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World Bank Own Evaluation Group Slams "Doing Business" Report

Brussels, 16 June 2008 (ITUC OnLine): Following the publication last Thursday of a report by the World Bank's Independent Evaluation Group (IEG) that is heavily critical of the World Bank's own publication "Doing Business," the ITUC has urged the Bank to definitively remove the topic of labour standards from the mandate of "Doing Business," the Bank's headline annual publication.

"In view of the damage being done by this report to workers' protections worldwide, the World Bank should formally prohibit its staff from using "Doing Business" to formulate policy recommendations for labour market reforms in client countries or to determine access to Bank funds," said ITUC General Secretary Guy Ryder.

The IEG report on "Doing Business" (DB) found no relation between the level of employment in different countries and the DB's notorious "employing workers" indicator, which gives the best ratings to countries that have the lowest level of labour regulations. On the other hand, the IEG observes that "a surprising number of small island states" having almost no labour rules - some of which are not even members of the International Labour Organisation (ILO) - were considered by DB to be best performers for their labour legislation. The IEG also notes that the DB "paying taxes" indicator, which penalizes countries having any kind of mandatory employers' contributions for pensions, accident insurance, maternity benefits, and so on, tended to give best scores to notorious tax-haven countries.

World Bank staff have used these indicators since the first edition of DB was published in October 2003 to advise developing countries to do away with wide swathes of regulations, including those which protect workers, purportedly in order to make their economies more friendly to doing business. However, the IEG found no relationship between the overall DB indicator or the "employing workers" indicator and any genuine improvement in economic performance, such as higher growth, investment or employment rates.

By rewarding countries having the lowest level of regulation, DB frequently gave some of its best scores to countries known as serious violators of workers' rights, including Belarus, Georgia and Saudi Arabia, all have which have severely restricted or even prohibited trade union activities.

The ITUC asked the World Bank, in addition to immediately stopping the use of the DB labour indicator in its analyses and policy documents, to launch an investigation into how the DB labour indicator was so widely used throughout the Bank, despite repeated warnings that its methodology was inherently flawed and would lead to rewarding violators of workers' rights.

Guy Ryder first wrote to the World Bank president in October 2003, a few days after the first edition of DB was published, warning him of the potential for misuse of "Doing Business." The ITUC repeated the warnings in nine subsequent statements sent to World Bank presidents during 2004-2008 and in three detailed analyses, produced in 2005, 2006 and 2007, showing deep flaws in the DB methodology and its use in dozens of World Bank and IMF policy documents that formulated recommendations for specific countries to deregulate their labour markets. The ILO issued similar analyses highlighting the methodological flaws starting in 2007.

The World Bank chose to ignore the warnings, and instead incorporated the DB indicators into its general labour market strategy, issued by the Bank's Human Development Network, and into its Country Policy and Institutional Assessment (CPIA). The CPIA is used by the World Bank to determine developing countries' overall level of eligibility to accessing Bank assistance.

The full IEG report on Doing Business can be accessed on-line in English (122 pages) or French (130 pages) at the IEG's web page:
http://www.worldbank.org/ieg/

The ITUC's most recent critique of the Doing Business report:
http://www.ituc-csi.org/IMG/pdf/doing_business.pdf

The ITUC represents 168 million workers in 155 countries and territories and has 311 national affiliates. Website: www.ituc-csi.org
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