
Improving Business Regulations in South East Europe

Monitoring and Evaluating better business
regulations: Croatian approach



OECD: Second Working Group meeting

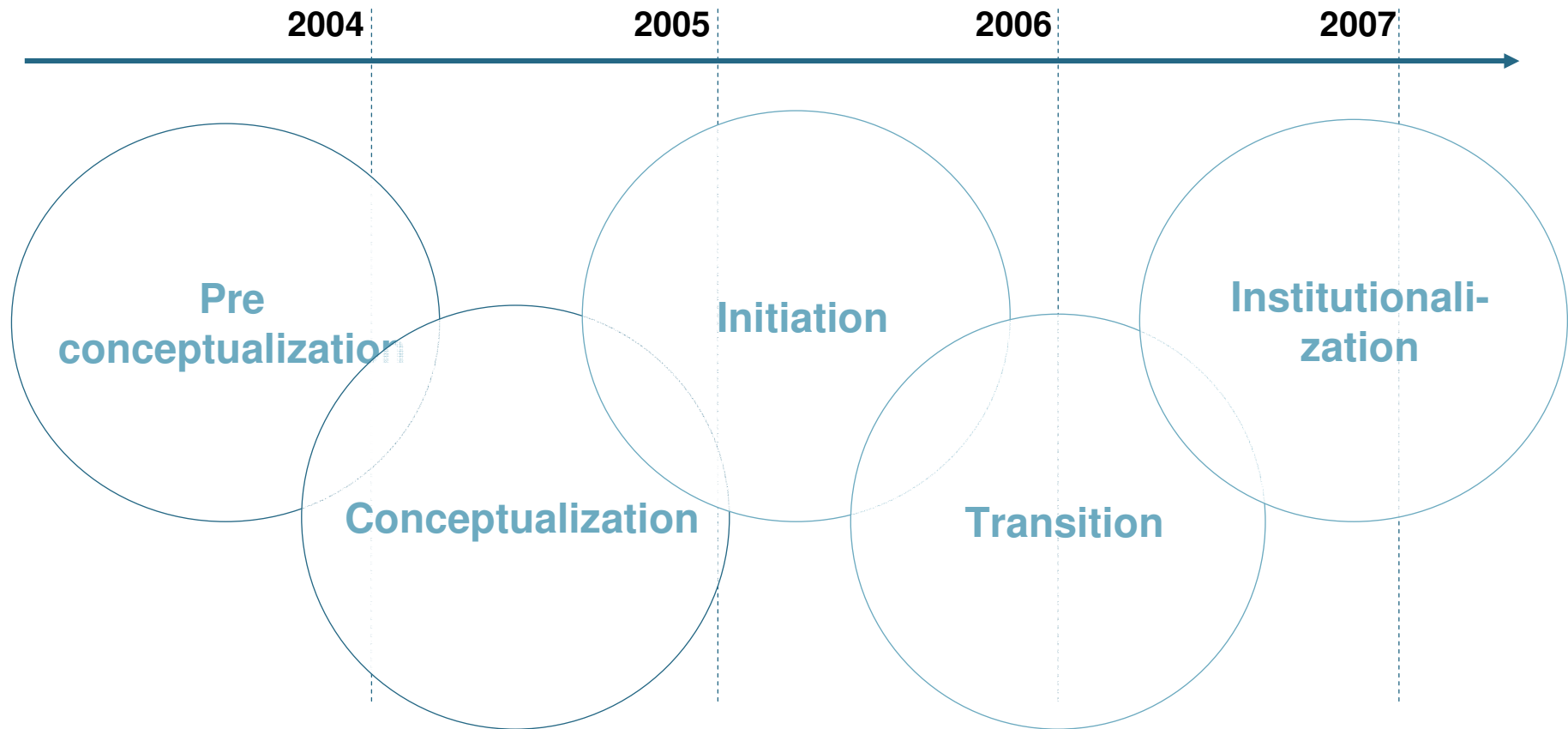
Vedran Antoljak, Sense Consulting, Managing Partner
Vienna, Austria, 2-3 April 2008

Content

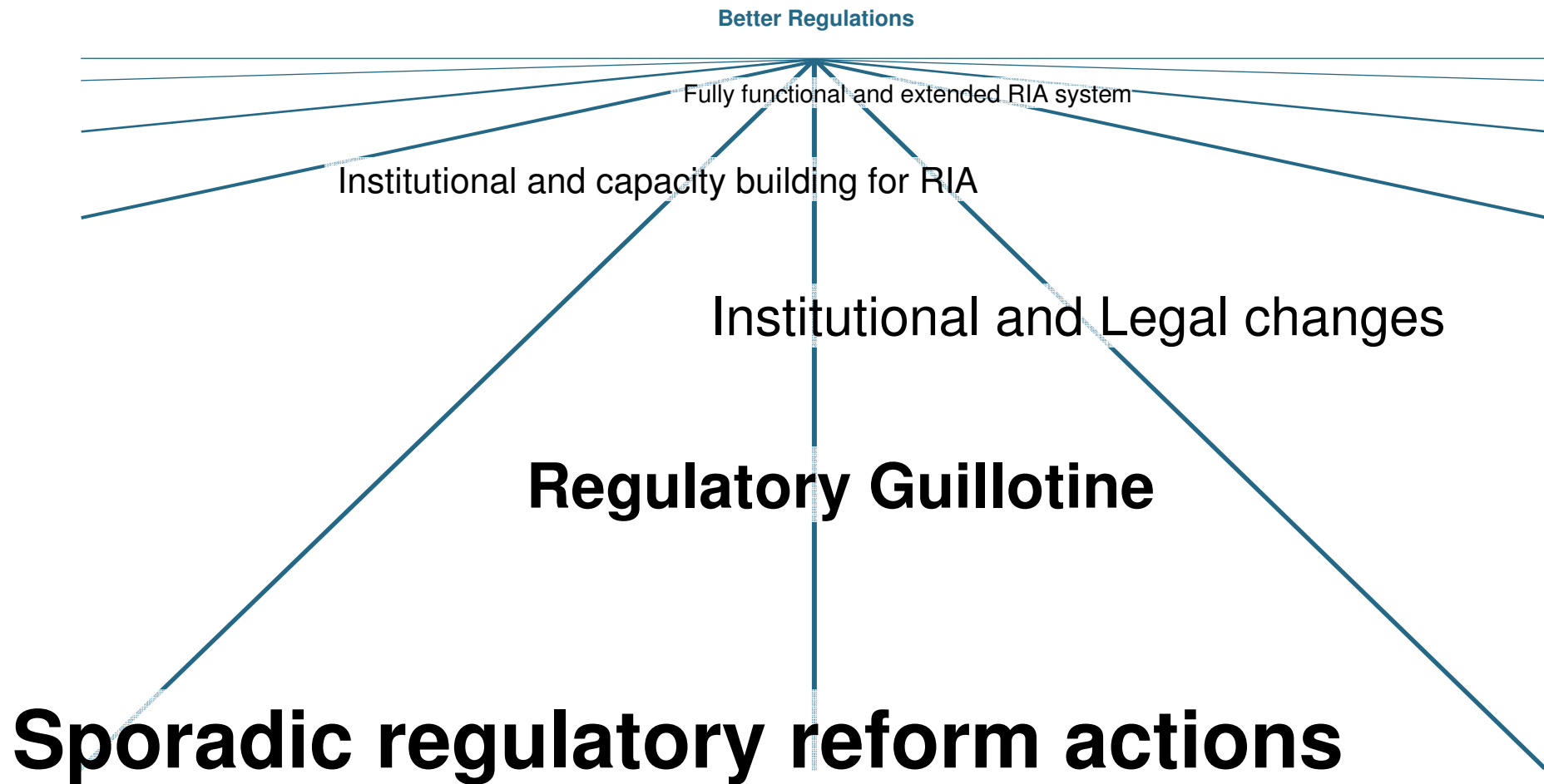
- A. Approach to Regulatory Reform**
- B. Implementation's monitoring system**
- C. Impact evaluation concept**

A. Approach to Regulatory Reform

Creating the context for reform takes time



Harvard Kennedy School concept of regulatory reform



Mid term (1-2 years)

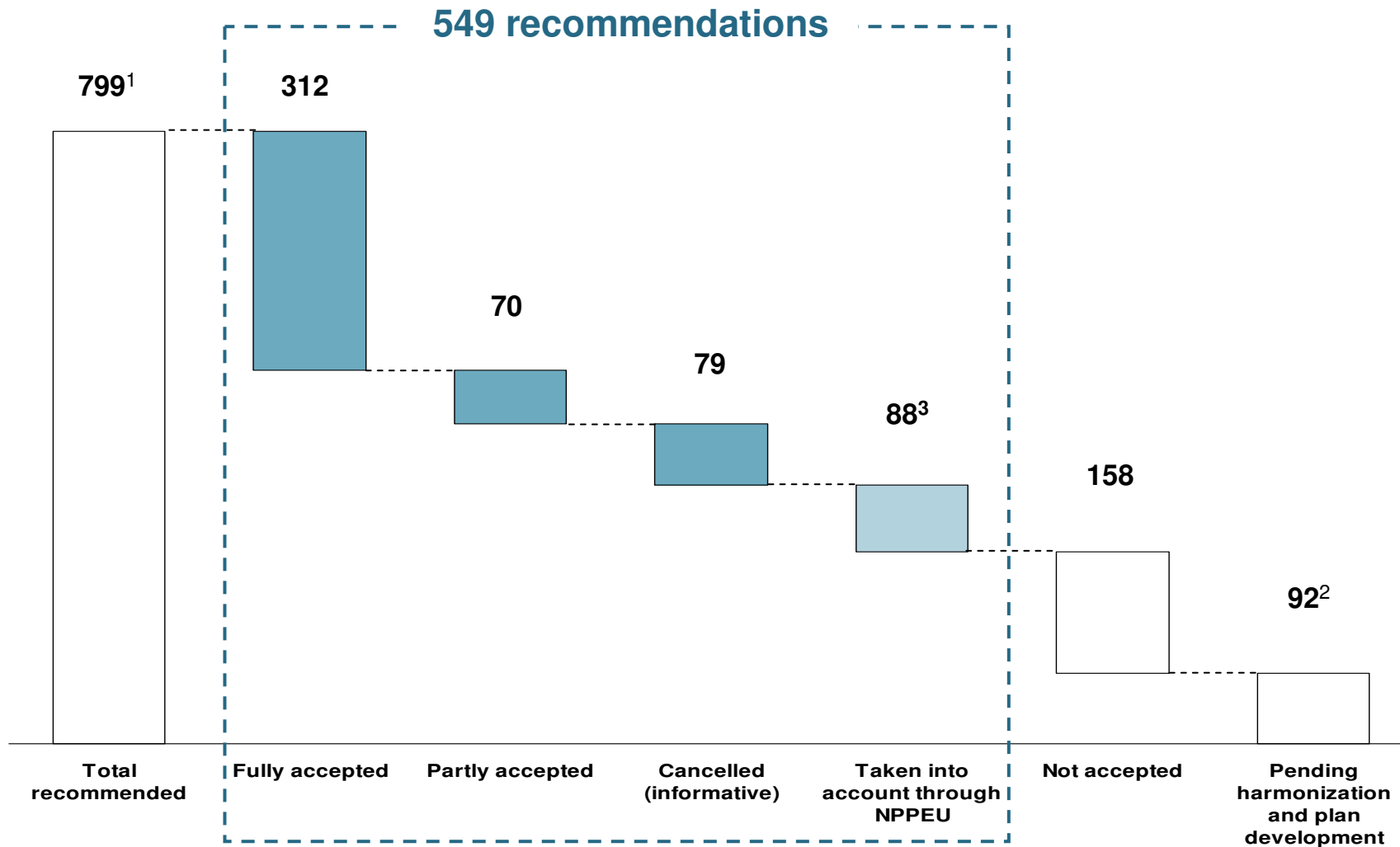
- Regulatory review (HITROREZ) on:
 - Sub-national level
 - Citizen regulations
- Capacity building within State administration and private sector
- Promoting and disseminating information
- Implementing e-RIA system
- Preparation for RIA Law
- Monitoring and Evaluating intermediate results

Long term (2-3 years)

- Inclusion of Parliament in an comprehensive and integrated RIA system
- Extend scope of RIA to by-laws and other ministerial level regulations
- Extend RIA to sub-national level
- Integrate multiple RIA reports into one comprehensive RIA report

B. Implementation's monitoring system

Adopted recommendations to be implemented



1) 791 + 8 additional regulations for which have been discussed and agreed with ministries and agencies

2) Regulations for which the authority has to be confirmed and implementation plan developed

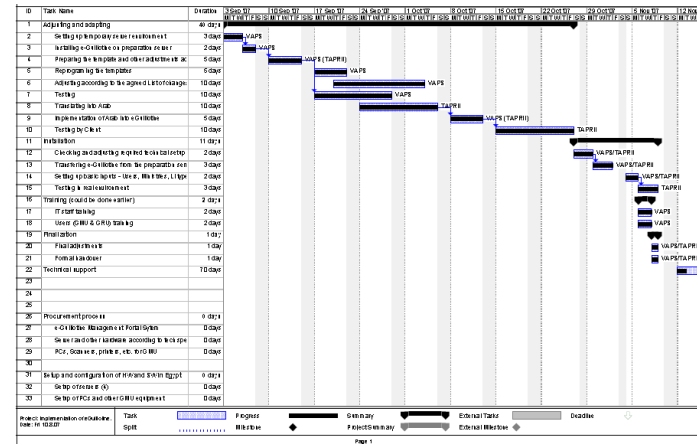
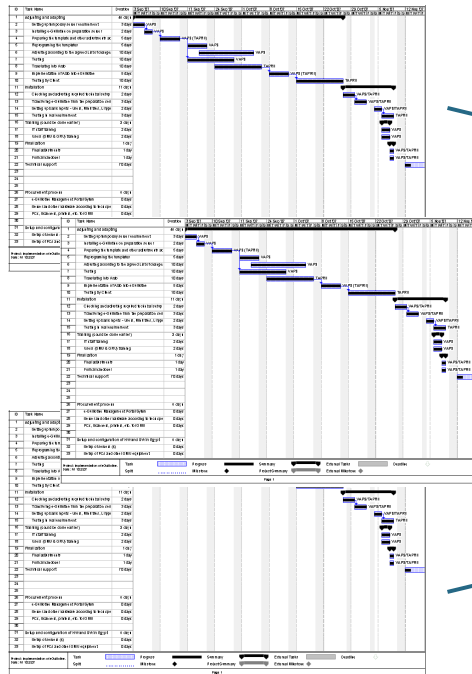
3) 21 regulation will be implemented according to NPPEU plan by February 2008, and remaining 67 regulations in NPPEU 08-09

Master plan for monitoring of regulatory reform implementation



Individual implementation plans

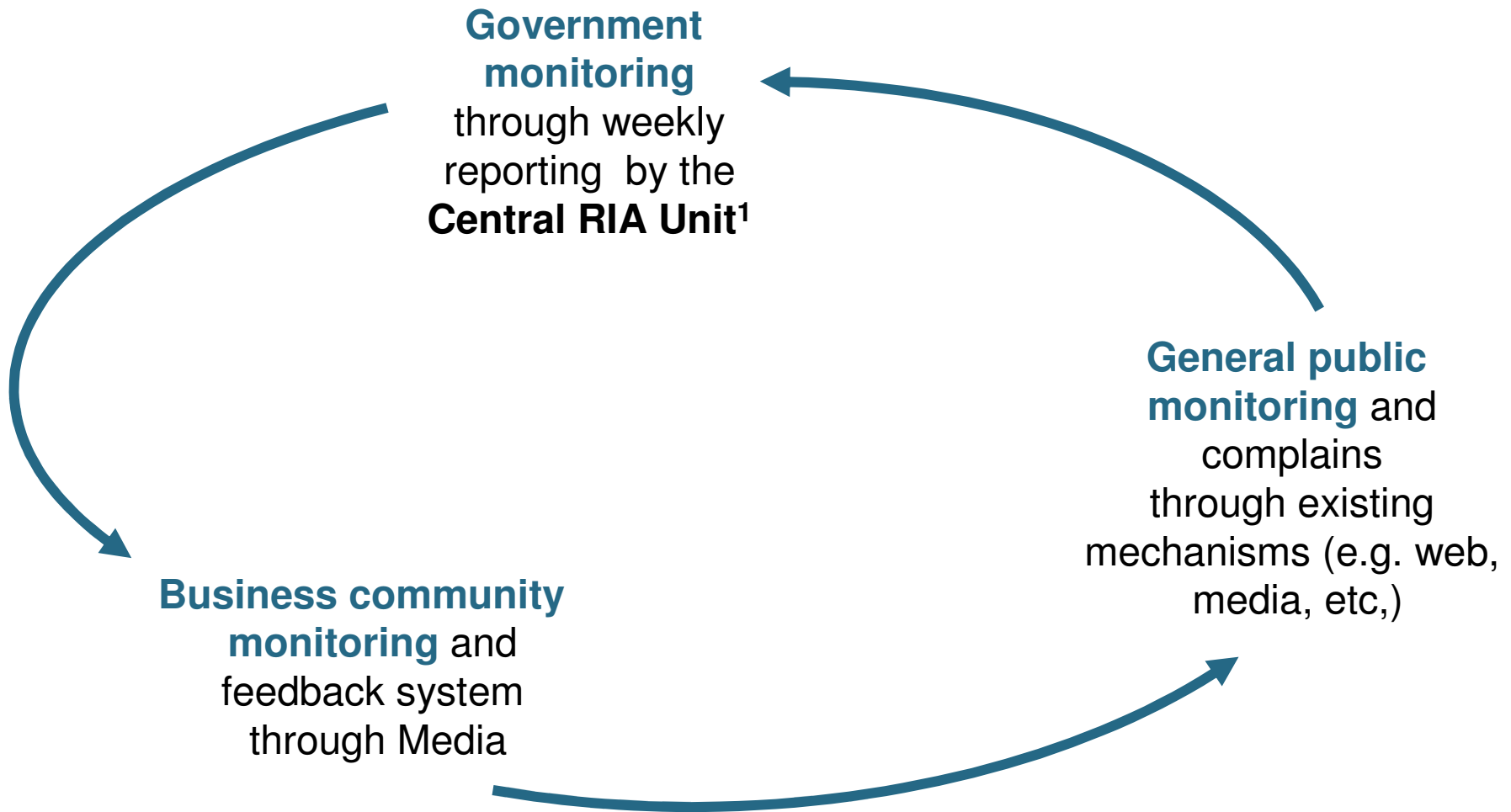
Implementation Master plan



All 39 plans provided in time

Master plan published on the web

Levers of monitoring the dynamics and changes



C. Impact evaluation system

Quantative impact (Financial)

- Comparing the cost of compliance to administrative requirements including:
 - Information collection
 - Information processing
 - Reporting
 - Visits and meetings
 - External controls
 - Etc.

- Standars Cost Model
- Cost-benefit, cost effectiveness, etc.

**BETTER
REGULA
TIONS**

Qualitative impact (Systematic)

- Change in Regulatory dynamics perception
- Growth of Consultation efficiency and frequency
- Inclusion growth rate
- etc.

- Market surveys
- Local and international reports e.g. DB, WEF, etc.

Master plan for monitoring of regulatory reform implementation



Working Groups identified priorities: Regulations that present highest burden for doing business in Croatia i.e. whos change will make highest impact

PREPORUKA

Naziv propisa: **NAREDBA O ODREĐIVANJU DANA KOJI SE SMATRA DANOM IZVOZA ODNOSNO UVOZA USLUGE**

Objava: 47/97
Nadležno tijelo: MINGORP
Identifikacijski broj: 2767-MINGORP

Preporuka: ukinuti

Obrazloženje:
U Zakonu o trgovini predloženo je brisanje odredbe kojom se daje ovlast na propisivanje dana izvoza odnosno uvoza usluga, a za taj prostor uređuje djelatnost trgovine koja je definirana kao kupnja i prodaja robe, pa se ne može smatrati pružanje usluga, osim usluga u trgovini (posredovanje). Pojedina pitanja vezana uz usluge mogu se rješiti drugim, primjerice poreznim odnosno carinskim propisima. Iz tog razloga predloženo je u Naredbu ukinuti.

Prijedlog:
Predlaže se Naredbu staviti van snage.

SCM calculation

PREPORUKA

Naziv propisa: **UREDBA O POSEBNIM UVJETIMA ZA OBAVLJANJE TRGOVINE NA MALO U ODREĐENIM VRSTAMA PRODAVAONICA**

Objava: 105/01
Nadležno tijelo: MINGORP
Identifikacijski broj: 2749-MINGORP

Preporuka: pojednostaviti

Obrazloženje:
Uz članke 3., 4. i 5. Smatramo da je nepotrebno dobivanje posebne suglasnosti nadležnog ministarstva o ispunjavanju uvjeta za obavljanje trgovine na malo u ovoj vrsti prodavaonica, te stoga predlažemo brisanje članka 3., 4. i 5. . Naime, svaka od navedenih prodavaonica mora ispunjavati propisane uvjete sukladno pravilniku kojim se propisuju minimalno tehnički uvjeti za sve vrste prodavaonica u kojima se obavlja trgovina na malo sukladno odredbi članka 2. ovoga Pravilnika kojim se propisuju posebni uvjeti za ispunjavanje. U nadležnosti je inspeksijskih službi da nadziru da li su uvjeti ispunjeni. Stoga, u svakom slučaju, kakve potrebe za propisivanje još jednog administrativnog postupka za izdavanje suglasnosti kojom će se samo potvrditi ispunjavanje uvjeta.

Prijedlog:
Članak 3. se briše.
Članak 4. se briše.
Članak 5. se briše.

SCM calculation

PREPORUKA

Naziv propisa: **PRAVILNIK O NAGRADAMA I NAKNADI TROŠKOVA JAVNIH BILJEŽNIKA U OVRŠNOM POSTUPKU**

Objava: 151/05
Nadležno tijelo: MP
Identifikacijski broj: 810-MP

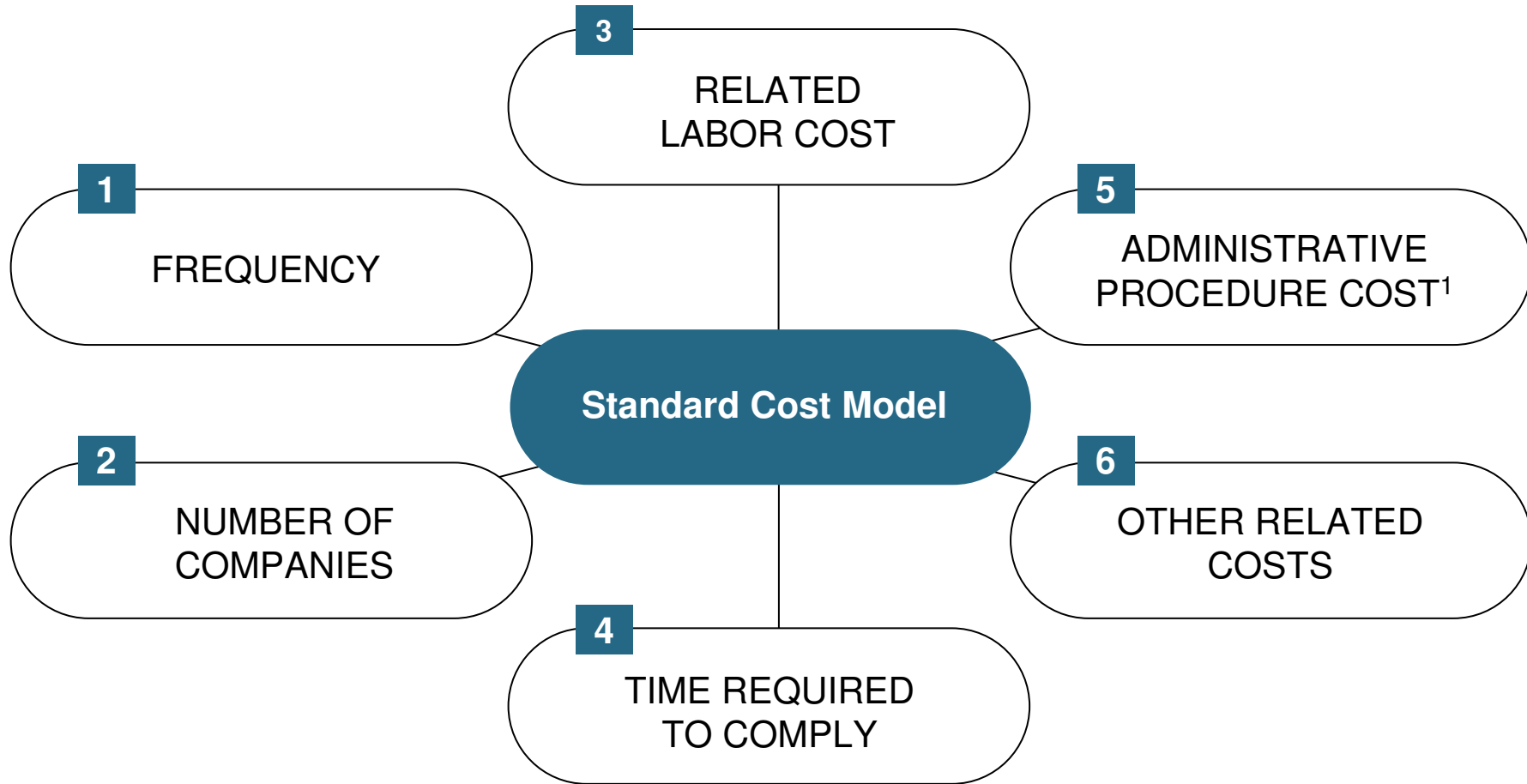
Preporuka: pojednostaviti

Obrazloženje:
Predlaže se brisati odredba članka 5. Pravilnika prema kojoj ovhovođitelj nije ovlašten tražiti od javnog bilježnika postupanje po njegovom prijedlogu sudok ne podmiri javnobilježničku nagradu i troškove, iz razloga što ovhovođitelj unaprijed plaća nagradu i naknadu prije no što mu je izvršena javnobilježnička radnja koju je zatražio.

Prijedlog:
U Pravilniku o nagradama i naknadi javnih bilježnika u ovršnom postupku (NN 151/05) briše se članak 5.

SCM calculation

Components used for SCM calculation: Croatian approach



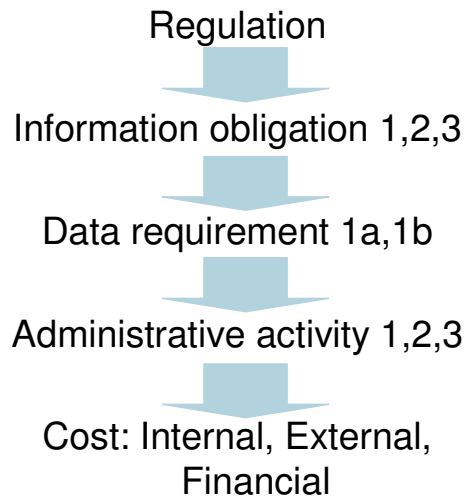
Not included in SCM calculation: Opportunity cost and Overhead cost

Steps for application of SCM in Croatia



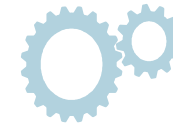
Identify relevant information

- Break down regulation into manageable components that can be measured



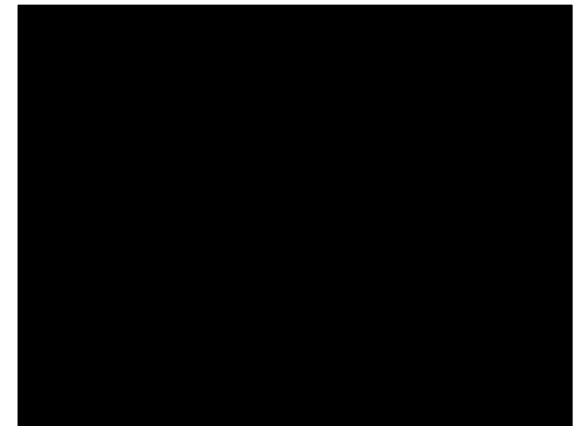
Determination and collection

- Measuring the administrative activities and data collection
- Source of information:
 - Interviews
 - Data collection
 - Departmental information
 - Yellow pages
 - Expert panels
 - Industry associations
 - Business registers
 - Government departments



Data analysis and calculation

- Calculating administrative cost and savings



Example of application of SCM – Croatian case



$$\begin{aligned}\text{Administrative cost} &= \text{cost} * \text{volume} \\ &= (\text{salary} * \text{time}^1) * (\text{population} * \text{frequency})\end{aligned}$$

EXAMPLE

- 1** The **3 hours** time of an employee of a company is needed to comply with required administrative procedure e.g. *to submit a mandatory report to an authority*. The salary of the employee is estimated to be \$10/hour. Hence, the cost is **\$30** (3*\$10).
- 2** The **100.000 companies** have to comply with this administrative procedure and is required **3 times a year**. Hence, the volume is **300.000** (3 times/year*100.000 companies). Therefore, before the Regulatory Guillotine the administrative cost of this administrative procedure was **\$9.000.000** (\$30*300.000)
- 3** For example, if Regulatory Guillotine recommend reduction in frequency from 3 to 2 times a year, administrative cost after the implementation of Regulatory Guillotine recommendations will be **\$6.000.000** (\$30*(2 times/year*100.000))

Therefore, when recommendation is implemented, business sector i.e. economy will save \$3 million annually (\$9.000.000-\$6.000.000)

Book of rules for mandatory fire-distinguisher in vehicles



EXAMPLE

| | Fre- quency | Number of com. | Labor cost | Time to comply | Admin proced. | Other cost | Total cost |
|---------------|----------------|-------------------|---------------|-------------------|------------------|---------------|---------------|
| Vans | 1 | 10,551 | 45 | 1 | 0 | 178 | 2,352,873 |
| Trucks | 1 | 159,147 | 45 | 1 | 0 | 200 | 38,991,015 |
| Cars | 1 | 135,626 | 45 | 1 | 0 | 136 | 24,548,306 |
| Buses | 1 | 4,914 | 45 | 1 | 0 | 200 | 1,203,930 |

SCM calculation: HRK 67,096,124

Savings to entrepreneurs i.e. economy through decrease of current time spent on the necessary administrative procedures (excluding direct impact to the State budget)

Administrative savings ~ EUR 200 million annually

Total project cost is around 0.5% of assumed administrative cost savings to economy i.e. break-even is reached with implementation of 10 averaged recommendations¹.

INSTITUTIONAL SETUP:

- Central government office for Regulatory Reform (RIA Office)
- Units (or person) at Regulatory bodies

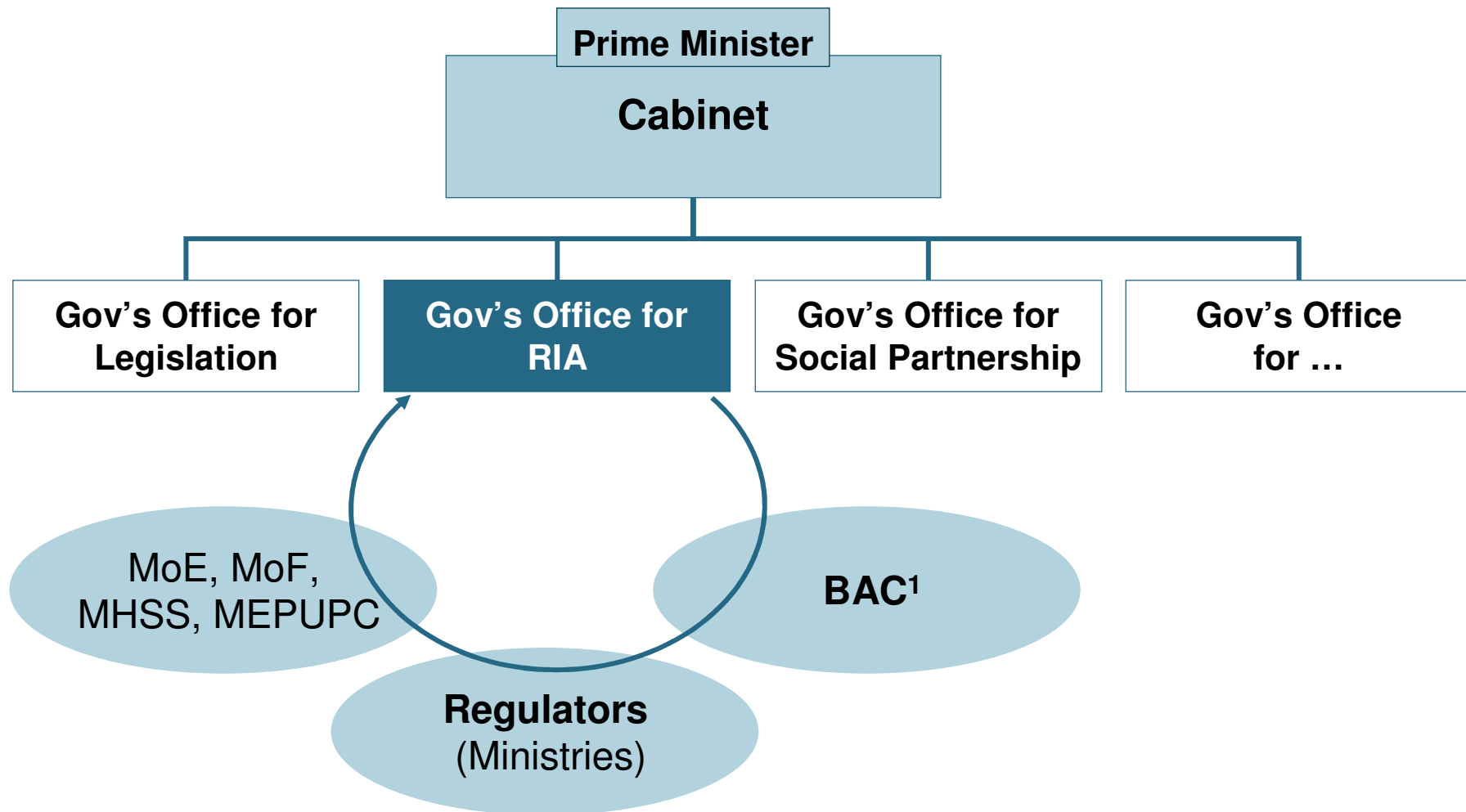
LEGAL FRAMEWORK:

- Government's Rules of Procedures
- General RIA Guidelines and process layout
- Standard RIA “templates” and manuals

CONSULTATION AND PROCESSING:

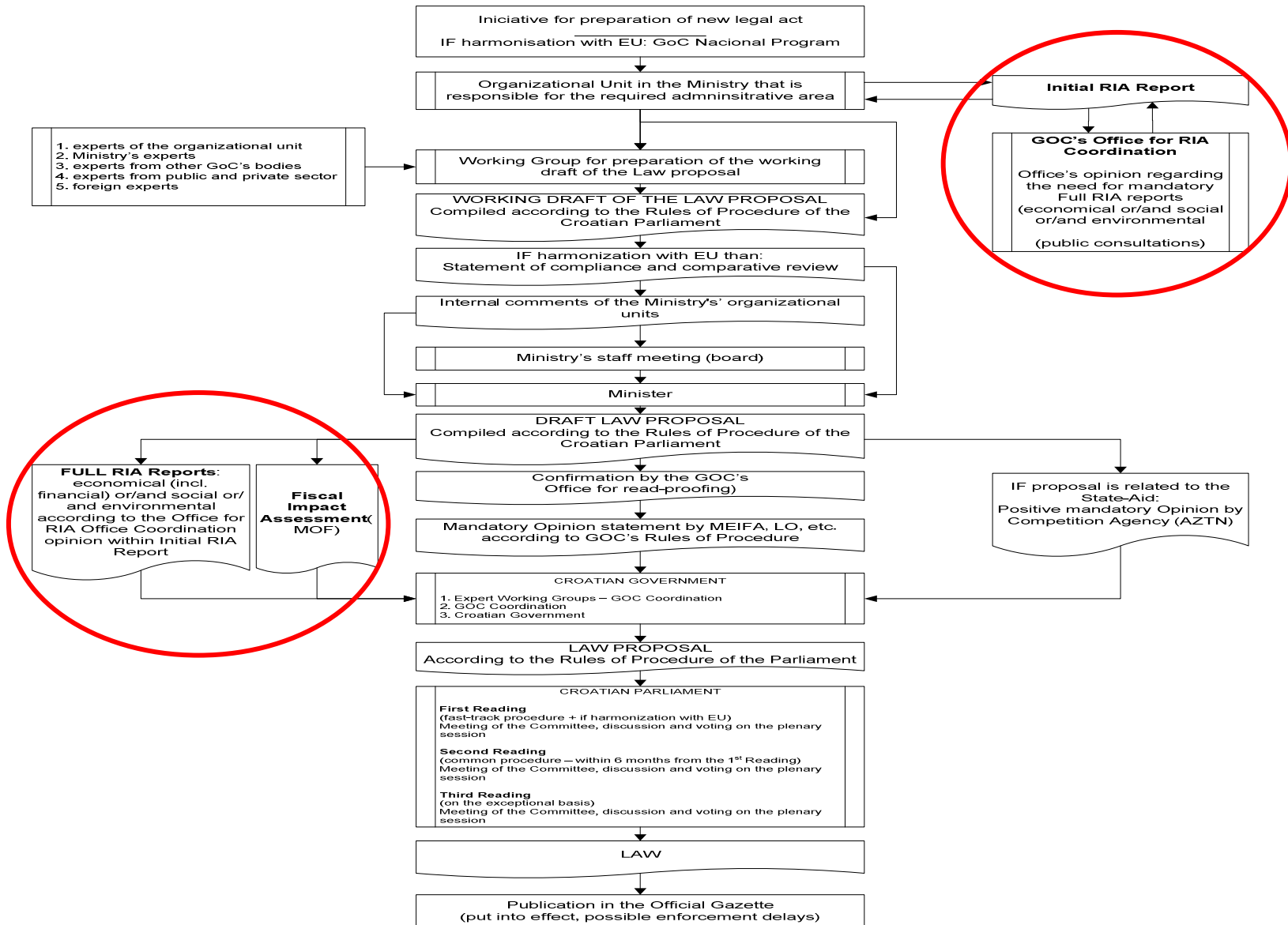
- Public/Private consultation framework (clear timeline, responsibilities...)
- Quality and processing control mechanism

Central RIA Office coordinates regulatory system in Croatia



1) Business Advisory Council

RIA as the part of standard law making procedure





- Less frequent **change of the same regulations**
- Increased level of **consultations between public-private sector** as **number of feedback** from general public and business community:
 - RIA pre-reporting over web (before regulation is drafted)
 - Draft regulations
- **Standardization** of regulatory system
- Improved **transparency** and reduced **corruption**
- Increased cross-government **cooperation**

Domestic feedback:

- Entrepreneurs: “...**cost decreased** and **procedures simplified**...”
- New Government top priority: **Continuation of regulatory reform**
- Academia: Continue reform on **citizen regulations**
- Counties want regulatory **reform on sub-national level**
- Media: “...**most important project in the last years**...”

International feedback:

- WEF 2007 competitiveness report: **29 ranking improvement**
- Doing Business 2008 top-reformers ranking: **2nd place**
- EBRD: “**Most important reform project** of the previous Government”
- Multilateral donors: **supporting Government-led** regulatory reform

Contact

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