Economic activity requires sensible rules that encourage firm start-up and growth and avoid creating distortions in the marketplace. Doing Business focuses on the rules and regulations that can help the private sector thrive—because without a dynamic private sector, no economy can provide a good, and sustainable, standard of living for people. Doing Business measures the presence of rules that establish and clarify property rights, minimize the cost of resolving disputes, increase the predictability of economic interactions and provide contractual partners with core protections against abuse.

The Doing Business data highlight the important role of the government and government policies in the day-to-day life of domestic small and medium-size firms. The objective is to encourage regulations that are designed to be efficient, accessible to all who use them and simple in their implementation. Where regulation is burdensome, it diverts the energies of entrepreneurs away from developing their businesses. But where regulation is efficient, transparent and implemented in a simple way, it becomes easier for businesses to innovate and expand—and easier for aspiring entrepreneurs to compete on an equal footing. Indeed, Doing Business values good rules as a key to social inclusion. Enabling growth—and ensuring that all people, regardless of income level, can participate in its benefits—requires an environment where new entrants with drive and good ideas can get started in business and where good firms can invest and grow.

Doing Business was designed with two main types of users in mind: policy makers and researchers. It is a tool that governments can use to design sound business regulatory policies. Nevertheless, the Doing Business data are limited in scope and should be complemented with other sources of information. Doing Business focuses on a few specific rules relevant to the specific case studies analyzed. These rules and case studies are chosen to be illustrative of the business regulatory environment, but they are not a comprehensive description of that environment. Doing Business is also an important source of information for researchers. It provides a unique data set that enables analysis aimed at better understanding the role of business regulation in economic development.

WHAT DOES DOING BUSINESS MEASURE?

Doing Business captures several important dimensions of the regulatory environment as it applies to local firms. It provides quantitative indicators on regulation for starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency (table 2.1). Doing Business also measures features of labor market regulation. This year’s report does not present rankings of economies on the labor market regulation indicators or include the topic in the aggregate distance to frontier score or

- Doing Business measures aspects of business regulation affecting domestic small and medium-size firms in 11 areas across 189 economies. Ten of these areas—starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency—are included in the distance to frontier score and ease of doing business ranking. Doing Business also measures features of labor market regulation, which is not included in these two measures.

- Doing Business does not capture other aspects of the business environment, such as security, market size, macroeconomic stability and the prevalence of bribery and corruption.

- The Doing Business methodology is based on standardized case scenarios in the largest business city of each economy. In addition, for 11 economies a second city is covered.

- The subnational Doing Business studies complement the global report by going beyond the largest business city in selected economies.

- Doing Business relies on four main sources of information: the relevant laws and regulations, Doing Business respondents, the governments of the economies covered and the World Bank Group regional staff.
ranking on the ease of doing business. It does present the data for these indicators.

Four sets of indicators—dealing with construction permits, getting electricity, registering property and enforcing contracts—have been expanded for this year’s report to measure aspects of regulatory quality. One indicator set—trading across borders—has been redesigned to increase the relevance of what is measured. (For details on what is new in these indicator sets, see the chapter on what is changing in Doing Business.)

**How the indicators are selected**

The choice of the 11 sets of Doing Business indicators has been guided by economic research and firm-level data, particularly data from the World Bank Enterprise Surveys. These surveys provide data highlighting the main obstacles to business activity as reported by entrepreneurs in more than 135 economies. For example, among the factors that the surveys have identified as important to businesses have been access to finance and access to electricity—inspiring the design of the Doing Business indicators on getting credit and getting electricity.

The design of the Doing Business indicators has also been informed by theoretical insights gleaned from extensive research and the literature on the role of institutions in enabling economic development. In addition, the background papers developing the methodology for each of the Doing Business indicator sets have established the importance of the rules and regulations that Doing Business focuses on for such economic outcomes as trade volumes, foreign direct investment, market capitalization in stock exchanges and private credit as a percentage of GDP.

**Two aggregate measures**

Doing Business presents data both for individual indicators and for two aggregate measures—the distance to frontier score and the ease of doing business ranking—to provide different perspectives on the data. The distance to frontier score aids in assessing the absolute level of regulatory performance and how it improves over time. This measure shows the distance of each economy to the “frontier,” which represents the best performance observed on each of the indicators across all economies in the Doing Business sample since 2005 or the third year in which data were collected for the indicator. (For indicators calculated as scores, such as the strength of legal rights index or the quality of land administration index, the frontier is set at the highest possible value.) This allows users both to see the gap between a particular economy’s performance and the best performance at any point in time and to assess the absolute change in the economy’s regulatory environment over time as measured by Doing Business.

For each topic covered and for all topics, Doing Business uses a simple averaging approach for weighting component indicators, calculating rankings and determining the distance to frontier score. Each topic covered by Doing Business relates to a different aspect of the business regulatory environment. The distance to frontier scores and rankings of each economy vary, often substantially, across topics, indicating that strong performance by an economy in one area of regulation can coexist with weak performance in another (figure 2.1).

A quick way to assess the variability of an economy’s regulatory performance is to look at its distance to frontier scores across topics (see the country tables). The Kyrgyz Republic, for example, has an overall distance to frontier score of 66.01, meaning that it is two-thirds of the way from the worst to the best performance. Its distance to frontier score is 92.94 for

<table>
<thead>
<tr>
<th>Indicator set</th>
<th>What is measured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting a business</td>
<td>Procedures, time, cost and paid-in minimum capital to start a limited liability company</td>
</tr>
<tr>
<td>Dealing with construction permits</td>
<td>Procedures, time and cost to complete all formalities to build a warehouse and the quality control and safety mechanisms in the construction permitting system</td>
</tr>
<tr>
<td>Getting electricity</td>
<td>Procedures, time and cost to get connected to the electrical grid, the reliability of the electricity supply and the cost of electricity consumption</td>
</tr>
<tr>
<td>Registering property</td>
<td>Procedures, time and cost to transfer a property and the quality of the land administration system</td>
</tr>
<tr>
<td>Getting credit</td>
<td>Movable collateral laws and credit information systems</td>
</tr>
<tr>
<td>Protecting minority investors</td>
<td>Minority shareholders’ rights in related-party transactions and in corporate governance</td>
</tr>
<tr>
<td>Paying taxes</td>
<td>Payments, time and total tax rate for a firm to comply with all tax regulations</td>
</tr>
<tr>
<td>Trading across borders</td>
<td>Time and cost to export the product of comparative advantage and import auto parts</td>
</tr>
<tr>
<td>Enforcing contracts</td>
<td>Time and cost to resolve a commercial dispute and the quality of judicial processes</td>
</tr>
<tr>
<td>Resolving insolvency</td>
<td>Time, cost, outcome and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency</td>
</tr>
<tr>
<td>Labor market regulation</td>
<td>Flexibility in employment regulation and aspects of job quality</td>
</tr>
</tbody>
</table>
starting a business, 90.59 for registering property and 79.98 for dealing with construction permits. At the same time, it has a distance to frontier score of 34.66 for resolving insolvency, 43.95 for getting electricity and 49.49 for enforcing contracts.

**WHAT DOES DOING BUSINESS NOT MEASURE?**

Doing Business does not cover many important policy areas, and even within the areas it covers its scope is narrow (table 2.2). Doing Business does not measure the full range of factors, policies and institutions that affect the quality of an economy’s business environment or its national competitiveness. It does not, for example, capture aspects of security, market size, macroeconomic stability, the state of the financial system, the prevalence of bribery and corruption or the level of training and skills of the labor force.

Even within the relatively small set of indicators included in Doing Business, the focus is deliberately narrow. The trading across borders indicators, for example, capture the time and cost required for the logistical process of exporting and importing goods, but they do not measure the cost of tariffs or of the international transport. Thus through these indicators Doing Business provides a narrow perspective on the infrastructure challenges that firms face, particularly in the developing world. It does not address the extent to which inadequate roads, rail, ports and communications may add to firms’ costs and undermine competitiveness (except to the extent that the trading across borders indicators indirectly measure the quality of ports). Similar to the indicators on trading across borders, those on starting a business or protecting minority investors do not cover all aspects of commercial legislation. And while Doing Business measures only a few aspects within each area that it covers, business regulation reforms should not focus just on these aspects, because those that it does not measure are still important.

Doing Business does not attempt to measure all costs and benefits of a particular law or regulation to society as a whole. For example, the paying taxes indicators measure the total tax rate, which, in isolation, is a cost to businesses. The indicators do not measure, nor are they intended to measure, the benefits of the social and economic programs funded through tax revenues. Measuring quality and efficiency in business regulation provides one input into the debate on the regulatory burden associated with achieving regulatory objectives. These
objects can differ across economies. Doing Business provides a starting point for this discussion and should be used in conjunction with other data sources.

**WHAT ARE THE STRENGTHS AND LIMITATIONS OF THE METHODOLOGY?**

The Doing Business methodology was designed to be an easily replicable way to benchmark certain aspects of business regulation. It has advantages and limitations that should be understood when using the data (table 2.3).

A key consideration for the Doing Business indicators is that they should ensure comparability of the data across a global set of economies. The indicators are therefore developed around standardized case scenarios with specific assumptions. One such assumption is the location of a notional business—the subject of the Doing Business case study—in the largest business city of the economy. The reality is that business regulations and their enforcement may differ within a country, particularly in federal states and large economies. But gathering data for every relevant jurisdiction in each of the 189 economies covered by Doing Business would be infeasible. Nevertheless, where policy makers are interested in generating data at the local level, beyond the largest business city, Doing Business has complemented its global indicators with subnational studies (box 2.1). And starting in last year’s report, Doing Business has extended its coverage to the second largest business city in economies with a population of more than 100 million as of 2013.

Doing Business recognizes the limitations of the standardized case scenarios and assumptions. But while such assumptions come at the expense of generality, they also help ensure the comparability of data. For this reason it is common to see limiting assumptions of this kind in economic indicators.

Some Doing Business topics are complex, and so it is important that the standardized cases are carefully defined. For example, the standardized case scenario usually involves a limited liability company or its legal equivalent. There are two reasons for this assumption. First, private, limited liability companies are the most prevalent business form for firms with more than one owner in many economies around the world. Second, this choice reflects the focus of Doing Business on expanding opportunities for entrepreneurship: investors are encouraged to venture into business when potential losses are limited to their capital participation.

Another assumption underlying the Doing Business indicators is that entrepreneurs have knowledge of and comply with applicable regulations. In practice, entrepreneurs may not know what needs to be done or how to comply and may lose considerable time trying to find out. Alternatively, they may deliberately avoid compliance altogether—by not registering for social security, for example. Where regulation is particularly onerous, firms may opt for bribery and other informal arrangements intended to bypass the rules—an aspect that helps explain differences between the de jure data provided by Doing Business and the de facto insights offered by World Bank Enterprise Surveys. In economies with particularly burdensome regulation, levels of informality tend to be higher. Compared with their formal sector counterparts, firms in the informal sector typically grow more slowly, have poorer access to credit and employ fewer workers—and these workers remain outside the protections of labor law. Firms in the informal sector are also less likely to pay taxes. Doing Business measures one set of factors that help explain the occurrence of informality and give policy makers insights into potential areas of regulatory reform.

<table>
<thead>
<tr>
<th>Feature</th>
<th>Advantages</th>
<th>Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of standardized case scenarios</td>
<td>Makes the data comparable across economies and the methodology transparent</td>
<td>Reduces the scope of the data and means that only regulatory reforms in the areas measured can be systematically tracked</td>
</tr>
<tr>
<td>Focus on largest business city*</td>
<td>Makes the data collection manageable (cost-effective) and the data comparable</td>
<td>Reduces the representativeness of the data for an economy if there are significant differences across locations</td>
</tr>
<tr>
<td>Focus on domestic and formal sector</td>
<td>Keeps the attention on where regulations are relevant and firms are most productive—the formal sector</td>
<td>Fails to reflect reality for the informal sector—important where that is large—or for foreign firms where they face a different set of constraints</td>
</tr>
<tr>
<td>Reliance on expert respondents</td>
<td>Ensures that the data reflect the knowledge of those with the most experience in conducting the types of transactions measured</td>
<td>Results in indicators that do not measure the variation in experiences among entrepreneurs</td>
</tr>
<tr>
<td>Focus on the law</td>
<td>Makes the indicators “actionable”—because the law is what policy makers can change</td>
<td>Fails to reflect the reality that where systematic compliance with the law is lacking, regulatory changes will not achieve the full results desired</td>
</tr>
</tbody>
</table>

a. In economies with a population of more than 100 million as of 2013, Doing Business covers business regulation in both the largest business city and the second largest one.
BOX 2.1 Comparing regulation at the local level: subnational Doing Business studies

The subnational Doing Business studies expand the Doing Business analysis beyond the largest business city of an economy. They measure variation in regulations or in the implementation of national laws across locations within an economy (as in South Africa) or a region (as in Central America). Projects are undertaken at the request of governments.

Data collected by subnational studies over the past two years show that there can be substantial variation within an economy (see figure). In Mexico in 2013, for example, registering a property transfer took as few as 2 days in Colima and as many as 74 in Mexico City. Indeed, within the same economy one can find locations that perform as well as economies ranking in the top 20 on the ease of registering property and locations that perform as poorly as economies ranking in the bottom 40 on that indicator.

Different locations, different regulatory processes, same economy

Source: Subnational Doing Business database.

Note: The average time shown for each economy is based on all locations covered by the data: 15 locations and governorates in the Arab Republic of Egypt in 2013, 31 states and Mexico City in Mexico in 2013, 36 cities in Nigeria in 2014, 18 cities in Poland in 2014 and 9 cities in South Africa in 2015.

The subnational Doing Business studies create disaggregated data on business regulation. But they go beyond a data collection exercise. They have proved to be strong motivators for regulatory reform at the local level:

- The data produced are comparable across locations within the economy and internationally, enabling locations to benchmark their results both locally and globally. Comparisons of locations that are within the same economy and therefore share the same legal and regulatory framework can be revealing: local officials find it hard to explain why doing business is more difficult in their jurisdiction than in a neighboring one.
BOX 2.1 Comparing regulation at the local level: subnational Doing Business studies (continued)

• Pointing out good practices that exist in some locations but not others within an economy helps policy makers recognize the potential for replicating these good practices. This can prompt discussions of regulatory reform across different levels of government, providing opportunities for local governments and agencies to learn from one another and resulting in local ownership and capacity building.

Since 2005 subnational reports have covered 437 locations in 65 economies, including Colombia, the Arab Republic of Egypt, Italy, the Philippines and Serbia. Fifteen economies—including Indonesia, Mexico, Nigeria and the Russian Federation—have undertaken two or more rounds of subnational data collection to measure progress over time. This year subnational studies were completed in the Dominican Republic, Poland, South Africa, Spain and six countries in Central America. Ongoing studies include those in Afghanistan (5 cities), Kenya (10 cities), Mexico (31 states and Mexico City) and the United Arab Emirates (3 emirates).


affect firm behavior and economic outcomes.

Many of the Doing Business indicators can be considered “actionable,” measuring aspects over which governments have direct control. For example, governments can reduce (or even eliminate) the minimum capital requirement for new firms. They can invest in company and property registries to increase the efficiency of these public agencies. They can improve the efficiency of tax administration by adopting the latest technologies to facilitate the preparation, filing and payment of taxes by businesses. And they can undertake court reforms to shorten delays in the enforcement of contracts. On the other hand, some Doing Business indicators capture costs that involve private sector participants, such as lawyers, notaries, architects, electricians or freight forwarders—costs over which governments may have little influence in the short run.

While many Doing Business indicators are actionable, this does not necessarily mean that they are always “action-worthy” in a particular context. And Doing Business data do not indicate which indicators are more “action-worthy” than others. Business regulation reforms are one element of a strategy aimed at improving competitiveness and establishing a solid foundation for sustainable economic growth. There are many other important goals to pursue—such as effective management of public finances, adequate attention to education and training, adoption of the latest technologies to boost economic productivity and the quality of public services, and appropriate regard for air and water quality to safeguard people’s health. Governments have to decide what set of priorities best fits the needs they face. To say that governments should work toward a sensible set of rules for private sector activity does not suggest that they should be doing so at the expense of other worthy economic and social goals.

FIGURE 2.2 How Doing Business collects and verifies the data

Data sources:
• The relevant laws and regulations
• Responses to questionnaires by private sector practitioners and government officials
• Governments
• World Bank Group regional staff

Steps included in the data verification process:
• Conference calls and videoconferences with private sector practitioners and government officials
• Travel to selected economies

The Doing Business team develops questionnaires for each topic and sends them to private sector practitioners and government officials.

The Doing Business team analyzes the relevant laws and regulations along with the information in the questionnaires.

Governments and World Bank Group regional teams submit information on regulatory changes that could potentially be included in the global count of regulatory reforms.

The Doing Business team shares preliminary information on reforms with governments (through the World Bank Group’s Board of Executive Directors) and World Bank Group regional teams for their feedback.

The Doing Business team analyses the data and writes the report. Comments on the report and the data are received from across the World Bank Group through an internal review process.

The report is published and disseminated.

HOW ARE THE DATA COLLECTED?

The Doing Business data are based on a detailed reading of domestic laws and regulations as well as administrative requirements. The data cover 189 economies—including small economies and some of the poorest economies, for which little or no data are available in other data sets. The data are collected through several rounds of interaction with expert respondents (both private sector practitioners and government officials)—through responses to questionnaires,
conference calls, written correspondence and visits by the team. Doing Business relies on four main sources of information: the relevant laws and regulations, Doing Business respondents, the governments of the economies covered and the World Bank Group regional staff (figure 2.2). For a detailed explanation of the Doing Business methodology, see the data notes.

**Relevant laws and regulations**

Most of the Doing Business indicators are based on laws and regulations. Indeed, around two-thirds of the data embedded in the Doing Business indicators are based on a reading of the law. Besides filling out written questionnaires, Doing Business respondents provide references to the relevant laws, regulations and fee schedules. The Doing Business team collects the texts of the relevant laws and regulations and checks questionnaire responses for accuracy. For example, the team will examine the commercial code to confirm the paid-in minimum capital requirement, look at the legislation to see whether borrowers have the right to work with legal practitioners or other professionals who regularly undertake the transactions involved. Following the standard methodological approach for time-and-motion studies, Doing Business breaks down each process or transaction, such as starting a business or registering a building, into separate steps to ensure a better estimate of time. The time estimate for each step is given by practitioners with significant and routine experience in the transaction.

Doing Business does not survey firms for two main reasons. The first relates to the frequency with which firms engage in the transactions captured by the indicators, which is generally low. For example, a firm goes through the startup process once in its existence, while an incorporation lawyer may carry out 10 such transactions each month. The incorporation lawyers and other experts providing information to Doing Business are therefore better able to assess the process of starting a business than are individual firms. They also have access to the latest regulations and practices, while a firm may have faced a different set of rules when incorporating years before. The second reason is that the Doing Business questionnaires mostly gather legal information, which firms are unlikely to be fully familiar with. For example, few firms will know about all the many legal procedures involved in resolving a commercial dispute through the courts, even if they have gone through the process themselves. But a litigation lawyer should have little difficulty in providing the requested information on all the procedures.

**Governments and World Bank Group regional staff**

After receiving the completed questionnaires from the Doing Business respondents, verifying the information against the law and conducting follow-up inquiries to ensure that all relevant information is captured, the Doing Business team shares the preliminary descriptions of regulatory reforms with governments (through the World Bank Group’s Board of Executive Directors) and with regional staff of the World Bank Group. Through this process government authorities and World Bank Group staff working on
most of the economies covered can alert the team about, for example, regulatory reforms not picked up by the respondents or additional achievements of regulatory reforms already captured in the database. In response to such feedback, the Doing Business team turns to the local private sector experts for further consultation and, as needed, corroboration. In addition, the team responds formally to the comments of governments or regional staff and provides explanations of the scoring decisions.

Data adjustments
Information on data corrections is provided in the data notes and on the Doing Business website. A transparent complaint procedure allows anyone to challenge the data. From November 2014 to October 2015 the team received and responded to more than 170 queries on the data. If changes in data are confirmed, they are immediately reflected on the website.

NOTES
1. The focus of the Doing Business indicators remains the regulatory regime faced by domestic firms engaging in economic activity in the largest business city of an economy. Doing Business was not initially designed to inform decisions by foreign investors, though investors may in practice find the data useful as a proxy for the quality of the national investment climate. Analysis done in the World Bank Group’s Global Indicators Group has shown that countries that have sensible rules for domestic economic activity also tend to have good rules for the activities of foreign subsidiaries engaged in the local economy.
2. For more on the World Bank Enterprise Surveys, see the website at http://www.enterprisesurveys.org.
4. For getting credit, indicators are weighted proportionally, according to their contribution to the total score, with a weight of 60% assigned to the strength of legal rights index and 40% to the depth of credit information index. In this way each point included in these indices has the same value independent of the component it belongs to. Indicators for all other topics are assigned equal weights. For more details, see the chapter on the distance to frontier and ease of doing business ranking.
7. One study using Doing Business indicators illustrates the difficulties in using highly disaggregated indicators to identify reform priorities (Kraay and Tawara 2013).
8. For the law library website, see http://www.doingbusiness.org/law-library.
9. The annual data collection exercise is an update of the database. The Doing Business team and the contributors examine the extent to which the regulatory framework has changed in ways relevant for the features captured by the indicators. The data collection process should therefore be seen as adding each year to an existing stock of knowledge reflected in the previous year’s report, not as creating an entirely new data set.
10. While more than 11,400 contributors provided data for this year’s report, many of them completed a questionnaire for more than one Doing Business indicator set. Indeed, the total number of contributions received for this year’s report is more than 14,100 which represents a true measure of the inputs received. The average number of contributions per indicator set and economy is just under seven. For more details, see http://www.doingbusiness.org/contributors/doing-business.