

EXECUTIVE SUMMARY

PROPOSAL	:	SUBNATIONAL DOING BUSINESS STUDY IN MALAYSIA BY WORLD BANK
DATE	:	JUNE 2018 – JUNE 2020 (3 years)
OBJECTIVES		<p>The study are aimed at:</p> <ol style="list-style-type: none"> 1. Enhancing public sector productivity and accelerating regulatory reforms by establishing state-level benchmarking indicators for businesses. 2. Comparing 3 EODB areas (Starting a Business, Registering Property and Dealing with Construction) with selected cities in Malaysia. 3. Strengthen good regulatory practices in Malaysia to become more evidence-based, efficient and pro-competitive. 4. Providing a diagnostic tool to create a baseline and allow domestic and international comparisons 5. Identify bottleneck, good practices and promote peer learning using reforms instrument. 6. Create a measurement tools to assess progress over time. 7. To benchmark other cities best practices in subnational studies around the world.
BENEFITS		The study will also function as to develop the international co-operations, exchange of information and experience as well as the sharing of best practice.
ESTIMATED TOTAL COST	:	RM3,329,000.00 USD800,000 (Expert Fee) + RM129,000 (Administration Cost)
BUDGET		PTPS
DEPARTMENT		SMART REGULATION & PRODUCTIVITY & COMPETITIVENESS KNOWLEDGE (PCK)
Comment/ Signature by PCT		
Comment/ Signature by Accountant		

SUBNATIONAL DOING BUSINESS STUDY IN MALAYSIA BY WORLD BANK

1.0 Purpose

The purpose of this paper is to request approval from MPC Board of Management for the Subnational Doing Business Study in Malaysia by World Bank for the period of 2018-2020.

2.0 Background

The Doing Business 2018 report shows that although Malaysia's overall performance on the ease of doing business, as measured by Kuala Lumpur, is better than the average for East Asia and Pacific economies (EAP), it still lags behind some EAP economies. Malaysia's overall rank in Doing Business 2018 was 24th out of 190 economies, and 4th out of 25 economies in the region. Malaysia's ranking reflects an overall distance to the frontier of 78.43 percentage points (out of a possible 100). Compared to the top performing EAP economies (Singapore; Hong Kong SAR, China; and Taiwan, China), Malaysia's performance still has room to improve across several indicators, especially on resolving insolvency (65.52 points), enforcing contracts (66.61), as well as registering property (76.06 points).

Regulatory reform efforts are a key element of the 11th Malaysia Plan (2016-2020), which has provisions to modernize the current regulatory regime not only at the federal government level, but also at the state and local level, with the specific aim of increasing productivity in order to achieve a more sustainable, inclusive, and high rate of economic growth. Doing Business currently only benchmarks Kuala Lumpur, in representation of the whole Malaysian Federation. However, as the 11th Malaysia Plan has noted, "global competition for investment and talent is increasingly between cities, making it imperative to invest" in all cities, not only the largest business hub. Through the Plan, the Government of Malaysia has recognized the importance of empowering "local authorities to become strategic drivers of local economic and social development."

Subnational Doing Business (SNDB) studies point to differences in business regulation and its implementation-as well as in the pace of regulatory reform-across locations in a single country or region. For several economies, subnational studies are now periodically updated to measure change over time or to expand geographic coverage to additional cities. SNDB contributes to mobilizing and structuring the energy to reform and encourages learning from peers, thus leveraging impact in multiple locations. This is achieved by: (i) creating objective benchmarks of business regulations at the local level; (ii) generating ownership of the reform agenda by engaging public officials in the process of measurement; (iii) creating competition to reform among sub-national government and ; (iv) providing

examples of good practices of “what has worked elsewhere” and policy recommendations that can be easily implemented without overhauling the regulatory framework

Since 2005, Doing Business indicators have been tested successfully at the subnational level in more than 70 countries, covering 485 cities, including, among others, the BRIC countries, Colombia, Mexico, Italy, South Africa, Kazakhstan and Egypt. Repeated benchmarking studies conducted more than once in 17 countries motivated over 500 reforms. Regional studies have been undertaken in South East Europe, Central America and the Dominican Republic and across European Union (EU) Member States (ongoing).

As for Malaysia, the study expected will be conducted this year to benchmarking selected cities in Malaysia. 3 areas namely Starting a Business Dealing with Construction Permits and Registering Property were proposed to be main indicators in the study.

3.0 Objectives

The study are aimed at:

1. Enhancing public sector productivity and accelerating regulatory reforms by establishing state-level benchmarking indicators for businesses.
2. Comparing 3 EODB areas (Starting a Business, Registering Property and Dealing with Construction) with selected cities in Malaysia.
3. Strengthen good regulatory practices in Malaysia to become more evidence-based, efficient and pro-competitive.
4. Providing a diagnostic tool to create a baseline and allow domestic and international comparisons
5. Identify bottleneck, good practices and promote peer learning using reforms instrument.
6. Create a measurement tools to assess progress over time.
7. To benchmark other cities best practices in subnational studies around the world.

4.0 Benefits

The study will also function as to develop the international co-operations, exchange of information and experience as well as the sharing of best practice.

5.0 Scope of Work

The scope of the project will cover three Doing Business indicators across 5 Malaysia cities plus Kuala Lumpur.

Indicators	3 indicators <ul style="list-style-type: none">- Starting a Business- Dealing with Construction Permits and- Registering Property
Cities	5 cities + Kuala Lumpur <ul style="list-style-type: none">- Johor Bahru- Penang- Kuantan- Kuching- Kota Kinabalu
Duration	2018 – 2020 <ul style="list-style-type: none">- 3-5 Month (Preparation)- 12-18 months (Project implementation)- 2- 3 Month (Post Project)

6.0 Programme/ Workplan

Timeline	Activity	Description
Pre-implementation	Consultation round	The project team will meet with national government stakeholders in all selected member cities to consult on the proposed scope of the study and get their buy in.
Months 1-2	Kick-off meetings	The project is initiated by a presentation to the authorities of the locations included in the study. The presentation includes an explanation of the DB methodology, as well as the milestones and the specifics of the project. Authorities are invited to participate in the data collection and in the process overall. The presentation includes an explanation of the DB methodology, as well as the milestones and the specifics of such a study in Malaysia. National and local authorities are then invited to participate in the data collection and in the process overall

Months 3-6	Data collection & analysis	The project team will work with local entities—such as law firms and professional associations—to identify private respondents with expertise in each of the areas measured. Questionnaires will be administered to both private professionals and public officials, routinely advising businesses on legal and regulatory requirements in all locations measured. These experts have several rounds of interaction with the team, through face-to-face meetings and interviews, phone calls, and written correspondence. After a study of laws, regulations and publicly available information on each indicator, preliminary results will be finalized.
Months 7-9	Right of reply meetings	The project team will share the preliminary findings with the authorities of each location, on a confidential basis. Based on the comments received from authorities, a second round of data verification could be undertaken to clarify pending issues, if any.
Months 10-11	Preparation of the report	Once the DB indicators are finalized, the project team will prepare the report, measuring and comparing the performance across the indicators of each of the locations, with each other and with the other 189 economies around the world covered by DB. Bottlenecks will be identified, local and international good practices shared, and detailed reform recommendations provided.
Months 12-18	Launch event & results dissemination	The results will be presented at a high-level event, which will gather representatives from governments, private sector, development partners, academia and the media. The goal of the conference is to bring the benchmarking exercise into the public realm and start the reform dialogue. A media strategy will be developed, and results will be simultaneously disseminated on the DB website.

7.0 Stakeholders

1. Economic Planning Unit (EPU)
2. Local Authorities
3. SSM
4. State Land Office
5. Law Firms
6. Business Associations
7. PEMUDAH
8. MPC

8.0 Date

June 2018 – June 2020

9.0 Estimated Expenses

Item	Remarks	TOTAL COST (RM)
Expert Fee*	World Bank Service Fee USD 800,000.00	RM3,200,000.00
Launching Event	<ul style="list-style-type: none">- RM200 x 100pax : RM20,000- AVA: RM8000- Administration :RM2000	RM30,000.00
Workshop & Meeting	Covering all involved cities <ul style="list-style-type: none">- Johor Bahru- Penang- Kuantan- Kuching- Kota Kinabalu- Kuala Lumpur	RM7,000.00 RM7,000.00 RM7,000.00 RM10,500.00 RM10,500.00 RM7,000.00
Administration	Logistics & Accommodations <ul style="list-style-type: none">- Workshop- Data Collection	RM30,000.00 RM20,000.00
ESTIMATED TOTAL COST		RM3,329,000.00

**Note: payment to be made according to the agreement with the World Bank by phases within 3 years period.(attachment 1)*

Conclusion

The approval of BOM is sought on the estimated total expenses of **RM3,329,000.00** using the PTPS.

Prepared by:

Mohammad Khairul Hakim
Manager
Productivity & Competitiveness Knowledge

Verified by:

Zainon Bakar
Director

Tentatif pembayaran

Bil.	Butiran	Justifikasi
1.	Bayaran sebanyak 10% daripada jumlah keseluruhan akan dibuat setelah <i>Reimbursable Advisory Services (RAS) agreement</i> ditandatangani =RM320,000.00	Disember 2018
2.	Bayaran sebanyak 20% daripada jumlah keseluruhan akan dibuat setelah soal selidik yang akan dedarkan kepada responden diloaksi dan indikator terpilih telah dibuat. =RM640,000.00	Mac 2019
3.	Bayaran sebanyak 20% daripada jumlah keseluruhan akan dibuat setelah edaran soal selidik kepada pegawai daro sektor swasta dan awam. =RM1,920,000.00	Julai 2019
4.	Bayaran sebanyak 20% daripada jumlah keseluruhan akan dibuat setelah data-data dan laporan penuh berada didalam fasa semakan akhir. =RM320,000.00	Januari 2020
	Jumlah Keseluruhan =RM3,200,000.00	Dibayar kepada World Bank Group

Nota: *subject to the completion of the proposal deliverable*