

# **Business Enabling Environment (BEE)**

## **Pre-Concept Note - Consultation Comments**

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### **Introduction**

The World Bank Group is formulating a new approach to assess the business and investment climate in economies worldwide. Comments on Business Enabling Environment (BEE) proposed pre-concept note were invited by the World Bank Group. The intended flagship data and report – working title Business Enabling Environment (BEE) – will be designed, piloted, and implemented.

Consumer Unity & Trust Society (CUTS) expresses its gratitude to The World Bank, for inviting comments and suggestions on the Pre-Concept Note – Consultation paper for Business Enabling Environment (BEE). This will bring enhanced value to private sector development, economic reforms, and research.

#### **1. Are the issues included in the BEE project relevant for private sector development and is the overall design adequate?**

- a. The issues incorporated in the study are of relevance to private sector development but there are some issues of significance that are left out of consideration. The issues which are excluded in the study are mentioned in point 2 and explained in detail under point 5.
- b. Yes, the issues included in the BEE project are necessary but not sufficient for ensuring private sector development. Considering them in isolation from other socio-economic indicators affecting a country may result in presenting an incomplete picture. Any recommendation arising from such an incomplete assessment runs the risk of benefitting a few, widening inequalities, and exacerbating the economic divide.
- c. To prevent such a scenario, it is important to view private sector development in a holistic sense and consider the industry as one of the key stakeholder groups, which along with other stakeholders, needs to grow together.
- d. For instance, the availability of skilled labour is a pre-condition for private sector development in developing countries, for which strong education (including skilling) and health systems, and adequate law and order situation is essential. In such a scenario, without making progress towards improving health, education, and law and order system in any country, it may not be possible to achieve private sector development.

e. Overview of BEE Themes

- It is recommended that there should not be only one way of looking at the cross-cutting themes and that it should be identified differently for different economies.
- For example, while in some economies, financial services might just be a need at the stage of operating a business, based upon the literature, in developing economies, financial services may also be required at the stage of opening up a business, and also at closing a business stage. Therefore, having financial services running across the themes along with digital technologies and environmental sustainability could be another way to look at the themes and Figure 4 in the BEE concept note.

f. Scoring Methodology

- Under BEE Economies' performance will be assessed based on quantifiable indicators. Whether/how indicators will be grouped to produce aggregate scores is yet to be decided. The hype around rankings will be avoided.
- It is recommended that the scoring quantifiable indicators should be different for different economies. A developing economy should not be placed on the same indicators/parameters as a developed economy. A one size fits all approach does not consider the unique features of different economies and ends up comparing the incomparable. It does not consider important considerations like state and stage of the industry (MSME dominated or large industry dominated), state capacity, consistency (or lack thereof) between different laws applicable to the private sector (for instance, the procedures and approvals for imports and exports and dealing with logistics and warehousing quite cumbersome, so it doesn't help if there is enabling environment for general business operations but not for export, imports and logistics.
- Further, while it is appreciated that hype around the rankings will be avoided, if we have different indicators in place for a different types of economies, the countries will be marked as having similar economies inducing healthy competition among them.

**2. Are there any important issues that the BEE project is not considering which should be included within the context of private sector development?**

Some of the key issues not included in the study which are of great significance in the current economic order are:

- Trade-in Service
- Private Standards as Non-Tariff Barriers
- Cash Flow Financing
- Digital Lending
- Labour
- MSME formal and informal enterprises

- Value chains

The above-mentioned issues are extensively discussed under point 5

In addition, it will be important to consider the interests of other stakeholders, which are often viewed as competing/ inconsistent with the interests of the private sector, and examine and promote the co-existence and growth of different stakeholder groups.

For instance, traditionally freedom to hire and fire workers have been considered a benchmark to allow businesses to operate freely. However, it is increasingly being recognised that private sector development can only sustain when workers are considered partners in industrial development and not as another cost item. Decent compensation, fair working conditions, opportunities to grow, and social security are a few basic rights of workers which can enable the distribution of wealth in a country and give impetus to the consumption cycle which can boost private sector development. It will therefore be important to recognise the policies and practices (such as not sourcing inputs from suppliers engaging in child labor) in place to promote worker welfare, which can contribute to private sector development.

In addition, private sector development needs to be consistent with overall societal and environmental development in a country, particularly in light of the recent IPCC report on climate change. While the concept note does recognize the environment as a cross-cutting theme, it appears to limit it to environmental approvals and clearances which is a myopic vision. It needs to be recognised that environmental and economic needs can co-exist and there need not be a trade-off between the two. Policies and practices (such as a responsible business) that do promote sustainable development and environment protection or delay the impacts of climate change must also be considered while examining private sector development.

The concept note highlights that it intends to examine private sector development across stages of a business, i.e. establishment, operation, and exit. While these are important stages (and have been part of doing business studies as well), it may be useful to adopt a value chain approach to examine private sector development. A value chain approach examines the entire life cycle of a product, from production and sourcing of inputs to manufacturing, value adds, transportation, packaging, marketing, sale, and supply of the end product. Typically, all industries need to source inputs for onward supply after appropriate value add. Thus, merely examining the policies and practices around manufacturing without according due importance to policies and practices around the sourcing of inputs and onward supply of value-added products may not be advisable. Such policies, rules, regulations, procedures, and practices could relate to the export and import of goods and services, logistics and warehousing, global remittance and payments, and could include tariff and non-tariff measures imposed by countries. Considering all these will be extremely essential to assess private sector development in a holistic sense.

While the concept note recommends taking a sector-agnostic/ neutral view, the key sectors relevant for an economy and the value chain, industry composition (MSME heaving or large industrial heavy, labour intensive or capital intensive, dependent on traditional or renewable resources) would be extremely crucial to understand the private sector development needs of a country in perspective, particularly when compared with other countries is undertaken.

### **3. Does the BEE project strike the right balance between the quality of regulations and the provision of public services for private sector development?**

To determine the quality of the business environment in a country, the BEE study parallelly assesses the country's regulatory framework and its system of public services. The indicators adopted in the study to evaluate the regulations are limited to transparency, clarity, predictability, and regulatory burden. Having a comprehensive analysis of any regulatory framework in addition to the factors incorporated in the study indicators that helps in determining the efficiency and competitiveness of the said law should also be considered. For a market to be aggressive to attract investments, encourage the establishment of industries, and creation of jobs the regulations encompassing it must be efficient and competitive. As it has been highlighted under discussion of the section on taxation under point 5.

It also appears that the concept notes target stock of regulation and not flow i.e., the capacity of the state to continuously issue sub-optimal regulation. It ignores the state's capacity to critically examine the impact of policies on different stakeholders, the capability to implement reforms, institutions/ processes in place to ensure the independent functioning of key regulatory agencies (including the appointment of experts and practitioners as members at the regulator, regulatory impact assessment/cost-benefit analysis, sunset clauses, etc), efficient grievance prevention and redress, which is important for sustainable private sector development.

It is lauded that the concept note emphasizes stakeholder consultation, including firm-level interactions. It should disclose more details, including on methodology of data collection and analysis, and ensure transparency to promote scrutiny and reliability. However, the scope of stakeholder consultations should be wider to include citizens, civil society, and consumer organizations, who can keep a close watch on private sector development, policies, and practices in the industry and can provide free and frank feedback.

### **4. Does the BEE project get the balance right between de jure and de facto indicators?**

The study of business Enabling Environment assesses the de jure and de facto indicators to determine the business environment of a country. De jure indicators are those that concern statutory laws and de facto are factors reflecting on the aspect of practical implementation. The said categorization is perfunctory as it fails to address issues like regulatory framework being overburdened with too many compliances, nonadherence to service timelines for

government approvals, etc. While referring to the aspect of environmental sustainability in the business life cycle, it didn't consider the issue of conflicting interests, the burden on businesses for going green, and what efforts are being made in balancing or mitigating this burden.

The concept note must highlight de-facto and de-jure factors affecting private sector development. However, examining both from the same yardstick, and according to equal weights to both may be unwise. Specific objectives of de-facto assessments could be to identify overlaps, inconsistencies, redundancy (submission of same information, documents, all multiple times), criminalizing/ imprisonment provisions, and identify the scope of reduction. Specific objectives of de-jure assessment could be to understand implementation concerns, whether the requirement is legitimate, the officer is acting ultra-vires to the primary law, and if the desired objectives of the requirement are met. Such assessment can help in better analysis and examination of the private sector development paradigm.

**5. Do you have any feedback regarding the indicators included in each specific topic (please indicate the topic)?**

- Include finance as a cross-cutting issue as it required at all stages
- Include issues concerning data security and protection as technology is considered a cross-cutting issue. also, consider the exclusion impact of the technology
- Have a specific focus on gendered private sector development i.e. businesses owned and operated by women
- Consider novel business models including community-owned localized businesses, in addition to large-scale businesses.
- Examine ways to include informal businesses and entrepreneurs in the assessment.
- Examine the success and potential of alternative and online means of dispute resolution
- Consider robustness of public consultation, notice and comment period, and global benchmarks in ensuring evidence-based policy development.

## COMMENTS ON BUSINESS ENABLING ENVIRONMENT PRE-CONCEPT NOTE

SECTION	LIMITATIONS	SOME IMPORTANT POINTS OF CONSIDERATION
<p><u>Section F:</u> International Trade</p>	<p>Non-inclusion of Trade in Service</p>	<ol style="list-style-type: none"> <li>a. The scope of assessment under Business Enabling Environment Study of country-specific International Trade Regime is limited in the sense that it doesn't include Trade in Service dealings.</li> <li>b. Trade-in Service contributes heavily to the global economic system by nearly accounting for two-thirds of the global Gross Domestic Product (GDP).<sup>1</sup></li> <li>c. The advancement of technology in the last few years has significantly aided this expansion of transaction in service as opposed to Trade in Goods.</li> <li>d. Trade-in Service grew at a rate of 5.4 percent per year on average for the period between 2005 to 2017.<sup>2</sup></li> <li>e. Trade-in Service has been recorded to have attracted more than three-quarters of Foreign Direct Investment (FDI) worldwide and also stands as the sector generating the most amount of employment in any economy.<sup>3</sup></li> <li>f. The associated nature of Trade in Services is complex and is regulated differently from Trade in Goods, making the international service trade inherently subject to more restraint.</li> </ol> <p><i>Developing Country Scenario</i></p> <ol style="list-style-type: none"> <li>a. Most of the Developing Countries have shown an upward trajectory (accounting for three-quarters of GDP) and Specific countries like India and China have been building their economy by developing a strong service sector.</li> <li>b. The development and expansion of Trade in Service are of specific advantage to the developing countries as it helps expand the base of economic activities with exclusive comparative advantage of such countries, redefining the allocation of resources to higher</li> </ol>

<sup>1</sup> <https://www.oecd.org/trade/topics/services-trade/>

<sup>2</sup> [https://www.wto.org/english/res\\_e/booksp\\_e/03\\_wtr19\\_2\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/03_wtr19_2_e.pdf)

<sup>3</sup> <https://www.oecd.org/trade/topics/services-trade/>

		<p>production activity and thereby facilitating competition and investment opportunities.<sup>4</sup></p> <p>c. Considering the significance that Trade in Service holds in the contemporary economic scenario and prospects for nation-states, it should have been incorporated in the study of Business Enabling Environment by the World Bank.</p>
<p><u>Section F:</u> International Trade</p>	<p>The assessment of Non-Tariff Barriers under the study of Business Enabling Environment is limited in scope.</p>	<p>a. The study in a much-limited sense evaluates the quality of regulations and public services provided by respective governments for Trade in Goods transactions and the existence of Non-Tariff Barriers in the individual system.</p> <p>b. Non-Tariff Barriers under the International Trade regime are popularly classified into two types of discrimination/ is classified into two most popularly accepted distinctive discriminatory practices, which are</p> <ul style="list-style-type: none"> <li>● Dejure Discrimination</li> <li>● Defacto Discrimination.</li> </ul> <p>c. The analysis made is narrower in the sense that in determining the nature of non-tariff measures present in a country it only accounts for de jure discrimination, the national restrictive trade policies by concerned governments.</p> <p>d. In the current economic order, it is not just the government's prerogative to set or adopt standards against imported goods but other market actors too can set de facto non-tariff measures as voluntary private standards.<sup>5</sup></p> <p>e. The requirements specified in these standards can be of concern to the environment, food safety, or anything under social responsibility.</p> <p>f. Such private standards are categorised as de facto because these are imposed by nongovernment entities and though voluntary can exercise significant effect to become a necessary condition for market access in a country.</p> <p>g. The magnitude of effect such private standards can have depends on how much market power is enjoyed</p>

<sup>4</sup>

<https://www.intracen.org/layouts/2coltemplate.aspx?pageid=47244640256&id=74495#::~text=This%20suggests%20that%20services%20could%20traditional%20manufacturing%20route%20to%20development.>

<sup>5</sup>

[https://www.wto.org/english/res\\_e/booksp\\_e/anrep\\_e/wtr12-2e\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/anrep_e/wtr12-2e_e.pdf)

		<p>by the particular entity formulating and superimposing these standards and how many are willing to adopt the same.</p> <p>h. Private Standards are popularly relied on or effectively used as Sanitary and Phytosanitary Measures and technical regulations under the Sanitary and Phytosanitary Agreement and The Technical Barriers to Trade Agreement respectively.<sup>6</sup></p> <p><i>Developing Country Scenario</i></p> <p>a. These Private standards can be effectively used as trade-restrictive measures to circumscribe a specific set of products and target a group of countries or an individual state by obliterating their comparative advantage.</p> <p>b. The cost of meeting requirements under Non-Tariff Measures is generally high for developing countries. Therefore a comprehensive analysis of Non Tariff Barriers including both de jure and defacto discrimination should be made. The responsibility of the member countries to regularise arbitrary trade-restrictive measures should be taken into consideration extensively.<sup>7</sup></p>
<p><u>Section E:</u></p> <p>Financial Services</p>	<p>No consideration of Cash Flow based Lending</p>	<p>a. The study of Business Enabling Environment assesses the credit market of a country by considering only the traditional form of lending which is Collateral based Lending.</p> <p>b. The collateral-based lending system is a very cumbersome and costly way of availing or procuring finance. Due to the underlying complexity in the process and the cost associated with acquiring collateral-based loans, it is mostly suited for long-term financing.</p> <p>c. Cash Flow based financing on the other hand is a cost-effective and simple method of lending.</p> <p>d. In cash flow financing, banks or other financial institutions provide credit based on past cash flow data or the projected cash flow statement of any enterprise.</p>

<sup>6</sup>

[https://www.researchgate.net/publication/326109234\\_Disciplining\\_private\\_standards\\_under\\_the\\_SPS\\_and\\_TBT\\_agreement\\_A\\_plea\\_for\\_market-state\\_procedural\\_guidelines](https://www.researchgate.net/publication/326109234_Disciplining_private_standards_under_the_SPS_and_TBT_agreement_A_plea_for_market-state_procedural_guidelines)

<sup>7</sup>

[https://unctad.org/system/files/official-document/ditctab20121\\_en.pdf](https://unctad.org/system/files/official-document/ditctab20121_en.pdf)



		<p>e. Cash flow-based lending is flexible to allow tailor-made short-termed, small-sized credit with adjustable repayment periods.</p> <p><i>Developing Countries Scenario</i></p> <p>a. The economies of developing countries are majorly constituted by small-scale businesses. In India alone, there are around 7 crore MSMEs in existence. These MSMEs are also recognized as the large employment generator and national growth engines.<sup>8</sup></p> <p>b. these medium, small and micro enterprises run on a cash-intensive model and in a perpetual requirement of financing working capital.</p> <p>c. The evaluation of national credit markets should be done comprehensively to include an assessment of measures adopted by countries for effective adoption and promotion of cash flow financing to overcome the short-term cash crunch by small businesses.</p>
<p><u>Section E:</u> Financial Services</p>	<p>Omission of the concept of Digital lending or e-loans</p>	<p>a. The study undertakes the evaluation of e-payment systems in any economy by discussing the associated regulatory framework and its time cost analysis. The approach adopted in determining the effectiveness of e-payment systems fails to incorporate and highlight issues concerning digital lending or e-loans.</p> <p>b. The effective implementation of digital financial inclusion in a country is understood to have a direct relation to its economic development and poverty reduction by promoting income equality.<sup>9</sup></p> <p>c. The concept of Mobile Money is popularly seen as an alternative to banks in terms of enabling person-to-person payments. This is much more affordable, instantaneous, and provides greater accessibility to certain financial services than banks as it exists in a virtual space with no physical barriers having an effect.<sup>10</sup></p> <p><i>Developing Countries Scenario</i></p> <p>a. The developing countries are increasingly adopting</p>

<sup>8</sup> [How cash flow lending can alleviate MSMEs' pain in raising balance sheet-based credit | The Financial Express](#)

<sup>9</sup> [World Bank Voices](#)

<sup>10</sup> [Borrowing by mobile phone gets some poor people into trouble | The Economist](#)

		<p>methods of alternate banking because they attract low-level thresholds as the eligibility criteria than what is followed by banks. This provides easy penetration into the financial system for availing credits and to some extent even insurance opportunities.</p> <p>b. The digital lending method poses greater risks to countries with no effective regulatory and implementation framework in place. There exists a vulnerability concerning over-indebtedness and the rise of bad debts in the economy.</p>
<p><u>Section G:</u> Taxation</p>	<p>No consideration of factors assessing rationale and competitiveness of a tax policy</p>	<p>a. The evaluation of the quality of tax regulation is based on four indicators identified by the world bank working group, which are clarity, stability, complexity, and transparency of tax regulation. The said study highlights no factors or indicators to assess the rationale behind and the competitive edge of a tax levied.</p> <p>b. Tax is a source of government revenue that is used to finance the programs of national growth and development. Taxes when imposed arbitrarily and are formulated in excess can impede the productivity and capacity of an economy. Overtaxing leads to market distortion, the decline in potential investments, and encourages tax evasion.</p> <p>c. To understand the impact of arbitrary tax regulation the case of India's tax policy in the automobile sector can be considered.</p> <ul style="list-style-type: none"> <li>● India is the fourth largest car market in the world but lacks behind considerably in developing its capacity in automobile manufacturing.</li> <li>● In India tax on automobiles are as high as 28 percent with an additional charge to be laid as cess that ranges from 1 percent to 22 percent. Cess charges are determined based on the type of vehicle, its length, and engine size.</li> <li>● Such high taxes make it difficult for automobile companies to scale due to reduced profit margins.</li> <li>● The high imposition of tax reduces the customer base in a market because the added cost of the product makes it unaffordable to many customers. The decline in demand will affect the supply side which will mean reduced production in factories</li> </ul>

		<p>and loss of jobs.</p> <ul style="list-style-type: none"> <li>• Many internationally acclaimed car brands have struggled in continuing their operations in India. Companies like General Motors, Ford, Toyota, etc have time and again indicated their dissent and some have even exited India's manufacturing market.<sup>11</sup></li> </ul> <p>Understanding the rationale behind a tax regulation is important to determine its impact on the economy and the competitiveness of the market.</p>
<p><u>Sections E, F, I:</u></p> <p>Environmental Sustainability</p>	<p>Restrictive evaluation of the issue of Environmental Sustainability</p>	<ol style="list-style-type: none"> <li>The study of Business Enabling Environment highlights the concept of environmental sustainability under various sections superficially and fails to incorporate a detailed analysis of the same.</li> <li>The issue of balancing the environment sustainability with the need for business development remains a matter of making choices i.e. an either-or proposition.</li> <li>The issue of environmental sustainability is much broader and more complex in its scope and the same is narrowed down to the requirement of environmental licensing in the present study.</li> <li>Environmental regulation generally hurts the competitiveness of individual businesses or a market as a whole. The added cost of compliance with such environment-friendly policies is high and cumbersome which is why observation of the same doesn't come easy.<sup>12</sup></li> <li>Sometimes adoption of environment-friendly practices in one aspect can lead to negative consequences in another aspect. To elucidate the above point reference can be made to the issue of endangerment of Great Indian Bustard because of the laying of solar projects in the Indian state of Rajasthan and Gujarat.<sup>13</sup></li> </ol> <p>The concerned study should adopt a comprehensive approach while discussing the issue of environmental sustainability and assess the attempts made by governments or individual enterprises in balancing the conflicting interests.</p>
<p><u>Section D:</u></p>	<p>To increase</p>	<ol style="list-style-type: none"> <li>To better assess the labor market, the BEE indicators</li> </ol>

<sup>11</sup> [Why Do So Many Global Automakers Struggle To Succeed in india?](#)

<sup>12</sup> [The Challenge of Going Green](#)

<sup>13</sup> [Solar Projects in Rajasthan Stranded, Awaiting Supreme Court Order on Great Indian Bustard - Mercom India](#)

Labour	<p>the scope and understanding of labour</p> <p>Public employment services - Skill Development</p> <p>Stakeholders</p> <p>Labour (dispute) redressal system</p>	<p>will capture the segmentation arising from differences in regulations applying to different contractual arrangements (permanent vs. temporary work) or types of workers (migrant vs. non-migrant), and from the lack of enforcement (formal vs. informal sector).</p> <p><b><u>Recommendation</u></b> - to also include self-employed labour</p> <p>b. There is no provision for skill development.  <b><u>Recommendation:</u></b> This could be used as one of the indicators/factors in ease of Employing labour from the perspective of the employees. Factors should indicate laws or other policies that allow the employees to work on their skills while at the Job or even later. Hence the laws should be guided in such a way that makes it pertinent for employers to work towards skill development. This will create more opportunities for the employees to look for better opportunities.</p> <p>a. There should be proper identification of the stakeholders in terms of policymaking under the labour scope. Further, the consultation process should involve all the relevant stakeholders and not just a few identified in the pre-concept note.</p> <p>b. For example, in ease of employing labour, the employment service data will be collected through expert consultation with labour lawyers, while this is needed but a larger pool of stakeholders for a consultation to also include people at levels is needed.</p> <p>a. The pre-concept note fails to identify the importance of a labour (dispute) redressal system. For a better enabling business environment, there should be a dispute redressal system in place for laborers. This indicator will assess the availability of public services provided for the resolution of individual labor disputes arising from day-to-day workers' grievances and complaints.</p> <p>b. While this move is important, what is needed is also a redressal system within an establishment or cheap and easy access to public services provided for resolution of individual labor disputes arising from day-to-day workers.</p> <p>c. Just the availability is not enough, an approachable system, by all means, is important.</p>
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	<p>Investment and Labour Welfare</p> <p>Strengthening the Discourse on Economic Policy to Generate <a href="#">Good and Better Jobs in India</a></p> <p>Business for labour = Labour for Business</p> <p>Factors to be considered for</p>	<p>a. The concept note should also focus on the relationship between investments and workers’ welfare. Though the overall investment in productive sectors in India is rising, the distribution of the gains is skewed. The connection between investment and human capital, that is, workers’ welfare and skills development is in the shadows.</p> <p>b. It is important to measure the Investments for labor welfare and skill development should be an important aspect of it. Find the complete study <a href="#">Here</a></p> <p>a. One of the biggest challenges for the Indian economy today is job creation. This problem has essentially two components i.e. creation of jobs and ensuring that the jobs that are created are “good and better jobs” which can reduce inequality among sections of the society. “Good and Better jobs” imply higher and rising productivity and entail necessary support, safety, security, and incentives for the workers to grow and perform better.</p> <p>b. it is necessary to create opportunities for employment for low and medium-skilled workers while ensuring that such employment is adequately remunerative and safeguards the interests of workers. This would, inter alia, require the creation of an ecosystem that will be complete at the intersection of discourses of three cognate policy areas, namely, Industrial Policy, Competition Policy, and Trade Policy.</p> <p>a. Business can only if it understands the importance of investing in workers’ welfare. International organisations like ILO also emphasize such a relationship. Hence there should be factors while formulating the policies to better understand the business environment through the lenses of labour welfare.</p> <p>a. Income  b. Security and Social Protection  c. Working Conditions  d. Capability enhancement  e. Voice/Agency  f. Job Satisfaction</p>
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<p><u>Section H:</u></p> <p>Dispute Resolution</p>	<p>Efficiency and quality of commercial dispute resolution</p> <p>Factors that should also be taken into consideration</p>	<p>a. Efficiency and quality of commercial dispute resolution rely on adequate public services. Several factors could be identified as an adequate public service, apart from cost and time. It is also easy for the public to rely on such modes of dispute resolution.</p> <p>b. It also depends on how effective the Alternate dispute resolution system is in each economy, and what do countries do to work on the efficiency of such methods, and gain public trust.</p> <p>c. To identify more stakeholders for the consultation process. Consultations with lawyers in commercial litigation or businesses will not be enough to identify issues in terms of dispute resolution.</p> <ul style="list-style-type: none"> <li>● Ease of initiating the process of dispute resolution</li> <li>● Acceptability of ADR mechanism</li> <li>● Enforceability of Dispute Resolution Outcome</li> <li>● Enforceability of ADR mechanism Outcome</li> </ul>
<p>Enterprises</p>	<p>MSME formal and informal enterprises</p>	<p>a. One of the key issues in Identifying MSMEs is to identify Informal MSMEs, the ones which are not registered and are very small in scale. For example, Addressing challenges related to land, labor, and capital among Indian MSMEs would require a whole new holistic approach that tackles regulatory issues, enables easier access to funding, and recognizes the aspirations of the 21st-century workforce. Hence, formalising the informal MSMEs could be one of the key areas for MSME growth. While this is important, the BEE concept note fails to consider informal MSMEs rather only considers formal MSMEs which are identified and registered.</p>
<p>Value chains</p>	<p>Identification of Value chains and policies</p>	<p>It is applauding to see such vast areas of consideration for MSMEs and Startups, however, growth and business ease also come from identifying and enabling various nodes of Value chains in a business. This value chain may vary from sector to sector for an industry. Business enabling environment should look at the value chains which has the power to create employment and reduce the cost burden along with other factors to allow the business to run with ease. Values and costs are added the most in Value chains for a business.</p>

**6. Do you have any other general feedback?**

- The cost of compliance for MSMEs is disproportionately higher, and may often derail Msme’s journey towards self-reliance. Despite EODB reforms, the regulatory

landscape has not been able to simplify compliances for MSMEs so that they can confidently and directly deal with the government, without intermediaries and the need to invest substantial time and efforts.

- To this end, it should adopt three-step to identify and reduce compliances. First, identify the source of the compliance and whether it is beyond the scope of primary legislation; if found otherwise the compliances should be immediately scrapped. The second step will be to understand the rationale for the compliance and the purpose that it serves. Any repetitive compliance can be scrapped. When this is done, it is essential to ensure the proportionality of the compliance to the objective of the compliance. This will result in an efficient process and EODB.
- One-stop-shop - Single Window Clearance system is an important aspect for the smooth running of a business and ease of seeking clearance. This should also be taken into account while formulating policies under BEE.
- Three-step test under the [Regulatory Guillotine \(RG\)](#) framework should be adopted to review compliance under various regulations:

Requirement	Explanation	Result	Result	Result	Result
Legality	Does compliance fall within the scope of any law?	Yes	Yes	Yes	No
Necessity	Are the forms, procedures, fees, essential to ensure compliance?	Yes	Yes	No	Not Required
Proportionality	Is implementation fast and simple?	Yes	No	Not Required	Not Required
<b>Action needed</b>		<b>Retain</b>	<b>Amend</b>	<b>Abolish</b>	<b>Abolish</b>

**a. International Exposure for industries/establishments.**

BEE fails to look at the domestic policy that allows international exposure of trade and related activities for MSMEs. Only the domestic market or exposure might not be enough for the growth of MSMEs, and there should be provisions in place to allow such establishments exposure to new ways of business and growth. One of the ways could be to allow policies for exports, while if the FDI regime of an economy is strict it may hamper the growth prospects for a budding establishment.

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## Conclusion

CUTS International looks forward to The World Bank Group - Global Indicators Group in the Development Economics Vice-presidency (DECIG) accepting the suggestions given above and assisting in its endeavors of empowering consumers, Private sectors, and bringing economic reforms with research. For any clarifications/further details, please feel free to contact Tanya Goyal ([tng@cuts.org](mailto:tng@cuts.org)) or Arshiya Chaturvedi ([ayi@cuts.org](mailto:ayi@cuts.org))