Improving the Business Climate through Effective Regulatory Reform

Investment Climate

The private sector is the main driver of development but governments establish the climate in which businesses operate. The World Bank Group is a global expert in reforms to improve the business climate in developing countries. Our work focuses on reforms to address factors underlying client performance in global benchmarking products like Doing Business and on improving overall regulatory quality and effectiveness.

Context

Private sector firms can more easily thrive in a regulatory environment that creates a level playing field for businesses while providing strong property and investor protections. Global benchmarking products, such as the Doing Business project, have put business regulatory reform at the forefront of policymaker agendas and created strong demand for Bank Group support. Governments often have a narrow window of opportunity for regulatory reform and look to the Bank Group to engage quickly, often within weeks. They also request support with structuring reform programs that span multiple areas of business regulation overseen by different government agencies. Business regulation reform can have maximum impact when reform is undertaken in a coordinated manner. For example, encouraging new firm formation depends on business entry regulations and related factors, including land regulation, taxation, and labor regulations. Government regulations play a decisive role in creating a predictable, safe enabling framework for firms while efficiently protecting consumers, public health, and safety.

What we offer

The Bank Group draws on a set of tools and activities that help determine what to regulate, identify the targets of regulation, and establish the best means of overseeing their economic activities in a cost-efficient yet effective manner.

A number of approaches to improving the investment climate in client countries are available.

Addressing factors influencing performance in global benchmarking products like Doing Business

We can respond rapidly to client government requests for assistance in improving aspects of the business environment in the topics covered by global benchmarking tools. The focus of our indicator-based advisory support is on the topics contained in Doing Business, although other benchmarking products may be considered as a basis for supporting reform. We help governments interpret and respond swiftly to the findings of initial assessments, develop strategies, and implement solutions that deliver results in specific areas, helping generate momentum for wider reform.

Key deliverables for client governments include:

- Reform memorandum covering the Doing Business topics that identifies short-, medium-, and long-term recommendations and needs for further technical assistance.
- Action plans to implement priority reforms with clear deadlines and assigned responsibilities.
- Support to implement reforms.
- Review of reform proposals prepared by client governments based on Doing Business or other benchmarking products.
Targeting reforms to reduce the burden of starting, licensing, and business taxation processes, including:

- Diagnostic assessments and development of reform recommendations, such as inventories of business regulations and procedures, stakeholder consultations, legal review, and mapping of business processes.
- Institutional reform, for example, the establishment of clear and transparent legal mandates for regulatory agencies, and improved coordination across regulatory agencies.
- Deployment of risk assessment and risk classification tools to focus regulatory oversight.
- Provision of regulatory information that is accessible, reliable, and timely.
- Promotion of regulatory compliance through incentives, guidance, and strategic communications campaigns.
- Development of e-registries and transactional portals for regulatory service delivery.

Establishing good regulatory practice

Increasingly, governments ask for support to implement “Good Regulatory Practice.” This focuses on the systematic application of tools, institutions and procedures which governments can mobilize to ensure that regulatory outcomes are effective, transparent, and inclusive. The most common features include:

- Easy access to laws and regulations in force.
- Timely notification of new and proposed regulatory measures; and open and inclusive consultation on new regulatory measures.
- Appropriate assessment of the impact of proposed regulations.
- Efficient coordination and coherence in the delivery of reform (“Reform Delivery Units”).
- Systematic review and monitoring of regulatory performance and quality, and reduction of implementation gaps.
- Efficient mechanism for grievances and complaints.

Our work in action

Costa Rica was a top 10 reformer in Doing Business 2013, with reforms delivered through partnership with the World Bank Group including the launch of an online one-stop shop for starting a business and electronic platform for construction, and establishment of a new secured transactions law to facilitate access to credit.

Côte d’Ivoire has been ranked as a top 10 reformer in Doing Business for two consecutive years. Working with the World Bank Group, the government has implemented 16 reforms in business start-up, registering property, enforcing contracts, and other areas. It also has adopted regulations to reduce explicit or implicit discrimination against female entrepreneurs.

The World Bank Group has worked with the state of Rajasthan, India, to streamline business regulations and simplify regulatory requirements for businesses in the region. On the basis of recommendations presented to the government, new regulations were adopted providing for self-certification for annual inspections, extending the expiration of business licenses from five to ten years, and eliminating mandatory annual license renewals.

Relevant publications

Reforming Business Registration: A toolkit for Practitioners
How to Reform Business Inspections
Good Practices for Construction Regulation and Enforcement Reform – Guidelines for Reformers
Policy Framework Paper on Business Licensing Reform & Simplification

For further information

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