Doing Business 2015

Going Beyond Efficiency

About *Doing Business*

Economic activity requires sensible rules that encourage firm start-up and growth and avoid creating distortions in the marketplace. *Doing Business* measures the rules and regulations that can help the private sector thrive—because without a dynamic private sector, no economy can provide a good, and sustainable, standard of living for people. *Doing Business* promotes rules that establish and clarify property rights, minimize the cost of resolving disputes, increase the predictability of economic interactions and provide contractual partners with core protections against abuse.

The *Doing Business* data highlight the important role of the government and government policies in the day-to-day life of domestic small and medium-size firms. The objective is to encourage regulations that are designed to be efficient, accessible to all who use them and simple in their implementation. Where regulation is burdensome and competition limited, success tends to depend on whom one knows. But where regulation is efficient, transparent and implemented in a simple way, it becomes easier for aspiring entrepreneurs to compete on an equal footing and to innovate and expand. In this sense *Doing Business* values good rules as a key to social inclusion. Enabling growth—and ensuring that all people, regardless of income level, can participate in its benefits—requires an environment where new entrants with drive and good ideas can get started in business and where good firms can invest and grow, thereby creating more jobs.

Doing Business was designed with 2 main types of users in mind: policy makers and researchers.[1] *Doing Business* is a tool that governments can use to design sound policies for the creation of firms and jobs. But this tool should not be used in isolation. *Doing Business* provides a rich opportunity for benchmarking by capturing key dimensions of regulatory regimes. Nevertheless, the *Doing Business* data are limited in scope and should be complemented with other sources of information.

Doing Business is also an important source of information for researchers. It provides a unique data set that enables analysis aimed at better understanding the role of business regulation in economic development. This year's report discusses the results of some of this work in the chapter on highlights from the *Doing Business* research conference. *Doing Business 2014* presented a detailed summary of recent research on the effects of business regulation in the areas measured by *Doing Business*.

WHAT DOES *DOING BUSINESS* MEASURE?

Doing Business captures several important dimensions of the regulatory environment as it applies to local firms. It provides quantitative measures of regulations for starting a business, dealing with construction permits,

- ***Doing Business*** **measures business regulations that affect domestic small and medium-size firms in 11 areas across 189 economies. Ten of these areas—starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency—are included in the distance to frontier score and ease of doing business ranking.** ***Doing Business*** **also measures labor market regulation, which is not included in these 2 measures.**
- ***Doing Business*** **does not capture other aspects of the business environment, such as security, market size, macroeconomic stability and the prevalence of bribery and corruption.**
- **The** ***Doing Business*** **methodology is based on standardized case scenarios in the largest business city of each economy. In addition, for 11 economies a second city has been added this year.**
- ***Doing Business*** **relies on 4 main sources of information: the relevant laws and regulations,** ***Doing Business*** **respondents, the governments of the economies covered and the World Bank Group regional staff.**
- **Governments use** ***Doing Business*** **as a source of objective data providing unique insights into good practices worldwide. Many** ***Doing Business*** **indicators are "actionable"—though depending on the context, they may not always be "action-worthy."**

getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. *Doing Business* also measures labor market regulation. This year's report does not present rankings of economies on the labor market regulation indicators or include the topic in the aggregate distance to frontier score or ranking on the ease of doing business. It does present the data for these indicators.

Doing Business provides 2 main types of indicators: those that broadly measure the complexity and cost of regulatory processes and those that measure the strength of legal institutions (table 2.1). Indicators of the first type promote efficiency in transactions handled by the government, such as in the process to register a transfer of property. A simpler and less costly process results in better performance on the indicators and, if all else is constant, a more favorable ranking on the ease of doing business. These indicators are being expanded to also include components on the quality of regulation.

Indicators of the second type reflect better institutions for private sector development, such as well-functioning courts and credit information systems. Accordingly, some of these indicators give a higher score for better and more developed regulation, as the protecting minority investors indicators do for stricter disclosure requirements for related-party transactions. Three sets of these indicators—getting credit, protecting minority investors and resolving insolvency—have been expanded for this year's report to further focus on the strength of legal institutions (for details on the expansion of the scope of indicator sets, see the chapter on what is changing in *Doing Business*).

How the indicators are selected

The choice of the 11 sets of *Doing Business* indicators has been guided by economic research and firm-level data, particularly data from the World Bank Enterprise Surveys.[2] These surveys provide data highlighting the main obstacles to business activity as reported by entrepreneurs in more than 120 economies. For example, among the factors that the surveys have identified as important to businesses have been access to finance and access to electricity—inspiring the design of the *Doing Business* indicators on getting credit and getting electricity.

The design of the *Doing Business* indicators has also been informed by theoretical insights gleaned from extensive research and the literature on the role of institutions in enabling economic development. In addition, the background papers developing the methodology for each of the *Doing Business* indicator sets have established the importance of the rules and regulations that *Doing Business* measures for such economic outcomes as trade volumes, foreign direct investment, market capitalization in stock exchanges and private credit as a percentage of GDP.[3]

Two aggregate measures

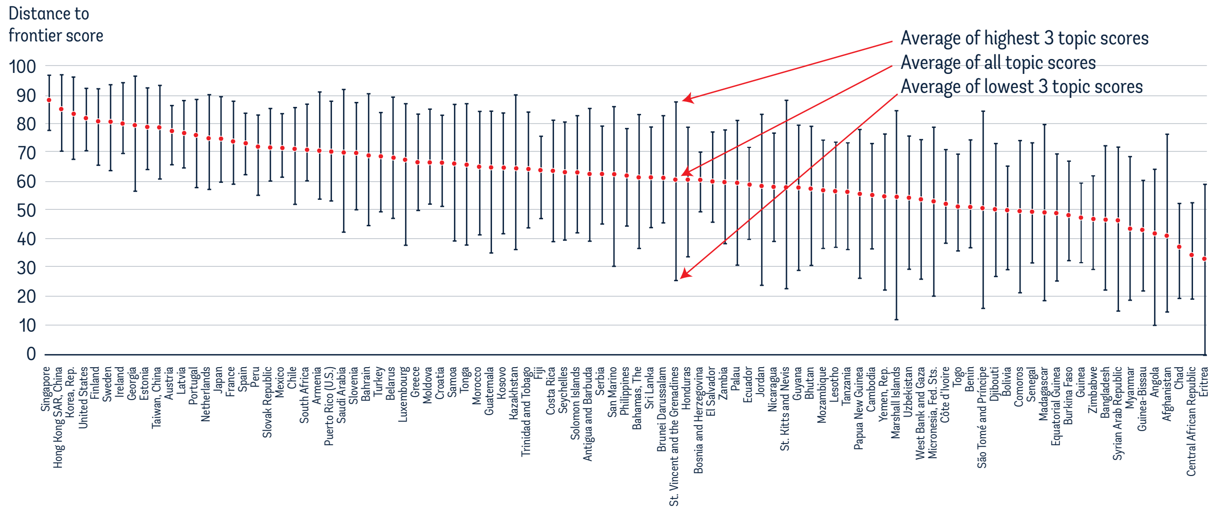
Doing Business presents data both for individual indicators and for 2 aggregate measures—the distance to frontier score and the ease of doing business ranking—to provide different perspectives on the data. The distance to frontier score aids in assessing the absolute level of regulatory performance and how it improves over time. This measure shows the distance of each economy to the "frontier," which represents the best performance observed on each of the indicators across all economies in the *Doing Business* sample since 2005 or the third year in which data for the indicator were collected. This allows users both to see the gap between a particular economy's performance and the best performance at any point in time and to assess the absolute change in the economy's regulatory environment over time as measured by *Doing Business*.

This year, for the first time, the ease of doing business ranking is based on the distance to frontier score. The ranking complements the distance to frontier score by providing information about an economy's performance in business

TABLE 2.1 What *Doing Business* measures—11 areas of business regulation

Complexity and cost of regulatory processes	
Starting a business	Procedures, time, cost and paid-in minimum capital to start a limited liability company
Dealing with construction permits	Procedures, time and cost to complete all formalities to build a warehouse
Getting electricity	Procedures, time and cost to get connected to the electrical grid
Registering property	Procedures, time and cost to transfer a property
Paying taxes	Payments, time and total tax rate for a firm to comply with all tax regulations
Trading across borders	Documents, time and cost to export and import by seaport
Strength of legal institutions	
Getting credit	Movable collateral laws and credit information systems
Protecting minority investors	Minority shareholders' rights in related-party transactions and in corporate governance
Enforcing contracts	Procedures, time and cost to resolve a commercial dispute
Resolving insolvency	Time, cost, outcome and recovery rate for a commercial insolvency and the strength of the insolvency legal framework
Labor market regulation	Flexibility in employment regulation, benefits for workers and labor dispute resolution

FIGURE 2.1 An economy's regulatory environment may be more business-friendly in some areas than in others



Note: The distance to frontier scores reflected are those for the 10 *Doing Business* topics included in this year's aggregate distance to frontier score. Figure is illustrative only; it does not include all 189 economies covered by this year's report. See the country tables for the distance to frontier score for each *Doing Business* topic for all economies.
Source: Doing Business database.

regulation relative to the performance of other economies as measured by *Doing Business*.

For each topic covered and for all topics, *Doing Business* uses a simple averaging approach for weighting component indicators, calculating rankings and determining the distance to frontier score.[4] To test the robustness of this approach, other approaches were explored, including using principal components and unobserved components.[5] These turn out to yield results nearly identical to those of simple averaging. In the absence of a strong theoretical framework that assigns different weights to the topics covered for the 189 economies, the simplest method is used: weighting all topics equally and, within each topic, giving equal weight to each of the topic components.[6]

Each topic covered by *Doing Business* relates to a different aspect of the regulatory environment. The distance to frontier scores and rankings of each economy vary, often substantially, across topics, indicating that strong performance by an economy in one area of regulation can coexist with weak performance in another. A quick way to assess the variability of an economy's regulatory performance is to look at its distance to frontier scores across topics (see the country tables). Croatia, for example, has an overall distance to frontier score of 66.53. Its distance to frontier score is 85.43 for starting a business, 82.92 for paying taxes and 80.05 for getting electricity. At the same time, it has a score of 44.97 for dealing with construction permits, 55.00 for getting credit and 53.92 for resolving insolvency (figure 2.1).

WHAT DOES *DOING BUSINESS* NOT MEASURE?

Doing Business does not cover many important policy areas, and even within the areas it covers its scope is narrow (table 2.2). *Doing Business* does not measure the full range of factors, policies and institutions that affect the quality of an economy's business environment or its national competitiveness. It does not, for example, capture aspects of security, the prevalence of bribery and corruption, market size, macroeconomic stability, the state of the financial system or the level of training and skills of the labor force.

Even within the relatively small set of indicators included in *Doing Business*, the focus is deliberately narrow. The trading across borders indicators, for example, capture the documents, time and cost required for the logistical process of exporting and importing

TABLE 2.2 What *Doing Business* does not cover

Examples of areas not covered
Security
Prevalence of bribery and corruption
Market size
Macroeconomic stability
State of the financial system
Level of training and skills of the labor force
Examples of aspects not included within the areas covered
In getting electricity, the reliability of electricity supply
In getting credit, the availability of credit for firms
In trading across borders, export or import tariffs and subsidies

containerized goods by seaport, but they do not measure the cost of the sea transport or of tariffs or capture any aspects relating to international trade agreements. Thus through these indicators *Doing Business* provides a narrow perspective on the infrastructure challenges that firms face, particularly in the developing world. It does not address the extent to which inadequate roads, rail, ports and communications may add to firms' costs and undermine competitiveness (except to the extent that the trading across borders indicators indirectly measure the quality of ports and roads). Similarly, the indicators on starting a business or protecting minority investors do not cover all aspects of commercial legislation. And the getting electricity indicators do not currently address the quality of the electricity supply or the rate of electrification.

Doing Business does not attempt to measure all costs and benefits of a particular law or regulation to society as a whole. For example, the paying taxes indicators measure the total tax rate, which, in isolation, is a cost to businesses. The indicators do not measure, nor are they intended to measure, the benefits of the social and economic programs funded through tax revenues. Measuring business laws and regulations provides one input into the debate on the regulatory burden associated with achieving regulatory objectives. These objectives can differ across economies. *Doing Business* provides a starting point for this discussion and should be used in conjunction with other data sources.

WHAT ARE THE STRENGTHS AND LIMITATIONS OF THE METHODOLOGY?

The *Doing Business* methodology was designed to be an easily replicable way to benchmark business regulation. It has advantages and limitations that should be understood when using the data (table 2.3).

A key consideration for the *Doing Business* indicators is that they should ensure comparability of the data across a global set of economies. The indicators are therefore developed around standardized case scenarios with specific assumptions. One such assumption is the location of a notional business—the subject of the *Doing Business* case study—in the largest business city of the economy. The reality is that business regulations and their enforcement may differ within a country, particularly in federal states and large economies. But gathering data for every relevant jurisdiction in each of the 189 economies covered by *Doing Business* would be infeasible. In addition, while variation is inevitable across different locations, the variation is unlikely to deliver significantly different results commensurate with the scale of the effort. Nevertheless, where policy makers are interested in generating data at the local level, beyond the largest business city, *Doing Business* has complemented its global indicators with subnational studies (box 2.1). And this year, for the first time, *Doing Business* has extended its coverage to the second largest business city in economies with a population of more than 100 million.

Doing Business recognizes the limitations of the standardized case scenarios and assumptions. But while such assumptions come at the expense of generality, they also help ensure the comparability of data. For this reason it is common to see limiting assumptions of this kind in economic indicators. Inflation statistics, for example, are often based on prices of a set of consumer goods in a few urban areas, since collecting nationally representative price data at high frequencies would be prohibitively costly in many countries. GDP estimates are also subject to a number of limiting assumptions, which have not prevented their widespread use.

Some *Doing Business* topics include complex areas, and so it is important that the standardized cases are carefully defined. For example, the standardized case scenario usually involves a limited liability company or its legal equivalent. The considerations

TABLE 2.3 Advantages and limitations of the *Doing Business* methodology

Feature	Advantages	Limitations
Use of standardized case scenarios	Makes the data comparable across economies and the methodology transparent	Reduces the scope of the data and means that only regulatory reforms in the areas measured can be systematically tracked
Focus on largest business city[a]	Makes the data collection manageable (cost-effective) and the data comparable	Reduces the representativeness of the data for an economy if there are significant differences across locations
Focus on domestic and formal sector	Keeps the attention on where regulations are relevant and firms are most productive—the formal sector	Fails to reflect reality for the informal sector—important where that is large—or for foreign firms where they face a different set of constraints
Reliance on expert respondents	Ensures that the data reflect the knowledge of those with the most experience in conducting the types of transactions measured	Results in indicators that do not measure the variation in experiences among entrepreneurs
Focus on the law	Makes the indicators "actionable"—because the law is what policy makers can change	Fails to reflect the reality that where systematic compliance with the law is lacking, regulatory changes may not achieve the full desired results

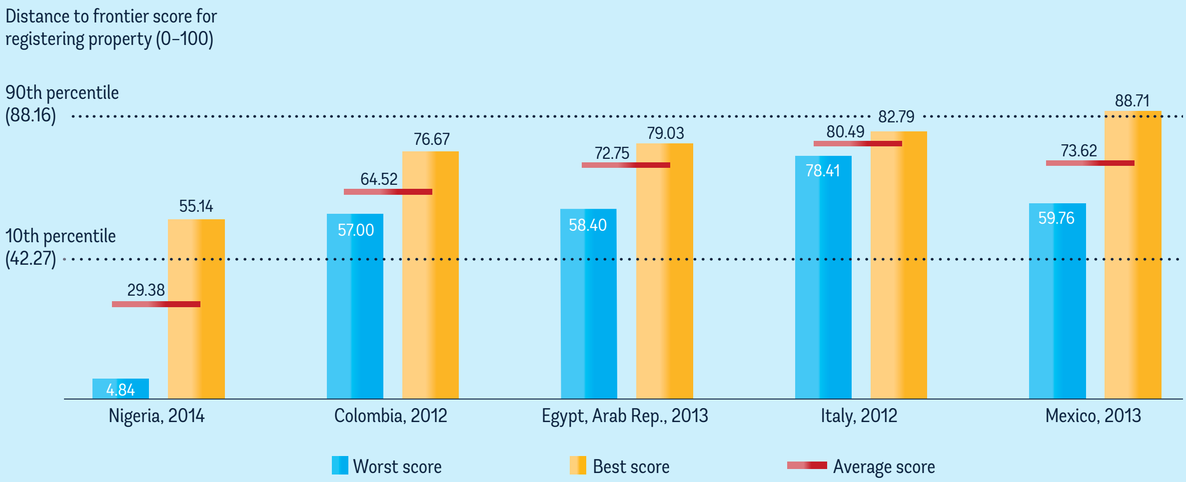
a. In economies with a population of more than 100 million, *Doing Business* covers business regulation in both the largest business city and the second largest one.

BOX 2.1 Comparing regulations at the local level: subnational *Doing Business* studies

The subnational *Doing Business* studies expand the *Doing Business* analysis beyond the largest business city of an economy. They measure variation in regulations or in the implementation of national laws across locations within an economy (as in Nigeria) or a region (as in Central America). Projects are undertaken at the request of governments.

Data collected by subnational reports over the past 2 years show that there can be substantial variation within an economy. In Mexico in 2013, for example, transferring property took as few as 2 days in Colima and as many as 74 in Mexico City. Indeed, within the same economy one can find cities that perform as well as economies ranking in the top 20 on the ease of registering property and cities that perform as poorly as economies ranking in the bottom 40 on that indicator (see figure). Despite these large differences across cities of varied sizes, the differences between the largest and the second largest business cities in an economy tend to be small, as discussed in the overview.

Different locations, different regulatory processes, same economy



Note: The average score shown for each economy is based on all locations covered by the data: 36 cities in Nigeria, 23 cities in Colombia, 15 locations and governorates in the Arab Republic of Egypt, 13 cities in Italy and 31 states and Mexico City in Mexico. The worst score shown for each economy is that of the location with the most complex process for transferring property, and the best score that of the location with the most efficient one. The 10th and 90th percentile values are based on economy-level scores for the 189 economies covered by *Doing Business*.

Source: Subnational *Doing Business* database.

The subnational *Doing Business* studies create disaggregated data on business regulations. But they go beyond a data collection exercise. They have proved to be strong motivators for regulatory reform at the city level:

- The data produced are comparable across locations within the economy and internationally, enabling locations to benchmark their results both locally and globally. Comparisons of locations that are within the same economy and therefore share the same legal and regulatory framework can be revealing: local officials find it hard to explain why doing business is more difficult in their jurisdiction than in a neighboring one.
- Pointing out good practices that exist in some locations but not others within an economy helps policy makers recognize the potential for replicating these good practices. This can prompt discussions of regulatory reform across different levels of government, providing opportunities for local governments and agencies to learn from one another and resulting in local ownership and capacity building.

Since 2005 subnational reports have covered 367 cities in 55 economies, including Brazil, China, India, Indonesia, Morocco and Pakistan. This year subnational studies were completed in the Arab Republic of Egypt, Mexico and Nigeria. Ongoing studies include those in Central America and the Dominican Republic (covering 22 cities and 10 ports across 7 countries), Poland (18 cities), South Africa (9 cities and 4 ports) and Spain (19 cities and 5 ports).

Subnational reports are available on the Doing Business *website at http://www.doingbusiness.org/subnational.*

in defining this assumption are twofold. First, private limited liability companies are, empirically, the most prevalent business form for firms with more than one owner in many economies around the world. Second, this choice reflects the focus of *Doing Business* on expanding opportunities for entrepreneurship: investors are encouraged to venture into business when potential losses are limited to their capital participation.

Another assumption underlying the *Doing Business* indicators is that entrepreneurs have knowledge of and comply with applicable regulations. In practice, entrepreneurs may not know what needs to be done or how to comply and may lose considerable time trying to find out. Alternatively, they may deliberately avoid compliance altogether—by not registering for social security, for example. Where regulation is particularly onerous, firms may opt for bribery and other informal arrangements intended to bypass the rules—an aspect that helps explain differences between the de jure data provided by *Doing Business* and the de facto insights offered by World Bank Enterprise Surveys. In economies with particularly burdensome regulation, levels of informality tend to be higher. Compared with their formal sector counterparts, firms in the informal sector typically grow more slowly, have poorer access to credit and employ fewer workers—and these workers remain outside the protections of labor law.[7] Firms in the informal sector are also less likely to pay taxes. *Doing Business* measures one set of factors that help explain the occurrence of informality and give policy makers insights into potential areas of regulatory reform.

Rules and regulations fall under the direct control of policy makers—and they are often where policy makers start when intending to change the set of incentives under which businesses operate. *Doing Business* not only shows where problems exist in the regulatory framework; it also points to specific regulations or regulatory procedures that may lend themselves to reform. And its quantitative measures of business regulations enable research on how specific regulations affect firm behavior and economic outcomes.

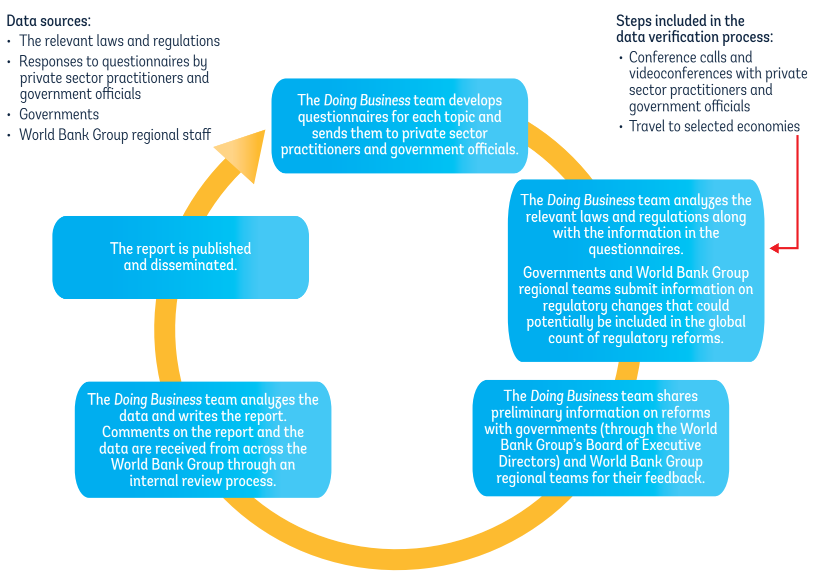
HOW ARE THE DATA COLLECTED?

The *Doing Business* data are based on domestic laws and regulations as well as administrative requirements. The data cover 189 economies—including small economies and some of the poorest economies, for which little or no data are available in other data sets. The data are collected through several rounds of interaction with expert respondents (both private sector practitioners and government officials)—through responses to questionnaires, conference calls, written correspondence and visits by the team. *Doing Business* relies on 4 main sources of information: the relevant laws and regulations, *Doing Business* respondents, the governments of the economies covered and the World Bank Group regional staff (figure 2.2). For a detailed explanation of the *Doing Business* methodology, see the data notes.

Relevant laws and regulations

Most of the *Doing Business* indicators are based on laws and regulations. Indeed, more than two-thirds of the data embedded in the *Doing Business* indicators are based on a reading of the law. Besides filling out written questionnaires, *Doing Business* respondents provide references to the relevant laws, regulations and fee schedules. The *Doing Business* team collects the texts of the relevant laws and regulations and checks questionnaire responses for accuracy. For example, the team will examine the commercial code to confirm the paid-in minimum capital requirement, look at the legislation to see whether borrowers have the right to access their data at the credit bureau and read the tax code to find applicable tax rates. (*Doing Business* makes these and other types of laws available on the *Doing Business* law library website.)[8] Because of the data checking and quality assurance, having large samples of respondents is not necessary. In principle, the role of the contributors is largely advisory—helping the *Doing Business* team in finding and understanding the

FIGURE 2.2 How *Doing Business* collects and verifies the data



laws and regulations—and there are quickly diminishing returns to an expanded number of contributors.

For the rest of the data the team conducts extensive consultations with multiple contributors to minimize measurement error. For some indicators—for example, those on dealing with construction permits, enforcing contracts and resolving insolvency—the time component and part of the cost component (where fee schedules are lacking) are based on actual practice rather than the law on the books. This introduces a degree of judgment. When sources indicate different estimates, the time indicators reported in *Doing Business* represent the median values of several responses given under the assumptions of the standardized case.

Doing Business respondents

Over the past 12 years more than 30,000 professionals in 189 economies have assisted in providing the data that inform the *Doing Business* indicators.[9] This year's report draws on the inputs of more than 10,700 professionals.[10] Table 14.2 in the data notes lists the number of respondents for each indicator set. The *Doing Business* website shows the number of respondents for each economy and each indicator set.

Respondents are professionals who routinely administer or advise on the legal and regulatory requirements in the specific areas covered by *Doing Business*, selected on the basis of their expertise in these areas. Because of the focus on legal and regulatory arrangements, most of the respondents are legal professionals such as lawyers, judges or notaries. In addition, officials of the credit registry or bureau complete the credit information questionnaire. Freight forwarders, accountants, architects, engineers and other professionals answer the questionnaires related to trading across borders, paying taxes and dealing with construction permits. Certain public officials (such as registrars from the company or property registry) also provide information that is incorporated into the indicators.

The *Doing Business* approach has been to work with legal practitioners or professionals who regularly undertake the transactions involved. Following the standard methodological approach for time-and-motion studies, *Doing Business* breaks down each process or transaction, such as starting a business or registering a building, into separate steps to ensure a better estimate of time. The time estimate for each step is given by practitioners with significant and routine experience in the transaction. When time estimates differ, further interactions with respondents are pursued to converge on one estimate or a narrow range that reflects the majority of applicable cases.

Doing Business does not survey firms for 2 main reasons. The first relates to the frequency with which firms engage in the transactions captured by the indicators, which is generally low. For example, a firm goes through the start-up process once in its existence, while an incorporation lawyer may carry out 10 such transactions each month. The incorporation lawyers and other experts providing information to *Doing Business* are therefore better able to assess the process of starting a business than are individual firms. They also have access to the latest regulations and practices, while a firm may have faced a different set of rules when incorporating years before. The second reason is that the *Doing Business* questionnaires mostly gather legal information, which firms are unlikely to be fully familiar with. For example, few firms will know about all the many legal procedures involved in resolving a commercial dispute through the courts, even if some of them have gone through the process themselves. But a litigation lawyer would have no difficulty in providing the requested information on all the procedures.

Governments and World Bank Group regional staff

After receiving the completed questionnaires from the *Doing Business* respondents, verifying the information against the law and conducting follow-up inquiries to ensure that all relevant information is captured, the *Doing Business* team shares the preliminary reform descriptions with governments through the Board of Executive Directors and regional staff of the World Bank Group. Through this process government authorities and local World Bank Group staff in the 189 economies covered can alert the team about, for example, regulatory reforms not picked up by the respondents or additional achievements of regulatory reforms already captured in the database. In response to such feedback, the *Doing Business* team turns to the local private sector experts for further consultation and, as needed, corroboration. In addition, the team responds formally to the comments of governments or regional staff and provides explanations of the scoring decisions.

Data adjustments

Information on data corrections is provided in the data notes and on the *Doing Business* website. A transparent complaint procedure allows anyone to challenge the data. From November 2013 to October 2014 the team received and responded to more than 160 queries on the data. If changes in data are confirmed, they are immediately reflected on the website.

HOW DO GOVERNMENTS USE THE DATA?

Over the past decade governments have increasingly focused on reforming business regulation as one way of maintaining competitiveness in an increasingly globalized economy. *Doing Business* provides one source of actionable, objective data that give useful insights into good practices worldwide. Indeed, since 2003 governments have implemented more than 600 regulatory reforms that have been informed by *Doing Business*.[11]

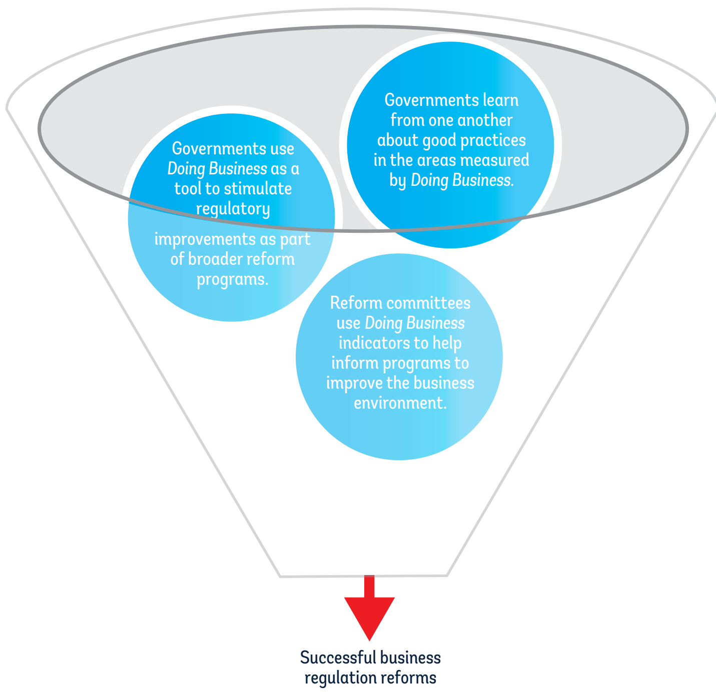
One venue for sharing success stories in business regulation reform is peer-to-peer learning events—workshops where officials from different governments across a region or even across the globe meet to discuss the challenges of regulatory reform and to share their experiences (figure 2.3).

In addition, reform committees within governments frequently use the *Doing Business* indicators as one input to inform their programs for improving the business environment. More than 50 economies have formed such committees—typically at the interministerial level or reporting directly to the president or the prime minister—to ensure the coordination of efforts across agencies. In East and South Asia they include Indonesia, the Republic of Korea, Malaysia, the Philippines and Sri Lanka. In the Middle East and North Africa: Algeria, Kuwait, Morocco, Saudi Arabia and the United Arab Emirates. In Europe and Central Asia: Azerbaijan, Croatia, the Czech Republic, Georgia, Kazakhstan, Kosovo, the Kyrgyz Republic, the former Yugoslav Republic of Macedonia, Moldova, Montenegro, Poland, the Russian Federation, Tajikistan, Ukraine, the United Kingdom and Uzbekistan. In Sub-Saharan Africa: Botswana, Burundi, the Central African Republic, the Comoros, the Democratic Republic of Congo, the Republic of Congo, Côte d'Ivoire, Guinea, Kenya, Liberia, Malawi, Mali, Nigeria, Rwanda, Sierra Leone, Togo and Zambia. And in Latin America: Chile, Colombia, Costa Rica, the Dominican Republic, Guatemala, Mexico, Panama and Peru.

One reason behind the use of *Doing Business* indicators by governments is that many of these indicators can be considered "actionable," measuring aspects over which governments have direct control. For example, governments can reduce (or even eliminate) the minimum capital requirement for new firms. They can invest in company and property registries to increase the efficiency of these public agencies. They can improve the efficiency of tax administration by adopting the latest technologies to facilitate the preparation, filing and payment of taxes by businesses. And they can undertake court reforms to shorten delays in the enforcement of contracts. On the other hand, some *Doing Business* indicators capture costs that involve private sector participants, such as lawyers, notaries, architects, electricians or freight forwarders—costs over which governments may have little influence in the short run.

While many *Doing Business* indicators are actionable, this does not necessarily mean that they are always "action-worthy" in a particular context.[12] Business regulation reforms are one element of a strategy aimed at improving competitiveness and establishing a solid foundation for sustainable economic growth. There are many other important goals to pursue—such as effective management of public finances, adequate attention to education and training, adoption of the latest technologies to boost economic productivity and the quality of public services, and appropriate regard for air and water quality to safeguard people's health. Governments have to decide what set of priorities best fits the needs they face. To say that governments should work toward a sensible set of rules for private sector activity does not suggest that doing so should come at the expense of other worthy economic and social goals.

FIGURE 2.3 How governments use *Doing Business* as a policy tool



NOTES

1. The focus of the *Doing Business* indicators remains the regulatory regime faced by domestic firms engaging in economic activity in the largest business city of an economy. *Doing Business* was not initially designed to inform decisions by foreign investors, though investors may in practice find the data useful as a proxy for the quality of the national investment climate. Analysis done in the World Bank Group's Global Indicators Group has shown that countries that have sensible rules for domestic economic activity also tend to

have good rules for the activities of foreign subsidiaries engaged in the local economy.
2. For more on the World Bank Enterprise Surveys, see the website at http://www.enterprisesurveys.org.
3. These papers are available on the *Doing Business* website at http://www.doingbusiness.org/methodology.
4. For getting credit, indicators are weighted proportionally, according to their contribution to the total score, with a weight of 60% assigned to the strength of legal rights index and 40% to the depth of credit information index. In this way each point included in these indices has the same value independent of the component it belongs to. Indicators for all other topics are assigned equal weights.
5. A technical note on the different aggregation and weighting methods is available on the *Doing Business* website at http://www.doingbusiness.org/methodology.
6. For more details, see the chapter on the distance to frontier and ease of doing business ranking.
7. Schneider 2005; La Porta and Shleifer 2008.
8. http://www.doingbusiness.org/law-library.
9. The annual data collection exercise is an update of the database. The *Doing Business* team and the contributors examine the extent to which the regulatory framework has changed in ways relevant for the features captured by the indicators. The data collection process should therefore be seen as adding each year to an existing stock of knowledge reflected in the previous year's report, not as creating an entirely new data set.
10. While about 10,700 contributors provided data for this year's report, many of them completed a questionnaire for more than one *Doing Business* indicator set. Indeed, the total number of contributions received for this year's report is more than 13,500, which represents a true measure of the inputs received. The average number of contributions per indicator set and economy is just over 6. For more details, see http://www.doingbusiness.org/contributors/doing-business.
11. These are reforms for which *Doing Business* is aware that information provided by the *Doing Business* report was used in shaping the reform agenda.
12. One study using *Doing Business* indicators illustrates the difficulties in using highly disaggregated indicators to identify reform priorities (Kraay and Tawara 2011).