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[Emerging Markets Debt](#)

## World Bank Ends "Doing Business" Report in Wake of Scandal

By: Emerging Markets Team | October 4, 2021

**Boston** - On September 16, the World Bank discontinued its flagship "Doing Business" report, following an external review alleging that senior World Bank officials applied direct and indirect pressure to manipulate the scores for China, Saudi Arabia, UAE and Azerbaijan.

### External review of irregularities and potential misconduct

The World Bank identified data irregularities in the 2018 and 2020 "Doing Business" reports and hired an external law firm, WilmerHale, to investigate further. The external review cited that then-World Bank CEO Kristalina Georgieva and senior staff at the office of then-World Bank President Yong Kim manipulated country scores. Some issues identified in the investigation include a lack of process codification and conflicts of interest with the World Bank's advisory services.

WilmerHale is working on a new report addressing the more grievous sounding "potential misconduct of staff members." Georgieva, who is currently managing director of the IMF, stated that she "fundamentally disagrees" with WilmerHale's findings, and denies any wrongdoing.

The response by U.S. officials has been swift. Bloomberg reports that Treasury Secretary Janet Yellen has declined to take calls from IMF Director Georgieva,<sup>1</sup> and Reuters writes that U.S. senators are calling for "full accountability" at the World Bank.<sup>2</sup>

The World Bank first suspended "Doing Business" last year, as reports of irregularities began to surface. The last publication, in 2020, ranked 190 countries, grading each on a sample of 41 metrics such as starting a business, dealing with construction permits and registering property.

### Limitations of multilateral financial institutions and publicly reported data

From our perspective, it should not be surprising that the World Bank — a large institution owned by the member states — is vulnerable to internal politicking. Whether these developments rise to corruption is an open question. Regardless, the findings of this investigation do not bode well for other multilateral financial institutions including the IMF, where Georgieva has served as managing director since October 2019.

Moreover, we have long recognized that publicly reported economic data may be of low quality — especially in emerging markets (EM). We would point to Goodhart's Law, which is the idea that once a metric is studied, it becomes less valuable over time as those being judged increasingly place pressure on the measurement.

The unreliability of public data may also lead to mispricings, which can provide a potential source of alpha for those with the expertise and resources to correctly evaluate and value EM assets. That is why the Eaton Vance EM team has invested so heavily over two decades to build a process based primarily on independent, verifiable data and first-hand knowledge.

Here are some keys to our approach:

- **We use the "mosaic" theory** to collect a lot of data and independent anecdotes, instead of relying on one key data figure or data source.
- **We focus on primary data** obtained firsthand from the individuals involved. As an example, we frequently consult business executives — that is, the "real" economy — to verify published economic policies. Despite the pandemic's interruption of travel, we can still rely on a strong network of primary data sources and insights, developed over decades of "in-country" experience.
- **We seek dissenting views** from sources such as think tanks and political opposition. This helps identify where economic policies may be having unintended consequences or may simply be fake news.

**Bottom line:** In our view, relying on public sources of information and research alone will not drive value in the EM debt universe. Potential alpha can only be discovered by dedicating the effort and resources to go beyond the conventional sources of research. The World Bank "Doing Business" scandal highlights the pitfalls of relying on widely available public information to make EM investments, and why we have always emphasized conducting our own independent research.

<sup>1</sup> Bloomberg, "Yellen Declines to Take IMF Chief's Calls in Scandal's Wake" by Saleha Mohsin and Eric Martin, September 27, 2021.

<sup>2</sup> Reuters, "U.S. Senators call for 'full accountability' in World Bank data controversy" by David Lawder and Andrea Shalal, September 28, 2021.

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Emerging Markets Team  
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"Problems with the 'Doing Business' report, and the general unreliability of public EM data, are key reasons why we have invested so heavily to build a process based primarily on independent, verifiable data and first-hand knowledge."



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