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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 attempted 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 after an independent investigation found that senior World Bank officials improperly influenced results in previous iterations of report, including to improve China’s ranking.

Proponents credited the DBR with driving pro-growth reforms in developing countries, but skeptics criticized it for penalizing countries for adopting labor and safety protections. The World Bank is in the process of developing a new approach to assess the business and investment climate in countries.

The circumstances surrounding the cancellation of the DBR and the planning its revival in a new format raise a number of issues for Congress, including the value of the DBR and its successor, the research independence of international organizations, and China’s role at the World Bank. Congress authorizes and appropriates U.S. funding to the World Bank and other international finance institutions (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 had been a critical 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, captured 294 individual regulatory reforms. **Figure 1** illustrates the multiple steps involved with opening a new business that the DBR sought to measure.

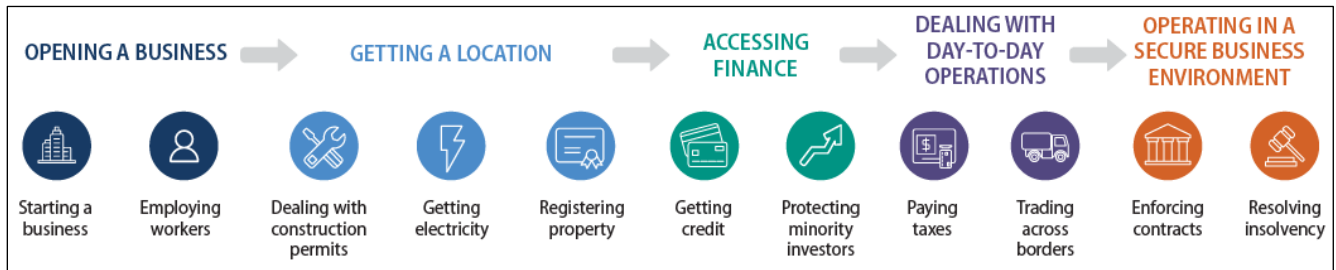
The number of countries in the report expanded from 133 countries in 2003 to 190 in 2020. Based on the quantitative data, the report annually ranked countries on the “ease of doing business.” The most recent U.S. ranking was 6, behind South Korea at 5.

### Impact of the Report

The DBR rankings were widely cited and influential. Politicians in developing countries cited the World Bank’s rankings in their political campaigns, and major international newspapers regularly reported on the DBR. 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. According to Google Scholar, the phrase “Doing Business Report” is included in more than 10,000 academic articles.

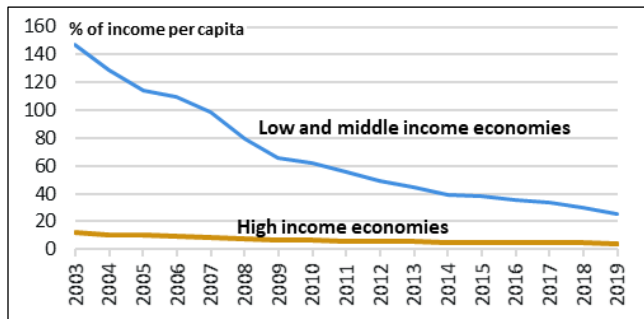
By simplifying a complex group of regulatory policies into a single metric, the Bank created competitive pressure among countries to introduce policies to improve their rankings. For example, the World Bank noted in a 2008 series of case studies, King Abdullah of Saudi Arabia declared in 2006, “I want Saudi Arabia to be among the top ten countries in *Doing Business* in 2010.” 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 (**As the report gained prominence, criticisms also emerged. Critics argued that the report ignored the social benefits of regulation and encouraged countries to engage in a regulatory “race-to-the-bottom.” The World Bank reformed the DBR 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 and maximum work hours per week.**

**Figure 2).**

**Figure 1. Doing Business Report Coverage Areas**

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

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**Figure 2. Cost of Starting a Business in Developing Economies**

**Source:** World Bank, Doing Business Database.

Even with reforms, some concerns remained. 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.” In contrast, an analyst 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

In January 2021, the World Bank engaged the U.S.-based law firm, WilmerHale, 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. WilmerHale 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.

In September 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 WilmerHale 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 in October 2021, supporting her continued leadership at the IMF.

### The World Bank’s New Approach

In February 2022, the World Bank published a “pre-concept note” about a new approach for assessing business and investment climates across countries. Tentatively called the Business Enabling Environment (BEE), the objective is to quantitatively assess the business environment for private sector development, focusing on innovation and entrepreneurship, equality of opportunities, and general sustainability of the economy. The pre-concept note stresses that the BEE is an “attempt to strike better balances as a business environment assessment,” incorporating, for example, the provision of public services key for functioning markets. The World Bank expects to publish the BEE Manual and Guide and the BEE Methodological Handbook in the second quarter of 2023.

### Select Policy Questions facing 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. Issues surrounding the DBR and

the BEE raise a number of policy issues for Congress. For example:

- The report by WilmerHale included recommendations to limit political interference in the DBR, such as embargoing the rankings until the report is finalized and making the underlying data available to external researchers. To what extent is the BEE incorporating these recommendations?
- How should BEE treat labor and safety standards, unionization, and minimum wages in its assessments of a country's business environment?
- What measures has the World Bank adopted to limit political influence in its research?
- What steps are being taken at the World Bank, and other IFIs, to promote non-retaliation policies and encourage staff reporting of concerns?
- How does the BEE fit with reform efforts at the World Bank to focus more on global public goods?

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