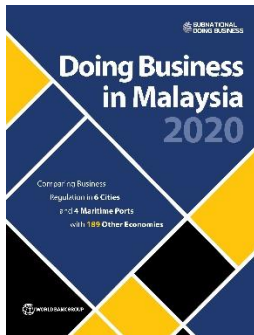


SUBNATIONAL DOING BUSINESS

Doing Business in Malaysia 2020

Fact Sheet



Doing Business in Malaysia 2020 is the first subnational *Doing Business* study in Malaysia, covering 6 cities and 4 seaports. The focus of the study is on indicator sets that measure the complexity and cost of regulatory processes affecting 3 stages in the life of a small to medium-size domestic firm: dealing with construction permits, registering property and trading across borders. Top performing cities are identified and best regulatory practices are highlighted. The report suggests that reform-minded officials need not look far: the country has good, practical models to draw on, especially in Kuala Lumpur.

DOING BUSINESS IN MALAYSIA 2020

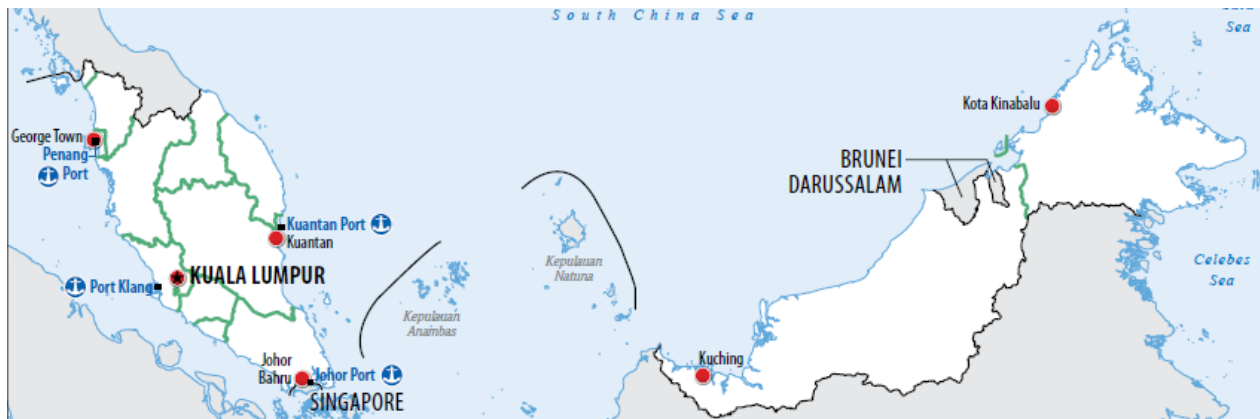
Doing Business in Malaysia 2020 goes beyond Kuala Lumpur—the city measured by the global *Doing Business* report—to identify good regulatory practices, uncover administrative bottlenecks and recommend reforms based on examples from the 189 other economies measured by *Doing Business*.

The subnational study assesses the business regulatory environment and its impact on local entrepreneurs in **6 cities** in the areas of **dealing with construction permits** and **registering property** and **4 seaports** in the area of **trading across borders**.

The study was implemented by the World Bank Group, in collaboration with the Malaysia Productivity Corporation (MPC).

MAIN FINDINGS

- **Although most areas are regulated nationally, variation exists in the implementation of legislation and is quite substantial, particularly on time.** The largest variations in regulatory performance among the Malaysian cities are in the areas of dealing with construction permits and registering property—on the number of requirements and time that an entrepreneur must undergo to complete each respective process. This variation is, to a large extent, determined by the local application of national regulation, distinct local guidelines and differences in the applied technology and automation of the processes. For example, registering the transfer of a property title between two domestic companies takes 16.5 days in Kuala Lumpur, but more than ten months in Kuching. Similarly, builders in Kuala Lumpur face less red tape and shorter wait times. Obtaining all the necessary permits and



clearances and undertaking all inspections to build a simple warehouse can be completed in 9 steps and less than 2 months in Kuala Lumpur. The same process takes 19 steps or more and lasts more than double the time in the other five cities.

- **Kuala Lumpur stands out as a top performer across all areas, mainly due to its advanced electronic platforms and implementation of a one stop center (OSC) for construction permits.** Dealing with construction permits and registering property is easiest in Kuala Lumpur, mainly due to its full implementation of the OSC for construction permitting—a single entity that coordinates all required permits, clearances and approvals on behalf of developers—and due to its e-Tanah system—an online single window platform for property searches. In the area of trading across borders, Port Klang, located near Kuala Lumpur, is the most efficient of the four benchmarked ports, mainly due to the port's full exploitation of a sophisticated electronic document interchange system.

- **The quality of regulation in Malaysian cities is far better than the procedural efficiency.** Across all cities (except Kuala Lumpur), the quality of the regulatory framework (as measured by the building quality control index and the quality of land administration index) is higher than the efficiency of the process to obtain a construction permit and transfer property (as measured by the number of procedures, time and cost to undergo these processes).

- **Better coordination between agencies could positively impact procedural efficiency across the board and should be a key focus for reform.** Limited coordination between the relevant agencies hinders doing business across all three benchmarked areas. Agencies tend to work in silos, making processes more burdensome for entrepreneurs. In the area of property registration, municipalities, the Inland Board Revenue and Land Offices do not share information on ownership—instead, property owners must undergo several steps to complete all requirements for registration. In dealing with construction permits, implementing a one-stop shop would be a first step in simplifying the process. Still, efficiency gains will only come with increased coordination and automated information sharing between agencies. In most of Malaysia, agencies involved in the exporting and importing process use separate platforms to interact with customs, port officials and permit-issuing agencies.

- **Reform efforts going forward should focus on cities beyond Kuala Lumpur.** National reform initiatives to improve Malaysia's business environment have been extremely successful in Kuala Lumpur. As a result of these efforts, Kuala Lumpur is one of the best performers globally, particularly in the area of dealing with construction permits. Such efforts to improve business processes in Kuala Lumpur can now be replicated in other cities. Malaysian cities can adopt the good practices implemented in Kuala Lumpur as they seek to strengthen their business environment, particularly as it relates to these cities introducing or improving existing electronic platforms that have already been adopted in Kuala Lumpur.

ABOUT SUBNATIONAL DOING BUSINESS

Subnational Doing Business studies capture differences in business regulations and their enforcement across locations in a single economy. The studies provide data on the ease of doing business in selected areas, rank each location, and recommend reforms to improve performance at the local level.

- **Offers a new diagnostic tool.** Applying the methodology used in the cross-country global *Doing Business* study in a number of locations in the same country or region, the studies create micro-level data on various areas of business regulation. This allows the participating locations to compare their business regulations among themselves and with 189 economies worldwide.
- **Motivates regulatory improvements.** The studies uncover bottlenecks, provide policy recommendations and identify local good practices that can easily be replicated without changing the country's legal and regulatory framework. The studies motivate regulatory improvements, mainly through peer-to-peer learning.

Since 2005, *Subnational Doing Business* has benchmarked more than 540 locations in 78 economies. *Subnational Doing Business* studies are available at: www.doingbusiness.org/subnational.

FULL REPORT AVAILABLE AT:
www.doingbusiness.org/Malaysia