

The World Bank Group

# **BEEPS At-A-Glance 2013**



# **Kyrgyz Republic**

February 2014

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# Introduction

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## **BEEPS**

The EBRD-World Bank Business Environment and Enterprise Performance Survey (BEEPS) is a joint initiative of the European Bank for Reconstruction and Development and the World Bank Group. The BEEPS has been carried out in five rounds: in 1999, 2002, 2005, 2008, and 2012/13 and covers virtually all of the countries of Central and Eastern Europe and the former Soviet Union, as well as Turkey. The BEEPS covers a broad range of issues about the business environment, and this note presents some simple indicators for key areas.

## **The Instrument**

There were some changes to the 2013 questionnaire that made it slightly different from 2008 – mostly due to the addition of new questions. While some questions were modified in terms of wording or response options, this BEEPS at-a-Glance covers questions that are comparable across periods. The Annex provides additional information on the comparability of indicators, specific differences and methods of calculation, if any.

## **Sampling Methodology and Weights**

The sampling methodology is the same in 2008 and 2013. The 2013 BEEPS sample for Kyrgyzstan includes 270 firms. To account for the differences in the distribution of the different sectors between the 2008 and 2013 samples, in this report all frequencies and means reported in this document are weighted. The weighting variable in both data sets is named **wmedian**.

## **Sample Sizes for Indicators**

For a number of indicators, the number of firms that responded to a question is smaller than the overall country sample size. In most cases, the difference is attributable to preceding filter questions. Questions for which the smaller number of respondents is due to filtering are marked with a superscript indicator <sup>(1)</sup> in Annex II. Other questions have a smaller number of respondents due to the survey instrument, e.g. manufacturing or service modules. Sample sizes for each indicator are located in the Annex.

## **Data Notes**

- This note focuses exclusively on the Main BEEPS questionnaires for 2008 and 2012/13 and presents weighted averages over all firms with non-missing data.
- See the Annex for descriptions and definitions of the regional and sub-regional comparators.
- Regional and sub-regional averages of the appropriate country-level estimates for 2008 are included for comparison purposes. Regional averages for 2013 are not yet available and will be added when results for all participating countries are processed.
- The statistical significance of the differences in all country level estimates is reported in Appendix II.

## **Citation**

Please refer to the data in all uses as the “EBRD-World Bank Business Environment and Enterprise Performance Survey (BEEPS)”. Standard practice is to use this lengthy citation the first time the BEEPS is referenced in the document and the shorthand “BEEPS” thereafter.

## **Authors**

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## **Disclaimer**

*The findings, interpretations, and conclusions expressed in this note are entirely those of the authors. They do not necessarily represent the views of the International Bank for Reconstruction and Development/World Bank and its affiliated organizations, or those of the Executive Directors of the World Bank or the governments they represent.*

# Selected trends, 2008-2013

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## Background

***The Kyrgyz Republic was one of the early reformers in the Europe and Central Asia region.*** It completed the “first generation reforms” - prices and trade liberalization, privatization - soon after the start of transition and by the mid-1990’s its progress was on par with the advanced transition economy members of the EU today. Most prices are freely set, the trade regime is liberal and almost three quarters of the value added in the economy is generated by the private sector.

***However, in the early 2000s loss of momentum on reforms and poor implementation prevented the Kyrgyz Republic from sustaining high growth rates.*** Some regulatory reforms were pushed through during the 2000s, including reforms facilitating market entry, property registration, foreign trade and reforms of tax policy, but limited progress has been made on “second generation reforms” - enterprise restructuring, competition, skills and physical capital - while, in general, governance deteriorated, paving the way for the 2005 and 2010 revolutions. In response, a substantial part of private sector remained largely informal, efforts to attract investors were largely unsuccessful, around 15 percent of the labor force migrated out of the country and public services deteriorated. Between 2000 and 2010, the cumulative average growth rate was only 4.1 percent, compared to 5.4 percent in Europe and Central Asia region with increasing reliance on a single gold mine, remittances and informal re-exports as sources of growth.

***Recent developments are more promising and, together with a relatively favorable economic outlook for the region as a whole, provide a significant opportunity for the Kyrgyz Republic.*** Governance has been a top priority for post-2010 governments and progress has been made on most governance indicators since 2009 (except political stability), albeit from low base levels. There is renewed impetus for the reform agenda, with progress on dealing with licenses, inspections and foreign trade, while a number of large scale investments, especially in transport and energy, are being implemented. Still, a number of shocks kept GDP growth volatile, including an ice movement at the main gold mine which resulted in a 0.1 percent contraction in 2012 and a subsequent 10.5 percent rebound in 2013 as gold production returned to normal. Encouragingly, the non-gold economy has been expanding in the range of 5-6 percent per annum for three consecutive years, with robust remittances, increasing credit to the private sector, higher public investment and the recovery of tourism supporting economic activity.

## Overview of changes in business environment

***Overall, the 2013 BEEPS results suggest that firms’ perceptions of various aspects of the business climate in the Kyrgyz Republic have improved since 2008.*** For all but two of the 16 potential obstacles to doing business tracked by BEEPS (corruption and political instability), the share of Kyrgyz firms reporting that these issues are not a problem has increased<sup>1</sup> (chart 1.1). The areas showing the greatest improvement are “Electricity” (from 11 percent of respondents reporting electricity not being a problem in 2008 to 35 percent in 2013), “Courts” (from 40 percent reporting it was not a problem in 2008 to 87 percent in 2013), “Crime, theft, and disorder” (from 24 to 51 percent), “Tax administration” (from 22 to 48 percent), and “Practices of informal economy competitors” (from 22 to 43 percent reporting this not being a problem in 2008 and 2013, respectively). The least improved areas in absolute terms were “Tax rates”, “Skills and education of workers”, “Transport”, and “Customs and trade regulations”. While some of these improvements may reflect generally more positive business sentiment, at least in some areas, reforms of the business climate, undertaken over the past five years may have contributed to more positive views of businesses.

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<sup>1</sup> Improvements were statistically significant in all measured areas, except for Customs and Trade Regulations.

**Nevertheless, some old problems persist and new problems have emerged.** Corruption remains the second worst obstacle and percentage of firms seeing it as an obstacle has increased between 2008 and 2013 (charts 1.1 and 1.2). Tax rates remained the third worst obstacle. Political instability now tops the ranking as the most severe obstacle in 2013 compared to 4<sup>th</sup> place in 2008 – in 2013 only 4 percent of the firms did not see it as an obstacle, compared to 22 percent in 2008 – reflecting the significant changes taking place from 2010. Skills and education of labor moved from the 10<sup>th</sup> to 4<sup>th</sup> worst obstacle.

## Regulations and red tape

**While perceptions of interactions with the Government have improved in general, experiences may show a more nuanced picture.** For example, perception and experiences with red tape are incongruent: while the share of firms reporting that business licensing and permitting are not obstacles has increased from 51 to 80 percent, the percentage of firms reporting not spending any time on government regulations went down from 52 percent in 2008 to just 8 percent in 2013 (chart 4.2a). Economy-wide, the amount of time spent by managers on dealing with regulations or with public institutions has doubled from a low 6 percent in 2008 to 13 percent in 2013 (chart 4.2b), though among the firms that reported spending any time on dealing with regulations it remained almost unchanged (13 and 14 percent in 2008 and 2013). Perhaps, just a higher percentage of firms, started (or were forced into) following regulations.

**The quality of services provided to businesses by the state is worsening.** The waiting times for services such as electrical and water connections, construction permits and operating licenses increased, although not significantly (Charts 12.1a, 12.2a, 12.3a, and 12.6a). These, combined with reported increased bribe expectations in all of the above interactions, except issuance of construction permits (Charts 12.1b, 12.2b, 12.3b, and 12.6b) presents a worrisome picture of business-government interactions. The poor score on electricity is corroborated by the Getting Electricity indicator from the World Bank Doing Business (DB) report where the Kyrgyz Republic is ranked 180<sup>th</sup>, reflecting more procedures, longer time and a much higher cost of getting a connection compared to other countries.

## Taxation

**Perceptions of the tax environment have improved, likely a consequence of tax policy reforms undertaken over the past five years.** In 2008, 90 percent of firms reported that tax rates are a problem: by 2013 this number decreased to 77 percent. The percentage of firms reporting that tax rates are major/very severe problem went down from 49 percent in 2008 to 29 percent in 2013 (Annex 1, tables AI.2a and AI.2b). These improvements corroborate information collected by the DB project: between 2008 and 2013 the estimated total tax rate went from 61.4 percent of profit to 33.4 percent. Tax policy reforms have contributed to these trends. The corporate income tax rate was slashed from 20 to 10 percent in 2007 while social contributions were reduced from 19 to 17 percent. A new tax code was adopted in 2009 which, among other things, reduced the number of taxes from 16 to 8 and established a number of special simplified tax regimes.

**Perceptions of tax administration have also improved again, probably as a result of tax administration reforms.** The number of firms reporting tax administration as a problem decreased from 78 to 52 percent between 2008 and 2013 (Annex 1, tables AI.2a and AI.2b). It is important to notice that small firms appear to have been particular beneficiaries: only 37 percent of small firms perceived tax administration as a problem in 2013. The percentage of small and large firms perceiving tax administration as a major obstacle was reduced by half, while the percentage of medium firms perceiving tax administration as a major obstacle has not changed<sup>2</sup>. For small firms, this is probably due to the introduction of the simplified tax regime, while large firms have likely benefited from the simplified custom regime and elimination of several taxes. This is also line with the DB reporting that the total number of payment for all taxes was reduced from 75 in 2008 to 51 in 2013. However, DB also reports that the total time required for dealing with taxes has gone up from 202 to 210 hours per year. This may be due to an increase in the percentage of firms inspected by tax authorities - the share of

<sup>2</sup> Small firms are defined here as firms with sales under \$100,000 per year, medium firms have sales between \$100,000 and \$500,000 per year, large firms have annual sales above \$500,000.

firms visited by tax officials has actually increased slightly – from 85% to 91% in 2008 and 2013, respectively (Chart 6.4). Contrary to the risk-based inspection policy advocated by the Government, means that virtually every firm was visited or inspected by a tax official in 2013.

## Unofficial payments and corruption

**Corruption is a big and growing problem – it retains the second worst rank among 16 obstacles to business operation and growth measured in BEEPS** (Chart 1.2). Although results show that in 2013 unofficial payments are less frequent than in 2008 (chart 2.2), more firms are subjected to bribe requests. Almost a half of firms (49%) reported that unofficial payments are needed in dealing with public officials, up from 37 percent in 2008.

**Direct interactions between firms and government institutions are still a fertile ground for corruption.**

As it was mentioned earlier, bribe expectations reported by firms with first-hand experiences of direct interactions with government institutions show that bribe incidents are on the rise. When firms were asked about their own experiences with tax inspections in 2013, 53 percent of inspected firms indicated that an informal payment was expected or requested: a significant increase from 34 percent in 2008. A significant jump in informal payments was also recorded among firms which applied for an import license (in 2008 an application for this license required a bribe in 23 percent of cases; in 2013 in 65 percent of cases) as well as among firms applying for an operating license (57 percent in 2013 compared to 23 percent in 2008). Responses were similar when firms were asked about their direct experiences with electrical connections (53 percent required a bribe in 2013), water connections (59 percent), an operating license (57 percent) or a construction permit (42 percent) (Charts 12.1b, 12.2b, 12.3b, and 12.6b).

**However, improvements in the perceptions of corruption suggest that the Government's efforts to strengthen the institutional environment are having some positive impact.** The largest decrease in the perceived frequency of unofficial payments is in dealing with taxes: while 37 percent of firms reported that unofficial payments were frequent in dealing with taxes in 2008, this share decreased by two thirds to 12 percent of respondents in 2013. Reductions in the perceived frequency of unofficial payments were less significant in the case of customs/import – down from 21 to 12 percent in 2008 and 2013, respectively - and were insignificant in the case of courts – down from 12 to 8 percent (charts 2.4-2.6). Perceptions of corruption in public procurement show similar trends: more firms attempted to secure government contracts, while the amount of kick-backs went down (charts 2.7-2.9).

## Labor and workforce development

**Skills are increasingly becoming an obstacle to doing business in the Kyrgyz Republic.** Only 35 percent of firms do not see a problem with skills and education of their labor force making this the 4<sup>th</sup> most severe problem for doing business in 2013, compared to 10<sup>th</sup> in 2008. The National Sample-Based Achievement Test (NSBA) showed a trend of underachievement. Outward migration could be adding to the problem – the best qualified workers leave the country. Firms could be trying to address this through formal on-the-job training which has increased significantly from 30 percent of permanent employees being reportedly offered training in 2008 to 63 percent in 2013 (chart 7.4).

**While in 2008 finding qualified labor was a bigger problem for larger firms, in 2013 small firms also started to face difficulties in recruitment.** In 2008 an inadequately educated workforce was cited as major obstacle by 18 percent of small firms, in 2013 this share more than doubled to 40%, while same percentages for larger firms changed significantly less: from 34 to 41% for medium firms and from 29% to 41% for large firms in 2008 and 2013, respectively.

## Financing of firms

**While credit is more easily available now than five years ago, progress in access to finance has been more limited relative to other areas.** In 2013 access to finance became 7<sup>th</sup> most important obstacle

compared to 9<sup>th</sup> in 2008 even though the perception of access to financing has improved (charts 1.1 and 1.2). Given that there was strong growth in credit to the private sector over this period, these trends may reflect the inability of the financial sector adequately to support businesses (low deposit base, insufficient financial literacy, evolving credit information infrastructure etc.). In 2013, reportedly, 54 percent of firms did not apply for a loan (50 percent in 2008) because they did not need one (chart 8.2). While interest rates between 2008 and 2013 have remained remarkably stable at around 18% p.a., 37 percent of firms reported that they did not apply for a loan because of unfavorable interest rates, compared to 24 percent in 2008 (chart 8.7). Among medium size companies, 50 percent reported interest rates as a reason for not applying, compared to 16 and 31 percent for small and large companies, respectively.

***On the positive side, commercial banks have reduced the complexity of the application process.*** In 2013 only 4 percent of firms reported the complexity of the application process as the main reason for not applying for a loan, compared to 12 percent in 2008. This may be a result of improved coverage of private credit bureaus, perhaps in combination with strengthened legal rights of firms.

***A higher share of companies buying inputs on credit in 2013 could be indicative of increasing trust between economic agents, although it is not yet resulting in higher volumes of credit-based sales.***

Forty-four percent of firms purchased inputs on suppliers' credit in 2013, up from 31 percent in 2008 (chart 8.3). At the same time, inputs purchased on suppliers' credits as a share in total inputs purchased went down from 51 percent in 2008 to 28 percent in 2013 (chart 8.4b). Consequently, economy-wide, sales on credit went down from 32 percent to 17 percent of sales in 2008 and 2013, respectively.

## **Courts and the legal system**

***Courts are perceived as one of the least problematic areas for doing business, second only to labor regulations; however, a deeper examination reveals significant efficiency issues.*** In 2013, only 13 percent of firms saw courts as a problem, and only 4 percentage points of respondents saw it as major or very severe problem (Annex 1, table AI.2a). This is a significant improvement compared to 2008 when 60 percent of firms saw courts as a problem and 29 percent saw them as a major/severe problem. Around one fifth of firms reported using the court system in 2008 and 2013 (chart 9.2). This is less than the 2008 regional average of 26 percent and lower than 2013 results for Belarus (46 percent) and 2011 results for Russia (32 percent), but significantly higher than the 2013 result for Georgia (11 percent). Although courts are perceived as less corrupt than five years ago, they are seen as ineffective and slow and therefore firms are avoiding using the system to settle disputes.

***Low use of courts and consequently a perception of the courts as an obstacle may be a result of low trust in the court system reported by respondents.*** All three indicators measuring court system performance derived from BEEPS show significant deterioration (charts 9.3, 9.4, and 9.5): only 9 percent of respondents think that courts are quick in 2013 (compared to 24 percent in 2008); only 21 percent believed that courts can enforce their decisions (47 percent in 2008), and only 9 percent felt that courts are fair and impartial and uncorrupt (24 percent in 2008).

## **Infrastructure**

***Perception of the quality of physical infrastructure is improving.*** BEEPS results show significantly improved perception of electricity and telecommunications. Electricity is no longer the biggest obstacle to doing business but the 5<sup>th</sup> while telecommunications has moved from 5<sup>th</sup> to 11<sup>th</sup> place. Transport continues to be viewed relatively favorably, ranked as the 10<sup>th</sup> most severe obstacle among 16 measured in BEEPS, marginally worse compare to 2008 when it was 11<sup>th</sup>. While the percentage of firms experiencing power outages has increased from 47 percent to 73 percent between 2008 and 2013, losses from these outages have significantly reduced. Considering that available information does not show an increase in use of private generators, the latter results suggest that recent investments in the sector and efforts to improve governance may be paying off.

## Trade, growth, and innovation

***The firms' views on foreign trade continue to be relatively favorable.*** Customs and trade regulations are not a serious problematic issue for the firms, with some improvement reported on frequency of bribes in customs. Nevertheless, only one out of ten companies is engaged in direct export. And for those who are engaged in the direct export, the share of sales from it went down from 63 percent in 2008 to 51 percent in 2013 (charts 5.3a and 5.3c). While this may not be a significant drop it is a worrisome trend for a small open economy such as Kyrgyzstan. BEEPS results also show that the percentage of direct export sales in total sales for all companies in the sample also has a downward trend from 6.4 percent in 2008 to 5.6 percent in 2013 (chart 5.3b). While these trends may not yet be alarming, they point towards a stagnation of export sectors. The 6 percent fall in non-gold exports in 2013 may be interpreted as confirming these trends as Kyrgyz exports face stiffer competition and more regulatory obstacles to exporting into traditional markets (Russia and Kazakhstan).

***There has been stagnation in the development of new products or services in the last five years.*** The percentage of firms reporting development of new products did not change, at 48% in 2008 and 47% in 2013 (Chart 11.1). This is consistent with trends in other countries in the region for which recent data is available (Belarus, Georgia and Russia) and may signal lower expectations for growth and market opportunities.

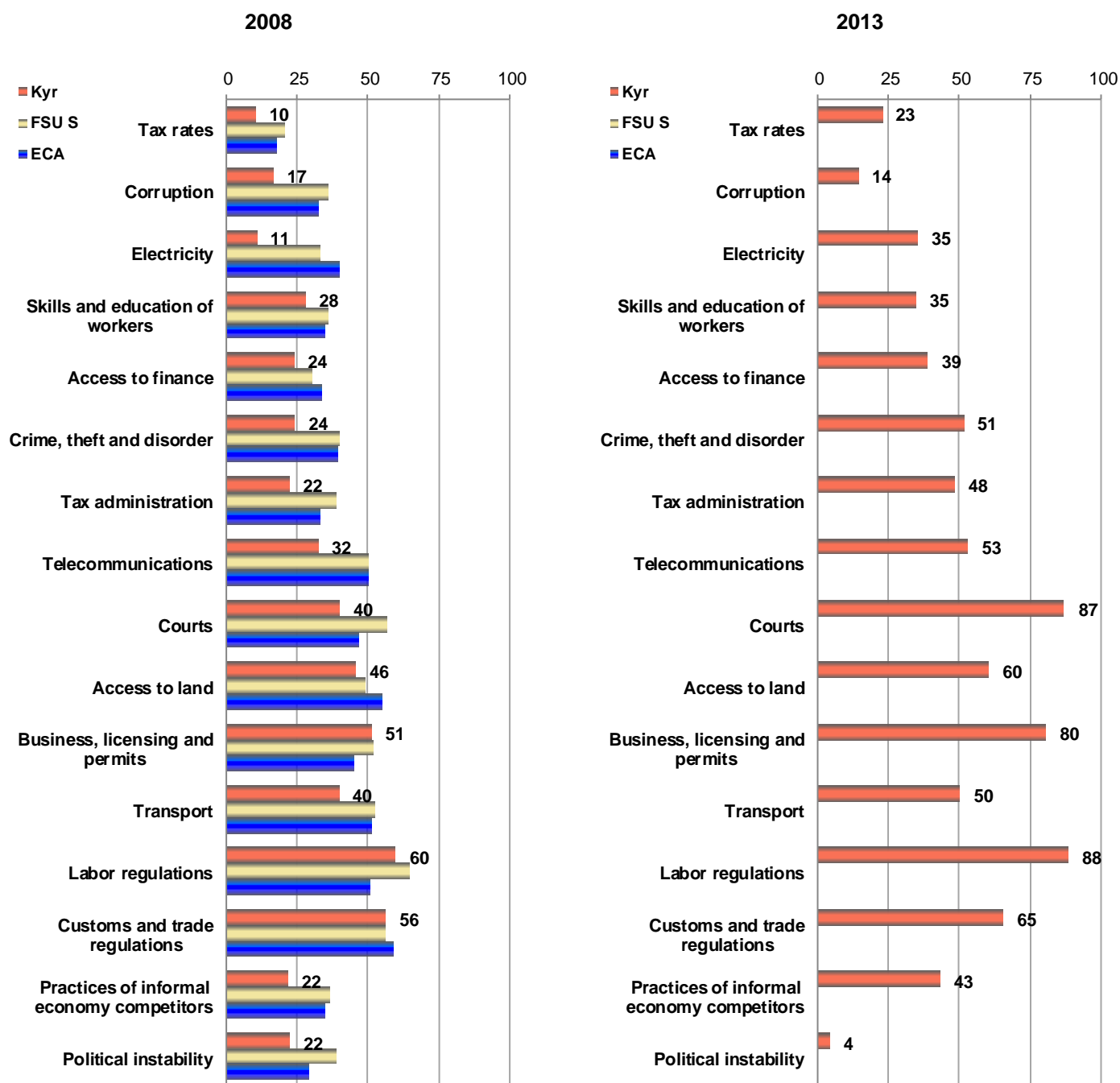
***Achieving sustainable growth will require structural reforms to safeguard macroeconomic stability and support the growth of a vibrant private sector.*** The composition of public spending is inefficient and the Kyrgyz Republic needs to upgrade its institutional, physical and human assets to realize the potential of its economy. Stronger institutions will address some of the main obstacles to doing business, including bureaucracy and corruption. Improving physical infrastructure would relieve connectivity issues such as unreliable electricity supply, poor access to remote areas, and the high costs of internal transportation. Education sector reforms are needed to create a better-skilled labor force, an increasingly prominent constraint to doing business.



# 1. Problems Doing Business

## 1.1: Problems Doing Business

Percentage of firms indicating issues are **not** a problem



# 1. Problems Doing Business contd.

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## 1.2: Ranking of Problems 2008 and 2013

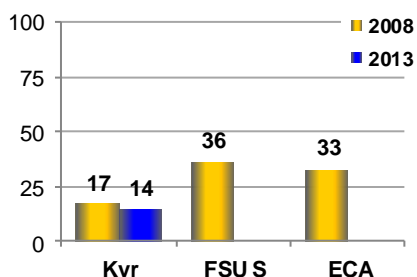
Relative rank of problems measured by the mean score. The most severe problem ranks number 1, the least 16.

	Rank in 2008	Rank in 2013
Tax rates	3	3
Corruption	2	2
Electricity	1	5
Skills and education of workers	10	4
Access to finance	9	7
Crime, theft and disorder	6	9
Tax administration	8	8
Telecommunications	5	11
Courts	12	15
Access to land	13	12
Business licensing and permits	14	14
Transport	11	10
Labor regulations	16	16
Customs and trade regulations	15	13
Practices of Informal economy competitors	7	6
Political instability	4	1

## 2. Unofficial Payments and Corruption

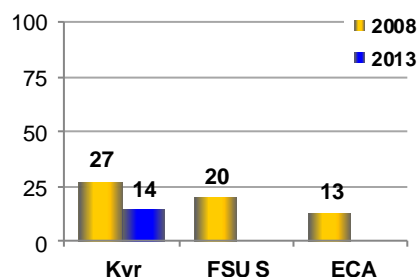
### 2.1: Problems Doing Business: Corruption

Percentage of firms indicating corruption is **not** a problem



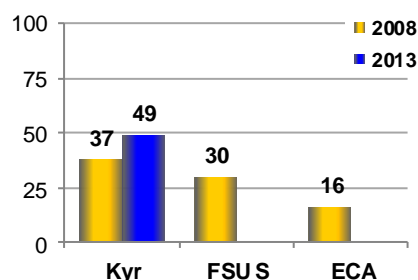
### 2.2: Bribe Frequency

Percentage of firms saying unofficial payments are frequent



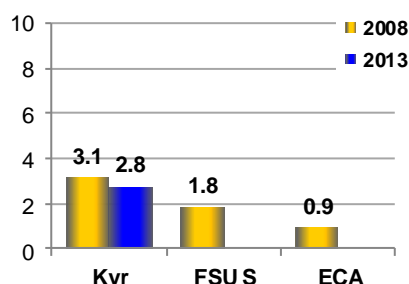
### 2.3a: Bribe Tax: Reports of Unofficial Payments

Percentage of firms reporting unofficial payments



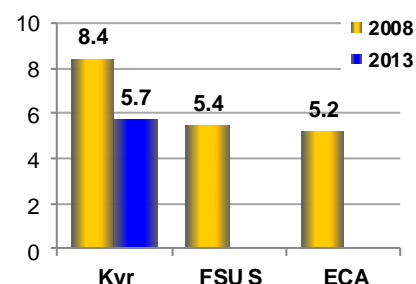
### 2.3b: Bribe Tax - All Firms

Bribes as percentage of annual sales, for all firms



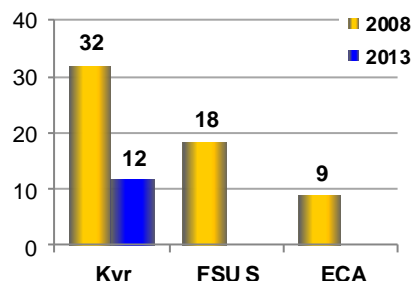
### 2.3c: Bribe Tax - Firms Reporting Payments

Bribes as percentage of annual sales



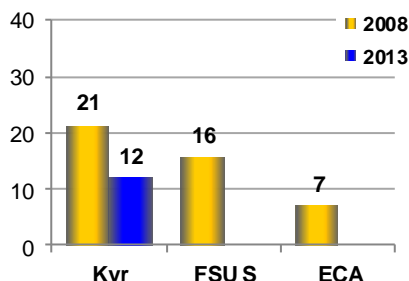
### 2.4: Unofficial Payments: Taxes

Percentage of firms stating bribery is frequent in dealing with taxes



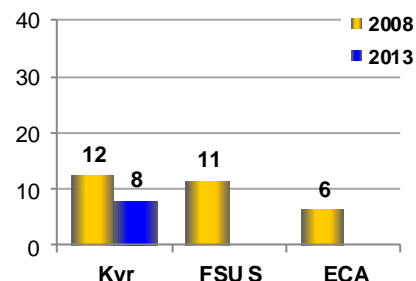
### 2.5: Unofficial Payments: Customs

Percentage of firms stating bribery is frequent in dealing with customs/ imports



### 2.6: Unofficial Payments: Courts

Percentage of firms stating bribery is frequent in dealing with courts

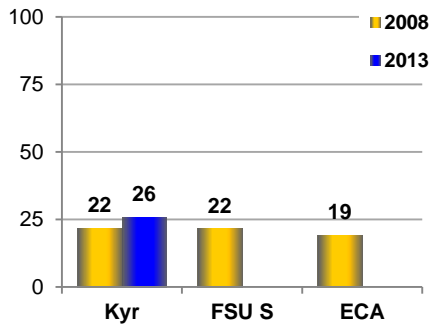


## 2. Unofficial Payments and Corruption contd.

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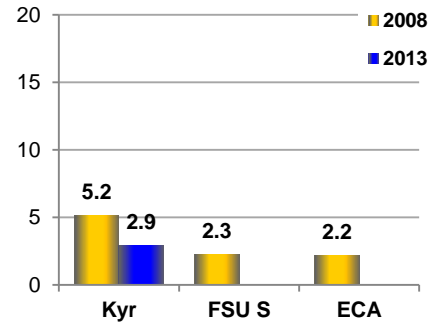
### 2.7: Participation in Government Procurement

Percentage of firms that attempted to secure government contracts



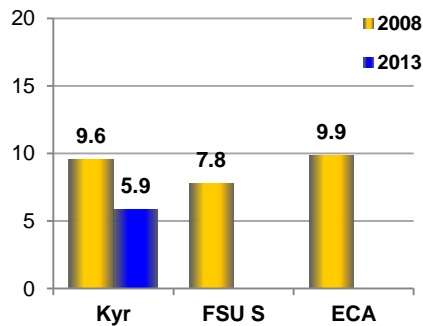
### 2.8: Unofficial Payments: Government Contracts - All Firms

Percentage of contract value typically paid to secure a government contract, for all firms



### 2.9: Unofficial Payments: Government Contracts – Firms reporting payments

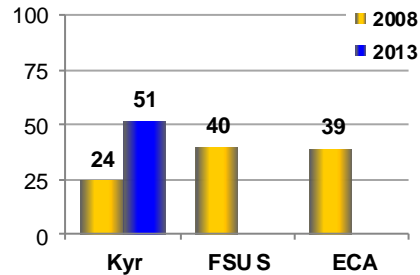
Percentage of contract value typically paid to secure a government contract



# 3. Crime

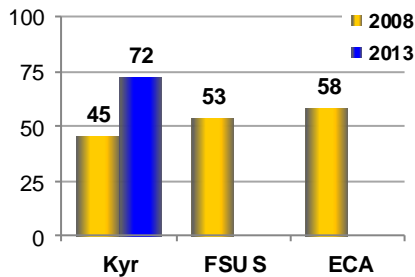
## 3.1: Problems Doing Business: Crime

Percentage of firms indicating crime is **not** a problem



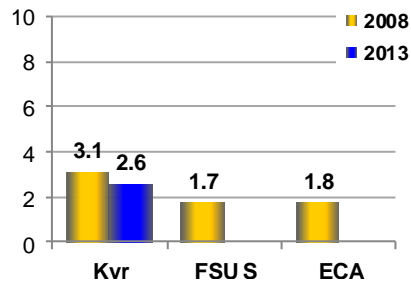
## 3.2: Payments for Security

Percentage of firms that pay for security, e.g. equipment, personnel, or professional security services



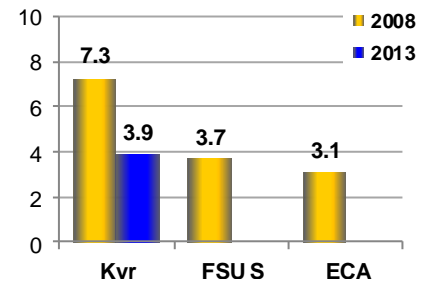
## 3.3a: Security Costs - All Firms

Percentage of annual sales used for security payments, for all firms



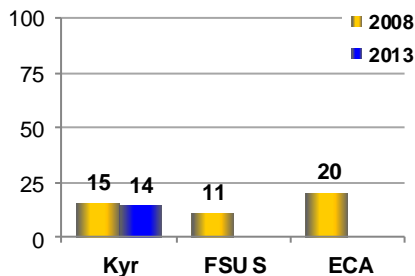
## 3.3b: Security Costs - Firms Making Payments

Percentage of annual sales used for security payments



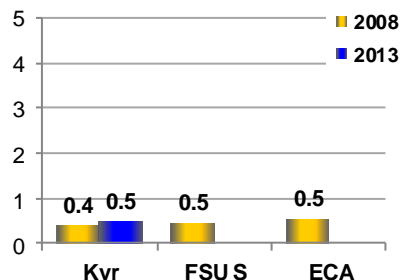
## 3.4: Losses as a Consequence of Crime

Percentage of firms that suffered from losses as a result of theft, robbery, vandalism or arson over the previous 12 months



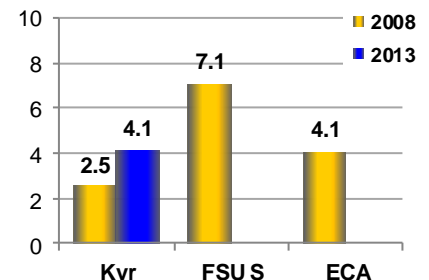
## 3.5a: Losses as a Consequence of Crime: Percentage of Annual Sales - All Firms

Estimated losses due to theft, robbery, vandalism or arson, for all firms



## 3.5b: Losses as a Consequence of Crime: Percentage of Annual Sales - Firms Experiencing Losses

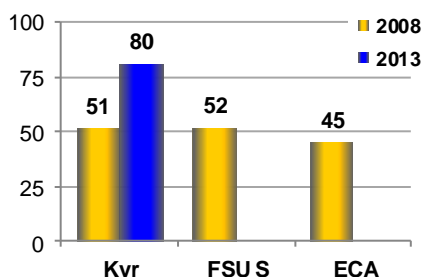
Estimated losses due to theft, robbery, vandalism or arson



# 4. Regulations and Red Tape

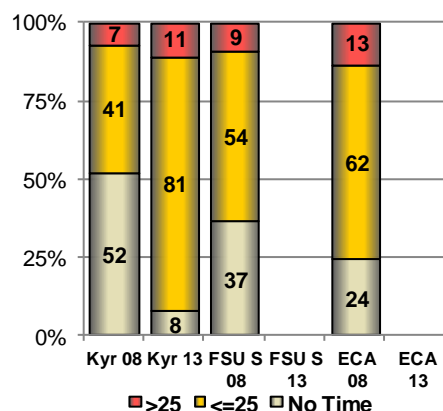
## 4.1: Problems Doing Business: Business Licensing

Percentage of firms indicating business licensing and permits are **not** a problem



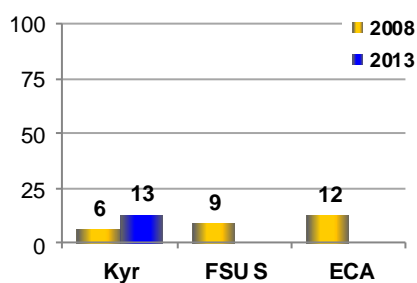
### 4.2a: Time Tax: Distribution of Firms<sup>3</sup>

Percentage of firms that spent no time, 25% or less, or more than 25% of senior management's time dealing with public officials or public services



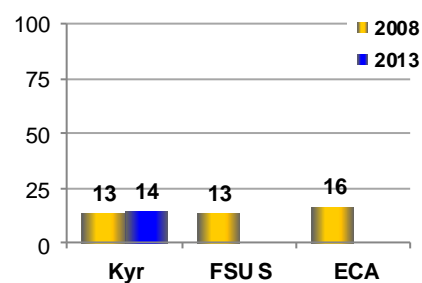
### 4.2b: Time Tax - All Firms

Percentage of senior management's time spent dealing with public officials or public services, for all firms



### 4.2c: Time Tax - Firms Spending Time

Percentage of senior management's time spent dealing with public officials or public services

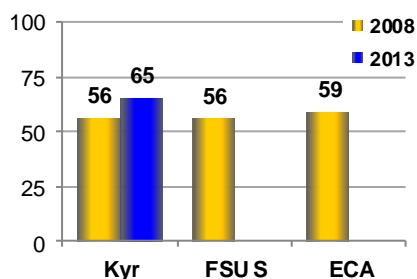


<sup>3</sup> Change in share of firms spending more than 25% is not statistically significant, changes in shares of firms spending 0% and under 25% significant at 0.01.

# 5. Customs and Cross Border Trade

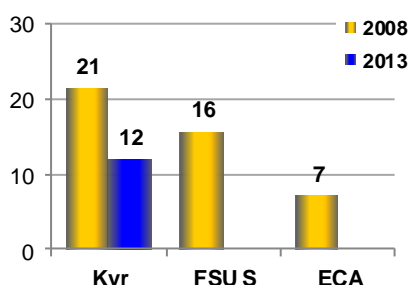
## 5.1: Problems Doing Business: Customs Regulations

Percentage of firms indicating customs regulations are **not** a problem



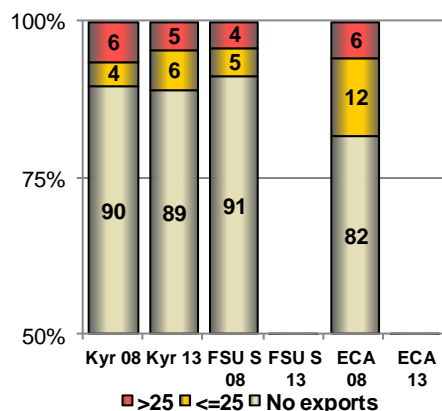
## 5.2: Unofficial Payments: Customs

Percentage of firms stating that bribery is frequent in dealing with customs/imports



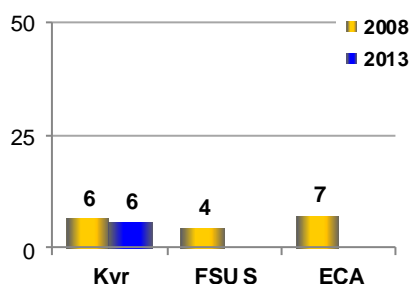
## 5.3a: Direct Exports: Distribution of Firms

Percentage of firms that had no sales, 50% or less, or more than 50% of annual sales from exports



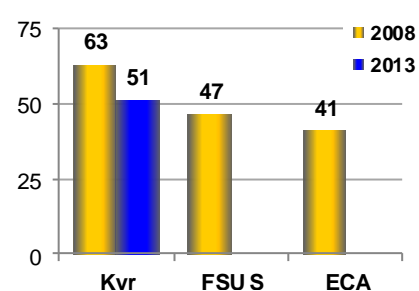
## 5.3b: Direct Exports - All Firms

Percentage of total sales coming from direct exports, for all firms



## 5.3c: Direct Exports - Firms with Sales from Exports

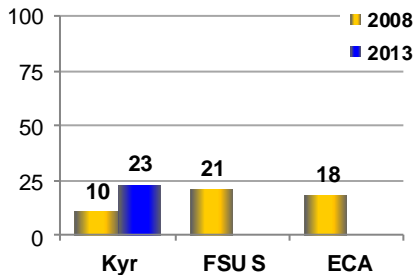
Percentage of total sales coming from direct exports



# 6. Taxation

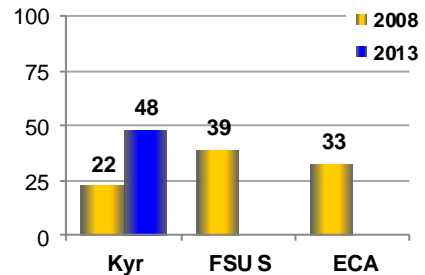
## 6.1: Problems Doing Business: Tax Rates

Percentage of firms indicating tax rates are **not** a problem



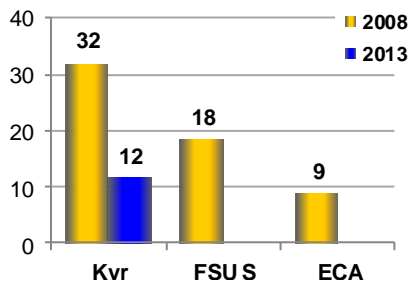
## 6.2: Problems Doing Business: Tax Administration

Percentage of firms indicating tax administration is **not** a problem



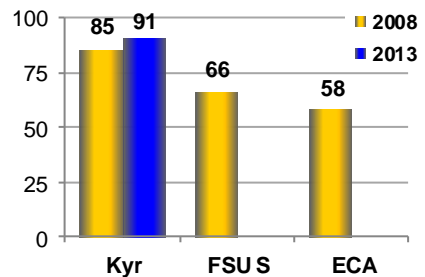
## 6.3: Unofficial Payments: Taxes

Percentage of firms stating bribery is frequent in dealing with taxes



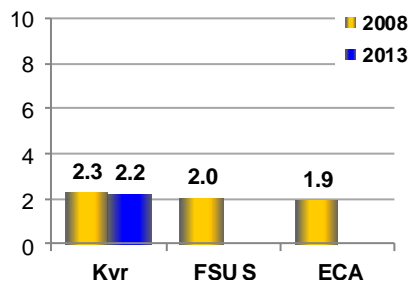
## 6.4: Tax Inspections

Percent of firms visited by tax officials in the last year



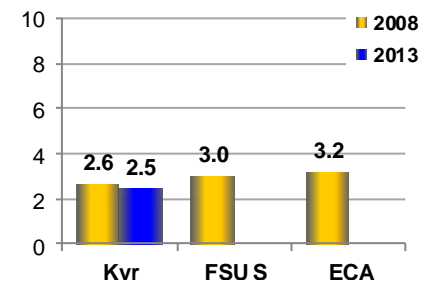
## 6.5a: Frequency of Tax Inspections – All firms

Average number of times firms were inspected by tax officials in the last year



## 6.5b: Frequency of Tax Inspections – Inspected firms

Average number of times firms were inspected by tax officials in the last year

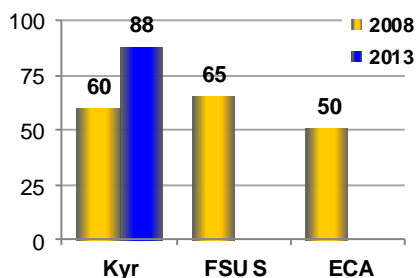




# 7. Labor and Workforce Development

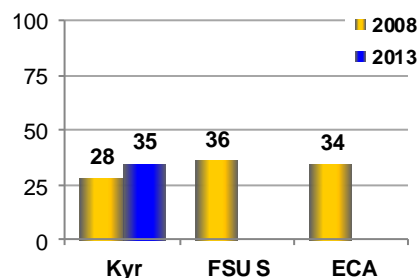
## 7.1: Problems Doing Business: Labor Regulations

Percentage of firms indicating labor regulations are **not** a problem



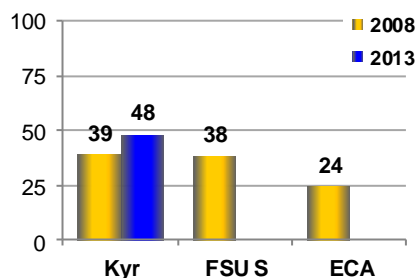
## 7.2: Problems Doing Business: Skills and Education of Workers

Percentage of firms indicating skills and education of available workers is **not** a problem



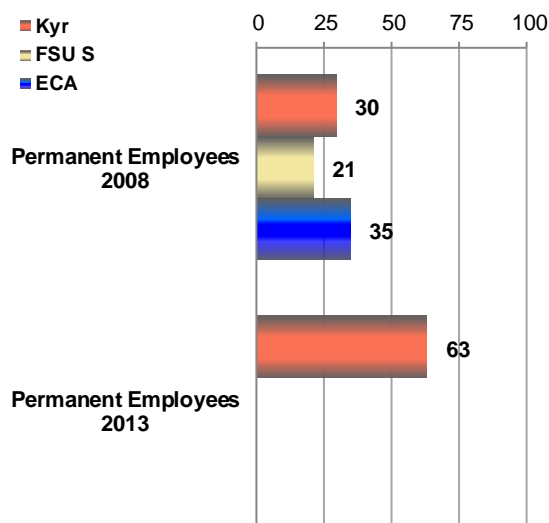
## 7.3: Professionalism of Labor

Percentage of employees that have a university degree or higher



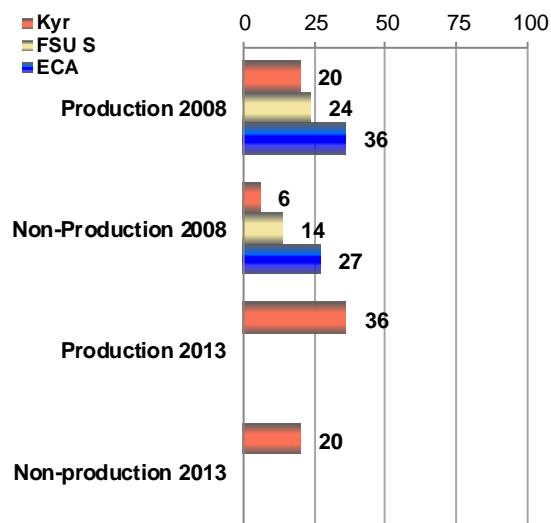
## 7.4: Provision of Formal Training

Percentage of firms offering training for employees



## 7.5: Percent of Employees Trained

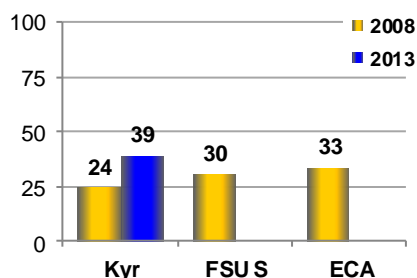
Percentage of employees participating in training



# 8. Firm Financing

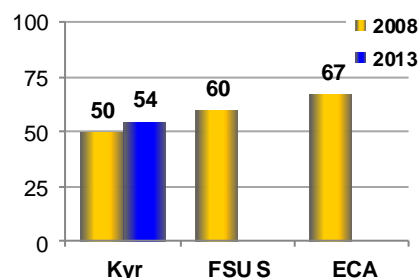
## 8.1: Problems Doing Business: Access to Finance

Percentage of firms indicating access to finance is **not** a problem



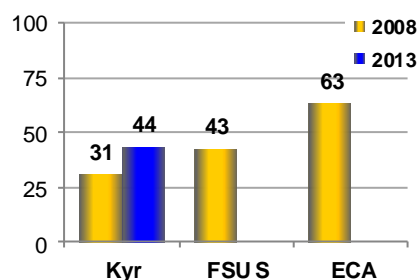
## 8.2: Adequacy of Firm Finances

Percentage of firms stating they did not apply for a loan because it was not needed



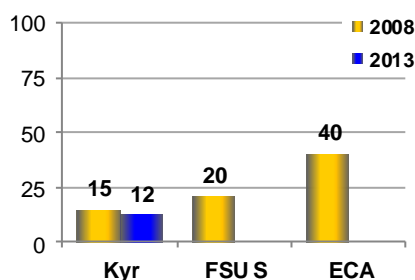
## 8.3: Purchasing on Credit

Percentage of businesses purchasing input materials paid for on credit



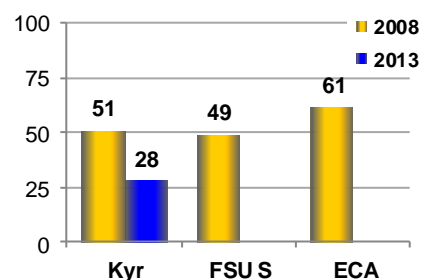
## 8.4a: Purchases Made on Credit - All Firms

Percentage of purchases of input materials paid for on credit, for all firms



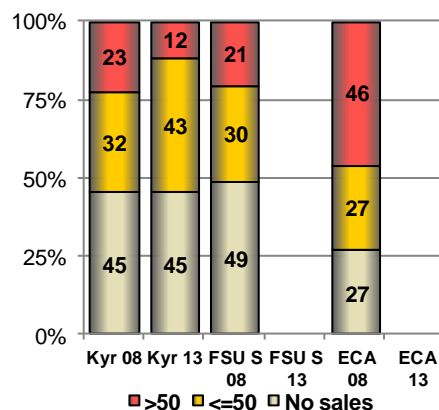
## 8.4b: Purchases Made on Credit - Firms Purchasing on Credit

Percentage of purchases of input materials paid for on credit



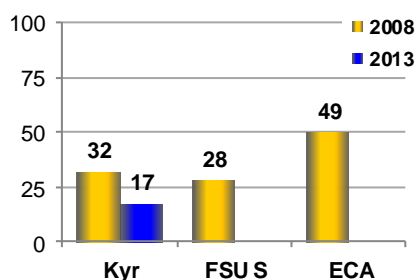
## 8.5a: Credit Extensions to Clients: Distribution of Firms<sup>4</sup>

Percentage of firms that had no sales on credit, 50% or less, or more than 50% of annual sales made on credit



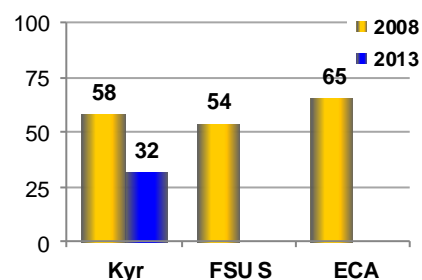
## 8.5b: Credit Extensions to Clients - All Firms

Percentage of sales to customers sold on credit, for all firms



## 8.5c: Credit Extensions to Clients - Firms Extending Credit

Percentage of sales to customers sold on credit



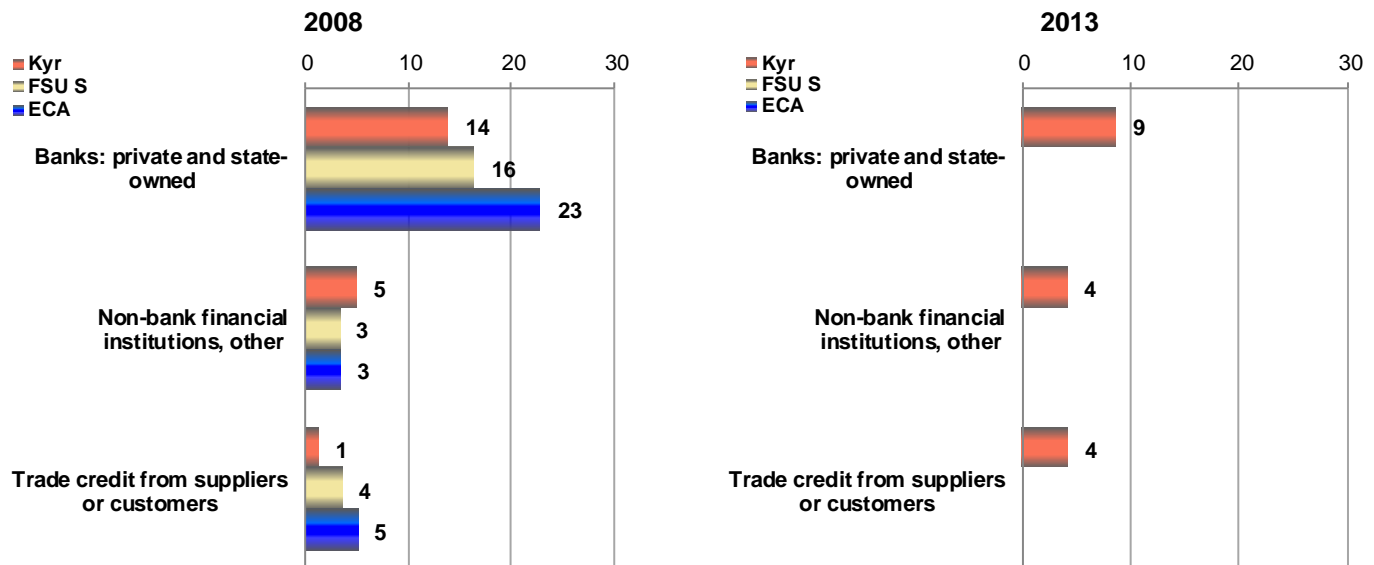
<sup>4</sup> No statistically significant change in share of firms with no sales on credit, <50% \*, >50% \*\*



## 8. Firm Financing contd.

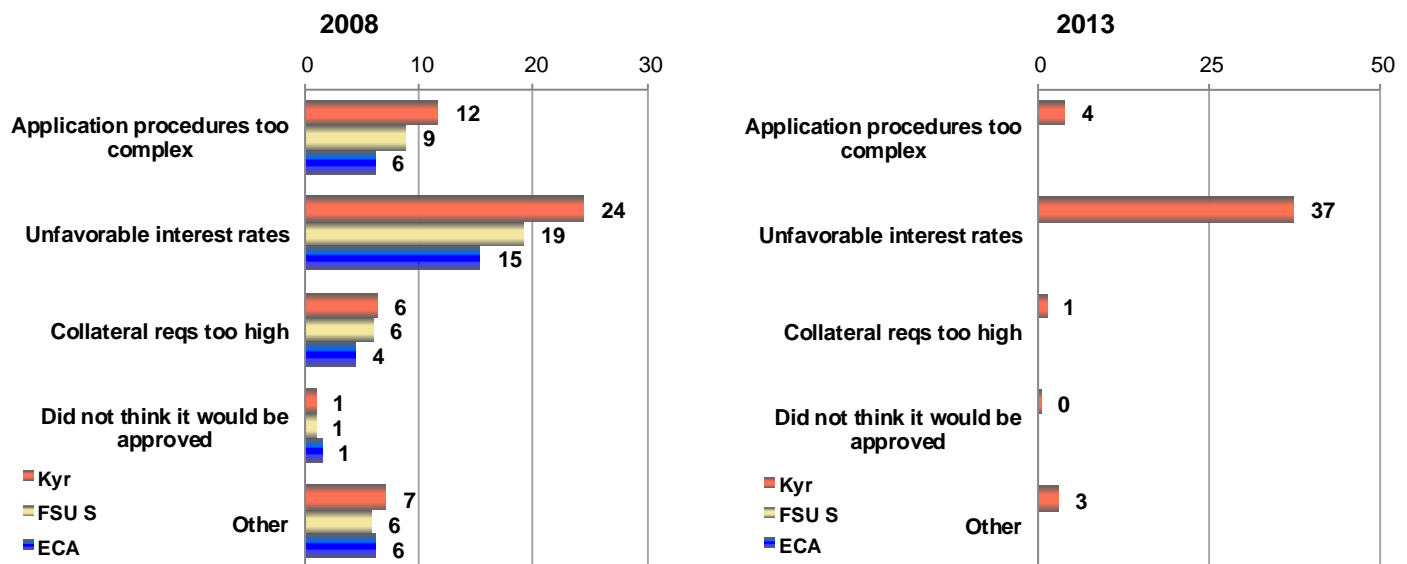
### 8.6: Sources of Firm Financing

Percentage of firm financing coming from sources other than internal funds or retained earnings



### 8.7: Loan Applications

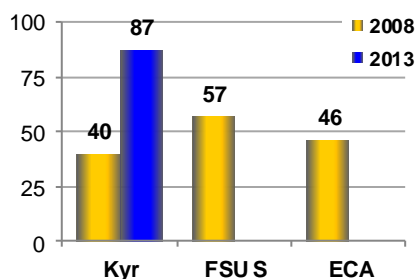
Percentage of firms indicating the following options as the main reason the firm did not apply for a loan



# 9. Legal and Judicial Issues

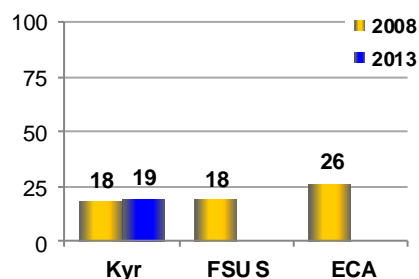
## 9.1: Problems Doing Business: Courts

Percentage of firms indicating courts are **not** a problem



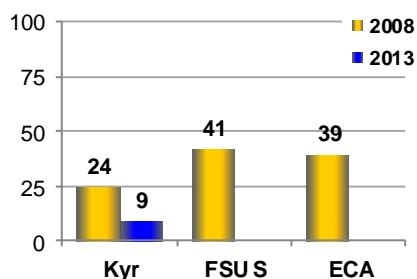
## 9.2: Use of Courts

Percentage of firms that have been to court in the past three years



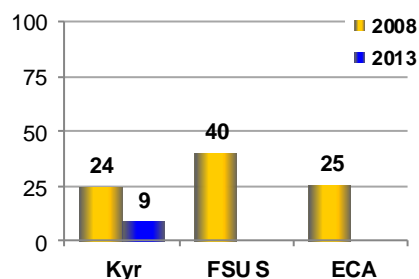
## 9.3: Fairness and Impartiality of Courts

Percentage of firms indicating that court system is fair, impartial and uncorrupted



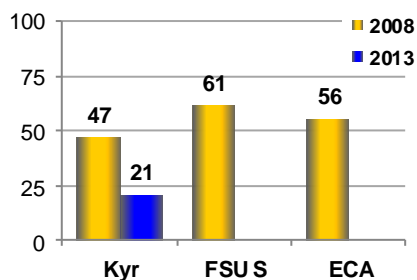
## 9.4: Expeditionousness of courts

Percentage of firms indicating that court system is quick



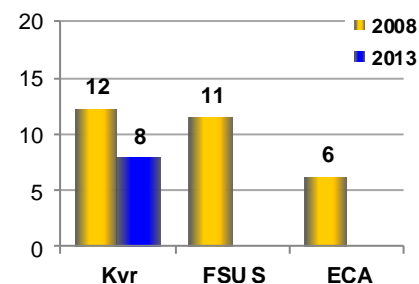
## 9.5: Ability to enforce court decisions

Percentage of firms indicating that court system is able to enforce its decisions



## 9.6: Unofficial Payments: Courts

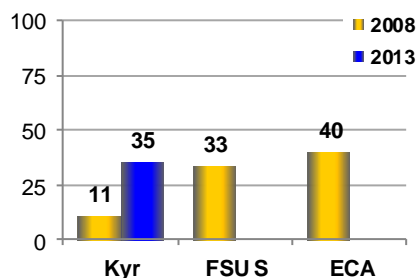
Percentage of firms stating bribery is frequent in dealing with courts



# 10. Infrastructure

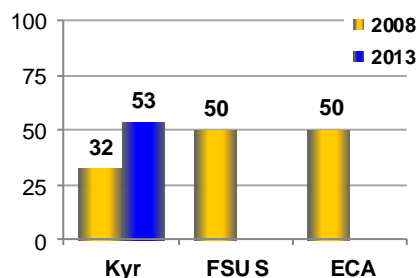
## 10.1: Problems Doing Business: Electricity

Percentage of firms indicating electricity is **not** a problem



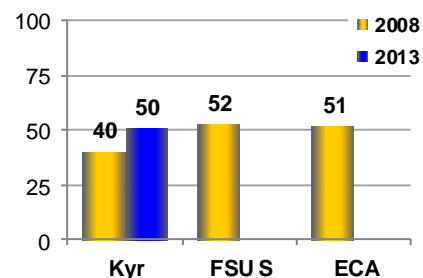
## 10.2: Problems Doing Business: Telecommunications

Percentage of firms indicating telecommunications is **not** a problem



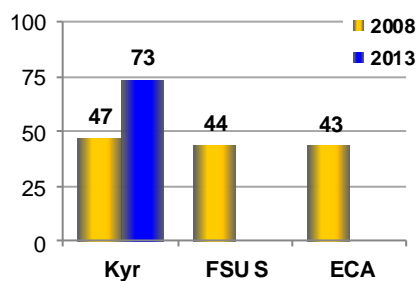
## 10.3: Problems Doing Business: Transport

Percentage of firms indicating transport is **not** a problem



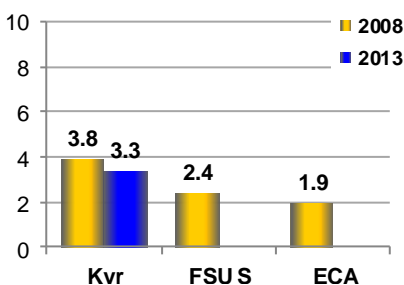
## 10.4: Experienced Power Outages

Percentage of firms experiencing power outages over the last 12 months



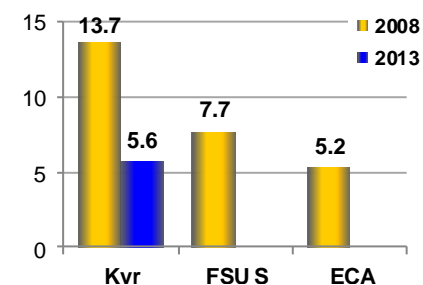
## 10.5a: Sales Lost due to Power Outages - All Firms

Losses due to power outages as a percent of total annual sales, for all firms



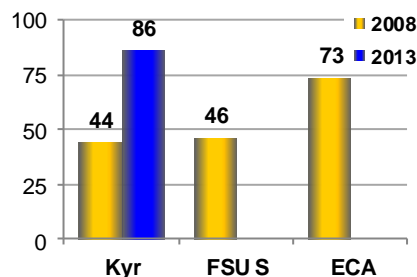
## 10.5b: Sales Lost due to Power Outages - Firms Experiencing Losses

Losses due to power outages as a percent of total annual sales



## 10.6 Use of Email Communication

Percentage of firms using email to communicate with clients or suppliers

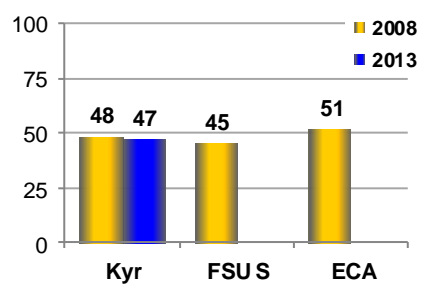


# 11. Innovation

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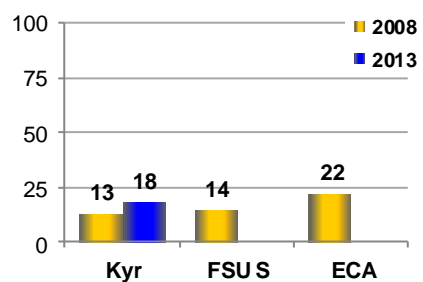
## 11.1: New Product/Service Development

Percentage of firms that have developed new products in the past three years



## 11.2: Research and Development Activities

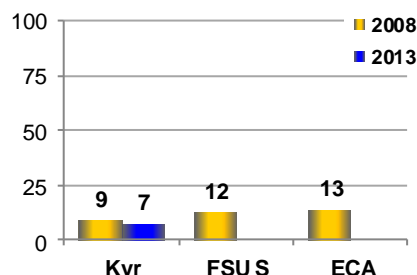
Percentage of firms that have spent funds on research and development in the past three years



# 12. Specific Government-Business Interactions

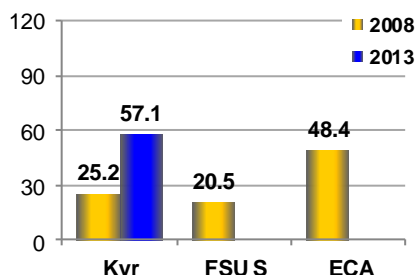
## 12.1: New Electrical Connection

Percentage of firms that applied in the last two years



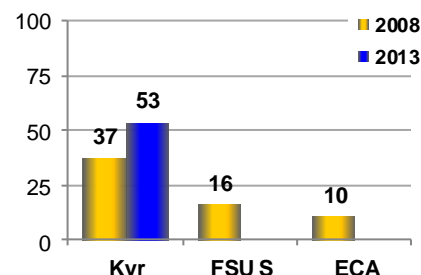
## 12.1a: Electrical Connection Wait Time

Average number of days



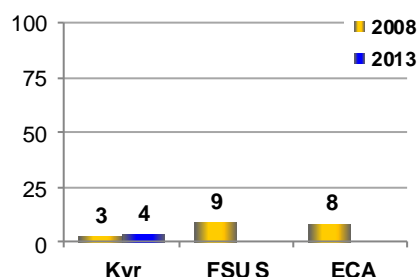
## 12.1b: Electrical Connection - Bribes

Percentage of firms indicating that an informal payment was expected



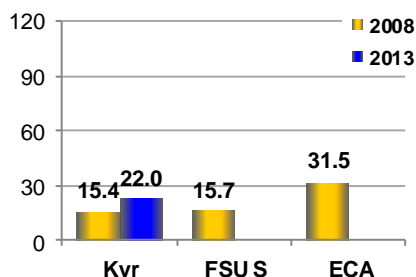
## 12.2: New Water Connection

Percentage of firms that applied in the last two years



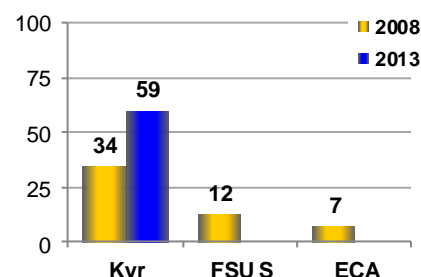
## 12.2a: Water Connection Wait Time

Average number of days



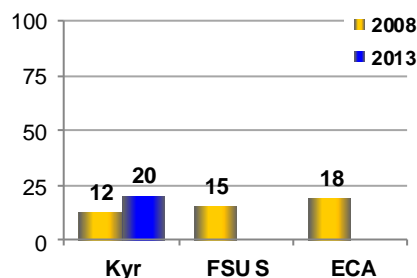
## 12.2b: Water Connection - Bribes

Percentage of firms indicating informal payment was expected



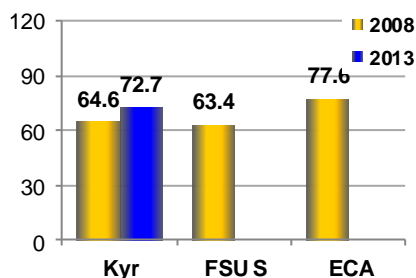
## 12.3: Construction Permits

Percentage of firms that applied in the last two years



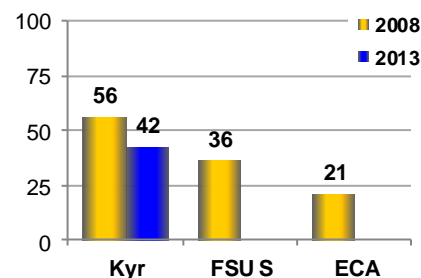
## 12.3a: Construction Permit Wait Time

Average number of days



## 12.3b: Construction Permit - Bribes

Percentage of firms indicating an informal payment was expected

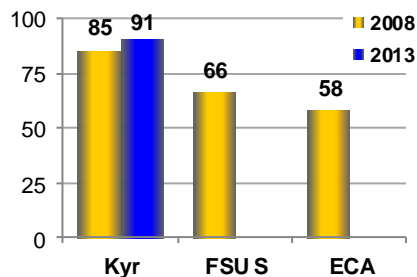




## 12. Specific Government-Business Interactions contd.

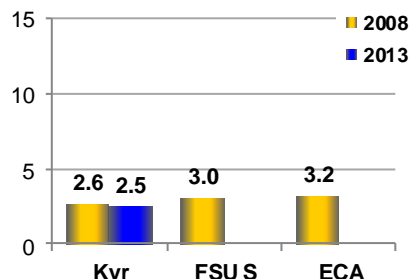
### 12.4: Tax Inspections

Percentage of firms indicating they were inspected



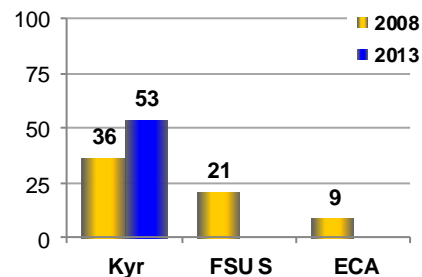
### 12.4a: Number of Inspections / Meetings with Tax Officials

Average



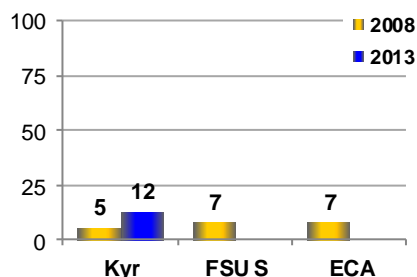
### 12.4b: Tax Inspections – Bribes

Percentage of firms indicating an informal payment was expected



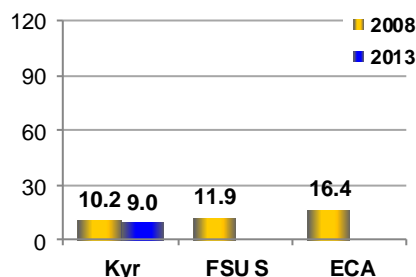
### 12.5: Import License

Percentage of firms that applied in the last two years



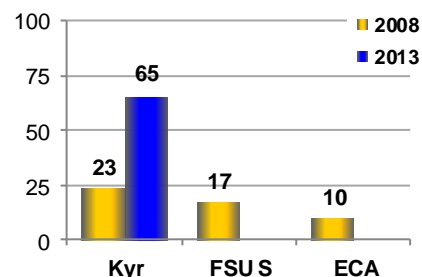
### 12.5a: Import License Wait Time

Average number of days



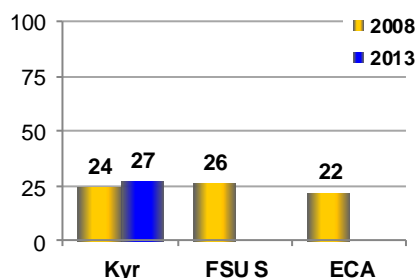
### 12.5b: Import License – Bribes

Percentage of firms indicating an informal gift was expected



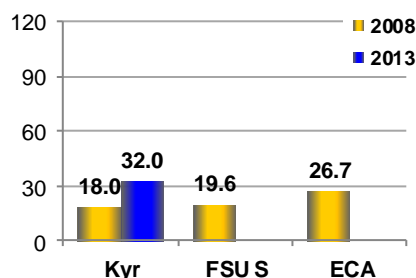
### 12.6: Operating License

Percentage of firms that applied in the last two years



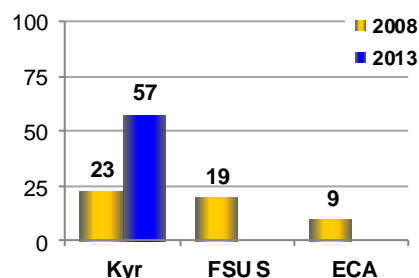
### 12.6a: Operating License Wait Time

Average number of days



### 12.6b: Operating License – Bribes

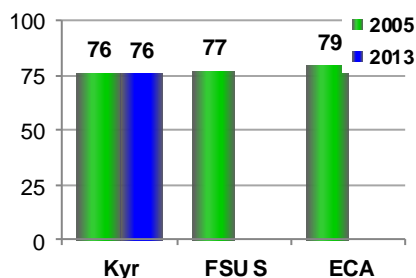
Percentage of firms indicating an informal gift was expected



# 13. State capture (2005 & 2013)

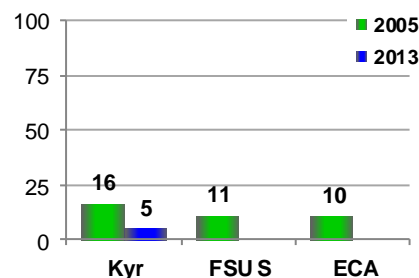
## 13.1a: Private payments/gifts or other benefits to parliamentarians to gain advantages

Percentage of respondents indicating gifts/payments have "no impact"



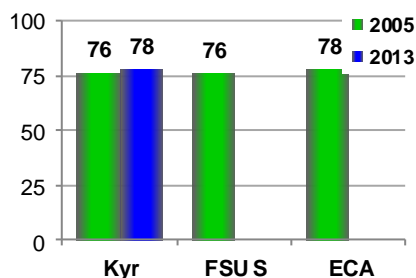
## 13.1b: Private payments/gifts or other benefits to parliamentarians to gain advantages

Percentage of respondents indicating gifts/payments have "moderate", "major", or "decisive" impact



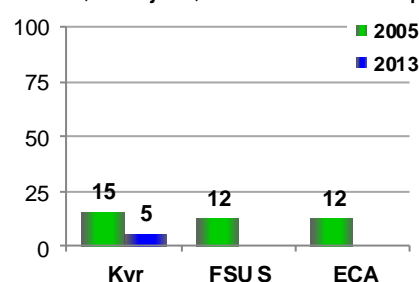
## 13.2a: Private payments/gifts or other benefits to government officials to gain advantages

Percentage of respondents indicating gifts/payments have "no impact"



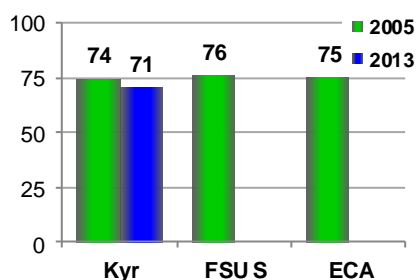
## 13.2b: Private payments/gifts or other benefits to government officials to gain advantages

Percentage of respondents indicating gifts/payments have "moderate", "major", or "decisive" impact



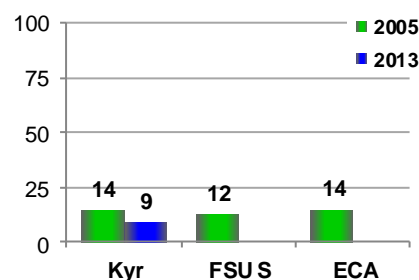
## 13.3a: Private payments/gifts or other benefits to local government officials to gain advantages

Percentage of respondents indicating gifts/payments have "no impact"



## 13.3b: Private payments/gifts or other benefits to local government officials to gain advantages

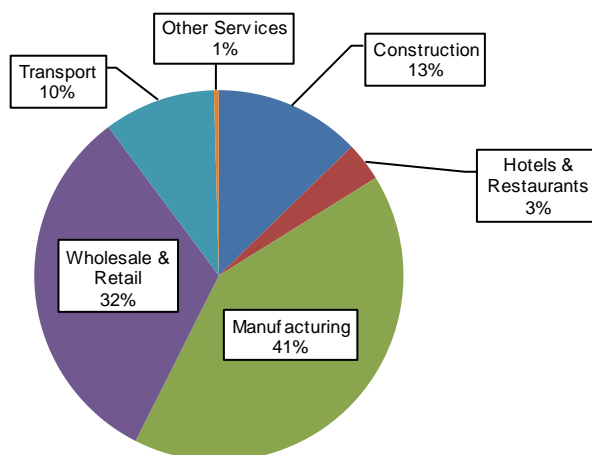
Percentage of respondents indicating gifts/payments have "moderate", "major", or "decisive" impact



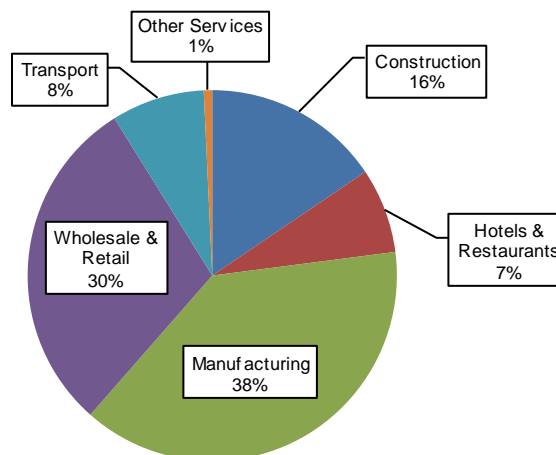
# Sample Summary

## Unweighted distribution of firms:

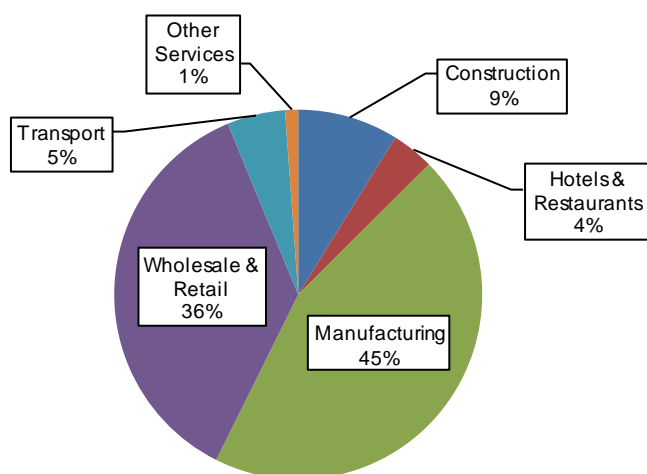
**2008 Industry Sample composition (Kyrgyzstan)**



**2013 Industry Sample composition (Kyrgyzstan)**



**2008 Industry Sample composition (ECA)**



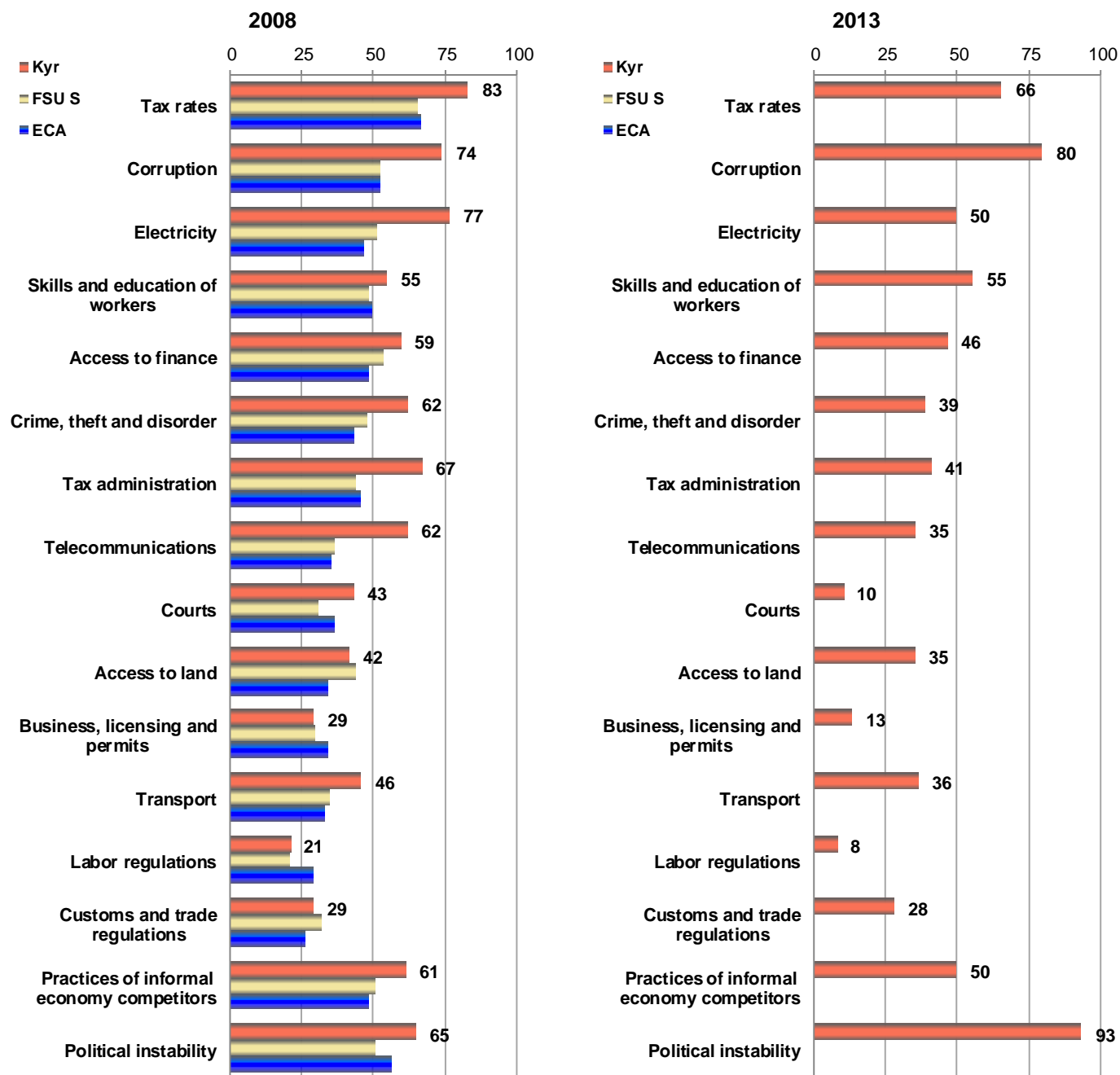
**2013 Industry Sample composition (ECA)**

Sector	2008 Sample Description	2013 Sample Description
Construction	Construction	Construction
Hotels/Rest	Hotels and restaurants	Hotels and restaurants
Manufacturing	Manufacturing	Food, Textiles, Garments, Plastics and rubber, Chemicals, Non-metallic mineral products, Basic metals, Metal fabrication, Machinery and equipment, Electronics, Other manufacturing
W&R	Wholesale and retail trade	Wholesale, Retail
Transport	Transport, storage and communication	Transport, storage and communication
Other Svc	Other services	Information technology

# Annex I - Problems Doing Business Summary

## AI.1: Problems Doing Business

Percentage of firms indicating issues are a “moderate”, “major”, or “very severe” obstacle to doing business



## Annex I – problems Doing Business contd.

### AI.2a: Problems Doing Business 2008: Response Distributions

Percentage of firms indicating each response option ("no obstacle", "minor obstacle", "moderate obstacle", "major obstacle", "very severe obstacle")

Tax Rates					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	10	7	35	36	13
FSU S	21	14	27	25	14
ECA	18	16	26	25	15

Corruption					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	17	9	15	31	28
FSU S	36	11	17	18	17
ECA	33	15	18	17	17

Electricity					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	11	13	19	24	34
FSU S	33	15	15	19	18
ECA	40	14	11	17	19

Skills and Education of Labor					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	28	17	26	21	7
FSU S	36	16	19	19	10
ECA	34	16	20	19	11

Access to finance					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	24	17	32	21	7
FSU S	30	16	24	20	10
ECA	33	19	24	16	9

Crime, Theft, and Disorder					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	24	14	19	25	18
FSU S	40	13	14	20	14
ECA	39	17	16	15	12

Tax Administration					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	22	11	35	20	12
FSU S	39	17	23	13	8
ECA	33	22	24	13	8

Telecommunications					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	32	6	17	12	33
FSU S	50	14	12	12	12
ECA	50	14	13	11	12

Courts					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	40	17	13	18	11
FSU S	57	13	12	10	8
ECA	46	17	16	12	9

Access to Land					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	46	13	15	19	7
FSU S	49	7	13	17	14
ECA	55	11	12	12	10

Business Licensing and Permits					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	51	20	13	11	6
FSU S	52	19	17	8	4
ECA	45	21	18	10	6

Transport					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	40	15	15	19	12
FSU S	52	13	14	12	8
ECA	51	16	15	10	8

Labor Regulations					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	60	19	16	5	1
FSU S	65	15	14	5	2
ECA	50	21	19	7	3

Customs and Trade Regulations					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	56	15	15	8	6
FSU S	56	12	14	10	8
ECA	59	15	13	8	5

Practices of informal economy competitors					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	22	17	25	23	14
FSU S	36	13	19	19	13
ECA	35	17	20	15	13

Political instability					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	22	13	18	22	24
FSU S	39	11	15	18	17
ECA	29	15	20	18	18

## Annex I – problems Doing Business contd.

### AI.2b: Problems Doing Business 2013: Response Distributions

Percentage of firms indicating each response option ("no obstacle", "minor obstacle", "moderate obstacle", "major obstacle", "very severe obstacle")

Tax Rates					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	23	12	36	21	8
FSU S					
ECA					

Corruption					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	14	6	19	18	43
FSU S					
ECA					

Electricity					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	35	15	14	19	17
FSU S					
ECA					

Skills and Education of Labor					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	35	10	22	21	12
FSU S					
ECA					

Access to finance					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	39	15	20	18	8
FSU S					
ECA					

Crime, Theft, and Disorder					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	51	10	20	10	9
FSU S					
ECA					

Tax Administration					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	48	11	20	12	9
FSU S					
ECA					

Telecommunications					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	53	12	21	13	2
FSU S					
ECA					

Courts					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	87	3	5	3	1
FSU S					
ECA					

Access to Land					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	60	4	25	7	4
FSU S					
ECA					

Business Licensing and Permits					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	80	6	7	5	2
FSU S					
ECA					

Transport					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	50	13	22	11	3
FSU S					
ECA					

Labor Regulations					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	88	4	5	2	0
FSU S					
ECA					

Customs and Trade Regulations					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	65	7	16	7	5
FSU S					
ECA					

Practices of informal economy competitors					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	43	7	22	14	14
FSU S					
ECA					

Political instability					
Obstacle:	No	Minor	Moderate	Major	V. Severe
KYR	4	2	10	22	61
FSU S					
ECA					

# Annex II – Methodological Notes

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- The 2008 round of the BEEPS consisted of three parts: the *Main BEEPS* sample was drawn from a universe of eligible firms in manufacturing and retail/wholesale industries with five or more full time employees located in major urban centers. The *Manufacturing Module* refers to additional questions asked only of firms in the manufacturing sector. The *Services Module* refers to additional questions asked only of firms in the services sector.
- ECA and sub-regional averages are simple averages across countries, with each country having an equal weight
- The regional and sub-regional comparators are constructed as follows:

The **ECA** average (ECA) includes all 29 countries: Albania (Alb), Armenia (Arm), Azerbaijan (Aze), Belarus (Bel), Bosnia and Herzegovina (BiH), Bulgaria (Bul), Croatia (Cro), Czech Republic (Cze), Estonia (Est), FYR Macedonia (Mac), Georgia (Geo), Hungary (Hun), Kazakhstan (Kaz), Kosovo (Kos), Kyrgyz Republic (Kyr), Latvia (Lat), Lithuania (Lit), Moldova (Mol), Montenegro (Mon), Poland (Pol), Romania (Rom), Russia (Rus), Serbia (Ser), Slovak Republic (Slk), Slovenia (Sln), Tajikistan (Taj), Turkey (Tur), Ukraine (Ukr), and Uzbekistan (Uzb).

**Northern FSU (FSU N)** countries include Belarus, Kazakhstan, Russia and Ukraine.

**Southern FSU (FSU S)** countries include Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova, Tajikistan and Uzbekistan.

**South Eastern Europe (SEE)** countries include Albania, Bosnia and Herzegovina, Croatia, FYR Macedonia, Serbia, Kosovo, and Montenegro.

**European Union (EU-10)** countries include Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic and Slovenia.

Turkey is included in the ECA average, but is not included in any sub-regional category.

- **Missing values:**  
The instrument for both years include coding for Don't Know (DK), Not Applicable (NA), and Refuse to Answer (REF). These responses were recoded into missing values before producing any of the estimates in this report.
- **Changes in the Survey Instrument:**  
There are minimal differences in some questions wording and response options across the two years. Such differences are explained in the notes to individual charts and are flagged in table AII as appropriate.
- **Branching / Filtering Questions:**  
For a number of indicators, the number of firms that responded to a question is smaller than the overall country sample size. In most cases, the difference is attributable to preceding filter questions. Questions for which the smaller number of respondents is due to filtering are marked with a superscript indicator (1).
- **Module- and Sector-Specific Questions:**  
Other questions have a smaller number of respondents due to the survey instrument, e.g. manufacturing or service modules. If a question applies to different subset of firms based on BEEPS module, this is explicitly indicated in the corresponding note for each particular chart and also flagged in table AII.1 with a superscript indicator: <sup>(a)</sup> if the question applies only to the 2008 *Service Module* and <sup>(b)</sup> if the question only applies to the *Manufacturing Module* for both 2008 and 2011. In this report, such discrepancies apply only to questions C30 (a) (telecommunications as an obstacle to doing business, asked only of *Service Module* respondents in 2008) L10 (provision of formal training to employee, asked only of *Manufacturing Module* respondents in 2008, and all respondents in 2011), and L11 (a, b) (Employee training, asked only of *Manufacturing Module* respondents both in 2008 and 2011).

## Outlier observations

The BEEPS survey contains some open-ended questions (e.g. percentage of time senior management spends on dealing with regulations, amounts as percentage of annual sales typically paid as bribes, or the result of crime, power outages; it also includes items asking how many days do firms typically wait to obtain various permits or state services). In the vast majority of cases respondents have provided plausible values, however there is a limited number of outlier observations with extremely high values (e.g. losing 100% of sales to crime or power outages, or being visited hundreds of times by tax officials). Although in some cases the scenarios reflected in such responses may be plausible, and the incidence of such observations is negligible, there is no practical way to verify with certainty, as well as to distinguish from possible data entry errors. Nevertheless, to avoid biasing the estimates, the following decision rules are used in this report to recode outlier values into missing values:

- “Bribe tax” (question J7.a & b) excludes observations reporting 100% or more of annual sales typically paid as bribes
- “Kickback tax” (question J6) excludes observations reporting 100% or more of government contract value typically paid as bribes
- Payments for security (question I2.a & b) excludes observations reporting 100% or more of annual sales paid for security
- Losses as a result of crime (question I4.a & b) excludes observations reporting 100% or more of annual sales lost to crime
- Number of tax visits/meetings (question J4) excludes observations reporting more than 365 visits/meetings (the maximum length of the time period the question refers to)
- Wait time for new electrical connection (question C4) , wait time for new water connection (question C13) , wait time for new construction permit (question G3), wait time to obtain an import license (question J11), and wait time to obtain an operating license (question J14) all exclude observations reporting more than 730 days (the maximum length of the time period the question refers to)

## Notes for individual charts

### Chart 1.1

2008 and 2011 used scale with five points including: “no obstacle”, “minor obstacle”, “moderate obstacle”, “major obstacle” and “very severe obstacle” as valid responses. The values in this chart represent the proportion of respondents indicating that an issue is “no obstacle” to doing business. The questions on telecommunications as obstacle was only asked of the service sector respondents in 2008, but of all sectors in 2011.

### Chart 1.2

The rankings of problems in both years are based on the mean score across all firms in each country for each indicator for the respective year. The 5 response options (“no obstacle”, “minor obstacle”, “moderate obstacle”, “major obstacle”, and “very severe obstacle”) are coded with values “0”, “1”, “2”, “3”, and “4” respectively in the data sets for both years. These values were averaged at the country level for each separate issue, whereas a higher mean indicates relatively greater severity of an issue. Thus, for each year, the most severe problem, or that with the highest mean score is ranked number 1, the least severe, or that with the lowest mean score is ranked 16.

### Chart 2.2

In both years, the respondents were asked to estimate how often is the statement “It is common for firms in my line of business to have to pay some irregular “additional payments or gifts” to get things done with regard to customs, taxes, licenses, regulations, services etc” true on a 5 point Likert scale: “never”, “seldom”, “sometimes”, “frequently”, “very” and “always”. This chart represents the set of respondents answering “frequent”, “very frequent”, or “always”.

### Chart 2.3 (a-c)

Respondents in both years could indicate the cost of unofficial payments/bribes *either* as a percent of annual sales (question J7 (a)) *or* as an absolute amount (question J7 (b)). For those respondents who indicated a specific value (i.e. total cost of bribes), the percentage of annual sales was obtained by dividing the reported total cost of bribes by the firm’s total annual sales (question D2, total firm sales for the preceding year). The resulting proportion of sales spent on bribes was then combined with the observations that had directly provided a percentage estimate, and the average percentages



reported here are thus a composite of the two response options. To calculate the proportion of annual sales expended on bribes for all firms (Chart 2.3b), firms reporting no payments are recoded into firms spending 0% of annual sales on bribes (for these questions, J7 a & b, no actual recoding needed to be made as the codes for “no payments were made” are already set as “0”). To calculate the averages for firms reporting payments (Chart 2.3c), only observations reporting payments higher than “0” are included.

### Chart 3.3 (a-b)

Respondents in both years could indicate the cost of security payments *either* as a percent of annual sales (question I2 (a)) *or* as an absolute amount (question I2 (b)). For those respondents who indicated a specific value of security cost, the percentage of annual sales was obtained by dividing the reported total security costs by the firm’s total annual sales (question D2, total firm sales for the preceding year). The resulting proportion of sales spent on security was then combined in a single variable with the observations that had directly provided a percentage estimate, and the average percentages reported here are thus a composite of the two response options. To calculate the average security payments as a percentage of annual sales for *all firms* (Chart 3.3a), respondents who had indicated that they have *not* paid for security (question I1) were recoded into firms spending 0% of their annual sales on security. To calculate the security costs as a percentage of annual sales for firms making security payments, the averages only for firms answering “Yes” to question I2 were computed.

### Chart 3.5 (a-b)

Respondents in both years could indicate the estimated losses as a result of crime *either* as a percent of annual sales (question I4 (a)) *or* as an absolute amount (question I4 (b)). For those respondents who indicated a specific value, the percentage of annual sales was obtained by dividing the reported total losses as a result of crime by the firm’s total annual sales (question D2, total firm sales for the preceding year). The resulting value of crime-related losses as a percentage of annual sales was then combined in a single variable with the observations that had directly provided a percentage estimate, and the average percentages reported here are thus a composite of the two response options. To calculate the losses of crime as percentage of annual sales for *all firms* (Chart 3.5a), respondents who had indicated that they have not experienced any losses as a result of crime (question I3) were recoded into firms experiencing 0% losses as a result of crime. To calculate the losses as a consequence of crime as a percentage of annual sales for firms experiencing losses (Chart 3.5b), the averages only for firms answering “Yes” to question I3 and reporting more than 0% in losses in question I4 were computed.

### Chart 7.4

The question regarding formal training provided to employees was only asked in the *Manufacturing Module* in 2008, while in 2011 the question is present in all modules.

### Chart 7.5

For both years the question is only asked in the *Manufacturing Module*.

### Chart 8.4

The response options changed slightly across cycles on the question regarding sources of firm financing. In 2008 and 2011 six response options were presented, but the composition of the response options has changed. Due to the structure of the question and multiple response options, the total value of the responses does not equal one hundred percent. The question focuses on sources of financing other than internal funds or retained earnings. In order to compare responses across cycles, some 2008 response options were combined to match as closely as possible the 2011 responses. Specifically, Borrowing from Banks, private or state owned is provided as a single answer option in 2011, while the 2008 questionnaire lists private and state owned banks as separate answer options. Accordingly, to compute this variable in the 2008 data set it is necessary to combine the responses to questions K5 (b) and K5 (c), while in the 2011 data set the variable values are stored in a single column (ECAk5bc). Similarly, borrowing from money lenders, friends and relatives, or bonds were provided as separate answer options in 2008 and as a single answer option in 2011.

### Chart 8.6

In 2013, the survey question specifically and separately asks for financing coming from “Non-bank financial institutions...” and “Other (moneylenders, friends, relatives, bonds etc.). In 2008, there is no separate response option for “non-bank financial institution”, which is instead listed in “Other (moneylenders, friends, relatives, non-banking financial institutions etc.)”. To make the comparison possible, the 2013 response options are merged into one.

### Chart 8.7

The survey question provides 8 total response options: no need for a loan, complex application procedures, unfavorable interest rates, too high collateral requirements, insufficient size of loan or maturity, it is necessary to make informal

payments, did not think it would be approved, and “other”. For this chart, responses “size of loan or maturity are insufficient” and “it is necessary to make informal payments” are recoded into “other”.

### **Charts 9.3-9.5**

The response scale for the questions on the court system include 4 response options: “strongly disagree”, “tend to disagree”, “tend to agree” and “strongly agree”. Charts 9.3-9.5 represent the shares of respondents answering either “tend to agree” or “strongly agree” for each of the questions.

### **Chart 10.5 (a-b)**

Respondents in both years could indicate the value of losses as a percent of annual sales or as an absolute amount. For those respondents who indicated a numeric value, the percentage of annual sales was obtained by dividing the reported losses due to power outages by the firm’s total annual sales (question D2, total firm sales in preceding year). The resulting proportion of sales lost due to power outages was then combined in a single variable with the observations that had directly provided a percentage estimate, and the average percentages reported here are thus a composite of the two response options. To calculate the percentage of sales lost for all firms (Chart 10.5a) all valid values – including “0” were used, and firms who did not experience power outages (i.e. answered “No” to question C6) were recoded into firms experiencing 0% losses. To calculate the average percentage of sales lost for firms experiencing losses (Chart 10.5b), only non-“0” values for firms who had experienced power outages were used.

### **Chart 11.1**

The question regarding new product/service development was modified slightly in its wording from 2008 to 2011. In 2008, firms were asked if they *introduced* new products or services, whereas in 2011 they were asked if they introduced *new or significantly improved* products or services.

### **Chart 11.2**

In 2008, firms were asked if they spent funds on research and development activities “*during the last financial year*”; in 2013 they were asked the same question but the reference period given was “*during the last three years*”.

### **Chart 13 (a-b)**

The questions on “state capture” were not asked in 2008, thus a comparison with the 2005 data is provided instead. To make the 2005 sample as comparable with the 2013 sample as possible, observations meeting the following criteria must be excluded from the 2005 data: a) firms with less than 5 employees, b) ISIC codes not included in the 2008/13 samples, and c) 100% state-owned firms. The response options for this question are “no impact”, “minor impact”, “moderate impact”, “major impact” and “decisive impact”. Chart 13.a represents the proportion of firms reporting that unofficial payments/private gifts to the three types of government actors had “no impact” on their establishment. Chart 13.b represents the proportion of firms who answered “moderate impact”, “major impact”, or “decisive impact”.

### **Chart AI.1**

In 2008 and 2011, all questions pertaining to ‘Doing Business Indicators’ used a 5-point Likert scale (“no obstacle”, “minor obstacle”, “moderate obstacle”, “major obstacle” and “very severe obstacle”). The data shown above is a sum of the responses indicating an individual issue as a “moderate obstacle”, “major obstacle” and “very severe obstacle”. The question regarding telecommunication as an obstacle was asked of all respondents in 2011, but only of service sector respondents in 2008.

## Variable Names, Survey Questions and Sample Sizes for Corresponding Charts

The 'Survey Question' column represents the question number as it appears on the actual survey protocol. In the majority of cases, the corresponding actual variable name in the data set is simply a modified version of the question label: *lower case, and no dot*. For example, the variable name in the data set corresponding to survey question '**E.30**' ("Practices of Informal Economy Competitors [...] " is '**e30**', while the variable name corresponding to question '**J.6a**' ("Over the last year, had your establishment attempted to secure [...] is found in the data set as '**j6a**'.

The survey question column presents the questions as they appear on the 2012/13 surveys. If the matching question in the 2008 is labeled differently, the 2008 question is provided [in brackets] *after* the 2013 question.

If a chart is based on a combination of questions (e.g. J.7, 'bribe tax', where respondents could indicate the amount of bribes usually paid either as a percentage of sales or as an absolute sum, recorded in two corresponding variables respectively), all letters signifying these response options are provided separated by comma (e.g. 'J.7a, b', rather than as J.7a and J.7b.) In some cases (e.g. '**K5**' – Sources of firms financing), a single variable is denoted through a combination of letters (e.g. '**hdej**'). In these cases, there is no comma between the letters and they represent a direct match to the variable name in the data set (e.g., '**k5hdej**').

Some variable names (but not the question numbers and labels) are prefixed with 'ECA' in the data set. All such question labels are prefixed with '<sup>ECA</sup>' in the table below.

If an estimate is based on a reduced sample due to preceding branching question, this is indicated in the table and in the notes with a superscript indicator (<sup>1</sup>) . If a question applies only to one of the survey modules, this is also marked in the notes to the table.

## All.1 Sample sizes (valid n) and question numbers for the survey items

Chart	Chart Title	2008	2013	Survey Question*	2008-2013 change**	
	[Total N]	235	270	id	P value	Sig.
<b>1.1</b>	Problems Doing Business				-	-
	Tax Rates	235	267	J.30a	0.00	***
	Corruption	231	270	J.30f	0.59	NS
	Electricity	235	270	C.30a	0.00	***
	Skills and education of workers	235	268	L.30b	0.24	NS
	Access to finance	232	268	K.30	0.01	***
	Crime, theft and disorder	234	268	I.30	0.00	***
	Tax administration	235	270	J.30b	0.00	***
	Telecommunications <sup>a</sup>	82	267	C.30b	0.02	**
	Courts	224	263	H.30	0.00	***
	Access to land	227	261	G.30a	0.02	**
	Business, licensing and permits	231	266	J.30c	0.00	***
	Transport	231	267	D.30a	0.08	*
	Labor regulations	235	270	L.30a	0.00	***
	Customs and trade regulations	222	252	D.30b	0.13	NS
	Practices of informal economy competitors	231	264	E.30	0.00	***
	Political instability	232	270	J.30e	0.00	***
<b>2.2</b>	Bribe Frequency	225	267	<sup>ECA</sup> Q.39	0.01	***
<b>2.3a</b>	Bribe Tax - Incidence	178	225	J.7a, b	0.10	*
<b>2.3b</b>	Bribe Tax - All firms	178	225	J.7a, b	0.72	NS
<b>2.3c</b>	Bribe Tax - Firms reporting payments	61	101	J.7a, b	0.18	NS
<b>2.4</b>	Unofficial Payments: Taxes	229	258	<sup>ECA</sup> Q.41c	0.00	***
<b>2.5</b>	Unofficial Payments: Customs	227	250	<sup>ECA</sup> Q.41a	0.05	*
<b>2.6</b>	Unofficial Payments: Courts	223	253	<sup>ECA</sup> Q.41b	0.28	NS
<b>2.7</b>	Participation in Government Procurement	234	268	J.6a	0.42	NS
<b>2.8</b>	Unofficial Payments: Government Contracts - All firms <sup>1</sup>	38	56	J.6	0.10	*
<b>2.9</b>	Unofficial Payments: Government Contracts - Firms making payments <sup>1</sup>	19	28	J.6	0.02	**
<b>3.2</b>	Payments for Security	235	269	I.1	0.00	***
<b>3.3a</b>	Security Costs - All firms <sup>1</sup>	226	243	I.2a, b	0.58	NS
<b>3.3b</b>	Security Costs - Firms reporting payments <sup>1</sup>	94	163	I.2a, b	0.09	*
<b>3.4</b>	Losses as a Result of Crime - Incidence	235	270	I.3	0.75	NS
<b>3.5a</b>	Losses as a Result of Crime - All firms <sup>1</sup>	233	267	I.4a, b	0.57	NS
<b>3.5b</b>	Losses as a Result of Crime - Firms experiencing losses <sup>1</sup>	29	37	I.4a, b	0.11	NS
<b>4.2a</b>	Time Tax - Distribution of firms	229	241	J.2	-	-
	% firms spending no time	229	241	J.2	0.00	***
	% firms spending <=25%	229	241	J.2	0.00	***
	% firms spending >25%	229	241	J.2	0.26	NS
<b>4.2b</b>	Time Tax - All Firms	229	241	J.2	0.00	***

<b>4.2c</b>	Time Tax - Firms Spending Time	96	209	J.2	0.68	NS
<b>5.3a</b>	Direct Exports - Distribution of firms	235	270	D.3c	-	-
	% firms with no export sales	235	270	D.3c	0.83	NS
	% firms with less than 25% sales from direct exports	235	270	D.3c	0.23	NS
	% firms with more than 25% sales from direct exports	235	270	D.3c	0.51	NS
<b>5.3b</b>	Direct exports - All firms	235	270	D.3c	0.75	NS
<b>5.3c</b>	Direct exports - Firms with sales from exports	27	27	D.3c	0.29	NS
<b>6.4</b>	Tax Inspections	234	270	J.3	0.18	NS
<b>6.5a</b>	Frequency of tax inspections - All firms	234	270	J.3 & J.4	0.94	NS
<b>6.5b</b>	Frequency of Tax Inspections - Inspected firms	210	241	J.4	0.59	NS
<b>7.3</b>	Professionalism of Labor	230	262	<sup>ECA</sup> Q.69	0.01	**
<b>7.4</b>	Provision of Formal Training: Permanent Employees b, 2008 only	92	268	L.10	0.00	***
<b>7.5</b>	Percent of Employees Trained: Production <sup>1, b</sup>	18	41	L.11a <sup>b</sup>	0.06	*
	Non-Production <sup>1, b</sup>	18	41	L.11b <sup>b</sup>	0.02	**
<b>8.2</b>	Adequacy of Firm Financing <sup>1</sup>	163	197	<sup>ECA</sup> K.17 [K.17]	0.51	NS
<b>8.3</b>	Purchasing on Credit	235	249	K.1c [K.1d]	0.00	***
<b>8.4a</b>	Purchases Made on Credit - All firms	231	249	K.1c [K.1d & K.1e]	0.34	NS
<b>8.4b</b>	Purchases Made on Credit - Firms Purchasing on credit	76	104	K.1c [K.1e]	0.00	***
<b>8.5a</b>	Credit Extensions to Clients	226	248	K.2c	-	-
	% of firms with no sales on credit	226	248	K.2c	0.98	NS
	% firms with <=50% sales on credit	226	248	K.2c	0.09	*
	% firms with >50% sales on credit	226	248	K.2c	0.02	**
<b>8.5b</b>	Credit Extensions to Clients - All firms	226	248	K.2c	0.00	***
<b>8.5c</b>	Credit Extensions to Clients - Firms Extending Credit	116	137	K.2c	0.00	***
<b>8.6</b>	Sources of Firm Financing <sup>1, c</sup>	90	110		-	-
	Banks: private and state-owned	90	110	K.5bc [ECAK.5b, c] <sub>o</sub>	0.36	NS
	Non-bank financial institutions <sup>c</sup>	90	110	K.5e, hdj <sup>e</sup> [K.5hdej]	0.73	NS
	Purchased on trade credit from suppliers or customers	90	110	K.5f	0.12	NS
<b>8.7</b>	Loan Applications <sup>1</sup>	163	197	<sup>ECA</sup> K.17 [K.17]	-	-
	Application procedures too complex	163	197	<sup>ECA</sup> K.17 [K.17]	0.04	**
	Unfavorable interest rates	163	197	<sup>ECA</sup> K.17 [K.17]	0.05	*
	Collateral Requirements too high	163	197	<sup>ECA</sup> K.17 [K.17]	0.04	**
	Did not think it would be approved	163	197	<sup>ECA</sup> K.17 [K.17]	0.41	NS
	Other	163	197	<sup>ECA</sup> K.17 [K.17]	0.32	NS
<b>9.2</b>	Use of Courts	234	266	<sup>ECA</sup> Q.31e	0.80	NS
<b>9.3</b>	The Court System is Fair, Impartial, Uncorrupted	221	255	H.7a	0.00	***
<b>9.4</b>	The Court System is Quick	220	251	<sup>ECA</sup> J.1b	0.00	***
<b>9.5</b>	The Court System is Able to Enforce its Decisions	220	245	<sup>ECA</sup> J.1c	0.00	***
<b>10.4</b>	Experienced Power Outages	235	268	C.6	0.00	***
<b>10.5a</b>	Sales Lost due to Power Outages - All firms <sup>1</sup>	204	230	C.9a, b	0.67	NS
<b>10.5b</b>	Sales Lost due to Power Outages- Firms	62	117	C.9a, b	0.01	***

	Experiencing Losses <sup>1</sup>				
<b>10.6</b>	Use of Email Communication	235	270	C.22a	0.00 ***
<b>11.1</b>	New Product/Service Development <sup>c</sup>	234	268	H.1 [ <sup>ECA</sup> O.1]	0.84 NS
<b>11.2</b>	Research and Development Activities <sup>c</sup>	235	269	H.6 [ <sup>ECA</sup> O.3]	0.22 NS
<b>12.1</b>	New Electrical Connection	235	268	C.3	0.65 NS
<b>12.1a</b>	Average wait time - number of days <sup>1</sup>	23	28	C.4	0.30 NS
<b>12.1b</b>	Informal gift or payment was expected <sup>1</sup>	24	30	C.5	0.37 NS
<b>12.2</b>	New Water Connection	235	270	C.12	0.48 NS
<b>12.2a</b>	Average wait time - number of days <sup>1</sup>	9	15	C.13	0.36 NS
<b>12.2b</b>	Informal gift or payment was expected <sup>1</sup>	11	15	C.14	0.25 NS
<b>12.3</b>	Construction Permits	235	269	G.2	0.07 *
<b>12.3a</b>	Average wait time - number of days <sup>1</sup>	25	53	G.3	0.77 NS
<b>12.3b</b>	Informal gift or payment was expected <sup>1</sup>	27	59	G.4	0.35 NS
<b>12.4</b>	Tax Inspections	234	270	J.3	0.18 NS
<b>12.4a</b>	Average number of tax inspections/meetings <sup>1</sup>	210	241	J.4	0.59 NS
<b>12.4b</b>	Informal gift or payment was expected <sup>1</sup>	198	231	J.5	0.01 ***
<b>12.5</b>	Import License	234	267	J.10	0.04 **
<b>12.5a</b>	Average wait time - number of days <sup>1</sup>	11	24	J.11	0.80 NS
<b>12.5b</b>	Informal gift or payment was expected <sup>1</sup>	11	24	J.12	0.03 **
<b>12.6</b>	Operating License	234	270	J.13	0.59 NS
<b>12.6a</b>	Average wait time - number of days <sup>1</sup>	52	70	J.14	0.05 *
<b>12.6b</b>	Informal gift or payment was expected <sup>1</sup>	52	71	J.15	0.00 ***
<b>13</b>	State Capture <sup>f</sup>			Q.44	- -
<b>13.1</b>	Parliamentarians	130	260	<sup>ECA</sup> Q.44a [Q.44a]	- -
<b>13.2</b>	Government officials	131	260	<sup>ECA</sup> Q.44b [Q.44b]	- -
<b>13.3</b>	Local/Regional officials	133	260	<sup>ECA</sup> Q.44c [Q.44c]	- -

#### NOTES:

\*2008 survey question provided [in brackets] if different from 2013

\*\* NS p>0.1 \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

<sup>1</sup> Reduced sample size due to preceding filtering question.

<sup>a</sup> Service module only

<sup>b</sup> Manufacturing module only

<sup>c</sup> Slight change in wording/response options between 2008 and 2013. See individual chart notes in Annex I

<sup>d</sup> k5b and k5c need to be combined in the 2008 data to be compatible with 2013 (k5bc)

<sup>e</sup> k5e and k5hdj need to be combined in the 2013 data to be compatible with 2008 (k5hdej)

<sup>f</sup> 2005 data