

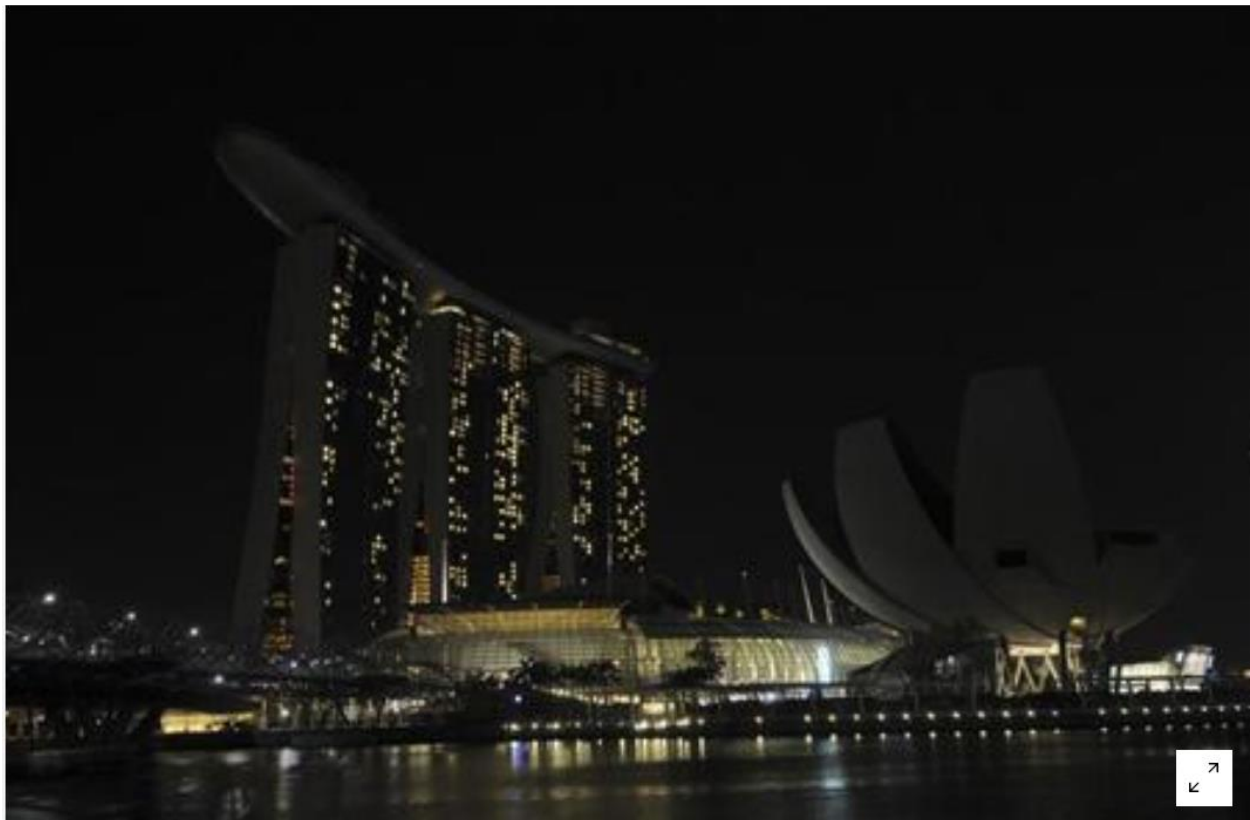
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World Bank defends business rankings in latest report

By Reuters Staff

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WASHINGTON (Reuters) - The World Bank said on Monday that its scorecard on the ease of doing business around the world has spurred thousands of regulatory reforms in the past decade, pushing back against critics who argue the national rankings stigmatize rather than inspire.



The Marina Bay Sands hotel and ArtScience Museum (R) is seen before Earth Hour in Singapore March 23, 2013. REUTERS/Natashia Lee

In its latest “Doing Business” report, the bank said Ukraine was the country that has improved the most over the past year in making it easier to run a business, while Rwanda was most

improved since 2005. Singapore retained its No. 1 spot in overall rankings for the eighth straight year, followed by Hong Kong, New Zealand and the United States.

The report judges 189 countries on 10 criteria, such as ease of opening a business or paying taxes, and assigns each country a rank. Since their inception in 2003, the rankings have come to carry a huge weight with governments eager to attract private enterprise.

In fact, the report has directly inspired or informed about a quarter of the 2,100 regulatory changes tracked since 2003, said the World Bank, whose mission is to eradicate extreme poverty.

But some governments and watchdog groups say the ratings are misleading, subjective, or overly focused on cutting red tape for businesses at the expense of workers.

Countries like China - ranked 96 in the latest report - have also complained the ratings unfairly stigmatize fast-growing developing economies.

“‘Doing Business’ is not about less regulation but about better regulation,” the World Bank said in the report. Countries can get lower ratings if they reduce investor protections, for example.

But in a seeming nod to critics, the bank also said the ratings should be considered in the broader context of how much countries have improved their business regulations, and should not be taken as representative of every factor that impacts economic growth.

The overall ranking reflects how a country compares to others, but may not capture how much it has done in absolute terms to reduce red tape. It also does not show the huge variations that can exist among various indicators.

For example, Estonia ranks 22nd overall, but is 68 on the specific criterion of protecting investors, and in seventh place for trading across borders.

“I would just like to underscore ... this effort we’re making quite deliberately is to de-emphasize the rankings and move to measures of overall improvement,” Augusto Lopez-Claros, director of the World Bank’s global indicators, told reporters.

But he said the bank decided to keep the overall rankings because they helped countries aspire towards the best practices in the world, such as the regulations in Singapore, New Zealand and Denmark.

“The World Bank decided to continue with the rankings because there is really overwhelming support for them in the world,” he said.

The bank also said research shows business regulations are tied to broader measures in a society. Cumbersome regulations can crimp economic growth and entrepreneurship, while business reforms often accompany other reforms, such as rule of law and control over corruption.

“(Data) suggest that economies ... are likely to be reforming regulation more broadly, not just business regulation,” the report said.

World Bank President Jim Yong Kim appointed an independent panel last year to review the “Doing Business” report after criticism about it from some of the bank’s board members.

The panel, headed by South Africa’s planning minister Trevor Manuel, said in June the bank should scrap the headline rankings altogether, and instead provide scores for various indicators.

But Kim said he would keep the rankings anyway since they help countries improve their business climates. The United States, the bank’s largest and most powerful member, also said it strongly supports the rankings.

Kim pledged to make changes to improve the report’s data and methodology. Lopez-Claros said next year the bank would consider broadening some indicators and adding others, such as for intellectual property protection.

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