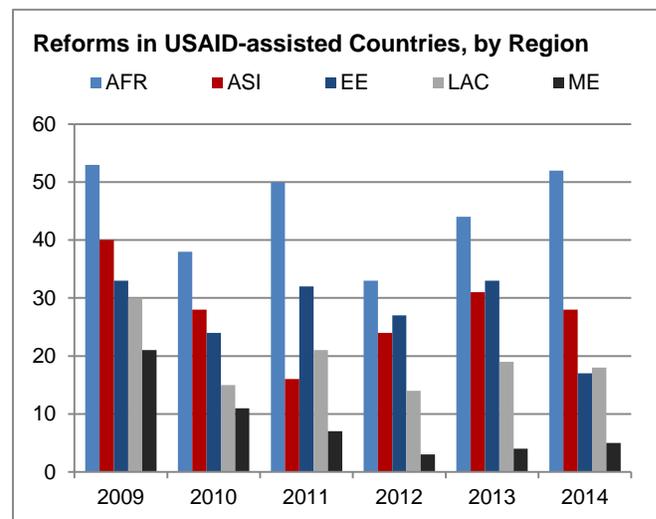
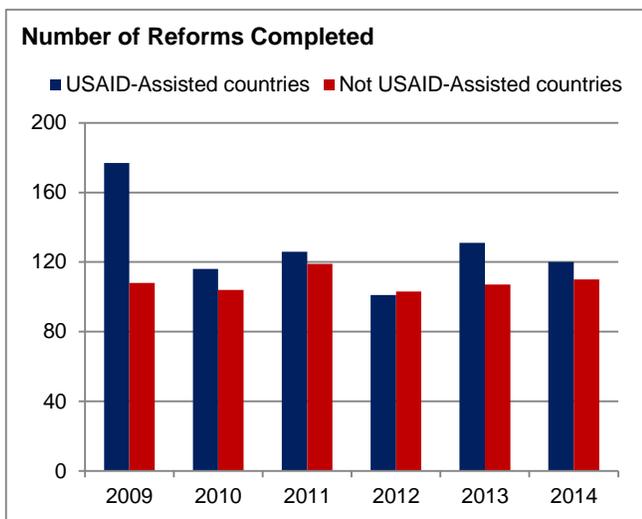


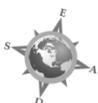
## Doing Business 2015: Going Beyond Efficiency

It is now easier to do business in most of the world’s economies than was the case a year ago. This is the conclusion of the World Bank’s *Doing Business 2015*, the 12th instalment in a series of annual reports aimed at identifying which regulations foster business activity. The report measures the impact of business regulations on local small and medium-size enterprises in 10 categories across 189 of which 123 economies (8% greater than the previous year) implemented a total of 230 regulatory reforms making it easier to do business. More than 83 percent of all economies surveyed improved their distance to frontier score since last year.

This snapshot centers on 91 economies, referred to as “USAID-assisted,” countries that received at least \$2 million in USAID assistance in fiscal year 2013 and are not considered high-income by the World Bank using GNI per capita for 2013. Smaller firms are mainly responsible for creating growth in sales and employment opportunity experienced in developing countries, making this report especially relevant to work in international development.



As evidenced in the chart above, USAID-assisted countries carried out more business-friendly reforms than non USAID-assisted countries. Sub-Saharan Africa (AFR), the region with the highest number of economies in the 2015 report, implemented 52 reforms, amounting to 52 percent of all USAID-assisted economies and an 18 percent improvement on the region’s total reforms in the previous year. The Middle East (ME) improved from 4 in the 2014 report to 5 reforms in 2015 report. It is worth noting that this improvement, while encouraging, reflects the still tumultuous political unrest in much of the region. By comparison, just five years ago, ME implemented 21 reforms. The remaining three regions saw a negative change in the number of reforms implemented since the 2014 report. Asia (ASI), with 28, and Latin America and the Caribbean (LAC), with 18, respectively passed three and one fewer reforms making it easier to do business. Europe and Eurasia (EE) experienced the greatest decrease with a drop to 17 reforms from 33 a year ago.



## Most/Least Improved and Top/Bottom USAID-assisted Countries

On average, USAID-assisted economies improved their rank by 1 place. EE leads all regions with an average increase of 7 places, followed by LAC which saw an average increase of 3 places. ASI and AFR experienced virtually no change in their average rank as the former increased, while the latter decreased, by less than one place since last year. ME, with an average decrease of 4 places in the ranking, is lowest performing region

Georgia, 15th overall in ease of doing business, ranks highest among USAID-assisted economies, though it slipped down one spot from placing 14th in the 2014 report.

The top ten improvers all experienced a rank increase of at least 10 places. These economies carried out significant reforms in 7 of the 10 areas of business regulation included in the ease of doing business calculations. Albania made the most progress as it moved up 40 positions; from 108th to 68th. Albania's distance to frontier score increased by an equally impressive 6.27 points compared to an average increase of 1.10 points for all USAID-assisted countries. Jamaica, second on the list, had a 5.59 point improvement in its distance to frontier score. It is 27 places higher in the ranking this year compared to last. Both, Moldova and Colombia increased by 19 places.

Serbia's 14 place fall is the most significant among USAID-assisted economies. Iraq and Syria also experienced drastic changes as their ranks regressed equally by 10 positions. Having gone from 146th to 156th, Iraq still fares better than Syria which fell to 175th from 165th. Eight of the ten least improved did not pass any reforms to make it easier to do business. Vietnam (78th) and Madagascar (163rd) were the only two exceptions. Madagascar reduced the time needed to obtain a building permit while Vietnam made getting credit and paying taxes easier by establishing a new credit bureau and reducing its corporate income tax rate. Nevertheless, they, along with Burkina Faso (167th), fell by 6 positions in the rankings. The Philippines takes the spot of fourth least improved as it failed to improve its distance to frontier score and dropped 9 spots to rank 95th.

Most Improved USAID-assisted Countries				
Country	Region	2014 Rank	2015 Rank	Change in Rank
Albania	EE	108	68	↑ 40
Jamaica	LAC	85	58	↑ 27
Colombia	LAC	53	34	↑ 19
Moldova	EE	82	63	↑ 19
Benin	AFR	167	151	↑ 16
Ukraine	EE	112	96	↑ 16
Mozambique	AFR	142	127	↑ 15
Tajikistan	ASI	177	166	↑ 11
Cote d'Ivoire	AFR	158	147	↑ 11
Senegal	AFR	171	161	↑ 10

Least Improved USAID-assisted Countries				
Country	Region	2014 Rank	2015 Rank	Change in Rank
Serbia	EE	77	91	↓ 14
Iraq	ME	146	156	↓ 10
Syria	ME	165	175	↓ 10
Philippines	ASI	86	95	↓ 9
Namibia	AFR	80	88	↓ 8
Botswana	AFR	66	74	↓ 8
Sudan	AFR	153	160	↓ 7
Burkina Faso	AFR	161	167	↓ 6
Madagascar	AFR	157	163	↓ 6
Vietnam	ASI	72	78	↓ 6

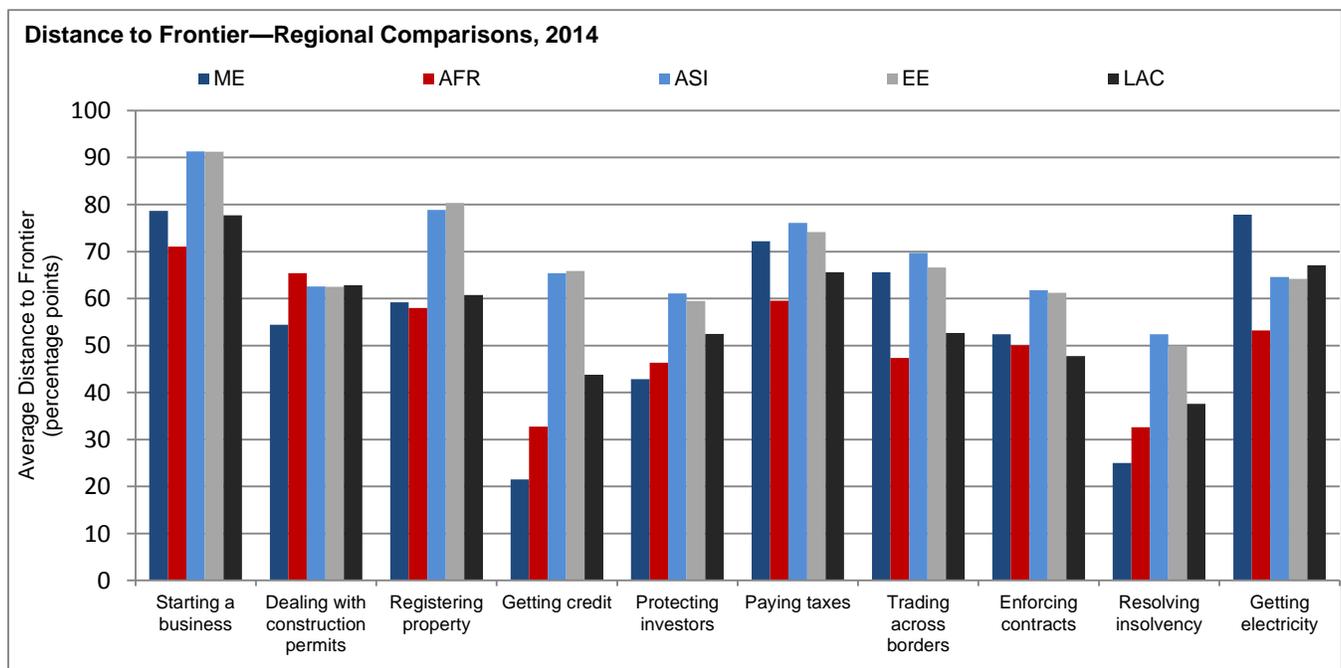
## Revised Ranking Calculation

*Doing Business* presents data for the different indicators under the 10 areas of business regulations it investigates as well as for 2 cumulative measures: the ease of doing business ranking and the distance to frontier score. The distance to frontier score indicates the distance of an economy to the best performance of regulatory practices (the “frontier”) observed on each indicator across all economies surveyed since 2005. Each economy’s distance to frontier is scaled from 0 to 100, where 0 represents the lowest performance and 100 is the frontier.

Starting this year, the ease of doing business rank is no longer based on the percentile rank. Instead, the overall distance to frontier now forms the basis of the ease of doing business ranking. It must be noted that while ranking based on percentile rank and distance to frontier are highly correlated; the second approach is more useful as it sheds light on the gap between economies in complement to their order out of 189.

## Regional Comparison

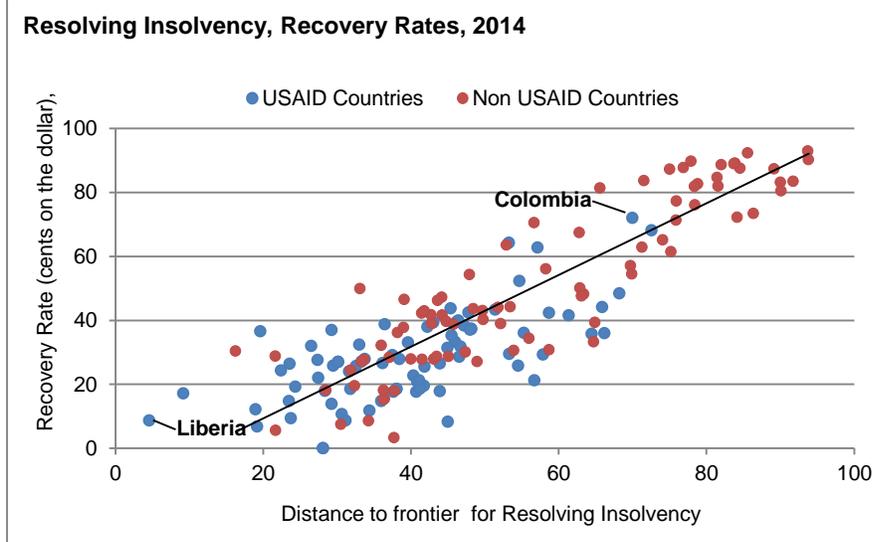
For the starting a business indicator, both ASI and EE scored closest to the frontier: 91. ME came in second place with 79, closely followed by LAC at 78. AFR was last in starting a business, with a distance to frontier score of 71. Similarly to last year’s report, starting a business was the regions collective best indicator. EE and ASI share the best average overall distance to frontier scores, 68, while AFR retains the bottom spot. ASI has the best scores in six of the ten areas: resolving insolvency, enforcing contracts, trading across borders, paying taxes, protecting investors, and starting a business. AFR and ME are both furthest from the frontier on average in 4 of the 10 areas measured. However, ME was closer to the frontier overall as it received an average score of 55 compared to AFR’s 52. LAC placed slightly above ME, with a distance to frontier score of 57.



## Doing Business 2015 Highlight: Beyond Efficiency

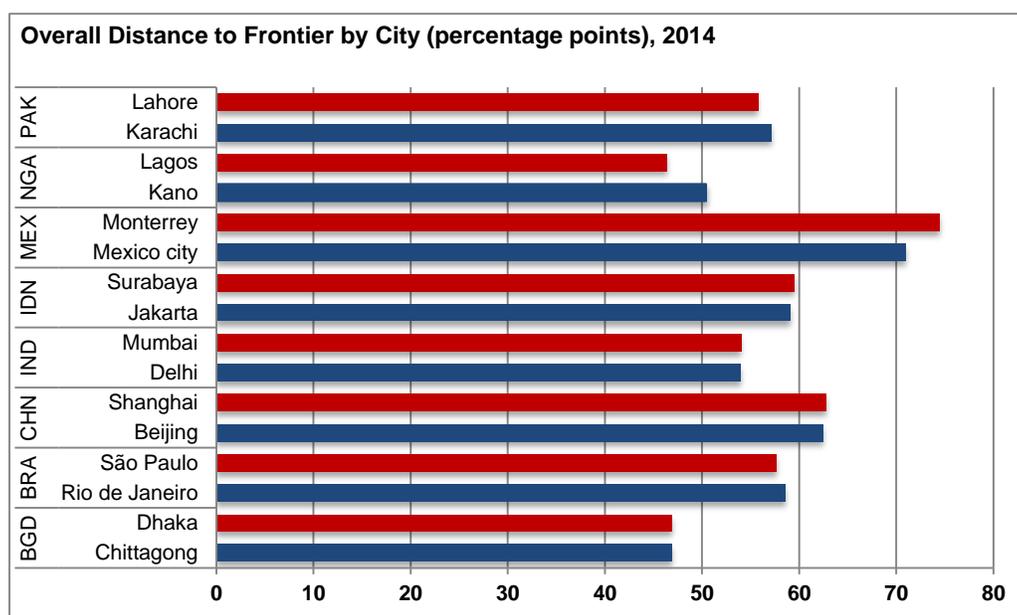
As its title —*Doing Business 2015: Going Beyond Efficiency*— suggests, this year’s report puts a greater emphasis on expanding upon the indicators used to capture the quality of regulatory practices. For example, adding to their assessment of the time, cost, and outcome of an insolvency process for a firm and the recovery rate for its secured creditors, the resolving insolvency indicators now also measure the strength of the legal framework for insolvency. Furthermore, the report finds efficiency and quality to be highly correlated, as illustrated by the graph below. We notice below that countries which scored high on the Distance to Frontier measure for resolving insolvency, which now also includes a measure of quality, also scored high on recovery rate. The report points out a 0.59 correlation between the strength of insolvency framework index and the recovery rate. This relationship has a significance level of one percent, controlling for income per capita. This means that, all things remaining equal, improving the quality of an economy’s insolvency framework will result in a higher recovery rate for a business going through insolvency proceedings in that economy.

The report finds that businesses fare better in economies with stronger institutions and governments capable of acting out their primary role in the economy as the chief guarantors of the enforcement of contracts. Competent governance is one of the keys to facilitating a stable business friendly atmosphere within an economy.



## Additional City Data for Large Economies

Whereas the data for all economies included in Doing Business has always been collected for the largest business city, this year's report also added the second largest business city for 11 economies with a population of 100 million or more. They are: Bangladesh, Brazil, China, India, Indonesia, Japan, Mexico, Nigeria, Pakistan, Russia, and the United States. 8 of the 11 figured among the 91 USAID-assisted economies on which this snapshot focuses and are included in the chart below. Generally, the sets of indicators measuring the complexity and cost of regulatory processes showed more variability across cities. What is more, this variability is more likely to be in time and cost than in the number of procedures, suggesting that in most cases the law is the same across cities though its implementation may vary. On the other hand, the sets of indicators measuring the strength of legal institutions showed less variability across cities. This is mainly due to national laws affecting both cities. On the whole, the two largest business cities within these economies have very little differences in their ease of doing business. Only 3 of the 8 economies - Nigeria (4.00), Mexico (3.50), and Pakistan (1.39) - have differences in distance to frontier measures across the two cities of more than one point.



### Additional Information

For questions or more information, please contact the author, Francis Muya, at [fmuya@devtechsys.com](mailto:fmuya@devtechsys.com).

To access the complete *Doing Business* dataset, visit the Economic and Social Database (ESDB) at <https://eads.usaid.gov/esdb/>.

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