

The Business Environment and Enterprise Performance Survey

The Russian Regions: Results



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The Business Environment and Enterprise Performance Survey (BEEPS), implemented by the EBRD in partnership with the World Bank Group, is a face-to-face survey of enterprises' top managers that examines the quality of the business environment as determined by a wide range of interactions between enterprises and the state.

Surveying Russian regions

The fifth round of BEEPS in Russia was launched in August 2011, in cooperation with the Ministry of Economic Development, the Centre for Economic and Financial Research (CEFIR), and with financial support from the EBRD Shareholder Special Fund and Vneshekonombank (VEB).

For the first time the survey included representative samples of businesses in 37 regions of Russia across all federal districts (see below). In total, top managers of more than 4,200 randomly selected enterprises were surveyed. In each region the surveyed enterprises include small, medium and large-sized enterprises in manufacturing, wholesale and retail trade, transport, construction, and other services sectors.

The BEEPS covers topics such as infrastructure, competition, sales and supplies, labour, innovation, land and permits, crime, finance and business-government relations, including subjective measures of the business environment. In particular, enterprises were asked to express their opinions about the degree to which various components of the business environment represent obstacles to the current operations of their business, using a five-point scale: "no obstacle", "minor", "moderate", "major" or "very severe obstacle".

Business environment in Russia

One difficulty in assessing the business environment lies in the fact that respondents' answers may reflect differences in the "propensity to complain", that is, the sensitivity with which enterprises experience or report constraints on their business, rather than actual differences in these constraints. For example, growing enterprises may view workforce skills as more of an obstacle than shrinking enterprises, even if they are both in the same sector and location. In order to address this difficulty, the analysis uses the relative perceived severity of constraints as a measure of the quality of various components of the business environment and controls for the characteristics of individual enterprises (including size, age, industry and export activity), as well as individual characteristics of the manager who responded to the survey (gender, tenure and position within the firm). As this type of analysis is based on the relative constraints as perceived by each firm, it can only indicate policy priorities and cannot be used to rank the regions by the quality of the business environment.

The 2012 BEEPS results show that most enterprises in Russia identify corruption, access to finance and workforce skills as the main constraints. Medium-sized enterprises put workforce skills ahead of access to finance, while for large enterprises, workforce skills are first in place, followed by corruption. Enterprises operating less than five years are most constrained by access to finance, followed by corruption and workforce skills. Data also show that enterprises that innovate feel even more constrained by the various aspects of the business environment than an average enterprise.

Regional variation in the business environment

Many aspects of the business environment depend not only on the regional implementation of national regulations, but also on regulations established and implemented at the regional level. Therefore, the business environment can be expected to vary significantly within a country.

The 2012 BEEPS results reveal substantial inter-regional variation in terms of the quality of the business environment. The table below reports the three most binding constraints as perceived by representative enterprises in each of the 37 regions. Moscow city, Kaluga, Leningrad, Omsk, Volgograd and Bashkortostan replicate the top three constraints observed, on average, for the country as a whole: corruption, access to finance and workforce skills. However, no region replicates the severity of all constraints for the country as a whole. In some regions, enterprises complain about elements of the business environment that do not, on average, rank highly as constraints in the country as a whole. For example, in Stavropol Krai, electricity is the most binding constraint, while it only features in the top three in six other regions.

The results suggest that neighbouring regions often have very different profiles in terms of their business environment. For example, in the Primorsky Territory, firms perceive competition from the informal sector, corruption and access to land to be the most important obstacles to their operations. By contrast, infrastructure-related constraints (such as electricity, transportation and telecommunications) appear to be much less of a constraint in Primorsky Territory than for Russia as a whole – this could be due to the very significant investment in infrastructure ahead of the Asia-Pacific Economic Cooperation (APEC)

forum in Vladivostok in September 2012. In the neighbouring Khabarovsk Region, on the other hand, various aspects of infrastructure appear to constrain local businesses most: telecommunications and transportation, besides corruption.

The elements of the business environment that do not appear to be among the most binding constraints in any Russian region are tax administration, business licensing and

permits, customs and trade regulations, and courts. The fact that business licensing is not seen as one of the key constraints is a positive sign, suggesting that the de-licensing reforms initiated more than a decade ago are bearing fruit. The fact that courts are not regarded as a constraint is perhaps unsurprising, given that only a small percentage of enterprises in any given region have to go to court to settle disputes.

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Three most binding constraints as perceived by representative enterprises in each of the Russian regions

