What does *Doing Business* measure?

**Doing Business indicators:**

- Focus on regulations relevant to the life cycle of a small to medium-sized domestic business.
- Are built on standardized case scenarios.
- Are measured for the most populous city in each country, and the second largest business city in countries with more than 100 million inhabitants.
- Are focused on the formal sector.

**DO NOT** measure all aspects of the business environment such as security, macro-economic stability, prevalence of bribery and corruption, level of training and skills of the labor force, proximity to markets, regulations specific to foreign investment or the state of the financial system.
The 11 areas of business regulation measured by *Doing Business* affect firms throughout their life cycle

### At start-up
- Starting a business
- Labor market regulation

### In daily operations
- Paying taxes
- Trading across borders

### In getting a location
- Dealing with construction permits
- Getting electricity
- Registering property

### In getting financing
- Getting credit
- Protecting minority investors

New components in *DB2015*

New components in *DB2016*
What *Doing Business* continues to cover and what it is adding

<table>
<thead>
<tr>
<th>What <em>Doing Business</em> continues to cover?</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Procedures, time, cost and paid-in minimum capital to start a business</td>
</tr>
<tr>
<td>• Procedures, time and cost to complete all formalities to build a warehouse</td>
</tr>
<tr>
<td>• Procedures, time and cost to get connected to the electrical grid</td>
</tr>
<tr>
<td>• Procedures, time and cost to transfer a property</td>
</tr>
<tr>
<td>• Movable collateral laws and credit information systems</td>
</tr>
<tr>
<td>• Minority shareholders’ rights in related-party transactions</td>
</tr>
<tr>
<td>• Payments, time and total tax rate for a firm to comply with all tax regulations</td>
</tr>
<tr>
<td>• Documents, time and cost to export and import by seaport</td>
</tr>
<tr>
<td>• Procedures, time and cost to resolve a commercial dispute</td>
</tr>
<tr>
<td>• Time, cost, outcome and recovery rate for a commercial insolvency</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>What DB2015 report adds</th>
</tr>
</thead>
<tbody>
<tr>
<td>• More features on the strength of legal rights and depth of credit information</td>
</tr>
<tr>
<td>• More features on minority shareholders’ rights</td>
</tr>
<tr>
<td>• A measure of the strength of the legal framework for insolvency</td>
</tr>
<tr>
<td>• An additional city in the 11 economies with a population of more than 100 million</td>
</tr>
<tr>
<td>• Ease of doing business ranking based on the distance to frontier score</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>What DB2016 report will add</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Measure of the quality of building regulations</td>
</tr>
<tr>
<td>• Measures of the reliability of the electricity supply</td>
</tr>
<tr>
<td>• Measures of the quality of the land administration system</td>
</tr>
<tr>
<td>• Measures of requirements associated with exporting the product of comparative advantage, and importing auto parts from natural trading partners</td>
</tr>
<tr>
<td>• Measures of the quality of the judicial administration system</td>
</tr>
</tbody>
</table>
For countries with more than 100 million inhabitants, an extra city was added to the *Doing Business* measures. These countries are: Bangladesh, Brazil, China, India, Indonesia, Japan, Mexico, Nigeria, Pakistan, the Russian Federation, and the United States.
How were the ranking calculations done before?

**Ordinal Ranking**

Summarize data per sub-indicator → Calculate average percentile per indicator → Order all economies by average percentile

**Example (Germany):**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Simple average of percentile ranks</th>
<th>Germany ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting a business</td>
<td>0.64</td>
<td>151</td>
</tr>
<tr>
<td>Dealing with construction permits</td>
<td>0.22</td>
<td>16</td>
</tr>
<tr>
<td>Getting electricity</td>
<td>0.05</td>
<td>4</td>
</tr>
<tr>
<td>Registering property</td>
<td>0.49</td>
<td>88</td>
</tr>
<tr>
<td>Getting credit</td>
<td>0.18</td>
<td>23</td>
</tr>
<tr>
<td>Protecting investors</td>
<td>0.29</td>
<td>51</td>
</tr>
<tr>
<td>Paying taxes</td>
<td>0.49</td>
<td>93</td>
</tr>
<tr>
<td>Trading across borders</td>
<td>0.16</td>
<td>16</td>
</tr>
<tr>
<td>Enforcing contracts</td>
<td>0.11</td>
<td>5</td>
</tr>
<tr>
<td>Resolving insolvency</td>
<td>0.05</td>
<td>10</td>
</tr>
<tr>
<td><strong>Simple Average</strong></td>
<td><strong>0.27</strong></td>
<td></td>
</tr>
</tbody>
</table>
How are rankings calculated in DB2015?

Cardinal Ranking

<table>
<thead>
<tr>
<th>Summarize data per sub-indicator</th>
<th>Normalize data at the sub-indicator level</th>
<th>Average at the topic level and then across all topics to get the overall score</th>
<th>Order all economies by overall score</th>
</tr>
</thead>
</table>

Example (Germany): Each indicator $y$ is rescaled to $(\text{worst} - y) / (\text{worst} - \text{frontier}) \times 100$

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Simple average of cardinal measure for Germany</th>
<th>Final rank per indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting a business</td>
<td>81.38</td>
<td>114</td>
</tr>
<tr>
<td>Dealing with construction permits</td>
<td>87.42</td>
<td>8</td>
</tr>
<tr>
<td>Getting electricity</td>
<td>98.37</td>
<td>3</td>
</tr>
<tr>
<td>Registering property</td>
<td>67.78</td>
<td>89</td>
</tr>
<tr>
<td>Getting credit</td>
<td>70</td>
<td>23</td>
</tr>
<tr>
<td>Protecting investors</td>
<td>59.17</td>
<td>51</td>
</tr>
<tr>
<td>Paying taxes</td>
<td>77.02</td>
<td>68</td>
</tr>
<tr>
<td>Trading across borders</td>
<td>87.67</td>
<td>18</td>
</tr>
<tr>
<td>Enforcing contracts</td>
<td>76.74</td>
<td>13</td>
</tr>
<tr>
<td>Resolving insolvency</td>
<td>91.78</td>
<td>3</td>
</tr>
</tbody>
</table>

**Simple average & final rank**

79.73  14
New computation of ranking - from percentile ranking to DTF ranking in DB2015

The difference of the two ranking calculations
(based on DB2014 data)

- The distance to frontier measure benchmarks economies with respect to a measure of regulatory best practice—showing the gap between each economies’ performance and the best performance on each indicator.

- Although the ranking generated from the distance to frontier scores and the percentile rank are highly correlated, the distance to frontier measure captures more information than the percentile rank because it includes not only the ordering of economies but also how far apart they are.

- Economies with higher variance across topics are more likely to have a less favorable classification in the distance to frontier rank than in the percentile rank.

Source: Doing Business database.
Note: The correlation between the distance to frontier ranking and the percentile ranking is 0.99.
Methodology changes in DB2015

The Doing Business 2015 report incorporates important changes, in order to expand the focus in indicator sets to also cover aspects of the quality of services and recent good practices in the areas covered.

- **Getting credit**
  - The methodology has been revised for both the strength of legal rights index and the depth of credit information index to cover more good practices
    1. Strength of legal rights index additionally covers: Integrated legal rights framework & more features of the collateral registry
    2. Depth of credit information index additionally covers: Existence of an online platform to exchange credit information & availability of credit scores

- **Protecting minority investors**
  - The scope of the indicator set was expanded to also measure shareholders’ rights in corporate governance beyond related-party transactions
    1. Shareholders’ rights and role in major corporate decisions (extent of shareholder rights index)
    2. Governance structure (strength of governance structure index)
    3. Transparency (extent of corporate transparency index)
    4. Ease of shareholder suits index expanded to take into account the allocation of legal expenses

- **Resolving insolvency**
  - This year’s report introduces a new measure: the strength of insolvency framework index, evaluating the adequacy and integrity of the legal framework applicable to liquidation and reorganization proceedings.

- **Paying taxes**
  - Change in DTF ranking calculation: total tax rate component now enters the score in a nonlinear fashion (> approach different from that used for all other indicators).
Methodology changes in DB2016 (1)

Registering property

Examines the steps, time and cost involved in registering property, assuming a standardized case of an entrepreneur who wants to purchase land and a building that is already registered and free of title dispute.

New index measuring the underlying quality of the land administration system:

• **Reliability**: How does the land registration system work? How does the topographical and cadastral mapping system work? Are they interconnected?
• **Transparency**: How can the information at the land registry and/or at the topographical and cadastral mapping system be accessed? Are the fee schedules publicly available?
• **Coverage**: What percentage of the land plots are registered and mapped?
• **Disputes**: Who is held responsible if there are mistakes in the transaction? How long does it take to get a decision on a land dispute case?

The new data were collected for 170 economies in 2014 and can be downloaded from: http://www.doingbusiness.org/methodology/methodology-expansion
Tracks the procedures, time and cost required for a business to obtain a permanent electricity connection for a newly constructed warehouse.

**New** Measures of the quality of power supply:

- **System Average Interruption Duration Index (SAIDI)** is the average outage duration for each customer served, and is calculated as the sum of all customer interruption durations divided by the total number of customers served. SAIDI is measured in units of time, often minutes or hours. It is usually measured over the course of one year.

- **System Average Interruption Frequency Index (SAIFI)** is the average number of interruptions that a customer would experience, and is calculated as the total number of customer interruptions divided by the total number of customers served. SAIFI is measured in units of interruptions per customer. It is usually measured over the course of one year.
Assesses the efficiency of the judicial system by following the evolution of a commercial sale dispute over the quality of goods and tracking the time, cost and number of procedures involved from the moment the plaintiff files the lawsuit until payment is received.

An index measuring the good practices in resolving commercial disputes:

- **Quality of the judgment:** Existence of commercial court, existence of small claims court, availability of voluntary mediation, publication of judgments, existence of pre-trial attachment, usage of adjournments.
- **Efficiency of the processes:** Existence of electronic filing, existence of electronic case management, existence of electronic services of process.

The new data were collected for 162 economies in 2014 and can be downloaded from: http://www.doingbusiness.org/methodology/methodology-expansion
Tracks the procedures, time and costs to build a warehouse—including obtaining necessary licenses and permits, completing required notifications and inspections and obtaining utility connections (water and sewage).

An index measuring the underlying quality of construction regulations and controls:

• What is covered in the building regulations and how accessible are the regulations?
• What are the quality controls before construction, during construction and after construction?
• Who is held legally liable for constructions flaws? Who is legally required to get insurance against construction flaws?
• What are the qualification requirements for the professionals in charge of the project?

New index on the quality of construction regulations to be added to the ranking

The new data were collected for 170 economies in 2014 and can be downloaded from: http://www.doingbusiness.org/methodology/methodology-expansion
Methodology changes in DB2016 (5A)
Trading across borders: Exporting

- The shipment travels from a warehouse in the main business city of the exporter to a warehouse in the main business city of the importer.

- **Export product** is a shipment of economy’s main export product that weighs 15 tons.

- **Export product differs by economy** and it is the main export product of an economy as determined by data on trade value.
  - Minerals, raw materials, live animals, pharmaceutical products and precious metals and gems are excluded from the list of possible export products and the second largest product category is then considered.
  - UNCOMTRADE data and ancillary governmental sources used to identify product and partner.

- **Export partner is determined by** who is the largest trading partner based on data on trading value of the main export product.
  - Trade over land, air and/or sea or any combination is considered
  - The most widely used method of transportation, as well as the most widely used seaport/airport/border crossing is assumed.
Methodology changes in DB2016 (5B)
Trading across borders: Importing

- The shipment travels from a warehouse in the main business city of the exporter to a warehouse in the main business city of the importer.

- **Import product** for all 189 economies is a shipment of containerized auto parts that weigh 15 tons.
  - ✓ It is assumed that shipping cost based on weight is greater than shipping cost based on volume.

- **Import partner** for each economy is determined by who is the largest trading partner based on data on trading value of auto parts.
  - ✓ Trade over land, air and/or sea or any combination is considered
  - ✓ UNCOMTRADE data and ancillary governmental sources used to identify main import partner.
  - ✓ The most widely used method of transportation, as well as the most widely used seaport/airport/border crossing is assumed.
THANK YOU!

Questions

www.doingbusiness.org
ANNEX:

What did *Doing Business* add in DB2015?
1. Getting credit

Measures two sets of issues—the strength of credit reporting systems and the effectiveness of collateral and bankruptcy laws in facilitating lending.

Expanding the scope of the indicator:

- **In credit information systems** - Can banks and financial institutions access the credit information online? Does the credit information system provide credit score and make it available to all service subscribers?

- **In legal rights** - Does the economy have an integrated/unified legal framework for secured transactions? Is the collateral registry a notice based registry? Does the collateral registry count with modern features (such as online search)?
2. Protecting minority investors

Measures the strength of minority shareholder protections against misuse of corporate assets by directors for their personal gain.

New Measuring minority investors rights beyond related-party transactions:

- **Shareholder rights** - Can shareholders amend bylaws and articles of association? Can shareholders request an extraordinary meeting?
- **Governance structure** - Is there a minimum mandatory number or percentage of non-executive, independent board members? Can the CEO also be the chairman of the board of directors?
- **Non-financial disclosure** - Is there a mandatory minimum frequency of financial statements?

New index on minority investors rights to be added to the ranking
3. Resolving insolvency

Measures the time, cost, outcome and recovery rate of insolvency proceedings involving a domestic firm.

An index measuring the strength of the insolvency legal framework:

- **Commencement** – Who can initiate insolvency proceedings?
- **Treatment of contracts** – Can contracts continue the same way as outside insolvency? Are there specific rules on the continuation of contracts?
- **Reorganization proceedings** – Who can vote on the reorganization plan? How is priority to post-commencement credit assigned?
- **Creditor’s rights** – Which decisions need creditors’ approval?

The ranking on the ease of resolving insolvency indicator will be based on the recovery rate and the index measuring the strength of the legal framework for insolvency.
4. Paying taxes

Measures the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year, as well as measures the administrative burden in paying taxes.

**Indicator ranking calculation**

Changing the way the total tax rate is captured in the paying taxes ranking. Above the threshold the total tax rate would enter the ranking in a non-linear fashion such that increases in the total tax rate near the threshold have a smaller impact in the ranking than increases further from the threshold.