

## **A Conversation with Vijaya Ramachandran on June 4, 2013**

### **Participants**

- Vijaya Ramachandran – Senior Fellow, Center for Global Development
- Alexander Berger – Senior Research Analyst, GiveWell

**Note:** This set of notes was compiled by GiveWell and gives an overview of the major points made by Vijaya Ramachandran.

### **Summary**

Vijaya Ramachandran is a Senior Fellow at the Center for Global Development. She works on areas such as donor accountability, private sector development, and development interventions in fragile states.

GiveWell spoke with Dr. Ramachandran about regulatory reform to support business in the developing world.

### **The problem**

Regulatory reform is important for the growth of the private sector. Customs regulations, complex processes and long waits to get licenses, excessive paperwork and a variety of other regulatory issues are impediments to business. The issue impacts mid-sized businesses most of all: large businesses are sophisticated and can deal with the regulations more easily, and regulations often aren't binding on small businesses, which in practice can often get away with whatever they want.

The issue is not finding the best regulations – those are already fairly well-known, and the World Bank gives good advice – but is instead how to actually implement reforms. The government tends to profit from existing systems (e.g. through bribes), and as long as people in charge are benefiting from the current state of affairs there will be resistance to change. This is a challenge that everyone has run in to and is very difficult for an external player to solve.

An important thing to remember regarding funding attempts at regulatory reform is the importance of paying attention to who will benefit. There is some risk that reform could simply entrench larger firms, whereas the goal should be to help smaller ones as well.

### **The World Bank's *Doing Business* report**

The World Bank's *Doing Business* report measures business regulations across countries and can be a useful resource for studying the regulatory burden firms face in specific markets.

Similar work is done by other organizations; for example, the Heritage Foundation publishes a similar report keeping track of the labor indicators that *Doing Business* no longer uses.

Dr. Ramachandran is working on a paper that will investigate whether countries that improve their *Doing Business* ratings get more investment. This hasn't yet been sufficiently studied - past studies have used small amounts of data or only looked at single countries, although positive correlations have been found between improved ratings and investment within individual countries.

### **Regulatory reform efforts**

The World Bank and regional development banks have large programs to encourage regulatory reform, focused on providing technical advice to governments. These efforts aim to improve regulations, reduce the burden on firms, and encourage informal firms to become formal. The World Bank sends advisors to countries seeking help, normally through a fairly complex process associated with a loan. The documents from these projects are now public and available online, and may serve as a useful source of relevant information.

The Gates Foundation funds some data collection and monitoring around regulatory reform issues, specifically regarding agricultural business. Private players could fund more of this. The tracking of regulatory reform is very fragmented – the World Bank does more than the regional banks but does not do everything. The Foreign Investment Advisory Service is a key resource for tracking and discussion of these issues.

There are also domestic reform movements in some countries, with the private sector vocally demanding reform through chambers of commerce, manufacturing associations, and other groups. Private philanthropic organizations could potentially support those kinds of organizations to move regulatory reform forward. Other domestic pressure can come from think tanks, which tend to exist in middle-income countries, such as the Centre for Development and Enterprise in South Africa.

There is some international lobbying, mostly by businesses. International NGOs tend to focus on delivering social services, and investor groups like Private Investors for Africa are interested in regulatory reform. Large western corporations do a certain amount of lobbying for regulatory reforms, for their own interests.

### **Other people for GiveWell to talk to:**

- Miriam Bruhn – a World Bank economist who has studied private sector development.

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