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HELPDESK REQUEST

Corruption and the Private Sector:

A review of issues

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Oxford Policy Management

February 2013

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Abbreviations

BEEPS	Business Environment and Enterprise Performance Survey
CIS	Commonwealth of Independent States
DFID	Department for International Development
EBRD	European Bank for Reconstruction and Development
EU	European Union
EITI	Extractive Industries Transparency Initiative
UNODC	United Nations Office on Drugs and Crime
UNIDO	United Nations Industrial Development Organization
OECD	Organisation for Economic Co-operation and Development
SMEs	Small and Medium-Sized Enterprises
TI	Transparency International
UNCAC	United Nations Convention against Corruption
WB	World Bank
WBES	World Business Environment Survey

1 Introduction

Entrepreneurs are the engine of growth. Their ideas and innovations boost productivity and improve standards of living. In history we have observed periods in which particular countries have witnessed unprecedented booms in innovation and growth triggered by the presence of a particular set of conditions. Good governance is perhaps the most relevant of these conditions, in particular when we think of governance as a set of institutions.[1] To be more precise, the World Bank defines governance (http://go.worldbank.org/MKOGR258V0) as "the traditions and institutions by which authority in a country is exercised for the common good. This includes the process by which those in authority are selected, monitored and replaced, the capacity of the government to effectively manage its resources and implement sound policies, and the respect of citizens and the state for the institutions that govern economic and social interactions among them."

Governance and public sector corruption are two different concepts. Generally speaking, public sector corruption refers to illegal, or unauthorised, acts on the part of public officials who abuse their positions of authority to make personal gains. Hence corruption is a symptom of poor governance. Studying the impact of corruption in the economy is definitely important in order to measure the costs of a dysfunctional governance system. However, we have to keep in mind that in order to attempt to reduce graft we have to study the governance failures that are allowing corruption to thrive.

Broadly speaking we can identify two very general types of corruption bureaucratic and political corruption. Bureaucratic or "petty" corruption is associated with subordinate public officials using authority transferred to them by the government to extract bribes, embezzle public funds, commit fraud, and other forms of corruption. On the other hand, political or "grand" corruption is related with the political elite designing public policies or changing laws and regulations for their own benefit at the expense of the populace. Political corruption sometimes is hard to detect. Normally there is no explicit bribe involved. Bribes take the form of very well paid executive positions in corporations, luxurious holidays, properties abroad, and others.

This report is about the effects of public sector corruption on private firms and is the result of a helpdesk request from DFID related to the following questions:

- How does corruption impede the growth of the private sector?
- What forms of corruption are most harmful to business and how are different types/sizes of businesses affected differently by these forms?
- In what ways can the private sector facilitate or engender corrupt practices and how do they gain from this, especially at high political levels?
- What evidence is there that the private sector can help to reduce the existence of corruption and under what conditions is this likely to happen?

In what follows we try to answer these inquiries. The first question will be addressed in Section 2, the second question in Section 3 and the last two questions will be tackled jointly in Section 4. Finally, in Section 5 we present some concluding remarks.

[1] Rodrik et al. (2004) test the contributions of institutions, geography, and trade to explain economic development. They find that institutional quality is the most important determinant of income levels. In a recent book Acemoglu and Robinson (2012) also present evidence that institutions seems to be the main factor to explain why some nations thrive while others stagnate.

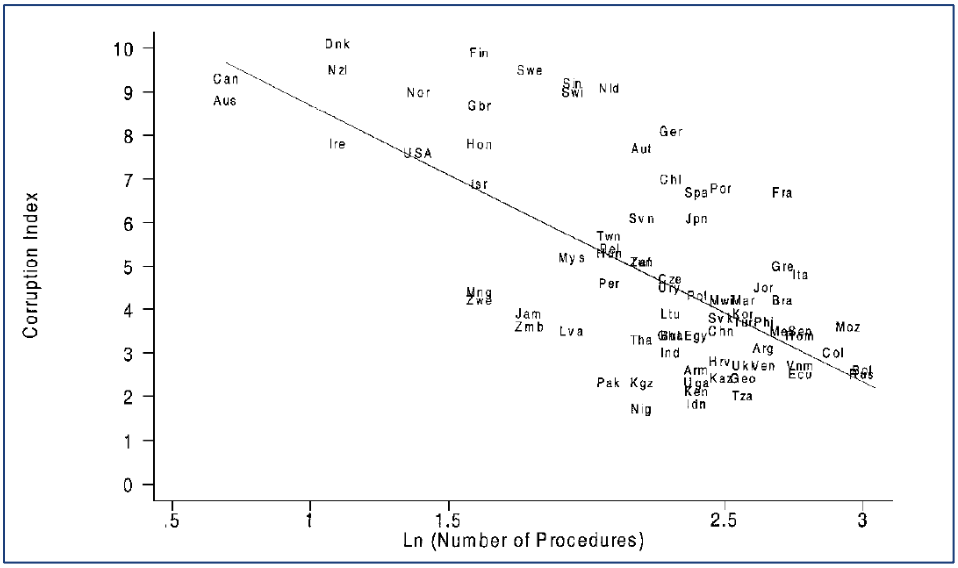
2 Corruption and private sector growth

Corruption has been identified as one of the most important constraints to private sector development. Although there is evidence that other constraints are more important in some countries of the world (please see Annex I). In this section we will discuss the role of corruption as a barrier to entry and the impact of corruption on firm growth and productivity.

2.1 Can corruption act as a barrier to entry?

Corruption has been singled out as one of the causes for the existence of large informal sectors in developing economies. Economies characterised by burdensome regulations impose on firms prohibitively high costs of entry that can only be avoided in exchange of a bribe. Friedman et al. (2000) using the International Country Risk Guide (ICRG) corruption index show that corruption fosters informality. They argue that irrespective of a country's level of GDP per capita, a one-point improvement in the corruption index is associated with a 9.7% reduction in the size of the informal sector. Similar results are reported by Johnson et al. (1999) for the case of Latin America, the OECD and some transition economies and. Finally, Djankov et al (2002) using a dataset that was the basis for the World Bank's Doing Business Project find that countries with heavier regulation of entry have higher corruption and larger unofficial economies. As you can appreciate in Figure 1 there is a clear correlation between number of procedures to start a new business and corruption. We observe a positive relationship because the corruption index assigns a higher value to more transparent economies.

Figure 1: Corruption and Number of Procedures*

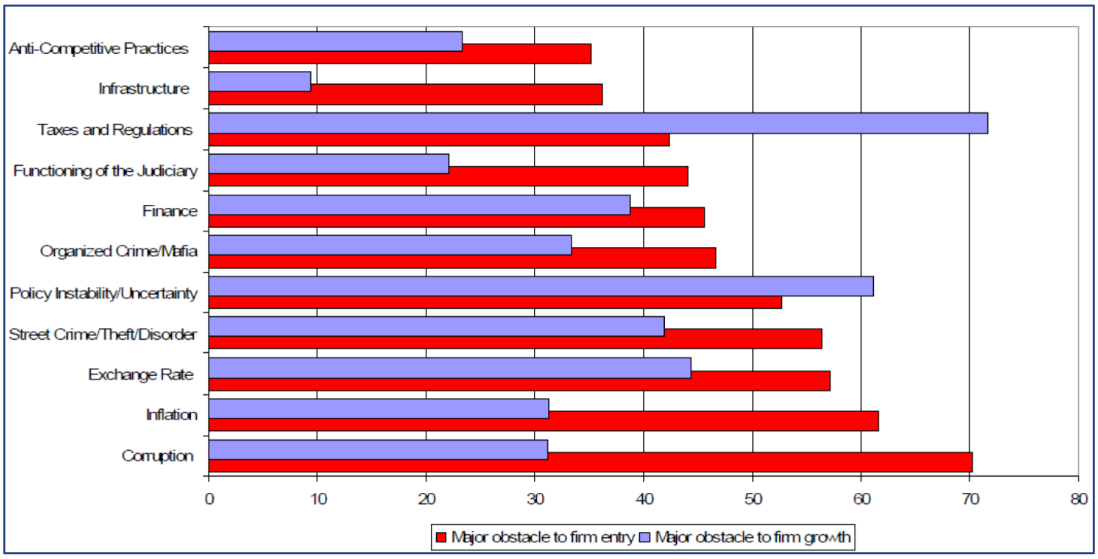


* The scatter plot shows the values of the corruption index against the (log) number of procedures for the 78 countries in the sample with non-missing data on corruption.

Source: Djankov et al (2002)

In a more recent contribution, Campos et al. (2010) develop a new data set for the Brazilian Economy in which they can differentiate between the impact of corruption on firm-entry and firm-growth. Figure 2 shows that approximately 70% of the business in Brazil identify corruption as a major obstacle for firm entry. In contrast, slightly more than 30% of firms find that corruption is a major obstacle for growth. It is interesting to notice that taxes and regulations and uncertainty are the most important obstacles to firm growth in Brazil.

Figure 2: Percentage of firms identifying factor as major obstacle to firm entry (in red) or to firm growth (in blue)



Source: Campos et al. (2010), pg. 11.

Perhaps the most interesting contribution of Campos et al. (2010) is the finding that corruption seems to help incumbent firms in relative terms and hamper potential entrants. Hence, corruption seems to act as a mechanism to deter competition.

2.2 Impact of corruption on firm growth and productivity

Corruption induced informality can also limit the growth of businesses. Firms that are forced to go underground do not have the same advantages as firms operating in the formal sector in terms of access to the formal financial system and public services. This situation limits their growth perspectives and diminishes their productivity. In addition, to remain unnoticed, firms operating in the informal sector have to deliberately limit their expansion to avoid attracting unnecessary attention. Dabla-Norris et al. (2008) find that firms in the informal sector are generally smaller and less productive than firms in the formal sector. They conducted their study using data from the World Business Environment Survey (WBES). This data set contains information about firms of a large number of developing and developed countries. In particular it contains information about the different obstacles that firms face (i.e., corruption, lack of infrastructure access to finance, etc.), as well as information on the level of informality.

Aterido et al. (2007) find that corruption hampers employment growth in small, medium and large firms[2]. This is true regardless of whether corruption is measured as incidence of bribes, bribes as percentage of sales, incidence of "gifts" to government officials, or gifts as percentage of government contracts. Moreover, in terms of incidence of bribes, corruption seems to increase the growth of micro firms (firms with less than 10 employees). This could be explained by the fact that micro enterprises may benefit from operating in the informal sector. Along the same lines a very recent paper by Seker and Yang (2012) analysing data from Latin America and the Caribbean find that bribery significantly hampers firm growth. In particular they find that corruption is more damaging for young and low-revenue-generating firms.

De Rosa et al (2010) using enterprise data for the economies of Central and Eastern Europe and the Commonwealth of Independent States (CIS), examine the effects of corruption on productivity. They find that bribes have a significant negative impact on firm-level productivity. In addition they control for European Union (EU) membership and find that bribery is more harmful in non-EU countries. This provides evidence that bribery is more damaging for firm-level productivity in countries with higher levels of aggregate corruption and weaker legal frameworks.

A channel through which corruption may affect productivity is via its impact on innovation. The relationship between corruption and innovation has recently been investigated empirically. Anokhin and Shulze (2009), using longitudinal data for 64 countries, find evidence that countries that are more successful in controlling corruption exhibit higher levels of innovation. In a similar way, Mahagaonkar (2010) using data for African firms from the World Bank's Enterprise Survey finds a strong and significant negative link between corruption and product innovation. Firms that can innovate can boost their productivity and increase profits.

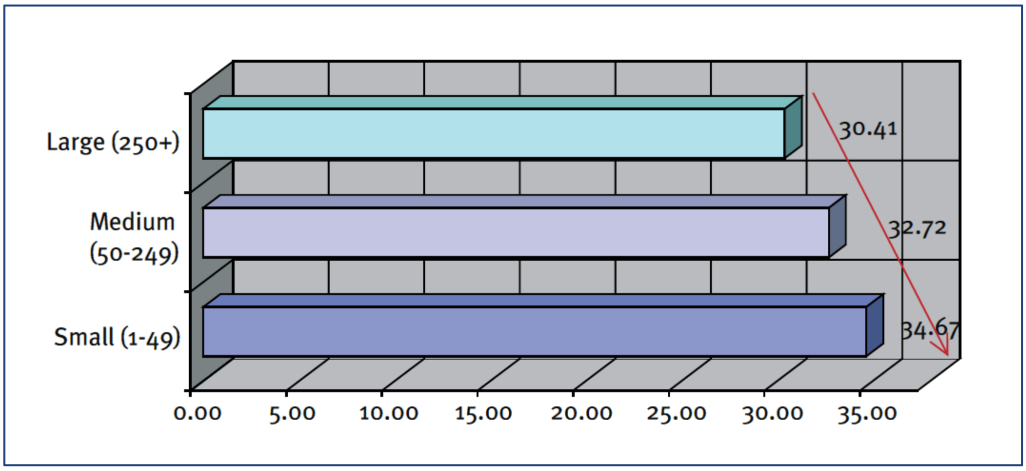
[2] Firms are classified in Aterido et al. (2007) by number of employees as micro (0-10), small (11-50), medium (51-200), large (201-500) and very large (+500).

3 Types of corruption and size of firms

3.1 Bribery

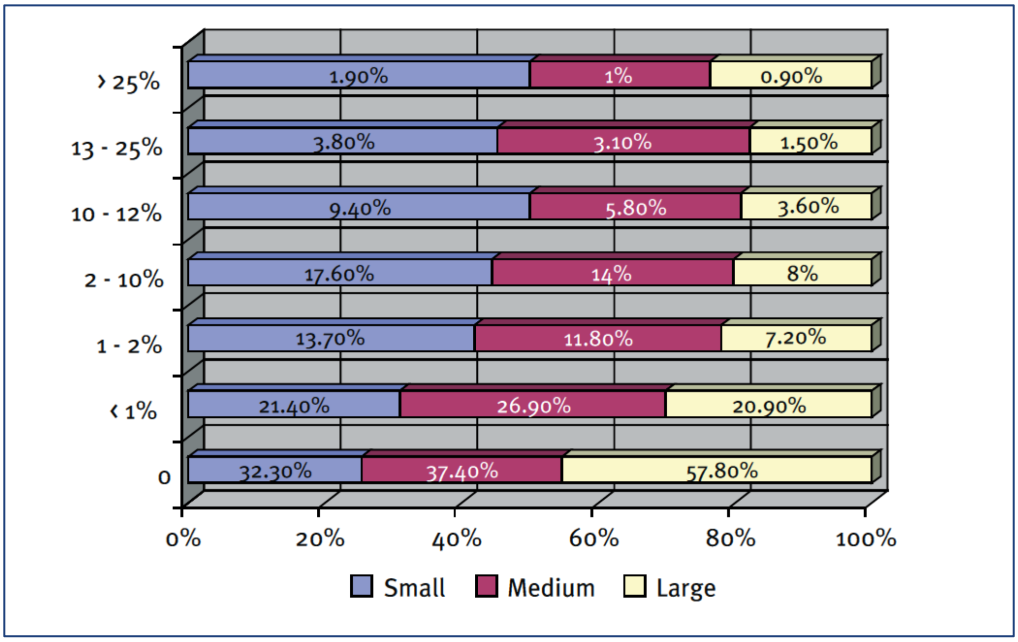
Bribe payments are perhaps the most common type of corruption affecting SMEs. Although large firms are also affected by this form of corruption, sometimes they can benefit from their size. Svensson (2003) using a unique dataset on firm bribe payments in Uganda finds that not all firms have to pay bribes all the time, and that the size of bribes depend on the firm's bargaining power. This heterogeneity in bribe payments reported by the firm provides evidence that bureaucrats can (price) discriminate among firms. The bargaining power of firms is related with the firm's outside option. Or in other words, its ability to relocate, or move to a different activity that requires less contact with bureaucrats. Big multinationals are perhaps the firms with the highest bargaining power. In fact Data from UNIDO and UNODOC (2007) confirm this result. Figure 3 suggests that small and medium size firms report corruption to be a more important obstacle for business than large firms do. Figure 4 offers another side of bribe discrimination showing that SMEs pay higher percentages of annual revenues in bribes to civil servants.

Figure 3: Percentage of firms that perceives corruption as a major business obstacle by number of workers



Source: UNIDO and UNODOC (2007) pg. 2 / World Bank, Investment Climate Survey.

Figure 4: Percentage of revenues paid in bribes to public officials per annum



Source: UNIDO and UNODOC (2007) pg. 8 / WB/EBRD (2000), Business Environment and Enterprise Performance Survey.

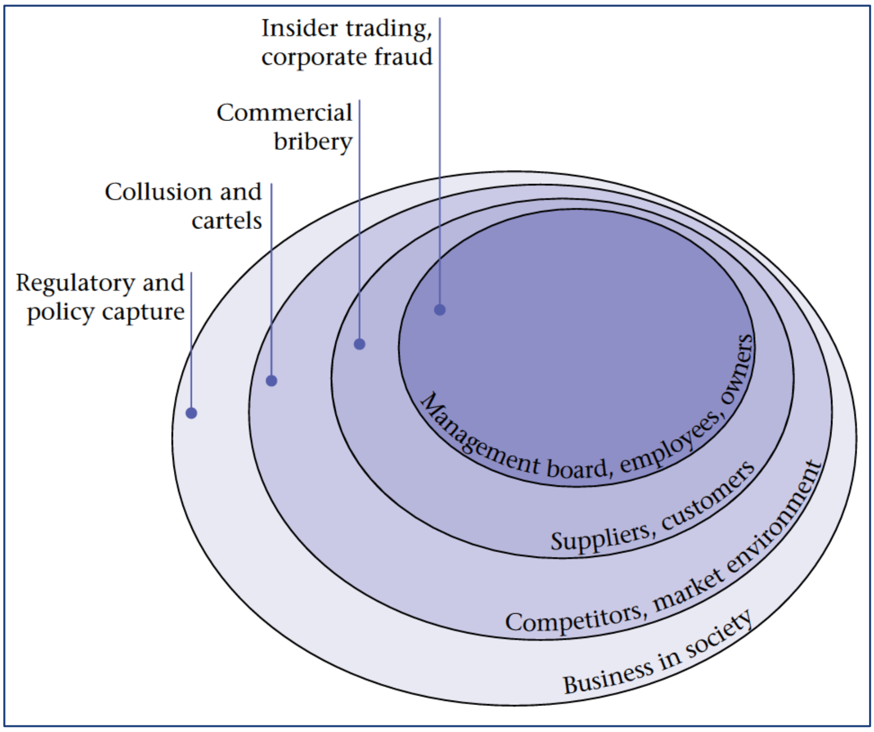
3.2 Corporations and the risk of private sector corruption

Bribery is not the only form of corruption by which firms can be affected. Embezzlement by a company's own employees, corporate fraud, and insider trading can be very damaging to enterprises too. As the size of a firm increases, controlling the actions of its employees is increasingly more difficult. In a 2007 survey of more than 5,400 companies in 40 countries, almost one-third reported having suffered asset misappropriation[3]. Corruption in a corporation can also take the form of commercial bribery. In the United States, there is evidence that Honda granted automobile dealership contracts in exchange of bribes. When this situation was uncovered, more than a thousand dealers received substantial compensations from Honda[4]. Also, competing firms can collude secretly to form cartels, damaging competition and ultimately consumer's welfare. As much as 283 private cartels were uncovered between 1990 and 2005 causing losses to consumers of nearly US$300 billion (Connor and Helmers, 2007). Finally large corporations can capture regulations and policies with detrimental effects for the whole society. This situation is very serious and may jeopardise the nation's economic stability. It is known as state capture and may be related with lack of sustained growth and

[3] PricewaterhouseCoopers, *Economic Crime: People, Culture and Controls: The 4th Biennial Global Economic Crime Survey* (London: PricewaterhouseCoopers, 2007).
[4] Associated Press (US), 31 October 1998.

development at the macroeconomic level. Figure 5 is taken from the Global Corruption Report 2009 published by Transparency International and illustrates the corruption risks within the spheres of corporate activity. Private corruption flourishes in the first inner layers and regulatory and policy capture link it with public sector corruption.

Figure 5: Corruption risks within spheres of corporate activity



Source: Transparency International (2009) pg. 8.

4 The role of the private sector in the fight against public sector corruption

4.1 The private sector as part of the problem

The literature on corruption has focused mostly on the demand side of bribery. This is no surprise. Corruption can be viewed as naturally arising in the public sector due to transfer of responsibility and imperfect monitoring. This generates a principal-agent relationship between the government and its bureaucracy, and between the populace and the political elite. Hence it is argued that an agent responsible for certain tasks (e.g., tax collection or policy design) may profit from his position in the knowledge that he cannot be perfectly monitored by the principal. Even the now widely used "corruption indices" have been developed based on surveys of perceptions of entrepreneurs, citizens and experts about the degree of corruption of the civil service. Private sector agents are normally portrayed in economic models as victims of greedy bureaucrats and politicians. Not much attention has been given to the supply side of bribery.

The empirical evidence on state capture suggests that the supply side of bribery may be equally damaging.[5] Hellman et al. (2003) find that state capture has been the norm in a large number of transition economies in which public officials and politicians sell lucrative advantages and preferences to private firms. Faccio (2006) in a study of political connection in 47 countries finds that there are significant benefits to engage in state capture. The benefits for the captor firm include competitive advantages in government contracts, access to limited governmental goods (such as permits and licenses), lower taxes, and regulatory leniency. A recent paper by Ufere et al (2012) suggests that we have to study rigorously the role of the private sector in corrupt transactions and stop thinking that private companies are simply victims of a corrupt public sector. They use semi-structured interviews with founders/CEOs of 32 firms in three industries traditionally linked with corruption in Nigeria. They find that entrepreneurs are active (and not passive) bribers, having developed highly sophisticated bribery practices supported by a large number of other actors such as government agents, politicians, and technocrats. Moreover this bribery practices are governed by a well-embedded set of social norms, procedures and power relations.

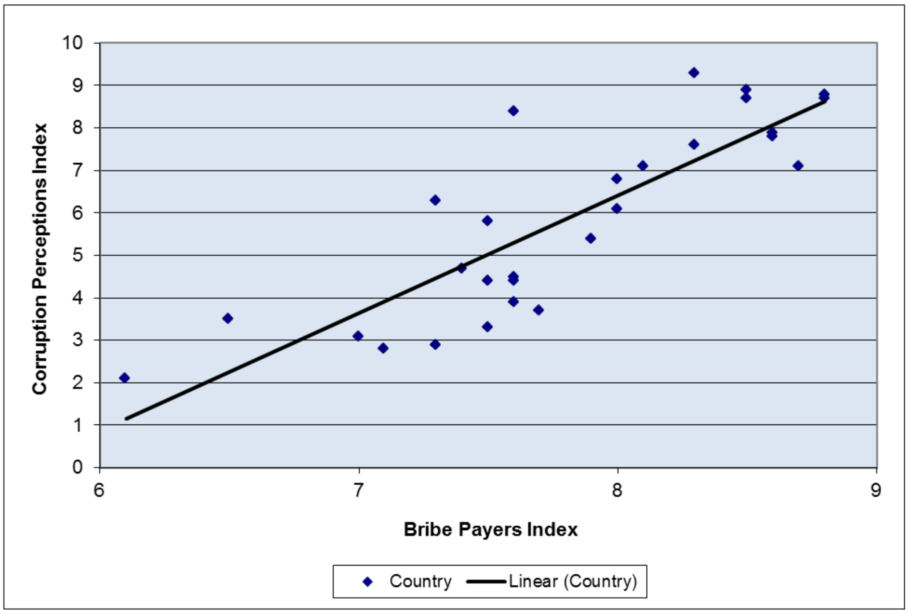
Public procurement, infrastructure and defence are areas in which private firms compete in order to supply goods and services to the government. Given the size of the public sector, companies can benefit immensely from winning a contract in any of these areas. Moreover, these days in our globalised economy, not only local firms are competing to satisfy the demand of governments, foreign companies also play a very important role. Transparency International prepares at regular intervals what is known as the Bribe Payers Index. This indicator provides information about the willingness to bribe abroad by firms of the 28 leading economies. It scores countries on a 0-10 scale, where 10 means that companies from that country do not engage in corruption. According to the latest figures corresponding to 2011, firms from the Netherlands, Switzerland and Belgium appear to be the cleanest whilst firms from China and Russia are most inclined to engage in bribery.

It is interesting to see that there is a correlation between the levels of corruption in the country of origin and the willingness to bribe abroad. Figure 6 presents a scatter plot of the Bribe Payers Index 2011 against the Corruption Perception Index in 2010. The positive relationship is evident. Firms from countries in which corruption is entrenched

[5] We will define state capture very generally as the process by which a small number of firms are able to shape the 'rules of the game' in its favour.

are more willing to pay bribes abroad. This may be explained by the way in which firms from relatively more corrupt countries see is the best way to gain an advantage over competitors.

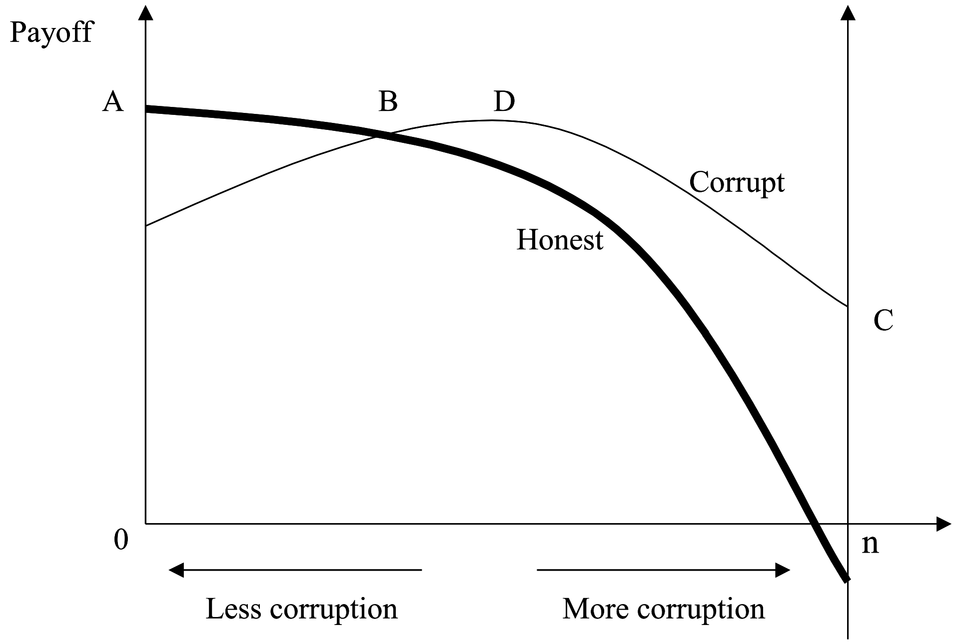
Figure 6: Perceptions of public-sector corruption at home and corporate bribery abroad



Source: Transparency International (2011)

Firms in a market economy try to maximise profits by competing with each other under the so called 'rules of the game'. The problem is that sometimes these generally accepted rules do not always go hand in hand with what the law allows. Moreover, since everybody behaves in this particular way, corrupt practices become accepted, entrenched and generalised. This is a typical problem of 'frequency dependant equilibrium' which means that your behaviour becomes a function of your competitor's behaviour. This fact opens the possibility of having multiple equilibria. Adapting the analysis of Andvig et al. (2000) we can explain this phenomenon with the assistance of Figure 7.

Figure 7: Frequency dependant corruption (or how corruption may corrupt)



Source: Andvig et al. (2000)

The horizontal axis measures the number of firms that engage in corruption. The origin represents the case in which no firm is paying bribes while the value "n" means that all firms are bribe payers. The vertical axis measures the payoffs that a firm obtains from its behaviour (honest or corrupt). The thick line depicts all the possible combinations of payoffs and incidence of corruption that an honest firm can have. The curve is intentionally drawn to show a negative relationship between the incidence of corruption and payoffs. The intuition behind this curve is that honesty pays more when fewer firms pay bribes. If a considerable number of firms are honest, incurring in corrupt practices is more costly in terms of legal and social sanctions. In relatively transparent societies corruption is highly condemned and the legal sanctions are severe. Conversely, if corruption is widespread, social sanctions are almost non-existent and a firm that is caught incurring in corrupt practices always have the chance to pay another bribe to avoid legal sanctions. Thus, the higher the number of bribe paying firms, the lower the payoffs that an honest company receives from behaving ethically.

Likewise, the thin curve depicts all the possible combinations of payoffs and incidence of corruption for bribe payer firms. This curve is different from the thick curve in the sense that it initially increases until the turning point D, where it becomes decreasing. The intuition is the following: as the incidence of corruption increases, the cost of incurring in corrupt practices decreases in terms of legal and social sanctions. However, beyond a certain point firms willing to bribe start to proliferate and consequently there is an excess of supply of bribes. Therefore, the payoffs start to decrease. In addition, notice that the figure also shows how corruption has negative welfare consequences. As a matter of fact, everybody is better off in a point such as A where everybody is honest than in a point such as C where everybody is corrupt.

We define an equilibrium point as a situation where individual actors have no incentives to change their behaviour. Under this definition, in Figure 6 there are three equilibrium points: A, B and C. At point A, the payoffs for being honest are higher than for being corrupt. Consequently, there are no incentives to move from the equilibrium position. At point C, the payoffs for being honest have turned negative so all firms choose to bribe. These two equilibria are stable in the sense that the marginal decisions of an additional firm will not affect the outcome. Finally, at point B the firm is indifferent between being honest or corrupt, but if only just one additional company chooses to be honest or corrupt, the agent will choose to move from this point. Therefore, B is an unstable equilibrium.

The attractiveness of this simple model is its ability to explain that the level of corruption depends on initial conditions. If an economy is at a point between A and B, where the payoff of being honest is higher than the payoff of being corrupt, it will inevitably converge towards A. On the contrary, if the economy is located at a point between B and C (where honesty does not pay) it will eventually converge to C.

4.2 The private sector as a partner

As I mentioned in the introduction, corruption is an outcome. It is a symptom of poor governance. The problem is that improving governance is a colossal task. Figure 7 illustrates how difficult is to reach a good equilibrium if the economy happens to be between points B and C. Individual uncoordinated actions are futile. Simply it does not pay to be honest if everybody else is corrupt.

We need a coordinated reform that could shift downward the payoff curve of behaving in a corrupt manner and shift upward the payoff curve of honest behaviour. A coordinated effort from all the parts involved at national and international level.

There have been important international efforts to improve coordination. Transparency International founded in 1993 is a global network that brings together relevant players from government, civil society, business and the media to promote transparency in elections, public administration, procurement and business.

The World Bank in 1997 began its anticorruption efforts in Eastern Europe and Central Asia with the design of diagnostic tools. It has since developed a full program of analytic work, technical assistance, training programs and lending instruments targeted towards reducing corruption. More recently through the World Bank Institute is promoting the disclosure of project and contract information in public-private partnerships.

The OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions has been an important landmark. It entered into force on 15 February 1999 and requires that bribery of foreign public officials be punishable by criminal penalties comparable to those applicable to their own public officials.

Another important initiative is the Extractive Industries Transparency Initiative (EITI) which aims to strengthen governance by improving transparency and accountability in the extractive sector. It is a global standard that promotes revenue transparency. Each implementing country creates its own strategy based on the EITI standard overseen by participants in the government, companies and the civil society.

Finally, the United Nations Convention against Corruption (UNCAC) came into force in 14 December 2005. It has been signed by 140 countries and has been ratified by 165 countries (States Parties). The UNCAC's main objectives are: facilitate the prevention of corruption by involving both the public and the private sector, assisting countries in criminalising corrupt acts, provide a framework for international cooperation in the fight against corruption and facilitate the recovery of assets. The UNCAC provides the legal framework for the United Nations Global Compact 10 principle: "Businesses should work against corruption in all its forms, including extortion and bribery".

At the nation level, politicians by mandate of the civil society, and under the watch of an independent media, need to make use of all this initiatives to coordinate with the private sector anticorruption strategies attacking corruption from both the demand and supply side. Only under this scenario it will be possible to shift the curves in Figure 7 and move the economy towards the good equilibrium. If only the payoffs of being honest are raised and the payoffs of being corrupt are reduced it will be possible to win the battle against bribery.

5 Conclusions

In this document we discuss some of the issues that arise in the relationship between private sector and corruption. Our findings can be summarised as follows:

- We present evidence that corruption induces informality by acting as a barrier to entry into the formal sector. Firms that are forced to go underground operate at a smaller scale and are less productive.
- Corruption also affects the growth of firms in the private sector. This result seems to be independent of the size of the firm. A channel through which corruption may affect the growth prospects of firms is through its negative impact on product innovation.
- SMEs pay higher bribes as percentage of revenue compared with large companies and bribery seems tobe the main form of corruption affecting SMEs.
- Bribery is not the only form of corruption affecting large firms. Embezzlement by a company's own employees, corporate fraud, and insider trading can be very damaging to enterprises too.
- There is evidence that the private sector has as much responsibility in generating corruption as the public sector. Particular situations such as state capture can be very damaging for the economy.
- Corruption is a symptom of poor governance. Governance can only be improved via coordinated efforts among governments, businesses, civil society and international institutions. Isolated efforts may prove to be futile.

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Annex 1

Top Constraints Cited by Enterprises, by Region and Country (source Dihn et al., 2010)

Country and survey year	Frequency (%)	First Most cited constraint	Frequency (%)	Second Most Cited Constraint	Frequency (%)	Third Most Cited Constraint
AFRICA						
Angola, 2006	36.8	Electricity	12.5	Corruption	11.6	Access to Finance
Benin, 2009	18.2	Access to Finance	15.0	Electricity	14.6	Practices Informal Sector
Botswana, 2006	24.6	Access to Finance	11.8	Practices Informal Sector	11.0	Crime, Theft & Disorder
Burkina Faso, 2009	35.5	Access to Finance	17.7	Tax Rates	10.8	Practices Informal Sector
Burundi, 2006	41.3	Electricity	16.0	Access to Finance	14.3	Political instability
Cameroon, 2009	24.9	Practices Informal Sector	19.4	Tax Administration	16.6	Access to Finance
Cape Verde, 2009	17.1	Practices Informal Sector	13.1	Access to Finance	11.0	Electricity
Chad, 2009	29.5	Political instability	23.8	Electricity	13.5	Corruption
Congo, Rep., 2009	31.9	Electricity	15.6	Access to Finance	15.5	Political instability
Côte d'Ivoire, 2009	45.2	Access to Finance	28.0	Political instability	7.5	Corruption
Congo, Dem. Rep., 2006	46.5	Electricity	14.9	Access to Finance	9.6	Tax Rates
Eritrea, 2009	28.7	Licenses & Permits	24.1	Political instability	17.0	Access to Land
Gabon, 2009	23.4	Electricity	14.6	Transportation	10.3	Corruption
Gambia, The, 2006	54.5	Electricity	11.7	Access to Finance	6.5	Tax Rates
Ghana, 2007	48.8	Electricity	33.1	Access to Finance	6.3	Tax Rates
Guinea, 2006	64.3	Electricity	10.3	Transportation	8.3	Access to Finance
Guinea-Bissau, 2006	47.1	Electricity	20.1	Access to Finance	7.7	Political instability
Kenya, 2007	21.7	Tax Rates	13.5	Access to Finance	12.0	Practices Informal Sector
Lesotho, 2009	15.9	Access to Finance	14.7	Corruption	11.2	Tax Rates
Liberia, 2009	39.8	Access to Finance	17.4	Crime, Theft & Disorder	13.3	Electricity
Madagascar, 2009	18.6	Electricity	15.4	Practices Informal Sector	13.9	Crime, Theft & Disorder
Malawi, 2009	45.7	Access to Finance	11.4	Transportation	8.9	Practices Informal Sector
Mali, 2007	28.9	Electricity	23.5	Access to Finance	15.1	Tax Rates
Mauritania, 2006	21.6	Access to Finance	14.4	Practices Informal Sector	13.8	Electricity
Mauritius, 2009	30.2	Access to Finance	18.0	Practices Informal Sector	11.3	Electricity
Mozambique, 2007	23.2	Access to Finance	21.4	Practices Informal Sector	9.1	Electricity
Namibia, 2006	21.7	Crime, Theft & Disorder	17.6	Tax Rates	12.1	Access to Finance

Niger, 2009	21.2	Practices Informal Sector	20.3	Access to Finance	15.6	Political instability
Nigeria, 2007	63.6	Electricity	15.5	Access to Finance	7.5	Transportation
Rwanda, 2006	32.9	Electricity	27.4	Tax Rates	13.6	Access to Finance
Senegal, 2007	41.2	Electricity	12.2	Access to Finance	11.0	Access to Land
Sierra Leone, 2009	17.1	Tax Rates	14.8	Access to Finance	14.3	Electricity
South Africa, 2007	40.4	Crime, Theft & Disorder	14.7	Electricity	7.5	Access to Finance
Swaziland, 2006	25.4	Practices Informal Sector	18.5	Crime, Theft & Disorder	15.4	Tax Rates
Tanzania, 2006	73.4	Electricity	9.8	Access to Finance	4.0	Tax Rates
Togo, 2009	23.7	Access to Finance	23.3	Political instability	11.2	Practices Informal Sector
Uganda, 2006	63.6	Electricity	11.3	Tax Rates	8.5	Practices Informal Sector
Zambia, 2007	18.6	Tax Rates	15.3	Practices Informal Sector	14.3	Access to Finance
EAST ASIA AND PACIFIC						
Fiji, 2009	44.4	Political instability	8.8	Labor regulations	8.6	Crime, Theft & Disorder
Indonesia, 2009	47.9	Access to Finance	13.7	Practices Informal Sector	6.9	Political instability
Lao PDR, 2009	36.8	Tax Rates	21.2	Access to Finance	16.5	Inadequately educated workforce
Micronesia, Fed. Sts., 2009	25.2	Inadequately educated workforce	15.8	Electricity	12.6	Transportation
Mongolia, 2009	30.3	Access to Finance	16.0	Tax Rates	10.2	Inadequately educated workforce
Philippines, 2009	26.4	Practices Informal Sector	14.8	Access to Finance	13.0	Tax Rates
Samoa, 2009	16.9	Tax Rates	13.8	Crime, Theft & Disorder	13.8	Crime, Theft & Disorder
Timor-Leste, 2009	36.3	Electricity	12.7	Crime, Theft & Disorder	12.1	Access to Finance
Tonga, 2009	20.1	Practices Informal Sector	17.0	Corruption	15.6	Tax Rates
Vanuatu, 2009	15.7	Electricity	14.8	Access to Finance	14.3	Crime, Theft & Disorder
Vietnam, 2009	24.7	Access to Finance	19.3	Practices Informal Sector	13.3	Transportation
EUROPE AND CENTRAL ASIA						
Albania, 2007	27.7	Electricity	17.6	Practices Informal Sector	11.0	Corruption
Armenia, 2009	21.8	Practices Informal Sector	16.0	Tax Rates	15.9	Political instability
Azerbaijan, 2009	23.1	Access to Finance	22.2	Tax Rates	18.2	Corruption
Belarus, 2008	25.9	Tax Rates	14.6	Licenses & Permits	14.1	Inadequately educated workforce

Bosnia and Herzegovina, 2009	25.1	Political instability	18.7	Tax Rates	11.4	Practices Informal Sector
Bulgaria, 2009	17.2	Access to Finance	15.2	Practices Informal Sector	13.3	Political instability
Croatia, 2007	18.3	Access to Finance	17.0	Inadequately educated workforce	15.8	Tax Rates
Czech Republic, 2009	20.0	Access to Finance	14.2	Tax Rates	11.8	Inadequately educated workforce
Estonia, 2009	28.8	Inadequately educated workforce	15.9	Political instability	14.7	Practices Informal Sector
Macedonia, FYR, 2009	31.3	Practices Informal Sector	26.9	Access to Finance	6.8	Political instability
Georgia, 2008	18.0	Access to Finance	17.4	Political instability	16.4	Electricity
Hungary, 2009	38.4	Tax Rates	24.2	Political instability	14.2	Tax Administration
Kazakhstan, 2009	26.6	Tax Rates	15.2	Corruption	13.2	Access to Finance
Kosovo, 2009	33.5	Electricity	20.6	Corruption	12.8	Practices Informal Sector
Kyrgyz Republic, 2009	24.5	Electricity	19.9	Access to Finance	11.0	Practices Informal Sector
Latvia, 2009	19.1	Tax Rates	16.7	Political instability	11.3	Tax Administration
Lithuania, 2009	35.2	Tax Rates	12.0	Practices Informal Sector	11.4	Access to Finance
Moldova, 2009	19.5	Access to Finance	15.7	Inadequately educated workforce	10.4	Access to Land
Montenegro, 2009	18.7	Electricity	17.9	Access to Finance	12.7	Practices Informal Sector
Poland, 2009	22.0	Tax Rates	15.6	Inadequately educated workforce	13.8	Practices Informal Sector
Romania, 2009	27.7	Tax Rates	20.7	Inadequately educated workforce	19.9	Access to Finance
Russian Federation, 2009	17.2	Tax Rates	16.9	Access to Finance	15.4	Inadequately educated workforce
Serbia, 2009	20.7	Political instability	19.9	Practices Informal Sector	17.8	Access to Finance
Slovak Republic, 2009	16.2	Tax Rates	13.3	Informal Sector Competition	12.8	Informal Sector Competition
Slovenia, 2009	20.0	Tax Rates	19.2	Access to Finance	17.4	Practices Informal Sector
Tajikistan, 2008	24.8	Electricity	22.5	Tax Rates	17.5	Access to Finance
Turkey, 2008	25.9	Access to Finance	18.2	Tax Rates	17.5	Political instability
Ukraine, 2008	23.2	Political instability	17.5	Tax Rates	10.6	Corruption
Uzbekistan, 2008	23.6	Tax Rates	17.9	Access to Finance	9.2	Inadequately educated workforce

LATIN AMERICA AND THE CARIBBEAN						
Argentina, 2006	16.5	Political instability	15.7	Access to Finance	15.4	Labor regulations
Bolivia, 2006	30.3	Political instability	28.1	Practices Informal Sector	8.0	Corruption
Brazil, 2009	32.8	Tax Rates	13.2	Tax Administration	12.7	Access to Finance
Chile, 2006	18.5	Practices Informal Sector	15.3	Electricity	14.3	Crime, Theft & Disorder
Colombia, 2006	34.6	Practices Informal Sector	12.9	Crime, Theft & Disorder	12.5	Tax Rates
Ecuador, 2006	28.4	Political instability	18.3	Corruption	14.2	Access to Finance
El Salvador, 2006	31.3	Crime, Theft & Disorder	15.3	Practices Informal Sector	13.3	Corruption
Guatemala, 2006	21.0	Practices Informal Sector	20.0	Crime, Theft & Disorder	10.1	Political instability
Honduras, 2006	19.2	Access to Finance	19.2	Corruption	15.6	Crime, Theft & Disorder
Mexico, 2006	19.0	Practices Informal Sector	17.9	Corruption	10.6	Tax Rates
Nicaragua, 2006	26.0	Political instability	17.3	Access to Finance	16.6	Electricity
Panama, 2006	30.6	Electricity	14.6	Tax Rates	10.8	Corruption
Paraguay, 2006	25.8	Practices Informal Sector	21.0	Access to Finance	14.9	Corruption
Peru, 2006	22.1	Practices Informal Sector	17.9	Tax Administration	17.0	Political instability
Uruguay, 2006	32.4	Practices Informal Sector	20.5	Tax Rates	12.0	Access to Finance
Venezuela, RB, 2006	29.2	Inadequately educated workforce	27.9	Crime, Theft & Disorder	10.0	Corruption
SOUTH ASIA						
Yemen, Rep., 2010	32.1	Electricity	26.6	Corruption	7.7	Political instability
Afghanistan, 2008	20.0	Crime, Theft & Disorder	17.9	Electricity	16.8	Access to Finance
Bhutan, 2009	21.7	Access to Finance	12.5	Tax Rates	10.5	Inadequately educated workforce
Nepal, 2009	62.1	Political instability	26.5	Electricity	2.6	Labor regulations

Source: World Bank Enterprise Surveys.