders?	No	0	No	0
Strength of governance structure index (0-10.5)		7.0		7.0
Is the CEO barred from also serving as chair of the board of directors?	No	0	No	0
Must the board of directors include independent board members?	Yes for listed companies	1	Yes for listed companies	1
Must a company have a separate audit committee?	Yes for listed companies	1	Yes for listed companies	1
Must changes to the voting rights of a series or class of shares be approved only by the holders of the affected shares?	Yes	1.5	Yes	1.5
Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of a company?	Yes for listed companies	1	Yes for listed companies	1
Is cross-shareholding between 2 independent companies limited to 10% of outstanding shares?	No	0	No	0
Is a subsidiary barred from acquiring shares issued by its parent company?	No	0	No	0
Extent of corporate transparency index (0-9)		7.5		7.5

Must ownership stakes representing 10% be disclosed?	Yes	1.5	Yes	1.5
Must information about board members' other directorships as well as basic information on their primary employment be disclosed?	Yes	1.5	Yes	1.5
Must the compensation of individual managers be disclosed?	No	0	No	0
Must financial statements contain explanatory notes on significant accounting policies, trends, risks, uncertainties and other factors influencing the reporting?	Yes	1.5	Yes	1.5
Must annual financial statements be audited by an external auditor?	Yes	1.5	Yes	1.5
Must audit reports be disclosed to the public?	Yes	1.5	Yes	1.5
Extent of shareholder governance index (0-10)		7.3		7.3

Source: Doing Business database.

PAYING TAXES

Taxes are essential. The level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. Firms in economies that rank better on the ease of paying taxes in the *Doing Business* study tend to perceive both tax rates and tax administration as less of an obstacle to business according to the World Bank Enterprise Survey research.

What do the indicators cover?

Using a case scenario, *Doing Business* measures the taxes and mandatory contributions that a medium-size company must pay in a given year as well as the administrative burden of paying taxes and contributions. This case scenario uses a set of financial statements and assumptions about transactions made over the year. Information is also compiled on the frequency of filing and payments as well as time taken to comply with tax laws. The ranking of economies on the ease of paying taxes is determined by sorting their distance to frontier scores on the ease of paying taxes. These scores are the simple average of the distance to frontier scores for each of the component indicators, with a threshold and a nonlinear transformation applied to one of the component indicators, the total tax rate⁵. The financial statement variables have been updated to be proportional to 2012 income per capita; previously they were proportional to 2005 income per capita. To make the data comparable across economies, several assumptions are used.

- TaxpayerCo is a medium-size business that started operations on January 1, 2012.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government.

⁵ The nonlinear distance to frontier for the total tax rate is equal to the distance to frontier for the total tax rate to the power of 0.8. The threshold is defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis. It is calculated and adjusted on a yearly basis. The threshold is not based on any economic theory of an “optimal tax rate” that minimizes distortions or maximizes efficiency in the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the lower end of the distribution of tax rates levied on medium-size enterprises in the manufacturing sector as observed through the paying taxes indicators. This reduces the bias in the indicators toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). This year’s threshold is 26.1%.

WHAT THE PAYING TAXES INDICATORS MEASURE

Tax payments for a manufacturing company in 2013 (number per year adjusted for electronic and joint filing and payment)

Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)

Method and frequency of filing and payment

Time required to comply with 3 major taxes (hours per year)

Collecting information and computing the tax payable

Completing tax return forms, filing with proper agencies

Arranging payment or withholding

Preparing separate tax accounting books, if required

Total tax rate (% of profit before all taxes)

Profit or corporate income tax

Social contributions and labor taxes paid by the employer

Property and property transfer taxes

Dividend, capital gains and financial transactions taxes

Waste collection, vehicle, road and other taxes

- Taxes and mandatory contributions include corporate income tax, turnover tax and all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

PAYING TAXES

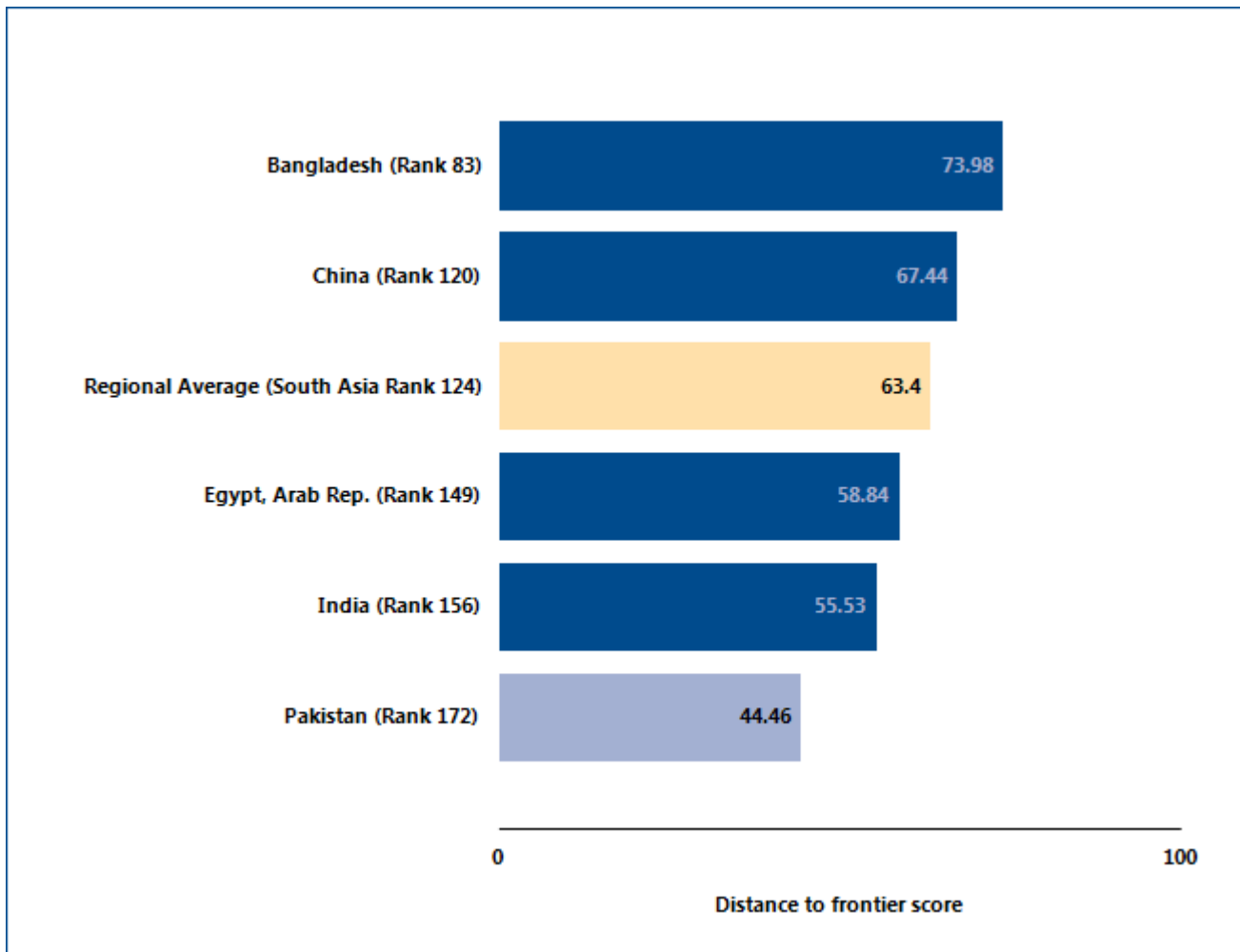
Where does the economy stand today?

What is the administrative burden of complying with taxes in Pakistan—and how much do firms pay in taxes? On average, firms make 47.0 tax payments a year, spend 594.0 hours a year filing, preparing and paying taxes and pay total taxes amounting to 32.6% of profit (see the summary at the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the

2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Globally, Pakistan stands at 172 in the ranking of 189 economies on the ease of paying taxes (figure 8.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing the tax compliance burden for businesses in Pakistan.

Figure 8.1 How Pakistan and comparator economies rank on the ease of paying taxes



Source: Doing Business database.

PAYING TAXES

Economies around the world have made paying taxes faster and easier for businesses—such as by consolidating filings, reducing the frequency of payments or offering electronic filing and payment. Many have lowered tax rates. Changes have brought

concrete results. Some economies simplifying tax payment and reducing rates have seen tax revenue rise. What tax reforms has *Doing Business* recorded in Pakistan (table 8.1)?

Table 8.1 How has Pakistan made paying taxes easier—or not?
By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2012	Pakistan increased the profit tax rate for small firms.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

PAYING TAXES

What are the details?

The indicators reported here for Pakistan are based on the taxes and contributions that would be paid by a standardized case study company used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). Tax practitioners are asked to review a set of financial statements as well as a standardized list of assumptions and transactions that the company completed during its 2nd year of operation. Respondents are asked how much taxes and mandatory contributions the business must pay and how these taxes are filed and paid.

LOCATION OF STANDARDIZED COMPANY

City: Karachi, Lahore

The taxes and contributions paid are listed in the summary below, along with the associated number of payments, time and tax rate.

Table 8.2 Summary of tax rates and administration

Karachi: Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Corporate income tax	5		40	25%	taxable profit	18.7	
Social security contributions	12		40	6% employees' salary if it is less than PKR10,000	gross salaries	6.1	
Employer paid -Pension contributions	12		0	5% or PKR 400 per employee per month	gross salaries	5.6	
Education cess	1		0	PKR 100 per month	per worker	0.9	
Property tax	1		0	18% (including 10% discount)	annual rental value of property	0.9	
Tax on interest	0		0	10%	interest	0.3	included in other taxes
Professional tax	1		0	PKR 10,000	fixed fee	0.1	

Karachi: Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Vehicle tax	1		0	varies	fixed fee depending on type of vehicle	0.1	
Fuel tax	1		0	25%	included into fuel price	0	small amount
Employee paid - Pension contributions	0	paid jointly	0	1% or PKR 80 per employee per month	gross salaries	0	withheld
Goods and sales tax (VAT)	12		514	17% before 1 July 2013 and 16% as of 1 July 2013	value added	0	not included
Stamp duty	1		0	rate based on contract value		0	
Totals	47.0		594.0			32.5	

Lahore: Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Corporate income tax	5		40	25%	taxable profit	18.6	
Social security contributions	12		40	6% employees' salary if it is less than PKR10,000	gross salaries	6.5	
Employer paid - Pension contributions	12		0	5% or PKR 400 per employee per month	gross salaries	5.6	
Education cess	1		0	PKR 100 per month	per worker	0.9	

Lahore: Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Property tax	1		0	18% (including 10% discount)	annual rental value of property	0.9	
Tax on interest	0		0	10%	interest	0.3	included in other taxes
Professional tax	1		0	PKR 10,000	fixed fee	0.1	
Vehicle tax	1		0	varies	fixed fee depending on type of vehicle	0.1	
Fuel tax	1		0	25%	included into fuel price	0	small amount
Employee paid - Pension contributions	0	paid jointly	0	1% or PKR 80 per employee per month	gross salaries	0	withheld
Goods and sales tax (VAT)	12		514	17% before 1 July 2013 and 16% as of 1 July 2013	value added	0	not included
Stamp duty	1		0	rate based on contract value		0	
Totals	47.0		594.0			32.8	

Source: Doing Business database.

TRADING ACROSS BORDERS

In today's globalized world, making trade between economies easier is increasingly important for business. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Research shows that exporters in developing countries gain more from a 10% drop in their trading costs than from a similar reduction in the tariffs applied to their products in global markets.

What do the indicators cover?

Doing Business measures the time and cost (excluding tariffs and the time and cost for sea transport) associated with exporting and importing a standard shipment of goods by sea transport, and the number of documents necessary to complete the transaction. The indicators cover predefined stages such as documentation requirements and procedures at customs and other regulatory agencies as well as at the port. They also cover trade logistics, including the time and cost of inland transport to the largest business city. 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 each of the component indicators. To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the traded goods.

The business:

- Is located in the economy's largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.
- Is a private, limited liability company, domestically owned and does not operate with special export or import privileges.
- Conducts export and import activities, but does not have any special accreditation such as an authorized economic operator status.

WHAT THE TRADING ACROSS BORDERS INDICATORS MEASURE

Documents required to export and import (number)

- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

Time required to export and import (days)

- Obtaining, filling out and submitting all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include sea transport time

Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes

The traded product:

- Is not hazardous nor includes military items.
- Does not require refrigeration or any other special environment.
- Do not require any special phytosanitary or environmental safety standards other than accepted international standards.
- Is one of the economy's leading export or import products.
- Is transported in a dry-cargo, 20-foot full container load.

TRADING ACROSS BORDERS

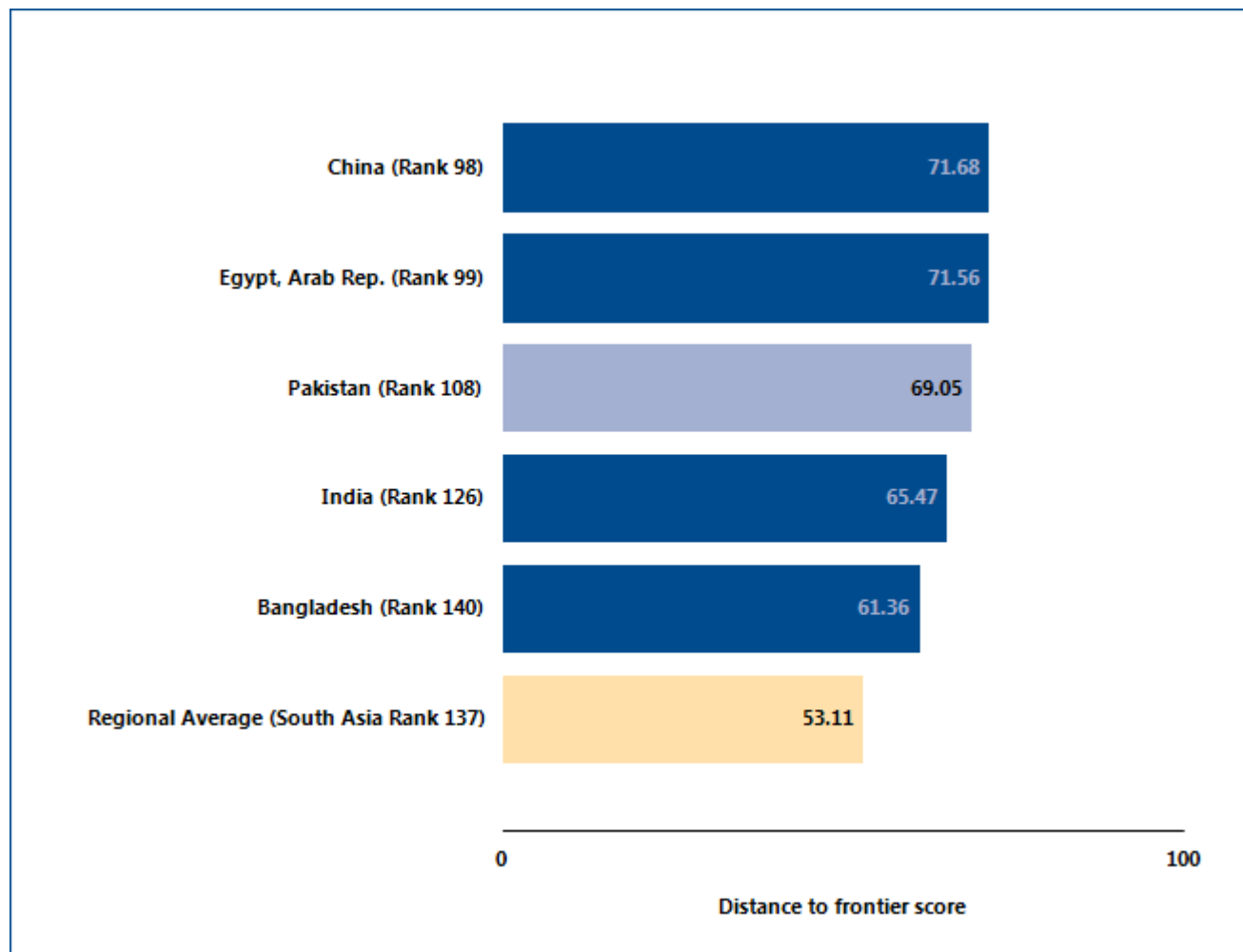
Where does the economy stand today?

What does it take to export or import in Pakistan? According to data collected by *Doing Business*, exporting a standard container of goods requires 8 documents, takes 20.7 days and costs \$765.0. Importing the same container of goods requires 8 documents, takes 18.4 days and costs \$1005.0 (see the summary of four predefined stages and documents at the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a

population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Globally, Pakistan stands at 108 in the ranking of 189 economies on the ease of trading across borders (figure 9.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for a business in Pakistan to export and import goods.

Figure 9.1 How Pakistan and comparator economies rank on the ease of trading across borders



Source: *Doing Business* database.

TRADING ACROSS BORDERS

In economies around the world, trading across borders as measured by *Doing Business* has become faster and easier over the years. Governments have introduced tools to facilitate trade—including single windows, risk-based inspections and electronic data interchange

systems. These changes help improve the trading environment and boost firms' international competitiveness. What trade reforms has *Doing Business* recorded in Pakistan (table 9.1)?

Table 9.1 How has Pakistan made trading across borders easier—or not?
By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2011	Pakistan reduced the time to export by improving electronic communication between the Karachi Port authorities and the private terminals, which have also boosted efficiency by introducing new equipment.
DB2015	Pakistan made trading across borders easier by introducing a fully automated, computerized system (the Web-Based One Customs system) for the submission and processing of export and import documents. This reform applies to both Lahore and Karachi.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

TRADING ACROSS BORDERS

What are the details?

The indicators reported here for Pakistan are based on a set of specific predefined stages for trading a standard shipment of goods by ocean transport (see the section in this chapter on what the indicators cover). Information on the required documents and the time and cost to complete export and import is collected from local freight forwarders, shipping lines, customs brokers, port officials and banks.

LOCATION OF STANDARDIZED COMPANY

Port Name - Karachi: Karachi port

Port Name - Lahore: Karachi

City: Karachi, Lahore

The predefined stages, and the associated time and cost, for exporting and importing a standard shipment of goods are listed in the summary below, along with the required documents.

Stages to export	Karachi		Lahore	
	Time (days)	Cost (US\$)	Time (days)	Cost (US\$)
Customs clearance and inspections	3	200	3	200
Documents preparation	10	110	10	110
Inland transportation and handling	4	200	6	500
Ports and terminal handling	3	150	3	150
Totals	20	660	22	960

Stages to import	Karachi		Lahore	
	Time (days)	Cost (US\$)	Time (days)	Cost (US\$)
Customs clearance and inspections	2	220	2	220
Documents preparation	10	155	10	155
Inland transportation and handling	2	200	6	1,000
Ports and terminal handling	3	150	3	150
Totals	17	725	21	1,525

Documents to export
Bill of lading
Certificate of Origin
Commercial invoice
Customs export declaration
E-form (foreign exchange authorization)
Insurance certificate
Packing List
Pre-shipment inspection report

Documents to import
Bill of lading
Certificate of origin
Commercial invoice
Customs import declaration
Delivery order
Gate pass (cargo release order)
Insurance certificate
Packing list

Source: Doing Business database.

ENFORCING CONTRACTS

Effective commercial dispute resolution has many benefits. Courts are essential for entrepreneurs because they interpret the rules of the market and protect economic rights. Efficient and transparent courts encourage new business relationships because businesses know they can rely on the courts if a new customer fails to pay. Speedy trials are essential for small enterprises, which may lack the resources to stay in business while awaiting the outcome of a long court dispute.

What do the indicators cover?

Doing Business measures the efficiency of the judicial system in resolving a commercial dispute before local courts. Following the step-by-step evolution of a standardized case study, it collects data relating to the time, cost and procedural complexity of resolving a commercial lawsuit. The ranking on the ease of enforcing contracts is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

The dispute in the case study involves the breach of a sales contract between 2 domestic businesses. The case study assumes that the court hears an expert on the quality of the goods in dispute. This distinguishes the case from simple debt enforcement. To make the data comparable across economies, *Doing Business* uses several assumptions about the case:

- The seller and buyer are located in the economy's largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.
- The buyer orders custom-made goods, then fails to pay.
- The seller sues the buyer before a competent court.
- The value of the claim is 200% of the income per capita or the equivalent in local currency of USD 5,000, whichever is greater.

WHAT THE ENFORCING CONTRACTS INDICATORS MEASURE

Procedures to enforce a contract through the courts (number)

- Steps to file and serve the case
- Steps for trial and judgment
- Steps to enforce the judgment

Time required to complete procedures (calendar days)

- Time to file and serve the case
- Time for trial and obtaining judgment
- Time to enforce the judgment

Cost required to complete procedures (% of claim)

- Average attorney fees
- Court costs
- Enforcement costs

- The seller requests a pretrial attachment to secure the claim.
- The dispute on the quality of the goods requires an expert opinion.
- The judge decides in favor of the seller; there is no appeal.
- The seller enforces the judgment through a public sale of the buyer's movable assets.

ENFORCING CONTRACTS

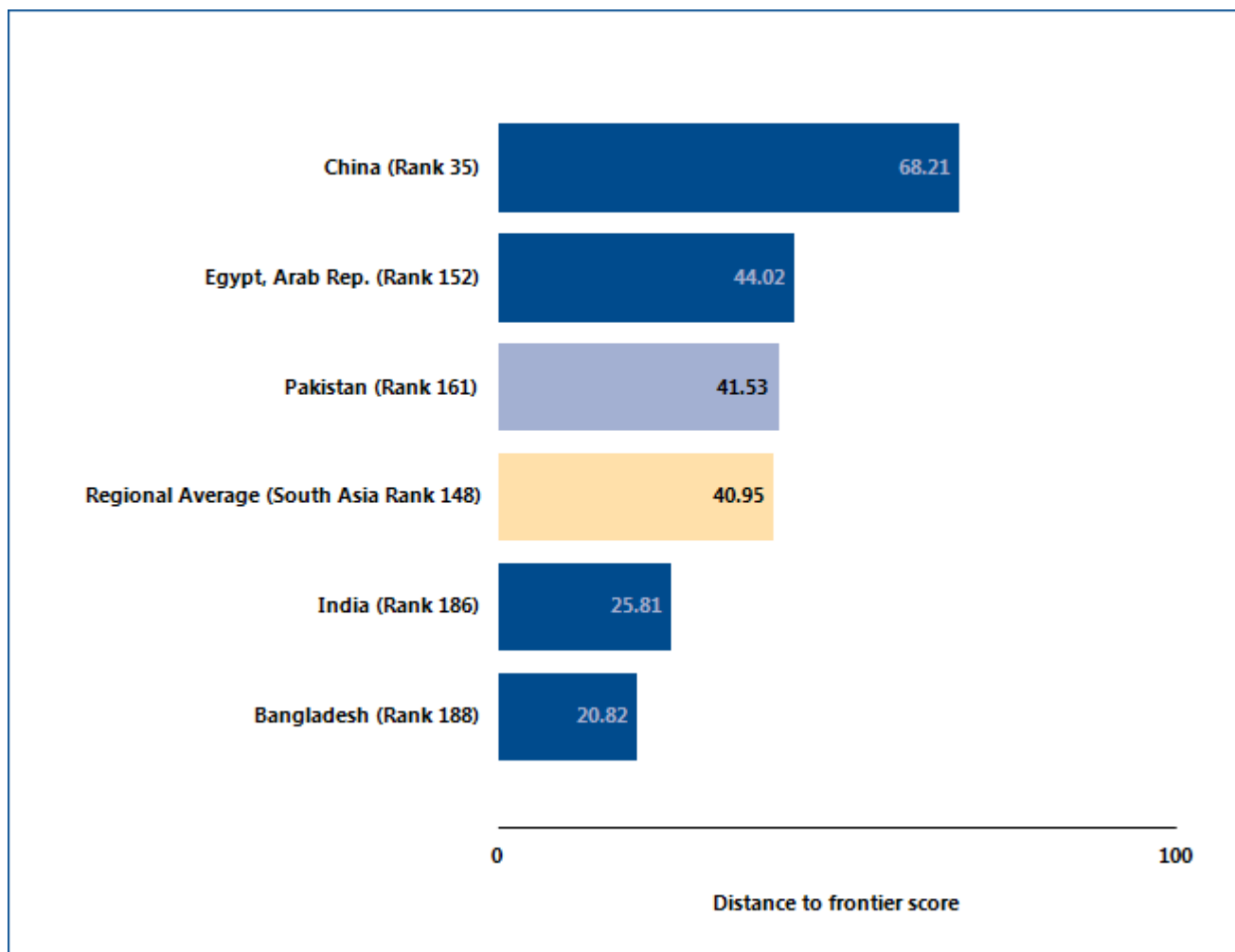
Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in Pakistan? According to data collected by *Doing Business*, contract enforcement takes 993.1 days, costs 23.0% of the value of the claim and requires 46.0 procedures (see the summary at the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest

business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Globally, Pakistan stands at 161 in the ranking of 189 economies on the ease of enforcing contracts (figure 10.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of contract enforcement in Pakistan.

Figure 10.1 How Pakistan and comparator economies rank on the ease of enforcing contracts



Source: *Doing Business* database.

ENFORCING CONTRACTS

What are the details?

The indicators reported here for Pakistan are based on a set of specific procedural steps required to resolve a standardized commercial dispute through the courts (see the section in this chapter on what the indicators cover). These procedures, and the time and cost of completing them, are identified through study of the codes of civil procedure and other court regulations, as well as through questionnaires completed by local litigation lawyers (and, in a quarter of the economies covered by *Doing Business*, by judges as well).

COURT NAME	
Claim value - Karachi:	PKR 480,832
Claim value - Lahore:	PKR 480,832
Court name - Karachi:	Karachi District Court
Court name - Lahore:	Lahore District Court
City:	Karachi, Lahore

Table 10.2 Summary of time, cost and procedures for enforcing a contract in Pakistan

Indicator	Karachi	Lahore	South Asia average
Time (days)	976	1025	1,077
Filing and service	96	60	
Trial and judgment	580	600	
Enforcement of judgment	300	365	
Cost (% of claim)	18.1	32	30.4
Attorney cost (% of claim)	11	15	
Court cost (% of claim)	5.9	7	
Enforcement Cost (% of claim)	1.2	10	
Procedures (number)	46	46	43
Number of procedures (without bonus points)	46	46	
Total number of procedures (including bonus points)	46	46	

No.	Karachi Procedures
	Filing and service:
1	Plaintiff hires a lawyer: Plaintiff hires a lawyer.
*	Plaintiff files a summons and complaint: Plaintiff files a summons and complaint with the court (orally or in writing).
*	Plaintiff pays court fees: Plaintiff pays court fees (e.g. court duties, stamp duties, or any other type of court fees). Answer 'yes' even if Plaintiff recovers these costs.
2	Registration of court case: Registration of court case by the court administration (this can include assigning a reference number to the case).
*	Assignment of court case to a judge: Assignment of court case to a judge (through a random procedure, automated system, ruling of an administrative judge, court officer, etc).
3	Judicial scrutiny of summons and complaint: Judge examines Plaintiff's summons and complaint for formal requirements as a matter of law or standard practice.
*	Judge admits summons and complaint: Judge admits summons and complaint (after verifying the formal requirements).
4	Delivery of summons and complaint to person authorized to perform service of process on Defendant: The judge or a court officer delivers the summons to a summoning office, officer, or authorized person (including Plaintiff), for service of process on Defendant.
*	Arrangements for physical delivery of summons and complaint: Plaintiff takes the necessary steps to arrange for physical service of process on Defendant (e.g. instructing a court officer or a private bailiff).
*	Mailing of summons and complaint: Court or process server, including (private) bailiff, mails summons and complaint to Defendant.
5	Attempt at physical delivery: An attempt to physically deliver summons and complaint to Defendant is made.
6	Second attempt at physical delivery: If a first attempt is not ordinarily successful, a second attempt to physically deliver the summons and complaint to Defendant is required by law or standard practice. (Check 'yes' only if a first attempt at physical delivery is not ordinarily successful)
7	Application for substituted service: Because physical delivery is NOT successful, Plaintiff has recourse to substituted service. Substituted service can include, but is not limited to, service by publication in newspapers or affixing of a notice in court or on public bulletin boards. Only ch
8	Court order regarding substituted service: Judge in a court order sets out acceptable means for substituted service in a particular case.
9	Substituted service: Substituted service is completed by publication in newspapers, by affixing a notice in court or on public bulletin boards, etc.
*	Proof of service: Plaintiff submits proof of service to court, as required by law or standard practice.

No.	Karachi Procedures
*	Application for pre-judgment attachment: Plaintiff submits an application in writing for the attachment of Defendant's property prior to judgment.
*	Decision on pre-judgment attachment: Judge decides whether to grant Plaintiff's request for pre-judgment attachment of Defendant's property and notifies Plaintiff and Defendant of the decision.
10	Guarantees securing attached property: Plaintiff submits guarantees or bonds to secure Defendant against possible damages to attached property.
11	Pre-judgment attachment order: Defendant's property is attached prior to judgment. Attachment order either involves physical attachment, or is achieved by freezing, registering, marking, or otherwise separating and restricting Defendant's movement of specific moveable assets.
12	Custody of assets attached prior to judgment: If physical attachment is ordered, Defendant's attached assets are placed in the custody or control of an enforcement officer or private bailiff.
13	Report on pre-judgment attachment: Court enforcement officer or private bailiff issues and delivers a report on the attachment of Defendant's property to the judge.
14	Hearing on pre-judgment attachment: A hearing takes place as a matter of law or standard practice to resolve the question of whether Defendant's assets can be attached prior to judgment. This process may include the submission of separate summons and petitions.
	Trial and judgment:
*	Defendant files preliminary objections.: Defendant presents preliminary objections to the court. (Preliminary exemptions differ from answers on the merits. Examples of preliminary motions are motions to dismiss on the basis of the statute of limitations or jurisdictional objections, etc.) Check
*	Plaintiff's answer to preliminary motions: Plaintiff responds to preliminary motions raised by Defendant. Checked as 'yes' if preliminary motions are commonly raised (step 30) and if Plaintiff responds to them immediately.
15	Defendant files an answer to Plaintiff's claim: Defendant files a written pleading which includes his answer or defense on the merits of the case (see assumption 4).
16	Adjournments: Court procedure is delayed because one or both parties request and obtain an adjournment to submit written pleadings. Check as 'yes' if this commonly happens.
17	Framing of issues: Plaintiff and Defendant assist the court in framing issues on which evidence is to be presented.
*	Request for interlocutory order: Defendant raises preliminary issues, such as jurisdiction, statute of limitation, etc. Checked as 'yes' if commonly raised by the Defendant as a matter of practice, regardless of justification.
*	Court's issuance of interlocutory order: Court decides the preliminary issues the Defendant raised by issuing an interlocutory order. Check as 'yes' if this is commonly the case in commercial cases.
18	Plaintiff's appeal of court's interlocutory order: Plaintiff appeals the court's interlocutory order, which suspends the court proceedings. Check as 'yes' if an appeal by Plaintiff is common in this case.
*	List of (expert) witnesses: The parties file a list of (expert) witnesses with the court (see assumption 5-a).

No.	Karachi Procedures
19	Summoning of (expert) witnesses: The court summons (expert) witnesses to appear in court for the oral hearing or trial (see assumption 5-a).
20	Adjournments: Court proceedings are delayed because one or both parties request and obtain an adjournment to prepare for the oral hearing or trial as a matter of common practice.
21	Trial (prevalent in common law): The parties argue the merits of the case at (an) oral session(s) before the court. Witnesses and expert witnesses are questioned and cross-examined during trial.
22	Adjournments: Court proceedings are delayed because one or both parties request and obtain an adjournment during the oral hearing or trial, resulting in an additional or later trial or hearing date.
*	Request for closing of the evidence period: Plaintiff or Defendant requests the judge to close the evidence period.
23	Closing of the evidence period: The court makes the formal decision to close the evidence period.
24	Order for submission of final arguments: The judge sets a deadline for the submission of final factual and legal arguments.
*	Final arguments: The parties present their final factual and legal arguments to the court either by oral presentation or by a written submission.
25	Judgment date: The judge sets a date for delivery of the judgment.
26	Notification of judgment in court: The parties are notified of the judgment at a court hearing.
27	Writing of judgment: The judge produces a written copy of the judgment.
28	Plaintiff receives a copy of the judgment: Plaintiff receives a copy of the written judgment which is 100% in favor of Plaintiff (see assumption 6).
29	Appeal period: By law Defendant has the opportunity to appeal the judgment during a specified period. Defendant decides not to appeal. Seller decides to start enforcing the judgment when the appeal period ends (see assumption 8).
30	Order for reimbursement by Defendant of Plaintiff's court fees: The judgment orders Defendant to reimburse Plaintiff for the court fees Plaintiff has advanced, because Defendant has lost the case.
	Enforcement of judgment:
*	Plaintiff hires a lawyer: Plaintiff hires a lawyer to enforce the judgment or continues to be represented by a lawyer during the enforcement of judgment phase.
*	Plaintiff requests an enforcement order: Plaintiff applies to the court to obtain the enforcement order ('seal' on judgment).
31	Plaintiff advances enforcement fees: Plaintiff pays the fees related to the enforcement of the judgment.
32	Attachment of enforcement order to judgment: The judge attaches the enforcement order ('seal') to the judgment.
33	Request to Defendant to comply voluntarily with judgment: Plaintiff, a court enforcement officer or a private bailiff requests Defendant to voluntarily comply with the judgment.

No.	Karachi Procedures
34	Identification of Defendant's assets by court official or Defendant for purposes of enforcement: The judge, a court enforcement officer, a private bailiff or the Defendant himself identifies Defendant's movable assets for the purposes of enforcing the judgment through a sale of Defendant's assets.
35	Contestation of selection of assets identified for sale: A party, Plaintiff or Defendant, which was not involved in the designation of the assets for attachment, contests the selection of assets for enforcement of judgment through a sale.
36	Plaintiff identifies Defendant's assets for attachment: Plaintiff identifies Defendant's assets for attachment.
37	Attachment: Defendant's movable goods are attached (physically or by registering, marking or separating assets).
38	Report on execution of attachment: A court enforcement officer or private bailiff delivers a report on the attachment of Defendant's movable goods to the judge.
39	Valuation or appraisal of attached movable goods: The court or court-appointed valuation expert evaluates the attached goods.
40	Enforcement disputes before court: The enforcement of the judgment is delayed because Defendant opposes aspects of the enforcement process before the judge.
41	Call for public auction: Judge calls a public auction by, for example, advertising or publication in the newspapers.
42	Sale through public auction: The Defendant's movable property is sold at public auction.
43	Judge's decision on bids: Judge determines the adequacy of the bids presented at public auction.
44	Distribution of proceeds: The proceeds of the public auction are distributed to Plaintiff (and, where applicable, to other creditors, according to the rules of priority).
45	Reimbursement of Plaintiff's enforcement fees: Defendant reimburses Plaintiff's enforcement fees which Plaintiff had advanced previously.
46	Payment: Court orders that the proceeds of the public auction or the direct sale be delivered to Plaintiff.

No.	Lahore Procedures
	Filing and service:

* Not counted in the total number of procedures.

Source: *Doing Business* database.

RESOLVING INSOLVENCY

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in the speedy return of businesses to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses and thereby improve growth and sustainability in the economy overall.

What do the indicators cover?

Doing Business studies the time, cost and outcome of insolvency proceedings involving domestic legal entities. These variables are used to calculate the recovery rate, which is recorded as cents on the dollar recouped by secured creditors through reorganization, liquidation or debt enforcement (foreclosure) proceedings. To determine the present value of the amount recovered by creditors, *Doing Business* uses the lending rates from the International Monetary Fund, supplemented with data from central banks and the Economist Intelligence Unit.

In addition, *Doing Business* evaluates the adequacy and integrity of the existing legal framework applicable to liquidation and reorganization proceedings through the strength of insolvency framework index. The index tests whether economies adopted internationally accepted good practices in four areas: commencement of proceedings, management of debtor's assets, reorganization proceedings and creditor participation.

The ranking of the Resolving Insolvency indicator is based on the recovery rate and the total score of the strength of insolvency framework index. The Resolving Insolvency indicator does not measure insolvency proceedings of individuals and financial institutions. The data are derived from survey responses by local insolvency practitioners and verified through a study of laws and regulations as well as public information on bankruptcy systems.

WHAT THE RESOLVING INSOLVENCY INDICATORS MEASURE

Time required to recover debt (years)

Measured in calendar years

Appeals and requests for extension are included

Cost required to recover debt (% of debtor's estate)

Measured as percentage of estate value

Court fees

Fees of insolvency administrators

Lawyers' fees

Assessors' and auctioneers' fees

Other related fees

Outcome

Whether business continues operating as a going concern or business assets are sold piecemeal

Recovery rate for creditors

Measures the cents on the dollar recovered by secured creditors

Outcome for the business (survival or not) determines the maximum value that can be recovered

Official costs of the insolvency proceedings are deducted

Depreciation of furniture is taken into account

Present value of debt recovered

Strength of insolvency framework index (0-16)

Sum of the scores of four component indices:

Commencement of proceedings index (0-3)

Management of debtor's assets index (0-6)

Reorganization proceedings index (0-3)

Creditor participation index (0-4)

RESOLVING INSOLVENCY

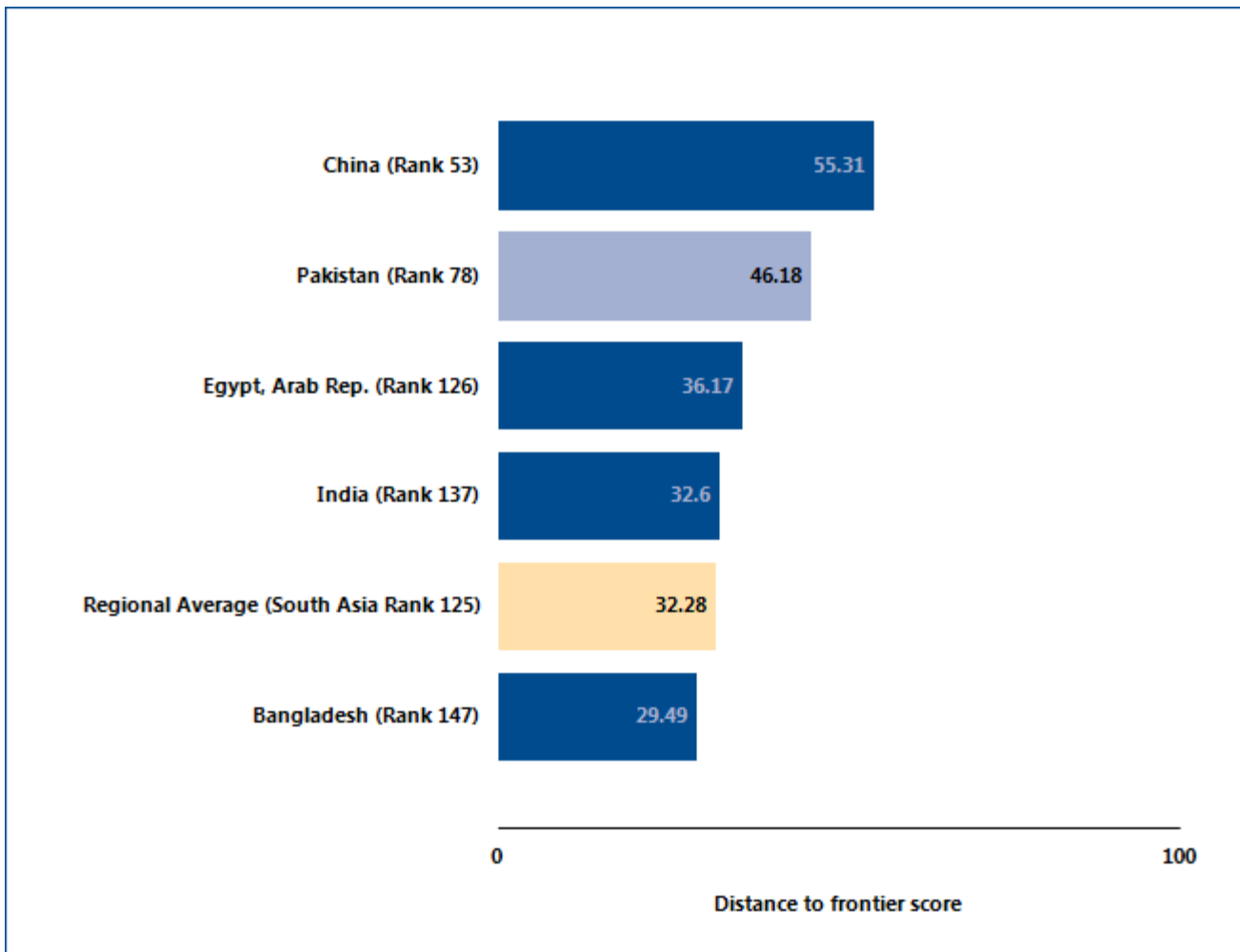
Where does the economy stand today?

Combination of quality regulations and efficient practice characterize the top-performing economies. How efficient are insolvency proceedings in Pakistan? According to data collected by *Doing Business*, resolving insolvency takes 2.7 years on average and costs 5.6% of the debtor's estate, with the most likely outcome being that the company will be sold as piecemeal sale. The average recovery rate is 39.4 cents on the dollar. Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

According to data collected by *Doing Business*, Pakistan scores 2.0 out of 3 points on the commencement of proceedings index, 3.0 out of 6 points on the management of debtor's assets index, 0.0 out of 3 points on the reorganization proceedings index, and 3.0 out of 4 points on the creditor participation index. Pakistan's total score on the strength of insolvency framework index is 8.0 out of 16.

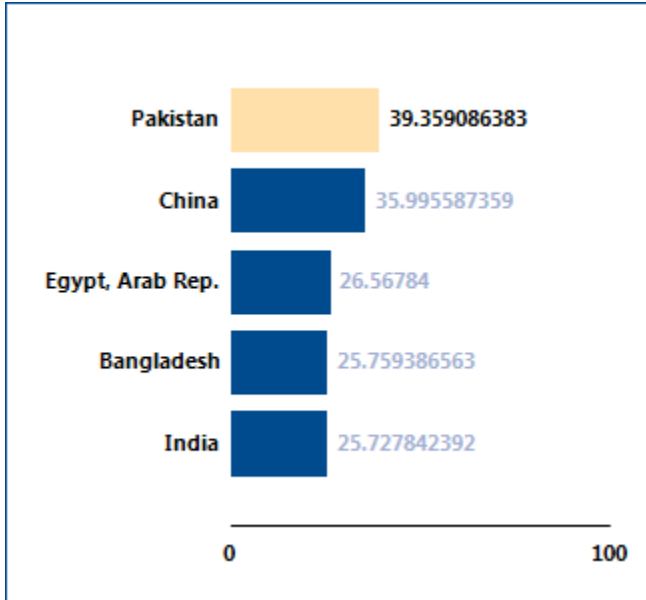
Globally, Pakistan stands at 78 in the ranking of 189 economies on the ease of resolving insolvency (figure 11.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of insolvency proceedings in Pakistan.

Figure 11.1 How Pakistan and comparator economies rank on the ease of resolving insolvency



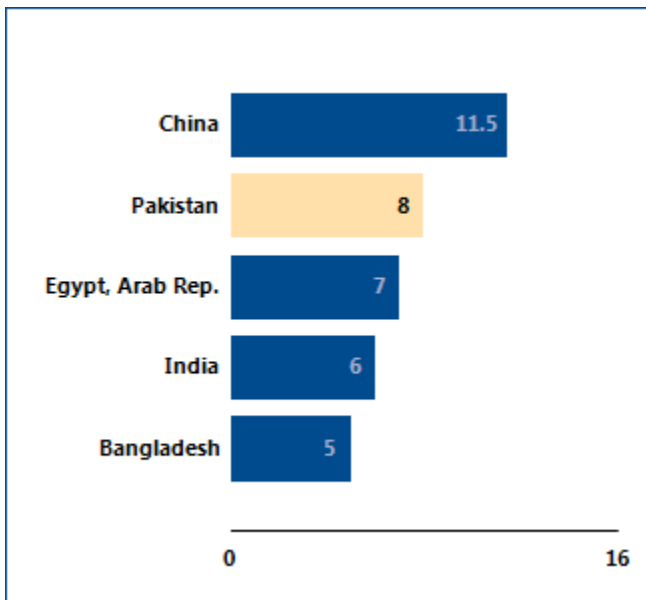
Source: Doing Business database.

Figure 11.2 Recovery Rate (0-100) - Pakistan



Source: Doing Business database.

Figure 11.3 Strength of insolvency framework index (0-16) - Pakistan



Source: Doing Business database.

LABOR MARKET REGULATION

Doing Business measures flexibility in the regulation of employment, specifically as it affects the hiring and redundancy of workers and the rigidity of working hours. This year, for the first time, the indicators measuring flexibility in labor market regulations focus on those affecting the food retail industry, using a standardized case study of a cashier in a supermarket. Also new is that *Doing Business* collects data on regulations applying to employees hired through temporary-work agencies as well as on those applying to permanent employees or employees hired on fixed-term contracts. The indicators also cover additional areas of labor market regulation, including social protection schemes and benefits as well as labor disputes.

Over the period from 2007 to 2011 improvements were made to align the methodology for the labor market regulation indicators (formerly the employing workers indicators) with the letter and spirit of the International Labour Organization (ILO) conventions. Only 6 of the 188 ILO conventions cover areas measured by *Doing Business*: employee termination, weekend work, holiday with pay, night work, protection against unemployment and medical care and sickness benefits. The *Doing Business* methodology is fully consistent with these 6 conventions. The ILO conventions covering areas related to the labor market regulation indicators do not include the ILO core labor standards—8 conventions covering the right to collective bargaining, the elimination of forced labor, the abolition of child labor and equitable treatment in employment practices.

Between 2009 and 2011 the World Bank Group worked with a consultative group—including labor lawyers, employer and employee representatives, and experts from the ILO, the Organisation for Economic Co-operation and Development (OECD), civil society and the private sector—to review the methodology for the labor market regulation indicators and explore future areas of research.

A full report with the conclusions of the consultative group is available at:
<http://www.doingbusiness.org/methodology/employing-workers>.

Doing Business 2015 presents the data for the labor market regulation indicators in an annex. The report does not present rankings of economies on these indicators nor include the topic in the aggregate distance to frontier score or ranking on the ease of doing business. Detailed data collected on labor market regulations are available on the *Doing Business* website (<http://www.doingbusiness.org>). The data on labor market regulations are based on a detailed survey of employment regulations that is completed by local lawyers and public officials. Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy. To make the data comparable across economies, several assumptions about the worker and the business are used.

The worker:

- Is a cashier in a supermarket or a grocery store
- Is a full-time employee
- Is not a member of the labor union, unless membership is mandatory

The business:

- Is a limited liability company (or the equivalent in the economy) with 60 employees.
- Operates a supermarket or grocery store in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is subject to collective bargaining agreements if such agreements cover more than 50% of the food retail sector and they apply even to firms that are not party to them.
- Abides by every law and regulation but does not grant workers more benefits than those mandated by law, regulation or (if applicable) collective bargaining agreements.

LABOR MARKET REGULATION

What are the details?

The data reported here for Pakistan are based on a detailed survey of labor market regulation that is completed by local lawyers and public officials.

Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy.

Difficulty of hiring index

Difficulty of hiring covers 4 areas: (i) whether fixed-term contracts are prohibited for permanent tasks; (ii) the maximum cumulative duration of fixed-term contracts; (iii) the minimum wage for a cashier, age 19, with 1 year of work experience; and (iv) the ratio of the minimum

wage to the average value added per worker. The average value added per worker is the ratio of an economy's GNI per capita to the working-age population as a percentage of the total population.

Difficulty of hiring index	Karachi Data	Lahore Data
Fixed-term contracts prohibited for permanent tasks?	Yes	Yes
Maximum length of a single fixed-term contract (months)	9 months	9 months
Maximum length of fixed-term contracts, including renewals (months)	9	9
Minimum wage applicable to the worker assumed in the case study (US\$/month)	104.53	104.53
Ratio of minimum wage to value added per worker	0.56	0.56

Source: *Doing Business* database.

LABOR MARKET REGULATION

Rigidity of hours index

Rigidity of hours covers 7 areas: (i) whether the workweek can extend to 50 hours or more (including overtime) for 2 months in a year to respond to a seasonal increase in workload; (ii) the maximum number of days allowed in the workweek; (iii) the premium for night work (as a percentage of hourly pay); (iv) the premium for work on a weekly rest day (as a percentage of hourly pay); (v) whether there are restrictions on night work; (vi) whether there are restrictions on weekly holiday work; and (vii) the average paid annual leave for workers with 1 year of tenure, 5 years of tenure and 10 years of tenure.

Rigidity of hours index	Karachi Data	Lahore Data
50-hour workweek allowed for 2 months a year in case of a seasonal increase in workload?	Yes	Yes
Maximum working days per week	6.0	6.0
Premium for night work (% of hourly pay)	0%	0%
Premium for work on weekly rest day (% of hourly pay)	100%	100%
Major restrictions on night work?	No	No
Major restrictions on weekly holiday?	Yes	Yes
Paid annual leave for a worker with 1 year of tenure (in working days)	14.0	14.0
Paid annual leave for a worker with 5 years of tenure (in working days)	14.0	14.0
Paid annual leave for a worker with 10 years of tenure (in working days)	14.0	14.0
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	14.0	14.0

Source: Doing Business database.

LABOR MARKET REGULATION

Difficulty of redundancy index

Difficulty of redundancy index looks at 9 questions: (i) what the length is in months of the maximum probationary period; (ii) whether redundancy is disallowed as a basis for terminating workers; (iii) whether the employer needs to notify a third party (such as a government agency) to terminate 1 redundant worker; (iv) whether the employer needs to notify a third party to terminate a group of 9 redundant workers; (v)

whether the employer needs approval from a third party to terminate 1 redundant worker; (vi) whether the employer needs approval from a third party to terminate a group of 9 redundant workers; (vii) whether the law requires the employer to reassign or retrain a worker before making the worker redundant; (viii) whether priority rules apply for redundancies; and (ix) whether priority rules apply for reemployment.

Difficulty of redundancy index	Karachi Data	Lahore Data
Maximum length of probationary period (months)	3.0	3.0
Dismissal due to redundancy allowed by law?	Yes	Yes
Third-party notification if 1 worker is dismissed?	No	No
Third-party approval if 1 worker is dismissed?	No	No
Third-party notification if 9 workers are dismissed?	No	No
Third-party approval if 9 workers are dismissed?	No	No
Retraining or reassignment obligation before redundancy?	Yes	Yes
Priority rules for redundancies?	Yes	Yes
Priority rules for reemployment?	Yes	Yes

Source: Doing Business database.

LABOR MARKET REGULATION

Redundancy cost

Redundancy cost measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary. The average value of notice

requirements and severance payments applicable to a worker with 1 year of tenure, a worker with 5 years and a worker with 10 years is considered. One month is recorded as 4 and 1/3 weeks.

Redundancy cost indicator (in salary weeks)	Karachi Data	Lahore Data
Notice period for redundancy dismissal for a worker with 1 year of tenure	4.3	4.3
Notice period for redundancy dismissal for a worker with 5 years of tenure	4.3	4.3
Notice period for redundancy dismissal for a worker with 10 years of tenure	4.3	4.3
Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	4.3	4.3
Severance pay for redundancy dismissal for a worker with 1 year of tenure	4.3	4.3
Severance pay for redundancy dismissal for a worker with 5 years of tenure	21.4	21.4
Severance pay for redundancy dismissal for a worker with 10 years of tenure	42.9	42.9
Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	22.9	22.9

Source: *Doing Business* database.

Social protection schemes and benefits & Labor disputes

Doing Business collects data on the existence of unemployment protection schemes as well as data on whether employers are legally required to provide health insurance for employees with permanent contracts.

Doing Business also assesses the mechanisms available to resolve labor disputes. More specifically, it collects data on what courts would be competent to hear labor disputes and whether the competent court is specialized in resolving labor disputes.

Social protection schemes and benefits & Labor disputes indicator	Karachi Data	Lahore Data
Availability of unemployment protection scheme?	No	No
Health insurance existing for permanent employees?	No	No
Availability of courts or court sections specializing in labor disputes?	Yes	Yes

Source: *Doing Business* database.

DISTANCE TO FRONTIER AND EASE OF DOING BUSINESS RANKING

This year's report presents results for 2 aggregate measures: the distance to frontier score and the ease of doing business ranking, which for the first time this year is based on the distance to frontier score. The ease of doing business ranking compares economies with one another; the distance to frontier score benchmarks economies with respect to regulatory best practice, showing the absolute distance to the best performance on each *Doing Business* indicator. When compared across years, the distance to frontier score shows how much the regulatory environment for local entrepreneurs in an economy has changed over time in absolute terms, while the ease of doing business ranking can show only how much the regulatory environment has changed relative to that in other economies.

Distance to Frontier

The distance to frontier score captures the gap between an economy's performance and a measure of best practice across the entire sample of 31 indicators for 10 *Doing Business* topics (the labor market regulation indicators are excluded). For starting a business, for example, Canada and New Zealand have the smallest number of procedures required (1), and New Zealand the shortest time to fulfill them (0.5 days). Slovenia has the lowest cost (0.0), and Australia, Colombia and 110 other economies have no paid-in minimum capital requirement (table 15.1 in the *Doing Business 2015* report).

Calculation of the distance to frontier score

Calculating the distance to frontier score for each economy involves 2 main steps. First, individual component indicators are normalized to a common unit where each of the 31 component indicators y (except for the total tax rate) is rescaled using the linear transformation $(\text{worst} - y)/(\text{worst} - \text{frontier})$. In this formulation the frontier represents the best performance on the indicator across all economies since 2005 or the third year after data for the indicator were collected for the first time. For legal indicators such as those on getting credit or protecting minority investors, the frontier is set at the highest possible value. For the total tax rate, consistent with the use of a threshold in calculating the rankings on this indicator, the frontier is

defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis. For the time to pay taxes the frontier is defined as the lowest time recorded among all economies that levy the 3 major taxes: profit tax, labor taxes and mandatory contributions, and value added tax (VAT) or sales tax. In addition, the cost to export and cost to import for each year are divided by the GDP deflator, to take the general price level into account when benchmarking these absolute-cost indicators across economies with different inflation trends. The base year for the deflator is 2013 for all economies.

In the same formulation, to mitigate the effects of extreme outliers in the distributions of the rescaled data for most component indicators (very few economies need 700 days to complete the procedures to start a business, but many need 9 days), the worst performance is calculated after the removal of outliers. The definition of outliers is based on the distribution for each component indicator. To simplify the process, 2 rules were defined: the 95th percentile is used for the indicators with the most dispersed distributions (including time, cost, minimum capital and number of payments to pay taxes), and the 99th percentile is used for number of procedures and number of documents to trade. No outlier was removed for component indicators bound by definition or construction, including legal index scores (such as the depth of credit information index, extent of conflict of interest regulation index and strength of insolvency framework index) and the recovery rate (figure 15.1 in the *Doing Business 2015* report).

Second, for each economy the scores obtained for individual indicators are aggregated through simple averaging into one distance to frontier score, first for each topic and then across all 10 topics: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly identical to the simple average used by *Doing Business*⁶. Thus *Doing Business* uses the simplest

⁶ See Djankov, Manraj and others (2005). Principal components and unobserved components methods yield a ranking nearly identical to

method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components⁷.

An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. All distance to frontier calculations are based on a maximum of 5 decimals. However, indicator ranking calculations and the ease of doing business ranking calculations are based on 2 decimals. The difference between an economy's distance to frontier score in any previous year and its score in 2014 illustrates the extent to which the economy has closed the gap to the regulatory frontier over time. And in any given year the score measures how far an economy is from the best performance at that time.

Treatment of the total tax rate

This year, for the first time, the total tax rate component of the paying taxes indicator set enters the distance to frontier calculation in a different way than any other indicator. The distance to frontier score obtained for the total tax rate is transformed in a nonlinear fashion before it enters the distance to frontier score for paying taxes. As a result of the nonlinear transformation, an increase in the total tax rate has a smaller impact on the distance to frontier score for the total tax rate—and therefore on the distance to frontier score for paying taxes—for economies with a below-average total tax rate than it would have in the calculation done in previous years (line B is smaller than line A in figure 15.2 of the *Doing Business 2015* report). And for economies with an extreme total tax rate (a rate that is very high relative to the average), an increase has a greater impact on both these distance to frontier scores than before (line D is bigger than line C in figure 15.2 of the *Doing Business 2015* report).

The nonlinear transformation is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in an economy's

that from the simple average method because both these methods assign roughly equal weights to the topics, since the pairwise correlations among indicators do not differ much. An alternative to the simple average method is to give different weights to the topics, depending on which are considered of more or less importance in the context of a specific economy.

⁷ For getting credit, indicators are weighted proportionally, according to their contribution to the total score, with a weight of 60% assigned to the strength of legal rights index and 40% to the depth of credit information index. Indicators for all other topics are assigned equal weights

overall tax system. Instead, it is mainly empirical in nature. The nonlinear transformation along with the threshold reduces the bias in the indicator toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). In addition, it acknowledges the need of economies to collect taxes from firms.

Calculation of scores for economies with 2 cities covered

For each of the 11 economies for which a second city was added in this year's report, the distance to frontier score is calculated as the population-weighted average of the distance to frontier scores for the 2 cities covered (table 12.1). This is done for the aggregate score, the scores for each topic and the scores for all the component indicators for each topic.

Table 12.1 Weights used in calculating the distance to frontier scores for economies with 2 cities covered

Economy	City	Weight (%)
Bangladesh	Dhaka	78
	Chittagong	22
Brazil	São Paulo	61
	Rio de Janeiro	39
China	Shanghai	55
	Beijing	45
India	Mumbai	47
	Delhi	53
Indonesia	Jakarta	78
	Surabaya	22
Japan	Tokyo	65
	Osaka	35
Mexico	Mexico City	83
	Monterrey	17
Nigeria	Lagos	77
	Kano	23
Pakistan	Karachi	65
	Lahore	35
Russian Federation	Moscow	70
	St. Petersburg	30
United States	New York	60
	Los Angeles	40

Source: United Nations, Department of Economic and Social Affairs, Population Division, World Urbanization Prospects, 2014 Revision. <http://esa.un.org/unpd/wup/CD-ROM/Default.aspx>.

Economies that improved the most across 3 or more *Doing Business* topics in 2013/14

Doing Business 2015 uses a simple method to calculate which economies improved the ease of doing business the most. First, it selects the economies that in 2013/14 implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year's aggregate distance to frontier score. Twenty-one economies meet this criterion: Azerbaijan; Benin; the Democratic Republic of Congo; Côte d'Ivoire; the Czech Republic; Greece; India; Ireland; Kazakhstan; Lithuania; the former Yugoslav Republic of Macedonia; Poland; Senegal; the Seychelles; Spain; Switzerland; Taiwan, China; Tajikistan; Togo; Trinidad and Tobago; and the United Arab Emirates. Second, *Doing Business* sorts these economies on the increase in their distance to frontier score from the previous year using comparable data.

Selecting the economies that implemented regulatory reforms in at least 3 topics and had the biggest improvements in their distance to frontier scores is intended to highlight economies with ongoing, broad-based reform programs. The improvement in the distance to frontier score is used to identify the top improvers because this allows a focus on the absolute improvement—in contrast with the relative improvement shown by a change in rankings—that economies have made in their regulatory environment for business.

Ease of *Doing Business* ranking

The ease of doing business ranking ranges from 1 to 189. The ranking of economies is determined by sorting the aggregate distance to frontier scores, rounded to 2 decimals.

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