



Doing Business Methodology Feedback Submission

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The Charter Cities Institute submitted the following responses to the World Bank’s [call for feedback](#) on strengthening the methodology of its Doing Business project.

Does the Doing Business report cover the right areas of business regulation? Are there possible new areas for inclusion (e.g., support for digital transformation) as well as potential for streamlining and/or eliminating existing components of Doing Business? Please elaborate.

First, the current Doing Business components should remain in place. These components offer a useful lens into the state of the regulatory environment in each country. While Doing Business likely can never capture the full breadth of formal sector regulatory costs firms face, the data reported provides a basis for reform in lower-performing countries. The detailed accounting of the processes involved in each component of Doing Business can help guide reform efforts that reduce the time, cost, and difficulty of doing business in the formal sector in countries dominated by informal activity.

Second, Doing Business should continue to collect “Employing Workers” data, even if this information is not included in the ranking methodology. All data made available by Doing Business can be of use to policymakers and to researchers and should remain available.

Third, Doing Business should expand the “Getting Electricity” component. To do so, Doing Business should attempt to measure the cost of and regulatory obstacles regarding off-grid or other alternative power sources. Doing so would offer a clearer picture of the true burden firms face when blackouts are frequent.

Fourth, regarding digital transformation, Doing Business should account for mobile device support throughout the measured components. While digitization is of course not fully complete across countries, mobile device access for completing regulatory procedures is the next phase of this process. Given the importance of mobile devices in economic activity throughout the Global South, accounting for the ability of business owners to navigate the regulatory environment using their devices captures an emerging dimension of the nature of business.

Finally, Doing Business should expand its coverage of secondary cities to as many countries as possible. Regional differences in state capacity, economic development, and other factors can be masked by national-level data that only draws from the country's largest business city. This data can help policymakers in more countries better allocate scarce resources across the entities responsible for the various components measured by Doing Business, creating more equitable and efficient outcomes for entrepreneurs.

How would you improve the Doing Business data gathering process, including the process for identifying contributors, ensuring accurate and independent responses, and providing appropriate data transparency?

Where possible, Doing Business should collaborate with other international organizations including development banks, regional organizations, and other such entities to collect data that is accurate, independent, and transparent.

Does the Doing Business approach strike the right balance between streamlining regulations (e.g., "Starting a business") and providing public services (e.g., "Contract enforcement") for a business-friendly environment, and how would you improve it? Similarly, does the Doing Business approach strikes the right balance between measuring the cost, quality, and benefits of regulation, and how would you improve it?

To the extent possible, Doing Business should try to include data on the market-supporting services provided by governments, such as effective infrastructure and courts. Accounting for such components keeps in the spirit of Doing Business, which is to assess the costs associated with doing business, while also demonstrating the benefits for business of an effective, responsive government.

Doing Business is not the right setting for a direct comparison of the costs and benefits of regulatory action. Doing Business was created to measure the relative regulatory burden of starting and operating a business in each country. This is an intrinsically valuable exercise that should continue. The extent to which entrepreneurship and economic formalization is viable only for well-off elites is an important measure of a country's institutional development and the opportunities it provides to its citizens. Institutions are the principal determinant of economic outcomes, and Doing Business provides a valuable approximation of institutional quality. Measuring the benefits of regulatory action is likewise a valuable exercise, however, such an exercise should be conducted independently of Doing Business. Measuring the costs of doing business is a relatively straightforward exercise, whereas accounting for the benefits of regulatory action represents a larger and more opaque empirical exercise.

How would you improve the Doing Business approach in capturing de jure regulations and their de facto (yet norm-abiding) implementation?

To capture the difference between de jure regulations and their de facto implementation, Doing Business should incorporate data from the World Bank's Enterprise Surveys. The Enterprise Surveys capture valuable data from many different firms' actual experiences, rather than just that of Doing Business' sample firm. Supplementing the data collected by Doing Business with data on corruption and other such factors accounted for in the Enterprise Surveys can create a much clearer picture of the true ease of doing business, rather than simply the on-paper costs. This divergence is notably highlighted in Part 1, Chapter III of Building State Capability (2017) by Andrews, Pritchett, and Woolcock.

Deeper analysis in this area can help identify the conditions (income level, institutional structures, etc.) at which de facto implementation of regulation begins to more closely mirror de jure regulation, as well as the relative increases or decreases in the cost of doing business realized by firms as this transformation takes place.

Do you have any additional feedback on the Doing Business report?

The previous point about the intrinsic value of the Doing Business exercise is reiterated here. Taking stock of the costs of doing business in the formal economy is a valuable exercise that offers useful insight into a country's institutional quality. The best method to continue this vitally important project while also answering the concerns of critics about a regulatory "race to the bottom" is to expand coverage of more market-supporting government services. Greater investment in infrastructure, courts, and other public services is good for business, but also good for society at-large. Increased accounting of socially useful services with implications for business can help make the rankings a more holistic exercise that remain true to the core mission of assessing the cost of doing business.