

## What to expect

*Doing Business 2009* will bring updates to the 10 sets of indicators reported in this year's edition. It may also incorporate some further improvements in methodology.

Beyond this, *Doing Business 2009* will reflect research on 3 new topics: not paying bribes, opportunities for women and infrastructure (starting with electricity). It will present the findings either as new analysis on the benefits of reforms or as new or developing sets of indicators. Whether the analysis and indicators become a standard part of *Doing Business* depends on the quality of the research and the ability to sustain the new indicators. Quality will be judged by academic peers, through the journal refereeing process. Sustainability will be judged on the basis of the cost of producing these indicators every year.

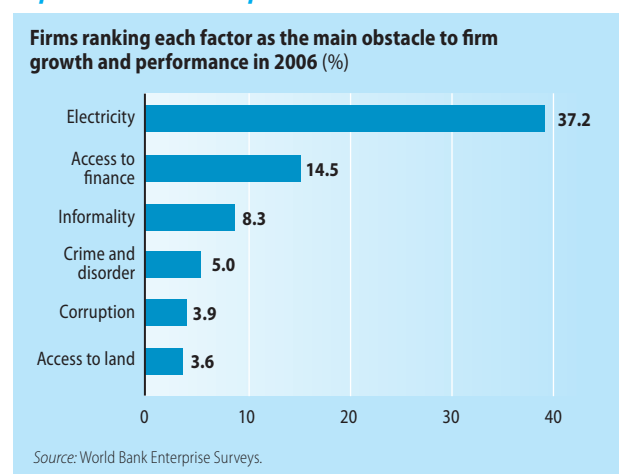
The choice of these research topics is natural. The research to construct indicators on not paying bribes and on infrastructure is motivated by evidence from the World Bank Enterprise Surveys on the main obstacles businesses face.<sup>1</sup> Corruption and poor access to infrastructure appear among the top constraints to business growth in most African countries, in many Middle Eastern and South Asian countries and in some Central American countries (figure 12.1).

Earlier editions of *Doing Business* have shown that burdensome business regulations hurt women the most. But more analysis is needed on what types of reforms

most benefit working women. Expanding job and business opportunities for women is likely to have a large impact on economic growth. Precisely how large can be measured if new data are collected and analyzed. That's what the *Doing Business* team is set to do.

This chapter describes the analysis so far and the work that will take place in the coming year. The research on not paying bribes is most advanced, followed by the analysis on opportunities for women and the preliminary work on infrastructure.

FIGURE 12.1  
*Top obstacles to enterprises in Africa*



## Not paying bribes

In June 2005 the U.S. media reported that the previous year a defense contractor had bought the house of a U.S. congressman, Randy Cunningham, for \$1,675,000. A month later the contractor put the property back on the market, where it eventually sold for \$975,000. At the time Cunningham was a member of the defense appropriations committee. Soon after purchasing the house, the contractor began to receive tens of millions of dollars in defense and intelligence contracts.

Cunningham resigned in late 2005 after pleading guilty to accepting at least \$2.4 million in bribes and underreporting his income the previous year. In March 2006 he received a prison sentence of 8 years and 4 months.

This case would have taken longer to resolve had Cunningham not underreported his income in the disclosure forms that all members of the U.S. Congress file annually. The ability of the media and prosecutors to access these disclosures and point out inconsistencies made all the difference.

That is the focus of ongoing research by the *Doing Business* team: the ability of citizens, the media and prosecutors to monitor whether the actions of government officials are dictated by their private interests.<sup>2</sup> In every country the texts of relevant laws and regulations are collected. As for existing *Doing Business* topics, local partners are identified as contributors, in this case partners knowledgeable about the rules on public procurement and disclosure. Two global partnerships, one with PricewaterhouseCoopers Legal Services and one with Lex Mundi law firms, are also helping verify data.

In 80% of countries that require members of the legislature to disclose their financial or business interests, disclosure requirements also apply to the executive. In countries where there are separate regulations for each branch, both sets are compiled.

Some examples: OECD high-income countries require extensive disclosure on the business interests of public officials. All but one require annual public disclosure on such things as sources of income other than the official's salary, all equity stakes held and all positions held on company boards of directors—as well as disclosure of interests when deciding on laws or contracts that may affect their income (for example, a contract that may be awarded to a business in which a public official has a stake). In South Asia only a third of countries require such disclosure.

Even where public officials are required to make such disclosures, there are differences. In Austria, New Zealand, Switzerland and the United Kingdom legislators are required to disclose the names of all companies in which they have a business interest. In other countries legislators must report only the value of equity holdings and other investments, without naming the companies in which assets are held.

Many countries prohibit legislators from serving on company boards or as company officers. These include the Czech Republic, Georgia, Israel, Russia and Vietnam. Others, such as Lithuania and Slovenia, go even further, prohibiting any employment outside parliament.

Across the current research sample, 79% of countries require disclosure of interests. Among these, more than half mandate that these disclosures be available for public scrutiny. Half a dozen countries, mostly in Latin America and the Caribbean, allow disclosure to the public only when certain conditions are met.

Physical access to disclosures also varies. In the United Kingdom disclosures are available on the House of Commons website. In Pakistan they are published in the official gazette each year. In Moldova the registrar will e-mail you disclosures upon request. In more than a dozen countries you would have to pay the registrar a visit to access disclosures. In some, you would need to submit a request to the chairing committee of the parliament, which decides whether to grant access to disclosures.

In every country where public disclosure is mandated by law, the research team has requested the files of the first 5 members of parliament in alphabetical order. The process of obtaining these disclosures is documented in a time-and-motion study like those done for existing *Doing Business* indicators. The disclosure forms received are then studied to assess the extensiveness and completeness of the information filed.

What remains to be done? The analysis of collected data has started, with a first research paper expected in November 2007. The findings will then be subjected to peer review.

A second area of work is to compare these newly constructed indicators with existing ones. Three previous initiatives have informed the discussion on transparency. The first, conducted by Transparency International, is based on a number of perception surveys. The second, by the World Bank Institute, has similar sources of data but uses a more rigorous methodology for aggregation.

The third is the most recent, conducted by Global Integrity.<sup>3</sup> Like the ongoing *Doing Business* research in this area, it also covers public disclosure. Unlike the *Doing*

*Business* research, its main source of information is local experts on disclosure requirements, not an analysis of the text of the law.

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## Opportunities for women

The *Doing Business* project commits to a 2-year research program on reforms that improve the job and business opportunities for women. The analysis will be developed in 3 directions.

First, it will identify laws and regulations that discriminate against women. For example, until 2006 Lesotho's law hindered women from becoming landowners and engaging in legal acts such as entering into a contract. Similarly, 2 dozen countries have labor laws that prevent women from having the same freedom to work as men. One example is Kuwait, which in June 2007 passed a law prohibiting women from working between 8 p.m. and 7 a.m., even if they want to. A few countries consider women legal minors and do not allow them standing in court. Instead, a woman must be represented by her husband, father or brother. And several countries do not allow married women to start a business on their own, requiring their husband's consent.

Several other areas of regulation, now beyond the scope of *Doing Business*, also reduce opportunities for women to find a job or start a business. One is inheritance law. In some regions, such as East Africa, women have fewer inheritance rights than men. That makes it harder to show collateral to the bank when starting a business. More important, it sometimes makes it impossible for women to provide for their children if their husband leaves or dies. Other regulatory requirements—such as the need to obtain a husband's consent before getting a passport, or to locate a business in licensed commercial premises—may also indirectly affect women's ability to participate fully in business. The research will study the legal restrictions that women face in such areas.

Second, analyses will identify the traditional reforms

—as captured in existing *Doing Business* indicators—that have the biggest benefits for women. Reforms that reduce informality disproportionately benefit women, because they make up a large share of the informal economy. This year's report documents the link between the ease of doing business and the shares of women among workers and among entrepreneurs (see figure 1.7, page 7). In the next 2 years research will focus on reforms that do the most to increase these shares. This work will use the World Bank Enterprise Surveys, which have data on women entrepreneurs and the share of women in total employment since 2005.

Third, the *Doing Business* team will prepare case studies on women entrepreneurs and describe the reasons for their success as well as the main obstacles they face in expanding their business. These case studies may identify additional reforms that the study of laws and regulations might have missed. In particular, even after a government reforms, the prevailing practice takes some time to change.

In areas such as these, the case studies can lead to communication campaigns to promote the benefits of reform. In Uganda, for example, women's groups formed a coalition to lobby for reforms in business law that would especially benefit women. The result: more awareness of the need for reform and new bills drafted by the Ministry of Finance, now awaiting approval by the attorney general. These include the Companies Bill, the Chattels Transfer Act and personal property and securities laws.

Findings in these 3 areas of research will be reported in a stand-alone publication on opportunities for women. Just as for existing *Doing Business* indicators, all research will be subjected to peer review at academic journals.

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## Infrastructure

A variety of indicators on infrastructure services are available. But these typically measure outcomes: kilometers of paved roads, number of telephone lines, percentage of households connected to running water. Indicators like these have 2 limits. First, since building infrastructure is expensive, the cross-country comparisons show an obvious pattern: rich countries have good infrastructure, and

poor countries don't. Second, if a reformist government wants to make its mark by improving infrastructure services, it can do little to change these indicators in a short time. Heavy investment is needed.

What a reformer can do is adopt regulation that facilitates expansion in infrastructure services. A reformer can also simplify the process of hooking up to these services for new businesses. These are the 2 aspects of

infrastructure services on which the *Doing Business* team is constructing new indicators.

The first set of indicators builds on a specific case: an unexpected rise in electricity demand in the country has created opportunities for expansion. The case study documents the process that a private or public utility goes through to procure the components needed to extend the electricity distribution grid.

The second set looks at the process of obtaining a power connection, a water connection and a telephone line for a newly constructed building. The number of procedures for getting these services, and the associated time and cost, are recorded. The study does not compare prices of these services after the building is connected. That would involve detailed knowledge of subsidy policies, which is beyond the scope of *Doing Business*.

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## Notes

1. The World Bank Enterprise Surveys collect information on the main constraints that businesses perceive as well as some hard data on the time and cost of complying with particular regulations. The surveys in Latin America are done in cooperation with the Inter-American Development Bank. Those in Eastern Europe and the former Soviet Union are done in cooperation with the European Bank for Reconstruction and Development. Each year more than 30 surveys are conducted. Data for more than 100 countries are available at <http://www.enterprisesurveys.org>.
2. The research is done jointly with scholars at Dartmouth College, Harvard University and the University of Nice.
3. For information, go to <http://www.globalintegrity.org/> and look for Global Integrity Index 2006.