

Women's Enterprises: Corruption and Crime

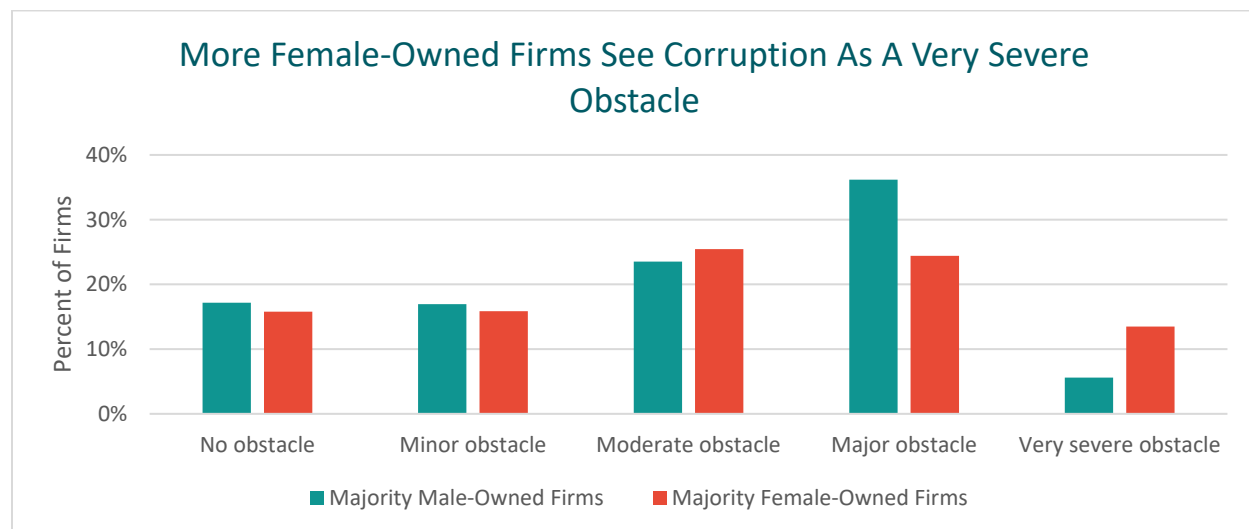
October 2019

For emerging economies, corruption poses a major barrier to sustainable economic, political and social development. When public office is abused for personal gain, it creates inefficiency, breeds distrust and increases the difficulty of doing business.¹ According to the World Economic Forum, global corruption is estimated at \$2.6 trillion—at least 5 percent of the world's gross domestic product (GDP).² While corruption distorts market mechanisms at the macro level, at the micro level, it adds additional costs to transactions, creates business uncertainty and stifles innovation.³ For entrepreneurs in low- and middle-income countries, the informal payments required to stay in business and avoid harassment from officials can be a major burden and may constrain entrepreneurial activity.

Women often suffer more from corruption due to existing imbalances in the power dynamics between men and women.⁴ Often seen as easy targets for physical and sexual harassment, women frequently pay large sums to avoid extended dealings with corrupt officials. Complex and costly business registration procedures also create opportunities for corruption and bribery, which disproportionately affect female business owners as they are likely to be as less mobile than men, or to have the time, money, and contacts needed to navigate such requirements.^{5,6} **For female entrepreneurs, their gendered experience of corruption is an obstacle to profitability and prevents them from achieving their full economic potential.**

Figure 1. Extent to which firms view corruption as an obstacle in Tanzania, Uganda and Kenya

Source: World Bank Enterprise Surveys (2013, 2018)



Female entrepreneurs tend to cluster in lower-revenue sectors that are more familiar to them and avoid the higher-revenue sectors, which tend to be male-dominated and incompatible with the large care burden borne by many women globally. As a result, on average, female-owned businesses earn 23 percent less in profits than their male counterparts, even after core differences between businesses are taken into account.⁷ This means that bribes and informal payments affect female entrepreneurs more than they do male entrepreneurs. **Even when women pay the same amounts as men for bribes and other informal payments, their lower average revenue means that their businesses are more negatively impacted by these transactions.**

Moreover, female entrepreneurs are often less educated than their male counterparts⁸ and may not be aware of the laws and their rights, making them easier targets for harassment. Women who engage in cross-border trade and import goods for retail sale are especially susceptible to harassment by officials, which limits their productivity and pushes them to cross borders illegally. Within the East African Community (EAC), women dominate the cross-border trade in staple foods and other goods, many operating informally.⁹ The majority of these women rely solely on the income from their informal trading to support their families. Because they deal in small quantities of goods, they cross borders frequently and are exposed to high levels of verbal and physical harassment.¹⁰ They are also often subjected to prolonged inspections of their goods and intimidated into paying bribes due to their lack of knowledge of customs procedures.¹¹

Box 1. One Stop Border Post Reduces Crossing Times and Corruption

At the Sophia Market near the Busia border between Kenya and Uganda, 74 percent of the informal traders are women who make multiple weekly or monthly cross-border trips to purchase goods for resale. These women regularly faced long inspections and harassment from public officials, causing many to cross the border illegally. In February 2018, the Ugandan and Kenyan governments jointly created a One Stop Border Post (OSBP) in Busia, which brought all border-crossing procedures and customs clearances under one roof. As a result, it became easier and safer for all traders, especially women, to move themselves and their goods back and forth between the two countries. Women report that the streamlined process has reduced the amount of time they spend crossing the border—and the money they spend on renting lodgings near the border. The number of female traders crossing the border formally has also increased, which has enabled associations such as the Eastern African Sub-regional Support Initiative for the Advancement of Women (EASSI) and the Busia Cross-Border Women's Association to more easily reach women traders and inform them of their rights and customs regulations.

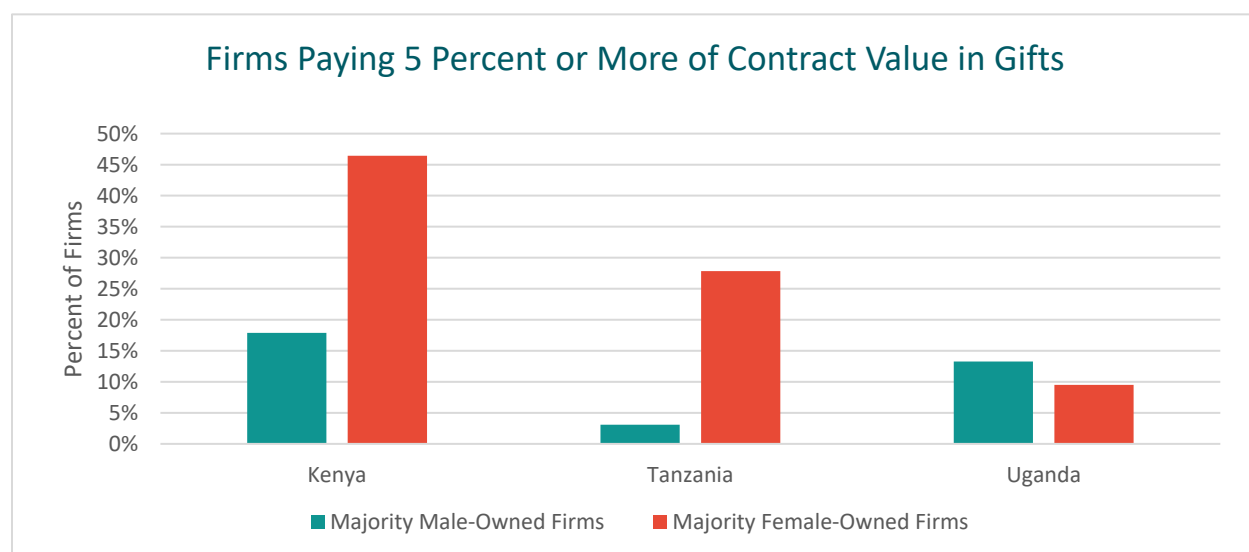
Source: Siu, (2019). Trade costs, trade facilitation, and formalisation of trade: Evidence from one-stop-border-posts in Uganda. International Growth Centre. Working Paper F-43435-UGA-1. <https://www.theigc.org/wp-content/uploads/2019/07/Siu-2019-Working-paper.pdf>

Female entrepreneurs who do not import or export goods themselves still encounter corrupt public officials as they conduct their business activities. **Female-owned enterprises are more likely to be inspected by tax officials and receive more requests for gifts and informal payments during such visits than male-owned businesses.**

Across Kenya, Tanzania, and Uganda, 22.7 percent of female-owned businesses reported being asked to make an informal payment during an inspection by a tax official, compared to 14 percent of male-owned businesses.¹² Female business owners also deal with corruption when attempting to access crucial resources for their business operations. In Uganda, the number of women-owned businesses that had paid bribes to secure electricity connections was nine times higher than that of male-owned businesses.¹³ This trend was also visible in Kenya, where women-owned businesses paid bribes for electricity connections at twice the rate of male-owned businesses in 2018.¹⁴ These high rates suggest that **women's businesses are targeted for bribes and informal payments at higher rates than men's businesses, stifling their ability to access key resources.**

Government contracts, a source of considerable and sustained growth for small and medium enterprises, are less accessible to female entrepreneurs due to corrupt procurement systems that require bribes and kickbacks to officials. A study from Brazil shows that winning a government contract can increase business growth by up to 2.2 percentage points and stimulate hiring from unemployment or the informal sector.¹⁵ However, female-owned enterprises are less likely to secure or attempt to compete for these contracts. When they do bid for contracts, our research finds that more women-owned firms are forced to pay over 5 percent of the value of the contract in informal gifts to officials.

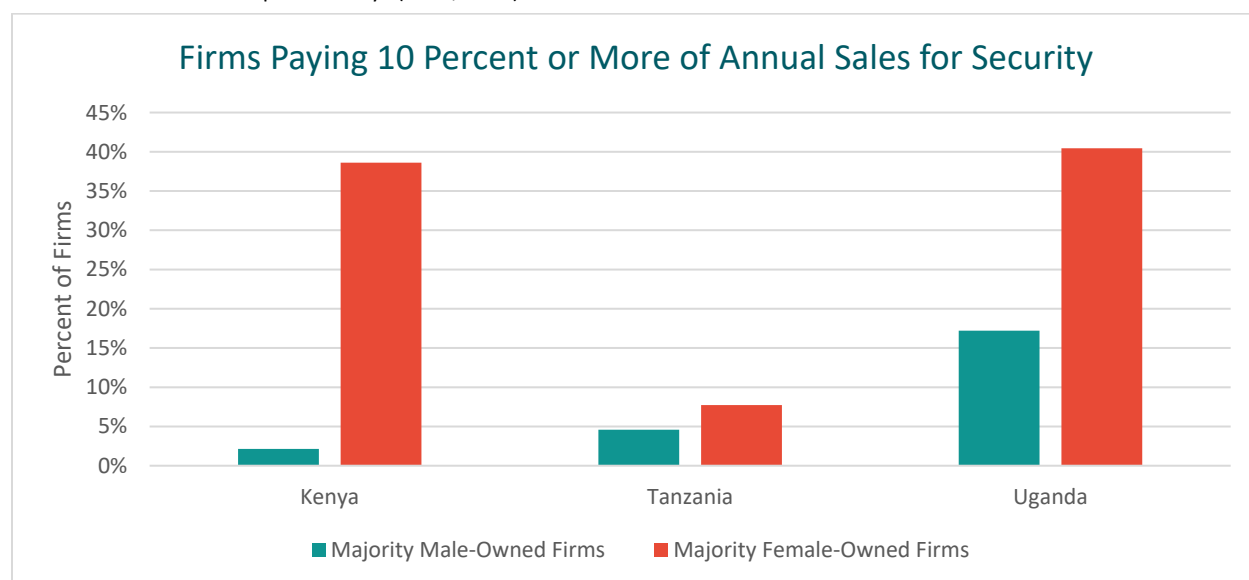
Figure 2. Percentage of firms paying 5 percent or more of contract value in gifts to secure government contracts
Source: World Bank Enterprise Surveys (2013, 2018)



The police are widely considered the most corrupt institution in many African countries,¹⁶ and many women are reluctant to report theft, harassment, or criminal offences to law enforcement agencies, as they may be expected to pay bribes to file complaints and may not be taken seriously. Additionally, perpetrators are often able to pay more than women can afford to avoid prosecution.¹⁷ To protect themselves and their goods, many businessowners often hire private security firms. For women-owned firms, which tend to earn less than men-owned firms, private security costs consume a substantial portion of their revenue.

Figure 3. Percentage of firms spending 5 percent or more of the value of annual sales revenue on security costs

Source: World Bank Enterprise Surveys (2013, 2018)



Recommendations

The detrimental effect of corruption on business activity is well-documented,^{18,19} and it is clear that governments must tackle corruption and its negative effects in order to benefit from the productivity and job creation opportunities that entrepreneurs stimulate. It is especially crucial for female entrepreneurs in Africa, as they make up the majority of small and medium sized enterprise owners,²⁰ and corruption poses a major barrier to their business operations, revenue and profitability. Policies that simplify and reduce the cost of the business registration process could make it easier for women to regularize their businesses and curtail opportunities for corrupt officials to demand bribes. In Georgia, the simplification of procedures, combined with anti-corruption measures such as the prosecution of high-level senior officials and police reform, helped to virtually eradicate petty corruption after 2003.²¹

One-stop shops, where public services and agencies operate under one roof may allow women to save time when dealing with multiple public institutions to register their businesses, formalize their workforce and obtain public services. Fostering online registration and business services, e-government and e-transactions can also reduce the opportunity for graft and corruption experienced in multiple in-person interactions with officials.²² In addition, this approach helps to minimize corruption risks as transactions occur in full view of multiple officials and public sector staff members.²³ Furthermore, bringing related public services together also makes it easier for businesswomen's support groups and associations to provide assistance to female entrepreneurs as they navigate the bureaucratic processes.

Initiatives to strengthen the voices of female businesswomen and their representation in institutions can also help to reduce the challenges that corruption poses for women entrepreneurs.²⁴ In Tanzania, where female entrepreneurs in Dar es Salaam's markets face sexual harassment and physical and verbal abuse from male customers, many women did not trust police and were not aware of how to report such behavior. The *Give Payment, Not Abuse* initiative implemented by Equality for Growth worked with the police's Gender and Children desk to develop guidelines and to build the capacity of market leaders, law enforcers and traders to address gender violence. Female traders also received special training on how to physically and verbally confront perpetrators of sexual assault and where to report offenses.²⁵

Developing affordable insurance products for inventory and physical capital to enable women and small and medium sized entrepreneurs to claim compensation and replace valuable machinery and products can also reduce the dependence on costly security services and enable businesses to return to work and to production sooner in the event of theft.^{26,27} Creating ombudsman services to report corruption, harassment and abuse that are widely known about and accessible to SMEs, can also increase transparency and accountability in the delivery of public services and create platforms for redress.²⁸

These recommendations provide a starting point for reducing the burden of corruption on women entrepreneurs. Without strong political will and widespread reforms, anti-corruption initiatives will provide short-term solutions that do not address entrenched patterns of exploitation.²⁹ Encouraging the growth and proliferation of women entrepreneurs requires not only loans and other sources of capital, but also the removal of barriers, created and sustained by corrupt practices, that unfairly target women's businesses, limit their potential and stifle their growth.

Endnotes

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