



Audit Report: Ease of Doing Business Indicators **World Bank Group FACT SHEET, July 2018**

Background

Doing Business is a World Bank Group flagship report that measures aspects of business regulation affecting domestic small and medium-size firms, covering 11 areas of business regulation across 190 economies. Over the past fifteen years, governments have increasingly turned to *Doing Business* as a repository of actionable, objective data providing unique insights into good practices worldwide as they have come to understand the importance of business regulation as a driving force of competitiveness.

After concerns were raised in the media in early 2018 over Chile's rankings in the *Doing Business* report, the World Bank commissioned an independent external audit led by Randall K. Morck, the Stephen A. Jarislowsky Distinguished Chair in Finance and Professor at the University of Alberta Business School.

The audit team has shared their findings with World Bank management. The audit included a comprehensive examination of the methodology the World Bank used to improve and expand the Ease of Doing Business indicators during 2014-2016, as well as a detailed inspection of original documents and computer records.

Audit Findings

- The audit finds that **allegations of manipulation of individual economies' Ease of Doing Business indicators are "entirely without evidence."**
- The reviewers stated that the published indicators are **"consistent with the data entered into the World Bank's Global Indicators & Analysis Data Management System and with the methodologies the World Bank uses for the year in question."** They also note that **"The data entered into the system are consistent with the survey responses the World Bank collected."**
- The audit also notes that the World Bank conducts multi-level inter-departmental reviews of the data coding process, and that **"Thorough and comprehensive reviews make manipulating the data or programming to affect the indicators of a single country exceedingly improbable."**
- Regarding methodology changes, the findings note that **"Methodology changes reflect World Bank staff's genuine efforts to improve the indicators."**
- Further, the audit notes that "Chile is less affected by methodology changes than many other economies **More importantly, most methodology changes affect Chile less than they affect the average economy."**

Management welcomes the thoughtful and thorough findings of the Doing Business external review, and we are gratified to see that the review found the previous allegations concerning the integrity of the report and the broader Doing Business team to be unfounded and without merit.

Recommendations from the Findings

- 1) The World Bank may wish to minimize methodology changes in existing indicators except to fix confirmed problems with existing methodology.**

“To minimize future controversy over methodology revisions, the World Bank may wish to adopt a conservative approach: limiting methodology changes in existing indicators to cases where substantive problems are identified and must be corrected....If methodology changes to existing indicators are necessary, the World Bank may wish to favor changes that can be applied retrospectively to prior years’ data as well as current and future years’ data....The World Bank may also wish to consider allocating resources to back-calculate prior years data where this is feasible.”

- 2) The World Bank may wish to incorporate additional aspects of the ease of doing business with new indicators, rather than with methodological changes to existing indicators.**

“Avoiding all methodology changes is obviously unrealistic. To remain useful, the indicators must change to reflect newly appreciated aspects of the ease of doing business. Previously neglected but clearly important issues, such as gender parity, are certain to arise from time to time. Comparability of the indicators and rankings across years cannot be the World bank’s only concern.”

- 3) Developments in how researchers, policy-makers, and the media use the indicators suggest that, going forward, the World Bank may wish to consider assigning a much greater weight to preserving comparability in the indicators across all years.**

“The World Bank weighs comparability of the indicators across multiple years against keeping the indicators relevant in implementing methodology changes. Such compromises might be avoidable if the World Bank produced an alternative set of stable indicators, specifically designed to be comparable across years, which meaningfully tracked economies’ institutional development or backsliding. Changes in economies’ rankings by these measures would then also be meaningful.”

- 4) The World Bank may wish to provide a set of stable Doing Business Development indicators and rankings, based solely on subcomponents of the Ease of Doing Business indicators free of major methodology changes.**

“To avoid confusion, the stable indicators might be given a different name – we suggest Doing Business Development Indicators – to stress that their purpose is tracking institutional development relevant to the ease of doing business. This would also distinguish them from the primary Ease of Doing Business Indicators, whose methodologies could be modified to reflect newly appreciated issues.”

- 5) The World Bank may wish to establish objective methodologies to continuously update distance-to-frontier [DTF] endpoints needing updating to avoid renewed controversy about methodology changes.**

“As institutions develop worldwide, some DTF endpoints may need to change. The World Bank currently contemplates revising these endpoints every five years. Such abrupt changes invite renewed controversy about methodology-driven changes in the indicators every five years. The World Bank may wish to consider developing objective and mechanical ways of gradually adjusting DTF endpoints likely to require revision to avoid renewed problems associated with abrupt methodology change.”

Bank Group management is closely considering the recommendations from the reviewers on these technical issues and will take steps to implement improvements as necessary. A management response on the recommendations is available [here](#). **The Doing Business Index remains a unique and invaluable tool for countries looking to improve their business climate, and we believe that going forward it will be an even stronger and more vital report.**