Assessing Ease of Doing Business Ranking

What is the issue?

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World Bank’s chief economist recently claimed that the bank’s flagship “Ease of Doing Business” ranking might have been unfairly manipulated.

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What is the Ease of Doing Business ranking?

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- ‘Ease of Doing Business’ ranking is a rank list published by the World Bank.
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- It rates various countries on the basis of their pro-business policies.
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- The rankings maps regulations in a country on parameters such as the ease of “starting a business, enforcing contracts and securing construction permits”.
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What are the shortfalls?

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- Introduced in 2003, the report is premised only on the legal setup.
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- It falls short of reflecting the practical aspects of how things move on the ground.
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- Moreover, the methodology has not remained the same and now doubts have been expressed from within the bank.
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- Notably, the question raised is not about the technicality of continuously changing methodology but about the very integrity behind it.
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- Besides, over the years, several national governments have made making

good ranks a top priority.
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- The governments, at times, are merely tailoring their policies to secure a better rank based on WB’s parameters.
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- Genuinely framed pro-business policy frameworks are thus not happening.
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What is Chile’s case?

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- The immediate case in point was Chile, which saw its ranking sway massively over the years, from 25 (2006) to 49 (2010) to 34 (2014) to 55 (2017).
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- The apprehension that Chile’s rankings were manipulated based on 'which political faction ruled the country', has taken root.
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- Researchers from the “Centre for Global Development (CGDev)” have shown how changes in the methodology were employed to obtain such rankings.
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- It is possible that certain regimes make it easier to do business than others.
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- However, repeated revision in methodology clearly seems to have nudged results to attain desired rankings.
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What is the case with India?

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- Analysing the trend of rankings bring out huge illogical variations in rankings of many countries.
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- Notably, India’s rank has risen from 142 to 100 between 2014 and 2018.
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- Even though the World Bank has clarified that it stands by India’s ranking, questions on the authenticity of the country's achievements continue.
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- Significantly, India’s ranking was already under criticism, as the WB ranking had limited its assessment to only the cities of Delhi and Mumbai.
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- World Bank has to address the shortfalls and integrity questions, to restore its credibility.
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Source: Business Standard

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