

## **Concept Note**

# ***Business Enabling Environment***

**First version: June 2022**

**This version: December 2022**

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December 2022

Business Enabling Environment (BEE) is a new benchmarking exercise under development in the Development Economics Global Indicators Group. BEE will provide a quantitative assessment of the business environment for private sector development, published annually and covering most economies worldwide. BEE data and the summary report will aim to advocate for policy reform, inform specific policy advice, and provide data for development policy research. Through its focus on private sector development, BEE will effectively contribute to meeting the twin goals of the World Bank Group (WBG) of eliminating poverty and boosting shared prosperity.

BEE will assess an economy's business environment by focusing on the regulatory framework and the provision of related public services directed at firms and markets, as well as the efficiency with which regulatory framework and public services are combined in practice. BEE seeks a balanced approach when assessing the business environment: between ease of conducting a business and broader private sector benefits, between regulatory framework and public services, between de jure laws and regulations and de facto practical implementation, and between data representativeness and data comparability. However, BEE will not expand beyond the areas where it can provide the most value added in the context of existing indicators: namely, the regulatory framework and related public services at the microeconomic level.

BEE will focus on ten topics that are organized following the life cycle of the firm and its participation in the market while opening, operating (or expanding), and closing (or reorganizing) a business. The main topics include Business Entry, Business Location, Utility Connections, Labor, Financial Services, International Trade, Taxation, Dispute Resolution, Market Competition, and Business Insolvency. Within each topic, considerations relevant to the business environment regarding aspects of the adoption of digital technology, environmental sustainability, and gender will be captured. Based on the data collected, BEE will generate scores for each topic area and potentially a set of aggregate scores. BEE will collect both de jure information and de facto measures. While de jure data will be collected from expert consultations, de facto data will be collected from both expert consultations and firm surveys. The latter is a major innovation and represents a significant increase in data available to WBG teams, development practitioners, and researchers around the world. Data collection and reporting process will be governed by the highest possible standards of integrity, including sound data gathering processes, robust data safeguards, clear approval protocols, transparency and public availability of granular data, and replicability of results.

The BEE Concept Note establishes the objectives, scope, and approach of the project. It is not, however, a full description of the BEE methodology. This will be detailed and presented during the implementation phase of the project. Moreover, the BEE methodology will be subject to refinements in the first three data collection and reporting cycles, as BEE expands its economy coverage and moves from pilot to full-fledged project.

This Concept Note is divided into three sections: Section I. Objective and Principles; Section II. Topics, Motivation, and Corresponding Indicators; and Section III. Implementation.

## The Team

The BEE project is sponsored by the Development Economics Vice-Presidency (DECVP). Indermit Gill, Senior Vice President and Chief Economist, and Aart Kraay, Deputy Chief Economist and Director of Development Policy, oversee and clear the project and its products. The BEE technical team is housed in the Development Economics Global Indicators Group (DECIG). Norman Loayza, DECIG Director, leads the team that will design, pilot, and implement the BEE project.

The BEE Concept Note (CN) has been prepared by the following team.

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**Advice** – The BEE Concept Note team has benefitted from the advice of World Bank Group (WBG) Senior Leadership, including David Malpass (WBG President); the Matrix Vice Presidents; the Council of Chief

Economists; scores of experts around the WBG (in DEC, the Global Practices, the Regions, the Ethics and Business Conduct Department (EBC), Group Internal Audit (GIA), the Independent Evaluation Group (IEG), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), the International Centre for Settlement of Investment Disputes (ICSID), and other corporate units and business partners); and a wide consultation process that gathered comments from governments, international development/financial institutions, civil society and private sector organizations, think tanks, and academic experts. The Concept Note has also benefitted from extensive and valuable consultations with the World Bank Group Board of Executive Directors.

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# Concept Note

## *Business Enabling Environment (BEE)*

### I. OBJECTIVE AND PRINCIPLES

On September 16, 2021, the World Bank Group (WBG) Senior Management decided [\*to discontinue the Doing Business \(DB\) report and data\*](#) and also announced that the WBG would work on a new approach for assessing the business and investment climate. The new approach is informed by advice from experts in the WBG and the recommendations from qualified academics and practitioners outside the institution, including the [\*External Panel Review\*](#) on DB methodology.<sup>1</sup> Its design also takes into consideration the views of potential users in government, the private sector, and civil society through an extensive open consultative process (box I.1).

The new benchmarking exercise is being developed in the Development Economics (DEC) Global Indicators Group (DECIG). This Group will design, pilot, and implement the new benchmarking exercise, under the guidance of the WBG Chief Economist and DEC Senior Vice President. The data collection and reporting process will be governed by the highest possible standards, including sound data gathering processes, robust data safeguards, clear approval protocols, transparency and public availability of granular data, and replicability of results.

The key features of the new project are as follows:

**1. Working Title.** The working title of the new project is *Business Enabling Environment*, with the acronym BEE. The title will be refined after due consideration for branding impact.

**2. Intended Output.** The objective of this benchmarking exercise is to provide a quantitative assessment of the business environment for private sector development.

This quantitative assessment will produce granular data and a global report based on these data, published annually and covering most economies worldwide. The global BEE may be complemented by in-depth country studies, where regional differences and economy-specific issues are analyzed further (akin to the former *Subnational Doing Business* project).

Private sector development is defined here by three characteristics: it promotes economic growth through innovation and entrepreneurship;<sup>2</sup> it increases equality of opportunities among market participants;<sup>3</sup> and it ensures the general sustainability of the economy in the long term.<sup>4</sup> Private sector development is driven by the efforts and ingenuity of private entrepreneurs but is critically affected by a range of public policies and regulations that create a conducive business environment. These policies and regulations incentivize

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<sup>1</sup> External Panel (Alfaro, L., A. Auerbach, M. Cárdenas, T. Ito, S. Kalemli-Özcan, and J. Sandefur). 2021. *Doing Business: External Panel Review. Final Report 2021*. Washington, DC: World Bank.

<sup>2</sup> Commission on Growth and Development. 2008. *The Growth Report: Strategies for Sustained Growth and Inclusive Development*. Washington, DC: World Bank; Dabla-Norris, E., G. Ho, K. Kochhar, A. Kyobe, and R. Tchaidze. 2014. “Anchoring Growth: The Importance of Productivity-Enhancing Reforms in Emerging Market and Developing Economies.” *Journal of International Commerce, Economics and Policy* 5 (02): 1–29; La Porta, R., and A. Schleifer. 2008. “The Unofficial Economy and Economic Development.” *Brookings Papers on Economic Activity* 2008 (2): 123–35; World Bank. 2004. *World Development Report 2005: A Better Investment Climate for Everyone*. Washington, DC: World Bank.

<sup>3</sup> World Bank. 2005. *World Development Report 2006: Equity and Development*. Washington, DC: World Bank.

<sup>4</sup> Commission on Growth and Development. 2008; UNCTAD (United Nations Conference on Trade and Development). 2020. *Entrepreneurship for Sustainable Development: Report of the Secretary-General*. Pursuant to General Assembly Resolution 73/225. New York: United Nations; World Bank. 2002. *World Development Report 2003: Sustainable Development in a Dynamic World: Transforming Institutions, Growth, and Quality of Life*. World Bank, Washington, DC.

the startup of new firms, the facilitation of existing businesses, the creation of good jobs, and the transition of informal to formal workers and firms.<sup>5</sup>

### **Box I.1. BEE Expert and Stakeholder Consultations**

Work on BEE started in the WBG Development Economics (DEC) Vice Presidency in the fall of 2021. Between October 2021 and February 2022, the BEE team, housed in the DEC Global Indicators Group (DECIG), developed a pre-Concept Note, in close consultation with experts across the WBG. First, the team held brainstorming sessions with colleagues from DEC; Finance, Competitiveness and Innovation (FCI); and the International Finance Corporation (IFC). The team then discussed the general project design with WBG Senior Management, the Council of Chief Economists, and the Board of Executive Directors. The team further engaged at a technical level with teams representing IFC and several Global Practices (for example, Governance; Water; Urban, Disaster Risk, Resilience, and Land; Macroeconomics, Trade and Investment; and Finance, Competitiveness, and Innovation) to collect inputs on the scope of BEE topics. Based on these internal discussions, as well as the recommendations of the External Review Panel (see annex IA) and the Independent Evaluation Group (see annex IB), the team produced a pre-Concept Note that was circulated within the WBG on February 7, 2022.

The pre-Concept Note was also shared outside the WBG to collect the views of stakeholders from the private and public sectors. A public external consultation opened from February 8 to March 15, 2022, among civil society organizations, private sector organizations, think tanks, governments, international development/financial institutions, and academic experts. More than 700 organizations from nearly 200 economies were invited to participate. All WBG member country governments were invited to participate through the Board of Executive Directors. Stakeholders and experts were requested to provide feedback on BEE's relevance, scope, and approach. Topic specialists were asked to provide technical inputs on their areas of expertise covered by BEE.

The Concept Note was informed by more than 2000 comments from 410 feedback providers (comments were identified by the BEE team so that the inputs received from the same feedback provider on different topics were counted as separate comments). Around 20 percent of comments addressed general matters, and 80 percent focused on technical topic-specific feedback. Around 40 percent of inputs were provided by individual topic experts; 30 percent by governments; 20 percent by civil society organizations, private sector organizations and think tanks; and 10 percent by international development/financial institutions. General and topic-specific inputs whose authors have authorized publication are publicly available on the [BEE website](#).

The Concept Note was circulated for review by the Vice Presidents on Operational Matters (OVP) on April 13 and discussed in the OVP review meeting on April 27. Guidance provided in the written comments and from the OVP review meeting has been incorporated in the Concept Note. The BEE team conducted extensive consultations with the Board of Executive Directors between July-September through dedicated seminars, bilateral discussions, and statements and responses. Feedback from these consultations is reflected in this version of the Concept Note.

In addition, the BEE team is consulting with experts across the WBG on detailed questionnaires, indicator scoring, and data gathering tools for the implementation of the BEE project. Moreover, DECIG is currently conducting an update and modernization of the [Enterprise Surveys](#) program, a key companion product and provider of inputs on firm-level data for the BEE project. The team will continue the consultation on methodology through the Bank-wide review process for the publication of first BEE reports, which serve as pilots of the BEE methodology. The continued consultation will allow the team to receive additional feedback from the rest of the WBG and refine the methodology to further improve subsequent BEE data and reports, enhancing their relevance for country engagement. The first three BEE reports will be used to bring the BEE methodology to maturity.

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<sup>5</sup> Bruhn, M., and D. McKenzie. 2014. "Entry Regulation and the Formalization of Microenterprises in Developing Countries." *World Bank Research Observer* 29 (2) 186–201; De Soto, H. 1989. *The Other Path*. New York: Harper and Row Publishers Inc.; Loayza, N., and L. Servén. 2010. *Business Regulation and Economic Performance*. Washington, DC: World Bank.

**3. Development Purpose.** BEE’s granular data and summary report will aim to achieve a threefold purpose: (1) to advocate for policy reform; (2) to inform specific policy advice; and (3) to provide data for development policy research.

In its advocacy function, BEE will aim to promote economic reforms, opening the door for knowledge sharing and policy dialogue for governments, civil society (including the private sector), the WBG, and other development institutions. Likewise, by covering a wide spectrum of areas relevant to the behavior of firms and the functioning of markets, BEE can inform specific policy advice, showing how and by how much economies are lagging behind good practice.<sup>6</sup> By providing a rich set of data, BEE will support social and economic research on the drivers and consequences of private sector development.

Through its focus on private sector development, BEE will effectively contribute to meeting the WBG’s twin goals of eliminating poverty and boosting shared prosperity. The private sector is essential to successful development because it is the primary source of employment and pathway out of poverty, including in fragile and conflict-affected states.<sup>7</sup> The BEE data and reports will feed into the WBG’s analytical work, including the Country Economic Memorandum (CEM), Country Partnership Framework (CPF), Country Private Sector Diagnostics (CPSD), and Systematic Country Diagnostic reports (SCD), and be used to inform policy dialogue and country-level engagement on private sector development issues, in support of the development goals of WBG clients and the WBG’s twin goals. The regular and predictable schedule of data collection in each economy will facilitate planning and coordination with WBG country engagement products. Further, the Bank-wide review process and continued consultations with colleagues in the regions will provide opportunities to discuss how BEE can be most useful for country engagement. While BEE indicators should not be used as narrow reform objectives in WBG projects, BEE aims to inform a substantial share of them, as *Doing Business* did in the past.

The purpose of BEE is to capture the reality of business environment for private sector development and provide policy makers with insights into potential areas of reform. The exercise can benefit all economies, but particularly low-income economies and fragile and conflict-affected states, which have limited data to quantify the gaps with good practices. Policy makers and researchers can use the BEE data to help design a path for private sector development. In addition, the BEE report can offer more contextualized analysis for low-income economies and conflict-affected states, for instance by identifying challenges of implementing good practices in these economies. Ultimately, the BEE data and reports aim to be a global public good that is useful to institutions and individuals interested in social and economic development around the world.

**4. Approach.** BEE’s approach may be best understood in contrast to *Doing Business* (see box I.2 and annex IC for further details and examples). BEE will strike a better balance along the most salient aspects of a business environment assessment (figure I.1), as recommended by the *External Panel Review*.

First, BEE will evaluate the business environment not only from the perspective of an individual firm’s ease of doing business but also from the standpoint of private sector development as a whole. Recognizing that there is a tension between the costs to individual firms and social benefits and desirable standards, BEE will include different indicators that address these different perspectives and score them accordingly (see point 8, on scoring).

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<sup>6</sup> See Independent Evaluation Group (IEG). *The Development Effectiveness of the Use of Doing Business Indicators, Fiscal Years 2010–20—An Independent Evaluation*. Washington, DC: World Bank. As recommended by the IEG 2022 report, WBG policy advice and operations should be based on a comprehensive set of indicators, of which BEE data and report are one component, albeit an important one.

<sup>7</sup> IEG. 2016. *Private Sector Development: Recent Lessons from Independent Evaluation*. Washington, DC: World Bank.

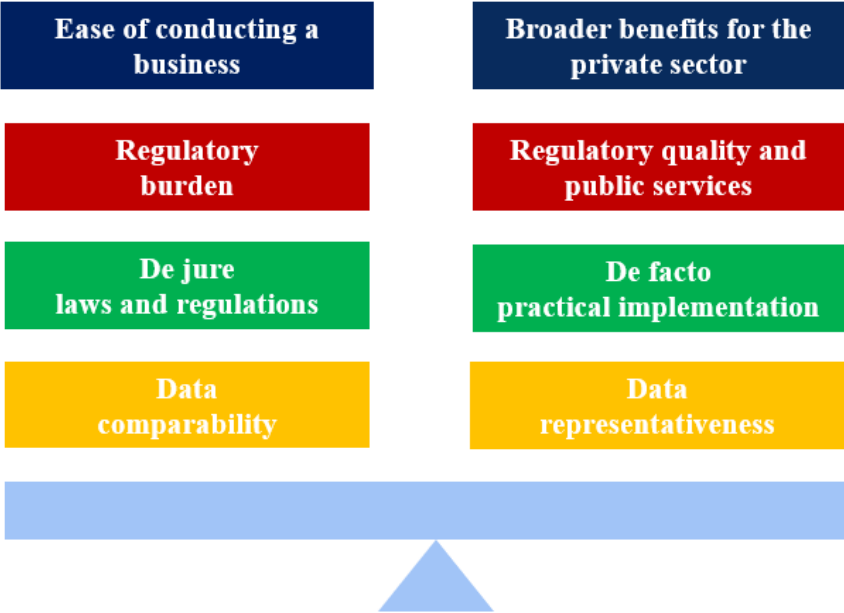


Second, BEE will look not only at the regulatory burden on firms but also at the quality of regulations and the provision of related public services over the course of the firms’ life cycle. This new balance attempts to provide a more nuanced and positive perspective on the role of governments in creating a conducive business environment.

Third, BEE will collect not only de jure information (that is, according to statutory laws and regulations) but also de facto measurements (that is, reflecting practical implementation). DB also collected de jure and de facto data but did so exclusively from expert contributors; BEE will make a substantial improvement by also collecting information directly from firms based on their experiences with the business regulatory environment, via nationally representative firm surveys.<sup>8</sup>

Fourth, and related to the previous point, BEE will try to achieve a balance between data comparability across economies and data representativeness within a given economy. This balance can be addressed by collecting data through a combination of expert consultations and firm surveys. In terms of data comparability, expert consultations provide comparison of the experience of the same stylized firm across economies, while firm surveys provide comparison of the average experience of the actual firms, with the average captured by a representative mean, median, or other statistic. In terms of data representativeness, firm surveys capture variation by interviewing a representative sample of firms, while expert consultations capture variation by asking experts about different categories of firms using broad parameters (for example, manufacturing versus service firms, domestic versus foreign firms, and different sizes of firms).

**Figure I.1. BEE Seeks a Balanced Approach when Assessing the Business Environment**



Source: BEE team.  
 Note: BEE = Business Enabling Environment.

<sup>8</sup> Research has shown that the de facto business environment faced by firms can differ from its de jure description, and wide de facto differences exist across firms even within the same economy. See Hallward-Driemeier, M., and L. Pritchett. 2015. “How Business Is Done in the Developing World: Deals versus Rules.” *Journal of Economic Perspectives* 29 (3): 121–40.

### Box I.2. Comparison of DB and BEE Key Features

	DB	BEE
<b>Overview</b>	Benchmark assessment of the business environment affecting <i>individual</i> small and medium enterprises (SMEs)	Benchmark assessment of business regulations and public services affecting private sector development <i>as a whole</i>
<b>Scope</b>	Focused on the burden of business regulations for firms, with some consideration of public services	Balanced focus, looking not only at the regulatory burden for firms but also at the quality of regulations and provision of related public services to firms
<b>Data collection</b>	Some indicators only covered de jure regulations, while others only looked at de facto ones; data collected through expert consultations; extensive use of case studies with strict assumptions to enhance data comparability	Balanced coverage of de jure and de facto aspects of regulatory framework and public services; de facto data collected through combination of expert consultations and firm surveys; use of case scenarios with less strict assumptions to enhance relevance
<b>Topics</b>	Topics selected to follow the firm's life cycle but were uneven regarding relative importance; in some cases, (for example, "protecting minority investors" was not well-justified while excluding "employing labor" was a clear omission)	BEE topics also selected to follow firm's life cycle, including its participation in the market; all topics of major importance are covered
<b>Indicators</b>	Indicators grouped under (1) efficiency of business regulations and (2) quality of business regulations; not all topics consistently structured under these groupings; indicators tied to case study assumptions, limiting representativeness	All topics consistently structured under three pillars, (1) regulatory framework, (2) public services, and (3) efficiency; with less strict case study restrictions, indicators will reveal information that better represents the economy
<b>Scoring</b>	Economies' performance assessed based on rankings and scores; strong focus on aggregate rankings to maximize public interest and motivate reforms	Economies' performance to be assessed based on quantifiable indicators; points will be awarded at the most disaggregated indicator level under <i>firm flexibility</i> and <i>social benefits</i> ; BEE to aggregate the points into topic scores and potentially a set of higher-level aggregate scores; aim to motivate reforms while avoiding hype surrounding economy-wide rankings
<b>Coverage</b>	Main business city in 191 economies; second largest business city also measured in 11 economies	As wide as possible regarding economy and within-economy coverage; within-economy coverage may differ across topics depending on whether regulations are national or local
<b>Update</b>	Annual	Annual for indicators based on expert consultations; staggered three-year cycle for indicators from firm-level surveys

Source: BEE team based on *Doing Business* database.

Note: BEE = Business Enabling Environment; DB = *Doing Business*.

Annex ID offers additional information on the trade-offs faced by BEE and the balance it seeks to strike. When looking for this balance and advocating for reforms, BEE does not favor any particular economic system or legal tradition but rather keeps a pragmatic approach, focusing on well-founded good practices<sup>9</sup> and standards applicable at all levels of development. BEE's goal is not to promote outright deregulation but to present the nuances of both the regulatory framework and the provision of related public services directed to firms, measuring their impact on *firm flexibility* to conduct business and *social benefits* for the private sector as a whole.

The BEE project is designed for comparability across economies and over time. This requires the application of a homogeneous methodology across economies in different geographic locations, and with different income levels and development status, including fragile and conflict-affected states. By proposing good practices as the measurement anchor, BEE establishes the gaps that economies at all stages of development can aspire to close. Good practices that can be considered global standards will be used to construct cardinal scores to measure absolute differences across economies and over time.

**Enterprise Surveys.** A key innovation of the BEE project will be the collection and use of data obtained directly from firms. Firm-level data will be obtained by expanding the [Enterprise Surveys](#) (ES) program, which is also housed in DECIG and has conducted 304 Enterprise Surveys across 153 economies over the past two decades.<sup>10</sup> The expanded Enterprise Surveys will be full-fledged ES with a BEE module added on (that is, the ES questionnaire will not only contain BEE-related questions). While the expansion of the ES program will require a significant increase in the budget, its benefits will more than compensate for its costs. First, the WBG will be producing BEE data that is grounded on information from entrepreneurs themselves. Second, the WBG will deliver a high-quality firm survey program at regular frequencies with worldwide coverage that does not exist anywhere else in the world. This will substantially expand the benefits that the WBG country teams (and, more broadly, policy makers, development practitioners, and researchers) enjoy from having an ES done in their economies. Third, the combination of BEE data with rich data on firm attributes (included in the main ES questionnaire) will enable more granular analysis (at both the firm and economy levels) of the causes and consequences of the regulatory and public service topics captured by BEE. In sum, producing a combination of de jure and de facto data requires a significant investment, but its benefits are many times larger as a WBG institutional knowledge product and a global public good. Section III elaborates on the implementation aspects related to the expansion of Enterprise Surveys and their use for BEE.

**5. Scope.** BEE will assess the economy's business environment by focusing on the regulatory framework and the provision of related public services for firms and markets, as well as the efficiency with which they are combined in practice (figure I.2).

The *business environment* can be defined as the set of conditions outside a firm's control that have a significant influence on how businesses behave throughout their life cycle.<sup>11</sup> This set of conditions can be very large, from macroeconomic policy to microeconomic rules. To differentiate the BEE benchmarking exercise from other well-established international measures, BEE will concentrate on the regulatory framework and public service provision at the microeconomic level: that is, as enacted and implemented to directly affect firms' behavior and performance.

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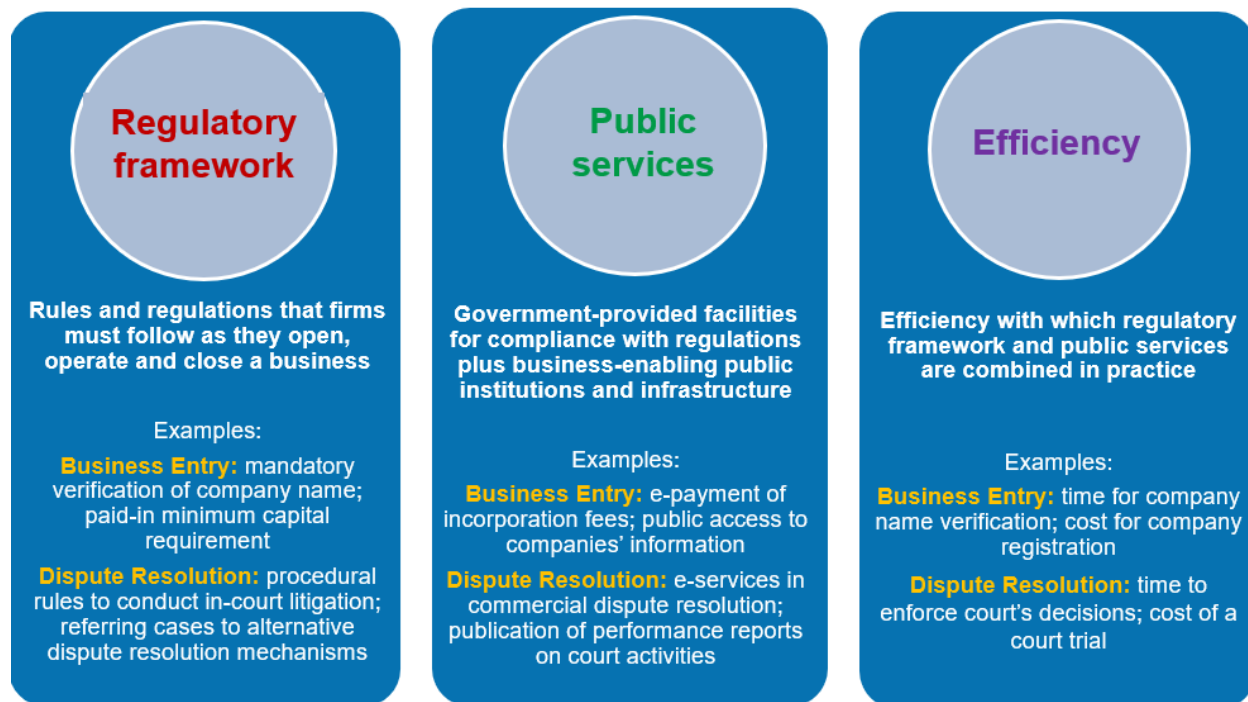
<sup>9</sup> Good practices are based on internationally recognized standards established by the WBG, other multilateral organizations and specialized bodies, or relevant literature. Good practices used for each topic are discussed in more detail in section II.

<sup>10</sup> The Enterprise Analysis unit defines the survey methodology, produces the questionnaires, works with national statistical offices (to obtain the sampling frame), contracts the vendors who implement the surveys, trains their personnel, monitors data quality, and publishes the data (following protocols for data integrity and privacy).

<sup>11</sup> Aterido, R., M. Hallward-Driemeier, and C. Pagés, C. 2011. "Big Constraints to Small Firms' Growth? Business Environment and Employment Growth across Firms." *Economic Development and Cultural Change* 59 (3): 609–47; UNIDO (United Nations Industrial Development Organization). 2017. *Improving the Business Environment*. Vienna: United Nations; World Bank. 2004.

BEE’s three pillars—the regulatory framework, public services, and efficiency—can be defined as follows. The *regulatory framework* comprises the rules and regulations that firms must follow as they open, operate, and close a business. *Public services* here refers to both the facilities that governments provide directly or through private firms to support compliance with regulations and the critical institutions and infrastructure that enable business activities. Public services considered by BEE are limited to the scope of the business environment areas related to the life cycle of the firm, as described below. *Efficiency* pertains to the efficacy with which the regulatory framework and related public services are combined in practice to obtain the objectives that allow firms to function.

**Figure I.2. BEE Measures the Regulatory Framework, Public Services, and Efficiency for Firms and Markets**



Source: BEE team.

Note: BEE = Business Enabling Environment.

BEE will help address informality, one of the most important issues of the business environment in developing economies, by assessing the barriers to formalization. Information from informal firms can add great value to measuring the business environment, given that informal firms provide most jobs in many WBG client countries. However, extending the surveys to the informal sector would not only be prohibitively expensive but would have to address the lack of a well-established data collection methodology. The Enterprise Analysis Unit (DECEA) is currently piloting a method to survey informal firms. This line of work is incipient. In the future, when a cost-effective methodology is well established, the BEE team will consider collecting data from informal firms and entrepreneurs on a larger scale.

Although BEE will not measure informality or collect data from informal firms directly, it will assess the issues that incentivize (or prevent) firms to formalize and workers to be employed by expanding formal firms. The received literature on informality suggests a strong connection between a propitious business environment and formalization. The literature does not identify a “silver bullet” but points to implementing comprehensive reforms and addressing particular bottlenecks as more likely to succeed in expanding the

formal sector.<sup>12</sup> Both types of policy reforms require economy-specific and detailed knowledge on the business environment, which the BEE project is designed to generate. As supplementary information, BEE will include auxiliary data on the size of formal sector compared to informal sector in the appendix tables of the BEE reports and website for economies where data are available.<sup>13</sup>

BEE will not cover other aspects of the business environment that are well covered by other indicators, including macroeconomic conditions (such as [Global Economic Prospects](#)), government corruption and accountability (such as the [Worldwide Governance Indicators](#)), human capital (such as the [Human Capital Index](#)), or conflict, crime, and violence (such as [United Nations Office on Drugs and Crime Statistics](#)).

The BEE report will clearly explain the scope of the project and its limitations. In order to recognize the relevance of the other issues for business environment, the [BEE website](#) will feature a section on “complementary resources,” with a presentation of the areas not covered by BEE and links to their most relevant data sources. This will make the BEE website a “*one-stop shop*,” where people and institutions interested in the business and investment climate can readily obtain information. This will also serve to clarify the informational gap that BEE is intended to fill, thus highlighting its value added in the broader context of existing data and analysis on the business and investment climate.<sup>14</sup>

**6. Topics.** BEE’s topics are organized following the life cycle of the firm and its participation in the market: opening, operating (or expanding), and closing (or reorganizing) a business. The 10 main topics under consideration are Business Entry, Business Location, Utility Connections, Labor, Financial Services, International Trade, Taxation, Dispute Resolution, Market Competition, and Business Insolvency (figure I.3). These topics are further developed in section II.

The selection of topics is guided by the threefold purpose of the BEE project of advocating for policy reform, informing specific policy advice, and providing data for development policy research. The selection of topics meets the following criteria:

**Relevance.** Each selected topic has extensive economic research that demonstrates its impact on and relationship with private sector development. Only after assessing all these topics and making comparisons across economies and over time can binding constraints specific to each economy be identified and prioritized.

**Value added.** Measuring indicators within each selected topic fills an existing data gap. BEE adds value by producing a unique primary data set with worldwide coverage and comparability.

**Complementarity.** Since comprehensive reforms are more likely to succeed, BEE considers topics that complement one another, using the life cycle of a firm as the common thread.<sup>15</sup>

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<sup>12</sup> See the review in Loayza, N. 2018. “Informality: Why Is It So Widespread and How Can It Be Reduced?” Research and Policy Brief No. 20. World Bank, Washington, DC.

<sup>13</sup> For measures of the informal sector, see [ILO Statistics on the Informal Sector](#); Elgin, C., M. A. Kose, F. Ohnsorge, and S. Yu. 2021. “Understanding Informality.” CAMA Working Paper No. 2021/76, Centre for Applied Macroeconomic Analysis, Crawford School of Public Policy, The Australian National University; and Medina, L. and F. Schneider. 2017. “Shadow Economies around the World: New Results for 158 Countries over 1991–2015.” CESifo Working Paper No. 6430, Center for Economic Studies & Ifo Institute for Economic Research (CESifo), Munich.

<sup>14</sup> Considering the renewed interest in benchmarking and studying the business environment, the topic of the 2022 Annual Bank Conference on Development Economics (ABCDE) is “Recovery, Reform, and Business Environment.” It features not only the areas that the BEE project focuses on but also a broad scope of the business environment, consistent with the BEE website *one-stop shop*. For more information, see the ABCDE website: <https://www.worldbank.org/en/events/2022/06/20/annual-bank-conference-on-development-economics-2022-recovery-reform-and-business-environment>.

<sup>15</sup> Bergoeing, R., N. Loayza, and F. Piguille. 2016. “The Whole Is Greater than the Sum of Its Parts: Complementary Reforms to Address Microeconomic Distortions.” *World Bank Economic Review* 30 (2): 268–305.

Within each of the ten topics, BEE will include data on three critical themes that are increasingly important for modern economies. They are digital adoption, environmental sustainability, and gender. The cross-cutting themes are discussed in boxes I.3, I.4 and I.5. On digital adoption, for instance, most topics include the assessment of electronic windows and online one-stop shops. Likewise, on environmental sustainability, topics include the assessment of environmental licenses and the presence of carbon pricing instruments, among others.

In addition, BEE will include data on the gender dimension of the business environment. It will do so in a way that complements the project [Women, Business, and the Law](#) (WBL), also housed in DEC Global Indicators Group. WBL measures the laws and regulations that impact women’s economic opportunities as potential employees and entrepreneurs. Currently, it features eight de jure indicators following a woman’s economic life cycle. By 2024, WBL is expected to increase its scope of indicators and, importantly, to produce a de facto index that will complement the current de jure index. The WBL data and report cover 190 economies and are produced annually. The BEE and WBL teams will explore whether there are gaps in coverage of gender issues in each BEE topic and jointly determine which project should expand its set of indicators to address these gaps. In particular, the two teams will consider whether and how gender-disaggregated data obtained from Enterprise Surveys can inform measurement of de facto outcomes relevant to both BEE and WBL.

**Figure I.3. BEE Topic Areas**



Source: BEE team.

Note: BEE = Business Enabling Environment.

**7. Indicators.** BEE analyzes a set of specific indicators within each topic. Section II presents these in detail. For each topic, there will be three sets of indicators, one for each pillar. Indicators on the regulatory framework and public services will be collected through expert consultations, whereas the efficiency indicators will be assessed through firm-level surveys and expert consultations.

The selection of topic indicators uses the criteria for the selection of topics themselves: namely, relevance, value added, and complementarity. In addition, the indicators will (1) seek to provide a balance between de jure and de facto measures within each topic; (2) be quantifiable and based on primary data collected specifically for the BEE project; (3) produce data that balance comparability across economies and representativeness within an economy; (4) include the most salient measures regarding *firm flexibility* and desirable *social benefits* in each topic; (5) be proxies that reasonably span rather than exhaust the most relevant aspects in each topic; (6) point to areas that are actionable—that is, subject to change through policy reform; and (7) focus on issues where there is an established “good practice” when measuring regulatory and public service quality.

The efficiency indicators will measure the proximate results of the business-enabling regulatory framework and the related public services to firms. They will not, however, attempt to measure the final outcomes of the business environment (for example, productivity, formality, equity, and sustainability). These outcomes

are the complex result of variables encompassing not only the full business environment but also all aspects of public policy. As such, they are beyond the scope of the BEE project.

### **Box I.3. Digital Adoption**

Governments and businesses are increasingly going digital. The adoption of digital technologies by governments enables more efficient and user-friendly provision of public services, and promotes greater transparency and accountability.<sup>a</sup> Government-to-business e-services such as e-filing of taxes or online business registration save time and reduce burden on entrepreneurs.<sup>b</sup> The adoption of digital technologies by businesses fosters productivity, innovation, and creation of high-skilled jobs.<sup>c</sup> To reap the benefits of digital transformation, the availability of a wide range of high-quality internet services at competitive prices is particularly important.<sup>d</sup> Furthermore, e-commerce creates unprecedented business opportunities to distribute goods and services with access to global markets.<sup>e</sup> Business and consumer confidence in security of online transactions, a predictable regulatory framework for domestic and cross-border transactions, as well as the availability of a secure and reliable digital payments infrastructure are essential to the development of e-commerce.<sup>f</sup>

BEE will look at the digital adoption, either by governments or businesses, as a cross-cutting theme anchored in specific areas of the business environment. The BEE project does not aim to benchmark overarching e-government or internet regulation per se but rather to analyze relevant digitalization aspects within the realm of the specific BEE topics.

All BEE topics will cover e-government features by assessing the digitalization of public services. BEE will encompass four aspects of the adoption of digital technologies by governments: (1) availability of online public services, (2) access to information, (3) electronic storage, and (4) interoperability. For instance, the topic of Business Entry will assess the availability of an electronic company registration system. International Trade will measure the existence of a dedicated government website providing access to information on international trade regulatory requirements. Business Location will cover electronic storage of cadastral information and data exchange across property administration institutions.

Utility Connections, Financial Services, and International Trade topics will cover the adoption of digital technologies by businesses. The Utility Connections topic will examine digital adoption from a supply perspective, covering the regulatory framework for internet connections and providing de facto measures of the time and cost for a business to obtain an internet connection. The Financial Services topic will include e-payments regulation and provides de facto measures of time and cost required to make an electronic payment. International Trade will measure digital trade, including e-commerce and cybersecurity. The indicators that will cover digital adoption are further discussed within each topic in section II and denoted by the \* symbol in annex IIA.

a. World Bank. 2016c. *World Development Report 2016: Digital Dividends*. World Bank, Washington, DC.

b. Chipeta, J. 2018. "A Review of E-government Development in Africa: A Case of Zambia." *Journal of e-Government Studies and Best Practices* 2018: 1–13.

c. Ramdani, B., S. Raja, and M. Kayumova. 2021. "Digital Innovation in SMEs: A Systematic Review, Synthesis and Research Agenda." *Information Technology for Development* 28 (1): 1–24.

d. Conde, M., and S. Wasiq. 2021. "Digital Transformation of Business Challenges and Issues in Developing Countries." *Journal of Information Systems and Digital Technologies* 3 (1): 65–73.

e. Taher, G. 2021. "E-Commerce: Advantages and Limitations." *International Journal of Academic Research in Accounting Finance and Management Sciences* 11 (1): 153–65.

f. Ingole, A. 2021. "E-commerce Revolution: Contemporary Challenges of Legal Regulation." *International Journal of Economic Perspectives* 15 (1): 309–19.

#### **Box I.4. Environmental Sustainability**

The 2021 United Nations climate change conference (COP26) acknowledged that climate commitments are reshaping businesses through changes in market mechanisms and financing models.<sup>a</sup> Improvements in environmental performance of businesses are fundamental to tackle pollution and climate change, while supporting sustainable growth.<sup>b</sup> The market failures that lead to climate change or pollution require government interventions.<sup>c</sup> An enabling regulatory framework is imperative for businesses to navigate the trade-offs between better environmental performance and compliance costs. Whereas environmentally sustainable practices could initially present compliance costs for businesses, they promote longer-term cost savings and welfare benefits not only for an individual firm, but also for the private sector and society at large.<sup>d</sup>

BEE will look at environmental sustainability as a cross-cutting theme anchored in specific topics following the life cycle of the firm. The BEE project does not aim to benchmark comprehensive environmental regulation such as laws on pollution, biodiversity, or deforestation. Instead, it will present relevant indicators to reflect environmental regulatory provisions that affect business operations within the realm of specific areas of the business environment.

For instance, Business Entry will assess whether risk-management applies to environmental clearances required before the start of business operations. Business Location will look at environmental licensing requirements and building energy efficiency standards. Utility Connections will integrate energy and water use efficiency standards to account for solutions promoting energy savings and reducing water loss. Financial Services will encompass sustainable financing to measure the ease of obtaining finance for sustainable activities. International Trade will account for environmentally sustainable trade, including tariffs on environmental goods, cross-border carbon pricing instruments, and the ratification of relevant international standards. Taxation will cover fiscal instruments to discourage or cap activities that are harmful to the environment. Dispute Resolution will incorporate good regulatory practices in environmental disputes. Market Competition will include measures of sustainable procurement. Business Insolvency covers environmental obligations in bankruptcy, including treatment of claims related to the environment. The indicators that cover environmental sustainability are further discussed within each topic in section II and denoted by the <sup>^</sup> symbol in annex IIA.

a. Bloomfield, J., and F. Steward. 2022. “Strategies for Climate Change Post COP26.” *Political Quarterly* 93 (1): 278–87.

b. OECD (Organisation for Economic Co-operation and Development). 2017. “Private Sector Engagement to Address Climate Change and Promote Green Growth.” Private Sector Peer Learning Policy Brief 4, OECD, Paris.

c. Bloomfield, J., and F. Steward. 2022.

d. Ferris, A., R. Garbaccio, A. Marten, and A. Wolverson. 2017. “The Impacts of Environmental Regulation on the U.S. Economy.” *Oxford Research Encyclopedia of Environmental Science*.



## Box I.5. Gender Equality

There is a wide consensus in the current literature that removing barriers to women's economic participation is essential from both economic and social standpoints. Research demonstrates that gender equality is associated with increased productivity, economic development, and growth.<sup>a</sup> Conversely, unequal treatment of men and women is correlated with a reduction in female labor supply, slower career progression, as well as lower levels of female entrepreneurship in the private sector.<sup>b</sup> Moreover, investing in women's human capital is key to economic growth and social cohesion as such investment enables women to become more productive and well-to-do members of society.<sup>c</sup>

A review of the *Women, Business and the Law* (WBL), *Enterprise Surveys* (ES) and other gender-focused products suggests that some relevant gender dimensions have not yet been covered by the existing indicators. Examples of such dimensions include regulations on collecting anonymized gender-disaggregated data, firms' practices on gender-based discrimination, women's participation in judiciary, gender barriers on access to finance, and gender equality facilitation programs. These gender areas fall under regulatory frameworks, public services, and efficiency of the business environment, therefore well fitting into the three-pillar structure of BEE. BEE will integrate a gender dimension as a cross-cutting theme in nine out of its ten topics.<sup>d</sup> The project will incorporate both *de jure* and *de facto* gender measures, capitalizing on synergies with the other products. The proposed gender areas are grounded in the current literature as well as consultations with internal and external experts.

Specifically, Business Entry will collect data on whether gender-disaggregated data about limited liability companies are publicly available online. Business Location will measure incentives to reduce occupational gender gaps in professions such as engineers, surveyors, environmental specialists, and property lawyers. Utility Connections will assess if gender-disaggregated customer surveys are conducted by utility providers. Labor will include questions on equality of training opportunities, prevalence of women inspectors, accessibility of childcare, overall incentives to hire women, as well as gender-based violence and harassment prevention regulations. Financial Services will focus on the availability of women-targeted loans and other financial products, coupled with financial literacy programs. Gender-specific Trade Agreement commitments, women association memberships in National Trade Facilitation Committees, and licensing requirements for female foreign trade professionals will be addressed by International Trade.

Taxation will measure gender impact assessments, legal provisions for equal treatment in tax disputes, and gender balance in Tax Authorities' staffing. Legal restrictions for women to take part in court litigation and transparency of female representation in the judiciary will be included in Dispute Resolution. Market Competition will examine equal gender opportunities in public procurement processes; it will also measure the presence of business accelerators and incubators for women entrepreneurs. In addition, seven topics will capture public availability of gender-disaggregated anonymized data.

The BEE gender data are envisioned to be complementary to the information collected by WBL and ES. The ES surveys, for example, already embed gender components on firm ownership structure, top managers, workforce composition, and training. Thus, a deeper analysis, coupled with BEE indicators, could be done with the available gender-disaggregated survey data. The three projects will collect gender information originating from a variety of sources, including women, firms, policymakers, and practitioners. This complementarity will create effective synergies among the three knowledge products (BEE, ES, WBL) that are uniquely positioned to provide diverse global data on gender. The indicators that will cover gender are further discussed within each topic in section II and denoted by the ♀ symbol in annex IIA.

<sup>a</sup> Bertay, A.C., L. Dordevic, and C. Sever. 2020. "Gender Inequality and Economic Growth: Evidence from Industry-Level Data." *IMF Working Paper* WP/20/119Z; Chiplunkar, G., and P.K. Goldberg. 2021. "Aggregate Implications of Barriers to Female

Entrepreneurship.” NBER Working Paper 28486, Cambridge, MA: National Bureau of Economic Research; Doepke, M., M. Tertilt, and A. Voena. 2012. “The Economics and Politics of Women’s Rights.” *Annual Review of Economics* 4: 339–72; Lagerlöf, N. 2003. “Gender Equality and Long-Run Growth.” *Journal of Economic Growth* 8 (4): 403–26; World Bank. 2012. *World Development Report 2012: Gender Equality and Development*. Washington, DC: World Bank..

<sup>b</sup> Sever, C. 2022. “Gendered laws and labour force participation.” *Applied Economics Letters*; Gagnon, N., K. Bosmans, and A. Riedl. 2020. “The Effect of Unfair Chances and Gender Discrimination on Labor Supply.” Institute of Labor Economics: DP No. 12912; Zabalza, A. and Z. Tzannatos. 1985. “The effect of Britain's anti-discriminatory legislation on relative pay and employment.” *The Economic Journal* 95(379): 679-699; Islam, A., S. Muzi, and M. Amin. 2019. “Unequal Laws and the Disempowerment of Women in the Labour Market: Evidence from Firm-Level Data.” *Journal of Development Studies* 55 (5): 822–44.<sup>c</sup> Diebolt, C., and F. Perrin. 2013. “From Stagnation to Sustained Growth: The Role of Female Empowerment.” *American Economic Review* 103 (3): 545–49, OECD (Organisation for Economic Co-operation and Development). 2012: *Gender Equality in Education, Employment and Entrepreneurship: Final Report to the MCM 2012*. Paris: OECD.

<sup>d</sup> All topics, except Business Insolvency.

**8. Scoring.** Quantifying business environment conditions into corresponding measurable indicators is critical for the BEE benchmarking exercise. All data obtained from either experts or firms will be collected in raw form and then converted to a score that can be combined with other scores.<sup>16</sup> As discussed in point 9 on integrity and transparency, all information—raw data, scores, and the calculations to obtain the latter from the former—will be made publicly available.

The granular data produced by the BEE project will be combined to produce a score for each of the ten BEE topics, resulting in a simple cardinal measure that will enable absolute comparisons over time and across economies for each topic area. Every topic score will be generated by averaging the scores assigned to each of the three pillars (regulatory framework, public services, and efficiency) for that topic. For nearly all indicators, the regulatory framework pillar captures *de jure* information, and the public services and efficiency pillars capture *de facto* information.<sup>17</sup> The scoring approach therefore provides complementarity between *de jure* laws and regulations and *de facto* practical implementation. For each measure in each indicator, the BEE team will clearly document whether the measure is *de jure* or *de facto* as part of the methodology.

For all topic areas, the scores assigned to each of the three pillars will be built from points awarded at the most basic indicator level. At this level of detail, scoring will consider the perspectives of entrepreneurs (*firm flexibility*) and broader public interests (*social benefits*). Considering both private and social interests

<sup>16</sup> The objective of the scoring methodology of raw data is to allow for score aggregation that preserves absolute cardinal differences, which can be used to compare across economies and over time (rather than purely ordinal or relative scoring). One possible method that meets these criteria is based on the distance-to-the-frontier (DTF) approach. In this case, the data are normalized to a common unit—for example, on the scale from 0 to 100 points, where 0 represents the lowest and 100 represents the best performance. In turn, best (worst) performance is defined by the highest (lowest) standards and/or practices, measured as a single point or range of values. These “maximum” and “minimum” levels are defined in a global absolute way so that absolute (not just relative) progress can be tracked over time. The specific values may be decided on an indicator-by-indicator basis and grounded on the relevant economic, legal, and public policy literatures. The distance-to-frontier concept is used in benchmark exercises such as the World Health Organization’s World Health Report and the WBG’s Human Capital Index, WBG’s Productivity Project, and in research on economic growth. See Acemoglu, D., A. Philippe, and F. Zilibotti. 2006. “Distance to Frontier, Selection, and Economic Growth.” *Journal of the European Economic Association* 4 (1): 37–74; Aghion, P., and P. Howitt. 2006. “Appropriate Growth Policy: A Unifying Framework.” *Journal of the European Economic Association* 4 (2-3): 269–314; Aghion, P., and P. Howitt. 2009. *The Economics of Growth*. Cambridge, MA: MIT Press.; Assaf, A. G. 2012. “Benchmarking the Asia Pacific Tourism Industry: A Bayesian Combination of DEA and Stochastic Frontier.” *Tourism Management* 33 (5): 1122–27; Bogetoft, P., E. Heinesen, and T. Tranæs. 2015. “The Efficiency of Educational Production: A Comparison of the Nordic Countries with Other OECD Countries.” *Economic Modelling* 50: 310–21; Edvardson, D. F., and F. R. Førsund. 2003. “International Benchmarking of Electricity Distribution Utilities.” *Resource and Energy Economics* 25 (4): 353–71; Griffith, R., S. Redding, and J. van Reenen. 2003. “R&D and Absorptive Capacity: Theory and Empirical Evidence.” LSE Research Online Documents on Economics 209, London School of Economics and Political Science; Kumbhakar, S. C., and G. Lien. 2017. “Yardstick Regulation of Electricity Distribution—Disentangling Short-Run and Long-Run Inefficiencies.” *The Energy Journal* 38 (5).

<sup>17</sup> For more information, see annex IIA. Ninety-seven of 105 indicators follow the general *de jure* versus *de facto* classification for all underlying measures; the remaining 8 indicators include both *de jure* and *de facto* measures.

is important for BEE because the project must address not only the ease of doing business for individual firms but also the inclusive and sustainable aspects of private sector development.

The score for each indicator will reflect the points awarded to that indicator under *firm flexibility* and *social benefits*. An indicator will be scored under *firm flexibility* if it affects the benefits or costs of running a business. An indicator will be scored under *social benefits* if its effects go beyond the firm and extend to socially desirable outcomes, such as environmental protection, workers' welfare, market competition, consumer protection, fiscal sustainability, equal access to business opportunities, and informational externalities.

Specifically, points will only be assigned to indicators that represent a clear effect on firms (under *firm flexibility*) and/or society (under *social benefits*), based on internationally recognized and well-established good practices. Measures that have an ambiguous impact on firm flexibility because they benefit some firms at the expense of others (for example, subsidies for specific exporting sectors or preferential treatment of small and medium enterprises, SMEs) will not be assigned firm flexibility points. Similarly, measures that have an ambiguous impact on social benefits (for example, firing restrictions that may benefit incumbent formal workers but harm the prospects of the unemployed and informal workers) will not be assigned *social benefits* points.

Some indicators may merit both firm flexibility and social benefits points. For example, clear tax provisions are a benefit to both individual firms (by simplifying compliance) and society more generally (by strengthening trust and social contracts). In this case, when points on firm flexibility and social benefits are allocated, they will be added together.

The assignment of firm flexibility and/or social benefits points to the selected indicators will be done consistently across all economies, will reflect the best available evidence from the academic literature and well-founded good practices, will be reviewed by an advisory group before being finalized, and will be clearly documented in advance as part of the BEE methodology. Detailed explanations for each component's categorization and scoring will be published on the BEE website. See annex IE for examples applied to the topics of, respectively, Utility Connections and Taxation.

When using BEE data for economic analysis, their interpretation should be contextualized as needed. For instance, when an economy's shortcomings are assessed, it may be necessary to compare its data relative to economies at similar levels of income or to economies that have followed a desirable development path. Economic analysis should take into account economy-specific enforcement capacity and development priorities. However, this line of analytical work is beyond the scope of the BEE project as a data collection exercise—it should be undertaken by practitioners and researchers, using BEE data among other complementary data sources.

**Higher-level aggregate scores.** In addition to topic-specific scores, the BEE project will consider producing higher-level aggregate scores to increase the impact and informational value of the project. Options include the following. (1) A set of categorical scores that result from combining topic scores in groups following the life cycle of the firm; for instance, aggregate scores for opening, operating, and closing a business. (2) A set of categorical scores that combine topics according to their nature as production inputs (e.g., Labor and Financial Services), market interactions (e.g., International Trade and Market Competition), and institutional interactions (e.g., Taxation and Dispute Resolution). (3) An overall score that combines all topic scores into a representative summary statistic.

At this point, there is no decision on which aggregates to produce. The team plans to revisit these and other options for higher-level aggregate scoring once the data from the first round of the BEE project are collected and before the first BEE report is produced. Using actual BEE data would allow for a rigorous assessment

of the merits of alternative methods for higher-level aggregation. This would inform the decision on which aggregate scores to produce and report from the first BEE onwards, recognizing that these may evolve in subsequent editions as the project matures.

Generating aggregate scores faces some trade-offs. On the one hand, the smaller the set of scores for an economy is, the simpler and clearer the communications about them are. Evidence shows that this clarity is critical in maximizing public interest and motivating reforms.<sup>18</sup> On the other hand, generating aggregate scores requires combining components from different areas and making value judgements on their relative importance. The scoring method adopted by the BEE project would seek to achieve an appropriate balance by generating aggregate scores that, first, rest on straightforward and intuitive assumptions that are consistent with the project's scope and approach and, second, recognize the heterogeneity of the components underlying these aggregate scores. For instance, in case an overall score is produced, it could be presented as an average of the ten topic scores with confidence intervals based on the variance of these scores.<sup>19</sup>

The way aggregated scores may be presented is also important to mitigate concerns about “unhealthy” competition across economies. BEE reports would address these concerns by avoiding excessive hype around economy rankings. BEE would explore different ways of presenting summary information to maximize public interest and motivate reforms. First, BEE would emphasize an economy's own progress over time and relative to best performance. Rather than concentrating on economy rankings, BEE would base its reporting on scores, describing their cross-topic variations, analyzing their differences within and across economy groupings, and assessing their general trends over time (as more BEE data become available). Second, BEE would report aggregated scores using presentational methods that recognize the variability underlying average scores. For instance, this could be done by presenting (1) confidence intervals around mean values, as explained earlier; (2) a full set of summary statistics around the aggregate scores; (3) economy groupings determined by fixed percentiles of the sample distribution of aggregate scores, such as terciles and quartiles; and (4) economy groupings driven by natural breaks in the sample distribution of aggregate scores, obtained through, for instance, cluster analysis. In turn, a variety of presentational devices could be used to implement these possibilities in BEE reports, such as spiderweb charts, box-and-whisker plots, traffic-light signs, and heatmaps.

Last but not least, the detailed scoring and aggregation methodology will be published on the BEE website, and full replication programs will be made available. The full transparency of BEE's granular data and scoring methodology may allow users to generate their own alternative scores and rankings that meet their particular needs. The BEE team can facilitate this user capability by setting up an interactive platform in its website.

**9. Integrity and Transparency.** The data collection and reporting process will be governed by the highest possible standards of data integrity, including sound data-gathering processes, robust data safeguards, and clear approval protocols. In addition, BEE will rely on transparency and replicability to build trust in its data and report. All granular data collected by the BEE project will be made publicly available on its website, and all results presented in BEE's reports will be replicable using straightforward toolkits made available on the same website.

The DEC Global Indicators Group is engaging with Group Internal Audit (GIA), Ethics and Business Conduct (EBC), and Information and Technology Solutions (ITS) units at the WBG to strengthen the

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<sup>18</sup> IEG, 2022.

<sup>19</sup> Confidence intervals reflecting uncertainty about weights can also be obtained, for instance, through a bootstrap statistical method that derives the variance of the aggregate score by assigning random weights to each topic score in a large set of simulations. The random weights would be drawn from a statistical distribution such that each weight would take a value between 0 and 1 and all weights would add up to 1.

governance of the BEE project. The BEE project will follow the OPCS guidelines on [Accountability and Decision-Making \(ADM\)](#) framework for the WBG corporate flagship products.

In FY22, GIA reviewed the data governance process proposed in the Concept Note and issued an *Insight Memo* (on June 29, 2022) to advise on important implementation components. In FY23, GIA will conduct a full *Design Review* of the data collection and reporting processes. After the first BEE pilot starts, GIA will conduct an *Assurance Review* to examine the end-to-end process of data collection and reporting for BEE. These processes will allow GIA to update the [GIA recommendations](#) provided in the context of *Doing Business*.

EBC will advise on ways to protect the project from undue influence from internal and external stakeholders and make resources available to the BEE team for reporting any perceived undue influence. EBC will also provide guidance to avoid potential conflicts of interest within the BEE team and in its relationship with the rest of the WBG. In addition, EBC has established an independent *ethics and compliance function* with two EBC staff to support the BEE project and team on a continuous basis.

ITS will work with the BEE team to obtain a safe and reliable data management system that will protect the data from cyberthreats and unforced errors, while also allowing for public data availability. The IT capital investment for BEE has been endorsed and will be funded through the ITS FY23 Annual Investment Planning process.

Finally, with the guidance from GIA and EBC, BEE will produce a *Manual and Guide* in the first half of FY23 before the first BEE pilot data collection starts, where the above-mentioned protocols, safeguards, processes, and resources will be clearly established in writing. This *Manual and Guide* will also be reviewed by GIA and be publicly available on the BEE website.

**Annex IA. How BEE’s Approach Is Informed by the External Panel Review (EPR) on *Doing Business* (DB)**

**Table IA.1. External Panel Review Recommendations on DB Compared to the Proposed Approach for BEE**

External Panel Review Recommendation on DB	BEE
1. Current methodology should be significantly modified, implying a major overhaul of the project	New project with different scope, methodology and approach compared to DB
2. Measure the de facto reality, not just de jure rules, facing a representative cross-section of firms	Measure de facto indicators by firm-level surveys and expert consultations; balance between de jure and de facto indicators within topics; selective use of case scenarios to increase representativeness within economies and comparability across economies
3. Include indicators measuring the positive functions of government in promoting a good business environment	Include provision of public services related to (1) government-provided facilities for compliance with regulations and (2) institutions and infrastructure designed for firms in their life cycle (for example, e-services in commercial dispute resolution)
4. Expand coverage of international business issues	Topics such as Business Entry, Business Location, Labor, International Trade, and Dispute Resolution include aspects related to international business
5. Remove the aggregate index and economy rankings	To reduce tension between private and public interests, points will be awarded at the most basic indicator level under <i>firm flexibility</i> and <i>social benefits</i> ; the points will be added up to produce a score for each topic area and potentially higher-level aggregate scores; excessive hype surrounding aggregate scores will be avoided
6. Retain and improve the measurement of “Paying Taxes,” including the “Total Tax Contribution Rate (TTCR),” but do not rank economies on their tax rates	Include effective tax and contribution rate (ETCR), applying a new scoring approach; include indicators on quality of regulations and efficiency of services provided by tax administrations, improving and expanding DB
7. Eliminate the indicators “Protecting Minority Shareholders” and “Resolving Insolvency”	Do not include indicators on minority investors protection; include indicators on Business Insolvency, expanding DB’s scope to assess additional areas of corporate insolvency such as specialized proceedings for micro and small enterprises (MSEs) and include components of institutional infrastructure for insolvency processes
8. Make the “Contracting with the Government” indicator more relevant	Include public procurement indicators in the context of Market Competition, covering government purchases of goods, services, and works
9. Clarify the conceptual framework behind the Digital Business Indicators	Present data on digital adoption across relevant topics; measure the process of obtaining internet connections and associated regulations (as a component within Utility Connections)

10. Restore and improve the “Employing Workers” indicator as part of DB indicators, but do not rank economies based on this information	Include indicators on Labor that attempt to balance the perspectives of both workers and firms
11. Improve the transparency and oversight of DB	Data collection and reporting governed by highest possible standards (sound data-gathering processes, robust data safeguards, clear approval protocols, transparency and public availability of granular data, and replicability of results); protocols and processes established clearly in writing

Source: BEE team based on the *Doing Business: External Panel Review* (External Panel. 2021).

Note: BEE = Business Enabling Environment; DB = *Doing Business*.

**Annex IB. How BEE Is Adopting the Recommendations from the WBG Independent Evaluation Group’s (IEG) Report on *Doing Business* (DB)**

**Table IB.1. BEE’s Proposed Adoption of IEG Recommendations on DB**

IEG recommendations on DB	BEE
1. In line with much existing practice, the WBG should continue to use DB to motivate client engagement and to assist in reform focus within its menu of regulatory areas—but only where the priority and nature of reforms are confirmed by complementary analytics.	The BEE project is presented as only one of many relevant benchmarking exercises, recognizing its limitations but also identifying its value added.
2. Consistent with good practice, the WBG should avoid using DB indicators as explicit reform objectives or monitoring indicators in projects and economy strategies and, where avoidable, should not use DB as primary indicators of reform progress.	DEC agrees that WBG project and economy strategies should base their objectives on a robust group of performance indicators.
3. The WBG should update DB indicator areas and definitions at regular and predictable intervals to reflect learning from research and field experience. Doing so will improve links to important development outcomes, strengthen relevance to the experience of domestic SMEs, and adapt to technological changes in the areas covered by the indicators.	The new BEE project is an opportunity to refresh and update the business environment benchmarking approach, not only using the most relevant research but also considering recent developments in the global economy.
4. The WBG should strengthen the accuracy and validity of DB claims in DB reports and related communications in line with robust evidence.	The BEE project avoids overstating claims on its influence. It will provide full transparency of collected granular data and replicability of results.

*Source:* BEE team based on Independent Evaluation Group (IEG). *The Development Effectiveness of the Use of Doing Business Indicators, Fiscal Years 2010–20—An Independent Evaluation*. Washington, DC: World Bank.

*Note:* BEE = Business Enabling Environment; DB = *Doing Business*; IEG = Independent Evaluation Group; SMEs = small and medium enterprises; WBG = World Bank Group.



## Annex IC. Comparison of DB and BEE at the Topic Level: Innovations and Examples

**Table IC.1. BEE Innovations with Respect to DB for Each Topic**

DB topic	BEE topic	New issues and broader scope of BEE
Starting a Business	Business Entry	Quality of regulations for Business Entry; environmental sustainability; international aspects; gender-disaggregated data on business entry
Dealing with Construction Permits; Registering Property	Business Location	Restrictions on property leasing and ownership; environmental sustainability; building energy efficiency; international aspects; gender-disaggregated data and female representation in related professions
Getting Electricity	Utility Connections	Electricity, water, and internet connections; environmental sustainability; safety of utility connections; gender-disaggregated customer surveys
Employing Workers	Labor	Balanced perspectives of both workers and firms; coverage of employment services; gender equality practices at work places
Getting Credit	Financial Services	Regulations for customer due diligence upon approving a commercial loan, as well as for e-payments and green financing; ease of obtaining a loan; ease of making and receiving an e-payment; ease of obtaining green finance; availability of gender-based financial products
Trading across Borders	International Trade	Quality of the regulatory framework and public services for trade in goods and services; digital trade; environmentally sustainable trade; female participation and gender commitments in trade agreements
Paying Taxes	Taxation	Services provided by the tax administration; environmental taxation; quality of tax regulations; female representation at tax authorities
Enforcing Contracts	Dispute Resolution	International aspects; larger focus on alternative dispute resolution (ADR), enforcement, and public services; female representation in judiciary and ADR institutions; gender equality in litigation
n.a.	Market Competition	New BEE topic not covered by DB
Resolving Insolvency	Business Insolvency	Specialized proceedings for micro- and small enterprises (MSEs); cross-border insolvency; institutional infrastructure for insolvency processes
Protecting Minority Investors	n.a.	Discontinued. The DB Protecting Minority Investors topic focused on good practices for listed and large joint-stock companies that constitute a subset of

		firms only. Because BEE aims to capture the business environment at large and is not specific to particular groups of firms, the topic is not included in the BEE project
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Source: BEE team based on *Doing Business* database.

Note: n.a. = not applicable; BEE = Business Enabling Environment; DB = *Doing Business*.

**Table IC.2. Two Examples Comparing DB and BEE Topics: Dispute Resolution and Utility Connections**

**a. Dispute Resolution**

	<b>Enforcing Contracts (DB)</b>	<b>Dispute Resolution (BEE)</b>
<b>Scope of coverage</b>	Primarily in-court litigation	Apart from in-court litigation, there is enlarged coverage of alternative dispute resolution (ADR) and enforcement
<b>Data collection</b>	Data collected from experts only	In addition to expert consultations, data will also be collected through firm-level surveys
<b>Public services</b>	Some isolated questions included (specialization of courts)	This is a separate pillar, with a bigger emphasis on institutional framework (judicial transparency, complaints mechanisms, ADR institutions)
<b>Digitalization</b>	Basic areas of court automation and e-services covered (e-payment of court fees)	Expanded scope—one of the lessons from the COVID-19 pandemic; questions on virtual hearings, e-notifications, e-tracking of cases will be incorporated
<b>Time and cost</b>	Detailed case study centered on sale of goods	Increased representativeness, moving away from a specific case study to providing key parameters only
<b>New aspects</b>	Topic solely about domestic first instance litigation	International aspects of dispute resolution will be equally included (access of foreign firms to ADR); appeal hearings will also be measured. Environmental disputes will be captured as well, while the gender dimension will be expanded

Source: BEE team based on *Doing Business* database.

Note: BEE = Business Enabling Environment; DB = *Doing Business*.

**b. Utility Connections**

	<b>Getting Electricity (DB)</b>	<b>Utility Connections (BEE)</b>
<b>Scope of coverage</b>	Electricity	Electricity, water, internet
<b>Data collection</b>	Data collected from experts only	In addition to expert consultations, data will be also collected through firm-level surveys
<b>Public Services</b>	Several aspects on transparency of tariffs, reliability of electricity supply	Separate pillar on utility performance and transparency of utility services; new area: interoperability of utility services
<b>Digitalization</b>	Several questions on e-government services (online applications, online payment of bills)	Expanded scope—new additions: online single windows and single information portals, Geographic Information System (GIS) on utilities' network lines
<b>Time, cost and reliability of supply</b>	Detailed case study focused on a 140 kVA commercial connection; measurement of outages (SAIDI, SAIFI)	Firm-level survey → increased representativeness and actual firm's experience—data on time and cost to obtain connections and on service interruptions

<p><b>New aspects</b></p>	<p>Environmental aspects, gender dimension, or safety of connections not covered</p>	<p>Environmental sustainability (environmental sustainability standards, monitoring of KPIs on sustainability of utility supply), gender dimension (gender-disaggregated customer surveys by the utility, gender-disaggregated data on losses due to power outages), and safety of utility connections aspects (inspections, professional licenses, cybersecurity) will be included</p>
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Source: BEE team based on *Doing Business* database.

Note: BEE = Business Enabling Environment; DB = *Doing Business*; KPIs = key performance indicators; kVA = kilovolt-ampere (1000 volt-amperes); SAIDI (System Average Interruption Duration Index) = the total duration of interruptions for a group of customers; SAIFI (System Average Interruption Frequency Index) = total number of interruptions for a group of customers.

## Annex ID. Trade-offs Facing BEE and Proposed Solutions

**Table ID.1. Advantages of BEE, Limitations, and Solutions**

	<b>Advantages</b>	<b>Limitations</b>	<b>Solutions</b>
<b>Focus on private sector development</b>	BEE will assess business regulations affecting private sector development as a whole, allowing the project to potentially account for a positive perspective on the role of governments and issues such as environmental concerns and market competition.	BEE will not necessarily reflect the ease of doing business from the perspective of individual enterprises.	BEE acknowledges that some business regulations (such as certain regulations related to taxation) may add to the regulatory burden faced by individual firms but recognizes the positive impact they may have on the economy. BEE will attempt to address this trade-off through its scoring methodology that assigns points for firm flexibility and social benefits.
<b>Limited scope in the topics assessed for the business environment</b>	BEE will add value by filling existing data gap and producing unique primary data in a limited number of areas relevant for private sector development.	BEE will not include <i>all</i> aspects that could affect private sector development. For instance, macroeconomic conditions, and corruption will not be included.	BEE’s value added is that it focuses on regulations and enabling public services directed at firms and markets. The BEE website will feature a section on complementary resources, with well-established international measures (for example, corruption from the <i>Worldwide Governance Indicators</i> ), which interested people and institutions can consider and access.
<b>Indicators are proxies</b>	Indicators are proxies, allowing them to span most relevant areas for the business environment and consider increasingly important issues for modern economies, such as digital adoption.	Indicators are not exhaustive and certain details and areas important for the firm and the market will not be covered.	BEE will select indicators based on an extensive literature review and expert advice. The selection criteria will include the following characteristics: indicators should be quantifiable, point to actionable policy areas; balance de jure and de facto information within topics; cover relevant data for firm flexibility and social benefits; and refer to well-established “good practices.”
<b>Limited use of standardized</b>	Limiting the use of standardized case scenarios will make data more	This could potentially limit the level of detail that can be collected and	BEE will use a combination of expert consultation and firm-level surveys as needed. In addition, BEE will use a set of parameters

<b>case scenarios</b>	representative across firms and sectors within the economy.	compared across economies.	to ensure data comparability as needed.
<b>Entrants vs. incumbent firms</b>	BEE will collect data through a combination of expert consultations and surveys of incumbent companies that have extensive experience with the regulatory framework and provision of public services relevant for operating a business.	Focusing on firms that are currently operating in the market may underestimate entry and exit barriers.	BEE will collect data primarily through expert consultations for topics where incumbent companies could potentially underestimate entry and exit barriers (such as Business Entry, Business Insolvency).
<b>Avoid hype around aggregate rankings</b>	BEE will produce topic scores and potentially higher-level aggregate scores to maximize public interest and motivate reforms without creating concerns about unhealthy competition across economies.	Year-on-year changes in aggregate rankings will be deemphasized, requiring BEE to explore different ways of presenting summary information and motivating reforms.	BEE will explore different ways of presenting summary information for maximizing public interest and motivating reforms, emphasizing an economy's own progress over time and relative to best performance. BEE will also make all granular data available so that users can employ the various data components independently and, potentially, alternative scoring can be formulated.

*Source:* BEE team.

*Note:* BEE = Business Enabling Environment.

**Annex IE. Illustration of How Indicator Components May Be Scored to Produce an Overall Topic Score, Using Their Impact on *Firm Flexibility* and *Social Benefits***

**Table IE.1. Topic Example: Utility Connections**

Set of indicators	Indicator	Impact on <i>firm flexibility</i>	Impact on <i>social benefits</i>	Impact on scoring
<b>Regulatory framework: Quality of electricity, water, and internet regulations</b>	Regulations for efficient connection deployment and reliable service supply for electricity, water, and internet	+	+	++
	Safety of utility connections	+	+	++
	Environmental sustainability of utility connections	Neutral	+	+
<b>Public services: Performance and transparency of utility services</b>	Monitoring and transparency of key performance indicators on the quality and reliability of utility supply	+	+	++
	Monitoring and transparency of key performance indicators on sustainability of utility supply	Neutral	+	+
	Transparency of utility services	+	+	++
	Interoperability of utility services	+	+	++
	Implementation of regulations on safety of utility connections in practice	+	+	++
<b>Efficiency: Efficiency of utility service provision in practice</b>	Time to obtain electricity, water, and internet connections	-	Neutral	-
	Cost to obtain electricity, water, and internet connections	-	Neutral	-
	Reliability of electricity, water, and internet services	+	Neutral	+

Source: BEE team.

Note: The + and - symbols denote the direction of the impact for the indicator on *firm flexibility* or *social benefits*. They do not quantify the magnitude of effects on *firm flexibility* or *social benefits*. The allocation (firm flexibility and/or social benefits) and sign (+ and -) in the table are preliminary. Indicators in this table can be further disaggregated; hence the allocation and sign can be further differentiated at the most basic indicator level. “Neutral” denotes a neutral or ambivalent impact for the indicator on *firm flexibility* or *social benefits*. BEE = Business Enabling Environment.

**Table IE.2. Topic Example: Taxation**

Set of indicators	Indicator	Impact on firm flexibility	Impact on social benefits	Impact on scoring
<b>Regulatory framework: Quality of regulations on taxation</b>	Transparency and clarity of tax regulations	+	+	++
	Energy taxes and carbon pricing	+ / -	+	+ / -
	Effective tax and contribution rate <sup>a</sup>	+ / -	+ / -	+ / -
<b>Public services: Public services provided by the tax administration</b>	Electronic systems for tax filing, payment, and assessment	+	+	++
	Risk-based audit	+	+	++
	Dispute resolution mechanisms	+	+	++
	Transparency of tax administration	+	+	++
<b>Efficiency: Efficiency of tax systems in practice</b>	Time to comply with tax regulations	-	Neutral	-
	Use of electronic systems to file and pay taxes	+	Neutral	+
	Use of VAT cash refunds mechanisms <sup>b</sup>	+	Neutral	+
	Duration of a generic tax audit	-	Neutral	-

Source: BEE team.

Note: The + and - symbols denote the direction of the impact for the indicator on *firm flexibility* or *social benefits*. They do not quantify the magnitude of effects on *firm flexibility* or *social benefits*. The allocation (*firm flexibility* and/or *social benefits*) and sign (+ and -) in the table are preliminary. Indicators in this table can be further disaggregated, hence the allocation and sign can be further differentiated at the most basic indicator level. “Neutral” denotes a neutral or ambivalent impact for the indicator on *firm flexibility* or *social benefits*. BEE = Business Enabling Environment.

a. The effective tax and contribution rate may actually be measured under the Efficiency pillar and the data collected through Enterprise Surveys.

b. VAT = value added tax.



## II. TOPICS, MOTIVATION, AND CORRESPONDING INDICATORS

### 1. Business Entry

#### A. Motivation

Aspiring entrepreneurs often encounter barriers to entry into the formal economy. Where the rules are burdensome, resource-constrained entrepreneurs might not have the opportunity to turn their ideas into a business that benefits from a level playing field. Registered companies can receive a multitude of advantages, including the legal and financial services provided by courts and banks. Their employees enjoy social security protection. The economy benefits from positive spillovers: where formal entrepreneurship is high, job creation and economic growth also tend to be high.<sup>20</sup> Moreover, as more businesses formalize, the tax base can expand, enabling the government to spend on productivity-enhancing areas and pursue other social and economic policy objectives. There is evidence that higher costs for business startups are associated with lower business entry and lower levels of employment and productivity.<sup>21</sup> Cumbersome regulations for business startup are associated with high levels of corruption and informality.<sup>22</sup> A simple business startup process is a positive factor for fostering formal entrepreneurship.<sup>23</sup> Digital technology and transparency of information can encourage businesses to register and promote private sector growth. Digital public services can address the concerns of entrepreneurs by reducing the compliance cost of interacting with government authorities. Electronic business registration and electronic payments are among e-government initiatives used to encourage business formalization.<sup>24</sup> In addition, transparent and accurate data on registered businesses are an important building block of a good business environment because they give governments the tools to produce business statistics and design relevant policies and they give market participants the information they need to assess their risks and opportunities of investing or entering a market. Moreover, transparency of beneficial ownership helps safeguard the integrity and reputation of the business sector by making it unattractive to those intent on using its corporate structures for illicit purposes.

#### B. Indicators in the Area of Business Entry

BEE will use three sets of indicators in the area of Business Entry: the quality of regulations for business entry (regulatory framework pillar); the digital public services and transparency of information for business startups (public services pillar); and the efficiency of business entry in practice (efficiency pillar).

Compared to the previous Starting a Business topic of *Doing Business*, the BEE indicators will cover additional issues and have a broader scope. The first new area is the quality of regulations for business entry—measuring the adoption of good practices for business startups and restrictions for business entry. The BEE indicators will incorporate international aspects of business entry and will cover domestic and foreign private firms. The second new area is the availability of digital public services and transparency of information for business startups. The efficiency of business entry will take into account the new areas

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<sup>20</sup> Fritsch, M., and F. Noseleit. 2013. “Investigating the Anatomy of the Employment Effect of New Business Formation.” *Cambridge Journal of Economics* 37 (2): 349–77.

<sup>21</sup> IEG. 2021. “Doing Business and Country Reforms.” Issues Paper, page 45. World Bank, Washington, DC. Among the papers used is Bruhn, M. 2012. “A Tale of Two Species: Revisiting the Effect of Registration Reform on Informal Business Owners in Mexico.” *Journal of Development Economics* 103 (C): 275–83.

<sup>22</sup> Klapper, L., and I. Love. 2016. “The Impact of Business Environment Reforms on New Firm Registration.” *World Bank Economic Review* 30 (2): 332–56.

<sup>23</sup> Klapper, L., A. Lewin, and J. M. Quesada Delgado. 2011. “The Impact of the Business Environment on the Business Creation Process.” Chapter 5 in *Entrepreneurship and Economic Development* (Studies in Development Economics and Policy), edited by W. Naudé, 108–23. London: Palgrave Macmillan.

<sup>24</sup> ILO (International Labour Organization). 2021b. *Small Goes Digital: How Digitalization Can Bring about Productive Growth for Micro and Small Enterprises*. Geneva: ILO.

measured and build on the previous Starting a Business indicator. Whereas the *Doing Business* Starting a Business topic considered only firm flexibility, BEE's Business Entry topic will consider various aspects of *firm flexibility* and *social benefits*.

(1) *Regulatory framework: Quality of regulations for business entry*

This set of indicators intends to measure two different aspects of the regulatory framework for business startups: (i) good regulatory practices for business incorporation and beginning of operations, and (ii) restrictions on business entry for domestic and foreign private firms.<sup>25</sup> Data for this de jure indicator will be collected through expert consultations (lawyers, notaries, accountants, and tax advisors who are familiar with the regulatory framework for business entry) and corroborated through desk research.

- (i) *Good practices in the regulatory framework for business incorporation and beginning of operations.* This component will serve as a proxy for assessing whether the applicable regulatory framework includes good practices promoting a safe and secure environment for business startups. A good business environment that enables formal entrepreneurship is critical to unleashing the potential of new firms. The component will build on the UNCITRAL guidelines and principles for business registries,<sup>26</sup> the annual publications of the Corporate Registers Forum (CRF),<sup>27</sup> Financial Action Task Force (FATF) standards,<sup>28</sup> and previous research on good practices conducted by DECIG.<sup>29</sup>

Some of these good practices are the safety checks and preventive mechanisms in the legislative framework for company incorporation and operations. For instance, to avoid fraudulent activity or corporate identity theft, it is important to have mandatory verification of the company name or mandatory verification of the identity of the entrepreneurs. The BEE indicators will also assess whether the regulatory framework allows for a simple standard registration form available to any aspiring entrepreneurs without the need to seek the assistance of intermediaries for business registration. Allowing entrepreneurs to directly file registry-provided standard incorporation documents electronically with the business registry can facilitate automatic information validation and reduce costs.<sup>30</sup> At the time of company incorporation, good regulatory practices for company tax registration and value added tax (VAT) or sales tax registration could be assessed. Another critical area to ensure adequate transparency and help prevent the misuse of companies for money laundering or other illegal activities is related to the registration of adequate, accurate, and timely information on beneficial owners when entrepreneurs start a new business—submitting the necessary and valid information inherent to beneficial owners. It is also imperative that the regulatory framework defines rules and deadlines to make necessary updates in the business registry when changes arise (such as changes to the company name, shareholders' information, or beneficial ownership information).

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<sup>25</sup> A common definition, used for example by the World Bank's Enterprise Surveys, considers a firm to have foreign ownership if at least 10 percent of ownership is held by foreigners.

<sup>26</sup> See UNCITRAL (United Nations Commission on International Trade Law). 2019a. Legislative Guide on Key Principles of a Business Registry. Vienna: United Nations. [https://uncitral.un.org/sites/uncitral.un.org/files/media-documents/uncitral/en/lg\\_business\\_registry-e.pdf](https://uncitral.un.org/sites/uncitral.un.org/files/media-documents/uncitral/en/lg_business_registry-e.pdf).

<sup>27</sup> See ASORLAC (Association of Registers of Latin America and the Caribbean), CRF (Corporate Registers Forum), EBRA (European Business Registry Association), and IACA (International Association of Commercial Administrators). 2020. *The International Business Registers Report 2019. International Business Registers Report*. <https://www.corporateregistersforum.org/news/international-business-registers-report/>.

<sup>28</sup> See the FATF International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation (2012–2021). [www.fatf-gafi.org/recommendations.html](http://www.fatf-gafi.org/recommendations.html).

<sup>29</sup> DECIG (World Bank) has conducted research on good practices in the area of business registration in the past four years.

<sup>30</sup> Coste, C., M. Delion, A. González, F. Meunier, N. Reyes, and Y. V. Avramov. 2019. "The Involvement of Third-Party Professionals in Business Registration and Property Transfer." Indicators Group Research Note 2, World Bank, Washington, DC.

- (ii) *Restrictions in the regulatory framework for business entry.* This component will assess regulatory restrictions for business entry for domestic and foreign private firms. Entry restrictions can create obstacles to developing a business and hinder the potential of new firms. The component will build on the Organisation for Economic Co-operation and Development (OECD) research on foreign direct investment (FDI) restrictions and market entry,<sup>31</sup> the annual publications of the Corporate Registers Forum,<sup>32</sup> the *Investing across Borders* report,<sup>33</sup> and research conducted by DECIG.

Restrictions for domestic private firms can be either general or specific. Among general restrictions, all entrepreneurs might have to pay a specific minimum amount of capital for business incorporation, prove that they comply with a minimum level of education or training, or obtain a specific permit or license (such as an operating license<sup>34</sup> or an environmental license). Restrictions can apply to activities with specific environmental impacts or risk levels. Specific restrictions may also apply to domestic entrepreneurs in certain sociodemographic groups if they face additional requirements when they want to open a bank account or start their own company. Restrictions for domestic private firms can apply to some specific sectors where a dedicated license can be required. There are some sector-specific restrictions where private domestic participation or equity ownership is limited (for example, in the areas of energy, media, and telecommunications).

Similarly, restrictions for foreign private firms can be either general or specific. In addition to the general restrictions that apply to domestic private companies, foreign private firms may face limitations on ownership or dividend distribution or may need to comply with additional requirements (such as general investor licenses for foreigners). There can also be some sector-specific restrictions where foreign participation or ownership is limited (such as in the areas of energy, media, and telecommunications).

## (2) *Public services: Digital public services and transparency of information for business startups*

Three main indicators of the digital public services and transparency of information for business startups have been identified. These are (i) availability of online services for business incorporation and beginning of operations, (ii) interoperability of services for business incorporation and beginning of operations, and (iii) online availability of corporate information and transparency of information. The questions will measure the availability of public services in a digital format for entrepreneurs and build on recommendations on online business registration from UNCTAD, the annual publications of the Corporate Registers Forum (CRF), international digital surveys from the European Business Registers Association (EBRA), and previous research on good practices conducted by DECIG. Data for this de facto set of indicators will be collected via expert consultations with all those involved in the process of opening a business and corroborated with administrative data from business registries. In addition, firm-level surveys could be considered for the updates of company information that firms make on a regular basis during their operations. The modality of data collection will be decided based on further consultation with subject matter experts.

These indicators will serve as proxies for assessing the availability of online public services and information for prospective entrepreneurs. E-government services can enhance the quality of interactions with

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<sup>31</sup> OECD FDI Regulatory Restrictiveness Index. <https://www.oecd.org/investment/fdiindex.htm>; and Product Market Regulations Indicators. <https://www.oecd.org/economy/reform/indicators-of-product-market-regulation/>.

<sup>32</sup> See Corporate Registers Forum (CRF) annual reports. <https://www.corporateregistersforum.org/international-business-registers-report/>.

<sup>33</sup> World Bank. 2010. *Investing across Borders 2010: Indicators of Foreign Direct Investment Regulation in 87 Economies*. Washington, DC: World Bank.

<sup>34</sup> An operating license is an authorization that grants a company with the legal permission to operate an activity in a specific area. The license can be issued at the municipal, state, regional, or national level.

businesses and citizens by facilitating more transparent processes, reducing the time for business registration and minimizing asymmetries of information. The detailed indicators under each category may be revised based on the outcome of testing the BEE questionnaires and further consultation with subject matter experts.

- (i) *Availability of online services for business incorporation and beginning of operations.* This component will assess the quality of infrastructure at the business registry and any other relevant agency through the availability of online public services for new entrepreneurs. For example, it will measure whether there is an automated and electronic system to verify the uniqueness of company names, an electronic system that covers the entire company registration process, electronic payment for all fees related to company incorporation, electronic signatures, digital ID verification, and electronic access and filing for beneficial ownership information, among others. Where applicable, it could also measure whether unified registration procedures are in place and environmental licensing requirements are integrated. For instance, it will measure whether a simplified environment-related notification is in place for activities with low or negligible environmental impact.
- (ii) *Interoperability of services for business incorporation and beginning of operations.* This component will assess the availability of electronic systems to exchange information across the agencies involved in setting up and operating a business (for example, the business registry, tax administration, and social security agency). In addition, links to certain private sector entities could be considered, such as commercial banks for the opening of company bank accounts. By linking or unifying the databases of different agencies involved in the business startup process, the risk of errors and the administrative burden of submitting the same information to multiple agencies for company identification can be reduced.
- (iii) *Availability of information online and transparency of information.* This component will assess the degree of transparency and accessibility of online information at the business registry. For example, it will measure whether the business registry provides public access to information on the names of companies, name of directors, name of shareholders, or annual financial statements, among others. It will measure whether the fees, requirements, and documentation needed to incorporate and operate a company (including, where applicable, environmental licensing requirements) are easily accessible on an official website. In addition, it will assess if general and gender-disaggregated statistics on formally registered firms are available online. This increases transparency, reduces information asymmetry, and enhances sound business decisions.

### (3) *Efficiency: Efficiency of business entry in practice*

This set of indicators will measure the time and cost to complete the different tasks that an entrepreneur must undergo to set up and formally operate a company. These tasks include, among others, company name verification, company registration, tax registration, VAT or sales tax registration, and employer and employee registration. The indicators will also measure additional steps—that are not commonly done in practice in all economies but are required in some—such as the need for a general operating license, municipal registration, third-party involvement, or accounting books registration.

Data for this de facto set of indicators can best be collected through expert consultations involving professionals familiar with the business incorporation process (they guide entrepreneurs through the process on a regular basis). These experts—lawyers, notaries, accountants, tax advisors—are more informed respondents than individual entrepreneurs who may only go through the business entry process once. As a complement, firm-level surveys could be considered for recurring processes such as the renewal of licenses to operate a firm. The data collection modality may be revised based on consultation with subject matter experts.

During the project’s pilot phase, the BEE team will consider the possibility of collecting data on the list of agencies that entrepreneurs interact with when opening a business. In addition, general parameters—such as the company’s location or the company’s legal type—will need to be defined for the different components measured by the Business Entry topic. To collect data on time and cost, additional specific parameters—such as the company’s size (for example, the amount of startup capital, projected turnover, and number of employees), or the number of pages for the company deed required for publication purposes—may be necessary to limit the scope of data collection and ensure comparability. Different parameters—either individual or grouped under scenarios—might be required for different types of questions. For instance, some questions might need to define a specific sector of activity while other questions might need to define a specific size for the company. This will be developed during the project’s pilot phase.

These indicators will serve as proxies for assessing the cost of complying with regulations for business entry. Firms can lack the time and resources to navigate complex regulatory requirements. Reducing the overall cost of compliance can reduce potential barriers for the private sector to operate formally.

### ***C. Scoring Insights***

The Business Entry indicators will consider both the perspective of the entrepreneurs (*firm flexibility*) and the interests of the whole society, beyond the direct interests of entrepreneurs (*social benefits*). Most of the indicators under the regulatory pillar and the public services pillar will measure both firm flexibility and social benefits, while indicators under the efficiency pillar relate mostly to firm flexibility. For example, under the regulatory pillar, the legal requirements to disclose information on beneficial ownership in an efficient way are important for both firm flexibility and social benefits. This directly protects entrepreneurs from interacting with shell companies and it helps prevent the misuse of companies for money laundering or other illegal activities that are detrimental to society as a whole. Under the public services pillar, the availability of fully electronic mechanisms for verifying the name of companies, incorporating a business, registering for taxes, and so on will help raise both firm flexibility and social benefits. Under the efficiency pillar, the time and cost to register a new firm or get a tax identification number will lower firm flexibility.

## 2. Business Location

### A. Motivation

Location matters. Acquiring the physical space where a business will operate is a crucial ingredient of success for many firms, even in the digital age. Getting the right location can influence business access to customers, transportation, labor, and materials, and determine the taxes, regulations, and environmental commitments they must follow.<sup>35</sup> Whether an entrepreneur is leasing<sup>36</sup> or purchasing a commercial property, the regulatory framework and the public services related to acquiring a location can have an impact on how conducive the business environment is for individual firms and the private sector development of an economy. Firms are more likely to invest in economies with strong property rights where they can be confident that their investment in immovable property will be safe.<sup>37</sup> Looking at how well the administration of property rights functions gives a good indication of the economy's prospects for economic growth<sup>38</sup> and provides confidence to the private sector in investing in strategic locations for business. The quality and transparency of land administration are also vital in eradicating information asymmetry and increasing market efficiency. A reliable land administration system provides clear information on property ownership, facilitates the development of real estate markets, and supports the security of tenure.

When investors and entrepreneurs acquire a new location for their business, the process often involves licensing requirements for altering a property or changing tenancy. Building-related permits are essential for public safety, strengthening property rights, and contributing to capital formation. Last but not least, transparent and accessible environmental regulations related to building control can ease environmental concerns while avoiding imposing redundant compliance burdens on firms.

### B. Indicators in the Area of Business Location

BEE will use three sets of indicators in the area of Business Location: quality of regulations for immovable property lease, property ownership, and urban planning (regulatory framework pillar); quality of public services and transparency of information (public services pillar); and efficiency of obtaining a business location in practice (efficiency pillar).

In contrast to the *Doing Business* topics of Dealing with Construction Permits and Registering Property, BEE's Business Location topic will cover new areas and will not be limited to the experience of domestic SMEs. For example, the quality of regulations for Business Location will include new measures of restrictions on property leasing. There will also be a greater focus on public services, measuring aspects of quality and transparency of information. The indicators on building regulations will take environmental concerns and environmental clearances into account.

The topic will consider aspects related to *firm flexibility* and *social benefits*. Some good practices or public services are important for firm flexibility, while others are important for social benefits, and some are important for both. For example, the availability of online services for building permitting is a good practice

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<sup>35</sup> Carlson, V. 2000. "Studying Firm Locations: Survey Responses vs. Econometric Models." *Journal of Regional Analysis and Policy* 30 (1): 1–22.

<sup>36</sup> Adenuga, A. H., C. Jack, and R. McCarry. 2021. "The Case for Long-Term Land Leasing: A Review of the Empirical Literature." *Land* 10 (3): 1–21.

<sup>37</sup> De Soto, H. 2000. *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*. New York: Basic Books; Johnson, S., J. McMillan, and C. Woodruff. 2002. "Property Rights and Finance." *American Economic Review* 92 (5): 1335–56.

<sup>38</sup> Field, E. 2007. "Entitled to Work: Urban Property Rights and Labor Supply in Peru." *Quarterly Journal of Economics* 122 (4):1561–1602; Green, A., and C. Moser. 2013. "Do Property Rights Institutions Matter at the Local Level? Evidence from Madagascar." *The Journal of Development Studies* 49 (1): 95–109.

that is important for firm flexibility. The requirement in building codes to provide for standards related to energy efficiency is a good practice important for social benefits, including environmental sustainability. Other good practices, such as the availability of online information for immovable property transactions and building control, are good practices relevant to firm flexibility and social benefits.

(1) *Regulatory framework: Quality of regulations for immovable property lease, property ownership, and urban planning*

This set of indicators will measure (i) good regulatory practices for land administration, (ii) good regulatory practices for building regulations and environmental licenses, and (iii) restrictions on leasing and ownership of properties. These indicators are primarily de jure and will be collected through expert consultations with lawyers, notaries, architects, and engineers and corroborated through desk research. Such expert consultations will not be limited to a standardized case scenario but will use broad parameters to increase representativeness and ensure comparability of the data collection exercise. The parameters will include the location of the business, the value and size of the property, and different sectors of activities for domestic and foreign firms. When applicable, this set of indicators will also measure whether specific mechanisms are in place and respected in practice.

- (i) *Good regulatory practices for land administration.* This indicator will assess whether the regulatory framework includes good practices promoting good governance in the land administration system. It is inspired by the Land Governance Assessment Framework (LGAF), which provides principles and policy recommendations on land governance.<sup>39</sup> Some good practices will include—but not be limited to—clear and publicly accessible laws on ownership and leasing, secure land tenure (state or private guarantee), safeguards in place to minimize the risks of land disputes,<sup>40</sup> and publicly available service standards to avoid delays and corruption.<sup>41</sup> Lastly, this component will measure whether there are specific incentives or regulations to promote female representation in professions related to property transactions and construction.
- (ii) *Good regulatory practices for building regulations and environmental licenses.* This indicator will assess whether the building regulatory framework includes good practices promoting safety mechanisms and green building regulations.<sup>42</sup> It will build on previous research on good practices conducted by DECIG and the WBG's Investment Climate Department. Some good practices will include—but not be limited to—whether building regulations are clear and publicly accessible and whether regulations provide for safety mechanisms in construction (for example, preapprovals of building plans by qualified professionals or mandatory inspections, liability for structural flaws in construction, and associated insurance). In addition, this indicator will measure environmental licensing requirements and regulatory standards specified in green building energy codes and availability of financial as well as nonfinancial incentives for adoption of green building measures.<sup>43</sup> Lastly, this component will measure the existence of incentives or regulations to promote female representation in professions related to in building permitting and environmental licensing.

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<sup>39</sup> For more information, see the website at <https://www.worldbank.org/en/programs/land-governance-assessment-framework#1>.

<sup>40</sup> Wehrmann, B. 2008. "Land Conflicts: A Practical Guide to Dealing with Land Disputes." German Agency for Technical Cooperation, Eschborn, Germany.

<sup>41</sup> Zakout, W., B. Wehrmann, and M.-P. Törhönen. 2006. "Good Governance in Land Administration Principles and Good Practices." Food and Agriculture Organization of the United Nations (FAO), Rome.

<sup>42</sup> IFC (International Finance Corporation), World Bank, and MIGA (Multilateral Investment Guarantee Agency). 2013. *Good Practices for Construction Regulation and Enforcement Reform: Guidelines for Reformers*. Investment Climate. Washington, DC: World Bank Group.

<sup>43</sup> The environmental requirements will include all legal provisions related to constructing a building with moderate environmental risk. The regulatory standards of green building energy codes will include standards on heating, cooling, hot water, lighting, building envelope, insulation, and fenestration.

(iii) *Restrictions on property leasing and ownership.* This indicator will assess regulatory restrictions on leasing and ownership for domestic and foreign firms. Excessive restrictions or a lack of safeguards can deter new entrants from establishing their businesses in an economy. Restrictions can be either general or specific for domestic and foreign firms. General restrictions include those on who can own or lease (based on, for example, firm size, type of business, or zoning) and the duration of the lease or ownership. Specific restrictions include conditions on leasing or ownership, such as deposit requirements. Additional restrictions for foreign firms may also include restrictions on land size, limits to foreign ownership or leasing, or requirements to obtain special investment licenses to own or lease.

(2) *Public services: Quality of public services and transparency of information*

This set of indicators will measure the quality of public services and transparency of information in six performance areas: (i) availability of online services and reliability of infrastructure for property transactions; (ii) interoperability of services for property transactions; (iii) availability of online information on immovable property; (iv) availability of online services for building permitting and environmental licensing; (v) interoperability of building permitting systems; and (vi) transparency of information for building and environmental licenses. Data for these de facto indicators will be collected via expert consultations with those involved in real estate transactions, the building permitting process, and related environmental clearances and corroborated with administrative data from land registries and municipalities. The detailed grouping of indicators may be revised based on the outcome of testing the BEE questionnaires and further consultation with subject matter experts. Assumptions regarding the location of the business will be an important parameter to ensure comparability.

(i) *Interoperability of services for property transactions.* This indicator will assess the exchange of information across property administration institutions, such as land registries and cadasters. Specifically, it will assess whether and how institutional information systems are interlinked to exchange information automatically. Linking or unifying the land registry with the cadastral system has significant advantages. It helps maintain up-to-date records on the legal rights to properties and the spatial characteristics of land plots, thus increasing tenure security and potentially minimizing land disputes. The use of unique identifiers can also ensure data accuracy. Appropriate legislation must be in place to allow such institutional linkage or unification and the issuance of a unique identification number for each property.

(ii) *Availability of online information on immovable property.* This indicator will assess the degree of transparency of property ownership and property transactions. Specifically, it will measure whether public agencies provide access to reliable, up-to-date information on immovable property transactions, reducing information asymmetry between users and public service providers and increasing land market efficiency. Online information availability helps achieve good governance in land administration and has numerous benefits, including minimizing possibilities for informal payments. Lastly, this indicator will look at whether the land registry collects gender-disaggregated data on land ownership.

(iii) *Availability of online services for building permitting and environmental licenses.* This indicator will assess the quality of infrastructure at the permit-issuing agency through the availability of online public services, such as electronic permitting systems to submit building permit applications, other functionalities like online payment, online notification/tracking, and online issuance of building and occupancy permits. It will also assess the availability of online services for obtaining building-related environmental licenses.

(iv) *Interoperability of building permitting systems.* This indicator will assess the exchange of information across agencies, such as municipalities, cadasters, land registries, and utility service providers. Specifically, it will assess whether and how institutional information systems are interlinked to



exchange information automatically. Linking all relevant agencies has significant advantages as it eliminates the need to submit the same information to multiple public actors, reducing the time for the firm to obtain all the relevant information from each agency. Having an integrated geographic information system (GIS) can enable building departments and related agencies to streamline and automate their procedures for planning, zoning, and issuing building permits.

- (v) *Transparency of information for building permits and environmental licenses.* This indicator will assess the degree of transparency and accessibility of the building permitting agencies. For instance, it will measure whether the permit-issuing agency provides public access to reliable, up-to-date information on the requirements to obtain building-related permits. In addition, it will assess whether the relevant regulations and requirements related to environmental licenses and clearances—as well as building energy codes—are publicly available. This reduces information asymmetry between public service providers and users and improves accountability by providing easy access to regulations, fees, and payment tracking.

### (3) *Efficiency: Efficiency of obtaining a business location in practice*

This set of indicators will measure the time and cost to complete the different steps an entrepreneur must undergo to purchase a property and obtain building-related permits. Data for this de facto indicator can be collected through expert consultations and firm-level surveys. Expert consultations will involve professionals familiar with property transfers (lawyers, notaries), building permitting processes, and building-related environmental clearances (architects, engineers) and who deal with these processes routinely. Broad parameters—the business location, property value and size, and the sector/industry of activity—will be needed to increase representativeness while ensuring comparability of the data collection exercise. Firm-level surveys could be considered as a complement to collecting data on the usage of online services, and the time and cost to obtain an occupancy permit for commercial leasing.

- (i) *Time and cost to purchase a property.* These indicators will serve as a proxy for assessing the efficiency of regulations and public services for buying a property. They will capture the duration and monetary cost that property lawyers, notaries, or registry officials indicate is necessary to complete critical elements of the registration process (due diligence, signature, registration, and related taxes).
- (ii) *Time and cost to obtain an occupancy permit.* These indicators will serve as a proxy for assessing the efficiency of regulations and public services to obtain an occupancy permit for commercial leasing. The occupancy permit establishes that the building or commercial space is safe for its intended business use and that it complies with any applicable zoning laws and ordinances.
- (iii) *Time and cost to obtain building permits.* These indicators will serve as a proxy for assessing the efficiency of regulations and public services for obtaining building permits. They will measure the ease of compliance to obtain a building permit from the preapproval process until the applications are submitted to the local authority office.
- (iv) *Time and cost to obtain environment-related permits.* These indicators will serve as a proxy for assessing the efficiency of regulations and public services for obtaining all building-related environmental permits and clearances for constructions with moderate environmental risk.

### **C. Scoring Insights**

The Business Location indicators will consider both the perspective of the firm/entrepreneur (*firm flexibility*) and the broader public (*social benefits*). Most of the indicators under the regulatory framework pillar and

the public services pillar will measure both firm flexibility and social benefits, while indicators under the efficiency pillar will relate mainly to firm flexibility. For example, under the regulatory framework pillar, if the system of immovable property registration is subject to a guarantee, it will raise social benefits and firm flexibility. If an economy imposes restrictions on domestic firms to lease immovable property based on firm size, type of business, or zoning, it will lower firm flexibility, but it will not clearly and unambiguously affect social benefits. Under the public services pillar, if an economy publishes online both the list of environmental licensing requirements and associated fee schedules, it will raise both firm flexibility and social benefits. Under the efficiency pillar, the cost of compliance to purchase a property and obtain a building related permit will lower firm flexibility.

### 3. Utility Connections

#### A. Motivation

Entrepreneurs may face substantial burdens to operate their businesses when utility services—electricity, water, and internet—are unreliable, inefficient, or costly. According to the World Bank Enterprise Surveys, more than 30 percent of businesses globally identified electricity supply as a major constraint to their activities.<sup>44</sup> Disruptions in electricity supply impair productivity,<sup>45</sup> firm revenues,<sup>46</sup> and economic growth.<sup>47</sup> Similarly, inadequate water supply—due to ageing infrastructure, poor water quality, and changes in water pressure—may also lead to decreased productivity, deterioration of machinery,<sup>48</sup> and reduced profits.<sup>49</sup> This is particularly relevant in Sub-Saharan Africa, where approximately 22 percent of businesses experience water insufficiencies.<sup>50</sup> Overall, losses due to power and water outages have been estimated at \$82 billion annually for firms in developing economies.<sup>51</sup> Access to affordable and reliable internet is also critical in today’s digitalized world, where the use of digital technologies can help businesses improve productivity.<sup>52</sup> However, as of 2020, less than 10 percent of people in developing economies had fixed broadband subscriptions, compared to more than 30 percent in advanced economies.<sup>53</sup> In developing economies where access to high-speed fixed broadband is more limited, reliance on mobile internet is substantial although it is not an adequate substitute for high-capacity internet connections for digital firms.<sup>54</sup> Unreliable networks and the high cost of establishing a broadband connection may prevent firms from adopting and upgrading digital technology in their business operations.<sup>55</sup>

The quality and effectiveness of the regulatory framework, the quality and reliability of public services, and the cost of compliance with requirements to obtain utility connections are important elements of a conducive business environment. Regulations and the institutional environment for implementing them affect the performance of infrastructure services.<sup>56</sup> The regulatory framework should provide for transparency and set forth the quality control, safety, and environmental sustainability standards necessary to protect public safety and ensure the quality of public services. The choices made by businesses when

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<sup>44</sup> World Bank. Various years. Enterprise Surveys database. Washington, DC: World Bank.

<sup>45</sup> Moyo, B. 2013. “Power Infrastructure Quality and Manufacturing Productivity in Africa: A Firm Level Analysis.” *Energy Policy* 61: 1063–70.

<sup>46</sup> Allcott, H., A. Collard-Wexler, and S. O’Connell. 2016. “How Do Electricity Shortages Affect Industry? Evidence from India.” *American Economic Review* 106 (3): 587–624.

<sup>47</sup> Andersen, T. B., and C. J. Dalgaard. 2013. “Power Outages and Economic Growth in Africa.” *Energy Economics* 38: 19–23.

<sup>48</sup> World Bank. 2017b. *Connecting to Water and Sewerage in Mexico*. Washington, DC: World Bank.

<sup>49</sup> Selelo, L. R., P. K. Madigele, P. Ntaka, and K. Moetedi. 2017. “The Effects of Extended Water Supply Disruptions on the Operations of SMEs.” *Southern African Business Review* 21: 480–500.

<sup>50</sup> World Bank. Various years. Enterprise Surveys database.

<sup>51</sup> Rentschler, J., M. Kornejew, S. Hallegatte, and J. Braese. 2019. “Underutilized Potential: The Business Costs of Unreliable Infrastructure in Developing Countries.” Policy Research Working Paper 8899, World Bank, Washington, DC.

<sup>52</sup> World Bank. 2016c.

<sup>53</sup> ITU (International Telecommunications Union). 2021. *World Telecommunication/ICT Indicators Database 2021*. ITU.

<sup>54</sup> ITU (International Telecommunications Union). 2018. “The Economic Contribution of Broadband, Digitization and ICT Regulation”, ITU Expert Report, 2018; Lee, In, ed. 2016. *Encyclopedia of E-Commerce Development, Implementation, and Management*. Hershey: Business Science Reference.

<sup>55</sup> Chen, R. 2019. “Policy and Regulatory Issues with Digital Businesses.” Policy Research Working Paper 8948, World Bank, Washington, DC.

<sup>56</sup> Bergara, M. E., W. J. Henisz, and P. T. Spiller. 1998. “Political Institutions and Electric Utility Investment: A Cross-Nation Analysis.” *California Management Review* 40 (2): 18–35; Cubbin, J., and J. Stern. 2006. “The Impact of Regulatory Governance and Privatization on Electricity Industry Generation Capacity in Developing Economies.” *The World Bank Economic Review* 20 (1): 115–41; Parker, D., Y. F. Zhang, and C. Kirkpatrick. “Electricity Sector Reform in Developing Countries: An Econometric Assessment of the Effects of Privatization, Competition and Regulation.” *Journal of Regulatory Economics* 33 (2): 159–78.

establishing utility connections can affect subsequent energy savings and safety of supply.<sup>57</sup> At the same time, the regulatory and administrative framework should aim to decrease the administrative burden and compliance cost imposed on businesses. Facilitating timely access to resources at a reasonable cost and in an environmentally sustainable manner is vital to promoting investment and economic growth.<sup>58</sup> For example, when electricity connection processes are simpler and less costly, firms tend to perform better in terms of sales.<sup>59</sup> In this context, the BEE project will measure the quality of regulations to receive utility connections and quality service supply, provision of public services, and efficiency of utility services provision for three key utilities: electricity, water, and internet. The scope of the topic will focus on firms' connections to utilities and subsequent service supply from either public or private utilities. In particular, the topic will measure commercial electricity and water connection. For internet, while the topic will focus on high-speed fixed broadband internet connections given their high capacity for all firms, it acknowledges the importance of mobile internet. Considering the resources required to cover different internet options and those available to BEE, there is no current plan to measure mobile internet.

### **B. Indicators in the Area of Utility Connections**

BEE will use three sets of indicators in the area of Utility Connections: quality of electricity, water, and internet regulations (regulatory framework pillar); performance and transparency of utility services (public services pillar); and efficiency of utility service provision in practice (efficiency pillar).

In measuring connections to water, electricity, and internet, BEE will go well beyond the scope of *Doing Business*, which covered only one type of utility in its Getting Electricity indicator set. *Doing Business* measured the efficiency of the electricity connection process and the reliability of electricity supply. However, the BEE indicators also will cover the safety of electricity, water, and internet connections, quality of utility services, and environmental sustainability and interoperability of such services. The Utility Connections indicators will include measures that affect *firm flexibility* and *social benefits*. The detailed indicators that form the score under each pillar may be revised based on further consultation with subject matter experts.

#### *(1) Regulatory framework: Quality of electricity, water, and internet regulations*

This set of indicators will cover de jure measures of the legal frameworks governing utility service provision, quality control, safety, and environmental sustainability standards. The set of indicators will build on the good practices, guidelines, and principles identified by the International Benchmarking Network (IBNET), the International Telecommunication Union (ITU),<sup>60</sup> the African Development Bank,<sup>61</sup> the World Bank's Regulatory Indicators for Sustainable Energy (RISE) and Regulatory Watch Initiative (RWI), the International Water Association,<sup>62</sup> and previous research on good regulatory practices for utility connections conducted by DECIG, among others. To measure the regulatory framework that applies to new water, electricity, and fixed broadband commercial connections—and the provision of utility services to the business sector overall—the set of indicators will not be limited to a single case study scenario. Instead, broad parameters on the scope of indicators, such as the location of business or type of customer, will be

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<sup>57</sup> Economidou, M., V. Todeschi, P. Bertoldi, and D. D'Agostino. 2020. "Review of 50 Years of EU Energy Efficiency Policies for Buildings." *Energy and Buildings* 225 (15 October), 110322.

<sup>58</sup> World Bank. 2017b.

<sup>59</sup> Geginat, C., and R. Ramalho. 2015. "Electricity Connections and Firm Performance in 183 Countries." *Energy Economics* 76: 344–66.

<sup>60</sup> ITU and World Bank. 2020. *Digital Regulation Handbook*. Geneva: ITU.

<sup>61</sup> African Development Bank. 2021. *Electricity Regulatory Index for Africa 2021*. Energy Financial Solutions, Policy and Regulation Department. Abidjan: African Development Bank.

<sup>62</sup> IWA (International Water Association). 2006. *Performance Indicators for Water Supply Services*. Manual of Best Practice Series. London: IWA.

defined to ensure data comparability across economies. Data will be collected through consultations with private and public sector experts, including contractors, engineers, electricians, utility providers, regulatory authorities, telecommunications operators, and construction, energy, and telecommunication lawyers. The data will also be corroborated by desk research of relevant laws, regulations, and agencies' websites. The set of indicators will measure the following three indicators:

- (i) *Regulations for efficient connection deployment and reliable service supply for electricity, water, and internet.* This indicator will cover good practices in regulatory and institutional framework that govern the process of providing utility services to businesses and ensuring adequate quality of supply for electricity, water, and internet. Specifically, this indicator will cover:
  - a) *Infrastructure sharing.* This component will measure the regulations governing infrastructure sharing and coordination among the involved agencies related to the provision of commercial electricity, water, and internet connections (for example, adherence to a common excavation plan and rights of way for broadband operators). It also will measure restrictions in cross-border data flows and data storage that limit firms' access and use of the internet.<sup>63</sup> Passive utility infrastructure—such as poles, ducts, or pipes—tends to be expensive and requires a long time to deploy. In this regard, regulations fostering infrastructure-sharing and stipulating obligations for operators owning passive infrastructure to share access at regulated prices can foster efficient deployment of utility services.<sup>64</sup> Safeguards to internet services can help secure and protect data from misuse and establish trust in the internet ecosystem. Meanwhile, overly strict requirements on cross-border data flows and data localization can hamper digital trade and unduly burden firms' competitiveness.<sup>65</sup>
  - b) *Institutional environment.* This component will measure the existence of regulatory agencies monitoring the provision of electricity, water, and internet services; their functions (for example, setting tariffs and service quality targets, monitoring the reliability of service supply); and key features (transparency, independence, accountability). Regulatory agencies are essential for the adequate provision of utility services because one of their functions is to protect public interests from the exercise of monopoly power, whether through high prices, poor quality, or both.<sup>66</sup>
  - c) *Complaint and redress mechanisms.* This component will measure the existence of independent complaint mechanisms in laws or regulations regarding the issues faced by customers related to the provision of electricity and water, as well as redress mechanisms for internet service, including the issues of cybersecurity. Complaint mechanisms can help identify bottlenecks in the processes and spur innovation.
  - d) *Service quality assurance mechanisms.* This component will measure regulatory mechanisms on quality assurance (financial deterrence to discourage electricity or water supply disruptions) and regulations stipulating performance targets for quality of internet services. Established quality standards, as well as a system of incentives to induce utilities to meet the standards, can help ensure quality of utility services provision.<sup>67</sup>
- (ii) *Safety of utility connections.* This indicator will be based on good regulatory practices that aim to promote safe utility connections. Good practices under this component will account for distinct features

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<sup>63</sup> Nguyen, D., and M. Paczos. 2020. "Measuring the Economic Value of Data and Cross-Border Data Flows: A Business Perspective." OECD Digital Economy Paper 297, Organisation for Economic Co-operation and Development (OECD), Paris; OECD. 2020a. *Mapping Approaches to Data and Data Flows. Report for the G20 Digital Economy Task Force.* Paris: OECD.

<sup>64</sup> Martínez Garza Fernández, R., E. Iglesias Rodríguez, and A. García Zaballos. 2020. "Digital Transformation: Infrastructure Sharing in Latin America and the Caribbean." Inter-American Development Bank, Washington, DC.

<sup>65</sup> World Bank. 2021b. *World Development Report 2021: Data for Better Lives.* World Bank, Washington, DC.

<sup>66</sup> Brown, A. C., J. Stern, and B. Tenenbaum. 2006. "Handbook for Evaluating Infrastructure Regulatory Systems." World Bank, Washington, DC.

<sup>67</sup> Foster, V., and A. Rana. 2020. "Rethinking Power Sector Reform in the Developing World." *Sustainable Infrastructure Series.* Washington, DC, World Bank.

of each of the three types of connections—electricity, water, and internet—and will serve as proxies for the strength of safety and quality control of utility connections. Specifically, this indicator will cover:

- a) *Professional certifications*. This component will measure requirements for qualification and certification of professionals involved in electricity and water installations, which can help ensure the safety of connections. Requirements for professionals can help reduce information asymmetry and set minimum quality standards.<sup>68</sup>
- b) *Inspections and liability regimes*. This component will measure the final inspections of internal and external electrical and water connection works and the liability of parties involved in connections. Inspections can ensure that installations are compliant with safety and quality regulations,<sup>69</sup> and that materials and equipment comply with durability and safety standards. Similarly, strong licensing and certification regimes for the construction professionals, combined with liability systems and insurance mechanisms, can ensure the accountability of practitioners and safety and quality of installations.<sup>70</sup> Broad parameters will be defined (for example, connection capacity and voltage level) to ensure data comparability across economies. When regulations vary substantially across different categories of a parameter, the Utility Connection topic will explore the feasibility of collecting data across these various categories.
- c) *Cybersecurity*. This component will cover cybersecurity measures on the safety of internet connections related to legally mandated requirements to ensure data security and the protection of personal information and privacy, including intermediary liability, personal data protection measures, and other relevant legal requirements. Internet connections do not generally pose physical safety risks like water and electricity connections and are usually subject to more streamlined safety control procedures. Instead, internet safety relates more to cybersecurity that is needed to protect online data and communications and critical internet infrastructure.<sup>71</sup>

(iii) *Environmental sustainability of utility connections*. This indicator will cover environmental regulations promoting sustainable provision of electricity, water, and internet services. Beyond affordability and quality, good regulatory practices in utility connections should account for environmental sustainability.<sup>72</sup> Specifically, the indicator will cover:

- a) *Sustainable provision and use of energy and water*. This component will measure requirements and incentives for sustainable provision and use of energy and water. This will include energy efficiency<sup>73</sup> and water efficiency targets<sup>74</sup> for utilities; measures to promote the use of renewable energy sources;<sup>75</sup> measures to facilitate installation and use of energy-efficient appliances including

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<sup>68</sup> Leland, H. E. 1979. “Quacks, Lemons, and Licensing: A Theory of Minimum Quality Standards.” *Journal of Political Economy* 87 (6): 1328–46.

<sup>69</sup> Boyne, G., P. Day, and R. Walker. 2002. “The Evaluation of Public Service Inspection: A Theoretical Framework.” *Urban Studies* 39 (7): 1197–1212.

<sup>70</sup> IFC, World Bank, and MIGA. 2013.

<sup>71</sup> World Bank. 2016c.; World Bank. 2021b.

<sup>72</sup> D’Inverno, G., L. Carosi, and G. Romano. 2021. “Environmental Sustainability and Service Quality beyond Economic and Financial Indicators: A Performance Evaluation of Italian Water Utilities.” *Socio-Economic Planning Sciences* 75 (June), 100852.

<sup>73</sup> EIA (U.S Energy Information Administration). 2022. “Energy Efficiency and Conservation.” In *Use of Energy Explained*. EIA Independent Statistics & Analysis, Washington, DC.

<sup>74</sup> Berg, S. V. 2020. “Performance Assessment Using Key Performance Indicators (KPIs) for Water Utilities: A Primer.” *Water Economics and Policy* 6 (2): 1–19.

<sup>75</sup> Denysenko, A., M. Evans, and N. Kholod. 2018. “Best Practices in Promoting Utility-based Energy Efficiency and Renewable Energy: Policy Options for Ukraine” PNNL-27395, Pacific Northwest National Lab, Richland, WA.

smart meters;<sup>76</sup> and measures to promote the use of water-efficient appliances, such as labelling programs.<sup>77</sup>

- b) *Wastewater discharge controls*. This component will measure requirements for wastewater treatment, such as wastewater quality standards as well as wastewater reuse.<sup>78</sup>
- c) *Sustainable provision and use of internet*. This component will measure requirements and incentives for the sustainable provision and use of internet,<sup>79</sup> including energy-efficient data processing and storage, as well as mandatory equipment efficiency standards.

## (2) *Public services: Performance and transparency of utility services*

This set of indicators will cover de facto measures of utility performance, focusing on the monitoring, transparency, and interoperability of utility services. This set of indicators will build on the good practices, guidelines, and principles identified by ITU,<sup>80</sup> the European Benchmarking Co-operation, OECD Principles on Water Governance, the United Nations Economic Commission for Europe (UNECE) Protocol on Water and Health,<sup>81</sup> Institute of Electrical and Electronics Engineers (IEEE) standards on reliability,<sup>82</sup> Transparency International,<sup>83</sup> and previous research on good practices in obtaining electricity, water, and internet connections conducted by DECIG and others. Similar to the regulatory framework pillar, this set of indicators will measure the aspects of utility performance and transparency that affect businesses in general and will not be limited to a single case study scenario. The data will be collected through consultations with private and public sector experts, including contractors, engineers, electricians, utilities, regulatory authorities, and telecommunication operators, and will be corroborated by desk research on the relevant regulations. This set of indicators will measure the following four indicators:

- (i) *Monitoring and transparency of key performance indicators on the quality, reliability, and sustainability of utility supply*. This indicator will measure the existence and online availability of performance indicators governing quality, reliability, and sustainability standards for electricity, water, and internet services. Measuring public service performance data can help establish “what works” in promoting the objectives of the public services, identify the functional competences, and support public accountability.<sup>84</sup> Performance indicators used by utilities and regulators to monitor quality and reliability in each sector can include the following:
  - a) Power interruptions, captured through the System Average Interruption Duration Index (SAIDI) and the System Average Interruption Frequency Index (SAIFI)
  - b) Stability of voltage for electricity services
  - c) Continuity of water service, captured through duration and frequency of water outages
  - d) Water insufficiencies

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<sup>76</sup> De la Rue du Can, S., G. Leventis, A. Phadke, and A. Gopal. 2014 “Design of Incentive Programs for Accelerating Penetration of Energy-Efficient Appliances.” *Energy Policy* (72): 56–66; United Kingdom, Department for Business, Energy & Industrial Strategy. 2020. *Smart Meter Policy Framework Post 2020. Minimum Annual Targets and Reporting Thresholds for Energy Suppliers*. Government of the United Kingdom.

<sup>77</sup> IWA (International Water Association). 2019. *Review of International Water Efficiency Product Labelling*. IWA Efficient Urban Water Management Specialist Group. London: IWA.741

<sup>78</sup> European Union (EU), Regulation 2020/741 of the European Parliament and of The Council of 25 May 2020 on Minimum Requirements for Water Reuse. UNEP (United Nations Environment Programme). 2015. *Good Practices for Regulating Wastewater Treatment: Legislations, Policies and Standards*. Nairobi: United Nations.

<sup>79</sup> IEA (International Energy Agency). 2017. *Digitalisation and Energy*. Paris: IEA.

<sup>80</sup> ITU. 2017. *Quality of Service Regulation Manual. Regulatory and Market Environment*. Geneva: ITU.

<sup>81</sup> UNECE (United Nations Economic Commission for Europe) and WHO (World Health Organization) Regional Office for Europe. 2019. “Protocol on Water and Health and the 2030 Agenda: A Practical Guide for Joint Implementation.” United Nations, Geneva.

<sup>82</sup> IEEE (Institute of Electrical and Electronics Engineers). 2012. “Guide for Electric Power Distribution Reliability Indices” *IEEE Std 1366-2012* (Revision of IEEE Std 1366-2003): 1–43, May 31.

<sup>83</sup> Transparency International. 2016. *Complaint Mechanisms: Reference Guide for Good Practice*. Transparency International.

<sup>84</sup> Bird, S. M., Sir D. Cox, V. T. Farewell, H. Goldstein, T. Holt, and P. C. Smith. 2005. “Performance Indicators: Good, Bad, and Ugly.” *Journal of the Royal Statistical Society: Series A (Statistics in Society)* 168: 1–27.

- e) Percentage of water receiving chemical treatment for water services
  - f) Percentage of wastewater that is treated and reused
  - g) Download/upload speed of internet connection
  - h) Latency in the case of internet services.
- (ii) *Transparency of utility services.* This indicator will measure data on transparency of electricity, water, and internet services that can help firms plan their operations better. Specifically, this indicator will cover:
- a) *Transparency of tariffs.* This component will measure the online availability of water, electricity, and internet tariffs, advance notification of tariff changes, and transparency of tariff determination mechanisms.<sup>85</sup> Additionally, the team will consider approaches to measuring aspects of the ongoing cost of utility services.
  - b) *Transparency of connection requirements.* This component will measure the online availability of documents, steps, time limits, and fee schedules to obtain a new water, electricity, or internet connection.<sup>86</sup>
  - c) *Transparency of planned outages.* This component will measure whether customers are notified in advance of planned outages.<sup>87</sup>
  - d) *Transparency of complaint mechanisms.* This component will measure the availability of information on the entity in charge of managing the complaints, the documents and steps required to file a complaint, as well as the criteria and scope of the complaint mechanism (for example, what issues can be reported). These elements of transparency can help improve accountability and build trust in the mechanism.<sup>88</sup>
  - e) *Gender-disaggregated surveys.* The component will measure whether utility providers carry out gender-disaggregated customer surveys. The existence of gender-disaggregated customer survey results for each utility would allow utilities to analyze the issues of customer satisfaction from a gender perspective and identify potential bottlenecks and obstacles faced by female customers.<sup>89</sup>
- (iii) *Interoperability of utility services.* This indicator will measure the level of coordination between the agencies involved in the approval processes and integration of utility services from the perspective of customers. Specifically, this indicator will cover:
- a) *Interoperability at utility level.* This component will measure the interoperability of utility services, such as the existence of a national and/or municipal infrastructure database and GIS, which incorporate the network lines of different utility providers. The existence of a shared infrastructure database is an internationally recognized good practice that can allow for the identification of existing infrastructure before new projects commence,<sup>90</sup> and can help expedite information exchange and the approval of utility connection requests. Measures of interoperability of utility services could foster information exchange within and across agencies and serve as an indicator of the level of coordination among agencies and the efficiency of public services for customers.
  - b) *Interoperability at customer level.* This component will measure the interoperability of customer interfaces, such as online applications and online payment of connection fees and bills for water, electricity, and internet; single windows for new utility connections; and single information portals and one-stop shops interconnecting utilities and streamlining approval processes. The availability

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<sup>85</sup> Foster and Rana. 2020.

<sup>86</sup> ECRB (Energy Community Regulatory Board). 2021. "Next Generation of Customers and Digital Channels of Communications in the Energy Community Contracting Parties. Status Review." ECRB, Vienna.

<sup>87</sup> ECRB. 2021.

<sup>88</sup> Transparency International. 2016.

<sup>89</sup> Asian Development Bank. 2012. "Gender Tool Kit: Energy Going Beyond the Meter". Philippines:Asian Development Bank.

<sup>90</sup> ITU. 2019. *Digital Infrastructure Policy and Regulation in the Asia-Pacific Region*. Geneva: ITU.



of online applications for utility connections and online payment for bills and connection fees could enhance customer experience when receiving utility services.

- (iv) *Implementation of regulations on safety of utility connections in practice.* This indicator will measure whether inspections for the safety of electricity and water connections take place in practice or if the internal and external installation works are carried out by certified professionals. It also will measure the internet service provider incident reporting, detection, and prevention mechanisms, and compliance with cybersecurity mitigation practices for internet connections. These indicators can serve as proxies of the de facto implementation of regulations on the safety of utility connections.

### (3) *Efficiency: Efficiency of utility service provision in practice*

This set of indicators will cover de facto measures on the efficiency of implementing utility regulations and utility service provision. Data will be collected through firm-level surveys, allowing BEE to obtain representative data on the time and cost to receive the connections in practice, and the service interruption and associated losses experienced by businesses. A representative sample of companies for firm-level surveys could help capture the variation of user experience within each economy. Representativeness will be ensured by surveying a representative sample of businesses with different characteristics, such as size, region, and sector. If firm-level surveys are not feasible to obtain the data on time and cost to obtain a utility connection, an alternative approach to collect these data is through consultations with private sector experts, such as construction companies, contractors, engineers, electricians, and telecommunication operators. In such a case, broad parameters will be defined (for example, connection capacity and voltage level) to ensure data comparability across economies. The measures will include the following three indicators:

- (i) *Time to obtain electricity, water, and internet connections.* This indicator will measure the time needed to apply and receive commercial utility connections, which can serve as proxies for the efficiency of connection processes and the ease of accessing utility services by businesses. It will reflect the time interval from when the customer submits the connection request until the service is received.
- (ii) *Cost to obtain electricity, water, and internet connections.* This indicator will measure the costs associated with obtaining commercial utility connections, indicating the costs for firms to access utility services for the first time. The costs will include charges paid by firms to obtain the connection (including application and inspection fees), and the cost of permits and clearances, materials, and connection works. Providing affordable new electricity connections, for instance, has been identified as a way to improve electrification rates in developing economies.<sup>91</sup>
- (iii) *Reliability of electricity, water, and internet services.* This indicator will measure the interruptions and service failures (such as the duration and frequency of outages), as well as losses due to such service failures, which reflect firms' experience with electricity, water, and internet interruptions. It will serve as a proxy of user experience of reliability of supply and an indication of how businesses are affected by interruptions and service failures.<sup>92</sup> Notably, data on losses due to electricity outages will be disaggregated by gender. The use of firm-level surveys will allow for broader geographical coverage within each economy and across economies, providing reliability data independent of limitation in the availability of performance indicators.

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<sup>91</sup> Golumbeanu, R., and D. Barnes. 2013. "Connection Charges and Electricity Access in Sub-Saharan Africa." World Bank, Washington, DC.

<sup>92</sup> Banerjee, S. G., F. A. Moreno, J. Sinton, T. Primiani, and J. Seong. 2017. "Regulatory Indicators for Sustainable Energy: A Global Scorecard for Policy Makers." RISE 2016. Washington, DC, World Bank.

### ***C. Scoring Insights***

The Utility Connections indicators will consider both the perspective of the firm (*firm flexibility*) as well as the broader public (*social benefits*). Most of the indicators under the regulatory framework pillar and the public services pillar will measure both firm flexibility and social benefits, while indicators under the efficiency pillar will relate mostly to firm flexibility. For example, under the regulatory framework pillar, if an economy imposes financial deterrence mechanisms for high-quality provision of utility supply (indicator on regulations for efficient connection deployment and reliable service supply for electricity, water, and internet), it will raise both firm flexibility and social benefits. Under the public services pillar, if an economy makes available information about planned outages (indicator on transparency of utility services), it will raise both firm flexibility and social benefits. Under the efficiency pillar, the cost to obtain electricity, water, and internet connections will lower firm flexibility.

## 4. Labor

### A. Motivation

Labor is arguably the most important factor of production in most businesses. Labor is also the most important source of income for most people.<sup>93</sup> Regulations and public services related to labor are fundamental drivers of private sector development from the perspective of both enterprises and workers. These regulations and public services affect firms' decisions to expand by hiring labor, and whether to do it formally or informally.<sup>94</sup> They also affect the well-being of potential workers by providing them with a good job and opportunities for growth.

Labor regulations affect the relationship between firms and their employees, as well as other types of workers in the informal sector or those currently unemployed. For formally employed workers, labor regulations matter—they protect their rights, reduce the risk of job loss, and support equity and welfare. For workers employed in the informal sector, labor regulations can affect their ability to enter the formal workforce.<sup>95</sup> If labor regulations make the cost of hiring too high and rules are too cumbersome, firms may choose to use more capital than labor or to hire informally.<sup>96</sup> Some workers lose when firms make these choices. Sound and balanced labor regulations are needed for firms and workers to benefit from a dynamic and innovative labor market that does not come at the expense of income security or basic workers' rights.

Public services can help enforce and facilitate quality labor regulations.<sup>97</sup> They can provide the institutional infrastructure for labor inspections and audits to incentivize compliance. They can also provide services that make labor more expensive if mandated to firms. For example, public services can provide health, pension, and other forms of social insurance.<sup>98</sup> They address market imperfections and have important implications for the functioning of the labor market and firm choices.<sup>99</sup> Lack of social security coverage for workers reduces opportunities for firms, especially SMEs, to transition to higher productivity and profitability.<sup>100</sup> Informal workers not only lack health and social protection benefits; they are also less likely to move out of poverty. For example, if an economy offers universal (or close to universal) basic health care, it can have a direct impact on job quality and wages by allowing firms to redirect resources into business development and employee wages.<sup>101</sup> Similarly, when an economy lacks mechanisms for social dialogue and the rules are designed to protect only the formally employed, it may become more difficult

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<sup>93</sup> World Bank. 2012b. *World Development Report 2013: Jobs*. World Bank, Washington, DC.

<sup>94</sup> Almeida, R., and P. Carneiro. 2011. "Enforcement of Labor Regulation and Informality." *American Economic Journal: Applied Economics* 4 (3): 64–89.

<sup>95</sup> World Bank. 2012b.

<sup>96</sup> Chaudhary, S., and S. Sharma. 2022. "The Impact of Lifting Firing Restrictions on Firms: Evidence from a State Level Labor Law Amendment." World Bank, Washington DC; De Mel, S., D. McKenzie, and C. Woodruff. 2013. "The Demand for, and Consequences of, Formalization among Informal Firms in Sri Lanka." *American Economic Journal: Applied Economics* 5 (2): 122–50; Loayza, N. V. 2016. "Informality in the Process of Development and Growth." *World Economy* 39 (12): 1856–1916; Ulyseas, G. 2020. "Informality: Causes and Consequences for Development." *Annual Review of Economics* 12 (1): 525–46.

<sup>97</sup> Angel-Urdinola, D. F., A. Kuddo and A. Semlali. 2013. *Building Effective Employment Programmes for Unemployed Youth in the Middle East and North Africa*. Directions in Development, Human Development. Washington, DC: World Bank.

<sup>98</sup> Packard, T., U. Gentilini, M. Grosh, P. O'Keefe, R. Palacios, D. Robalino, and I. Santos. 2019. *Protecting All: Risk Sharing for a Diverse and Diversifying World of Work*. Human Development Perspectives. Washington, DC: World Bank.

<sup>99</sup> ILO. 1948. Employment Service Convention No. 88. ILO, Geneva.

<sup>100</sup> ILO. 2021a. "Extending Social Security to Workers in Micro and Small Enterprises. Lessons from International Experience." Social Protection Spotlight, ILO, Geneva; Lee, S., and N. Torm. 2017. "Social Security and Firm Performance: The Case of Vietnamese SMEs." *International Labour Review* 156 (2): 185–212.

<sup>101</sup> ILO. 2020b. "Pillar 2: Supporting Enterprises, Jobs and Incomes." In "A Policy Framework for Tackling the Economic and Social Impact of the COVID-19 Crisis". Policy Brief, ILO, Geneva.

for the most vulnerable—women, youth, and the low-skilled—to enter the job market or transition from one job to another.<sup>102</sup>

Finally, given new forms of jobs and their required skills, the role of active labor market policies is evolving. Employment services, including job search assistance, wage subsidies, training, and public works, serve as a bridge between the needs of firms and the skills of workers. For example, in the case of job loss, job search assistance and retraining programs, coupled with income security guarantees, can facilitate better access to decent, productive, and freely chosen employment.<sup>103</sup>

## **B. Indicators in the Area of Labor**

BEE will use three sets of indicators in the area of Labor: the quality of labor regulations (regulatory framework pillar); the adequacy of public services for labor (public services pillar); and the efficiency of labor regulations and public services in practice (efficiency pillar).

The BEE Labor topic will differ from the *Doing Business* Employing Workers topic.<sup>104</sup> It will incorporate the perspective of both male and female employees and measures public services that matter for private sector development. It will include indicators on workers' rights, health, safety, unemployment insurance, and pensions (among others) measured against relevant regulatory good practices acknowledged by the International Labour Organization (ILO) and the United Nations (UN).<sup>105</sup> The efficiency indicators are another important addition. Data for these indicators will be collected directly from labor experts and firms to assess the application of regulations in practice and the efficiency of public services. This unique data set will provide a comprehensive view of the labor market and related public services at an unprecedented scale and periodicity. ILO data and other public statistical information will be used by the BEE team for research purposes.

The Labor indicators will account for the different perspectives and trade-offs associated with the interests of workers and firms. For example, the topic will measure the availability of universal social protection available to all workers, including those who work informally, as a social benefit that all economies might aspire to obtain.<sup>106</sup> The topic will also benchmark regulations that relate to the level of flexibility firms enjoy when hiring or dismissing workers. The Labor topic does not seek to promote deregulation but rather to inform policies that encourage decent, sustainable, and productive job creation, considering the perspectives of the employer and the employee.

### *(1) Regulatory framework: Quality of labor regulations*

This set of de jure indicators will measure the regulation of employment, applying to employees and employers in terms of workers' rights, health, and safety, as well as employee protection legislation in the areas of minimum wage, working hours, benefits, and dismissals. Data for these de jure indicators will be collected through expert consultations with labor lawyers because they have the greatest knowledge of

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<sup>102</sup> Courmède, B., O. Denk, and P. Garda. 2016. "Effects of Flexibility-Enhancing Reforms on Employment Transitions." OECD Economics Department Working Paper No. 1348, OECD, Paris.

<sup>103</sup> ILO. 2021. *World Social Protection Report 2020–22: Social Protection at the Crossroads—In Pursuit of a Better Future*. Geneva: ILO.

<sup>104</sup> "Employing Workers" used to be part of *Doing Business*. More than 10 years ago it was removed from the aggregate rankings, while the data continued to be collected and included as an annex. In 2020 it was made a stand-alone project. See [www.worldbank.org/employing-workers](http://www.worldbank.org/employing-workers).

<sup>105</sup> ILO. 2015. *Decent Work Agenda*. ILO, Geneva. <https://www.ilo.org/global/topics/decent-work/lang--en/index.htm>; and United Nations Sustainable Development Goal (UN SDG) No. 8 on the promotion of sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

<sup>106</sup> The World Bank and ILO Universal Social Protection Initiative. [https://www.ilo.org/global/topics/social-security/WCMS\\_378991/lang--en/index.htm](https://www.ilo.org/global/topics/social-security/WCMS_378991/lang--en/index.htm).

relevant laws and regulations. No case study will be used to collect these data, but the topic will measure several scenarios based on various parameters. For example, the indicators will measure the labor regulation as it applies to permanent employees, employees on fixed-term contracts, and nonstandard forms of employment. To ensure comparability across economies, other parameters will also be used for data collection purposes, such as the economic sector, the number of employees, and the seniority of the employee. The regulatory framework pillar will have two indicators: (i) protection of worker's rights and (ii) employment protection legislation. An alternative structure with three indicators is also being considered: (i) hiring, (ii) working conditions, and (iii) termination of employment.

- (i) *Protection of workers' rights*. This indicator will assess whether the applicable regulatory framework promotes a safe, equal, and nondiscriminatory workplace environment for both male and female employees as set by the ILO Conventions and Recommendations.<sup>107</sup> All five Fundamental Principles and Rights at Work set by the ILO<sup>108</sup>: (i) freedom of association and the effective recognition of the right to collective bargaining; (ii) the elimination of all forms of forced or compulsory labor; (iii) the effective abolition of child labor; (iv) the elimination of discrimination in respect of employment and occupation; and (v) a safe and healthy working environment will be covered. Additionally, the indicator will measure whether there is a statutory minimum wage or whether the law prohibits discrimination in employment based on race, color, religion, or political opinion. It will also measure whether workers have the right to sick leave and other types of leave with social protection and income benefits. For example, the ILO recommends at least three working weeks of paid leave per year.<sup>109</sup> Economies where employees feel protected, and their rights respected, tend to have higher levels of productivity.<sup>110</sup>
- (ii) *Employment protection legislation*. This indicator will assess aspects of employment protection in the areas of contracts, working hours, benefits, and procedures for individual and collective dismissal. Employment protection legislation matters to firms because it affects their ability to manage their workforce; it matters to employees because it provides job protection. Such protections can also affect the level of informality in the labor market and are, therefore, important for private sector development.<sup>111</sup> Recognizing the policy trade-offs associated with employment protection legislation, this indicator will provide a nuanced approach aligned with the 2013 and 2019 editions of the *World Development Report*,<sup>112</sup> the 2015 report *Balancing Regulations to Promote Jobs* by the World Bank and the ILO,<sup>113</sup> and the 2019 report *Protecting All: Risk Sharing for a Diverse and Diversifying World of Work*.<sup>114</sup> The indicator will collect information on whether there is legislation on different types of contracts (that is, temporary, seasonal, fixed-term, and others). It will also assess whether the law allows for nonstandard working hours, such as overtime or night work. The indicator will assess whether dismissal is allowed on the basis of redundancy.

## (2) *Public services: Adequacy of public services for labor*

This set of indicators will assess the adequacy of public services for the proper implementation of labor laws and regulations. Even when the legal framework is derived from internationally recognized good

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<sup>107</sup> Labor will measure areas covered by the ILO Conventions and Recommendations. For more ILO sources, see <https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm>.

<sup>108</sup> Fundamental Principles and Rights at Work set by the ILO, 1998. see <https://www.ilo.org/declaration/lang--en/index.htm>

<sup>109</sup> ILO. 1970.

<sup>110</sup> World Bank. 2012b; ILO. 2020a. *Driving up Productivity: A Guide for Employer and Business Membership Organizations*. Geneva: ILO.

<sup>111</sup> Loayza. 2016.

<sup>112</sup> World Bank. 2012b.; World Bank. 2018. *World Development Report 2019: The Changing Nature of Work*. Washington, DC: World Bank.

<sup>113</sup> Kuddo, A., D. Robalino, and M. Weber. 2015. *Balancing Regulations to Promote Jobs: From Employment Contracts to Unemployment Benefits*. Report 101596. Washington, DC: World Bank Group.

<sup>114</sup> Packard, Gentilini, Grosh, Keefe, Palacios, Robalino, and Santos. 2019.

practices, its application can differ dramatically from the letter of the law depending on the existing institutional arrangements or the availability of the necessary public programs and services. More specifically, the effective functioning of the labor market can be affected by the availability of public employment services matching workers with firms or by the ability to address labor disputes efficiently.

The indicators will collect de jure and de facto data through expert consultations, including labor lawyers and, when relevant, unemployment insurance specialists from labor bureaus or other public institutions. Labor experts, particularly lawyers, have the best knowledge of the legal framework. In contrast, unemployment protection professionals and officers at the employment centers will have the best knowledge of the availability of social protections and institutional arrangements. BEE will use parameters to ensure comparability across economies when collecting these data. For example, the firm's location could matter in identifying the relevant court or agency providing public services; the age and education of the unemployed would also be of importance for suitable job assistance. The Public Services pillar will include three indicators: (i) enforcement mechanisms, (ii) availability and coverage of social protection, and (iii) employment services. An alternative structure is also being considered that reorganize these indicators into a smaller set.

- (i) *Enforcement mechanisms*. This indicator will address the institutions that monitor and ensure compliance with regulations. It will be assessed through two proxies: labor dispute resolution mechanisms and labor inspectorates.
  - a) *Labor dispute resolution mechanisms*. This component will evaluate the availability of labor dispute resolution services to both employers and employees. It will review the types of dispute resolution mechanisms, such as specialized courts or alternative dispute resolution systems (arbitration, conciliation, mediation), and the services they provide (information on labor rights and regulations, advice, training, facilitation, adjudication, investigation). The indicator will pilot measures related to the types of claims covered, such as individual and collective disputes, discrimination, and unfair labor practices, among others. It will also analyze whether conciliation and mediation services are free of charge.<sup>115</sup>
  - b) *Labor inspectorates*. This component will evaluate the availability, role, and scope of labor inspectorates, including the roles and duties of female inspectors. For example, the indicator will assess whether inspectors can initiate a claim on behalf of workers or what the qualification criteria are to become a labor inspector. Data on labor dispute resolution and inspectorates will be collected through expert consultations, including labor lawyers, judges, and labor inspectors.
- (ii) *Availability and coverage of social protection*. There is a wide variety of public services for social protection around the world. Although it would be desirable to benchmark the features of each system, BEE can only consider basic measures to benchmark the availability and coverage of social protection to workers. This indicator will selectively measure whether universal basic unemployment insurance, health insurance, and pensions (noncontributory) are available in the economy. Specifically, it will look at their coverage: whether availability varies depending on the type of workers (employee in the formal sector, employee in the informal sector, and unemployed), and whether it varies depending on their employment relationship with the firm (such as short-term contract, permanent worker, and platform worker). To obtain a more complete though still selective picture of social protection, data will be collected on supplemental social security schemes that are additional to the basic scheme, or extend the coverage of the basic scheme, or replace the basic scheme when conditions for entitlement to the basic scheme are not fulfilled. These data will be collected through consultations with experts, including labor lawyers and relevant professionals from the labor bureaus and ministries of labor.

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<sup>115</sup> ILO. 2013. ILO Guidelines for Improved Performance of Labour Dispute Systems. ILO, Geneva.

(iii) *Employment services*. This indicator will assess active labor market policies as a tool that promotes participation in the labor force and helps match workers to employment opportunities, including through employment services, job search assistance, job training programs, and employment subsidies. The indicator will also measure the extent of information shared electronically, the digitalization of public employment services and the availability of one-stop-shops for unemployment insurance and job placement for workers.<sup>116</sup> The data will be collected through expert consultations with private sector contributors. Specialists and officers at the public employment centers also have knowledge of the institutional arrangements and information and communication technology (ICT) infrastructure because they work with them regularly, and they may be consulted, as well. The data will be corroborated by desk research.

(3) *Efficiency: Efficiency of labor regulations and public services in practice*.

This set of de facto indicators will help determine how efficiently the regulatory framework and public services are implemented in practice, providing information about the realization of the labor policy objectives (such as ease of managing labor for firms, protection of employee's basic rights, and access to the formal job market for unemployed or informal workers). The set will consist of three indicators: (i) enforcement of workers' rights and compliance with international labor standards, (ii) costs of hiring and dismissal of workers, and (iii) efficiency of social protection and public services. An alternative structure is being considered with two indicators: (i) efficiency of hiring and dismissal and (ii) costs of social protection.

(i) *Enforcement of workers' rights and compliance with international labor standards*. This indicator will analyze the implementation of the regulatory framework embedding workers' rights and the efficiency of the labor dispute resolution mechanisms and labor inspectorates. Data will be obtained from experts and firms. For example, the indicator will collect data from firms on the share of the workforce hired at the minimum wage. Firms will be also asked whether the establishment was visited or inspected by a labor inspector and whether the inspections were unscheduled. Experts will be asked about the available resources for dispute prevention and the time it takes to resolve a labor dispute.

(ii) *Costs of hiring and dismissal of workers*. This indicator will identify the practices and costs associated with the hiring and dismissal of different types of workers. It will measure how the procedural requirements for hiring and dismissing employees are implemented in practice (for example, whether notice periods are respected in practice or what level of severance pay is given to an employee being dismissed). The data will be collected through expert consultations with labor lawyers and relevant experts, as well as firms. Firms will also share information on the number of different types of workers (permanent, temporary, vendor, and so on) working in the establishment. For expert consultations, some parameters will be included to ensure comparability across economies, such as the age and the number of years of employment of the worker.

(iii) *Efficiency of social protection and public services*. This indicator will measure costs borne by firms to contribute to social protection schemes for workers. For example, firms will be asked whether they purchase private insurance for their workers and what the firms' total annual costs of social security payments are. The indicator will also assess the usage and effectiveness of public employment centers in practice. For example, experts may be asked whether companies have the practice of using public employment centers to post vacancies or hire new workers or if the unemployed take advantage of training programs provided by public employment centers. The latter data will be collected through

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<sup>116</sup> EC (European Commission), Directorate-General for Employment Social Affairs and Inclusion, European Network of Public Employment Services. 2020. *PES Measures and Activities Responding to COVID-19. Survey-based Study*. European Union.

consultations with experts who have practical experience collaborating with unemployment centers. Administrative data may also be obtained from unemployment centers, when available.

### ***C. Scoring Insights***

The Labor indicators will consider both the perspective of the firm/employer (*firm flexibility*) and the interests of workers, other firms beyond the firm/employer as well as the broader public (*social benefits*). Most of the indicators under the regulatory framework pillar and the public services pillar will measure both firm flexibility and social benefits, while indicators under the efficiency pillar will relate mostly to firm flexibility. For example, under the regulatory framework pillar, if an economy prohibits discrimination in employment based on race, color, religion, or political opinion (indicator on the protection of worker's rights), it will raise social benefits and firm flexibility. And if an economy imposes restrictions on working hours, hindering firms' ability to adjust their workforce to the level of demand (indicator on employment protection legislation), it will lower firm flexibility, but it will not clearly and unambiguously affect social benefits. Under the public services pillar, if labor dispute resolution services meet certain requirements for both employees and employers (indicators on enforcement mechanisms), it will raise both firm flexibility and social benefits, while the presence of labor inspectorates will increase social benefits but will not clearly and unambiguously affect firm flexibility. Under the efficiency pillar, the cost of redundancy (measured through the duration of the notice period and the amount of severance payments) will lower firm flexibility.



## 5. Financial Services

### A. Motivation

Even the most brilliant business idea can remain just that—a simple idea—without proper financing. Access to finance remains a major constraint for firms worldwide,<sup>117</sup> despite being essential for firms’ operations and positively associated with firm innovation.<sup>118</sup> Access to finance is also one of the main challenges that women entrepreneurs face, including access to credit.<sup>119</sup> Access to finance directly contributes to a firm’s resilience, which was underscored during the global pandemic.<sup>120</sup> Research has also shown that private sector financing in developing economies has positive macroeconomic effects because firm-level employment often benefits from improved access to finance.<sup>121</sup> In addition, green financing can help achieve economic growth, creating new opportunities for businesses and redirecting capital toward economic sectors that align with the UN Sustainable Development Goals.<sup>122</sup>

Access to finance depends on several factors, including a robust regulatory framework and the availability of information services, both of which affect the operation of credit markets and the likelihood that firms will obtain financing. Sound due diligence regulations spanning anti-money laundering/combatting the financing of terrorism (AML/CFT) measures and grounded in risk-based evaluations are important for macroeconomic financial stability. Yet, such regulations should not hinder credit-worthy firms from accessing finance.<sup>123</sup> Furthermore, a modern secured transactions system, where movable assets are commonly used as collateral, offers borrowers access to credit at affordable rates.<sup>124</sup> To enable financing, lenders require adequate access to borrowers’ credit information to overcome information asymmetries. Sharing such information in the form of credit reporting reduces lenders’ uncertainty about borrowers’ total debt exposure, increases the availability of credit, and lowers interest rates.<sup>125</sup>

Accessible financing also plays an important role in maintaining a company’s financial stability. Removing bottlenecks associated with making and receiving payments further strengthens firms’ financial security. In recent years, cashless transactions (including e-payments) have continued growing.<sup>126</sup> However, economies’ ever-increasing digitalization requires the regulation of electronic solutions to reap the benefits of

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<sup>117</sup> World Bank, Enterprise Surveys, <https://www.enterprisesurveys.org/en/data/exploretopics/biggest-obstacle>.

<sup>118</sup> Qi, S., and S. Ongena. 2019. “Fuel the Engine: Bank Credit and Firm Innovation.” *Journal of Financial Services Research* 57: 115–47; Wellalage, N. H., and V. Fernandez. 2019. “Innovation and SME Finance: Evidence from Developing Countries.” *International Review of Financial Analysis* 66, 101370; Wellalage, N. H., and S. Locke. 2020. “Formal Credit and Innovation: Is There a Uniform Relationship Across Types of Innovation?” *International Review of Economics & Finance* 70: 1–15.

<sup>119</sup> Siegrist, F. 2022. “Supporting Women Entrepreneurs in Developing Countries: What Works? A Review of the Evidence Base & We-Fi’s Theory of Change”, *Women Entrepreneurs Finance Initiative (We-Fi)*.

<sup>120</sup> Amin, M., and D. Viganola. 2021. “Does Better Access to Finance Help Firms Deal with the COVID-19 Pandemic? Evidence from Firm-Level Survey Data.” Policy Research Working Paper 9697, World Bank, Washington, DC. Hu, S., and Y. Zhang. 2021. “COVID-19 Pandemic and Firm Performance: Cross-Country Evidence.” *International Review of Economics & Finance* 74: 365–72.

<sup>121</sup> Ayyagari, M., P. Pedro Juarros, M. S. Martinez Peria, and S. Singh. 2021. “Access to Finance and Job Growth: Firm-Level Evidence across Developing Countries.” *Review of Finance* 25 (5): 1473–96; Siemer, M. 2019. “Employment Effects of Financial Constraints during the Great Recession.” *Review of Economics and Statistics* 101: 16–29.

<sup>122</sup> He, L., R. Liu, Z. Zhong, D. Wang, and Y. Xia. 2019. “Can Green Financial Development Promote Renewable Energy Investment Efficiency? A Consideration of Bank Credit.” *Renewable Energy* 143: 974–84.

<sup>123</sup> Celik, K. 2021. *Impact of the FATF Recommendations and Their Implementation on Financial Inclusion: Insights from Mutual Evaluations and National Risk Assessments*. EFI Insight–Finance. Washington, DC: World Bank.

<sup>124</sup> World Bank. 2015. *Credit Reporting: Knowledge Guide*. Washington, DC: World Bank.

<sup>125</sup> Brown, M., T. Jappelli, and M. Pagano. 2009. “Information Sharing and Credit: Firm-Level Evidence from Transition Countries.” *Journal of Financial Intermediation* 18: 151–72; Martinez Peria, M. S., and S. Singh, S. 2014. “The Impact of Credit Information Sharing Reforms on Firm Financing.” Policy Research Working Paper 7013, World Bank, Washington, DC.

<sup>126</sup> World Bank. 2020d. *Payment Systems Worldwide: Summary Outcomes of the Fifth Global Payment Systems Survey: A Snapshot*. Washington, DC: World Bank.

technological progress. This would enable the extensive use of e-payments, which is associated with reduced tax evasion<sup>127</sup> and lower informality<sup>128</sup> in the private sector.

## **B. Indicators in the Area of Financial Services**

BEE will use three sets of indicators in the area of Financial Services: the quality of regulations for commercial lending, secured transactions, e-payments, and green financing (regulatory framework pillar); the accessibility of information in credit infrastructure (public services pillar); and the efficiency of receiving financial services in practice (efficiency pillar). Some alternatives on the structure of the pillars could be considered to capture good practices for and availability of gender financing.

In comparison to the Getting Credit topic of *Doing Business*, the BEE project's Financial Services topic will add eight new indicators. First, under the regulatory framework pillar, the topic will add three new indicators: good regulatory practices for commercial lending; good regulatory practices for e-payments; and good regulatory practices for green financing. Indicators related to good practices for gender financing could also be added to this pillar. The measures of good regulatory practices for secured transactions remain. Second, the public services pillar will expand to include data on the level of usage of credit reports and collateral registry services by commercial banks while reviewing corporate loan applications. The measures of credit bureaus and registries, as well as collateral registries, remain. An additional indicator could be included focusing on the availability of gender finance. Third, the efficiency of receiving financial services will add five new indicators: the ease of obtaining a loan; the ease of registering a security interest; the timeliness of credit information sharing; the ease of making and receiving an e-payment; and the availability of green finance. These indicators will be evaluated for a wide range of domestic firms, across sizes, types, and sectors of operation. Finally, whereas the *Doing Business* Getting Credit topic considered only firm flexibility, BEE's Financial Services topic will consider various aspects of firm flexibility and social benefits.

### *(1) Regulatory framework: Quality of regulations for commercial lending, secured transactions, e-payments, and sustainable financing*

This set of indicators will measure the good regulatory practices (de jure elements) for (i) commercial lending, (ii) secured transactions, (iii) e-payments, and (iv) green financing in each economy, and how they compare to internationally recognized good practices. An additional indicator that examines the existence of a national financial inclusion strategy that promotes financial inclusion for women is being considered.

- (i) *Good regulatory practices for commercial lending.* This indicator will examine legal requirements for commercial banks to conduct Customer Due Diligence (CDD) while reviewing a business loan application. The framework will largely incorporate AML/CFT risk-management regulations based on the International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation<sup>129</sup> (the FATF Recommendations).<sup>130</sup>

The indicator will focus on legal requirements to adopt enhanced and/or simplified CDD measures, as well as the use of a risk-based approach. These metrics will be collected on CDD performed for both new and existing customers.

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<sup>127</sup> Immordino, G., and F. Russo. 2018. "Cashless Payments and Tax Evasion." *European Journal of Political Economy* 55: 36–43.

<sup>128</sup> Këlliçi, E., and I. Baholli. 2015. "Mobile Payments, Driving Economies in Development Countries toward Less Risky Transactions and Lowering Informality." *European Academic Research* 3 (1): 572–88.

<sup>129</sup> FATF. [www.fatf-gafi.org/recommendations.html](http://www.fatf-gafi.org/recommendations.html).

<sup>130</sup> Recommendations 10 and 11 will be used in developing this indicator. While the recommendations focus primarily on AML/CFT, they will serve as a proxy for general good practices for CDD conducted by commercial banks upon reviewing corporate loan applications.

Data for this indicator will be collected through expert consultations with financial lawyers and commercial banks, complemented by the reading of the law.

- (ii) *Good regulatory practices for secured transactions.* This indicator will assess two components: the existence of an integrated legal framework (rules around the possibility for debtors to grant movable assets<sup>131</sup> as collateral without giving up possession of the asset) and the rules regarding the enforcement of security interests in movable assets.

The first component will measure whether an integrated and functional approach to secured transactions exists following the good practices set by the UNCITRAL Legislative Guide and Model Law on Secured Transactions<sup>132</sup> and other internationally accepted standards. It will look at security rights in all types of movable assets, and whether collateral can be created in both current and future assets. It will analyze the rules regarding incorporated and nonincorporated entities creating or acquiring collateral in movable assets (from the perspective of both debtors and creditors). It will also identify the obligations/debts that can be secured by such collateral.

The second component will focus on the enforcement of security interests in movable assets. It will assess, upon debtor default, which creditor has priority to obtain the full or part of the collateral when there are competing claims on the same asset outside insolvency procedures. It will also analyze the possibility of agreeing to out-of-court enforcement, to both seize and sell the encumbered asset through public and/or private auction, or, if agreed, whether the secured creditor can take the asset in satisfaction of the obligation.

Data for this indicator will be collected through expert consultations with financial lawyers and commercial banks, complemented by the reading of the law.

- (iii) *Good regulatory practices for e-payments.* A sound regulatory framework for e-payments is essential to maintain the integrity of the monetary system and safeguard financial stability.<sup>133</sup> However, e-payments do not exist in a vacuum; they are a part of a larger national payments system. Therefore, although BEE focuses on e-payments, the data will also include some aspects applicable to banking and traditional payments in general.

E-payments commence when noncash payment orders are issued and require processing through the electronic network. They involve several parties—the payer and the recipient, and various payment processors that act as service providers. This indicator will measure the following good practices<sup>134</sup> for e-payment regulations:

- a) Robust risk management (including through the supervision/oversight of the service providers)
- b) Protection of customer funds (including the regulation of erroneous and fraudulent transactions)
- c) Transparency of fees, terms, and conditions
- d) Availability of solid recourse and dispute resolution mechanisms
- e) Interoperability requirements and nonexclusivity conditions (including regulatory interoperability, syntactic/protocol interoperability, and semantic/data interoperability)

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<sup>131</sup> UNCITRAL. 2019b. Model Law on Secured Transactions, Chapter I, Article 2(u): “Movable asset” means a tangible or intangible asset, other than immovable property. UNCITRAL. 2010. Legislative Guide on Secured Transactions, Introduction, B. Terminology and Interpretation: “Intangible assets” means all types of movable assets other than tangible assets and includes incorporeal rights, receivables and rights to the performance of obligations other than receivables.

<sup>132</sup> UNCITRAL. 2010.; UNCITRAL. 2019b.

<sup>133</sup> Khiaonarong, T., and T. Goh. 2020. “FinTech and Payments Regulation: An Analytical Framework.” *Journal of Payments Strategy & Systems* 14 (2): 157–71.

<sup>134</sup> World Bank. 2020a. *Digital Financial Services*. Washington, DC: World Bank; World Bank. 2020c. *Payment Aspects of Financial Inclusion in the Fintech Era*. Washington, DC: World Bank.

- f) Promotion of competition among the service providers regarding instruments, products, business models, and channels.

Data<sup>135</sup> for this indicator will be collected through expert consultations with financial lawyers, commercial banks, and other relevant experts such as service providers, and complemented by a reading of the law.

- (iv) *Good regulatory practices for green financing.* Green finance refers to financing that supports the transition to a climate resilient economy by contributing to climate mitigation, climate adaptation and resilience, and other environmental objectives. Green finance acts as a catalyst for achieving the Sustainable Development Goals and targets under the Paris Agreement.<sup>136</sup> The need for sound regulation that would both allow for efficient access to green financing and prevent “greenwashing” practices is becoming increasingly evident.<sup>137</sup> This indicator will include measures on the adoption of good practices developed by the WBG, the United Nations Environment Programme (UNEP) Inquiry, the International Capital Markets Association, the Task Force on Climate-Related Financial Disclosures, the Global Reporting Initiative, and the Network for Greening the Financial System. These measures will include:
  - a) Green finance disclosure requirements
  - b) Green finance taxonomy or classification systems establishing a list of sustainable economic activities
  - c) Supervisory expectations for environmental risks
  - d) Green bonds and green loans issuance and respective guidelines

Data for this indicator will be collected through expert consultations with financial lawyers, environmental consultants, and investment advisors, and corroborated by desk research through the reading of laws and regulations.

## (2) *Public services: Accessibility of information in credit infrastructure*

This indicator set will assess de facto and some de jure elements of the accessibility of information in credit infrastructure. It will focus on proxies measuring the functioning of relevant institutions providing credit-related information and services. The indicator set will assess the operationalization, scope, and data accessibility of credit reporting service providers such as (i) credit bureaus and credit registries, and (ii) collateral registries. The structure of the pillar and detailed indicators may be revised based on further consultation with subject matter experts to cover additional areas.

- (i) *Operation of credit bureaus and registries.* Credit bureaus and registries<sup>138</sup> collect data on the credit history of individuals and firms while sharing it in the form of credit reports and additional services. The purpose is to improve the efficiency of the lending process, by reducing information asymmetries. By accessing borrowers’ credit information, lenders can better understand lending risks associated with each potential borrower. The accessibility of information in credit infrastructure indicator set will measure the availability of credit reporting service providers and the scope of the data and services they

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<sup>135</sup> Data on the e-payment regulatory framework will be limited to domestic market and will not include cross-border e-payments.

<sup>136</sup> Kumar, S., D. Sharma, S. Rao, W. Lim, and S. Mangla. 2022. “Past, Present, and Future of Sustainable Finance: Insights from Big Data Analytics through Machine Learning of Scholarly Research.” *Annals of Operations Research*: 1–44.

<sup>137</sup> De Silva Lokuwaduge, C. S., and K. M. De Silva. 2022. “ESG Risk Disclosure and the Risk of Green Washing.” *Australasian Accounting, Business and Finance Journal* 16 (1): 146–59.

<sup>138</sup> Credit bureaus and registries differ in terms of their ownership. The former generally are privately owned companies, while the latter, in most cases, are established by the government, usually under the management of the central bank or the banking supervision authority. Regardless of the ownership structure, both types of organizations, as credit reporting service providers (CRSPs), can serve the same role by providing information on borrower’s histories that assist creditors in their lending decisions.

offer. In addition, this indicator set will measure whether a credit bureau or credit registry is effectively operational and provides relevant data on the credit history of individuals and firms through credit reports. More specifically, it will evaluate whether credit reporting service providers:

- a) provide sufficient information to inform lending decisions (positive and negative data, a minimum amount of historical data, cross-border information sharing and crisis reporting);
- b) complement data from traditional sources (banks and other financial institutions) with data from alternative sources (such as telecom providers, retailers, utilities, and other sources) that help borrowers with limited credit history build their records;
- c) follow good practices regarding the rights of borrowers to access their financial records (such as the right to consult their credit reports for free and online, the possibility of receiving notifications of negative information reported to the credit bureau or registry, and the right to rectify data in case of discrepancies).

Furthermore, the indicator will collect information on the availability of additional services, such as credit scores, that facilitate the evaluation of the creditworthiness of potential borrowers. To capture the extent of usage of the credit information services, BEE will evaluate whether credit reports—when available through credit reporting service providers (CRSPs)—are used by commercial banks to inform their corporate lending decisions. The indicator will combine mainly de facto data with some de jure data related to the legal rights of borrowers to access their credit-related information. BEE will collect data for this indicator through consultations with credit bureaus and credit registries. Data on the extent of use will be collected through consultations with commercial banks.

- (ii) *Operation of collateral registries.* Collateral registries are publicly available databases of interests in moveable assets by incorporated and nonincorporated entities. They support the legal framework of security rights in movable assets by both facilitating awareness of the existence of these rights and establishing priority based on the time of registration.<sup>139</sup> Functioning collateral registries further enable lenders to assess risks when the borrower intends to secure the credit with collateral assets. The indicator will assess whether a collateral registry is in operation, whether it is unified geographically, and whether it has an electronic database indexed by debtors' names. The assessment will consider whether the registry is noticed-based<sup>140</sup> (a registry that files only a notice of the existence of a security interest and does not perform a legal review of the transaction) and whether it publicizes functional equivalents to security interests. The indicator will also measure whether the registry has modern features that allow secured creditors (or their representatives) to register, search, amend or cancel security interests online. Furthermore, the indicator will capture information on the level of usage of collateral registries by commercial banks to inform their corporate lending decisions when collateral is used. BEE will collect these de facto data through expert consultations with financial lawyers, commercial banks, and collateral registries.

### (3) *Efficiency: Efficiency of receiving financial services in practice*

This indicator set will measure the time and cost (de facto elements) to obtain a loan, register a security interest, and make an e-payment, as well as the timeliness of credit information sharing. It will also measure the ease of accessing finance for sustainable companies and for sustainable investments. The efficiency set will have five indicators:

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<sup>139</sup> Alvarez de la Campa, A. 2011. "Increasing Access to Credit through Reforming Secured Transactions in the MENA Region." Policy Research Working Paper 5613, World Bank, Washington, DC.

<sup>140</sup> Registration of a notice rather than a document is sufficient in view of the legal consequences of registration: that is, third-party effectiveness rather than creation of a security right. Moreover, it greatly simplifies the registration process and minimizes the administrative and archival burden on the registry system and relieves users of the delay and cost of having to provide proof of the underlying security documentation. See UNCITRAL. 2010. Legislative Guide on Secured Transactions, Chapter IV, paragraph 13.

- (i) *Time and cost to obtain a loan.* This indicator will measure the time and cost required for a firm to obtain a loan. It will capture the time to prepare the loan application (including the time to obtain a credit report, gather financial records, secure collateral or a personal guarantee, and fill out the application forms) and the time for the application to be evaluated and approved by the lender. The cost for obtaining a loan will include components such as the applicable fees and any additional expenses to secure the loan. The cost will be recorded as a share of the loan. Both time and cost will be normalized to account for variation in the loan value and repayment times.

Firm-level surveys will provide factual data on loans that firms have recently obtained. To allow for comparability, the collected data will provide additional information regarding the borrowing firm, in addition to key characteristics of the loans, such as the source of financing, the purpose of the loan, its type, period and amount, and whether collateral was used. The indicator will focus on domestic loans provided by commercial banks, and it may collect data on loans received from both private and public banks.

- (ii) *Time and cost to register a security interest.* This indicator will measure the time and cost associated with the registration of a security interest. It will also record the time for the record to be reflected and searchable in the database. Data will be collected through expert consultations with financial lawyers, commercial banks, and collateral registries.
- (iii) *Timeliness of credit information sharing.* This indicator will measure the time needed for credit information to be included in the CRSP's database from the moment it was submitted by the data provider. Data will be collected through consultations with credit bureaus and credit registries.
- (iv) *Time and cost to make and receive an e-payment.* This indicator will measure the time and cost required to make and receive an e-payment using different methods (for example, internet banking, mobile banking, e-money, and payment cards). Each of these payment methods will be assessed twice: assuming a business-to-business (B2B) transaction and assuming a person-to-business (P2B) transaction. The time estimate will capture the entire process—from the moment the payment is submitted to its full clearance and complete release of funds (until the recipient has received and can use the funds). The cost will be recorded as a share of the transaction amount. Data will be collected using firm-level surveys.
- (v) *Availability of green finance.* This indicator will measure the availability of green financing in an economy. It will evaluate whether firms developing green projects and seeking financing have access to dedicated green finance instruments and technical assistance in navigating their options to get credit. This indicator could also assess compliance with the requirements to obtain a green loan (including what voluntary green business certifications are followed, what rating methodologies are accepted, how screening methodologies are applied, and whether third-party oversight is performed in practice). Data will be collected through expert consultations involving professionals who are familiar with the process of obtaining sustainable finance. These experts—bank advisors, finance lawyers, or environmental consultants—are more informed about such financial instruments than firms that may use them only rarely.

### **C. Scoring Insights**

The Financial Services indicators will consider the perspective of the firm (*firm flexibility*) as well as the broader public (*social benefits*) when assessing each economy. Most of the indicators under the regulatory framework pillar and the public services pillar will measure both firm flexibility and social benefits, while indicators under the efficiency pillar will relate mostly to firm flexibility. For example, under the regulatory framework pillar, if an economy requires transparency of fees, terms and conditions for e-payments

(indicator on the good regulatory practices for e-payments), it will contribute to both firm flexibility and social benefits. On the other hand, the availability of green finance to support the transformation toward a sustainable environment (indicator on the good regulatory practices for green financing) will be evaluated only through a social benefits lens. Under the public services pillar, a notice-based collateral registry and availability of comprehensive credit information (indicators on the accessibility of information in credit infrastructure) will affect both firm flexibility and social benefits because they enable access to finance and contribute to financial stability. Under the efficiency pillar, an expensive and time-consuming process of making and receiving e-payments will lower firm flexibility.

## 6. International Trade

### A. Motivation

International trade can be a key driver of economic growth and vital to promoting private sector development. An economy's openness to international trade affects the private sector through different channels. Engaging with the global market increases competition with foreign firms, both domestically and abroad, leading to domestic firm specialization in areas of comparative advantage and the reallocation of resources to the most productive firms.<sup>141</sup> To remain competitive, firms need to continuously adapt, innovate, and improve their efficiency, resulting in aggregate productivity growth and welfare.<sup>142</sup> While enhancing efficiency, international trade creates winners and losers among individual firms and sectors, as well as among workers and consumers.<sup>143</sup> However, it can also generate overall benefits to the private sector as a whole. Trade openness may generate further productivity gains as it allows firms to overcome the limitations of their domestic markets, creating economies of scale and providing access to cheaper intermediate inputs of higher quality and variety.<sup>144</sup> In addition, international trade flows allow domestic firms to take advantage of knowledge and technology transfers as they interact in the global market.<sup>145</sup> There are, therefore, complementarities between exports and imports because increased access to foreign inputs enhances productivity and export performance and is important to reap the benefits of international trade.<sup>146</sup>

An enabling private sector environment must be conducive for firms to actively compete in the global economy by streamlining regulations and improving public services. Firms' competitiveness depends on whether the regulatory framework can adapt to the evolving context to establish a nondiscriminatory, transparent, predictable, and safe environment for the potential of international trade to be harnessed, including digital trade. Restrictive trade measures may be designed to protect domestic firms and create market distortions that impede trade, lowering import penetration and export competitiveness for trade in both goods and services.<sup>147</sup> At the same time, restrictive trade measures may also pursue legitimate public policy objectives, from protecting public health to the environment. In addition to the regulatory framework, governments can provide public services to facilitate trade procedures and allow the private sector to maximize the benefits or minimize the restrictions provided by regulations. These trade facilitation efforts increase participation in international trade for both small and large firms.<sup>148</sup> Finally, the time and costs borne by the private sector when complying with trade regulations and using public services may hinder firms' ability to access the global market, representing a substantial barrier to trade.<sup>149</sup>

### B. Indicators in the Area of International Trade

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<sup>141</sup> Melitz, M. J. 2003. "The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity." *Econometrica* 71 (6): 1695–1725.

<sup>142</sup> Sampson, T. 2016. "Dynamic Selection: An Idea Flows Theory of Entry, Trade, and Growth." *Quarterly Journal of Economics* 131 (1): 315–80.

<sup>143</sup> Artuc, E., B. Rijkers, and G. Porto. 2019. "Trading Off the Income Gains and Inequality Costs of Trade Policy." *Journal of International Economic*, 120 (1): 1–45.

<sup>144</sup> Goldberg, P. K., A. K. Khandelwal, N. Pavcnik, and P. Topalova. 2010. "Imported Intermediate Inputs and Domestic Product Growth: Evidence from India." *Quarterly Journal of Economics* 125 (4): 1727–67.

<sup>145</sup> Madsen, J. B. 2007. "Technology Spillover through Trade and TFP Convergence: 135 Years of Evidence for the OECD Countries." *Journal of International Economics* 72 (2): 464–80.

<sup>146</sup> Feng, L., Z. Lie, and D. L. Swenson. 2016. "The Connection between Imported Intermediate Inputs and Exports: Evidence from Chinese Firms." *Journal of International Economics* 101: 86–101.

<sup>147</sup> Fernandes, A. M., E. Ferro, and J. S. Wilson. 2019. "Product Standards and Firms' Export Decisions." *World Bank Economic Review* 33 (2): 353–74; Nordås, H., and D. Rouzet. 2015. "The Impact of Services Trade Restrictiveness on Trade Flows: First Estimates." OECD Trade Policy Paper 178, OECD Publishing, Paris.

<sup>148</sup> Fontagné, L., G. Orefice, and R. Piermartini. 2020. "Making Small Firms Happy? The Heterogeneous Effect of Trade Facilitation Measures." *Review of International Economics* 28 (2020): 565–98.

<sup>149</sup> Hummels, D. L., and G. Schaur. 2013. "Time as a Trade Barrier." *American Economic Review* 103 (7): 2935–59.



BEE will use three sets of indicators in the area of International Trade: quality of regulations for international trade (regulatory framework pillar); quality of public services for the facilitation of international trade (public services pillar); and efficiency of importing goods, exporting goods, and engaging in digital trade (efficiency pillar).

There are three main differences between BEE's International Trade topic and the *Doing Business* Trading across Borders topic. First, whereas *Doing Business* focused on the ease of complying with trade regulations applicable only to goods, BEE indicators will expand the scope to include trade in services, as well as indicators on the regulatory framework and public services provided by governments. Furthermore, other areas, such as digital and sustainable trade and gender equality in trade, will also be included to reflect BEE's focus on the themes of digital adoption, environmental sustainability and gender. Second, BEE's International Trade topic will use broader parameters to ensure the comparability of the data collected, instead of a standardized case scenario. The data will be collected through expert consultations for the regulatory framework and public services pillars, and representative firm-level surveys for the efficiency pillar. The BEE methodology will thus expand the data's representativeness. Third, while *Doing Business* Trading across Borders topic considered only *firm flexibility*, BEE's International Trade topic will measure aspects pertaining to both *firm flexibility* and *social benefits*.

#### (1) *Regulatory framework: Quality of regulations for international trade*

Uncertainty about trade procedures, trade costs, future conditions, and the application of existing regulations generates increased risk, aggravates transaction costs, and delays investments.<sup>150</sup> Good practices in the regulatory framework for international trade in goods and services are fundamental to creating a stable, predictable, and transparent trading environment. Additionally, in the growing area of digital trade,<sup>151</sup> effective policies and regulations are needed to remove obstacles to cross-border digital trade, foster inclusive private sector growth, and ensure the necessary safeguards to protect consumers and build trust in digital trade are in place.

Trade policies can include restrictive trade measures. These may be important to protect public safety, health, and the environment and to address market failures. Still, they can impede trade flows.<sup>152</sup> Governments must design effective regulations that strike a balance between legitimate public policy objectives and the requirements imposed on trade in goods and services. This is particularly relevant for nontariff measures imposed on trade in goods, such as sanitary and phytosanitary regulations, standards, and technical regulations. Whereas tariffs have declined, nontariff measures have steadily risen in importance as key barriers to trade.<sup>153</sup> This trend is equally relevant for trade in services, particularly restrictions on market access and other discriminatory measures, including additional restrictions on female service providers.<sup>154</sup> Regulatory restrictions on digital trade, such as those on data protection and privacy, must be considered through a similar approach.

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<sup>150</sup> Handley, K. 2014. "Exporting under Trade Policy Uncertainty: Theory and Evidence." *Journal of International Economics* 94 (1): 50–66.

<sup>151</sup> There is no standard definition of digital trade or e-commerce. BEE uses the definition provided by OECD, whereby digital trade "encompasses digitally-enabled transactions of trade in goods and services that can either be digitally or physically delivered, and that involve consumers, firms, and governments." See <https://www.oecd.org/trade/topics/digital-trade/>.

<sup>152</sup> Fontagné, L., G. Orefice, R. Piermartini, and N. Rocha. 2015. "Product Standards and Margins of Trade: Firm-level Evidence." *Journal of International Economics* 97 (1): 29–44.

<sup>153</sup> UNESCAP (United Nations Economic and Social Commission for Asia and the Pacific) and UNCTAD (United Nations Conference on Trade and Development). 2019. *Asia-Pacific Trade and Investment Report 2019: Navigating Non-tariff Measures towards Sustainable Development*. Bangkok: UNESCAP and UNCTAD.

<sup>154</sup> Van der Marel, E., and B. Shepherd. 2020. "Trade Facilitation in Services: Concepts and Empirical Importance." Policy Research Working Paper 9234, Washington, DC: World Bank; Acharya R., O. Falgueras Alamo, S. Mohamed Thabit Al-Battashi, A. der Boghossian, N. Ghei, T. Parcerro Herrera, L. A. Jackson, U. Kask, C. Locatelli, G. Marceau, I.- V. Motoc, A. C. Müller, N.

This set of indicators will cover seven indicators that will serve as proxies for assessing the regulatory framework governing international trade in goods and services and digital trade. An alternative structure is being considered to combine these sets of indicators in two separate categories, as well as include the set of indicators on international cooperation and regulatory convergence. These indicators will showcase the commitment to open and transparent trade policies that ensure a safe and level playing field, promote competition, and bring about social benefits. As detailed below, the quality of regulations will be assessed by benchmarking selected internationally recognized good practices. Data for these de jure indicators will be collected via expert consultations (with trade economists, trade lawyers, and other trade experts) and corroborated by desk research through readings of the law.

Given the data collection approach, broad parameters will be defined to ensure comparability (for example, industry sector, traded product, trading partner economy, and trade agreement membership). When regulations vary substantially across different categories of a parameter, the International Trade topic will explore the feasibility of collecting data across these various categories. The indicators on international trade in services will focus on logistics, freight transport, and financial services.

- (i) *Good regulatory practices supporting international trade in goods.* This indicator will measure whether the regulatory framework establishes a transparent and predictable trading system by providing laws and regulations to ensure nondiscriminatory and predictable international trade processes, including the ratification of conventions on international standards, and legal obligations that mandate public access to the rules and regulations pertaining to international trade in goods. This indicator also will measure whether advance notification and stakeholder consultation are mandatory when drafting international trade regulations or before introducing changes to trade policy.<sup>155</sup> A transparent and predictable trading system contributes to reducing uncertainty costs and leveling the playing field.<sup>156</sup>
- (ii) *Good regulatory practices supporting international trade in services.* This indicator will measure whether the regulatory framework establishes nondiscriminatory and predictable international trade processes and legal obligations that mandate public access to the rules and regulations pertaining to international trade in logistics services, freight transport services, and financial services. This indicator will also measure whether advance notification and stakeholder consultations are mandatory when drafting regulations on international trade in services or before introducing changes to trade policy.<sup>157</sup>
- (iii) *Good regulatory practices supporting digital trade.* This indicator will measure whether the regulatory framework supports digital trade transactions, including nondiscriminatory internet access, valid electronic documents and signatures, and secure cross-border electronic payments, as well as legal obligations that mandate public access to the rules and regulations pertaining to digital trade. In

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Neufeld, S. Padilla, J. Pardo de León, S. Perantakou, N. Sporysheva, and C. Wolff. 2019. “Trade and Women—Opportunities for Women in the Framework of the World Trade Organization.” *Journal of International Economic Law* 22 (3): 323–54.

<sup>155</sup> For good regulatory practices, see, among others, the World Trade Organization’s (WTO) Trade Facilitation Agreement (TFA), the Customs Valuation Agreement and Agriculture Agreement, the World Customs Organization’s (WCO) Revised Kyoto Convention (RKC) and SAFE Framework of Standards to Secure and Facilitate Global Trade (SAFE Framework), and the United Nations Economic Commission for Europe’s (UNECE) Recommendation No. 35 on Establishing a Legal Framework for International Trade Single Window.

<sup>156</sup> Caldara, D., M. Iacoviello, P. Molligo, A. Prestipino, and A. Raffo. 2020. “The Economic Effects of Trade Policy Uncertainty.” *Journal of Monetary Economics* 109: 38–59.

<sup>157</sup> For good regulatory practices, see, among others, WTO’s General Agreement on Trade in Services (GATS) and the Declaration on the Conclusion of Negotiations on Services Domestic Regulations. This indicator will expand currently available databases—such as WTO’s Integrated Trade Intelligence Portal (I-TIP), OECD’s Services Trade Restrictiveness Index (OECDSTRI), and the World Bank Services Trade Restrictions Index (WBSTRI)—by increasing geographic scope and time period of coverage.

addition, considering its relevance to cross-border digital transactions of goods, this indicator also will measure *de minimis* rules and thresholds.<sup>158</sup>

- (iv) *Good regulatory practices supporting sustainable trade.* This indicator will measure whether the regulatory framework establishes a sustainable trading system by adopting policies that pursue relevant environmental and social objectives. The environment component will focus on efforts to reduce carbon footprint, measuring the tariffs applied on environmental goods, the adoption of cross-border carbon pricing instruments, and the ratification of relevant international standards. In most economies, tariffs are lower for dirty industries than for clean ones; decreasing that bias would benefit the environment.<sup>159</sup> Furthermore, lowering tariffs on environmental goods may improve access to products and technologies that support the move to a low carbon future. In measuring the tariffs applied on environmental goods, the list of environmental goods selected by the Asia-Pacific Economic Cooperation (APEC), which includes 54 goods at the HS 6-digit level, will be considered.<sup>160</sup> Likewise, cross-border carbon pricing instruments, such as regional emissions trading schemes or border carbon adjustments, may either cap the aggregate level of greenhouse gas emissions or provide a strong incentive to address carbon leakage. This component will also assess whether international standards on mitigating the adverse effects of maritime transportation and on restricting cross-border waste movements.<sup>161</sup> The social component will assess whether fair and equal trade is being promoted by incorporating conditional provisions on social and human rights that observe the ILO's core labor standards as well as gender specific commitments in bilateral and regional trade agreements
- (v) *Regulatory restrictions on international trade in goods.* This indicator will measure whether the regulatory framework establishes restrictive trade policies by protecting domestic markets through nontariff measures (NTMs) and requirements for transportation and logistics services providers. The most common NTMs are of a technical nature—sanitary and phytosanitary measures, technical barriers to trade, and related pre-shipment inspections—and usually pursue legitimate public policy objectives, including public health, safety, and responsible production and consumption, or environment. A more diverse array of NTMs is of a nontechnical nature—import quotas, import licensing, price controls, local content requirements, and contingent trade-protective measures, among others—and is typically designed to protect domestic firms. Following the Multi-Agency Support Team's International Classification of NTMs, this indicator will measure NTMs in accordance with their motivation and impact on firm flexibility and/or social benefits.<sup>162</sup> A similar approach will be followed to assess the regulatory requirements for transportation and logistics service providers, because these may also pursue a legitimate public policy objective and/or hinder competition in these sectors (for example, driver regulation or the imposition of pricing guidelines).<sup>163</sup>

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<sup>158</sup> For good regulatory practices, see, among others, UNCITRAL's Model Law on Electronic Commerce, Model Law on Electronic Transferable Records, and Model Law on Electronic Signatures, and the UN Convention on the Use of Electronic Communications in International Contracts, as well as the WCO's Cross-Border E-Commerce Framework of Standards. This indicator will expand currently available databases—such as WBG's Digital Business Indicators (DBI) and Global Data Regulations Diagnostic (GDRD), the UN's Global Survey on Digital and Sustainable Trade Facilitation (GSDSTF), ECIPE's Digital Trade Restrictiveness Index (DTRI), and the Digital Policy Alert (DPA)—by increasing geographic scope and time period of coverage.

<sup>159</sup> Shapiro, J. 2020. "The Environmental Bias of Trade Policy." *Quarterly Journal of Economics* 136 (2): 831–86.

<sup>160</sup> See [https://www.apec.org/meeting-papers/leaders-declarations/2012/2012\\_aelm/2012\\_aelm\\_annexc](https://www.apec.org/meeting-papers/leaders-declarations/2012/2012_aelm/2012_aelm_annexc).

<sup>161</sup> See the International Convention for the Prevention of Pollution from Ships (MARPOL Convention) and the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal (Basel Convention).

<sup>162</sup> For good regulatory practices, see, among others, WTO's TFA, the Agreement on the Application of Sanitary and Phytosanitary Measures, and the Technical Barriers to Trade Agreement. This indicator will expand currently available databases—such as United Nations Conference on Trade and Development's (UNCTAD) Trade Analysis Information System, Global Trade Alert, and I-TIP on nontariff measures and OECD's Indicators of Product Market Regulation—by increasing geographic scope and time period of coverage.

<sup>163</sup> World Bank Group. 2018. *Promoting Open and Competitive Markets in Road Freight and Logistics Services: The World Bank Group's Markets and Competition Policy Assessment Tool Applied in Peru, the Philippines and Vietnam*. Washington, DC: World Bank.

- (vi) *Regulatory restrictions on international trade in services.* This indicator will measure whether the regulatory framework establishes trade policies that restrict market access/foreign entry and establishment, limit cross-border movements of natural persons, and provide other discriminatory measures affecting the operation of trade actors in logistics, freight transport, and financial services.<sup>164</sup>
- (vii) *Regulatory restrictions on digital trade.* This indicator will measure whether the regulatory framework establishes restrictive trade policies by providing legal protections to digital trade users and service providers, specifically on issues surrounding data protection, privacy, digital advertising, and digital copyrights, as well as cybersecurity requirements. These policies contribute to a safe and trusted digital trading environment. Conversely, this indicator will also measure discriminatory policies—bans on online sales of goods and services, restrictive standards on cross-border data flows, and taxation measures—that may breach the tax neutrality principle as applied to digital trade.<sup>165</sup>

## (2) *Public services: Quality of public services for the facilitation of international trade*

The provision of public services to facilitate trade in goods and services and reduce compliance costs is prominent in the international trade agenda. While facilitation of trade in goods is at the center of the WTO TFA, trade facilitation in services has been largely a subject of plurilateral discussions among WTO members.<sup>166</sup> Trade facilitation efforts encompass four principles—transparency, predictability, simplification, and harmonization and standardization—and aim to streamline trade procedures to minimize compliance costs.

This set of indicators will cover seven indicators that will serve as proxies for the overall implementation of trade facilitation measures across the four principles. An alternative structure is being considered to combine these sets of indicators into two main categories. The quality of public services will assess which features have been implemented in practice and made available to the trading community.<sup>167</sup> Data for these *de facto* indicators will be collected via expert consultations with freight forwarders, customs brokers, clearing agents, and shipping lines, as well as customs and other government agencies, and can be corroborated by desk research. Given the data collection approach, broad parameters will be defined to ensure comparability across economies (for example, trading partners, trade agreement membership, and location). When public services vary substantially across different categories of a parameter, the International Trade topic will explore the feasibility of collecting data across these various categories.

- (i) *Transparency and availability of information.* This indicator will measure the implementation of good regulatory practices on transparency and availability of information, as well as on consultation with stakeholders. A dedicated government website or trade information portal—where users can access up-to-date information pertinent to importation, exportation, transit, and digital trade—increases the transparency and predictability of the trading environment. This information should include regulatory

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<sup>164</sup> For good regulatory practices, see, among others, GATS and WTO’s Declaration on the Conclusion of Negotiations on Services Domestic Regulations. This indicator will expand currently available databases—such as I-TIP, WBSTRI, and the OECDSTRI—by increasing geographic scope and time period of coverage.

<sup>165</sup> For good regulatory practices, see, among others, UNCITRAL’s Model Laws on Electronic Commerce, the UN’s Convention on the Use of Electronic Communications in International Contracts, and OECD’s Recommendation on Consumer Protection for E-commerce and Guidelines on the Protection of Privacy, WCO’s Cross-Border E-Commerce Framework of Standards, and EU’s General Data Protection Regulation. This indicator will expand currently available databases—such as DBI, GDRD, GSDSTF, DTRI, and DPA—by increasing geographic scope and time period of coverage.

<sup>166</sup> Hoekman, B. 2020. “Facilitating Trade in Services.” Policy Research Working Paper 9228, World Bank, Washington, DC.

<sup>167</sup> For good practices considered across the first five indicators, see, among others, WTO’s TFA, WCO’s RKC, WCO’s SAFE Framework, WCO’s Guidelines for the Immediate Release of Consignments by Customs, as well as the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific. Other indicator-specific good practices are detailed below. The data on this set of indicators will expand currently available databases—such as OECD’s Trade Facilitation Indicators and the GSDSTF—by increasing geographic scope and time period of coverage and adding measures not covered in those databases.

requirements and procedures, applicable rates of duties and taxes, rules for classification or valuation, fees and charges, and appeal procedures. Additional information on trading partner economies may also promote market access to prospective exporters. Regular consultations between government and stakeholders, such as those structured by a National Trade Facilitation Committee (NTFC), can play an important role in involving the trading community, especially micro, small, and medium enterprises (MSMEs).<sup>168</sup>

- (ii) *Electronic systems and interoperability of services.* This indicator will measure the availability, scope, connectivity, and functionality of an economy's electronic systems for trade operations. Among these systems, electronic single windows have become one of the main instruments of trade facilitation. Such mechanisms enhance the exchange of trade-related information between government agencies and other trade actors, support paperless trade features, and may also have bilateral, regional, or multilateral interoperability. Although challenging to implement, they may simplify procedures and reduce compliance costs—especially when limited fees are imposed—while increasing transparency, compliance, and security. These platforms may integrate not only government agencies (such as customs, tax administration agencies, sanitary and phytosanitary agencies, port authorities), but also private sector actors (shipping companies, freight forwarders, customs brokers, traders). Through a single-entry point, the features of electronic single windows may include the electronic submission and processing of customs declarations and other documents (for example, digital sanitary and phytosanitary certificates, electronic payments), as well as the communications with similar systems in trading partner economies. Other electronic systems such as Port Community Systems or customs Electronic Data Interchange systems may also have similar features and will be considered in the assessment when no electronic single window is in place.<sup>169</sup>
- (iii) *Risk management.* This indicator will cover the availability and features of the risk management systems that support border control agencies, measuring the level of risk and information sharing, integration, and coordination in a risk assessment matrix, as well as the selectivity criteria considered and the use of post-clearance audits. Establishing an automated and integrated risk management system allows customs and other control agencies to efficiently focus their resources on high-risk shipments while preventing arbitrary discrimination and unnecessary delays in the clearance of goods.<sup>170</sup>
- (iv) *Border agency programs.* This indicator will measure the availability and features of customs and border agency programs that benefit traders, including Authorized Economic Operator (AEO) schemes, simplified procedures programs, expedited shipments, and education and outreach programs for the trading community, especially those focused on MSMEs. By facilitating trusted economic operators and other low-risk shipments and building capacity among stakeholders, these programs streamline the clearance of goods while improving supply chain security.<sup>171</sup>
- (v) *Coordinated border management.* This indicator will measure the extent of border and behind-the-border cooperation between domestic border control agencies as well as the external cooperation with similar agencies in trading partner economies. This indicator will also measure whether information is shared, border controls are delegated or jointly conducted, formalities and procedures are aligned, and trade-related data, documents and standards are mutually recognized.<sup>172</sup> Increased coordination

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<sup>168</sup> For additional good practices, see, among others, GATS, UNECE's Recommendation No. 38 on Information Trade Portals, and the WBG's Guide on Developing a Trade Information Portal.

<sup>169</sup> For good practices, see, among others, UNECE's Recommendation No. 33 on Recommendation and Guidelines Establishing a Single Window, and Recommendation No. 36 on Single Window Interoperability.

<sup>170</sup> For additional good practices, see, among others, WCO's Risk Management Compendium.

<sup>171</sup> For additional good practices, see, among others, WCO's Authorized Economic Operator (AEO) Implementation and Validation Guidance.

<sup>172</sup> For additional good practices, see, among others, WCO's Coordinated Border Management Compendium.

between border control and other relevant agencies, both within and across borders, plays an important role in leveraging resources to streamline procedures and avoid duplications and delays.

(vi) *International cooperation and regulatory convergence.* This indicator will measure international cooperation through participation in preferential trade agreements, and regulatory convergence by assessing the policy areas covered and their depth.<sup>173</sup> These policy areas will be categorized according to their focus on establishing economic integration rights, limiting government discretion to support those economic integration rights, and enhancing social or consumer welfare.<sup>174</sup> Increased international cooperation and regulatory convergence on the first two sets of policy areas may lead to a more predictable trading environment and reduced compliance costs, while those on the latter may increase environmental, consumer and social welfare.

(vii) *Trade infrastructure.* This indicator will measure the availability, features, and quality of physical trade infrastructure—border posts, seaports, airports, inland terminals, road and railway infrastructure, and logistics and transportation services. Considering the geography of the locations measured, this indicator will measure the quality of equipment for border control, cargo handling, warehousing, and cold storage facilities, among others, as well as the availability of an internet connection and information technology systems. This will be supplemented by a focus on the development of multimodal nodes, particularly those along trade corridors. Adequate trade infrastructure may reduce trade and transport costs and enable the integration in regional or global value chains.<sup>175</sup>

(3) *Efficiency: Efficiency of importing goods, exporting goods, and engaging in digital trade*

Operational and transaction costs associated with importing and exporting have become increasingly important and are aggravated faced with low levels of trade facilitation. Cumbersome customs clearance procedures, inadequate coordination between border agencies, ineffective implementation of border agency programs, limited logistics and transportation services, and poor trade infrastructure, among other factors, substantially increase the time and cost associated with complying with export and import requirements. These increased costs of compliance may be substantial barriers to trade, whether firms engage in traditional or digital trade, and may hinder their ability to access international markets.<sup>176</sup>

This set of indicators will cover four indicators which will serve as proxies for the efficiency of trade procedures applicable to goods and the overall burden imposed on the private sector when trading goods internationally. An alternative approach is being considered that does not measure the efficiency of risk management systems and border agency programs. Data for these de facto indicators will be collected via representative firm-level surveys of active exporters and/or importers and can be corroborated by administrative data (for example, relevant time-release study data following World Customs Organization (WCO) guidelines). A representative sample of firms may allow capturing the variation of experience based on the characteristics of the firms (for example, size, experience, industry sector), as well as the characteristics of the transaction, traded product, value of the transaction, trading partner economies, or mode of transportation used. In addition, the data on digital trade will consider the type of transaction—business-to-business (B2B) or business-to-consumer (B2C). Given that there may be a small share of firms

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<sup>173</sup> Measuring the participation in trade agreements will expand on the existing WTO's Regional Trade Agreements database, which is notification-based, and WBG's Global Preferential Trade Agreements Database and Deep Trade Agreements database, which is not exhaustive.

<sup>174</sup> Mattoo, A., N. Rocha, and M. Ruta, eds. 2020. *Handbook of Deep Trade Agreements*. Washington, DC: World Bank.

<sup>175</sup> For additional good practices, see, among others, International Maritime Organization's Convention of Facilitation of International Maritime Traffic (FAL Convention). This indicator will expand the WBG's Logistics Performance Index, the WBG and IHS Markit's Container Port Performance Index (CPPI), and UNCTAD's Liner Shipping Connectivity Index by adding specific measures not covered by those indices.

<sup>176</sup> Volpe Martincus, C., J. Carballo, and A. Graziano. 2015. "Customs." *Journal of International Economics* 96 (1): 119–37.

that export and/or import directly in many economies, the International Trade topic acknowledges the potential limits to the collection of these firm-level data and will explore the possibility of selecting a sample of direct exporters and/or importers.

- (i) *Time and cost to comply with export and import requirements.* These indicators will measure the time and cost borne by the private sector when directly exporting and importing goods, including those associated with administrative requirements from customs and other border control agencies, as well as those related to logistics, transportation, and financial services provided, covering the use of customs broker services, logistics, freight, trade finance, and insurance. Preference utilization rates—in case there are applicable trade agreements—will also be measured; however, applied tariff rates will not be included.<sup>177</sup>
- (ii) *Time and cost to engage in digital trade.* This indicator will measure the time and cost associated with exporting digitally ordered goods valued below the applicable *de minimis* threshold and cleared as a mail parcel or courier delivery, as well as the time and cost for an exporter to receive electronic payments into its merchant account. This indicator will also measure the share of total exports that are ordered digitally. If data collection via representative firm-level surveys is not feasible for this indicator, the International Trade topic will explore the feasibility of collecting these data via expert consultations.
- (iii) *Efficiency of risk management system.* This indicator will measure the efficiency of the risk management system as experienced by firms, measuring the share of consignments selected for immediate release, detailed document review, mandatory physical examination, and post-clearance audits. This indicator will also measure the effectiveness of customs risk management systems through the share of consignments where the detailed document review or physical examination has led to additional investigations or changes in customs declarations. An effective risk assessment system leverages the information collected to identify high-risk shipments at a higher rate and enables border control agencies to allocate their resources efficiently, facilitating low-risk trade and improving compliance levels. If data collection via representative firm-level surveys is not feasible for this indicator, the International Trade topic will explore the feasibility of collecting these data via expert consultations.
- (iv) *Efficiency of border agency programs.* This indicator will measure the efficiency of these trade facilitation programs as experienced by firms, measuring the benefits received by participating traders, including the share of customs declarations cleared before the arrival of goods and those subject to post-clearance audits. This indicator will also measure the time required for the application process to an AEO program to be completed. A package of effective benefits with reasonable application processing times may attract more compliant traders and enhance these programs' contribution to trade facilitation. If data collection via representative firm-level surveys is not feasible for this indicator, the International Trade topic will explore the feasibility of collecting these data via expert consultations.

### C. Scoring Insights

The International Trade indicators will consider both the perspective of the firm (*firm flexibility*) and the broader public (*social benefits*). Most of the indicators under the regulatory framework pillar and the public services pillar will measure both firm flexibility and social benefits, while indicators under the efficiency pillar will relate mostly to firm flexibility. For example, under the regulatory framework pillar, if an economy lowers tariffs applied on environmental goods (indicator on good regulatory practices supporting

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<sup>177</sup> This indicator will expand currently available databases—such as ESCAP-World Bank's Trade Cost Database (ESCAP-WBG TCD) and WTO's Trade Cost Index (TCI)—by directly capturing economy-specific compliance costs (instead of a ratio between bilateral and intranational trade costs) and increasing geographical coverage for TCI.

sustainable trade), it will raise both firm flexibility and social benefits. And if an economy establishes de minimis thresholds (indicator on good regulatory practices supporting digital trade), it will raise firm flexibility, but will not clearly and unambiguously affect social benefits. Under the public services pillar, if an economy develops an automated and integrated risk management system that both facilitates the clearance of goods and enhances the public health and safety by allowing border control agencies to focus on high-risk shipments (indicator on risk management), it will raise both firm flexibility and social benefits. And if an economy allows the electronic submission and processing of custom declarations (indicator on electronic systems and interoperability of services), it will raise firm flexibility, but not clearly and unambiguously affect social benefits. Under the efficiency pillar, a longer average time to obtain clearance from other border control agencies will lower firm flexibility.



## 7. Taxation

### A. Motivation

Taxation is a powerful policy tool that governments use to generate revenues to finance their operations and provide public goods and services. Taxation affects the development of the private sector through a variety of interrelated channels. On the one hand, it creates enabling conditions for the growth and development of the private sector by financing physical infrastructure,<sup>178</sup> human capital investments,<sup>179</sup> law enforcement, and other public services. On the other hand, excessive taxation can distort markets, alter investment decisions, and foster tax evasion.<sup>180</sup> Likewise, cumbersome regulations, complex tax reporting requirements, and inefficient and unevenly applied tax procedures pose additional compliance costs on firms,<sup>181</sup> thereby discouraging formalization.<sup>182</sup> Identifying key issues faced by taxpayers and critical features of tax systems can help inform reforms that support private sector development while pursuing domestic resource mobilization objectives.

Academic research highlights the following tax system deficiencies that affect economic outcomes and influence investment decisions: tax regulation complexity,<sup>183</sup> tax administration system inefficiency,<sup>184</sup> excessive tax burden, and the high cost of compliance with tax regulations.<sup>185</sup> The BEE indicators include measures to incorporate these issues.

Research shows that tax complexity is a byproduct of designing and reforming a tax system.<sup>186</sup> Although there is no universally accepted definition of tax complexity, empirical research specifically points out that tax complexity is a dynamic and multifaceted phenomenon. A large body of research reports that, over time, tax systems became more complex with economic development and globalization. Tax complexity spans legislative, procedural, administrative, and contextual aspects, leading to overload, confusion, uncertainty, and taxpayer frustration.<sup>187</sup> This facilitates corruption, unintentional noncompliance, or intentional tax evasion.<sup>188</sup> Furthermore, complexity and uncertainty increase compliance costs for taxpayers.<sup>189</sup> On the

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<sup>178</sup> Easterly, W., and S. Rebelo. 1993. "Fiscal Policy and Economic Growth." *Journal of Monetary Economics* 32 (3): 417–58.

<sup>179</sup> Arnold, J. 2008. "Do Tax Structures Affect Aggregate Economic Growth? Empirical Evidence from a Panel of OECD Countries." OECD Economics Department Working Paper No. 643, OECD Publishing, Paris.

<sup>180</sup> Clotfelter, C. T. 1983. "Tax Evasion and Tax Rates: An Analysis of Individual Returns." *Review of Economics and Statistics* 65 (3): 363–73.

<sup>181</sup> Alm, J., T. Cherry, M. Jones, and M. McKee. 2010. "Taxpayer Information Assistance Services and Tax Compliance Behavior." *Journal of Economic Psychology* 31: 577–86.

<sup>182</sup> Coolidge, J., and D. Ilic. 2009. "Tax Compliance Perceptions and Formalization of Small Businesses in South Africa." World Bank Policy Research Working Paper 4992, World Bank, Washington, DC.

<sup>183</sup> Evans, C., and B. Tran-Nam. 2010. "Controlling Tax Complexity: Rhetoric or Reality?" In *Australia's Future Tax System: The Prospects after Henry*, edited by C. Evans, R. Krever, and P. Mellor, 439–63. Thomson Reuters; Slemrod, J. 1989. "Complexity, Compliance Costs, and Tax Evasion." In *Taxpayer Compliance*, edited by J. A. Roth and J. T. Scholz, 156–81. Philadelphia: University of Pennsylvania Press.

<sup>184</sup> Dabla-Norris, E., F. Misch, D. Cleary, and M. Khwaja. 2017. "Tax Administration and Firm Performance: New Data and Evidence for Emerging Market and Developing Economies." IMF Working Paper WP 2017/095, International Monetary Fund Washington D.C.

<sup>185</sup> Eichfelder, S., and F. Hechtner. 2018. "Tax Compliance Costs: Cost Burden and Cost Reliability." *Public Finance Review* 46 (5): 764–92.

<sup>186</sup> Hoppe, T., D. Schanz, S. Sturm, and C. Sureth-Sloane. 2021. "The Tax Complexity Index—A Survey-Based Country Measure of Tax Code and Framework Complexity." Working Paper 5, TRR 266 Accounting for Transparency; WU International Taxation Research Paper 2019-06, WU Vienna University of Economics and Business, Universität Wien, Vienna.

<sup>187</sup> Abeler, J., and S. Jäger. 2015. "Complex Tax Incentives." *American Economic Journal: Economic Policy* 7 (3): 1–28.

<sup>188</sup> Vito, T. 2017. "Corruption, Complexity and Tax Evasion." *eJournal of Tax Research* 15 (2): 144–60.

<sup>189</sup> Zangari E., A. Caiumi, and T. Hemmelgarn. 2017. "Tax Uncertainty: Evidence and Policy Responses." Taxation Paper No. 67, Directorate-General for Taxation and Customs Union, European Commission, 9–10.

contrary, following and complying with clear, simple, and detailed legislation is easier. Clearer and less ambiguous tax regulations reduce uncertainty and support economic growth.<sup>190</sup>

The efficiency of tax administration systems is another aspect that affects the burden of administrative compliance. Academic research shows that economies with tax administration procedures that provide easy access to information, build e-tax systems, employ effective risk management strategies, and ensure transparency of operations benefit from increased firm productivity and economic growth.<sup>191</sup> Other research shows that while investments in e-filing and e-payment tax systems are effective in reducing compliance costs,<sup>192</sup> corruption,<sup>193</sup> and tax evasion,<sup>194</sup> they have also inspired organizational changes and the uptake of information technology within firms.<sup>195</sup> Likewise, the use of risk-based tax audits improves the performance of tax authorities, lowers the cost of tax enforcement, and provides effective tools to curb tax avoidance.<sup>196</sup> Reducing the likelihood of audits of low-risk taxpayers also encourages greater taxpayer compliance. The presence of impartial, accessible, and efficient tax dispute resolution mechanisms is essential for protecting a taxpayer's right to challenge a tax assessment and get a fair hearing in a timely manner.<sup>197</sup> Finally, improving internal efficiency enables tax administrations to unlock additional revenues.<sup>198</sup>

Globalization and the resulting growth in capital mobility have put pressure on governments to engage in tax competition.<sup>199</sup> Analysis of various tax competition strategies points at tax reduction practices as the most popular policy measures to attract multinational investors and discourage domestic capital flight.<sup>200</sup> This approach ignores the fact that investors look not only at the tax burden in terms of the effective average tax rate, but also at other aspects of the tax systems highlighted above, such as the complexity of tax regulations and efficiency of tax administration. Tax administrations can reduce the compliance burden by providing the appropriate regulatory framework and public services while achieving their domestic resource mobilization goals.

It is well recognized that global warming caused by greenhouse gas emissions will have a negative impact on all types of economic activity. In the absence of government intervention, firms and households do not have enough incentives to consider environmental damage (its impact is difficult to quantify) and force polluters to pay the cost of damage. Protecting the environment generally requires collective action, usually

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<sup>190</sup> IMF (International Monetary Fund) and OECD. 2019. *Progress Report on Tax Certainty*, pages 6–7. Paris: OECD.

<sup>191</sup> Dabla-Norris, Misch, Cleary, and Khwaja. 2017.

<sup>192</sup> Merima A., S. Abdulaziz, S. Abebe, and W. Firew. 2015. "Information Technology and Fiscal Capacity in a Developing Country: Evidence from Ethiopia." ICTD Working Paper 31, International Centre for Tax and Development, Brighton, United Kingdom.

<sup>193</sup> Inasius, F. 2015. "Tax Compliance of Small and Medium Enterprises: Evidence from Indonesia." *Accounting & Taxation* 7 (1): 67–73; Okunogbe, O., and V. Pouliquen. 2022. "Technology, Taxation, and Corruption: Evidence from the Introduction of Electronic Tax Filing." *American Economic Journal: Economic Policy* 14 (1): 341–72.

<sup>194</sup> Kochanova, A., Z. Hasnain, and B. Larson. 2020. "Does E-Government Improve Government Capacity? Evidence from Tax Compliance Costs, Tax Revenue, and Public Procurement Competitiveness." *World Bank Economic Review* 34 (1): 101–20.

<sup>195</sup> Bresnahan, T. F., E. Brynjolfsson, and L. M. Hitt. 2002. "Information Technology, Workplace Organization, and the Demand for Skilled Labor: Firm-Level Evidence." *Quarterly Journal of Economics* 117 (1): 339–76.

<sup>196</sup> Eberhartinger, E., R. Safaei, C. Sureth-Sloane, and Y. Wu. 2021. "Are Risk-based Tax Audit Strategies Rewarded? An Analysis of Corporate Tax Avoidance." Working Paper No. 60, TRR 266 Accounting for Transparency; WU International Taxation Research Paper No. 2021-07, WU Vienna University of Economics and Business, Universität Wien, Vienna.

<sup>197</sup> Koos, E. 2014. "Tax Dispute Resolution Mechanisms in Developed and Developing Countries: An Analysis of Factors that Affect Dispute Mechanism Design and Functionality." Harvard Law School.

<sup>198</sup> Basri, M. C., M. Felix, H. Rema, and B. A. Olken. 2021. "Tax Administration versus Tax Rates: Evidence from Corporate Taxation in Indonesia." *American Economic Review* 111 (12): 3827–71.

<sup>199</sup> Devereux, M. P., A. J. Auerbach, M. Keen, P. Oosterhuis, W. Schön, and J. Vella. 2021. *Taxing Profit in a Global Economy*. Oxford University Press; Gropp, R., and K. Kostial. 2001. "FDI and Corporate Tax Revenue: Tax Harmonization or Competition?" *Finance & Development* 38 (2).

<sup>200</sup> Genschel, P., and P. Schwarz. 2011. "Tax Competition: A Literature Review." *Socio-Economic Review* 9 (2): 339–70.

led by the government.<sup>201</sup> Economic theory and research find that market-based instruments such as price-based tools (taxes on consumption or carbon pricing tools) and emission trading systems are more efficient than command-and-control instruments (standards, quotas, and product bans).<sup>202</sup> Environmental taxes have been proven effective in directly addressing market failures in accounting for environmental impacts by incorporating these impacts into prices. Environmental pricing through taxation leaves consumers and businesses the flexibility to determine how to reduce their environmental “footprint,” enabling the lowest-cost solutions and providing incentives for innovation and investment in low carbon emission technologies.<sup>203</sup>

## **B. Indicators in the Area of Taxation**

BEE will use the following sets of indicators in the area of Taxation: quality of regulations on taxation (regulatory framework pillar); public services provided by tax administration (public services pillar); and efficiency of tax systems in practice (efficiency pillar).

The BEE indicators will differ from the *Doing Business* Paying Taxes topic in four main aspects. First, while the effective tax and contribution rate (ETCR) for business builds on the methodology developed by *Doing Business*, BEE will revise it to reflect recommendations outlined by the [External Panel Review](#)—that is, making it representative of the economic conditions of individual economies and incorporating the economic incidence of taxes. Second, BEE will measure efficiency as reported by private firms. For the Taxation topic, the efficiency pillar will be represented by the cost of compliance with tax regulations. Third, whereas *Doing Business* looked only at firm flexibility, BEE’s Taxation topic will cover aspects of firm flexibility and social benefits. For example, BEE will include an environmental taxation aspect, capturing fiscal tools to discourage activities harmful to the environment. The proposed framework will assess the above-mentioned aspects in a manner consistent with internationally recognized good practices in the areas of tax policy and administration. Some good practices, such as electronic filing and payment of taxes and risk-based audits, are important for both social benefits and firm flexibility because they reduce the cost of tax compliance while increasing the transparency of procedures. Finally, BEE will use broad-based common parameters to ensure comparability across economies. General parameters, such as the firm’s location and tax residency, will be applied to the sets of indicators under the regulatory framework pillar and the public services pillar.

### *(1) Regulatory framework: Quality of regulations on taxation*

This pillar will include two sets of indicators: (i) quality of tax regulations, and (ii) effective tax and contribution rate.

- (i) *Quality of tax regulations.* While understanding how an economy mitigates the negative effects of tax complexity is critical, it is difficult to quantify the level of unnecessary complexity and ambiguity in tax legislation, and its evaluation on a global scale is bound to be subjective. What can be measured more objectively, however, is the transparency and clarity of taxation, including whether there are systems in place to address complexities and ambiguity in regulations by issuing clarifications and interpretations through public rulings, private rulings, and tax notes; whether post-compliance procedures are clearly communicated in the tax law; whether simplified record keeping and filing is

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<sup>201</sup> EC (European Commission), Directorate-General for Taxation and Customs Union. 2021. *Taxation in Support of Green Transition: An Overview and Assessment of Existing Tax Practices to Reduce Greenhouse Gas Emissions: Final Report*. EC Publications Office; OECD. 2010. “Taxation, Innovation and the Environment.” OECD, Paris.

<sup>202</sup> Kosonen, K., and G. Nicodème. 2009. “The Role of Fiscal Instruments in Environmental Policy.” CESifo Working Paper 2719, Center for Economic Studies & Ifo Institute for Economic Research (CESifo), Munich.

<sup>203</sup> Aldy, J. E., and R. Stavins. 2011. “The Promise and Problems of Pricing Carbon: Theory and Experience.” NBER Working Paper 17569, National Bureau of Economic Research, Cambridge, MA.

available; and whether the process for introducing new tax regulations is transparent. This indicator will also measure environmental taxes utilized by governments and whether any specialized guidance is provided to taxpayers on compliance rules.

- a) *Transparency and clarity of tax regulations.* This component will assess the availability of information about updated tax laws and regulations, and whether there are systems in place to provide guidance to businesses by issuing clarifications and interpretations of those laws and regulations through public and private rulings, manuals, factsheets, and newsletters. The indicator will also look at the availability of user-friendly delivery channels for obtaining information from the tax authority, including the existence of call centers, public education seminars, and help desks. This indicator will further measure transparency in the process of implementing public consultations for all new major tax regulations. It will examine the process and frequency for obtaining feedback from businesses concerning filing and payment procedures, the flexibility of keeping records in digital form, and the availability of simplified record keeping and filing for micro-businesses and individual entrepreneurs. The use of the sunset clauses for certain provisions in relation to the corporate income tax (CIT) and value-added tax (VAT) will be evaluated. Further, the indicator will assess the availability of the VAT cash refund mechanism, and whether tax audits and tax dispute resolution processes are codified in the tax code or tax administration law. Finally, the indicator will assess if there are legal provisions securing equal treatment of women during tax-related disputes.
- b) *Energy taxes and carbon pricing.* This component will review fiscal and regulatory instruments utilized by governments. The indicator will assess the presence of carbon pricing instruments, including carbon taxes, energy taxes, and emission trading systems (ETS) in the economy, the availability of specialized guidance on compliance with environmental tax regulations, and communications aimed at increasing public awareness and acceptance of environmental taxes. Moreover, the absence of explicit fossil fuel subsidies could be assessed, as it is now recognized that the gradual transition to phasing out fossil fuel subsidies would lead to carbon emission reductions.

The BEE team will gather de jure and de facto information on the legal requirements with tax administration officials, tax practitioners, tax lawyers, and tax accountants familiar with tax legislation and the support provided by the tax administration. The collected data will be corroborated with information available from official sources. Publication of laws/regulations, jurisprudence (of matters decided cases), and law interpretations will also be taken into consideration.

- (ii) *Effective tax and contribution rate.* Notwithstanding their social importance, taxes can be a considerable burden on businesses. Under the *Doing Business* methodology, the total and contribution rate (TTCR) had two distinctive features. First, it was computed using the standardized case study that allowed great comparability of the collected data but did not consider individual characteristics of economies. Second, it represented the amount of all taxes paid or borne by the company as a business cost regardless of the economic incidence of these taxes. BEE will move away from this methodology. Instead, it will develop a set of “representative model companies” for each economy using preexisting firm-level data to define their core features. Further, BEE will use effective average tax and contribution rates to measure the tax burden for three major taxes: the corporate income tax, social security and contributions, and consumption taxes. Since determining economic incidence in many economies is a complex task, BEE will use simplified assumptions about the economic incidence and apply them uniformly across all economies. For example, for social taxes and contributions, the amount of social taxes and contributions paid cumulatively by the employer and the employee will be taken into account.

Data on statutory tax rates for several types of taxes are already publicly available. However, such information cannot be used as a tax burden measure because statutory rates tell an incomplete story.<sup>204</sup> Firms typically pay lower effective tax rates than the nominal rate because of tax incentives, deductions, and various forms of tax relief.<sup>205</sup> This indicator will address these limitations in the data and offer a precise measure of the tax burden by collecting information on effective tax rates, thereby capturing the diversity of the tax base.

The ETCR will be divided into three components covering three core taxes: CIT/profit taxes, VAT/consumption taxes, and social taxes and contributions. The ETCR will exclude taxes such as property taxes and other local taxes because they comprise a minor share of a firm's tax payout.<sup>206</sup> The following is a brief description of each of the three components:

- a) *CIT or business profit tax.* The effective tax rate for CIT or profit tax represents the product of the statutory rate and the tax base (computed profit).<sup>207</sup> To measure the tax base, BEE will use current accounting data for a “representative model company” based on firm-level data.
- b) *VAT or other consumption tax.* The effective tax rate for VAT and similar taxes will be computed as the product of the statutory rate and the value added, which is total sales minus the cost of goods sold. For consumption taxes such as sales tax, the effective tax rate will be computed as the product of the statutory rate and total sales. Similar to CIT, to measure the tax base for VAT and other consumption taxes, BEE will use accounting data for a “representative model company.” BEE will assess the VAT and other consumption taxes because, depending on the price elasticity of goods/service sold, they tend to contribute to a significant economic incidence in most cases, even though they are collected from consumers.<sup>208</sup>
- c) *Social taxes and contributions.* The effective tax rate for social taxes and contributions will be computed as the amount of social taxes and contributions paid cumulatively by the employer and the employee. Similar to CIT and VAT, to measure the value added, BEE will use accounting data for a “representative model company.” This approach will diminish the adverse incentive of economies to shift the statutory incidence of social taxes and contributions to employees, even though this does not change the economic burden.

As stated, BEE will collect ETCR data to develop a set of “representative model companies” for each economy across various sectors and firm sizes. It will use existing firm-level data to define the key parameters of the “representative model companies,” including total turnover, number of employees, asset structure, economic sector, and size. The main data for the ETCR (tax rates, depreciation rate, and so on) will be collected through expert consultations with tax lawyers, tax accountants, and tax experts familiar with the regulations and changes in taxation related to businesses. Alternatively, the ETCR may be estimated as the de facto burden of taxation as reported by firms through enterprise surveys. This would imply moving this indicator to the Efficiency pillar.

## (2) *Public services: Public services provided by the tax administration*

<sup>204</sup> OECD. 1999. “Corporate Tax Burdens: Alternative Measures.” OECD, Paris.

<sup>205</sup> Giannini S., and C. Maggiulli. 2002. “The Effective Tax Rates in the EU Commission Study on Corporate Taxation: Methodological Aspects, Main Results and Policy Implications.” CESifo Working Paper 666 (1), Center for Economic Studies & Ifo Institute for Economic Research (CESifo), Munich.

<sup>206</sup> According to *Doing Business* Paying Taxes 2020 data, other taxes constituted about 8 percent of firm's commercial profit globally.

<sup>207</sup> Jacobs O. H., and C. Spengel. 2000. “Measurement and Development of the Effective Tax Burden of Companies—An Overview and International Comparison.” *Intertax* 10: 334–51.

<sup>208</sup> Benedek, D., R. D. Mooij, M. Keen, and P. Wingender. 2015. “Estimating VAT Pass Through.” IMF Working Paper WP/15/214, International Monetary Fund, Washington, DC; Lyssioutou, P., and E. Savva. 2021. “Who Pays Taxes on Basic Foodstuffs? Evidence from Broadening the VAT Base.” *International Tax Public Finance* 28: 212–47.

This set of indicators will assess the quality of tax administration in four performance areas: (i) availability of electronic systems for tax filing, payment, and assessment; (ii) use of a risk-based selection of cases for tax audit and verification; (iii) presence of effective and efficient dispute resolution mechanisms; and (iv) transparency of tax administration operations. It will build on the good practices defined by the Tax Administration Diagnostic Assessment Tool (TADAT)<sup>209</sup> and those outlined by OECD comparative studies of tax administrations.<sup>210</sup>

- (i) *Electronic systems for tax filing, payment, and assessment.* This indicator will assess the quality of the information and communications technology (ICT) infrastructure of the tax administration, including the availability of online public services provided to taxpayers (for example, e-filing and e-payment tax systems, taxpayer portals, pre-filled tax returns, and other electronic self-service tools such as chatbot, e-forum, and e-training). It will also look at the extent of the interoperability between tax administration and other government institutions (for example, cross-referencing, automatic exchange of information, and third-party data) that reduces the need to request information from businesses that is already available otherwise. The proposed methodology will focus on collecting data on electronic services to look at the uptake of such systems (for e-filing and e-payment) across the world. Finally, the indicator assesses whether taxpayer gender-disaggregated data are available to tax authorities, and if yes, how these data are utilized.
- (ii) *Risk-based audit.* This indicator will assess the existence, within the tax authority, of an effective risk-based audit selection procedure that will target high-risk categories of taxpayers and not low-risk businesses, where audit cases are selected centrally and not by the audit units, and where there are transparent and effective audit procedures. It will also measure whether tax audits by tax officials are structured around uniform methods and procedures laid out in specific guidelines and audit manuals.
- (iii) *Dispute resolution mechanisms.* This indicator will assess the timeliness and quality of institutions to resolve tax disputes. It will focus on evaluating the structure and independence of the dispute resolution mechanisms by looking at whether the tax authority has simple, transparent, and independent dispute resolution mechanisms, (that is, reviews are undertaken by designated review officers independent of the audit department); followed by an appeal to an independent external specialist tax tribunal or court in case the taxpayer is dissatisfied with the outcome of an administrative review (an alternative fast-track dispute resolution process involving arbitration may also be in place).<sup>211</sup> If correctly implemented, most cases can be settled before going to court. Therefore, this can be the fastest and least expensive way for taxpayers to resolve disputes.<sup>212</sup> The indicator will also examine the possibility for taxpayers to elevate a dispute directly to the second level when the tax administration does not review a dispute within the time prescribed by law. Finally, it will assess the time to complete the review of tax disputes. Tax administration statistics will be used as primary data for the timeliness of resolution of disputes, to the extent that they are available and reliable. It will also assess whether women have legal rights equal to men's in tax-related disputes.
- (iv) *Transparency of tax administration.* This indicator will assess the extent to which the tax administration is transparent in reporting its activities and future strategies that affect businesses. It will focus on the

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<sup>209</sup> IMF. 2019. *Tax Administration Diagnostic Assessment Tool, Field Guide*. Prepared by the TADAT Secretariat. Washington, DC: IMF.

<sup>210</sup> OECD. 2020c. *Tax Administration 3.0: The Digital Transformation of Tax Administration*. Paris: OECD; OECD. 2021a. *Digital Transformation Maturity Model, OECD Maturity Model Series, Forum on Tax Administration*, 17–40. Paris: OECD; OECD. 2021b. *Supporting the Digitalisation of Developing Country Tax Administrations, Forum on Tax Administration*, 72–107. Paris: OECD; OECD. 2021c. *Tax Administration 2021: Comparative Information on OECD and other Advanced and Emerging Economies*, 60–63. Paris: OECD.

<sup>211</sup> IMF. 2019.

<sup>212</sup> IMF. 2013. “How Can an Excessive Volume of Tax Disputes Be Dealt With?” IMF Tax Law Notes, IMF, Washington, DC.

publication of annual reports on financial and operational performance and periodic audits conducted by an independent external review body. The indicator will also examine the existence of a code of ethics and professional conduct, and the presence of strong external oversight of the tax administration. Further, it will evaluate the possibility for the tax administration to obtain feedback from taxpayers to monitor trends in taxpayers' satisfaction with tax administration services and products. Finally, the indicator will assess whether there is a gender balance in tax authorities staffing, especially at senior management level. The proposed methodology will focus on the reports published by tax administrations and all relevant public information.

For this set of indicators, de facto information will be collected through firm-level surveys, while de jure information will be collected through expert consultations and can be corroborated by administrative data from tax authorities.

### (3) *Efficiency: Efficiency of tax systems in practice*

This set of de facto indicators will evaluate how efficiently tax regulation and public services are implemented in practice from the perspective of a firm. By relying on the experience of private firms, the indicators will measure the efficiency of services provided by the tax administration: in particular, (i) time to comply with tax regulations; (ii) the use of electronic systems to file and pay taxes; (iii) whether VAT cash refunds are claimed; and (iv) duration of a generic tax audit.

- (i) *Time to comply with tax regulations.* The component will measure the total time to file and pay three major taxes: specifically, the time to prepare, file, and pay profit taxes, VAT/sales taxes, and social taxes and contributions.
- (ii) *Use of electronic systems to file and pay taxes.* The component will measure whether respondent firms used electronic systems to file and pay taxes in the previous calendar year.
- (iii) *Use of VAT cash refund mechanisms.* The component will measure whether firms claimed a VAT cash refund in the previous fiscal year and if they did not, the reasons behind this.
- (iv) *Duration of a generic tax audit.* The component will measure whether the respondent firms incurred a generic tax audit and the duration of it, from the moment of the first interaction with the auditors until the final audit report was issued.

BEE will collect data for the time to comply with tax regulations, a de facto indicator, through firm-level surveys to ensure representativeness.

### **C. Scoring Insights**

The Taxation indicators will consider both the perspective of the firm/taxpayers (*firm flexibility*) and the interests of the broader public (*social benefits*). Most of the indicators under the regulatory framework pillar and the public services pillar measure both firm flexibility and social benefits, while indicators under the efficiency pillar relate mostly to firm flexibility. For example, under the regulatory framework pillar, if an economy takes measures to address complexities and ambiguity in regulations by issuing clarifications and interpretations through public rulings, private rulings, and tax notes (indicators on the quality of tax regulations), it will increase social benefits and firm flexibility. And if an economy imposes taxes on carbon or use of energy resources (indicators on environmental taxes), it will lower firm flexibility by increasing the cost of production, but it will raise social benefits by incentivizing firms to lower their environmental “footprint.” Under the public services pillar, if electronic filing and payment of taxes are made available to all categories of taxpayers (indicator on electronic systems for tax filing, payment, and assessment), it will

raise both firm flexibility and social benefits. Under the efficiency pillar, a higher cost of compliance with tax regulations, measured through the time to file and pay taxes (indicator on the time to comply with tax regulations), will lower firm flexibility.



## 8. Dispute Resolution

### A. Motivation

In both developed and developing economies, commercial disputes inevitably occur. Adverse economic outcomes can arise for the private sector when these disputes cannot be adequately resolved.<sup>213</sup> This makes a well-functioning dispute resolution system essential for a healthy business environment. Such a system requires efficiency and quality. First, time- and cost-effective mechanisms for resolving disputes are crucial for private sector development. Excessively long and expensive proceedings may defeat the very purpose of bringing a case to formal institutions, making them unattractive and unaffordable. Correlations have been established between judicial efficiency and facilitated entrepreneurial activity.<sup>214</sup> Slow court systems are associated with smaller firms and costlier bank financing.<sup>215</sup> Evidence also suggests that under a more effective court system businesses are likely to have greater access to finance and borrow more.<sup>216</sup> Furthermore, firms operating in areas with less congested civil courts tend to experience a larger increase in the use of secured loans.<sup>217</sup> Fast judiciaries are also associated with higher levels of domestic and foreign investment.<sup>218</sup> When investors know that in case of nonperformance of an obligation their claim will be considered in a timely manner, they may have more incentives to increase their investment.<sup>219</sup> Also, enhancing the efficiency of the judiciary may strengthen competition and foster innovation.<sup>220</sup>

Second, the quality of the dispute resolution process also matters. Claims should be considered with due care by credible institutions capable of issuing sound judgments. Research has shown that in economies where there is low confidence in the court system, firms are less willing to expand their businesses and look for alternative trade partners.<sup>221</sup> To attract more investors, economies should not only ensure that their judiciaries are fast but also strong and reliable.<sup>222</sup> Limited enforceability of contracts is associated with the suboptimal distribution of resources, use of inefficient technologies, and greater macroeconomic volatility.<sup>223</sup> Because inadequate commercial dispute resolution might deprive firms of timely and full payments, liquidity and insolvency issues can arise, as can subsequent bankruptcies and unemployment.<sup>224</sup>

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<sup>213</sup> Esposito, G., S. Lanau, and S. Pompe. 2014. "Judicial System Reform in Italy—A Key to Growth." IMF Working Paper WP/14/32, International Monetary Fund, Washington, DC.

<sup>214</sup> Garcia-Posada, M., and J. Mora-Sanguinetti. 2015. "Entrepreneurship and Enforcement Institutions: Disaggregated Evidence for Spain." *European Journal of Law and Economics* 40 (1): 49–74; Ippoliti, R., A. Melcarne, and G. B. Ramello. 2015. "Judicial Efficiency and Entrepreneurs' Expectations on the Reliability of European Legal Systems." *European Journal of Law and Economics* 40 (1): 75–94.

<sup>215</sup> Fabbri, D. 2010. "Law Enforcement and Firm Financing: Theory and Evidence." *Journal of the European Economic Association* 8 (4): 776–816; Ramos Maqueda, M., and D. L. Chen. 2021. "The Role of Justice in Development: The Data Revolution." Policy Research Working Paper No. 9720, World Bank, Washington, DC.

<sup>216</sup> Moro, A., D. Maresch, and A. Ferrando. 2018. "Creditor Protection, Judicial Enforcement and Credit Access." *European Journal of Finance* 24 (3): 250–81.

<sup>217</sup> Ponticelli, J., and L. S. Alencar. 2016. "Court Enforcement, Bank Loans, and Firm Investment: Evidence from a Bankruptcy Reform in Brazil." *Quarterly Journal of Economics* 131 (3): 1365–1413.

<sup>218</sup> Koutroumpis, P., and F. R. Ravasan. 2020. "Do Court Delays Distort Capital Formation?" Working Paper No. 2020-4, Oxford Martin Working Paper Series on Economic and Technological Change, University of Oxford, Oxford, United Kingdom.

<sup>219</sup> Chemin, M. 2009. "The Impact of the Judiciary on Entrepreneurship: Evaluation of Pakistan's Access to Justice Programme." *Journal of Public Economics* 93 (1-2): 114–25; Dejuan-Bitria, D., and J. S. Mora-Sanguinetti. 2021. "Which Legal Procedure Affects Business Investment Most, and Which Companies Are Most Sensitive? Evidence from Microdata." *Economic Modelling* 94 (C): 201–20.

<sup>220</sup> OECD. 2013b. "What Makes Civil Justice Effective?" OECD Economics Department Policy Note 18, OECD, Paris.

<sup>221</sup> World Bank. 2004.

<sup>222</sup> Staats, J. L., and G. Biglaiser. 2011. "The Effects of Judicial Strength and Rule of Law on Portfolio Investment in the Developing World." *Social Science Quarterly* 92 (3): 609–30; World Bank. 2019. Moldova: Rekindling Economic Dynamism. Country Economic Memorandum. Washington DC, World Bank.

<sup>223</sup> Amaral, P. S., and E. Quintin. 2010. "Limited Enforcement, Financial Intermediation, and Economic Development: A Quantitative Assessment." *International Economic Review* 51 (3): 785–811; Cooley, T., R. Marimon, and V. Quadrini. 2004. "Aggregate Consequences of Limited Contract Enforceability." *Journal of Political Economy* 112 (4): 817–47.

<sup>224</sup> Esposito, Lanau, and Pompe. 2014.

Well-performing dispute resolution systems rely on adequate public services. A substantial number of commercial disputes, including those that originate from alternative dispute resolution (ADR) institutions, eventually necessitate court involvement, underscoring the importance of establishing a robust institutional framework.<sup>225</sup> Recent research has emphasized that both solid *de jure* rules and competent judicial institutions are required for economic prosperity.<sup>226</sup> As demonstrated by the COVID-19 pandemic, digitization is an essential feature for creating better institutions.<sup>227</sup> Introducing relevant e-services, where appropriate, holds the promise of making the dispute resolution process more efficient and equitable to benefit the private sector.<sup>228</sup>

## **B. Indicators in the Area of Dispute Resolution**

BEE will use three sets of indicators in the area of Dispute Resolution: regulatory framework for dispute resolution (regulatory framework pillar); public services for dispute resolution (public services pillar); and ease of resolving a commercial dispute in practice (efficiency pillar).

These sets of indicators will focus on the resolution of commercial disputes—those arising in the business context between private firms. Limited aspects of administrative justice (cases when a private party confronts a public agency) and environmental litigation will also be measured. Throughout the topic, commercial disputes are not meant to include more specific types of litigation, such as controversies internal to a business (intra-corporate lawsuits), intellectual property cases, or consumer disputes. Specifically, intra-corporate disputes will be excluded from the scope of the Dispute Resolution topic because they generally occur less frequently in developing economies and tend to involve larger companies. As a result, this type of dispute would not constitute a representative proxy to assess quality and efficiency of dispute resolution across all economies. That said, certain aspects of the regulation or public services measured by the indicators (for example, quality of regulations, transparency, and digitization, among others) may also benefit other classes of cases.

In contrast to the Enforcing Contracts topic of *Doing Business*, the BEE project will assess the efficiency and quality of commercial dispute resolution without focusing on individual SMEs or a specific case study scenario. Furthermore, the new indicators will incorporate key aspects relevant to international litigation. Other important additions include a greater focus on public services and collecting data on the ease of commercial dispute resolution directly from firms. The indicators for Dispute Resolution will not only be considered from the perspective of firm flexibility; they will also be analyzed through the lens of social benefits upheld during commercial litigation. While some good practices, such as providing and enforcing specific time frames within a commercial proceeding, affect the litigants primarily and therefore relate to firm flexibility, others are relevant for the functioning of the dispute resolution system as a whole and matter in terms of social benefits.

### *(1) Regulatory framework: Regulatory framework for Dispute Resolution*

This set of indicators will focus on the quality of legislation pertaining to both in-court processes and ADR. The indicators, primarily *de jure*, will look at provisions that promote efficiency and quality alike. Specifically, they will determine whether domestic laws follow a number of internationally recognized regulatory good practices intended to make resolving disputes effective and fair. In addition, when relevant

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<sup>225</sup> See, for example, Peev, E. 2015. “Institutions, Economic Liberalization and Firm Growth: Evidence from European Transition Economies.” *European Journal of Law and Economics* 40 (1): 149–74.

<sup>226</sup> Marciano, A., A. Melcarne, and G. Ramello. 2019. “The Economic Importance of Judicial Institutions, Their Performance and the Proper Way to Measure Them.” *Journal of Institutional Economics* 15 (1): 81–98.

<sup>227</sup> Susskind, R. 2020. “The Future of Courts.” *The Practice* 6 (5).

<sup>228</sup> Cabral, J. E., A. Chavan, T. M. Clarke, J. Greacen, B. R. Hough, L. Rexer, J. Ribadeneyra, and R. Zorza. 2012. “Using Technology to Enhance Access to Justice.” *Harvard Journal of Law & Technology* 26 (1): 241–324.

legal provisions are in place, the set of indicators will also use de facto components to assess whether these are respected in practice. Measuring both rules on the books as well as actual compliance is crucial because, as shown by research, private sector development requires both.<sup>229</sup>

The good practices for in-court litigation and ADR presented here derive from authoritative sources, including several international conventions. Two important sources from within the WBG are the Justice Needs and Institutional Performance Review (JUNIPER) framework and the World Bank Good Practices for Courts report.<sup>230</sup> Other internationally recognized instruments include the European Commission for the Efficiency of Justice (CEPEJ) Checklist for Promoting the Quality of Justice and Courts,<sup>231</sup> the UNCITRAL Model Law on International Commercial Arbitration,<sup>232</sup> the UNCITRAL Model Law on International Commercial Mediation,<sup>233</sup> the New York Convention on the Recognition and Enforcement of Arbitral Awards,<sup>234</sup> Singapore Convention on Mediation,<sup>235</sup> and the Hague Convention on Foreign Judgments in Civil and Commercial Matters,<sup>236</sup> among others. Given that BEE cannot cover all good practices in the area of dispute resolution, it will focus on those most relevant to private sector needs.

The data for these indicators will be collected through expert consultations. Local practitioners—lawyers in commercial litigation—possess the best knowledge of relevant laws and their application in practice. The process of expert consultations will be corroborated by desk research. The regulatory framework pillar will have two indicators: one for in-court litigation and the other for alternative dispute resolution.

- (i) *In-court litigation*. This indicator will focus on the quality of regulations applicable to in-court litigation processes. It will target provisions related to both efficiency and quality. For example, the indicator will measure whether commercial (or civil, where applicable) procedure legislation establishes time frames for main court processes in commercial litigation. It will also study whether the law limits the number of adjournments that can be granted in a commercial case. Similarly, the indicator will capture whether specific time frames exist for executing a judgment.

Regarding quality, the Dispute Resolution topic will examine whether applicable regulations incorporate certain good practices relating to judicial system integrity. These will include whether economies have adopted comprehensive codes of ethics for courts and whether annual disclosure of assets by judges is required. The indicator will also examine whether women have the same rights as men in commercial litigation. It will also assess the rules that govern the area of recognition of foreign judgments. Finally, the indicator will pilot measures of good practices related to environmental justice, exploring who may initiate such disputes (*locus standi*) and the availability of appropriate remedies to address peculiar types of damages.<sup>237</sup>

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<sup>229</sup> Ndungu, J., and P. Muriu. 2017. “Do Good Institutions Matter for Private Investment? Evidence from East Africa.” *Journal of Economics and Sustainable Development* 8 (6): 18–29.

<sup>230</sup> World Bank. 2016a. *Good Practices for Courts: Helpful Elements for Good Court Performance and the World Bank’s Quality of Judicial Process Indicators*. Washington, DC, World Bank.

<sup>231</sup> CEPEJ (European Commission for the Efficiency of Justice). 2008. *Checklist for Promoting the Quality of Justice and the Courts*. Strasbourg: CEPEJ.

<sup>232</sup> UNCITRAL. 2006. *UNCITRAL Model Law on International Commercial Arbitration 1985: With Amendments as Adopted in 2006*. Vienna, UNCITRAL.

<sup>233</sup> UNCITRAL. 2018b. *UNCITRAL Model Law on International Commercial Mediation and International Settlement Agreements Resulting from Mediation 2018*. Vienna, UNCITRAL.

<sup>234</sup> UNCITRAL. 1958. *Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958*. Vienna, UNCITRAL.

<sup>235</sup> UNCITRAL. 2018a. *Convention on International Settlement Agreements Resulting from Mediation 2018*. Vienna, UNCITRAL.

<sup>236</sup> HCCH (Hague Conference on Private International Law). 2019. *Convention on the Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters*. The Hague, HCCH.

<sup>237</sup> UNEP (United Nations Environmental Programme). 2016. *Environmental Courts & Tribunals: A Guide for Policy Makers*. Nairobi, UNEP.

- (ii) *Alternative dispute resolution mechanisms*. This indicator will measure the quality of regulations governing arbitration and mediation. When supported by a strong legal framework, private parties can use these mechanisms to resolve their disputes more efficiently and flexibly. Well-functioning ADR procedures can reduce court backlogs and improve the quality of resolving disputes by sharing additional knowledge and expertise.<sup>238</sup>

The arbitration component will draw on previous WBG studies in this area, including *Investing across Borders* (2010)<sup>239</sup> and “Arbitrating and Mediating Disputes” (2013).<sup>240</sup> In terms of regulations that support efficiency of arbitration, this indicator will measure procedural mechanisms such as the availability of joinder and consolidation, and expedited or fast-track proceedings, as well as existence of procedural time frames. Regarding provisions that promote quality, it will assess requirements relating to the formation of an arbitration agreement, arbitrability of different types of disputes, the parties’ autonomy, and arbitrators’ independence and impartiality. Because arbitration operates in the shadow of a court system, the indicator will also examine whether national courts are arbitration-friendly; that is, whether they are required to support arbitration proceedings by deferring to the jurisdiction of the arbitral tribunal, ordering interim measures, and assisting with collection of evidence. In addition, it will examine whether foreign firms have access to ADR mechanisms and whether they can participate in arbitration on par with local firms.

Regarding mediation, the indicator will measure whether the law provides for comprehensive regulation of this mechanism, including its international aspects. It will investigate whether mediation is required by law as a precondition to consideration of a case by a court or has a voluntary nature. The indicator will also capture whether limitation periods are interrupted when attempting mediation and assess the enforcement regime for the mediation settlement agreement.

## (2) *Public services: Public services for Dispute Resolution*

The set of indicators will measure the adequacy of public services provided to resolve a commercial dispute. Even when an economy has crafted a robust legal framework, its practical application can vary dramatically depending on existing institutional arrangements and information and communications technology (ICT) infrastructure. More specifically, the effectiveness and fairness of dispute resolution can be affected by the specialization of judges, court transparency, and the availability of e-services.

This de facto set of indicators will focus on the availability and quality of public services beyond the legal framework. BEE will collect the data through expert consultations. Lawyers in commercial litigation have the best knowledge of institutional arrangements and ICT infrastructure because they deal with these daily. Furthermore, data collection through expert consultations is more informative than firm-level surveys because most businesses go to courts only occasionally and, when they do, they tend to rely on lawyers to resolve disputes. Private firms therefore often have limited knowledge about the technical features of provided services. The public services pillar will include two indicators.

- (i) *Institutional framework*. The quality of institutions plays a key role in how disputes are resolved.<sup>241</sup> The institutional framework indicator will look at the existence of specialized commercial courts/chambers, small claim courts, and complaints mechanisms on judges’ performance. It will also measure judicial transparency—whether the latest versions of the laws are publicly available free of

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<sup>238</sup> World Bank. 2011. *Alternative Dispute Resolution Center Manual: A Guide for Practitioners on Establishing and Managing ADR Centers*. Washington, DC: World Bank.

<sup>239</sup> World Bank. 2010.

<sup>240</sup> Pouget, S. 2013. “Arbitrating and Mediating Disputes: Benchmarking Arbitration and Mediation Regimes for Commercial Disputes Related to Foreign Direct Investment.” Policy Research Working Paper No. 6632, World Bank, Washington, DC.

<sup>241</sup> See, for example, Marciano, Melcarne, and Ramello. 2019.

charge, commercial judgments are published in open sources, and performance measurement reports about court activities are disseminated. Finally, the indicator will measure services rendered in the ADR context. The relevant areas will include whether ADR institutions are fully operational, whether they maintain a list or roster of qualified arbitrators and mediators and whether different incentives are available to encourage mediation, such as tax incentives or reimbursement of court fees. Importantly, the indicator will also capture aspects of female representation in both the judiciary and ADR institutions.

- (ii) *Digitization of the dispute resolution process.* This indicator will focus on the digitalization of commercial dispute resolution. E-justice is a relatively new area; however, the COVID-19 pandemic underscored its importance for effective and inclusive resolution of disputes. Overall, digital solutions have the potential to (1) improve efficiency in case management by expediting processing time; (2) provide better access to justice through online tools; and (3) increase transparency by facilitating access to information.<sup>242</sup>

This indicator has two components: (1) digitization of courts, and (2) digitization of ADR. The first component will assess the court's adoption of automated systems, such as automatic case assignment and interoperability of services. It will also focus on the availability of electronic services in courts that allow for electronic filing of cases, electronic submission of court documents and receipt of notifications, electronic payment, electronic service of process, and virtual hearings. In line with the principle of equal access to justice, when measuring e-services provided by courts, the Dispute Resolution topic will emphasize that their use should remain voluntary.

The second component will look at the e-services available in arbitration and mediation. For example, it will examine the possibility of filing a case electronically through a website or platform of the arbitrator, mediator, or ADR organization, the possibility of communicating and meeting virtually through secure chatrooms or video conferencing, and e-signing the arbitral award or mediation settlement agreement.

- (3) *Efficiency: Ease of resolving a commercial dispute in practice*

This set of indicators will help determine how reliable, accessible, and efficient dispute resolution mechanisms are in general (that is, whether cases are worth pursuing in the first place and if not, why), as well as provide specific details on the time and cost required for adjudication and enforcement.

Ease of resolving a commercial dispute is a de facto set of indicators. Unlike Enforcing Contracts in *Doing Business*, BEE will collect the relevant information from both firms and experts. With regard to administrative data, their use for the purpose of these indicators will be restricted for several reasons. In particular, administrative data are not available in the majority of economies. Moreover, even when economies provide such data, they are often not updated at regular intervals. Concerns pertaining to the reliability of administrative data further restrict its potential use. Ease of resolving a commercial dispute will consist of three indicators.

- (i) *Obstacles to justice.* This indicator will identify the main obstacles to bringing commercial disputes to court and ADR institutions. Firms that have faced a commercial dispute within a defined time frame will be asked to share their experience as to whether they have used any formal method to resolve their disputes. They will also be invited to express their views on major obstacles to a fair and efficient

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<sup>242</sup> Cordella, A., and F. Contini. 2020. *Digital Technologies for Better Justice: A Toolkit for Action*. Washington, DC: Inter-American Development Bank.

resolution of cases, such as dispute resolution mechanisms being unfair and unreliable, excessive length of proceedings, and/or high litigation costs.

The data for this indicator can be best collected through firm-level surveys using Enterprise Survey methods. Firms are the ultimate beneficiaries of the dispute resolution system and therefore it is particularly important to capture their experience. Businesses also often decide whether it is worth going to court or ADR before retaining a lawyer, so experts may have insufficient knowledge of the firm's views. Firms operating in all sectors can respond and provide original insights on the quality and effectiveness of the dispute resolution system. To ensure the accuracy of the data, however, businesses without relevant experience will be excluded from the sample. No specific case study will be needed to collect this data besides a clarification that firms should refer to commercial disputes relating to the conduct of their business that occurred within a specified time frame (for example, the past three years).

- (ii) *Time and cost for a court trial.* Courts are the key element in any dispute resolution system. Even when an economy establishes ADR mechanisms, their reliability and efficiency can be determined by the quality of judicial support they receive.<sup>243</sup> This makes data on the specifics of in-court litigation particularly insightful.

This indicator will measure the time and cost needed to resolve a commercial dispute through a court, providing concrete estimates for different elements of litigation. The time component will assess the time required for filing a case, serving the defendant with the complaint, conducting all necessary hearings, and delivering a judgment. Furthermore, the indicator will capture the time required to file an appeal, conduct its review, and issue a final ruling. The cost component will assess attorney fees and court expenses generally incurred in commercial litigation by a good faith party and whether any of these costs can be recovered from the losing party.

The data for this indicator can be best collected through expert consultations. Local litigation experts regularly handle cases (whereas litigation can be a relatively rare event for firms), closely monitor changes in this area, and possess technical knowledge of various elements of the litigation process (for example, appeal review time, attorney costs). Therefore, they are better equipped to identify bottlenecks and inefficiencies in court practices. To collect the data on time and cost, BEE will use some basic parameters to guide respondents and ensure the comparability of the data. These parameters will only provide for the city name, specify the nature of the dispute, and set an approximate claim value. Specifically, having an approximate claim value tailored to each economy will allow for exclusion of both small claims and complex litigation from the study. No assumptions pertaining to the size of the firms, their ownership, and sector of operation will be necessary.

- (iii) *Recognition and enforcement of decisions.* Dispute resolution does not end with issuing a court judgment or ruling in ADR institutions. The last step in satisfying the need for justice of those who suffered damage lies in recognizing (when applicable) and enforcing these decisions. Depending on specific arrangements that govern this step in an economy, it can be an easy and smooth procedure or take the form of a cumbersome process that may by far surpass adjudication in terms of associated time and costs. Inefficient recognition and enforcement mechanisms may equally discourage firms from bringing their cases to formal institutions, causing negative consequences to their operations.<sup>244</sup>

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<sup>243</sup> Queen Mary University of London and White & Case LLP. 2021. 2021 International Arbitration Survey: Adapting Arbitration to a Changing World. <https://arbitration.qmul.ac.uk/research/2021-international-arbitration-survey/>.

<sup>244</sup> Gramckow, H. 2014. "Good Practices for Monitoring the Effectiveness of Enforcement Actions and Assessing the Performance of Bailiffs." In *Law in Transition 2014*, 52–61. London: EBRD (European Bank for Reconstruction and Development).

This indicator will measure the time and cost required to recognize different types of decisions, as well as to complete a typical enforcement procedure. BEE will collect the data from experts for the same reasons as for the indicator on time and cost for a court trial. The only assumption that will be made for the relevant components is that the losing party stopped responding to the request for recognizing or enforcing the decision. On this basis, the indicator will first measure the time and cost required to recognize a *foreign* court judgment. Second, it will examine the time- and cost-effectiveness of the confirmation of an *arbitration* award. Third, the indicator will study the time and cost needed to validate a *mediation* settlement. Finally, it will measure the time and cost to enforce a *local* court judgment through the seizure of bank account funds.

### ***C. Scoring Insights***

The Dispute Resolution indicators will take into account the interests of individual firms (*firm flexibility*) and the general public (*social benefits*), given that both commercial and noncommercial cases are often considered by the same institutions using similar rules. Importantly, effective and fair resolution of disputes is also fundamental for upholding the rule of law within an economy. Almost all indicators under the regulatory framework pillar and the public services pillar will be measured from both perspectives. Because both individual firms and society at large are interested in having efficient and fair dispute resolution systems, introducing good practices in these areas will generally bring a positive impact on firm flexibility as well as social benefits. Thus, when an economy enacts a comprehensive Code of Ethics for Judges (regulatory framework pillar) or makes electronic filing of cases possible (public services pillar), both firms and the public will benefit. The only exception concerns the issue of environmental disputes, where more environmentally friendly legislation will clearly raise social benefits but ambiguously affect individual firms—some may win out of this while others may lose. Under the efficiency pillar, indicators will largely be of relevance to firms only. For example, the longer the time for a court trial, which includes the time for filing, trial and appeal, the lower the score on firm flexibility.

## 9. Market Competition

### A. Motivation

There is substantial economic evidence that a fair level of market competition spurs economic growth by increasing industry and firm innovation and productivity, leading to better products, more and better jobs, and higher incomes.<sup>245</sup> By affecting market entry and exit, competition stimulates product innovation and service quality, protects consumers, and forces market operators to provide their products and services at cost.<sup>246</sup> But competition is rarely perfect. Markets fail either due to firms' behaviors or government interventions. Market power—a firm's ability to raise prices well above cost, offer a low-quality good or service, and drive out competition—must be kept in check.<sup>247</sup>

Governments have a wide range of tools to deter anticompetitive behaviors, promote market entry, ensure a fair level of competition, and reduce distortions created by market failures.<sup>248</sup> Competition policy is the set of policies and laws that ensure that competition in the marketplace is not restricted in a way that reduces economic welfare.<sup>249</sup> Crucial for the business environment and the economy, competition policy can help alleviate poverty and foster shared prosperity. In some major markets where governments are the sole or principal buyer (for example, education, health, and infrastructure), the design and implementation of government regulations directly influence market entry and firm behavior.<sup>250</sup>

Having a dynamic and competitive market is key for faster growth and lower prices, which in conjunction with other policies is crucial for poverty eradication. Having a well-enforced competition law helps poor producers as well as poor consumers by enforcing breaking up of cartels, exposing dominant firms that engage in anticompetitive conduct to more competition, and by reducing barriers to entry, helping small firms enter the market and survive. Market entry provides a dual benefit to the poor, not only by helping them as consumers by putting downward pressure on prices, but also by expanding their employment and small business opportunities.<sup>251</sup>

This topic will benchmark key regulations that promote competitive behaviors and innovation from the perspective of the whole private sector, rather than considering their impact on an individual firm. It will assess regulations that deter anticompetitive firm behaviors, regulations that promote competitive behaviors in government markets, regulations that promote innovation, key public services provided to implement such regulations, and their efficient implementation.

### B. Indicators in the Area of Market Competition

BEE will use three sets of indicators in the area of Market Competition: quality of regulations that promote market competition (regulatory framework pillar); adequacy of public services that promote market competition (public services pillar); and efficiency in the implementation of key services promoting market competition (efficiency pillar). Each set of indicators will cover aspects of enforcement of competition policy, intellectual property rights, and innovation policy, and regulations that focus on improving

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<sup>245</sup> World Bank. 2017a. *A Step Ahead: Competition Policy for Shared Prosperity and Inclusive Growth*. Washington, DC: World Bank.

<sup>246</sup> Begazo Gomez, T. P., and S. Nyman. 2016. "Competition and Poverty." World Bank, Washington, DC.

<sup>247</sup> Tirole, J. 2015. "Market Failures and Public Policy." *American Economic Review* 105 (6): 1665–82.

<sup>248</sup> Tirole, J. 2017. *Economics for the Common Good*. Princeton, NJ: Princeton University Press.

<sup>249</sup> Motta, M. 2004. *Competition Policy: Theory and Practice*. Cambridge, United Kingdom: Cambridge University Press.

<sup>250</sup> Worldwide, public procurement accounts for between 10 percent and 25 percent of GDP, on average. EC (European Commission), Directorate General for Enterprise and Industry. 2014. *Evaluation of SMEs' Access to Public Procurement Markets in the EU: Final Report*. European Union.

<sup>251</sup> OECD. 2013a. *Competition and Poverty Reduction. Global Forum on Competition*. Paris: OECD.



competition and innovation in the private sector, including in markets where the government is a purchaser of services or goods. *Doing Business* did not cover any of these areas.

These indicators will measure, on the one hand, the *social benefits* of introducing and implementing sound regulations and policies in this topic toward a more competitive, fair, and innovative business environment, and, on the other hand, the benefits in terms of *firm flexibility* as these policies help firms face fewer external restraints in their ability to compete in the market. Most regulations and services captured in this topic aim to guarantee an equal and fair playing field in markets. For instance, good practices in regulations prohibiting cartels or promoting transparency in government markets benefit the private sector as a whole and improve consumer welfare, rather than easing restrictions on individual firms. Moreover, some components also improve firm flexibility by either promoting administrative efficiency or reducing barriers (for example, the efficient implementation of simplified merger procedure and the indicator measuring entry in government markets capture aspects facilitating the operations of individual firms).

(1) *Regulatory framework: Quality of regulations that promote Market Competition*

Three de jure indicators will benchmark the (i) quality of the competition regulations; (ii) quality of regulations that promote innovation and transfer of intellectual property rights (technology transfer); and (iii) quality of regulations for bidding for public contracts. The data will be collected through expert consultations. Corporate lawyers with expertise in competition or intellectual property rights will be best suited to answer questions relating to the first and second indicators. Questions relating to the third indicator will be answered by experts specializing in public procurement (from the private sector and WBG economy experts, when available). Desk research will corroborate the data gathered through expert consultations.

- (i) *Quality of competition regulations.* This indicator will provide a proxy for the overall quality of competition regulations by focusing on aspects of antitrust law enforcement (for example, anticompetitive agreements, abuse of dominance, and merger control).<sup>252</sup> This indicator will not cover all areas of competition policy. Some sector-specific areas will be excluded (for example, measures enabling contestability of previously government-regulated monopolies). This indicator will assess economywide regulations that affect the market dynamics of the private sector.

This indicator will cover regulations relating to collusion/anticartel and abuse of dominance enforcement on the one hand and merger control on the other. More specifically, it will measure (1) whether regulations identify anticompetitive practices and whether those empower authorities to investigate and apply a range of sanctions; (2) whether leniency programs are available and provide incentives for firms to break cartels (for example, through procedural guarantees, confidentiality, anonymity, and whistleblower protection); (3) whether coverage of merger control regulations is clear, including the types of transactions that do not need to be reviewed (for example, transactions that fall below notification thresholds are subject to simplified merger control procedures, voluntary notification regimes); (4) whether there are filing fees (level and type) for firms to apply for merger review; (5) whether there are procedural guarantees in antitrust investigations and the merger review process allowing parties to exercise their rights of defense; and (6) whether there is a framework to justify the creation of state-owned enterprises (SOEs) and legal monopolies based on objective and economic criteria. Lastly, some aspects of consumer protection could also be included as long as they complement competition enforcement. The selection of good practices will be influenced by the Markets and Competition Policy Assessment Toolkit of the Markets, Competition and Technology unit of the WBG.

- (ii) *Quality of regulations that promote innovation and transfer of intellectual property rights (technology transfer).* Regulations can play an important role in enabling innovation and maintaining competitive,

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<sup>252</sup> World Bank. 2017a.

dynamic markets. This indicator will capture good practices aiming to spur innovation and facilitate fair transfer or adoption of technology and intellectual property rights while maintaining fair market competition. More specifically, the indicator will measure (1) regulations protecting intellectual property rights (including patents, trademarks, copyrights, and related rights, industrial designs, and trade secrets); (2) regulations on methods to transfer such intellectual property rights fairly; and (3) regulations related to cooperation agreements between competitors (horizontal and vertical) on research and development.

- (iii) *Quality of regulations for bidding for public contracts.* A robust regulatory framework is crucial for firms to participate in markets where the government is a purchaser. The quality of regulations for bidding for public contracts indicator will assess whether public procurement regulatory frameworks (de jure) provide a fair assessment process and legal certainty for firms, and include selected internationally recognized good practices that promote (1) market access, including additional restrictions imposed on foreign firms; (2) competition; (3) transparency; (4) integrity; (5) innovation; and (6) best value for money. The scope will be limited to assessing regulations that promote market entry and competitive behaviors to benefit the whole private sector.<sup>253</sup> Additionally, this indicator will measure good regulatory practices integrating environmental, sustainability and gender considerations in public procurement, focusing on areas that benefit market entry and competition. The selection of good practices will be consistent with the Methodology for Assessing Procurement Systems (MAPS)<sup>254</sup> and UNCITRAL Model Law on Public Procurement.<sup>255</sup>

Procurement rules and practices might differ across sectors. This indicator will collect data as applied to the three largest purchasers of the federal/central government by tender volume (to be determined via expert consultations)<sup>256</sup> to identify whether economies have adopted good regulatory practices. Data will be collected for goods, services, and works tenders for these authorities. Goods and services subject to specific safety or national security regulations will be excluded from consideration. Some parameters may be used to ensure a diverse and representative selection of authorities (for example, measuring only one central purchasing authority or selecting the largest authority that procures works contracts).

## (2) *Public services: Adequacy of public services that promote market competition*

This set of indicators will benchmark public service delivery promoting market competition through the (i) institutional framework and quality of enforcement of competition regulations, (ii) institutional framework to support innovation in firms, and (iii) e-procurement.

- (i) *Institutional framework and quality of enforcement of competition regulations.* Having a competition authority is key to effectively enforcing competition regulations and signaling a level playing field in the market.<sup>257</sup> Competition authorities must operate within a clear and independent framework to investigate firm behaviors and implement sanctions to deter anticompetitive practices.<sup>258</sup> By focusing on the institutional framework and the quality of the enforcement of competition regulations, the indicator will serve as a proxy for the de facto functioning of competition authorities. Data will be

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<sup>253</sup> For an example of research on best value for money criteria in procurement, see Lewis, G. and Bajari, P. 2011. "Procurement Contracting with Time Incentives: Theory and Evidence." *Quarterly Journal of Economics* 126 (3): 1173–1211.

<sup>254</sup> <https://www.mapsinitiative.org/>.

<sup>255</sup> UNICTRAL. 2011. [https://uncitral.un.org/en/texts/procurement/modellaw/public\\_procurement](https://uncitral.un.org/en/texts/procurement/modellaw/public_procurement).

<sup>256</sup> Questionnaires will be distributed to WBG country procurement experts.

<sup>257</sup> Mariotti, S., and R. Marzano. 2021. "The Effects of Competition Policy, Regulatory Quality and Trust on Inward FDI in Host Countries." *International Business Review* 30 (6), 101887.

<sup>258</sup> Jens, H. 2007. "Competition Law and Policy Indicators for the OECD Countries." OECD Economics Department Working Papers 568, OECD, Paris.

collected through expert consultations (with legal practitioners of competition law and representatives of the central competition authority, if applicable) and corroborated through desk research.

This indicator will capture the institutional framework of the competition authority as implemented in practice, including (1) the extent of its independence (whether it is exempt from direct supervision by the government); (2) the scope of its mandate (whether its sole task is to safeguard competition or whether it has more competences assigned); (3) the possibility to appeal its decisions (whether firms can appeal a decision to a specialized independent body or whether nonjudicial bodies can overturn the authority's decisions); (4) the ability to issue guidance/advocacy reports on antitrust and merger control; (5) cooperation with other government agencies (regulators); and (6) collaboration with cross-border competition authorities.

This indicator will also benchmark the role of competition authorities in promoting accessibility and transparency by measuring (1) whether it is possible to notify a merger online; (2) whether standardized forms are available online; (3) whether the competition authority publishes online its decisions and the legal and economic justification behind them; and (4) whether the competition authority issues guidance/advocacy reports on antitrust and merger control. No specific parameters will be considered for this indicator because the institutional framework of competition authorities is usually the same across sectors within an economy.

- (ii) *Institutional framework to support innovation in firms.* This indicator will provide a proxy for the overall institutional framework to support firm innovation by capturing two key government-provided public services: (1) registration of intellectual property rights, and (2) facilitation services for firms to innovate.

The first component will measure the institutional framework of central intellectual property agencies as implemented in practice. The component will focus on transparency and digitization services provided by the intellectual property agency, such as whether applicants can (1) access an updated database on ownership and transfer of patents and other intellectual property rights; (2) file an intellectual property application online; (3) pay the related fees individually online; (4) access and manage registered intellectual property online; and (5) challenge the validity of a granted intellectual property right through an application for revocation. In addition, this component will measure the capacity of intellectual property agencies to provide legal assistance to national and foreign intellectual property rights holders in preparing intellectual property applications and claims due to possible violations of their rights.

The second component will measure the role of government in promoting, guiding, and facilitating innovation in firms. The indicator will assess whether there is an institutional framework to support firm innovation with a focus on (1) helping firms obtain financial support for innovation and collaboration such as grants and matching grants such as equity finance, loans, and vouchers, and other nonfinancial supports such as research and development (R&D)/technology infrastructure programs; (2) early-stage support through public programs (incubators and accelerators); (3) technology transfer office programs (for example, those designed to help universities and research institutes establish offices of technology to transfer, protect, and manage intellectual property); (4) collaboration mechanisms between the intellectual property office and the innovation agency and other relevant public agencies; and (5) collaboration mechanisms between the innovation agency and private sector incubators/accelerators and financial institutions.<sup>259</sup> A gender dimension will also be captured by

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<sup>259</sup> Cirera, X., and W. F. Maloney. 2017. *The Innovation Paradox: Developing-Country Capabilities and the Unrealized Promise of Technological Catch-up*. Washington, DC: World Bank.

measuring whether some of the services are directly targeted to promote women-led innovation and entrepreneurship.

The first component will not require specific parameters because it will refer to particular government agencies, typically homogenous within an economy. For the second component, BEE might consider select parameters to narrow the agencies considered and enhance comparability (such as the source of the grant or funding, sectors). Data will be collected via expert questionnaires to lawyers with expertise in intellectual property rights, chambers of commerce, and the relevant public sector entities.

(iii) *Transparency and transactional features in electronic procurement platforms.* The third de facto indicator will assess e-procurement as a proxy for a government's actions to promote market entry and reduce anticompetitive behaviors. E-procurement matters because it has the potential to save time, create efficiency, and help new firms access the market. E-procurement also facilitates sustainable practices in public procurement through features such as environmental labels, and can also be a strong tool to identify gender gaps that can inform better policies for gender-based procurement. The availability of information promotes equal access for all types of businesses, including SMEs, by reducing the possibility of large or well-connected firms gaining an advantage because of information asymmetries, and potentially increases competition for government contracts.<sup>260</sup> Research suggests that e-procurement facilitates the entry of higher-quality contractors.<sup>261</sup> The indicator is divided into two components: transparency features and transactional features of e-procurement systems.

To verify that e-procurement has been widely implemented, data on the three largest purchasers will be considered. Data will be collected through expert consultations, including primarily private sector experts in public procurement and, when relevant, public sector entities as well as WBG procurement economy experts. Desk research will corroborate the collected data.

### (3) *Efficiency: Efficiency in the implementation of key services promoting market competition*

This set of indicators will assess efficiency in delivering public services implemented by competition authorities and procuring entities that affect a firm's decision to enter or operate in the market. Competition authorities enforce competition rules to deter anticompetitive behaviors, whereas procuring entities design markets to purchase goods, services, or works. By focusing on key administrative procedures, the indicators will examine how efficient implementation of regulations can support market competition and firm growth. In addition, they will provide quantitative data on competitive behaviors and innovation through a survey of a representative sample of firms.

There will be six de facto indicators. On administrative procedures, the indicator will benchmark (i) the effective implementation of merger review for a transaction that would typically follow a simplified merger notification procedure; (ii) the time to award a public contract through a bidding process; and (iii) the time to pay government contractors and late payment penalties. In assessing the overall effectiveness of competition policy, the indicator will capture (iv) aspects of market dynamism and competitive behaviors as reported by firms and their knowledge of competition policy regulations. A measure of (v) the ease of entering government markets as experienced by firms themselves will also be included. Finally, a measure will capture (vi) several aspects of product innovation and investment in R&D by firms as a proxy for the effectiveness of competition, intellectual property rights, and innovation policy.

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<sup>260</sup> Beschel, R. P., B. J. Cameron, J. Kunicova, and B. Myers. 2018. *Improving Public Sector Performance through Innovation and Inter-Agency Coordination*. Global Report—Public Sector Performance, Vol. 1 of 2. Washington, DC: World Bank Group.

<sup>261</sup> Lewis-Faupel, S., Y. Neggers, B. A. Olken, and R. Pande. "Can Electronic Procurement Improve Infrastructure Provision? Evidence from Public Works in India and Indonesia." 2016. *American Economic Journal: Economic Policy*. 8 (3): 258–83.

- (i) *Efficient implementation of the simplified merger review.* This indicator will assess a combination of the following factors to determine the efficient implementation of a specific simplified procedure of merger review: (1) the time to file a merger notification; (2) the time to review the notification and to obtain a decision; and (3) whether competition authorities use the simplified procedure appropriately. Inadequate merger review processes and ineffective competition policy implementation can have a negative effect on the economy (for example, by delaying mergers that do not raise concerns).<sup>262</sup> Poorly implemented review processes can also undermine firm growth by discouraging firms from merging if the cost to do so is deemed too high, or if the outcome of the merger review is deemed too uncertain. Most economies have regulations to review merger notifications and provide simplified procedures, but their effective implementation is crucial for the business environment. A key parameter for this indicator is the assumption that the merger at stake does not raise competition concerns.
- (ii) *Time to award a public contract.* This indicator will assess the time between bid opening and the moment of the award. In procurement markets, lengthy processes to award contracts can deter market entry and encourage collusive behaviors. Firms might incorporate the cost to prepare bids and the length of the tender procedure before deciding to participate in the government markets. This indicator will capture efficiency from the firm’s perspective as a measure of the procuring entity’s ability to implement public procurement procedures. It will not assess the efficiency of how public resources are spent. However, time should be analyzed carefully; less time does not always mean that public procurement regulations are implemented more efficiently. To minimize this risk, this indicator will be constructed using different scenarios with specific parameters to ensure comparability and relevance.
- (iii) *Time to pay government contractors and late payment penalties.* This indicator will assess the time taken by the government to pay its contractors. Late payments create negative externalities on firms, such as disruption of market activity and postponed payments of employees and suppliers. This can have the effect of draining firms’ liquidity, and in the presence of limited access to credit, delayed payments can ultimately force firms to exit the market, with additional negative effects on their suppliers and customers.<sup>263</sup>
- (iv) *Market dynamism and competitive behaviors.* This indicator will provide an overall measure of competition in the markets. This indicator will assess market dynamics and competitive behaviors through proxy questions addressed directly to businesses about certain characteristics of their markets (for example, concentration and market exit rates) and their ability to compete horizontally and vertically without restraints from anticompetitive practices or government regulations (for instance, constraints in their ability to set prices or the ease of changing a utility provider). The importance of SOEs for market dynamism and competitive behaviors will be estimated by measuring the presence of SOEs in markets where the firms operate, and by asking firms whether they compete in a level playing field in their markets with SOEs.
- (v) *Entry in government markets.* This indicator will provide an overall measure of the ease of bidding by asking firms proxy questions on regulatory requirements that incentivize or disincentivize their decision to participate in public tenders. Questions will target aspects of bid preparation (such as the administrative burden of bidding or whether there is sufficient time to prepare proposals), which should be within the usual knowledge of firms operating in markets where the government is a purchaser, even if they do not bid. However, questions will not cover elements related to the tender process or contract execution.

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<sup>262</sup> OECD. 2020b. *Merger Control in the Time of COVID-19*. Paris: OECD.

<sup>263</sup> Conti, M., L. Elia, A. R. Ferrara, and M. Ferraresi. 2021. “Governments’ Late Payments and Firms’ Survival: Evidence from the European Union. *Journal of Law and Economics* 64 (3): 603–27.

(vi) *Innovation*. This indicator will provide an overall measure of market dynamism by capturing the range of innovation in firms. This indicator will use questions from the Enterprise Surveys' Innovation and Technology module, such as the percentage of firms using technology licensed from foreign companies or the share of firms that spend on R&D.<sup>264</sup>

The data on implementing a simplified merger control procedure and the time to award a contract could be collected via expert questionnaires from competition law and public procurement practitioners, respectively. Mergers and acquisitions are relatively rare events in a firm's life cycle. Therefore, lawyers who routinely deal with these issues are better suited to address these questions than firms. Regarding the time to award a contract, because only a subgroup of firms participates in public tenders, there is a risk that firm-level surveys of a representative private sector sample in an economy will not capture enough observations of this subset of companies. Therefore, it will be preferable to use a targeted approach of sending questionnaires to public procurement experts. Several scenarios with some parameters could be considered (for example, the transaction object of the merger for the effective implementation of merger review). For the time to award a contract, data will be collected for various scenarios reflecting different procurement methods (open tendering, restricted tendering, auctions) and contract values and subject matter (goods, services, and works). For the time to pay government contractors, measures of market dynamism and competitive behaviors, entry in government markets, and product innovation, firm-level surveys will be used. A gender dimension for the proposed firm-level survey indicators will be considered.

### ***C. Scoring Insights***

The Market Competition indicators will cover regulatory practices and policies aimed at promoting a more competitive and innovative business environment, with consideration for the well-functioning of markets and consumer welfare (*social benefits*), as well as the interests of individual firms to compete in the market in a level playing field (*firm flexibility*). Most of the indicators under each of the regulatory framework, public services and efficiency pillars will measure both firm flexibility and social benefits. For example, under the regulatory framework pillar, if an economy prohibits anticompetitive horizontal agreements such as cartels with clear provisions to identify, prove and characterize an agreement (indicator on quality of regulations that promote market competition) it will raise both social benefits and firm flexibility. Under the public services pillar, if the economy has implemented an e-procurement system that allows bidders to submit tenders electronically (indicator on transparency and transactional features in electronic procurement platforms), it will raise both firm flexibility and social benefits by reducing transaction costs to firms and increasing competition. Under the efficiency pillar, the indicator on time to pay government contractors and late payment penalties improves not only firm flexibility, but also social benefits, because it helps promote more market entry into government markets.

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<sup>264</sup> Cirera, X., and S. Muzi. 2020. "Measuring Innovation Using Firm-level Surveys: Evidence from Developing Countries." *Research Policy* 49 (3), 103912.

## 10. Business Insolvency

### A. Motivation

An efficient insolvency framework ensures that nonviable firms are swiftly liquidated, and viable firms are effectively restructured in a sustainable way. The unsuitability of many insolvency regimes to handle the restructuring and liquidation of companies in a timely and effective manner amplifies these companies' economic distress.<sup>265</sup> In economies with higher creditor recovery rates and shorter resolution times, restructuring within the formal bankruptcy process fulfills its cyclical role during economic downturns by keeping companies afloat.<sup>266</sup>

Research shows that efficient insolvency systems play a role in enhancing new firm creation, increasing the size of the private sector and encouraging greater entrepreneurial activity.<sup>267</sup> Efficient insolvency systems can boost job creation and growth, including by spurring productivity-enhancing capital reallocation through the exit of nonviable firms.<sup>268</sup>

Insolvency regimes that encourage corporate restructuring minimize “zombie” lending: that is, lending to otherwise insolvent firms, which slows economic growth through the misallocation of credit and the suppression of competitive forces.<sup>269</sup> Economies with less efficient bankruptcy procedures tend to have lower aggregate productivity because their bankruptcy procedures induce lenders to allocate funds to less productive firms.<sup>270</sup>

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<sup>265</sup> Becker, B., and M. Oehmke. 2021. “Preparing for the Post-Pandemic Rise in Corporate Insolvencies.” ASC Insight No. 2, European Systemic Risk Board, Frankfurt; Elias J., B. Iverson, and M. Roe. 2020. “Estimating the Need of Additional Bankruptcy Judges in Light of the COVID-19 Pandemic.” *Harvard Business Law Review* 11 (online); Greenwood, R., B. Iverson, and D. Thesmar. 2020. “Sizing Up Corporate Restructuring in the COVID Crisis.” *Brookings Papers on Economic Activity* (2): 391–451.

<sup>266</sup> Becker, B., and V. Ivashina. 2021. “Corporate Insolvency Rules and Zombie Lending.” Unpublished; Consolo A., F. Malfa, and B. Pierluigi. 2018. “Insolvency Frameworks and Private Debt: An Empirical Investigation.” Working Paper 2189, European Central Bank, Frankfurt; Menezes A. 2014. “Debt Resolution and Business Exit: Insolvency Reform for Credit, Entrepreneurship, and Growth.” World Bank Group Knowledge Note, World Bank, Washington, DC.

<sup>267</sup> Carcea, M. C., D. Ciriac, C. Cuerpo Caballero, D. Lorenzani, and P. Pontuch. 2015. “The Economic Impact of Rescue and Recovery Frameworks.” European Commission Discussion Paper 2015-004, Directorate-General for Economic and Financial Affairs, European Commission; Cirmizi, E., L. Klapper, and M. Uttamchandani. 2012. “The Challenges of Bankruptcy Reform.” *World Bank Research Observer* 27 (2): 185–203; El Ghouli, S., Z. Fu, and O. Guedhami. 2021. “Zombie Firms: Prevalence, Determinants, and Corporate Policies.” *Finance Research Letters* 411 (July), 101876. A study of 19 years of bankruptcy data in 29 countries shows that entrepreneur-friendly bankruptcy laws are significantly correlated with the level of entrepreneurship development as measured by the rate of new firm entry. See Lee, S., Y. Yasuhiro, M. W. Peng, and J. B. Barney. 2011. “How Do Bankruptcy Laws Affect Entrepreneurship Development around the World?” *Journal of Business Venturing* 26 (5): 505–20.

<sup>268</sup> Białkowski, M. 2018. “International Insolvency Proceedings—Desired Directions of Change and Implementation.” *Service Management Journal* 6: 37–42; Hemingway, B. 2020. “Macroeconomic Implications of Insolvency Regimes.” Bank of Lithuania Working Paper No. 77/2020, Bank of Lithuania, Vilnius, Lithuania; McGowan, M. A., D. Andrews, and V. Millot. 2018. “The Walking Dead? Zombie Firms and Productivity Performance in OECD Countries.” *Economic Policy* 33: 685–736; Neira, J. 2019. “Bankruptcy and Cross-Country Differences in Productivity.” *Journal of Economic Behavior & Organization* 157 (C): 359–81; Polo, A. 2011. “Preservation of Value, Conflict of Interests and Reputation in a ‘Contractualist’ Bankruptcy System.” Paper delivered at Reputation Symposium 2011 at the Oxford University Centre for Corporate Reputation.

<sup>269</sup> Acharya V. V., T. Eisert, C. Eufinger, and C. Hirsch. 2019. “Whatever It Takes: The Real Effects of Unconventional Monetary Policy.” *Review of Financial Studies* 21 (9): 3366–3411; Andrew, D., and F. Petroulakis. 2017. “Breaking the Shackles: Zombie Firms, Weak Banks and Depressed Restructuring in Europe.” ECB Working Paper 2240, European Central Bank, Frankfurt; Banerjee, R., and B. Hofmann. 2018. “The Rise of Zombie Firms: Causes and Consequences.” *BIS Quarterly Review* 2: 67–78; Blattner L., L. Farinha, and F. Rebelo. 2019. “When Losses Turn into Loans: The Cost of Undercapitalized Banks.” ECB Working Paper No. 2228, European Central Bank, Frankfurt; McGowan, Andrews, and Millot. 2018.

<sup>270</sup> A recent study on Italy shows that an increase in recovery rate and a reduction in the length of proceedings would increase average productivity by about 2 percent. See González-Torres, G., and G. Rodano. 2020. “Court Efficiency and Aggregate Productivity: The Credit Channel.” Bank of Italy Working Paper No. 1287, Bank of Italy, Rome.

Despite the crucial role played by efficient insolvency regimes, large-scale and updated comparable data are scarce. The only data available (for the years 2010 and 2016) were produced by the OECD for 36 high-income economies and with limited substantive scope. BEE aims to fill this void.

## ***B. Indicators in the Area of Business Insolvency***

BEE will use three sets of indicators in the area of Business Insolvency: quality of regulations for insolvency proceedings (regulatory framework pillar); quality of institutional and operational infrastructure for insolvency processes (public services pillar); and efficiency of resolving a judicial insolvency proceeding in practice (efficiency pillar).

The BEE Business Insolvency indicators will have a broader scope than the *Doing Business* Resolving Insolvency indicators. BEE will assess new aspects of pre-insolvency proceedings, cross-border insolvency, specialized proceedings for micro- and small enterprises MSEs, insolvency administrator's expertise, and measures of institutional infrastructure for insolvency processes. The indicators will focus on liquidation and reorganization proceedings. No case study or different scenarios for data collection will be required. Instead, specific parameters will be used for comparability (such as a standardized company with a specific type, size, and location, value of the outstanding debt, and the court competent to handle insolvency claims). The BEE indicators will also address environmental obligations in bankruptcy and review good environmental regulatory practices within insolvency proceedings.

Whereas *Doing Business*' Resolving Insolvency indicator addressed firm flexibility, BEE's Business Insolvency indicators will consider both *firm flexibility* and whether *social benefits* are upheld during insolvency proceedings. This ensures transparency, fairness and legal certainty in the procedures while respecting the key objectives of insolvency such as encouraging greater entrepreneurial activity and promoting economic stability and growth.

### *(1) Regulatory Framework: Quality of regulations for insolvency proceedings*

The first set of indicators will measure the quality of insolvency regulations applicable to judicial liquidation and reorganization procedures in each economy and how they compare to internationally recognized good practices. The proposed indicator will use specific proxies that adequately capture the good practices set out in the World Bank Principles for Effective Insolvency and Creditor/Debtor Regimes<sup>271</sup> and the United Nations Commission on International Trade Law (UNCITRAL) Legislative Guide on Insolvency Law.<sup>272</sup>

International good practices suggest that the law should clearly establish that both debtors and creditors<sup>273</sup> can apply for insolvency proceedings and must include a formal process for submitting the application with a defined commencement criterion.<sup>274</sup> Good practices also entail the implementation of efficient and transparent regulatory mechanisms for managing the debtor's assets during the proceedings because this may improve the likelihood of high debt recovery.<sup>275</sup> In addition, good practices suggest that insolvency

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<sup>271</sup> World Bank. 2021a. Principles for Effective Insolvency and Creditor/Debtor Regimes, 2021 edition. Washington, DC: World Bank. <https://openknowledge.worldbank.org/handle/10986/35506> (WBG Principles).

<sup>272</sup> UNCITRAL. 2005. UNCITRAL Legislative Guide on Insolvency Law. Vienna: United Nations. (UNCITRAL Legislative Guide).

<sup>273</sup> A "debtor" is defined as a legal person that owes payment or other performance of an obligation. A "creditor" is defined as a natural or legal person that has a claim against the debtor that arose on or before the commencement of the insolvency proceedings (UNCITRAL Legislative Guide).

<sup>274</sup> UNCITRAL Legislative Guide.

<sup>275</sup> WBG Principles and UNCITRAL Legislative Guide.



legal frameworks set the rights or safeguards for creditors as they play a key role in insolvency proceedings by maximizing the value of creditors' assets and therefore increasing debt recovery.<sup>276</sup>

Promoting specialized or simplified proceedings for MSEs is also a good practice.<sup>277</sup> All too often, by the time the MSE debtor initiates insolvency proceedings, the firm is no longer viable, which results in a loss of value, compromising the preservation of the company at the expense of legal procedural certainty.<sup>278</sup> Finally, international good practices tend to incorporate cross-border insolvency regulations within the insolvency legal framework to facilitate the coordination and cooperation of economies in transnational insolvency cases, providing legal certainty to international trade, protecting investment, and preserving employment.<sup>279</sup>

This set of indicators will fall under the regulatory framework pillar as it will relate only to de jure elements based on the reading of the law and may be revised based on further consultation with subject matter experts. The data will be collected through expert consultations with local insolvency lawyers and verified through desk research and a study of the applicable laws. No case study will be used. The quality of regulations for insolvency proceedings will have seven indicators.

- (i) *Pre-commencement and commencement of insolvency proceedings.* The indicator will measure whether the debtor and/or the creditors can file for liquidation and/or reorganization proceedings, and the criteria to initiate insolvency. The indicator will also assess the proceedings available for companies in financial distress predating the filing for insolvency, and the availability of procedures for the conclusion of multilateral contractual agreements with creditors (out-of-court workouts).<sup>280</sup> Finally, the indicator will measure the legal avenues available to treat imminent insolvency of corporate debtors, including the existence of early warning tools and the applicable fiduciary duties for company directors.
- (ii) *Management of debtor's assets.* The indicator will measure what happens with the contracts, transactions, and finance of the debtor company during insolvency proceedings. The questions will include, for instance, whether the debtor can continue transactions essential to the survival of the business or terminate and discharge overly burdensome contracts or assets. It will also test whether the law establishes that preferential and undervalued transactions made by the debtor prior to the commencement of insolvency can be voided. Additional measures include the possibility to access credit after the start of insolvency proceedings to finance ongoing operations of the debtor company during the insolvency process, as well as the prioritization of such credit. The indicator will also measure the rules governing the stay of proceedings,<sup>281</sup> including any exceptions to such a stay in matters driven by public policy interests such as the protection of the environment.<sup>282</sup>
- (iii) *Scope of liquidation and reorganization proceedings.* The indicator will measure key features of liquidation and reorganization proceedings. It will include questions on how the reorganization plan is approved, the voting rights of creditors, and the establishment of minimal requirements for the reorganization plan related to equity considerations or transformation of legal rights, the conditions for

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<sup>276</sup> WBG Principles and UNCITRAL Legislative Guide.

<sup>277</sup> Gurrea-Martinez A. 2021. "Implementing an Insolvency Framework for Micro and Small Firms." *International Insolvency Review* 30 (S1): S46–S66.

<sup>278</sup> IMF. 2014. *Global Financial Stability Report: Moving from Liquidity to Growth Driven Markets*, April. Washington, DC: IMF.

<sup>279</sup> UNCITRAL. 2009. *Practice Guide on Cross-Border Insolvency Cooperation*. New York: United Nations.

<sup>280</sup> An "out-of-court workout" is defined as a nonstatutory agreement between a debtor and creditors with the aim of easing the debtor's debt-servicing burden so that it can maintain its business activities and value (World Bank. 2016b. *Toolkit for Out-of-Court Workouts*. Washington, DC: World Bank).

<sup>281</sup> A "stay of proceedings" in insolvency is defined as a measure that prevents the commencement, or suspends the continuation of judicial, administrative, or other individual actions concerning the debtor's assets, rights, obligations, or liabilities (UNCITRAL Legislative Guide).

<sup>282</sup> UNCITRAL Legislative Guide. p. 106.

its approval, mechanisms for its revocation in case of fraud, and whether specific protection is available to dissenting creditors. The indicator will also address matters related to liquidation procedures such as the replacement of the company's management by an insolvency representative and the creditors' role throughout the liquidation process—in particular, during the approval of the sale of assets, and the recognition of claims.

- (iv) *Creditor participation.* The indicator will measure how creditors participate in important decisions during insolvency proceedings, with specific questions on the participation of creditors in the appointment or replacement of the insolvency administrator and whether they can obtain information on the debtor's assets. The indicator will address the equal treatment of similarly situated creditors and their prioritization throughout the proceedings—in particular, the ranking of secured creditors, environmental, and labor claims,<sup>283</sup> unsecured creditors, or any other related social policy interests that may arise by operation of the law.<sup>284</sup> This indicator will also take into account whether there exists a special legal regime for the protection of employees' claims in insolvency, such as unpaid wages or redundancies.<sup>285</sup>
- (v) *Insolvency administrator's expertise.* The indicator will measure whether the insolvency framework specifies any selection criteria for the appointment of an insolvency practitioner, including qualification, experience, training, licensing, or registration requirements.<sup>286</sup>
- (vi) *Specialized proceedings for MSEs.* The indicator will measure whether the insolvency framework provides for expedient liquidation of nonviable MSEs and reorganization of viable MSEs through simplified proceedings. It will also include measurements of key features available for such specialized proceedings, including the existence of debt discharge safeguards for good faith individual debtors, shorter statutory limits, eligibility, commencement criteria, management aspects, and the possibility of conversion of proceedings.
- (vii) *Cross-border insolvency.* The indicator will measure whether a legal framework for cross-border insolvencies is established, with the recognition of foreign proceedings. It will include questions on the existence of clear rules pertaining to jurisdiction, recognition of foreign judgments, cooperation among courts in different economies, and choice of law.

## (2) *Public services: Quality of institutional and operational infrastructure for insolvency processes*

This set of indicators will measure the quality of insolvency resolution mechanisms and the infrastructure required to implement the legal framework on insolvency. It will seek to reflect the de facto situation, focusing on relevant proxies measuring the functioning of institutions that provide public services. The features measured promote faster resolution, reliable decision-making, transparency, and predictability, thereby serving as suitable proxies for the quality of the insolvency regime.

The indicators will refer to specific parameters such as the competent court, which will be the first instance court (specialized bankruptcy or judge/division in a commercial court) with jurisdiction over insolvency cases in the largest business city in the economy. The data will be collected for the relevant courts through expert consultations with users. Desk research and administrative data collected by courts can be used to corroborate the data collected. The quality of institutional and operational infrastructure for insolvency processes will have four indicators.

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<sup>283</sup> UNCITRAL Legislative Guide.

<sup>284</sup> UNCITRAL Legislative Guide.

<sup>285</sup> UNCITRAL Legislative Guide, p. 272.

<sup>286</sup> UNCITRAL Legislative Guide, pp. 174–75.

- (i) *Specialization of bankruptcy courts or bankruptcy judges.* The indicator will measure whether a specialized bankruptcy court or a judge/division in a commercial court dedicated to bankruptcy matters is available and whether it is fully operational (requiring all bankruptcy matters to be assigned to them); or whether bankruptcy matters are assigned to existing commercial courts. Specialized courts can positively affect bank funding decisions<sup>287</sup> and lead to faster resolution of the proceedings and more reliable decision making.<sup>288</sup> The indicator will also measure whether specialized training on insolvency procedures is provided on a systematic basis to judges adjudicating bankruptcy matters.
- (ii) *Court automation.* The indicator will measure whether the key aspects of a functioning e-justice system (e-filing, e-notifications, e-payment of court fees, internal case management, the possibility of tracking the case online, or sending procedural documents to the courts and other parties) include insolvency cases. Additional insolvency-specific features that will be measured include the inclusion of insolvency administrators or trustees in the group that has access to the relevant court automation features and the use of electronic auctions in insolvency. Court automation increases efficiency and transparency while reducing administrative costs. The use of electronic auctions has the potential of increasing the number of bidders, thus potentially increasing the recovery rate on the value of the estate.<sup>289</sup>
- (iii) *Interoperability of services for insolvency proceedings and public availability of information.* The indicator will measure the inclusion of insolvency proceedings within e-government services and their interconnectedness with other agencies (including commercial/business registries and law enforcement agencies) and stakeholders involved in insolvency proceedings. It will measure the existence of an insolvency register that will record information on all ongoing insolvency procedures, including, among others, information about the debtor, the stage of the proceedings, and information about the insolvency practitioner, making this information publicly available to interested parties in the proceedings. The indicator will also assess whether data on the number and types of insolvency procedures and the judgments rendered by the court are publicly available. Public availability of information enhances transparency and predictability.<sup>290</sup>
- (iv) *Insolvency administrator's expertise in practice.* The indicator will measure how insolvency experts are appointed and whether the rules related to the selection criteria, such as qualifications and experience, are implemented. In addition, the indicator will measure whether training is provided to insolvency administrators on a systematic basis prior to their appointment.

(3) *Efficiency: Efficiency of resolving a judicial insolvency proceeding in practice*

This set of indicators will measure the time and cost to resolve in-court liquidation and reorganization proceedings.<sup>291</sup> The objective of this set of indicators is to identify the bureaucratic hurdles when resolving insolvency disputes. The time to resolve the proceedings will be presented in calendar months from the date of filing until the payment of some or all the money owed to creditors or the approval of the reorganization plan. The overall cost of the proceedings (costs incurred by both the creditors and the borrower) will be

<sup>287</sup> Rodano G., N. Serrano-Velarde, and E. Tarantino. 2016. "Bankruptcy Law and Bank Financing." *Journal of Financial Economics* 120 (2): 363–82.

<sup>288</sup> Iverson B. C., J. Madsen, W. Wang, and Q. Xu. 2018. "Learning by Doing: Judge Experience and Bankruptcy Outcomes." <https://doi.org/10.2139/ssrn.3084318>; Li, B., and J. Ponticelli. 2020. "Going Bankrupt in China." NBER Working Paper 27501, National Bureau of Economic Research, Cambridge, MA.

<sup>289</sup> Frade, C., P. Fernando, and A. Conceição. 2020. "The Performance of the Courts in the Digital Era: The Case of Insolvency and Restructuring Proceedings." *International Insolvency Review* 29 (3): 346–59.

<sup>290</sup> Byfield, P. 2011. "The Publication of Commercial Court Decisions in the Western Commonwealth of Independent States." In *Law in Transition 2011: Towards Better Courts*. London: EBRD (European Bank for Reconstruction and Development).

<sup>291</sup> Kruczalac-Jankowska, J., M. Maśnicka, and A. Machnikowska. 2020. "The Relation between Duration of Insolvency Proceedings and their Efficiency (with a Particular Emphasis on Polish Experiences)." *International Insolvency Review* 29 (3): 379–92.

recorded as a percentage of the value of the defined company's debt and will include court fees, attorney fees, and insolvency representative fees, in addition to other fees (auctioneer, accountant, and other miscellaneous fees).

This set of indicators will not require a case study. Instead, it will be based on specific parameters and simple definitions to ensure consistency and comparability in the measurements underlining the defined company. These will include the type and size of the company, the value of debt, and the competent court with jurisdiction over insolvency cases in the economy's largest business city.

The data will be obtained through expert consultations with local insolvency experts and verified through desk research. In cases where reorganization is the most likely procedure, the indicator will potentially use firm-level data to analyze features of the insolvency practice. The modality of data collection will be decided based on further consultation with subject matter experts.

### ***C. Scoring Insights***

The Business Insolvency indicators will consider both the perspective of the debtor firm and its creditors (*firm flexibility*) and elements of social significance related to insolvency, such as the treatment of environment and labor claims, the automation of bankruptcy courts, and the use of digitalized instruments within insolvency proceedings (*social benefits*). Most of the indicators under all three pillars will naturally fall under firm flexibility, while indicators measuring social benefits will be found in the regulatory framework pillar and public services pillar. For example, under the regulatory framework pillar, the management of debtor's assets indicator will measure the rules on stay of proceedings at the initiation of insolvency procedures (an increase in firm flexibility), yet it will also question whether there are exceptions to the stay for matters of public policy (social benefits), including those affecting environmental issues, which lowers firm flexibility. Furthermore, in evaluating the ranking of the creditors of the debtor during the insolvency procedure, the creditor participation indicator will seek to establish the treatment of labor, tax, and environmental claims. This will take stock of negative effects on firm flexibility, but at the same time will capture positive social benefits. Under the public services pillar, the court automation indicator will measure the existence of an electronic case management for insolvency proceedings and whether it successfully reduces the pressure on the judiciary, enhancing transparency and reducing administrative costs, with positive implications on social benefits and firm flexibility. Finally, a higher time and cost of resolving insolvency proceedings, measured under the efficiency pillar, lowers firm flexibility while having no unambiguous effect on social benefits.

## Annex IIA. Detailed BEE Topics and Indicators

Table IIA.1. BEE Topics and Indicators

	Expert consultations	Firm-level surveys
<b>Stage in the Firm Life Cycle: Opening a Business</b>		
<b>1. Business Entry</b>		
<b>Regulatory framework (de jure): Quality of regulations for business entry</b>		
Good practices in the regulatory framework for business incorporation and beginning of operations	✓	
Restrictions in the regulatory framework for business entry <sup>△</sup>	✓	
<b>Public services (de facto): Digital public services and transparency of information for business startups</b>		
Availability of online services for business incorporation and beginning of operations * <sup>△</sup>	✓	✓
Interoperability of services for business incorporation and beginning of operations *	✓	✓
Availability of company information online and transparency of information * <sup>♀</sup>	✓	
<b>Efficiency (de facto): Efficiency of business entry in practice</b>		
Time to incorporate and start operating a new firm	✓	
Cost to incorporate and start operating a new firm	✓	
<b>2. Business Location</b>		
<b>Regulatory framework (de jure): Quality of regulations for immovable property lease, property ownership, and urban planning</b>		
Good regulatory practices for land administration	✓	
Good regulatory practices for building regulations and environmental licenses <sup>△ †</sup>	✓	
Restrictions on property leasing and ownership	✓	
<b>Public services (de facto): Quality of public services and transparency of information</b>		
Availability of online services and reliability of infrastructure for property transactions * <sup>△</sup>	✓	
Interoperability of services for property transactions *	✓	
Availability of online information on immovable property * <sup>△ ♀</sup>	✓	

Availability of online services for building permitting and environmental licenses * <sup>Δ</sup>	✓	
Interoperability of building permitting systems *	✓	
Transparency of information for building permits and environmental licenses * <sup>Δ</sup>	✓	
<b>Efficiency (de facto): Efficiency of obtaining a business location in practice</b>		
Time to purchase a property and obtain an occupancy permit, building permits, and environment-related permits <sup>Δ</sup>	✓	✓
Cost to purchase a property and obtain an occupancy permit, building permits, and environment-related permits <sup>Δ</sup>	✓	✓
<b>Stage in the Firm Life Cycle: Operating (or Expanding) a Business</b>		
<b>3. Utility Connections</b>		
<b>Regulatory framework (de jure): Quality of electricity, water, and internet regulations</b>		
Regulations for efficient connection deployment and reliable service supply for electricity, water, and internet *	✓	
Safety of utility connections *	✓	
Environmental sustainability of utility connections * <sup>Δ</sup>	✓	
<b>Public services (de facto): Performance and transparency of utility services</b>		
Monitoring and transparency of key performance indicators on the quality, reliability, and sustainability of utility supply * <sup>Δ</sup>	✓	
Transparency of utility services * <sup>♀</sup>	✓	
Interoperability of utility services *	✓	
Implementation of regulations on safety of utility connections in practice *	✓	
<b>Efficiency (de facto): Efficiency of utility service provision in practice</b>		
Time to obtain electricity, water, and internet connections *		✓
Cost to obtain electricity, water, and internet connections *		✓
Reliability of electricity, water, and internet services * <sup>♀</sup>		✓
<b>4. Labor</b>		
<b>Regulatory framework (de jure): Quality of labor regulations</b>		
Protection of workers' rights <sup>♀</sup>	✓	
Employment protection legislation <sup>♀</sup>	✓	
<b>Public services (de facto): Adequacy of public services for labor</b>		

Enforcement mechanisms *† ♀	✓	
Availability and coverage of social protection † ♀	✓	
Employment services †	✓	
<b>Efficiency (de facto): Efficiency of labor regulations and public services in practice</b>		
Enforcement of workers' rights and compliance with international labor standards	✓	✓
Costs of hiring and dismissal of workers	✓	✓
Efficiency of social protection and public services	✓	✓
<b>5. Financial Services</b>		
<b>Regulatory framework (de jure): Quality of regulations for commercial lending, secured transactions, e-payments, and sustainable financing</b>		
Good regulatory practices for commercial lending	✓	
Good regulatory practices for secured transactions	✓	
Good regulatory practices for e-payments *	✓	
Good regulatory practices for sustainable financing ^	✓	
<b>Public services (de facto): Accessibility of information in credit infrastructure</b>		
Operation of credit bureaus and registries * † ♀	✓	
Operation of collateral registries *	✓	
<b>Efficiency (de facto): Efficiency of receiving financial services in practice</b>		
Time to obtain a loan, register a security interest, and make and receive an e-payment * §		✓
Cost to obtain a loan, register a security interest, and make and receive an e-payment * §		✓
Timeliness of credit information sharing	✓	
Ease of obtaining sustainable finance ^	✓	
<b>6. International Trade</b>		
<b>Regulatory framework (de jure): Quality of regulations for international trade</b>		
Good regulatory practices supporting international trade in goods ♀	✓	
Good regulatory practices supporting international trade in services ♀	✓	
Good regulatory practices supporting digital trade *	✓	
Good regulatory practices supporting sustainable trade ^	✓	

Regulatory restrictions on international trade in goods <sup>△</sup>	✓	
Regulatory restrictions on international trade in services	✓	
Regulatory restrictions on digital trade *	✓	
<b>Public services (de facto): Quality of public services for the facilitation of international trade</b>		
Transparency and availability of information *	✓	
Electronic systems and interoperability of services *	✓	
Risk management	✓	
Border agency programs	✓	
Coordinated border management <sup>△</sup>	✓	
International cooperation and regulatory convergence <sup>△</sup>	✓	
Trade infrastructure	✓	
<b>Efficiency (de facto): Efficiency of importing goods, exporting goods, and engaging in digital trade</b>		
Time to comply with export and import requirements and engage in digital trade * <sup>♀</sup>		✓
Cost to comply with export and import requirements and engage in digital trade * <sup>♀</sup>		✓
Efficiency of risk management system <sup>△</sup>		✓
Efficiency of border agency programs	✓	
<b>7. Taxation</b>		
<b>Regulatory framework (de jure): Quality of regulations on taxation</b>		
Quality of tax regulations <sup>△ † ♀</sup>	✓	
Energy taxes and carbon pricing <sup>△</sup>	✓	
Effective tax and contribution rate	✓	
<b>Public services (de facto): Public services provided by the tax administration</b>		
Electronic systems for tax filing, payment, and assessment * <sup>♀</sup>	✓	
Risk-based audit	✓	
Dispute resolution mechanisms <sup>♀</sup>	✓	
Transparency of tax administration <sup>♀</sup>	✓	
<b>Efficiency (de facto): Efficiency of tax systems in practice</b>		
Time to comply with tax regulations and a generic tax audit <sup>♀</sup>		✓
Use of electronic systems to file and pay taxes *		✓



Use of VAT cash refund mechanisms		✓
<b>8. Dispute Resolution</b>		
<b>Regulatory framework (de jure): Regulatory framework for dispute resolution</b>		
In-court litigation <sup>▲ † ♀</sup>	✓	
Alternative dispute resolution mechanisms †	✓	
<b>Public services (de facto): Public services for dispute resolution</b>		
Institutional framework ♀	✓	
Digitization of the dispute resolution process *	✓	
<b>Efficiency (de facto): Ease of resolving a commercial dispute in practice</b>		
Obstacles to justice		✓
Time for a court trial	✓	
Cost for a court trial	✓	
Recognition and enforcement of decisions	✓	
<b>9. Market Competition</b>		
<b>Regulatory framework (de jure): Quality of regulations that promote market competition</b>		
Quality of competition regulations	✓	
Quality of regulations that promote innovation and transfer of intellectual property rights	✓	
Quality of regulations for bidding for public contracts <sup>▲ ♀</sup>	✓	
<b>Public services (de facto): Adequacy of public services that promote market competition</b>		
Institutional framework and quality of enforcement of competition regulations *	✓	
Institutional framework to support innovation in firms ♀	✓	
Transparency and transactional features in electronic procurement platforms * <sup>▲ ♀</sup>	✓	
<b>Efficiency (de facto): Efficiency in the implementation of key services promoting market competition</b>		
Efficient implementation of the simplified merger review	✓	
Time to award a public contract and pay government contractors and late payment penalties	✓	✓
Market dynamism and competitive behaviors		✓
Entry in government markets ♀		✓
Innovation ♀		✓

Stage in the Firm Life Cycle: Closing (or Reorganizing) a Business		
10. Business Insolvency		
<b>Regulatory framework (de jure): Quality of regulations for insolvency proceedings</b>		
Pre-commencement and commencement of insolvency proceedings	✓	
Management of debtor's assets <sup>△</sup>	✓	
Scope of liquidation and reorganization proceedings *	✓	
Creditor participation <sup>△</sup>	✓	
Insolvency administrator's expertise	✓	
Specialized proceedings for MSEs	✓	
Cross-border insolvency	✓	
<b>Public services (de facto): Quality of institutional and operational infrastructure for insolvency processes</b>		
Specialization of bankruptcy courts or bankruptcy judges	✓	
Court automation *	✓	
Interoperability of services for insolvency proceedings and public availability of information *	✓	
Insolvency administrator's expertise in practice	✓	
<b>Efficiency (de facto): Efficiency of resolving a judicial insolvency proceeding in practice</b>		
Time to resolve an in-court liquidation or reorganization proceeding	✓	✓
Cost to resolve an in-court liquidation or reorganization proceeding	✓	✓

Note: BEE = Business Enabling Environment; MSEs = micro- and small enterprises; VAT = value added tax.

\* Indicator includes data on digital adoption.

<sup>△</sup> Indicator includes data on environmental sustainability.

<sup>□</sup> Indicator includes data on gender.

<sup>†</sup> Indicator includes both de jure and de facto measures.

§ For the time and cost to register a security interest, data will be collected through expert consultations.

### III. IMPLEMENTATION

This section describes key features of the BEE project implementation. While the details will be refined after the Concept Note review, including at the preparatory and piloting phases, this section discusses the planned design of data collection, the project’s budget for the first data collection and reporting cycles, and the corresponding timeline.

#### 1. Sequencing of the Data Cycle

**Frequency and coverage of data collection and reporting.** Although an annual frequency of the full set of indicators might be desirable, given resource constraints, a staggered approach will be adopted for the de facto data collected through Enterprise Surveys. The data will be renewed for about one-third of economies every year in 2024, 2025, and 2026, to cover 180 economies with a population of one hundred thousand or more (see annex III.B). Moreover, as mentioned in section I, conducting yearly firm-level surveys for every economy is not cost-effective because firm-level data are unlikely to change significantly at an annual frequency.

The following sequencing is proposed for the first three report cycles (see also table III.1). This sequencing is necessary to produce a baseline for the complete BEE data set, while allowing the methodology to fully develop. The first three data collection exercises and reports should then be considered the project’s piloting phase.

1. First BEE. The report will be a first application of the methodology and include a full data set (data collected through expert consultations plus data collected through firm-level surveys) for about 60 economies. Publication is planned for April 2024.
2. Second BEE. The report will update the data collected through expert consultations for the economies covered in the previous report and will provide a full data set (data collected through expert consultations plus data collected through firm-level surveys) for about 60 additional economies. Publication is planned for April 2025.
3. Third BEE. The report will update the data collected through expert consultations for the economies covered in the previous reports and will provide a full data set (data collected through expert consultations plus data collected through firm-level surveys) for about 60 economies. Publication is planned for April 2026.

Beyond the third BEE report, data collected through expert consultations will be updated annually for all economies, while data collected through firm-level surveys will be updated once every three years for all economies on a staggered cycle, with about 60 economies each year. In each report cycle, firm-level data from the previous one or two cycles will be used to complete the analysis and calculate scores for economies not included in the current round of firm-level surveys.

**Table III.1. Timeline for Data Collection and the First Three BEE Reports**

	<b>Expert consultations</b>	<b>Firm-level surveys</b>	<b>Publication date</b>
<b>BEE–2024 report</b>	April 2023–Oct. 2023	Feb. 2023–Oct. 2023	April 2024
<i>Economy coverage</i>	<i>about 60 economies</i>	<i>about 60 economies</i>	
<b>BEE–2025 report</b>	April 2024–Oct. 2024	Oct. 2023–Oct. 2024	April 2025
<i>Economy coverage</i>	<i>about 120 economies</i>	<i>about 60 economies</i>	
<b>BEE–2026 report</b>	April 2025–Oct. 2025	Oct. 2024 –Oct. 2025	April 2026
<i>Economy coverage</i>	<i>about 180 economies</i>	<i>about 60 economies</i>	

*Note:* The timeline accounts for data collection time only, not for preparatory work (such as vendor procurement or questionnaire preparation). BEE = Business Enabling Environment.

**Criteria for economy selection:** BEE will initially cover economies with a population of one hundred thousand or more and where the WBG has not suspended its operational activities. To ensure some balance across the first BEE reports, the economies will be selected based on representativeness across regions, income groups, lending status, population size, and fragility, conflict, and violence (FCV) status. The economy selection will also be affected by the time frame feasibility of implementing the Enterprise Surveys, which depends mainly on the economy size, the quality of the sampling frame (such as an updated company registry), and the anticipated level of response rates by firms based on the team’s experience. The latter factor is particularly relevant for the first BEE (calendar years 2023-24) considering that the preparation time for conducting firm-level surveys varies considerably across economies. The BEE team will engage with Country Management Units and governments to plan the participation of their economies over the upcoming data collection cycles and reports. There are advantages and disadvantages for economies to be included in different editions of the first, pilot BEE reports. On the one hand, the economies included in the first BEE report will have some data sooner than the economies included in later reports. On the other hand, the latter will benefit from a more streamlined data collection process and refined methodology.

## **2. Data Collection Approach**

BEE will use two main data collection approaches: expert consultations and firm-level surveys. Expert consultations refer to data collection from experts who regularly deal with the relevant legal arrangements, public services, and institutions providing those services. Firm-level surveys refer to data collection from a representative sample of actual, formal firms. Firm-level surveys are more labor-intensive and costly but yield a rich body of de facto information from a nationally representative sample of firms. Expert consultations, on the other hand, can be significantly less costly because they involve administering structured questionnaires to a small number of expert contributors.

The BEE team will use several corroborating mechanisms for the data collected through expert consultations on regulations and public services: desk research (for example, the reading of laws/regulations, checking of features on public websites); official data (for example, administrative statistics from registries, courts, and other agencies); and data collection missions. To preserve the independence of data collection from governments whose policy and regulatory environments are being measured, BEE will primarily rely on data from experts in the private sector. The criteria and process for the selection of expert contributors will be documented in the *Manual and Guide*. Three to five expert contributors per topic will be consulted in each economy, based on their experience in the regulatory area measured. The pool of expert contributors will be refreshed regularly, as necessary, in light of the team’s assessment of the expert’s performance and the availability of other potential respondents. In addition to BEE’s reliance on experts from the private sector, there will be structured formal opportunities for consultation with government agencies on the data. For example, following a framework to be described in the *Manual and Guide*, governments will have an opportunity to comment on the data published by BEE and to share with the team information on regulatory reforms. BEE will also partner with national statistical offices to identify the universe of firms to be measured in each economy.

Conducting firm surveys as part of BEE data collection will greatly enrich the value of the project. To take advantage of both economies of scale in data collection and the possibility of obtaining essential firm information through a single exercise, BEE firm-level questions will be embedded in the World Bank [Enterprise Surveys](#), conducted by the Enterprise Analysis Unit (DECEA). The expanded Enterprise Surveys will be full-fledged firm-level surveys with a BEE module added on. This will imply wider geographical coverage, as well as a higher and more regular frequency of Enterprise Surveys than in the past, a considerable improvement in this separate but complementary line of work, which will provide a unique and rich array of economic data on around 180,000 firms in about 180 economies. This will also ensure that BEE-relevant indicators are collected together with a full set of relevant firm characteristics, allowing

granular analysis of policies and business conditions at the firm level. Publicly disseminating both BEE and Enterprise Surveys data will offer substantial benefits for client engagement, policy advice, and analytical work in the WBG, and will provide a valuable public good to governments and the wider development community—as no comparable firm survey program with global coverage exists anywhere in the world (box III.1). The BEE team has considered various alternatives to reduce the cost of firm survey data and weighed these against the costs of reduced representativeness and/or control of data collection. For example, in less developed economies, phone interviews or online surveys will only reach larger firms and therefore bias the results. Also, delegating the sample collection to a national statistical office may imply restricted access to the granular data and a lack of control over the sample design and management.

### **Box III.1. About the *Enterprise Surveys***

The World Bank Enterprise Surveys (ES) are a series of comprehensive and comparable firm-level surveys conducted by the Enterprise Analysis Unit (DECEA). Since 2005, the ES have provided data on nearly 180,000 firms in 153 economies, with a predominant focus on WBG client economies. The core of the ES is a collection of standardized questions that are meant to cover a wide range of topics on how firms experience the business environment. These topics are wide-ranging and naturally correspond to many of the topic areas covered by BEE, including information on firms' operations and experiences with the following: infrastructure; licensing and permitting; exporting and importing; dealing with the government; their workforce; and firm-level performance.

While the ES relies on a core module of standardized questions, in the implementation of the surveys on an economy-by-economy basis, an additional set of questions is added to reflect the time- and location-specific realities of the business environment. Typically, up to 60 additional variables can be added to customize the ES (in addition to the approximately 210 core variables, meaning these 60 variables account for just over 20 percent of the questionnaire). As part of the implementation of the BEE, an estimated 50 of these 60 variables will be dedicated to collecting data that will constitute direct inputs into the project. Early rounds of data collection may include more variables, as questions are refined. These variables will be embedded within the core ES module because several areas that are already covered at a general level within the survey will benefit from the additional level of detail required for the BEE project. In addition, the ES methodology and content are currently undergoing an extensive review process through internal WBG consultations (though these may be extended to external experts as well).

By incorporating these changes, firm-level data from the BEE will be available to reflect the de facto experiences of firms. This process will take advantage of the fact that the ES are nationally representative surveys covering the non-extractive private sector economy for all registered firms with five or more employees. In other words, the survey's data coverage is in line with the portion of the private sector that is generally regarded as the target sector of the BEE. It is important to note, however, that the coverage of the ES does not include very small firms with fewer than five employees or unregistered (that is, informal) businesses.

The integration of the ES with the BEE will also have important implications and synergies for both products. While the BEE will gain de facto information that reflects the experiences of a variety of firms across several sectors and size categories, the ES model of data collection will adapt, in turn. Specifically, on average approximately 15 surveys are completed each year for the ES. The demands of the BEE project will require an estimated 60 such surveys be completed annually, including by expanding data collection into several high-income economies not previously covered by the ES. This expanded scale of surveys will benefit from the data implementation and quality control infrastructure within DECEA (which has extensive experience managing external vendors who conduct the data collection), but it will also require increased resources for data collection and staffing for project implementation. The benefit of these synergies, moreover, will not only enrich the BEE data collection exercise, but will also increase the regularity and coverage of the ES.

***Suitability for different indicators.*** Expert consultations are most suitable for indicators measuring the regulatory framework, the features of related public services, and the implementation of regulations and public services for "rare events" (that is, events that do not occur widely or regularly in a firm's life cycle, such as firm entry and exit). Firm-level surveys are most suitable for indicators measuring the de facto implementation of regulations and public services during the operational stages of businesses, including the uptake and engagement with specific practices. Generally, firm-level surveys will be inefficient to gather

information on rare events (for example, company registration, insolvency) or where no variation across firms is expected (for example, official fees that apply equally to different types of firms). Data collected through the two approaches will not overlap but rather will be complementary. BEE aims to collect as much de facto data as possible through firm-level surveys. When firm-level surveys are not suitable for de facto data, estimates based on expert consultations will be used.

**Comparability.** Expert consultations ask experts questions about groups of firms with similar characteristics, allowing for a comparison of these firms' experiences across economies. In some cases, this does not require limiting the range of firms because their regulations and related public services are similar. In other cases, certain parameters (for instance, firm sector and location or type and size of specific transactions) will be defined so that the data collected are grounded in broad-based scenarios with similar characteristics, allowing for comparison across different locations and time. Firm surveys ask respondents questions about their firms and allow for the comparison across economies of the typical experience of actual firms, captured through a representative mean, median, or other similar statistic. This approach has the added benefit of providing information on variability across firms.

**Representativeness/relevance.** When regulations or related public services vary materially by firm characteristics (for instance, firm sector and location or type and size of specific transactions), BEE will seek to gather this information across these various categories. When regulations/public services are common across firms, BEE will also indicate this is the case. For indicators where a specific scenario is required for comparability across economies, representative firm-level data from previous studies may be used to define the characteristics of this scenario (for example, total turnover, number of employees, asset structure, and economic sector). On de facto measurements, firm-level surveys provide more representativeness of the economy than expert consultations. The approach allows capturing the variation in firm-level experiences by their precise characteristics, including ownership, age, size, and sector.

### **3. Preparatory Work and Piloting Phase**

Beyond the BEE Concept Note, the implementation of the project will include two main stages: (1) the preparatory work regarding the design and testing of questionnaires, as well as identifying expert contributors and survey vendors; and (2) the rollout of the pilot, consisting of the first three editions of the data and report, until full economy coverage is achieved. Other tasks will be conducted in parallel to these two main stages, such as the development of a communication and dissemination strategy and the continued consultation process to refine the methodology.

**Preparing and testing questionnaires.** For all ten topics, and in consultation with the relevant WBG teams, the BEE team will design questionnaires for expert consultations, which will be tested—during the second half of calendar year 2022 and the first quarter of 2023—with selected expert contributors in six economies (see annex III.B. for the list of testing economies). Blank and/or prefilled questionnaires (with information from the previous year) will be considered for the pilot and subsequent years. The decision on either type of questionnaire will be based on weighing the advantages of blank questionnaires (helping to remove the potential risk of anchoring bias) against their disadvantages (year-to-year volatility in the data and long survey completion times).

For firm-level surveys, the ES staff will test the formulation of the questions to assess whether they are gathering data as intended (for example, are questions and the concepts they address well understood by respondents?). The testing will be in-depth and will be conducted through test interviews and qualitative debriefs. This preparatory work will occur during Summer and Fall of 2022 in selected economies that (1) provide some level of representativeness by region or income level and (2) allow for ES staff to actively participate in the language of the interview and debrief. The number of interviews (and the selection of the

economies) should allow for each topic module to be tested at least once, with a possibility for multiple rounds (possibly in multiple economies), as required to refine the BEE questions.

***Conducting the procurement process.*** The BEE project will require a major procurement process as it selects vendors to conduct firm-level surveys, and to collect responses from and remunerate expert contributors.

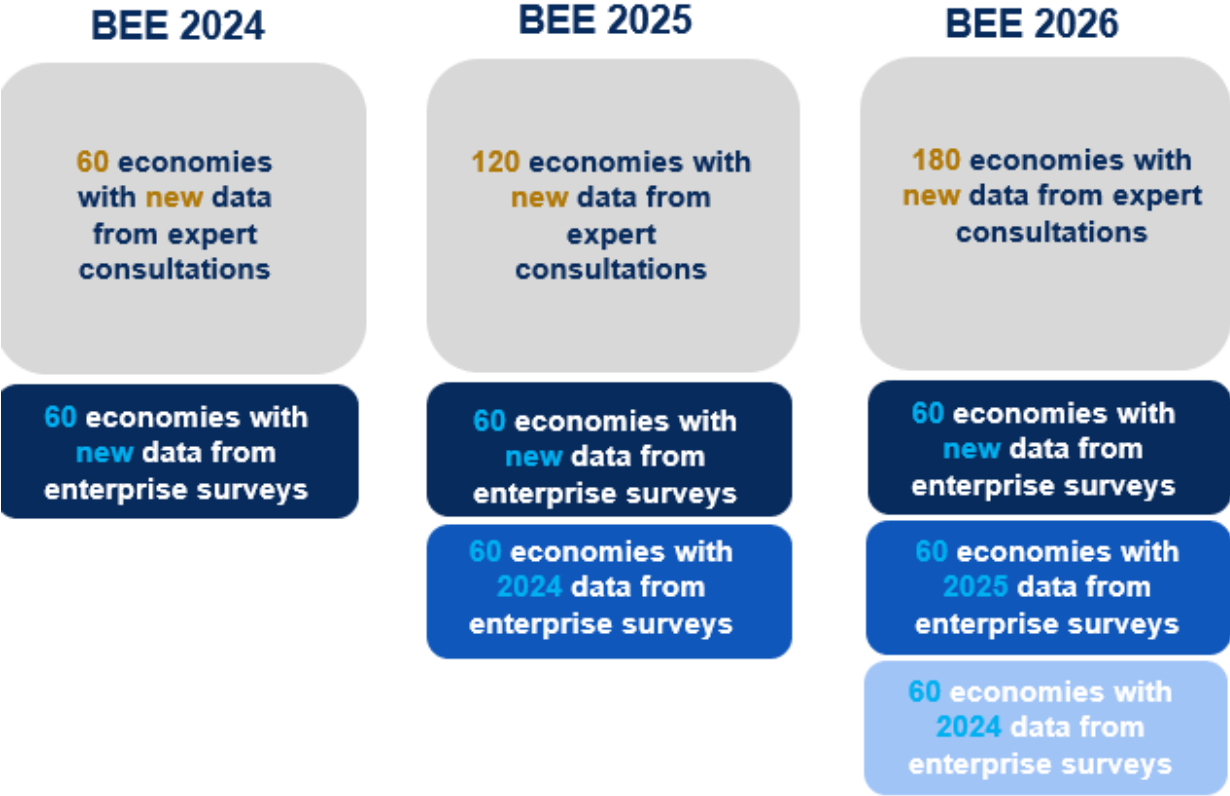
*Selection of vendors to collect responses from and remunerate expert contributors:* Consultations will take place with professionals who regularly deal with the relevant legal arrangements, public services, and institutions providing those services locally, in each of the areas measured (annex IIIA). Depending on the topic and the regulatory area covered, these local experts will include professionals such as accountants, architects, engineers, lawyers, and notaries. BEE will select respondents from a pool of potential local experts identified through World Bank Country Offices, referrals by independent professional bodies and specialized vendors, peer referrals, and desk research. BEE will provide qualification requirements in the *Manual and Guide* for each type of contributors/professionals to be consulted. Screening questions will help guarantee independence and sort qualified respondents based on their regular contact with the local and national regulatory and administrative systems and their recent experiences undertaking the public services studied. Vendors will collect responses from the experts and remunerate them for their contributions. They will be selected through WBG procurement through a competitive bidding process.

*Selection of vendors for Enterprise Surveys:* The selection of vendors for Enterprise Surveys will occur through WBG procurement through a competitive bidding process, unless a single-source selection or a contract modification is appropriate, as may be the case in economies where a firm-level survey is underway or has been recently completed. This bidding process will build upon the in-place processes of the Enterprise Surveys program, including adapting Terms of Reference and evaluation criteria for vendors.

***Rollout of the pilot.*** Considering how new the project is, the first three editions of BEE will be considered as the project's pilot. Thus, the first three data collection exercises and corresponding reports will be used to bring the BEE methodology to maturity. The rollout of the first BEE reports will be conducted as explained earlier, in section III.1, and shown graphically in figure III.1.



**Figure III.1. Gradual Expansion of Coverage and Methodological Refinements during BEE Rollout**



Source: BEE team.

Note: The number of countries in each of the BEE reports is approximate and tentative.

**Continued consultation process.** Beyond the CN phase, the BEE team is setting up a process for internal consultations with experts in each topic area from the WBG regions, Global Practices, IFC, MIGA, and other corporate units. This consultation process will be particularly active as the project moves toward implementation of the proposed framework (including questionnaire design and testing, and selection of expert contributors). Moreover, the Bank-wide review process for the pilot BEE reports, as well as the full publication of the questionnaires administered to expert contributors, will serve to solicit feedback from the rest of the WBG to refine the methodology, which in turn will be used to improve the subsequent editions of the BEE report.

**Communication and dissemination strategy.** During the pilot phase, a communication and dissemination strategy will be developed to clearly convey what BEE aims to assess, its limitations, and how the data should be interpreted. The strategy will aim to explain in a clear manner the features and methodology of the BEE framework, as well as its relevance and applicability for key economy groupings (such as IDA economies and FCV economies). Development practitioners and experts will be the main audience for the strategy. The strategy will also be used to inform and engage with Board members.

Different means of communication and tools will be used to reach different audiences. To explain the main elements of the project to the general public, the team plans to prepare notes summarizing the project, write blogs and op-eds on specific topics, present at conferences and academic events, and conduct dialogue with civil society. The team will engage with WBG colleagues to implement a dissemination strategy that is

conducive to country engagement and will ask External and Corporate Relations (ECR) colleagues for guidance and support. At a more granular level, the team will liaise with experts engaged in regulatory reforms to conduct workshops (see table III.2.) and provide in-depth explanations of the methodology, in support of technical assistance in the areas covered by the project. While the team will work with colleagues across the WBG to ensure that BEE has the greatest possible impact, there will be an appropriate degree of separation and specialization for data collection and advisory tasks.

**Staffing and team composition.** The skills assessment for the BEE project will take into consideration each topic’s scope, data collection needs, and methodology. All topics will require a combination of skills; ideally, teams will include a combination of professionals trained in law, economics, statistics, and public policy. Every team will require at least one person trained in economics or statistics to conduct analytical work; this will be particularly relevant for topics collecting data through firm-level surveys. Professionals with a legal background will also play a key role because most topics require the analysis of laws and regulations. Certain topics will require members with specialized technical knowledge (for example, the indicator set on Taxation will require team members trained in tax accounting). Team members trained in public policy would be desirable for topics that assess broader policy areas, such as those falling under the Market Competition indicator set.

There will be some differences in skill requirements across topics. For example, topics that heavily involve the analysis of the regulatory framework—including laws, jurisprudence, and understanding of court functions—will require team members with a legal background (for example, the Dispute Resolution indicators assess good regulatory practices of in-court commercial litigation processes). Topics that involve expert consultations on procedural aspects will need members with training in economics and strong data management skills (for example, the Utility Connections indicators assess de facto measures on the provision of utility services, such as frequency of outages). Areas in which data are collected through firm-level surveys (for example, the International Trade indicators assess the time and cost for an experienced businesses to trade on the ground) will benefit from members with strong statistical skills and experience working with micro data and software (such as R or Stata). The members of the current BEE team have most of the skills needed to undertake the project, though marginal staffing adjustments may be necessary as BEE enters the piloting stage.

In addition to these professional backgrounds, every topic will require at least one topic leader with project management skills to organize each team’s work. The management team will include a Manager and a group of supervisors—who will oversee the work of the topic teams—working under the general guidance of the DECIG Director.

#### 4. Timeline

DECIG plans to produce and deliver the first BEE report by April 2024. The timeline for the first BEE is guided by this target. Table III.2 and annex IIIC present the milestones in this process. DECIG expects subsequent reports to be released on a yearly basis.

The team acknowledges the challenges BEE may face—given the new data collection process to be applied at a large scale, including in challenging environments such as FCV countries, and for new indicators—and expects that the first three reports will be used to refine the methodology.

**Table III.2. Detailed Timeline for the First Three Editions of the BEE Report**

<b>a. BEE Concept Note</b>	
April 27, 2022	OVP Meeting on the BEE Concept Note (CN)
June 2, 2022	MVP Meeting on the revised BEE Concept Note

June 6-17, 2022	OVP Virtual Review of revised BEE Concept Note
June 28, 2022	CN submitted to the Board (through Corporate Secretariat)
October 4, 2022	Revised CN submitted to the Board (through Corporate Secretariat)
October 27, 2022	Concept Note discussion with the Board
October 2022-January 2023	Consultations with the Advisory Group on Indicator Scoring Survey Specialist Review of Expert Questionnaires
<b>b. Implementation Preparation</b>	
July 2022-April 2023	Consultation Process with regions, practice groups, IFC, and MIGA
	Develop communication strategy
	Test BEE questions for firm-level surveys
	Test questions for expert questionnaires in six economies
	Confirm selection of the economies to be included in the first three editions of the BEE report
	Conduct procurement process: Select vendors for firm-level surveys and to administer remuneration to expert respondents in about 60 economies
	Decide sampling frame for firm-level surveys
	Finalize survey instruments
Produce Methodological Guide to explain BEE's framework and approach and present full questionnaires and scoring details	
Produce BEE Manual & Guide	
<b>c. First BEE Report and Full Data Set for about 60 Economies</b>	
<i>Throughout 2023</i>	<i>Periodic technical seminars with the Board</i>
February 2023	Start data collection through firm-level surveys
January-April 2023	Identify expert contributors in about 60 economies Finalize expert questionnaires
April 2023	Conduct workshops on BEE methodology
April 2023	Start data collection through expert questionnaires
October 2023	Complete data collection for both firm-level surveys and expert questionnaires
September-December 2023	Analyze data and draft report
January 2024	Bank-wide review (BWR) of first BEE dataset and report
March-April 2024	Share data and report post BWR with Bank and Board members Launch of the first edition of the BEE data and report
<b>d. Second BEE Report and Full Data Set for about 120 Economies<sup>a</sup></b>	
June-September 2023	Confirm selection of about 60 additional economies to be included in the second edition of the BEE report
	Conduct procurement process: Select vendors for firm-level surveys and to administer remuneration to expert respondents in about 60 additional economies
	Decide sampling frame for firm-level surveys
	Prepare survey instruments
October 2023	Start data collection through firm-level surveys
January-March 2024	Identify expert contributors in about 60 additional economies Finalize expert questionnaires
April 2024	Start data collection through expert questionnaires

October 2024	Complete data collection for firm-level surveys in about 60 additional economies and expert questionnaires in about 120 economies
September-December 2024	Analyze data and draft report
January 2025	BWR of second BEE dataset and report
March-April 2025	Share data and report post BWR with Bank and Board members Launch of the second edition of the BEE data and report
<b>e. Third BEE Report and Full Data Set for 180 Economies<sup>b</sup></b>	
June-September 2024	Confirm selection of about 60 additional economies to be included in the third edition of the BEE report
	Conduct procurement process: Select vendors for firm-level surveys and to administer remuneration to expert respondents in about 60 additional economies
	Decide sampling frame for firm-level surveys
	Prepare survey instruments
October 2024	Start data collection through firm-level surveys
January-March 2025	Identify expert contributors in about 60 additional economies Finalize expert questionnaires
April 2025	Start data collection through expert questionnaires
October 2025	Complete data collection for firm-level surveys in about 60 additional economies and expert questionnaires in about 180 economies
September-December 2025	Analyze data and draft report
January 2026	BWR of third BEE dataset and report
March-April 2026	Share data and report post BWR with Bank and Board members Launch of the third edition of the BEE data and report

*Note:* BEE = Business Enabling Environment; BWR = Bank-wide review; CN = Concept Note; IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency; MVP = Matrix Vice Presidents; OVP = Vice Presidents Operations.

a. The report will update the data collected through expert consultations for the economies covered in the previous report and will provide a full data set (data collected through expert consultations + data collected through firm-level surveys) for about 60 additional economies.

b. The report will update the data collected through expert consultations for the economies covered in the previous report and will provide a full data set (data collected through expert consultations + data collected through firm-level surveys) for the remaining economies.

## Annex IIIA. Main Expert Contributors per Topic

**Table IIIA.1. Experts in the Private and Public Sectors**

<b>Topics</b>	<b>Private sector experts</b>	<b>Public sector experts</b>
<b>Business Entry</b>	Incorporation lawyers, notaries, accountants, tax advisors	Business registries
<b>Business Location</b>	Property lawyers, notaries, architects, engineers	Land registries; municipalities; public entities dealing with building permitting processes, green building regulations, and environmental clearances
<b>Utility Connections</b>	Construction companies; contractors; engineers; electricians; lawyers with knowledge of construction, energy, and telecommunication sectors; utility and internet providers	Energy, water, and telecommunication regulatory authorities; electricity and water utilities; telecommunications operators
<b>Labor</b>	Labor lawyers	Labor authorities, labor inspectors, social security offices, employment agencies, labor unions, unemployment insurance offices
<b>Financial Services</b>	Financial experts, financial lawyers, sustainability and environmental consultants, lending institutions, payment service providers, credit bureaus	Public registries (collateral and credit registries); banking and financial supervision authorities and regulators (central banks, capital market authorities, credit control and supervision authorities)
<b>International Trade</b>	Trade lawyers, trade consultants, e-commerce/digital trade experts and lawyers, customs brokers, clearing agents, freight forwarders, shipping agents, shipping lines, port terminals	Customs agencies and other border control agencies, as well as port authorities
<b>Taxation</b>	Accountants, tax consulting firms and advisors, tax lawyers	Tax administration and revenue authorities
<b>Dispute Resolution</b>	Civil and commercial litigation lawyers, enforcement agents, arbitration and mediation (ADR) lawyers, ADR institutions	Judges, court clerks, ministry of justice officials, enforcement agents, ADR institutions
<b>Market Competition</b>	Lawyers with knowledge of antitrust, merger control, and/or public procurement, and/or intellectual property rights; chambers of commerce	Competition authorities, central procurement agencies, procuring entities, intellectual property registration office, innovation agency
<b>Business Insolvency</b>	Insolvency and/or corporate lawyers, insolvency practitioners/representatives, auctioneers	Insolvency and commercial judges, court clerks, insolvency trustees, relevant authorities, auctioneers, official receivers

## Annex IIIB. Geographical Coverage of the First Three BEE Reports

The country composition in the first three BEE reports seeks to balance regional and income-level representativeness with the logistics of data collection, including the ease and cost of implementation of Enterprise Surveys. There is no straightforward advantage or disadvantage to countries being in one round versus another. In fact, there are pros and cons of participating either earlier or later in the project. Earlier participation will bring data faster for potential attention and action, while later participation will bring a more refined methodology and a broader country coverage for enhanced benchmarking.

**Table IIIB.1. Potential Number of Economies in the First Three Editions of the BEE Report**

	Expert consultations	Firm-level surveys
<b>BEE – First edition</b>	55 economies	55 economies
<b>BEE – Second edition</b>	117 economies	62 economies
<b>BEE – Third edition</b>	180 economies	63 economies

*Note:* These economies include those with a population of one hundred thousand or more and where the WBG has not suspended its operational activities. Due to a variety of reasons (including WBG suspension of operations, lack of safety guarantees, obstacles to transparency and integrity of information, and intractable logistic impediments), not all these economies may be included in the BEE project. The target of total coverage of the BEE project is currently 180 economies.

**Table IIIB.2. List of Economies Proposed for Inclusion in the First Three Editions of the BEE Report**

Economies in tables A, B, and C are listed alphabetically by region. It may not be feasible to include all economies listed. It is expected that each of the first three BEE reports will add between 50 to 60 economies.

### A – First edition

	Economy	Region	Income level	Lending status	FCV flag*
1	Cambodia	EAP	Lower-Middle Income	IDA	
2	Hong Kong SAR, China	EAP	High Income		
3	Indonesia	EAP	Lower-Middle Income	IBRD	
4	Philippines	EAP	Lower-Middle Income	IBRD	
5	Samoa	EAP	Lower-Middle Income	IDA	
6	Singapore**	EAP	High Income		
7	Timor-Leste	EAP	Lower-Middle Income	BLEND	I&SF
8	Vanuatu	EAP	Lower-Middle Income	IDA	
9	Vietnam	EAP	Lower-Middle Income	IBRD	
10	Bosnia and Herzegovina	ECA	Upper-Middle Income	IBRD	
11	Bulgaria	ECA	Upper-Middle Income	IBRD	
12	Croatia	ECA	High Income	IBRD	
13	Georgia	ECA	Upper-Middle Income	IBRD	
14	Kyrgyz Republic	ECA	Lower-Middle Income	IDA	
15	Montenegro	ECA	Upper-Middle Income	IBRD	
16	North Macedonia	ECA	Upper-Middle Income	IBRD	
17	Romania**	ECA	High Income	IBRD	
18	Barbados	LAC	High Income		

	<b>Economy</b>	<b>Region</b>	<b>Income level</b>	<b>Lending status</b>	<b>FCV flag*</b>
19	Colombia	LAC	Upper-Middle Income	IBRD	
20	Costa Rica	LAC	Upper-Middle Income	IBRD	
21	El Salvador	LAC	Lower-Middle Income	IBRD	
22	Jamaica	LAC	Upper-Middle Income	IBRD	
23	Mexico**	LAC	Upper-Middle Income	IBRD	
24	Paraguay	LAC	Upper-Middle Income	IBRD	
25	Peru	LAC	Upper-Middle Income	IBRD	
26	Iraq	MENA	Upper-Middle Income	IBRD	C
27	Jordan**	MENA	Upper-Middle Income	IBRD	
28	Morocco	MENA	Lower-Middle Income	IBRD	
29	United Arab Emirates	MENA	High Income		
30	West Bank and Gaza	MENA	Lower-Middle Income		I&SF
31	Estonia	OECD	High Income		
32	Greece	OECD	High Income		
33	Hungary	OECD	High Income		
34	Israel	OECD	High Income		
35	New Zealand	OECD	High Income		
36	Portugal	OECD	High Income		
37	Slovak Republic	OECD	High Income		
38	Nepal**	SAR	Lower-Middle Income	IDA	
39	Pakistan	SAR	Lower-Middle Income	BLEND	
40	Sri Lanka	SAR	Lower-Middle Income	IBRD	
41	Angola	SSA	Lower-Middle Income	IBRD	
42	Botswana	SSA	Upper-Middle Income	IBRD	
43	Central African Republic	SSA	Low Income	IDA	C
44	Chad	SSA	Low Income	IDA	I&SF
45	Côte d'Ivoire	SSA	Lower-Middle Income	IDA	
46	Gambia, The	SSA	Low Income	IDA	
47	Ghana**	SSA	Lower-Middle Income	IDA	
48	Lesotho	SSA	Lower-Middle Income	IDA	
49	Madagascar	SSA	Low Income	IDA	
50	Mauritius	SSA	Upper-Middle Income	IBRD	
51	Rwanda	SSA	Low Income	IDA	
52	Seychelles	SSA	High Income	IBRD	
53	Sierra Leone	SSA	Low Income	IDA	
54	Tanzania	SSA	Lower-Middle Income	IDA	
55	Togo	SSA	Low Income	IDA	

Note: \*\* Economies planned to be included in the expert questionnaire testing phase of the BEE project.

## **B – Second edition: economies added to those in the first edition**

	<b>Economy</b>	<b>Region</b>	<b>Income level</b>	<b>Lending status</b>	<b>FCV flag*</b>
1	China	EAP	Upper-Middle Income	IBRD	
2	Kiribati	EAP	Lower-Middle Income	IDA	
3	Lao PDR	EAP	Lower-Middle Income	IDA	
4	Malaysia	EAP	Upper-Middle Income	IBRD	
5	Micronesia, Fed. Sts.	EAP	Lower-Middle Income	IDA	I&SF
6	Papua New Guinea	EAP	Lower-Middle Income	BLEND	I&SF
7	Taiwan, China	EAP	High Income		
8	Tonga	EAP	Upper-Middle Income	IDA	
9	Armenia	ECA	Upper-Middle Income	IBRD	
10	Azerbaijan	ECA	Upper-Middle Income	IBRD	
11	Cyprus	ECA	High Income		
12	Kazakhstan	ECA	Upper-Middle Income	IBRD	
13	Moldova	ECA	Upper-Middle Income	IBRD	
14	Serbia	ECA	Upper-Middle Income	IBRD	
15	Tajikistan	ECA	Lower-Middle Income	IDA	
16	Türkiye	ECA	Upper-Middle Income	IBRD	
17	Turkmenistan	ECA	Upper-Middle Income	IBRD	
18	Uzbekistan	ECA	Lower-Middle Income	BLEND	
19	Antigua and Barbuda	LAC	High Income	IBRD	
20	Brazil	LAC	Upper-Middle Income	IBRD	
21	Dominican Republic	LAC	Upper-Middle Income	IBRD	
22	Ecuador	LAC	Upper-Middle Income	IBRD	
23	Grenada	LAC	Upper-Middle Income	BLEND	
24	Panama	LAC	High Income	IBRD	
25	St. Vincent and the Grenadines	LAC	Upper-Middle Income	BLEND	
26	Trinidad and Tobago	LAC	High Income	IBRD	
27	Uruguay	LAC	High Income	IBRD	
28	Algeria	MENA	Lower-Middle Income	IBRD	
29	Kuwait	MENA	High Income		
30	Malta	MENA	High Income		
31	Oman	MENA	High Income		
32	Tunisia	MENA	Lower-Middle Income	IBRD	
33	Australia	OECD	High Income		
34	Belgium	OECD	High Income		
35	Canada	OECD	High Income		
36	Czechia	OECD	High Income		
37	Iceland	OECD	High Income		
38	Ireland	OECD	High Income		
39	Italy	OECD	High Income		



	<b>Economy</b>	<b>Region</b>	<b>Income level</b>	<b>Lending status</b>	<b>FCV flag*</b>
40	Korea, Rep.	OECD	High Income		
41	Latvia	OECD	High Income		
42	Poland	OECD	High Income	IBRD	
43	Slovenia	OECD	High Income		
44	Spain	OECD	High Income		
45	Sweden	OECD	High Income		
46	United Kingdom	OECD	High Income		
47	United States	OECD	High Income		
48	Bhutan	SAR	Lower-Middle Income	IDA	
49	Benin	SSA	Lower-Middle Income	IDA	
50	Burkina Faso	SSA	Low Income	IDA	C
51	Cabo Verde	SSA	Lower-Middle Income	BLEND	
52	Cameroon	SSA	Lower-Middle Income	BLEND	C
53	Congo, Dem. Rep.	SSA	Low Income	IDA	C
54	Congo, Rep.	SSA	Lower-Middle Income	BLEND	I&SF
55	Equatorial Guinea	SSA	Upper-Middle Income	IBRD	
56	Eswatini	SSA	Lower-Middle Income	IBRD	
57	Kenya	SSA	Lower-Middle Income	BLEND	
58	Mali	SSA	Low Income	IDA	C
59	Namibia	SSA	Upper-Middle Income	IBRD	
60	Senegal	SSA	Lower-Middle Income	IDA	
61	Somalia	SSA	Low Income	IDA	C
62	South Sudan	SSA	Low Income	IDA	C

**C – Third edition: economies added to those in the first and second editions**

	<b>Economy</b>	<b>Region</b>	<b>Income level</b>	<b>Lending status</b>	<b>FCV flag*</b>
1	Brunei Darussalam	EAP	High Income		
2	Fiji	EAP	Upper-Middle Income	BLEND	
3	Mongolia	EAP	Lower-Middle Income	IBRD	
4	Myanmar	EAP	Lower-Middle Income	IDA	C
5	Solomon Islands	EAP	Lower-Middle Income	IDA	I&SF
6	Thailand	EAP	Upper-Middle Income	IBRD	
7	Albania	ECA	Upper-Middle Income	IBRD	
8	Kosovo	ECA	Upper-Middle Income	IDA	I&SF
9	Ukraine	ECA	Lower-Middle Income	IBRD	C
10	Argentina	LAC	Upper-Middle Income	IBRD	
11	Bahamas, The	LAC	High Income		
12	Belize	LAC	Upper-Middle Income	IBRD	
13	Bolivia	LAC	Lower-Middle Income	IBRD	
14	Guatemala	LAC	Upper-Middle Income	IBRD	

	<b>Economy</b>	<b>Region</b>	<b>Income level</b>	<b>Lending status</b>	<b>FCV flag*</b>
15	Guyana	LAC	Upper-Middle Income	IDA	
16	Haiti	LAC	Lower-Middle Income	IDA	I&SF
17	Honduras	LAC	Lower-Middle Income	IDA	
18	Nicaragua	LAC	Lower-Middle Income	IDA	
19	St. Lucia	LAC	Upper-Middle Income	BLEND	
20	Suriname	LAC	Upper-Middle Income	IBRD	
21	Bahrain	MENA	High Income		
22	Djibouti	MENA	Lower-Middle Income	IDA	
23	Egypt, Arab Rep.	MENA	Lower-Middle Income	IBRD	
24	Iran, Islamic Rep.	MENA	Lower-Middle Income	IBRD	
25	Lebanon	MENA	Lower-Middle Income	IBRD	I&SF
26	Libya	MENA	Upper-Middle Income	IBRD	I&SF
27	Qatar	MENA	High Income		
28	Saudi Arabia	MENA	High Income		
29	Yemen, Rep.	MENA	Low Income	IDA	C
30	Austria	OECD	High Income		
31	Chile	OECD	High Income	IBRD	
32	Denmark	OECD	High Income		
33	Finland	OECD	High Income		
34	France	OECD	High Income		
35	Germany	OECD	High Income		
36	Japan	OECD	High Income		
37	Lithuania	OECD	High Income		
38	Luxembourg	OECD	High Income		
39	Netherlands	OECD	High Income		
40	Norway	OECD	High Income		
41	Switzerland	OECD	High Income		
42	Bangladesh	SAR	Lower-Middle Income	IDA	
43	India	SAR	Lower-Middle Income	IBRD	
44	Maldives	SAR	Upper-Middle Income	IDA	
45	Burundi	SSA	Low Income	IDA	I&SF
46	Comoros	SSA	Lower-Middle Income	IDA	I&SF
47	Eritrea	SSA	Low Income	IDA	I&SF
48	Ethiopia	SSA	Low Income	IDA	C
49	Gabon	SSA	Upper-Middle Income	IBRD	
50	Guinea	SSA	Low Income	IDA	
51	Guinea-Bissau	SSA	Low Income	IDA	I&SF
52	Liberia	SSA	Low Income	IDA	
53	Malawi	SSA	Low Income	IDA	
54	Mauritania	SSA	Lower-Middle Income	IDA	

	<b>Economy</b>	<b>Region</b>	<b>Income level</b>	<b>Lending status</b>	<b>FCV flag*</b>
55	Mozambique	SSA	Low Income	IDA	C
56	Niger	SSA	Low Income	IDA	C
57	Nigeria	SSA	Lower-Middle Income	BLEND	C
58	São Tomé and Príncipe	SSA	Lower-Middle Income	IDA	
59	South Africa	SSA	Upper-Middle Income	IBRD	
60	Sudan	SSA	Low Income	IDA	I&SF
61	Uganda	SSA	Low Income	IDA	
62	Zambia	SSA	Low Income	IDA	
63	Zimbabwe	SSA	Lower-Middle Income	BLEND	C
	<i>Afghanistan</i> <sup>†</sup>	<i>SAR</i>	<i>Low Income</i>	<i>IDA</i>	<i>C</i>
	<i>Belarus</i> <sup>†</sup>	<i>ECA</i>	<i>Upper-Middle Income</i>	<i>IBRD</i>	
	<i>Russian Federation</i> <sup>†</sup>	<i>ECA</i>	<i>Upper-Middle Income</i>	<i>IBRD</i>	
	<i>Syrian Arab Republic</i> <sup>†</sup>	<i>MENA</i>	<i>Low Income</i>	<i>IDA</i>	<i>C</i>
	<i>Venezuela, RB</i> <sup>†</sup>	<i>LAC</i>		<i>IBRD</i>	<i>I&amp;SF</i>

Note: \*FCV flag includes “C” (Conflict) and “I&SF” (Institutional and social fragility). † Country where the WBG has suspended operational activities and, therefore, is not in the current planned BEE rollout.

**Table IIB.3. Tentative Representation of Economies in the First Three Editions of the BEE Report for Various Categories**

Representative category		<b>First edition of the BEE report</b>	<b>Second edition of the BEE report</b>	<b>Third edition of the BEE report</b>
<i>Potential number of economies</i>		<i>55</i>	<i>117</i>	<i>180</i>
Region	SSA	27%	25%	27%
	EAP	16%	15%	13%
	LAC	15%	15%	16%
	MENA	9%	9%	11%
	SAR	5%	3%	4%
	ECA	15%	15%	12%
	OECD	13%	19%	19%
Income level	High	25%	32%	31%
	Low	13%	10%	14%
	Lower middle	35%	30%	29%
	Upper middle	27%	27%	26%
FCV		9%	11%	17%
Lending group	IDA	29%	25%	31%
	IBRD	45%	40%	36%
	BLEND	4%	9%	8%
	NON-CLIENT	22%	26%	26%

**Annex IIIC. Gantt Chart for the First Three Editions of the BEE Report**

**Table IIIC.1. Gantt Chart for Key Milestones for BEE Concept Note, Implementation Preparation, and First BEE Report**

Key Milestones	2022							2023												2024				
	06	07	08	09	10	11	12	01	02	03	04	05	06	07	08	09	10	11	12	01	02	03	04	
<b>a. BEE Concept Note</b>																								
MVP Meeting on the revised BEE Concept Note																								
OVP Virtual Review of revised BEE Concept Note	█																							
CN submitted to the Board (through Corporate Secretariat)																								
Revised CN submitted to the Board (through Corporate Secretariat)																								
Concept Note discussion with the Board																								
Consultations with the Advisory Group on Indicator Scoring					█	█	█	█																
Survey Specialist Review of Expert Questionnaires					█	█	█	█																
<b>b. Implementation Preparation</b>																								
Consultation Process with regions, practice groups, IFC, and MIGA		█	█	█	█	█	█	█	█	█	█	█	█	█										
Develop communication strategy		█	█	█	█	█	█	█	█	█	█	█	█	█										
Test BEE questions for firm-level surveys; Test questions for expert questionnaires in six economies		█	█	█	█	█	█	█	█	█	█	█	█	█										
Confirm selection of the economies to be included in the first three editions of the BEE report		█	█	█	█	█	█	█	█	█	█	█	█	█										
Conduct procurement process: Select vendors for firm-level surveys and to administer remuneration to expert respondents in about 60 economies		█	█	█	█	█	█	█	█	█	█	█	█	█										

Key Milestones	2022						2023												2024				
	06	07	08	09	10	11	12	01	02	03	04	05	06	07	08	09	10	11	12	01	02	03	04
Decide sampling frame for firm-level surveys		█	█	█	█	█	█	█	█	█	█												
Finalize survey instruments		█	█	█	█	█	█	█	█	█	█												
Produce Methodological Guide to explain BEE's framework and approach and present full questionnaires and scoring details		█	█	█	█	█	█	█	█	█	█												
Produce BEE Manual & Guide		█	█	█	█	█	█	█	█	█	█												
<b>c. First BEE Report and Full Data Set for about 60 Economies</b>																							
<i>Periodic technical seminars with the Board</i>								█	█	█	█	█	█	█	█	█	█	█	█	█			
Identify expert contributors in about 60 economies; Finalize expert questionnaires								█	█	█	█												
Data collection through firm-level surveys									█	█	█	█	█	█	█	█	█	█	█				
Conduct workshops on BEE methodology											█												
Data collection through expert questionnaires											█	█	█	█	█	█	█	█					
Analyze data and draft report																█	█	█	█				
Bank-wide review (BWR) of first BEE dataset and report																				█			
Share data and report post BWR with Bank and Board members																						█	█
Launch of the first edition of the BEE data and report																						█	█

Note: BEE = Business Enabling Environment; BWR = Bank-wide review; CN = Concept Note; IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency; MVP = Matrix Vice Presidents; OVP = Vice Presidents Operations.

**Table IIC.2. Gantt Chart for Key Milestones for Second BEE Report**

Key Milestones	2023						2024												2025				
	06	07	08	09	10	11	12	01	02	03	04	05	06	07	08	09	10	11	12	01	02	03	04
<b>Second BEE Report and Full Data Set for about 120 Economies</b>																							
Confirm selection of about 60 additional economies to be included in the second edition of the BEE report	■	■	■	■																			
Conduct procurement process: Select vendors for firm-level surveys and to administer remuneration to expert respondents in about 60 additional economies	■	■	■	■																			
Decide sampling frame for firm-level surveys	■	■	■	■																			
Prepare survey instruments	■	■	■	■																			
Data collection through firm-level surveys in about 60 additional economies					■	■	■	■	■	■	■	■	■	■	■	■	■						
Identify expert contributors in about 60 additional economies								■	■	■													
Finalize expert questionnaires								■	■	■													
Data collection through expert questionnaires in about 120 economies											■	■	■	■	■	■	■						
Analyze data and draft report																	■	■	■	■			
BWR of second BEE dataset and report																				■			
Share data and report post BWR with Bank and Board members																						■	■
Launch of the second edition of the BEE data and report																						■	■

*Note:* BEE = Business Enabling Environment; BWR = Bank-wide review; CN = Concept Note; IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency; MVP = Matrix Vice Presidents; OVP = Vice Presidents Operations.

**Table IIC.3. Gantt Chart for Key Milestones for Third BEE Report**

Key Milestones	2024							2025												2026			
	06	07	08	09	10	11	12	01	02	03	04	05	06	07	08	09	10	11	12	01	02	03	04
<b>Third BEE Report and Full Data Set for 180 Economies</b>																							
Confirm selection of about 60 additional economies to be included in the third edition of the BEE report	■	■	■	■																			
Conduct procurement process: Select vendors for firm-level surveys and to administer remuneration to expert respondents in about 60 additional economies	■	■	■	■																			
Decide sampling frame for firm-level surveys	■	■	■	■																			
Prepare survey instruments	■	■	■	■																			
Data collection through firm-level surveys in about 60 additional economies					■	■	■	■	■	■	■	■	■	■	■	■	■						
Identify expert contributors in about 60 additional economies								■	■	■													
Finalize expert questionnaires								■	■	■													
Data collection through expert questionnaires in 180 economies											■	■	■	■	■	■	■						
Analyze data and draft report																	■	■	■	■			
BWR of third BEE dataset and report																				■			
Share data and report post BWR with Bank and Board members																						■	■
Launch of the third edition of the BEE data and report																						■	■

*Note:* BEE = Business Enabling Environment; BWR = Bank-wide review; CN = Concept Note; IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency; MVP = Matrix Vice Presidents; OVP = Vice Presidents Operations.

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