

About the World Bank Group *Doing Business* Annual Reports

The World Bank Group *Doing Business* project and report began in 2003 with the publication of *Doing Business 2004*. This year's report is the 12th edition. The project was the first of its kind to offer a non-perception-based approach to measuring business regulation on a microeconomic level.

Doing Business is one of the four flagship reports of the World Bank Group, with tens of thousands of media mentions over the years. In addition, some 2,024 research articles published in peer-reviewed academic journals and more than 5,098 working papers available through Google Scholar refer to the *Doing Business* data.

Doing Business focuses on regulations applying to small and medium-size domestic enterprises across 10 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. *Doing Business* also measures labor market regulation, which is not included in any of the aggregate measures.

These areas are covered by two types of indicators. Those of the first type measure the complexity and cost of regulatory processes—assessing the efficiency with which a local entrepreneur can complete a common transaction, such as incorporating a company or getting an electricity connection, while complying with all relevant rules and regulations. Those of the second type measure the strength of legal institutions—assessing specific features of local business laws such as those relating to protecting minority investors or getting credit. In both these examples, a higher score is assigned for features providing stronger protections of minority investors or secured creditors.

To make the data comparable across economies, the indicators are based on standardized case scenarios with specific assumptions about the enterprise—generally a domestic limited liability company operating in the largest business city. In 11 large economies with more than 100 million inhabitants, data are now also collected for the second largest business city. While helping to ensure comparability, this approach also has limitations. Moreover, while *Doing Business* captures several important dimensions of the regulatory environment as they apply to local firms, it does not measure all aspects of the business environment that matter to firms and investors or that affect the competitiveness of an economy. For example, it does not measure security, macroeconomic stability, corruption, the skills of the labor force, the underlying strength of institutions, or the quality of infrastructure services (other than services related to trading across borders and getting electricity). Nor does it focus on regulations specific to foreign investment.

Ten topics are included in the aggregate ease of doing business ranking. The ranking is based on the distance to frontier score, a measure that enables economies to evaluate how their regulatory environment for local businesses has changed over time.

The ease of doing business ranking ranges from 1 to 189. The ranking of economies is determined by sorting their aggregate distance to frontier scores. These are calculated as the simple average of the distance to frontier scores for each of the 10 topics included in the aggregate distance to frontier score in *Doing Business 2015*. This aggregate score does not include the labor market regulation indicators.

The distance to frontier score, introduced in *Doing Business 2012*, shows the distance of each economy to the “frontier”—which represents the best performance observed on each of the *Doing Business* indicators across all economies since 2005 or the third year in which data for the indicator were collected. The measure is normalized to range between 0 and 100, with 100 representing the frontier. The measure does not include the labor market regulation indicators.

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