Institute of Policy Studies

IPS Roundtable, 11 November 2011
"Doing Business 2012: Doing Business in a More Transparent World"

By Sarjune Ibrahim S/O Sitheek
IPS Research Assistant

The Institute of Policy Studies (IPS), together with the International Finance Corporation (IFC) from the World Bank Group, hosted a roundtable on 11 November 2011 to discuss the latest findings of the IFC's Doing Business 2012 report.

The roundtable was chaired by Dr Faizal Bin Yahya and featured a presentation from two distinguished speakers, Ms Sylvia Solf, Program Manager, and Mr Jean Michel Lobet, Private Sector Development Specialist from the IFC's Doing Business team. In attendance were representatives from the diplomatic and academic community as well as the civil service.

Mr Lobet provided a brief overview and the purpose of the IFC report which examines the ease with which business is conducted across 183 different economies from Afghanistan to Zimbabwe. The report is based on the perspective of domestic and mostly smaller companies facing regulations in ten common areas: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. Mr Lobet also noted a strong correlation between a country's ranking for doing business and its competitive index.

Mr Lobet pointed out that countries compete for higher rankings as these reflect the existence of efficient regulations which are streamlined and transparent, and strong legal protection of investors and banks where necessary.

Mr Lobet said that Singapore is a role model for many countries, as it has consistently emerged top for overall ease of doing business; according to the report, more countries are 'jumping on to the bandwagon' of reforms to provide a better business environment for entrepreneurs. In this context, developing economies like Morocco showed marked improvement. The report also highlighted that within regions there are variations in business climate which countries such as Laos and Timor-Leste can look to improve on. Despite vast improvements in the developing economies, developed economies such as the United States, and those in Western Europe and in the Asia-Pacific Economic Cooperation (APEC) region that still ranked higher.

Ms Sylvia Solf, attributed the success of the Singapore system to its strong legal institutions and less costly regulatory processes. Business processes in Singapore – such as for starting a business, dealing with construction permits and property registration – are easily undertaken, despite a lower score attained in the category of property registration and contract enforcement against the top few countries, such as Iceland, New Zealand, and Norway. Most day-to-day business issues in Singapore are handled online, which helps catalyse the process and avoids the hassle of arranging appointments, facilitating a more productive allocation of time. Generally, a focus on refining institutional frameworks and cost associated issues remain for countries in the top rung. Many governments are heightening their institutional regulations and the threat of a shifting stance towards protectionism is always lurking. Therefore by providing a good business climate for entrepreneurs, competitive and efficient firms will be created and be able to thrive, reducing the need for protectionist measures and at the same time create job opportunities for the people.

An optimum set of points (optimum curve) was derived by highlighting the practices undertaken by best performers in the ten common areas studied, depicting the best possible outcome that other countries could work towards. In order to be on the frontier of the optimum curve, the respective governments would have to introduce specific reforms by means of policy measures to provide for a better business environment. Ms Solf also highlighted that governments are able to use this report to work on the various areas to improve upon, based on comparative analysis of each indicator between countries. Furthermore, the report also shows the before and after analysis (panel data) which enables governments to track the impact of regulatory reforms aimed at improving the ease of doing business. Positive impact has been observed in countries such as Mexico, India and Columbia after regulatory reforms made over the past years.

Discussion

The discussion session elicited a wide variety of questions. Participants wondered whether there was sufficient data collected to back up the analyses made and whether the studies were biased towards characteristics of the Singapore economy – being small in size and comprised of organised institutions, it was easier to collect data from Singapore, compared to other countries that may not be able to provide timely data. The Doing Business team highlighted that over nine thousand firms and companies were studied for the report, and questions asked were detailed up to their procedural steps, which were also cross verified. Participants were cautioned not to use the report as a representative sample but to use it as a gauge to analyse the areas in which countries could improve upon instead.

Participants mooted the point that within a country there are regulatory variations in different cities, mainly attributed to differences between localised rules and federal rules. The existence of multiple regulatory levels constrains the business environment. Ms Solf agreed and pointed out that most of the indicators chosen for the study were selected based on urbanised business environments. In the case of Brazil, entrepreneurs had to go through three levels: municipal, provincial and federal. Reforms included vertically integrating these three levels to simplify the business registration process, which would enhance the ease of doing business in Brazil. Ms Sofi added that the report could be used by governments to identify easier ways for entrepreneurs to start businesses and create “one stop shops” online, identifying that there are definitely short to medium term costs associated with reforms that reap benefits in the long run. Ms Sofi highlighted that the Eurozone crisis and the increase in insolvency had caused them to take a step back and re-assess themselves. This would definitely push forward regulatory reforms which would put them in a better stance when faced with similar problems in the future.

Participants were curious about whether the report offers comparison between specific economies with respect to their size and socio-cultural influence. They were interested in comparisons between China and India, or between Cambodia and Vietnam, to show striking differences that can be identified and managed. The Doing Business team replied that the report was based on 183 economies and did not compare specific countries, but they did highlight areas that the respective countries could work upon to improve the business environment. With no two countries being perfectly identical, the Doing Business team cautioned that models of doing business do not apply uniformly to all countries and to take a holistic approach whereby one learns both the positive and negative aspects of doing business in various countries. The Doing Business team concluded by highlighting their ongoing research in the business arena around the world and welcomed critical and thought provoking views.

*****

The 'Doing Business 2012' report by the International Finance Corporation, World Bank Group is available [here](#).

A summary of 'Doing Business' reforms in the East Asia and Pacific region is available [here](#).

If you have comments or feedback, please email ips.enews@nus.edu.sg

Lee Kuan Yew School of Public Policy
National University of Singapore