

Executive Summary

Since 2003, the World Bank publishes the Ease of Doing Business (EDB) Index aimed at measuring the regulatory efficiency and institutional quality of key processes that affect the business environment in a given economy. While highly influential, particularly in the developing world, the EDB has also been faced with criticism and at times controversies. In 2020, the World Bank decided to interrupt temporarily the publication of the EDB report as a result of an audit that revealed politically motivated manipulation of EDB rankings.

Over time, Canada's relative rankings fell

than double in this period. In addition, there are two different sets of data for this indicator on the World Bank website, which could suggest potential data errors.

A second shift in Canada's ranking happened in 2012-2013, when the area of "Getting electricity" was introduced to replace the area of "Employing workers", and resulted in Canada's relative ranking falling. More specifically, Canada's poor performance in this area is explained by both the number of procedures necessary by a business to obtain a permanent electricity connection, with Canada ranking 169th in 2012 and 162nd in 2020, as well as the time needed to get a permanent electricity connection, with Canada ranking 156th and 171st in the same years.

Similarly, Canada's ranking for "Dealing with construction permits" fell from 25th in 2012 to 116th in 2014 as a result of an increase in the number of days needed to obtain a construction permit to build a warehouse from 73 days to 249 days. Both areas of getting electricity and dealing with construction permits fall under shared provincial and municipal jurisdiction, and additional analysis would be required in order to explain properly the significant and sudden deterioration in Canada's rankings.

Finally, the last significant downward shift in Canada's performance took place in 2016-2017, when Canada's ranking in the enforcing contracts area fell from 49th to 112th. The decline was due to an increase in the time required to enforce contracts through courts, from 570 days to 910 days. This area falls under provincial jurisdiction and additional analysis is required in order to explain properly the significant and sudden deterioration in Canada's rankings.

As a result of all these changes, in 2020, Canada ranked 23rd out of 190 economies; however, among G7 members, Canada ranked 4th after the U.S. (6th), the UK (8th) and Germany (22nd).

While the EDB Index is influential and can present an economy in a positive light in areas in which the given economy performs well, it is also important to note that it has its own limitations. Among others, EDB indicators are: (i) given equal weight despite the fact that not all indicators are equally meaningful, depending on a particular business context; (ii) expressed as means and, given outliers, a median may be more relevant; and (iii) not comprehensive as important aspects of the business environment are overlooked – e.g. infrastructure and corruption. In addition, the EDB Index represents a zero-sum game, that is, if one economy improves its ranking then another one experiences a fall, even if both economies make absolute improvements.

EDB data is usually collected in one major city from a limited number of contributors, and this collection may not be representative of the ease of doing business across the country. Moreover, methodological changes and introduction of new areas in the calculation of the EDB Index have led to inconsistencies in rankings over time.

The World Bank has launched a review of the EDB to understand and address data irregularities as well as to increase the usefulness of the index worldwide. In this respect, the World Bank is considering how to communicate results in the most useful fashion.

The full study on Canada's performance as measured by the EDB Index is available on the Centre for the Study of Living Standards' [website](#).