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**Measurement of investment climate:  
advantage and disadvantage of global  
indices and incentives for governmental  
authorities to improve conditions for  
doing business in BRICS countries**

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# Why we should measure conditions for doing business?

- Economic growth depends on private investment
- Private investors select the location of their companies depending on conditions for doing business
- Countries compete for investment and capital
- Governments need the instrument to measure conditions for doing business – with idea to improve investment climate

# World Bank initiative – Easy Doing Business project

- The idea: to compare the cost of simple business procedures (like paying taxes, registering property etc. – measured by money and time expenses as well as the number of procedures) in different countries
- Source of information: Survey of experts (accountants, lawyers, architects etc.) in the main business city of every country
- The scope:
  - 145 countries in 2004, 185 – in 2012
  - Additionally to the global project – regional projects in 40 countries
- Flagship project of World Bank most cited in mass media

# Main indicators of DB project

	2007 report	2013 report
Starting a business	+	+
Dealing with licenses	+	
Employing workers	+	
Registering property	+	+
Getting credit	+	+
Protecting investors	+	+
Paying taxes	+	+
Trading across borders	+	+
Enforcing contracts	+	+
Closing a business	+	
Dealing with Construction Permits		+
Getting Electricity		+
Resolving Insolvency		+

# Policy impact: Russia

- Doing Business in Russia–2009: 10 regions and 4 indicators. Financed by World Bank. Kazan – as the best city
- Doing Business in Russia–2012: 30 regions and 4 indicators (Starting a Business, Dealing with Construction Permits, Getting Electricity, Registering Property). Financed by Russian government. Ulyanovsk – as the best city
- February 2012: ‘100 step program’ announced by Vladimir Putin – with idea to improve the position of Russia from 120<sup>th</sup> to 20<sup>th</sup> rank. => ‘road maps’ for relevant indicators, changes in the system of regional governors’ evaluation...

# However: some contradictions...

Country	Ease of Doing Business Rank 2013	Ease of Doing Business Rank 2007	Changes in DB ranking 2007-2013	GDP growth (annual %)				
				2007	2008	2009	2010	2011
South Africa	39	29	-10	5,5	3,6	-1,5	2,9	3,1
China	91	93	+2	14,2	9,6	9,2	10,4	9,3
Russia	112	96	-16	8,5	5,2	-7,8	4,3	4,3
Brazil	130	121	-9	6,1	5,2	-0,3	7,5	2,7
India	132	134	+2	9,8	3,9	8,5	10,5	6,3

# Critics of DB approach

- Main lines of international critics (from developing countries, trade unions etc.):
  - Ranking makes no sense if fast-growing economies such as China rank extremely low
  - Ranking has a built-in bias towards deregulation. But not always deregulation is good (safety, labor etc)
- China – as main opponent: “China seeks to water down key World Bank report” (FT, Mai 6, 2013)
- Russian experience: simplification of real processes => risks of distorted influence on policymaking (especially in a big country)
- WB response: special panel appointed by new WB president Jim Yong Kim for independent review of DB report. Trevor Manuel, South Africa’s planning minister, as the chair of this review panel

# Some consequences for BRICS

- Benchmarking – as important policy instrument
- DB project paid the attention of governments and broad public to the improvement of business environment
- But: real conditions of doing business are much more complicated in compare to DB indicators  
=> need for more adequate benchmarking instrument reflecting specific features of large and fast-growing middle-income countries