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Fraudulent intervention by China and Saudi Arabia suspended World Bank's Doing Business Report



On September 16th, 2021, the World Bank announced that it would suspend to publish the annual 'Doing Business Report'¹. 'Doing Business Report' ranks the business environment of nearly 200 countries and/or regions in the world. The report is a genuine guide book to know the ease of doing business in any country or region. It is widely utilized in the world business. Usually, the report is published in December every year. I have been blogging since 2008². However, I, the author, was wondered that why 2021 edition was delayed for more than half a year since December, 2020. At last, the World Bank recently announced that it would not publish 2021

edition. It also released the report of an internal investigation by an external law firm, WILMER HALE³.

Overview of data irregularities

According to the WILMER HALE's investigation on the World Bank, China which was supposed to be ranked lower than the previous year in the 2018 edition urged the executive management of the World Bank to review the rank and ask them to falsify some data to keep the same rank as the previous year. The report states that the current Managing Director of the IMF, Kristalina Georgiewa, who was then the CEO of the World Bank, was directly involved.

In the 2020 edition to be published in December 2019, Saudi Arabia expressed strong dissatisfaction that Jordan was the top country with a high degree of environmental improvement and Saudi Arabia as the second. The ranking of Jordan and Saudi Arabia has been changed in reverse. It is also concluded that the data for UAE and Azerbaijan have been modified.

Changes in the ranking of China and Saudi Arabia from 2016 to 2020

World rankings of China and Saudi Arabia in the Doing Business Report 2016 to 2020 has changed as follows;



Rankings of China was 90th in 2016. After that the rankings went up to 78th in 2017, the same figure in 2018, 46th in 2019, and 31st in 2020 respectively. The original figure of 2018 was supposed to be lower than that of 2017. But as mentioned above, it has been kept the same

ranking as the previous year. The reason was attributed to strong complaints by China. After 2018, the rankings of China rose significantly in 2019 and 2020. The business environment in 2020 has improved to almost the same level as Japan, which was 29th.

In case of Saudi Arabia, it was the 82nd place in 2016. From 2017 to 2019 the rankings were sluggish below 90. Suddenly it rose to 62nd place in 2020. As mentioned above, Saudi Arabia and Jordan have been swapped the assessment of environmental improvement in 2020. The ranking of Saudi Arabia has risen significantly by the data irregularity. Among 190 countries and/or regions, Saudi Arabia had been in the middle of the world till 2019. But it is now in the top third group.

Both China and Saudi Arabia gained significant high ranking in or after the year in which the data irregularity was taken place.

Behind the fraudulent intervention

Doing Business Rank consists of 10 items for evaluation. The overall ranking (i.e. Ease of Doing Business) is determined by the weighted average of the rankings of those 10 items. They are; (1) Starting a Business, (2) Dealing with Construction Permits, (3) Getting Electricity, (4) Registering Property, (5) Getting Credit, (6) Protecting Investors, (7) Paying Taxes, (8) Trading Across Borders, (9) Enforcing Contracts and (10) Resolving Insolvency

Most of data in each item are transparent and appropriate. But several items are left for arbitrary evaluation. How to evaluate 190 countries depends largely on the judge himself. In addition, there is much room for intervention by the secondary and tertiary judge who are usually the boss of the primary judge. This is not peculiar to the World Bank. Most of ranking job has the same problem to some extent.



There is another kind of intervention. China and Saudi Arabia are the major investors of the World Bank. Therefore, World Bank executives could hardly ignore the intentions of both countries. China urged chief executive officer Kristalina Georgiwa (currently the managing director of the IMF) to review the draft and offering the capital increase of World Bank as the carrot. Georgiwa forced her subordinates to amend the

draft. The World Bank CEO paid special consideration to China, which was an economic powerhouse. It might be a kind of domestic culture of World Bank to obey boss without question. (Note; Georgiwa has issued a statement denying the allegations.⁴) The case in Saudi Arabia seems to be the same.

Although China and Saudi Arabia have different governance systems, both of political systems are authoritarianism. China is on the way to economic super power and aims to overtake the United States. In Saudi Arabia, Crown Prince Muhammad bin Salman is waving the flag of Vision 2030 to become a regional power. Both countries are extremely sensitive to their ranking in the world. The attitude of Chinese or Saudi Arabian diplomats and economic bureaucrats in charge might follow the direct instructions of their leader, President Xi Jinping or Crown Prince Muhammad bin Salman. They would force the World Bank staff to take the necessary actions.

The same thing could take place in all rankings like the sovereign rating handled by S & P, Moody's, etc. They frequently face to complaints from the country evaluated because their rating affects the interest rate on government bond. However, if their rating is suspicious, rating agency would not only lose their credibility but also customers. Therefore, rating agency will reject fraudulent intervention. That is the reason why the sovereign rating is trusted by everyone.

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¹ World Bank to not release 2021's Doing Business report over alleged irregularities
<https://english.ahram.org.eg/NewsContent/3/12/423262/Business/Economy/World-Bank-to-not-release-%E2%80%99s-Doing-Business-report.aspx>

2021/9/17 Ahram Online

² Refer to 3 years summary during 2018 and 2020 as follows.

Year 2018 : <http://mylibrary.maeda1.jp/0427MenaRank13.pdf>

Year 2019 : <http://mylibrary.maeda1.jp/0457MenaRank13.pdf>

Year 2020 : <http://mylibrary.maeda1.jp/0487WorldRank3.pdf>

³ World Bank Statement:

World Bank Group to Discontinue Doing Business Report

<https://www.worldbank.org/en/news/statement/2021/09/16/world-bank-group-to-discontinue-doing-business-report>

WILMERHALE's Report

Investigation of Data Irregularities in Doing Business 2018 and Doing Business 2020

<https://thedocs.worldbank.org/en/doc/84a922cc9273b7b120d49ad3b9e9d3f9-0090012021/original/DB-Investigation-Findings-and-Report-to-the-Board-of-Executive-Directors-September-15-2021.pdf>

⁴ IMF chief says she 'did not pressure anyone' while at World Bank

<http://jordantimes.com/news/business/imf-chief-says-she-did-not-pressure-anyone-while-world-bank>

2021/9/25 Jordan Times