

*May 13, 2013*

## **Open letter to the President of the World Bank and its Executive Directors**

The World Bank's Doing Business Report benchmarks 185 countries on important aspects of the business environment for small and medium sized firms. The spirit of Doing Business is to enable people everywhere to be successful on the basis of sensible rules, not on the basis of special connections or corruption. The data shed light on important institutional features that matter for economic growth and poverty reduction.

The data and the rankings provided by Doing Business make for helpful benchmarking tools. They lead countries to consider and tackle important institutional challenges. Precisely due to the power of the data criticism persists.

The report has, again, come under scrutiny at the time of its 10<sup>th</sup> anniversary. The World Bank President has appointed a special commission to review the report and make recommendations. All options are on the table including, at the extreme, abolition of the report. We are concerned about this. We feel the arguments about the Doing Business Report are by now well known. The report itself provides a model of transparency about data sources, methodology, uses of data and limitations of the data. The way forward is not to question the basics of the report, but to move ahead with further improvements and additions.

As an input for the deliberations by the World Bank's Board of Directors and its President, we offer the following view on basic directions to take. The view is informed by the attached review of the Doing Business indicators. The review was agreed by Daron Acemoglu (Professor at the Massachusetts Institute of Technology), Paul Collier (Professor at Oxford University, former Research Director at the World Bank), Simon Johnson (Professor at the Massachusetts Institute of Technology and former IMF Chief Economist), Michael Klein (former World Bank Group Vice-president and co-founder of Doing Business) and Graeme Wheeler (former Managing Director of the World Bank and now Governor of the Reserve Bank of New Zealand).

In particular, we believe that

- the indicators provide informative measures about institutional arrangements that are useful for the development of all countries,
- the indicators are a step forward in the development of measures of institutions
- the summary measures, whether the sub-indicators or the overall "ease of doing business" measure, are useful benchmarking tools
- policy-makers have typically used the indicators well

Going forward, the World Bank should

- continue to maintain, update and publish all the existing Doing Business indicators including aggregate ranking
- continue to improve the indicators and their collection
- continue to explain both the uses and the limitations of the indicators
- ensure that policy analysis places the indicators in the relevant country context drawing on complementary data sets
- make proposals for further indicators that shed light on important institutional arrangements underpinning economic development

**This letter was drafted and circulated as a private initiative of the authors of the underlying review of Doing Business mentioned above. It was not commissioned and does not necessarily reflect the views of the institutions they are or were affiliated with.**