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IN FOCUS

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The World Bank's *Doing Business Report*

In September 2021, the World Bank announced it was discontinuing its annual *Doing Business Report* (DBR) after nearly two decades of publication. The DBR attempts to quantitatively measure the "ease of doing business" in countries around the world, focusing on business regulations and property rights protections. The World Bank canceled the report because an independent investigation found that senior World Bank officials improperly influenced results in previous iterations of report, including to improve China's ranking.

Governments and investors take these DBR rankings seriously, and the report has been credited with driving pro-growth reforms in developing countries. The report also has been controversial even before the most recent investigations, with critics arguing, among other things, that the report penalizes countries for adopting labor and safety protections.

The circumstances surrounding the cancellation of the DBR raise a number of issues for Congress, including the value of the DBR as a resource, the research independence of international organizations, leadership roles at the international financial institutions (IFIs), and China's changing role at the World Bank. Congress authorizes and appropriates U.S. funding to the IFIs, and exercises oversight over U.S. policy at the IFIs.

Origin and Development of the Report

The annual World Bank's DBR began in 2004. It has been a key report for countries and businesses in understanding the investment and business climate in key economies, until its termination in 2021. In the product, the Bank attempted to measure member countries' legal and regulatory environments for local firms and allow comparisons to be made across countries and over time.

The origin of the report is a 2002 World Bank report that covered five topic areas: starting a business, enforcing contracts, resolving insolvency, employing workers, and getting credit. At the time, economic researchers at the World Bank turned their attention to the costs of business regulations and found empirical evidence between regulatory burdens and economic outcomes, such as levels of investment, economic growth, and broader measures of development.

The World Bank expanded the scope and coverage of the annual report in subsequent years. The report grew to incorporate additional topic areas, including indicators on the cost and quality of business regulation and on the quality of legal frameworks, with each area composed of a number of individual measures. The most recent report, released in 2020, captures 294 individual regulatory reforms. **Figure 1** illustrates the many number of steps involved with opening a new business that the DBR seeks to measure. In 2020, the World Bank was collecting data on the efficiency of public procurement and was planning on introducing the "Contracting with the Government" indicator in the 2021 report.

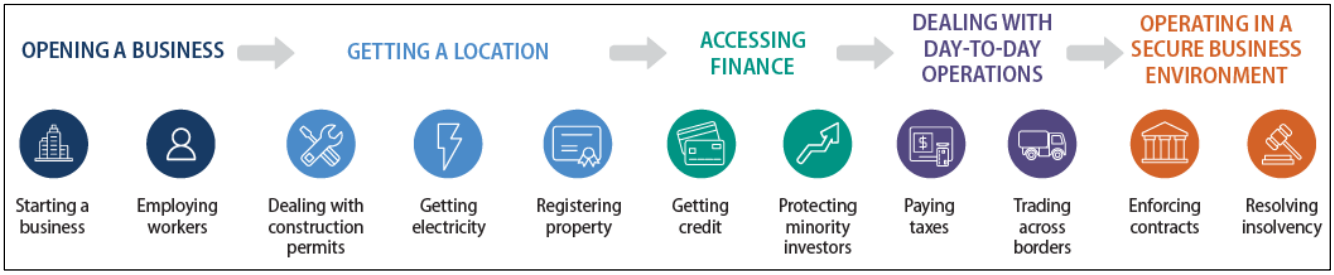
The number of countries in the report also expanded, from 133 countries in 2003 to 190 in 2020. Based on the quantitative data, the report annually ranked countries on the "ease of doing business." The most recent U.S. ranking was 6, behind South Korea at 5.

Impact of the Report

The DB rankings have been widely used in a range of settings. Politicians in developing countries have cited the World Bank's rankings in their political campaigns, and the report was frequently mentioned in major international newspapers such as the *New York Times* and the *Financial Times*. The ratings were a component of other indexes, including the World Economic Forum's Global Competitiveness Index and the Heritage Foundation Index of Economic Freedom, among others. According to Google Scholar, the phrase "Doing Business Report" is included in more than 10,000 academic articles.

By simplifying a complex group of regulatory policies into a single metric, which was heavily marketed and promoted, the Bank created competitive pressure among countries to introduce policies to improve their rankings. For example, the World Bank noted in a 2008 series of case studies, King Abdullah of Saudi Arabia declared in 2006, "I want Saudi Arabia to be among the top ten countries in *Doing Business* in 2010."

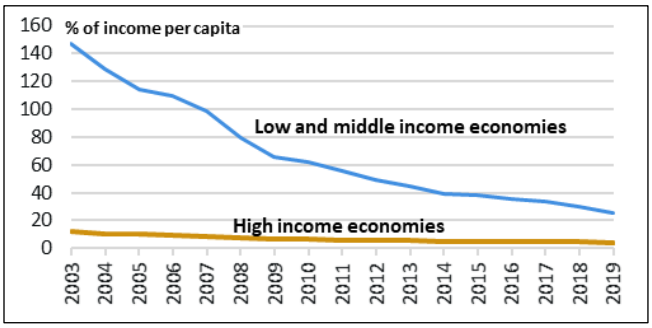
Figure 1. *Doing Business Report* Coverage Areas



Source: World Bank, 2020 *Doing Business Report*.

Many policymakers and analysts credit the DBR in contributing to the dramatic decrease in the cost of starting a business in developing countries over the past 15 years (**Figure 2**). As the report gained prominence, criticisms also emerged. Critics argued that the report ignored the social benefits of regulation, focusing only on the private sector costs, and encouraged countries to engage in a regulatory "race-to-the-bottom." Concerns have also been raised that the DBR is too focused on the regulatory burden that a firm would face if it followed the letter of the law in a particular jurisdiction and ignored the more complex reality facing firms in many developing countries.

Figure 2. Cost of Starting a Business in Developing Economies



Source: World Bank, Doing Business Database.

The DBR was reformed somewhat over the years to address some of these concerns. For example, pressure from some Members of Congress and the International Labor Organization led to the suspension of the DBR's "Employing Workers" indicator, which awarded the best scores to countries that had the least amount of regulation in areas such as minimum wage levels, maximum work hours per week, and other worker safeguards. In March 2021, a group of more than 350 civil society organizations, trade unions, and academics from 80 countries sent a letter to the World Bank's Executive Board calling on it to end publication of the DBR based on a number of concerns, including "methodology, data selection and scope, questionable robustness of the aggregate rankings, and its anti-regulation bias." However, one commentator has argued in *The Hill* newspaper that "the 'Doing Business' report is the most important contribution the World Bank has made to global development in the last 25 years."

Recent Controversy and Cancellation of the Report

On January 20, 2021, the World Bank engaged the U.S.-based law firm, Wilmer Hale, to investigate data irregularities in the 2018 and 2020 editions of the DBR that were reported internally in June 2020. The law firm released its findings on September 15, 2021, determining that in 2017, then-World Bank President Jim Yong Kim and then-World Bank CEO Kristalina Georgieva pressured staff to modify their methodology in the 2018 *Doing Business Report* to bolster China's score. Wilmer Hale also found that senior Bank staff likely interfered with data pertaining to Saudi Arabia, the United Arab Emirates, and Azerbaijan to influence the 2020 edition of the report.

On September 16, 2021, the World Bank Group Management announced the decision to discontinue the *Doing Business Report*. Several Members of Congress raised concerns about China's influence at the IFIs and the integrity of the World Bank and the International Monetary Fund (IMF). World Bank President David Malpass announced that the Bank is taking "several steps" to improve research integrity, including elevating the Bank's chief economist to a role in senior management.

Questions about IMF Leadership

Kristalina Georgieva's involvement in the DBR data irregularities during her tenure as CEO of the World Bank immediately raised questions about whether she should continue in her current role. Since October 2019, Georgieva has served as the head (Managing Director) of the International Monetary Fund (IMF).

The IMF Executive Board reportedly held eight meetings on the issue, including interviews with Wilmer Hale lawyers and Georgieva, who denied any wrongdoing. The board was reportedly divided on whether Georgieva should retain her position at the IMF, with the United States and Japan (the two largest shareholders) favoring removal, while several European economies (France, Germany, Italy, and the UK), China, and Russia continued to support Georgieva.

Ultimately, the Executive Board issued a statement on October 11, 2021, supporting her continued leadership at the IMF. However, the endorsement was seen by many as weak, stating that the review did not "conclusively demonstrate" an improper role by Georgieva in the DBR.

Select Policy Questions for Congress

The United States has traditionally been a leader at the IFIs, and Congress has a number of policy options for directly influencing IFI policies. Congress can hold hearings to gather additional information about specific issues, direct the U.S. representatives at the IFIs to advocate and vote for specific policies, and/or tie U.S. financial contributions to specific institutional reforms. Issues surrounding the DBR raise a number of policy issue for Congress. For example:

- The report by Wilmer Hale included several recommendations to limit political interference in the DBR, such as embargoing the rankings until the report is finalized or making the underlying data available to external researchers. Why did the World Bank decide to cancel the report rather than adopt such recommendations? Is this data available elsewhere, and is it useful to inform policy and funding decisions?
- Does canceling the DBR, rather than reforming it, make it more or less likely that countries will try to influence IFI research in the future?
- What steps are being taken at the World Bank, and other IFIs, to promote nonretaliation policies and encourage staff reporting of concerns?
- What would be required to revive the DBR and better insulate it from political pressure?

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