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POLICY PAPER

RULES OF THE GAME

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2026

BEYOND ONE-SIZE-FITS-ALL REFORMS

Why Business Policies Must Be Region-, Size-, and Sector-Sensitive

Victor MOTTA

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SUMMARY

This policy paper provides a comparative panorama of private sector development using firm-level evidence from the World Bank Enterprise Surveys (WBES). Covering the formal, non-agricultural private economy across world regions, the analysis compares business-environment conditions by region, firm size, and sector of activity, with a distinction between manufacturing and services.

The policy implication suggests that governments and development actors should design business-environment reforms that are region-, size-, and sector-sensitive. This implies prioritizing reliable infrastructure, targeted support for smaller firms, better trade and tax administration, stronger financial ecosystems, management and innovation upgrading, and more effective anti-corruption and formalisation strategies. Private sector development is best understood not as a single reform agenda, but as a combination of institutional quality, productive capability, and firm heterogeneity.

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INTRODUCTION

Private sector development is critical to generate employment, investment, innovation, and productivity growth. When the business environment is supportive, firms are better able to expand production, adopt new technologies, hire workers, and contribute to the tax revenues needed for public investment. However, when the business environment is weak, firms face higher costs, greater uncertainty, and fewer incentives to invest and grow. The World Bank Enterprise Surveys are built around this premise, seeking to capture the many aspects of the business environment that can either enable or constrain firms, including infrastructure, finance, trade, regulation, taxation, corruption, management, innovation, labour, and perceptions of obstacles to doing business.

This policy paper provides a comparative panorama of private sector development around the world using Enterprise Surveys evidence organised by region, firm size, and sector of activity. It borrows the intuitive visual and thematic structure of the World Bank's country profiles, which present the same core business-environment topics for individual economies and compare them with regional and income-group peers. Instead of focusing on one country at a time, the paper uses the World Bank's framework to identify global patterns, regional contrasts, and cross-cutting policy priorities. High-income OECD countries are retained as a benchmark to contextualise performance gaps and identify potential frontiers, while the main focus remains on structural constraints affecting firms in developing regions.

Three features structure the analysis. First, firm heterogeneity is placed at the centre of the discussion. The evidence consistently shows that firm size is one of the strongest dividing lines in private sector outcomes, influencing access to finance, exposure to regulatory burdens, capacity to innovate, and participation in international markets. Second, the analysis distinguishes between manufacturing and services, recognising that sectoral differences shape export participation, financing patterns, innovation behaviour, infrastructure needs, and corruption exposure. Third, it combines objective indicators and perception-based indicators, allowing comparison between what firms experience, such as power outages, and how firms interpret those experiences in relation to other business-environment obstacles.

The core argument is that the global business environment is uneven across regions, but those differences are also mediated by firm size and sector. Larger firms generally show stronger performance, wider access to finance, more structured management, and greater participation in innovation and trade. Smaller firms are more numerous, more heterogeneous, and often more exposed to financing gaps, capability shortfalls, and informality-related competition. This heterogeneity challenges the effectiveness of standardised reform agendas. Policies designed without accounting for differences in firm structure, sectoral dynamics, and institutional context risk producing limited or uneven results.

The paper is organised around three core dimensions that shape private sector development: firm heterogeneity, institutional quality, and productive capabilities, before drawing policy implications and proposing a set of recommendations aimed at designing more targeted, context-sensitive business environment reforms.

	Sectors	**Firm Size**	**Regional Groups**
WBES Characteristics	○ Manufacturing ○ Construction ○ Services ○ Hotels and restaurants ○ Transportation ○ Information-related activities Excluded: public utilities, government services, health and finance	○ Small: 5-19 ○ Medium: 20-99 ○ Large: 100+	○ AFR: Sub-Saharan Africa ○ EAP: East Asia and Pacific ○ ECA: Europe and Central Asia ○ LAC: Latin America and the Caribbean) ○ MNA: Middle East and North Africa ○ SAR: South Asia ○ High-income: OECD

Table 1. Enterprise Surveys: Sector of Activities, Firm Size and Regional Groups.

I. FIRM HETEROGENEITY

Private sectors are not composed of a representative "average firm." They are structured around deep asymmetries in size, sector, and capability that shape how firms experience the business environment and respond to policy. Understanding these differences is a precondition for designing effective private sector strategies.

The evidence shows that the private sector is overwhelmingly dominated by small firms, particularly in services. In most regions, small service firms account for the largest share of establishments, while large firms represent only a small fraction of the firm population. Manufacturing sectors tend to display a less skewed size distribution, but small firms remain prevalent. This structure matters because constraints such as access to finance, regulatory compliance, infrastructure reliability, and managerial capacity do not affect firms uniformly. A business environment that appears broadly functional at the aggregate level may still leave a large share of smaller firms constrained.

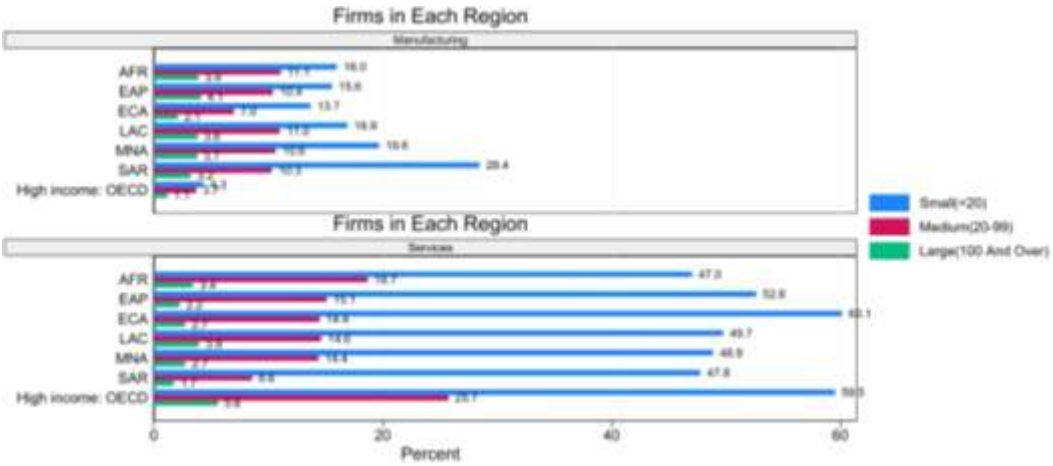


Figure 1. Composition of firm by region, size, and sector.

Firm age adds a second layer of heterogeneity. Smaller firms are typically younger, while larger firms tend to be older and more diverse in their growth trajectories. This suggests that firm size is not only a static characteristic but also reflects different stages of development. Young and small firms face entry and early-growth constraints, whereas larger firms are more exposed to issues of scaling, organisation, and market expansion.

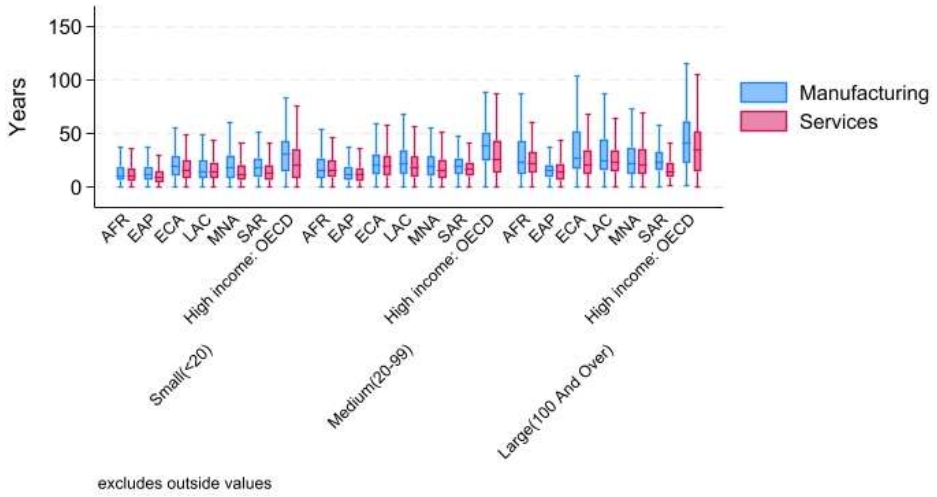
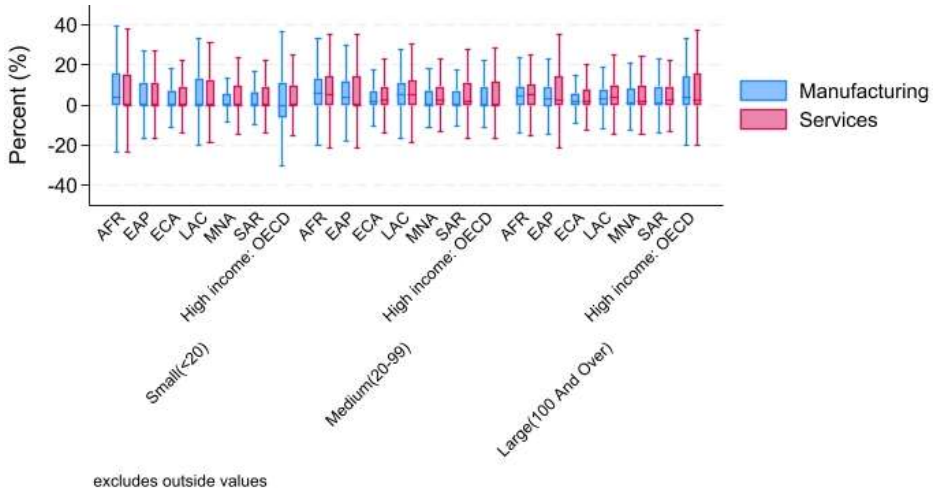


Figure 2. Firm age by region, size, and sector.

These structural differences translate directly into performance outcomes. Firm performance is highly uneven across regions, sectors, and size classes, with particularly wide dispersion among small firms. While they are important contributors to employment and sales growth in developing countries, larger firms tend to perform better in productivity growth.[1] Some firms grow rapidly, while others stagnate or contract, even within the same environment, size being a determinant factor.[2] A consistent pattern is that employment growth tends to be more robust than sales or productivity growth. In many cases, firms expand their workforce without achieving proportional gains in output or efficiency. This suggests that job creation alone is not a sufficient indicator of a healthy business environment.



[1] Ayyagari, M., Demirgüç-Kunt, A., & Maksimovic, V. (2014). Who creates jobs in developing countries? *Small Business Economics*, 43(1), 75–99.

[2] Aterido, R., Hallward-Driemeier, M., & Pagés, C. (2011). Big constraints to small firms' growth? Business environment and employment growth across firms. *Economic Development and Cultural Change*, 59(3), 609–647.

Figure 3. Annual employment growth by region, size, and sector.

At the same time, performance volatility is strongly associated with firm size. Small firms exhibit the widest dispersion in sales and productivity growth, reflecting both higher risk and higher potential. Larger firms, by contrast, tend to display more stable outcomes. This does not imply that small firms systematically underperform, but rather that their trajectories are more uncertain. As a result, policies targeting small firms need to differentiate between survival-oriented firms and those with high growth potential.

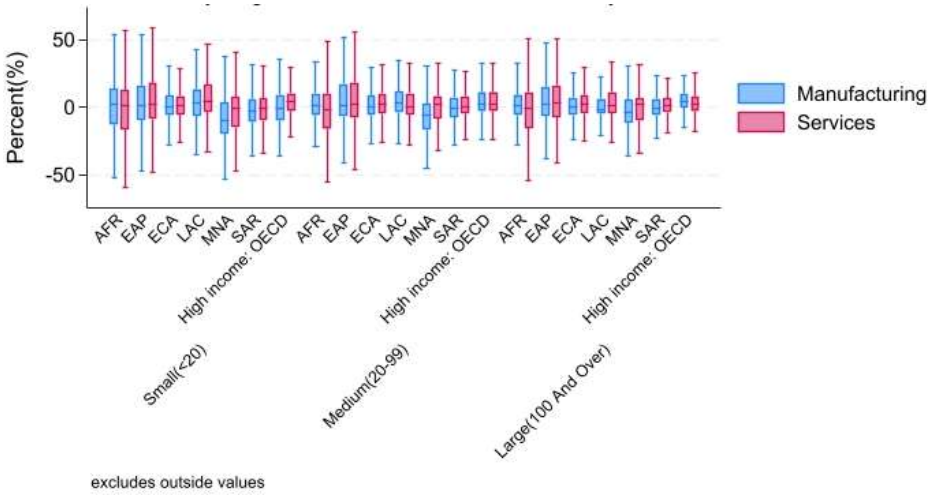


Figure 4. Real annual sales growth by region, size, and sector.

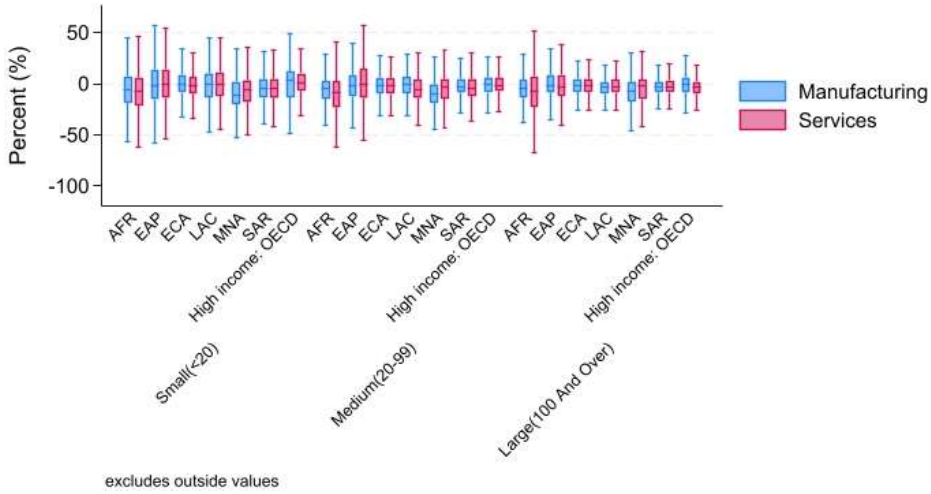


Figure 5. Real annual labour productivity growth by region, size, and sector.

Differences in performance are closely linked to differences in internal capabilities. Management quality emerges as one of the most robust differentiators across firms, it being strongly associated with productivity and

performance.[3] Larger firms consistently display more structured and formalised management practices, while medium-sized firms often occupy an intermediate position. Regional gaps are also significant, with higher scores observed in high-income benchmark economies and parts of Europe and Central Asia, and lower averages in several developing regions. Importantly, even in lower-performing environments, some firms reach high management standards, suggesting that good practices exist but are unevenly diffused.

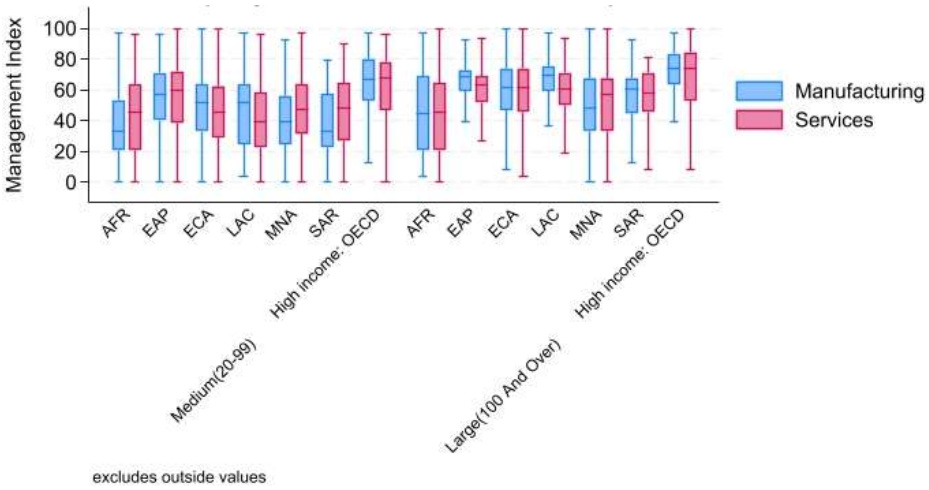


Figure 6. Management practices index for medium-sized and large firms.

Innovation follows a clear pattern of firm size and capability increases. Larger firms are significantly more likely to introduce new products or processes, obtain quality certifications, and adopt structured innovation practices. Manufacturing firms tend to be more innovation-intensive than services in measurable indicators such as process innovation and certification, although service innovation may take less formalised forms. These patterns highlight that innovation is closely linked to firm scale and organisational capability, rather than being evenly distributed across the private sector. These findings align with previous works that show exporting and importing are important channels of technological innovation in developing countries.[4]

[3] Bloom, N., & Van Reenen, J. (2007). Measuring and explaining management practices across firms and countries. *Quarterly Journal of Econo*mics, 122(4), 1351–1408.

[4] Almeida, R., & Fernandes, A. M. (2008). Openness and technological innovations in developing countries: Evidence from firm-level surveys. *Journal of Development Studies*, 44(5), 701–727; Şeker, M. (2012). Importing, exporting, and innovation in developing countries. *Review of International Economics*, 20(2), 299–314

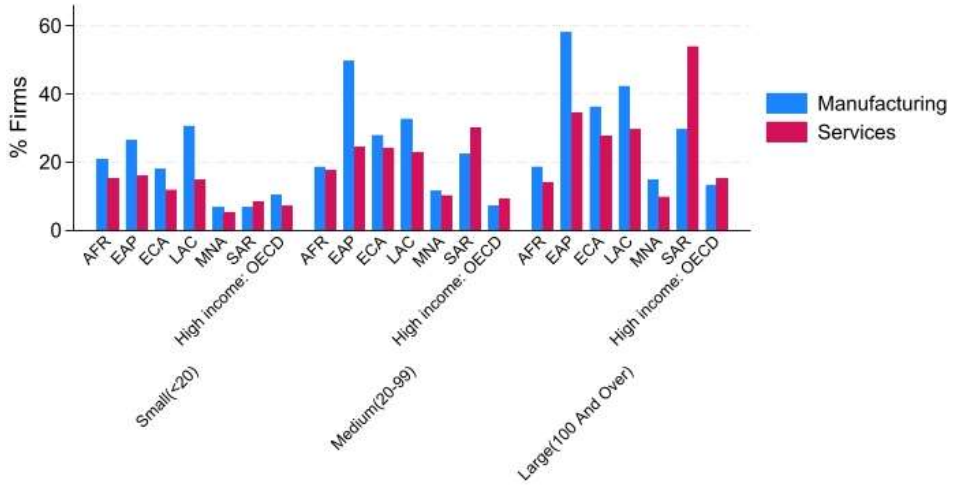


Figure 7. Firms introducing a new process over the last three years.

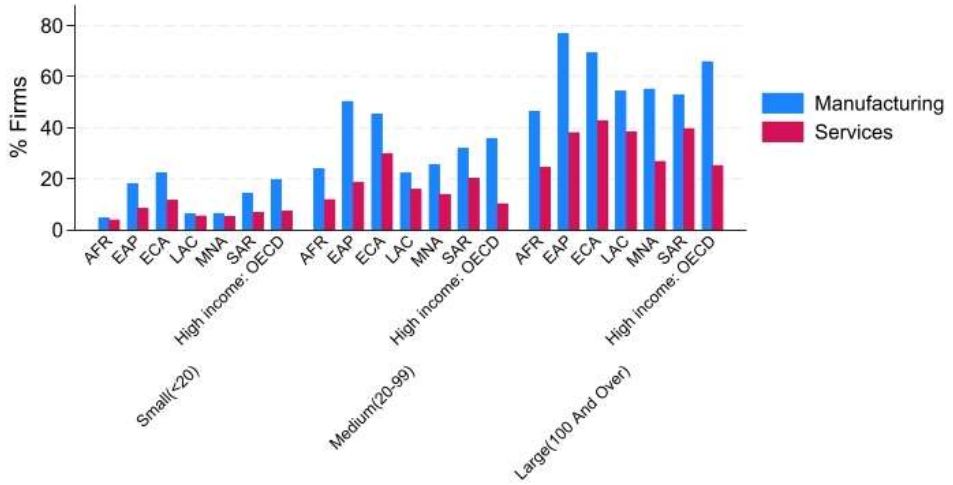


Figure 8. Firms with an internationally recognised quality certification.

A different pattern emerges for digital adoption. Basic digital tools, such as maintaining a business website, are far more widespread across firms, including in smaller size categories. In several regions, adoption rates approach near-universal levels among large firms and are substantial even among smaller firms. This suggests that digital presence is advancing faster than deeper innovation capabilities. The implication is that digitalisation alone is not sufficient to drive productivity gains unless it is accompanied by broader organisational, technological, and quality upgrading.

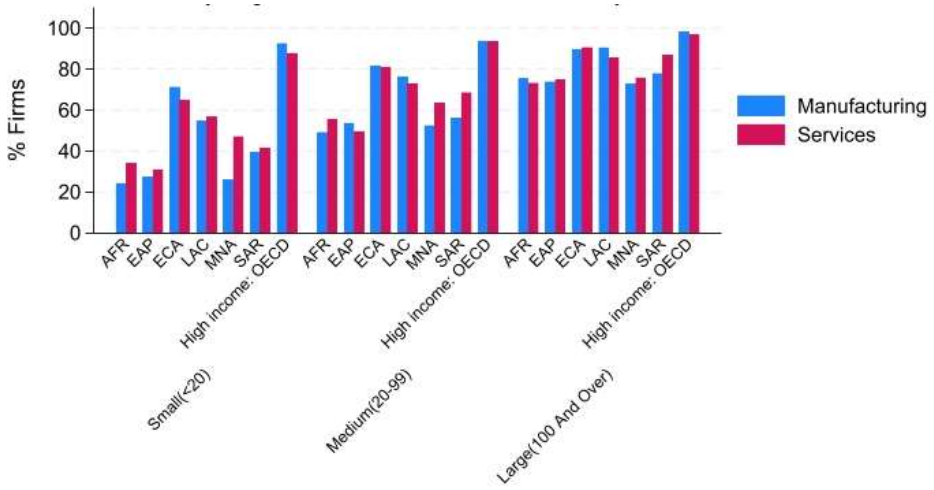


Figure 9. Firms having their own website.

Taken together, these patterns show that firm heterogeneity is a defining characteristic of the private sector. Differences in size, age, management quality, and innovation capacity shape both exposure to constraints and the ability to respond to them. As a result, uniform policy approaches are unlikely to produce consistent outcomes across firms.

POLICY IMPLICATIONS

Private sector policies should explicitly account for differences in firm structure and capability rather than targeting a notional average firm.

Support for small firms should distinguish between subsistence firms and high-potential firms, with differentiated instruments for each group.

Performance assessment should move beyond job creation and incorporate productivity and sales growth to better capture firm dynamism.

Management and innovation upgrading should be treated as core policy priorities, particularly for medium-sized firms that are transitioning to more structured organisational models.

Capability-building policies should complement business-environment reforms, ensuring that firms can translate improved external conditions into productivity gains and growth.

II. INSTITUTIONAL QUALITY

Institutional quality shapes not only the formal rules governing firms, but also how those rules are implemented, enforced, and experienced in practice. Across regions, the evidence shows that weaknesses in institutional environments do not operate in isolation. Informality, regulatory burden, and corruption interact to shape firms' incentives, costs, and growth trajectories.

Informality is not limited to firms operating outside the formal system, but it also defines the competitive environment faced by formal firms. The data show that exposure to informal competition remains high in many regions, particularly in Sub-Saharan Africa, Latin America and the Caribbean, the Middle East and North Africa, and South Asia. This correlates with previous research showing that informal competition varies widely across countries and is associated with underdevelopment and weak institutional alignment.[5]

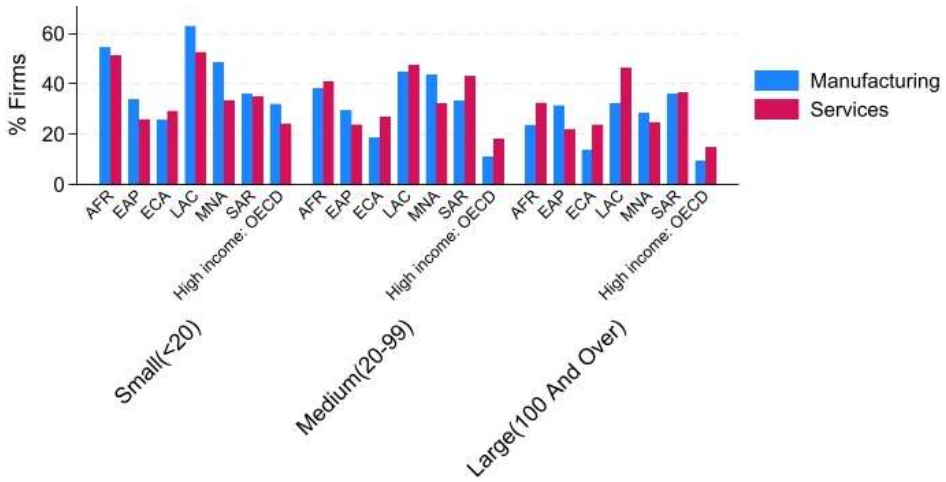


Figure 10. Firms competing against unregistered or informal firms.

At the same time, formal registration at start-up is already widespread among existing firms, often exceeding three-quarters of firms and approaching near-universal levels in some cases. This apparent contradiction highlights a central issue: formalisation has progressed, but enforcement remains uneven.

[5] Williams, C. C., & Kedir, A. M. (2019). Explaining cross-country variations in the prevalence of informal sector competitors: Lessons from the World Bank Enterprise Survey. *International Entrepreneurship and Management Journal*, 15(3), 677–696.

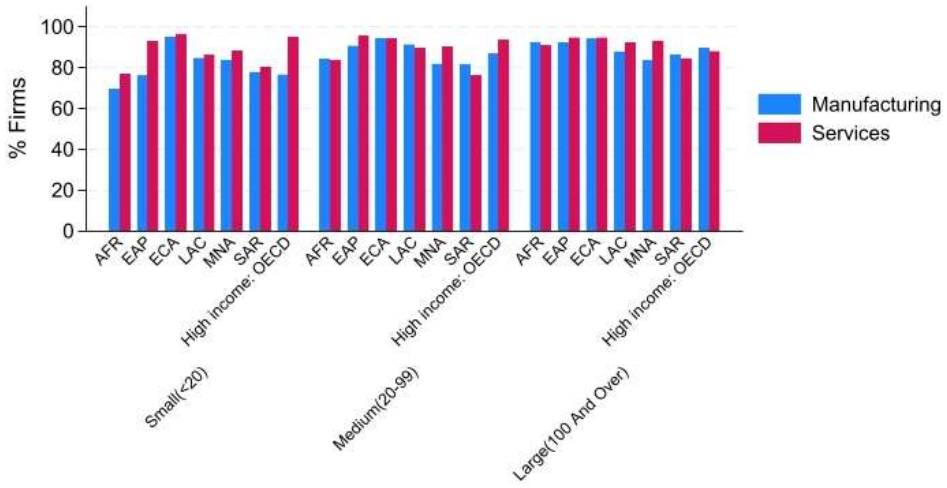


Figure 11. Firms formally registered when they started operations.

As a result, informality should be understood as both a compliance challenge and a competition problem. Formal firms continue to compete with unregistered businesses that avoid taxes, standards, and regulatory costs, distorting incentives to invest and grow. At the same time, delayed formalisation does not necessarily reflect weak firms, as some businesses formalise only after overcoming early-stage constraints.[6] This suggests that policies focused solely on increasing registration rates are unlikely to be sufficient without addressing enforcement and competitive neutrality.

Regulatory systems add a second layer of institutional friction. The evidence shows that the burden of regulation is determined by the time, uncertainty, and administrative effort required to comply beyond formal rules. Firms in several regions, particularly Latin America and the Caribbean, as well as parts of Europe and Central Asia and the Middle East and North Africa, report high shares of senior management time spent dealing with regulations. At the same time, interaction with tax authorities remains frequent, especially in Sub-Saharan Africa and Latin America and the Caribbean.

[6] Williams, C. C., Martinez-Perez, A., & Kedir, A. M. (2017). Informal entrepreneurship in developing economies: The impacts of starting up unregistered on firm performance. *Entrepreneurship Theory and Practice*, 41(5), 773–799.

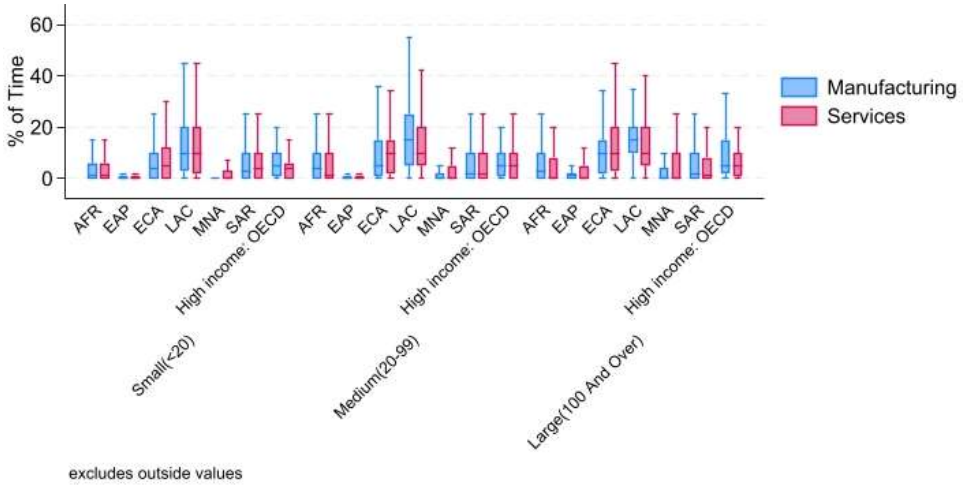


Figure 12. Senior management time spent dealing with government regulations.

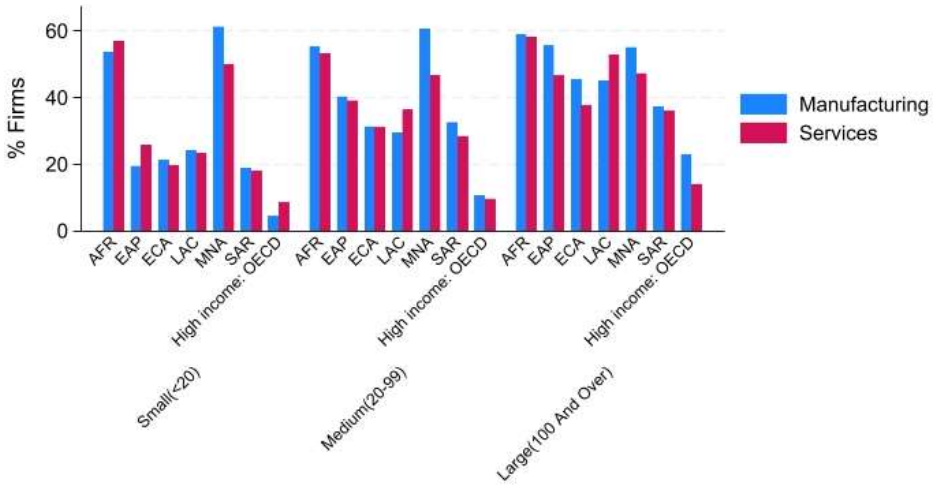


Figure 13. Firms visited or required to meet with tax officials.

These patterns point to the importance of what can be described as the "time tax" of regulation. Even when formal rules are not excessively restrictive, repeated interactions with public agencies, delays in obtaining permits, and administrative complexity can impose significant costs on firms. The literature suggests that weaker regulatory environments can also push firms towards informality or informal financing,[7] while simpler tax systems are associated with lower corruption in tax administration.[8] The implication is that regulatory quality depends more on predictability, transparency, and efficiency of their implementation than on the number of rules.

[7] Safavian, M., & Wimpey, J. (2007). *When do enterprises prefer informal credit?* World Bank Policy Research Working Paper 4435.

[8] Awasthi, R., & Bayraktar, N. (2015). Can tax simplification help lower tax corruption? *Eurasian Economic Review*, 5(2), 297–330.

Corruption further amplifies these institutional distortions. The data show that bribery incidence is highly concentrated in specific regions, particularly in Latin America and the Caribbean, the Middle East and North Africa, and South Asia, which is correlated with harder access to finance and more chance to be credit constrained.[9] By contrast, high-income benchmark economies display consistently low levels of corruption across most indicators. Perceptions of corruption closely track observed bribery patterns, suggesting that firms' evaluations reflect both actual exposure and the relative importance of corruption compared to other constraints.

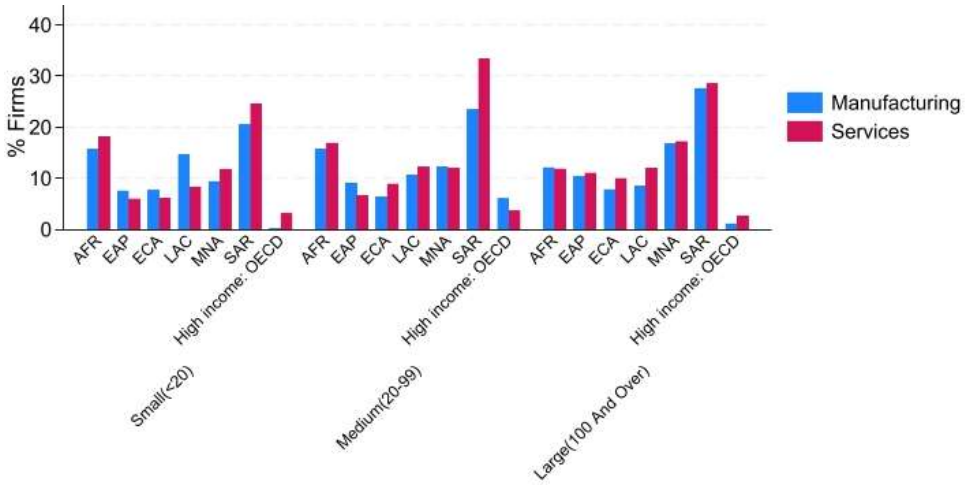


Figure 14. Bribery incidence.

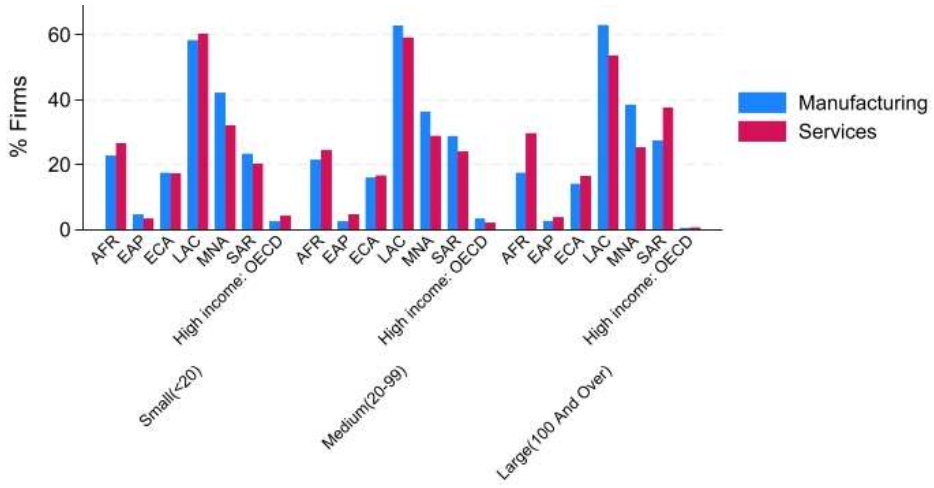


Figure 15. Corruption as a major or very severe constraint.

[9] Amin, M., & Motta, V. (2023). The impact of corruption on SMEs' access to finance: Evidence using firm-level survey data from developing countries. *Journal of Financial Stability*, 68, 101175.

The effects of corruption extend beyond direct financial costs. It has been shown that corruption reduces firm growth, distorts competition, and interacts with regulatory burdens to weaken productivity.[10] In highly corrupt environments, firms that do not engage in bribery may even be disadvantaged relative to those that do, further undermining competitive neutrality.[11]

Finally, it appears that institutional quality is fundamentally about implementation. Informality persists more because enforcement is uneven than because firms avoid registration. Administrative burden and uncertainty cost time to firms constraining them more than formal rules. As of corruption, it has been shown that it emerges where discretion is highly valued and accountability is weak. These dimensions reinforce each other, creating environments in which compliant firms face higher costs and weaker incentives to invest, formalise, and grow than non-compliant ones.

POLICY IMPLICATIONS

Institutional reform should prioritise enforcement and competitive neutrality, ensuring that formal firms are not disadvantaged relative to informal competitors.

Regulatory reform should focus on reducing the time tax of compliance through simplification, digitalisation, and more predictable administrative processes.

Anti-corruption strategies should target high-risk transactions, such as permits, taxation, and public procurement, while reducing discretion through transparency and e-government tools.

Formalisation policies should be sequenced, lowering entry costs while strengthening enforcement to ensure that registration translates into fair competition.

[10] Amin, M., & Ulku, H. (2019). *Corruption, regulatory burden and firm productivity*. World Bank Policy Research Working Paper 8911.

[11] Fisman, R., Guriev, S., Ioramashvili, C., & Plekhanov, A. (2024). Corruption and firm growth: Evidence from around the world. *Economic Journal*, 134(660), 1494–1524.

Institutional reforms should be designed as an integrated agenda, recognising the interactions between informality, regulation, and corruption rather than addressing each dimension in isolation.

III. PRODUCTIVE CAPABILITY

Beyond firm structure and institutional quality, private sector performance ultimately depends on firms' ability to accumulate and deploy productive capabilities. These capabilities are both internal, such as workforce skills and organisational inclusion, and external, as access to reliable infrastructure, finance, and international markets. The evidence shows that these dimensions are unevenly distributed across firms and regions, and that they jointly shape firms' capacity to grow, innovate, and compete.

Workforce quality and skills development constitute a first core dimension of productive capability. The WBES data show that formal training is strongly correlated to firm size, with large firms significantly more likely than small firms to provide structured workforce upgrading across all regions.[12] This pattern indicates that capability accumulation remains highly uneven, with smaller firms facing persistent constraints in upgrading skills and organisational practices.

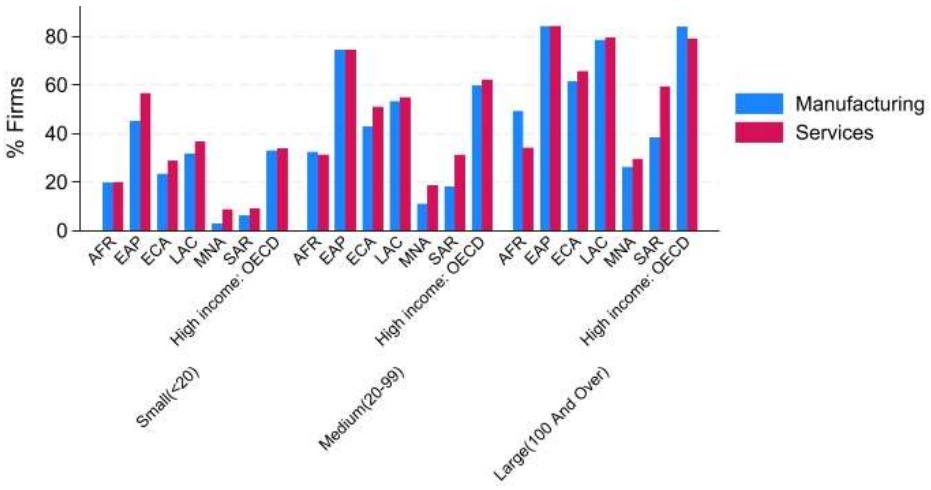


Figure 16. Firms offering formal training by region, size, and sector.

Gender inclusion adds an additional layer to workforce capability. Female participation varies widely across regions, sectors, and firm sizes, with higher representation in ownership than in top management, and services often

[12] Almeida, R., & Aterido, R. (2015). Investing in formal on-the-job training: Are SMEs lagging much behind? *IZA Journal of Labor & Development*, 4, Article 8.

outperforming manufacturing in female leadership.[13] Beyond participation patterns, external evidence suggests that gender diversity within firms is associated with stronger performance outcomes. Companies with more diverse leadership are more likely to outperform financially,[14] and greater gender parity in labour markets and management could significantly boost economic activity.[15] Thus, inclusion is not a mere social objective but can also contribute to firm capability and performance, although the magnitude of these effects depends on firm characteristics and context.

External constraints also play a critical role in shaping productive capacity. Reliable electricity remains a foundational input for firm performance, yet the evidence shows that infrastructure quality varies sharply across regions. Firms in Sub-Saharan Africa and parts of South Asia and Latin America frequently experience outages, while other regions display more stable supply conditions. The impact on firms is such as a one-hour reduction in electricity outages is associated with meaningful operating-cost savings for firms.[16]

[13] Amin, M., & Islam, A. (2014). *Are there more female managers in the retail sector? Evidence from survey data in developing countries*. World Bank Policy Research Working Paper 6843.

Amin, M., & Islam, A. (2016). Women managers and the gender-based gap in access to education: Evidence from firm-level data in developing countries. *Feminist Economics*, 22(3), 127–153.

[14] McKinsey & Company. (2023). *Diversity matters even more: The case for holistic impact*. https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-matters-even-more-the-case-for-holistic-impact.

[15] Holland, D. and Ell, K. (2023). *Close the Gender Gap to Unlock Productivity Gains*. Moody's Analytics. https://www.moodys.com/web/en/us/insights/resources/close-the-gender-gap-to-unlock-productivity-gains.pdf.

[16] Iimi, A. (2008). *Effects of improving infrastructure quality on business costs*. World Bank Policy Research Working Paper 4581.

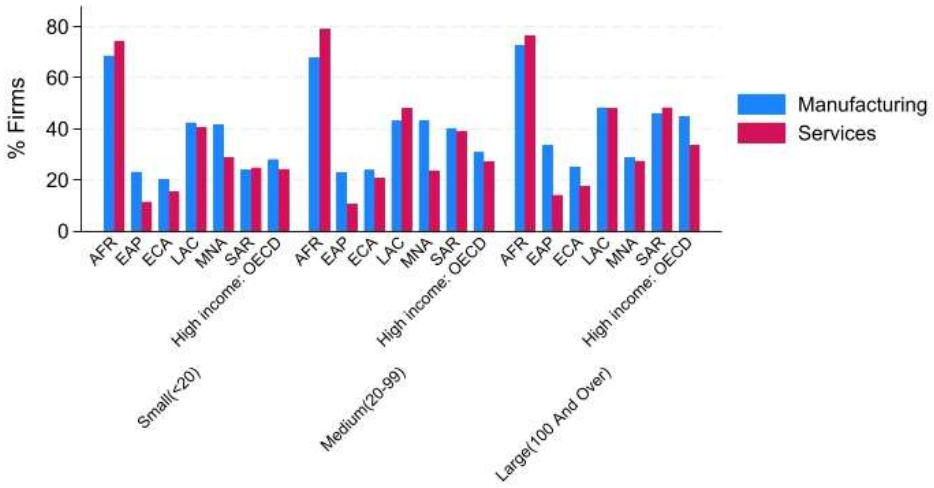


Figure 17. Firms experiencing electrical outages by region, size, and sector.

However, perceptions of electricity as a constraint do not perfectly align with outage incidence. In some cases, firms report frequent outages but relatively lower perceived severity, while in others electricity is viewed as a major obstacle despite fewer disruptions. This reflects differences in predictability, duration, and firms' ability to adapt, suggesting that infrastructure quality is not only a matter of access, but of reliability and consistency.

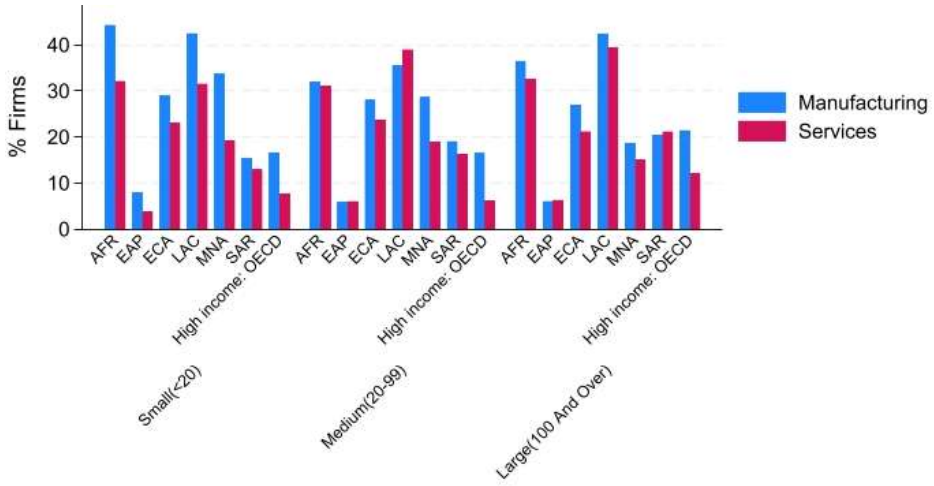


Figure 18. Electricity as a major or very severe constraint.

Access to international markets constitutes another key dimension of productive capability. Export participation is strongly differentiated by firm size, with large firms significantly more likely to export than medium-sized firms, and medium-sized firms more likely than small firms. This is particularly true in developing countries where both firm-level characteristics and location matter for the likelihood and extent of

exporting.[17] Manufacturing firms are consistently more export-oriented than services, particularly at higher export intensity thresholds.

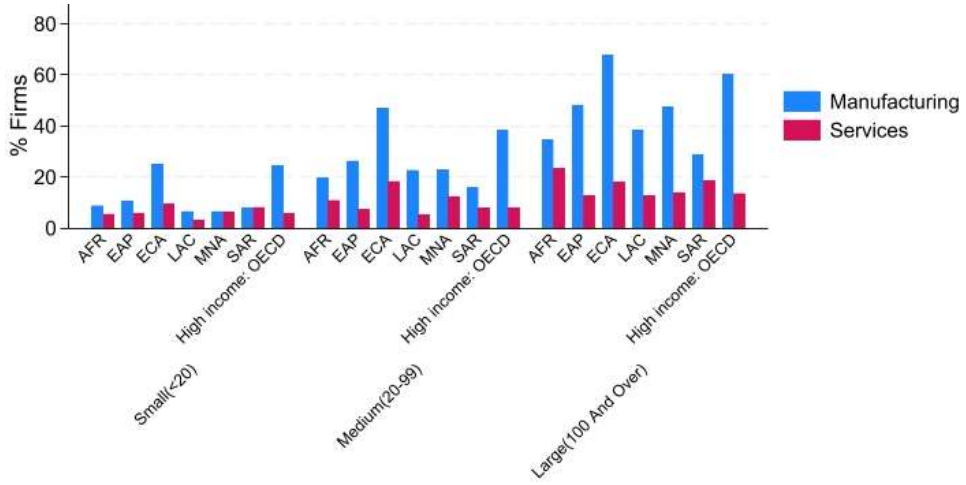


Figure 19. Firms exporting directly or indirectly at least 10 percent of annual sales.

On the other hand, perceived trade-related obstacles remain significant and do not necessarily decline with higher export participation. This indicates that export capability depends both on firm-level capacity and on the efficiency of trade-related institutions, customs and trade regulations are not experienced uniformly across firms.[18]

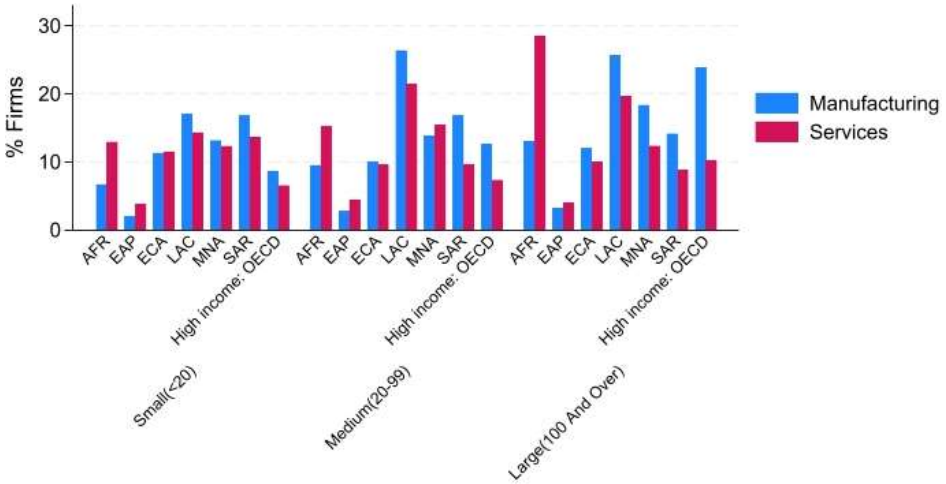


Figure 20. Customs and trade regulations as a major or very severe constraint.

[17] Farole, T. (2011). *Firm location and the determinants of exporting in developing countries*. World Bank Policy Research Working Paper 5780.

[18] Drinkwater, S., Revilla Diez, J., & Fianu, M. K. N. (2023). The impact of customs and trade regulations on the operation of firms in Africa. *Journal of Business Research*, 165, 114046.

Financial access is yet another element shaping firms' ability to invest and scale. The evidence reveals a complex pattern in which many firms report not needing external finance, while a smaller but significant share remains credit constrained. These patterns are particularly pronounced among smaller firms[19] and in regions with weaker financial systems. As such, credit-constrained firms in the formal private sector tend to be smaller and associated with weaker performance.[20]

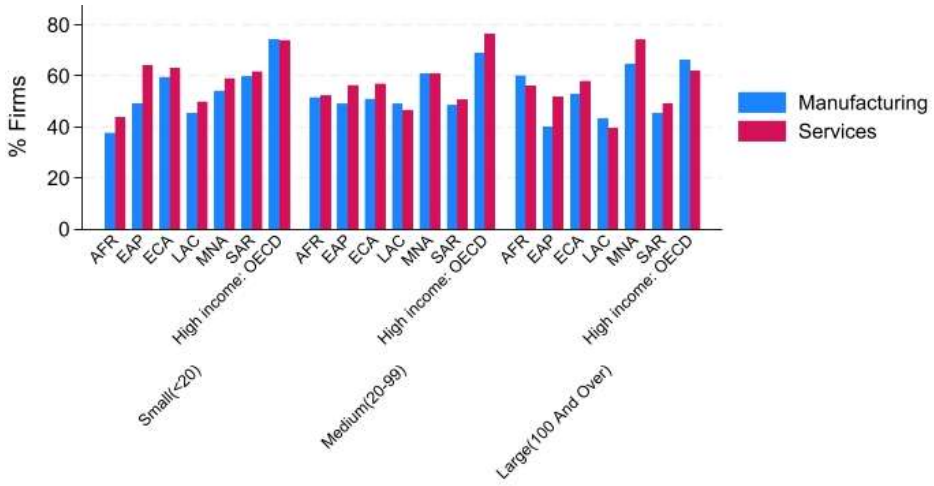


Figure 21. Firms not needing a loan.

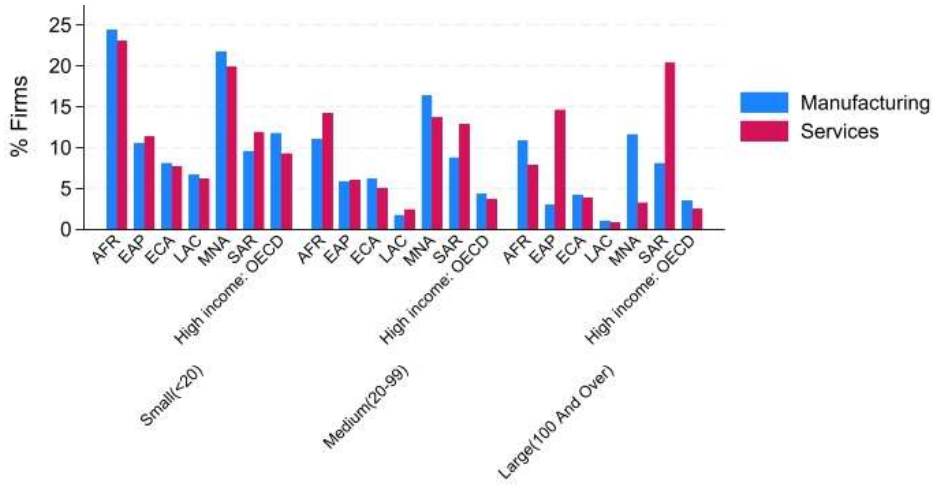


Figure 22. Partially credit-constrained firms.

[19] Kuntchev, V., Ramalho, R., Rodríguez-Meza, J., & Yang, J. S. (2013). *What have we learned from the Enterprise Surveys regarding access to credit by SMEs?* World Bank.

[20] Motta, V. (2020). Lack of access to external finance and SME labor productivity: Does project quality matter? *Small Business Economics*, 54(1), 119–134.

Islam, A. M., & Rodríguez Meza, J. L. (2023). *How prevalent are credit-constrained firms in the formal private sector? Evidence using global surveys*. World Bank Policy Research Working Paper 10502.

However, perceived financial obstacles coexist with low borrowing rates, suggesting the presence of discouraged borrowers who remain outside the credit market due to expected constraints.[21] This is an argument for understanding financial access in terms of effective demand and firm bankability instead of sole loan availability.

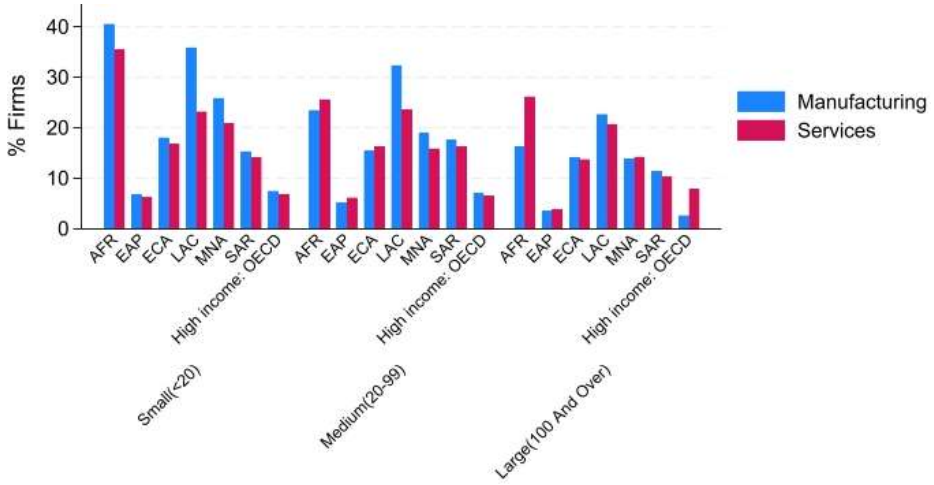


Figure 23. Access to finance as a major or very severe constraint.

The combination of these elements concludes that productive capabilities are cumulative and uneven. Firms do not simply respond to improved external conditions. Rather, they require internal capacity (skills, organisation, and inclusion) to translate those conditions into growth and productivity gains. External constraints in infrastructure, trade, and finance can limit the returns to capability investment. As a result, productive capability should be understood as the interaction between internal firm characteristics and the broader economic environment.

POLICY IMPLICATIONS

Capability-building policies should complement business-environment reforms, ensuring that firms can translate improved external conditions into productivity gains.

[21] Chakravarty, S., & Xiang, M. (2013). The international evidence on discouraged small businesses. *Journal of Empirical Finance*, 20, 63–82.

Skills and training systems should prioritise smaller firms, which lag systematically in workforce upgrading and capability accumulation.

Gender inclusion policies should focus on progression from participation to leadership, recognising their role in strengthening firm capability.

Infrastructure policy should prioritise reliability and predictability of service provision, particularly in regions with high outage incidence.

Trade policy should combine export promotion with trade facilitation, lowering fixed costs of exporting while strengthening firm-level capabilities.

Financial inclusion strategies should move beyond loan provision and address credit constraints, discouraged borrowing, and firm bankability.

RECOMMENDATIONS

Private sector development policy should be designed around a central insight: firms operate under fundamentally different conditions depending on their size, sector, and institutional environment. Effective reform therefore requires targeted, coordinated, and outcome-oriented approaches.

First, differentiate policies by firm size and sector.
Smaller firms consistently lag behind in access to finance, workforce upgrading, management quality, innovation, and export participation, while services and manufacturing face distinct constraints. Private sector policy should move beyond generic SME support and develop targeted instruments adapted to firm characteristics and sectoral dynamics.

Second, prioritise the quality of implementation.
Across infrastructure, licensing, taxation, and corruption, the main constraint is often not the existence of rules, but how they are applied. Reducing uncertainty, delays, and administrative burdens should be a central objective of reform. Predictable, transparent, and consistent implementation is as important as regulatory design.

Third, strengthen productive capabilities within firms.
Management quality, workforce skills, innovation capacity, and certification systems remain unevenly distributed across firms. Policy should treat capability upgrading as a core component of the business environment, through management support, training systems, innovation services, and quality infrastructure, particularly for small and medium-sized firms.

Fourth, restore competitive neutrality.
Informality, corruption, and uneven enforcement distort competition by penalising compliant firms. Reform efforts should focus on strengthening enforcement, reducing discretion, and ensuring that firms compete on equal terms. Fair competition is a key driver of investment, formalisation, and productivity growth.

Fifth, anchor reforms in firm-level outcomes.
Policy effectiveness should be measured not only by job creation, but also by improvements in productivity, investment, innovation, workforce upgrading,

and access to reliable infrastructure and finance. A firm-centred monitoring framework can strengthen accountability and improve policy design.

CONCLUSION

This policy paper provides a comparative panorama of private sector development across regions, firm sizes, and sectors using evidence from the World Bank Enterprise Surveys. The evidence confirms that the business environment remains deeply uneven, but it also shows that those differences are mediated by firm size and sector in systematic ways. Larger firms generally benefit from stronger internal capabilities and broader access to markets, finance, and management systems. Smaller firms are more numerous, more heterogeneous, and more exposed to constraints that impede scaling and productivity growth. Regional contrasts remain sharp in infrastructure, financing, trade participation, regulatory quality, informality, and corruption.

The most important conclusion is that private sector development strategies cannot rely on one-size-fits-all strategies. The same reform package will not produce the same effect for a small service firm in Sub-Saharan Africa, a medium-sized manufacturer in South Asia, and a large exporter in Europe and Central Asia. Effective policy therefore requires differentiation by firm size, by sector, and by institutional context, combined with a strong emphasis on implementation quality.

A more capable, productive, and resilient private sector will depend on complementary progress in three main areas: better institutions, stronger firm capabilities, and more competitive markets. That combination should guide the design of future business-environment reform and private sector support.

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