

KEY BENEFITS OF ENTERPRISE SURVEYS FOR IMPROVING THE BUSINESS ENABLING ENVIRONMENT (BEE)

SANDA LIEPINA, DINA NICHOLAS, AND EDWARD NOVOSELETSKY

The Private Enterprise Partnership (PEP) for Eastern Europe & Central Asia has been surveying the Small and Medium Enterprise (SME) sector for 10 years. What began in 1996 as a survey of business practices among 250 entrepreneurs in Ukraine has grown into annual or biannual surveys of administrative barriers to business development in five countries. The SME surveys have proven vital for PEP in building its regional business enabling environment program. Specifically, running regular SME surveys introduces four key benefits for business enabling environment work:

- Building visibility for IFC
- Building capacity for a new local team
- Motivating governments to reform
- Monitoring project results and assessing the impact of change to BEE

Context

The IFC-PEP SME survey instrument was originally developed in Ukraine on the basis of standard instruments then being implemented by the Bank Group. The focus was on measuring regulatory costs incurred by businesses during start-up and operations. As such, it provides in-depth assessment of specific regulatory procedures. The table below compares some of the main survey instruments used by the WBG.

	PEP SME surveys	FIAS ARCs ¹	BEEPs ²	Doing Business
Sample size	1200-3000 entrepreneurs across the country	200-800 entrepreneurs, depending on region	200-600 entrepreneurs per country	Findings based on review of legislation and in-country expert assessment
Periodicity	Annual or bi-annual, benchmarking against baseline	As required by client government	1999, 2002, 2005	Annual
Topics covered	Flexible, includes country-specific questions. Focus on regulatory reach, time, cost, corruption.	Flexible, focus on cost of doing business	Standard questionnaire across countries	Standard questionnaire

The key strength of the IFC-PEP survey is its large sample size, which gives a representative picture of the business climate, and results in a relatively small margin of error. The key weakness is the amount of time it takes to prepare and conduct each survey and to professionally publish the findings – the typical schedule is around 10 months.

In 2002, PEP's approach to the surveys underwent an important change. Whereas before, the surveys had been used to present recommendations to the government, PEP decided to take this work one step

¹ Administrative and Regulatory Cost Survey (ARC)

² Business Environment and Enterprise Performance Surveys (BEEPs)

further. In Uzbekistan, taking advantage of the demand and awareness that had been generated through the first nationwide SME survey, PEP began working with the government and other key stakeholders to provide direct assistance in implementing the survey recommendations. This model of promoting larger BEE initiatives, with a focus on implementation assistance, was rolled out in other countries of the region. Today, PEP's BEE work focuses on providing governments with hands-on support in improving the legislative basis for particularly problematic procedures, and offers assistance and training to officials in implementing new procedures. To date, the regulatory improvements that resulted from PEP's business enabling environment work are estimated to have saved entrepreneurs in four countries (Belarus, Ukraine, Uzbekistan and Tajikistan) over \$70M. This figure is thanks to PEP's work on BEE in these countries from 2002.

Benefit 1 [Building visibility for IFC](#)

The benefits of regular surveys of the SME sector are especially evident in frontier countries, where the IFC brand is not well established, and in countries where business environment reforms are not already at the top of the government's to-do list. The early Ukraine SME survey reports were referred to by the government as "IFC's calling card" in the late 1990s, when investment was not yet active in the region. In Uzbekistan, the government has used the survey data to monitor the effectiveness of work of select state agencies – and called particular regional officials to account if their regions were showing up poorly in the reports. In short, the survey reports have served to establish IFC as a significant player in the field of business environment reforms in each country where they have been run.

Lesson 1: Wide dissemination of survey results required. As IFC, we have an inherent ability to attract attention. The SME surveys help to turn this attention into action. Presentation of the SME survey results to a wide audience via channels such as the media, associations of entrepreneurs, donor organizations, and direct mailing to government officials helps to raise awareness, stimulate debate, and widen the client base for the reforms. The pressure for reforms, thus built up, can then be leveraged to lobby for change. Having a local team on the ground enables PEP to keep this pressure up year-round, disseminating information on an as-needed basis at critical stages in the political cycle, and being available for commentary throughout the year.

Benefit 2 [Building capacity for a new local team](#)

In addition to giving overall visibility for IFC project goals and activities, the surveys give local teams credibility with government players. Researching an SME survey is an excellent way to better understand the business environment and problems faced by entrepreneurs. The knowledge gained through analysis of the survey data, and through researching international best practices necessary to compile the SME survey, serves teams well in establishing themselves as experts in the field.

Lesson 2: Make it more than just a survey. In addition to the data, the SME survey reports present qualitative analysis of the business environment in a particular country. This is done by including legal and procedural reviews, results of focus groups with entrepreneurs and officials, and illustrative examples from the experiences of real-life entrepreneurs. The policy recommendations are split into short- and long-term, allowing for a focused message and rendering implementation more practical. The proposal is backed by examples from other countries that have implemented solutions proposed by IFC (e.g., 'where this works'). This way of developing the survey reports has been extremely well received by governments and other stakeholders, who now look to IFC's reports for recommended courses of action.

Within a year or two, the local team implementing the survey becomes by far the best-placed experts to modify questionnaires for the environment in a particular country, as they are dealing with key issues on the ground through daily interaction with government officials and entrepreneurs. In Uzbekistan, for example, the survey focused on the fact that entrepreneurs were required to submit an average of 174 reports to the government each year. In Ukraine, the surveys analyzed the process of obtaining permits, finding that more than 1,000 different types of permits were being issued by agencies and municipalities across the country. In Tajikistan, the survey results showed that 98% of entrepreneurs were paying

unofficially during the inspection process. These data then served to focus and inform IFC's hands-on work with the government, and finally to enact improvements to the business environment.

Lesson 3: SME Surveys are cost-effective and country-specific. Conducting enterprise surveys doesn't have to be expensive. For example, according to the Independent Evaluations Group, PEP SME surveys are up to 10 times more cost-efficient than BEEPs: PEP surveys cost between \$10 and \$30 per respondent, compared to \$100 per respondent for BEEPs (both surveys use face-to-face interviews). Costs can be kept down through common sense: questionnaire development is managed by the local team working on the ground, with overall quality control coming from the facility at a central level. Local contractors conduct the fieldwork, which is monitored by IFC staff based in-country. By building local capacity and not using expensive consultants in standard situations (e.g., 95% of cases such as questionnaire modification or replication to another country), costs remain reasonable.

Benefit 3 Motivating governments to reform: Giving a voice to the private sector

While some countries are already looking to improve the investment climate or enhance SME sector development, most governments need to be persuaded that improvements to the business environment are required and can be beneficial. Providing stakeholders with information on the state of the business environment, and clearly prioritizing the most problematic issues, is the beginning of the road to reforms.

SME surveys which rely on a representative sample of entrepreneurs are extremely difficult for governments to deny or ignore. The messages of the survey can be brought to the attention of decision-makers top-down or bottom-up, through a champion of reforms or through media or civil society groups. This depends on each country's situation. The substance of the message however, is the same: Enterprise surveys directly reflect the views of the business community. In countries where public-private dialogue is rare, presenting the government with the point of view of its own private sector and distributing this information widely, has an extremely stimulating effect.



To date, the data gathered through the reports have become a motivating factor in stimulating fundamental improvements to inspections legislation in Tajikistan, permits legislation in Ukraine, and registration legislation in Belarus, and has spurred registration, permits, licensing, inspections, and taxation reform in Uzbekistan.

Lesson 4: Position the message neutrally. The countries we work in are members of the World Bank Group. In this respect, they have equal opportunity to access support for business environment reforms from IFC. Countries that are not yet in line for reforms can produce results, if a strategic, pragmatic approach to building relations with government officials is employed. Thus, political neutrality of the survey results is absolutely key. IFC is particularly well-positioned in this respect. Although we are members of the WBG, we do not require government clearance for our publications. This allows us to publish balanced and objective results, and yet ensures that our work cannot be blocked or watered down by government "clients" in difficult situations.

Lesson 5: Large, representative samples help to assure credibility. Given that the surveys reflect the views of the private sector, it is important for the sake of credibility that they are seen to represent the view of the majority of entrepreneurs and not of specific groups. PEP survey samples are specifically constructed to collect representative data on SME activity in a country. This means that the sample is large (from 1200 to 3000 firms) and representative in terms of firm size, sector of activity, and location. Large samples ensure that survey results are viewed as objective, and make it nearly impossible for

governments or particular agencies or municipalities to dispute the findings. This is especially important for surveys conducted at the beginning of a project, in order to build credibility for follow-on policy work.

Benefit 4 **Monitoring project results and assessing the impact of change to BEE**

The SME survey can also be used as a monitoring tool to help assess the effectiveness of IFC's business enabling environment work. Key to this is the fact that the surveys track regulatory time and cost as experienced by entrepreneurs who actually go through the procedures in a given year. Given the representative sample, the surveys are also able to track the share of entrepreneurs subject to any particular regulatory procedure both nationwide and subdivided by region and sector of activity. This allows for the following scenario.

An initial survey, carried out at the point of entry into a country, creates a baseline. As a policy project moves forward, changes to the issues that IFC is addressing (given that these are stated up front) are tracked against this baseline. Additional issues that come to the surface as the project progresses can similarly be tracked – the PEP survey questionnaire is flexible enough to absorb new questions as need arises, and to remove issues that are clearly not applicable or useful for measurement in a particular country. Importantly, surveying enterprises directly allows us to track not only new laws on the books, but how and whether the improvements embedded in these new laws are actually reaching entrepreneurs on the ground across the entire country. The surveys bring to light changes in time, cost, and reach of each regulatory procedure they cover. Surveys also directly track firm investment patterns within a country. These are typical outcome and impact indicators for BEE projects at IFC. In this way, the surveys monitor the results of IFC's BEE work, allowing projects to make needed adjustments in actions and bring new issues to the attention of the government as soon as they arise.

About the Authors

As Senior Operations Manager, **Sanda Liepina** oversees PEP's regional BEE portfolio. Sanda has extensive experience in managing regulatory reform initiatives from both the side of government (on successful Business Environment Improvement reform program in Latvia from 1998 to 2002) and the side of advisory services providers (IFC, FIAS, EC, USAID, etc.) in various CEE and CIS countries. She holds an MPA from Maxwell School of Citizenship and Public Affairs.

Dina Nicholas has worked with PEP's BEE portfolio since joining IFC in 2003, focusing on launch and development of projects in Ukraine and Georgia. She has recently taken up the position of Knowledge Management Officer for PEP. Dina studied at Boston University in the US and the Sorbonne in Paris.

Edward Novoseletsky coordinates the work of PEP BEE projects, with a focus on supporting project teams in developing SME surveys and transmitting policy recommendations to governments. Additionally, Edward oversees Monitoring and Evaluation activities of PEP's BEE projects. He possesses MA degree in Economics from the Kyiv-Mohyla Academy in Ukraine.

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