

NIFTY 50  
17648.35  
▼ -100.25 (-0.56%)

NIFTY Midcap 100  
30190.35  
▲ 239.05 (0.80%)

NIFTY ▼

IOC 127.15 (3.42%)



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# View: Helping businesses do better



By **Najib Shah** | Sep 28, 2021, 09:43 PM IST (Updated)

## Mini

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‘What gets measured gets done’, so begins the foreword of the World Bank’s Doing Business 2019 Report. What this also implies is that the measuring has to be done correctly. But as the sordid story coming out tells us, the Bank’s Doing Business Reports have been deeply compromised.

The audit report of William Cutler Pickering Hale and Dorr LLP, the law firm engaged by the International Bank for Reconstruction and Development, makes damning reading. The firm was engaged to review the ‘internal circumstances at the bank that contributed to the data irregularities identified in the Doing Business 2018 and Doing Business 2020 reports’. This is polite bureaucratese for interference in the rating process so as to influence outcomes.



The law firm's report suggests that the rankings in respect of China (Doing Business 2018) and Saudi Arabia, the United Arab Emirates and Azerbaijan (Doing Business 2020) were affected. It suggests the involvement of the Chief Executive and the President and that the rankings given were not backed by data but were the result of extraneous considerations.

Yet another expert panel headed by the former Columbian Finance Minister Mauricio Cardenas has in its report highlighted the lack of 'methodological integrity' of the Doing Business report. Cardenas' caustic comment that the World Bank 'has been advocating country reforms for better governance, transparency and practices. Now it has to use the prescription for its own reform' sums up the unfortunate situation. The World Bank has reacted to the furore by discontinuing the very Report.

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In respect of India what this meant was sending a questionnaire to a small, select target audience in Mumbai and Delhi. It was always a moot point whether the target numbers were indeed representative-or for that matter if Mumbai and Delhi were representative of India. The entire findings were based on the very subjective responses received. The Report was getting undue importance and becoming 'weaponized'.

Having said that it forced countries to look at business processes, laws and regulations. In India we do have examples of reforms carried out which can be attributed to the Ease of Doing Business (EoDB ) requirements. For example, the single window interface for facilitating trade (SWIFT) in Customs which links all regulatory agencies on a common platform is an initiative as a result of the World Bank trading across borders parameter. Similarly, the landmark Insolvency & Bankruptcy Code with its emphasis on time bound corporate insolvency resolution also owes something to the insolvency resolving parameter. It is not that these reforms would not have been done-it is just that there was a greater urgency.

There being no external pressure on carrying out reforms to ease doing business

instance ranks all states with reference to progress in implementation and meeting the 17 Sustainable Development Goals (SDG). The last report published in March 2021 is an excellent indicator of where a State stands in the implementation of key development sectors- education, health, sanitation, employment, infrastructure, energy and environment.

The RBI publishes a Handbook of Statistics of Indian States which ranks States on various parameters. The latest Handbook published on October 2020 at Table 127 ranks States on the basis of EoDB. Andhra Pradesh ranks 1, Uttar Pradesh 2, Telangana 4 and Madhya Pradesh 4. The usual suspects, Gujarat, Maharashtra, Karnataka, Tamil Nadu figure at double digit ranks. The very brief foreword does not spell out the parameters or methodology adopted while arriving at the rankings of States. Without casting any aspersion on the integrity of these rankings, suffice it to say it has not got much traction.

The Department of Promotion of Industry and Internal Trade (DPIIT) has similarly carried out an exercise to rank states on the basis of EoDB. The DPIIT has devised a Business Reform Action Plan (BRAC), an 80-point list of reforms. The reforms are grouped into areas like land administration, labour regulation, obtaining electricity & water permits. The rankings again are done on the basis of responses from respondents. This analysis also places Andhra Pradesh at 1, Uttar Pradesh at 2- the more industrialized States here too figure at double digit rankings. But as a CARE Ratings analysis points out these have not translated into new investments for the top-ranked States. So, we do have a credibility issue with the methodology adopted.

Which brings us to the need for an acceptable methodology which evokes greater acceptance in a potential investor. NITI Aayog is perhaps best suited to act as a neutral umpire. The methodology has to be rigorous. The respondents should be selected carefully and from an extensive list. All responses should be subject to verification at the ground level. The process should be transparent. The mistakes of the World Bank approach should be avoided-the spread of the survey obviously should be more than just two cities. The linking of release of Central grant in aid to reforms should be strictly adhered to. The focus of the survey should also be to identify impediments and suggest remedial measures.

The ranking exercise is a means to the end of improving the business ecosystem. And the ultimate aim after all is to use these outcomes to make India a better place to

