

The subjectivity in numbers

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There was recently an investigation into the involvement of senior World Bank management in data manipulation of the flagship Doing Business report. It appears that over two tenures of World Bank presidents, data was altered to benefit certain countries by inflating their rankings on business climate.

For about two decades, this influential publication by the World Bank has been ranking countries on various aspects of business regulations including measures such as the time it takes to get a construction permit, what the corporate tax rates are, degree of adherence to labour laws etc. A high ranking on the report increases inflows of foreign investment funds, boosting countries' economies and financial markets. This ranking is also used by the World Bank as the basis for imposing conditionalities in loans and to push for regulatory reforms (mostly reduced regulations except for safety standards) across developing countries.

In countries like Pakistan, numbers coming out of international agencies are often held as gospel truths. In part, because we are intimidated by the countries that hold a monopoly over the World Bank and the IMF, but also for very pragmatic reasons like the fact that lending is influenced by rankings such as those of the Doing Business index. Across countries, reform agendas are pursued, and dedicated government units are set up in an effort to improve these scores. Often, the performance of elected representatives is judged by changes in the country's ranking.

In reality however, changes in the index can be due to changes in sample and methodology without reflecting any changes in reality on the ground. In 2017, owing to these methodological innovations, India's Business Ranking jumped from 130th to 100th overall – an achievement widely touted by Narendra Modi in his campaign for re-election. It was later identified that this 'jump' was largely an artifact of inconsistent methodology and use of new indicators over time.

Furthermore, these rankings are certainly not above political interference, as has become apparent in the recent scandal. Details of the investigation suggest, for instance, that due to Chinese leverage over the Bank, the Doing Business team were able to manipulate data to prevent a seven place drop in China's 2018 ranking. It appears that World Bank officials could justify such data rigging owing to geopolitical considerations at the time. At other times however, similar methodological changes are believed to have been used to drop China in the rankings – due certainly to somewhat different considerations. According to the report, data alterations were also made to benefit Saudi Arabia – a country that contributes significantly to Bank's concessional lending funds.

For many of us still fighting off the vestiges of colonial influence, there is invariably a tendency to associate objectivity and intellectual rigor with output produced by international agencies like the World Bank. Notwithstanding the institutional limitations that come from being a developing country, we are more critical of indigenous research output than any data and recommendations published by international agencies. It is good to be mindful then that these agencies are not beyond reproach and that in our reliance on readily available data, we should not overlook incentives that influence their management level decisions.

The World Bank has cancelled the Doing Business series but according to President David Malgrass, the Bank is exploring "new approaches to help countries improve their business climate". As future consumers of these new approaches, we should be prepared to question the meaning and value of the product even if it requires questioning our loyalty to institutions we revere.

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