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Statement by Jiayi Zou, Executive Director for China
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Doing Business Methodology

We welcome this opportunity to discuss the *Doing Business* methodology. We support IFC's efforts in improving business climate for its clients and welcome recommendations and assistance by IFC in this regard. However, we would like to raise a number of concerns over the methodology used, ranking of ease of doing business and the Board guidance for this exercise.

First, we find it difficult to align the fact that China has become the largest destination for FDI in the developing world from 1992 and the 91st rank out of 155 countries covered by the Report. We would welcome elaborations by the staff on this issue.

Second, we noted that on page 77 of the Report, Data Notes, one of the "limitations of the methodology is that in many cases the collected data refer to businesses in the country's most populous city and many may not be representative of regulatory practices in other parts of the country". In the case of China, Chengdu, an inland city, was chosen as the sample. Despite the fact that the IFC program in Chengdu is well underway, the city is by no means representative in term of business climate in China. Obviously, the score for China can not be meaningful provided that it was derived from one-city data. Statistically, sample has to be big enough to generate a useful result. Therefore, we believe that future reports should not contain the ranking of ease of doing business given pre-mature nature of its methodology and the Bank's weight in announcing such sensitive messages. Without proper precautions and caveats, the signal could be misleading to the outside world.

Third, we also believe that future exercise of this Report and any possible use of its

results in the operation should be under stricter Board guidance.

Finally, we encourage IFC and the Bank to work together to further improve the methodology of assessing business climate in member country in a more comprehensive, objective and practical approach.

Thank you.