

WPS 1759

POLICY RESEARCH WORKING PAPER

1759

Institutional Obstacles to Doing Business

Region-by-Region Results from a Worldwide Survey of the Private Sector

Aymo Brunetti
Gregory Kisunko
Beatrice Weder

More than 3,600
entrepreneurs worldwide
respond to a survey about
problems with uncertainty in
dealings with the state.

Background Paper for *World Development Report 1997*

The World Bank
Office of the Chief Economist and Senior Vice President
Development Economics
April 1997



Summary findings

Case studies and anecdotal evidence have suggested that uncertainty about policies, laws, and regulations has hampered development of the private sector in many developing countries. Brunetti, Kisunko, and Weder present results from a new cross-country survey that provides comparable data on local investors' problem in dealing with the state. The survey was conducted in 69 countries and covers more than 3,600 entrepreneurs.

The questionnaire asked 25 questions about investors' perceptions about such issues as the predictability of laws and policies, the reliability of the judiciary, corruption in bureaucracies, and security of property rights. It also asked about general obstacles to doing business and the quality of state-delivered services.

Brunetti, Kisunko, and Weder discuss their methodology and present many findings. Among them:

- In less developed countries the majority of entrepreneurs constantly fear policy surprises and unexpected changes in rules that can seriously affect their business. Entrepreneurs in Asia have the most trust in government announcements of policy changes and changes in rules; entrepreneurs in the Commonwealth of Independent States are the most cynical about new announcements; and half of businessmen surveyed in Latin America and Central and Eastern Europe do not believe government announcements.
- Entrepreneurs worldwide feel that the cost of doing business is substantially increased by theft and crime and in many developing countries the business community feels that authorities do not adequately guarantee their personal safety and do not reliably enforce their property rights.

- Unreliable judiciaries are perceived as major problems in many developing countries. This applies in particular to the Commonwealth of Independent States and to Latin American countries.

- Entrepreneurs in industrial countries perceived the greatest obstacles to doing business to be tax regulations and high taxes, labor regulations, safety or environmental regulations, financing, regulations for starting new businesses and operations, and general uncertainty about the costs of regulation.

- Entrepreneurs in South Asia and Southeast Asia ranked the top obstacles to doing business as high taxes and tax regulations, inadequate infrastructure, inflation, labor regulations, and regulations for starting new businesses and operations.

- In the Middle East and North Africa, entrepreneurs considered lack of infrastructure the chief obstacle to doing business, followed by corruption, high taxes and tax regulations, and financing.

- In Central and Eastern Europe, high taxes and tax regulations were the only regulation-related obstacle ranked high, followed by financing, corruption, and inflation.

- The worst obstacles in Latin America were considered to be corruption and inadequate infrastructure, followed by crime and theft, problems with finance, and high taxes and tax regulation.

- In Sub-Saharan Africa the biggest problems were corruption, tax regulations and high taxes, inadequate infrastructure, inflation, crime and theft, and financing.

This paper — a product of the Office of the Chief Economist and Senior Vice President, Development Economics— was produced as a background paper for *World Development Report 1997* on the role of the state in a changing world. The study was funded in part by the Research Support Budget under the research projects “Cross-Country Indicators of Institutional Uncertainty” (RPO 680-51), and “Indicators of Government Quality as Perceived by the Private Sector” (RPO 681-52). Copies of this paper are available free from the World Bank, 1818 H Street NW, Washington, DC 20433. Please contact Michael Geller, room N7-078, telephone 202-473-1393, fax 202-522-0056, Internet address wdr@worldbank.org. April 1997. (75 pages)

The Policy Research Working Paper Series disseminates the findings of work in progress to encourage the exchange of ideas about development issues. An objective of the series is to get the findings out quickly, even if the presentations are less than fully polished. The papers carry the names of the authors and should be cited accordingly. The findings, interpretations, and conclusions expressed in this paper are entirely those of the authors. They do not necessarily represent the view of the World Bank, its Executive Directors, or the countries they represent.

Institutional Obstacles to Doing Business

Region-by-Region Results from a Worldwide Survey of the Private Sector¹

Aymo Brunetti, Gregory Kisunko and Beatrice Weder

¹ This survey was conducted for the WDR 1997. We thank Ajay Chhibber for his support. We also want to thank Dan Atchison and Michael Geller for outstanding editorial assistance.

A companion background paper to this one explores the links between indicators of institutional uncertainty derived from this data set and cross-country differences in economic performance. See Brunetti, Kisunko and Weder (1997).

Table of Contents

1. Why this survey?	1
2. The questionnaire	2
3. The implementation of the survey	4
4. Characteristics of responding firms	6
5. Summary results for individual questions	10
<i>Question 1. Policy surprises</i>	<i>10</i>
<i>Question 2. Credibility of announcements</i>	<i>11</i>
<i>Question 3. Information</i>	<i>11</i>
<i>Question 4: Participation</i>	<i>12</i>
<i>Question 5: Retroactive changes</i>	<i>13</i>
<i>Question 6: Change of predictability over time</i>	<i>13</i>
<i>Question 7: Changes in rules due to regular government changes</i>	<i>15</i>
<i>Question 8: Policy surprises due to irregular government changes</i>	<i>15</i>
<i>Question 9. Theft and Crime</i>	<i>16</i>
<i>Question 10. Security of property and personal safety</i>	<i>17</i>
<i>Question 11. Reliability of the judiciary</i>	<i>18</i>
<i>Question 12: Ranking of obstacles for doing business</i>	<i>19</i>
<i>Question 13: Interface State-Government</i>	<i>30</i>
<i>Question 14: Frequency of Corruption</i>	<i>30</i>
<i>Question 15: Predictability of amount of bribe</i>	<i>31</i>
<i>Question 16: Corruption and Blackmailing</i>	<i>32</i>
<i>Question 17: Uncertainty about receiving the service after paying a bribe</i>	<i>33</i>
<i>Question 18: Limits on discretionary power of bureaucrats</i>	<i>34</i>
<i>Question 19: Changes in discretionary power over time</i>	<i>34</i>
<i>Question 20a: Difficulties in complying with government regulations</i>	<i>36</i>
<i>Question 20b: Transaction costs versus uncertainty in complying with government regulations</i>	<i>37</i>
<i>Question 21: Senior management time spent on negotiations with officials</i>	<i>38</i>
<i>Question 22: Efficiency of government in providing major services</i>	<i>38</i>
<i>Question 23: Frequency of power outages?</i>	<i>41</i>
<i>Question 24: Time for getting public telephone line connected</i>	<i>42</i>
<i>Question 25: Government efficiency in delivering services</i>	<i>43</i>
References	44
Appendix	45
<i>List of surveyed countries</i>	<i>45</i>
<i>Questionnaire for Private Sector Survey</i>	<i>46</i>
<i>Guidelines for private sector survey</i>	<i>52</i>
<i>Appendix Table 1. Regional patterns of numbers of received questionnaires and method of survey</i>	<i>53</i>
<i>Appendix Table 2. Regional patterns of company size</i>	<i>54</i>
<i>Appendix Table 3. Regional patterns of sectors of economy</i>	<i>55</i>
<i>Appendix Table 4. Regional patterns of location of management</i>	<i>56</i>
<i>Appendix Table 5. Regional patterns of foreign participation</i>	<i>57</i>
<i>Appendix Table 6. Regional patterns of access to foreign markets</i>	<i>58</i>
<i>Appendix Table 7. Index of obstacles for doing business - regional averages</i>	<i>59</i>
<i>Appendix Table 8. Regional rankings of obstacles for doing business</i>	<i>60</i>
<i>Appendix Table 9. Regional averages for individual questions (in percentage)</i>	<i>61</i>

1. Why this survey?

There exists a huge number of anecdotal evidence that uncertainty on laws, policies and regulations hurts private sector development in many LDCs. Typical examples are the study by De Soto (1989) on the problems of informal firms in Peru, the description by Klitgaard (1990) of the uncertainties for doing business in Equatorial Guinea, or the analysis of institutional uncertainty in Nicaragua by Borner, Brunetti and Weder (1995). Such case studies show that unpredictable state action can have large costs in terms of economic development. If the private firms cannot be sure which regulations apply in the near future, whether private contracts are unarbitrarily enforced, or whether their property will be protected against violence private firms typically react by cutting back on long-term investment. The considerable sunk costs of most investment projects create large disincentives against binding any resources to long-term investment projects if the firm operates in uncertain environments. The theory of irreversible investment (e.g. Dixit and Pindyck 1994) has reinforced the argument that such uncertainties are particularly costly in terms of aggregate investment.

Given the case study evidence and the theoretical arguments on investment irreversibility, the reliability of government activity should be at the forefront of an analysis of the sources of differences in economic development. Due to lack of adequate data, this is not the case. Research and data on the sources of development is mainly based on broad cross-country data sets that allow direct comparisons of government policies and other country characteristics. Such comparable cross-country data on the degree of reliability of government activity has, however, not been available.³

This survey's aim is to fill that gap by creating a comparable, quantitative data set on different aspects of the degree of institutional uncertainty as perceived by private entrepreneurs. In contrast to case study work, this data is created for a broad cross-section of countries making it possible to calculate individual indicators that can be used in standard cross-country analysis.

³ Researchers have worked with some measures of political instability or policy volatility derived from political handbooks. The problem is, however, that such objective indicators measure crude aspects of policy instability but they do not grasp uncertainty. What matters for the private investment decision is not objective *instability* but subjectively perceived *uncertainty*. For a more detailed discussion of alternative proxies for policy uncertainty and their potential problems see Brunetti, Kisunko and Weder (1997).

2. The questionnaire

This section gives an overview of the main focus of the questionnaire. The first subsection describes how the questionnaire was developed, and the second subsection discusses the structure of the questionnaire.⁴

Development of the questionnaire

The survey instrument was developed in several steps during the last four years. It started with a large number of interviews of private entrepreneurs in different Latin American countries that resulted in a short multiple choice questionnaire. This questionnaire asked whether entrepreneurs feared large and unpredictable swings in lawmaking. This questionnaire was then sent out to a very small number of firms in 28 LDCs. No stratification was done in this survey. Given the small number of responses per country, no strong conclusions could be drawn. Nevertheless, these results coupled with growth and investment data proved promising as the political credibility indicator was significantly related to economic performance of the 28 countries (see Brunetti and Weder 1995). Based on the results of this pretest the survey instrument was refined and expanded. In preparation for the WDR 1997 survey the expanded questionnaire was discussed with a number of country experts at the World Bank and at IFC. After these discussions the questionnaire was revised and finalized and resulted in the survey presented in this paper.

Structure of the questionnaire

The questionnaire first asks for general characteristics of the firm. These questions aim to capture a brief but detailed picture of the firm that is answering in the questionnaire. Five different dimensions are considered. First the firm is asked to define its size—less than 50 employees, between 50 and 200 employees and more than 200 employees. Second the nature of the firm's business is asked (manufacturing, services and agriculture). Third the location of management is inquired (capital city, large city or small city/countryside). The last two questions of this section ask for the internationalization of the firm in the two dimensions foreign participation (yes-no) and exports (yes-no). Section 4 will provide an overview of the actual distribution of all responding firms according to these five criteria.

The main part of the questionnaire consists of 25 mainly multiple choice questions. These questions are divided into five sections each with its own focus. All the questions aim to identify the degree of (un)certainty created by state action. In preparatory interviews for this questionnaire, firms that were confronted unpredictable state action usually came up with very different examples of policy and regulatory uncertainties. These answers ranged from surprising executive decrees to unpredictable court decisions, from uncertainty on the severity of tax audits to unpredictable custom procedures, and from policy reversals whenever a new minister is appointed to uncertainty whether a bribe would lead to blackmailing by government officials.

⁴ The questionnaire can be found in the appendix.

The questionnaire concentrates on obtaining a picture that does differentiate between such forms of institutional uncertainties. The aim was to force the respondent to express a general “gut” feeling on the degree of institutional uncertainty and to distinguish different forms of such uncertainties. This discrimination in the questionnaire not only aims at enabling more detailed empirical analysis of the data set, but it is indispensable for deriving any reasonably focused conclusions on how to improve the predictability of government actions in a particular country.

The questionnaire is divided into the following five sections:

- *Predictability of laws and policies.* These questions seek to evaluate the uncertainties created by the lawmaking process. By asking questions from different angles, the firm must evaluate whether it fears constant surprises in legislation and whether it can reduce its exposure to such surprises by obtaining information early or by consulting either directly or through its business association.
- *Political instability and security of property.* The first questions ask about uncertainties involved in regular government transfers and in unconstitutional government transfers (coups). As is the case for the questions in section 1, these two questions mainly aim at evaluating possible uncertainties stemming from lawmaking. The remaining three questions in this section focus on the uncertainties in law enforcement. They ask whether the firm has confidence in the ability of state authorities to protect property rights and to guarantee a predictable judiciary process.
- *Government-business interface.* Question 12 provides a list of 15 areas where the firm is confronted with government action and asks it to evaluate the degree to which these different areas create obstacles for doing business. The perceived quality of government action in different fields is this question’s main thrust. Lastly, an overall question on the perception of government as either a “helping hand” or an “opponent” is asked to round out this section.
- *Law enforcement and bureaucratic red tape.* These questions focus on the degree of corruption and whether corruption is a predictable transaction cost or a source of uncertainty. The problem of such questions is, of course, a firm’s reluctance to openly admit that it pays bribes. To circumvent this obstacle of directly asking about bribes and to get as clear a picture as possible, several questions broach this topic but indirectly. The sensitivity of corruption-questions led to the decision not to present these questions together with the other questions on law enforcement earlier in the questionnaire. In addition, this section directly questions whether uncertainties in dealing with the state have stifled planned investment projects and what percentage of senior management’s time is spent on dealing with legal requirements.
- *Uncertainty created by state action and the efficiency of government in providing services.* These questions concentrate on whether and how efficiently the government delivers some basic infrastructure as e.g. mail, health care, telephones, or roads.

The questionnaire ends with an open section that invites respondents to give additional remarks on the relationship between the private sector and government or comments on the questionnaire in general.

3. The implementation of the survey

The original version of the questionnaire was written in English, however, the worldwide distribution necessitated that it be translated into some major languages namely—French, German, Russian, and Spanish. Wherever possible the questionnaires were administered in these languages or in English. In specific cases, however, it was vital to provide translations for one single country. This was done in the cases of Albania, Bulgaria, Czech Republic, Hungary, Italy, Poland, Portugal, Slovak Republic, and Turkey.

The process of implementing the survey began in August 1996 and ended in January 1997. At the survey's conclusion 69 countries had participated. In most of the countries the questionnaires were distributed through World Bank missions and/or local consulting companies. In all 9 European (developed) countries the survey was undertaken as a separate exercise under the direction of the University of Basel. Those surveyed by the University of Basel used exactly the same methodology.

In selecting companies to be surveyed, a set of guidelines was prepared. These guidelines sought to guarantee a wide range of respondents. The respondents crossed the gamut of firm size, geographic location within their country, sector of the economy and of the proportion of purely local companies, i.e. companies which do not have any foreign participation.⁵ The questionnaire attempted to use direct mailing where possible; in some countries where mail delivery systems were unreliable, hand delivery was used. Table 1 in the appendix provides details on regional patterns in modes of delivery as well as on rates of returns. Considering other experiences with mailed surveys the high rate of return on mailed survey in LDC countries (30%) is remarkable. Two factors can be attributed to this: the survey raised questions of a high concern for the local businessmen, and in a number of countries reminder calls were placed to companies that delayed responses.

Due to budget and time constraints, not all the surveyed countries represent a random sample of companies for questionnaire-distribution. In other cases, political and economic conditions allowed only limited geographical coverage. On average, however, the survey achieved its goal of 50 responses per country. Table 1 shows regional averages and some descriptive statistics of response patterns.

⁵ The appendix 2 gives the detailed set of instructions.

Table 1: Private sector survey: Returned questionnaires per region

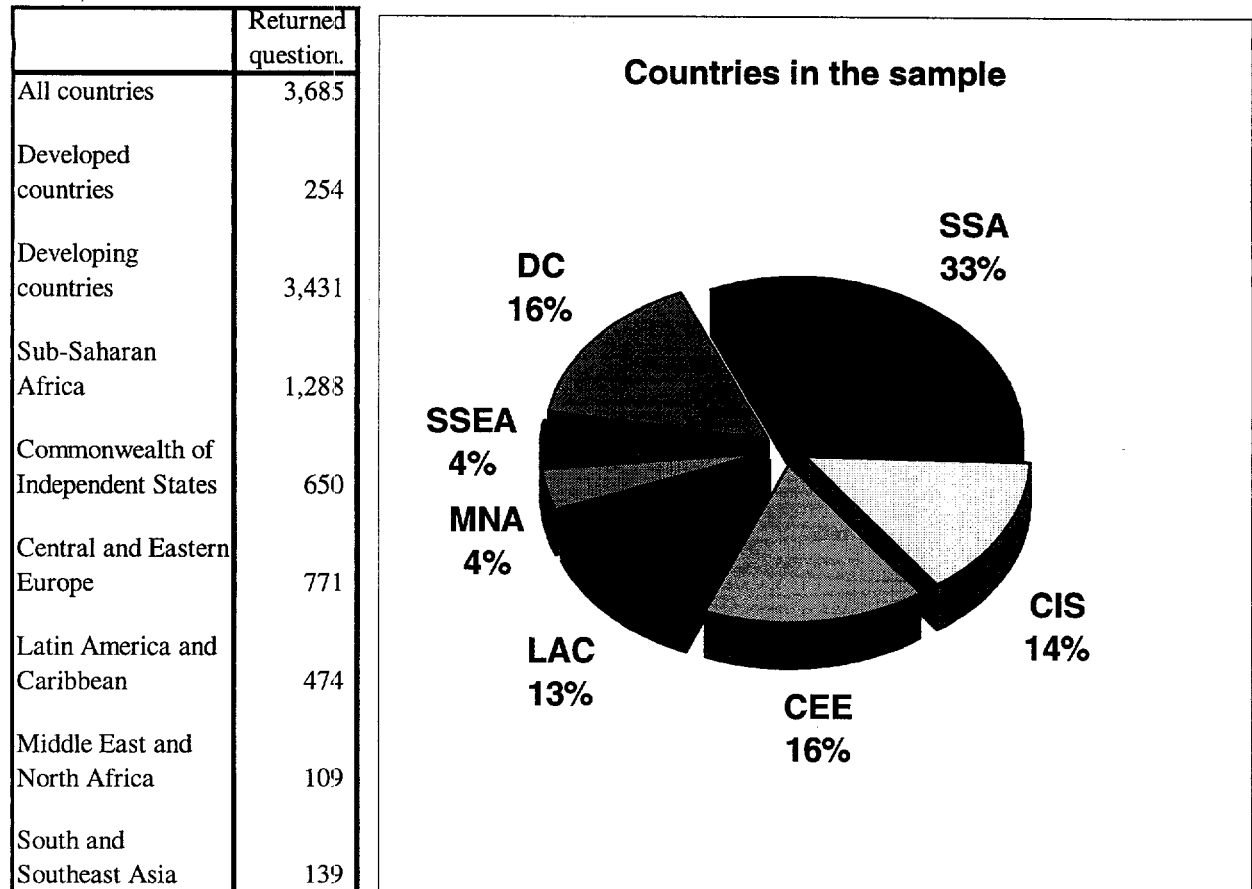
	Number of surveyed countries	Number of surveyed firms	Average	Median	Minimum	Maximum
All countries	69	3,685	53	50	13	124
LDC	58	3,431	59	51	13	124
DC	11	254	23	20	14	56
SSEA	3	139	46	45	41	53
MNA	3	109	36	42	15	52
CEE	11	771	70	70	46	114
LAC	9	474	53	47	17	87
SSA	22	1,288	59	48	13	124
CIS	10	650	65	62	31	91

Figure 1 gives an overall summary of the number of questionnaires returned and the regional distribution of countries covered in the survey.⁷

The first part of Figure 1 gives an overview of the number of returned questionnaires in 69 countries and shows the numbers for individual regions. Of the 3,685 returned questionnaires, 3,431 came from developing countries. Figure 1 shows the percentage regional distribution of the countries in the data set. Sub-Saharan Africa countries constitute the largest percentage (33%) of participating regions. Equal shares of the countries are in the following four regions: Developed countries (16%), Central and Eastern Europe (16%), Commonwealth of Independent States (14%) and Latin-American countries (13%). The regions of South Asia, Southeast Asia, and Middle East and Northern Africa are underrepresented with only 4% of total countries each.

⁷ A list of countries in each category is in the appendix.

Figure 1. Distribution of the responses by region



4. Characteristics of responding firms

This section deals with the type of firm covered in the survey. The following figures⁷ demonstrate the range of sampled firms according to company size, industry, location of management, foreign participation and internationalization of business.

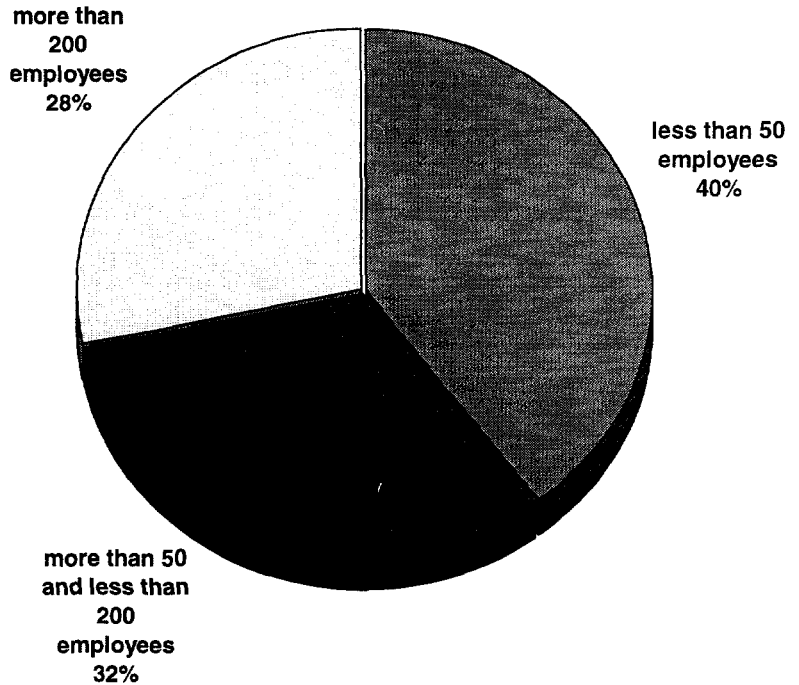
Figure 2 presents the distribution of company size. Almost one half of the firms were small (less than 50 employees). The other two categories of larger firms have more or less an equal share. The sample, therefore, is reasonably diversified according to this criterium.

⁷ More detailed results for all criteria, decomposed by region can be found in the appendix.

Figure 2: Distribution of responses by company size

Company Size:

- less than 50 employees
- more than 50 and less than 200 employees
- more than 200 employees



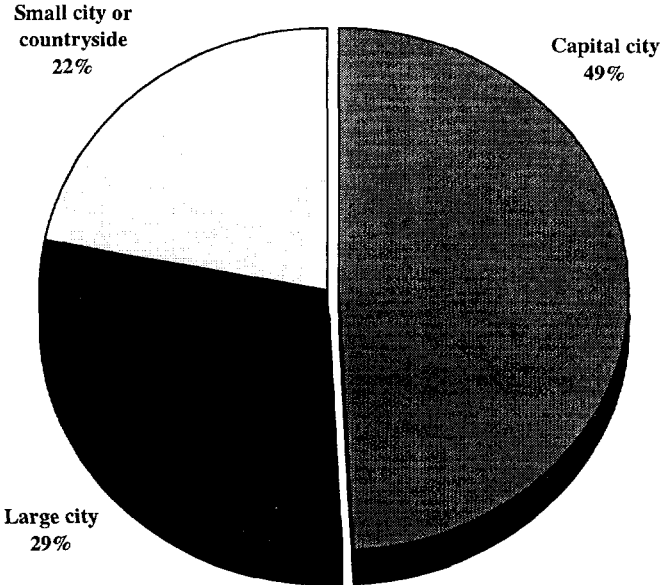
The regional decomposition presented in the appendix shows considerable regional variation in the percentage of firm size. This reflects differences in economic development and in the development of the private sector itself. For example, the countries of the former Soviet Union are dominated by small (less than 50 employees) firms—55% of the responding companies. This clearly reflects the FSU’s “transitional” status and less developed private sector in comparison to the developed countries where the respective share is 26% in this category.

Another important characteristic was the location of company management. The survey intended that the companies represent a variety of geographical locations within each country. Figure 3 shows that this aim was at least partially achieved.

Figure 3: Location of management of the surveyed firms

Location of management:

- Capital city
- Large city
- Small city or countryside



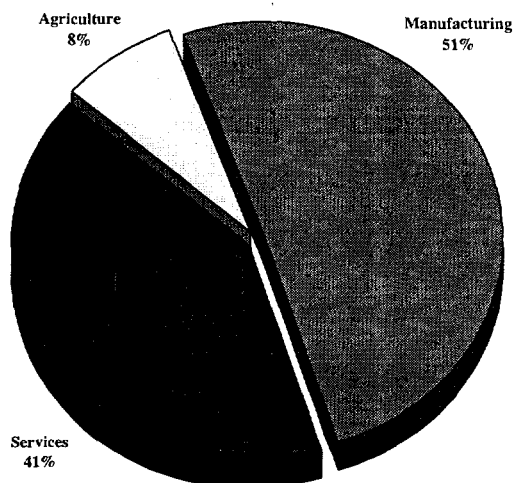
Capital city firms constitute about one half of the surveyed firms. It is remarkable for a survey such as this one that was organized in capital cities, that one half of the respondents are not located there. In particular, it is encouraging that almost one quarter of the firms had their management located in a small city or on the countryside. The aggregate results of Figure 3, however, hide strong variations within individual countries. The share of firms located in the capital city varies between 100% and 0% for individual countries. Such a bias and variation can be explained by the distribution of private businesses over country territory. In some former republics of the Soviet Union, more than 50% of registered businesses are situated in the capital city. Still in other surveyed countries the socio-economic and political situation limited access to the remote parts. Or in some countries the mail system was simply unreliable, making it infeasible to distribute questionnaires in such remote places and have them returned in a timely manner.

Figure 4 shows the break down of surveyed firms according to their line of business—manufacturing, services or agriculture.

Figure 4: Breakdown of responses by branch of economy

Industry:

- Manufacturing
- Services
- Agriculture



While services and manufacturing are represented equally, there appears to be a strong bias against agriculture. This bias can be explained by geographic distribution. As more than three quarters of the surveyed firms have their headquarters in the capital city or a large city, chances of surveying an agricultural firms are greatly reduced.

The last two categories balanced the sample of companies with regard to their origin of capital (local versus foreign) and their access to foreign markets. Figures 5 and 6 show the aggregate results.

Figure 5: Capital origin of the surveyed companies

Foreign participation:

- yes
- no

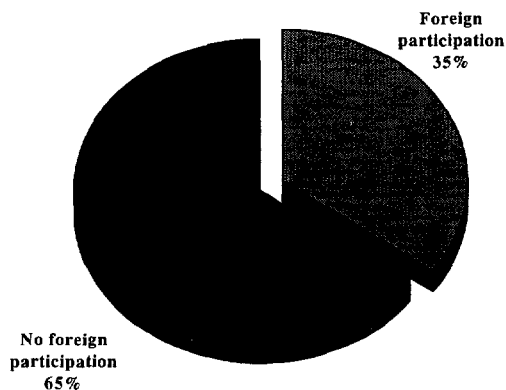
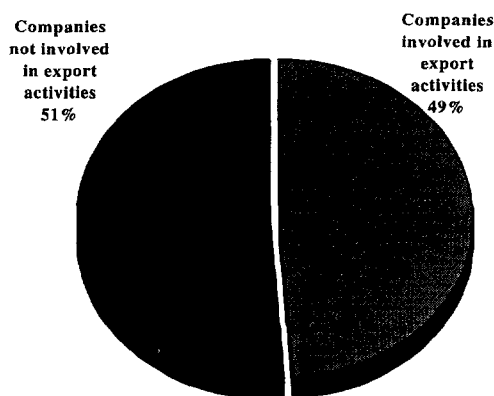


Figure 6: Access to foreign markets of the surveyed companies

Exports:

- yes
- no



Firms were evenly distributed in these categories. In particular two thirds of the surveyed companies do not have any foreign participation—they are purely local. This contrasts with other earlier attempts of subjective measurement of investment climate that concentrate entirely on the perceptions of multinational firms.⁸

5. Summary results for individual questions

Every question of the survey along with the results are summarized in this section. A graph showing the regional distribution of the percent of entrepreneurs who ticked the 3 worst (meaning high degree of uncertainty) answers accompanies each question. The full distribution of answers for every single subcategory is given in the appendix.

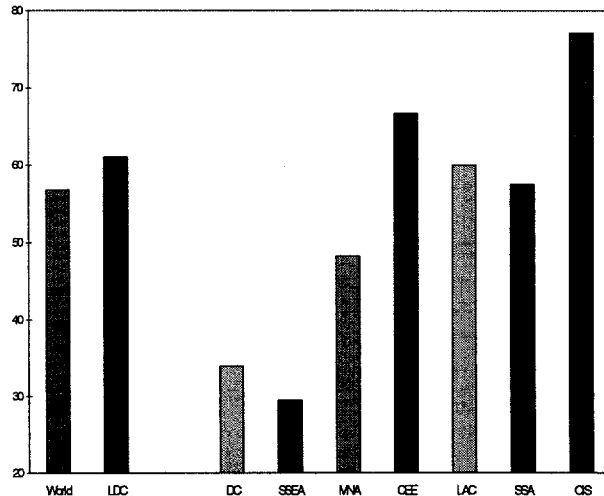
Question 1. Policy surprises

The first question addresses the problem of predictability on the most general level. Policy surprises can originate in many places of the government in a legislative process, which is not transparent, because the executive uses executive decrees to change laws, or in a bureaucracy who makes the specific regulations to implement policies. This question sought to capture all such uncertainties, regardless of their origin.

1. Do you regularly have to cope with unexpected changes in rules, laws or policies which materially affect your business?

Changes in laws and policies are

- (1) completely predictable
- (2) highly predictable
- (3) fairly predictable
- (4) fairly unpredictable
- (5) highly unpredictable
- (6) completely unpredictable



Percentage of firms who ticked (4), (5), or (6) for question 1

The results show that in some areas of the world entrepreneurs fear policy surprises and unexpected changes in rules which can seriously affect their business. In the CIS, almost 80

⁸ For a discussion of the differences between the approach of this survey and such “business indicators” based on expert opinion see Brunetti, Kisunko and Weder (1997).

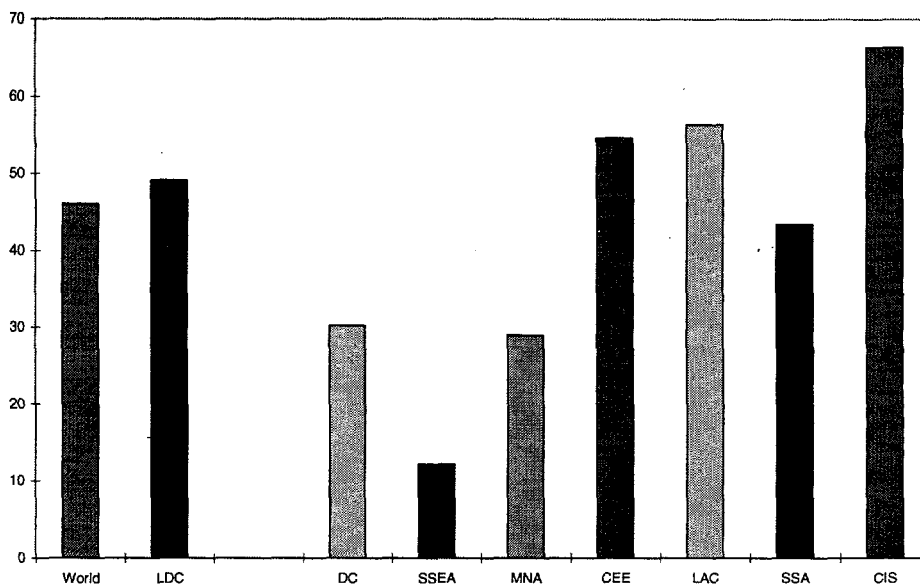
percent of entrepreneurs report that unpredictable changes in rules and policies seriously affected their business. In the CEE, Latin America and Africa around 60 percent of entrepreneurs complained about this problem. In developed countries, South Asia, and Southeast Asia, only about 30 percent of respondents identified this as a problem for their business.

Question 2. Credibility of announcements

This question tackles uncertainty about rulemaking from the angle of whether entrepreneurs believe that government will implement the changes that it announces. This question is most closely linked to the concept of credibility as it is used in the macroeconomic literature.

2. Do you expect the government to stick to announced major policies?

- (1) always
- (2) mostly
- (3) frequently
- (4) sometimes
- (5) seldom
- (6) never



Percentage of firms who ticked (4), (5), or (6) for question 2

Entrepreneurs in the Asian region have the most trust in government announcements—even more so than in developed countries—only 10 percent of entrepreneurs do *not* think that government will stick to major announced policies. On the other extreme in the CIS, entrepreneurs are most cynical about new announcements; 70 percent of entrepreneurs do not believe them. Half of all surveyed businessmen in Latin America and the CEE give their governments much credibility.

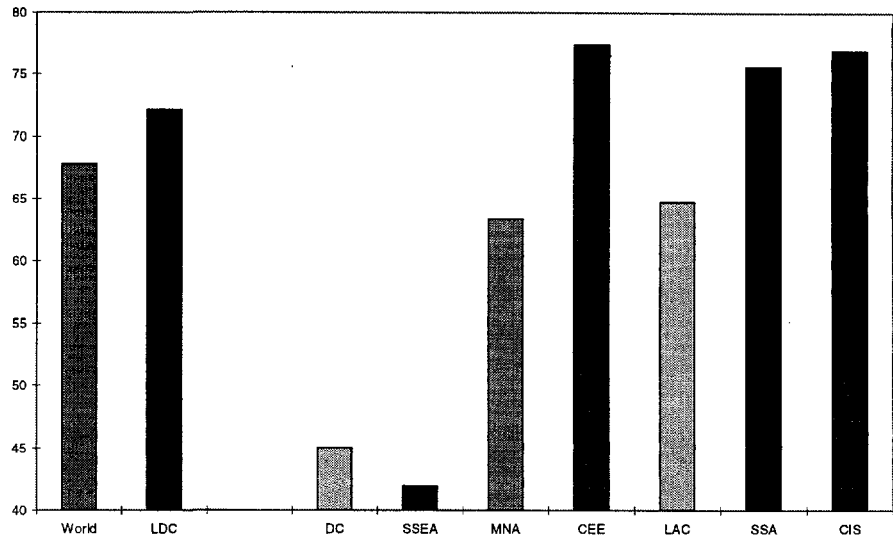
Question 3. Information

A major factor for entrepreneurs taken by the surprise of new regulation or policy is that they were not informed in advance. This question addresses the informational aspect of predictability.

3. "The process of developing new rules or policies is usually such that affected businesses are informed."

This is true

- (1) always
- (2) mostly
- (3) frequently
- (4) sometimes
- (5) seldom
- (6) never



Percentage of firms who ticked (4), (5), or (6) for question 3

Marked differences between regions are revealed by this question. 75 percent of all entrepreneurs in Africa, the CEE and the CIS believe that affected businessmen are not informed about upcoming changes in rules and policies. By comparison only around 40 percent of businessmen in Asia and the developing countries feel ill informed.

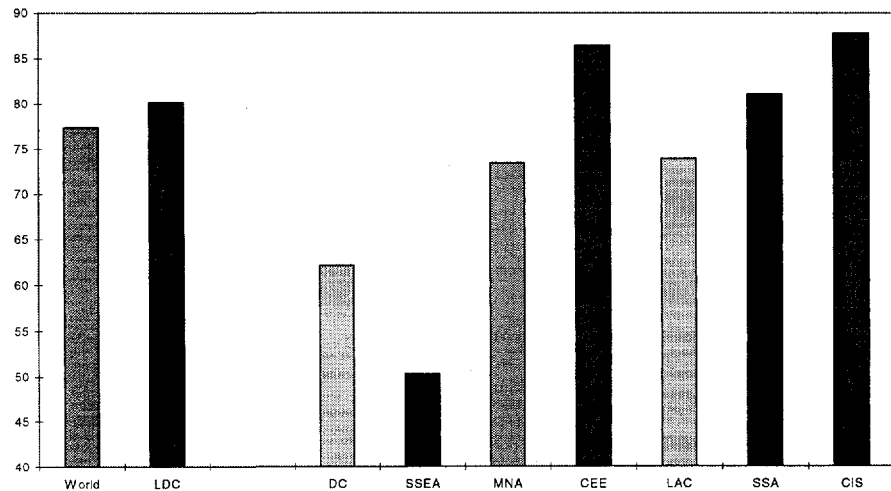
Question 4: Participation

This question on the predictability of rules and policies is closely linked to question 3. Negative reaction to surprises in new rules and policies are less likely if entrepreneurs can participate in the process of developing new rules and can voice their concerns either directly or through their business association.

4. "In case of important changes in laws or policies affecting my business operation the government takes into account concerns voiced either by me or by my business association."

This is true

- (1) always
- (2) mostly
- (3) frequently
- (4) sometimes
- (5) seldom
- (6) never

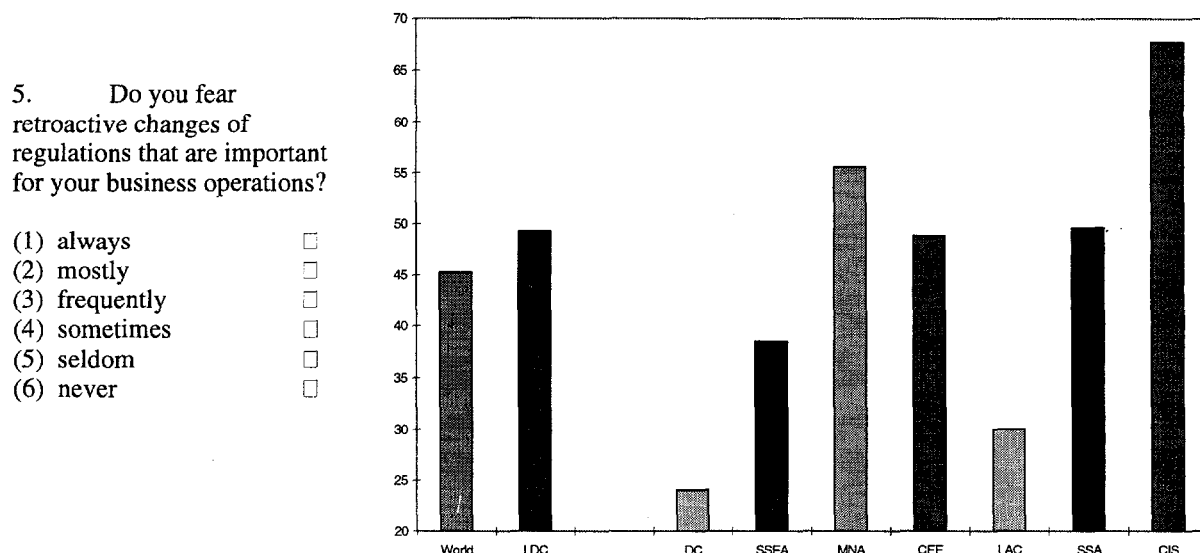


Percentage of firms who ticked (4), (5), or (6) for question 4

A majority of entrepreneurs, the world over, thinks that the government does not take into account their concerns when developing new rules. However, the same differences that were revealed in question 4 are also apparent here. In Asia and the developing countries fewer businessmen feel that they cannot participate, whereas in the CEE, CIS, and in Africa more than 80 percent of entrepreneurs think that their concerns are not being taken into account.¹⁰

Question 5: Retroactive changes

One source of unpredictability is that regulations may be changed retroactively. This question addresses this issue.



Percentage of firms who ticked (1), (2), or (3) for question 5

Results show that retroactive changes are perceived as a problem by more than half of all surveyed businessmen in MNA and in the CIS. In developed countries and in Latin America relatively few entrepreneurs thought that retroactive regulatory changes presented a problem for their business operations.

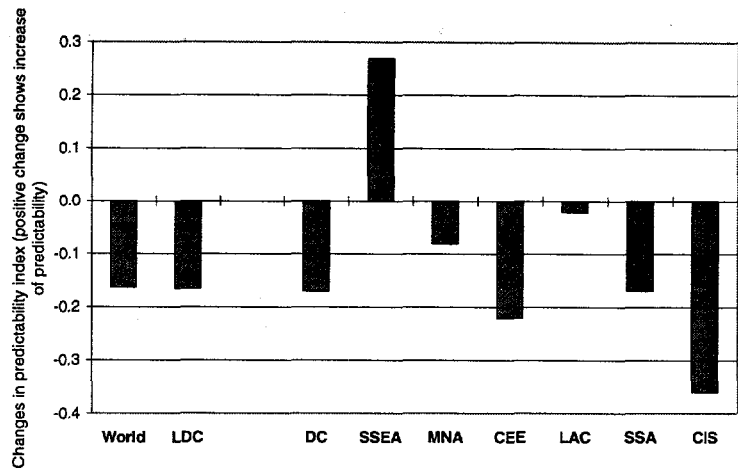
Question 6: Change of predictability over time

Question 6 asked if predictability had changed in the entrepreneurs view over the past 10 years (over the last 5 years in the case of the transition economies). This is a summary question for the preceding five questions that addresses the change in overall predictability.

¹⁰ Also, small companies on average, are found to be less informed about and involved in the drafting of new regulations and are therefore more subject to policy surprises.

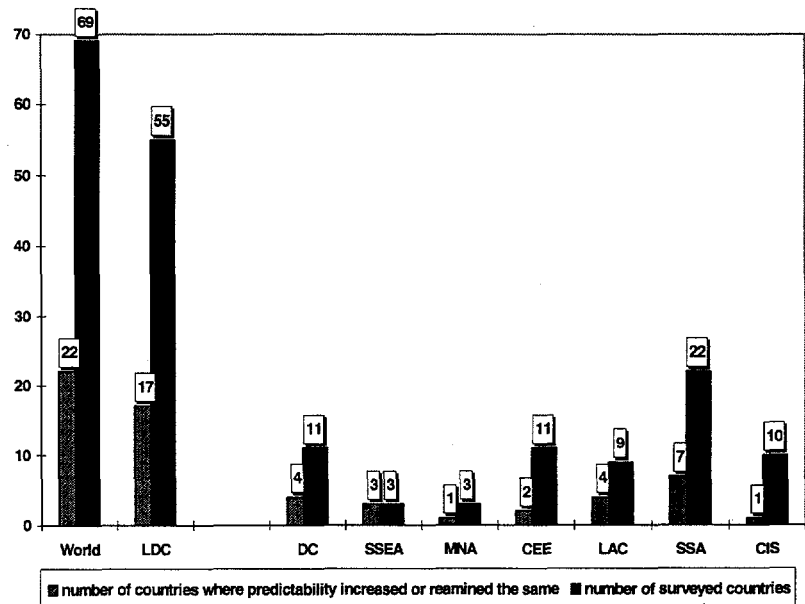
6. In the last ten years predictability of laws and policies has

- increased
- remained about the same
- decreased
- don't know



The responses show that only one region—South and Southeast Asia enjoyed an overall increase in the predictability of rules and policies. The index was measured as an average deviation from the second response to the question, which stated that the predictability of laws and policies remained about the same. According to the responding businessmen, the worst decrease occurred in the transitional economies; the Sub-Saharan Africa region and developed countries followed. In these regions the decrease was about the same in absolute terms. Small decreases in predictability were experienced by the firms in Latin America and the Middle East and North Africa. The attached chart presents another view of the change in predictability of laws and policies.

Overall only 22 of 69 surveyed countries reported an improvement of predictability in laws and policies. A country was considered having an improvement if a majority of surveyed businessmen reported that predictability increased. As it was expected from the previous graph businessmen in all surveyed Asian countries consider that over the last decade their government's policies became more predictable. This is a remarkable achievement in comparison to the poor government performance of CIS countries, where businessmen in only one out of the ten surveyed countries think that predictability of government policies has increased. Businessmen in only four of eleven developed countries think that predictability of government laws and policies has increased.



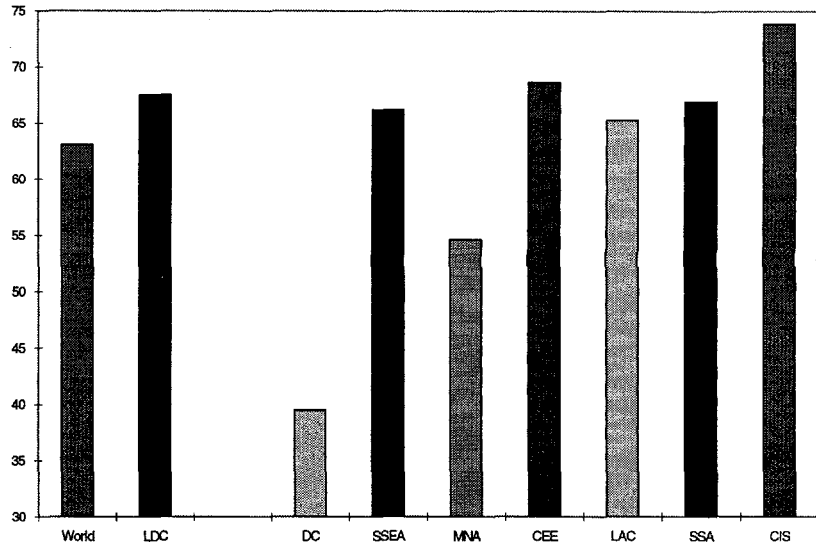
Question 7: Changes in rules due to regular government changes

This question considers the problem of unpredictable changes in rules and policies from the angle of one of its frequent causes: changes in governments. Respondent's answers depended on their particular institutional setting whether a regular change in government leads to large administrative changes in policies. For example, in some countries, the bureaucracy is quite autonomous and changes in government hardly affect the predictability of rules.

7. "Constitutional changes of government (as a result of elections) are usually accompanied by large changes in rules and regulations that have an impact on my business."

To what degree do you agree with this statement?

- (1) fully agree
- (2) agree in most cases
- (3) tend to agree
- (4) tend to disagree
- (5) disagree in most cases
- (6) strongly disagree
- does not apply



Percentage of firms who ticked (1), (2), or (3) for question 7

The uncertainty resulting from government changes is lowest in the developing countries. In all other regions of the world more than half of all entrepreneurs feel that this particular form of uncertainty greatly affects their business. The highest uncertainty rests in the CIS

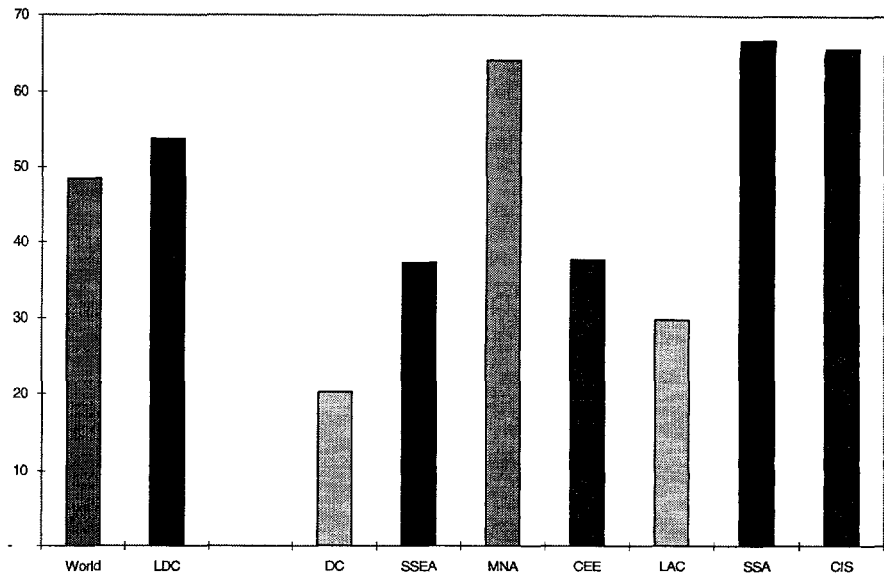
Question 8: Policy surprises due to irregular government changes

The aim of this question is similar to the preceding one—to tackle the problem of unpredictable changes in rules and policies caused by changes in governments, but in this case by irregular changes. Again, this form of political instability does not automatically imply that there is also large uncertainty for entrepreneurs, as for example, the bureaucracy could be so autonomous that even a coup does not seriously affect the predictability of rules.

8. "I constantly fear unconstitutional government changes (i.e. coups) that are accompanied by far-reaching policy surprises with significant impact on my business."

To what degree do you agree with this statement?

- (1) fully agree
- (2) agree in most cases
- (3) tend to agree
- (4) tend to disagree
- (5) disagree in most cases
- (6) strongly disagree
- does not apply



Percentage of firms who ticked (1), (2), or (3) for question 8

The fear of business disruption due to irregular government changes is highest in Africa, the CIS and MNA where over 60 percent of entrepreneurs say their businesses would significantly be impacted. In Latin America, though it has a history of coups, this problem is perceived as relatively small.

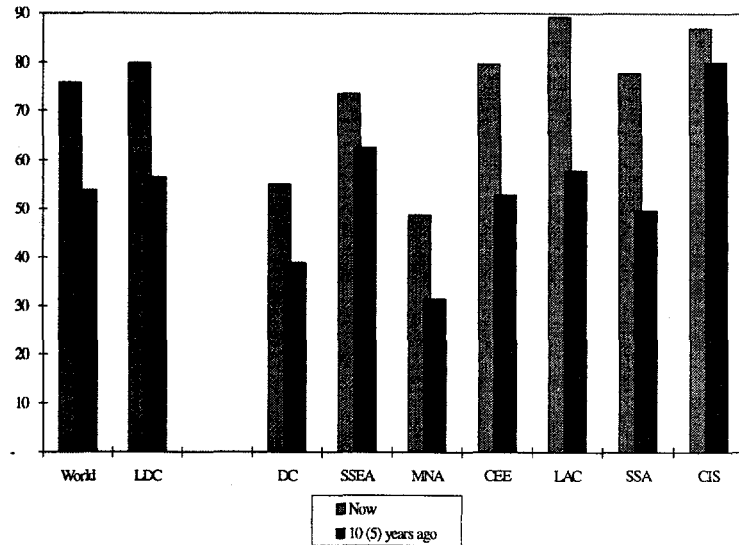
Question 9. Theft and Crime

Theft and crime indicate that property rights are not properly enforced. However, businessmen can sometimes find ways to protect themselves from this particular uncertainty by hiring private protection agencies. Therefore this question directly asks whether theft and crime substantially increase the cost of doing business.

9. "Theft and crime are serious problems that can substantially increase the costs of doing business."

To what degree do you agree with this statement?

- | | Now | 10 years ago |
|----------------------------|--------------------------|--------------------------|
| (1) fully agree | <input type="checkbox"/> | <input type="checkbox"/> |
| (2) agree in most cases | <input type="checkbox"/> | <input type="checkbox"/> |
| (3) tend to agree | <input type="checkbox"/> | <input type="checkbox"/> |
| (4) tend to disagree | <input type="checkbox"/> | <input type="checkbox"/> |
| (5) disagree in most cases | <input type="checkbox"/> | <input type="checkbox"/> |
| (6) strongly disagree | <input type="checkbox"/> | <input type="checkbox"/> |



Percentage of firms who ticked (1), (2), or (3) for question 9

The world over businessmen consistently believe that the cost of doing business is substantially increased by theft and crime. In Latin America this problem is most pronounced as almost 90 percent of entrepreneurs who responded think that these are serious problems. In a similar vein around 80 percent of entrepreneurs in the CIS, CEE, Africa, and Asia perceive crime and theft as serious problems.

Moreover, in all regions (except Asia) businessmen think that the problems of crime and theft have increased over the last decade. In the case of the transition economies this trend was witnessed over the last five years rather than the last ten.

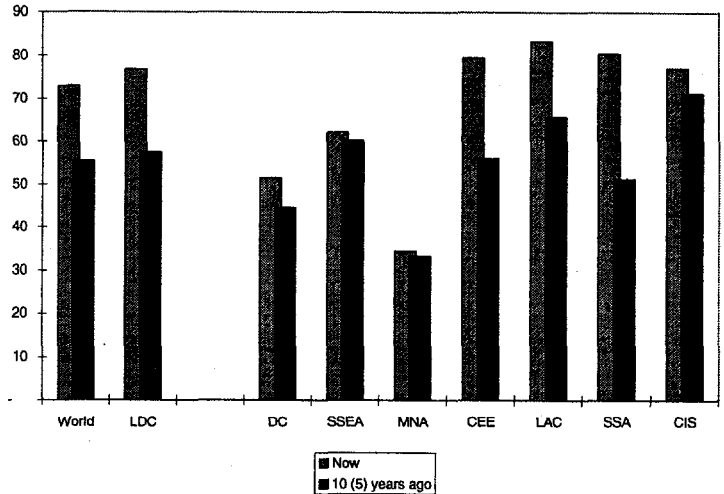
Question 10. Security of property and personal safety

This question addresses not only the security of property but also personal safety. As opposed to the preceding question, this question does not relate crime and theft to the cost of doing business but asks whether businessmen trust the authorities to protect them and their property.

10. "I am not confident that the state authorities protect my person and my property from criminal actions"

To what degree do you agree with this statement?

- | | Now | 10 years ago |
|----------------------------|--------------------------|--------------------------|
| (1) fully agree | <input type="checkbox"/> | <input type="checkbox"/> |
| (2) agree in most cases | <input type="checkbox"/> | <input type="checkbox"/> |
| (3) tend to agree | <input type="checkbox"/> | <input type="checkbox"/> |
| (4) tend to disagree | <input type="checkbox"/> | <input type="checkbox"/> |
| (5) disagree in most cases | <input type="checkbox"/> | <input type="checkbox"/> |
| (6) strongly disagree | <input type="checkbox"/> | <input type="checkbox"/> |



Percentage of firms who ticked (1), (2), or (3) for question 10

In most countries the business community feels that authorities do not adequately guarantee their personal safety and enforce their property rights. In Latin America, Africa, the CIS, and the CEE almost 80 percent of entrepreneurs reported that they did not feel confident that the state authorities would protect their person and property from criminal actions. Even in the developed countries half of the respondents (on average) did not trust government in this dimension. Furthermore in all regions, except for Asia, entrepreneurs reported that the security of property and personal safety had decreased over the last decade (over the last 5 years in the case of the transition economies).

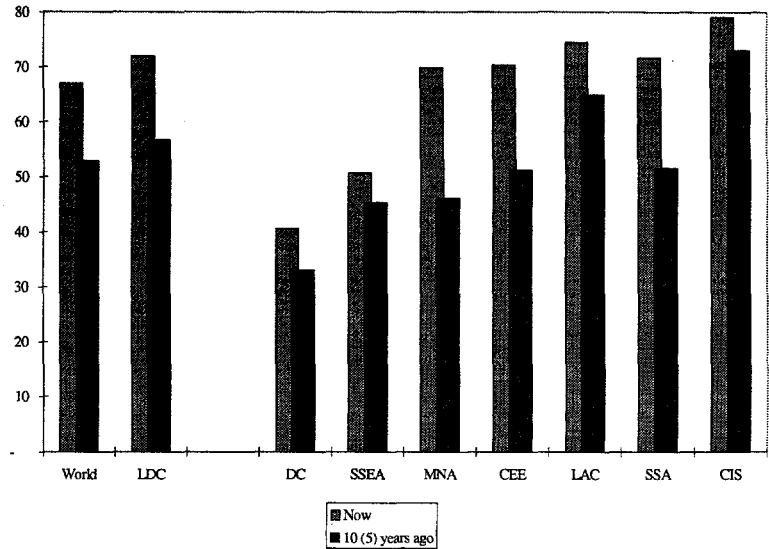
Question 11. Reliability of the judiciary

Unreliable judiciaries can cause two forms of uncertainty: unreliable judiciaries offer no fair recourse against unlawful behavior between citizens and similarly unfair treatment of citizens by state officials is unclearly prosecuted by the judiciary. This undermines property and contract rights.

11. "Unpredictability of the judiciary presents a major problem for my business operations."

To what degree do you agree with this statement?

- | | Now | 10 years ago |
|----------------------------|--------------------------|--------------------------|
| (1) fully agree | <input type="checkbox"/> | <input type="checkbox"/> |
| (2) agree in most cases | <input type="checkbox"/> | <input type="checkbox"/> |
| (3) tend to agree | <input type="checkbox"/> | <input type="checkbox"/> |
| (4) tend to disagree | <input type="checkbox"/> | <input type="checkbox"/> |
| (5) disagree in most cases | <input type="checkbox"/> | <input type="checkbox"/> |
| (6) strongly disagree | <input type="checkbox"/> | <input type="checkbox"/> |



Percentage of firms who ticked (1), (2), or (3) for question 11

Unreliable judiciaries are perceived as a major problem all over the world. In the less developed countries over 70 percent of entrepreneurs feel that judicial unpredictability presents a major problem for their business operations. Moreover, in most regions of the world entrepreneurs think that their problems with the judiciary have increased over the last 10 years

On average in all regions entrepreneurs thought, that the reliability of judiciary systems today presents a larger problem for their business than 10 years ago (5 years in the case of the transition economies).

Question 12: Ranking of obstacles for doing business

This question does not relate primarily to problems of uncertainty but asks businessmen to rank all kinds of obstacles comparatively. Some parts of this question have been used before in private sector assessments for individual countries by the World Bank and the question was introduced this survey to gain a comparative picture across countries.

12. Please judge on a six point scale how problematic these different policy areas are for doing business (Please do not select more than 5 obstacles as the very strong (6)):

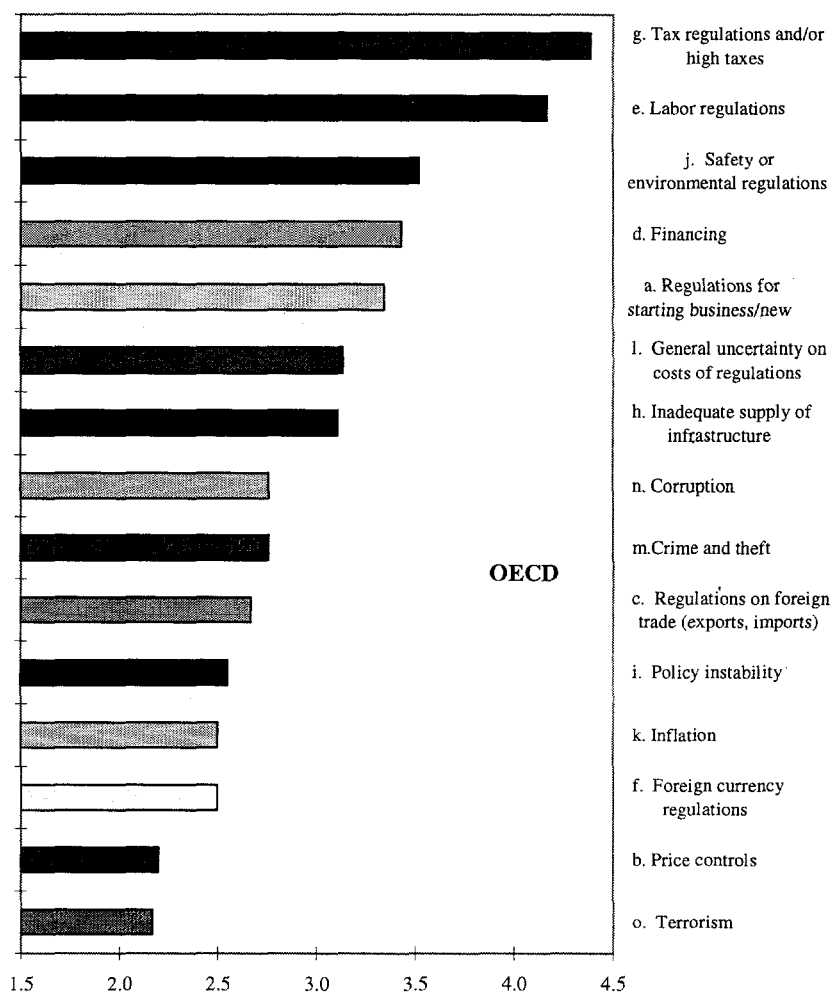
	Obstacles					
	No	Moderate			Very strong	
a. Regulations for starting business/new operations	1	2	3	4	5	6
b. Price controls	1	2	3	4	5	6
c. Regulations on foreign trade (exports, imports)	1	2	3	4	5	6
d. Financing	1	2	3	4	5	6
e. Labor regulations	1	2	3	4	5	6
f. Foreign currency regulations	1	2	3	4	5	6
g. Tax regulations and/or high taxes	1	2	3	4	5	6
h. Inadequate supply of infrastructure	1	2	3	4	5	6
i. Policy instability	1	2	3	4	5	6
j. Safety or environmental regulations	1	2	3	4	5	6
k. Inflation	1	2	3	4	5	6
l. General uncertainty on costs of regulations	1	2	3	4	5	6
m. Crime and theft	1	2	3	4	5	6
n. Corruption	1	2	3	4	5	6
o. Terrorism	1	2	3	4	5	6
p. Other _____						
_____	1	2	3	4	5	6

The main results for this question will be discussed separately by region. The bar charts always display the calculated average ranking for each obstacle—ranging from 1 (no obstacle) to 6 (very strong obstacle).

Developed countries

Entrepreneurs in developed countries found five out of six major obstacles for doing business related to regulations. They are the following:

1. Tax regulations and/or high taxes (question 12.g)
2. Labor regulations (question 12.e)—the highest ranking among regions.
3. Safety or environmental regulations (question 12.j)—also the highest ranking among regions. None of the other regions ranked environmental regulations higher than 11 on a 15 point scale (rank 1 means the worst obstacle, rank 15—the least).
5. Regulations for starting business/new operations (question 12.a)



6. General uncertainty on costs of regulations (question 12.l)

Financing was ranked the fourth major obstacle by surveyed businessmen in developed countries.

At the same time, corruption (question 12.n) was ranked number eight out of 15 obstacles considered—the lowest rank in any region. Foreign currency regulations (question 12.f) and price control (question 12.b) were found to be the third and second lowest obstacles and terrorism (question 12.o) was ranked the least important obstacle.

The quantitative value of the top obstacle (tax regulations and/or high taxes) was almost twice higher than the value of the second lowest obstacle (price control).

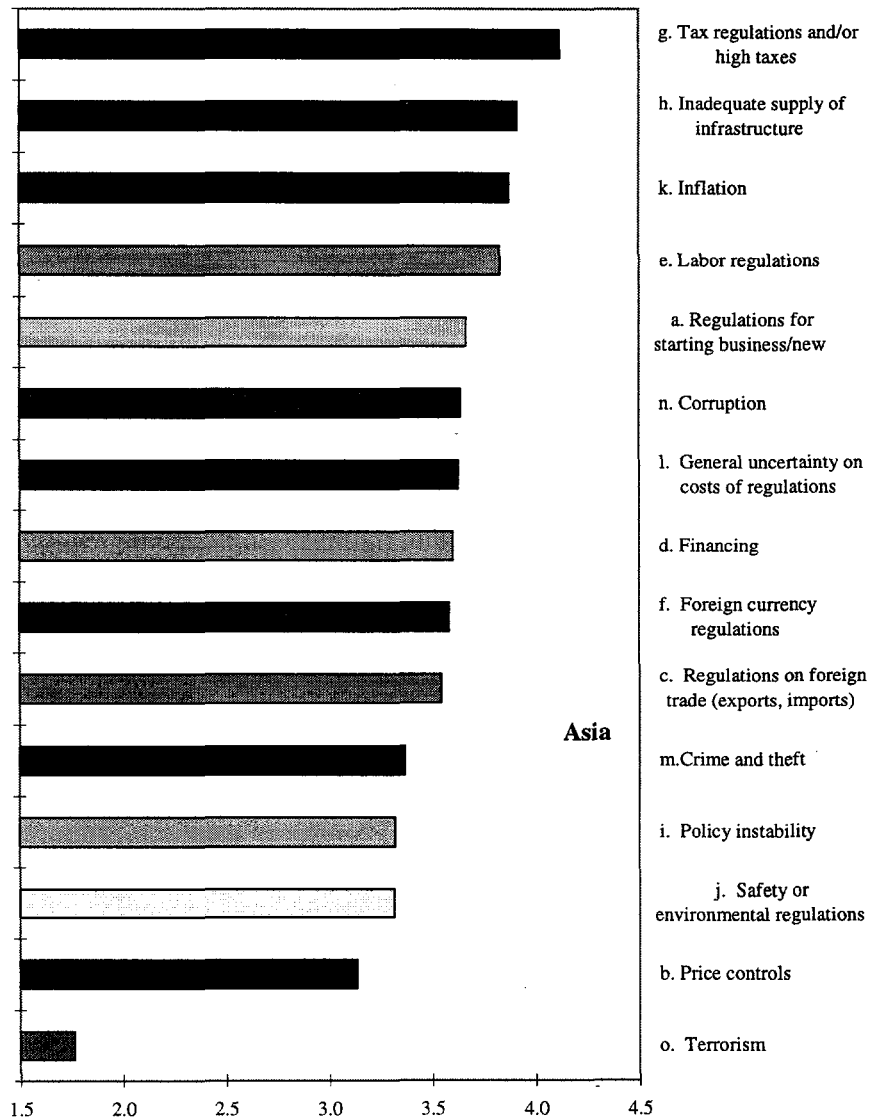
South and Southeast Asia

These Asian businessmen found tax regulations and/or high taxes (question 12.g) and inadequate supply of infrastructure (question 12.h) the top two obstacles for doing business in their countries. Closely following these two obstacles was inflation (question 12.k). Asian businessmen ranked inflation as a higher obstacle for doing business than entrepreneurs in any other region.

Forth and fifth ranks were given to labor regulations (question 12.e) and regulations for starting business/new operations (question 12.a), respectively. Corruption followed next (question 12.n).

Overall only three out of six top obstacles in this region are regulation related compared to five out of six in developed countries.

At the bottom of the list of obstacles are safety or environmental regulations (question 12.j), price control (question 12.b), followed by terrorism which Asian businessmen consider less important (in absolute values) than their colleagues in developed countries.



The quantitative value of the top obstacle (tax regulations and/or high taxes) was only 30 percent higher than the value of the second lowest obstacle (price control).

Middle East and North Africa

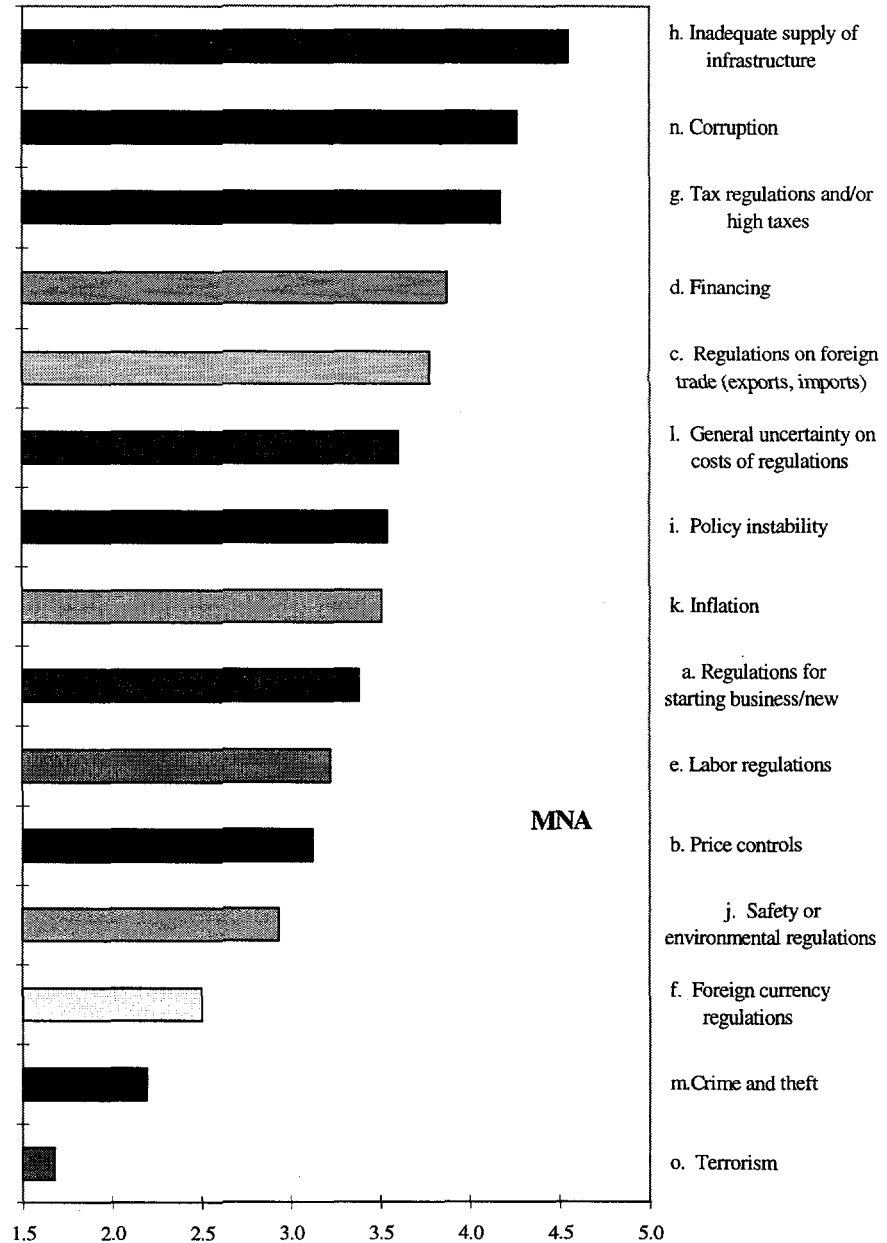
The worst obstacle for business in this region is inadequate supply of infrastructure (question 12.h) Corruption (question 12.n), tax regulations and/or high taxes (question 12.g) and financing (question 12.d) closely follow.

Three out of six major obstacles in the Middle East and Northern Africa region are regulation related.

Price control (question 12.b) is a low ranked obstacle (eleventh), but this ranking is the highest among regions. In every other region except CIS where this obstacle was ranked number 12, price control was ranked number fourteen or number fifteen.

The least important obstacles are foreign currency regulations (question 12.f), crime and theft (question 12.m), and the least important is terrorism.

The quantitative value of top obstacle (inadequate supply of infrastructure) was two times higher than the value of the second lowest obstacle (crime and theft).

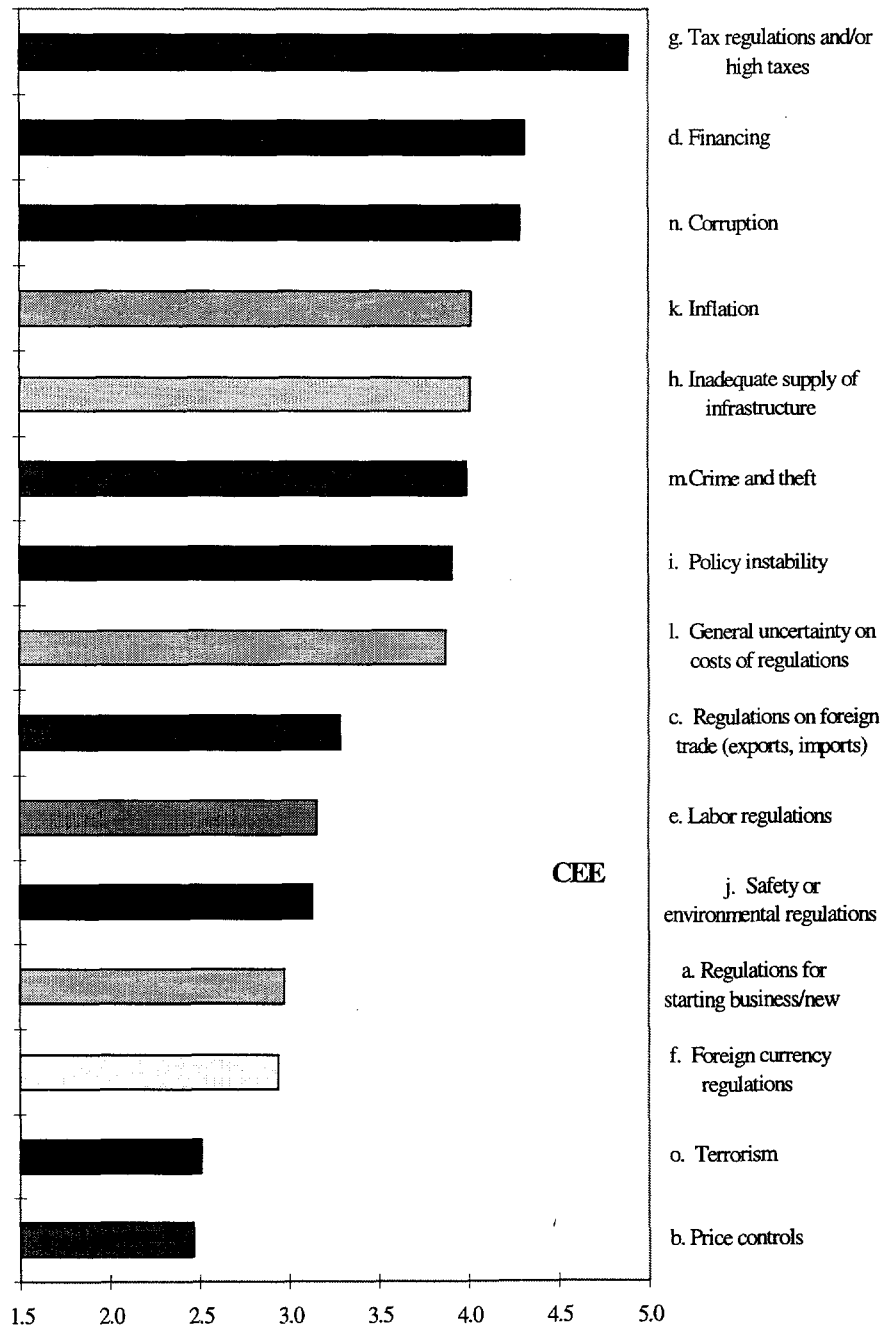


Central and Eastern Europe

In Central and Eastern Europe business considers only one regulation related obstacle as major—this is tax regulations and/or high taxes (question 12.g),. Financing (question 12.d) and corruption (question 12.n) are the second and the third most important obstacles. They are of equal importance.

In CEE inflation (question 12.k) was found to be the fourth most important obstacle for doing business. This is the second highest ranking among all regions. The only other region where inflation was as highly ranked was in Africa.

The least important obstacles for doing business in CEE were foreign currency regulations (question 12.f), terrorism (question 12.o) and price controls (question 12.b).



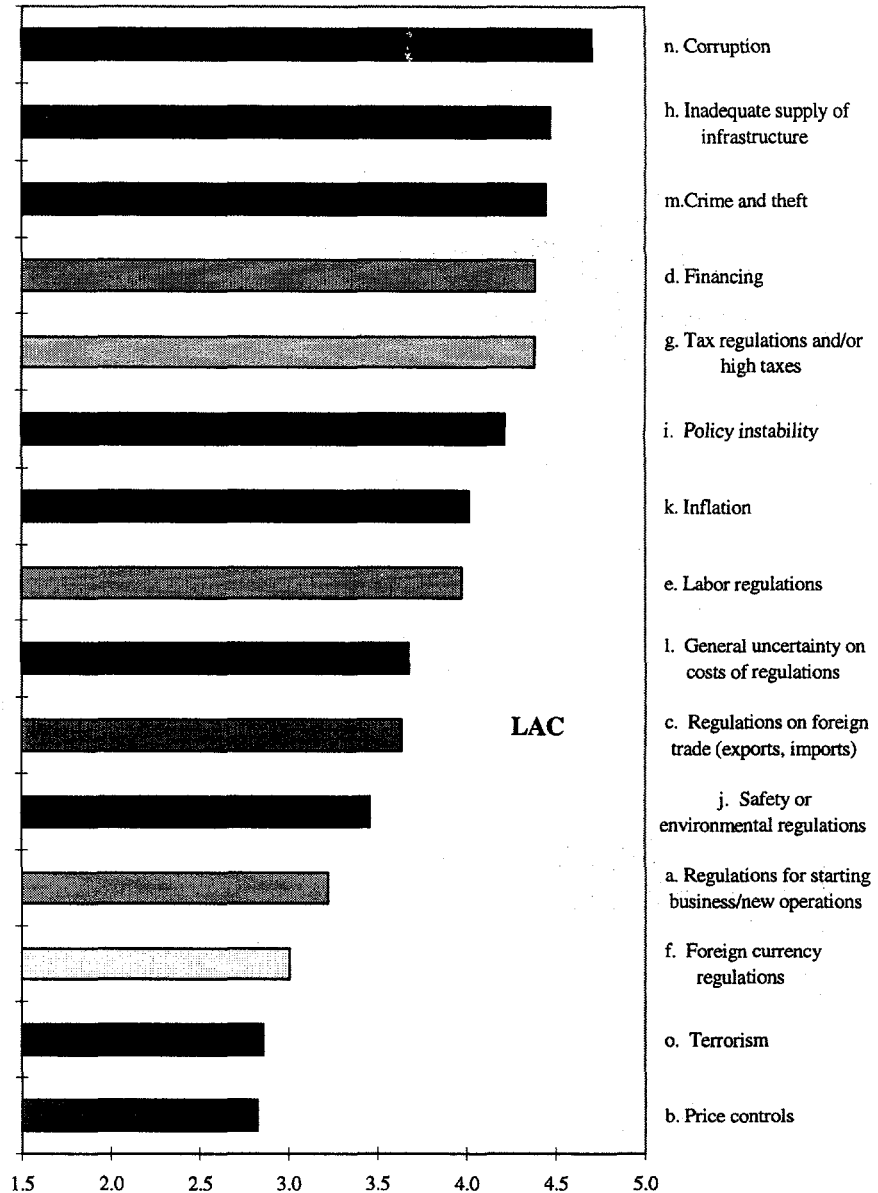
The quantitative value of the top obstacle (inadequate supply of infrastructure) is two times higher than the value of the lowest obstacle (price control).

Latin America and the Caribbean

The worst two obstacles according to the businesspeople of Latin America are corruption (question 12.n) and inadequate supply of infrastructure (question 12.h). Crime and theft are considered to be the third most important obstacle. This is the highest ranking of crime and theft among all regions.

The only regulation related obstacle which made the top six list is tax regulation and/or high taxes. This obstacle was ranked fifth by entrepreneurs in Latin America, the lowest ranking among regions. All other regulations are ranked at the bottom of the list starting with labor regulations (ranked number eight).

The list of obstacles concludes with terrorism (question 12.o) and price controls (question 12.b).



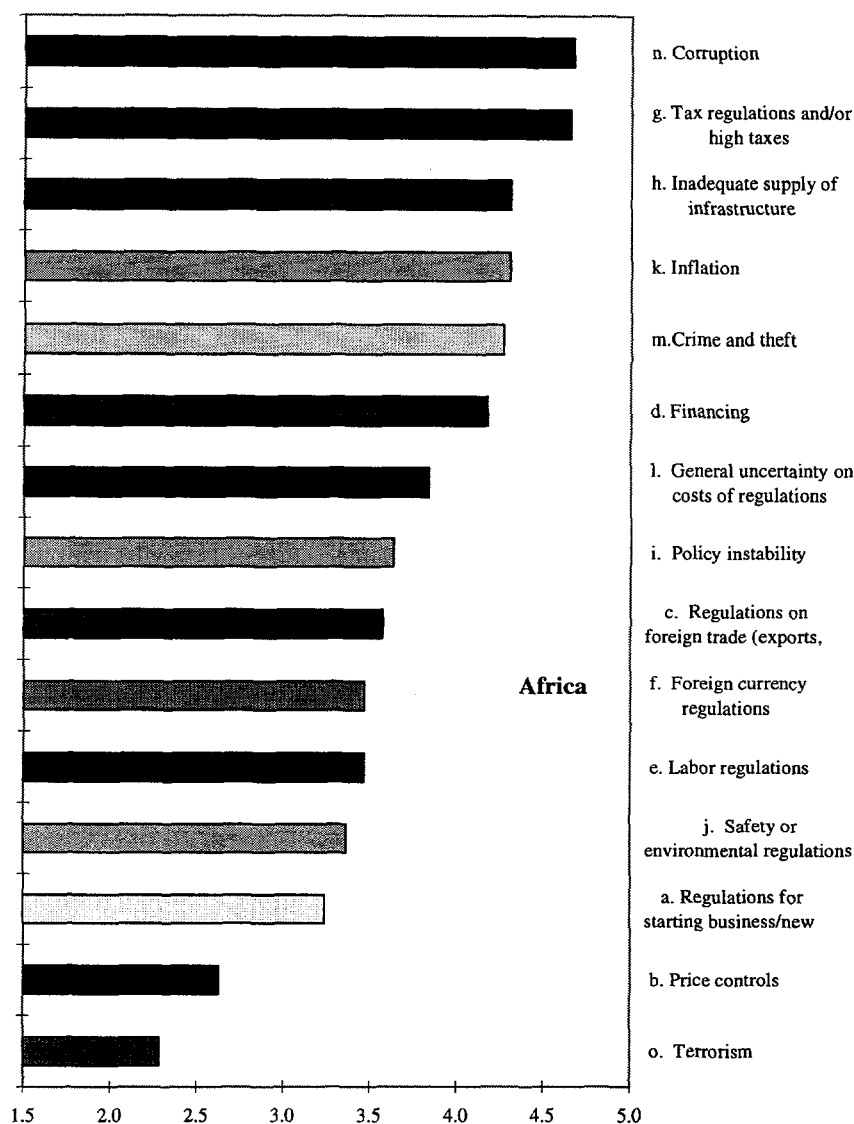
The quantitative value of the top obstacle (corruption) is 1.67 times higher than the value of the lowest obstacle (price controls).

Sub-Saharan Africa

The most important problems according to African entrepreneurs are corruption (question 12.n), tax regulations and/or high taxes (question 12.g) and inadequate supply of infrastructure (question 12.h), followed by inflation (question 12.k), crime and theft (question 12.m) and financing (question 12.d).

As in the Latin America region, few regulatory questions made it to the top of the obstacle list (tax regulation was the only exception).

The least important of these regulations for African businessmen are labor regulations (question 12.e), safety or environmental regulations (question 12.j), and regulations for starting new business (question 12.a).



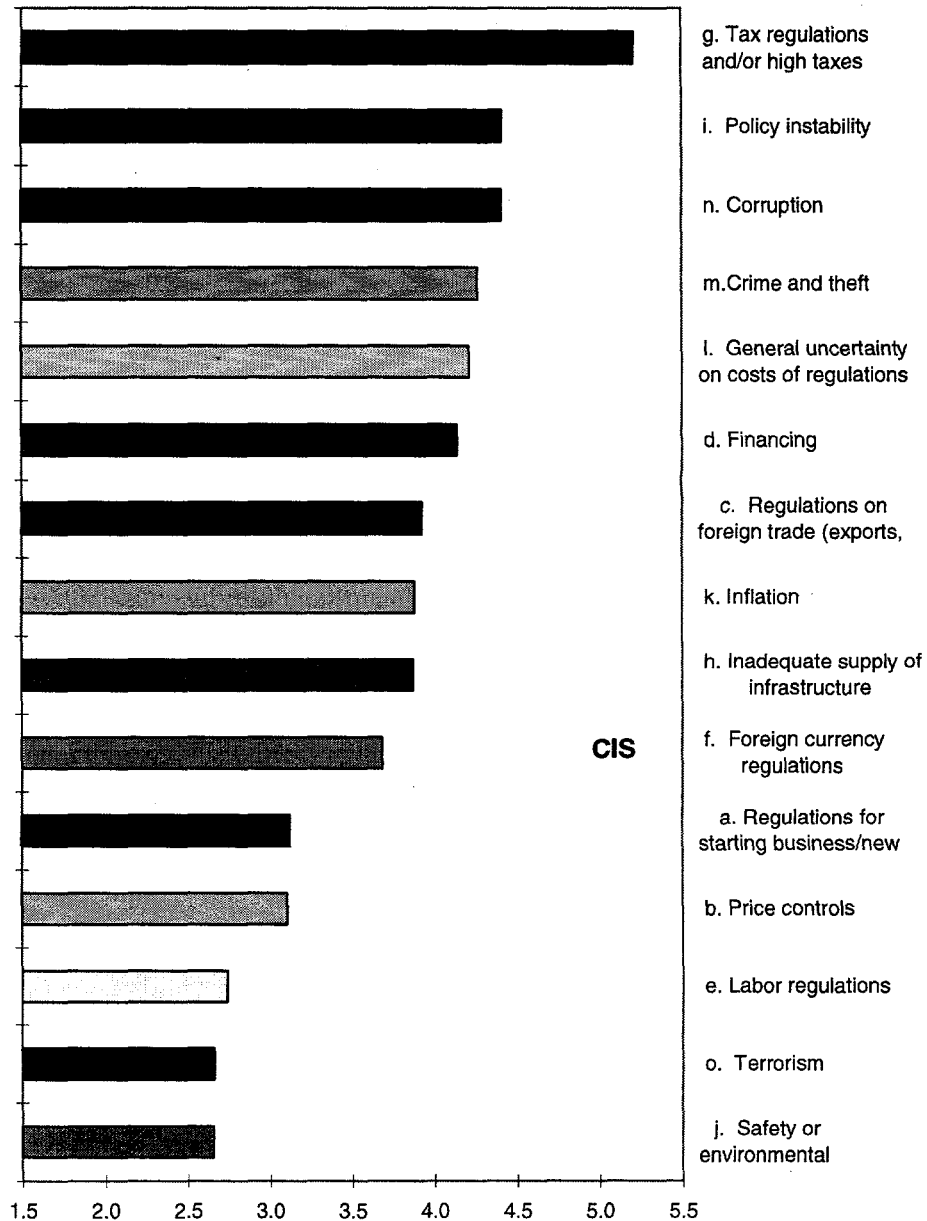
The least important overall obstacles are price control (question 12.b) and terrorism (question 12.o).

The quantitative value of the top obstacle (corruption) is 1.78 times higher than the value of the second lowest obstacle (price controls).

Commonwealth of Independent States

Tax regulations and/or high taxes (question 12.g) was the single most important obstacle for doing business in CIS countries according to responses of surveyed businessmen. The quantitative value of this obstacle was 1.41 times higher then for the second obstacle - policy instability (question 12.i). This is the highest ratio for all regions.

As previously stated policy instability was the second major obstacle for doing business in the countries of CIS. This is the highest ranking this obstacle received among all regions. The second highest ranking for policy instability was 6 in Latin America.

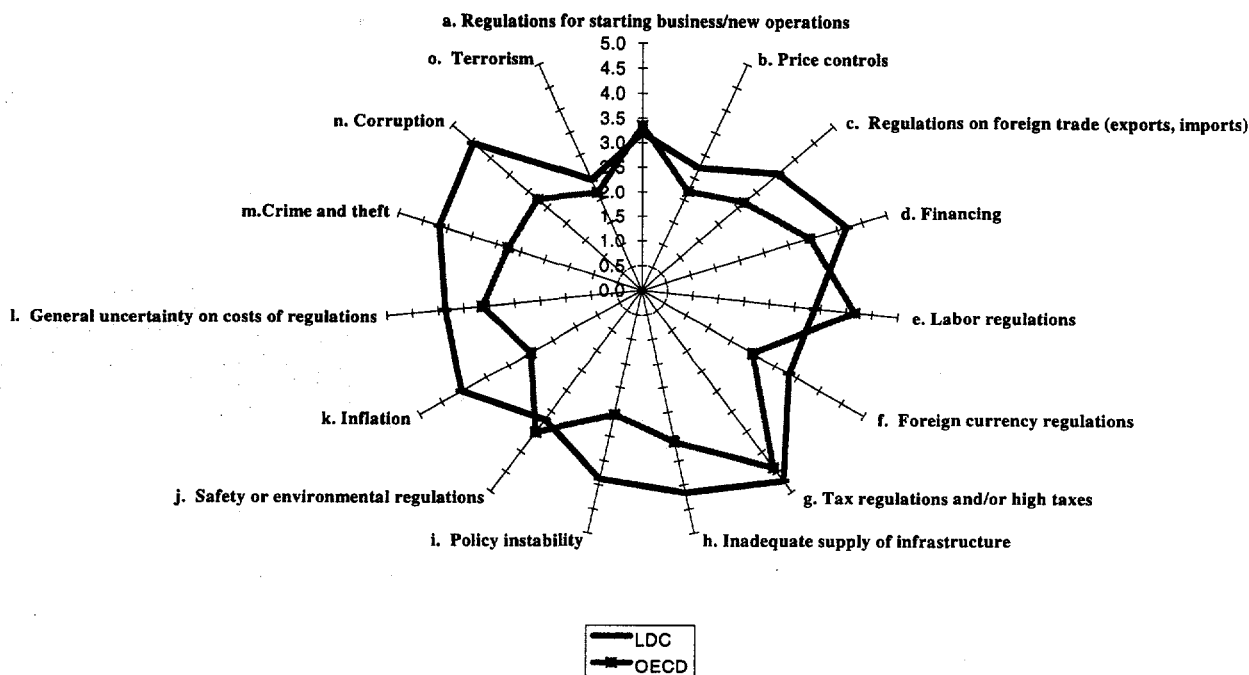


Corruption received rank 3 followed by crime and theft (question 12.m).

The lowest on the list of obstacles is safety or environmental regulations (question 12.j). This ranking is also the lowest among the regions.

The quantitative value of the top obstacle (tax regulations and/or high taxes) is almost two times higher than the value of the lowest obstacle (safety or environmental regulations).

Developed countries vs. developing countries



As can be seen from the above figure, index values for 12 out of 15 obstacles are higher in developing countries. The only three obstacles receiving higher quantitative values in developed countries can be easily classified as they are related to different types of regulations:

- question 12.a: regulations for starting new business
- question 12.e: labor regulations, and
- question 12.j: safety or environmental regulations.

Degree of troublesomeness

The following graph shows the number of countries together and in each region where 50 or more percent of surveyed firms gave scores of 4 or higher to each of the considered obstacles. The leader was question 12.g - tax regulations and/or high taxes. For example, in all ten surveyed CIS countries at least 50 percent of surveyed businessmen think that tax regulation and/or high taxes are an obstacle. Overall in 49 out of 69 surveyed countries, taxes and tax policies were considered an obstacle by more than 50 percent of surveyed businessmen.

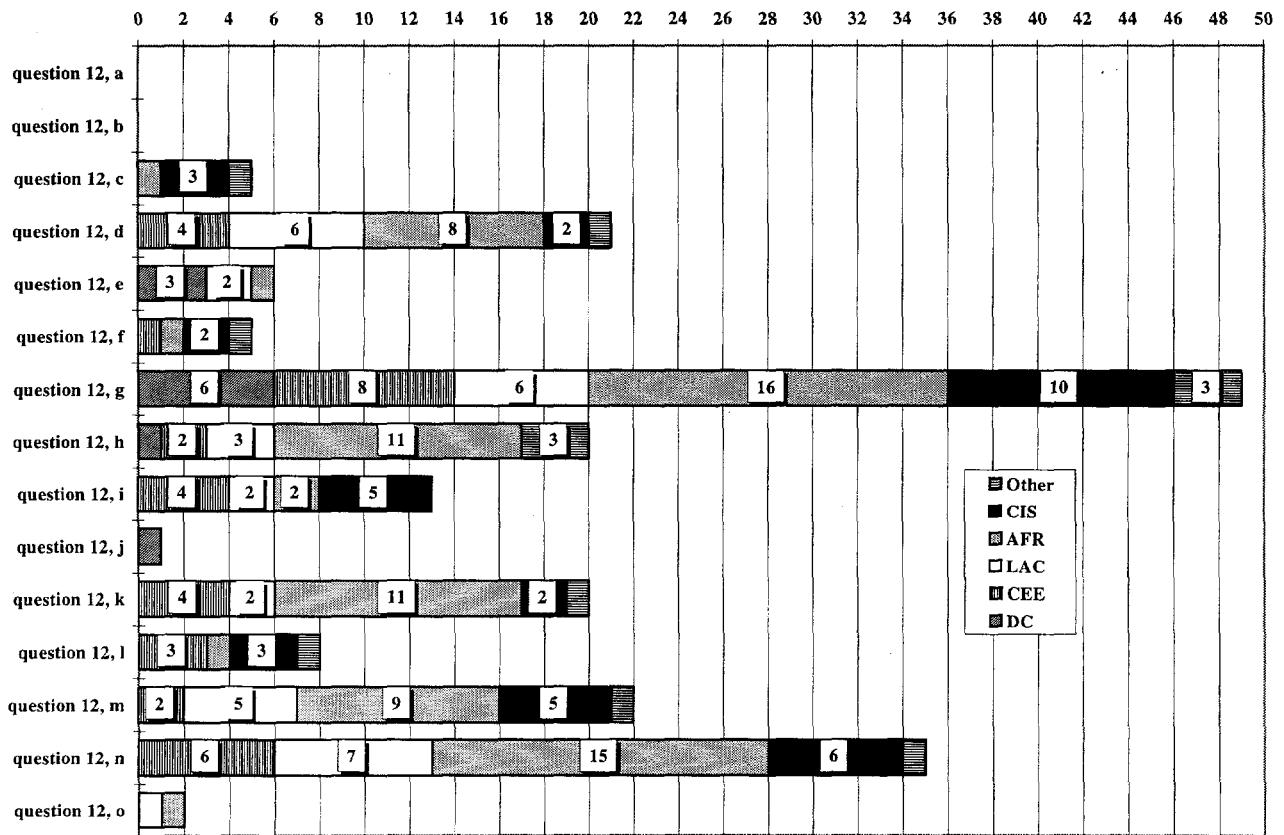
The second highest obstacle is corruption (question 12.n). A majority of businessmen in 35 countries considered it a hurdle for doing business. Of these 35 countries, 15 are in Africa. In none of the developed countries surveyed was corruption found to be an obstacle by a majority of respondents.

Crime and theft (question 12.m) were considered an obstacle by the majority of businessmen in 22 countries. Again none of the developed countries are included in this list. Crime and theft is followed by financing (question 12.d) which 21 countries rated highly. Following them is an inadequate supply of infrastructure (question 12.h)—20 countries.

On the other end of the spectrum are regulations for starting new business (question 12.a) and price controls (question 12.b). Neither of them was considered an obstacle by a majority of survey respondents in any of the countries.

Safety and environmental regulations (question 12.j) were ranked third in the developed countries, but only in one developed country this was considered an obstacle by a majority of surveyed entrepreneurs.

Terrorism (question 12.o) received a majority in two countries—one in Latin America and one in Africa.



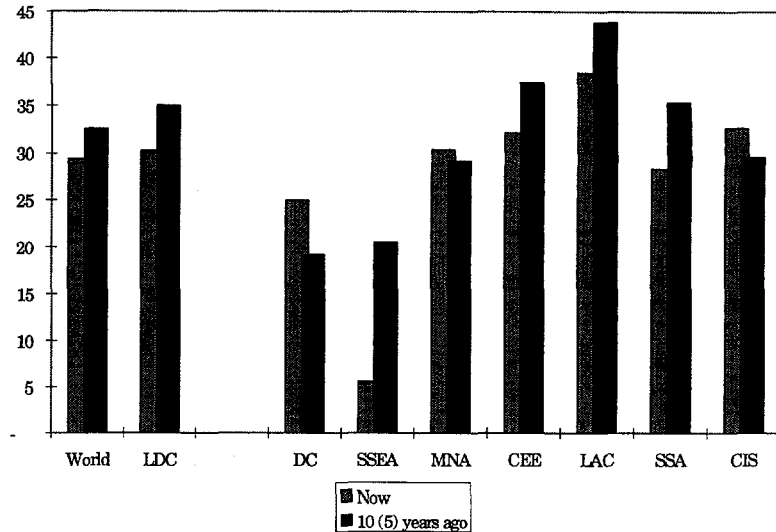
Question 13: Interface State-Government

This general question asks entrepreneurs on their overall perception of the state and the bureaucracy. Is the state an opponent, a neutral agent, or a helping hand for the private sector? Though this question has 6 possible answers, these were clearly divided into 3 parts: opponent, neutral agent, and helping hand. The graph shows the polar case of the percentage of entrepreneurs who ticked 5 and 6 (opponent).

13. Please rate your overall perception of the relation between government and/or bureaucracy and private firms on the following scale.

“All in all, for doing business I perceive the state as”:

	Helping hand		Neutral agent		Opponent	
	1	2	3	4	5	6
Now						
10 years ago						



Percentage of firms who ticked (5), or (6) for question 13

The percentage of entrepreneurs who thought that the state was an *opponent* is highest in Latin America (40 percent). At the other extreme, only 5 percent of entrepreneurs in SSEA feel in this way about their relation with the state. When asked to rate this relationship 10 years ago, 20 percent of businessmen thought of the state as an opponent in this region. In MNA, the developed countries, and the CIS the relation between the state and the business community seems to have worsened in the past 10 years ago (5 years in the case of the transition economies).

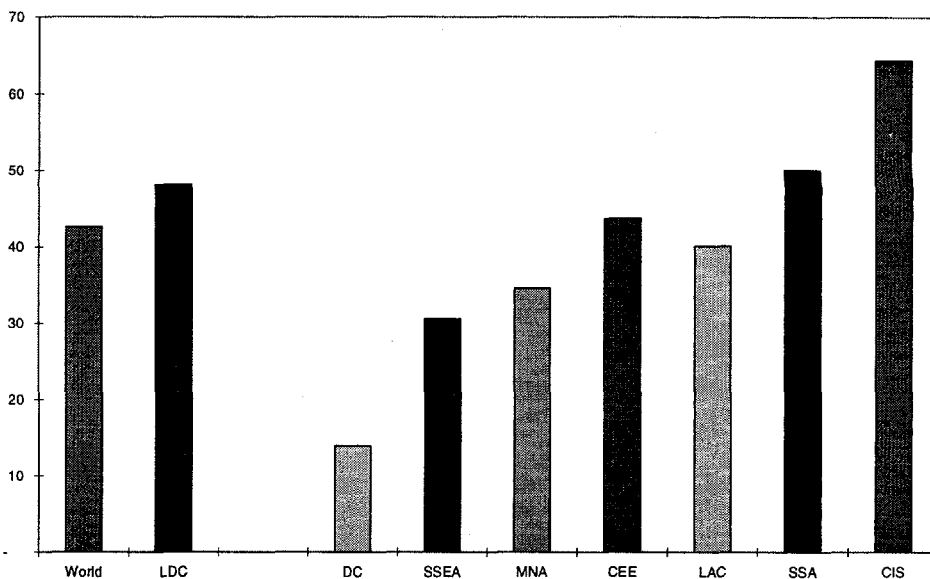
Question 14: Frequency of Corruption

This question probes the overall frequency of corruption without distinguishing between different types of corruption. To obtain a less biased answer, the question asks respondents to rate the frequency of irregular payments in their line of business, without asking whether he or she has ever paid bribes personally.

14. "It is common for firms in my line of business to have to pay some irregular "additional payments" to get things done."

This is true

- (1) always
- (2) mostly
- (3) frequently
- (4) sometimes
- (5) seldom
- (6) never



Percentage of firms who ticked (1), (2), or (3) for question 14

The frequency of corruption varies clearly across regions: it is the lowest in the developing countries (15 percent), followed by Asia and MNA (about 35 percent), then CEE, Latin America and Africa (between 40 to 50 percent) and finally the CIS where more than 60 percent of entrepreneurs, considered this to be a major phenomenon.

Question 15: Predictability of amount of bribe

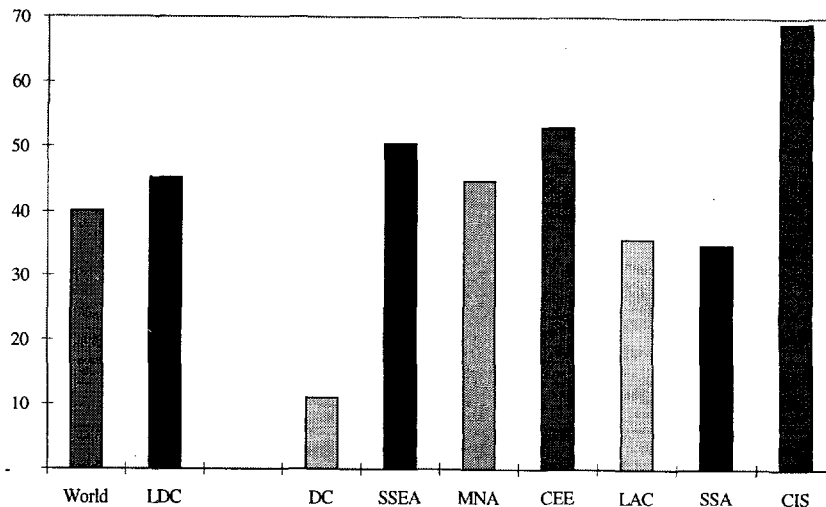
This question distinguishes between "greasing" corruption and "blocking" corruption. "Greasing" corruption is predictable and acts like a transaction cost, whereas, "blocking" corruption is highly unpredictable causing large uncertainties. The following chart shows regional averages for those firms which answered positively to question 14. In other words only firms which made "additional payments" at least sometimes (meaning they ticked frequently, mostly, or always in question 14) are represented in this chart.

Caution should be used when interpreting these results because the sample of the firms was largely truncated to avoid misleading answers. For example in many cases (especially in developed countries), respondents who marked "never" (paid "additional payments") for question 14 also answered "never" (knew in advance about how much this "additional payment" is) for question 15. Question 15 then translates to an extremely high average score for unpredictability of corruption. Thus, truncation is necessary, even if the sample is heavily reduced in size.

15. "Firms in my line of business usually know in advance about how much this "additional payment" is."

This is true

- (1) always
- (2) mostly
- (3) frequently
- (4) sometimes
- (5) seldom
- (6) never



Percentage of firms who ticked (1), (2), or (3) for question 15

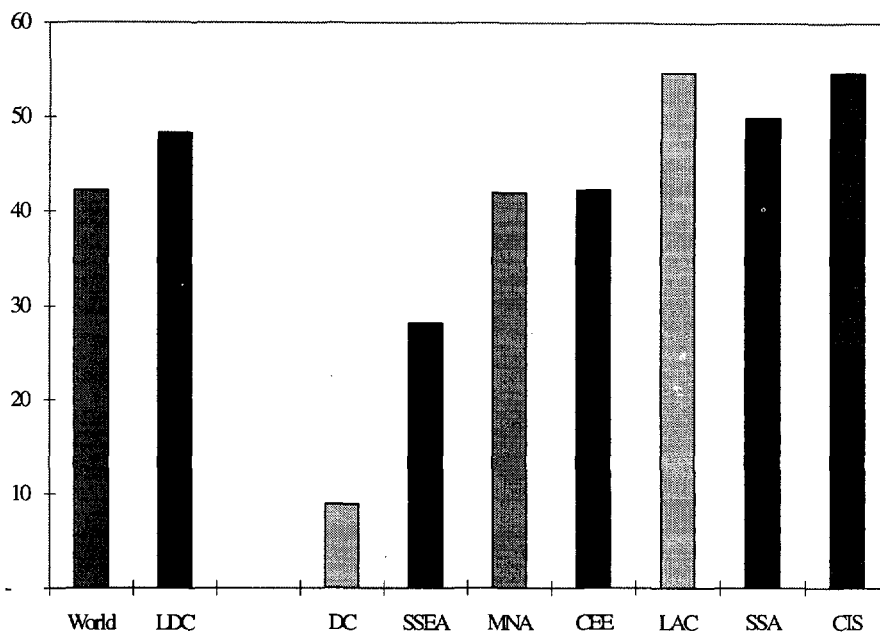
Results show that more than 40 percent of corruption in developing countries is of the "greasing" type. In the CIS about 70 percent of entrepreneurs usually know beforehand what the additional payment will be. In developed countries only 10 percent of entrepreneurs possessed this knowledge.

Question 16: Corruption and Blackmailing

16. "Even if a firm has to make an "additional payment" it always has to fear that it will be asked for more, e.g. by another official."

This is true

- (1) always
- (2) mostly
- (3) frequently
- (4) sometimes
- (5) seldom
- (6) never



Percentage of firms who ticked (1), (2), or (3) for question 16

This question tackles the issue of predictability of corruption within bureaucracy. For instance a bureaucracy in which the income from corruption is shared among all the members, acts like a monopolist that jointly maximizes bribe income. Thus, the briber is subject to less uncertainty (although possibly to higher amounts of bribes). Conversely, if the level of organization of corruption within the bureaucracy is low, the bribee is subject to more uncertainty and blackmailing from many different officials who participate in the delivery of the service.

The sample was truncated in the same way as question 15.

The results of this question show that uncertainty resulting from this source is highest in the Latin America and CIS, (about 55 percent), followed by Africa, and than by MNA and CEE. This kind of problem seems to be almost absent in developed countries.

Question 17: Uncertainty about receiving the service after paying a bribe

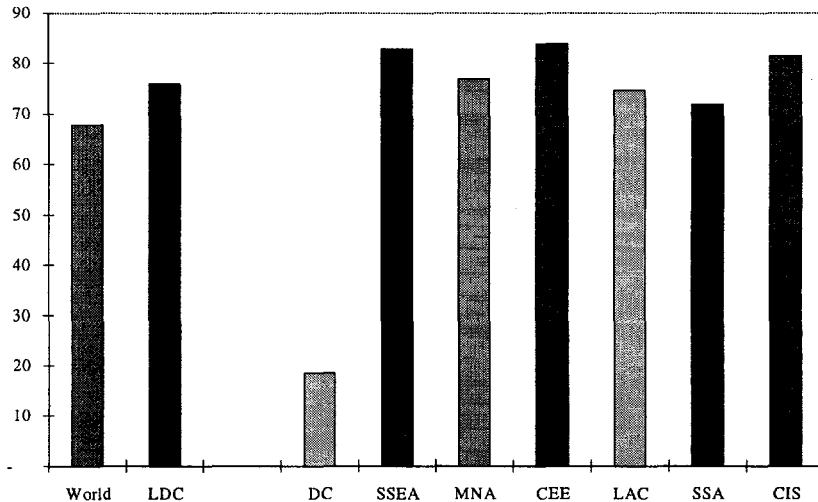
Question 17 attempts to determine predictable versus unpredictable corruption from still another angle. It asks if paying a bribe usually means that the service is delivered as agreed.

The sample was truncated the same way it was explained in question 15.

17. "If a firm pays the required "additional payment" the service is usually also delivered as agreed."

This is true

- (1) always
- (2) mostly
- (3) frequently
- (4) sometimes
- (5) seldom
- (6) never



Percentage of firms who ticked (1), (2), or (3) for question 17

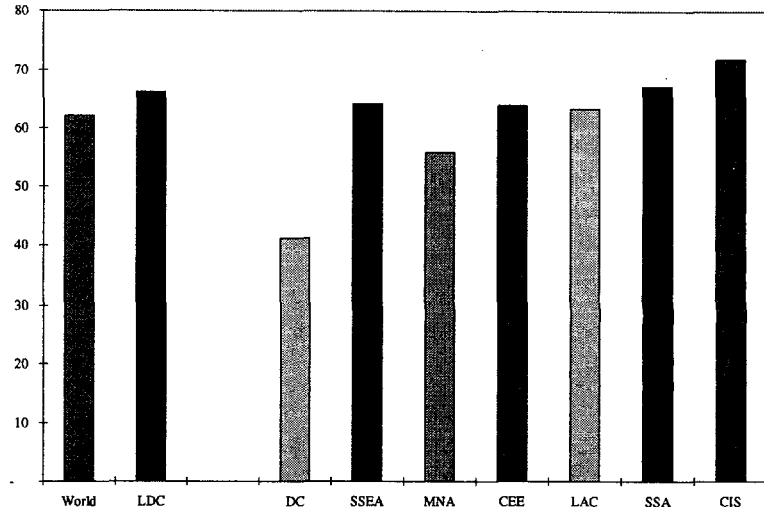
In Asia and the CEE and CIS more than 80 percent of businessmen thought that there was little uncertainty about the delivery of the service after paying a bribe. Overall in all regions at least about 70 percent of surveyed businessmen thought that there was little uncertainty about service delivery after "the wheel was greased." This percentage is the lowest in Africa (but still well above 60 percent).

Question 18: Limits on discretionary power of bureaucrats

18. "If a government agent acts against the rules I can usually go to another official or to his superior and get the correct treatment."

This is true

- (1) always
- (2) mostly
- (3) frequently
- (4) sometimes
- (5) seldom
- (6) never



Percentage of firms who ticked (4), (5), or (6) for question 18

This question asks about the extent of discretionary power in bureaucracies and gives a measure of how well "checks and balances" work within the public service. In a well functioning bureaucracy the discretionary powers of an individual official are limited by the ability of customers to complain to his superior or simply to go to another official and receive the correct treatment. In a discretionary setting this check does not work. For instance the other officials as well as the superior may be cooperating together.

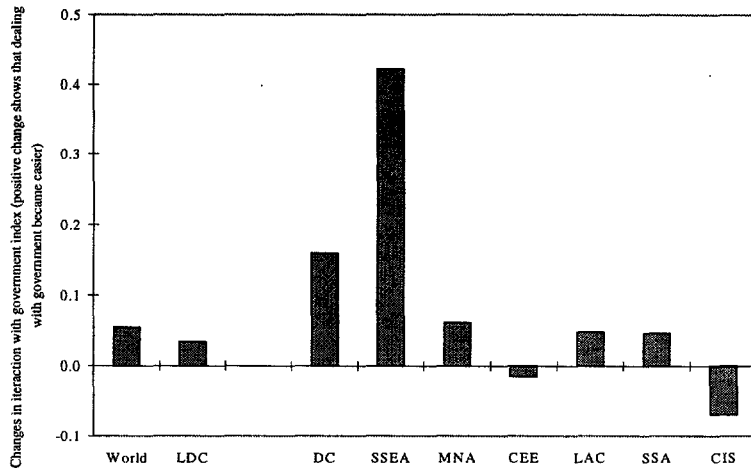
Discretionary power within bureaucracies is perceived as lowest in developed countries followed by MNA. CEE and LAC are in the middle and highest is the CIS, Africa and Asia.

Question 19: Changes in discretionary power over time

Question 19 asked if bureaucracies have become more or less discretionary over the past 10 years (over the last 5 years in the case of the transition economies). This is a summary question for the preceding 5 questions that addresses the change in overall bureaucratic discretion and corruption.

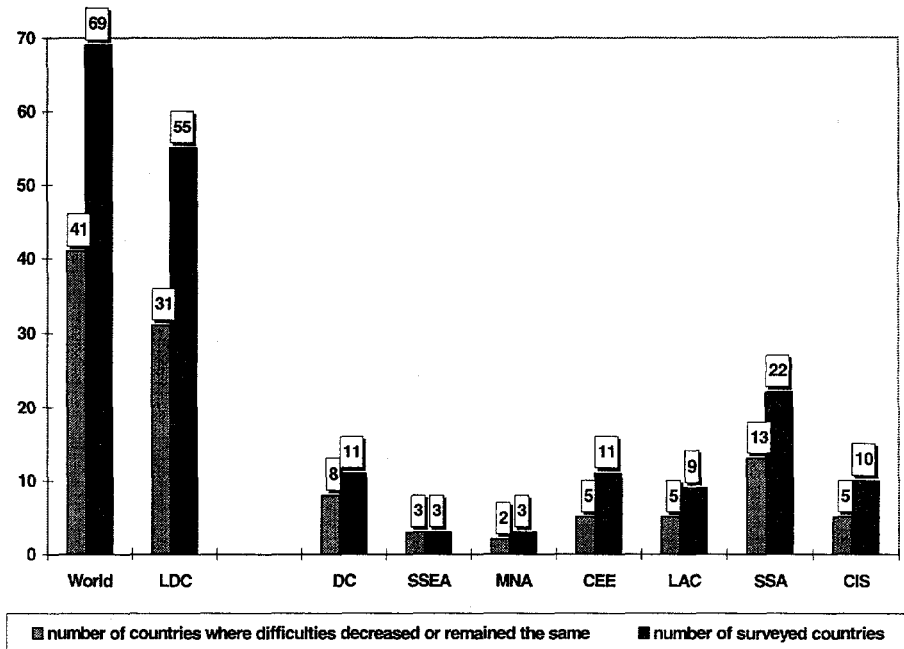
19. In the last ten years, difficulties in dealing with government officials have

- increased
- remained about the same
- decreased
- don't know



The results shows that in all regions (with exception of transition economies) businessmen consider their relations with government officials less difficult than 10 years ago. The highest decrease in those difficulties was noted in Asia and in developed countries. The situation was the worse in the CIS.

In 60 percent of the surveyed countries the majority of entrepreneurs thought that it is now easier to deal with their governments than it was 10 (5 years for transitional economies) years ago. The percentage of countries where businessmen think that the difficulties decreased is highest in Asia (100 percent) followed by developed countries (73 percent), and MNA (two out of tree countries surveyed). In CEE only two out of eleven surveyed countries found that difficulties in dealing with their government decreased over the last 5 years.



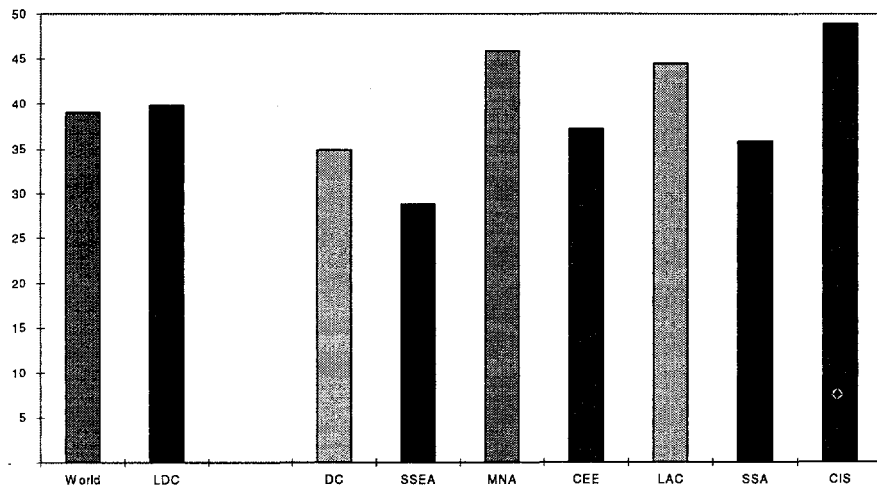
Question 20a: Difficulties in complying with government regulations

This question was introduced as a different way to address problems of government-private sector relations from the point of view of outcomes: It asks investors whether they had ever decided not to make a major investment because of problems in compliance with government regulations.

In developed countries about one third of respondents indicated that problems with government regulations had prevented them from investing. In Asia about 25 percent of entrepreneurs thought so. On the other extreme, almost half of all entrepreneurs in the CIS reported that they had refrained from investing because of government regulations.

20. Have you ever decided not to make a major investment because of problems relating to complying with government regulations?

- yes
- no



Question 20b: Transaction costs versus uncertainty in complying with government regulations

This question was linked to the preceding one. Entrepreneurs who did not invest because of government regulations were queried whether their decision was based on regulations that were too expensive (but clearly known) or on regulations that were too unclear and uncertain to prevent reasonable investment planning.

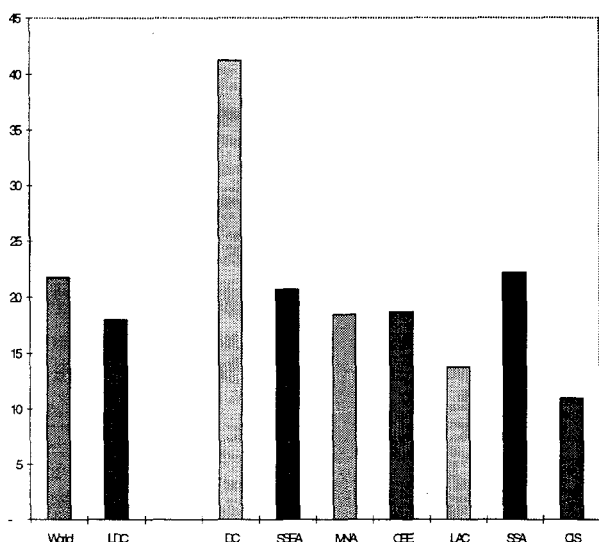
If your answer was “yes“, could you please specify which of the following two options better describes the nature of these problems:

Costs of compliance are *too high*, but clearly known

Costs of compliance are *too uncertain* for investment planning

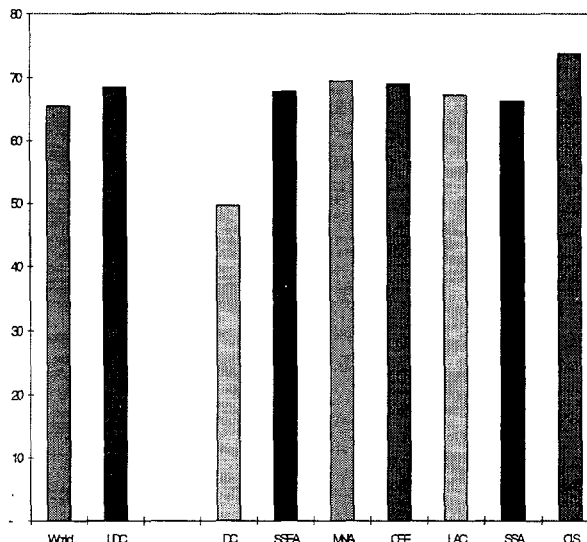
Other

Known



Percent of firms which said that costs of compliance are *too high*, but clearly known

Unknown



Percent of firms which said that costs of compliance are *too uncertain* for investment planning

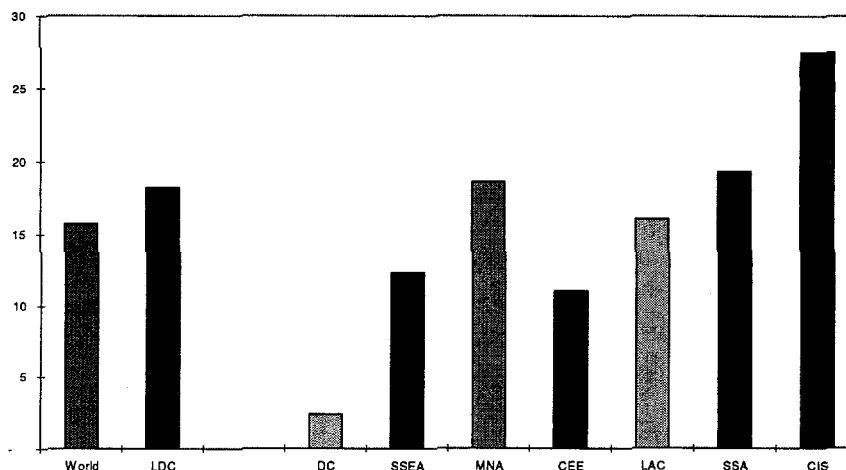
In the developed countries costly regulations and red tape hinder investment. 40 percent of entrepreneurs responded that they had not invested because cost of compliance where too high, albeit clearly known. In developing countries the problem of high but certain cost is less important; on average less than 20 percent of businessmen responded in this way. On the other hand, almost 70 percent of entrepreneurs in developing countries said that they had not invested because the costs of compliance with government regulations where too uncertain to make for investment planning.

Question 21: Senior management time spent on negotiations with officials

This question was asked to evaluate an amount of the productive time managers were forced to spend negotiating with the government bureaucracy. The answers show that only about 2 percent of managers in developed countries spent more than 25 percent of their time in negotiating with government officials. Developed countries are followed by CEE region, South and South-East Asia and LAC. The situation is worst in MNA, Sub-Saharan Africa and in CIS. In CIS countries more than a quarter of senior managers' time in the surveyed firms is spent on negotiation with officials about changes and interpretations of laws and regulations.

21. What percentage of senior management's time is spent on negotiation with officials about changes and interpretations of laws and regulations?

- (1) less than 5%
- (2) 5% - 15%
- (3) 15% - 25%
- (4) 25% - 50%
- (5) 50% - 75%
- (6) more than 75%



Percentage of firms who ticked (4), (5), or (6) for question 21

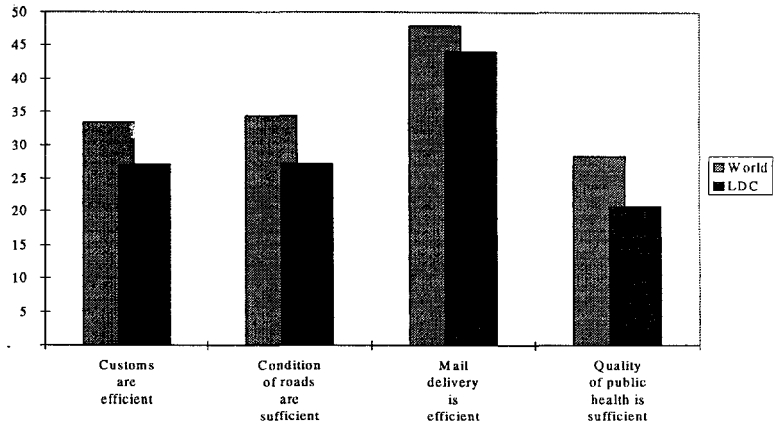
Questions 22 - 25 were added to the questionnaire with a different goal in mind. The following four questions aimed at gaining indicators of the quality of government services such as roads, health care, etc. They were added to the questionnaire in order to take advantage of the cross country survey and to gain additional information about service delivery. The quality of these services may only indirectly be related to the uncertainty of doing business.

Question 22: Efficiency of government in providing major services

Question 22 asked businessmen to rate their overall perception of: efficiency of customs, roads, mail delivery, and public health provision. This question aims at an implicit evaluation of several major components of government services in the surveyed countries.

22. Please rate your overall perception of:

	1	2	3	4	5	6
	very good			very poor		
a. The efficiency of customs	1	2	3	4	5	6
b. The general condition of roads you use	1	2	3	4	5	6
c. The efficiency of mail delivery	1	2	3	4	5	6
d. The quality of public health care provision	1	2	3	4	5	6

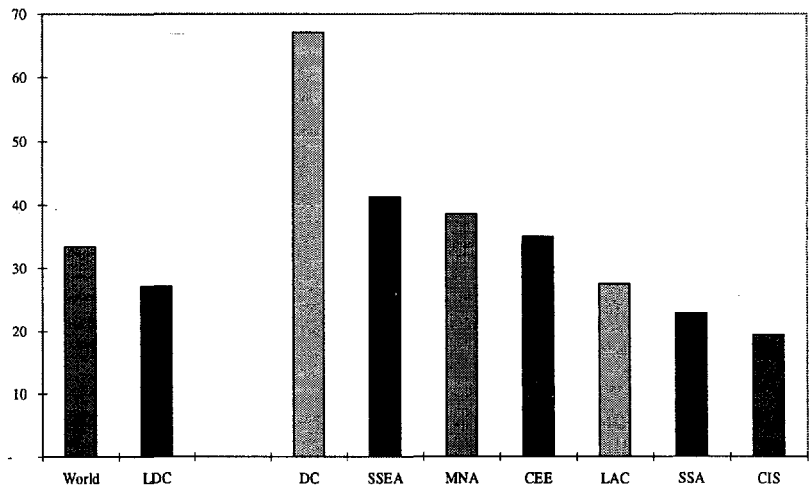


Percentage of firms who ticked (1), (2), or (3) for question 22

The overall picture shows that in none of the four polled services did governments satisfy even 50 percent of the surveyed businessmen. The highest “satisfaction ratio” rested in mail delivery that was considered efficient by 48 percent of respondents worldwide (country average based estimate) and by 44 percent of respondents in developing countries. The lowest satisfaction rate with any government service was with public health. This service was evaluated as efficient by less than 30 percent of businessmen worldwide and by 21 percent of businessmen in developing countries.

a. The efficiency of customs

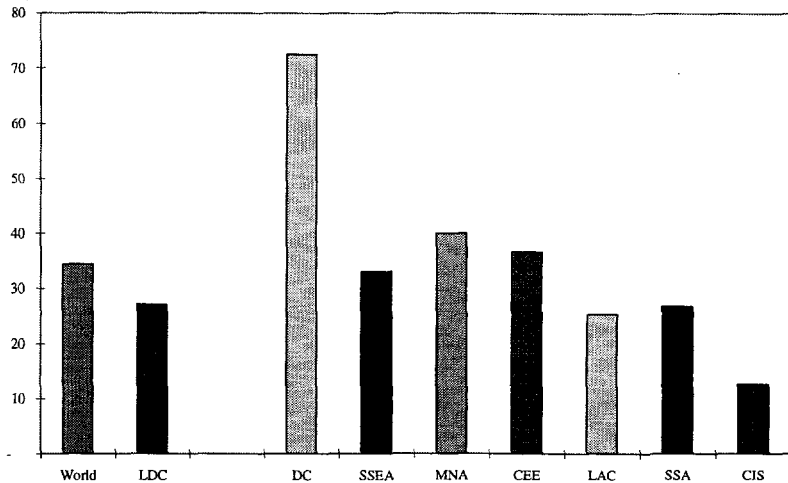
In developed countries almost 70 percent of businessmen found customs to be efficient. In all other regions this indicator was at least 25 percentage points lower (41 percent in SSEA). Only 19 percent of surveyed businessmen in CIS evaluated their customs as efficient.



Percentage of firms who ticked (1), (2), or (3) for question 22.a

b. The general condition of roads you use

About 70 percent of respondents from developed countries found road conditions sufficient. The second highest percentage satisfaction with road conditions was surprisingly given by businessmen in MNA region (about 40 percent), this despite ranking supply of infrastructure as the number one obstacle for doing business. The lowest satisfaction with road conditions was expressed by respondents from the CIS (less than 15 percent).

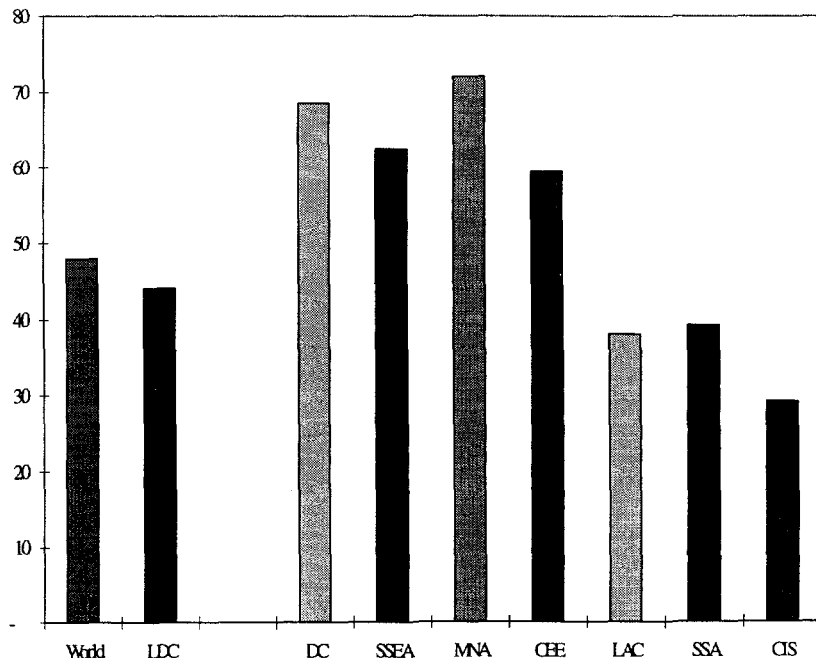


Percentage of firms who ticked (1), (2), or (3) for question 22.b

c. The efficiency of mail delivery

Businessmen in MNA are more satisfied with mail delivery than their colleagues anywhere in the world.

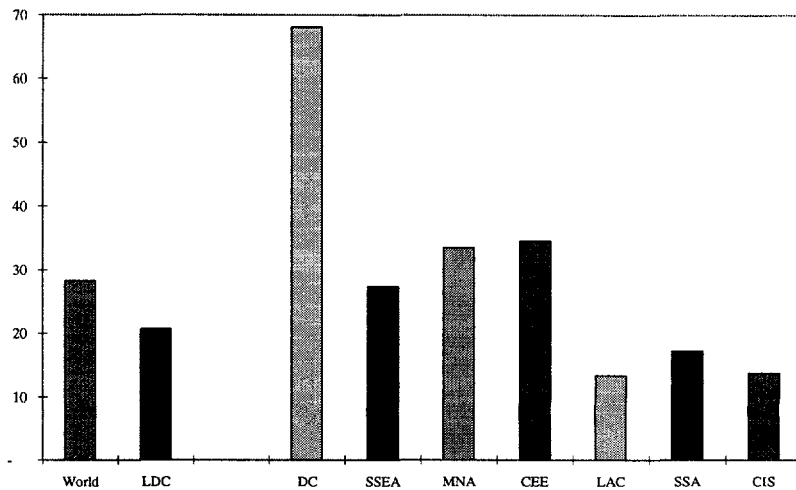
There are at least 20 percentage points between the "better" respondents of MNA, DC, SSE and SEE and the other three regions. In other words, 59 percent of respondents from CEE countries thought that mail delivery is efficient and only 39 percent businessmen from SSA thought so for their countries. The lowest score for mail delivery resides in the CIS, where less than 30 percent of surveyed companies evaluated mail delivery system as efficient.



Percentage of firms who ticked (1), (2), or (3) for question 22.c

d. The quality of public health care provision

The quality of health care provision was found to be poor in all regions, except developed countries. Only about 35 percent of surveyed businessmen in MNA and CEE thought that quality of public health care provision is efficient. The numbers for CIS and LAC are the lowest (14 and 13 percent respectively).



Percentage of firms who ticked (1), (2), or (3) for question 22.d

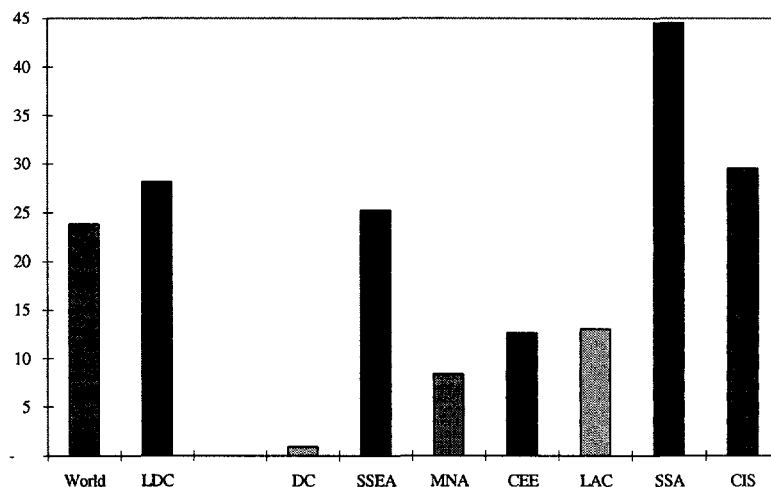
Question 23: Frequency of power outages?

Question 23 asked about another aspect of service provision - uninterrupted supply of electrical power over time.

23. How frequent are power outages?

- (1) once in more than 3 months
- (2) once a month
- (3) once in two weeks
- (4) once a week
- (5) once a day
- (6) no power for long period

Power outages happen once a week or more often



As expected developed countries have the lowest percentage share of businessmen who experience power outages at least once a week (about 1 percent of respondents).

Sub-Saharan Africa has the highest share of businessmen having problems with power outages (almost 45 percent).

Question 24: Time for getting public telephone line connected.

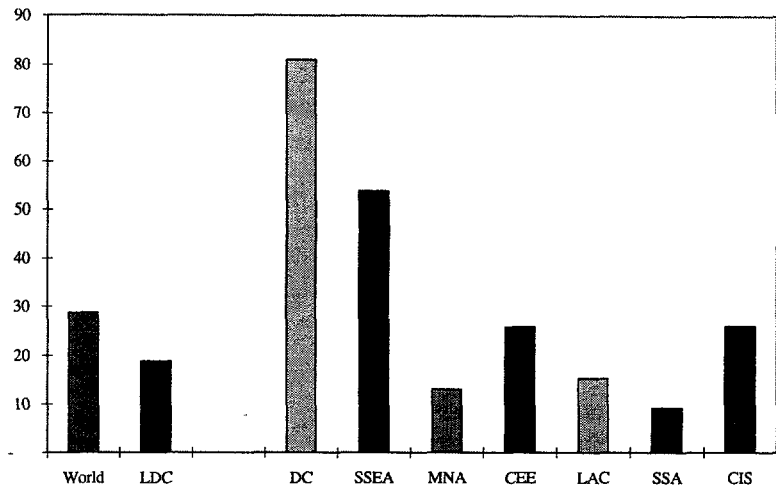
Question 24 asked about sufficiency of telecommunications and accessibility for businesses.

24. How long does it take to get a public telephone line connected?

- (1) less than 1 month
- (2) 1 to 3 months
- (3) 3 to 6 months
- (4) 6 months to 1 year
- (5) more than 1 year
- (6) difficult to say

More than 80 percent of respondents from developed countries answered that it takes less than a month to get a public telephone line connected. Only about 50 percent of business people in Asia have this same fortune. 25 percent of surveyed CEE and CIS entrepreneurs can obtain a telephone line in less than a month.

It takes less than 1 month to get a public telephone line connected



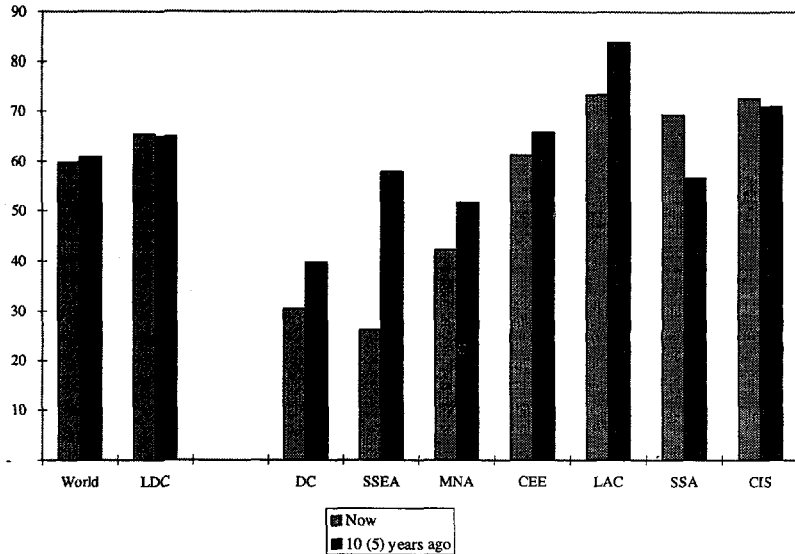
The situation is the worst in Sub-Saharan Africa, where less than 10 percent respondents can be connected to public telephone network in less than a month.

Question 25: Government efficiency in delivering services.

Question 25 asked how efficient in general the government is in delivering services now and how efficient it was 10 years ago (5 years ago in the case of the transition economies). This is a summary question for the preceding 3 questions.

25. How would you generally rate the efficiency of government in delivering services?

- | | <u>Now</u> | <u>10 years ago</u> |
|------------------------|--------------------------|--------------------------|
| (1) very efficient | <input type="checkbox"/> | <input type="checkbox"/> |
| (2) efficient | <input type="checkbox"/> | <input type="checkbox"/> |
| (3) mostly efficient | <input type="checkbox"/> | <input type="checkbox"/> |
| (4) mostly inefficient | <input type="checkbox"/> | <input type="checkbox"/> |
| (5) inefficient | <input type="checkbox"/> | <input type="checkbox"/> |
| (6) very inefficient | <input type="checkbox"/> | <input type="checkbox"/> |



Businessmen in all regions, except CIS and SSA thought that government became more efficient compared to 10 years (5 years for transitional economies) ago. The greatest progress was reported by Asian businessmen. 10 years ago the share of businesses who thought that government was inefficient in service provision was about 60 percent. It was even higher in Africa and in MNA region than at present. The situation is worst in LAC, both now and 10 years ago. Despite improvements more than 70 percent of surveyed businessmen in LAC said that government service provision is inefficient (compared to more than 80 percent a decade ago).

References

- Borner, Silvio, Aymo Brunetti, and Beatrice Weder. 1995. "Policy Reform and Institutional Uncertainty: The Case of Nicaragua." *Kyklos* 48:43-64.
- Brunetti, Aymo, Gregory Kisunko, and Beatrice Weder. 1997. *Credibility of Rules and Economic Growth: Evidence from a Worldwide Survey of the Private Sector*. World Bank Discussion Paper No. 1324. World Bank, Washington, D.C.
- Brunetti, Aymo and Beatrice Weder. 1995. "Subjective Perceptions of Political Instability and Economic Growth", mimeo Basel: University of Basel.
- De Soto, Hernando. 1989. *The Other Path*. New York: Harper & Row.
- Dixit, Robert and Avinash Pindyck. 1994. *Investment under Uncertainty*, Princeton: Princeton University Press.
- Klitgaard, Robert. 1990. *Tropical Gangsters*. New York: Basic Books.

List of surveyed countries

Commonwealth of Independent States

(CIS)

Armenia
Azerbaijan
Belarus
Georgia
Kazakhstan
Kyrgyz Republic
Moldova
Russia
Ukraine
Uzbekistan

Central and Eastern Europe (CEE)

Albania
Bulgaria
Czech Republic
Estonia
Hungary
Latvia
Lithuania
Macedonia
Poland
Slovak Republic
Turkey

Developed countries (DC)

Austria
Canada
France
Germany
Ireland
Italy
Portugal
Spain
Switzerland
United Kingdom
United States

Middle East and North Africa (MNA)

Jordan
Morocco
West Bank and Gaza Strip

Latin America and Caribbean (LAC)

Bolivia
Colombia
Costa Rica
Ecuador
Jamaica
Mexico
Paraguay
Peru
Venezuela

Sub-Saharan Africa (SSA)

Benin
Cameroon
Chad
Congo
Côte d'Ivoire
Ghana
Guinea
Guinea-Bissau
Kenya
Madagascar
Malawi
Mali
Mauritius
Mozambique
Nigeria
Senegal
South Africa
Tanzania
Togo
Uganda
Zambia
Zimbabwe

South and South-East Asia (SSEA)

Fiji
India
Malaysia

World Development Report 1997

"The State in a Changing World"

Questionnaire for Private Sector Survey

The purpose of this survey is to better understand constraints imposed by government action that hinder development of private businesses like yours. This study is conducted for a large number of countries by the World Bank World Development Report 1997 project team. The ultimate goal of this research is to advise governments on ways to change policies that impose a burden on private firms and to develop new projects and programs that strengthen support for enterprise growth. Your answers should reflect your perception on doing business in your country.

The information obtained here will be treated strictly anonymously and confidentially.

Please use the enclosed envelope to return the questionnaire by _____

General Information

Country: _____

Company Size: less than 50 employees
 more than 50 and less than 200 employees
 more than 200 employees

Industry: Manufacturing
 Services
 Agriculture

Location of management: Capital city
 Large city
 Small city or countryside

Foreign participation: yes
 no

Exports: yes
 no

This questionnaire always presents multiple choice options on a range from 1 (best) to 6 (worst). Please mark the answer you think best reflects your opinion.

I. PREDICTABILITY OF LAWS AND POLICIES

1. Do you regularly have to cope with unexpected changes in rules, laws or policies which materially affect your business?

Changes in laws and policies are

- (1) completely predictable
- (2) highly predictable
- (3) fairly predictable
- (4) fairly unpredictable
- (5) highly unpredictable
- (6) completely unpredictable

2. Do you expect the government to stick to announced major policies?

- (1) always
- (2) mostly
- (3) frequently
- (4) sometimes
- (5) seldom
- (6) never

3. "The process of developing new rules or policies is usually such that affected businesses are informed."

This is true

- (1) always
- (2) mostly
- (3) frequently
- (4) sometimes
- (5) seldom
- (6) never

4. "In case of important changes in laws or policies affecting my business operation the government takes into account concerns voiced either by me or by my business association."

This is true

- (1) always
- (2) mostly
- (3) frequently
- (4) sometimes
- (5) seldom
- (6) never

5. Do you fear retroactive changes of regulations that are important for your business operations?

- (1) always
- (2) mostly
- (3) frequently
- (4) sometimes
- (5) seldom
- (6) never

6. In the last ten years predictability of laws and policies has

- increased
- remained about the same
- decreased
- don't know

II. POLITICAL INSTABILITY AND SECURITY OF PROPERTY

7. "Constitutional changes of government (as a result of elections) are usually accompanied by large changes in rules and regulations that have an impact on my business."

To what degree do you agree with this statement?

- (1) fully agree
- (2) agree in most cases
- (3) tend to agree
- (4) tend to disagree
- (5) disagree in most cases
- (6) strongly disagree

does not apply

8. "I constantly fear *unconstitutional government changes* (i.e. coups) that are accompanied by far-reaching policy surprises with significant impact on my business."

To what degree do you agree with this statement?

- (1) fully agree
- (2) agree in most cases
- (3) tend to agree
- (4) tend to disagree
- (5) disagree in most cases
- (6) strongly disagree
- does not apply

9. "Theft and crime are serious problems that can substantially increase the costs of doing business."

To what degree do you agree with this statement?

- | | Now | 10 years ago |
|----------------------------|--------------------------|--------------------------|
| (1) fully agree | <input type="checkbox"/> | <input type="checkbox"/> |
| (2) agree in most cases | <input type="checkbox"/> | <input type="checkbox"/> |
| (3) tend to agree | <input type="checkbox"/> | <input type="checkbox"/> |
| (4) tend to disagree | <input type="checkbox"/> | <input type="checkbox"/> |
| (5) disagree in most cases | <input type="checkbox"/> | <input type="checkbox"/> |
| (6) strongly disagree | <input type="checkbox"/> | <input type="checkbox"/> |

10. "I am not confident that the state authorities protect my person and my property from criminal actions"

To what degree do you agree with this statement?

- | | Now | 10 years ago |
|----------------------------|--------------------------|--------------------------|
| (1) fully agree | <input type="checkbox"/> | <input type="checkbox"/> |
| (2) agree in most cases | <input type="checkbox"/> | <input type="checkbox"/> |
| (3) tend to agree | <input type="checkbox"/> | <input type="checkbox"/> |
| (4) tend to disagree | <input type="checkbox"/> | <input type="checkbox"/> |
| (5) disagree in most cases | <input type="checkbox"/> | <input type="checkbox"/> |
| (6) strongly disagree | <input type="checkbox"/> | <input type="checkbox"/> |

11. "Unpredictability of the judiciary presents a major problem for my business operations."

To what degree do you agree with this statement?

- | | Now | 10 years ago |
|-------------------------|--------------------------|--------------------------|
| (1) fully agree | <input type="checkbox"/> | <input type="checkbox"/> |
| (2) agree in most cases | <input type="checkbox"/> | <input type="checkbox"/> |

- (3) tend to agree
- (4) tend to disagree
- (5) disagree in most cases
- (6) strongly disagree

III. OVERALL GOVERNMENT - BUSINESS INTERFACE

12. Please judge on a six point scale how problematic these different policy areas are for doing business (Please do not select more than 5 obstacles as the very strong (6)):

	Obstacles					
	No	Moderate	Very strong			
a. Regulations for starting business/new operator	1	2	3	4	5	6
b. Price controls	1	2	3	4	5	6
c. Regulations on foreign trade (exports, imports)	1	2	3	4	5	6
d. Financing	1	2	3	4	5	6
e. Labor regulations	1	2	3	4	5	6
f. Foreign currency regulations	1	2	3	4	5	6
g. Tax regulations and/or high taxes	1	2	3	4	5	6
h. Inadequate supply of infrastructure	1	2	3	4	5	6
i. Policy instability	1	2	3	4	5	6
j. Safety or environmental regulations	1	2	3	4	5	6
k. Inflation	1	2	3	4	5	6
l. General uncertainty on costs of regulations	1	2	3	4	5	6
m. Crime and theft	1	2	3	4	5	6
n. Corruption	1	2	3	4	5	6
o. Terrorism	1	2	3	4	5	6
p. Other _____						
_____	1	2	3	4	5	6

13. Please rate your overall perception of the relation between government and/or bureaucracy and private firms on the following scale.
 "All in all, for doing business I perceive the state as":

	Helping hand		Neutral agent		Opponent	
Now	1	2	3	4	5	6
10 years ago	1	2	3	4	5	6

IV. BUREAUCRATIC RED TAPE

14. "It is common for firms in my line of business to have to pay some irregular "additional payments" to get things done."

This is true

- (1) always
- (2) mostly
- (3) frequently
- (4) sometimes
- (5) seldom
- (6) never

15. "Firms in my line of business usually know in advance about how much this "additional payment" is."

This is true

- (1) always
- (2) mostly
- (3) frequently
- (4) sometimes
- (5) seldom
- (6) never

16. "Even if a firm has to make an "additional payment" it always has to fear that it will be asked for more, e.g. by another official."

This is true

- (1) always
- (2) mostly
- (3) frequently
- (4) sometimes
- (5) seldom
- (6) never

17. "If a firm pays the required "additional payment" the service is usually also delivered as agreed."

This is true

- (1) always
- (2) mostly
- (3) frequently
- (4) sometimes
- (5) seldom
- (6) never

18. "If a government agent acts against the rules I can usually go to another official or to his superior and get the correct treatment."

This is true

- (1) always
- (2) mostly
- (3) frequently
- (4) sometimes
- (5) seldom
- (6) never

19. In the last ten years, difficulties in dealing with government officials have

- increased
- remained about the same
- decreased
- don't know

20. Have you ever decided not to make a major investment because of problems relating to complying with government regulations?

- yes
no

If your answer was "yes", could you please specify which of the following two options better describes the nature of these problems:

Costs of compliance are *too high*, but clearly known

Costs of compliance are *too uncertain* for investment planning

Other

21. What percentage of senior management's time is spent on negotiation with officials about changes and interpretations of laws and regulations?

- (1) less than 5%
(2) 5% - 15%
(3) 15% - 25%
(4) 25% - 50%
(5) 50% - 75%
(6) more than 75%

V. EFFICIENCY OF GOVERNMENT IN PROVIDING SERVICES

22. Please rate your overall perception of:

- | | very
good | | | | | very
poor |
|--|--------------|---|---|---|---|--------------|
| | 1 | 2 | 3 | 4 | 5 | 6 |
| a. The efficiency of customs | | | | | | |
| b. The general condition of roads you use | | | | | | |
| c. The efficiency of mail delivery | | | | | | |
| d. The quality of public health care provision | | | | | | |

23. How frequent are power outages?

- (1) once in more than 3 months
(2) once a month
(3) once in two weeks
(4) once a week
(5) once a day
(6) no power for long period

24. How long does it take to get a public telephone line connected?

- (1) less than 1 month
(2) 1 to 3 months
(3) 3 to 6 months
(4) 6 months to 1 year
(5) more than 1 year
(6) difficult to say

25. How would you generally rate the efficiency of government in delivering services?

- | | Now | 10 years
ago |
|------------------------|--------------------------|--------------------------|
| (1) very efficient | <input type="checkbox"/> | <input type="checkbox"/> |
| (2) efficient | <input type="checkbox"/> | <input type="checkbox"/> |
| (3) mostly efficient | <input type="checkbox"/> | <input type="checkbox"/> |
| (4) mostly inefficient | <input type="checkbox"/> | <input type="checkbox"/> |
| (5) inefficient | <input type="checkbox"/> | <input type="checkbox"/> |
| (6) very inefficient | <input type="checkbox"/> | <input type="checkbox"/> |

Thank you very much for having taken the time to complete this questionnaire. The information on your perceptions is a very important input for the evaluation of private sector-government relations and for the formulation of policy advice.

We would appreciate any thoughts you might like to add on the relationship between private sector and government, or comment on the questionnaire in general.

Guidelines for private sector survey:

The best way to conduct this private sector survey will vary from country to country. In some countries the structures to administer such a survey will be in place; in others they may not. These guidelines outline the minimum criteria for the data collection to be useful for cross country comparisons.

1. Mailing the questionnaire

The questionnaire can be sent by mail. In some, exceptional, cases a courier may have to be used. Given the need for a quick turnaround (so that the results can be used in the 1997 WDR) a deadline for the questionnaire's return of about 10 days should be given (insert on the first page of the questionnaire before copying). A stamped return envelope should be enclosed. The questionnaire should be sent to the owner or the chief executive of the enterprise.

2. Sample selection:

Our objective is to have returned questionnaires from about 50 enterprises (of course we are happy to get more). Empirical evidence suggests that expected response rate for mailed questionnaires is from 20 to 50 percent, depending on the country. So, sample size should be around 100 entrepreneurs, or based on country specific and expected return. In some cases it may not be possible to get a list of 100 entrepreneurs and a smaller sample size may have to be used. It would be good to include in the sample some firms from outside of the capital city (obviously, the less the sample is biased in favor of the firms in the capital city the better). Similarly, it would be good to attain some balance between large (i.e. more than 200 employees) and small (i.e. less than 50 employees) -- and locally and foreign owned firms.

3. Reminder

After about 10 days start reminding enterprises which have not responded. The follow up should be directed at fulfilling the minimum criteria for the sample. In most countries, the best way to follow up will be by phone, in some countries a personal visit may also be desirable.

Appendix Table 1. Regional patterns of numbers of received questionnaires and method of survey

	Returned questionnaires		Sent out questionnaires		Countries reported the way of delivery	Mailed survey		Hand delivered survey	
	Returned questionn.	Countries in the sample	Sent out questionn.	Countries in the sample		Number of countries	Rate of return	Number of countries	Rate of return
All countries	3,685	69	8,673	62	52	34	26%	18	77%
OECD	254	11	1,430	11	11	11	18%	0	n.a.
LDC	3,431	58	7,243	51	41	23	30%	18	77%
SSA	1,288	22	2,619	19	11	7	27%	4	72%
CIS	650	10	1,128	13	13	3	39%	10	78%
CEE	771	11	2,070	8	8	7	32%	1	86%
LAC	474	9	877	6	4	4	28%	0	n.a.
MNA	109	3	144	2	3	–	n.a.	3	n.a.
SSEA	139	3	405	3	3	3	37%	0	n.a.

Appendix Table 2. Regional patterns of company size

	All countries	Developed countries	South and South-East Asia	Middle East and North Africa	Latin America and Caribbean	Sub-Saharan Africa	Commonwealth of Independent States	Central and Eastern Europe
Company Size:								
less than 50 employees								
total	1,576	66	26	42	149	594	390	309
average	23	6	9	14	17	27	39	28
median	17	6	2	10	11	23	38	19
min	-	-	2	2	2	2	18	3
max	97	12	22	30	54	97	67	93
percent of all surveyed firms	39	26	21	35	27	43	61	40
> 50 and < 200 employees								
total	1,066	121	38	32	133	369	156	217
average	15	11	13	11	15	17	16	20
median	13	9	11	10	18	15	13	19
min	2	4	9	8	5	2	4	6
max	44	34	18	14	25	44	29	39
percent of all surveyed firms	32	45	28	35	29	31	23	28
more than 200 employees								
total	994	65	74	29	183	301	100	242
average	14	6	25	10	20	14	10	22
median	10	5	25	5	20	12	9	11
min	-	1	7	-	6	-	1	1
max	63	12	42	24	48	44	22	63
percent of all surveyed firms	28	28	51	26	42	24	15	31

Appendix Table 3. Regional patterns of sectors of economy

	All countries	Developed countries	South and South-East Asia	Middle East and North Africa	Latin America and Caribbean	Sub-Saharan Africa	Commonwealth of Independent States	Central and Eastern Europe
Industry:								
Manufacturing								
total	1,715	176	108	50	190	568	231	392
average	25	16	36	17	21	26	23	36
median	20	14	44	18	21	27	20	38
min	2	9	12	10	4	2	11	11
max	74	40	52	22	38	54	52	74
percent of all surveyed firms	49	69	75	51	41	46	35	48
Services								
total	1,571	68	21	49	227	531	369	306
average	23	6	7	16	25	24	37	28
median	21	6	1	15	15	25	35	27
min	-	1	-	5	3	1	17	7
max	72	13	20	29	64	72	60	52
percent of all surveyed firms	40	27	17	42	47	39	57	41
Agriculture								
total	313	6	10	1	44	140	45	67
average	5	1	3	0	5	6	4	6
median	2	-	1	-	2	6	2	5
min	-	-	-	-	-	-	1	-
max	32	2	9	1	16	32	12	19
percent of all surveyed firms	8	2	8	1	9	11	7	10

Appendix Table 4. Regional patterns of location of management

	All countries	Developed countries	South and South-East Asia	Middle East and North Africa	Latin America and Caribbean	Sub-Saharan Africa	Commonwealth of Independent States	Central and Eastern Europe
Location of management:								
Capital city								
total	1,862	55	67	51	278	728	402	280
average	27	5	22	17	31	33	40	25
median	23	5	19	6	23	27	33	25
min	-	-	14	2	11	4	13	3
max	101	16	34	43	66	101	89	58
percent of all surveyed firms	48	23	47	42	59	58	61	37
Large city								
total	1,033	79	45	40	127	346	131	265
average	15	7	15	13	14	16	13	24
median	12	5	14	6	12	13	13	20
min	-	-	12	2	-	-	-	6
max	63	20	19	32	34	63	34	48
percent of all surveyed firms	28	29	33	40	25	26	21	36
Small city or countryside								
total	708	118	27	12	53	164	113	221
average	10	11	9	4	6	7	11	20
median	7	10	7	4	6	5	9	17
min	-	4	7	2	1	-	-	3
max	45	20	13	6	16	30	30	45
percent of all surveyed firms	22	48	20	12	13	13	18	27

Appendix Table 5. Regional patterns of foreign participation

	All countries	Developed countries	South and South-East Asia	Middle East and North Africa	Latin America and Caribbean	Sub-Saharan Africa	Commonwealth of Independent States	Central and Eastern Europe
Foreign participation:								
yes								
total	1,194	82	66	39	135	507	166	198
average	18	7	22	13	15	23	17	20
median	14	7	28	8	16	22	13	17
min	2	2	9	5	7	3	6	6
max	52	15	29	26	26	52	40	45
percent of all surveyed firms	34	33	47	34	30	42	25	26
no								
total	2,358	167	70	65	325	750	465	516
average	35	15	23	22	36	34	46	52
median	33	13	24	23	35	30	46	50
min	4	7	15	10	9	4	21	31
max	85	40	31	32	62	78	78	85
percent of all surveyd firms	64	65	51	62	67	56	73	73

Appendix Table 6. Regional patterns of access to foreign markets

	All countries	Developed countries	South and South-East Asia	Middle East and North Africa	Latin America and Caribbean	Sub-Saharan Africa	Commonwealth of Independent States	Central and Eastern Europe
Exports:								
yes								
total	1,639	189	100	45	199	555	185	366
average	24	17	33	15	22	25	18	37
median	20	16	41	11	23	21	20	29
min	2	9	10	4	7	2	6	16
max	70	49	49	31	32	62	32	70
percent of all surveyed firms	49	73	69	37	44	46	28	51
no								
total	1,996	65	39	64	275	733	465	355
average	29	6	13	21	31	33	47	35
median	25	7	4	21	24	29	42	32
min	-	-	4	11	10	4	25	11
max	98	10	31	32	57	84	68	98
percent of all surveyed firms	51	27	31	63	56	54	72	49

Appendix Table 7. Index of obstacles for doing business - regional averages
(1 = no obstacle; 6 = very strong obstacle)

	World	LDC	DC	SSEA	MNA	CEE	LAC	SSA	CIS
a. Regulations for starting business/new operations	3.22	3.19	3.34	3.67	3.38	2.97	3.22	3.24	3.12
b. Price controls	2.67	2.72	2.20	3.13	3.12	2.46	2.82	2.63	3.11
c. Regulations on foreign trade (exports, imports)	3.45	3.57	2.67	3.54	3.78	3.29	3.64	3.57	3.93
d. Financing	4.06	4.18	3.43	3.60	3.87	4.31	4.38	4.17	4.14
e. Labor regulations	3.50	3.39	4.17	3.83	3.22	3.16	3.98	3.47	2.74
f. Foreign currency regulations	3.16	3.32	2.50	3.58	2.50	2.94	3.01	3.47	3.68
g. Tax regulations and/or high taxes	4.65	4.72	4.39	4.12	4.17	4.89	4.38	4.65	5.21
h. Inadequate supply of infrastructure	4.02	4.16	3.11	3.91	4.55	4.01	4.47	4.31	3.87
i. Policy instability	3.68	3.88	2.55	3.32	3.54	3.91	4.22	3.63	4.41
j. Safety or environmental regulations	3.24	3.21	3.52	3.32	2.93	3.13	3.46	3.36	2.66
k. Inflation	3.82	4.06	2.50	3.87	3.51	4.02	4.02	4.30	3.88
l. General uncertainty on costs of regulations	3.75	3.86	3.13	3.63	3.60	3.88	3.68	3.84	4.21
m. Crime and theft	3.88	4.17	2.76	3.37	2.19	3.99	4.45	4.27	4.27
n. Corruption	4.21	4.45	2.76	3.64	4.27	4.29	4.70	4.67	4.41
o. Terrorism	2.38	2.45	2.17	1.76	1.68	2.51	2.86	2.28	2.66

Appendix Table 8. Regional rankings of obstacles for doing business
(1 = the most import obstacle, 15 = the least import obstacle)

	World	LDC	DC	SSEA	MNA	CEE	LAC	SSA	CIS
a. Regulations for starting business/new operations	12	13	5	5	9	12	12	13	11
b. Price controls	14	14	14	14	11	15	15	14	12
c. Regulations on foreign trade (exports, imports)	10	9	10	10	5	9	10	9	7
d. Financing	3	3	4	8	4	2	4	6	6
e. Labor regulations	9	10	2	4	10	10	8	11	13
f. Foreign currency regulations	13	11	13	9	13	13	13	10	10
g. Tax regulations and/or high taxes	1	1	1	1	3	1	5	2	1
h. Inadequate supply of infrastructure	4	5	7	2	1	5	2	3	9
i. Policy instability	8	7	11	12	7	7	6	8	2
j. Safety or environmental regulations	11	12	3	13	12	11	11	12	15
k. Inflation	6	6	12	3	8	4	7	4	8
l. General uncertainty on costs of regulations	7	8	6	7	6	8	9	7	5
m. Crime and theft	5	4	9	11	14	6	3	5	4
n. Corruption	2	2	8	6	2	3	1	1	3
o. Terrorism	15	15	15	15	15	14	14	15	14

Appendix Table 9. Regional averages for individual questions (in percentage)

	World	LDC	DC	SSEA	MNA	CEE	LAC	SSA	CIS
Company Size:									
less than 50 employees	39	41	26	21	35	40	27	43	61
> 50 and < 200 employees	32	29	45	28	35	28	29	31	23
more than 200 employees	28	28	28	51	26	31	42	24	15
no response	1	1	1	1	4	0	2	2	1
Industry:									
Manufacturing	49	46	69	75	51	48	41	46	35
Services	40	43	27	17	42	41	47	39	57
Agriculture	8	9	2	8	1	10	9	11	7
no response	2	3	1	0	6	1	3	4	1
Location of management:									
Capital city	48	53	23	47	42	37	59	58	61
Large city	28	28	29	33	40	36	25	26	21
Small city or countryside	22	17	48	20	12	27	13	13	18
no response	2	2	1	1	6	0	3	3	1
Foreign participation:									
yes	34	34	33	47	34	26	30	42	25
no	64	64	65	51	62	73	67	56	73
no response	4	4	2	2	4	10	3	2	2
Exports:									
yes	49	44	73	69	37	51	44	46	28
no	51	56	27	31	63	49	56	54	72
no response	1	2	0	0	0	9	0	0	0

	World	LDC	DC	SSEA	MNA	CEE	LAC	SSA	CIS
I. PREDICTABILITY OF LAWS AND POLICIES									
1. Do you regularly have to cope with unexpected changes in rules, laws or policies which materially affect your business?									
Changes in laws and policies are									
-1 completely predictable	3	3	4	0	0	2	4	4	2
-2 highly predictable	8	6	15	19	16	6	3	5	4
-3 fairly predictable	31	28	45	51	35	26	32	30	16
-4 fairly unpredictable	32	33	26	22	25	42	38	27	37
-5 highly unpredictable	16	19	4	5	13	16	19	19	27
-6 completely unpredictable	9	10	3	2	10	9	4	11	14
no response	2	2	2	0	1	0	1	4	0
2. Do you expect the government to stick to announced major policies?									
-1 always	10	10	6	19	19	4	4	17	2
-2 mostly	26	23	38	51	35	20	16	24	20
-3 frequently	17	16	25	17	17	21	23	13	11
-4 sometimes	28	30	20	9	17	30	39	28	35
-5 seldom	14	15	8	3	6	17	15	12	23
-6 never	4	4	2	0	6	8	2	3	8
no response	1	1	0	0	0	1	1	3	0
3. "The process of developing new rules or policies is usually such that affected businesses are informed."									
This is true									
-1 always	5	4	11	6	1	3	4	5	3
-2 mostly	14	11	29	32	16	9	11	9	13
-3 frequently	12	12	14	20	19	11	20	9	7
-4 sometimes	31	32	23	31	42	26	32	33	32
-5 seldom	26	27	18	11	11	35	29	27	28
-6 never	12	13	4	0	11	16	4	16	17
no response	1	1	0	0	0	0	1	2	0

	World	LDC	DC	SSEA	MNA	CEE	LAC	SSA	CIS
4. "In case of important changes in laws or policies affecting my business operation the government takes into account concerns voiced either by me or by my business association."									
This is true									
-1 always	2	2	2	4	1	2	4	2	1
-2 mostly	9	8	17	27	14	5	7	7	5
-3 frequently	10	8	18	18	12	5	14	7	5
-4 sometimes	32	32	33	35	36	26	39	37	18
-5 seldom	26	28	20	15	24	32	26	27	31
-6 never	19	21	9	1	13	28	9	17	38
no response	2	2	1	1	0	2	1	3	1
5. Do you fear retroactive changes of regulations that are important for your business operations?									
-1 always	15	16	7	20	15	13	7	18	20
-2 mostly	13	14	4	6	18	15	7	14	24
-3 frequently	18	19	12	13	23	20	16	17	24
-4 sometimes	28	27	33	31	26	29	26	29	22
-5 seldom	17	15	31	23	15	14	28	12	7
-6 never	8	7	11	6	2	6	15	7	3
no response	2	2	1	2	1	2	1	3	0
6. In the last ten years (5 years for transition economies) predictability of laws and policies has									
increased	27	29	18	49	32	29	31	29	20
remained about the same	38	36	50	33	39	31	39	37	36
decreased	25	24	30	8	16	30	26	19	33
don't know	9	10	2	7	12	10	3	13	11
no response	1	2	0	3	1	0	1	3	1

	World	LDC	DC	SSEA	MNA	CEE	LAC	SSA	CIS
II. POLITICAL INSTABILITY AND SECURITY OF PROPERTY									
7. "Constitutional changes of government (as a result of elections) are usually accompanied by large changes in rules and regulations that have an impact on my business."									
To what degree do you agree with this statement?									
-1 fully agree	17	18	8	14	17	16	16	21	19
-2 agree in most cases	17	19	10	16	8	20	20	18	23
-3 tend to agree	29	30	22	37	29	33	29	28	32
-4 tend to disagree	16	14	25	15	13	13	17	14	15
-5 disagree in most cases	9	7	18	4	11	10	8	4	8
-6 strongly disagree	4	3	8	4	8	5	3	3	1
does not apply or no response	8	8	10	11	13	3	6	12	3
8. "I constantly fear unconstitutional government changes (i.e. coups) that are accompanied by far-reaching policy surprises with significant impact on my business."									
To what degree do you agree with this statement?									
-1 fully agree	25	28	8	12	37	16	9	42	28
-2 agree in most cases	10	11	4	6	9	8	6	12	17
-3 tend to agree	14	15	8	19	18	14	14	13	21
-4 tend to disagree	12	13	9	12	10	16	14	11	17
-5 disagree in most cases	10	10	9	6	5	17	15	6	8
-6 strongly disagree	18	15	30	26	14	25	31	8	4
does not apply or no response	12	8	32	18	8	5	11	9	5
9. "Theft and crime are serious problems that can substantially increase the costs of doing business."									
To what degree do you agree with this statement?									
Now									
-1 fully agree	45	49	22	41	29	41	61	50	53
-2 agree in most cases	14	15	9	11	7	20	17	12	19
-3 tend to agree	17	16	24	21	13	19	12	16	15
-4 tend to disagree	9	8	12	8	16	8	4	10	7
-5 disagree in most cases	8	6	17	9	16	9	4	4	2
-6 strongly disagree	6	5	14	7	17	4	2	5	2
no response	2	2	1	2	3	0	0	3	2

	World	LDC	DC	SSEA	MNA	CEE	LAC	SSA	CIS
10 years (5 years for transitional economies) ago									
-1 fully agree	22	25	9	26	14	21	20	21	44
-2 agree in most cases	12	13	7	17	9	11	17	9	19
-3 tend to agree	19	19	23	20	8	21	21	20	16
-4 tend to disagree	14	14	18	18	13	10	18	16	7
-5 disagree in most cases	12	10	22	10	13	12	13	10	4
-6 strongly disagree	8	7	18	6	16	9	7	7	2
no response	12	13	3	4	28	17	4	18	6
10. "I am not confident that the state authorities protect my person and my property from criminal actions" To what degree do you agree with this statement?									
Now									
-1 fully agree	38	42	15	7	17	35	45	50	49
-2 agree in most cases	18	18	14	18	8	23	25	16	15
-3 tend to agree	17	16	22	37	10	22	13	15	13
-4 tend to disagree	9	9	14	19	11	10	7	7	7
-5 disagree in most cases	9	7	20	9	16	7	5	5	9
-6 strongly disagree	7	6	13	7	35	3	4	5	5
no response	2	2	1	3	4	0	0	2	2
10 years (5 years for transitional economies) ago									
-1 fully agree	21	23	9	8	14	22	20	21	40
-2 agree in most cases	15	15	14	12	8	14	21	13	18
-3 tend to agree	20	20	22	40	12	21	25	18	13
-4 tend to disagree	14	14	16	19	9	11	14	17	11
-5 disagree in most cases	11	9	21	8	12	10	10	8	7
-6 strongly disagree	7	6	14	8	20	6	4	5	6
no response	12	14	4	5	26	17	6	19	5
11. "Unpredictability of the judiciary presents a major problem for my business operations." To what degree do you agree with this statement?									
Now									
-1 fully agree	29	32	14	11	30	27	37	35	34
-2 agree in most cases	16	17	8	12	14	17	19	15	24
-3 tend to agree	22	22	19	28	26	26	18	22	21
-4 tend to disagree	14	13	19	22	11	14	9	13	13
-5 disagree in most cases	9	7	17	12	8	9	8	7	3
-6 strongly disagree	8	5	22	8	5	5	7	5	1
no response	3	3	1	7	6	2	1	4	2

	World	LDC	DC	SSEA	MNA	CEE	LAC	SSA	CIS
10 years (5 years for transitional economies) ago									
-1 fully agree	20	22	7	9	15	16	29	20	32
-2 agree in most cases	14	15	8	10	14	16	15	12	22
-3 tend to agree	20	20	18	27	17	19	21	20	20
-4 tend to disagree	14	14	19	25	9	14	11	14	13
-5 disagree in most cases	10	8	20	11	7	9	9	8	4
-6 strongly disagree	9	6	23	10	6	7	8	6	3
no response	14	16	5	8	32	19	7	20	7
III. OVERALL GOVERNMENT - BUSINESS INTERFACE									
12. Please judge on a six point scale how problematic these different policy areas are for doing business									
a. Regulations for starting business/new operations									
1 No obstacles	14	14	16	5	10	16	12	13	19
2	15	15	13	19	17	19	19	13	11
3	24	24	23	20	22	24	19	26	26
4	19	20	17	23	22	19	18	20	21
5	13	11	19	21	14	9	11	11	12
6 Very strong obstacles	6	6	7	10	7	5	7	6	6
no response	9	9	6	2	9	9	15	11	4
b. Price controls									
1 No obstacles	28	26	41	14	16	29	21	31	21
2	19	19	20	26	24	22	22	16	14
3	17	17	15	18	15	18	15	16	20
4	13	14	11	17	14	11	10	13	21
5	8	9	5	12	19	8	9	7	12
6 Very strong obstacles	5	6	2	9	5	3	8	6	7
no response	9	10	7	3	7	10	15	11	5
c. Regulations on foreign trade (exports, imports)									
1 No obstacles	12	9	23	6	8	11	6	10	9
2	13	12	22	18	15	15	12	11	6
3	20	20	19	24	15	24	21	19	16
4	19	20	12	21	14	20	19	19	26
5	16	17	7	21	26	12	15	17	22
6 Very strong obstacles	9	10	4	7	12	7	9	10	14
no response	12	12	13	3	10	11	18	13	8

	World	LDC	DC	SSEA	MNA	CEE	LAC	SSA	CIS
d. Financing									
1 No obstacles	8	7	14	8	7	7	4	8	7
2	10	8	16	16	14	6	8	9	7
3	14	13	16	16	20	12	13	13	14
4	20	19	25	34	16	19	16	17	22
5	22	22	17	15	25	26	24	20	24
6 Very strong obstacles	20	23	9	9	15	24	25	25	19
no response	7	7	4	3	2	6	11	8	7
e. Labor regulations									
1 No obstacles	11	12	5	5	16	12	6	9	24
2	13	14	8	13	18	19	9	12	17
3	22	24	17	15	18	25	19	26	25
4	21	21	21	33	20	17	19	23	19
5	15	13	25	22	12	11	20	12	7
6 Very strong obstacles	10	8	20	9	8	6	16	9	2
no response	8	8	4	4	8	9	11	8	6
f. Foreign currency regulations									
1 No obstacles	19	16	31	6	33	20	18	14	13
2	16	15	21	15	17	19	18	14	10
3	18	18	17	27	18	18	17	18	17
4	16	17	13	17	16	14	13	18	21
5	14	15	8	26	7	11	9	17	17
6 Very strong obstacles	8	9	2	6	1	7	8	10	15
no response	9	10	9	4	8	11	16	8	6
g. Tax regulations and/or high taxes									
1 No obstacles	3	3	3	4	5	2	2	3	2
2	5	5	7	11	9	3	8	4	2
3	11	10	17	16	17	10	13	10	4
4	17	17	18	25	19	14	21	19	9
5	27	28	24	22	28	30	28	29	26
6 Very strong obstacles	32	34	26	21	19	39	21	30	54
no response	4	4	4	1	3	2	8	5	2

	World	LDC	DC	SSEA	MNA	CEE	LAC	SSA	CIS
h. Inadequate supply of infrastructure									
1 No obstacles	6	4	17	4	1	4	3	5	4
2	9	7	19	14	9	8	6	6	7
3	17	16	22	25	7	18	11	12	24
4	20	22	13	14	23	25	21	19	27
5	24	25	18	27	27	22	23	29	20
6 Very strong obstacles	16	18	5	15	27	14	25	21	10
no response	8	8	5	2	6	10	11	7	9
i. Policy instability									
1 No obstacles	11	7	30	11	18	6	2	10	3
2	13	11	23	18	9	12	10	12	5
3	17	18	16	20	14	16	16	20	16
4	20	21	12	27	20	20	22	21	19
5	19	21	6	17	21	24	24	16	29
6 Very strong obstacles	13	15	6	4	12	14	17	12	23
no response	7	7	7	3	7	7	10	8	5
j. Safety or environmental regulations									
1 No obstacles	12	12	8	4	17	10	7	10	26
2	19	19	18	18	26	21	17	18	21
3	23	22	25	30	18	25	19	22	22
4	18	18	17	28	18	18	17	21	12
5	13	13	14	13	12	12	14	15	8
6 Very strong obstacles	7	5	13	1	4	3	8	7	4
no response	9	9	5	6	6	11	17	8	6
k. Inflation									
1 No obstacles	8	5	23	2	6	7	5	4	8
2	13	10	30	10	13	12	9	8	12
3	17	17	20	26	26	15	19	14	17
4	19	20	14	30	27	20	17	20	20
5	19	22	4	25	15	20	18	24	21
6 Very strong obstacles	17	19	2	7	5	21	19	23	18
no response	7	7	6	0	7	5	14	6	5

	World	LDC	DC	SSEA	MNA	CEE	LAC	SSA	CIS
i. General uncertainty on costs of regulations									
1 No obstacles	5	4	11	4	4	4	4	4	2
2	12	10	23	15	14	11	9	10	5
3	20	20	19	25	22	19	20	20	18
4	22	23	20	26	21	20	24	23	25
5	21	22	13	13	23	26	16	20	32
6 Very strong obstacles	8	8	4	10	2	10	5	8	12
no response	13	14	9	8	14	10	23	15	7
m. Crime and theft									
1 No obstacles	8	6	20	7	35	4	3	4	5
2	13	10	26	22	27	10	6	10	6
3	16	15	20	20	19	18	12	14	15
4	19	19	16	27	5	22	19	18	20
5	22	24	8	21	5	23	22	27	28
6 Very strong obstacles	16	19	3	2	2	15	27	22	20
no response	7	7	8	1	7	8	12	6	5
n. Corruption									
1 No obstacles	8	4	29	3	2	5	3	3	6
2	8	5	20	15	10	5	5	4	5
3	12	12	15	28	18	14	8	10	11
4	18	19	13	29	18	20	19	18	19
5	24	27	11	14	24	28	22	29	29
6 Very strong obstacles	23	27	7	9	22	20	32	31	25
no response	6	6	7	2	7	7	10	5	4
o. Terrorism									
1 No obstacles	38	37	44	47	62	31	25	42	31
2	18	17	22	30	15	19	15	15	17
3	11	11	9	9	2	13	9	11	15
4	8	8	9	4	3	11	8	6	9
5	8	8	5	1	6	10	8	8	10
6 Very strong obstacles	5	6	4	1	1	5	11	5	7
no response	13	14	7	8	11	12	24	13	12

	World	LDC	DC	SSEA	MNA	CEE	LAC	SSA	CIS
p. Other									
1 No obstacles	2	2	3	0	2	2	1	2	2
2	1	1	0	1	0	3	1	1	2
3	2	2	1	1	0	7	1	2	2
4	2	3	0	3	3	7	1	2	2
5	5	6	1	4	11	4	5	8	4
6 Very strong obstacles	6	6	2	3	16	3	5	9	3
no response	82	80	93	88	68	74	87	77	86

13. Please rate your overall perception of the relation between government and/or bureaucracy and private firms on the following scale.

"All in all, for doing business I perceive the state as":

Now

1 Helping Hand	6	6	5	18	5	3	2	7	5
2	13	12	14	32	16	10	11	13	8
3	25	24	31	31	25	26	20	21	27
4	25	26	23	12	23	27	26	27	26
5	19	20	16	6	19	19	28	17	24
6 Opponent	10	10	9	0	12	13	10	11	9
no response	2	2	2	2	0	2	2	4	2

10 years (5 years for transitional economies) ago

1 Helping Hand	5	5	5	3	5	3	2	6	8
2	13	12	19	20	9	13	10	13	11
3	22	19	35	27	12	19	17	17	25
4	19	19	20	28	21	17	22	16	21
5	18	20	12	17	18	17	26	19	20
6 Opponent	14	15	7	4	12	20	18	16	10
no response	8	10	2	2	23	11	5	12	5

	World	LDC	DC	SSEA	MNA	CEE	LAC	SSA	CIS
IV. BUREAUCRATIC RED TAPE									
14. "It is common for firms in my line of business to have to pay some irregular "additional payments" to get things done."									
This is true									
-1 always	9	11	1	7	12	8	6	11	19
-2 mostly	15	17	4	14	6	17	15	17	26
-3 frequently	18	20	9	10	17	19	20	22	20
-4 sometimes	21	22	12	22	21	22	23	23	20
-5 seldom	17	16	22	28	20	21	23	11	8
-6 never	18	12	50	17	22	12	13	12	6
no response	2	2	2	2	2	1	1	3	1
15. "Firms in my line of business usually know in advance about how much this "additional payment" is."									
This is true									
-1 always	5	5	2	3	7	5	2	3	12
-2 mostly	15	17	4	18	13	18	9	13	33
-3 frequently	13	14	9	12	9	16	14	13	16
-4 sometimes	20	21	14	21	12	20	22	23	20
-5 seldom	20	21	15	21	29	22	26	22	10
-6 never	22	18	43	21	23	15	23	22	8
no response	6	4	13	4	8	3	4	6	2
16. "Even if a firm has to make an "additional payment" it always has to fear that it will be asked for more, e.g. by another official."									
This is true									
-1 always	7	8	0	3	6	6	9	9	10
-2 mostly	11	13	4	7	11	10	10	14	17
-3 frequently	15	17	6	10	9	15	19	18	20
-4 sometimes	21	24	7	24	17	22	20	24	28
-5 seldom	18	18	18	30	26	26	18	14	14
-6 never	21	16	50	20	21	17	19	15	8
no response	6	5	14	6	9	4	6	6	2

	World	LDC	DC	SSEA	MNA	CEE	LAC	SSA	CIS
17. "If a firm pays the required "additional payment" the service is usually also delivered as agreed."									
This is true									
-1 always	9	11	2	9	12	12	13	9	11
-2 mostly	33	36	17	44	32	36	27	35	44
-3 frequently	17	18	11	16	19	20	22	17	19
-4 sometimes	13	15	7	13	11	11	16	18	12
-5 seldom	5	5	5	1	1	6	5	5	5
-6 never	9	6	22	5	14	7	5	6	6
no response	14	9	36	12	11	9	13	10	3
18. "If a government agent acts against the rules I can usually go to another official or to his superior and get the correct treatment."									
This is true									
-1 always	8	6	14	4	15	6	6	6	4
-2 mostly	15	14	21	20	17	16	14	12	10
-3 frequently	11	11	10	6	10	10	14	10	11
-4 sometimes	27	29	17	30	26	26	30	31	25
-5 seldom	24	26	15	19	18	27	27	24	34
-6 never	11	12	9	16	13	11	6	12	14
no response	5	3	13	6	1	3	2	4	2
19. In the last ten years (5 years for transition economies), difficulties in dealing with government officials have									
increased	31	33	21	20	31	37	27	33	40
remained about the same	37	35	47	30	30	34	41	34	35
decreased	22	23	20	36	30	20	28	23	13
don't know	7	7	9	13	3	8	3	7	10
no response									

	World	LDC	DC	SSEA	MNA	CEE	LAC	SSA	CIS
20. Have you ever decided not to make a major investment because of problems relating to complying with government regulations?									
yes	39	40	35	29	46	37	44	36	49
no	61	60	65	71	54	63	56	64	51
no response	0	0	0	0	0	0	0	0	0
If your answer was "yes", could you please specify which of the following two options better describes the nature of these problems:									
-- Costs of compliance are too high, but clearly known	22	18	41	21	18	19	14	22	11
-- Costs of compliance are too uncertain for investment planning	65	68	50	68	69	69	67	66	74
-- Other	13	14	9	12	12	12	19	12	15
no response	0	0	0	0	0	0	0	0	0
21. What percentage of senior management's time is spent on negotiation with officials about changes and interpretations of laws and regulations?									
(1) less than 5%	34	29	59	43	30	33	35	28	20
(2) 5% - 15%	26	26	28	28	23	32	24	25	22
(3) 15% - 25%	18	20	7	13	20	20	22	18	24
(4) 25% - 50%	10	11	2	7	15	8	12	11	15
(5) 50% - 75%	4	5	0	5	3	2	3	6	9
(6) more than 75%	2	2	0	0	1	1	1	2	3
no response	6	7	4	3	9	3	3	10	7
V. EFFICIENCY OF GOVERNMENT IN PROVIDING SERVICES									
22. Please rate your overall perception of:									
a. The efficiency of customs									
-1	Very good	3	2	11	3	4	2	2	1
-2		10	6	27	7	8	13	6	3
-3		20	19	29	32	27	19	20	15
-4		24	26	17	36	28	24	24	25
-5		23	25	8	14	21	25	29	27
-6	Very poor	15	17	3	5	9	12	16	25
no response		5	5	6	4	3	5	6	3

	World	LDC	DC	SSEA	MNA	CEE	LAC	SSA	CIS
b. The general condition of roads you use									
-1 Very good	5	3	17	5	5	1	1	4	1
-2	12	9	31	16	16	14	6	7	3
-3	17	16	24	12	19	21	18	16	8
-4	19	20	15	21	17	22	25	19	16
-5	22	25	8	33	29	21	27	24	27
-6 Very poor	22	25	4	13	12	17	21	27	41
no response	2	3	2	0	2	3	1	3	4
c. The efficiency of mail delivery									
-1 Very good	7	6	13	13	9	8	3	5	3
-2	17	15	29	19	29	19	12	14	8
-3	24	24	27	30	34	32	22	21	18
-4	21	22	17	21	11	18	22	24	24
-5	17	19	8	11	12	14	20	20	24
-6 Very poor	12	13	5	5	5	6	19	14	21
no response	2	3	2	1	0	3	1	4	2
d. The quality of public health care provision									
-1 Very good	5	2	20	1	3	1	2	2	1
-2	9	6	25	7	7	14	4	4	3
-3	14	13	24	19	23	19	8	11	9
-4	18	19	14	19	18	23	19	18	17
-5	25	28	10	33	27	23	24	30	29
-6 Very poor	26	30	6	21	20	18	42	31	38
no response	2	2	2	1	1	3	2	3	2
23. How frequent are power outages?									
-1 once in more than 3 m.	46	39	84	54	57	61	50	22	34
-2 once a month	18	20	5	15	21	15	25	17	30
-3 once in two weeks	8	9	2	3	7	8	10	12	6
-4 once a week	11	13	1	8	7	7	9	21	10
-5 once a day	7	9	0	15	1	3	2	14	12
-6 no power for long period	5	6	0	2	1	3	3	10	7
no response	4	3	8	2	7	3	2	5	1

	World	LDC	DC	SSEA	MNA	CEE	LAC	SSA	CIS
24. How long does it take to get a public telephone line connected?									
-1 less than 1 month	29	19	81	54	13	26	15	9	26
-2 1 to 3 months	22	24	13	14	20	23	25	25	22
-3 3 to 6 months	10	11	1	10	4	11	11	16	5
-4 6 months to 1 year	8	9	2	9	7	7	14	12	4
-5 more than 1 year	8	10	0	5	18	9	10	11	5
-6 difficult to say	21	25	1	8	36	22	23	23	35
no response	2	3	1	1	2	1	2	4	3
25. How would you generally rate the efficiency of government in delivering services?									
Now									
-1 very efficient	1	1	3	6	0	1	1	1	0
-2 efficient	8	6	19	25	4	4	5	6	2
-3 mostly efficient	28	25	46	42	54	31	19	19	22
-4 mostly inefficient	32	34	20	18	26	35	33	35	38
-5 inefficient	17	20	5	5	9	17	24	22	22
-6 very inefficient	11	12	5	3	7	9	16	13	13
no response	3	3	2	1	0	3	2	5	3
10 years (5 years for transitional economies) ago									
-1 very efficient	1	1	2	0	3	1	2	1	1
-2 efficient	7	6	15	8	4	3	4	8	6
-3 mostly efficient	20	17	37	32	20	19	6	19	16
-4 mostly inefficient	27	28	24	31	23	31	28	22	36
-5 inefficient	21	23	10	17	21	21	34	20	21
-6 very inefficient	13	15	5	10	7	14	22	14	14
no response	10	11	6	1	22	11	5	15	7
<i>Additional comments</i>	28	30	22	35	19	23	29	38	22

Policy Research Working Paper Series

	Title	Author	Date	Contact for paper
WPS1732	Agricultural Trade and Rural Development in the Middle East and North Africa: Recent Developments and Prospects	Dean A. DeRosa	February 1997	J. Ngaine 37959
WPS1733	The Usefulness of Private and Public Information for Foreign Investment Decisions	Yuko Konoshita Ashoka Mody	February 1997	R. Reff 34815
WPS1734	Are Markets Learning? Behavior in the Secondary Market for Brady Bonds	Luca Barbone Lorenzo Forni	February 1997	L. Barbone 32556
WPS1735	Competition Policy and the Global Trading System: A Developing-Country Perspective	Bernard Hoekman	March 1997	J. Ngaine 37949
WPS1736	Creating Incentives for Private Infrastructure Companies to Become More Efficient	Ian Alexander Colin Mayer	March 1997	R. Schneiderman 30191
WPS1737	Ownership and Corporate Governance: Evidence from the Czech Republic	Stijn Claessens Simeon Djankov Gernard Pohl	March 1997	F. Hatab 35835
WPS1738	Some Aspects of Poverty in Sri Lanka: 1985-90	Gaurav Datt Dilani Gunewardena	March 1997	A. Ramirez 85734
WPS1739	Safe and Sound Banking in Developing Countries: We're Not in Kansas Anymore	Gerard Caprio, Jr.	March 1997	B. Moore 38526
WPS1740	When is Foreign Aid Policy Credible? Aid Dependence and Conditionality	Jakob Svensson	March 1997	R. Martin 39026
WPS1741	Privatization, Public Investment, and Capital Income Taxation	Harry Huizinga Søren Bo Nielsen	March 1997	P. Sintim-Aboagye 38526
WPS1742	Transport Costs and "Natural" Integration in Mercosur	Azita Amjadi L. Alan Winters	March 1997	J. Ngaine 37947
WPS1743	How China's Government and State Enterprises Partitioned Property and Control Rights	Lixin Colin Xu	March 1997	P. Sintim-Aboagye 37644
WPS1744	Moving to Greener Pastures? Multinationals and the Pollution-haven Hypothesis	Gunnar S. Eskeland Ann E. Harrison	March 1997	C. Bernardo 31148
WPS1745	How Foreign Investment Affects Host Countries	Magnus Blómstrom Ari Kokko	March 1997	J. Ngaine 37947

Policy Research Working Paper Series

Title	Author	Date	Contact for paper
WPS1746 The Role of Long-Term Finance: Theory and Evidence	Gerard Caprio, Jr. Asli Demirgüç-Kunt	April 1997	P. Sintim-Aboagye 38526
WPS1747 Protection and Trade in Services: A Survey	Bernard Hoekman Carlos A. Primo Braga	April 1997	J. Ngaine 37947
WPS1748 Has Agricultural Trade Liberalization Improved Welfare in the Least-Developed Countries? Yes	Merlinda D. Ingco	April 1997	J. Ngaine 37947
WPS1749 Applying Economic Analysis to Technical Assistance Projects	Gary McMahon	April 1997	C. Bernardo 37699
WPS1750 Regional Integration and Foreign Direct Investment: A Conceptual Framework and Three Cases	Magnus Blómstrom Ari Kokko	April 1997	J. Ngaine 37947
WPS1751 Using Tariff Indices to Evaluate Preferential Trading Arrangements: An Application to Chile	Eric Bond	April 1997	J. Ngaine 37947
WPS1752 Ghana's Labor Market (1987–92)	Sudharshan Canagarajah Saji Thomas	April 1997	B. Casely-Hayford 34672
WPS1753 Can Capital Markets Create Incentives for Pollution Control?	Paul Lanoie Benoît Laplante	April 1997	R. Yazigi 37176
WPS1754 Research on Land Markets in South Asia: What Have We Learned?	Rashid Faruqee Kevin Carey	April 1997	C. Anbiah 81275
WPS1755 Survey Responses from Women Workers in Indonesia's Textile, Garment, and Footwear Industries	Mari Pangestu Medelina K. Hendyitio	April 1997	J. Israel 85117
WPS1756 World Crude Oil Resources: Evidence from Estimating Supply Functions for 41 Countries	G. C. Watkins Shane Streifel	April 1997	J. Jacobson 33710
WPS1757 Using Economic Policy to Improve Environmental protection in Pakistan	Rashid Faruqee	April 1997	C. Anbiah 81275
WPS1758 The Restructuring of Large Firms in Slovakia	Simeon Djankov Gernard Pohl	April 1997	F. Hatab 35835
WPS1759 Institutional Obstacles to Doing Business: Region-by-Region Results from a Worldwide Survey of the Private Sector	Aymo Brunetti Gregory Kisunko Beatrice Weder	April 1997	M. Geller 31393