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DOING BUSINESS 2.0

A Better Guide for Policy Makers

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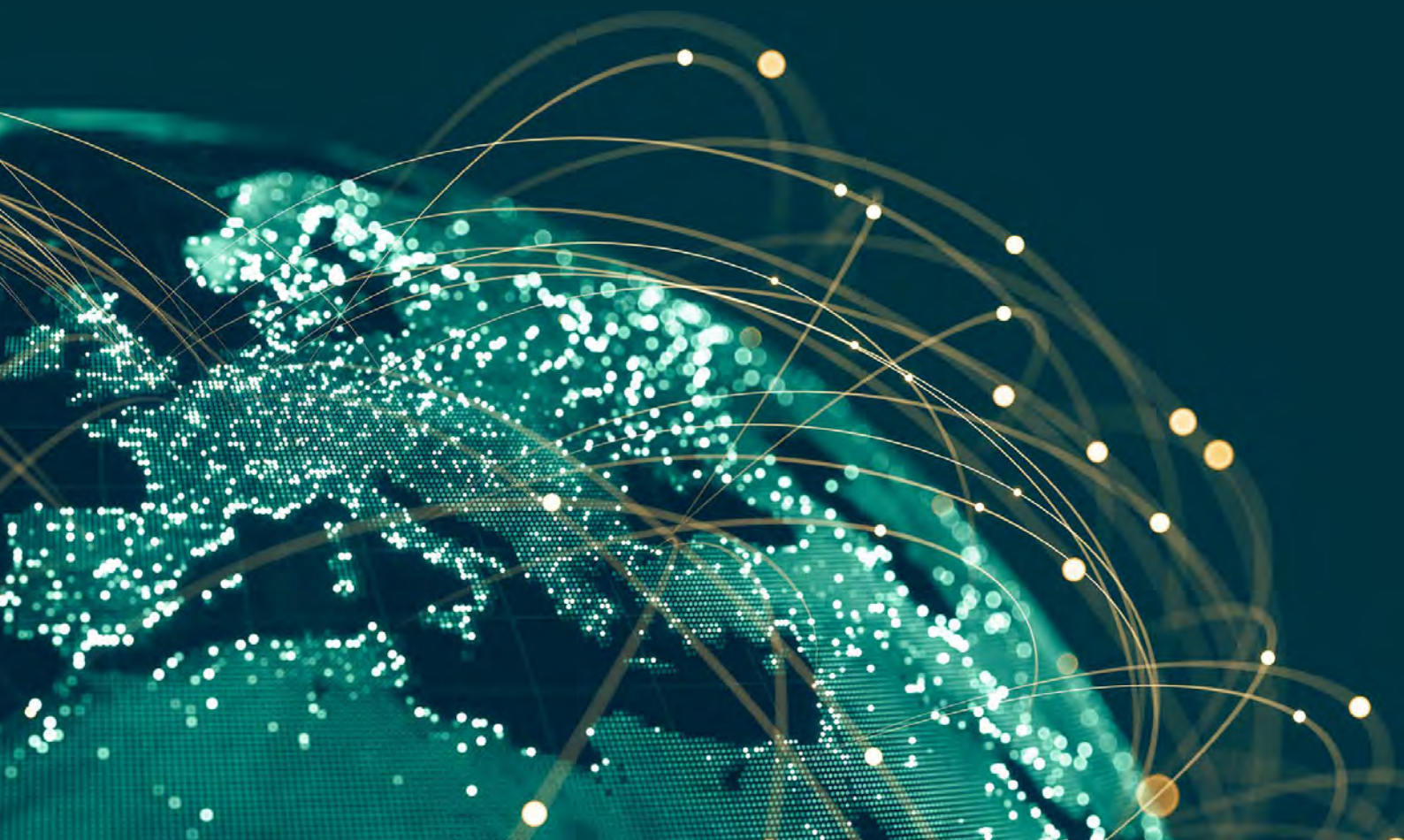

Prerelease of chapter 4 from
Economic Freedom of the World: 2022 Annual Report

Doing Business 2.0
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Simeon Djankov

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Executive Summary

The World Bank's abrupt cancellation of the *Doing Business* (DB) late last year left a huge information void for economists and governments seeking to spur economic growth and reduce poverty by increasing competitiveness. This chapter from *Economic Freedom of the World: 2022 Annual Report* lays out a path for reviving and improving *Doing Business*.

Doing Business, established in 2003, measured the efficiency of regulation in 190 jurisdictions, whether or not they created a barrier to investment and the creation of jobs and prosperity. Successful nations, particularly Scandinavian ones, topped the rankings but, in part due to *Doing Business*, many poorer nations were catching up, spurring growth.

Prior to the publication of *Doing Business*, policy makers were often unaware of the quality of their regulatory environment: *Doing Business* provided information on which policies inhibited development and on how to improve the business climate. It became the predominant global information source on the business environment, accounting for 65% of media and public citations in the area according to a Harvard study.

Doing Business fueled research. By mid-2022, about 19,500 research publications had cited the report. Twenty data projects and indices, including the Fraser Institute's *Economic Freedom of the World*, employed the report.

Improvements

This chapter, Doing Business 2.0: A Better Guide for Policy Makers lays out a path for a consortium of universities to revive *Doing Business* and improve a number of its features. The intellectual basis for *Doing Business* is a quarter century old, sufficient time for a stock-taking exercise on what we know now and what answers remain elusive. These questions can be addressed with existing scholarship or by generating new research. Seven improvements are recommended:

1. Revise assumptions about administrative and judicial procedures and documents to reflect the advance on electronic document transfer.
2. Add information on barriers faced by a majority foreign-owned businesses.
3. Restore the labor regulation indicator.
4. Develop an indicator on the positive function of government; for example, in the area of public procurement.
5. Distinguish between law and practice and develop a parallel set of indicators on the practice of regulation.
6. Work with scholars in developing economies to create country case-studies of reform.
7. Finally, the methodology should advance only on the basis of rigorous research published in peer-reviewed academic journals.

New areas of research

Further, three areas of new data collection and analysis should be considered: indicators on the regulation of intellectual property rights, regulation of expropriation risk by government, and regulation of on-line (domestic and cross-border) trade. A fourth proposed set of indicators on corruption in dealings with the government, based on disclosure of assets and income by politicians, was developed in the early stages of the project but not taken up by the World Bank. These areas are covered by other existing sets of indicators and the development of new methodology can greatly benefit from exploring the findings in the literature that uses these data.

Chapter 4 Doing Business 2.0: A Better Guide for Policy Makers

Simeon Djankov

1 Introduction

Markets exhibit failures ranging from monopoly power to externalities (Pigou, 1938). Governments counter these failures through regulation. However, there are significant differences in the regulation of business activity across countries according to the level of income, the legal origin, and the proclivity of government towards economic freedom (La Porta, Lopez-de-Silanes, Shleifer, and Vishny, 1998, 1999). Academic studies cover a wide spectrum of regulation, ranging from regulation on securities markets, to business entry and operations, corporate taxation, and property registration. Income per capita tends to enter these sets of analyses negatively and significantly: poorer countries regulate more. The direction of causation is unclear, however. Countries may be poor precisely because regulation is hostile to economic freedom.

The economic cycle also affects how governments regulate business activity. In his treatise *The Road to Serfdom* (1944/2001), Friedrich Hayek argues that the abandonment of individualism and classical liberalism inevitably leads to a loss of freedom, the creation of an oppressive society, and in some cases the tyranny of a dictator, and the serfdom of the individual (Caldwell, 2020). In times of economic crises, societies naturally demand new protections from their governments. These protections aim to enhance security at the expense of freedom. The history of previous crises teaches us that such protections tend to remain in place long after the original purpose of regulation or state intervention has abated and sometimes lead to the path Hayek predicted.

Enter the *Doing Business* project, which measures globally the efficiency in which governments regulate economic life (Djankov, Glaeser, La Porta, Lopez-de-Silanes, and Shleifer, 2003). The importance of this project lies in the analyses of determinants of freedom. As the analyses are performed both over time and

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across many countries, also using consistent methodology, they contribute to our understanding of the factors that prevent the loss of economic freedom and in fact extend such freedom both for individuals—in this case entrepreneurs—and businesses at large. These freedoms are in turn viewed from the perspective of classical liberalism as underlying the path to prosperity.

The interplay between freedom and prosperity has preoccupied practitioners and scholars throughout history. The matter was the subject of intense discussion in the period after World War II, which witnessed a sharp increase in the number of democracies in the world—from 38 in 1970 to 99 in 2019—as well as a rapid and steady increase in global income per capita. The three-quarters of a century after the end of World War II have been a golden age in terms of one narrow but key measure of prosperity, the growth of real per-capita income (or gross domestic product, GDP). This measure of global prosperity multiplied by over 425% between 1950 and 2019, before the COVID pandemic struck.

Global trade flourished after World War II: free and open maritime trade routes stretched around the world; the US dollar's status as the world's reserve currency has provided unprecedented stability to the global economy; and international bodies like the United Nations and the World Trade Organization have served as international forums to moderate and resolve disputes that otherwise may have devolved into conflict.

The benefits of this system have been impressive. The proportion of the world's population in extreme poverty has declined rapidly. Consistent data are available on a world scale only from the early 1980s but since then, estimates using the World Bank global poverty line of $1.90 (in purchasing power parity) per person, per day show that the fraction of world population in poverty in 2019 was less than a fifth of what it was in 1981—8% compared to 42%.

Other prosperity indicators have improved dramatically as well. Primary-school completion rates have risen globally from 70% in 1970 to 94% in 2019. Maternal mortality has fallen fourfold, from 600 to 140 per 100,000 live births over the past roughly 50 years. Infant mortality is now a fifth of what it was in 1970 (25 compared to 120, per 1,000 live births). These improvements in mortality have contributed to improving life expectancy, up from 52 years in 1970 to 73 years in 2019, an increase of 21 years on average.

This progress can in part be explained by the advance of human freedom overall and economic freedom, often using objective indicators to motivate reform (Vásquez, McMahon, Murphy, and Schneider, 2021; Gwartney, Lawson, Hall, and Murphy, 2021). The World Bank has done an admirable job investing in the development of the *Doing Business* methodology and collecting the data for 20 years. Now that the World Bank has discontinued the project, its continuation will be a significant undertaking for any academic institution or group of like-minded institutions. Such institutions will, however, have at their disposal all the materials and lessons learned in the initial two decades of the project. These provide for a flying restart.

The *Doing Business* project

In its two decades of existence, 2001–2020, the *Doing Business* project became one of the primary data references in the area of improving the business environment, along with Fraser Institute's *Economic Freedom of the World*, the Heritage Foundation's *Index of Economic Freedom*, and the World Economic Forum's

Global Competitiveness Index. Its first annual report was published in 2003, with the data and survey respondents made available online for immediate use by researchers. Among global indicators of the business environment, it has been estimated to hold a substantial market share.[1]

The *Doing Business* report was first published with five sets of indicators for 133 economies and by 2020 was covering eleven sets of indicators for 190 economies. The team that created *Doing Business* had been formed in 2001, during the writing of the *World Development Report 2002: Building Institutions for Markets* (World Bank, 2001). The focus on the importance of institutions in development was chosen by Nobel Prize Laureate Joseph Stiglitz, who at the time was the World Bank's Chief Economist.

The inspiration behind the project was twofold. First, some of the authors had previously researched the experience of centrally planned economies and documented the waste of entrepreneurial talent and resources that results from overregulation. Second, in his book, *The Other Path*, Hernando de Soto (1989) showed that the prohibitively high cost of establishing a business in Peru denied economic opportunity to the poor. This pattern of regulatory suppression of formal businesses was apparent in many developing economies other than Peru.

The decision of the World Bank's management to discontinue the collection of *Doing Business* data has presented a challenge for policy makers, as these data are one of the helpful aids in understanding and reforming business regulation. There had been previous attempts at moving *Doing Business* outside the World Bank as the project matured. This opportunity is now possible, should a reputable academic institution show commitment to restart the data collection and analysis, perhaps in cooperation with entities that have presence in multiple developing economies.

Twenty data projects or indices have used *Doing Business* as one of its sources of data: the Cato and Fraser Institutes' *Human Freedom Index* (HFI); the Fraser Institute's *Economic Freedom of the World* (EFW); the Heritage Foundation's *Index of Economic Freedom* (IEF); the World Economic Forum's *Global Competitiveness Index* (GCI); *Networked Readiness Index* (NRI, jointly with INSEAD); *Enabling Trade Index* (ETI); *Travel and Tourism Competitiveness Index* (TTCI); INSEAD's *Global Talent Competitiveness Index* (GTCI); *Global Innovation Index* (GII, jointly with Cornell University and the World Intellectual Property Organization); KPMG's *Change Readiness Index* (CRI); Citi and Imperial College London's *Digital Money Index*; International Institute for Management Development's *World Competitiveness Yearbook*; DHL's *Global Connectedness Index* (GCI); PricewaterhouseCoopers' *Paying Taxes 2021: The Global Picture*; Legatum Institute's *Legatum Prosperity Index*; The Millennium Challenge Corporation's *Open Data Catalog*; *International Civil Service Effectiveness* (InCiSE) index of Oxford University, Blavatnik School of Government and the Institute for Government. Two ratings agencies: Moody's and S&P, have used indicators from *Doing Business* in their institutional development or crisis resilience scores.[2]

1 Sixty-five percent share in citations in media and public *fora* according to Roberts et al., 2021.

2 Most of these projects or institutions use indicator-level data. The indicator set most widely used is starting a business, followed by labor market regulation (which is a set of indicators collected by the World Bank but not part of *Doing Business* after 2012) and paying taxes. These indexes typically combine *Doing Business* data with data from other sources to assess an economy along a dimension such as resilience, institutional development, competitiveness, or innovation.

Doing Business has also informed a substantial share of the World Bank Group's projects providing financing, advice, or technical assistance to client countries on the business environment. This portfolio consisted of 676 projects representing $15.5 billion in commitments during the 2010-to-2020 period. In the same period, *Doing Business* tracked nearly 3,000 country-level business regulatory reforms across 184 economies (of 190 measured). These results prompted praise in the 2018 external audit report: "The Ease of Doing Business indicators are one of the World Bank's most important contributions to research and public policy" (Morck and Shou, 2018: 3).

Academic researchers are another set of users. *Doing Business 2019* reported that there have been "more than 3,400 research articles discussing how regulation in the areas measured by *Doing Business* influence economic outcomes" published in peer-reviewed academic journals, 1,360 of those published in the top 100 journals, and another 9,450 "published as working papers, books, reports, dissertations or research notes" (World Bank, 2018: 32). By mid-2022, about 19,500 research publications had cited the report.[3] The background research papers that constitute the methodology have several thousand citations each, adding to the tally of academic use of the data. For instance, the inaugural paper, Regulation of Entry, has 5,450 citations in Google Scholar.[4]

A 2021 report by a panel of distinguished academics suggests ways to improve the *Doing Business* methodology. The goal of this report was stated as: "The Doing Business project is a unique source of comparable global data, relevant for researchers, businesses, and policymakers, and potentially of great value to inform decisions by governments and firms. However, to unleash that potential the current methodology should be significantly modified, implying a major overhaul of the project" (World Bank, 2021: 4). The findings in this report, alongside the findings of the previous reviews of *Doing Business*, are used in this paper to propose features of an improved product.

Section 2 elaborates on the main ingredients of a Doing Business 2.0 product. Section 3 proposes recommendations for improving the methodology, with implementation plans for each. The possible architecture of an improved product is outlined in Section 4. Section 5 lists additional sets of indicators requested by previous stakeholders. Section 6 concludes.

2 Three main ingredients of Doing Business 2.0

There have been periodic attempts at spinning off *Doing Business* from the World Bank as the project matures. By creating and developing the project the World Bank has provided a valuable public service, while recognizing that further research of the data may be better performed at an academic institution. The discussions about the possible spin-off have highlighted three main challenges in

3 Based on a Google Scholar search of the ten published peer-reviewed articles that develop the methodology of *Doing Business* (as of July 12, 2022). For example, for the *Doing Business* company entry requirements, <https://scholar.google.com/citations?view_op=view_citation&hl=en&user=rx3Gb1wAAAAJ&citation_for_view=rx3Gb1wAAAAJ:d1gkVwhDpl0C> lists 5,458 citations.

4 Google Scholar, <https://scholar.google.com/citations?view_op=view_citation&hl=en&user=rx3Gb1wAAAAJ&citation_for_view=rx3Gb1wAAAAJ:d1gkVwhDpl0C>, as of June 5, 2022.

doing so: [1] the ability of another institution to collect data globally; [2] the ability to remain independent under pressure from governments and sources of funding; and [3] the ability for doing research and disseminating the findings in a way that benefits policy makers in developing countries. Doing Business 2.0 has to address these three challenges to constitute an improvement over the initial product.

1 *Global collection of data*

As regards the first challenge, an academic institution (university) with an established track record of research and policy analysis on regulatory reform would provide an improvement over a multilateral bank with priorities in operational lending projects. The data collection and analytical work at this university can be complemented by a partner with global network of think-tanks operating in the areas of legal and economic data. The experts in these think-tanks have local knowledge of regulatory reform and the contacts to approach other local professionals in the respective fields of analysis.

A secondary question is how to recruit local partners in some of the 190 countries in which *Doing Business* operated, countries where the think-tank community is small and where university research may be still in its infancy. This gap can be addressed by expanding the reach of the current network of think-tanks. There is some experience in newly created think-tanks conducting the annual business leaders' opinion survey underlying the World Economic Forum's *Global Competitiveness Rankings*. This experience can be studied to keep the initial coverage of the project, in particular in fragile and conflict-affected countries. For the analysis to be of service to policy makers and researchers, the dataset has to keep its global coverage.

2 *Independence from governments and sources of funding*

The second challenge is to maintain independence from governments and financial sponsors. At the World Bank, there were allegations of pressure from governments to influence the data, for example in the case of Azerbaijan by "training" respondents on how to answer survey questions. Having top universities spearhead the project addresses this challenge, as universities have diversified sources of funding and apply strict ethical guidelines to the work in their research centers. The same high level of independence and scrutiny will emanate should a global network of think-tanks be involved too.

3 *Research and dissemination in developing countries*

The third challenge for a successful start of Doing Business 2.0 is to develop academic research capabilities as the regulatory environment evolves and the methodology needs to change. Such research will highlight differences between laws and practice across advanced and developing economies and ways to account for these differences in revisions to the indicator methodology. This is the area where the original product experienced the most difficulty, as few methodology changes were based on solid research. A university setting would be more amenable to the link between rigorous research and the evolution in the methodology. We return to this issue later in the paper.

A single institution is unlikely to meet all three challenges on its own. Basing the project at a university is already an improvement over the original (and thought to

be temporary) setting. The researchers and data analysts at the university would benefit from the help of experts at like-minded entities who may collect data locally and participate in the improvement of the methodology.

3 Seven ways to improve the methodology

In this section we propose several features of an improved *Doing Business* product. These features can be implemented at the restart of the project, or over the course of several years, in order to increase the credibility of the analysis. The first improvement is in revising the assumptions about administrative or judicial procedures and documents to reflect the advance on electronic document transfer. The second suggestion is to add a hypothetical case of a majority foreign-owned business. The third proposed feature is to restore the indicator of labor regulation. The fourth improvement is to develop an indicator on the positive function of government, for example in the area of public procurement. The fifth proposal is to distinguish between law and practice and develop a parallel set of indicators on the practice of regulation (Bosio, Djankov, Glaeser, and Shleifer, 2022). The penultimate suggestion is to work with scholars in developing economies to create country case studies of reform. Finally, the methodology should advance only based on rigorous research published in peer-reviewed academic journals.

3.1 Revise assumptions about "steps" and "documents"

The growth of on-line government services has aged the relevance of methodological assumptions on the number of obligatory steps, as well as the associated need for documents and time spent fulfilling these obligations. The indicators are based on some working assumptions about on-line services, for example counting on-line steps as taking half a day in starting a business.

An additional check using administrative data needs to ascertain that such services are used by the majority of businesses. Administrative data on actual usage will bridge the gap between *de jure* availability and *de facto* implementation of on-line business services. In some countries, this gap may be the result of factors outside the functioning of the specific government authority. One example is frequent electricity shortages or internet stoppage, which limit the use of government on-line services.

This methodological improvement will highlight the link between technology and regulation.

3.2 Include a hypothetical case of a majority foreign-owned firm

One frequent request for expanding the methodology is to include a case study of a foreign-owned firm. This request can be accommodated by first making uniform across indicators the firm-specific assumptions and second by adding a case of a firm that is majority-owned (say, at 75%) by foreign interests. Comparing the baseline case of a domestically owned company with the secondary case of a majority foreign-owned company will illustrate in what ways treatment of foreign owners differs in the laws of the respective country.

This addition will present the opportunity to carefully go over the case study assumptions and make them truly uniform across the 12 indicator groups. A large degree of uniformity already exists. As the methodology has developed over the 2000-to-2010 period, however, a fresh look is needed.

3.3 Restore the Employing Workers indicator

In 2010, the World Bank Board decided to eliminate the Employing Workers indicator from the *Doing Business* ranking, where it featured in the first seven years of the product's development (Kang, 2010). Yet the Employing Workers indicator has a sound research basis, with the initial dataset provided by Botero and colleagues (2004) being used in nearly 3,000 academic publications.[5] Restoring the indicator will provide a more accurate mapping to the environment businesses face.

There is ample academic research, often using the *Doing Business* indicators, documenting the effects of labor regulation. For example, Garicano, Lelarge, and van Reenen (2006) study the effect of regulations that increase labor costs when firms reach 50 workers and document their cost to be equivalent to that of a 2.3% variable tax on labor. Increased labor-market flexibility in Sweden, by giving firms with fewer than 11 employees the freedom to exempt two workers from their priority list, led the labor productivity in small firms to increase 2% to 3% more than it did at larger firms (Bjuggren, 2018). Work by Di Tella and MacCulloch (2005) shows that, if France were to attain the same degree of labor-market flexibility as the United States, its employment rate would rise by 1.6 percentage points, or 14% of the employment gap between the two countries.

Facing rigid employment-protection laws, efficiency in business freedom is lost. Firms look for ways to meet their needs, often hiring informal workers. Large informal sectors, especially in countries with developing economies, hinder development and reduce productivity, which increases taxes and unemployment, especially among the poorer classes. Workers without formal employment contracts not only do not enjoy health and social-protection benefits, but are also less likely to move above the poverty line.

Strict labor regulation also affects the employee's freedom to choose working hours, reducing productivity. A firm's ability to adapt to shocks is damaged by rigid labor regulation (Almeida and Carneiro, 2009). Moreover, firms make lower investment in new product creation (Kleinknecht, van Schaik, and Zhou, 2014). Making it more expensive or restrictive to dismiss workers diverts the attention of managers from performing more productive tasks and investing time in research and innovation (Lisi and Malo, 2017). Such rules also produce smaller firm size and push the firms to relocate to areas with more flexible regulation, which in turn reduces the benefits of free trade (Almeida and Carneiro, 2009).

Further research is needed on the link between regulation and labor-market outcomes during crises, for example in the wake of the COVID-19 pandemic. This research necessitates data and comparisons over time, making the case for restoration of the Employing Workers indicator even stronger. This inclusion also related to the third challenge listed in the preceding section: the need for research before any methodological changes are made.

3.4 Add an indicator (or indicators) about the positive functions of government

In addition to regulating business activity, governments provide essential public goods to the private sector in the form of transport, health care, schooling, and communications infrastructure. *Doing Business* has traditionally focused on

5 Google Scholar, <https://scholar.google.com/citations?view_op=view_citation&hl=en&user=rx3Gb1wAAAAJ&citation_for_view=rx3Gb1wAAAAJ:j5aT6aphRxQC>, as of June 29, 2022.

a narrower set of regulatory areas or the maintenance of property rights through courts. There are several exceptions: for example, the Getting Credit indicator has recognized a positive function for government regulation, for example, by rewarding countries for a functioning credit registry.

A methodology has been developed for a further set of indicators on the positive function of government in the area of public procurement (Bosio, Djankov, Glaeser, and Shleifer, 2022). Many private businesses participate in public procurement on a regular basis, particularly at the local level of procuring goods: for example, school supplies, services, transport, or public works, like the construction of roads or hospitals. Understanding the laws and practice of public procurement is hence a good proxy for the quality and integrity of public provision, as well as for efficient government expenditure. This initial analysis on public procurement can be the basis for a new (twelfth) set of indicators—on public delivery.

3.5 Measure the practice of regulation

The *Doing Business* methodology was developed to ensure comparability across countries and over time. The questionnaires are completed annually by nearly 18,500 local contributors.[6] They come from both the private (for example, lawyers, architects and accountants) and public (for example, registrars and custom officials) sectors, and many of them work for law firms. This wealth of practical experience is channeled to convey expert judgment about a hypothetical firm and transaction. These hypotheticals are constrained on purpose to compare "apples to apples" and do not cover the full spectrum of experiences in the business environment of a given economy.

Without such hypothetical assumptions on the nature of the firm (its ownership structure, size, location, and sector of activity), there will not be comparability across countries and over time. It is useful nevertheless to complement the knowledge of expert contributors with a survey on regulatory practice, using a sample of business owners and managers.[7] Positing a set of "in practice" questions to a representative sample of businesses would directly address the concerns about the limitations of a uniform hypothetical case study.

This idea can be implemented by the university having local think-tank partners who can organize focus groups with businesses by topic and document the changes that businesses see in the practices of government authorities. These focus groups can also use administrative data, where possible. For example, many countries maintain company registers that record the time and documents it takes to start a business. Similarly, court, tax, and customs authorities' databases can be used to crosscheck survey data. Administrative data has already been extensively used by academic researchers alongside *Doing Business* data. Examples include Kondylis and Stein (2021) on court performance; Goldstein, Houngbedji, Kondylis, O'Sullivan, and Selod (2019) on business registration; and Shleifer, Glaeser, Djankov, and Perotti (2022) on property registration.

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6 A detailed list of respondents' characteristics is provided in table 2 (p. 3) in the Data Notes section, <https://openknowledge.worldbank.org/bitstream/handle/10986/32436/211440app.pdf>, of *Doing Business 2020* (World Bank, 2020).

7 This complementary approach is first suggested by Besley (2015), who underscores the importance of using additional *de facto* measures in *Doing Business*.

Doing Business 2.0 can also use newly available measures of regulatory outcomes. As an illustration, public procurement data collected by the Government Transparency Institute[8] show the time and cost of actual projects. The dataset comprises 1.2 million construction contracts awarded after the year 2000 in 171 countries and is annually updated (Abdou, Basdevant, David-Barrett, and Fazekas, 2022). These data can be used as a contrast with the opinion of expert respondents with the project-level information. Where significant differences arise, the data collection team can seek further clarification from respondents.

3.6 Develop case studies of reform

Developing country case studies of reform is a recommendation in previous evaluations (World Bank, 2015, 2019). The essays in Warner (2019) provide an example of such case studies. Between 2016 and 2020, the *Doing Business* reports presented case studies of reform by topic, highlighting common features of reform while not getting into depth on how reform takes place and what the results of reform are. The latter analysis can be developed further by academic researchers and think-tank scholars, using the project's data for benchmarking purposes.

The analysis of case studies may serve as educational material in policy schools and the government administration's own training courses. The need for such educational materials has been consistently highlighted as a prerequisite for broader support of reform initiatives. Case studies of reform by country will bring significant additional insight into the reform process and its impact. In particular, such studies can shed light on how regulatory change takes place, who are the proponents of different types of changes, and what the expected and actual effects of these changes are. The World Bank, with the support of the Gates Foundation, produces such case studies in gender economics, resulting in a boost to reform in a number of African economies (for example, Githae, Galiano, Nyagah, and Micaela, 2022 on Kenya).

3.7 Encourage research with the new data

There are anomalies and uneven patterns in the relationship between regulation and business activity. On the one hand, in all societies strict regulation for the upholding of property rights is necessary to protect citizens from other citizens and the state (Demsetz, 1967).[9] On the other hand, the latest scholarship suggests that economies may benefit from different sets of rules and institutions in their quest for economic growth. In particular, a country with high capacity in government and the private sector may need fewer formal rules, as social norms and tradition can make simple rules self-enforcing.

These findings suggest that for some indicators there is a monotone relation between regulation and business activity, while for others there may be kinks in this relation depending on the capacity of existing institutions. The original structure of the *Doing Business* indicators presupposes monotone relationships with the desired social and economic outcomes. Further research is necessary

8 Government Transparency Institute, <http://www.govtransparency.eu/>.

9 If a society starts with weak rule of law, however, more elaborate rules may not necessarily bring about more freedom but instead be tools to punish political or business enemies (Djankov, LaPorta, Lopez-de-Silanes, and Shleifer, 2002).

to inform policy makers on where this smooth relationship breaks down. In at least one research area, that of labor regulation, studies have already pointed out uneven patterns in the relation of indicators with labor-market outcomes (for example, Chatterjee, Murgai, and Rama, 2015 in the case of India). These anomalies are related with the size of the informal economy, among other factors. Similar studies are possible in other areas of the project.

Such research is needed to address concerns that a "one-size-fits-all" methodology may be detrimental to the study of business regulation. A rigorous answer to this concern would be to collect as many available proxies for economic and social outcomes as possible, and study in detail the correlations between the Doing Business 2.0 indicators and these outcomes. Where these correlations are not uniform, the original methodology can be amended to reflect the new approach to understanding the effects of regulation. An initial step in this direction is the paper by Djankov, Luksic, and Zhang (2022), which finds some evidence of regulatory convergence in four distinct areas of business activity over the period from 2005 to 2019 period. This convergence is most pronounced for countries in the French and German civil law tradition.

4 A new architecture

The development of Doing Business 2.0 depends on [1] a central unit of academic researchers and analysts; and [2] a network of local organizations that can provide the vetting of the data and analysis.

First, a central team of data and analysis experts can oversee the data compilation and publication of findings. The process of data vetting can be designed in steps. To begin with, the global sample of participating economies can be divided into sub-regions, and every year a local organization from each sub-region will rotate as the "data vetting contributor", in addition to its role of collecting and analyzing data for its own country. This contributor will be tasked with communicating with the other participating organizations in the sub-region and having a critical look at the raw data. Second, the sub-regional contributors would provide the vetted data to the central analytical team, based at a leading university, which will perform a set of statistical tests to identify outliers in the data. Third, the results of these tests will be made available as an intermediate output to a panel of policy experts, who will determine the plausibility of changes to the data and will return the analysis with questions to the contributor teams. As a final step, the quality-control analysts will engage in a second round of checks with the participating local organizations.

The university-based data and analytical experts working on the project would not be involved in any advisory or investment projects in the countries of analysis. Furthermore, the local partners involved in the collection and analysis of data would commit to not accepting government funding related to advice on the improvement of the country's standing in the index.

The proposed architecture separates the functions of data collection, data quality control, and messaging of findings into the hands of distinct groups (World Bank, 2008, 2013, 2015, 2016, 2017; Morck and Shou, 2018). Such separation is possible to accomplish in a university setting, especially if local partner organizations are called upon to provide successive rounds of data verification.

5 Possible new sets of indicators

Several sets of new indicators have been discussed over the years, as complements to the previously published set of indicators. These ideas are possibilities for future expansions of the project, acknowledging that any such expansion would take several years of data collection and analysis.

Three areas of new data collection and analysis can be considered: indicators on the regulation of intellectual property rights, regulation of expropriation risk by government, and regulation of online (domestic and cross-border) trade. A fourth proposed set of indicators on corruption in dealings with the government, based on disclosure of assets and income by politicians, was developed in the early stages of the project but not taken up by the World Bank (Djankov, La Porta, Lopez-de-Silanes, and Shleifer, 2010).

6 Conclusions

Creating an improved Doing Business 2.0 product is an exciting project. Some ingredients for success seem available and can be employed to generate ideas for the solutions to remaining challenges. There is momentum for finding such solutions, as many organizations and governments depend on the data for shaping their efforts towards policy reform.

For this initiative to succeed, a new set of research questions can be formulated around the improved data. The intellectual basis for *Doing Business* is 25 years old, sufficient time for a stock-taking exercise on what we know now and what answers remain elusive. These questions can be addressed with existing scholarship or by generating new research. In both cases, the assistance of top academics is essential.[10]

The ultimate success of the project lies in its uptake by policy makers in developing economies. This success depends on the quality of the improved product, but also on the speed with which this improved product can be brought into the hands of policy makers and their advisers.

10 For example, Daron Acemoglu and James Robinson (2021) have a line of relevant research on the role of institutions in development. Ian Vásquez and Fred McMahon's work on the *Human Freedom Index* (Vásquez, McMahon, Murphy, and Sutter Schneider, 2021) develops analyses relevant for the *Doing Business* restart.

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