On October 29, 2014, the World Bank Group will publish the 12th edition of the annual flagship report *Doing Business,* which measures the ease of doing business in 189 economies worldwide. This year's report introduces a notable expansion of several indicator sets and a change in the calculation of rankings.

About the *Doing Business* report series: *Doing Business* analyzes regulations that apply to businesses over their life cycle, including start-up and operations, trading across borders, paying taxes, and resolving insolvency. The aggregate ease of doing business ranking includes 10 areas of regulation and covers 189 economies. *Doing Business* does not measure all aspects of the business environment that matter to firms and investors. For example, it does not measure security, market size, macroeconomic stability or the prevalence of bribery and corruption. Its findings have stimulated policy debates worldwide and enabled a growing body of research on how business regulation relates to economic outcomes across economies.

The title of this year's report is ***Doing Business 2015: Going Beyond Efficiency****.*

What's new this year?
Each year the report team works to improve the methodology and to enhance data collection, analysis and output. With a key goal being to provide an objective basis for understanding and improving the regulatory environment for local businesses in economies around the world, the project goes through rigorous reviews to ensure its quality and effectiveness. The project has benefited from feedback from many stakeholders over the years.

***Doing Business 2015* is introducing three main changes:**

1- An additional city in 11 economies:
For the first time in the history of the publication, *Doing Business* is covering a second city in the 11 economies with a population of more than 100 million. These 11 economies are Bangladesh, Brazil, China, India, Indonesia, Japan, Mexico, Nigeria, Pakistan, the Russian Federation, and the United States. Adding a second city enables a subnational comparison and benchmarking against other large cities.

2- Expanded coverage for three of the 10 topics:
This year's report expands the scope of three indicator sets: resolving insolvency, protecting minority investors and getting credit.

Since their inception, the resolving insolvency indicators have measured the time, cost and outcome of an insolvency process for a case study firm and the recovery rate for its secured creditors. Thus the indicators have focused mainly on the efficiency of the bankruptcy court system. In this year's report the indicators go further, explicitly measuring the strength of the insolvency legal framework. A new indicator, the strength of insolvency framework index, measures good practices in accordance with the World Bank's *Principles for Effective Insolvency and Creditor/Debtor Regimes* and the United Nations Commission on International Trade Law's (UNCITRAL) *Legislative Guide on Insolvency Law*. The index measures four aspects:

- Whether debtors and creditors have the right to commence liquidation proceedings, reorganization proceedings or both and what standard is used to determine whether a debtor is insolvent
- What happens to the contracts of a debtor during insolvency proceedings, whether post-commencement financing is permitted and what level of priority is granted to post-commencement creditors
- What the approval process is for a reorganization plan and whether there are certain substantive requirements for the plan

- The extent to which creditors can participate in insolvency proceedings as a group and whether individual creditors have the right to litigate and appeal decisions that affect their rights

The name of the protecting investors indicator set has been changed this year to protecting minority investors to better reflect its focus. The scope of the indicator set has also been expanded—through the addition of a new indicator, the extent of shareholder governance index. The new indicator encompasses four main areas:

- Shareholders' rights and role in major corporate decisions
- Governance structure—the extent to which the law mandates separation between corporate constituencies to minimize potential agency conflicts
- Transparency—the extent to which companies are required to disclose information about their finances
- Allocation of legal expenses—the extent to which the expenses associated with lawsuits brought by shareholders can be recovered from the company or the payment of the expenses can be made contingent upon a successful outcome

Getting credit indicators have been expanded to cover more good practices. The strength of legal rights index has been expanded from 10 points to 12, with the new aspects selected in accordance with, among others, the UNCITRAL *Legislative Guide on Secured Transactions*. One of the new points is awarded to economies for having an integrated secured transactions system. Other new points are awarded for having a well-functioning collateral registry, defined by several characteristics (such as offering modern features, being notice-based and covering all types of secured transactions). The depth of credit information index has been expanded from six points to eight. One of the new points is awarded to economies where credit information can be accessed through an online platform or through a system-to-system connection between financial institutions and the credit reporting service provider. Another new point is awarded to economies where credit scores based on credit bureau or credit registry data are available. In addition, only credit bureaus or registries that cover at least 5% of the adult population are being scored.

Future plans for the *Doing Business* report include expansion of five additional indicator sets: dealing with construction permits, getting electricity, registering property, paying taxes and enforcing contracts.

3- Aggregate ranking based on the distance to frontier score:

The ease of doing business ranking is now based on the distance to frontier score. This measure shows how close each economy is to global best practices in business regulation. A higher score indicates a more efficient business environment and stronger legal institutions.

What is the distance to frontier score?

The distance to frontier score captures the gap between an economy's performance in business regulation and a measure of best practice across 31 indicators for 10 *Doing Business* topics (the labor market regulation indicators are excluded). For starting a business, for example, Canada and New Zealand have the smallest number of procedures required (1), and New Zealand the shortest time to fulfill them (0.5 days). Slovenia has the lowest cost (0), and Australia, Colombia and 110 other economies have no paid-in minimum capital requirement.

Calculating the distance to frontier score for each economy involves two main steps. First, individual indicators are normalized to a common unit: except for the total tax rate, each of the 31 component indicators y is rescaled using the formulation (worst − y)/(worst − frontier), with the frontier representing the best performance on that indicator across all economies since 2005 or the third year in which data for the indicator were collected. Second, for each economy the scores obtained for individual indicators are aggregated through simple averaging into one distance to frontier score, first for each topic and then across all 10 topics: 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.

What is the ease of doing business ranking?
The ease of doing business ranking ranges from 1 to 189, with 1 being the highest ranking. The ranking of economies is determined by sorting their aggregate distance to frontier scores. For the 11 economies for which a second city was added in this year's report, the distance to frontier score is calculated as the population-weighted average of the distance to frontier scores for the 2 cities covered.

Why are these changes needed?
The changes in methodology introduced this year are geared toward broadening the use of the data by policy makers and researchers. By expanding its focus on regulatory quality, *Doing Business* will open a new area for research. The aim is to help develop a greater understanding of the importance of the quality of business regulation and its link to regulatory efficiency and economic outcomes. By continually building on the data and enhancing how the data are collected, the report team is able to dissect the business regulatory environment further and produce more global knowledge with every new publication.

Economic research is always evolving as researchers work to enhance and shape the way they study and analyze the world around us. For the *Doing Business* report, the goal is to continue to shape the product to provide an objective basis for understanding and improving the regulatory environment for local businesses in economies around the world.

Like most key international indicator sets, *Doing Business* has come a long way since its inception in 2003, and continues to be a work in progress. Compared with other key international benchmarking data sets, *Doing Business* has a relatively low data correction rate, at about 5 percent.

How should policy makers use the data?
The *Doing Business* data provide policy makers with comparisons in a critically important area: the regulatory environment for business. The data highlight bottlenecks and rigidities in the legal and regulatory system for firms, pointing to what needs to be changed when reforms are designed. Policy makers can also benefit from reviewing the experience of economies that have adopted more efficient business regulatory practices and perform well on the indicators. By broadening the scope of what it measures, *Doing Business* provides policy makers with a more complete picture of the business environment as well as new areas of consideration for their reform agenda.

For more information about the *Doing Business* reports, please visit www.doingbusiness.org and join us on doingbusiness.org/Facebook.