

SKOCH Public Policy Forum

“Beyond Ease of Doing Business Rankings”

January 16, 2021 | 12:20 – 1:20 pm (IST)

Reference Points for PSM

Agenda

12:20-12:23	Welcome: Mr. Sameer Kochhar, Chairman, SKOCH Group
12:23-12:38	Jai Hind Keynote: Mr. Suresh Prabhu, Member, Rajya Sabha & G20 and G7 Sherpa
12:38-12:41	Mr. Pradeep S Mehta, Secretary General, CUTS International
	Policy Power Panel
12:41-12:46	Moderator: Mr. Pradeep S Mehta
12:46-12:51	Mr. Manish Sabharwal, Founder, Teamlease
12:51-12:56	Mr. Srinivas Rao, CEO, Global Alliance for Mass Entrepreneurship
12:56-13:01	Ms. Reema Nanavaty, Executive Director, Self Employed Women’s Association
13:01-13:20	Discussion

Initial Remarks

- 1. Enabling ease of running for businesses, with a particular focus on small, medium and women-led enterprises is essential to usher in inclusive economic development of India.**

- 2. The Government of India has realised the importance of enabling ease of doing business (EoDB) and has been relentlessly pursuing improvement in the World Bank EoDB rankings. As a result, the country has moved up to the 63rd position from 142nd position on the rankings during the last six years.**

- 3. It has taken this exercise to the sub-national level through the Business Reform Action Plan (BRAP), under which its different states are ranked on business reforms they claim to have implemented.**

- 4. The exercise, though commendable in spirit, falls short in inclusivity and representativeness. The end result is such that climbing charts has become an end in itself and the stated objective of making life easier for entrepreneurs appears to have taken a back seat.**

- 5. Transformational steps will be required to reap the full benefits of the “Ease of Doing Business Reforms”,**

- 6. First, there is a need to be cognisant of limitations of doing business rankings. It appears that a top-down approach has hitherto been adopted to design the indicators and review progress. The indicators have traditionally measured ease of starting of business, while most challenges faced by businesses are in their day-to-day functioning.**

- 7. Consultation with industry during design of indicators is rare and insufficient. As a result, the focus is on whether the so-called reforms are ‘felt’, and not on challenges faced by businesses and measures required to address them.**

- 8. We have also realised that informal entrepreneurs, and micro, small and medium enterprises (MSMEs) and women entrepreneurs bear disproportionate burden of regulatory compliance. They are required to run from pillar to post to obtain necessary clearances and approvals.**

- 9. Even after digitisation, owing to their limited capacity, MSMEs and women led enterprises often fall prey to intermediaries, and are required to**

pay incur significant cost in form of commission, to ensure compliance. Thus, dedicated efforts are required to make life easier for them.

10. In addition, enterprises often are expected to do business in face of unpredictable, inconsistent, overlapping regulatory requirements.

11. It has been observed that information regarding EoDB reforms is not effectively disseminated to the industries. The problem persists more in case of the MSMEs and women led enterprises who lack information regarding relevant policies and regulations that are in place and thus, resort to middlemen to fulfil simple procedures.

12. There is thus a need to recognise that the precious state capacity and resources needs to be spent judiciously, to actually facilitate running of business, and not merely on papers.

13. Therefore, taking ease of doing business in India to the next level will require a comprehensive overhaul of regulatory framework. A systematic, transparent, consultative, and time-bound approach is required to review, simplify and streamline approvals and clearances for businesses.

14. The regulatory guillotine framework provides such an opportunity. It reverses the burden of proof and requires every approval and clearance to go through the three step tests of legality, necessity, and proportionality/market friendliness.

15. The framework requires answering three questions in a sequential manner with respect to every approval/ clearance: Does it originate from a primary law? Does it achieve the intended objective? And lastly, Does the costs it imposes on stakeholders outweigh the benefits realised?

16. This process, in particular the cost-benefit analysis, would require adoption of a systematic, transparent and inclusive consultation process with stakeholders. Only those approvals that pass all three tests need to be retained and rest will need to be abolished or amended.

17. Several countries have benefitted from adopting regulatory guillotine framework. For instance, in Kenya, 315 licenses have been eliminated and 379 licenses have been simplified, using this framework. Countries like Moldova, Ukraine, Serbia, Mexico, and Russia have also benefitted from Regulatory guillotine framework. Annual savings of 188.7 million euros were estimated to the Serbian economy.

18. However, the regulatory guillotine framework will address the issue of existing regulatory stock, by reducing the sub-optimal regulations, approvals and clearances. There is also a need to address the issue of regulatory flow, i.e.; ensuring that sub-optimal regulations, approvals, and clearances are not introduced in future.

19. To this end, the Indian needs to adopt a ‘one in two out’ policy. This would mean that for every rupee of cost imposed by a new regulation, an existing regulation imposing cost of at least two rupees needs to be removed.

20. This would require institutionalising regulatory impact assessment (RIA) in the regulation making process, which is a systematic framework to examine costs and benefits of different regulatory options on relevant stakeholders.

21. Several countries have benefitted from adoption of RIA. The one-in, two-out policy of UK, which mandates removal of £2 of costs for imposition of £1 of costs via state-led intervention, has resulted in net reduction of £836mn in costs to business between 2010 and 2014. A similar initiative was adopted in the United States, which reportedly resulted in regulatory cost savings of US\$8.1bn in 2017.

22. It is my firm belief that adoption of regulatory guillotine and regulatory impact assessment frameworks can go a long way in taking the ease of doing business initiatives in India to the next level.

23. It is in this context that we wish to discuss the potentials ways to achieve the Ease of Doing Business reforms, going beyond the ranking systems.

24. In today’s discussion, we have with us three eminent personalities who are best suited to deliberate upon the next phase of reforms beyond “Ease of Doing Business” and how could practices like Regulatory Impact Assessment be adopted in India. I will be posing a question to each to the panelist and I request the panelists to address that question in the span of 5 minutes, along with their sharing their thoughts on the subject.

Let me start with Mr. Manish Sabharwal, Founder Teamlease.

25. We have witnessed some efforts by the Indian government to actualize EoDB reforms. However, despite such efforts, situation on the ground remains grim and entrepreneurs face immense hurdles in establishing as

well as running the businesses.

What specific measures should be taken to ensure that the reforms translate into action for the entrepreneurs? Additionally, what type of incentive or disincentive structure can be designed for bureaucrats to ensure routine update of the laws and monitoring of its impact?

Now let me move to Mr. Srinivas Rao, CEO, Global Alliance for Mass Entrepreneurship.(GAME)

26. It's a common knowledge that MSMEs are the most vulnerable entities in a given industrial ecosystem. How are the challenges of MSMEs different from the large scale enterprises? What specific measures should be adopted to enable the ease of doing business for MSME entrepreneurs?

Now moving on to Ms. Reema Nanavaty, CEO, Self-Employed Women's Association (SEWA)

27. We all have witnessed that one of the worst COVID-19 crisis affected groups is women and women entrepreneurs have traditionally faced immense challenges in running a business.

Could you highlight some such challenges and possible mechanisms which can be institutionalised to address such challenges?