

# Ease of Doing Business

November 9, 2018

## Manifest Pedagogy

Rather than focusing on the specific report, UPSC may ask it as part of overall reforms in the post liberalisation era and also ask you to comment upon their recent impact on attracting FDI, business sentiments. Also, for prelims, UPSC may ask about the indicators or publisher of the report.

### Update:

#### Ease of Doing business (EoDB), 2020:

- India has **moved to 63rd slot from 77 last year** (an improvement of 14 places), in the World Bank's EoDB.
- The country's score improved from 67.3 last year to 71.0 this year.
- Doing Business 2020 measures regulations across **190 economies in 12 business regulatory areas** to assess the business environment in each economy.
- Ten of these indicators were used to estimate an ease of doing business score this year, over the 12 months ending April 30, 2019.



- A total of 294 reforms had been enacted by 115 countries.
- New Zealand, Singapore and Hong Kong has topped the list

and Somalia has retained 190th spot.

- For 11 countries, two cities were selected to construct the indicator – **Delhi and Mumbai in the case of India.**
- India also featured, for the third consecutive year, in the list of 10 economies where business climates had improved the most.
- This list comprises Saudi Arabia, Jordan, Togo, Bahrain, Tajikistan, Pakistan, Kuwait, China, India and Nigeria.
- The commonalities among economies that ranked highest included the “widespread” use of electronic systems and online platforms for facilitating regulatory requirements.
- **The report called India’s reform efforts “particularly commendable”** given the country’s size.

### **Rankings of India’s neighbours:**

China – 31

Pakistan – 108

Bangladesh – 173

Nepal – 93

Srilanka – 99

Russia – 28

Bhutan – 89

### **What led to improvement in the ranking?**

- The country’s improved ranking was on the back of **four reforms:**

- 1) starting a business,
- 2) dealing with construction permits,
- 3) trading across borders,

#### 4) resolving insolvency.

- The report said that there were improvements in the **efficiency of acquiring building permits.**
- **Imports and exports** became easier with a **single electronic platform for trade stakeholders**, improved electronic submission methods for documents and **upgrades to port infrastructure.**
- Delhi and Mumbai showed improvements in the 'starting a business', 'trading across borders' and 'resolving insolvency' dimensions.
- On the 'dealing with construction permits' front, both cities streamlined and made less expensive the process of getting a permit.
- Delhi also improved professional certification requirements for constructing buildings.
- The report noted that the 'Make in India' programme and the government's attention to the EoDB indicator were a means to demonstrate 'tangible progress'.
- World Bank and Department for Promotion of Industry and Internal Trade (DPIIT) had jointly released a **separate EoDB index at the state level** in July 2018.
- In November, 2018, PM Modi had launched the **EoDB Grand Challenge** and invited ideas to amend government processes using new-age technologies such as artificial intelligence, Internet of Things, Big Data analytics and blockchain.

The report has noted the Indian government's goal of making it to the top 50 list by 2020. Finance Minister Nirmala Sitharaman has said that from the coming year, **Kolkata and Bengaluru will be added to the list** of cities surveyed.

#### **In news:**

***India climbs 23 places in World Bank Rankings to 77 out of 190 countries.***

# Placing it in syllabus:

## Paper 2:

Important International Institutions

## Paper 3:

Effects of liberalization on the economy, changes in industrial policy and their effects on industrial growth.

## Static Dimensions

1. Ease of Doing Business Index- World bank
2. Ease of Doing Business as part of LPG Reforms

## Current Dimensions

1. Recent report and India's Ranking and its impact
2. Improvements in Various indicators and areas where improvement is required

## Content

World Bank publishes annually the rankings of 190 countries on the basis of the following indicators.

## Indicators

1. Dealing with construction permits
2. Starting a business
3. Enforcing Contracts
4. Trading across borders
5. Getting credit
6. Getting electricity connection
7. Registering property
8. Paying taxes
9. Resolving insolvency
10. Protecting minority investors
11. Labour market regulation

- India saw a massive jump in the parameter **“dealing with Construction Permits”** to 52nd position from 181 last year. This was due to:

- (a) Reducing time for processing permit applications
- (b) Streamlining procedures
- (c) Improving transparency
- (d) Passing of Real Estate Regulation Authority Act by the parliament etc...

- India saw a similar improvement in the **“Trading across borders”** section to 80th position from 146 largely due to:

- (a) Reducing the time and cost to export and import through various initiatives
- (b) Implementation of electronic sealing of containers
- (c) Upgrading of port infrastructure
- (d) Allowing electronic submission of supporting documents with digital signatures under its NATIONAL TRADE FACILITATION ACTION PLAN 2017-2020.
- (e) Agreeing to the World trade organizations Trade Facilitation Agreement (TFA).

- India became the top ranked country in South Asia for the first time and also was 3rd among BRICS nations.
- India has jumped 53 places in the last 2 years (A performance only matched by Bhutan and Djibouti). With 13 reforms between them, China and India are among the top 10 improvers. Djibouti and India are the only economies to make the list of top 10 improvers for the second consecutive year in the

190 country ranking.

- India is seeking to reach the **30th position by 2020** according to an **“OUTPUT-OUTCOME FRAMEWORK DOCUMENT”** prepared by the government.

## **Test Yourself: Mould your thoughts**

Briefly outline the success of reforms mentioned in the recent Ease of Doing Business report of the World Bank about India. Do you think it substantively represents India's progress? Give reasons