

SUMMARY of the Article “Poor Business Clime,” Dawn, August 11th, 2024

Prime Minister Shehbaz Sharif’s announcement of launching Pakistan’s first digital registry of business laws and rules is presented as the country’s largest reform initiative aimed at improving the ease of doing business and attracting investment. While this is a commendable step, the article raises concerns about how this digital registry will tangibly improve the business environment, as details about the initiative remain vague. The government appears to be seeking international funding to implement the program, which echoes similar promises made by previous administrations to create a business-friendly environment. However, the reality is that the business climate in Pakistan has deteriorated over time, with the investment-to-GDP ratio falling to a 50-year low of 13.1%. Despite the formation of the army-backed Special Investment Facilitation Council (SIFC) by the previous government to address the concerns of Gulf investors, the situation has not improved, and even powerful multinational companies are either leaving Pakistan or reducing their operations. The article argues that merely digitizing business laws is insufficient to enhance the business environment. It emphasizes the need for comprehensive reforms across economic, financial, judicial, policy, and civil service sectors. Additionally, it stresses that investors require political and economic stability, which has been lacking in Pakistan, deterring foreign investment. The article concludes that without a whole-of-government approach to business and investment reforms, no single initiative, no matter how well-intentioned, will be effective in changing the current poor business climate.

Easy/Short SUMMARY:

Prime Minister Shehbaz Sharif's plan to create Pakistan's first digital registry of business laws aims to make it easier to do business and attract investment. However, the article expresses doubts about how effective this will be, as the details are unclear and similar promises have been made before without success. The business climate in Pakistan has worsened, with a low investment-to-GDP ratio, and even big companies are leaving the country. The article argues that more comprehensive reforms in various sectors are needed, along with political and economic stability, to truly improve the business environment.

SOLUTIONS to The Problem:

Comprehensive Economic Reforms

Implement broad economic reforms to stabilize the economy, reduce inflation, and create a predictable environment for investors. This includes fiscal discipline, effective tax collection, and managing the public debt.

Financial Sector Overhaul

Reform the financial sector to provide easier access to credit for small and medium enterprises (SMEs), reduce the cost of doing business, and improve banking regulations to encourage investment.

Judicial Reforms for Business Disputes

Streamline the judicial process for resolving business disputes by creating specialized courts or fast-track mechanisms, reducing the time and cost associated with legal proceedings.

Policy and Regulatory Stability

Ensure consistency in economic policies and regulations to build investor confidence. Frequent policy changes should be avoided, and long-term strategies should be communicated clearly to the business community.

Simplification of Bureaucratic Processes

Reduce the number of government departments and agencies involved in business documentation and licensing. Introduce a one-window solution that allows businesses to complete all necessary procedures in one place.

Political Stability and Good Governance

Work towards achieving political stability and improving governance, which are critical for creating a conducive environment for investment. This includes reducing corruption and ensuring transparency in government dealings.

Promotion of Digital Transformation

Expand the digital registry to include not just laws but also a digital platform for businesses to file taxes, obtain licenses, and interact with government agencies, making processes more efficient and less prone to corruption.

Public-Private Partnerships

Encourage public-private partnerships (PPP) to leverage private sector expertise in improving infrastructure, providing public services, and fostering innovation in business practices.

Investor Protection and Incentives

Offer stronger legal protections for investors and provide incentives such as tax breaks or subsidies to attract both domestic and foreign investment, particularly in key sectors like technology, manufacturing, and renewable energy.

Continuous Monitoring and Feedback Mechanism

Establish a continuous monitoring system to evaluate the effectiveness of business reforms and a feedback mechanism for businesses to report challenges

and suggest improvements to government policies.

IMPORTANT Facts and Figures Given in the Article:

- Pakistan's investment-to-GDP ratio has plummeted to a 50-year low of 13.1%.
- The government plans to launch the first digital registry of business laws and rules.
- Previous governments have made similar promises to improve the business environment but failed to deliver.
- The army-backed SIFC was created by the last government to address Gulf investors' concerns.
- Powerful multinational companies are exiting or scaling down their operations in Pakistan.

MCQs from the Article:

1. What is the main purpose of the digital registry announced by Prime Minister Shehbaz Sharif?

- A. Increase tax revenue
- B. Improve infrastructure
- C. Improve the ease of doing business and attract investment**
- D. Support local businesses only

2. What has been the trend in Pakistan's investment-to-GDP ratio?

- A. It has increased
- B. It has remained stable
- C. It has slightly decreased
- D. It has plummeted to a 50-year low**

3. Which government body was created to address the concerns of Gulf investors?

- A. Pakistan Investment Authority
- B. Special Investment Facilitation Council (SIFC)**
- C. Ministry of Finance
- D. Pakistan Trade Development Authority

4. What do investors need to feel confident about investing in Pakistan, according to the article?

- A. High returns
- B. Low taxes
- C. Political and economic stability**
- D. Favorable exchange rates

5. What kind of reforms does the article suggest are necessary to improve Pakistan's business environment?

- A. Military reforms
- B. Economic, financial, judicial, policy, and civil service reforms**
- C. Environmental reforms
- D. Social reforms

VOCABULARY:

1. **Registry** (رَجِسٹری): An official list or record of names, events, or items.
2. **Billed** (بیلڈ): Described or advertised in a particular way.
3. **Investment** (انسٹمنٹ): The action or process of investing money for profit.
4. **Enviably** (انویابل): Arousing or likely to arouse envy.
5. **Milieu** (میلو): A person's social environment.
6. **Plummeting** (پلمیٹنگ): Falling or dropping straight down at high speed.
7. **Facilitation** (فاسیلیٹیشن): The process of making something easier or helping it to happen.
8. **Tedious** (ٹیڈیوس): Too long, slow, or dull; tiresome or monotonous.
9. **Multinational** (مالتینیشنل): A company or organization operating in

several countries.

10. **Enthusiasm** (□□□): Intense and eager enjoyment, interest, or approval.
11. **Comprehensive** (□□□□): Complete and including everything that is necessary.
12. **Predictability** (□□□□ □□□): The state of knowing what something is like or what will happen.
13. **Unenviable** (□□□ □□□□□□): Difficult, undesirable, or unpleasant.
14. **Exiting** (□□□□□): Leaving or departing from a place or situation.
15. **Reform** (□□□□□): Make changes in something in order to improve it.
16. **Scalable** (□□□□□□): Able to be changed in size or scale.
17. **Skeptical** (□□□): Not easily convinced; having doubts or reservations.
18. **Stability** (□□□□□□□): The state of being stable, firm, or unchanging.
19. **Judicial** (□□□□□□): Pertaining to courts of law or the administration of justice.
20. **Improvements** (□□□□□): The process of making something better or of getting better.

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Poor business clime

Editorial

PRIME Minister Shehbaz Sharif's plan to launch the first digital registry of the country's business laws and rules is billed to be the "largest reform programme of ease of doing business" to "attract investment" to Pakistan. That is a welcome step. But how exactly it will make it easier for firms to invest or do business in the country remains unclear. The details around the initiative remain sketchy, as the government seems to be searching for international funds to implement the programme. This is not the first time that a government has pledged to make it easier for investors to risk their capital in Pakistan. Every time a new administration takes over, it makes similar promises to create a business-friendly environment to make the country a destination of choice for investors. Ironically, business conditions have only worsened, with the investment-to-GDP ratio plummeting to a 50-year low of 13.1pc. This is in spite of the creation of the army-backed SIFC by the last government to provide a one-window solution to address the concerns of Gulf investors. Nothing has changed despite the initial enthusiasm shown by some Gulf officials.

What our policymakers refuse to understand — or ignore — is the fact that no initiative, no matter how well-intentioned or comprehensive, can change the business environment in isolation. Thus, it is not surprising that starting a business in Pakistan, especially for small investors, remains a long and tedious process, as business persons have to deal with scores of federal, provincial and local government departments and agencies to complete documentation. The magnitude of the deterioration in the business environment in Pakistan can be gauged from the fact that even powerful multinationals are exiting this market, or scaling down their operations here. Improvements in the business and investment milieu require far more than a digital registry of laws and rules. They require wide-ranging economic, financial, judicial, policy, and civil service reforms. Investors need political and economic policy predictability and stability. Pakistan's score on these counts has never been enviable, and we have always struggled to attract foreign investment. Conditions have worsened over the last couple of decades, and no investor is prepared to bring their capital here unless



offered high-risk premium on their investments. Hence, a whole-of-government approach must underpin business and investment reforms. Otherwise, nothing will work.

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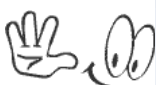
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