

## **The Business Environment and Enterprise Performance Survey - 2002**

**A brief report on observations, experiences and methodology from the survey**

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## **1 Background**

The Business Environment and Enterprise Performance Survey (BEEPS) is part of the ongoing work of the EBRD and the World Bank to investigate the extent to which government policies and public services facilitate or impede the environment for investment and business development in the Central and Eastern Europe (CEE) (including Turkey) and the Commonwealth of Independent States (CIS).

The EBRD and the World Bank commissioned MEMRB Custom Research Worldwide (MCRW) to offer consultancy services as well as to implement the BEEPS instrument to approximately 6,500 enterprises in 28 transitional economies: 16 from CEE (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, FR Yugoslavia, FYR Macedonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic, Slovenia and Turkey) and 12 from the CIS (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan).

MCRW implemented the BEEPS instrument and provided the EBRD with electronic data sets for each country. Analysis of the results was the responsibility of the EBRD.

The objective of this report is to provide the EBRD/World Bank with feedback in evaluating the results in the context of our observations, experiences and methodologies from the survey.

## **2 Brief outline on the implementation of the survey**

Details of our field operations and quality measures were described in our proposal and therefore no elaboration on these topics is made in this report.

A brief outline of the survey is described below:

- The BEEPS I instrument was reviewed and further developed
- Day long training workshops were organised in Budapest (for CEE countries) and Moscow (CIS countries). All project managers (director, project, area and country managers) were present as well representatives from the EBRD and the World Bank
- Fieldwork personnel were trained locally in each country in day long workshops
- The questionnaires (screener and main) were piloted with 10 enterprises from each country from 15<sup>th</sup> - 25<sup>th</sup> May 2002
- The survey instruments were further developed based on the results from the pilots
- Refresher training courses were conducted for fieldwork personnel based on the experiences and observations from the pilots
- The main survey was conducted from 19<sup>th</sup> June - 31<sup>st</sup> July 2002
- A minimum of 20% call-back checks (100% in Russia and the Asian Republics) were made in order to verify and clarify responses
- Data entry and 1<sup>st</sup> checking and validation of the results was made locally
- Final checking and validation of the results was made at MCRW Head Office

## **3 Sample**

### **3.1 Distributional criteria of the sample**

The Terms of Reference specified sectoral, size, locational and ownership characteristics for the total sample. The minimum quota of each sub-division within the above categories was set at 15% of the total sample. However, in the course of fieldwork and for justifiable reasons

(to be discussed later) some of the quotas were eased to 10%, (following the agreement of EBRD) while quotas for specific countries and categories were eased even further. A minimum quota for medium size enterprises, which was not a requirement in the Terms of Reference, was also set.

Following the easing of quotas, the revised/final distributional criteria of the sample were as follows:

### 3.1.1 Sector

In each country, the sectoral composition of the total sample in terms of manufacturing versus services (including commerce) was to be determined by the relative contribution of GDP, subject to a 15% minimum for each category. Firms that operated in sectors subject to government price regulations and prudential supervision, such as banking, electric power, rail transport, and water and wastewater were excluded. Eligible enterprise activities were as follows:

		ISIC section
<b>Industry</b>	Mining and quarrying	Section C: 10-14
	Construction	Section F: 45
	Manufacturing	Section D: 15-37
<b>Services</b>	Transportation, storage and communications	Section I: 60-64
	Wholesale, retail, repairs	Section G: 50-52
	Real estate and business service	Section K: 70-74
	Hotels and restaurants	Section H: 55
	Other community, social and personal activities	Section O: see note

<b>Note:</b>
Group 90.0 -91.3: excluded
Group 92.1 -92.4: included
Group 92.5 -92.7: excluded
Group 93: included

### 3.1.2 Enterprise size

At least 10% of the total sample should be in the small <sup>(1)</sup>, 10% in the medium and 10% in the large size categories. Firms with only one employee and more than 10,000 employees should be excluded.

<sup>(1)</sup> Small enterprise = 2-49 employees, Medium = 50-249, Large = 250 -9,999

### 3.1.3 Ownership

At least 10% of the firms should have foreign control and 10% state control.

### 3.1.4 Exporters

At least 10% of firms should be exporters <sup>(2)</sup> meaning that some significant share of their output is exported.

<sup>(2)</sup> A firm should be regarded as an exporter if it exported 20% or more of its total sales.

### 3.1.5 Location

At least 10% of firms should be in the category of “small city or countryside” <sup>(3)</sup>.

<sup>(3)</sup> “Small city or countryside” has a population under 50,000.

### 3.1.6 Year of establishment

Enterprises which were established later than 2000 should be excluded.

## 3.2 Sample design considerations

The sample structure for BEEPS II was designed to be as representative (self-weighted) as possible to the population of firms within the industry and service sectors subject to the various minimum quotas (see section 3.1) for the total sample. This approach ensured that there was sufficient weight in the tails of the distribution of firms by the various relevant controlled parameters (sector, size, location and ownership). This was also the broad approach used in BEEPS I.

As pertinent data on the actual population or data which would have allowed the estimation of the population of foreign-owned and exporting enterprises were not available, it was not feasible to build these two parameters into the design of the sample guidelines from the onset. The primary parameters used for the design of the sample were:

- Longitudinal
  - ◆ Total population of enterprises
  - ◆ Ownership: private and state-owned
  - ◆ Size of enterprise: Small, medium and large
  - ◆ Geographic location: Capital, over 1 million, 1 million-250,000, 250-50,000 and under 50,000
- Latitudinal
  - ◆ Sub-sectors (e.g. mining, construction, wholesale, etc)

Due to the nature of the available information, parameters were interlocked to each other in the sense that, for example, if the total number of private enterprises was known there was no information on how many of these firms were small, medium and large, nor how many firms were located in the capital city, small cities/countryside etc.

For certain parameters where statistical information was not available, enterprise populations and distributions were estimated from other accessible demographic (e.g. human population concentrations in rural and urban areas) and socio-economic (e.g. employment levels) data.

In some cases, for the design of the sample guidelines there was a need to apply judgmental adjustments. These adjustments were carefully structured and were done systematically and consistently based on the available data and not arbitrarily. In order to ensure consistency in the design of samples both in terms of methodology and judgmental adjustments, the samples of all countries were designed at MCRW's Head Office. All countries provided the

Head Office with their universe data in a pre-specified format as well with demographic and socio-economic information.

For Russia, Tajikistan, Azerbaijan, FYROM, Turkey, Yugoslavia, Uzbekistan and Latvia detailed information of universe breakdowns (by sector activity, size, etc) was not readily available. For these countries we designed samples by considering the designs of other countries with similar demographic / socio-economic profiles.

The methodology and the sample designs of each country were sent to /and approved by the EBRD.

### 3.3 Procedure for designing the sample guidelines

The procedure described in this section was aimed to generate sample guidelines, and not definitive sample designs. The objective of the sample guidelines was to meet the 7 interlocking BEEPS quotas and at the same time maintain representativeness to the population of firms, to the extent possible.

#### Step 1

The first step was to design a total sample which, was in the same proportion as the GDP contribution of industry and services. As data on GDP contributions of each country could vary from source to source, for consistency purposes we used the GDP figures published by the World Bank.

#### Step 2

As firms within agriculture (or any other sector) were excluded from the survey, these were also excluded from the GDP contribution by re-weighting Industry and Services so that Industry+Services=100%.

#### Step 3

From the re-weighted GDP and the total targeted number of enterprises we calculated the sector quotas for Industry and Services.

#### Step 4

Populations of eligible enterprises were obtained from the Statistical Office and other sources broken down in the longitudinal and latitudinal parameters (see section 3.2)

#### Step 5

Based on the universe data, the proportions of longitudinal (i.e. state-owned, private, small, medium, large, etc) and latitudinal parameters (i.e. sub-sector, mining, construction, manufacturing, etc) within the main sectors of industry and services were calculated.

#### Step 6

Using the proportions calculated in Step 5, and the number of enterprises apportioned to each sector (Step 3) a self-weighted sample within each sector and across all parameters was constructed.

## Step 7

The sample size of various parameters resulting from the self-weighted universe from Step 6 were often outside the BEEPS minimum quotas. For example, considering the ownership parameter, 5% of enterprises might have been state-owned and 95% private. In this example, we had to specify a minimum of 15% state-owned and 85% private enterprises and hence had to re-weight the latitudinal parameter (i.e. sub-sector) with the revised total samples (quotas) but still maintain the proportions of the original self-weighted universe. The same procedure was applied across enterprise size, and location.

At this stage of the design, and due to the imposition of the tail end quotas the “representativeness” of the sample to the population of firms was distorted.

## Step 8

Until this step, the sample was designed on carefully structured mathematical techniques and no judgmental adjustments were applied.

In step 8, however, some adjustments deemed prudent. On many occasions the wholesale, retail and repairs sub-sector dominated the services sector with 60-80% enterprises while the remaining sub-sectors (transportation, hotels, real estate, etc) commanded a share ranging from 2-15% each. In this case we considered the trade-off between representativeness and a better “mix” of other sub-sectors within the service industry.

Also, the wholesale/retail/repairs sector was often associated with small private enterprises (i.e. wholesale/retail/repairs universe, approximately equal to the universe of private small firms). Due to the nature of the interlocking quotas, this in reality meant that if 60-80% interviews within the service were actually conducted with wholesalers/retails/repairs, the quotas for medium and large enterprises were not likely to be met. For this reason we decreased judgmentally the number of interviews with wholesale/retail/repairs and increased the number of interviews with transportation, real estate, etc in the same proportion as that obtained at step 7. By doing these adjustments we ensured that the problems, concerns, perceptions of all service industries would be accounted in the survey and also improve our chances in meeting the minimum quotas, especially those on enterprise size.

A typical final sample guideline sheet provided to each of our countries is shown in Appendix A.

## **4 Implementation of the survey in Turkmenistan**

Based on our assessment of the prevailing conditions in Turkmenistan at the time of the survey, we concluded that the overall environment was not conducive to conducting research on the topics of the questionnaire. Respondents and interviewers alike were afraid of the authorities. Following a telephone conversation with our partner in Turkmenistan in order to discuss the survey, we were informed that it would be extremely difficult to conduct interviews with large or state-owned companies (in fear of respondents informing the authorities). The experiences from some completed interviews suggested that in general, respondents were willing to complete the interview but once the “sensitive” questions were asked, respondents expressed the wish to terminate the interview.

During our telephone conversation (in the morning) we suspected that this (the conversation) may have been monitored by a third party and hence our partner was cautious in discussing in detail the problems and concerns for implementing the survey. In the afternoon of the same day, the manager of our partner agency was invited to the headquarters of the secret

police where she was asked to explain the purpose of the survey as well as provide other details. She was also asked to leave copies of the questionnaires with the authorities.

In view of this incidence and the likelihood/potential that the authorities may interfere with the implementation of the survey, the EBRD decided to discontinue the study in this country.

No incidence of attempted or suspected interference of the authorities with the implementation of the surveys in other countries was reported.

## **5 Number of interviews and quotas**

Appendix B depicts the total number of interviews as well as the quotas achieved in each country. Please note that the percentages given in the table were calculated based on the completed and not the targeted interviews.

The targeted number of interviews including Turkmenistan was 6,500. As the survey in Turkmenistan (target 170 interviews) was discontinued, the revised target of interviews was 6,300. However, in order to meet the quotas in some of the remaining 27 countries, it was necessary to conduct more interviews than the target of each country. On completion of the survey, we conducted 6,667 interviews; 377 interviews more than the sum of the targeted number of interviews of the 27 countries and 167 more than the original target which also included Turkmenistan.

With the exception of specific sectors within some countries where quotas were eased to below 10% or even completely removed (e.g. Hungary/state -owned, Tajikistan/foreign-owned, etc) all other quotas were met.

Meeting quotas for 7 interlocking parameters presented many challenges to the majority countries. In general (details of each country's experience are given in Appendix C), meeting quotas for the following sectors presented the biggest problems:

- State -owned: Due to fast diminishing numbers as a result of privatization and little enthusiasm to participate in the survey
- Large: In some of the smaller countries with less developed economies large companies were hard to find. Also, arranging appointments for interview often required the approval of many senior managers and/or the Board of Directors
- Foreign-owned: Very few databases were available in order to find these enterprises. Also, often approval for an interview had to be given by the foreign owners/head office who normally were located outside the country
- Exporting: Few details were given in the available databases and often many "blind telephone calls" had to be made in order to find these enterprises.



The survey covered the width and breadth of countries (see table below) for two main reasons:

- To achieve diverse geographic coverage. For example in Russia, the survey covered cities as far as Siberia and the Far East (Vladivostock)
- In many cases in order to meet the interlocking quotas geographic expansion (i.e. more enterprises of a certain profile in one region than another) of the survey was necessary.

	Country	Number of cities/towns/small cities/countryside
1	Yugoslavia	16
2	FYROM	15
3	Albania	12
4	Croatia	46
5	Turkey	15
6	Bosnia	10
7	Slovenia	64
8	Poland	55
9	Ukraine	35
10	Belarus	26
11	Hungary	18
12	Czech Rep.	18
13	Slovak Rep.	12
14	Romania	18
15	Bulgaria	41
16	Moldova	10
17	Latvia	25
18	Lithuania	41
19	Estonia	21
20	Georgia	12
21	Armenia	10
22	Kazakhstan	28
23	Azerbaijan	18
24	Uzbekistan	53
26	Russia	61
27	Tajikistan	20
28	Kyrgyzstan	15

## **6 Observations and experiences from the survey**

This section summarizes the observations and experiences from the survey in all countries. Specific experiences and observations from each country can be found in Appendix C. Where deemed prudent, we summarized political, business, social, or other factors of each country, which preceded or took place during fieldwork so as to provide the EBRD/World Bank with additional “insides” when evaluating and interpreting the results.

## 6.1 Enterprise recruitment (screener questionnaire)

With the exception of Albania, Armenia, Bosnia, Georgia and Uzbekistan where some screener interviews were conducted face-to-face in all other countries, these were carried out over the phone.

### 6.1.1 Questions asked by respondents during recruitment

Questions asked by respondents during recruitment were as follows:

- What is the duration of the interview?
- What is the objective of this survey?
- Would responses be confidential?
- Would the information be disclosed to tax or government authorities?
- Will you be asking “sensitive” questions?
- What questions would you be asking?
- We want to see the questionnaire - can you fax it?
- Who will use the information?
- Who is the sponsor of the survey?
- Can I self-complete the questionnaire?
- Why is your company conducting this survey? What is your relationship with the World Bank/EBRD
- Why should I participate?
- When and how can I see the results of the survey?
- What is your source of information on my company? How and why was I selected?
- Will you give me an incentive for my time?

### 6.1.2 Reasons for which respondents could not/would not take part in the survey

Reasons for which respondents could not/would not participate in the survey were as follows:

- The interview duration is too long (recruiters mentioned approximately 1 hour)
- Potential eligible respondent (s) on vacation
- No free time to take part
- Not interested in the topic of this survey
- As a rule do not take part in any surveys
- No specific reason or explanation given
- Need approval from the ministry (State-owned enterprises)
- My contract does not allow me to disclose any information about the company
- Need permission from the foreign owner (the office is abroad)
- Disapproval of World Bank/EBRD activities
- We can not disclose any company confidential information
- We not trust that the results will be confidential
- The survey will not change anything so why should I take part?
- This type of survey is espionage into our company activities
- Employment of delay tactics instead of outright refusal (call me tomorrow, call me tomorrow, call me tomorrow, ...)

The table below summarizes the interview success rates for each country.

Country code	Country	Enterprises contacted	Completed interviews	Refused / Not available	Not eligible/quotas already met	Completed interviews	Refused / Not available	Not eligible/quotas already met
		Number of enterprises				% enterprises		
1	Yugoslavia	442	250	141	51	56.56%	31.90%	11.54%
2	FYROM	332	170	102	60	51.20%	30.72%	18.07%
3	Albania	380	170	126	84	44.74%	33.16%	22.11%
4	Croatia	445	187	190	68	42.07%	42.74%	15.19%
5	Turkey	859	514	225	120	59.84%	26.19%	13.97%
6	Bosnia	340	182	98	60	53.53%	28.82%	17.65%
7	Slovenia	604	188	228	188	31.15%	37.78%	31.07%
8	Poland	1007	500	246	261	49.65%	24.43%	25.92%
9	Ukraine	1408	463	534	411	32.88%	37.93%	29.19%
10	Belarus	698	250	208	240	35.82%	29.80%	34.38%
11	Hungary	612	250	269	93	40.85%	43.95%	15.20%
12	Czech Republic	828	268	320	240	32.37%	38.65%	28.99%
13	Slovak Rep.	618	170	220	228	27.51%	35.60%	36.89%
14	Romania	927	255	390	282	27.51%	42.07%	30.42%
15	Bulgaria	569	250	131	188	43.98%	23.04%	32.98%
16	Moldova	575	174	260	141	30.26%	45.22%	24.52%
17	Latvia	454	176	210	68	38.81%	46.31%	14.88%
18	Lithuania	434	200	171	63	46.08%	39.40%	14.52%
19	Estonia	361	170	125	66	47.09%	34.63%	18.28%
20	Georgia	403	174	158	71	43.23%	39.25%	17.52%
21	Armenia	442	171	217	54	38.69%	49.10%	12.22%
22	Kazakhstan	1168	250	631	287	21.41%	54.05%	24.54%
23	Azerbaijan	389	170	160	59	43.76%	41.18%	15.06%
24	Uzbekistan	1020	260	274	486	25.49%	26.86%	47.65%
26	Russia	1937	506	993	438	26.12%	51.26%	22.61%
27	Tajikistan	397	176	123	98	44.39%	31.02%	24.59%
28	Kyrgyzstan	407	173	171	63	42.51%	42.01%	15.48%
<b>Total</b>		<b>18,052</b>	<b>6,667</b>	<b>6,921</b>	<b>4,464</b>	<b>36.93%</b>	<b>38.34%</b>	<b>24.73%</b>

We contacted 18,052 enterprises and achieved an interview completion rate of 36.93%. Respondents who either refused outright (i.e. not interested) or were unavailable to be interviewed (i.e. on holiday, etc) accounted for 38.34% of all contacts. Enterprises which were contacted but were non-eligible (i.e. business activity, year of establishment, etc) or quotas were already met (i.e. size, ownership etc) or to which “blind calls” were made to meet quotas (i.e. foreign ownership, exporters, etc) accounted for 24.73% of the total number of enterprises contacted.

## 6.2 Main interview

### 6.2.1 Overall attitude of respondents

With a few exceptions, interviews were carried out in a calm and constructive atmosphere. Respondents who agreed to be interviewed were quite attentive and interested in the survey. However, as will be explained in the following section, the length of interview was a major source of complaint by respondents.

### 6.2.2 Length of interview

The minimum time taken to administer an interview was about 1 hour with an average of 1.5 hours or even longer. Some interviews were completed over a 2-4 day period in various sittings.

The actual length of interview was one of the major complaints made by respondents. In many cases, prospective respondents refused to be interviewed (see 6.1.2) just because the anticipated length of interview was estimated at 1 hour.

Due to the length of interview, some respondents were getting extremely tired, lost concentration and interest and often irritated and as a result towards the end of the questionnaire their responses were suspiciously quick, or less attentive than before.

#### 6.2.2.1 Respondent profile

At each enterprise, interviews were conducted with the “person who normally represents the company for official purposes, that is who normally deals with banks or government agencies/institutions”.

At small enterprises, interviewing one respondent was often adequate to complete the questionnaire. However, in many cases and especially in larger enterprises it was impossible for the principal respondent to answer all questions. In order to enhance the quality of responses to specific topics of the questionnaire, the principle respondent often had to consult with accountants, lawyers, and personnel managers. The quest for accurate information, which needed the attendance of 24 respondents, meant that the length of interview was often well beyond the 1 hour planned. The need to have more than respondent present also meant that we had to “arrange” appointments with not just one respondent but also with accountants, lawyers and personnel managers who were not always available.

In many cases respondents had to perform their work duties (answer the phone, respond to intruders, etc) interrupt to deal with unplanned emergencies and this added to the overall time required to complete an interview.

### 6.2.3 Terminated interviews

Some interviews were terminated mainly for the following reasons:

- The interview was too long and the respondent “had enough”
- The respondent was angry and irritated and not prepared to answer “sensitive” questions

#### 6.2.4 Questionnaire content

Besides of the length of the questionnaire which, was a major concern to respondents, some respondents commented that the questionnaire content was more applicable to manufacturing enterprises and less to firms within the services industry.

Some respondents described the questionnaire as “tactless” with reference made to the “sensitive” questions on financial results, unofficial payments, corruption, tax evasion, etc. In general, respondents received these questions with obvious discomfort, suspicion and mistrust.

Despite our frequent re-assurances about confidentiality, some respondents appeared to be less convinced than others.

Respondent who were very keen to give precise answers, complained about the questions where financial data had to be given as percentage of total sales; they considered the exercise as complicated and tiresome.

Less educated respondents (normally managers of small firms) had difficulties in understanding financial/complicated terminology. Problems were also encountered with long questions especially those concerned with hypothetical scenarios.

## **7 Permission to include enterprise details in database for BEEPS III**

Despite the problems, concerns, reservations and complaints of respondents, if the high level of permission – 73.05% (see table below) given by respondents to include their firms' details in our database for BEEPS III is something to go by, then the survey was quite a success.

			Permission	
	Country	Completed	Granted	Refused
1	Yugoslavia	250	63.20%	36.80%
2	FYROM	170	55.88%	44.12%
3	Albania	170	70.00%	30.00%
4	Croatia	187	83.42%	16.58%
5	Turkey	514	83.66%	16.34%
6	Bosnia	182	69.23%	30.77%
7	Slovenia	188	72.34%	27.66%
8	Poland	500	58.80%	41.20%
9	Ukraine	463	78.83%	21.17%
10	Belarus	250	74.00%	26.00%
11	Hungary	250	63.20%	36.80%
12	Czech Rep.	268	52.99%	47.01%
13	Slovak Rep.	170	57.65%	42.35%
14	Romania	255	83.14%	16.86%
15	Bulgaria	250	80.00%	20.00%
16	Moldova	174	69.54%	30.46%
17	Latvia	176	75.00%	25.00%
18	Lithuania	200	81.00%	19.00%
19	Estonia	170	77.06%	22.94%
20	Georgia	174	93.68%	6.32%
21	Armenia	171	60.82%	39.18%
22	Kazakhstan	250	84.80%	15.20%
23	Azerbaijan	170	86.47%	13.53%
24	Uzbekistan	260	89.23%	10.77%
26	Russia	506	63.64%	36.36%
27	Tajikistan	176	82.39%	17.61%
28	Kyrgyzstan	173	72.25%	27.75%
<b>Total</b>		<b>6,667</b>	<b>73.05%</b>	<b>26.95%</b>

## **8 Other comments made by respondents**

- The majority of respondents expressed an interest in obtaining obtain access to the final results of the survey
- Few respondents believed that this survey would change anything or bring benefits to their countries or to the business environment
- Some respondents believed/asked if participation to this survey will make it easier for them to obtain credit from the EBRD.

## **9 Recommendations**

- Questionnaire
  - ◆ Make the questionnaire shorter - maximum 45 minutes
  - ◆ Simplify some questions (i.e. finance terminology) of the questionnaire so that this is better understood by all respondents regardless of their educational backgrounds
  - ◆ Develop different questionnaires for the manufacturing and service sectors or skip questions which are not applicable to each sector
  - ◆ Develop a questionnaire which could be answered by a single respondent
  - ◆ Make all questions closed. For questions on financial results which were the least welcomed by respondents have pre-coded answers with range of values.
  
- Sample criteria
  - ◆ For BEEPS III, ease the quotas for state-owned companies as these are enterprise fast diminishing
  
- Administration of the survey
  - ◆ Avoid conducting fieldwork during the summer season as many potential respondents are on vacation
  - ◆ Allow more time for preparation in order to verify the reliability and accuracy of the sources of information
  
- Communication
  - ◆ Publish the results of survey and communicate these to the business community in each country

# **APPENDIX A**

**Example of sample design guidelines sheet**



SECTOR	ISIC Division	Ownership			Size (No of employees)			Location						
		Total	State owned	Private	Total	2-49 Employees	50-249 Employees	Over 249 Employees	Total	Capital	Over million	1250,000-1,000,000	50,000-250,000	Under 50,000
<b>TOTAL</b>		250 100%	38 15.20%	212 84.80%	249 99.60%	144 57.60%	67 26.80%	38 15.20%	250 100.00%	50 20.00%	0 0.00%	52 20.80%	66 26.40%	82 33.00%
Mining and Quarrying	Section C: 10-14	0												
Construction	Section F: 45	23												
Manufacturing	Section D: 15-37	81												
<b>TOTAL INDUSTRY</b>		104 42%	15 6.00%	89 35.60%	103 41.20%	70 28.00%	18 7.20%	15 6.00%	104 41.60%	21 8.32%	0 0.00%	23 9.20%	26 10.40%	34 13.73%
Transportation, Storage and Communications	Section I: 60-64	19												
Wholesale, retail, repairs	Section G: 50-52	70												
Real Estate and Buisness Service	Section K: 70-74	27												
Hotels and Restaurants	Section H: 55	17												
Other community, social and personal activities	Section O: see note	13												
<b>TOTAL SERVICES</b>		146 58%	23 9.20%	123 49.20%	146 58.40%	74 29.60%	49 19.60%	23 9.20%	146 58.40%	29 11.68%	0 0.00%	29 11.60%	40 16.00%	48 19.27%

## **APPENDIX B**

### **Number of interviews and quotas**

	Country	No. of interviews		City/Town			Sector		Main Activity		Number of employees			Foreign owned	Export	GDP Contribution	
		Target	Completed	Large	Medium	Small	Private	State	Industry	Services	Small	Medium	Large			Industry	Services
1	Yugoslavia	250	250	46.40%	34.80%	18.80%	83.20%	16.80%	36.40%	63.60%	62.00%	20.40%	17.60%	14.80%	14.40%	48.00%	52.00%
2	FYROM	170	170	60.00%	23.53%	16.47%	96.47%	3.53%	36.47%	63.53%	70.59%	16.47%	12.94%	11.76%	26.47%	38.00%	62.00%
3	Albania	170	170	28.82%	52.35%	18.82%	89.41%	10.59%	48.82%	51.18%	71.18%	18.24%	10.59%	11.76%	19.41%	54.00%	46.00%
4	Croatia	170	187	32.09%	25.13%	42.78%	85.03%	14.97%	34.76%	65.24%	66.84%	18.18%	14.97%	14.97%	22.46%	36.00%	64.00%
5	Turkey	445	514	30.93%	48.05%	21.01%	87.55%	12.45%	37.35%	62.65%	66.54%	21.01%	12.45%	12.45%	21.01%	27.00%	73.00%
6	Bosnia	170	182	34.62%	48.90%	16.48%	87.36%	12.64%	45.60%	54.40%	60.99%	23.08%	15.93%	12.64%	19.78%	30.00%	70.00%
7	Slovenia	170	188	26.60%	20.74%	52.66%	91.49%	8.51%	41.49%	58.51%	76.60%	13.30%	10.11%	12.23%	34.57%	40.00%	60.00%
8	Poland	445	500	13.00%	62.60%	24.40%	86.20%	13.80%	38.00%	62.00%	66.20%	21.60%	12.20%	13.60%	18.40%	37.00%	63.00%
9	Ukraine	445	463	15.33%	67.39%	17.28%	85.53%	14.47%	42.76%	57.24%	66.95%	18.36%	14.69%	14.69%	20.09%	45.00%	55.00%
10	Belarus	250	250	29.60%	55.20%	15.20%	82.40%	17.60%	44.00%	56.00%	68.80%	16.00%	15.20%	15.20%	20.40%	44.00%	56.00%
11	Hungary	250	250	36.40%	42.00%	21.60%	94.80%	5.20%	36.40%	63.60%	68.00%	15.20%	16.80%	21.20%	22.00%	36.00%	64.00%
12	Czech	250	268	23.13%	33.21%	43.66%	86.57%	13.43%	41.79%	58.21%	66.79%	17.16%	16.04%	13.43%	21.27%	43.00%	57.00%
13	Slovak	170	170	41.76%	40.00%	18.24%	84.71%	15.29%	27.65%	72.35%	63.53%	20.59%	15.88%	15.29%	27.06%	32.00%	68.00%
14	Romania	250	255	20.00%	48.24%	31.76%	85.10%	14.90%	41.57%	58.43%	60.39%	24.71%	14.90%	14.51%	20.78%	42.00%	58.00%
15	Bulgaria	250	250	23.60%	38.80%	37.60%	85.20%	14.80%	28.40%	71.60%	69.60%	15.20%	15.20%	13.60%	24.80%	28.00%	72.00%
16	Moldova	170	174	41.38%	22.99%	35.63%	84.48%	15.52%	31.61%	68.39%	67.82%	20.11%	12.07%	15.52%	24.14%	28.00%	72.00%
17	Latvia	170	176	56.82%	11.93%	31.25%	82.95%	17.05%	22.73%	77.27%	71.02%	14.77%	14.20%	14.77%	17.05%	26.00%	74.00%
18	Lithuania	170	200	31.00%	35.50%	33.50%	84.50%	15.50%	36.00%	64.00%	67.00%	20.00%	13.00%	12.50%	16.50%	36.00%	64.00%
19	Estonia	170	170	54.12%	21.18%	24.71%	85.88%	14.12%	31.76%	68.24%	71.76%	15.29%	12.94%	14.71%	18.24%	29.00%	71.00%
20	Georgia	170	174	51.15%	32.76%	16.09%	84.48%	15.52%	25.86%	74.14%	74.71%	14.94%	10.34%	10.92%	17.82%	18.00%	82.00%
21	Armenia	170	171	50.29%	26.32%	23.39%	82.46%	17.54%	45.61%	54.39%	72.51%	13.45%	14.04%	14.62%	19.30%	46.00%	54.00%
22	Kazakhstan	250	250	18.00%	67.20%	14.80%	84.80%	15.20%	43.20%	56.80%	69.60%	15.20%	15.20%	13.20%	16.00%	43.00%	57.00%
23	Azerbaijan	170	170	63.53%	21.76%	14.71%	84.71%	15.29%	46.47%	53.53%	70.00%	15.29%	14.71%	11.18%	15.29%	47.00%	53.00%
24	Uzbekistan	250	260	28.46%	38.85%	32.69%	86.15%	13.85%	37.31%	62.69%	70.00%	16.54%	13.46%	13.46%	5.38%	35.00%	65.00%
26	Russia	445	506	25.89%	56.72%	17.39%	86.76%	13.24%	42.49%	57.51%	67.59%	19.57%	12.85%	10.87%	13.24%	42.00%	58.00%
27	Tajikistan	170	176	35.80%	42.05%	22.16%	78.98%	21.02%	42.05%	57.95%	59.09%	27.27%	13.64%	4.55%	14.20%	32.00%	68.00%
28	Kyrgyzstan	170	173	31.21%	40.46%	28.32%	84.39%	15.61%	43.35%	56.65%	63.01%	26.59%	10.40%	11.56%	13.87%	44.00%	56.00%
<b>TOTAL</b>		<b>6,330</b>	<b>6,667</b>														

## **APPENDIX C**

### **Country reports on observations and experiences**

## **C1 Albania**

The illegal economy, illegal status of some businesses, tax evasion, the lower education level of senior managers compared to their employees, are some of the issues which need to be taken into consideration when evaluating the results of this survey.

The sources of information used for the establishment of the sample frame and for sampling were as follows:

- Enterprise's Indicators (By Prefectures) 2001 Instat, Albania
- General Results of Annual Structural survey of Economic Enterprises Year 1999, Tirana April, 2001
- World Development Indicators, World Bank, 2000 (Albania)
- Statistical Institute of Albania
- IMF and bank of Albania staff estimates
- Database of Fiscal Policy for Tirana and other districts with information for 200 biggest companies
- Auditing Institute of Albania

The information contained in the databases for some enterprises and sectors of industry were outdated. This was particularly true for state-owned companies, large companies, and the mining and quarrying sector – the majority of enterprises existed statistically but in reality they were not functioning. In view of the problems encountered with the accuracy of the sources of information, fieldwork took longer than planned.

It was more difficult to interview large private companies, especially those with foreign ownership. Enterprises owned by Middle Eastern businessmen were particularly difficult to interview.

Respondents were generally suspicious. Conducting telephone interviews (i.e. the screener questionnaire) did not fit well with the culture of Albanian businessmen. Also, in some regions, the telephone system was far from developed (poor telephone lines, etc). For this reason in some cases supervisors/interviewers visited enterprises in person and arranged appointments / administered both questionnaires (screener and main questionnaire) face-to-face.

The length of interview (2 – 3 hours) as well as the topics covered (beyond the education level or knowledge of some respondents) were some of the problems encountered during the implementation of the survey. Managers of small business found the questionnaire a little too sophisticated.

Twelve interviews were terminated once interviewers started to ask questions on enterprise finances, or tax evasion. Some interviews were even terminated at the end of the screener questionnaire when respondents were asked for their name. Respondents appeared to be particularly sensitive to questions concerning margins (Q23) and "protection payments" (Q44).

Although some respondents had negative attitudes towards the survey, many other respondents appreciated the questionnaire, and even considered the interview useful (in the sense that they never analyzed their business activities in such a detail) to their company.

The majority of respondents (70%) agreed to take part in BEEPS III and was interested in the conclusions of the survey.

## **C2 Armenia**

No major or unusual political, social or business activities have occurred before or during the survey.

The sources of information used for the establishment of the sample frame and for sampling were as follows:

- State Statistical Committee
- State register of Ministry of justice (2001)
- RA national statistical department (2001)
- Business catalogue (of RA enterprises)
- Yellow pages
- Internet sources
- Legal Bodies registered in the Republic of Armenia - catalogue published by State Register in co-operation with USAID
- Business Catalogues
- Yellow pages and telephone directories

The most difficult enterprises to find were large companies. Due to the current business climate, the majority of the “formerly” large companies decreased their scale of operations and consequently their full time employees. Finally, not all large enterprises contacted agreed to be interviewed.

State-owned enterprises were also difficult to find as the majority of them were privatised or partially sold to private investors (especially those in the service sector). We also faced difficulties to find and interview foreign-owned and exporting enterprises.

Interviews lasted from 80 minutes to 4 hours. The average duration of interview was 2 hours. Most respondents were co-operative, but were getting tired and irritated towards the end of the interview with less attention given to their answers. Some respondents asked for help from other colleagues in order to answer specific topics. Four interviews were interrupted; one respondent had other business engagements and the other three respondents called the questionnaire an economical investigation and refused to answer the remaining questions.

Arranging interviews by telephone (screener questionnaire) was not successful in small towns because some small firms (retail outlets) did not have a phone or because phone lines were poor. Also some respondents appeared to be more positively inclined towards the interview when appointments were arranged face-to-face than by phone. Due to these reasons, it was decided to terminate telephone interviews (screener) and visit targeted enterprises in person. Naturally, this affected the timeliness of fieldwork to a certain extent.

For some respondents (especially less educated, like of small stores or respondents in small towns) the questionnaire (certain questions or statements) was difficult to understand because of the special terminology used. Interviewers had to repeat and explain questions in order to assure reliability of answers. Questions on finances, margins, security/protection payments were not well received by respondents.

Some respondents complained about tax officers. On credit one respondent mentioned that *“credit is available only for certain people or through bribe (10% of the credit amount) – the credit system in highly corrupted”*.

### **C3 Azerbaijan**

In June 2002, the President of the country met with local and foreign business leaders, in order to discuss the status of the economy as well as problems faced when conducting business such as taxation, customs, licensing regulation, infrastructure, etc.

Since then, a number of decrees were signed, but the after-effects of this meeting are still being evaluated.

We believe that this meeting was a useful introduction to BEEPS II because respondents (not all of them of course) appeared to welcome this survey as might otherwise we would have expected.

The sources of information used for the establishment of the sample frame and for sampling were as follows:

- State Statistical Committee of Azerbaijan
- Yellow Pages Azerbaijan - 2001
- Kompas Azerbaijan - 2002
- Baku – Alphabetical Company Directory – 2001

The sources of information often lagged the changing business environment (companies closed or changed their main activity, etc.) and also contained few details on parameters of interest to the survey (i.e. number of employees, exports, etc). This made the administration of the survey difficult. State-owned (reluctant to participate, no permission by the relevant ministry, etc), large and foreign-owned enterprises were particularly difficult to find as well as to arrange appointments. Conducting the survey during the preparation of the semi-annual report of firms' did not help either.

Interviews ranged from 1 hour to 2 hours, with an average of 1.5 hours. Interviews were conducted with one respondent but in some cases joint interviews with accountants, lawyers and human resource managers (each manager responding to this topic of specialisation) were also necessary. The length of interview was a cause of discomfort to respondents. Respondents were embarrassed by questions concerning their financial results, taxation, legal rights, relationship with / and payments to officials and as a result 8 interviews were terminated before completion. Some respondents also appeared uncomfortable with questions on shareholding. We are unsure if this was due to “grab for assets” or due to honest ignorance.

Some respondents recommended that in BEEPS III the performance of the Traffic Police (!!), and the Passport Registration Department (especially for getting foreign passport) may also be worth evaluating/investigating.

### **C4 Belarus**

Belarus is the last country in Central Europe that still has not made too much effort to switch into a free market economy. The control of the government is visible everywhere but there are some signs of the emergence of private and privatized enterprises.

The sources of information used for the establishment of the sample frame and for sampling were as follows:

- Main Committee on Statistics Planning and Management (“???????e ????????e ?????????????? ?????????????? ? ?????????????? ??????????????”).
- Business in Belarus 2001
- Independent Enterprises of the Republic of Belarus
- Local Committees
- Local directories
- List of foreign companies provided by the Ministry of Foreign Affairs.

The biggest problem was finding and interviewing foreign-owned and exporting enterprises. In Belarus, the share of foreign capital is still very small. Moreover, a significant number of foreign firms registered in the country, conduct their activities through representative offices, which are not allowed by law to be engaged in commercial activities. Nonetheless, the list of enterprises provided obtained from the Ministry of Foreign Affairs proved reliable and useful. Exporting companies were found by calling “likely” firms and asking for this information.

Depending on the company but also on the respondent, interviews lasted from 50 minutes to 2.5 hours with an average of approx. 90 minutes. The major problem in implementing the survey was the length of the interview. Nevertheless, some directors considered the project to be too important not to give precise figures and hence asked their accountants or deputy directors and personnel managers to participate in the interview. In some cases interviews were conducted over 2-3 days. Respondents tended to be tired after answering so many questions and in some cases even angry and frustrated.

In 20 cases directors initially agreed to be interviewed (after completing the screening questionnaires) but later declined when interviewers visited their enterprises. During callbacks, some respondent mentioned that they were pleased and happy to have participated in the survey, while others refused to answer any further questions explaining that they had already lost too much time on this.

Directors of private companies seemed concerned when responding to questions on unofficial payments/taxation (Q55-Q58) and turnover and assets Q82 (confidential).

Some comments made by respondents were as follows:

*“Public officials already have very high income and they do not need any unofficial payments.”*

*“It is impossible to make unofficial payments in a small town, because everyone would know about it the next day.”*

*“This is nothing more but espionage”*

*“The EBRD is an espionage organization”*

### **C5 Bosnia and Herzegovina**

The feeling within the business community is that the majority of managers were pre-occupied with taking-up or holding positions without showing much interest in the company itself. Managers of state-owned companies mostly assigned to their posts due to their political affiliations were distracted from “doing business” and appeared to be overwhelmed with politics because of the upcoming autumn elections.



Due to the undergoing process of privatisation, some respondents were not fully aware or unwilling to disclose the current status of ownership of their companies. Some reports say that many of the currently successful private companies gained their profits through dubious means.

Recent regulations enacted by the customs service as well as the tax department created a general climate of distrust among managers and fear of losing their positions.

The sources of information used for the establishment of the sample frame and for sampling were as follows:

- Registers of companies, issued by the Bureau of Statistics of B&H's and Yugoslavia
- National and regional business directories, sorted out by type of business

Large as well as foreign-owned companies presented the most challenges in meeting the quotas. The universe of large companies was relatively small, while foreign enterprises were difficult to find (no information in the databases). Also, few foreign companies were established before 1999 (the civil war was ended in 1995). Nonetheless, both quotas were achieved. Managers of the few mines and quarries (located in remote areas of the country), who are known for their radical political and nationalistic views declined to be interviewed.

In some cases, contacting prospective respondents by phone was not successful as this made respondents more suspicious than otherwise might have been. In order to enhance respondent co-operation we had to visit their premises and administer the screener questionnaire face-to-face.

In most cases, respondents showed signs of frustration and lack of concentration because of the length of the interview. Some interviews resumed after long interrupting breaks. Long questions, especially the hypothetical ones did not go down well with respondents.

In some cases and following requests by respondents due to other duties (respondents carry on working by answering phones, interruptions due to emergencies, etc) interviews were completed in various sessions over 2 – 4 day periods. On some occasions interviewers had to wait at the enterprise for a whole day in order to complete an interview. Obviously this survey was not among the top priorities of some busy managers.

Questions on corruption, bribery, “unofficial payments” and employment levels were not welcomed enthusiastically by respondents.

Some respondents considered the questions on profit and turnover as provocative and were evasive or unwilling to answer.

## **C6 Bulgaria**

No major or unusual political, social or business activities have occurred before or during the survey. The results should be evaluated within the context of lack of experience of enterprises with business surveys and general suspiciousness among respondents.

The sources of information used for the establishment of the sample frame and for sampling were as follows:

- Statistical Yearbook 2000 - NIS, 2001
- Medium and Small Enterprises in Bulgaria 1999– 2000 - NIS, 2002

- Official web-site of NIS and its links:
- Internet sites: [www.nsi.bg](http://www.nsi.bg), [www.bulstat.nsi.bg](http://www.bulstat.nsi.bg) , [www.econ.bg](http://www.econ.bg)
- Kras Business Directory 2002
- *Who is who in Bulgarian Business Encyclopedia 2001 – 2002*
- Domino Business Directory 1999
- Regional telephone directories and yellow pages
- State Gazette

As no information about the number of employees were available in the databases used, this caused many “blind calls” in order to meet the quotas. Another difficulty was to find state-owned companies within all sectors, particularly in the service industry (e.g. “real estate and business services, hotels and restaurants, etc), because the ongoing process of privatization caused the fast “aging” of the available databases. Many companies listed as “state owned” turned out to be recently privatized. Some of the state companies needed more / too much time to react because they had to coordinate their decisions with the principal holder of the firm – ministry, government agency etc.

The average length of interviews was approximately 70 minutes. The quickest interview took 60 minutes while the longest continued for about 3 hours. In some interviews, the chief accountant, and HR managers were also in attendance. Due to the length of the questionnaire, some respondents appeared to answer “suspiciously quickly” to the last few questions.

Although the majority of respondents who were approached were suspicious (*“I provide such kind of information only to the official governmental Statistical Institute”*), most agreed to be interviewed again in the future. Some respondents expressed the view that this survey will bring no real benefits to Bulgarian firms.

The section on “unofficial payments” caused inconvenience to some respondents. Those who felt uncomfortable to answer often replied *“I do not know”* or *“I do not want to answer this question”*. Comments were also made that this survey was a *“spying exercise”*.

Generally, small firms were harder to interview, especially in small towns/villages because respondents had more difficulties to relate to the topics of the questionnaire *“too academic / hypothetical”*.

Due to the high level of unemployment in the country many workers perform duties below their level of education. In most cases, managers did not know or cared about the educational level of their workers (Q94), especially in the service sector (e.g. wholesale retail, repairs, etc.) and hence could not relate to this question.

## **C7 Croatia**

No major or unusual political, social or business activities have occurred before or during the survey.

The sources of information used for the establishment of the sample frame and for sampling were as follows:

- Register of companies from the State Office for Statistics
- Ministry of Economic Affairs
- National Chamber of Commerce

By and large the databases were accurate, though not completely updated; especially, in the case where the information was concerned with ownership which has been changing rapidly in the last couple of months before the survey.

The most challenging BEEPS quotas to achieve, were those of foreign and state-owned ownership. As the privatization process in Croatia is still not over, many state companies have not had their ownership status yet resolved and many of them went bankrupt.

The most frequent comment made by respondents was concerning the length of the questionnaire (on average 90 minutes) ; they found the interview tiresome, and were losing concentration and patience by the end of the interview. Typically in the words of one respondent *“the survey is too extensive; by the end of the interview I couldn't concentrate and therefore gave estimates rather than facts”*.

Only one interview was terminated before the end, because when the chairman found out that an interview was in progress with his general manager, then claiming “confidentiality reasons” he asked for the interview to be stopped.

A number of respondents expressed the belief that due to fast changing business environment a lot of questions may be answered differently in the very near future.

The questions on unofficial payments caused embarrassment to some respondents, else interviewers felt that respondents were doing the best they could to give full and honest answers (except when fatigue was setting due to the length of the questionnaire).

### **C8 Czech Republic**

In the second half of 2001, the Government undertook to carry out a national Census in order to update its records. This process created intense political and social debates surrounding the issue of personal data and had extensive media coverage for several months. This focus on disclosing “personal data” (in its broader sense) was indeed a very controversial topic and the general population of the Czech Republic was strongly affected by this. This was evident in the fact that respondents were particularly restrained and suspicious about giving out information, especially information of financial nature. This general reticence in disclosing information was clearly felt when interviewing owners of small companies where the line between “personal data” and company data are somewhat blurred.

The sources of information used for the establishment of the sample frame and for sampling were as follows:

- Statistical Office
- American Chamber of Commerce
- Albertina Company Monitor (ACM)
- Prague Business Journal
- Yellow pages and telephone directories

The most difficult enterprises to recruit emerged to be the state-owned as well as the foreign-owned firms. The difficulty for the state-owned companies related to the rapidly changing status of this sector of companies and thus the lack of updated information on these enterprises. In addition, the larger state-owned companies were clearly very bureaucratic organizations in terms of their culture and allowance of little room for “non-standard” activities such as taking part in a 1-hour interview.

In the case of foreign-owned companies, here again, recruitment was made difficult due to the fact that ownership status was not always specified in our sources. In addition, refusal rates were also very high, for the opposite reason of the state-owned companies, namely the fact that the company culture of foreign owned companies tended to be more fast-moving and production oriented and less likely to devote time to external requests.

The minimum time required to complete an interview, was 1 hour. The normal time for conducting an interview was approximately 1.5 hours while some interviews took almost 3 hours.

Beyond the questionnaire length many respondents found the questionnaire to be rather complicated and questions often had to be read a couple of times before they could be answered. In particular, the hypothetical questions were found to be rather difficult to grasp. Some questions were also found too long and too demanding in terms of concentration in order to be understood.

Many respondents were also clearly reluctant or, at best, uneasy to disclose financial data pertaining to the company's performance. Some respondents claimed that they were not allowed (by company policy) to disclose such information while others responded half-heartedly.

Indicative of the rather suspicious nature of today's Czech businessman, the authenticity of the EBRD letter was actually questioned by a few candidates.

### **C9 Estonia**

No major or unusual political, social or business activities have occurred before or during the survey.

The sources of information used for the establishment of the sample frame and for sampling were as follows:

- Center of Registers, Ministry of Justice of Estonia
- Estonian Enterprises Register
- Central Database of the registration departments of courts
- Internet site: [www.err.ee](http://www.err.ee)

The contact details of some enterprises were verified from their web pages.

The most difficult companies to find were state-owned mostly because there are very few of them left in, Estonia today. To add to this problem, it was also difficult to arrange interviews with state-owned companies because some managers (mostly older persons) preserved their former mentality towards business conduct (secretive, skeptic towards market research, etc)

The minimum time to complete an interview was about 55 minutes. The longest interview took about 180 minutes while the normal time for conducting an interview was about 90 minutes. Quite a few respondents complained about the length of the interview and as they had made other appointments interviews were terminated and resumed later (same day or the following day). In general, respondents were polite enough to go through the entire questionnaire. Some respondents considered this survey to be very interesting and were very persistent in giving accurate answers, by opening files, checking data in the computer and by asking for help from co-workers and other departments. In the words of one

respondent: “ *This is very interesting survey and this kind of surveys are definitely to be supported*”.

Still, some respondents had negative attitudes towards this research and preferred to comment on questions than to answer them (don't know, refused).

Questions on financial results and unofficial payments, turnover declaration were regarded as too confidential and respondents refused to answer them. Questions which required calculations (% 's) caused frustration among some respondents.

### **C10 FYROM**

Macedonia was facing parliamentary elections in September, and the pre-election campaign was heated. Polarisation between the two major political groups (VMRO and SDSM supporters) among management and workers was obvious. Hence, prospective respondents appeared to be afraid/concerned of any potential consequences of the interview – even afraid of losing their jobs. Depending on their political affiliations some managers commented, “ *come after the elections and then we can talk*”

There was an official deadline on June 30<sup>th</sup>, for introducing new fiscal regulations in Macedonia in order to eliminate the 'grey market'. So, the first reaction of companies engaged in trade and other services activities, was that the World Bank was checking their financial policy through its controllers, i.e. whether the new regulations had been respected.

Furthermore, fearing of losing the upcoming elections the government (at the time of the survey) was making hasty attempts to privatise the remaining state-owned companies (only a few remaining). This made these companies difficult to interview, because all information related to their businesses was regarded as strictly confidential.

The sources of information used for the establishment of the sample frame and for sampling were as follows:

- Register of companies, issued by the Macedonian Bureau of Statistics
- Yellow Pages – list of companies by type of business
- List of state-owned companies designated for sale, issued by Agency for Privatisation

The most difficult enterprises to interview were state-owned companies, partly because there were very few left (majority already privatised, others inactive, etc), and partly because they were typically very suspicious of the objectives of the interview.

After days of waiting to arrange an appointment, The Board of Directors of one state-owned company refused to be interviewed on the grounds that this was a case of pre-election espionage. Also, reference to the World Bank wasn't helpful at all with these enterprises – on the contrary, it usually provoked more bitterness and anger. Accusations of espionage were quite common.

The general comment made by respondents was that the interview was too long (min 60 minutes, maximum 3.5 hours), that they were wasting their precious time but still were polite enough to bring the interview to an end, having already accepted it. No interviews were terminated prematurely, but ¾ into the questionnaire, respondents were getting tired, started to loose attention, were irritated and as consequence their answers appeared to be given with less attention than at the beginning of the interview.

Respondents did not enthusiastically welcome questions on employment levels and financial results.

Few respondents said that it was a good idea for the World Bank, to see what's going on in Macedonia. In view of the up-coming elections the survey was conducted under a heated political climate and when everyone was afraid of everyone else.

### **C11 Georgia**

No major or unusual political, social or business activities have occurred before or during the survey.

The sources of information used for the establishment of the sample frame and for sampling were as follows:

- Georgian State department of Statistics
- Entrepreneurship in Georgia, Statistical publication, State Department for Statistics of Georgia, 2001
- Georgia Yellow Pages
- Enterprises' lists from State Department for Statistics of Georgia
- Local Municipalities
- Internet web site of the Georgian Exports Promotion Agency ([www.gepa.org.ge](http://www.gepa.org.ge))

The most problematic enterprises to find as well as to interview were large enterprises because not many of them exist in Georgia and because it was difficult to persuade managers to participate in the survey. Problems were also encountered with finding state-owned companies as many of these were privatized.

Finding and interviewing foreign-owned and exporting enterprises also presented problems because of the limited number of such firms in the country.

About 10% of respondents who agreed to be interviewed (gone through the screening questionnaire) later changed their minds.

Making appointments by telephone did not work well, because some respondents were suspicious about the nature of our contact, telephone penetration in rural areas as well as telephone lines were poor. To this end and in some cases, the screener questionnaire was administered face-to-face.

Interviews usually lasted for up to 2 hours but in some cases approached 3 hours. The number of respondents necessary to answer the questionnaire depended on the enterprise type. In small and some medium enterprises one respondent was generally aware of all topics of the questionnaire. The situation, however, was different in some medium and almost in all large enterprises, where interviews were conducted with 2 or 3 different respondents. On the whole, most respondents were co-operative, but were getting extremely tired and complained about the time taken to finish the interview. For this reason respondents, who started the interview with enthusiasm and attention, were getting irritated and inattentive. Two interviews were terminated because of the length of the interview.

Many respondents were quite suspicious about the study content and needed frequent reassurance about their anonymity and confidentiality of responses, specifically on questions concerning financial data and informal payments and corruption. One respondent requested

full anonymity of the company name and address, arguing that in this case he would give 100% honest and truthful information.

The reason given by some respondents who declined to include their details in the panel list (for BEEPS III) was that interview was too long and they were unwilling to participate again.

### **C12 Hungary**

Governmental elections took place in April and May and during this period political arguments at workplaces and even in families were very common. The new government placed major focus in investigating past government tenders that were suspected to be corrupt. The news about the investigations received prominent coverage by the media. Although the investigation has not yet finished, the news might influence some people's view on corruption, especially those who voted against the last government.

The sources of information used for the establishment of the sample frame and for sampling were as follows:

- Statistical yearbook of Hungary (Central statistical office, 2001)
- Cég-Kód-Tár (Company-Code-Depot) published by the Central statistical office in Q2, 2002. This is the biggest company database available in the country and includes detailed information about companies (e.g. employee size, turnover, and names of executive's etc.) besides addresses and phone numbers.

Despite the fact that state-owned companies within the industries of interest to the BEEPS were few and far between, we managed to conduct interviews with 5% of the total sample.

Interviews ranged from 1-2 hours. On many occasions, more than respondent was needed to answer all the questions. During the callback visits respondents complained about the length of the interview and mentioned that if they had known in advance how long it would have actually taken, they would have declined to be interviewed. A small minority mentioned that the interview was similar to a tax interrogation. Some respondents who agreed to be interviewed again in 2-3 years time (BEEPS III) would like to see first their responses to the BEEPS II questionnaire.

In general, respondents were perceived as giving honest responses. In some cases, however, at questions on corruption respondents were hesitant while on turnover declaration to the tax authorities (Q58), respondents said, *"my official answer is 100%"*. This reaction was more pertinent to managers of small enterprises.

Some respondents were troubled by questions where reference was made to 3 years ago, especially those concerning HR issues.

### **C13 Kazakhstan**

No major or unusual political, social or business activities have occurred before or during the survey.

The sources of information used for the establishment of the sample frame and for sampling were as follows:

- The Kazakhstan Companies- by Statistical Agency of the Republic of Kazakhstan. - 1999
- Compass of Kazakhstan - 2001
- Directory A-Business of Kazakhstan

During fieldwork it was found that many companies closed, changed their activity of business or ownership. Large and foreign-owned enterprises were particularly difficult to find as well as to arrange interviews with.

The average time of interview was approximately 1.5 hours. At small firms the manager was often in position to answer all the questions. However, in larger enterprises it was also necessary to have accountants as well as personnel managers present.

The length of interview was a serious issue in collecting accurate information towards the end of the questionnaire; some respondents were anxious to finish and were giving quick answers. Five interviews were terminated as a result of the interview length.

Respondents appeared to be uncomfortable with questions on bribes, taxation, the firm's financials, legislation and shareholders. Some respondents described the questionnaire as "tactless".

### **C14 Kyrgyzstan**

During the last two years a number of different surveys were conducted among enterprises. Managers, who took part in the previous surveys, commented that no changes were noticed and none is expected from this survey.

Overall, enterprise managers had a skeptical attitude towards market research projects.

The sources of information used for the establishment of the sample frame and for sampling were as follows:

- Social Economic Situation of the Kyrgyz Republic
- National Statistical Committee
- Ministry of External Trade and Industry
- List of companies from Tax Inspection
- Yellow pages
- Compass Kyrgyzstan
- Handbook on Consulting companies
- Web resources

The most difficult enterprises to find and interview were foreign-owned, large and exporters. The universe of foreign-owned companies is small and not all of them agreed to be interviewed. In order to complete the last 3 interviews with this type of enterprises, we contacted by phone 21 firms, of which, 5 companies did not exist, 7 their year of establishment was after 1999 (not eligible) and 6 refused.

The number of large companies was found to be diminishing fast. Due to the prevailing economic conditions in the country we found that "large" companies trimmed their workforce and some are now medium or even small. Twenty-three refusals (too busy, not interested, manager on vacation, etc) from large enterprises made our task even more difficult.

The length of interview varied from 1 - 2.5 hours. The average length to complete an interview was 1.5 hours. To interview a small company took less time than to interview a large company. Sometimes one person was able to answer all the questions but interviews with medium and large companies often required the input from additionally 2-3 participants. No interviews were terminated, but it was obvious that respondents were getting tired, careless and lost attention. As a result some questions were answered too hastily.



In our view, answers to questions on financial results, unofficial payments and gifts should be treated with caution as respondents appeared very uncomfortable with these questions.

### **C15 Latvia**

A significant political event in Latvia will take place in October 2002; elections to the 8<sup>th</sup> Saeima (parliament of Republic of Latvia). During fieldwork, the strongest political parties started their pre-election campaign. However, there was no evidence to suggest that the pre-election campaign influenced the attitude of respondents towards the survey.

The decision to participate or not in the survey may have been influenced by the fact that quite a lot of research on business issues was conducted in Latvia approximately half a year before BEEPS II. The sample of that research consisted of large enterprises. Considering the universe of large enterprises in Latvia, part of potential respondents for BEEPS II was the same. Respondents, who participated in previous surveys, were more reluctant to participate in this survey.

The sources of information used for the establishment of the sample frame and for sampling were as follows:

- Central Statistical Bureau of Latvia
- Register of enterprises of Latvia
- Telephone and business directories (Zhotiline, Eniro, Interinfo, etc)

The recruitment of large enterprises for participation in the survey was difficult. The problem involved several aspects. Senior management of large enterprises were engaged and hardly reachable or on holidays. Knowing the purpose of the survey (and from experience with previous surveys), potential respondents took a lot of time to decide; sometimes 1 to 3 weeks. Finally the universe of large enterprises was small.

Overall and once respondents agreed to be interviewed, their reaction was positive. However, respondents complained that the questionnaire was too long. The average length of interview was about 1.5 hours (minimum 1 hour, maximum 2 hours).

Some managers asked for more detailed information from accountants and personnel managers while others gave approximate figures or did not give answers at all. This pattern was more frequently observed in medium and large enterprises but not small.

Some respondents commented that questions concerning commission, payments and tax evasion (Q57-Q58) were "*manner less*" and based on rumours than reality. Questions on employment (Q91a, Q91b), presented dilemmas for some respondents because of the real situation and the official documentation.

It was noted that enterprises, which used services of marketing or research companies, were co-operative.

The length of the interview and the "difficulty" of some questions were some of the reasons why the respondents did not want to include the details of their company in our database for future co-operation (BEEPS III).

## **C16 Lithuania**

Lithuania is enjoying a stable political and economic situation. A fact worth mentioning is that early this year the litas was unpegged from the US dollar and pegged to the Euro. This could have an impact on exports and imports and other business activities.

The sources of information used for the establishment of the sample frame and for sampling were as follows:

- State Social Insurance Fund Board of Lithuania, Statistics Lithuania
- Lietuvos Telekomas register of companies, registers Lietuvos Imonių Katalogas and Visa Lietuva
- Telephone and commercial directories

Finding large, exporting and foreign-owned companies was a difficult task. Parameters, such as export volume and who owns the company, were impossible to find in any database and the only way was to make blind call to companies. Towards the end of fieldwork the search for enterprises was focused on foreign-owned. Such companies proved very hard to find.

The minimum time to complete an interview was about 1 hour and the average 1.5 hours. In most cases, the principle respondent had to consult with accountants or other colleagues who were more acquainted with specific topics of the questionnaire. In general, interviews were well received by respondents and the majority mentioned that had they been informed in advance about the information needed, they would have prepared more accurate figures before the interview.

One interview was terminated because the respondent found the questions to be too confidential. Concerning the questions on unofficial payments, some respondents commented that they could not speak about other companies so their answers applied to their enterprises. Q91a (number of employees) caused concern to some respondents because “real” and “illegal” employment levels were different.

Some company managers had not been with the company for a very long time, therefore, they could hardly answer questions related to the situation of the company 3 years ago.

Some respondents believed that because their companies were too small their performance was perhaps not relevant when investigating the business activity in Lithuania.

Although the survey was received positively by respondents very few believed that any significant changes could be achieved as a result.

## **C17 Moldova**

No major or unusual political, social or business activities have occurred before or during the survey.

The sources of information used for the establishment of the sample frame and for sampling were as follows:

- Statistical year book , 2000 Moldova
- Moldovian repartition of active enterprises by the sizes of cities
- Telephone and business directories

Due to relatively small universe it was quite difficult to find large companies. Also finding state-owned companies proved to be a problem because the majority of them were privatized. Foreign enterprises were also difficult to find (small number) because of lack of pertinent databases.

The length of interview was on average 90 minutes but longer in large companies where more than respondent (accountant, lawyer and personnel manager) was present in order to complete the questionnaire. Some interviews were completed the following days due to unexpected or other urgent commitments of respondents.

The major concern of respondents was the confidentiality of the survey, and this despite our frequent re-assurances. Respondents were concerned about the consequences (personal and company) that this survey may have. In order to secure some appointments, potential respondents were visited 3-4 times in order to explain the objectives, confidentiality, and furnish our credentials (EBRD letter, agency letter, etc).

Questions on financial information (margins, turnover, etc) and unofficial payments were met with unease by some respondents (*"can be dangerous for our company"*, *"why should I give you all this information"*). On the positive side, some respondents expressed the hope that the results of this survey would help Moldova to solve its political and economic problems. Others commented that they would welcome direct assistance from the EBRD or the World Bank (*"a nice dream"*).

A lot of respondents, commented, *"maybe EBRD and World Bank will force the Moldavian government to elaborate on the new laws for eliminating corruption and protectionism"*. Some respondents also commented on the high levels of taxation.

### **C18 Poland**

Although a slight economic growth was recorded in June, the Polish economy is still in recession. Efforts are made by various political groups to decrease taxes and strengthen the Zloty, all for creating better economic conditions.

Because of the overall state of the economy, the low profitability due to high labour costs and taxation, many enterprises closed and as a result unemployment at the end of June rose to 17,3%.

To sum up, the Polish economy experiences stagnation and the results should be evaluated in the context of this environment.

The sources of information used for the establishment of the sample frame and for sampling were as follows:

- Main Statistics Office
- Polish Agency for Enterprise Development
- Panorama Firm (the catalogue of firms)

Finding state-owned enterprises within the sectors on interest to the BEEPS, was not easy because the majority were privatized. Due to lack of information in databases it was difficult also to find exporting as well as foreign-owned companies. An obstacle, with foreign owned companies was the decision making process because frequently, approval for an interview had to be given by the main head office, which was often outside Poland. Problems with securing interviews were also encountered with large firms, where approval for an interview required the go ahead from a number of senior managers.

For some respondents the stated length of the interview (i.e. about 1 hour) was not acceptable and refused to be interviewed. Actual interviews lasted for more than 1.5 hours and this annoyed some respondents who took part. At interviews with large enterprises, it was common for the firm's lawyer, accountant and HR manager to be present. Some interviews were terminated because respondents considered specific questions as too "sensitive". Some respondents described certain "sensitive" sections of the questionnaire as "tactless".

One respondent confirmed that his company gives gifts and unofficial payments, but his official answer was that no such practices take place. Comments were also made on public tenders where corruption and bribes are a reality.

Some respondents were encouraged by the idea that their answers could bring about changes.

It appeared that managers of small firms had the biggest difficulties in answering the questionnaire, because they were the least acquainted with the terminology used. Our interviewers explained the terminology and questions over and over again until they were satisfied those respondents understood the meaning of the questions/terms.

Because of the present economic situation, Q95 (time taken to fill a vacancy) was difficult to be answered.

For some companies the biggest changes occurred in 2000 and respondents suggested that it would have been better for them to compare years 2001-2002 and not 1998/99-2000.

### **C19 Romania**

No major or unusual political, social or business activities have occurred before or during the survey.

The sources of information used for the establishment of the sample frame and for sampling were as follows:

- Statistical Yearbook, 2001
- The Romanian Repartition of active enterprises by the size of cities (Statistical Institute)
- State-owned companies distribution (Statistical Institute)
- Monthly bulletin for industry, March 2002
- Quarterly bulletin for statistics – Q1, 2002
- Internet sites of the Romanian statistical institute: [www.insse.ro](http://www.insse.ro)

We had some problems in finding state-owned companies because of their diverse geographic distribution. For example in the South and West parts of Romania we found more enterprises, than in the Central region. A great number of state-owned companies were in the process of privatization while others closed because of inefficiencies (old technologies, no strategies for long terms etc).

Another difficulty was finding large firms (apprx. 0.7% of the total universe). The majority of these enterprises were concentrated in the South and in Bucharest.

On average, the length of interview was about 1.5 hours, with some lasting over 2 hours. In large companies in addition to the principle respondent (director or general manager), the chief accountant, the company lawyer and the HR manager were also present. Although

respondents complained about the length of the questionnaire, they were very polite and no respondent terminated the interview before the end. Due to other commitments, one respondent asked for the interview to be completed the following day (and it was). Some respondents appeared hesitant when giving financial data (*"it is my business and why do you want to find out"*) or information on unofficial payments and turnover declaration to the tax authorities.

Many respondents agreed (others were afraid to comment and said don't know) that unofficial payments were a real problem for Romania. *"If you need some official papers or credentials, you must pay a lot of <<black money or gifts>>, if you want to obtain them or to save time"*. They complained about the ineffectiveness of the people who worked in the official institutions of Romania, they are very nervous and all the time give you the impression that if you don't have something for them you will never get what you need. Some respondents also complained that officials don't have the time to explain and clarify a lot of aspects of the law or economical regulations. This they highlighted is a problem because Romanians laws have more than one interpretation. Laws also change frequently not for completing their initial intention, but change completely. Another negative aspect that some respondents complained about was that, in Romania, although there are some laws for helping small investments, applying these laws takes so much time because of some personal interests of some people with power.

In the section on the judicial system, some respondents mentioned that they would be more critical than in reality because it was more *"prudent like this"*. Others were concerned (despite our frequent reassurances about confidentiality) that if they provided honest answers the survey *"could harm them – person and company"*

On the Romanian bureaucracy one respondent said, *"you must take, from the fire department, an official paper that says that you don't need the fire department's approval for permission to run a company!!!"*.

## **C20 Russia**

No major or unusual political, social or business activities have occurred before or during the survey. The survey covered all regions of Russia, from Moscow and St Petersburg to Siberia and the Far East (Vladivostok).

The sources of information used for the establishment of the sample frame and for sampling were as follows:

- Goskomstat (state Committee of the Russian Federation on Statistics)
- Ministry of Internal Affairs
- Official and Business Russia, 2001 -2002
- Local and regional telephone and commercial directories
- Local and regional internet sites

The most difficult BEEPS quotas to meet were those of large, foreign and exporting enterprises. The problem was not that it was difficult to find them but it was difficult to get respondents to agree to be interviewed. Many respondents after agreeing to be interviewed had second thoughts and cancelled the appointments. By and large respondents were very suspicious of the survey.

Foreign-owned companies presented an additional challenge because we encountered many, which were established recently (2000-2002) and hence were not eligible for the survey.

Interviews ranged from 60 minutes to 3 hours. Managers of small companies often knew all the necessary information but when it came to medium or large companies, the help of accountants, lawyers, public relations, CEO personal assistants, and human resources managers was normally enlisted. 10% of interviews were terminated because of the length of the questionnaire (*"to answer all these questions I have to check many documents or call the accountant but he is busy now"*); 8% were terminated because respondents felt uneasy with the questions (*"you want to know too much about my company"*). Due to the length of the questionnaire, respondents appeared to lose interest towards the later stages of the interview.

The questions on security and protection payments (Q44) unofficial payments and tax evasion (Q55-58) and financial information (Q84a1 and Q82) were causing obvious discomfort to some respondents. Some of the negative comments made by respondents included: *"are you seriously hoping that someone will give you honest answers?"* and *"how can I be sure that the information you will receive from me is confidential and will not go to the tax department or to my competitors?"*

Some respondents were quite interested in the survey and commented: *"if our government doesn't pay attention to the business in Russia, let foreigners do something and help us"*, and *"the more we talk about our problems the more the authorities will understand that we want to do legal business and do not want to hide anything. But to do this the government must reduce taxes, make conditions of registration easy and implement conditions for conducting business according to the rules."*

One respondent made the following recommendation to the EBRD/World Bank.

*"The bank doesn't have to spend a lot of money for such kind of surveys. If the bank wants to have answers to all those questions it has to do the following:*

- *Spend 1-2 months to register a company (visit all authorities and departments, give bribes, waste time etc.)*
- *Once business is started, pay for protection, trick the tax department, again give bribes and so on.*

*In total, 3 months will be enough to understand the business environment, and encounter all problems. This experience will give the total picture about what happens with enterprises in Russia".*

## **C21 Slovak Republic**

No major or unusual political, social or business activities have occurred before or during the survey.

The sources of information used for the establishment of the sample frame and for sampling were as follows:

- Institute of Informatics and Statistics (INFOSTAT)
- Albertina Company Monitor (ACM)
- Web based commercial registers
- Yellow pages and telephone directories

The most difficult enterprises to recruit emerged to be state and foreign-owned firms. The numbers of state-owned enterprises is declining fast (also less willing to cooperate) while foreign companies (also difficult to arrange interviews) were difficult to find because of lack of pertinent information in the sources of information.

The average length of interview was 1.5 hours (minimum 1 hour, maximum 2.5 hours). Respondents were clearly concerned with the issue of anonymity/confidentiality and interviewers needed to reassure them frequently.

Some respondents argued that the financial/numerical information requested was too complex and detailed. The fact that, many of the questions required an answer as a percentage of the total company's sale over the last 3 years was also found to be tiresome and "non-friendly". Indeed, questions, which required answers in %, tended to be disliked and respondents tended to give very rough estimates.

Questions concerning corruption were found to be particularly sensitive, and most respondents either pretended to have no knowledge or experience with these issues or simply refused to answer. Some negative reactions were also faced with sales or margin related questions, mainly in smaller firms.

Some respondents were rather skeptical and doubted that any study could actually change the level of corruption in the Slovak Republic or in any way influence future legislation.

Beyond the questionnaire length many respondents found the questionnaire to be rather complicated.

## **C22 Slovenia**

No major or unusual political, social or business activities have occurred before or during the survey.

The sources of information used for the establishment of the sample frame and for sampling were as follows:

- The Statistical office of Republic Slovenia (March 2001)
- IPIS – Slovenian Business Register (Poslovni register Slovenije)

Information from IPIS was very accurate because it was compiled from the Registration Court database and from the database of financial reports of companies for year 2000.

During the course of the survey, we noticed that the number of state-owned companies given in the databases was misleading because many of these companies have either closed down or are in the process of closing down.

For all kind of enterprises, the databases were far from accurate in regards to enterprise activity. The hardest quotas to achieve were those of foreign ownership (no relevant databases), state-owned (privatisation almost complete, banks, insurance, energy excluded from the survey, etc) and large enterprise (less willing to participate due to other urgent business).

The length of interview (average of 90 minutes) was criticised by the majority of respondents who would have appreciated a shorter interview. One interview was terminated because the respondent was irritated that it lasted much longer than he originally anticipated.

Respondents appeared uneasy when answering the questions on margin (Q23), protection payments (Q44), unofficial payments and taxation (Q54-Q58), payment delays and charges (Q75) and turnover and assets (Q82).

Some respondents mentioned that questions about unofficial payments should not have been asked because these questions insinuate that enterprises are indeed making such payments. Some companies, which subcontract their accounts to outside agencies, mentioned that, should they have known about the information required beforehand, they would have made this available at the time of the interview.

### **C23 Tajikistan**

The results of the survey should be evaluated in the context of the following factors:

The apparent absence of law and order made the survey difficult, as many respondents were afraid that the information they provide could fall into the hands of criminal elements or the “intelligence service”.

The discretionary power of tax authorities to impose unrealistic taxes under patronage of the government and the resulting corruption.

Concern of respondents about political repression, fear of becoming responsible for their words and fear that participation could also harm them or their enterprises.

The sources of information used (obtained through own channels) for the establishment of the sample frame and for sampling were as follows:

- State Registry of businesses and organizations of the Republic of Tajikistan
- Statistical information from the restricted data collection issues provided by the State Committee on statistics:
- ‘Social and economical situation in the Republic of Tajikistan in 2001. Operations information.’ Dushanbe, the State Statistics Agency of Tajikistan, 2002.
- ‘Regions of Tajikistan in 2000.’ Dushanbe, the State Statistics Agency of Tajikistan, 2001.
- Foreign economic activity of Tajikistan, 2000.’ Dushanbe the State Statistics Agency of Tajikistan, 2001.
- Ministry of Construction of the Republic of Tajikistan
- Ministry of Construction materials of the Republic of Tajikistan
- Ministry of Industry of the Republic of Tajikistan
- Tax Committee of the Republic of Tajikistan.
- List of the enterprises of the capital city khukumats and three largest cities: Khujand, Kurgan-Tube, Istravshan (Ura-Tube).

Despite the wealth of sources, the reliability of the databases was questionable. Conducting the survey and meeting the quotas of an interlocking sample was a very challenging task. Foreign-owned enterprises were few and far between (also difficult to convince to take part), large companies less than willing to be interviewed, but surprisingly, state-owned firms were the most cooperative.

Interviews took more than 2 hours to be administered. In order to complete interviews it was necessary to recruit 3-4 people. Usually they were the director (manager) of the enterprise, the chief accountant, the economist, and the head of the personnel department.



Interviews were too long (“*You are fooling me, you made arrangements for one hour but the questionnaire is not even half finished*”), the questionnaire was regarded too investigative (“*it is not an interview, it is an inspection of my work. I do not agree with such interview*”), and asking too many details on financial data (“*this is espionage, of commercial secrets*”).

On delicate questions such as government policies (“*market researchers are engaged in espionage and betray governmental secrets*”), unofficial payments, protection payments and financial data (“*approximations*”, “*no sensible man will answer such questions*”) most respondents appeared to be evasive and insincere.

Questions on employment levels were also not well received as it is thought that some private firms understate the number of employees because of the high payments to social funds.

At 5 enterprises our interviewers were insulted and thrown out of the premises, while 10 other interviews were terminated with no serious incidence. Respondents presumed (despite our re-assurances) that it is impossible to conceal market research data from the tax and government authorities or the intelligence service.

## **C24 Turkey**

The survey was carried out in a climate of economic (started in February 2001) and political crises (started by the health problems of Prime Minister Bülent Ecevit) and hence the results should be evaluated within this context.

The sources of information used for the establishment of the sample frame and for sampling were as follows:

- Chambers of Commerce and Industry
- Statistical institute
- Internet databases

Due to confidentiality reasons and the prevailing political situation, the ministry of privatization administration as well as other ministries refused to provide details of state-owned companies or private companies.

The state-owned sector quota was especially difficult to meet because the number of public sector enterprises decreased significantly in the recent years due to rapid privatization. Twelve enterprises, which agreed to be interviewed, later refused. Also, persuading officials, managers and directors of state-owned enterprises to take part in the survey was very difficult due to legal regulations, prohibitions, personal hesitations etc.

The length of interview was 1.5-2.5 hours. However, with a few large companies interviews were conducted over a 10-day period with 6-7 different respondents.

Fifty-three interviews were terminated when respondents were asked about financial information and/or about law enforcement and corruption. Some interviews were terminated due to time limitations of respondents.

Respondents who gave financial information as well as answered the sensitive questions on law enforcement and corruption were, in the interviewer’s opinion, done with suspicion and hesitation.

## **C25 Ukraine**

No major or unusual political, social or business activities have occurred before or during the survey.

The sources of information used for the establishment of the sample frame and for sampling were as follows:

- Ukrainian State Statistics Committee
- Bank of Information, Research & Technology
- Independent producers of goods and services - 2002
- Local Committees
- Local directories

The databases contained basic enterprise information, but information on the size of companies or ownership had to be found by contacting firms direct. The most problematic enterprises to find were state as well as foreign-owned companies. Arranging interviews with state enterprises was very difficult because managers were not interested in participating in this type of survey. Other reasons given by managers for refusing to participate were concerned with their employment contracts, which forbids them to disclose any information about the company.

On the other hand, managers of foreign-owned enterprises (once we established contact) were more positive towards the survey.

The average time for conducting an interview was approx. 1.5 hours. Some interviews lasted for 5 hours continuously (with breaks) while few finished the following day. Directors of large companies were not able to answer some questions and for this reason, they also invited their accountants, deputy directors and personnel managers to take part. The length of the questionnaire was the major complaint made by respondents. Questions on the finances of enterprises as well as on other "sensitive" topics appeared to make respondents uncomfortable. Respondent considered questions about unofficial payments tactless.

Some comments made by respondents were as follows:

*"Taxes are high and this what makes it impossible to increase production output."*

*"Even if unofficial payments were to be made to the parliamentary officials and government, it would not solve any problems."*

*"For an enterprise dealing in the construction industry, taxes are the most serious problem. The government instead of trying to solve this problem makes it more problematic all the time."*

*"I would like to increase the number of my employees and expand production but high taxes make it impossible. Current regulations stimulate only development of the gray economy."*

*"In current conditions it's highly unprofitable to develop production activity because taxes increase faster than profit."*

## **C26 Uzbekistan**

According to various sources, the volume of the 'shadow economy' is estimated at between 50 to 80%. Many enterprises practice double-entry bookkeeping and it was not surprising that questions concerning taxation or bribes were received with hostility and evasiveness.

The sources of information used for the establishment of the sample frame and for sampling were as follows:

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- State Department of Statistics, Uzbekistan
- Directories of regional Chambers of Commerce and Industry
- Trade association directories
- Telephone directories

The biggest problem we faced during the implementation of the survey was the accuracy and reliability of the databases. Foreign-owned, exporting and large enterprises were particularly difficult to find and convince to participate in this survey.

Conducting telephone interviews (i.e. screener questionnaire), also proved to be a problem because a) the accuracy of the information contained in the databases; b) respondents were reluctant (did not fit with their culture) to give information over the phone; c) low penetration and poor telephone lines in rural and sometimes urban areas. Therefore, face-to-face recruitment (i.e. screener questionnaire) was used extensively and this was followed up with the main interview.

The duration of the interview varied from 1.5 to 3 hours. At small enterprises, one respondent was enough to answer all questions, but in larger firms, the interview also involved other specialists such as accountants, finance directors and personnel managers. Most respondents complained about the length of the interview, and the questions asked. "Sensitive" topics such as financial information, unofficial payments and tax evasion, law enforcement, appeared to be received with hostility and obvious unease by respondents. Only one interview was terminated, when the respondent described the interview as "*this is not an interview but a tax inspection*". Some respondents also appeared to be vague on questions concerning the ownership of their firms.

Less educated respondents appeared to be having problems in understanding some questions. Our interviewers had to explain the terminology used and the meaning of questions, which presented problems.

## **C27. Yugoslavia**

In view of the current and past political situation (often associated with negative attitudes towards the international community and its representatives), the lack of respondent confidence in the objectives of the project was perhaps the major problem encountered in the implementation of the survey. This was quite often one of the reasons for refusal – distrust of the good intentions of the World Bank and the EBRD.

Also, it was quite common for respondents to cast doubts over the "true" sponsors of this research, and often labelled interviewers as "spies" or "counter-spies", especially in the smaller towns. On many occasions, respondents contacted our agency (HO) in order to verify the identity of interviewers, as well as the sponsor of the survey. Respondents in Podgorica were particularly suspicious.

The sources of information used for the establishment of the sample frame and for sampling were as follows:

- Register of companies, issued by the Serbian Bureau of Statistics, 2001
- Phone book directory of enterprises, 2002
- Kompas – database of companies by type of business, size etc., 2001
- List of companies with some foreign ownership, established before 1999, issued by the Ministry for International Economic Relations

One of the problems of the survey was to meet the quotas for foreign ownership. The list from the Ministry for International Economic Relations was not 100% reliable. Listed enterprises either did not exist at a given address or respondents denied any foreign ownership. It appeared that details on foreign shares were top secret information.

Respondents complained about the length of the interview as well as the topics of the questionnaire (boring and tiresome). No interviews were terminated.

Respondents appeared uncomfortable when answering questions on corruption, the legal system, foreign ownership details and financial results. Managers also appeared to have problems with Q15 (i.e. breakdown of domestic sales).

Some private entrepreneurs, who refused to be interviewed, cited their dissatisfaction with the government's credit policy and also expressed doubts that this survey would bring about any significant changes.