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Stakeholders cast doubt Doing Business reflects across-the-board ease

Karachi: Pakistan's big leap in a World Bank index didn't catch many by surprise as the digital economy foundation laid by the previous government in the Punjab was widely expected to result in the advancement, but stakeholders are skeptical about the improvement in ease of doing business across the country.

"It's premature to celebrate the ranking improvement without considering the consolidated ground realities," educationist Noman Ahmed told The News.

The World Bank's Doing Business 2020 pushed Pakistan up 28 places to 108 from 136 in a year on its index. The country's scores improved in six metrics: starting a business, dealing with construction permits, getting electricity, registering property, paying taxes and trading across borders. Getting credit, protecting minority investors, enforcing contracts and resolving insolvency are the areas where improvement is needed, according to the World Bank.

The Washington-based lender extended technical and financial assistance to provincial governments to inform digitisation into their affairs from land dealing to property registration. Upgrade in the metrics was an outcome of the World Bank-assisted projects.

Economist Hafeez Pasha believes that these are not infallible indicators.

"The World Bank has confused land records computerisation with construction permits," Pasha said. The improvement was a result of four to five years of government efforts, mainly digitisation of land records and that were mainly in the Punjab. Last government pulled the graph a little up to 136 from 144.

"A builder is still to visit 10 places or so to get a construction permit," added Pasha, who's served as finance minister.

A World Bank's spokesperson, countering the argument, said it looks at various dimensions of the construction permits regime, "rather than focusing on one angle".

Hasan Bakhshi, ex-chairman of Association of Builders and Developers Association of Pakistan, however, agrees that there is still a cumbersome process involved in getting an approval for off-the-plan.

"We have to take 18 no objection certificates from different state agencies to get a final construction permit," Bakhshi told this scribe last week. "We have advised the government to set up a centralised system to speed up the approval process."

Ahmed believes system development is one thing, but how it performs is different.

"The major shortcoming of ADB (Asian Development Bank) or World Bank's assessments is that they rely on data from the government bodies," Ahmed, who writes for a daily Dawn, said. "Performance evaluation is handicapped. There is no or lack of data gathering from third party sources."

The World Bank's spokesperson said the performance evaluation is given the equal importance "through a quality of building control authority, which evaluates performance along with several indicators relating to the quality of construction regulation, inspections and architectural skills".

“The main focus of data collection for finalising DB (doing business) score is to get evidence from government and have it confirmed by the private sector including lawyers, accountants, etc.,” the spokesperson said in an email. “If government’s evidence such as notification, laws, policy is not confirmed in practice by the private sector it is not included in the score.”

Be that as it may, people believe the international financial institution is yet to know the ropes. “The World Bank is innocent,” Pasha quipped, insinuating the ‘unavoidable’ reliance on official circles when it comes to fact checking. “They go to private sector for verification,” he said however.

Economist Ashfaque Hasan is sure the ranking is the right reflection of perception.

“Pakistani government has rendered efforts in the past one year to improve ease of doing business environment,” Hasan said. “The World Bank doesn’t believe on what one says about ease of doing. Its teams go to ground for cross-verification.”

But, rationalists are not ready to digest the ‘vanity stats’ that are so “when the whole government machinery is in a state of paralysis. Nobody wants to work as they are afraid,” Karachi ex-administrator Fahim Zaman said.

“You are talking about ease of doing business... it’s very difficult to do business because of high cost,” Zaman said. “I am uncertain about the ranking... when everything is standstill, the economy is not growing, real estate sector is frozen.”

Professor Ahmed is concerned more about ‘invisible cost’ than high cost.

“Bribing is a major obstacle to ease of doing business,” he said. His advice for the World Bank is to count on this aspect too as “international assessors in Europe keep under consideration the invisible cost into play to hinder business activities”.

Economist Pasha doesn’t see positive reflection in businesses and investment climate. “You have hot money, but FDI (foreign direct investment) is slowing down,” he said. “Tax system should be made easy for small and medium scale businesses.”

In addition, Pakistan remains far behind its peer economies in the business index. India was placed at 63th rank. Sri Lanka was on 99th position. Nepal was on 94th. Bhutan was on 89th position. Alone Bangladesh and Maldives lagged behind with 168 and 147 places, respectively.

Analysts said Pakistan fared well because others staggered out.

Almost all the economies that performed well than Pakistan last year couldn’t retain their positions this year. Pakistan replaced Papua New Guinea in this year ranking. The largely underdeveloped economy in the southwestern Pacific slipped to 120 ranking. Brazil fell to 124th rank from 109th position. Paraguay, Ghana, Dominica and Djibouti – that all were on top of the 136th place last year – lost their shines this year, rather significantly.