

# Russia

In BEEPS V, the top three business environment obstacles identified by Russian firms were access to finance; corruption; and electricity issues (Chart 1). Competitors' practices in the informal sector were important, too, for SMEs, while large, old and manufacturing firms were concerned about workforce skills. There were significant differences in top obstacles by region.

## Limited access to finance for SMEs

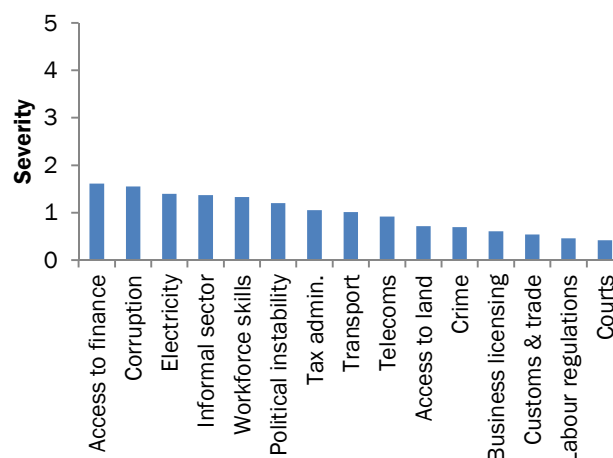
**Access to finance** was the top obstacle for SMEs and young firms in particular, but was not the most important constraint for large firms. Compared with the other five BEEPS regions, firms in Russia had the lowest share of the firms with a loan or a line of credit. They also experienced the highest rejection rate of loan applications – 26.4% of firms that applied for a loan in BEEPS V were rejected, rising to 30.3% for SMEs. Overall, of 57.2% of firms that needed a loan, 65.8% were credit-constrained (either discouraged from applying for a loan or rejected when they applied) – the second-highest among BEEPS countries. More than two-thirds of SMEs that needed a loan were credit-constrained, compared with less than one-third of large firms.

Though **corruption** moved from the fifth to the second place in terms of relative severity of obstacles in BEEPS V, the results show that the number of Russian firms that reported bribing officials in exchange for specific services decreased in most aspects, with the exception of obtaining an electricity connection. Following the reduction in the number of documents needed for each import transaction and lowering of the associated cost, only 5.2% of firms reported that an informal payment was expected or requested in import licence applications, compared with 48.2% in BEEPS IV. On the other hand, firms reported making informal payments to “get things done” more frequently than in other regions (Chart 2) as well as compared with BEEPS IV.

**Electricity issues** remained among the top obstacles. The wait for an electricity connection more than doubled, from 58.6 to over 120 days, providing an opportunity for bureaucrats to seek informal payments. The share of firms that experienced power outages and the duration of power outages did not change much in BEEPS V compared with BEEPS IV. Although their frequency decreased from 3.5 to 2.1 in a typical month, the losses resulting from power outages increased from 2.5% to 4.3% of sales (Chart 3).

**Workforce skills** still appeared among the top three obstacles for large firms. The share of full-time employees with a university degree (57.2%) was substantially higher than the BEEPS average of 30.6%, but the firms may have been complaining about the quality rather than the quantity of workforce skills.

Chart 1. Business environment obstacles



Estimated for a hypothetical "average" firm. Higher values correspond to a weaker business environment.

Chart 2. Informal payments to “get things done”

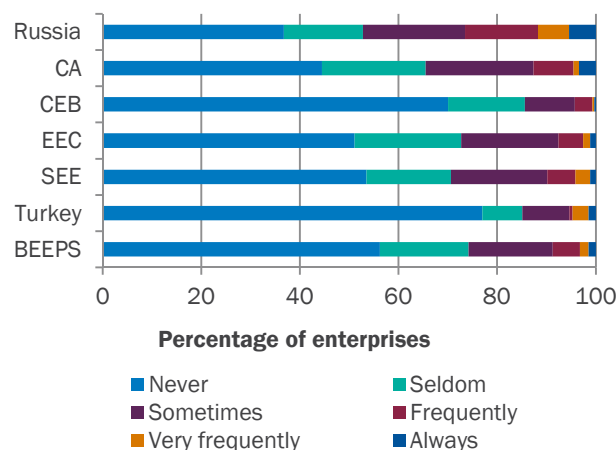


Chart 3. Losses due to power outages

