

What gets measured gets done

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The Bretton Woods Institutions meet in Singapore for their annual meeting in seeking to reinvent their relevance. Unfortunately, excessive pre-occupation with reassigning quotas detracts attention from a failure to redress the growing global structural imbalances creating uncertainty on the prospects of a soft landing.

Just prior to their meeting the World Bank released a report entitled "Doing Business 2007— How to Reform", which compares regulations in 175 countries. This is the fourth in a series of annual reports investigating the regulations that enhance business activity and those which constrain them.

Notwithstanding our improved economic performance, we do not rank among the top reformers in 2005-06. In fact our position in the table of rankings on "the ease of doing business" only marginally improves from 138 in 2006 to 134 in 2007.

The methodology of assessment is based on ten evaluation parameters. On starting a business in terms of number of procedures, cost and time, we rank 88th. On the criteria of licensing requirements, particularly in the construction sector, we rank 155th, with 20 procedures to be followed and a time cost of 270 days! On the index of employing workers and the rigidity of working hours, we rank 112th. Not surprisingly, on the index of firing workers we rank 170th, and the cost of severance stands at 56 weeks salary.

On registration of property, we rank low at 110th, with a time of 62 days and a cost of 7.8 per cent of the property value and involving six procedures. On securing credits, we rank 65th, significantly better than other criteria and similarly on protection of investors at 33rd. On paying taxes we rank 158th despite extensive tax reforms undertaken by us. On trading across borders we rank 139th, with the cost of imports at \$ 1,244 per container, while cost of exports is \$ 864 per container and time taken to export is 27 days. On enforcement of contracts, we are a poor 173rd, with 56 procedures and 1,420 days. On business exit we rank 133rd, taking upto 10 years and paying recovery rate at 13 cents per dollar.

There is a disclaimer in the report that the methodology employed has limitations. The indicators are used to analyze economic outcomes and identify what reforms have worked but macro indicators such as strength of institutions have not been studied to make meaningful cross-country analyses.

The policy prescriptions suggested in the report are in themselves not startling. However, it is somewhat depressing that even after a decade of economic reforms, we rank so low as a country to do business in. Obviously while others have changed, we have either not changed significantly enough or the changes made by others compel us to change faster.

On each of the ten indices, the policy prescriptions have some obvious lessons. For starting a business clearly most countries have adopted administrative reforms, namely cutting unnecessary procedures, creating a one-stop shop for business registration, introducing standard applications and a single business identification number which can be utilized for multiple purposes. Not many States in India have adopted a single-window approach, and in spite of multiple empowered committees our record on this score remains a mixed one.

While a PAN account number is available, the need to have a unique identification number which has multiple uses in accessing information and securing permissions has yet to be conceived.

On credit availability, our record is somewhat better but countries which have performed well have a vastly improved system of credit information registry and a diversified menu on assets, which can be used as collaterals for lending.

In short this recent report is a painful reminder that we still need to improve in several areas to create a competitive investment environment. Comparative data on various criteria, which are capable of measurement, improve the prospect of policy reforms.

The report concludes that in the end "what gets measured gets done". In our case measurements may be easy, but getting

them done requires a combination of political will and administrative skills. Only time will tell if these can be combined to further improve international perception in making us a truly competitive investment destination.