BOI / JFCCT Consultative session early November 2021 – Thumbnails of JFCCT-proposed topics.

It is suggested that the event could have a theme which embraces Economic Recovery. The opportunity to recover into a greener economy, with more skills and upgraded skills, should be grasped. Thus a thematic title something like these could be used which includes green and being upskilled.

'Economic Recovery – major issues for advancing a green and upskilled Thailand' or

'Major Measures for Thailand's green and upskilled Economic Recovery' or

'Economic Recovery – agenda for a greener and upskilled economy'

To put the JFCCT topics in context, it is assumed that the event would be structured somewhat the same as for 16 December 2020:

1.Welcoming Remarks Ms. Duangjai Asawachintachit, BOI Secretary General

2.Keynote Address H.E. Mr. Supattanapong Punmeechaow, Deputy Prime Minister

3.Responding Remarks Mr. Stanley Kang, Chairman of Joint Foreign Chambers of Commerce in Thailand

4.Discussion

I. BOI Policy Update

II. JFCCT Topics. Below are thumbnails (short descriptions) of the JFCCT topics.

1: Services Liberalization

Manufacturing liberalization is a great success story. What became the Eastern Seaboard with an automotive eco-system is a result. But liberalization of services has stalled. The EEC's objectives will require services liberalization.

JFCCT has proposed lifting of List 3 of the Foreign Business Act for three years to support economic recovery, and in that time also to remove permanently certain items in List 3:

logistics, most of item 21, education, agriculture, engineering. The telecoms sector needs a competitive review, given the role of an SOE.

The FBA has origins going back to 1972, even though enacted in 1999. Since enactment, only four sets of activities have been removed from List 3, most being liberalization net neutral as often sector-specific legislation covers the issue. There is a practice of announcing changes but with no result (eg three changes announce in October 2020). The process for review seems not to be in line with economic recommendations.

The related 1979 Decree about 39 Professions (replaced by an April 2020 Notification) also restricts foreigners from undertaking certain work. While the 2020 change did not change the substance, but provided some flexibility, there continue to be a limited number of activities relevant to supporting services liberalization.

At a third layer are professional body restrictions.

Treaties such as RCEP tend to be frameworks which rely on specific commitments. Thailand's specific commitments are often too timid.

2: Digital transformation / Digital Gov / Digitalization/ Thailand 4.0

Concept (distinction in terminology used by DEPA)

- *Digitalisation* – process re-engineering, a true on-line experience interoperability amongst agencies, single sign-on
- *Digitisation* – soft forms of hard copy documents; a quick solution but not on the development path towards digitalisation
- 'Being Digital' requires a change of mindset, the change occurs at individual, company, industry and economy-wide level.

Digitalising the economy relies on a digitally enabled government at its core and support for making the private sector digital. Forcing transactions to be digital, rather than analogue or 'off line' is one method. The Digital Government Development Agency (DGA)'s ***whole-of-government plan*** for digital government deserves support.

The Digitalisation Sub Committee of the Fast Track Regulatory Reform Committee has made some advances in causing enablement of digitally-enabled laws and processes.

While some parts of government are advanced in terms of digitalisation, some others are laggards; there is resistance from some agencies.

Family of Digital Economy laws There is a tsunami of law and regulation which needs harmonising and overall, rationalising. PDPA, Digital Platforms Governance Decree, Data Retention Notification, Cybersecurity Act, eCommerce Tax; ETA, also relevant are OTCC

Guideline change. Laws which digitally enable generally and which review need to have digital KPIs.

Thailand 4.0 is a vision based on Fourth Industrial Revolution (4IR) ideas of cyber-physical systems. To enable this requires a change of mindset, an upskilled workforce and leaving behind

3: Doing Business Easily / One stop service (includes work permit and visa)

Given the demise of the World Bank's 'Ease of Doing Business' index and ranking (which never measured contracting with government or work permit/visa issues, and how the ranking was 'remeasured' a number of times, we suggest using 'Doing Business Easily' as the substance of ease of doing business continues to be a valid aim. Other rankings such as competitiveness are useful proxies.

The Work Permit and Visa system is the most commonly cited area of aggravation in doing business in Thailand. Unless there is a concerted effort and political will to fix it, it will take a long time to fix and there is much resistance. We supported Smart Visa as a new way – easier to start a new standard (if it works and is it widespread) as it bypasses much bureaucracy. A revised Smart Visa would be good if it were made more attractive and it could be the norm. As it is narrowly focused, it is unlikely that Long Term Residents (LTR) will fill that role.

JFCCT maintains a master file of issues, which include rationalisation/harmonisation, 90 day reporting, staff ratios, volumes of paper work with repetitions, chamber permits, student visas, retirement visas and inconvenient ability to work, a broad definition of 'work' and the lack of digitalisation processed.

Fast track regulatory reform which was somewhat revitalised in September 2020 is progressing, but actual implementation is slow. Proper funding and support for this endeavour is needed.

Long Term Resident proposals – four categories + revised Smart Visa

Although the proposals include benefits associated with certain investments, they do not address most of the significant barriers regularly encountered by legitimately established, long-term foreign residents living and working in Thailand who are already contributing to its economic and social well-being – the work permit and visa regime. Nor will these proposals improve the ease of doing business in Thailand. LTR is in no way a substitute for fixing the fundamental issues.

One Stop Service may be the OSOS facility, or it may be a way of describing a concept of 'one touch' resolution of issues, issuance of licences and permits etc. Other 'doing business easily' enhancements would include reducing the number of licences needed, an omnibus law approach which considers risk-based categories of licensing type (eg mere registration, to class licence, to individual licence).

4: Sustainability and BCG-ESG green Models

- Bio-Circular-Green Economic Model
- ESG (Environmental, Social and Governance)

Several large businesses in Thailand have embraced a Circular Economy model. BCG of which Circular is part, adds complexity. BCG is a part of government policy in Thailand. The event could usefully examine how the private sector is expected to, and can support BCG objectives.

The UN Sustainable Development Goals (17 SDGs) are aspirational. Implementation programmes do exist.

There are other 'better business' developments in the world – eg mandatory Due Diligence. Some strategic thinking is needed about which are more important and relevant and what needs to be implement. The modern FTA will include some of these.

ESG is with us. How best to implement will be the theme.

SMEs in particular will struggle, unless support is available, to be part of these ideals and requirements.

Done at 8 October 2021

About the World Bank Ease of Doing Business Index udpated 20 October 2021

1) The World Bank EoDB criteria were narrrow and did not include key pain points such as hiring foreiners (work permit and visa) or contracting with government.

2) ‘Irregularities’ in the 2018 and 2020 reports were found; the rankings publication was paused in August 2020 and formally cancelled in September 2021. The last report and ranking issued was the 2020 report, published in late 2019.

3) With the demise of the World Bank’s EoDB ranking, reliance on it (eg aspirations for being in some kind of top ten or achieving specific sub indices) are no longer linked to any credible index. Thailand will never be in the top ten of the EoDB ranking as there is no such ranking.

4) Other rankings which assess Competitiveness (see below) for example have useful sub indices and are reasonable substitutes. There may be others.

5) Suggestion: move away from WBs EoDB, continue to work on substantive strengths, idenitfy the substantive points, clarify them and find other indices which have relevant aspiration. Ensure the work permit & visa issues are in scope of any ‘db’ assessment.

6) Ease of Doing Business is an important marker. To avoid confusion that it might be reliant on the World Bank index, the term ‘Doing Business Easily’ is suggested.

What was the World Bank’s “doing business’ index?

https://www.doingbusiness.org/en/rankings

Ease of Doing Business applied 12 criteria of business regulation, but importantly, only 10 were used for ranking purposes and the index. Importantly the pain points contracting with government and hiring foreigners (all of the work permit and visa issues) are not included.

Ten are in the Ease of Doing Business score and ranking:

- i) starting a business,
- ii) dealing with construction permits,
- iii) getting electricity,
- iv) registering property,
- v) getting credit,
- vi) protecting minority investors,
- vii) paying taxes,
- viii) trading across borders,
- ix) enforcing contracts, and
- x) resolving insolvency

Two are not included in the score and ranking:

xi) hiring foreign workers
xii) contracting with government

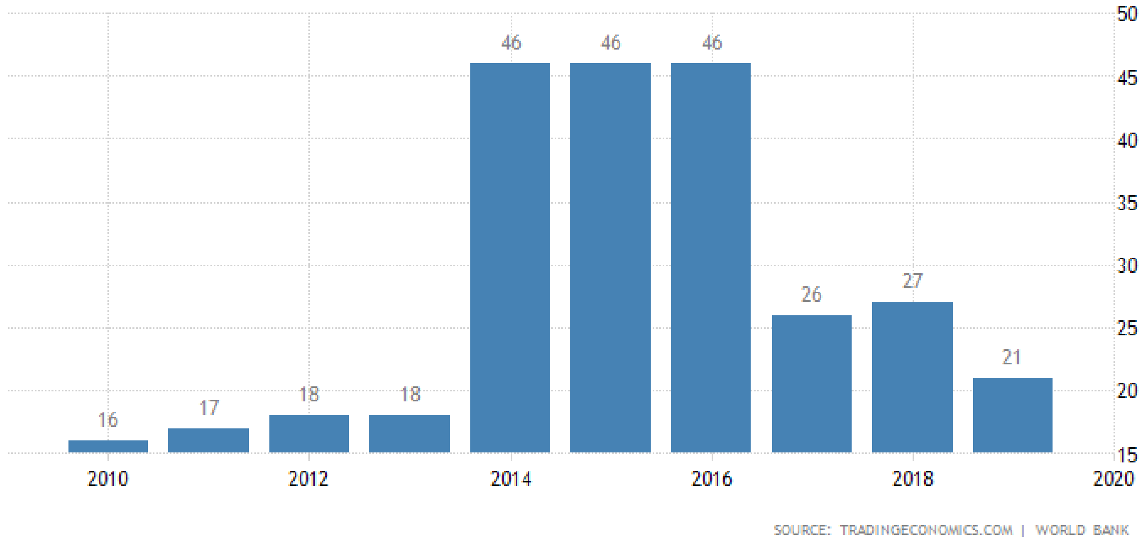
but the World Bank stated that is hadplans to include these as well.

Source: WB 2020 DB report - extract

But work permit/visa issues (which impact local and foreign companies) and contracting with government are highly relevant to overall Ease of Doing Business in Thailand; work permit and visa issues are the most commonly referred to issues faced in everyday experience.

Thailand's ranking over the years

2009: 13th / 181
……….
2015: 26th (before remeasurement); then changed to 46th
2016: 49th (after a remeasurement)
2017: 44th (after one remeasurement); also reported as 46th
2018: 26th /190 (after a remeasurement)
2019: 27th
2020: 21st



This chart from https://tradingeconomics.com/thailand/ease-of-doing-business has some lag with published year/applicable year. Example – nominal 2020 ranking is 21st, published in 2019; nominal 2019 ranking 27th, published 2018.

However the history of rankings is accurate. The World Bank has confirmed that there have been remeasurements from time to time.

The World Bank has a dual role in this respect:

- As advisor and coach to Thailand; and
- As the assessor and judge for the ranking.

The World Bank has been asked about this potential conflict of interest. The response has been that there is a 'Chinese Wall' between its advisory role and its assessment function. Doubtless the World Bank had been big enough to manage that.

For the 2020 ranking for Thailand there was wide disparity in the sub-rankings for each of the ten criteria – ranging from 3rd (protecting minority investors) and 6th (getting electricity) to 62nd (trading across borders)and 67th (registering property).

Economy	Ease of Doing Business Rank	Rank within group	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property
Thailand	21	21	47	34	6	67

Economy	ring ty	Getting Credit	Protecting Minority Investors	Paying Taxes	Trading across Borders	Enforcing Contracts	Resolving Insolvency
Thailand		48	3	68	62	37	24

Note that apart from these two very good rankings (3 and 6) every other ranking was above 21, most by a large amount (24,34,37,47,48,62,67,68). There seems little value in clinging to these two sub indices as a way of preserving an overall ranking where the overall ranking's reputation is now poor.

The Guillotine Unit during 2018 and 2019 did apply some specific expertise to improving certain activities which contributed to the improved ranking. Leaving the ranking aside, it does show that Guillotine activity can have a positive outcome in improving those areas, and within the confines of the criteria, that is a positive outcome.

'Pausing' of EoDB report; then cancellation

Due to some irregularities discovered in the 2018 and 2020 reports, WB had paused publication of the index, based on an August 2020 statement[1]. In September 2021 the ranking was formally cancelled permanently[2].

Please see a related file of press reports. Clearly the international reputation of the index is sullied. The fact that the World Bank itself has acknowledged irregularities and abandoned the index says much.

Is WB 'DB' really the most cogent benchmark or target?

Other Competitiveness Rankings include similar criteria which one would expect as relevant to ease of doing business; some of these other rankings also, usefully, show trends.

IMD World Competitiveness Ranking URL here	Thailand: 2019: 25th / 63. 2020: 29th / 63 2021: 28th / 64
IMD Digital Competitiveness Ranking URL here	Thailand: 2019: 40th / 63. 2020: 39th / 63
WEF Global Competitiveness Index URL here	Thailand: 2018 38th / 141. 2019: 40th / 141.
World Bank Human Capital Index 2018: URL here	Thailand: 65th / 157. This measures productivity of next generation workers relative to benchmark of education and full health

The World Bank 'db' ranking, like all credible[3] rankings, was applied to all economies under review, using the same criteria. But the ten criteria used are very specific and the scope is narrow. That can be compared with the rankings above.

Some do not support the WB ranking as cogent; some "… doubt the relevance of the issues it addresses or fear it may unduly dominate countries reform agendas at the expense of more crucial development objectives" [4]

[1] https://www.worldbank.org/en/news/statement/2020/08/27/doing-business---data-irregularities-statement

[2] https://www.worldbank.org/en/news/statement/2021/09/16/world-bank-group-to-discontinue-doing-business-report

[3] The World Bank ranking may be seen as credible within each of its specific criteria, but the totality of the ten criteria as an embodiment of a fair and accurate overall 'Ease of Doing Business' measure is questionable. Rankings which are not credible are, for example, some published by US News & World Report, which are customised for selected economies, have biased criteria, and are often paid for.

[4] https://en.wikipedia.org/wiki/Ease_of_doing_business_index see under 'Evaluation'.

Press about World Bank ending EoDB

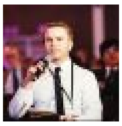
Three stories pp 1-8
Oct 7 The Diplomat
Sep 20 MoneyControl
Sep 17 The Economist

Then pp 9-25 – SPH several stories.

Pp 25-25 World Bank statements

Why the World Bank Torched its ‘Ease of Doing Business’ Ranking

In addition to encouraging bad economic policy-making, the ranking incentivized nations to game the system.



By **James Guild**
October 07, 2020

https://thediplomat.com/2020/10/why-the-world-bank-torched-its-ease-of-doing-business-ranking/

World Bank President David R. Malpass.
Credit: Flickr/World Bank Photo Collection

In August [2020], the World Bank suspended its Doing Business Report due to what it referred to as a “number of irregularities.” According to Bloomberg, since 2003 the report has ranked 190 economies “based on how easy it is to do business there, taking into account trading regulations, property rights, contract enforcement, investment laws, the availability of credit and a number of other factors." Moving up in the rankings is often cited by developing country governments as evidence that their economies are modernizing and growing. Narendra Modi had been pushing hard for India to make the Top 50 by 2022, for instance.

But measuring something as nebulous as "doing business" is fraught with methodological and ideological peril. It tends to reduce the complexity of economic activity to a few quantifiable metrics with a libertarian bias, such as the time it takes to get a business license or the number of regulations in a particular sector, ignoring deeper structural, social or political issues – as well as the benefits of certain regulations. As with global university rankings, once governments know how the reports are compiled, they have an incentive to game the system, making cosmetic changes that will improve their place in the ranking without actually reforming anything significant about the business environment.

It also creates an incentive for countries to pursue economic policies that conform with the World Bank's vision of economic development: eliminating regulations and barriers to investment, pushing for market-friendly reforms, reducing labor protections, etc. This development pathway is not always appropriate in every instance, but if a country wants to move up in the rankings, it may feel pressure to push through sweeping reforms to land ownership, investment regulations and labor laws that are not properly thought out or which result in unintended consequences.

The passage of Indonesia's controversial "Omnibus Bill" on job creation this week is one such example. The bill contains a grab-bag of market-friendly reforms that are intended to make it easier to invest and do business in the country, changes that would likely have boosted Indonesia up the Doing Business Ranking, if it was still in operation. At the same time, the bill is being strongly opposed by labor unions and civil society groups, which argue that it heavily favors powerful business interests at the expense of workers, human rights and the environment.

There is no explicit link between the passage of this bill and the World Bank's Ease of Doing Business rankings. But for nearly two decades, many of Indonesia's government officials and policy-makers have been socialized to view market-friendly reforms that eliminate regulations, reduce the power of workers and open the economy to foreign investment as the preferred engine of economic growth. Much of that ideology flows directly from policies encouraged by the World Bank and the International Monetary Fund.

The flaws in the Ease of Doing Business rankings have been clear for several years. The Bank's Chief Economist, Paul Romer, resigned in 2018 and apologized to the nation of Chile, after the latter fell down the rankings due to a change in methodology (as well as possible political biases at the World Bank) rather than any substantive change in its business environment. Modi and India have likewise been criticized for gaming the system, obsessing over moving up in the rankings rather than pushing for real and lasting structural reforms.

In August, the flawed ranking system apparently made the move into full-blown fraud, which is what led to its suspension. According to the Wall Street Journal, data from China, Azerbaijan, the UAE and Saudi Arabia appeared to have been deliberately altered. That was the final straw for the World Bank. The ranking has since been suspended, and it is uncertain whether it will return.

In any event, the rise and fall of the Doing Business Report is a good lesson in the limits of applying standardized rankings to heterogeneous units like countries and their business environments. A one-size-fits-all approach to measuring and understanding economic growth and development, especially one based on the ideological priors of particular institutions and stakeholders, is always likely to contain some fatal flaws. And this is something with which the government of Indonesia, along with the World Bank, is quickly becoming familiar.

Explained | The World Bank controversy that killed the Doing Business Report

An internal audit found that Chinese influence at the World Bank led to data manipulation and ultimately a rigged national ranking for China in past Ease of Doing Business indexes. While the regulators investigate the matter and the global investor community remains dazed at the findings, Moneycontrol looks at what this means for India.

SUBHAYAN CHAKRABORTY

https://www.moneycontrol.com/news/business/explained-the-world-bank-controversy-that-has-killed-the-doing-business-report-7483891.html

SEPTEMBER 20, 2021 / 11:39 AM IST

Representative Image (Reuters)

The Washington, DC-based World Bank Group said on September 16 it is ending publication of its Doing Business report after an internal audit found "undue pressure" by top bank officials to manipulate data had resulted in country rankings changed to favour China.

The investigations showed that the report, considered a global benchmark to judge investment climate across nations, had boosted China's ranking in 2017.

Then World Bank president Jim Yong Kim and then chief executive Kristalina Georgieva, who is now managing director of the International Monetary Fund, have been implicated in the findings. Moneycontrol takes a look.

What is the Doing Business Report?

The Doing Business report outlined the levels of business regulation in 190 economies. It assessed the business climate on 12 broad parameters integral to starting, sustaining and winding down a business. The 2020 report was the 17th in the series of annual studies.

The quantitative indicators ranged from dealing with construction permits, getting electricity, getting credit, protecting minority investors, paying taxes, and trading across borders. These could be compared across 190 economies—from Afghanistan to Zimbabwe—and over time. The study presented a detailed analysis of costs, requirements and procedures that a specific type of private company is subjected to in all countries and provided nations with specific prescriptions on how and when to reform key laws.

Why is it so crucial?

Nations around the world monitored the annual reports since they set the Ease of Doing Business Index for the next year. The index is the formal ranking of nations – from most business-friendly to worst. It is competitive, changes quickly and has in recent years garnered huge media attention. This report card of sorts showed whether nations had improved or degenerated in their efforts to create a more liberal economic ecosystem, at least for the average business.

The growing significance of the index was partially due to rising interest across the developing world from countries including India, South Africa, Indonesia, Nigeria, Brazil and China, which are continuously engaged in seeking more foreign direct investment.

What had been done?

On instructions from former World Bank president Jim Yong Kim and ex-CEO Kristalina Georgieva, the Doing Business team was instructed to re-evaluate China's data to keep its rank at 78. Internal audits had been triggered in June

2020 by repeated allegations of data manipulation. Law firm WilmerHale had prepared an independent report at the request of the bank's ethics committee. Both raised concerns about China's influence at the World Bank.

They found that Kim discussed the report and China's performance with senior Chinese government officials in September 2017, a serious breach of practice and ethics because the results are never disclosed before the global launch of the report. Also, the then executive director for China met with members of the World Bank's East Asia and Pacific regional office on September 14 to inform them that if China's rankings improved, everyone would be "relieved."

How did it get so bad?

This isn't the World Bank's first brush with scandal. In January 2018, Paul Romer, the World Bank's chief economist, announced that past releases of the index would be corrected and recalculated going back at least four years. Romer apologised to Chile, saying the former director of the group responsible for the index had repeatedly manipulated its methodology, unfairly penalising the country's rankings during the administration of left-wing President Michelle Bachelet.

Now, after reviewing all the information available to date on Doing Business, including the findings of past reviews, audits, and the final report released by the World Bank, the management decided to discontinue the Doing Business report.

Why does this matter for India?

Since the Narendra Modi government took charge in 2014, it has focused on improving India's rankings. The government said in multiple fora that its target was to be counted as part of the top 50 club as soon as possible. It also initiated a wide sweep of reforms to continuously improve conditions of doing business on the ground across local, state and national levels.

As a result, India's rankings improved dramatically over the past five years. In the latest rankings, it rose 14 places to 63rd position in 2019, up from 74th in the previous year. The country was also placed in the list of "economies with the most notable improvement" for the third year in a row. Overall, India's position jumped from a low 142 in 2014, an unparalleled feat.

The government had also extensively marketed its achievements both domestically and abroad. Continuously invoked at political rallies and TV debates, the term "ease of doing business" had become an inherent part of the political discourse in the country.

Where does the government stand on the issue?

After the controversy broke out, Kaushik Basu, who was World Bank chief economist from October 2012 to October 2016, said that while pressure from governments had always been the case, it had never given in. He said that to India's credit, both the current and former Indian governments had never put pressure on the World Bank for favourable reviews.

The sudden discrediting of the rankings has brought into question the framework of the report, its intent and the entire process. While the Centre has not yet officially commented on the matter, reports have stated that some officials fear this will discredit India's overall ease of doing business endeavour.

However, most officials believe it will help in exposing how China bullies multilateral institutions to accommodate its demands. With global opinion on the matter slowly becoming clear, they hope this will lead to more businesses shifting from China to India. India is currently wooing businesses to shift their supply chains from China through a range of incentives

How World Bank leaders put pressure on staff to alter a global index

An investigation puts paid to the Doing Business rankings, and puts Kristalina Georgieva in the spotlight

https://www.economist.com/finance-and-economics/2021/09/17/how-world-bank-leaders-put-pressure-on-staff-to-alter-a-global-index 17 Sep

Sep 17th 2021

HONG KONG

THE WORLD BANK’S Doing Business rankings, which are followed closely by leaders in China, India and elsewhere, are supposed to gauge how easy it is to do business in 190 countries. But the rankings have instead become a revealing gauge of how the World Bank itself does business under political pressure. In so doing, they have also created a dilemma for the bank’s sister institution, the IMF.

In January the bank appointed a law firm to investigate allegations that the scores for China and three other countries (Azerbaijan, Saudi Arabia and the United Arab Emirates) had been altered. Its findings, released on September 16th, provide a startlingly frank, blow-by-blow account of the bank’s efforts in 2017 to engineer an improvement in China’s ranking. According to the investigators, the amendments reflected pressure from aides to Jim Yong Kim, the World Bank’s president at the time, “presumably” at his direction. And the effort was ultimately led by Kristalina Georgieva, who was then second-in-command at the bank and is now the boss of the IMF.

………………..[more]……

Press about World Bank EoDB 2021 – The Straits Times

The World Bank formally announced it has 'paused' the EoDB report in August 2020 due to 'irregularities', with the last publication being the 2020 report in late 2019. In September 2021, the World Bank formally announced that it was ceasing the report; it would not be published again.

In this file, six stories from Straits Times © SPH

22 Sep
21 Sep
18 Sep
17 Sep
17 Sep
17 Sep

Economic Affairs

Rise and fall of the World Bank's Doing Business report

Its anti-regulation bias makes it unfit for a post-Covid-19 world.

Vikram Khanna
Associate Editor

The World Bank last week decided to discontinue the publication of the hugely influential report.

[pic removed]

PUBLISHED SEP 22, 2021, 5:00 AM SGT

[Rise and fall of the World Bank's Doing Business report, Opinion News & Top Stories - The Straits Times]

Every year since 2003, many governments around the world have eagerly awaited the World Bank's report on Doing Business - formerly known as Ease of Doing Business - to see where their countries stand vis-a-vis others and how their rankings have changed.

The hugely influential report, also followed by academics, journalists and investors, purports to rank 190 countries on the business-friendliness of their regulations in 10 areas - the ease of starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvencies.

Politicians have used the rankings as a sales pitch to voters and investors, and the bank has claimed that its reports have spurred thousands of regulatory reforms around the world. The Doing Business report has been good business for the World Bank.

But not any more. Last week, it decided to discontinue the publication of the report. The decision was triggered by ethical concerns about the irregular conduct of some of its current and former staff involved in the preparation of some recent reports.

An external investigation by law firm WilmerHale that was authorised by the bank found that senior officials - including former chief executive Kristalina Georgieva, now the International Monetary Fund chief - had leaned on bank staff to manipulate data to boost China's ranking in the 2018 report, under pressure from senior Chinese government officials.

Data was also altered in the 2020 report to ensure that Saudi Arabia headed the list of top improvers. These actions were taken at a time when the bank was trying to increase its capital and needed the support of powerful members like China and Saudi Arabia. Data from Azerbaijan and the United Arab Emirates were also found to have been improperly altered.

Ms Georgieva has denied any wrongdoing, but the WilmerHale investigation, which cited several e-mails and staff accounts, appears to be widely seen as credible.

While it made several recommendations to safeguard the integrity of the World Bank's data and insulate bank staff from internal or external pressure, it did not recommend scrapping the report. But the bank decided to do so anyway.

A controversial project

The Doing Business report has long been controversial, even within the bank itself.

Responding to widespread complaints about the report's choice of indicators and selection of data, the bank in 2013 appointed an independent review panel led by former South African finance minister Trevor Manuel. The panel recommended discontinuing the rankings, as well as deleting certain indicators that penalised countries unfairly. But the bank rejected most of the recommendations.

In early 2018, the bank's then chief economist, Nobel laureate Paul Romer, criticised the Doing Business report for changes in methodology - the addition of new metrics - that led to a sharp decline in the ranking of Chile under a left-wing government, even though the business environment in the country had hardly changed.

Methodological changes, some of which were the result of lobbying by governments eager to improve their countries' standings, also resulted in various countries bouncing up and down in the rankings to a surprising extent. For example, Chile fluctuated between 25th and 57th between 2006 and 2017, while India jumped from 145th in 2015 to 63rd last year, despite a decline in its rates of investment and growth and the implementation of policies such as demonetisation in 2016 which devastated small businesses. Methodological changes also meant that the data was not comparable over time.

Casual observers of the rankings can point to some startling anomalies. For example, in the 2020 report, while it is intuitively plausible that New Zealand should be ranked first and Singapore second, it seems mystifying that Rwanda ranked four places higher than the Netherlands, North Macedonia was five places higher than Germany and Turkey ranked three places above Switzerland.

To be fair, the report acknowledges some of its own shortcomings. Besides ignoring market size, it is narrow in scope and does not cover important issues such as macroeconomic stability, the development of the financial system, the state of physical infrastructure, the quality of the labour force or the incidence of corruption.

Moreover, its data is sourced not from companies based on their actual experience, but from professionals who deal with legal and regulatory issues, such as lawyers, accountants, management consultants and public officials - which means much of it is subjective in nature and based on regulations as written, not as applied in practice.

In short, the report does not even pretend to be an accurate reflection of the overall business environment - although many political leaders tout it as such.

The bank never objected to the report's use as a marketing tool.

ST ILLUSTRATION: MIEL

Conceptual flaws

But beyond the report's self-acknowledged limitations, several critics have pointed to serious conceptual flaws. The most common is that it focused on the costs of regulation while ignoring the benefits, and making no distinctions between good and bad regulation.

So for example, low corporate taxes, weak standards of employment protection or health and safety, and minimal environmental regulations were considered good and led to higher rankings. This was at odds with many of the policies the bank was advocating to its members. It takes a more nuanced view of taxation, pointing out that tax rates should enable the funding of public investments. It also supports social safety nets and environmental regulations.

Indeed, some of the most vocal critics of the report have been from the bank itself. For example, Dr Vinod Thomas, a former senior vice-president at the bank who is now a visiting professor at the Lee Kuan Yew School of Public Policy, has noted that the Trump administration's rollback of legislation for protecting the environment by reversing emission standards and supporting the fossil fuel industry did not hurt the United States' ranking, which in fact rose to sixth last year from eighth in 2019.

Brazil, India and Russia were also ranked higher even as they weakened their environmental protection.

Other critics have highlighted the vast gap between regulations on paper - which is what the Doing Business report covers - and what actually happens in practice, especially in developing countries. One example cited by researchers was that whereas the report claimed that it took about 180 days to get a construction permit in India in 2014, some firms managed to get it in one day, while others had to wait one year. The average time taken was 33 days.

In many developing countries, outcomes depend not so much on formal rules, but on relationships companies or entrepreneurs have with the powers that be - which anyone who lives in such countries knows. The capacity of governments to implement policies also differs widely between countries and even different parts of a country, which makes formal regulations a poor guide to realities on the ground.

Although the Doing Business report did have some useful data, its methodology was clearly flawed and produced misleading results. But a more serious shortcoming was its purpose - to reward countries with high rankings based on how little they tax and regulate. The popularity of the rankings, encouraged by the bank, led to a "race to the bottom" among countries on tax rates and social and environmental regulations.

While this was always problematic, in a post-Covid-19 world it has become even more so. With governments having run up huge fiscal deficits and income inequalities on the rise, the policy pendulum has shifted in favour of higher corporate taxes, more protection for workers and more resilient supply chains in production as opposed to simply cost efficiency.

Mounting concerns about climate change have also prompted greater acceptance and advocacy of stronger environmental regulations.

In terms of what it measures and what it seeks to reward, the World Bank's Doing Business report is therefore unfit for the post-Covid-19 world. The scrapping of its publication should not come as a surprise.

Bad for business: World Bank China rigging scandal rattles investors

Published Sep 17, 2021 https://www.straitstimes.com/world/bad-for-business-world-bank-china-rigging-scandal-rattles-investors

LONDON (REUTERS) - Some investors and campaigners expressed dismay on Friday (Sept 17) at revelations that World Bank leaders pressured staff to boost China's score in an influential report that ranks countries on how easy it is to do business there.

They also said the World Bank's subsequent discontinuation of the "Doing Business" series of annual reports could make it harder for investors to assess where to put their money.

"The more I think about this, the worse it looks," said Tim Ash at BlueBay Asset Management, adding that the reports published since 2003 had become important for banks and businesses around the world.

"Any quantitative model of country risk has built this into ratings. Money and investments are allocated on the back of this series."

An investigation by law firm WilmerHale at the request of the World Bank's ethics committee, found that World Bank chiefs including Kristalina Georgieva - now head of the International Monetary Fund - had applied "undue pressure" to boost China's scores in the "Doing Business 2018" report.

At the time, the Washington-based multilateral lender was seeking China's support for a big capital increase.

Georgieva said she disagreed "fundamentally with the findings and interpretations" of the report, which was released on Thursday (Sept 16), and had briefed the IMF's executive board.

Advocacy group Tax Justice Network welcomed the investigation by the ethics committee.

"The bigger question is how, if it is even possible, the Bank can eliminate the apparent corruption of the institution," the British-based group's CEO Alex Cobham said on Twitter.

Economists said such reports - by the World Bank and others - were useful but had long been vulnerable to manipulation.

They said some governments, especially in emerging market countries who want to demonstrate progress and attract investment, could become obsessed with their position in the reports, which assess everything from ease of paying taxes to legal rights.

The United Arab Emirates, 16th in the latest 2020 report, had targeted topping the ranking in 2021, while Russia surged up the rankings to 28th in 2020 from a dismal 120th in 2011.

President Vladimir Putin set a challenge for the country to break into the top 20 by the end of the last decade.

When asked to comment on the World Bank ditching the ratings, Kremlin spokesman Dmitry Peskov said on Friday: "The task of improving the business climate is not linked to the existence of any ratings. Ratings are just a yardstick."

Past research by the World Bank nonetheless suggested that foreign direct investment flows were higher for economies performing better in its reports.

But Charles Robertson, chief economist at Renaissance Capital, said ease of doing business scores had been losing credibility for years. Some countries employ investment firms, including his own, and even former government leaders to advise them on how to improve their rankings.

"There have been wide divergences between some countries corruption ranking(s) and the ease of doing business scores, which implies that these were only face-value improvements rather than reflecting underlying economic change," he said.

"As an economist, though, it would a real shame if we lose access to the underlying data. It is really interesting, for example, to know that it takes a company in Brazil 900 hours to process taxes, whereas for somewhere else it take only 70," Robertson added.

Emerging markets-focused investment manager Ashmore Group engaged a third-party data provider that used the Doing Business findings as one of their sources, but ultimately relied upon its own research for investment decisions, said Gustavo Medeiros, Ashmore's deputy head of research at the investment firm.

"When companies are looking to do foreign direct investment, the report is a useful roadmap to understand where the potential problems may be and then they can go and do the due diligence," he added.

Ex-World Bank CEO Kristalina Georgieva pressured staff to favour China in report, says ethics probe

Published Sep 17, 2021

https://www.straitstimes.com/world/united-states/ex-world-bank-ceo-kristalina-georgieva-pressured-staff-to-favour-china-in-report

WASHINGTON (REUTERS) - World Bank leaders, including then-chief executive officer Kristalina Georgieva, applied "undue pressure" on staff to boost China's ranking in the bank's "Doing Business 2018" report, according to an independent investigation released on Thursday (Sept 16).

The report, prepared by law firm WilmerHale at the request of the bank's ethics committee, raises concerns about China's influence at the World Bank, and the judgment of Georgieva - now managing director of the International Monetary Fund - and then-World Bank President Jim Yong Kim.

Georgieva, who is Bulgarian, said she disagreed "fundamentally with the findings and interpretations" of the report and had briefed the IMF's executive board.

The World Bank Group cancelled the entire "Doing Business" report on business climates, saying internal audits and the WilmerHale investigation had raised "ethical matters, including the conduct of former Board officials, as well as current and/or former Bank staff."

The US Treasury Department, which manages the dominant US shareholdings in the IMF and the World Bank, said it was analysing what it called the "serious findings."

The WilmerHale report cited "direct and indirect pressure" from senior staff in Kim's office to change the report's methodology to boost China's score, and said it likely occurred at his direction. Mr Kim is American.

It said Georgieva, and a key adviser, Simeon Djankov, had pressured staff to "make specific changes to China's data points" and boost its ranking at a time when the bank was seeking China's support for a big capital increase.

China's ranking in the "Doing Business 2018" report, published in October 2017, rose seven places to 78th after the data methodology changes were made, compared with the initial draft report.

The "Doing Business" report ranks countries based on their regulatory and legal environments, ease of business startups, financing, infrastructure and other business climate measures.

'Serious findings'

The report comes nearly two years after Georgieva took over as IMF chief, shortly before the biggest global economic crisis in the Fund's 76-year history, prompted by the Covid-19 pandemic.

The US Treasury is analysing "serious findings" in the WilmerHale report, Treasury spokeswoman Alexandra LaManna told Reuters. "Our primary responsibility is to uphold the integrity of international financial institutions."

The WilmerHale report also cited pressures related to data used to determine rankings for Saudi Arabia, the United Arab Emirates and Azerbaijan in the "Doing Business 2020" report published in 2019, but found no evidence that any members of the World Bank's Office of the President or executive board were involved in these changes.

More on this topic

Saudi Arabia climbed 30 places to 62nd in the "Doing Business 2020" report.

"Going forward, we will be working on a new approach to assessing the business and investment climate," the World Bank said.

WilmerHale said it was hired by the lender's International Bank for Reconstruction and Development in January to review the internal circumstances that led to the data irregularities.

It said the bank supported the probe, but it was wholly independent.

Capital increase

The report said the push to boost China's ranking came at a time when the bank's management was "consumed with sensitive negotiations" over a major capital increase, and China's disappointment over a lower-than-expected score.

Georgieva told WilmerHale investigators that "multilateralism was at stake, and the Bank was in 'very deep trouble' if the campaign missed its goals," the report said.

The World Bank in 2018 announced a US$13 billion-paid in capital increase that boosted China's shareholding stake to 6.01 per cent from 4.68 per cent.

WilmerHale said Georgieva visited the home of a "Doing Business" manager to retrieve a hard copy of the final report that reflected changes that boosted China's ranking, thanking the employee for helping "resolve the problem."

The report said a "toxic culture" and "fear of retaliation"surround the Doing Business report, and said members of that team "felt that they could not challenge an order from the Bank's president or CEO without risking their jobs."

Former World Bank chief economist Paul Romer first voiced concerns about the integrity of the "Doing Business" report in 2018, saying Chile's ranking may have been biased against socialist then-President Michelle Bachelet. Romer left the bank shortly after his comments.

IMF board reviewing ethics report on managing director Kristalina Georgieva's actions at World Bank

Published Sep 18, 2021, 1:02 am SGT

https://www.straitstimes.com/world/united-states/imf-board-reviewing-ethics-report-on-managing-director-georgievas-actions-at

WASHINGTON (REUTERS) - The executive board of the International Monetary Fund is reviewing an independent report prepared for the World Bank about the actions of IMF chief Kristalina Georgieva in her previous senior role at the World Bank, IMF spokesman Gerry Rice said on Friday (Sept 17).

Georgieva has said she disagrees “fundamentally with the findings and interpretations” of that report, which alleges that she and other World Bank officials pressured staff to boost China’s ranking in a flagship report. She briefed the board on the issue early on Thursday.

“The IMF board is currently reviewing this matter,” Rice told Reuters, adding, “As part of the regular procedure in such matters, the ethics committee will report to the board.”

The results of the independent investigation, published on Thursday, said World Bank leaders, including then-chief executive Georgieva, applied “undue pressure” on staff to boost China’s ranking in the bank’s “Doing Business 2018” report.

Rice had no immediate comment on when the IMF ethics committee would report to the executive board.

External review finds deeper rot in World Bank 'Doing Business' ranking

The World Bank on Sept 16 said it would cancel the "Doing Business" series on country business climates.

Published Sep 21, 2021, https://www.straitstimes.com/world/united-states/external-review-finds-deeper-rot-in-world-bank-doing-business-ranking

WASHINGTON (REUTERS) - Weeks before the World Bank scrapped its flagship Doing Business rankings following a damning independent probe, a group of external advisers recommended an overhaul of the rankings to limit countries' efforts to "manipulate their scores".

An 84-page review, written by senior academics and economists, was published on the bank's website on Monday (Sept 20), about three weeks after it was submitted to World Bank chief economist Carmen Reinhart.

The World Bank on Thursday said it would cancel the "Doing Business" series on country business climates, citing internal audits and a separate independent probe by law firm WilmerHale that found senior World Bank leaders, including Kristalina Georgieva, who now heads the International Monetary Fund, pressured staff to alter data to favour China during her time as World Bank CEO.

Georgieva has strongly denied the findings.

World Bank President David Malpass, in his first public comments since the data rigging controversy broke last Thursday, told CNBC that the WilmerHale report "speaks for itself" and that the bank will explore new approaches to helping countries improve their business climates.

The review published on Monday was written by a group assembled by the World Bank in December 2020, after a series of internal audits revealed data irregularities in reports on China, Saudi Arabia, the United Arab Emirates and Azerbaijan.

It calls for a series of remedial actions and reforms to address the "methodological integrity" of the Doing Business report, citing what it called "a pattern of government efforts to interfere" with scoring for the reports in past years.

"The World Bank needs an introspection. It has been advocating country reforms for better governance, transparency, and practices. Now it has to use the prescription for its own reform," said Mauricio Cardenas, the Columbia University professor and former Colombian finance minister who chaired the expert panel.

The experts faulted the Doing Business series for lack of transparency about the underlying data and questionnaires used to calculate the rankings, called for a firewall between the Doing Business team and other World Bank operations, and creation of a permanent, external review board.

"We have been informed of multiple cases where national governments have attempted to manipulate the DB scores by exerting pressure on individual contributors," the report said, pointing to lawyers, accountants, or other professionals.

"World Bank staff mentioned several countries where they believe government officials have instructed contributors how to respond. And even in the absence of explicit government pressure, of course, the perceived threat of retaliation may influence the scores contributors report."

Selling advice

The authors also called for the bank to stop selling consulting services to governments aimed at improving a country's score, noting that they constituted an apparent conflict of interest.

"The World Bank should not simultaneously engage in scoring countries' business environment while accepting payment to coach countries on how to improve their scores," the authors wrote.

The World Bank offered these "Reimbursible Advisory Services", or RAS in a number of countries, including some of those implicated in the data manipulation investigation, such as China and Saudi Arabia, the review said.

In December 2020, the review said, one internal audit reported that bank management had pressured nine of 15 staff to manipulate data in the 2018 and 2020 issues of the Doing Business index, boosting Saudi Arabia to the "most reformed" spot globally and buoying the rankings of the United Arab Emirates and China, while dropping Azerbaijan from the top 10 rankings, the external advisers reported.

The separate WilmerHale report said that changes to Saudi Arabia's data were "likely the result of efforts by a senior bank staff member to achieve a desired outcome and reward Saudi Arabia for the important role it played in the Bank community, including its significant and ongoing RAS projects".

Justin Sandefur, a senior fellow at the Center for Global Development in Washington and another member of the expert panel that produced Monday's report, said that it showed "a governance problem" at the World Bank and he had not seen any assurances that similar problems would not continue with other data sets.

Nobel laureate Romer decries lack of 'integrity' under Georgieva at World Bank

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https://www.straitstimes.com/world/united-states/nobel-laureate-romer-decries-lack-of-integrity-under-georgieva-at-world-bank

WASHINGTON (AFP) - Nobel Prize-winning economist Paul Romer said the current head of the International Monetary Fund, in her previous senior role at the World Bank, engineered a "whitewash" of his concerns surrounding the bank's flagship report.

In an interview with AFP on Thursday (Sept 16), Dr Romer said there was a "lack of integrity" among the World Bank leadership, including then chief executive Kristalina Georgieva.

Earlier in the day, the World Bank announced it was immediately discontinuing its Doing Business report after an independent investigation commissioned by its board found irregularities in the 2018 and 2020 editions and concluded that Ms Georgieva pressed staff for alterations to avoid angering China.

Dr Romer said that during his time at the World Bank, he was not aware of Ms Georgieva pushing staff on China.

But "I had some suspicions that things like this might be going on". Dr Romer resigned from his post as chief economist in January 2018 after he went public with his concerns about how the bank made "arbitrary" alterations to the methodology that drastically changed rankings for some countries, notably Chile.

He said the changes lowered the rankings under Chile's socialist leader Michelle Bachelet, but raised them under her more conservative successor President Sebastian Pinera.

"When I raised these questions, Kristalina engineered a cover up, a whitewash," he said. "I was reporting to people who lacked integrity. It was intolerable."

He said Ms Georgieva worked closely with Mr Simeon Djankov who handled the "quote audit" of the report to look into his concerns.

Mr Djankov, a former Bulgarian finance minister, had returned to the bank after his role in government, and was a creator of the Doing Business report.

The investigation not only found that Ms Georgieva but also Mr Djankov and then President Jim Kim pressured staff to alter the report to favour China. Ms Georgieva disputed the findings. The bank released the findings by law firm WilmerHale that cited a "toxic environment" for the staff.

It was particularly damning about Mr Djankov's actions, saying he told staff he had friends on the ethics board who would reveal if any complaints were made against him.

Mr Djankov left the bank in March 2020 and staff first reported the issues in June 2020.

"The kind of intimidation this report describes was real," Dr Romer said. "Eventually, you know, I was not comfortable continuing to report to Kristalina. So I went public with my allegations, just as a way to just get myself fired."

The IMF declined to comment on Dr Romer's accusations.

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https://en.wikipedia.org/wiki/Kristalina_Georgieva

On January 7, 2019, it was announced that World Bank Group President Kim would be stepping down and Georgieva would assume the role of interim president of the World Bank Group on February 1, 2019. On September 29, Georgieva was named the next managing director of the International Monetary Fund. She was the only nominee for the job and is the first person from an emerging country to hold this office.[37]

A 2021 independent inquiry of the World Bank's *Doing Business* reports by the law firm WilmerHale found that Georgieva instructed staff to alter data to inflate the rankings for China.[38][2][3]

In October, 2021 the International Monetary Fund's executive board initiated an investigations that Georgieva manipulated the Doing Business Report in 2018 during her tenure as World Bank chief.[39]

Statement September 16, 2021

World Bank Group to Discontinue Doing Business Report

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WASHINGTON, September 16, 2021—The World Bank Group today issued the following statement on the Doing Business report:

"Trust in the research of the World Bank Group is vital. World Bank Group research informs the actions of policymakers, helps countries make better-informed decisions, and allows stakeholders to measure economic and social improvements more accurately. Such research has also been a valuable tool for the private sector, civil society, academia, journalists, and others, broadening understanding of global issues.

After data irregularities on Doing Business 2018 and 2020 were reported internally in June 2020, World Bank management paused the next Doing Business report and initiated a series of reviews and audits of the report and its methodology. In addition, because the internal reports raised ethical matters, including the conduct of former Board officials as well as current and/or former Bank staff, management reported the allegations to the Bank's appropriate internal accountability mechanisms.

After reviewing all the information available to date on Doing Business, including the findings of past reviews, audits, and the report the Bank released today on behalf of the Board of Executive Directors, World Bank Group management has taken the decision to discontinue the Doing Business report. The World Bank Group remains firmly committed to advancing the role of the private sector in development and providing support to governments to design the regulatory environment that supports this. Going forward, we will be working on a new approach to assessing the business and investment climate. We are deeply grateful to the efforts of the many staff members who have worked diligently to advance the business climate agenda, and we look forward to harnessing their energies and abilities in new ways."

Related: Statement on Release of Investigation into Data Irregularities in Doing Business 2018 and 2020

Statement September 16, 2021

Statement on Release of Investigation into Data Irregularities in Doing Business 2018 and 2020

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Report to the Board of Executive Directors

WASHINGTON, September 16, 2021—The World Bank Group today released the following statement on behalf of the Bank's Board of Executive Directors:

"The World Bank's Board of Executive Directors today authorized the release of "Investigation of Data Irregularities in Doing Business 2018 and Doing Business 2020 – Investigation Findings and Report to the Board of Executive Directors," an independent external review of the facts and circumstances around previously reported data irregularities in the 2018 and 2020 Doing Business reports."

Related: World Bank Group to Discontinue Doing Business Report