

Implementing  
regulatory  
reform

# Reforming Regulation in South Asia: Experiences and Possibilities

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## Towards Good Regulation



# Benefits to Regulatory Reform

- **Reduced entry barriers encourage growth, diversification via start-ups & small firms, complementing big investments.**
- **Reduced regulatory costs cuts share of informal enterprises and workers**
- **Reform increases tax base allowing lower rates.**
- **Reform allows switching civil servants to more useful tasks.**
- **Lower burden disproportionately benefits small enterprises.**
- **Streamlining regulations shrinks bureaucratic discretion.**
- **Reducing regulations lowers need for offsetting investment incentives and support measures.**

# Predicted benefits to investment climate reform in South Asia...

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- If firms in other cities could improve their investment climate to the level of Shanghai, the average productivity improvements would be:
  - 18 % for firms in Bangalore
  - 43 % for Dhaka
  - 78 % for Calcutta
  - 81 % for Karachi.
- Key variables used include power losses, customs delays and infrastructure connection delays.
- “Accumulation and growth at the firm level is higher where the investment climate is good.”

Source: *Investment Climate and Firm Performance in Developing Economies* By David Dollar, Mary Hallward-Driemeier and Taye Mengistae (World Bank, 2003)

# In many instances and dimensions, South Asia is reforming regulations

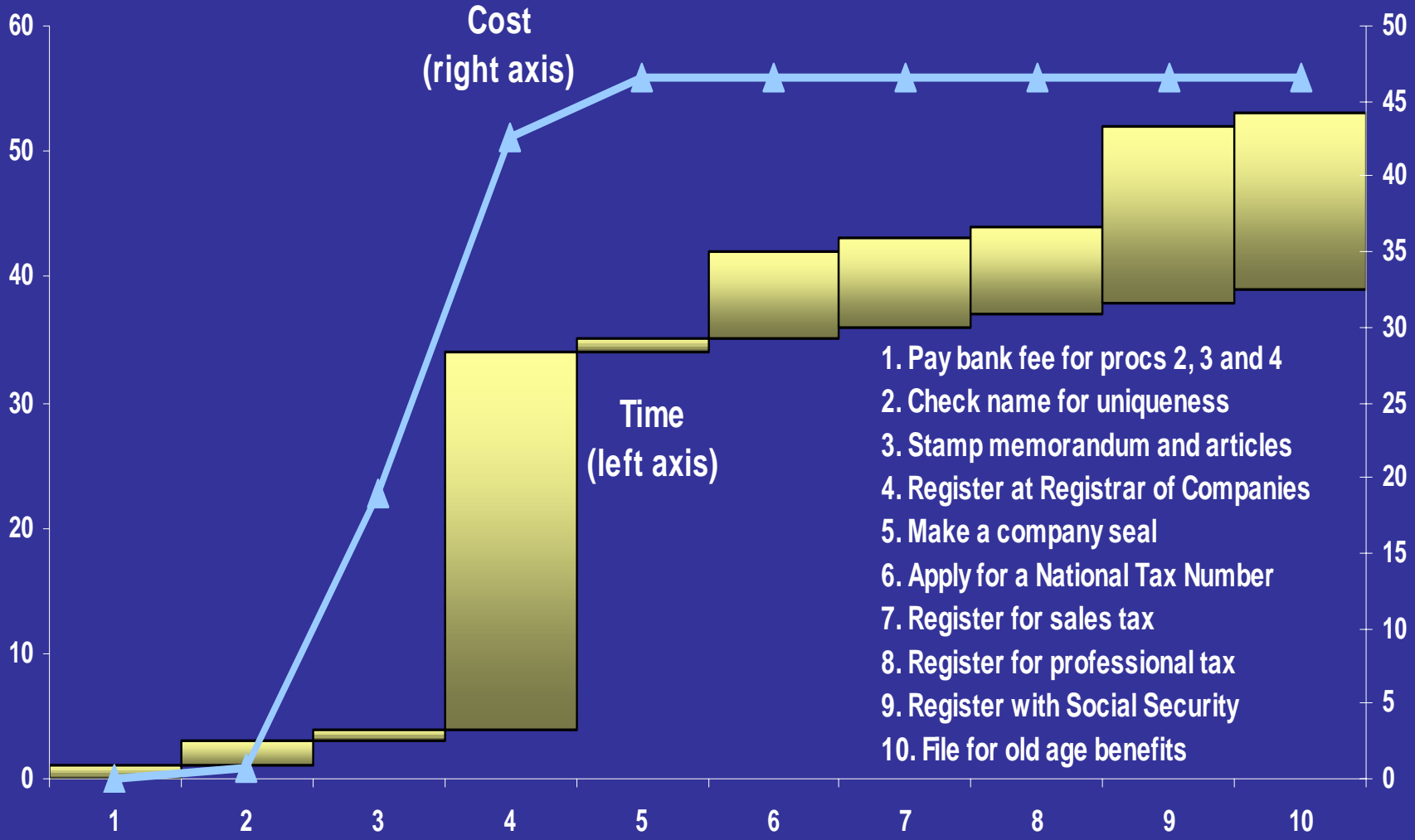
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Many examples including:

- **Tariff and trade regulatory reforms**
- **Reform of business registration**
  - **Pakistan**
  - **Sri Lanka**
- **E-Governance**
  - **India: Land-titling in Andhra Pradesh**
  - **Bangladesh FDI project processing**
- **Reforming ineffective, burdensome laws, regulations**

# Benchmarking: Pakistan (Jan. 1, 2002)

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1. Pay bank fee for procs 2, 3 and 4
2. Check name for uniqueness
3. Stamp memorandum and articles
4. Register at Registrar of Companies
5. Make a company seal
6. Apply for a National Tax Number
7. Register for sales tax
8. Register for professional tax
9. Register with Social Security
10. File for old age benefits

# Property Registration in Andhra Pradesh, India – e-government

- ❑ Land registration offices throughout Andhra Pradesh operating through computerized counters
- ❑ Helping citizens to complete registration requirements within an hour instead of several days

## RESULTS:

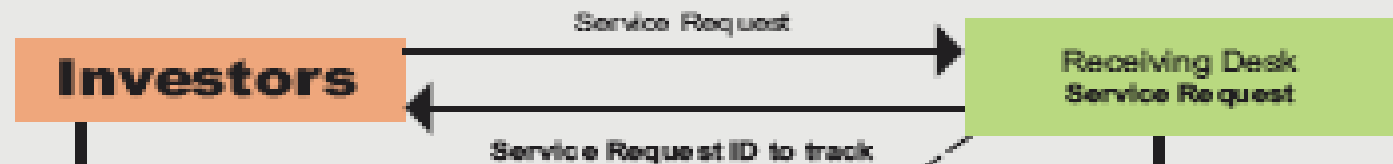
- ❑ The new approach brings speed, efficiency, consistency and reliability to the registration process
- ❑ It provides transparency, eliminates middlemen, and reduces corruption



# E-governance to track Board of Investment Application Processing

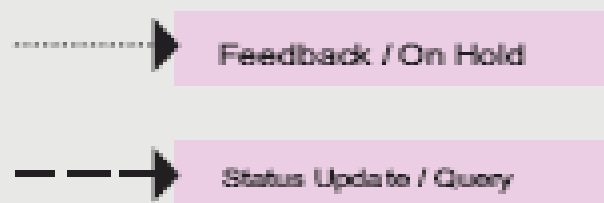
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## Exhibit 2: BOI Online Service Tracking System Process



**“The core guiding principles in developing such e-Governance system at BOI are:**

- Transparency and Openness,
- Participation,
- Accountability,
- Effectiveness,
- Speed, and
- Fairness.”



# Reform Progress:

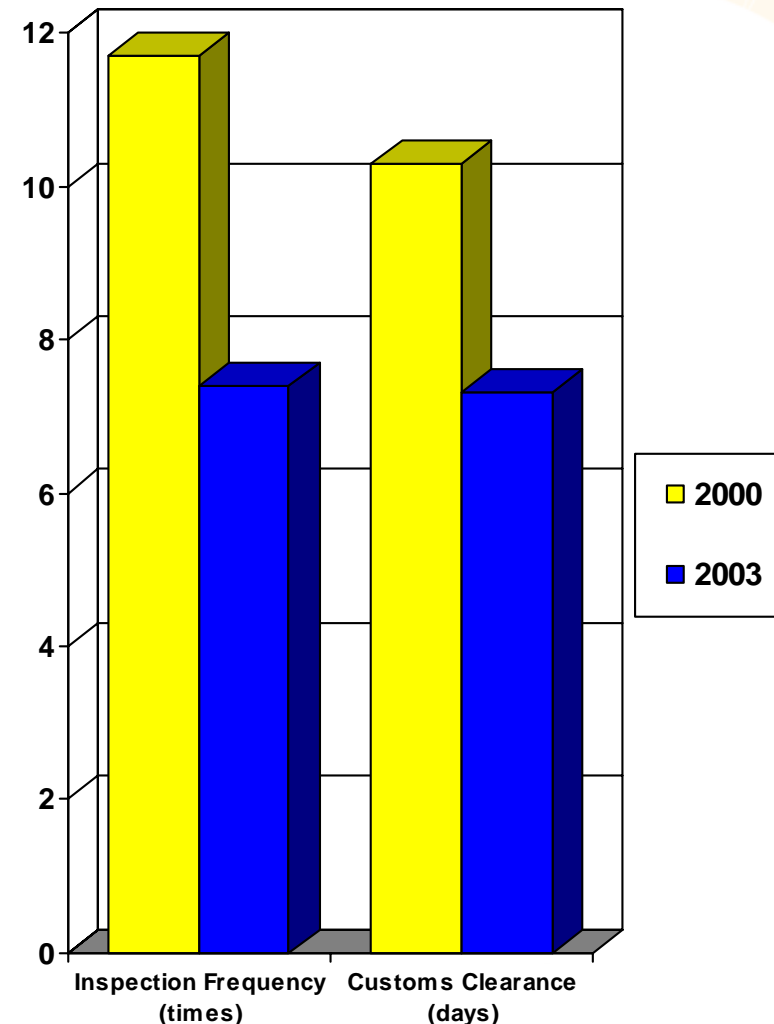
## Indian economy: Business climate improving says World Bank

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COUNTRY BRIEFING FROM FINANCIAL TIMES

By Edward Luce in New Delhi

- India's investment climate has improved markedly over the last three years... a notable reduction in...regulatory harassment.
- Survey of more than 1,800 manufacturing operations in India -- frequency of government inspections dropped from 11.7 a year ...to 7.4 a year in 2003; the average days to clear customs fell from 10.3 a year to 7.3...[vs 9.8 days in China].
- "Regulatory [visits] ...lower ...than China...comparable to...Brazil".



In spite of many individual reforms in South Asia, systematic reform programs generally not seen.

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## 3 Phases of Regulatory Reform

### 3. Regulatory management

- long-term systemic perspective concerned with institutions and performance

### 2. Regulatory Reform

- Produce high quality regulations
- Improve regulatory processes: RIA, Consultation, Planning
- Update and review existing regulations

### 1. Deregulation:

- Eliminate regulations that impede competition, trade
  - Reduce number of regulations
- Reduce burden and cost of regulations
  - Simplify procedures
- Streamline administration

← South Asia

# Reforming Regulation: A spectrum of approaches

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	Short-term	Medium-Term	Long-Term
<b>Country</b>	Korea	Hungary	Mexico
<b>Description</b>	“Big Bang”	“Guillotine”	“Institutionalized”
<b>Champion</b>	Big push by President	Cabinet of Ministers	Initially President, then Min. of Trade
<b>Goal</b>	Reduce regulations by half	Eliminate unjustified regulations	From deregulation to good regulation
<b>Context</b>	Financial crisis	EU Accession	NAFTA
<b>Means</b>	Cross-cutting Regulatory Reform Committee chaired by Prime Minister	Deregulation Commission, Justice Ministry review	Specialized unit in powerful Ministry, later autonomous agency

## **In conclusion...**

- **Regulatory reform carries strong economic benefits, especially for the poor, and can improve compliance.**
- **South Asian economies have a number of problems from poorly designed or implemented regulations.**
- **South Asian countries have introduced a number of regulatory reforms, with positive effects, but have not institutionalized reform.**
- **International experience suggests approaches to systematic reform of regulations and inspections.**