



PIDE SLUDGE | **TRADE** SERIES | **LICENSE**

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WHAT IS SLUDGE IN THE ECONOMY?

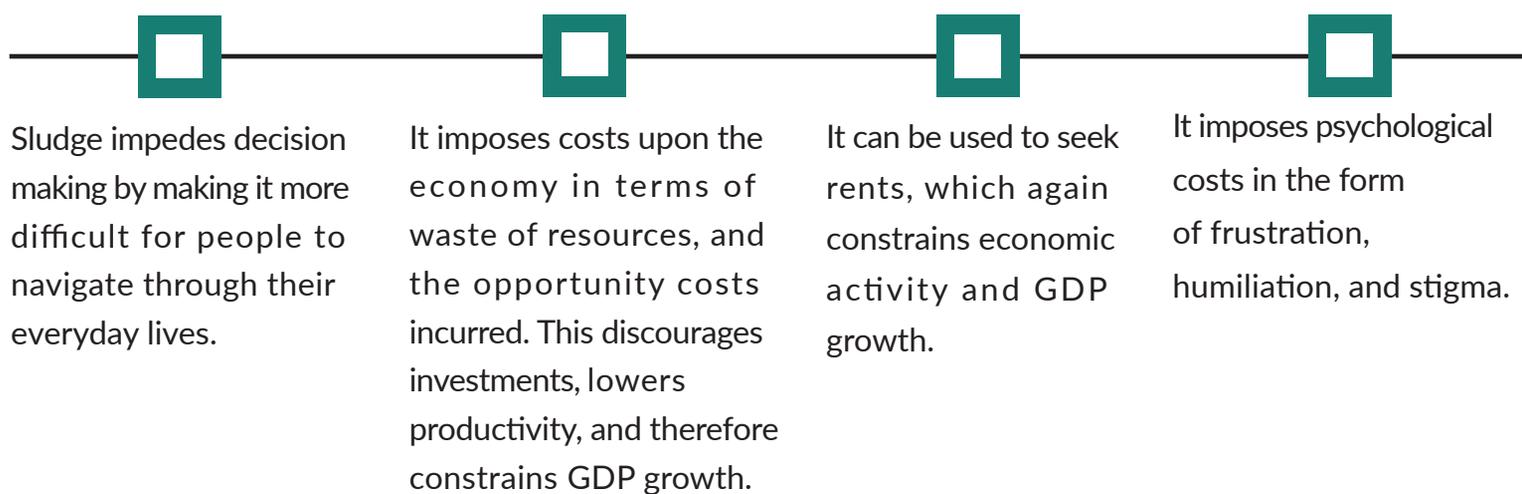
Sunstein (2020) defines sludge as;

- ⬡ Excessive or unjustified frictions make it difficult for people to get what they want or to do as they wish.
- ⬡ Frictions that make processes difficult to navigate, such as paperwork burdens that cost time and money, and which may end up frustrating people by depriving them of access to goods, opportunities, and services.



Most of the sludge consists of work not required at all (permissions etc.), duplicative paperwork and wait-time – waiting in a queue or waiting for a public official to decide.

WHY SLUDGE MATTERS?



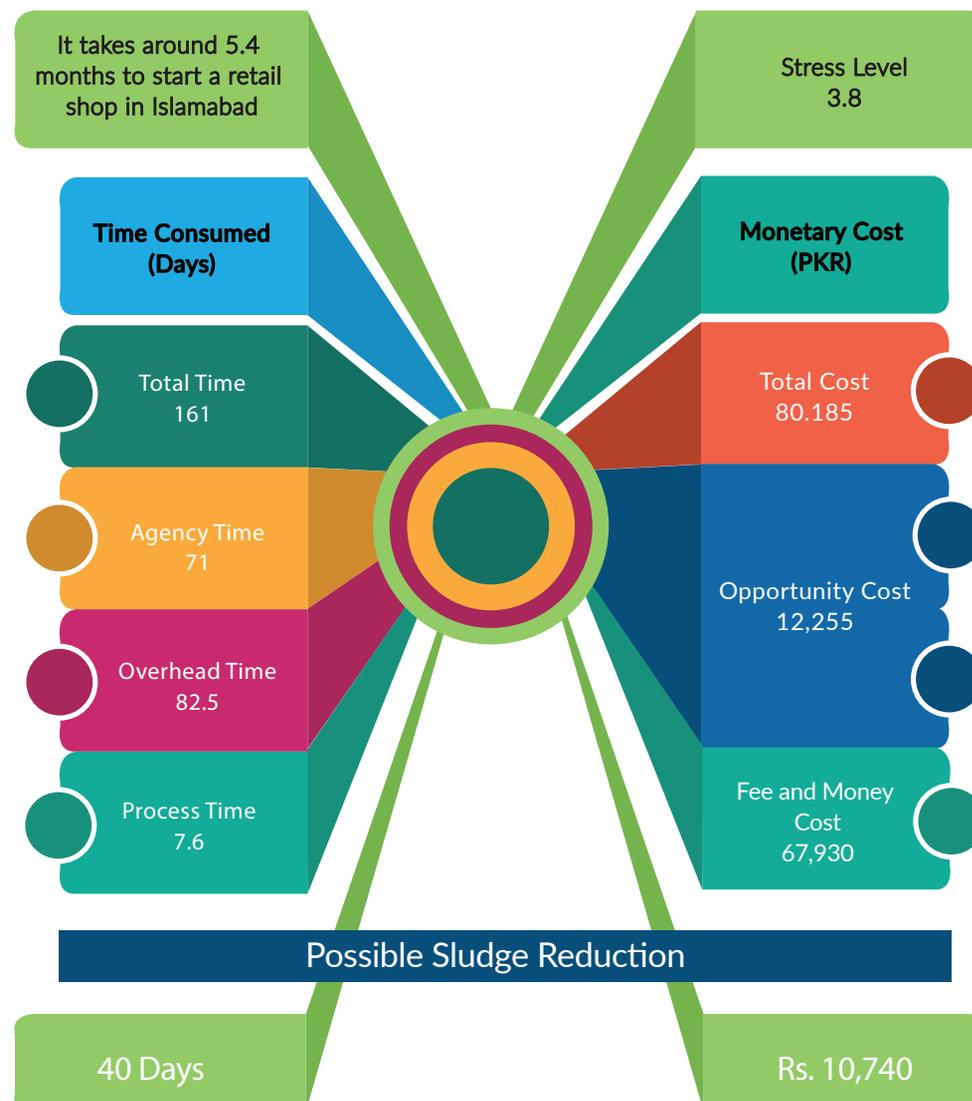
Examples of sludge include: seeking permissions absence of which affects no one, waiting for approvals (bureaucratic red tape), waiting in queues to get a task done, doing manually what is possible digitally at little cost to stakeholders, waiting for court-hearings involving cases that land in courts and securing attestations/verifications and fulfilling legal requirements (agreements on stamp papers, securing persons to sign as witness on agreements, notarize the legal documents).

OBJECTIVES OF THE SLUDGE SERIES



TRADE LICENSE

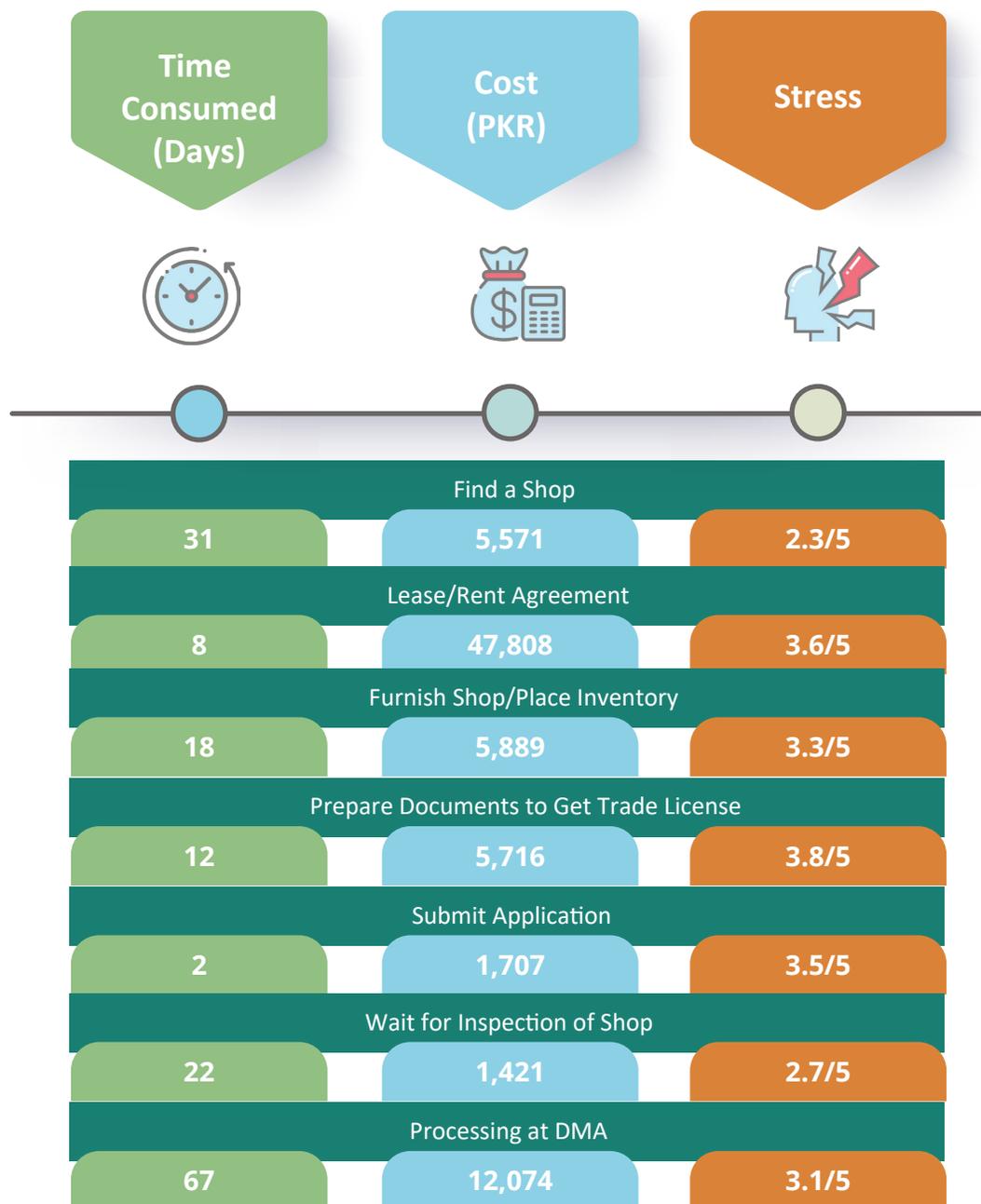
DIRECTORATE OF MUNICIPAL ADMINISTRATION (DMA)
METROPOLITAN CORPORATION ISLAMABAD



DEFINITIONS

- 
Opportunity Cost
 Income earned if the time consumed in this activity is put to an alternative use. It is measured by multiplying total processing time with the hourly per capita Gross National income.
- 
Agency Time
 The time consumed by the department/agency concerned in processing an activity.
- 
Overhead Time
 Part of the day lost due to being involved in this activity for a fraction of the day.

Obtaining Trade License from DMA



SOURCES OF SLUDGE

The trade license is processed by District Municipal Authority (DMA), however, the application has to be submitted to Capital Development Authority (CDA). One of the major sources of sludge lies in the transmission of the file from the CDA to the DMA – the applications submitted for trade license are not immediately processed – the CDA waits for 10-15 applications to be accumulated, only then these are processed for sending to the DMA. This consumes around 15 days. Another major source of sludge is ‘wait for inspection’ – the business premise of the applicant is inspected by the DMA while processing – the applicant may have to wait for 3-4 weeks before the DMA staff visits to physically inspect the business premises.

THE FOLLOWING STEPS CAN BE DIGITIZED

Step 1



Gathering information from DMA regarding issuance of license – the information can be made available on the MCI's website

Step 2



CNIC required by the DMA – the DMA should be linked with NADRA's database

Step 3



Submission of application should be accepted electronically

Step 4



Payment of license fee in the bank – online payment should be accepted

Step 5



Checking status of the application from the CDA facilitation center – the status of application should be made available on a web portal

Step 6



Visit the CDA facilitation center to collect trade license – the license can be sent electronically to the retailer

THE FOLLOWING STEP CAN BE ELIMINATED

Permission to display the signboard – permission need not be required – specification of the board should be indicated in the instructions accompanying the application form to be signed by the applicant – violations are likely to be few that can be dealt with after the shops start operating.



Table 1 shows the steps involved and time consumed in obtaining trade license. The steps where reducing sludge is possible by way of; full elimination, partial elimination or digitization have been shown in different colours. The colour coding of the steps is shown below. The time and cost to be saved if full elimination, partial elimination or digitization of steps happens is shown in table 5. This reflects the savings due to sludge-reduction.

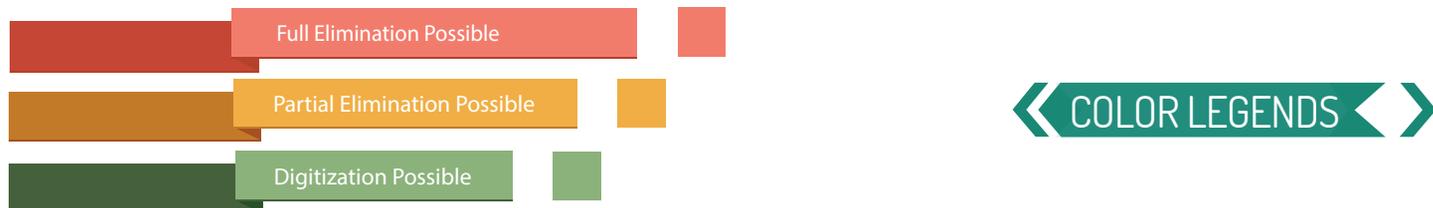


Table 1: Steps involved and Time Consumed in Obtaining Trade License from DMA

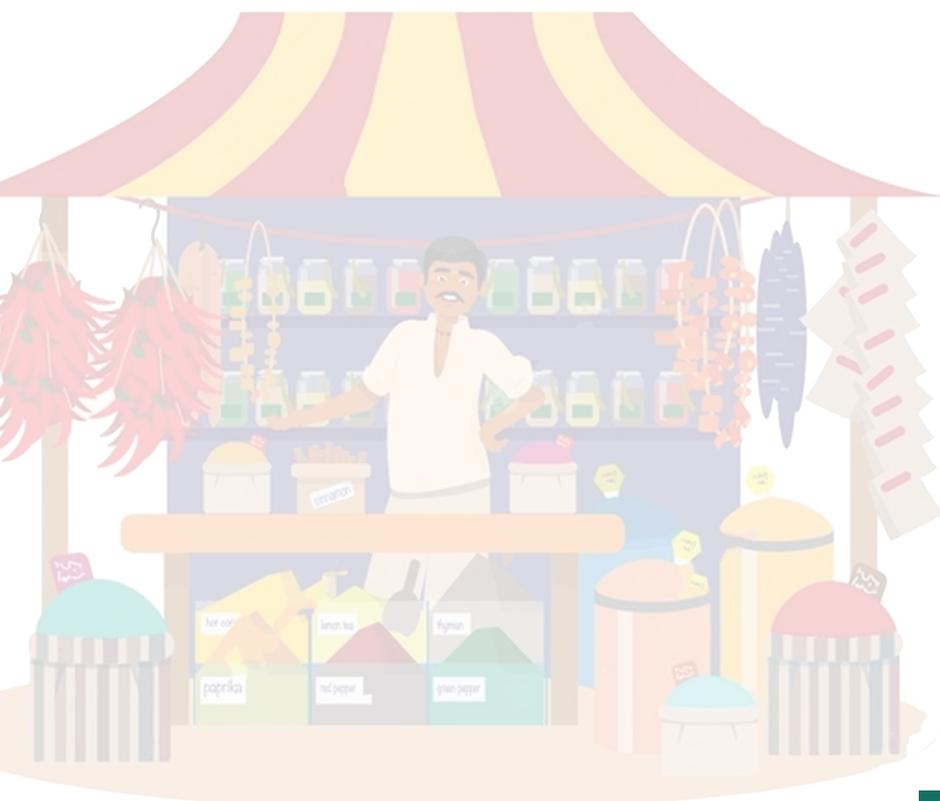
	Step	Description	Time (minutes)				Overhead Time	Agency Time		
			Travel	Waiting	Transaction/Process	Total				
1	Find a Shop	Visit the realtor	45			45	14400 (30 days)			
		Preferences indication		15	60	75				
		Finish the day	45			45				
		Visit -2 the realtor	45			45				
		Site visit		15	120	135				
		Finish the day	45			45				
		Visit-3 the realtor	45			45				
		Meet the owner		15	120	135				
		Finish the day	45			45				
2	Lease Agreement	Collect the stamp paper	45	20	10	75	3360 (7 days)			
		Print lease agreement			10	10				
		Witnesses signature	90		10	100				
		Pay Advances			10	10				
		Finish the day	45			45				
3	Gather Information	Visit CDA facilitation center	45			45	480 (1 day)			
		Collect information		30	30	60				
		finish the day	45			45				
4	Getting Start	Prepare the shop	45			45	7200 (15 days)			
		Inventory			480	480				
		Setting-up the shop			480	480				
5	Prepare Documents	General Vaccination Certificate	Visit F-11/4	45			45	3360 (7 days)	1440 (3 days)	
			Get Vaccinated		30	15	45			
			Receive the certificate		45	5	50			
			Finish the day	45			45			
		CNIC copy	Copy	20	5	10	35			
			Attestation	120	45	5	170			
		Lease Agreement Copy			5	5	10			
		Permission to display sign Board	File application form				15			15
			Affidavit	Collect stamp paper	10	20	10			40
				Print Affidavit		10	10			20
				Witnesses sign	90	15	480			585
	Notarize affidavit		10	10	20					

7	Documents Submission	Visit-2 CDA facilitation center	45			45	240 (1/2 day)	480 (1 day)	
		Submit application		30	30	60			
		Submit application to MA for sign board		30	30	60			
		Finish the day	45			45			
8	Check the Status	Visi-3 CDA facilitation center	45			45	7200 (15 days)		
		Ask about the status		30	5	35			
		Finish the day	45			45			
9	Application Processed at DMA							3360 (7 days)	
10	Get License	Visit-4 CDA facilitation center	45			45	3360 (7 days)	28800 (60 days)	
		Pay Fee	Visit Bank	10					10
			Pay order		15	5			20
		Collect Pay order			45	5			50
			Visit facilitation center	10					10
		Get the Certificate			30	5			35
		Finish the day	45						45
Total Time (Days)						7.6	82.5	71	

Table 2: Monetary & Opportunity Cost in Obtaining Trade License from DMA

	Step	Description	Cost			Opportunity Cost		
			Travel	Fee	Total			
1	Find a Shop	Visit the realtor	500		500	151.5		
		Preferences indication				252.5		
		Finish the day	500		500	151.5		
		Visit -2 the realtor	500		500	151.5		
		Site visit			500	454.5		
		Finish the day	500		500	151.5		
		Visit-3 the realtor	500		500	151.5		
		Meet the owner				454.5		
		Finish the day	500		500	151.5		
2	Lease Agreement	Collect the stamp paper	500		500	252.5		
		Print lease agreement				33.7		
		Witnesses signature	1000		1000	336.7		
		Pay Advances		45000	45000	33.7		
		Finish the day	500		500	151.5		
3	Gather Information	Visit CDA facilitation center	500		500	151.5		
		Collect information				202.0		
		finish the day	500		500	151.5		
4	Getting Start	Prepare the shop	500		500	151.5		
		Inventory	500		500	1616.0		
		Setting-up the shop				1616.0		
5	Prepare Documents	General Vaccination Certificate	Visit F-11/4	500		500	151.5	
			Get Vaccinated			0	151.5	
			Receive the certificate		100	100	168.3	
			Finish the day	500		500	151.5	
		CNIC copy	Copy	500	10	510	117.8	
			Attestation			0	572.3	
		Lease Agreement Copy			10	10	33.7	
		Permission to display sign Board	Affidavit	File application form		10	10	50.5
				Collect stamp paper		150	150	134.7
				Print Affidavit		100	100	67.3
Witnesses sign						1969.5		
Notarize affidavit				200	200	67.3		

7	Documents Submission	Visit-2 CDA facilitation center	500		500	151.5	
		Submit application				202.0	
		Submit application to MA for sign board				202.0	
		Finish the day	500		500	151.5	
8	Check the Status	Visit-3 CDA facilitation center	500		500	151.5	
		Ask about the status				117.8	
		Finish the day	500		500	151.5	
9	Application Processed at DMA				0	0	
10	Get License	Visit-4 CDA facilitation center	500		500	151.5	
		Pay Fee	Visit Bank				33.7
			Pay order		10000	10000	67.3
			Collect Pay order		350	350	168.3
		Visit facilitation center				33.7	
		Get the Certificate				117.8	
		Finish the day	500		500	151.5	
Total Cost					67,930	12,255	



Stress Percentage

The distribution of stress across steps has been calculated by multiplying the total process time (including travel, waiting, and transaction time) of each step with the stress level. The Stress % column in the table contains a percentage representation of stress distribution

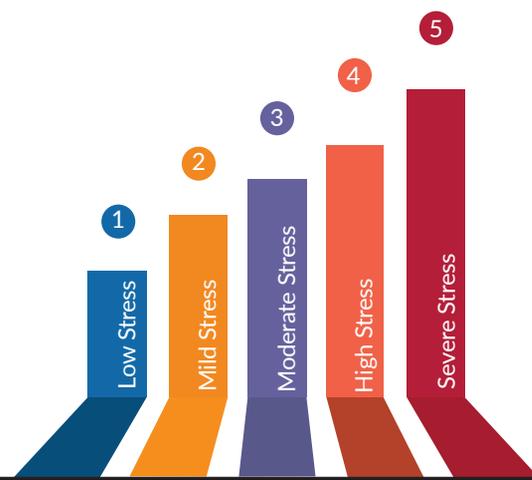


Table-3: Stress Level in Obtaining Retail Business License from CDA

No	Step	Description	Stress Level	Stress %		
1	Find a Shop	Visit the realtor	2	0.6		
		Preferences indication	2	1.0		
		Finish the day	2	0.6		
		Visit-2 the realtor	2	0.6		
		Site visit	3	2.8		
		Finish the day	2	0.6		
		Visit-3 the realtor	2	0.6		
		Meet the owner	4	3.8		
		Finish the day	2	0.6		
2	Lease Agreement	Collect the stamp paper	3	1.6		
		Print lease agreement	3	0.2		
		Witnesses signature	5	3.5		
		Pay Advances	5	0.3		
		Finish the day	2	0.6		
3	Gather Information	Visit CDA	2	0.6		
		Collect information	4	1.7		
		Finish the day	2	0.6		
4	Getting Start	Prepare the shop	2	0.6		
		Inventory	5	16.8		
		Setting-up the shop	5	16.8		
5	Prepare Documents	General Vaccination Certificate	Visit F-11/4	2	0.6	
			Get vaccinated	5	1.6	
			Receive the certificate	5	1.7	
			Finish the day	2	0.6	
		CNIC copy	Copy	2	0.5	
			Attestation	4	4.8	
		Lease Agreement Copy	2	0.1		
		Permission to Display Sign Board	Affidavit	Fil application form	5	0.5
				Collect stamp paper	4	1.1
				Print affidavit	4	0.6
witnesses sign	5			20.4		
Notarize affidavit	5	0.7				
7	Documents Submission	Visit-2 CDA	2	0.6		
		Submit application	5	2.1		
		Submit application to M.A. for sign board	5	2.1		
		Finish the day	2	0.6		
9	Check the Status	Visit-3 CDA	2	0.6		
		Ask about the status	4	1.0		
		Finish the day	2	0.6		
10	Application Processed at DMA		2	0.6		
10	Get License	Visit-4 CDA	2	0.6		
		Pay Fee	Visit Bank	2	0.1	
			Pay order	4	0.6	
			Collect Pay order	2	0.7	
		Visit facilitation center	5	0.3		
		Get the Certificate	5	1.2		
		Finish the day	2	0.6		

Table- 4: Steps Involved in Issuing a Trade License
(As per official Claim)

NO	Steps	Time (Days)
1	Application Receive and Issue Diary Number at CDA Facilitation Center	1
2	Compile Around 10-15 Files to Start the Processing	30
3	Files Forward to the Admin Officer (Trade)	1
4	Admin Officer Scrutinize the Files	1
5	File Transfer to DMA from CDA Facilitation Center	15
6	DMA scrutinize Files	1
7	Files Forward to the Director	7
8	Director office Examine all Cases and Issue Approvals	1
9	Tax Calculation according to the Size of Shop	7
10	Files Return to CDA Facilitation Center	1
11	Applicant Submit Pay Order	1
12	License Issued	3
	Total Days required	69

Time and cost saving can be had by reducing the sludge. Table 5 shows the time and cost saving that would accrue if certain steps can be fully or partially eliminated or digitized as mentioned in table 1 and on page 5

Table-5: Cutting Sludge; Reduction in Time and Cost Based on Recommendations

Processing Time	
Recommendation	Reduction in Time and Cost
Full Elimination	12.3 hrs.
Partial Elimination: (assumption: processing time will be reduced by half)	1.5 hrs.
Digitization Possible : (Assumption: processing time will be reduced by 2/3)	11.2 hrs.
Reduction in Processing Time (41% of total processing time)	3 Days
Reduction in Opportunity Cost	Rs. 5060
Overhead Time	
Online information availability will eliminate overhead time	
Document preparation overhead time reduce from 7 to 5 days	
Document submission overhead time also reduce from 4 to 2 days	
Getting License overhead time also reduce from 7 to 5 days	
Reduction in Overhead Time	7 Days
Reduction in Cost	Rs. 5680
Agency Time	
Reduction in Agency time if the processing start as the file received	30 Days
Aggregate Reduction in Time Based on Recommendations	40 Days
Aggregate Reduction in Cost Based on Recommendations	Rs. 10,740

NOTES:

The information used in the report has been collected through multiple interactions and in-depth interviews with stakeholders including concerned government agencies and private entities. Applicants were a key informants and were also interviewed in-depth.

ASSUMPTIONS:

1. Average travel time to any office within Islamabad/Rawalpindi is 45 minutes. Roundtrip takes 90 minutes.
2. The cost for one way trip is Rs.500/-. This is average fare of Uber/Careem
3. Applicant visiting a government agency to meet an official manages to meet the person during the said visit.
4. Stress level included in the report has been assessed based on:
 - (i) effort-level of the applicant for performing a task
 - (ii) time involved in completion of the step and
 - (iii) how crucial the step is for completion of the activity and
 - (iv) the probability that the task may not be allowed/approved by the authority concerned.

The entire foregoing assessment is based on in-depth interviews of applicants.



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