Journal of Economics and Business 88 (2016) 1–21

Contents lists available at ScienceDirect

Journal of Economics and Business

"Open for Business?" —Transparent government and business regulation

Carolin Geginat, Valentina Saltane *

Global Indicators Group, Development Economics, 2121 Pennsylvania Ave NW MSN F 4P-217, Washington DC 20433, USA

ARTICLE INFO

Article history:
Received 22 December 2015
Received in revised form 2 June 2016
Accepted 6 June 2016
Available online 4 September 2016

Keywords:
Transparency
Governance
Access to information
Regulatory transparency index

ABSTRACT

We present new indicators for 185 economies measuring the accessibility of business regulatory information and show that the new data can serve as meaningful proxies for the overall transparency of governments and that the new data have explanatory power for the quality of business regulation. We find the regulatory environment to be most opaque in Sub-Saharan Africa and the Middle East and North Africa, where businesses can often only access basic regulatory information by meeting a government official. By contrast, in the OECD and Eastern Europe and Central Asia access is more direct via websites, public billboards and brochures. Moreover, OECD economies are more consistent in their transparency efforts across different government agencies. We also find that while resources as proxied by income levels play some role in explaining why some economies make more information easily accessible than others, they are not the only determining factor; regardless of income more democratic governments tend to make greater transparency efforts. Finally, we find that easier access to basic regulatory information is associated with greater regulatory quality and less corruption.

1. Introduction

Access to information can empower citizens to monitor the quality of government services and the use of public resources. Because government markets are usually monopolistic, the consumers of public services have no "exit" option — they cannot "vote with their feet", by going to a competitor for better services. Access to information is therefore critical if citizens are to exercise their "voice" in demanding greater accountability from public servants (Hirschman, 1970; Paul, 1992). A growing body of literature attests to the important role that information can play in improving the delivery and quality of services provided by governments in areas such as public health, sanitation and education (World Bank, 2004; Svensson and Reinikka, 2005; Deininger and Mpuga, 2005; Besley and Burgess, 2002). For example, the government of Uganda demonstrated this by having newspapers publish data on monthly transfers of school grants to local governments. By improving the ability of schools and parents to monitor how local officials handled the grants, the program reduced the share of grant funding lost to corruption from 80% to 20% (Svensson and Reinikka, 2005). With more information, people can better evaluate different options and manage risks more effectively (Ackerlof, 1970; Stiglitz and Weiss, 1981; Hirshleifer, 1980; Stigler, 1971; Posner, 1981).

* Corresponding author.
E-mail address: cgeginat@worldbank.org (C. Geginat).

http://dx.doi.org/10.1016/j.jeconbus.2016.06.001

Little attention has been paid so far to the role of information for those branches of government that are in charge of business regulatory requirements. This gap needs to be closed because there is compelling evidence that badly implemented business regulations affect firm creation and productivity negatively. Entry rates of new businesses and business density are lower and more businesses stay in the informal sector, where rules and requirements are cumbersome (Dabla-Norris, Gradstein, & Inchauste, 2008; Klapper, Laeven, & Rajan, 2006; Antunes and Cavalcanti, 2009). Excessive regulation also goes hand in hand with lower firm productivity (Barseghyan, 2008; Alesina, Ardagna, Nicoletti, & Schiantarelli., 2005; Fisman and Sarria-Allende, 2004; Klapper and Richmond, 2009).

The World Bank Enterprise Surveys suggest that there is much room for improvement in service quality and accountability in business regulation. The companies surveyed report that in a typical week their senior managers spend on average 11% of their time dealing with government regulations. More than 50% of them disagree with the notion that regulations are implemented consistently and predictably. And what's worse, companies often have to pay a bribe to get things done. Worldwide, 19% of firms report having had to pay bribes in connection with their application for an operating license or electricity connection.[1]

To shed light on the role that information can play in improving the quality of business regulation we present and analyze a unique new dataset that captures the information practices of public agencies in charge of business regulation. Specifically, the new data captures in which of the sampled 185 economies fee schedules for procedures such as company or property registration, building permitting and electricity connections could be accessed by businesses without meeting with a public official in the period from July 2011 to June 2012. The new data could be particularly valuable for development practitioners because it captures not only transparency efforts made through online solutions, but also other, less capital intensive ways of making information available, for instance, by means of brochures and billboards. This approach allows us to include many developing economies in the sample, which do not necessarily have the resources to invest in capital- and resource-intensive E-Government solutions.

The paper is structured as follows: first, we present descriptive statistics on how the practice of making fee schedules available varies across different government agencies, regions and income groups. We find that meeting an official is still the most common means of acquiring regulatory information in Sub-Saharan Africa and the Middle East and North Africa. And, while richer countries generally tend to make more information available through websites and other information material, there are also some poor countries that achieve transparency levels comparable to those of richer countries in the sample. Out of the four different regulatory agencies considered in this paper company registries are by far the most transparent, a result that may be related to the significant number of reforms that have taken place in this particular area of business regulation in the past ten years.[2]

Second, we examine commonalities amongst those economies that are more transparent in their business regulatory practices other than that they tend to be richer. Like other authors before us we find that greater access to information is associated with greater control of corruption and better overall governance. We also find that countries that make it easy to access information tend to be more democratic.

Third, using various datasets on the quality and efficiency of regulatory systems we find that easier access to information is associated with greater regulatory quality and efficiency.

The next section of the paper describes the data methodology. Section III presents descriptive statistics of the data by region and income groups. Section IV includes the main analysis and Section V concludes the findings.

2. Methodology

The new indicators presented here were collected in the context of an annual data update of the Doing Business indicators published jointly by the World Bank Group (WBG) and the International Finance Corporation (IFC).[3] The Doing Business indicators of the WBG/IFC have been tracking business regulatory requirements and practices since 2003. In its current format, the Doing Business dataset comprises 11 indicators that measure the regulations affecting domestic small and medium-size enterprises in the largest business city of 185 economies. The 11 indicators provide quantitative measures of regulations for starting a business, dealing with construction permits, getting electricity, registering property, employing workers, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

The Doing Business data is collected through annual surveys that are administered to more than 9,000 experts in 185 economies. Expert respondents are lawyers, architects, government officials or other professionals who deal directly with

---

1 http://www.enterprisesurveys.org/

2 In its 10-year edition of the Doing Business Report (Doing Business 2013) the authors of the report show that a total of 368 reforms were undertaken in 149 economies in the area of business startup since 2005.

3 www.doingbusiness.org