



# Best practice in Removal of Administration Barriers to Investment

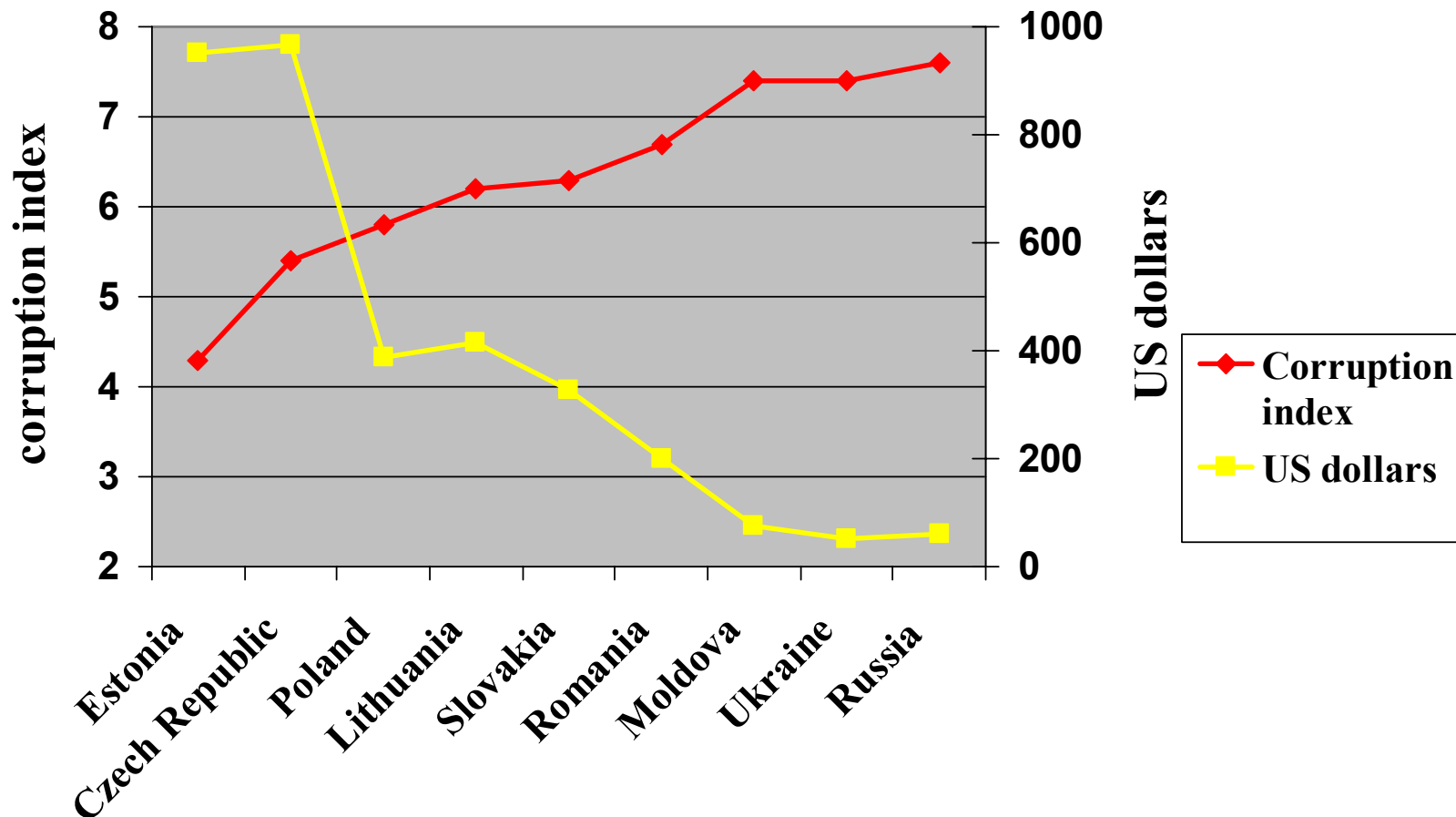
## **EARLY WARNING SYSTEM**

South-East Europe Regional  
Conference

Sarajevo, Bosnia & Herzegovina  
February 25-26, 2003.

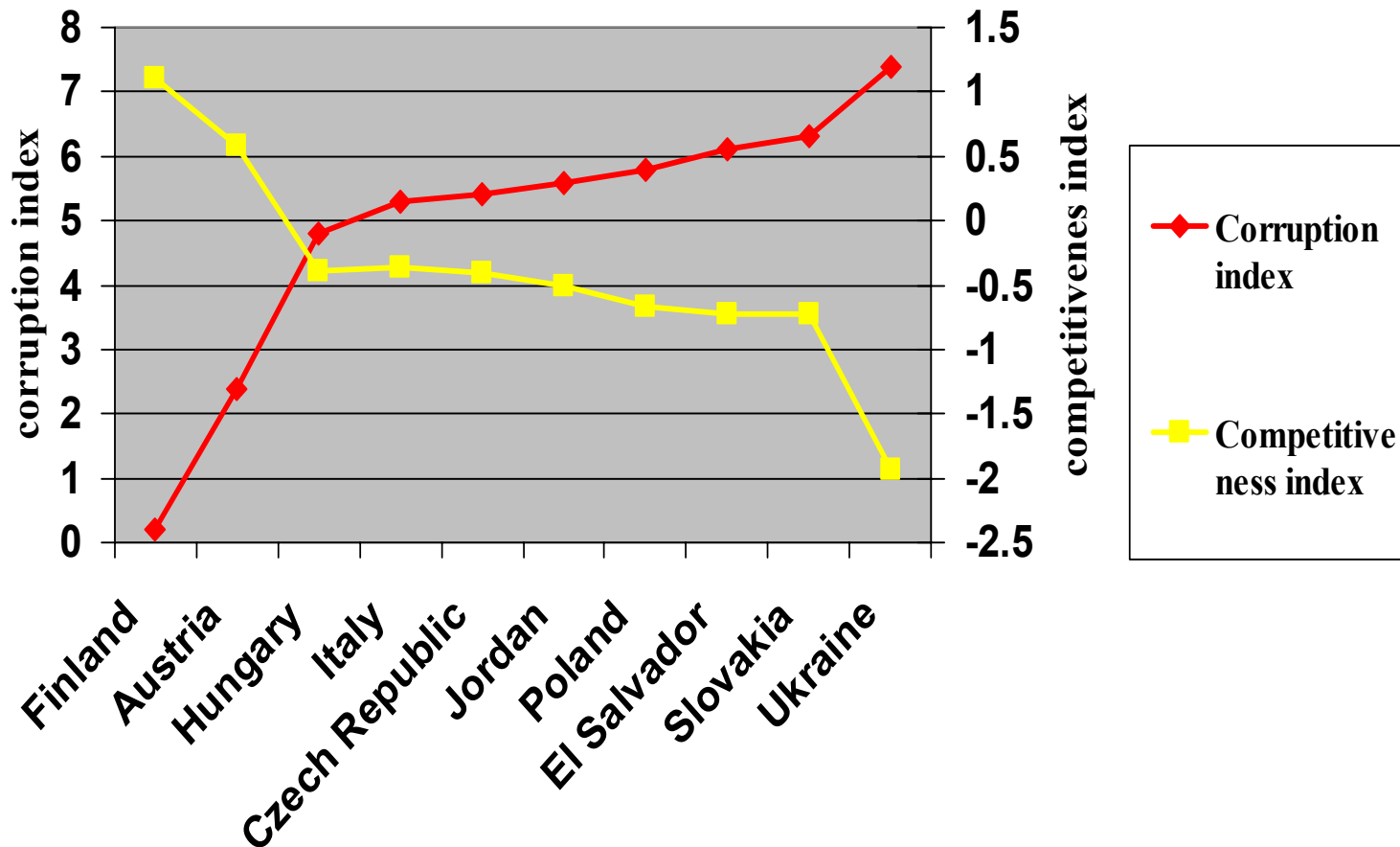


# Corruption index and FDI per capita



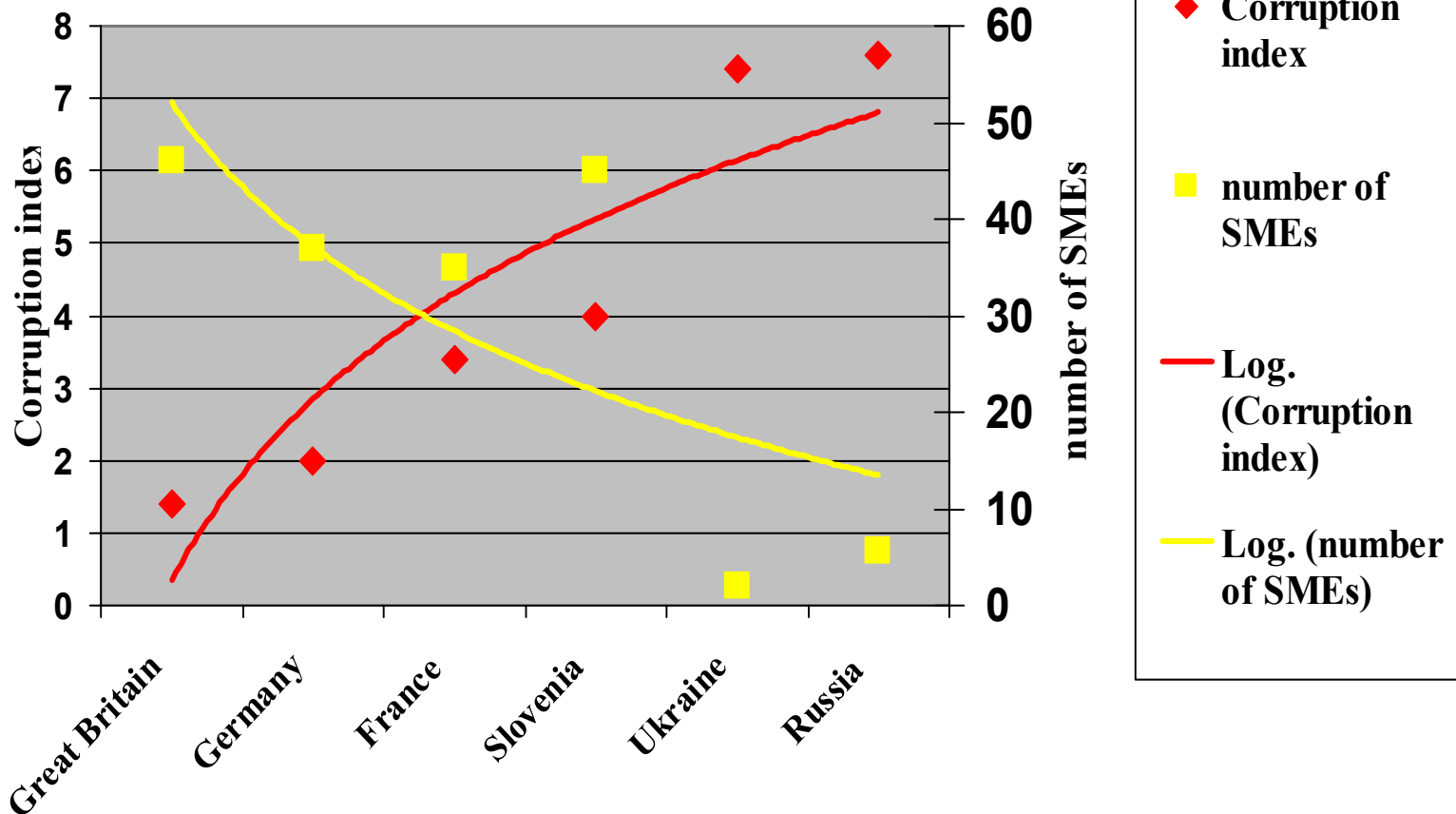


# Corruption index and competitiveness index



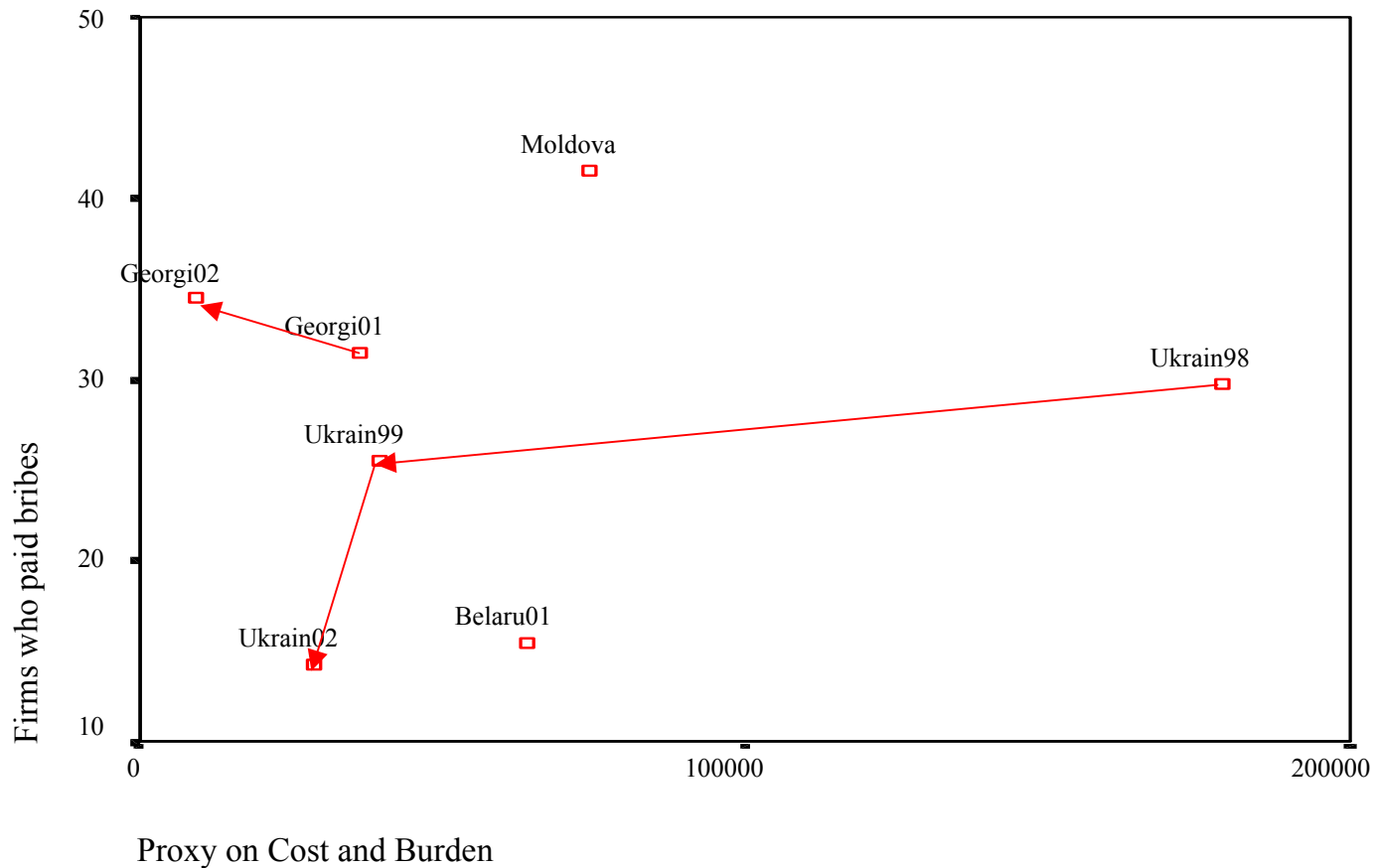


# Corruption index and number of SMEs per 1000 of population



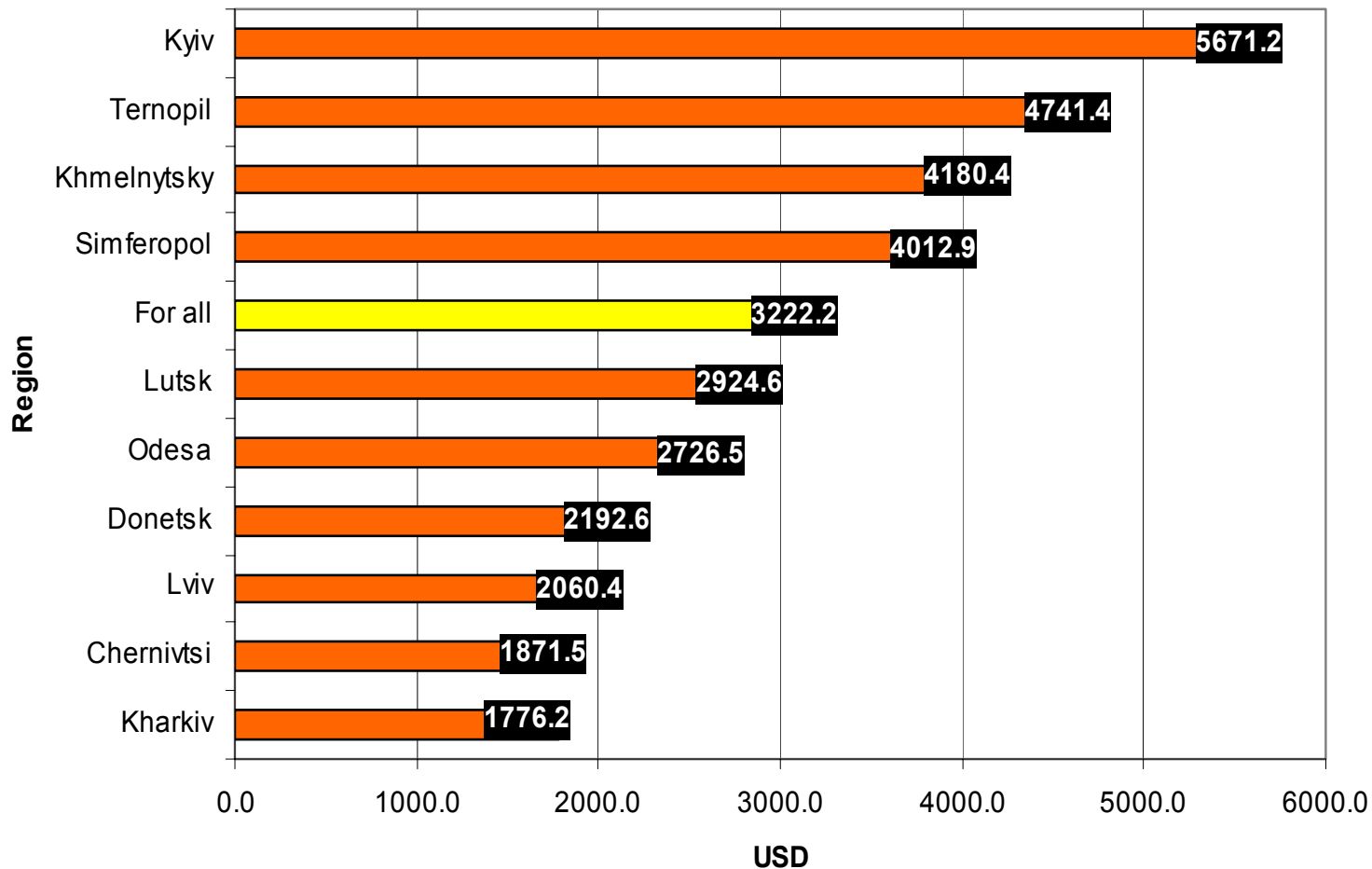


# Cost Of Doing Business





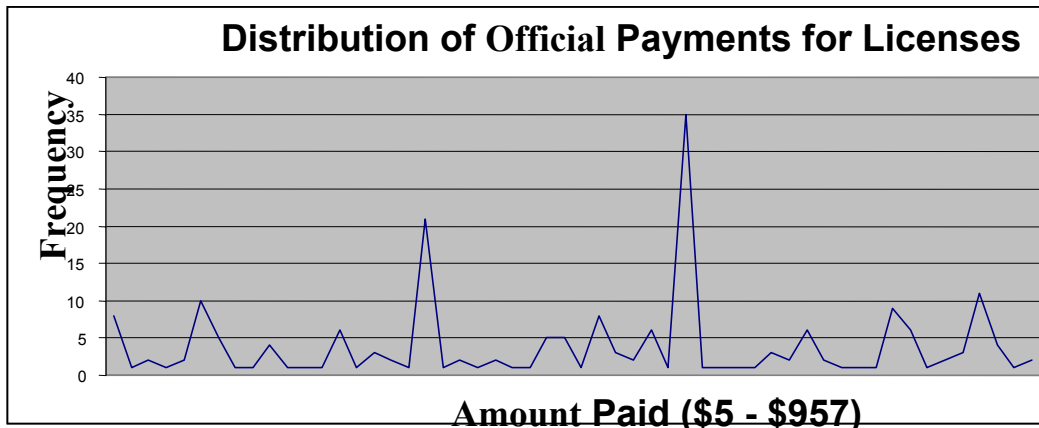
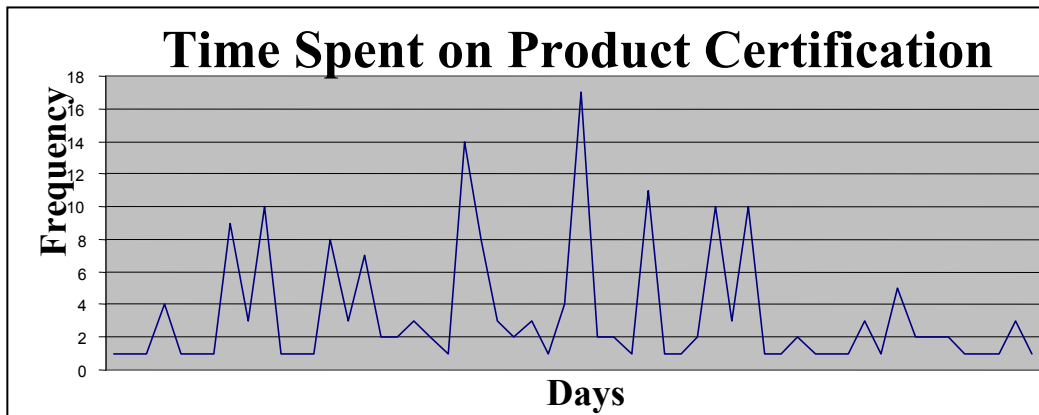
# Annual Cost of State Regulation Per Enterprise





# Eliminating Excessive Behavior

## Monitoring Implementation & Enforcement





# MAEWS

Monitoring, Analysis & Early Warning System

- Monitoring of inspections and licensing
- **Sectors:** manufacturing, trade, agro-processing
- **Character:** simple, repeatable
- Compatible with comprehensive studies such as FIAS and CODB study



## MAEWS – methodology

- 1<sup>st</sup> Focus Group meeting
- Mini-survey (ca. 150 SMEs)
- 2<sup>nd</sup> Focus Group meeting
- Final report with recommendations



## Comparison table

Results of the first Focus Group meetings (Balkan countries)

AREAS	SERBIA AND MONTENEGRO	ALBANIA	MACEDONIA	CROATIA
<b>Most problematic types and methods of regulations</b>	<ol style="list-style-type: none"> <li>1. Receiving construction permits</li> <li>2. Getting land for construction</li> <li>3. Technical regulations</li> </ol>	<ol style="list-style-type: none"> <li>1. Customs procedures</li> <li>2. Technical regulations</li> <li>3. Getting land for construction</li> </ol>	<ol style="list-style-type: none"> <li>1. Receiving construction permits</li> <li>2. Getting land for construction</li> <li>3. Labor regulation</li> </ol>	<ol style="list-style-type: none"> <li>1. Receiving construction permits</li> <li>2. Getting land for construction</li> <li>3. Technical regulations</li> </ol>
<b>Negative aspects of business environment</b>	<ol style="list-style-type: none"> <li>1. Costs are too high and unpredictable</li> <li>2. Use of state in unfair competition</li> <li>3. Selective law enforcement for political reasons</li> </ol>	<ol style="list-style-type: none"> <li>1. Too much time spent on dealing with authorities</li> <li>2. Rules are too complex, overlapping, duplicating and contradictory</li> <li>3. Costs are too high and unpredictable</li> </ol>	<ol style="list-style-type: none"> <li>1. Court can not protect from state unfair practices ;</li> <li>2. Too much time is spent in dealing with authorities;</li> <li>3. Costs are too high and unpredictable</li> </ol>	<ol style="list-style-type: none"> <li>1. Courts can not protect from the state unfair practice</li> <li>2. Too much time is spent in dealing with authorities</li> <li>3. Rules and regulations change too quickly</li> </ol>
<b>Most corrupted state and municipal agencies</b>	<i>Market inspection, certification and standardization agencies</i>	Customs, Police, Tax Administration, and Municipalities	<ol style="list-style-type: none"> <li>1. Court can not protect from state unfair practices ;</li> <li>2. Too much time is spent in dealing with authorities;</li> <li>3. Costs are too high and unpredictable</li> </ol>	Overall perception that corruption is low, but if exists, than it could be in city administration, line ministry and certification and standardization agencies.
<b>Jump in the state attentions</b>	No jump	Turnover \$60K, reaching this threshold companies start paying taxes	Authorities are closely watching small entrepreneurs, and at one point they become interesting for inspectors based on level of turnover estimated on personal preference of each inspector	Generally yes- not directly related to turnover volume, but rather at back-payment request for prepaid VAT in above \$10K.
<b>Major problem</b>	Imperfect regulations	Shadow economy due to the high cost to operate legally	Based on level of turnover estimated on personal preference of each inspector	Low legal protection (courts), complex and inconsistent regulations.



## Comparison table

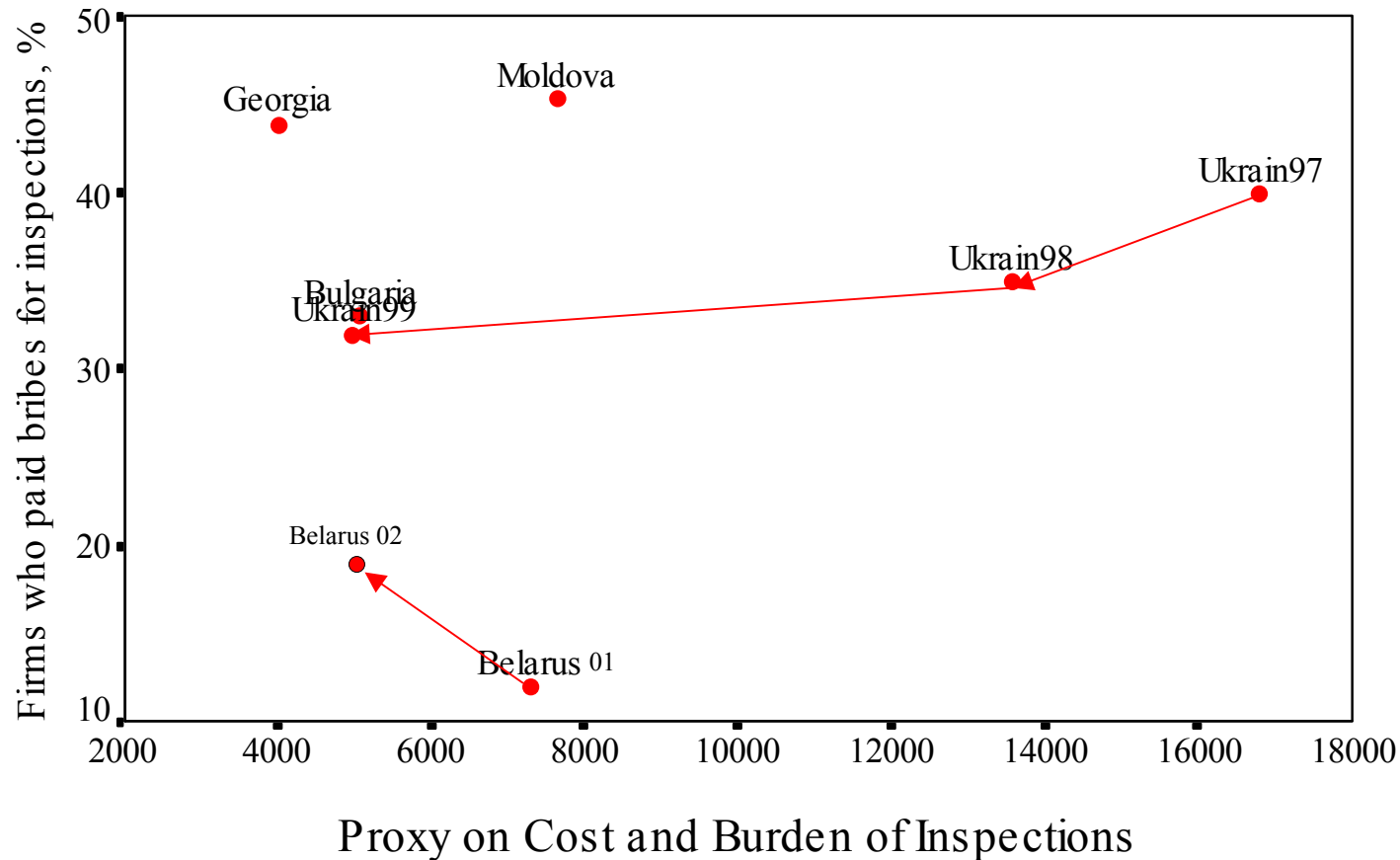
Results of the first Focus Group meetings (FSU countries)

AREAS	MOLDOVA	UKRAINE	BELARUS	GEORGIA
<b>Most problematic types and methods of regulations</b>	<ol style="list-style-type: none"> <li>1. Customs procedures for export operations</li> <li>2. Technical regulations</li> <li>3. Receiving construction permits</li> </ol>	<ol style="list-style-type: none"> <li>1. Unplanned tax inspections and inspections of other controlling agencies</li> <li>2. Tax accountancy rules</li> <li>3. Reporting forms and requirements</li> </ol>	<ol style="list-style-type: none"> <li>1. Unplanned tax inspections and inspections of other controlling agencies</li> <li>2. Business licensing</li> <li>3. Technical regulations</li> </ol>	<ol style="list-style-type: none"> <li>1. Inspections of other (not tax) controlling agencies</li> <li>2. Receiving construction permits</li> <li>3. Tax accountancy rules</li> </ol>
<b>Negative aspects of business environment</b>	<ol style="list-style-type: none"> <li>1. Courts cannot protect from the state unfair competition</li> <li>2. Use of state or municipal power in unfair competition</li> <li>3. Selective law enforcement for political reasons</li> </ol>	<ol style="list-style-type: none"> <li>1. Use of state or municipal power in unfair competition</li> <li>2. Selective law enforcement for political reasons</li> <li>3. Courts cannot protect from the state unfair competition</li> <li>4. Costs are too high and unpredictable</li> </ol>	<ol style="list-style-type: none"> <li>1. Selective law enforcement for political reasons</li> <li>2. Courts cannot protect from the state unfair competition</li> <li>3. Rules and regulations are changed too frequently</li> <li>4. Too much time spent in dealings with authorities</li> </ol>	<ol style="list-style-type: none"> <li>1. Necessity to pay informally everywhere</li> <li>2. Requirements are unpredictable and depend on officials</li> <li>3. Selective law enforcement for economic reasons</li> </ol>
<b>Most corrupted state and municipal agencies</b>	Police, Municipalities, Line Ministries	Tax administration, Sanitary inspections, Labor protection agency	All levels of municipalities, Tax Administration, Line Ministries, State Control Committee	Police, Customs, KGB
<b>Jump in the state attentions</b>	Turnover \$200K, steady increase for the state-captured sectors: oil, gas, alcohol, tobacco	Turnover \$500K, sharper rise for the state-captured sectors: oil, gas, alcohol, communications, scrap metal	Only for private companies, Turnover \$100K, dramatic increase of turnover, survival for more than 3 years, availability of cash at the bank account	Not on turnover, visibility of business
<b>Major problem</b>	Export control	State capture	Preferential treatment for SOEs	Corruption



## Inspections

Data used from previous studies





## MAEWS - objectives

- **Objective:** quick assessment of business environment
- **Output:** targeted recommendation for better regulatory framework
- **Outcome:** active role of State agencies in private sector development
- **Ultimate goal:** ↗ business environment and investment climate



## Licensing

Data used from previous studies

