

**Conference on Self Assessment and Removal of Administrative Barriers to
Investment in S. E. Europe
Sarajevo, 26 – 27 February, 2003
Summary of Discussions**

The first day of the conference was devoted primarily to a series of presentations by FIAS, each of the country delegations, the World Bank, and OECD regarding activities to remove administrative barriers to investment in S. E. Europe. A list of the presentations is as follows, and the presentations themselves are attached:

1. Comparative Survey Results for S. E. Europe, Ms. Jackie Coolidge, FIAS
2. Company Registration, Ms. Cornelia Simion, Ministry of Development and Prognosis, Romania
3. Foreign Investors-Investors Entry, Mr. Robert Markt, Ministry of Economy, Croatia
4. Three Years after the Introduction of VAT, Mr. Ruse Kocevski, Ministry of Finance, Macedonia
5. Administrative Barriers and Legislative Framework in Albania, Mr. Eris Hoxha, Boga & Associates, Albania
6. Spatial Planning and Building Reform, Ms. Sabina Šerko, Ministry of Environment, Slovenia
7. Removal of Administrative for Investments in Slovenia, Mrs. Nevenka Črešnar Pergar, Ministerial Counsellor, Slovenia
8. Locating in Serbia – Problems and Recommendations, Ms. Slavica Penev, Economics Institute, Serbia
9. Breaking the Billion Dollar FDI Limit, Ms. Iva Bojidarova Stoykova, BFIA, Bulgaria
10. Business Registration, Mr. Amir Hadziomeragic, Advisor to the Minister, BiH
11. Business Registration, Mr. Branislav Zugic, Ministry of Foreign Economic Affairs, Republika Srpska
12. Systematic Removal of Administrative Barriers, Mr. Lars Grave, Latvia
13. Mr. Vladimir Goran Kreacic
14. Investment Compact for South-East Europe, Mr. Antonio Fanelli, OECD

The rest of this document summarizes the discussion following the presentations, organized by topic:

- The use of standard templates to gather official information from government agencies;
- The use of business surveys to assess the actual experiences of businesses with administrative procedures;
- The use of structured dialog mechanisms between the Government and Business community to develop an Action Plan for Reform;
- Next steps in removal of administrative barriers to investment in S.E. Europe

Agency Templates:

Lars Grava made a brief presentation (attached) about the use of templates to gather official information from government agencies about each of the key administrative procedures to investment and operation of business.

In the discussion that followed, country delegations who had used the templates indicated that it took longer than originally anticipated to get the templates filled out. Most agreed that the time required was at least one and a half months. All agreed that it was necessary to demonstrate that the exercise was supported by the highest level of government, usually the Office of the Prime Minister, and backed by the World Bank Group. Without such evidence of support, many agencies would not be willing to cooperate.

Country teams that were successful in getting templates filled out said that they sent copies of the templates to each of the agencies, with a cover letter, and followed up with at least one and usually two face-to-face interviews. At least one such interview is necessary in order to explain the details of the information requested and to answer questions. A second interview is often helpful to ensure that all possible statistical data is filled in, and it may also provide an opportunity to receive some context or additional commentary regarding the procedure. In any event, it was usually not possible to get all statistics requested in the templates from all agencies. However, most delegations believed that the questions in the templates are relevant and that many government agencies took an interest in using the templates to help them develop performance indicators.

Templates were usually sent to the Heads of each of the relevant agencies, who would delegate most of the work of filling them out to a subordinate, (e.g., a senior lawyer within the agency), and then review and sign them.

There was a suggestion to add a more quantitative dimension to some of the questions on the template, e.g., a 1 – 5 scale for questions about whether procedures are “clear” or “unclear”.

Most delegations noted that it was difficult to get meaningful answers to the question in the templates about the “purpose” of the procedure, and suggested that more explanation about this question be included in the template, as it was a very important question to identify the goals and mandate of the agencies and associated procedures, and as a basis for recommendations to improve the efficiency and cost-effectiveness of procedures. They can also point to procedures that are no longer relevant or necessary.

The resulting reports can be made public, including some degree of “naming and shaming” agencies (as in the E.U.) into more serious efforts in the future.

The country teams indicated strong interest in repeating the exercise both to gather data to measure progress and also to continue to reinforce the concept that agencies should learn to assess their own performance on a regular basis. Most country teams indicated

they would welcome continued FIAS assistance for a second round, in order to receive guidance in how to compare the baseline and follow-up template efforts and to work more effectively with the various agencies, and also to benefit from cross-country comparison.

Business Survey:

Jackie Coolidge opened the discussion by inquiring to what extent business associations could be involved in supervising and monitoring subsequent business surveys.

Representatives of the business associations stated that they would be interested in increased involvement, where feasible based on the capacities or credibility of the business associations. The participants were not unanimous regarding whether they would trust their respective governments to undertake the business survey and some thought that such an external control by business associations would add credibility to the results.

Some delegations stated that FIAS should nevertheless control for quality and consistency so that the methodology and results are comparable over time and across countries in the region.

There was also discussion on who could carry out the surveys in the future, such as finding cheap and reliable fieldwork (options presented were junior researchers or students), working with a business school or other academic institute.

There was some discussion on the expense of the business survey and whether governments or business associations (or a coalition of them) would be willing to raise the funds for this. One possible interim solution discussed was the use of targeted “consultant’s surveys”, namely designing a survey with more detailed questions and interviewing a smaller sample of expert intermediaries/facilitators, such as lawyers, consultants, customs brokers, construction contractors.

Some participants noted that there may be too much emphasis in the business survey on small firms and that these results may not be the best indicator for the government in setting priorities. One recommendation was that FIAS should review the stratification of the sample. For the immediate follow-up surveys, it will important to be able to compare the results with the baseline surveys. However, it may be possible, with careful stratification and “over-sampling” of medium and larger firms and firms with FDI, to address both issues.

One participant pointed out that the surveys of existing firms fail to take account of firms who failed to start or were discouraged to start in a particular location due to administrative or other barriers. FIAS noted that they have piloted a few surveys of “potential investors” with a special survey instrument targeted at investors who have shown some interest in a particular location, but did not invest there. The participants thought such surveys might be useful in S. E. Europe.

Dialog and Action Plan:

Lars Grava made a brief, introductory presentation (attached) about the use of dialog between the Government and business community to prioritize among recommendations and to work together to develop an Action Plan.

Some delegations indicated it was difficult to get business representatives to take the time to meet, and it was necessary for Government to give strong signals that the process would lead to meaningful reforms. This, again, requires the input of a high level “Champion” to increase credibility and encourage serious participation, from government technocrats as well as the business community.

One representative stated that the selection of the right participants, from both the public and private sectors, is an important component in successful dialogue. Part of the process of initiating the dialogue is identifying who can speak knowledgably about which topics.

Businesses also prefer to focus on issues of a short to medium term time-frame (rather than long-term), and prefer to read reports that are short and simple, as they don’t have time or capacity to digest long, detailed analytical reports.

There should be tangible results starting in the relatively short run, in order to demonstrate credibility and maintain the interest of the business community to stay engaged in the process.

It was generally seen to be most useful and helpful to engage active business associations as representatives of the private sector, but not all countries have such active business associations yet. Fortunately, other donor agencies, such as SEED and USAID, have been helping in this area, but it will take time.

There is also a need to use public relations to publicize the dialog and the outcomes, to make as much noise as possible, and to interest the media in the effort. This in turn increases the pressure on government to live up to its commitments and follow-through on reforms.

Firms need to see the benefits of organizing and lobbying collectively, in order to secure reforms to increase the opportunities for profit for all firms, and to use this mechanism rather than individual lobbying for special interests. For example, one business association has published a “White Paper” annually, which has had a significant influence on the course of government reforms. The media give it good publicity, so Government can not ignore it, and it is a collective effort of many businesses, so government can’t dismiss it as “special interest.”

It was also acknowledged that in preparing such white papers or position papers, the best results are often when businesses propose a concrete action or solution (or even a number of options), rather than only articulating a complaint.

One question discussed was the role of traditional “Chambers of Commerce”, which are still mandatory in some countries. In most countries, this is still the largest business association, but it is also considered by most businesses to be obsolete and unrepresentative of their interests.

Dialog can also supplement an administrative barriers study by bringing new issues to light, and to keep current with new problems.

Draft Manual on Self-Assessment of administrative barriers to investment

Jackie Coolidge opened the discussion by asking participants to comment on the draft Manual on Self-Assessment of Administrative Barriers to Investment.

Many of the participants were familiar with the draft Manual and had already used it for their own reform efforts.

One participant suggested that it would be helpful if the Manual contained a list of problems that are most likely to be encountered by certain types of companies (e.g., small domestic companies vs. larger FDI) in the transition economies.

Several participants noted that the Introduction is too long.

FIAS noted that one of its upcoming revisions would be strengthening the section on comparing the templates and the surveys.

Next Steps

The participants agreed that a conference like this was very important, informative and useful. There was a consensus that there should be another such conference, but some delegations suggested that perhaps it was not necessary for it to be a two-day event – one day may be sufficient.

The participants expressed their interest in receiving information on best practices from the region and throughout the world. Although some representatives felt that they could analyze and apply the information themselves, others looked to FIAS for guidance and recommendations on finding the most relevant and appropriate solutions, in part to bolster their credibility or overcome resistance to reform within their own countries.

There was an interest to maintain an informal network, such as an e-mail group, and it was suggested that FIAS could assist by creating a mechanism whereby the representatives of the region could exchange ideas and learn directly from one another’s efforts. FIAS agreed at a minimum to make available to all invited and actual participants a full e-mail list. That may be sufficient for the needs of most participants, but FIAS is also willing to consider development of a more organized internet or e-mail discussion group, if there is sufficient demand for it.

There was also an interest to continue the process of self-assessment. The participants agreed that it would be important to repeat the business surveys and the templates. This would allow for both comparisons over time as well as cross-country comparisons.

In sum, the participants agreed that there should be both increased regional cooperation as well as healthy competition among the countries represented. This could be achieved by exchanging results from the templates, surveys and experiences in reform.

FIAS invited conference participants to fill out a feedback survey on the conference at the end of the second day. The results of the survey are attached.