

Improvement in Ease of Doing Business ranking

In what appears to be a very happy news during the tenure of the present government, Pakistan's ranking in doing business has climbed by 28 places to 108th from 136th out of 190 countries. According to the World Bank's Ease of Doing Business Report 2020, Pakistan's ranking improved in six indicators (starting a business, dealing with construction permits, getting electricity, registering property paying taxes and trading across borders) out of total 10 reforms while the country's Doing Business score improved in seven indicators (starting a business, dealing with construction permits, getting electricity, registering property, protecting minority investors, paying taxes and trading across borders). Pakistan was among the top 10 reformers alongside Saudi Arabia, Kuwait, Jordan, Nigeria, India, China, Bahrain, Tajikistan and Togo. India remained on the top in the index among South Asian nations at 63, followed by Bhutan at 89, Nepal at 94 and Sri Lanka at 89. Countries which were far behind in the ease of doing business in South Asia were Bangladesh at 173 and Maldives at 147.

Expressing his joy over the development, the Prime Minister said in a tweet that Pakistan has achieved the biggest improvement in its history in World Bank's ease of doing business rankings. Over the last decade, Pakistan's ranking had slipped more than 50 places and this was another commitment of his party that was achieved. However, he remarked that the country has still a long way to go and Pakistan will become one of the top places of investment by 2020. Advisor to the Prime Minister on Commerce, Textiles, Industries and Investment Razak Dawood stated that improvement in the ranking was a proof of Pakistan's commitment to improve business environment. Six reforms of Pakistan have been accepted by the World Bank and now we are particularly focusing on the remaining four areas. The government has set ambitious reform targets to achieve 70th and 80th position in the World Bank ranking over the next couple of years. The Country Director of World Bank for Pakistan congratulated Pakistan on becoming one of the top 10 business improvers. The momentum needs to be sustained in the coming years for Pakistan to continue to make progress.

A sharp improvement in the ease of doing business index is a highly welcome development for the country. The leap of 28 places in the ranking in a single year was of course not an easy job and reflects concerted efforts by the concerned authorities to facilitate investors in most of the areas. It, however, needs to be noted that although the present dispensation seems to be taking all the credit for this achievement, the previous government had also made significant efforts to maximize energy supplies, registering property, trading across the borders, etc., which had helped Pakistan to make progress in the ease of doing business by leaps and bounds this year. As for the improvements made by Pakistan, these included easier starting of a business by expanding the functionalities of the online one-stop-shop and reducing the required number of procedures from 10 to 5. In Lahore, the Labour Department registration was abolished altogether and the authorities had made the approval process for obtaining a construction permit easier and faster in both Karachi and Lahore. The process of paying taxes was also eased by introducing online payment modules for value-added taxes and corporate taxes. Pakistan also made it easier to get electricity and register property,

particularly in Lahore and Karachi, and continues to perform better on minority investors' indicator. The country also accelerated reform process in many other areas to improve quality of regulations, reduce time and streamline processes. All the reforms were obviously taken to accelerate the flow of investment in the country to supplement domestic savings and revive growth. A better ranking would obviously help Pakistan get external borrowings at reasonable rates by improving the country's image in the international market. Global investors usually use the World Bank's index as a guide to learn about the business environment of a country before making investment decisions.

However, certain aspects of the ease of doing business index prepared by the World Bank are also needed to be noted before exhilarating or celebrating the occasion. Firstly, although Pakistan has improved by 28 places in the index, yet its ranking is on a lower side compared to other countries' in the region including China (31st position), India (63rd), Bhutan (89th), Nepal (93rd) and Sri Lanka (99th). This means that Pakistan is still largely unattractive for investors because other countries in the region enjoy a better rating. Secondly, the improved ranking does not automatically translate itself into higher level of investment in a country and Pakistan is a good example of the lack of relationship between the two. The country has still to focus, for instance, on eliminating corruption from the system, improve overall governance, repair or build the necessary infrastructure, remove uncertainty and raise low productivity of labour to take advantage of a better ranking. And thirdly, the Prime Minister has said that Pakistan will become one of the top places for investment before the end of 2020. Such a high level of excitement needs to be tampered with reality. A handsome improvement in the index in a single year does not mean that such a gain is going to accrue every year. Other countries are also in the run and continue to adjust their policies which could facilitate and encourage foreign investors to look towards them as favourable destinations of investment.