

EASE OF DOING BUSINESS IN ASEAN

IAI – AMCI Webinar



WORLD BANK GROUP

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Finance, Competitiveness and Innovation

- I. About Doing Business**
- II. Findings of Doing Business 2020
- III. Good practices of reformers



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THE AREAS OF BUSINESS REGULATION MEASURED BY *DOING BUSINESS*

Doing Business analyzes regulation that encourages **efficiency** and supports **freedom** to do business:



Starting a business

Employing workers

Dealing with construction permits

Getting electricity

Registering property

Getting credit

Protecting minority investor

Paying taxes

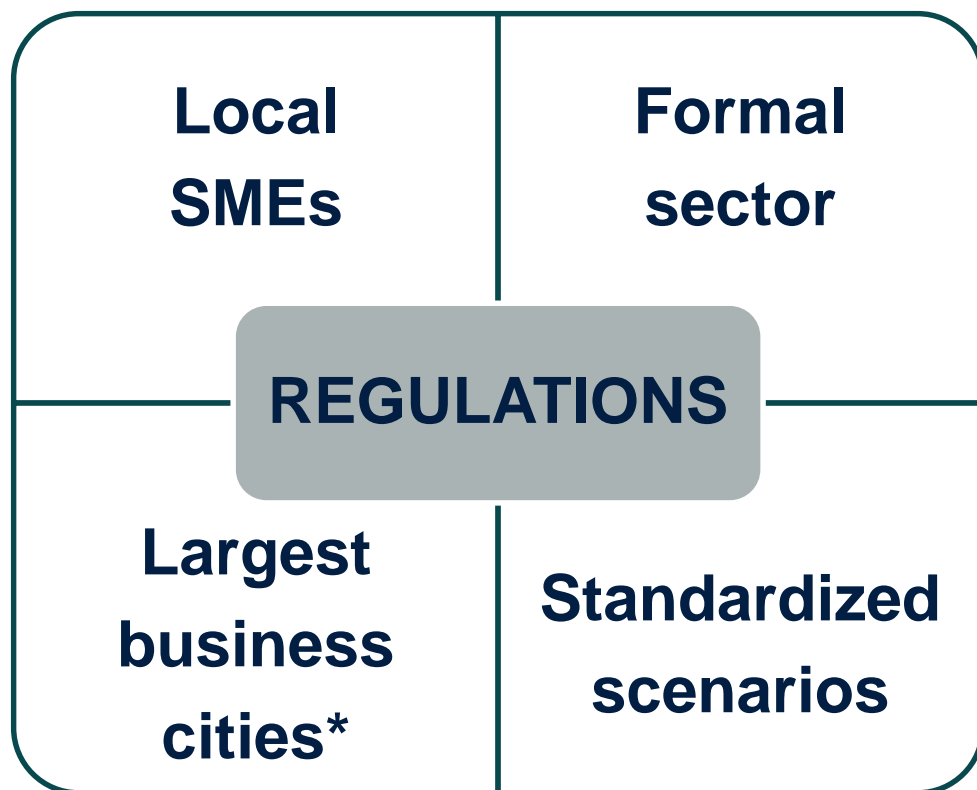
Trading across borders

Contracting with the government
(coming soon)

Enforcing contracts

Resolving insolvency

What is the Focus of the **Doing Business** Indicators?



Note: The second largest business city is also measured in economies with more than 100 million inhabitants as of 2013

“Governments can foster market-oriented development and growth by creating rules that help businesses create, hire and expand. Removing barriers to entrepreneurs generates better jobs, more tax revenues and higher incomes.”

World Bank Group President
David Malpass

How *Doing Business* Collects and Verifies the Data?



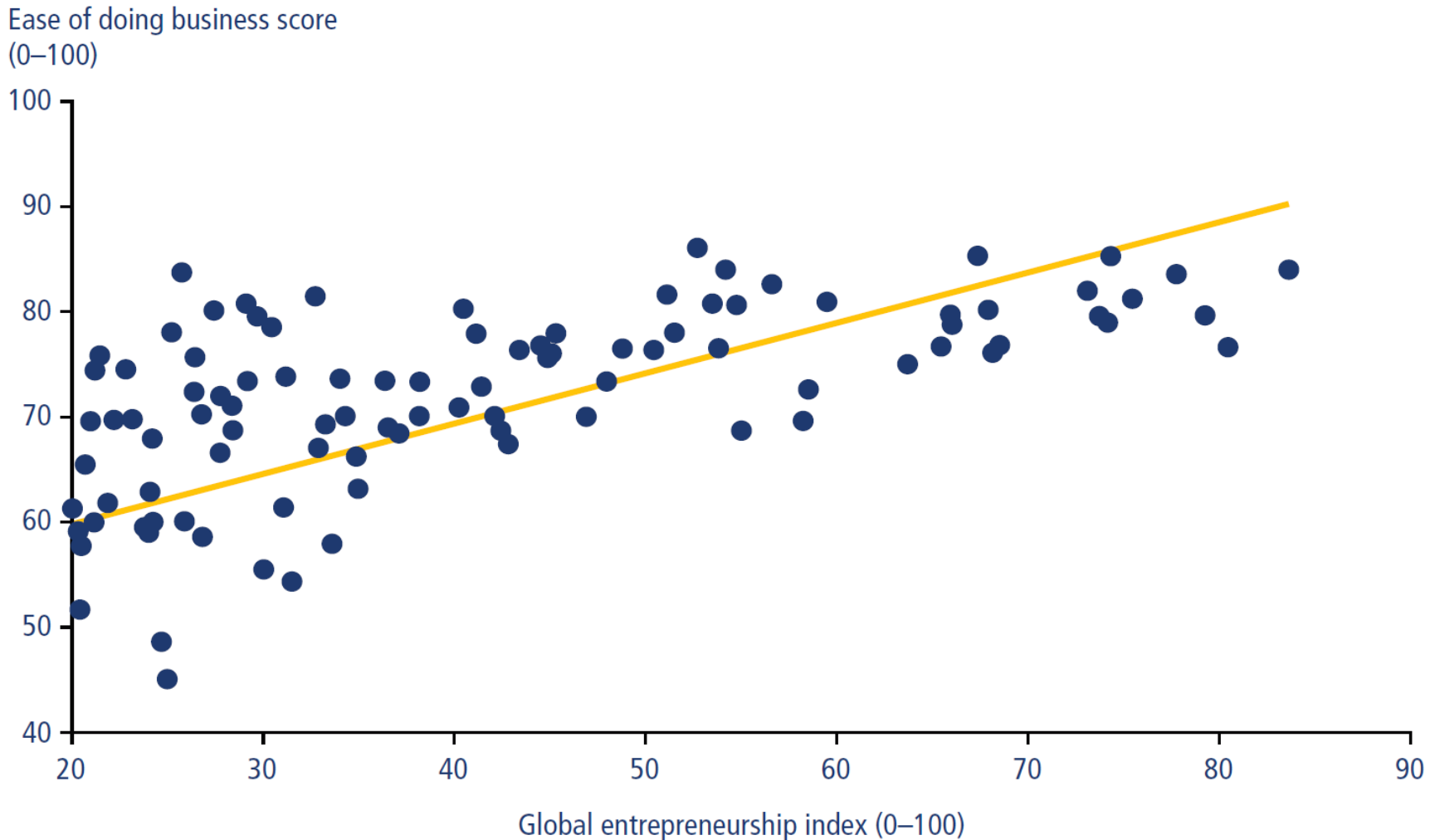
BUSINESS FRIENDLY REGULATIONS AS MEASURED BY *DOING BUSINESS* ARE ASSOCIATED WITH GROWTH

An improvement of 10 points in the overall ease of doing business score is linked to an increase of around 0.5 new businesses per 1,000 adults



Source: Djankov, Georgieva, Ramalho (2018); Divanbeigi, Ramalho (2015).

Greater Ease of Doing Business is Associated with Higher Levels of Entrepreneurship



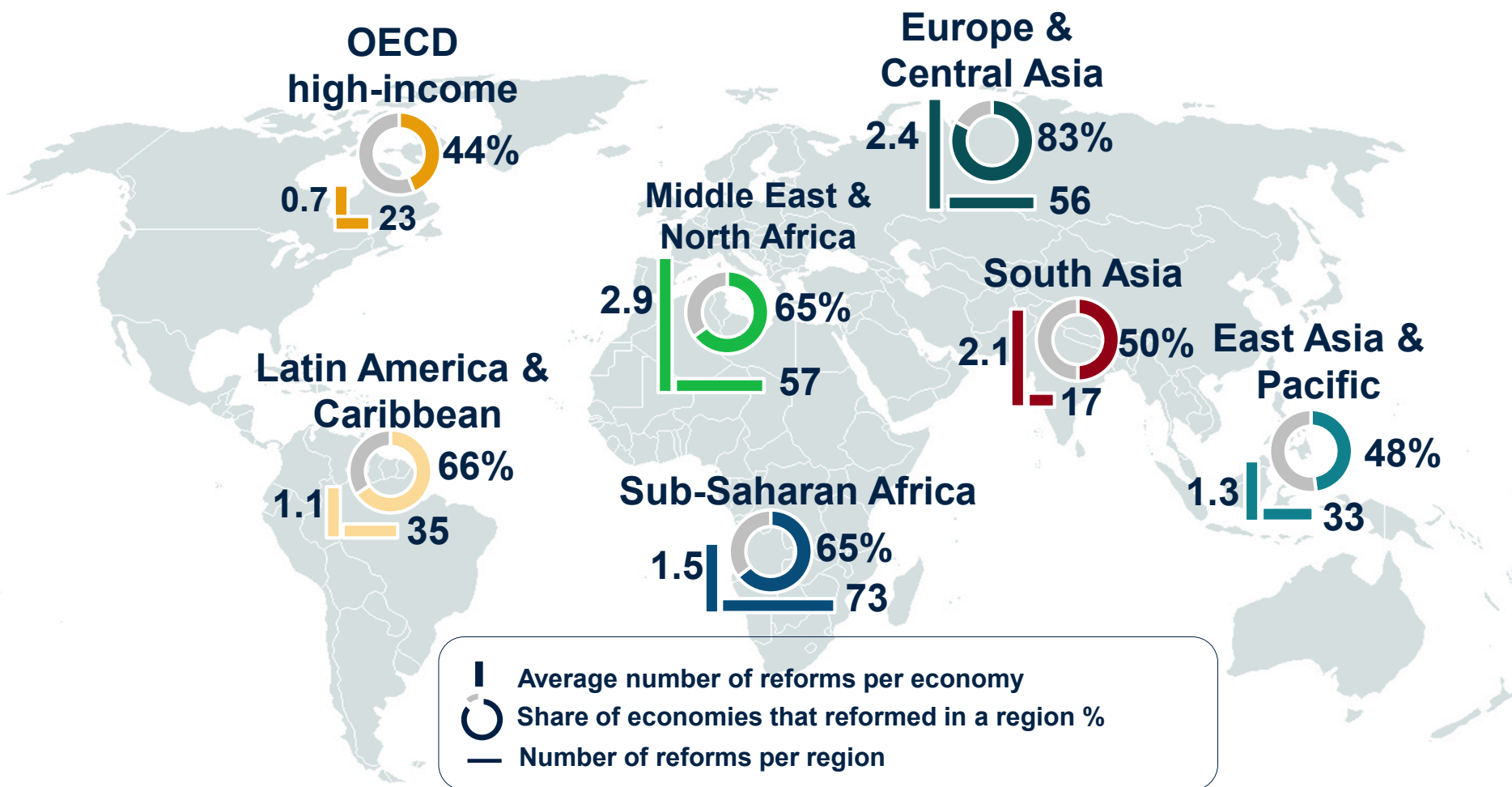
Source: *Doing Business* database; Global Entrepreneurship and Development Institute.

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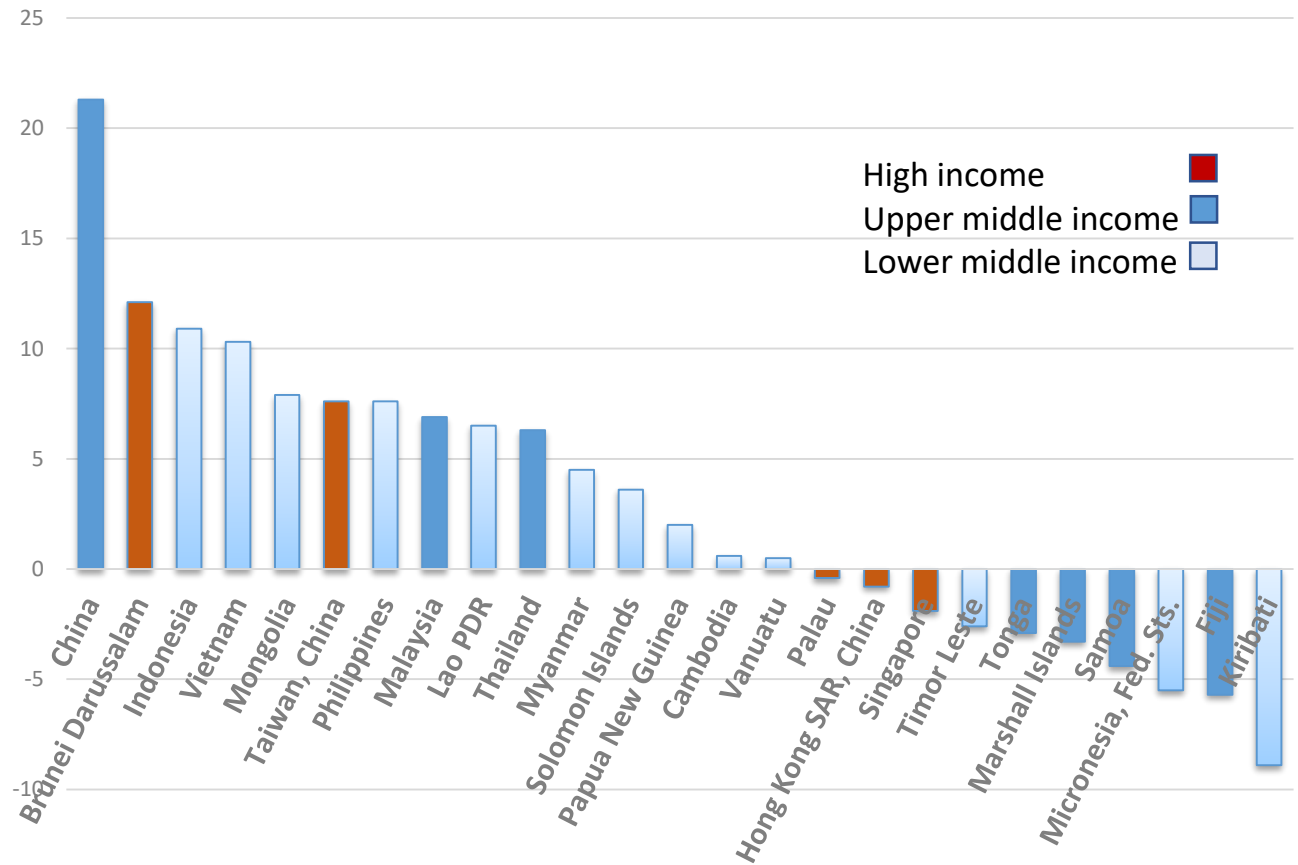
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Developing economies implemented 72% of all regulatory reforms in 2018/19



In EAP: China and the ASEAN bloc are leading the reform efforts. Pacific Island countries are lagging

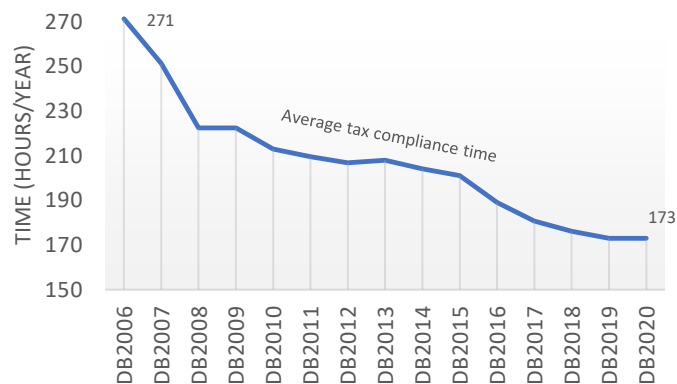
EAP - Change in EODB score from DB10 to DB20



- Improvements are driven by countries of mixed income levels
- Top reformers:: China DB19, DB20; Brunei DB18, DB17, DB11; Thailand DB18; Indonesia DB17; Mongolia DB13; Solomon Islands in DB12.
- Small island states generally not reforming

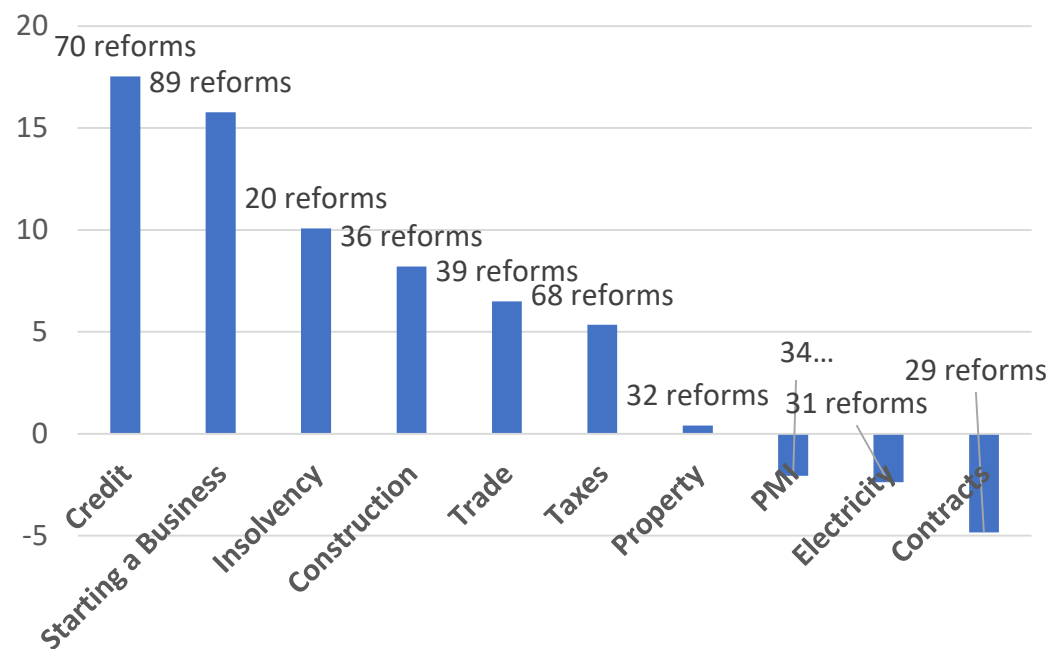
Reform effort in EAP focused on starting a business, insolvency and construction permits

- Most improved topics: Getting Credit, Starting a Business, Insolvency
- DBRA support mostly in topics: Starting a Business, Registering Property
- Insolvency:** New insolvency legislations: Vietnam, Indonesia, Philippines, Brunei; Solomon Islands, Vanuatu, Cambodia (first insolvency law); Thailand and China strengthened existing insolvency frameworks.
- Paying Taxes:** Compliance time fell from 272 hours/year to 173 hours/year in EAP in the past 12 years.



EAP – Change in EoDB scores for each indicator

Timeline: from year when indicator was introduced (between DB04 and DB10) to DB20

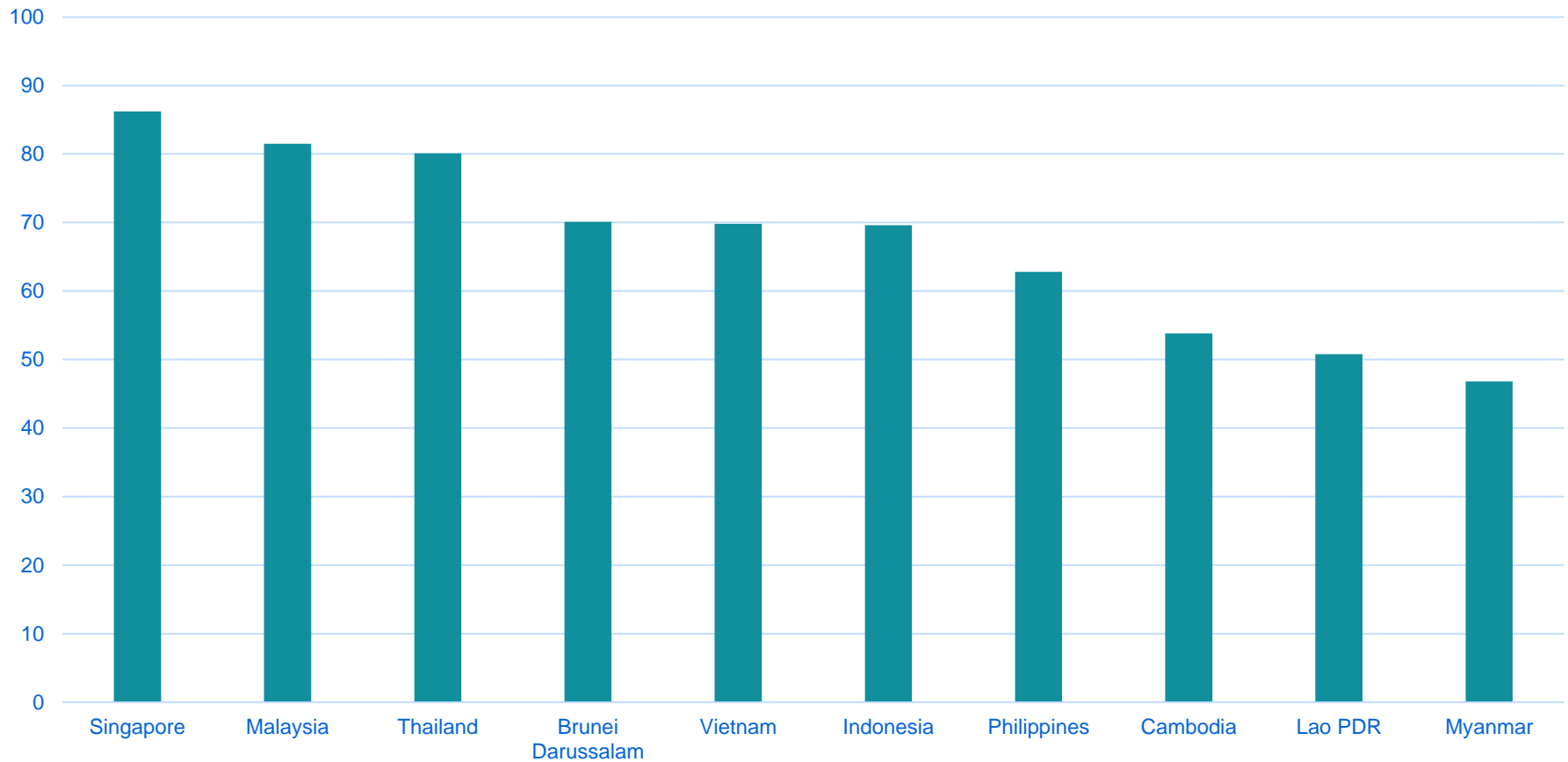


How did economies in East Asia and the Pacific perform on the ease of doing business in 2017/18?

Rank	Economy	Score
2	Singapore	86.2
3	Hong Kong SAR, China	85.3
12	Malaysia	81.5
15	Taiwan, China	80.9
21	Thailand	80.1
31	China	77.9
66	Brunei Darussalam	70.1
70	Vietnam	69.8
73	Indonesia	69.6
81	Mongolia	67.8
95	Philippines	62.8
98	Samoa	62.1
102	Fiji	61.5

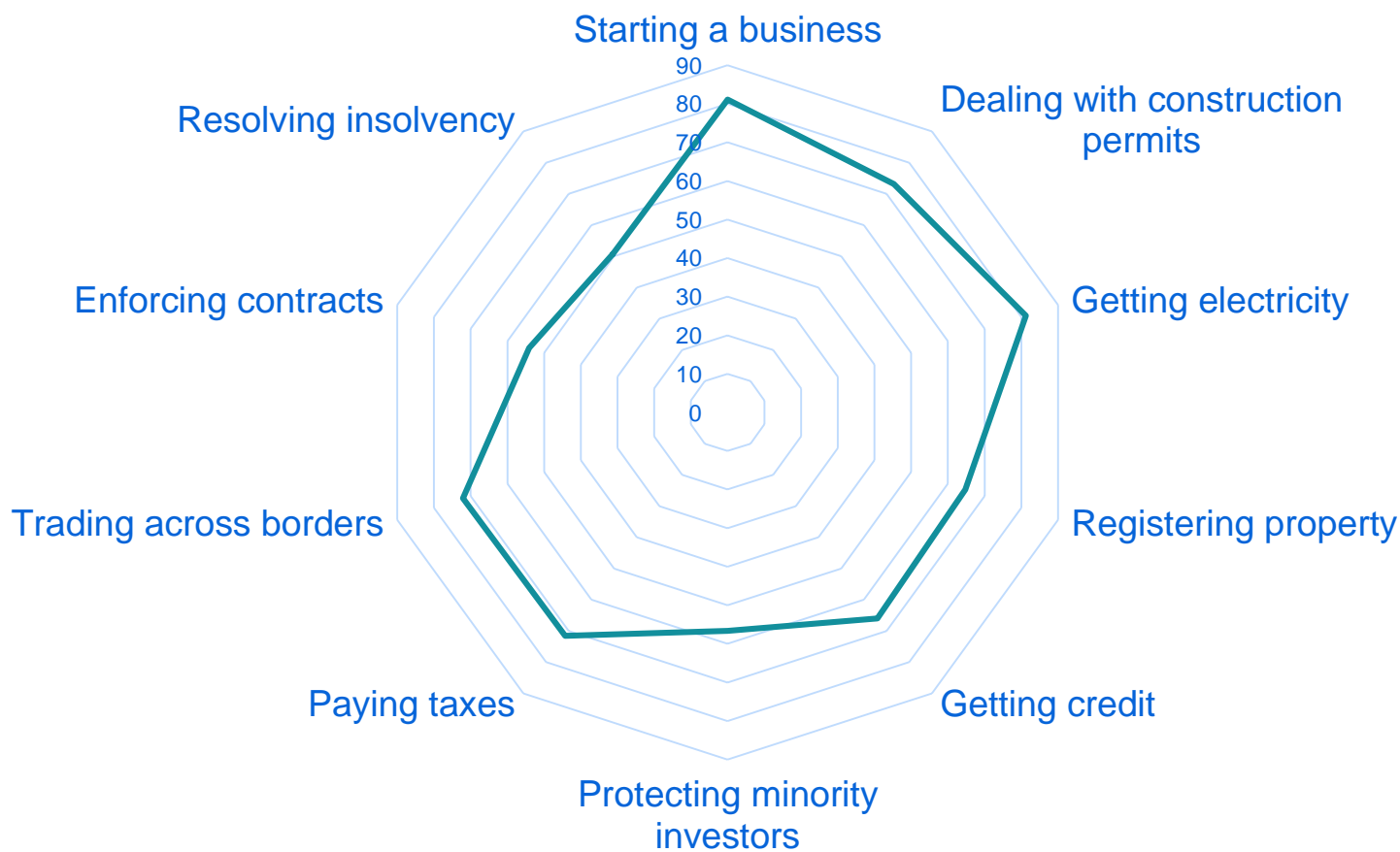
Rank	Economy	Score
103	Tonga	61.4
107	Vanuatu	61.1
120	Papua New Guinea	59.8
136	Solomon Islands	55.3
144	Cambodia	53.8
145	Palau	53.7
153	Marshall Islands	50.9
154	Lao PDR	50.8
158	Micronesia, Fed. Sts.	48.1
164	Kiribati	46.9
165	Myanmar	46.8
158	Timor-Leste	49.07

Doing Business in ASEAN – Ease of Doing Business Score DB20



Source: Doing Business 2020

Doing Business in ASEAN – Average performance across areas



Source: Doing Business 2020

Economies in ASEAN that Reformed Their Business Environment in the past two years



Source: Doing Business 2020

SINCE 2004, REFORMS reduced the time OF DOING BUSINESS IN ASEAN

Starting a Business



Thailand

2006: 35 days

2020: 6 days

Paying Taxes

Vietnam

2006: 1,050 hours

2020: 384 hours



Dealing with Construction Permits



Malaysia

2006: 285 days

2020: 53 days

Resolving Insolvency

Indonesia

2004: 6 years

2020: 1.1 years



Source: *Doing Business 2020*.

Malaysia: what was achieved

11 reforms between DB17 and DB20

1. Implementation of electronic services: online single window to carry out property searches (e-Tanah system), electronic forms for export/imports, online registration and e-filing and e-payment for GST.

2. Process Improvement:

- Eliminated road and drainage inspection during construction permit application and eliminated site visit during electricity connections.
- Enhanced risk-based inspections at customs and reduced physical inspections.

3. Legal reform:

- Changes to the Companies Act to introduce the option of reorganization in insolvency proceedings and strengthened corporate transparency.
- Administrative instructions and circulars related to the changes in construction permits and electricity connections.

Thailand: what was achieved

16 reforms between DB17 and DB20

1. Implementation of electronic services: e-registration, e-Payment, electronic Lands Maps systems, e-Receipt, e-Transition (customs clearance system), Court automation (e-filing and e-payment at courts), e-Insolvency Case Management, etc.

2. Process Improvement:

- Introduced flat rate for business registration, eliminated requirement to obtain a company seal and requirement to approve work regulations with Labor Department.
- Reduced the required issuance time for an occupancy permit, especially for smaller low risk buildings, from 30 days to 15 days; Introduced phased inspections.
- Improved electricity installation process by parallel inspecting the internal and external cable works, (reduce 37 days process to 15 days and from 5 steps to 2). Increased transparency of tariffs.
- Reduced time to comply with corporate income tax from 156 hours to 154 hours due to the availability of spreadsheets embedded with formulas and tax rules that allowed taxpayers to compute corporate income tax automatically.

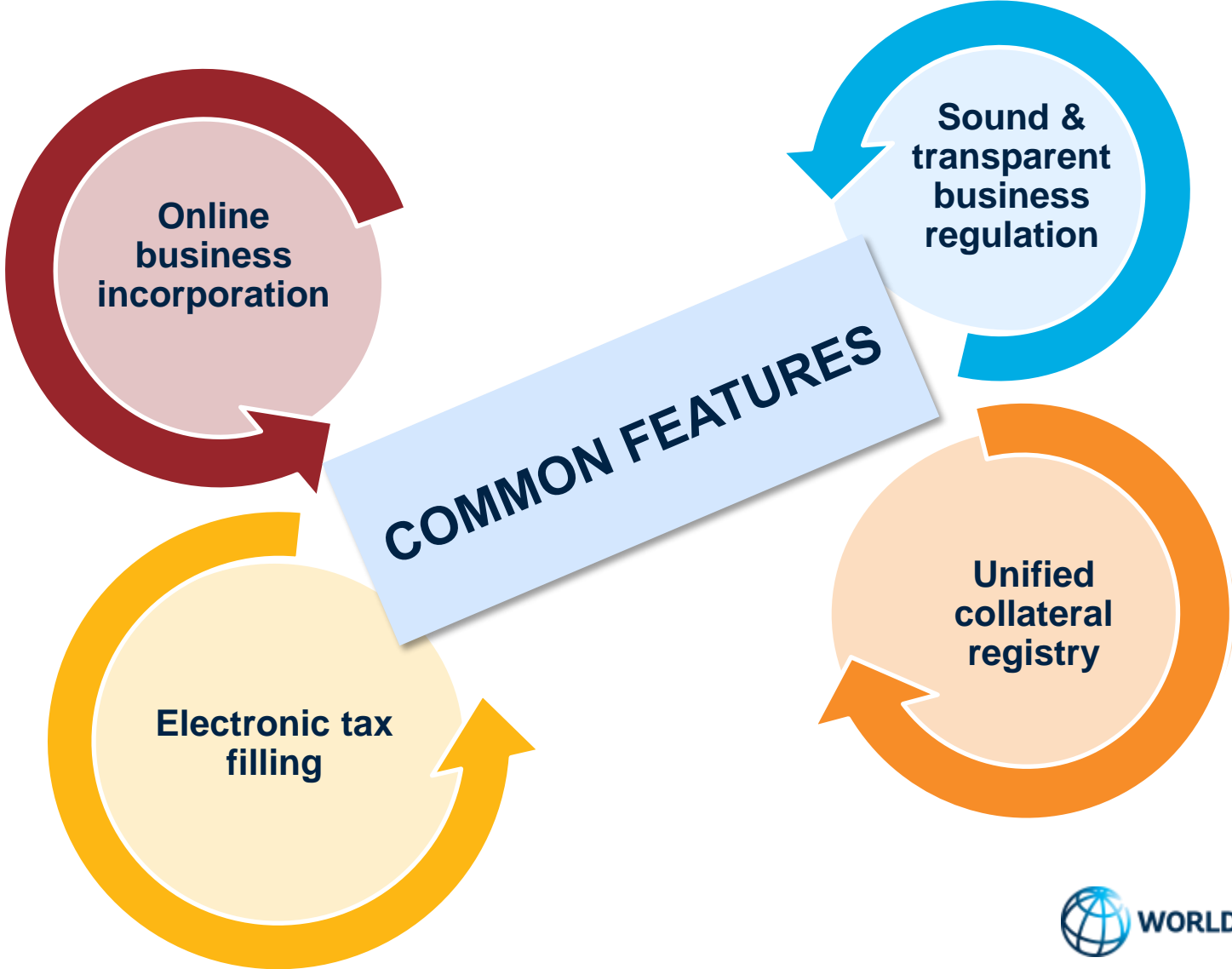
3. Legal reform: Order of the Head of NCPO, No. 21/2560, on 4 April B.E. 2560 (2017)
“Amendments of Laws to Facilitate the Ease of Doing Business:”

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Top performing economies in the ease of doing business share common features of regulatory efficiency and quality



Global Trends In Good Practices – Some Common Features Among Top Economies And Top Reformers

- Strong **information base and data-centric** systems (starting a business, getting credit, registering property, paying taxes)
- **Risk-based approach** to regulation and supervision (starting a business, dealing with construction permits, trading across borders, paying taxes)
- Legal frameworks and institutions provide **strong property rights protections** (secured transactions, resolving insolvency, registering property, enforcing contracts)
- **Citizen and business centric** vs government centric → Integrated service delivery and “**one government**” policy with effective data-sharing
- **Updated regulatory frameworks and institutions to leverage technology** (e-transaction, e-document, e-signature laws, etc).

STARTING A BUSINESS

GOOD PRACTICES



Global good practices

- ✓ Putting procedures online
- ✓ No paid-in minimum capital requirement
- ✓ Creation and improvement of one-stop shops
- ✓ Standardized forms
- ✓ No court involvement
- ✓ Fixed registration fee

PAYING TAXES

GOOD PRACTICES



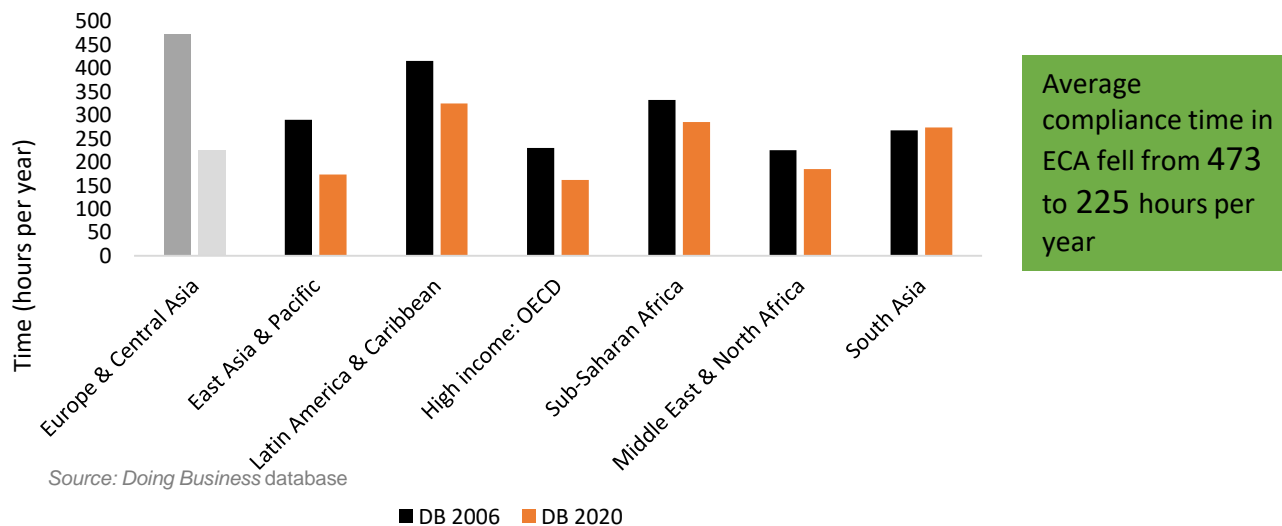
Global good practices

- ✓ Offering electronic filing and payment to reduce operational costs and increase tax compliance
- ✓ Adopt a simple one tax base system
- ✓ Adopt the principle of self-assessment for tax collection
- ✓ Strengthening the tax administration to boost productivity

Since 2003: Removing obstacles to entrepreneurship

Transitioning from manual to electronic filing and payment of taxes

- Since 2004/05, **63** economies introduced **online systems** for filing & paying taxes
- As of 2018/19, **106** economies **have a system of electronic filing & payment of taxes**
- This shift **cut tax compliance times** globally
- In economies with fewer tax payments there is a **lower perceived level of public sector corruption**



THE INSTITUTIONAL SET-UP FOR REFORMS IS VITAL TO THE SUCCESS OF PROGRAMS



Why?

The importance of business regulatory reforms



What?

The content of the reforms



How?

Creating institutional mechanisms for reforms to succeed

- Focusing on the *how*: regulatory reforms often fail to materialize because of a lack of coordination within government.
- Institutional set-up and coordination are key to (i) successfully identify and prioritize reforms, and (ii) ensure successful reform implementation.
- High level leadership is important, but it is not enough: Accountability and escalation mechanisms are key to assess reform likelihood

Why focus on organizing for reforms?

Key challenges

Coordination issues among Government agencies hamper progress in reform implementation

Lack of effective information sharing among Government agencies and with the private sector

Political economy issues lead to resistance/delays in reform adoption

Poor mechanisms for building support for investment climate reform policies and reforms

Overlapping of functions and mandates

Challenges related to national/subnational coordination

Possible solutions

High-level coordinating agency/body with clout and endorsement at the highest level to direct and supervise investment climate reforms

Key functions/responsibilities for programmatic reform program oversight outlined and filled

Good understanding of the political economy to identify key stakeholders within the institutional landscape

Protocols for inter-agency communication and coordination, for example through MOUs and inter-ministerial councils; incentives for subnational units

Effective consultation mechanisms and feed-back loop mechanisms

Reform strategies – Five common features of successful reformers

Leadership at the highest political level and clear accountability mechanisms

e.g. Prime Minister or President's endorsement in Colombia, Costa Rica, Malaysia, Russian Federation, Macedonia FYR, Turkey

A long-term comprehensive vision and clear objectives

e.g. Malaysia and Mauritius: high-income economy by 2020; Colombia: most competitive economy in region

Inclusive reform with an appropriate institutional mechanism

e.g. public-private National Competitiveness Councils in Colombia and Peru, PEMUDAH in Malaysia, Business Reference Panel & business surveys in the UK

Detailed implementation plan with measurable goals which are monitored

e.g. Peru, Colombia, Mauritius developed action plans that are monitored and regularly updated; Korea and Peru report progress to public; monitoring through performance indicators with escalation mechanism to PM in the UK

Private sector involvement and effective communication

e.g. public private steering committees and working groups in Morocco, Malaysia, Russian Federation, Turkey

How to organize for reform – different models but common characteristics and functions

Level	Features	Responsibilities
High-level oversight mechanism	<ul style="list-style-type: none"> • Often public-private • Relevant ministries for investment climate reform agenda • Direct periodic reporting PM or President (e.g. monthly, every 3 months) 	<ul style="list-style-type: none"> - Determine overall priorities - Setting KPIs* - Unblocking implementation obstacles/delays together with PM / President
Coordinating unit	<ul style="list-style-type: none"> • Technical staff • Direct reporting line to PM • Liaise between technical level working groups and steering committee or PM • Escalate key issues to steering committee or PM for action 	<ul style="list-style-type: none"> - Day-to-day oversight of reform program across all areas - Monitoring of reform road-map and KPIs/ setting KPIs - Ensure agenda setting, minutes, follow-up items, timelines - Escalating issues
Technical working groups	<ul style="list-style-type: none"> • Key stakeholders from public agencies (e.g. focal points of relevant line ministries) • Private sector; professional experts (lawyers, IT, accountants, architects, etc.) • Frequent structured meetings (e.g. bi-monthly) 	<ul style="list-style-type: none"> - Develop and implement detailed action plans bringing in expertise where needed (e.g. legal assessments, proposals for legal amendments, IT assessments, budget proposals) - Develop timelines and milestones; clarify responsibilities

*Key performance indicators

HOW CAN ASEAN SUPPORT THE IMPROVEMENT OF THE BUSINESS ENVIRONMENT?

- Country to country learning events within ASEAN. For example, Thailand and Malaysia have valuable experience to share.
- Regional harmonization of legislation. Example of OHADA – Organization for the Harmonization of Business Law in Africa – 17 West and Central African States, has driven many reforms in member countries.