



# BEEPS V Regional Profiles

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*March 2013*

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## Оглавление

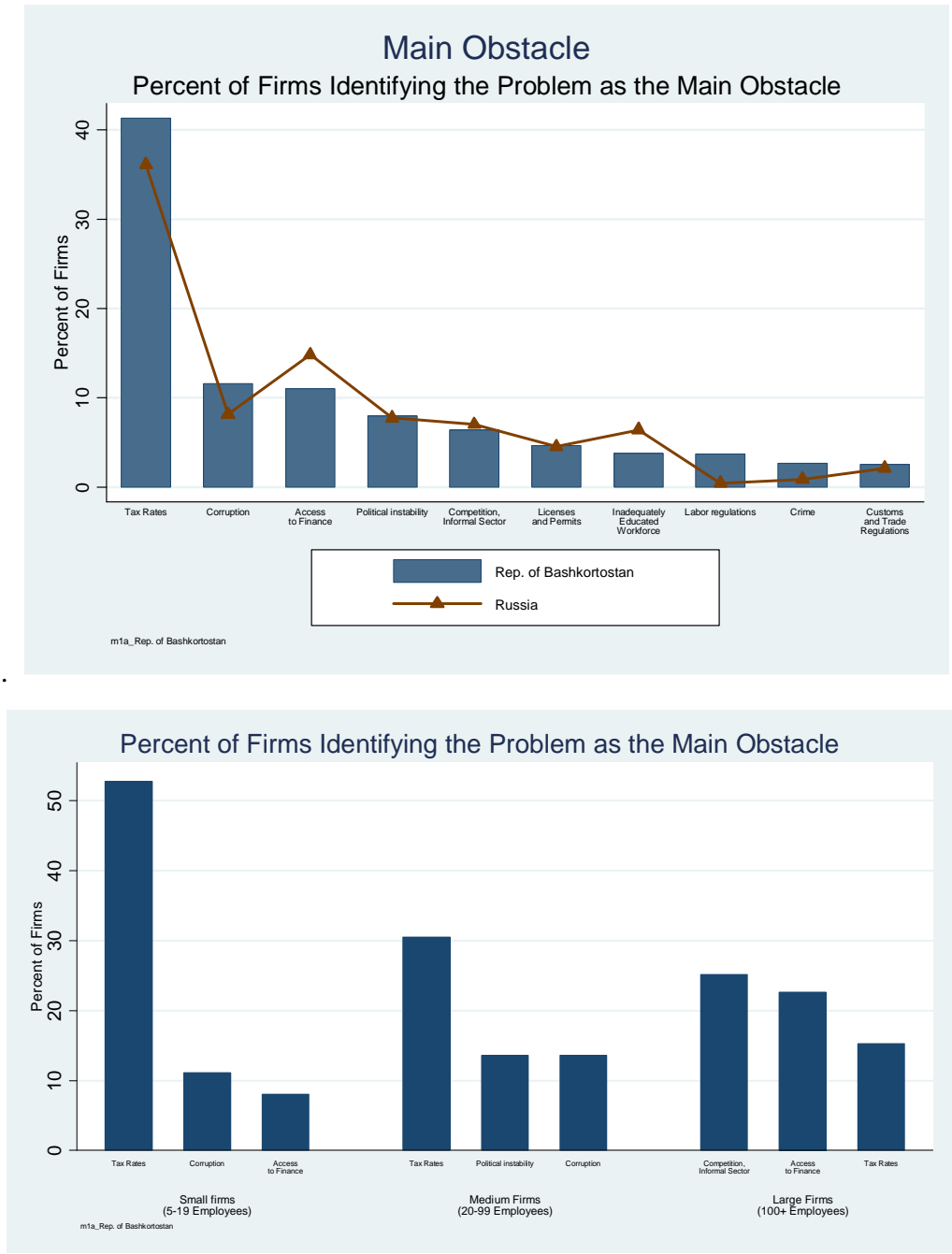
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Republic of Bashkortostan.<sup>1</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Republic of Bashkortostan benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Republic of Bashkortostan.



<sup>1</sup> 106 companies were surveyed by in Republic of Bashkortostan. The benchmarks used for comparisons are averages for Russia as a whole.

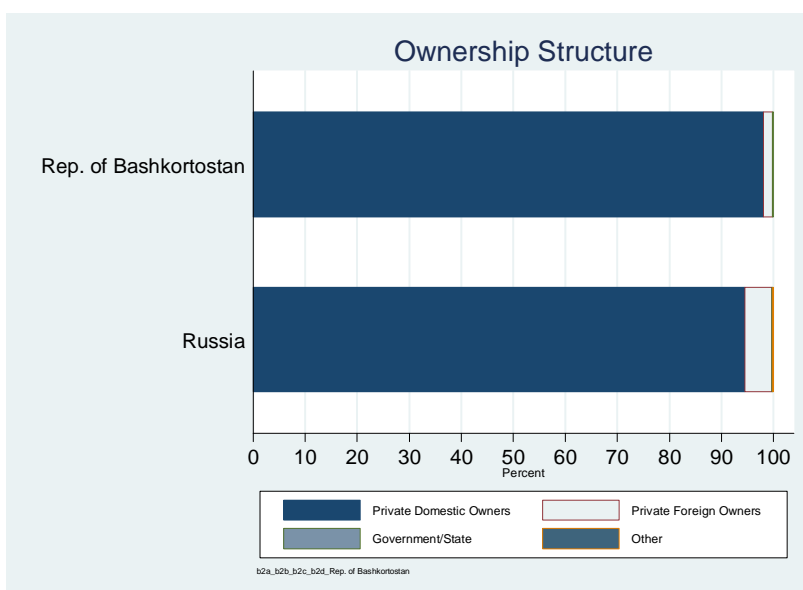
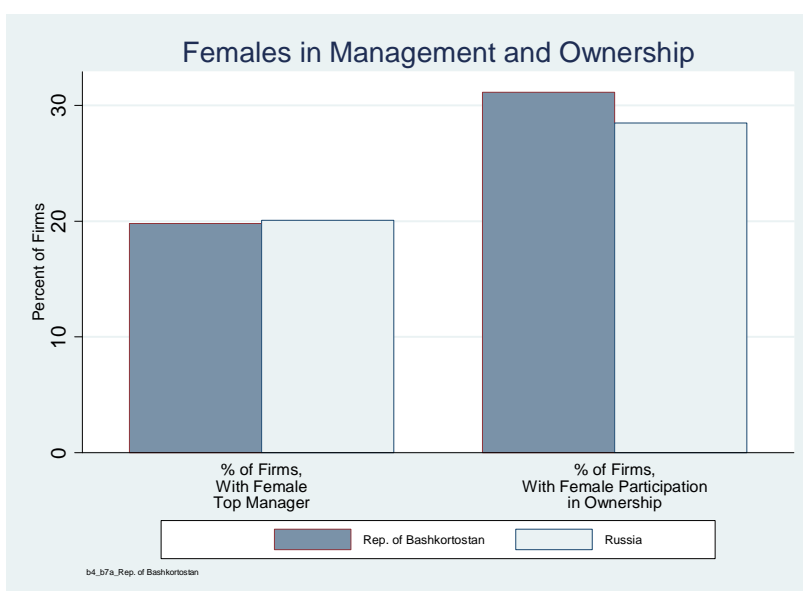
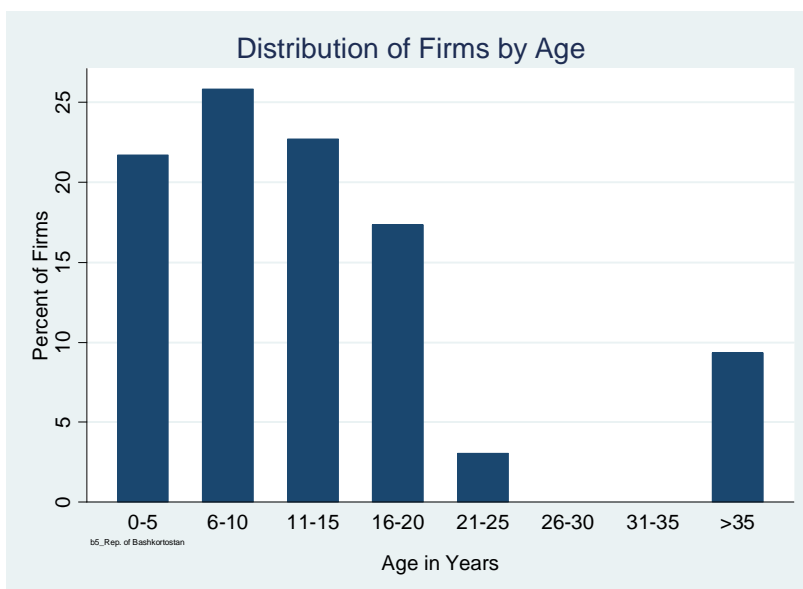
## Average Firm

The survey collects information from a representative sample of the non-agricultural formal private economy. In addition to collecting information on the business environment the surveys collect information on the characteristics of the firms interviewed. Consequently, the data collected provides a description of the representative private firm in the country and also an estimate of how some of the attributes of the average firm are distributed across the population of firms.

The first indicator shows the distribution of firms according to their age measured by the number of years they have been in operation. The effect the business environment can have on the private sector may depend on firms' experience and longevity. Seasoned firms and young firms may differ in their ability to successfully navigate the business environment.

The second set of indicators provides an illustration of female participation in management and firm ownership. These indicators can help assess whether gender can be a determinant of the effect of regulations on the firm and the level of exposure of the firm to external factors, such as corruption, access to finance, and technology.

The third indicator shows the participation of the domestic private sector, the government, the foreign sector and other sectors in the ownership of the typical firm. The distribution provides insight into their levels of equity in the private sector of the economy.



## Infrastructure

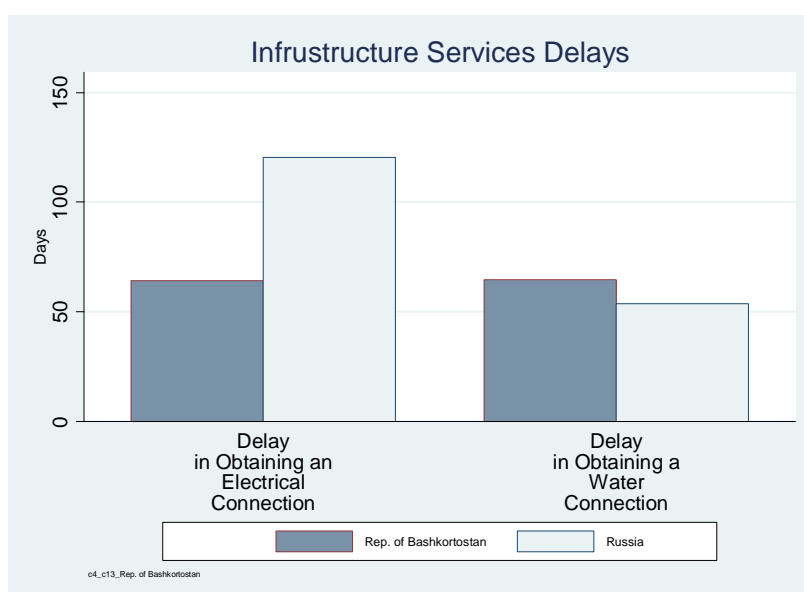
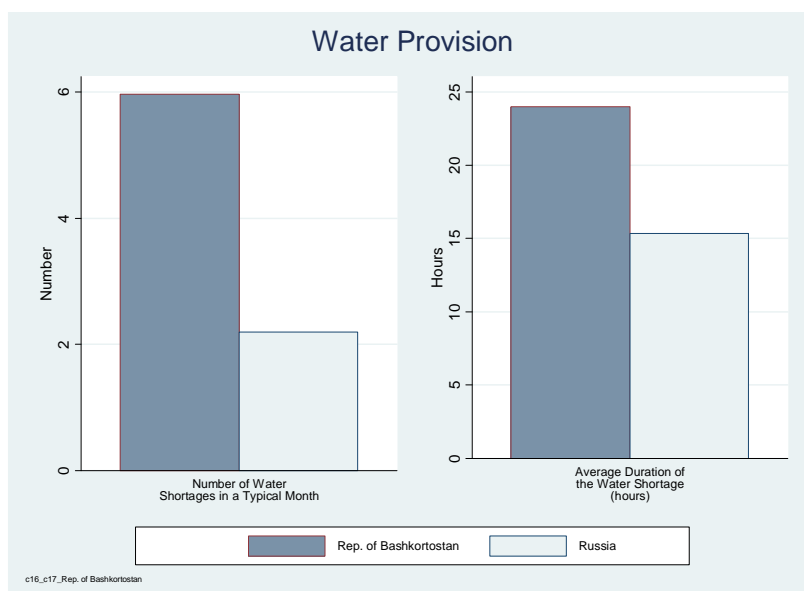
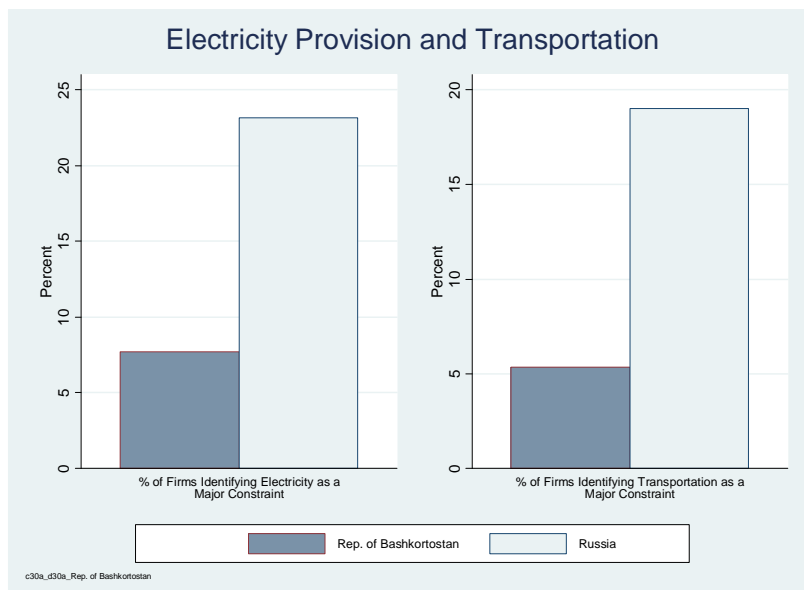
A strong infrastructure enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations.

The survey captures the dual challenge of providing a strong infrastructure for electricity, water supply, telephone connections, etc., and the development of institutions that effectively provide and maintain public services.

The first set of indicators shows the extent to which firms are faced with failures in the provision of electricity and the effect of these failures on sales. Inadequate electricity supply can increase costs, disrupt production, and reduce profitability.

The second set of indicators measures the efficiency of the water supply for the manufacturing sector. Many manufacturing sectors depend on reliable and efficient sources of water for their operations.

The third set of indicators evaluates the efficiency of infrastructure services by quantifying the delays in obtaining electricity, water, and telephone connections. Service delays impose additional costs on firms and may act as barriers to entry and investment.



## Trade

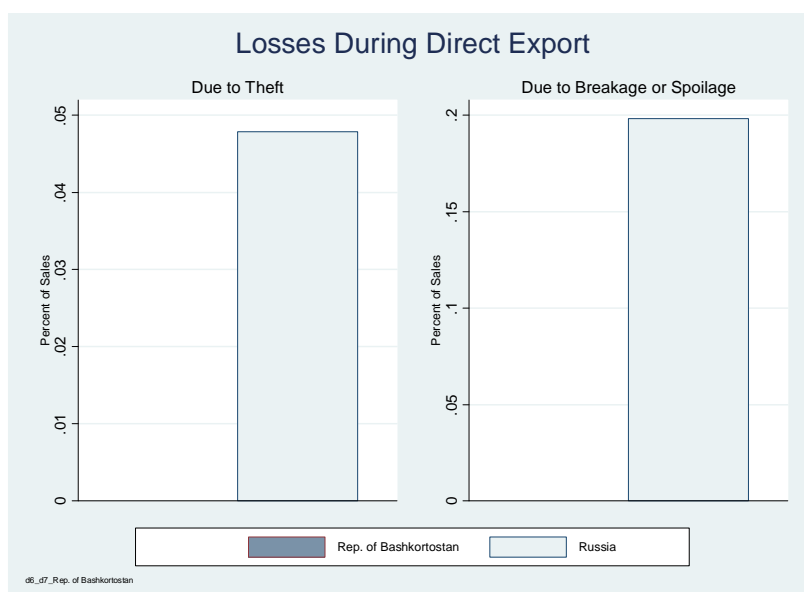
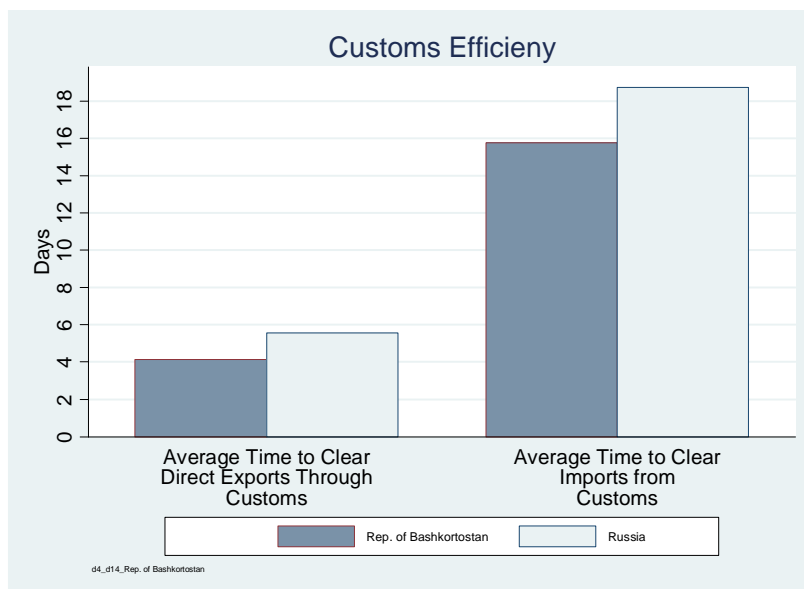
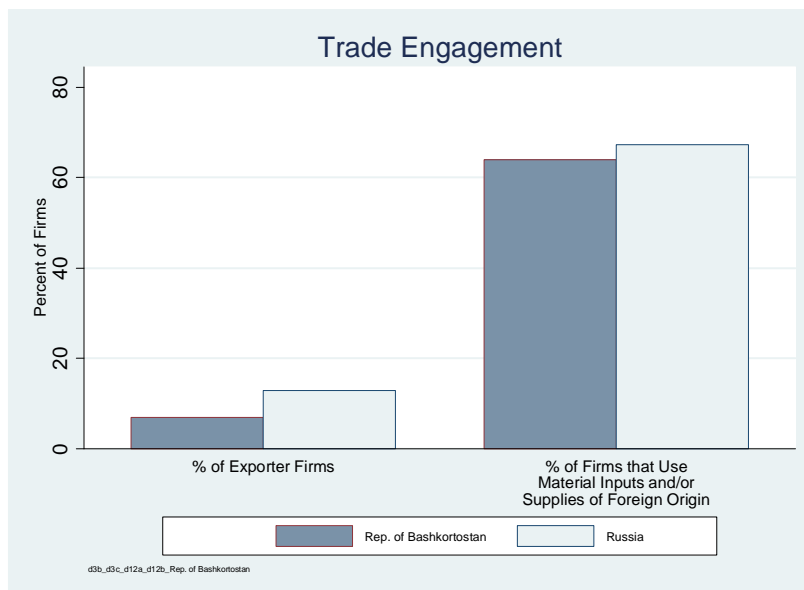
Open markets allow firms to expand, raise standards for efficiency on exporters, and enable firms to import low cost supplies. However, trading also forces firms to deal with customs services and trade regulations, obtain export and import licenses, and in some cases, firms also face additional costs due to losses during transport.

The survey collects information on the operational constraints faced by exporters and importers and also quantify the trade activity of firms.

The first set of indicators provides a measure of the intensity of foreign trade in the private sector. The first graph shows the percentage of firms who export directly or indirectly, i.e. using an intermediary. The second panel shows the percentage of manufacturing firms who use inputs or supplies of foreign origin.

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## Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

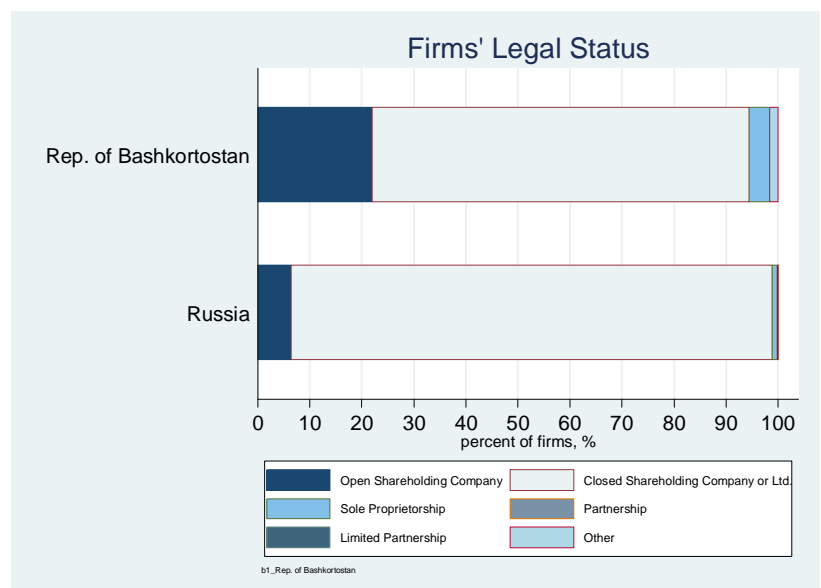
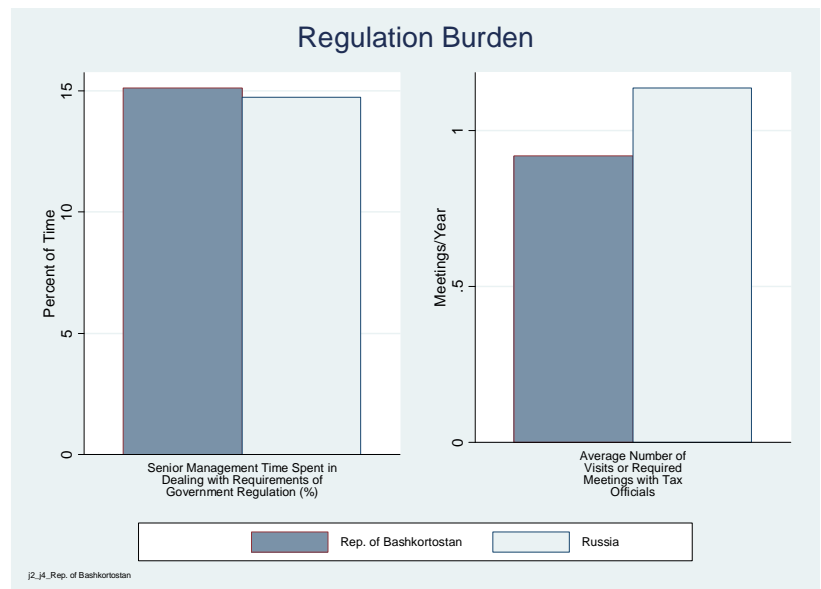
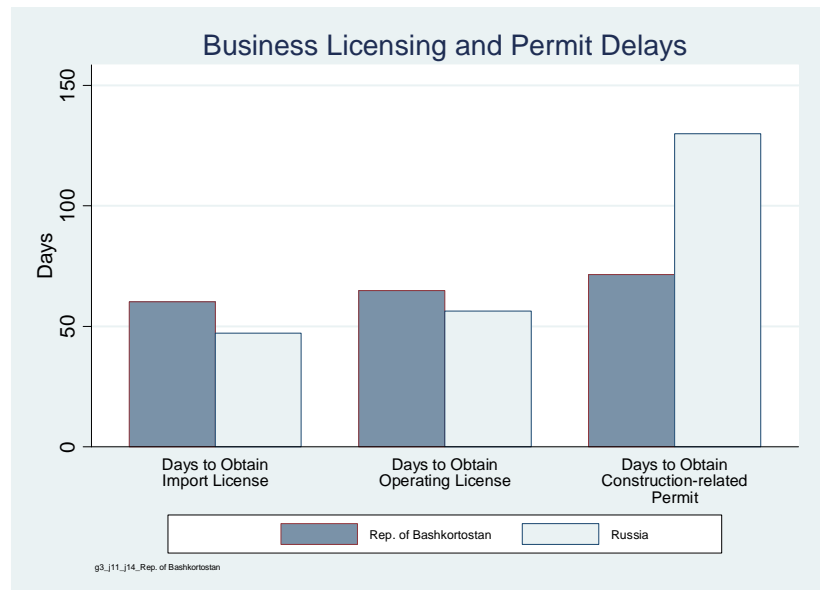
Effective regulations address market failures that inhibit productive investment and reconcile private and public interests. The number of permits and approvals that businesses need to obtain, and the time it takes to obtain them, is expensive and time consuming. The existing legislation of a country also determines the mix of legal forms private firms take and determines the level of protection for investors thus affecting the incentives to invest.

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## Corruption

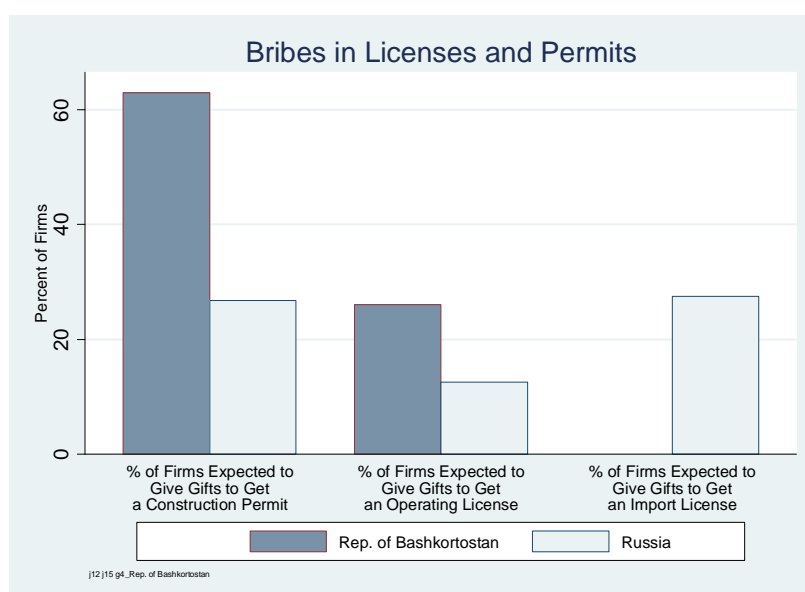
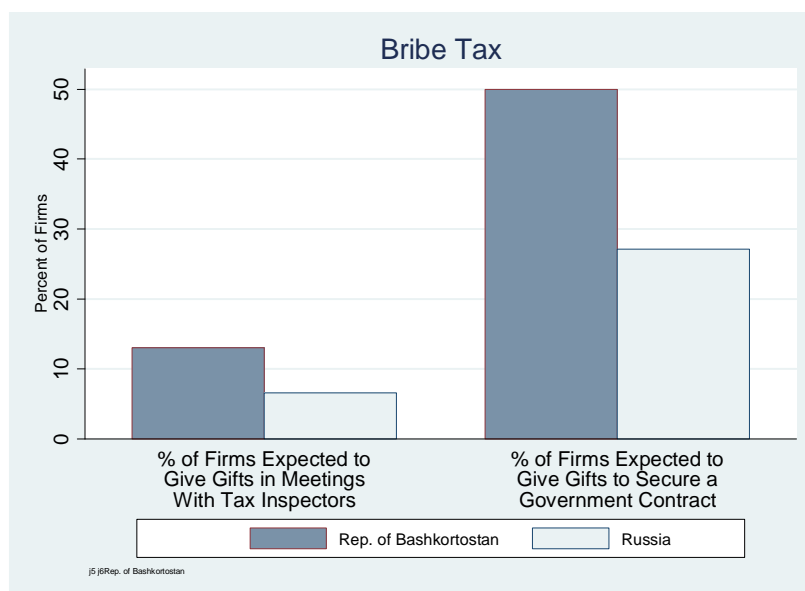
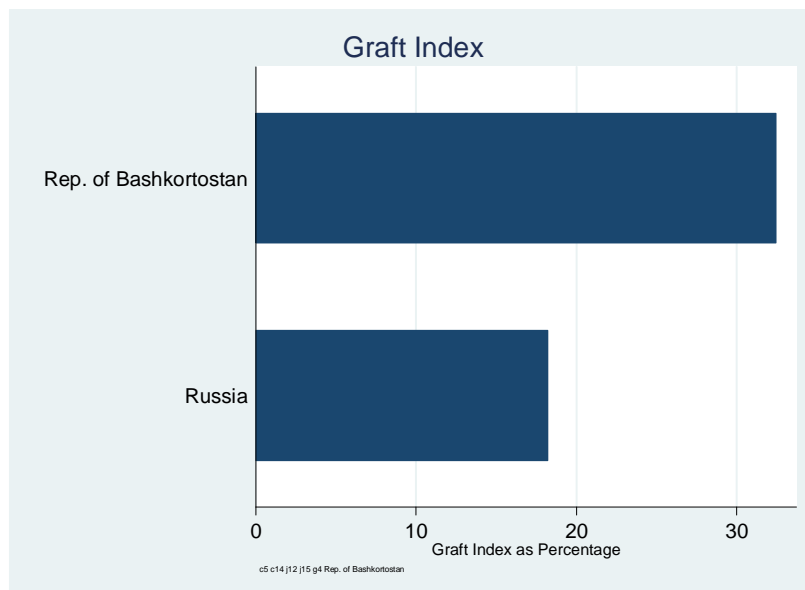
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

Inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make “unofficial” payments to public officials to get things done. In many countries bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for the firms’ growth and development.

The first set of indicators measures a composite index of corruption, the Graft Index that reflects the proportion of instances a firm was asked or expected to pay a bribe when soliciting six different public services, permits or licenses.

The second set of indicators identifies the extent to which specific regulatory and administrative officials require bribe payments during meetings with tax inspectors or in order to secure a government contract.

The third set of indicators focuses on bribes to obtain specific licenses or permits, and shows the share of firms that are expected to make informal payments to secure import and operating licenses and to obtain a construction permit.



## Crime and Informality

Crime imposes costs on firms when they are forced to divert resources from productive uses to cover security costs. Both foreign and domestic investors perceive crime as an indication of social instability, and crime drives up the cost of doing business. Also, commercial disputes between firms and their clients occur regularly in the course of doing business. Resolving these disputes can be challenging when legal institutions are weak or nonexistent.

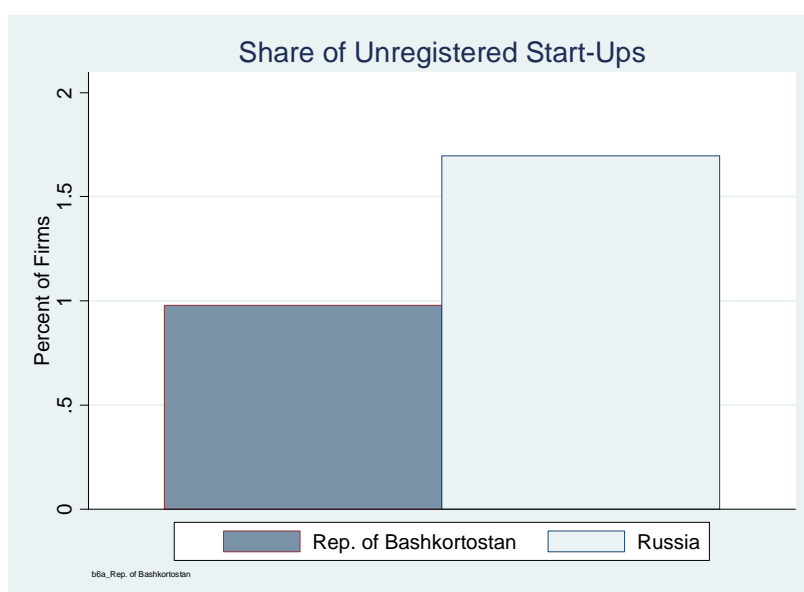
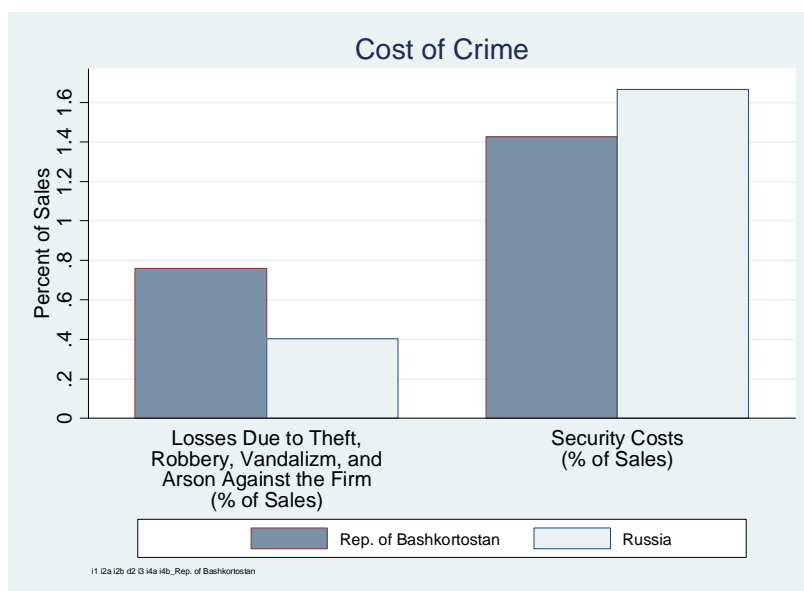
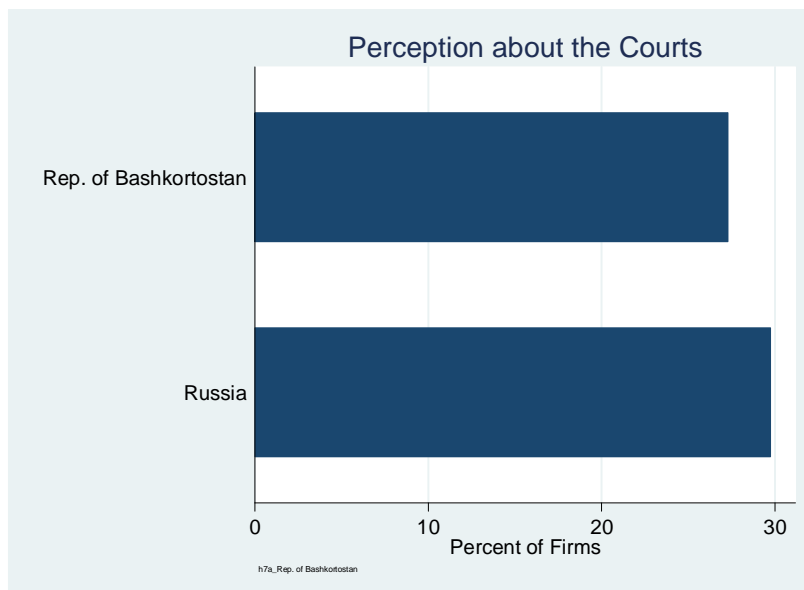
Similarly, a large informal sector has serious consequences for the formal private sector. The informal sector may pose unfair competition for formal firms.

The survey captures key dimensions of the effect of crime on firm sales, the extent to which entrepreneurs identify courts as fair, and the degree of informality in an economy.

The first indicator shows the share of firms that recognize the functioning of the courts as being fair, impartial, and uncorrupted.

The second set of indicators measures the direct costs of security incurred by firms as well as their direct losses due to crime. These resources represent an opportunity cost since they could have been invested in productive activities.

The third set of indicators shows the percentage of firms that started operation without begin formally registered. It is an approximation to the prevalence of informality in the private economy.



## Finance

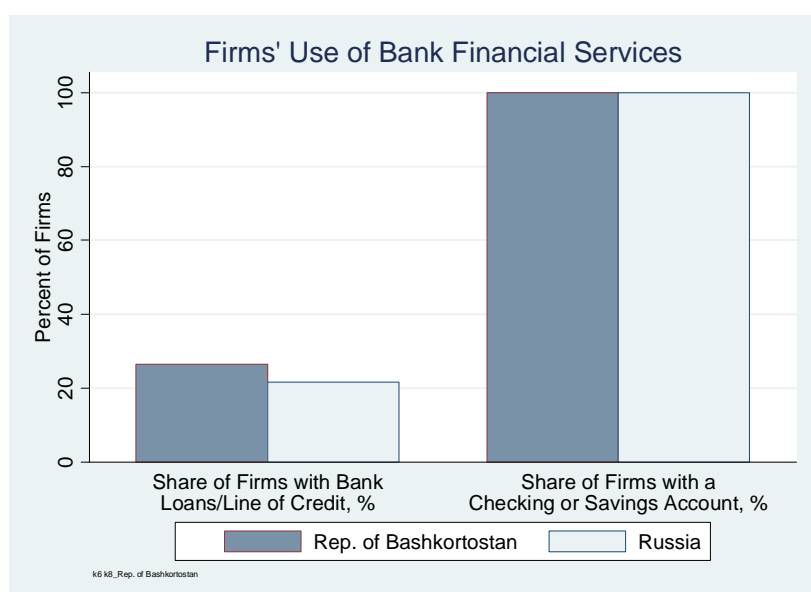
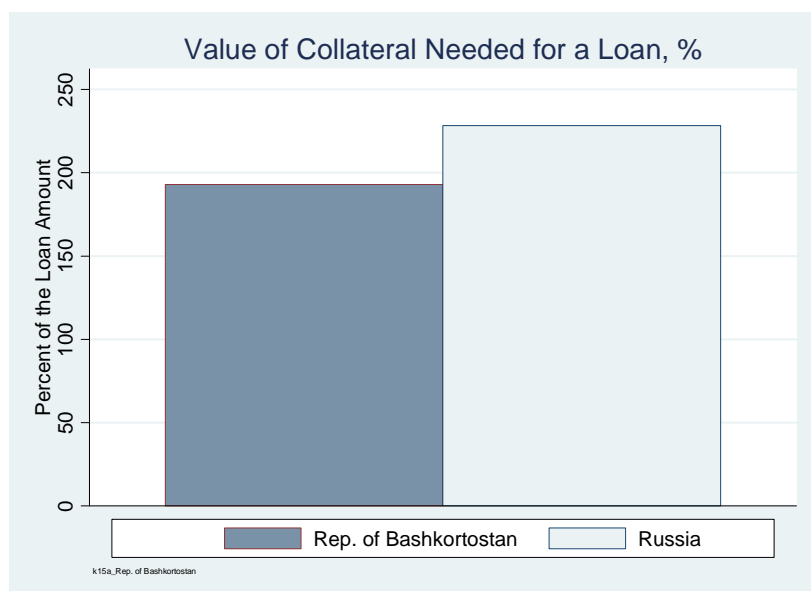
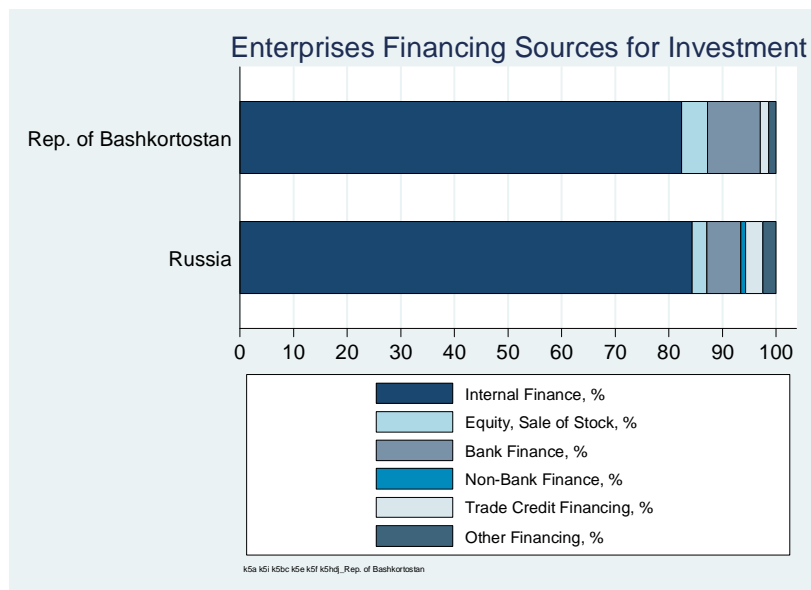
Developed financial markets provide payment services, mobilize deposits, and ease investment financing. Efficient financial markets reduce the reliance on internal funds and on money from informal sources such as family and friends by connecting firms to a broad range of lenders and investors.

The survey provides indicators of how firms finance their operations and of the characteristics of their financial transactions.

The first set of indicators compares the relative use of various sources for financing investment. Excessive reliance on internal funds is a sign of potentially inefficient financial intermediation.

The second set of indicators measures the use of financial markets by individual firms. It presents the percentage of working capital that is financed by sources external to the firm, and a measure of the burden imposed by loan requirements measured by collateral levels relative to the value of the loans.

The third set of indicators focuses on the use of financial services by private firms both on the credit side, by measuring the percentage of firms with bank loans or lines of credit, and on the deposit mobilization side, by measuring the percentage of firms with checking or savings accounts.



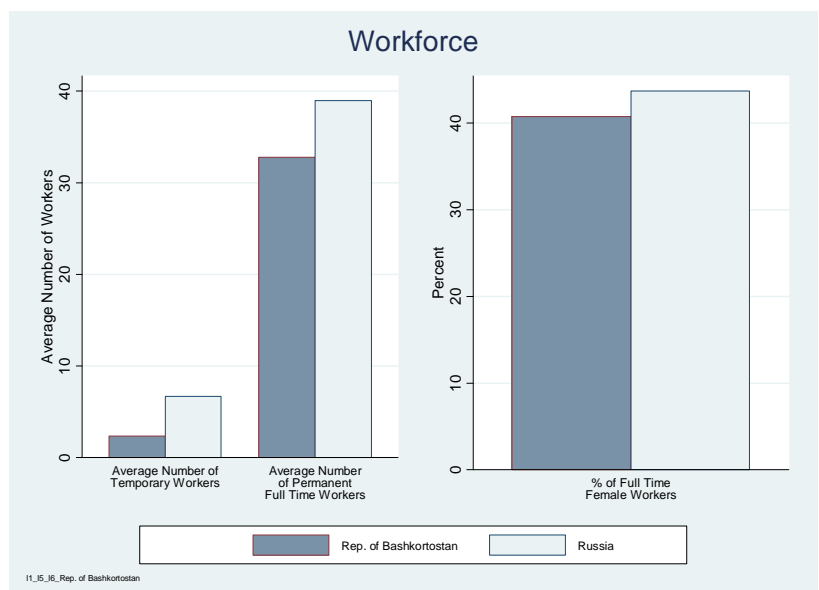
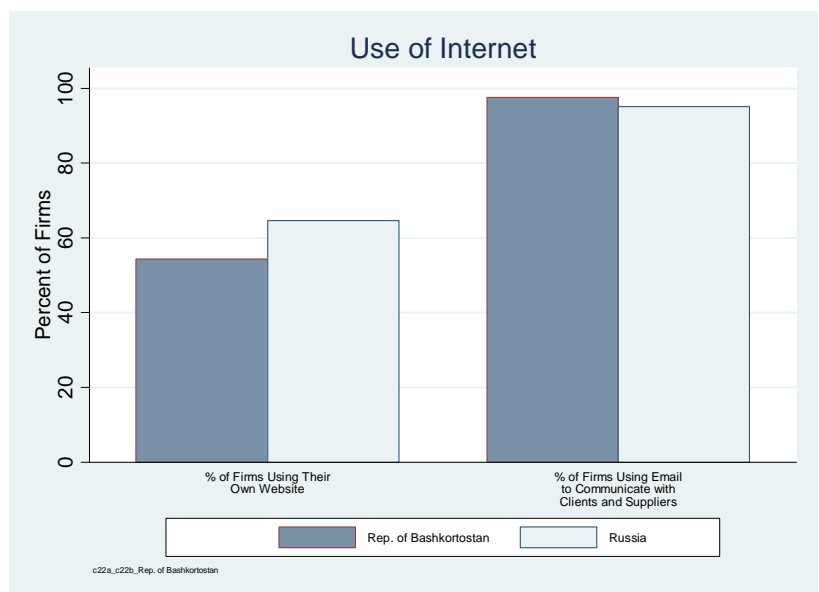
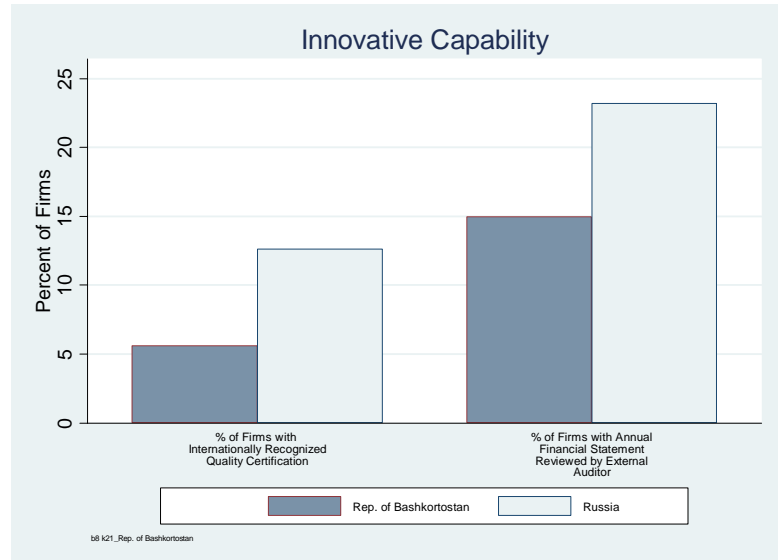
## Innovation and Workforce

The Survey provide indicators that describe several dimensions of technology use and innovation. They also collect information on the characteristics of the workforce employed in the non-agricultural private economy.

The first set of indicators measures the extent to which firms invest in obtaining recognized certificates of production and accounting practices. Obtaining international quality certifications can open doors to technology and innovation and they also provide a sign of high quality that may open markets.

The second set of indicators demonstrates the use of information and communications technologies (ICT) in business transactions. ICT, such as the Internet, are important tools for all firms because they provide even the smallest of enterprises with the ability to reach national and international markets at low cost.

The third set of indicators presents the composition of the firm's workforce by type of contract and gender. Labor regulations have a direct effect on the type of employment favored by firms and they may have a differing impact by gender. The first two indicators present the composition of the workforce classified into temporary and permanent workers. The last indicator reflects the participation of women in regular full-time employment.



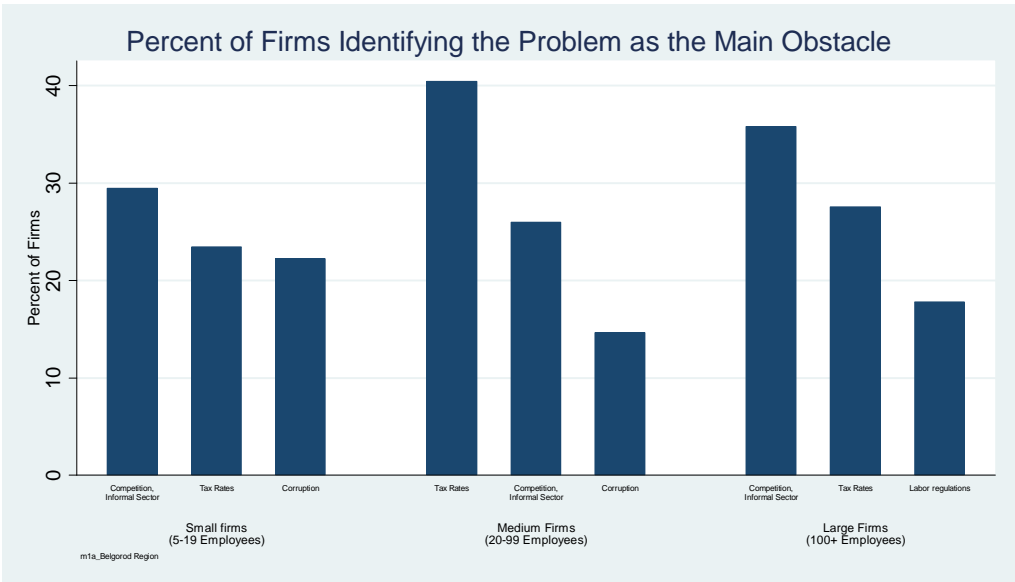
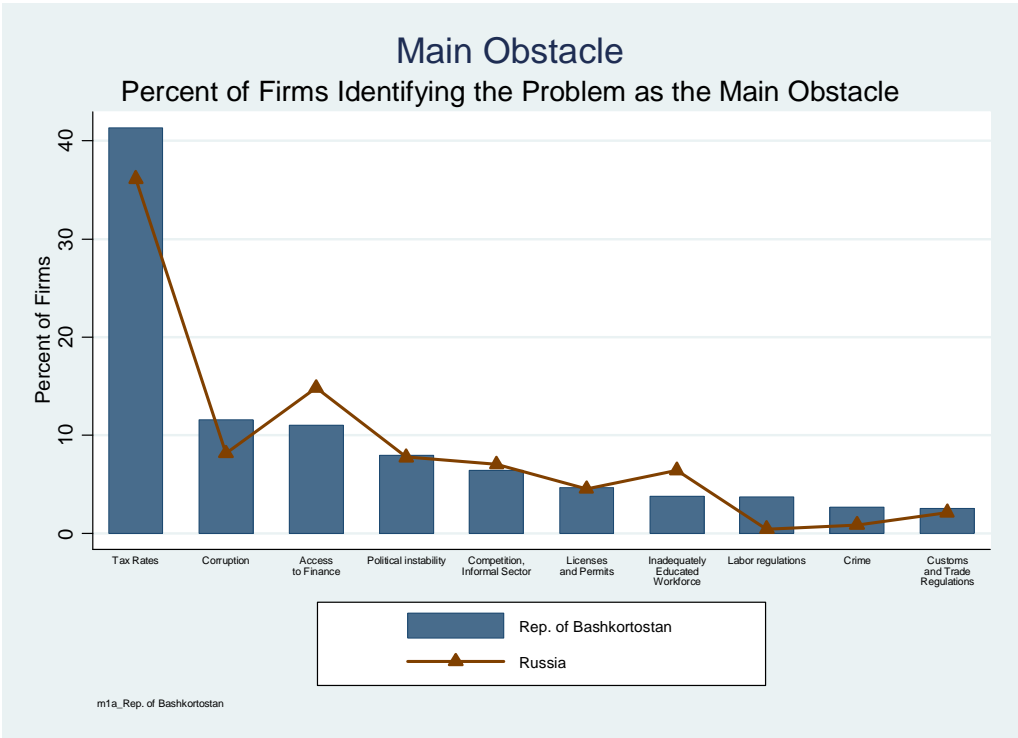
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	Republic of Bashkortostan	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	0.48	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	0.37	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Transport</b>	0.54	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	0.8%			
<b>Customs and trade regulations</b>	0.37	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	2.5%	3.3%	1.8%	5.9%
<b>Practices of informal competitors</b>	0.83	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	4.0%			
<b>Access to land</b>	0.50	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	1.1%			
<b>Crime, theft and disorder</b>	0.72	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	3.6%			
<b>Access to finance</b>	1.09	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	5.4%	5.1%		
<b>Tax rates</b>	2.37	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	4.3%			
<b>Tax administration</b>	0.68	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	2.9%	4.8%	2.9%	
<b>Business licensing and permits</b>	0.61	0.29	Kirov Region; Smolensk Region; Stavropol Territory	2.5%	4.5%	1.8%	7.7%
<b>Political instability</b>	0.94	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	2.3%	2.0%	1.2%	11.3%
<b>Corruption</b>	1.25	0.60	Irkutsk Region; Kirov Region; Smolensk Region	7.2%	6.2%	3.3%	18.2%
<b>Courts</b>	0.38	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	3.1%	4.7%		
<b>Labor regulations</b>	0.41	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	3.1%			
<b>Inadequately educated workforce</b>	1.33	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	5.5%	6.8%	5.0%	

## Belgorod Region.<sup>2</sup>

### Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Belgorod Region benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Belgorod Region.



<sup>2</sup> 120 companies were surveyed by in Belgorod Region. The benchmarks used for comparisons are averages for Russia as a whole.

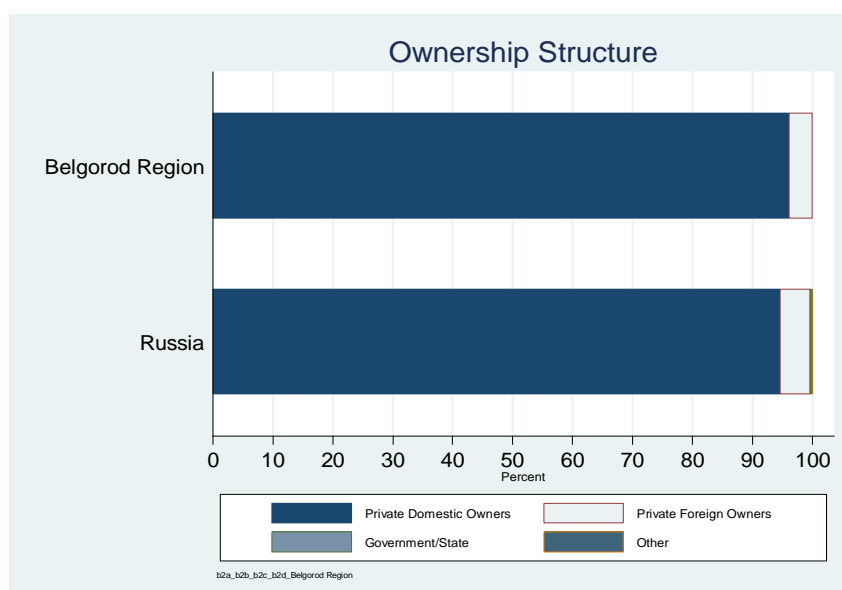
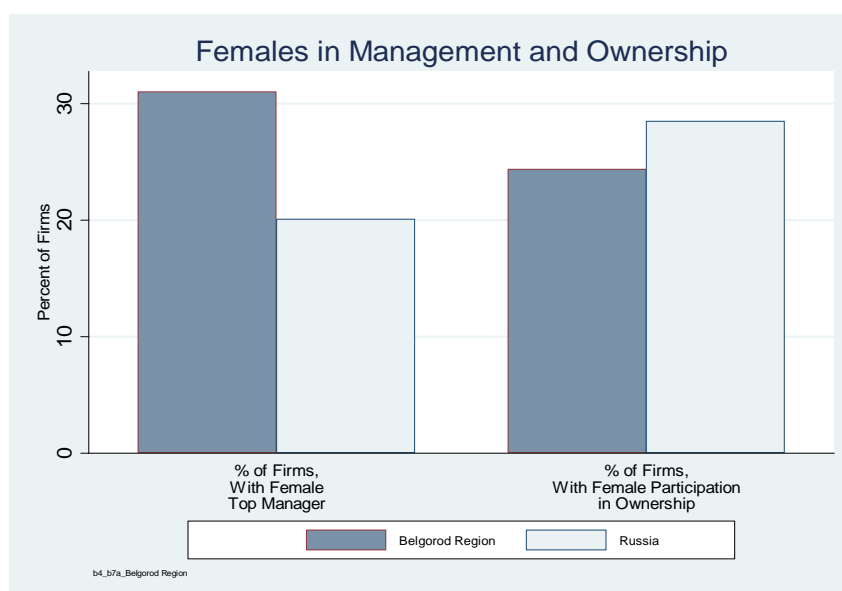
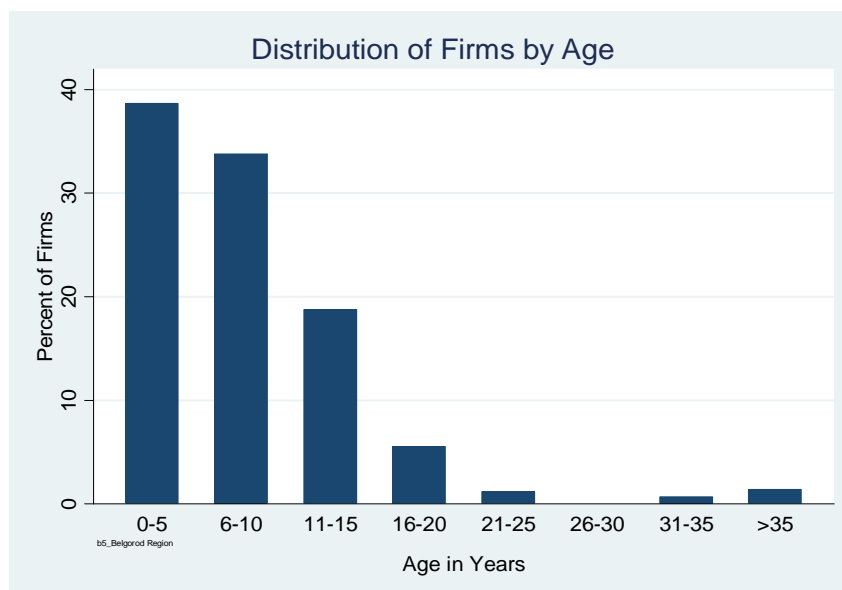
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## Infrastructure

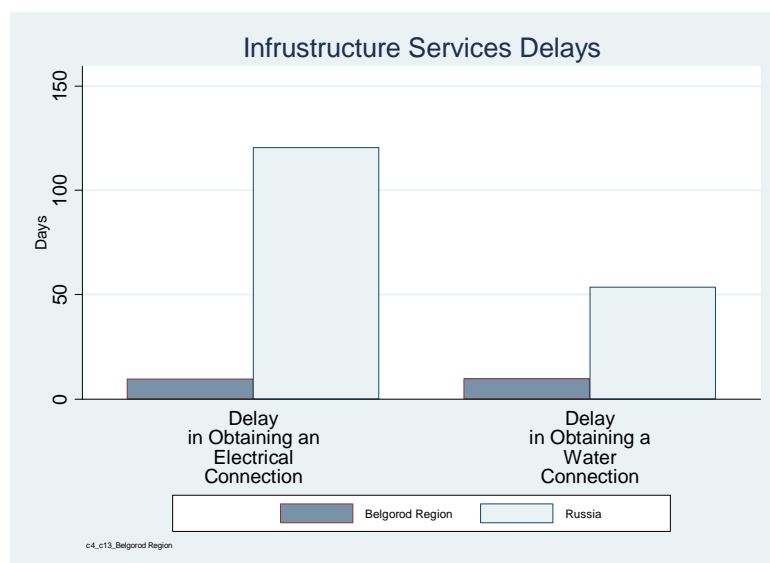
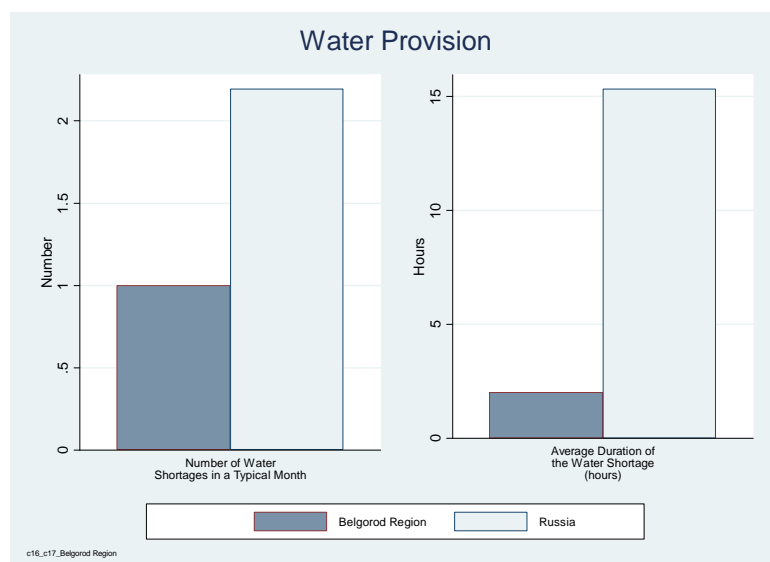
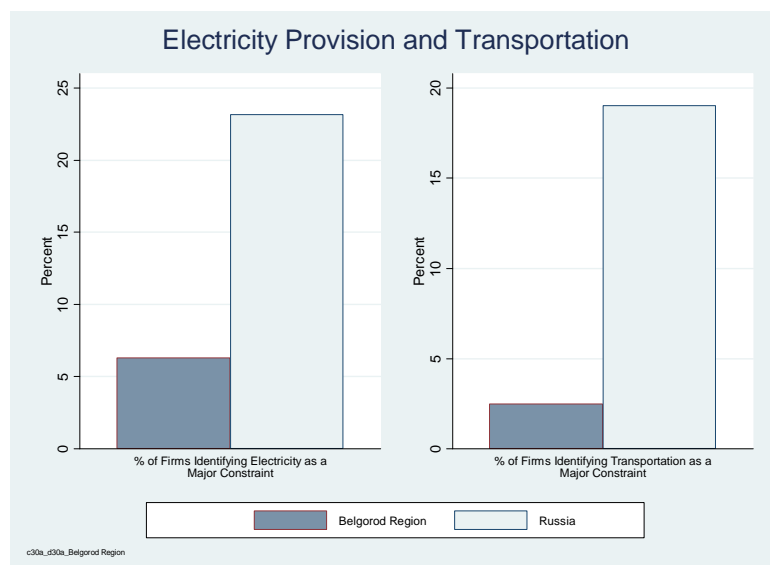
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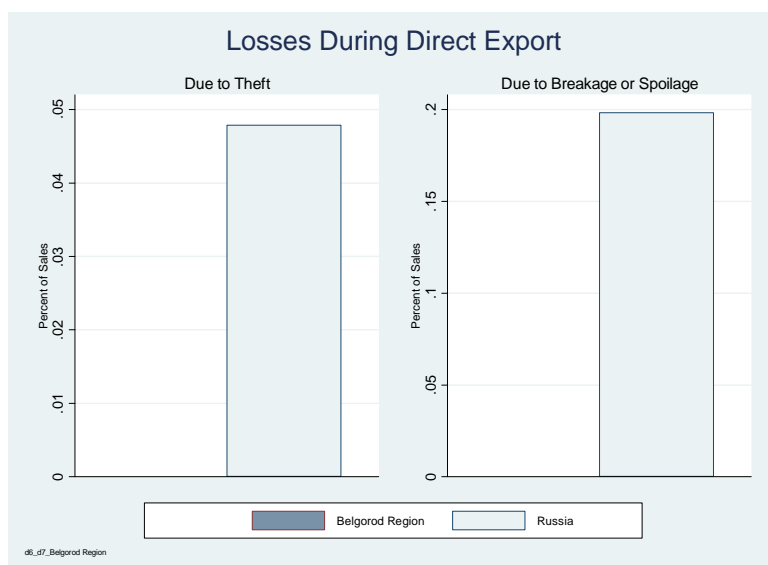
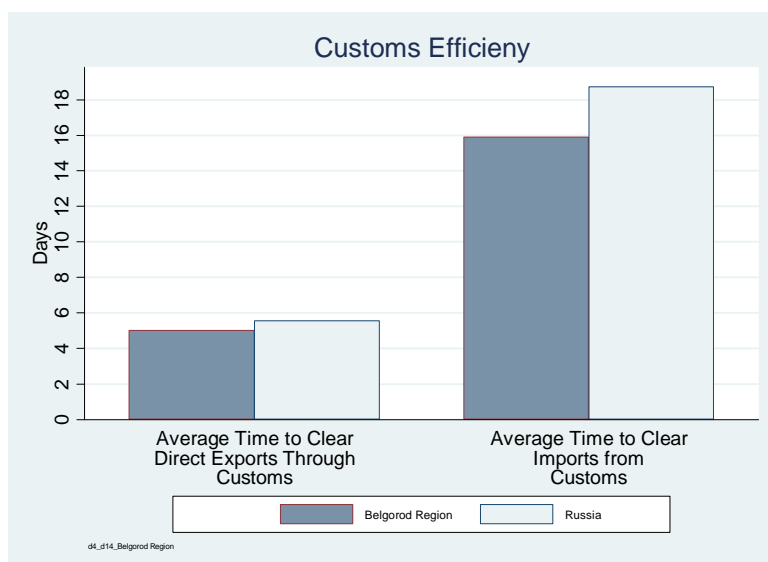
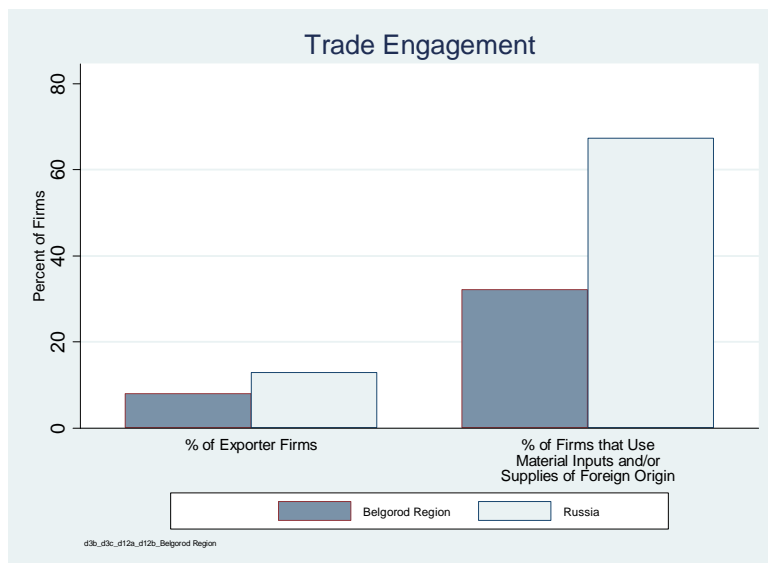
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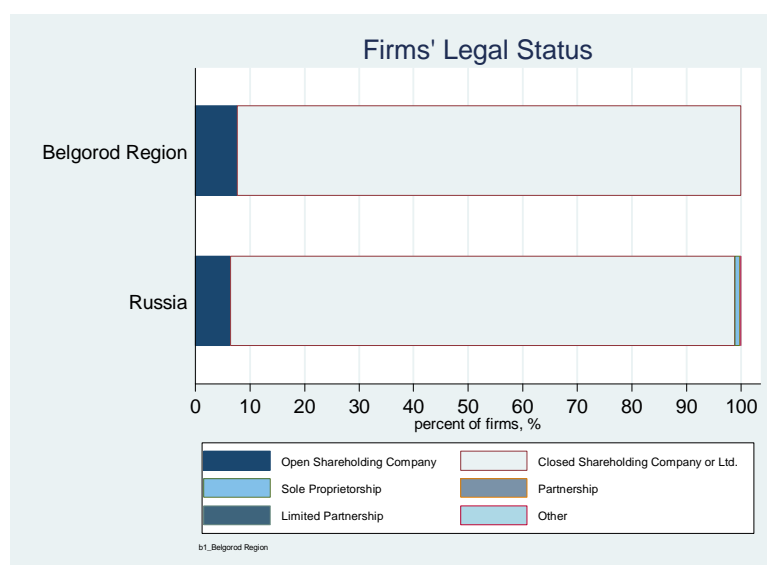
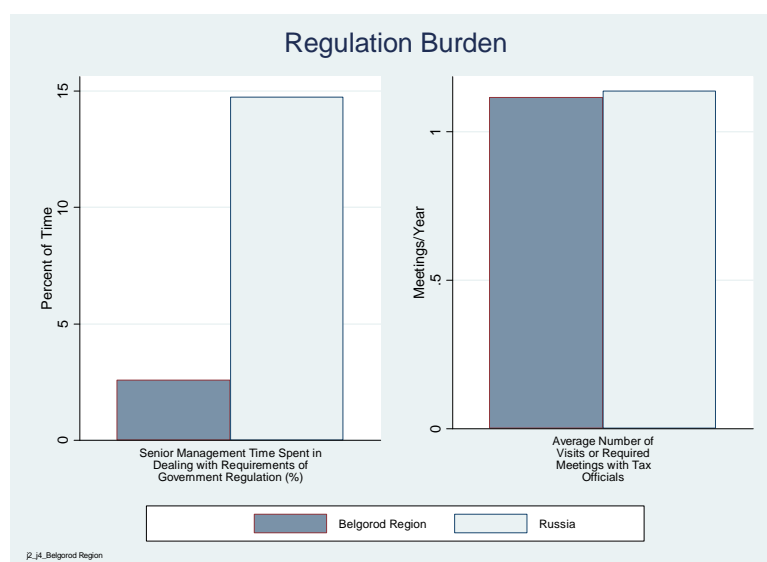
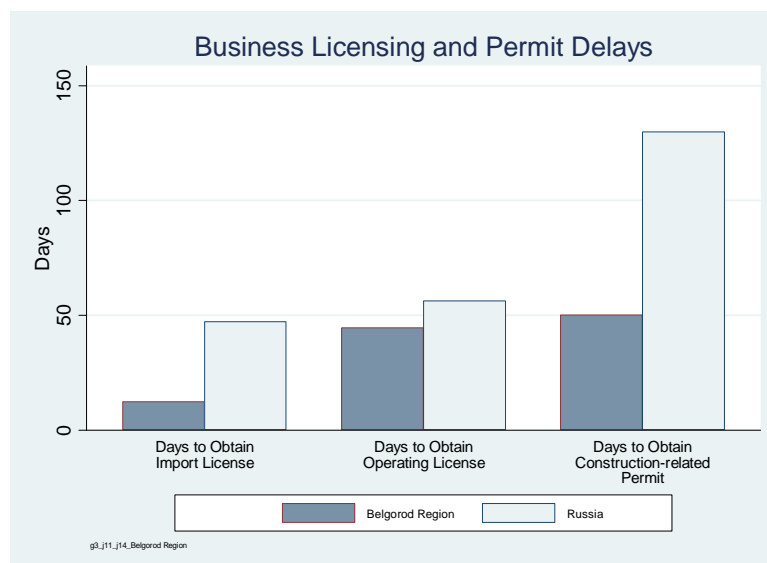
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## Corruption

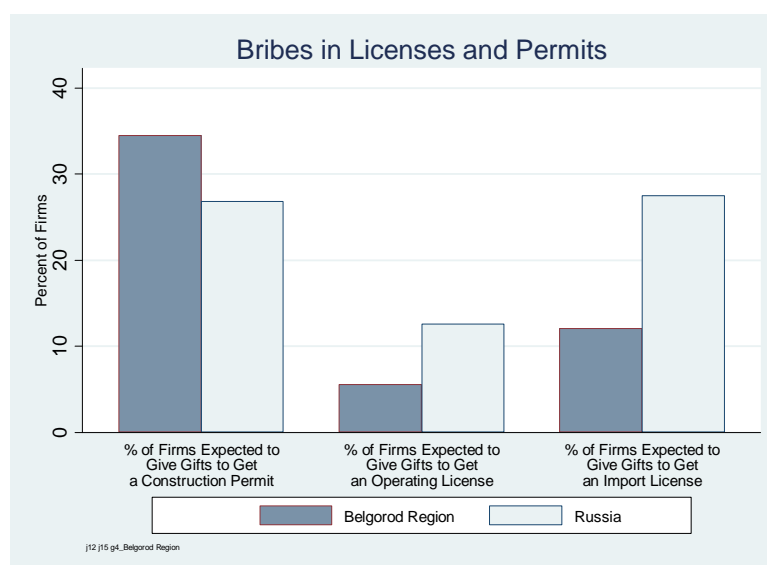
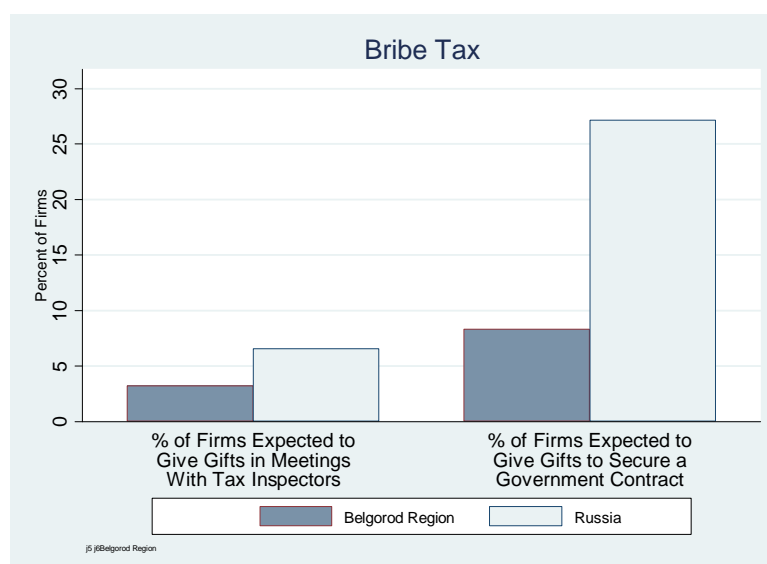
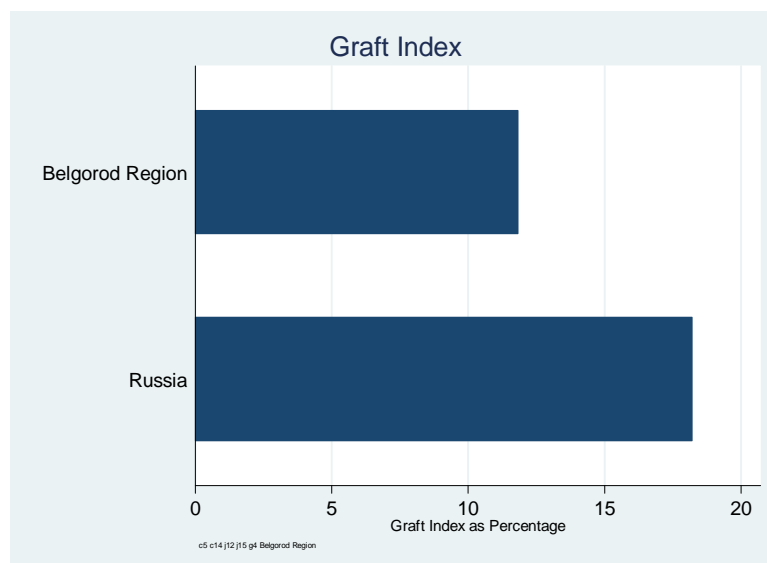
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## Crime and Informality

Crime imposes costs on firms when they are forced to divert resources from productive uses to cover security costs. Both foreign and domestic investors perceive crime as an indication of social instability, and crime drives up the cost of doing business. Also, commercial disputes between firms and their clients occur regularly in the course of doing business. Resolving these disputes can be challenging when legal institutions are weak or nonexistent.

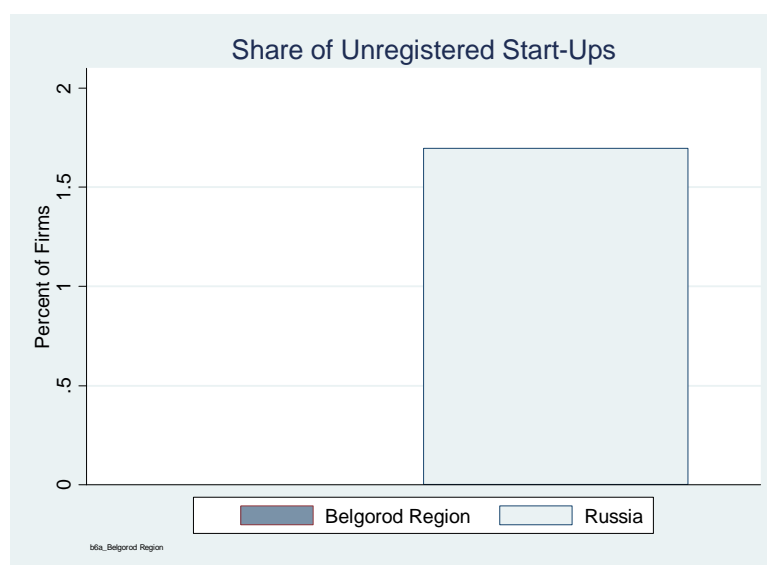
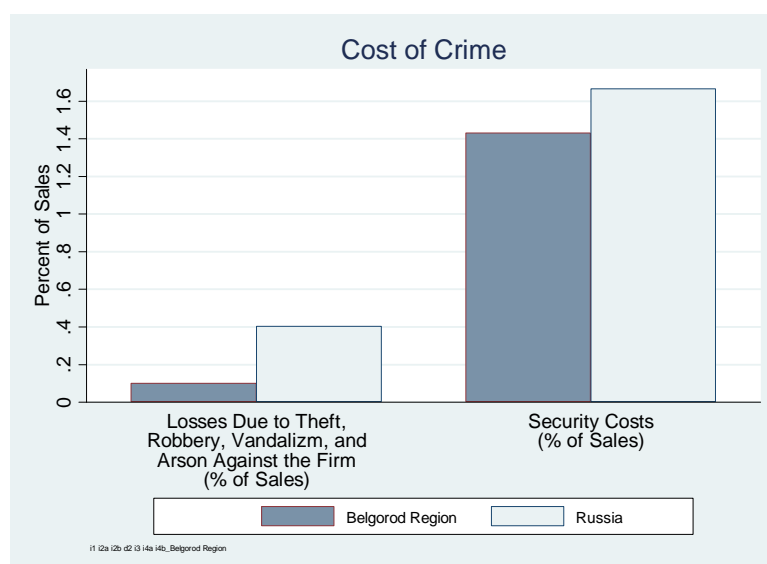
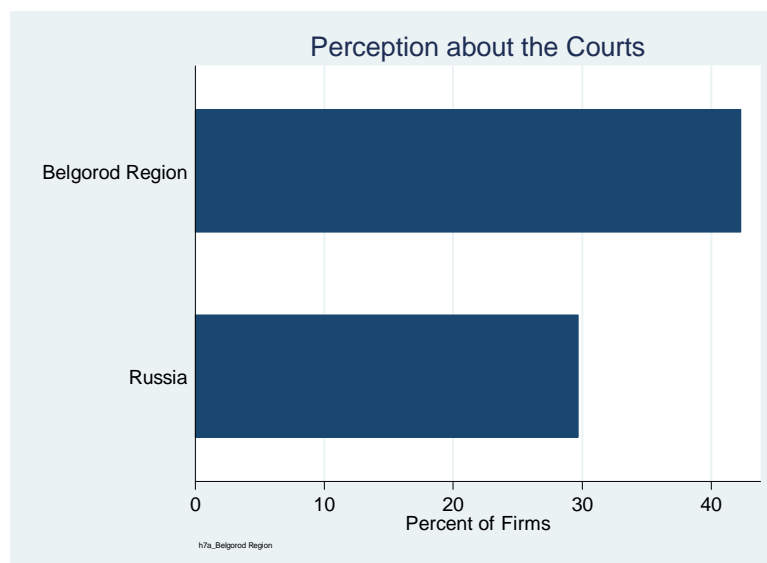
Similarly, a large informal sector has serious consequences for the formal private sector. The informal sector may pose unfair competition for formal firms.

The survey captures key dimensions of the effect of crime on firm sales, the extent to which entrepreneurs identify courts as fair, and the degree of informality in an economy.

The first indicator shows the share of firms that recognize the functioning of the courts as being fair, impartial, and uncorrupted.

The second set of indicators measures the direct costs of security incurred by firms as well as their direct losses due to crime. These resources represent an opportunity cost since they could have been invested in productive activities.

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## Finance

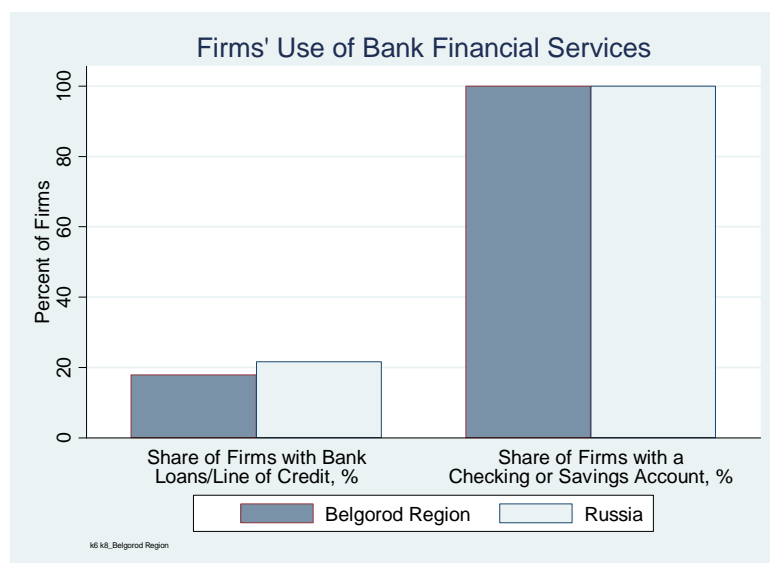
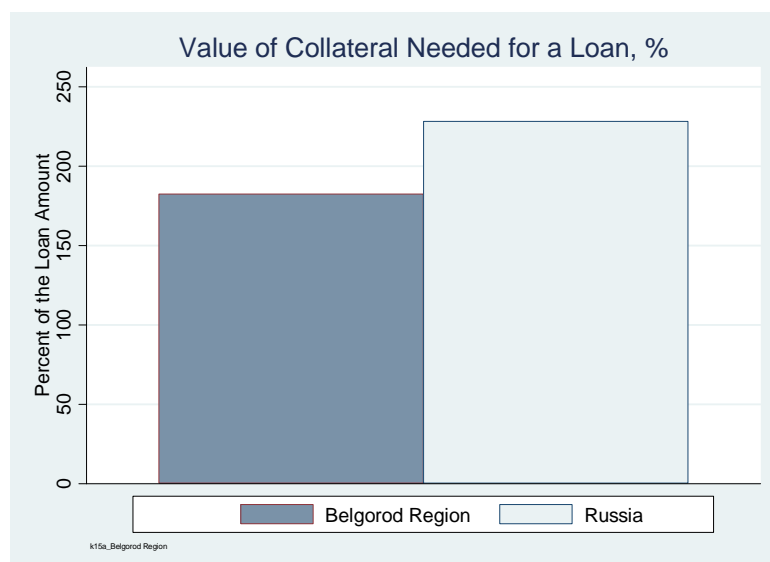
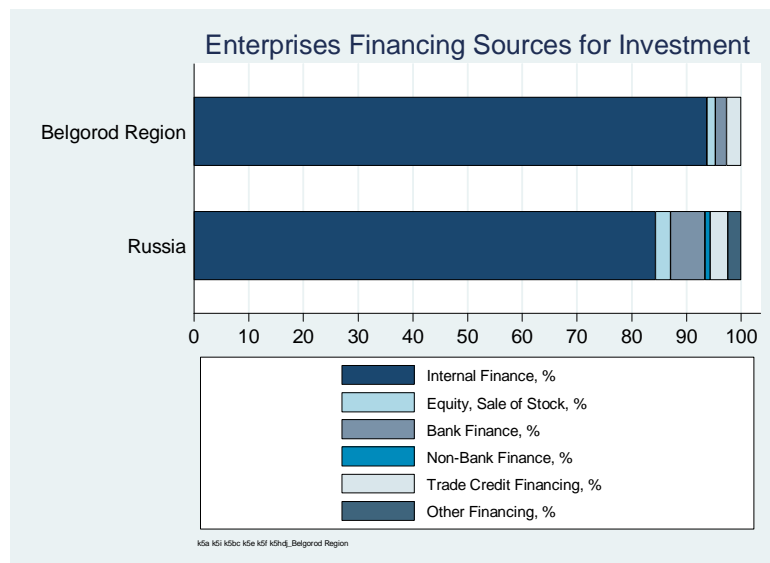
Developed financial markets provide payment services, mobilize deposits, and ease investment financing. Efficient financial markets reduce the reliance on internal funds and on money from informal sources such as family and friends by connecting firms to a broad range of lenders and investors.

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The second set of indicators measures the use of financial markets by individual firms. It presents the percentage of working capital that is financed by sources external to the firm, and a measure of the burden imposed by loan requirements measured by collateral levels relative to the value of the loans.

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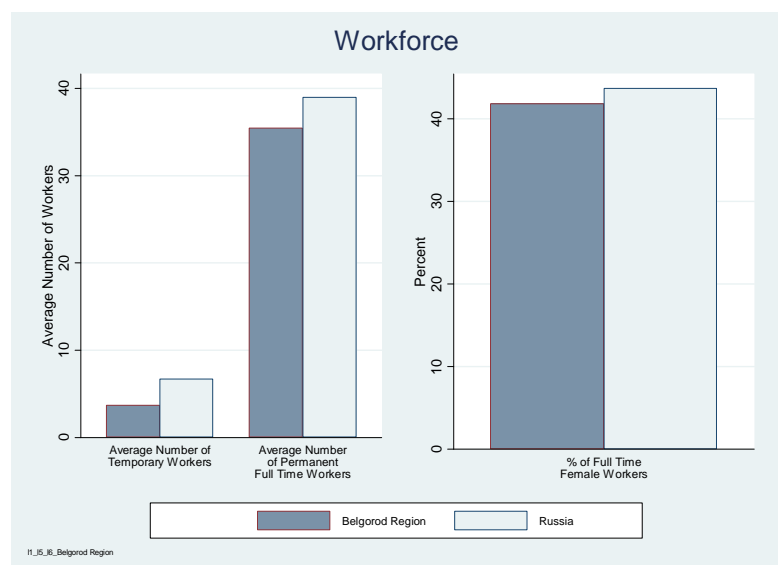
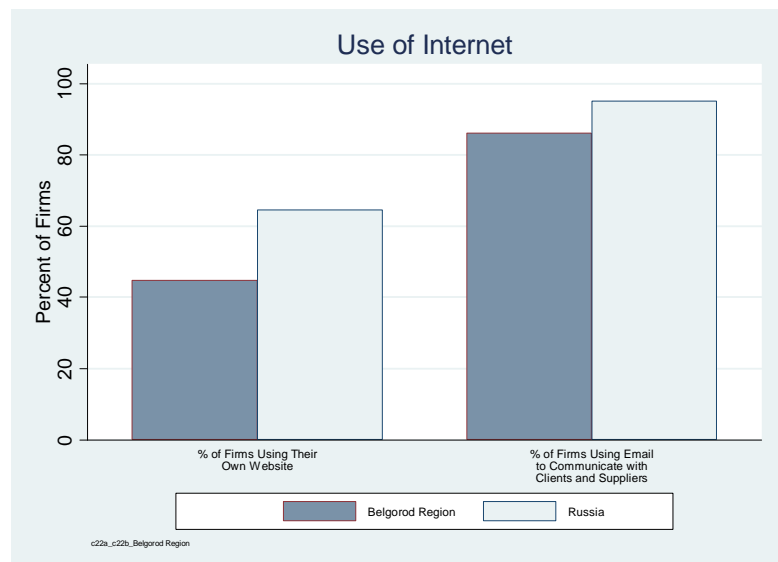
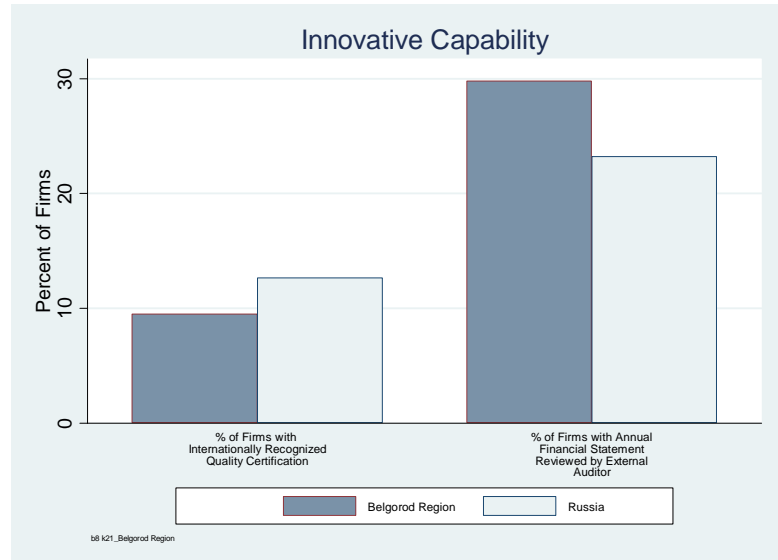
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The Survey provides indicators that describe several dimensions of technology use and innovation. They also collect information on the characteristics of the workforce employed in the non-agricultural private economy.

The first set of indicators measures the extent to which firms invest in obtaining recognized certificates of production and accounting practices. Obtaining international quality certifications can open doors to technology and innovation and they also provide a sign of high quality that may open markets.

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The third set of indicators presents the composition of the firm's workforce by type of contract and gender. Labor regulations have a direct effect on the type of employment favored by firms and they may have a differing impact by gender. The first two indicators present the composition of the workforce classified into temporary and permanent workers. The last indicator reflects the participation of women in regular full-time employment.



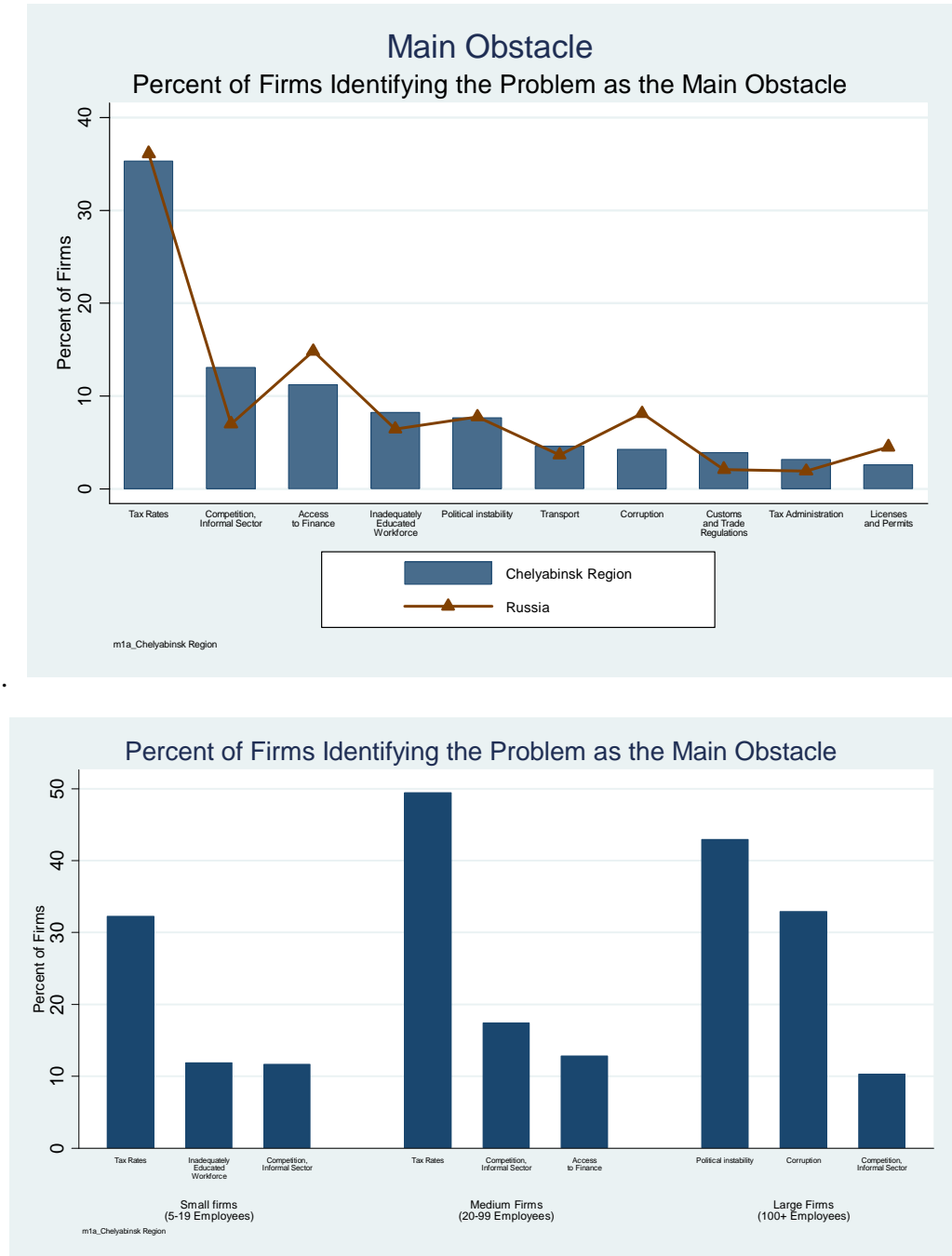
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	<i>Belgorod Region</i>	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	0.29	0.36	<i>Belgorod Region</i> ; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	0.35	0.36	<i>Belgorod Region</i> ; Republic of Bashkortostan; Smolensk Region				
<b>Transport</b>	0.39	0.34	<i>Belgorod Region</i> ; Smolensk Region; Stavropol Territory				
<b>Customs and trade regulations</b>	0.22	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	1.0%	1.3%	0.7%	2.4%
<b>Practices of informal competitors</b>	1.30	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	7.9%			
<b>Access to land</b>	0.33	0.36	<i>Belgorod Region</i> ; Smolensk Region; Stavropol Territory				
<b>Crime, theft and disorder</b>	0.18	0.17	<i>Belgorod Region</i> ; Smolensk Region; Stavropol Territory				
<b>Access to finance</b>	0.84	0.64	<i>Belgorod Region</i> ; Smolensk Region; Stavropol Territory				
<b>Tax rates</b>	1.38	1.40	<i>Belgorod Region</i> ; Irkutsk Region; Smolensk Region				
<b>Tax administration</b>	0.39	0.35	<i>Belgorod Region</i> ; Smolensk Region; Stavropol Territory				
<b>Business licensing and permits</b>	0.45	0.29	Kirov Region; Smolensk Region; Stavropol Territory	1.2%	2.2%	0.9%	3.7%
<b>Political instability</b>	1.01	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	3.0%	2.6%	1.5%	14.9%
<b>Corruption</b>	0.96	0.60	Irkutsk Region; Kirov Region; Smolensk Region	4.0%	3.4%	1.8%	10.1%
<b>Courts</b>	0.04	0.08	<i>Belgorod Region</i> ; Krasnoyarsk Territory; Stavropol Territory				
<b>Labor regulations</b>	0.15	0.10	<i>Belgorod Region</i> ; Smolensk Region; Stavropol Territory				
<b>Inadequately educated workforce</b>	0.42	0.50	<i>Belgorod Region</i> ; Smolensk Region; Stavropol Territory				

Chelyabinsk Region.<sup>3</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Chelyabinsk Region benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Chelyabinsk Region.



<sup>3</sup> 79 companies were surveyed by in Chelyabinsk Region. The benchmarks used for comparisons are averages for Russia as a whole.



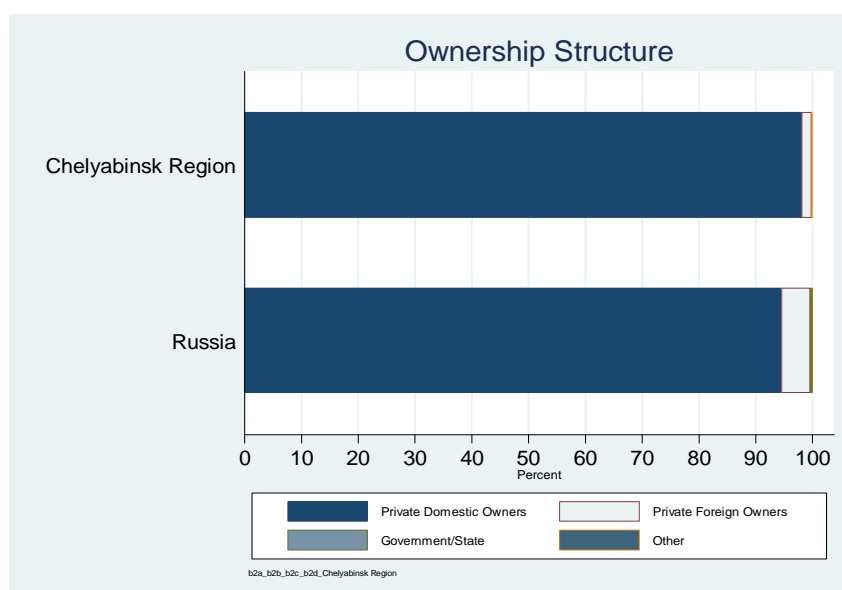
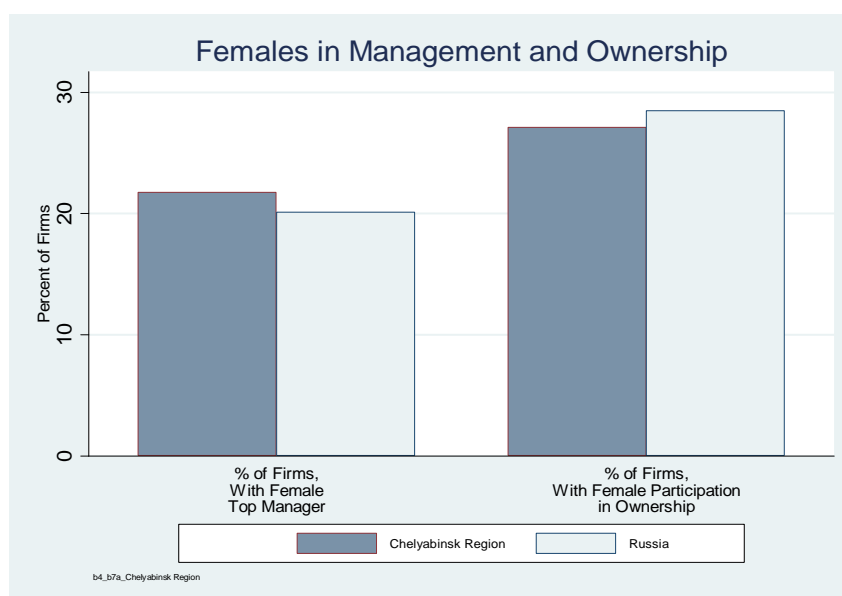
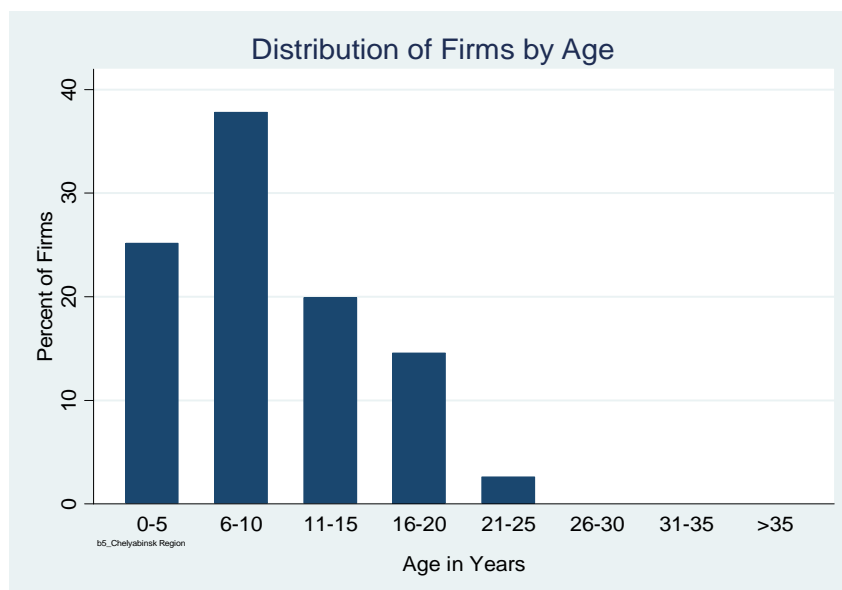
## Average Firm

The survey collects information from a representative sample of the non-agricultural formal private economy. In addition to collecting information on the business environment the surveys collect information on the characteristics of the firms interviewed. Consequently, the data collected provides a description of the representative private firm in the country and also an estimate of how some of the attributes of the average firm are distributed across the population of firms.

The first indicator shows the distribution of firms according to their age measured by the number of years they have been in operation. The effect the business environment can have on the private sector may depend on firms' experience and longevity. Seasoned firms and young firms may differ in their ability to successfully navigate the business environment.

The second set of indicators provides an illustration of female participation in management and firm ownership. These indicators can help assess whether gender can be a determinant of the effect of regulations on the firm and the level of exposure of the firm to external factors, such as corruption, access to finance, and technology.

The third indicator shows the participation of the domestic private sector, the government, the foreign sector and other sectors in the ownership of the typical firm. The distribution provides insight into their levels of equity in the private sector of the economy.



## Infrastructure

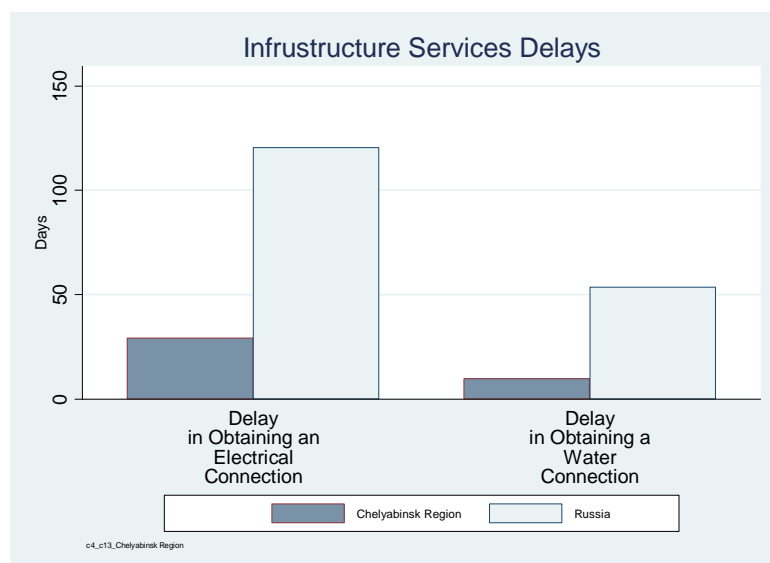
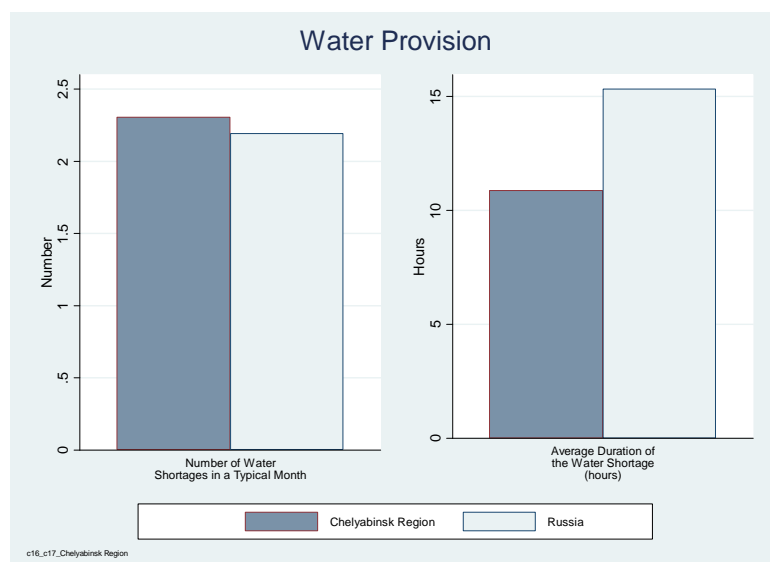
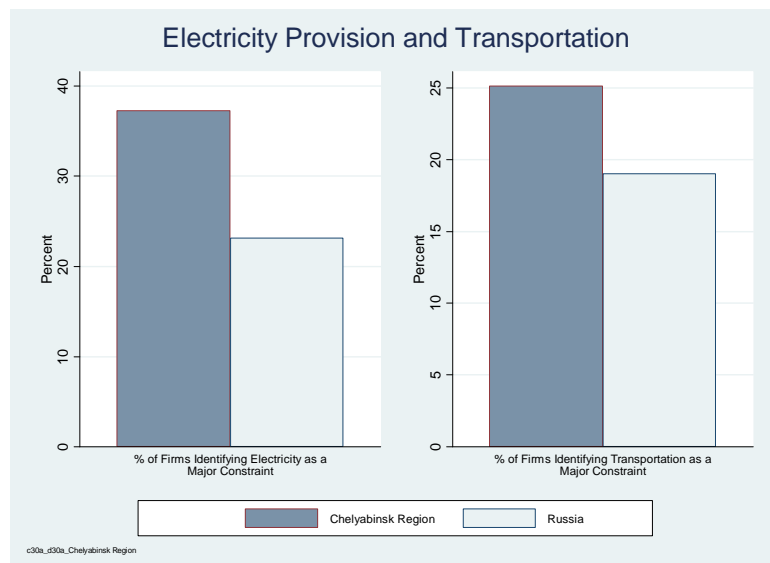
A strong infrastructure enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations.

The survey captures the dual challenge of providing a strong infrastructure for electricity, water supply, telephone connections, etc., and the development of institutions that effectively provide and maintain public services.

The first set of indicators shows the extent to which firms are faced with failures in the provision of electricity and the effect of these failures on sales. Inadequate electricity supply can increase costs, disrupt production, and reduce profitability.

The second set of indicators measures the efficiency of the water supply for the manufacturing sector. Many manufacturing sectors depend on reliable and efficient sources of water for their operations.

The third set of indicators evaluates the efficiency of infrastructure services by quantifying the delays in obtaining electricity, water, and telephone connections. Service delays impose additional costs on firms and may act as barriers to entry and investment.



## Trade

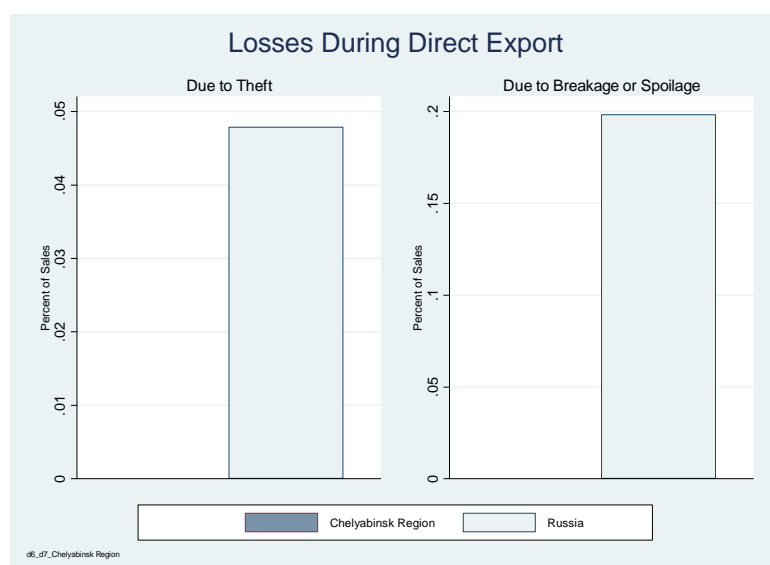
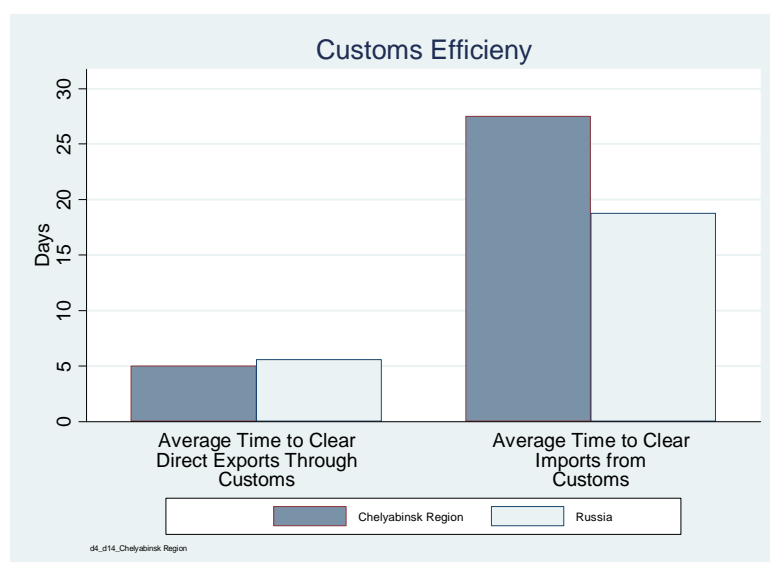
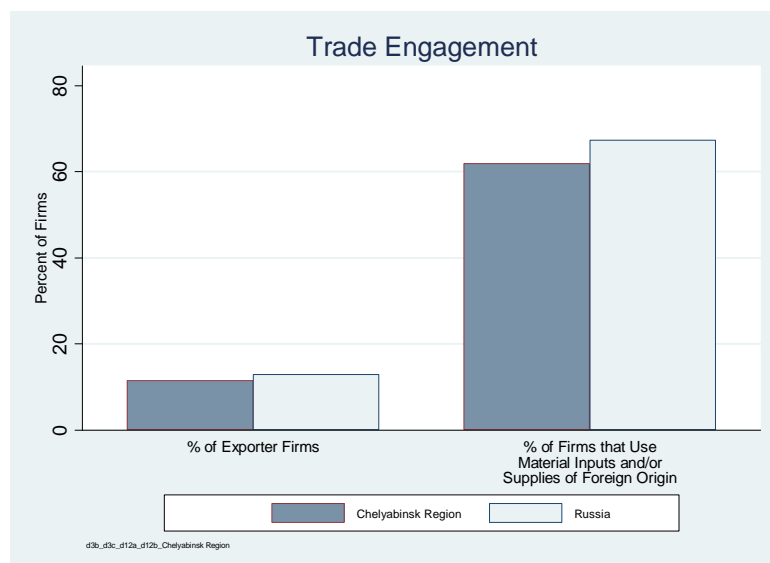
Open markets allow firms to expand, raise standards for efficiency on exporters, and enable firms to import low cost supplies. However, trading also forces firms to deal with customs services and trade regulations, obtain export and import licenses, and in some cases, firms also face additional costs due to losses during transport.

The survey collects information on the operational constraints faced by exporters and importers and also quantifies the trade activity of firms.

The first set of indicators provides a measure of the intensity of foreign trade in the private sector. The first graph shows the percentage of firms who export directly or indirectly, i.e. using an intermediary. The second panel shows the percentage of manufacturing firms who use inputs or supplies of foreign origin.

The second set of indicators measures the average number of days to clear customs for imports and exports. The delay in clearing customs for imports or exports creates additional costs to the firm, can interrupt production, interfere with sales, and result in damaged supplies or merchandise.

The third set of indicators shows the percent value of exports lost during transport due to merchandise theft, and breakage or spoilage, reflecting the transport risks firms face during the export process.



## Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

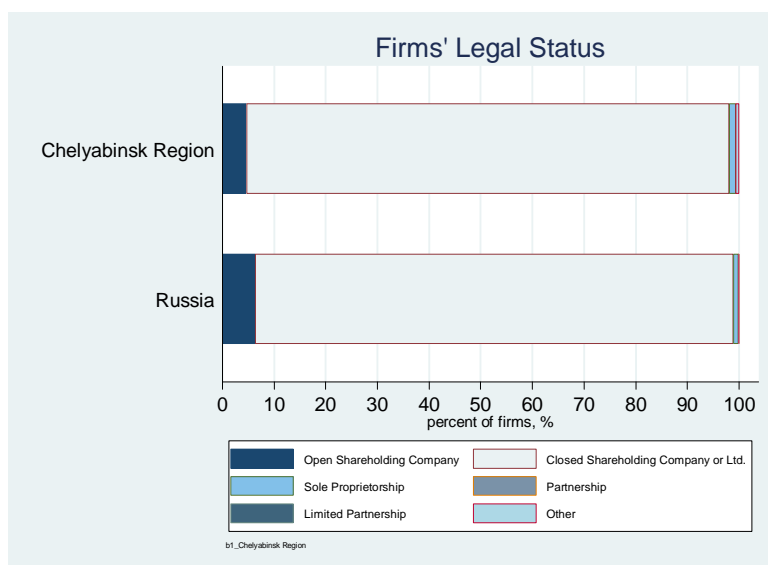
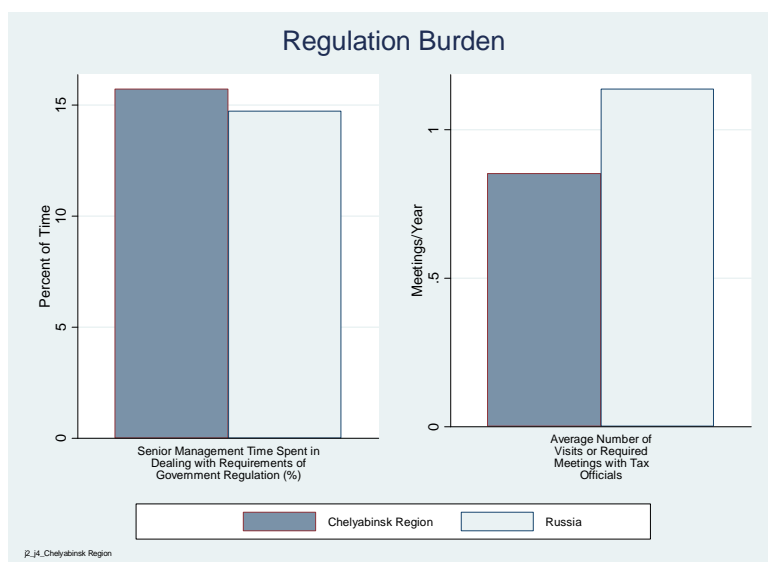
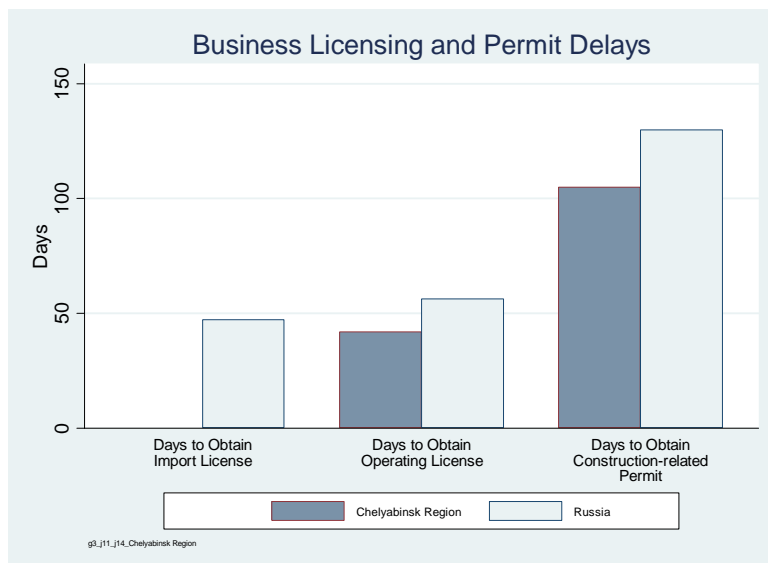
Effective regulations address market failures that inhibit productive investment and reconcile private and public interests. The number of permits and approvals that businesses need to obtain, and the time it takes to obtain them, is expensive and time consuming. The existing legislation of a country also determines the mix of legal forms private firms take and determines the level of protection for investors thus affecting the incentives to invest.

The survey provides qualitative and quantitative measures of taxation, regulations, and business licensing.

The first set of indicators focuses on the efficiency of business licensing and permit services. The indicators evaluate the delays faced when demanding these services.

The second set of indicators approximates the “time tax” imposed by regulations: it measures the time spent by senior management in meetings with public officials and the average number of tax inspections or meetings with tax inspectors in a year.

The third indicator shows the relative use of the different legal forms in the private sector. Most legal forms can be classified into shareholding companies with shares traded privately or non-traded at all (closed), shareholding companies publicly traded (open), sole proprietorships, partnerships, and limited partnerships. A residual category is included to capture legal forms not easily classified into the other categories.



## Corruption

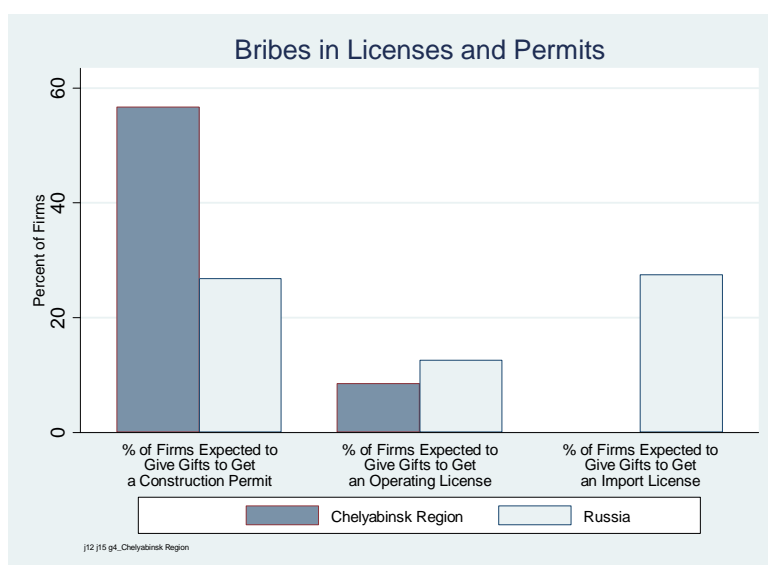
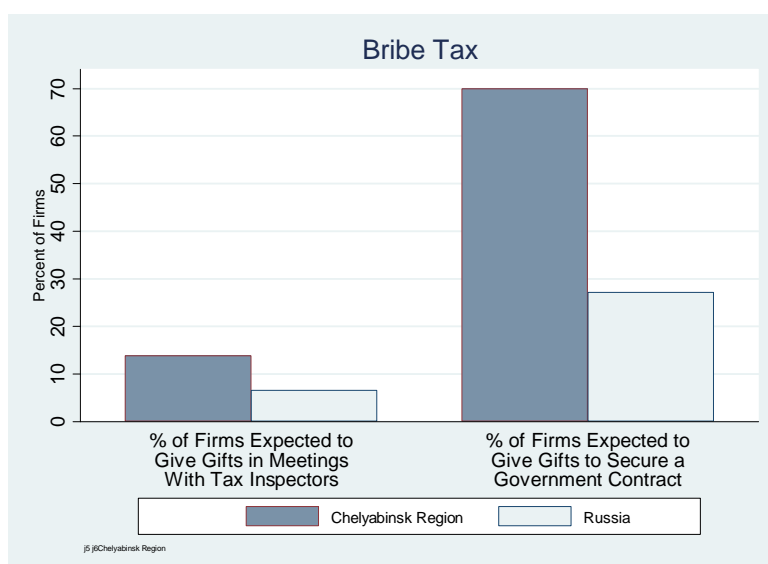
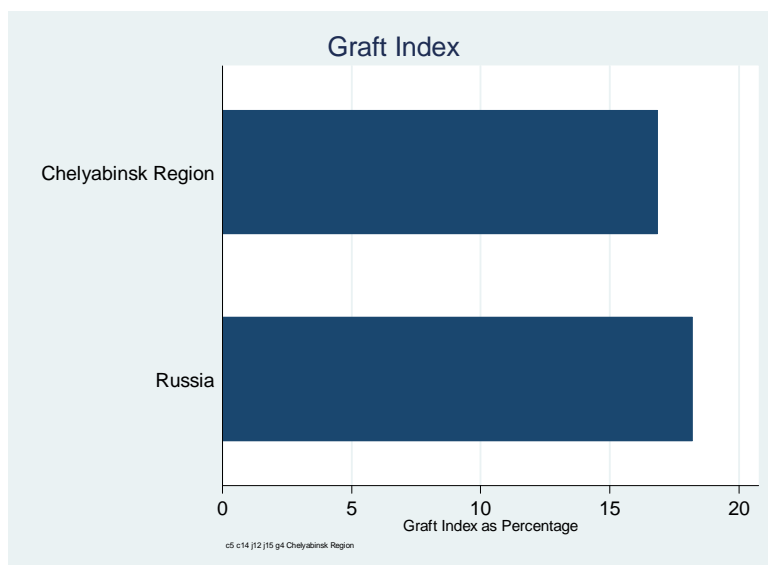
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

Inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make “unofficial” payments to public officials to get things done. In many countries bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for the firms’ growth and development.

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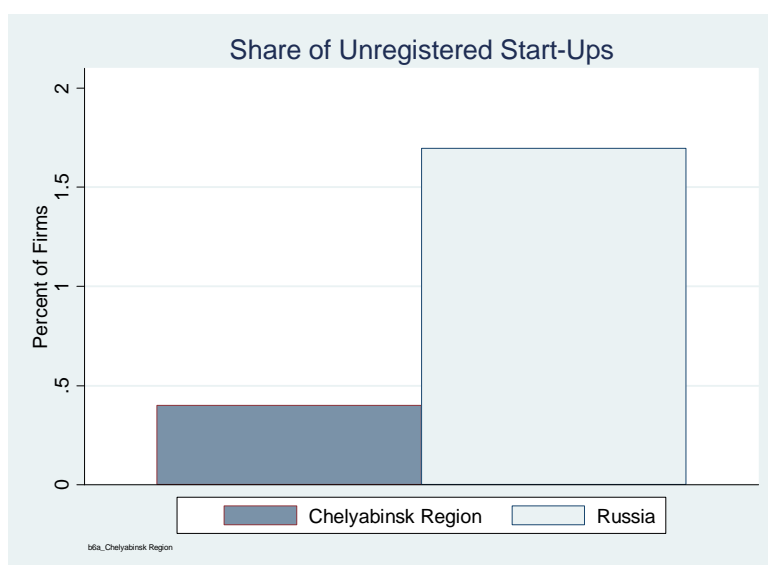
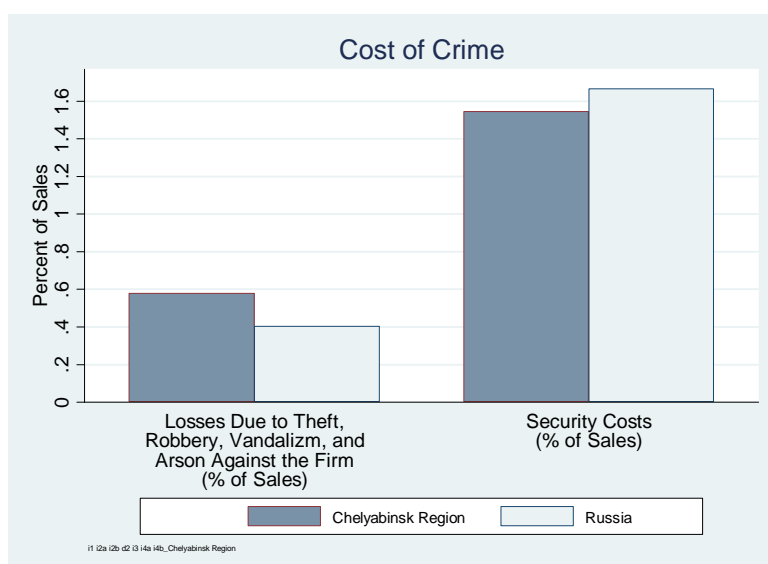
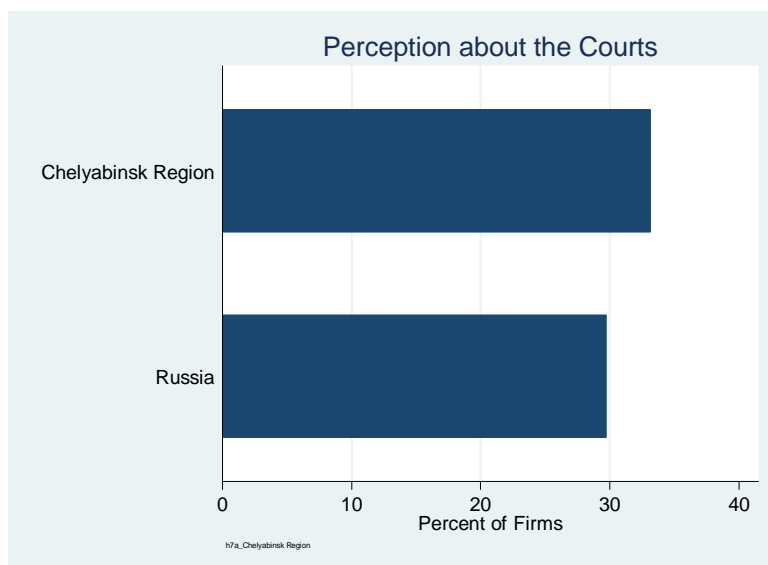
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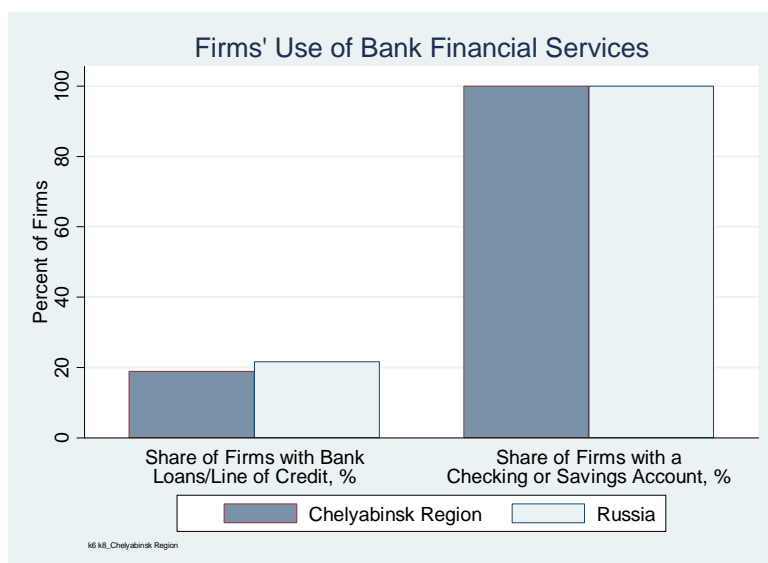
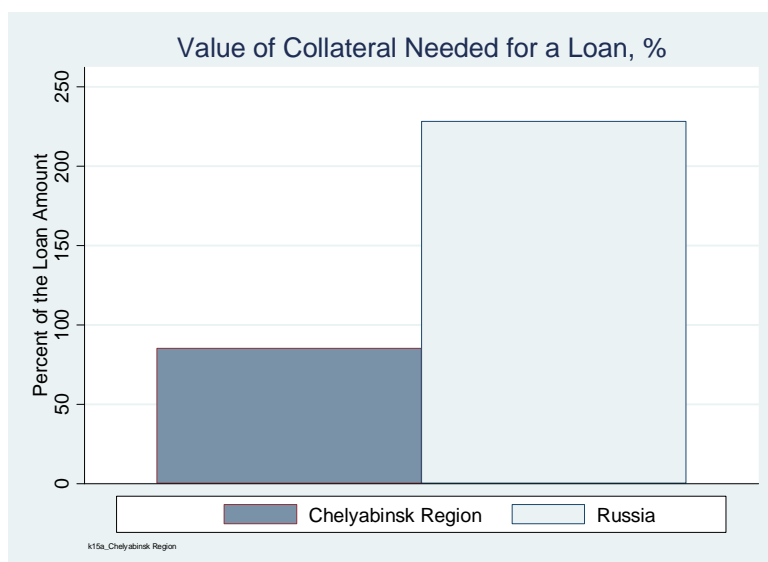
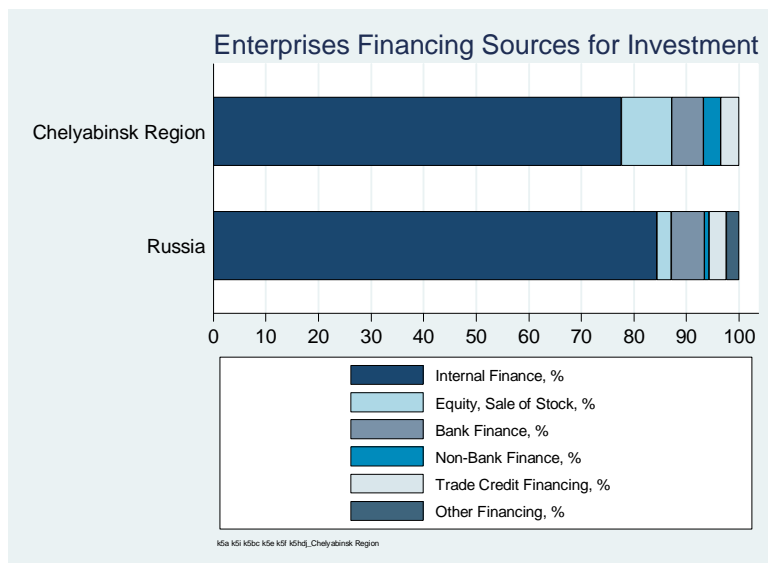
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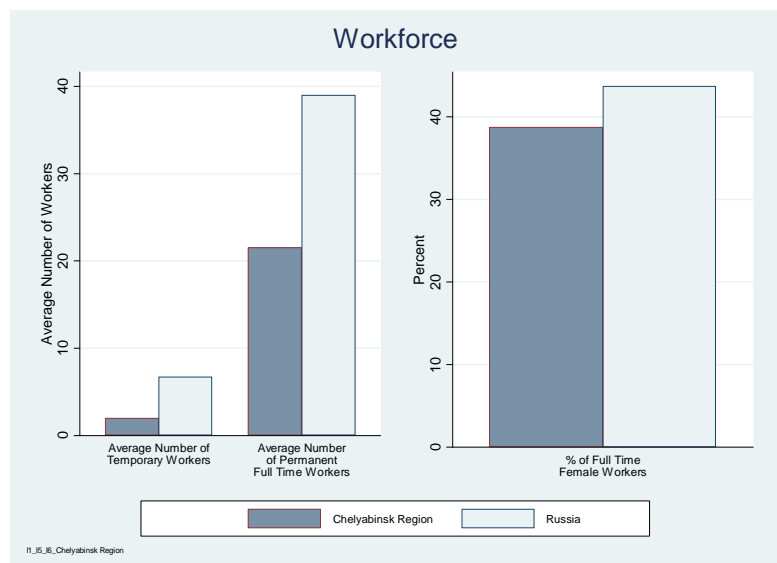
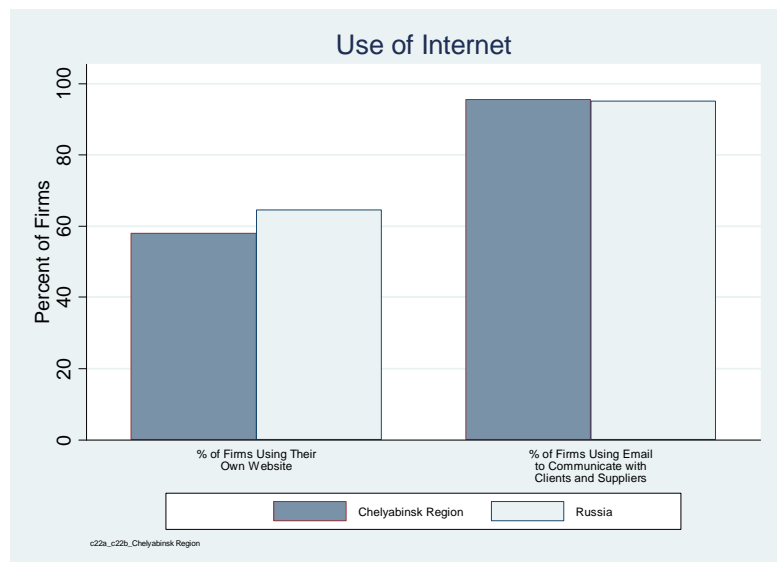
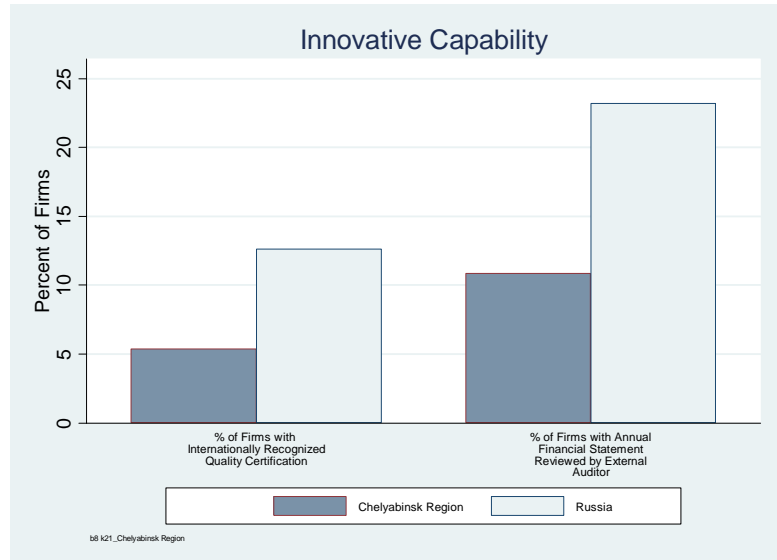
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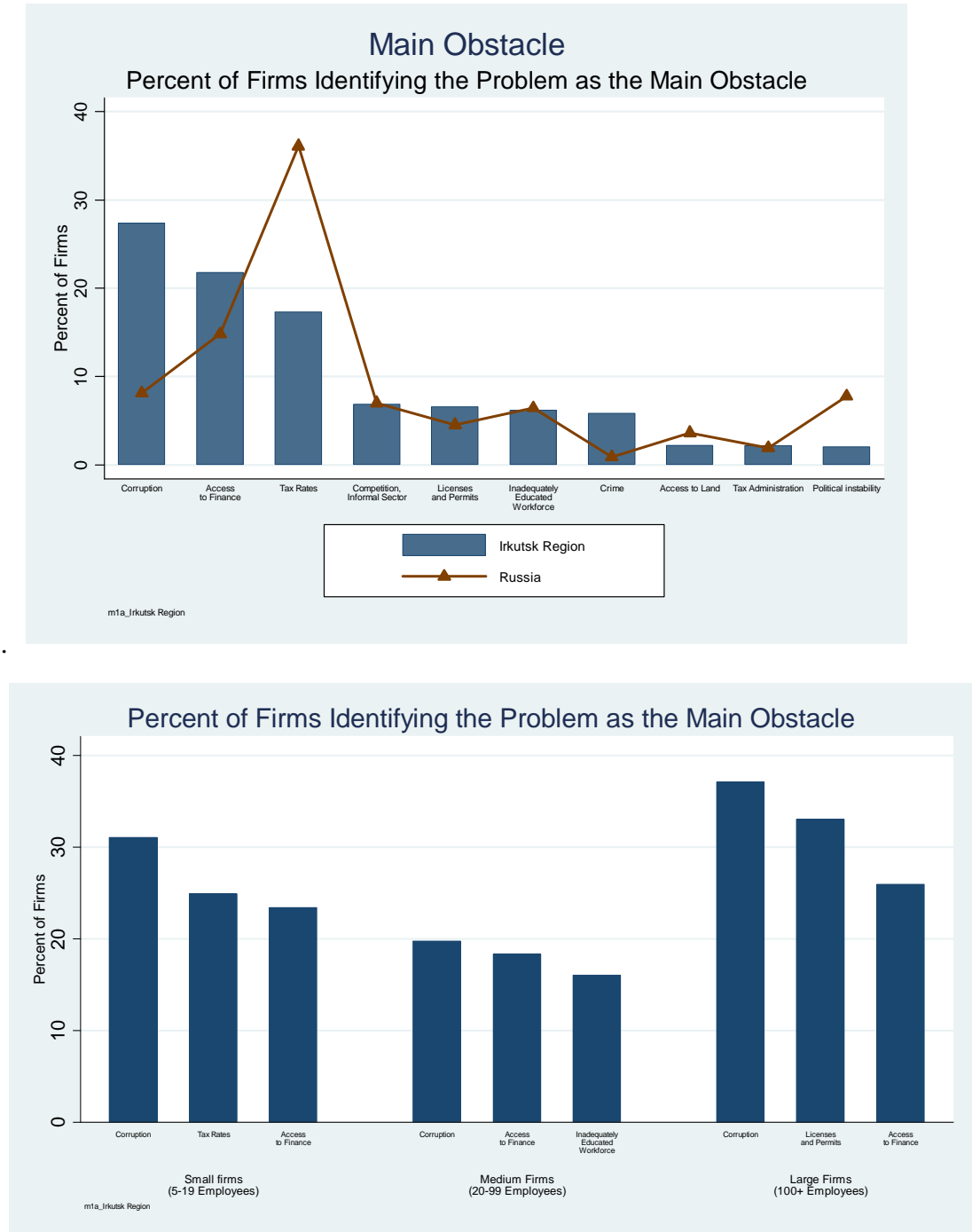
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	<i>Chelyabinsk Region</i>	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	1.82	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	1.86	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	5.9%	8.6%		
<b>Transport</b>	1.42	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	4.2%			
<b>Customs and trade regulations</b>	0.60	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	4.7%	6.0%	3.4%	10.9%
<b>Practices of informal competitors</b>	1.44	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	9.0%			
<b>Access to land</b>	0.50	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	1.1%			
<b>Crime, theft and disorder</b>	1.22	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	6.9%			
<b>Access to finance</b>	1.43	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	9.5%	9.0%		
<b>Tax rates</b>	2.83	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	6.4%			
<b>Tax administration</b>	1.48	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	9.8%	16.2%	9.8%	
<b>Business licensing and permits</b>	0.49	0.29	Kirov Region; Smolensk Region; Stavropol Territory	1.5%	2.9%	1.1%	4.8%
<b>Political instability</b>	1.64	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	10.0%	8.7%	5.1%	49.8%
<b>Corruption</b>	1.44	0.60	Irkutsk Region; Kirov Region; Smolensk Region	9.3%	8.1%	4.3%	23.7%
<b>Courts</b>	0.41	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	3.5%	5.3%		
<b>Labor regulations</b>	0.53	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	4.3%			
<b>Inadequately educated workforce</b>	1.47	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	6.4%	7.9%	5.8%	

Irkutsk Region.<sup>4</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Irkutsk Region benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Irkutsk Region.



<sup>4</sup> 131 companies were surveyed by in Irkutsk Region. The benchmarks used for comparisons are averages for Russia as a whole.

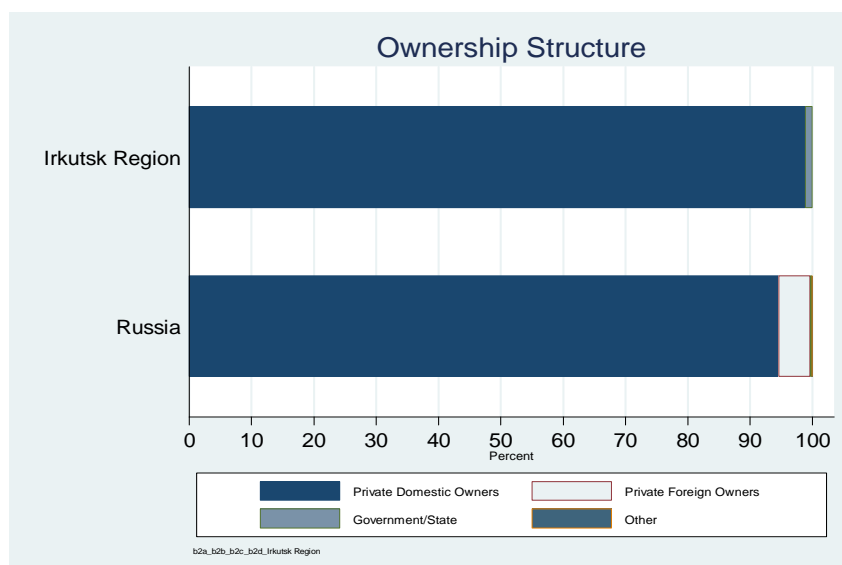
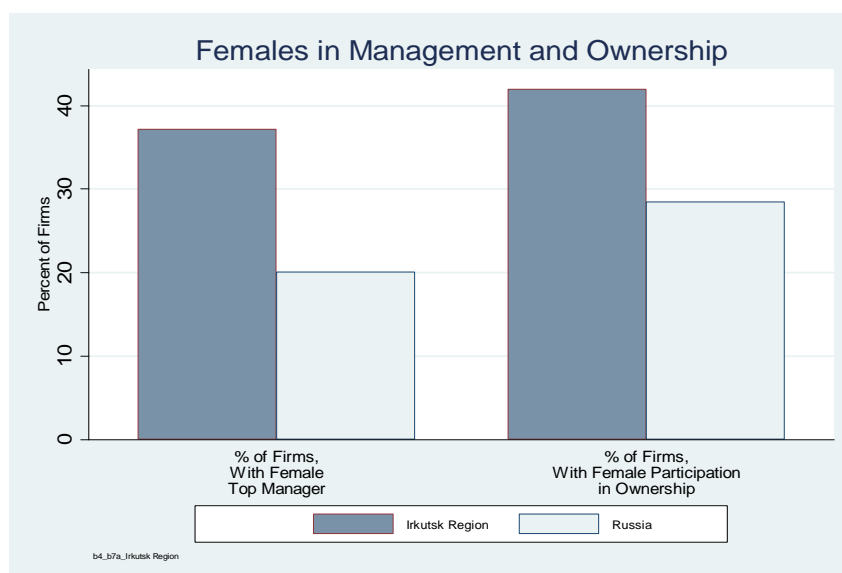
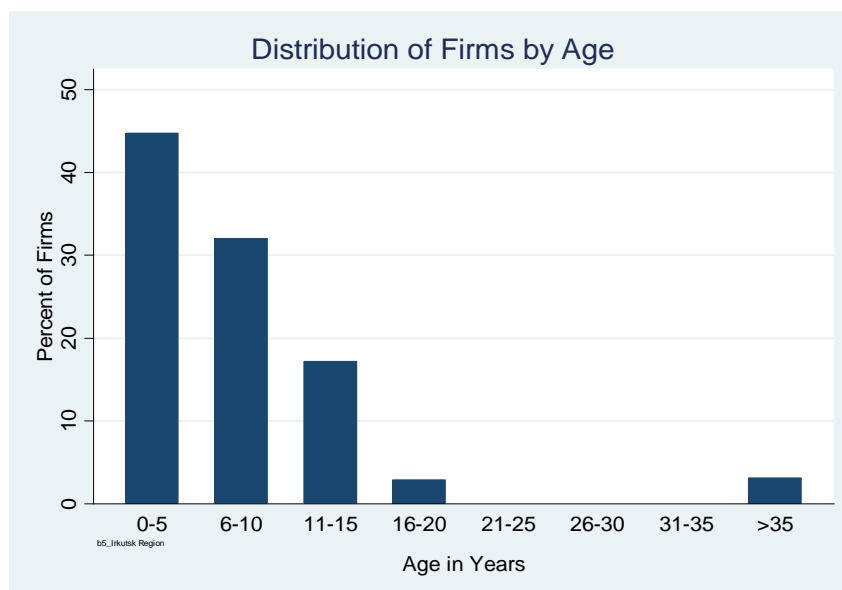
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The survey collects information from a representative sample of the non-agricultural formal private economy. In addition to collecting information on the business environment the surveys collect information on the characteristics of the firms interviewed. Consequently, the data collected provides a description of the representative private firm in the country and also an estimate of how some of the attributes of the average firm are distributed across the population of firms.

The first indicator shows the distribution of firms according to their age measured by the number of years they have been in operation. The effect the business environment can have on the private sector may depend on firms' experience and longevity. Seasoned firms and young firms may differ in their ability to successfully navigate the business environment.

The second set of indicators provides an illustration of female participation in management and firm ownership. These indicators can help assess whether gender can be a determinant of the effect of regulations on the firm and the level of exposure of the firm to external factors, such as corruption, access to finance, and technology.

The third indicator shows the participation of the domestic private sector, the government, the foreign sector and other sectors in the ownership of the typical firm. The distribution provides insight into their levels of equity in the private sector of the economy.



## Infrastructure

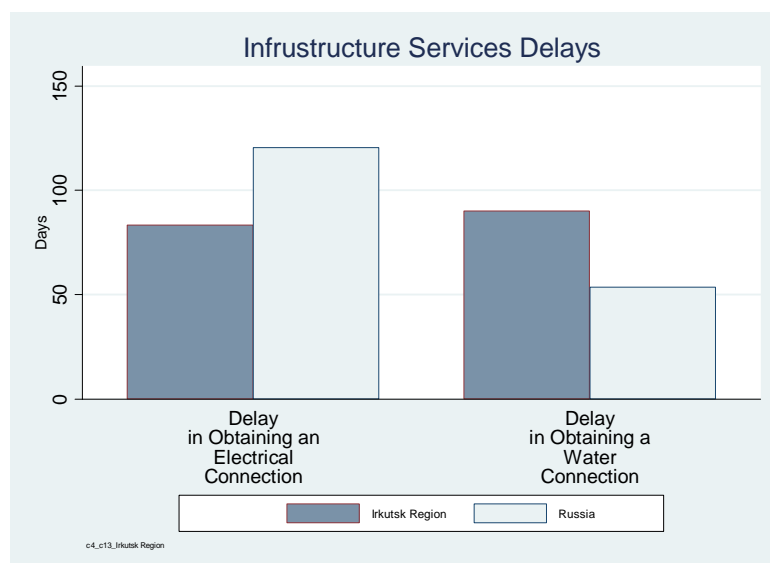
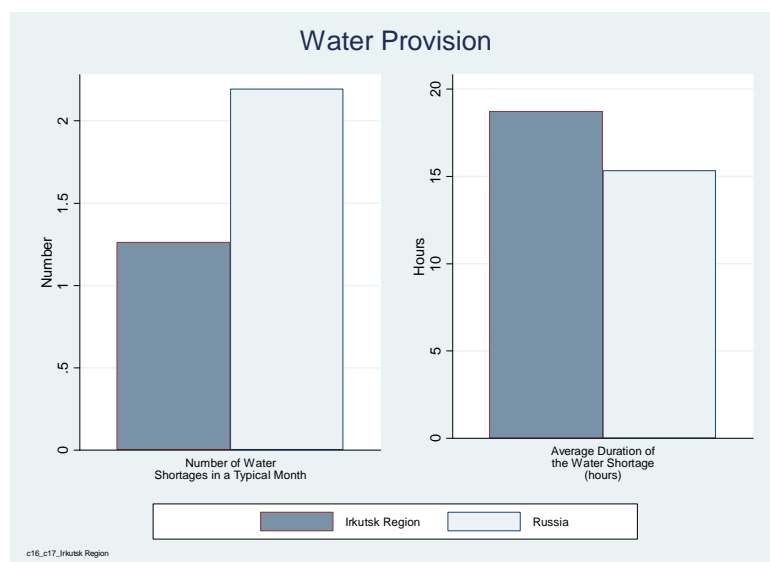
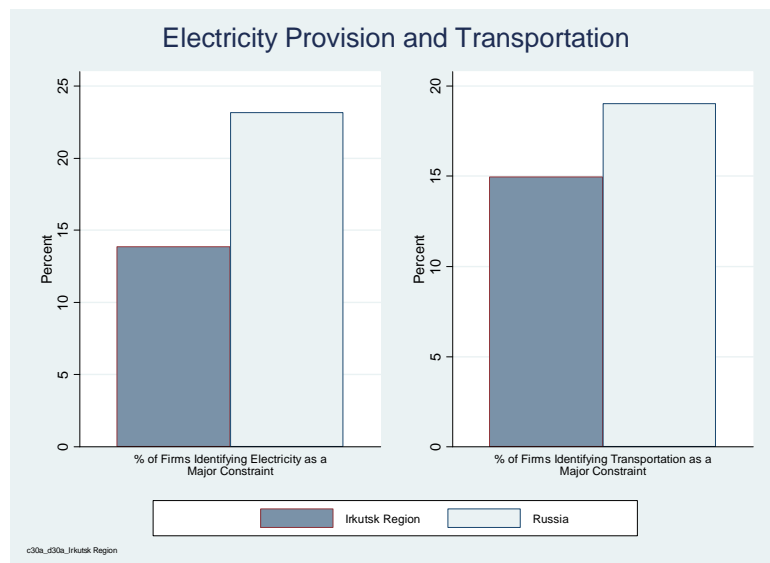
A strong infrastructure enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations.

The survey captures the dual challenge of providing a strong infrastructure for electricity, water supply, telephone connections, etc., and the development of institutions that effectively provide and maintain public services.

The first set of indicators shows the extent to which firms are faced with failures in the provision of electricity and the effect of these failures on sales. Inadequate electricity supply can increase costs, disrupt production, and reduce profitability.

The second set of indicators measures the efficiency of the water supply for the manufacturing sector. Many manufacturing sectors depend on reliable and efficient sources of water for their operations.

The third set of indicators evaluates the efficiency of infrastructure services by quantifying the delays in obtaining electricity, water, and telephone connections. Service delays impose additional costs on firms and may act as barriers to entry and investment.



## Trade

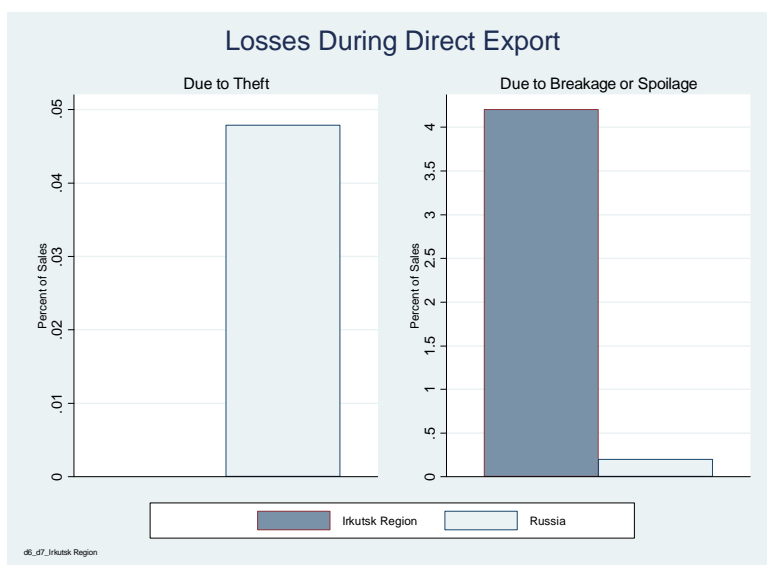
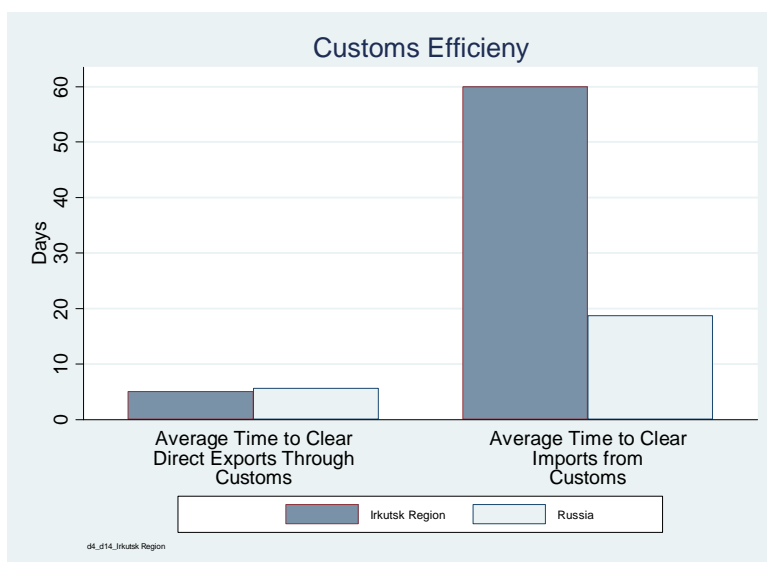
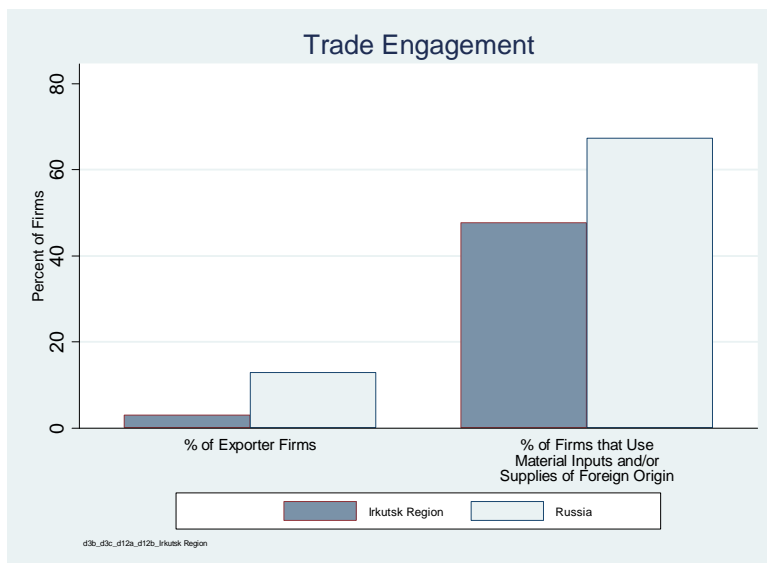
Open markets allow firms to expand, raise standards for efficiency on exporters, and enable firms to import low cost supplies. However, trading also forces firms to deal with customs services and trade regulations, obtain export and import licenses, and in some cases, firms also face additional costs due to losses during transport.

The survey collects information on the operational constraints faced by exporters and importers and also quantify the trade activity of firms.

The first set of indicators provides a measure of the intensity of foreign trade in the private sector. The first graph shows the percentage of firms who export directly or indirectly, i.e. using an intermediary. The second panel shows the percentage of manufacturing firms who use inputs or supplies of foreign origin.

The second set of indicators measures the average number of days to clear customs for imports and exports. The delay in clearing customs for imports or exports creates additional costs to the firm, can interrupt production, interfere with sales, and result in damaged supplies or merchandise.

The third set of indicators shows the percent value of exports lost during transport due to merchandise theft, and breakage or spoilage, reflecting the transport risks firms face during the export process.



## Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

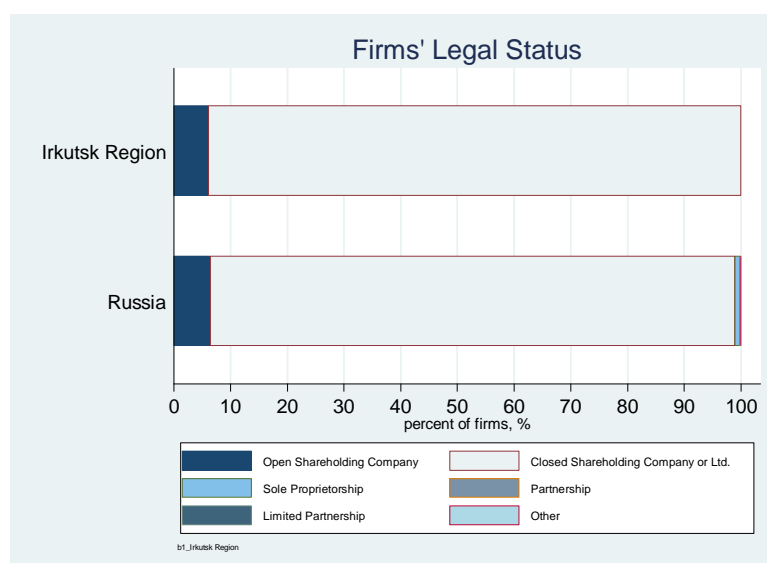
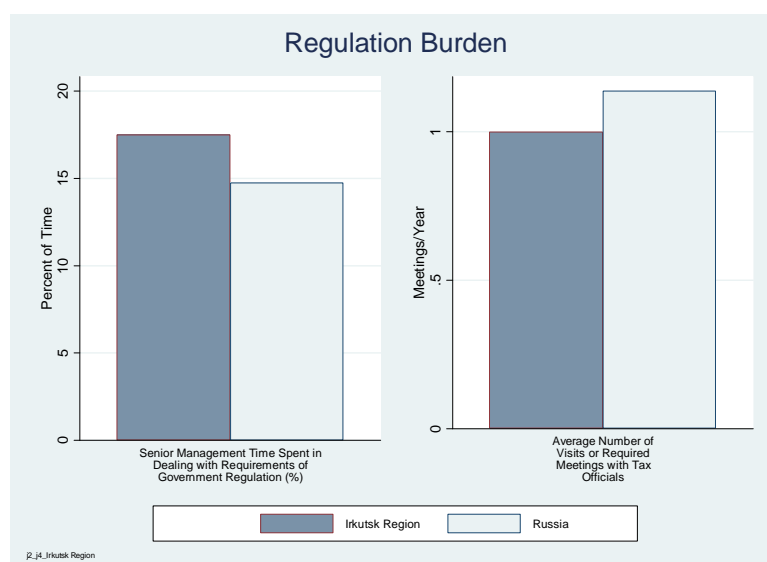
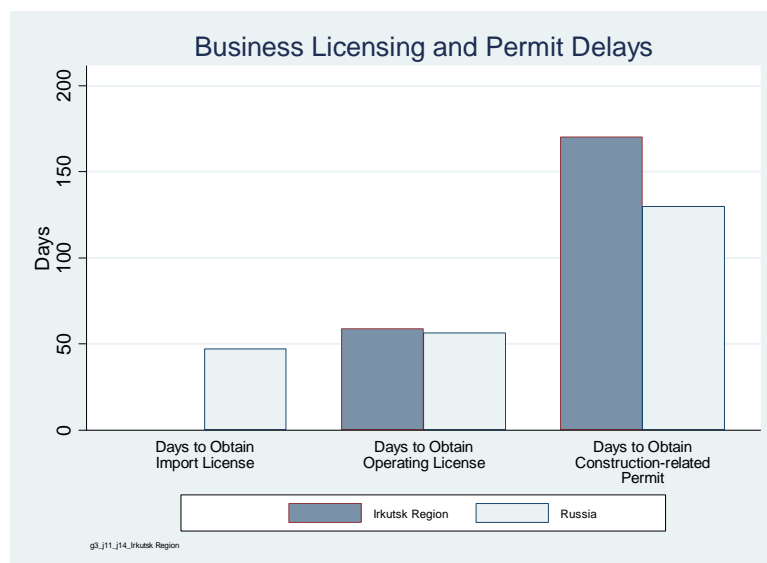
Effective regulations address market failures that inhibit productive investment and reconcile private and public interests. The number of permits and approvals that businesses need to obtain, and the time it takes to obtain them, is expensive and time consuming. The existing legislation of a country also determines the mix of legal forms private firms take and determines the level of protection for investors thus affecting the incentives to invest.

The survey provides qualitative and quantitative measures of taxation, regulations, and business licensing.

The first set of indicators focuses on the efficiency of business licensing and permit services. The indicators evaluate the delays faced when demanding these services.

The second set of indicators approximates the “time tax” imposed by regulations: it measures the time spent by senior management in meetings with public officials and the average number of tax inspections or meetings with tax inspectors in a year.

The third indicator shows the relative use of the different legal forms in the private sector. Most legal forms can be classified into shareholding companies with shares traded privately or non-traded at all (closed), shareholding companies publicly traded (open), sole proprietorships, partnerships, and limited partnerships. A residual category is included to capture legal forms not easily classified into the other categories.



## Corruption

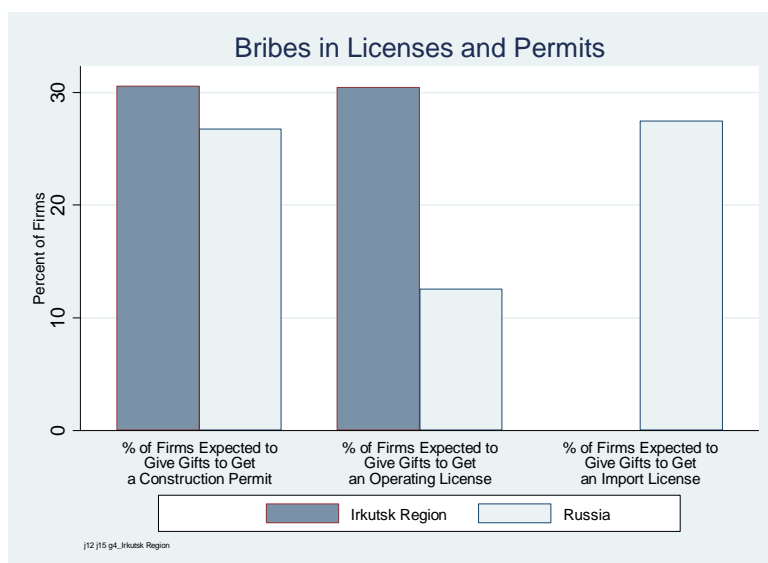
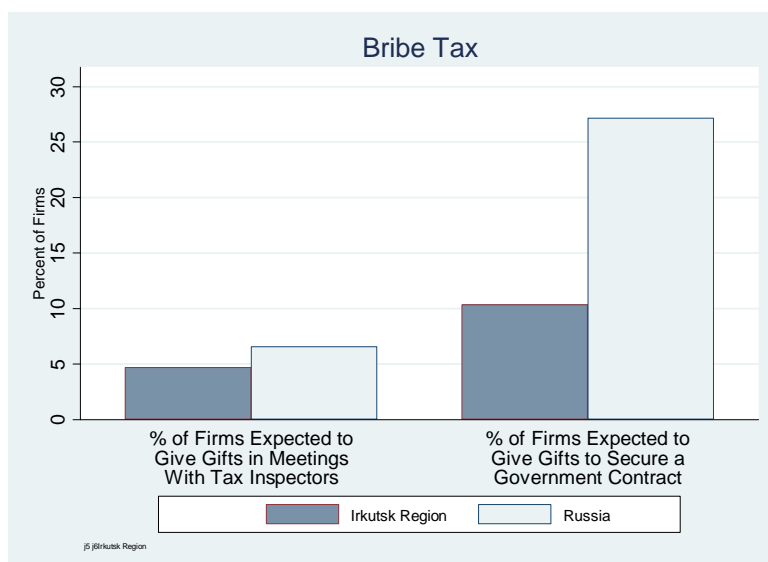
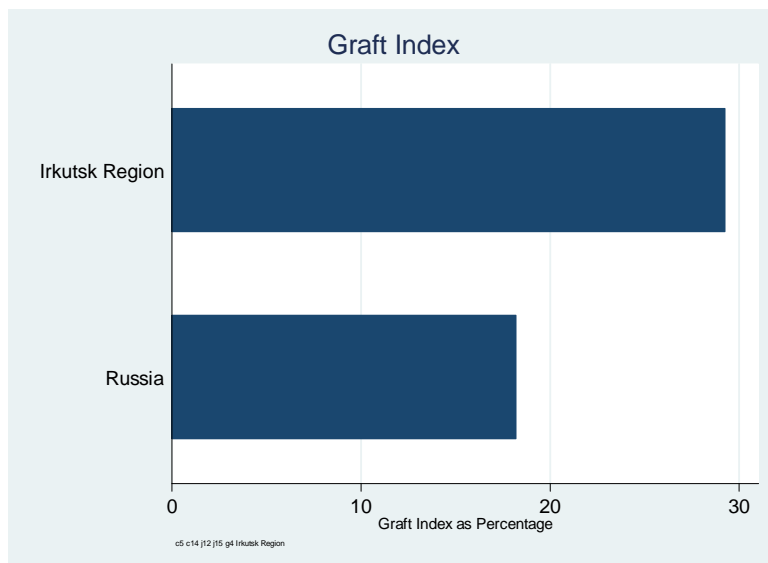
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

Inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make “unofficial” payments to public officials to get things done. In many countries bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for the firms’ growth and development.

The first set of indicators measures a composite index of corruption, the Graft Index that reflects the proportion of instances a firm was asked or expected to pay a bribe when soliciting six different public services, permits or licenses.

The second set of indicators identifies the extent to which specific regulatory and administrative officials require bribe payments during meetings with tax inspectors or in order to secure a government contract.

The third set of indicators focuses on bribes to obtain specific licenses or permits, and shows the share of firms that are expected to make informal payments to secure import and operating licenses and to obtain a construction permit.



## Crime and Informality

Crime imposes costs on firms when they are forced to divert resources from productive uses to cover security costs. Both foreign and domestic investors perceive crime as an indication of social instability, and crime drives up the cost of doing business. Also, commercial disputes between firms and their clients occur regularly in the course of doing business. Resolving these disputes can be challenging when legal institutions are weak or nonexistent.

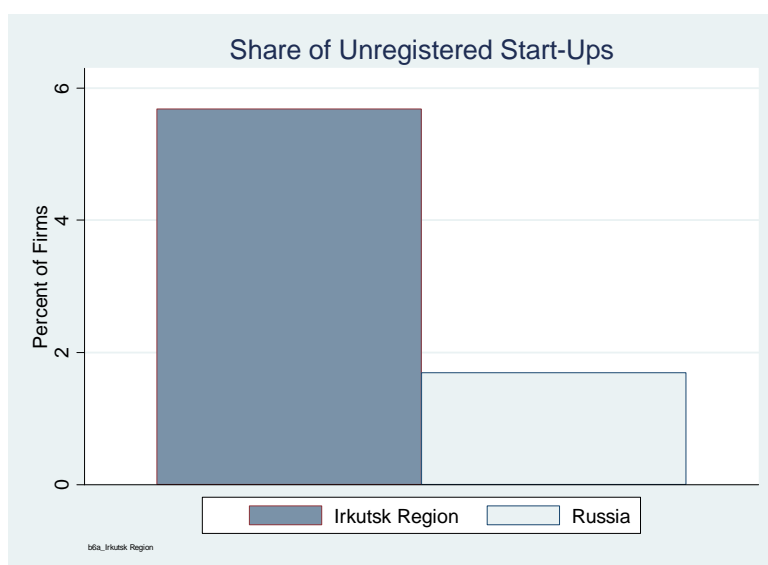
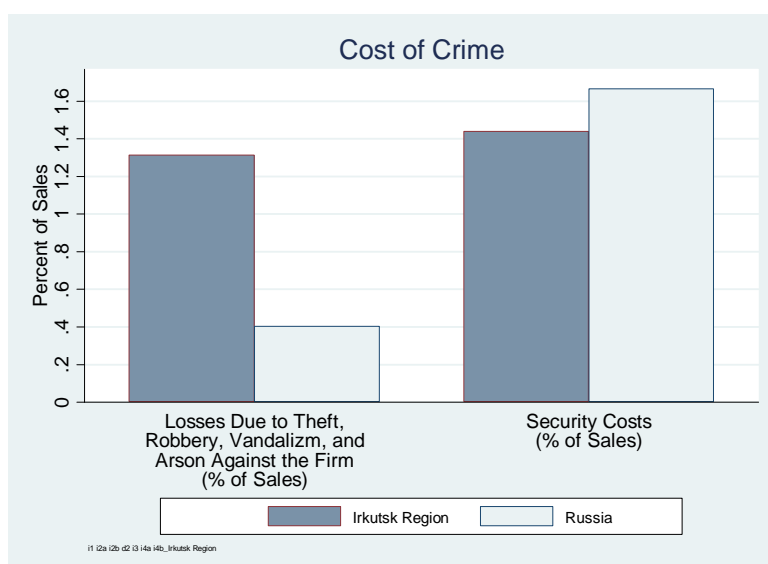
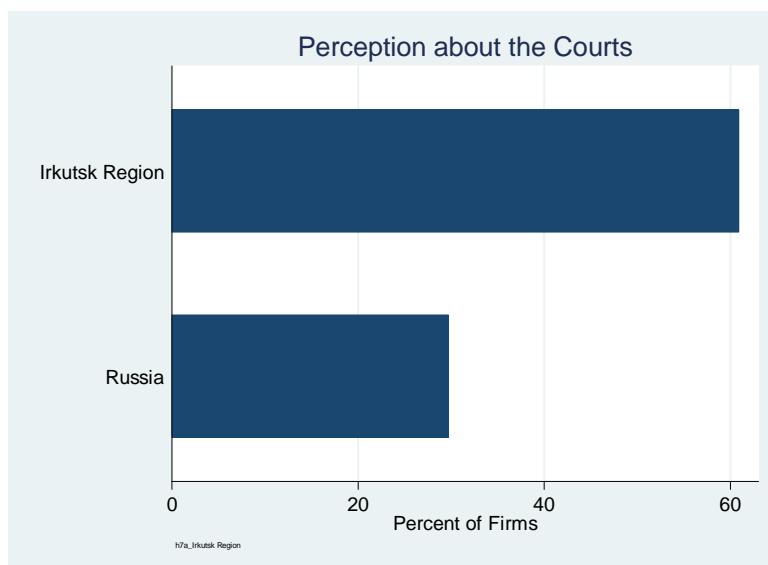
Similarly, a large informal sector has serious consequences for the formal private sector. The informal sector may pose unfair competition for formal firms.

The survey captures key dimensions of the effect of crime on firm sales, the extent to which entrepreneurs identify courts as fair, and the degree of informality in an economy.

The first indicator shows the share of firms that recognize the functioning of the courts as being fair, impartial, and uncorrupted.

The second set of indicators measures the direct costs of security incurred by firms as well as their direct losses due to crime. These resources represent an opportunity cost since they could have been invested in productive activities.

The third set of indicators shows the percentage of firms that started operation without begin formally registered. It is an approximation to the prevalence of informality in the private economy.





## Finance

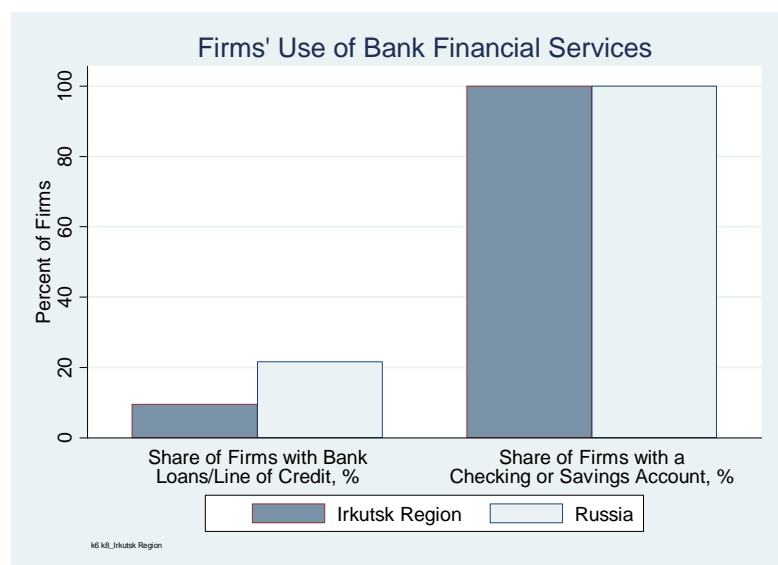
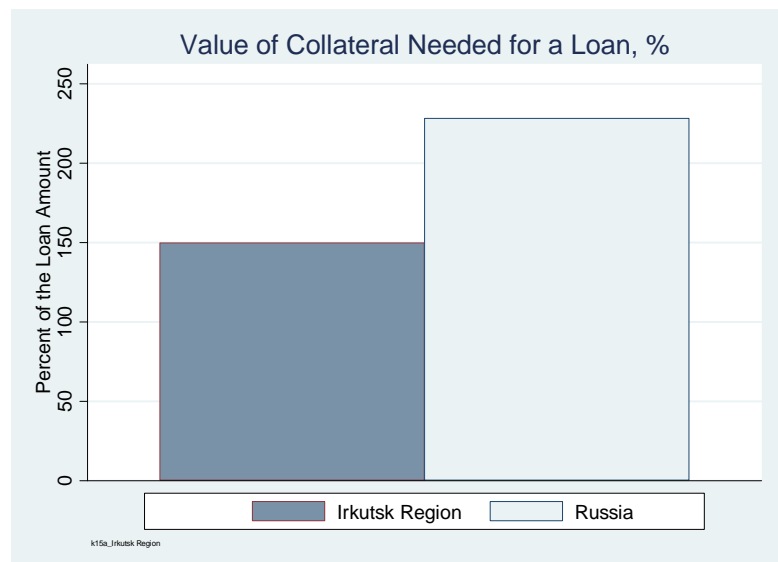
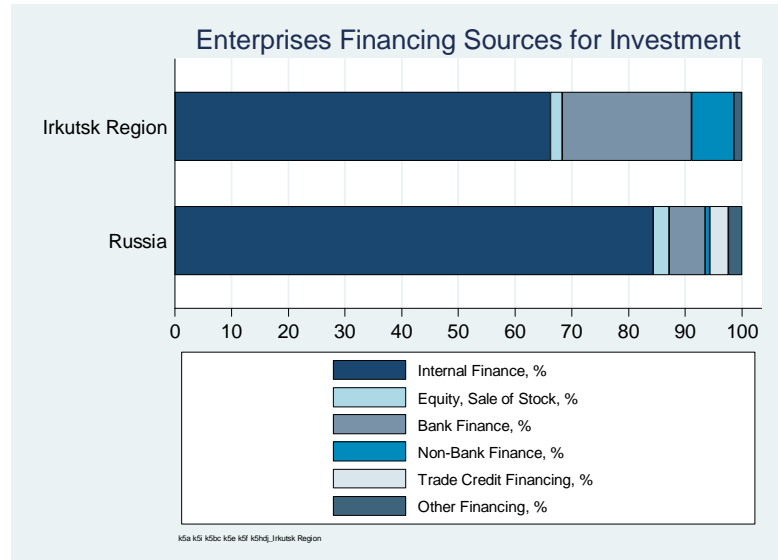
Developed financial markets provide payment services, mobilize deposits, and ease investment financing. Efficient financial markets reduce the reliance on internal funds and on money from informal sources such as family and friends by connecting firms to a broad range of lenders and investors.

The survey provides indicators of how firms finance their operations and of the characteristics of their financial transactions.

The first set of indicators compares the relative use of various sources for financing investment. Excessive reliance on internal funds is a sign of potentially inefficient financial intermediation.

The second set of indicators measures the use of financial markets by individual firms. It presents the percentage of working capital that is financed by sources external to the firm, and a measure of the burden imposed by loan requirements measured by collateral levels relative to the value of the loans.

The third set of indicators focuses on the use of financial services by private firms both on the credit side, by measuring the percentage of firms with bank loans or lines of credit, and on the deposit mobilization side, by measuring the percentage of firms with checking or savings accounts.



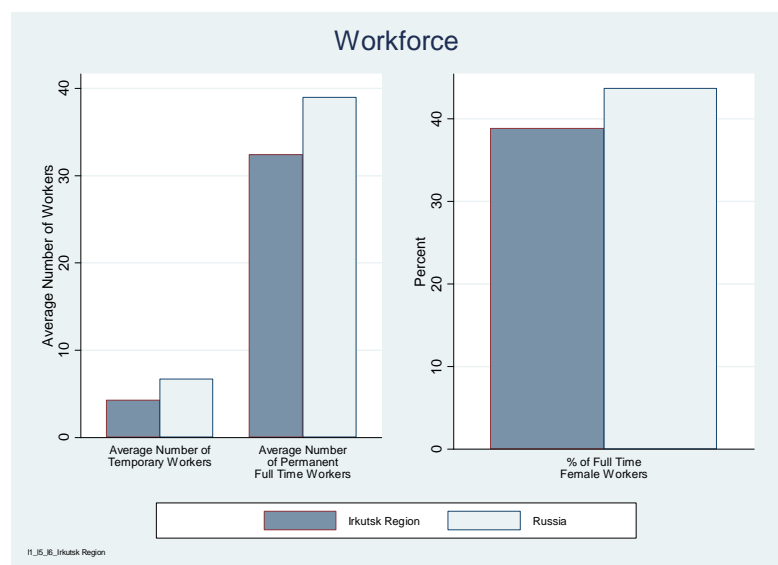
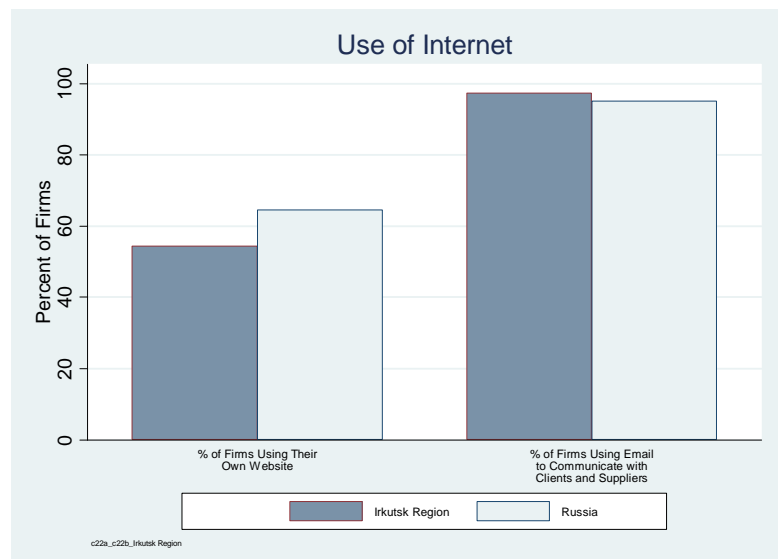
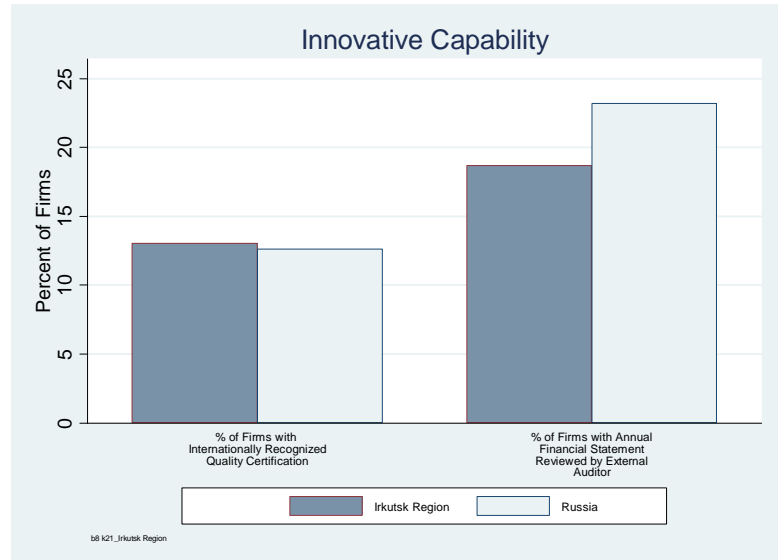
## Innovation and Workforce

The Survey provides indicators that describe several dimensions of technology use and innovation. They also collect information on the characteristics of the workforce employed in the non-agricultural private economy.

The first set of indicators measures the extent to which firms invest in obtaining recognized certificates of production and accounting practices. Obtaining international quality certifications can open doors to technology and innovation and they also provide a sign of high quality that may open markets.

The second set of indicators demonstrates the use of information and communications technologies (ICT) in business transactions. ICT, such as the Internet, are important tools for all firms because they provide even the smallest of enterprises with the ability to reach national and international markets at low cost.

The third set of indicators presents the composition of the firm's workforce by type of contract and gender. Labor regulations have a direct effect on the type of employment favored by firms and they may have a differing impact by gender. The first two indicators present the composition of the workforce classified into temporary and permanent workers. The last indicator reflects the participation of women in regular full-time employment.



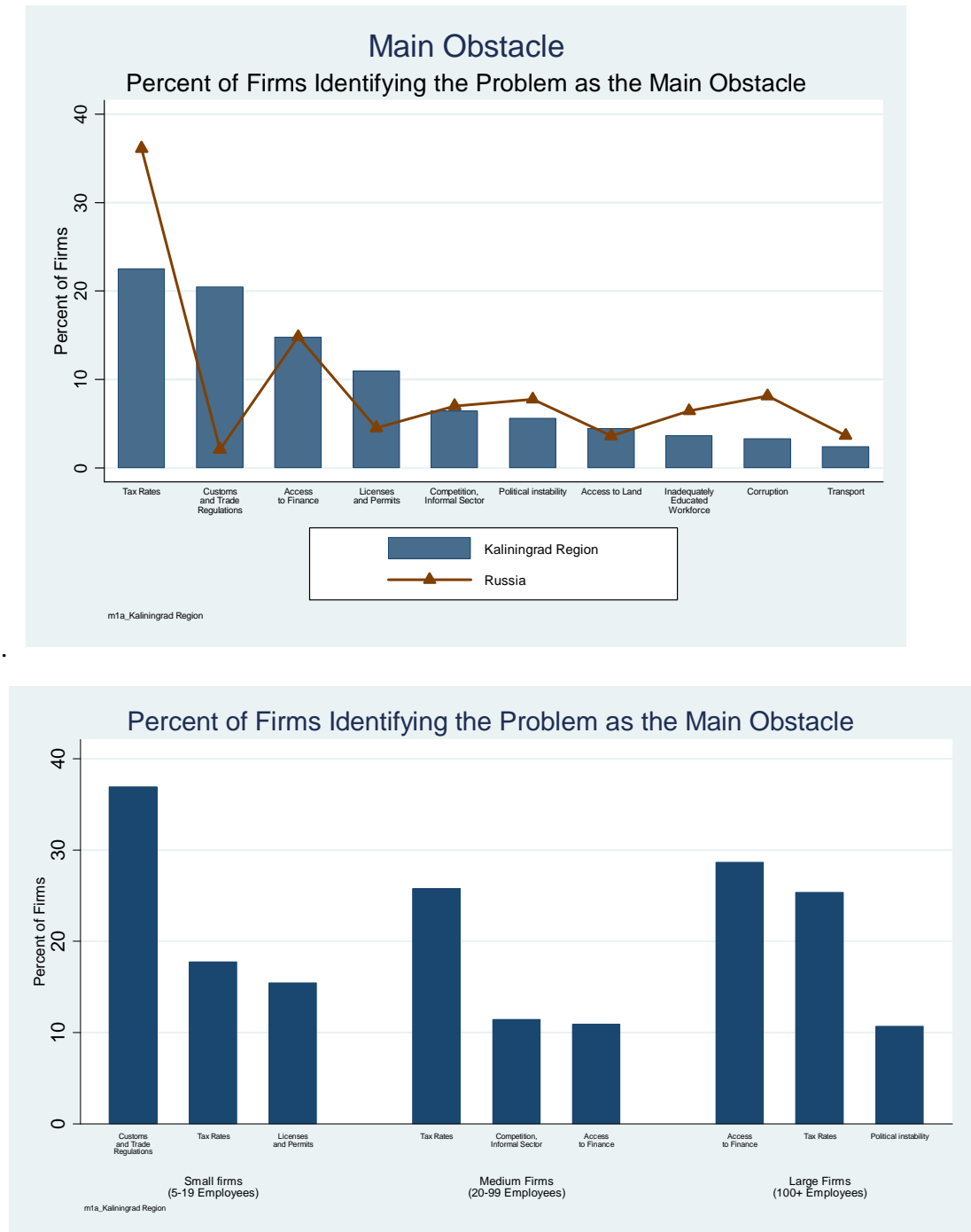
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	<i>Irkutsk Region</i>	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	0.87	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	0.77	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	1.6%	2.4%		
<b>Transport</b>	0.78	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	1.7%			
<b>Customs and trade regulations</b>	0.13	0.11	<i>Irkutsk Region</i> ; Smolensk Region; Stavropol Territory				
<b>Practices of informal competitors</b>	0.80	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	3.8%			
<b>Access to land</b>	0.85	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	3.8%			
<b>Crime, theft and disorder</b>	0.93	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	5.0%			
<b>Access to finance</b>	1.20	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	6.7%	6.4%		
<b>Tax rates</b>	1.87	1.40	Belgorod Region; <i>Irkutsk Region</i> ; Smolensk Region				
<b>Tax administration</b>	0.54	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	1.6%	2.7%	1.6%	
<b>Business licensing and permits</b>	0.47	0.29	Kirov Region; Smolensk Region; Stavropol Territory	1.4%	2.6%	1.0%	4.4%
<b>Political instability</b>	0.60	0.74	<i>Irkutsk Region</i> ; Republic of Mordovia; Smolensk Region				
<b>Corruption</b>	0.76	0.60	<i>Irkutsk Region</i> ; Kirov Region; Smolensk Region				
<b>Courts</b>	0.32	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	2.5%	3.8%		
<b>Labor regulations</b>	0.35	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	2.4%			
<b>Inadequately educated workforce</b>	0.88	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	2.5%	3.1%	2.3%	

Kaliningrad Region.<sup>5</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Kaliningrad Region benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Kaliningrad Region.



<sup>5</sup> 122 companies were surveyed by in Kaliningrad Region. The benchmarks used for comparisons are averages for Russia as a whole.

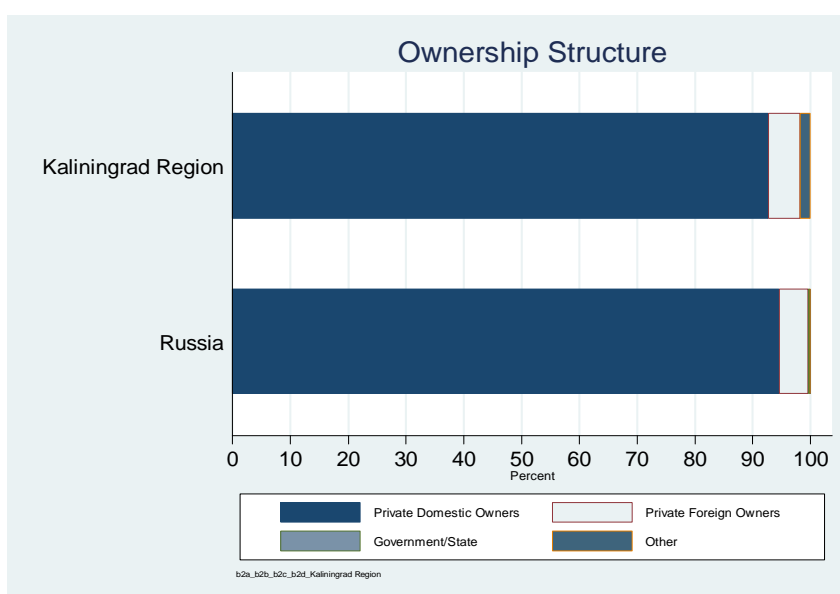
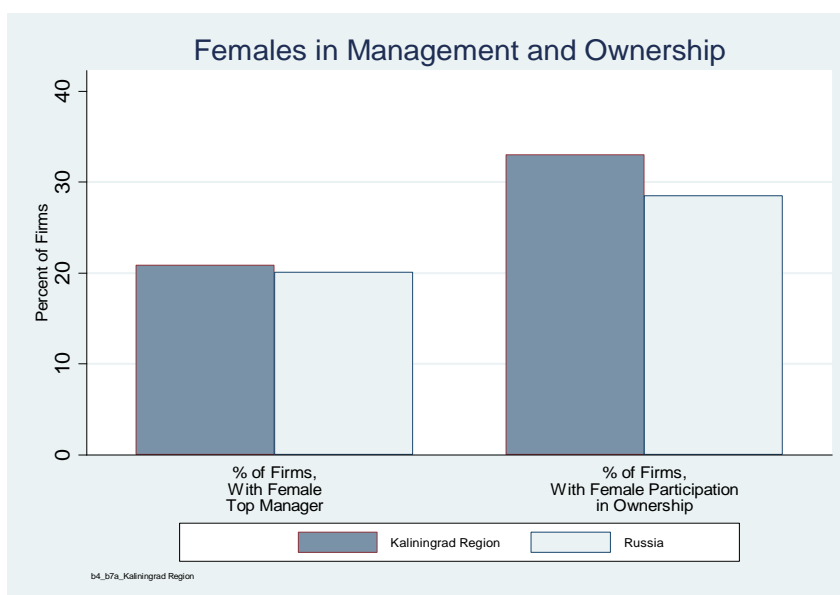
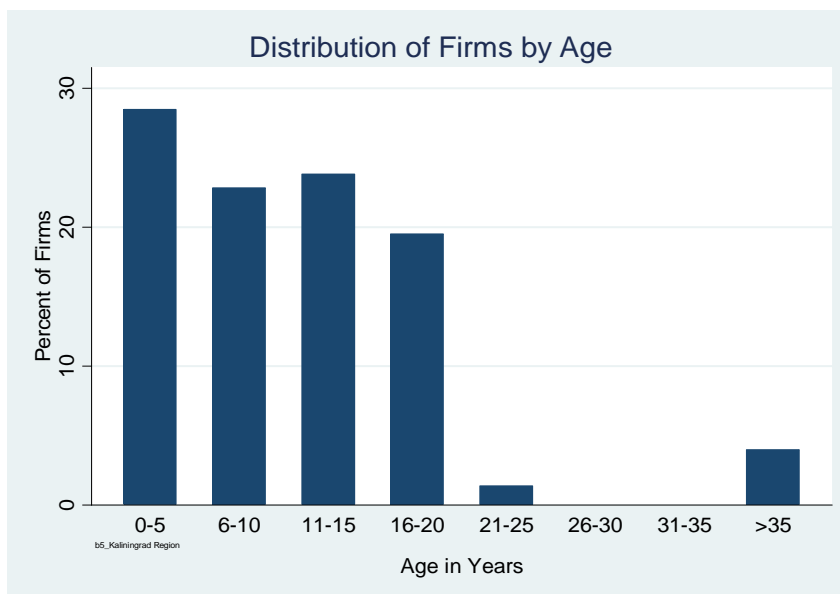
## Average Firm

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## Infrastructure

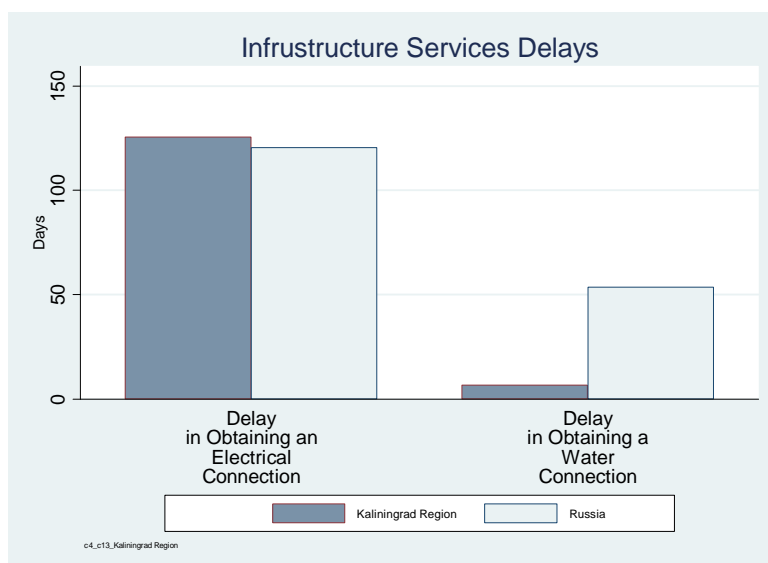
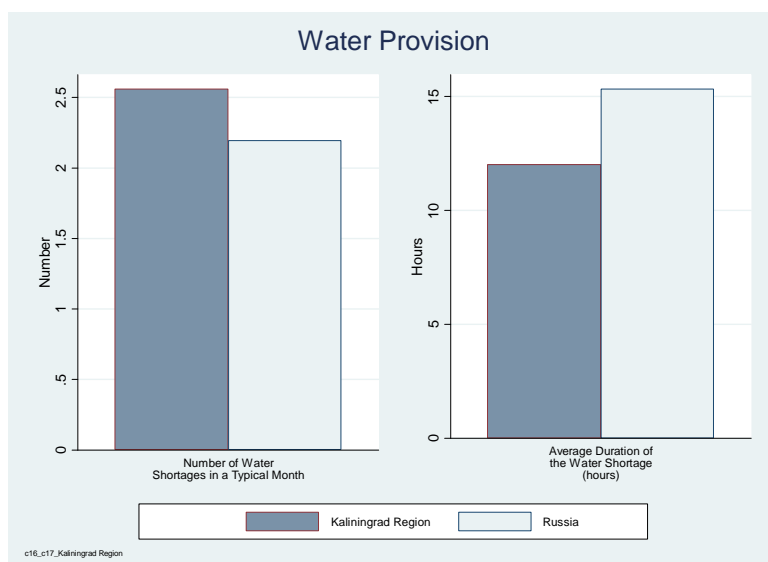
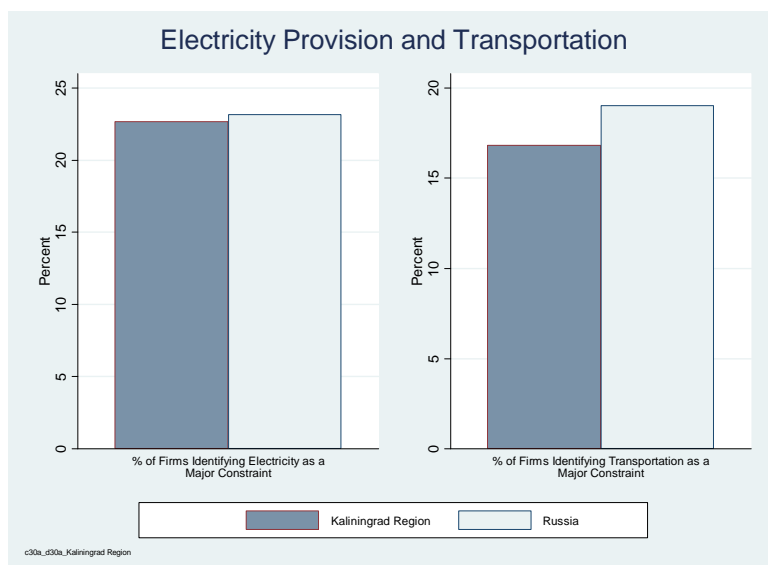
A strong infrastructure enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations.

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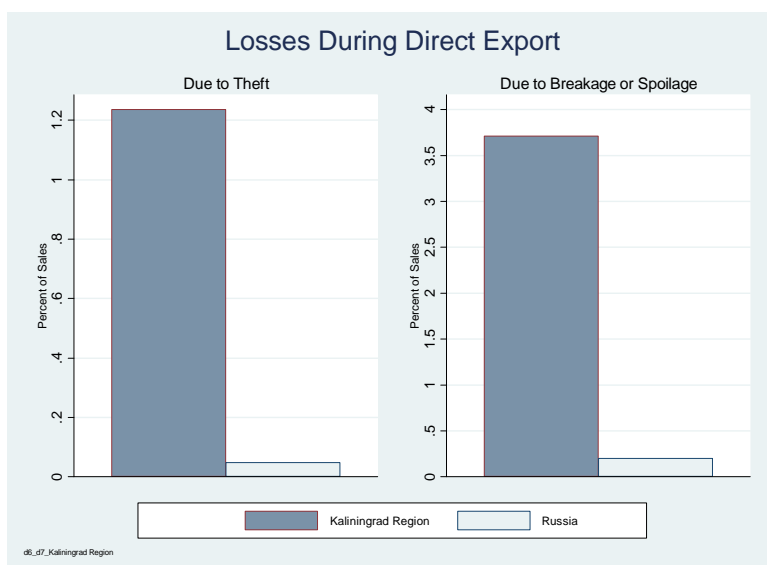
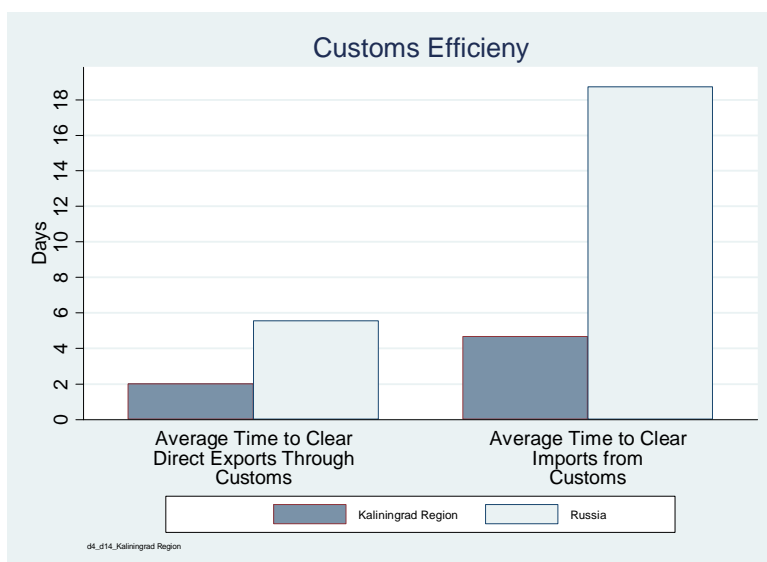
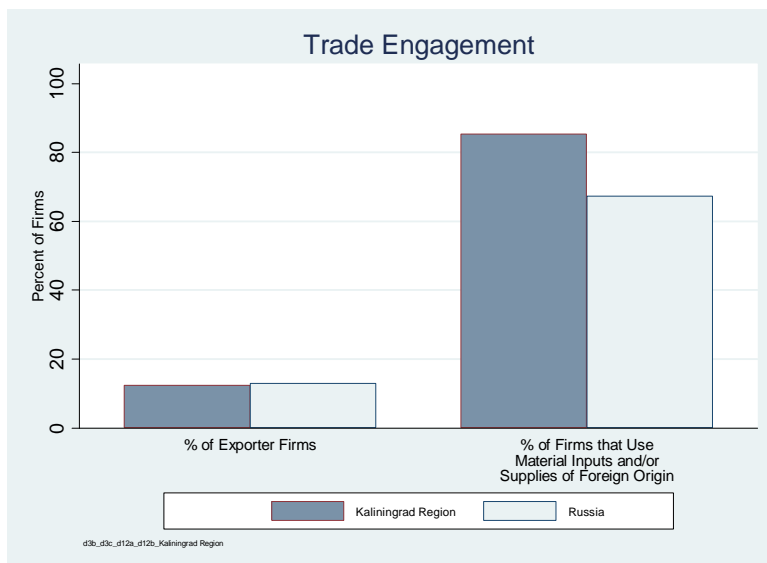
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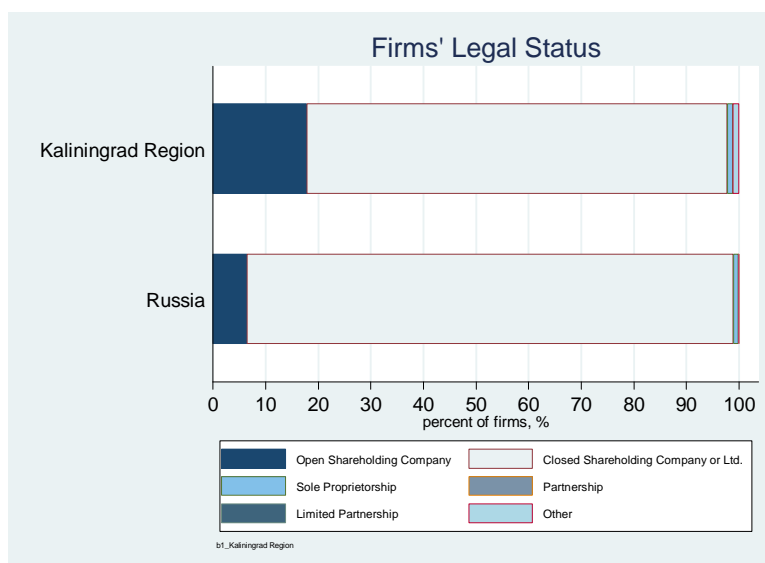
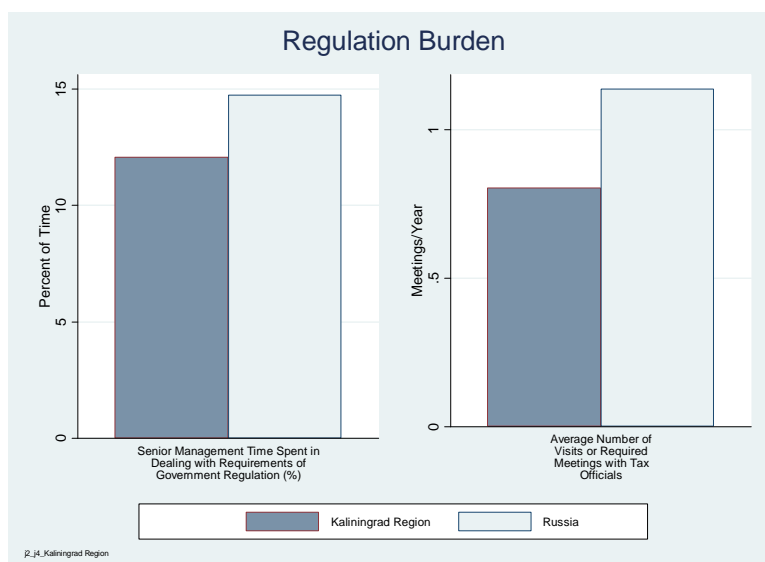
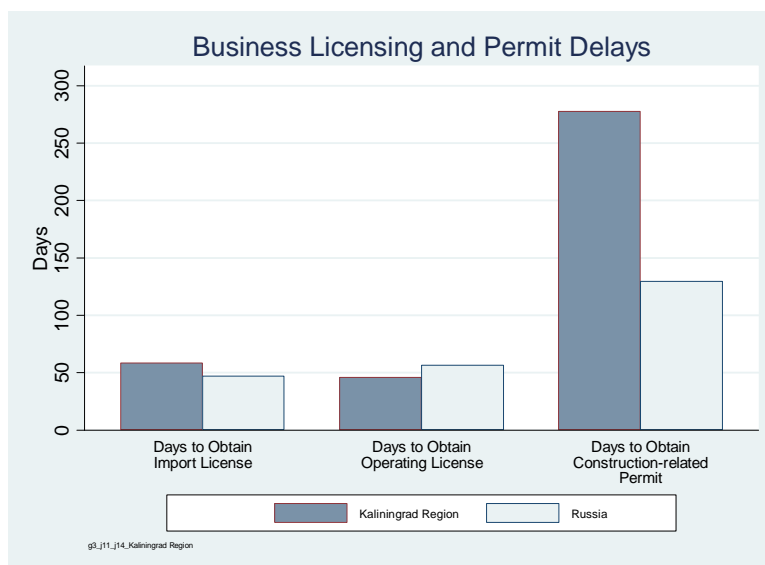
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## Corruption

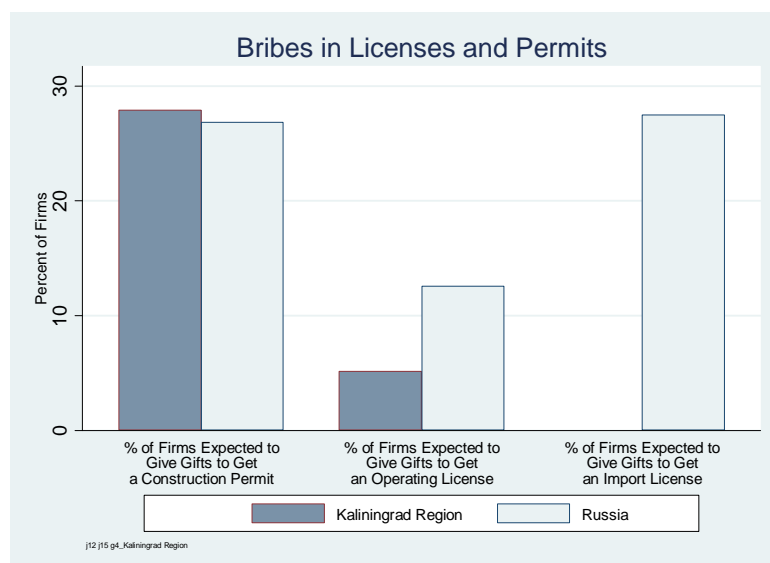
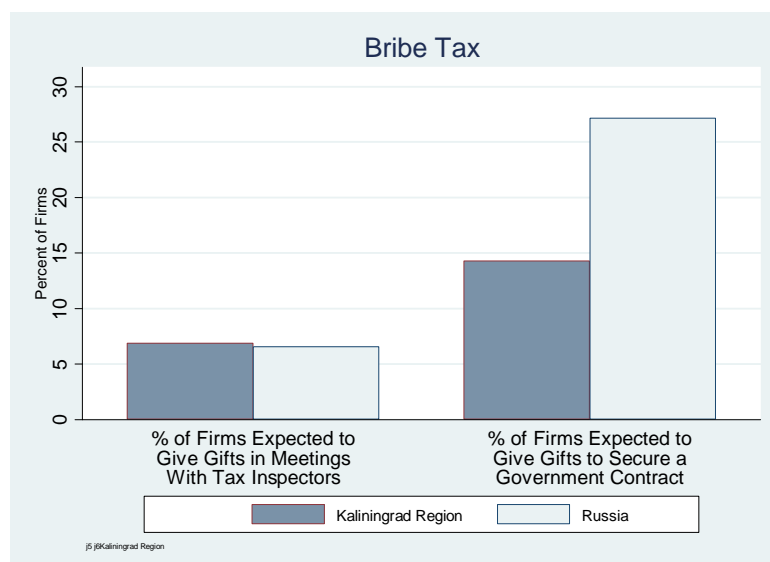
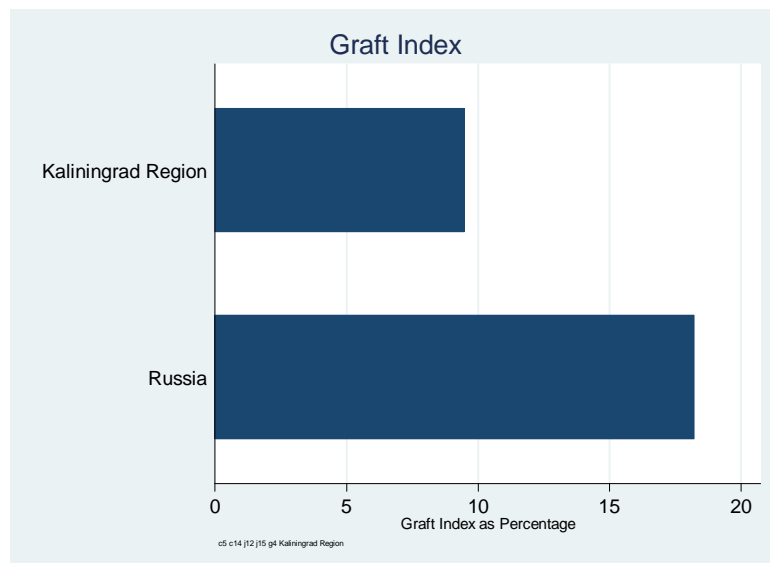
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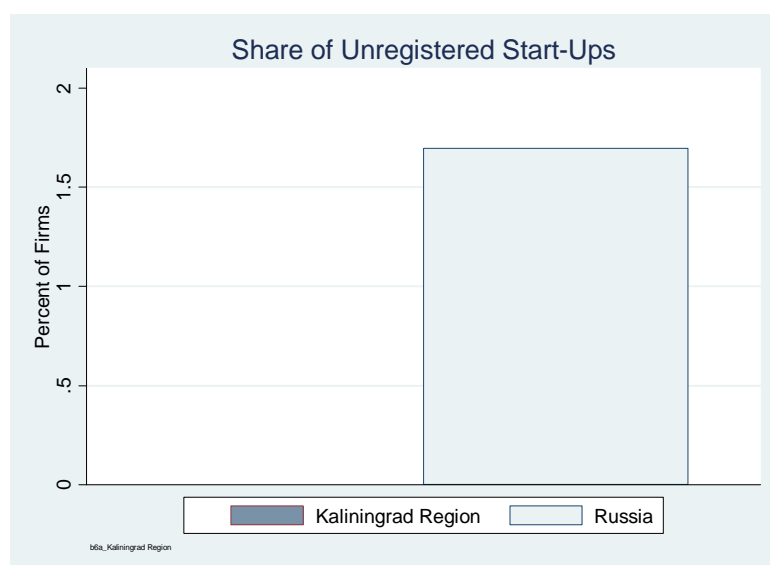
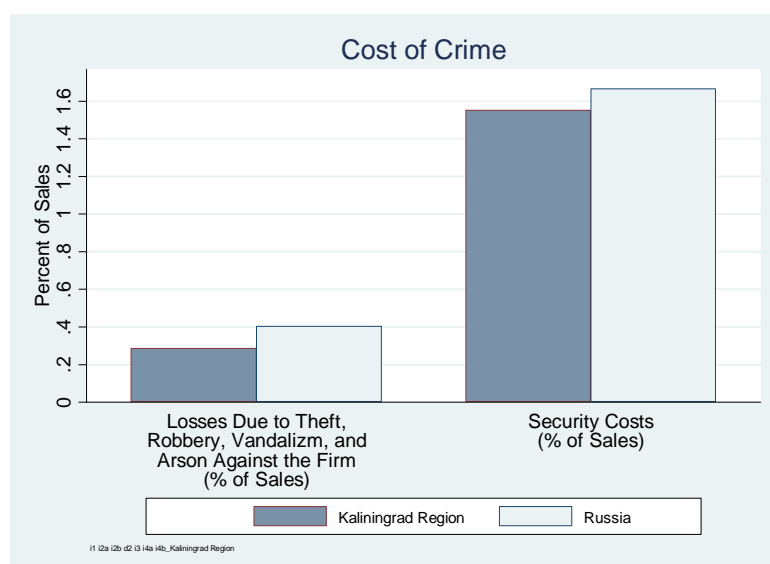
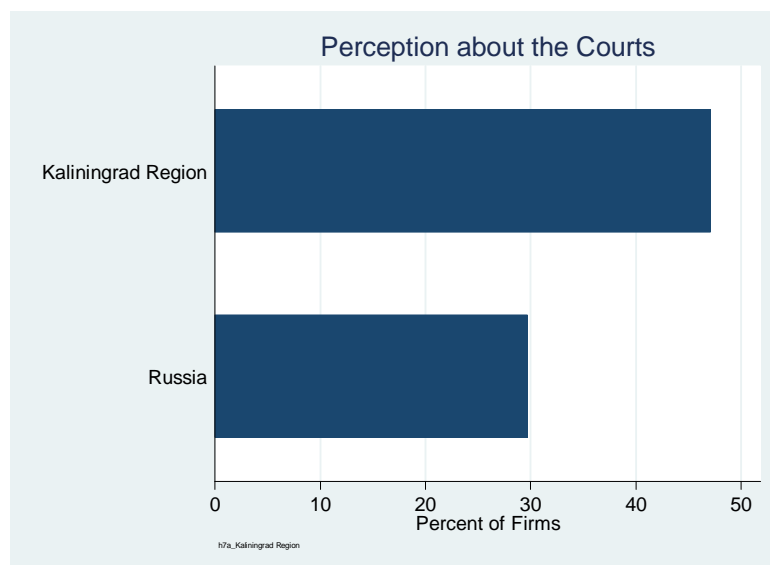
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## Finance

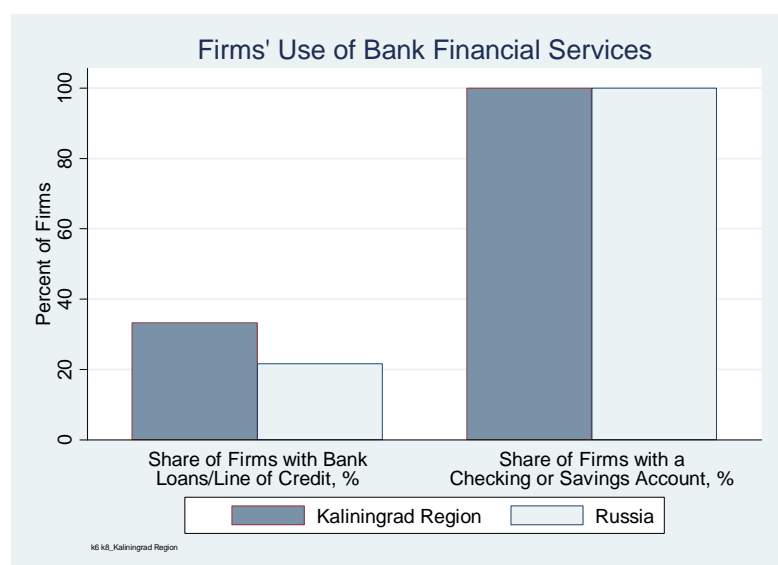
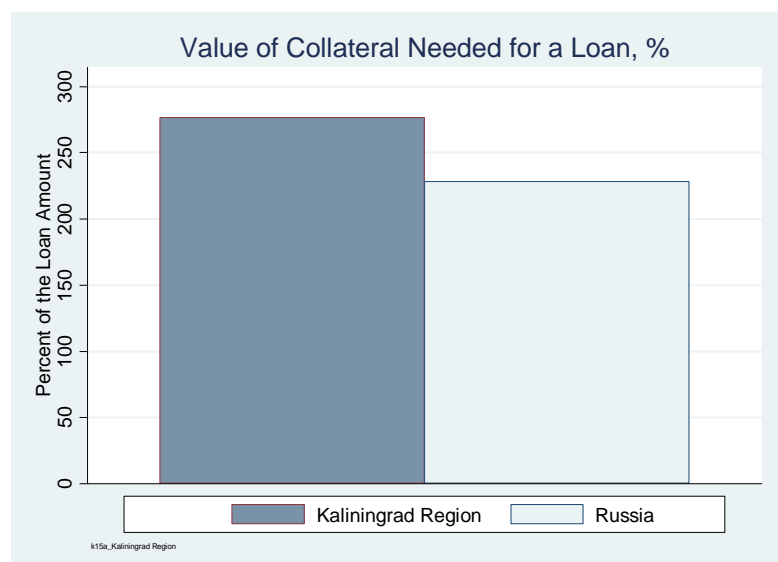
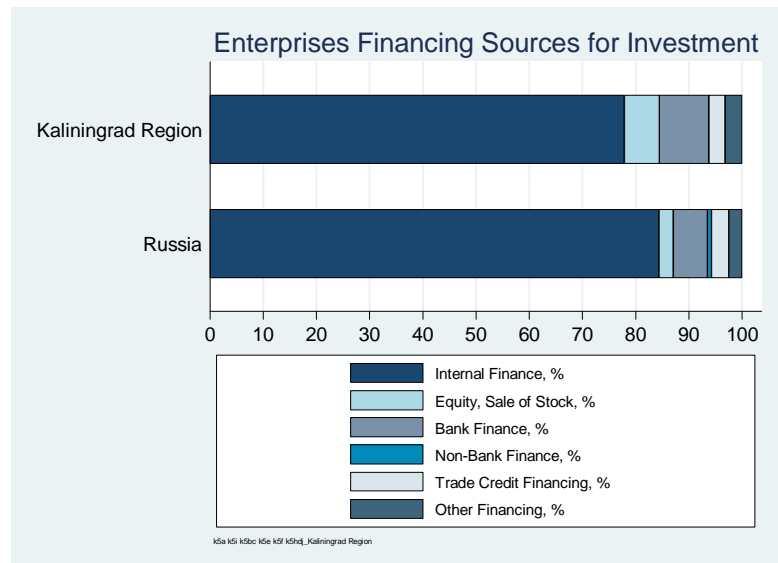
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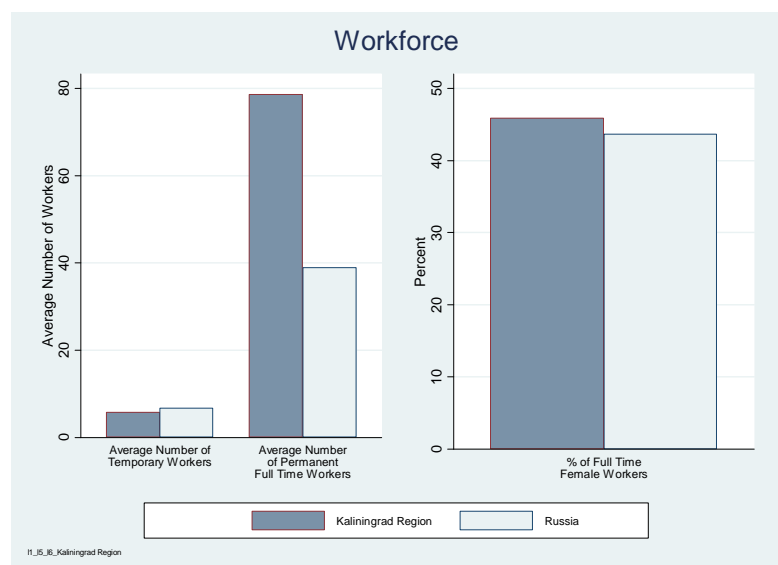
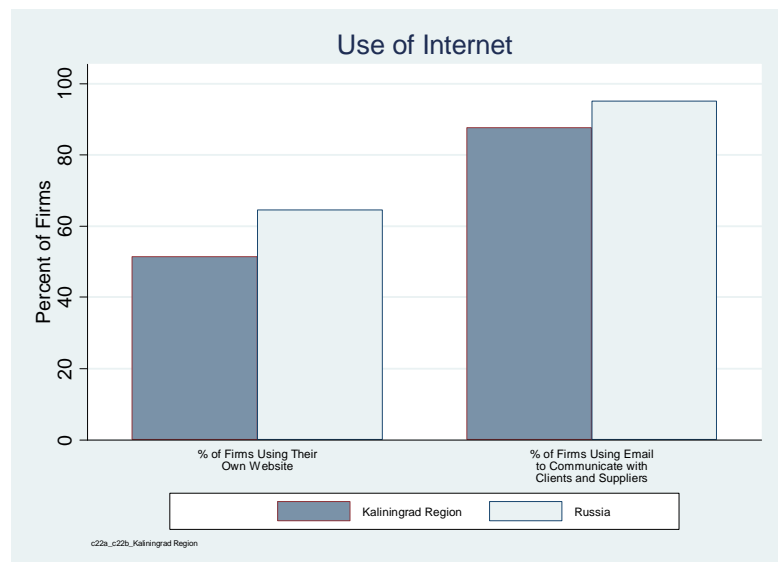
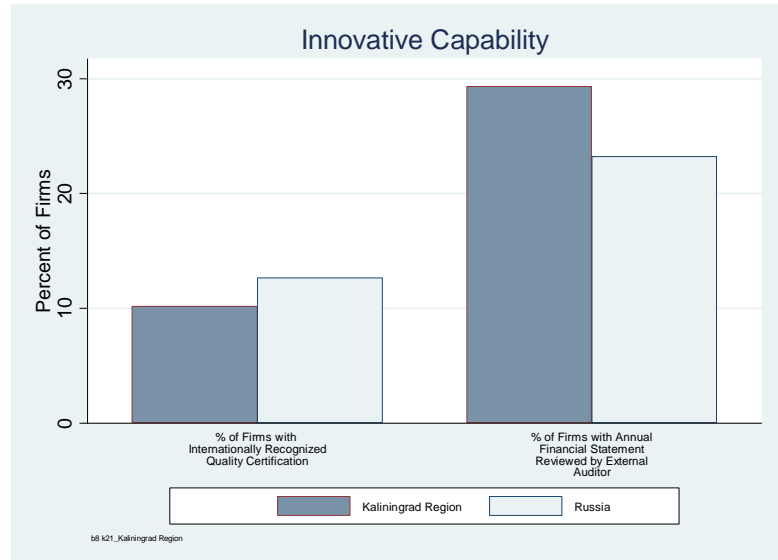
## Innovation and Workforce

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The second set of indicators demonstrates the use of information and communications technologies (ICT) in business transactions. ICT, such as the Internet, are important tools for all firms because they provide even the smallest of enterprises with the ability to reach national and international markets at low cost.

The third set of indicators presents the composition of the firm's workforce by type of contract and gender. Labor regulations have a direct effect on the type of employment favored by firms and they may have a differing impact by gender. The first two indicators present the composition of the workforce classified into temporary and permanent workers. The last indicator reflects the participation of women in regular full-time employment.



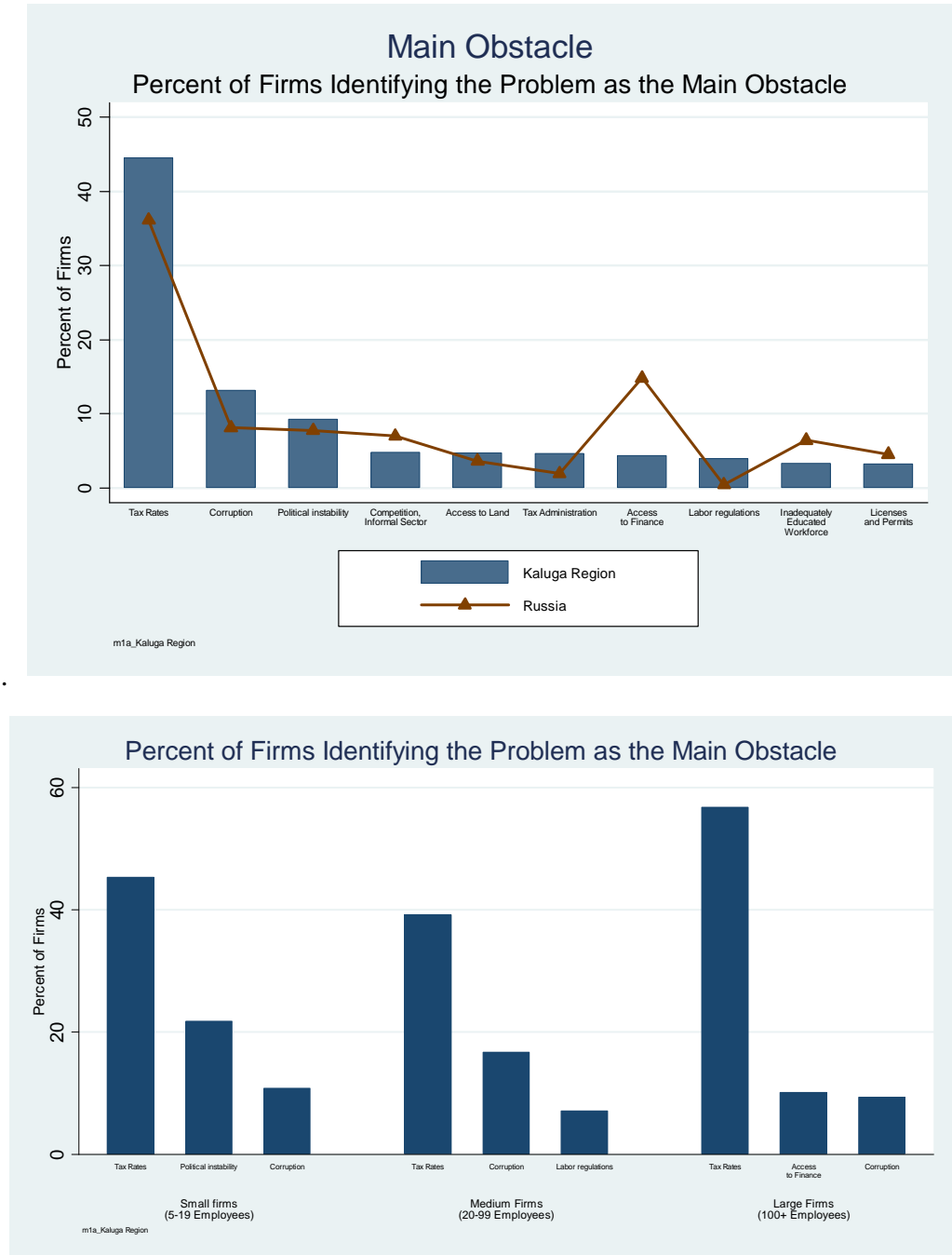
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	<i>Kaliningrad Region</i>	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	1.00	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	1.13	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	3.0%	4.4%		
<b>Transport</b>	1.06	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	2.8%			
<b>Customs and trade regulations</b>	1.44	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	12.8%	16.4%	9.2%	29.7%
<b>Practices of informal competitors</b>	0.67	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	2.8%			
<b>Access to land</b>	1.10	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	5.8%			
<b>Crime, theft and disorder</b>	0.90	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	4.8%			
<b>Access to finance</b>	1.19	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	6.7%	6.3%		
<b>Tax rates</b>	2.03	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	2.8%			
<b>Tax administration</b>	0.94	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	5.1%	8.5%	5.1%	
<b>Business licensing and permits</b>	0.78	0.29	Kirov Region; Smolensk Region; Stavropol Territory	3.7%	6.8%	2.7%	11.5%
<b>Political instability</b>	1.24	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	5.5%	4.8%	2.8%	27.5%
<b>Corruption</b>	1.64	0.60	Irkutsk Region; Kirov Region; Smolensk Region	11.5%	9.9%	5.3%	29.2%
<b>Courts</b>	0.41	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	3.4%	5.2%		
<b>Labor regulations</b>	0.51	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	4.1%			
<b>Inadequately educated workforce</b>	1.18	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	4.5%	5.5%	4.1%	

## Kaluga Region.<sup>6</sup>

### Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Kaluga Region benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Kaluga Region.



<sup>6</sup> 121 companies were surveyed by in Kaluga Region. The benchmarks used for comparisons are averages for Russia as a whole.

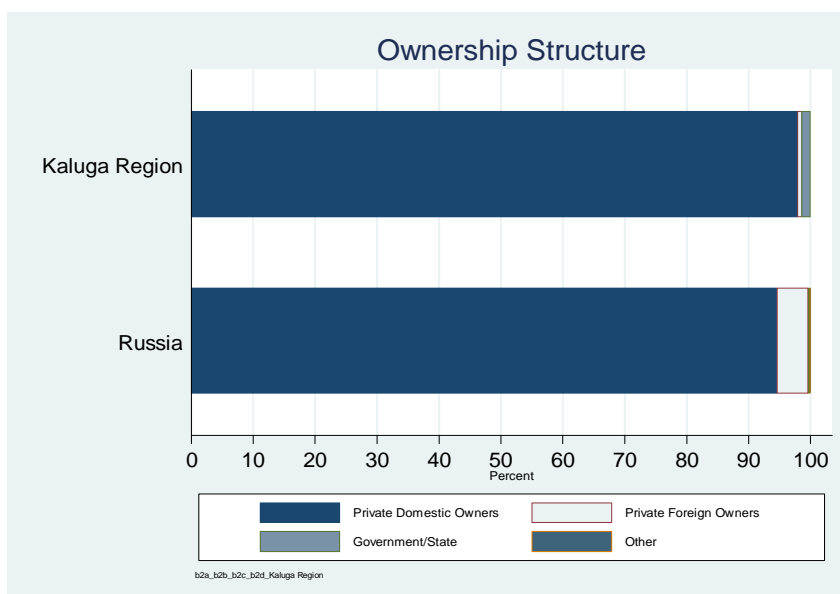
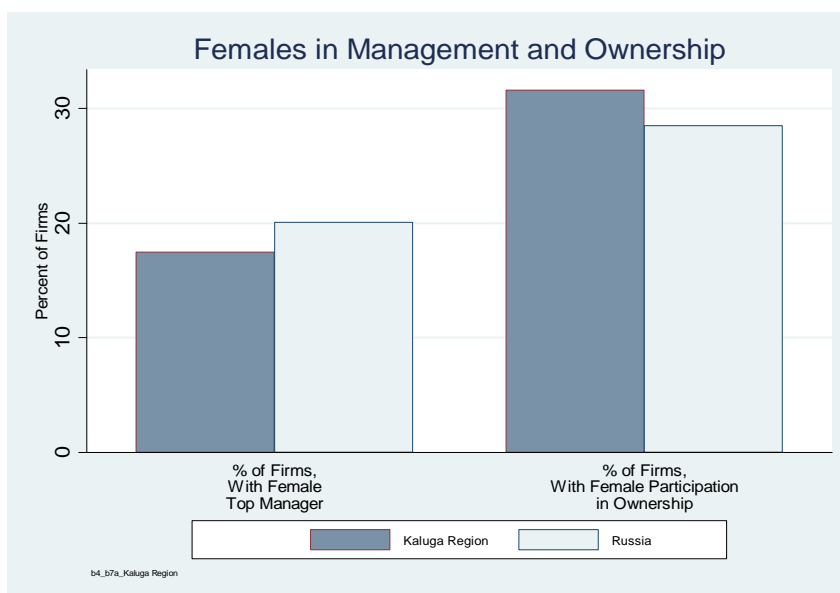
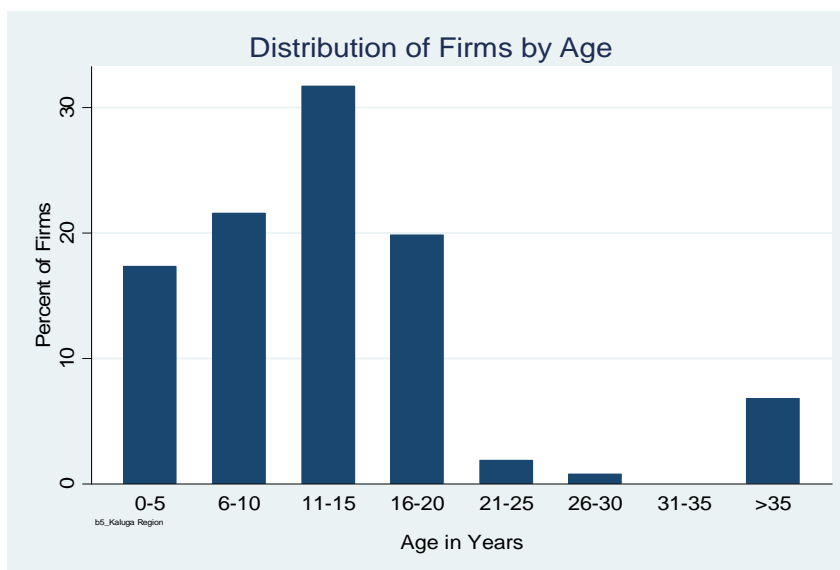
## Average Firm

The survey collects information from a representative sample of the non-agricultural formal private economy. In addition to collecting information on the business environment the surveys collect information on the characteristics of the firms interviewed. Consequently, the data collected provides a description of the representative private firm in the country and also an estimate of how some of the attributes of the average firm are distributed across the population of firms.

The first indicator shows the distribution of firms according to their age measured by the number of years they have been in operation. The effect the business environment can have on the private sector may depend on firms' experience and longevity. Seasoned firms and young firms may differ in their ability to successfully navigate the business environment.

The second set of indicators provides an illustration of female participation in management and firm ownership. These indicators can help assess whether gender can be a determinant of the effect of regulations on the firm and the level of exposure of the firm to external factors, such as corruption, access to finance, and technology.

The third indicator shows the participation of the domestic private sector, the government, the foreign sector and other sectors in the ownership of the typical firm. The distribution provides insight into their levels of equity in the private sector of the economy.



## Infrastructure

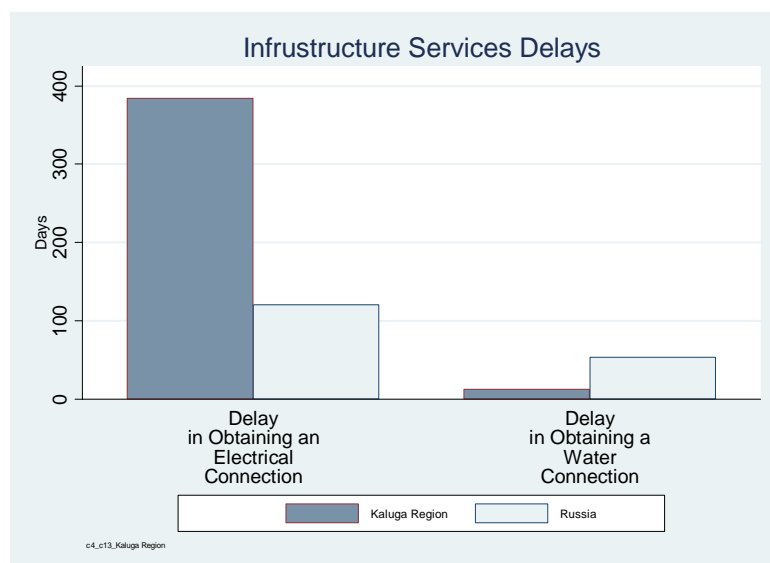
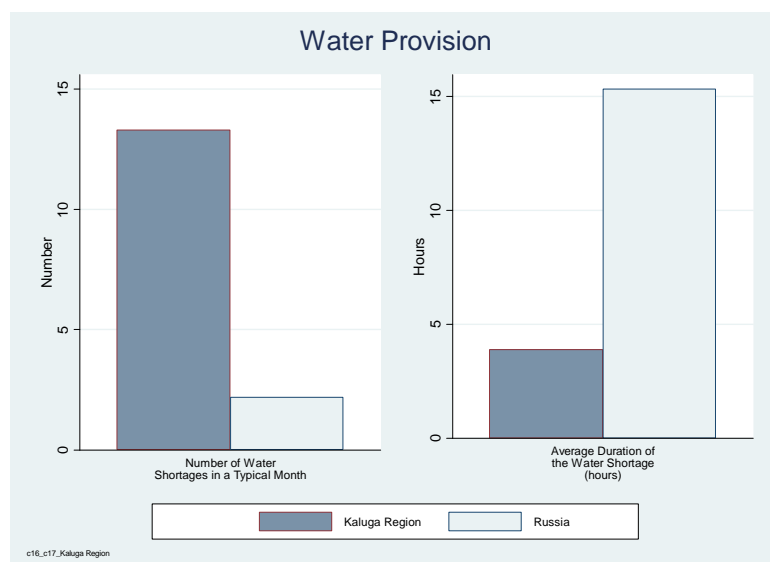
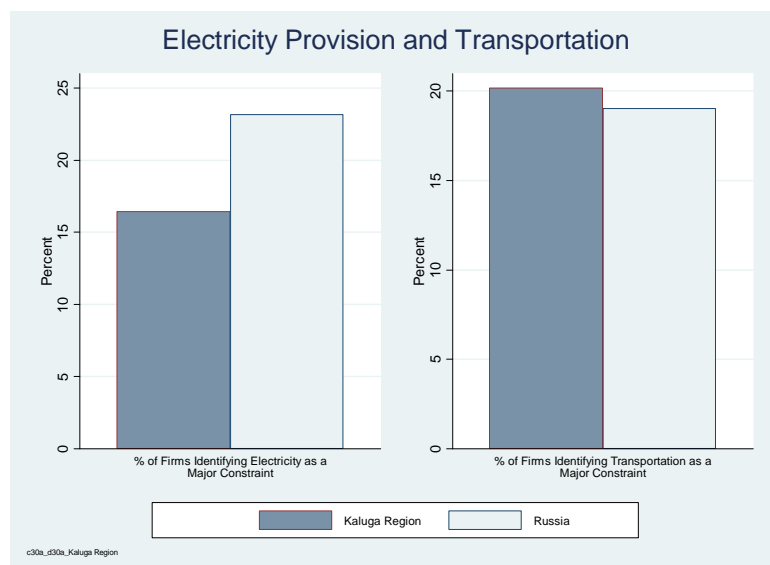
A strong infrastructure enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations.

The survey captures the dual challenge of providing a strong infrastructure for electricity, water supply, telephone connections, etc., and the development of institutions that effectively provide and maintain public services.

The first set of indicators shows the extent to which firms are faced with failures in the provision of electricity and the effect of these failures on sales. Inadequate electricity supply can increase costs, disrupt production, and reduce profitability.

The second set of indicators measures the efficiency of the water supply for the manufacturing sector. Many manufacturing sectors depend on reliable and efficient sources of water for their operations.

The third set of indicators evaluates the efficiency of infrastructure services by quantifying the delays in obtaining electricity, water, and telephone connections. Service delays impose additional costs on firms and may act as barriers to entry and investment.





## Trade

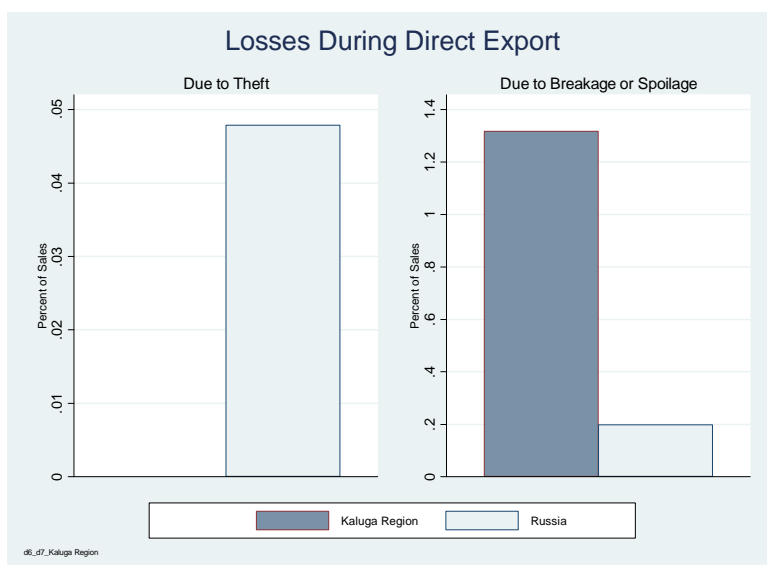
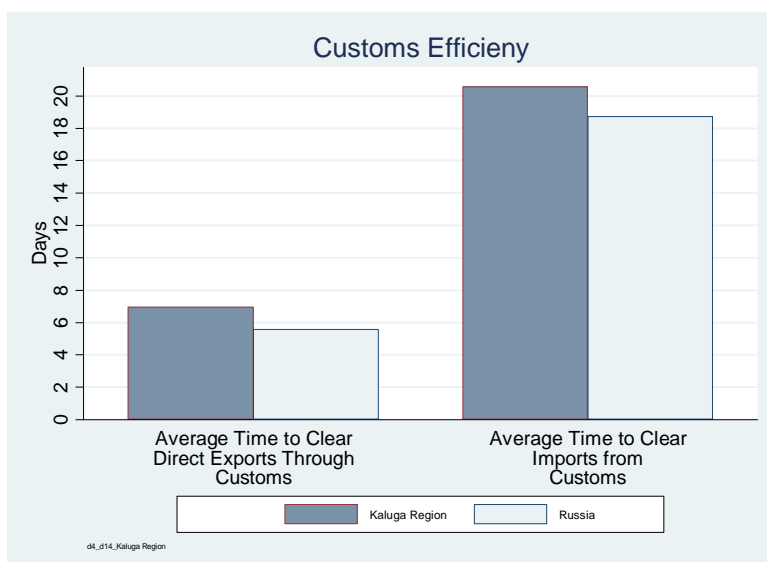
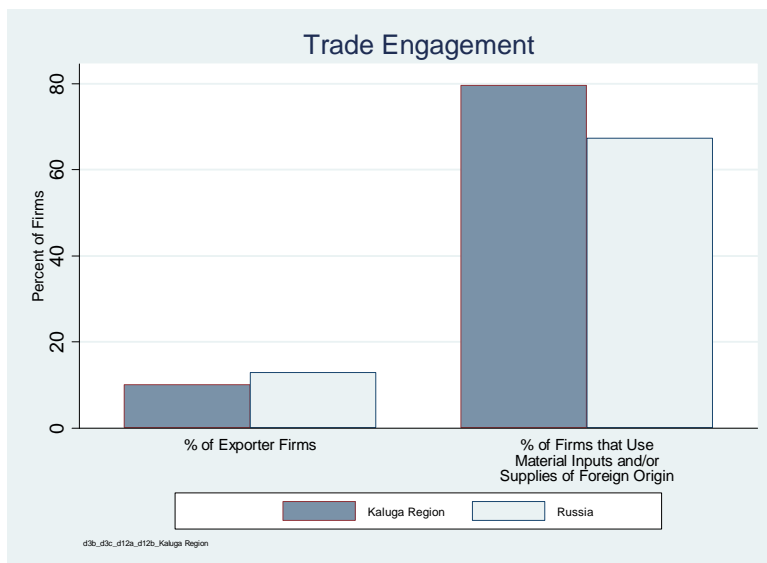
Open markets allow firms to expand, raise standards for efficiency on exporters, and enable firms to import low cost supplies. However, trading also forces firms to deal with customs services and trade regulations, obtain export and import licenses, and in some cases, firms also face additional costs due to losses during transport.

The survey collects information on the operational constraints faced by exporters and importers and also quantify the trade activity of firms.

The first set of indicators provides a measure of the intensity of foreign trade in the private sector. The first graph shows the percentage of firms who export directly or indirectly, i.e. using an intermediary. The second panel shows the percentage of manufacturing firms who use inputs or supplies of foreign origin.

The second set of indicators measures the average number of days to clear customs for imports and exports. The delay in clearing customs for imports or exports creates additional costs to the firm, can interrupt production, interfere with sales, and result in damaged supplies or merchandise.

The third set of indicators shows the percent value of exports lost during transport due to merchandise theft, and breakage or spoilage, reflecting the transport risks firms face during the export process.



## Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

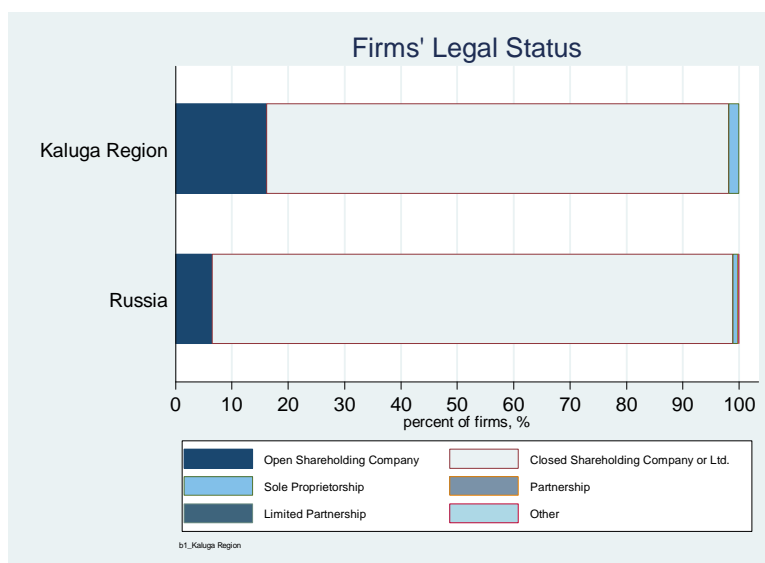
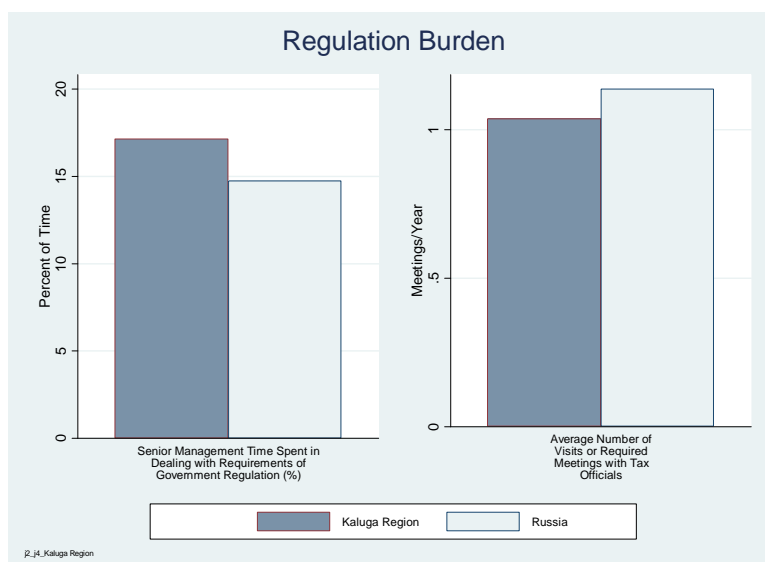
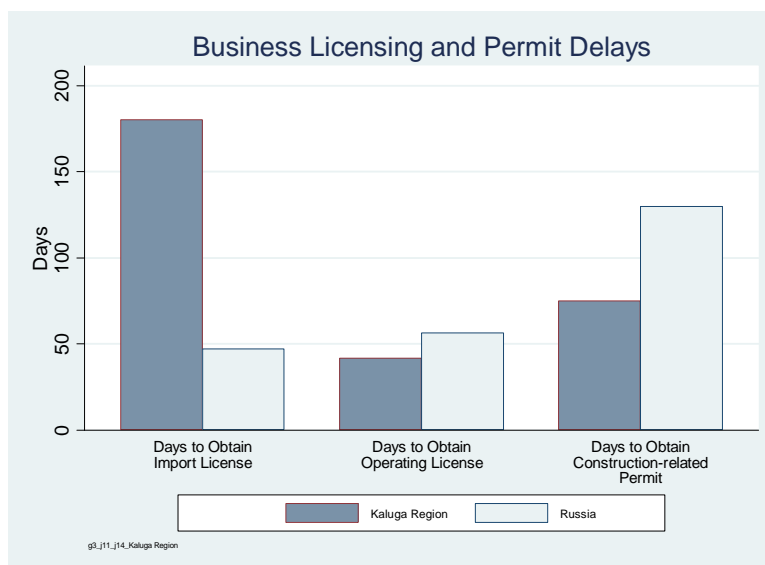
Effective regulations address market failures that inhibit productive investment and reconcile private and public interests. The number of permits and approvals that businesses need to obtain, and the time it takes to obtain them, is expensive and time consuming. The existing legislation of a country also determines the mix of legal forms private firms take and determines the level of protection for investors thus affecting the incentives to invest.

The survey provides qualitative and quantitative measures of taxation, regulations, and business licensing.

The first set of indicators focuses on the efficiency of business licensing and permit services. The indicators evaluate the delays faced when demanding these services.

The second set of indicators approximates the “time tax” imposed by regulations: it measures the time spent by senior management in meetings with public officials and the average number of tax inspections or meetings with tax inspectors in a year.

The third indicator shows the relative use of the different legal forms in the private sector. Most legal forms can be classified into shareholding companies with shares traded privately or non-traded at all (closed), shareholding companies publicly traded (open), sole proprietorships, partnerships, and limited partnerships. A residual category is included to capture legal forms not easily classified into the other categories.



## Corruption

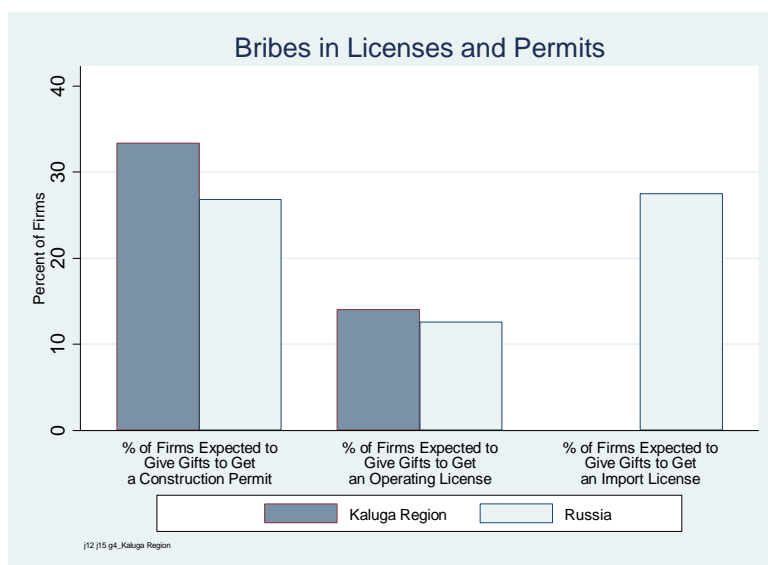
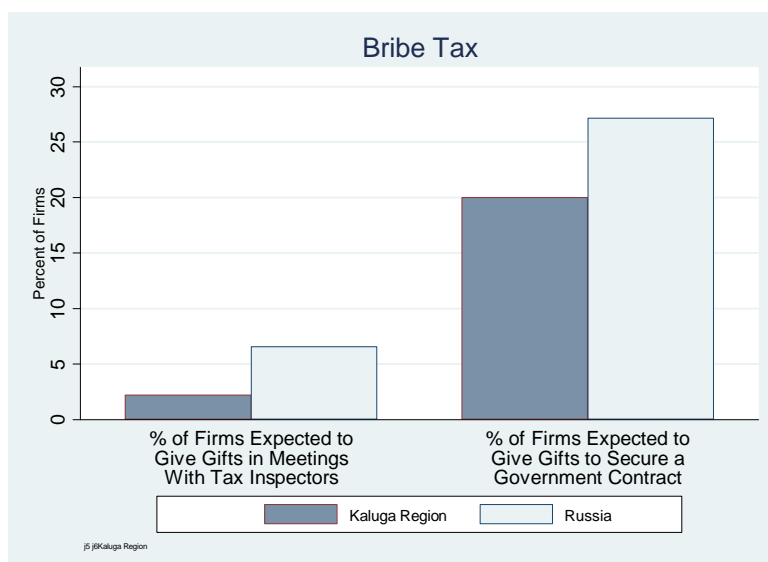
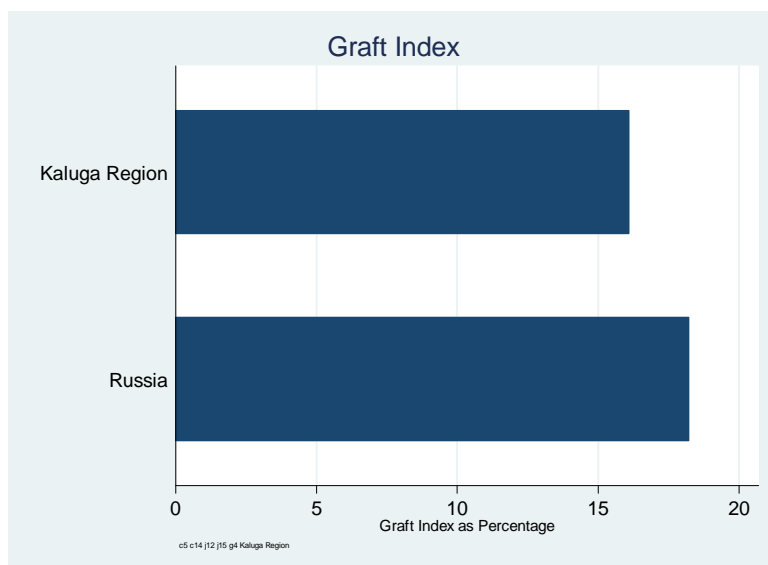
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

Inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make “unofficial” payments to public officials to get things done. In many countries bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for the firms’ growth and development.

The first set of indicators measures a composite index of corruption, the Graft Index that reflects the proportion of instances a firm was asked or expected to pay a bribe when soliciting six different public services, permits or licenses.

The second set of indicators identifies the extent to which specific regulatory and administrative officials require bribe payments during meetings with tax inspectors or in order to secure a government contract.

The third set of indicators focuses on bribes to obtain specific licenses or permits, and shows the share of firms that are expected to make informal payments to secure import and operating licenses and to obtain a construction permit.



## Crime and Informality

Crime imposes costs on firms when they are forced to divert resources from productive uses to cover security costs. Both foreign and domestic investors perceive crime as an indication of social instability, and crime drives up the cost of doing business. Also, commercial disputes between firms and their clients occur regularly in the course of doing business. Resolving these disputes can be challenging when legal institutions are weak or nonexistent.

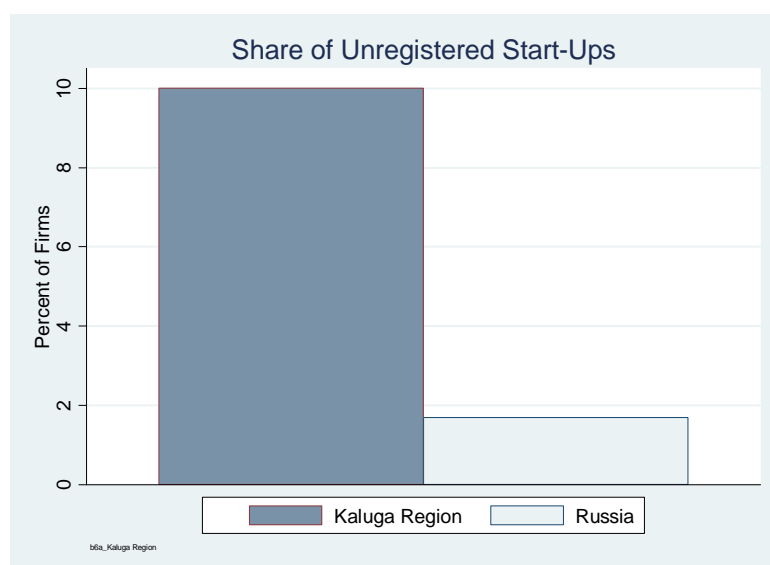
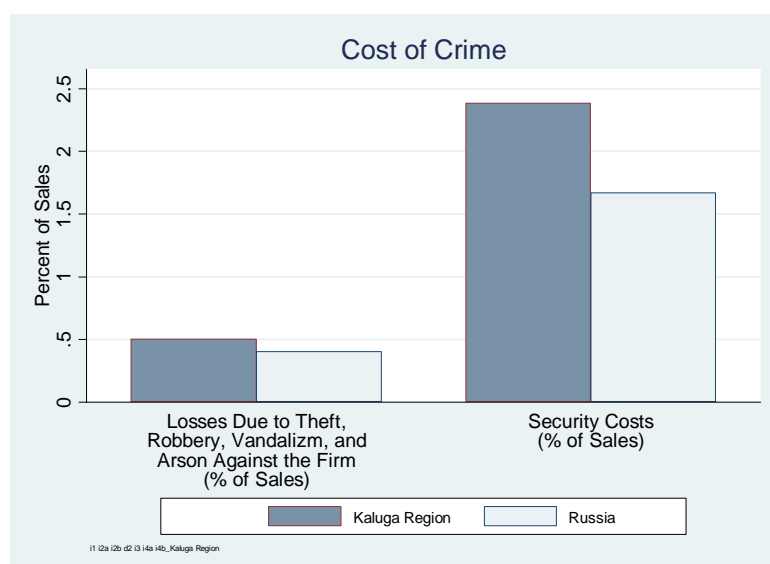
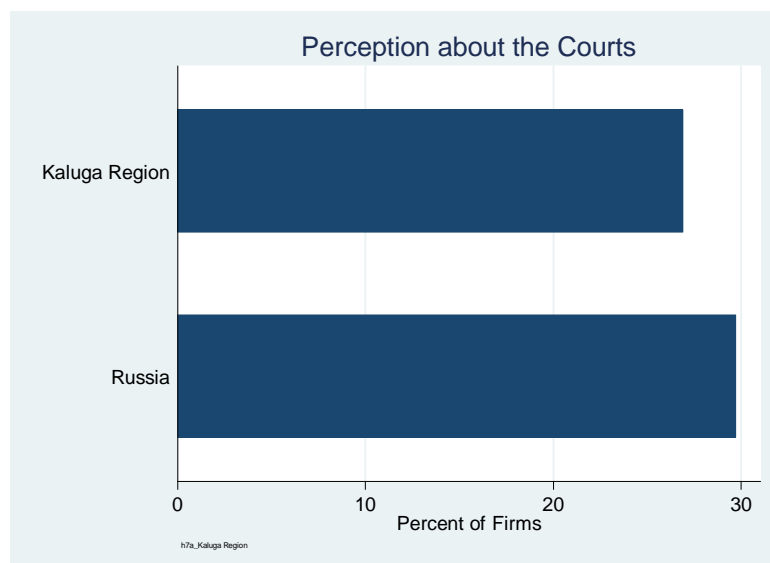
Similarly, a large informal sector has serious consequences for the formal private sector. The informal sector may pose unfair competition for formal firms.

The survey captures key dimensions of the effect of crime on firm sales, the extent to which entrepreneurs identify courts as fair, and the degree of informality in an economy.

The first indicator shows the share of firms that recognize the functioning of the courts as being fair, impartial, and uncorrupted.

The second set of indicators measures the direct costs of security incurred by firms as well as their direct losses due to crime. These resources represent an opportunity cost since they could have been invested in productive activities.

The third set of indicators shows the percentage of firms that started operation without begin formally registered. It is an approximation to the prevalence of informality in the private economy.



## Finance

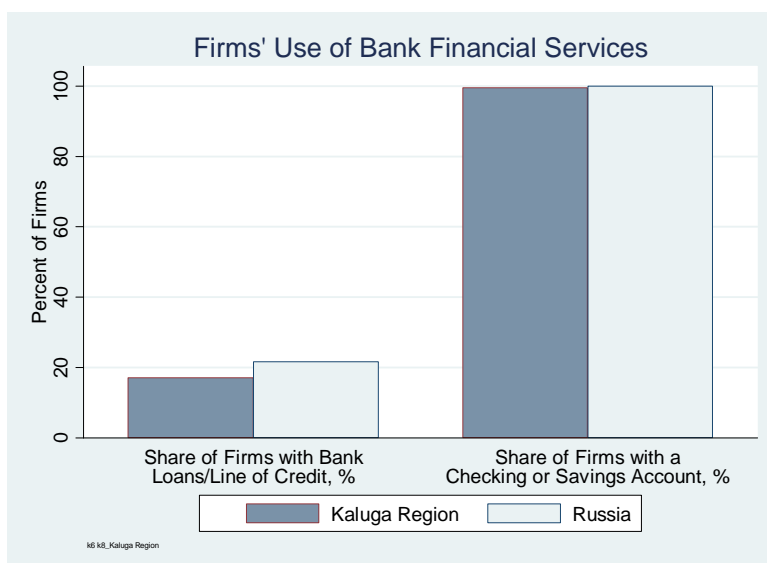
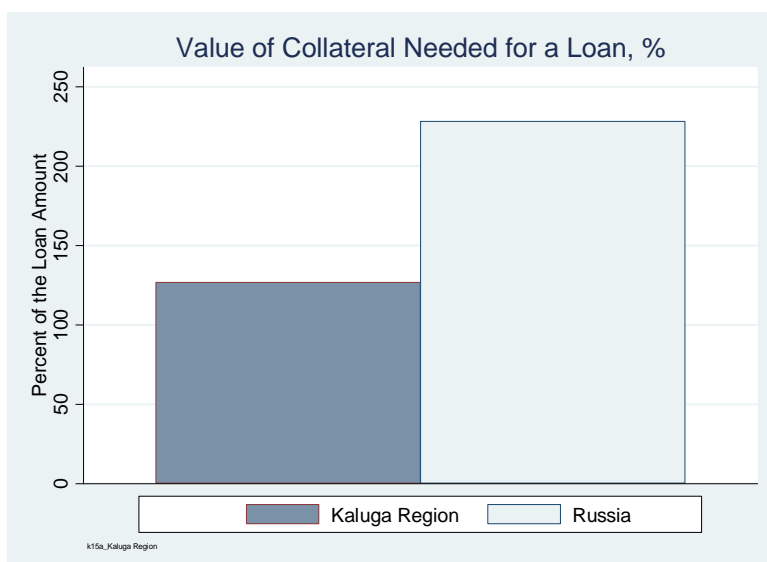
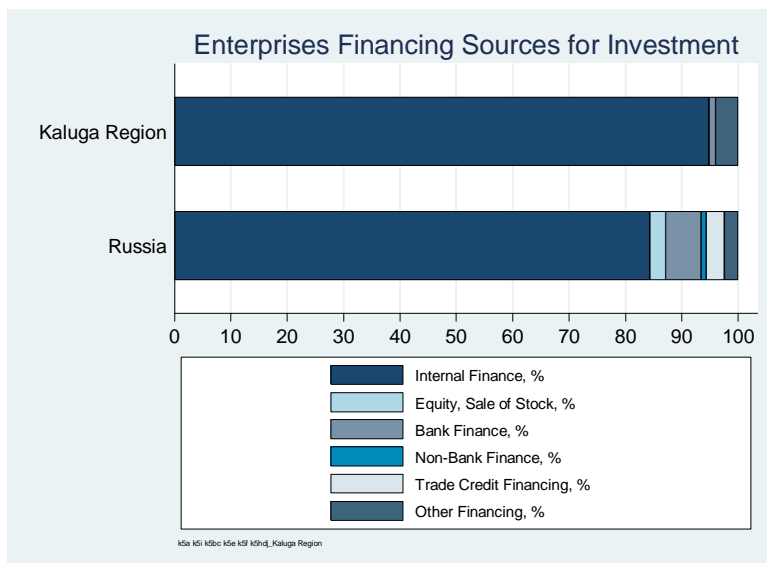
Developed financial markets provide payment services, mobilize deposits, and ease investment financing. Efficient financial markets reduce the reliance on internal funds and on money from informal sources such as family and friends by connecting firms to a broad range of lenders and investors.

The survey provides indicators of how firms finance their operations and of the characteristics of their financial transactions.

The first set of indicators compares the relative use of various sources for financing investment. Excessive reliance on internal funds is a sign of potentially inefficient financial intermediation.

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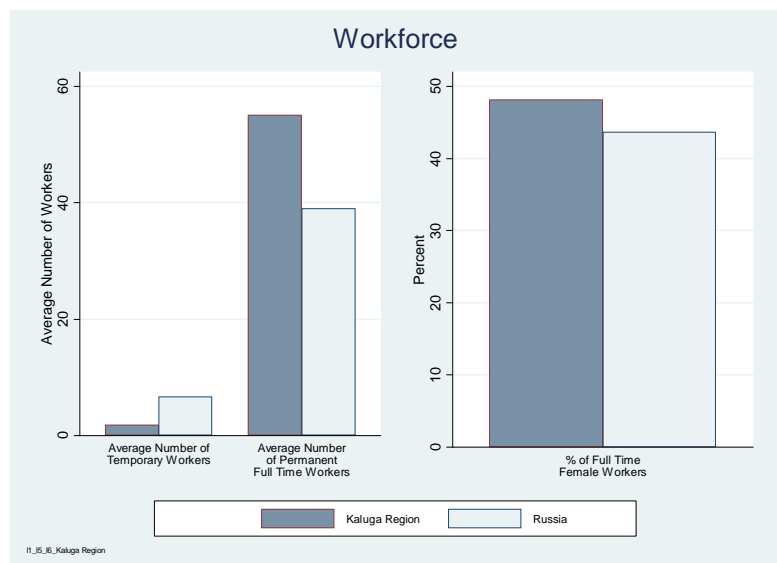
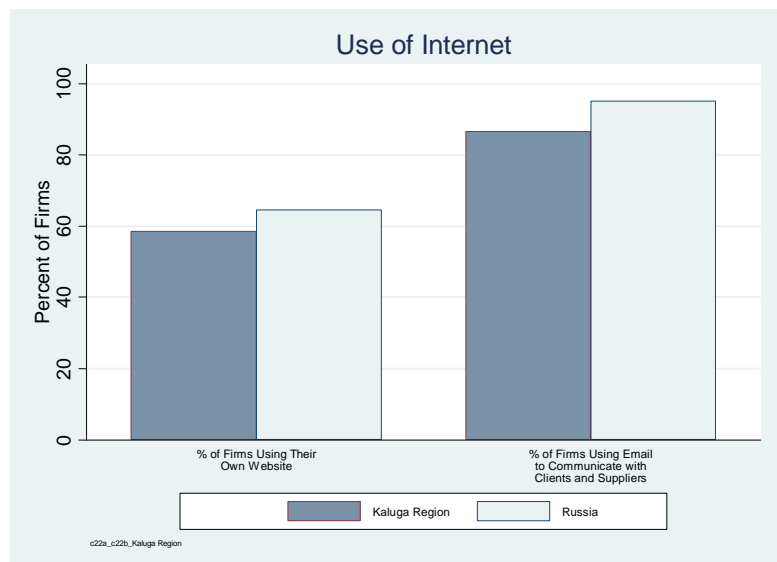
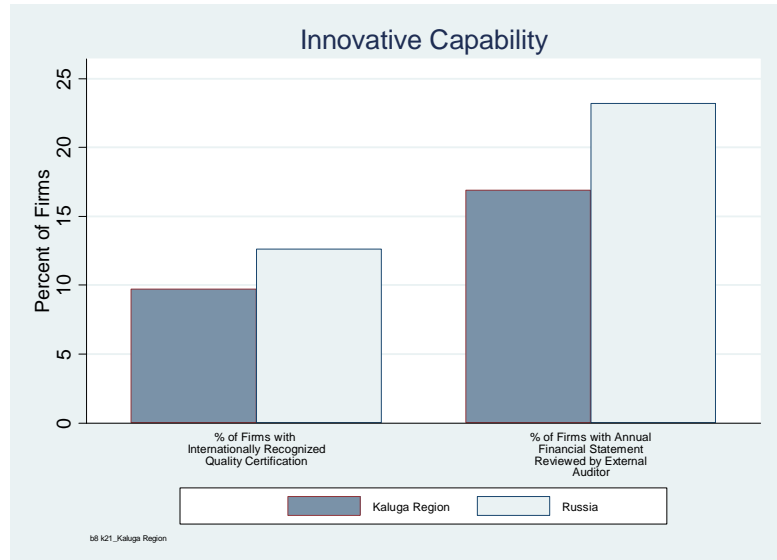
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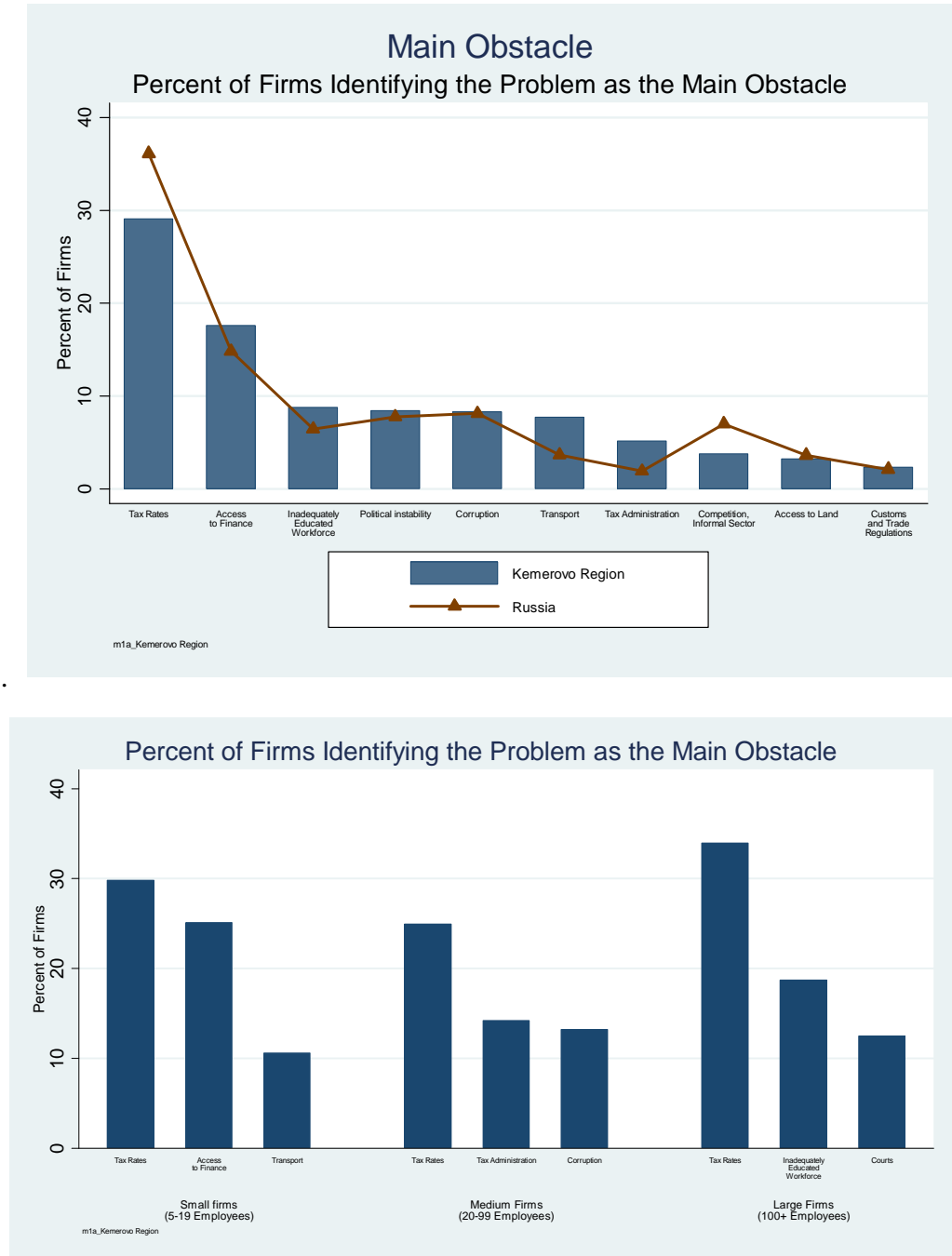
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	<i>Kaluga Region</i>	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	0.90	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	0.66	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	1.2%	1.7%		
<b>Transport</b>	0.99	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	2.5%			
<b>Customs and trade regulations</b>	0.54	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	4.1%	5.3%	3.0%	9.5%
<b>Practices of informal competitors</b>	0.71	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	3.1%			
<b>Access to land</b>	0.96	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	4.7%			
<b>Crime, theft and disorder</b>	0.50	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	2.2%			
<b>Access to finance</b>	0.95	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	3.7%	3.6%		
<b>Tax rates</b>	2.70	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	5.8%			
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Kemerovo Region.<sup>7</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Kemerovo Region benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Kemerovo Region.



<sup>7</sup> 124 companies were surveyed by in Kemerovo Region. The benchmarks used for comparisons are averages for Russia as a whole.



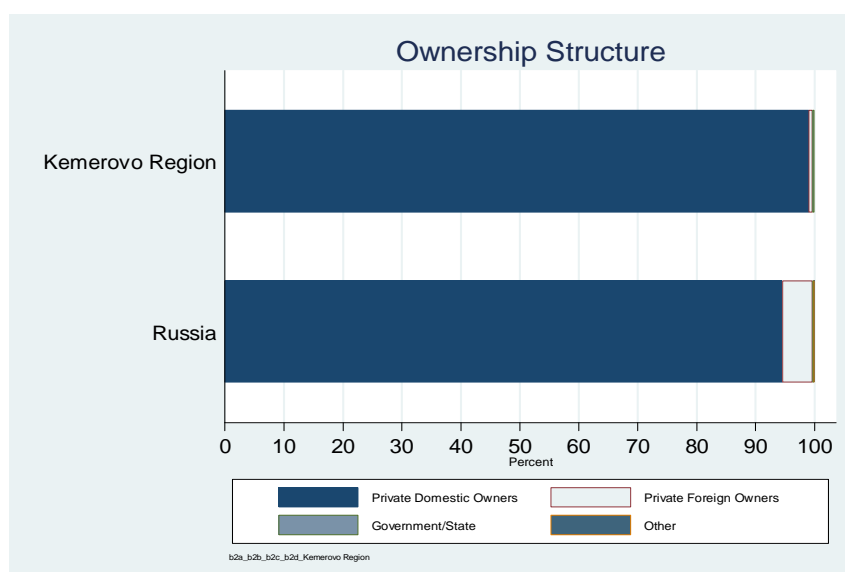
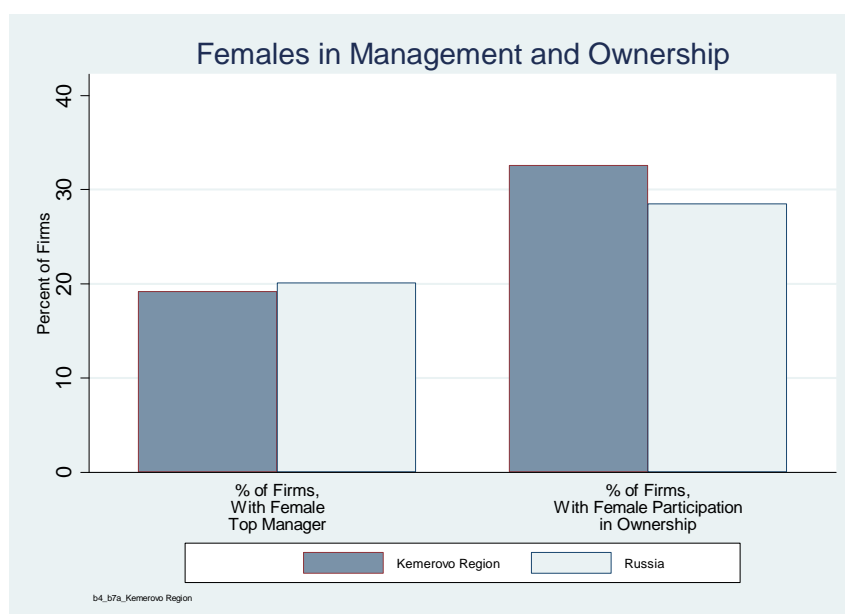
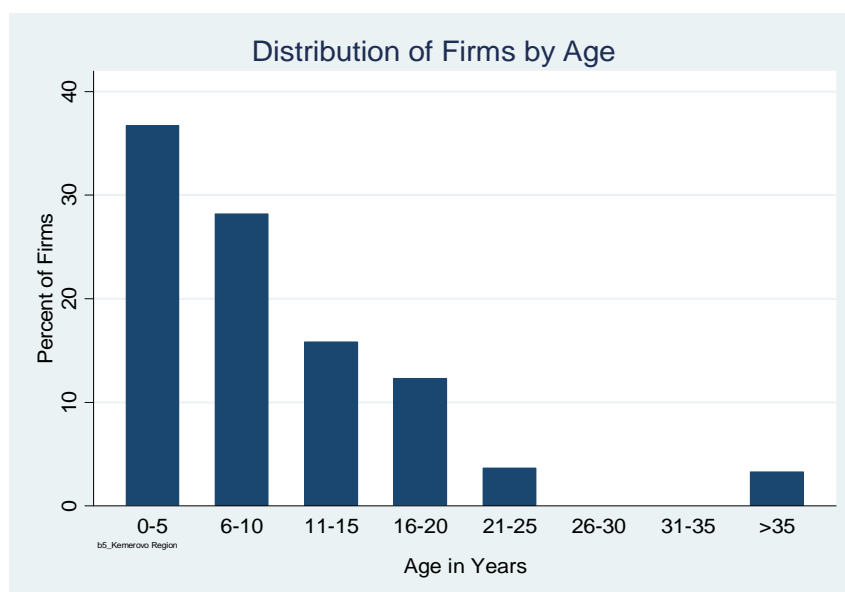
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## Infrastructure

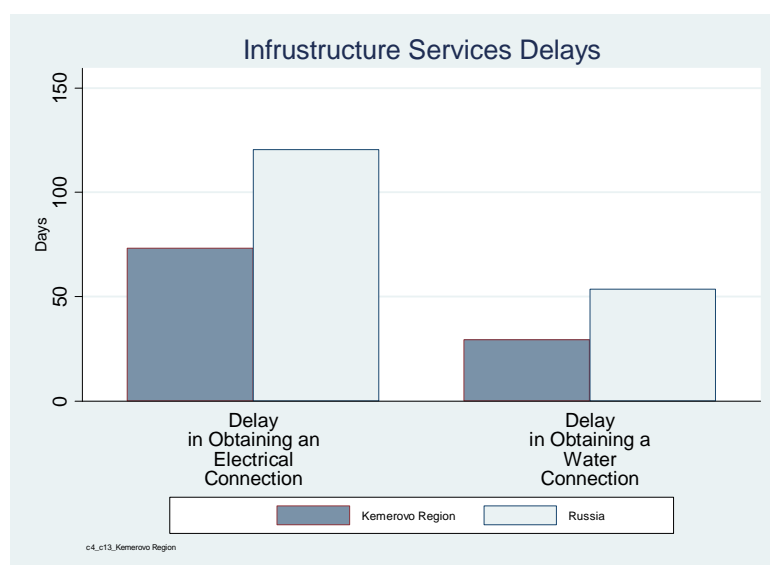
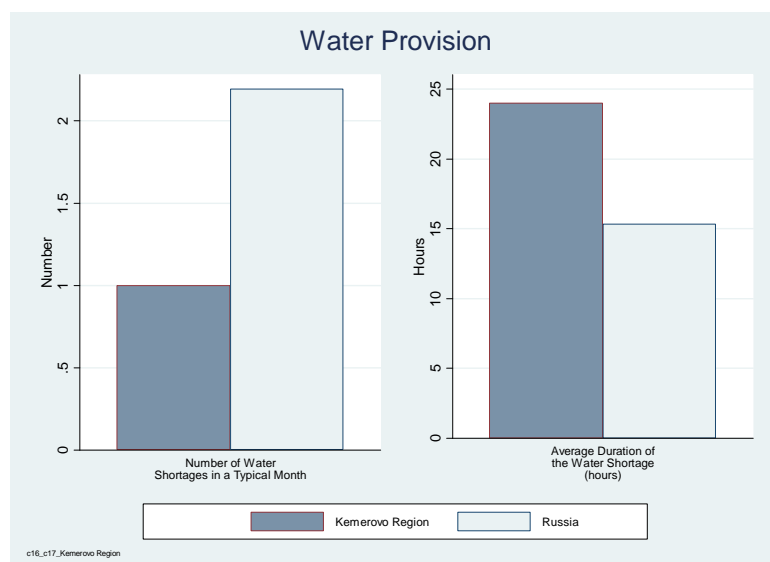
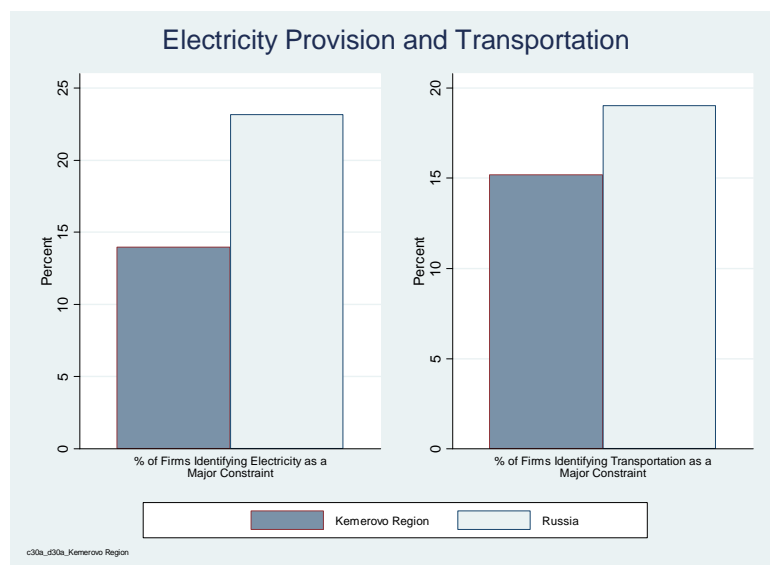
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## Trade

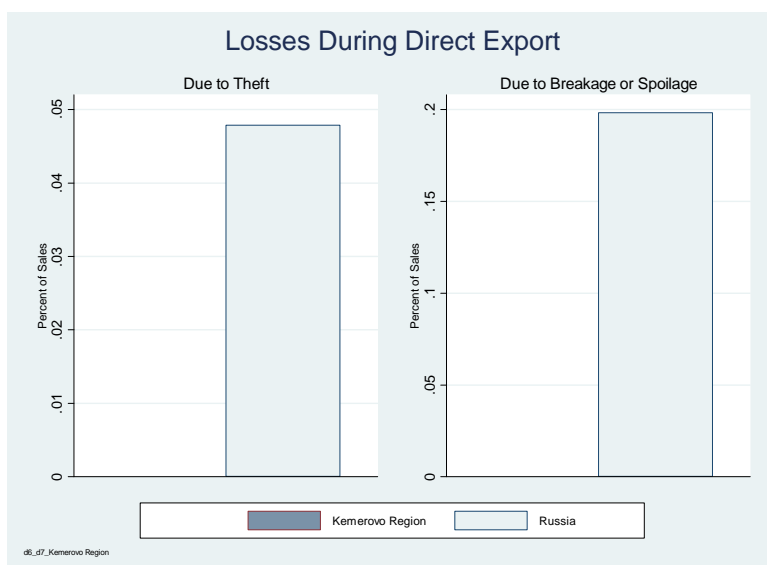
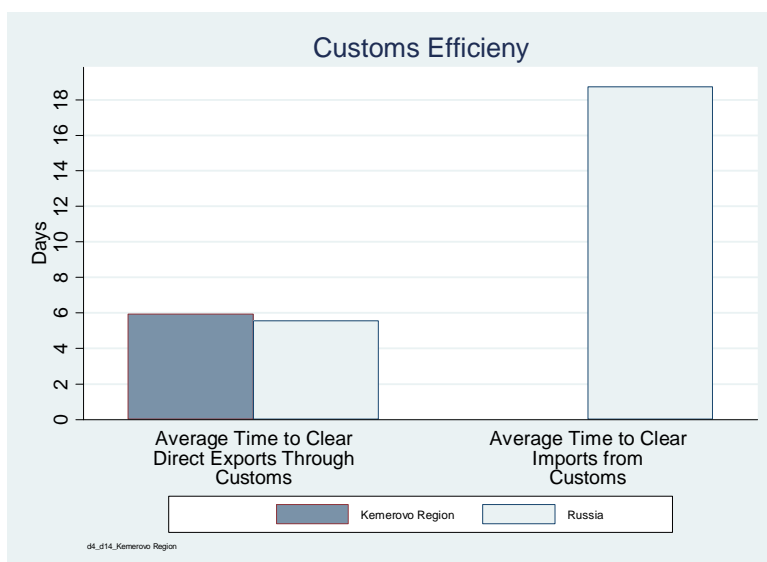
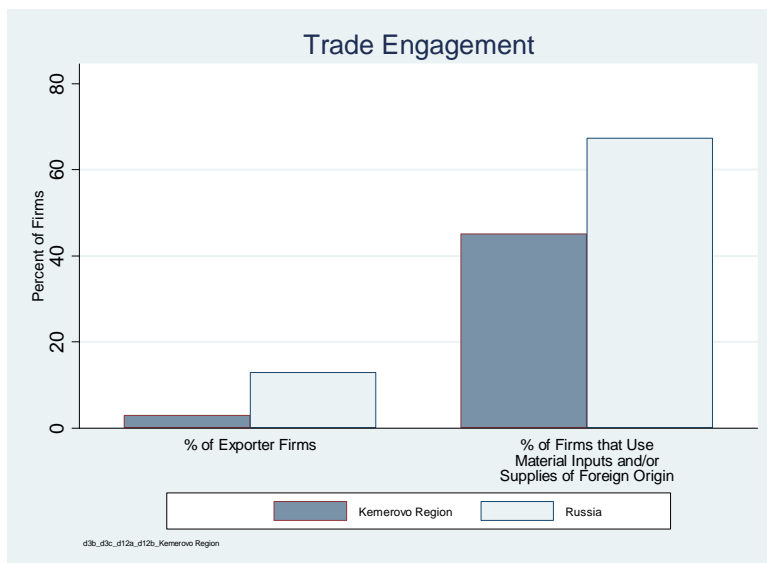
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The third set of indicators shows the percent value of exports lost during transport due to merchandise theft, and breakage or spoilage, reflecting the transport risks firms face during the export process.



## Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

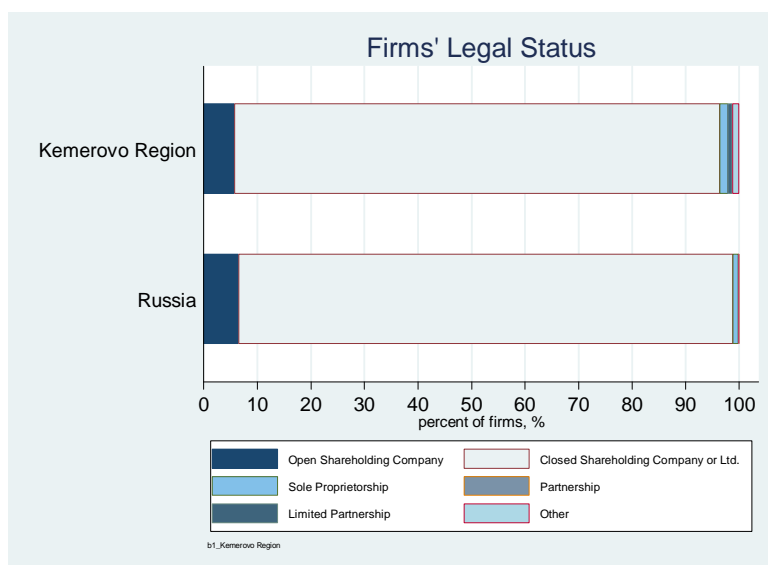
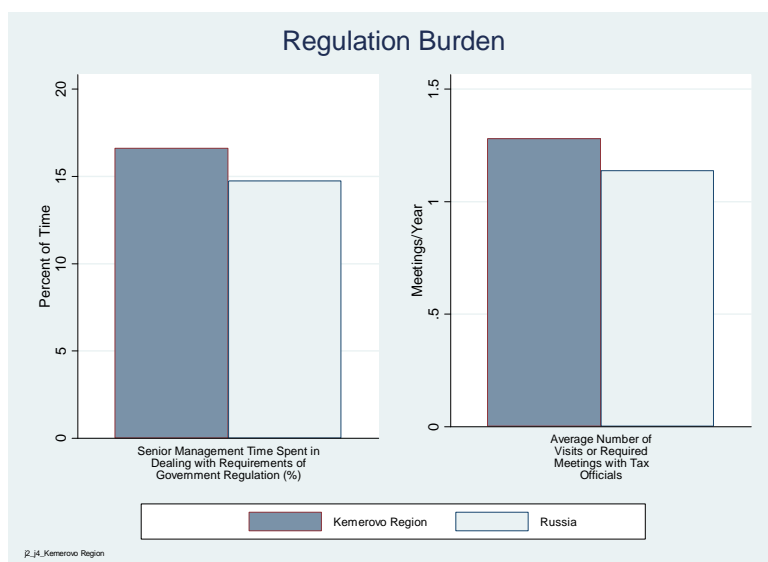
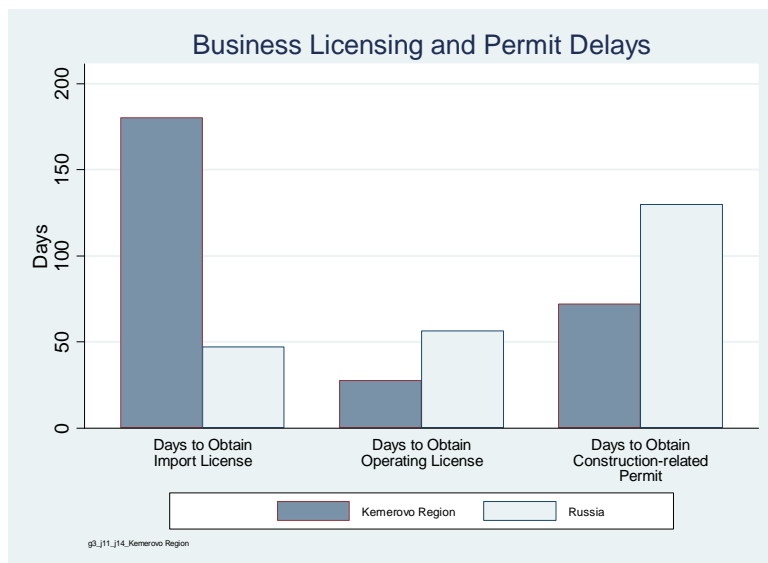
Effective regulations address market failures that inhibit productive investment and reconcile private and public interests. The number of permits and approvals that businesses need to obtain, and the time it takes to obtain them, is expensive and time consuming. The existing legislation of a country also determines the mix of legal forms private firms take and determines the level of protection for investors thus affecting the incentives to invest.

The survey provides qualitative and quantitative measures of taxation, regulations, and business licensing.

The first set of indicators focuses on the efficiency of business licensing and permit services. The indicators evaluate the delays faced when demanding these services.

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The third indicator shows the relative use of the different legal forms in the private sector. Most legal forms can be classified into shareholding companies with shares traded privately or non-traded at all (closed), shareholding companies publicly traded (open), sole proprietorships, partnerships, and limited partnerships. A residual category is included to capture legal forms not easily classified into the other categories.



## Corruption

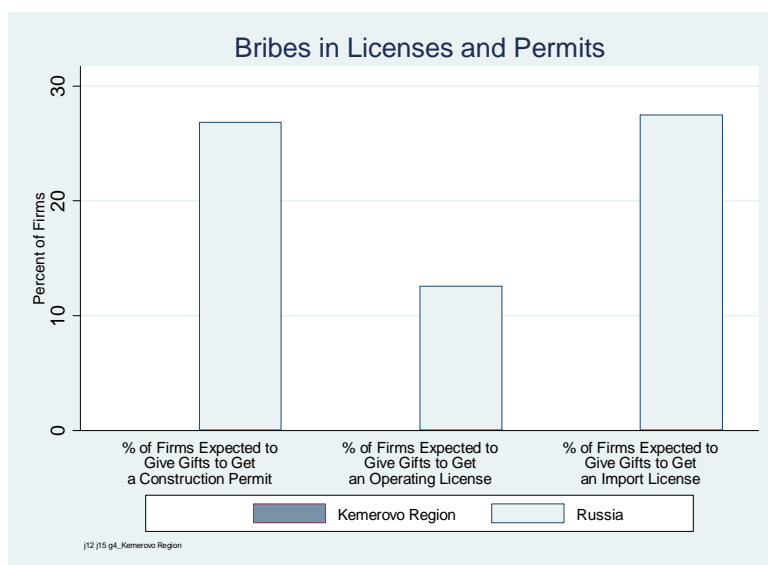
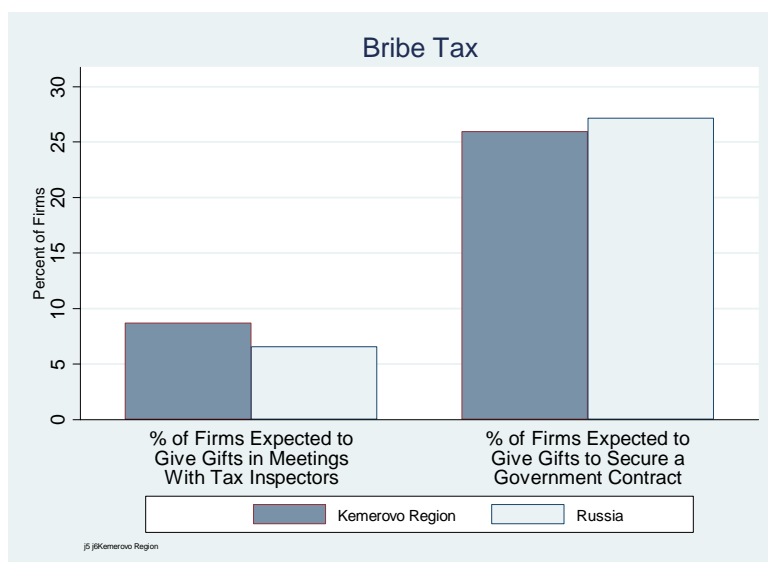
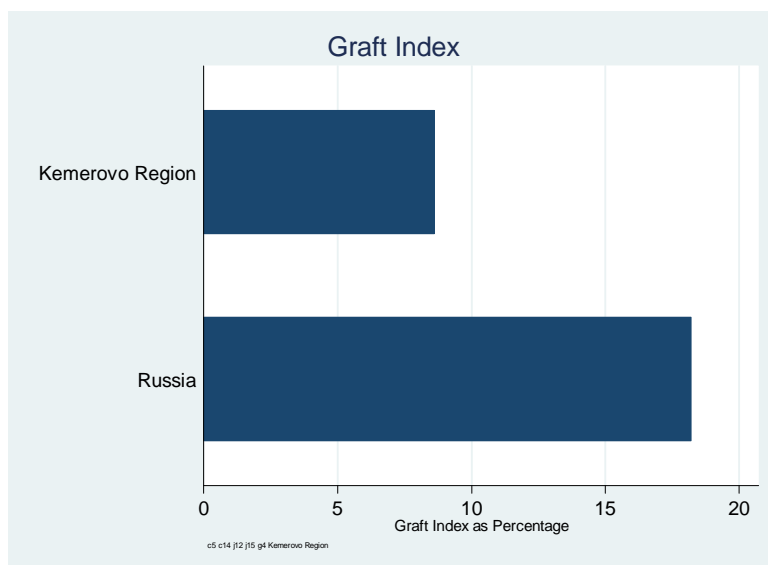
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

Inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make “unofficial” payments to public officials to get things done. In many countries bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for the firms’ growth and development.

The first set of indicators measures a composite index of corruption, the Graft Index that reflects the proportion of instances a firm was asked or expected to pay a bribe when soliciting six different public services, permits or licenses.

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The third set of indicators focuses on bribes to obtain specific licenses or permits, and shows the share of firms that are expected to make informal payments to secure import and operating licenses and to obtain a construction permit.



## Crime and Informality

Crime imposes costs on firms when they are forced to divert resources from productive uses to cover security costs. Both foreign and domestic investors perceive crime as an indication of social instability, and crime drives up the cost of doing business. Also, commercial disputes between firms and their clients occur regularly in the course of doing business. Resolving these disputes can be challenging when legal institutions are weak or nonexistent.

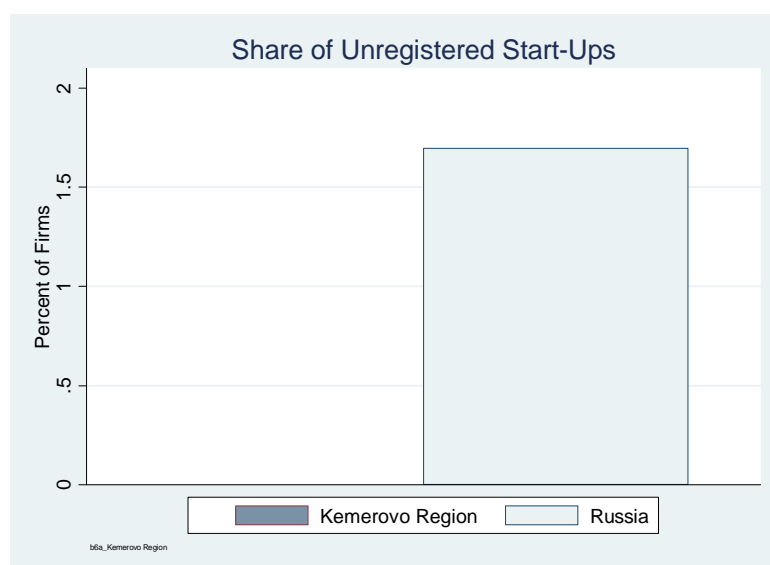
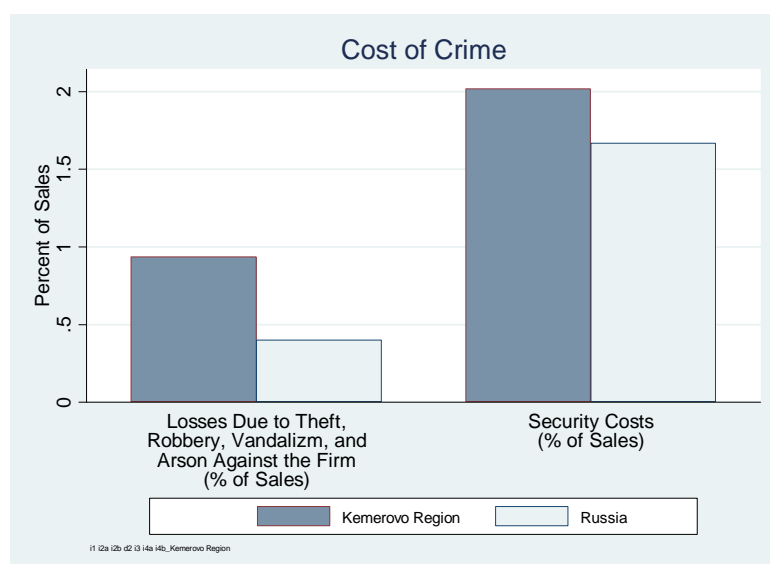
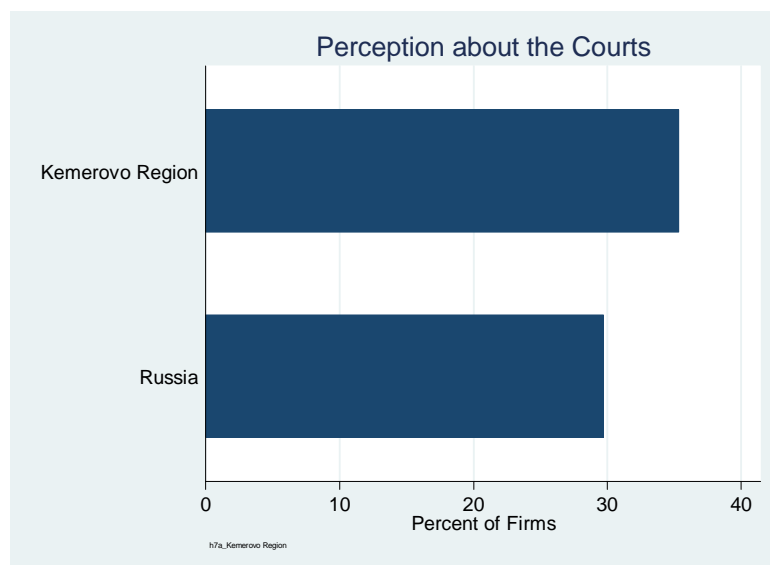
Similarly, a large informal sector has serious consequences for the formal private sector. The informal sector may pose unfair competition for formal firms.

The survey captures key dimensions of the effect of crime on firm sales, the extent to which entrepreneurs identify courts as fair, and the degree of informality in an economy.

The first indicator shows the share of firms that recognize the functioning of the courts as being fair, impartial, and uncorrupted.

The second set of indicators measures the direct costs of security incurred by firms as well as their direct losses due to crime. These resources represent an opportunity cost since they could have been invested in productive activities.

The third set of indicators shows the percentage of firms that started operation without begin formally registered. It is an approximation to the prevalence of informality in the private economy.



## Finance

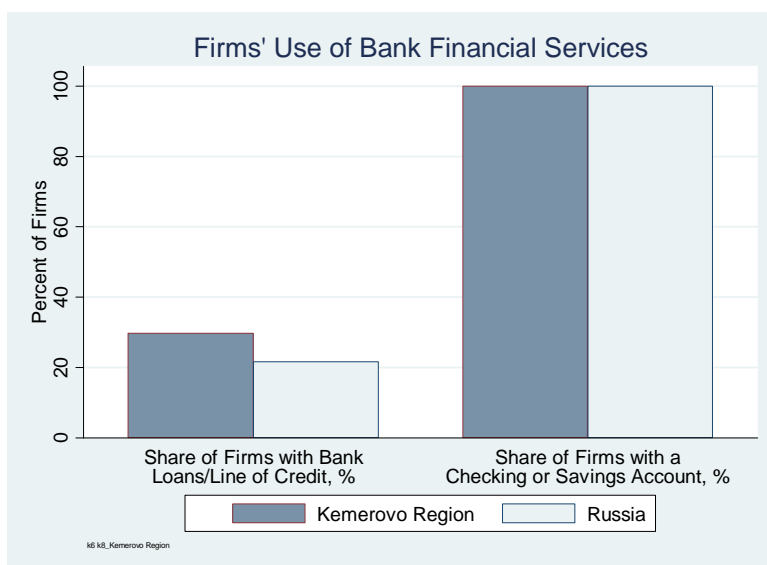
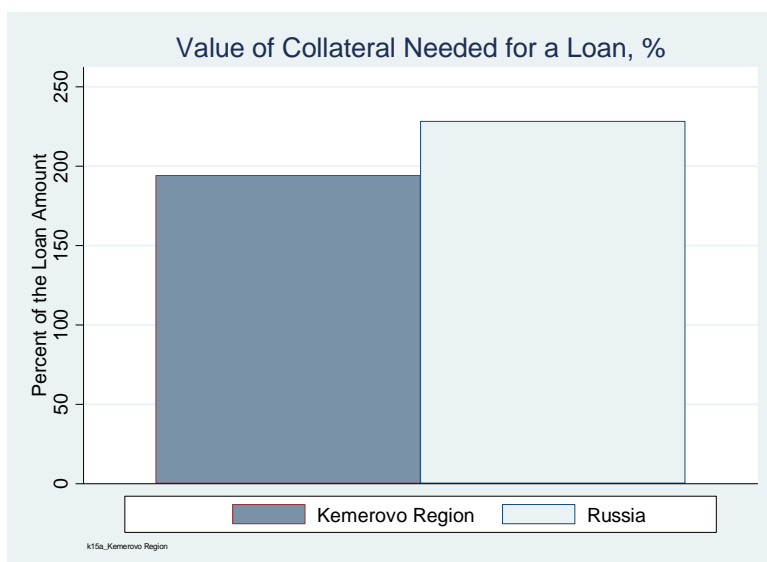
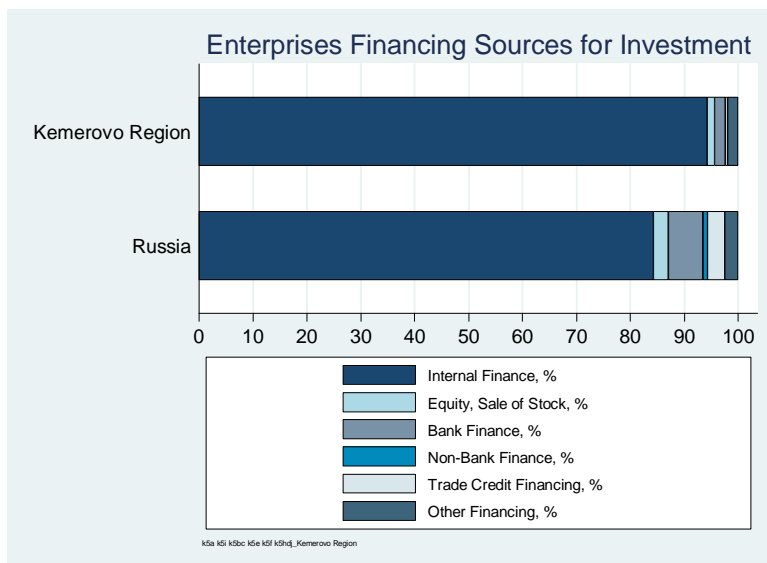
Developed financial markets provide payment services, mobilize deposits, and ease investment financing. Efficient financial markets reduce the reliance on internal funds and on money from informal sources such as family and friends by connecting firms to a broad range of lenders and investors.

The survey provides indicators of how firms finance their operations and of the characteristics of their financial transactions.

The first set of indicators compares the relative use of various sources for financing investment. Excessive reliance on internal funds is a sign of potentially inefficient financial intermediation.

The second set of indicators measures the use of financial markets by individual firms. It presents the percentage of working capital that is financed by sources external to the firm, and a measure of the burden imposed by loan requirements measured by collateral levels relative to the value of the loans.

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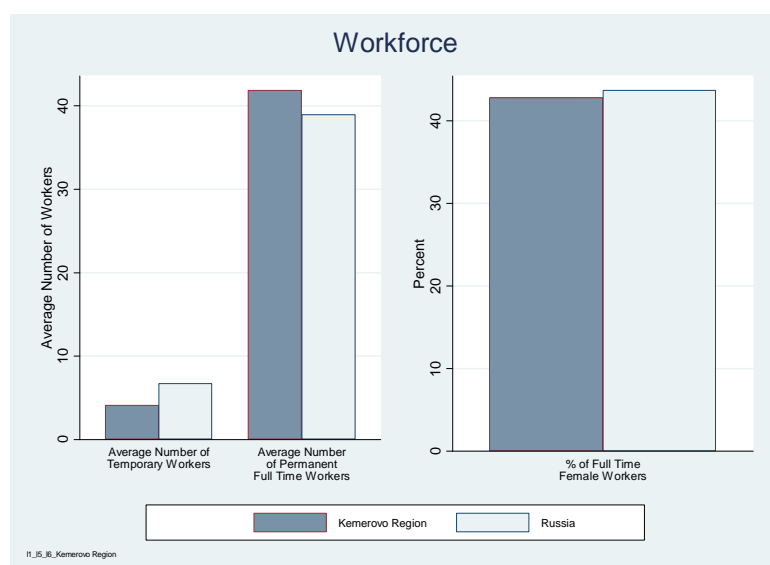
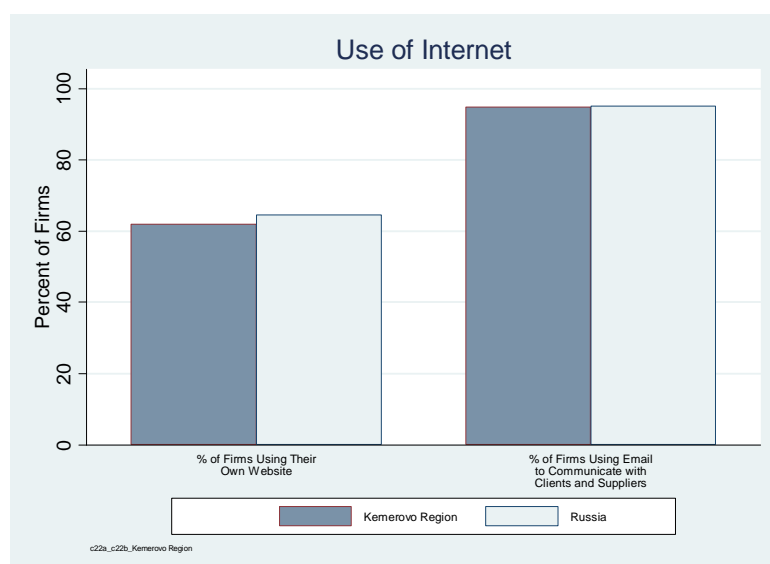
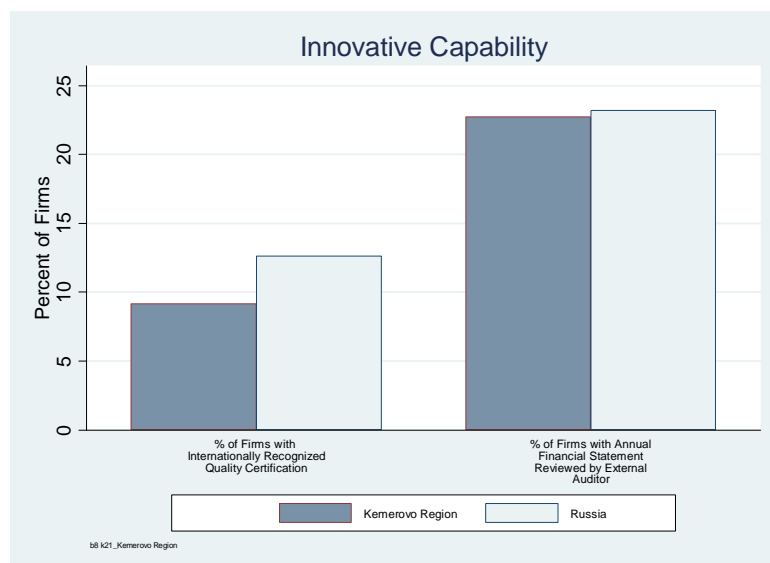
## Innovation and Workforce

The Survey provide indicators that describe several dimensions of technology use and innovation. They also collect information on the characteristics of the workforce employed in the non-agricultural private economy.

The first set of indicators measures the extent to which firms invest in obtaining recognized certificates of production and accounting practices. Obtaining international quality certifications can open doors to technology and innovation and they also provide a sign of high quality that may open markets.

The second set of indicators demonstrates the use of information and communications technologies (ICT) in business transactions. ICT, such as the Internet, are important tools for all firms because they provide even the smallest of enterprises with the ability to reach national and international markets at low cost.

The third set of indicators presents the composition of the firm's workforce by type of contract and gender. Labor regulations have a direct effect on the type of employment favored by firms and they may have a differing impact by gender. The first two indicators present the composition of the workforce classified into temporary and permanent workers. The last indicator reflects the participation of women in regular full-time employment.





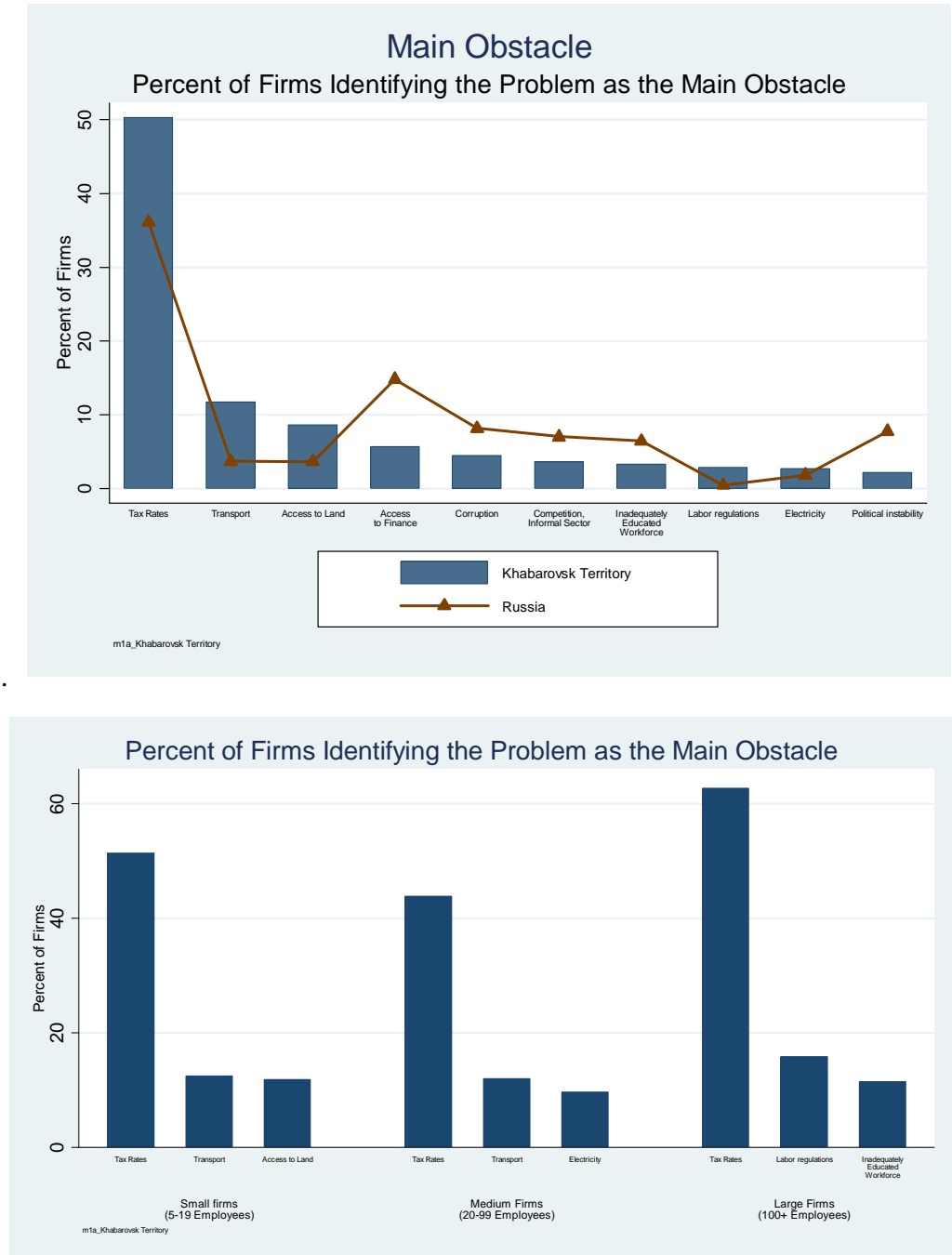
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	Kemerovo Region	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	0.74	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	1.00	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	2.5%	3.7%		
<b>Transport</b>	0.94	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	2.3%			
<b>Customs and trade regulations</b>	0.30	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	1.9%	2.4%	1.3%	4.3%
<b>Practices of informal competitors</b>	0.86	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	4.3%			
<b>Access to land</b>	0.68	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	2.5%			
<b>Crime, theft and disorder</b>	0.59	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	2.7%			
<b>Access to finance</b>	1.18	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	6.5%	6.2%		
<b>Tax rates</b>	2.58	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	5.3%			
<b>Tax administration</b>	1.23	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	7.6%	12.6%	7.6%	
<b>Business licensing and permits</b>	0.37	0.29	Kirov Region; Smolensk Region; Stavropol Territory	0.6%	1.1%	0.4%	1.9%
<b>Political instability</b>	1.28	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	6.0%	5.2%	3.1%	29.8%
<b>Corruption</b>	1.42	0.60	Irkutsk Region; Kirov Region; Smolensk Region	9.0%	7.8%	4.1%	22.9%
<b>Courts</b>	0.66	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	6.1%	9.2%		
<b>Labor regulations</b>	0.55	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	4.4%			
<b>Inadequately educated workforce</b>	1.30	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	5.3%	6.5%	4.8%	

Khabarovsk Territory.<sup>8</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Khabarovsk Territory benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Khabarovsk Territory.



<sup>8</sup> 122 companies were surveyed by in Khabarovsk Territory. The benchmarks used for comparisons are averages for Russia as a whole.

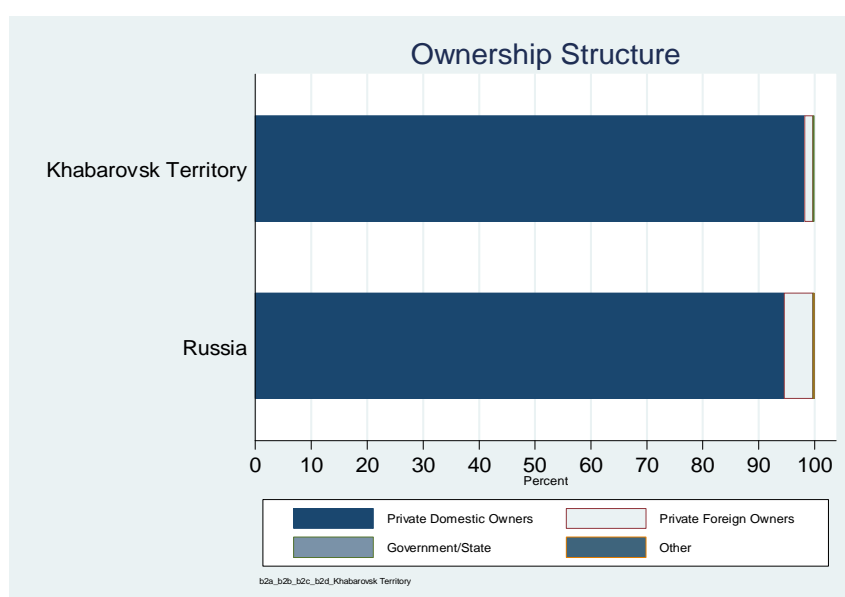
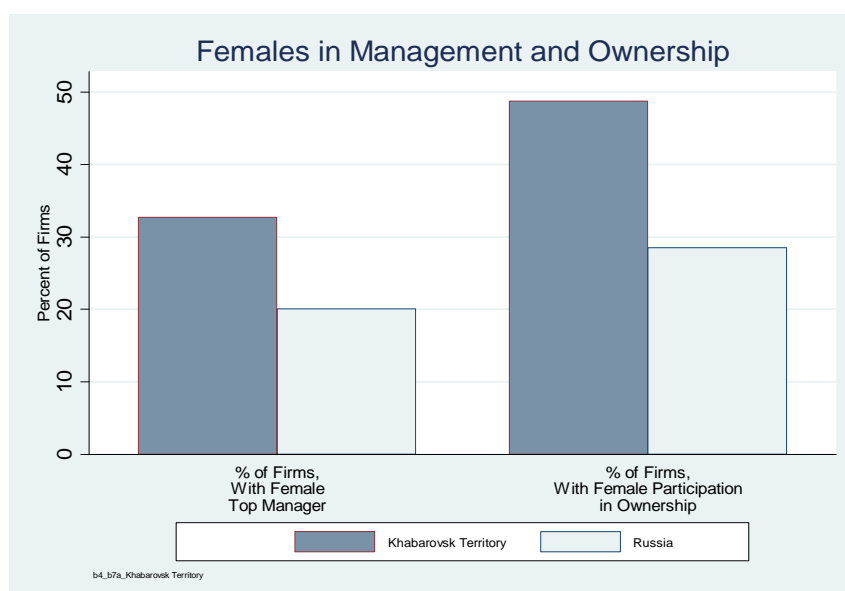
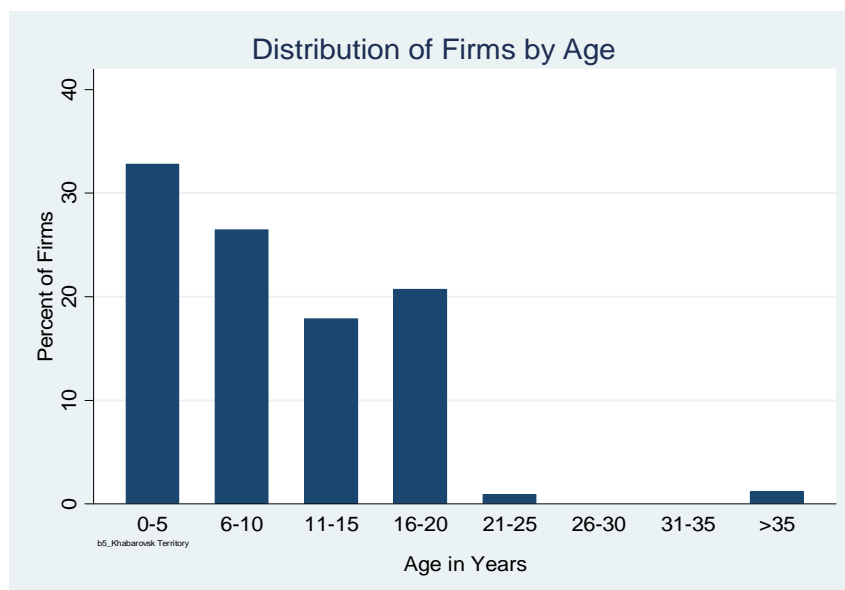
## Average Firm

The survey collects information from a representative sample of the non-agricultural formal private economy. In addition to collecting information on the business environment the surveys collect information on the characteristics of the firms interviewed. Consequently, the data collected provides a description of the representative private firm in the country and also an estimate of how some of the attributes of the average firm are distributed across the population of firms.

The first indicator shows the distribution of firms according to their age measured by the number of years they have been in operation. The effect the business environment can have on the private sector may depend on firms' experience and longevity. Seasoned firms and young firms may differ in their ability to successfully navigate the business environment.

The second set of indicators provides an illustration of female participation in management and firm ownership. These indicators can help assess whether gender can be a determinant of the effect of regulations on the firm and the level of exposure of the firm to external factors, such as corruption, access to finance, and technology.

The third indicator shows the participation of the domestic private sector, the government, the foreign sector and other sectors in the ownership of the typical firm. The distribution provides insight into their levels of equity in the private sector of the economy.



## Infrastructure

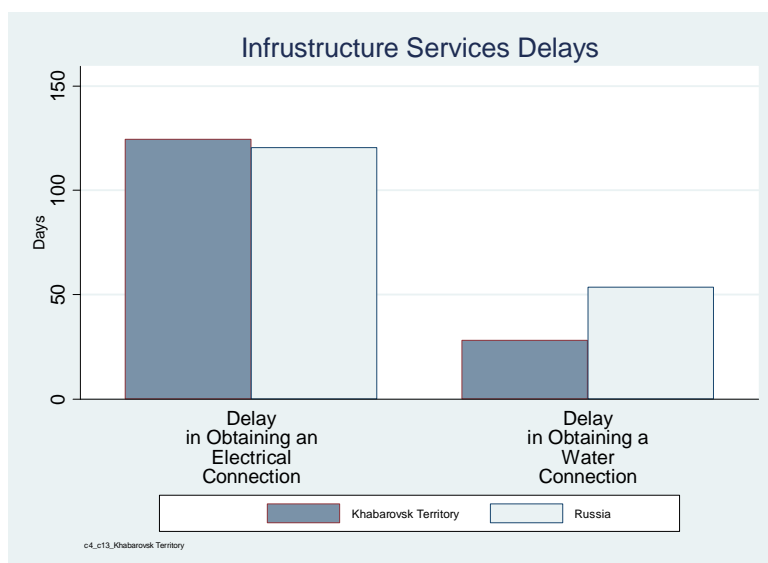
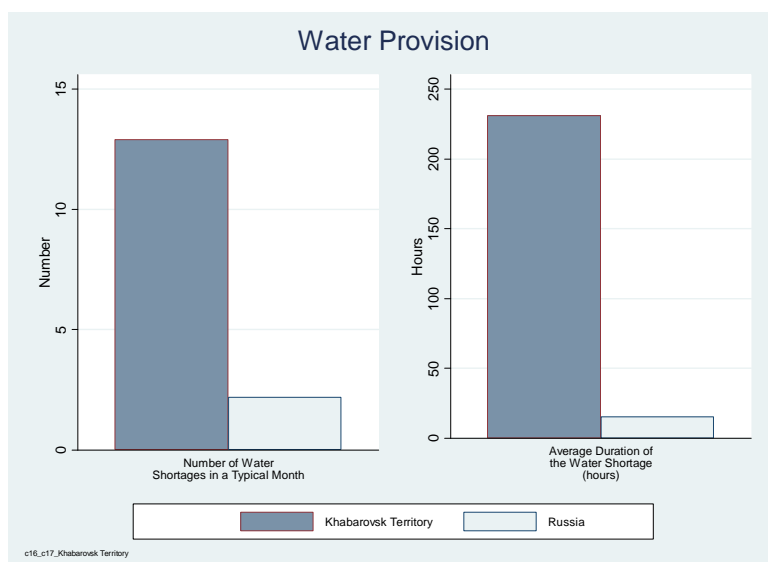
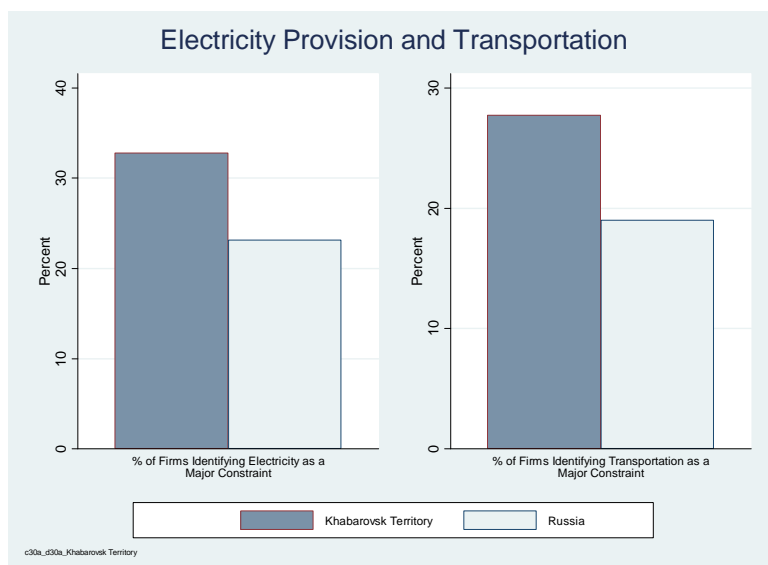
A strong infrastructure enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations.

The survey captures the dual challenge of providing a strong infrastructure for electricity, water supply, telephone connections, etc., and the development of institutions that effectively provide and maintain public services.

The first set of indicators shows the extent to which firms are faced with failures in the provision of electricity and the effect of these failures on sales. Inadequate electricity supply can increase costs, disrupt production, and reduce profitability.

The second set of indicators measures the efficiency of the water supply for the manufacturing sector. Many manufacturing sectors depend on reliable and efficient sources of water for their operations.

The third set of indicators evaluates the efficiency of infrastructure services by quantifying the delays in obtaining electricity, water, and telephone connections. Service delays impose additional costs on firms and may act as barriers to entry and investment.



## Trade

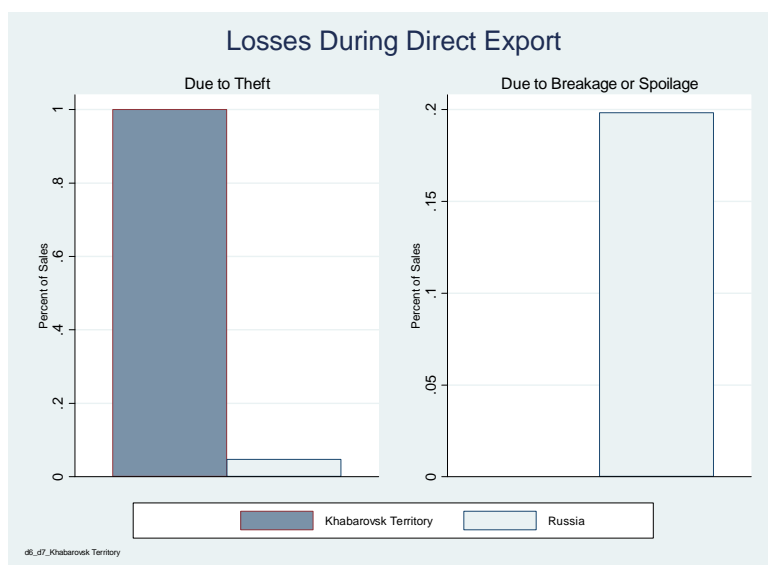
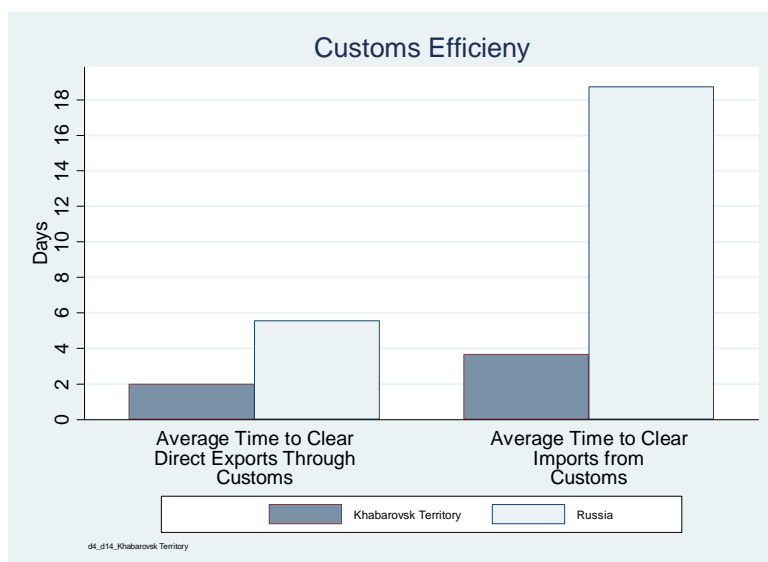
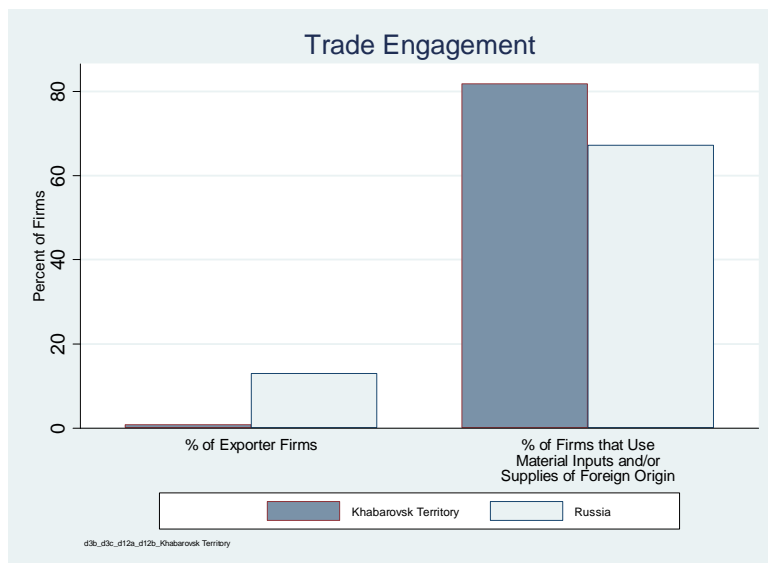
Open markets allow firms to expand, raise standards for efficiency on exporters, and enable firms to import low cost supplies. However, trading also forces firms to deal with customs services and trade regulations, obtain export and import licenses, and in some cases, firms also face additional costs due to losses during transport.

The survey collects information on the operational constraints faced by exporters and importers and also quantify the trade activity of firms.

The first set of indicators provides a measure of the intensity of foreign trade in the private sector. The first graph shows the percentage of firms who export directly or indirectly, i.e. using an intermediary. The second panel shows the percentage of manufacturing firms who use inputs or supplies of foreign origin.

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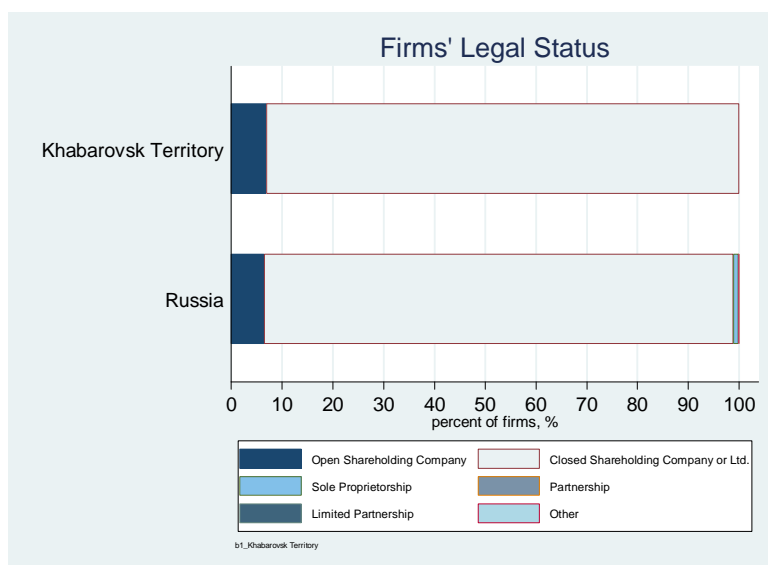
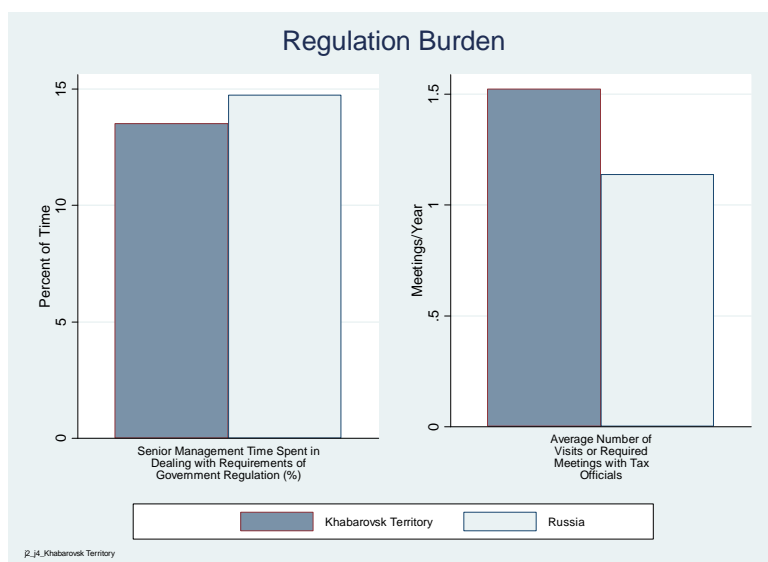
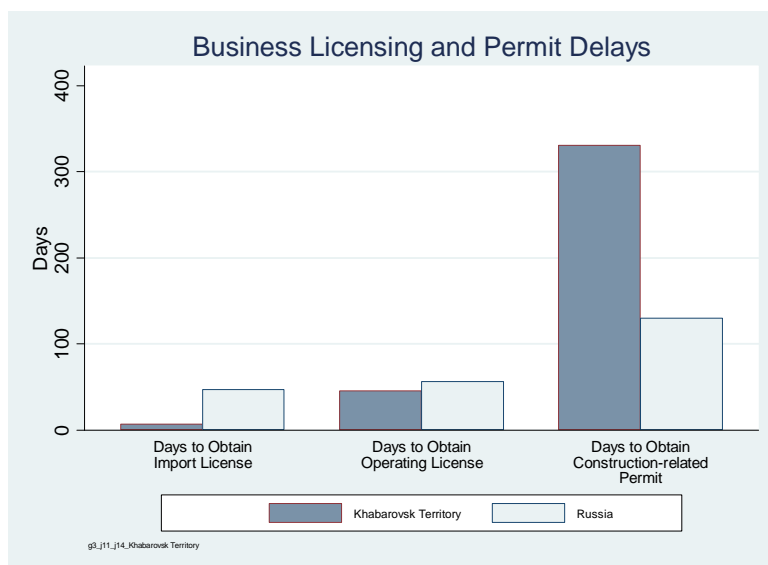
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## Corruption

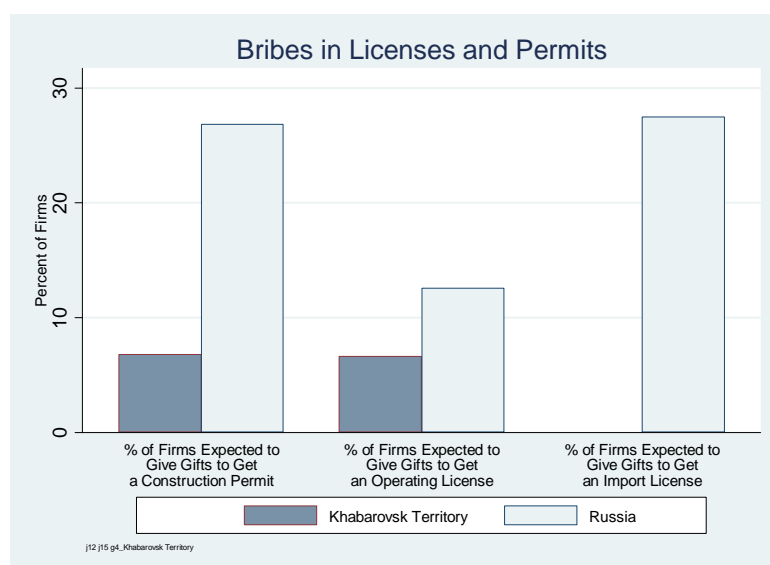
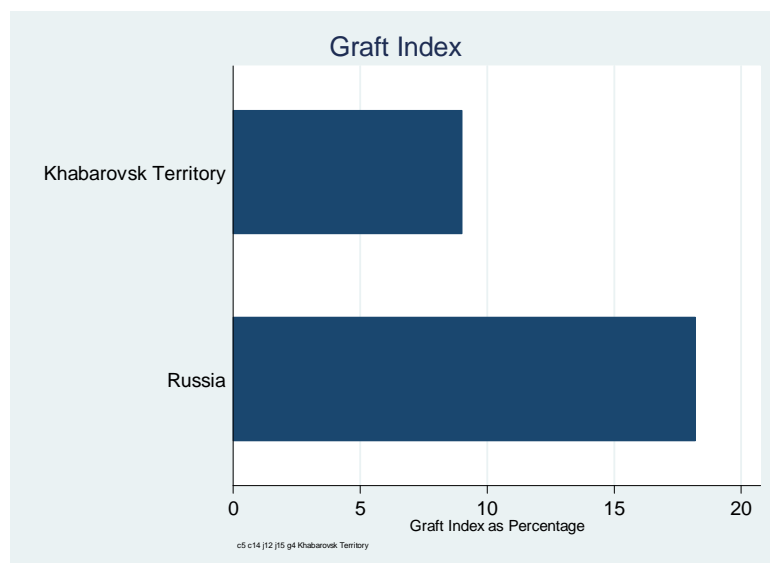
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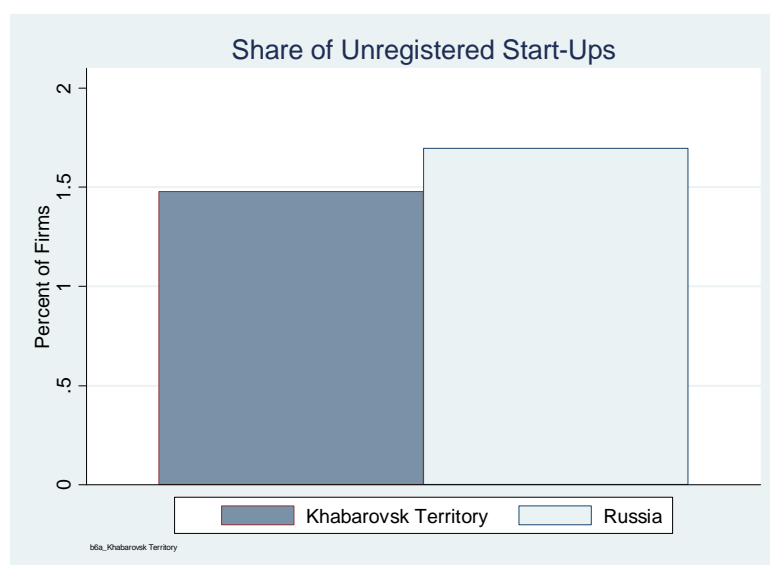
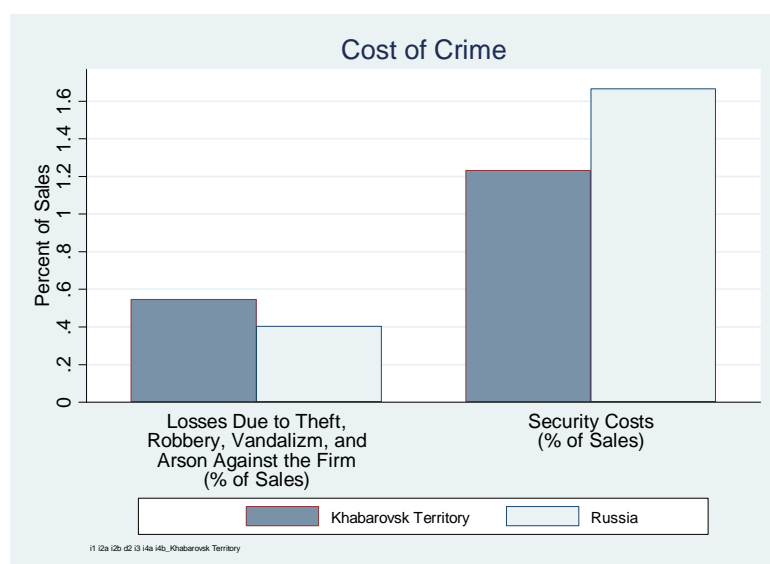
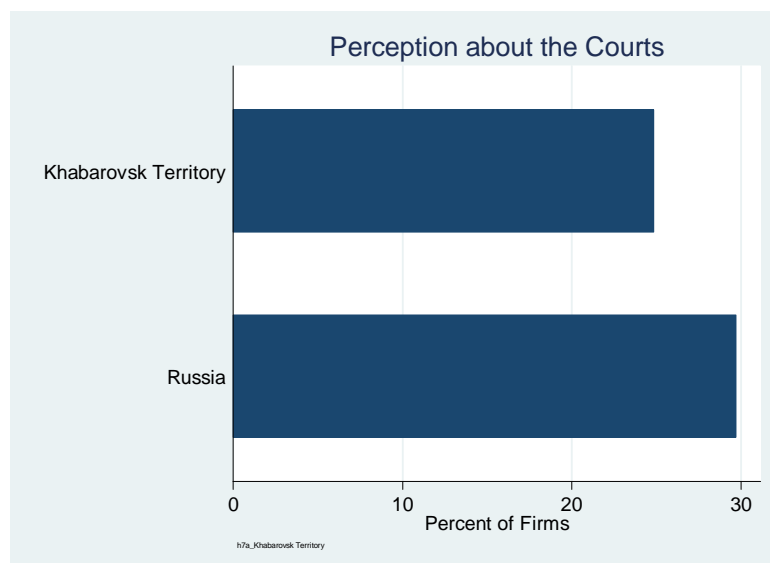
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## Finance

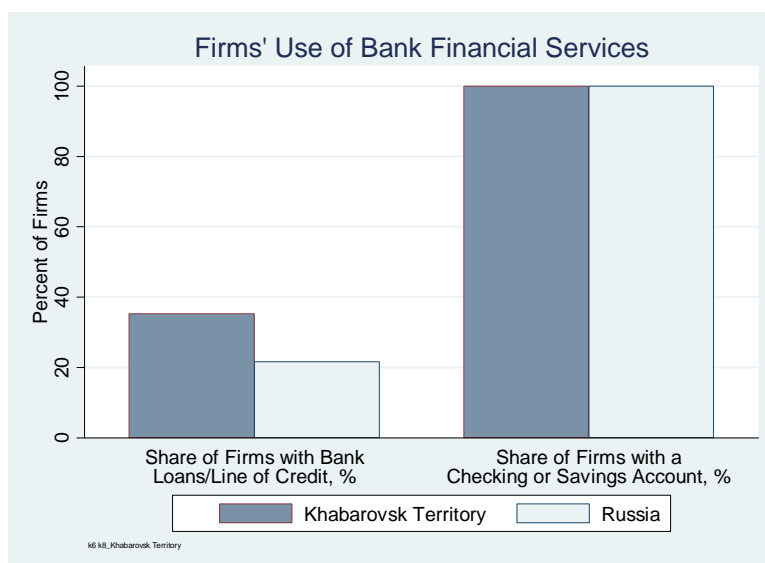
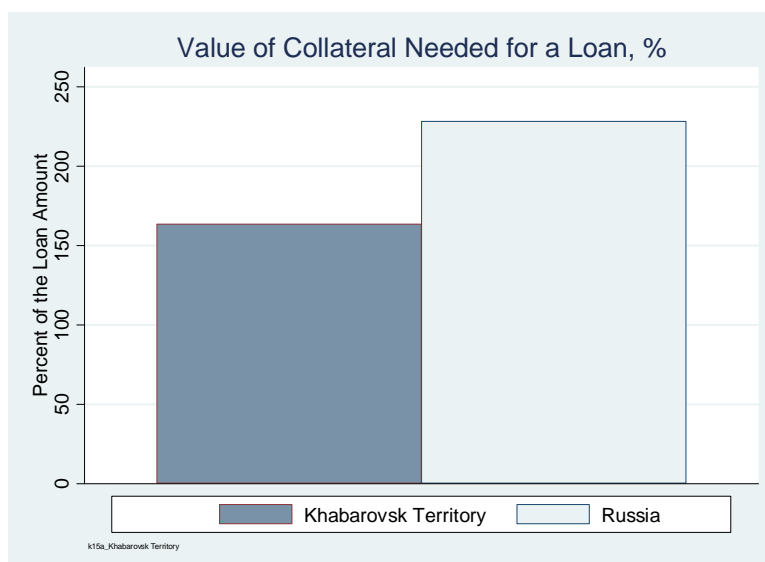
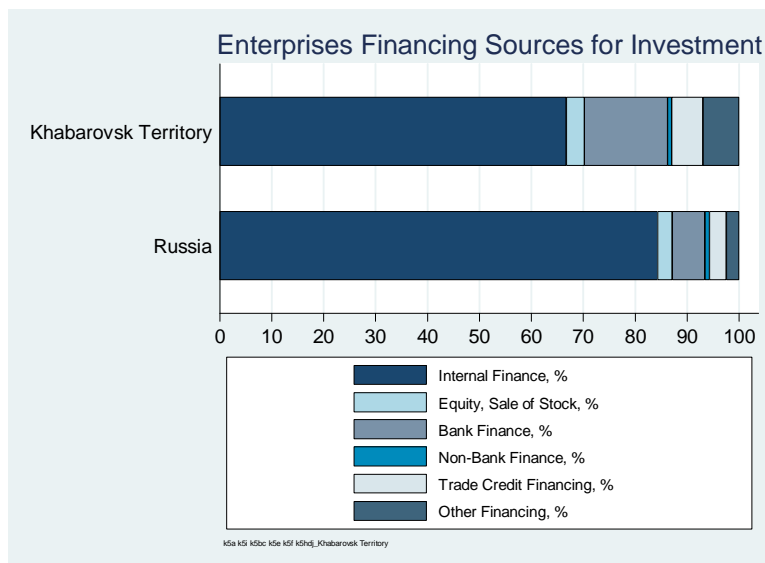
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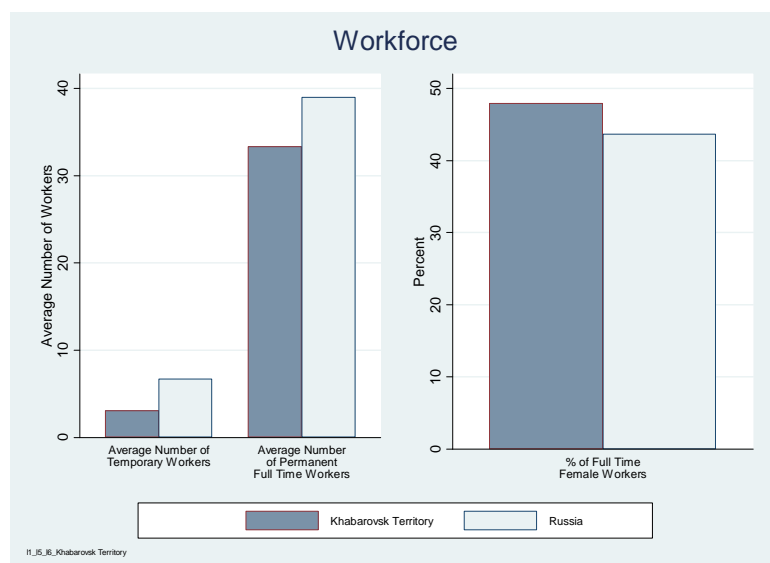
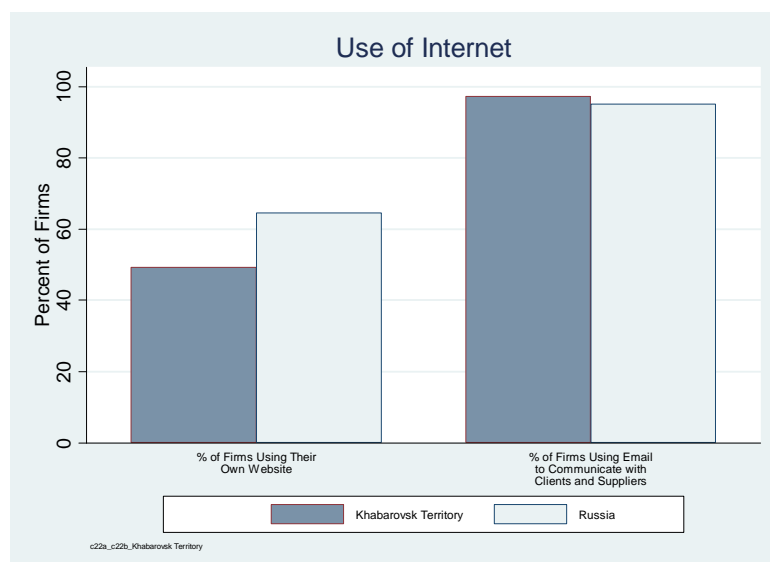
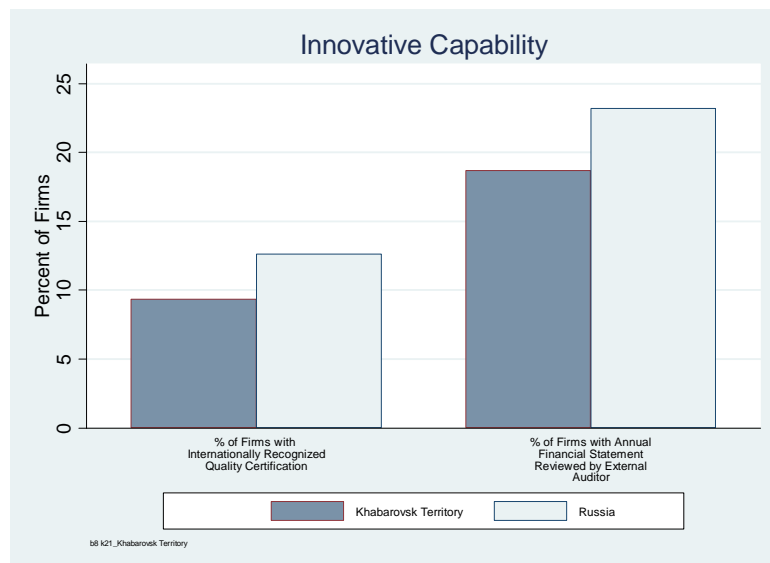
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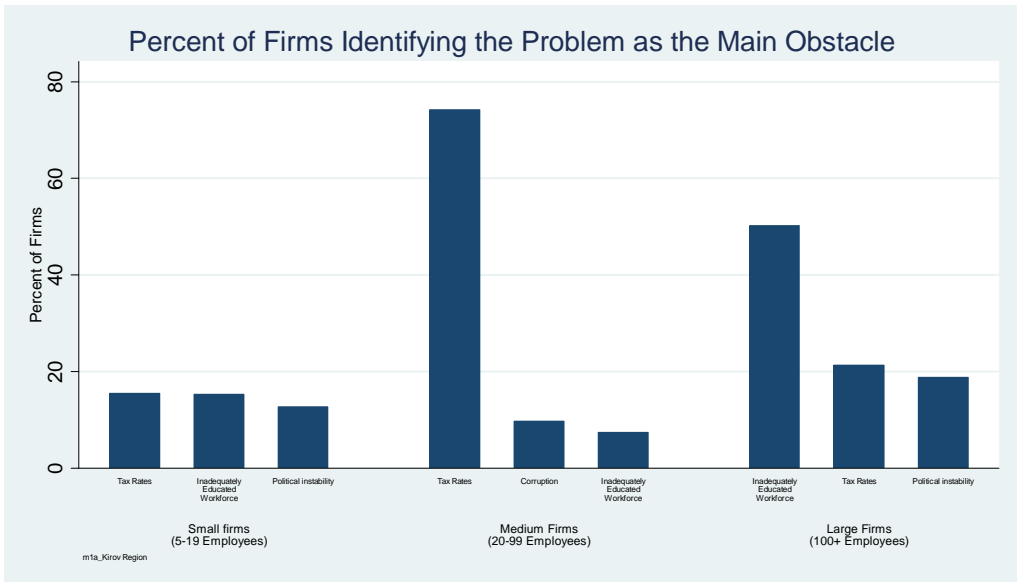
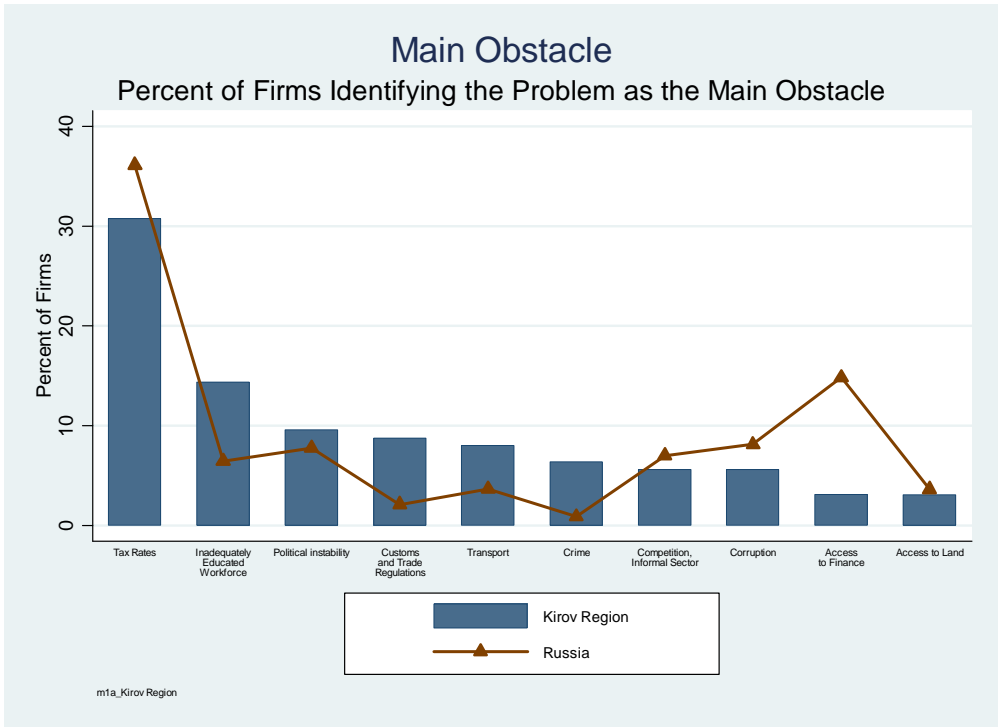
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	<i>Khabarovsk Territory</i>	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	1.43	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	1.48	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	4.4%	6.4%		
<b>Transport</b>	1.54	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	4.7%			
<b>Customs and trade regulations</b>	0.99	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	8.4%	10.8%	6.1%	19.5%
<b>Practices of informal competitors</b>	0.55	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	1.8%			
<b>Access to land</b>	0.95	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	4.6%			
<b>Crime, theft and disorder</b>	0.99	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	5.4%			
<b>Access to finance</b>	1.19	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	6.6%	6.3%		
<b>Tax rates</b>	2.61	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	5.4%			
<b>Tax administration</b>	0.59	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	2.0%	3.4%	2.0%	
<b>Business licensing and permits</b>	0.81	0.29	Kirov Region; Smolensk Region; Stavropol Territory	4.0%	7.3%	2.9%	12.4%
<b>Political instability</b>	1.06	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	3.6%	3.1%	1.8%	17.9%
<b>Corruption</b>	1.12	0.60	Irkutsk Region; Kirov Region; Smolensk Region	5.8%	5.0%	2.7%	14.7%
<b>Courts</b>	0.47	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	4.0%	6.1%		
<b>Labor regulations</b>	0.61	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	5.0%			
<b>Inadequately educated workforce</b>	1.11	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	4.1%	5.0%	3.7%	

## Kirov Region<sup>9</sup>

### Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Kirov Region benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Kirov Region.



<sup>9</sup> 134 companies were surveyed by in Kirov Region. The benchmarks used for comparisons are averages for Russia as a whole.

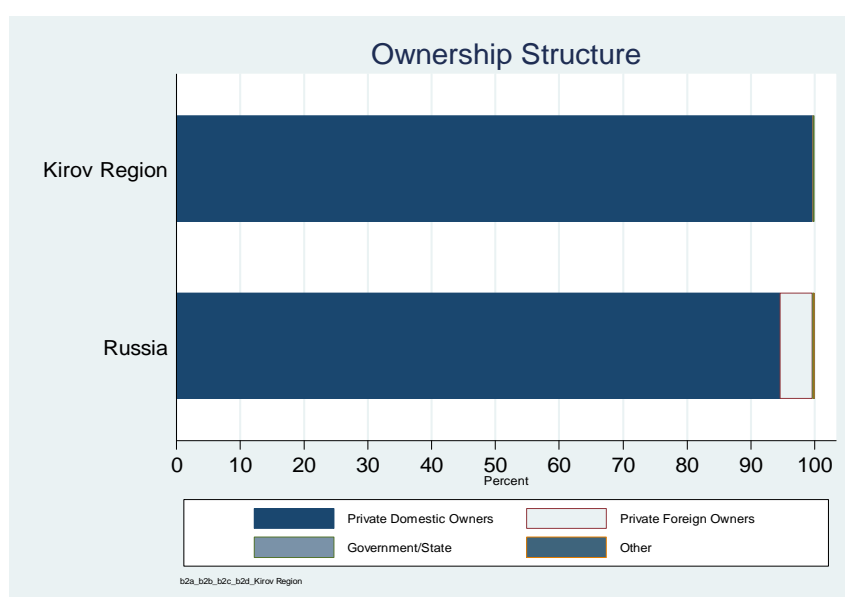
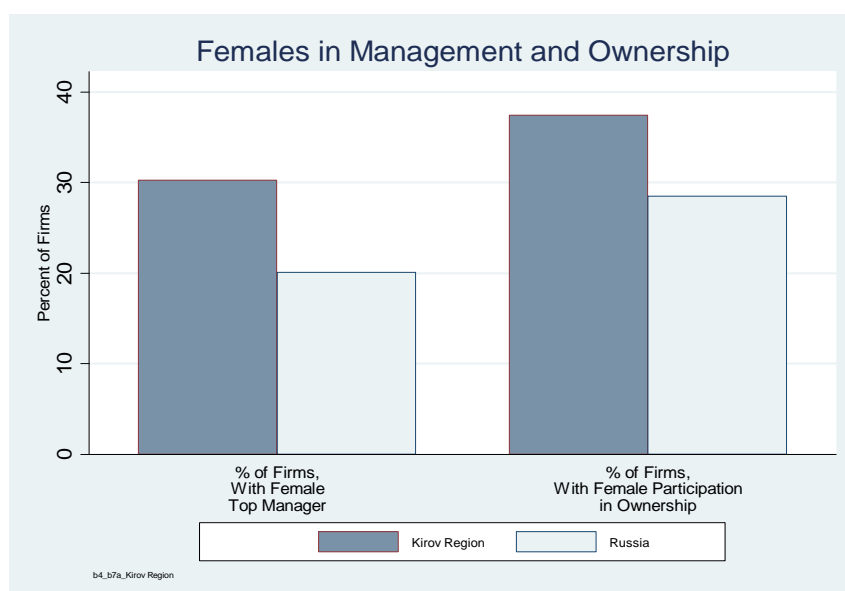
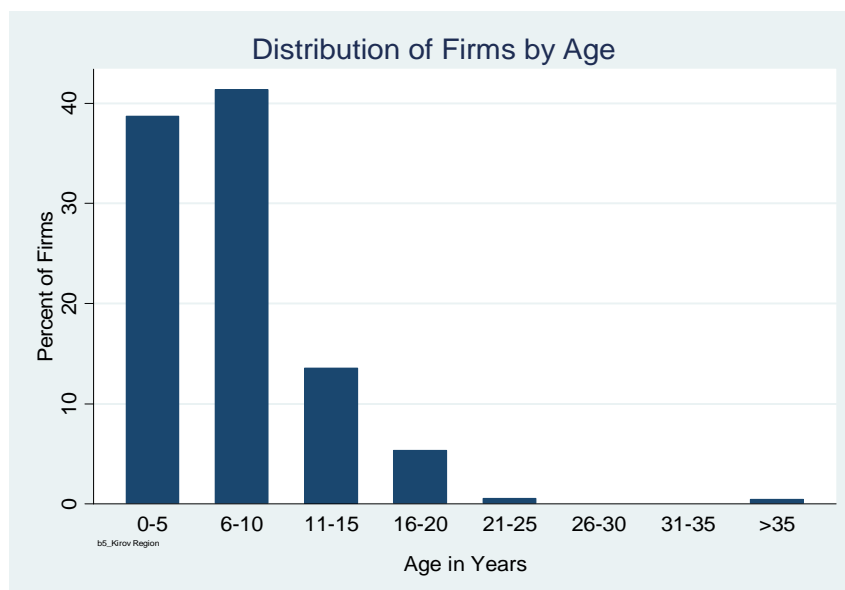
## Average Firm

The survey collects information from a representative sample of the non-agricultural formal private economy. In addition to collecting information on the business environment the surveys collect information on the characteristics of the firms interviewed. Consequently, the data collected provides a description of the representative private firm in the country and also an estimate of how some of the attributes of the average firm are distributed across the population of firms.

The first indicator shows the distribution of firms according to their age measured by the number of years they have been in operation. The effect the business environment can have on the private sector may depend on firms' experience and longevity. Seasoned firms and young firms may differ in their ability to successfully navigate the business environment.

The second set of indicators provides an illustration of female participation in management and firm ownership. These indicators can help assess whether gender can be a determinant of the effect of regulations on the firm and the level of exposure of the firm to external factors, such as corruption, access to finance, and technology.

The third indicator shows the participation of the domestic private sector, the government, the foreign sector and other sectors in the ownership of the typical firm. The distribution provides insight into their levels of equity in the private sector of the economy.



## Infrastructure

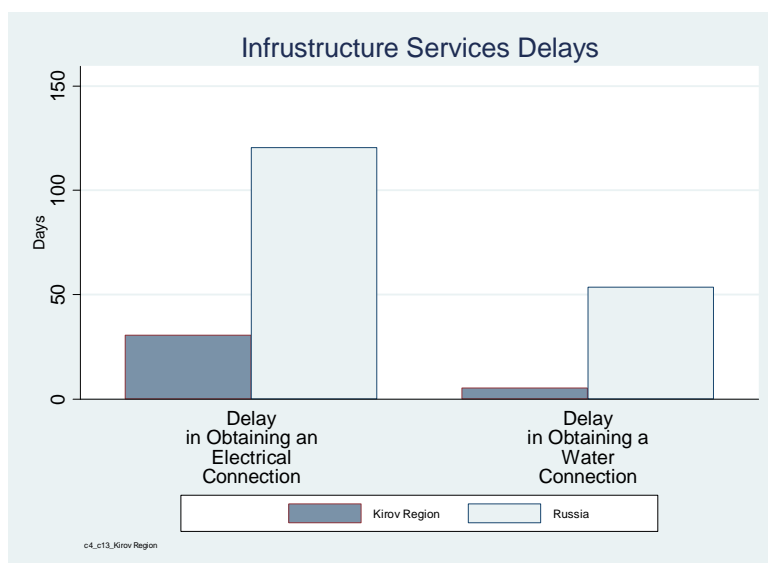
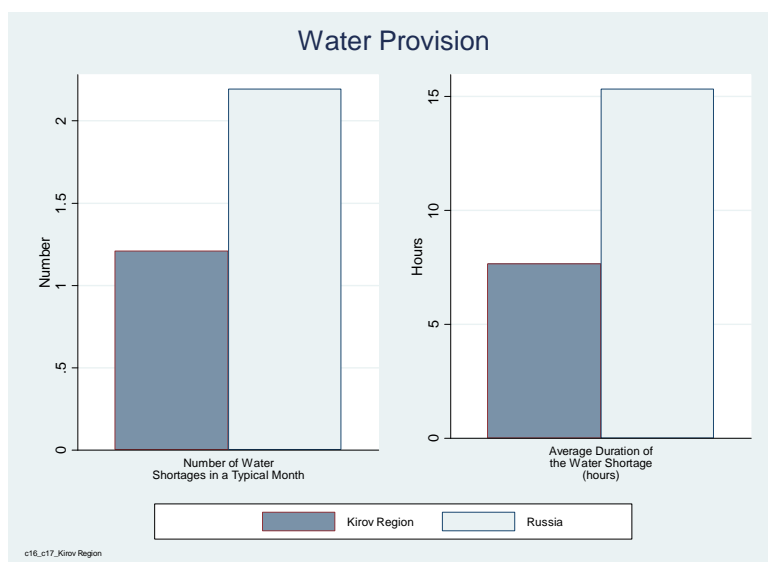
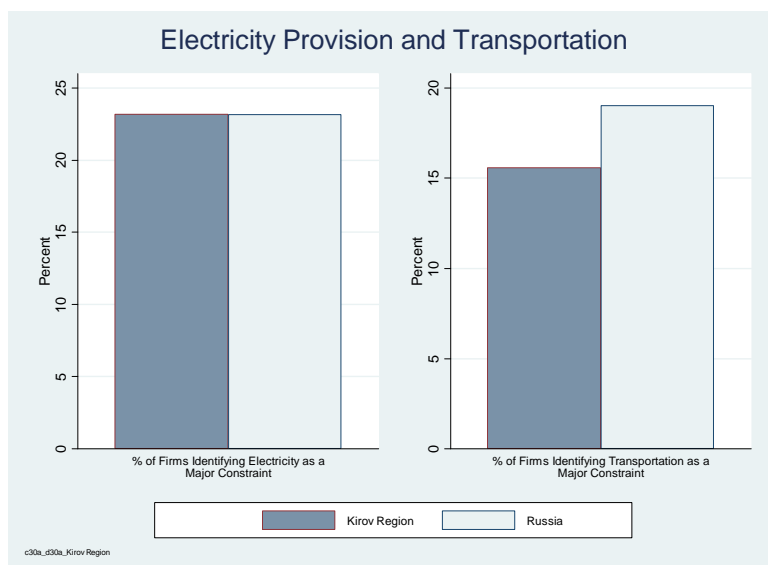
A strong infrastructure enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations.

The survey captures the dual challenge of providing a strong infrastructure for electricity, water supply, telephone connections, etc., and the development of institutions that effectively provide and maintain public services.

The first set of indicators shows the extent to which firms are faced with failures in the provision of electricity and the effect of these failures on sales. Inadequate electricity supply can increase costs, disrupt production, and reduce profitability.

The second set of indicators measures the efficiency of the water supply for the manufacturing sector. Many manufacturing sectors depend on reliable and efficient sources of water for their operations.

The third set of indicators evaluates the efficiency of infrastructure services by quantifying the delays in obtaining electricity, water, and telephone connections. Service delays impose additional costs on firms and may act as barriers to entry and investment.



## Trade

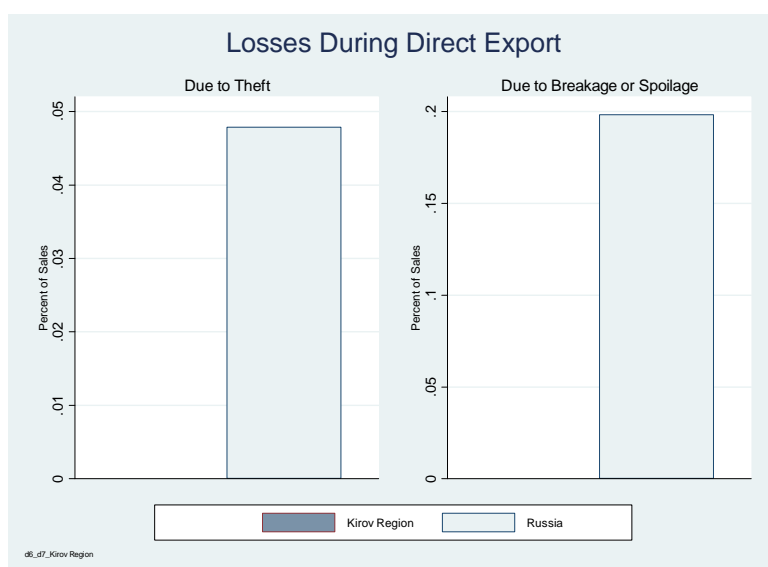
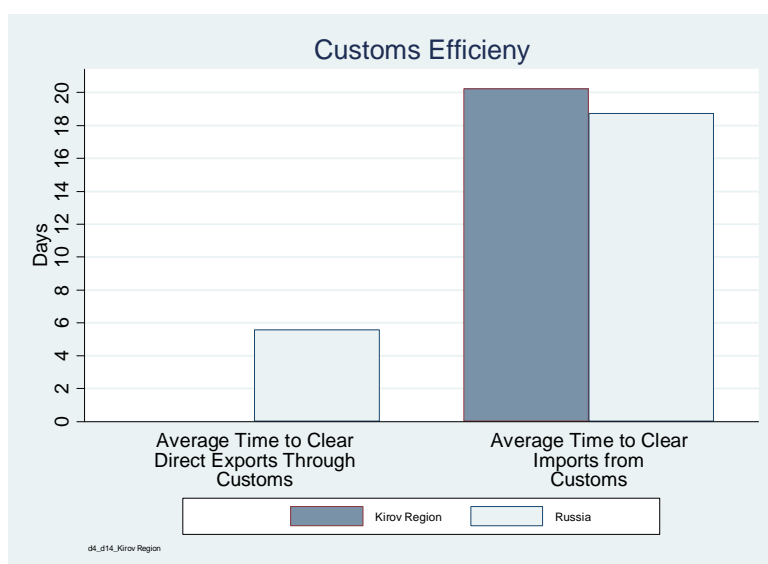
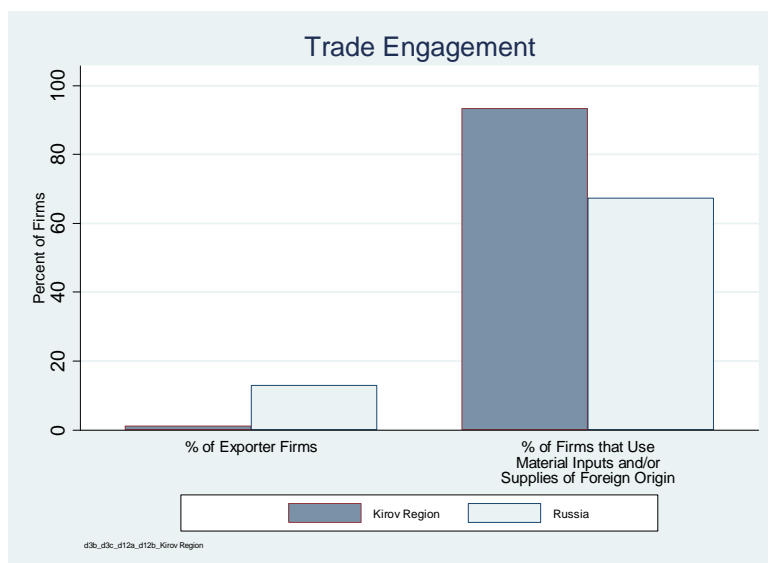
Open markets allow firms to expand, raise standards for efficiency on exporters, and enable firms to import low cost supplies. However, trading also forces firms to deal with customs services and trade regulations, obtain export and import licenses, and in some cases, firms also face additional costs due to losses during transport.

The survey collects information on the operational constraints faced by exporters and importers and also quantify the trade activity of firms.

The first set of indicators provides a measure of the intensity of foreign trade in the private sector. The first graph shows the percentage of firms who export directly or indirectly, i.e. using an intermediary. The second panel shows the percentage of manufacturing firms who use inputs or supplies of foreign origin.

The second set of indicators measures the average number of days to clear customs for imports and exports. The delay in clearing customs for imports or exports creates additional costs to the firm, can interrupt production, interfere with sales, and result in damaged supplies or merchandise.

The third set of indicators shows the percent value of exports lost during transport due to merchandise theft, and breakage or spoilage, reflecting the transport risks firms face during the export process.



## Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

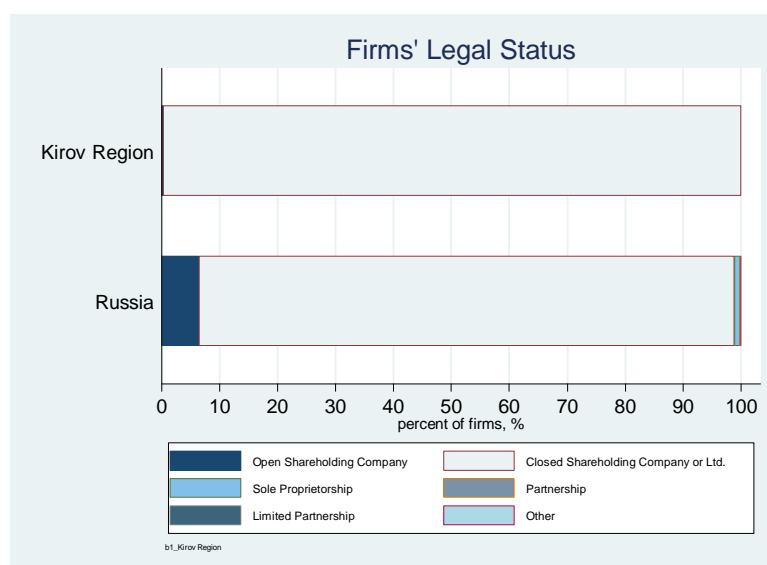
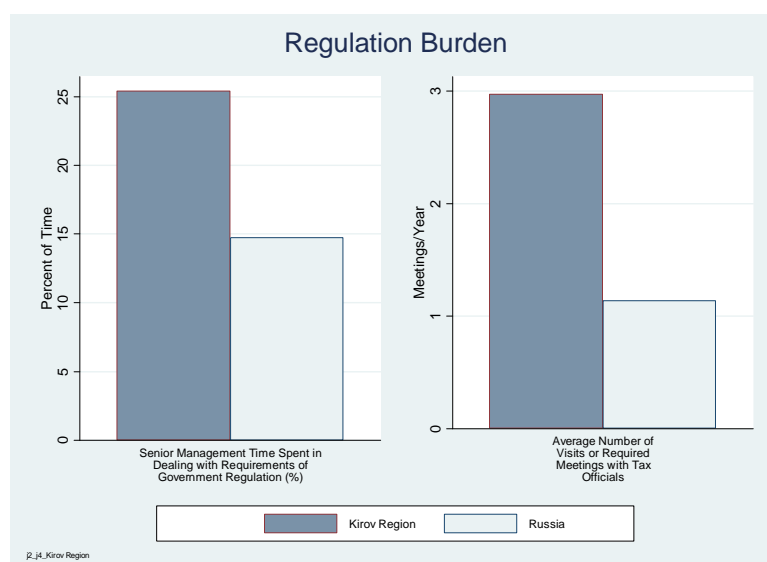
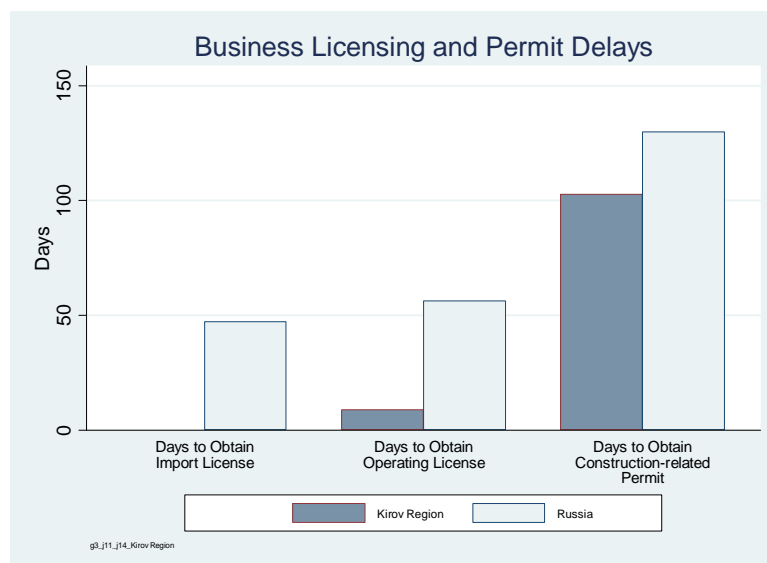
Effective regulations address market failures that inhibit productive investment and reconcile private and public interests. The number of permits and approvals that businesses need to obtain, and the time it takes to obtain them, is expensive and time consuming. The existing legislation of a country also determines the mix of legal forms private firms take and determines the level of protection for investors thus affecting the incentives to invest.

The survey provides qualitative and quantitative measures of taxation, regulations, and business licensing.

The first set of indicators focuses on the efficiency of business licensing and permit services. The indicators evaluate the delays faced when demanding these services.

The second set of indicators approximates the “time tax” imposed by regulations: it measures the time spent by senior management in meetings with public officials and the average number of tax inspections or meetings with tax inspectors in a year.

The third indicator shows the relative use of the different legal forms in the private sector. Most legal forms can be classified into shareholding companies with shares traded privately or non-traded at all (closed), shareholding companies publicly traded (open), sole proprietorships, partnerships, and limited partnerships. A residual category is included to capture legal forms not easily classified into the other categories.





## Corruption

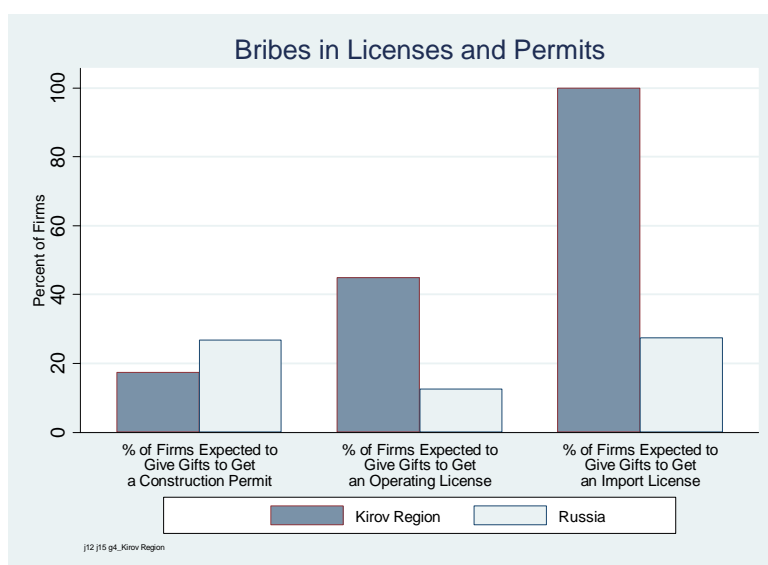
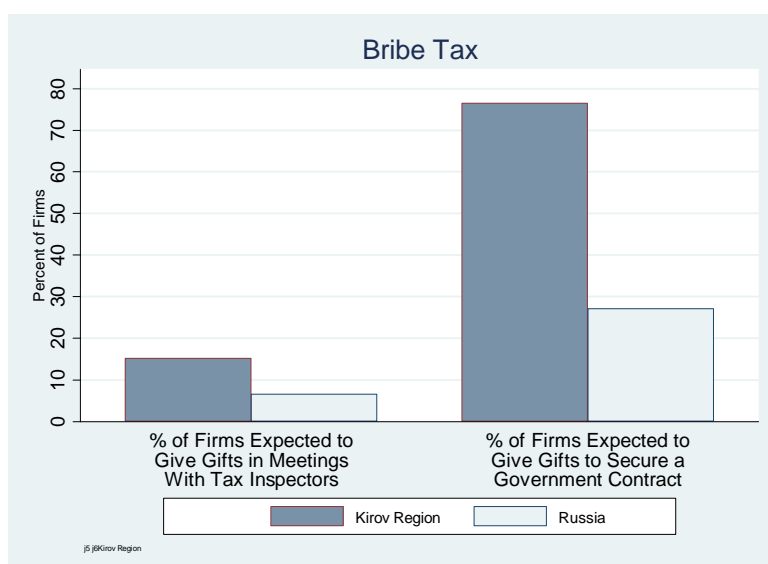
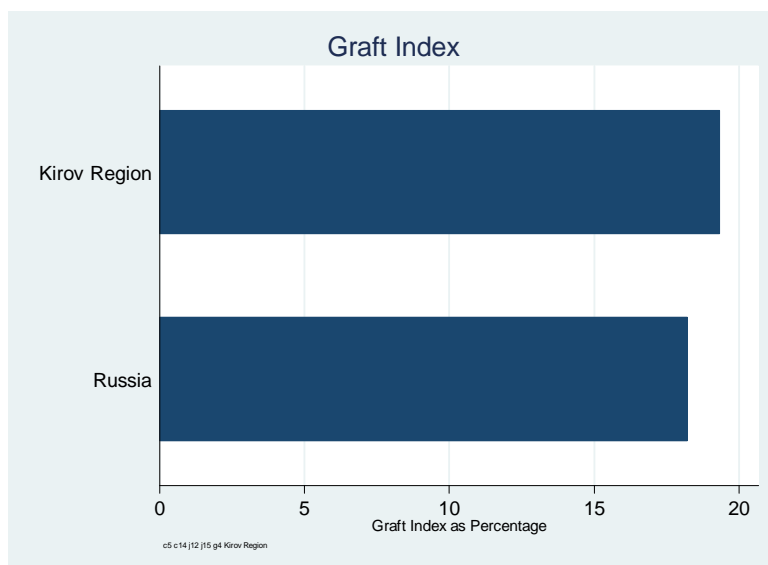
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

Inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make “unofficial” payments to public officials to get things done. In many countries bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for the firms’ growth and development.

The first set of indicators measures a composite index of corruption, the Graft Index that reflects the proportion of instances a firm was asked or expected to pay a bribe when soliciting six different public services, permits or licenses.

The second set of indicators identifies the extent to which specific regulatory and administrative officials require bribe payments during meetings with tax inspectors or in order to secure a government contract.

The third set of indicators focuses on bribes to obtain specific licenses or permits, and shows the share of firms that are expected to make informal payments to secure import and operating licenses and to obtain a construction permit.



## Crime and Informality

Crime imposes costs on firms when they are forced to divert resources from productive uses to cover security costs. Both foreign and domestic investors perceive crime as an indication of social instability, and crime drives up the cost of doing business. Also, commercial disputes between firms and their clients occur regularly in the course of doing business. Resolving these disputes can be challenging when legal institutions are weak or nonexistent.

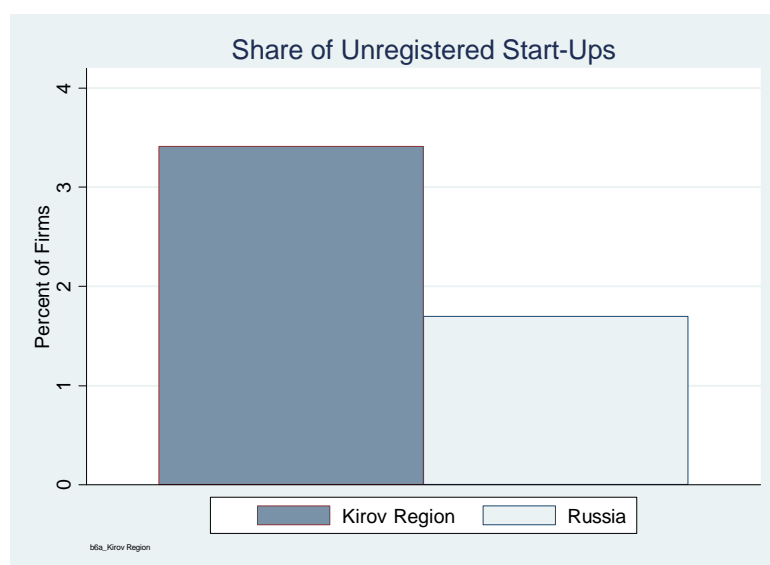
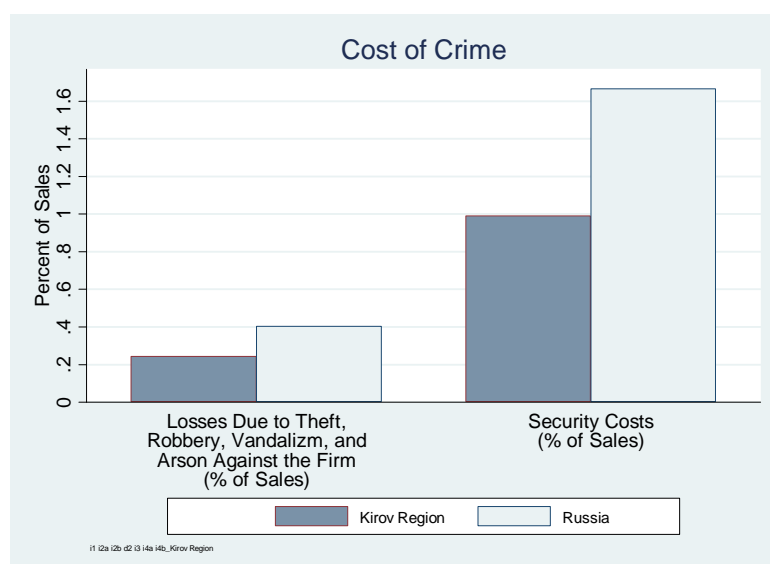
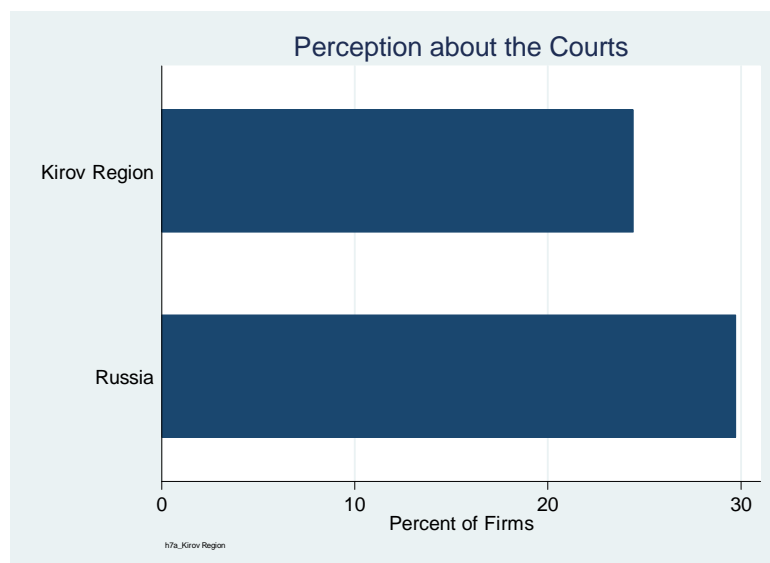
Similarly, a large informal sector has serious consequences for the formal private sector. The informal sector may pose unfair competition for formal firms.

The survey captures key dimensions of the effect of crime on firm sales, the extent to which entrepreneurs identify courts as fair, and the degree of informality in an economy.

The first indicator shows the share of firms that recognize the functioning of the courts as being fair, impartial, and uncorrupted.

The second set of indicators measures the direct costs of security incurred by firms as well as their direct losses due to crime. These resources represent an opportunity cost since they could have been invested in productive activities.

The third set of indicators shows the percentage of firms that started operation without begin formally registered. It is an approximation to the prevalence of informality in the private economy.



## Finance

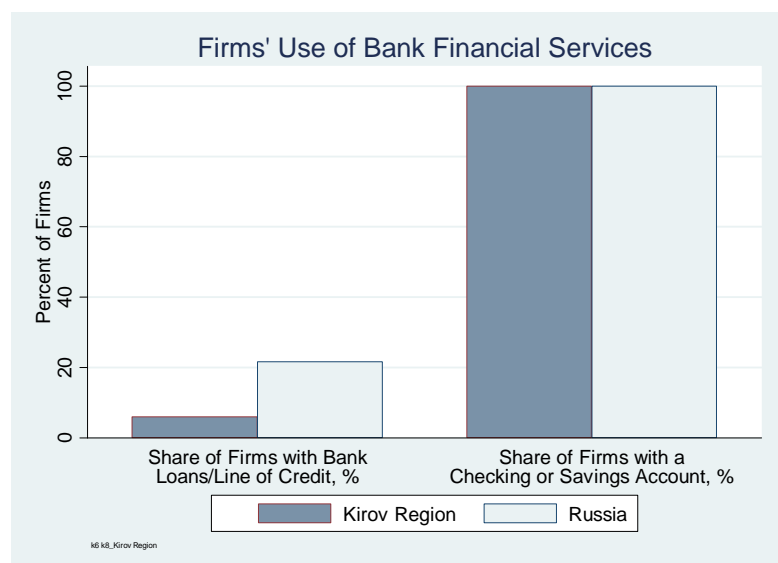
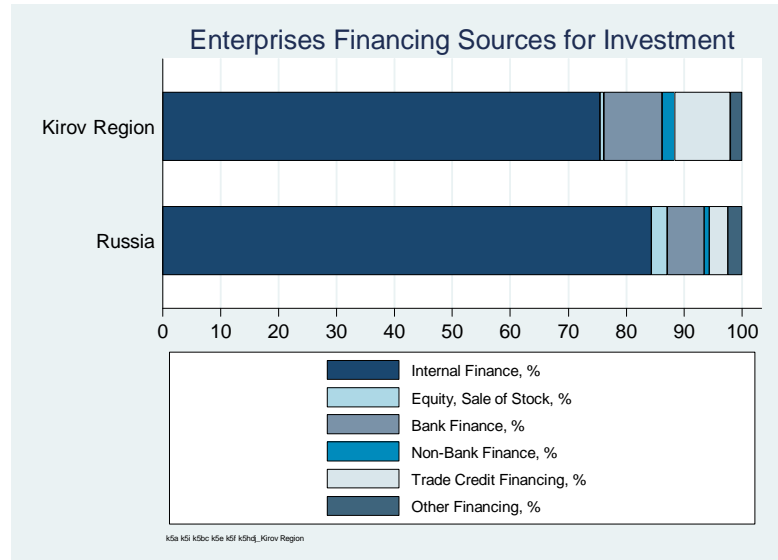
Developed financial markets provide payment services, mobilize deposits, and ease investment financing. Efficient financial markets reduce the reliance on internal funds and on money from informal sources such as family and friends by connecting firms to a broad range of lenders and investors.

The survey provides indicators of how firms finance their operations and of the characteristics of their financial transactions.

The first set of indicators compares the relative use of various sources for financing investment. Excessive reliance on internal funds is a sign of potentially inefficient financial intermediation.

The second set of indicators measures the use of financial markets by individual firms. It presents the percentage of working capital that is financed by sources external to the firm, and a measure of the burden imposed by loan requirements measured by collateral levels relative to the value of the loans.

The third set of indicators focuses on the use of financial services by private firms both on the credit side, by measuring the percentage of firms with bank loans or lines of credit, and on the deposit mobilization side, by measuring the percentage of firms with checking or savings accounts.



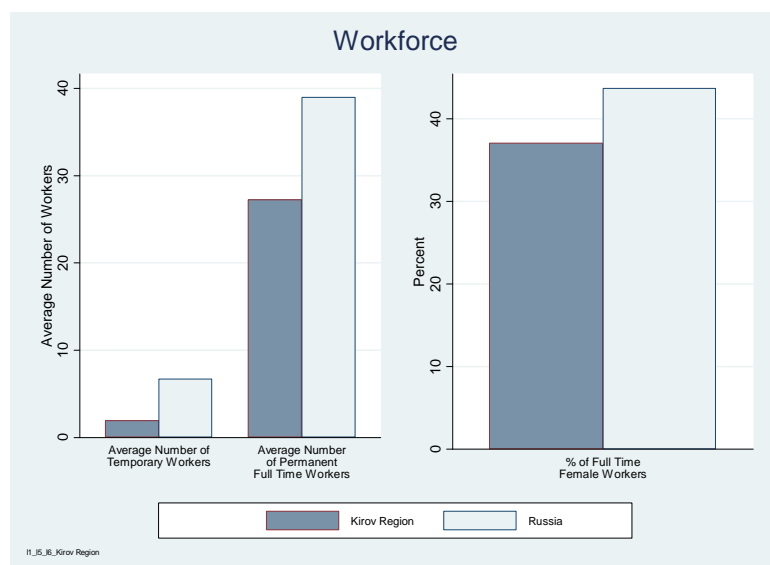
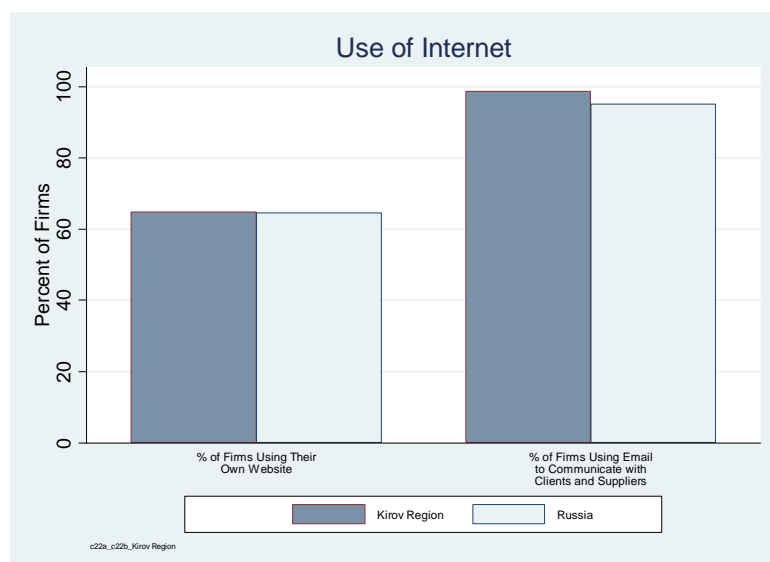
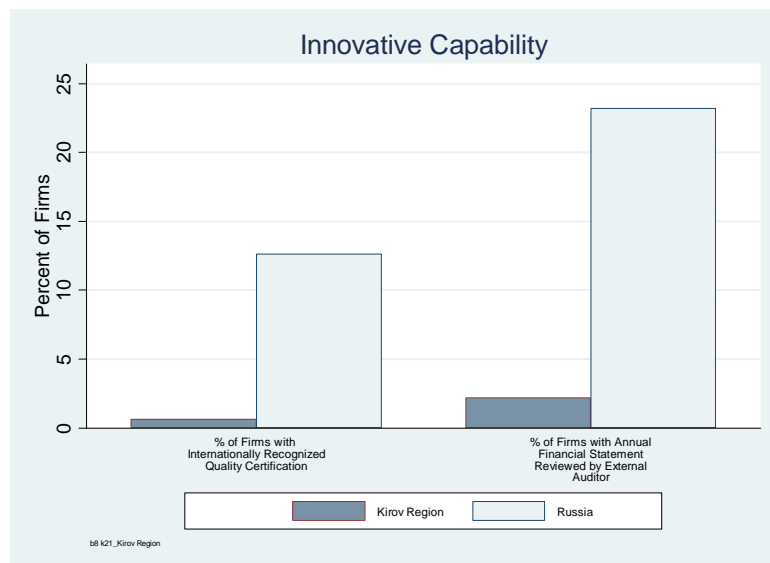
## Innovation and Workforce

The Survey provide indicators that describe several dimensions of technology use and innovation. They also collect information on the characteristics of the workforce employed in the non-agricultural private economy.

The first set of indicators measures the extent to which firms invest in obtaining recognized certificates of production and accounting practices. Obtaining international quality certifications can open doors to technology and innovation and they also provide a sign of high quality that may open markets.

The second set of indicators demonstrates the use of information and communications technologies (ICT) in business transactions. ICT, such as the Internet, are important tools for all firms because they provide even the smallest of enterprises with the ability to reach national and international markets at low cost.

The third set of indicators presents the composition of the firm's workforce by type of contract and gender. Labor regulations have a direct effect on the type of employment favored by firms and they may have a differing impact by gender. The first two indicators present the composition of the workforce classified into temporary and permanent workers. The last indicator reflects the participation of women in regular full-time employment.



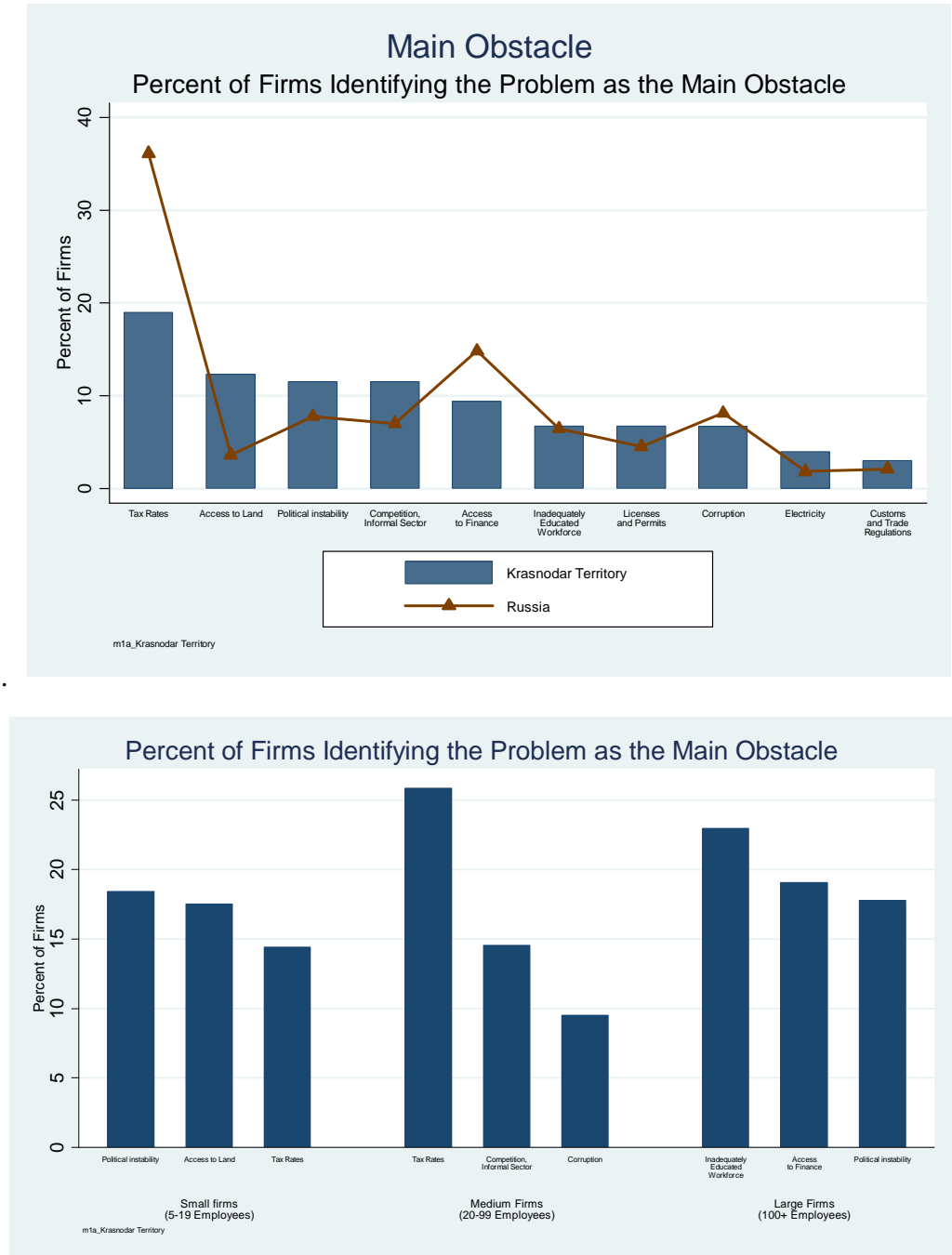
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	<i>Kirov Region</i>	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	1.32	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	1.17	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	3.2%	4.6%		
<b>Transport</b>	1.42	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	4.2%			
<b>Customs and trade regulations</b>	0.43	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	3.1%	3.9%	2.2%	7.1%
<b>Practices of informal competitors</b>	0.67	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	2.8%			
<b>Access to land</b>	0.78	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	3.3%			
<b>Crime, theft and disorder</b>	1.12	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	6.2%			
<b>Access to finance</b>	1.08	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	5.3%	5.0%		
<b>Tax rates</b>	2.06	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	3.0%			
<b>Tax administration</b>	1.38	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	8.9%	14.7%	8.9%	
<b>Business licensing and permits</b>	0.37	0.29	<i>Kirov Region</i> ; Smolensk Region; Stavropol Territory				
<b>Political instability</b>	1.02	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	3.2%	2.7%	1.6%	15.7%
<b>Corruption</b>	0.82	0.60	Irkutsk Region; <i>Kirov Region</i> ; Smolensk Region				
<b>Courts</b>	0.33	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	2.6%	3.9%		
<b>Labor regulations</b>	0.95	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	8.4%			
<b>Inadequately educated workforce</b>	1.53	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	6.8%	8.4%	6.2%	

Krasnodar Territory.<sup>10</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Krasnodar Territory benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Krasnodar Territory.



<sup>10</sup> 88 companies were surveyed by in Krasnodar Territory. The benchmarks used for comparisons are averages for Russia as a whole.

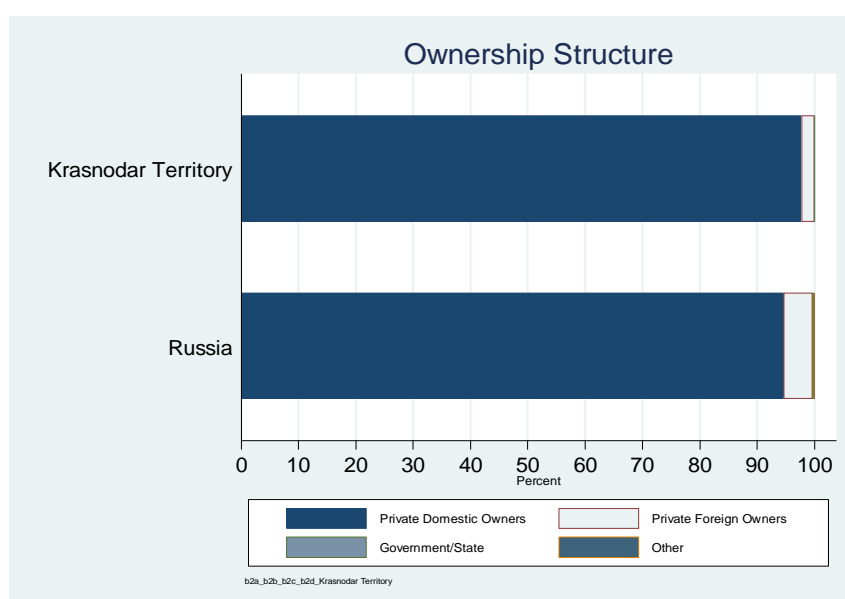
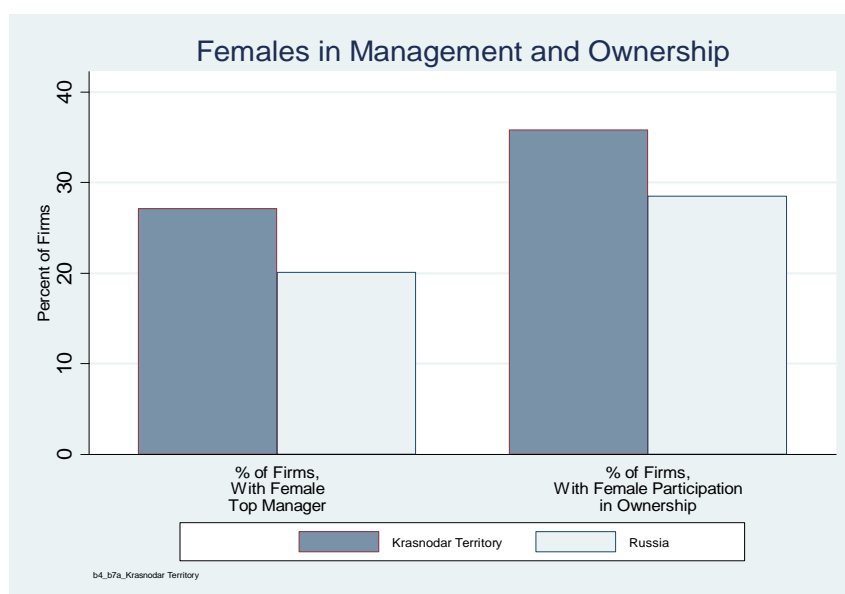
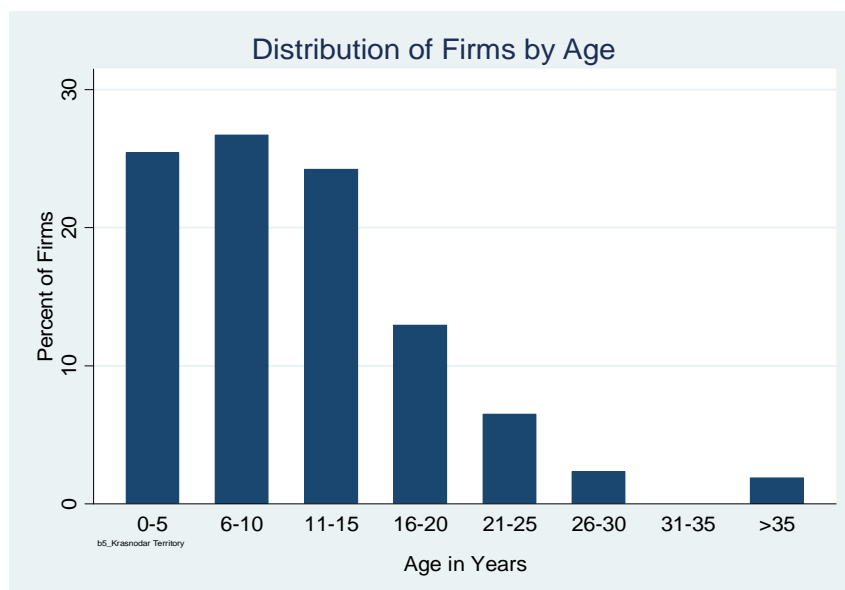
## Average Firm

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## Infrastructure

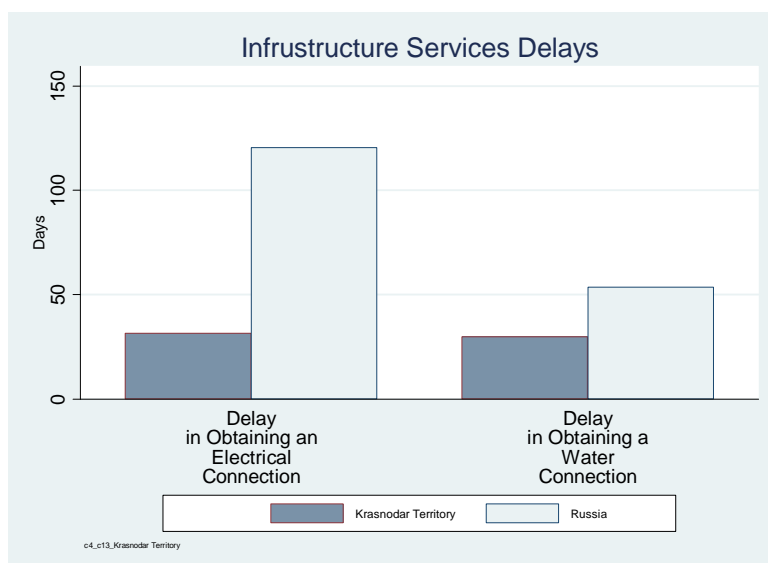
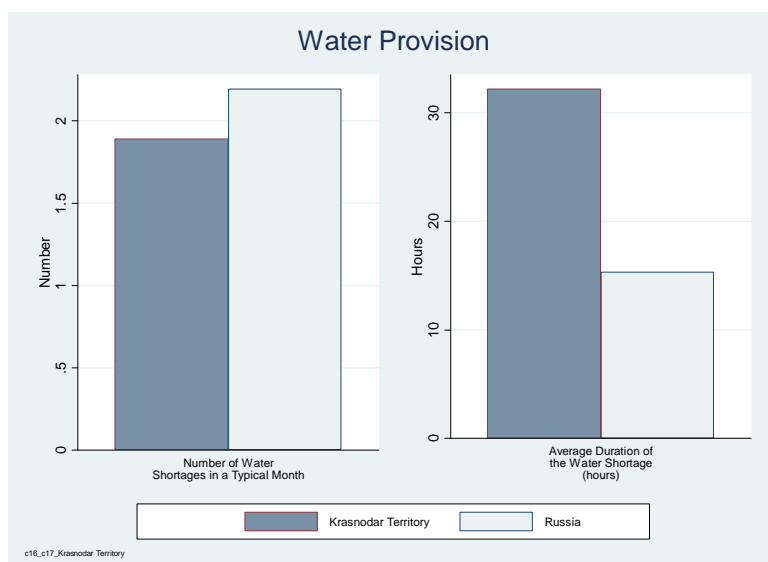
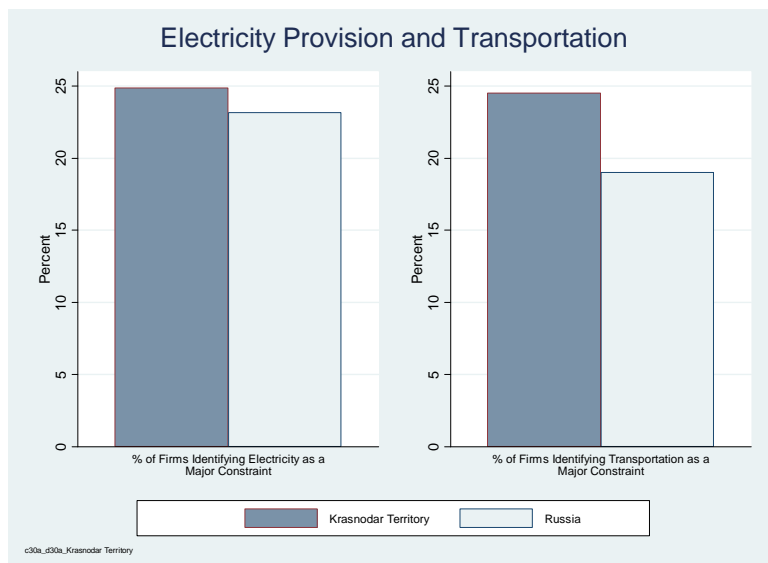
A strong infrastructure enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations.

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## Trade

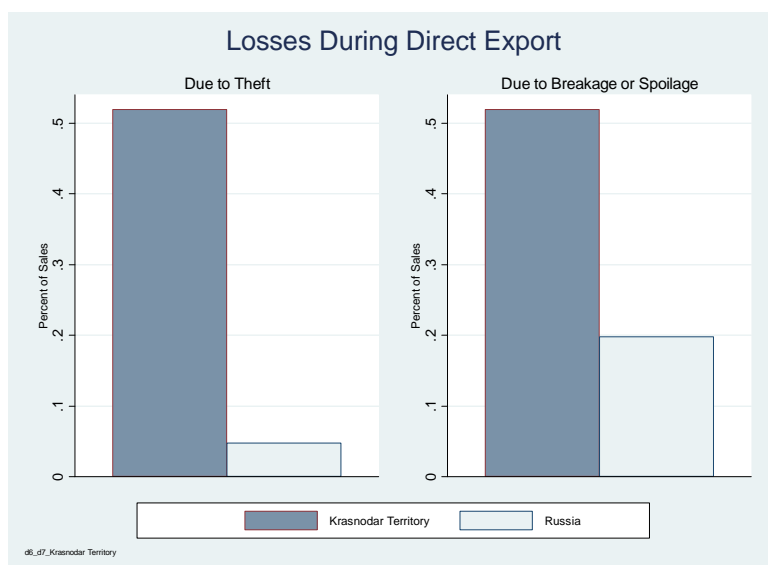
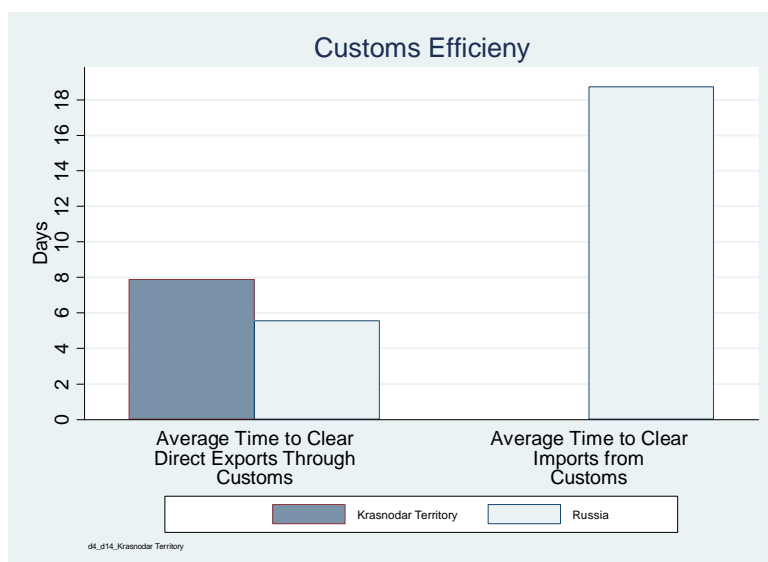
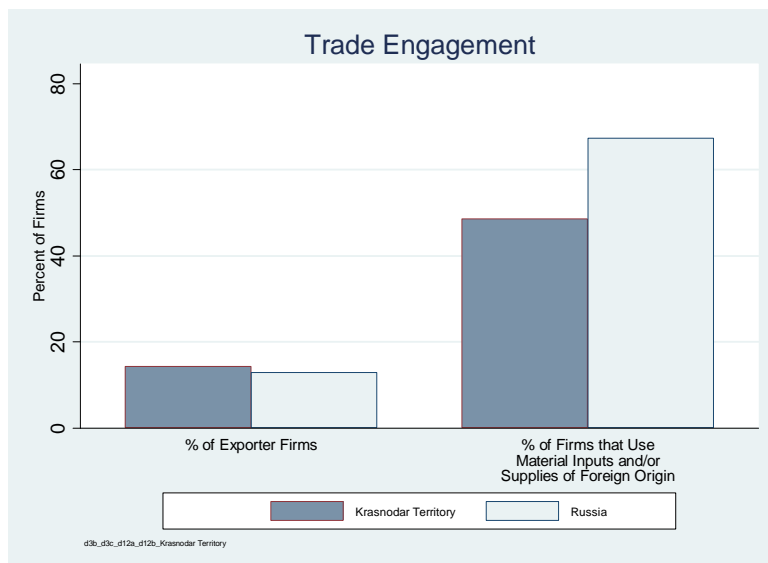
Open markets allow firms to expand, raise standards for efficiency on exporters, and enable firms to import low cost supplies. However, trading also forces firms to deal with customs services and trade regulations, obtain export and import licenses, and in some cases, firms also face additional costs due to losses during transport.

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## Regulations, Taxes, and Business Licensing

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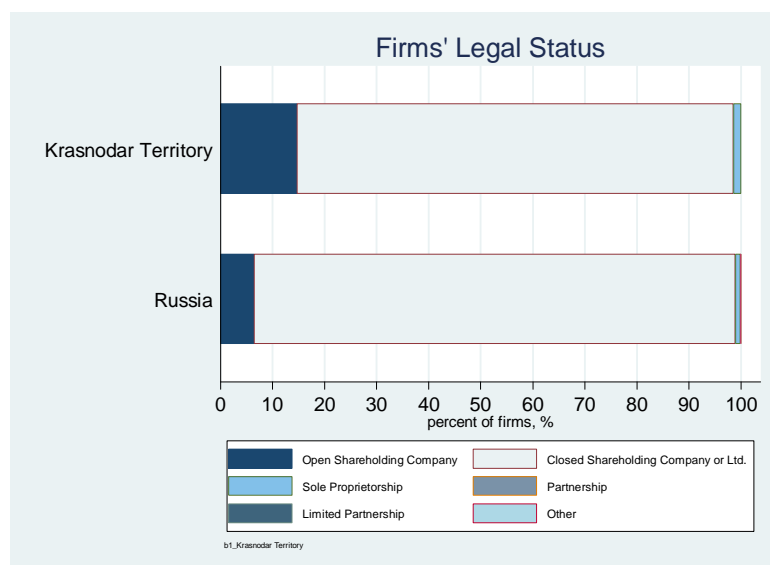
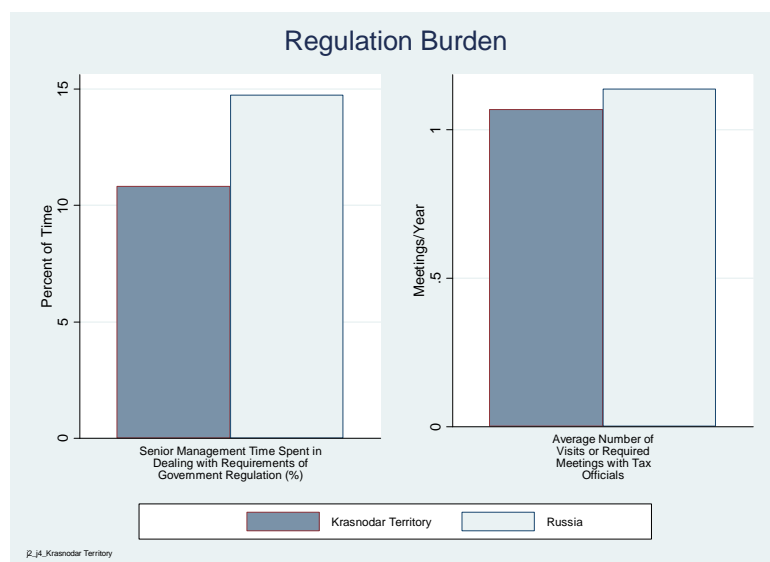
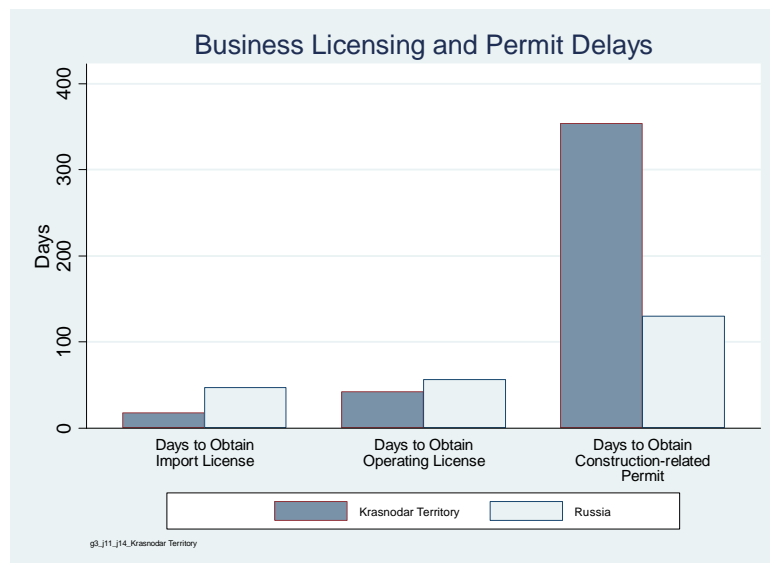
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## Corruption

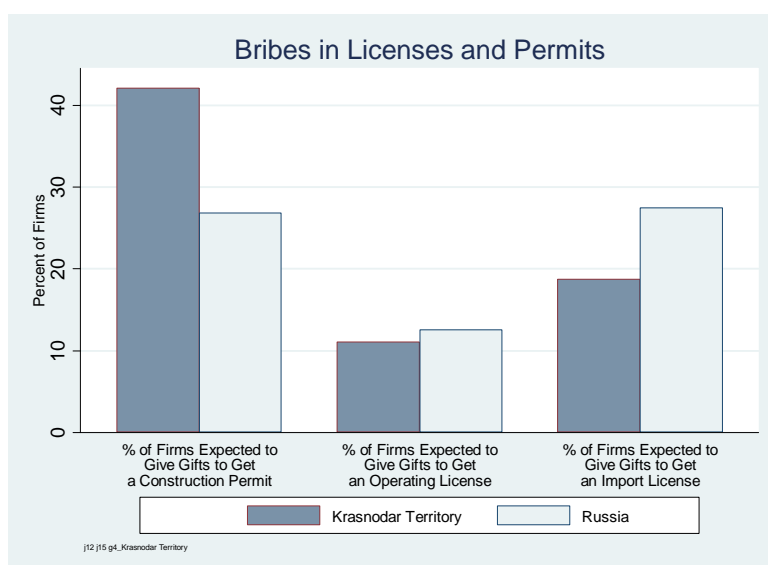
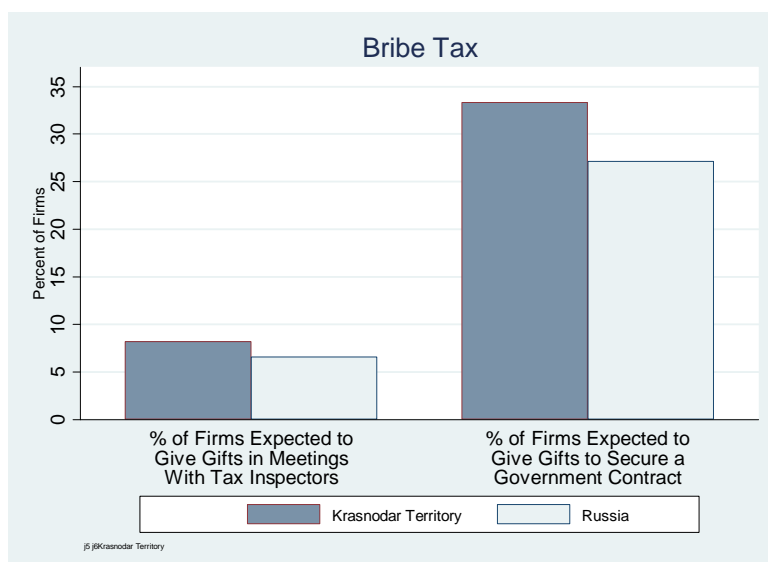
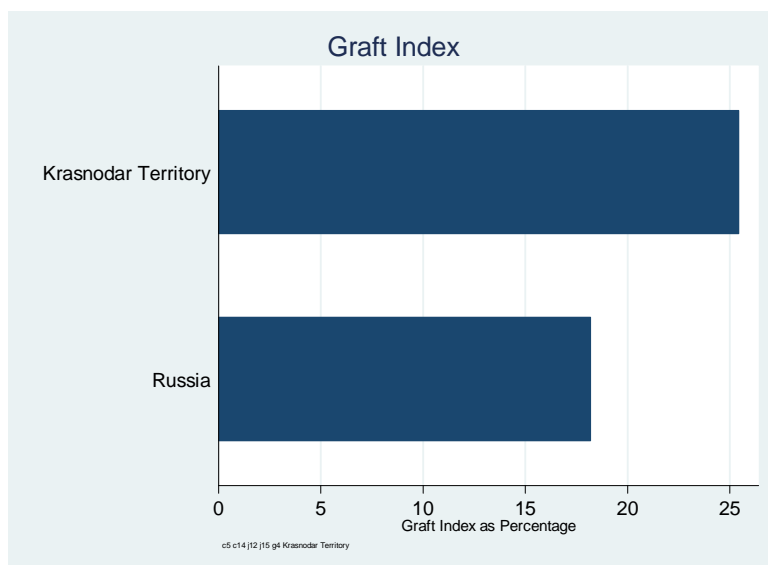
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

Inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make “unofficial” payments to public officials to get things done. In many countries bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for the firms’ growth and development.

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## Crime and Informality

Crime imposes costs on firms when they are forced to divert resources from productive uses to cover security costs. Both foreign and domestic investors perceive crime as an indication of social instability, and crime drives up the cost of doing business. Also, commercial disputes between firms and their clients occur regularly in the course of doing business. Resolving these disputes can be challenging when legal institutions are weak or nonexistent.

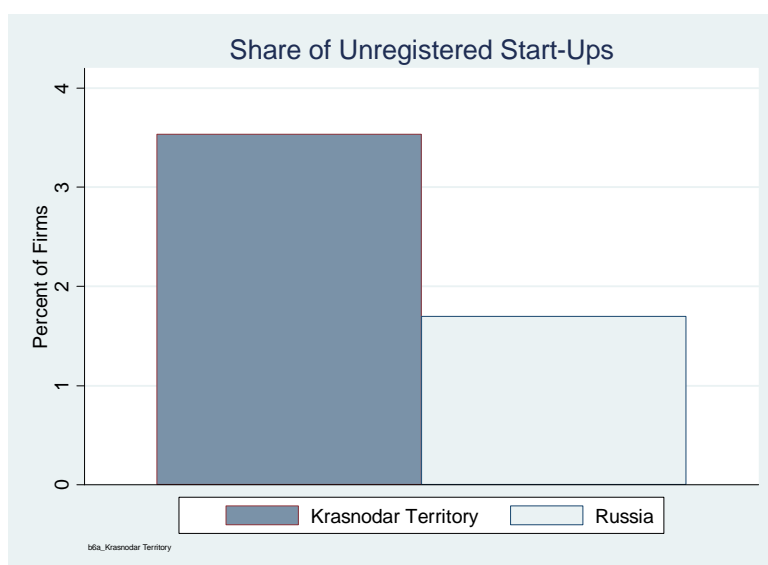
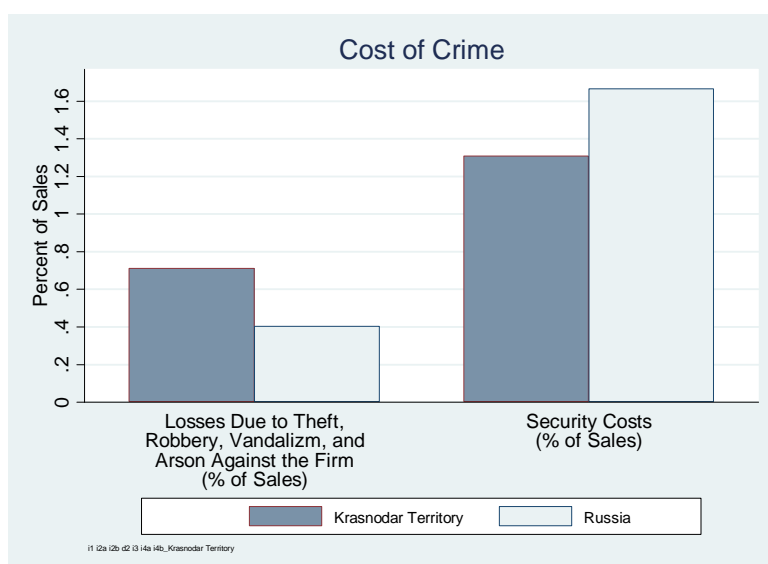
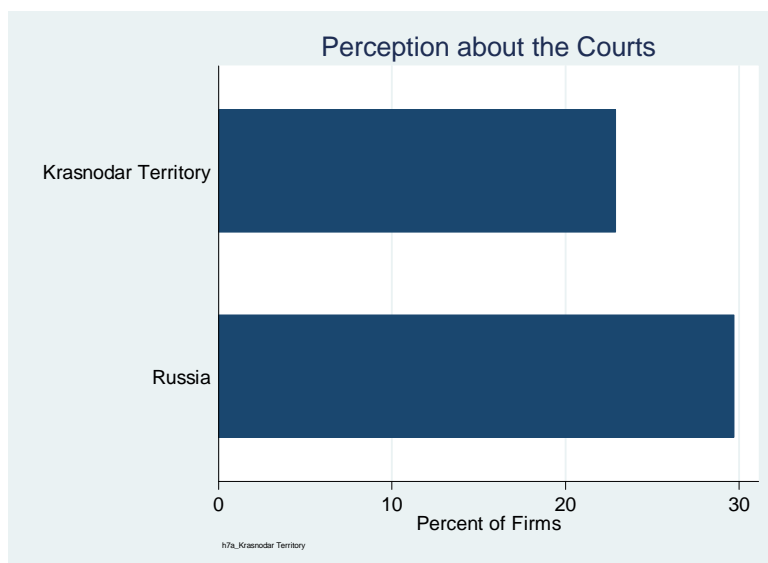
Similarly, a large informal sector has serious consequences for the formal private sector. The informal sector may pose unfair competition for formal firms.

The survey captures key dimensions of the effect of crime on firm sales, the extent to which entrepreneurs identify courts as fair, and the degree of informality in an economy.

The first indicator shows the share of firms that recognize the functioning of the courts as being fair, impartial, and uncorrupted.

The second set of indicators measures the direct costs of security incurred by firms as well as their direct losses due to crime. These resources represent an opportunity cost since they could have been invested in productive activities.

The third set of indicators shows the percentage of firms that started operation without begin formally registered. It is an approximation to the prevalence of informality in the private economy.



## Finance

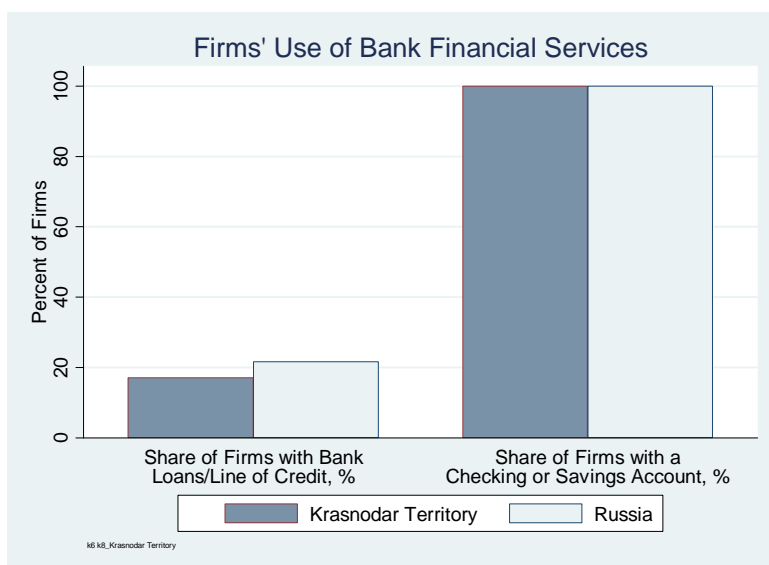
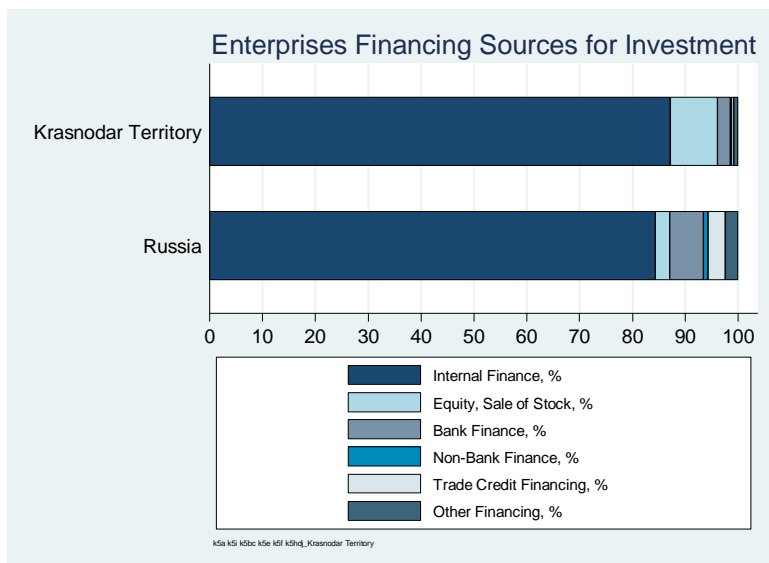
Developed financial markets provide payment services, mobilize deposits, and ease investment financing. Efficient financial markets reduce the reliance on internal funds and on money from informal sources such as family and friends by connecting firms to a broad range of lenders and investors.

The survey provides indicators of how firms finance their operations and of the characteristics of their financial transactions.

The first set of indicators compares the relative use of various sources for financing investment. Excessive reliance on internal funds is a sign of potentially inefficient financial intermediation.

The second set of indicators measures the use of financial markets by individual firms. It presents the percentage of working capital that is financed by sources external to the firm, and a measure of the burden imposed by loan requirements measured by collateral levels relative to the value of the loans.

The third set of indicators focuses on the use of financial services by private firms both on the credit side, by measuring the percentage of firms with bank loans or lines of credit, and on the deposit mobilization side, by measuring the percentage of firms with checking or savings accounts.



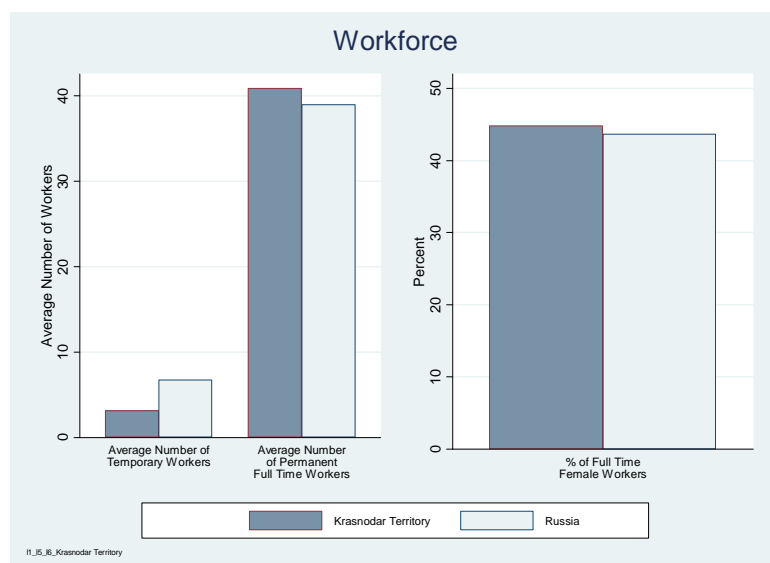
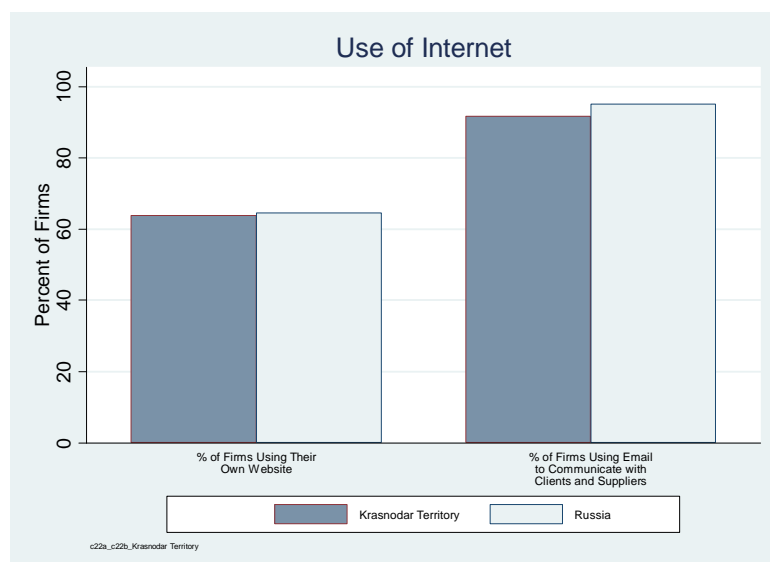
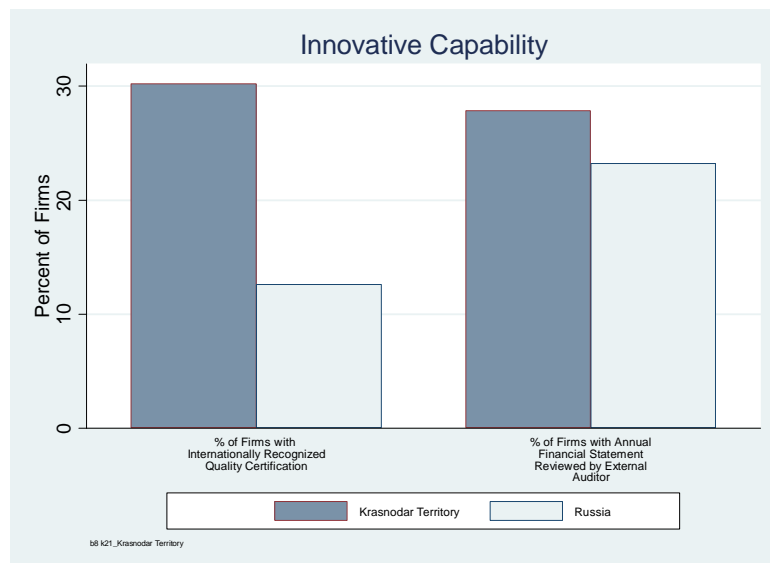
## Innovation and Workforce

The Survey provides indicators that describe several dimensions of technology use and innovation. They also collect information on the characteristics of the workforce employed in the non-agricultural private economy.

The first set of indicators measures the extent to which firms invest in obtaining recognized certificates of production and accounting practices. Obtaining international quality certifications can open doors to technology and innovation and they also provide a sign of high quality that may open markets.

The second set of indicators demonstrates the use of information and communications technologies (ICT) in business transactions. ICT, such as the Internet, are important tools for all firms because they provide even the smallest of enterprises with the ability to reach national and international markets at low cost.

The third set of indicators presents the composition of the firm's workforce by type of contract and gender. Labor regulations have a direct effect on the type of employment favored by firms and they may have a differing impact by gender. The first two indicators present the composition of the workforce classified into temporary and permanent workers. The last indicator reflects the participation of women in regular full-time employment.



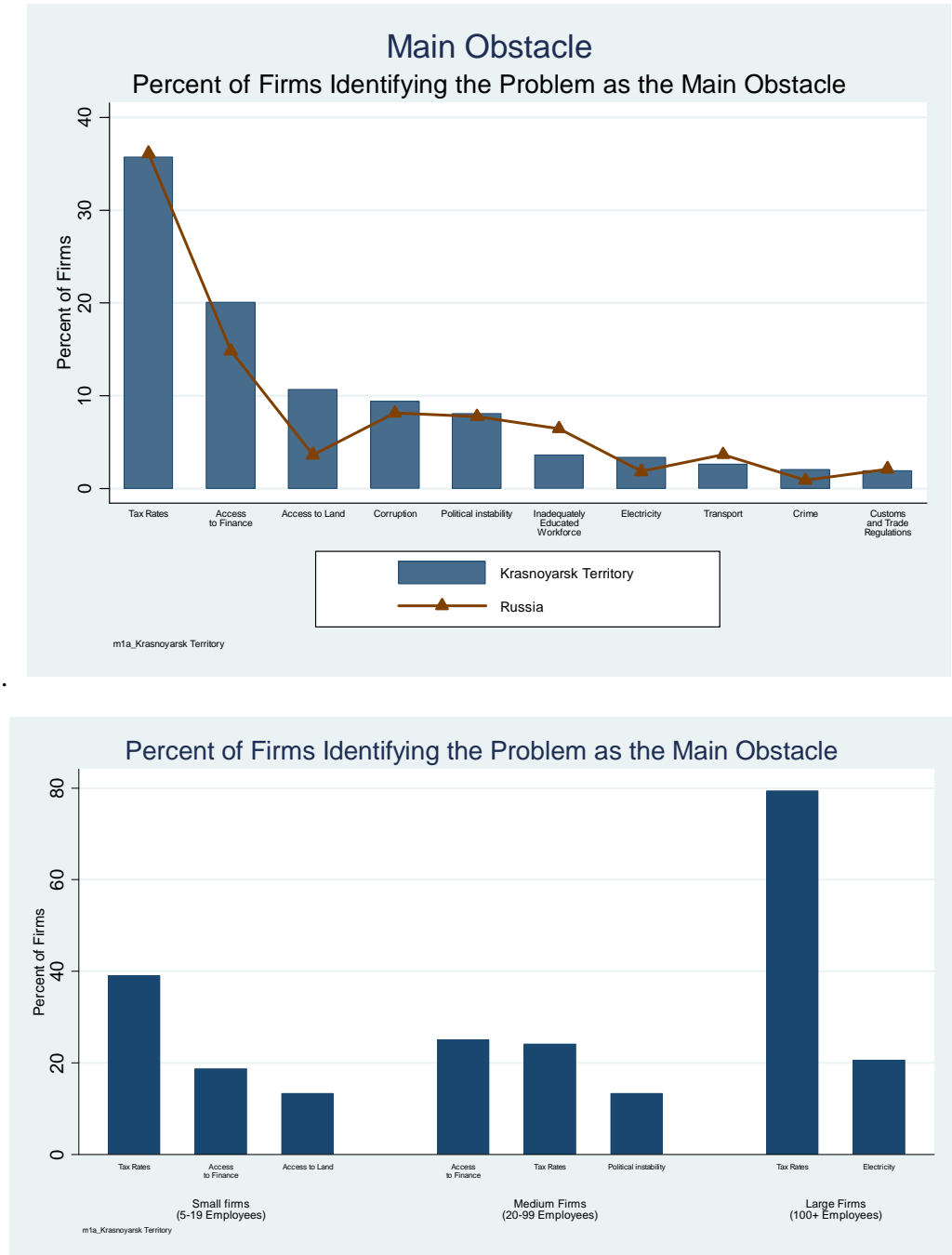
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	Krasnodar Territory	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	1.35	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	1.34	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	3.8%	5.6%		
<b>Transport</b>	1.25	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	3.5%			
<b>Customs and trade regulations</b>	1.08	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	9.3%	12.0%	6.7%	21.6%
<b>Practices of informal competitors</b>	1.27	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	7.6%			
<b>Access to land</b>	1.38	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	8.0%			
<b>Crime, theft and disorder</b>	0.85	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	4.5%			
<b>Access to finance</b>	1.54	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	10.9%	10.3%		
<b>Tax rates</b>	2.30	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	4.0%			
<b>Tax administration</b>	1.41	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	9.2%	15.2%	9.2%	
<b>Business licensing and permits</b>	0.91	0.29	Kirov Region; Smolensk Region; Stavropol Territory	4.7%	8.6%	3.4%	14.6%
<b>Political instability</b>	1.55	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	9.1%	7.8%	4.7%	45.1%
<b>Corruption</b>	1.60	0.60	Irkutsk Region; Kirov Region; Smolensk Region	11.1%	9.6%	5.1%	28.2%
<b>Courts</b>	0.68	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	6.3%	9.6%		
<b>Labor regulations</b>	0.82	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	7.1%			
<b>Inadequately educated workforce</b>	1.54	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	6.9%	8.5%	6.3%	

Krasnoyarsk Territory.<sup>11</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Krasnoyarsk Territory benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Krasnoyarsk Territory.



<sup>11</sup> 89 companies were surveyed by in Krasnoyarsk Territory. The benchmarks used for comparisons are averages for Russia as a whole.



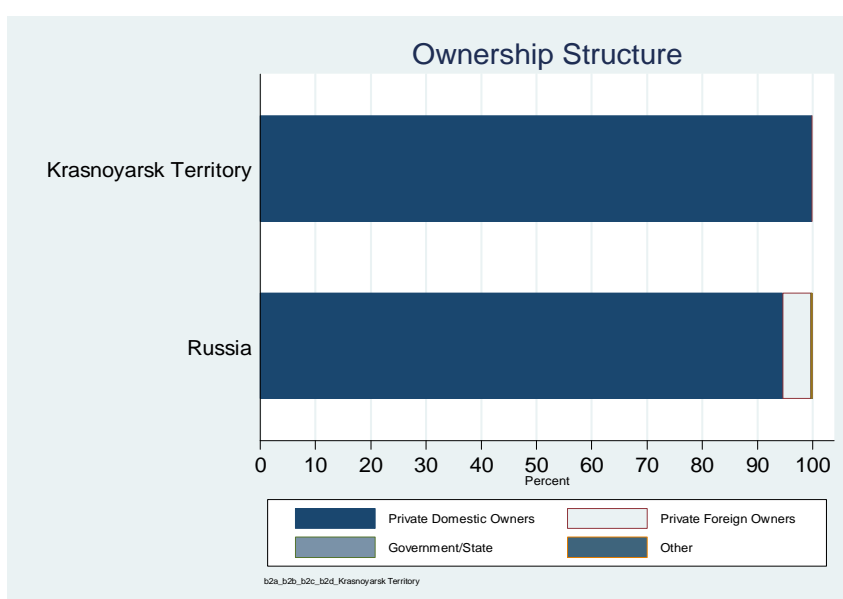
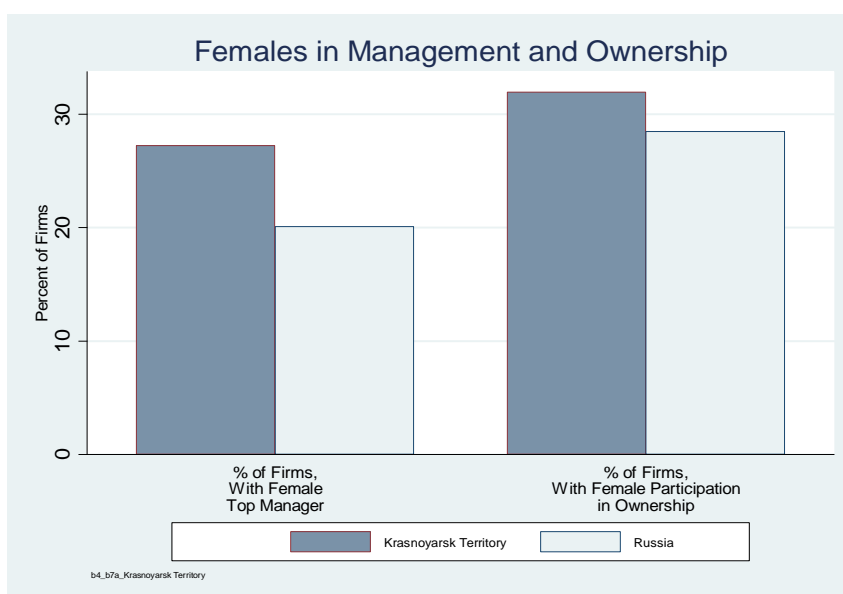
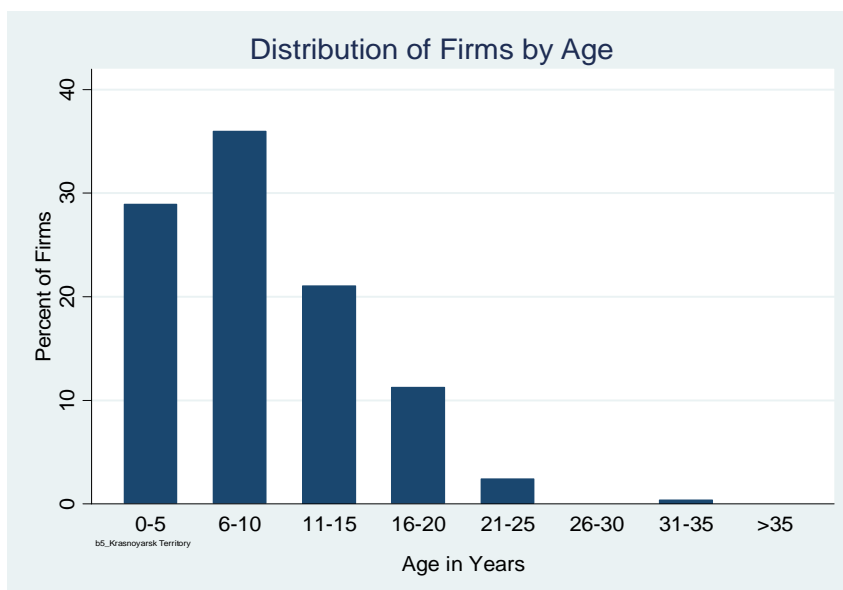
## Average Firm

The survey collects information from a representative sample of the non-agricultural formal private economy. In addition to collecting information on the business environment the surveys collect information on the characteristics of the firms interviewed. Consequently, the data collected provides a description of the representative private firm in the country and also an estimate of how some of the attributes of the average firm are distributed across the population of firms.

The first indicator shows the distribution of firms according to their age measured by the number of years they have been in operation. The effect the business environment can have on the private sector may depend on firms' experience and longevity. Seasoned firms and young firms may differ in their ability to successfully navigate the business environment.

The second set of indicators provides an illustration of female participation in management and firm ownership. These indicators can help assess whether gender can be a determinant of the effect of regulations on the firm and the level of exposure of the firm to external factors, such as corruption, access to finance, and technology.

The third indicator shows the participation of the domestic private sector, the government, the foreign sector and other sectors in the ownership of the typical firm. The distribution provides insight into their levels of equity in the private sector of the economy.



## Infrastructure

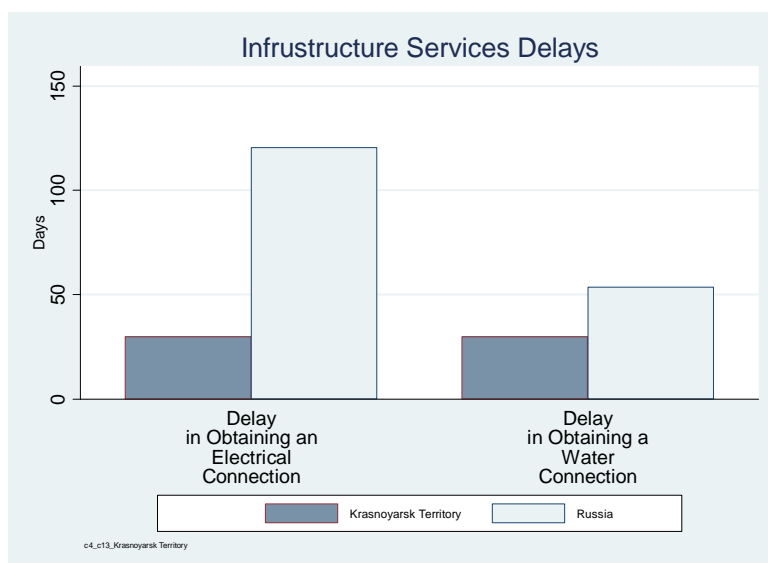
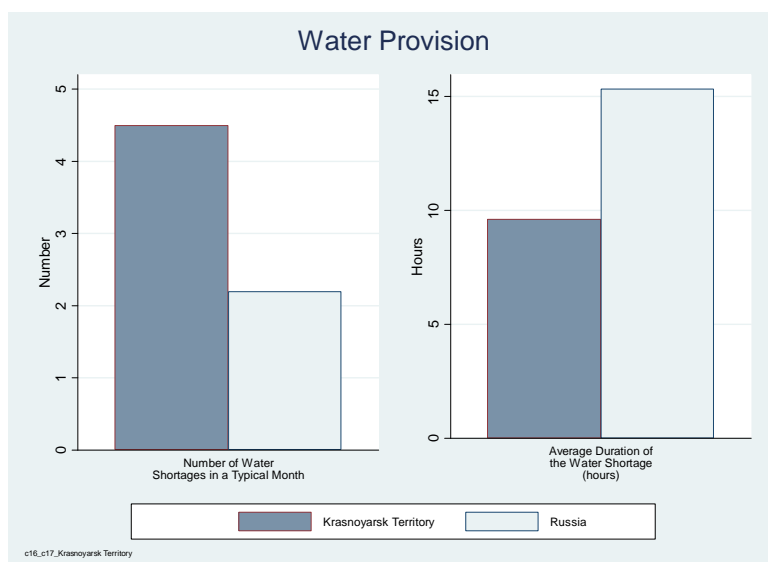
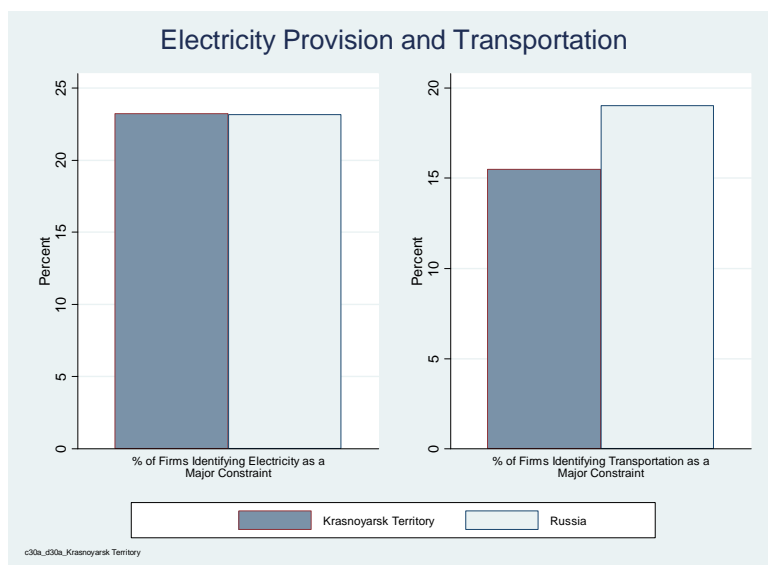
A strong infrastructure enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations.

The survey captures the dual challenge of providing a strong infrastructure for electricity, water supply, telephone connections, etc., and the development of institutions that effectively provide and maintain public services.

The first set of indicators shows the extent to which firms are faced with failures in the provision of electricity and the effect of these failures on sales. Inadequate electricity supply can increase costs, disrupt production, and reduce profitability.

The second set of indicators measures the efficiency of the water supply for the manufacturing sector. Many manufacturing sectors depend on reliable and efficient sources of water for their operations.

The third set of indicators evaluates the efficiency of infrastructure services by quantifying the delays in obtaining electricity, water, and telephone connections. Service delays impose additional costs on firms and may act as barriers to entry and investment.



## Trade

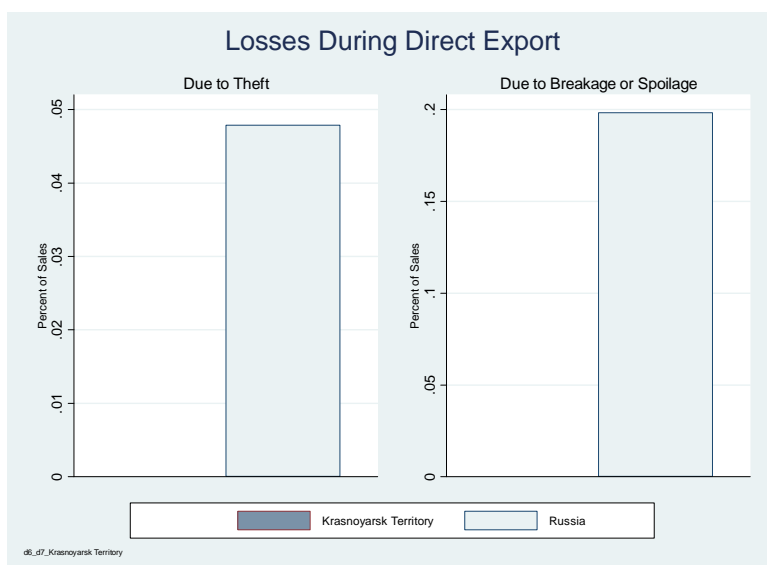
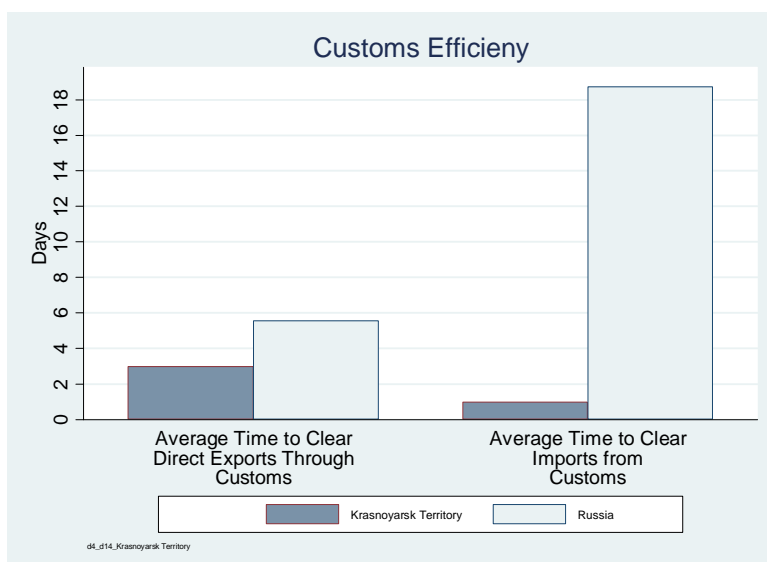
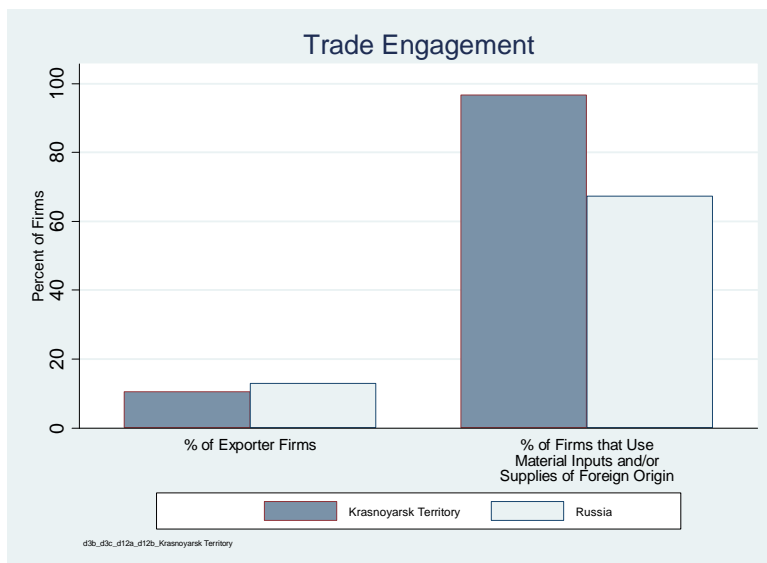
Open markets allow firms to expand, raise standards for efficiency on exporters, and enable firms to import low cost supplies. However, trading also forces firms to deal with customs services and trade regulations, obtain export and import licenses, and in some cases, firms also face additional costs due to losses during transport.

The survey collects information on the operational constraints faced by exporters and importers and also quantify the trade activity of firms.

The first set of indicators provides a measure of the intensity of foreign trade in the private sector. The first graph shows the percentage of firms who export directly or indirectly, i.e. using an intermediary. The second panel shows the percentage of manufacturing firms who use inputs or supplies of foreign origin.

The second set of indicators measures the average number of days to clear customs for imports and exports. The delay in clearing customs for imports or exports creates additional costs to the firm, can interrupt production, interfere with sales, and result in damaged supplies or merchandise.

The third set of indicators shows the percent value of exports lost during transport due to merchandise theft, and breakage or spoilage, reflecting the transport risks firms face during the export process.



## Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

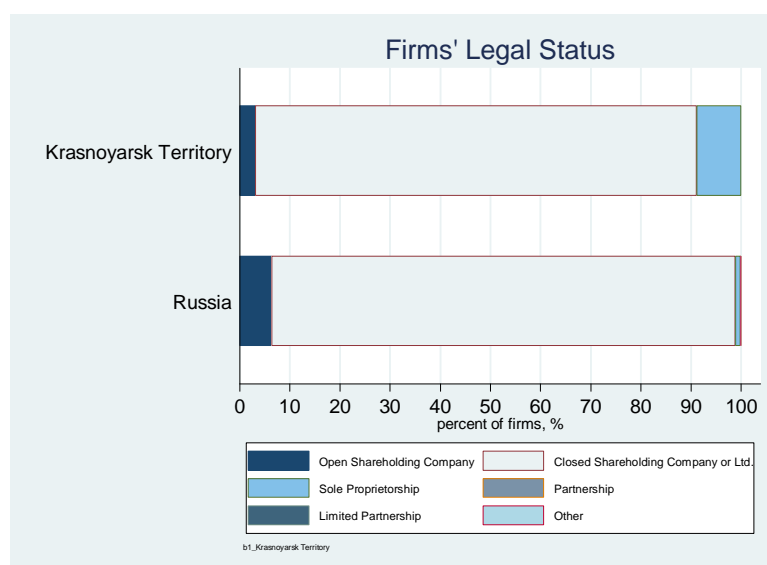
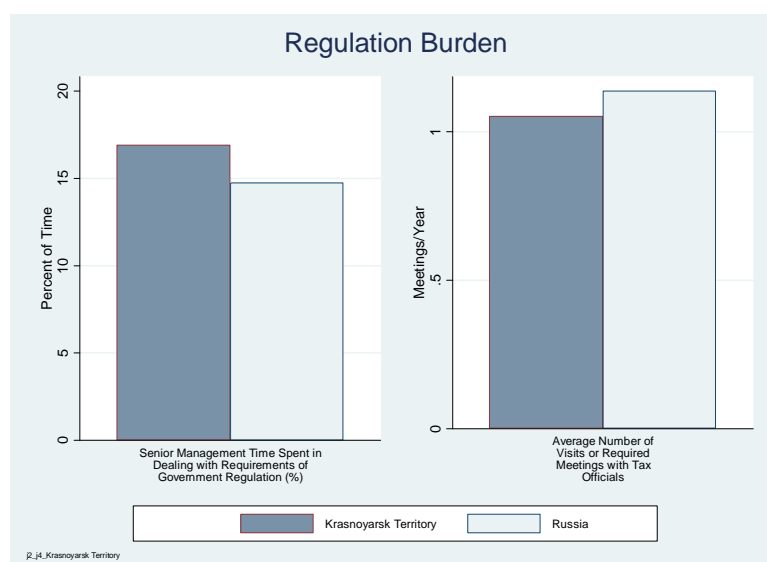
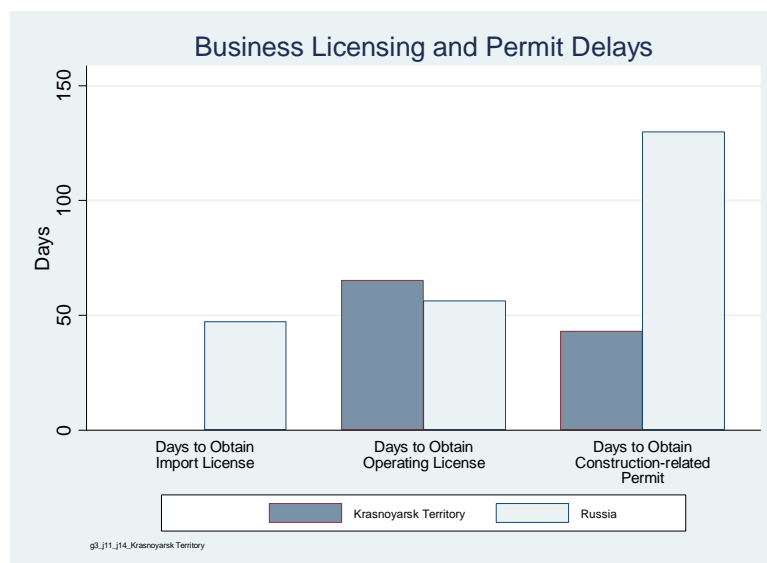
Effective regulations address market failures that inhibit productive investment and reconcile private and public interests. The number of permits and approvals that businesses need to obtain, and the time it takes to obtain them, is expensive and time consuming. The existing legislation of a country also determines the mix of legal forms private firms take and determines the level of protection for investors thus affecting the incentives to invest.

The survey provides qualitative and quantitative measures of taxation, regulations, and business licensing.

The first set of indicators focuses on the efficiency of business licensing and permit services. The indicators evaluate the delays faced when demanding these services.

The second set of indicators approximates the “time tax” imposed by regulations: it measures the time spent by senior management in meetings with public officials and the average number of tax inspections or meetings with tax inspectors in a year.

The third indicator shows the relative use of the different legal forms in the private sector. Most legal forms can be classified into shareholding companies with shares traded privately or non-traded at all (closed), shareholding companies publicly traded (open), sole proprietorships, partnerships, and limited partnerships. A residual category is included to capture legal forms not easily classified into the other categories.



## Corruption

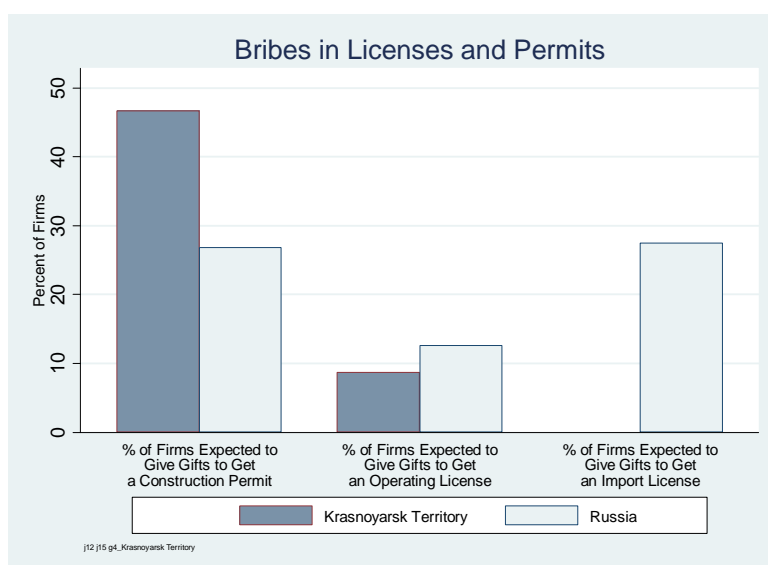
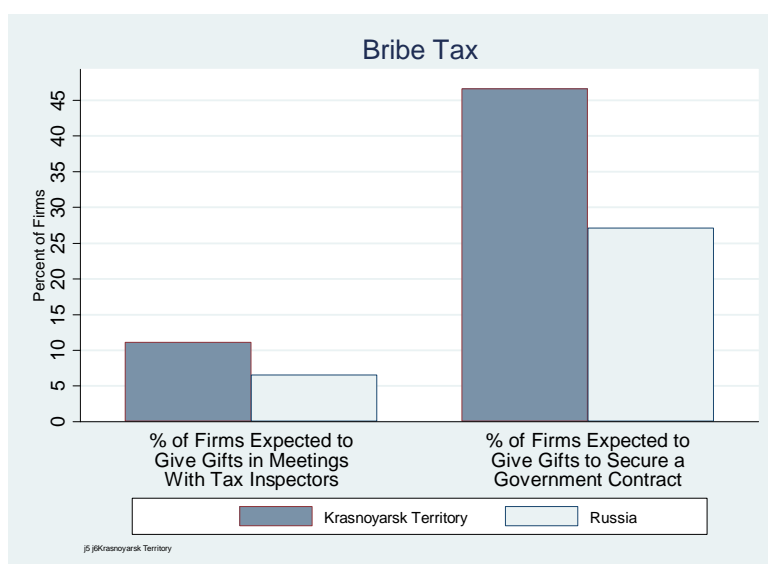
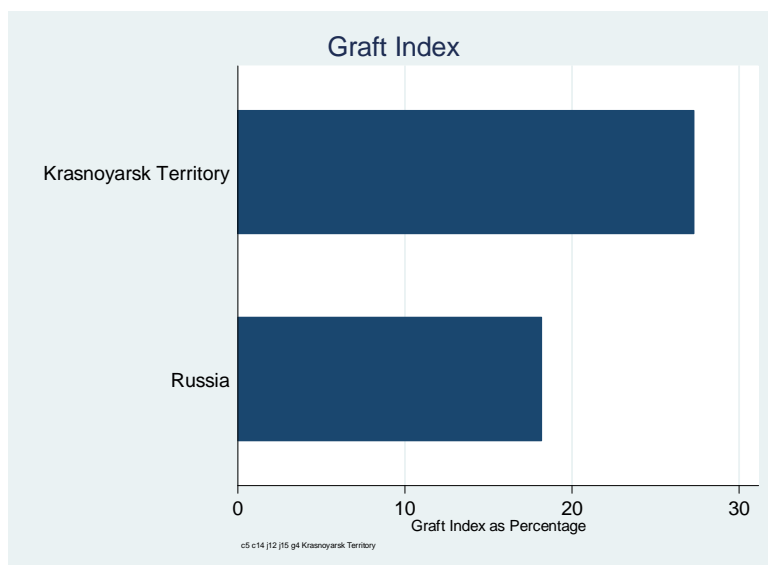
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

Inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make “unofficial” payments to public officials to get things done. In many countries bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for the firms’ growth and development.

The first set of indicators measures a composite index of corruption, the Graft Index that reflects the proportion of instances a firm was asked or expected to pay a bribe when soliciting six different public services, permits or licenses.

The second set of indicators identifies the extent to which specific regulatory and administrative officials require bribe payments during meetings with tax inspectors or in order to secure a government contract.

The third set of indicators focuses on bribes to obtain specific licenses or permits, and shows the share of firms that are expected to make informal payments to secure import and operating licenses and to obtain a construction permit.



## Crime and Informality

Crime imposes costs on firms when they are forced to divert resources from productive uses to cover security costs. Both foreign and domestic investors perceive crime as an indication of social instability, and crime drives up the cost of doing business. Also, commercial disputes between firms and their clients occur regularly in the course of doing business. Resolving these disputes can be challenging when legal institutions are weak or nonexistent.

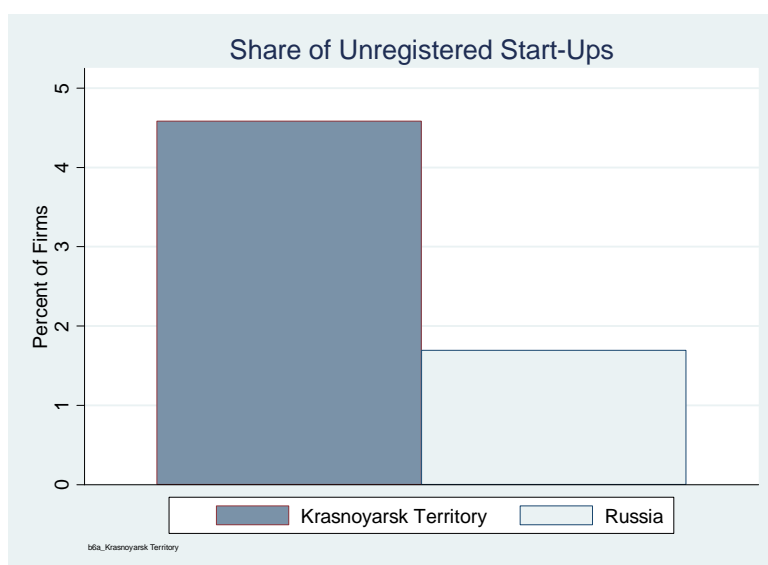
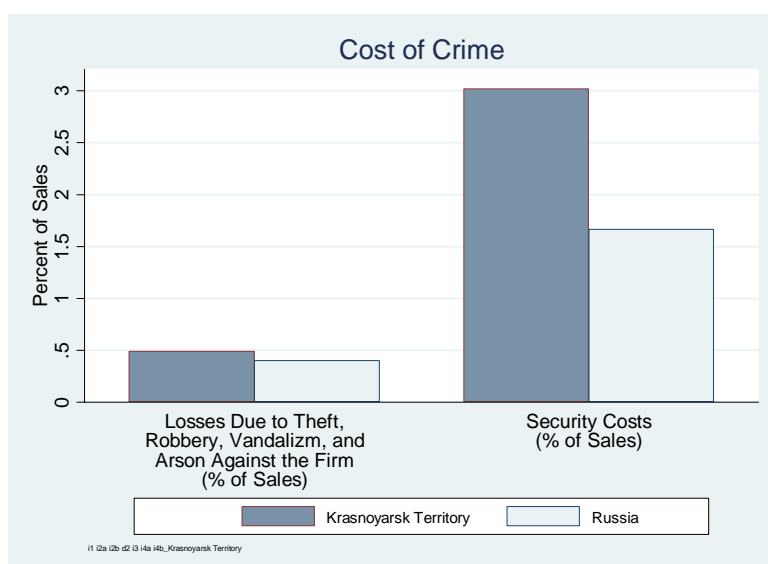
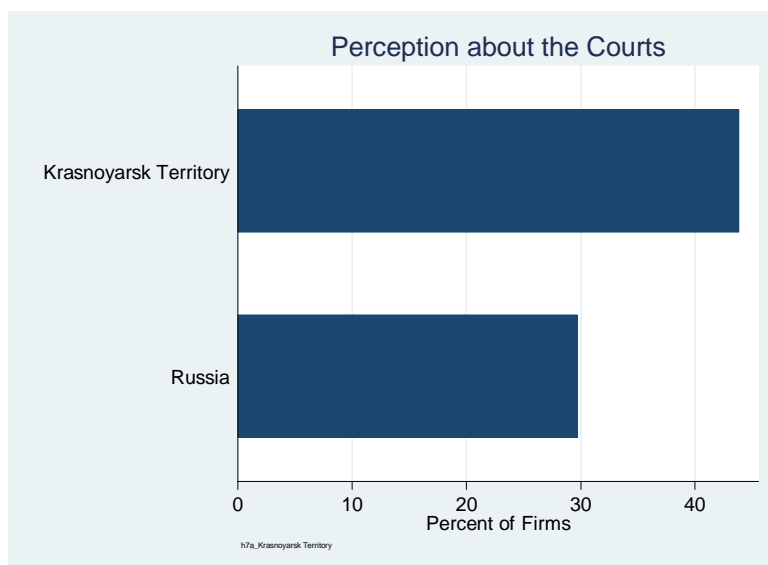
Similarly, a large informal sector has serious consequences for the formal private sector. The informal sector may pose unfair competition for formal firms.

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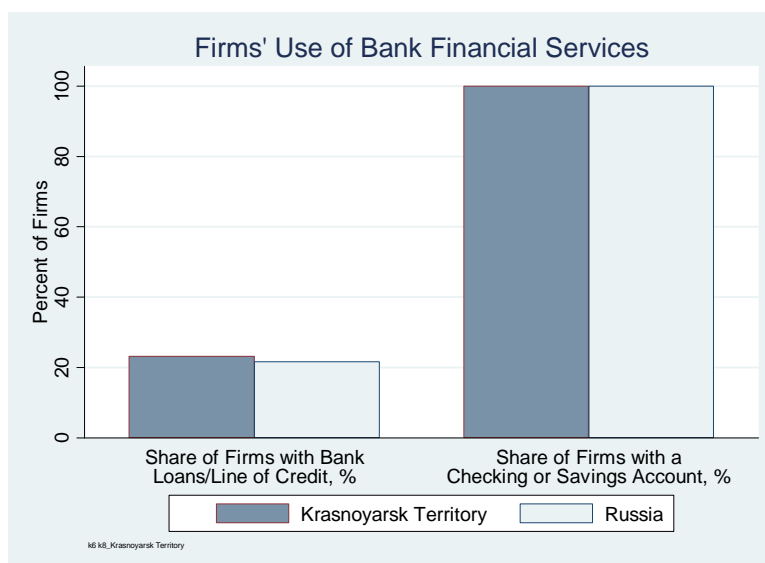
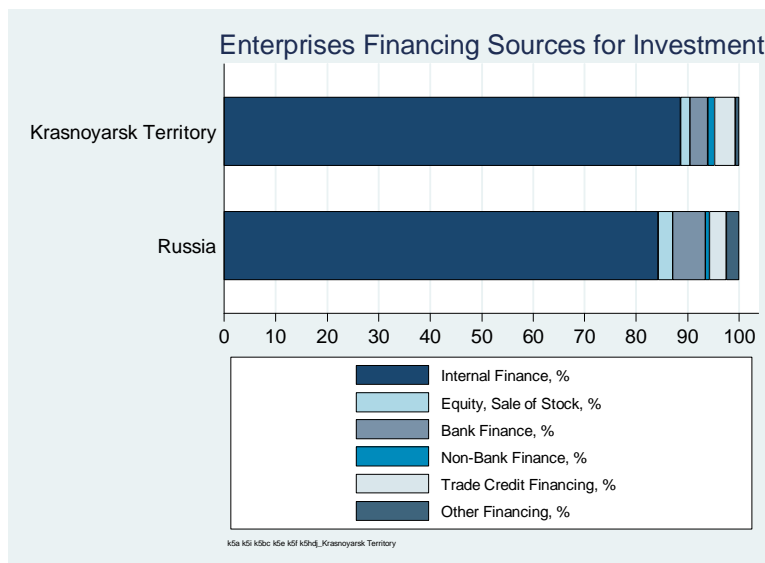
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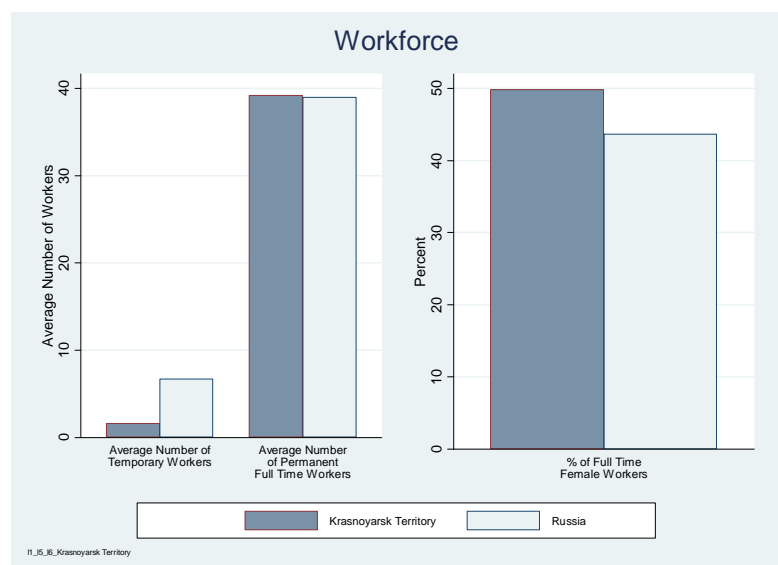
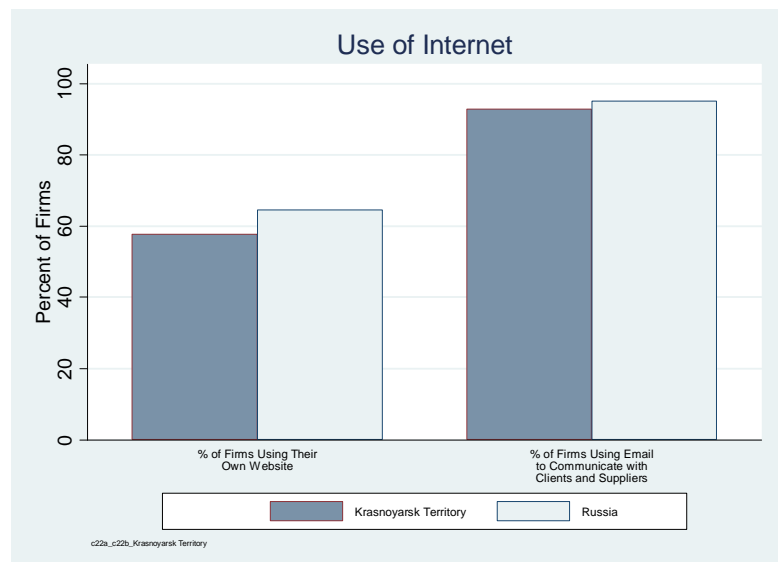
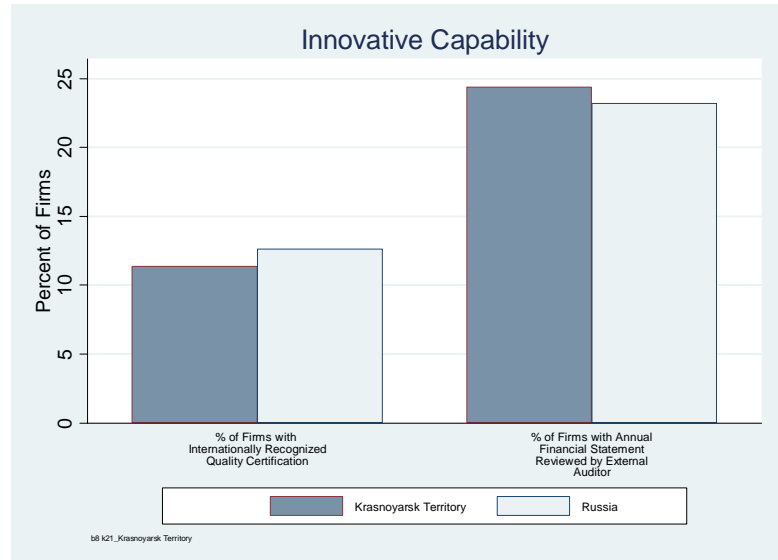
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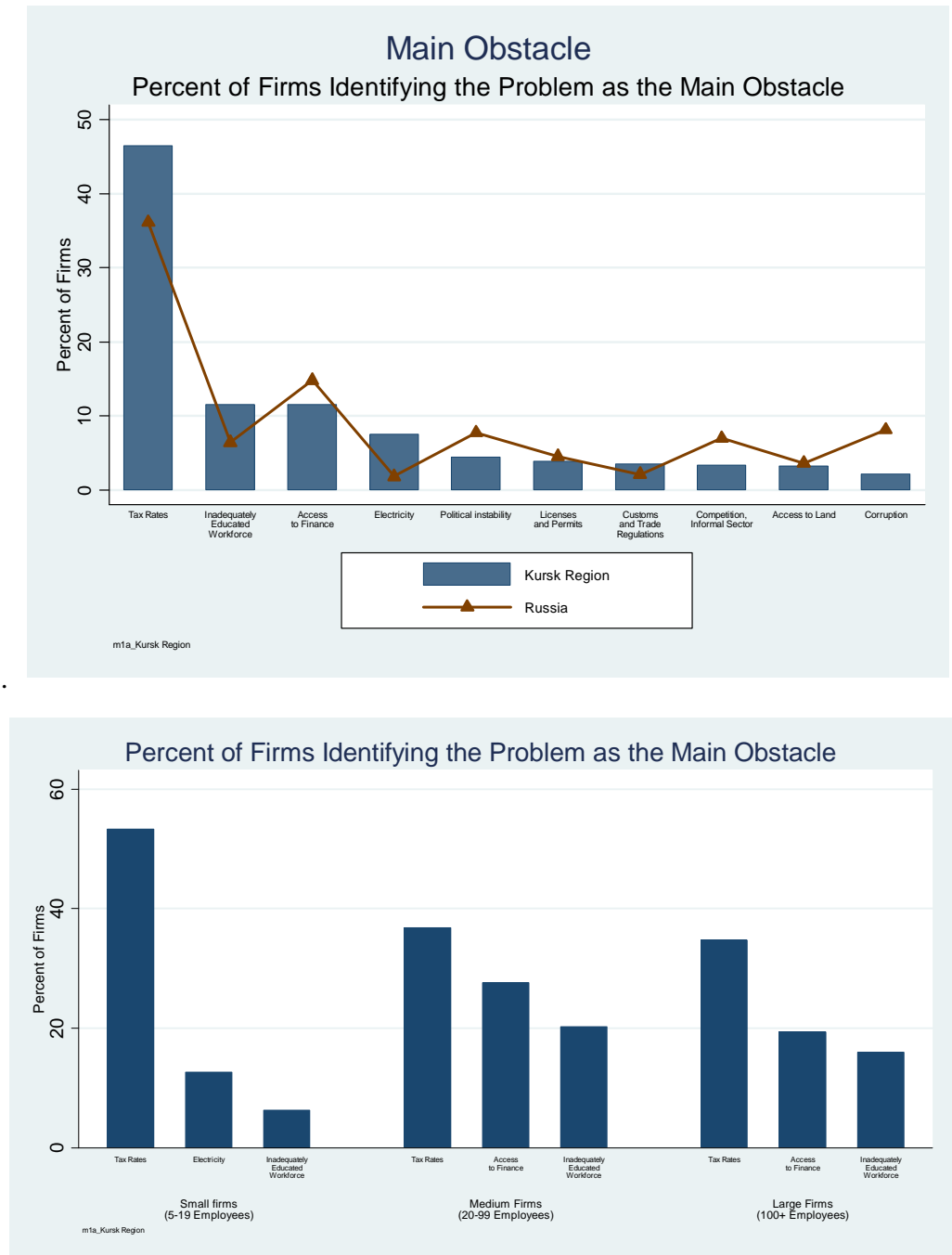
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	<i>Krasnoyarsk Territory</i>	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	1.25	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	1.23	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	3.4%	5.0%		
<b>Transport</b>	1.14	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	3.1%			
<b>Customs and trade regulations</b>	0.48	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	3.6%	4.6%	2.6%	8.2%
<b>Practices of informal competitors</b>	1.15	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	6.7%			
<b>Access to land</b>	1.48	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	8.8%			
<b>Crime, theft and disorder</b>	0.69	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	3.4%			
<b>Access to finance</b>	1.46	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	9.9%	9.4%		
<b>Tax rates</b>	2.62	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	5.5%			
<b>Tax administration</b>	0.67	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	2.7%	4.5%	2.7%	
<b>Business licensing and permits</b>	0.98	0.29	Kirov Region; Smolensk Region; Stavropol Territory	5.2%	9.6%	3.8%	16.3%
<b>Political instability</b>	1.23	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	5.5%	4.7%	2.8%	27.2%
<b>Corruption</b>	1.01	0.60	Irkutsk Region; Kirov Region; Smolensk Region	4.5%	3.9%	2.1%	11.4%
<b>Courts</b>	0.10	0.08	Belgorod Region; <i>Krasnoyarsk Territory</i> ; Stavropol Territory				
<b>Labor regulations</b>	0.63	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	5.3%			
<b>Inadequately educated workforce</b>	0.85	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	2.3%	2.8%	2.1%	

Kursk Region.<sup>12</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Kursk Region benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Kursk Region.



<sup>12</sup> 87 companies were surveyed by in Kursk Region. The benchmarks used for comparisons are averages for Russia as a whole.

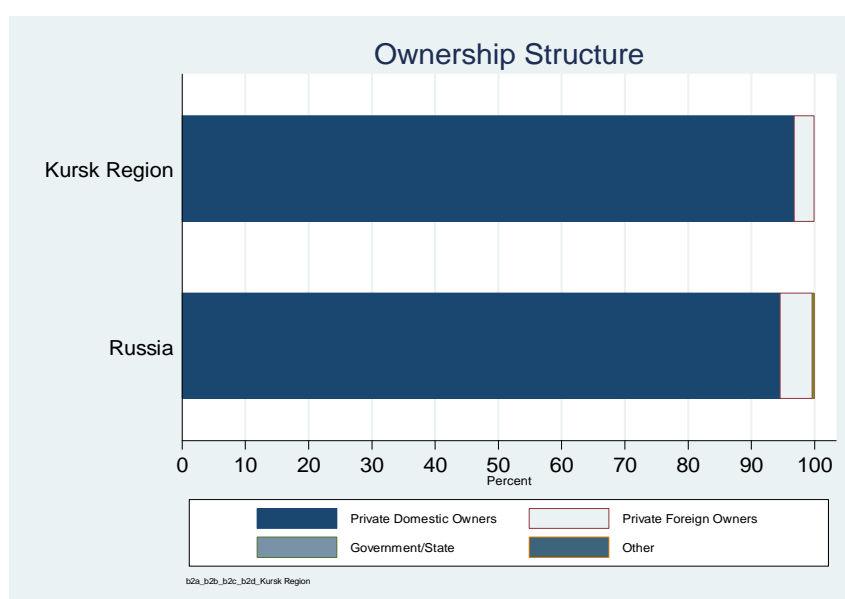
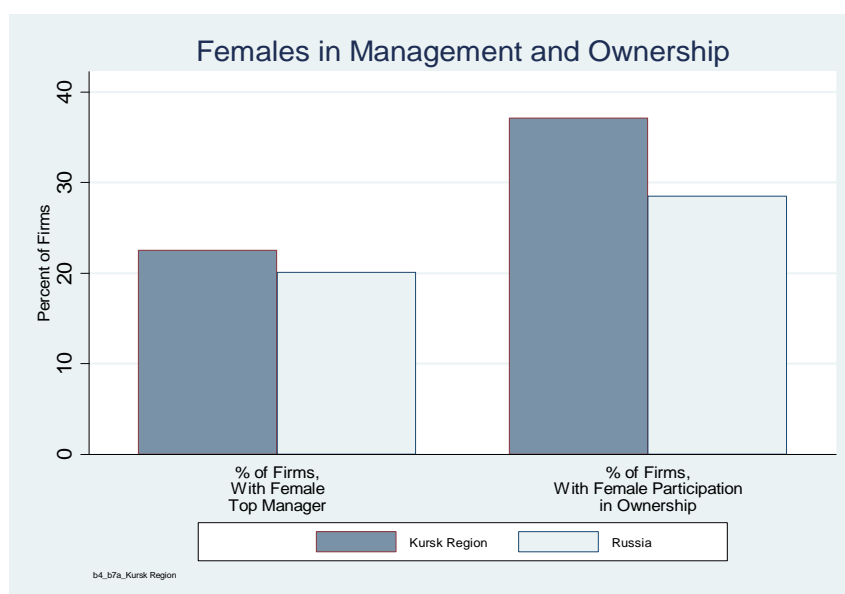
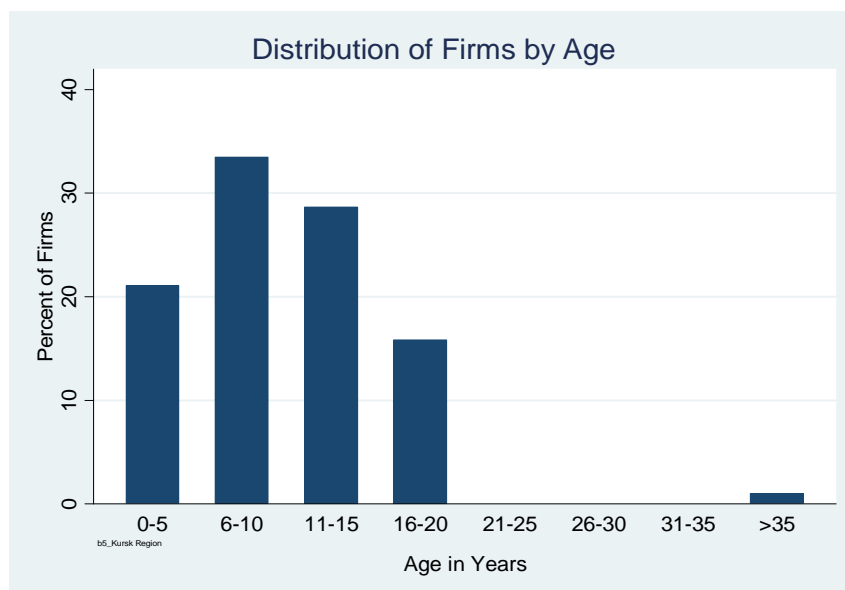
## Average Firm

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## Infrastructure

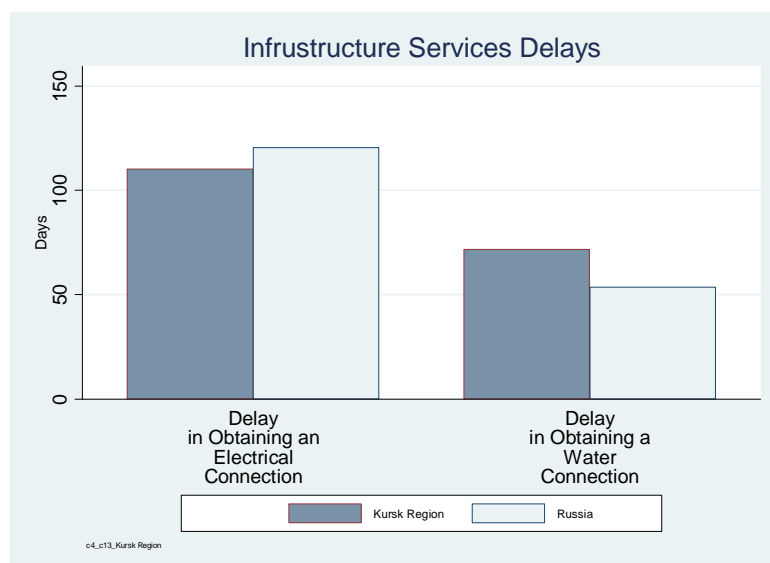
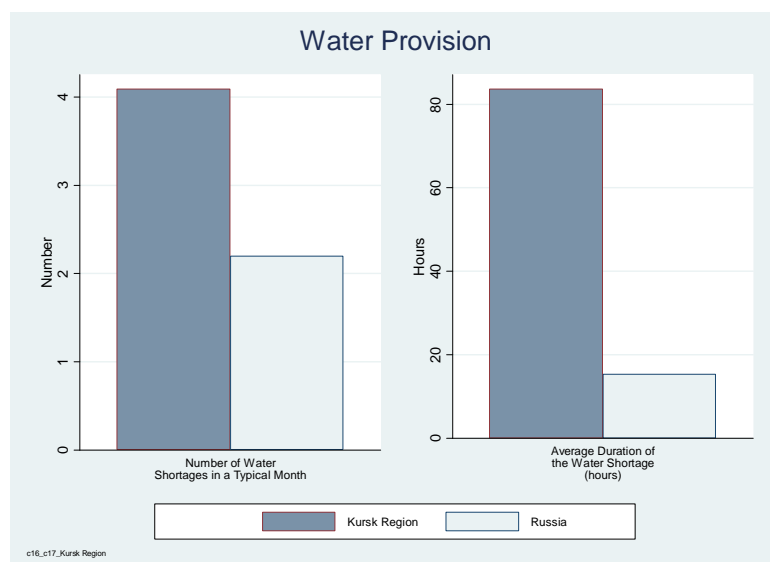
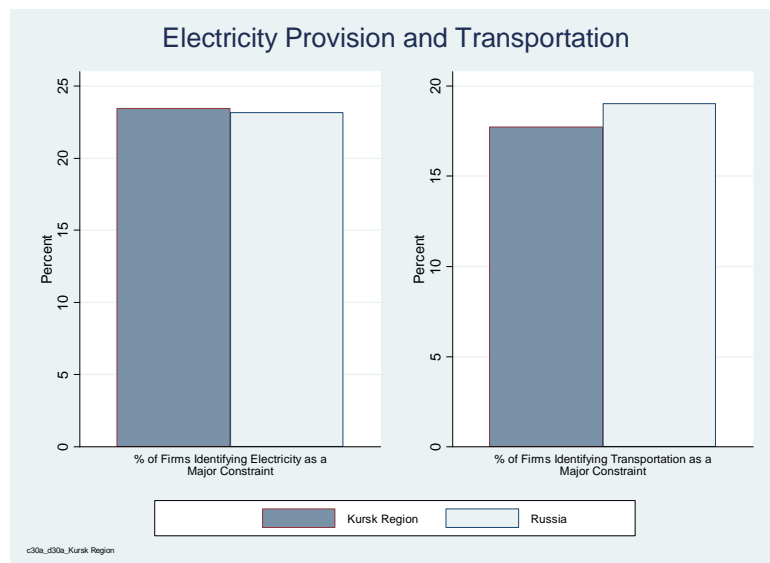
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The third set of indicators evaluates the efficiency of infrastructure services by quantifying the delays in obtaining electricity, water, and telephone connections. Service delays impose additional costs on firms and may act as barriers to entry and investment.



## Trade

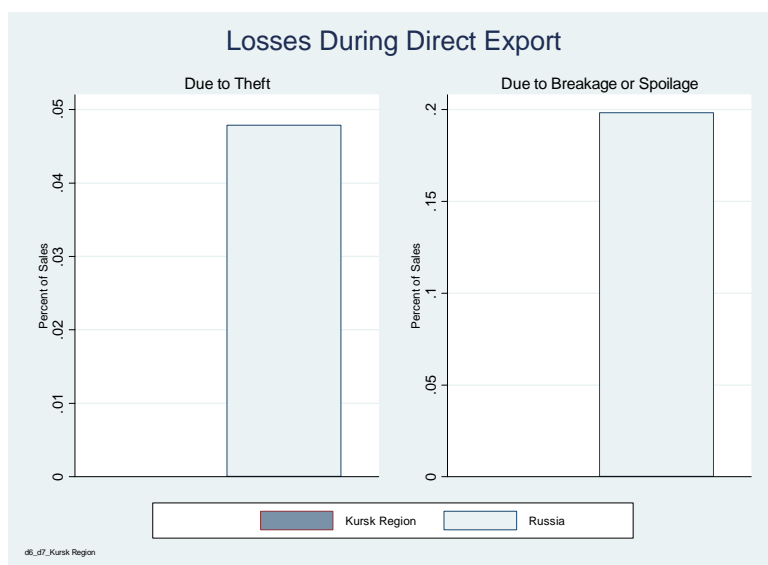
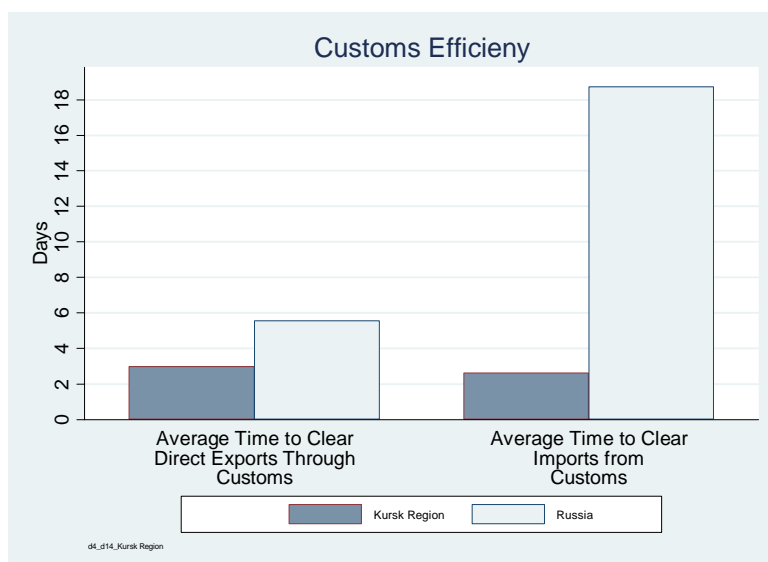
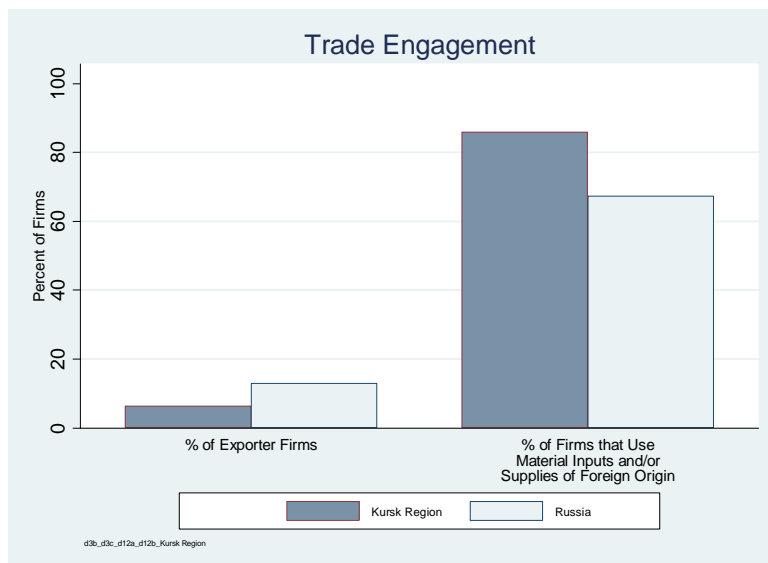
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The survey collects information on the operational constraints faced by exporters and importers and also quantify the trade activity of firms.

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The third set of indicators shows the percent value of exports lost during transport due to merchandise theft, and breakage or spoilage, reflecting the transport risks firms face during the export process.



## Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

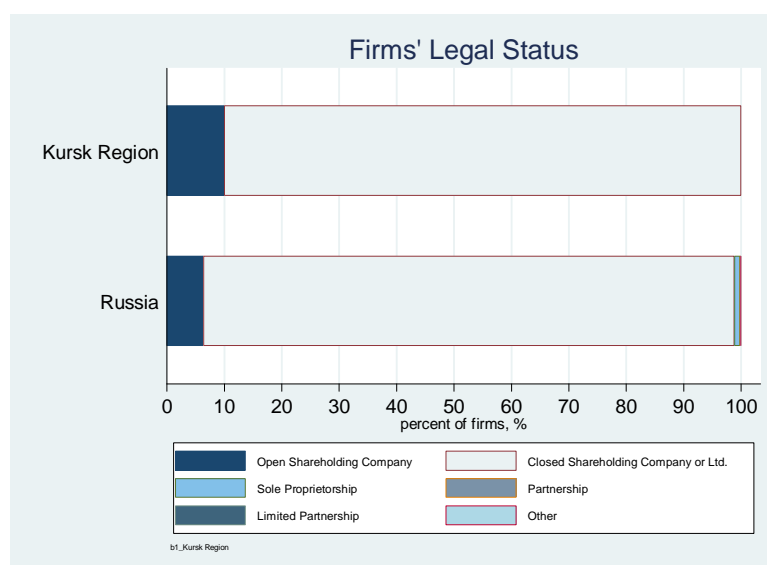
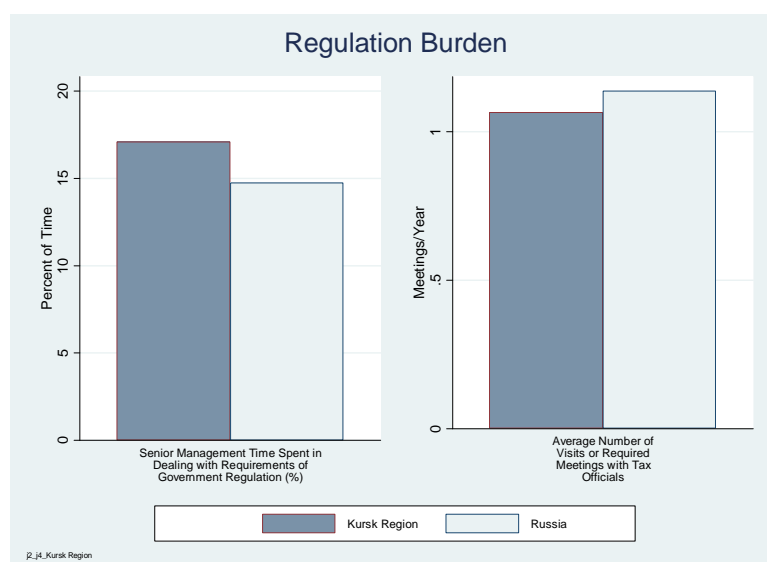
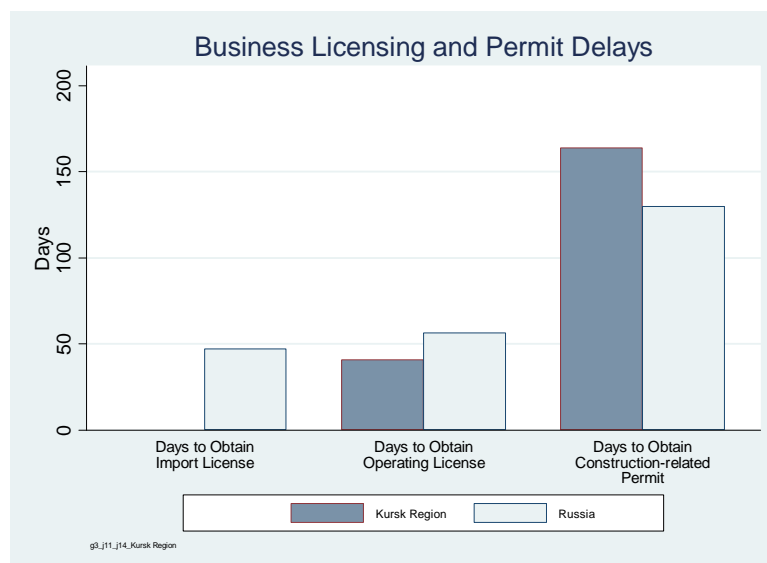
Effective regulations address market failures that inhibit productive investment and reconcile private and public interests. The number of permits and approvals that businesses need to obtain, and the time it takes to obtain them, is expensive and time consuming. The existing legislation of a country also determines the mix of legal forms private firms take and determines the level of protection for investors thus affecting the incentives to invest.

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## Corruption

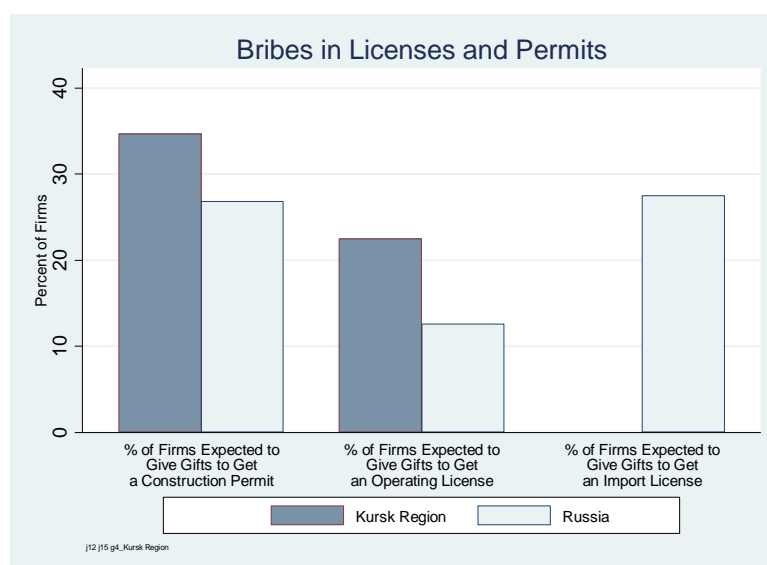
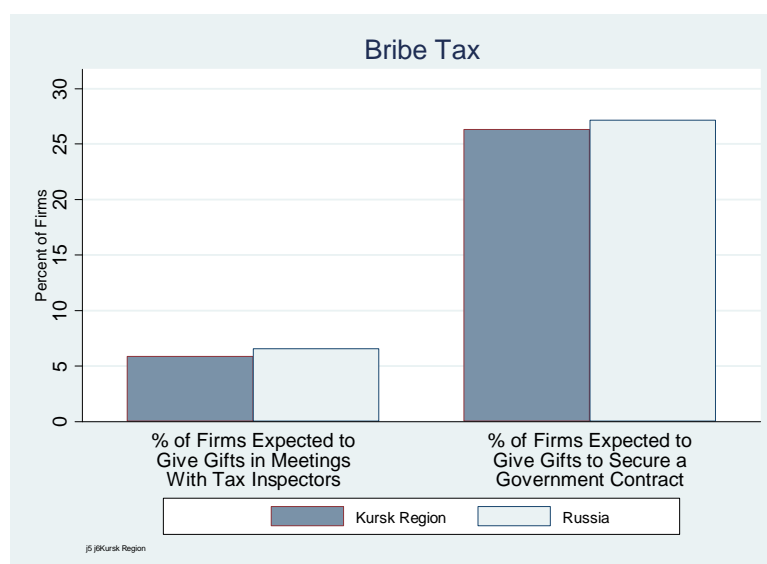
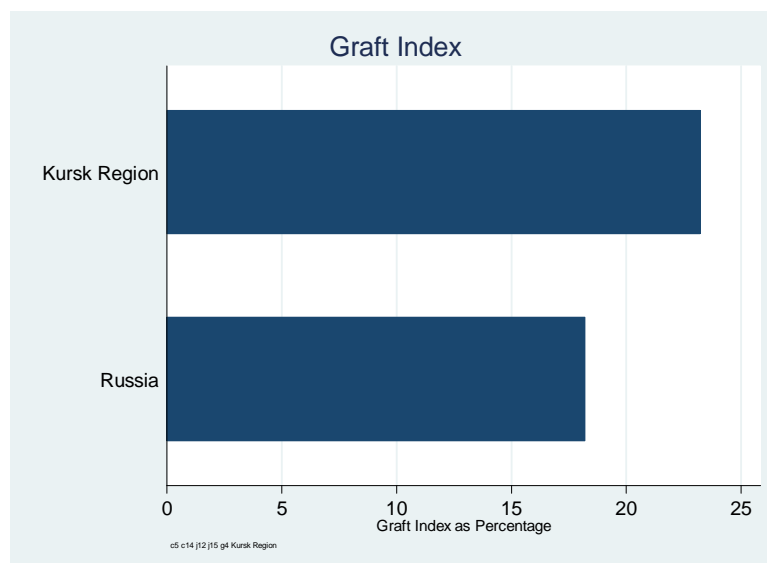
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

Inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make “unofficial” payments to public officials to get things done. In many countries bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for the firms’ growth and development.

The first set of indicators measures a composite index of corruption, the Graft Index that reflects the proportion of instances a firm was asked or expected to pay a bribe when soliciting six different public services, permits or licenses.

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The third set of indicators focuses on bribes to obtain specific licenses or permits, and shows the share of firms that are expected to make informal payments to secure import and operating licenses and to obtain a construction permit.



## Crime and Informality

Crime imposes costs on firms when they are forced to divert resources from productive uses to cover security costs. Both foreign and domestic investors perceive crime as an indication of social instability, and crime drives up the cost of doing business. Also, commercial disputes between firms and their clients occur regularly in the course of doing business. Resolving these disputes can be challenging when legal institutions are weak or nonexistent.

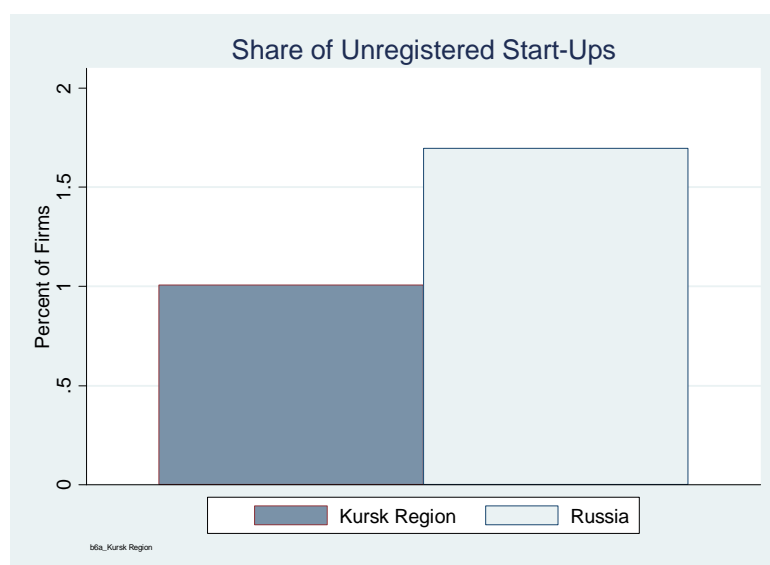
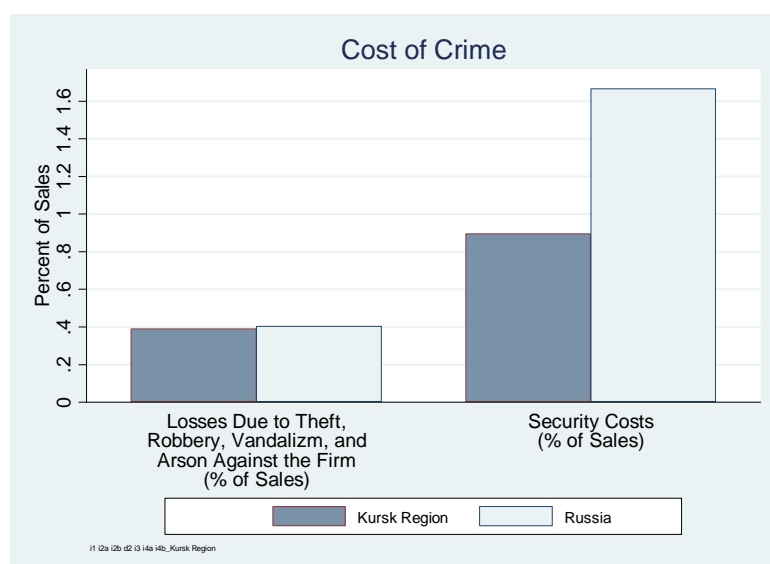
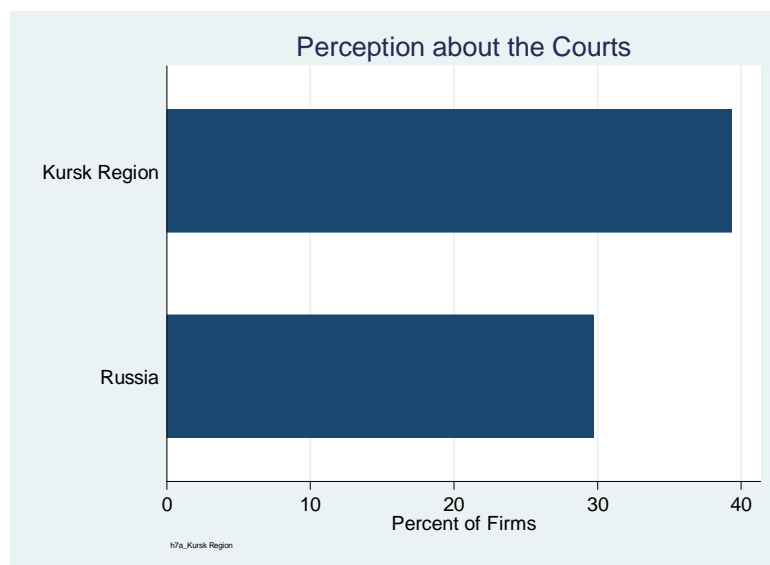
Similarly, a large informal sector has serious consequences for the formal private sector. The informal sector may pose unfair competition for formal firms.

The survey captures key dimensions of the effect of crime on firm sales, the extent to which entrepreneurs identify courts as fair, and the degree of informality in an economy.

The first indicator shows the share of firms that recognize the functioning of the courts as being fair, impartial, and uncorrupted.

The second set of indicators measures the direct costs of security incurred by firms as well as their direct losses due to crime. These resources represent an opportunity cost since they could have been invested in productive activities.

The third set of indicators shows the percentage of firms that started operation without begin formally registered. It is an approximation to the prevalence of informality in the private economy.





## Finance

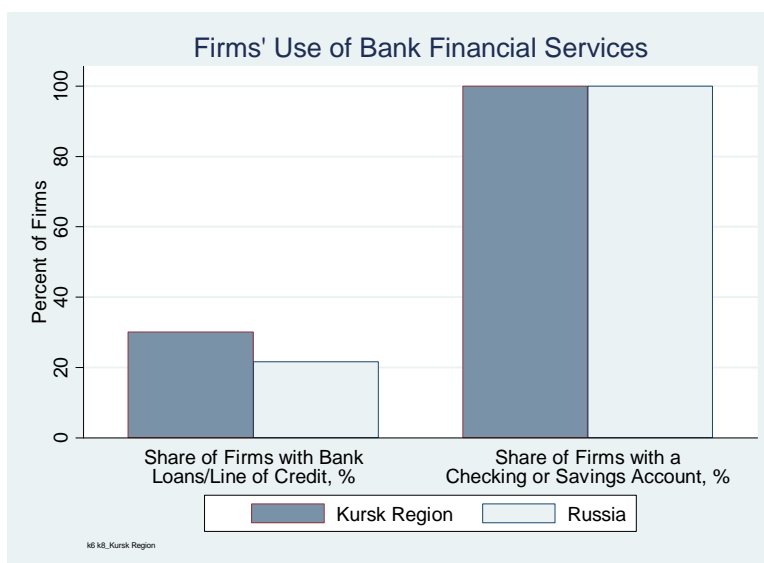
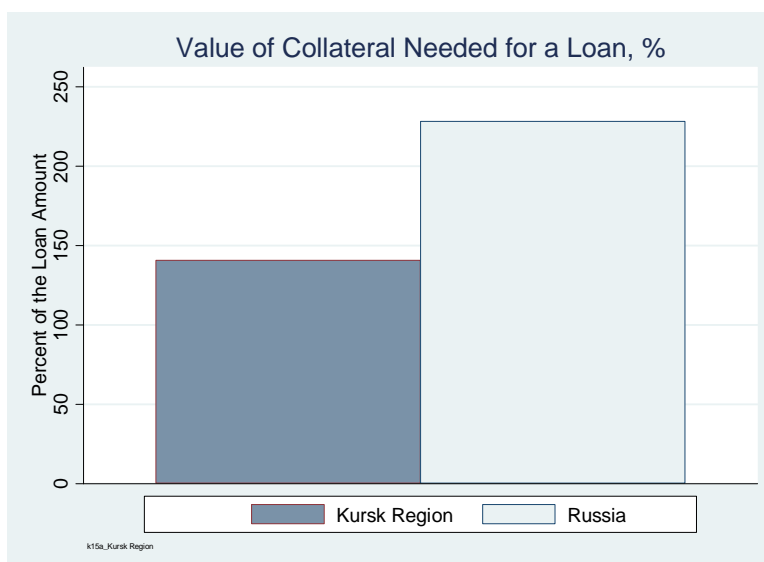
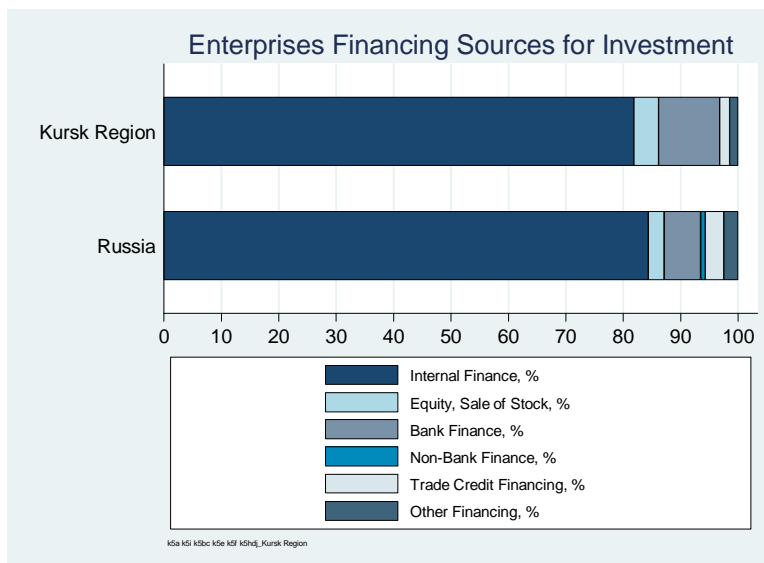
Developed financial markets provide payment services, mobilize deposits, and ease investment financing. Efficient financial markets reduce the reliance on internal funds and on money from informal sources such as family and friends by connecting firms to a broad range of lenders and investors.

The survey provides indicators of how firms finance their operations and of the characteristics of their financial transactions.

The first set of indicators compares the relative use of various sources for financing investment. Excessive reliance on internal funds is a sign of potentially inefficient financial intermediation.

The second set of indicators measures the use of financial markets by individual firms. It presents the percentage of working capital that is financed by sources external to the firm, and a measure of the burden imposed by loan requirements measured by collateral levels relative to the value of the loans.

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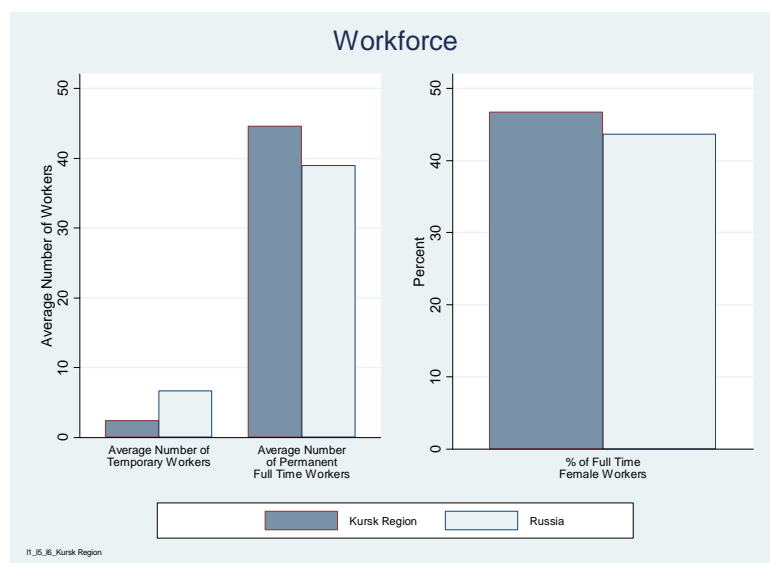
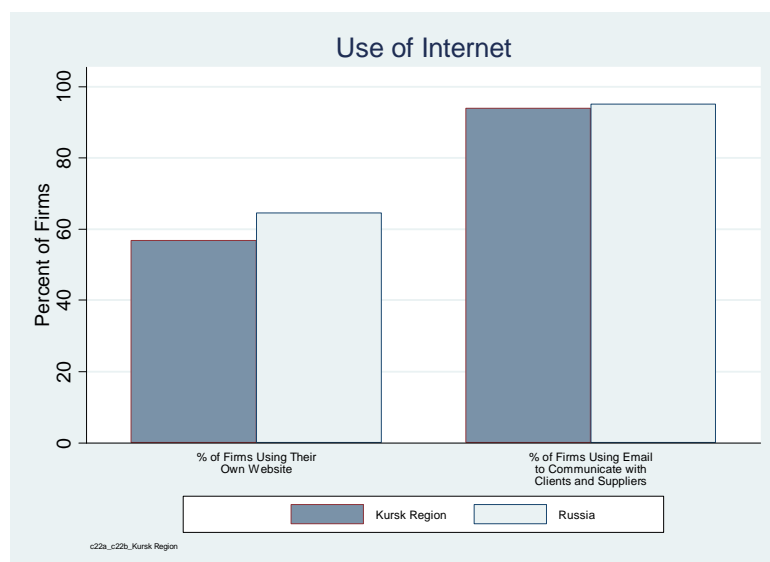
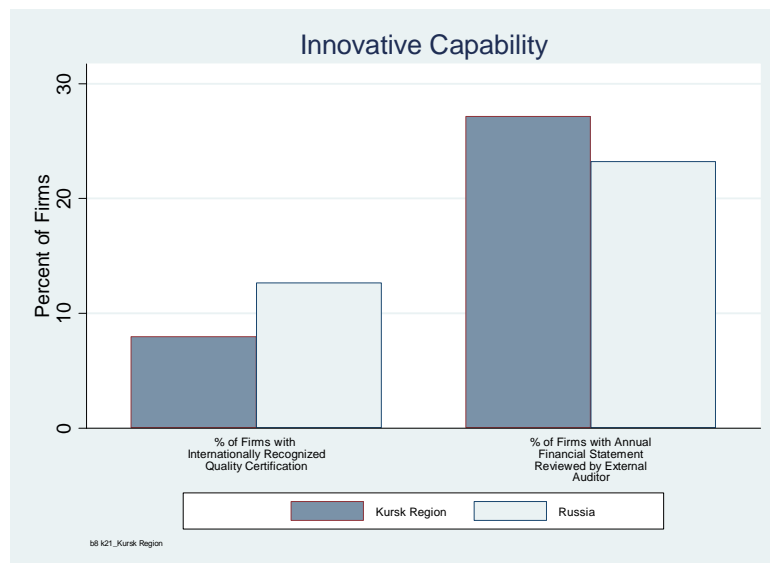
## Innovation and Workforce

The Survey provides indicators that describe several dimensions of technology use and innovation. They also collect information on the characteristics of the workforce employed in the non-agricultural private economy.

The first set of indicators measures the extent to which firms invest in obtaining recognized certificates of production and accounting practices. Obtaining international quality certifications can open doors to technology and innovation and they also provide a sign of high quality that may open markets.

The second set of indicators demonstrates the use of information and communications technologies (ICT) in business transactions. ICT, such as the Internet, are important tools for all firms because they provide even the smallest of enterprises with the ability to reach national and international markets at low cost.

The third set of indicators presents the composition of the firm's workforce by type of contract and gender. Labor regulations have a direct effect on the type of employment favored by firms and they may have a differing impact by gender. The first two indicators present the composition of the workforce classified into temporary and permanent workers. The last indicator reflects the participation of women in regular full-time employment.



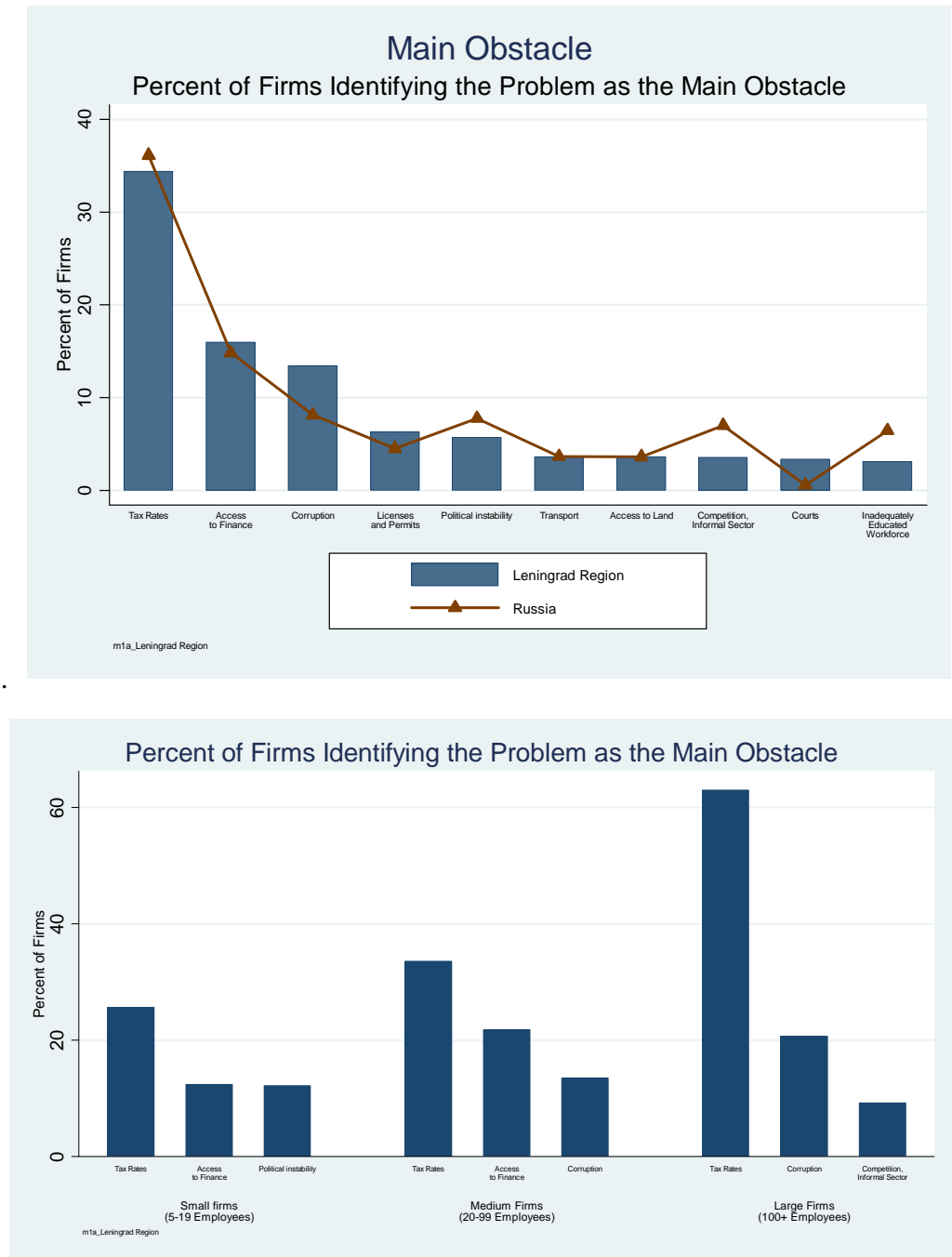
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	<i>Kursk Region</i>	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	0.93	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	0.99	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	2.5%	3.6%		
<b>Transport</b>	0.89	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	2.1%			
<b>Customs and trade regulations</b>	0.57	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	4.4%	5.6%	3.2%	10.2%
<b>Practices of informal competitors</b>	0.77	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	3.6%			
<b>Access to land</b>	0.71	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	2.8%			
<b>Crime, theft and disorder</b>	0.66	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	3.2%			
<b>Access to finance</b>	1.10	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	5.5%	5.2%		
<b>Tax rates</b>	2.38	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	4.4%			
<b>Tax administration</b>	1.31	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	8.3%	13.7%	8.3%	
<b>Business licensing and permits</b>	1.00	0.29	Kirov Region; Smolensk Region; Stavropol Territory	5.4%	9.9%	3.9%	16.8%
<b>Political instability</b>	1.41	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	7.4%	6.4%	3.8%	37.0%
<b>Corruption</b>	1.24	0.60	Irkutsk Region; Kirov Region; Smolensk Region	7.1%	6.2%	3.3%	18.1%
<b>Courts</b>	0.42	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	3.5%	5.3%		
<b>Labor regulations</b>	0.21	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	1.1%			
<b>Inadequately educated workforce</b>	1.10	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	4.0%	4.9%	3.6%	

Leningrad Region.<sup>13</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Leningrad Region benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Leningrad Region.



<sup>13</sup> 120 companies were surveyed by in Leningrad Region. The benchmarks used for comparisons are averages for Russia as a whole.

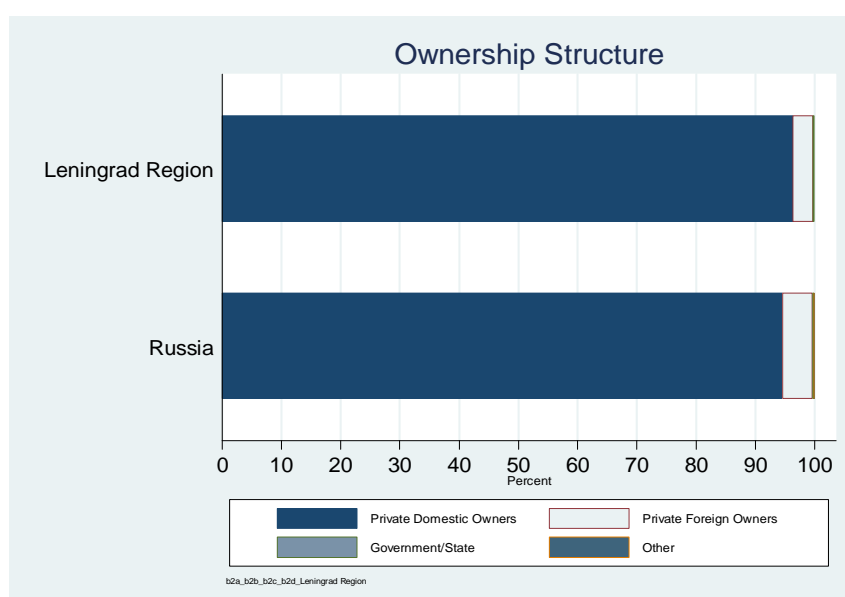
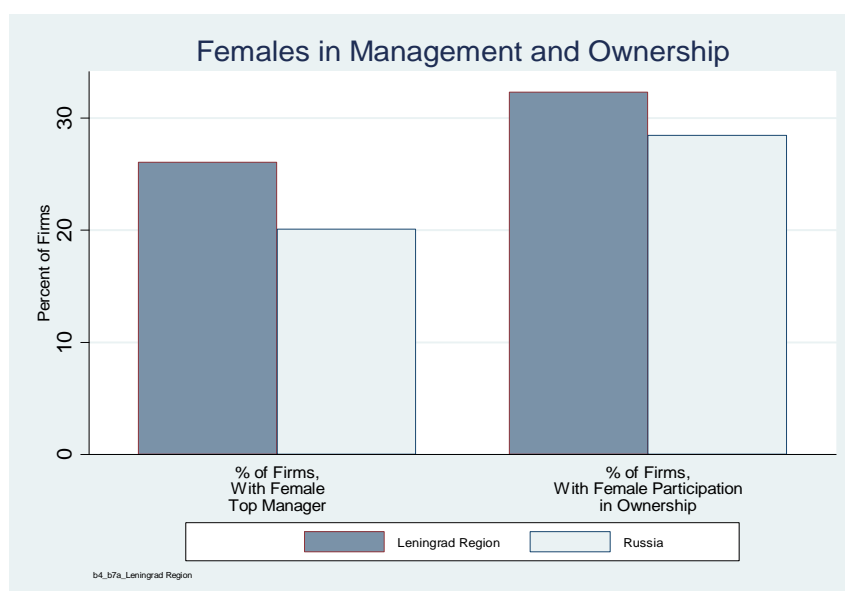
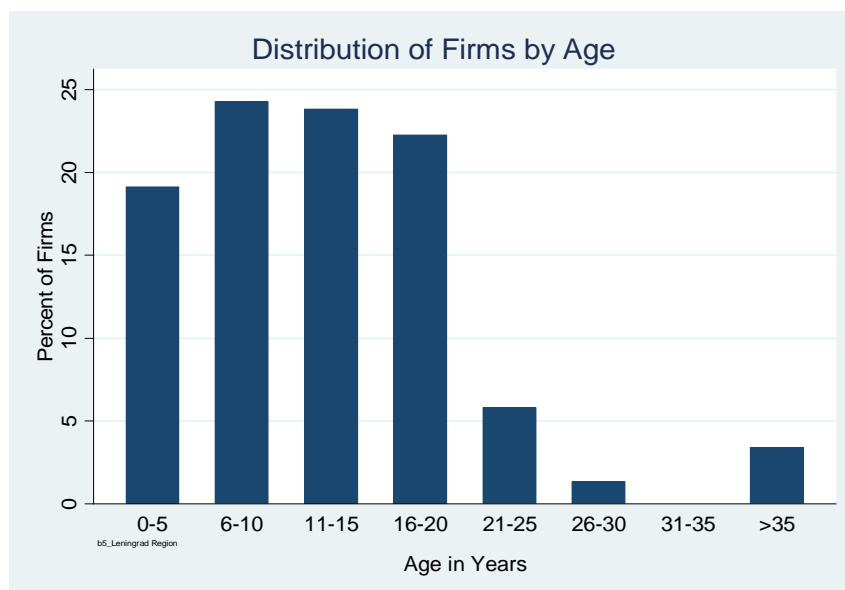
## Average Firm

The survey collects information from a representative sample of the non-agricultural formal private economy. In addition to collecting information on the business environment the surveys collect information on the characteristics of the firms interviewed. Consequently, the data collected provides a description of the representative private firm in the country and also an estimate of how some of the attributes of the average firm are distributed across the population of firms.

The first indicator shows the distribution of firms according to their age measured by the number of years they have been in operation. The effect the business environment can have on the private sector may depend on firms' experience and longevity. Seasoned firms and young firms may differ in their ability to successfully navigate the business environment.

The second set of indicators provides an illustration of female participation in management and firm ownership. These indicators can help assess whether gender can be a determinant of the effect of regulations on the firm and the level of exposure of the firm to external factors, such as corruption, access to finance, and technology.

The third indicator shows the participation of the domestic private sector, the government, the foreign sector and other sectors in the ownership of the typical firm. The distribution provides insight into their levels of equity in the private sector of the economy.



## Infrastructure

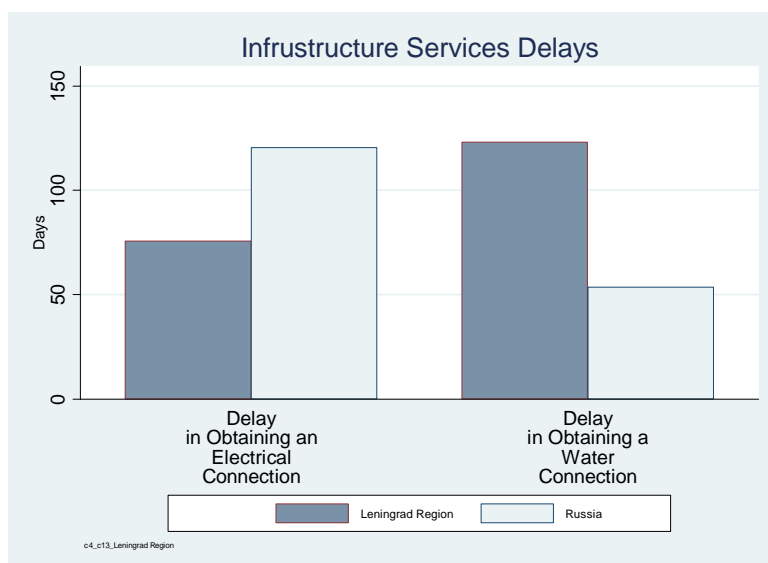
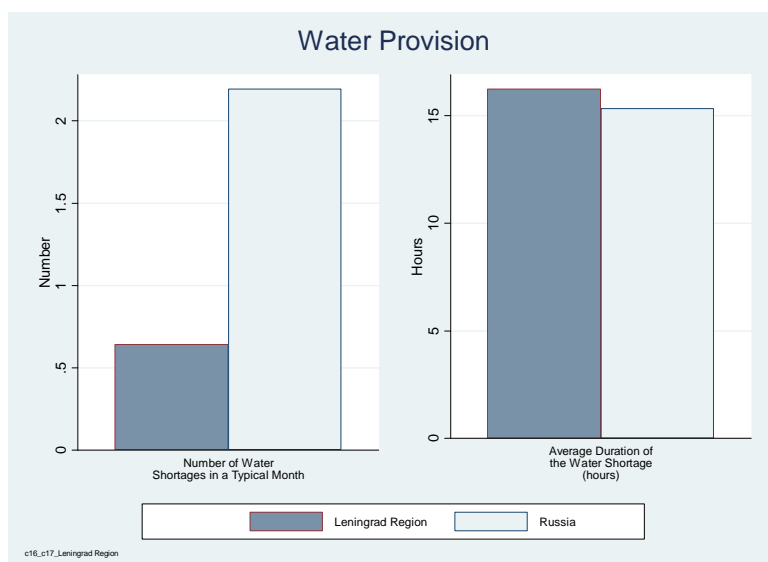
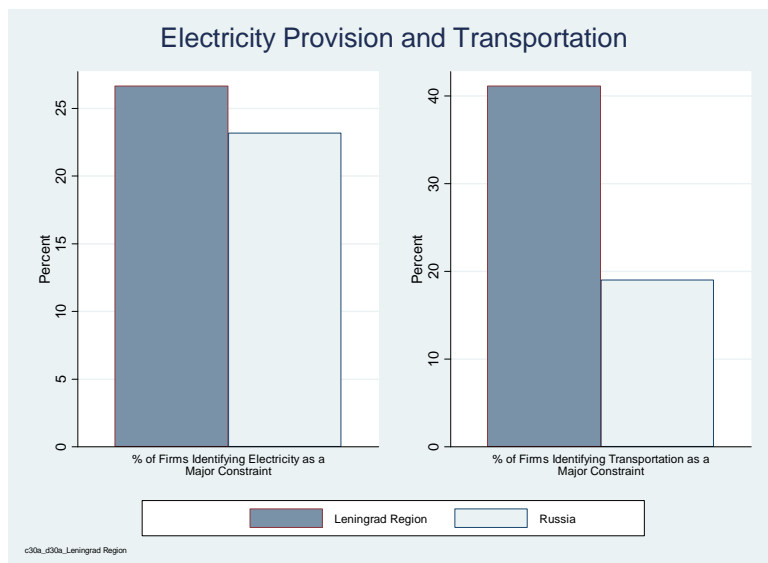
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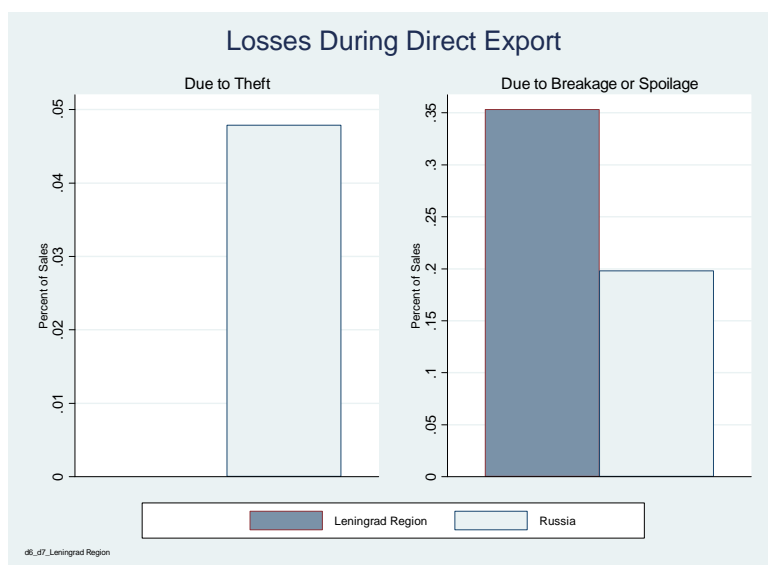
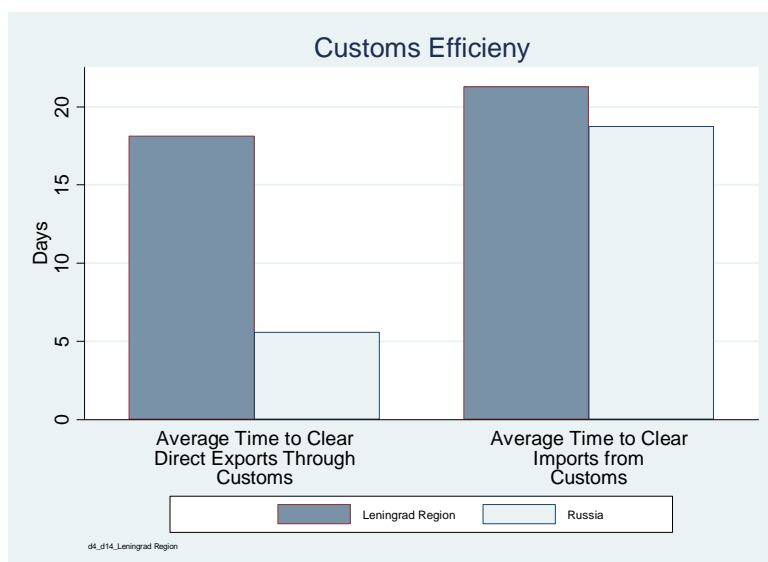
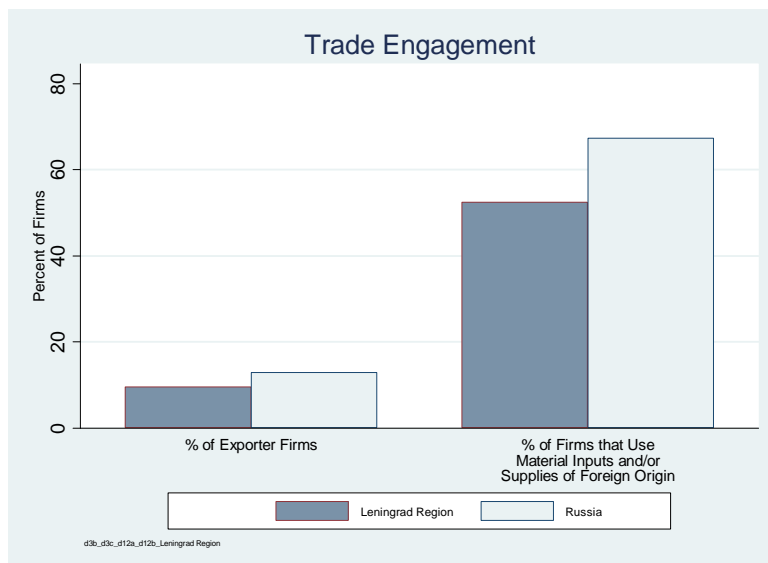
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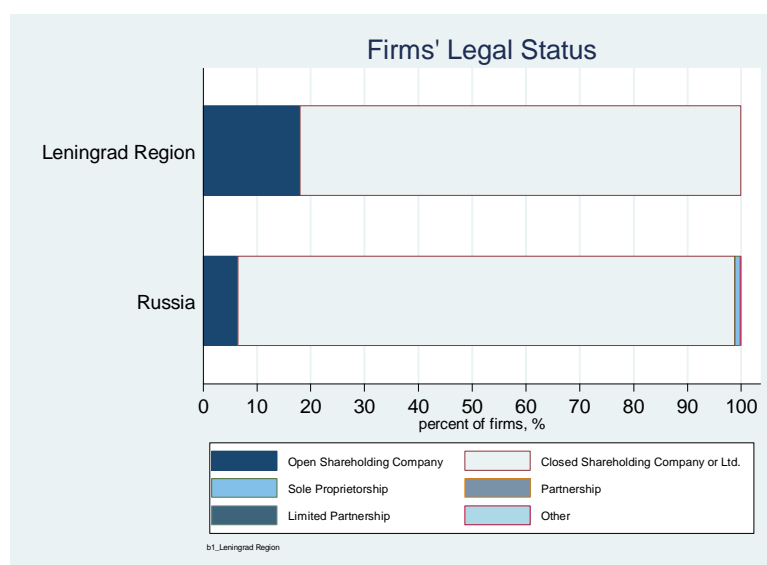
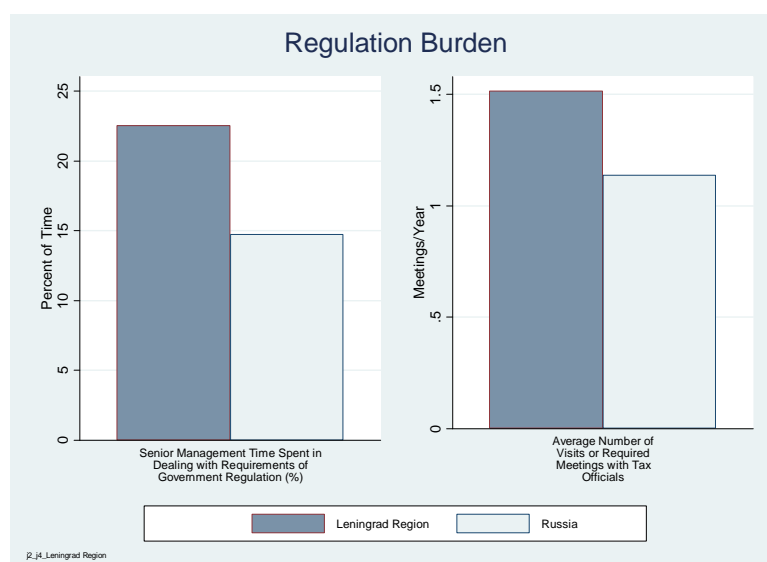
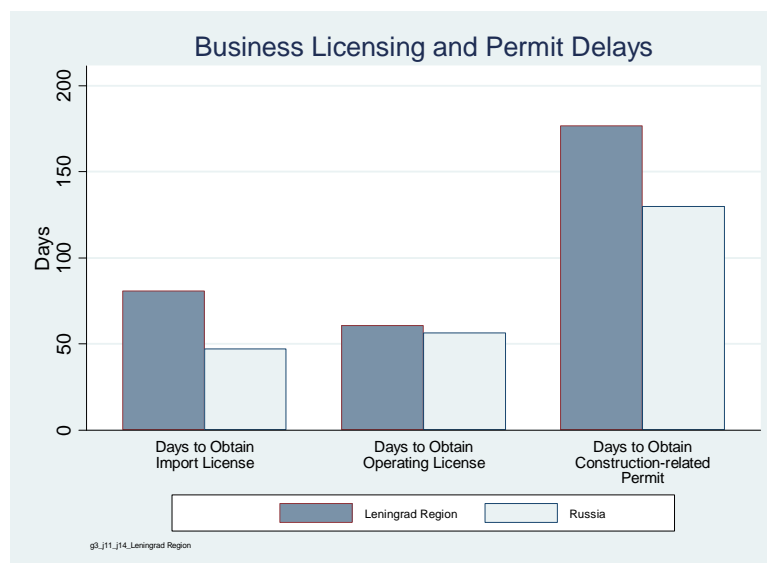
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## Corruption

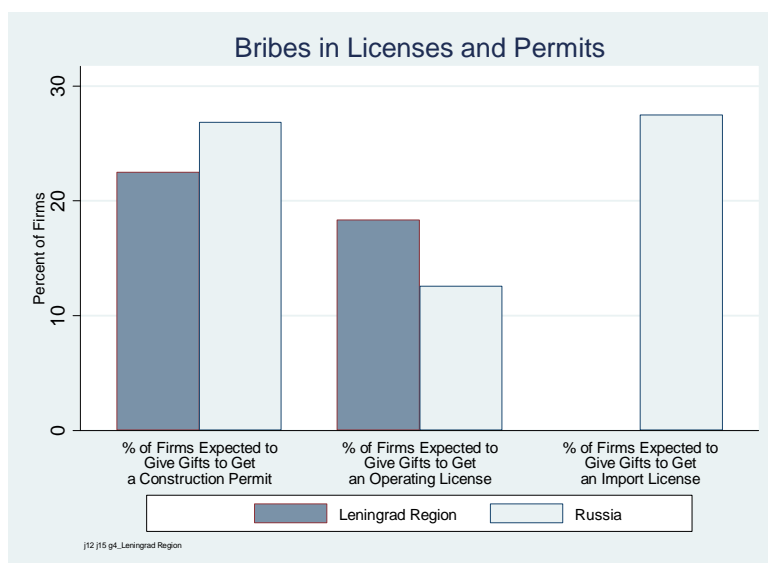
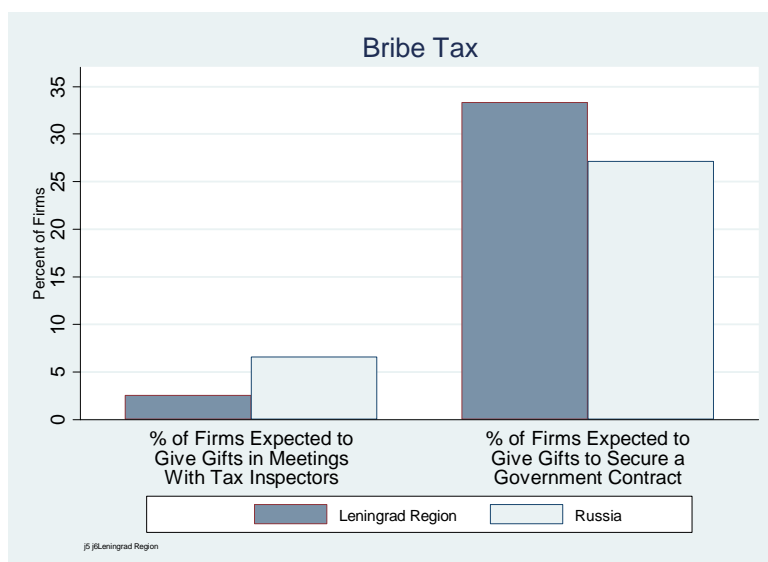
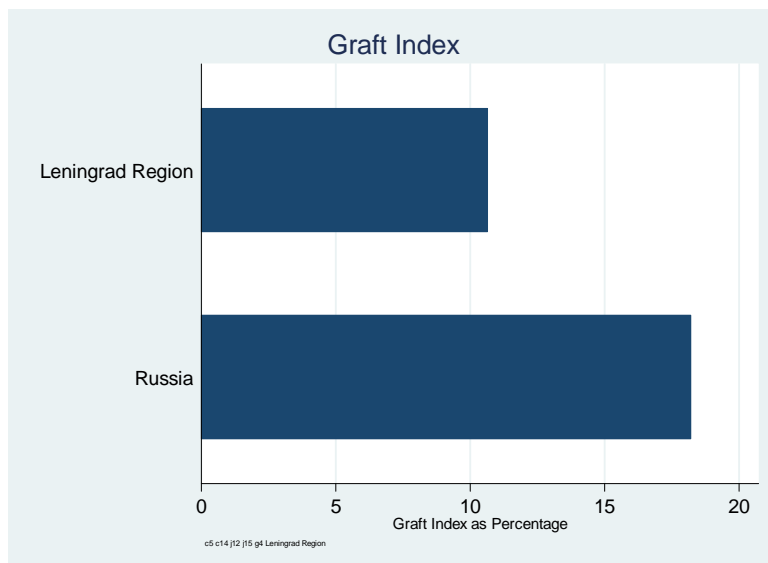
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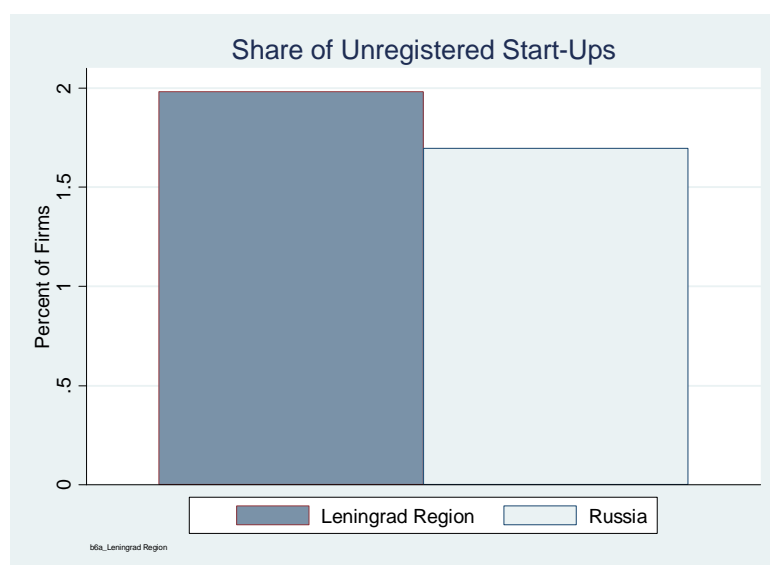
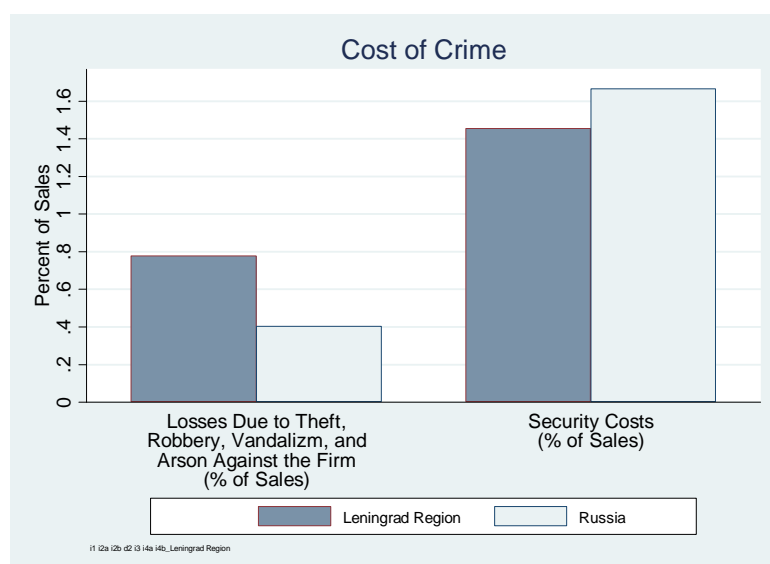
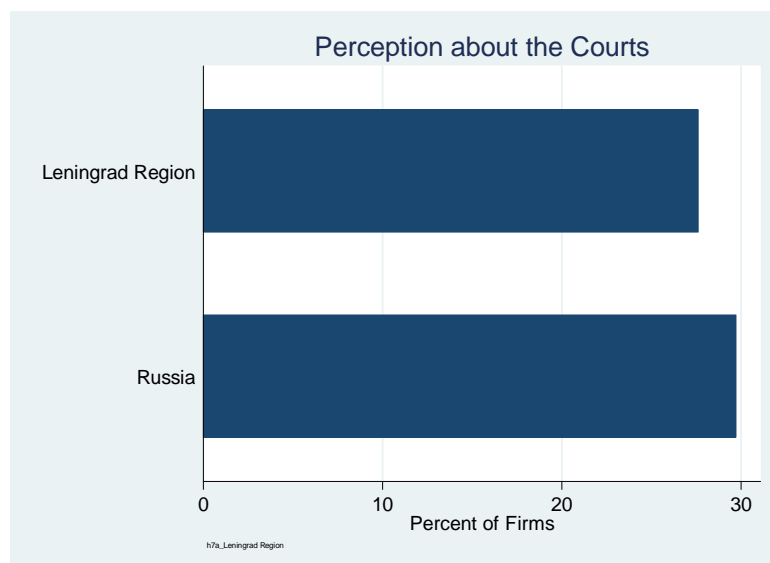
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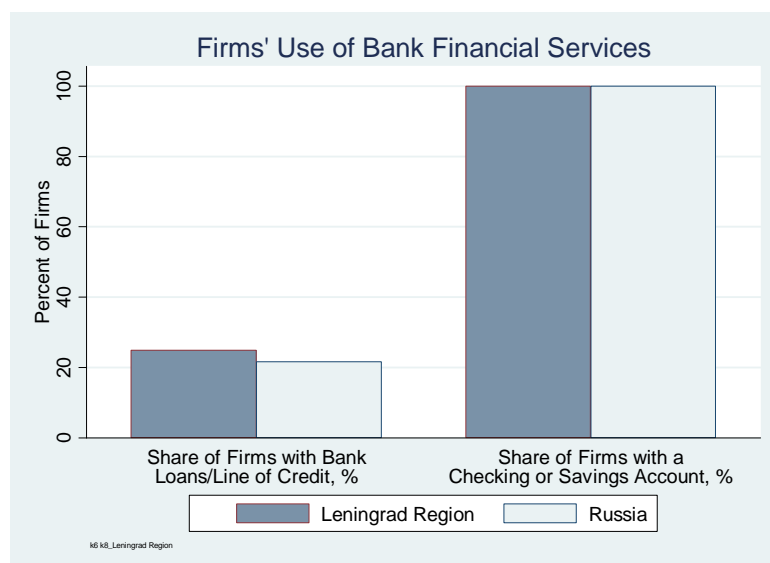
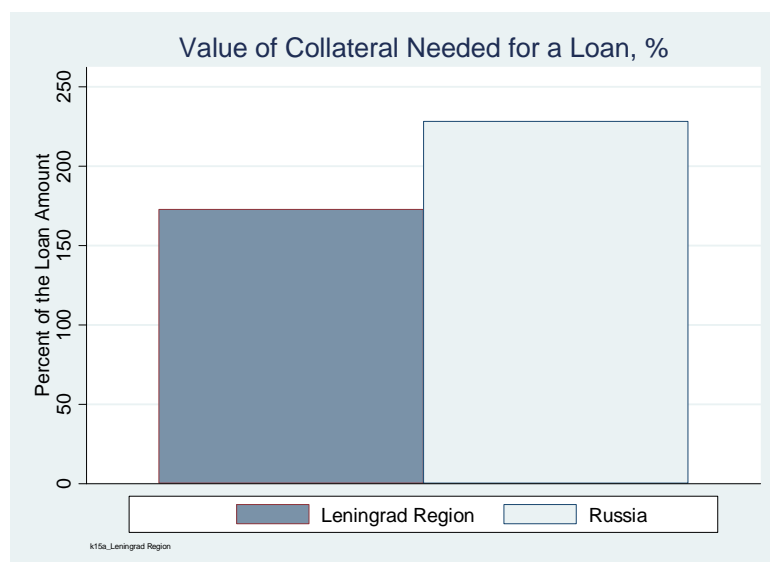
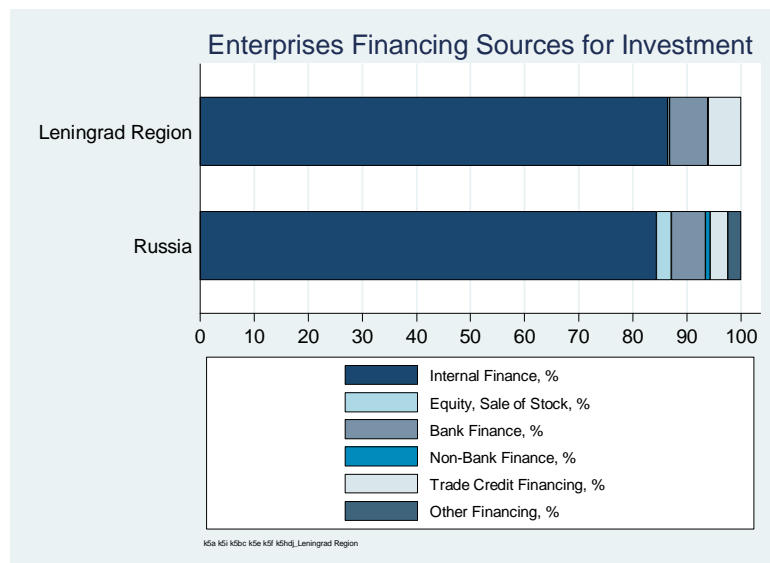
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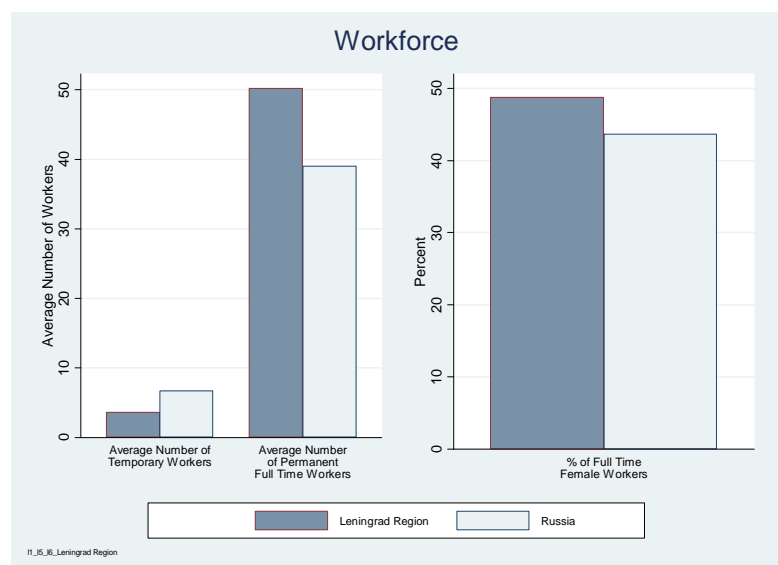
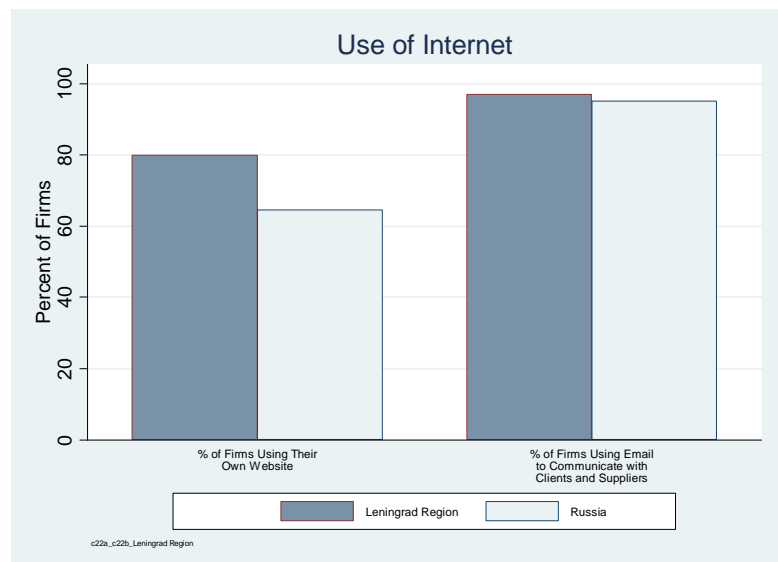
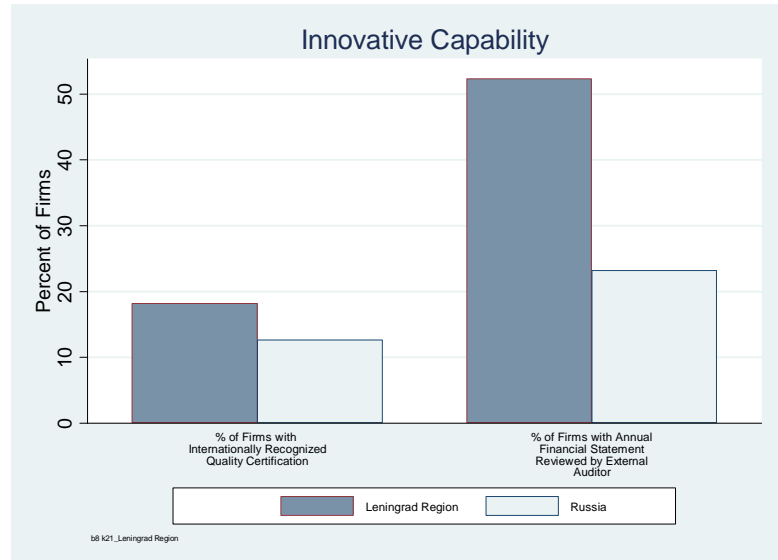
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The first set of indicators measures the extent to which firms invest in obtaining recognized certificates of production and accounting practices. Obtaining international quality certifications can open doors to technology and innovation and they also provide a sign of high quality that may open markets.

The second set of indicators demonstrates the use of information and communications technologies (ICT) in business transactions. ICT, such as the Internet, are important tools for all firms because they provide even the smallest of enterprises with the ability to reach national and international markets at low cost.

The third set of indicators presents the composition of the firm's workforce by type of contract and gender. Labor regulations have a direct effect on the type of employment favored by firms and they may have a differing impact by gender. The first two indicators present the composition of the workforce classified into temporary and permanent workers. The last indicator reflects the participation of women in regular full-time employment.



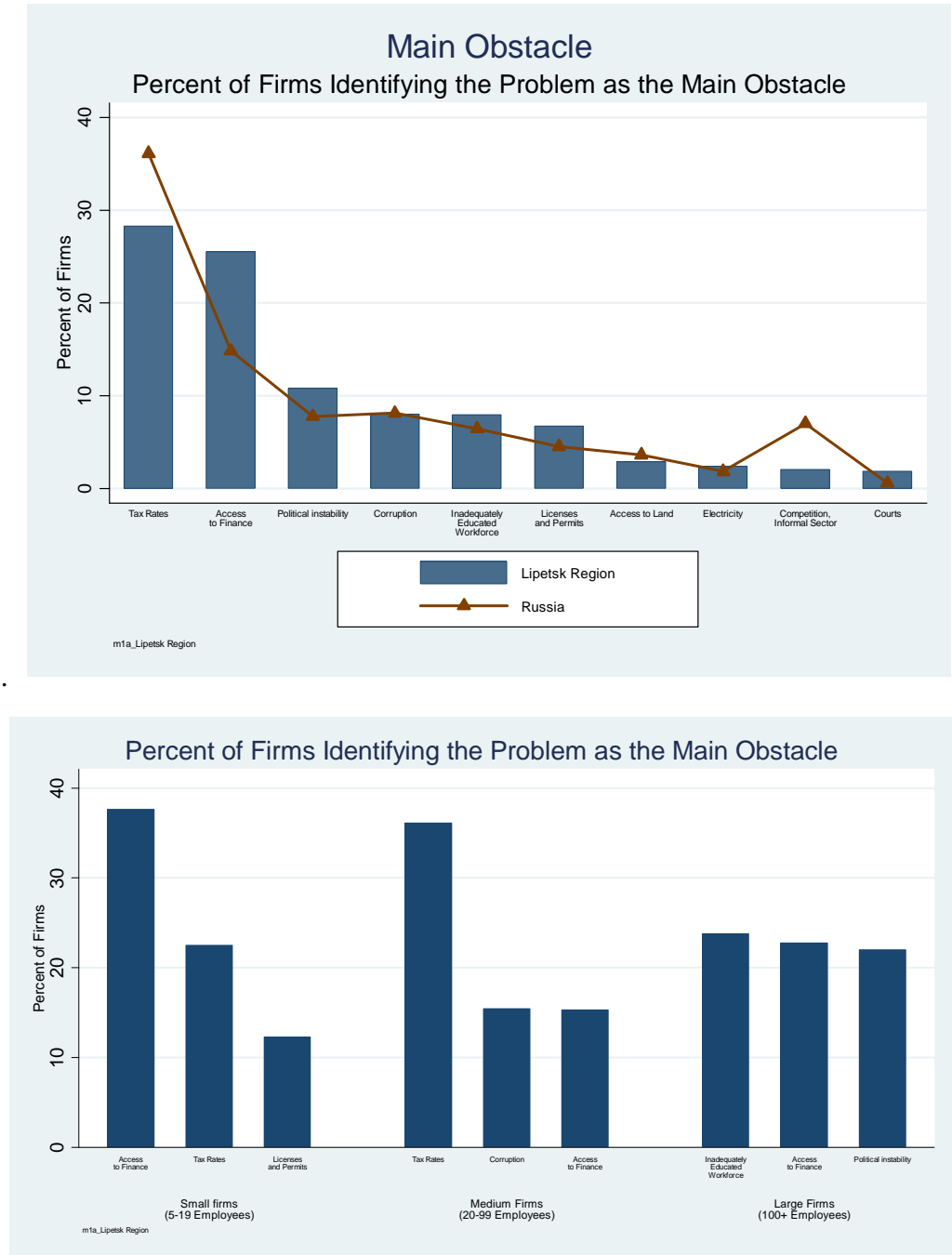
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	Leningrad Region	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	1.76	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	1.66	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	5.1%	7.4%		
<b>Transport</b>	2.07	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	6.8%			
<b>Customs and trade regulations</b>	0.91	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	7.7%	9.9%	5.6%	17.9%
<b>Practices of informal competitors</b>	0.79	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	3.7%			
<b>Access to land</b>	1.63	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	9.9%			
<b>Crime, theft and disorder</b>	1.78	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	10.6%			
<b>Access to finance</b>	2.05	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	17.0%	16.1%		
<b>Tax rates</b>	2.67	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	5.7%			
<b>Tax administration</b>	1.17	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	7.1%	11.8%	7.1%	
<b>Business licensing and permits</b>	1.87	0.29	Kirov Region; Smolensk Region; Stavropol Territory	11.9%	21.8%	8.5%	37.0%
<b>Political instability</b>	1.38	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	7.1%	6.2%	3.7%	35.5%
<b>Corruption</b>	2.32	0.60	Irkutsk Region; Kirov Region; Smolensk Region	19.0%	16.5%	8.8%	48.4%
<b>Courts</b>	0.99	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	9.6%	14.5%		
<b>Labor regulations</b>	0.88	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	7.7%			
<b>Inadequately educated workforce</b>	1.81	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	8.7%	10.6%	7.9%	

Lipetsk Region.<sup>14</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Lipetsk Region benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Lipetsk Region.



<sup>14</sup> 121 companies were surveyed by in Lipetsk Region. The benchmarks used for comparisons are averages for Russia as a whole.

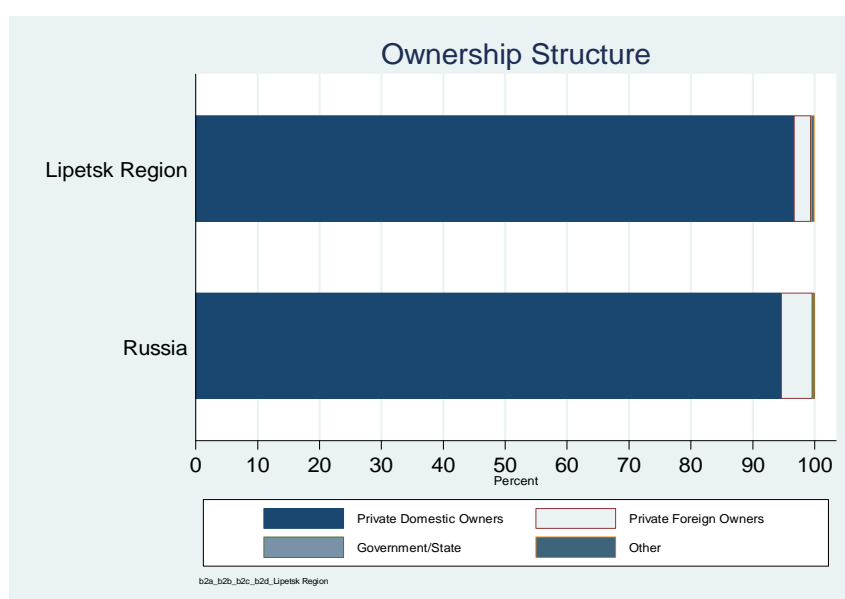
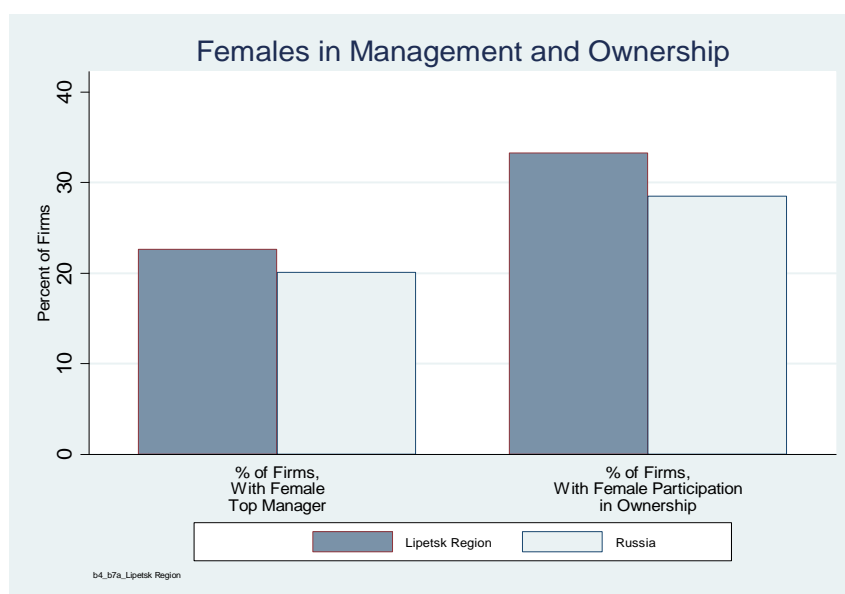
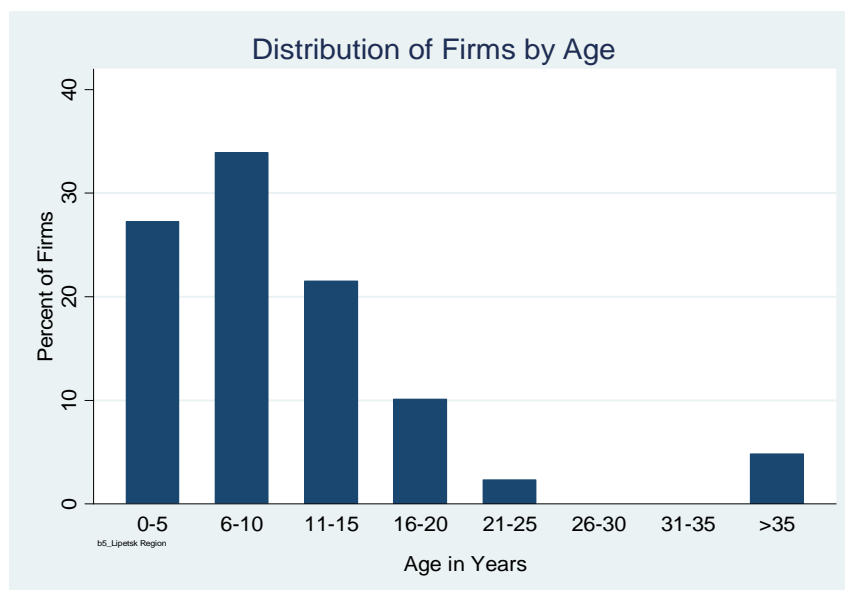
## Average Firm

The survey collects information from a representative sample of the non-agricultural formal private economy. In addition to collecting information on the business environment the surveys collect information on the characteristics of the firms interviewed. Consequently, the data collected provides a description of the representative private firm in the country and also an estimate of how some of the attributes of the average firm are distributed across the population of firms.

The first indicator shows the distribution of firms according to their age measured by the number of years they have been in operation. The effect the business environment can have on the private sector may depend on firms' experience and longevity. Seasoned firms and young firms may differ in their ability to successfully navigate the business environment.

The second set of indicators provides an illustration of female participation in management and firm ownership. These indicators can help assess whether gender can be a determinant of the effect of regulations on the firm and the level of exposure of the firm to external factors, such as corruption, access to finance, and technology.

The third indicator shows the participation of the domestic private sector, the government, the foreign sector and other sectors in the ownership of the typical firm. The distribution provides insight into their levels of equity in the private sector of the economy.



## Infrastructure

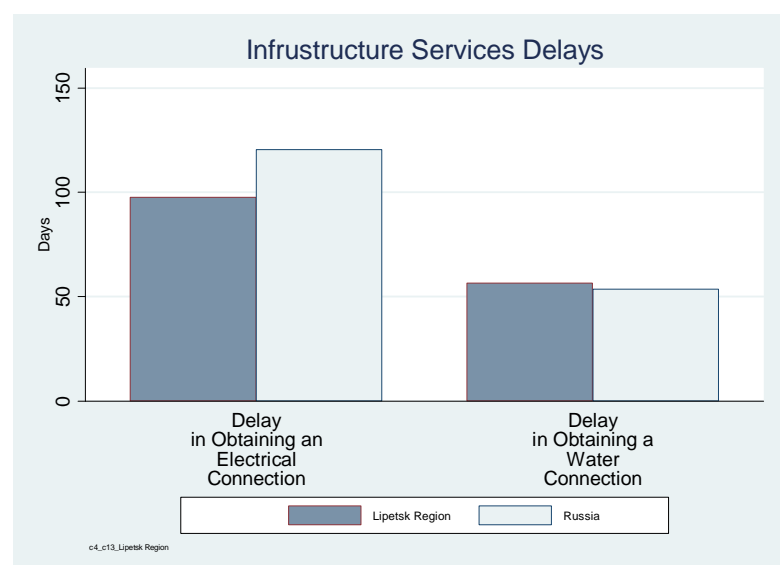
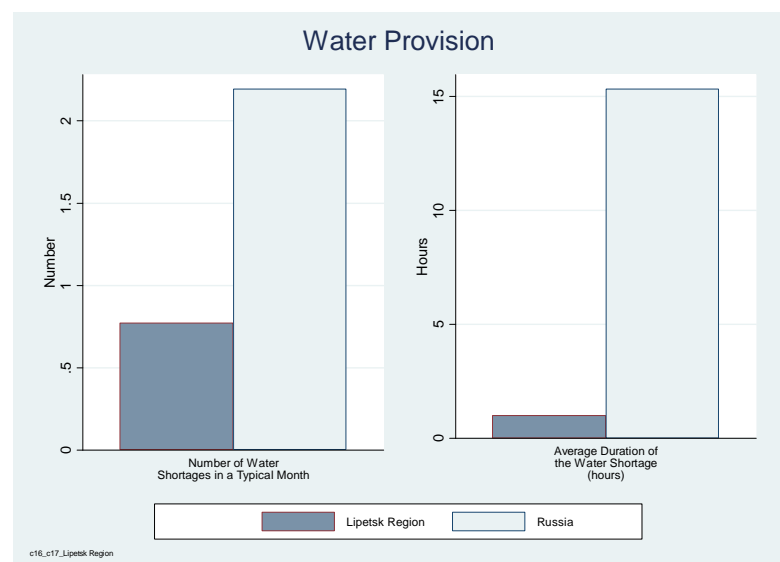
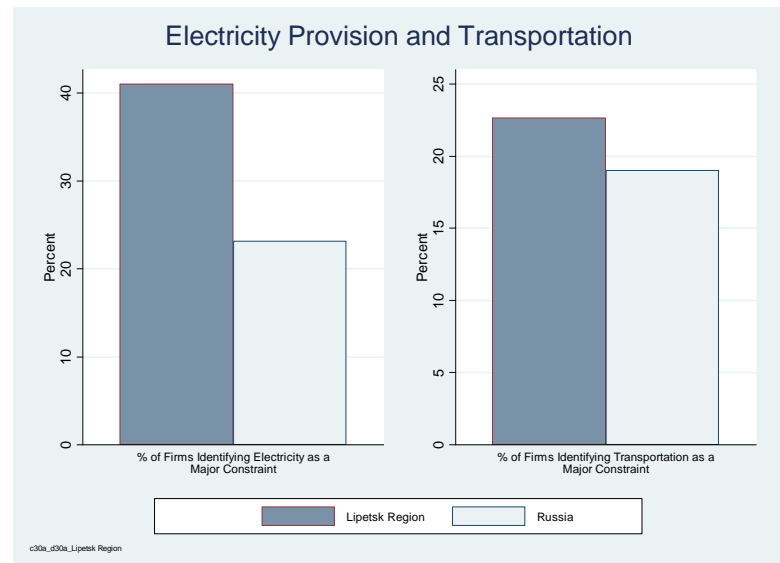
A strong infrastructure enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations.

The survey captures the dual challenge of providing a strong infrastructure for electricity, water supply, telephone connections, etc., and the development of institutions that effectively provide and maintain public services.

The first set of indicators shows the extent to which firms are faced with failures in the provision of electricity and the effect of these failures on sales. Inadequate electricity supply can increase costs, disrupt production, and reduce profitability.

The second set of indicators measures the efficiency of the water supply for the manufacturing sector. Many manufacturing sectors depend on reliable and efficient sources of water for their operations.

The third set of indicators evaluates the efficiency of infrastructure services by quantifying the delays in obtaining electricity, water, and telephone connections. Service delays impose additional costs on firms and may act as barriers to entry and investment.





## Trade

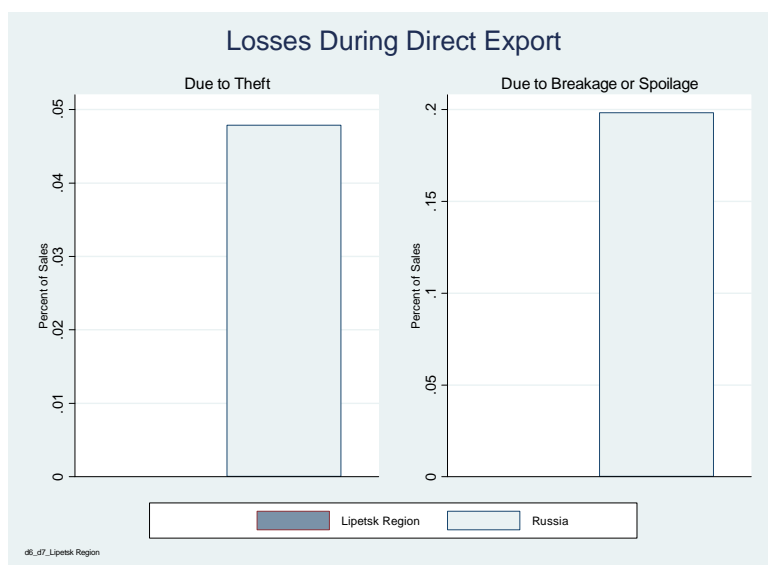
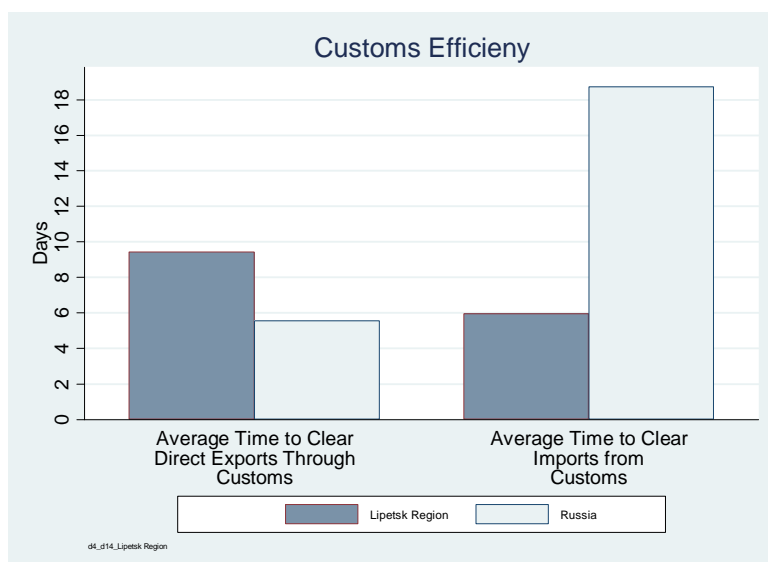
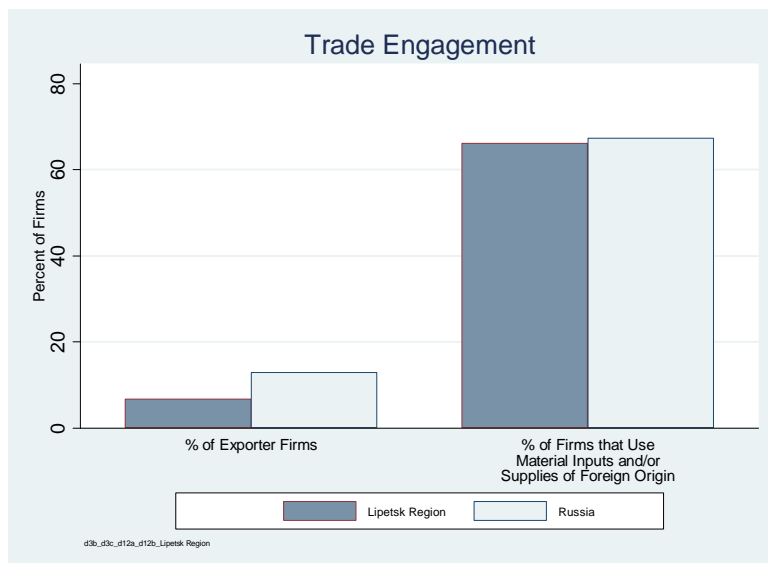
Open markets allow firms to expand, raise standards for efficiency on exporters, and enable firms to import low cost supplies. However, trading also forces firms to deal with customs services and trade regulations, obtain export and import licenses, and in some cases, firms also face additional costs due to losses during transport.

The survey collects information on the operational constraints faced by exporters and importers and also quantify the trade activity of firms.

The first set of indicators provides a measure of the intensity of foreign trade in the private sector. The first graph shows the percentage of firms who export directly or indirectly, i.e. using an intermediary. The second panel shows the percentage of manufacturing firms who use inputs or supplies of foreign origin.

The second set of indicators measures the average number of days to clear customs for imports and exports. The delay in clearing customs for imports or exports creates additional costs to the firm, can interrupt production, interfere with sales, and result in damaged supplies or merchandise.

The third set of indicators shows the percent value of exports lost during transport due to merchandise theft, and breakage or spoilage, reflecting the transport risks firms face during the export process.



## Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

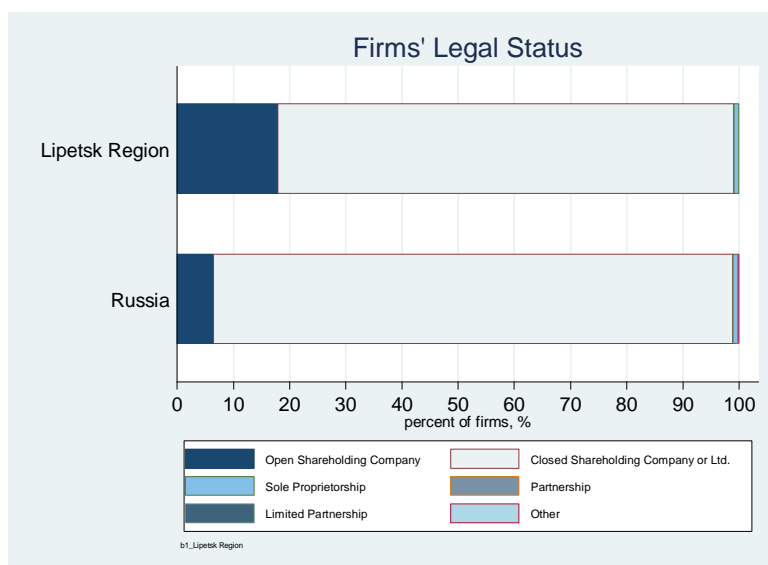
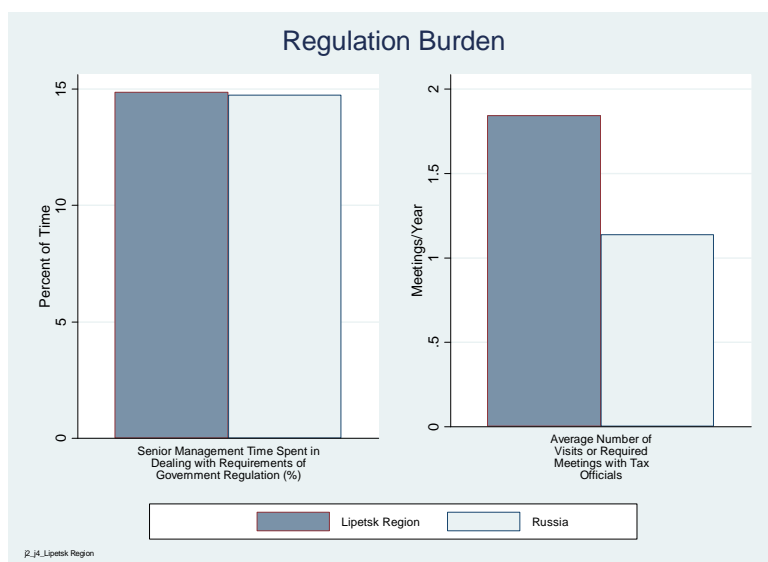
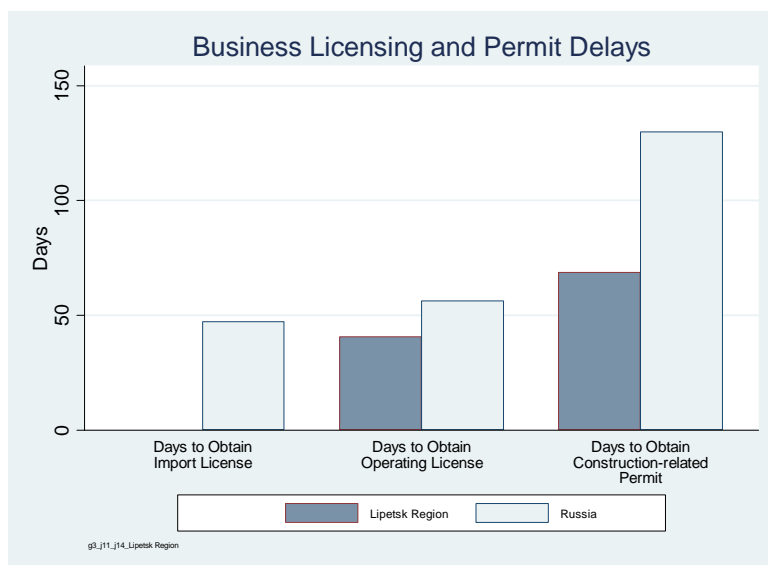
Effective regulations address market failures that inhibit productive investment and reconcile private and public interests. The number of permits and approvals that businesses need to obtain, and the time it takes to obtain them, is expensive and time consuming. The existing legislation of a country also determines the mix of legal forms private firms take and determines the level of protection for investors thus affecting the incentives to invest.

The survey provides qualitative and quantitative measures of taxation, regulations, and business licensing.

The first set of indicators focuses on the efficiency of business licensing and permit services. The indicators evaluate the delays faced when demanding these services.

The second set of indicators approximates the “time tax” imposed by regulations: it measures the time spent by senior management in meetings with public officials and the average number of tax inspections or meetings with tax inspectors in a year.

The third indicator shows the relative use of the different legal forms in the private sector. Most legal forms can be classified into shareholding companies with shares traded privately or non-traded at all (closed), shareholding companies publicly traded (open), sole proprietorships, partnerships, and limited partnerships. A residual category is included to capture legal forms not easily classified into the other categories.



## Corruption

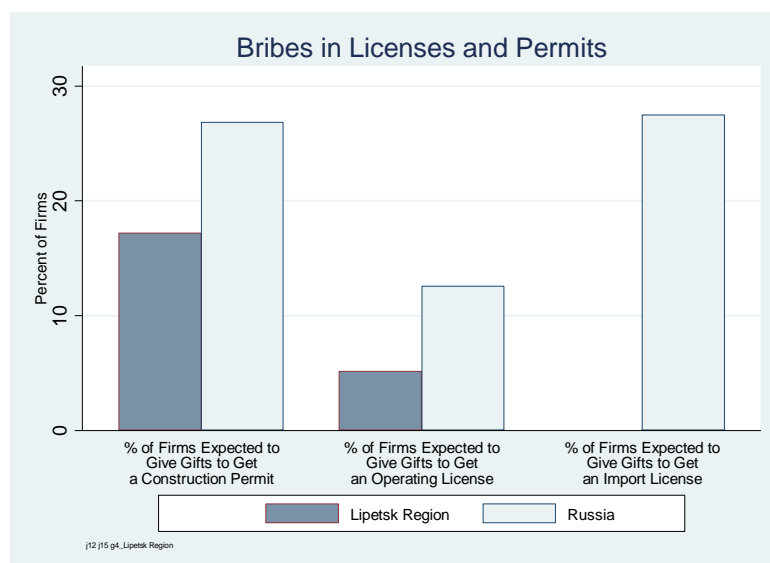
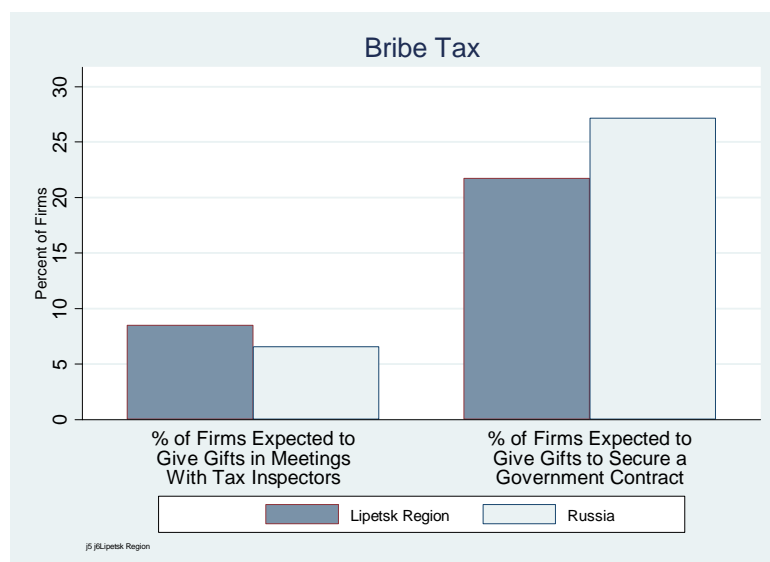
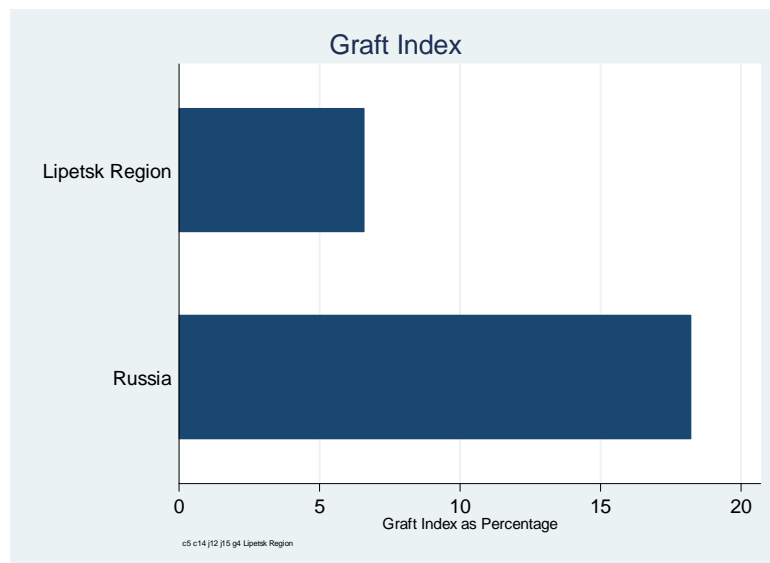
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

Inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make “unofficial” payments to public officials to get things done. In many countries bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for the firms’ growth and development.

The first set of indicators measures a composite index of corruption, the Graft Index that reflects the proportion of instances a firm was asked or expected to pay a bribe when soliciting six different public services, permits or licenses.

The second set of indicators identifies the extent to which specific regulatory and administrative officials require bribe payments during meetings with tax inspectors or in order to secure a government contract.

The third set of indicators focuses on bribes to obtain specific licenses or permits, and shows the share of firms that are expected to make informal payments to secure import and operating licenses and to obtain a construction permit.



## Crime and Informality

Crime imposes costs on firms when they are forced to divert resources from productive uses to cover security costs. Both foreign and domestic investors perceive crime as an indication of social instability, and crime drives up the cost of doing business. Also, commercial disputes between firms and their clients occur regularly in the course of doing business. Resolving these disputes can be challenging when legal institutions are weak or nonexistent.

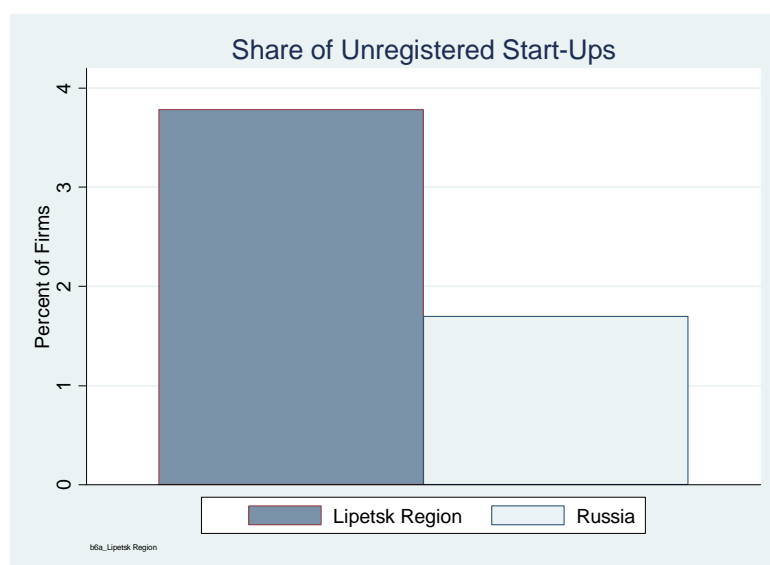
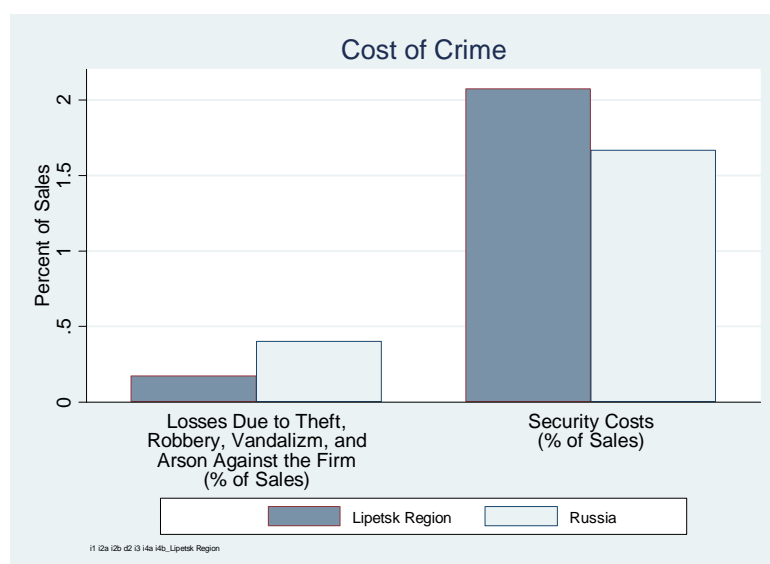
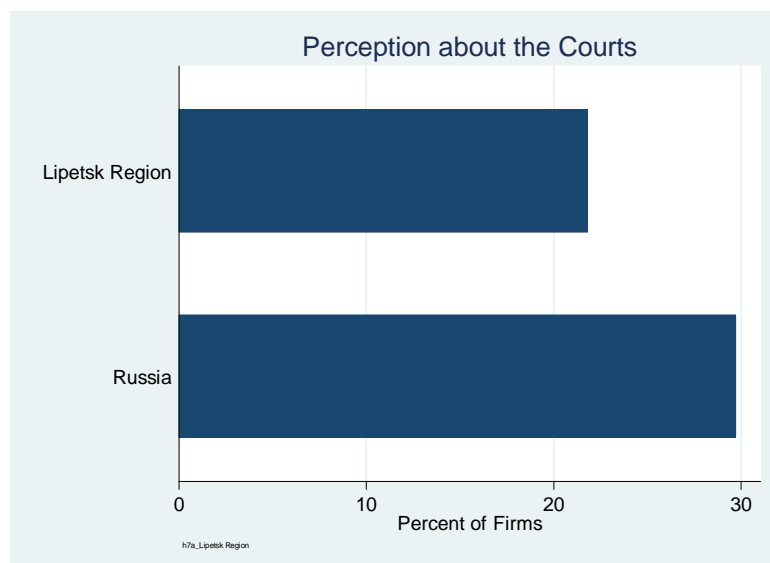
Similarly, a large informal sector has serious consequences for the formal private sector. The informal sector may pose unfair competition for formal firms.

The survey captures key dimensions of the effect of crime on firm sales, the extent to which entrepreneurs identify courts as fair, and the degree of informality in an economy.

The first indicator shows the share of firms that recognize the functioning of the courts as being fair, impartial, and uncorrupted.

The second set of indicators measures the direct costs of security incurred by firms as well as their direct losses due to crime. These resources represent an opportunity cost since they could have been invested in productive activities.

The third set of indicators shows the percentage of firms that started operation without begin formally registered. It is an approximation to the prevalence of informality in the private economy.



## Finance

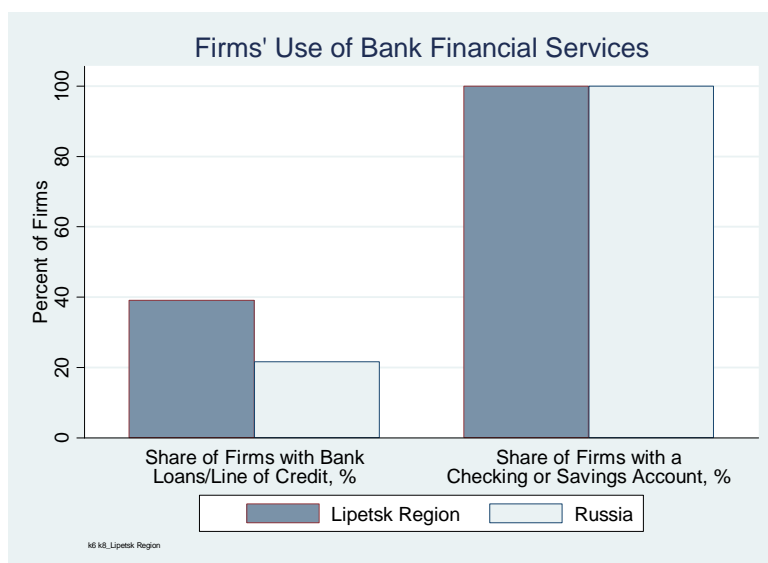
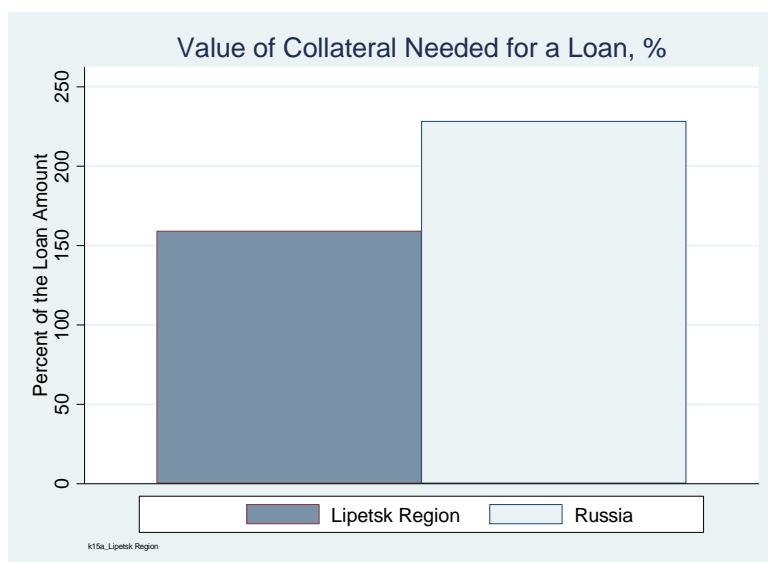
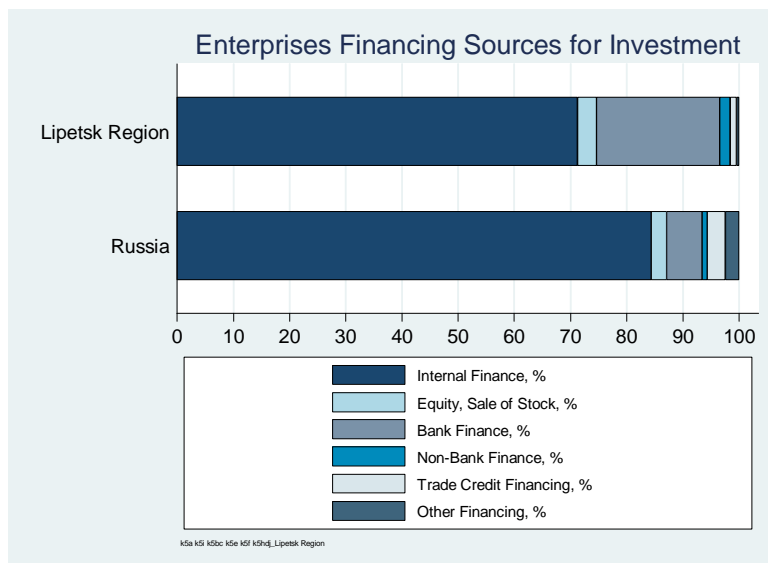
Developed financial markets provide payment services, mobilize deposits, and ease investment financing. Efficient financial markets reduce the reliance on internal funds and on money from informal sources such as family and friends by connecting firms to a broad range of lenders and investors.

The survey provides indicators of how firms finance their operations and of the characteristics of their financial transactions.

The first set of indicators compares the relative use of various sources for financing investment. Excessive reliance on internal funds is a sign of potentially inefficient financial intermediation.

The second set of indicators measures the use of financial markets by individual firms. It presents the percentage of working capital that is financed by sources external to the firm, and a measure of the burden imposed by loan requirements measured by collateral levels relative to the value of the loans.

The third set of indicators focuses on the use of financial services by private firms both on the credit side, by measuring the percentage of firms with bank loans or lines of credit, and on the deposit mobilization side, by measuring the percentage of firms with checking or savings accounts.



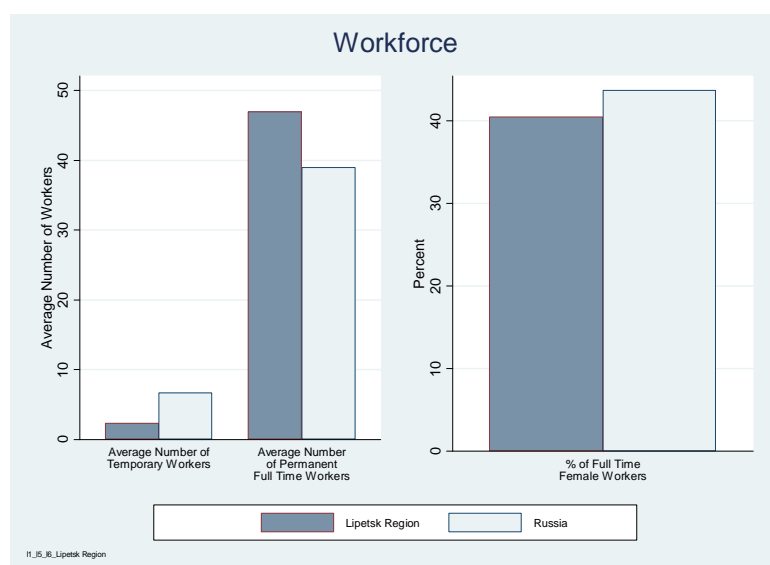
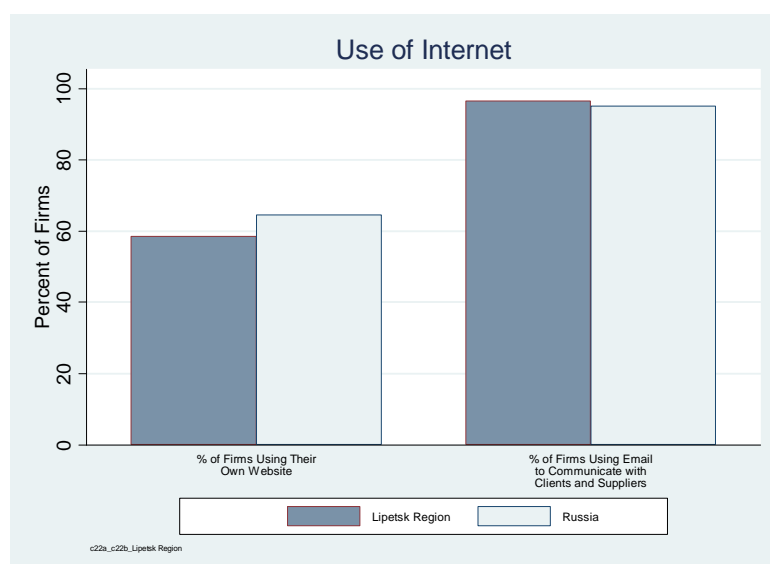
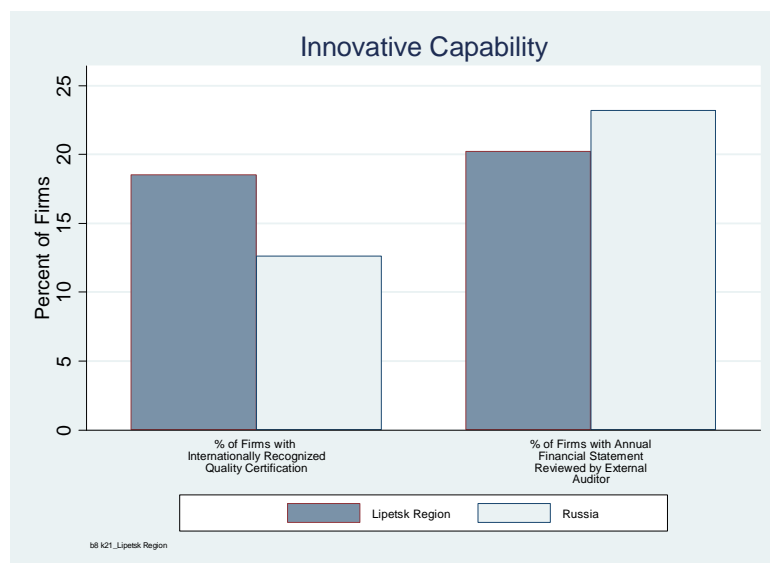
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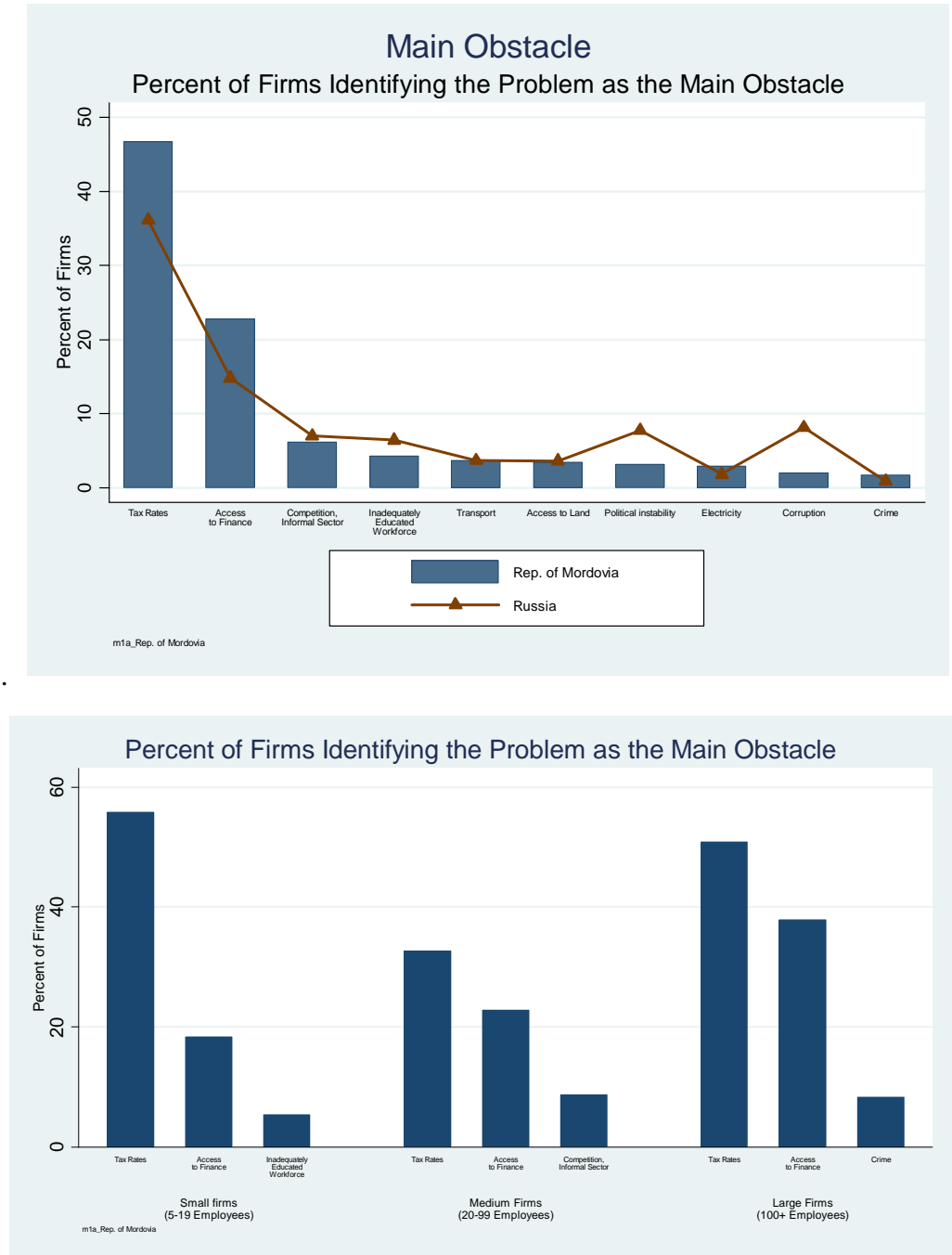
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	<i>Lipetsk Region</i>	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	1.67	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	1.35	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	3.9%	5.7%		
<b>Transport</b>	1.13	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	3.1%			
<b>Customs and trade regulations</b>	0.37	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	2.5%	3.2%	1.8%	5.9%
<b>Practices of informal competitors</b>	0.44	0.33	<i>Lipetsk Region</i> ; Novosibirsk Region; Stavropol Territory				
<b>Access to land</b>	0.56	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	1.6%			
<b>Crime, theft and disorder</b>	1.01	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	5.5%			
<b>Access to finance</b>	1.87	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	14.9%	14.1%		
<b>Tax rates</b>	2.57	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	5.3%			
<b>Tax administration</b>	1.04	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	6.0%	10.0%	6.0%	
<b>Business licensing and permits</b>	0.90	0.29	Kirov Region; Smolensk Region; Stavropol Territory	4.6%	8.4%	3.3%	14.3%
<b>Political instability</b>	1.30	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	6.3%	5.4%	3.2%	31.3%
<b>Corruption</b>	1.05	0.60	Irkutsk Region; Kirov Region; Smolensk Region	4.9%	4.2%	2.3%	12.5%
<b>Courts</b>	0.63	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	5.8%	8.7%		
<b>Labor regulations</b>	0.37	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	2.7%			
<b>Inadequately educated workforce</b>	1.23	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	4.8%	5.9%	4.4%	

Republic of Mordovia.<sup>15</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Republic of Mordovia benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Republic of Mordovia.



<sup>15</sup> 120 companies were surveyed by in Republic of Mordovia. The benchmarks used for comparisons are averages for Russia as a whole.



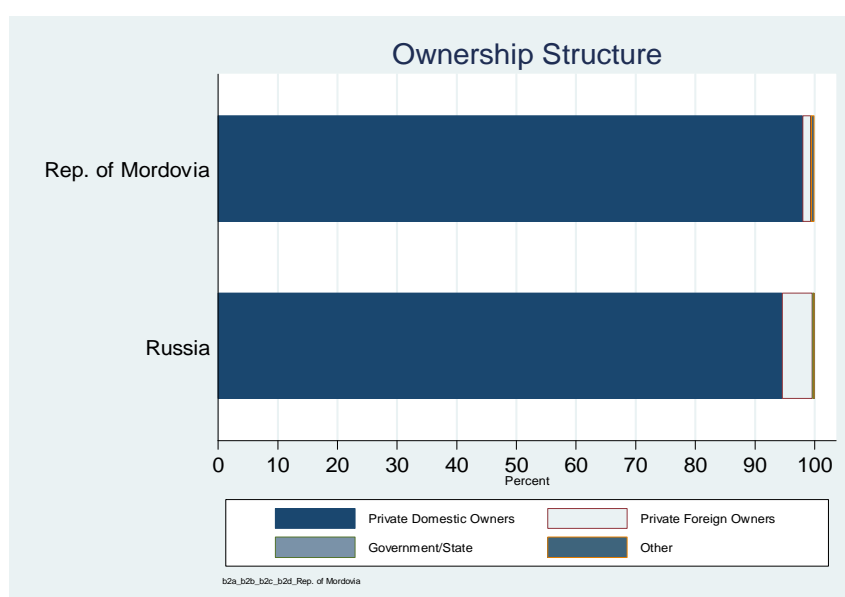
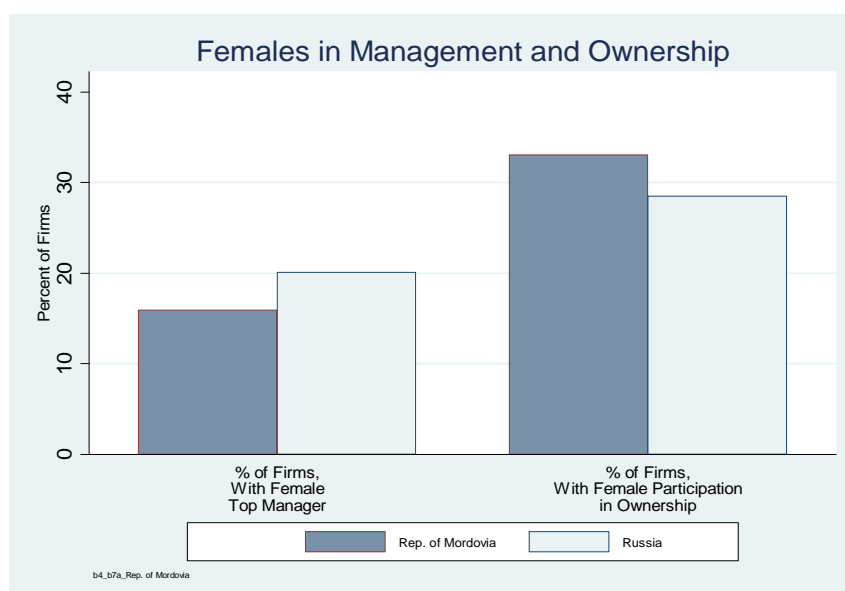
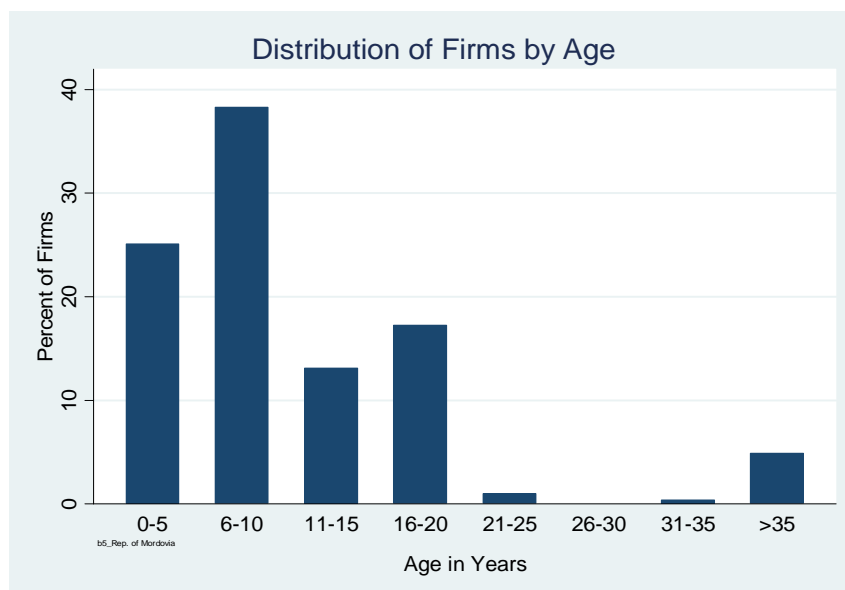
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## Infrastructure

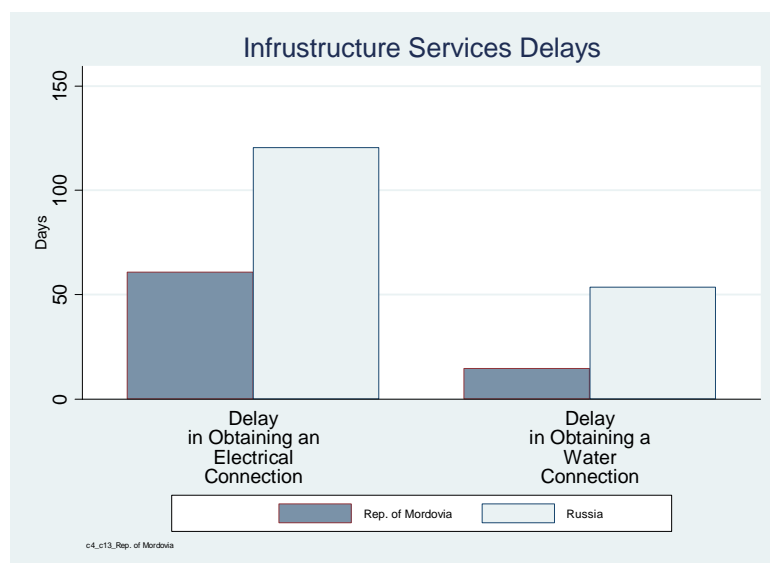
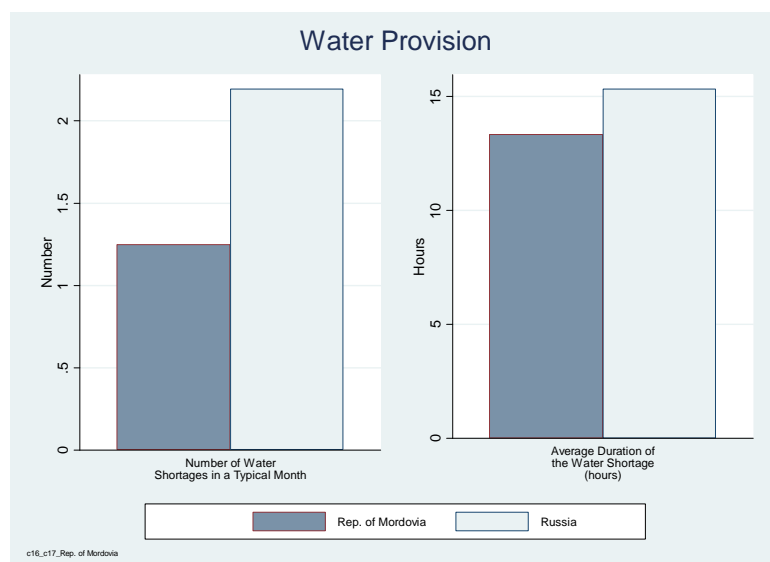
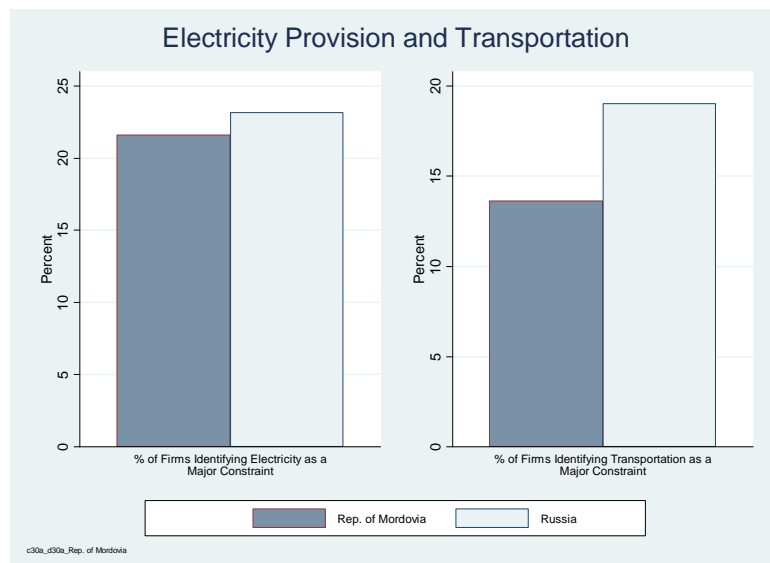
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## Trade

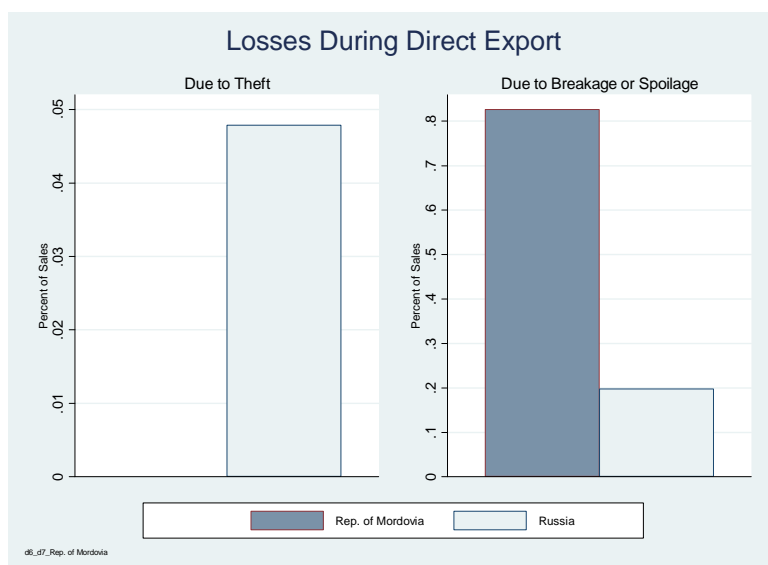
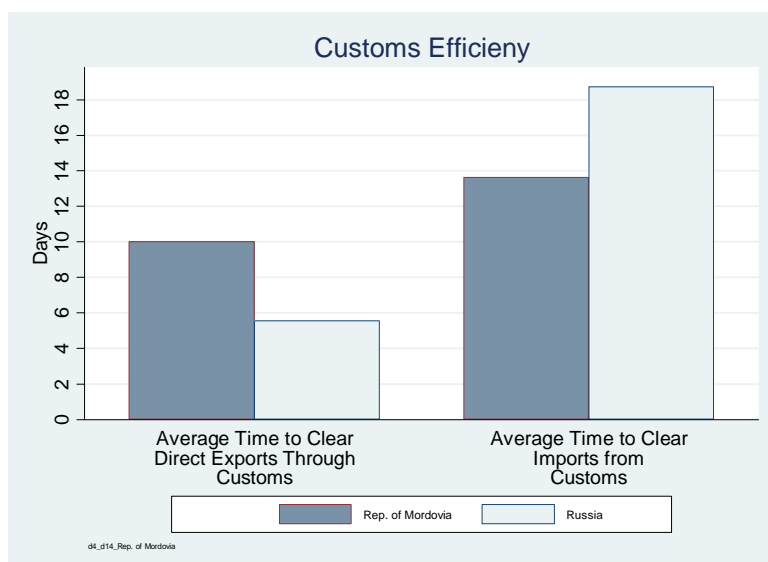
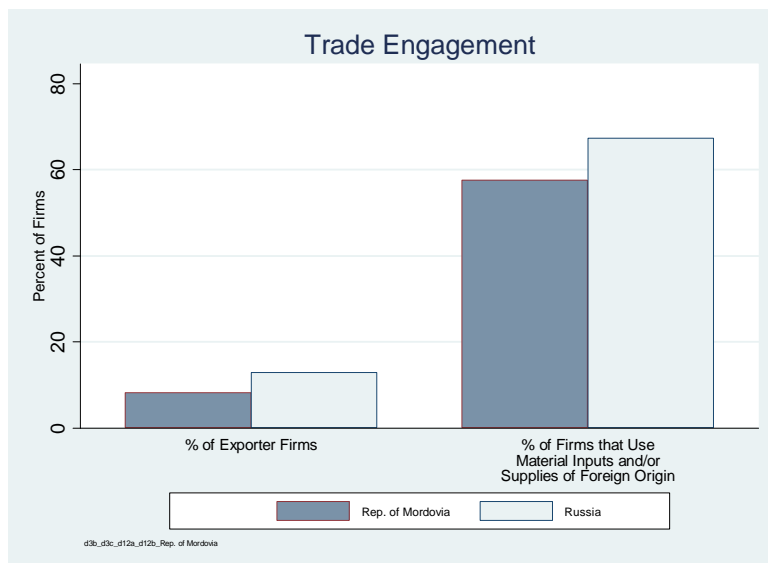
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## Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

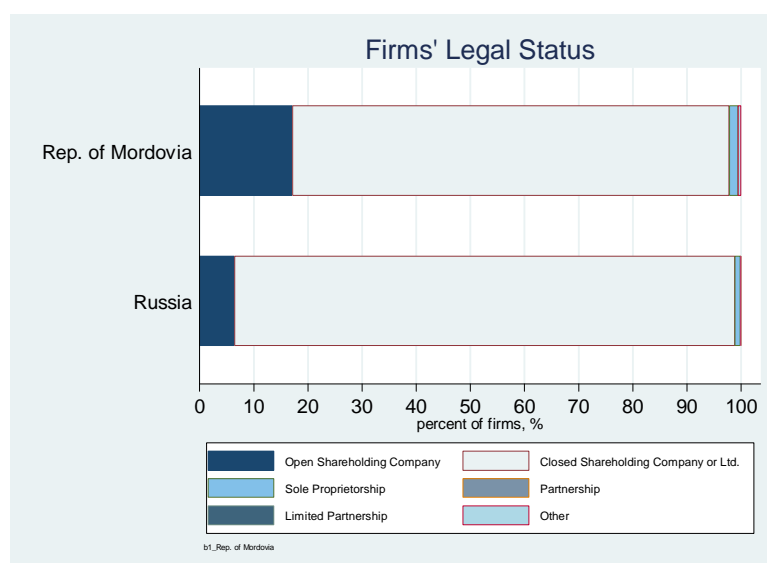
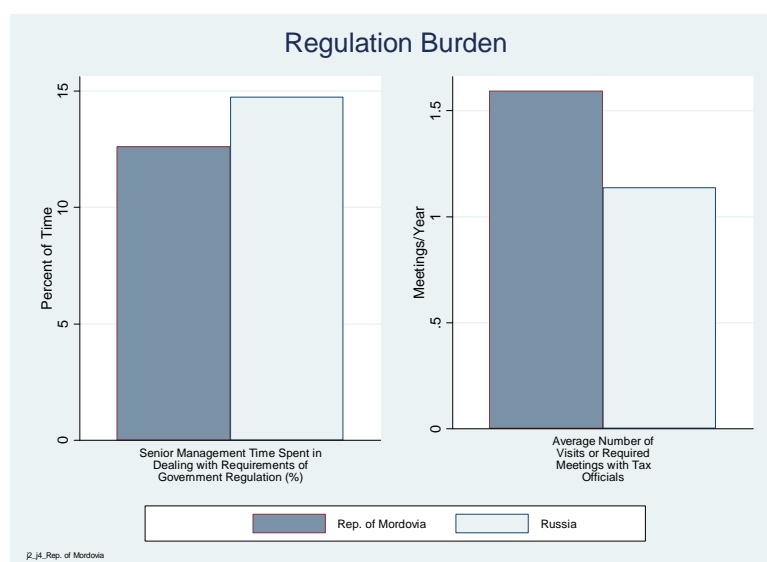
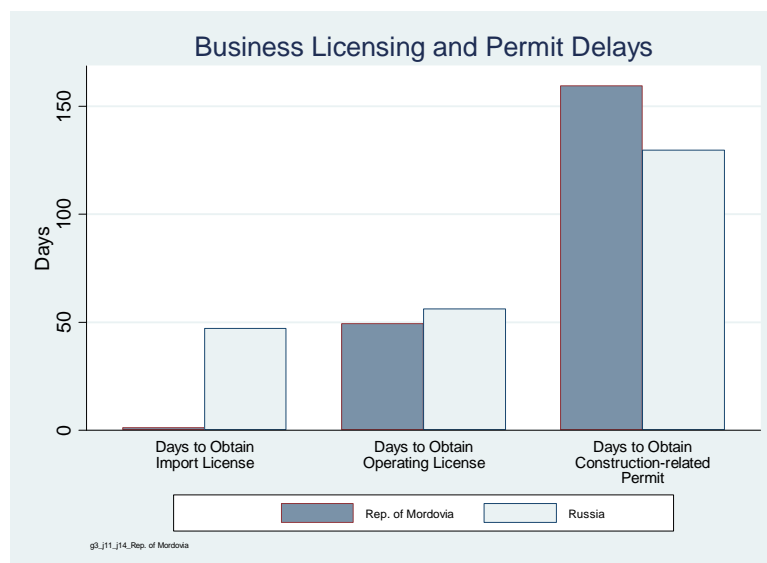
Effective regulations address market failures that inhibit productive investment and reconcile private and public interests. The number of permits and approvals that businesses need to obtain, and the time it takes to obtain them, is expensive and time consuming. The existing legislation of a country also determines the mix of legal forms private firms take and determines the level of protection for investors thus affecting the incentives to invest.

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The first set of indicators focuses on the efficiency of business licensing and permit services. The indicators evaluate the delays faced when demanding these services.

The second set of indicators approximates the “time tax” imposed by regulations: it measures the time spent by senior management in meetings with public officials and the average number of tax inspections or meetings with tax inspectors in a year.

The third indicator shows the relative use of the different legal forms in the private sector. Most legal forms can be classified into shareholding companies with shares traded privately or non-traded at all (closed), shareholding companies publicly traded (open), sole proprietorships, partnerships, and limited partnerships. A residual category is included to capture legal forms not easily classified into the other categories.



## Corruption

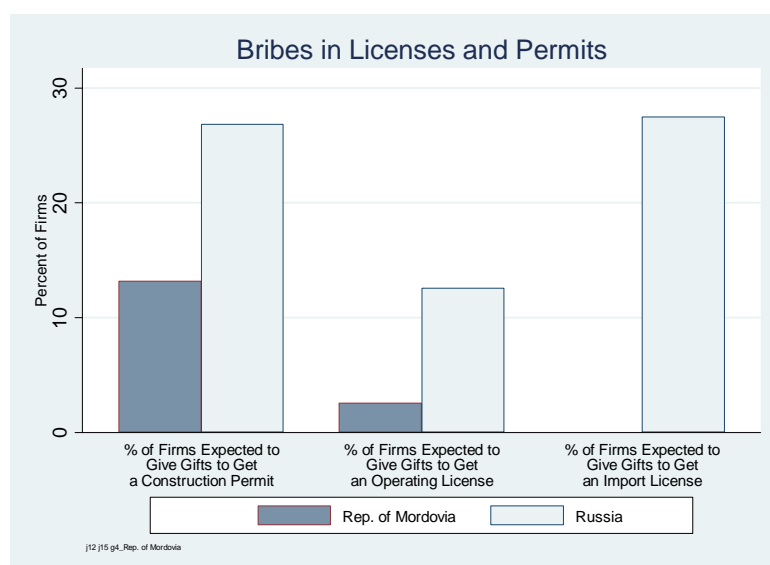
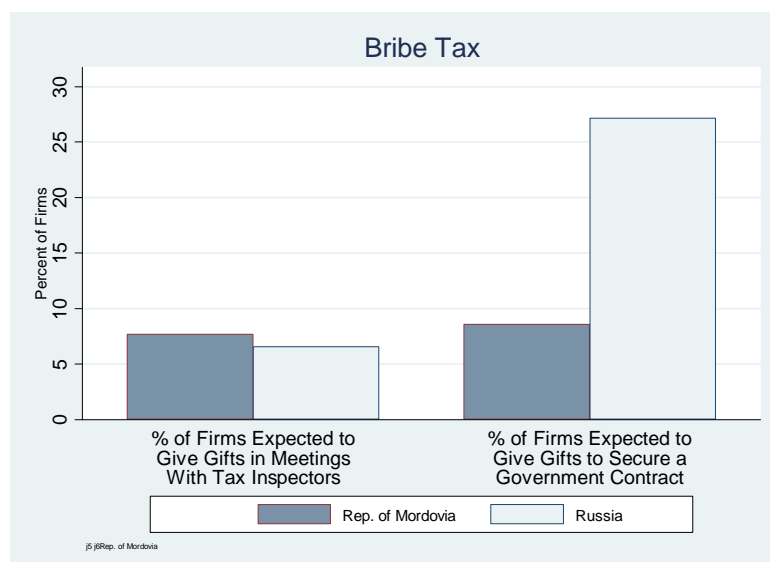
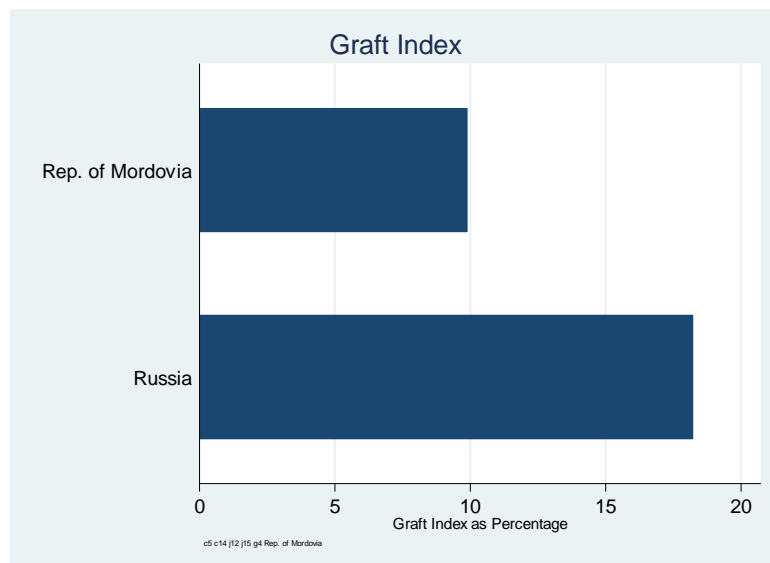
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

Inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make “unofficial” payments to public officials to get things done. In many countries bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for the firms’ growth and development.

The first set of indicators measures a composite index of corruption, the Graft Index that reflects the proportion of instances a firm was asked or expected to pay a bribe when soliciting six different public services, permits or licenses.

The second set of indicators identifies the extent to which specific regulatory and administrative officials require bribe payments during meetings with tax inspectors or in order to secure a government contract.

The third set of indicators focuses on bribes to obtain specific licenses or permits, and shows the share of firms that are expected to make informal payments to secure import and operating licenses and to obtain a construction permit.



## Crime and Informality

Crime imposes costs on firms when they are forced to divert resources from productive uses to cover security costs. Both foreign and domestic investors perceive crime as an indication of social instability, and crime drives up the cost of doing business. Also, commercial disputes between firms and their clients occur regularly in the course of doing business. Resolving these disputes can be challenging when legal institutions are weak or nonexistent.

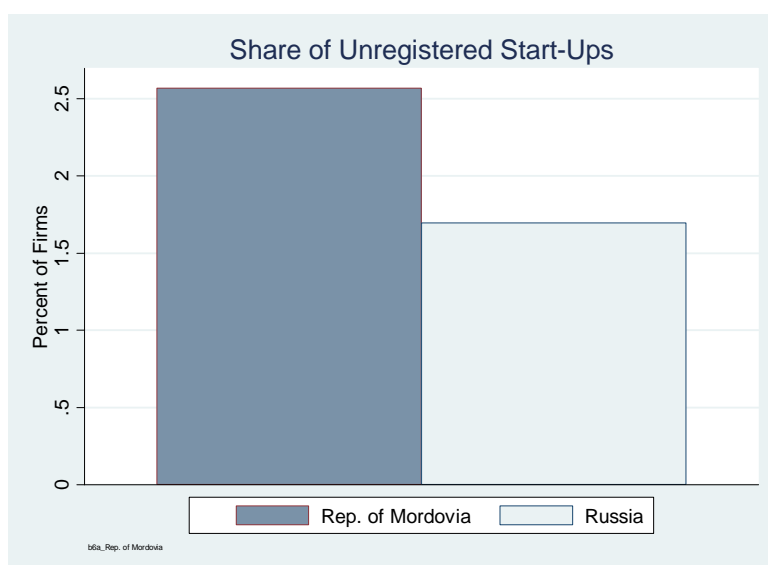
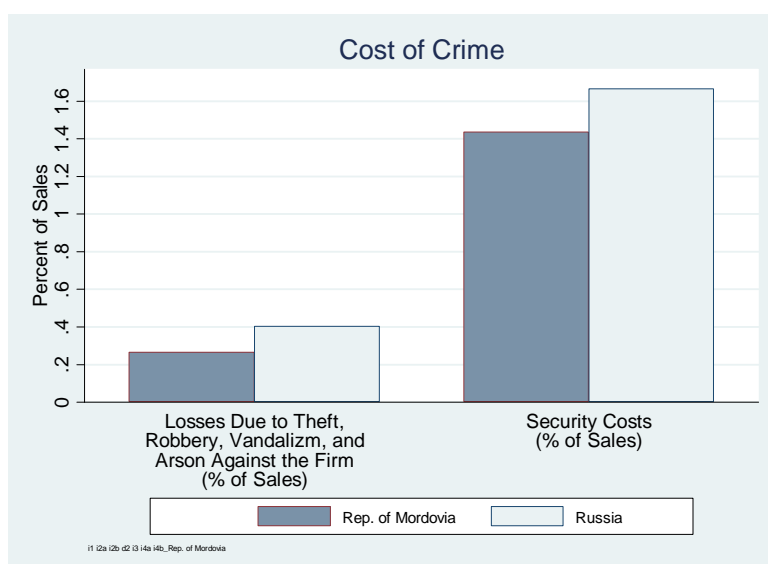
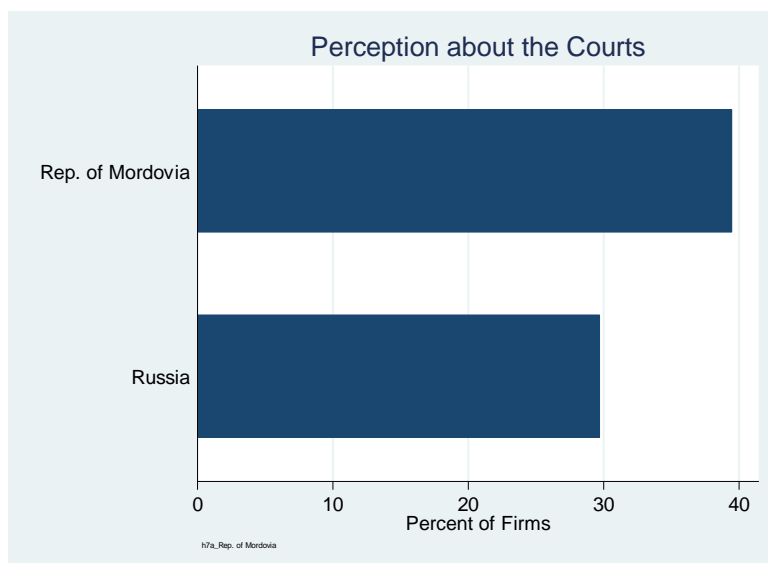
Similarly, a large informal sector has serious consequences for the formal private sector. The informal sector may pose unfair competition for formal firms.

The survey captures key dimensions of the effect of crime on firm sales, the extent to which entrepreneurs identify courts as fair, and the degree of informality in an economy.

The first indicator shows the share of firms that recognize the functioning of the courts as being fair, impartial, and uncorrupted.

The second set of indicators measures the direct costs of security incurred by firms as well as their direct losses due to crime. These resources represent an opportunity cost since they could have been invested in productive activities.

The third set of indicators shows the percentage of firms that started operation without begin formally registered. It is an approximation to the prevalence of informality in the private economy.



## Finance

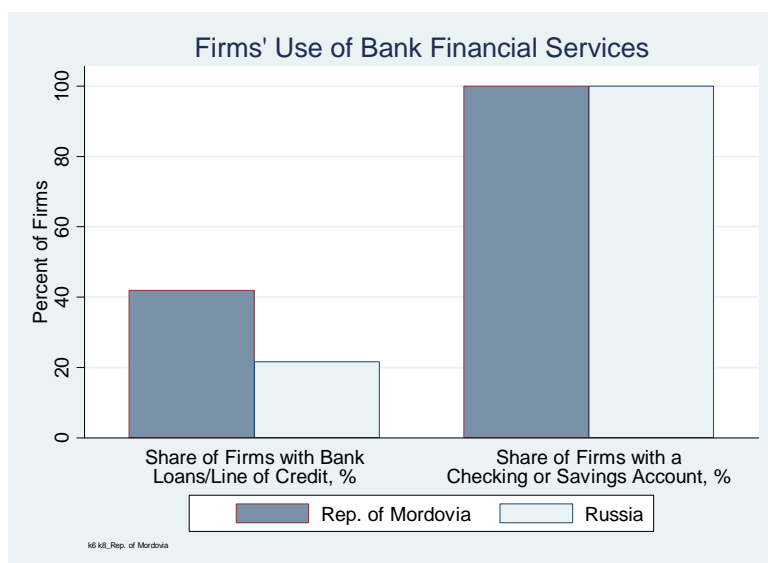
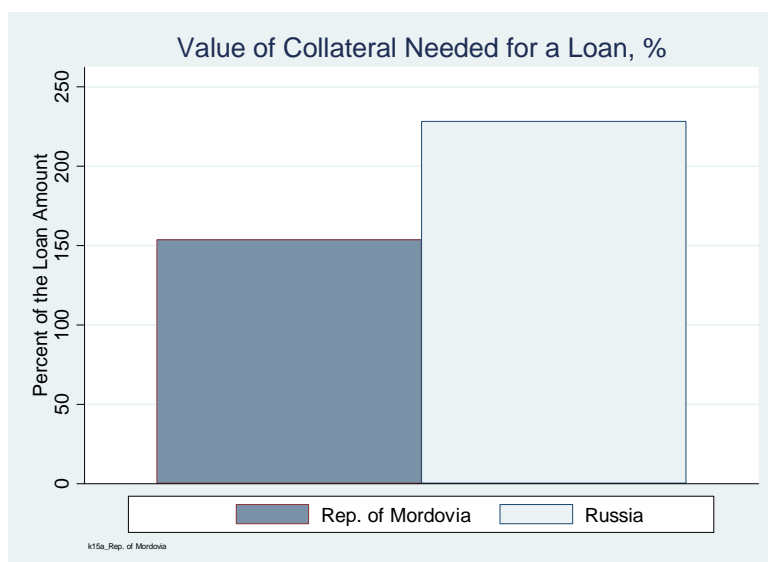
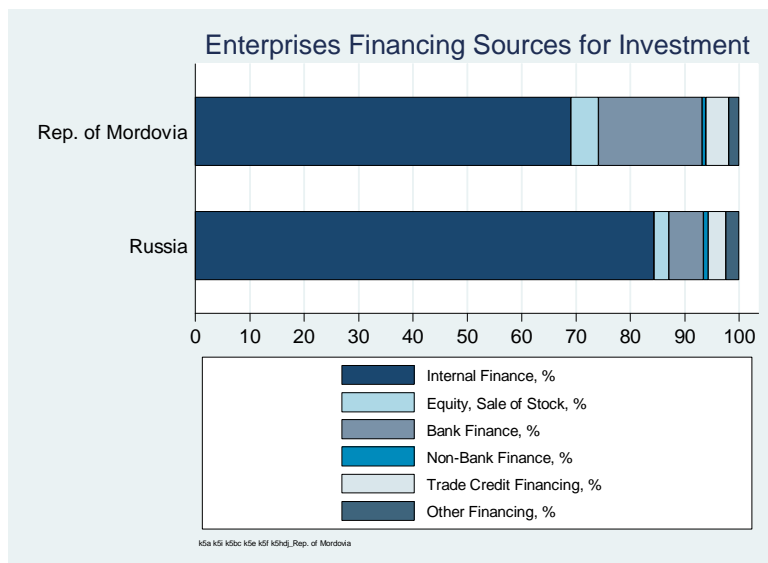
Developed financial markets provide payment services, mobilize deposits, and ease investment financing. Efficient financial markets reduce the reliance on internal funds and on money from informal sources such as family and friends by connecting firms to a broad range of lenders and investors.

The survey provides indicators of how firms finance their operations and of the characteristics of their financial transactions.

The first set of indicators compares the relative use of various sources for financing investment. Excessive reliance on internal funds is a sign of potentially inefficient financial intermediation.

The second set of indicators measures the use of financial markets by individual firms. It presents the percentage of working capital that is financed by sources external to the firm, and a measure of the burden imposed by loan requirements measured by collateral levels relative to the value of the loans.

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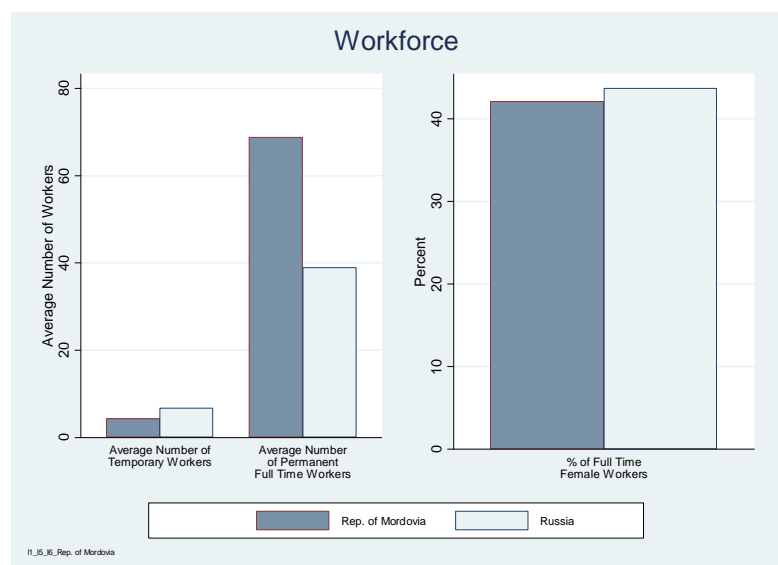
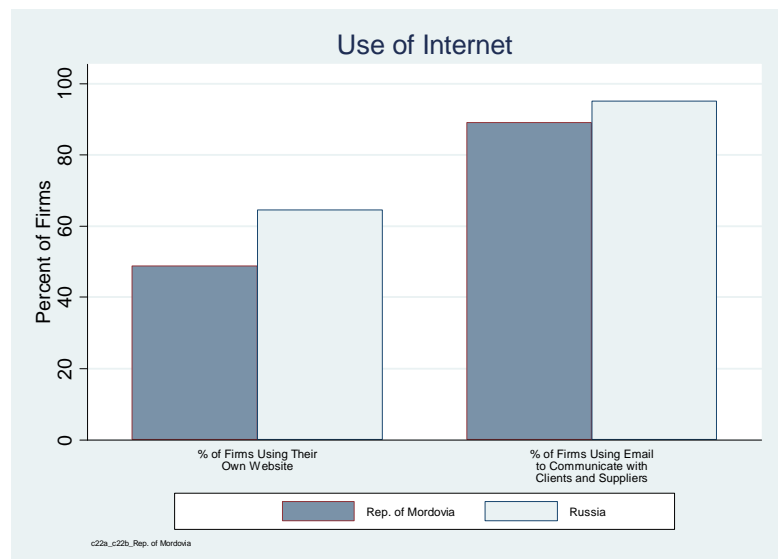
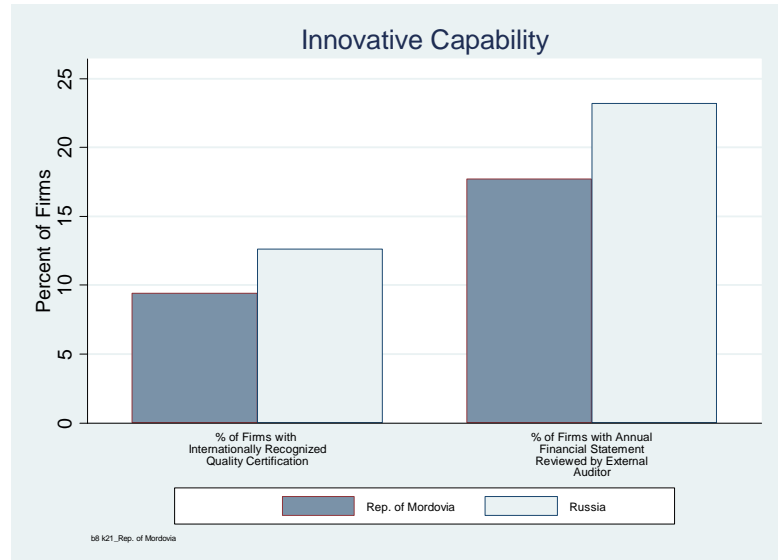
## Innovation and Workforce

The Survey provide indicators that describe several dimensions of technology use and innovation. They also collect information on the characteristics of the workforce employed in the non-agricultural private economy.

The first set of indicators measures the extent to which firms invest in obtaining recognized certificates of production and accounting practices. Obtaining international quality certifications can open doors to technology and innovation and they also provide a sign of high quality that may open markets.

The second set of indicators demonstrates the use of information and communications technologies (ICT) in business transactions. ICT, such as the Internet, are important tools for all firms because they provide even the smallest of enterprises with the ability to reach national and international markets at low cost.

The third set of indicators presents the composition of the firm's workforce by type of contract and gender. Labor regulations have a direct effect on the type of employment favored by firms and they may have a differing impact by gender. The first two indicators present the composition of the workforce classified into temporary and permanent workers. The last indicator reflects the participation of women in regular full-time employment.





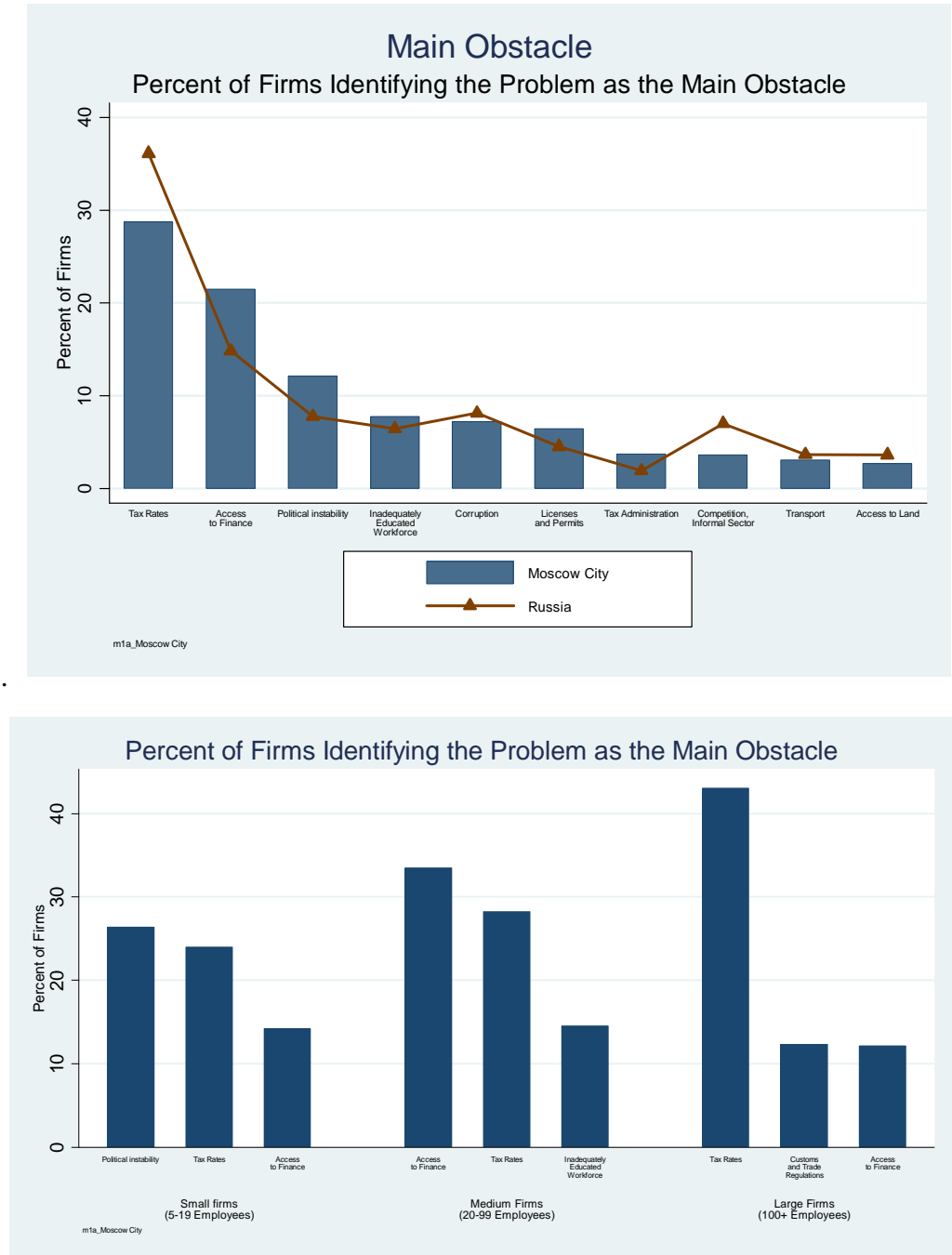
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	<i>Republic of Mordovia</i>	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	0.92	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	0.94	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	2.3%	3.3%		
<b>Transport</b>	0.79	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	1.8%			
<b>Customs and trade regulations</b>	0.33	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	2.1%	2.7%	1.5%	4.9%
<b>Practices of informal competitors</b>	0.66	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	2.7%			
<b>Access to land</b>	0.75	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	3.0%			
<b>Crime, theft and disorder</b>	0.46	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	1.9%			
<b>Access to finance</b>	1.13	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	5.9%	5.6%		
<b>Tax rates</b>	2.57	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	5.2%			
<b>Tax administration</b>	0.62	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	2.3%	3.9%	2.3%	
<b>Business licensing and permits</b>	0.53	0.29	Kirov Region; Smolensk Region; Stavropol Territory	1.8%	3.3%	1.3%	5.6%
<b>Political instability</b>	0.77	0.74	Irkutsk Region; <i>Republic of Mordovia</i> ; Smolensk Region				
<b>Corruption</b>	0.90	0.60	Irkutsk Region; Kirov Region; Smolensk Region	3.3%	2.9%	1.5%	8.4%
<b>Courts</b>	0.26	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	1.9%	2.9%		
<b>Labor regulations</b>	0.42	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	3.2%			
<b>Inadequately educated workforce</b>	1.17	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	4.5%	5.5%	4.1%	

Moscow City.<sup>16</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Moscow City benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Moscow City.



<sup>16</sup> 123 companies were surveyed by in Moscow City. The benchmarks used for comparisons are averages for Russia as a whole.

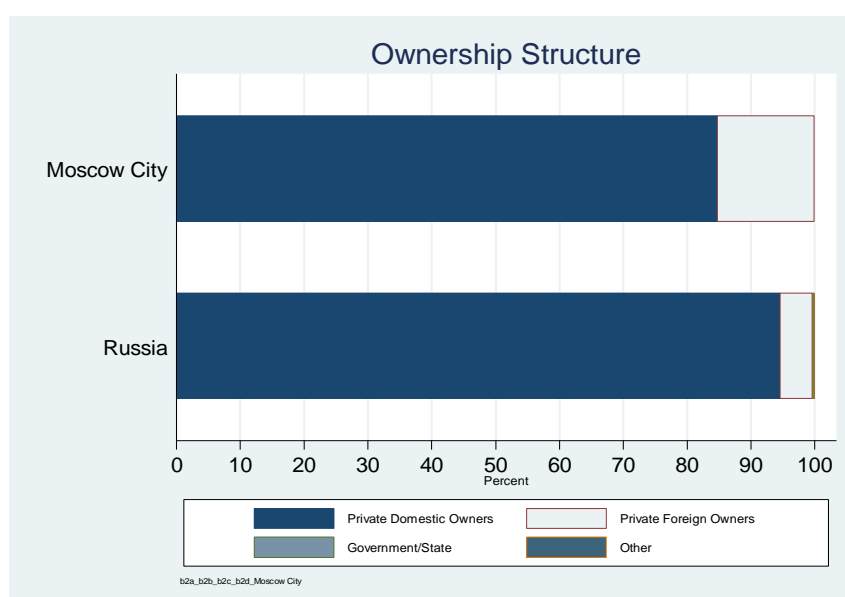
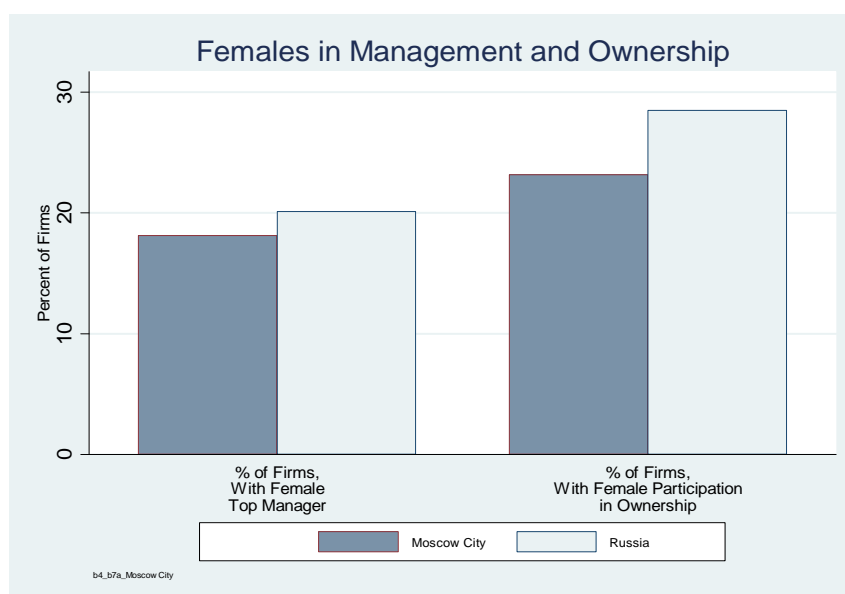
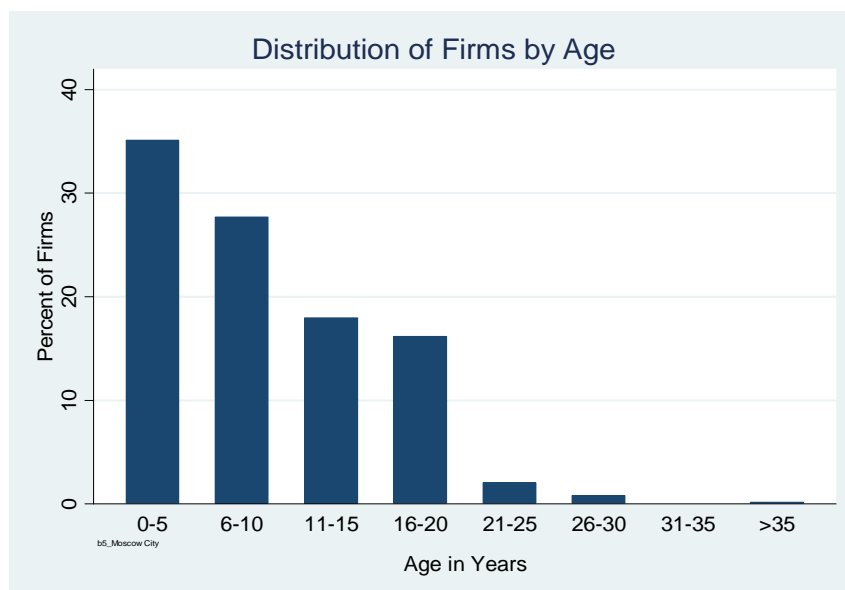
## Average Firm

The survey collects information from a representative sample of the non-agricultural formal private economy. In addition to collecting information on the business environment the surveys collect information on the characteristics of the firms interviewed. Consequently, the data collected provides a description of the representative private firm in the country and also an estimate of how some of the attributes of the average firm are distributed across the population of firms.

The first indicator shows the distribution of firms according to their age measured by the number of years they have been in operation. The effect the business environment can have on the private sector may depend on firms' experience and longevity. Seasoned firms and young firms may differ in their ability to successfully navigate the business environment.

The second set of indicators provides an illustration of female participation in management and firm ownership. These indicators can help assess whether gender can be a determinant of the effect of regulations on the firm and the level of exposure of the firm to external factors, such as corruption, access to finance, and technology.

The third indicator shows the participation of the domestic private sector, the government, the foreign sector and other sectors in the ownership of the typical firm. The distribution provides insight into their levels of equity in the private sector of the economy.



## Infrastructure

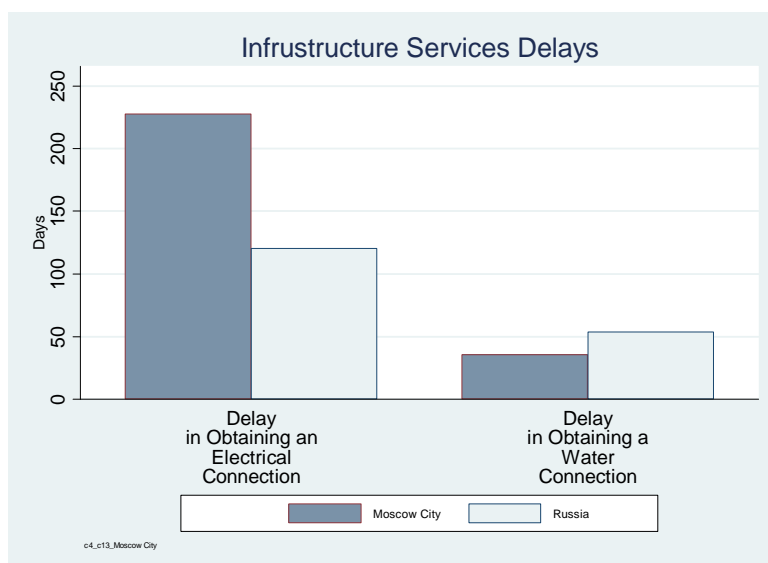
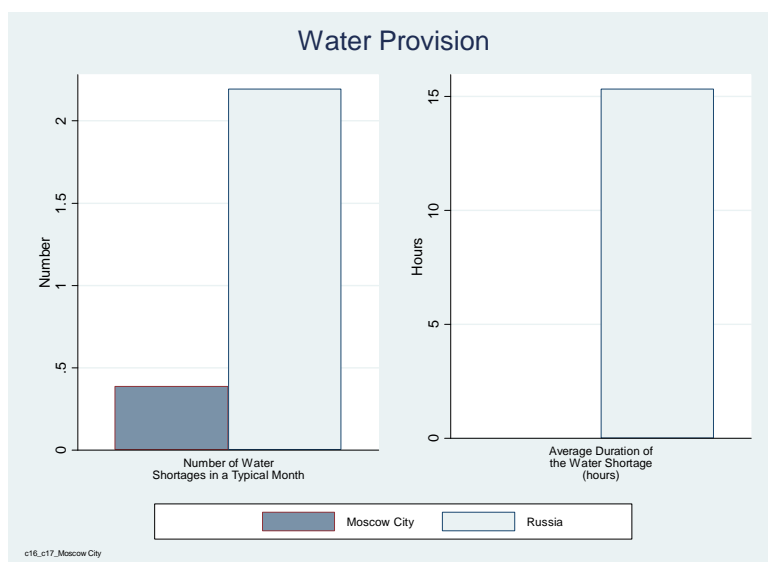
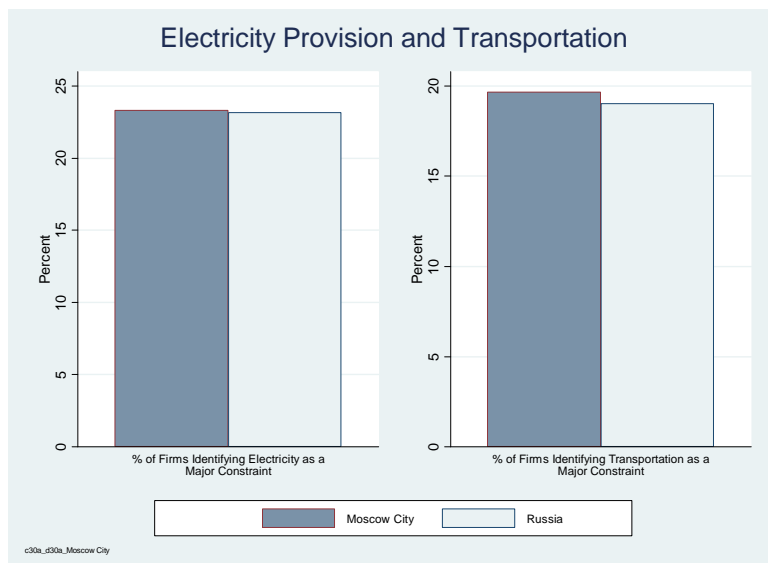
A strong infrastructure enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations.

The survey captures the dual challenge of providing a strong infrastructure for electricity, water supply, telephone connections, etc., and the development of institutions that effectively provide and maintain public services.

The first set of indicators shows the extent to which firms are faced with failures in the provision of electricity and the effect of these failures on sales. Inadequate electricity supply can increase costs, disrupt production, and reduce profitability.

The second set of indicators measures the efficiency of the water supply for the manufacturing sector. Many manufacturing sectors depend on reliable and efficient sources of water for their operations.

The third set of indicators evaluates the efficiency of infrastructure services by quantifying the delays in obtaining electricity, water, and telephone connections. Service delays impose additional costs on firms and may act as barriers to entry and investment.



## Trade

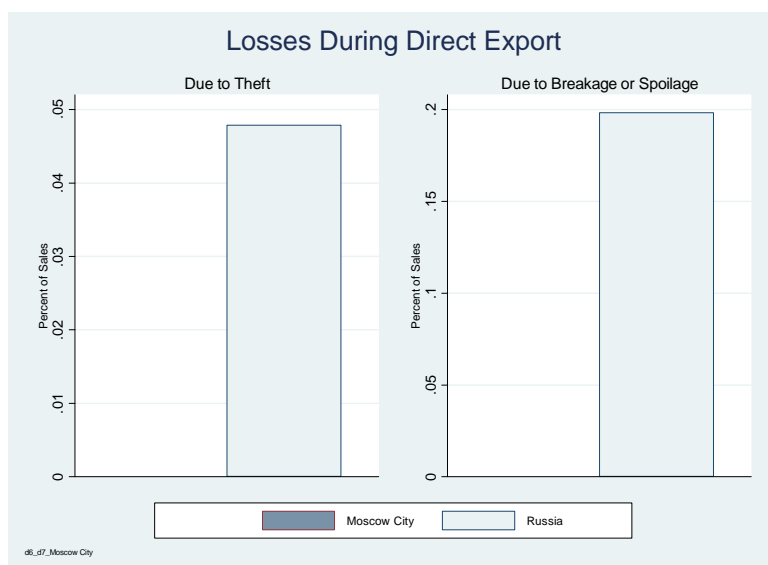
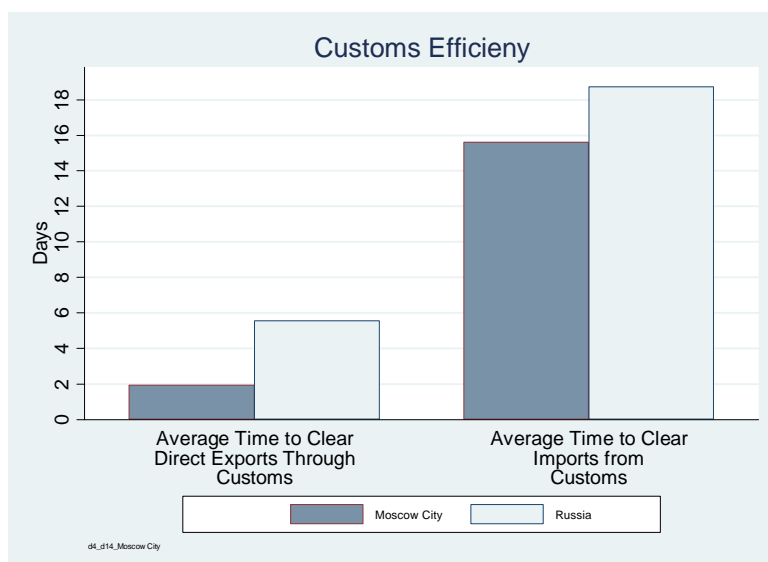
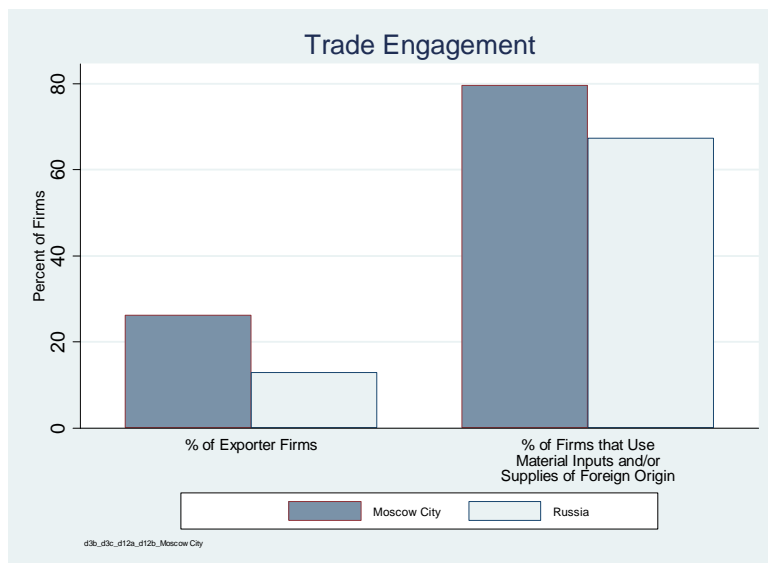
Open markets allow firms to expand, raise standards for efficiency on exporters, and enable firms to import low cost supplies. However, trading also forces firms to deal with customs services and trade regulations, obtain export and import licenses, and in some cases, firms also face additional costs due to losses during transport.

The survey collects information on the operational constraints faced by exporters and importers and also quantifies the trade activity of firms.

The first set of indicators provides a measure of the intensity of foreign trade in the private sector. The first graph shows the percentage of firms who export directly or indirectly, i.e. using an intermediary. The second panel shows the percentage of manufacturing firms who use inputs or supplies of foreign origin.

The second set of indicators measures the average number of days to clear customs for imports and exports. The delay in clearing customs for imports or exports creates additional costs to the firm, can interrupt production, interfere with sales, and result in damaged supplies or merchandise.

The third set of indicators shows the percent value of exports lost during transport due to merchandise theft, and breakage or spoilage, reflecting the transport risks firms face during the export process.



## Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

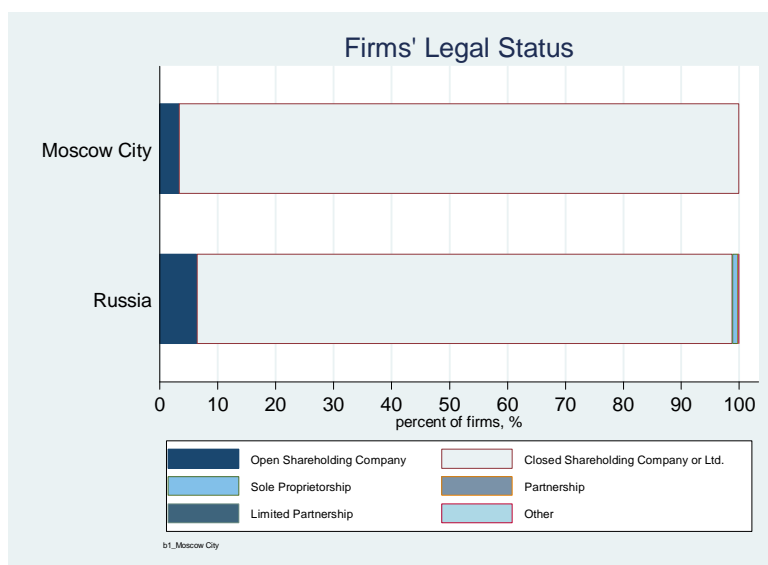
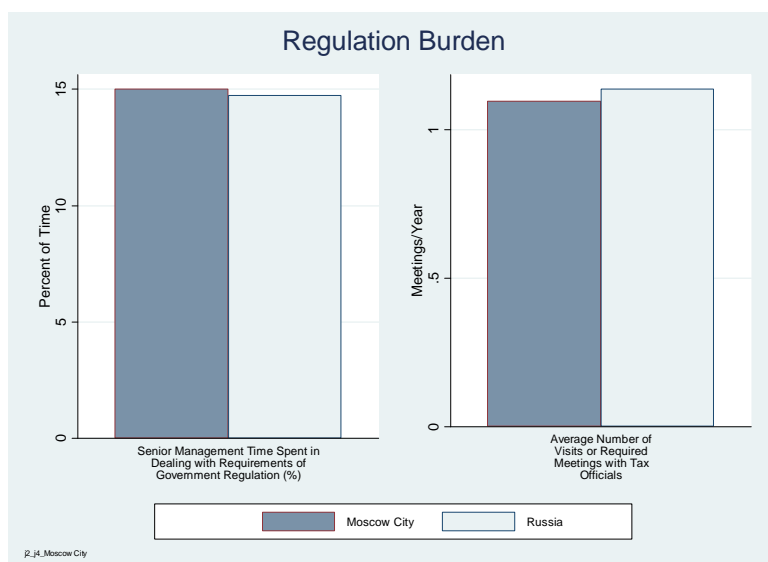
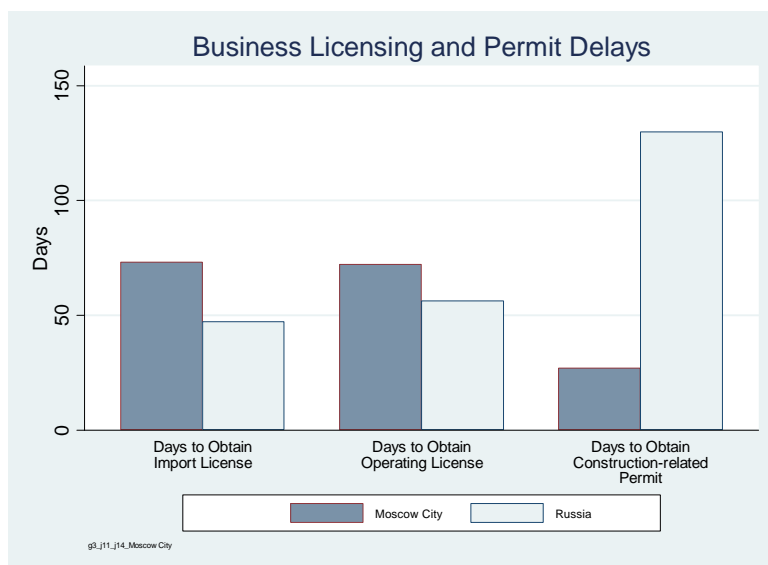
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## Corruption

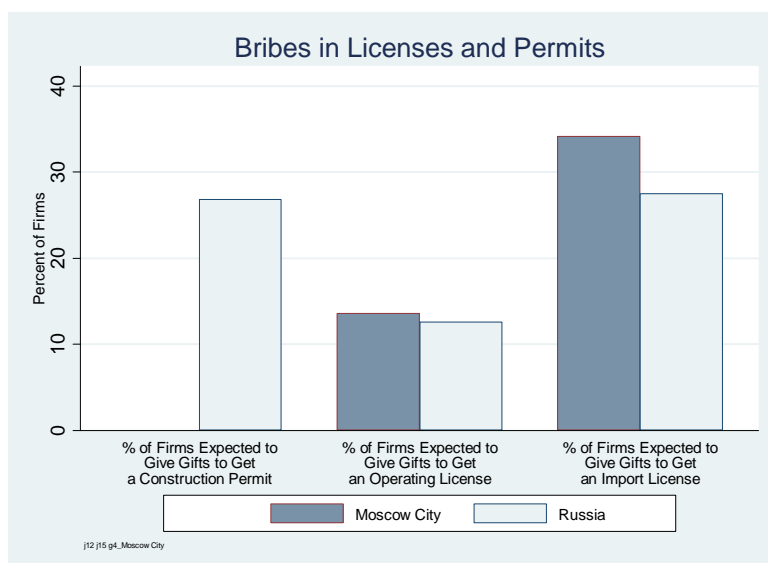
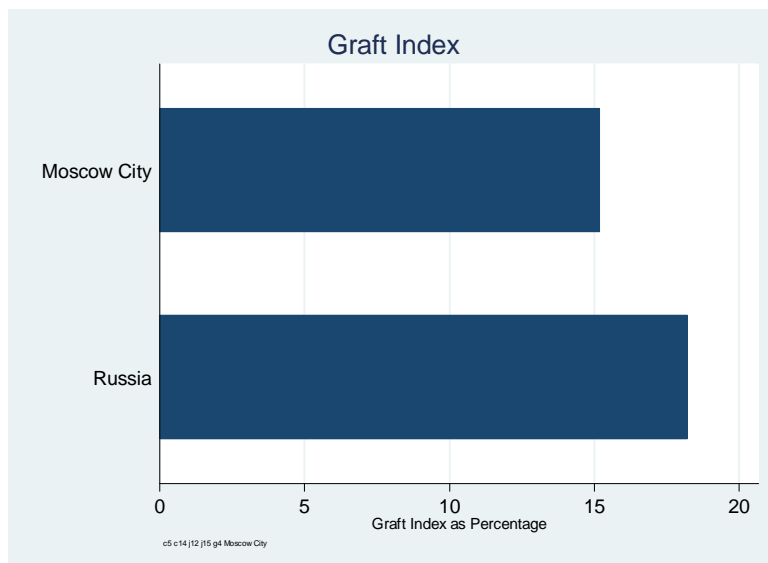
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

Inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make “unofficial” payments to public officials to get things done. In many countries bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for the firms’ growth and development.

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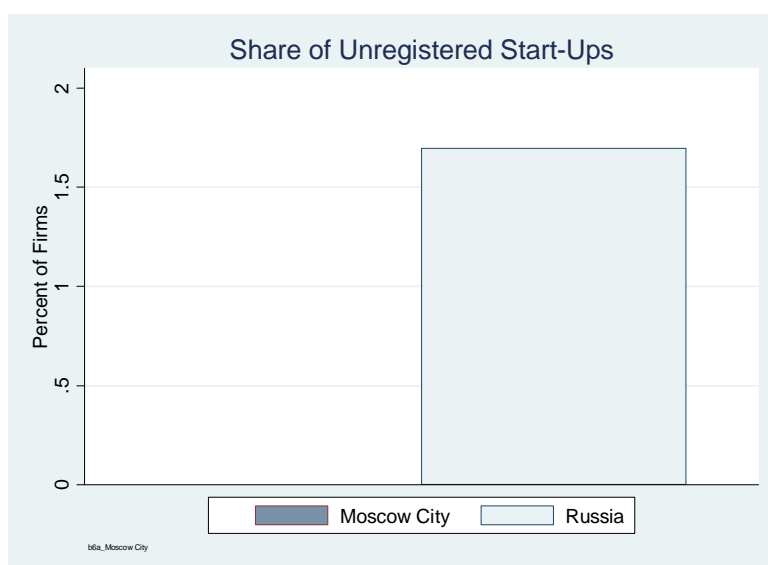
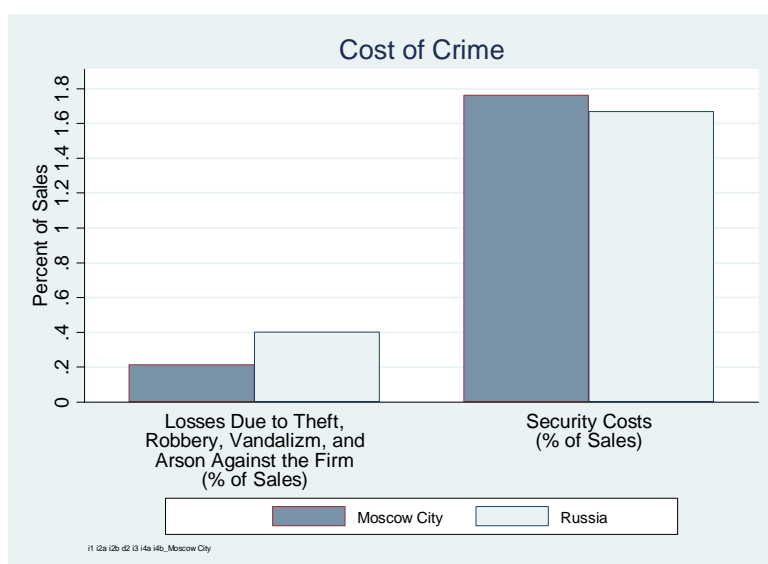
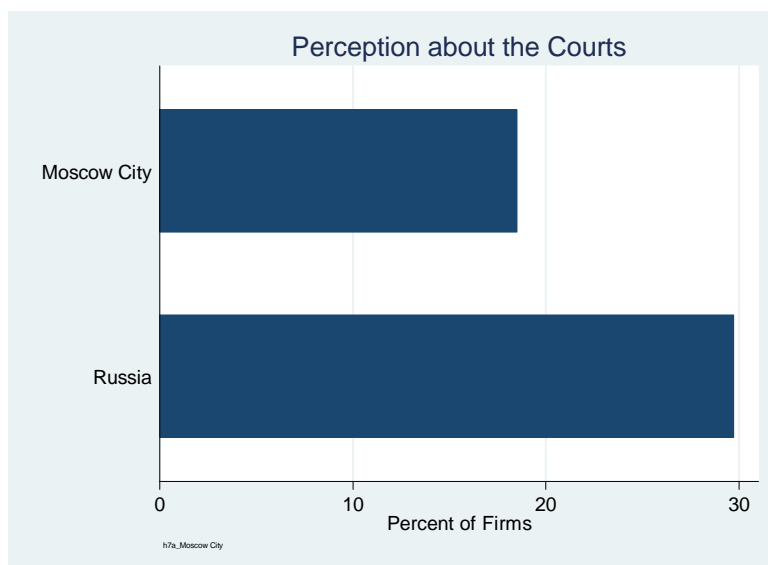
Similarly, a large informal sector has serious consequences for the formal private sector. The informal sector may pose unfair competition for formal firms.

The survey captures key dimensions of the effect of crime on firm sales, the extent to which entrepreneurs identify courts as fair, and the degree of informality in an economy.

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The second set of indicators measures the direct costs of security incurred by firms as well as their direct losses due to crime. These resources represent an opportunity cost since they could have been invested in productive activities.

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## Finance

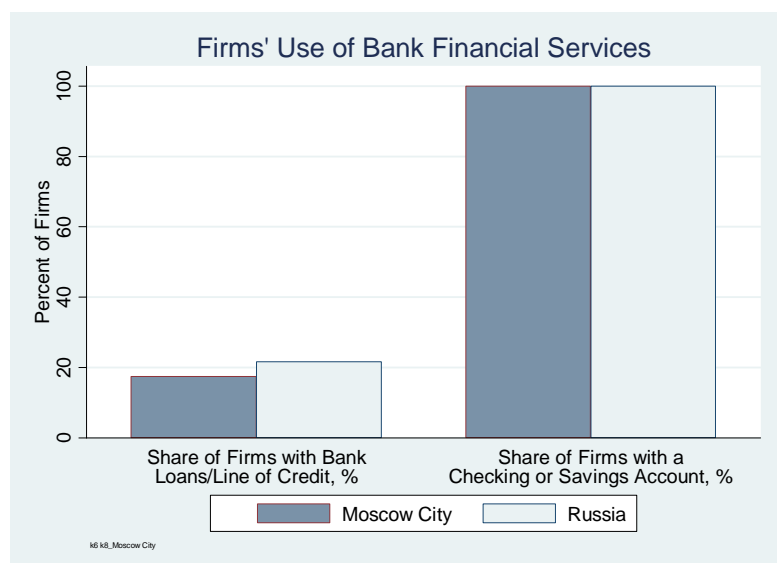
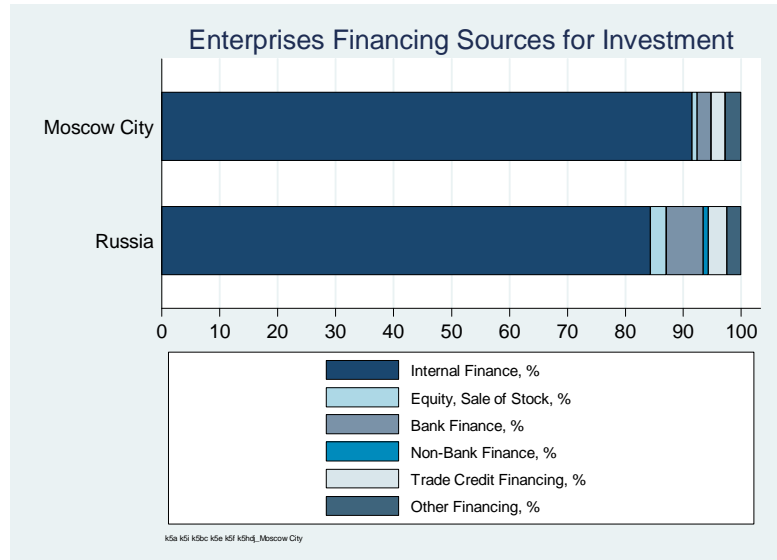
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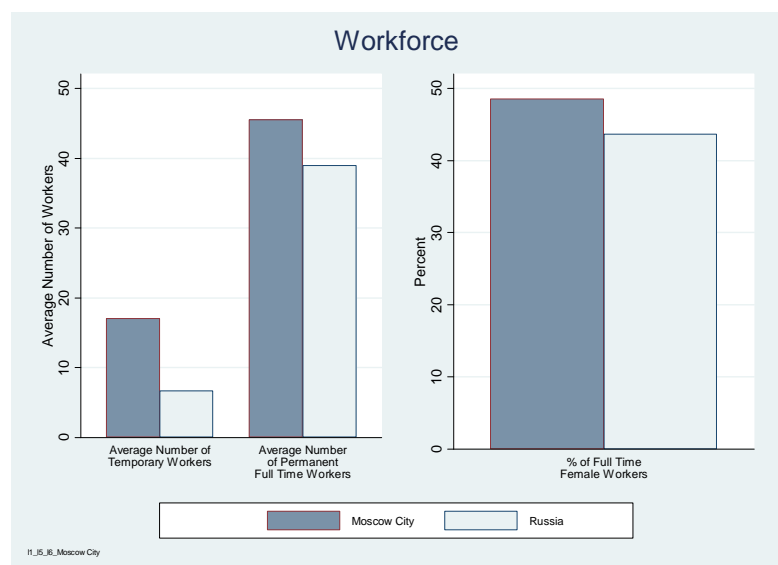
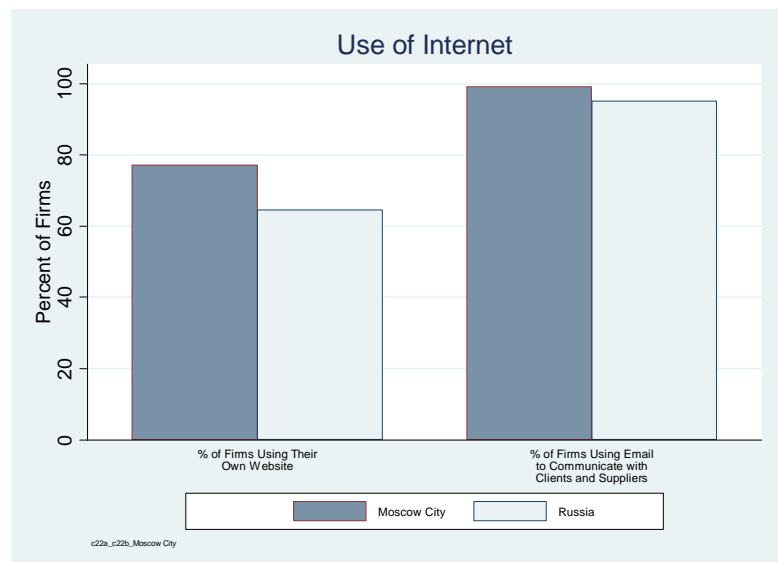
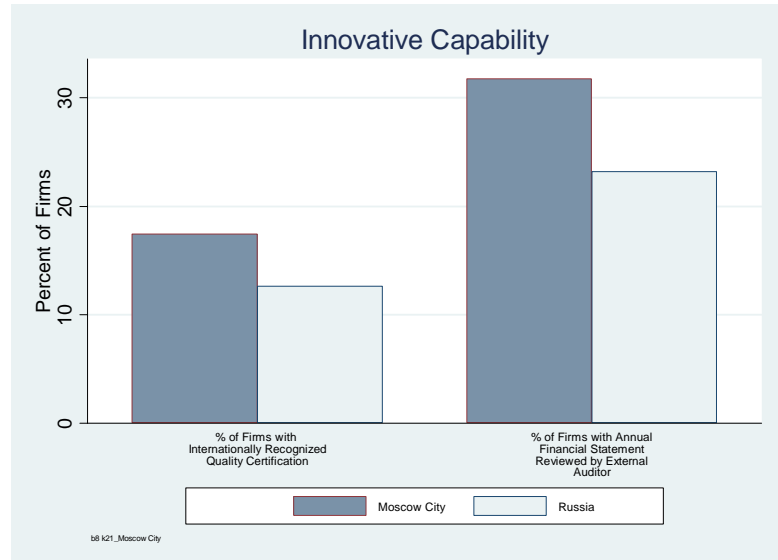
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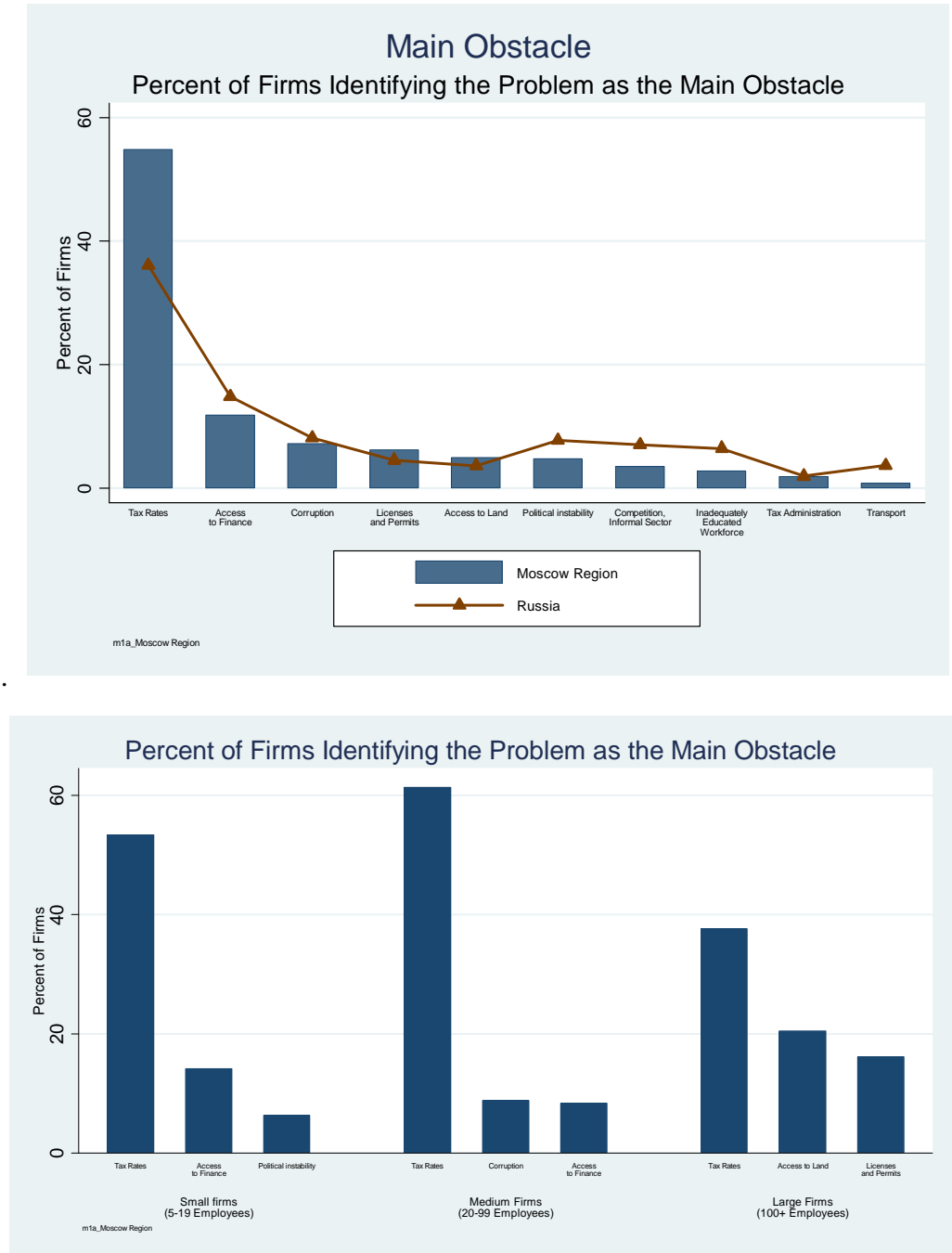
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	Moscow City	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	0.87	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	1.11	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	2.9%	4.3%		
<b>Transport</b>	1.02	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	2.6%			
<b>Customs and trade regulations</b>	1.29	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	11.3%	14.5%	8.1%	26.2%
<b>Practices of informal competitors</b>	0.78	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	3.7%			
<b>Access to land</b>	0.71	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	2.7%			
<b>Crime, theft and disorder</b>	0.65	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	3.2%			
<b>Access to finance</b>	1.69	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	12.7%	12.1%		
<b>Tax rates</b>	2.48	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	4.8%			
<b>Tax administration</b>	1.05	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	6.0%	10.0%	6.0%	
<b>Business licensing and permits</b>	0.65	0.29	Kirov Region; Smolensk Region; Stavropol Territory	2.7%	5.0%	2.0%	8.5%
<b>Political instability</b>	1.37	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	7.1%	6.1%	3.6%	35.1%
<b>Corruption</b>	2.00	0.60	Irkutsk Region; Kirov Region; Smolensk Region	15.5%	13.4%	7.1%	39.4%
<b>Courts</b>	0.43	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	3.6%	5.5%		
<b>Labor regulations</b>	0.40	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	3.0%			
<b>Inadequately educated workforce</b>	1.32	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	5.4%	6.6%	4.9%	

Moscow Region.<sup>17</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Moscow Region benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Moscow Region.



<sup>17</sup> 120 companies were surveyed by in Moscow Region. The benchmarks used for comparisons are averages for Russia as a whole.

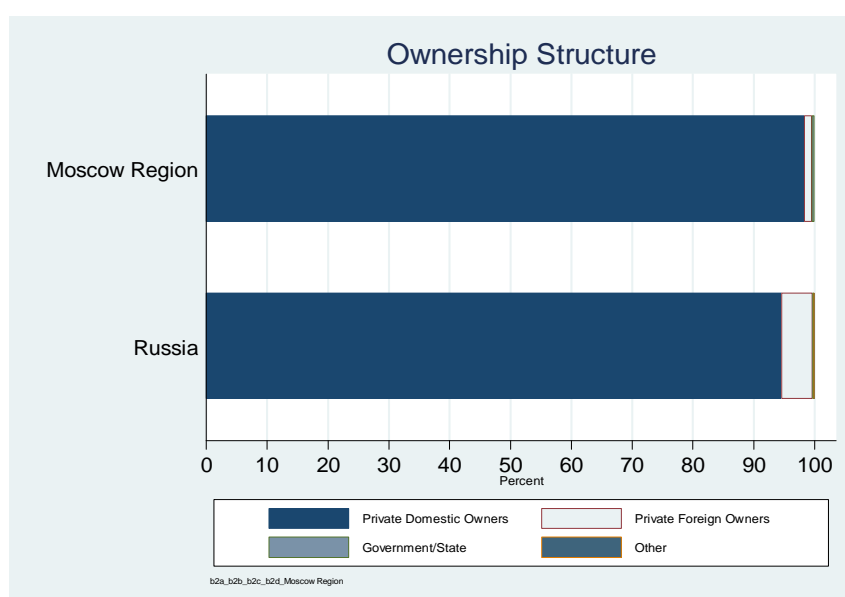
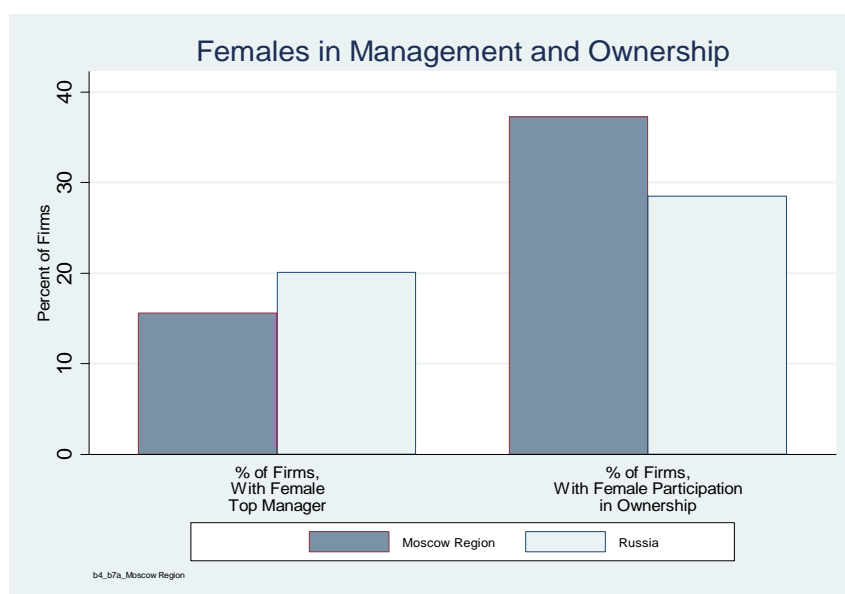
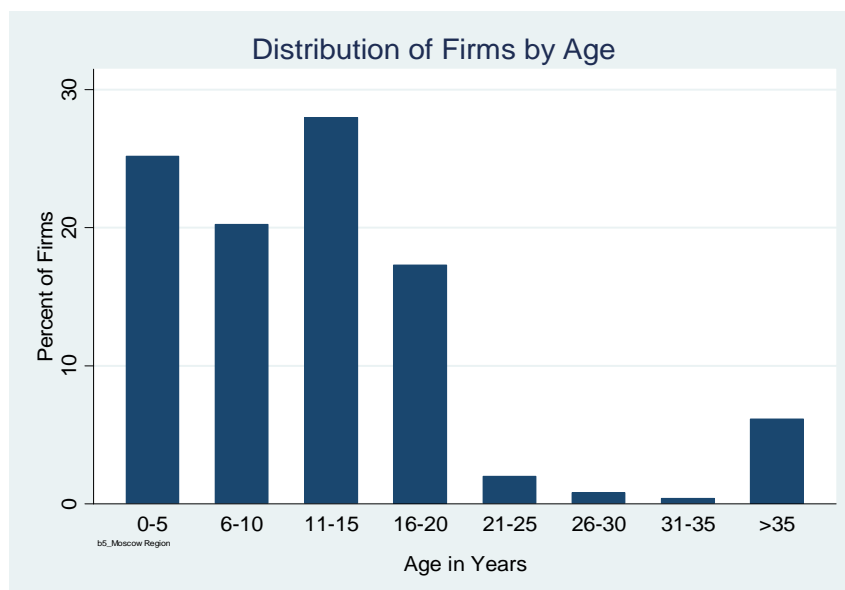
## Average Firm

The survey collects information from a representative sample of the non-agricultural formal private economy. In addition to collecting information on the business environment the surveys collect information on the characteristics of the firms interviewed. Consequently, the data collected provides a description of the representative private firm in the country and also an estimate of how some of the attributes of the average firm are distributed across the population of firms.

The first indicator shows the distribution of firms according to their age measured by the number of years they have been in operation. The effect the business environment can have on the private sector may depend on firms' experience and longevity. Seasoned firms and young firms may differ in their ability to successfully navigate the business environment.

The second set of indicators provides an illustration of female participation in management and firm ownership. These indicators can help assess whether gender can be a determinant of the effect of regulations on the firm and the level of exposure of the firm to external factors, such as corruption, access to finance, and technology.

The third indicator shows the participation of the domestic private sector, the government, the foreign sector and other sectors in the ownership of the typical firm. The distribution provides insight into their levels of equity in the private sector of the economy.



## Infrastructure

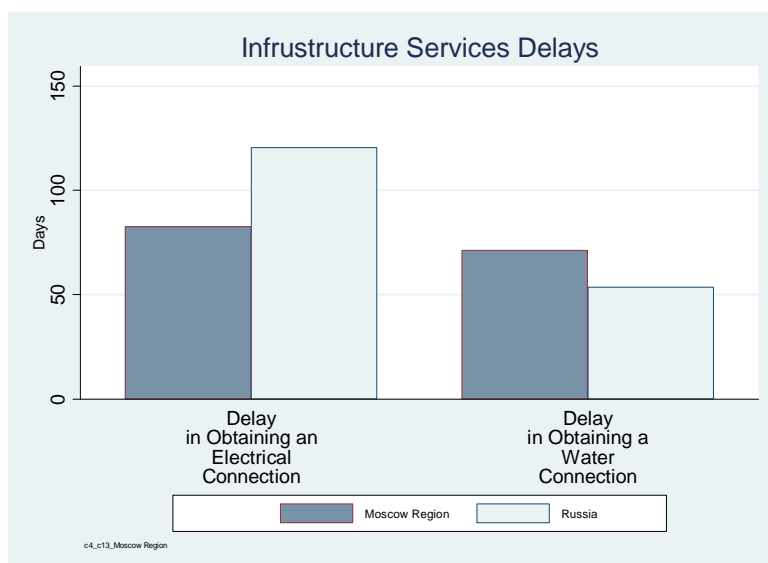
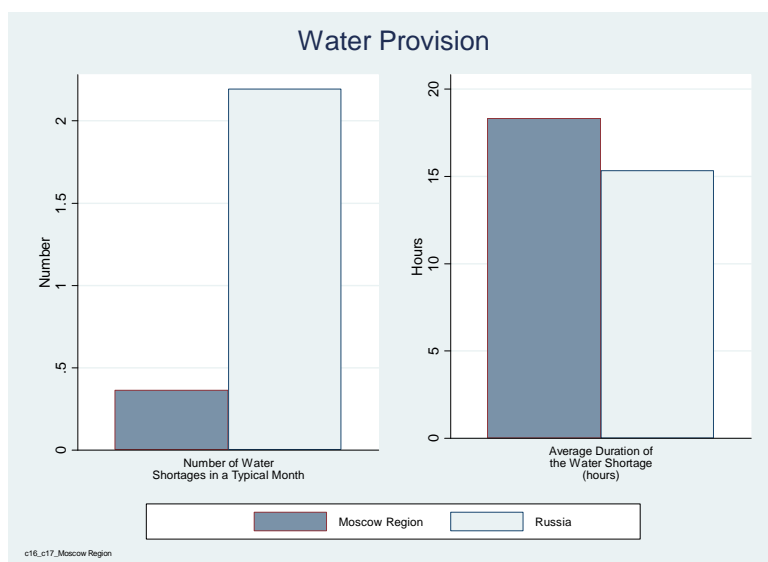
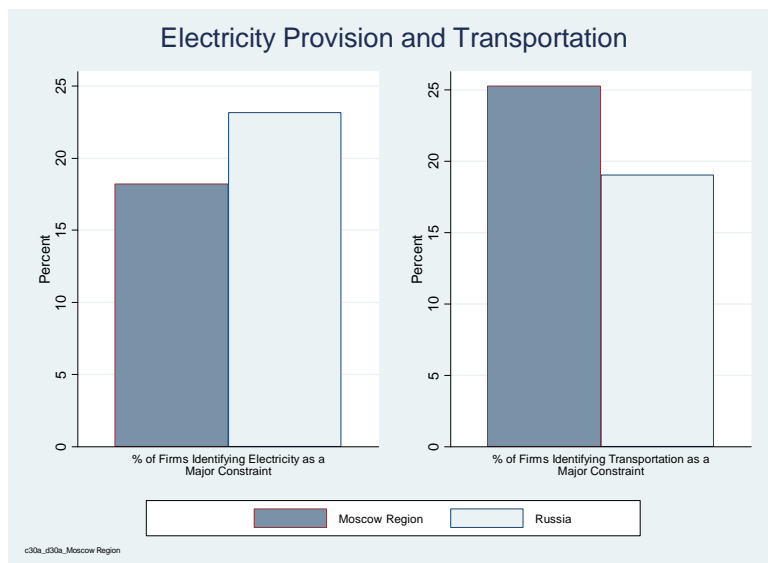
A strong infrastructure enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations.

The survey captures the dual challenge of providing a strong infrastructure for electricity, water supply, telephone connections, etc., and the development of institutions that effectively provide and maintain public services.

The first set of indicators shows the extent to which firms are faced with failures in the provision of electricity and the effect of these failures on sales. Inadequate electricity supply can increase costs, disrupt production, and reduce profitability.

The second set of indicators measures the efficiency of the water supply for the manufacturing sector. Many manufacturing sectors depend on reliable and efficient sources of water for their operations.

The third set of indicators evaluates the efficiency of infrastructure services by quantifying the delays in obtaining electricity, water, and telephone connections. Service delays impose additional costs on firms and may act as barriers to entry and investment.



## Trade

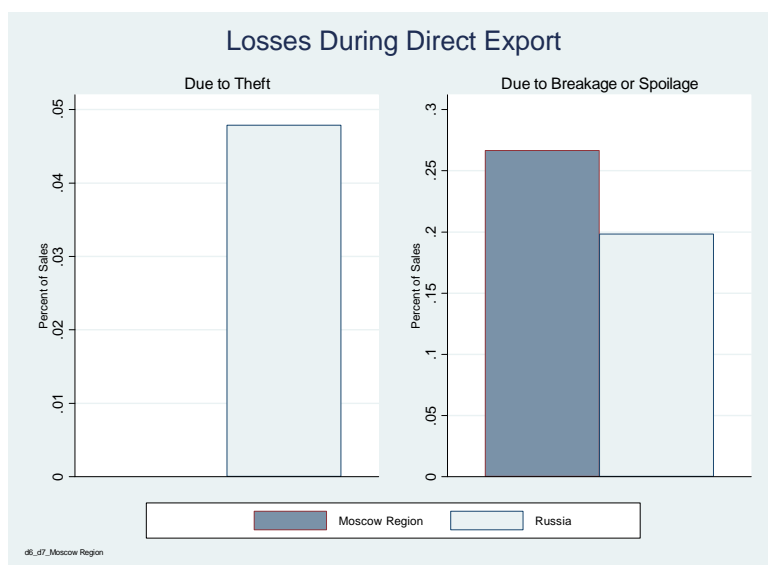
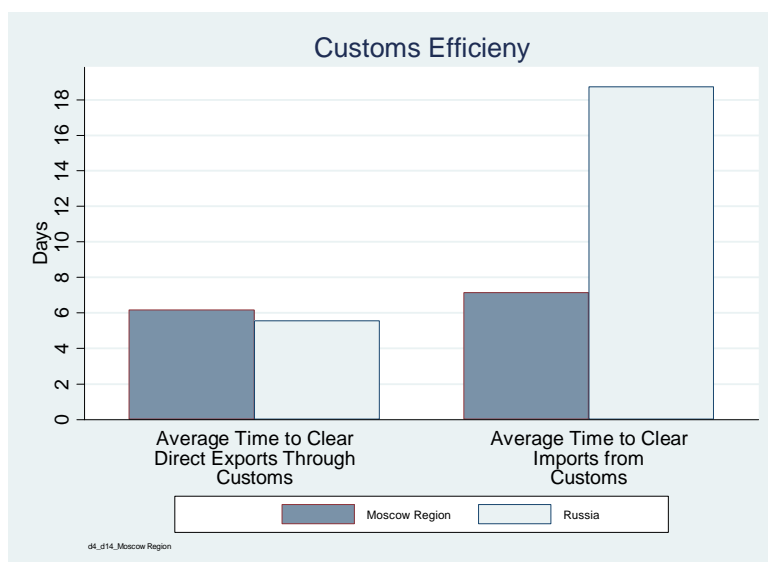
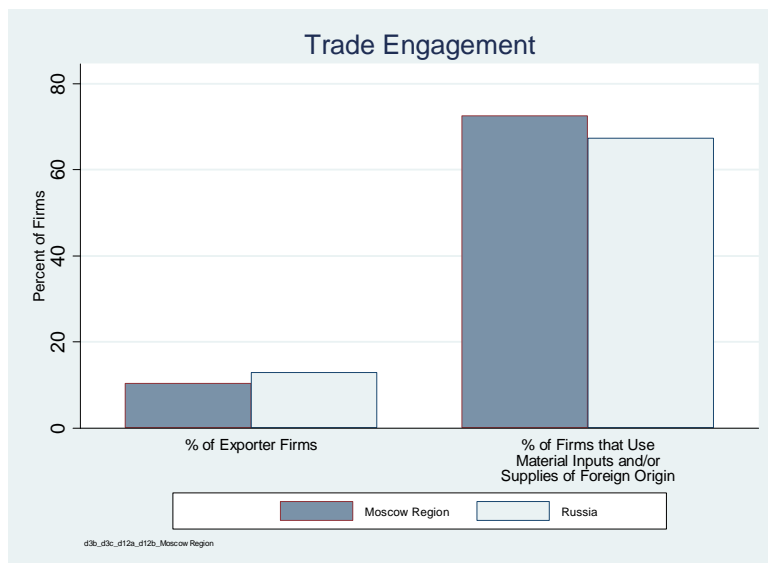
Open markets allow firms to expand, raise standards for efficiency on exporters, and enable firms to import low cost supplies. However, trading also forces firms to deal with customs services and trade regulations, obtain export and import licenses, and in some cases, firms also face additional costs due to losses during transport.

The survey collects information on the operational constraints faced by exporters and importers and also quantify the trade activity of firms.

The first set of indicators provides a measure of the intensity of foreign trade in the private sector. The first graph shows the percentage of firms who export directly or indirectly, i.e. using an intermediary. The second panel shows the percentage of manufacturing firms who use inputs or supplies of foreign origin.

The second set of indicators measures the average number of days to clear customs for imports and exports. The delay in clearing customs for imports or exports creates additional costs to the firm, can interrupt production, interfere with sales, and result in damaged supplies or merchandise.

The third set of indicators shows the percent value of exports lost during transport due to merchandise theft, and breakage or spoilage, reflecting the transport risks firms face during the export process.



## Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

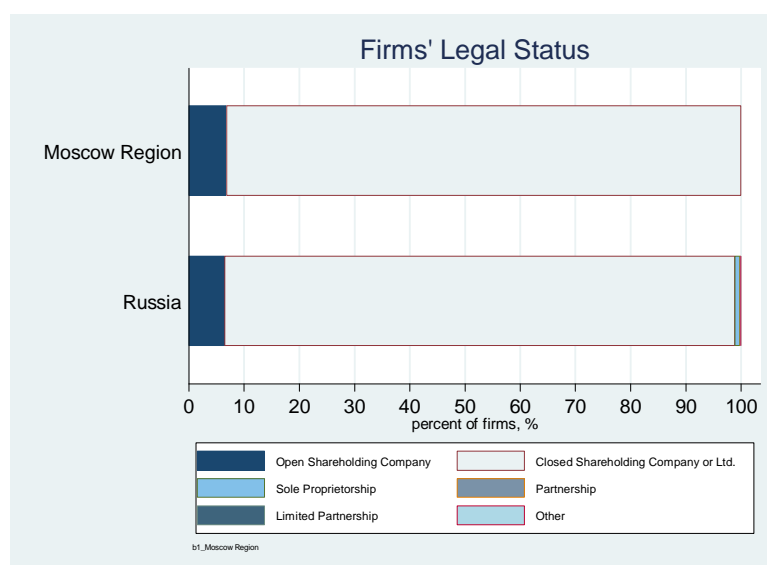
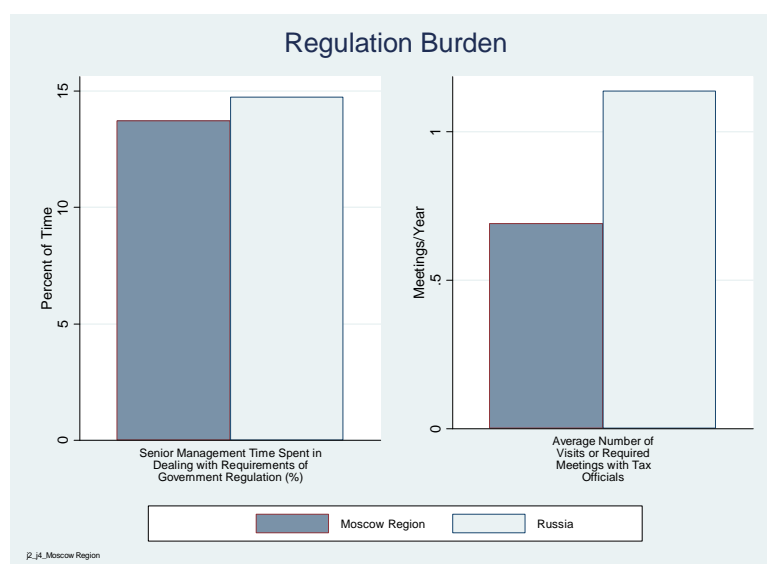
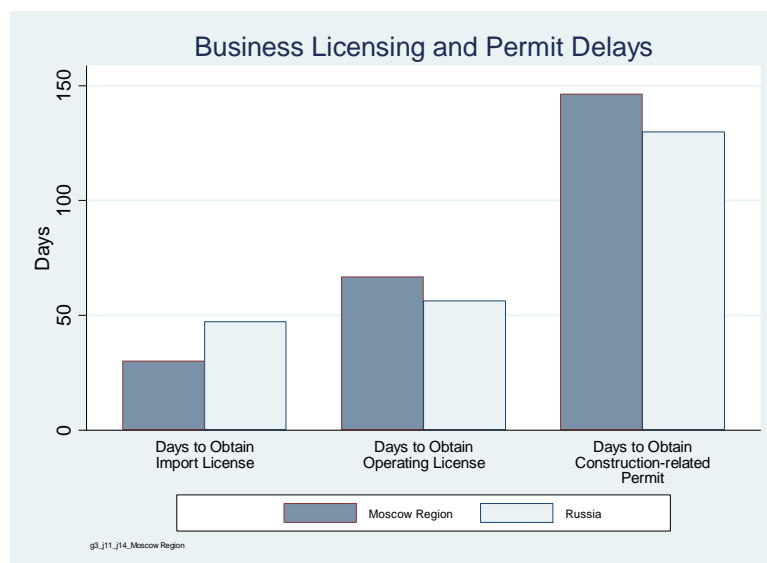
Effective regulations address market failures that inhibit productive investment and reconcile private and public interests. The number of permits and approvals that businesses need to obtain, and the time it takes to obtain them, is expensive and time consuming. The existing legislation of a country also determines the mix of legal forms private firms take and determines the level of protection for investors thus affecting the incentives to invest.

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The first set of indicators focuses on the efficiency of business licensing and permit services. The indicators evaluate the delays faced when demanding these services.

The second set of indicators approximates the “time tax” imposed by regulations: it measures the time spent by senior management in meetings with public officials and the average number of tax inspections or meetings with tax inspectors in a year.

The third indicator shows the relative use of the different legal forms in the private sector. Most legal forms can be classified into shareholding companies with shares traded privately or non-traded at all (closed), shareholding companies publicly traded (open), sole proprietorships, partnerships, and limited partnerships. A residual category is included to capture legal forms not easily classified into the other categories.





## Corruption

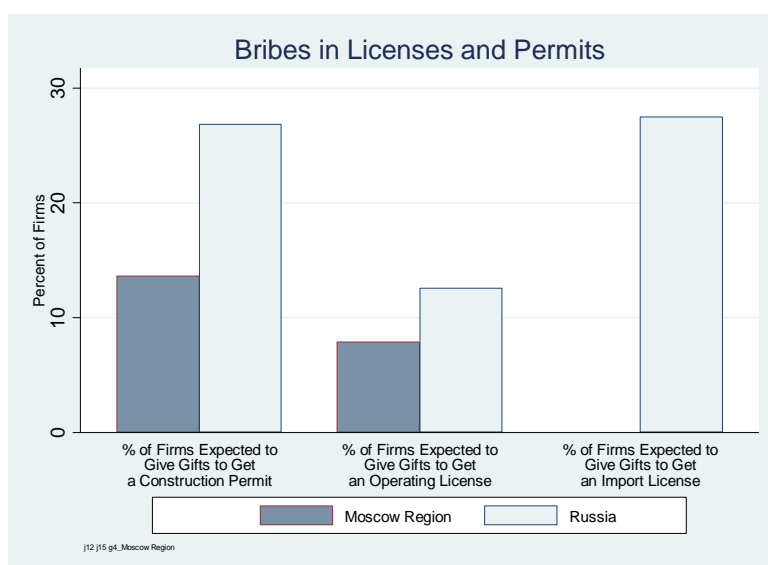
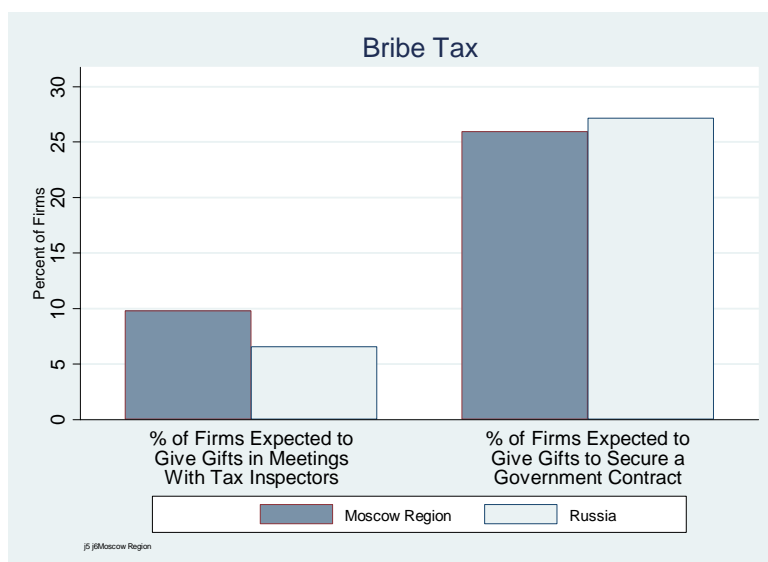
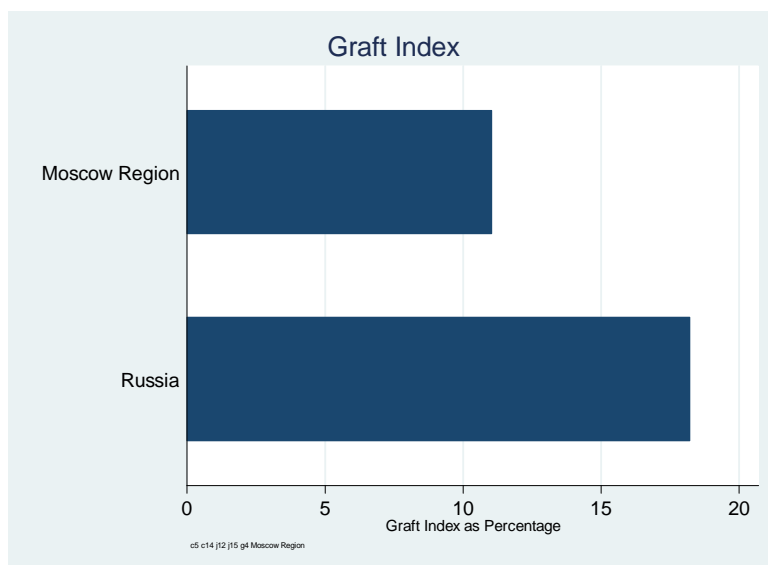
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

Inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make “unofficial” payments to public officials to get things done. In many countries bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for the firms’ growth and development.

The first set of indicators measures a composite index of corruption, the Graft Index that reflects the proportion of instances a firm was asked or expected to pay a bribe when soliciting six different public services, permits or licenses.

The second set of indicators identifies the extent to which specific regulatory and administrative officials require bribe payments during meetings with tax inspectors or in order to secure a government contract.

The third set of indicators focuses on bribes to obtain specific licenses or permits, and shows the share of firms that are expected to make informal payments to secure import and operating licenses and to obtain a construction permit.



## Crime and Informality

Crime imposes costs on firms when they are forced to divert resources from productive uses to cover security costs. Both foreign and domestic investors perceive crime as an indication of social instability, and crime drives up the cost of doing business. Also, commercial disputes between firms and their clients occur regularly in the course of doing business. Resolving these disputes can be challenging when legal institutions are weak or nonexistent.

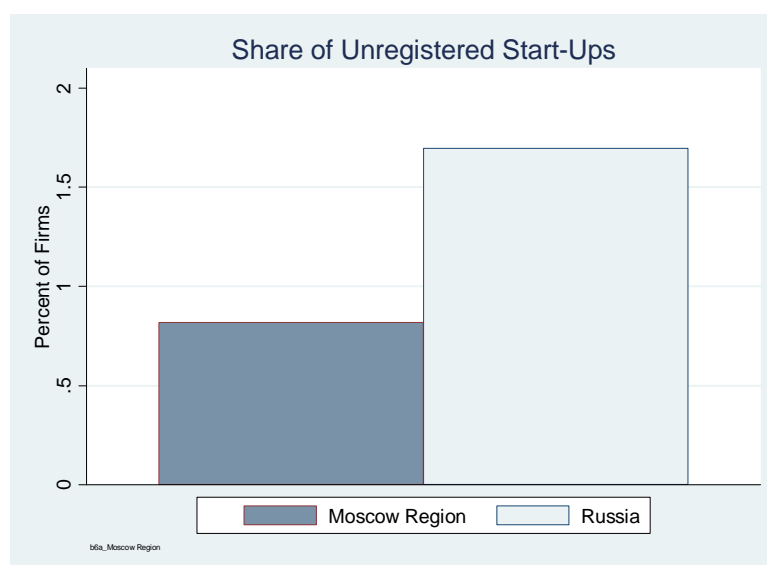
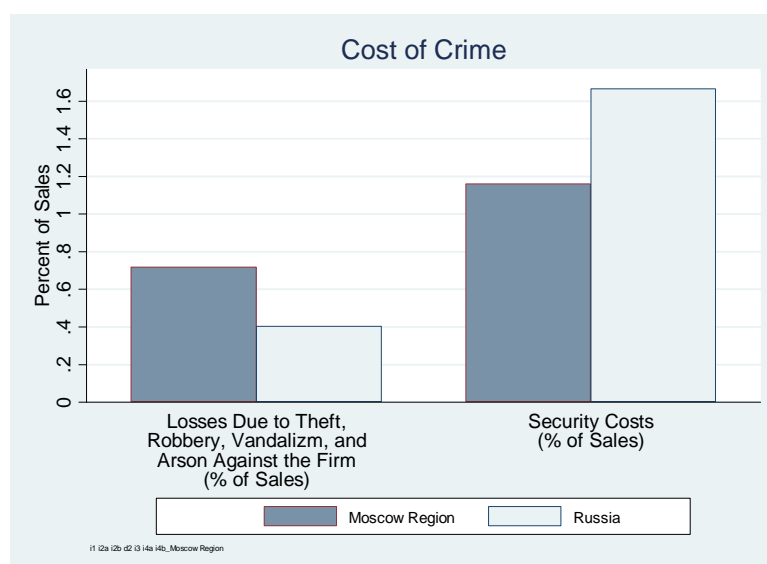
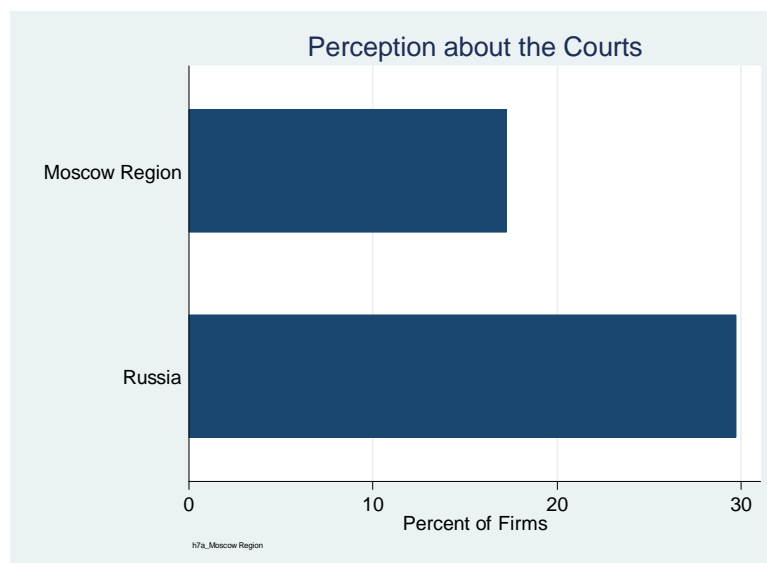
Similarly, a large informal sector has serious consequences for the formal private sector. The informal sector may pose unfair competition for formal firms.

The survey captures key dimensions of the effect of crime on firm sales, the extent to which entrepreneurs identify courts as fair, and the degree of informality in an economy.

The first indicator shows the share of firms that recognize the functioning of the courts as being fair, impartial, and uncorrupted.

The second set of indicators measures the direct costs of security incurred by firms as well as their direct losses due to crime. These resources represent an opportunity cost since they could have been invested in productive activities.

The third set of indicators shows the percentage of firms that started operation without begin formally registered. It is an approximation to the prevalence of informality in the private economy.



## Finance

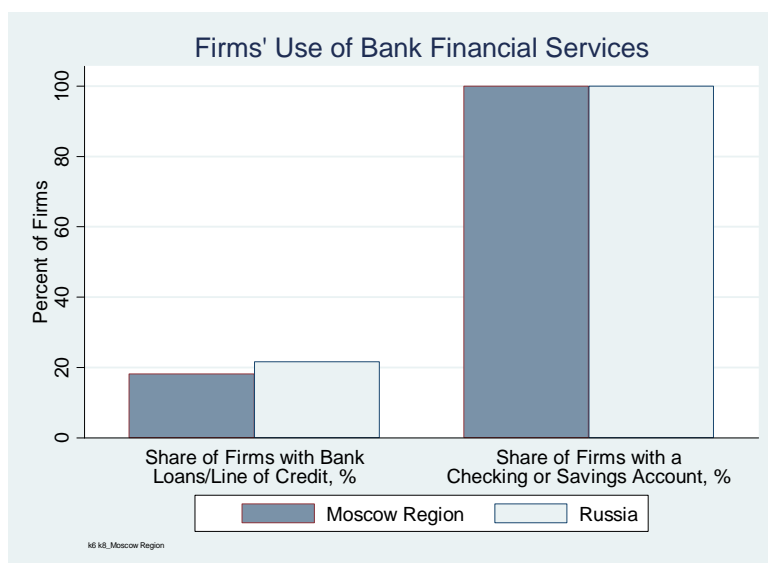
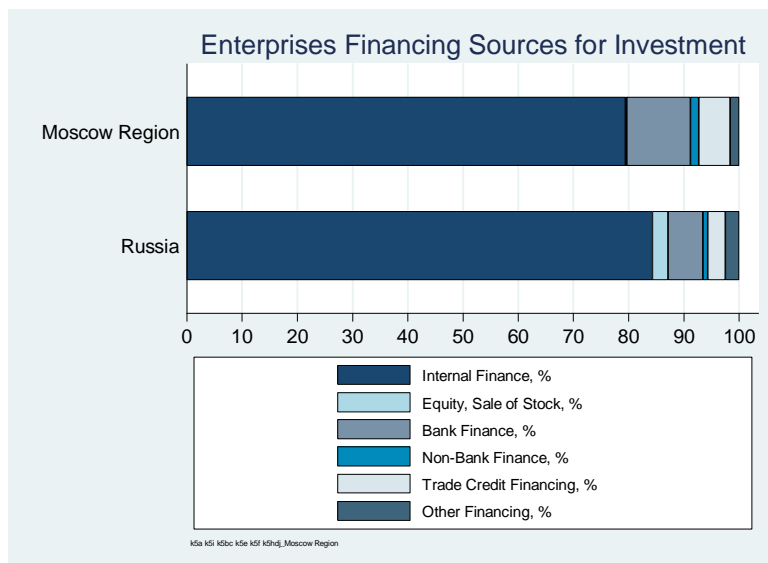
Developed financial markets provide payment services, mobilize deposits, and ease investment financing. Efficient financial markets reduce the reliance on internal funds and on money from informal sources such as family and friends by connecting firms to a broad range of lenders and investors.

The survey provides indicators of how firms finance their operations and of the characteristics of their financial transactions.

The first set of indicators compares the relative use of various sources for financing investment. Excessive reliance on internal funds is a sign of potentially inefficient financial intermediation.

The second set of indicators measures the use of financial markets by individual firms. It presents the percentage of working capital that is financed by sources external to the firm, and a measure of the burden imposed by loan requirements measured by collateral levels relative to the value of the loans.

The third set of indicators focuses on the use of financial services by private firms both on the credit side, by measuring the percentage of firms with bank loans or lines of credit, and on the deposit mobilization side, by measuring the percentage of firms with checking or savings accounts.



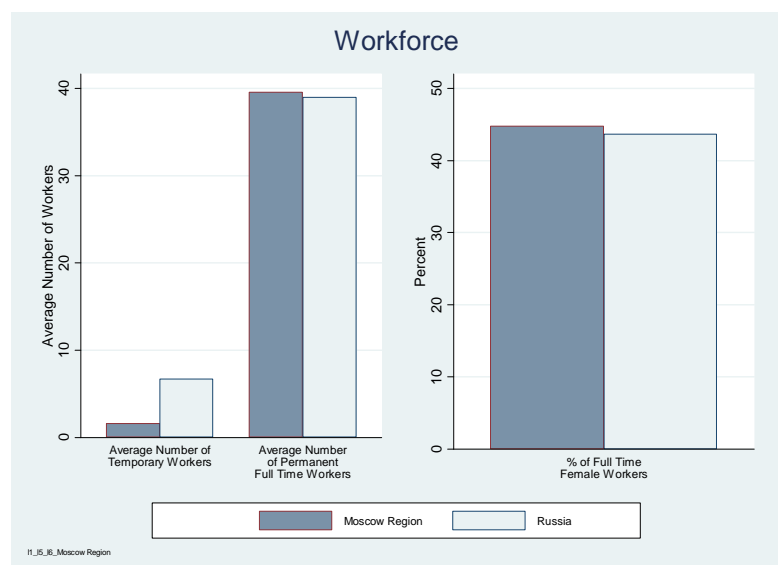
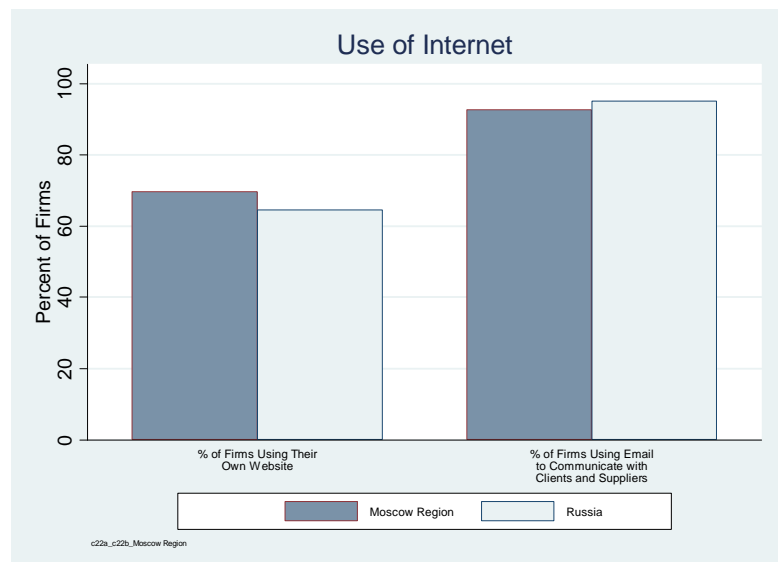
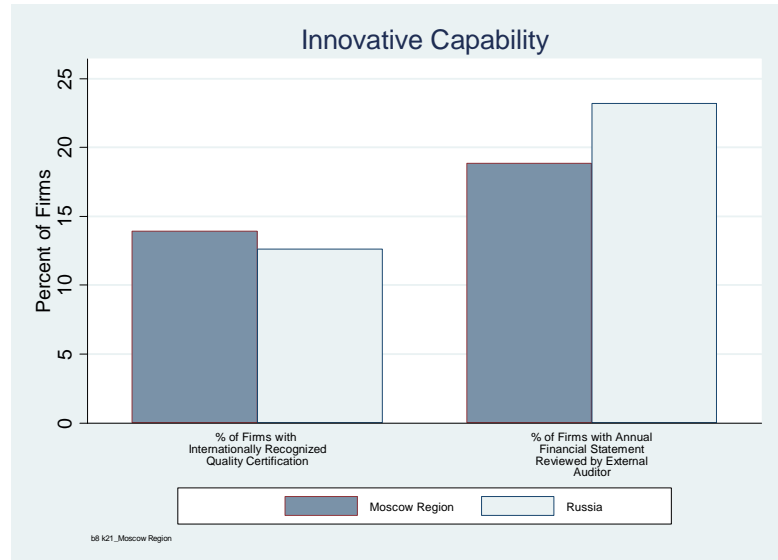
## Innovation and Workforce

The Survey provide indicators that describe several dimensions of technology use and innovation. They also collect information on the characteristics of the workforce employed in the non-agricultural private economy.

The first set of indicators measures the extent to which firms invest in obtaining recognized certificates of production and accounting practices. Obtaining international quality certifications can open doors to technology and innovation and they also provide a sign of high quality that may open markets.

The second set of indicators demonstrates the use of information and communications technologies (ICT) in business transactions. ICT, such as the Internet, are important tools for all firms because they provide even the smallest of enterprises with the ability to reach national and international markets at low cost.

The third set of indicators presents the composition of the firm's workforce by type of contract and gender. Labor regulations have a direct effect on the type of employment favored by firms and they may have a differing impact by gender. The first two indicators present the composition of the workforce classified into temporary and permanent workers. The last indicator reflects the participation of women in regular full-time employment.



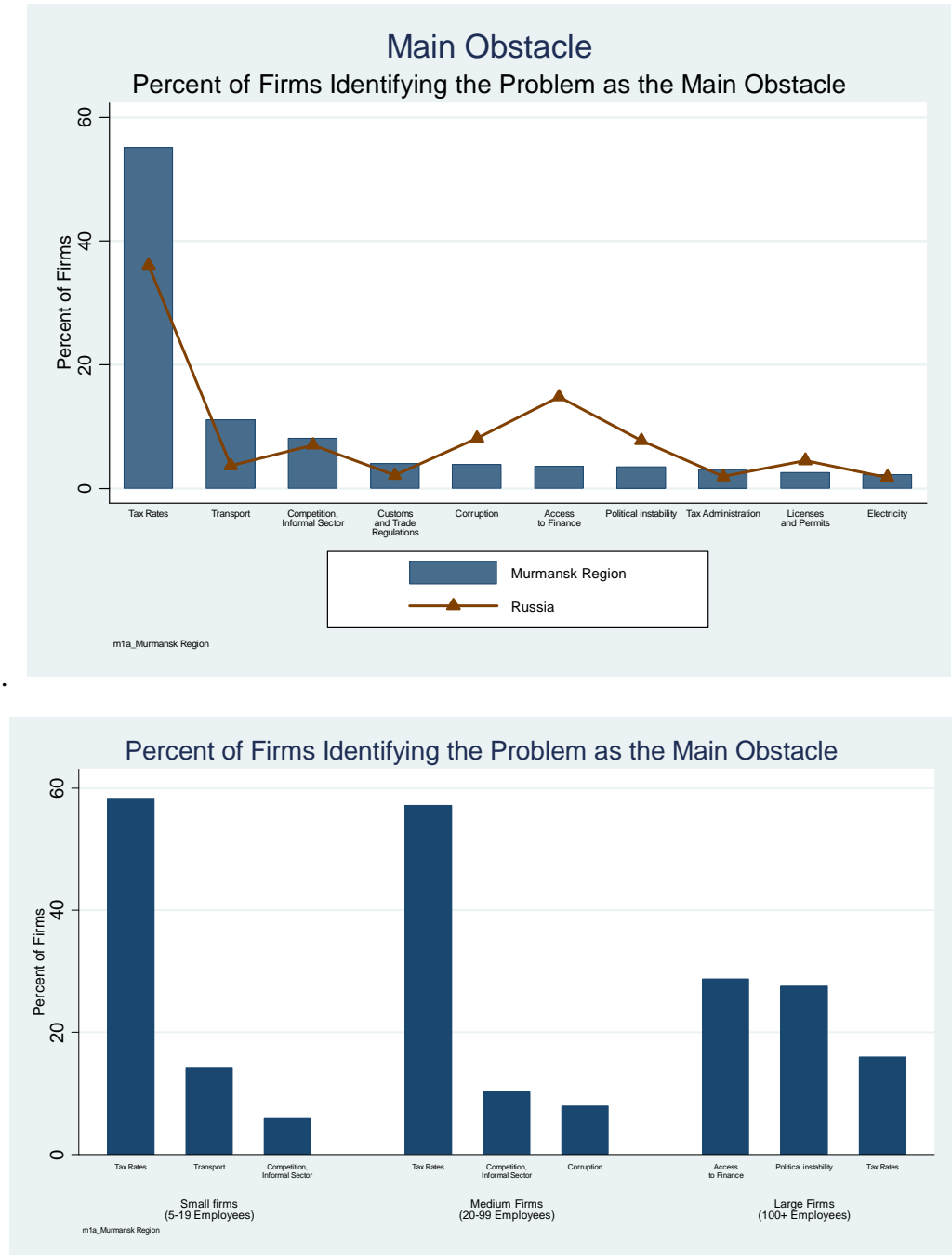
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	<i>Moscow Region</i>	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	0.94	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	0.77	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	1.6%	2.3%		
<b>Transport</b>	1.26	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	3.6%			
<b>Customs and trade regulations</b>	0.91	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	7.7%	9.8%	5.5%	17.8%
<b>Practices of informal competitors</b>	1.03	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	5.7%			
<b>Access to land</b>	1.44	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	8.5%			
<b>Crime, theft and disorder</b>	0.91	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	4.9%			
<b>Access to finance</b>	1.85	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	14.6%	13.9%		
<b>Tax rates</b>	3.01	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	7.2%			
<b>Tax administration</b>	0.96	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	5.3%	8.8%	5.3%	
<b>Business licensing and permits</b>	0.49	0.29	Kirov Region; Smolensk Region; Stavropol Territory	1.5%	2.8%	1.1%	4.8%
<b>Political instability</b>	1.48	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	8.3%	7.1%	4.2%	41.1%
<b>Corruption</b>	1.52	0.60	Irkutsk Region; Kirov Region; Smolensk Region	10.1%	8.8%	4.7%	25.7%
<b>Courts</b>	0.35	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	2.8%	4.3%		
<b>Labor regulations</b>	0.51	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	4.0%			
<b>Inadequately educated workforce</b>	1.43	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	6.1%	7.5%	5.6%	

Murmansk Region.<sup>18</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Murmansk Region benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Murmansk Region.



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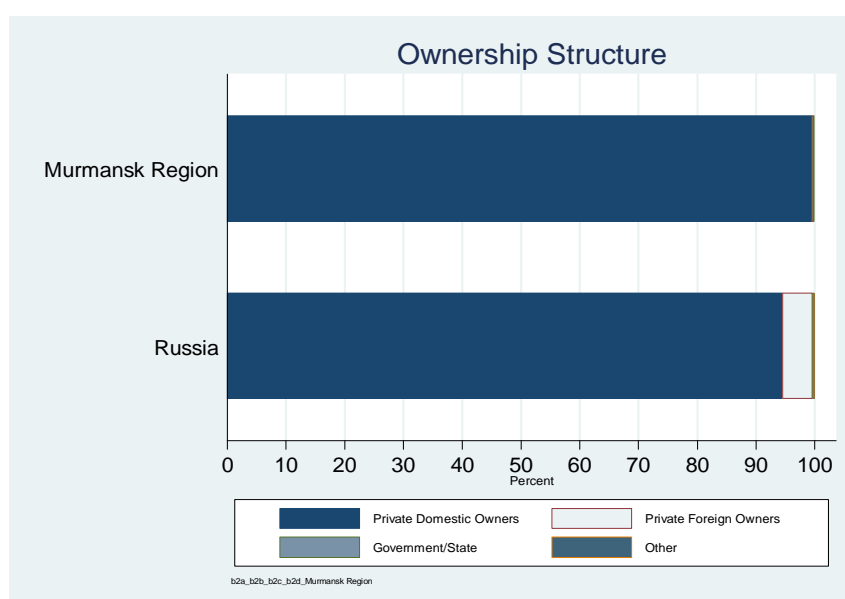
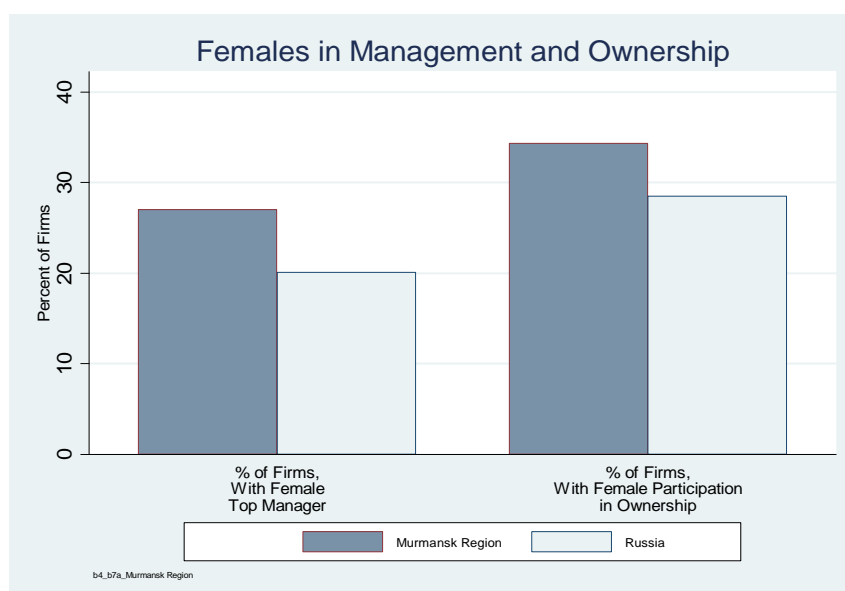
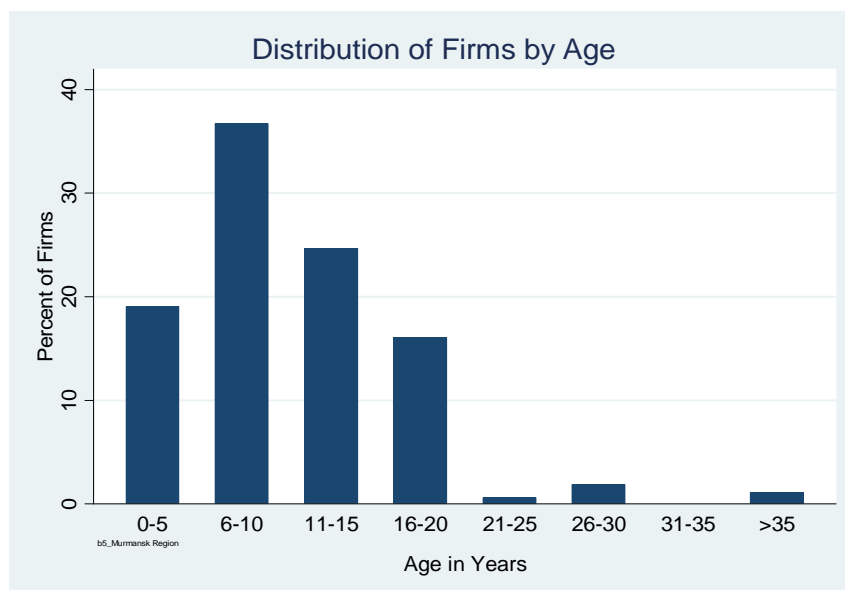
## Average Firm

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## Infrastructure

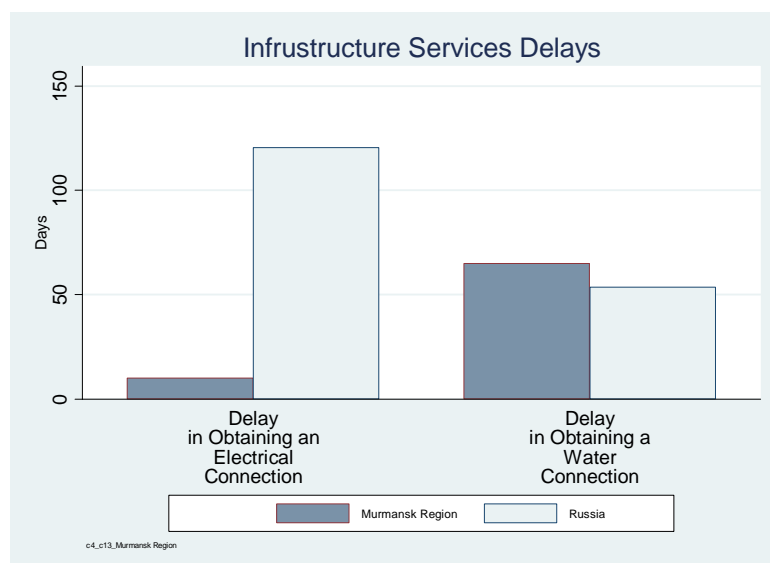
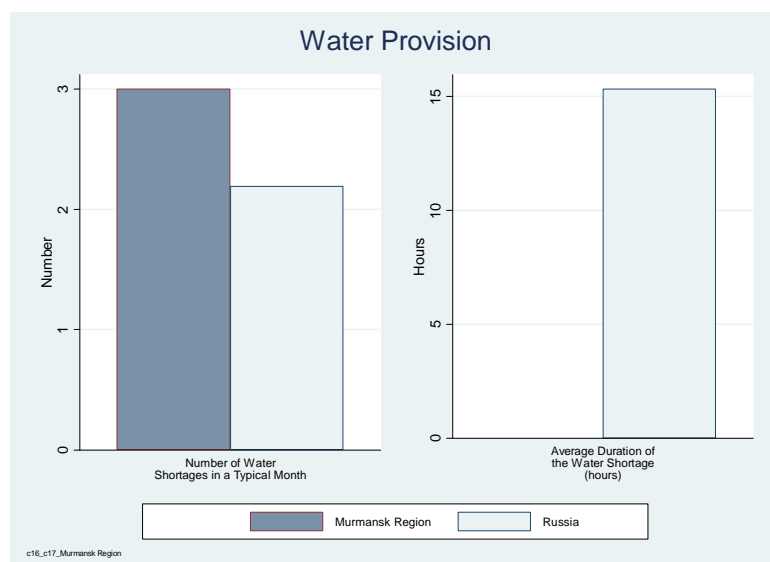
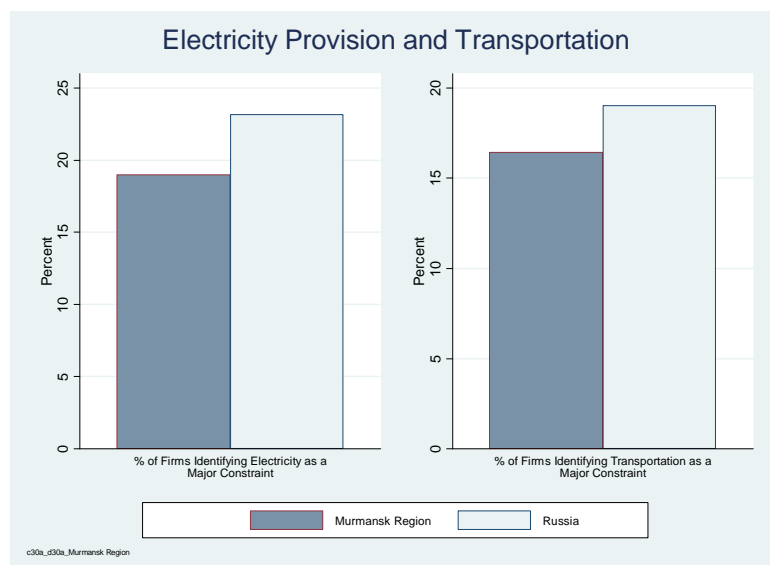
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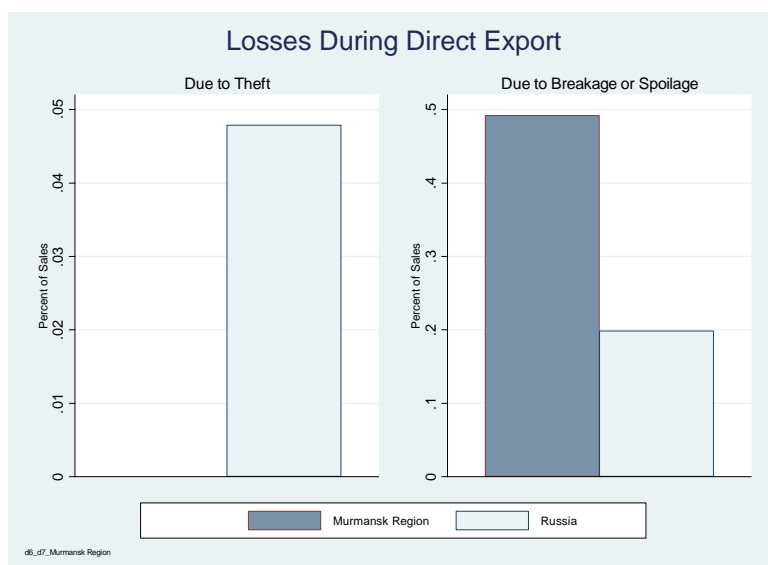
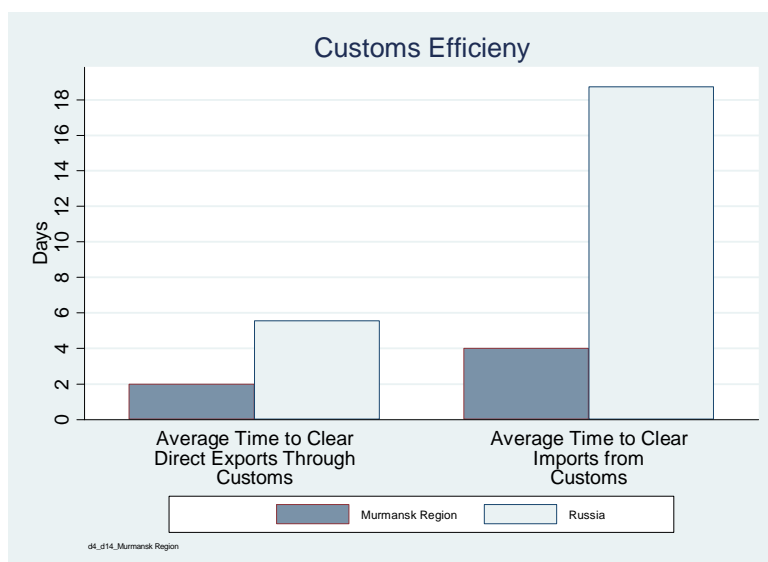
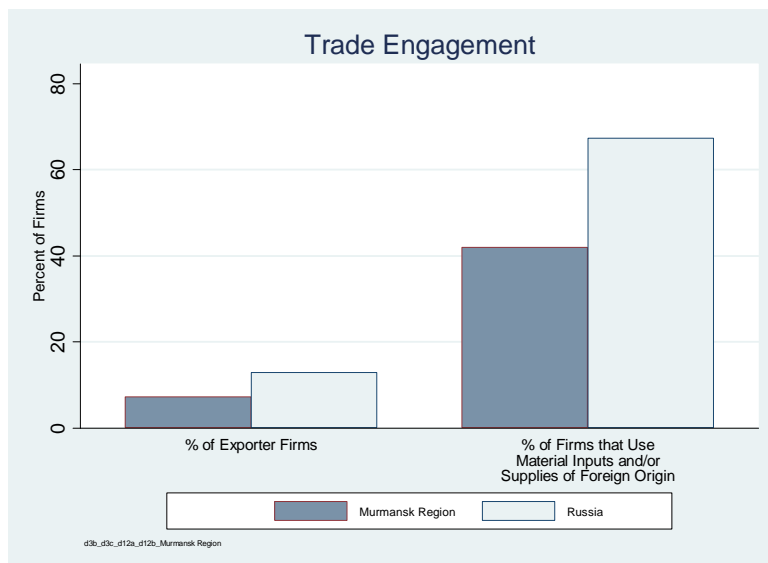
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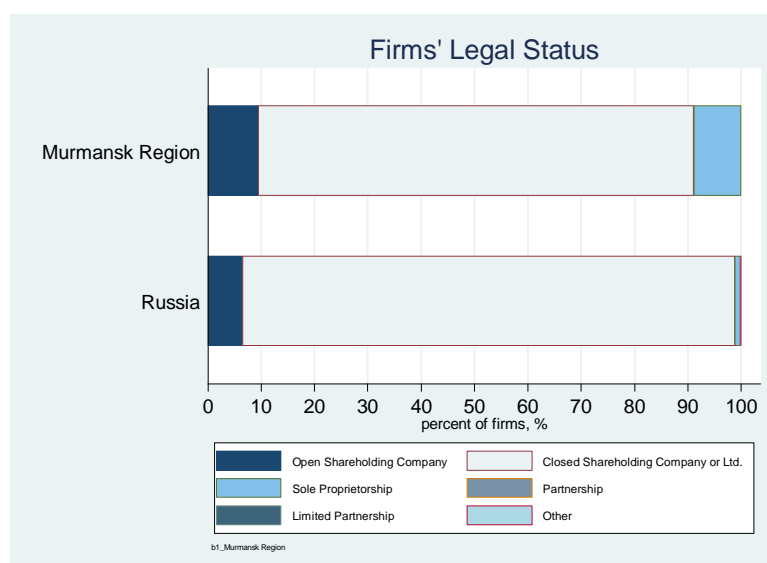
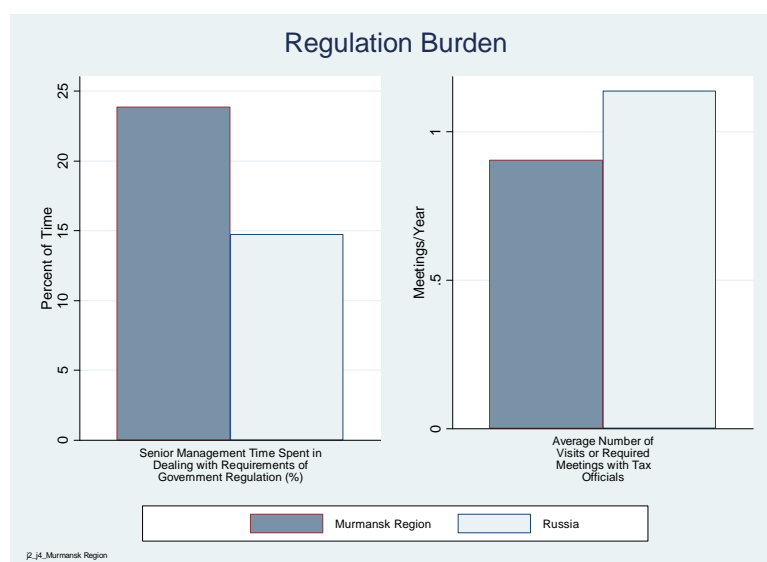
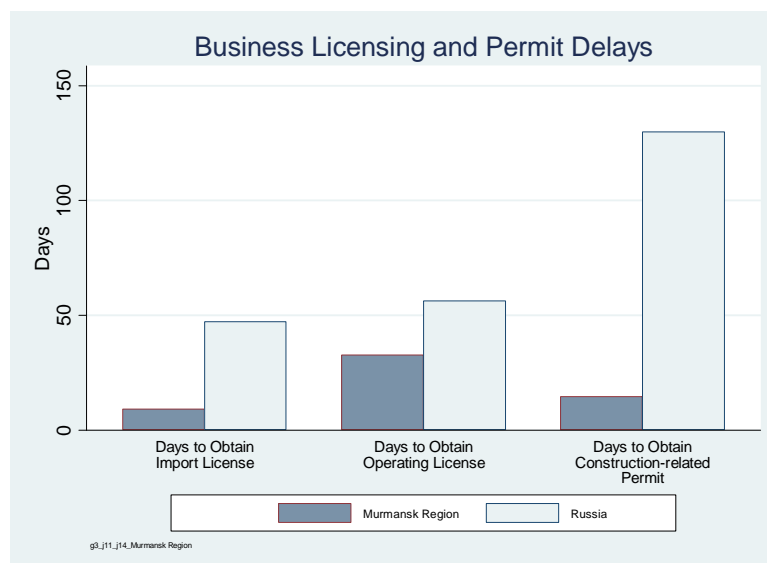
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## Corruption

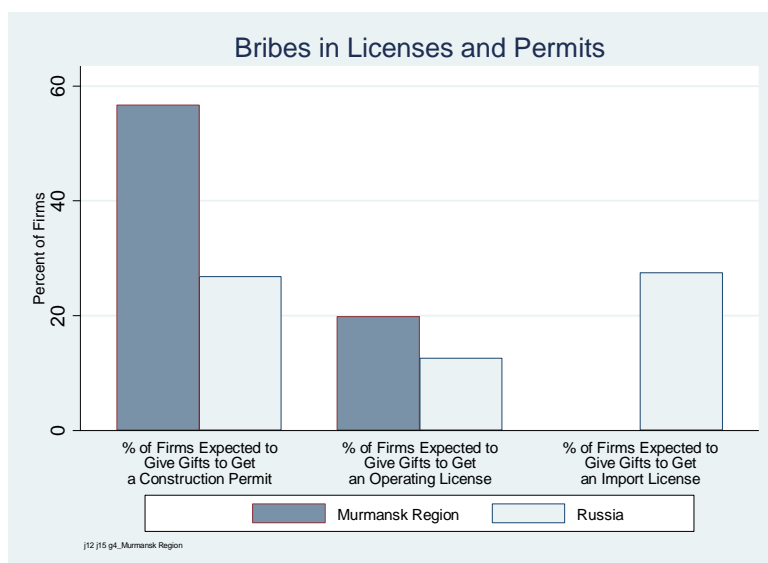
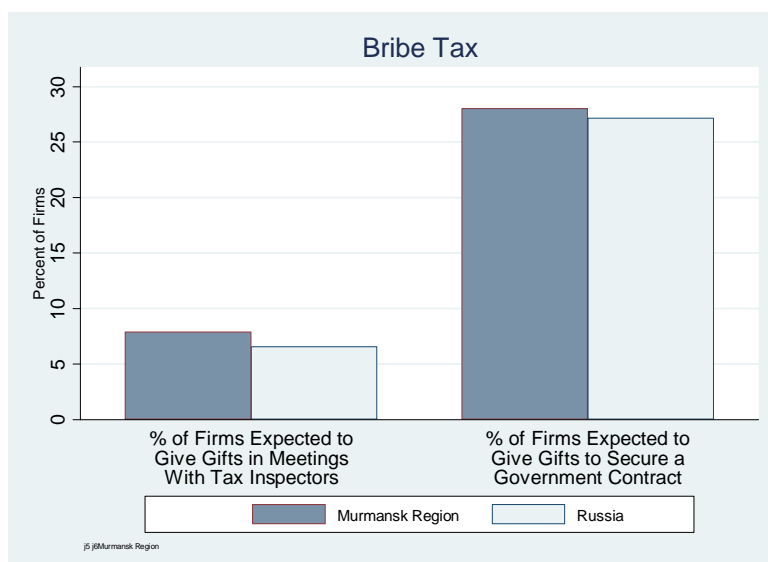
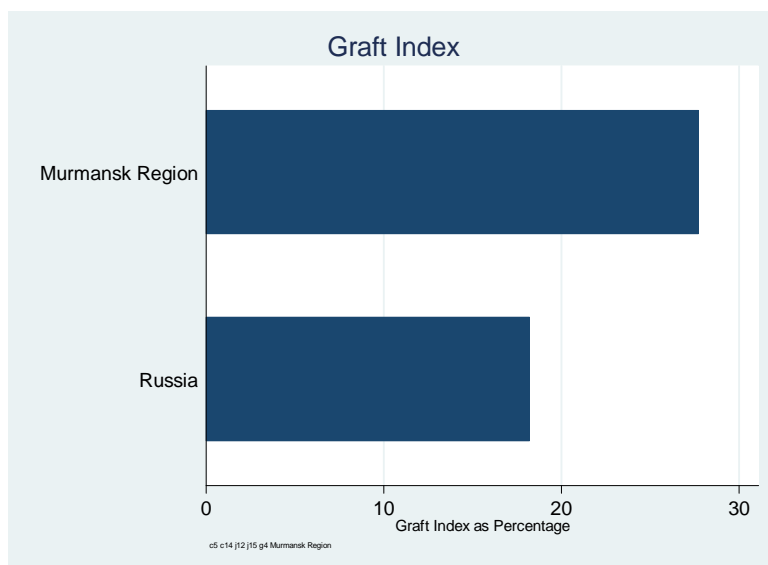
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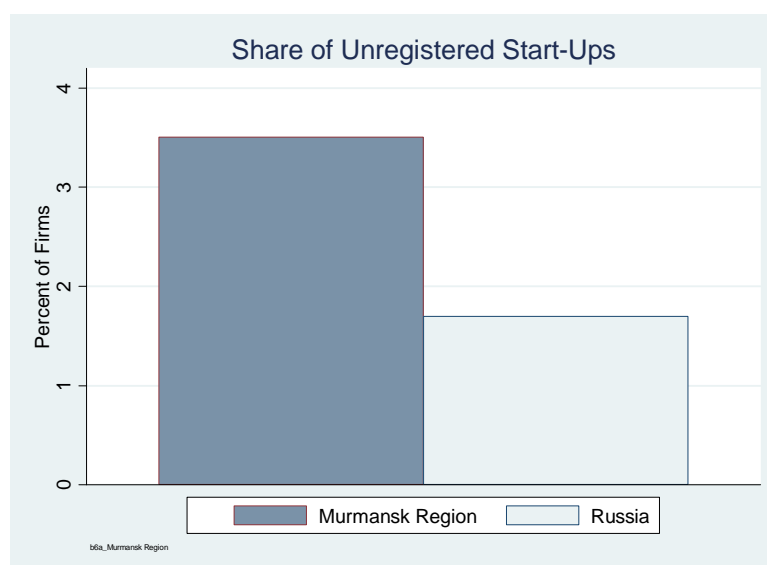
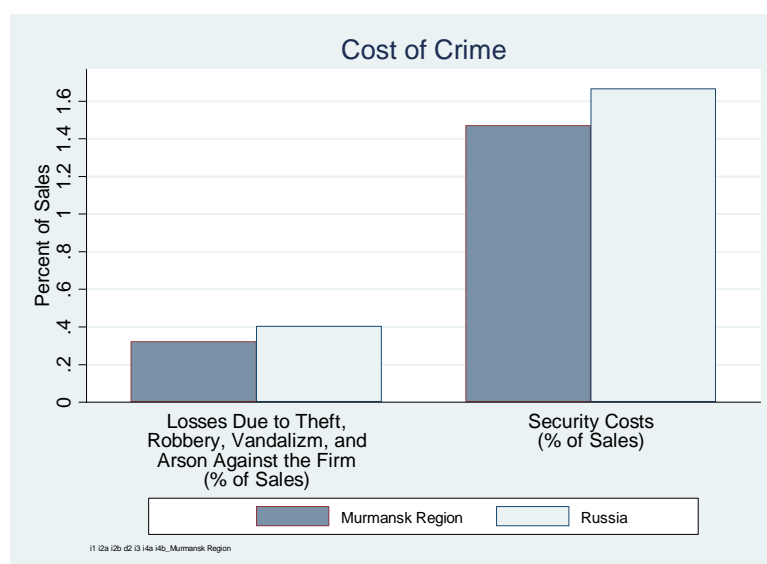
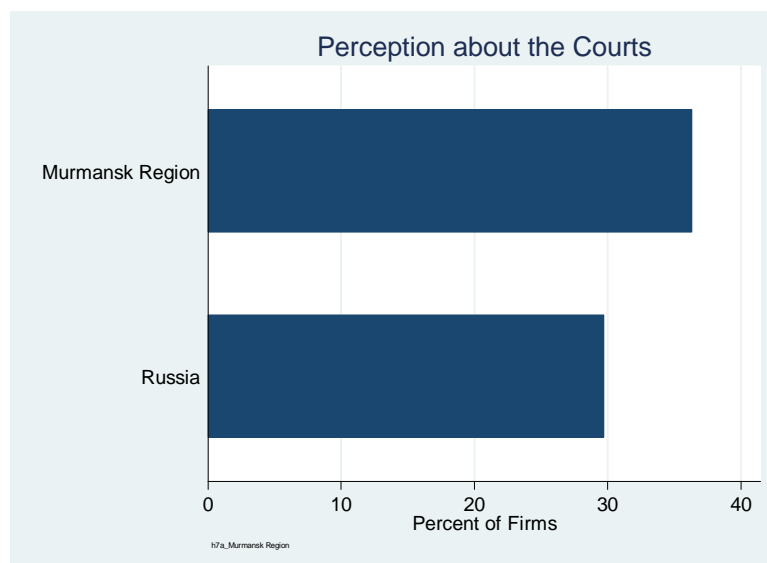
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## Finance

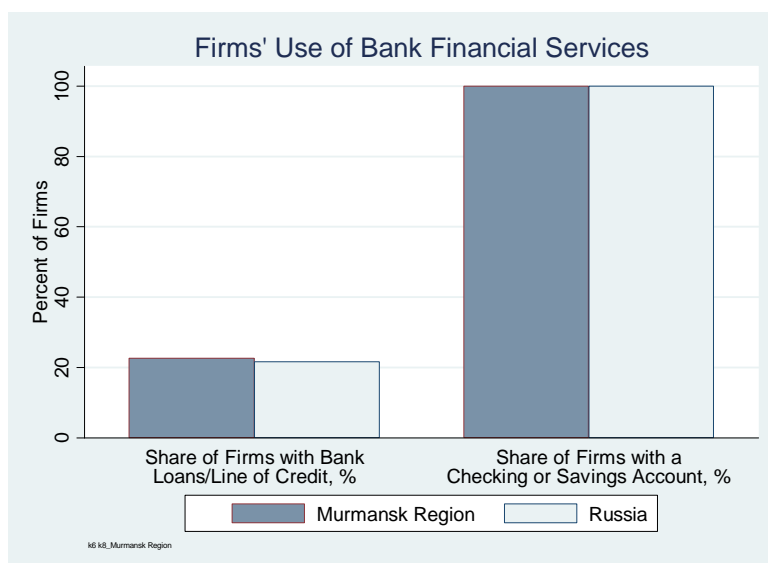
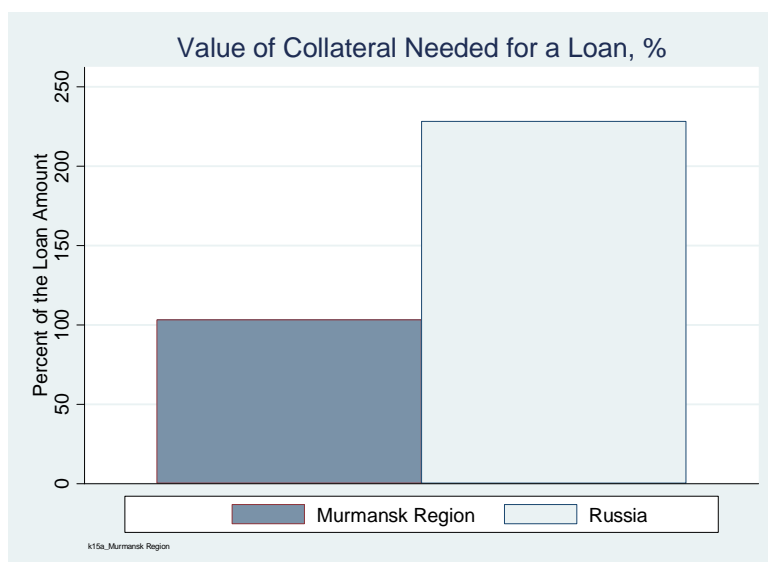
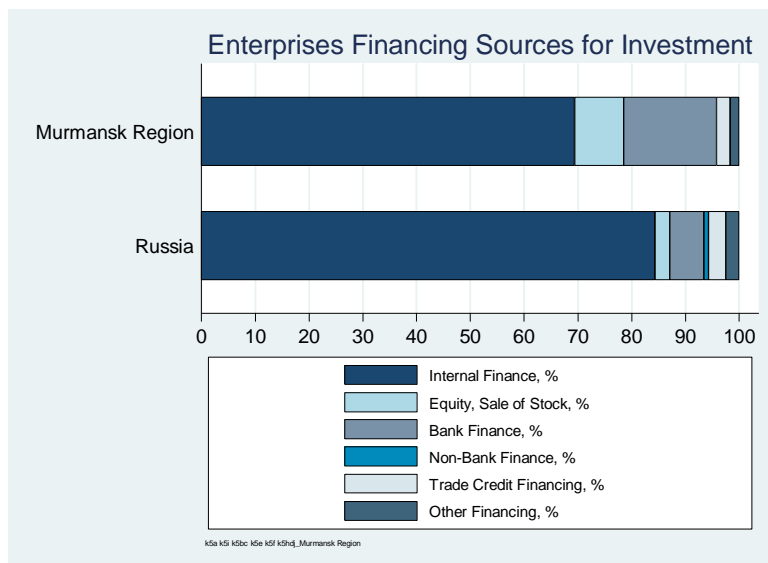
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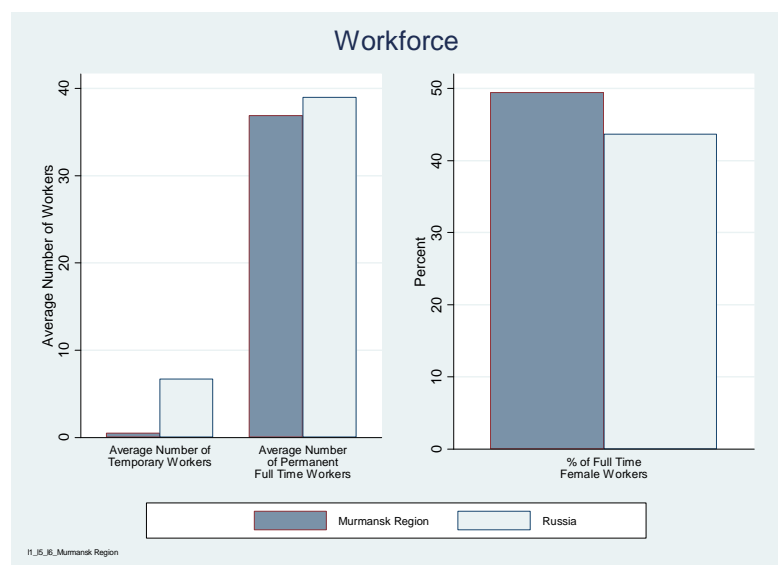
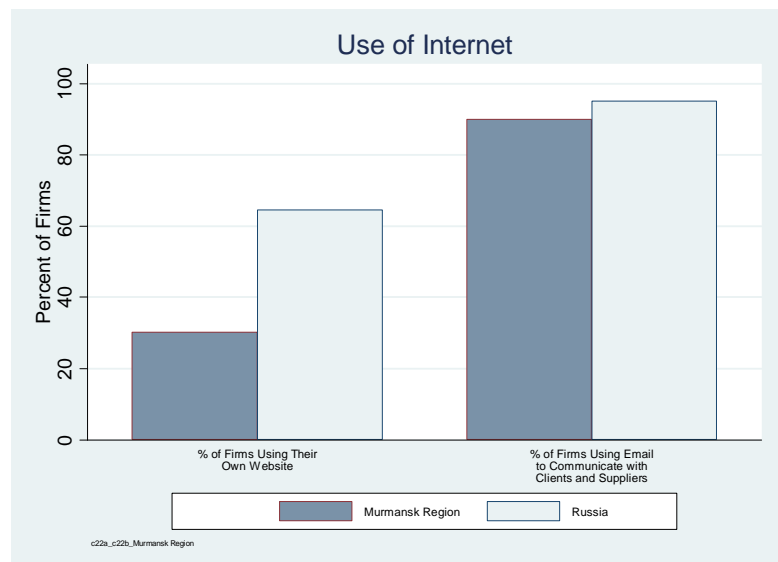
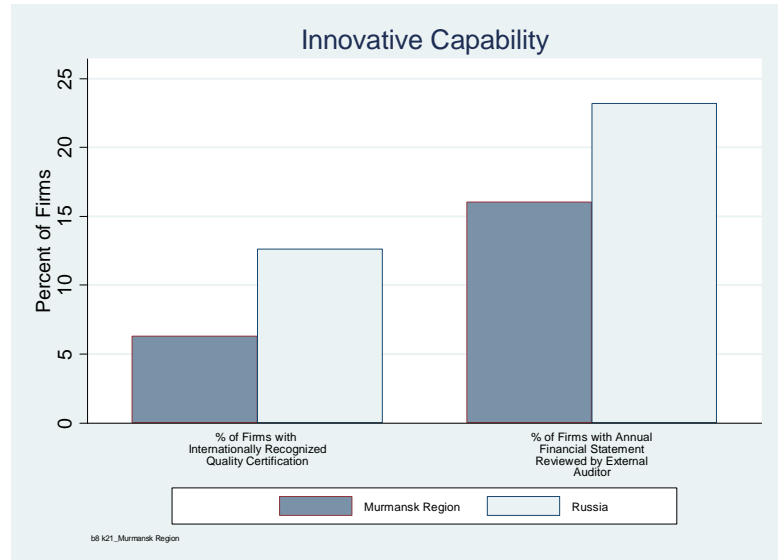
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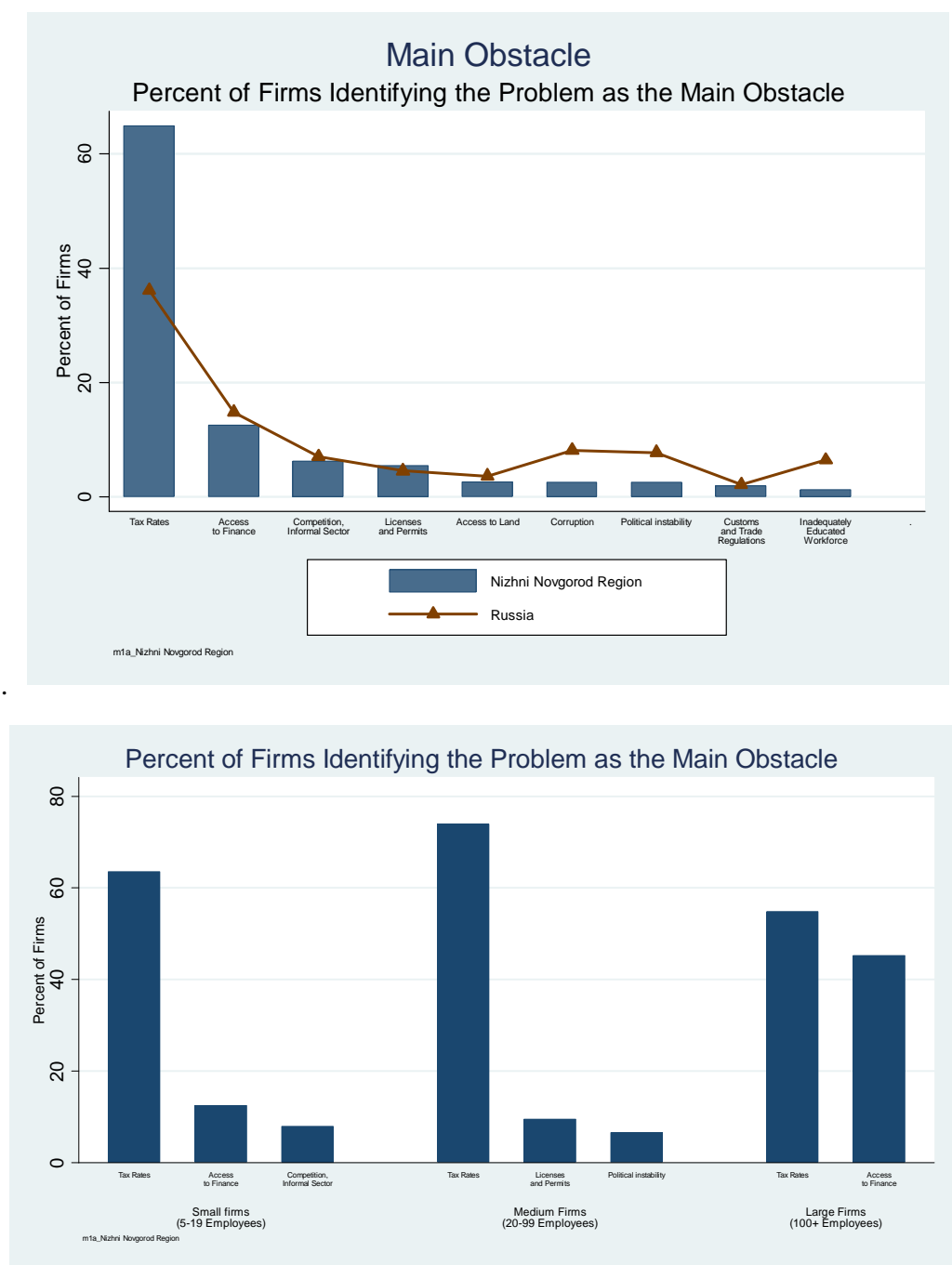
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	Murmansk Region	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	0.95	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	1.09	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	2.9%	4.2%		
<b>Transport</b>	1.23	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	3.5%			
<b>Customs and trade regulations</b>	0.38	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	2.6%	3.3%	1.8%	5.9%
<b>Practices of informal competitors</b>	1.46	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	9.2%			
<b>Access to land</b>	0.65	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	2.3%			
<b>Crime, theft and disorder</b>	0.95	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	5.1%			
<b>Access to finance</b>	1.20	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	6.8%	6.5%		
<b>Tax rates</b>	2.25	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	3.8%			
<b>Tax administration</b>	1.20	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	7.4%	12.3%	7.4%	
<b>Business licensing and permits</b>	1.01	0.29	Kirov Region; Smolensk Region; Stavropol Territory	5.4%	10.0%	3.9%	16.9%
<b>Political instability</b>	0.93	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	2.1%	1.8%	1.1%	10.4%
<b>Corruption</b>	1.07	0.60	Irkutsk Region; Kirov Region; Smolensk Region	5.2%	4.5%	2.4%	13.1%
<b>Courts</b>	0.43	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	3.6%	5.5%		
<b>Labor regulations</b>	0.39	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	2.8%			
<b>Inadequately educated workforce</b>	0.88	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	2.6%	3.1%	2.3%	

Nizhni Novgorod Region.<sup>19</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top constraints as identified by firms in Nizhni Novgorod Region benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Nizhni Novgorod Region.



<sup>19</sup> 82 companies were surveyed by in Nizhni Novgorod Region. The benchmarks used for comparisons are averages for Russia as a whole.



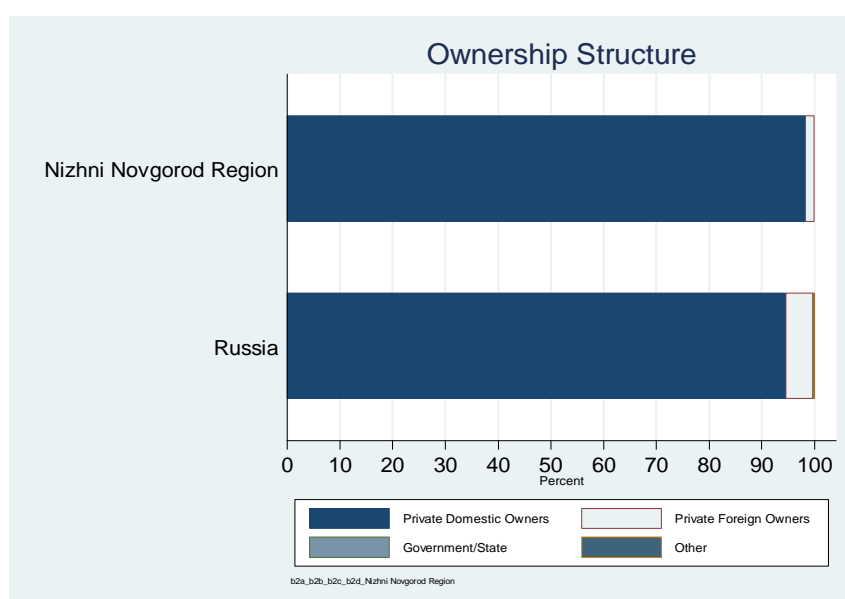
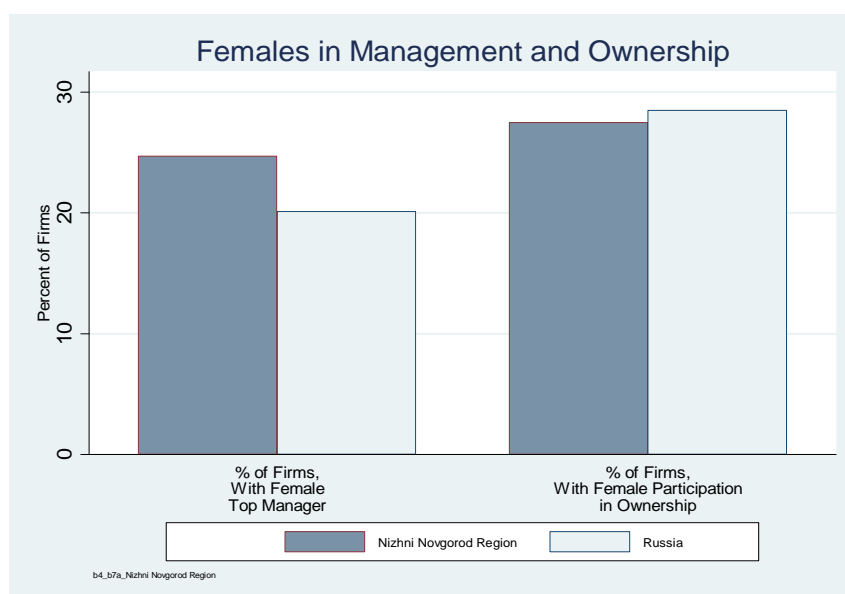
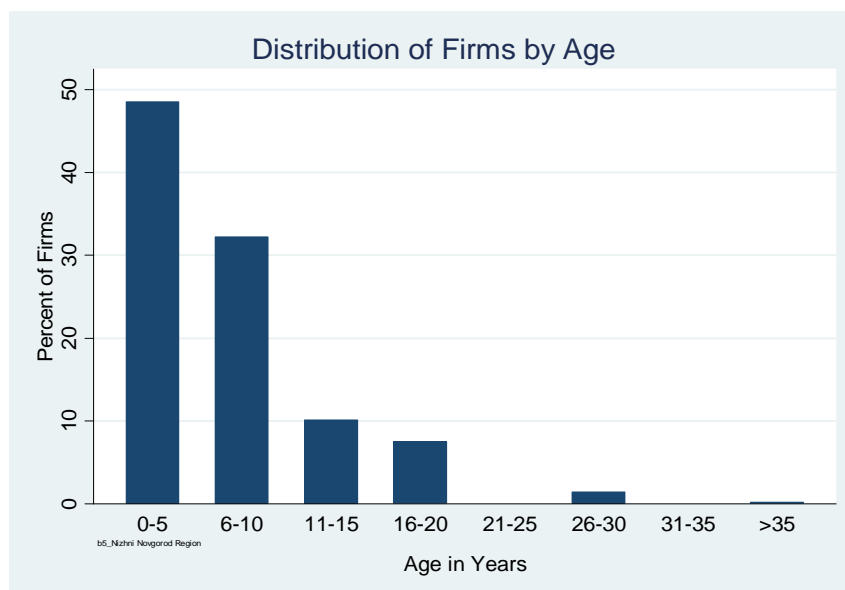
## Average Firm

The survey collects information from a representative sample of the non-agricultural formal private economy. In addition to collecting information on the business environment the surveys collect information on the characteristics of the firms interviewed. Consequently, the data collected provides a description of the representative private firm in the country and also an estimate of how some of the attributes of the average firm are distributed across the population of firms.

The first indicator shows the distribution of firms according to their age measured by the number of years they have been in operation. The effect the business environment can have on the private sector may depend on firms' experience and longevity. Seasoned firms and young firms may differ in their ability to successfully navigate the business environment.

The second set of indicators provides an illustration of female participation in management and firm ownership. These indicators can help assess whether gender can be a determinant of the effect of regulations on the firm and the level of exposure of the firm to external factors, such as corruption, access to finance, and technology.

The third indicator shows the participation of the domestic private sector, the government, the foreign sector and other sectors in the ownership of the typical firm. The distribution provides insight into their levels of equity in the private sector of the economy.



## Infrastructure

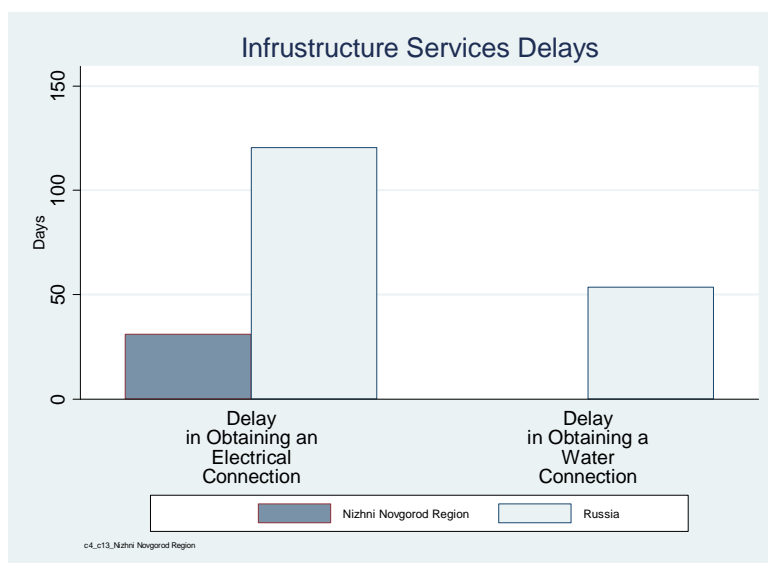
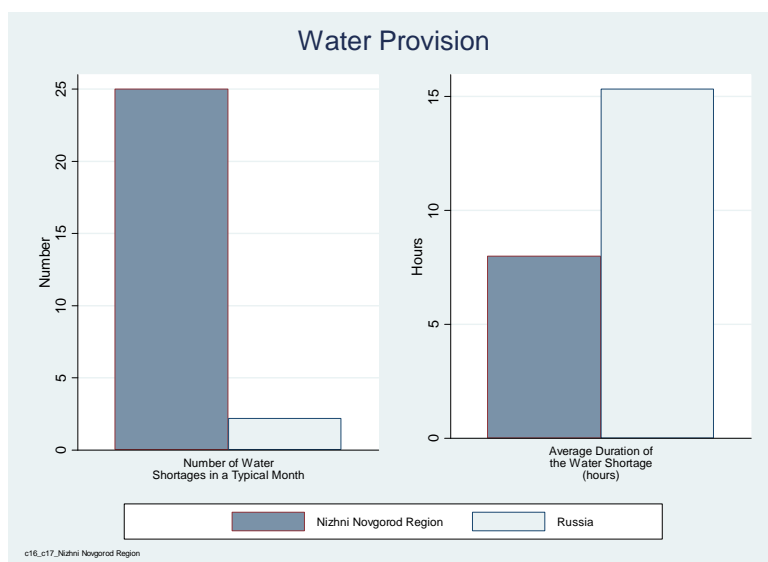
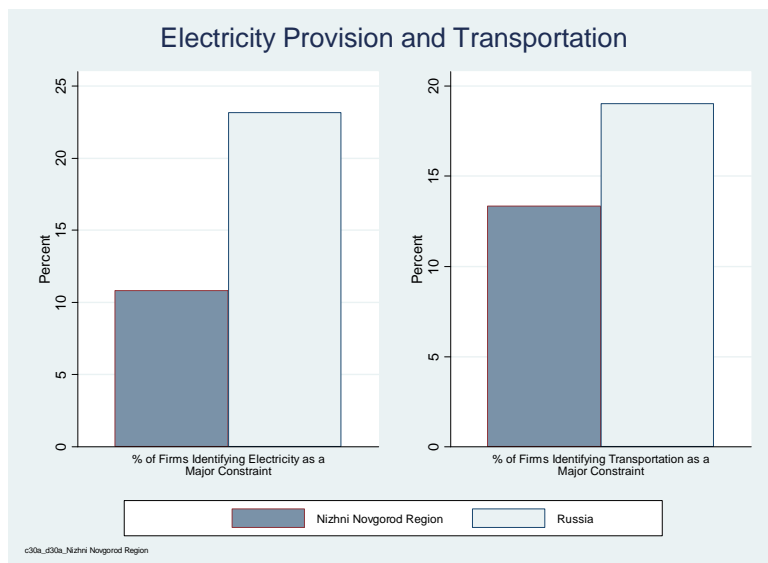
A strong infrastructure enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations.

The survey captures the dual challenge of providing a strong infrastructure for electricity, water supply, telephone connections, etc., and the development of institutions that effectively provide and maintain public services.

The first set of indicators shows the extent to which firms are faced with failures in the provision of electricity and the effect of these failures on sales. Inadequate electricity supply can increase costs, disrupt production, and reduce profitability.

The second set of indicators measures the efficiency of the water supply for the manufacturing sector. Many manufacturing sectors depend on reliable and efficient sources of water for their operations.

The third set of indicators evaluates the efficiency of infrastructure services by quantifying the delays in obtaining electricity, water, and telephone connections. Service delays impose additional costs on firms and may act as barriers to entry and investment.



## Trade

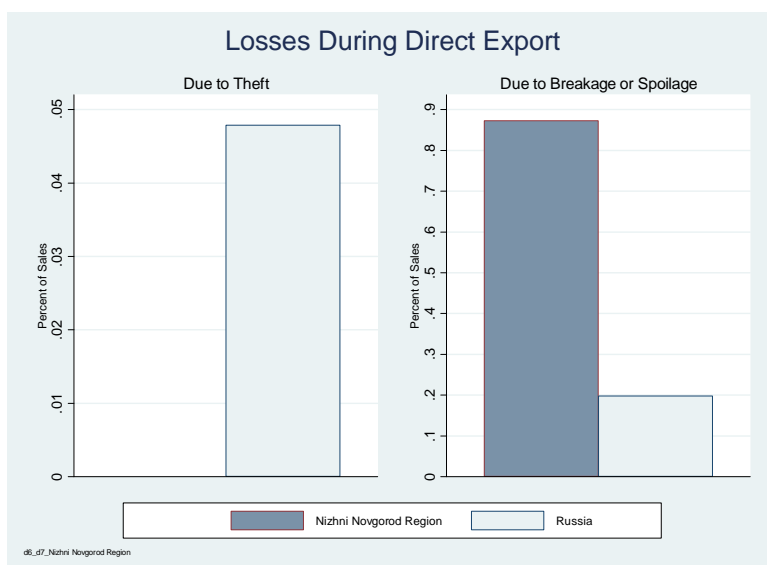
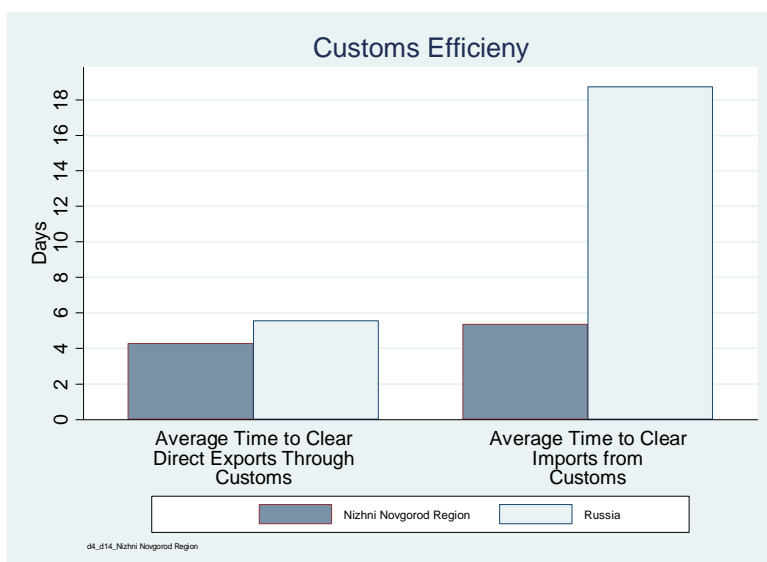
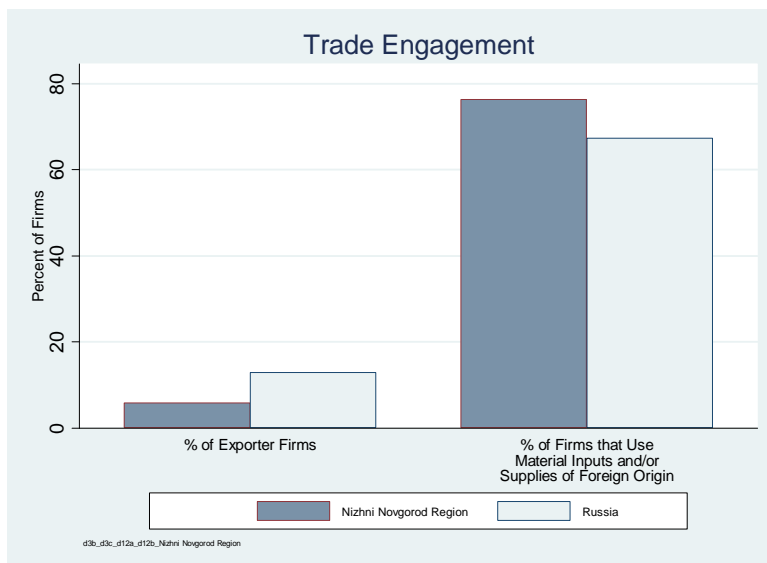
Open markets allow firms to expand, raise standards for efficiency on exporters, and enable firms to import low cost supplies. However, trading also forces firms to deal with customs services and trade regulations, obtain export and import licenses, and in some cases, firms also face additional costs due to losses during transport.

The survey collects information on the operational constraints faced by exporters and importers and also quantify the trade activity of firms.

The first set of indicators provides a measure of the intensity of foreign trade in the private sector. The first graph shows the percentage of firms who export directly or indirectly, i.e. using an intermediary. The second panel shows the percentage of manufacturing firms who use inputs or supplies of foreign origin.

The second set of indicators measures the average number of days to clear customs for imports and exports. The delay in clearing customs for imports or exports creates additional costs to the firm, can interrupt production, interfere with sales, and result in damaged supplies or merchandise.

The third set of indicators shows the percent value of exports lost during transport due to merchandise theft, and breakage or spoilage, reflecting the transport risks firms face during the export process.



## Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

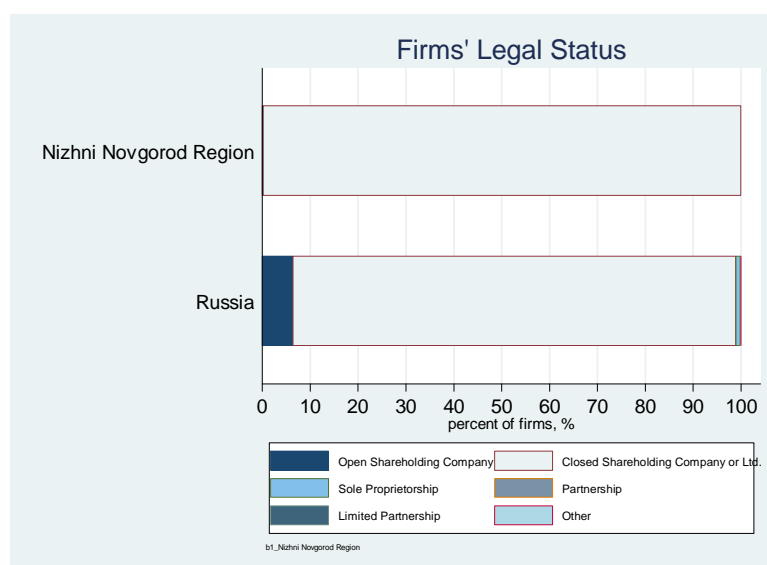
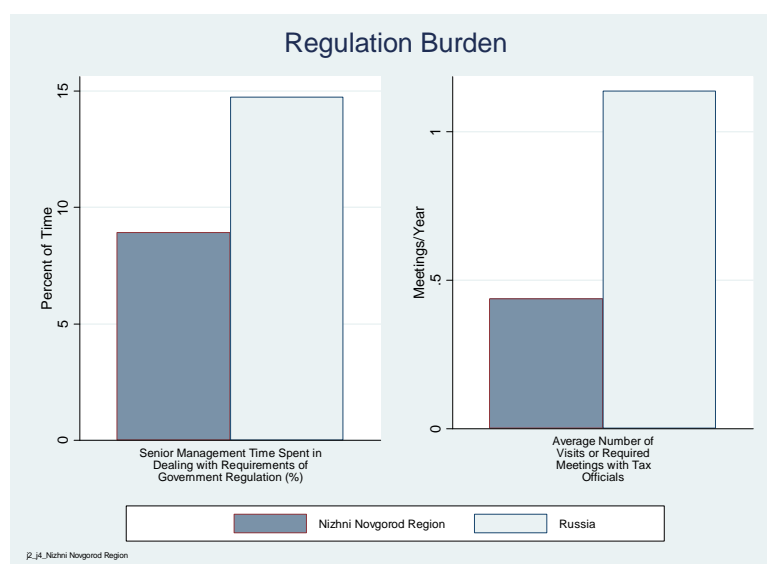
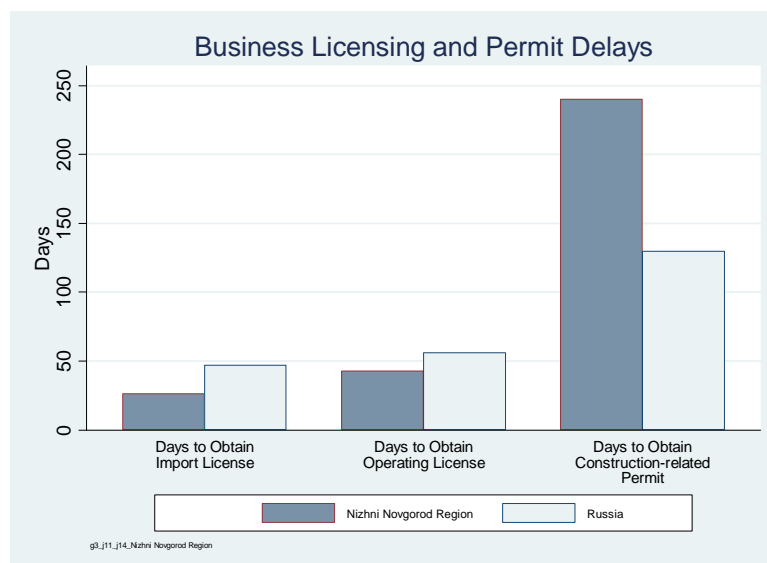
Effective regulations address market failures that inhibit productive investment and reconcile private and public interests. The number of permits and approvals that businesses need to obtain, and the time it takes to obtain them, is expensive and time consuming. The existing legislation of a country also determines the mix of legal forms private firms take and determines the level of protection for investors thus affecting the incentives to invest.

The survey provides qualitative and quantitative measures of taxation, regulations, and business licensing.

The first set of indicators focuses on the efficiency of business licensing and permit services. The indicators evaluate the delays faced when demanding these services.

The second set of indicators approximates the “time tax” imposed by regulations: it measures the time spent by senior management in meetings with public officials and the average number of tax inspections or meetings with tax inspectors in a year.

The third indicator shows the relative use of the different legal forms in the private sector. Most legal forms can be classified into shareholding companies with shares traded privately or non-traded at all (closed), shareholding companies publicly traded (open), sole proprietorships, partnerships, and limited partnerships. A residual category is included to capture legal forms not easily classified into the other categories.



## Corruption

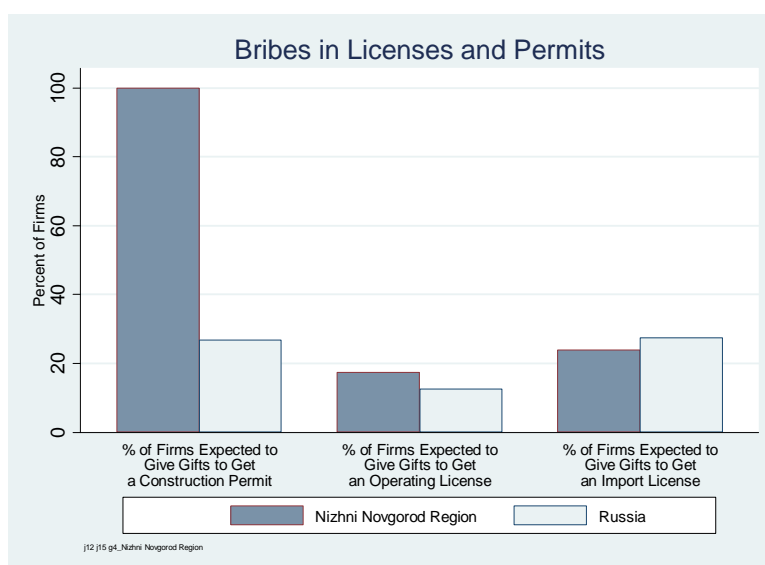
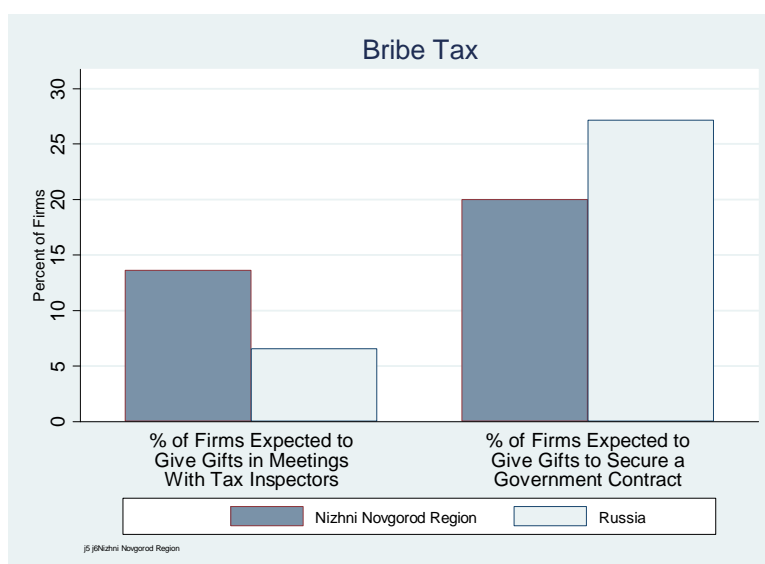
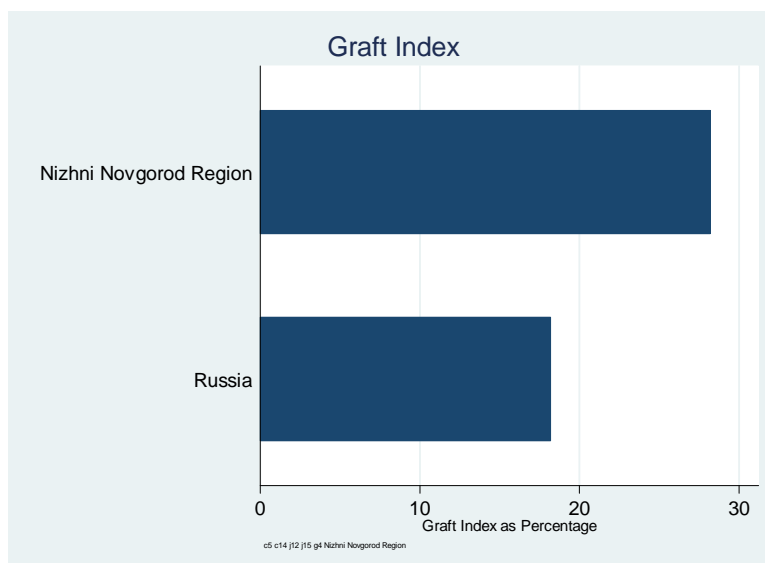
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

Inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make “unofficial” payments to public officials to get things done. In many countries bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for the firms’ growth and development.

The first set of indicators measures a composite index of corruption, the Graft Index that reflects the proportion of instances a firm was asked or expected to pay a bribe when soliciting six different public services, permits or licenses.

The second set of indicators identifies the extent to which specific regulatory and administrative officials require bribe payments during meetings with tax inspectors or in order to secure a government contract.

The third set of indicators focuses on bribes to obtain specific licenses or permits, and shows the share of firms that are expected to make informal payments to secure import and operating licenses and to obtain a construction permit.



## Crime and Informality

Crime imposes costs on firms when they are forced to divert resources from productive uses to cover security costs. Both foreign and domestic investors perceive crime as an indication of social instability, and crime drives up the cost of doing business. Also, commercial disputes between firms and their clients occur regularly in the course of doing business. Resolving these disputes can be challenging when legal institutions are weak or nonexistent.

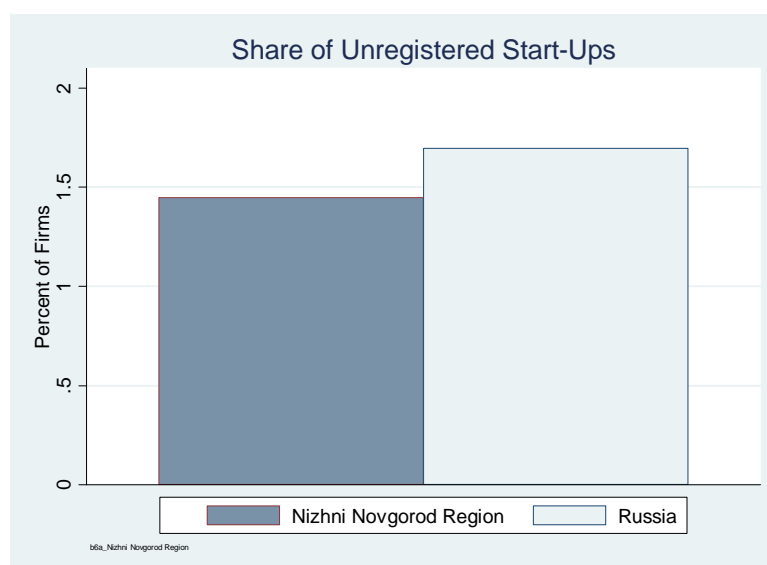
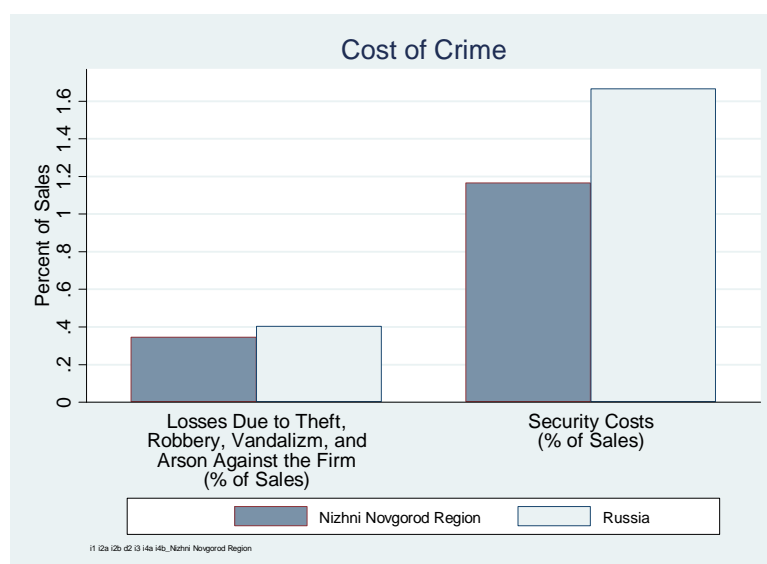
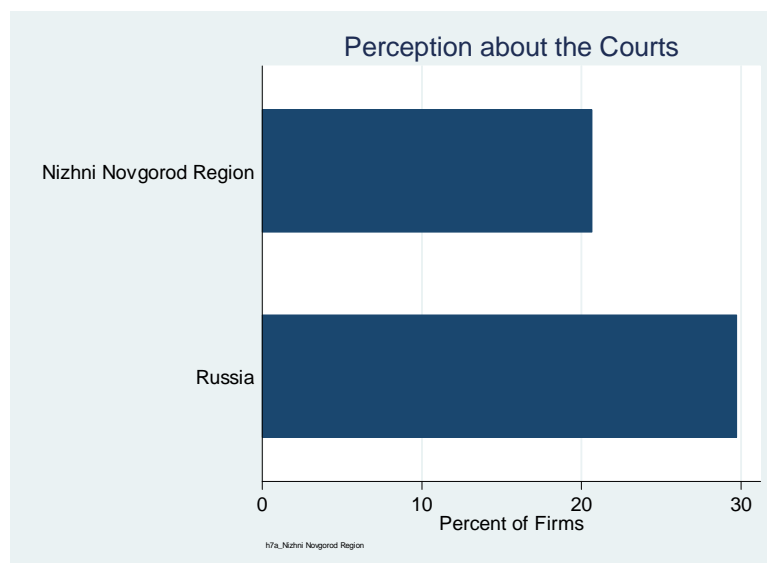
Similarly, a large informal sector has serious consequences for the formal private sector. The informal sector may pose unfair competition for formal firms.

The survey captures key dimensions of the effect of crime on firm sales, the extent to which entrepreneurs identify courts as fair, and the degree of informality in an economy.

The first indicator shows the share of firms that recognize the functioning of the courts as being fair, impartial, and uncorrupted.

The second set of indicators measures the direct costs of security incurred by firms as well as their direct losses due to crime. These resources represent an opportunity cost since they could have been invested in productive activities.

The third set of indicators shows the percentage of firms that started operation without begin formally registered. It is an approximation to the prevalence of informality in the private economy.



## Finance

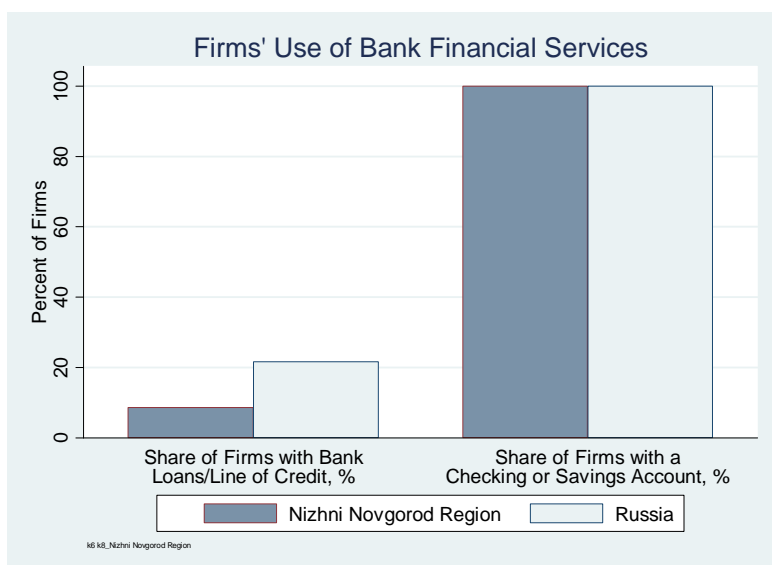
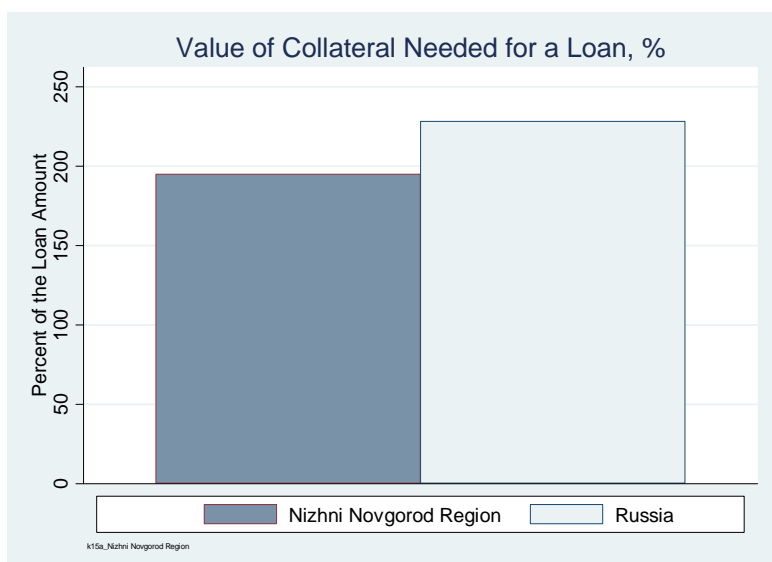
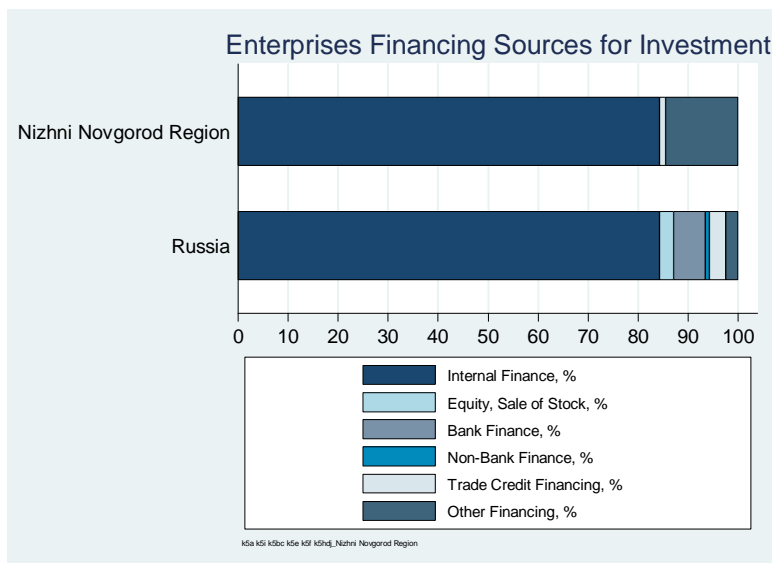
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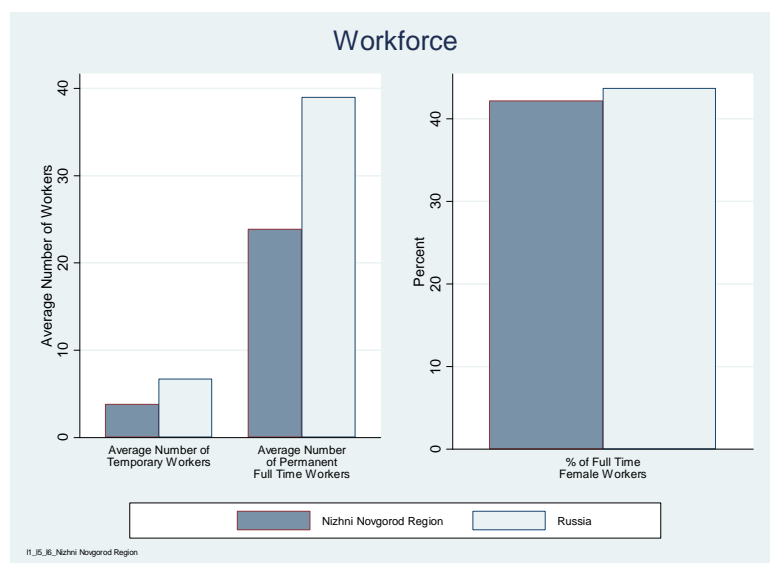
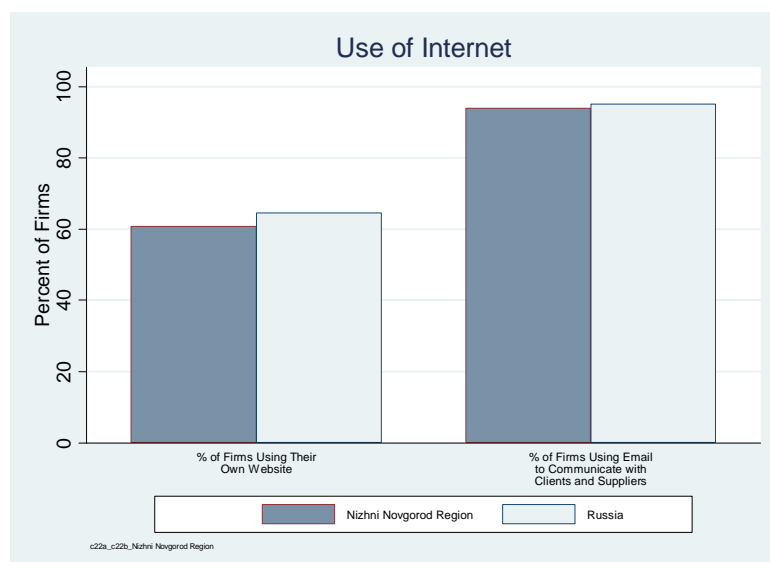
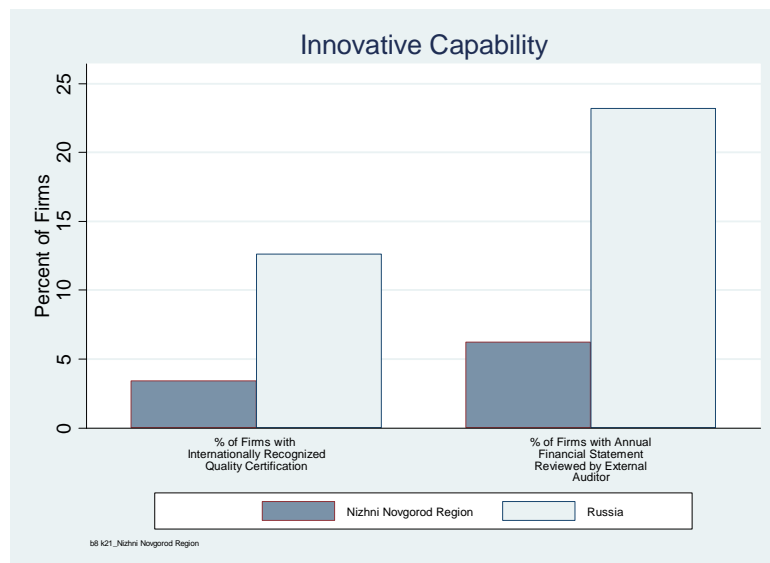
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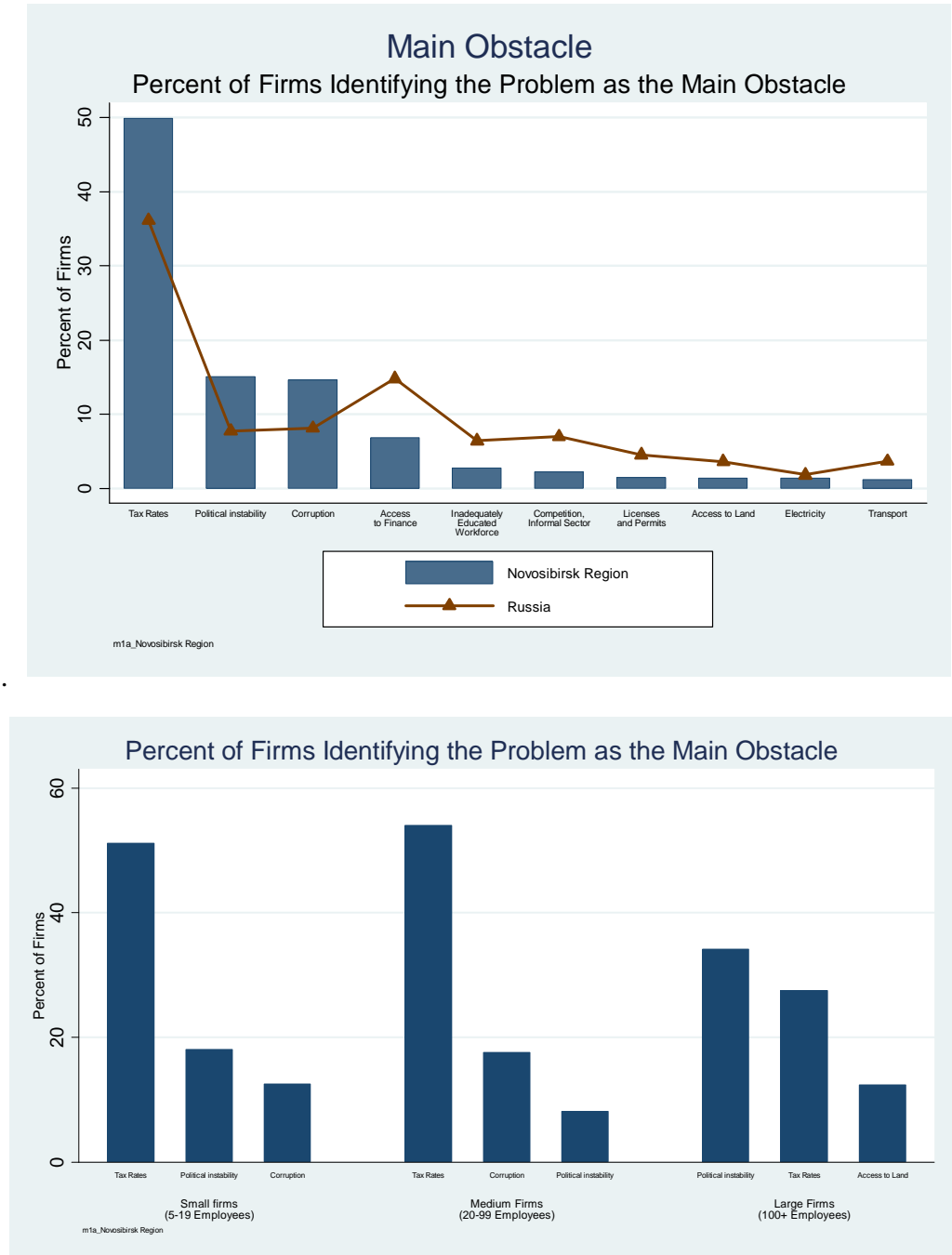
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	<i>Nizhny Novgorod Region</i>	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	0.49	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	0.76	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	1.6%	2.3%		
<b>Transport</b>	0.51	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	0.7%			
<b>Customs and trade regulations</b>	0.43	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	3.0%	3.9%	2.2%	7.0%
<b>Practices of informal competitors</b>	1.09	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	6.2%			
<b>Access to land</b>	0.81	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	3.5%			
<b>Crime, theft and disorder</b>	0.39	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	1.5%			
<b>Access to finance</b>	1.50	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	10.4%	9.8%		
<b>Tax rates</b>	2.77	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	6.1%			
<b>Tax administration</b>	0.65	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	2.6%	4.3%	2.6%	
<b>Business licensing and permits</b>	0.72	0.29	Kirov Region; Smolensk Region; Stavropol Territory	3.3%	6.1%	2.4%	10.3%
<b>Political instability</b>	1.07	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	3.7%	3.2%	1.9%	18.4%
<b>Corruption</b>	1.06	0.60	Irkutsk Region; Kirov Region; Smolensk Region	5.1%	4.4%	2.3%	12.9%
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<b>Labor regulations</b>	0.44	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	3.3%			
<b>Inadequately educated workforce</b>	0.93	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	2.9%	3.5%	2.6%	

Novosibirsk Region.<sup>20</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms Novosibirsk Region benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Novosibirsk Region.



<sup>20</sup> 123 companies were surveyed by in Novosibirsk Region. The benchmarks used for comparisons are averages for Russia as a whole.

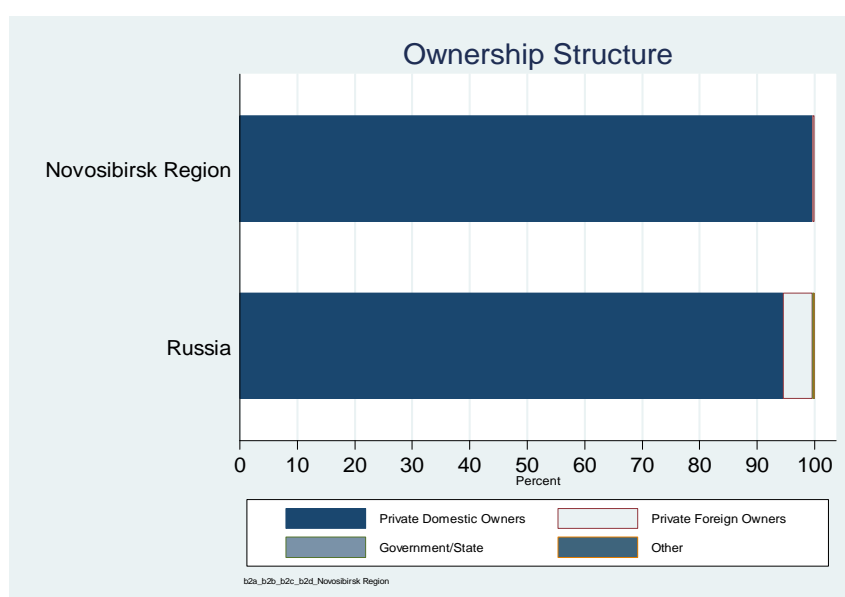
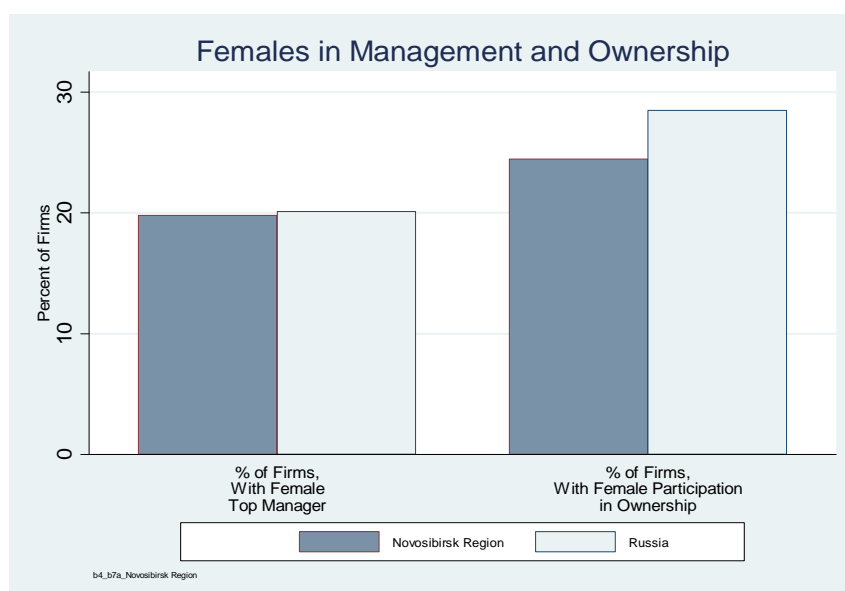
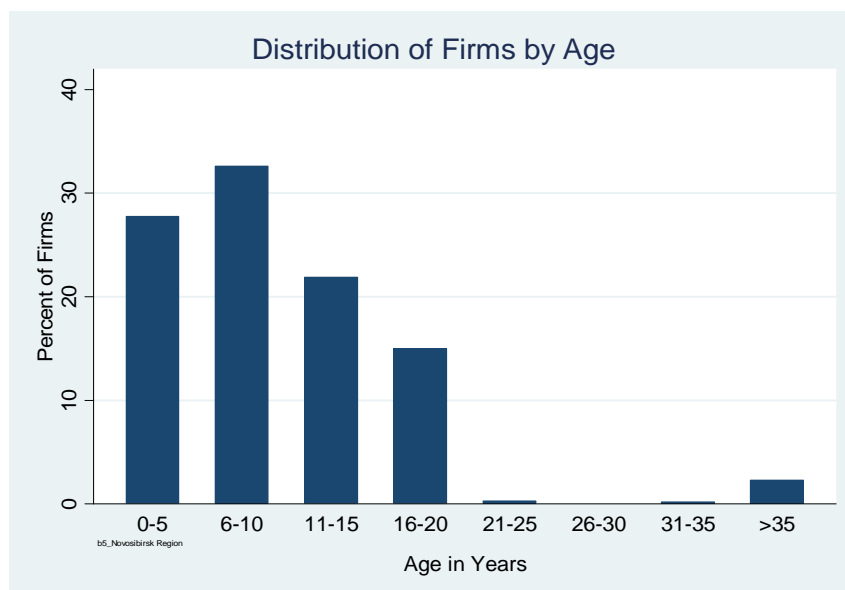
## Average Firm

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## Infrastructure

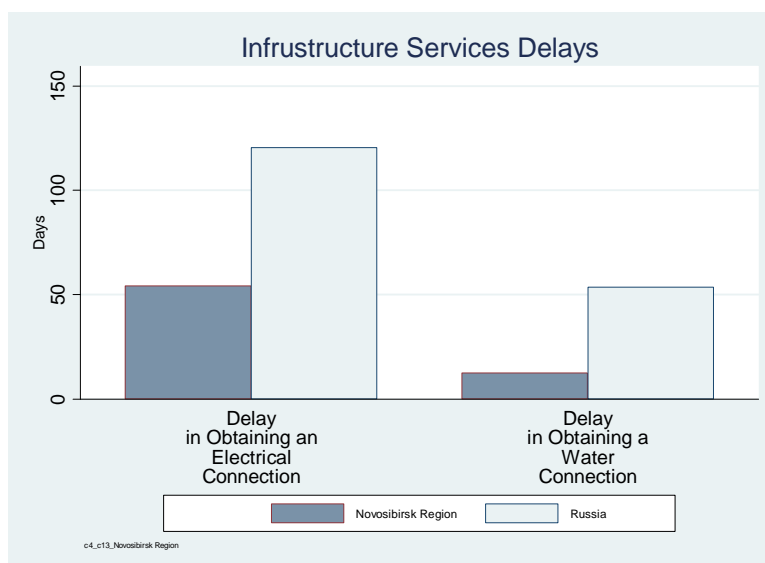
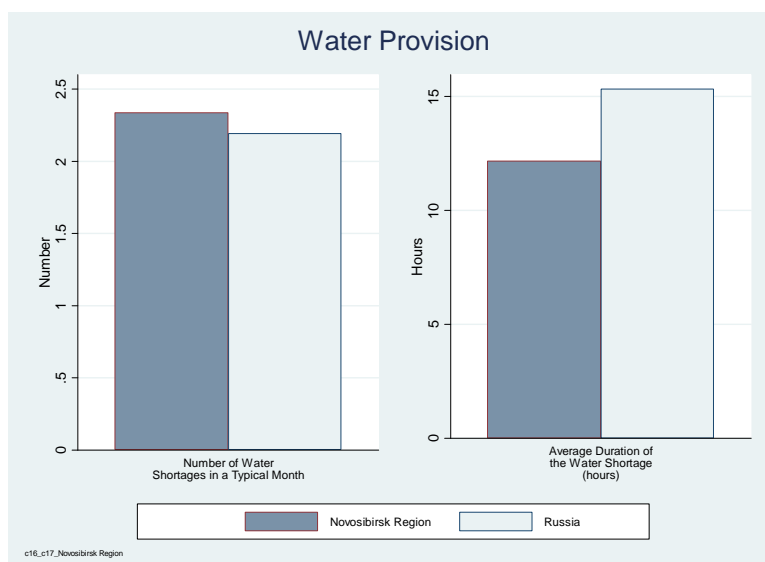
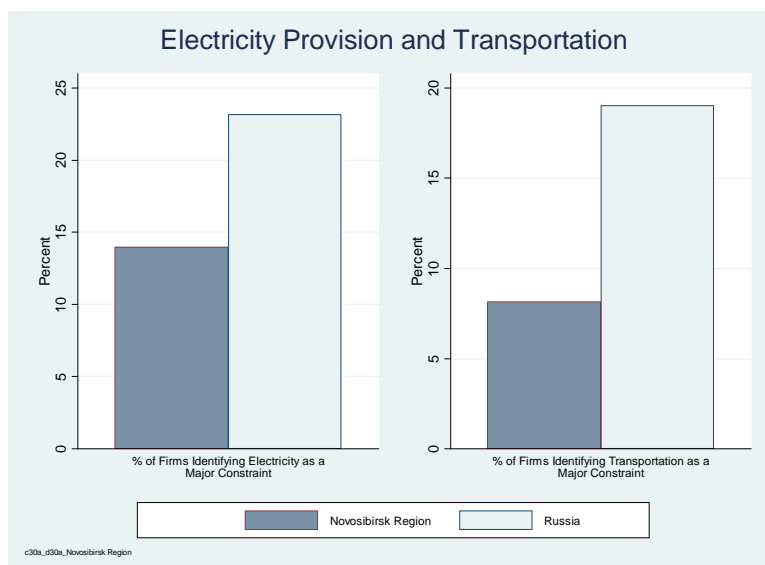
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## Trade

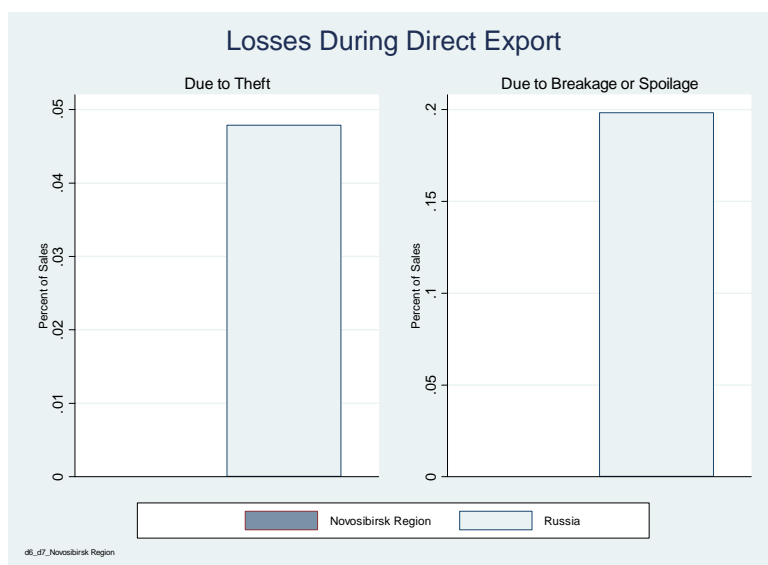
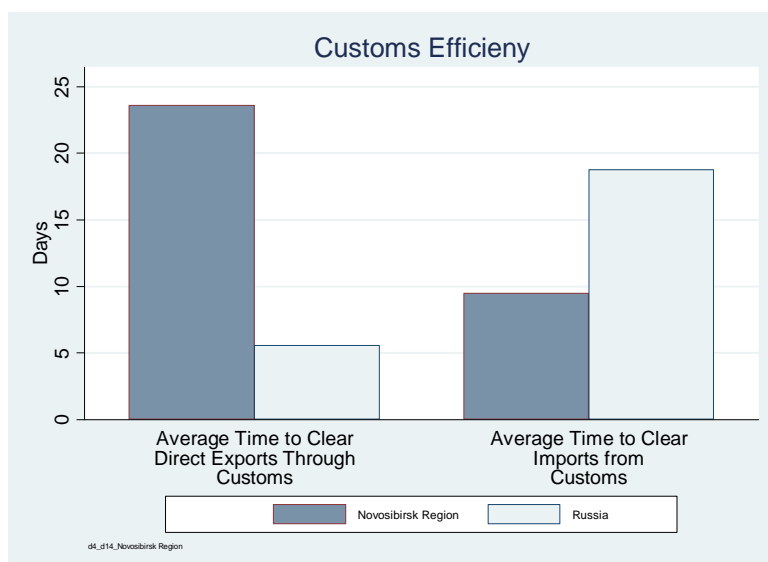
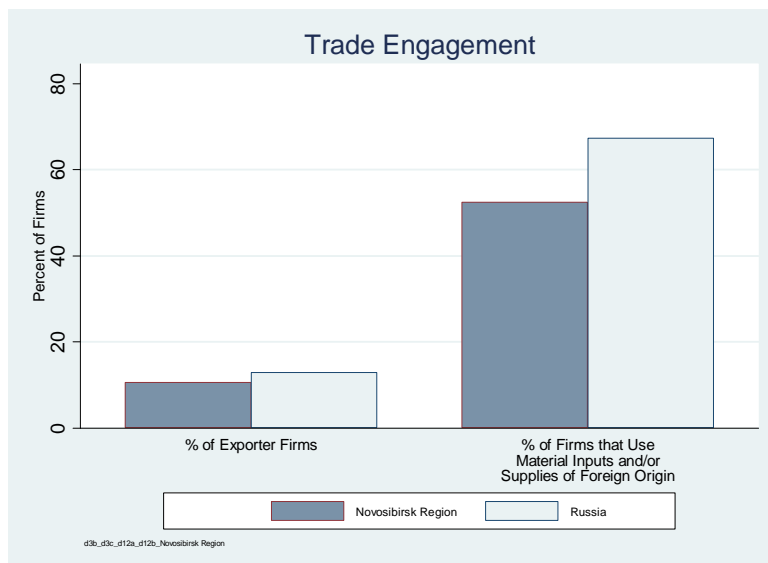
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The survey collects information on the operational constraints faced by exporters and importers and also quantifies the trade activity of firms.

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The second set of indicators measures the average number of days to clear customs for imports and exports. The delay in clearing customs for imports or exports creates additional costs to the firm, can interrupt production, interfere with sales, and result in damaged supplies or merchandise.

The third set of indicators shows the percent value of exports lost during transport due to merchandise theft, and breakage or spoilage, reflecting the transport risks firms face during the export process.



## Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

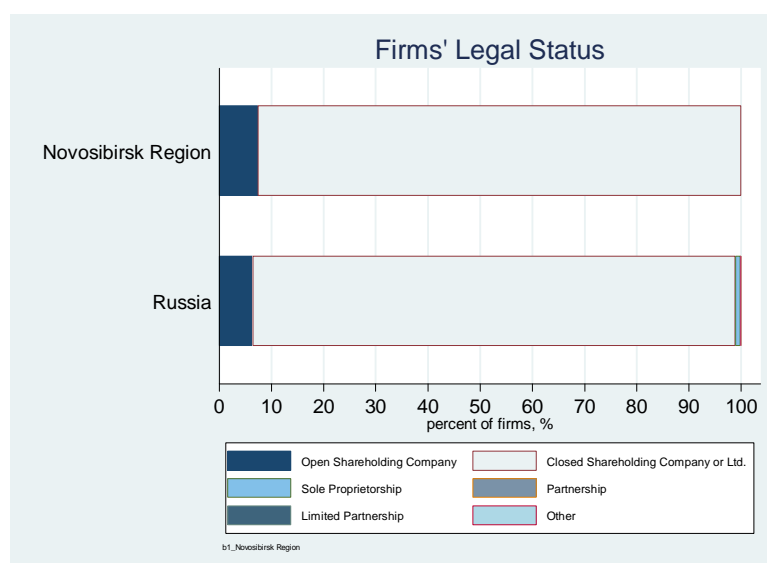
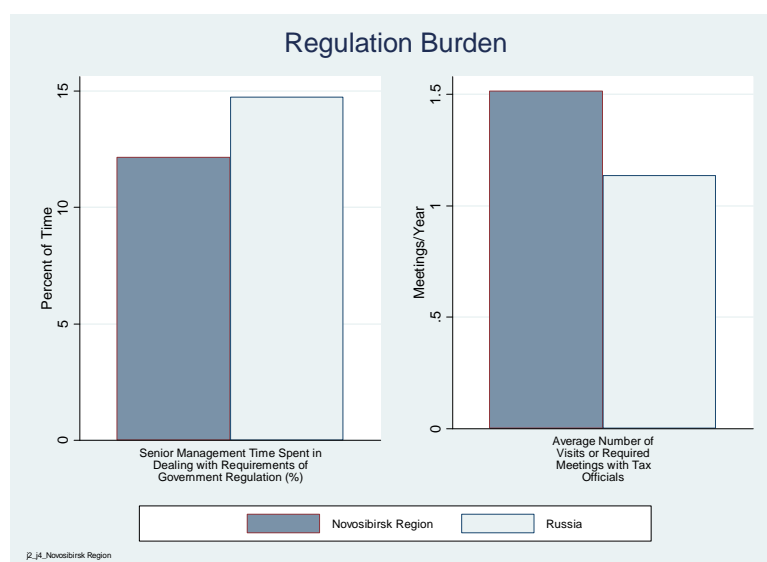
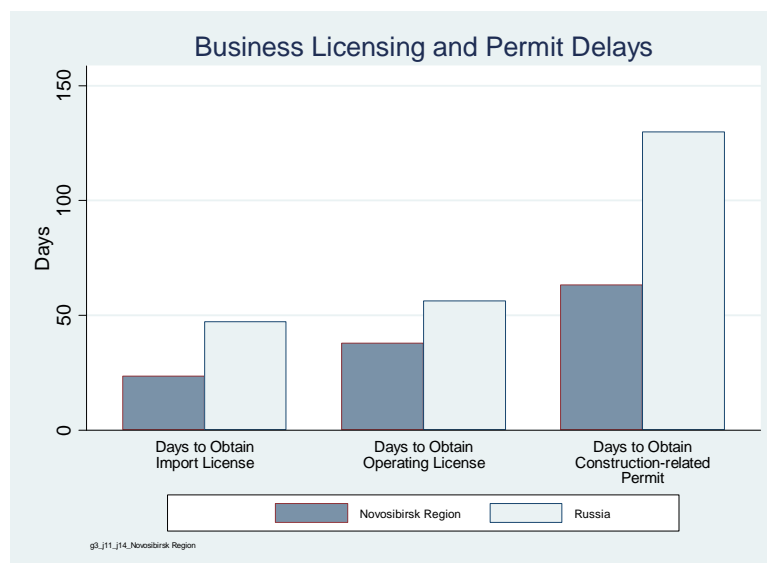
Effective regulations address market failures that inhibit productive investment and reconcile private and public interests. The number of permits and approvals that businesses need to obtain, and the time it takes to obtain them, is expensive and time consuming. The existing legislation of a country also determines the mix of legal forms private firms take and determines the level of protection for investors thus affecting the incentives to invest.

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## Corruption

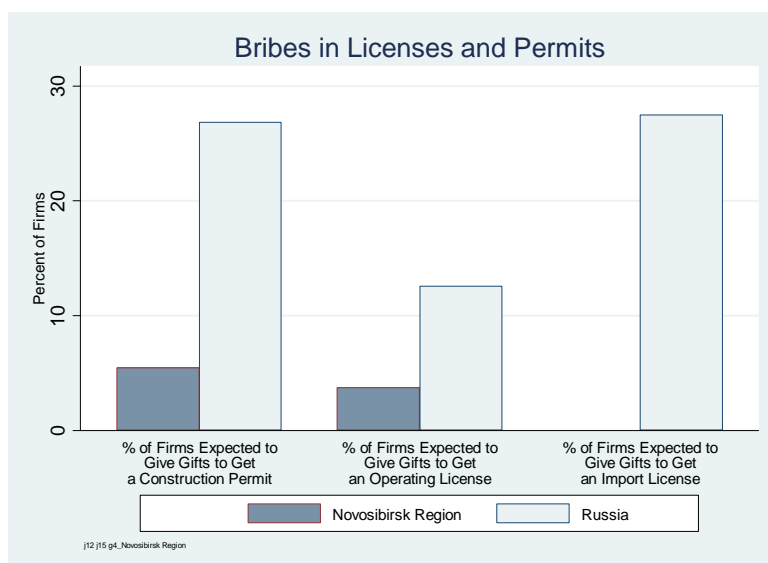
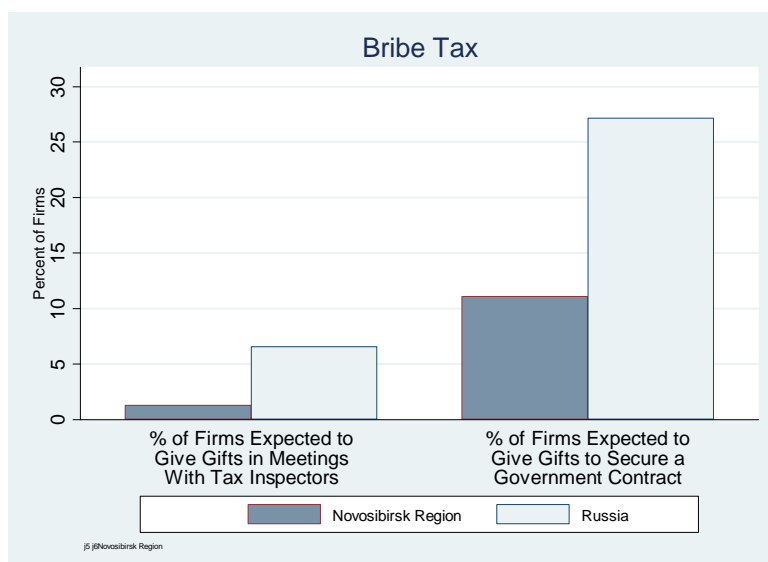
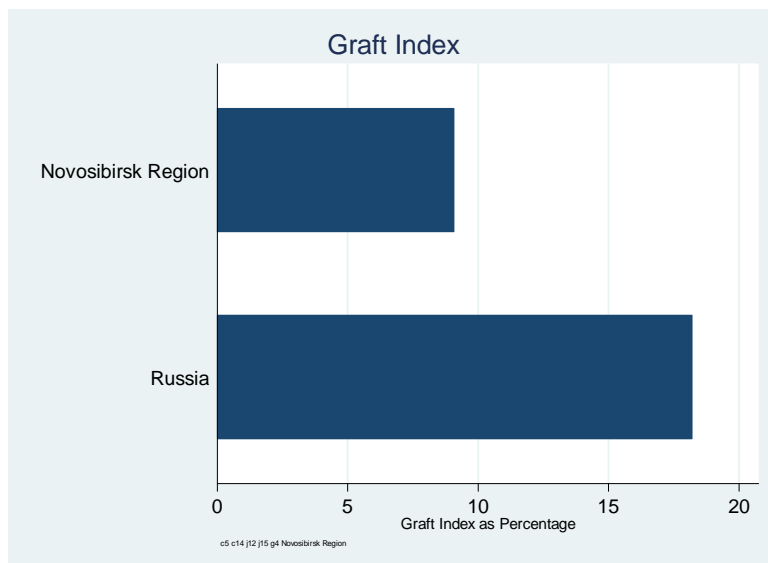
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

Inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make “unofficial” payments to public officials to get things done. In many countries bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for the firms’ growth and development.

The first set of indicators measures a composite index of corruption, the Graft Index that reflects the proportion of instances a firm was asked or expected to pay a bribe when soliciting six different public services, permits or licenses.

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The third set of indicators focuses on bribes to obtain specific licenses or permits, and shows the share of firms that are expected to make informal payments to secure import and operating licenses and to obtain a construction permit.



## Crime and Informality

Crime imposes costs on firms when they are forced to divert resources from productive uses to cover security costs. Both foreign and domestic investors perceive crime as an indication of social instability, and crime drives up the cost of doing business. Also, commercial disputes between firms and their clients occur regularly in the course of doing business. Resolving these disputes can be challenging when legal institutions are weak or nonexistent.

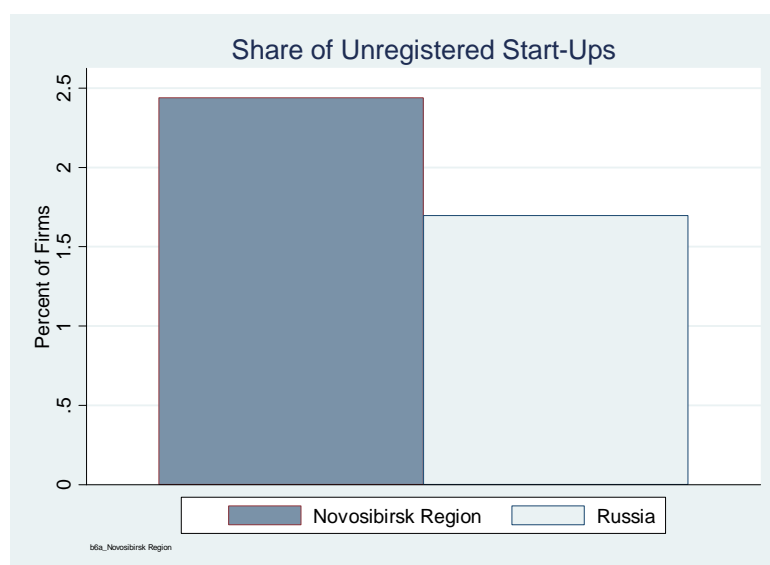
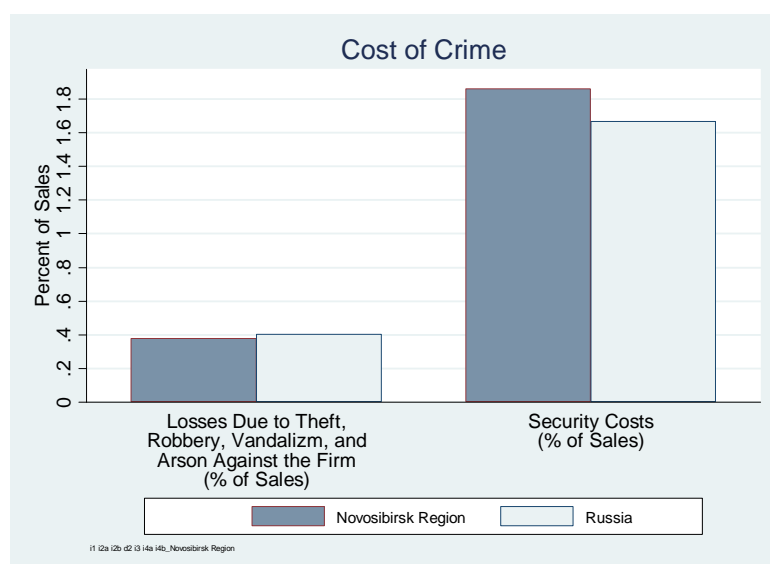
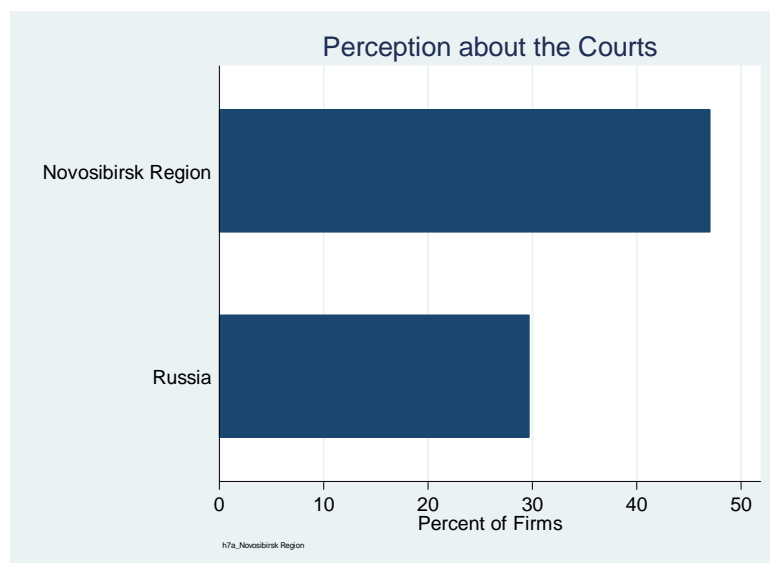
Similarly, a large informal sector has serious consequences for the formal private sector. The informal sector may pose unfair competition for formal firms.

The survey captures key dimensions of the effect of crime on firm sales, the extent to which entrepreneurs identify courts as fair, and the degree of informality in an economy.

The first indicator shows the share of firms that recognize the functioning of the courts as being fair, impartial, and uncorrupted.

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## Finance

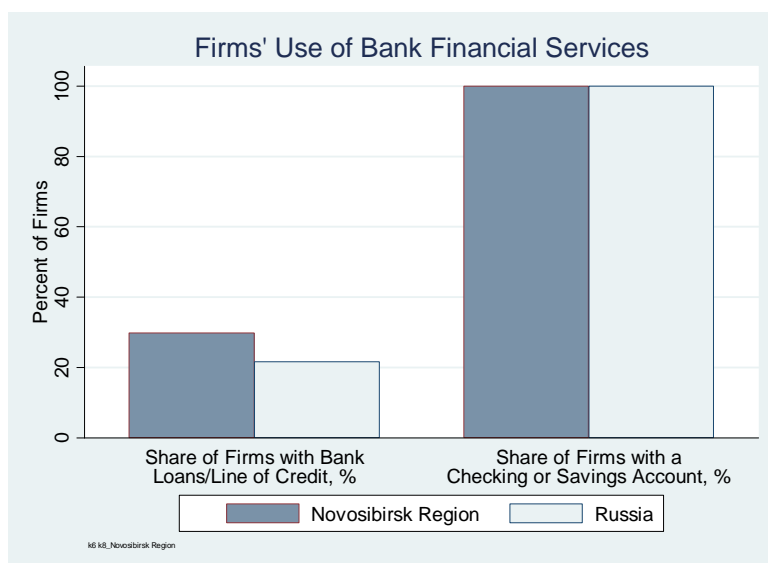
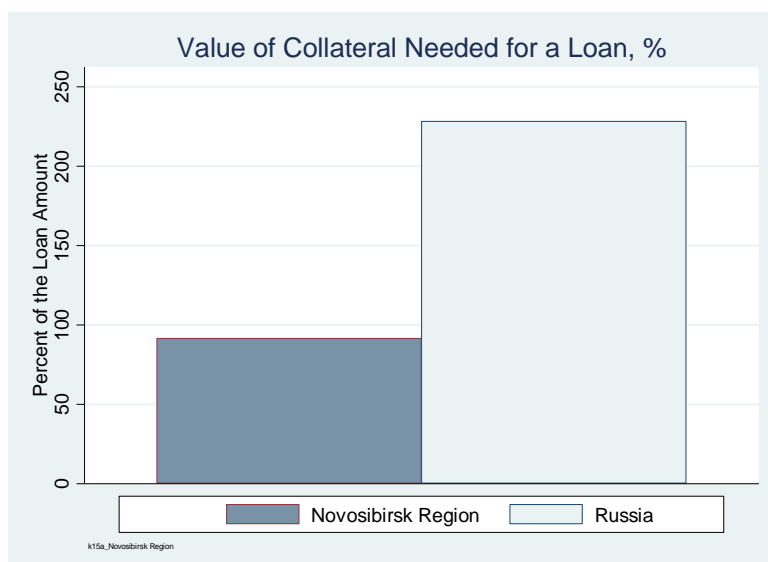
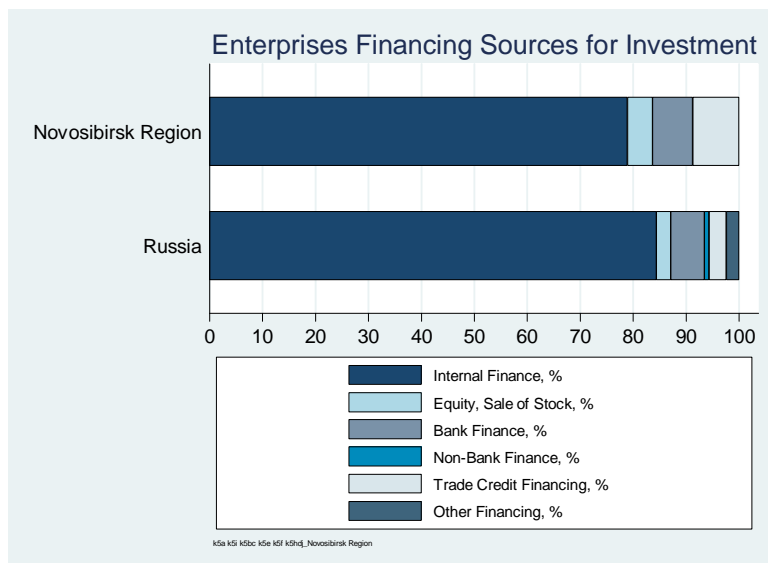
Developed financial markets provide payment services, mobilize deposits, and ease investment financing. Efficient financial markets reduce the reliance on internal funds and on money from informal sources such as family and friends by connecting firms to a broad range of lenders and investors.

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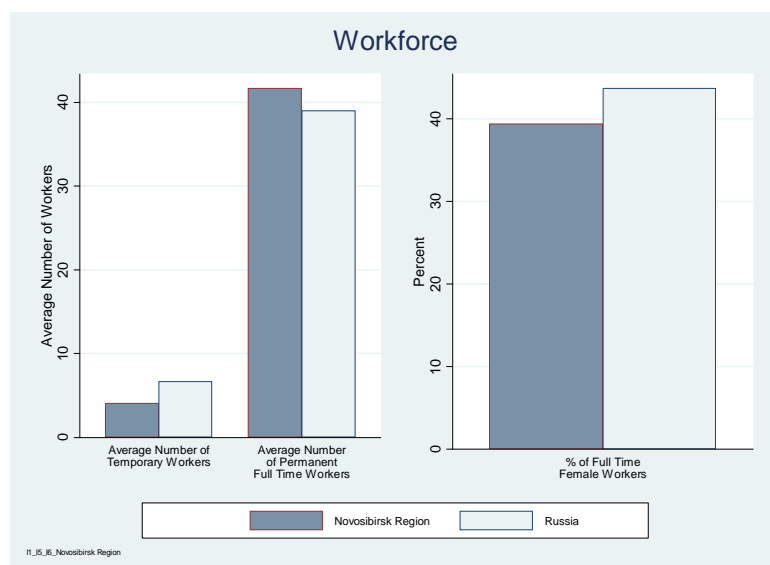
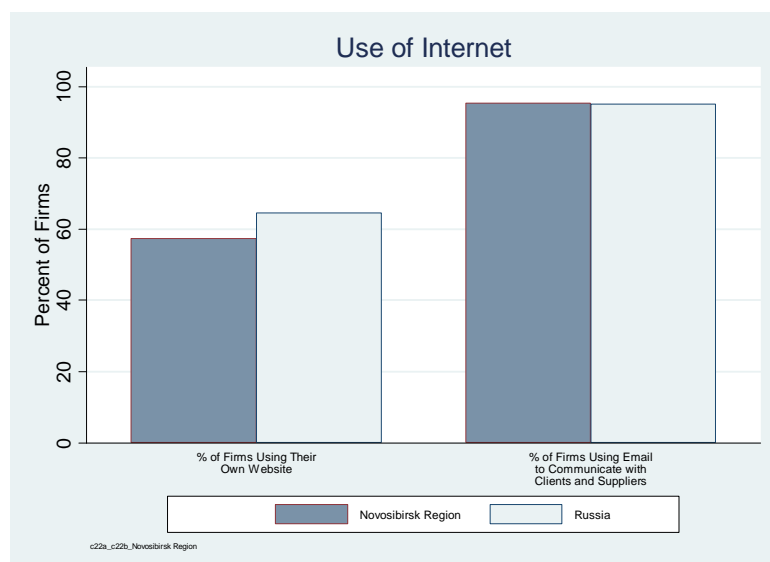
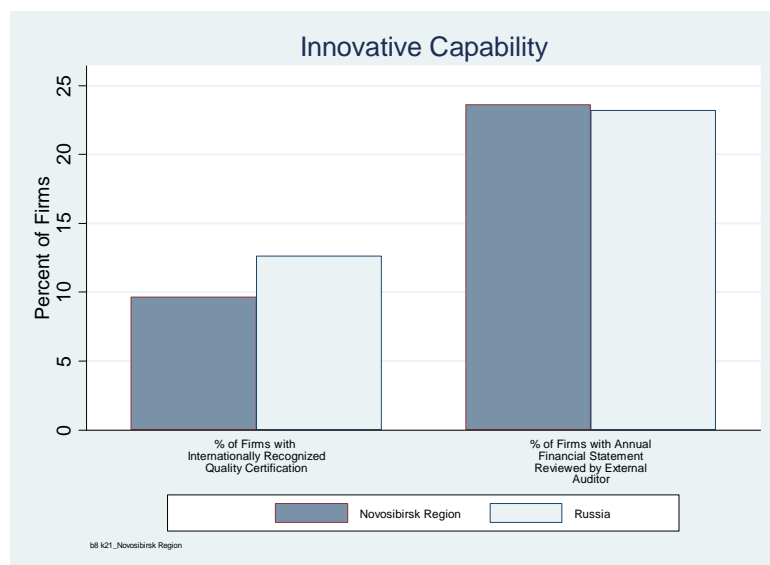
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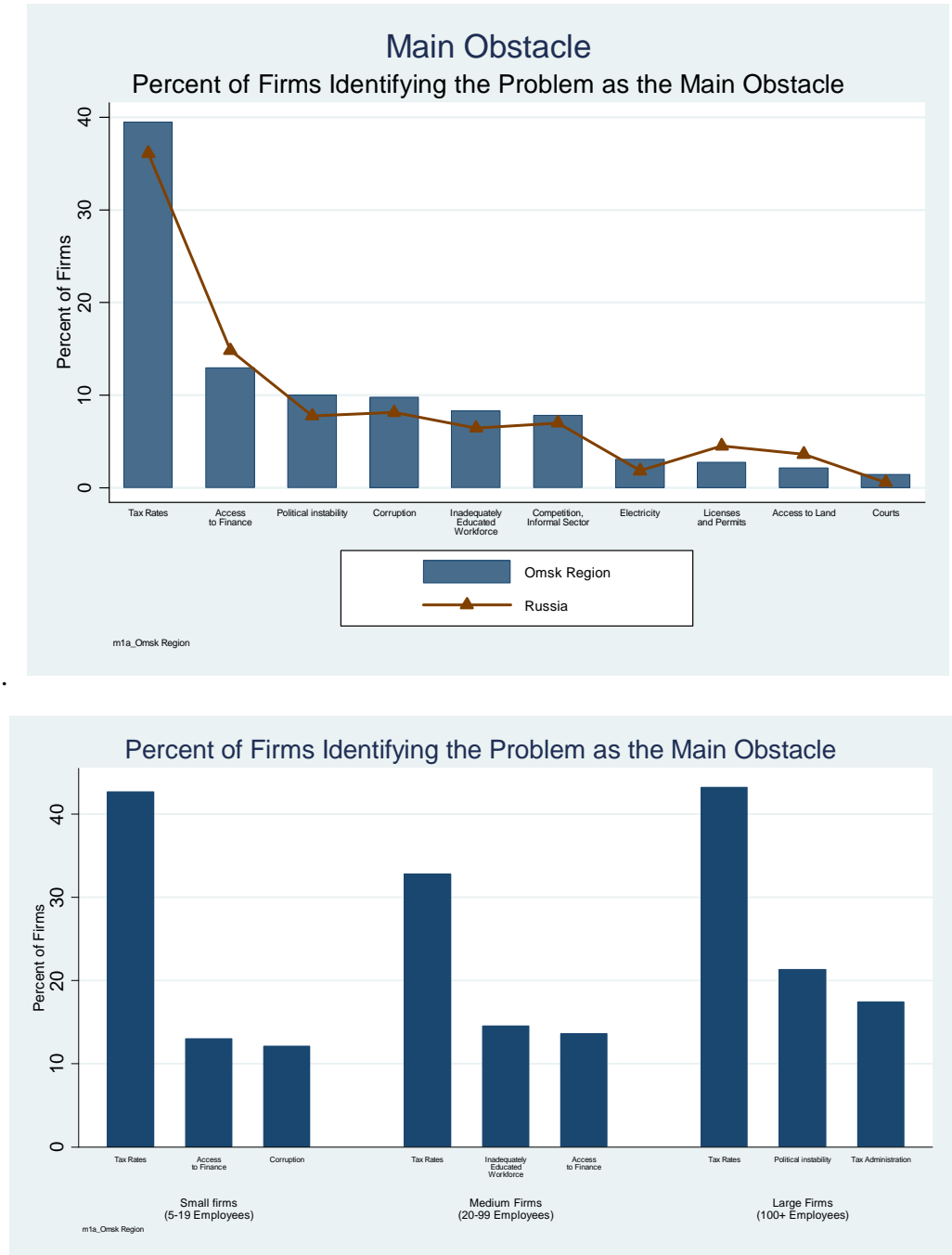
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	<i>Novosibirsk Region</i>	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	0.76	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	0.56	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	0.8%	1.2%		
<b>Transport</b>	0.79	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	1.7%			
<b>Customs and trade regulations</b>	0.54	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	4.1%	5.3%	2.9%	9.5%
<b>Practices of informal competitors</b>	0.28	0.33	Lipetsk Region; <i>Novosibirsk Region</i> ; Stavropol Territory				
<b>Access to land</b>	0.48	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	1.0%			
<b>Crime, theft and disorder</b>	0.53	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	2.4%			
<b>Access to finance</b>	1.17	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	6.4%	6.1%		
<b>Tax rates</b>	2.70	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	5.8%			
<b>Tax administration</b>	0.62	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	2.3%	3.8%	2.3%	
<b>Business licensing and permits</b>	0.56	0.29	Kirov Region; Smolensk Region; Stavropol Territory	2.1%	3.8%	1.5%	6.5%
<b>Political instability</b>	1.36	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	6.9%	6.0%	3.5%	34.3%
<b>Corruption</b>	1.38	0.60	Irkutsk Region; Kirov Region; Smolensk Region	8.6%	7.4%	4.0%	21.9%
<b>Courts</b>	0.26	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	1.9%	2.9%		
<b>Labor regulations</b>	0.75	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	6.4%			
<b>Inadequately educated workforce</b>	1.43	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	6.1%	7.5%	5.6%	

Omsk Region.<sup>21</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Omsk Region benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Omsk Region.



<sup>21</sup> 120 companies were surveyed by in Omsk Region. The benchmarks used for comparisons are averages for Russia as a whole.

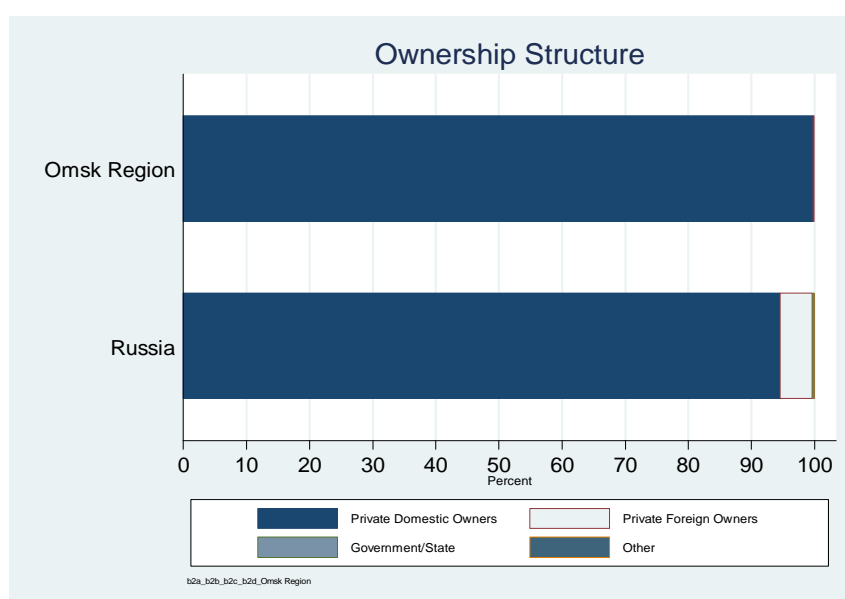
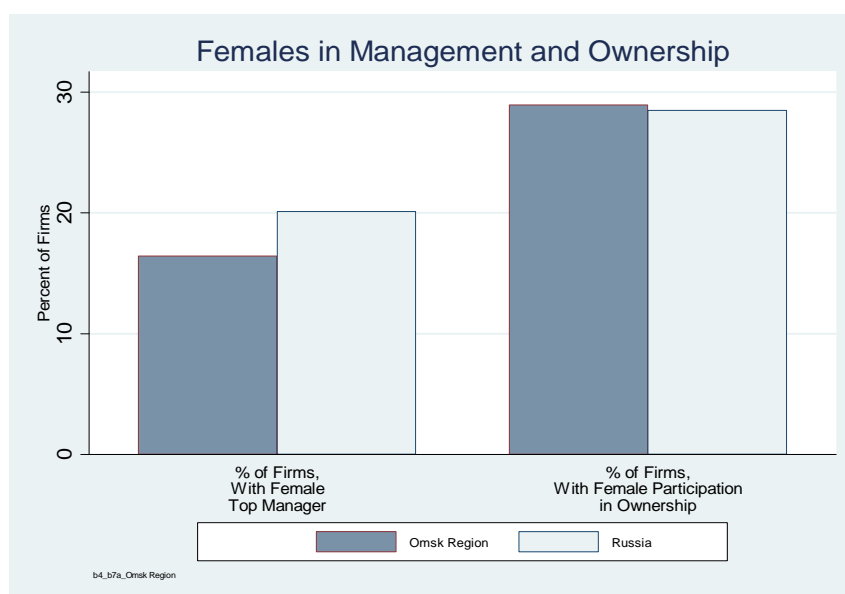
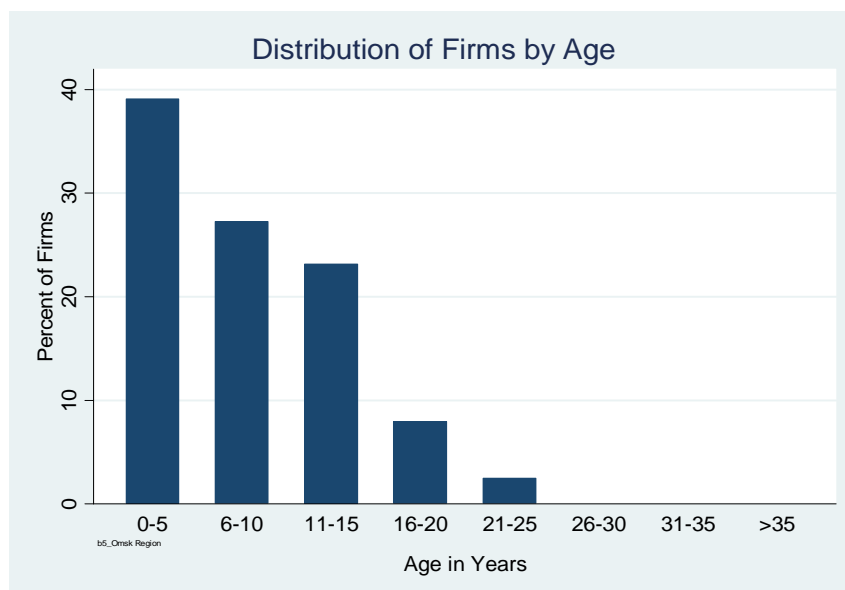
## Average Firm

The survey collects information from a representative sample of the non-agricultural formal private economy. In addition to collecting information on the business environment the surveys collect information on the characteristics of the firms interviewed. Consequently, the data collected provides a description of the representative private firm in the country and also an estimate of how some of the attributes of the average firm are distributed across the population of firms.

The first indicator shows the distribution of firms according to their age measured by the number of years they have been in operation. The effect the business environment can have on the private sector may depend on firms' experience and longevity. Seasoned firms and young firms may differ in their ability to successfully navigate the business environment.

The second set of indicators provides an illustration of female participation in management and firm ownership. These indicators can help assess whether gender can be a determinant of the effect of regulations on the firm and the level of exposure of the firm to external factors, such as corruption, access to finance, and technology.

The third indicator shows the participation of the domestic private sector, the government, the foreign sector and other sectors in the ownership of the typical firm. The distribution provides insight into their levels of equity in the private sector of the economy.



## Infrastructure

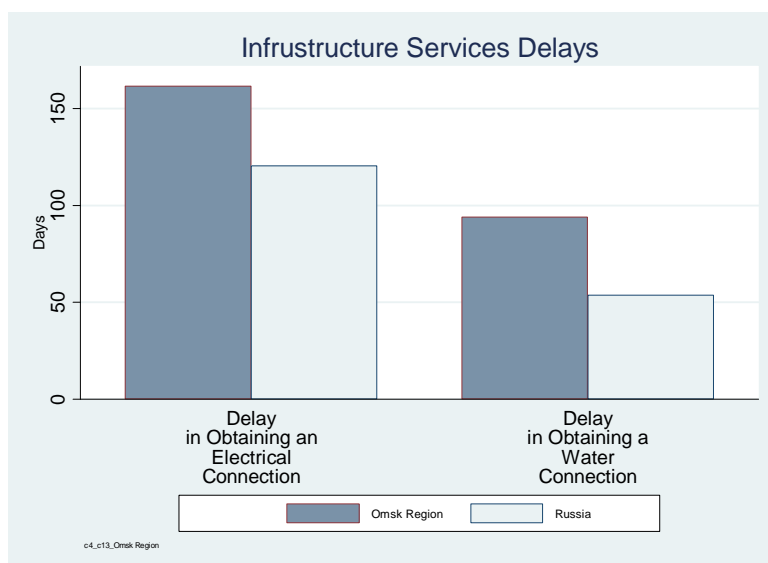
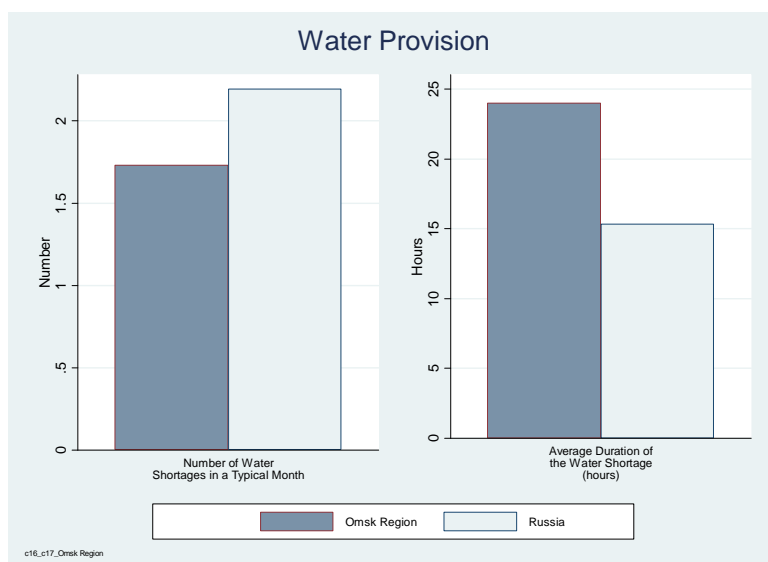
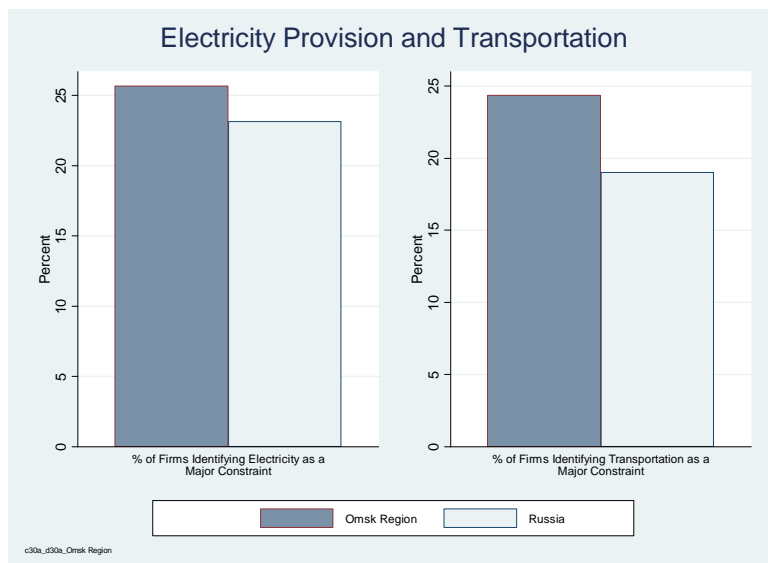
A strong infrastructure enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations.

The survey captures the dual challenge of providing a strong infrastructure for electricity, water supply, telephone connections, etc., and the development of institutions that effectively provide and maintain public services.

The first set of indicators shows the extent to which firms are faced with failures in the provision of electricity and the effect of these failures on sales. Inadequate electricity supply can increase costs, disrupt production, and reduce profitability.

The second set of indicators measures the efficiency of the water supply for the manufacturing sector. Many manufacturing sectors depend on reliable and efficient sources of water for their operations.

The third set of indicators evaluates the efficiency of infrastructure services by quantifying the delays in obtaining electricity, water, and telephone connections. Service delays impose additional costs on firms and may act as barriers to entry and investment.



## Trade

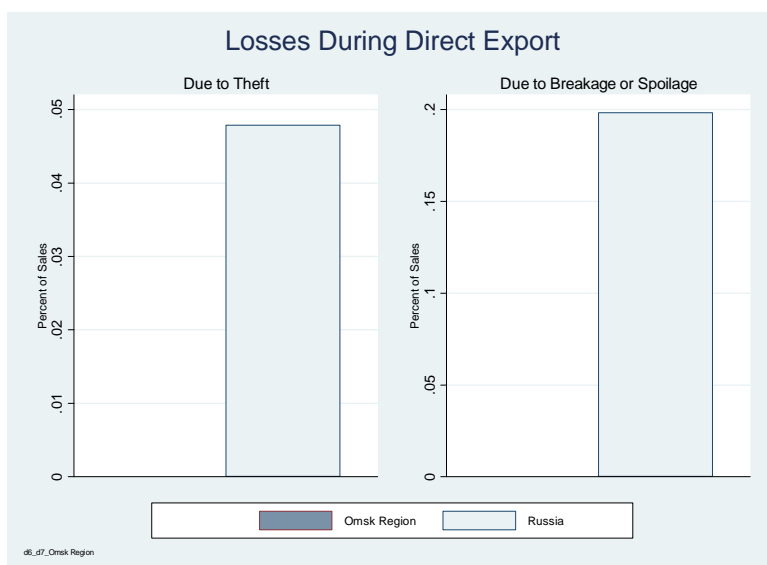
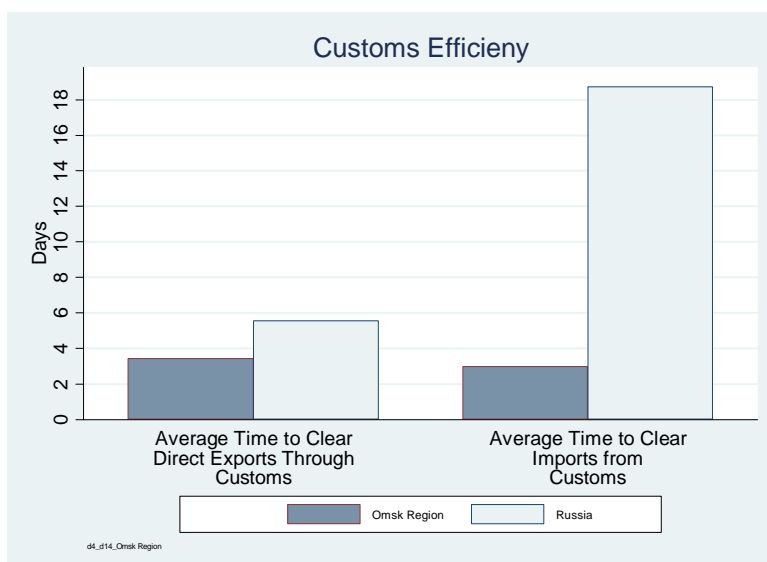
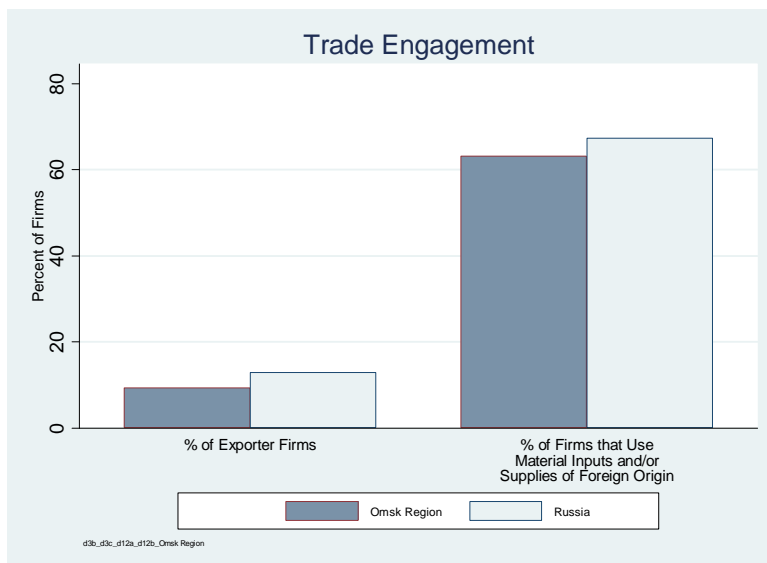
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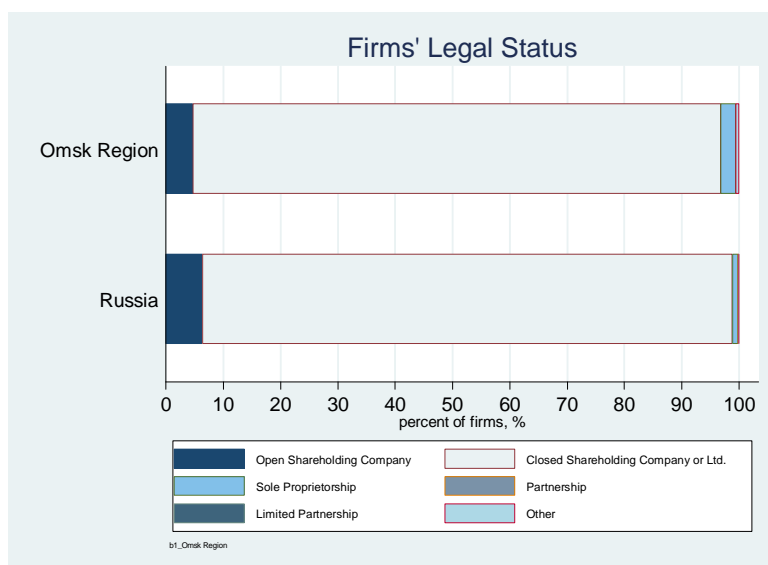
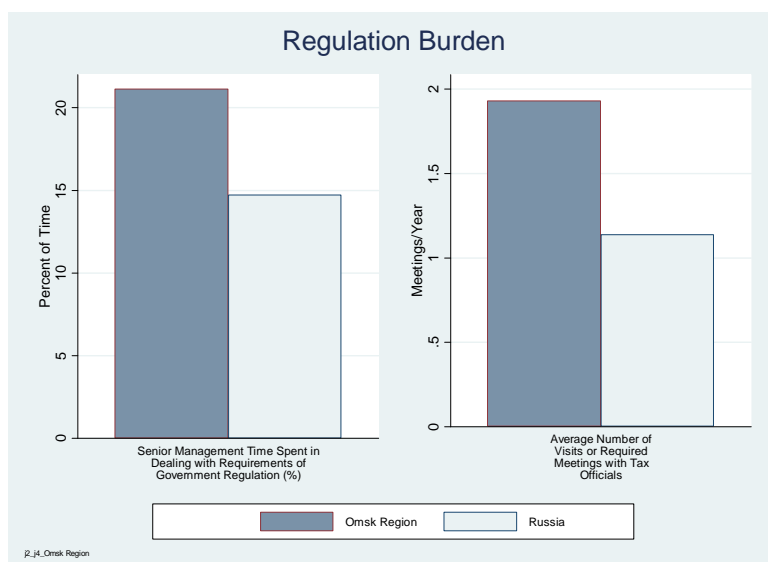
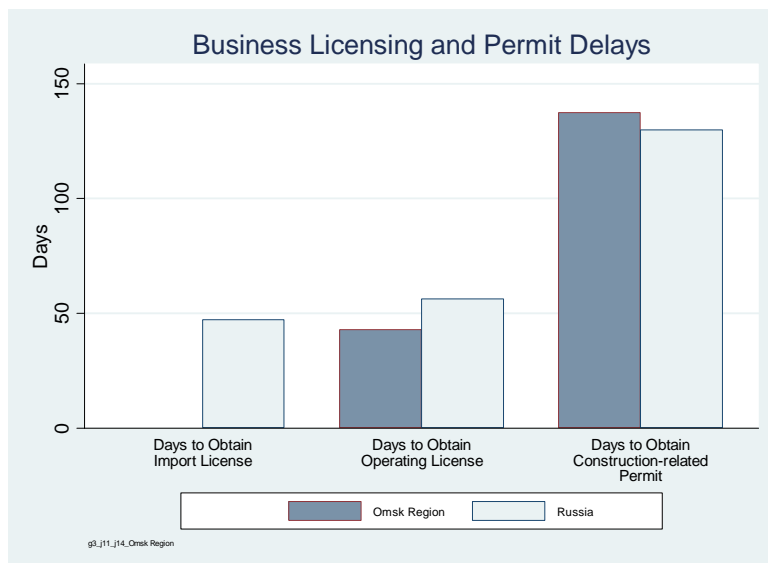
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## Corruption

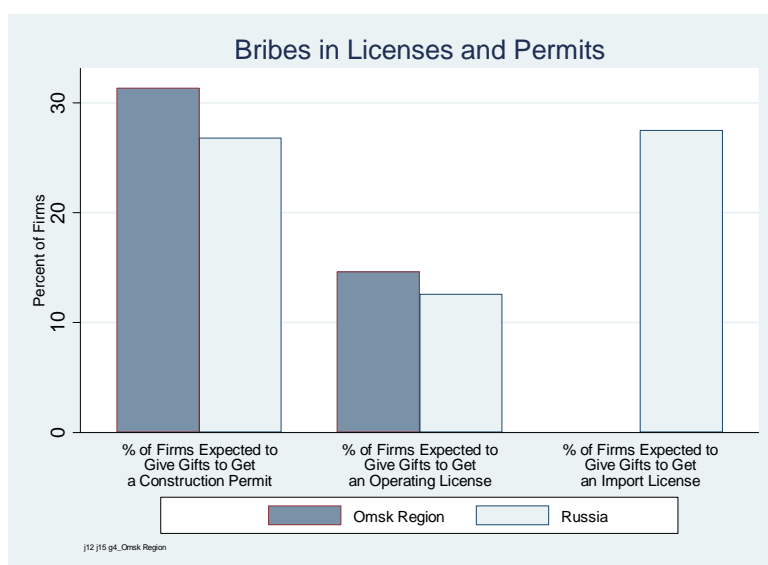
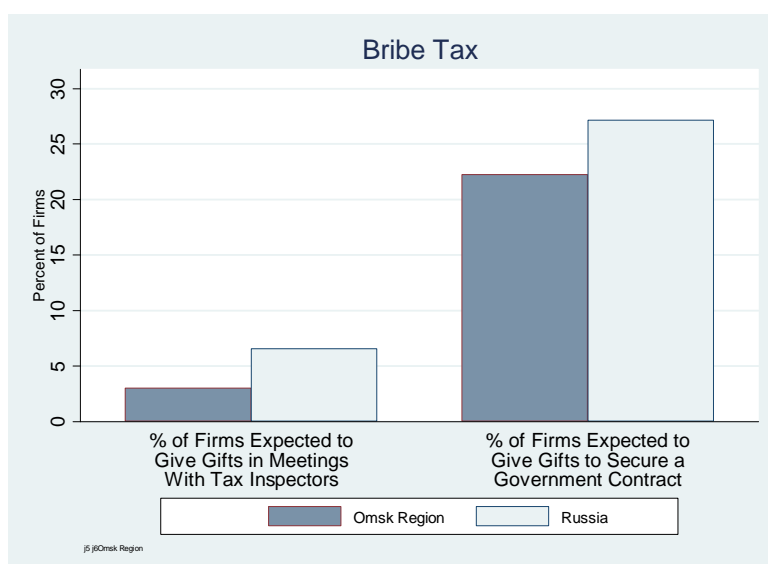
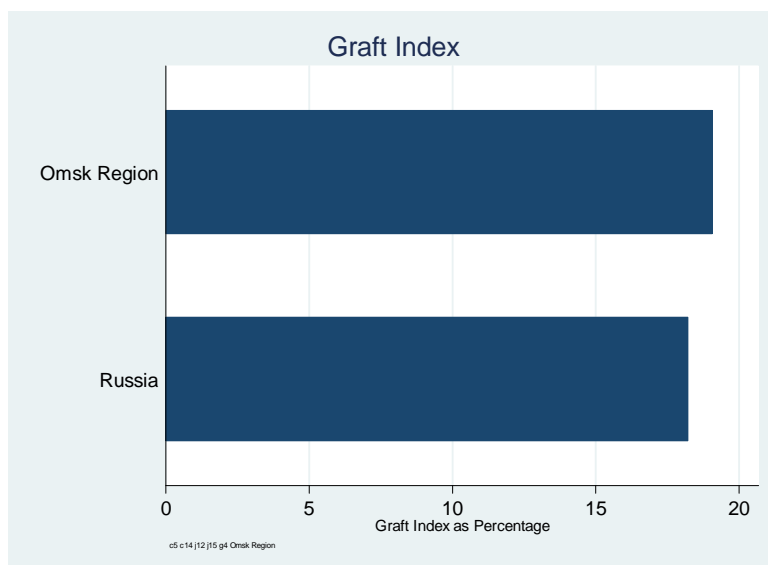
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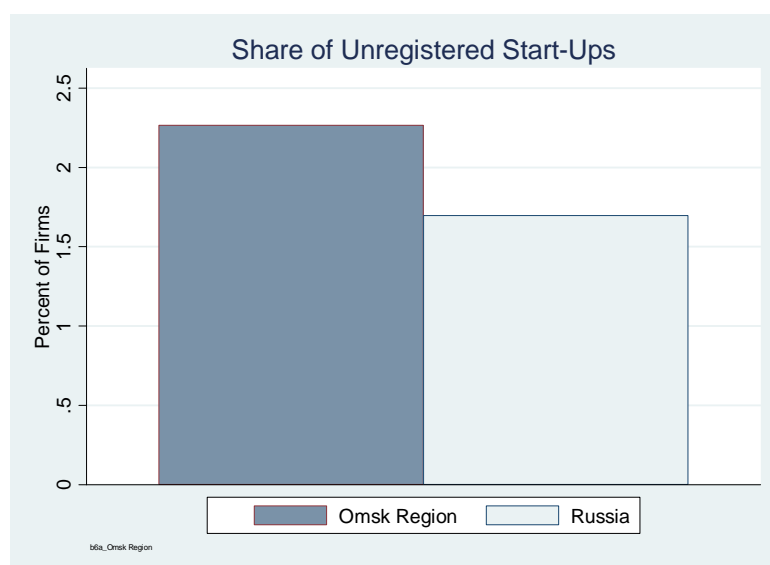
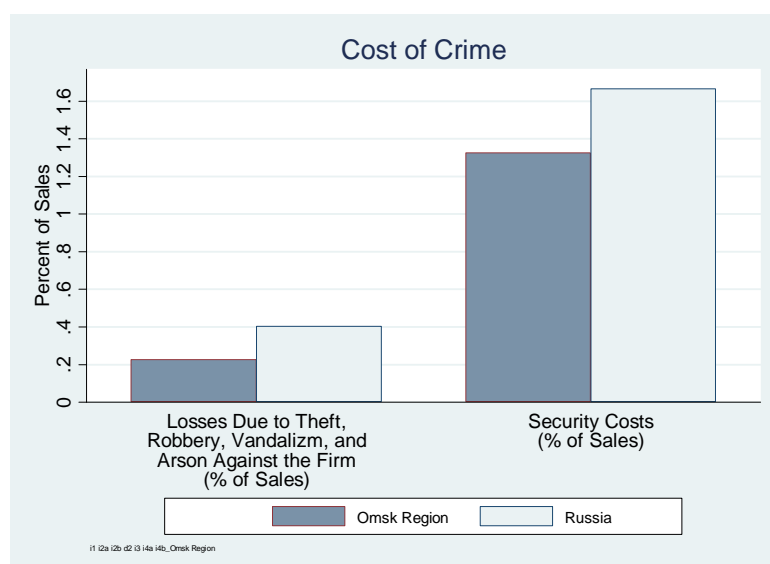
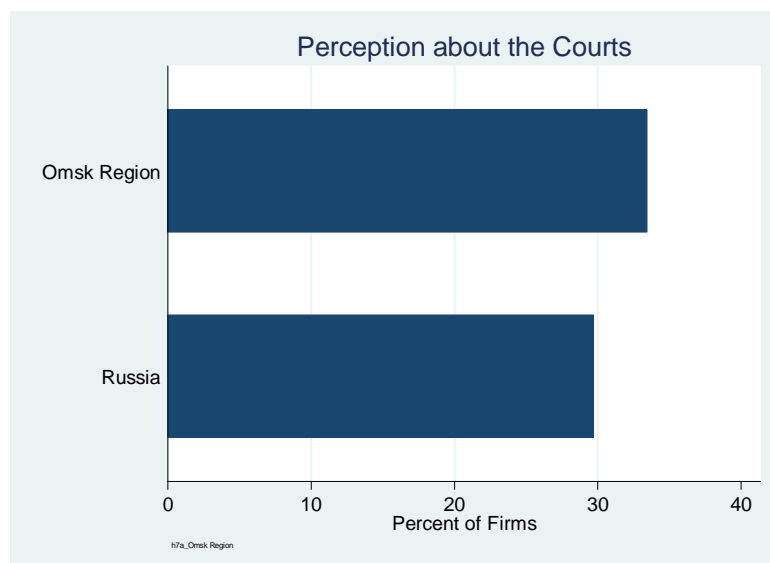
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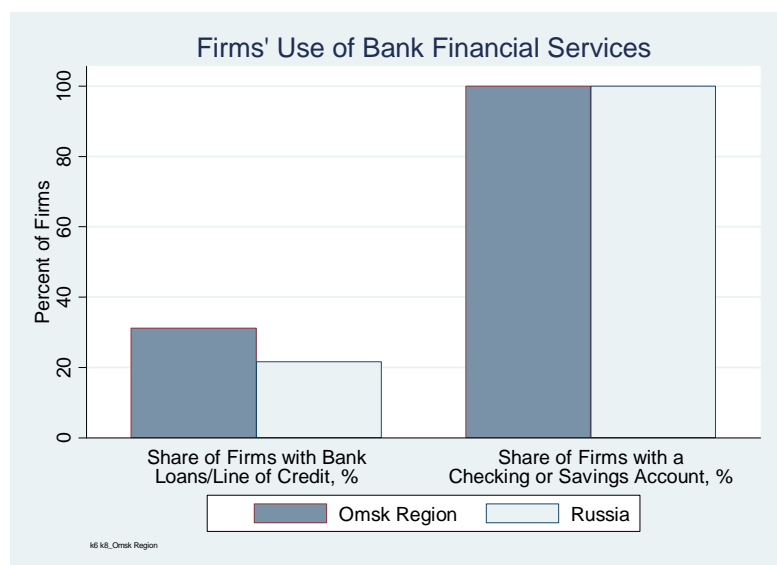
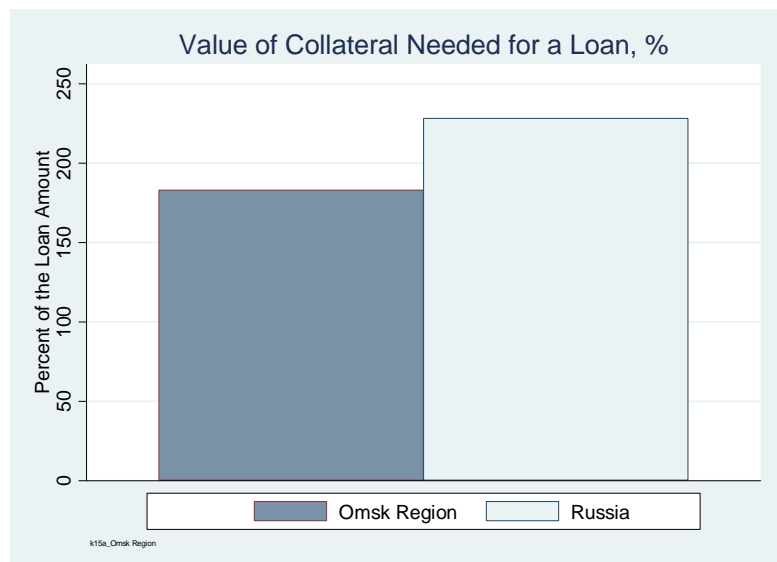
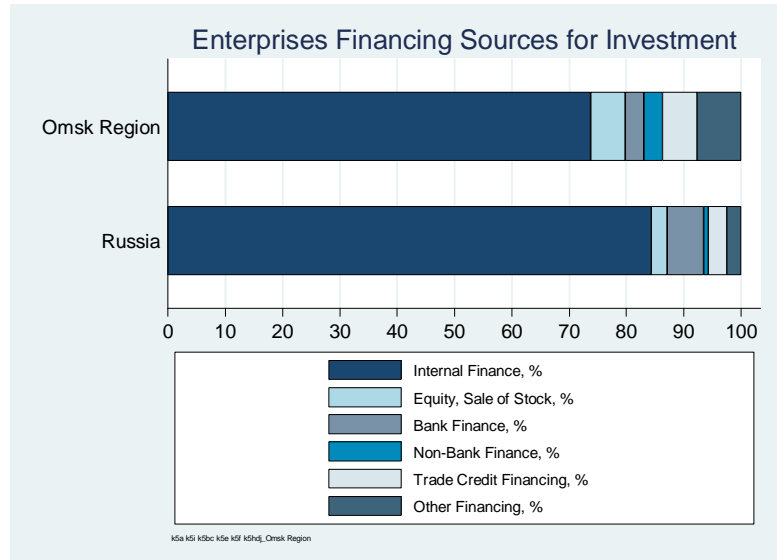
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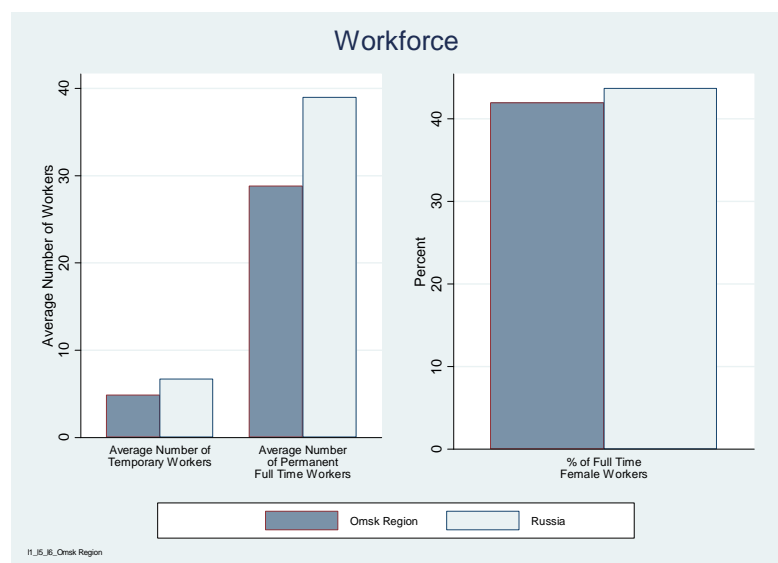
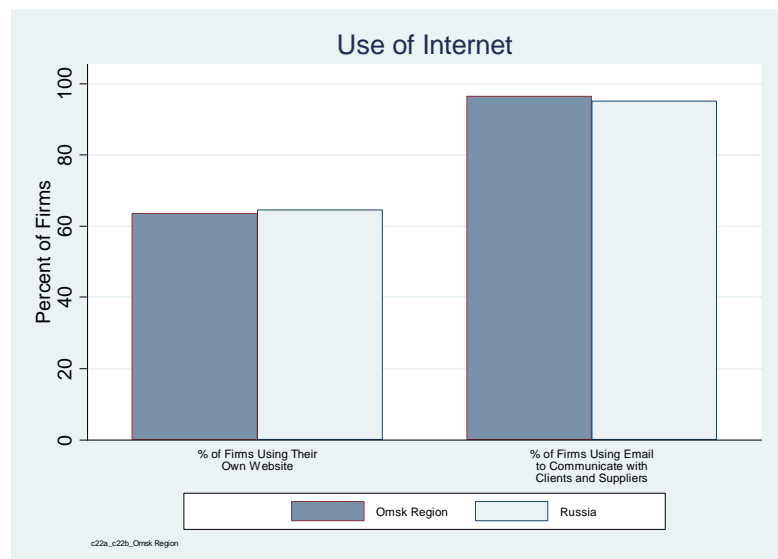
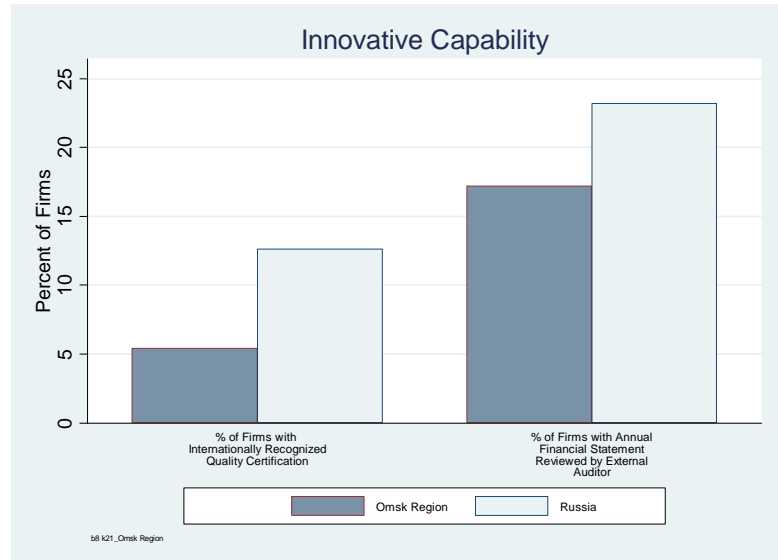
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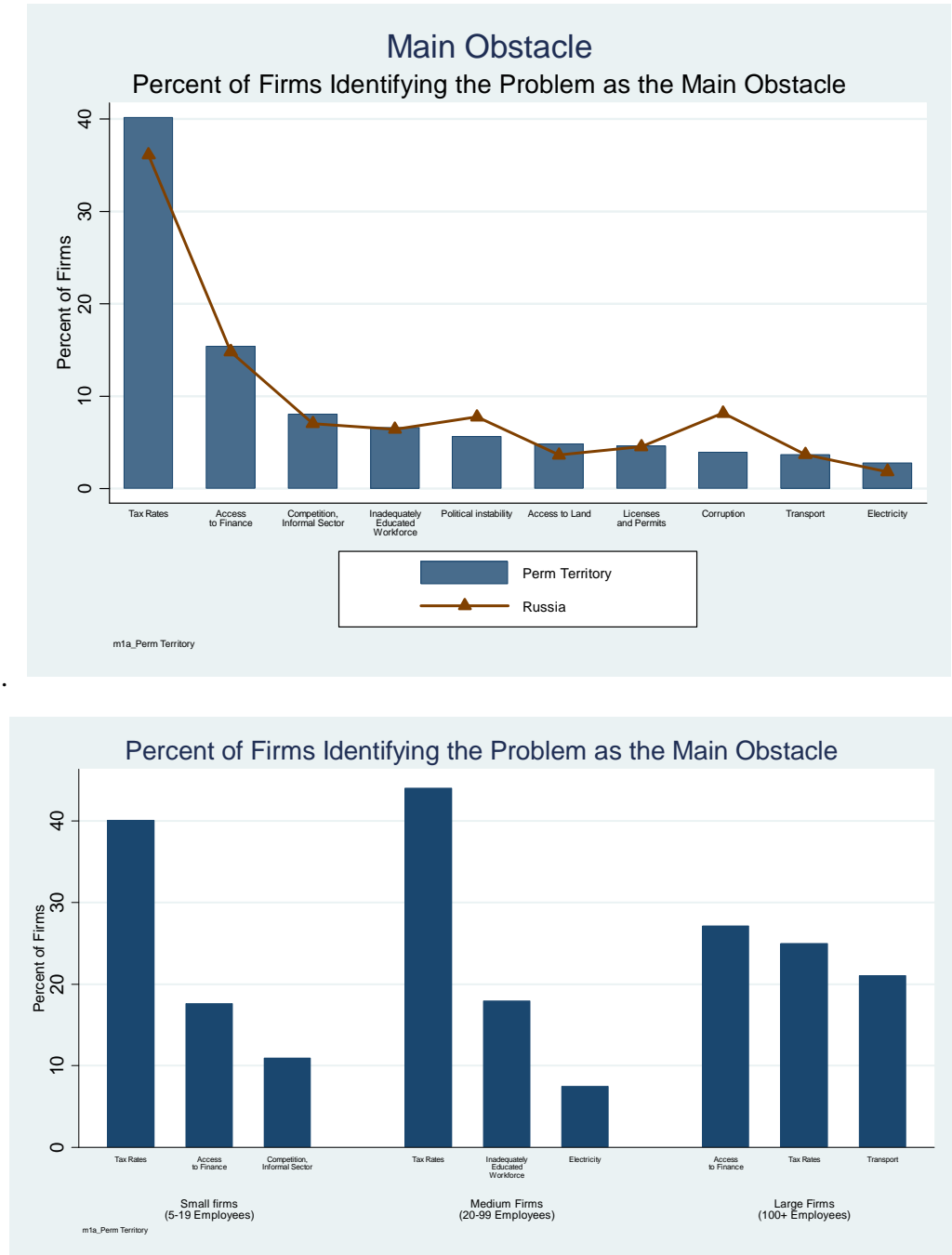
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Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	Omsk Region	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	1.32	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	1.53	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	4.6%	6.7%		
<b>Transport</b>	1.28	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	3.7%			
<b>Customs and trade regulations</b>	0.30	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	1.9%	2.4%	1.4%	4.3%
<b>Practices of informal competitors</b>	0.91	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	4.8%			
<b>Access to land</b>	0.52	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	1.3%			
<b>Crime, theft and disorder</b>	0.81	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	4.2%			
<b>Access to finance</b>	1.54	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	10.8%	10.3%		
<b>Tax rates</b>	2.70	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	5.8%			
<b>Tax administration</b>	0.92	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	4.9%	8.2%	4.9%	
<b>Business licensing and permits</b>	0.80	0.29	Kirov Region; Smolensk Region; Stavropol Territory	3.9%	7.1%	2.8%	12.1%
<b>Political instability</b>	1.45	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	7.9%	6.8%	4.1%	39.4%
<b>Corruption</b>	1.64	0.60	Irkutsk Region; Kirov Region; Smolensk Region	11.5%	9.9%	5.3%	29.2%
<b>Courts</b>	0.38	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	3.1%	4.7%		
<b>Labor regulations</b>	0.43	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	3.2%			
<b>Inadequately educated workforce</b>	1.59	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	7.2%	8.9%	6.6%	

Perm Territory.<sup>22</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Perm Territory benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Perm Territory.



<sup>22</sup> 120 companies were surveyed by in Perm Territory. The benchmarks used for comparisons are averages for Russia as a whole.

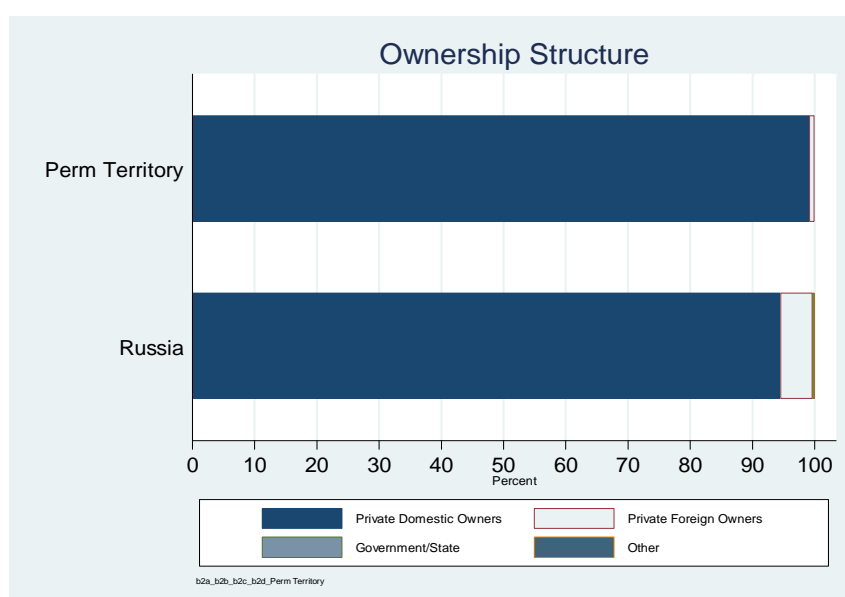
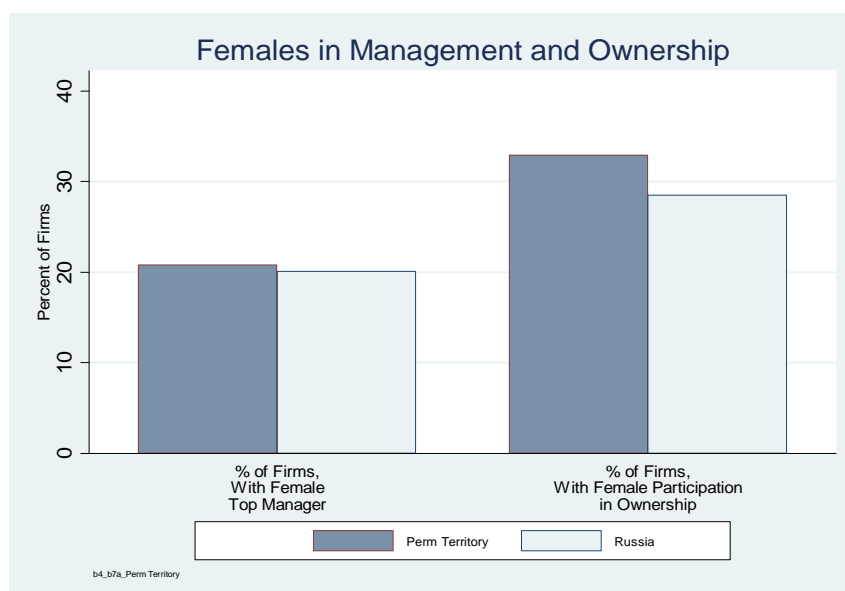
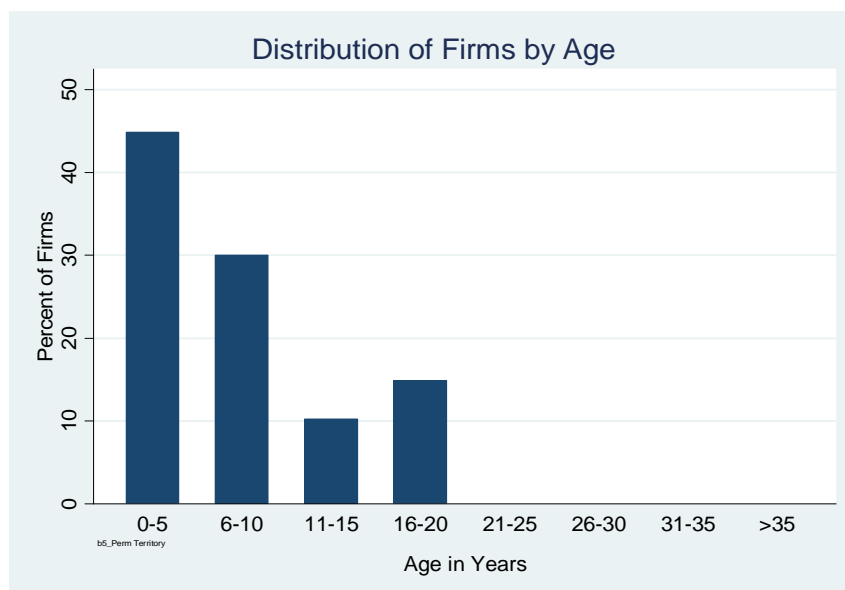
## Average Firm

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The first indicator shows the distribution of firms according to their age measured by the number of years they have been in operation. The effect the business environment can have on the private sector may depend on firms' experience and longevity. Seasoned firms and young firms may differ in their ability to successfully navigate the business environment.

The second set of indicators provides an illustration of female participation in management and firm ownership. These indicators can help assess whether gender can be a determinant of the effect of regulations on the firm and the level of exposure of the firm to external factors, such as corruption, access to finance, and technology.

The third indicator shows the participation of the domestic private sector, the government, the foreign sector and other sectors in the ownership of the typical firm. The distribution provides insight into their levels of equity in the private sector of the economy.



## Infrastructure

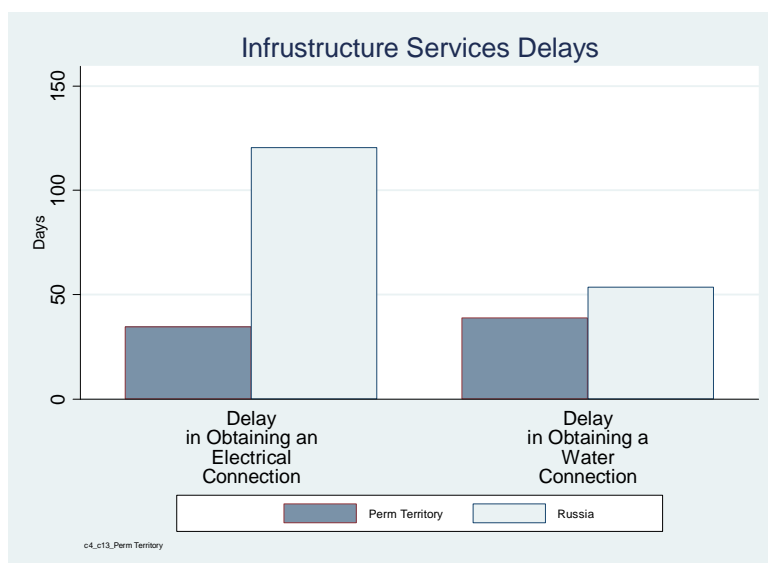
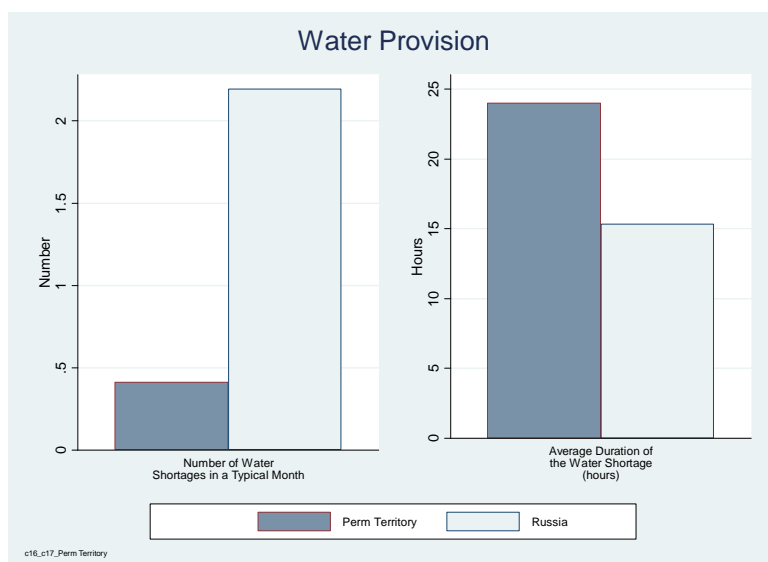
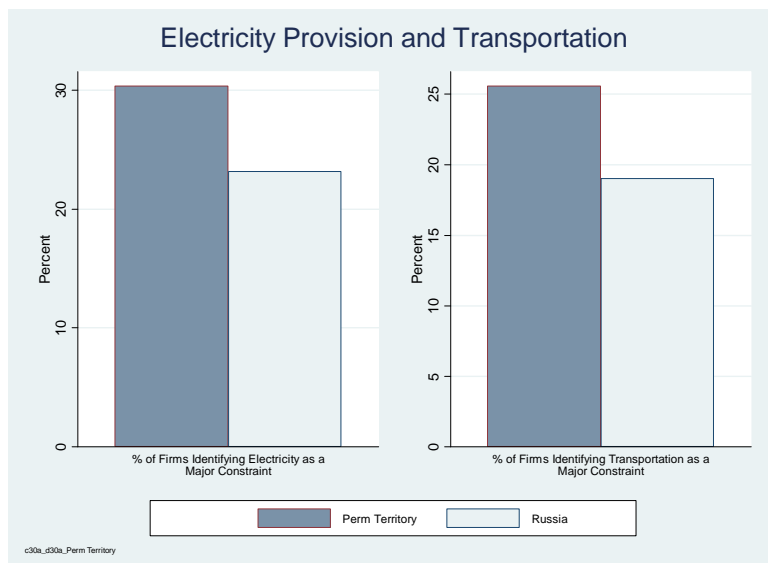
A strong infrastructure enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations.

The survey captures the dual challenge of providing a strong infrastructure for electricity, water supply, telephone connections, etc., and the development of institutions that effectively provide and maintain public services.

The first set of indicators shows the extent to which firms are faced with failures in the provision of electricity and the effect of these failures on sales. Inadequate electricity supply can increase costs, disrupt production, and reduce profitability.

The second set of indicators measures the efficiency of the water supply for the manufacturing sector. Many manufacturing sectors depend on reliable and efficient sources of water for their operations.

The third set of indicators evaluates the efficiency of infrastructure services by quantifying the delays in obtaining electricity, water, and telephone connections. Service delays impose additional costs on firms and may act as barriers to entry and investment.





## Trade

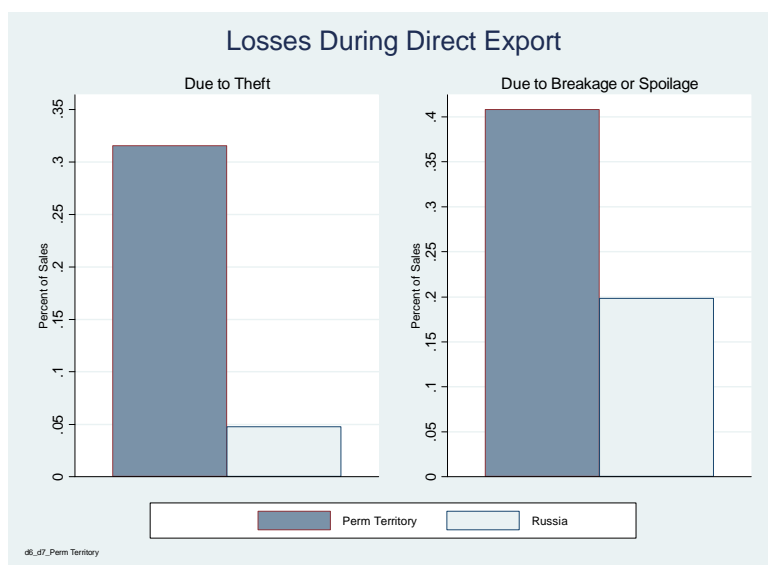
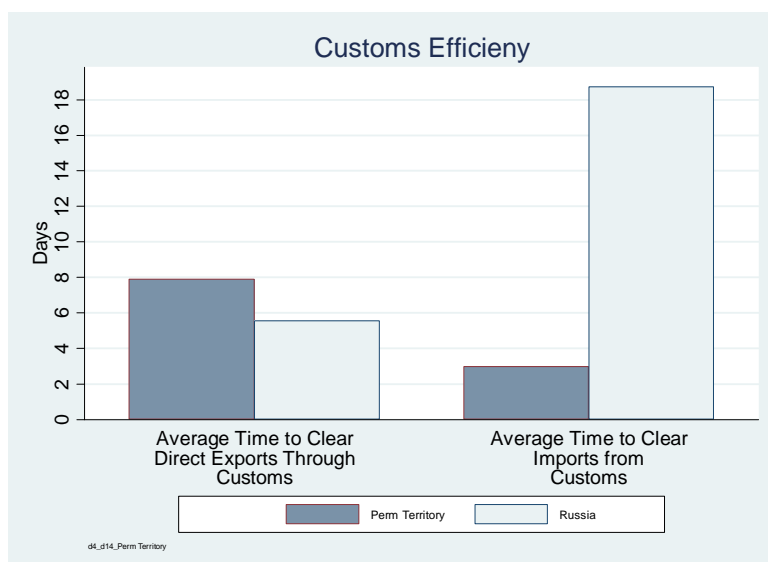
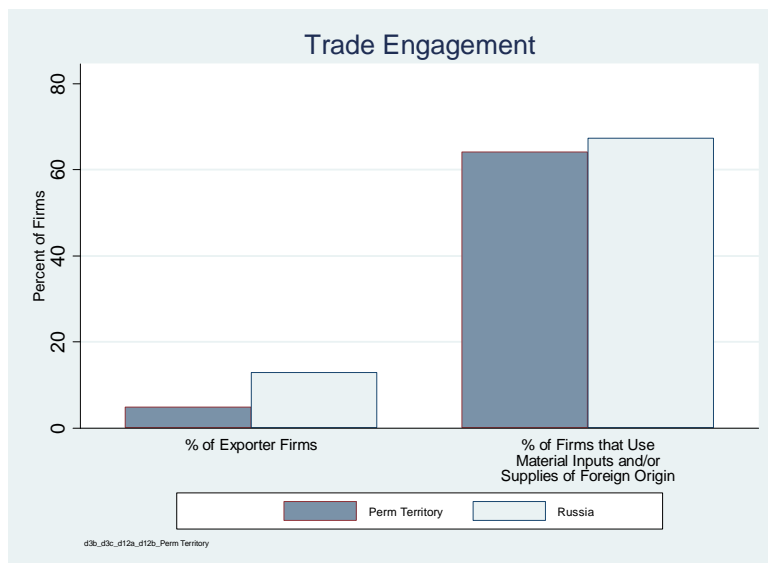
Open markets allow firms to expand, raise standards for efficiency on exporters, and enable firms to import low cost supplies. However, trading also forces firms to deal with customs services and trade regulations, obtain export and import licenses, and in some cases, firms also face additional costs due to losses during transport.

The survey collects information on the operational constraints faced by exporters and importers and also quantify the trade activity of firms.

The first set of indicators provides a measure of the intensity of foreign trade in the private sector. The first graph shows the percentage of firms who export directly or indirectly, i.e. using an intermediary. The second panel shows the percentage of manufacturing firms who use inputs or supplies of foreign origin.

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The third set of indicators shows the percent value of exports lost during transport due to merchandise theft, and breakage or spoilage, reflecting the transport risks firms face during the export process.



## Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

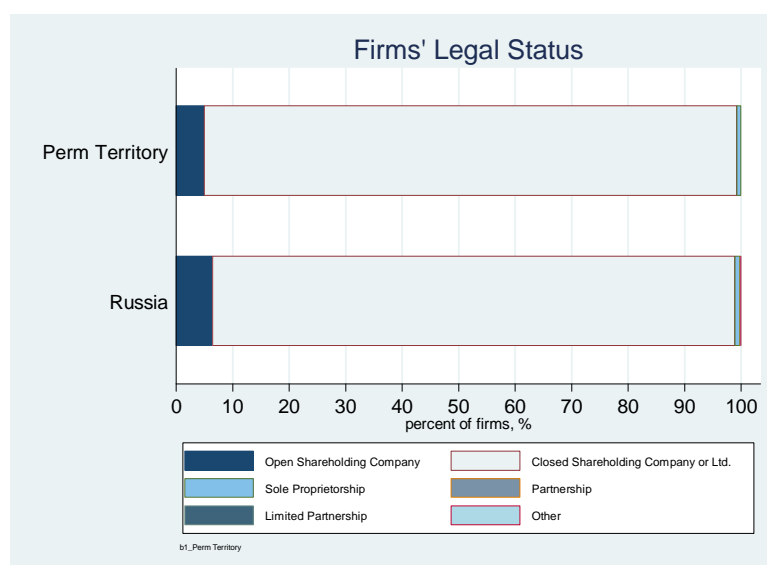
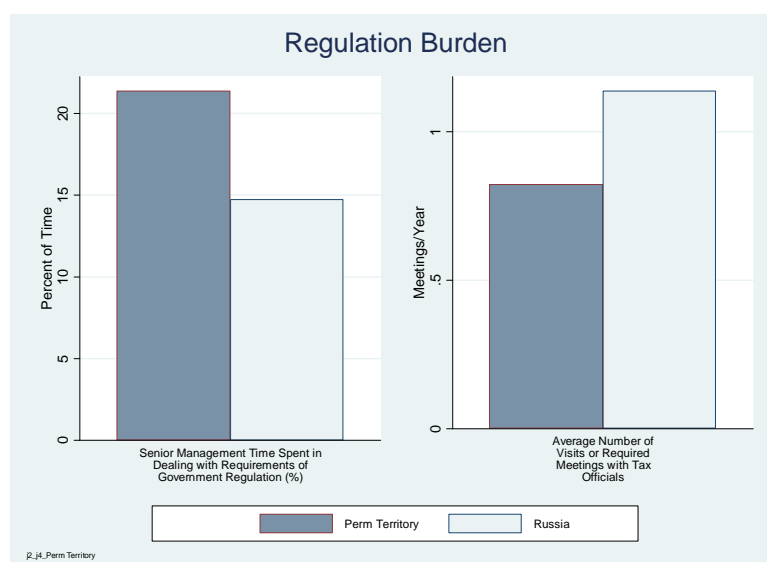
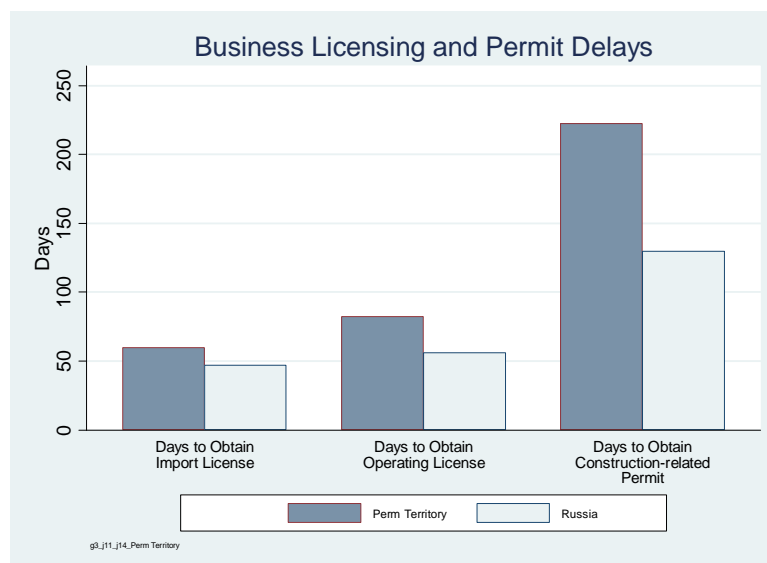
Effective regulations address market failures that inhibit productive investment and reconcile private and public interests. The number of permits and approvals that businesses need to obtain, and the time it takes to obtain them, is expensive and time consuming. The existing legislation of a country also determines the mix of legal forms private firms take and determines the level of protection for investors thus affecting the incentives to invest.

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## Corruption

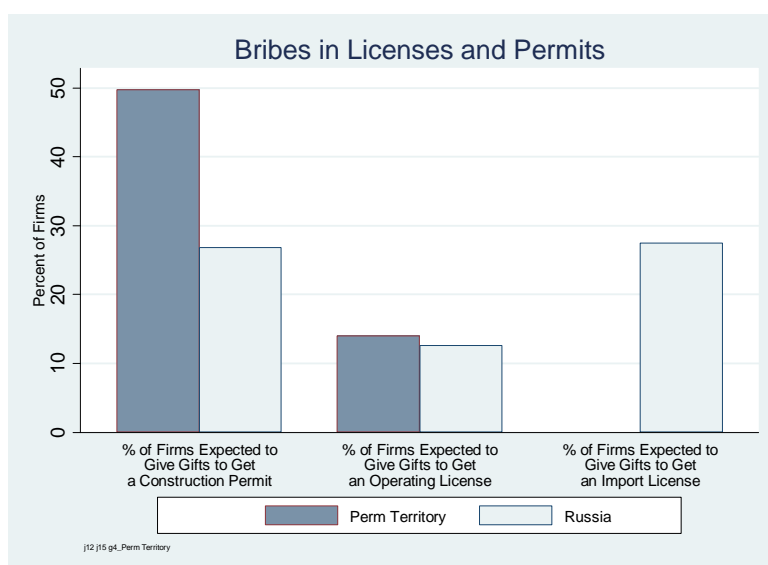
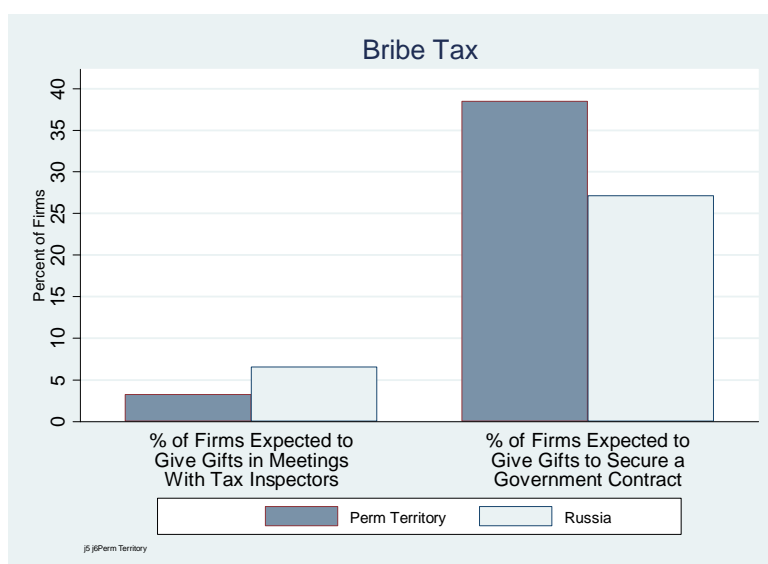
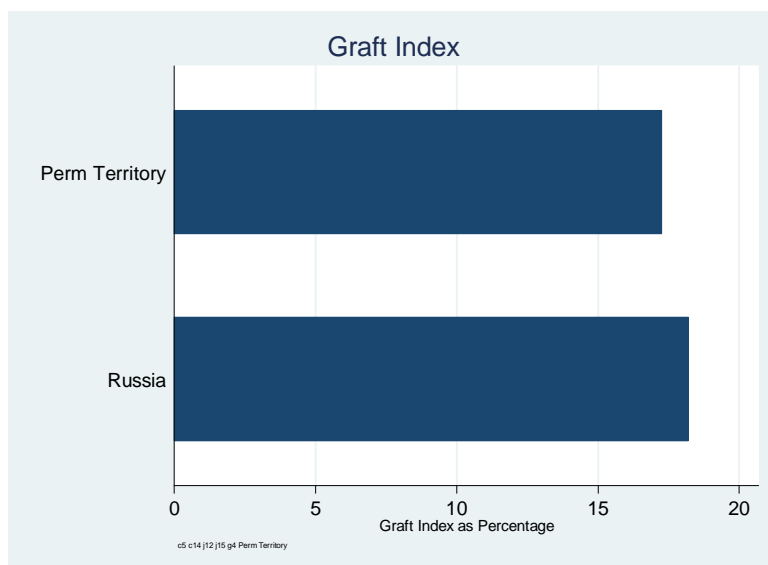
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

Inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make “unofficial” payments to public officials to get things done. In many countries bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for the firms’ growth and development.

The first set of indicators measures a composite index of corruption, the Graft Index that reflects the proportion of instances a firm was asked or expected to pay a bribe when soliciting six different public services, permits or licenses.

The second set of indicators identifies the extent to which specific regulatory and administrative officials require bribe payments during meetings with tax inspectors or in order to secure a government contract.

The third set of indicators focuses on bribes to obtain specific licenses or permits, and shows the share of firms that are expected to make informal payments to secure import and operating licenses and to obtain a construction permit.



## Crime and Informality

Crime imposes costs on firms when they are forced to divert resources from productive uses to cover security costs. Both foreign and domestic investors perceive crime as an indication of social instability, and crime drives up the cost of doing business. Also, commercial disputes between firms and their clients occur regularly in the course of doing business. Resolving these disputes can be challenging when legal institutions are weak or nonexistent.

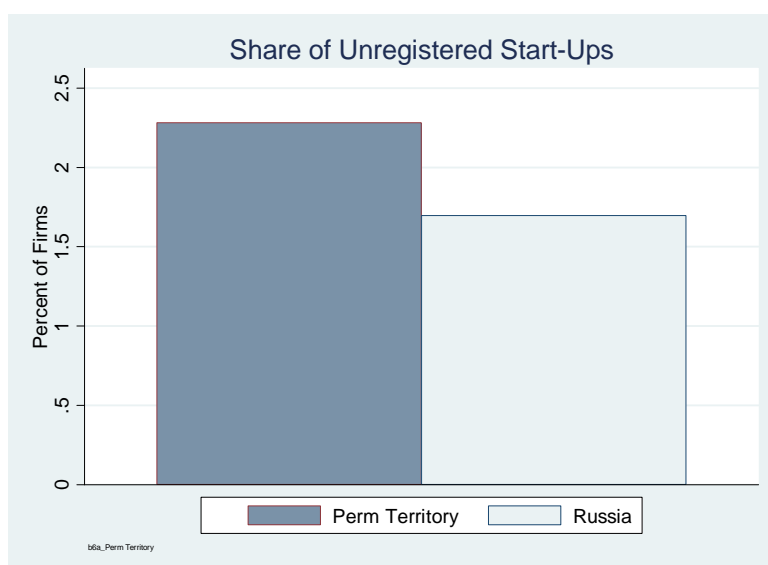
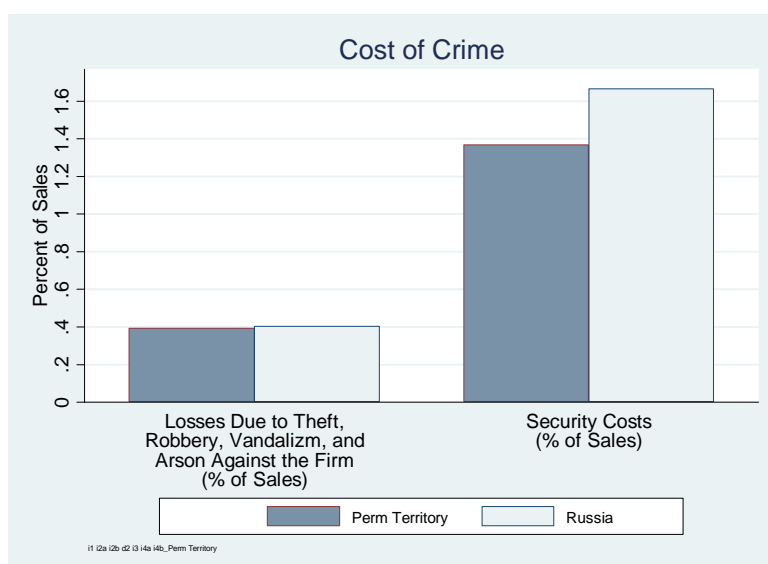
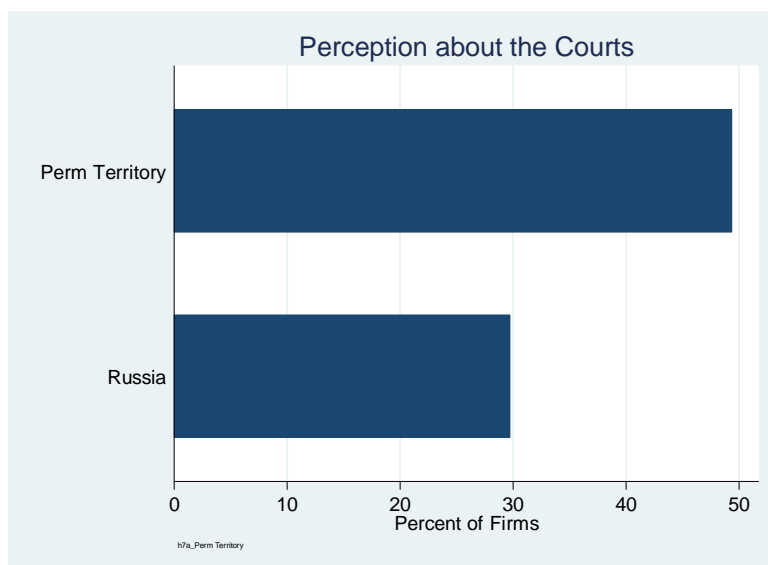
Similarly, a large informal sector has serious consequences for the formal private sector. The informal sector may pose unfair competition for formal firms.

The survey captures key dimensions of the effect of crime on firm sales, the extent to which entrepreneurs identify courts as fair, and the degree of informality in an economy.

The first indicator shows the share of firms that recognize the functioning of the courts as being fair, impartial, and uncorrupted.

The second set of indicators measures the direct costs of security incurred by firms as well as their direct losses due to crime. These resources represent an opportunity cost since they could have been invested in productive activities.

The third set of indicators shows the percentage of firms that started operation without begin formally registered. It is an approximation to the prevalence of informality in the private economy.



## Finance

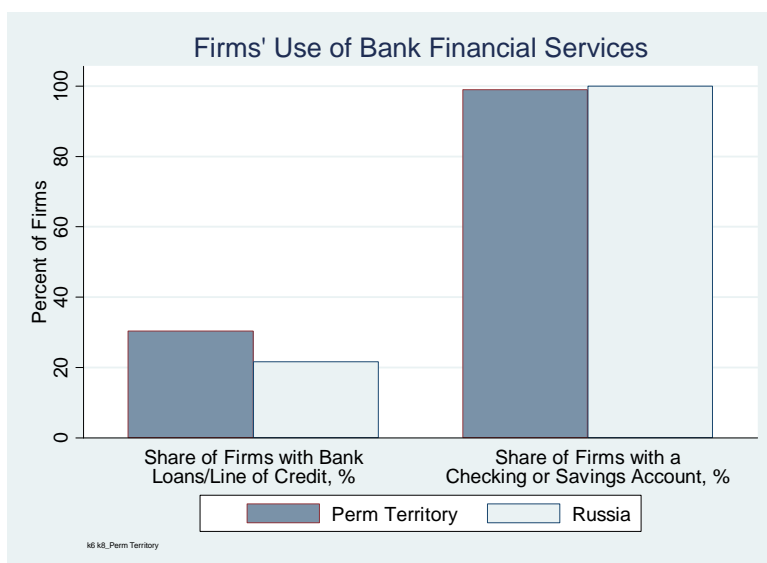
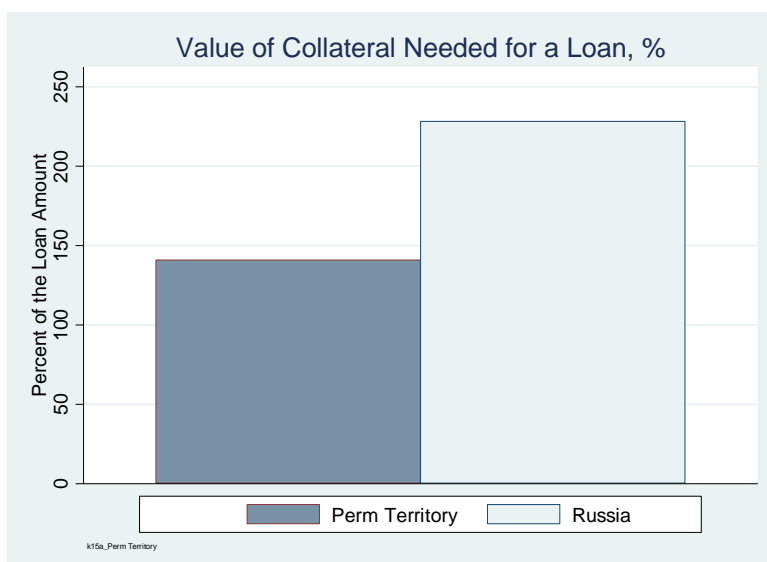
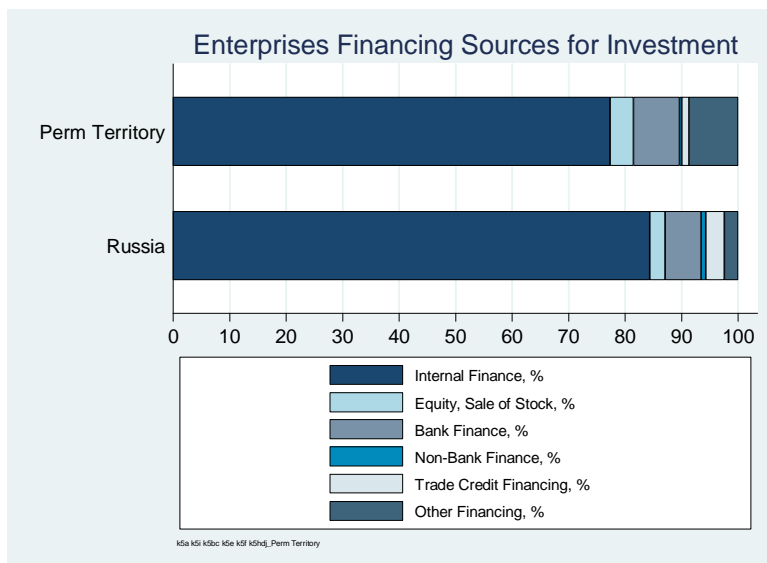
Developed financial markets provide payment services, mobilize deposits, and ease investment financing. Efficient financial markets reduce the reliance on internal funds and on money from informal sources such as family and friends by connecting firms to a broad range of lenders and investors.

The survey provides indicators of how firms finance their operations and of the characteristics of their financial transactions.

The first set of indicators compares the relative use of various sources for financing investment. Excessive reliance on internal funds is a sign of potentially inefficient financial intermediation.

The second set of indicators measures the use of financial markets by individual firms. It presents the percentage of working capital that is financed by sources external to the firm, and a measure of the burden imposed by loan requirements measured by collateral levels relative to the value of the loans.

The third set of indicators focuses on the use of financial services by private firms both on the credit side, by measuring the percentage of firms with bank loans or lines of credit, and on the deposit mobilization side, by measuring the percentage of firms with checking or savings accounts.



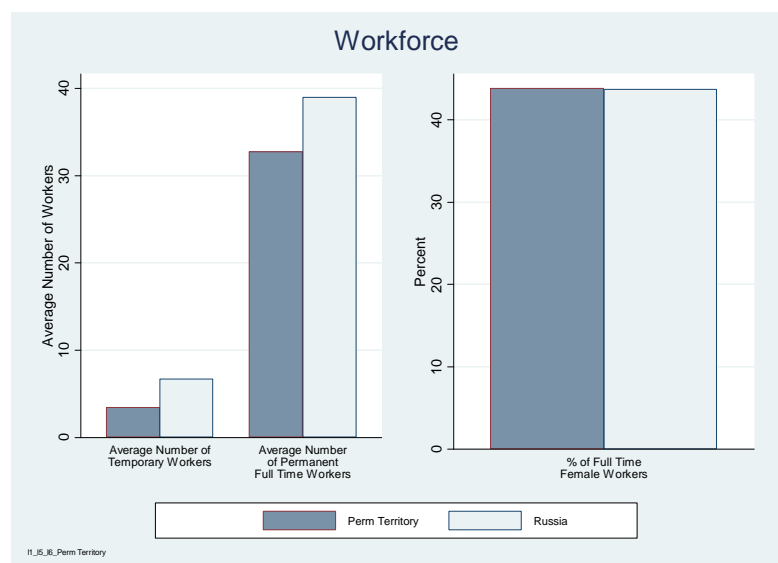
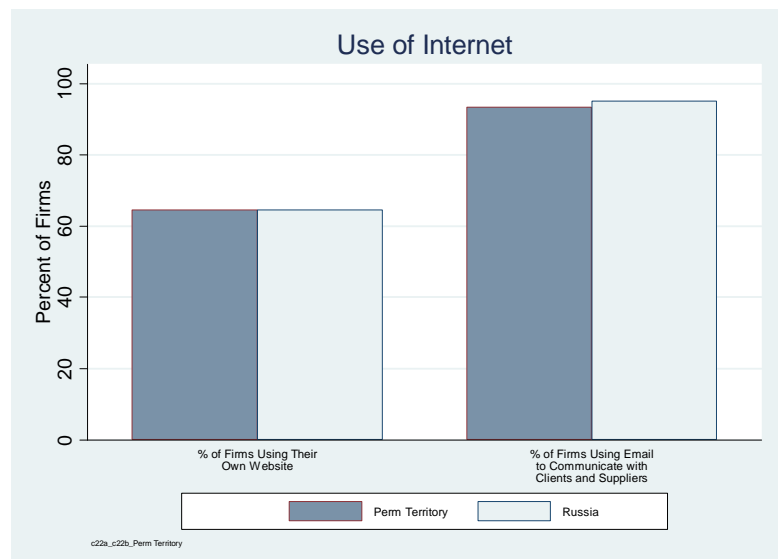
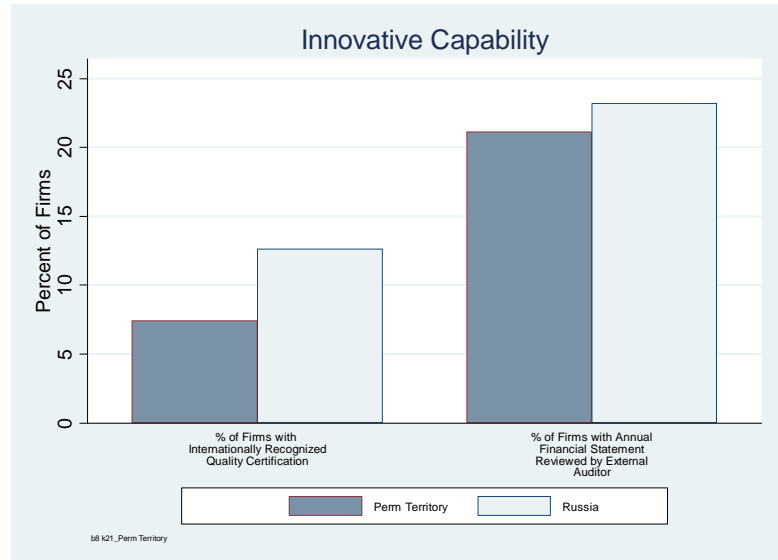
## Innovation and Workforce

The Survey provide indicators that describe several dimensions of technology use and innovation. They also collect information on the characteristics of the workforce employed in the non-agricultural private economy.

The first set of indicators measures the extent to which firms invest in obtaining recognized certificates of production and accounting practices. Obtaining international quality certifications can open doors to technology and innovation and they also provide a sign of high quality that may open markets.

The second set of indicators demonstrates the use of information and communications technologies (ICT) in business transactions. ICT, such as the Internet, are important tools for all firms because they provide even the smallest of enterprises with the ability to reach national and international markets at low cost.

The third set of indicators presents the composition of the firm's workforce by type of contract and gender. Labor regulations have a direct effect on the type of employment favored by firms and they may have a differing impact by gender. The first two indicators present the composition of the workforce classified into temporary and permanent workers. The last indicator reflects the participation of women in regular full-time employment.



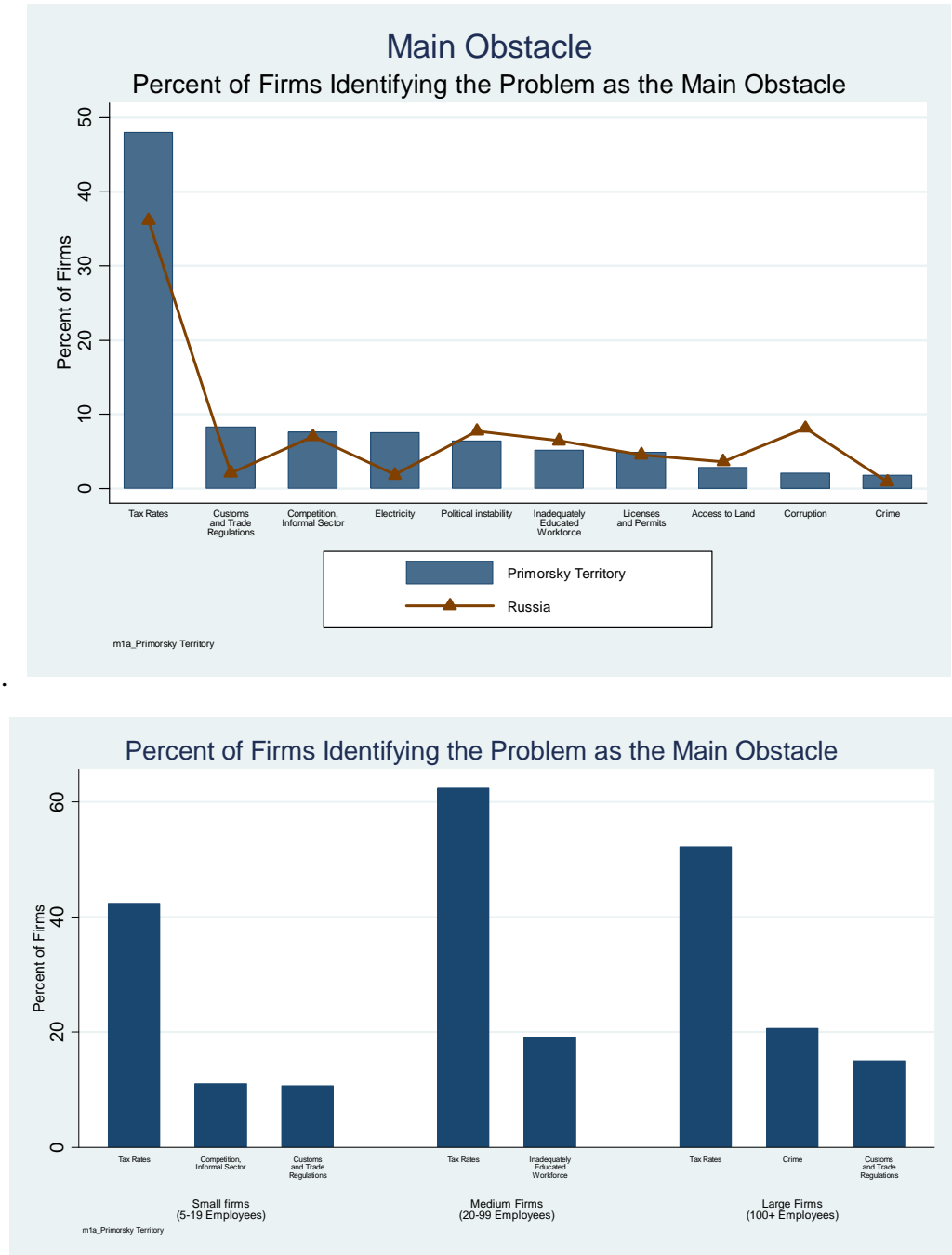
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	Perm Territory	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	1.26	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	1.62	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	4.9%	7.2%		
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<b>Customs and trade regulations</b>	0.65	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	5.2%	6.6%	3.7%	12.0%
<b>Practices of informal competitors</b>	1.00	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	5.4%			
<b>Access to land</b>	0.75	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	3.1%			
<b>Crime, theft and disorder</b>	1.21	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	6.9%			
<b>Access to finance</b>	1.73	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	13.1%	12.4%		
<b>Tax rates</b>	2.46	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	4.8%			
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<b>Political instability</b>	1.24	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	5.6%	4.8%	2.9%	27.7%
<b>Corruption</b>	1.22	0.60	Irkutsk Region; Kirov Region; Smolensk Region	6.8%	5.9%	3.1%	17.3%
<b>Courts</b>	0.64	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	5.9%	8.9%		
<b>Labor regulations</b>	0.60	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	4.9%			
<b>Inadequately educated workforce</b>	1.78	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	8.5%	10.4%	7.7%	

Primorsky Territory.<sup>23</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Primorsky Territory benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Primorsky Territory.



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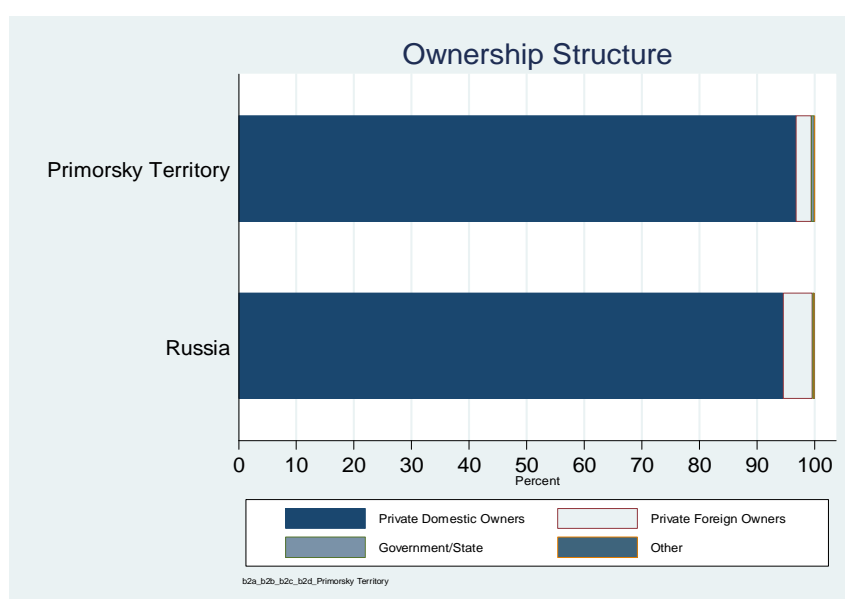
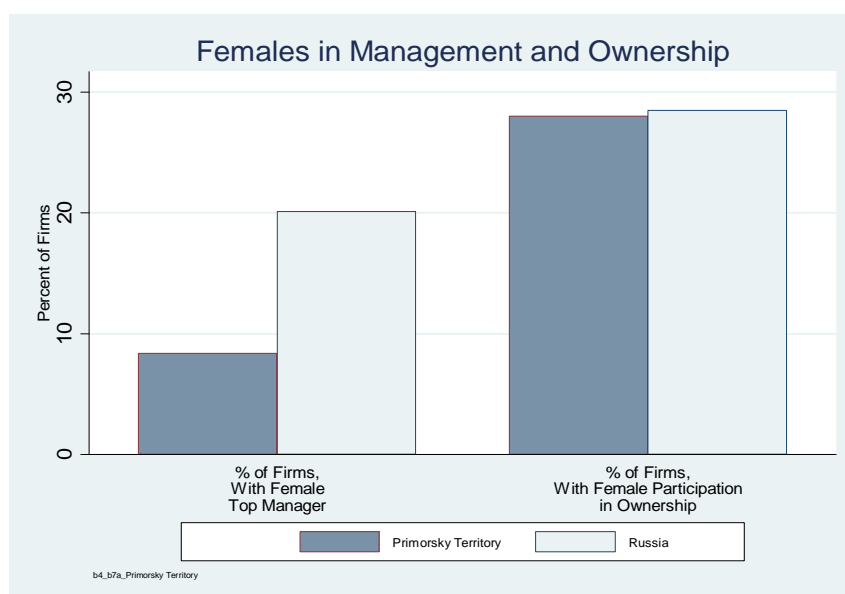
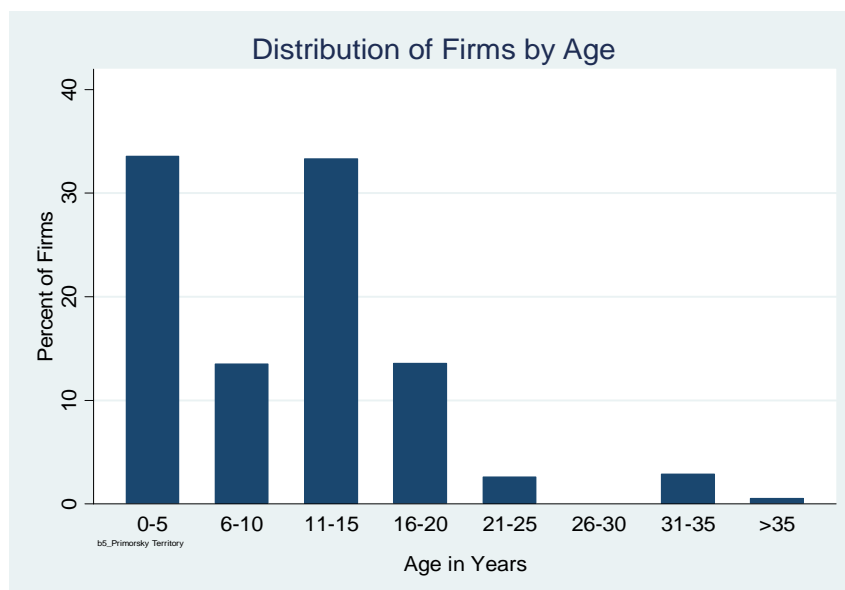
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## Infrastructure

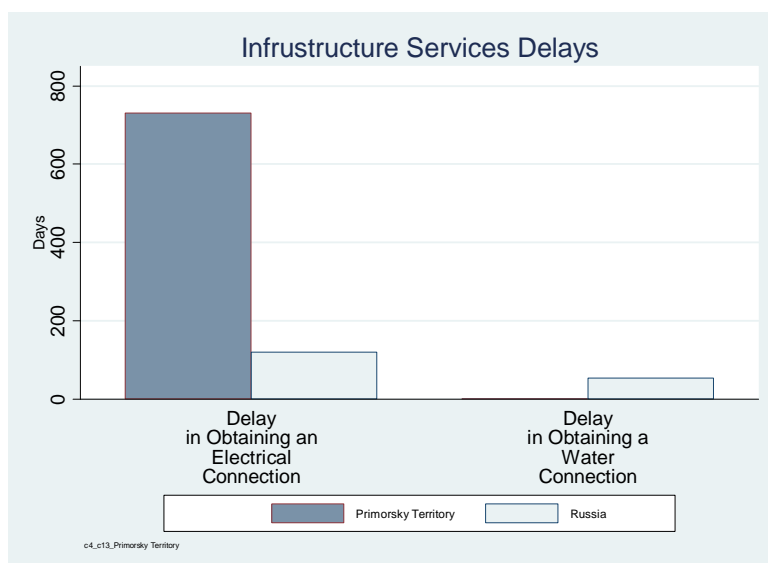
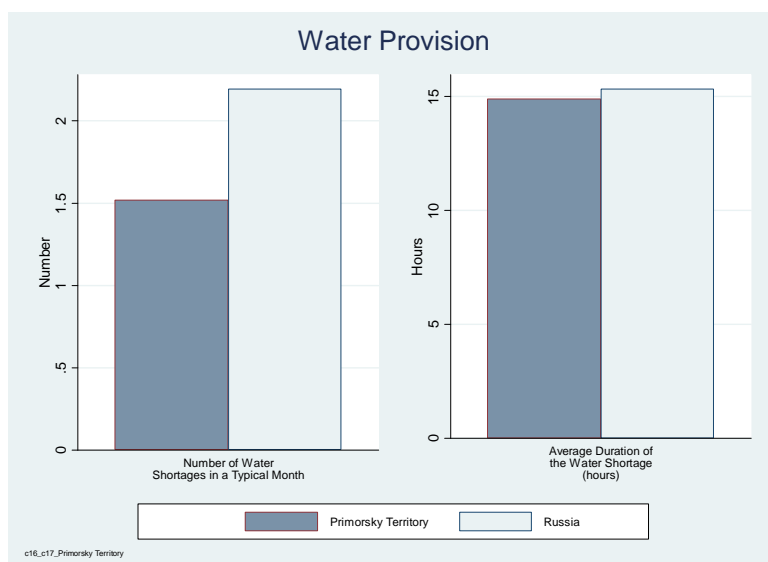
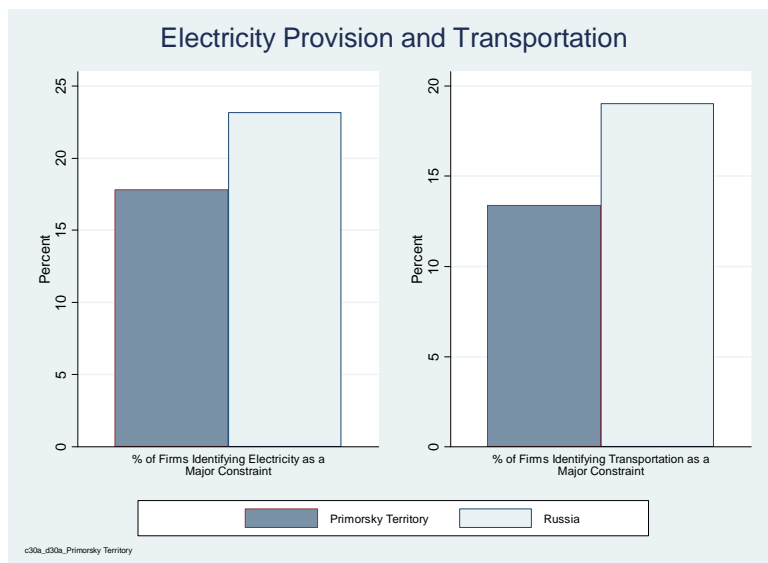
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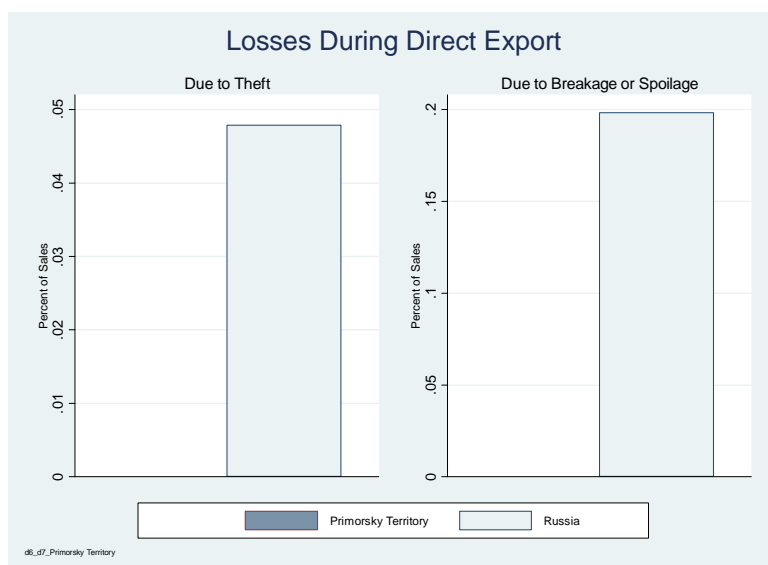
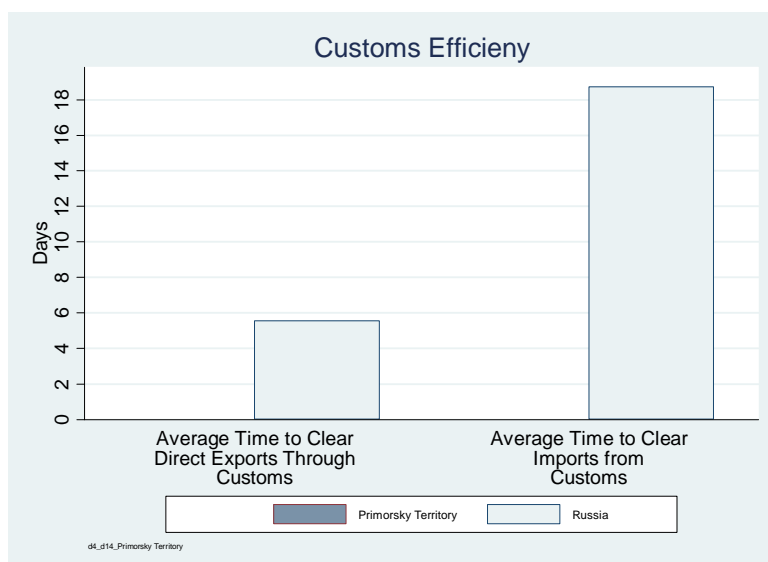
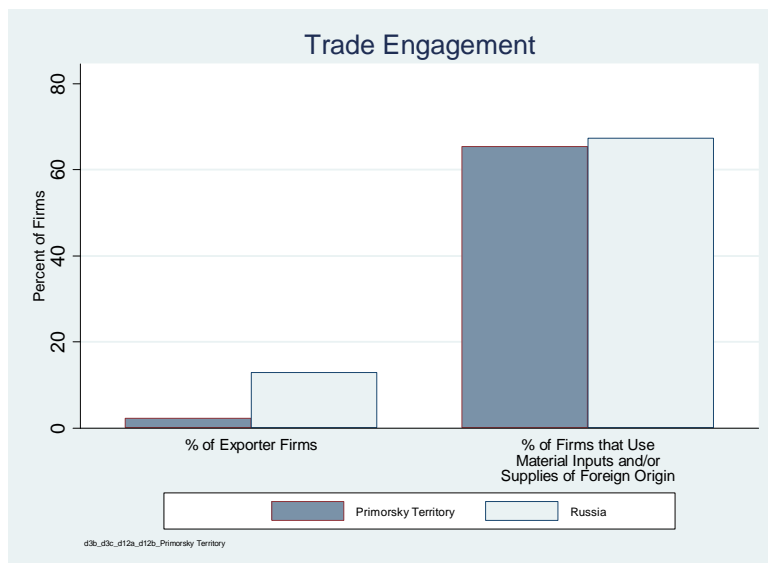
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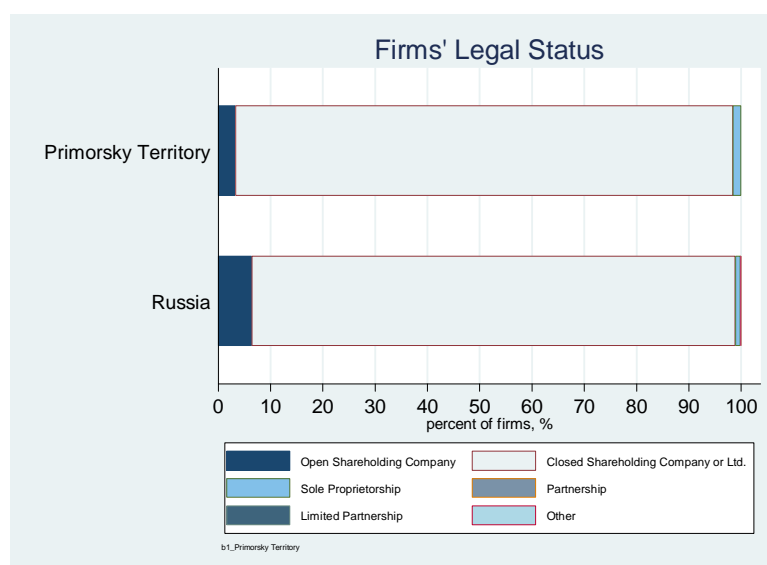
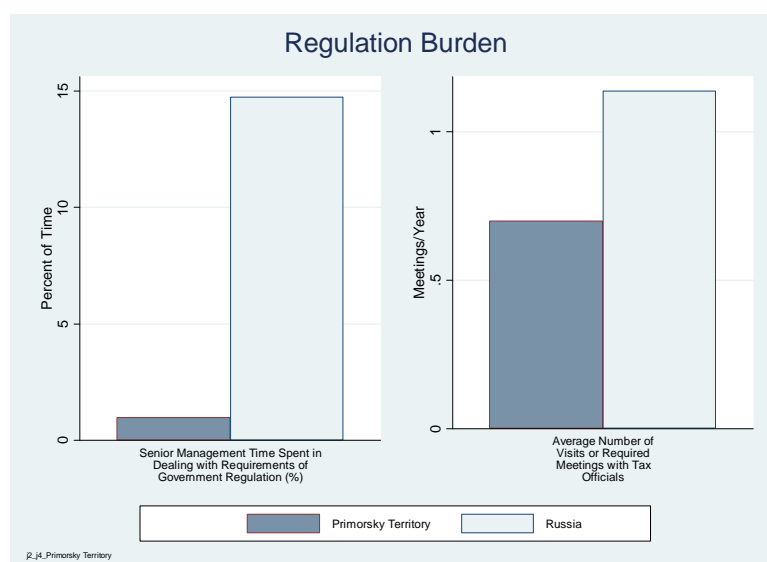
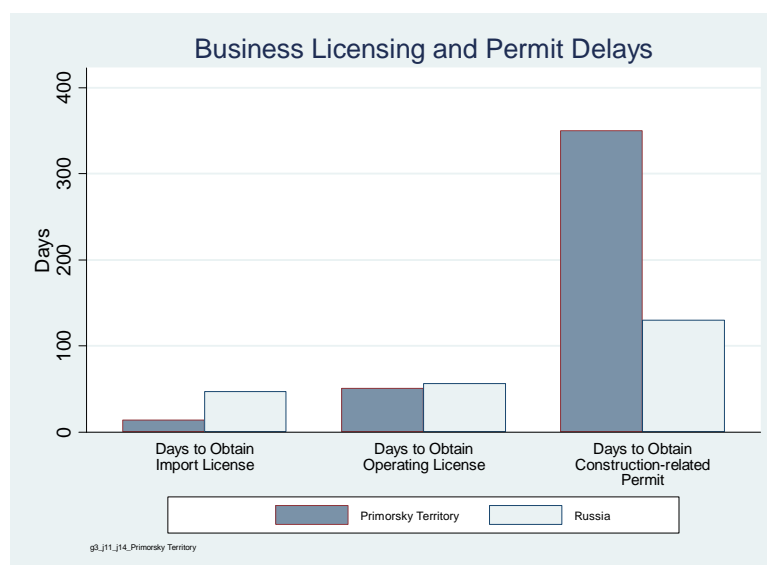
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## Corruption

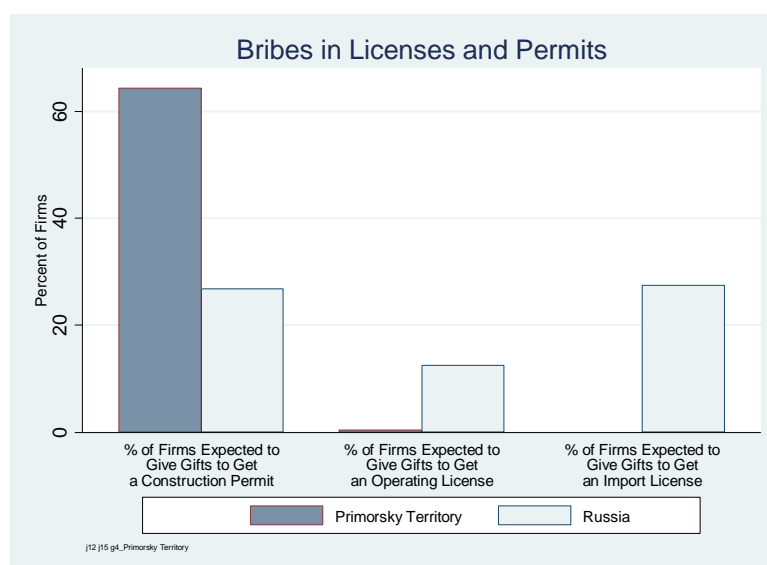
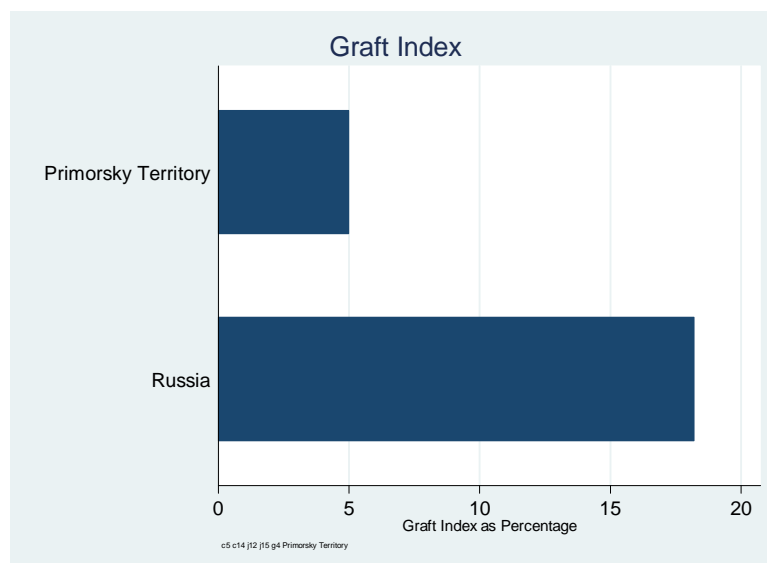
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

Inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make “unofficial” payments to public officials to get things done. In many countries bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for the firms’ growth and development.

The first set of indicators measures a composite index of corruption, the Graft Index that reflects the proportion of instances a firm was asked or expected to pay a bribe when soliciting six different public services, permits or licenses.

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The third set of indicators focuses on bribes to obtain specific licenses or permits, and shows the share of firms that are expected to make informal payments to secure import and operating licenses and to obtain a construction permit.



## Crime and Informality

Crime imposes costs on firms when they are forced to divert resources from productive uses to cover security costs. Both foreign and domestic investors perceive crime as an indication of social instability, and crime drives up the cost of doing business. Also, commercial disputes between firms and their clients occur regularly in the course of doing business. Resolving these disputes can be challenging when legal institutions are weak or nonexistent.

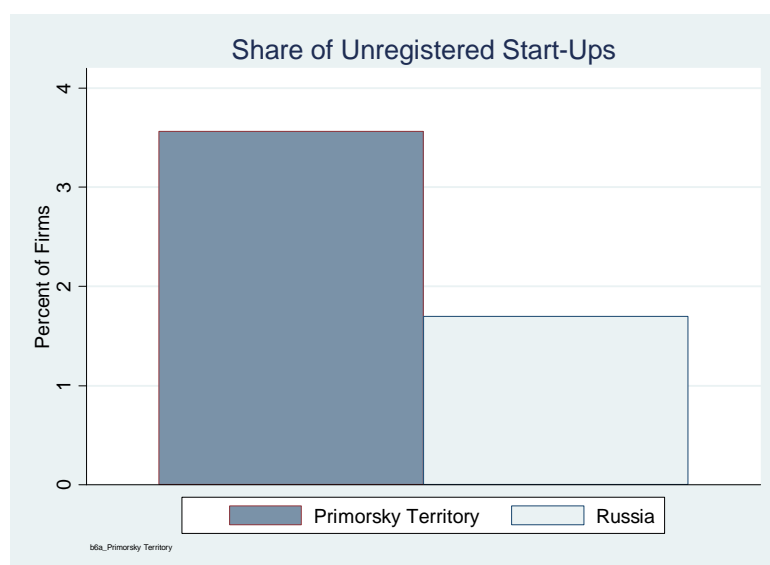
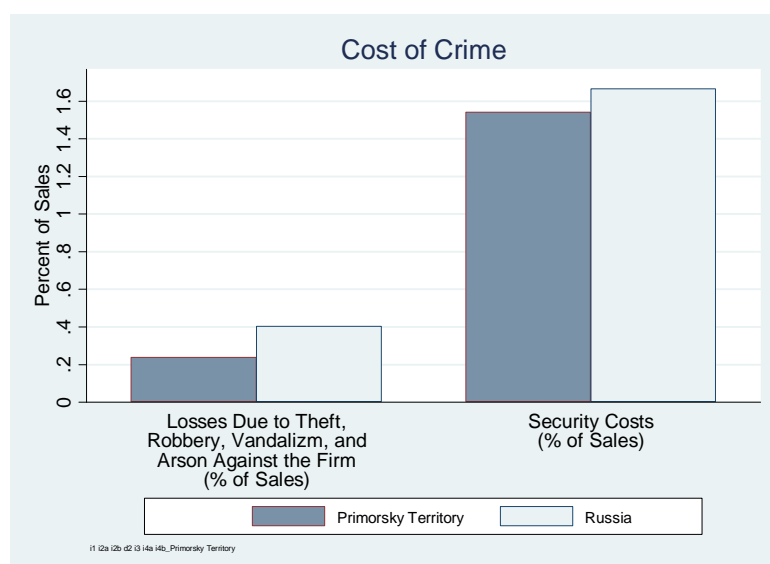
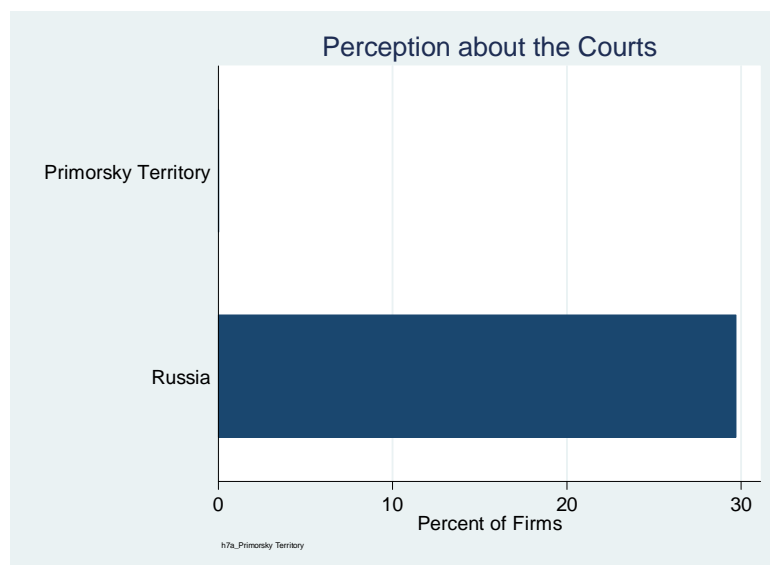
Similarly, a large informal sector has serious consequences for the formal private sector. The informal sector may pose unfair competition for formal firms.

The survey captures key dimensions of the effect of crime on firm sales, the extent to which entrepreneurs identify courts as fair, and the degree of informality in an economy.

The first indicator shows the share of firms that recognize the functioning of the courts as being fair, impartial, and uncorrupted.

The second set of indicators measures the direct costs of security incurred by firms as well as their direct losses due to crime. These resources represent an opportunity cost since they could have been invested in productive activities.

The third set of indicators shows the percentage of firms that started operation without begin formally registered. It is an approximation to the prevalence of informality in the private economy.



## Finance

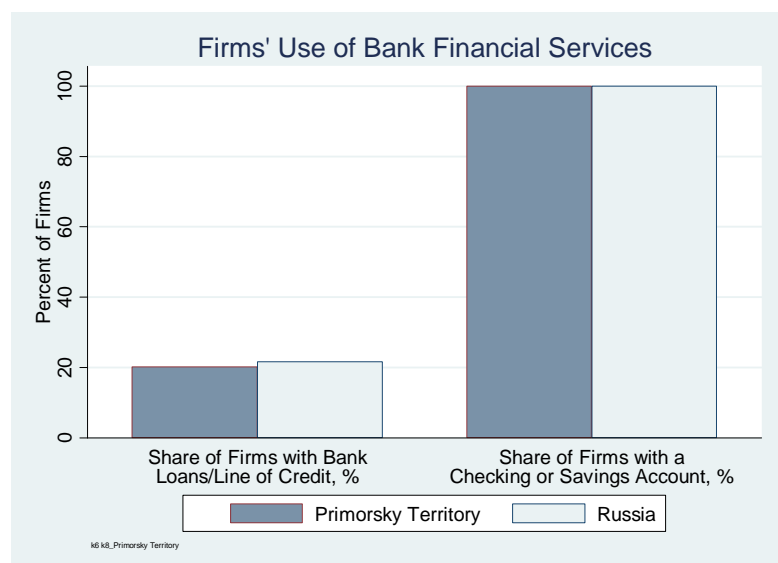
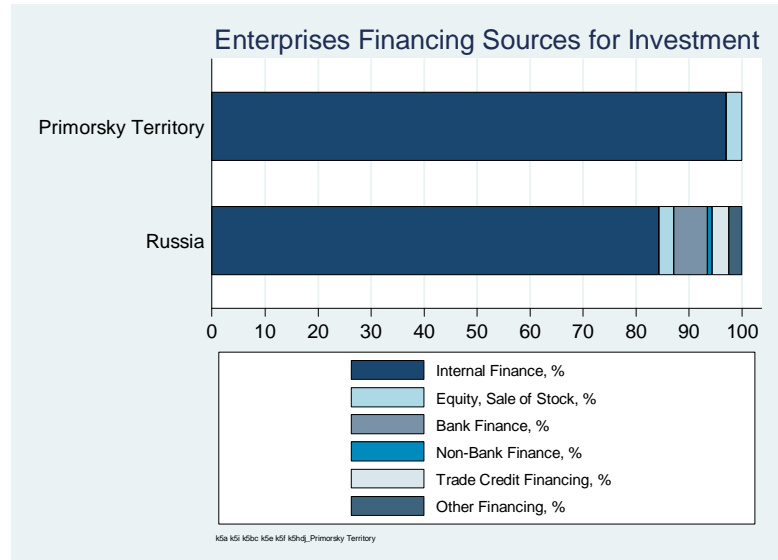
Developed financial markets provide payment services, mobilize deposits, and ease investment financing. Efficient financial markets reduce the reliance on internal funds and on money from informal sources such as family and friends by connecting firms to a broad range of lenders and investors.

The survey provides indicators of how firms finance their operations and of the characteristics of their financial transactions.

The first set of indicators compares the relative use of various sources for financing investment. Excessive reliance on internal funds is a sign of potentially inefficient financial intermediation.

The second set of indicators measures the use of financial markets by individual firms. It presents the percentage of working capital that is financed by sources external to the firm, and a measure of the burden imposed by loan requirements measured by collateral levels relative to the value of the loans.

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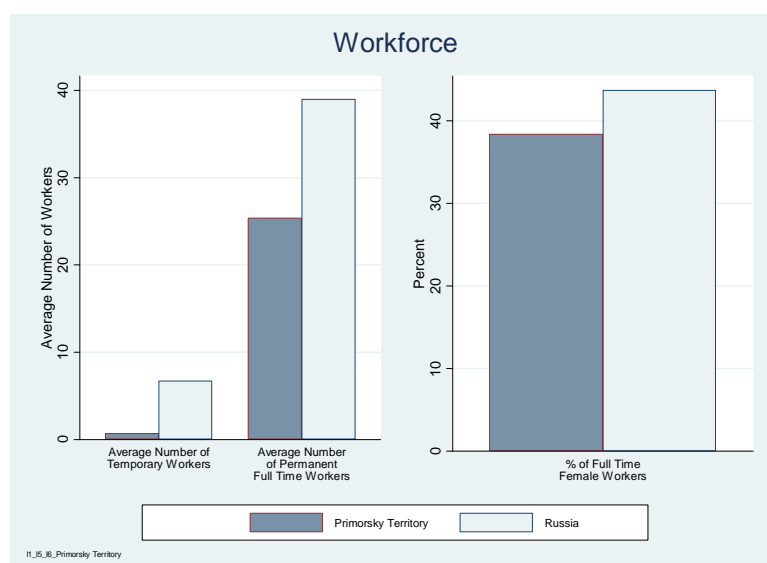
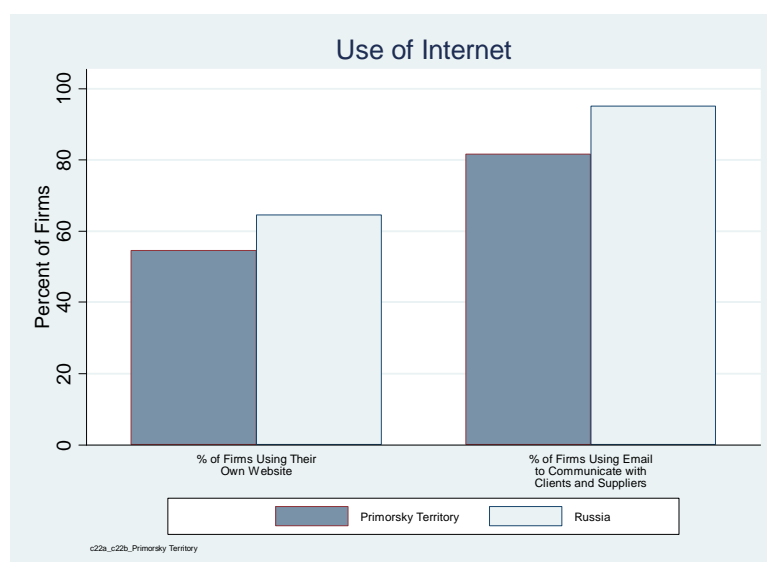
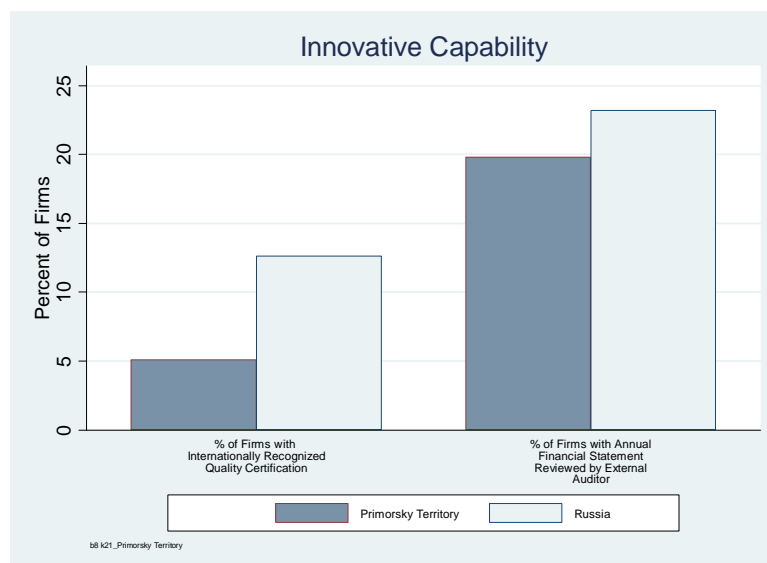
## Innovation and Workforce

The Survey provides indicators that describe several dimensions of technology use and innovation. They also collect information on the characteristics of the workforce employed in the non-agricultural private economy.

The first set of indicators measures the extent to which firms invest in obtaining recognized certificates of production and accounting practices. Obtaining international quality certifications can open doors to technology and innovation and they also provide a sign of high quality that may open markets.

The second set of indicators demonstrates the use of information and communications technologies (ICT) in business transactions. ICT, such as the Internet, are important tools for all firms because they provide even the smallest of enterprises with the ability to reach national and international markets at low cost.

The third set of indicators presents the composition of the firm's workforce by type of contract and gender. Labor regulations have a direct effect on the type of employment favored by firms and they may have a differing impact by gender. The first two indicators present the composition of the workforce classified into temporary and permanent workers. The last indicator reflects the participation of women in regular full-time employment.





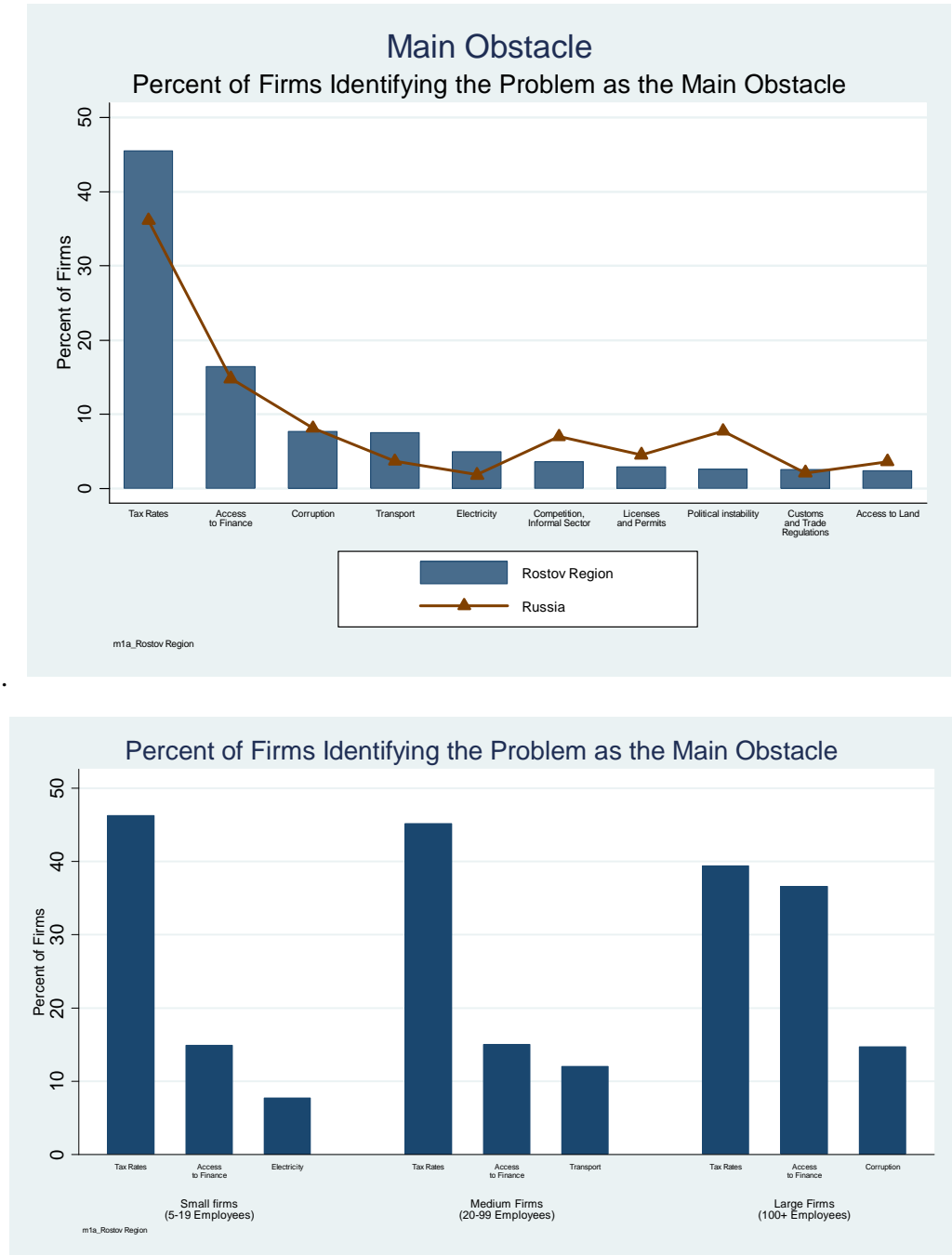
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	Primorsky Territory	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	0.78	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	0.41	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	0.2%	0.3%		
<b>Transport</b>	0.64	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	1.2%			
<b>Customs and trade regulations</b>	0.87	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	7.3%	9.3%	5.2%	16.8%
<b>Practices of informal competitors</b>	1.74	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	11.5%			
<b>Access to land</b>	1.46	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	8.6%			
<b>Crime, theft and disorder</b>	0.56	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	2.6%			
<b>Access to finance</b>	1.16	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	6.3%	6.0%		
<b>Tax rates</b>	3.04	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	7.4%			
<b>Tax administration</b>	0.45	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	0.8%	1.4%	0.8%	
<b>Business licensing and permits</b>	0.91	0.29	Kirov Region; Smolensk Region; Stavropol Territory	4.7%	8.6%	3.4%	14.6%
<b>Political instability</b>	1.69	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	10.6%	9.1%	5.4%	52.5%
<b>Corruption</b>	1.24	0.60	Irkutsk Region; Kirov Region; Smolensk Region	7.1%	6.1%	3.3%	18.0%
<b>Courts</b>	0.44	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	3.8%	5.7%		
<b>Labor regulations</b>	0.39	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	2.9%			
<b>Inadequately educated workforce</b>	0.69	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	1.3%	1.6%	1.2%	

Rostov Region.<sup>24</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Republic Rostov Region benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Rostov Region.



<sup>24</sup> 120 companies were surveyed by in Rostov Region. The benchmarks used for comparisons are averages for Russia as a whole.

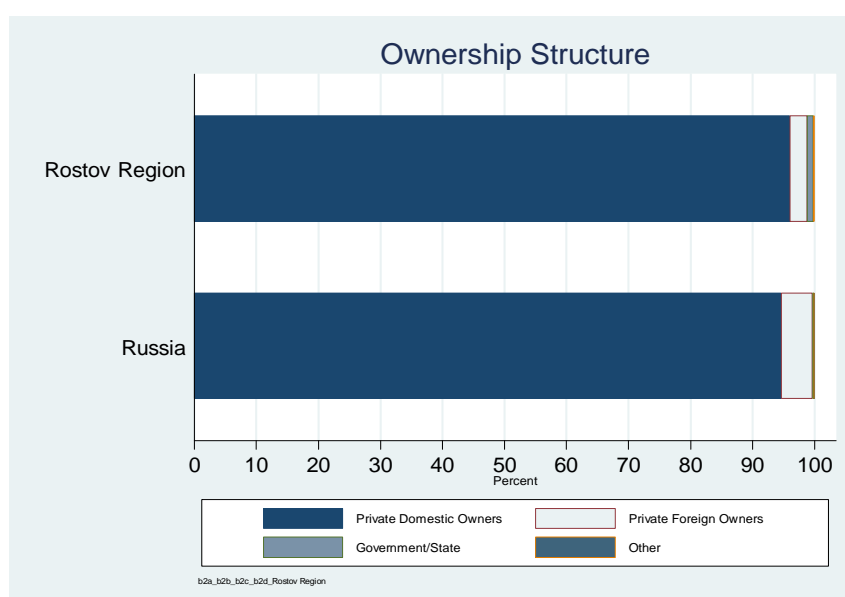
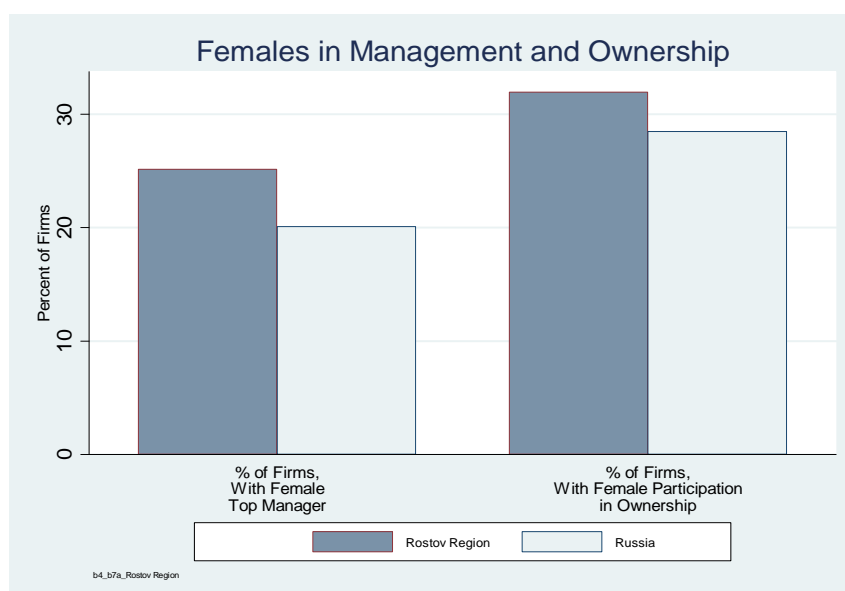
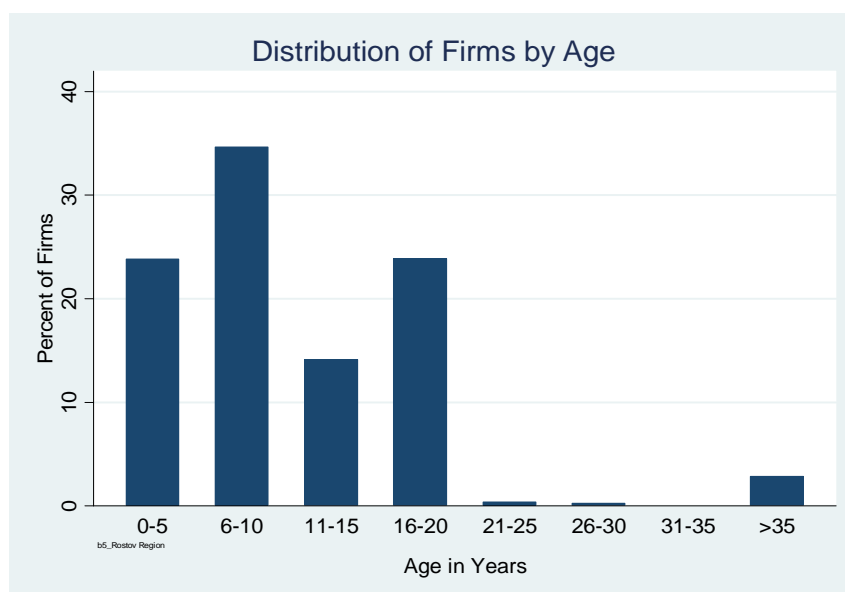
## Average Firm

The survey collects information from a representative sample of the non-agricultural formal private economy. In addition to collecting information on the business environment the surveys collect information on the characteristics of the firms interviewed. Consequently, the data collected provides a description of the representative private firm in the country and also an estimate of how some of the attributes of the average firm are distributed across the population of firms.

The first indicator shows the distribution of firms according to their age measured by the number of years they have been in operation. The effect the business environment can have on the private sector may depend on firms' experience and longevity. Seasoned firms and young firms may differ in their ability to successfully navigate the business environment.

The second set of indicators provides an illustration of female participation in management and firm ownership. These indicators can help assess whether gender can be a determinant of the effect of regulations on the firm and the level of exposure of the firm to external factors, such as corruption, access to finance, and technology.

The third indicator shows the participation of the domestic private sector, the government, the foreign sector and other sectors in the ownership of the typical firm. The distribution provides insight into their levels of equity in the private sector of the economy.



## Infrastructure

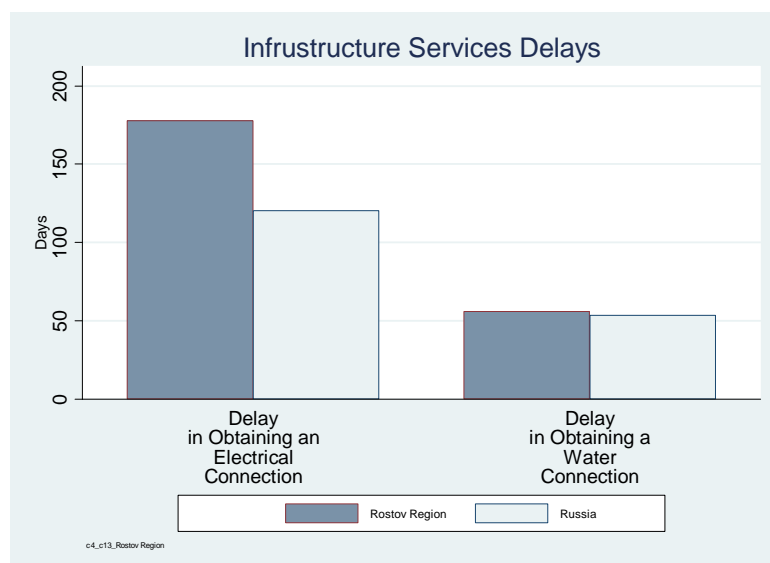
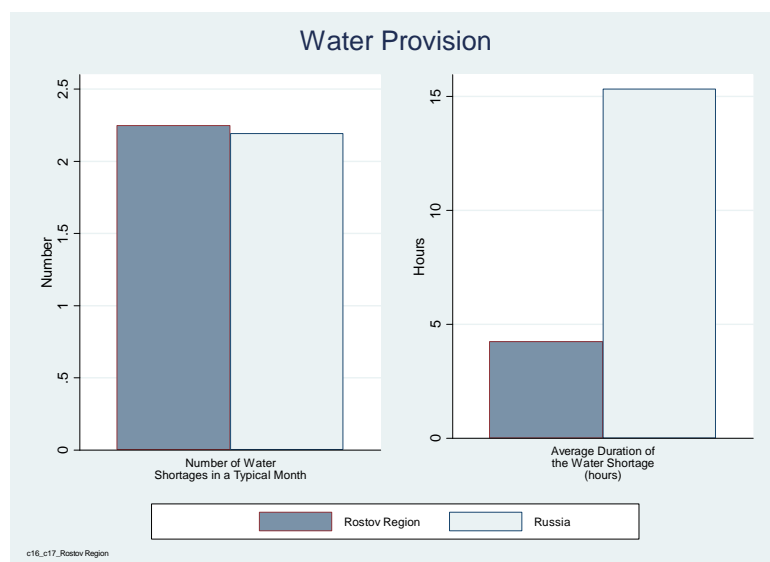
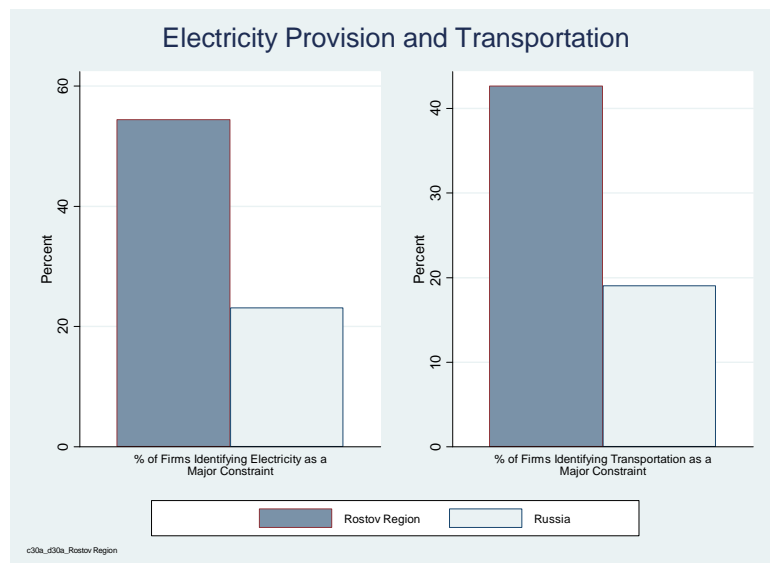
A strong infrastructure enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations.

The survey captures the dual challenge of providing a strong infrastructure for electricity, water supply, telephone connections, etc., and the development of institutions that effectively provide and maintain public services.

The first set of indicators shows the extent to which firms are faced with failures in the provision of electricity and the effect of these failures on sales. Inadequate electricity supply can increase costs, disrupt production, and reduce profitability.

The second set of indicators measures the efficiency of the water supply for the manufacturing sector. Many manufacturing sectors depend on reliable and efficient sources of water for their operations.

The third set of indicators evaluates the efficiency of infrastructure services by quantifying the delays in obtaining electricity, water, and telephone connections. Service delays impose additional costs on firms and may act as barriers to entry and investment.



## Trade

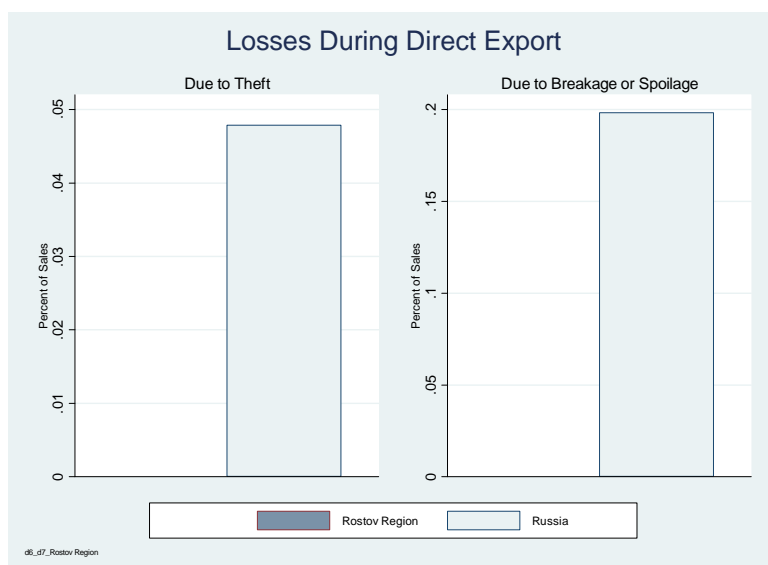
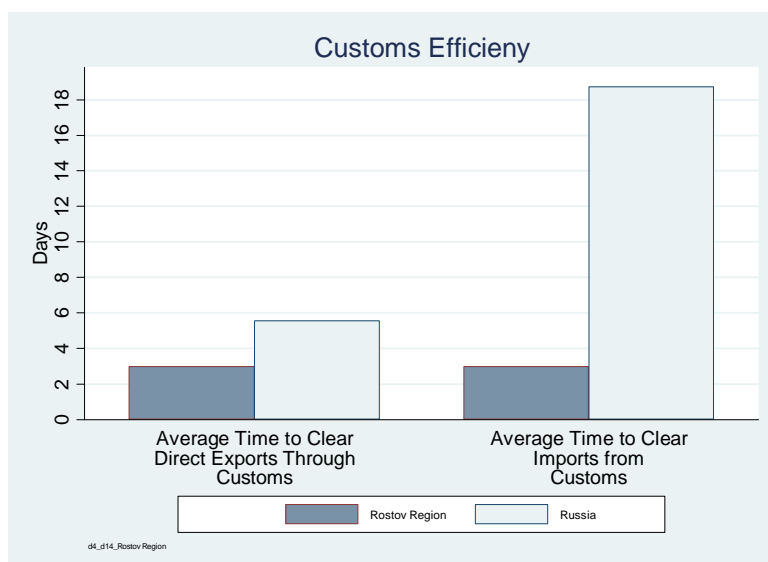
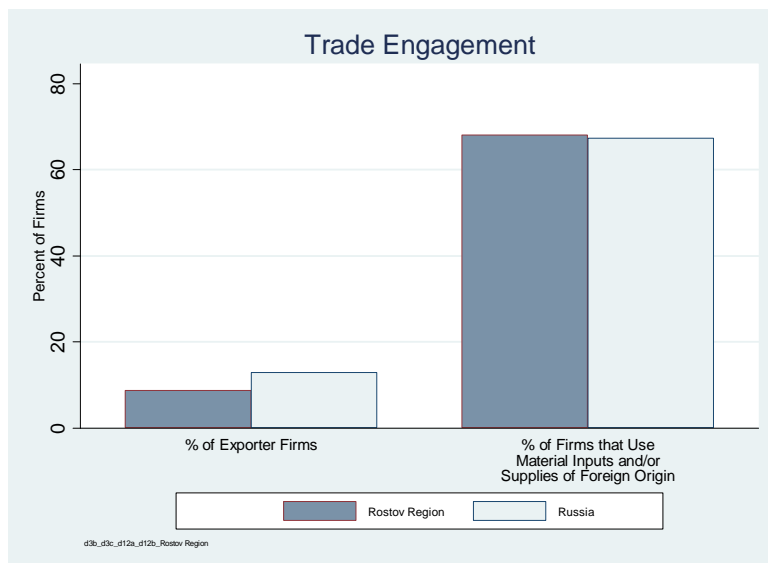
Open markets allow firms to expand, raise standards for efficiency on exporters, and enable firms to import low cost supplies. However, trading also forces firms to deal with customs services and trade regulations, obtain export and import licenses, and in some cases, firms also face additional costs due to losses during transport.

The survey collects information on the operational constraints faced by exporters and importers and also quantify the trade activity of firms.

The first set of indicators provides a measure of the intensity of foreign trade in the private sector. The first graph shows the percentage of firms who export directly or indirectly, i.e. using an intermediary. The second panel shows the percentage of manufacturing firms who use inputs or supplies of foreign origin.

The second set of indicators measures the average number of days to clear customs for imports and exports. The delay in clearing customs for imports or exports creates additional costs to the firm, can interrupt production, interfere with sales, and result in damaged supplies or merchandise.

The third set of indicators shows the percent value of exports lost during transport due to merchandise theft, and breakage or spoilage, reflecting the transport risks firms face during the export process.



## Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

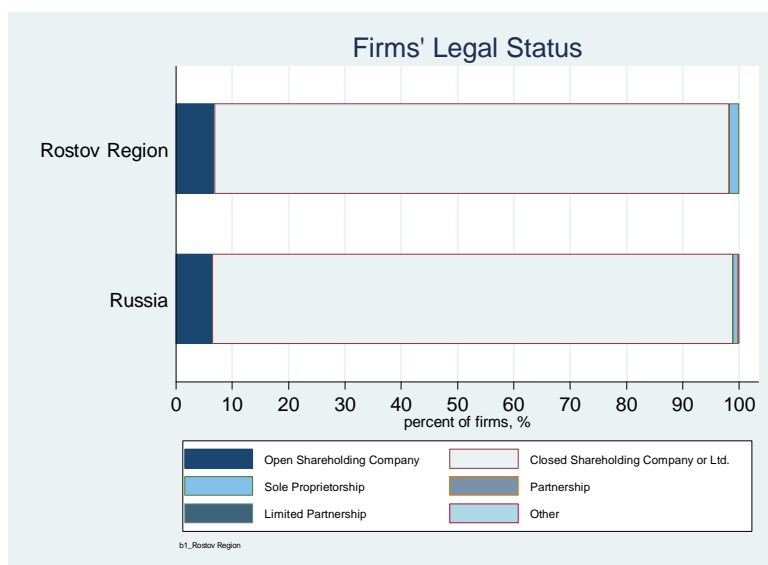
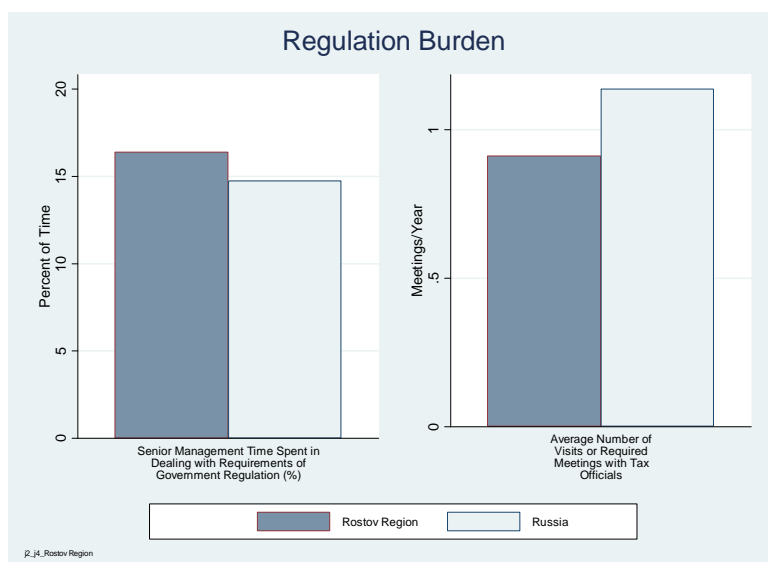
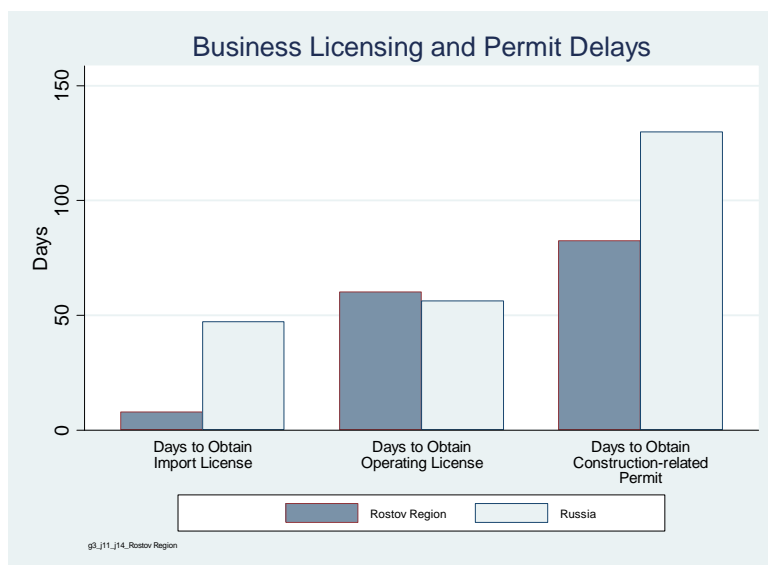
Effective regulations address market failures that inhibit productive investment and reconcile private and public interests. The number of permits and approvals that businesses need to obtain, and the time it takes to obtain them, is expensive and time consuming. The existing legislation of a country also determines the mix of legal forms private firms take and determines the level of protection for investors thus affecting the incentives to invest.

The survey provides qualitative and quantitative measures of taxation, regulations, and business licensing.

The first set of indicators focuses on the efficiency of business licensing and permit services. The indicators evaluate the delays faced when demanding these services.

The second set of indicators approximates the “time tax” imposed by regulations: it measures the time spent by senior management in meetings with public officials and the average number of tax inspections or meetings with tax inspectors in a year.

The third indicator shows the relative use of the different legal forms in the private sector. Most legal forms can be classified into shareholding companies with shares traded privately or non-traded at all (closed), shareholding companies publicly traded (open), sole proprietorships, partnerships, and limited partnerships. A residual category is included to capture legal forms not easily classified into the other categories.



## Corruption

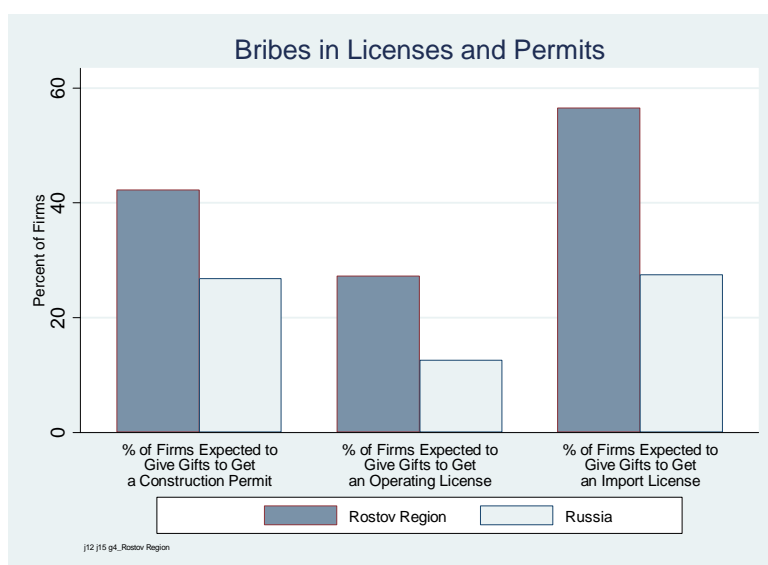
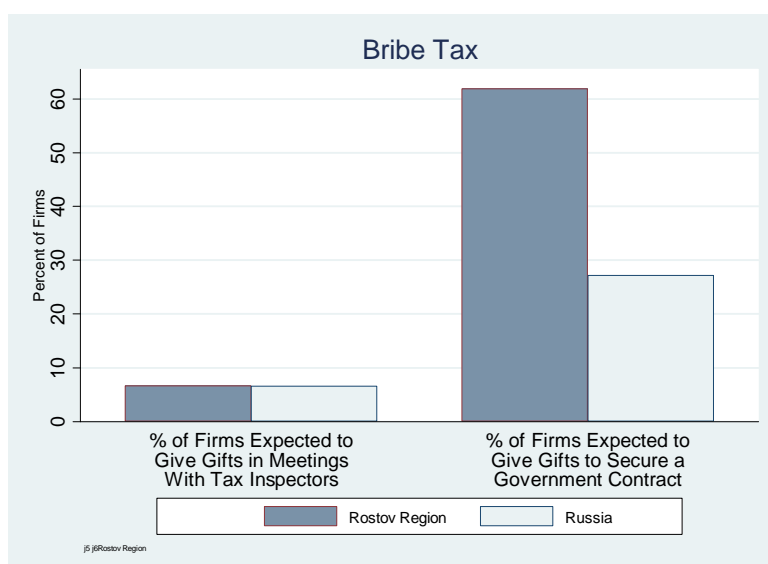
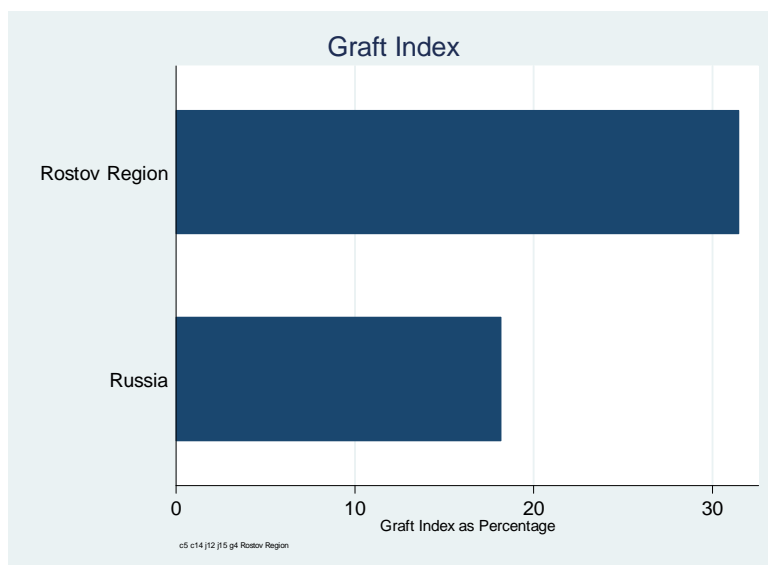
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

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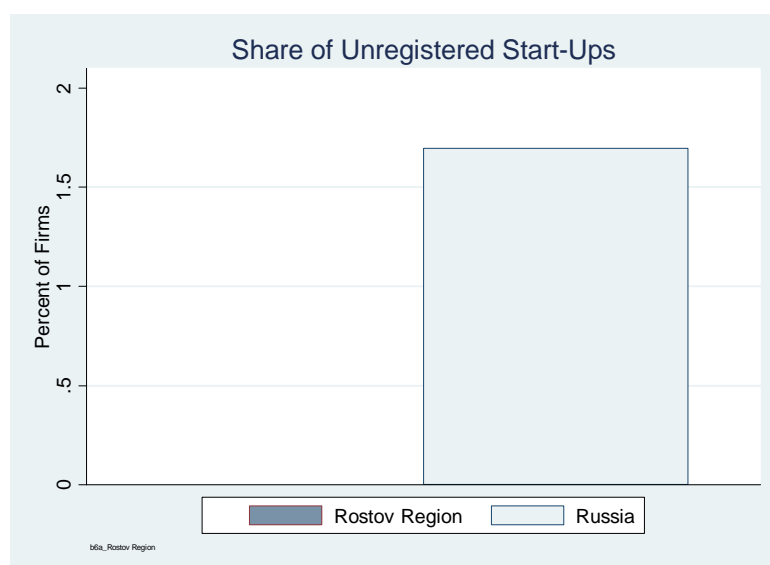
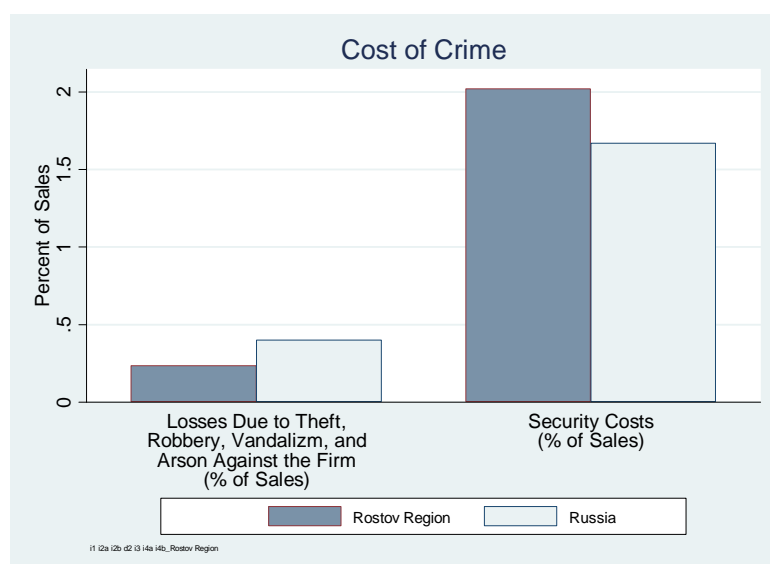
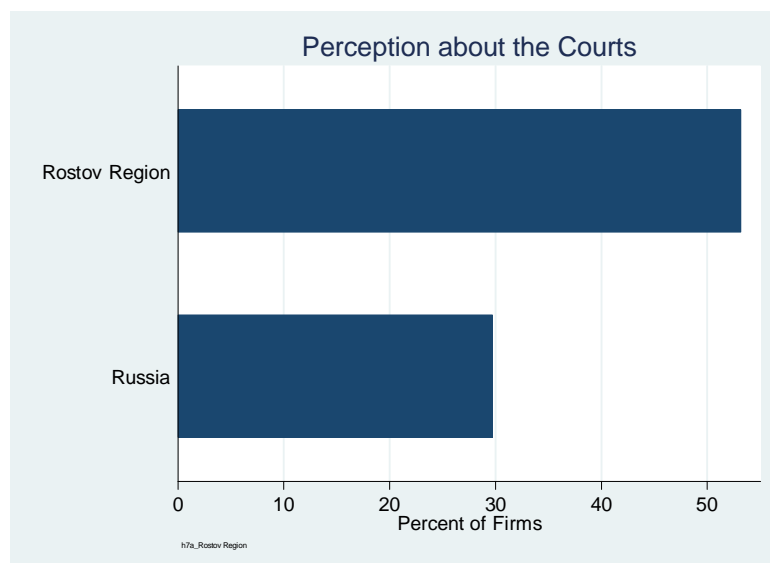
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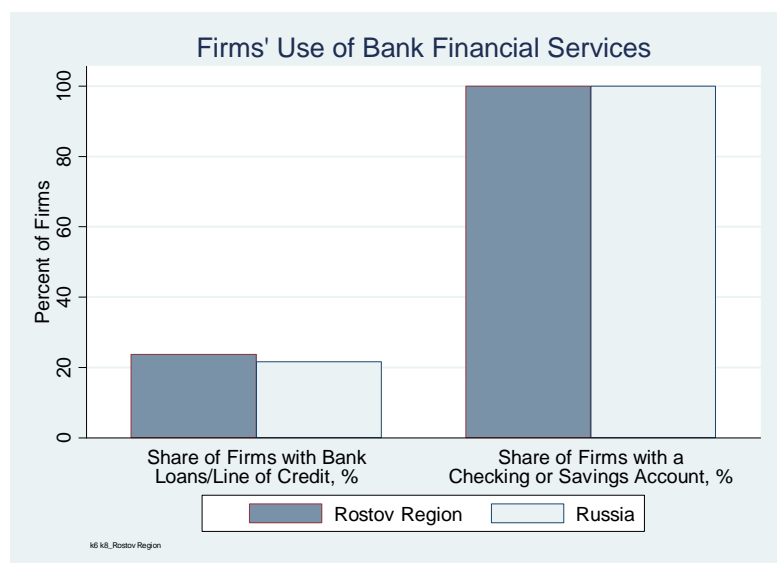
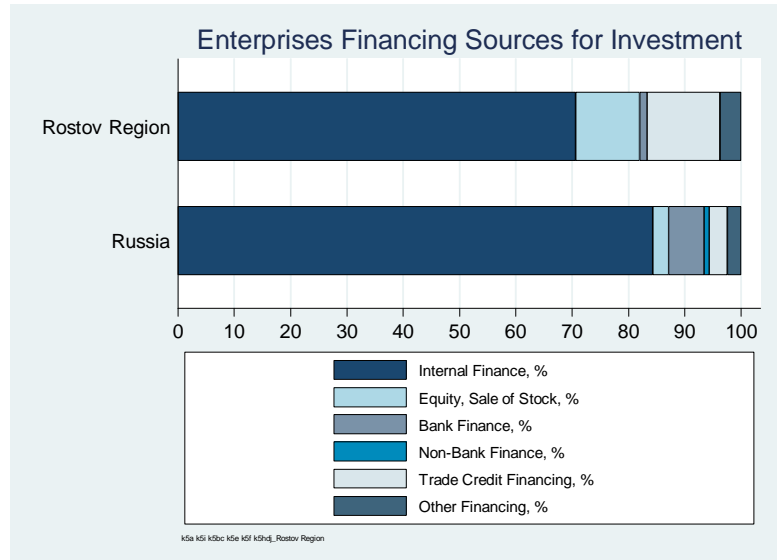
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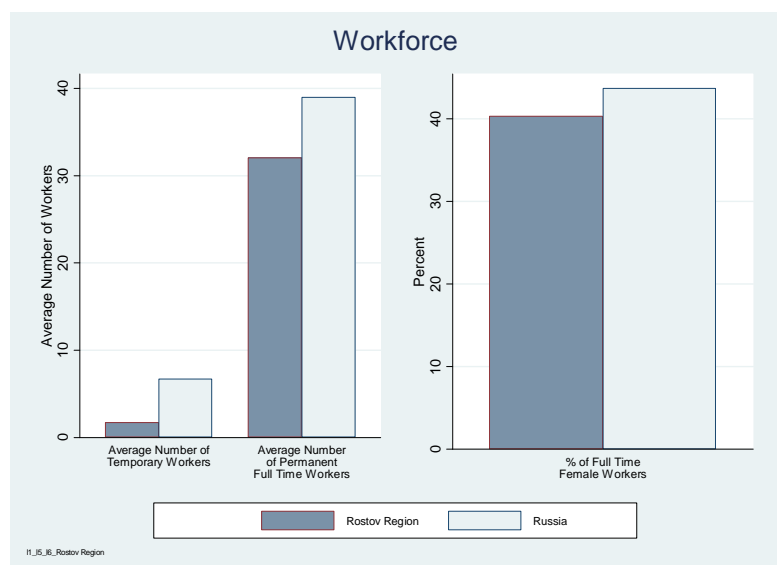
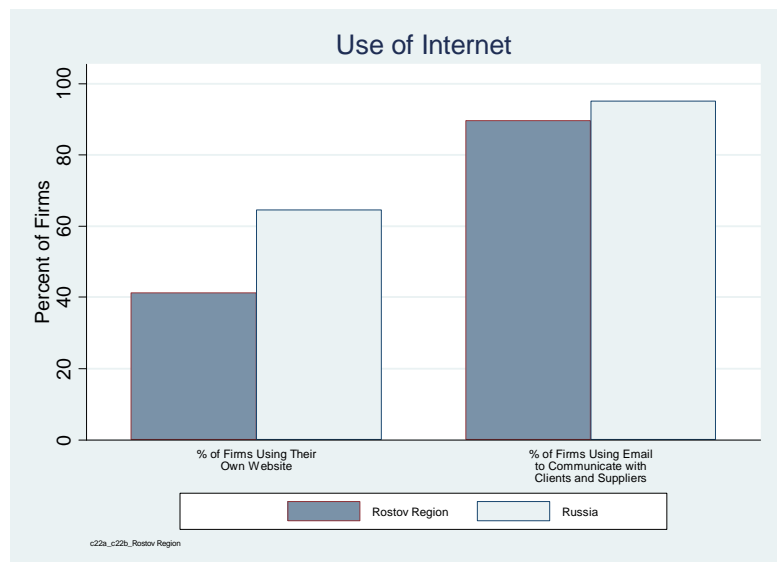
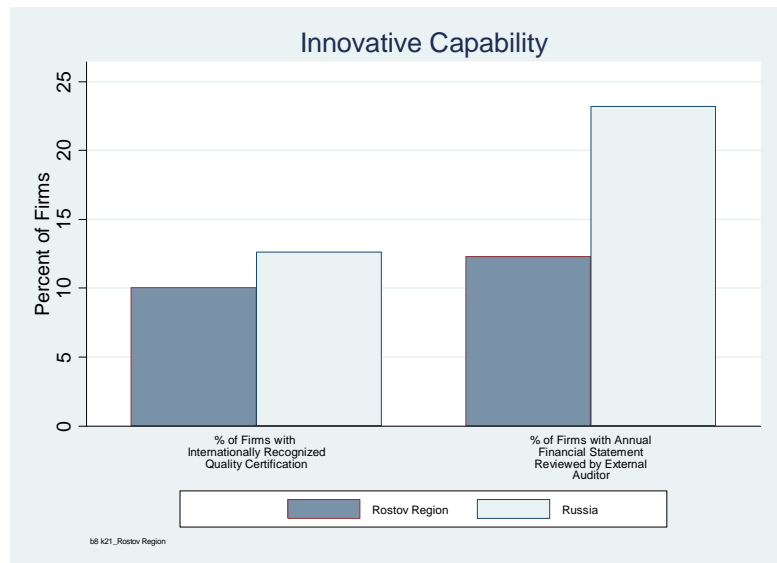
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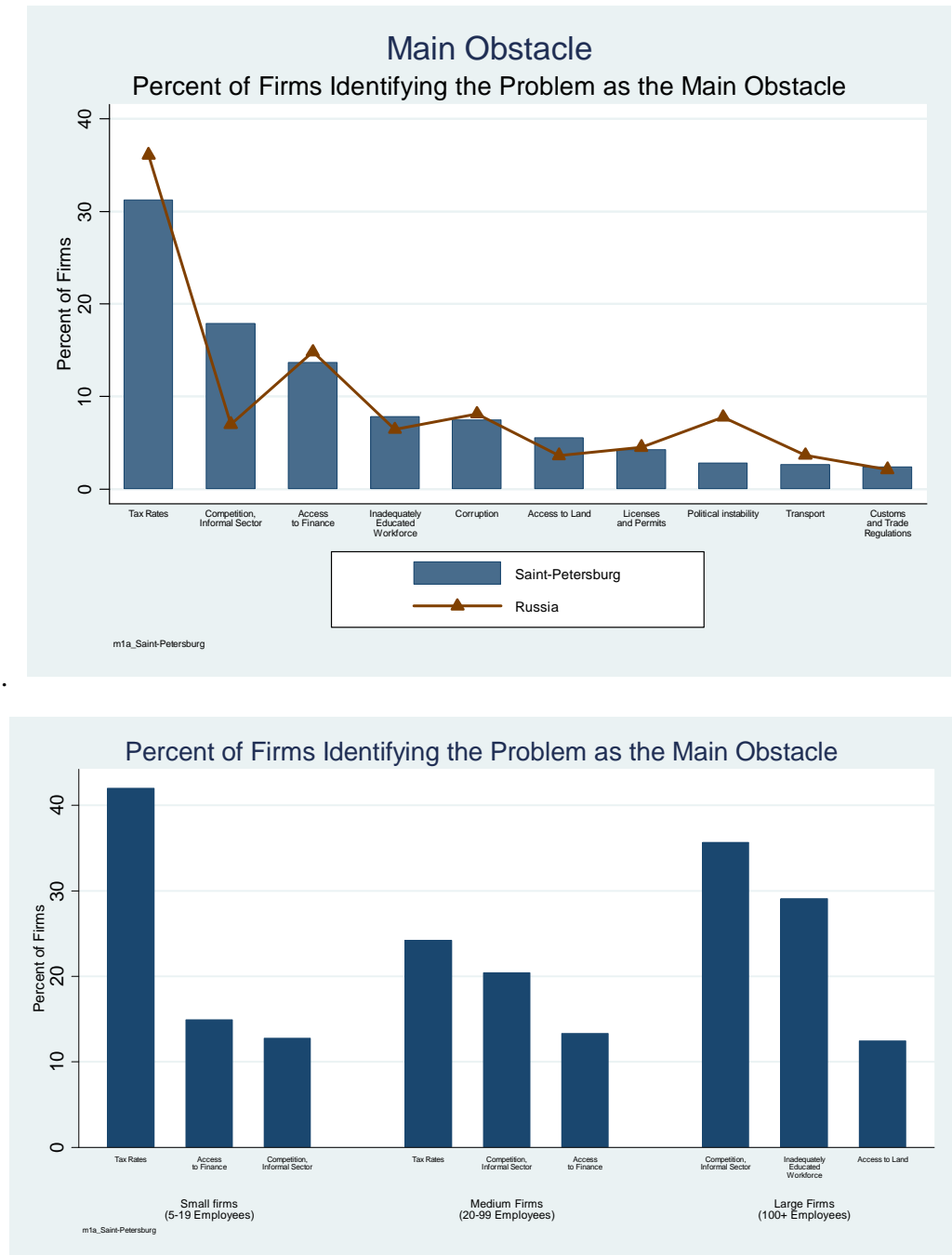


**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	<i>Rostov Region</i>	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	2.20	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	2.27	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	7.5%	10.9%		
<b>Transport</b>	1.96	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	6.3%			
<b>Customs and trade regulations</b>	1.12	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	9.7%	12.4%	7.0%	22.4%
<b>Practices of informal competitors</b>	1.58	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	10.1%			
<b>Access to land</b>	1.73	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	10.7%			
<b>Crime, theft and disorder</b>	1.72	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	10.2%			
<b>Access to finance</b>	1.96	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	16.0%	15.2%		
<b>Tax rates</b>	2.65	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	5.6%			
<b>Tax administration</b>	2.03	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	14.6%	24.2%	14.6%	
<b>Business licensing and permits</b>	1.79	0.29	Kirov Region; Smolensk Region; Stavropol Territory	11.3%	20.7%	8.1%	35.2%
<b>Political instability</b>	1.58	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	9.3%	8.1%	4.8%	46.4%
<b>Corruption</b>	2.00	0.60	Irkutsk Region; Kirov Region; Smolensk Region	15.5%	13.4%	7.1%	39.3%
<b>Courts</b>	1.51	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	15.0%	22.7%		
<b>Labor regulations</b>	1.60	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	14.8%			
<b>Inadequately educated workforce</b>	2.23	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	11.4%	14.0%	10.4%	

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Saint Petersburg benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Saint Petersburg.



<sup>25</sup> 122 companies were surveyed by in Saint Petersburg. The benchmarks used for comparisons are averages for Russia as a whole.

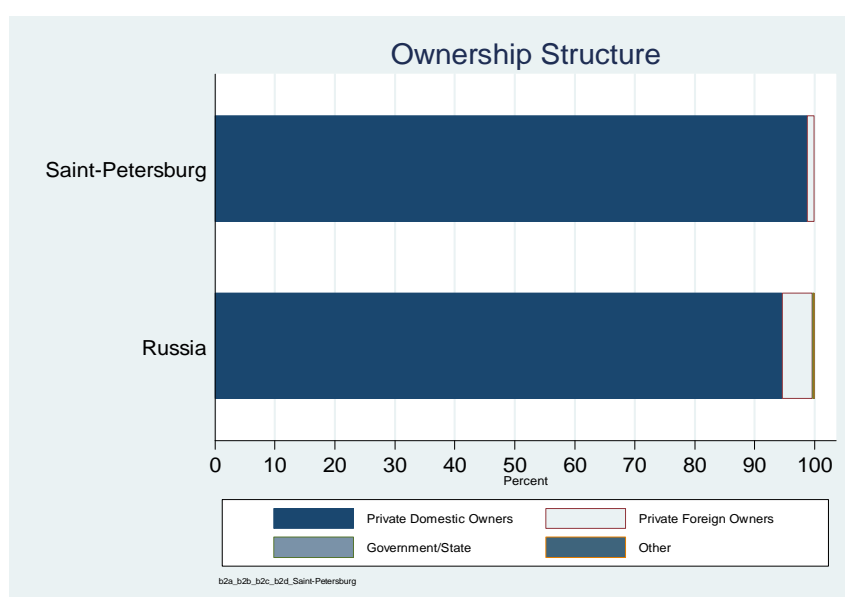
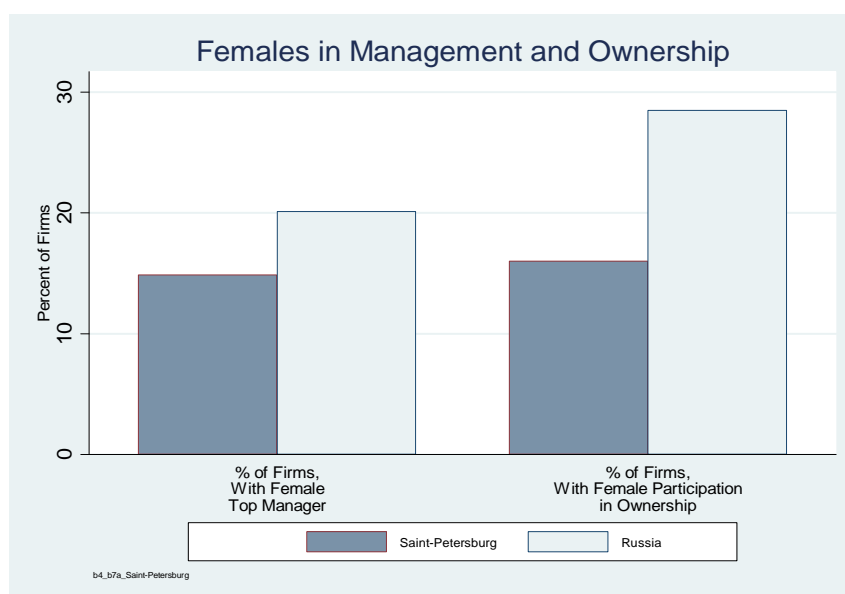
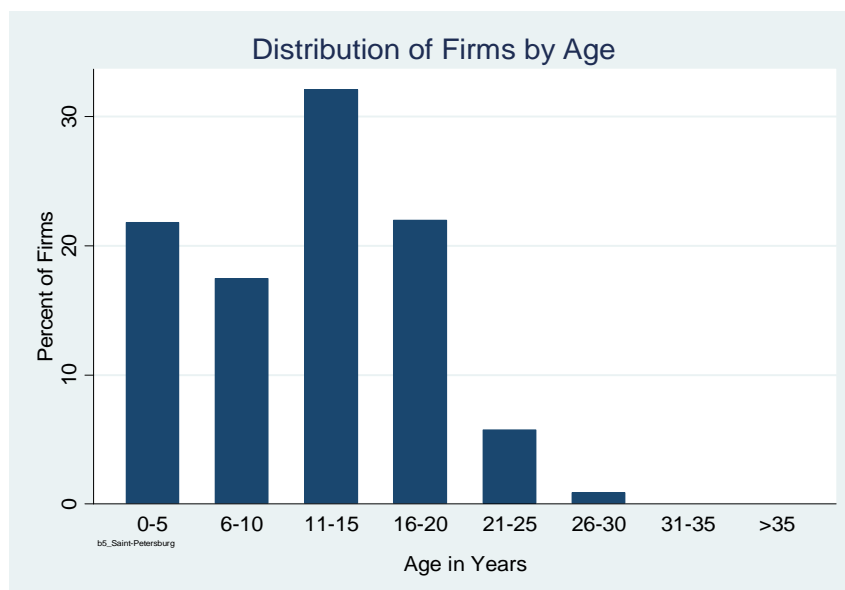
## Average Firm

The survey collects information from a representative sample of the non-agricultural formal private economy. In addition to collecting information on the business environment the surveys collect information on the characteristics of the firms interviewed. Consequently, the data collected provides a description of the representative private firm in the country and also an estimate of how some of the attributes of the average firm are distributed across the population of firms.

The first indicator shows the distribution of firms according to their age measured by the number of years they have been in operation. The effect the business environment can have on the private sector may depend on firms' experience and longevity. Seasoned firms and young firms may differ in their ability to successfully navigate the business environment.

The second set of indicators provides an illustration of female participation in management and firm ownership. These indicators can help assess whether gender can be a determinant of the effect of regulations on the firm and the level of exposure of the firm to external factors, such as corruption, access to finance, and technology.

The third indicator shows the participation of the domestic private sector, the government, the foreign sector and other sectors in the ownership of the typical firm. The distribution provides insight into their levels of equity in the private sector of the economy.



## Infrastructure

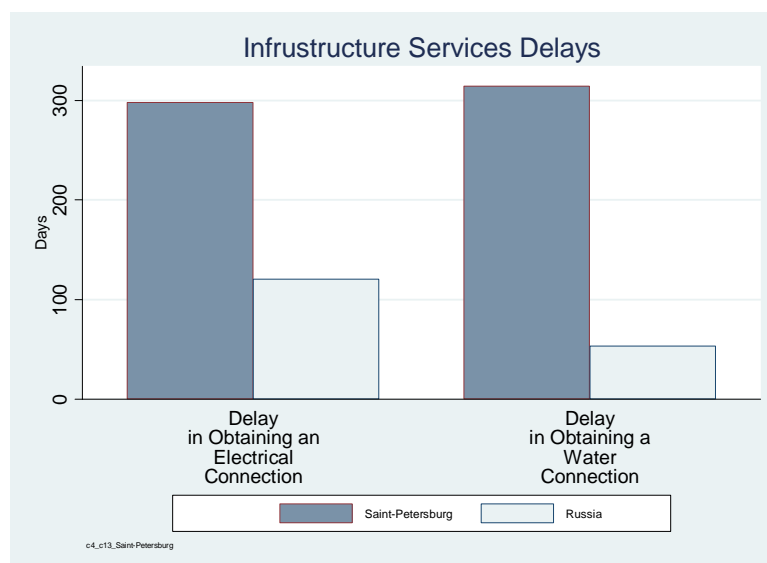
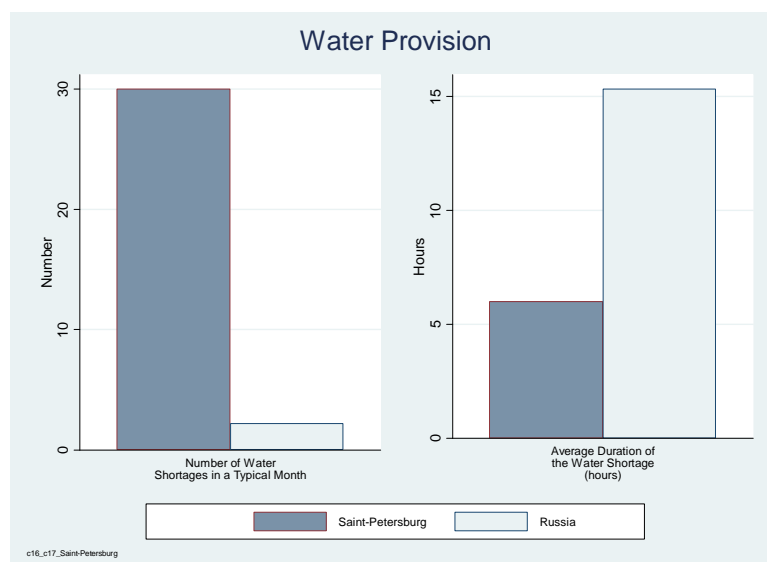
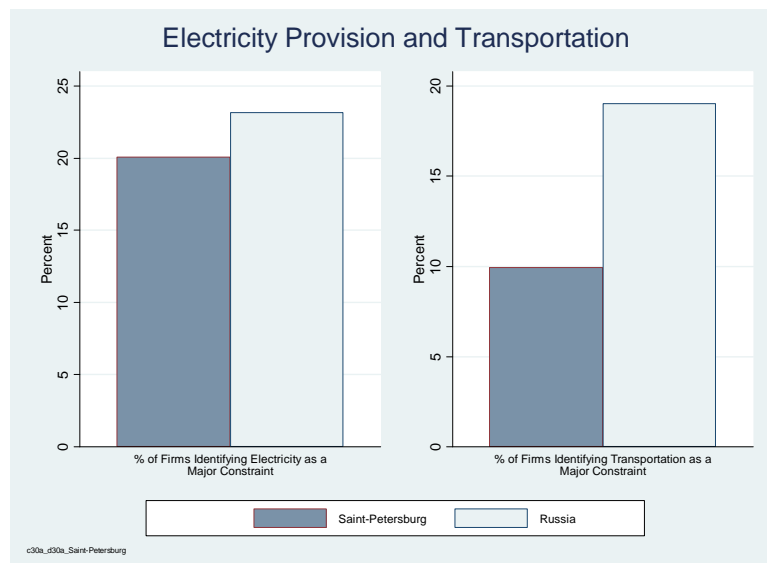
A strong infrastructure enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations.

The survey captures the dual challenge of providing a strong infrastructure for electricity, water supply, telephone connections, etc., and the development of institutions that effectively provide and maintain public services.

The first set of indicators shows the extent to which firms are faced with failures in the provision of electricity and the effect of these failures on sales. Inadequate electricity supply can increase costs, disrupt production, and reduce profitability.

The second set of indicators measures the efficiency of the water supply for the manufacturing sector. Many manufacturing sectors depend on reliable and efficient sources of water for their operations.

The third set of indicators evaluates the efficiency of infrastructure services by quantifying the delays in obtaining electricity, water, and telephone connections. Service delays impose additional costs on firms and may act as barriers to entry and investment.



## Trade

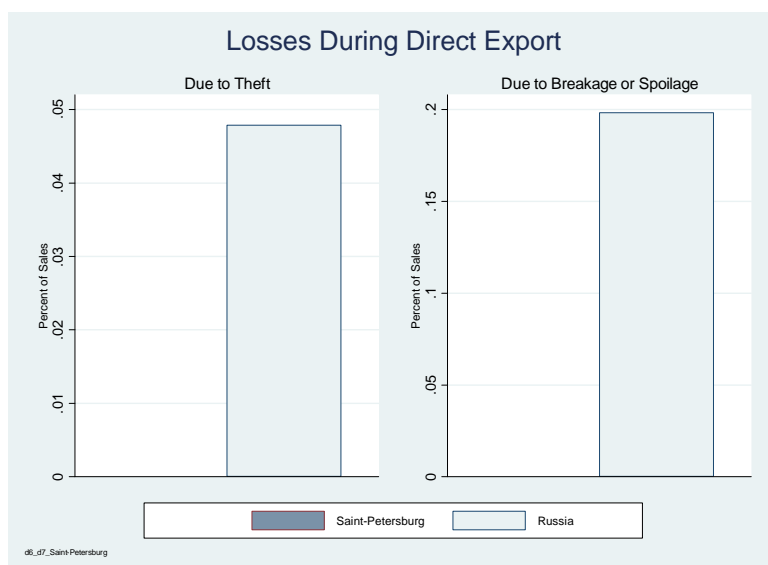
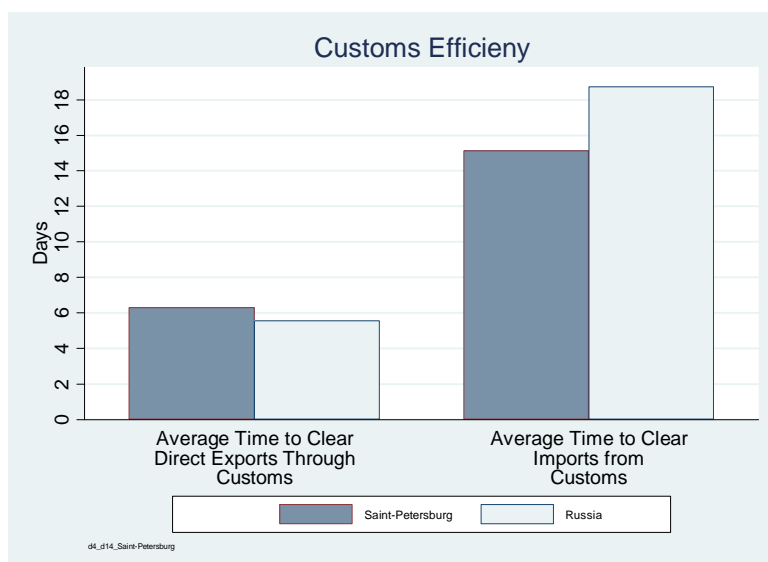
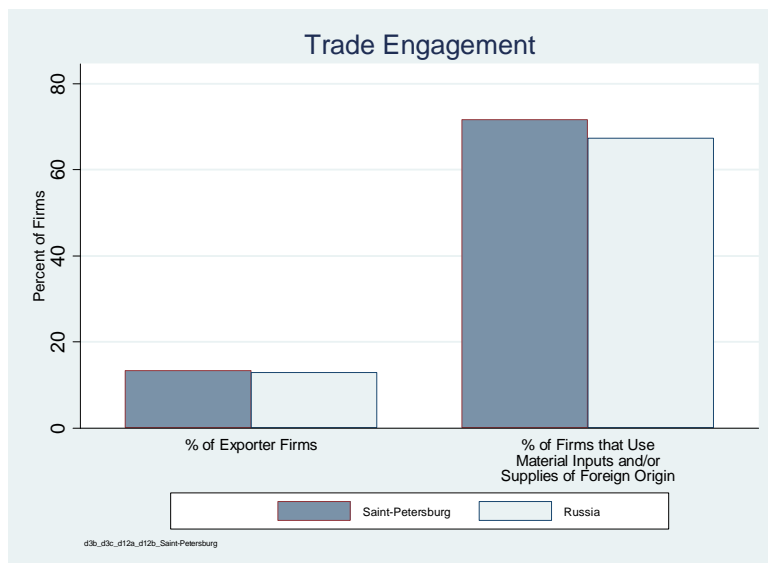
Open markets allow firms to expand, raise standards for efficiency on exporters, and enable firms to import low cost supplies. However, trading also forces firms to deal with customs services and trade regulations, obtain export and import licenses, and in some cases, firms also face additional costs due to losses during transport.

The survey collects information on the operational constraints faced by exporters and importers and also quantifies the trade activity of firms.

The first set of indicators provides a measure of the intensity of foreign trade in the private sector. The first graph shows the percentage of firms who export directly or indirectly, i.e. using an intermediary. The second panel shows the percentage of manufacturing firms who use inputs or supplies of foreign origin.

The second set of indicators measures the average number of days to clear customs for imports and exports. The delay in clearing customs for imports or exports creates additional costs to the firm, can interrupt production, interfere with sales, and result in damaged supplies or merchandise.

The third set of indicators shows the percent value of exports lost during transport due to merchandise theft, and breakage or spoilage, reflecting the transport risks firms face during the export process.



## Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

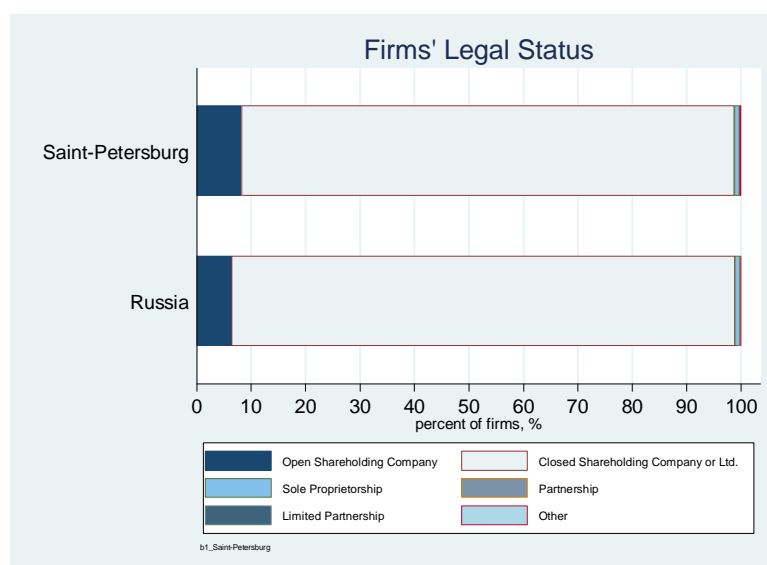
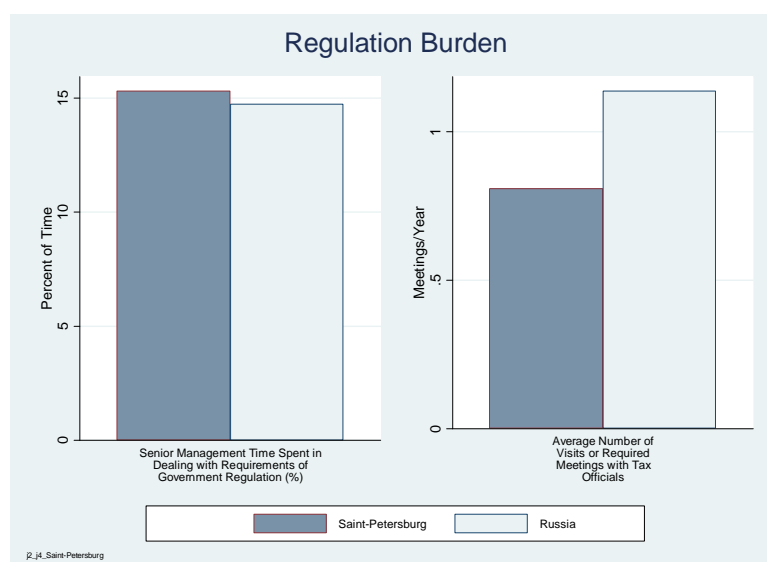
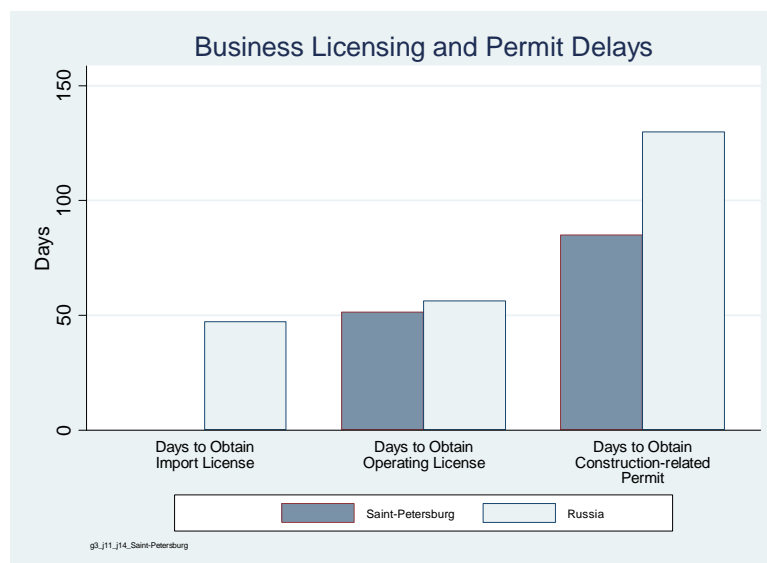
Effective regulations address market failures that inhibit productive investment and reconcile private and public interests. The number of permits and approvals that businesses need to obtain, and the time it takes to obtain them, is expensive and time consuming. The existing legislation of a country also determines the mix of legal forms private firms take and determines the level of protection for investors thus affecting the incentives to invest.

The survey provides qualitative and quantitative measures of taxation, regulations, and business licensing.

The first set of indicators focuses on the efficiency of business licensing and permit services. The indicators evaluate the delays faced when demanding these services.

The second set of indicators approximates the “time tax” imposed by regulations: it measures the time spent by senior management in meetings with public officials and the average number of tax inspections or meetings with tax inspectors in a year.

The third indicator shows the relative use of the different legal forms in the private sector. Most legal forms can be classified into shareholding companies with shares traded privately or non-traded at all (closed), shareholding companies publicly traded (open), sole proprietorships, partnerships, and limited partnerships. A residual category is included to capture legal forms not easily classified into the other categories.





## Corruption

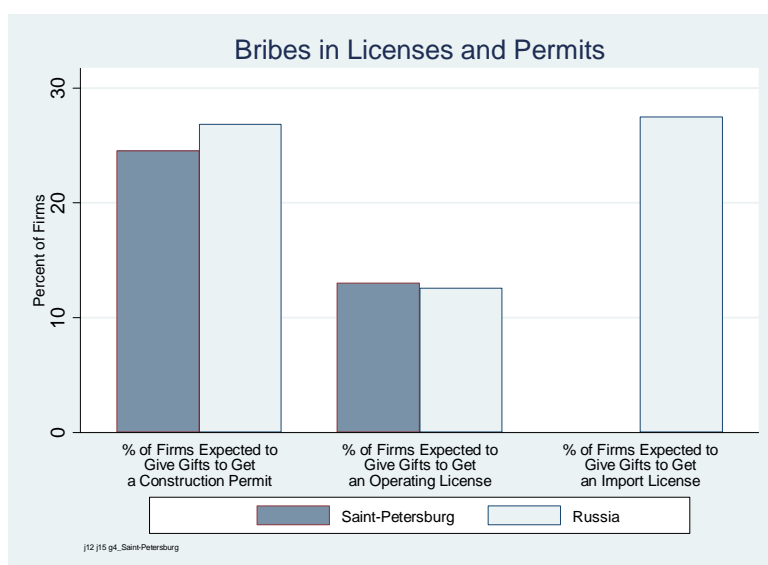
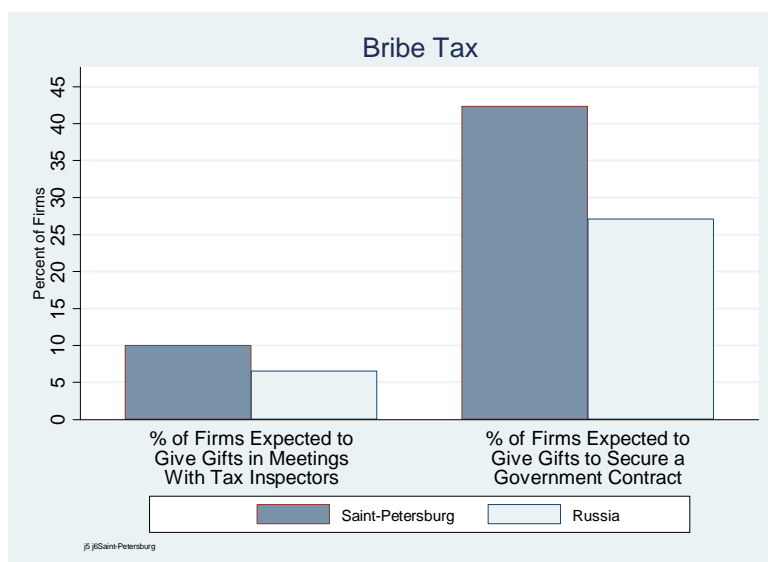
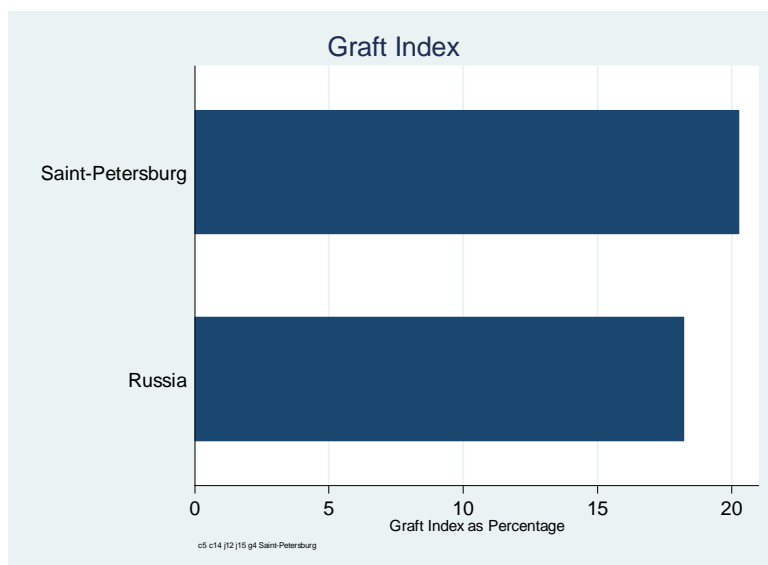
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

Inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make “unofficial” payments to public officials to get things done. In many countries bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for the firms’ growth and development.

The first set of indicators measures a composite index of corruption, the Graft Index that reflects the proportion of instances a firm was asked or expected to pay a bribe when soliciting six different public services, permits or licenses.

The second set of indicators identifies the extent to which specific regulatory and administrative officials require bribe payments during meetings with tax inspectors or in order to secure a government contract.

The third set of indicators focuses on bribes to obtain specific licenses or permits, and shows the share of firms that are expected to make informal payments to secure import and operating licenses and to obtain a construction permit.



## Crime and Informality

Crime imposes costs on firms when they are forced to divert resources from productive uses to cover security costs. Both foreign and domestic investors perceive crime as an indication of social instability, and crime drives up the cost of doing business. Also, commercial disputes between firms and their clients occur regularly in the course of doing business. Resolving these disputes can be challenging when legal institutions are weak or nonexistent.

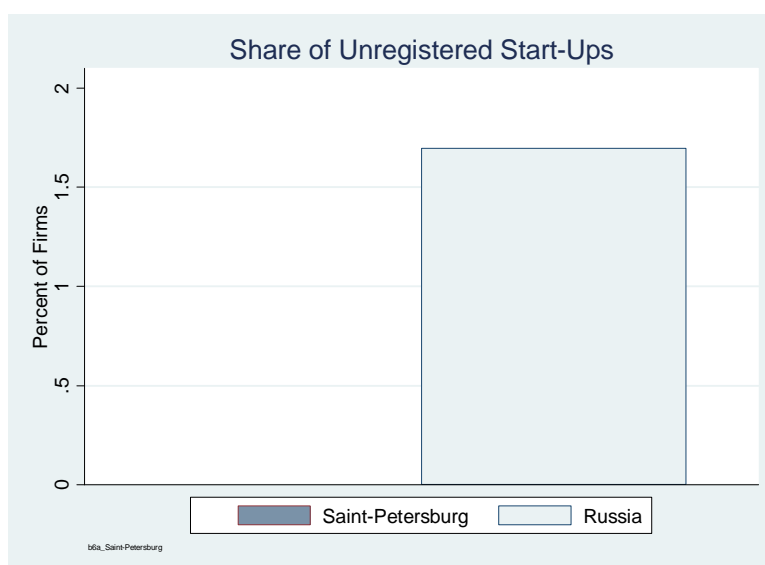
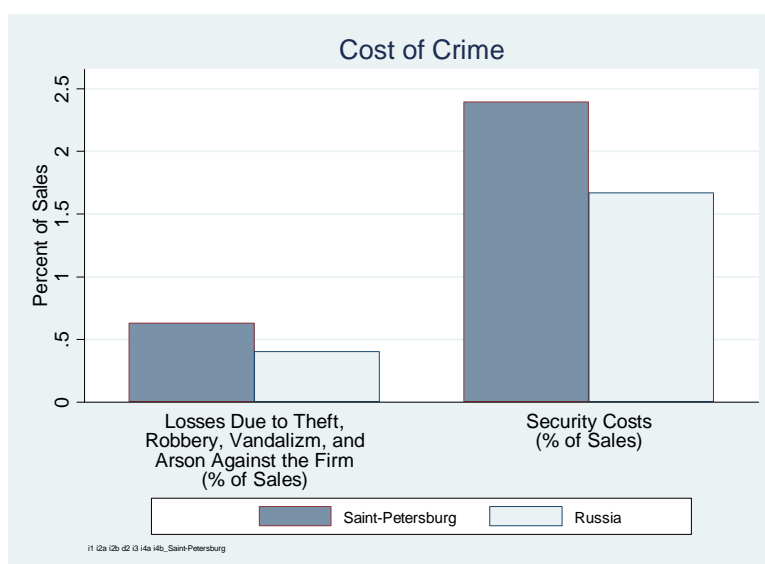
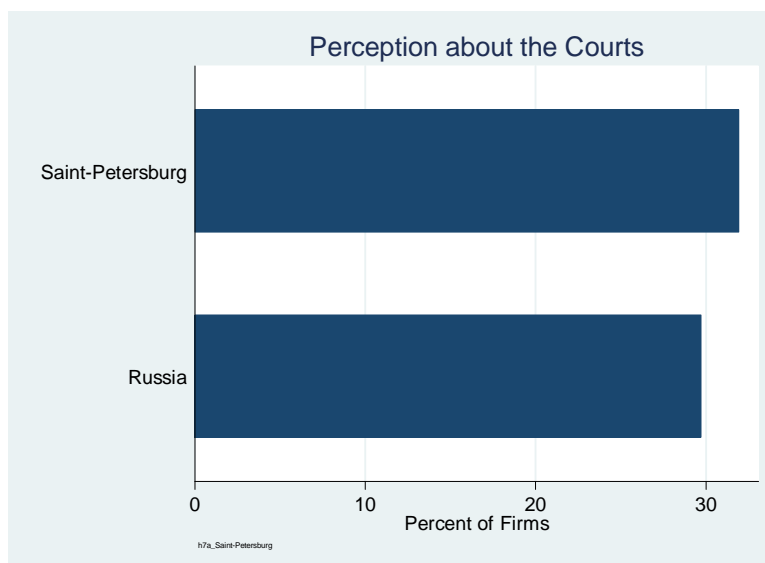
Similarly, a large informal sector has serious consequences for the formal private sector. The informal sector may pose unfair competition for formal firms.

The survey captures key dimensions of the effect of crime on firm sales, the extent to which entrepreneurs identify courts as fair, and the degree of informality in an economy.

The first indicator shows the share of firms that recognize the functioning of the courts as being fair, impartial, and uncorrupted.

The second set of indicators measures the direct costs of security incurred by firms as well as their direct losses due to crime. These resources represent an opportunity cost since they could have been invested in productive activities.

The third set of indicators shows the percentage of firms that started operation without begin formally registered. It is an approximation to the prevalence of informality in the private economy.



## Finance

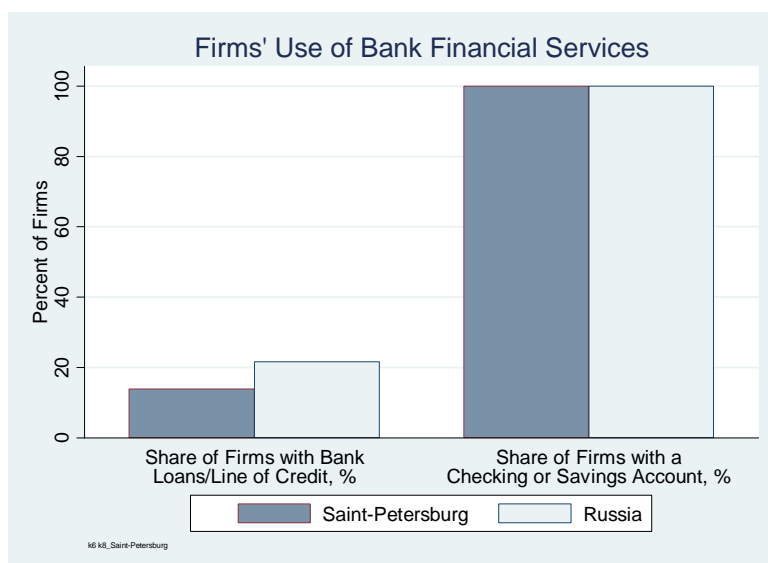
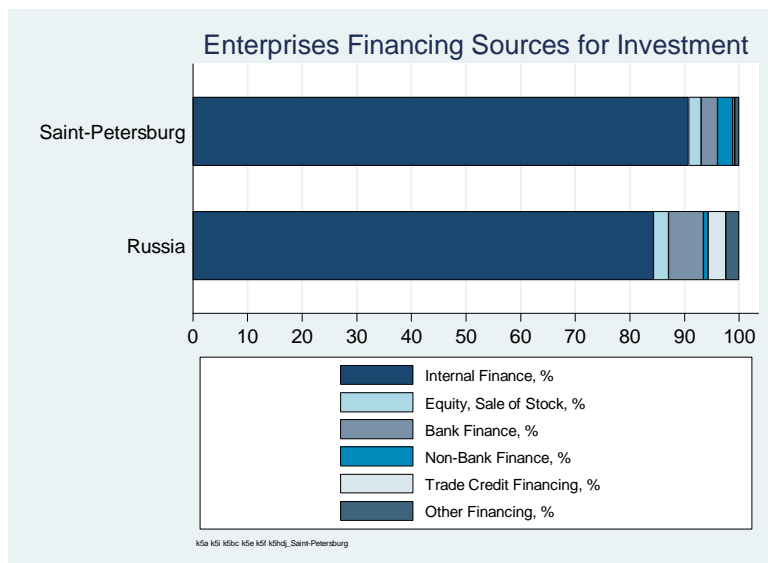
Developed financial markets provide payment services, mobilize deposits, and ease investment financing. Efficient financial markets reduce the reliance on internal funds and on money from informal sources such as family and friends by connecting firms to a broad range of lenders and investors.

The survey provides indicators of how firms finance their operations and of the characteristics of their financial transactions.

The first set of indicators compares the relative use of various sources for financing investment. Excessive reliance on internal funds is a sign of potentially inefficient financial intermediation.

The second set of indicators measures the use of financial markets by individual firms. It presents the percentage of working capital that is financed by sources external to the firm, and a measure of the burden imposed by loan requirements measured by collateral levels relative to the value of the loans.

The third set of indicators focuses on the use of financial services by private firms both on the credit side, by measuring the percentage of firms with bank loans or lines of credit, and on the deposit mobilization side, by measuring the percentage of firms with checking or savings accounts.



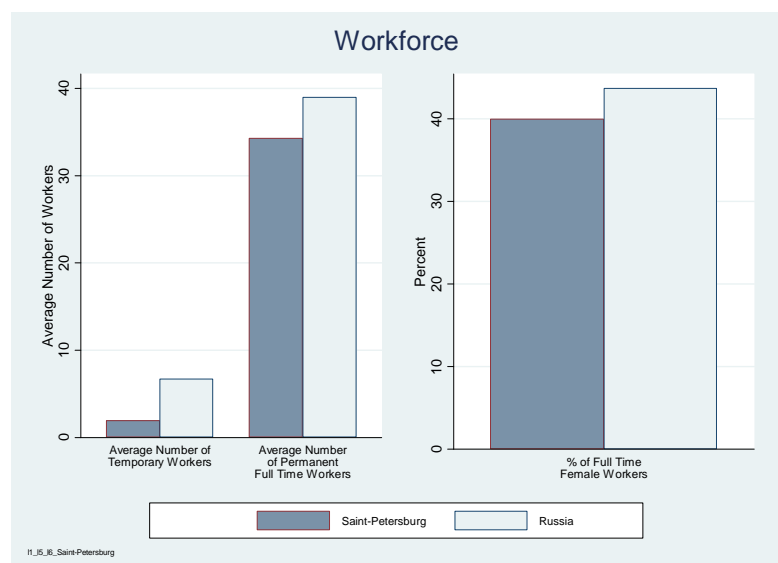
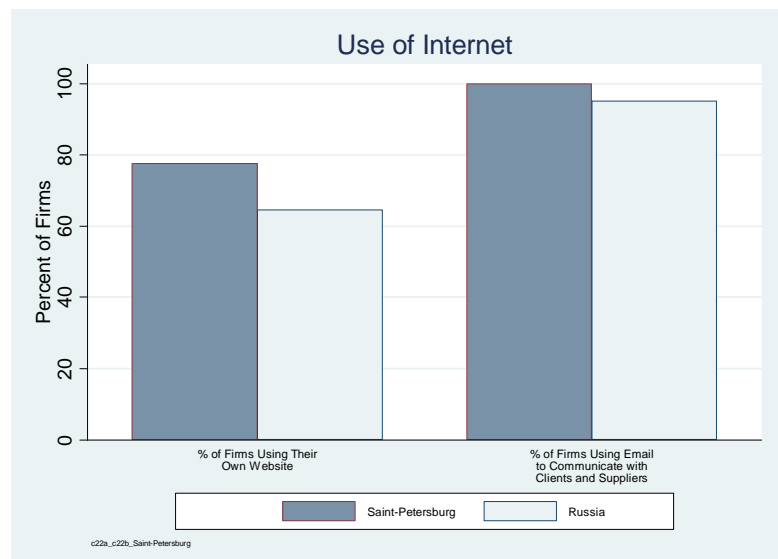
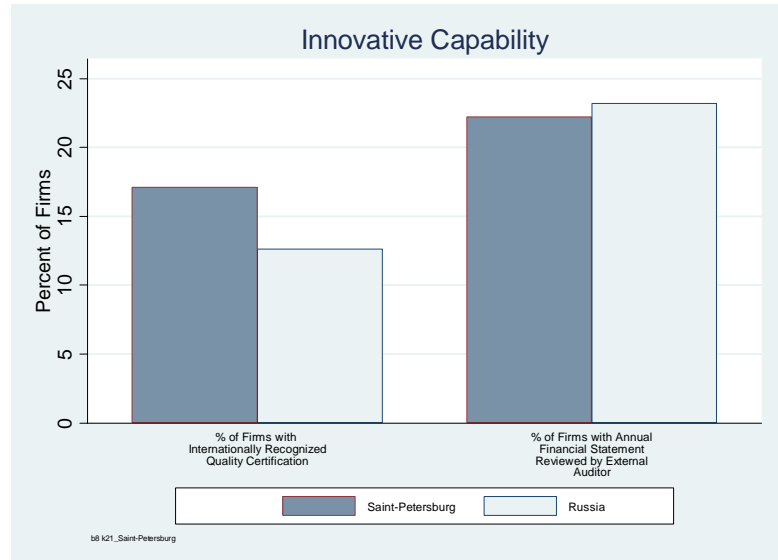
## Innovation and Workforce

The Survey provides indicators that describe several dimensions of technology use and innovation. They also collect information on the characteristics of the workforce employed in the non-agricultural private economy.

The first set of indicators measures the extent to which firms invest in obtaining recognized certificates of production and accounting practices. Obtaining international quality certifications can open doors to technology and innovation and they also provide a sign of high quality that may open markets.

The second set of indicators demonstrates the use of information and communications technologies (ICT) in business transactions. ICT, such as the Internet, are important tools for all firms because they provide even the smallest of enterprises with the ability to reach national and international markets at low cost.

The third set of indicators presents the composition of the firm's workforce by type of contract and gender. Labor regulations have a direct effect on the type of employment favored by firms and they may have a differing impact by gender. The first two indicators present the composition of the workforce classified into temporary and permanent workers. The last indicator reflects the participation of women in regular full-time employment.



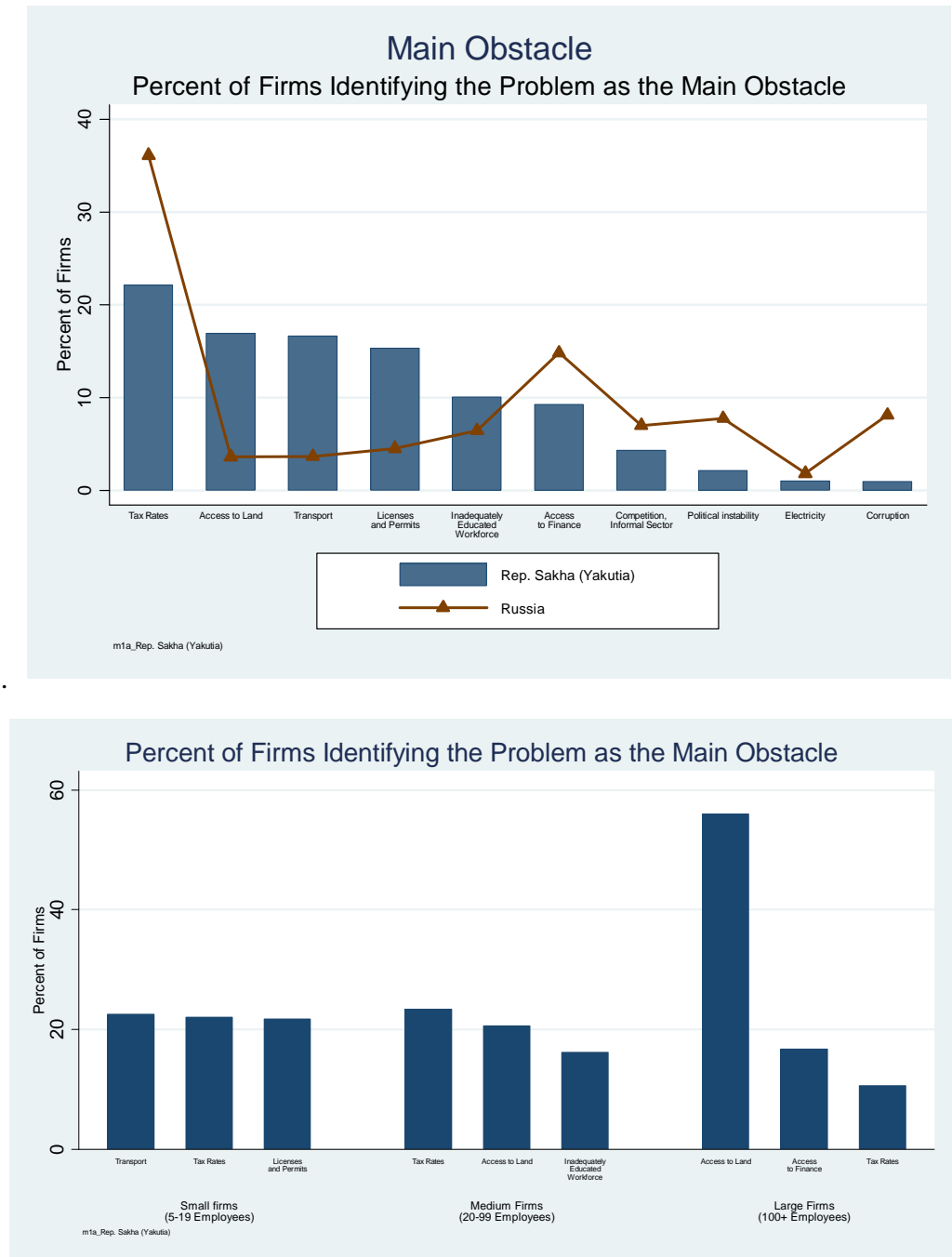
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	<i>Saint Petersburg</i>	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	0.92	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	1.29	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	3.6%	5.3%		
<b>Transport</b>	0.69	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	1.3%			
<b>Customs and trade regulations</b>	0.79	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	6.5%	8.4%	4.7%	15.1%
<b>Practices of informal competitors</b>	1.56	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	10.0%			
<b>Access to land</b>	1.73	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	10.7%			
<b>Crime, theft and disorder</b>	0.54	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	2.4%			
<b>Access to finance</b>	1.47	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	10.0%	9.5%		
<b>Tax rates</b>	2.80	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	6.3%			
<b>Tax administration</b>	0.66	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	2.6%	4.4%	2.6%	
<b>Business licensing and permits</b>	1.07	0.29	Kirov Region; Smolensk Region; Stavropol Territory	5.9%	10.9%	4.3%	18.5%
<b>Political instability</b>	1.59	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	9.5%	8.2%	4.9%	47.0%
<b>Corruption</b>	2.27	0.60	Irkutsk Region; Kirov Region; Smolensk Region	18.5%	16.0%	8.5%	47.1%
<b>Courts</b>	0.41	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	3.4%	5.2%		
<b>Labor regulations</b>	0.56	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	4.5%			
<b>Inadequately educated workforce</b>	1.08	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	3.9%	4.7%	3.5%	

Republic of Sakha (Yakutia).<sup>26</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Republic of Sakha (Yakutia) benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Republic of Sakha (Yakutia).



<sup>26</sup> 92 companies were surveyed by in Republic of Sakha (Yakutia). The benchmarks used for comparisons are averages for Russia as a whole.

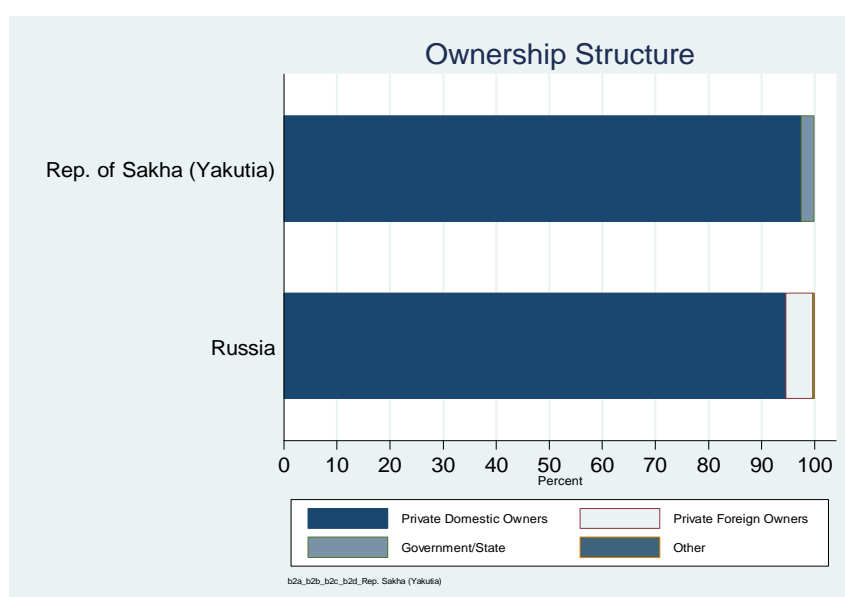
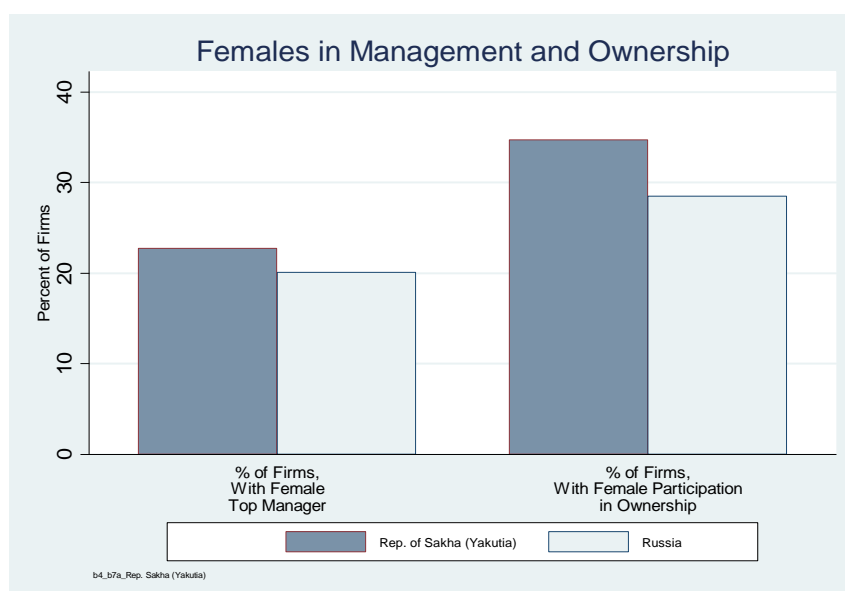
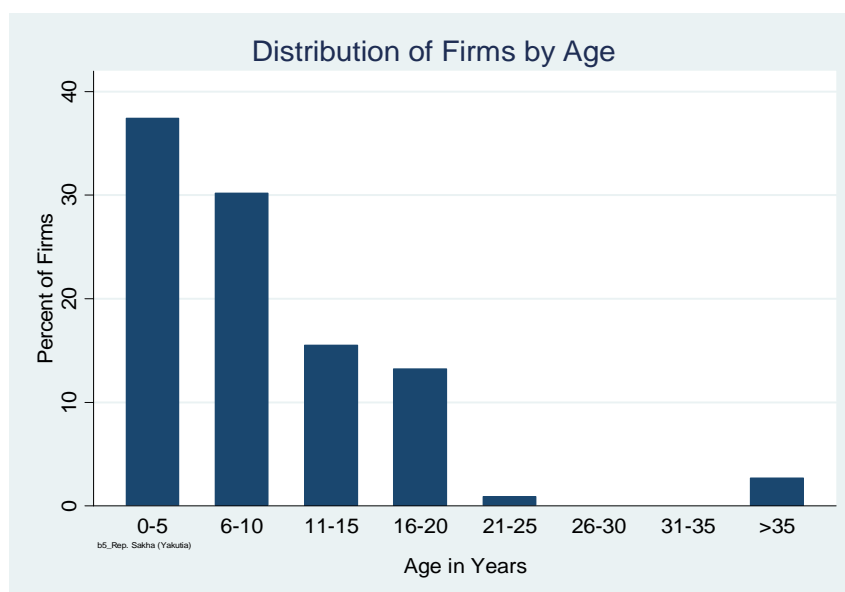
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## Infrastructure

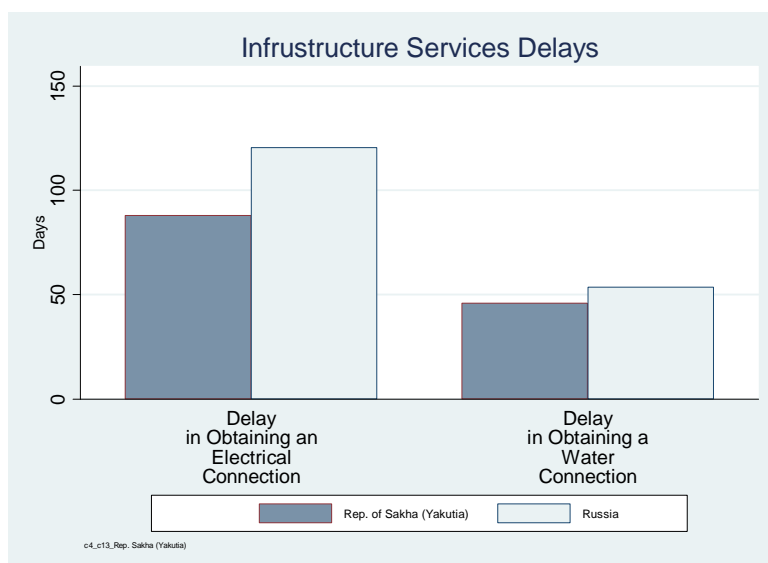
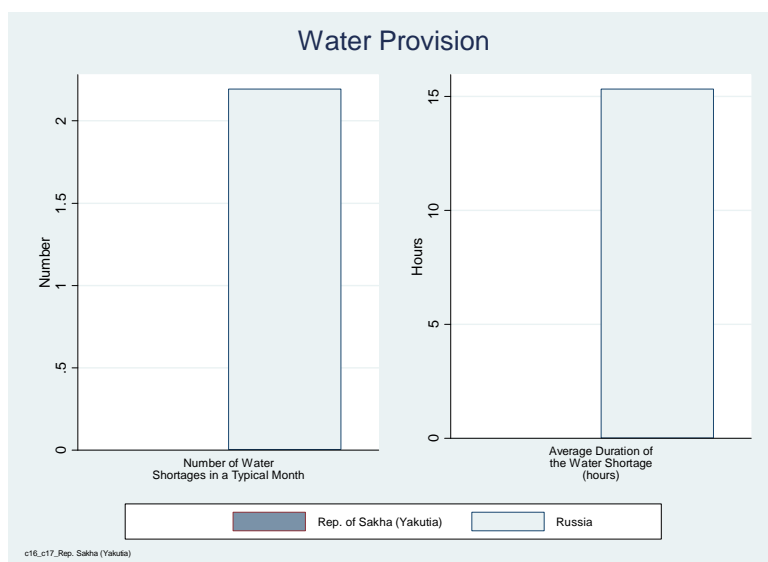
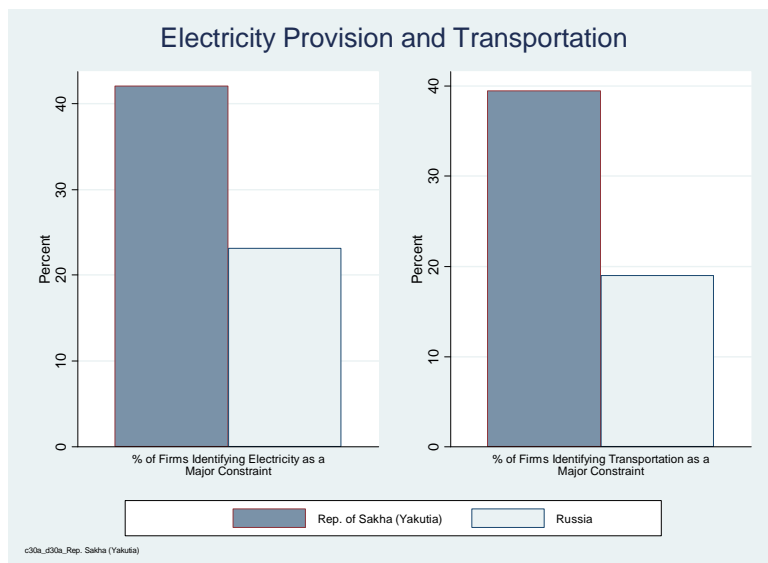
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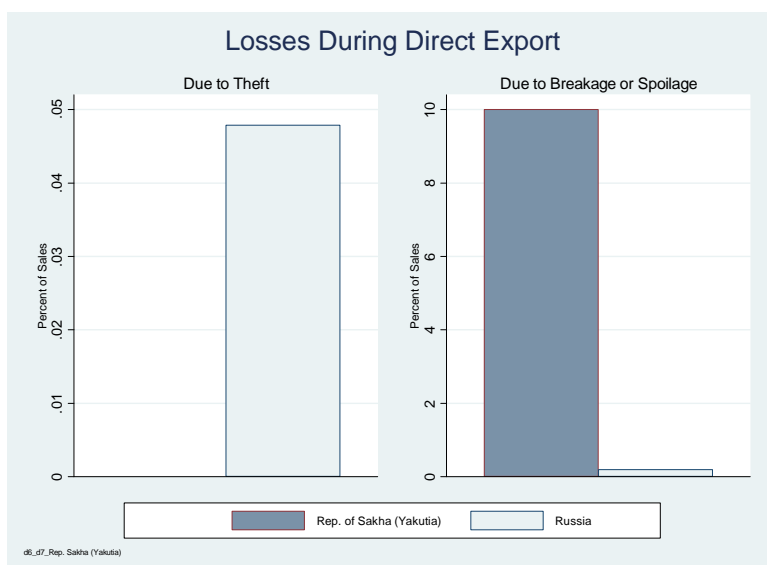
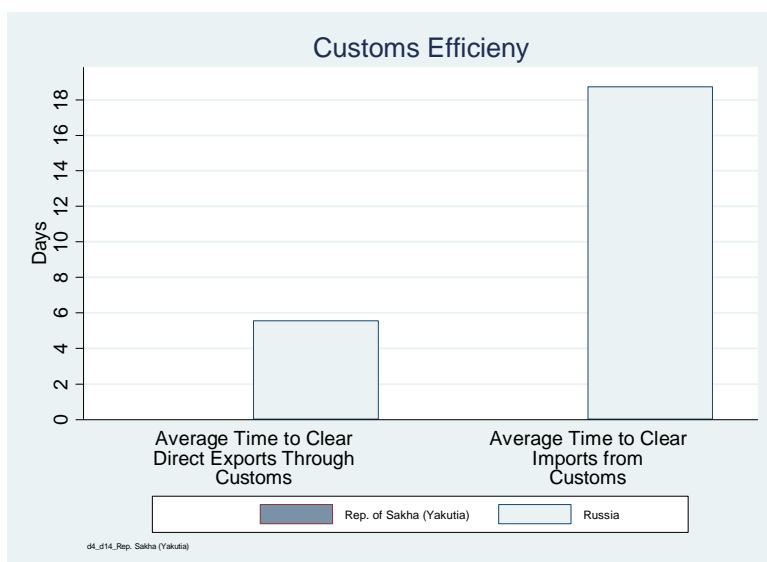
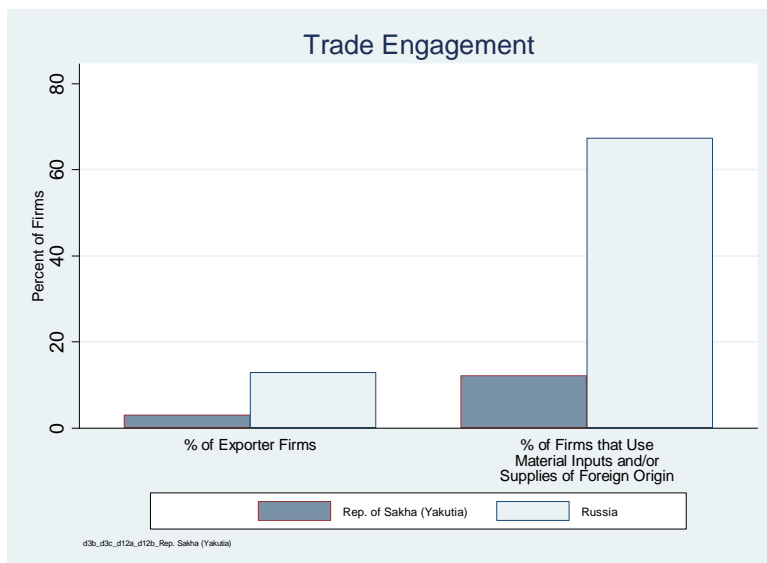
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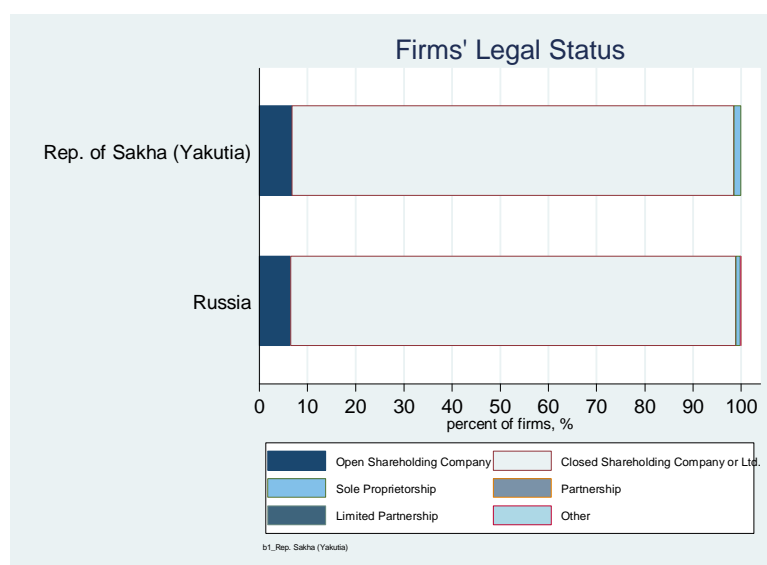
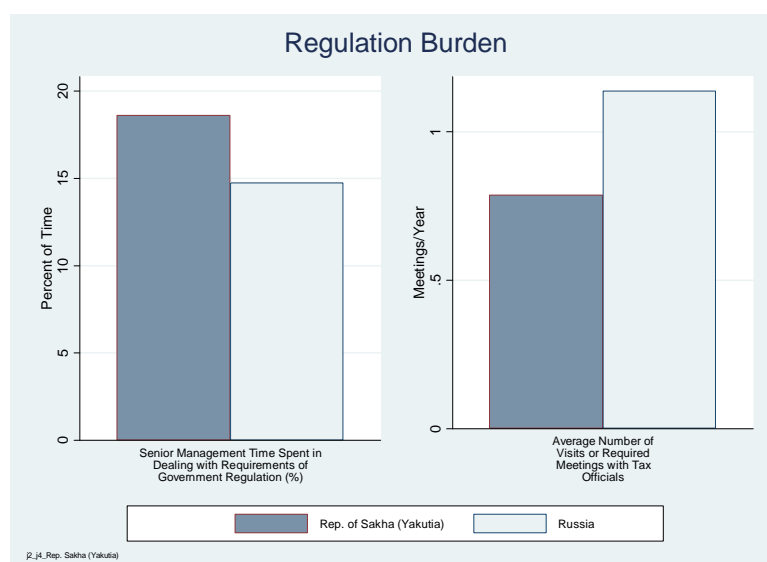
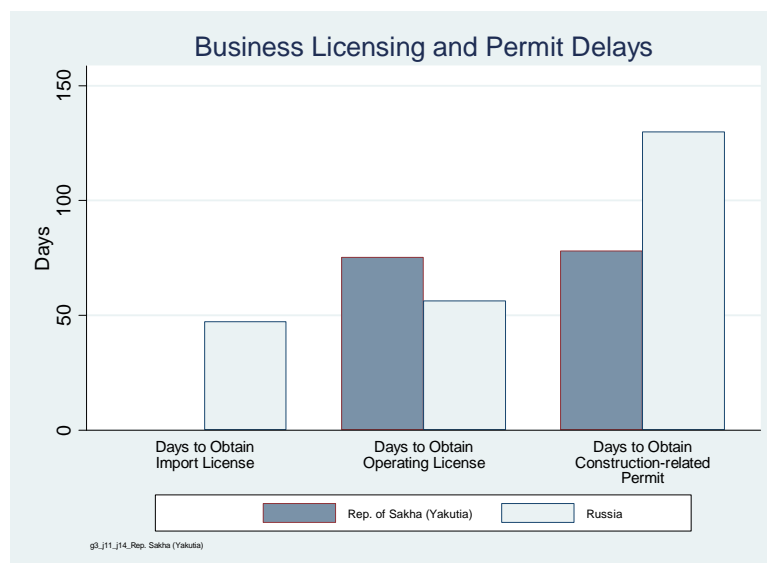
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## Corruption

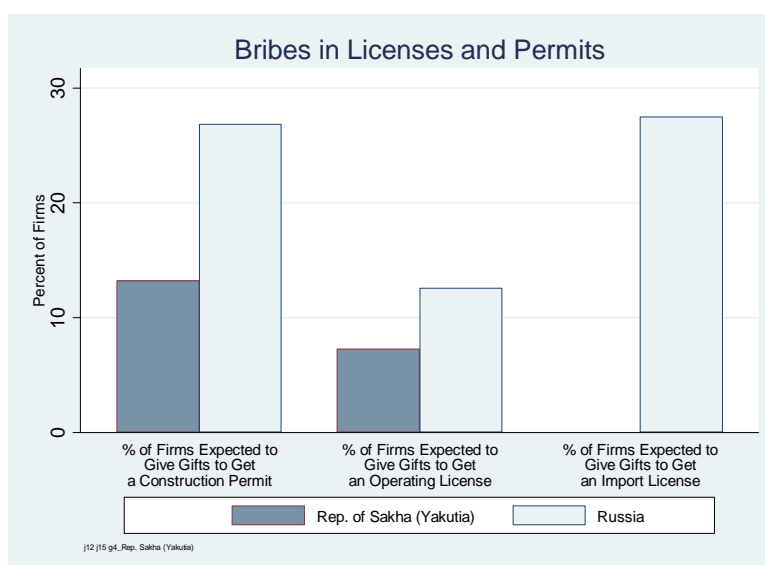
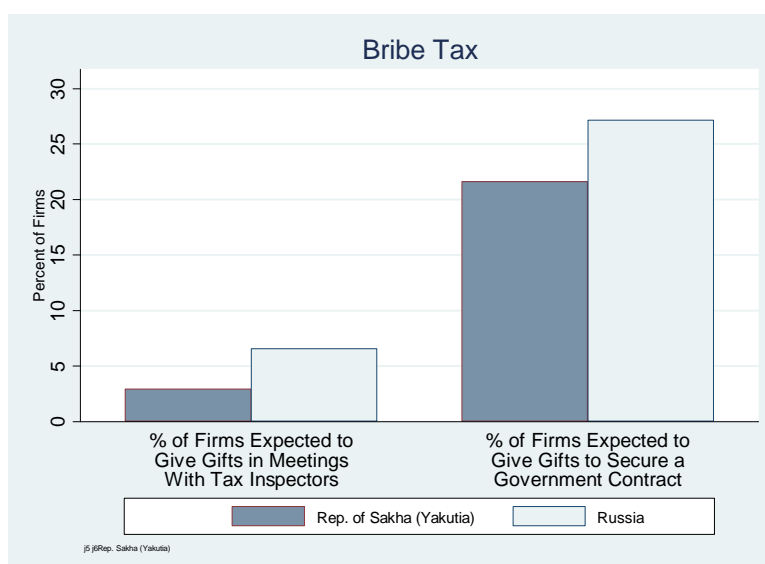
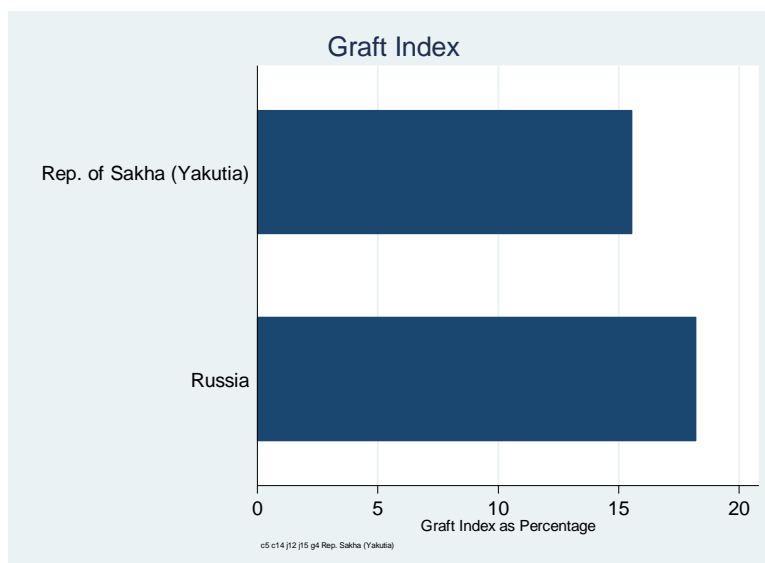
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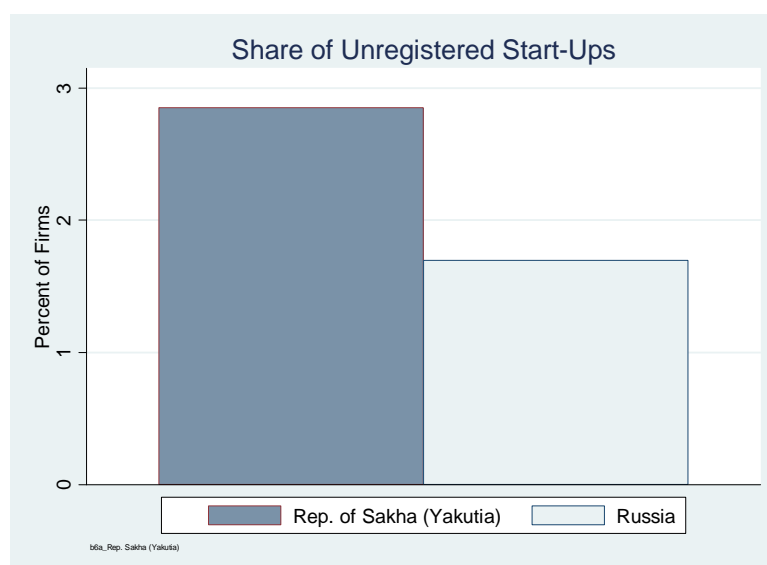
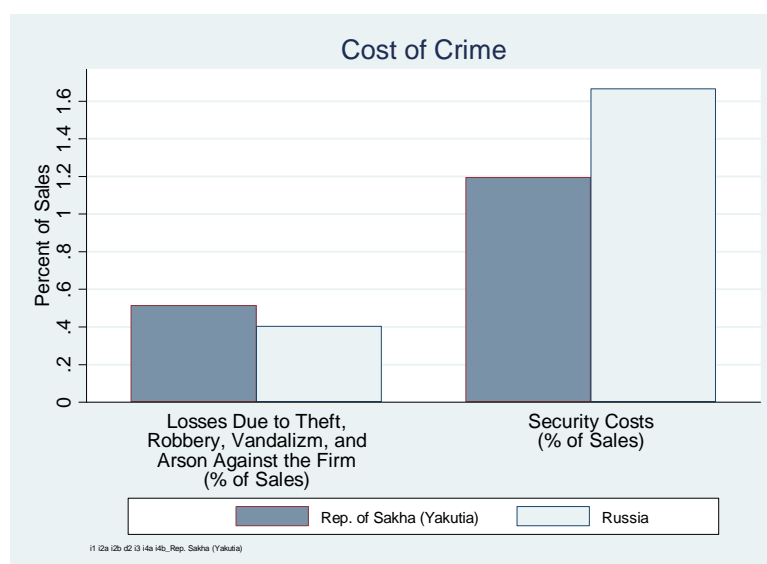
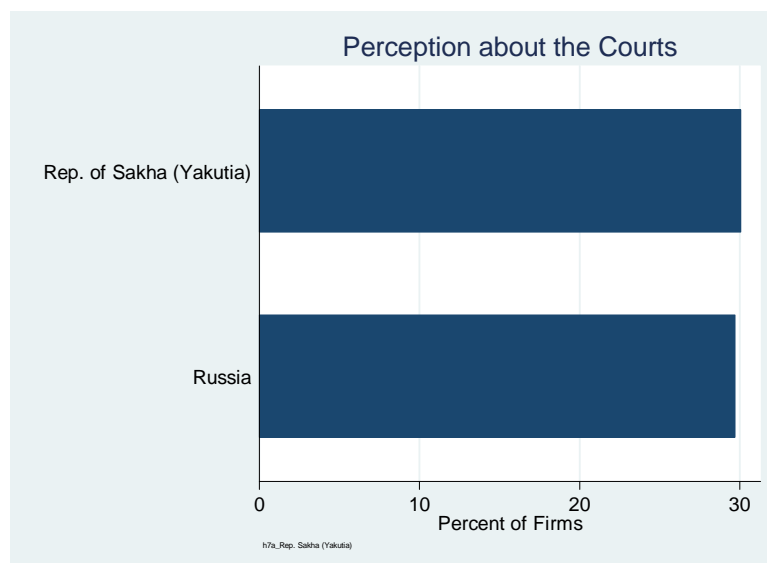
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## Finance

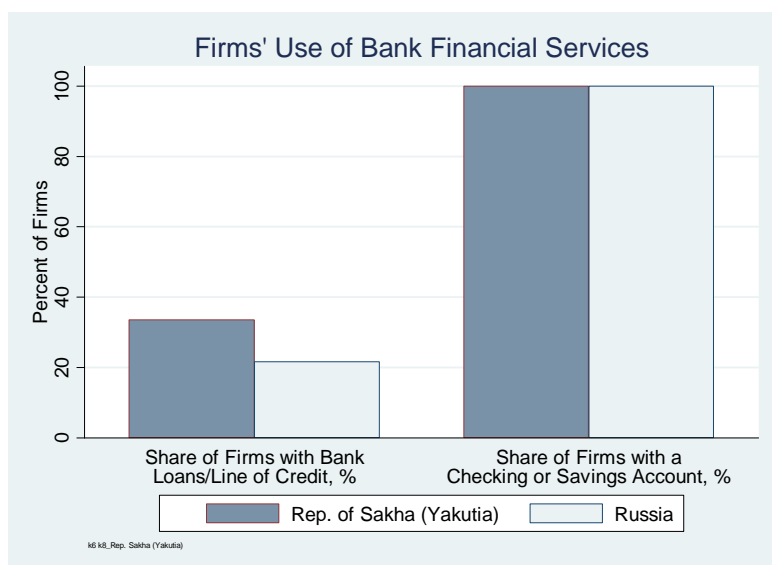
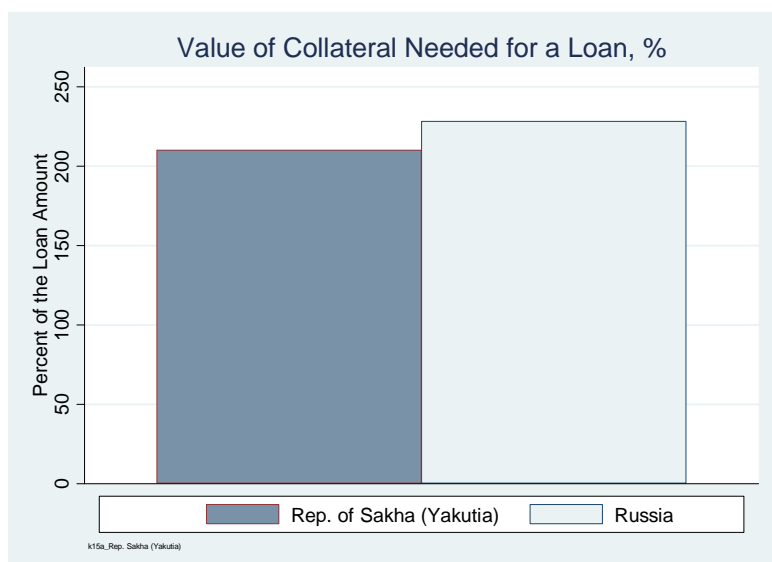
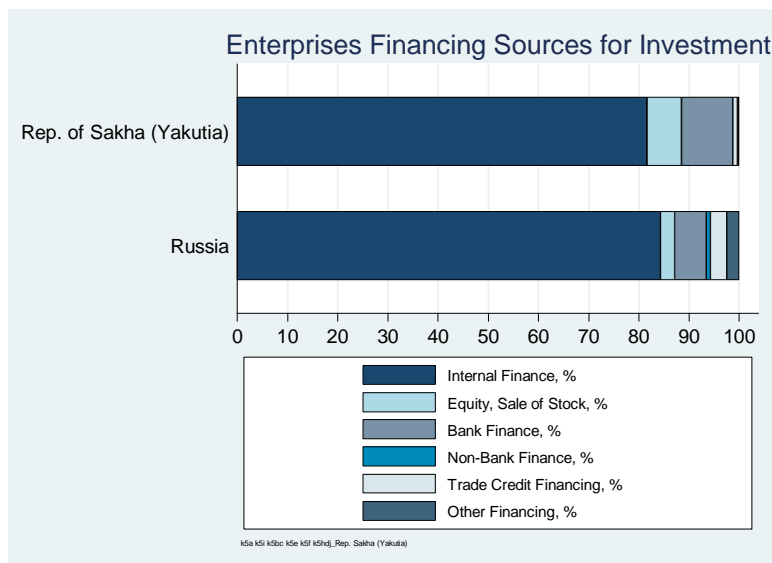
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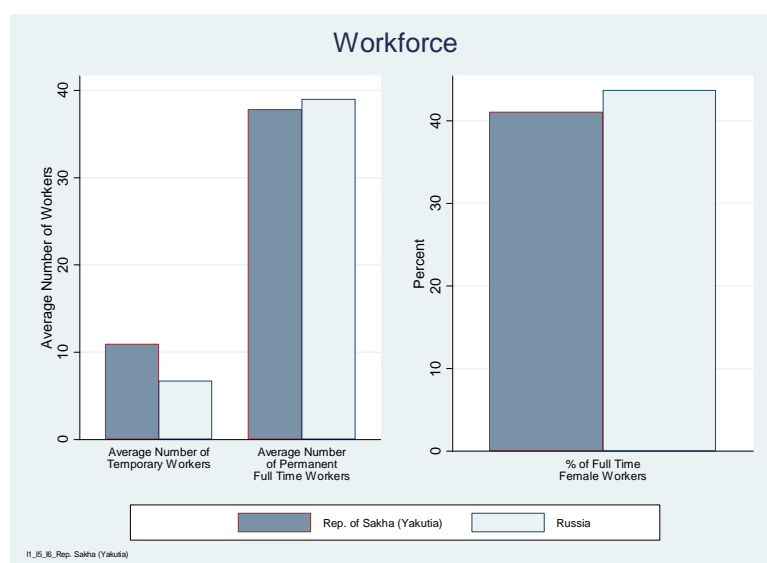
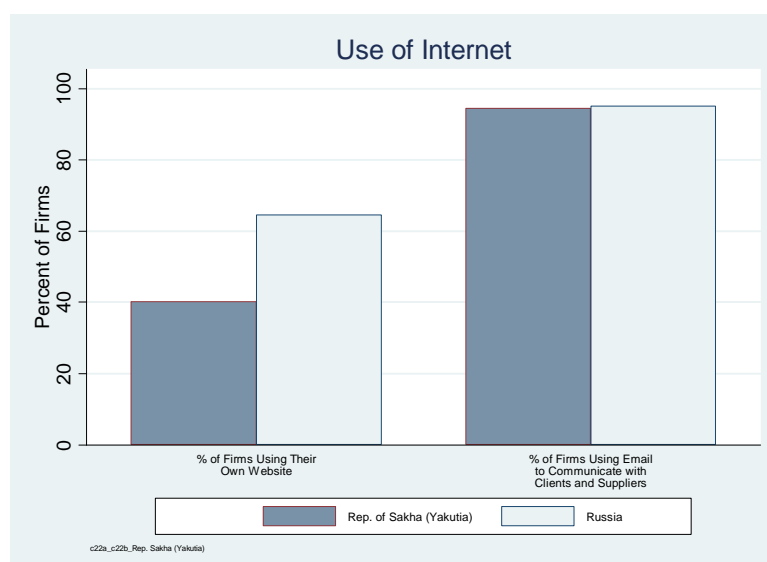
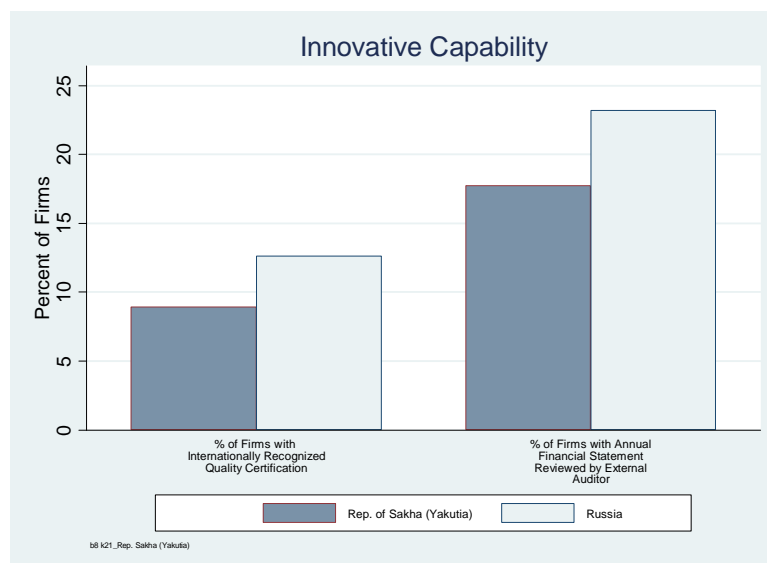
## Innovation and Workforce

The Survey provides indicators that describe several dimensions of technology use and innovation. They also collect information on the characteristics of the workforce employed in the non-agricultural private economy.

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The third set of indicators presents the composition of the firm's workforce by type of contract and gender. Labor regulations have a direct effect on the type of employment favored by firms and they may have a differing impact by gender. The first two indicators present the composition of the workforce classified into temporary and permanent workers. The last indicator reflects the participation of women in regular full-time employment.



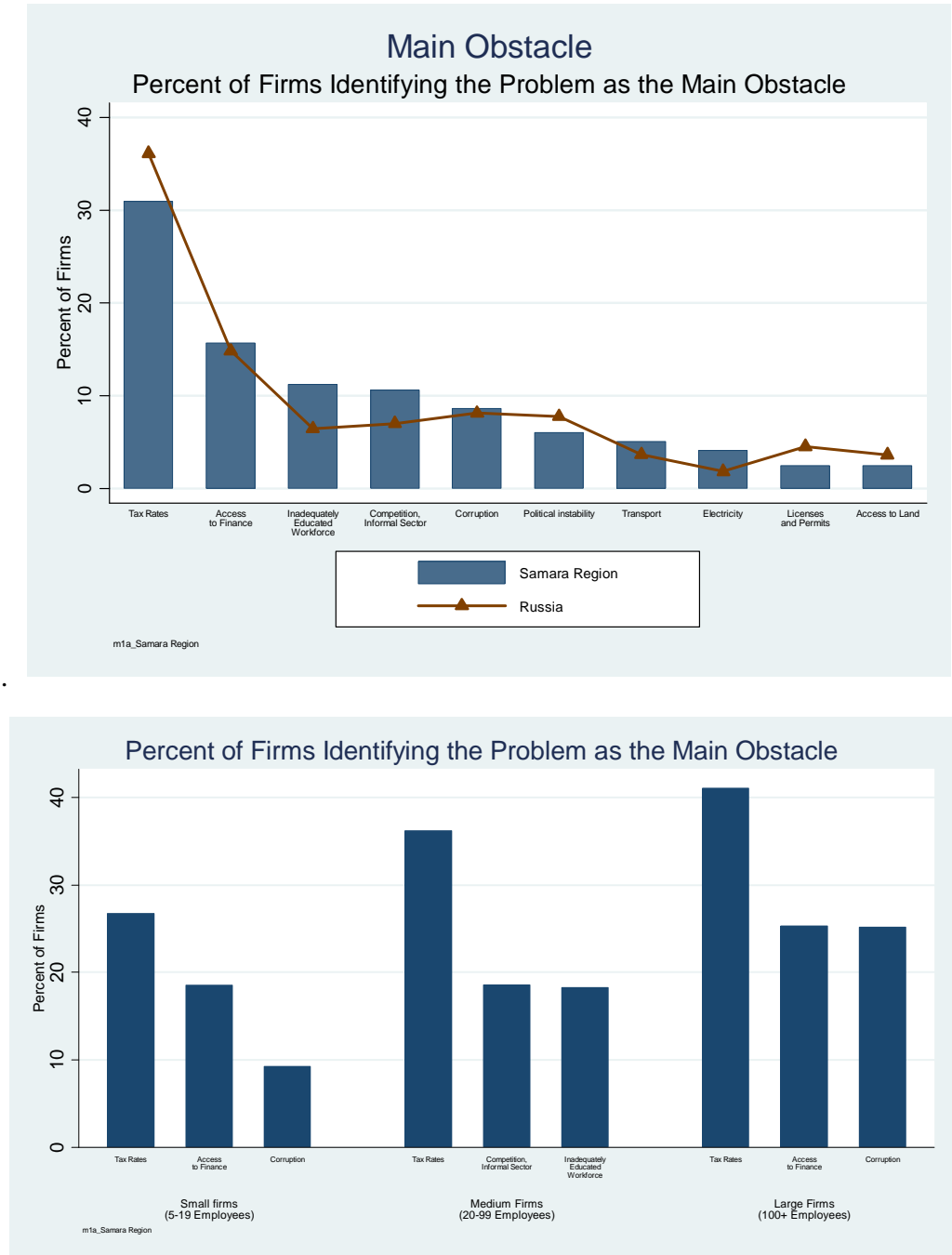
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	Republic of Sakha (Yakutia)	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	1.88	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	1.72	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	5.3%	7.8%		
<b>Transport</b>	1.87	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	6.0%			
<b>Customs and trade regulations</b>	0.76	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	6.3%	8.1%	4.5%	14.5%
<b>Practices of informal competitors</b>	1.00	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	5.5%			
<b>Access to land</b>	1.46	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	8.6%			
<b>Crime, theft and disorder</b>	1.24	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	7.1%			
<b>Access to finance</b>	1.30	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	8.0%	7.6%		
<b>Tax rates</b>	2.50	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	4.9%			
<b>Tax administration</b>	0.78	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	3.7%	6.2%	3.7%	
<b>Business licensing and permits</b>	1.31	0.29	Kirov Region; Smolensk Region; Stavropol Territory	7.7%	14.1%	5.5%	23.9%
<b>Political instability</b>	1.19	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	5.0%	4.3%	2.6%	24.9%
<b>Corruption</b>	1.12	0.60	Irkutsk Region; Kirov Region; Smolensk Region	5.7%	5.0%	2.6%	14.6%
<b>Courts</b>	0.59	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	5.4%	8.1%		
<b>Labor regulations</b>	0.64	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	5.3%			
<b>Inadequately educated workforce</b>	1.91	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	9.3%	11.5%	8.5%	

Samara Region.<sup>27</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Samara Region benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Samara Region.



<sup>27</sup> 120 companies were surveyed by in Samara Region. The benchmarks used for comparisons are averages for Russia as a whole.



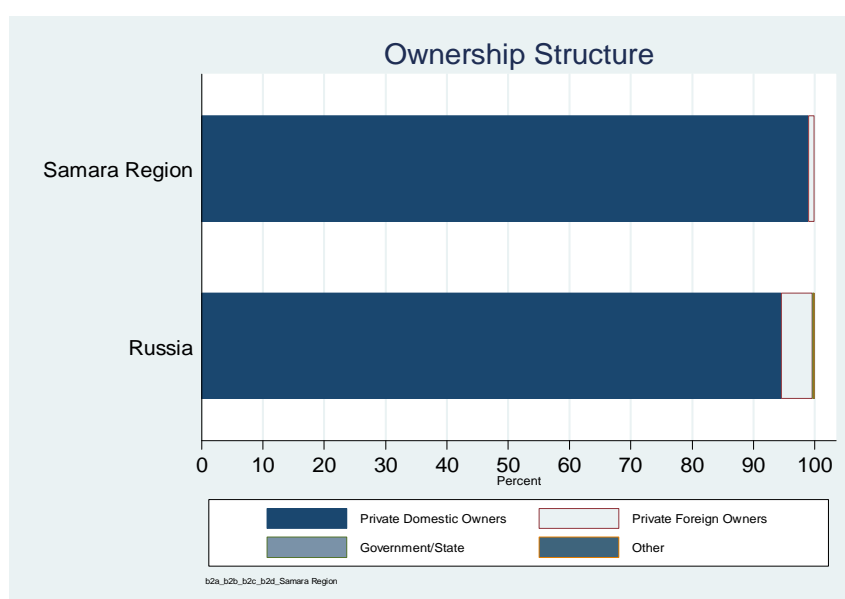
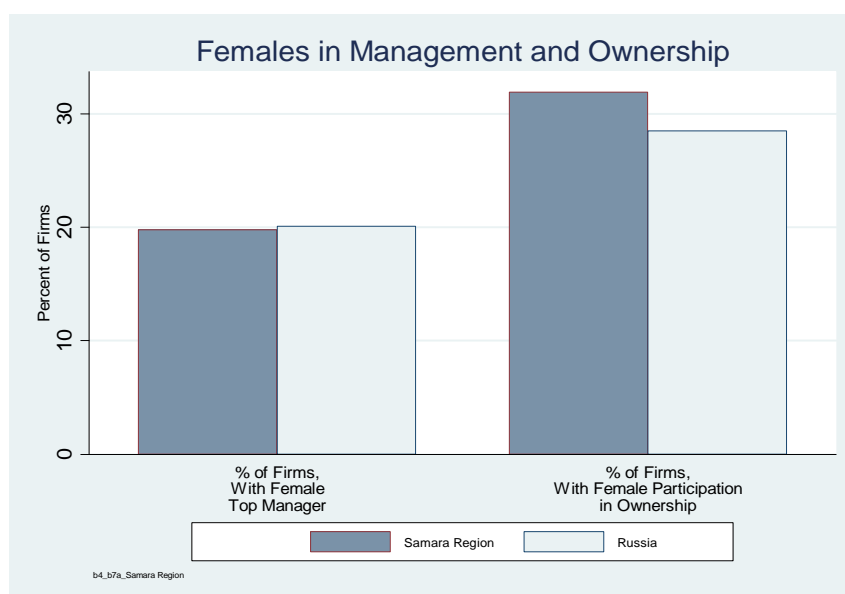
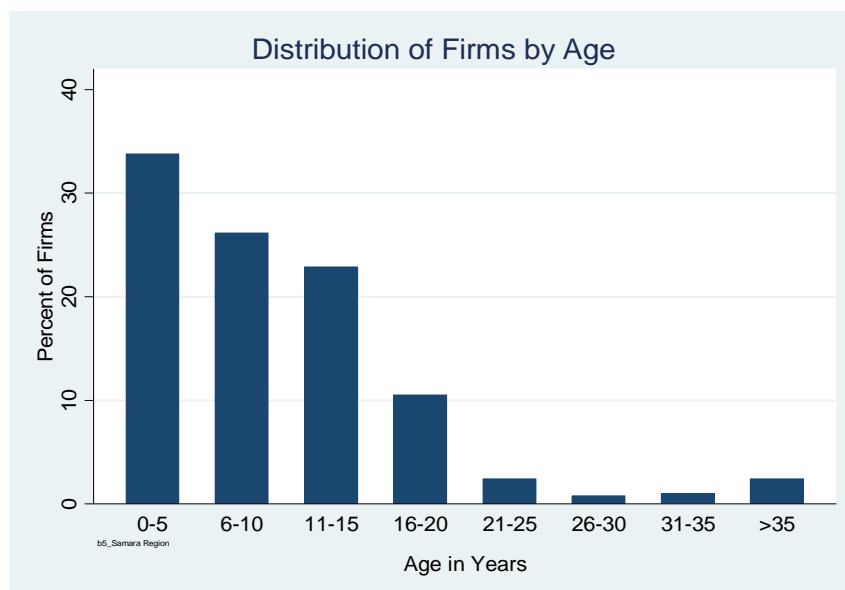
## Average Firm

The survey collects information from a representative sample of the non-agricultural formal private economy. In addition to collecting information on the business environment the surveys collect information on the characteristics of the firms interviewed. Consequently, the data collected provides a description of the representative private firm in the country and also an estimate of how some of the attributes of the average firm are distributed across the population of firms.

The first indicator shows the distribution of firms according to their age measured by the number of years they have been in operation. The effect the business environment can have on the private sector may depend on firms' experience and longevity. Seasoned firms and young firms may differ in their ability to successfully navigate the business environment.

The second set of indicators provides an illustration of female participation in management and firm ownership. These indicators can help assess whether gender can be a determinant of the effect of regulations on the firm and the level of exposure of the firm to external factors, such as corruption, access to finance, and technology.

The third indicator shows the participation of the domestic private sector, the government, the foreign sector and other sectors in the ownership of the typical firm. The distribution provides insight into their levels of equity in the private sector of the economy.



## Infrastructure

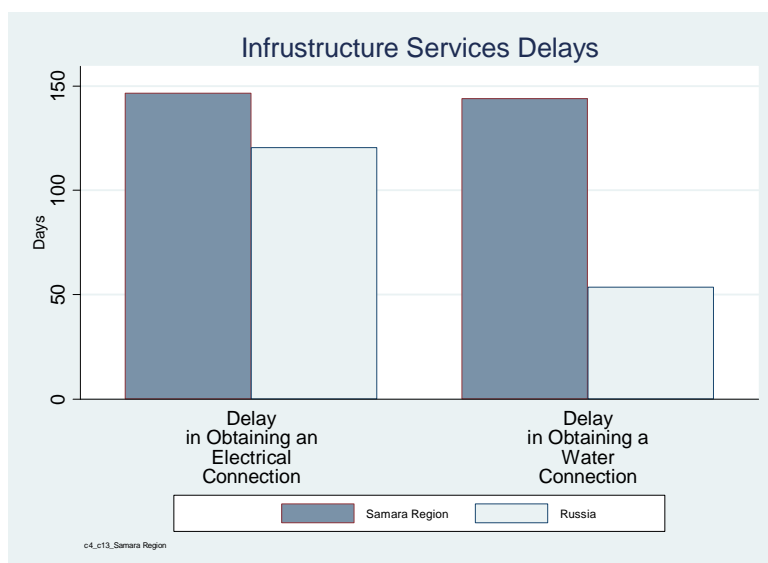
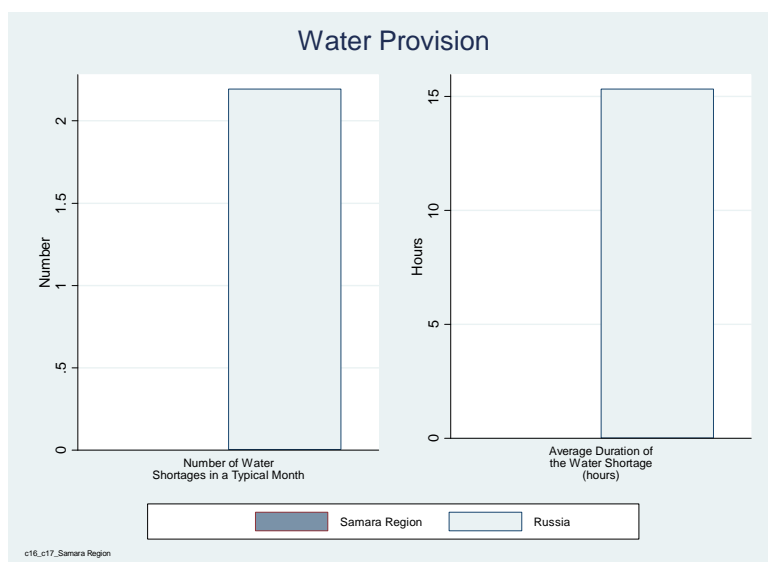
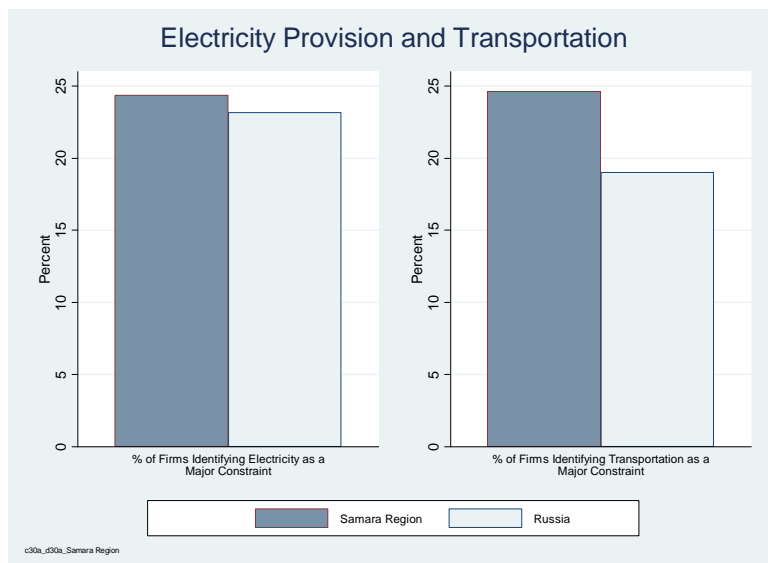
A strong infrastructure enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations.

The survey captures the dual challenge of providing a strong infrastructure for electricity, water supply, telephone connections, etc., and the development of institutions that effectively provide and maintain public services.

The first set of indicators shows the extent to which firms are faced with failures in the provision of electricity and the effect of these failures on sales. Inadequate electricity supply can increase costs, disrupt production, and reduce profitability.

The second set of indicators measures the efficiency of the water supply for the manufacturing sector. Many manufacturing sectors depend on reliable and efficient sources of water for their operations.

The third set of indicators evaluates the efficiency of infrastructure services by quantifying the delays in obtaining electricity, water, and telephone connections. Service delays impose additional costs on firms and may act as barriers to entry and investment.



## Trade

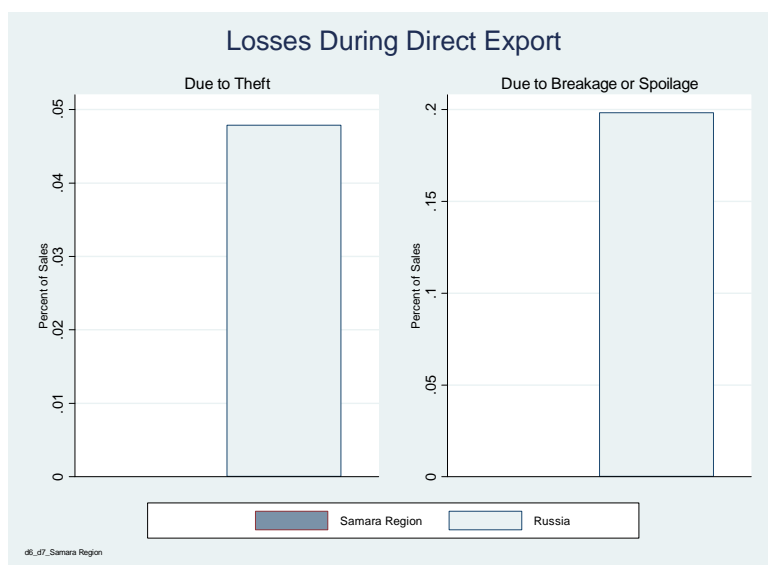
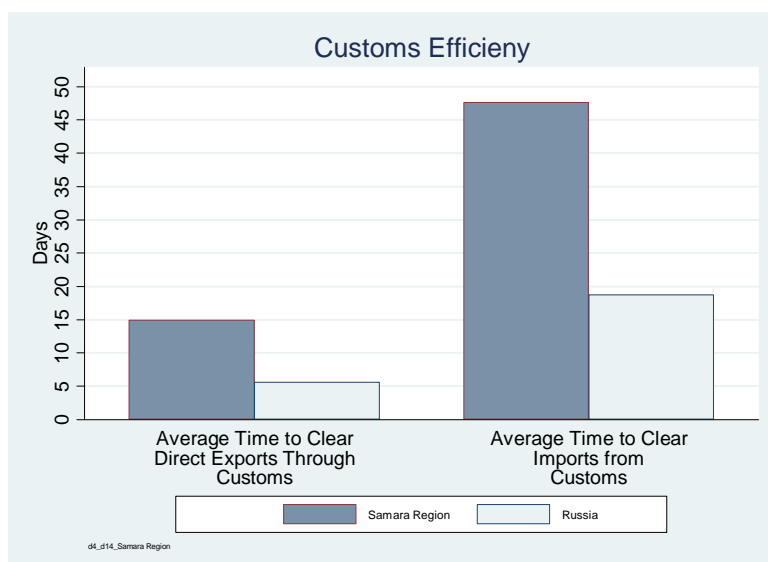
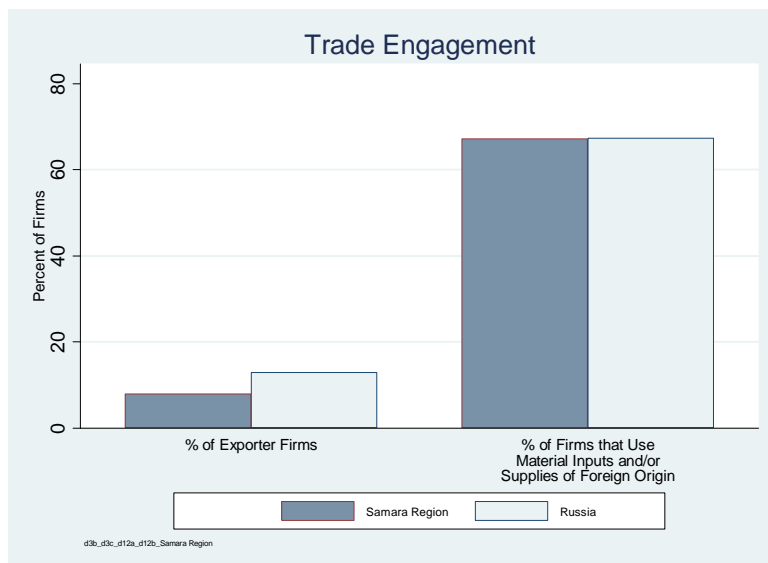
Open markets allow firms to expand, raise standards for efficiency on exporters, and enable firms to import low cost supplies. However, trading also forces firms to deal with customs services and trade regulations, obtain export and import licenses, and in some cases, firms also face additional costs due to losses during transport.

The survey collects information on the operational constraints faced by exporters and importers and also quantify the trade activity of firms.

The first set of indicators provides a measure of the intensity of foreign trade in the private sector. The first graph shows the percentage of firms who export directly or indirectly, i.e. using an intermediary. The second panel shows the percentage of manufacturing firms who use inputs or supplies of foreign origin.

The second set of indicators measures the average number of days to clear customs for imports and exports. The delay in clearing customs for imports or exports creates additional costs to the firm, can interrupt production, interfere with sales, and result in damaged supplies or merchandise.

The third set of indicators shows the percent value of exports lost during transport due to merchandise theft, and breakage or spoilage, reflecting the transport risks firms face during the export process.



## Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

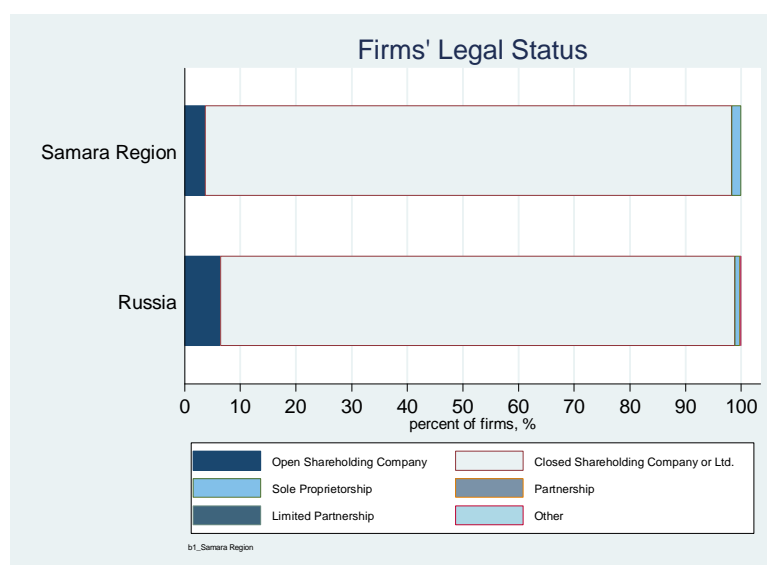
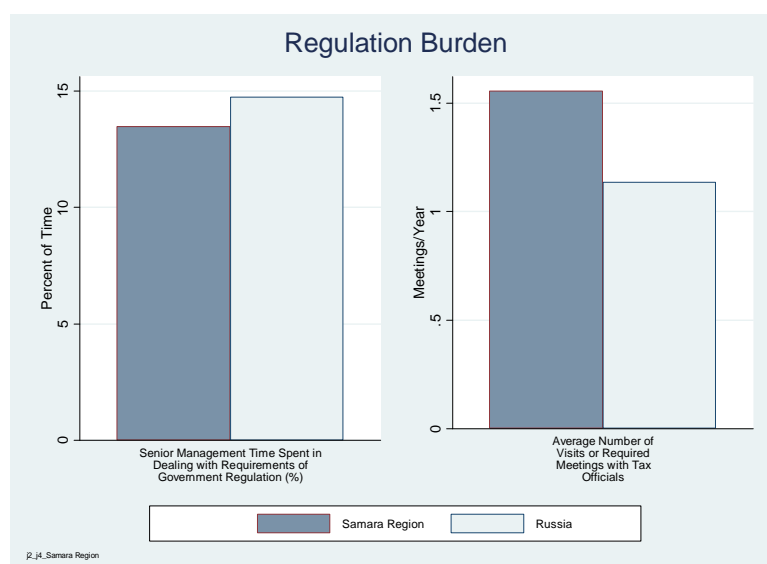
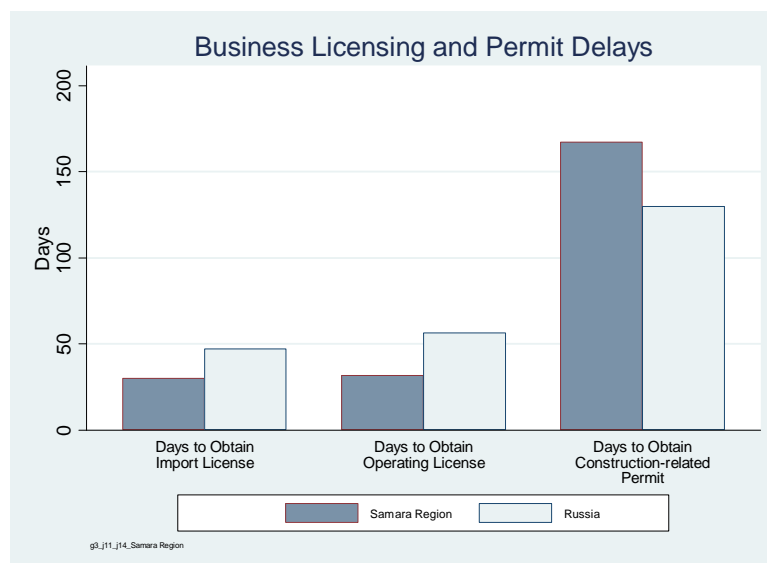
Effective regulations address market failures that inhibit productive investment and reconcile private and public interests. The number of permits and approvals that businesses need to obtain, and the time it takes to obtain them, is expensive and time consuming. The existing legislation of a country also determines the mix of legal forms private firms take and determines the level of protection for investors thus affecting the incentives to invest.

The survey provides qualitative and quantitative measures of taxation, regulations, and business licensing.

The first set of indicators focuses on the efficiency of business licensing and permit services. The indicators evaluate the delays faced when demanding these services.

The second set of indicators approximates the “time tax” imposed by regulations: it measures the time spent by senior management in meetings with public officials and the average number of tax inspections or meetings with tax inspectors in a year.

The third indicator shows the relative use of the different legal forms in the private sector. Most legal forms can be classified into shareholding companies with shares traded privately or non-traded at all (closed), shareholding companies publicly traded (open), sole proprietorships, partnerships, and limited partnerships. A residual category is included to capture legal forms not easily classified into the other categories.



## Corruption

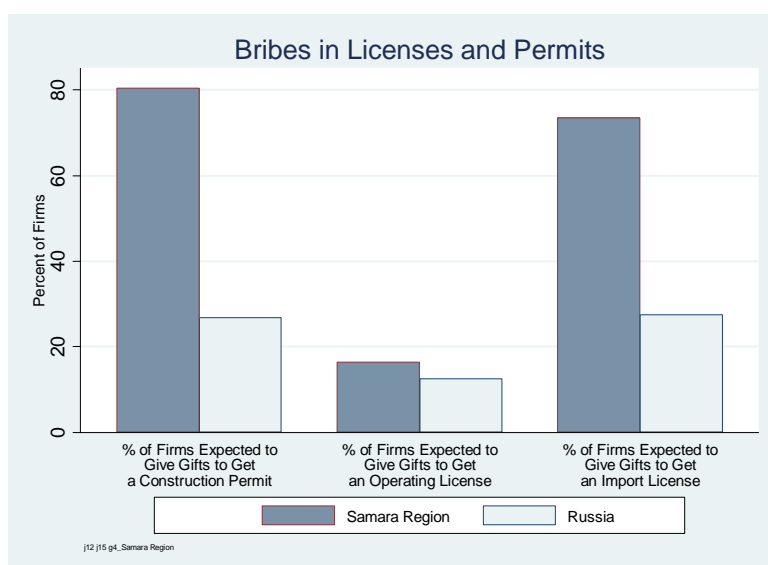
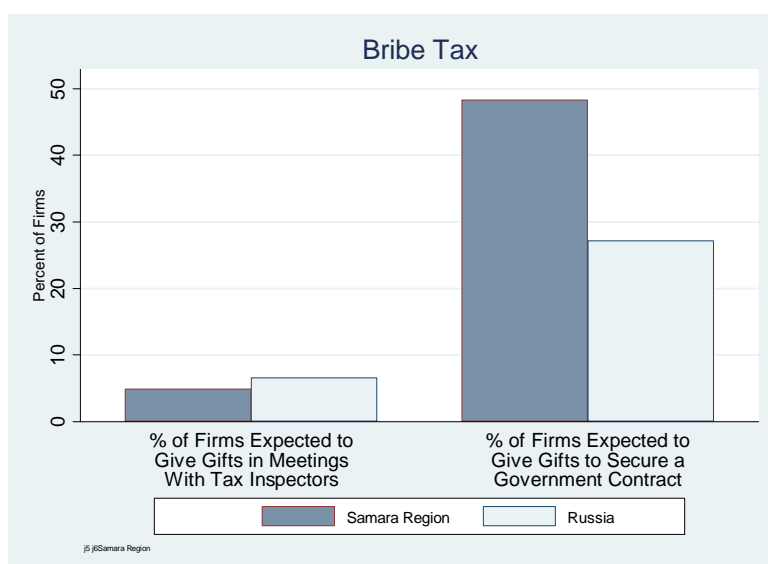
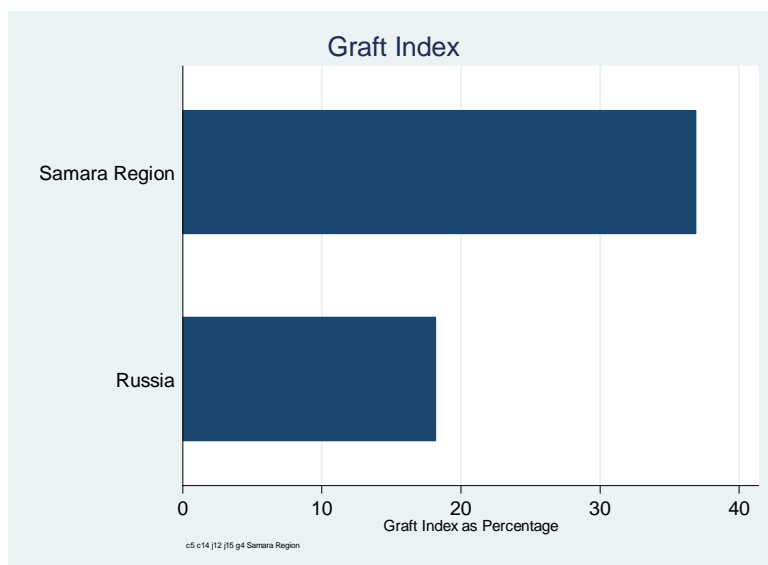
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

Inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make “unofficial” payments to public officials to get things done. In many countries bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for the firms’ growth and development.

The first set of indicators measures a composite index of corruption, the Graft Index that reflects the proportion of instances a firm was asked or expected to pay a bribe when soliciting six different public services, permits or licenses.

The second set of indicators identifies the extent to which specific regulatory and administrative officials require bribe payments during meetings with tax inspectors or in order to secure a government contract.

The third set of indicators focuses on bribes to obtain specific licenses or permits, and shows the share of firms that are expected to make informal payments to secure import and operating licenses and to obtain a construction permit.



## Crime and Informality

Crime imposes costs on firms when they are forced to divert resources from productive uses to cover security costs. Both foreign and domestic investors perceive crime as an indication of social instability, and crime drives up the cost of doing business. Also, commercial disputes between firms and their clients occur regularly in the course of doing business. Resolving these disputes can be challenging when legal institutions are weak or nonexistent.

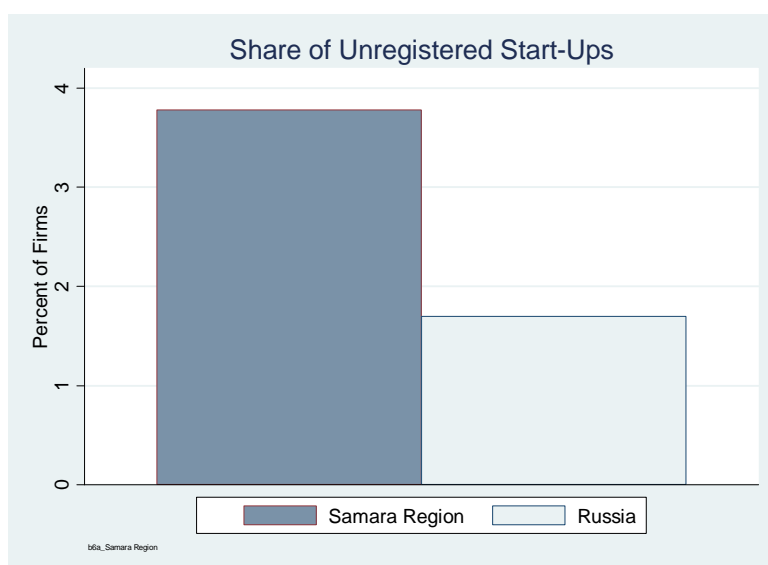
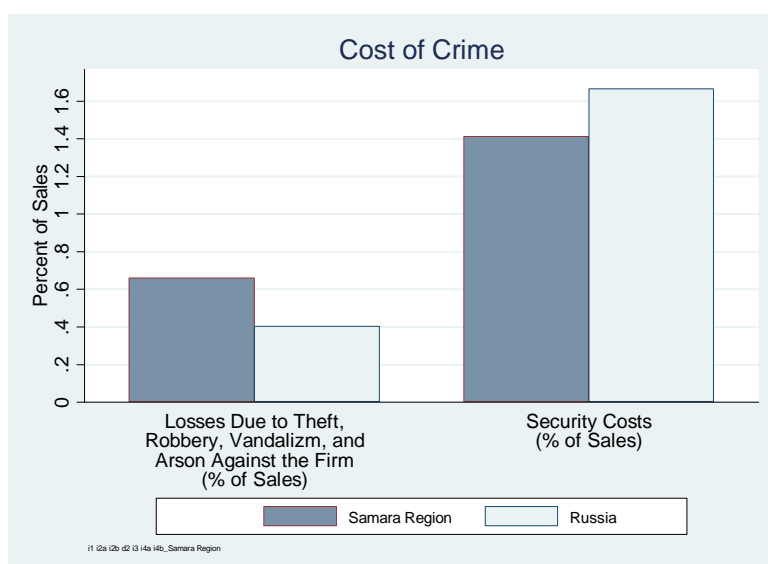
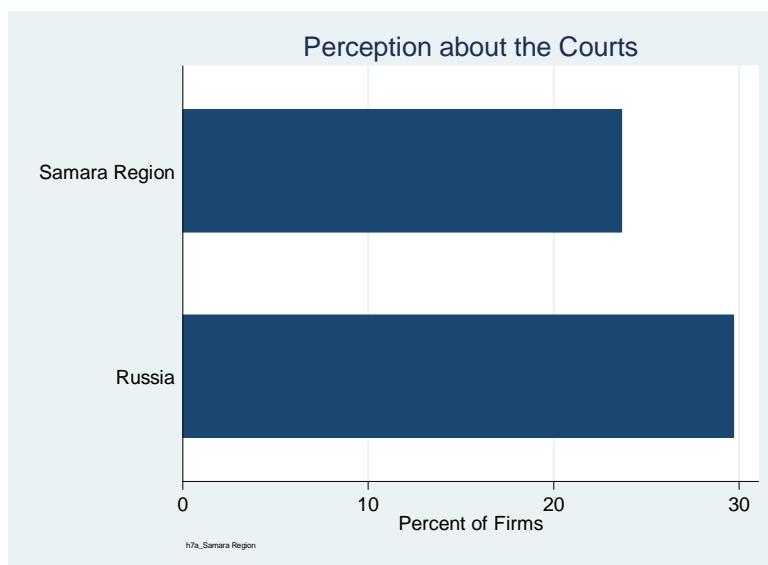
Similarly, a large informal sector has serious consequences for the formal private sector. The informal sector may pose unfair competition for formal firms.

The survey captures key dimensions of the effect of crime on firm sales, the extent to which entrepreneurs identify courts as fair, and the degree of informality in an economy.

The first indicator shows the share of firms that recognize the functioning of the courts as being fair, impartial, and uncorrupted.

The second set of indicators measures the direct costs of security incurred by firms as well as their direct losses due to crime. These resources represent an opportunity cost since they could have been invested in productive activities.

The third set of indicators shows the percentage of firms that started operation without begin formally registered. It is an approximation to the prevalence of informality in the private economy.



## Finance

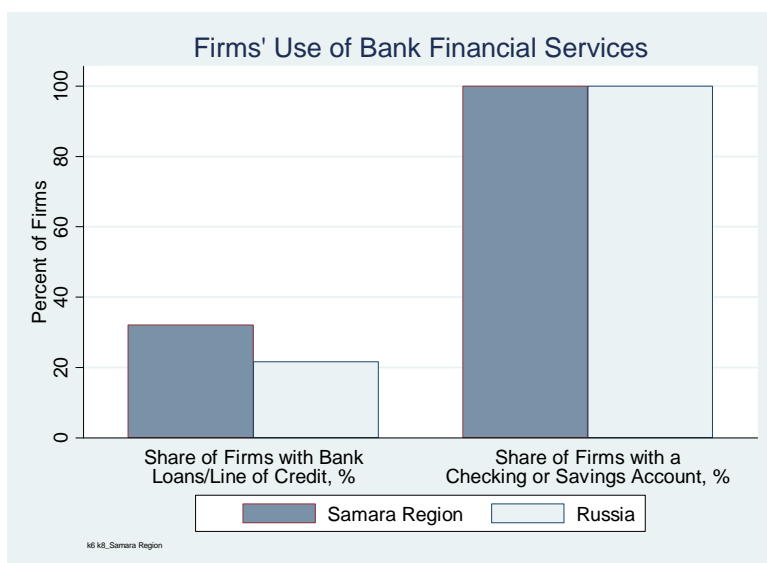
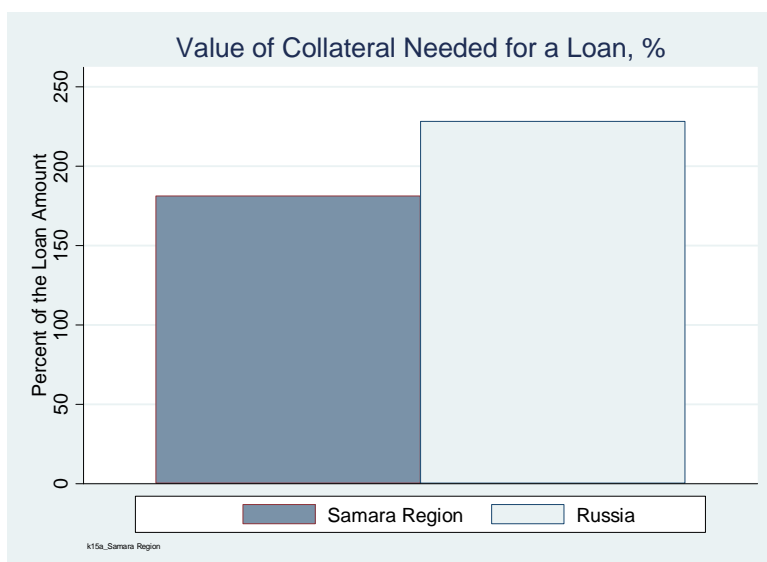
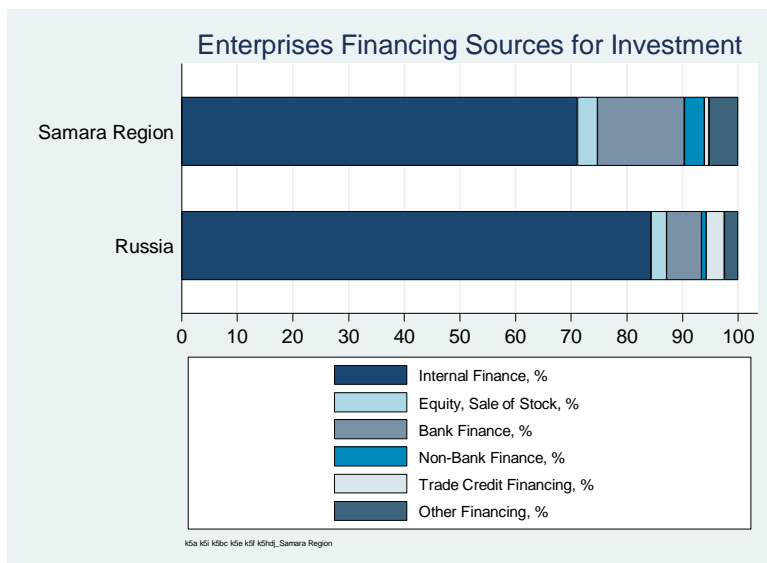
Developed financial markets provide payment services, mobilize deposits, and ease investment financing. Efficient financial markets reduce the reliance on internal funds and on money from informal sources such as family and friends by connecting firms to a broad range of lenders and investors.

The survey provides indicators of how firms finance their operations and of the characteristics of their financial transactions.

The first set of indicators compares the relative use of various sources for financing investment. Excessive reliance on internal funds is a sign of potentially inefficient financial intermediation.

The second set of indicators measures the use of financial markets by individual firms. It presents the percentage of working capital that is financed by sources external to the firm, and a measure of the burden imposed by loan requirements measured by collateral levels relative to the value of the loans.

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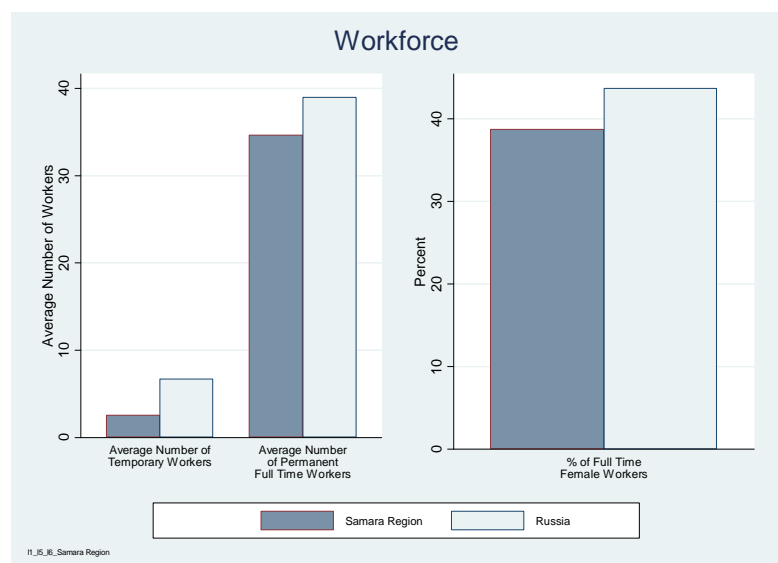
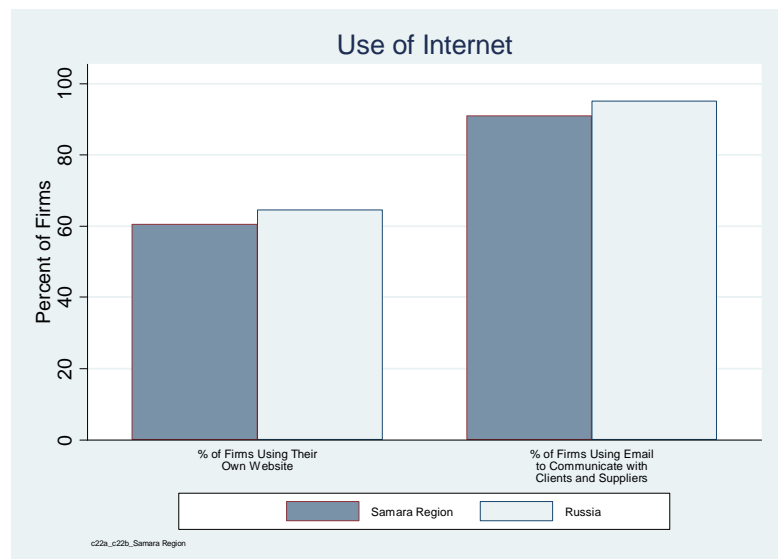
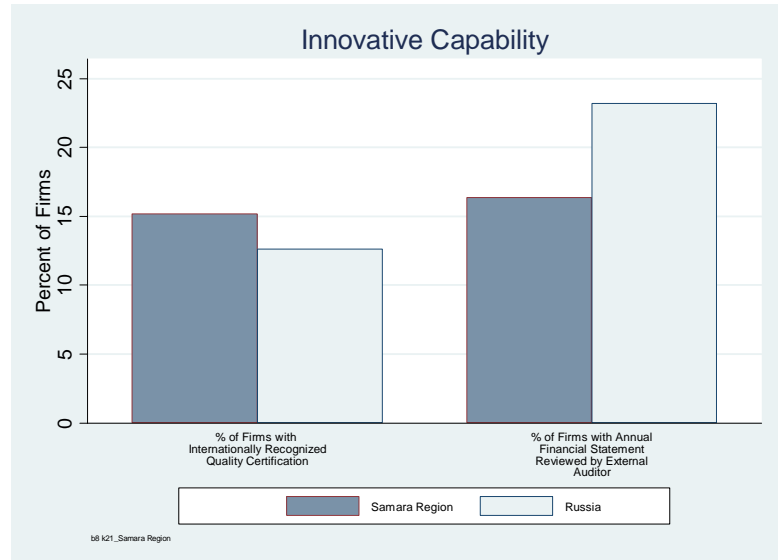
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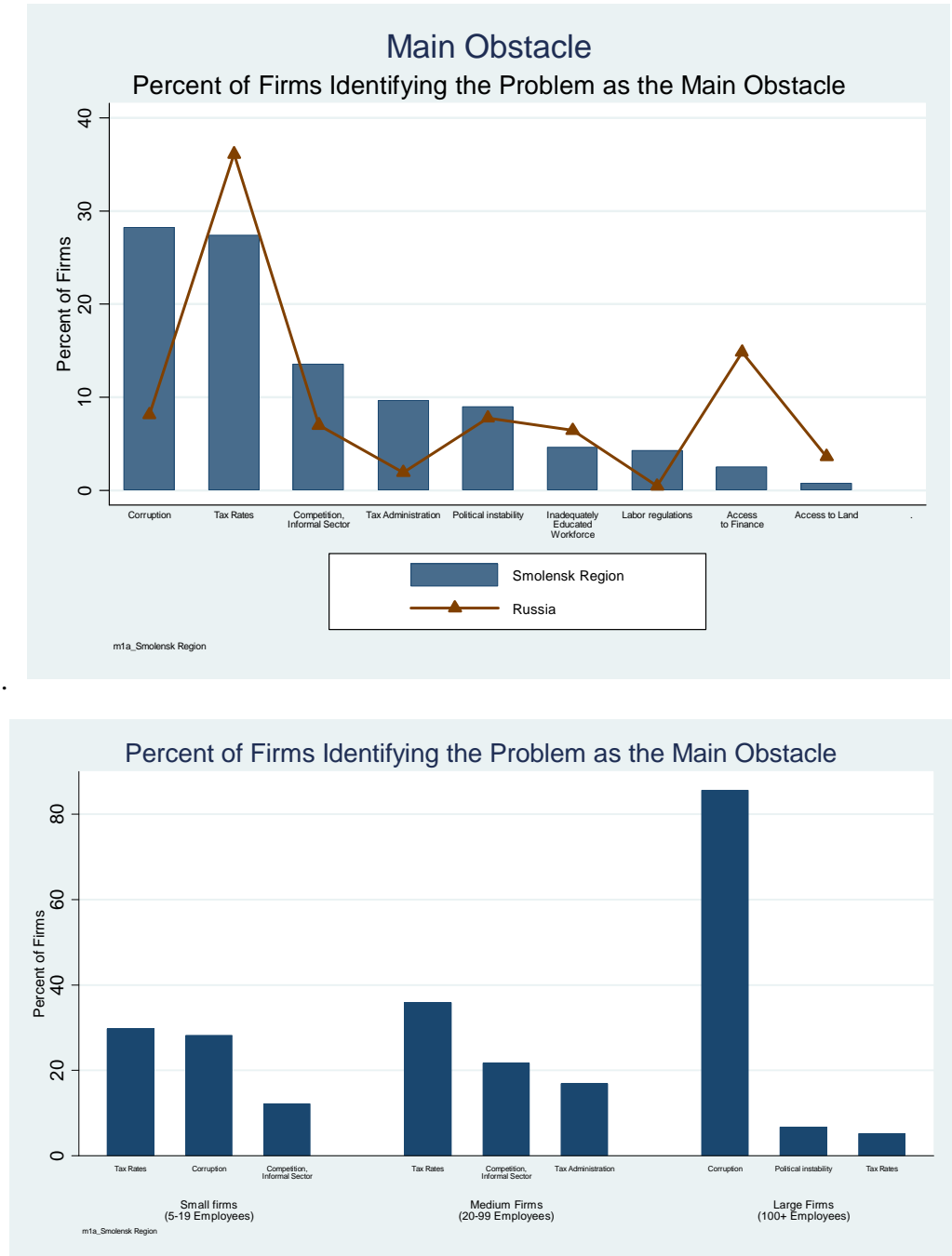
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	Samara Region	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	1.17	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	1.74	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	5.4%	7.9%		
<b>Transport</b>	1.46	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	4.4%			
<b>Customs and trade regulations</b>	1.65	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	14.7%	18.9%	10.6%	34.1%
<b>Practices of informal competitors</b>	1.28	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	7.7%			
<b>Access to land</b>	1.11	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	5.9%			
<b>Crime, theft and disorder</b>	1.37	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	7.9%			
<b>Access to finance</b>	1.66	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	12.3%	11.7%		
<b>Tax rates</b>	2.95	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	7.0%			
<b>Tax administration</b>	1.45	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	9.5%	15.7%	9.5%	
<b>Business licensing and permits</b>	1.23	0.29	Kirov Region; Smolensk Region; Stavropol Territory	7.1%	13.0%	5.1%	22.0%
<b>Political instability</b>	2.15	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	15.6%	13.5%	8.0%	77.8%
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Smolensk Region.<sup>28</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top constraints as identified by firms in Smolensk Region benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Smolensk Region.



<sup>28</sup> 71 companies were surveyed by in Smolensk Region. The benchmarks used for comparisons are averages for Russia as a whole.

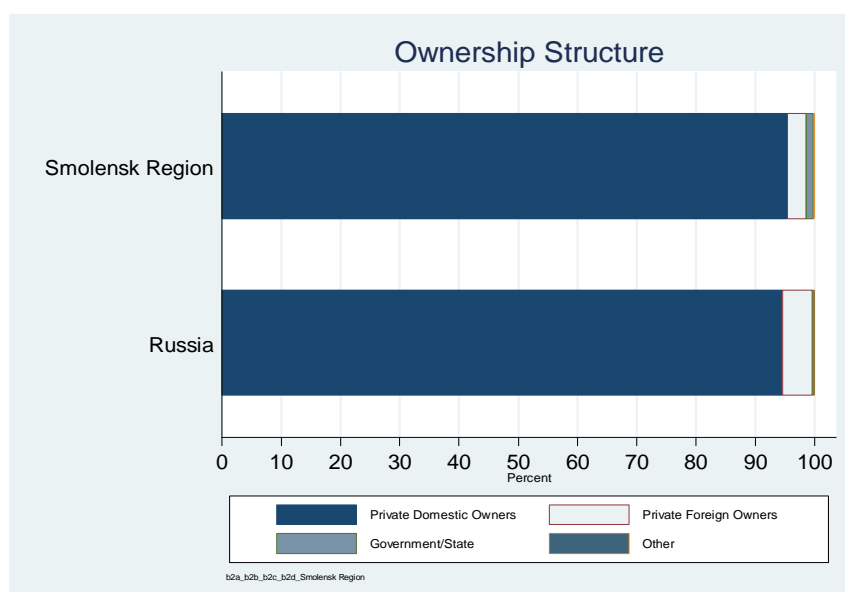
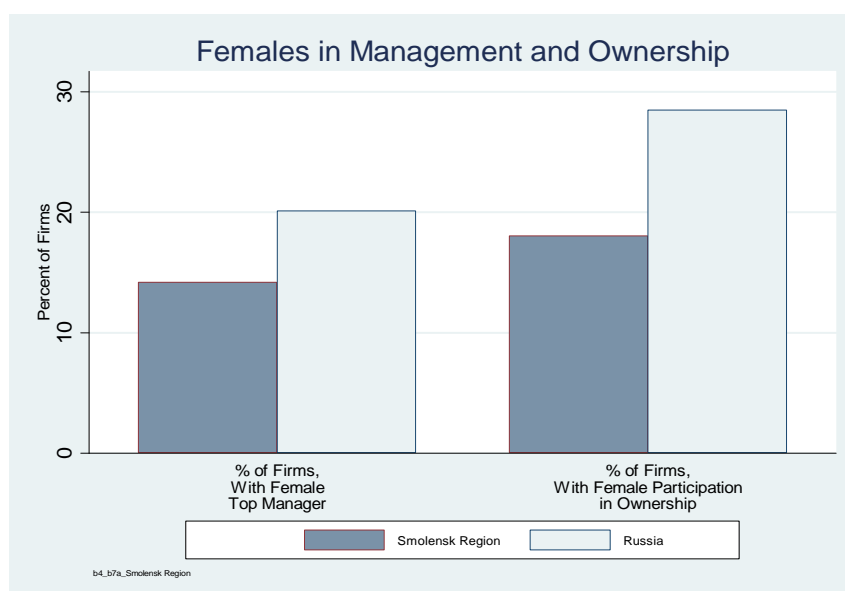
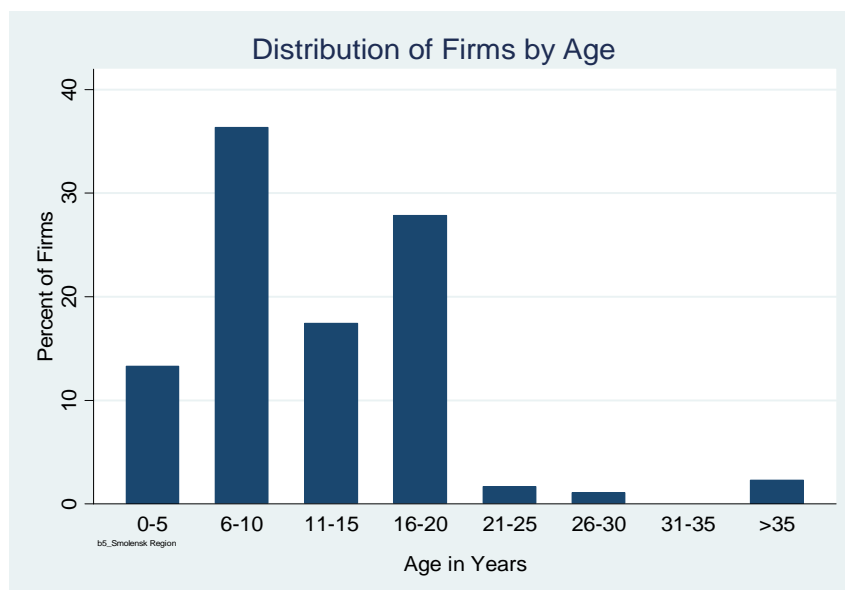
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## Infrastructure

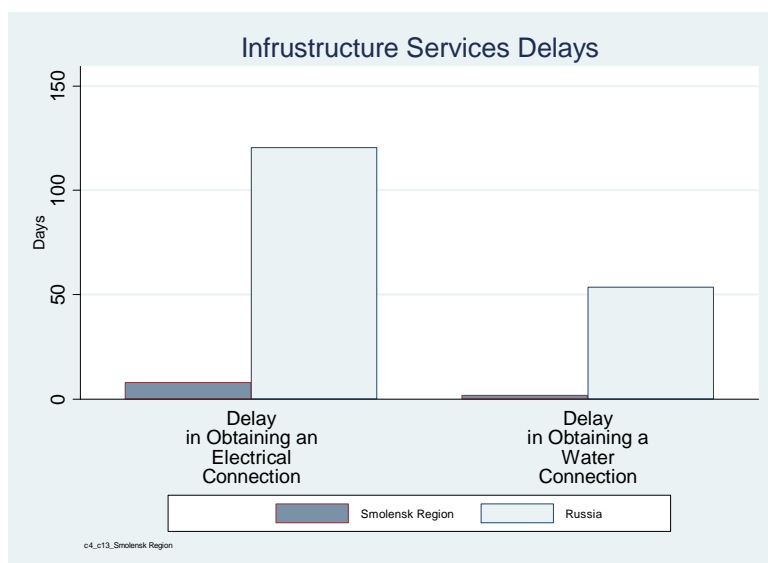
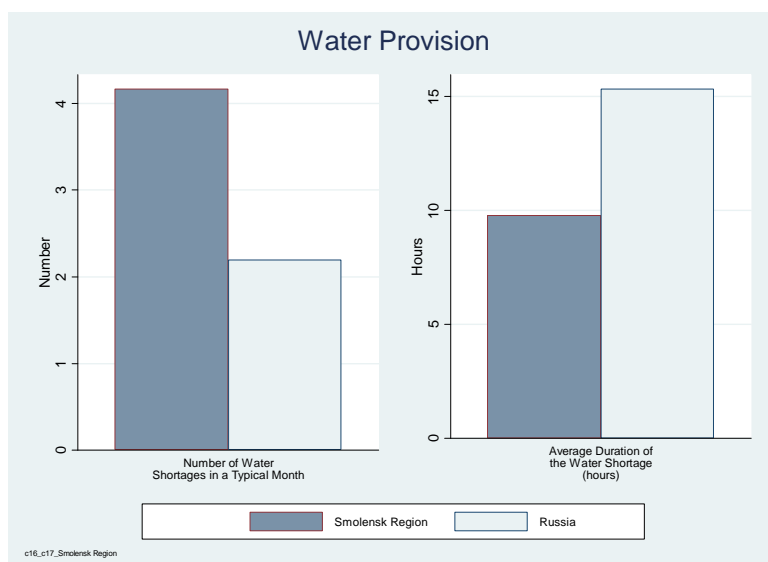
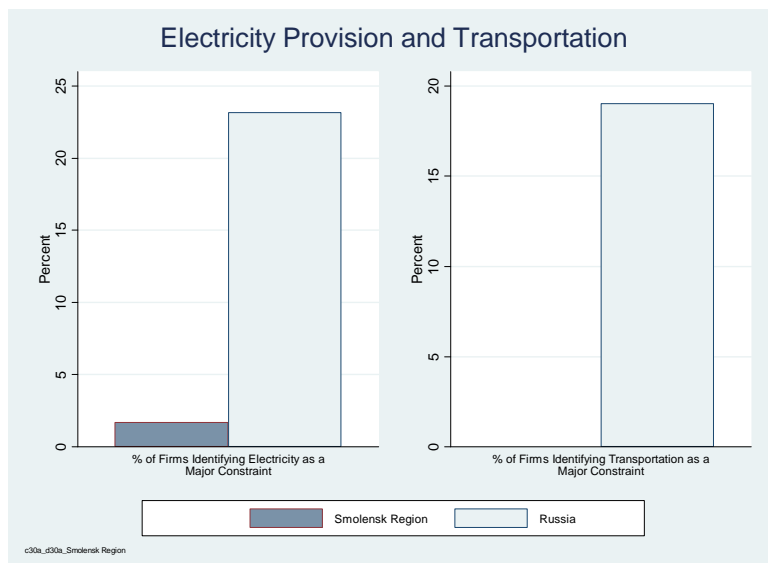
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## Trade

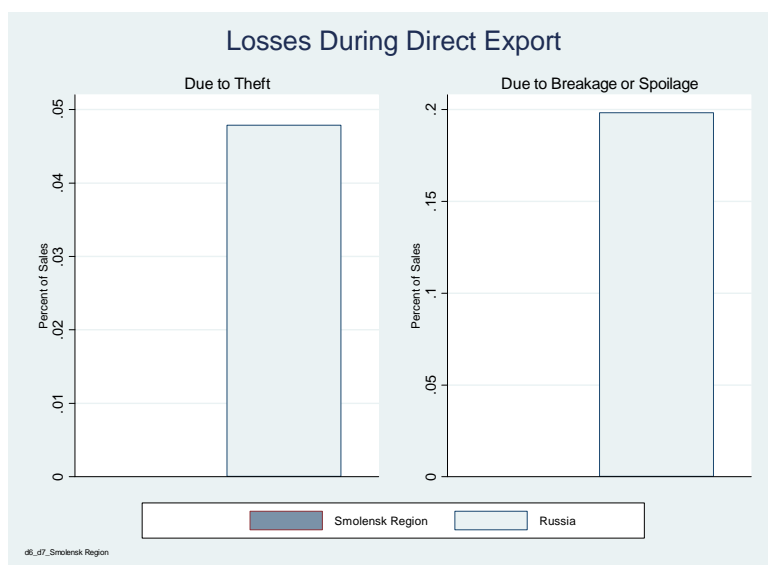
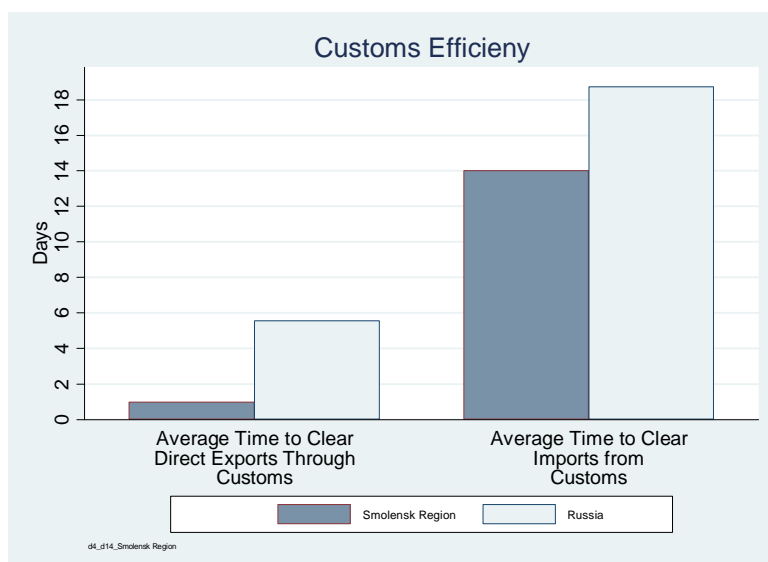
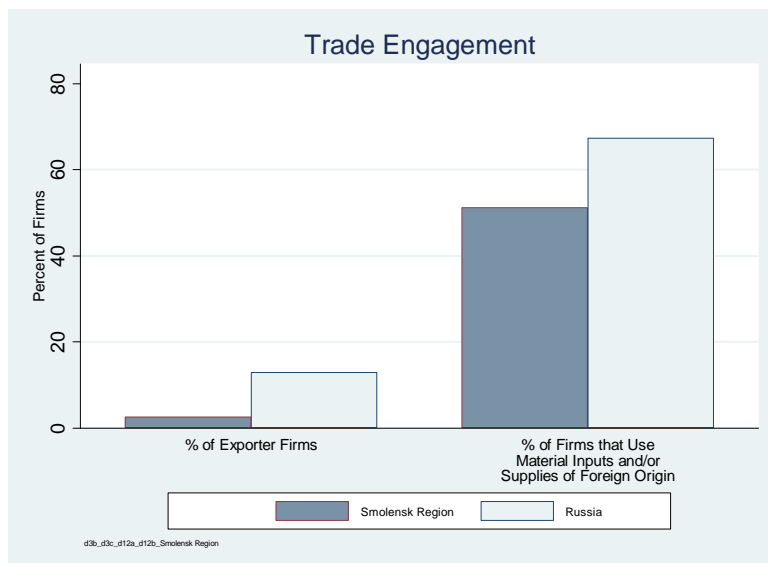
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The third set of indicators shows the percent value of exports lost during transport due to merchandise theft, and breakage or spoilage, reflecting the transport risks firms face during the export process.



## Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

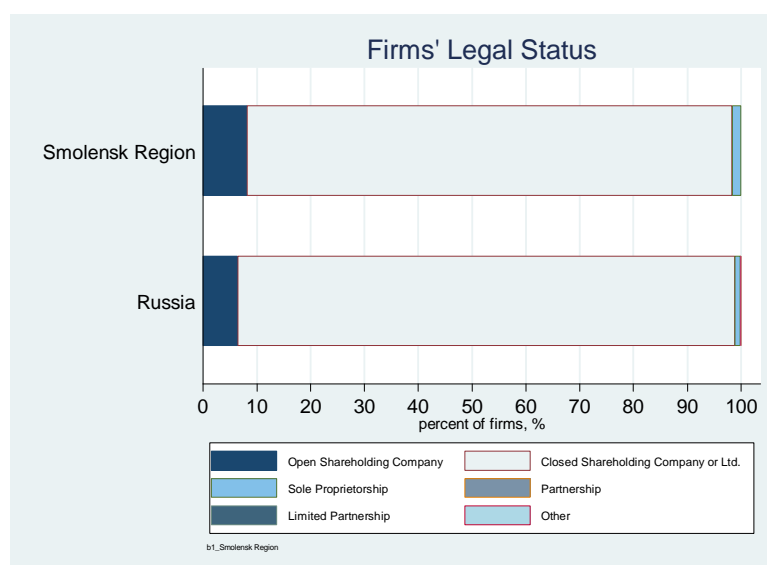
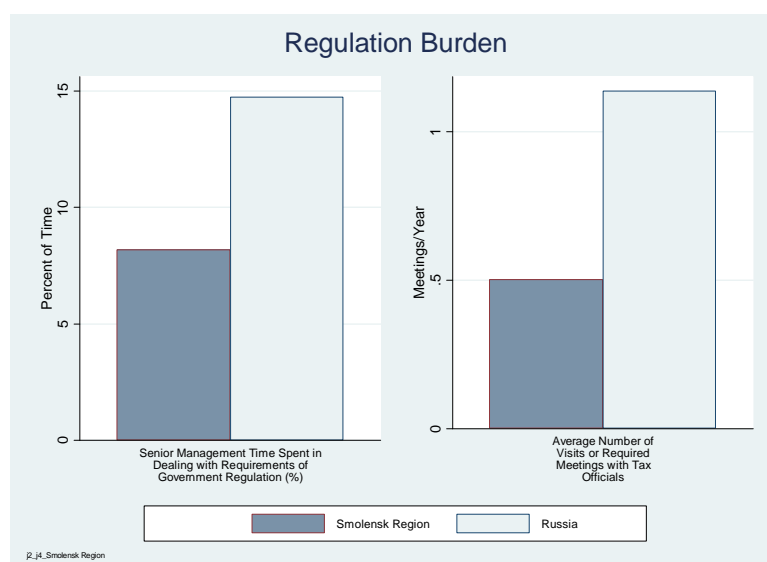
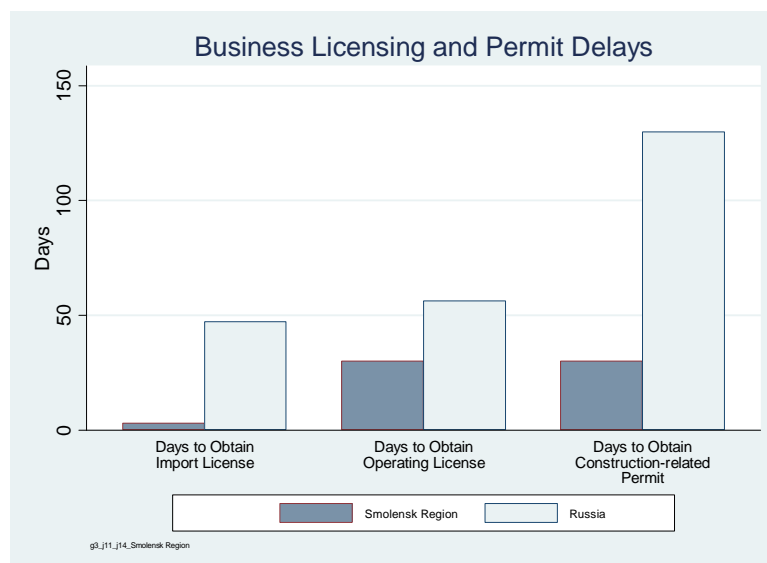
Effective regulations address market failures that inhibit productive investment and reconcile private and public interests. The number of permits and approvals that businesses need to obtain, and the time it takes to obtain them, is expensive and time consuming. The existing legislation of a country also determines the mix of legal forms private firms take and determines the level of protection for investors thus affecting the incentives to invest.

The survey provides qualitative and quantitative measures of taxation, regulations, and business licensing.

The first set of indicators focuses on the efficiency of business licensing and permit services. The indicators evaluate the delays faced when demanding these services.

The second set of indicators approximates the “time tax” imposed by regulations: it measures the time spent by senior management in meetings with public officials and the average number of tax inspections or meetings with tax inspectors in a year.

The third indicator shows the relative use of the different legal forms in the private sector. Most legal forms can be classified into shareholding companies with shares traded privately or non-traded at all (closed), shareholding companies publicly traded (open), sole proprietorships, partnerships, and limited partnerships. A residual category is included to capture legal forms not easily classified into the other categories.



## Corruption

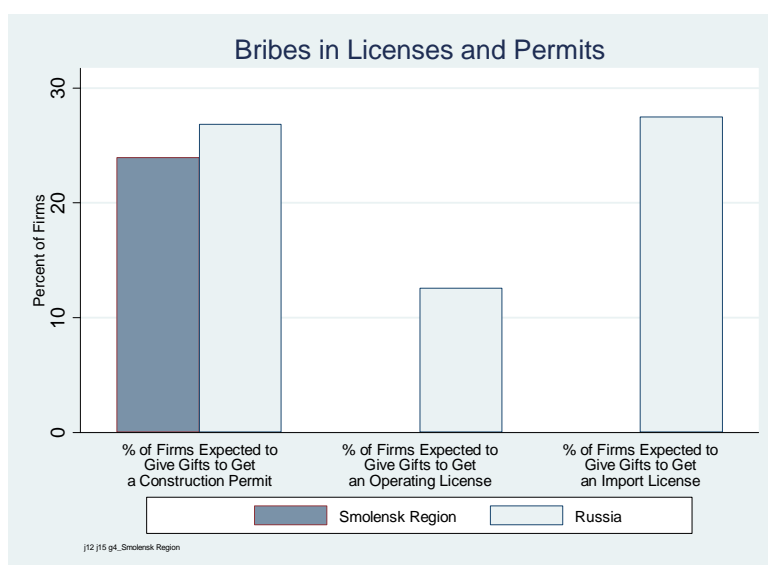
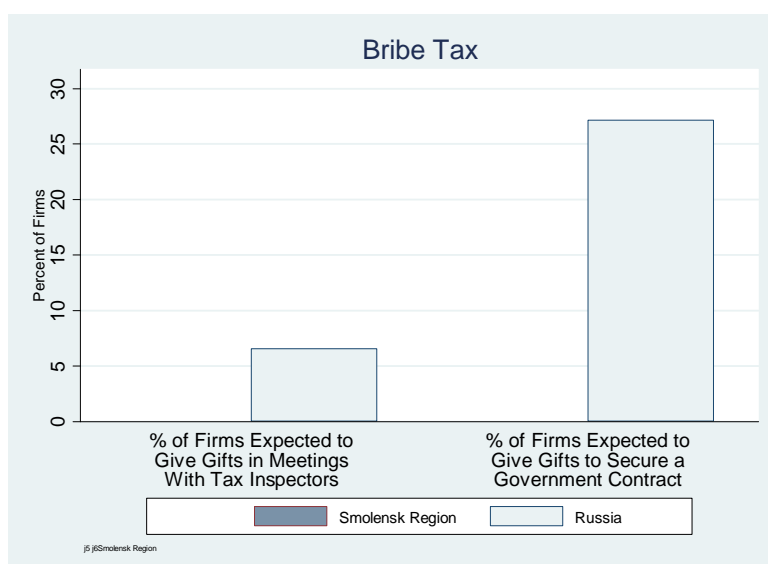
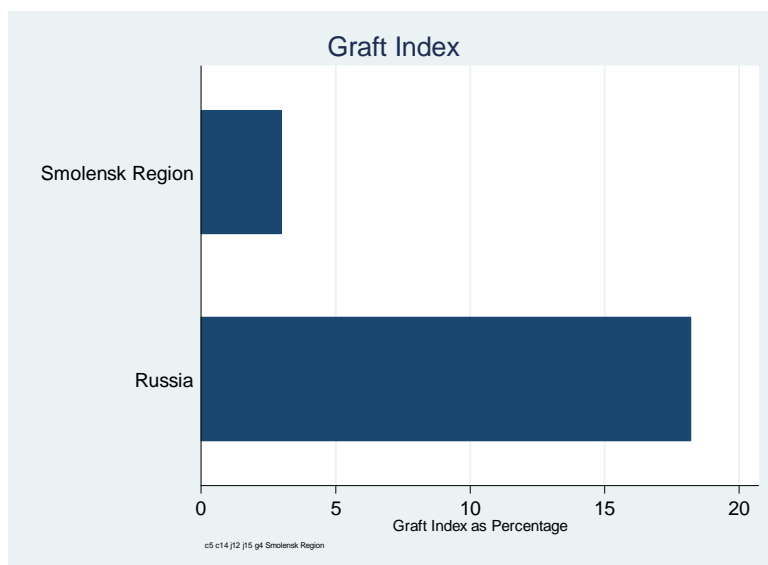
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

Inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make “unofficial” payments to public officials to get things done. In many countries bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for the firms’ growth and development.

The first set of indicators measures a composite index of corruption, the Graft Index that reflects the proportion of instances a firm was asked or expected to pay a bribe when soliciting six different public services, permits or licenses.

The second set of indicators identifies the extent to which specific regulatory and administrative officials require bribe payments during meetings with tax inspectors or in order to secure a government contract.

The third set of indicators focuses on bribes to obtain specific licenses or permits, and shows the share of firms that are expected to make informal payments to secure import and operating licenses and to obtain a construction permit.



## Crime and Informality

Crime imposes costs on firms when they are forced to divert resources from productive uses to cover security costs. Both foreign and domestic investors perceive crime as an indication of social instability, and crime drives up the cost of doing business. Also, commercial disputes between firms and their clients occur regularly in the course of doing business. Resolving these disputes can be challenging when legal institutions are weak or nonexistent.

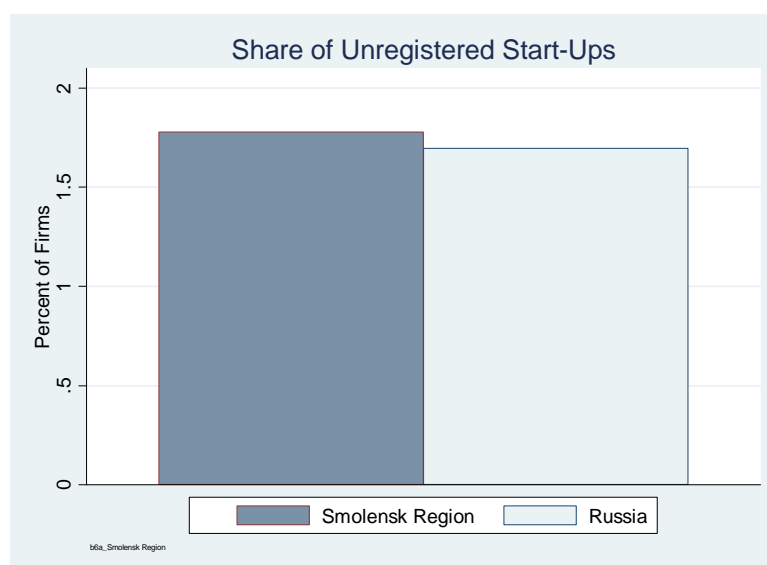
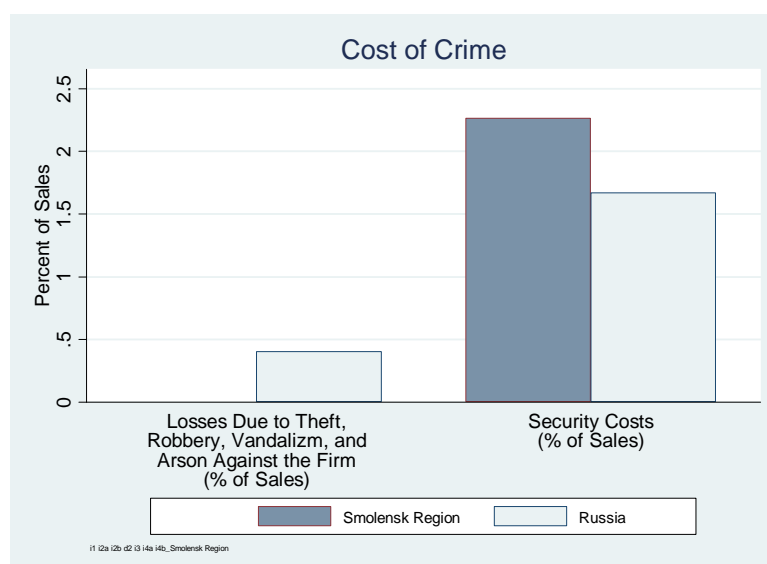
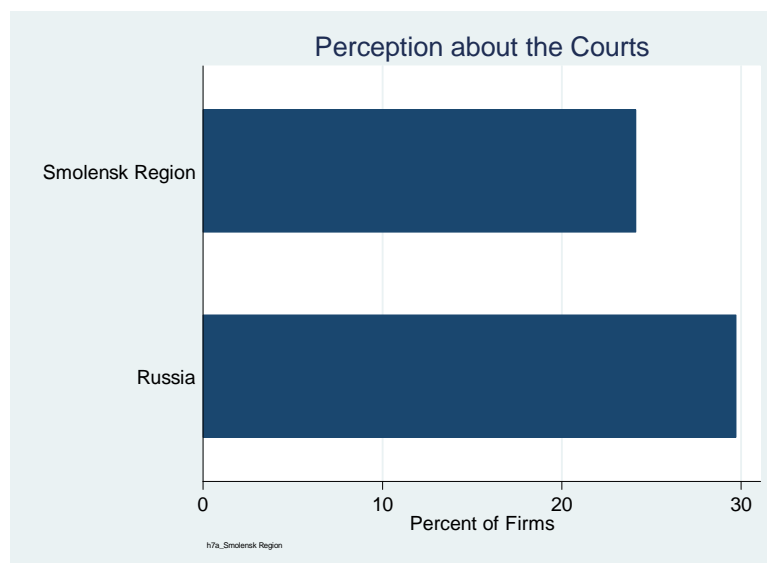
Similarly, a large informal sector has serious consequences for the formal private sector. The informal sector may pose unfair competition for formal firms.

The survey captures key dimensions of the effect of crime on firm sales, the extent to which entrepreneurs identify courts as fair, and the degree of informality in an economy.

The first indicator shows the share of firms that recognize the functioning of the courts as being fair, impartial, and uncorrupted.

The second set of indicators measures the direct costs of security incurred by firms as well as their direct losses due to crime. These resources represent an opportunity cost since they could have been invested in productive activities.

The third set of indicators shows the percentage of firms that started operation without begin formally registered. It is an approximation to the prevalence of informality in the private economy.





## Finance

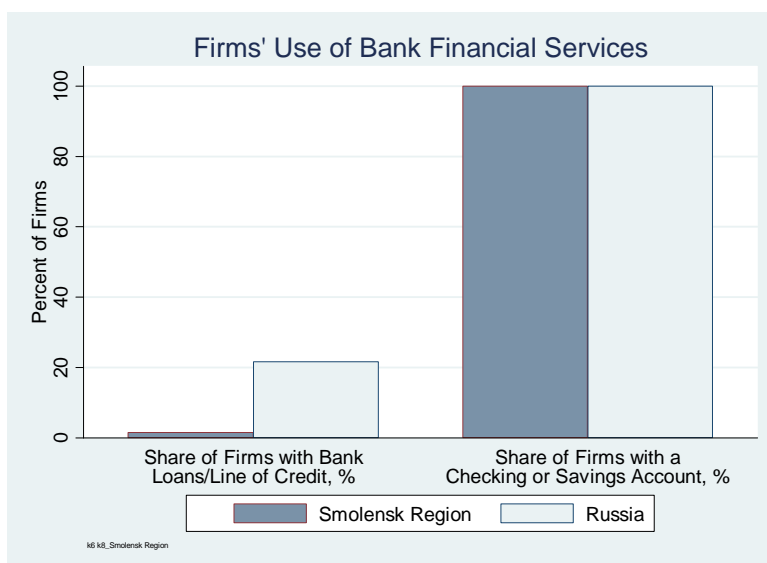
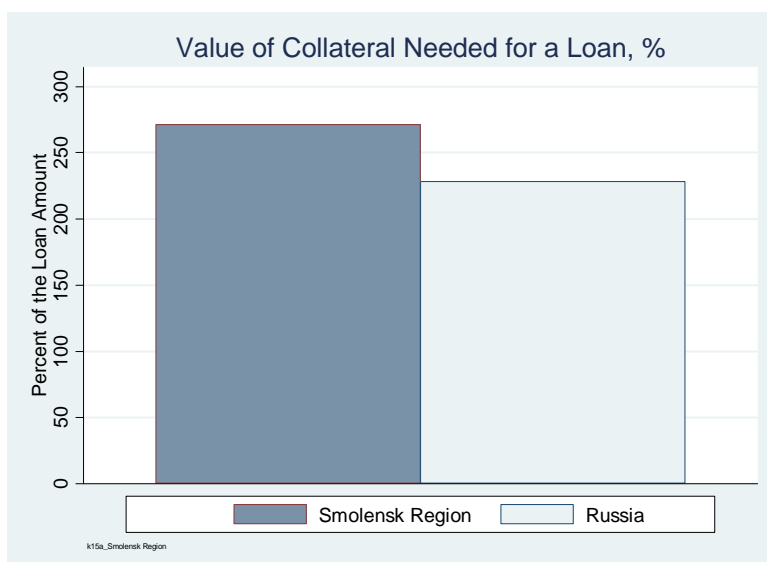
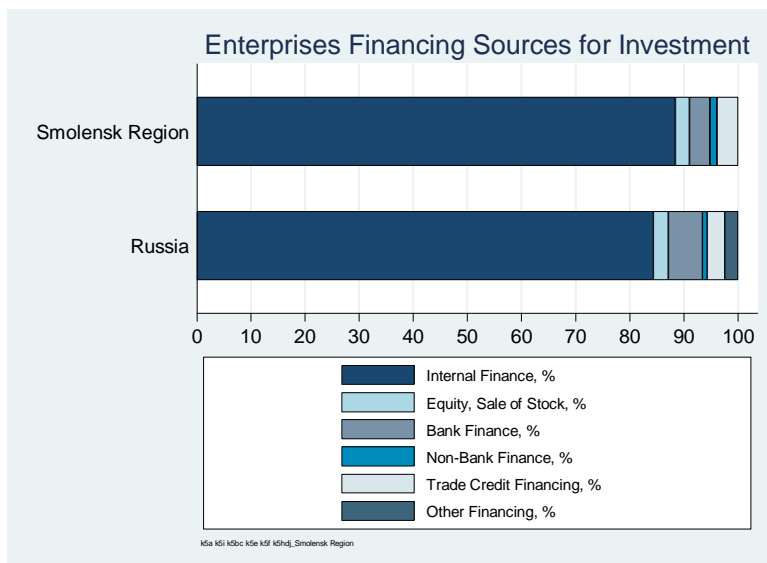
Developed financial markets provide payment services, mobilize deposits, and ease investment financing. Efficient financial markets reduce the reliance on internal funds and on money from informal sources such as family and friends by connecting firms to a broad range of lenders and investors.

The survey provides indicators of how firms finance their operations and of the characteristics of their financial transactions.

The first set of indicators compares the relative use of various sources for financing investment. Excessive reliance on internal funds is a sign of potentially inefficient financial intermediation.

The second set of indicators measures the use of financial markets by individual firms. It presents the percentage of working capital that is financed by sources external to the firm, and a measure of the burden imposed by loan requirements measured by collateral levels relative to the value of the loans.

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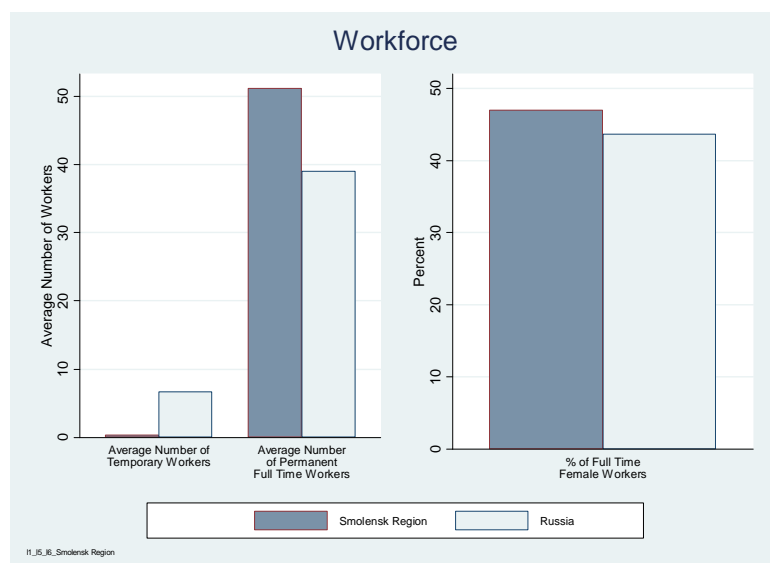
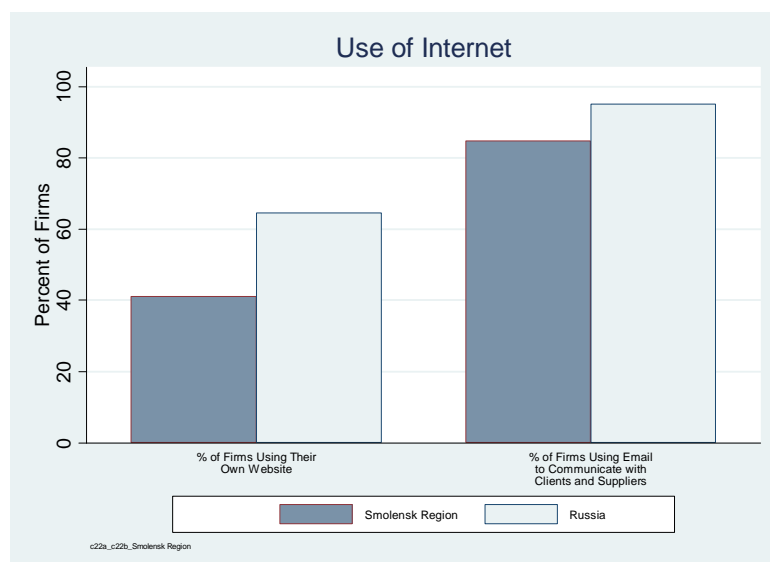
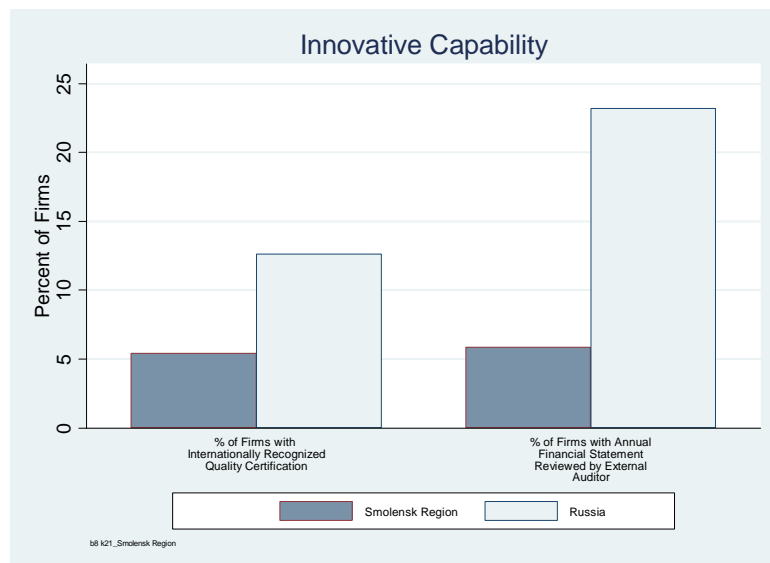
## Innovation and Workforce

The Survey provides indicators that describe several dimensions of technology use and innovation. They also collect information on the characteristics of the workforce employed in the non-agricultural private economy.

The first set of indicators measures the extent to which firms invest in obtaining recognized certificates of production and accounting practices. Obtaining international quality certifications can open doors to technology and innovation and they also provide a sign of high quality that may open markets.

The second set of indicators demonstrates the use of information and communications technologies (ICT) in business transactions. ICT, such as the Internet, are important tools for all firms because they provide even the smallest of enterprises with the ability to reach national and international markets at low cost.

The third set of indicators presents the composition of the firm's workforce by type of contract and gender. Labor regulations have a direct effect on the type of employment favored by firms and they may have a differing impact by gender. The first two indicators present the composition of the workforce classified into temporary and permanent workers. The last indicator reflects the participation of women in regular full-time employment.



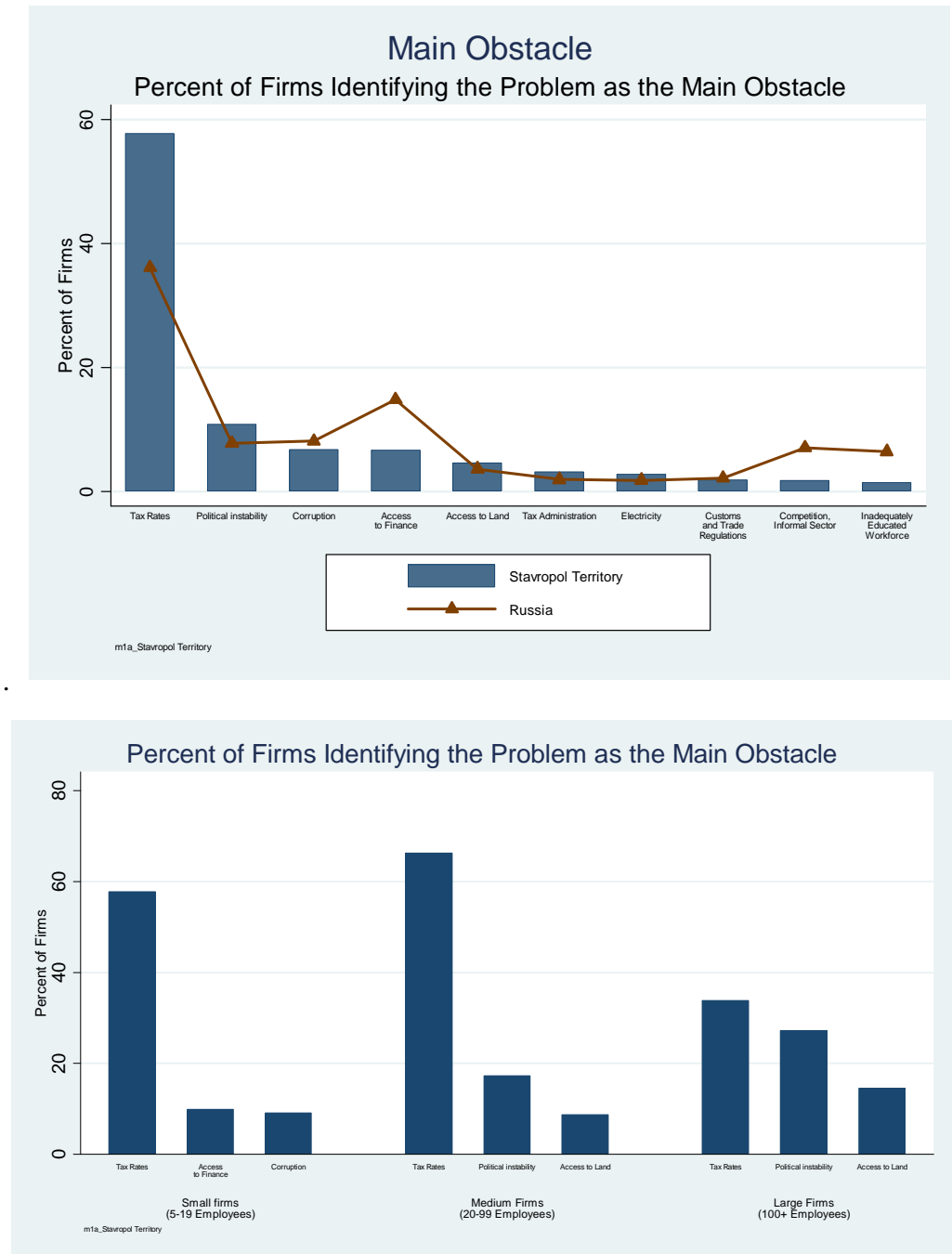
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	<i>Smolensk Region</i>	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	0.30	0.36	Belgorod Region; Republic of Bashkortostan; <i>Smolensk Region</i>				
<b>Telecommunications</b>	0.36	0.36	Belgorod Region; Republic of Bashkortostan; <i>Smolensk Region</i>				
<b>Transport</b>	0.34	0.34	Belgorod Region; <i>Smolensk Region</i> ; Stavropol Territory				
<b>Customs and trade regulations</b>	0.03	0.11	Irkutsk Region; <i>Smolensk Region</i> ; Stavropol Territory				
<b>Practices of informal competitors</b>	0.59	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	2.1%			
<b>Access to land</b>	0.34	0.36	Belgorod Region; <i>Smolensk Region</i> ; Stavropol Territory				
<b>Crime, theft and disorder</b>	0.06	0.17	Belgorod Region; <i>Smolensk Region</i> ; Stavropol Territory				
<b>Access to finance</b>	0.49	0.64	Belgorod Region; <i>Smolensk Region</i> ; Stavropol Territory				
<b>Tax rates</b>	0.96	1.40	Belgorod Region; Irkutsk Region; <i>Smolensk Region</i>				
<b>Tax administration</b>	0.29	0.35	Belgorod Region; <i>Smolensk Region</i> ; Stavropol Territory				
<b>Business licensing and permits</b>	0.28	0.29	Kirov Region; <i>Smolensk Region</i> ; Stavropol Territory				
<b>Political instability</b>	0.84	0.74	Irkutsk Region; Republic of Mordovia; <i>Smolensk Region</i>				
<b>Corruption</b>	0.23	0.60	Irkutsk Region; Kirov Region; <i>Smolensk Region</i>				
<b>Courts</b>	0.13	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	0.5%	0.8%		
<b>Labor regulations</b>	0.06	0.10	Belgorod Region; <i>Smolensk Region</i> ; Stavropol Territory				
<b>Inadequately educated workforce</b>	0.39	0.50	Belgorod Region; <i>Smolensk Region</i> ; Stavropol Territory				

# Stavropol Territory.<sup>29</sup>

## Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Stavropol Territory benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Stavropol Territory.



<sup>29</sup> 120 companies were surveyed by in Stavropol Territory. The benchmarks used for comparisons are averages for Russia as a whole.

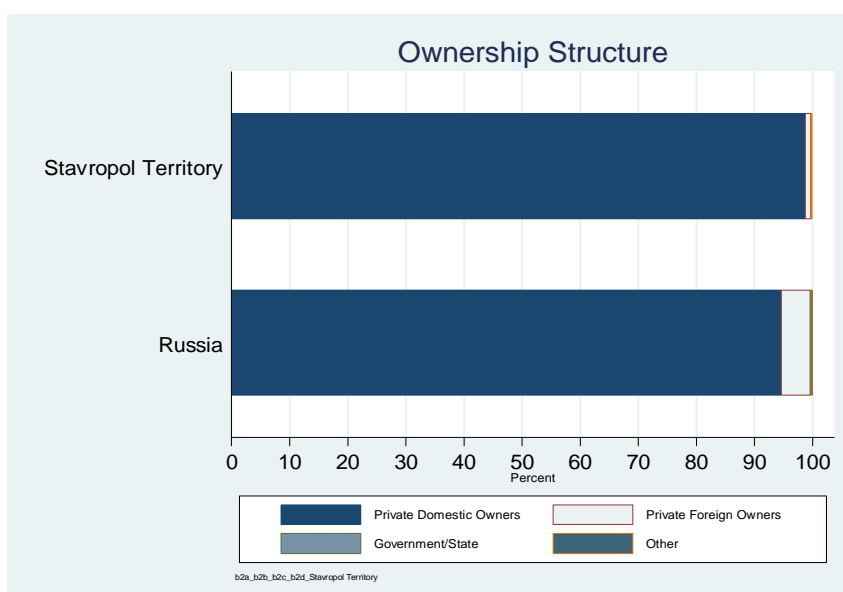
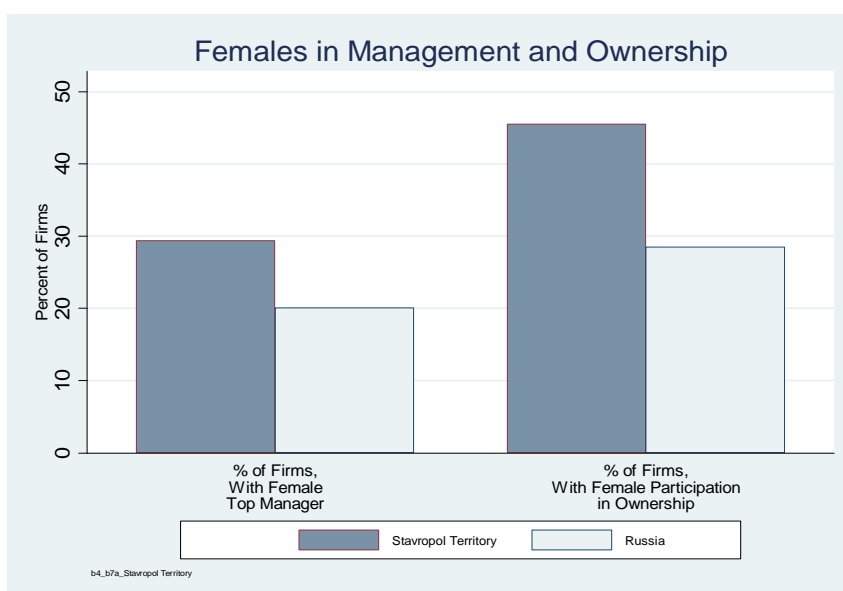
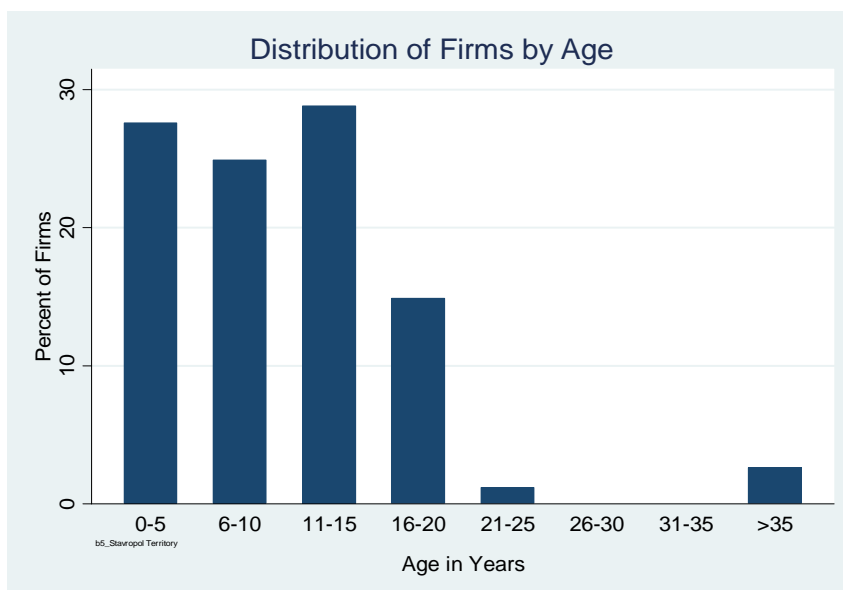
## Average Firm

The survey collects information from a representative sample of the non-agricultural formal private economy. In addition to collecting information on the business environment the surveys collect information on the characteristics of the firms interviewed. Consequently, the data collected provides a description of the representative private firm in the country and also an estimate of how some of the attributes of the average firm are distributed across the population of firms.

The first indicator shows the distribution of firms according to their age measured by the number of years they have been in operation. The effect the business environment can have on the private sector may depend on firms' experience and longevity. Seasoned firms and young firms may differ in their ability to successfully navigate the business environment.

The second set of indicators provides an illustration of female participation in management and firm ownership. These indicators can help assess whether gender can be a determinant of the effect of regulations on the firm and the level of exposure of the firm to external factors, such as corruption, access to finance, and technology.

The third indicator shows the participation of the domestic private sector, the government, the foreign sector and other sectors in the ownership of the typical firm. The distribution provides insight into their levels of equity in the private sector of the economy.



## Infrastructure

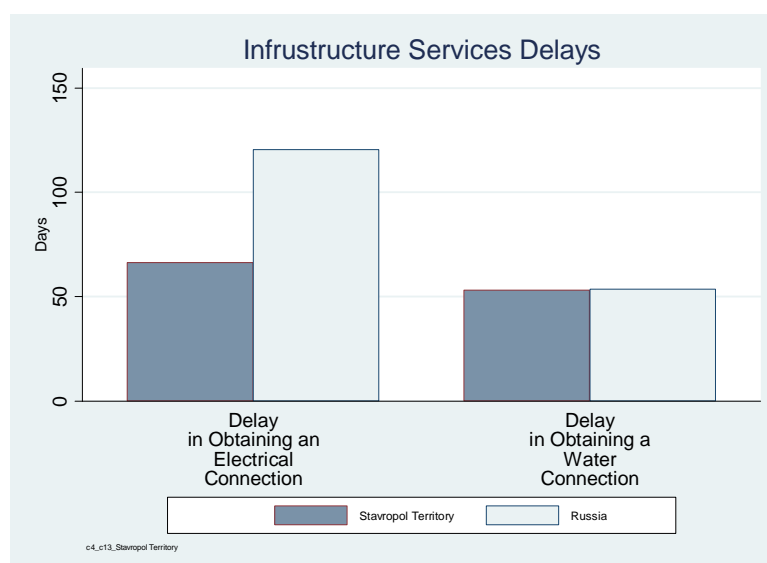
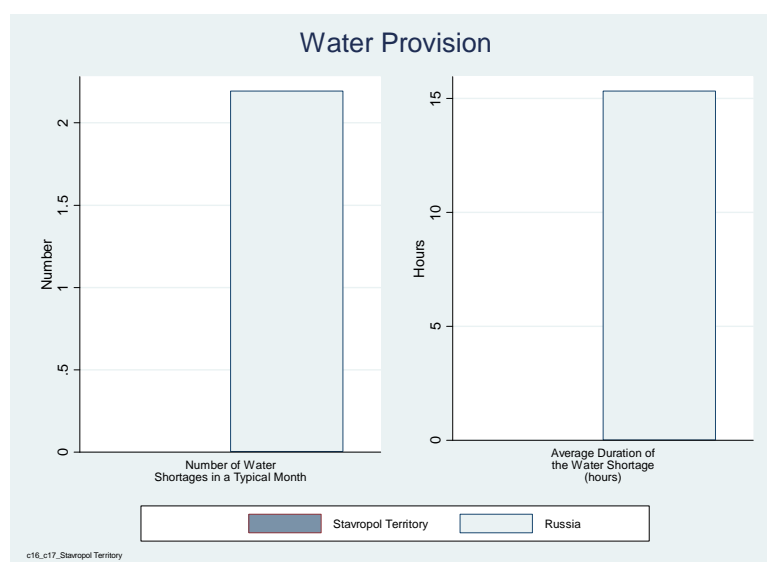
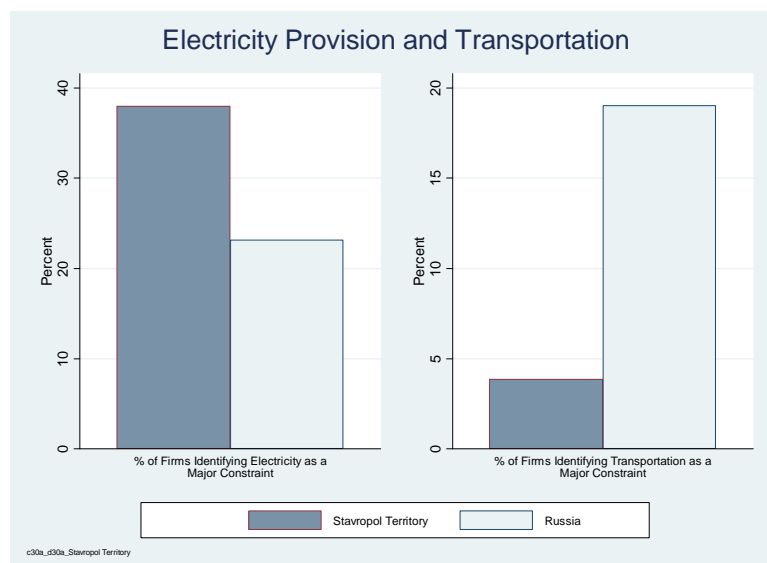
A strong infrastructure enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations.

The survey captures the dual challenge of providing a strong infrastructure for electricity, water supply, telephone connections, etc., and the development of institutions that effectively provide and maintain public services.

The first set of indicators shows the extent to which firms are faced with failures in the provision of electricity and the effect of these failures on sales. Inadequate electricity supply can increase costs, disrupt production, and reduce profitability.

The second set of indicators measures the efficiency of the water supply for the manufacturing sector. Many manufacturing sectors depend on reliable and efficient sources of water for their operations.

The third set of indicators evaluates the efficiency of infrastructure services by quantifying the delays in obtaining electricity, water, and telephone connections. Service delays impose additional costs on firms and may act as barriers to entry and investment.



## Trade

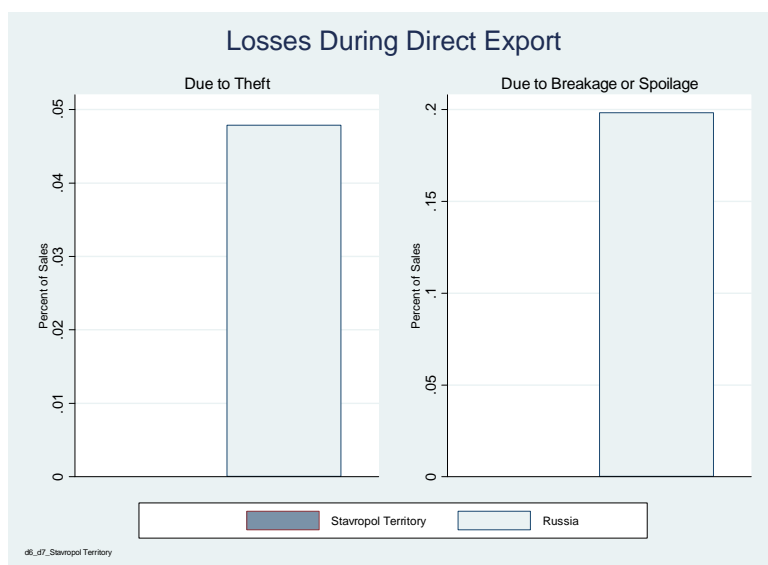
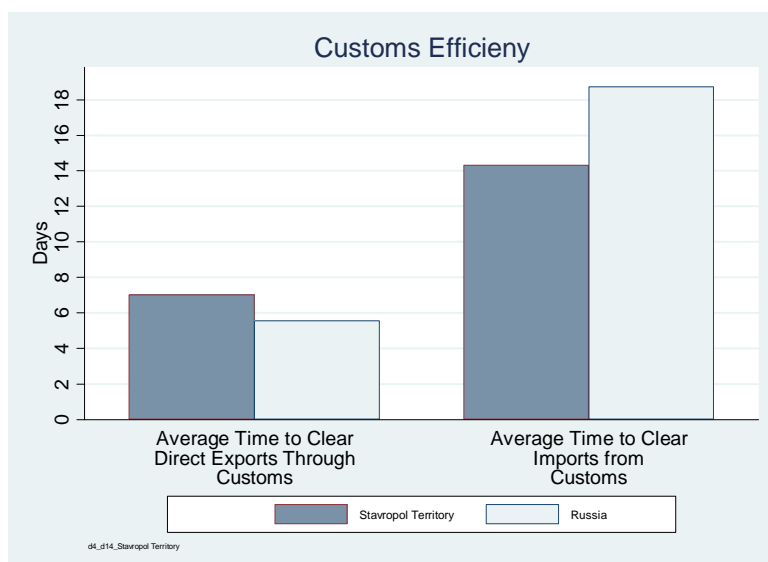
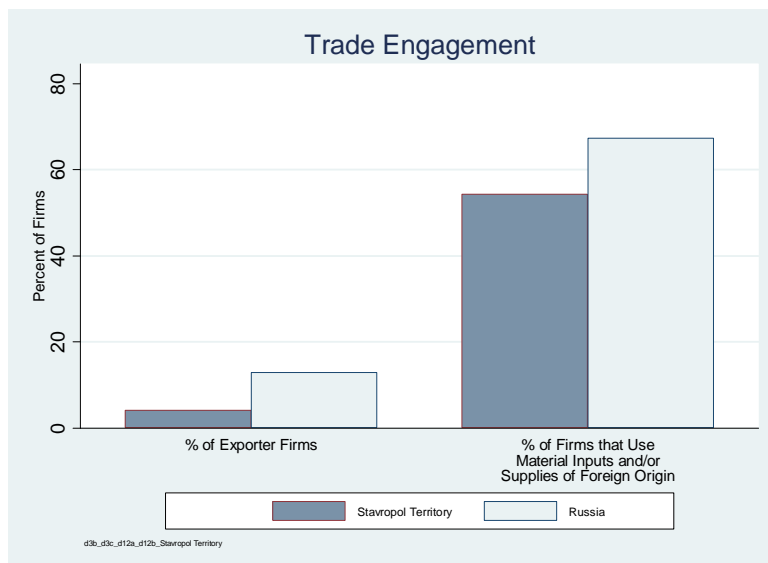
Open markets allow firms to expand, raise standards for efficiency on exporters, and enable firms to import low cost supplies. However, trading also forces firms to deal with customs services and trade regulations, obtain export and import licenses, and in some cases, firms also face additional costs due to losses during transport.

The survey collects information on the operational constraints faced by exporters and importers and also quantify the trade activity of firms.

The first set of indicators provides a measure of the intensity of foreign trade in the private sector. The first graph shows the percentage of firms who export directly or indirectly, i.e. using an intermediary. The second panel shows the percentage of manufacturing firms who use inputs or supplies of foreign origin.

The second set of indicators measures the average number of days to clear customs for imports and exports. The delay in clearing customs for imports or exports creates additional costs to the firm, can interrupt production, interfere with sales, and result in damaged supplies or merchandise.

The third set of indicators shows the percent value of exports lost during transport due to merchandise theft, and breakage or spoilage, reflecting the transport risks firms face during the export process.



## Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

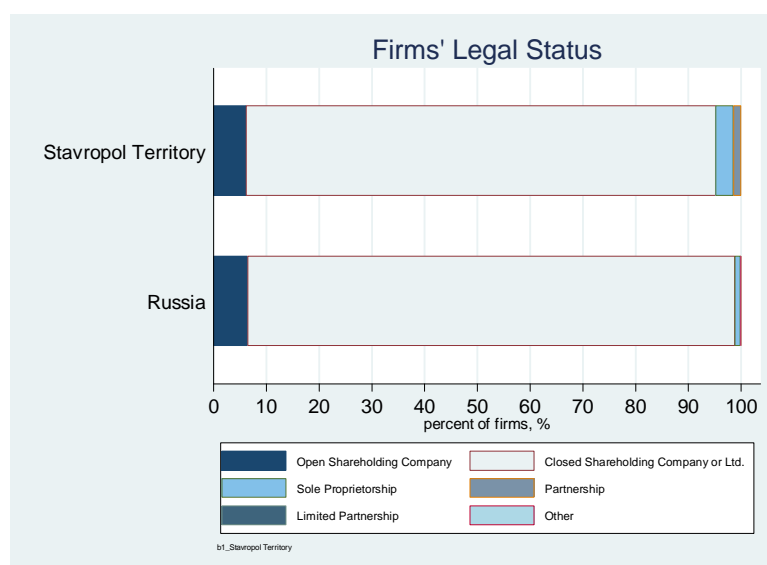
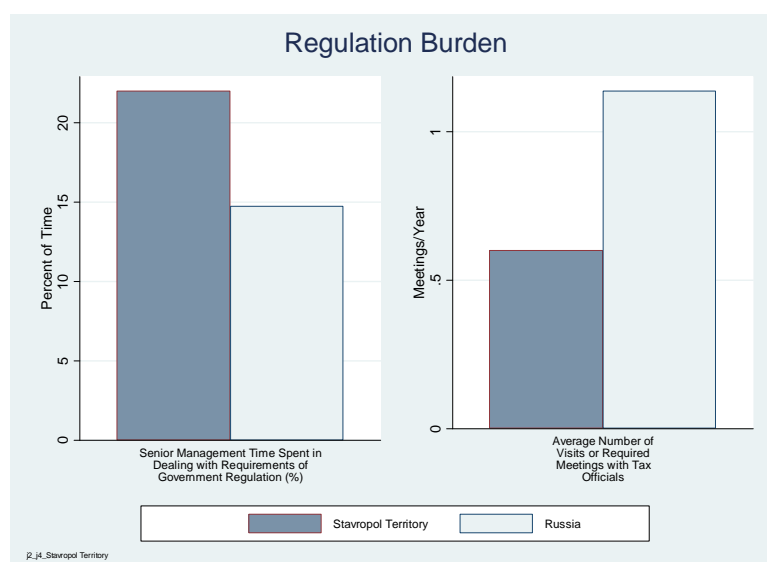
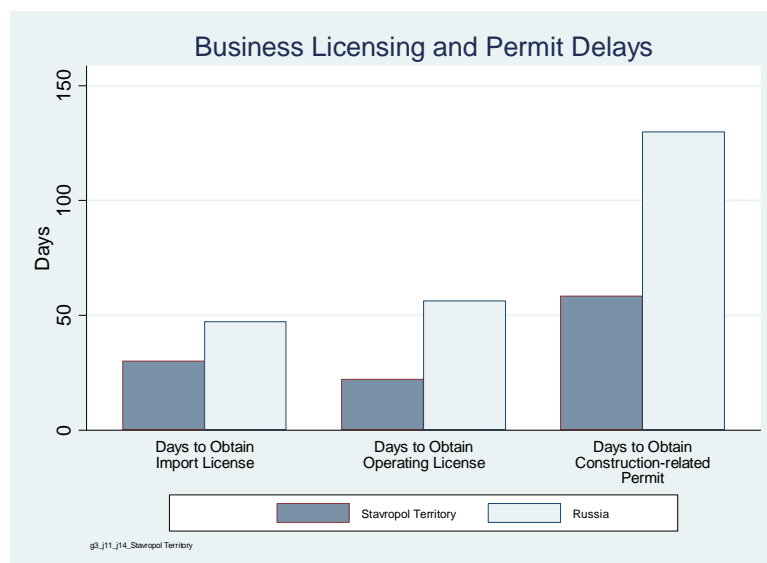
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## Corruption

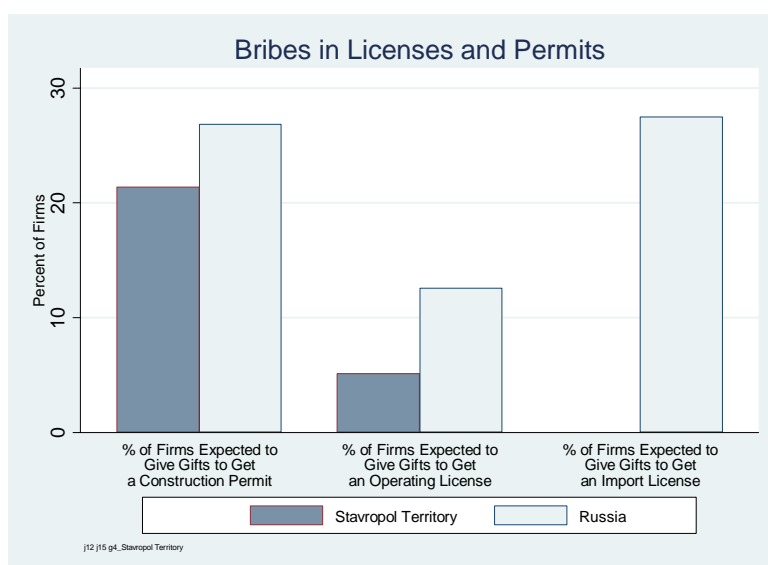
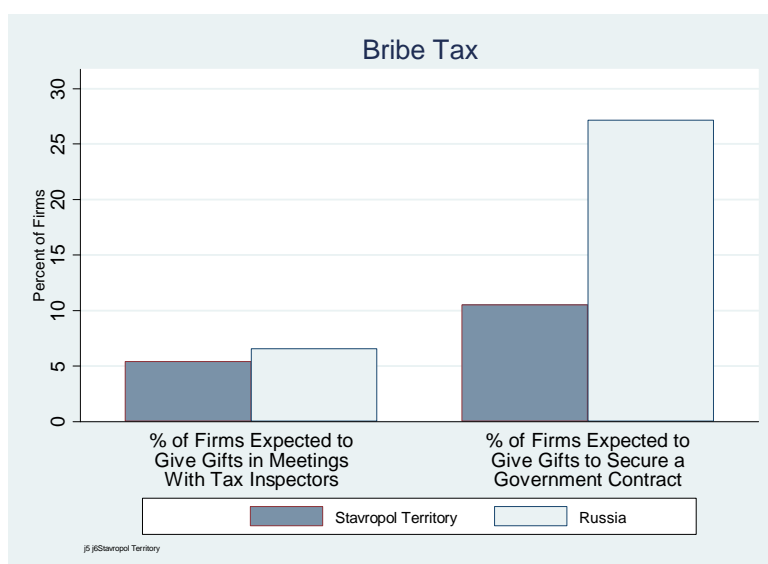
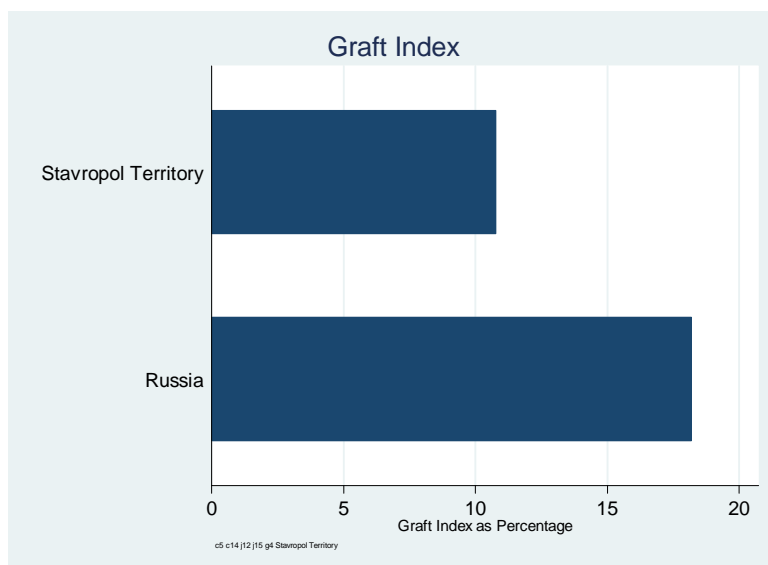
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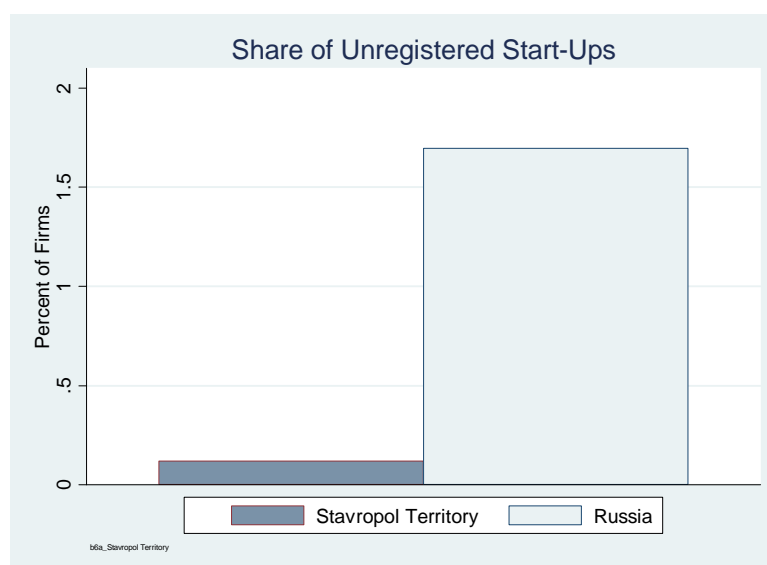
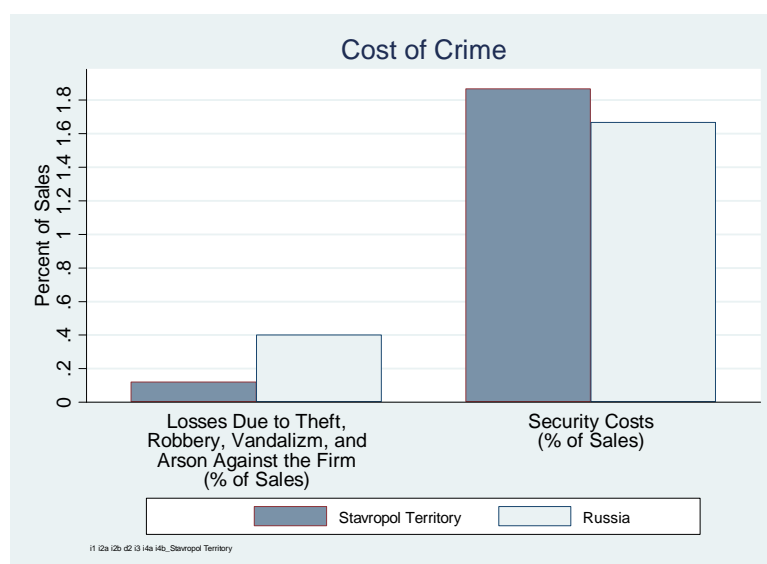
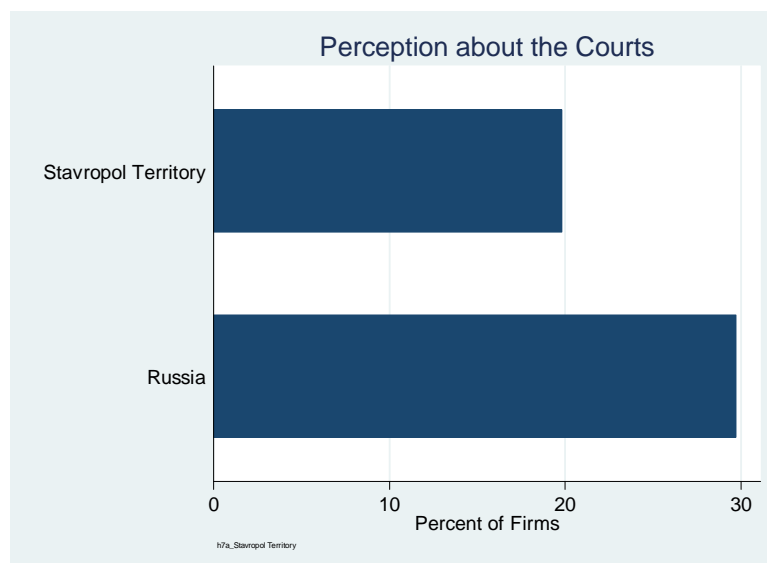
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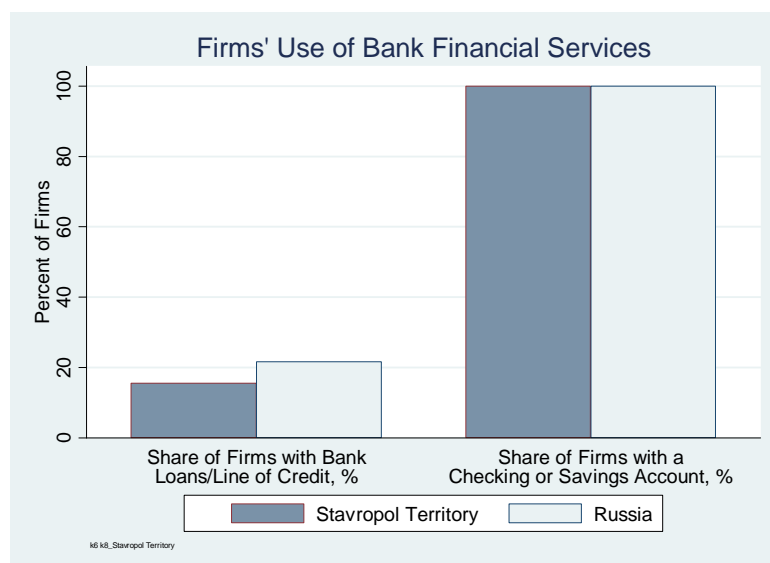
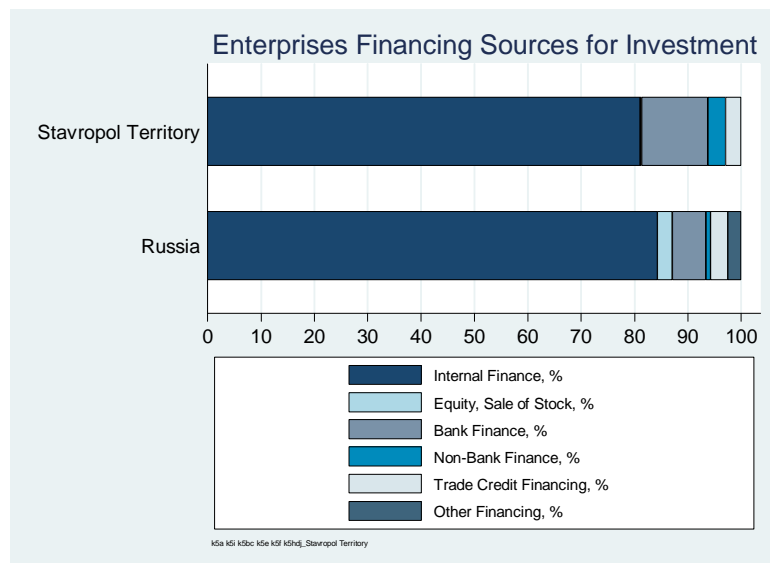
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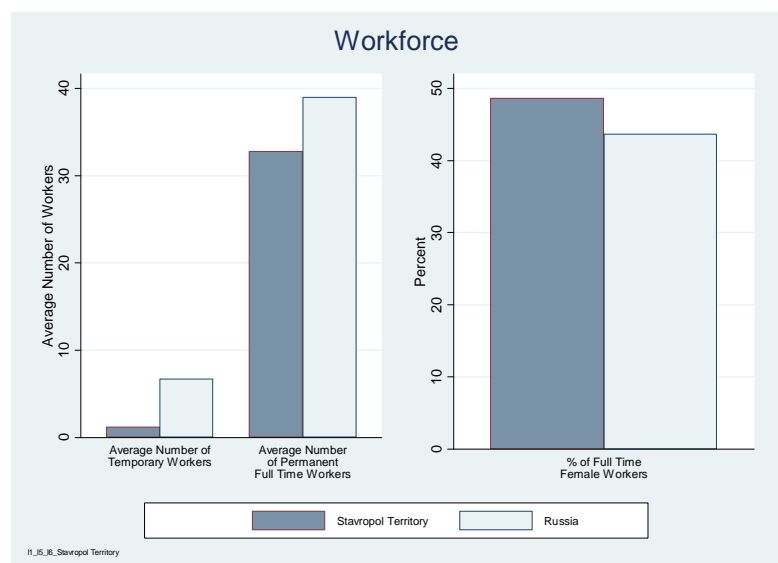
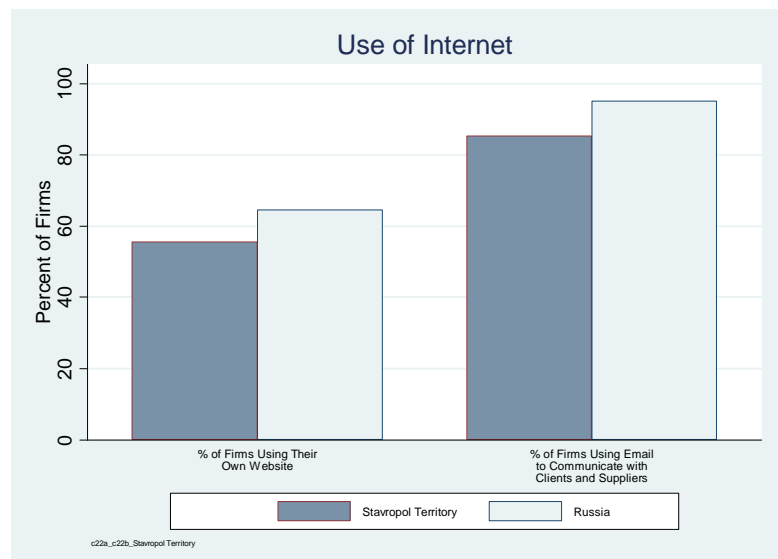
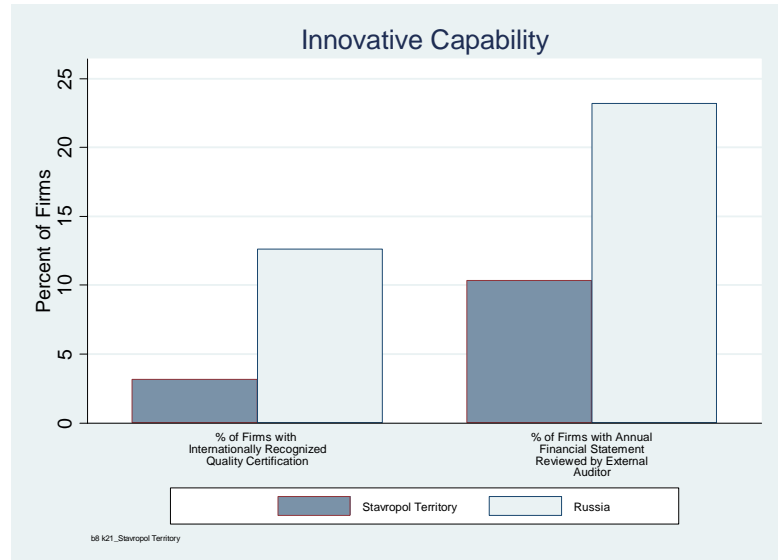
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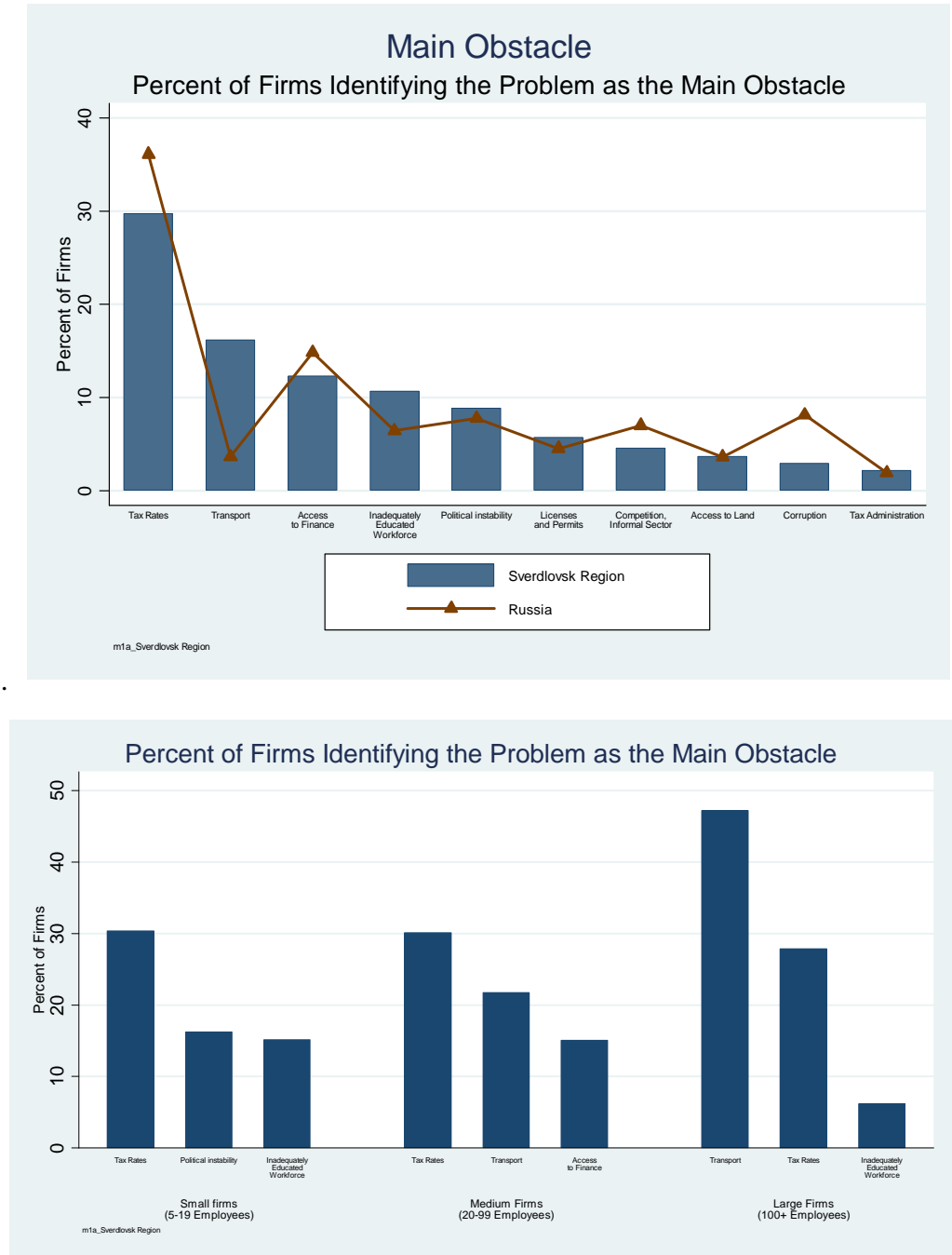
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	<i>Stavropol Territory</i>	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	1.49	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	0.63	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	1.1%	1.5%		
<b>Transport</b>	0.29	0.34	Belgorod Region; Smolensk Region; <i>Stavropol Territory</i>				
<b>Customs and trade regulations</b>	0.17	0.11	Irkutsk Region; Smolensk Region; <i>Stavropol Territory</i>			0.4%	1.3%
<b>Practices of informal competitors</b>	0.26	0.33	Lipetsk Region; Novosibirsk Region; <i>Stavropol Territory</i>				
<b>Access to land</b>	0.41	0.36	Belgorod Region; Smolensk Region; <i>Stavropol Territory</i>				
<b>Crime, theft and disorder</b>	0.27	0.17	Belgorod Region; Smolensk Region; <i>Stavropol Territory</i>				
<b>Access to finance</b>	0.58	0.64	Belgorod Region; Smolensk Region; <i>Stavropol Territory</i>				
<b>Tax rates</b>	2.81	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	6.4%			
<b>Tax administration</b>	0.38	0.35	Belgorod Region; Smolensk Region; <i>Stavropol Territory</i>				
<b>Business licensing and permits</b>	0.21	0.29	Kirov Region; Smolensk Region; <i>Stavropol Territory</i>				
<b>Political instability</b>	1.53	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	8.8%	7.7%	4.5%	44.0%
<b>Corruption</b>	1.17	0.60	Irkutsk Region; Kirov Region; Smolensk Region	6.3%	5.5%	2.9%	16.1%
<b>Courts</b>	0.10	0.08	Belgorod Region; Krasnoyarsk Territory; <i>Stavropol Territory</i>				
<b>Labor regulations</b>	0.09	0.10	Belgorod Region; Smolensk Region; <i>Stavropol Territory</i>				
<b>Inadequately educated workforce</b>	0.68	0.50	Belgorod Region; Smolensk Region; <i>Stavropol Territory</i>				

Sverdlovsk Region.<sup>30</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms Sverdlovsk Region benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Sverdlovsk Region.



<sup>30</sup> 120 companies were surveyed by in Sverdlovsk Region. The benchmarks used for comparisons are averages for Russia as a whole.

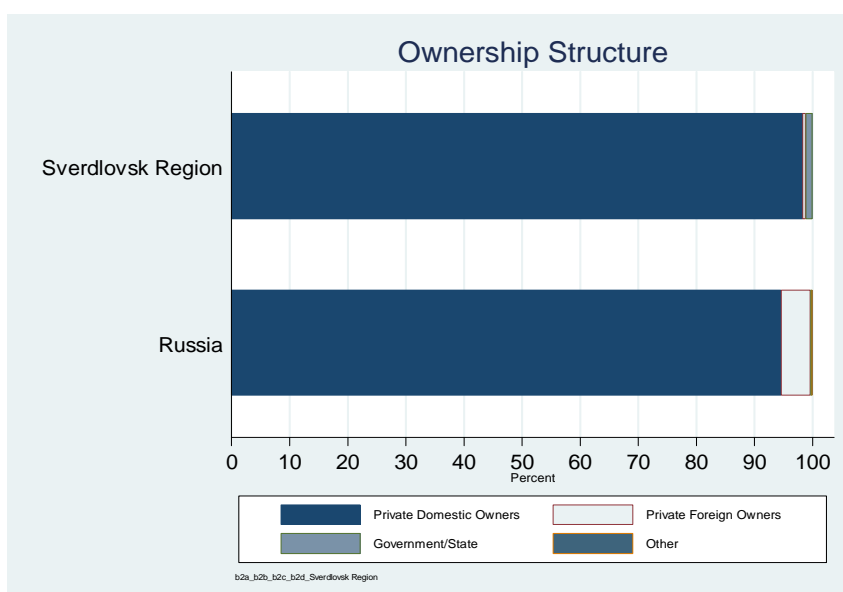
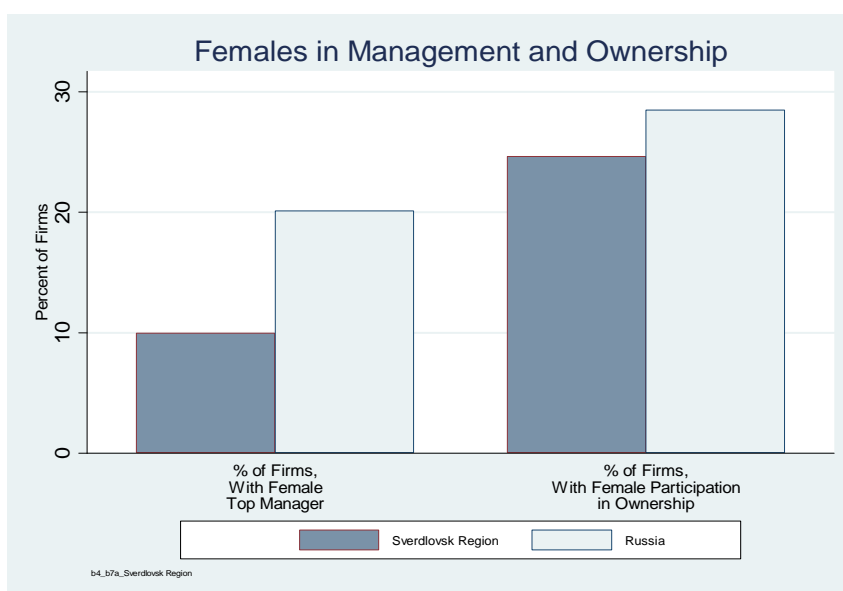
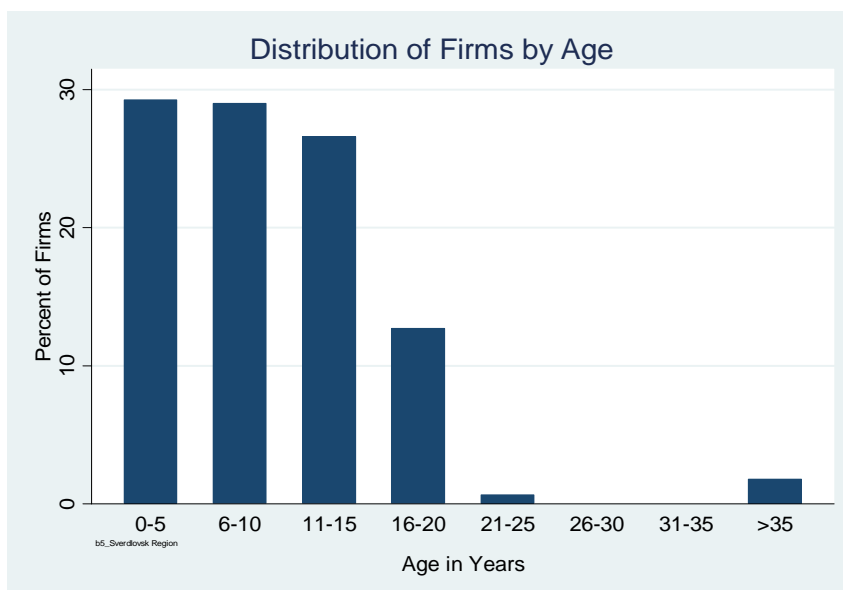
## Average Firm

The survey collects information from a representative sample of the non-agricultural formal private economy. In addition to collecting information on the business environment the surveys collect information on the characteristics of the firms interviewed. Consequently, the data collected provides a description of the representative private firm in the country and also an estimate of how some of the attributes of the average firm are distributed across the population of firms.

The first indicator shows the distribution of firms according to their age measured by the number of years they have been in operation. The effect the business environment can have on the private sector may depend on firms' experience and longevity. Seasoned firms and young firms may differ in their ability to successfully navigate the business environment.

The second set of indicators provides an illustration of female participation in management and firm ownership. These indicators can help assess whether gender can be a determinant of the effect of regulations on the firm and the level of exposure of the firm to external factors, such as corruption, access to finance, and technology.

The third indicator shows the participation of the domestic private sector, the government, the foreign sector and other sectors in the ownership of the typical firm. The distribution provides insight into their levels of equity in the private sector of the economy.



## Infrastructure

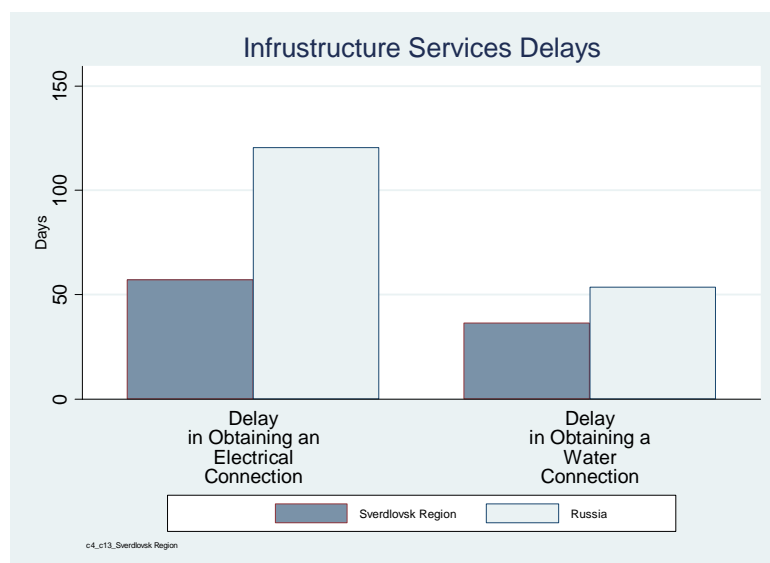
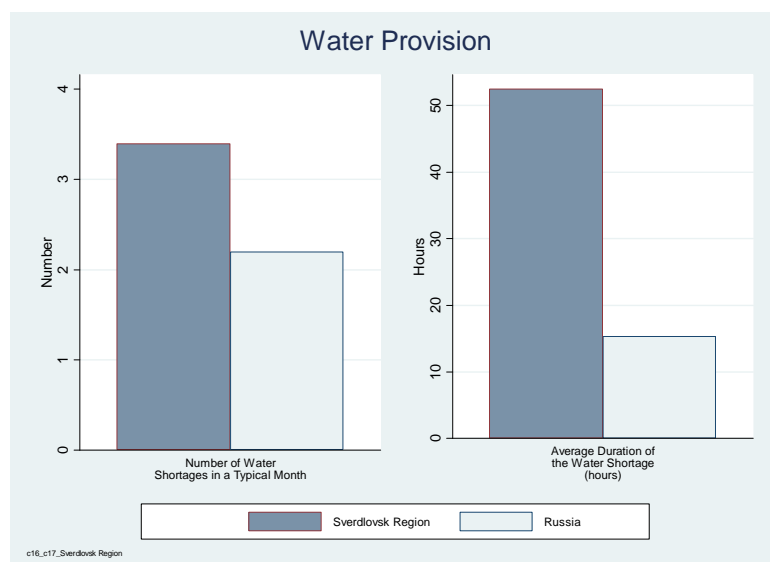
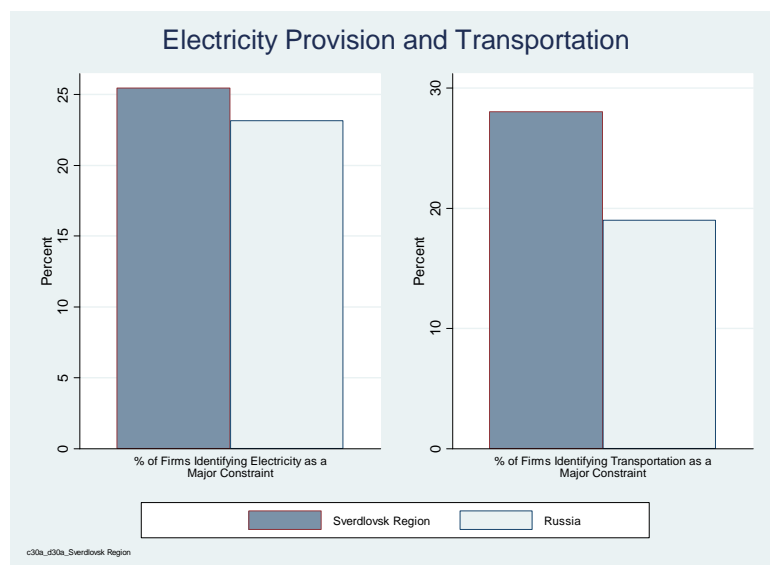
A strong infrastructure enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations.

The survey captures the dual challenge of providing a strong infrastructure for electricity, water supply, telephone connections, etc., and the development of institutions that effectively provide and maintain public services.

The first set of indicators shows the extent to which firms are faced with failures in the provision of electricity and the effect of these failures on sales. Inadequate electricity supply can increase costs, disrupt production, and reduce profitability.

The second set of indicators measures the efficiency of the water supply for the manufacturing sector. Many manufacturing sectors depend on reliable and efficient sources of water for their operations.

The third set of indicators evaluates the efficiency of infrastructure services by quantifying the delays in obtaining electricity, water, and telephone connections. Service delays impose additional costs on firms and may act as barriers to entry and investment.





## Trade

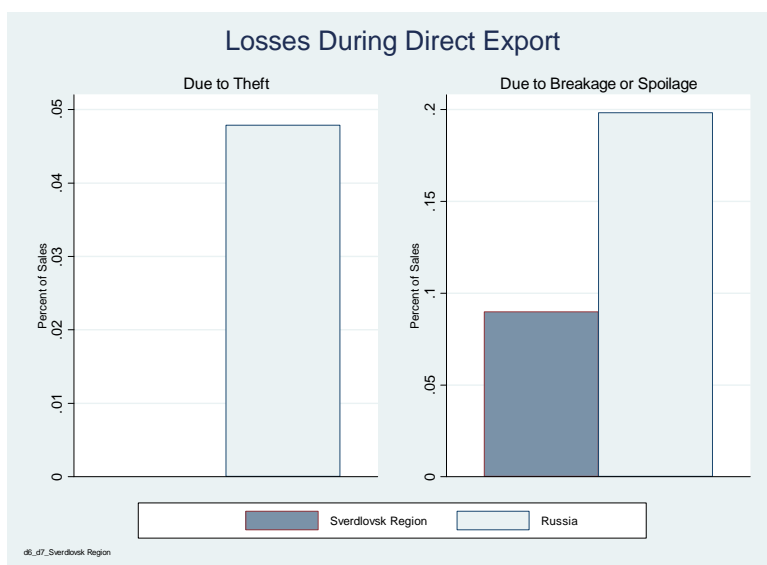
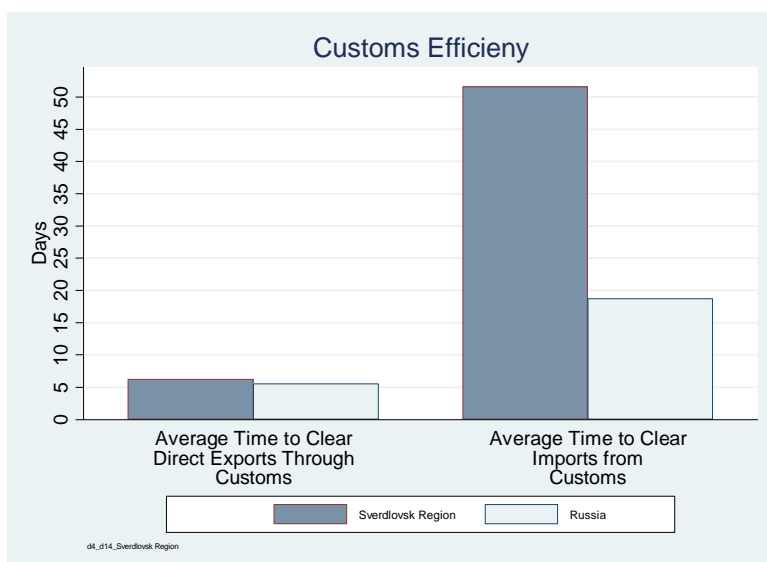
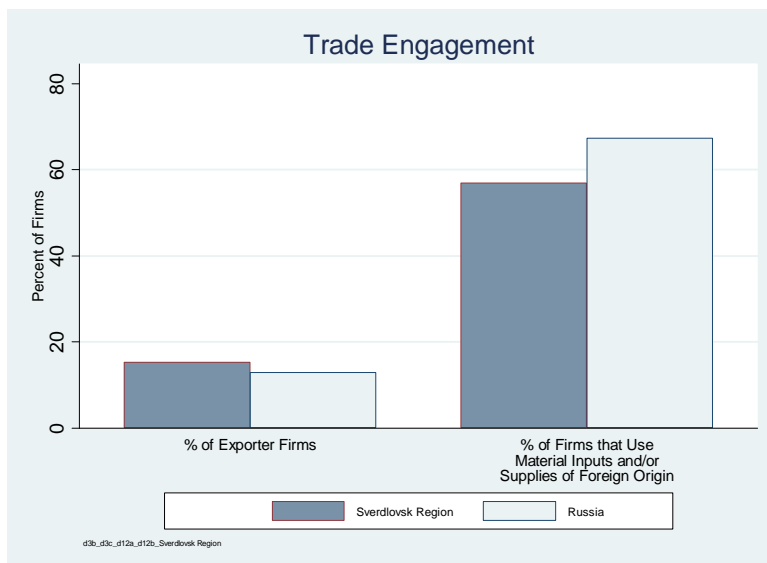
Open markets allow firms to expand, raise standards for efficiency on exporters, and enable firms to import low cost supplies. However, trading also forces firms to deal with customs services and trade regulations, obtain export and import licenses, and in some cases, firms also face additional costs due to losses during transport.

The survey collects information on the operational constraints faced by exporters and importers and also quantifies the trade activity of firms.

The first set of indicators provides a measure of the intensity of foreign trade in the private sector. The first graph shows the percentage of firms who export directly or indirectly, i.e. using an intermediary. The second panel shows the percentage of manufacturing firms who use inputs or supplies of foreign origin.

The second set of indicators measures the average number of days to clear customs for imports and exports. The delay in clearing customs for imports or exports creates additional costs to the firm, can interrupt production, interfere with sales, and result in damaged supplies or merchandise.

The third set of indicators shows the percent value of exports lost during transport due to merchandise theft, and breakage or spoilage, reflecting the transport risks firms face during the export process.



## Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

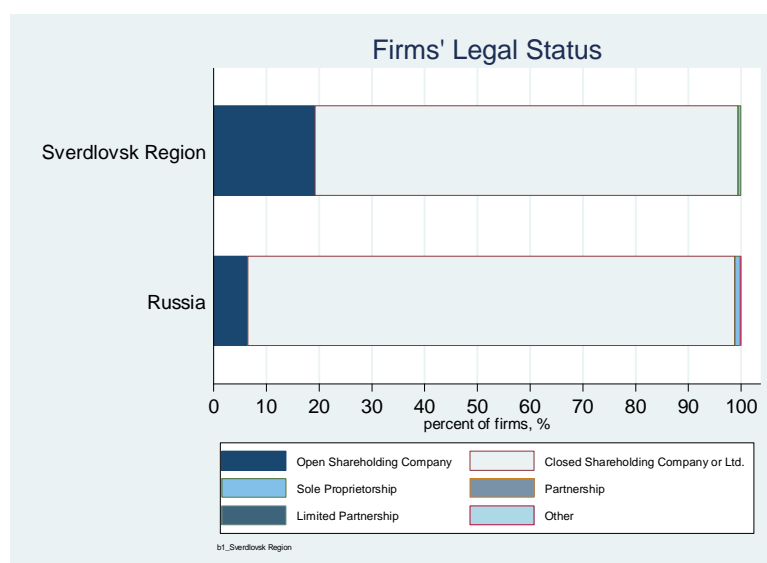
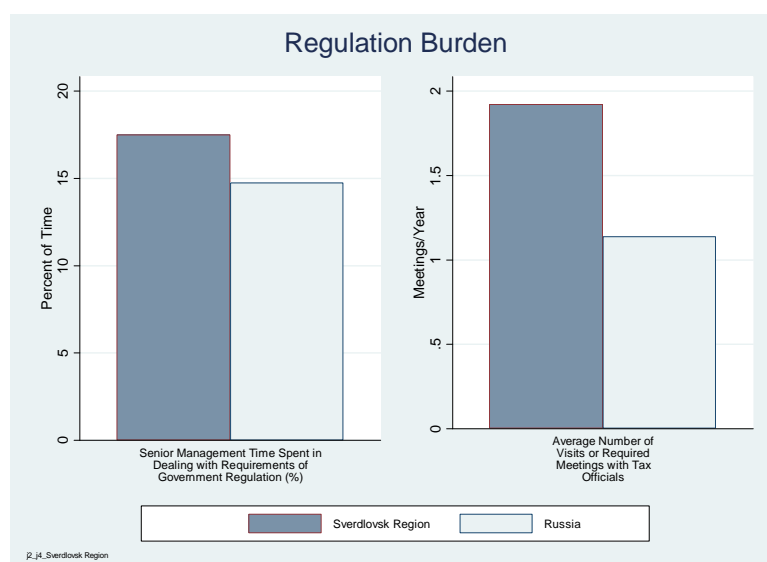
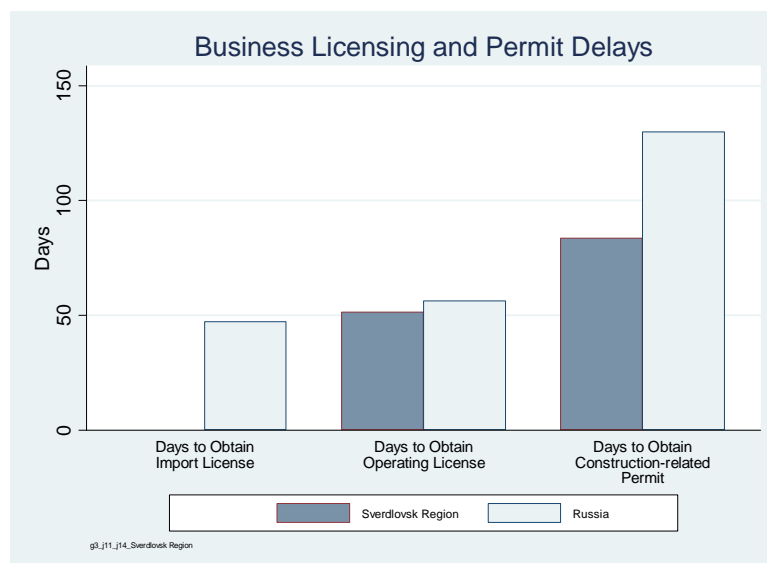
Effective regulations address market failures that inhibit productive investment and reconcile private and public interests. The number of permits and approvals that businesses need to obtain, and the time it takes to obtain them, is expensive and time consuming. The existing legislation of a country also determines the mix of legal forms private firms take and determines the level of protection for investors thus affecting the incentives to invest.

The survey provides qualitative and quantitative measures of taxation, regulations, and business licensing.

The first set of indicators focuses on the efficiency of business licensing and permit services. The indicators evaluate the delays faced when demanding these services.

The second set of indicators approximates the “time tax” imposed by regulations: it measures the time spent by senior management in meetings with public officials and the average number of tax inspections or meetings with tax inspectors in a year.

The third indicator shows the relative use of the different legal forms in the private sector. Most legal forms can be classified into shareholding companies with shares traded privately or non-traded at all (closed), shareholding companies publicly traded (open), sole proprietorships, partnerships, and limited partnerships. A residual category is included to capture legal forms not easily classified into the other categories.



## Corruption

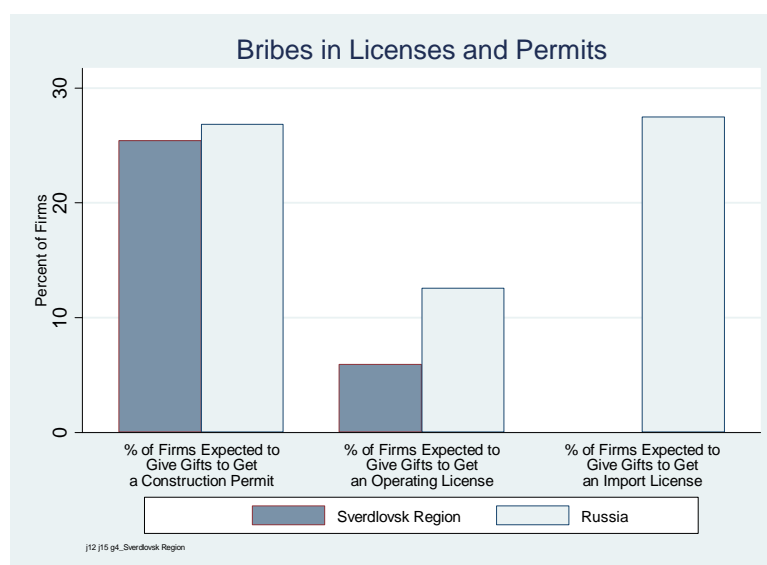
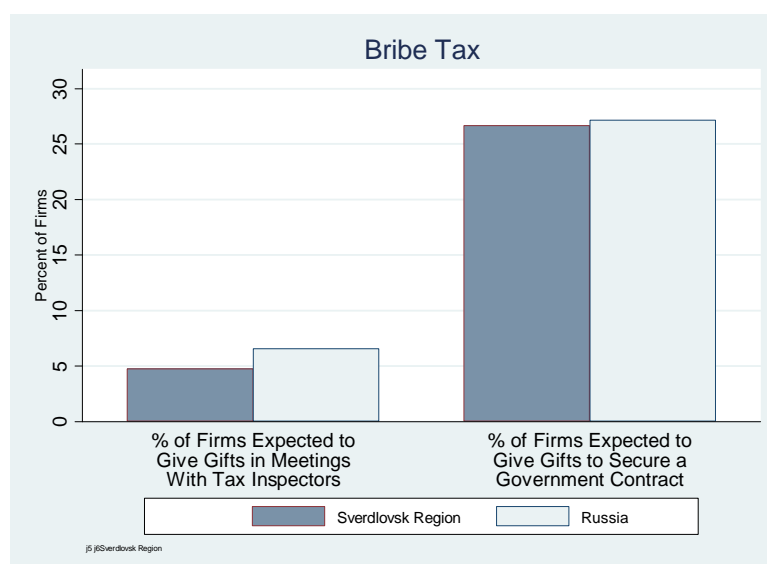
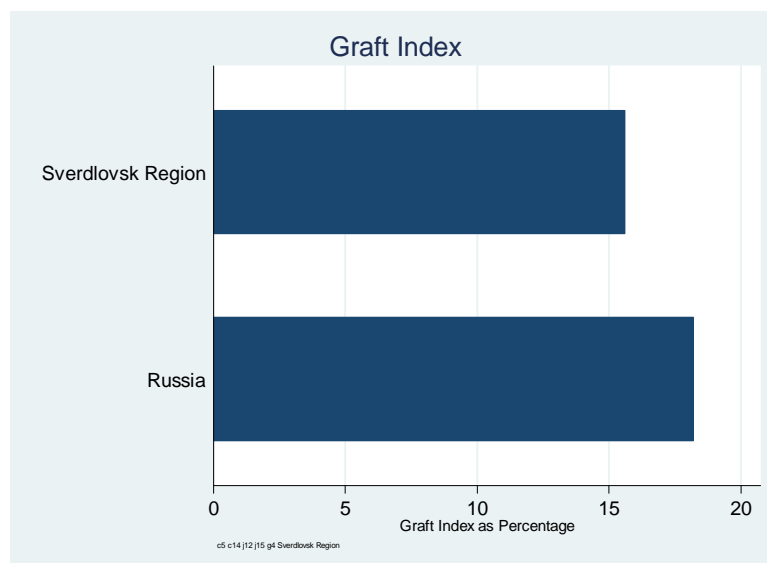
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

Inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make “unofficial” payments to public officials to get things done. In many countries bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for the firms’ growth and development.

The first set of indicators measures a composite index of corruption, the Graft Index that reflects the proportion of instances a firm was asked or expected to pay a bribe when soliciting six different public services, permits or licenses.

The second set of indicators identifies the extent to which specific regulatory and administrative officials require bribe payments during meetings with tax inspectors or in order to secure a government contract.

The third set of indicators focuses on bribes to obtain specific licenses or permits, and shows the share of firms that are expected to make informal payments to secure import and operating licenses and to obtain a construction permit.



## Crime and Informality

Crime imposes costs on firms when they are forced to divert resources from productive uses to cover security costs. Both foreign and domestic investors perceive crime as an indication of social instability, and crime drives up the cost of doing business. Also, commercial disputes between firms and their clients occur regularly in the course of doing business. Resolving these disputes can be challenging when legal institutions are weak or nonexistent.

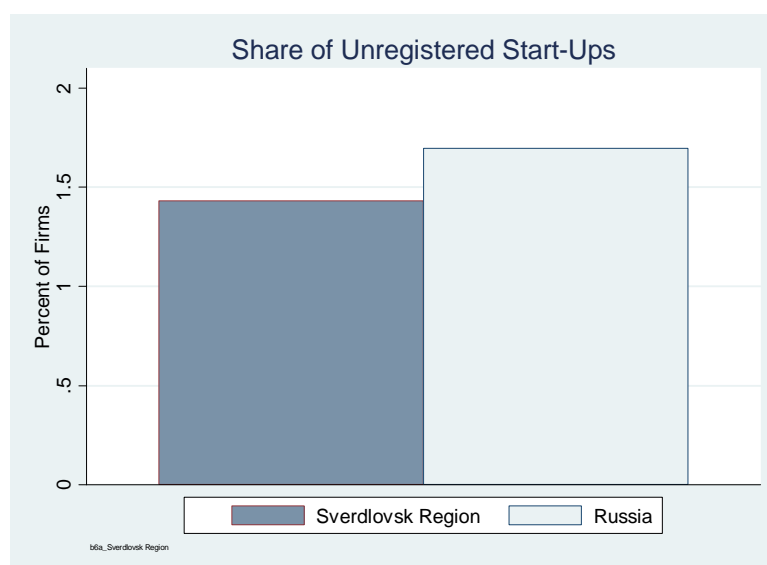
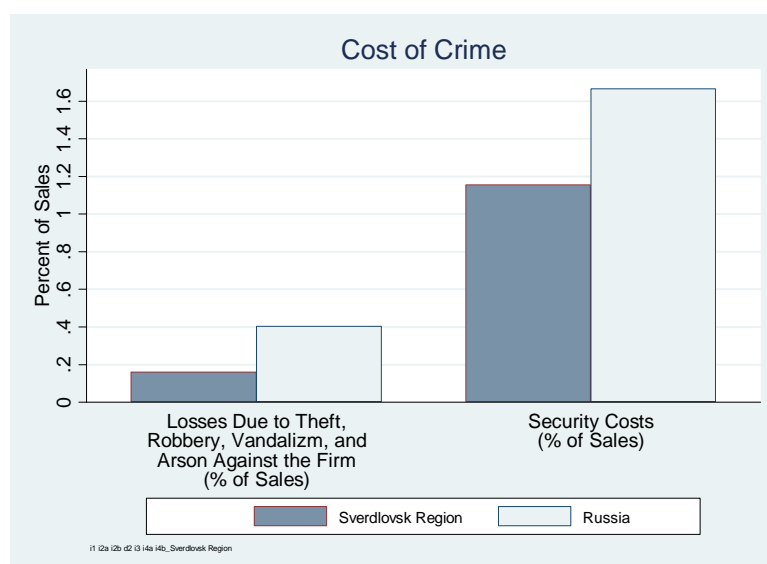
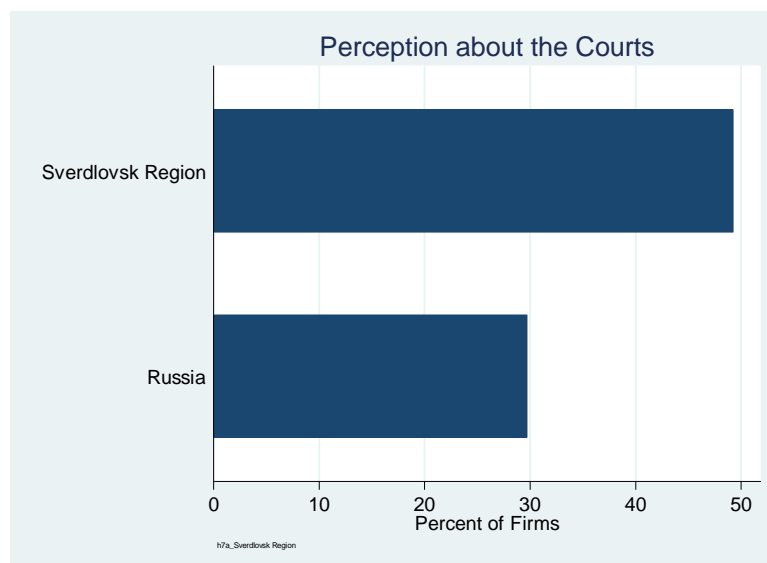
Similarly, a large informal sector has serious consequences for the formal private sector. The informal sector may pose unfair competition for formal firms.

The survey captures key dimensions of the effect of crime on firm sales, the extent to which entrepreneurs identify courts as fair, and the degree of informality in an economy.

The first indicator shows the share of firms that recognize the functioning of the courts as being fair, impartial, and uncorrupted.

The second set of indicators measures the direct costs of security incurred by firms as well as their direct losses due to crime. These resources represent an opportunity cost since they could have been invested in productive activities.

The third set of indicators shows the percentage of firms that started operation without begin formally registered. It is an approximation to the prevalence of informality in the private economy.



## Finance

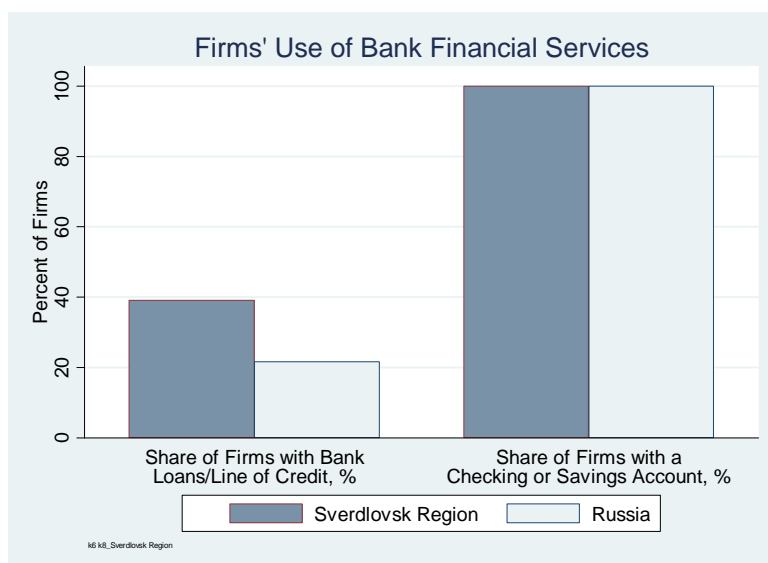
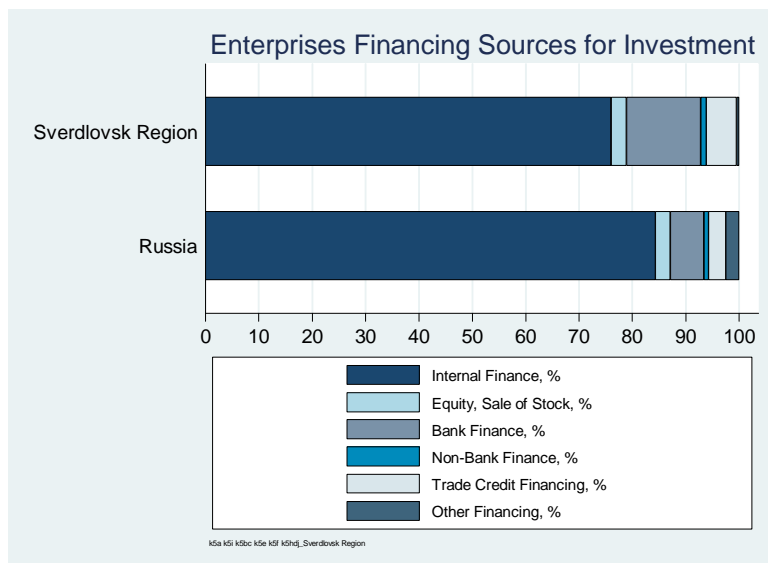
Developed financial markets provide payment services, mobilize deposits, and ease investment financing. Efficient financial markets reduce the reliance on internal funds and on money from informal sources such as family and friends by connecting firms to a broad range of lenders and investors.

The survey provides indicators of how firms finance their operations and of the characteristics of their financial transactions.

The first set of indicators compares the relative use of various sources for financing investment. Excessive reliance on internal funds is a sign of potentially inefficient financial intermediation.

The second set of indicators measures the use of financial markets by individual firms. It presents the percentage of working capital that is financed by sources external to the firm, and a measure of the burden imposed by loan requirements measured by collateral levels relative to the value of the loans.

The third set of indicators focuses on the use of financial services by private firms both on the credit side, by measuring the percentage of firms with bank loans or lines of credit, and on the deposit mobilization side, by measuring the percentage of firms with checking or savings accounts.



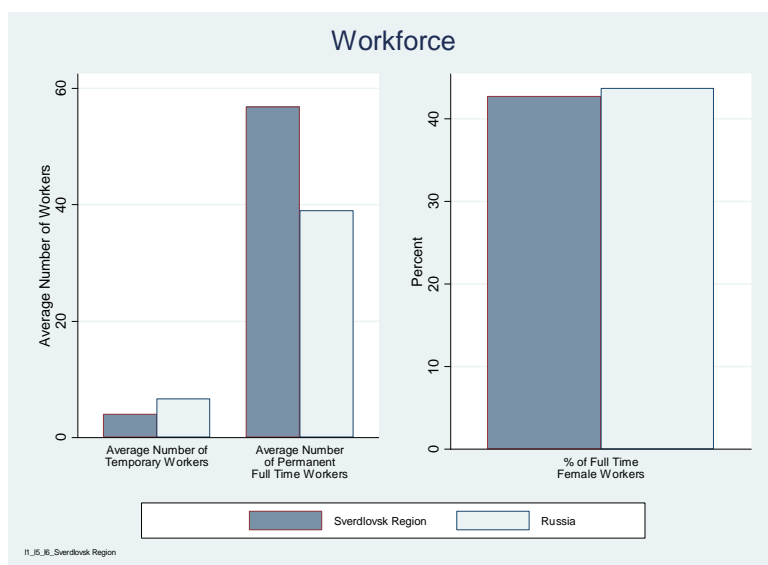
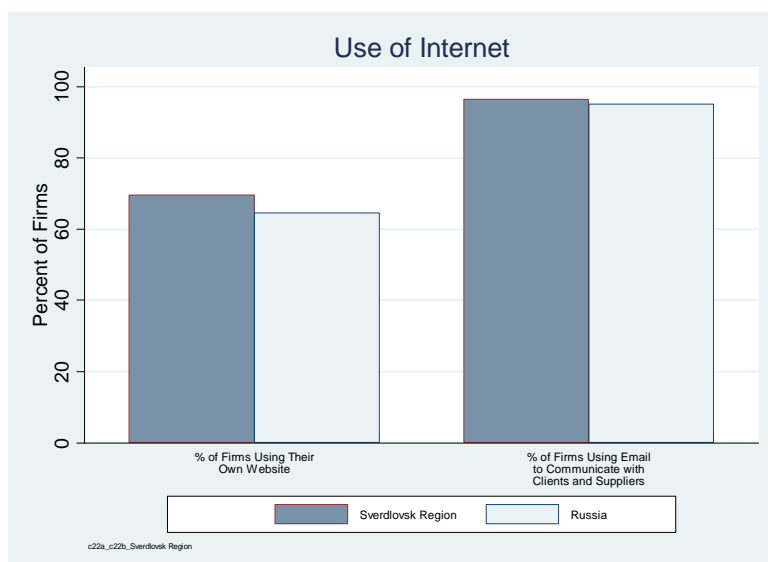
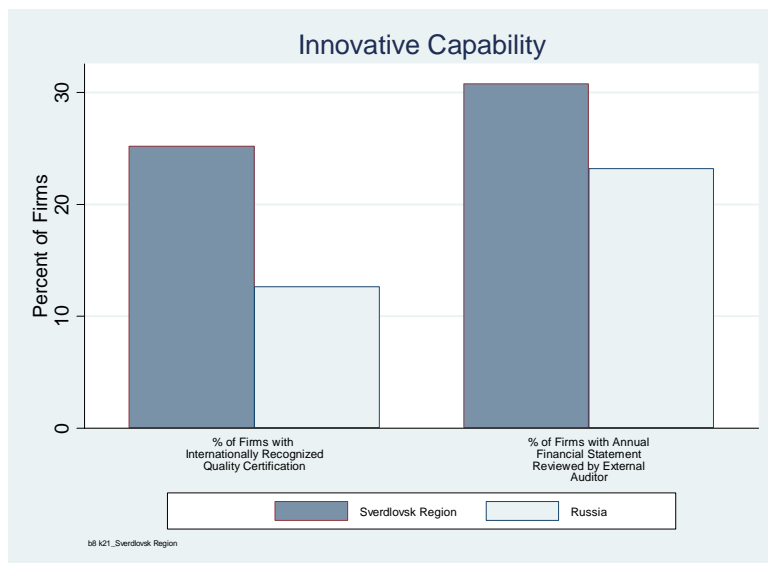
## Innovation and Workforce

The Survey provides indicators that describe several dimensions of technology use and innovation. They also collect information on the characteristics of the workforce employed in the non-agricultural private economy.

The first set of indicators measures the extent to which firms invest in obtaining recognized certificates of production and accounting practices. Obtaining international quality certifications can open doors to technology and innovation and they also provide a sign of high quality that may open markets.

The second set of indicators demonstrates the use of information and communications technologies (ICT) in business transactions. ICT, such as the Internet, are important tools for all firms because they provide even the smallest of enterprises with the ability to reach national and international markets at low cost.

The third set of indicators presents the composition of the firm's workforce by type of contract and gender. Labor regulations have a direct effect on the type of employment favored by firms and they may have a differing impact by gender. The first two indicators present the composition of the workforce classified into temporary and permanent workers. The last indicator reflects the participation of women in regular full-time employment.



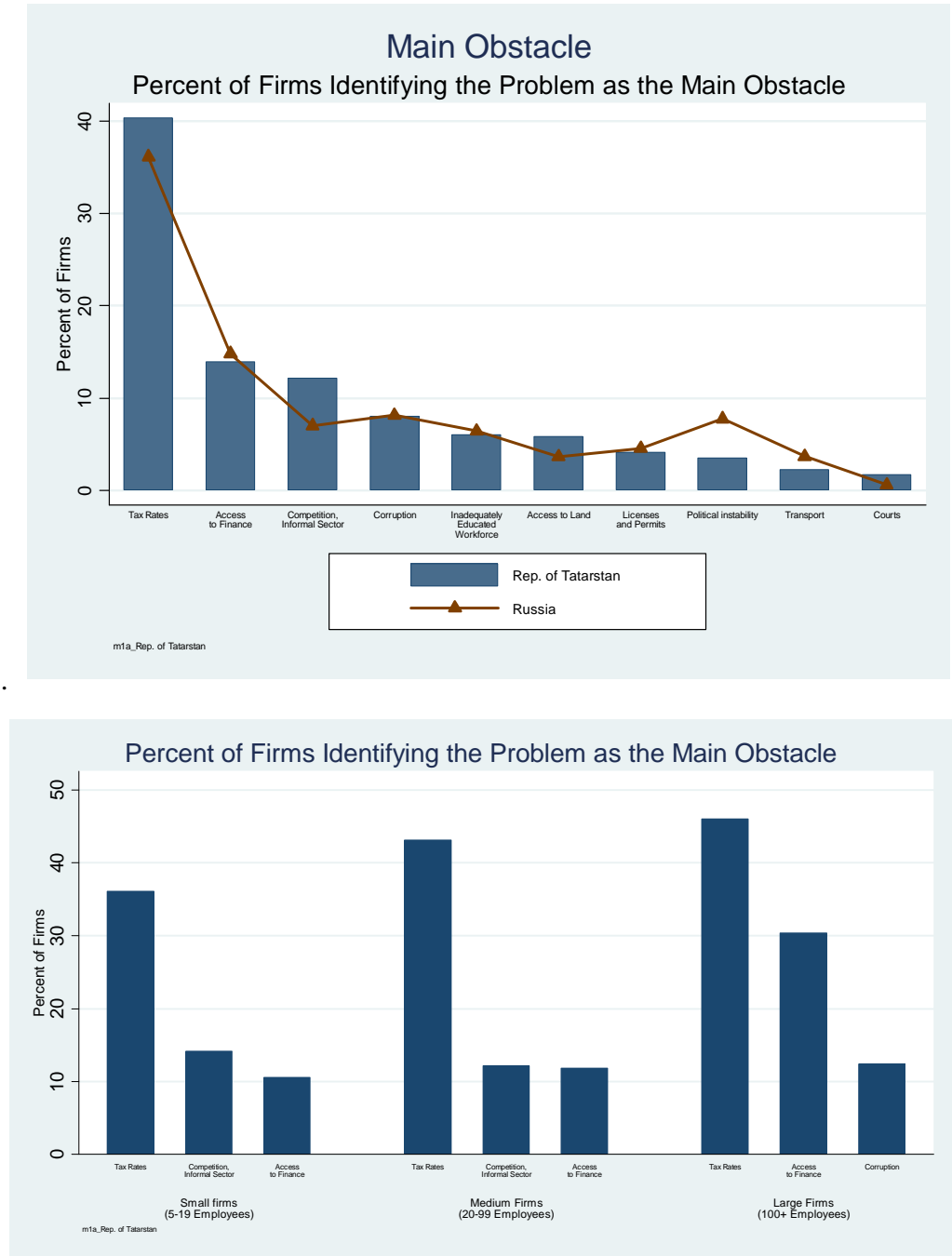
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	<i>Sverdlovsk Region</i>	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	1.01	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	1.40	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	4.1%	5.9%		
<b>Transport</b>	1.41	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	4.2%			
<b>Customs and trade regulations</b>	0.91	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	7.7%	9.8%	5.5%	17.8%
<b>Practices of informal competitors</b>	0.71	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	3.1%			
<b>Access to land</b>	0.44	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	0.7%			
<b>Crime, theft and disorder</b>	0.83	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	4.4%			
<b>Access to finance</b>	1.19	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	6.7%	6.3%		
<b>Tax rates</b>	2.45	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	4.7%			
<b>Tax administration</b>	1.18	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	7.2%	12.0%	7.2%	
<b>Business licensing and permits</b>	0.79	0.29	Kirov Region; Smolensk Region; Stavropol Territory	3.8%	7.0%	2.7%	11.9%
<b>Political instability</b>	1.48	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	8.3%	7.1%	4.2%	41.1%
<b>Corruption</b>	1.48	0.60	Irkutsk Region; Kirov Region; Smolensk Region	9.7%	8.4%	4.4%	24.6%
<b>Courts</b>	0.54	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	4.8%	7.2%		
<b>Labor regulations</b>	0.61	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	5.1%			
<b>Inadequately educated workforce</b>	1.42	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	6.1%	7.5%	5.5%	

Republic of Tatarstan.<sup>31</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Republic of Tatarstan benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Republic of Tatarstan.



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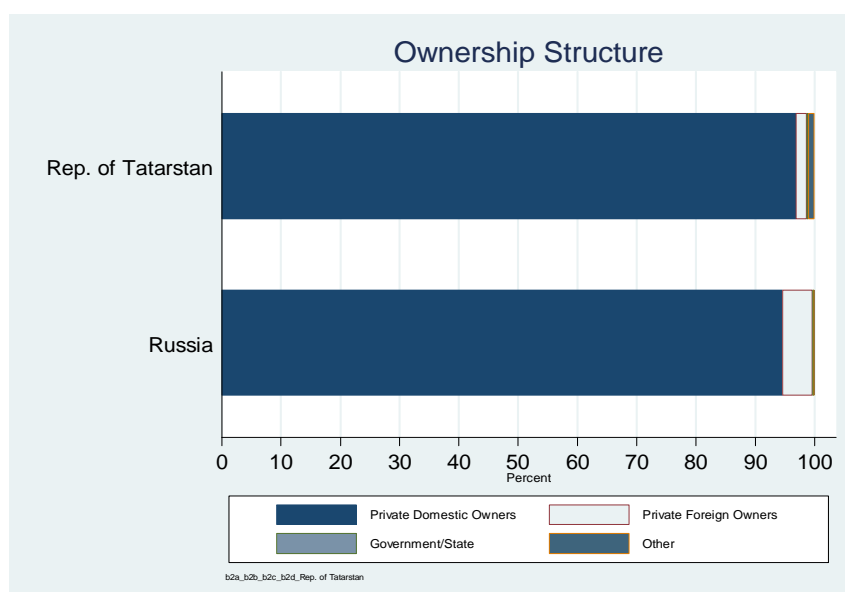
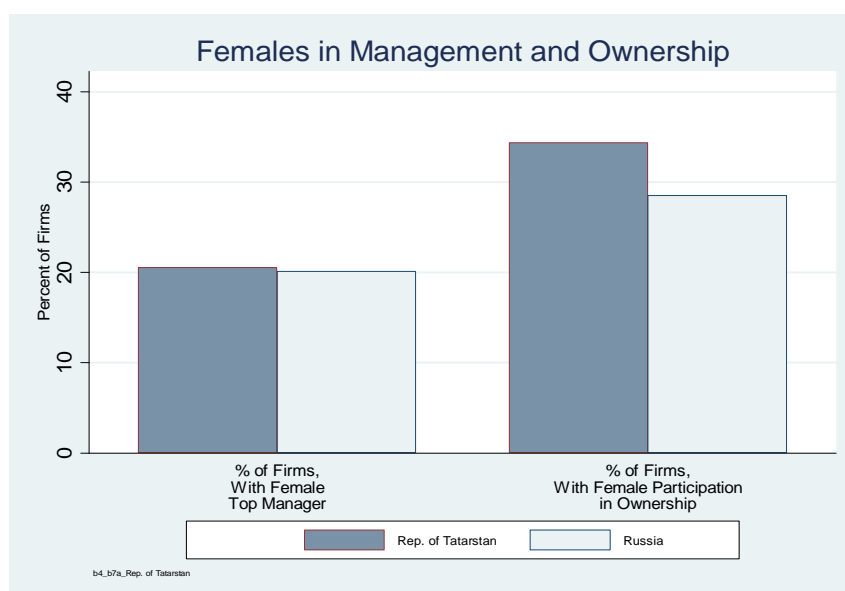
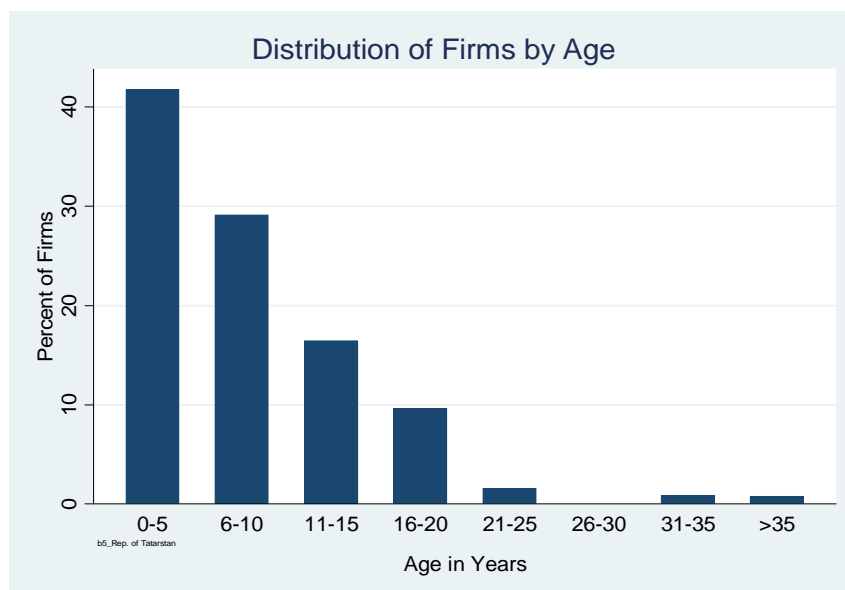
## Average Firm

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## Infrastructure

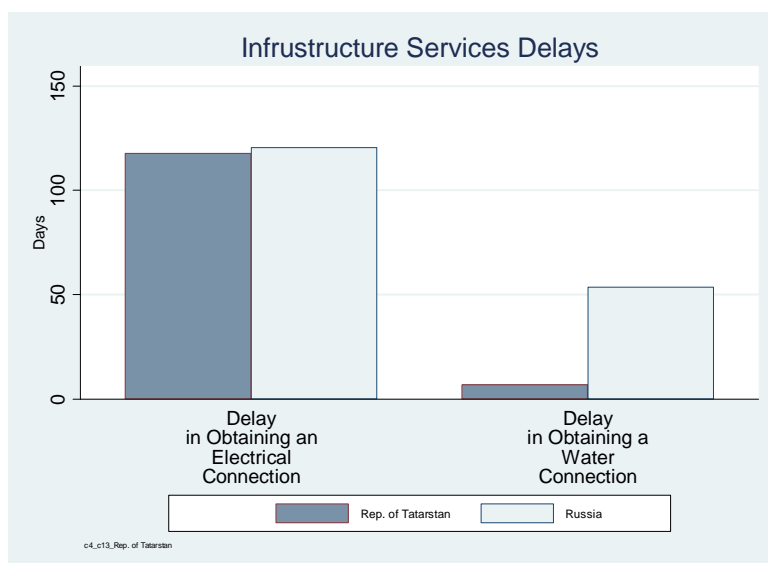
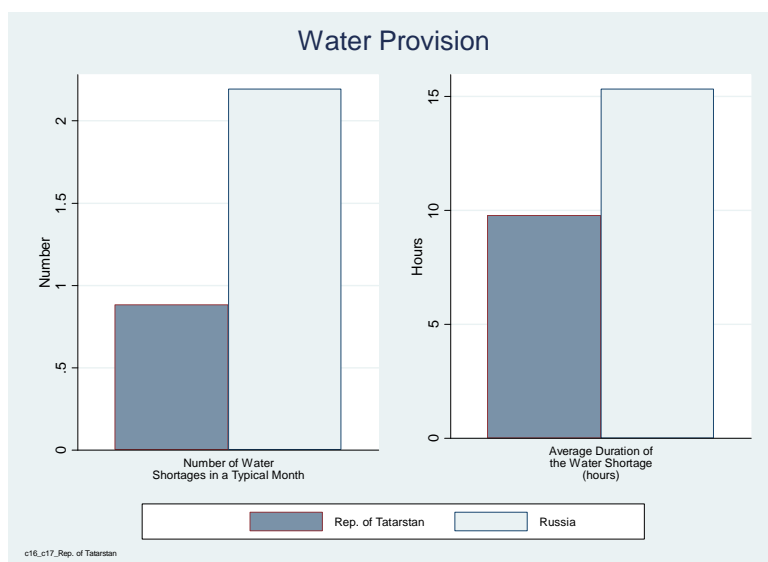
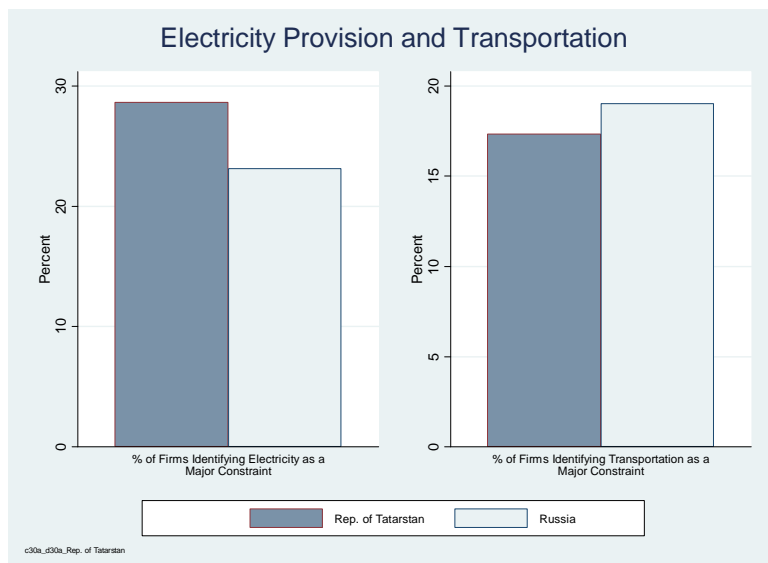
A strong infrastructure enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations.

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## Trade

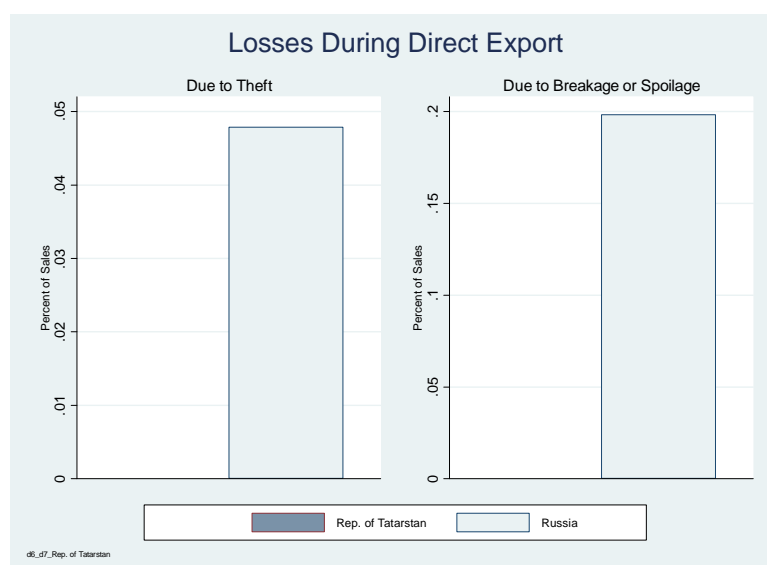
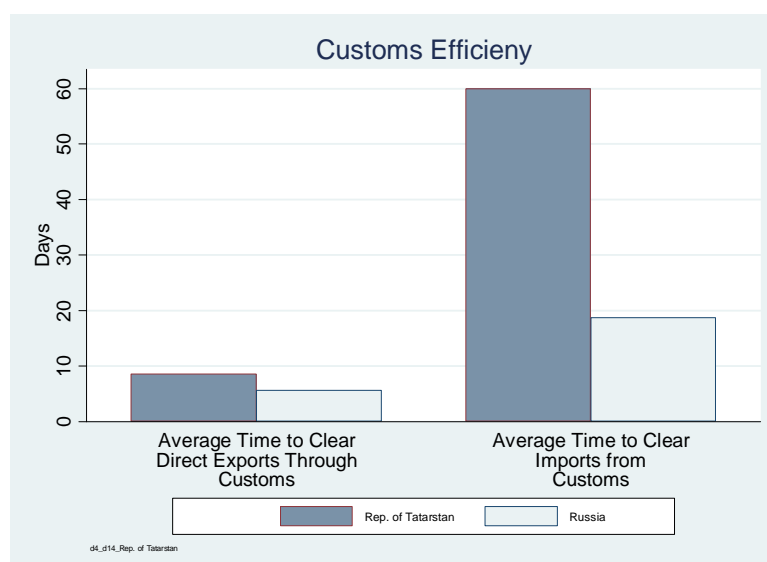
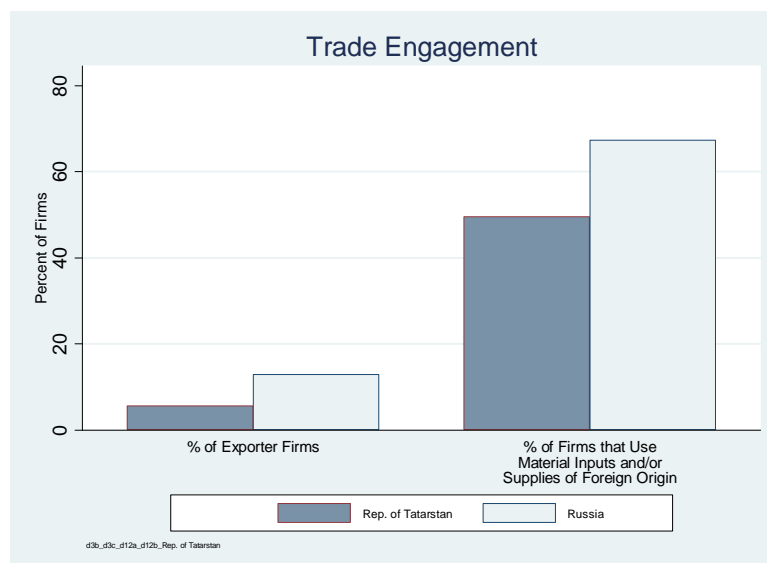
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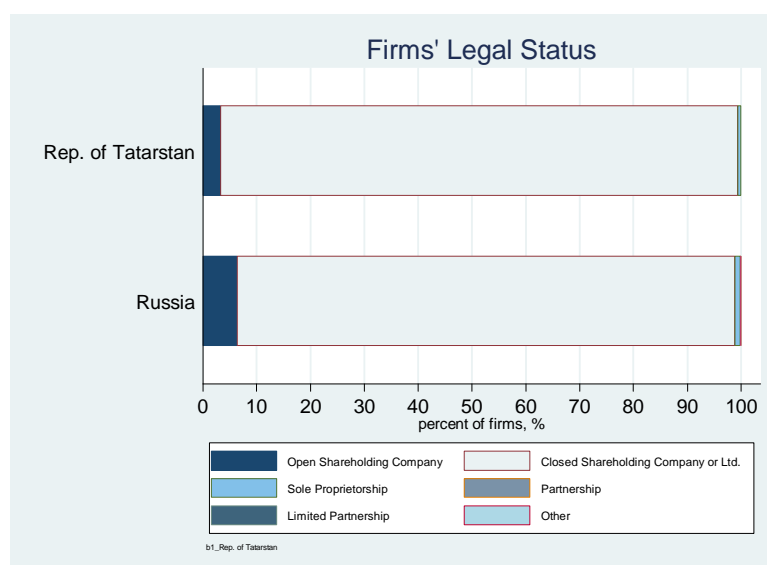
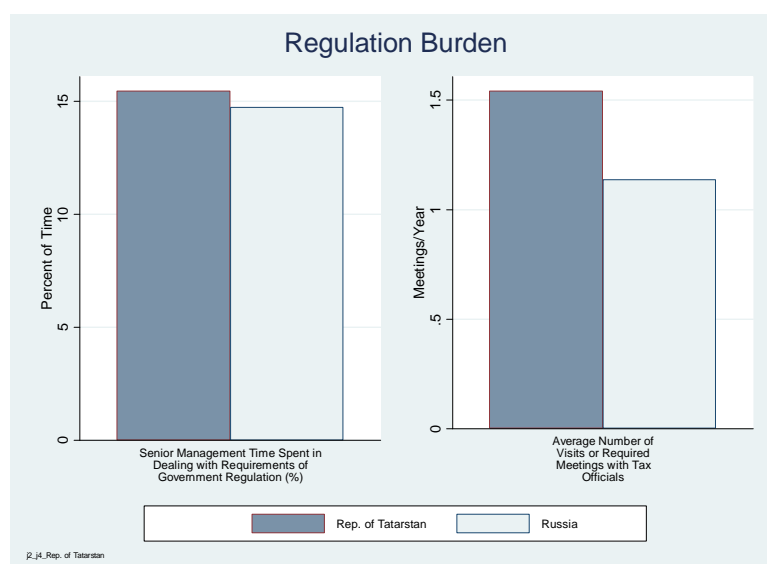
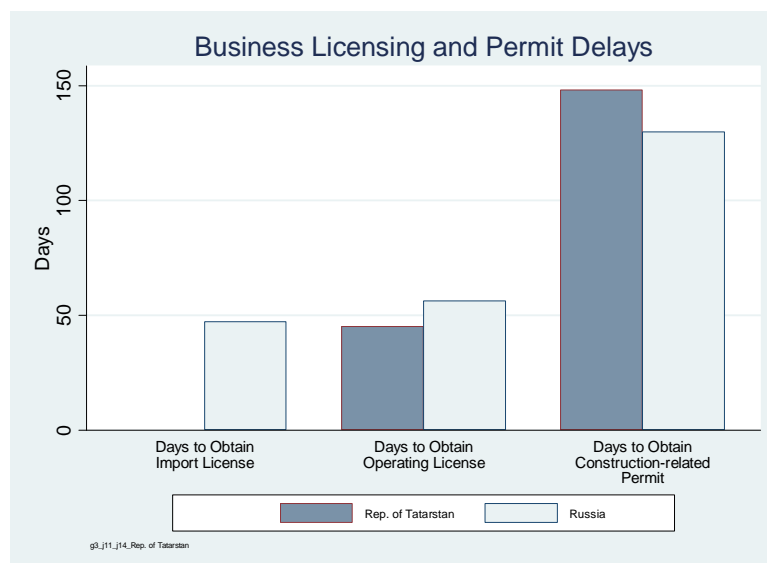
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## Corruption

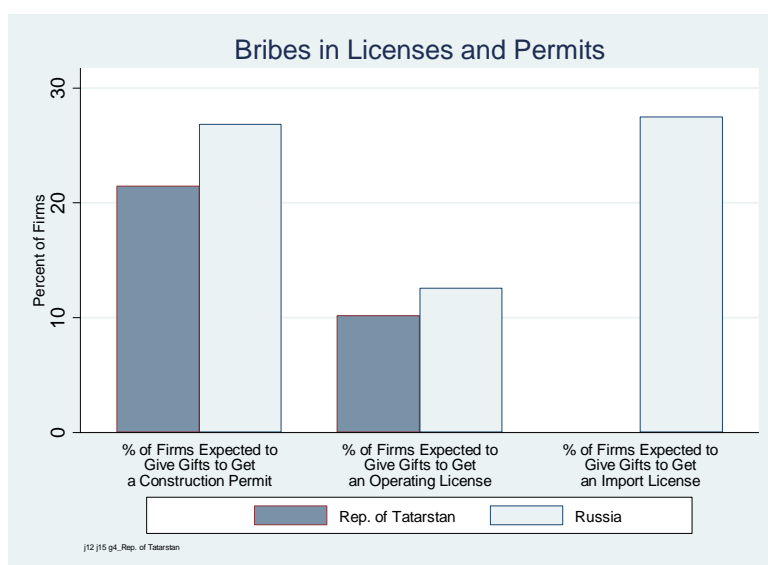
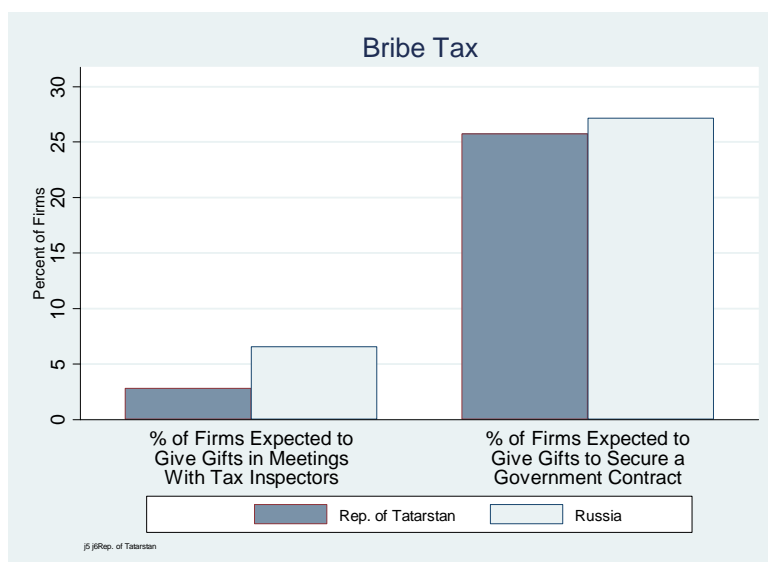
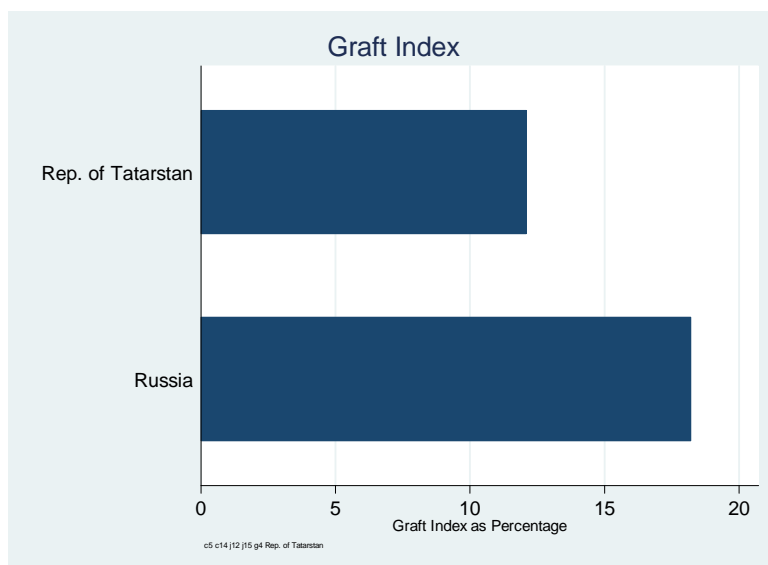
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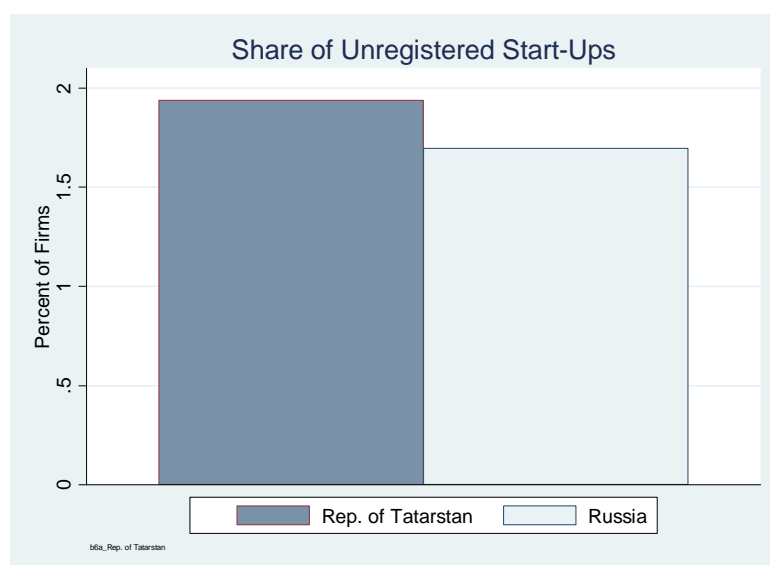
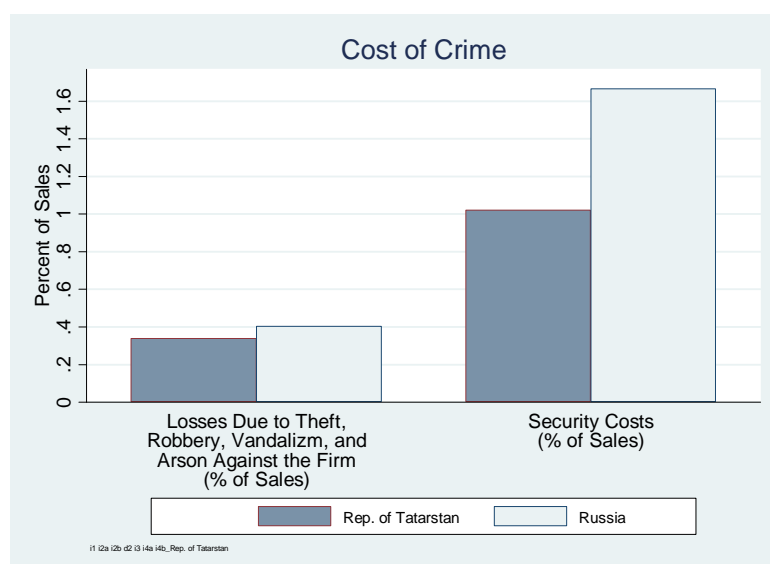
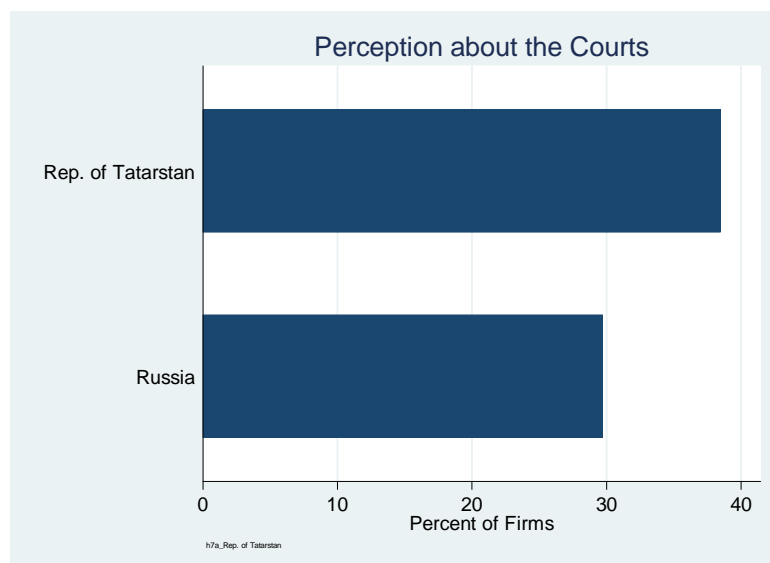
Similarly, a large informal sector has serious consequences for the formal private sector. The informal sector may pose unfair competition for formal firms.

The survey captures key dimensions of the effect of crime on firm sales, the extent to which entrepreneurs identify courts as fair, and the degree of informality in an economy.

The first indicator shows the share of firms that recognize the functioning of the courts as being fair, impartial, and uncorrupted.

The second set of indicators measures the direct costs of security incurred by firms as well as their direct losses due to crime. These resources represent an opportunity cost since they could have been invested in productive activities.

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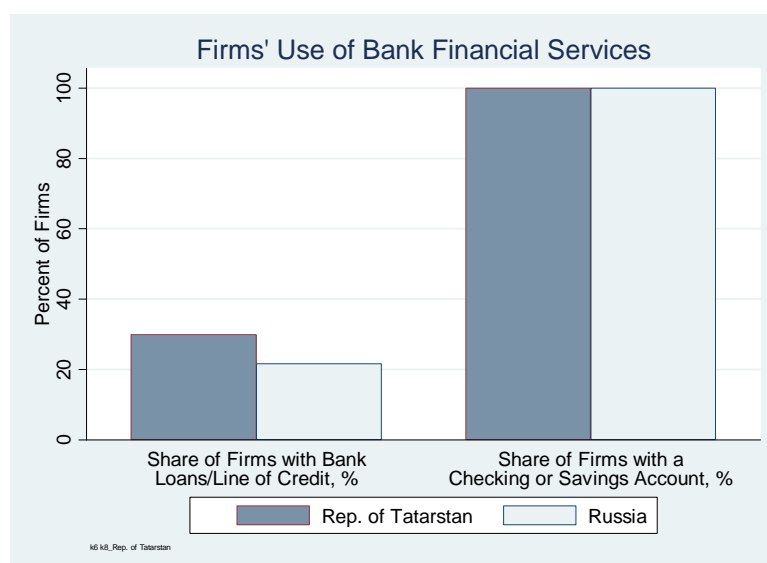
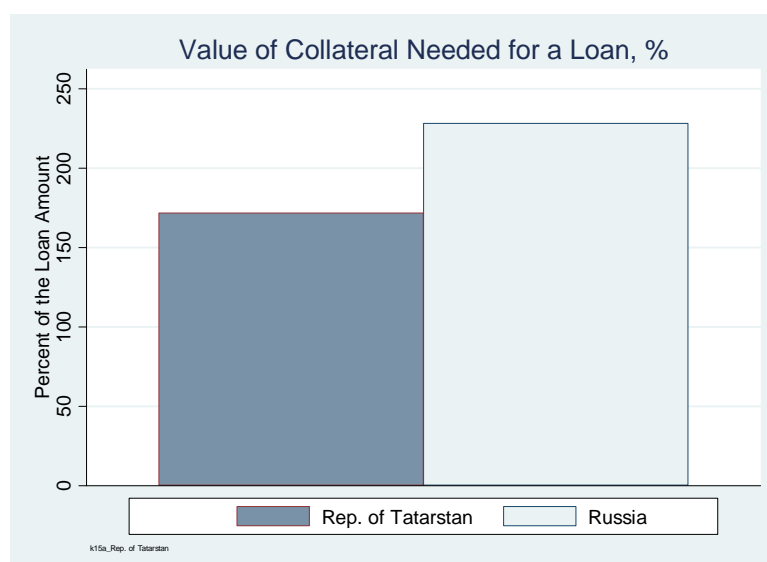
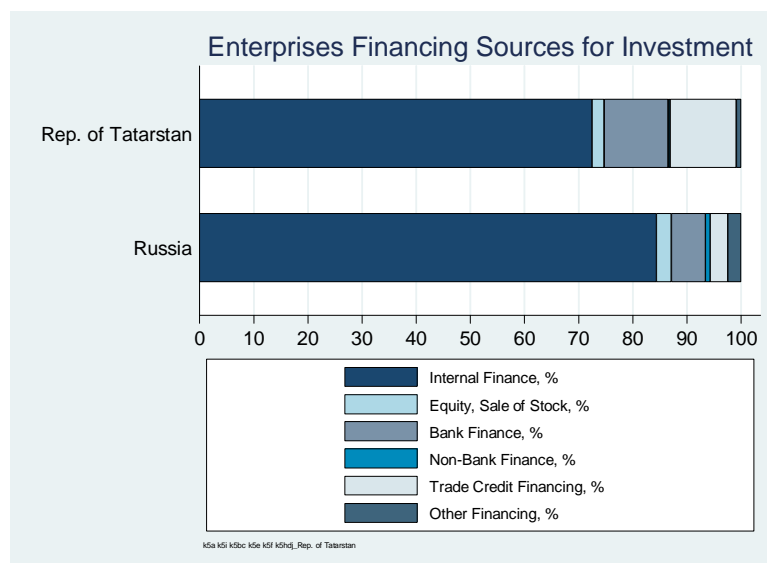
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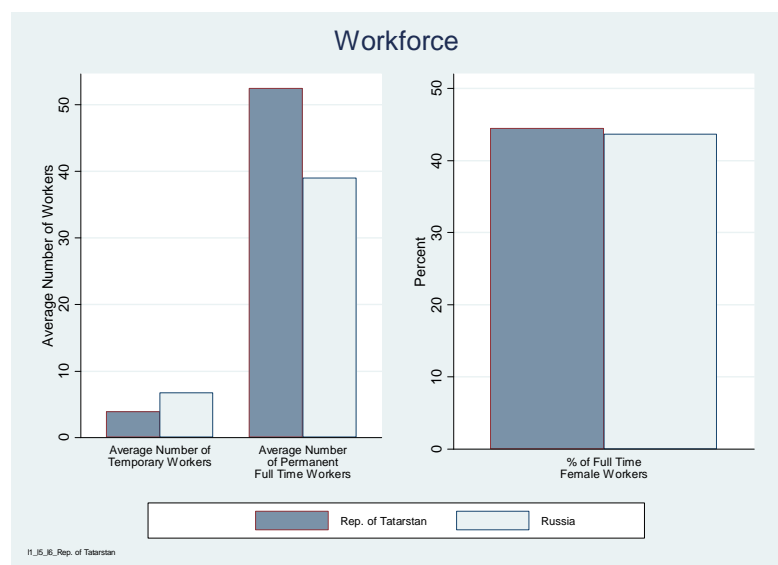
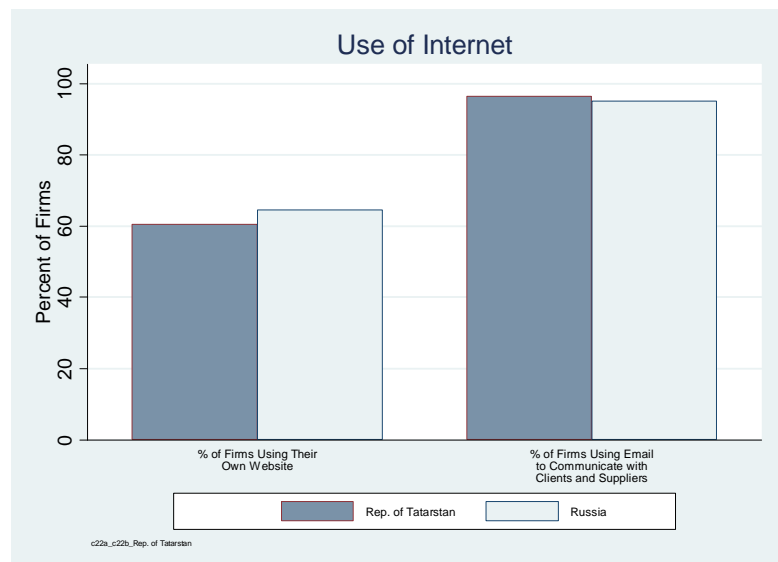
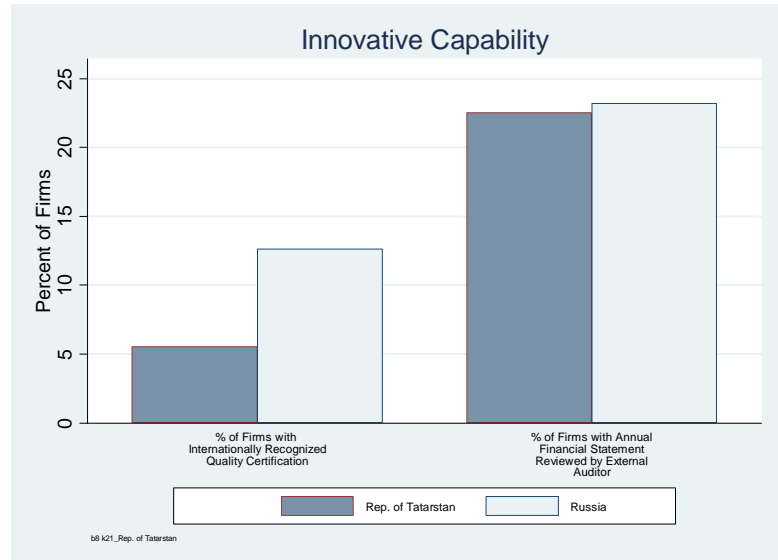
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The third set of indicators presents the composition of the firm's workforce by type of contract and gender. Labor regulations have a direct effect on the type of employment favored by firms and they may have a differing impact by gender. The first two indicators present the composition of the workforce classified into temporary and permanent workers. The last indicator reflects the participation of women in regular full-time employment.





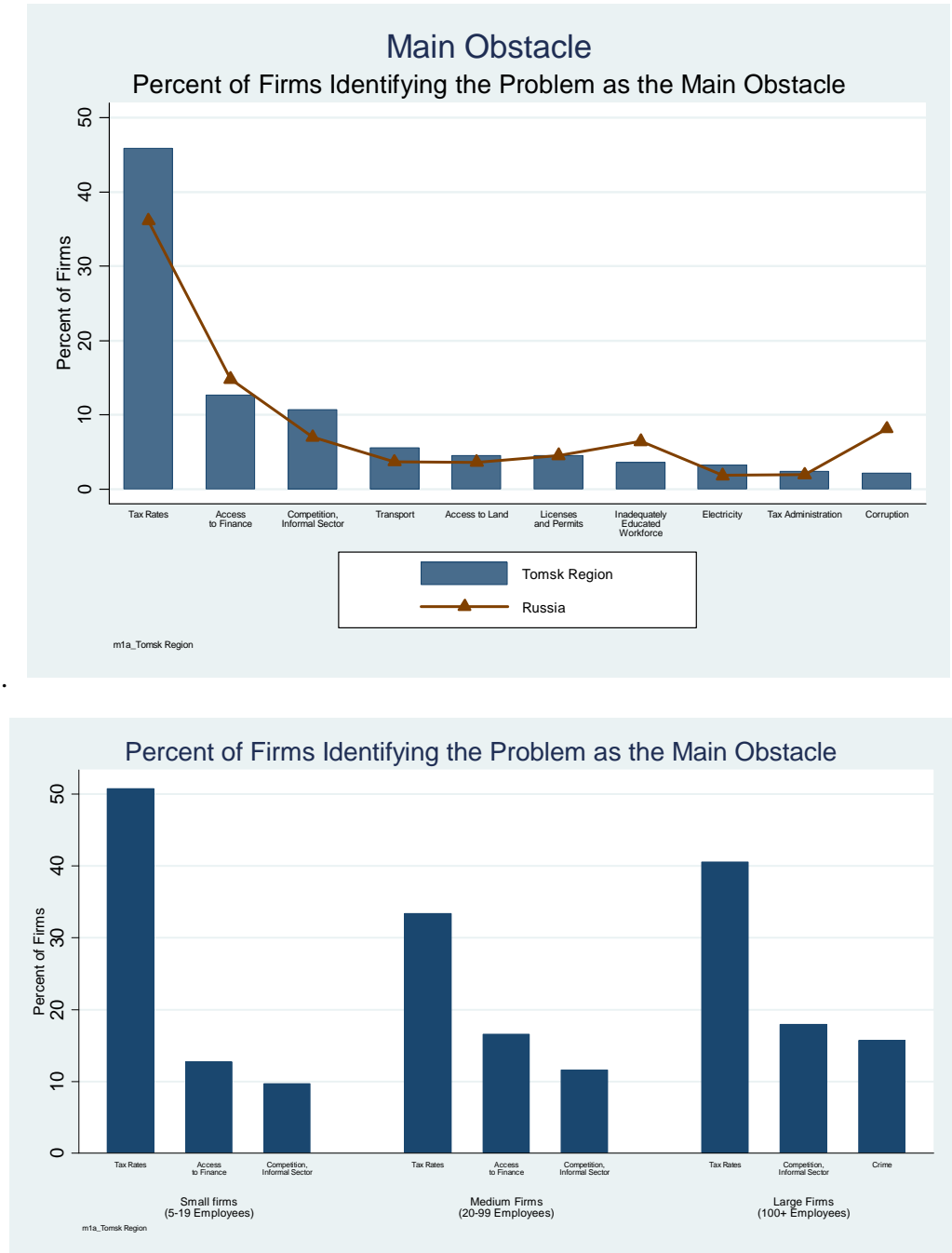
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	Republic of Tatarstan	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	1.38	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	1.18	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	3.2%	4.7%		
<b>Transport</b>	0.95	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	2.4%			
<b>Customs and trade regulations</b>	0.38	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	2.6%	3.3%	1.9%	6.0%
<b>Practices of informal competitors</b>	0.90	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	4.6%			
<b>Access to land</b>	0.91	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	4.3%			
<b>Crime, theft and disorder</b>	0.93	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	5.0%			
<b>Access to finance</b>	1.15	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	6.2%	5.9%		
<b>Tax rates</b>	2.47	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	4.8%			
<b>Tax administration</b>	0.98	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	5.5%	9.1%	5.5%	
<b>Business licensing and permits</b>	0.68	0.29	Kirov Region; Smolensk Region; Stavropol Territory	3.0%	5.4%	2.1%	9.2%
<b>Political instability</b>	1.02	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	3.2%	2.8%	1.6%	15.8%
<b>Corruption</b>	1.21	0.60	Irkutsk Region; Kirov Region; Smolensk Region	6.7%	5.8%	3.1%	17.0%
<b>Courts</b>	0.49	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	4.3%	6.5%		
<b>Labor regulations</b>	0.48	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	3.7%			
<b>Inadequately educated workforce</b>	1.42	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	6.1%	7.5%	5.5%	

Tomsk Region.<sup>32</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Tomsk Region benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Tomsk Region.



<sup>32</sup> 122 companies were surveyed by in Tomsk Region. The benchmarks used for comparisons are averages for Russia as a whole.

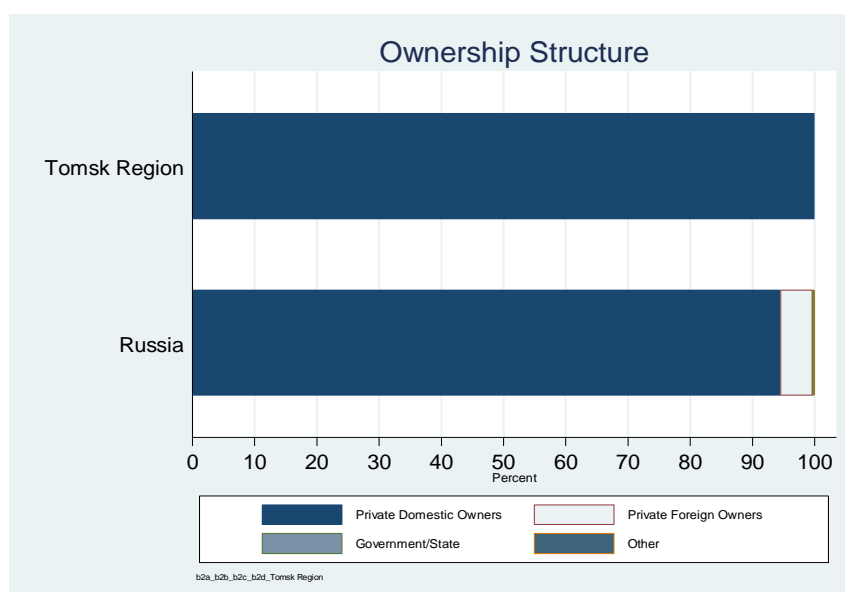
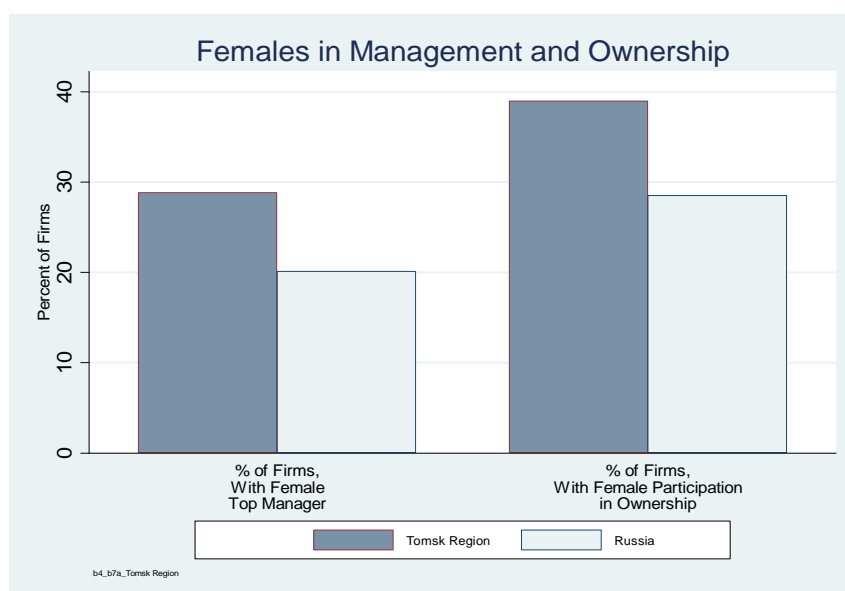
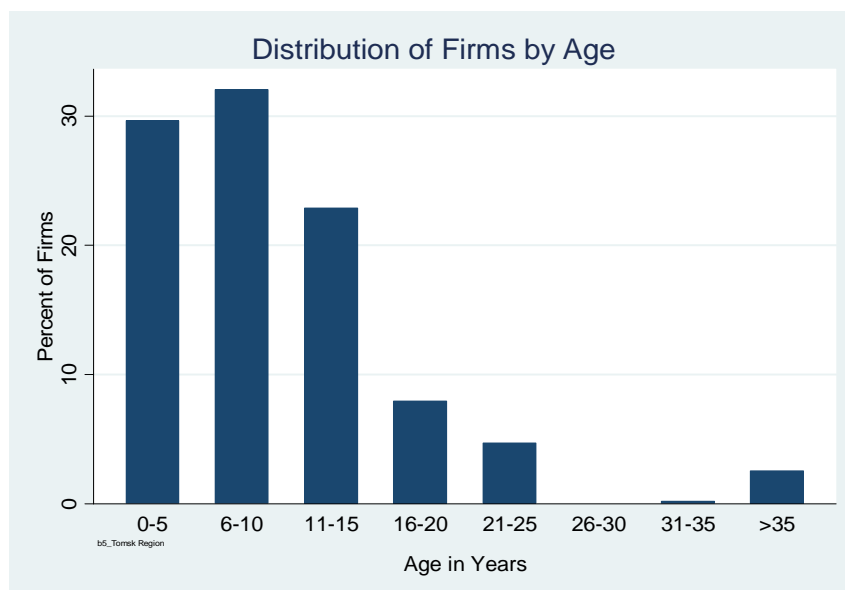
## Average Firm

The survey collects information from a representative sample of the non-agricultural formal private economy. In addition to collecting information on the business environment the surveys collect information on the characteristics of the firms interviewed. Consequently, the data collected provides a description of the representative private firm in the country and also an estimate of how some of the attributes of the average firm are distributed across the population of firms.

The first indicator shows the distribution of firms according to their age measured by the number of years they have been in operation. The effect the business environment can have on the private sector may depend on firms' experience and longevity. Seasoned firms and young firms may differ in their ability to successfully navigate the business environment.

The second set of indicators provides an illustration of female participation in management and firm ownership. These indicators can help assess whether gender can be a determinant of the effect of regulations on the firm and the level of exposure of the firm to external factors, such as corruption, access to finance, and technology.

The third indicator shows the participation of the domestic private sector, the government, the foreign sector and other sectors in the ownership of the typical firm. The distribution provides insight into their levels of equity in the private sector of the economy.



## Infrastructure

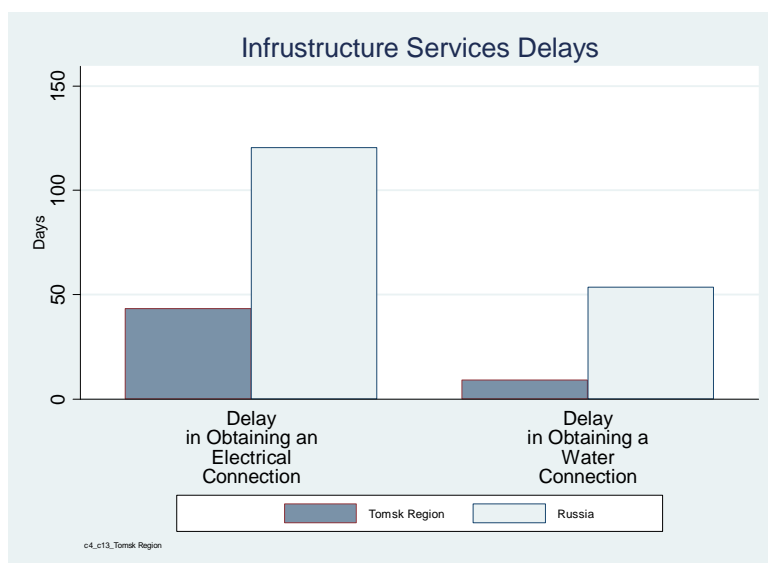
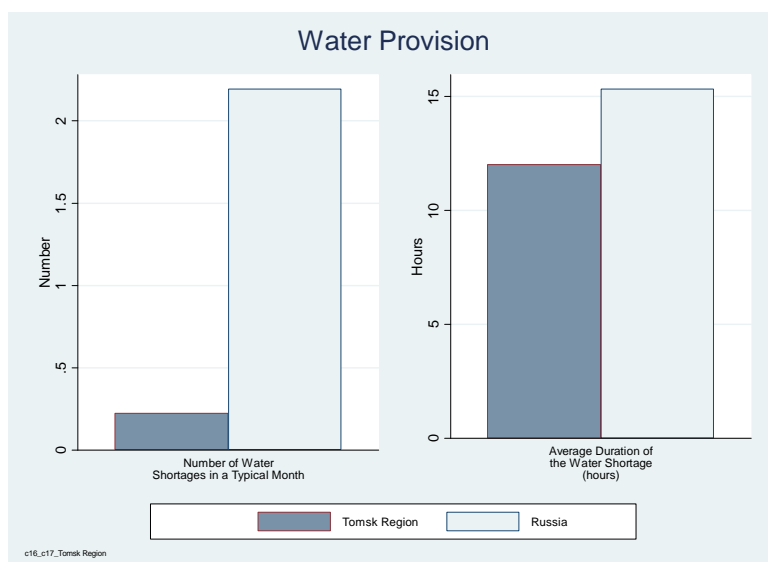
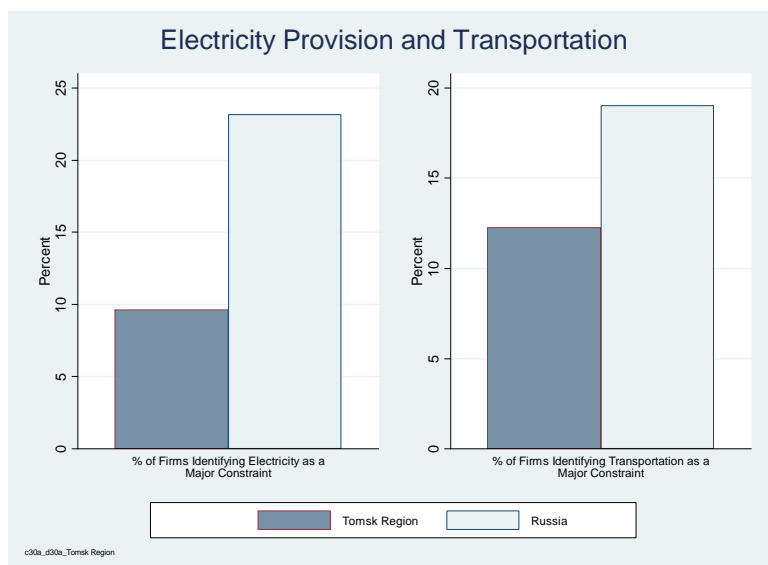
A strong infrastructure enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations.

The survey captures the dual challenge of providing a strong infrastructure for electricity, water supply, telephone connections, etc., and the development of institutions that effectively provide and maintain public services.

The first set of indicators shows the extent to which firms are faced with failures in the provision of electricity and the effect of these failures on sales. Inadequate electricity supply can increase costs, disrupt production, and reduce profitability.

The second set of indicators measures the efficiency of the water supply for the manufacturing sector. Many manufacturing sectors depend on reliable and efficient sources of water for their operations.

The third set of indicators evaluates the efficiency of infrastructure services by quantifying the delays in obtaining electricity, water, and telephone connections. Service delays impose additional costs on firms and may act as barriers to entry and investment.



## Trade

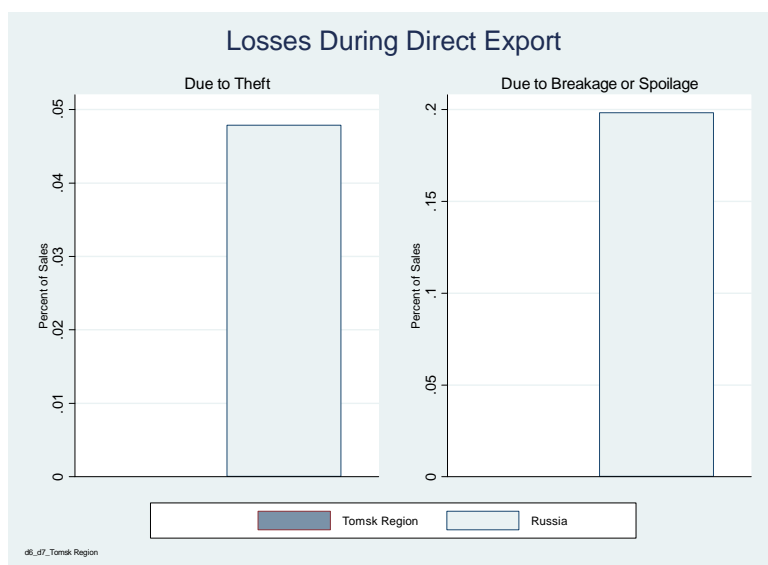
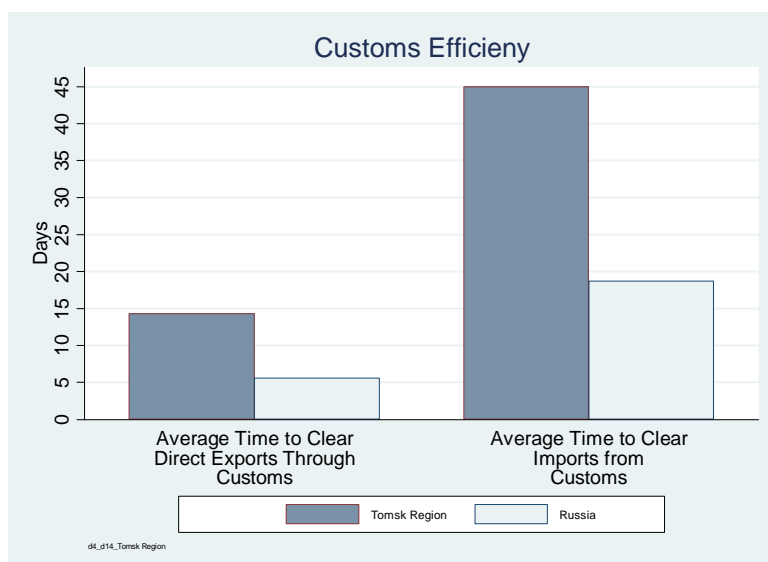
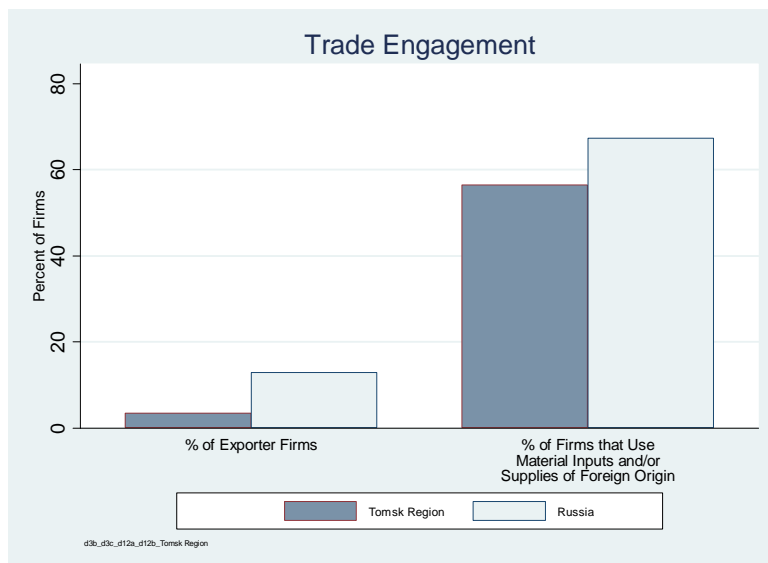
Open markets allow firms to expand, raise standards for efficiency on exporters, and enable firms to import low cost supplies. However, trading also forces firms to deal with customs services and trade regulations, obtain export and import licenses, and in some cases, firms also face additional costs due to losses during transport.

The survey collects information on the operational constraints faced by exporters and importers and also quantifies the trade activity of firms.

The first set of indicators provides a measure of the intensity of foreign trade in the private sector. The first graph shows the percentage of firms who export directly or indirectly, i.e. using an intermediary. The second panel shows the percentage of manufacturing firms who use inputs or supplies of foreign origin.

The second set of indicators measures the average number of days to clear customs for imports and exports. The delay in clearing customs for imports or exports creates additional costs to the firm, can interrupt production, interfere with sales, and result in damaged supplies or merchandise.

The third set of indicators shows the percent value of exports lost during transport due to merchandise theft, and breakage or spoilage, reflecting the transport risks firms face during the export process.



## Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

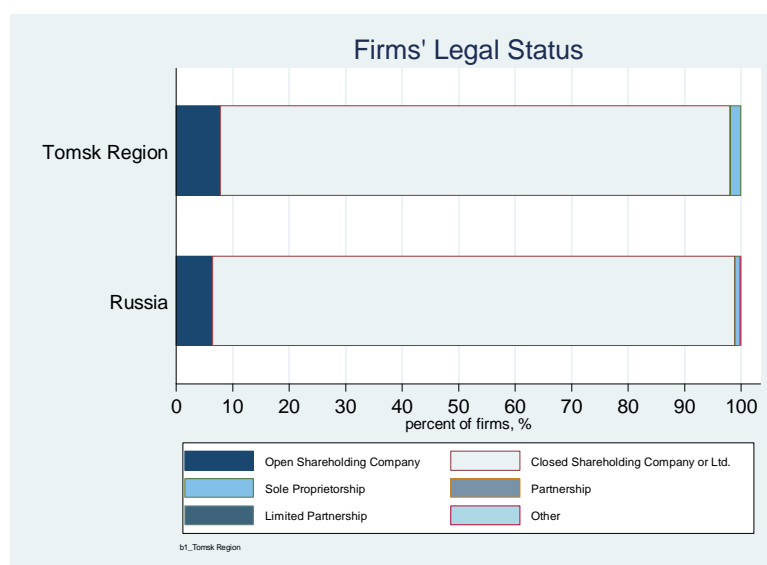
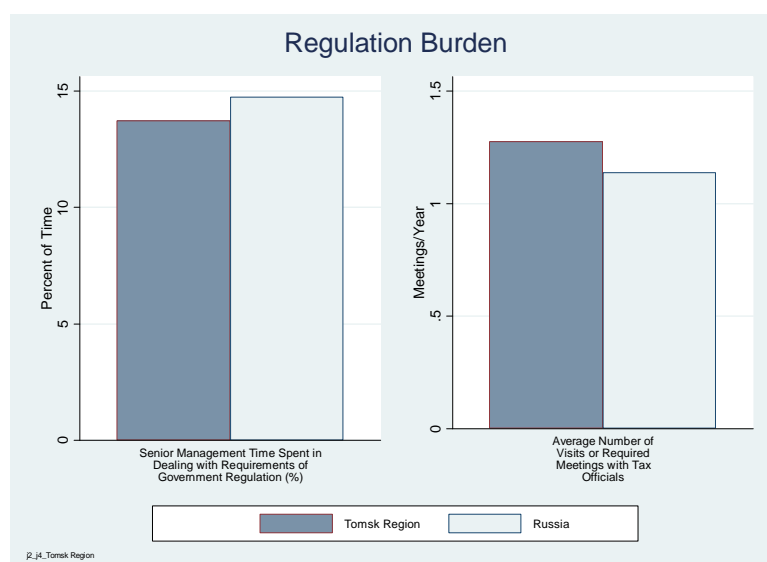
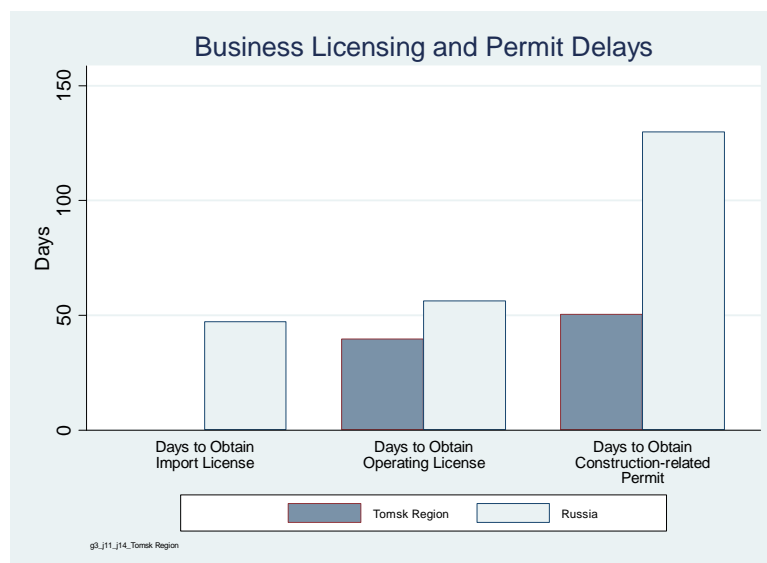
Effective regulations address market failures that inhibit productive investment and reconcile private and public interests. The number of permits and approvals that businesses need to obtain, and the time it takes to obtain them, is expensive and time consuming. The existing legislation of a country also determines the mix of legal forms private firms take and determines the level of protection for investors thus affecting the incentives to invest.

The survey provides qualitative and quantitative measures of taxation, regulations, and business licensing.

The first set of indicators focuses on the efficiency of business licensing and permit services. The indicators evaluate the delays faced when demanding these services.

The second set of indicators approximates the “time tax” imposed by regulations: it measures the time spent by senior management in meetings with public officials and the average number of tax inspections or meetings with tax inspectors in a year.

The third indicator shows the relative use of the different legal forms in the private sector. Most legal forms can be classified into shareholding companies with shares traded privately or non-traded at all (closed), shareholding companies publicly traded (open), sole proprietorships, partnerships, and limited partnerships. A residual category is included to capture legal forms not easily classified into the other categories.



## Corruption

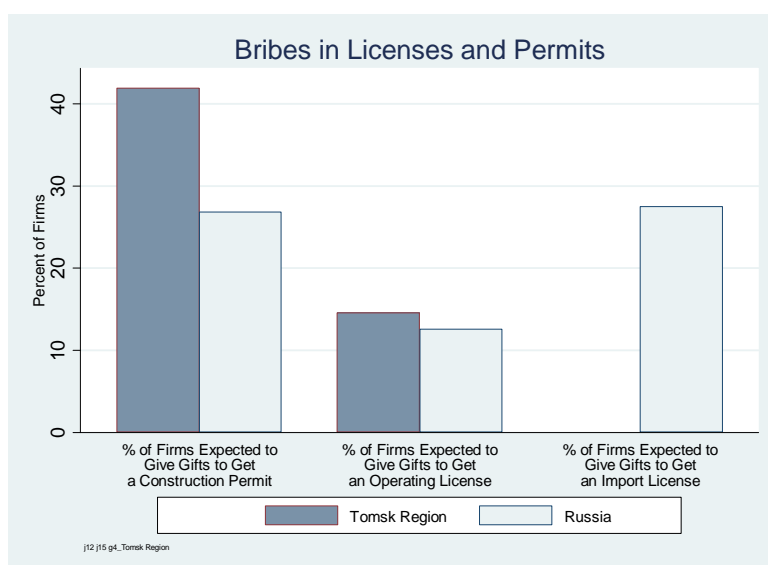
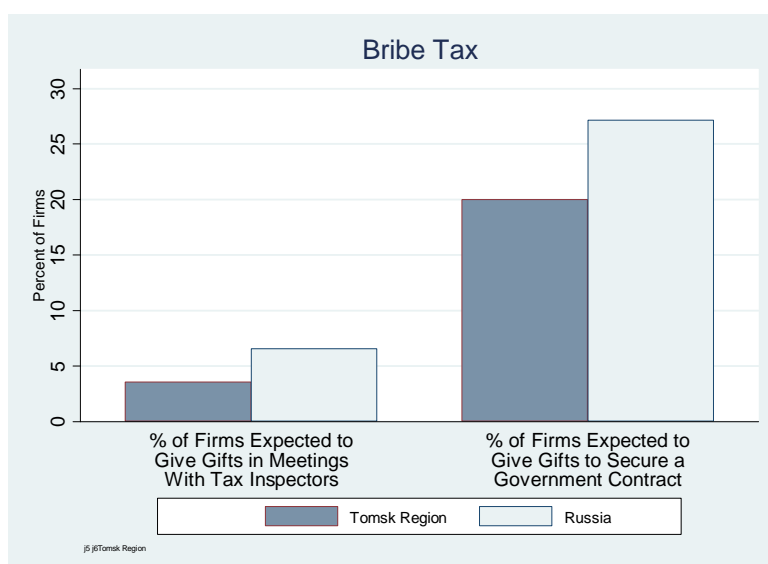
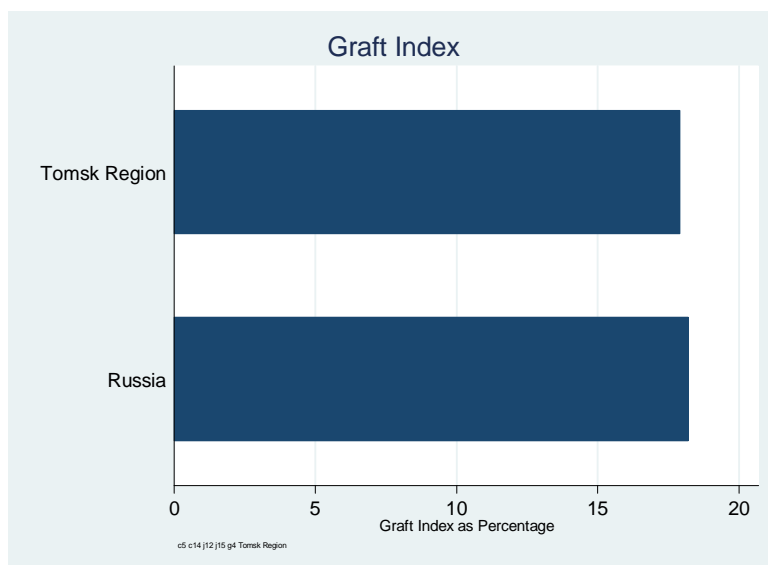
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

Inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make “unofficial” payments to public officials to get things done. In many countries bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for the firms’ growth and development.

The first set of indicators measures a composite index of corruption, the Graft Index that reflects the proportion of instances a firm was asked or expected to pay a bribe when soliciting six different public services, permits or licenses.

The second set of indicators identifies the extent to which specific regulatory and administrative officials require bribe payments during meetings with tax inspectors or in order to secure a government contract.

The third set of indicators focuses on bribes to obtain specific licenses or permits, and shows the share of firms that are expected to make informal payments to secure import and operating licenses and to obtain a construction permit.



## Crime and Informality

Crime imposes costs on firms when they are forced to divert resources from productive uses to cover security costs. Both foreign and domestic investors perceive crime as an indication of social instability, and crime drives up the cost of doing business. Also, commercial disputes between firms and their clients occur regularly in the course of doing business. Resolving these disputes can be challenging when legal institutions are weak or nonexistent.

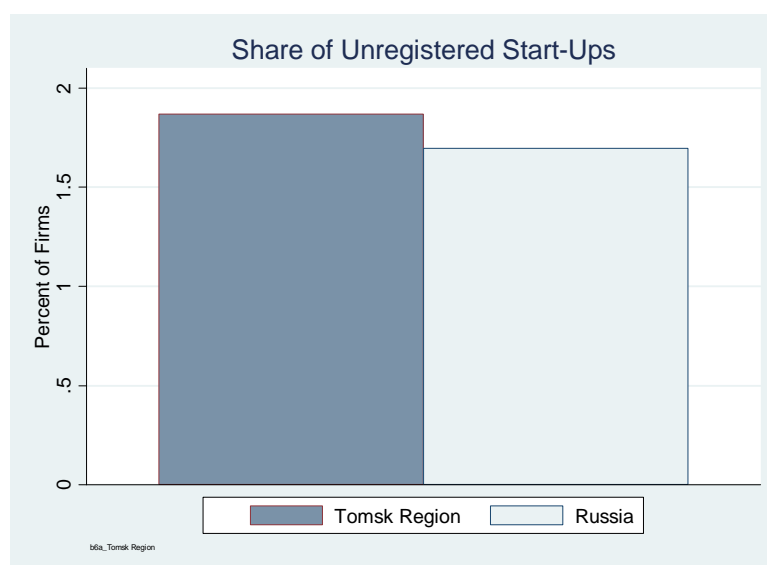
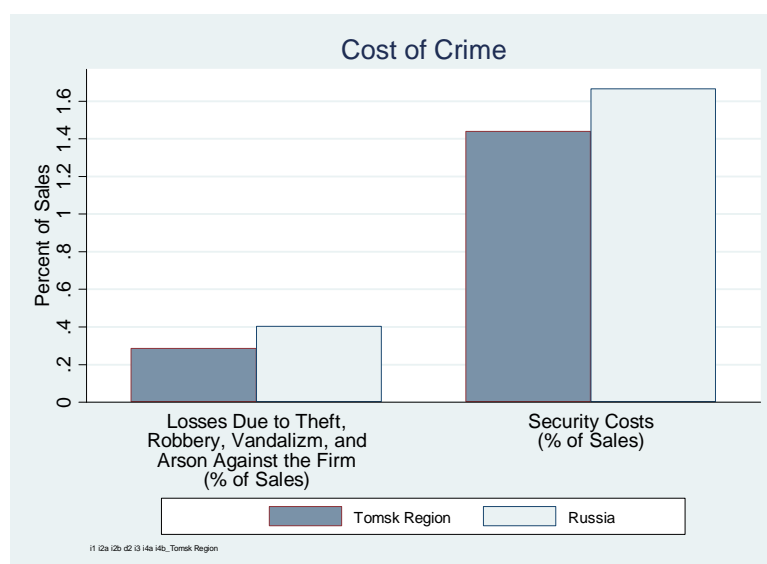
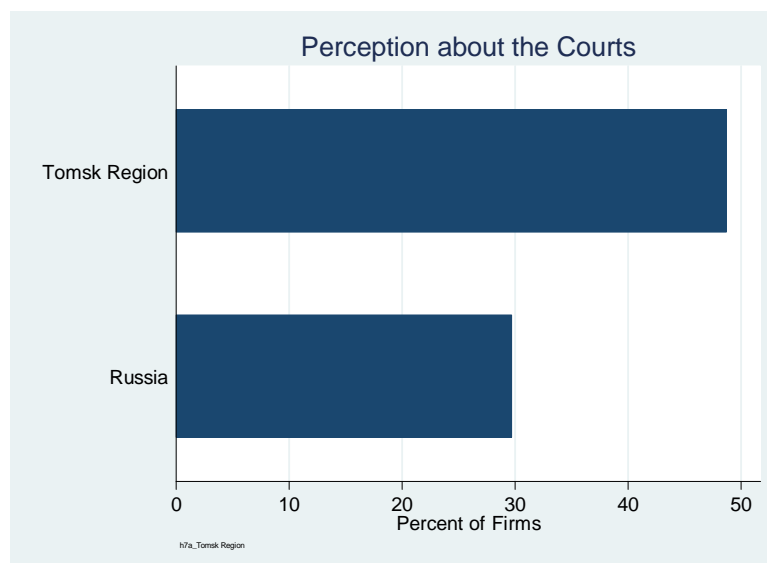
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## Finance

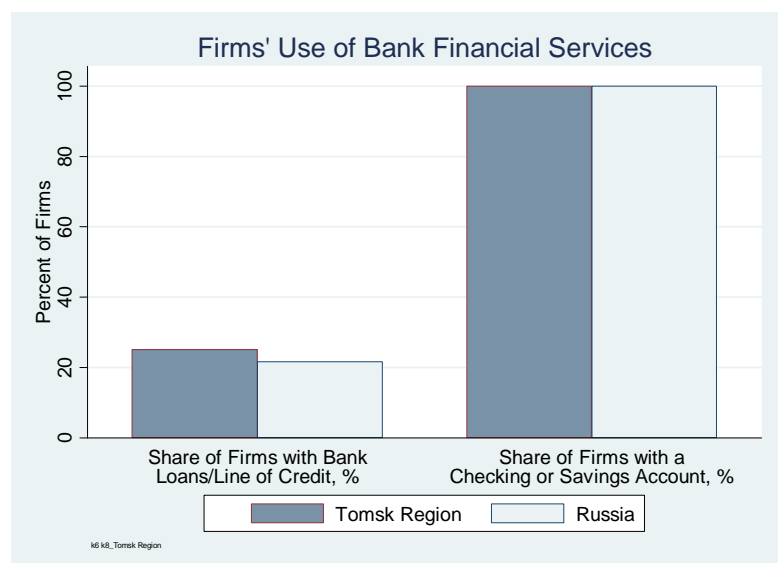
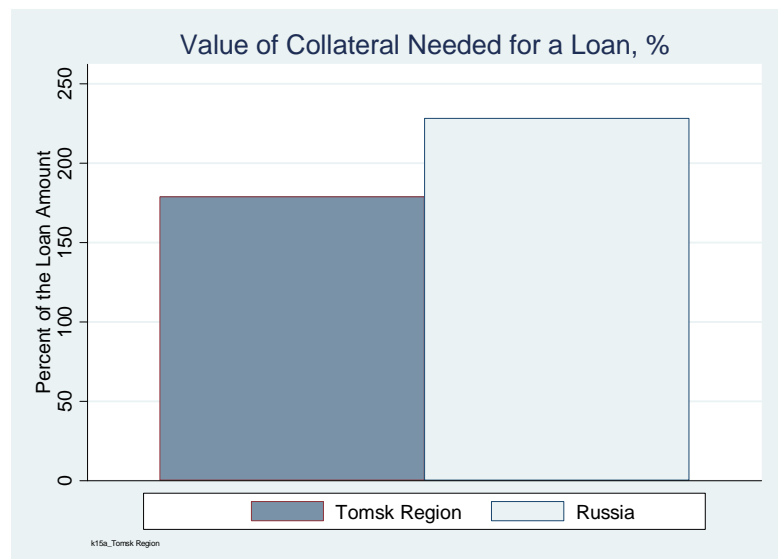
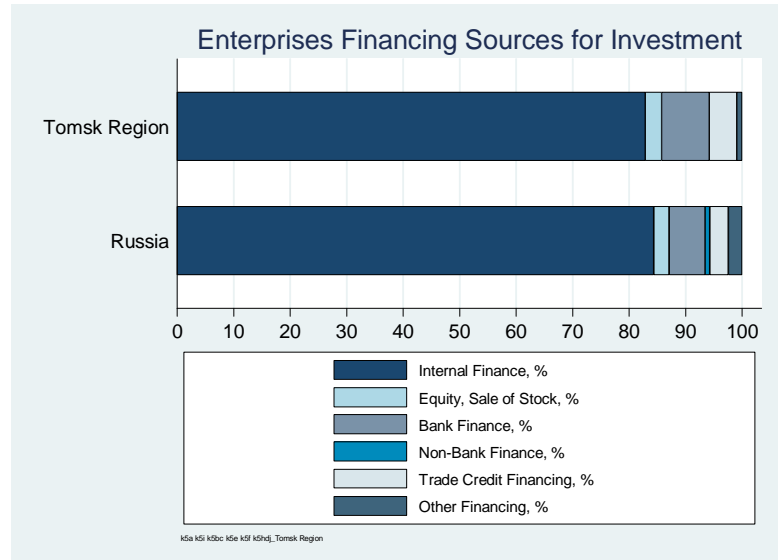
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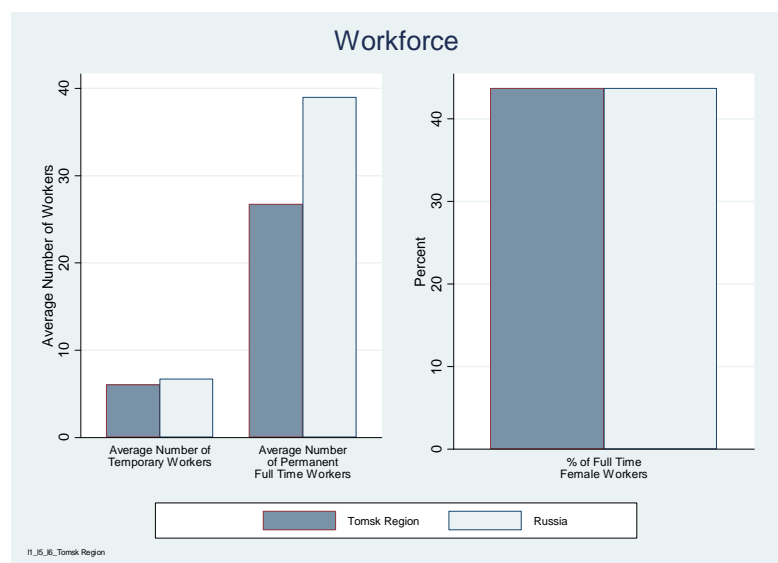
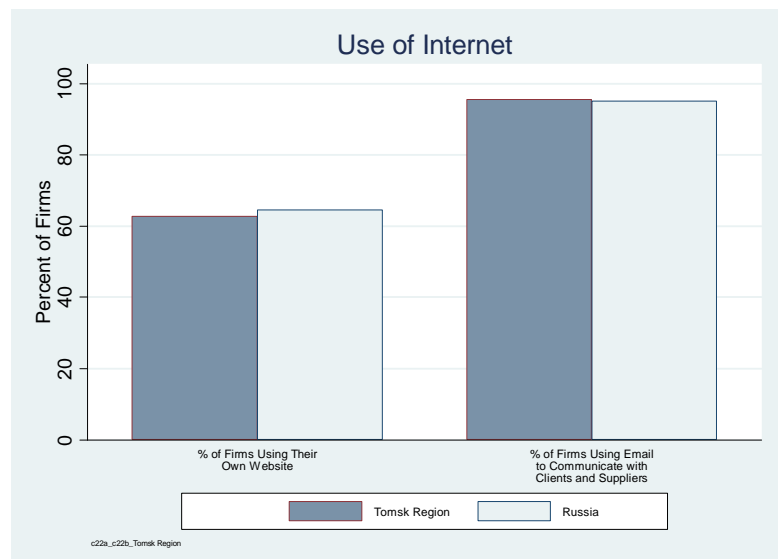
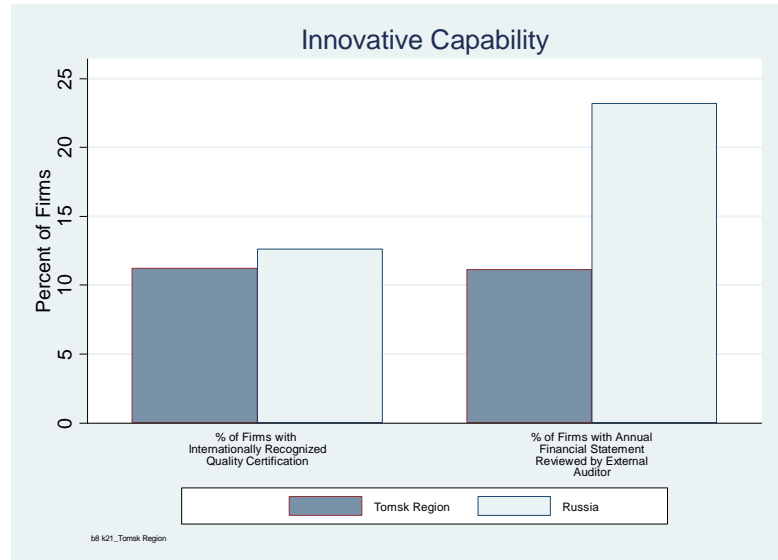
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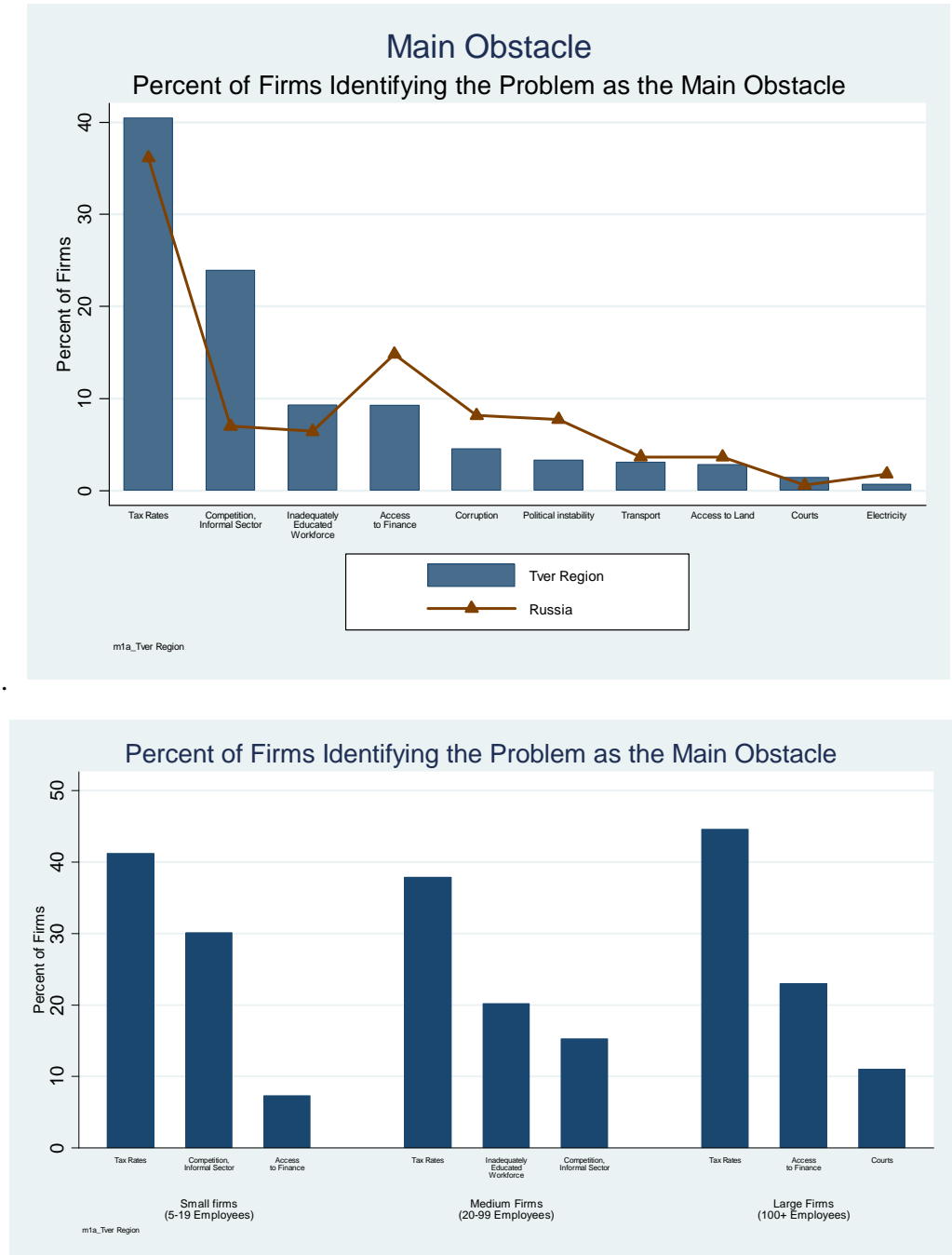
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	Tomsk Region	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	0.61	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	0.72	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	1.4%	2.1%		
<b>Transport</b>	0.79	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	1.7%			
<b>Customs and trade regulations</b>	0.46	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	3.4%	4.3%	2.4%	7.8%
<b>Practices of informal competitors</b>	0.75	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	3.4%			
<b>Access to land</b>	0.67	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	2.5%			
<b>Crime, theft and disorder</b>	0.71	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	3.5%			
<b>Access to finance</b>	1.09	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	5.5%	5.2%		
<b>Tax rates</b>	2.76	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	6.1%			
<b>Tax administration</b>	0.93	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	5.0%	8.3%	5.0%	
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<b>Corruption</b>	1.03	0.60	Irkutsk Region; Kirov Region; Smolensk Region	4.8%	4.1%	2.2%	12.1%
<b>Courts</b>	0.33	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	2.6%	4.0%		
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<b>Inadequately educated workforce</b>	1.05	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	3.6%	4.5%	3.3%	

Tver Region.<sup>33</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Tver Region benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Tver Region.



<sup>33</sup> 120 companies were surveyed by in Tver Region. The benchmarks used for comparisons are averages for Russia as a whole.

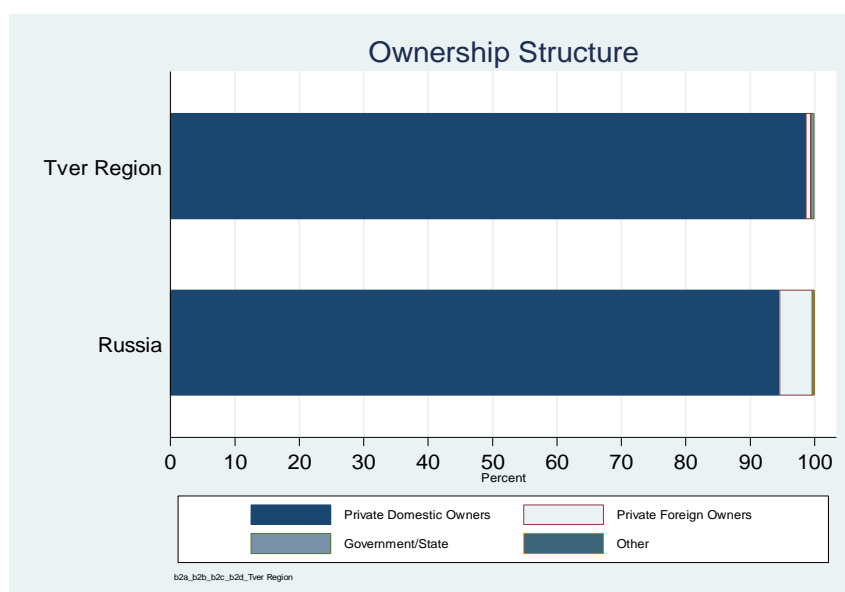
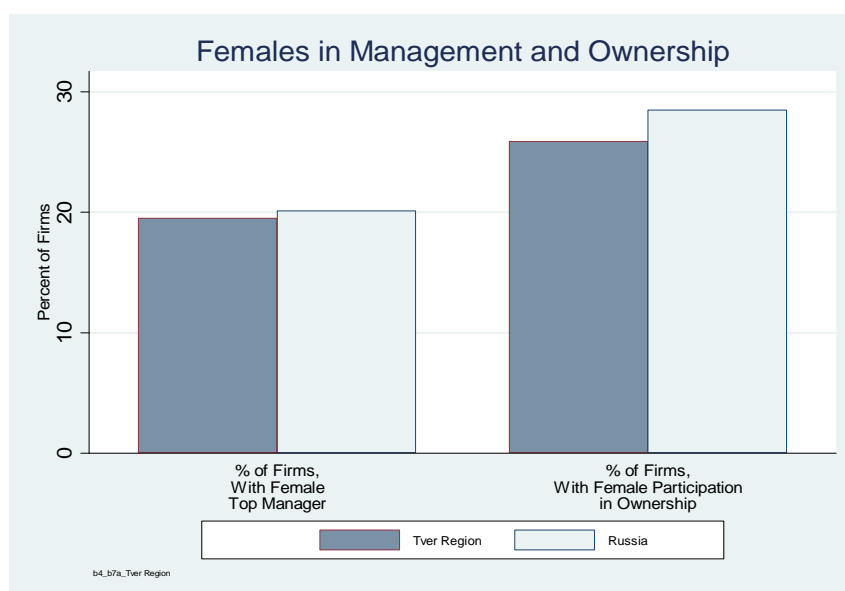
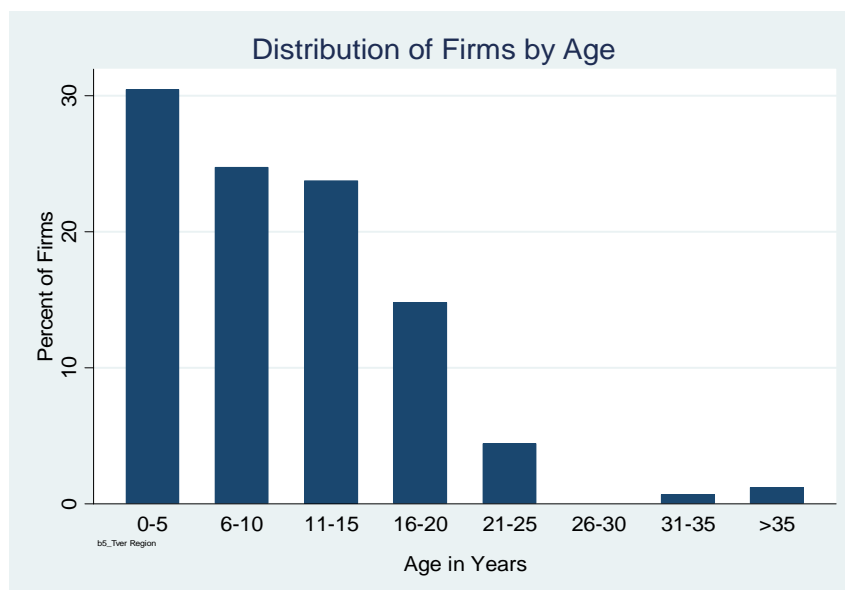
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## Infrastructure

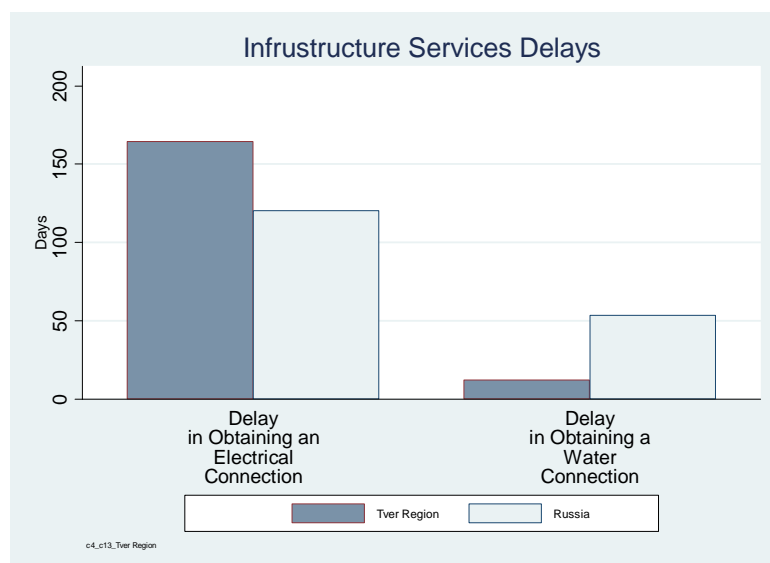
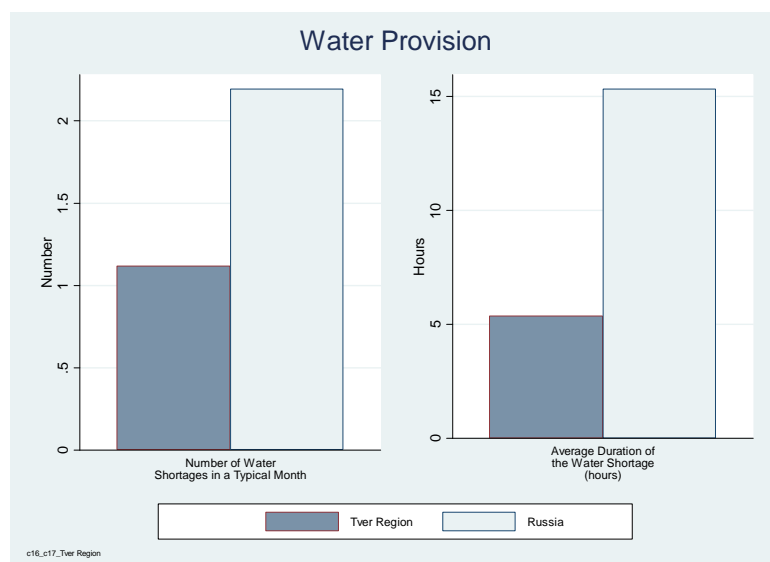
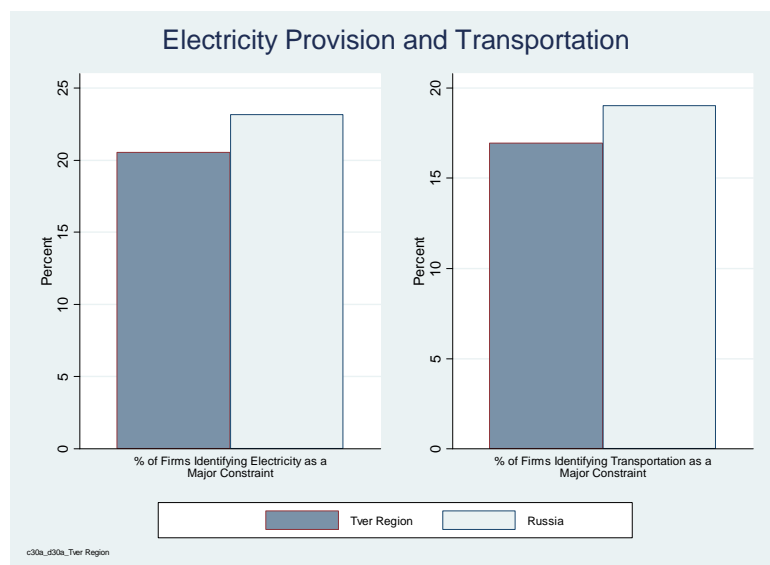
A strong infrastructure enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations.

The survey captures the dual challenge of providing a strong infrastructure for electricity, water supply, telephone connections, etc., and the development of institutions that effectively provide and maintain public services.

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## Trade

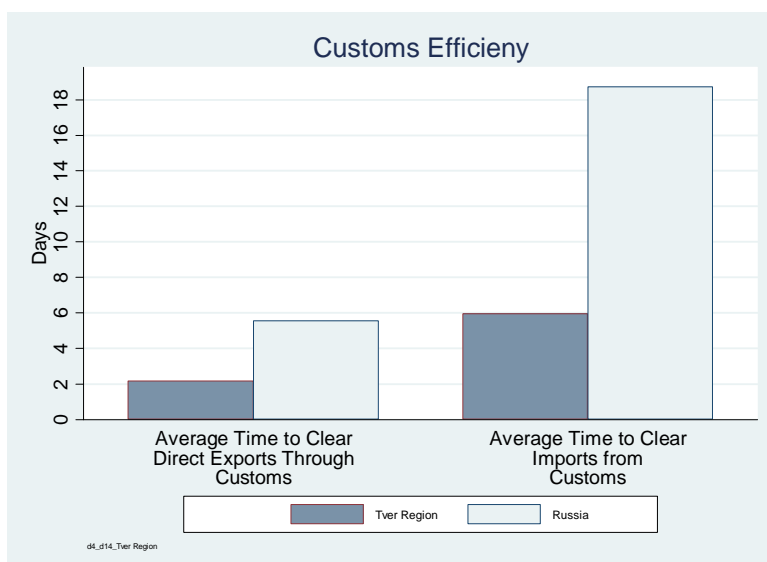
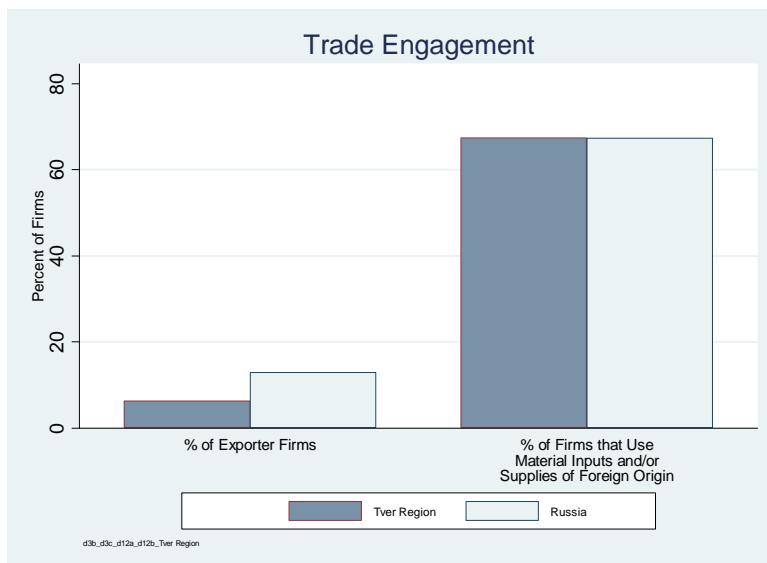
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## Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

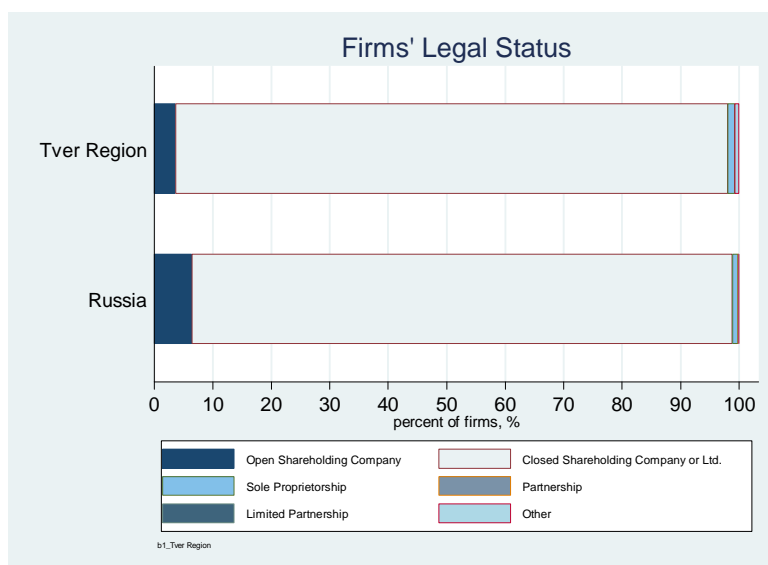
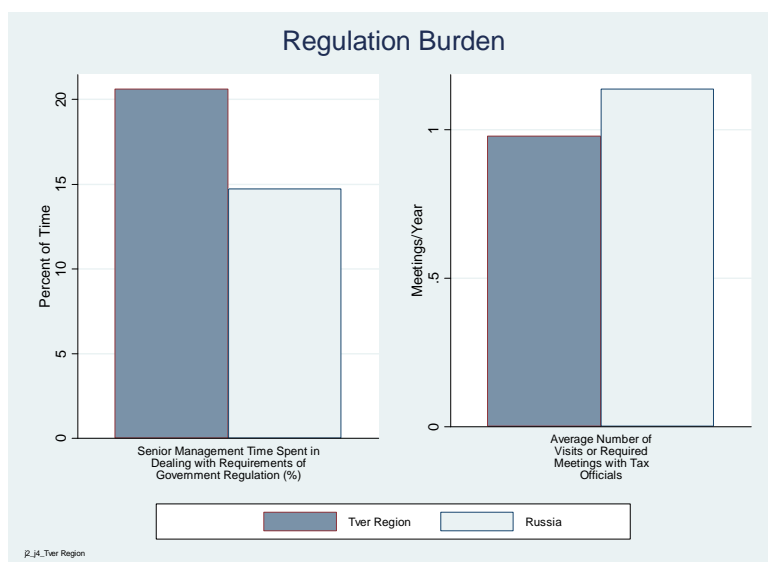
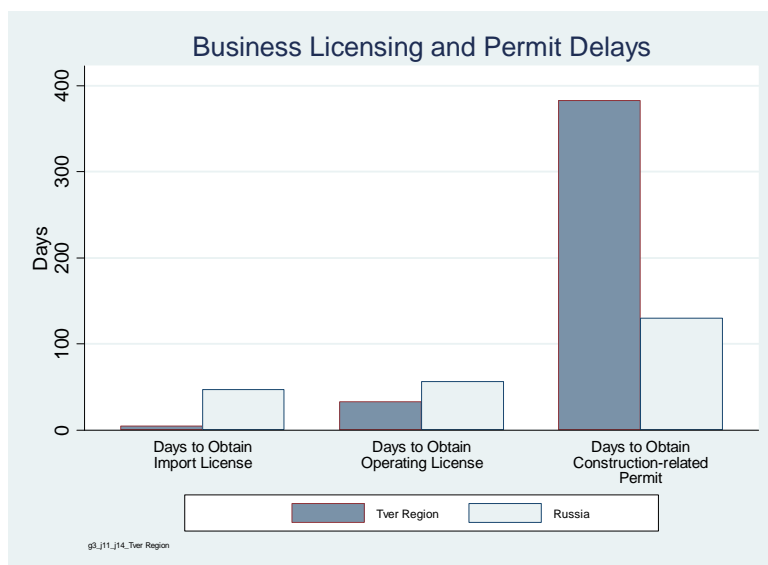
Effective regulations address market failures that inhibit productive investment and reconcile private and public interests. The number of permits and approvals that businesses need to obtain, and the time it takes to obtain them, is expensive and time consuming. The existing legislation of a country also determines the mix of legal forms private firms take and determines the level of protection for investors thus affecting the incentives to invest.

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## Corruption

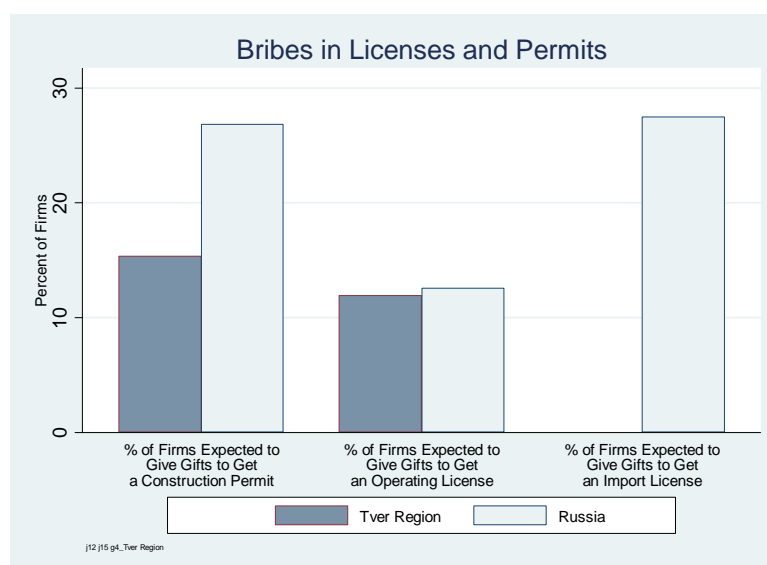
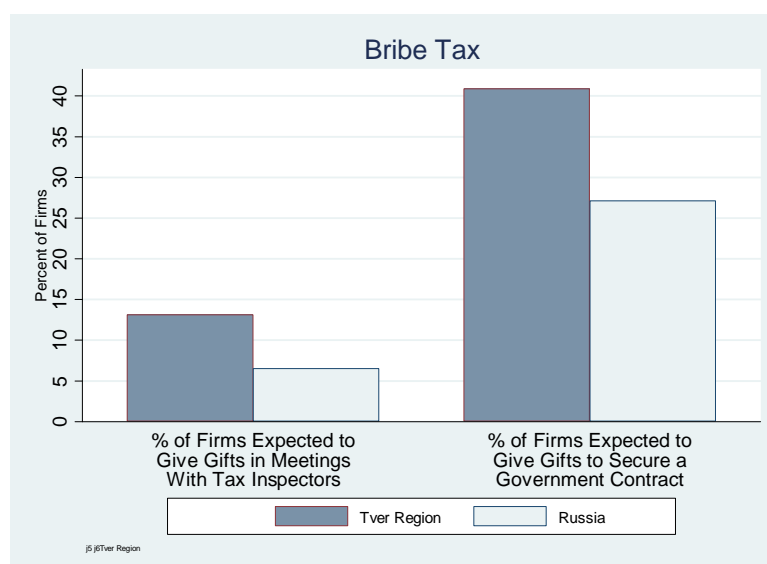
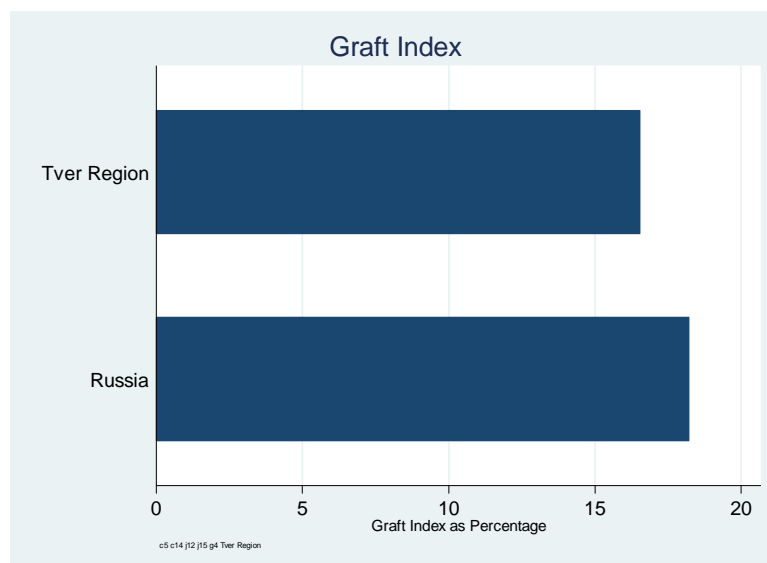
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

Inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make “unofficial” payments to public officials to get things done. In many countries bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for the firms’ growth and development.

The first set of indicators measures a composite index of corruption, the Graft Index that reflects the proportion of instances a firm was asked or expected to pay a bribe when soliciting six different public services, permits or licenses.

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The third set of indicators focuses on bribes to obtain specific licenses or permits, and shows the share of firms that are expected to make informal payments to secure import and operating licenses and to obtain a construction permit.



## Crime and Informality

Crime imposes costs on firms when they are forced to divert resources from productive uses to cover security costs. Both foreign and domestic investors perceive crime as an indication of social instability, and crime drives up the cost of doing business. Also, commercial disputes between firms and their clients occur regularly in the course of doing business. Resolving these disputes can be challenging when legal institutions are weak or nonexistent.

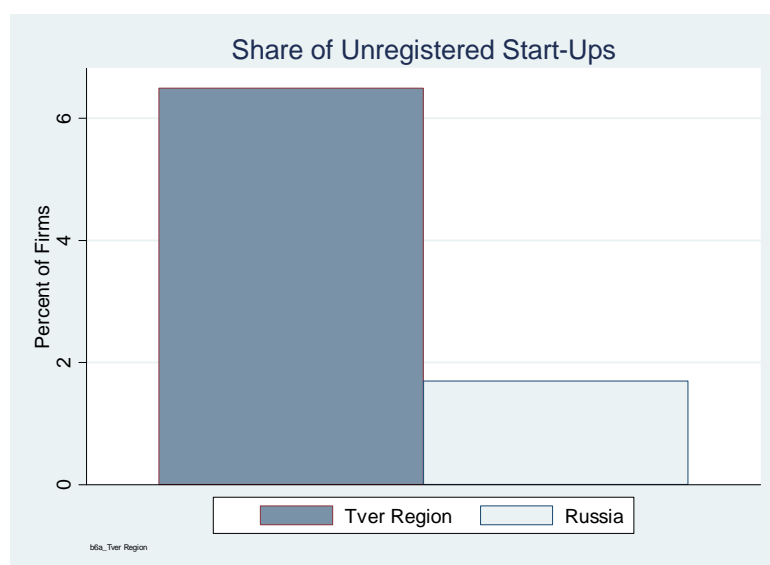
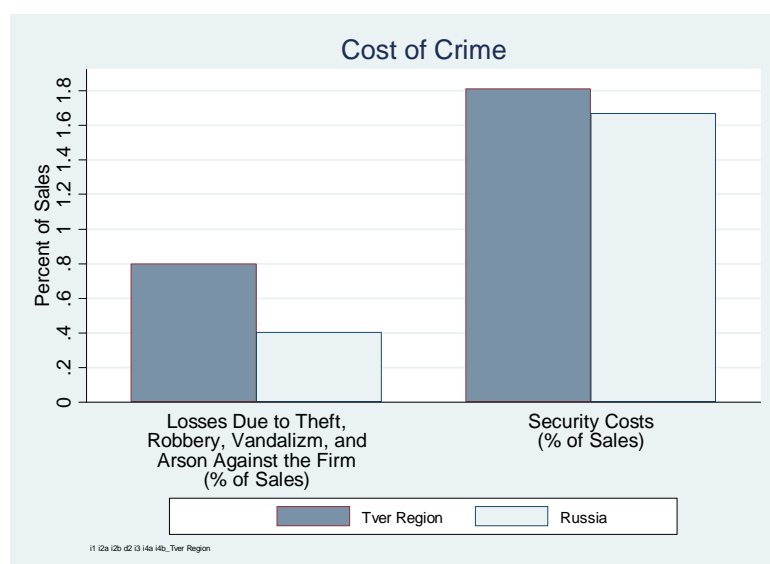
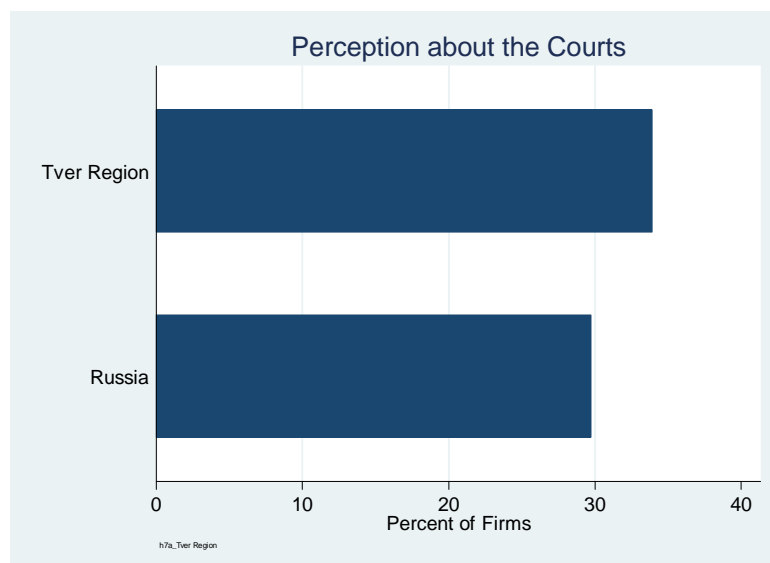
Similarly, a large informal sector has serious consequences for the formal private sector. The informal sector may pose unfair competition for formal firms.

The survey captures key dimensions of the effect of crime on firm sales, the extent to which entrepreneurs identify courts as fair, and the degree of informality in an economy.

The first indicator shows the share of firms that recognize the functioning of the courts as being fair, impartial, and uncorrupted.

The second set of indicators measures the direct costs of security incurred by firms as well as their direct losses due to crime. These resources represent an opportunity cost since they could have been invested in productive activities.

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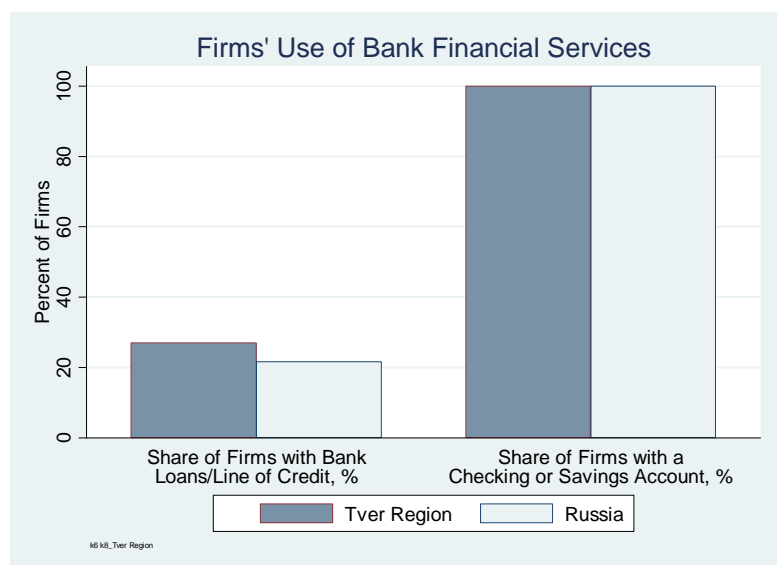
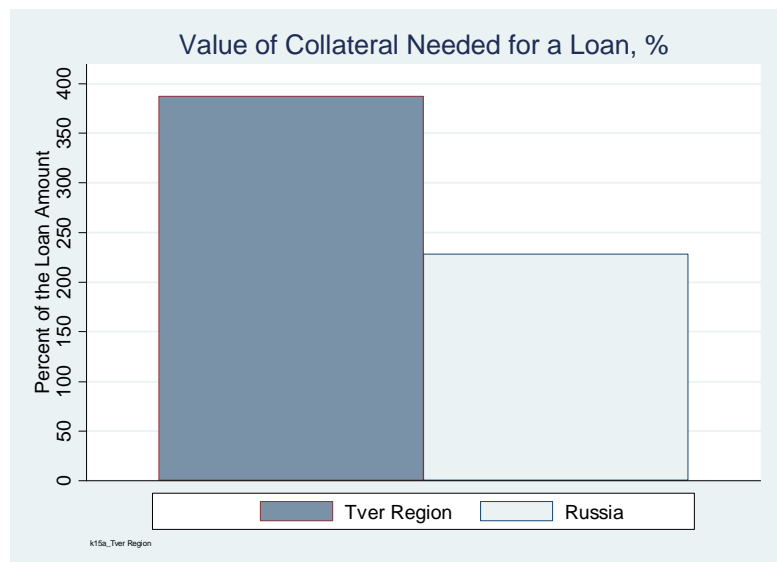
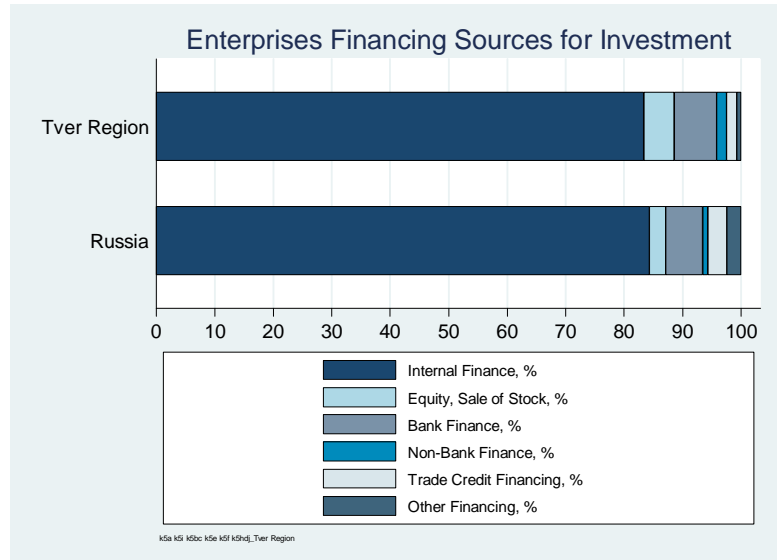
Developed financial markets provide payment services, mobilize deposits, and ease investment financing. Efficient financial markets reduce the reliance on internal funds and on money from informal sources such as family and friends by connecting firms to a broad range of lenders and investors.

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The first set of indicators compares the relative use of various sources for financing investment. Excessive reliance on internal funds is a sign of potentially inefficient financial intermediation.

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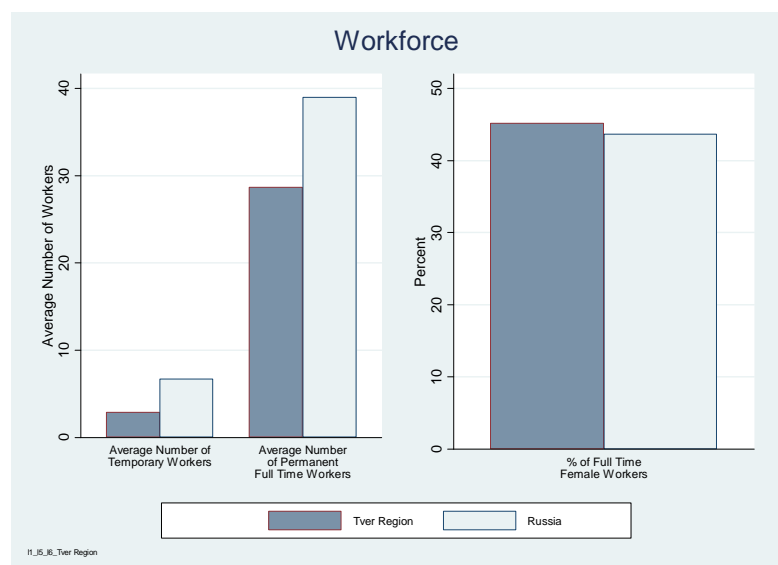
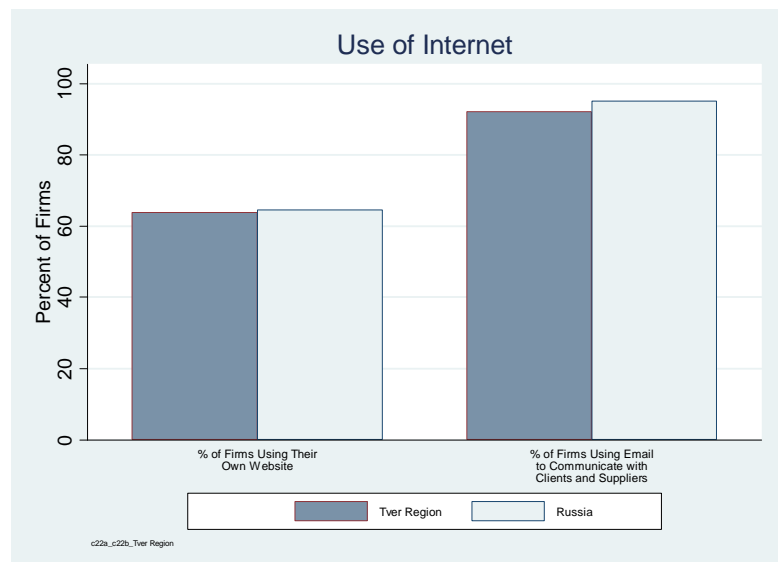
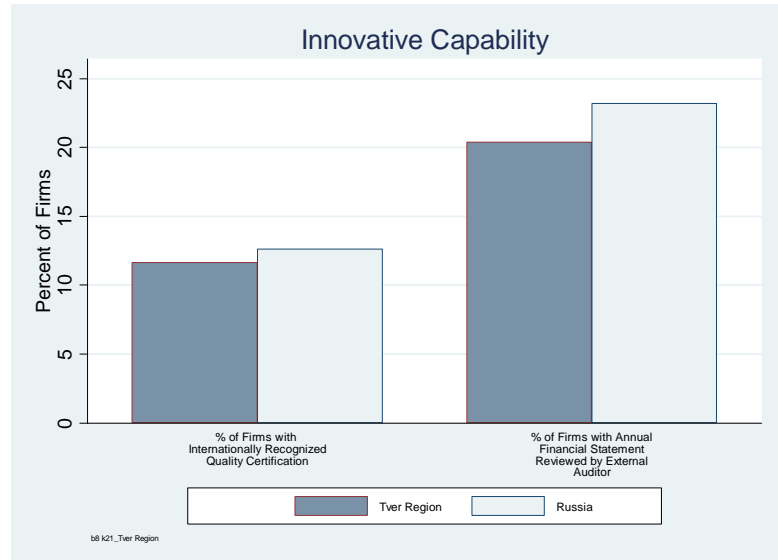
## Innovation and Workforce

The Survey provide indicators that describe several dimensions of technology use and innovation. They also collect information on the characteristics of the workforce employed in the non-agricultural private economy.

The first set of indicators measures the extent to which firms invest in obtaining recognized certificates of production and accounting practices. Obtaining international quality certifications can open doors to technology and innovation and they also provide a sign of high quality that may open markets.

The second set of indicators demonstrates the use of information and communications technologies (ICT) in business transactions. ICT, such as the Internet, are important tools for all firms because they provide even the smallest of enterprises with the ability to reach national and international markets at low cost.

The third set of indicators presents the composition of the firm's workforce by type of contract and gender. Labor regulations have a direct effect on the type of employment favored by firms and they may have a differing impact by gender. The first two indicators present the composition of the workforce classified into temporary and permanent workers. The last indicator reflects the participation of women in regular full-time employment.



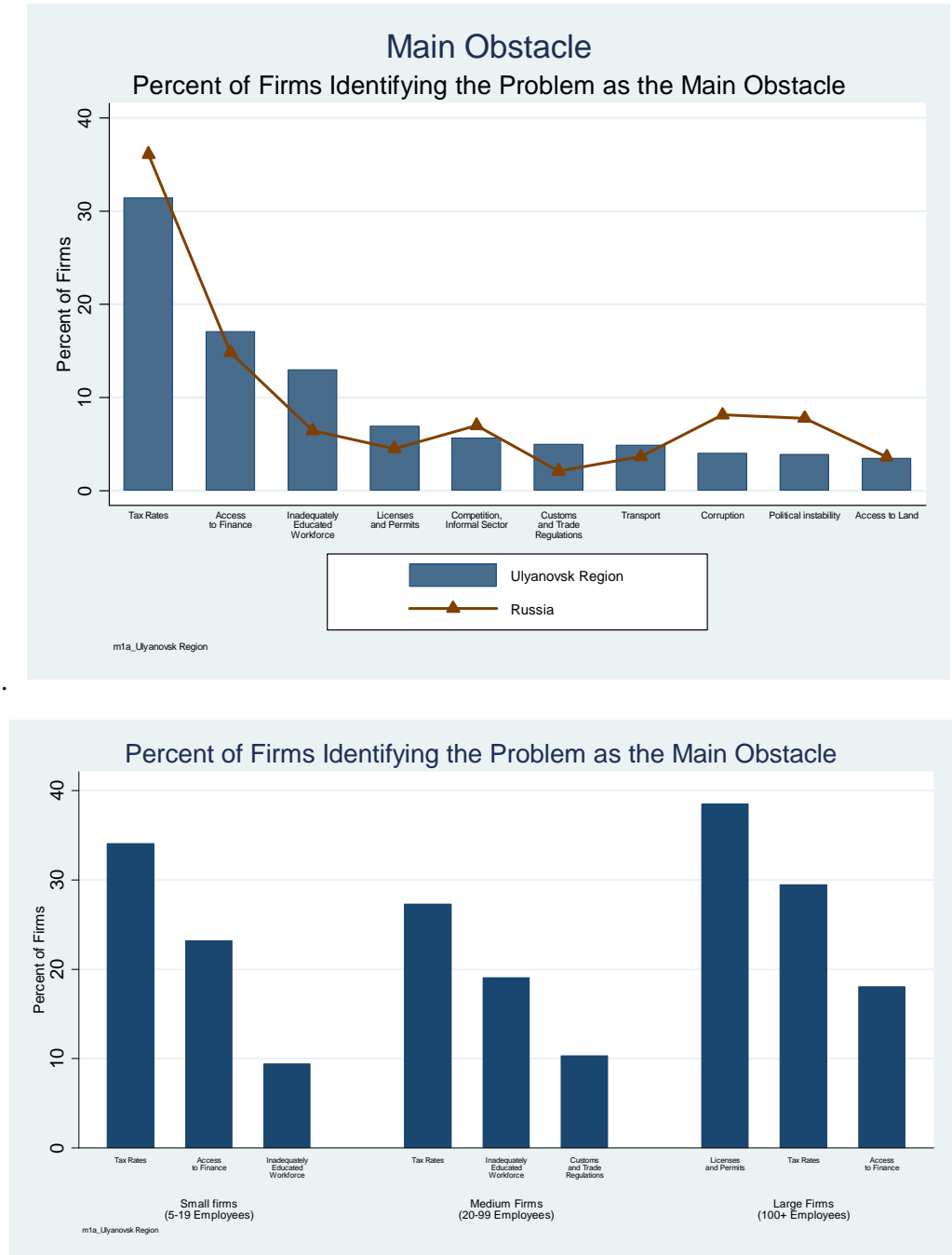
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	Tver Region	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	0.96	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	0.70	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	1.3%	2.0%		
<b>Transport</b>	0.99	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	2.5%			
<b>Customs and trade regulations</b>	0.35	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	2.3%	2.9%	1.6%	5.3%
<b>Practices of informal competitors</b>	0.97	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	5.2%			
<b>Access to land</b>	1.10	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	5.8%			
<b>Crime, theft and disorder</b>	1.00	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	5.5%			
<b>Access to finance</b>	1.39	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	9.1%	8.6%		
<b>Tax rates</b>	2.35	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	4.3%			
<b>Tax administration</b>	1.03	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	5.9%	9.8%	5.9%	
<b>Business licensing and permits</b>	1.01	0.29	Kirov Region; Smolensk Region; Stavropol Territory	5.4%	10.0%	3.9%	16.9%
<b>Political instability</b>	1.30	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	6.2%	5.4%	3.2%	31.0%
<b>Corruption</b>	1.56	0.60	Irkutsk Region; Kirov Region; Smolensk Region	10.6%	9.1%	4.9%	26.8%
<b>Courts</b>	0.37	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	3.0%	4.5%		
<b>Labor regulations</b>	0.38	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	2.7%			
<b>Inadequately educated workforce</b>	1.47	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	6.4%	7.9%	5.8%	

Ulyanovsk Region.<sup>34</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Ulyanovsk Region benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Ulyanovsk Region.



<sup>34</sup> 120 companies were surveyed by in Ulyanovsk Region. The benchmarks used for comparisons are averages for Russia as a whole.

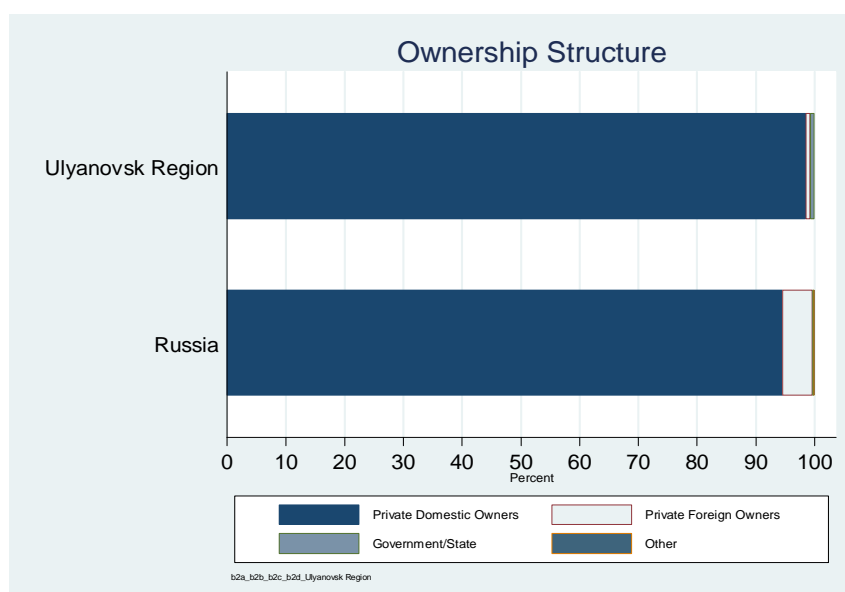
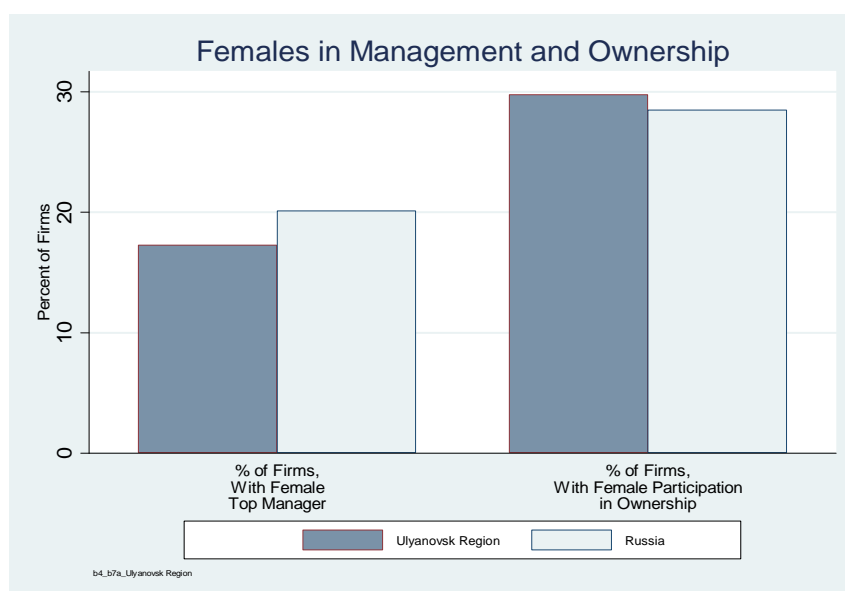
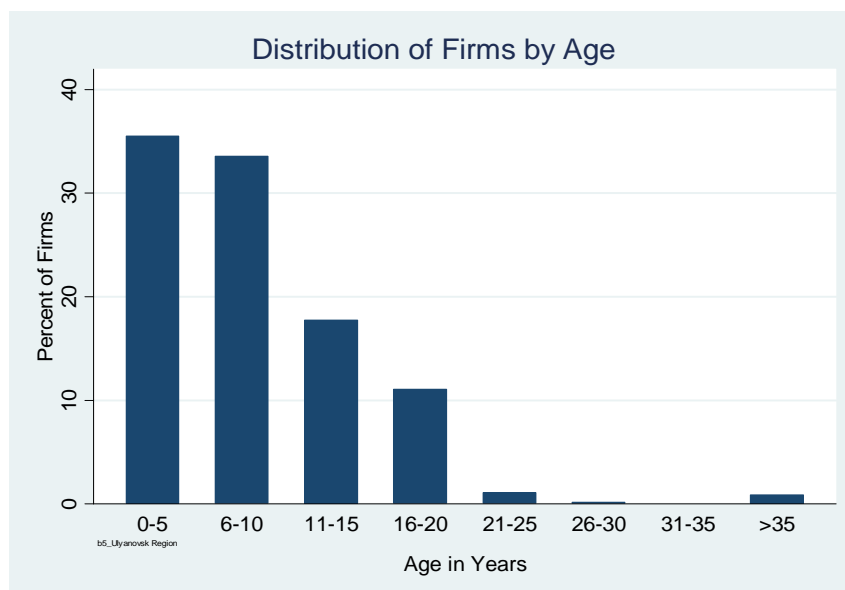
## Average Firm

The survey collects information from a representative sample of the non-agricultural formal private economy. In addition to collecting information on the business environment the surveys collect information on the characteristics of the firms interviewed. Consequently, the data collected provides a description of the representative private firm in the country and also an estimate of how some of the attributes of the average firm are distributed across the population of firms.

The first indicator shows the distribution of firms according to their age measured by the number of years they have been in operation. The effect the business environment can have on the private sector may depend on firms' experience and longevity. Seasoned firms and young firms may differ in their ability to successfully navigate the business environment.

The second set of indicators provides an illustration of female participation in management and firm ownership. These indicators can help assess whether gender can be a determinant of the effect of regulations on the firm and the level of exposure of the firm to external factors, such as corruption, access to finance, and technology.

The third indicator shows the participation of the domestic private sector, the government, the foreign sector and other sectors in the ownership of the typical firm. The distribution provides insight into their levels of equity in the private sector of the economy.



## Infrastructure

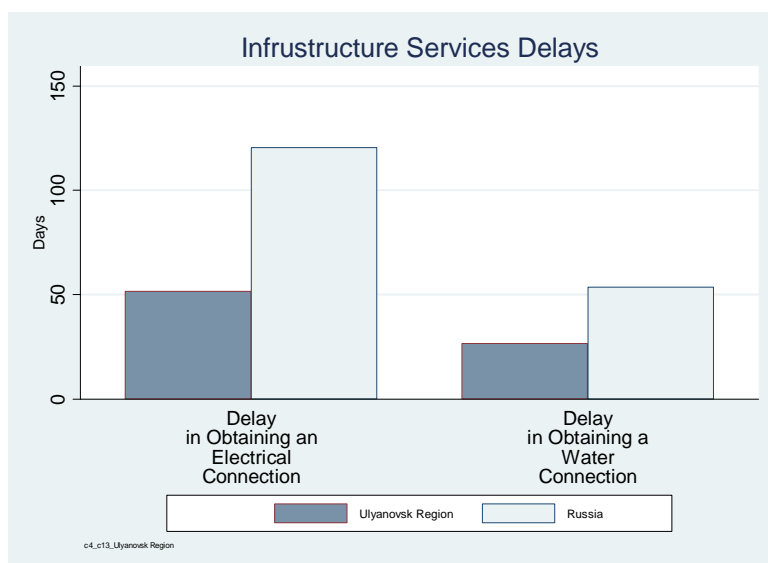
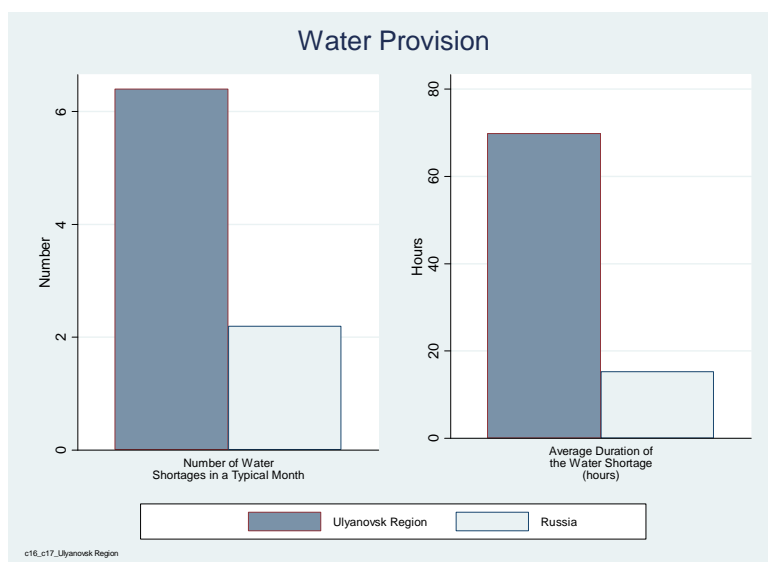
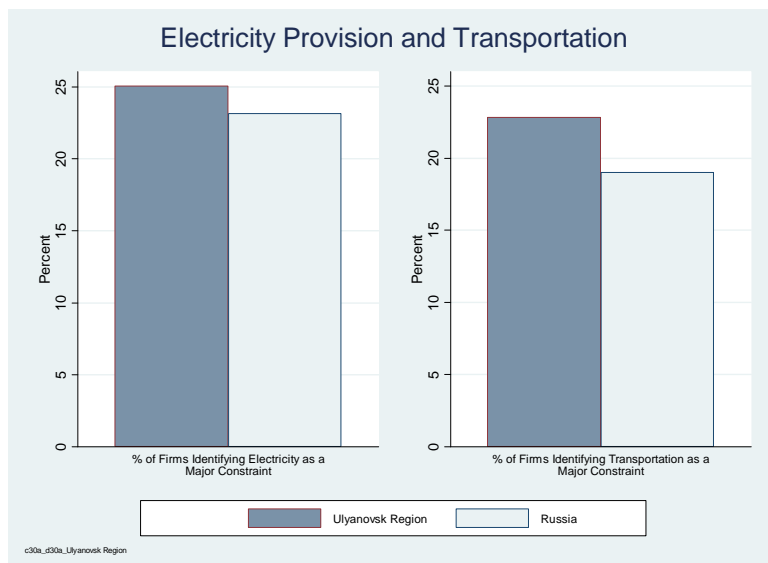
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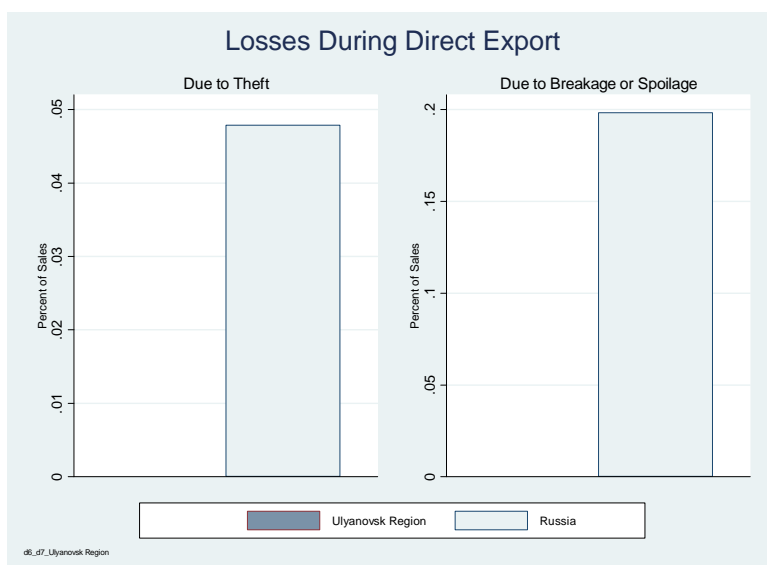
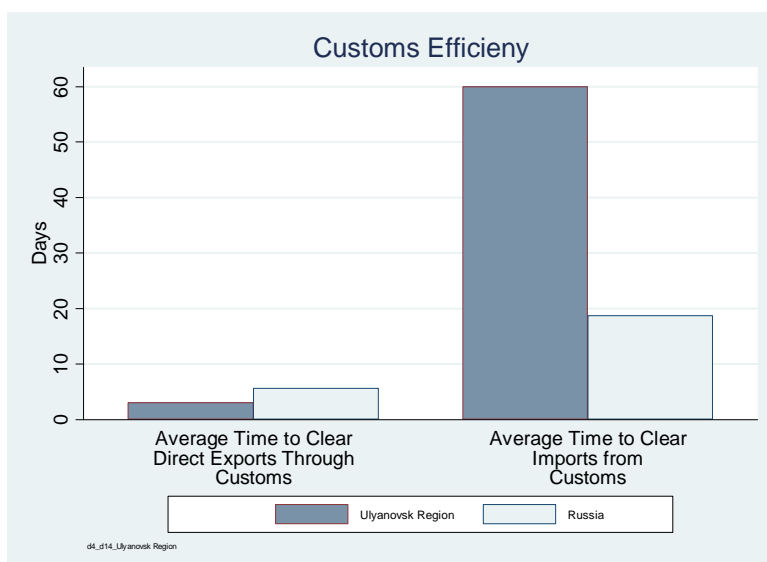
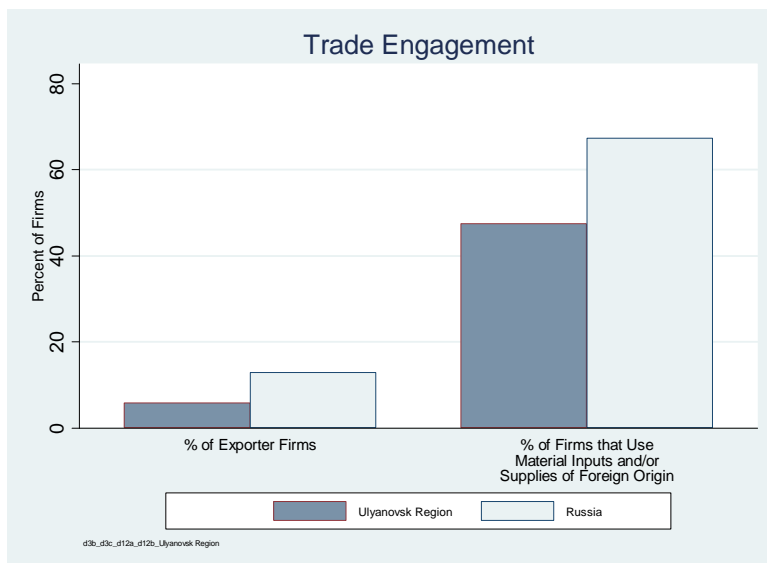
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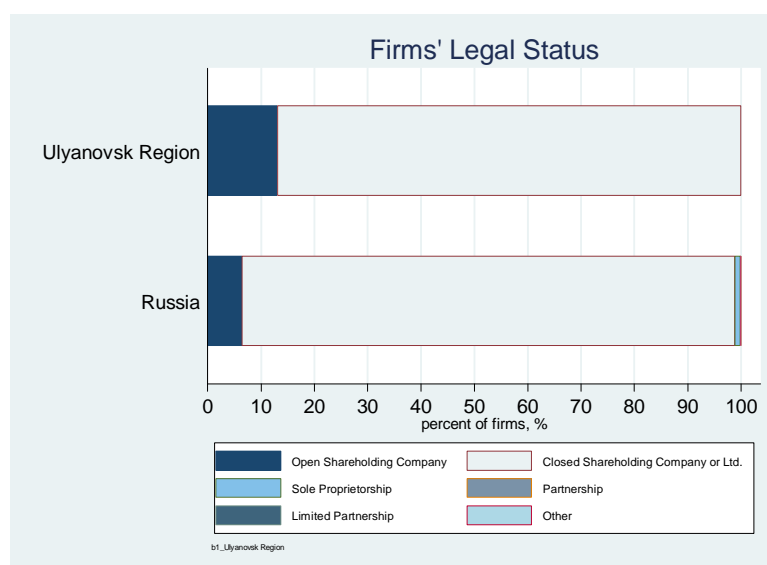
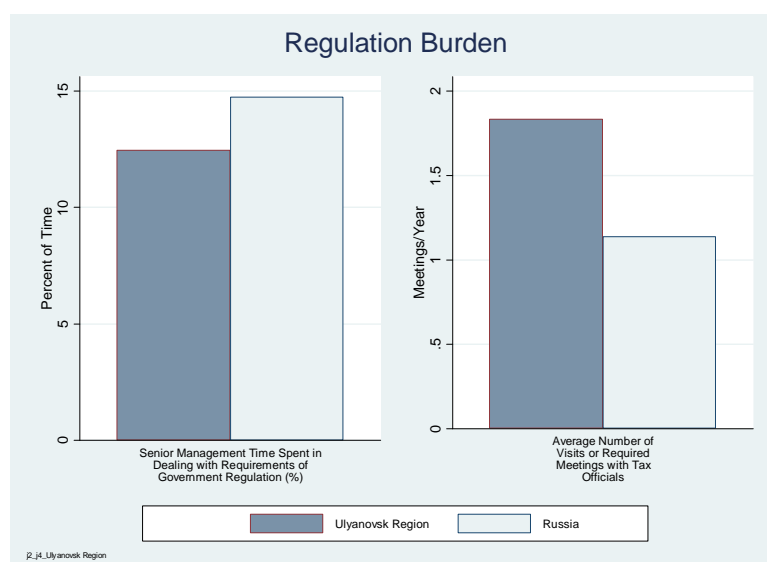
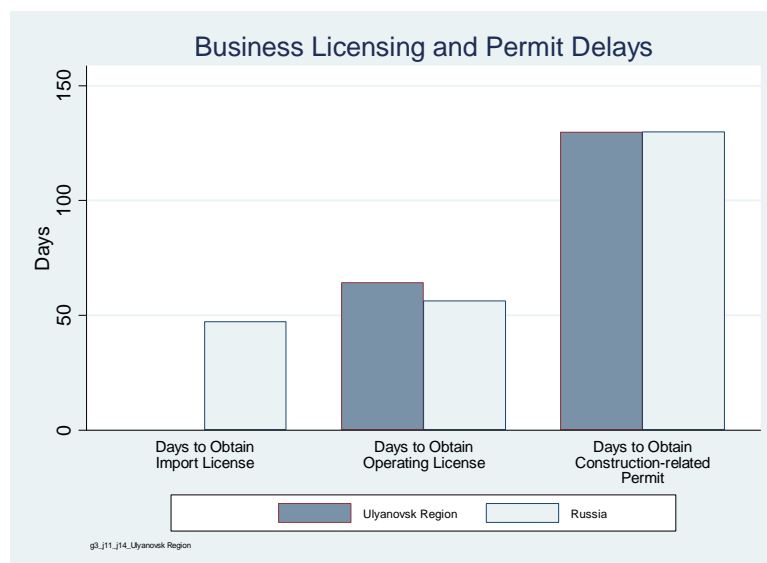
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## Corruption

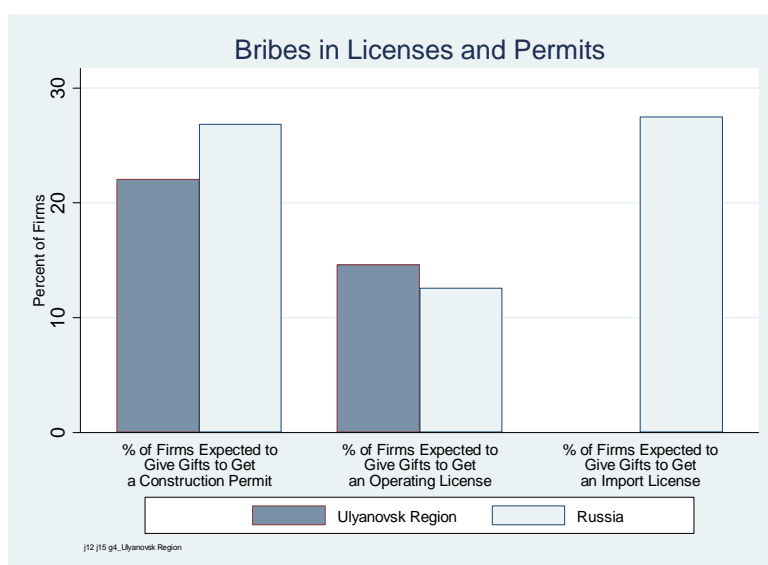
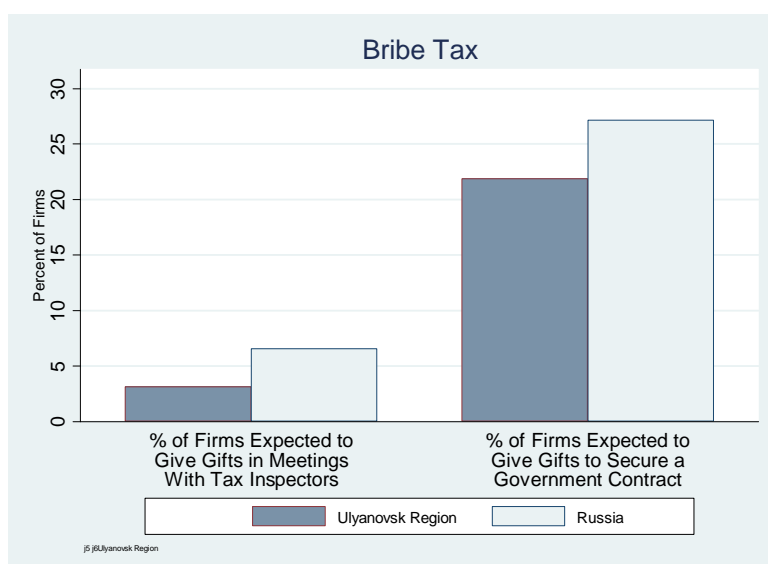
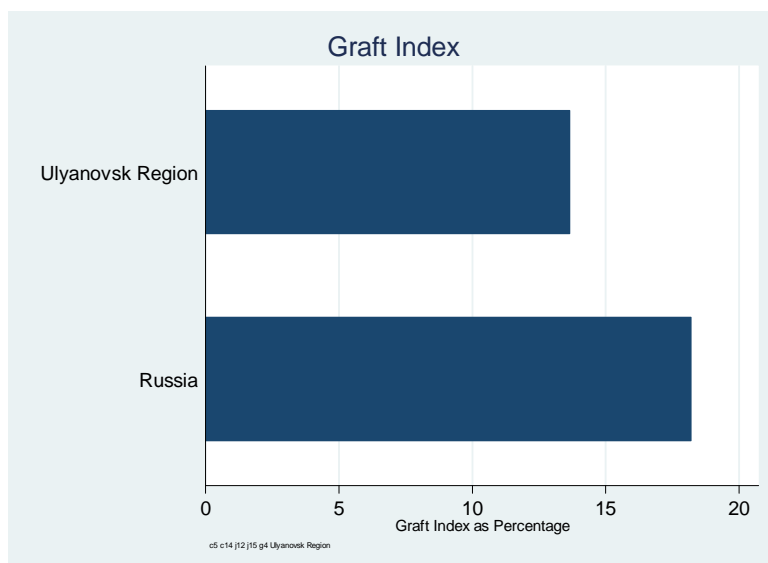
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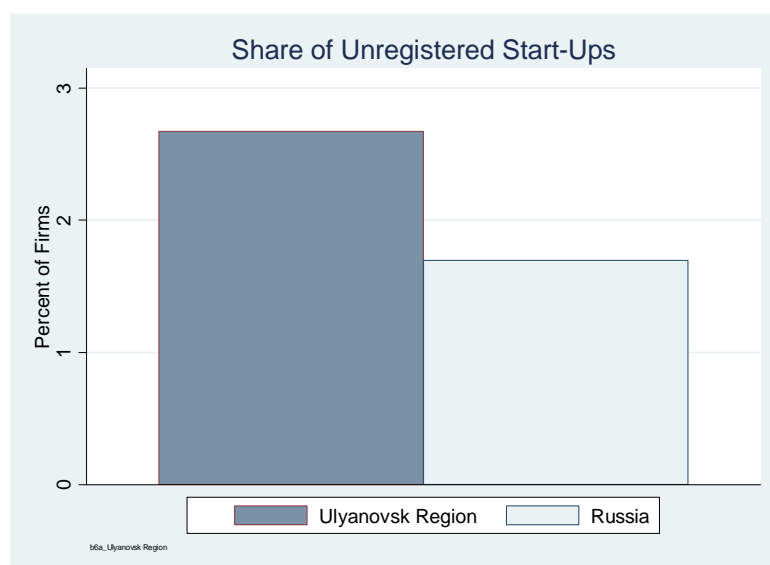
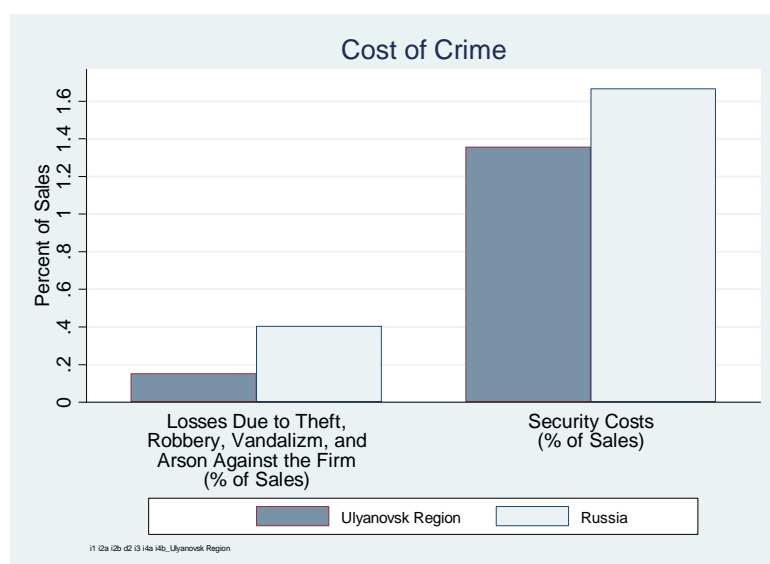
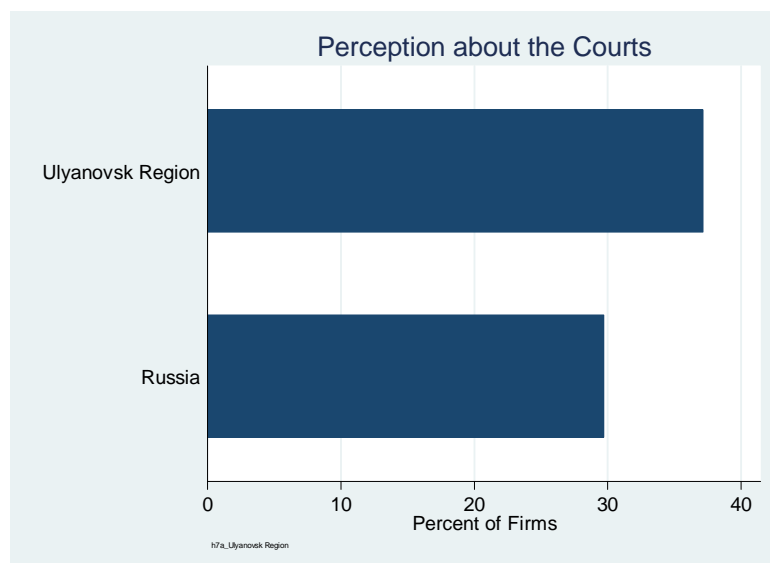
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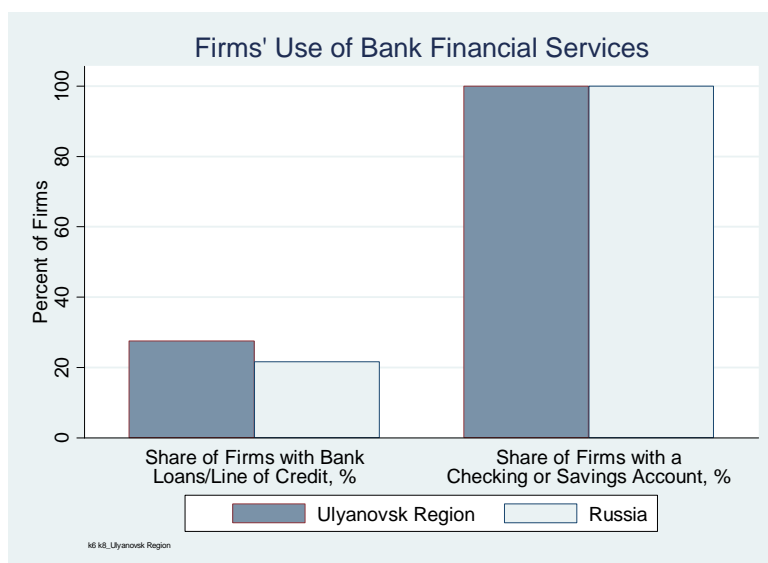
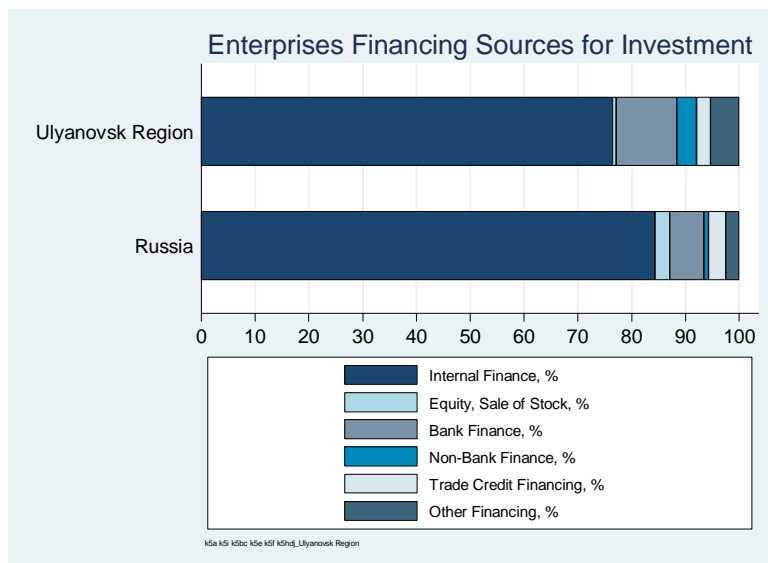
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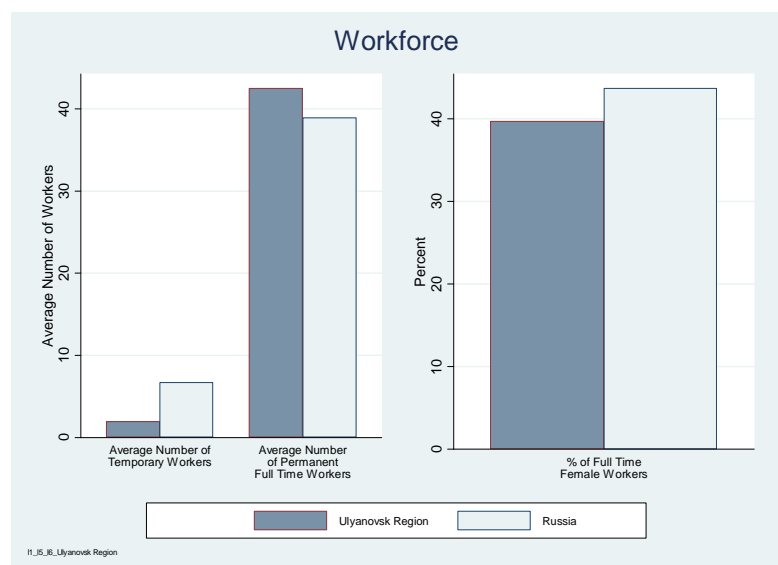
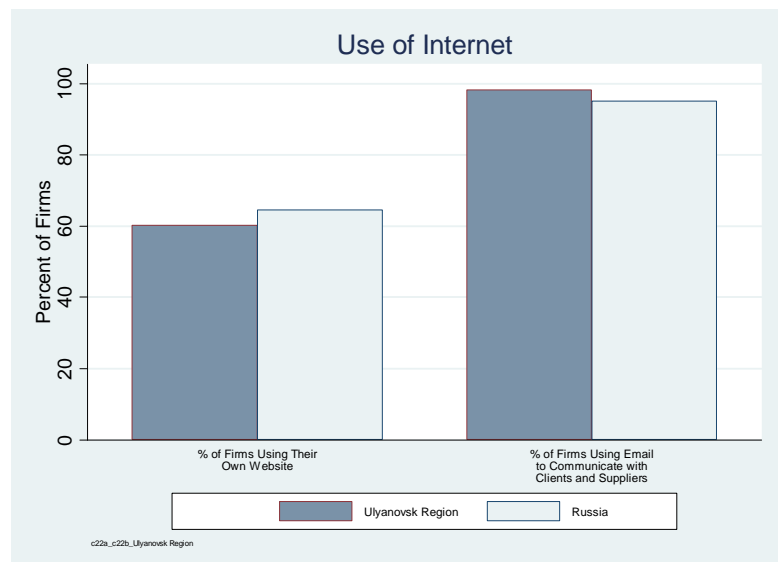
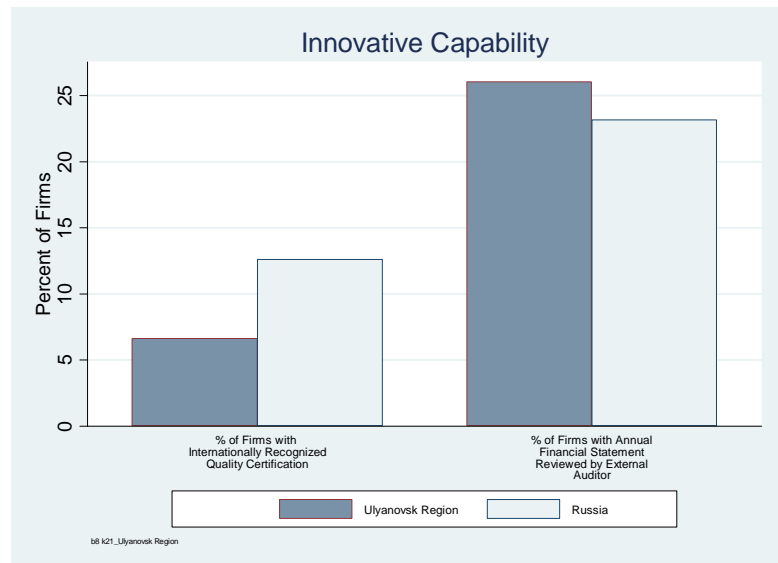
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The second set of indicators demonstrates the use of information and communications technologies (ICT) in business transactions. ICT, such as the Internet, are important tools for all firms because they provide even the smallest of enterprises with the ability to reach national and international markets at low cost.

The third set of indicators presents the composition of the firm's workforce by type of contract and gender. Labor regulations have a direct effect on the type of employment favored by firms and they may have a differing impact by gender. The first two indicators present the composition of the workforce classified into temporary and permanent workers. The last indicator reflects the participation of women in regular full-time employment.



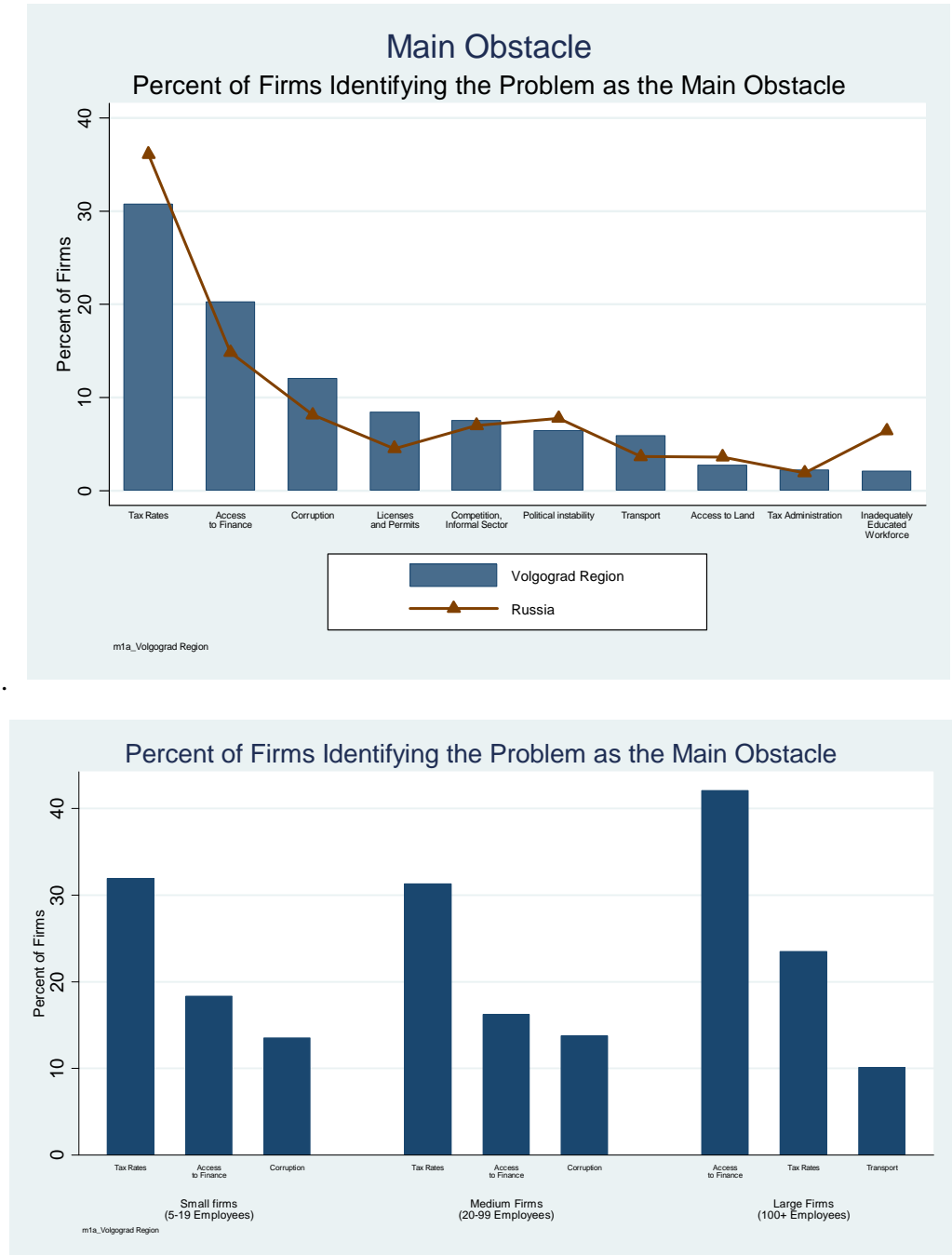
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	<i>Ulyanovsk Region</i>	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	1.13	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	1.13	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	3.0%	4.4%		
<b>Transport</b>	1.17	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	3.2%			
<b>Customs and trade regulations</b>	0.84	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	7.0%	9.0%	5.0%	16.2%
<b>Practices of informal competitors</b>	1.09	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	6.2%			
<b>Access to land</b>	0.64	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	2.3%			
<b>Crime, theft and disorder</b>	0.59	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	2.8%			
<b>Access to finance</b>	1.31	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	8.1%	7.7%		
<b>Tax rates</b>	2.54	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	5.1%			
<b>Tax administration</b>	0.94	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	5.1%	8.4%	5.1%	
<b>Business licensing and permits</b>	0.75	0.29	Kirov Region; Smolensk Region; Stavropol Territory	3.5%	6.4%	2.5%	10.9%
<b>Political instability</b>	1.36	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	6.9%	6.0%	3.5%	34.3%
<b>Corruption</b>	1.26	0.60	Irkutsk Region; Kirov Region; Smolensk Region	7.3%	6.3%	3.4%	18.6%
<b>Courts</b>	0.40	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	3.4%	5.1%		
<b>Labor regulations</b>	0.36	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	2.5%			
<b>Inadequately educated workforce</b>	1.41	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	6.0%	7.4%	5.5%	

Volgograd Region.<sup>35</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Volgograd Region benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Volgograd Region.



<sup>35</sup> 120 companies were surveyed by Volgograd Region. The benchmarks used for comparisons are averages for Russia as a whole.



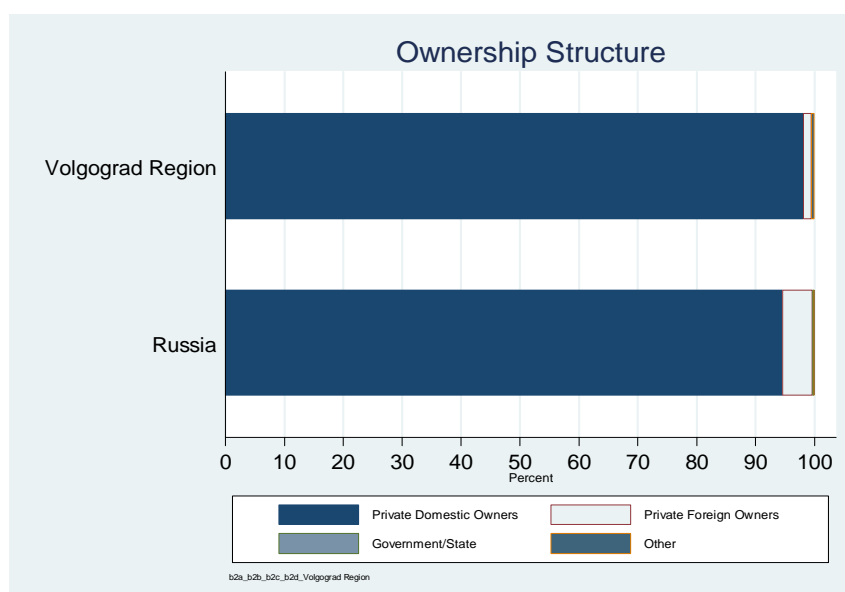
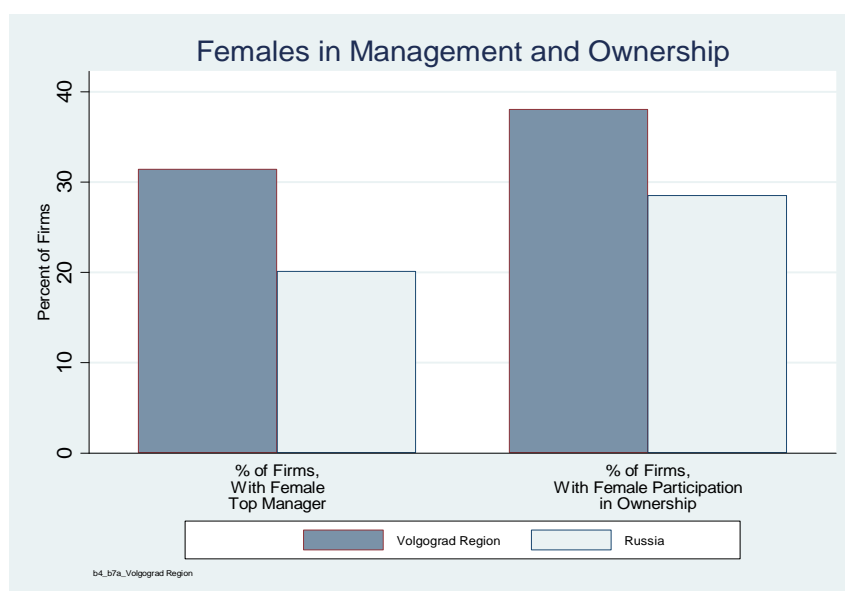
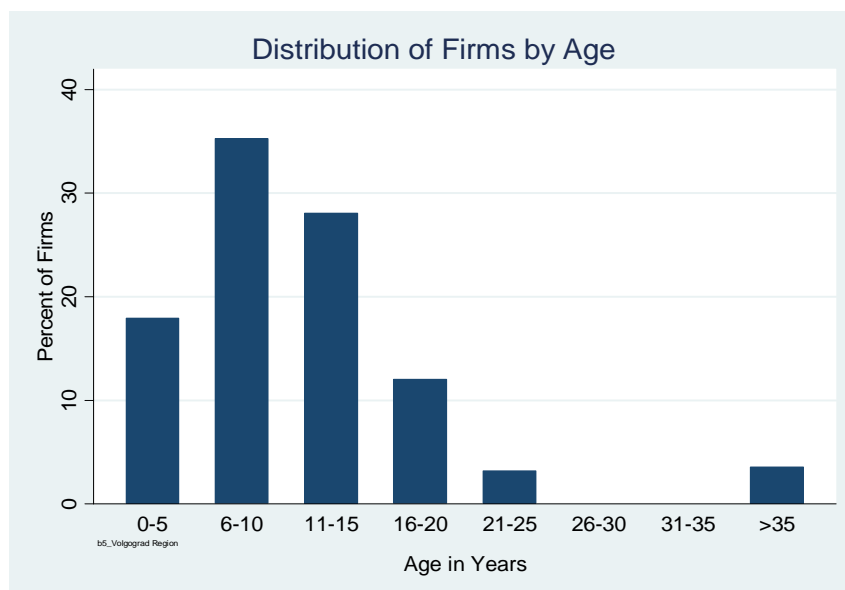
## Average Firm

The survey collects information from a representative sample of the non-agricultural formal private economy. In addition to collecting information on the business environment the surveys collect information on the characteristics of the firms interviewed. Consequently, the data collected provides a description of the representative private firm in the country and also an estimate of how some of the attributes of the average firm are distributed across the population of firms.

The first indicator shows the distribution of firms according to their age measured by the number of years they have been in operation. The effect the business environment can have on the private sector may depend on firms' experience and longevity. Seasoned firms and young firms may differ in their ability to successfully navigate the business environment.

The second set of indicators provides an illustration of female participation in management and firm ownership. These indicators can help assess whether gender can be a determinant of the effect of regulations on the firm and the level of exposure of the firm to external factors, such as corruption, access to finance, and technology.

The third indicator shows the participation of the domestic private sector, the government, the foreign sector and other sectors in the ownership of the typical firm. The distribution provides insight into their levels of equity in the private sector of the economy.



## Infrastructure

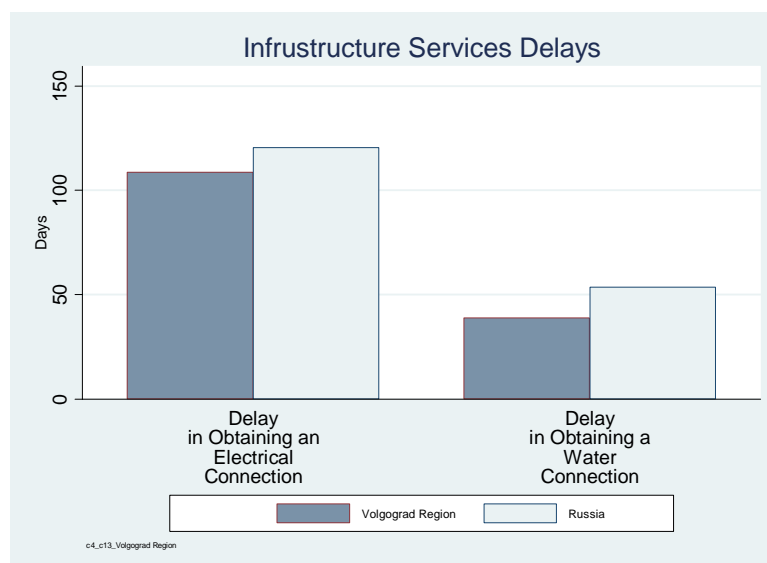
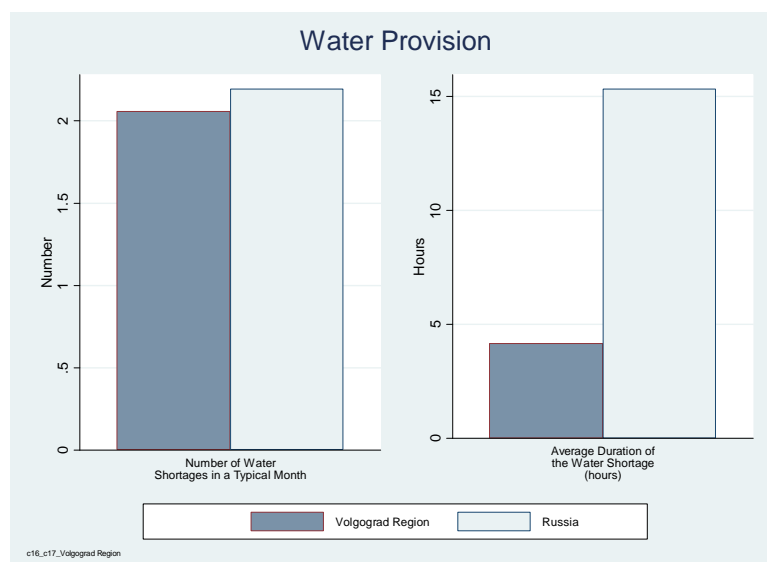
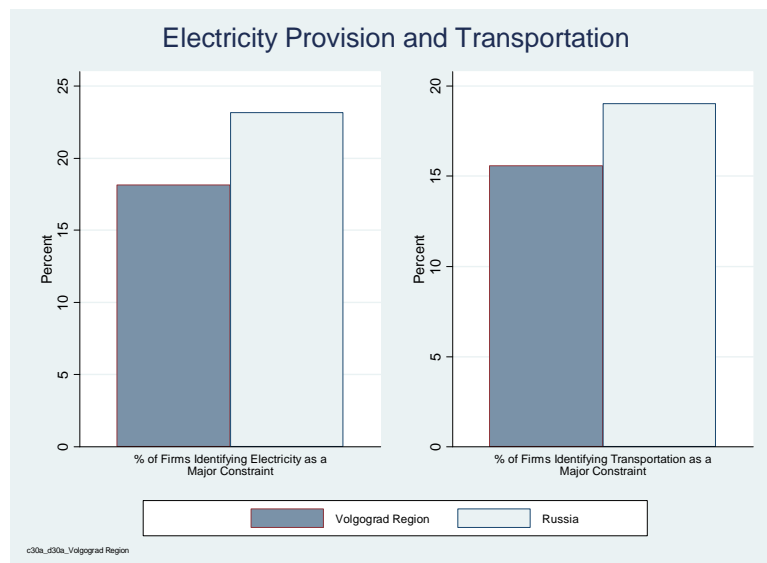
A strong infrastructure enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations.

The survey captures the dual challenge of providing a strong infrastructure for electricity, water supply, telephone connections, etc., and the development of institutions that effectively provide and maintain public services.

The first set of indicators shows the extent to which firms are faced with failures in the provision of electricity and the effect of these failures on sales. Inadequate electricity supply can increase costs, disrupt production, and reduce profitability.

The second set of indicators measures the efficiency of the water supply for the manufacturing sector. Many manufacturing sectors depend on reliable and efficient sources of water for their operations.

The third set of indicators evaluates the efficiency of infrastructure services by quantifying the delays in obtaining electricity, water, and telephone connections. Service delays impose additional costs on firms and may act as barriers to entry and investment.



## Trade

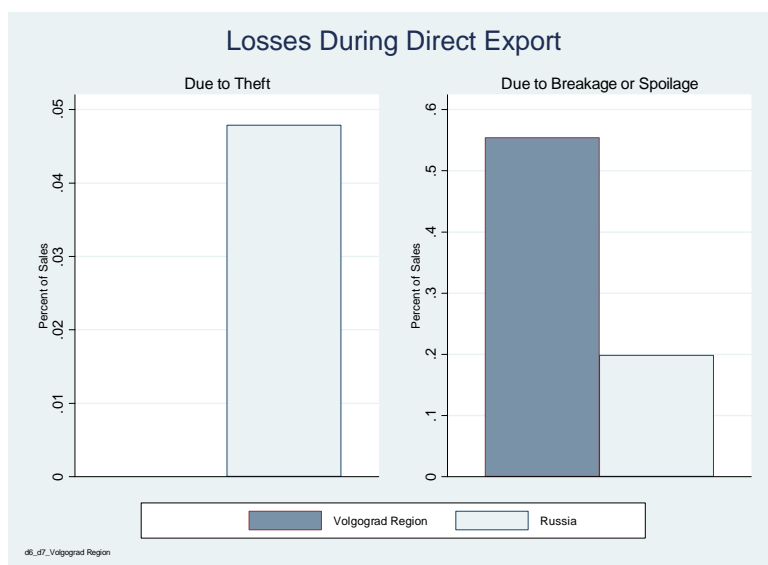
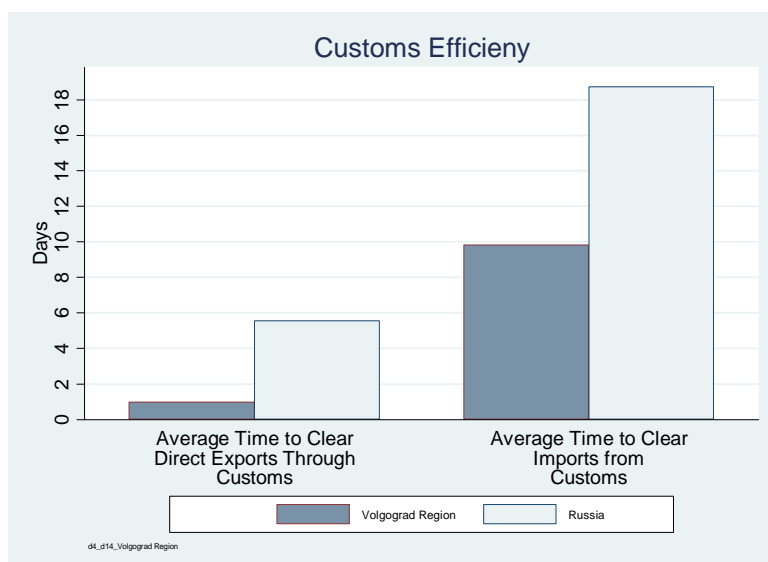
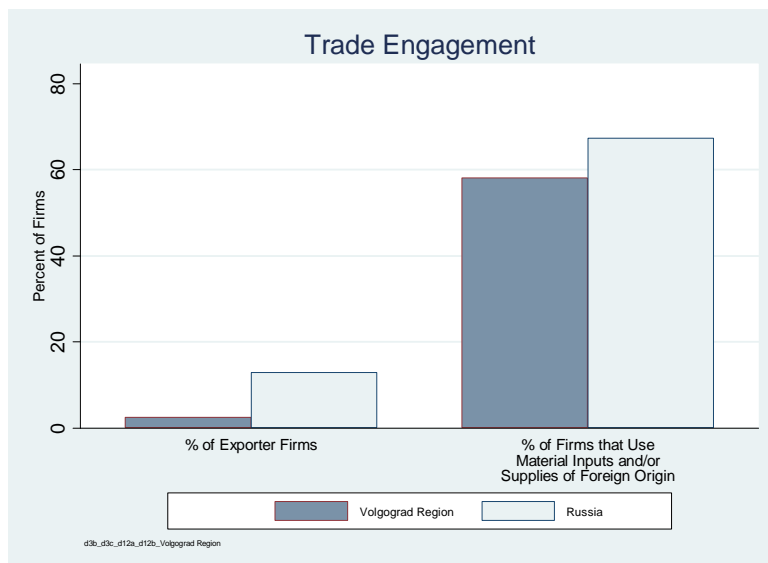
Open markets allow firms to expand, raise standards for efficiency on exporters, and enable firms to import low cost supplies. However, trading also forces firms to deal with customs services and trade regulations, obtain export and import licenses, and in some cases, firms also face additional costs due to losses during transport.

The survey collects information on the operational constraints faced by exporters and importers and also quantifies the trade activity of firms.

The first set of indicators provides a measure of the intensity of foreign trade in the private sector. The first graph shows the percentage of firms who export directly or indirectly, i.e. using an intermediary. The second panel shows the percentage of manufacturing firms who use inputs or supplies of foreign origin.

The second set of indicators measures the average number of days to clear customs for imports and exports. The delay in clearing customs for imports or exports creates additional costs to the firm, can interrupt production, interfere with sales, and result in damaged supplies or merchandise.

The third set of indicators shows the percent value of exports lost during transport due to merchandise theft, and breakage or spoilage, reflecting the transport risks firms face during the export process.



## Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

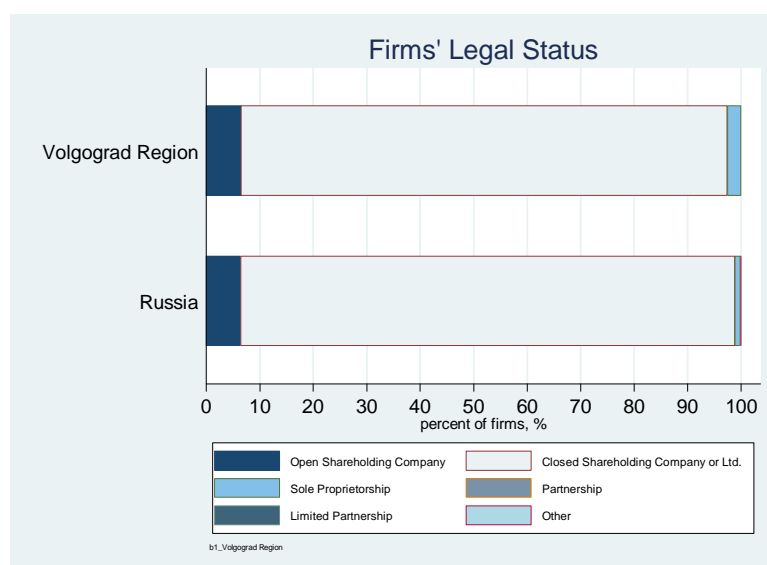
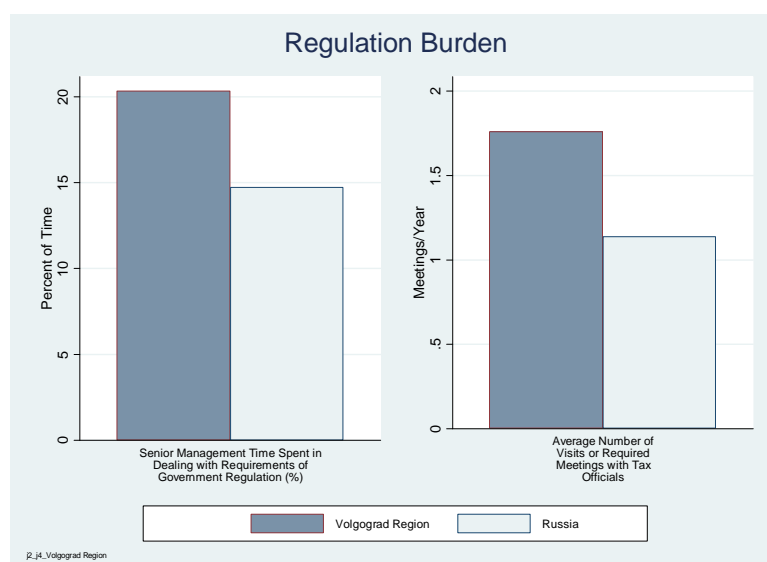
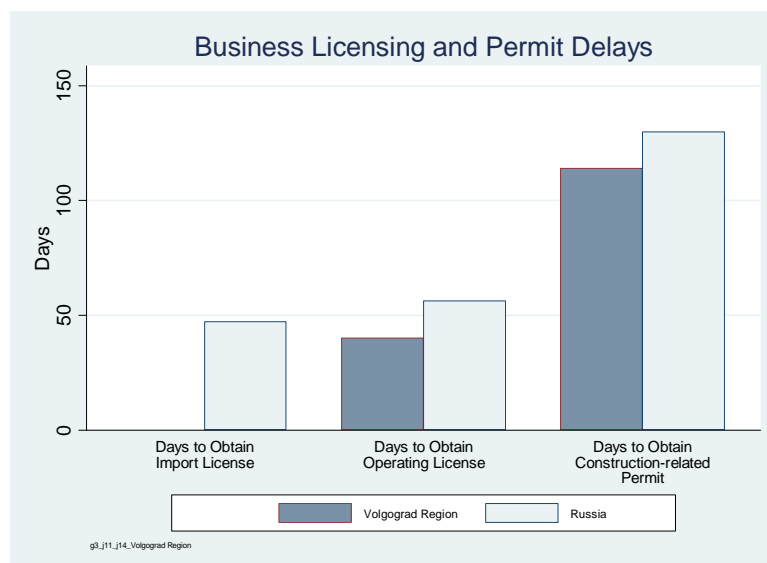
Effective regulations address market failures that inhibit productive investment and reconcile private and public interests. The number of permits and approvals that businesses need to obtain, and the time it takes to obtain them, is expensive and time consuming. The existing legislation of a country also determines the mix of legal forms private firms take and determines the level of protection for investors thus affecting the incentives to invest.

The survey provides qualitative and quantitative measures of taxation, regulations, and business licensing.

The first set of indicators focuses on the efficiency of business licensing and permit services. The indicators evaluate the delays faced when demanding these services.

The second set of indicators approximates the “time tax” imposed by regulations: it measures the time spent by senior management in meetings with public officials and the average number of tax inspections or meetings with tax inspectors in a year.

The third indicator shows the relative use of the different legal forms in the private sector. Most legal forms can be classified into shareholding companies with shares traded privately or non-traded at all (closed), shareholding companies publicly traded (open), sole proprietorships, partnerships, and limited partnerships. A residual category is included to capture legal forms not easily classified into the other categories.



## Corruption

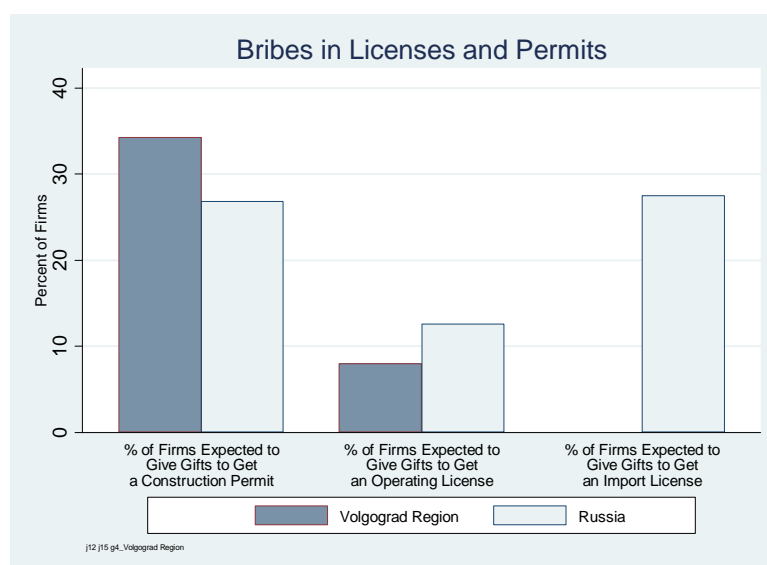
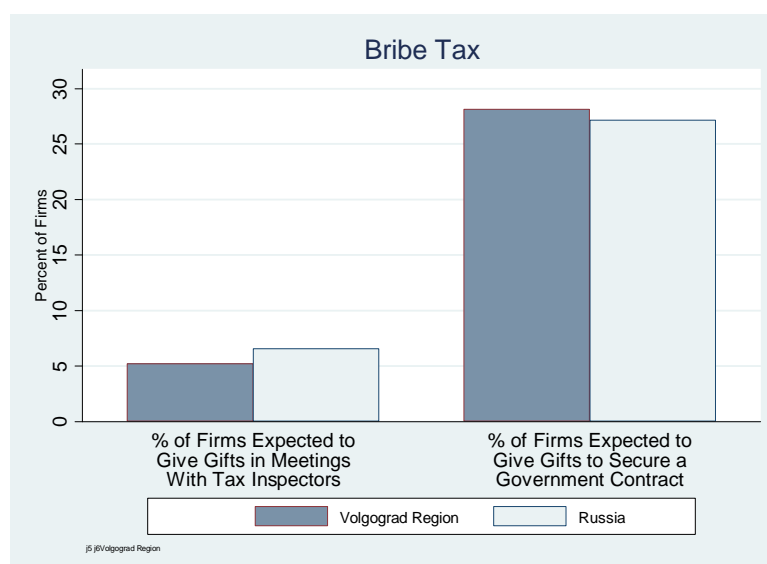
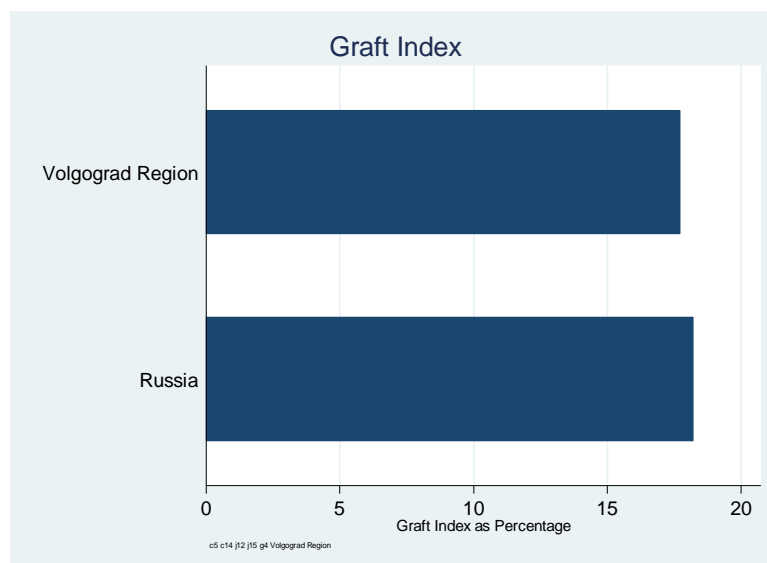
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

Inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make “unofficial” payments to public officials to get things done. In many countries bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for the firms’ growth and development.

The first set of indicators measures a composite index of corruption, the Graft Index that reflects the proportion of instances a firm was asked or expected to pay a bribe when soliciting six different public services, permits or licenses.

The second set of indicators identifies the extent to which specific regulatory and administrative officials require bribe payments during meetings with tax inspectors or in order to secure a government contract.

The third set of indicators focuses on bribes to obtain specific licenses or permits, and shows the share of firms that are expected to make informal payments to secure import and operating licenses and to obtain a construction permit.



## Crime and Informality

Crime imposes costs on firms when they are forced to divert resources from productive uses to cover security costs. Both foreign and domestic investors perceive crime as an indication of social instability, and crime drives up the cost of doing business. Also, commercial disputes between firms and their clients occur regularly in the course of doing business. Resolving these disputes can be challenging when legal institutions are weak or nonexistent.

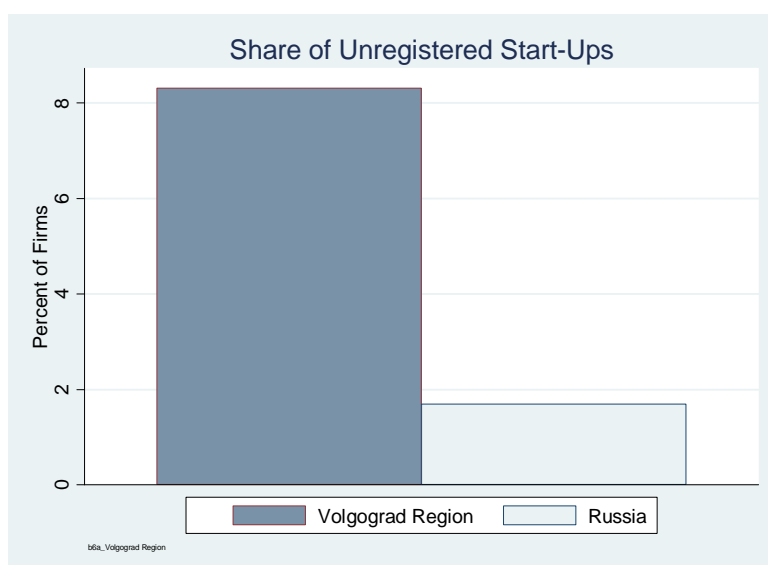
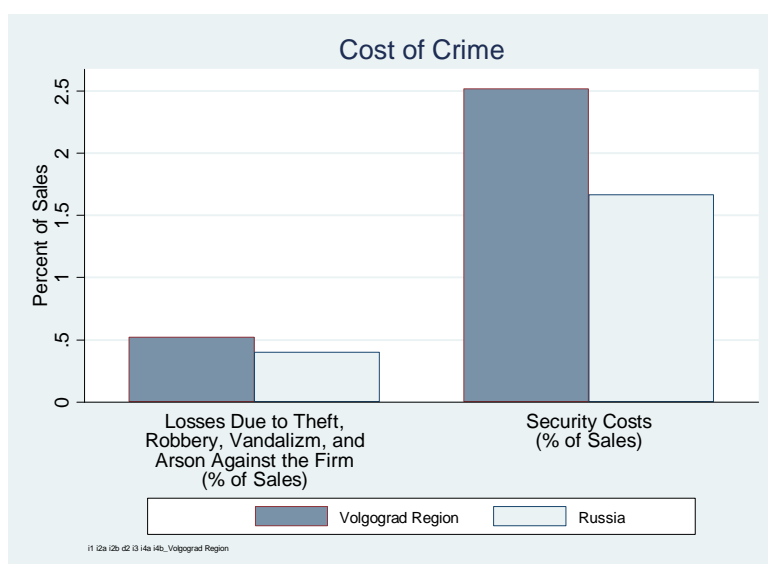
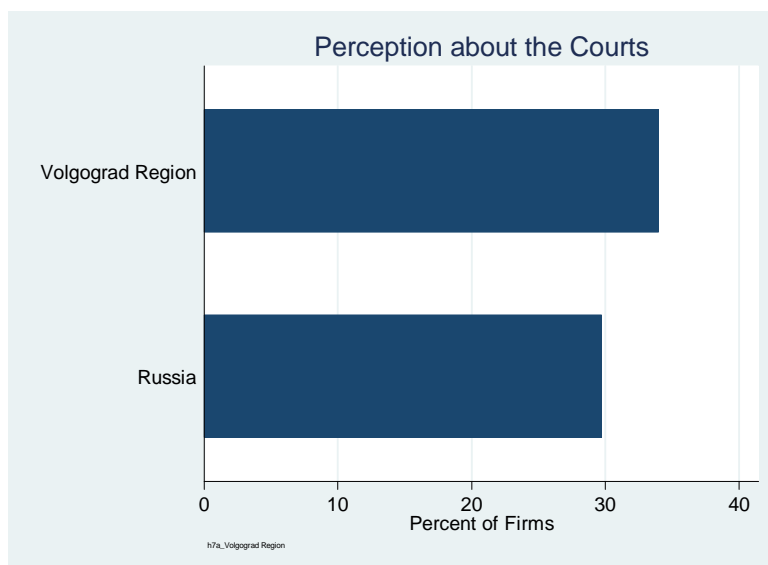
Similarly, a large informal sector has serious consequences for the formal private sector. The informal sector may pose unfair competition for formal firms.

The survey captures key dimensions of the effect of crime on firm sales, the extent to which entrepreneurs identify courts as fair, and the degree of informality in an economy.

The first indicator shows the share of firms that recognize the functioning of the courts as being fair, impartial, and uncorrupted.

The second set of indicators measures the direct costs of security incurred by firms as well as their direct losses due to crime. These resources represent an opportunity cost since they could have been invested in productive activities.

The third set of indicators shows the percentage of firms that started operation without begin formally registered. It is an approximation to the prevalence of informality in the private economy.



## Finance

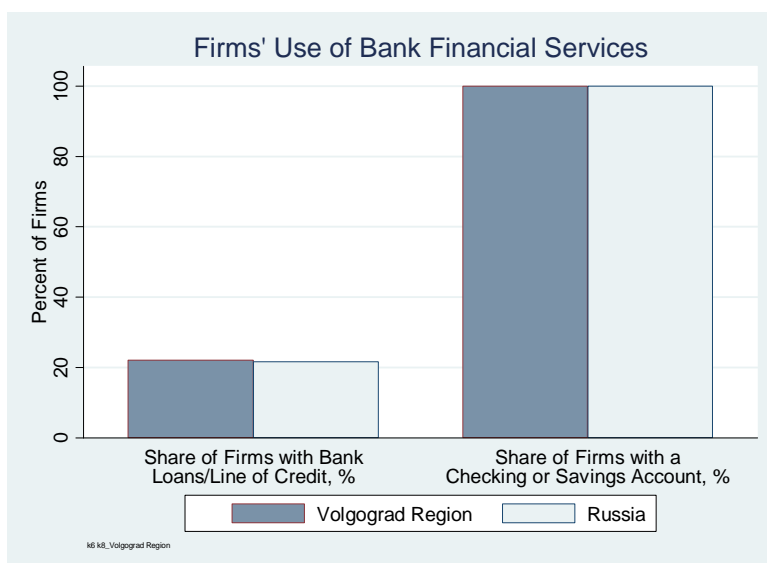
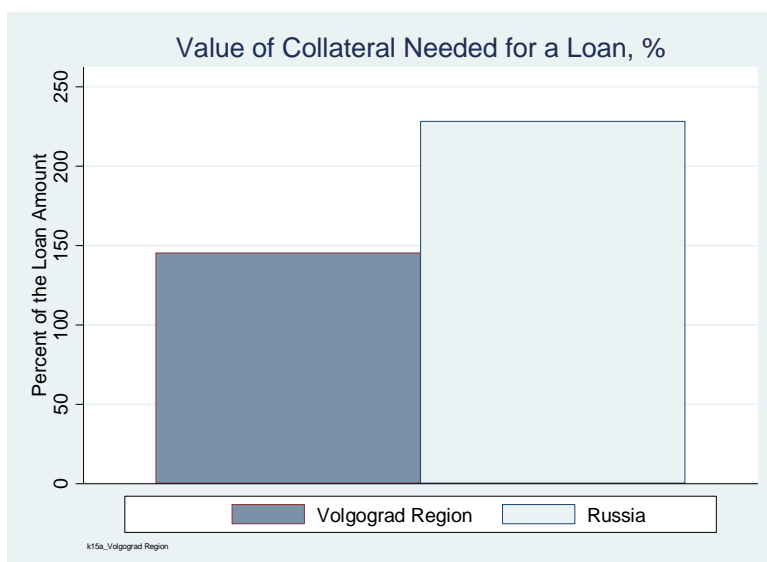
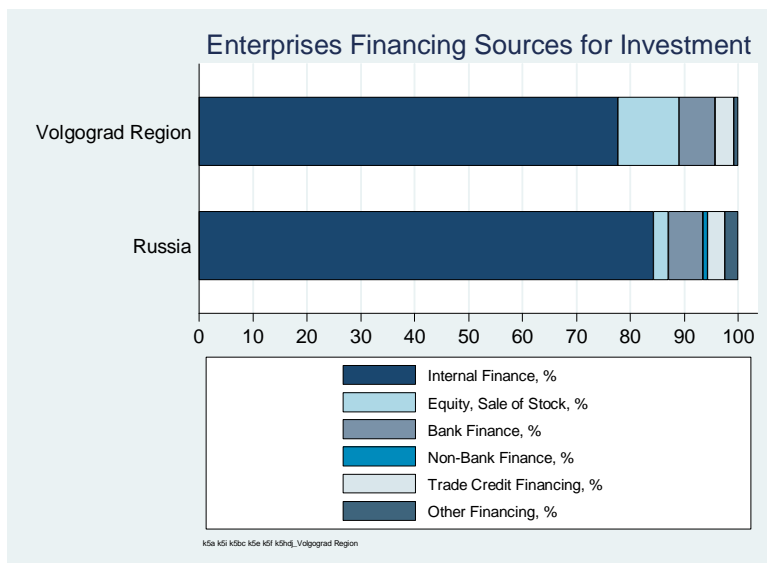
Developed financial markets provide payment services, mobilize deposits, and ease investment financing. Efficient financial markets reduce the reliance on internal funds and on money from informal sources such as family and friends by connecting firms to a broad range of lenders and investors.

The survey provides indicators of how firms finance their operations and of the characteristics of their financial transactions.

The first set of indicators compares the relative use of various sources for financing investment. Excessive reliance on internal funds is a sign of potentially inefficient financial intermediation.

The second set of indicators measures the use of financial markets by individual firms. It presents the percentage of working capital that is financed by sources external to the firm, and a measure of the burden imposed by loan requirements measured by collateral levels relative to the value of the loans.

The third set of indicators focuses on the use of financial services by private firms both on the credit side, by measuring the percentage of firms with bank loans or lines of credit, and on the deposit mobilization side, by measuring the percentage of firms with checking or savings accounts.



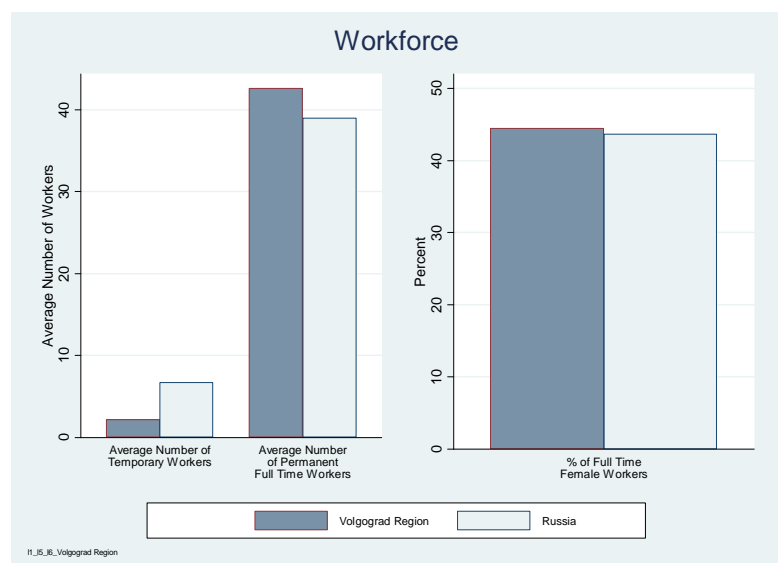
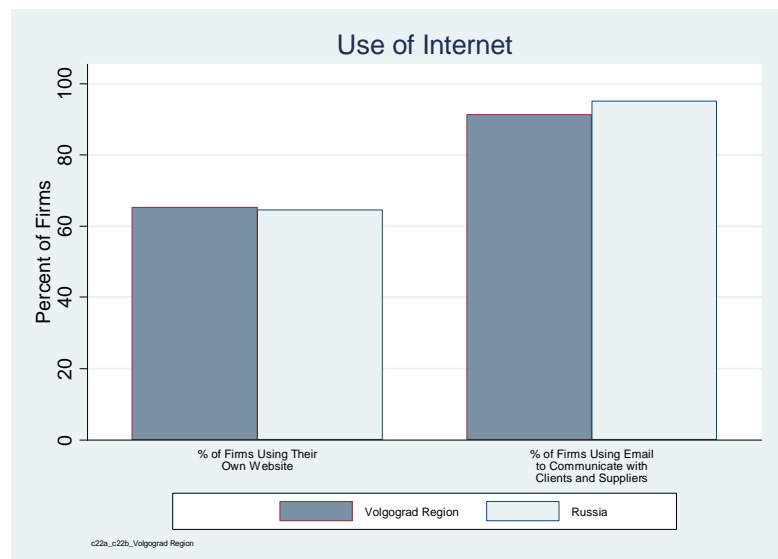
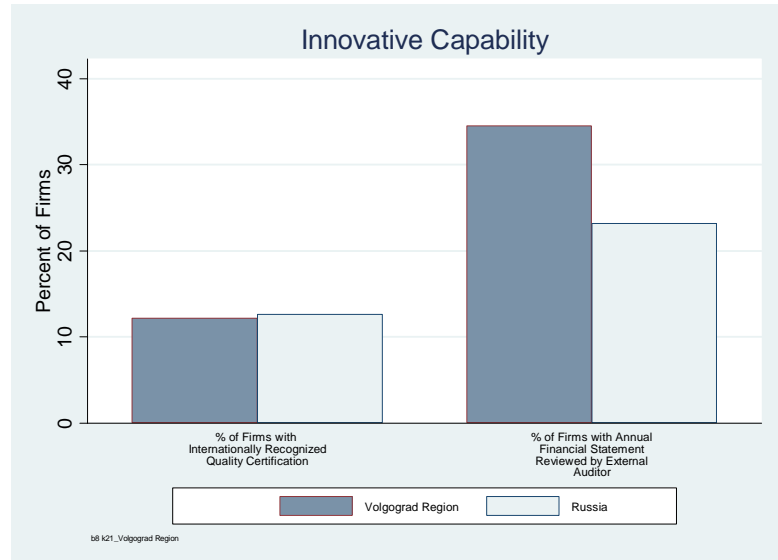
## Innovation and Workforce

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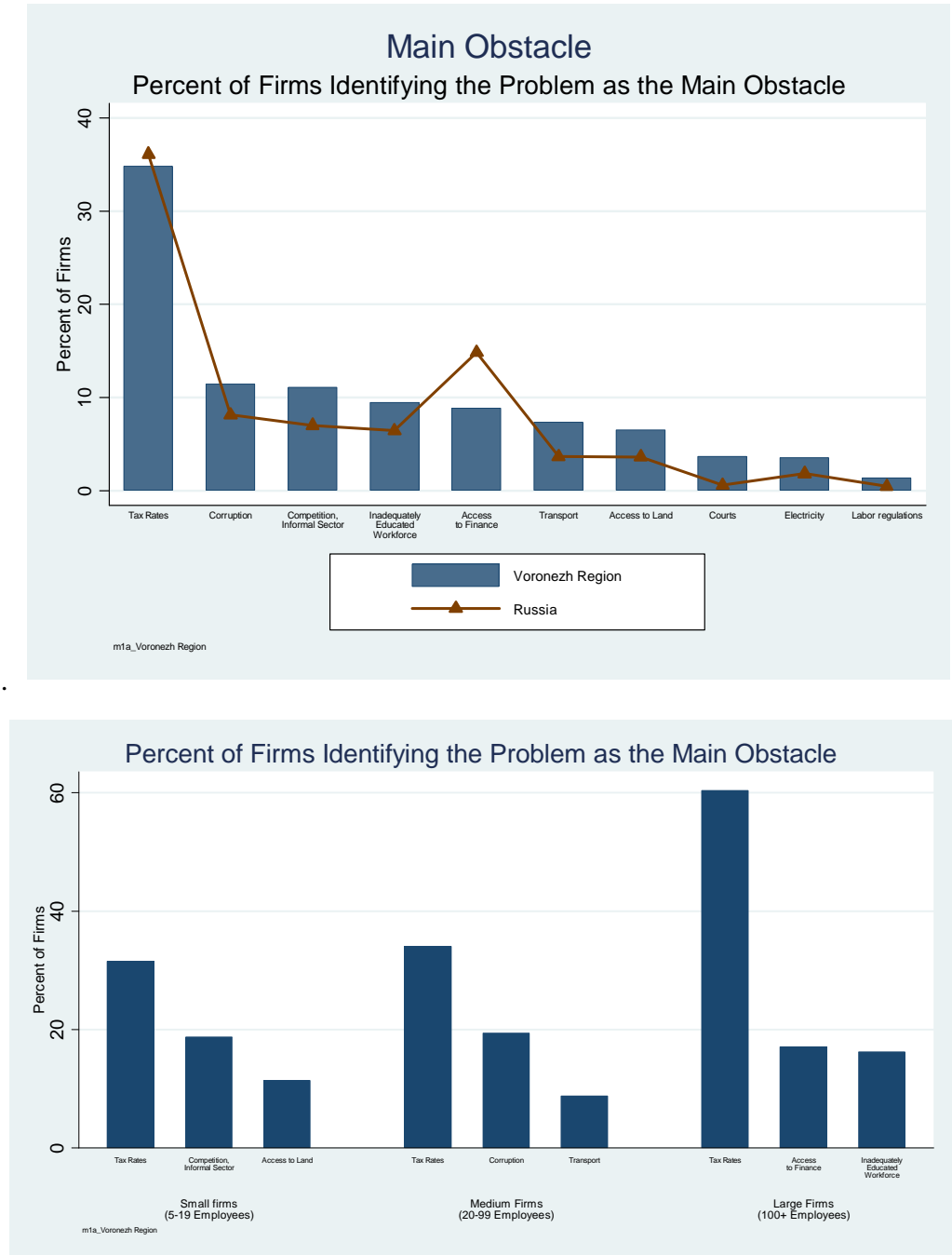
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	<i>Volgograd Region</i>	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	1.02	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	0.88	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	2.0%	3.0%		
<b>Transport</b>	0.89	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	2.1%			
<b>Customs and trade regulations</b>	0.53	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	4.1%	5.2%	2.9%	9.4%
<b>Practices of informal competitors</b>	0.94	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	4.9%			
<b>Access to land</b>	0.89	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	4.2%			
<b>Crime, theft and disorder</b>	0.62	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	3.0%			
<b>Access to finance</b>	1.55	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	11.0%	10.4%		
<b>Tax rates</b>	2.36	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	4.3%			
<b>Tax administration</b>	1.32	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	8.4%	13.9%	8.4%	
<b>Business licensing and permits</b>	0.97	0.29	Kirov Region; Smolensk Region; Stavropol Territory	5.1%	9.4%	3.7%	16.0%
<b>Political instability</b>	1.31	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	6.3%	5.5%	3.3%	31.5%
<b>Corruption</b>	1.64	0.60	Irkutsk Region; Kirov Region; Smolensk Region	11.5%	9.9%	5.3%	29.2%
<b>Courts</b>	0.71	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	6.6%	10.0%		
<b>Labor regulations</b>	0.72	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	6.1%			
<b>Inadequately educated workforce</b>	1.47	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	6.4%	7.9%	5.8%	

Voronezh Region.<sup>36</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Voronezh Region benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Voronezh Region.



<sup>36</sup> 121 companies were surveyed by in Voronezh Region. The benchmarks used for comparisons are averages for Russia as a whole.

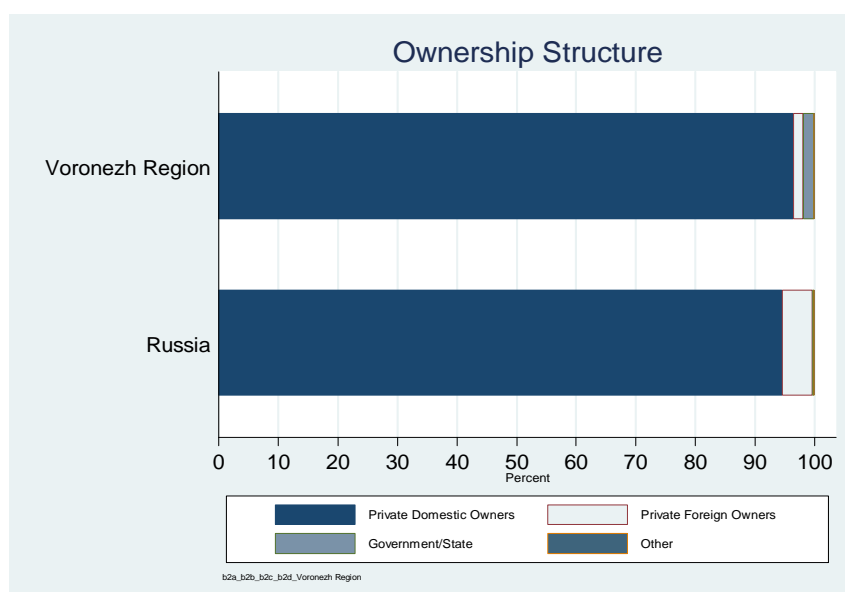
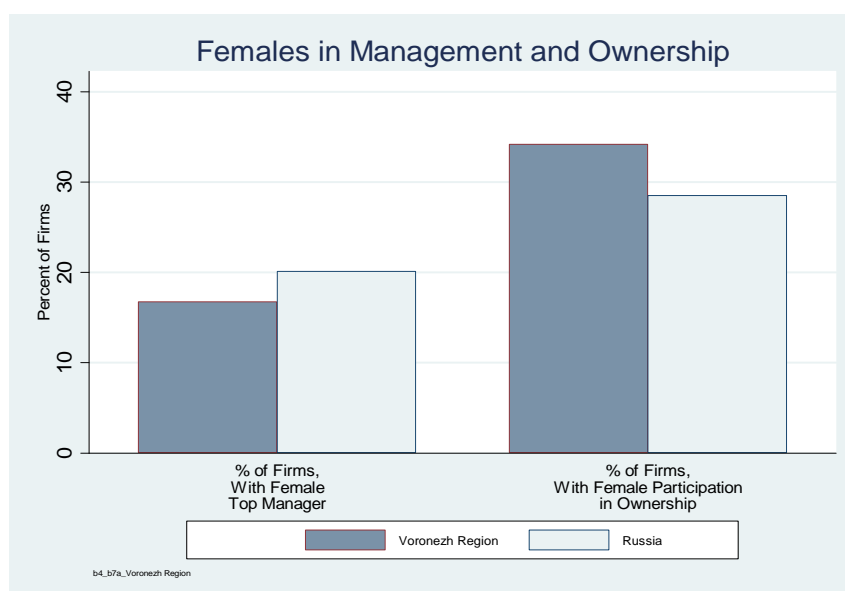
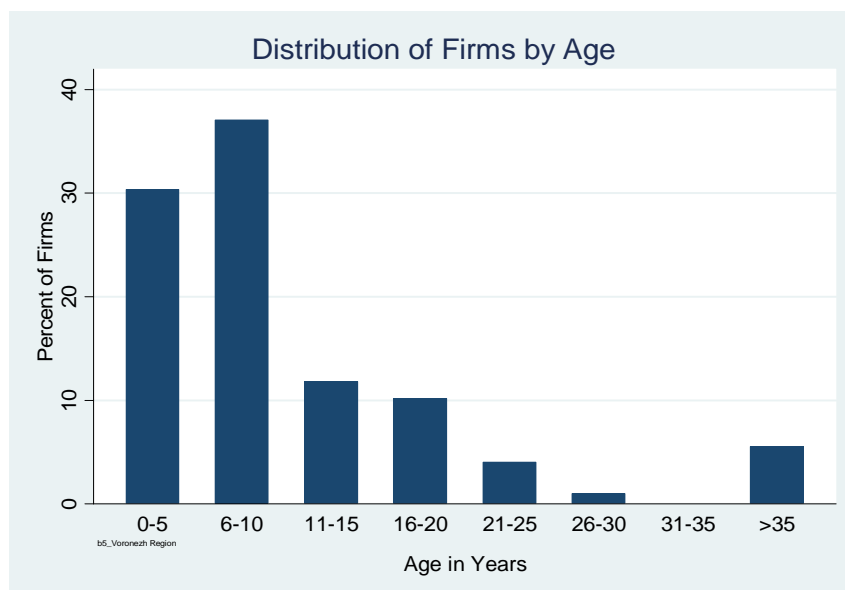
## Average Firm

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## Infrastructure

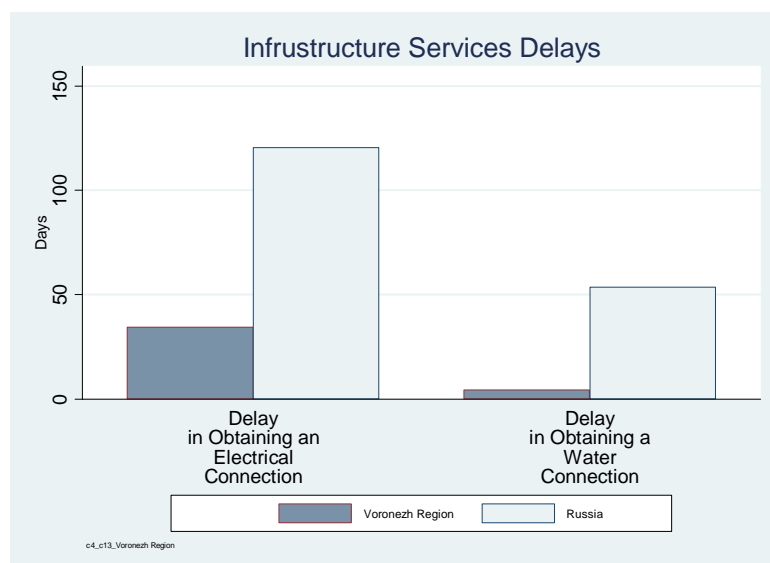
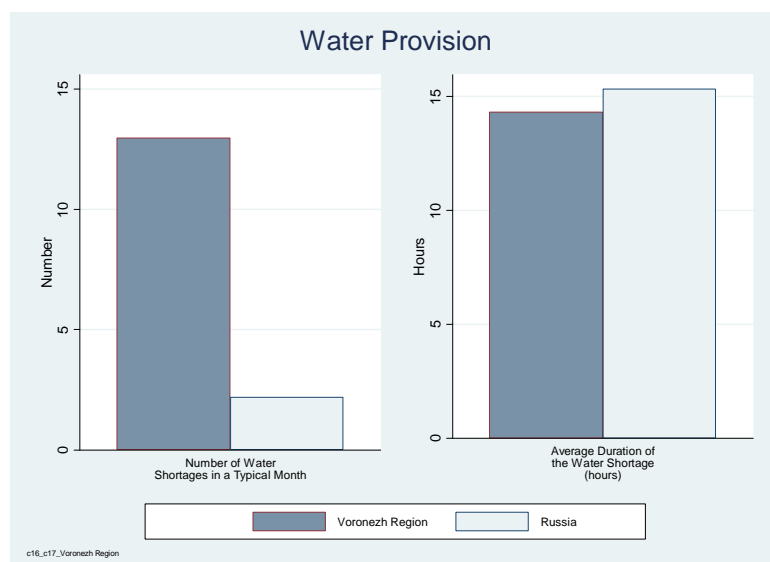
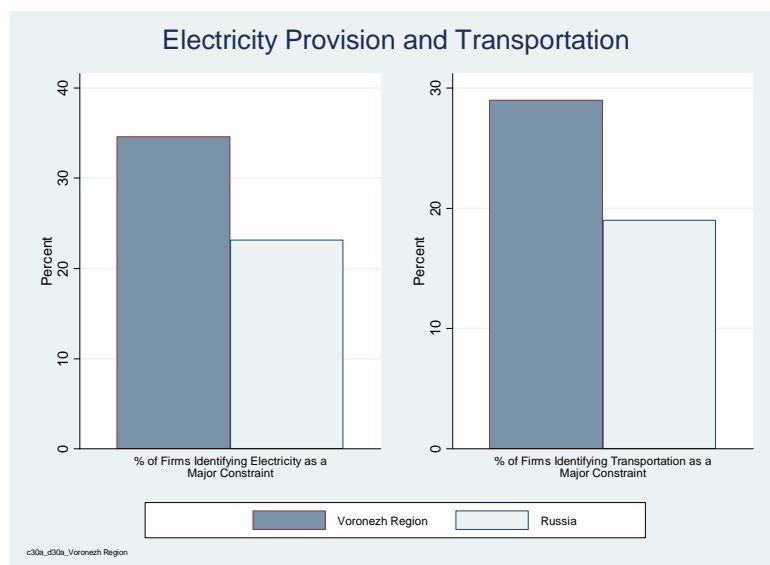
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## Trade

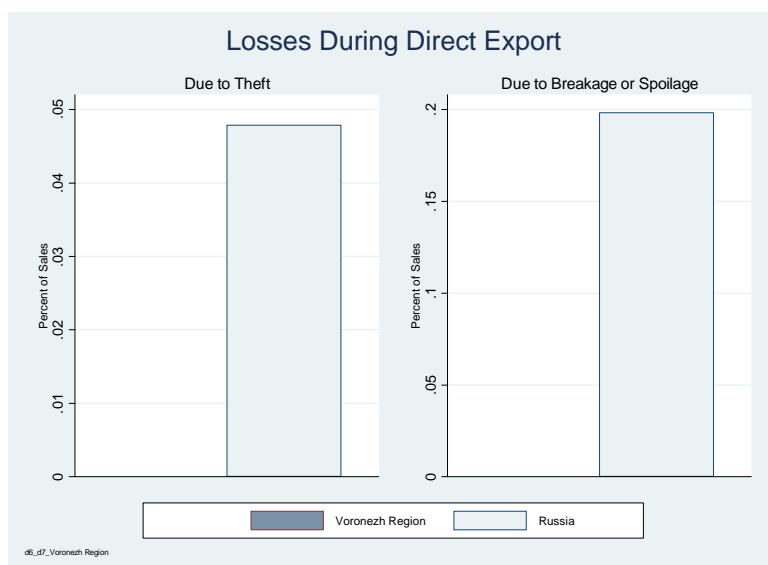
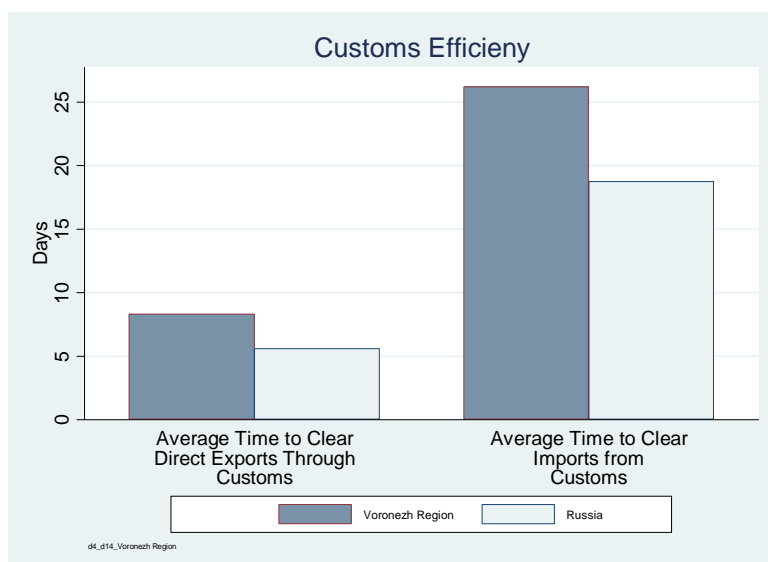
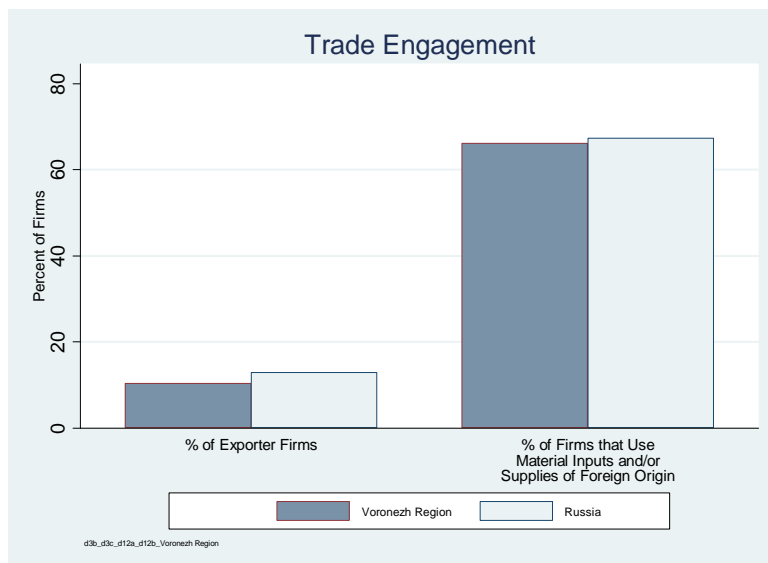
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## Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

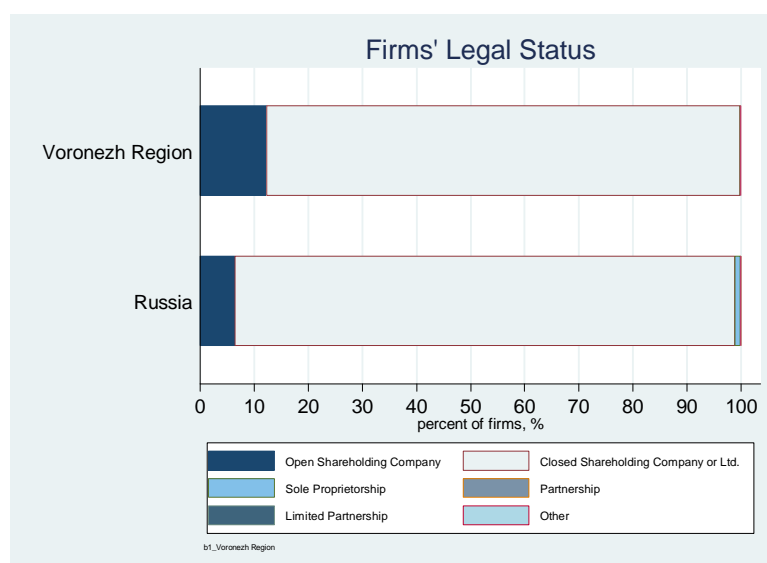
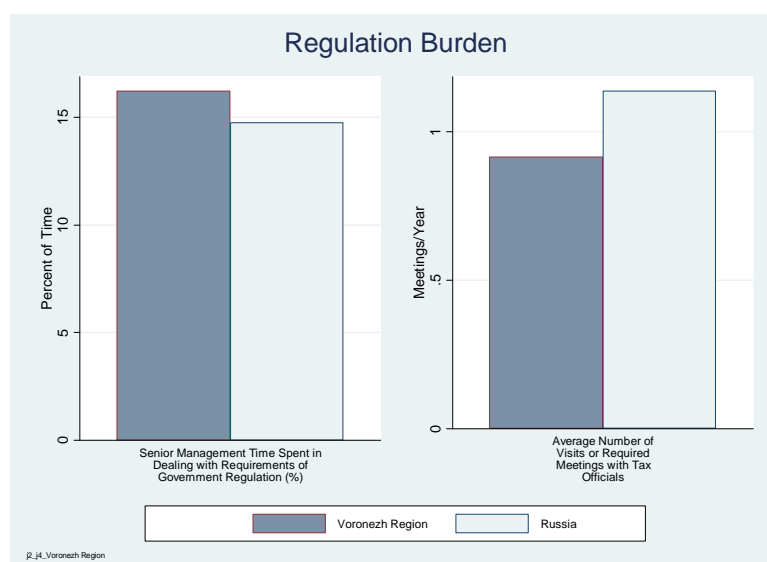
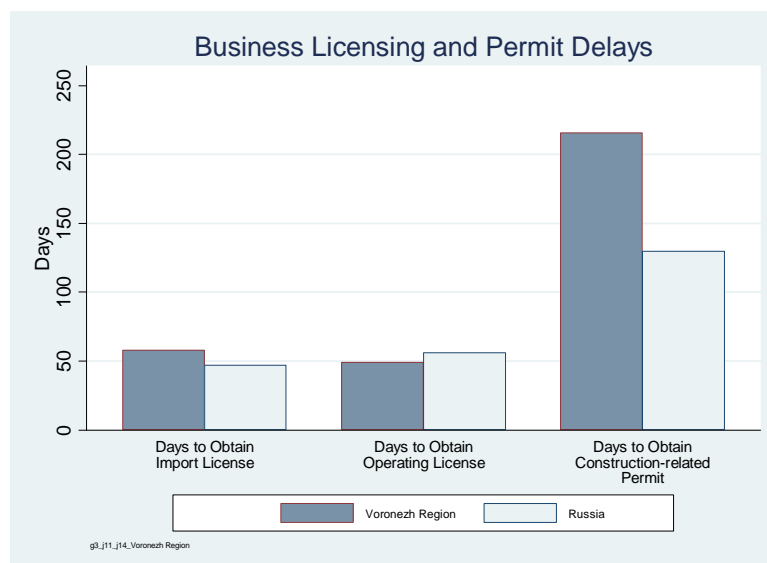
Effective regulations address market failures that inhibit productive investment and reconcile private and public interests. The number of permits and approvals that businesses need to obtain, and the time it takes to obtain them, is expensive and time consuming. The existing legislation of a country also determines the mix of legal forms private firms take and determines the level of protection for investors thus affecting the incentives to invest.

The survey provides qualitative and quantitative measures of taxation, regulations, and business licensing.

The first set of indicators focuses on the efficiency of business licensing and permit services. The indicators evaluate the delays faced when demanding these services.

The second set of indicators approximates the “time tax” imposed by regulations: it measures the time spent by senior management in meetings with public officials and the average number of tax inspections or meetings with tax inspectors in a year.

The third indicator shows the relative use of the different legal forms in the private sector. Most legal forms can be classified into shareholding companies with shares traded privately or non-traded at all (closed), shareholding companies publicly traded (open), sole proprietorships, partnerships, and limited partnerships. A residual category is included to capture legal forms not easily classified into the other categories.



## Corruption

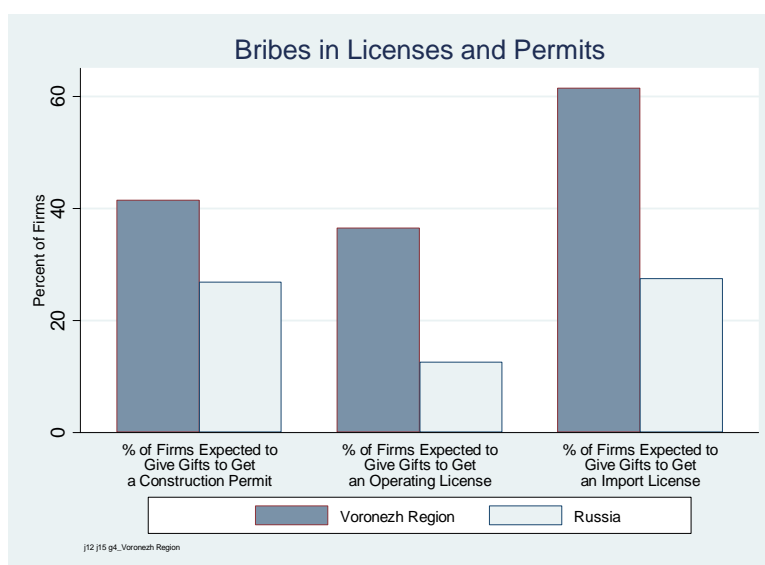
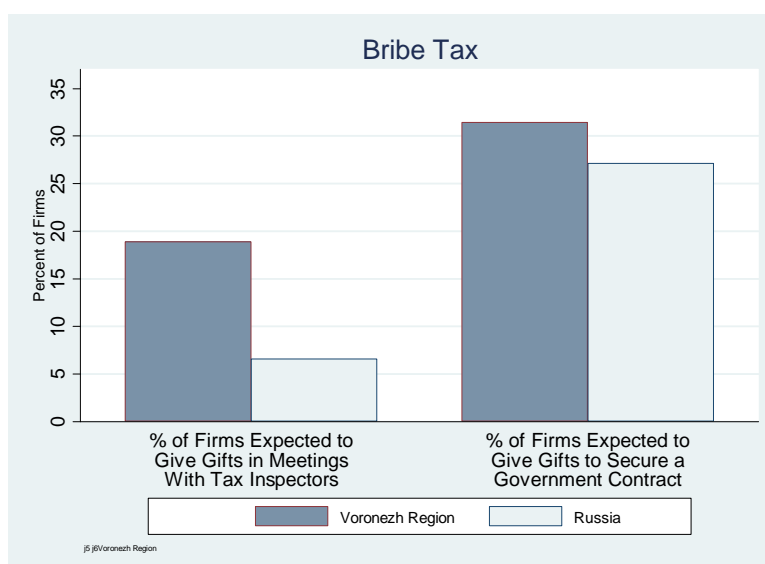
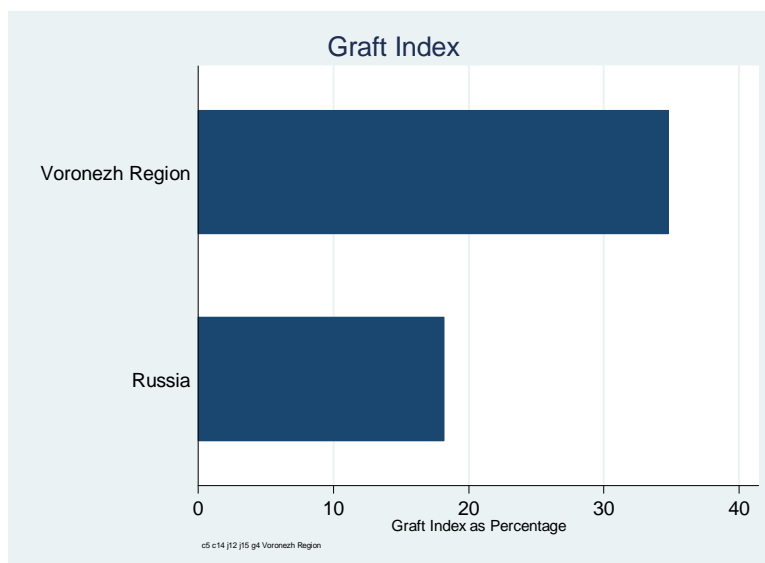
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

Inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make “unofficial” payments to public officials to get things done. In many countries bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for the firms’ growth and development.

The first set of indicators measures a composite index of corruption, the Graft Index that reflects the proportion of instances a firm was asked or expected to pay a bribe when soliciting six different public services, permits or licenses.

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The third set of indicators focuses on bribes to obtain specific licenses or permits, and shows the share of firms that are expected to make informal payments to secure import and operating licenses and to obtain a construction permit.



## Crime and Informality

Crime imposes costs on firms when they are forced to divert resources from productive uses to cover security costs. Both foreign and domestic investors perceive crime as an indication of social instability, and crime drives up the cost of doing business. Also, commercial disputes between firms and their clients occur regularly in the course of doing business. Resolving these disputes can be challenging when legal institutions are weak or nonexistent.

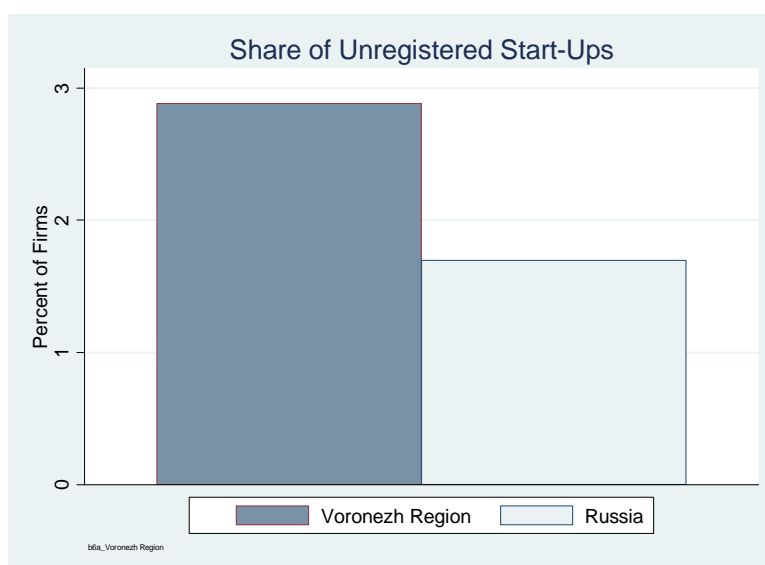
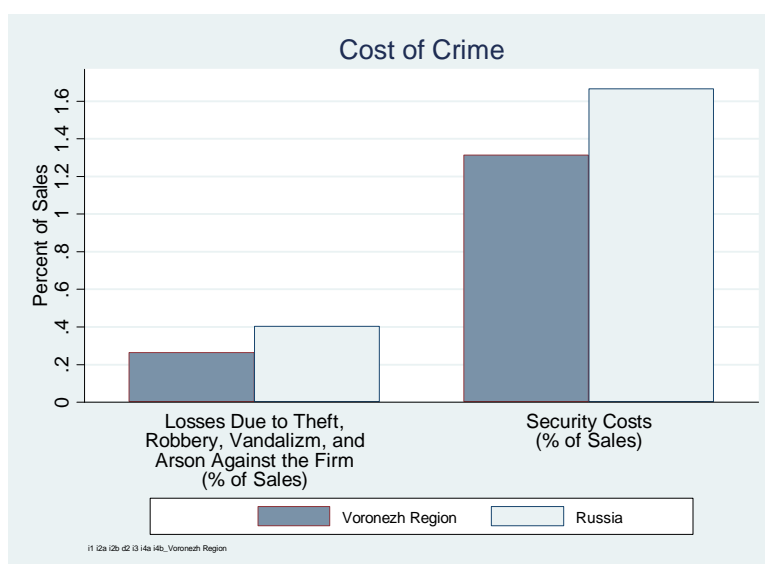
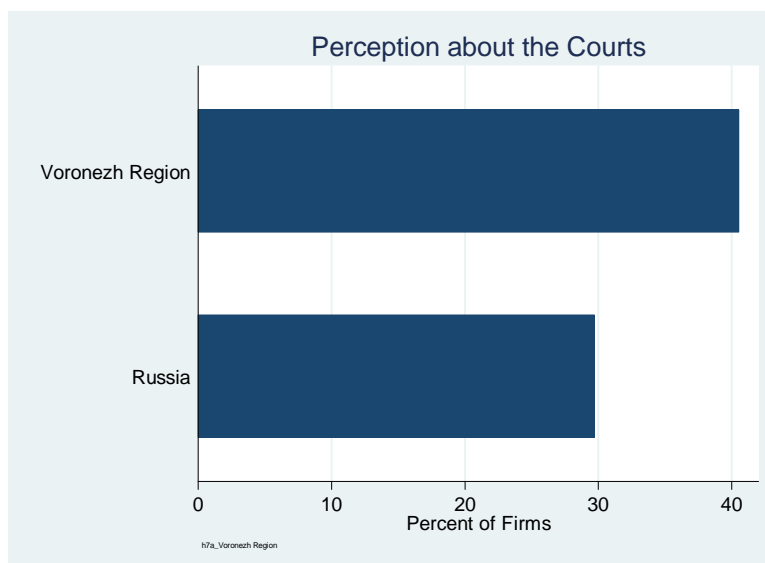
Similarly, a large informal sector has serious consequences for the formal private sector. The informal sector may pose unfair competition for formal firms.

The survey captures key dimensions of the effect of crime on firm sales, the extent to which entrepreneurs identify courts as fair, and the degree of informality in an economy.

The first indicator shows the share of firms that recognize the functioning of the courts as being fair, impartial, and uncorrupted.

The second set of indicators measures the direct costs of security incurred by firms as well as their direct losses due to crime. These resources represent an opportunity cost since they could have been invested in productive activities.

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## Finance

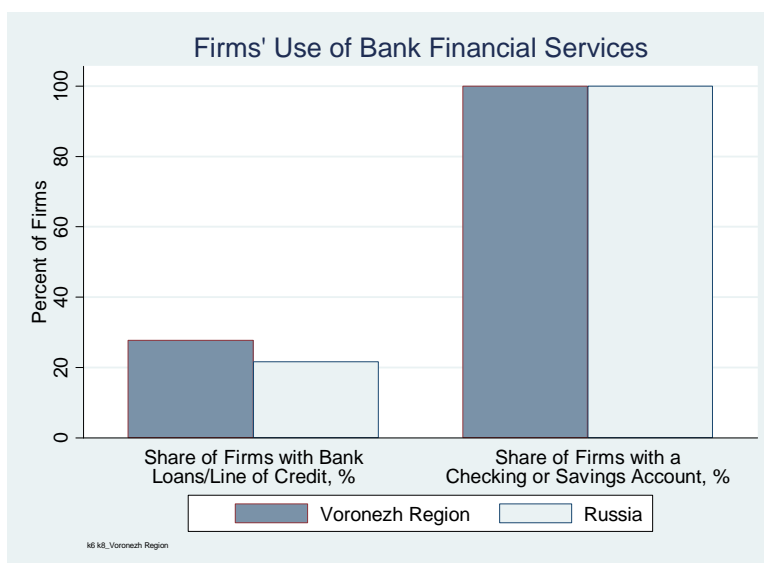
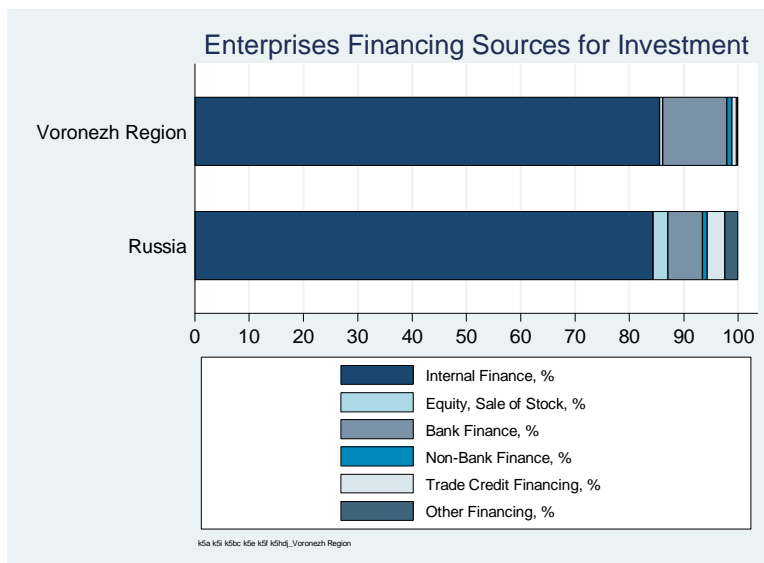
Developed financial markets provide payment services, mobilize deposits, and ease investment financing. Efficient financial markets reduce the reliance on internal funds and on money from informal sources such as family and friends by connecting firms to a broad range of lenders and investors.

The survey provides indicators of how firms finance their operations and of the characteristics of their financial transactions.

The first set of indicators compares the relative use of various sources for financing investment. Excessive reliance on internal funds is a sign of potentially inefficient financial intermediation.

The second set of indicators measures the use of financial markets by individual firms. It presents the percentage of working capital that is financed by sources external to the firm, and a measure of the burden imposed by loan requirements measured by collateral levels relative to the value of the loans.

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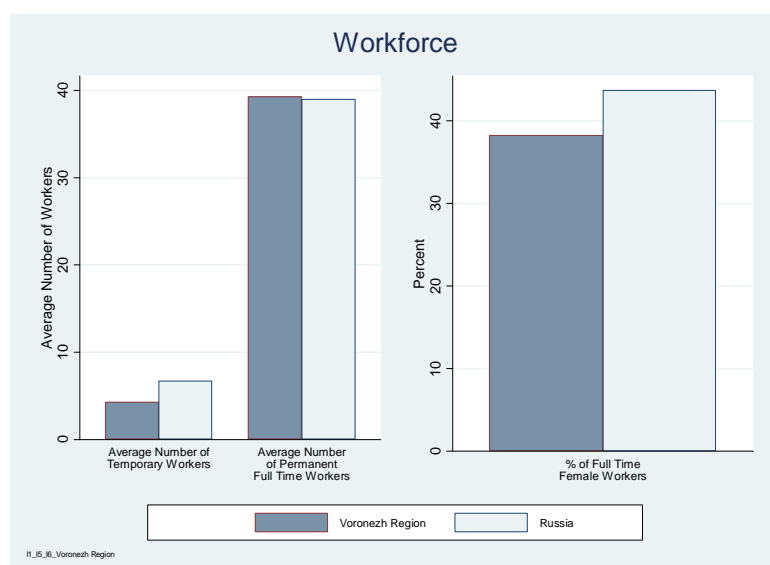
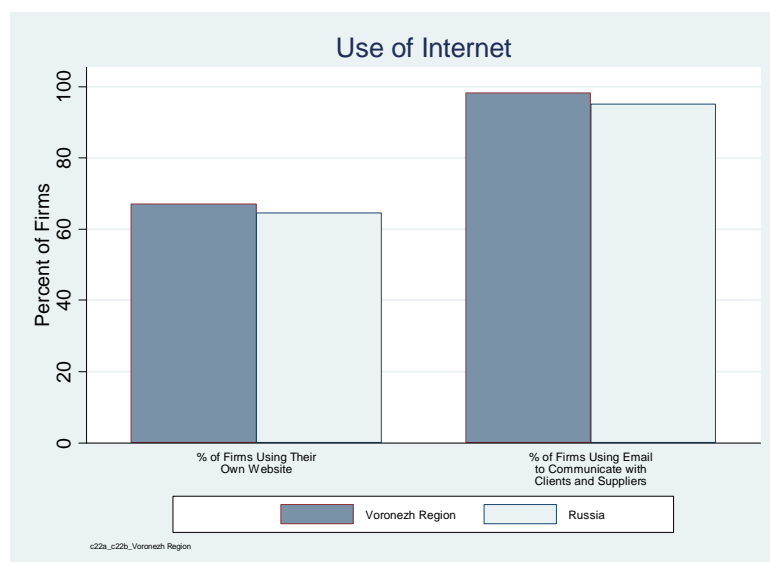
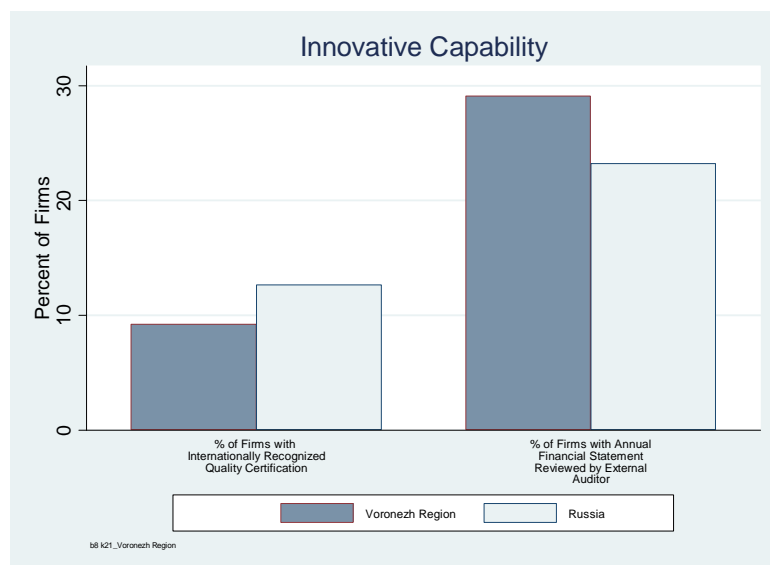
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The Survey provides indicators that describe several dimensions of technology use and innovation. They also collect information on the characteristics of the workforce employed in the non-agricultural private economy.

The first set of indicators measures the extent to which firms invest in obtaining recognized certificates of production and accounting practices. Obtaining international quality certifications can open doors to technology and innovation and they also provide a sign of high quality that may open markets.

The second set of indicators demonstrates the use of information and communications technologies (ICT) in business transactions. ICT, such as the Internet, are important tools for all firms because they provide even the smallest of enterprises with the ability to reach national and international markets at low cost.

The third set of indicators presents the composition of the firm's workforce by type of contract and gender. Labor regulations have a direct effect on the type of employment favored by firms and they may have a differing impact by gender. The first two indicators present the composition of the workforce classified into temporary and permanent workers. The last indicator reflects the participation of women in regular full-time employment.



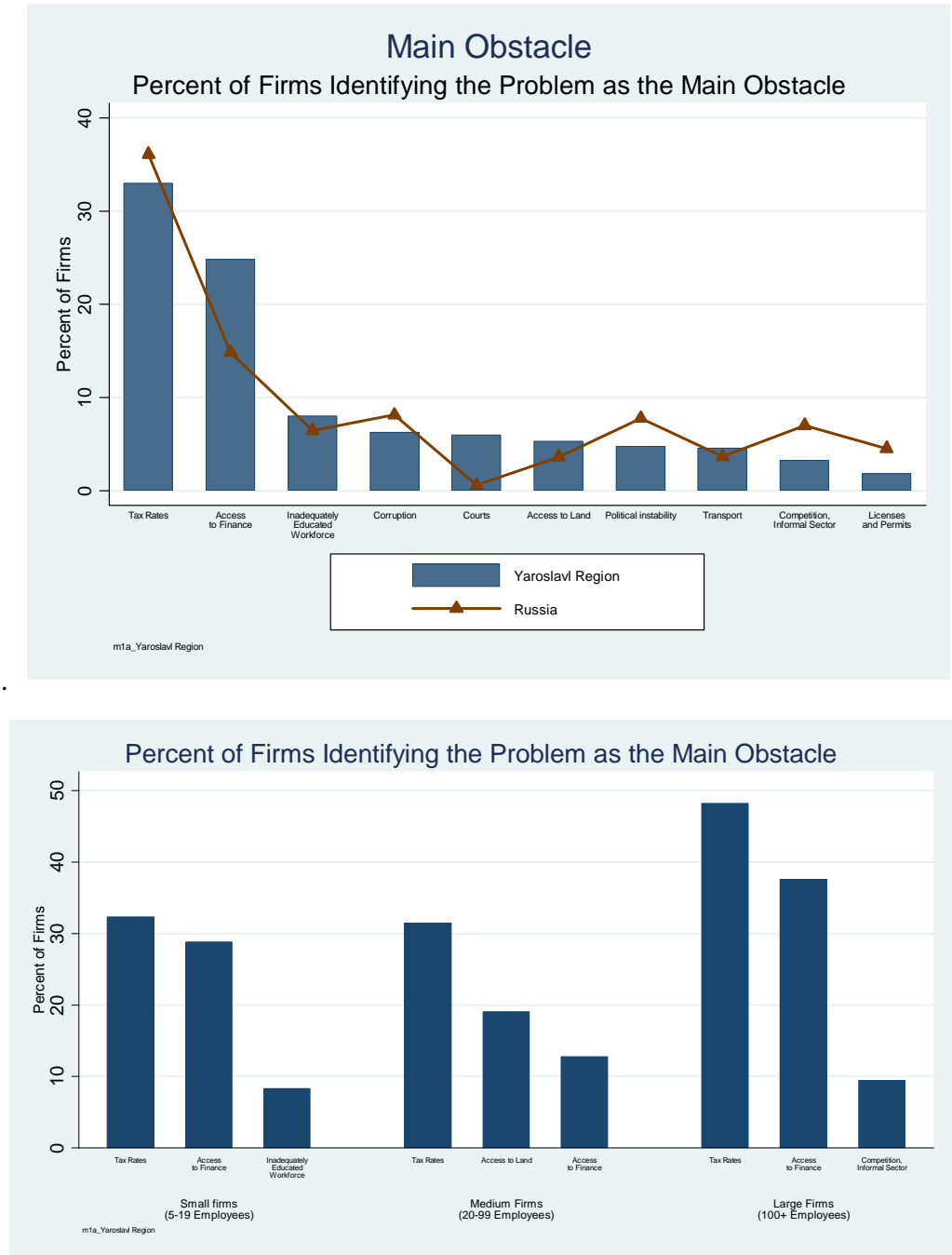
**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	Voronezh Region	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	1.53	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	1.50	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	4.5%	6.5%		
<b>Transport</b>	1.42	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	4.2%			
<b>Customs and trade regulations</b>	0.60	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	4.7%	6.0%	3.4%	10.9%
<b>Practices of informal competitors</b>	0.82	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	4.0%			
<b>Access to land</b>	0.81	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	3.5%			
<b>Crime, theft and disorder</b>	0.84	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	4.4%			
<b>Access to finance</b>	1.08	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	5.3%	5.0%		
<b>Tax rates</b>	2.50	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	5.0%			
<b>Tax administration</b>	0.93	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	5.0%	8.3%	5.0%	
<b>Business licensing and permits</b>	0.67	0.29	Kirov Region; Smolensk Region; Stavropol Territory	2.9%	5.3%	2.1%	9.1%
<b>Political instability</b>	1.13	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	4.3%	3.7%	2.2%	21.5%
<b>Corruption</b>	1.28	0.60	Irkutsk Region; Kirov Region; Smolensk Region	7.5%	6.5%	3.5%	19.1%
<b>Courts</b>	0.49	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	4.3%	6.5%		
<b>Labor regulations</b>	0.76	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	6.6%			
<b>Inadequately educated workforce</b>	1.34	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	5.6%	6.8%	5.1%	

Yaroslavl Region.<sup>37</sup>

Business Obstacles

Below is a snapshot of the most serious business obstacles as perceived by firms in the region. The first graph presents the top 10 constraints as identified by firms in Yaroslavl Region benchmarked against averages for Russia. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Yaroslavl Region.



<sup>37</sup> 120 companies were surveyed by in Yaroslavl Region. The benchmarks used for comparisons are averages for Russia as a whole.

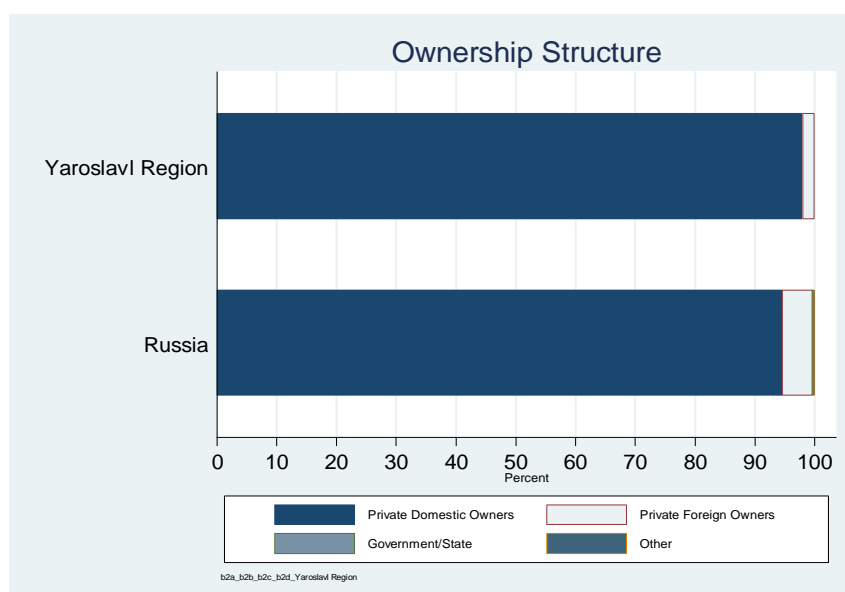
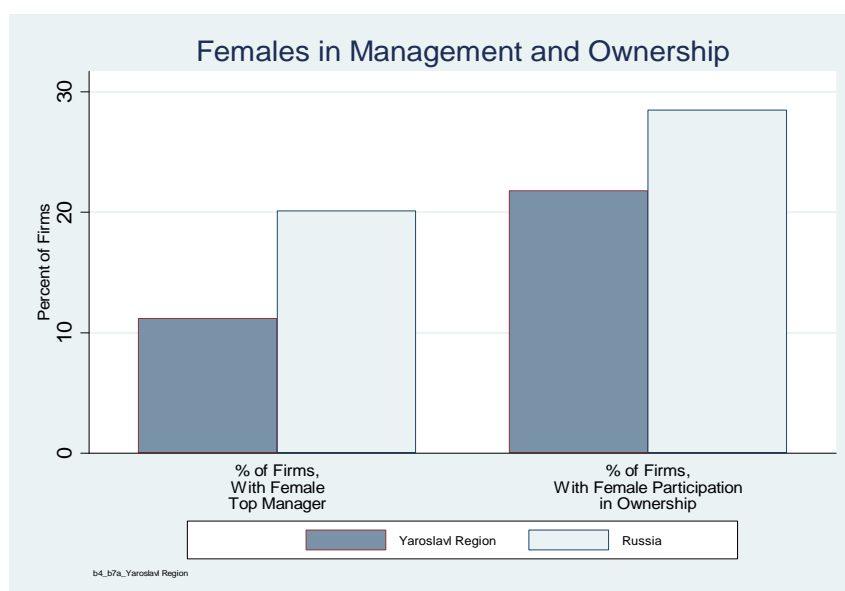
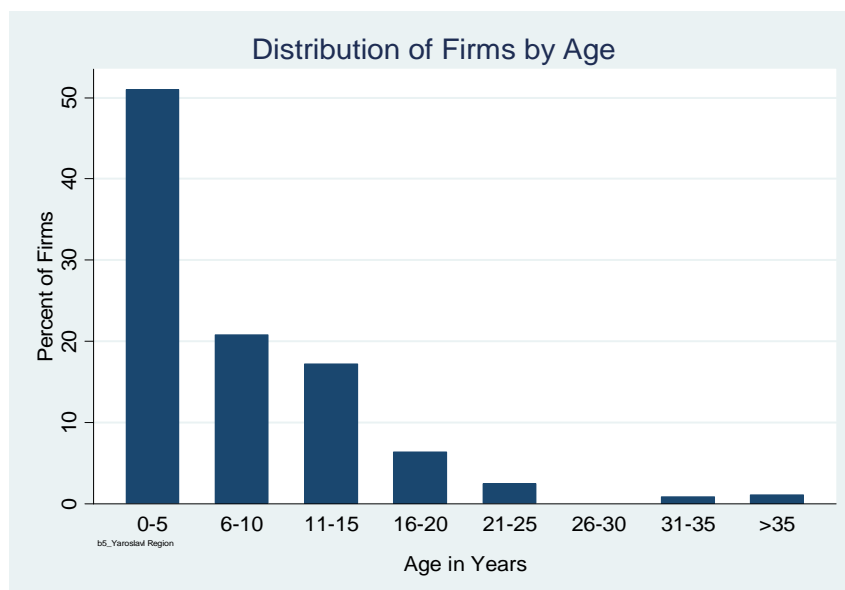
## Average Firm

The survey collects information from a representative sample of the non-agricultural formal private economy. In addition to collecting information on the business environment the surveys collect information on the characteristics of the firms interviewed. Consequently, the data collected provides a description of the representative private firm in the country and also an estimate of how some of the attributes of the average firm are distributed across the population of firms.

The first indicator shows the distribution of firms according to their age measured by the number of years they have been in operation. The effect the business environment can have on the private sector may depend on firms' experience and longevity. Seasoned firms and young firms may differ in their ability to successfully navigate the business environment.

The second set of indicators provides an illustration of female participation in management and firm ownership. These indicators can help assess whether gender can be a determinant of the effect of regulations on the firm and the level of exposure of the firm to external factors, such as corruption, access to finance, and technology.

The third indicator shows the participation of the domestic private sector, the government, the foreign sector and other sectors in the ownership of the typical firm. The distribution provides insight into their levels of equity in the private sector of the economy.



## Infrastructure

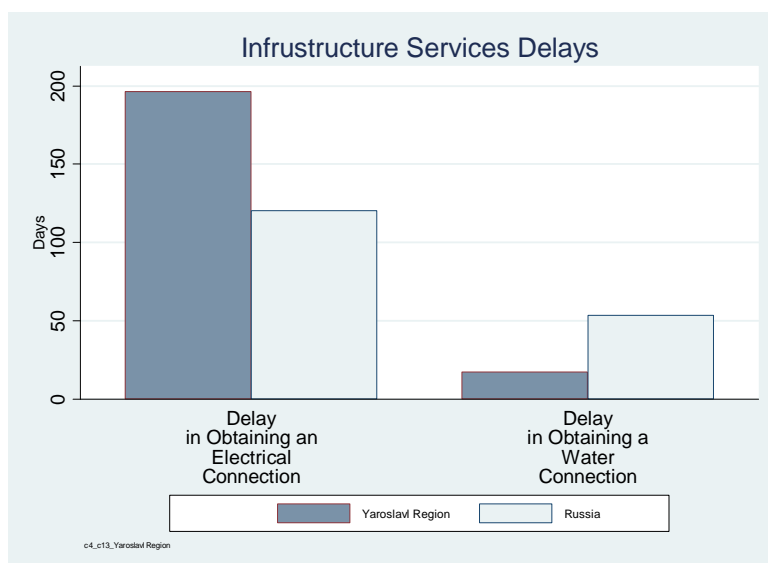
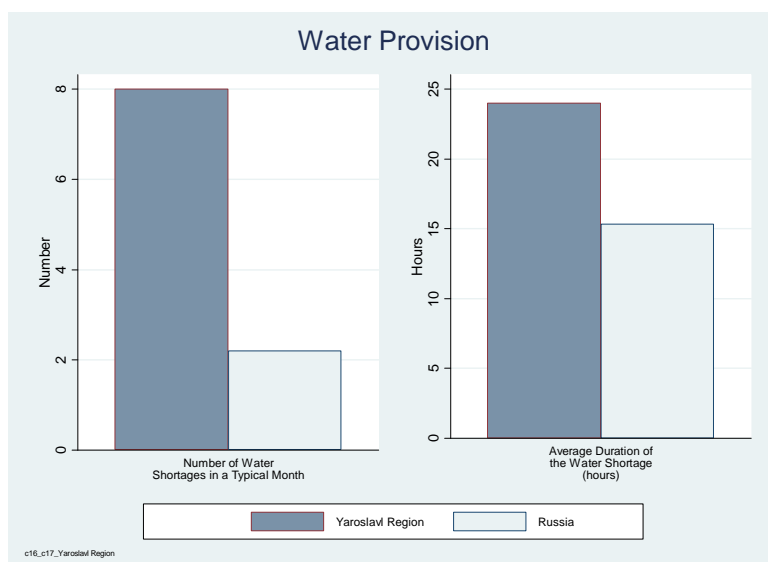
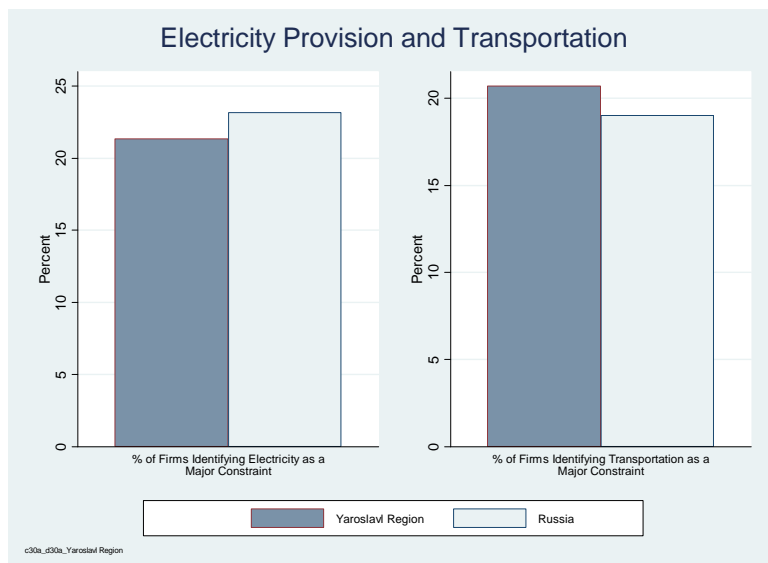
A strong infrastructure enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations.

The survey captures the dual challenge of providing a strong infrastructure for electricity, water supply, telephone connections, etc., and the development of institutions that effectively provide and maintain public services.

The first set of indicators shows the extent to which firms are faced with failures in the provision of electricity and the effect of these failures on sales. Inadequate electricity supply can increase costs, disrupt production, and reduce profitability.

The second set of indicators measures the efficiency of the water supply for the manufacturing sector. Many manufacturing sectors depend on reliable and efficient sources of water for their operations.

The third set of indicators evaluates the efficiency of infrastructure services by quantifying the delays in obtaining electricity, water, and telephone connections. Service delays impose additional costs on firms and may act as barriers to entry and investment.



## Trade

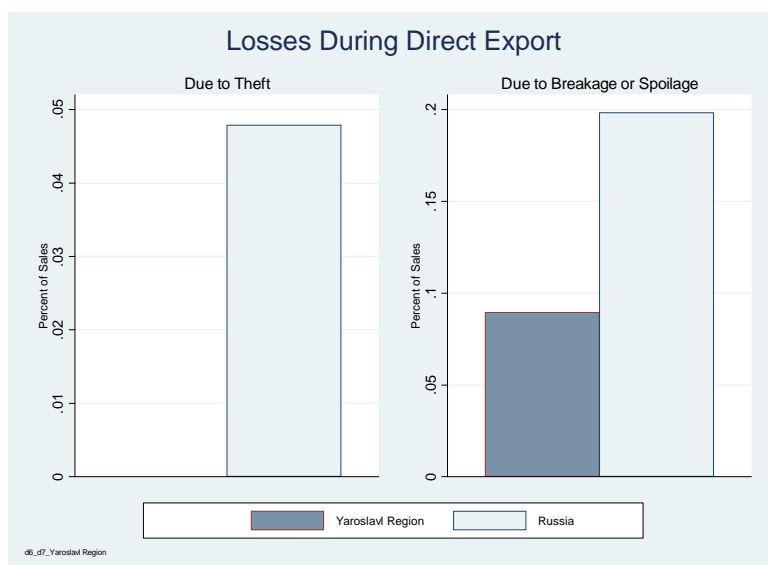
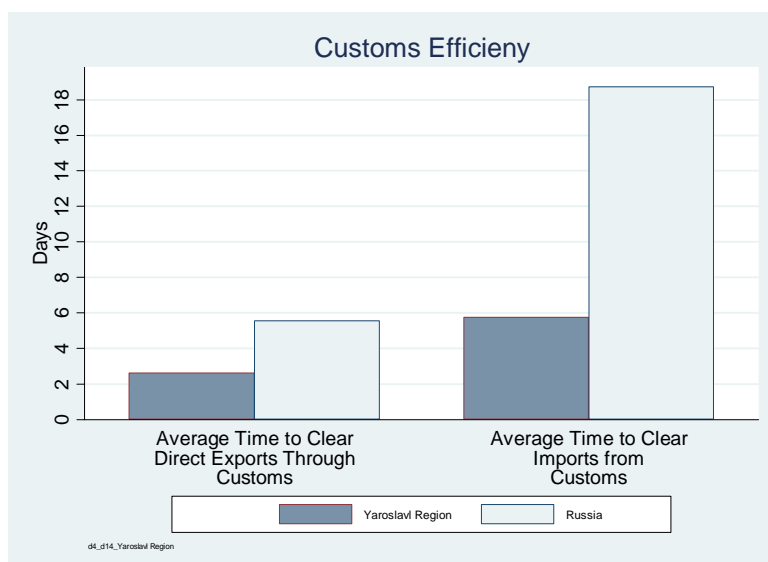
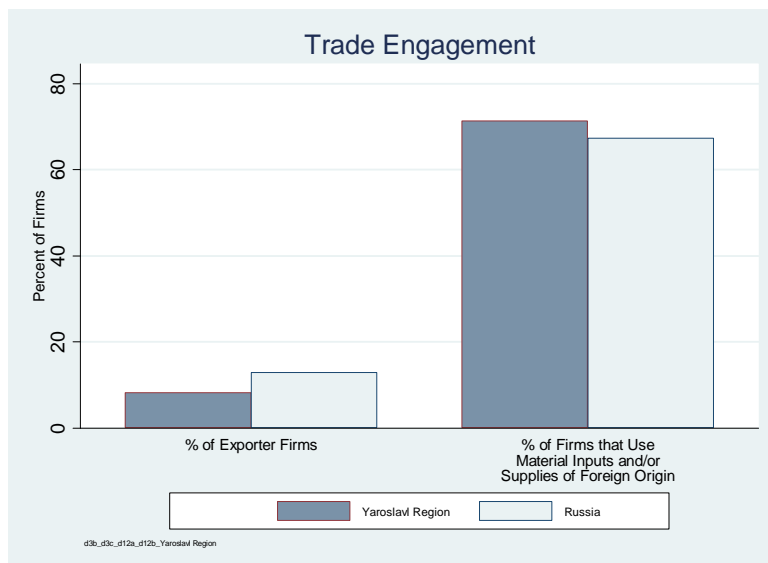
Open markets allow firms to expand, raise standards for efficiency on exporters, and enable firms to import low cost supplies. However, trading also forces firms to deal with customs services and trade regulations, obtain export and import licenses, and in some cases, firms also face additional costs due to losses during transport.

The survey collects information on the operational constraints faced by exporters and importers and also quantifies the trade activity of firms.

The first set of indicators provides a measure of the intensity of foreign trade in the private sector. The first graph shows the percentage of firms who export directly or indirectly, i.e. using an intermediary. The second panel shows the percentage of manufacturing firms who use inputs or supplies of foreign origin.

The second set of indicators measures the average number of days to clear customs for imports and exports. The delay in clearing customs for imports or exports creates additional costs to the firm, can interrupt production, interfere with sales, and result in damaged supplies or merchandise.

The third set of indicators shows the percent value of exports lost during transport due to merchandise theft, and breakage or spoilage, reflecting the transport risks firms face during the export process.



## Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

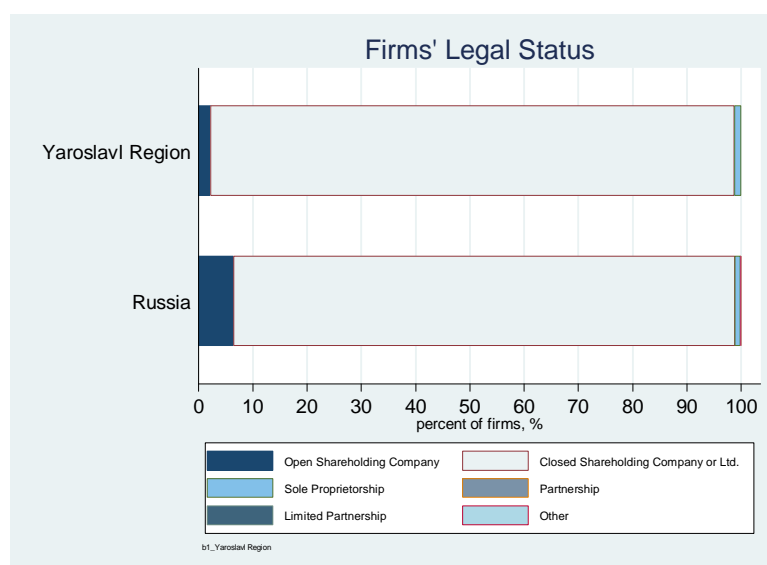
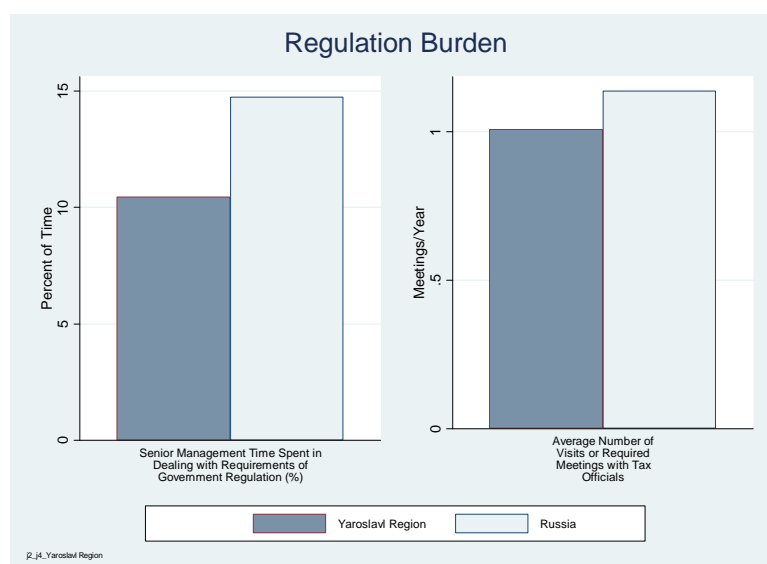
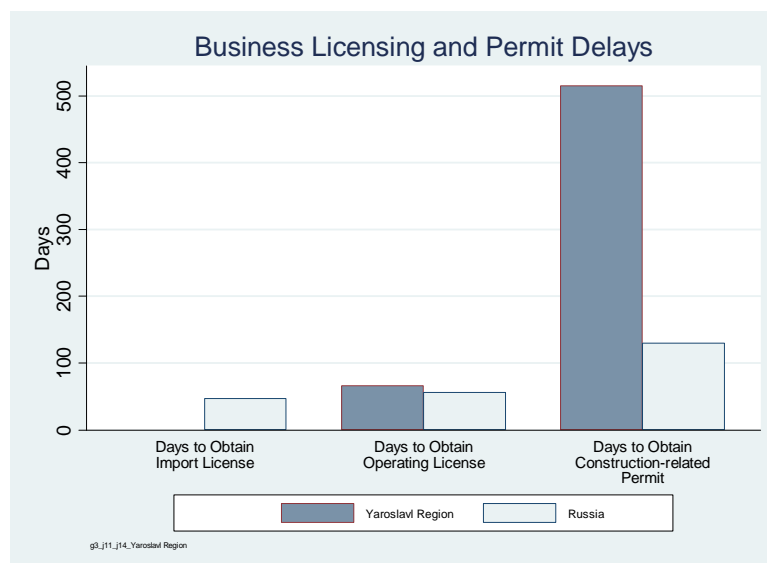
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## Corruption

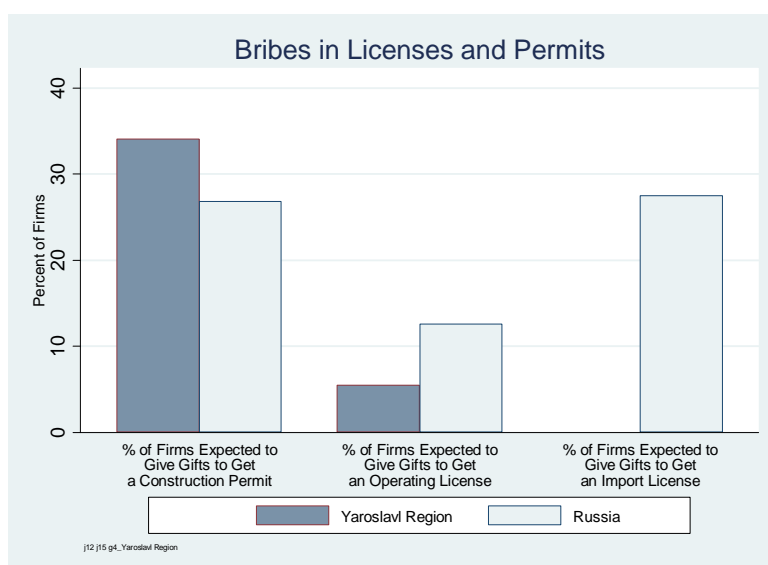
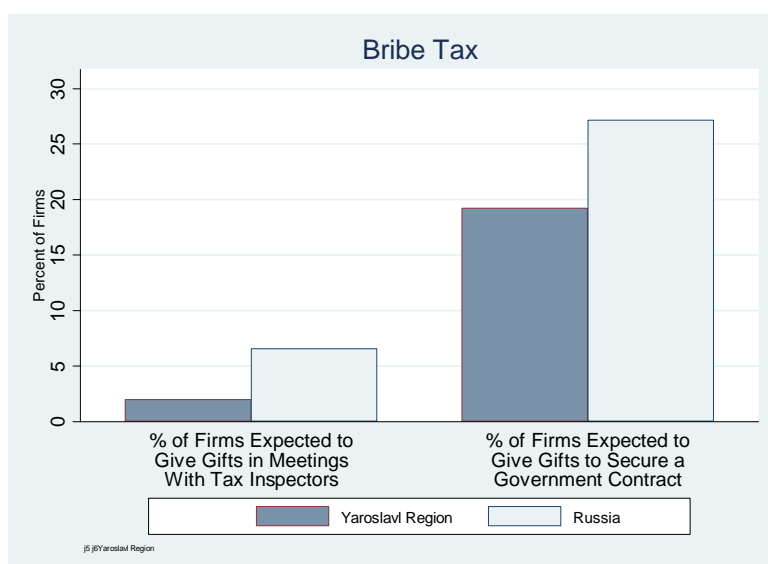
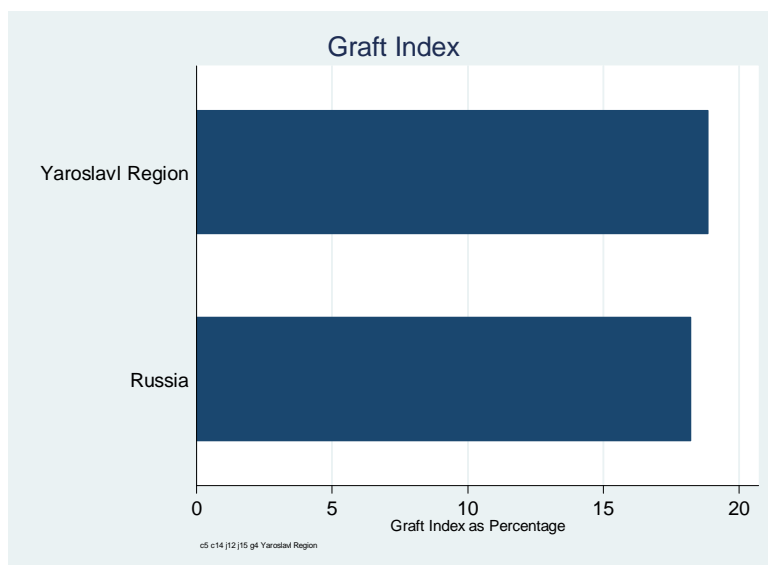
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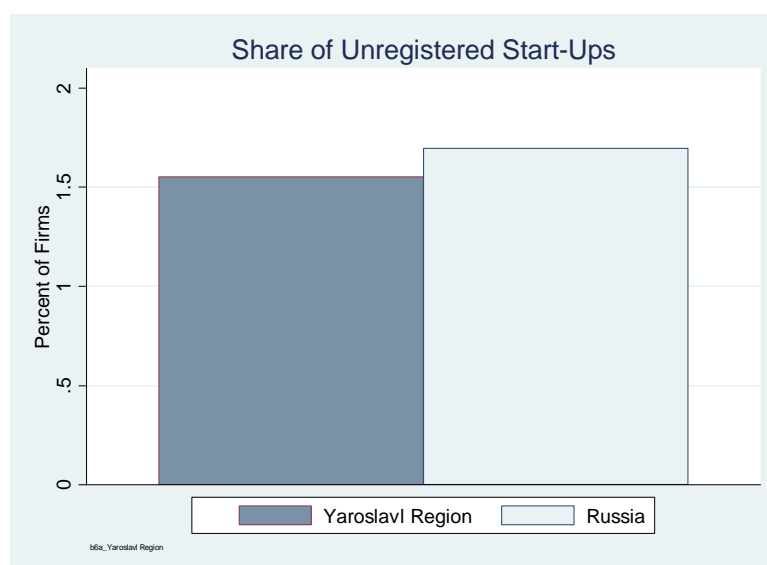
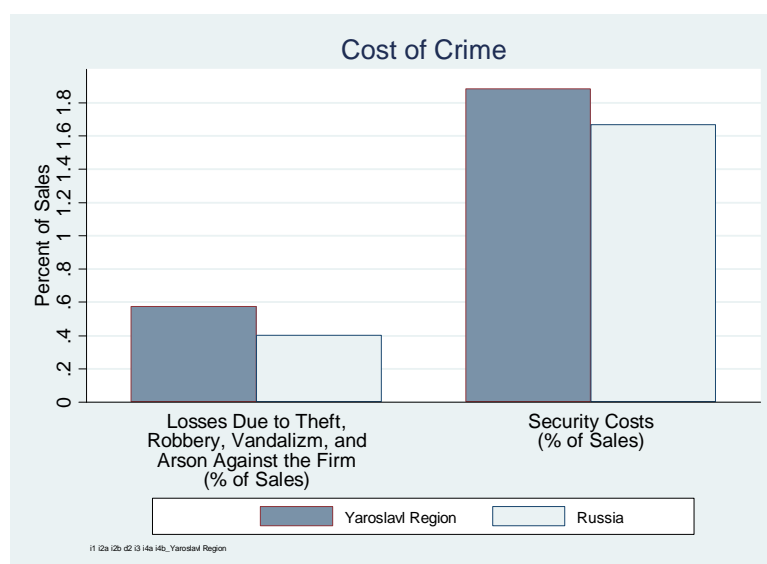
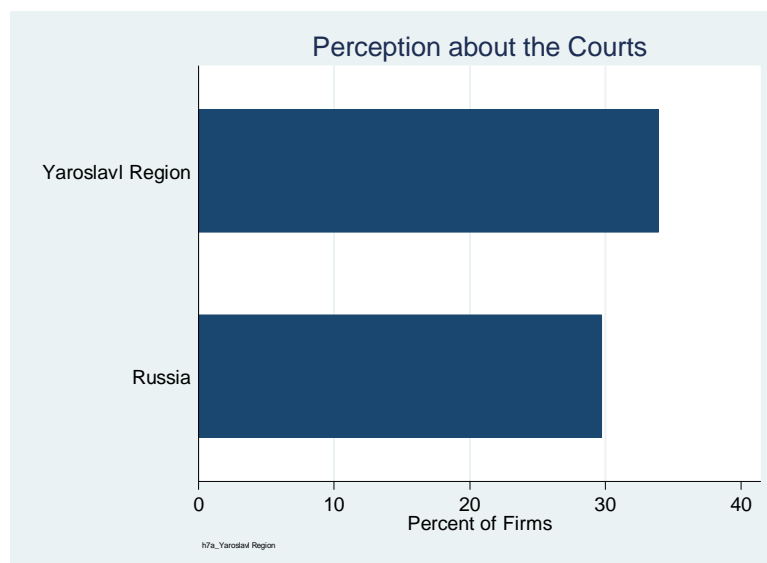
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## Finance

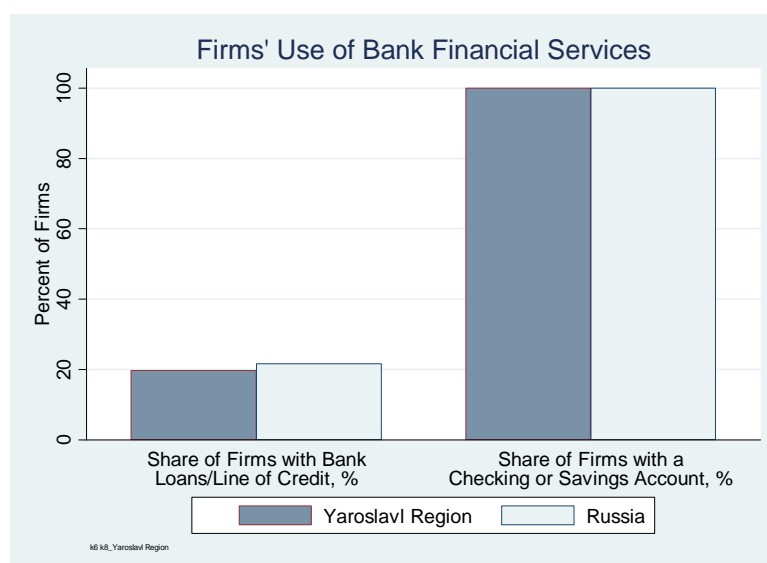
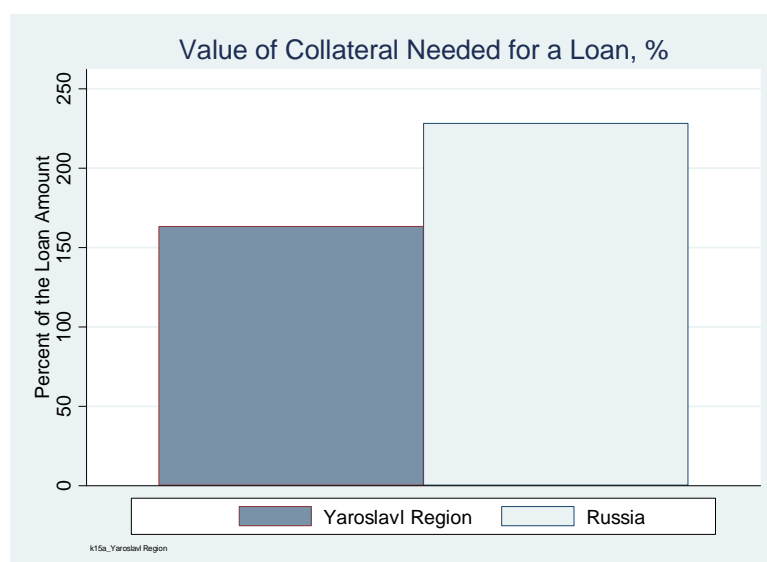
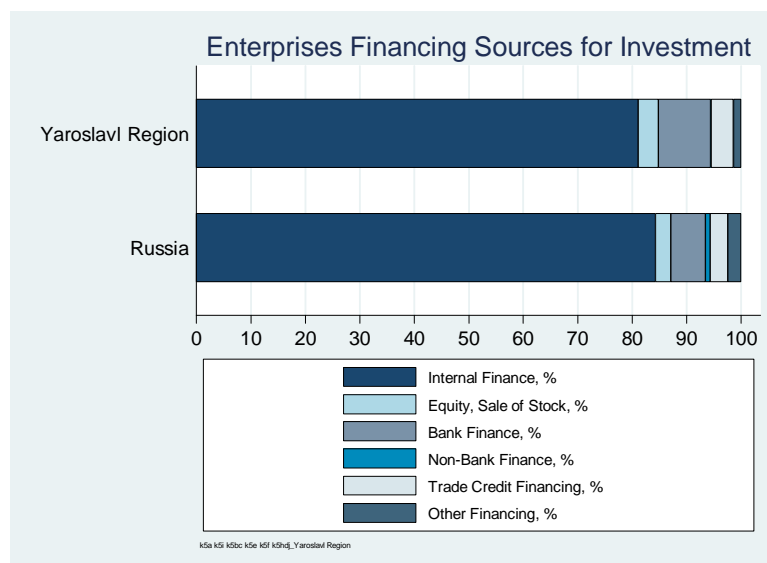
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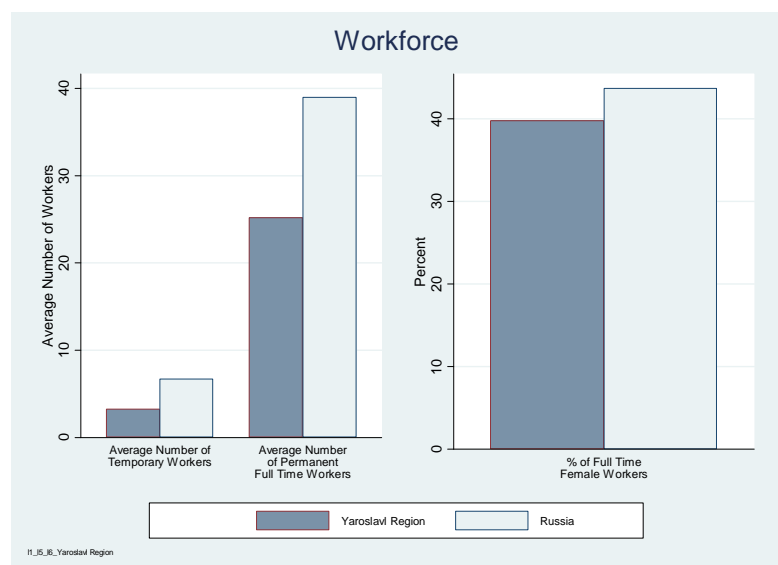
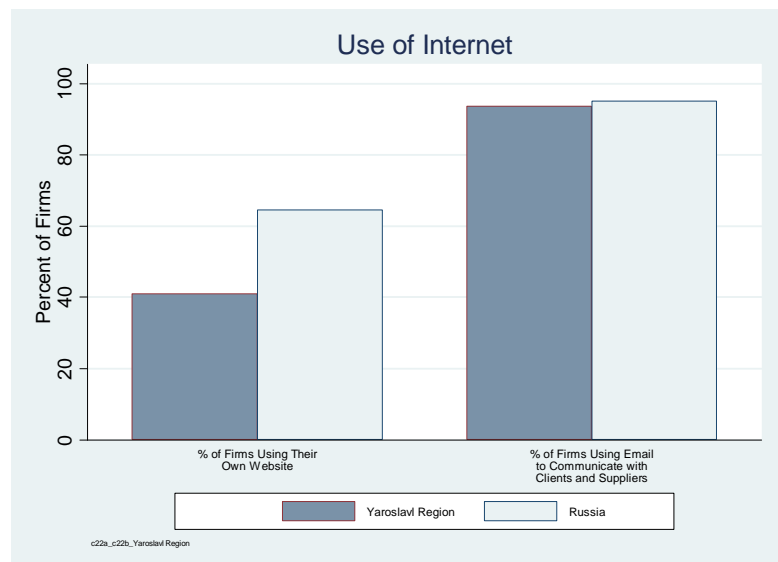
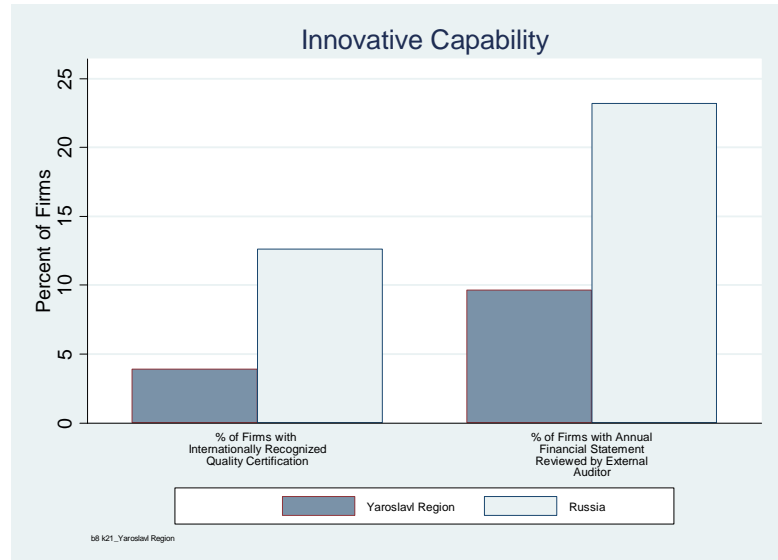
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**Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)**

Business climate component	Average severity of the problem in 2012 (subjective perception of the obstacles to business; 0 – no obstacle; 4 – very severe obstacle)			Potential improvement in regional firms' performance in the next 3 years after business climate improvements (to the level of the leading regions)			
	Yaroslavl Region	Leading regions	List of leading regions	Employment	Profit	Productivity	Export
<b>Electricity</b>	1.16	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region				
<b>Telecommunications</b>	1.19	0.36	Belgorod Region; Republic of Bashkortostan; Smolensk Region	3.3%	4.8%		
<b>Transport</b>	1.31	0.34	Belgorod Region; Smolensk Region; Stavropol Territory	3.8%			
<b>Customs and trade regulations</b>	0.46	0.11	Irkutsk Region; Smolensk Region; Stavropol Territory	3.3%	4.3%	2.4%	7.7%
<b>Practices of informal competitors</b>	1.02	0.33	Lipetsk Region; Novosibirsk Region; Stavropol Territory	5.6%			
<b>Access to land</b>	1.25	0.36	Belgorod Region; Smolensk Region; Stavropol Territory	7.0%			
<b>Crime, theft and disorder</b>	1.14	0.17	Belgorod Region; Smolensk Region; Stavropol Territory	6.4%			
<b>Access to finance</b>	1.74	0.64	Belgorod Region; Smolensk Region; Stavropol Territory	13.2%	12.6%		
<b>Tax rates</b>	2.83	1.40	Belgorod Region; Irkutsk Region; Smolensk Region	6.4%			
<b>Tax administration</b>	1.03	0.35	Belgorod Region; Smolensk Region; Stavropol Territory	5.9%	9.7%	5.9%	
<b>Business licensing and permits</b>	0.89	0.29	Kirov Region; Smolensk Region; Stavropol Territory	4.5%	8.3%	3.3%	14.2%
<b>Political instability</b>	1.55	0.74	Irkutsk Region; Republic of Mordovia; Smolensk Region	9.0%	7.8%	4.6%	44.8%
<b>Corruption</b>	1.57	0.60	Irkutsk Region; Kirov Region; Smolensk Region	10.7%	9.3%	4.9%	27.3%
<b>Courts</b>	0.65	0.08	Belgorod Region; Krasnoyarsk Territory; Stavropol Territory	6.0%	9.1%		
<b>Labor regulations</b>	0.65	0.10	Belgorod Region; Smolensk Region; Stavropol Territory	5.5%			
<b>Inadequately educated workforce</b>	1.60	0.50	Belgorod Region; Smolensk Region; Stavropol Territory	7.3%	8.9%	6.6%	