

# SUCCESSFULLY IMPLEMENTED REFORMS IN THE WESTERN BALKANS 6

PROJECT: ESTABLISHING BUSINESS FRIENDLY ENVIRONMENT PLATFORM IN WB6

AUGUST, 2023.





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## Introduction

“Establishing Business Friendly Environment Platform (BFE) in Western Balkans 6” is a long-standing project, with an overall objective of establishing an effective mechanism for regional cooperation and exchange of knowledge on the implementation of reform processes for economic growth at both the national and local levels. Within the third component of the project, the exchange of best practices in conducting policy reforms is being prioritised, and for that notion an initiative has been launched in April 2023 with an overarching objective to identifying best case policy reforms that could be replicated from one participating economy to another, thus improving the business environment in the Western Balkans.

NALED, as a Regional Technical Secretariat, has been streamlining this initiative, and has, for those purposes, developed the Concept for identifying, analysing, and reporting on best practice policy reforms in WB 6 economies, setting up the methodological principles on which the research on best policy reforms’ practices will be based, hence on how the identification of the policy reforms will be performed in the participating economies, and what are the standards for the output documents to be used in the process of the reform selection.

In the first phase of the project, CORE Partnership network of technical secretariats of the participating economies (Albania, Bosnia and Herzegovina, Montenegro, Kosovo\*<sup>1</sup>, North Macedonia and Serbia) had performed an identification of the best practice policy reforms that were implemented in their respective economy, resulting in a list of 10 – 20 policy reforms for which the document analysis and small-scale consultation efforts had shown that have had a significant impact on business enabling processes in their economies. Following the identification of best case reforms, during the analysis phase, performed as per the methodological guidelines and with use of multi-criteria analysis, for each economy the initial list of best case reforms was reduced to 3-5 policy reforms for which it has been concluded that have had the biggest impacts on the business environment, on one hand, and that have the biggest potential for replication in other participating economies, on the other hand.

As per the Concept, the best case reforms are presented in the form of a Reform Brochures. For each analysed reform, a Reform Brochure provides an overview of the reform’s characteristics, highlighting the problem that led to the design and implementation of the said reform, main policy measures that were implemented, and what were the major markers of success that had been identified as positive impacts. For presentational purposes, the Reform Brochures also provide an overview of “before and after” scenarios, comparing the status quo (before the reform was conducted) and the ex-post phase when results of the reform were already identified. For purposes of providing guidance on specific activities and tasks that were performed during the

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<sup>1</sup> "This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence"

implementation of the reforms, brochures also provide policy steps section, a chronological step-by-step overview on legislative, operational, and other measures that were performed throughout the process.

For each participating economy, 2-5 Reform Brochures were prepared, depending on the findings in the analysis phase, while for Serbia a total of 13 brochures were prepared as it was concluded that there is a significant pool of best-practice policy reforms that have a large potential to be replicated in other economies.

The next step in the exchange of knowledge (starting from November 2023) is to perform a consultation process in which the reform brochures would be analysed from the perspective of each participating economy, resulting in identification of a pool of policy reforms that should be considered for replication in respective economies. This process will be carried out in a two-fold fashion. First, the policy experts will support technical secretariats from each participating economy will be engaged in a workshop in which a complete pool of reforms will be presented and analysed from the perspective of their potential for the replication in a specific economy. This process will result in a shorter list of policy reforms for each economy, for which further consultations should be organised in a form a round table. Preferably 5-10 reforms will be selected for consultations, but depending on the individual assessment, the number of reforms can be smaller.

Round tables will be organised, in all participating economies separately, with the representatives of businesses and public decision-making bodies responsible for the selected reforms (ministries and other public agencies), while findings from the previous processes would be presented, inviting open discussion that should validate the potential for a specific reform to be further advocated for replication. All participants would also be invited to provide follow-up comments and initiate additional recommendations. Technical secretariats will be responsible to organise such consultations, and upon analysing all inputs produce a final list of reforms for which the advocacy will be performed in their respective economies (within 5 working days from the round table).

In the final phases of the project, the technical secretariats will advocate the replication of the selected reforms, with the support of the local policy experts that will be tasked with producing a reform “blueprint” for each reform to be advocated. The blueprint is the “the guideline” to implementing reform in all of its aspects, including the legal provisions of establishing new rules. The methodological guidelines for developing “blueprints” would be made available by the key legal expert in the early stages of their development (engaged by the Regional Technical Secretariat). The local policy experts will also be tasked to design an introductory letter to be sent to the dedicated public decision-making body.

	<b>Economy/Technical Secretariat</b>	<b>Brochures</b>
1	Albania/Association for local autonomy ALAA	
		Digitalization of Administrative Services for Businesses
2		Tax registration and administration services
	BiH, Federation of BiH/ Regional Development Agency REDAH	
3		Development planning reform
4		Easy Access to Finance Reform in Federation of BiH
5		Energy sector reform in the Federation BiH
6		Reform of crafts and related activities in the Federation of BiH
	BiH, Republika Srpska/Chamber of Commerce of Republika Srpska PKRS	
7		Increasing the liquidity of the economy
8		Establishing a unified and up-to-date register of administrative procedures
9		Establishing a system of transparency and protection of taxpayers
10		Optimization of administrative procedures
	Kosovo*/ Research Institute Riinvest	
11		Improving Access to Finance through Financial Intermediation
12		Exempting manufacturing/production firms from taxes to boost competitiveness
13		Reforms of the Taxing System
14		Reducing administrative burden and improved clearance to increase exports
15		Increasing the number of women entrepreneurs and employment through grants and subsidies
	Montenegro/Chamber of Economy of Montenegro PKCG	
16		Online payment of administrative and similar other fees
17		Establishment of the Levy Register
18		Development of women entrepreneurship through an innovative approach to financing
	North Macedonia/ZELS	
19		One-stop shop for provision building permits, e-services for construction land and e - assets



20		Improving the access to funds for R&D and Innovation
21		Trade facilitation - Simplifying custom procedures reform
22		One-Stop-Shop for registering business
	<b>Serbia/NALED</b>	
23		Taxation of Freelancers
24		eFiscalization and eInvoice
25		Introduction of information system eAgrar
26		The procedure for registration in the Cadastre of Real Estate and Utilities
27		The procedure of obtaining a construction permit
28		Inspection supervision
29		Development of Electronic Administration
30		Taxation of flat-rate entrepreneurs who pay taxes and contributions
31		Recording years of service
32		The system of public policy management and consultations with stakeholder
33		Establishment of economic records for administrative procedures
34		Human resource management in local government units
35		Engaging seasonal workers



## Albania

### Brochure 1: Digitalization of Administrative Services for Businesses

#### Reform narrative

Albania is accelerating the digitalization of its public services, provided to the citizens and the businesses in order to increase the efficiency of the provisions of services for citizens and businesses. In addition, this contributes to the fight against corruption and trust building to public institutions. The Government undertook regulatory and legal changes to enable access, quality and interoperability of the platforms that were offering services to public, citizens and businesses. Currently, the applications for 95 percent of all central government public services are online with high corresponding levels of automation. The portal currently provides access for around 2.8 million registered users (individuals and businesses) to 1,227 digital services. E-services are delivered using paperless (electronic) documents and with digital signature. With the approval of the rules on the operation of the single contact point, 53 public institutions are connected through interoperability platform. The businesses and citizens have access to 474 online applications, including building construction permitting, client services, and payment of taxes. The tax administration offers 31 services online through the e-Albania portal, of which 14 services allow taxpayers to pay all types of taxes online.

#### Before and After Reform

The current usage rates of e-Albania services are increasing. During the COVID-19 pandemic, the platform registered a 35% activity increase, a trend that was boosted and it resulted in a 100% increase in 2020. The significant increase in the electronic services provided by Albanian public institutions in recent years have saved Albanian citizens 766 years of queuing and about Euro 6.5 million. Thanks to the digital transformation, Albania has also saved 160 million A4 sheets, 800 tons of paper, 16 thousand trees, 68 million liters of water and 5500 MWh of electricity, positively affecting the environment.

In accordance with the review of practices that existed before the changes, the following elements are defined before and after the reform (in Table).

**Table: Overview of the procedures**

<b>Before</b>	<b>After</b>
Each service was accessed individually with long queue and processing time.	The exchange of data among platforms facilitated re-engineered services aiming at the reduction of procedural steps and digitalizing of internal procedures.
Complicated and bureaucratic procedures	Administrative procedures are improved in terms of quality, time and efficiency for businesses.
Lots of papers were needed to process even simple request for services. The face to face interaction with desk clerks was often time incentivizing bribery for a quick service delivery to clients	The large-scale increase in e-services provided has significantly reduced bureaucracy and laid the groundwork for changing the culture of communication between service providers on the one hand and citizens and businesses on the other.
Costly services	In total, in terms of time and money, throughout the pandemic, e-Albania saved all users, both individual and business companies, an estimated 293 years and Euro 1.36 million

### **Reform steps**

The following reform steps were taken in the frame of digitalization of administrative services:

Legal change improvements:

In late 2019, digital transformation moved towards “online only” (or “digital-by-default”) service applications. The Prime Minister’s (PM) Order No. 158 of November 25, 2019, mandated that, as of January 1, 2020, applications to all services had to be done online via E-Albania. With Law 43/2023 on e-governance, legal basis is set up for functioning of digital services. Other online services facilitate investment like the introduction of e-registration and electronic notification of balance sheets and financial reporting.

The establishment of new infrastructure – government portal based on interoperability of the systems.

Training of staff – public administration awareness and preparation.

Information campaign and public events – info campaign, public consultation.



## Albania

### Brochure 2: Tax registration and administration services

#### Reform narrative

The physical submission of tax forms and requests to the tax information office, resulted in lengthy processes and was time consuming. In some cases, from the face-to-face interactions with tax authorities, a number of cases of bribery and corruption practices were reported.

Since 2015, the tax administration has gone through a transformation of its IT structure, starting with the application of the new C@TS system that revolutionized taxpayer registration. The taxpayers now can access the system online and modify and correct tax declarations, submit tax related documents electronically and file online all tax returns, including the annual financial statements. Legal basis has improved making adaptations to the process that concern tax base, tax registration and management, tax submission and retrieval of tax payment. The digital platforms of the institutions have been successfully absorbed by the e-Albania. No differentiation is made with regards to the clients being Albanian or foreigners. The interest of the strategic investors is incentivized by encouraging the competitive taxation system by 1 Euro tax scheme. AIDA (Albanian Investment Development Agency) is enabled to provide dedicated support to strategic investors.

#### Before and After

Since 2019, the electronic payroll confirmation and the electronic tax residency certificate for companies are delivered online. Four new services followed in 2020 focused on the registration process of individuals with the Tax Administration, including farmers, street vendors, tax representatives and heads of households, and the individual Tax Residency Certificate. By 2021, e-Albania counted 15 tax-related services that were provided online that made 99% of the total tax services, leaving minimal room to physical contacts with the information office, thus preventing engagement of tax officers in abusive and corrupt practices. Services offered in physical counters in 2021 decreased more than twice the number recorded in 2018 i.e.93% compared to 2017. Since May 2022, Tax Administration services are offered online. 31 services are offered online through the e-Albania portal.

The stock of refunds for approved and unliquidated claims is affected as well in a positive way. Automating the process for refund requests (online platform) has reduced the time to refund the request by 40% of the time, thus minimizing corrupt practices.

With the changed legal framework, the part of the supplies that are treated with the reduced VAT rate of 6% included tourism accommodation facilities and agro-tourism. Some additions and amendments to the law No. 92/2014 "On value added tax in the Republic of Albania reduced rate of value added tax of 10% will be applied for agricultural inputs. The compensation rate for agricultural producers has been changed from 6 % to 0 %. Also, the exemption from VAT for the import of machinery and equipment has been approved in order to implement investment contracts at value equal to or greater than ALL 500 million (4.7 million EUR).

The Albanian tax system does not discriminate foreign investors and does not distinguish between foreign and domestic investors. Albania offers competitive taxation, the 1 Euro Contract scheme, fiscal and administrative incentives for strategic investors, and tax payments.

The implementation of the Measures Plan on informing and providing assistance in the places of activity of small business taxpayers is ongoing with the small business taxpayers to be included in the Fiscalization Process as well as through the awareness raising of taxpayers who carry out cashless transactions. The new invoicing system became operational by the end of 2019, following the adoption of primary and secondary laws and the establishment of the required supporting infrastructure. The first implementing phase of the reform kicked off on 1 January 2021 and centered on ensuring cash-free transactions between the taxpayers (business) and Public Entities (B2G) by issuing electronic invoices.

The General Directorate of Taxes offers through e-Albania portal a series of services, creating the opportunity for taxpayers and individuals to receive the required service, saving time, human resources and administrative costs. Albania has carried out some initiatives in the field of digital taxation. With regards to VAT, Albania introduced international VAT/GST guidelines in 2014 (the first to do so of the WB6).

Albania levies VAT on cross-border digital services and follows the destination principle. It has signed a memorandum of understanding on tax matters with Kosovo\*, focused on training programs for tax administration employees and cooperation over tax fraud. Overall, Albania has signed 42 conventions for the prevention of double taxation, including with all other WB6 economy.

The trust in the Tax Administration has increased and these changes have contributed to the creation of the bases for a competitive market.

**Table 1. Overview of the procedures**

Before	After
31 tax services are offered in separate desks requiring time and paper to be completed	E-tax services provided for business operators 99% all tax services are provided through the governmental portal e-Albania; business operators in Albania can receive 34 from 41 custom services online and 52.5% of active companies are fiscalized
Difficult and long procedures for stock of refunds for approved and unliquidated claims	Automating the process for refund requests (online platform) has reduced the time to refund the request by 40% of the time, thus minimizing corrupt practices.
Paper based invoices were submitted from invoice books	Real time reporting to tax authorities reducing informality, abuse and corruption
Physical invoice transportation signatures and generation of invoice copies	0 time waste, 0 fuel transport cost, 0 postal cost
No attractive policies and measures for foreign investors	Albania offers competitive taxation, the 1 Euro Contract scheme, fiscal and administrative incentives for strategic investors, and tax payments
Low trust in institutions	The trust in the Tax Administration has increased and these changes have contributed to the creation of the bases for a competitive market. Digital Complaint Mechanisms and the Administrative Investigation of Corruption is in place

### Reform steps

- Improvement in regulatory and legal framework
- Improvement in the infrastructure investment
- Digitalization of internal procedures through fiscalization
- New software system and newly designed work procedures
- Restructuring the tax administration, to ensure efficiency in tax collection and the fight against tax evasion
- Training of the workforce (employees) and business operators (managers) on new procedures
  - The capacity building programs on anticorruption addressed to civil servants (3.886 trainings during 2021), was extended to 31,471 taxpayers and 3,433 accountants, as well as to 1,000 economic operators.
- Organized the consultation process for new policy formulation, with the participation of relevant interest groups
- Online portal of consultation and possibility to report cases of wrongdoings.



## Bosnia and Hercegovina - Federation of Bosnia and Herzegovina

### Brochure 1: Development planning reform

#### Reform Narrative

The reform of development planning in the Federation of Bosnia and Herzegovina (FBiH) at first glance does not have a direct connection with increasing the competitiveness of the private sector. However, the development planning reform is a systemic reform that primarily introduces a systematic approach to planning development projects and directing budgetary resources. The direct benefit to the economy is reflected in a fact that the private sector is directly involved at all levels in the process of defining goals, priorities, and measures, and in this regard, the needs and expenditures of budgetary resources are defined based, among other things, on the needs of the economy. Given that the strategic planning encompasses not only the economic sector but also the social sector and environmental protection, these aspects are crucial for the growth and development, as well as the planning of private sector growth.

In addition to the process of strategic programming, the reform has also encompassed the process of operationalizing strategic documents, introducing a three-year work planning and the obligation to align measures and projects from strategic documents with public budgets. This fact is also of crucial importance for creating a favourable business environment. Namely, apart from direct participation in the processes of planning and operationalizing strategic documents, the economy gains insight into medium-term public plans that form the basis for measures important for their planning and development. In this context, this reform is one of the key reforms for the development of the economy and the enhancement of the competitiveness of the economy of the Federation of Bosnia and Herzegovina.

The key problem that this reform aimed to solve was the inadequate and inefficient existing system of development planning and development management in FBiH, which was unable to meet the requirements of European integration and the demands of the economy and society. Until this reform of development planning in the Federation of Bosnia and Herzegovina, the process of strategic planning and development management was inconsistent and fragmented. This was particularly evident at the level of FBiH, which did not have a framework for strategic planning, and the implementation of measures from various segments of economic and social

development did not pursue the same objectives, so the effects of these measures could not reach the level they were supposed to.

The absence of a development management system was reflected in a series of specific problems that needed to be fundamentally addressed in order to establish an effective and coherent system of development planning and development management: the lack of an appropriate regulatory and institutional framework for the effective preparation and implementation of development priorities at all levels of authority in FBiH; limited institutional capacities and a lack of functional mechanisms for intergovernmental coordination in the overall process of development planning and development management; insufficient methodological alignment and connection of strategic documents in FBiH, both horizontally and vertically, as well as a lack of implementation documents for the effective implementation of strategies and insufficient efficiency in the use of budgetary and off-budget funding sources, including available donor and credit sources for financing development priorities.

The positive effects of this reform are evident in the fact that for the first time, the Federation of Bosnia and Herzegovina has an adopted development strategy, based on which budgetary resources are planned and implemented, and this has a direct impact on creating a favourable business environment and enhancing the competitiveness of the Federation of Bosnia and Herzegovina as a part of the overall economy of Bosnia and Herzegovina. Additionally, all 10 cantons as well as most of 79 local communities have adopted development strategies for the period 2021-2027. This reform has ensured the interconnectedness and alignment of federal and 10 cantonal strategic documents and majority of local development strategies in the Federation of Bosnia and Herzegovina.

### Before and after

This reform is essentially a systemic reform that extends across the three levels of government in the Federation of Bosnia and Herzegovina and significantly impacts or will impact development policies and the allocation of public and other resources, contributing to the creation of a favourable overall business environment.

**Table 1. Overview of the situation in development planning and development management before and after the reform**

BEFORE	AFTER
Development planning was not regulated by norms at any level of government in the Federation of Bosnia and Herzegovina.	Development planning regulated by a single law for all levels of government (federation, 10 cantons, 79 municipalities/cities).
Records of developed and adopted strategies, as well as reports on their implementation, have not been established.	Legal obligations have been established for keeping records of developed and adopted strategies and reporting on their implementation.
There was a lack of institutional support in the processes of planning and developing strategies.	All levels of government (1 federal, 10 cantonal and majority local) have established units for development planning and development management.



The methodology for developing development strategies was only applied at the level of local government units.	A unified methodology is applied for the elaboration of development strategies at all levels, as well as for sectoral strategies at all levels.
There was inconsistency in strategic documents at different levels of government, and different practices were used in the development planning processes of ministries and institutions, with these processes not fully connected to budgets.	Strategies are designed uniformly, and a unified methodology is applied.
The Federation of Bosnia and Herzegovina did not have an adopted Development Strategy.	The Development Strategy of the Federation of Bosnia and Herzegovina has been adopted.
Annual work plans of institutions were not based on strategic documents.	Alignment of work programs with strategic documents has been established, as envisaged by standard work planning templates.
There was no multi-year work planning in institutions at all levels of government.	All institutions create three-year work plans.
The implementation of existing strategies was not monitored, nor was their evaluation conducted.	Regular annual development reports and strategy implementation reports are prepared at all levels.
Strategic documents were not measurable	Strategic documents include measurable indicators at the level of strategic goals, priorities, and measures.

*(Source: own analysis and impact analysis done by the FZZPR)*

## Reform steps

In order to assess the steps or measures taken towards the development of the new development planning and management system, significant activities conducted by various actors are presented chronologically in this section:

- Conclusion of the Government of the Federation of Bosnia and Herzegovina recommending the application of the Methodology for integrated planning of local development in units of local self-government, primarily related to local self-government units.
- Analysis of the existing state in the field of development planning and development management prepared with the support of the Integrated Local Development Project (ILDPP) to prepare the draft Law on development planning and development management.
- Establishment of a working group for the improvement of vertical integration of development planning in the Federation of Bosnia and Herzegovina, coordinated by the Federal Institute for Development Programming, involving representatives from all levels of government.
- Impact assessment of the Law on development planning and development management in FBiH conducted by the Federal Institute for Development Programming.
- Adoption of the Law on development planning and development management in the Federation of Bosnia and Herzegovina, which included the adoption of regulations for the preparation of strategic documents, annual and three-year work planning, monitoring and reporting in the Federation of Bosnia and Herzegovina, as well as regulations for the

evaluation of strategic documents and the development of an index of development in the Federation of Bosnia and Herzegovina.

- Intensive training programs were conducted for the application of regulations adopted based on the Law on development planning and development management:
  - Training of trainers for the preparation of strategic documents in the Federation of Bosnia and Herzegovina as part of the Integrated Local Development Project (ILDP) and the project "Support for the preparation for the implementation of Sustainable Development Goals," in collaboration with the Agency for Civil Service of FBiH and the Federal Institute for Development Programming, intended for trainers, consultants, and practitioners from the civil service.
  - A series of training sessions for civil servants in the cantons working on development planning tasks.
  - A series of training sessions for units of local self-government responsible for...
  - Training of trainers for the application of the Regulation on annual and three-year work planning, monitoring, and reporting in the Federation of Bosnia and Herzegovina in collaboration with the Agency for Civil Service of FBiH and the Federal Institute for Development Programming, intended for trainers, consultants, and practitioners from the civil service.
  - A series of training sessions for civil servants in the cantons for the application of the Regulation on annual and three-year work planning, monitoring, and reporting in the Federation of Bosnia and Herzegovina.
  - A series of training sessions for units of local self-government for the application of the Regulation on annual and three-year work planning, monitoring, and reporting in the Federation of Bosnia and Herzegovina.
- Based on the conducted training sessions, a set of manuals for practical application of the Law and Regulations was developed:
  - Manual for practitioners in the public sector for the preparation of strategic documents in the Federation of Bosnia and Herzegovina.
  - Manual for practitioners in the public sector for annual, three-year work planning, monitoring, and reporting in the Federation of Bosnia and Herzegovina.
  - Manual for practitioners in the public sector for the evaluation of strategic documents in the Federation of Bosnia and Herzegovina.

## References

- Law on development planning and development management in the Federation of Bosnia and Herzegovina (Official Gazette of the Federation of BiH, number 32/17);
- Explanation of the proposal for the Law on development planning and development management in the Federation of Bosnia and Herzegovina;
- Regulation on the preparation of strategic documents in the Federation of Bosnia and Herzegovina (Official Gazette of the Federation of BiH, number 32/17);
- Regulation on three-year and annual work planning, monitoring, and reporting in the Federation of Bosnia and Herzegovina ("Official Gazette of the Federation of BiH," number: 74/19);

- Regulation on the evaluation of strategic documents in Bosnia and Herzegovina ("Official Gazette of the Federation of BiH," number: 74/19);
- Regulation on the development index preparation in the Federation of Bosnia and Herzegovina ("Official Gazette of the Federation of BiH," number: 74/19);
- Impact assessment of the Law on development planning and development management in FBiH (Federal Institute for Development Programming);
- Information on the implementation of the Regulations on development planning and development management, Federal Institute for Development Programming, 2020;



## Bosnia and Herzegovina - Federation of Bosnia and Herzegovina

### Brochure 2: Easy Access to Finance Reform in Federation of BiH

#### Reform narrative

One of the major problems faced by small and medium-sized enterprises (SMEs) in the Federation of Bosnia and Herzegovina is the lack of financial resources and the difficulties in securing them. Banks are often focused on consumer financing, and there is a limited interest from banks in financing SMEs, partly due to increased risk resulting from the lack of collateral (mortgages or pledges). Consequently, the terms of lending are highly unfavourable (high interest rates, no grace period with high bank fees). This issue was particularly pronounced during the COVID-19 pandemic, impacting even larger and more stable businesses. In response, the Federation of Bosnia and Herzegovina Government, aiming to mitigate the negative economic consequences for the Federation's economy, enacted the Law on Mitigating Negative Economic Effects due to the COVID-19 Pandemic in May 2020. This law served as the basis for the regulation governing the financing and management of the Guarantee Fund, which is the fundamental reform measure. While this reform initially emerged in response to the adverse effects of the COVID-19 pandemic, the Guarantee Fund was retained due to its positive impact on the economy and the ongoing interest in this financial instrument.

The Fund is operated by the Federation of Bosnia and Herzegovina Government allocating 100 million Bosnian Mark (BAM) to establish and maintain the resources of the Guarantee Fund. These funds serve as a source for guarantees issued by the Development Bank of the Federation of Bosnia and Herzegovina, on behalf of the Federation of Bosnia and Herzegovina, to entrepreneurs or loan recipients approved by commercial banks. The guarantee potential is fivefold, amounting to 500 million BAM.

Entities wishing to access financing through this instrument need to apply for a loan with 11 commercial banks that have signed cooperation agreements with the Development Bank of the Federation of Bosnia and Herzegovina for the implementation of credit guarantee programs of the Federation of Bosnia and Herzegovina Guarantee Fund. The maximum loan amounts, as an example for small and medium-sized enterprises, are as follows:

- Investment loans for fixed assets up to 3,000,000 BAM (1.5 mln EUR)
- Working capital loans up to 1,200,000 BAM (0.6 mln EUR)
- Liquidity loans up to 600,000 BAM (0.3 mln EUR)
- Revolving loans up to 1,800,000 BAM (0.9 mln EUR)

Upon approval of the loan application by the commercial bank, the same bank forwards the loan decision to the Development Bank of the Federation of Bosnia and Herzegovina, which processes the issuance of Fund guarantees. There is no automatic right to a guarantee; rather, the Development Bank decides on each application individually after verifying compliance with the conditions stipulated in the Regulation on the Financing and Management of the Guarantee Fund and the credit guarantee programs.

The Federation of Bosnia and Herzegovina Government also enacted an Expenditure Program concerning interest rate subsidies for the Guarantee Fund. The program provides interest rate subsidies of up to 2.5% for programs targeting large companies and exporters, and up to 4.5% for programs targeting agriculture and the food industry, micro, small, and medium-sized enterprises (MSMEs), craftsmen, and other independent economic activities. Loan recipients become eligible for interest rate subsidies for each quarterly period if they have duly fulfilled their previous loan obligations.

As of March 31, 2023, a total of 616 guarantees have been approved for MSMEs, with a total guarantee value of 206,825,448 BAM (EUR 105 million). The total value of approved loans is 413,650,896 BAM (EUR 210 million).

The most common beneficiaries of guarantees are export-oriented manufacturing companies, with over 3% of all SMEs in the Federation of Bosnia and Herzegovina utilizing the Fund's guarantees, totalling 616 small and medium-sized enterprises.

### Before and after

This reform represents a significant contribution to ensuring better access to financial resources for SMEs across various economic sectors, particularly those affected by the adverse consequences of the coronavirus pandemic. These SMEs face difficulties in accessing credit due to heightened risk caused by liquidity disruptions and/or a lack of adequate collateral. Access is provided for all eligible SMEs that meet the criteria for eligibility. The most significant changes are summarized in the table below.

**Table: Overview of financial access before and after the reform (Source: own analysis)**

BEFORE	AFTER
There was no unified and comprehensive credit guarantee instrument at the Federation level	Established and functional credit guarantee fund for the following beneficiaries: <ul style="list-style-type: none"> <li>○ for tradesmen and other independent economic activities;</li> <li>○ for micro, small, and medium-sized enterprises;</li> </ul>

	<ul style="list-style-type: none"> <li>○ for agriculture and food industry;</li> <li>○ for large enterprises;</li> <li>○ for exporters.</li> </ul>
Difficult access to financing for SMEs due to lack of appropriate collateral	MSPs have facilitated access to favourable financial resources through credit arrangements, and the possibility to improve their liquidity, especially in the global economic crisis situation. By March 31, 2023, 616 guarantees for MSPs have been approved, with a total value of 206,825,448 BAM (EUR 105 million).
High interest rates for SMEs facing business challenges	The introduction of an additional measure by the Government of the Federation of Bosnia and Herzegovina through the "Interest Subsidy - Guarantee Fund" Program significantly eases the loan repayment to commercial banks, considering that co-financing of the interest rate is provided, up to 2.5% for large enterprises and exporters, and up to 4.5% for agriculture and food industry, micro, small, and medium-sized enterprises, as well as craftsmen, thus ensuring highly favourable credit conditions for businesses.
Costly capital. SMEs provide collateral and get loans at higher interest rates	Since the cost of capital is directly proportional to the risk, in the case of the guarantee fund, the risk is shared between the fund and the financial institution at a ratio of 50%, resulting in a 50% reduction in the cost of capital. In addition to covering 50% of the loan principal amount, the Guarantee Fund of the FBiH enables the realization of loans at lower interest rates compared to market rates.
Slow loan approval process	The fund ensures the issuance of guarantees within 7 days, making the administrative process more efficient and faster.

**Reform steps**

- In order to assess the steps or measures taken to establish the Guarantee Fund of the Federation of Bosnia and Herzegovina, this section will present, in chronological order, all significant activities conducted by various stakeholders:
- The draft Law was submitted to parliamentary procedure on an expedited basis and was adopted in May 2020.
- A separate Regulation was enacted as a legal act on the funding and management of the Guarantee Fund.
- A working group was formed, comprising representatives from relevant ministries, to develop proposals for credit guarantee programs:

- Credit Guarantee Program for tradesmen and other independent economic activities;
- Credit Guarantee Program for micro, small, and medium-sized enterprises;
- Credit Guarantee Program for agriculture and food industry;
- Credit Guarantee Program for large enterprises;
- Credit Guarantee Program for exporters.
- A Financial Services Agreement and a Long-Term Dedicated Deposit Agreement were signed between the Development Bank of FBiH and the Federal Ministry of Finance.
- A Public Call was issued to express the interest of commercial banks in participating in the credit guarantee programs of the Guarantee Fund.
- A list of 11 qualified commercial banks was determined for participation in the credit guarantee programs of the Guarantee Fund.
- The relevant ministries developed updated credit guarantee programs for which guarantees were issued starting from June 1, 2021.
- The Spending Program was adopted, providing interest subsidies for the Guarantee Fund.
- Field promotion of the instrument was carried out through public presentations to the economy.

## References

- Law on Mitigating Negative Economic Consequences (Official Gazette of FBiH, No. 28/20)
- Regulation on the Funding and Management of the Guarantee Fund with Appendices (Official Gazette of FBiH, No. 44/20)
- Credit Guarantee Program for Tradesmen and Other Independent Economic Activities
- Credit Guarantee Program for Micro, Small, and Medium-Sized Enterprises
- Credit Guarantee Program for Agriculture and Food Industry
- Credit Guarantee Program for Large Enterprises
- Credit Guarantee Program for Exporters
- Decision on the Interest Subsidy for the FMRPO Program
- Decision on the Interest Subsidy for the FMERI Program
- List of Qualified Commercial Banks for Participation in the Credit Guarantee Programs of the Guarantee Fund
- Analysis of Measures by the Government of FBiH to Mitigate the Economic Consequences of the COVID-19 Pandemic



## Bosnia and Hercegovina - Federation of Bosnia and Herzegovina

### Brochure 3: Energy sector reform in the Federation BiH

#### Reform narrative

The energy sector reform is one of the most important and perhaps the most current reforms in the Federation of Bosnia and Herzegovina. Bosnia and Herzegovina is a signatory to the Treaty establishing the Energy Community, and as such, it has an obligation to incorporate the legal framework of the Energy Community into its legislation, including renewable energy sources.

Some key issues for the economy in the previous period in the field of renewable energy sources were obtaining documentation and the slow process of obtaining various permits from municipalities, cantons, Elektroprivreda, the Federal Ministry of Energy, Mining, and Industry, the Regulatory Commission for Energy FERK, and the Operator for Renewable Energy Sources. Often, the time needed to obtain the required documentation lasted over two years, which hindered and slowed down investments in this sector. Also, the existing legislative framework did not recognize the production from renewable energy sources for own use, making the process complex and time-consuming, deterring many businesses from engaging in this process. This issue became particularly significant due to the energy crisis resulting from the war in Ukraine, leading to an increase in energy prices that negatively impacted the competitiveness of the economy.

In this context, the Federal Ministry of Energy, Mining, and Industry, as the responsible ministry for the energy sector in the Government of the Federation of Bosnia and Herzegovina, prepared a set of energy laws: the Law on Electric Power, the Law on Energy and the Regulation of Energy Activities, and the Law on the Use of Renewable Energy Sources and Efficient Cogeneration in the Federation of Bosnia and Herzegovina. These laws were adopted in July 2023, with the aim of improving the competitiveness of small and medium-sized enterprises (SMEs) and creating a better business environment. The Law on the Use of Renewable Energy Sources and Efficient Cogeneration, in particular, promotes and regulates the production of electric power and heating and cooling energy from renewable energy sources and efficient cogeneration (OIEiEK), as well as the use of renewable energy sources in transport for domestic consumption and increasing their



share in total energy consumption, while providing the development of incentive measures, a regulatory framework, and technical infrastructure for OIEiEK.

Furthermore, due to the rising retail prices of electric power and the decreasing costs of new technologies, distributed production, i.e., the production of electric power from various smaller sources located close to consumers, is becoming increasingly attractive to electric power consumers. Consumers now have the option to produce a portion of their electric power for their own needs rather than purchasing it from suppliers.

The Law on Energy and the Regulation of Energy Activities in the Federation of Bosnia and Herzegovina establishes the long-term objectives of energy policy in the Federation of Bosnia and Herzegovina, including the preparation of the Energy Strategy of the Federation of Bosnia and Herzegovina, a fundamental strategic document defining the policy and planning for development. The law also sets conditions for carrying out activities in the energy sector and introduces mechanisms to protect vulnerable and protected energy consumers. This law significantly enhances the legal framework for regulating the activities and the operation of the Regulatory Commission for Energy in the Federation of Bosnia and Herzegovina, as well as aligning with the legal framework of the European Union.

The Law on Electric Power in the Federation of Bosnia and Herzegovina simplifies administrative procedures for the construction and operation of production facilities using renewable energy sources, primarily solar power plants and wind power plants. The law also introduces new categories of participants and activities in the electric power market (active consumers, aggregators, energy communities, storage operators).

### **Before and After**

The reasons for the adoption of this Law lie in the fact that Bosnia and Herzegovina needs to align with the legal framework of the European Union and the Energy Community. It is necessary to enhance the legal framework in the renewable energy sector and more precisely define the rights, obligations, and responsibilities of all participants in the new incentive system. Additionally, it is essential to improve the legal framework for the effective implementation of the new incentive system, introduce new incentive mechanisms through FIT (for small facilities) and FIP (for large facilities) auctions, as well as introduce new categories of participants utilizing renewable energy sources (prosumers and renewable energy communities). Therefore, the adoption of this law can be considered a systemic reform in the field of energy. The most significant changes are summarized in the table below.

**Table: An overview of the situation in the field of renewable energy sources before and after the reform**

BEFORE	AFTER
The Federation of Bosnia and Herzegovina, through the old law from 2014, largely transposed Directive 2009/28/EC on the promotion of renewable energy sources, which was adopted by the Ministerial Council of the Energy Community in 2012.	When drafting the present Law on the Use of Renewable Energy Sources and Efficient Cogeneration, a significant transposition of the Directive on the Promotion of Renewable Energy Sources from 2018 was carried out, which relates to the IV Integrated Energy and Climate Package.
The existing incentive system relies on a direct Feed-in Tariff (FIT). The use of FIT is expensive and not aligned with the goal of integrating RES into the electricity markets.	New incentive mechanisms are introduced for small and large facilities, allowing easier participation of citizens in energy production from renewable sources.
Uncertainties and ambiguities regarding the operations of the Operator for OIEiEK.	Enhanced responsibilities of the Operator for OIEiEK are prescribed, giving it a more significant role in the overall system with an emphasis on process transparency.
Complicated project development in the electricity sector.	Streamlined administrative procedure preceding the construction of facilities up to 1 MW installed capacity (99% of SMEs install such plants up to 1 MW).
There is no possibility of organizing auctions to ensure the lowest electricity price from privileged producers.	Encouragement through Feed-in Tariffs for small facilities (FIT auctions) and Feed-in Premiums for large facilities (FIP auctions). Both incentive allocation processes are carried out through competitive public auction procedures conducted by the Operator for OIEiEK.
There is no possibility of producing electricity for self-consumption, only for known buyers.	New participant categories introduced to the market, including Prosumers and Renewable Energy Communities.
The obligation to register for each individual energy activity. The process takes 3 months and costs approximately 1,500 KM.	No obligation for registration of activities for production, storage, exchange, and sale for facilities up to 1 MW (99% of SMEs install such plants up to 1 MW).
A complete and internationally recognized system of guarantees of origin for electricity is not provided.	By using self-produced electricity from renewable sources, SMEs are protected from Carbon Border Adjustment Mechanism (CBAM) taxes and become more competitive in export markets.

*(Source: Law on the Use of Renewable Energy Sources and Efficient Cogeneration in the Federation of Bosnia and Herzegovina and our own analysis)*

### Reform steps

In order to understand the steps or measures taken towards the introduction of the new Law on the Use of Renewable Energy Sources and Efficient Cogeneration in the Federation of Bosnia and Herzegovina, this section will present in chronological order all the significant activities carried out by various stakeholders.

- A working group was formed for the drafting of the laws (pre-draft, draft, and proposal), consisting of representatives from the Federal Ministry of Energy, Mining, and Industry, representatives of the Operator for OIEiEK, and representatives of GIZ.
- Draft laws prepared:
  - Law on the Use of Renewable Energy Sources and Efficient Cogeneration in the Federation of Bosnia and Herzegovina
  - Law on Energy and Regulation of Energy Activities in the FBiH
  - Law on Electric Power in the FBiH
- Set of laws adopted by the parliaments.

## References

- Law on the Use of Renewable Energy Sources and Efficient Cogeneration;
- Energy Community Treaty ("Official Gazette of BiH - International Agreements," number 9/06);
- Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources;
- Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources;
- Law on Energy and Regulation of Energy Activities in the FBiH;
- Law on Electric Power in the FBiH.



## Bosnia and Hercegovina - Federation of Bosnia and Herzegovina

### Brochure 4: Reform of crafts and related activities in the Federation of BiH

#### Description of the reform

Starting a craft and the operation of a small business, i.e. a craft in the Federation of Bosnia and Herzegovina, in the previous legal framework was, to say the least, unstimulating and did not encourage potential entrepreneurs, especially young people, to turn their ideas into a business venture and to engage in the registration of crafts as a business model. Although craftsmanship was less demanding and less expensive than registering a classic company, the activities of crafts were limited by the impossibility of exporting their products and services and importing raw materials. In addition, the registration of the craft was related to the document of craft or profession. This was especially limiting for young people who have an innovative and creative idea and had neither the means nor the opportunity to engage in the registration of a classic company.

The new Law on crafts and related activities in the Federation of BiH made assumptions for foreign trade operations in terms of craft registration itself, whereby when issuing a decision, the craftsman opts for foreign trade operations, which is entered in the registration decision. The next procedure is registration with the Administration for Indirect Taxation, as it is done by other participants in the same. Also, the new Law provided that the Decision approving the performance of crafts will be issued by the competent authority within 7 days from the date of submission of the request, unlike before when that deadline was 15 days.

According to legal solutions, a craftsman a person who performs a related activity is responsible for all obligations arising from the performance of the activity with his/her property, and due to the fact that the property that serves a natural person in the performance of the activity is inseparable from his/her personal property. The new law prescribes a restriction on possible enforcement over the property of a craftsman, so that it is not possible to enforce the same on the things and rights that the craftsman uses to perform his/her basic activity, as well as on the necessary residential part that is necessary for his/her and his/her immediate family members' housing.

As a result of this reform, the procedures for the registration and a work of craftsmen in the Federation of Bosnia and Herzegovina have been simplified, resulting in half a million KM (0.25

million EUR) in direct savings to the private sector on an annual basis. The registration procedure has been significantly accelerated, and the time required for the registration of crafts has been reduced by 50%.

According to data from the Federal Ministry of Development, Entrepreneurship and Crafts (FMRPO), and data from municipalities, before this reform, about 35% of applications for craft registration were not implemented, mostly due to a lack of professional qualifications of the person who intended to register a craft. However, according to FMRPO data, in 2022, registered crafts grew by over 15% due to the positive changes brought by this reform.

According to the data of the tax administration of the Federation of BiH, personal income taxes (crafts) increased in 2022 by 20,2% as compared to 2021, i.e. the year this reform was adopted.

In the past period, the Law has been successfully applied, with the involvement of the Ministry of Development, Entrepreneurship and Crafts in terms of interpreting it according to administrations in local self-government units. The Ministry has made the necessary legal regulations that have been published, except for the Rulebook on the crafts register, which is extremely demanding and complex, and whose completion is expected in 2023.

### Before and after

This reform is a great contribution to the suppression of the gray economy, which was described in the previous chapter, that is, the new law enables all interested entrepreneurs to be part of the economy of Bosnia and Herzegovina in a significantly simpler way. The most significant changes are summarized in Table.

**Table: Overview of the situation related to crafts and related activities before and after the reform**

BEFORE	AFTER
The craft could not carry out foreign trade operations.	Foreign trade operations of craftsmen are enabled.
There was a division into related and special crafts, which required a person to have a certain professional qualification.	The division of crafts into related and special crafts was abolished, which made it possible for the first time to perform certain types of crafts even without a professional qualification.
The Decision on approving the performance of crafts was made by the competent authority within 15 days from the date of submission of the proper application.	The competent authority shall issue a Decision approving the craft within 7 days from the date of submission of the proper request.
The craftsman had to obtain all the necessary documentation himself.	It is possible to obtain documentation ex officio in accordance with Article 5 of the Law.
The execution for the realization of a monetary claim from the craftsman referred to the entire property of the craftsman.	Execution over the property of craftsmen is limited in accordance with Article 25 of the Law.

A craftsman could only perform basic activities. E.g. a photographer could make photographs but could not sell camera film.	The craftsman is allowed to perform other activities, which serve to perform the basic activity or are usually performed in addition to the activities covered by the Decision.
Pensioners could practice trade, but in that case their pension was suspended.	It is possible for natural persons and pensioners to perform crafts in the form of additional and complementary occupations.
There was no register of craftsmen.	The register of craftsmen is envisaged as an information system for managing the registration process and processing data on crafts, which will be managed by FMRPO.
The crafts were not closed by force of law, although it was clear that they had not generated income for a long period of time.	Based on the request of the FBiH Tax Administration, if it is determined that a craftsman who did not use the temporary cessation of craft, suspends his/her craft for more than 6 months and does not generate income, and if the craftsman does not calculate and pay tax obligations for more than 6 months, the craft will be extinguished by force of law.
The craftsman had to have a craft certificate in the shop, whose issue price was 100 KM.	The law does not stipulate the obligation to issue a craft certificate, which results in one less parafiscal charge compared to the existing law.
The membership fee to the Chamber of Crafts, could not be prescribed in an amount higher than 1% of the basis for calculating contributions for the previous year published by the Federal Ministry of Finance (12 KM per month).	The membership fee to the Chamber of Crafts, has been significantly reduced in such a way that it cannot be prescribed in an amount higher than 0.50% of the base for calculating contributions for the previous year published by the Federal Ministry of Finance (6 KM per month).

(Source: Law on Crafts and Related Activities FBiH and own analysis)

## Reform steps

The steps or measures that were taken with the aim of introducing the new Law on crafts and related activities carried out by various actors in a chronological manner are:

- The Federal Ministry of Development of Entrepreneurship and Crafts made an analysis of the necessary changes, and since more than 50% of the law had to be changed, it was decided to draft a new law, rather than amend the existing law.
- The process began in 2016 when the FBiH Government formed a working group for drafting the law (pre-draft, draft and proposal). At each stage, the documents were sent for an opinion to the Office for Legislation, the Ministry of Finance and the Ministry of Justice of the Federation of BiH. In addition, public discussions were held with key stakeholders.
- In 2021, the Law on Crafts and Related Activities in the Federation of Bosnia and Herzegovina was finalized and adopted.
- Drafted and adopted by-laws enabling the implementation of the law:
  - Decree on the protection of traditional and old crafts,
  - Rulebook on the list of crafts,

- Rulebook on the appearance and content of the Request for establishing a craft/related activity,
- Rulebook on minimum technical and other conditions for the performance of craft activities,
- Rulebook on the list of activities that can be performed seasonally and the conditions for their performance,
- Rulebook on the list of activities that can be performed in residential premises and outside business and residential premises,
- Rulebook on activities that can be performed as a home occupation,
- Defined Rulebook on the content, form and manner of keeping the Craft Register.
- An established ICT solution for the Craft register and a selected company for the development of the information system (the process is ongoing and should be completed in 2023).

## References

- Law on crafts and related activities in the Federation of Bosnia and Herzegovina ("Official Gazette of the Federation of BiH" number: 75/21)
- Decree on the Protection of Traditional and Old Crafts ("Official Gazette of the Federation of BiH" No. 28/22)
- Rulebook on the list of crafts ("Official Gazette of the Federation of BiH" No. 42/22)
- Rulebook on the appearance and content of the Request for establishing a craft/related activity ("Official Gazette of the Federation of BiH" number 53/22)
- Rulebook on minimum technical and other conditions for the performance of craft activities ("Official Gazette of the Federation of BiH" No. 53/22)
- Rulebook on the list of activities that can be performed seasonally and the conditions for their performance ("Official Gazette of the Federation of BiH" number 103/22)
- Rulebook on the list of activities that can be performed in residential premises and outside business and residential premises ("Official Gazette of the Federation of BiH" number 103/22)
- Rulebook on activities that can be performed as a home occupation ("Official Gazette of the Federation of BiH" number 24/23)



## Bosnia and Hercegovina - Republika Srpska

### Brochure 1: Increasing the liquidity of the economy

#### Reform narrative

The global economic crisis, which in 2008 and 2009 affected all the countries of the world, was transmitted, primarily through the reduction of foreign demand, to the real sector of Republika Srpska. In addition, due to the reduction of funding sources, the financial sector increased the cost of capital, which affected the growth of interest rates in the Republic of Srpska as well. In this way, through the reduction of the volume of production, and difficult conditions for obtaining additional capital, along with its higher cost, there was a decrease in the liquidity of the real sector of the Republic of Srpska.

With the aim of increasing the liquidity of the Republic of Srpska economy, and at the request of the Chamber of Commerce of the Republic of Srpska, the Work Program of the Government and the National Assembly of the Republic of Srpska for 2013 envisaged to adopt the Law on Multilateral Compensation and Cession. The working group, responsible for preparing the Draft Law, held public hearings, whereas the Law was subsequently adopted by the Government, and then by the National Assembly of the Republic of Srpska in 2014.

The adopted legal provisions on the unified system for multilateral compensation and cessions refer to entities that have the obligation to report undisputed financial obligations, while also making provision on the organisation of the Unified System for Multilateral Compensation and Cessions. Additionally, further notes are consisted in the legislation: the organiser of the system; authorized organisations; reporting of undisputed overdue monetary obligations, exemptions from the obligation to report; liability of participants; implementation of multilateral offsets and cessions; report on executed multilateral compensations and cessions; bookkeeping treatment; availability of data; organisation of public offers for the sale of receivables through the system; and organiser's fees and supervision.

Entities that have the obligation to report due undisputed financial obligations, as per Law, are those entities which participate in the budget system of the Republic of Srpska, followed by business entities, banks, insurance companies, microcredit organisations, agencies, sports clubs,



entrepreneurs, agricultural holdings and other legal entities that conduct business through bank accounts. The obligation to report overdue undisputed financial obligations does not apply to companies that have been subject to bankruptcy or liquidation proceedings, that is, previous proceedings to determine the existence of conditions for initiating bankruptcy proceedings.

The decision on the implementation of multilateral compensation and cession, adopted by the Government of the Republic of Srpska, for each multilateral compensation individually, regulates in more detail the reporting of the obligations of entities included in the budget system of the Republic of Srpska, as well as the deadlines for the implementation of mandatory multilateral compensation and cessions.

The unified system for multilateral compensations and cessions, managed by the Banja Luka Stock Exchange (organizer of the system), enables registration of participants, reporting of undisputed obligations, implementation of multilateral compensation, transfer of claims (assignment), conducting public auctions for the sale of claims and submission of reports on the results of multilateral compensation and cession. The reporting is conducted via appropriate software for reporting obligations of participants, while providing direct access to the Ministry of Finance.

From October 2015, when the first multilateral compensation was carried out, to August 2023, when the last multilateral compensation was carried out, a total of 40 multilateral compensations were carried out and a total of 1,162,084,098.32 KM liabilities were compensated. The total debt of the Republic of Srpska economy was reduced from KM 1,008,656,364.90, which was the amount at the first multilateral compensation, to KM 512,125,245.29, which was reported at the last multilateral compensation.

### Before and after

In order to gain an insight into the most significant effects realized by the reform Increasing the liquidity of the economy, below is an overview of the key changes created by the implementation of this reform.

**Table: Overview of procedures in the reform Increasing the liquidity of the economy before and after the reform**

Before	After
Absence of legal regulation that would enable mandatory and regular multilateral compensation and cession	A legal framework has been established that obliges entities defined by law to regularly report due undisputed financial obligations
Absence of a single system for multilateral compensations and cessions	The Unified System for Multilateral Compensation and Cessions was established
The absence of a software solution that would mask the effects of multilateral compensation at the level of the entire Republic of Srpska	Created software solution that maximizes the effects of multilateral compensation at the level of the entire Republic of Srpska

Multilateral compensations were voluntary and there were no data on the number of multilateral compensations carried out, and the value of compensations made.	A total of 40 multilateral compensations were implemented and a total of 1,162,084,098.32 KM liabilities were compensated.
There was no data on the total debt of the Republic of Srpska economy	The information on the overall debt of the Republic of Srpska economy is available
There were no data on changes in the total debt of the Republic of Srpska economy	The total debt of the Republic of Srpska economy was reduced from KM 1,008,656,364.90, as it was at the first multilateral compensation, to KM 512,125,245.29, as reported at the last multilateral compensation

Source: Project Team

### Reform steps

Below is the overview of the key steps in the implementation of the reform Increasing the liquidity of the economy:

- The Government of the Republic of Srpska received the request of the Chamber of Commerce of the Republic of Srpska to initiate a reform that will enable an increase in the liquidity of the economy of the Republic of Srpska;
- Work Programs of the Government and the National Assembly of the Republic of Srpska for 2013 was adopted, in which it was planned to adopt of the Law on Multilateral Compensation and Cession;
- In 2013, the Government of Republic of Srpska appointed a Working Group for the drafting of the Law on a Unified System for Multilateral Compensation and Cessions;
- The Draft Law on the Unified System for Multilateral Compensation and Cessions, which was adopted by the Government, and then by the National Assembly of the Republic of Srpska was drafted and sent for public discussion;
- The working group conducted public hearings on the Draft Law;
- Proposal of the Law on the Unified System for Multilateral Compensation and Cessions, which was adopted by the Government, and then by the National Assembly of the Republika Srpska in February 2014 darrafted;
- The Banja Luka Stock Exchange joint stock company Banja Luka established the Single System for Multilateral Compensation and Cessions;
- The Banja Luka Stock Exchange joint stock company Banjaluka developed software that maximizes the effects of multilateral compensation at the level of the entire Republic of Srpska;
- The Managemant Board of the Banja Luka Stock Exchange joint stock company Banja Luka adopted the Instructions for the Single System for Multilateral Compensation and Cessions in August 2015;
- The Management Board of the Banja Luka Stock Exchange joint stock company Banjaluka passed the Decision on Compensation in the Unified System for Multilateral Compensation and Cessions in August 2015;

- The Banja Luka Stock Exchange joint stock company Banja Luka defined forms for registration and entry of obligations in the Unified System;
- The Government of Republic of Srpska adopted the Decision on the implementation of multilateral compensation and cession (first mandatory) in September 2015;
- The first mandatory multilateral compensation was implemented on October 30, 2015;
- The Law on Amendments to the Law on the Unified System for Multilateral Compensation and Cessions was drafted and adopted in April 2016;
- The 40th multilateral compensation was implemented in August 2023.

## References

- Economic policy of the Republic of Srpska for 2013;
- Law on a unified system for multilateral compensations and cessions ("Official Gazette of the Republic of Srpska", number: 20/14);
- Law on Amendments to the Law on the Unified System for Multilateral Compensation and Cessions ("Official Gazette of the Republic of Srpska", number: 33/16);
- <https://mlk.blberza.com>.



## Bosnia and Hercegovina - Republika Srpska

### Brochure 2: Establishing a unified and up-to-date register of administrative procedures

for the initiation and performance of economic activities at the level of the Republic of Srpska

#### Reform narrative

In order for citizens and the business community to have access to all administrative procedures and formalities in one place<sup>2</sup> for starting and carrying out economic activities in the Republic of Srpska, since September 2018, a new portal / register Single point of contact for business has been in operation- [pcsrpska.vladars.net](https://pcsrpska.vladars.net). The register includes a database of procedures, administrative procedures and formalities for the initiation and performance of economic activities (includes data: name of the formality, purpose of the formality, necessary documentation, costs, competent institutions, accompanying forms, deadlines for resolving requests, data on the right of appeal and deadlines for appeal, validity period, and legal basis). A total of 901 formalities issued by institutions were identified. In the previous period, there was a register, but the data were not up-to-date, comprehensive and did not allow different types of analysis. The data from the new portal served as a starting point for the new project of optimization of administrative procedures and formalities.

The list of procedures and formalities was determined by the competent institutions, but a control analysis of the submitted data was ensured by the project team located in the current Ministry of Economy and Entrepreneurship in such a way that all regulations were reviewed in detail and the accuracy of the data and possible deficiencies were determined. The content and management of data are prescribed by the Regulation on records, analysis, examination and assessment of procedures and formalities for business in the Republic of Srpska. The regulation also stipulates the obligation of the competent authority to report any new data to the Ministry in the event of

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<sup>2</sup> The administrative procedure includes all the prescribed actions taken by the subject interested in obtaining formalities (submission of requests, submission of documentation, payment of fees and charges, etc.) and the actions of the competent authority for the purpose of issuing formalities. A formality is a permit, license, consent, certificate or other act, which is required to perform a certain activity.

certain changes in regulations, i.e. procedures and formalities within its jurisdiction, through the Form for reporting or changing data. In order to ensure the permanent accuracy of the data, the Ministry of Economy and Entrepreneurship monitors the Official Gazette and every new regulation on a daily basis.

At the beginning of 2023, the Decision on the Assessment of the Impact of Regulations established the additional obligation of the proponents of the regulations to submit, according to the established procedure and form, to the Ministry of Economy and Entrepreneurship for an opinion, laws, decrees and regulations (which elaborate certain formalities). The goal is to adopt the highest quality solutions for both the business community and the administrative authorities. In this way, even more up-to-date registry management is ensured. In addition to this, the reform also made it possible for the business community to contact the republic's institutions in one place (on the mentioned portal via the option "ask questions") in case of ambiguities in the regulations or proposals for their improvement.

In addition to the basic function of providing information to citizens and business entities, the register also serves the republic's administration bodies as a base from which it is possible to have a comprehensive insight into administrative procedures (total number, mutual compliance, justification, amount of costs, and it is possible to determine potential revenues based on them), but also as a possibility of interconnection and further digitization.

An additional goal is to extend the reform to local self-government units and fully ensure an overview of all formalities in one place.

### **Before and after**

In order to gain an insight into the most significant effects realized by the reform of establishing a unified and up-to-date register of all administrative procedures, procedures and formalities for the initiation and performance of economic activities at the level of the Republic of Srpska, below an overview of the key changes resulting from the implementation of this reform are presented.

**Table: Overview of procedures in the reform Establishment of a unified and up-to-date register of all administrative procedures, procedures and formalities for the initiation and performance of economic activities at the level of the Republic of Srpska before and after the reform**

BEFORE	AFTER
Non-functional database	A new modern and transparent portal with the possibility of different types of searches and analyses
Insufficiently up-to-date data	Data updated on a daily basis (333 formalities 2006, 901 formalities 2018, 932 formalities 2022)
The absence of a legal basis for controlling the introduction of new formalities by laws	Adopted legal basis for monitoring and submission of opinions when introducing new formalities by laws
Fragmentation of data in terms of pre-registration and post-registration formalities	Data on pre-registration and post-registration data available in one place (for each economic activities- NACE)

Resources: Project Team

## Reform steps

In the following text we give an overview of the key steps in the implementation of the reform of the Establishment of a unified and up-to-date register of all administrative actions, procedures and formalities for the initiation and performance of economic activities at the level of the Republic Srpska:

- Defined reform for which the line ministry applied to donors;
- Two components of the reform were approved:
  - 1) software and
  - 2) support for the implementation of the reform through the engagement of four young unemployed persons;
- Training of engaged persons by the current Ministry of Economy and Entrepreneurship (Ministry of Economic Relations and Regional Cooperation at the time) conducted;
- Collection of data from line ministries and other competent administrative bodies of the Republic of Srpska completed;
- Control analysis of data by reviewing each individual regulation performed;
- Reconciliation of data performed;
- Software developed;
- Data entry completed;
- Regulation on records, analysis, examination and assessment of procedures and formalities for doing business in the Republic of Srpska ("Official Gazette of the Republic of Srpska", number 84/18) drafted and adopted;
- Promotion of the registry at four regional locations;
- New Decision on assessing the impact of regulations ("Official Gazette of the Republic of Srpska", No. 8/23) which stipulates the obligation of those preparing the regulations to submit

laws, regulations and ordinances that elaborate the formalities for an opinion, was drafted and adopted.

### Data resources

- <https://pscsrcpska.vladars.net>;
- Regulation on records, analysis, examination and assessment of procedures and formalities for doing business in the Republic of Srpska ("Official Gazette of the Republic of Srpska", number: 84/18);
- Decision on assessing the impact of regulations ("Official Gazette of the Republic of Srpska", number: 8/23);
- Program of economic reforms of the Republic of Srpska for the period 2018-2020.



## Bosnia and Hercegovina- Republika Srpska

### Brochure 3: Establishing a system of transparency and protection of taxpayers

#### Reform narrative

The tax system of the Republic of Srpska represented a set of 610 tax and non-tax charges, which were paid at the local and/or republic level. The rate of consolidated burden on the economy and the population in 2017 was 39.28%.

In June 2017, in order to ensure the optimal tax burden, as well as to protect the integrity of taxpayers, the Law on the Tax System of the Republic of Srpska was adopted as a general regulation in relation to the introduction, changing or abolishing tax and non-tax charges in the Republic of Srpska. The law provides the legal basis for the establishment of the Register of tax and non-tax charges in the Republic of Srpska.

The provisions of that law stipulate the obligation of all processors and proponents of all general regulations (laws, regulations, rulebooks or decisions) introducing, changing or abolishing individual tax or non-tax charges, to prepare an analysis of the justification for introducing or changing those charges, on the basis of which the Ministry of Finance gives an opinion, and the authority responsible for the adoption of such an act finally decides whether the introduction or change of tax or non-tax charges is justified or not.

Also, the provisions of that Law provide that after the passing of the transitional periods, charges that are not contained in the Register do not create an obligation for payment, and the processor or proposer of the act in which such a charge is found has the obligation to initiate the procedure of removing that charge from the legal system. Tax and non-tax charges that cannot be contained in the Register are those that were passed against the principles of the Law on the Tax System of the Republic of Srpska.

The procedure for establishing and maintaining the Register is prescribed in detail by the Rulebook on the manner and procedure for establishing and maintaining the Register of tax and non-tax charges in the Republic of Srpska. The preparation of the Register of tax and non-tax charges of the Republic of Srpska was an attempt to create a list of all tax and non-tax charges that exist in the



economy, in a unique and comprehensive way, regardless of which level of government or which public entity introduces and enforces them, and which refer to both legal entities and natural persons, i.e. citizens. For each tax and non-tax charge in the Register, the income code, name of the charge, legal basis, payer, rate or amount per unit of measure, basis, beneficiary of the income, frequency of collection and competent processor/proposer are given.

The Government adopted the Decision on the appointment of the Working Group for the reform of tax and non-tax charges and the procedures for their payment, with the following tasks: (1) in accordance with the Rulebook on methods and methods of analyzing the justification of tax and non-tax charges prepare an Analysis of the burden on the economy and on the population in regard with the tax and non-tax charges from the Register of tax and non-tax charges; (2) Based on the analysis, evaluate the justification of each individual tax and non-tax charge from the Register, and establish a plan to reduce or abolish individual tax or non-tax charge and (3) Perform an analysis of the procedures during the processing of tax and non-tax charges, and determine a plan for reducing or abolishing procedures that are unjustified, and proposing to simplify them, wherever possible.

Therefore, with the aim of protecting the taxpayers and strengthening the rule of law, as well as of compliance with the principles of legality, proportionality and rationality, the analysis of the burden on the economy and on the population was done in regard to tax and non-tax charges from the Register. The evaluation of the justification of each individual tax and non-tax charge from the Register was carried out as well, and the plan for the reduction or abolition of individual non-tax charges was drafted.

In the period from 2019 to 2023, through changes of several laws, a special Republic tax was abolished (savings to the economy of 9.8 million KM (4.9 million EUR) on an annual level), certain communal taxes were abolished (savings to the economy of 18.9 million KM/9 million EUR per year), administrative fees (Republic of Srpska level, cities and municipalities) were abolished (savings to the economy is about 1.1 million KM/0.55 million EUR per year), and amendments to the Law on Agricultural Land stipulated the abolition of the fee for changing the use of agricultural land at construction of production facilities in the field of processing industry, which also represents savings for the economy.

Currently, the Register includes 591 charges, of which 15 are tax, 5 contributions and 571 non-tax charges and is publicly available at: <https://fiskalniregistar.vladars.net/>.

## **Before and after**

In order to gain an insight into the most significant effects realized by the reform Establishing a system of transparency and protection of taxpayers, below is an overview of the most significant changes in the period before and after the implementation of the reform.

**Table: Overview of procedures in the reform Establishing a system of transparency and protection of taxpayers before and after the reform**

BEFORE	AFTER
No comprehensive record on tax and non-tax charges was present, hence interested parties had to visit numerous different websites and consult various legislation in order to be aware of their obligation	The Register of tax and non-tax charges has been legally established, providing one-stop-shop for information on tax and non-tax charges
The tax system of the Republika Srpska represented a set of 610 tax and non-tax charges, which were paid at the local and/or level of the Republic of Srpska.	The register of tax and non-tax charges currently has 591 charges, of which 15 are tax, 5 are contributions and 571 are non-tax charges
The data that is currently in the Register was not publicly available before.	Data from the Register are publicly available at: <a href="https://fiskalniregistar.vladars.net/">https://fiskalniregistar.vladars.net/</a>
An obligation to pay every tax and non-tax charge was established, without concern on the availability of data related to taxes and no-taxes	There is no obligation to pay any tax and non-tax duties that are not contained in the Register.
There was no evaluation of the justification of each individual tax and non-tax charge.	Evaluations of justification of each individual tax and non-tax charge from the Register are made regularly
High costs of dealing with tax and no-tax charges	In the period from 2019 to 2023, through changes of several laws, the economy of the Republic of Srpska saved the amount of about KM 30 million on an annual basis

Resources: Project Team

## Reform steps

In the following text we give the overview of the key steps in the implementation of the reform Establishing a system of transparency and protection of taxpayers:

- The Law on the Tax System of the Republic of Srpska ("Official Gazette of the Republic of Srpska", number: 62/17) was adopted, which provided the legal basis for the establishment of the Register of Tax and Non-Tax Charges in the Republic of Srpska;
- Adopted Rulebook on the method and procedure for establishing and maintaining the Register of tax and non-tax charges in the Republic of Srpska ("Official Gazette of the Republic of Srpska", number: 24/18);
- Established Register of Tax and Non-Tax Charges in Republika Srpska - Adopted Decision Establishing Initial Register of Tax and Non-Tax Chares ("Official Gazette of Republika Srpska", number: 26/18);

- The Government of the Republic of Srpska at its 48th session, held on November 28, 2019. year passed the Decision on the appointment of the Working Group for the reform of tax and non-tax charges and procedures for their payment;
- Information of the Working Group on the activities of the working group for the reform of tax and non-tax charges and procedures for their payment, with proposed recommendations was adopted;
- Amendments to the legislation, which reduced or canceled individual non-tax charges and saved the economy about KM 30 million on an annual basis was adopted: These are:
  - 1) Law on Amendments to the Law on Court Fees ("Official Gazette of the Republic of Srpska", number: 67/20);
  - 2) Law on Amendments to the Law on Special Republic Taxes ("Official Gazette of the Republic of Srpska", number: 123/20);
  - 3) Law on Amendments to the Law on Communal Taxes ("Official Gazette of the Republic of Srpska", number: 123/20);
  - 4) Law on Amendments to the Law on Administrative Fees ("Official Gazette of the Republic of Srpska", number: 123/20);
  - 5) Law on Amendments to the Law on Utility Taxes ("Official Gazette of the Republic of Srpska", number: 119/21);
  - 6) Law on Amendments to the Law on Agricultural Land ("Official Gazette of the Republic of Srpska", No. 119/21).

## References:

- Law on the tax system of the Republic of Srpska ("Official Gazette of the Republic of Srpska", number: 62/17);
- Rulebook on the method and procedure for establishing and maintaining the Register of tax and non-tax charges in the Republic of Srpska ("Official Gazette of the Republic of Srpska", number: 24/18);
- Decision determining the initial register of tax and non-tax charges ("Official Gazette of the Republic of Srpska", number: 26/18);
- Rulebook on the methods and manner of analyzing the justification of tax and non-tax charges ("Official Gazette of the Republic of Srpska", number: 68/18);
- Decision on the appointment of the Working Group for the reform of tax and non-tax charges and procedures for their payment;
- Information of the Working Group on the activities of the working group for the reform of tax and non-tax charges and procedures for their payment, with a proposal of recommendations;
- Law on Amendments to the Law on Court Fees ("Official Gazette of the Republic of Srpska", number: 67/20);
- Law on Amendments to the Law on Special Republic Taxes ("Official Gazette of the Republic of Srpska", number: 123/20);
- Law on Amendments to the Law on Communal Taxes ("Official Gazette of the Republic of Srpska", number: 123/20);
- Law on Amendments to the Law on Administrative Fees ("Official Gazette of the Republic of Srpska", number: 123/20);

- Law on Amendments to the Law on Communal Taxes ("Official Gazette of the Republic of Srpska", number: 119/21);
- Law on Amendments to the Law on Agricultural Land ("Official Gazette of the Republic of Srpska", No. 119/21).



## Bosnia and Herzegovina - Republika Srpska

### Brochure 4: Optimization of administrative procedures

#### Reform narrative

The reform dealing with the optimization of administrative procedures and formalities at the level of the Republic of Srpska required the analysis of all identified procedures and formalities issued by institutions at the level of the Republic of Srpska, therefore being necessary for the initiation of the simplification of such procedures, thus improving the performance of economic activities. The starting point for the analysis was the Single point of contact for business portal (<https://pscsrcpska.vladars.net>) which lists all the formalities issued by the administrative bodies of the Republic of Srpska. The goal of the project was to simplify business performance through the abolition or the simplification of formalities imposed by the administrative bodies of the Republic of Srpska, thus reducing the costs, number of necessary documentation, time, etc.

After the Government of the Republic of Srpska adopted the Decision on the initiation of the reform of Optimization of administrative procedures and formalities, the administrative bodies were established for the implementation and supervision of the reform as well as the principles and methodological framework, and a dynamic plan for the implementation of the reform which were all clearly designed. Each individual procedure and formality were analysed from the standpoint of its justification, the justification of requiring the necessary documentation, the analysis of costs and time in their implementation, the possibility of obtaining documents ex officio via web services, and proposing and implementing the simplification/abolition of certain administrative procedures.

In particular, the most frequently requested documents in the process of issuing formalities and the possibility of automatic data exchange between institutions were analysed in order to relieve the economy of the obligation to submit these documents. With certain technical refinement of the system this was realised for those parties for which it was determined that there is a basis in databases for their automatic exchange.

After multiple analyses, the Government of the Republic of Srpska adopted the Action Plan for the simplification/abolition of certain administrative procedures. Out of a total of 932 formalities, it was proposed to abolish 42 formalities and simplify 232 formalities.

The key simplifications relate to obtaining documents ex officio using web services, accepting the proposal that parties are no longer required to submit evidence (documents) issued by the institutions where the request is submitted and other formalities are issued, the reduction of certain fees for which there was no justification in height, simplifying the form of documents, prescribing the content of request forms and their availability. The business community is involved in the reform in all stages of its implementation.

The implementation of the reform is still ongoing and includes multiple changes to both the regulations that define mandatory documentation and software solutions that ensure automatic data exchange. Such an example is the upgrade of the web portal <http://bizreg.esrpska.com> where the current extract from the court register for every legal entity and entrepreneur is publicly available in real time. At the same time, two regulations were amended, the Rulebook on the amendment of the Rulebook on the conditions, manner and procedure of performing the services of the Agency for Intermediary, IT and Financial Services and the Rulebook on the amendment and amendment of the Rulebook on the content and manner of maintaining the central register of entrepreneurs which created a legal basis for the use of these data as public documents by competent institutions.

The system of the Tax Administration was also upgraded so that data on settled tax liabilities could be automatically exchanged between institutions.

## Before and after

In order to gain an insight into the most significant effects realized by the reform of the optimization of procedures, below is an overview of the most significant changes in the period before and after the implementation of the reform.

**Table: Overview of procedures in the reform Optimization of administrative procedures**

Before	After
Number of formalities at the republic level: 932	Number of abolished formalities: 40 Number of simplified formalities so far: about 50  Number of formalities undergoing simplification: about 170
The parties must submit decisions on the registration of business entities and entrepreneurs when submitting requests for about 207 formalities	Enabled public and real-time accurate insight into the current extract from the court register on the portal: <a href="http://bizreg.esrpska.com">http://bizreg.esrpska.com</a>  Adopted legal framework  Prerequisites were made for the Decisions on registration not have to be requested from the parties even at local self-government units

The parties must submit certificates of settlement of tax obligations	Created technical prerequisites were made for the exchange of data on settled tax obligations through automatic data exchange between institutions (in the pilot phase of application)
The parties must submit the documentation issued by the authority to which the request for new formalities is submitted	In 28 formalities this documentation is no longer required (or is in the phase of abolition).
The request form for delivery of formalities is not available or not prescribed	In 75 formalities the form is prescribed and publicly available (or is in the preparation stage)
The amount of the fee does not correspond to the costs of the administration in conducting the procedure	For 33 formalities fees have been or will be reduced or abolished

Resource: Project team

## Reform steps

The following is an overview of the key steps in the implementation of the project to streamline administrative procedures:

- The Government of the Republic of Srpska at its 115th session, held on April 1, 2021 passed the Decision on the implementation of the Project for the Optimization of Administrative Procedures and Formalities at level of the Republic of Srpska ("Official Gazette of the Republic of Srpska", No. 32/21);
- The Government appointed/established the administrative bodies that will implement the project:
  - 1) Council for management and monitoring of the Project for the optimization of administrative procedures and formalities at level of the Republic of Srpska (from key ministers, directors of the Chamber of Commerce and the Employers' Union, and the Cabinet of the Prime Minister) ("Official Gazette of the Republic of Srpska", number 40/21);
  - 2) Operational body for the implementation of the Project composed of 48 members - representatives of competent authorities that carry out administrative procedures and issue formalities and representatives of the business sector ("Official Gazette of the Republic of Srpska", number 40/21);
- An analysis of the situation was carried out in order to determine which documents are most often attached to the majority of formalities and to propose certain solutions that would facilitate the exchange of data between competent authorities;
- At the 1st session of the Council, the principles on which the project will be implemented, a dynamic plan and a unique methodology were adopted;
- Conducted training for members of the Operational Body;

- Published public invitation to businesses to submit their objections to the existing formalities (special forms have been established for this);
- Meetings held with institutions where it is possible to exchange data via the web service for the previously mentioned most frequently requested documents and established steps for implementation;
- Refined web services of the Tax Administration and Agency for intermediary, IT and financial services;
- An analysis form is filled out for each individual formality;
- Forms were checked;
- On several occasions, individual meetings of the Ministry of Economy and Entrepreneurship were held with all representatives of the Operational Body in order to harmonize the proposal for simplification;
- Established draft of the Action Plan with representatives of the Operational Body;
- At the 2nd session, the Council adopted the Action Plan;
- The Government of the Republic of Srpska, on the recommendation of the Project Council at the 151st session held on December 23, 2021. adopted the Conclusion, number: 04/1-012-2-4127/21, by which it adopted the Action Plan.

#### References:

- Decision on the implementation of the Project for the Optimization of Administrative Procedures and Formalities at the level of the Republic of Srpska ("Official Gazette of the Republic of Srpska", No. 32/21);
- Decision on the appointment of the Council for Management and Monitoring of the Project for the Optimization of Administrative Procedures and Formalities at the level of the Republic of Srpska ("Official Gazette of the Republic of Srpska", number: 40/21);
- Decision on the appointment of the Operational Body for the implementation of the Project ("Official Gazette of the Republic of Srpska", number: 40/21);
- <https://pscsrcpska.vladars.net;>
- <http://bizreg.esrpska.com;>
- <https://komorars.ba/poziv-privrednicima-za-dostavljanje-primjedbi-i-prijedloga-za-pojednostavljenje-ili-ukidanje-procedura-i-formalnosti/>
- <https://poreskaupravars.org/poreska-uprava-rs-pustila-u-funkciju-novu-funkcionalnost-u-okviru-elektronskih-usluga-poresko-uvjerenje-za-brzu-i-laksu-provjeru-stanja-obaveza/>
- Conference "Reduction of para-fiscal burdens - benefit for citizens and the economy": Presentation on the topic of optimization of administrative procedures in order to reduce costs for the business community





## Kosovo\*

### Brochure 1: Improving Access to Finance through Financial Intermediation

#### Reform narrative

Kosovo\* has established the Kosovo\* Credit Guarantee Fund (KCGF) as financial intermediation mechanism for SME's aiming to improve access to finance. KCGF was established in 2016 as per the Law on Establishment of the KCGF which had been prepared by the line ministry and with a support from international donors. The aim of KCGF is to increase the number of jobs, local production, value-added services, encourage exports, broaden the tax base, strengthen the social safety net, and reduce poverty. This fund also aims to target various groups in society such as women, minorities, farmers, and entrepreneurs, while reaching out to sectors with the potential for growth. In total, at this moment the number of guaranteed loans is 12.798, while the guaranteed loans amount to more than EUR 545,3 million, of which approved guaranties are EUR 288,9 million. Financial intermediation continues to expand. Credit growth accelerated from 7.1 percent in 2020 to 15.5 percent in 2021 and further to over 17 percent year-on-year in the first half of 2022. Loan growth was facilitated by low interest rates, a continued increase of deposits, improved contract enforcement, and increased guarantees extended by the KCGF for lending to Micro, Small and Medium Enterprises (MSMEs) in order to cushion the negative impacts of the crisis.

KCGF operates as an independent and development-oriented legal entity, providing credit guarantees by sharing credit risk with financial institutions. The aim is to ensure financial access and promote the development of MSMEs. KCGF has been established with five primary objectives: enhancing liquidity access at banks, increasing credit lending to MSMEs, creating jobs, providing new opportunities, and building a stable and independent institution. Within these objectives, KCGF aims to ensure MSMEs' growth and employment, increase production and value-added services, improve the trade balance by encouraging MSMEs to export, broaden the tax base, reduce poverty by creating a business environment that generates new jobs, strengthen the social safety net, and create opportunities for all categories of society, including youth, women, minorities, farmers, and all sectors. In addition, the perceived risks and lengthy administrative procedures, banks often demand collateral that businesses find unaffordable which has been

among main barriers to access to finances. To address this, KCGF steps in by covering approximately 50 percent of the collateral required by the bank in the form of a guarantee.

**Table 1: Before and After Scenario on Reforms on Improving Access to Finances through Financial Intermediation**

Before	After
Businesses faced barriers to access to finance as the credit supply was unfavorable for MSME's. Limited availability and affordability of accessible credit posed an obstacle to the expansion of small and medium-sized enterprises (SMEs).	Improved access to finances. Through the KCGF firms can access to credits to financial institutions by ensuring KCGF's credit guarantee. In total the number of loans guaranteed is 12,798, while the guaranteed loans are more than 545.3 million euros, while approved guaranties are 288,9 million euros. Financial intermediation continues to expand. Credit growth accelerated from 7.1 percent in 2020 to 15.5 percent in 2021 and further to over 17 percent year-on-year in the first half of 2022
Businesses faced liquidation problems	Businesses through applying at KCGF can avoid liquidation as they can more easily access finances.
No preferential interest rates, MSMEs were obliged to provide more valuable assets or securities as collateral, imposing more challenging to access to credit, while prolonged procedure of getting a loans were present	Improved access to finances, more preferential interest rates, reduction of collateral, short time for loan applications
MSMEs faced challenges on competing in the domestic and other markets as they lacked finances to invest in their facilities and focus on exporting activities. Competitive pressure has been consistent - lacking favorable credit supply which in turn prevented MSMEs in becoming more competitive.	Through KCGF support, MSMEs are more competitive, as they are investing in modern production capacities, and positive impact on firm growth were identified.
When applying for credit to financial institutions MSMEs could not provide guarantees on their liquidation.	KCGF guarantees and shares the risk with MSMEs, up to 50 percent of the collateral required by the bank is delivered in the form of a guarantee.
Financial institutions faced challenge in assessing the risk.	The risk assessment in the case of financing is simplified as KCGF guarantees the risk, thus the banks apply simple risk procedures when approving a credit line.
Financial institutions faced high credit risk and costs, and the growth of credit portfolio was low	Reduced credit risk and costs, and credit portfolio growth

**Table 2: Support of KCGF within the Economic Recovery Package (ERP)**

Windows within the Economic Recovery Package (ERP)	Number	Loan Amount (EUR)	Guarantee Amount	Average Loan Amount	Average Guarantee Amount
Total ERP	2,015	105,555,405	76,948,973	52,385	37,196
Women in Business Window	269	11,736,215	8,592,222	43,629	31,941
Agro Window	152	6,971,200	5,226,910	45,863	34,388
Manufacturing Window	394	28,719,074	19,943,859	72,891	50,619
Service Window	593	25,453,740	17,956,255	42,924	30,280
Trade Window	572	31,840,876	22,572,077	55,666	39,462
Startup Window	35	834,600	657,650	23,846	18,790

Source: KCGF (2021), available at: <https://fondikgk.org/en/guarantee-windows/economic-recovery-package/>

### Reform steps

- The first capital contribution for the Kosovo\* Credit Guarantee Fund (KCGF) was made in 2015. Subsequently, the law governing KCGF was initiated by the Ministry of Trade and Industry, with support from USAID Kosovo through the EMPOWER Credit Support Program (ECS) in 2016.
- This was followed by the establishment of the Board of Directors and the signing of the initial guarantee agreements with banks. In 2017, KCGF entered into an agreement with the Swedish Agency for Development and International Cooperation (SIDA) for a EUR 10 million Guarantee Agreement. Additionally, the capital was augmented by agreements with other institutions, such as the German Development Bank (KfW) and the Ministry of Finance, which contributed a total of EUR 7.450 million.
- In the subsequent year, 2018, KCGF signed an agreement with the European Association of Guarantee Institutions – AECM. This was also the year when the Agro Window was launched. Moving to 2019, KCGF signed an agreement with the European Investment Fund (EIF) for the COSME Program, along with a cooperation agreement involving the Millennium Challenge Corporation (MCC/MFK Foundation of the Millennium Kosovo\*).
- In 2020, KCGF signed two agreements worth EUR 6.5 million each with the German Development Bank (KfW) and the Ministry of Finance and Transfers, aimed at further increasing KCGF's capital. In the same year, a project named "Strengthening the Financial Sector" was initiated. An agreement was also reached with the German Development Bank (KfW) to augment KCGF's capital in response to the COVID-19 pandemic. Additionally, the Law on Economic Recovery COVID-19 was adopted during this time.
- In 2021, the capital was raised by an additional EUR 6 million following an agreement with the German Development Bank (KfW). During this period, the implementation of the Economic Recovery Program commenced, and KCGF signed its first guarantee agreements with Microfinance Institutions<sup>1</sup>.
- In the subsequent year, 2022, the GROW Window was introduced, and the project with the European Investment Bank (EIB) began implementation. Furthermore, an amendment to Law No. 05/L-057 on the establishment of KCGF was carried out.

## References

- *Official Gazette. LAW NO. 05/L -057 ON THE ESTABLISHMENT OF THE KOSOVO CREDIT GUARANTEE FUND.* Link: <https://qzk.rks-gov.net/ActDetail.aspx?ActID=11339>
- *Official Gazette: LAW NO. 07/L-016 ON ECONOMIC RECOVERY - COVID-19.* Link: <https://qzk.rks-gov.net/ActDetail.aspx?ActID=35478&langid=2>
- Sources: Program of Economic Reforms for the following periods: 2023-2025, 2022-2024, 2021-2023, 2020-2022, 2019-2021, 2018-2020);
- European Commission Reports on Kosovo\* , for the following years: 2022, 2021, 2020 and 2019. These reports contain information on the status of certain reforms undertaken by the authorities in Kosovo\* , in the context of process of integration of Kosovo\* , into the EU;
- KOSOVO Guarantee Fund web site link: <https://fondikgk.org/en/home-2/>



## Kosovo\*

### Brochure 2: Exempting manufacturing/production firms from taxes to boost competitiveness

#### Reform narrative

The business environment in Kosovo\* faced a major obstacle when it came to promoting competitiveness among manufacturing firms. Recognizing this challenge, the Kosovo\* government took a significant step forward by introducing a fiscal policy reform in 2016. Institutions abolished the law Nr.03/L- 146 on Value Added Tax replacing it with the law on No. 05/L -037. The reform aimed to incentivize manufacturing firms by granting them exemptions from customs and exercise taxes on essential components such as raw materials, semi-products, product lines, IT equipment, auxiliaries products involved in the production process, and spare parts for production lines. This fiscal incentive proved to be quite substantial, amounting to a total of EUR 355.2 million between 2018 and 2021. These tax exemptions played a crucial role in reducing the financial burden on businesses operating in the manufacturing sector and businesses, thus allowing them to focus on enhancing their competitiveness and export growth.

#### Before and after scenario

Table: Overview of the reform of exempting manufacturing/production firms from taxes, before and after the reform

Before	After
The exemption did not cover vehicles, fuel, goods, products, semi-products, and animals owned by traders, but it does apply to the tools the owner uses for their economic activity when they're relocating that activity to Kosovo*.	Exemption of technology and machinery used in production lines and machinery for use in production process, raw materials used for the production process information technology equipment
Businesses were less competitive on the domestic and international markets due to the costs imposed by VAT 16 percent on raw materials, technology, and production processes.	Businesses are more competitive on the domestic and international markets, due to the exemption from VAT for raw materials and technology used.
Registration threshold for entering VAT was at the level of fifty thousand (EUR 50,000) per calendar year.	Lowering the VAT threshold from EUR 50.000 to EUR 30.000 euros on an annual turnover.

	Decreasing the VAT threshold has created a more friendly and-more competitive business environment for SME's
The value added tax was chargeable at the rate of sixteen percent (16%) on the taxable value of imports, intra inflows and other taxable supplies except for zero-rated supplies.	0% for exports, 18% for all goods regardless of their origin, and 8% for basic consumption goods and some IT equipment. 0% aimed to apply for exported products aiming to stimulate export growth companies.

## Reform steps

The measure taken by institutions to ensure a more competitive business environment institutions responsible to propose laws have introduced the following steps.

- Evaluation of the former Value Added Tax Law (Law No. 03/L-114) and discussions with stakeholders from private sector on the impact of former law on business environment. The consultations have been organized through the submission of consultations online within 15 working days.
- Proposing new Value Added Tax Law (LAW No. 05/L -037) and amending, and adoption through the Parliament.
- Publication to official gazette
- Implementation of reforms by informing all the stakeholders on the changes made in the law. The process of informing stakeholders was through media statements and the publication of the new law on the website of the Kosovo\* Assembly.

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## Kosovo\*

### Brochure 3: Reforms of the Taxing System

#### Reform narrative

Over the years, Kosovo\*'s doing business has shown improvement, as evidenced by its 2020 global ranking of 57 with a score of 73.2 out of 100. Kosovo\* has the lowest tax rate compared to Western Balkan economies on VAT, the tax on personal and corporate incomes. VAT rates include 0 percent for exporters, 18 percent for all goods, and 8 percent on consumption goods and IT equipment (some equipment). In this regard, the government has provided additional reforms on taxing system by simplifying tax processes, improving efficiency, and reducing the financial and administrative burden on businesses, thereby promoting a more favorable business environment. Improving VAT refund process by introducing an online system to fill and pay VAT, making it easier for businesses to fulfill their tax obligations. This streamlined process facilitated faster VAT refunds. Reducing time to pay taxes, by decreasing the time spent on tax-related activities reducing from 35.5 hours to 27 hours. Furthermore, the Tax Administration of Kosovo\* (TAK) has progressively enhanced its efficiency, driven by factors such as the implementation of electronic tax declarations and investments in administrative capacity. Nonetheless, opportunities for further enhancement exist, particularly in terms of augmenting tax mobilization and increasing tax revenues in proportion to the GDP, given its comparatively lower performance compared to peer economies at a similar level of development.

Additional reforms on taxes focusing on improving various aspects of the tax system, aiming to create a more transparent and efficient tax framework. This included improving the tax audit process, so to ensure compliance, adjusting corporate income tax processes to promote fairness, and allowing expenses to be deducted when calculating corporate income tax. Subsequently, and especially due to allowing the expenses to be deducted when calculated the corporate income tax. Significantly lowered the overall costs when paying taxes. In this accord, the law on corporate income was improved by making the income tax was reformulated from 50,000€ to 30,000€. This includes new formulations that have been made on the law on pre-paid taxes for upcoming year and pension payments allowing, the taxpayer for any type of tax and pension contribution.

## Before and after scenario

**Table: Before and after scenario on taxation, before and after the reform**

Before	After
Long procedure and excessive paperwork in the procedures of applying for VAT refund. The time spent to apply for tax refund and prepare all documents required was 35.5 hours. Long procedure on processing, applying and document preparation.	Improved VAT refund process. The time for VAT refund was reduced to 27 hours and an online system was introduced <sup>2</sup> . Businesses can obtain quickly and efficiently, due to the simplification of procedures by TAK, on processing time, simplification of the submission of refund application reduced by 50 percent.
The tax payment bracket on corporate income tax was 50,000 which was not in accordance with the limit of Value Added Tax	The tax payment on corporate income tax was reformulated from 50,000€ to 30,000€ in accordance with the limit for Value Added Tax
The taxpayer's request is entitled to carry forward as advance for the subsequent year.	The sentence was formulated pre-paid taxes to cover upcoming tax and pension payments, including advance payments and other types of contributions. Based on the request, the tax payer is entitled to 'carry forward that amount as an advance payment for the subsequent year as well as for paying tax liabilities for any type of tax and pension contributions.

### Reform steps

- The ex-post evaluation of the existing legal framework was conducted on adopting new law and required changes;
- Creating the first draft of the law with the working group with the Ministry of Finance, Labor and Transfers (former Ministry of Finances);
- Sending the law to public consultations. The public consultations were conducted online, providing various stakeholders from the civil society and the private sector with the opportunity to comment on the proposed law. The public consultation period lasted 15 working days.
- Upon receiving the comments from various stakeholders, the law was sent to the government and then to parliament for an approval. The amended changes within the law on the corporate income taxes (CIT) were changed and the law on LAW No. 05/L -029 ON CORPORATE INCOME TAX was abolished with new law LAW NO.06/L-105 ON CORPORATE INCOME TAX

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## Kosovo\*

### Brochure 4: Reducing administrative burden and improved clearance to increase exports

#### Reform narrative

Administrative costs and burdens on export were among barriers that firms identified as a main obstacle to export. In that regard, the government has undertaken reforms aiming to increase the exports by simplifying customs, through the reduction of time and costs required to prepare documents and simplifying export procedures. The Customs and Excise Code of Kosovo\* (Code number 03/L109) includes provisions for simplified procedures in Articles 80 to 87, with further enhancements introduced by the 2011 amendment (Law No. 04/L-099) involving Authorized Economic Operators and summary declarations. Additionally, the Kosovo\* Customs Service has Administrative Instruction №23/2016, which outlines 18 articles detailing the type of criteria, type of goods, and the process for admission to simplified procedures, all aimed at simplifying the release of imported goods or export through a Single Goods Declaration. This was conducted via improving automated data management system and simplifying clearance procedures, hence enabling exports by making them more convenient and efficient. For example, the average time from when the agent lodges SAD (Single Administrative Document) with Customs to truck exiting border crossing points BCP has decreased from 3 hours and 17 minutes in 2016 to 2 hours and 44 minutes in 2021. In 2016 the same procedure took 1 hour and 10 minutes, whereas in 2021, five minutes, resulting in 92.9% of reduction of the time needed for preparing documentation that should be presented at Border Crossing Point (BCP), while truck sealed and ASYCUDA updated.

Likewise, the shortage of procedures for the transit corridor between Kosovo\* and Albania border has been an ongoing barrier for exporting businesses in Kosovo\*. As a result, both economies reduced clearance customs process and implementation of Albania-Kosovo\* Transit Corridor, by reducing the number of obligatory examinations at the crossing. This was conducted through the digitalization of customs services, while increasing the number of authorized economic operators and implementing one-stop shop. This has enabled exporting businesses in Kosovo\* to access to international markets directly through the Durrës Port via direct customs clearance. In addition,

the presence of goods destined for Kosovo\* at this port has increased by 40 percent since the establishment of the customs checkpoint.

## Before and after scenario

**Table 5. Before and after scenario on reducing administrative burden to export**

Before	After
The Single Administrative Document (SAD) with Customs needed 3 hours and 17 minutes to comply	The procedure was reduced to 2 hours and 44 minutes
Border Crossing Point (BCP) was 1 hour and 10 minutes for the document presented in the border	Five minutes -92.9% decrease in time needed to comply.
Barriers to export and use the transit corridor with Albania, due to long procedures. The lack of digitalization of export customs services and long procedures of examinations.	Both countries have simplified and shortened the number of examination in the border, reduced clearance to customs process, and started implementing one-stop shop. The presence of good due to the established of Durrës Port check point has increase by 40 percent.

## Reform steps

- The preposition of bilateral agreement between Albania and Kosovo\* government to ease the examination and remove the bureaucratic procedures for exporting/import companies and implementation of mutual facilities in customs procedures and/or control of entry/exit of goods. The decision was made on the council of meetings between two governments in 2022. The decision then was forwarded to each respective Assembly to adopt in the form of law.
- The Customs and Excise Code of Kosovo\*, identified by the code number 03/L109 and enacted in 2008, encompasses provisions in Articles 80 to 87 that pertain to simplified authorization procedures.
- In 2011, this Code was modified through Law No. 04/L-099. This amendment granted authorization for additional simplified procedures, specifically related to Authorized Economic Operators and the utilization of summary declarations.
- Furthermore, the Kosovo\* Customs Service has in place Administrative Instruction №23/2016. This instruction comprises a total of 18 articles. These articles offer comprehensive guidelines on the process of gaining admission to simplified procedures, the categories of goods eligible for processing under these simplified procedures, and the procedure itself.
- All these provisions were adopted in the Assembly.

## References

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## Kosovo\*

### Brochure 5: Increasing the number of women entrepreneurs and employment through grants and subsidies

#### Reform narrative

Low participation of women entrepreneurs in Kosovo\* has consistently raised concerns among policymakers, civil society, and international donors. In 2021, women owned only 33 percent of businesses, with their primary focus being on wholesale and retail trade, such as clothing and footwear retail stores, as well as hairdressing services. Recognizing the need to promote women's entrepreneurship, institutions have implemented several measures to provide incentives, enhance women's skills, and offer grants and subsidies.

One of these measures is the allocation of grants for women entrepreneurs and internships in the energy sector, aiming to reduce energy consumption through efficiency reforms. Another measure involves subventions to support women in business, specifically those with at least 50 percent co-ownership. Kosovo\* Investment and Enterprise Agency (KIESA) has provided subventions to SMEs co-owned by women, empowering them with funding ranging from EUR 10,000 to 30,000. Twenty-nine businesses have already benefited from this scheme. Additionally, fairs have been organized over three days exclusively for women-led businesses, providing a platform for them to promote their products and encouraging more women to start their own ventures. These initiatives aim to raise public awareness and generate support for women entrepreneurs. Lastly, to increase women's employment, the government has subsidized up to 50 percent of gross monthly salaries for three to nine months, providing a significant incentive for employers and aiding in the empowerment of women in the workforce.

**Table: Before and after scenario**

<b>Before</b>	<b>After</b>
The lack of grants and support for women's businesses on efficiency measures	100 women have benefited from business efficiency program
The financial support on women co-owners has not been presented in previous years.	Aiming to encourage co-ownership, KIESA has introduced incentive through the subventions ranging from 10,000 to 30,000 euros. So far twenty-nine businesses benefited from this scheme.
The measures on subsidizing the women employment in previous years were absent. The number of women in the labor market was low due to the absence of government incentives. Women businesses could not promote their products and services to various fairs organized by institutions.	Government has subsidized 50 percent of gross salary for nine months aiming to increase the number of women in labor market. KIESA organizes three days fairs for women businesses aiming to promote their businesses.
Women faced barriers to grow and establish their businesses due to the lack of access to finances.	Through the reforms establishment of Kosovo Credit Guarantee Fund, the number of women that accessed to finances through the KCGF of Women in Business Window were 269 with the guaranty amount of loan 8,592,222 Euro in average guarantee among 31,941 Euro.

### Reform steps

- Reform measure on allocation of grants efficiency measures for women's businesses and Internships was presented in Economic Reform Program (ERP) and activities planned for 2021. After the reform measure was introduced it has been implemented during the same year.
- The subsidies and grants are introduced through government policies and ERP. The decision made from the government is announced through the call of KIESA and employment agencies to support women entrepreneurship and women employment. After the call is closed, institutions review all applied businesses, and evaluate whether these businesses fill the eligibility criteria. The winner of the call is announced, and the money is allocated to the respective business.
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## Montenegro

### Brochure 1: Online payment of administrative and similar other fees - Information system for the collection of administrative fees (NS - NAT)

#### Reform narrative

In order to improve the business environment, a reform measure of electronic payment of administrative fees and other levies was implemented. In that regard, the cost of paying administrative fees is reduced, being the transaction costs that existed as a result of going to the bank or the post office. The electronic tax payment system was established in 2022, when the Ministry of Public Administration, Digital Society and Media and the Ministry of Finance and Social Welfare signed an agreement with three Montenegrin banks through which it will be possible to pay administrative fees online, through the National System for electronic collection of administrative fees. In order to enable electronic payment, the legislation were adapted, by passing necessary legal provisions that enabled the system to function effectively and due to technical requirements. The Law on Administrative Fees defines that administrative fees can be paid electronically. Also, the Regulation on the detailed conditions and method of paying administrative fees electronically was adopted, which defines the method, procedure, and conditions of online payment of fees. Other legislation that regulates this segment refers to the Law on Electronic Administration and the Law on Tax Administration, as well as the Order on the Method of Payment of Public Revenues, which defines the accounts to which payment is made public revenues.<sup>1</sup>

In this regard, a contract was signed between the two ministries and three banks operating in Montenegro. With the establishment of this system, collection records are provided at the central level, which further enables revenue collection records, as well as their checking and verification.

The effects of the introduction of the system of electronic payment of administrative and other fees contributed to the reduction or shortening of the time required for payment of fees, more efficient monitoring and verification of the collection of public revenues, as well as the reduction of malpractice. The cost of the time required to pay the fees has been reduced to just a few

minutes, thus reducing opportunity costs. Also, exemption from payment of commission in case of payment of administrative fees is prescribed. The commission is from 1% to 3%, depending on the type of card used to pay the fee. The commission is paid by the Ministry of Finance, so citizens and the companies are exempted from paying the commission in the case of electronic payment of administrative fees.

### Before and after scenario

The importance of the introduction of the system for electronic payment of administrative fees is mainly reflected in the simplification and reduction of fee payment administrative costs. Additionally, this system enables monitoring of the entire payment system, which contributes to the smooth and efficient functioning of payment traffic in this part, as well as the reduction of malpractice that existed in that case. The system also provides a clear and simple overview of all payments, so it enables insight into all previous payments and simple data processing.

In order to see the effects of the introduction of this system, the following table provides an overview of the changes compared to the situation before the introduction of this reform measure.

**Table: Overview of the effects before and after the introduction of the system for electronic payment of administrative fees and other levies**

BEFORE	AFTER
Paying fees requires going to a bank or post office	Fees are paid from the office/home without going to the bank or post office
The need to submit a copy of the certified payment order as proof that payment has been made	There is electronic proof of payment
Possibility of misuse when paying fees and other duties	Reduced possibility of abuse in the part of paying fees
There is no centralized record of the collection of all public revenues that would allow simple checking and verification of the collection of this category of revenue	There is a centralized record of collection of public revenues, which enables easy checking and verification of payments. The record is managed by the Ministry of Public Administration.
There is no single record of all payments, i.e. payments by citizens and companies	Citizens and companies have records of all payments. The records are in the electronic form saved on the platform.
Difficult statistical processing and analysis of data (public revenues) given that there is no centralized record of payments	Enabled easier statistical processing and data analysis due to unique records that enable easier and simpler data collection
Citizens and businesses pay commission for payments. The commission amounted from 1% to 3%, depending on the type of card used to pay the fee.	Citizens and companies are exempt from paying the commission, which is paid by the Ministry of Finance and Social Welfare

Source: The content in the table was prepared on the basis of "Information on the conclusion of contracts with banks in order to establish a system for electronic payment", Ministry of Public Administration, Digital Society and Media, available at: <https://www.gov.me/dokumenta/3a1b9c63-7902-4d11-b973-ffffe6a3f2e3>



## Reform steps

The need to introduce this reform measure is recognized in strategic documents and relevant analyses. The introduction of the Information System for the Collection of Administrative Fees (NS - NAT) is defined in the Digital Transformation Strategy of Montenegro 2022-2026. The Economic Reform Program 2022-2024 also defines the electronic payment of taxes through the NS-NAT system. In the study prepared by UNDP "Evaluation of the framework for digital management in Montenegro - Analysis of legal regulations for the development and management of e-services", the importance of establishing electronic payment of administrative fees was assessed, stating that it is a prerequisite for the digitization of numerous services and that the establishment of this system significantly facilitated the process of digital transformation.

In order to establish a system of online payment of administrative fees, the following steps were taken:

- Adopted Regulation on the detailed conditions and method of payment of administrative fees electronically ("Official Gazette of Montenegro", No. 68/2020). The regulation defines the methods and conditions of payment of administrative fees electronically;
- The Ministry of Public Administration, Digital Society and Media and the Ministry of Finance and Social Welfare, in cooperation with the Central Bank, have established a System for monitoring and checking all transactions related to the collection of public revenues. For this purpose, an Agreement was signed on the electronic transfer of data on payment transactions in favour of transaction accounts opened for the collection of state public revenues.
- Signed Agreement on acceptance of VISA, MasterCard and American Express payment cards via the Internet (E-commerce agreement) between the Ministry of Public Administration, Digital Society and Media and the Ministry of Finance and Social Welfare on the one hand and three banks (Hipotekarna bank, Crnogorska komercijalna bank and NLB bank) on the other side, which fulfils the technical requirements and conditions for the functioning of the system.
- Established Information System for Collection of Administrative Fees (NS - NAT)

## References:

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- Regulation on the detailed conditions and method of paying administrative fees electronically ("Official Gazette of Montenegro", no. 68/2020)
- Government of Montenegro (2022) Program of Economic Reforms 2022-2024.
- Law on Administrative Fees ("Official Gazette" No. 18/2019)



## Montenegro

### Brochure 2: Establishment of the Levy Register

#### Reform narrative

The reform “Register of levies” was carried out with the main goal of simplifying the procedure for determining and paying various levies both at the state and local level through the centralization of levies, as well as to improve the conditions for business, competitiveness, investment environment and business environment. Analyses and reports of business associations indicate that companies were burdened with numerous levies at the state and local level that significantly hamper their operations, forming a negative component of the business environment. The fact that the levies are not centralized in one place was cited as a special aggravating circumstance. Many levies, as tax and non-tax public revenues, paid by individuals and legal entities held liable at the state and local level have for years represented a high burden and cost for them. Consequently, this hindrance adversely had negative effects on businesses in terms of increased risk due to uncertainty, while making it difficult for legal entities to conduct regular business, plan business activities ahead and apply contingency plans. In return, it made making business decisions and investments unpredictable due to high uncertainty when it comes to planning expenditure. Therefore, the establishment of the Register of levies (<https://javninameti.gov.me>) also made prerequisites for saving time and money, and improved business planning for economic entities. In addition to the establishment of the Register, the Draft Law on the Register of Levies was also prepared in order to enable the functioning of the register. Nevertheless, although the planned adoption of the law was in the 4th quarter of 2021, the law has not yet been adopted. The adoption of the Law will further improve the efficiency of the reform as it will ensure even more efficient functioning of the Register, mainly through the establishment of a normative framework that governs the content management, operational management, maintenance and other issues of importance for the management of the Register of levies.

Nevertheless, the effects of the establishment of the Register of levies (<https://javninameti.gov.me>) are visible in the increase of transparency and clarity for all economic entities, having in mind that currently 1789 levies are classified in one place in the database, and 29,092 identified levies which were entered from 804 laws and by-laws. The additional value of

the Register is the first version of the license database, which provides data on the fees that must be paid in order to obtain a certain license (currently 332), but also the identification of over 400 regulations that should be repealed, of which 80 have already been abolished (data from March 2021).

### **Before and after scenario**

The most significant effect, therefore, relates to the increase in clarity and the possibility for business entities to transparently have insight into the list of levies and their amount for the areas related to their business, as well as the possibility to pre-calculate and plan costs related to their obligations to the public sector. This is shown illustratively in the following figure which indicates the difference between the previous and current state. Previously, it was not clear what should be paid and how much to pay, while now it is possible for business entities to easily find out the type of levy and calculate the amount of levy, they need to pay by visiting the register.

Picture 1. Acquaintance with the levies faced by the business entity at the state and local level



Source: Ministry of Economic Development (<https://javninameti.gov.me>)

For the purpose of a more efficient overview of the effects of the introduction of the Register of Levies, an overview of the most significant changes compared to the previous situation is given.

**Table 1. Overview of the effects before and after the introduction of the Register of levies for business entities and the public sector**

BEFORE	AFTER
A need for self-assessment of large number of regulations that regulate the basis or amounts of levies (over 800 regulations). There was no single access point (database) where all levies to be paid would be systematized.	Single register of levies with easy search (centralization and unification of data on levies in one place)
Ambiguities for users- businesses (data on levies not updated, incomprehensible and unclear for the user)	Clear and up-to-date data on levies, making it easier for users to understand and calculate levies at the state and local level
The burden of numerous unnecessary levies prescribed at the state and local level, which significantly make difficult the company's operations	Elimination of unnecessary levies (identification of over 400 regulations that should be repealed, of which 80 have already been repealed)
Complicated process of doing business and settling various tax and non-tax obligations towards state and local authorities	Simplified process of doing business and settling obligations
Difficult business operations of business entities due to high and additional costs for businessmen and citizens (numerous duty obligations prescribed in numerous laws and other regulations and additional time and capacity to plan and execute all obligations)	Facilitated business through saving time and money (lower business costs, i.e. reduction of costs for businessmen that were necessary for determining, calculating and paying numerous duty obligations prescribed in numerous laws and other regulations, shortening the time and capacity to plan and execute all obligations)
The public sector has no insight into the overall administrative burden of levies that businesses fac.	The public sector has the possibility of analysing the burden of levies, by economic sector, and conduct analysis on the levels of administrative burdens.
There is no analysis of the necessity of existing levies to be used as an input for making decisions on reduction, delay or abolition of levies	The ability to analyse the necessity of existing levies and, based on those inputs, to make a decision in which cases the levy can be reduced, postponed or abolished.

Source: The table was prepared on the basis of the Report on the Analysis of the Regulation Impact Assessment for the Draft Law on the Register of Levies, as well as data from the website of the Register of Levies ( <https://javninameti.gov.me>)

## **Reform steps**

Many levies (currently 2,297) as tax and non-tax public revenues paid by individuals and legal entities liable for these levies at the state and local level, have for years represented a high burden and cost for them, which adversely affects and makes it difficult for them to do business regularly, plan business and make business decisions and investments. Therefore, various actors were interested and involved in the entire process of reform of the establishment of the Registry of Levies.

Back in 2013, the Ministry of Finance conducted an Analysis of Fiscality at the Local Level, which was adopted by the Government.

The representatives of business associations pointed out the problems of the existence of many levies as well as tax and non-tax public revenues paid by business entities which represented a high burden and cost for them for years. This adversely made it difficult for them to conduct regular business, plan business and make business decisions and investments. Special attention was drawn to this issue could be find in the analyses and reports of the Chamber of Economy, the Montenegrin Employers' Federation and others. It was stated that businessmen are burdened by numerous levies prescribed at the state and local level, which significantly burden their business, forming a negative component of the business environment, while the fact that the levies are not centralized in one place is cited as a special aggravating circumstance. Analyses of economic associations such as the "Analysis of fiscality at the national and local level", prepared by the Chamber of Economy of Montenegro and the Report on para-fiscal in Montenegro, by the Montenegrin Employer's Federation from 2017, clearly emphasized the need to introduce a single electronic register.

After continuous indications from business associations, the World Bank in its publication from 2018 proposed the introduction of a levy register.

The introduction of the Register of Levies was part of the work plan of the Council for Competitiveness in 2020, i.e., the Secretariat of that council was recognized after consultation with the Ministry of Finance and the EBRD as the coordinator of the task of creating the Register of Levies and the draft Law on the Register of Levies. The Secretariat of the Council for Competitiveness, supported by the EBRD, in cooperation with the Government of the United Kingdom, coordinated and financed the creation of the register, in cooperation with a working group composed of members of public institutions, business associations and the Community of Municipalities.

A special role was played by the Ministry of Economic Development, which proposed the draft of the Law on the Register of Levies. Under jurisdiction of this ministry is the management of the Register of Levies.

The Program of Economic Reforms 2021-2023 recognized the establishment of the Registry as a priority reform measure, which was implemented in 2021.

The implementation included:

- preparation of a list of levies at the state and local level, which legal entities are obliged to pay.
- classification and description of levies. Charges are described, among other things, by attributes that define: type, amount of charge, method of payment, area or sector for which they are applied, regulations that are the basis for the adoption and determination of the amount of the charge.
- Establishing the Registry as a dynamic database that changes in accordance with the changes in the regulations prescribing levies at the state and local level. The date of the last levy change can be tracked through the "date of the last data change" attribute. The levies contained in this register are: excise duties, duties, donations, contributions, securities, interests, loans, fines, fees, taxes and surcharges, loans, revenues, sales, fees, costs and customs duties.

## Literature

- Draft Law on register of Levies (<https://www.google.com/url?sa=i&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=0CDgQw7AJahcKEwig4rD-5uCAAxUAAAAAHQAAAAAQAw&url=https%3A%2F%2Fwapi.gov.me%2Fdownload%2Fd0453a69-2f0d-4ec2-8e9e-74a9d29aa177%3Fversion%3D1.0&psig=AOvVaw3OA8YsvULjLPxxTREZ4H4Q&ust=1692262438225945&opi=89978449> )
- Report on the conducted analysis of the Regulatory impact assessment for the Draft Law on the Register of Levies
- Ministry of Economic Development, Register of Levies (<https://javninameti.gov.me>)
- Ministry of Finance (2013) Fiscal analysis at local level ([https://www.google.com/url?sa=i&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=0CDYQw7AJahcKEwjlY616OCAAxUAAAAAHQAAAAAQAw&url=https%3A%2F%2Fwapi.gov.me%2Fdownload%2F954fc537-cad5-4709-88cc-7af5dfb3d498%3Fversion%3D1.0&psig=AOvVaw0tNrof\\_99OHH68pdVGUAL3&ust=1692262822805400&opi=89978449](https://www.google.com/url?sa=i&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=0CDYQw7AJahcKEwjlY616OCAAxUAAAAAHQAAAAAQAw&url=https%3A%2F%2Fwapi.gov.me%2Fdownload%2F954fc537-cad5-4709-88cc-7af5dfb3d498%3Fversion%3D1.0&psig=AOvVaw0tNrof_99OHH68pdVGUAL3&ust=1692262822805400&opi=89978449))
- Chamber of Economy of Montenegro (2017) Analysis of fiscality at the national and local level
- Montenegrin Employer's Federation (2017) Report on para-fiscal (<https://www.poslodavci.org/biblioteka/dokumenta-upcg/izvijestaj-o-parafiskalitetima-u-crnoj-gori>)



## Montenegro

### Brochure 3: Development of women entrepreneurship through an innovative approach to financing - "Vouchers for women and young people in business"

#### Reform narrative

The reform of innovative access to financing for women entrepreneurs through the line – “Vouchers for women and young people in business” was implemented as a response to a problem that has existed in the Montenegrin business environment for years - the lack of access to finance for women entrepreneurs. This problem had a negative impact on the development of female entrepreneurship during the previous years, as indicated by numerous studies, researches and analyses by employers' associations, as well as government documents. Given that women face obstacles to securing decent employment and the opportunity to advance as entrepreneurs, one of the main links to the development of female entrepreneurship is access to resources, including the financial resources they need to invest in growth and development. The implementation of the reform, which includes the establishment of an innovative line of vouchers for women entrepreneurs, somewhat facilitated access to finance for these business participants and improved the general position of women entrepreneurs in the business environment, especially in the initial years of business.

The implementation of the reform is based on the government's Programme for Improving the Competitiveness of the Economy, which was previously adopted, so that Vouchers for women and young people in business represent a line of support within the mentioned program. That programme was designed with respect to the adopted Women Entrepreneurship Development Strategy 2021-2024., which establishes the basis for effective policy implementation, with an aim of strengthening the competitiveness of women entrepreneurship and effective public policy that promotes and supports women entrepreneurship.

The reform of the introduction of vouchers for women and young people in business as part of the line is based on an innovative concept of support in 2023, which includes direct financial support from the Ministry of Economic Development and Tourism in the initial investment phase for the acquisition of basic assets - equipment. The application process for funds offered in the



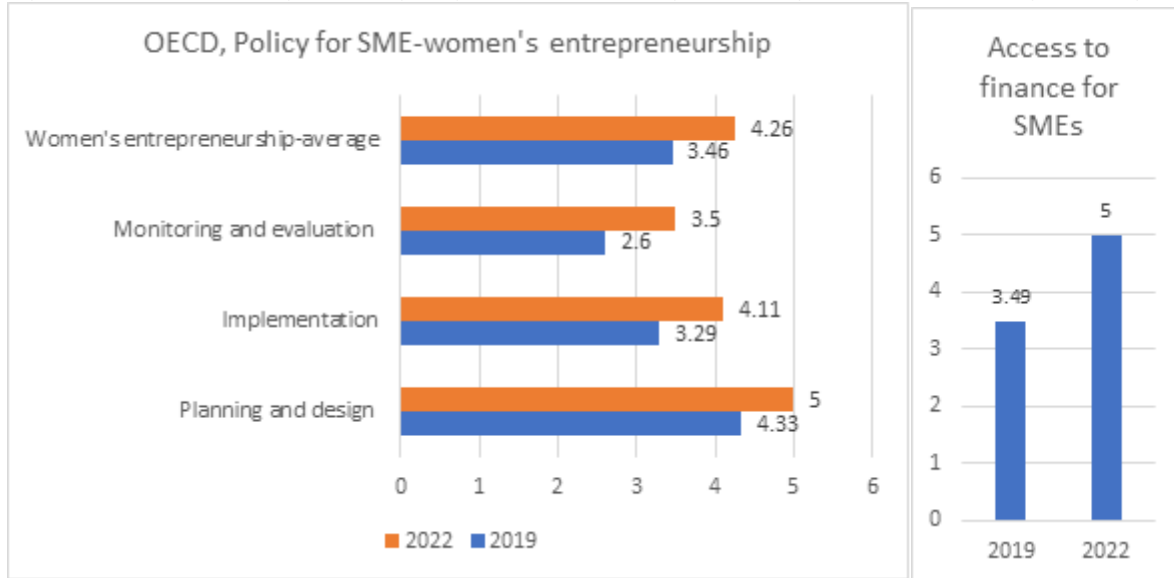
amount of up to EUR7,000 is very simple. The application process is facilitated by the fact that on the link of the public invitation there is an option "Apply" with a list of documents (application form, declarations and various forms) that can be filled out electronically and does not require much time or financial resources. SMEs and entrepreneurs have the right to participate in the program line, where in the founding structure of the company participate female persons who own 100% of the company, /or persons up to 35 years of age. There are no significant restrictions regarding the application except for the requirement that the company is 1-3 years old, that it is registered in the central register of the Commercial Court, and that the basic activity code under which the company is registered in that register is on the "List of permitted activity codes within supported sectors of the Program for Improving the Competitiveness of the Economy for 2023". However, that list is broad and includes both production and service activities. Also, it is understood that the applicant has completed financial statements for the previous period.

The effects of such an approach are visible in the fact that the introduction of such lines has improved the environment for women entrepreneurship through greater access to finance for women entrepreneurs. During 2021, the participation of women business owners in the total number of companies was 24.45%, while at the end of 2022 it was 24.93%. (the target value according to the strategy as in 2024 is 25%.) Also, there was an increase in the participation of women entrepreneurs in the total number from 31.44% (2021) to 31.58% (2022) and the target value in 2024 is 32.5 %. The increase in these indicators was accompanied by an absolute increase in the number of women business owners and women entrepreneurs. Also, according to the OECD Report "SME Policy Index: Western Balkan and Turkey 2022", which provides a comprehensive overview of the implementation of the ten principles of the Small Business Act for Europe (SBA), Montenegro took a high second position (after Turkey) in the implementation of women entrepreneurship policy (sub-dimension 1b). The total budget of the program line in 2023 is EUR 0.2 million, which is still not enough support, but is certainly a step forward in the context of ensuring the continuity of the existence of financial support for women in business. Also, in addition to this, during previous year the grant scheme in the amount EUR 0,3 million was provided by the European Union, with co-financing by the Government of Montenegro with the aim to support projects related to strengthening the capacity of micro, small and medium-sized enterprises (MSMEs) owned by women and youth.

### **Before and after scenario**

By implementing the reform, which aims to facilitate access to finance for women entrepreneurs, the overall environment for business is improved, and women's entrepreneurship in particular is improved. Program lines for women entrepreneurs as a forerunner of vouchers for women, as well as other support programs for women entrepreneurs, resulted in a significant improvement of the overall framework for the development of entrepreneurship during 2022. This is confirmed by the results of the OECD Report for 2019 and 2022.

Figure 1. OECD, Policy Index policy women’s entrepreneurship and access to finance for SMEs



Source: OECD, "SME Policy Index: Western Balkan and Turkey", 2019 and 2022

Therefore, the contribution of the introduction of support lines for financing women’s entrepreneurship (among other things, new vouchers for women entrepreneurs) is reflected in the improvement of the overall framework for women’s entrepreneurship, but also in particular the contribution to better access to finance for women in business. Certain barriers faced by women entrepreneurs, which were continuously pointed out, have been reduced.

BEFORE	AFTER
Women entrepreneurs do not have viable financial and non-financial support for business improvement	Vouchers available to women entrepreneurs to support business improvement of new SMEs operating from 1-3 years. In addition to financial support, which includes the allocation of grants to cover part of the costs, the purchase of basic assets - equipment, which are directly involved in the process of production and service provision, the line also provides non-financial support that includes provided mentoring for a duration of 25 hours of free mentoring work with the owner/responsible person in the company in order to diagnose the current situation in the company and propose measures and activities for business improvement.
Complicated application process for funding	Simple online application for the voucher competition (in addition to the application form, most documents are submitted electronically) which saves time and money.

Low number of women entrepreneurs and business owners	Increased number of women entrepreneurs and business owners. During 2021, the participation of women business owners in the total number of companies was 24.45%, while at the end of 2022 it was 24.93%. (the target value according to the strategy as in 2024 is 25%.) Also, there was an increase in the participation of women entrepreneurs in the total number from 31.44% (2021) to 31.58% (2022) and the target value in 2024 is 32.5 %.
There are no continuously available funding programs for women's entrepreneurship	Various lines for financing women's entrepreneurship including vouchers for women entrepreneurs as part of the government's Program for Improving the Competitiveness of the Economy
Low scores for policies aimed at the development of women's entrepreneurship	In 2022, Montenegro has the highest scores for policies aimed at women's entrepreneurship among all the countries of the Western Balkans.

## Reform steps

- The introduction of the program line "Vouchers for women and young people in business" was preceded by the expressed need for constant stimulation and strengthening of the sector of small, medium and large enterprises, recognized in several strategic documents.
- However, it was only in 2019 that the first Program for Improving the Competitiveness of the Economy was adopted, which united previously unrelated programs intended for the development of entrepreneurship and the business sector into a single program - which consisted of several program lines. This is the probable reason why lines aimed at financial support for women's entrepreneurship were missing, or were not implemented continuously, which brought uncertainty to women entrepreneurs regarding access to financial lines provided by the state.
- It is defined that the adoption of this program is the responsibility of the Ministry of Economic Development and Tourism, whose responsibility is the policy of creating and implementing programs and measures to support the sector of SMEs and entrepreneurs.
- Subsequent programs for the improvement of competitiveness changed the program lines and modified them, and many of them put women entrepreneurs in the foreground. Nevertheless, a completely innovative program line, which in its very name is aimed at women entrepreneurs, has existed since 2023 - "Vouchers for women and young people in business". The goal was the economic empowerment of women, so special incentive financial and non-financial support measures aimed at this target group were created. Incentive mechanisms will be reflected, both through the Program as a whole, and through the mentioned special program line in order to facilitate the business of women entrepreneurs due to difficult access to financial resources, lack of appropriate credit history and the possibility of securing appropriate collateral.
- When it comes to the line itself, it did not require a separate adoption of acts because it is part of the broader Program for the Improvement of Competitiveness.

- The program line defines:
  1. Goal and specific goals
  2. Subject of the program line (non-financial support and financial support)
  3. Financial framework
  4. Implementation procedure (announcement of a public call, conditions for participation, justification of costs, necessary documentation and monitoring of the implementation of the program line)
- This is followed by the announcement of a Public Call with clear criteria on the government portal for supporting small and medium-sized enterprises
- Implementation of activities and monitoring are final steps.

## References

- Montenegrin Employers' Federation (2013) ASSESSMENT OF THE ENVIRONMENT FOR WOMEN'S ENTREPRENEURSHIP IN MONTENEGRO (PROCJENA OKRUŽENJA ZA ŽENSKO PREDUZETNIŠTVO U CRNOJ GORI) (<https://www.poslodavci.org/biblioteka/publikacije/procjena-okruzenja-za-zensko-preduzetnistvo-u-crnoj-gori>)
- Public call – “Vouchers for women and young people in business” (<https://biznis.gov.me/vodici-i-informacije/vauceri-podrska-za-nabavku-osnovnih-sredstava-opreme-i-mentoring-za-zene-i-mlade>)
- Program for improving the competitiveness of the economy for 2019, 2020, 2021, 2022 and 2023, Ministry of Economic Development and Tourism
- Report on the implementation of the Action Plan for the implementation of the Strategy for the Development of Women's Entrepreneurship in Montenegro 2021-2024, for the year 2022, Government of Montenegro
- SME Policy Index Western Balkans and Turkey 2019 and 2022 ASSESSING THE IMPLEMENTATION OF THE SMALL BUSINESS ACT FOR EUROPE, OECD



## North Macedonia

### Brochure 1: One-stop shop for provision building permits, e-services for construction land and e - assets

#### Reform narrative

Complex administrative procedures and insufficient coordination among public institutions is one of the key challenges in setting up an appropriate business environment. Committed toward further simplification of the business environment, the Government introduced digitalisation of business oriented services through setting up information systems for building permits ([www.gradezna-dozvola.mk](http://www.gradezna-dozvola.mk)), information system for construction land ([www.zels.gradezno-zemjiste.mk](http://www.zels.gradezno-zemjiste.mk)) and for public bidding in the disposal of movable and immovable objects ([www.e-stvari.mk](http://www.e-stvari.mk)). These information systems enable companies to obtain all necessary information through integrated provision of all services, instead of using web sites of each line ministry or other public institution. The systems for building permits and for construction land are an inevitable integrated segment in the overall state functioning, because they are the only way in which a building permit can be issued or state-owned undeveloped construction land can be alienated and leased, that is, they are a starting position to realize any investment. The procedure of issuing building permits and construction of land electronically is aimed at simplifying and clarifying the construction related process and it contributes towards shortening the time needed for issuing building permits.

E-assets system (e-stvari.mk) contributes towards increasing transparency, responsibility, and accountability in the management of public movable and immovable objects at the state level. The system is separately implemented at the local level (the platform is maintained by ZELS for all municipalities), but also at the state level, where the Ministry of Finance is in charge, for movable and immovable objects at the disposal of the central institutions.

In cooperation with the Agency for electronic Communications, ZELS has prepared software solutions on the central level for both, building permits and selling construction land and for e-auctions for managing of construction sites, that are available to all municipalities via ZELS server

on free of charge basis, helping them save funds by not introducing their own support systems and individual procurements of software applications. As a result, the investment procedures have been streamlined, encouraging potential investors, and thus contributing to overall local economic development. North Macedonia was the first in the region to introduce such an electronic system in municipalities. For example, dealing with the construction permits required 9 procedures in 2020, compared to 12 in 2014 and 23 in 2011.

Besides contributing to a greater efficiency of the municipalities and the Ministry of Transport, the new system leads to greater transparency in providing business services, attracting direct investments and intensifying economic development.

### Before and after

To gain an insight into the impact achieved by the reform One-stop shop for provision building permits, e-services for construction land and e- assets, below is an overview of the key changes created by the implementation of this reform.

**Table 1: Overview of procedures in the reform One-stop shop for provision building permits, e-services for construction land and e- assets**

Before	After
Complex administrative procedures, by using manual, "paper" option.	According to WB Doing Business report 2014, after introducing the electronic system, the dealing with construction permits was made easier by reducing the time required to register a new building and by authorizing the municipality to register the building on behalf of the owner. For example, the time needed for getting construction permit was reduced to 90 days in 2014 compared to 150 days in 2011.
Insufficient coordination among public institutions in providing business services	Digitalization of business-oriented services through setting up information systems for construction permits, contributing towards more transparent procedure, reduced corruption, equal access for and to all subjects.
Line ministries and public institutions provide information through their separate web sites.	Integrated provision of all information related to building permits, e-services for construction land and e-assets.
Manual issuance of building permits and services for construction land. Waiting at the municipal	The system for electronic issuance of permits completely replaces the previous system because requests are submitted entirely electronically with

counters and losing part of the working time. Extensive use of paper.	the appropriate documentation provided for by law. Elimination of use of paper.
Regular complaints from the business community about the inefficient provision of information related to building permits, e-services for construction land and e -assets.	Increased client satisfaction – According to the Assessment of the system for e-permit constructions conducted by ZELS, majority from both, applicants from the business community (87.5%) and the municipal officials (62.1%) agree that the procedure for issuing construction permits has improved since the introduction of the electronic issuance system.
High supervision costs after obtaining a construction permit	The average costs of supervision in the construction phase after obtaining a construction permit expressed as a percentage with the construction value according to the approved project varies between 0.1%-2%, which demonstrates that the procedure for issuing building permits has been improved since the electronic system was introduced
The average duration of the procedure for issuing a building permit is over 45 days	The average duration of the procedure for issuing a building permit is 30 days or less according to the majority of both, businesses, and the officials.
Average time needed for receiving the calculation for the payment of the compensation for the development of construction land over 15 days	The average time needed for receiving the calculation for the payment of the compensation for the development of construction land, after receiving the construction permit, was up to one week.
Over 30 days needed for signing the contract for development of the construction land after payment of compensation costs	The contract for development of the construction land was signed with the institutions in an average of less than 15 days after payment of compensation for development of construction land.

Source: Project Team

## Reform steps

Below is the overview of the key steps in the implementation of the reform One-stop shop for provisioning building permits, e-services for construction land and e- assets:

- The Law on Construction Sites transfers the competence regarding the managing of unoccupied construction sites from the central to local level, allocating to the municipalities 80% of the profit gained when selling and renting construction land.

- Intensive negotiations between ZELS and the Government regarding the participation of municipalities in the adoption of legal solutions to improve services for the functioning of municipalities.
- ZELS has prepared software solution on the central level for building permits and selling construction land and for e-auctions for managing of construction sites, that is available to all municipalities via ZELS server on free of charge basis, helping them save funds by not introducing their own support systems and individual procurements of software applications.
- ZELS organized public consultations with citizens, state stakeholders involved in the system (notaries, associations of architects, state attorney’s office, prosecutor’s office, judges, etc.) and the private sector for introducing the system and collecting their comments.
- Integrating the comments about the system into the final version.
- ZELS conducted training for the administration, to maximize the functionality of the system, as well provides an IT technical and legal support on the daily basis to all “clients”.
- The Law on Construction Land adopted in 2016, predicts a new procedure, essentially a new way of conducting the proceedings concerning the Law regarding the alienation, long and short-term lease of land, the establishment of the easement and permanent use. The new procedure implies that the submission of the request until the registration of land title deed to the new owner will be conducted electronically without any physical contact between the applicant and the officer conducting the procedure.

## References

- Assessment of the system for e-permit constructions, ZELS
- Strategy for formalizing the informal economy 2023- 2027 with an action plan
- Law on Construction Land (“Official Gazette of the Republic of Macedonia” no. 15/15, 98/15, 193/15, 226/15, 31/16, 142/16, 190/16 and “Official Gazette of the Republic of North Macedonia” no. 275/19)
- Implementation of e-Urbanization in the Legal Framework of the Republic of North Macedonia, 2020, University for Business and Technology in Kosovo\* UBT Knowledge Center
- Amendment of the Construction Law, (“Official Gazette, no. 18 of 27.1.2020)





## North Macedonia:

### Brochure 2: Improving the access to funds for R&D and Innovation

#### Description of reform

Businesses in North Macedonia have limited access to finance for financing their innovative projects. For that purpose, one of the main reform measures and main landmark efforts of the government in the last years is in providing financial support to innovative projects and companies. This effort was supported by the establishment of the Fund for Innovation and Technological Development (FITD) in 2013, as a focal institution in the national innovation ecosystem. Its main objectives are: 1) improved access to financial support for innovation and technological development; and 2) promoting and encouraging innovation activities in North Macedonia.

Besides working directly with start-ups and companies with innovative potential, FITD also enabled three leading accelerators in the country to provide the necessary knowledge, support, and funding to companies through their programs.

Since its' establishment the total value of investments in 839 innovative projects is EUR 101 million. In addition, it has supported 106 school projects with the involvement of 700 students and mentors. The following instruments were used for funding company project: 1) Start-Up/Spin-off with the average project value of EUR 36,000 of which EUR 28,000 are co-funded by FITD; 2) Improvement of Innovation with the average value per project of EUR 197,000; 3) Technology Development for Accelerated Economic Growth with the average project value of EUR 107,000; 4) Commercialization with an average project value of EUR 228,709; 5) Technology Development – COVID-19 with an average project value of EUR 29,000; 6) Technology Development with an average project value of EUR 171,000.

In relation to the SME Policy Index for the Western Balkans and Turkey, North Macedonia has made good progress in support of SMEs innovation since the last assessment, improving its score further from 3.35 in 2019 to 3.77 in 2022, which is above the WBT average (3.18). Progress has been made regarding strengthening the institutional support structure and providing financial support schemes at scale and sustainable levels.

## Before and after

In order to gain an insight into the most significant effects realized by the reform of improving the access to funds for R&D and Innovation through establishment of the FITD an overview of the key changes resulting from the implementation of this reform are presented below.

**Table: Overview of procedures in the reform improving the access to funds for R&D and Innovation through establishment of the FITD before and after the reform**

Before	After
Lack of financing instruments for support of innovation: the loans from the commercial banks were hardly accessible and very expensive, business angel support was in its embryonic phase.	FITD co-financed in 839 innovative projects in a value of EUR 101 million.
Lack of institutional support: Not clear and overlapping responsibilities for innovation support amongst institutions. Both the Ministry of Education and Science and the Ministry of Economy have to support innovation projects	FITD has built reputation as the main institution for supporting the innovation ecosystem in North Macedonia.
Lack of awareness and innovation culture of SMEs	Increased awareness and better utilization of innovative capacities of SMEs
The innovation-related funds and instruments operated almost exclusively at the national level.	FITD contributes towards balanced regional development, through taking into consideration classification of level of development of the regions (less developed regions have priority in evaluating the projects)
No special measures for supporting female entrepreneurship	FITD encourages female entrepreneurship through ranking higher the companies with female managers and/or owners in the evaluation process.
North Macedonia has scored 3.35 in support of SMEs, SME Policy Index for the Western Balkans and Turkey in 2019	North Macedonia has made a progress in support of innovation, improving its score further from 3.35 in 2019 to 3.77 in 2022, which is above the WBT average (3.18). Progress has been made regarding strengthening the institutional support structure and providing financial support schemes at scale and sustainable levels.

Resources: Project Team

## Reform steps

In the following text we give an overview of the key steps in the implementation of the reform of improving the access to funds for R&D and Innovation through establishment of the FITD:

- In 2012, the National Innovation Strategy was adopted. The strategy set a base for introduction of many regulatory reforms and policy measures addressing the governance of the system, and the low capacity and propensity of the business, education and research sectors to innovate.
- The key reform resulting from the Innovation Strategy was the development of the Law for Innovation activity which was adopted in May 2013. The Law regulates the principles, objectives and subjects of the innovation activity, the scientific research activity, and the transfer of technological know-how; the intellectual property rights of the relevant stakeholders; as well as the establishment of the Fund for Innovations and Technological Development (FITD).
- The Fund for Innovations and Technology Development (FITD) was established in 2013 as a focal institution in the national innovation ecosystem. FITD was developed in two stages, the first funded only by the Government, and the second stage funded by the World Bank and IPA funding scheme, in addition to the Government funds.
- The National Startup Council was established at the end of 2020 by FITD with the main goal to represent the startup community and to represent its interests in the process of creating and adopting policies that should contribute to further growth and development of the Macedonian startup ecosystem.

## Data resources

- Performance analysis of companies co-funded by FITD, September 2021, Skopje, North Macedonia
- <https://fitr.mk/en>
- Assessment of the National Innovation System, Report in support of the formulation of a National Innovation Strategy
- Law on innovation activity, 2013
- Rulebook for the support instrument- Co-financed grants for improvement of innovation, 2018
- Rulebook on management of instruments for support of the FITD
- Rulebooks on support instrument – co-financed grants for commercialization of innovations (2015, 2016, 2019)
- Rulebooks on support instrument – co-financed grants for newly established trade companies, start-ups and spin-offs (2015, 2016, 2018)
- Rulebook on the support instrument – co-financed grants for transfer of technologies (2015)
- Rulebook on the instrument for support – technological extension
- Rulebook on the instrument for support – technical assistance through business technological accelerators (2015)
- Annual FITD work programs (2017, 2018, 2019, 2020, 2021)
- Medium-term programs for work of FITD (2017 – 2019, 2018 – 2020, 2021-2023)
- Annual reports on the work of FITD (2014, 2015, 2016, 2017, 2018, 2019)



## North Macedonia

### Brochure 3: Trade facilitation - Simplifying custom procedures reform

#### Description of reform

Customs procedures at border crossing points are usually seen by businesses as complex, slow, and overly bureaucratic. Slow scanning procedures and time-consuming sample testing, as well as the clearance waiting time for trucks are some of the issues that needed to be addressed with the economic integration reforms.

Trade facilitation is a measure, under the economic integration reform, which relates to the implementation of the Additional Protocol 5 to the CEFTA Agreement, aimed at simplifying the inspections related to all clearance procedures and reducing formalities to the maximum extent possible through electronic exchange of information between customs authorities. One of the reform measures undertaken for improving the trade facilitation are simplified custom procedures, reducing waiting times by expanding business hours and reducing trade costs and facilitating the release and clearance of goods have been introduced. It also foresaw new categorization of commodities in the tariff list based on their risk level – only those that present the highest risk receive phytosanitary inspections, testing, sampling, etc. North Macedonia is the first country in the Western Balkans to develop a rigorous, methodological risk management approach for the import of plants for example.

Most changes made since for the application of sanitary and phytosanitary measures were aimed at harmonization with international norms. In view of the accession process to the European Union, the Government has focused on streamlining practices and implementing various measures related to the EU acquis, regarding field inspection services, official controls, food and feed safety, animal disease control, plant health and plant protection products, control of veterinary medicinal products, and enhancement of border post import control.

The implemented measures resulted in faster, easier, and cheaper clearance procedures for traders. Technical trade barriers have been lowered, decreasing SMEs' costs and administrative burden when exporting. For example, as part of a new and improved process, low-risk fruits and vegetables such as bananas, which represent 30% of country import of fruits, receive expedited

entry, contrary to previously when all products required identity and physical checks. A tariff list now categorizes commodities based on their risk level – only those that present the highest risk receive phytosanitary inspections, testing, sampling, etc.

The benefits for the business community of trade facilitation are the reduced time spent on import, export and transit procedures thus reducing the overall costs of trade. For example, the transit time in for Greece (BCP Bogorodica) is lower by 113%, and for Serbia (BCP Tabanovce) by 81% in 2022, compared to 2015, which makes helps the companies trading goods across borders to be more competitive in the regional and international markets.

For further reduction of the processing times by the Customs Administration and the Cross-Border Regulatory Agencies (CBRAs), the National Single Window system is scheduled for launch in 2024.

### Before and after

To gain an insight into the most significant effects of the Trade facilitation reform - Simplifying custom procedures, an overview of the changes in the period before and after the implementation of the reform is presented in the following table.

**Table: Overview of status quo before and after implementation of Trade facilitation reform - Simplifying custom procedures**

Before	After
Complex, slow, and overly bureaucratic custom procedures as perceived by the business- slow scanning procedures, time-consuming sample testing, and long clearance waiting time for trucks.	<p>Technical trade barriers have been lowered, decreasing SMEs’ costs and administrative burden.</p> <p>Reduced time spent on import, export and transit procedures enabled companies trading goods across borders to increase their competitiveness in the regional and international markets.</p>
Slow processing time for import and export procedures	<p>According to the Time Release Study+ report, supported by the World Bank, there is an overall reduction in the overall processing time for import procedures between 2015 and 2022. Both, Terminal Skopje 1013 and BCP Tabanovce had a reduction of about 2 hours and 30 minutes in absolute terms, which in relative terms is a reduction of 25% and 97% over the same period. The transit time for BCP Bogorodica is lower by 113% (or 34 minutes), and for BCP Tabanovce there is a reduction of 81% (or 50 minutes).</p>

<p>Customs procedures were implemented manually</p>	<p>With the e-custom system all customs procedures that were implemented on paper were replaced by electronic procedures.</p>
<p>94% of import declarations and 81% of export declarations processed in regular custom procedures in 2007.</p>	<p>Permanent trend of increasing of application of simplified custom procedures.</p> <p>The number of processed Custom declarations in simplified import procedures rose 418% in 2016 related to 2007, and the number of processed custom declarations in simplified export procedures increased for 120% in the same period.</p>
<p>Inadequate categorization of commodities, without taking into consideration the risk level.</p> <p>The quality of low-risk fruits and vegetables, such as bananas for example, which represent 30 percent of fruit imports, were being affected by the clearance wait time at the border, and by the time they reached their destination, they were often spoiled. These delays impacted the entire supply chain.</p>	<p>A tariff list now categorizes commodities based on their risk level – only those that present the highest risk receive phytosanitary inspections, testing, sampling, etc.</p> <p>As part of a new and improved process, low-risk fruits and vegetables receive expedited entry, contrary to previously when all products required identity and physical checks.</p>

Resources: Project Team

### Reform steps

- In the following text we give the overview of the key steps in the implementation of the reform
- reform Trade facilitation - Simplifying custom procedures:
- North Macedonia took several trade facilitation initiatives to implement international commitments, such as those under the Trade Facilitation Agreement (TFA) and the World Customs Organization Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures. In January 2018, North Macedonia ratified the CEFTA Additional Protocol 5 on Trade Facilitation.
- In July 2015, North Macedonia became a party to the Convention on a Common Transit Procedure and the Convention on the Simplification of the Formalities in Trade in Goods between EU member States and EFTA countries. These Conventions, provide for easier and faster movement of goods, as transit procedures require only a single transit declaration to be submitted in electronic form.
- National Trade Facilitation Committee of the Republic of Macedonia (NTFCM) was established in 2015.

- In 2018, amendments were made to the Customs Code and the Customs Code Implementing Provisions to harmonize these AEO provisions with the relevant provisions of the EU Customs Code, the EU Customs Code Implementing Act and the EU Customs Code Delegating Act.
- A new Customs Declarations and Excise Documents Processing System (CDEPS) was developed in 2019, aiming at enabling communication with companies via web portal and system-to-system communication by using web services. Thus, all customs procedures that were implemented on paper were replaced by electronic procedures. The authorities expect that the CDEPS will become fully operational in June 2019.
- With respect to certain issues raised in the 2018 European Commission report on enlargement, several steps were taken to strengthen the capacity of the Phytosanitary Inspectorate to collect and analyse data, to develop a phytosanitary information and communication system, to enhance the effectiveness of phytosanitary inspection, and to meet international standards regarding the determination of pest status.
- Measures were also taken to improve the capacities of the Food and Veterinary Agency (FVA) as the central competent authority for matters related to food and feed safety, veterinary policy, quality of food, animal by-products, and veterinary medicinal products, to comply with WTO obligations with respect to notifications. The FVA adopted several food safety monitoring programmes, aiming to ensure continuous monitoring and timely preventive detection of risks to human health, throughout the food safety chain.
- With respect to sanitary and veterinary policy, the following amendments and implementing regulations (rulebooks) were adopted:
  - Amendments of part of the Law on food safety in 2018 (originally published in the Official Gazette of the Republic of Macedonia 157/2010, and already amended in Gazettes 53/2011, 1/2012, 164/2013, 187/2013, 43/2014, 72/2015, 129/2015, 213/2015 and 39/2016).
  - Amendments of part of the Law on veterinary health in 2016 (originally published in the Official Gazette of the Republic of Macedonia 113/2007, and already amended in Gazettes 24/2011, 136/2011, 123/2012 and 154/2015).
  - Amendments of part of the Law on animal by-products (Official Gazette of the Republic of Macedonia 113/2007, 144/2014 and 149/2015).
  - Amendments of part of the Law on veterinary medical products in 2018 (originally published in the Official Gazette of the Republic of Macedonia 42/2010 and already amended in Gazettes 136/2011, 149/2015 and 53/2016).
  - Amendments of part of the Law on identification and registration of animals in 2016 (Official Gazette 95/2012, 27/2014 and 149/2014).

## References

- Report on Non-Tariff Measures in CEFTA Support to regional economic integration, 2022, GIZ
- Time Release Study+ Republic of North Macedonia Final Report, 2022, IFC
- The Trade Policy Strategy 2.0 for North Macedonia; Trade Competitiveness Diagnostic and State Aid Effectiveness Report, 2022
- Trade policy review. Report by the secretariat the Republic of North Macedonia, WTO, 2019

- Law on the Customs Administration (“Official Gazette of the Republic of Macedonia”, No. 46/2004, 81/2005, 107/2007, 103/2008, 64/2009, 105/2009, 48/10, 158/10, 53/11, 113/12, 43/14, 167/14, 33/15, 61/15, 129/15 and 23/16) (MK unofficial consolidated version)
- Laws on Plant Health; Plant Protection Products (based on EU Directive 91/414/EC); Fertilizers; Seed and Seedlings; and Protection of New Plant Varieties
- Law on food safety (Official Gazette of the Republic of Macedonia 157/2010)





## North Macedonia

### Brochure 4: One-Stop-Shop for registering business

#### Reform narrative

Complex and unclear procedures for setting up a new business were one of the factors that hampered the entrepreneurial climate in North Macedonia. For addressing this challenge, the Central Register has implemented a One-Stop-Shop system ([www.crm.com.mk](http://www.crm.com.mk)) through which the registration of an enterprise can regularly be completed within few hours.

The One-Stop-Shop system undertakes all registration procedures with various state bodies (including the provision of a tax ID no). Company registration, of both foreign and local entities is undertaken at a single window through one of the 27 one-stop-shops operating under the Central Registry of North Macedonia.

The One-stop-shop enables investors to register their businesses after 4 hours since the submission of the application (in practice, it might take 1-2 business days). The e-registration has been upgraded with additional functionalities, including the possibility of tax registration as VAT taxpayer.

In addition to a more effective and efficient registration procedure, the one-stop-shop contributes towards improving the business environment through providing a single location (electronic) through which the companies have access to valuable business-oriented services, a simple, fast, and efficient way to interact with the public sector in function of satisfying reporting needs, and possibility of obtaining value-added services derived from regional data sources. This all resulted in decline of the informal employment in the Republic of North Macedonia from 24.3 % in 2011 to 15.2 % in 2019.

For example, after release of the BIFIDEX Regional Portal (Business Financial Data Exchange), created together with the Serbian Agency for business registers, the business community have access to real time searchable data and services of 1.5 million companies and legal entities and over 2 million owners and managers, with information of their ownership and management

structure, financial statements, organizational changes, etc. Republic of Serbia and the Republic of North Macedonia are the first countries from the region who joined this initiative.

### Before and after

In order to gain an insight into the impact of the reform One-Stop-Shop for registering business, below is an overview of the most significant changes in the period before and after the implementation of the reform.

**Table: Overview of procedures in the reform One-Stop-Shop for registering business**

Before	After
Complex and unclear procedures for setting up a new business were one of the factors that hampered the entrepreneurial climate in North Macedonia.	The One-Stop-Shop system ( <a href="http://www.crm.com.mk">www.crm.com.mk</a> ), implemented by the Central Register enables registration of an enterprise to be completed within few hours
Before the one-stop-shop system was established company registration was throughout the country was dispersed in three registration courts	Company registration, of both foreign and local, is undertaken at a single window through one of the 27 one-stop-shops operating under the Central Registry of North Macedonia.
In the first phase of setting up one-stop-shop reform the registration procedure was reduced from 48 to 3 days.	The one stop shop enables investors to register their businesses after 4 hours of submitting on application (in practice, it might take 1-2 business days). The e-registration has been upgraded with additional functionalities, including the possibility of tax registration as VAT taxpayer.
Before amendment of the Company Law, the required founding capital of limited liability companies was EUR 5 000.	With the amendment of the Company Law in 2021 and the introduction of the “Special Limited Liability” company status, the founding capital of limited liability companies has been reduced to EUR 1
Informal employment in the Republic of North Macedonia- 24.3 per cent in 2011	Informal employment in the Republic of North Macedonia declined from 24.3 per cent in 2011 to 15.2 per cent in 2019. The country’s overall score on company registration is above the WBT average (4.62 vs. 4.18)

Resource: Project team

## Reform steps

The following is an overview of the key steps in the development and implementation of the reform One-Stop-Shop for registering business:

- After establishment of a single centralized commercial register, replacing the court proceedings, distributed in three regional courts, under the one-stop-shop system, during the first phase, in the period 2007-2009 electronic entry and processing of Annual accounts was introduced which increased efficiency, accuracy and the speed of the process.
- The phase 2 continued in two directions, expansion of interoperability between institutions and in the state, and expansion of the offer to a new set of services available electronically over the internet - electronic registration of a legal entity, registration of first employment in the Employment Agency and the Health Insurance Fund in the premises of the Central Registry, registrations and changes to pledge and leasing agreements, as well as streamlined e-bankruptcy procedure.
- The progress made by introducing the one-stop-shop system was recognized by the renowned report Doing Business of the World Bank, ranking the country at the top of Europe for three years in a row (2014-2016) according to the business start-up indicator.
- In 2016 the Central Registry, in cooperation with the Ministry of Finance besides enabling registration of all types of legal entities was enabled electronically, in a single step, through the existing e-registration system, at no cost, upgraded the one-stop-shop system with offering direct investment registration.
- In the period 2017 – 2021 the one-stop-shop system focuses on setting up new registers, expanding the service orientation and more effective distribution of information.
- Providing access to the BIFIDEX Regional Portal (Business Financial Data Exchange) in 2021, as the first multilingual and interactive regional business registry platform.
- Amendment of the Company Law in 2021 and the introduction of the “Special Limited Liability” company status

## References

- Law on the Central Registry of the Republic of North Macedonia ("Official Gazette of the Republic of Macedonia" No. 50/2001, 49/2003, 109/2005);
- Law on one-stop shop system and keeping the trade register and the register of other legal entities ("Official Gazette of the Republic of Macedonia" No. 84/2005, 13/2007, Decision of the Constitutional Court 12.09.2007, 150/2007);
- Law on Trade Companies ("Official Gazette of the Republic of Macedonia" No. 28/2004, 84/2005, 25/2007);
- Rulebook on the form and content of the forms for registration in the trade register and the register of other legal entities ("Official Gazette of RM" number 115/2005);
- Annual reports of the Central Register of North Macedonia (2019, 2020, 2021)
- Publication 20 years of development the Central registry - pillar of the business community.



## Republic of Serbia

### Brochure 1: Taxation of „freelancers“

- Establishing an efficient system for collecting taxes and contributions from freelancers

#### Reform narrative

The reform pertains to regulating the work and obligations arising from work for so-called "freelancers." In its original English meaning, the term "freelancers" colloquially refers to individuals who are not in an employment relationship with an employer but perform tasks for them under a written or oral contract. They are "freelancers" who work for multiple clients, following a flexible work dynamic, at times that suit them. Freelancers are typically college-educated individuals aged between 20 and 40, and the jobs they perform are primarily those done through the internet (online training, programming, web design, graphic design, video editing, and others).

In Serbia, freelancers are most often formally unemployed individuals (38.4% of cases) or employees of other legal entities (contract workers employed by a legal entity in Serbia- 23.33%), or they register as entrepreneurs who pay taxes and contributions on a lump-sum basis (in approximately 23% of cases).

The problem of the functioning of freelancers who were not entrepreneurs in the previous period was particularly pronounced in terms of tax treatment, especially when, retroactively for the period 2015- 2020, after tax inspections, tax assessments were issued, burdening their income with practically the most unfavorable tax treatment: income tax and the regular rate of contributions at a rate of 43% of the earnings. Consequently, freelancers were put in an unfavorable position to continue their activities while generating significant amounts of debt for taxes and contributions.

In Serbia, the tax treatment of this segment of freelancers is regulated by the Law on Personal Income Tax, adopted by the National Assembly of the Republic of Serbia in December 2022. The law does not define the term "freelancer" nor mention it explicitly. However, when we use the

term "freelancers" in the following text, it refers to individuals who earn income from domestic and foreign individuals and legal entities. The law prescribes self-assessment, self-assessment modalities, and the method of fulfilling tax obligations. This is the result of dialogue between representatives of various state bodies and organizations interested in the business conditions of freelancers within the Task Force of the Government of Serbia. As part of the same agreement within the Task Force, amendments to the Law on Mandatory Social Security Contributions regulate the rights related to mandatory social security for freelancers, including pension and disability insurance and health insurance.

In accordance with the new regime, freelancers do not receive a decision on tax assessment from the Tax Administration indicating how much tax they should pay but rather they self-taxate. Two self-assessment options have been defined, allowing freelancers to report and pay their obligations quarterly, with the flexibility to choose the self-taxation method that is most favorable to them within each quarterly assessment period. Freelancers can opt to calculate their obligations based on either fixed normative costs per quarter (96,000 RSD ≈ 820 EUR) or semi-variable costs (57,900 RSD/495 EUR per quarter, increased by 34% of the gross income earned in the quarter). Normative costs are subtracted from quarterly income, and the total quarterly obligations are calculated depending on the chosen option (Table 1).

**Table 1. Overview of tax and contribution calculation options for freelancers**

Option 1	Option 2
Normative costs: 96 000 RSD (EUR 820)	57 900 RSD (EUR 490) + 34% gross income earned in the quarter
Tax: 20%	Tax: 10%
Contributions for pension and disability insurance: 24%	Contributions for pension and disability insurance: 24%, mandatory, at least 25 218 RSD (EUR 215)
Contributions for health insurance: 10,3%*	Contributions for health insurance: 10,3%*

\*individuals who have health insurance through another source are not obliged to pay health insurance based on freelancing work.

A comparative analysis concludes that the first option is more favorable for freelancers who generate income up to 100,000 RSD quarterly (EUR 850), while the second option is more favorable for individuals who earn significantly higher income.

These calculations do not have to be done manually. On the portal [www.frilenseri.purs.gov.rs](http://www.frilenseri.purs.gov.rs) there is an informative tax calculator that will assist in calculating the total amount of taxes and contributions in relation to the income earned in the previous quarter. As of the 1st July 2023, freelancers can use this portal to file their tax returns and get information about the most important news related to the taxation of freelancers. The portal also contains a range of useful tools for both existing and potential freelancers, including a self-assessment test to determine if

they meet the criteria for being freelancers, a tax obligation calculator, and a Guide to Tax Filing and Payment, which provides answers to many practical tax-related questions. Estimates suggest that, initially, the portal could be used by up to 100,000 freelancers who earn income by working for other individuals in Serbia or for individuals and legal entities abroad.

### Before and After

The reform of taxation of freelancers has primarily contributed to greater legal certainty for individuals who previously operated in a state of significant uncertainty regarding their tax treatment. In Table 2, we provide an overview of the most significant characteristics of the system before and after the reform, with the aim of assessing the comparative advantages of the reformed system of taxing freelancers.

**Table 2. An overview of taxation system for freelancers before and after the reform**

BEFORE	AFTER
Uncertainty regarding the amount of tax and contribution income from performing freelance work	Defined two self-assessment models with clearer presentation of income tax rates, along with a publicly available calculator that individuals can use to accurately verify the amount of income tax on a quarterly basis
Physical individuals engaged in online work often faced uncertainty about their status, particularly concerning whether they were subject to the control of the Tax Administration and whether they could be legally considered freelancers	Amendments to the Law on Personal Income Tax have specified who is considered a freelancer de facto (even though the term is not legally defined) and created a Self-Assessment Test as an auxiliary tool that individuals can use to determine whether they fall into the category of freelancers
Controls of freelancers by the tax authorities are random and unpredictable, resulting in a tax ruling that determines the amount owed on taxes and contributions for five years back	Under the new self-taxation regime, the Tax Administration does not issue a decision based on which freelancers pay taxes and contributions, but instead calculate, report and pay them themselves.
High level of taxation on income from freelancing work	The two self-assessment options proportionally affect income, with freelancers earning lower quarterly incomes (e.g., up to 100,000 RSD) incurring minimal costs ( $\approx$ 2-6% of total income) if they choose the first option, and up to 30% under the second option
Freelancers often operate in the sphere of the gray economy	Freelancers are part of the formal workforce and enjoy labor-related rights such as pension and health insurance. Additionally, the payments

	made to their accounts can also be utilized to demonstrate their creditworthiness
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Source: Project team

## Reform steps

In order to review the steps or measures taken when introducing the new system of taxing freelancers, the following are the most significant reform steps/activities presented chronologically:

- Conducted analysis of the freelancer taxation system,
  - Identified issues in the freelance taxation system
  - Conducted a detailed survey of freelancers
  - Established comparative analysis on the example of taxation of freelancers in four European countries
- Established Task Force to prepare proposals for regulating the status of freelancers
- Amendments to the Law on Personal Income Tax
- Amendments to the Law on Contributions for Mandatory Social Insurance
- Public-private dialogue on the necessary functionalities of the portal for taxation of freelancers
- Development of a software for electronic submission of tax returns to the Tax Administration
  - IKT portal frilenseri.purs.gov.rs
  - Development of a Guide for reporting and paying taxes through the portal
  - Development of Tax obligation calculator
  - Development of self-assessment test
- Informing the public about the conducted reform and how freelancers can fulfill their tax and other obligations.

## References:

- Law on personal income tax ("Official Gazette of RS", No. 24/2001...138/2022)
- NALED and the Republic Secretariat for Public Policies (2020), Flexible forms of employment of the workforce- Survey with freelancers
- NALED and Tax Administration, Ministry of Finance (2022), Guide for reporting and paying taxes via the portal frilenseri.purs.gov.rs
- NALED and the Republic Secretariat for Public Policies (2020), Non-standard forms of employment, towards an improved legal and institutional framework.



## Republic of Serbia

### Brochure 2: e-Fiscalization and e-Invoice

Improvement of the fiscal invoice issuance system and establishment of electronic invoices

#### Reform narrative

The reform related to the enhanced fiscalization, i.e. additional digitization of the fiscalization process, began with the adoption of the new Fiscalization Law at the end of 2020. It was further developed through the adoption of enacted bylaws and organizational-technical measures in the period up to 2022 when full implementation of the new solutions commenced. From the beginning of the application of the new law, a media-educational campaign called "Be Fiscalized" was launched, based on the Internet site of the same name.

e-Fiscalization is a reform based on the digitization of the entire process of issuing fiscal invoices and centralized record-keeping of transactions by competent authorities, primarily the Tax Administration of the Ministry of Finance. In addition to the reform of fiscal invoices, there was also a parallel reform in the introduction of electronic invoices (e-Invoices). This was established by the Law on Electronic Invoicing and pertains to the obligation to issue electronic invoices for the majority of entities in their mutual transactions and transactions with public sector entities. Entrepreneurs and legal entities not within the VAT system are exempt from this system, as well as certain specific activities in accordance with the Law on Fiscalization.

The eFiscalization system that has been introduced relies on advanced digital technical and technological solutions. New fiscal cash registers are specialized types of Android devices that are typically in constant connection with the Tax Administration through an internet connection. In the fiscalization process, it is particularly important to recognize the new "All in one" devices that, in addition to their fiscal cash register function, also enable POS (Point of Sale) functionality, meaning the capability for non-cash payments. This type of payment is significant since all non-cash transactions must be recorded, reducing the opportunity for misuse. The Serbian government has recognized the significance of non-cash payments and has dedicated three measures within the Program for Suppression of the Gray Economy 2023-2025 in order to strengthen them.



Considering that both reforms relate to internal payment transactions and are implemented within the same reform process and by the same stakeholders, this analysis will view them collectively. In general terms, the e-Invoice reform simplifies and enhances the payment system in wholesale, while e-Fiscalization deals with the same in the retail sector.

The e-Fiscalization reform involved the procurement of new fiscal devices for businesses that are obligated to issue fiscal invoices, supported by subsidies for their acquisition. For the purpose of replacing the old system, businesses were given a 6-month transition period to adapt to the new systems. Subsequently, physical inspections of businesses were conducted based on risk assessments carried out by the Tax Administration. The most significant innovation in the new fiscalization system is the use of new hardware and software solutions for recording transactions and issuing fiscal invoices to customers with QR codes. By scanning the QR code, customers can verify if the invoice was issued in compliance with the law and if it is an original invoice. Additionally, this method allows the Tax Administration to directly monitor the legality of the business whose invoice is scanned.

For businesses entities, the introduction of new solutions has significantly reduced administrative burdens, primarily due to the elimination of costs associated with fiscalization/defiscalization of cash registers, mandatory annual servicing of cash registers, storage of control tapes, and subscriptions with mobile providers for GPRS usage (covering the cost of internet connections).

The e-Invoice system involved the introduction of invoices in electronic form, which are exchanged through the Electronic Invoicing System (EIS). Registration on the e-Invoice portal is required for this purpose. The EIS facilitates the issuance, transmission, receipt, processing, and storage of electronic invoices in transactions between the public sector, private sector, and transactions involving both sectors. This has established a more efficient control over payment transactions and provided a significant incentive for businesses to further digitize their operations.

### **Before and After**

e-Fiscalization and e-Invoices have significantly changed the way payment transactions are conducted among various entities (VAT payers, merchants, the public sector, and other entities in accordance with applicable regulations). To provide insight into the most significant changes, we will now provide an overview of the key changes before and after the implementation of these reforms.

**Table 1. Overview of procedures in fiscalization and payment transactions before and after the reform**

BEFORE	AFTER
The fiscal cash registers in use required GPRS connectivity, incurring costs for mobile operators	Fiscal cash registers are connected via the Internet, at the expense of the Internet provider
All obligated users of fiscal cash registers were required to keep control tapes	The obligation to retain control tapes has been abolished, with direct oversight by the Tax Administration
Servicing fiscal cash registers and fiscalization/defiscalisation of cash registers imposed regular costs on the obligated users	With the new solution, the given costs are irregular
The legality of fiscal transactions was subject to inspection	Control of legality is carried out regularly due to obtaining data in real time and with the participation of citizens (consumers)
The content of invoices was prescribed, but in practice, there were variations in format and content. There were no standardized regulations for the invoice exchange system	A defined electronic invoice with unique content and form, and a system of electronic exchange of invoices
Control over transactions was conducted periodically during inspection procedures	Control of transactions through electronic invoices is performed in real time by the Tax Administration

Source: Project team

## Reform steps

In order to review the steps and measures taken to introduce reforms in the field of fiscalization and payment transactions, a chronological sequence of the most significant activities carried out by various stakeholders will be presented.

- Defined regulations (laws and by-laws) in the area of fiscalization and electronic invoices
  - Law on fiscalization with implemented by-law:
    - Regulation determining activities exempt from the obligation to record transactions through electronic fiscal devices
    - Regulation specifying the format and content of the register of electronic fiscal device elements, types of electronic fiscal devices, their usage and approval, automatic disconnection from the internet, alternative access, and data access to the Tax Administration

- Regulation defining the rights of natural persons- customers of goods and users of services in the implementation of the Law on Fiscal Cashiers
    - Additional 10 by-laws (Regulations) in the area of checking fiscal accounts, submitting data on business premises, records of authorized service providers of fiscal cash registers, etc
  - Law on electronic invoicing, with implemented by-laws:
    - Regulation on the conditions and manner of using the invoice management system
    - Regulation on the conditions and method of storing and making available for inspection electronic invoices and the method of ensuring the credibility and integrity of the content of invoices in paper form,
    - Regulation on the procedure of the Central Information Intermediary.
- The portal of the Tax Administration "Be Fiscalized" was established- a media information campaign
  - Defined interactive instructions for:
    - Submitting data and generating a unique label about business space and business premises electronically
    - Submission of the Statement of Interest for financial support for fiscalization through the ePorezi portal
    - Submitting an application for issuing security elements
  - Established section with the most frequent questions, and expert explanations related to individual procedures
- The prize game "Take the receipt and win" established
  - Defined internet portal [www.uzmiracun.rs](http://www.uzmiracun.rs) and a mobile application
  - Several rounds of the prize game were conducted in order to actualize the new fiscalization system
- An initial field control was carried out in several cities of Serbia, by the Tax Inspectorate, and in relation to the risk assessment
- Defined portal e-Invoice
  - Defined internal technical guidance
    - Application of standard EN 16931-1 (European standard on e-invoicing – European Committee for Standardisation – CEN) for electronic invoices in domestic transactions in Serbia
    - Standards for access to the e-Invoice system
    - User guide
  - Defined short instructions for direct application to SEF
  - Webinars held, and recordings available to the public for better familiarization with the system

## References

- Law on fiscalization („Official Gazette of RS“, No. 153/2020, 96/2021 and 138/2022)
- Law on electronic invoicing („Official Gazette RS“, br. 44/2021, 129/2021 and 138/2022)
- CEN (2020-12) DIN EN 16931-1 Electronic invoicing- Part 1: Semantic data model of the core elements of an electronic invoice
- [efaktura.gov.rs](http://efaktura.gov.rs), access to instructions and the e-Invoice system



## Republic of Serbia

### Brochure 3: Introduction of information system eAgrar

*By digitalization to a simplified agricultural producer record-keeping process and more efficient agricultural subsidy allocation*

#### Reform narrative

In line with a need to establish a central registry of agricultural producers, the Agricultural Register (RPG) was established in 2009, where registration in the register was a prerequisite for farmers to apply for subsidies (subsidies per hectare of arable land, milk premiums, subsidies for calf rearing, subsidies for the purchase of various equipment and machinery, construction of facilities, etc.) during one fiscal year. The management of the RPG was initially assigned to the Treasury Department of the Ministry of Finance, due to the insufficient capacity of the Agricultural Payments Administration (lack of local offices) to effectively maintain the register while ensuring the accuracy and timeliness of the data. Given that agricultural households (AH) were required to renew their registration every year (a process involving the submission of a minimum of 10 paper documents), the registration process represented a significant administrative cost for more than 350,000 active agricultural households, and the system itself was prone to numerous administrative errors due to manual integration of various state systems (Cadastre, Business Registers Agency, Ministry of Interior, etc.).

In order to reduce administrative costs (decrease the time required for registration) and increase legal certainty, an information system called eAgrar was established. Through this system, public databases are interconnected, and the process of interaction between users and the Agricultural Payments Administration has been automated. eAgrar is also significant in the context of Serbia's alignment with the Common Agricultural Policy of the EU, which requires that the entity responsible for implementing agricultural policy measures (in the case of Serbia, the Agricultural Payments Administration) is also responsible for maintaining the register of agricultural producers.

Through eAgrar, registration applications are submitted directly to the Agricultural Payments Administration, allowing farmers to update their information and renew their registration. The fact

that 267,000 agricultural households registered within the first two weeks of the establishment of eAgrar indicates that the system is efficient and user-friendly.

### Before and After

In accordance with the review of practices that existed before the changes and the positive effects that occurred after the introduction of the eAgrar information system, the table below illustrates the key characteristics of the registration process before and after the reform.

**Table: Overview of the agricultural household registration procedure and related actions before and after the eAgrar Reform**

BEFORE	AFTER
The Treasury Administration served as an intermediary to the Agricultural Payments Administration in part of its original jurisdiction	The Agricultural Payments Administration conducts its procedures in accordance with regulations and the EU acquis
Every year agricultural households had to personally submit a minimum of 10 documents, involving the completion of approximately 90 data	Agricultural households electronically submit documents, with 70% of the data collected automatically from official records
Officials in the relevant institution (Agricultural Payments Administration or Treasury Administration) had to repeatedly verify the accuracy of the data and manually input the information	The possibility of clerical errors is eliminated since data is retrieved from existing records, freeing up the time of officials for other tasks
All agricultural households had to renew their registration annually within a short timeframe	Clearly specified conditions for the renewal of registration and the acquisition of passive status, along with clearly defined deadlines,
When applying for incentives for crop and livestock production, agricultural households had to provide data that was already available in public administration records	Data is retrieved automatically from public administration records when agricultural households submit their requests

Source: Project team

## Reform steps

In order to understand the steps or measures that were taken to introduce the eAgrar information system, this section presents all significant activities conducted by various institutional and non-institutional actors in a chronological manner.

- Preparation of amendments to existing regulations and the development of new regulations.
  - The regulatory measure was implemented in several different segments, and the following regulations were prepared:
    - Amendments to the Law on Agriculture and Rural Development
    - Amendments to the Law on Incentives in Agriculture and Rural Development
    - Bylaws
- Development of a software solution for eAgrar
  - In order to create software solution, the following steps have been implemented:
    - Preparation of technical specification
    - Conducting a tender for selection of the contractor for the development of a software solution
    - Development of software in two phases – test versions of the software were developed in two phases, data migration was performed and the system was tested by users, officials and the project team
- The first Public Calls for submitting applications for incentives through eAgrar have been announced.
- Expected activities:
  - Professional development
    - Training for farmers and processors
    - Training for trainers – agricultural professional services
    - Mentoring of farmers
  - Support to farmers
    - Establishment of a contact center
    - Equipping municipalities and local communities with the necessary equipment
  - Media and educational campaign
  - Monitoring of system operation.

## References

- Law on Agriculture and Rural Development („Official Gazette of RS“, No. 41/2009, 10/2013 – dr. Law, 101/2016, 67/2021 – dr. Law and 114/2021)
- Rulebook on registration in the Register of Agricultural Farms and renewal of registration, as well as conditions for the passive status of agricultural households („Official Gazette of RS“, No. 17/2013...6/2023)
- [Amendments to the Law on Incentives in Agriculture and Rural Development](#) (Official Gazette of RS“, No. 35-2023)
- INTRODUCING THE E-AGRAR SYSTEM, Analysis of the current state and concept Amendments to the Law on Incentives in Agriculture and Rural Development to amend the regulatory framework, NALED, EBRD
- Activities on establishment of the eAgrar system, NALED





## Republic of Serbia

### Brochure 4: The procedure for registration in the Cadastre of Real Estate and Utilities

*Achievement of significant savings through the digitalization of the cadastre registration process and the transferring the competence to public notaries*

#### Reform narrative

Prior to the digitization of the land registration process in the cadastre, economy incurred significant costs in this regard, making the Serbian economy non-competitive compared to other Western Balkan economies (Serbia was ranked only above Bosnia and Herzegovina according to the World Bank's Doing Business- *Quality of Land Administration* Index in 2017). The reform of the real estate and water registry registration process was implemented with the primary goal of simplifying the procedures for registering property rights, while increasing legal certainty for all entities that wish or are required to exercise these rights.

In essence, the reform primarily involves the full implementation of the principle of cooperation among authorities with original or delegated public powers, by improving collaboration and the effective division of responsibilities between institutions. Through the implementation of the reform, it is ensured that citizens and businesses achieve significant time and cost savings when exercising their rights.

The reform was implemented through the adoption of the Law on the Procedure of Registration in the Cadastre of Real Estate and Utilities, the development and adoption of sub-legal acts, and the repeal of provisions of the Law on State Survey and Cadastre related to the registration process in the real estate cadastre. The Republic Geodetic Authority's actions and the development of communication between the Authority and the Chamber of Notaries were the basis for simplification. Regulations and the integration of various public records allowed property registration to be carried out after just one visit to a notary, instead of the previous practice of submitting documents to various competent authorities at different locations. All documents (submissions, evidence, and other documents submitted in the real estate cadastre registration

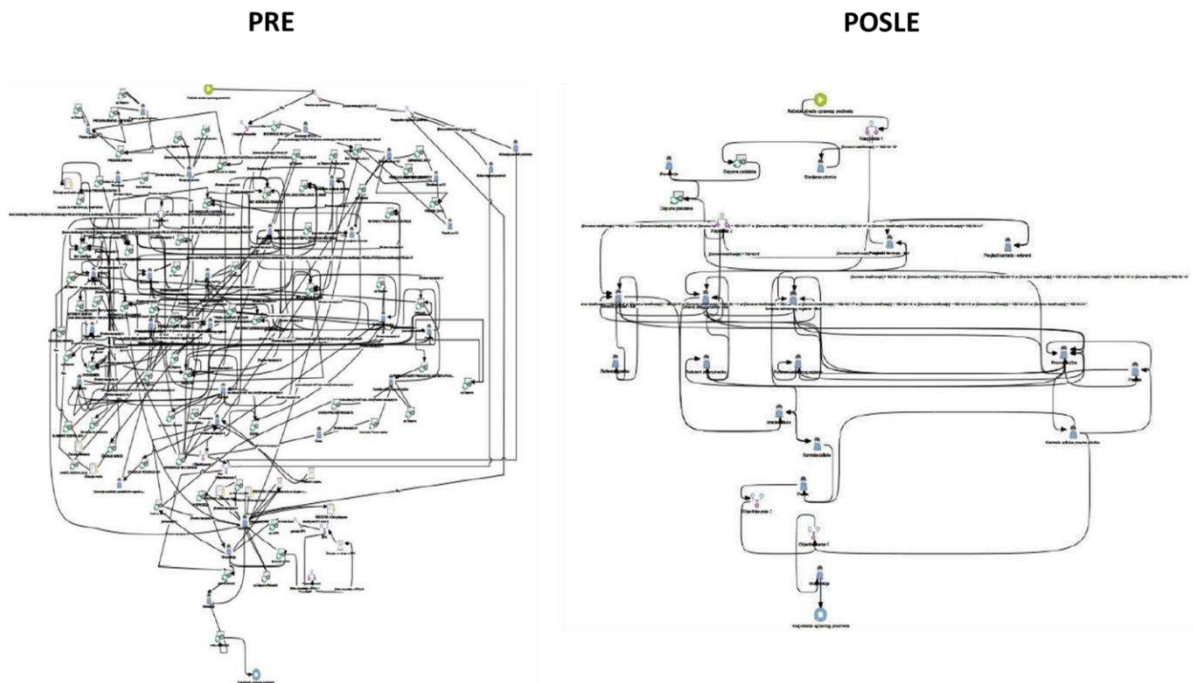
process) are typically provided in electronic form via an electronic counter, with the provision that the law also allows for paper submissions if the party prefers.

The effects of the reform are primarily seen in the increased legal certainty for all participants in the process through the delegation of authority to notaries, who are responsible for the correctness of the documentation and reduction of administrative costs and burdens for parties involved in the process of registering property rights (the estimated savings due to the reform amount to 2,727,484 EUR for businesses in one fiscal year). It is essential to highlight the impact on the competitiveness of the Serbian economy, as this reform was partially recognized (automatic tax submission was not included) in the World Bank's Doing Business Index reports. In the sub index *Quality of Land Administration* (0-30), a notable improvement was recorded, with a score of 18.5 in 2020, which represents a significant increase compared to the 2017 score of 16.5.

### Before and After

Significant progress has been made in simplifying and reducing the steps, or the process, for registering the real estate in cadastre and obtaining a final solution. As an illustration, Figure 1 displays a clear difference between the previous and current state.

**Figure: Procedure for registering in the real estate cadastre, before and after the reform**



Source: Republic Geodetic Authority

As already mentioned, the most significant contribution of the reform lies in simplifying the procedure for the party submitting a request for registration in the cadastre. The most notable changes are summarized in Table 1.

BEFORE	AFTER
Visits to 4 separate 'counters,' i.e., physical presence when submitting paper documentation	All in „One Stop“ - single counter system
Cadastre official decides on the legality of registration	Notary decides on the legality of registration
Party bears responsibility for errors during registration	Responsibility for incorrect registration is specified, extended to all participants in the process, with notaries responsible for verifying the submitted documentation and ensuring the legality of the registration
Registration of rights takes an unreasonably long time (around 25 days)	Registration in the cadastre takes 5 working days
Registration in the cadastre depends on the willingness of the party to submit a request	Registration in the cadastre is carried out ex officio
Property acquired during marriage is registered only in one spouse's name	Registration of joint ownership for both spouses
Party directly submits tax returns to the relevant tax authority	Tax returns are filed electronically through the Cadastre Information System and forwarded to the relevant tax authority
Extensive documentation and direct interaction between clients and cadastre officials	Documentation is electronically submitted without direct contact.

*Source: Ex-post analysis of the effects of the Law on the Procedure of Registration in the Cadastre of Real Estate and Utilities*

## Reform Steps

In order to provide an overview of the steps or measures taken to introduce the new registration of property rights in the Cadastre of Real Estate, this section presents all the significant activities conducted by various stakeholders in chronological order.

- Detailed ex-ante analysis of the property registration system in the Real Estate Cadastre in Serbia
  - Analysis of regulatory and non-regulatory reform measures, including an assessment of potential cost savings and the preparation of regulatory proposals
- Preparation of the Law on the Procedure of Registration in the Real Estate Cadastre and Utilities, along with other regulations, as well as amendments and additions to existing laws. The most significant regulations include:
  - The Law on the Procedure of Registration in the Cadastre of Real Estate and Utilities, along with sub-legal acts:

- Regulation on the conditions for issuing extracts from the real estate and utilities registers by notaries and geodetic organizations,
  - Regulation on the method of document submission in the cadastre registration process and the electronic issuance of cadastre extracts
  - Rules for maintaining records of identified changes to objects.
- Repealing the related provisions of the Law on State Survey and Cadastre
- Establishment of the ICT solution- eCounter
  - Implementation of the eCounter ICT solution by connecting public records and providing access to administrative authorities in the process
  - Definition of a publicly accessible eCounter guide and specific procedure instructions
- Conducting professional training for notaries and other representatives of institutions involved in the process
- Conducting an ex-post analysis of the real estate cadastre registration system
  - Identifying results and defining additional measures for system improvement with estimates of additional savings.

## References

- Law on the Procedure of Registration in the Cadastre of Real Estate and Utilities („Official Gazette of RS“, No. 41/2018, 95/2018, 31/2019 and 15/2020)
- Ex-post analysis of the effects of the Law on the Procedure of Registration in the Cadastre of Real Estate and Utilities
- Analysis of the effects of the Draft Law on Amendments to the Law on the Procedure for Registration in the Cadastre of Real Estate and Utilities
- Mr Jasmina Radovanović, „Guide to registration in the real estate cadastre, eCounter for real estate“
- Register of administrative procedures, Entry in the real estate cadastre.  
<https://rap.euprava.gov.rs/privreda/postupak-detajli/1137> Access: 11.04.2023.
- Balkan Center for Regulatory Reform, Assessment of Administrative Costs
- Good Governance Fund (GGF), Towards improving the content and implementation of the legal framework for registration in the real estate cadastre
- Additional analyses, available at: <http://upisnepokretnosti.rs/stranica-Analize-98>
- World Bank, Country Profile: Serbia, available at:  
<https://www.doingbusiness.org/content/dam/doingBusiness/country/s/serbia/SRB.pdf>



## Serbia

### Brochure 5: The procedure for obtaining a construction permit

*Reduced costs and elimination of corruption risks in the process of obtaining a construction permit*

#### Reform narrative

The reform of the procedure for obtaining a construction permit in Serbia pertains to the process in which an investor obtains permits for construction and performs other actions in individual proceedings before authorized public administration bodies, with the ultimate goal of constructing a building facility. The procedure itself is highly complex, although significant progress has been made in the past ten years in simplifying individual steps in the procedure, primarily in terms of procedure transparency and protecting investor rights. The reason for initiating the reform was the exceptionally lengthy, expensive, and inefficient process of obtaining a building permit (on average, the process took 264 days), which was in effect until 2014 when amendments to the Law on Planning and Construction were introduced. In this regard, the first wave of reform in the field of obtaining construction permits began with the introduction of a unified procedure (One-Stop Shop system) under the jurisdiction of local self-government units (exercising delegated and original jurisdiction in the context of related procedures within the unified procedure). Competent authorities took on the responsibility of obtaining all necessary conditions and approvals from holders of public authorizations or other public administration bodies, which were previously submitted by investors themselves.

In parallel with the reform of regulations and institutional organization in the construction sector, an ICT platform (CEOP- Central Unified Procedure Register) was established in 2016, transforming the old system of submitting paper documentation into a completely electronic procedure. In this sense, a unified procedure (One-Stop Shop system) was established in the process of submitting documents for obtaining a construction permit and other related certificates in the construction process. All documentation is electronically submitted by authorized (licensed) individuals. This has made the procedure significantly more transparent and greatly reduced the risk of corruption.

In 2017, the results of the reform demonstrated significant progress in the competitiveness of the domestic economy, as confirmed in the annual *Doing Business* reports by the World Bank, whereby Serbia was ranked 36th in the Dealing with Construction Permits index, marking an impressive improvement of 146 places compared to 2014 when Serbia was ranked 182nd out of a total of 190 analyzed economies.

Further reform steps in terms of the procedure for obtaining construction permits were implemented by improving regulations in the construction sector and providing detailed training programs for employees in local self-government units and the Republic Geodetic Institute. These additional improvements in the procedure contributed to enhancing the competitiveness of the overall economy, as evidenced by Serbia's progress on the *Doing Business* competitiveness list. In the latest measurement of the index related to dealing with construction permits, Serbia ranks 9th in the world, with the number of building permits issued having significantly increased over time (in 2022, 29,344 construction permits were issued compared to 7,668 permits in 2014).

### Before and After

Significant progress has been made in simplifying and reducing the steps, as well as the institutional path that a request for obtaining construction and related permits must go through, along with their final solutions. The below table summarizes the most significant characteristics of the procedure before and after the reform.

**Table: Overview of the registration procedure in the Cadastre of Real Estates before and after the reform**

BEFORE	AFTER
The procedure for obtaining a construction permit was lengthy, averaging 264 days	The procedure for obtaining a construction permit has been significantly reduced, now averaging 99.5 days on average, which is significantly better than the European and Central Asian average of 170 days)
In the application process, it was necessary to submit documents to various government authorities, local self-government bodies, public enterprises, and other organizations with individual jurisdictions	An integrated procedure (One-Stop Shop System) has been introduced, managed by the relevant local self-government unit.
A large number of administrative steps were required in the process of obtaining a construction permit (according to the Doing Business scenario in 2014, 18 procedures were necessary)	The number of administrative procedures has been significantly reduced (according to the Doing Business scenario in 2020, only 11 procedures are required).

Document submission was inefficient and subject to errors and influence of employees in the relevant authorities and organizations	Submission of documents is done electronically through an ICT platform
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Source: Project team

## Reform steps

In order to understand the chronological sequence of significant activities carried out for the reform of construction permits, this section will present all the relevant actions taken by various stakeholders in a chronological manner.

- Identification of challenges
  - Within the scope of the project Comprehensive Reform of Regulations (RS), the problem of inefficiency in issuing construction permits was identified
  - Defined recommendation to change regulations in the field of construction permits
- Detailed ex-post analysis of the system of obtaining construction permits in Serbia
  - Analysis of regulatory and non-regulatory characteristics within the Task Force for improving the position of Serbia on the World Bank's Doing Business list
- Detailed ex-ante analysis of the options for the reform of construction permits:
  - Defined action plan for improving the position of Serbia on the Doing Business list:
    - Defined plan for improving the regulatory framework,
    - Defined result indicators of the reform of construction permits
- Amended legal framework in the field of planning and construction
  - Established unified procedure
  - Approved by-laws, the most important of which are:
  - Regulation on location conditions
    - Regulation on the procedure for implementing the unified procedure electronically
    - Regulation on buildings to which certain provisions of the Law on Planning and Construction do not apply
    - Regulation on the content, method and procedure of preparation and the method of control of technical documentation according to the class and purpose of the facilities
    - Regulation on classification of buildings, etc.
- Established ICT platform
  - The Central Information System (CIS) was put into operation in the Agency for Business Registers for the implementation of the unified procedure and the CEOP was formed
  - Established Call center for providing support to citizens
- Integration of the database
  - Integrated access and exchange of data from public records in order to comply with the principle that a public body ex officio takes over data from public records

## References

- Law on Planning and Construction ("Official Gazette of RS", No. 72/2009...62-2023)
- European PROGRES, Vukotić, Đ. (2017) Analysis of the legal framework for the implementation of the unified procedure for issuing construction permits and possible measures for improvement of implementation of that procedure in 34 local governments in the Southeast and Southwest Serbia with recommendations
- NALED (2017), Monitoring the effects of the construction permit system in 2017
- NALED (2018), Recommendations for improving the electronic system for issuing construction permits
- The program for improving the position of RS on the World Bank's list of business conditions (for different periods), available at: <https://naled.rs/doing-business>)





## Republic of Serbia

### Brochure 6: Inspection supervision

*Customized business inspections, increased transparency and supervision based on risk assessment*

#### Reform narrative

Inspection supervision, alongside tax administration and tax burden, has traditionally been assessed by businesses as the most burdensome aspect of their operations. However, until 2013, it was noted that positive changes had occurred (reducing the average fine amount from an average of 2,128 EUR in 2011 to 868 EUR in 2013, as well as reducing the management time spent from 70 working hours to 17). Nevertheless, systemic issues, such as the unpredictability of inspection supervision, overlapping jurisdictions of different inspections, the lack of transparency in inspector actions, a high number of regulations in inspection control, etc., clearly indicated the need for a more systematic and effective organization of the inspection supervision area, with a reduction in administrative burdens for business entities.

The focus of the reform was on creating a new law in the field of inspection supervision that fundamentally changed the way inspections interacted with the entities under their supervision. The full implementation of the law began in 2016, providing a unique legal framework for inspection supervision and the basis for the work and procedures of all inspection services. It introduced a new way of monitoring economic entities, including for the first time the control of unregistered entities. The role of inspections underwent a significant transformation. Their focus shifted from punishment to providing support for sustainable business operations and economic development in accordance with regulations. Advisory visits, regular information sharing with business operators, as well as planned and joint inspection supervisions have been introduced. Many other mechanisms and tools have also been introduced, such as checklists, supervision plans, self-assessment, which contributed to the more efficient work of inspectors. These changes made the conditions for business operations more predictable, as entrepreneurs could familiarize themselves in advance with the type, subject, and method of inspection, see inspection control plans, and more.

The law also regulates the issue of records and registers of inspection supervision in a way that each inspection, for the purpose of monitoring the state in a specific area and the need to monitor operations, maintains electronic records within the software solution eInspector. The eInspector is an information system designed to digitize all inspection services in the Republic of Serbia. The introduction of this information system has provided better coordination among inspections, automated the work of inspection services, improved the efficiency of supervision, standardized the operations of inspections, and made data available to all inspections. On the other hand, it has also had the effect of reducing costs for businesses.

## Before and After

The inspection control reform is fundamentally a systemic reform, as it required significant regulatory changes but also a reform of the organizational-functional structure of inspections, or inspectorates (the consolidation of inspection bodies through the merging of related inspections into inspectorates has not yet been implemented, but regulations have necessitated significant organizational changes in inspections). In this sense, the reform of the complex system has numerous characteristics, both in the initial (status quo) state and in the ex-ante period, i.e., after the reform. In line with the review of the practices that existed prior to the changes and the positive effects that occurred after the inspection control reform, the table will present the key characteristics of the process in the period before and after the implementation of the reform.

**Table: Review of procedures in inspection supervision before and after the reform of inspection supervision**

BEFORE	AFTER
Inspections apply more than 1,000 different regulations without a systematic law, as stipulated by the Law on Public Administration	Inspections apply to the Law on Inspection Supervision as an umbrella law and regulations within their jurisdiction
Insufficient (or lack of) coordination among different inspections	Systemic coordination has been established (according to the Law) a coordinating body at the government level and through the eInspector system
Overlapping jurisdictions of inspections	A significant number of regulations have been aligned with umbrella Law, with further alignment required in the Law on Misdemeanors
Absence of a system for preventive action	A legal basis for preventive action by inspections has been established, resulting in 24,000 preventive measures in 2018

Undefined competences of inspectors in the area of the informal economy	The law prescribes how inspectors should act in cases related to the gray economy
Potential corrupt behavior by inspectors	The use of checklists, risk assessment, control plans, and the eInspector system has reduced opportunities for corruption
Uncertainty regarding the burden of inspection supervision – unplanned visits, selective inspections, etc.	A risk assessment system has been introduced to plan inspections, with regulatory restrictions on unplanned visits to low-risk entities
Insufficiently trained inspectors for all categories of inspection supervision	Systematic professional development for inspectors has been defined and implemented
Absence of a digital system to automate and standardize the work of all national inspections	The eInspector digital system has been introduced and is functional in 36 national inspections since July 2019

Source: Project team

### Reform steps

To provide a chronological overview of the significant activities undertaken in the process of introducing the new inspection supervision system, the following steps have been taken by various actors, that is public administration authorities.

- Detailed ex-ante analysis of the inspection supervision system in Serbia
  - Analysis of options for regulatory and non-regulatory measures in the inspection control reform
- Preparation of the Law on Inspection Activities and other regulations, including amendments to existing laws. The most significant regulations include:
  - Law on Inspection Supervision and its sublegal acts, including
    - Regulation on common risk assessment elements in inspection supervision
    - Regulation on the appearance of forms and the manner of record-keeping in inspection supervision
    - The regulations (41 in total) for various inspection areas, such as culture, electronic communications, education, and other inspection areas, pertain to specific elements of risk assessment, the frequency of conducting inspection supervision based on risk assessment, and specific elements of the inspection supervision plan in a given area.
  - Detailed amendments to the Law on Misdemeanors have been prepared but are yet to be adopted.
- Establishment of the Government body for coordination of inspection supervision by Decision on establishment of the Coordination Commission

- The functioning module of the Coordination Commission determined during the creation of the Law, based on a detailed multi-functional and cost-benefit analysis (supported by USAID)
- NALED, supported by the EBRD, provided continuous support to the Coordination Commission, establishing patterns of good practice for the work of this body
- Ministry of State Administration and Local Self-Government provided technical support for the work of the commission
- Guide for the implementation of the Law has been developed
- Professional training programs for the field of inspection supervision have been established
- Standards for taking the professional exam for inspectors have been redefined
  - The exam program and subjects to be taken are defined by the Regulation on the examination for inspectors (General administrative procedure and administrative dispute; Inspection supervision, Basics of the law of companies and other economic entities and business operations; Basics of criminal law and criminal procedures; Skills required for inspection supervision)
- eInspector has been established
  - Centralized system of keeping records on inspection supervision, established based on the Register of data on inspection supervision

## References

1. Law on Inspection Supervision ("Official Gazette of RS", No. 36/2015, 44/2018 and 95/2018)
2. Decision on establishment of the Coordination Commission ("Official Gazette of RS", number 144/2022) – latest version
3. Analysis of the effects of the regulations of the Law on Inspection Supervision, attachment to the Law
4. Stefanović M., Milovanović D., Stefanović J., Dragošan I. (2015), Guide for the implementation of the Law on Inspection Supervision, Cardno Emerging Markets USA Ltd



## Republic of Serbia

### Brochure 7: Development of Electronic Administration

*Reducing business costs through the digitalization of administrative procedures*

#### Reform narrative

The reform related to the digitization of electronic administration in Serbia is a continuous and highly complex systemic reform that has been ongoing for almost 20 years (the beginnings of the reform are associated with the adoption of the Law on Electronic Signature in 2004). The formalization of the reform began in 2010 with the launch of the main state portal for providing electronic services- the eAdministration Portal ([euprava.gov.rs](http://euprava.gov.rs)), which has consistently been the focal point of the reform. Efforts in digitalization are primarily driven by improving the efficiency of the administrative space in the Republic of Serbia, accompanied by a continuous reduction in the administrative costs for citizens, particularly for business entities.

The digitization of individual administrative procedures was the focus of the initial development of e-Administration (initially, services oriented towards citizens were developed, such as appointment scheduling and obtaining documents electronically; over 30 state institutions offered this service). The adoption of the new Law on General Administrative Procedure (ZUP) in 2016 laid the foundation for systemic progress in the development of e-Administration. The significance of the new Law lies mainly in the detailed elaboration of the principle of public administration, which mandates the exchange of data from public records ex officio in procedures conducted by public administration authorities. The law established the electronic e-ZUP system, an information system for data exchange between state authorities (including local self-government authorities, provincial authorities, public enterprises, and others). e-ZUP is referred to as the Data Exchange System, and it connects 14 databases of several key state institutions (the Ministry of Internal Affairs, Tax Administration, the Republic Geodetic Authority, etc.).

It is especially important to mention the Regulation on Office Operations, which revolutionizes the way administrative offices operate by introducing the obligation of electronic office work and electronic archiving of documentation, and it was enacted as part of the ZUP reform.

The principle of data exchange from public records and electronic procedures was further affirmed in 2018 by the Law on Electronic Administration, with additional provisions for the effective functioning of the system (information security, electronic documents, electronic office operations, provision of qualified trust services, etc.).

The eAdministration Portal (eUprava) is used by over 2 million users. Furthermore, when it comes to businesses, based on the amendments to the Law on Enterprises from 2021, starting from May 2023, there is an obligation for them to have an account on the Portal for Electronic Identification (eID Portal). After registration, all documents and decisions are sent to the eAdministration Portal, into a unified electronic user's mailbox. Since 2022, citizens and businesses have been provided with a free cloud-based electronic signature on the eAdministration Portal, enabling them to electronically sign documents, resulting in additional cost savings. Through the eAdministration development program, along with the Action Plan, for the period from 2020 to 2022, activities have been developed to further advance eAdministration, enhance legal security, increase the availability of e-Administration, and open up data in public administration. Upon the conclusion of this program, a second eGovernment Development Program with a corresponding Action Plan was created, covering the period from 2023 to 2025. These activities largely aimed at reducing administrative costs for businesses through simplifying procedures and eliminating unnecessary processes.

The evident effects of eAdministration development were also acknowledged through the UN *eGovernment Survey* in 2022. This survey ranked Serbia in 40th place globally in terms of eAdministration development. Notably, Serbia made a significant leap of two measurement intervals compared to the previous assessment, moving from a moderate level to a very high level of eAdministration development. Additionally, the *eParticipation Index*, which measures engagement between citizens, businesses, and public administration, positioned Serbia in 15th place globally. This further confirms that Serbia is a highly developed economy in terms of development of eAdministration.

### **Before and After**

In accordance with the conducted analysis, Table 1 provides an overview of the most significant characteristics of the public service delivery system before and after the implementation of the eAdministration reform.

**Table: Overview of characteristics of eGovernment before and after the implemented reform**

BEFORE	AFTER
Lack of regulatory framework for electronic document exchange and eAdministration operation	Key regulations (such as the Law on Electronic Administration, Law on Archival Materials and Archival Activities, Law on Information Security, ZUP, etc.) encompass the entire functioning of eAdministration
High costs associated with delivering documentation to public administration bodies during administrative procedures	The costs associated with delivering documents contained in public records have been eliminated
Inefficient delivery of decisions, notices, and other administrative acts leading to legal uncertainty	The establishment of the eMailbox service has ensured efficient delivery (with nearly 3 million documents delivered as of the creation of this brochure)
Business entities (limited liability companies, joint-stock companies, etc.) submitted documentation in paper form when establishing their businesses	Starting from May 2023, the establishment of business entities is done electronically by submitting requests and documentation electronically to the Business Registers Agency (APR).
A significant number of services were traditionally provided in-person at counters and required the use of paper forms.	<p>The reform has simplified a significant number of procedures, with document exchange being conducted electronically. Some of the most significant ones include:</p> <ul style="list-style-type: none"> <li>● Central Register of Mandatory Social Insurance (CROSO): electronic registration of mandatory social insurance beneficiaries</li> <li>● eTulist: electronic registration of domestic and foreign tourists</li> <li>● eInspector: electronic access to procedures and measures against business entities, with the possibility of electronic fine payment.</li> <li>● Criminal record certificates for legal entities are obtained electronically through eAdministration</li> <li>● Business Registers Agency: electronic submission of financial reports, obtaining electronic extracts and confirmations from the Central Register of Ultimate Beneficial Owners, electronic registration in the</li> </ul>

	<p>Register of Financial Leasing, Register of Pledges, and the Register of Bidders</p> <ul style="list-style-type: none"> <li>● eConstruction permits,</li> <li>● eTaxes</li> <li>● Invoices and Fiscalization</li> <li>● etc.</li> </ul>
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Source: Project team

## Reform steps

In order to understand the steps or measures taken in the implementation of the reform, this section will present the most significant regulatory, organizational-functional, and educational measures chronologically implemented up to the moment of creating this analysis.

- Adopted Law on Electronic Signature
- Adopted Law on Electronic Documents
- Adopted Information Society Development Strategy
- Adopted Electronic Administration Development Strategy for the period 2009-2013
  - Defined concept of electronic administration
  - Defined principles of electronic administration
- Established eAdministration Portal
  - Obtaining electronic documents from over 30 public administration bodies
- Adopted Strategy for the Development of Electronic Administration in Serbia from 2015 to 2018
- Established Office for IT and eAdministration
  - Responsible for the development of IT services in electronic administration
- Adopted eAdministration Development Program, with an Action Plan, for the period from 2020 to 2022.
- Digitization of over 300 public services
- Adopted Digital Agenda
  - Adopted Strategy for the Development of Digital Skills for the period from 2020 to 2024 and the Strategy for the Development of Information Security in Serbia for the period from 2017 to 2020 (in 2021, replaced by the new Strategy for the Development of Information Society and Information Security in the Republic of Serbia for the period from 2021 until 2026)
- Adopted eAdministration Development Program with the accompanying Action Plan for the period from 2023 to 2025.
- Additional digitization of services.





## Republic of Serbia

### Brochure 8: Taxation of flat-rate entrepreneurs who pay taxes and contributions

*Enhancing the transparency of the Tax Administration and reducing uncertainty in the taxation of entrepreneurs who pay taxes and contributions through flat-rate taxation*

#### Reform narrative

The reform pertains to the system of registration, operation, and taxation of entrepreneurs who pay flat-rate taxes and contributions. Flat-rate taxation is a system for presumptive income taxation and is available to individuals who register economic activities, i.e., entrepreneurs. In this regard, entrepreneurs who pay taxes and contributions through flat-rate taxation do so based on an annual tax assessment, which defines fixed obligations on a monthly basis. In Serbia, there are approximately 117,000 "flat-rate" entrepreneurs, who register under the predominant type of activity (the most common activities are taxi services, legal services, computer programming, hair and beauty salons, and consulting services).

In the previous period, numerous issues were observed for "flat-rate" entrepreneurs, primarily in their interactions with the Tax Administration. After registering with the Business Registers Agency, this group of entrepreneurs would begin to accumulate tax and contribution obligations, but the tax assessment determining the amount of the obligations and providing payment instructions (account number and reference number) would often be delayed in practice, sometimes for several months. In these cases, entrepreneurs found it difficult to regularly meet their obligations because they were not aware of the exact amount they owed. Their only way to estimate the monthly debt was through unofficial online calculators. The calculation of the fixed monthly cost was further complicated by the fact that tax obligations differed for the same activity code in different local government units where entrepreneurs were registered. For example, a consultant registered in Belgrade might pay up to four times more than an entrepreneur registered in Babušnica in Eastern Serbia (the base is determined in relation to the average salary in the local government unit). All of this contributed to legal uncertainty and often resulted in substantial debts for entrepreneurs, further burdening the regular operation of their business.

In response to the identified problems, in 2020, a reform was undertaken primarily through regulatory improvements and the development of additional IT solutions by the Tax Administration. As part of the reform, even before starting their business, entrepreneurs were allowed to obtain information about whether they could be in the flat-rate taxation system and what would be the amount of their taxes and contributions for the current and the next three years. On the other hand, the existing entrepreneurs who already operate in this system no longer face uncertainty regarding the amount of their tax liability because it is now determined based on objective criteria rather than the subjective assessment of tax inspectors. An important innovation is the introduction of a calculator on the website of Tax Administration, which allows entrepreneurs to preview the amount of lump-sum taxes and contributions in advance, thus improving their planning.

The reform also includes a series of incentives, such as a reduction in the tax base during the first three years of operation, a reduced tax base for entrepreneurs under 30 and over 55 years of age (60 for professional activities), for mothers on maternity leave, individuals with disabilities, and those experiencing prolonged illness (reduction ranging from 10% to 15%). It also includes a lower tax base for entrepreneurs engaged in traditional crafts (half the regular tax base). An important change is that auto mechanics and accountants can now operate as flat-rate entrepreneurs and pay their contributions as such.

Through the eTaxes portal, there is a tax mailbox (accessed using the qualified electronic certificate of the entrepreneur or an authorized accountant) where real-time information can be obtained. Newly registered "flat-rate" entrepreneurs receive their tax assessment within 48 hours after registering with the Business Registers Agency.

### Before and After

The reform of the operation of entrepreneurs who pay taxes and contributions through flat-rate payments has primarily contributed to their greater legal certainty and predictability in business, as they previously operated with a high degree of uncertainty regarding the tax policy of the Republic of Serbia. The table provides an overview of the most significant characteristics of the system before and after the reform, aiming to highlight the comparative advantages of the reformed "flat-rate" system.

**Table: Overview of the „flat-rate“ taxation system before and after the reform.**

BEFORE	AFTER
During the registration of "flat-rate" entrepreneurs, the amounts of the flat-rate burden of earnings with taxes and contributions were unknown	Available calculator of the Tax Administration, according to which a natural person can see in advance the amount of obligations based on

	taxes and contributions, based on the LGU in which he intends to register his business
After registration, the "flat-rate payers" did not receive the first decision from the Tax Administration for months, which lead to high debts and often caused the shutdown of business activities	After the registration, the "flat-rate taxpayers" who are established through APR within 48 hours receive a decision from the Tax Administration on the basis and amounts of the monthly flat-rate payment. If they are registered through a third party (lawyer) within 5 days, the entrepreneur submits the tax return electronically and receives a decision within 15 days
Annual decision on the base, i.e. the amount of obligations based on taxes and contributions was delivered to the entrepreneur in unpredictable terms and in paper form, and the entrepreneur paid the obligations according to last year's decision, and as a rule was in debt even though he paid his obligations regularly	Through the electronic inbox on eTax, the entrepreneur receives decisions regularly and in electronic form (no later than 20th January for the current business year)
There were no tax benefits for groups of entrepreneurs from vulnerable social groups (young people, pensioners, beginners, etc.)	During the first three years of operation, a reduction of the base for entrepreneurs under 30 and over 55 (60 for professional activities), for women giving birth, people with disabilities and people with a long-term illness (from 10 to 15%), as well as for entrepreneurs dealing with old trades (half the lower base)
Certain categories could not be registered as "flat-rates"	Car mechanics and accountants can operate as entrepreneurs who pay a flat-rate of taxes and contributions

Source: Project team

**Reform steps**

In order to review the steps, that is, the measures that were taken with the aim of introducing an improved system of functioning of "flat-rate entrepreneurs", the most significant reform steps/activities are presented.

- An analysis of the "flat-rate" taxation system was carried out.
  - Identified problems in the taxation system
- Improved regulatory framework in the area of "flat-rate" taxation

- Regulation on detailed conditions, criteria and elements for flat-rate taxation of self-employed income tax payers
- Improved functioning of the Tax Administration
  - Improved eTax system
  - Established electronic tax box

## References

- Regulation on detailed conditions, criteria and elements for flat-rate taxation of taxpayers on income from self-employment ("Official Gazette of RS", number 94/2019...141/2022)
- Ministry of Finance, Tax Administration, Infographic- Improved system of flat-rate taxation and What you need to know if you are a flat-rate taxpayer
- NALED, USAID, Press Release- Flat-rate taxpayers like to calculate their own taxes
- NALED, USAID and the Republic Secretariat for Public Policies (2019), Flat-rate taxation:
- Through reforms to the administrative relief of the economy and the Tax Administration.



## Republic of Serbia

### Brochure 9: Recording years of service

*Elimination of unnecessary forms when recording years of service with the relevant authorities*

#### Reform narrative

The procedure for registering years of service with the Pension and Disability Insurance Fund (PIO) has been identified as unnecessarily complicated and burdensome for businesses since 2012. The procedure required the submission of M4 forms (Form for Reporting Data for the Determination of Insurance Experience) in paper format. Additionally, it involved submitting tax declarations on calculated and paid contributions for mandatory social insurance for founders or members of business entities (PP-OD form), as well as salary calculations and statements of contributions made.

Considering that, in accordance with existing regulations, employers are required to provide the Tax Administration with forms detailing all payments made throughout the year, the process was deemed redundant. This is because the obligations of the applicants for years of service registration were duplicating, with state authorities already possessing the necessary data.

In the case of the M-UN form (Contribution Payment Report Form), a similar issue was encountered, which was caused by the inaction of state authorities, resulting in duplicate obligations for employers. For the M-UN form, all the data that were personally submitted to the PIO were already contained in the databases of the Central Register for Mandatory Social Insurance (CROSO).

After years of the problem of submitting these two forms being assessed by the economy as extremely administratively burdensome, in 2019 the Law on Amendments to the Law on Pension and Disability Insurance abolished the obligation of employers to submit M4 and M-UN forms when registering years of service. It was defined that the PIO, ex officio and on the basis of official records, prepares data reports for determination of years of service, earnings, and other related information on its own initiative.

The implementation of this reform was estimated to result in a cost savings of 29,379,962 EUR for the business sector in 2019 due to the reduction in administrative burdens.

## Before and After

The reform that abolished the requirement to submit M4 and M-UN forms primarily aimed to effectively implement the Principle of efficiency and cost-effectiveness of procedures (as stipulated by the Law on General Administrative Procedure). This principle dictates that a public administration body is obligated to proactively access data kept in official records. In this regard, the reform itself is relatively straightforward, and the differences in the procedure before and after the reform are easily distinguishable. The key characteristics of the procedure are presented in the table below.

**Table: Overview of the characteristics of registration of years of service and other procedures related to pension rights, before and after the reform implementation**

BEFORE	AFTER
Employers were required to personally submit M4 and M-UN forms to the PIO, even though the data from these forms were already present in the official records of the Tax Administration and CROSO	PIO ex officio collects data from the Tax Administration and CROSO
Employers incurred significant administrative costs due to the obligation to submit M4 and M-UN forms	Employers have achieved significant savings due to the removal of the obligation for personal submission of M4 and M-UN forms
Duplication of data in the official records of the PIO, CROSO, and the Tax Administration	A centralized data exchange has been established
High risk of errors due to human factors - employers and officials exchanged paper documents.	Low risk of human error - documents are electronically exchanged from official records

Source: Project team

## Reform steps

In order to review the steps and measures taken to implement the reform and establish the new system, here are the key activities and measures that were undertaken:

- Analyses of the administrative burden
  - Continuous analysis of the level of administrative burden since 2012 to inform the public and decision-makers about issues related to years of service registration
  - Within the Paper project, an analysis of the current burden and savings resulting from the simplification of the procedure was conducted

- Negotiations with the PIO Fund
  - Defined action plan for streamlining/optimizing administrative procedures carried out by the PIO Fund, including the years of service registration process and M4 and M-UN form submission
- Preparation of the Law on Amendments to the Law on Pension and Disability Insurance
- Networking of CROSO and Tax Administration databases with PIO
  - Defined protocols for automatic data download via eAdministration

## References

- Law on Pension and Disability Insurance ("Official Gazette of RS", No. 34/2003...138/2022)
- NALED (2012/2013), Gray Book 5
- Republic Secretariat for Public Policies (2019), ePaper Program
- Action plan for the implementation of the program for the simplification of administrative procedures and regulation ePaper for the period 2020-2021
- Republic Secretariat for Public Policies (2022), Results of measuring administrative costs in the Republic of Serbia 2010- 2019



## Republic of Serbia

### Brochure 10: The system of public policy management and consultations with stakeholders

*Improving the quality of regulations and public policies through the enhancement of standards for conducting impact analyses and involving the public in the process of creating regulations and policies*

#### Reform narrative

As part of the broader public administration reform in Serbia, the reform of the legislative process began in 2005 with the introduction of the obligation to conduct ex-ante Regulatory Impact Assessment (RIA) as an attachment to draft laws. This reform was carried out in accordance with the best EU practices, aiming to establish an evidence-based decision-making system and active involvement of the interested public in lawmaking. RIA was introduced into the legislative process through amendments to the Government's Rules of Procedure and the Law on Public Administration. It was institutionally developed through the Government's Office for Regulatory Reform and Regulatory Impact Analysis (hereinafter referred to as the Office), which was established in 2011. All RIA reports, along with the draft laws for which they were prepared, are available on the [rsjp.gov.rs](http://rsjp.gov.rs) portal.

Despite efforts to make RIA the analytical basis for regulation creation (352 civil servants were trained in regulatory impact analysis methodology between 2007 and 2014), there was limited progress in this area until 2014 when the Republic Secretariat for Public Policy (RSJP) was established as the legal successor to the Office. Therefore, RIA reports largely represented an administrative burden for law proposers, and they often deviated significantly in content and quality (in 2015, only 12% of draft laws had methodologically sound RIA reports). During the same period, public involvement was selective and often reduced to the legally mandated requirement for public consultations.



With the establishment of the RSJP, the focus of the reform was expanded by introducing the obligation to conduct RIA for public policy documents (strategies, programs, action plans, and other strategic documents). Later, in 2018, the Planning System Law was adopted, extending the requirement for RIA to sublegal acts. This law, for the first time in Serbian legislation, defined the standards for the content of public policy documents, their validity, and the hierarchical relationships among public policy documents. Additionally, the Regulation on Methodological Guidelines for the implementation of RIA for regulations and the analysis of the impacts of public policies (Policy Impact Assessment, PIA) in the process of creating public policy documents was adopted. Between 2021 and 2023, PIA was conducted for 174 draft public policy proposals.

The Law on Planning System also introduced mandatory consultation in the process of creating regulations and public policy documents for the first time. This law defines the methods of conducting consultations, specifies the categories of stakeholders and target groups, and prescribes the obligation to report on the effects of consultations. In line with the reform, consultations are continuously carried out during the preparation of public policy documents. The proposer of the policy is obliged to report on the results of the consultations, including which comments, suggestions, and proposals were accepted and incorporated into the policy text, as well as those that were not and the reasons why. An interactive portal, [ekonsultacije.gov.rs](http://ekonsultacije.gov.rs), was established for the purpose of conducting consultations, allowing direct access to the PIA text and draft public policy documents, as well as the ability to leave comments. Between late 2021 and 2023, 221 consultation processes were documented for strategies, programs, regulations, and sub-legal acts.

### Before and After

The reform of the public policy management system and the consultative process into a cycle of creating regulations and public policy documents is a long-term process that has been continuously improved through various stages. In order to look at the characteristics of the system before and after the reform, the period between 2011 and the moment of creating this brochure (2013) will be observed.

**Table: Overview of the public policy management system and consultation, before and after the reform**

BEFORE	AFTER
In the process of preparing draft law, RIA reports were prepared selectively and with significant deviations in quality. Only 12% of the reports were correct in 2015	Clear methodological rules for content, format, and analytical standards in conducting RIA have been defined. RIA reports are mandatory attachments to draft laws, and the RSJP provides an opinion that is discussed at Government Committee meetings

<p>The RIA process was limited to the legislative process and was prepared as an attachment to draft laws</p>	<p>The Law on Planning System, since 2018, expanded the obligation to conduct impact analyses for public policy documents (strategies, programs, etc.), as well as for sub-legal acts (regulations, decisions, etc.</p>
<p>RIA was used to justify the provisions of draft laws and was created after the final version of the draft regulations</p>	<p>RIA is conducted in all phases of regulation and public policy creation, including during the preparation of the text of regulations and public policies. RIA/PIA have become the analytical basis for analyzing regulatory and non-regulatory measures in regulations and policies</p>
<p>The Office did not have an opportunity to participate in the Government Committee meetings, therefore the Office's opinions had a marginal role in the legislative process</p>	<p>The RSJP actively participates in the Government Committee meetings and has the ability to explain its opinions and influence solutions in regulations and public policies</p>
<p>Public hearings were the only formal tool (mandated by law) for public participation in the regulation and public policy creation process. These hearings were conducted after the final version of the documents was prepared and, in practice, served as validation rather than a means to contribute to better regulations or policies</p>	<p>Consultations have been made mandatory in all phases of regulation/public policy creation, with the adoption of standards for reporting on consultation results and public hearings</p>
<p>After the implementation of RIA, there was no legal obligation to monitor the real effects of laws after their adoption</p>	<p>A periodic obligation to conduct ex-post impact analysis or evaluation of solutions is introduced, generating analytical reports. Consultations are also conducted during the ex-post analysis</p>
<p>Local self-government units created local development plans in a non-systematic manner and using different methodological standards</p>	<p>The Law on Planning System obliges local self-government units to create local development plans and public policy documents in accordance with methodological rules related to national regulations and public policies</p>
<p>Strategies, plans, programs, and other strategic documents were created without a clear structure, leading to significant variations in content and quality among them</p>	<p>A hierarchical structure for development plans and public policy documents is defined, along with clear rules for content, validity, the schedule for adoption, and the level of analysis that must accompany these documents</p>

Source: Project team

## Reform steps

To provide an overview of the steps and measures taken to introduce an enhanced public policy management system, the following are the most significant reform steps/activities.

- In 2004, through an amendment to the Rules of Procedure of the Government, the obligation to implement the RIA along with the Draft Laws was introduced, which came into force a year later
  - Opinions on RIA were drafted by the Secretariat of the Council for Regulatory Reform of the Economic System of Serbia
- In 2008, the Unit for the Implementation of Comprehensive Regulatory Reform (CRR) was established, which actively worked on the implementation of the Regulatory Reform Strategy for the period 2008-2011.
- In 2011, the Office for Regulatory Reform and Analysis of the Effects of Regulations was established
  - For the first time, a government body with exclusive authority for improving and monitoring the RIA process has been established.
- The National Assembly adopted a Resolution on Legislative Policy in 2013
- The principles of quality in the drafting of regulations, which defines for the first time that regulations are created with transparency ensured during the entire procedure have been adopted
- The Republic Secretariat for Public Policies has been established, as a special organization of the Government, with far greater competences than the Office for Regulatory Reform had
- In 2016, the Strategy for Regulatory Reform and Improvement of the Public Policy Creation System was adopted for the period until 2020. Defining:
  - Measures to improve the public policy management system
  - Measures to improve the legislative process and the quality of regulations
  - Measures to simplify administrative procedures
    - The Strategy was the first to anticipate the establishment of the Administrative Procedures Registry (for more details, refer to the Brochure on the Administrative Procedures Registry establishment reform)
  - Measures to enhance the role of citizens and businesses in the public policy management and regulation-making system
- In 2018, the Law on Planning System was adopted, with by-laws, the most significant being:
  - Regulation on the methodology of public policy management, analysis of the effects of public policies and regulations, and the content of individual public policy documents

## References

- Law on Planning System ("Official Gazette of RS", No. 30/2018)
- Regulation on the methodology of public policy management, analysis of the effects of public policies and regulations and the content of individual public policy documents ("Official Gazette of RS", number 08/2019)
- Strategy for regulatory reform and improvement of the public policy creation system ("Official Gazette of RS", number 08/2016)
- Pesic M. 2018, Evidence-informed policy-making in Serbia, published by PERFORM project – Swiss Development Agency
- Pesic M. 2018, Report on the characteristics of the platform for the annual planning of the Government's work, published by GIZ
- Pesic M, 2018, Report on the improvement of the process of conducting public hearings, consultations and e-participation- Analysis of selected public hearings, published by the GIZ
- Pesic M. 2019, Study on public participation in the process of creating regulations and public policies - comparative practice and lessons, published by the GIZ
- [www.rsjp.gov.rs](http://www.rsjp.gov.rs)



## Republic of Serbia

### Brochure 11: Establishment of electronic records for administrative procedures *Increasing transparency and eliminating harmful administrative procedures*

#### Reform narrative

Business entities in their operations undergo a large number of administrative procedures before public administration bodies or bodies exercising public authority, with the process of administrative simplification continuously taking place in Serbia since 2008. Efforts to reduce the costs of administrative procedures for the economy began through:

- a) The establishment of the Unit for Comprehensive Regulatory Reform (SRP), which initially identified harmful procedures and made efforts to simplify them;
- b) The establishment of the Office for Regulatory Reform and Regulatory Impact Analysis (the legal predecessor of the Secretariat for Public Policy);
- c) The implementation of public policy documents in the field of improving planning systems and overall regulatory reform (policies adopted for the periods 2008 – 2011, 2016 – 2020 and 2021 – 2025).

These efforts have significantly contributed to reducing the administrative burden on the economy. However, the problem of access to data on individual procedures has still been prevalent, especially in cases where procedures are jointly carried out by multiple public administration bodies. In this sense, the lack of transparency in the actions of public administration bodies has imposed significant costs on economic entities. This is primarily due to the time spent on becoming familiar with specific administrative requirements and often the need to engage third parties (lawyers, consultants, etc.) to fulfill certain obligations or rights.

Recognizing the issue of transparency, the Regulatory Reform Strategy of 2016 foresaw the establishment of an electronic, up-to-date, and publicly accessible database of administrative procedures. The establishment of the registry was preceded by several measures, the most significant of which was the ePaper project, which listed all administrative procedures and provided additional simplification of inefficient procedures. Simultaneously, public authority holders were

trained to identify procedures and measure the level of administrative burden using the Standard Cost Model.

From 2019 to 2022, through ePaper, an additional 393 administrative procedures have been optimized, and 64 public services have been digitized, resulting in savings for the economy of over 30 million euros. This also led to a reduction in the overall administrative burden from 3.26% of GDP, as recorded in 2016, to 2.95% in 2021. Further optimization of procedures is planned through ePaper from 2023 to 2025, along with the implementation of the Program for Simplifying Administrative Procedures and Regulations (an additional 500 procedures and 200 digitalization of public administration services).

Finally, in 2021, the Law on the Registry of Administrative Procedures was adopted, establishing a unified, centralized, and electronic record of administrative procedures, with the obligation of public administration bodies to regularly update the data. In the same year, the Administrative Procedures Registry Portal ([rap.euprava.gov.rs](http://rap.euprava.gov.rs)) was launched. At the time of the creation of this analysis, the portal contained information on 2,377 procedures related to the economy, managed by 104 different public administration bodies. For each procedure, data is available on the processes, responsibilities of different bodies, the list of necessary documents, fees, and other charges, as well as deadlines. Links have also been established to public administration bodies or to other eAdministration pages where specific requests can be submitted.

### Before and After

Significant progress has been made in simplifying administrative procedures and increasing the transparency of public administration operations. For the purpose of comparative analysis, the table below presents some characteristics of the system before and after the reform of establishing an electronic record of administrative procedures.

**Table: Comparative overview before and after the reform of establishing electronic record of administrative procedures**

BEFORE	AFTER
Data on administrative procedures were insufficiently available to business entities and often required a visit to various public administration bodies	All in "one place" - data on all administrative procedures are available on the portal of the register of administrative procedures
Uncertainty about the update of data available on the internet portals of public administration bodies	Public administration bodies are obliged by the law to regularly update data on the portal of the register of administrative procedures
Irregular measurement of administrative burden	The Republic Secretariat for Public Policy publishes the amount of administrative burden

	every two years, based on data collected from the administrative data register portal
High administrative costs for the economy (amounting to 4.01% of GDP in 2010)	Continuous reduction of the administrative burden on the economy (2014 – 3,48%, 2018 – 3,11%, 2021 – 2,95% BDP-a)

Source: Project team

## Reform steps

In order to understand the steps and measures taken to establish an electronic record of administrative procedures, this section presents all the significant activities conducted by various stakeholders in chronological order.

- Conducted problem analysis and defined the concept of the future electronic record of administrative procedures
  - Ex-post analysis as part of the Regulatory Reform and Public Policy Management Enhancement Strategy for the period 2016-2020. The Action Plan for 2016-2018 outlines activities for establishing the Administrative Procedures Registry
- ePaper
  - Defined methodology for classifying administrative procedures
  - Compiled list of procedures
  - Simplified procedures and defined plan for future simplification
  - Conducted measurement of the level of administrative costs and savings in the name of simplification of procedures
  - Implemented trainings of public administration bodies
- Prepared Law on the Register of Administrative Procedures
- Established ICT solution- Portal of the registry of administrative requests
  - Defined search instructions

## References

- Strategy for regulatory reform and improvement of the public policy management system for the period 2016-2020 ("Official Gazette of RS", No. 8/2016)
- Strategy of regulatory reform in the Republic of Serbia for the period 2008- 2011 ("Official Gazette of RS", number 94/2008)
- Republic Secretariat for Public Policy (2022), Results of measuring administrative costs in the Republic of Serbia 2010-2019
- Program for Simplifying Administrative Procedures and Regulations- ePaper, for the period 2023-2025
- Law on the Register of Administrative Procedures ("Official Gazette of RS", No. 44/2021)



## Republic of Serbia

### Brochure 12: Human Resource Management in Local Government Units

*Modernization of local administration and establishment of unified administrative posts for the needs of business entities*

#### Reform narrative

As part of a broader public administration reform in Serbia, a reform of the human resource management system is being implemented in local self-government units (LSUs). The reform is being carried out in the context of improving the provision of public services while adhering to the standards of the European Single Administrative Space, which involves establishing an enhanced human resource management system and transitioning from an outdated personnel approach to a modern operational and managerial approach. The innovative approach encompasses a much wider range of managerial functions in human resource management and the development of personal and professional skills of LSU employees. The reform is ongoing and began with the implementation of measures from the Public Administration Reform Strategy (2014), with measures for improving human resource management functions in LSUs planned for the future and being an integral part of the Public Administration Reform Strategy adopted for the period 2021-2030.

The primary objectives of implementing the reform are, above all, to create local governance tailored to the needs of citizens and businesses and to establish a systematic monitoring, development, and improvement system for local public servants. The reform process involved significant changes to the existing legal framework, both in terms of the functioning of local self-government (through the adoption of amendments to the Law on Local Self-Government at the end of 2016) and in the specific area of human resource management (through the adoption of the Law on Employees in Autonomous Provinces and Local Self-Government Units in 2016, with significant amendments in 2016). Additionally, organizational measures to improve the planning system for the professional development of employees in local self-government units were implemented in parallel. At the same time, the National Academy for Public Administration was



established, along with a structured system for creating and content development of general and specific planning programs for professional development.

The implementation of the Human Resource Management Reform (HRM) in local self-government units (LSUs) from the perspective of the economy has primarily contributed to greater legal certainty by establishing unified administrative posts for specific areas of public services in the headquarters of LSUs. This was achieved through the creation of unified administrative posts for businesses to communicate with all government bodies to exercise certain rights or fulfill obligations. (All LSUs have at least one unified administrative point, with 57 out of 174 LSUs rated as having a high level of development in this regard.) Behind the scenes of the reform system, which may be less visible to business representatives but is crucial for improving the provision of local public services, extensive improvements to HRM functions have been implemented. The most significant improvements have been observed in areas such as job recruitment through public and internal competitions, professional development of LSU employees (92 LSUs have annual special professional development programs), performance evaluation of officials (50 LSUs have adopted a specific internal evaluation procedure, and all LSUs apply these procedures), disciplinary and appeal procedures (in accordance with the law, all LSUs have established an Appeals Commission), adoption of key regulations in line with the prescribed structure and content (Decision on Municipal Administration/City Administration, Regulation on the organization and systematization of job positions, and others), as well as the introduction of a planned approach to the development of HRM (HRM Policy as the umbrella strategic document, HRM Procedure, Special professional development plans, and more).

It is important to note that the functions of Human Resource Management (HRM) in local self-government units (LSUs) were developed in accordance with the standards of the *European Administrative Space*, where, according to the assessment of the EU Commission, 70% of EU legislation is applied at the local level. According to data from the Administrative Inspectorate, in 2022, 910 measures were imposed for irregularities in the human resources system in LSUs and the Autonomous Province of Vojvodina, compared to 510 in 2019. The number of inspections in 2022 was significantly higher (1,165 inspections in 2022 compared to 361 in 2019), indicating a continuous improvement in the functioning of public administration.

The reform was implemented as part of the fiscal consolidation process and a prohibition on additional hiring, which significantly slowed down its progress. In this regard, continuing the reform has the potential to generate further positive effects.

### **Before and After**

In accordance with the conducted analysis, the table provides an overview of the most significant characteristics of the HRM system in local self-government units (LSUs) before and after the implementation of the reform.

**Table: Overview of the characteristics of the HRM functions in local self-government units (LSUs) before and after the implemented reform**

BEFORE	AFTER
<p>In accordance with the Decisions on Municipal/City Administration, local administrations were organized in a heterogeneous manner, with significant variations in terms of the type and organization of internal organizational units</p>	<p>The homogeneity in the organization of internal organizational units was achieved by adopting Decisions on Municipal/City Administration and applying the Regulation on the principles for classifying job positions and the criteria for describing the job positions of officials in the Autonomous Province (AP) and local self-government units (LSUs). Amendments were made with the support of the Standing Conference of Towns and Municipalities and the Council of Europe, which provided templates for these decisions</p>
<p>Job descriptions for employees in local self-government units (LSUs) were defined in a general manner, often leading to overlapping job responsibilities and without prior analysis of job positions</p>	<p>After conducting an analysis of job positions, detailed job descriptions were prepared and integrated into Regulations on the organization and systematization of job positions, which is in line with the recommendations of the European Administrative Space</p>
<p>Job recruitment in LSUs was carried out in accordance with the Labor Law</p>	<p>Job recruitment is carried out in accordance with the Law on Employees in the AP and LSUs, with clearly defined procedures for conducting internal and public competitions</p>
<p>Personnel records were maintained in paper format, with unequal practices regarding the content of personnel records</p>	<p>Personnel records can be maintained in electronic form, following clear rules regarding their content</p>
<p>Performance evaluation (performance appraisal) of employees in LSUs was either not conducted or was carried out selectively, without clearly defined standard</p>	<p>The evaluation of employees is defined by a separate act (Regulation on Evaluation), which sets standards for determining work objectives for each employee, along with a system of responsibility for evaluation and process control</p>
<p>Employment planning did not exist, and LSUs were not required to adopt personnel plans alongside their annual budgets</p>	<p>Personnel planning is an integral part of the Decision on the budget of LSUs, containing estimates of the required number of additional hires, with cost projections for new hires</p>

Professional development in LSUs was carried out selectively, lacking a planned approach, analysis of training needs, and the identification of long-term human resource development needs	LSUs prepare an annual analysis of the need for professional development, along with a professional development plan for the next year, as well as specific professional development plans (monitoring conducted by the Council for the professional development of LSU employees)
Unified administrative points were established selectively in response to <i>ad hoc</i> needs	The development of unified administrative posts (as well as the allocation of employees) is planned through annual plans to enhance the functions of HRM

Source: Project team

## Reform steps

In order to understand the steps or measures taken in the implementation of the reform, this section presents, in chronological order, the most significant regulatory, organizational-functional, and educational measures that were carried out up to the time of creating this analysis.

- Development of legal and sub-legal framework for the functioning of LSUs and HRM functions
  - Law on Amendments to the Law on Local Self-Government
  - Law on Employees in Autonomous Provinces and Local Self-Government Units
    - Regulation on the determination of competencies for the work of officials in the organs of autonomous provinces and local self-government units
    - Regulation on the evaluation of officials
    - Regulation on the implementation of internal and public competitions for filling positions in the bodies of autonomous provinces and local self-government units
    - Decision on the establishment of the Council for professional development of employees in local self-government units
    - Regulation on determining the mandatory elements of the program of general and special professional training of officials in local self-government units
  - Law on the salaries of officials and employees in the organs of autonomous provinces and local self-government units
- Support in the development of new key acts for all LSUs and the reorganization of local self-government
  - MPALSG, with the support of SCTM and the Council of Europe, prepares models of key acts (Decision on MA/GA, Regulation on organization and systematization of

workplaces, Personnel plan), and provides technical assistance to LGUs in amending their acts

- Harmonization of organization and size of internal organizational units
- Technical and organizational measures for the establishment of unique administrative posts in LGUs
- Implementation of pilot cycles for the evaluation of employees in LSUs
- Defined internal acts (regulations) of LSUs on the evaluation of employees
- Implementation of pilot analyses of the need for professional development
  - Defined annual special professional development programs in LSUs
- Developed ICT tools for HRM
  - ICT system for maintaining personnel records
  - ICT system e-Office
  - ICT system for electronic archive (under development)

## References

- Law on Local Self-Government ("Official Gazette of RS", No. 129/2007, 83/2014, 101/2016, 57/2018, 111/2021)
- Law on Employees in Autonomous Provinces and Local Self-Government Units ("Official Gazette of RS", No. 21/2016...114/2021)
- Regulation on employee evaluation ("Official Gazette of RS", No. 52/2019)
- Program for the reform of the system of local self-government in the Republic of Serbia for the period 2021-2025 ("Official Gazette of RS", No. 73/2021)
- Annual report on the work of the Administrative Inspectorate, Ministry of State Administration and local self-government units for 2019 (<https://mduls.gov.rs/wp-content/uploads/Upravni-inspektorat-Godisnji-izvestaj-za-2019.-godinu.pdf?script=lat>)
- Annual report on the work of the Administrative Inspectorate, Ministry of State Administration and local self-government units for 2022 (<https://mduls.gov.rs/wp-content/uploads/Upravni-inspektorat-Izveštaj-za-2022.-godinu.pdf?script=lat>)



## Republic of Serbia

### Brochure 13: Engaging Seasonal Workers

*Reducing informal employment through the establishment of a simple and fair system for engaging seasonal workers*

#### Reform description

The engagement of seasonal workers is a form of flexible employment that is susceptible to the grey economy, which refers to unregistered activities where seasonal workers constitute a vulnerable category. They are often deprived of basic labor rights, such as contributions to pension and health insurance, while national and local budgets do not generate revenue from their engagement. In Serbia, in 2016, 48% of informally employed individuals were engaged in the agricultural sector, which traditionally has the highest demand for seasonal workers, accounting for 95% of the total number of seasonal agricultural workers. Formally engaged seasonal workers are typically hired through Temporary and Occasional Work Contracts, in accordance with the Labor Law. In 2016, formally employed seasonal workers earned 312 RSD per working hour ( $\approx$  2.66 Euros), while it is estimated that informally employed workers earned three times less, (121 RSD per working hour ( $\approx$  1 Euro)).

The reasons for informal employment in the agricultural sector primarily reflected in the complex procedure for registering and deregistering seasonal workers, (requiring approximately 5 hours to fulfill five different administrative procedures). As a result, in 2019, the Law on Simplified Employment of Seasonal Workers in certain activities was adopted, and the portal [sezonskiradnici.gov.rs](http://sezonskiradnici.gov.rs) was developed, enabling daily engagement of workers. Establishing the portal required the integration of 9 different databases.

Through this reform, employers were allowed to engage seasonal workers for up to 180 days per year (with one worker being employed for a maximum of 120 days). The calculation of a fixed amount of taxes and contributions (420.3 Serbian Dinars/3.6 Euros per working day per worker in 2023) is automated, and the engaged individual does not lose the right to unemployment benefits while performing seasonal work. Implementing such a system significantly simplified the process of registering seasonal workers and motivated employers to engage their seasonal workers through

legal means. In 2019, a total of 26,609 seasonal workers were engaged through the electronic system, which is approximately one-third of the estimated total number of seasonal workers in Serbia.

### Before and After

The reform of engaging seasonal workers has produced numerous positive effects due to significant activities undertaken to implement regulatory changes on the ground. The table below provides an overview of the most significant characteristics of the system before and after the reform was implemented.

**Table: Overview of the system of seasonal workers engagement before and after the reform.**

BEFORE	AFTER
Employers could only be legal entities and entrepreneurs, but not natural persons	The law defines that employers can also be individuals (relevant for agricultural households)
Employers and workers signed a contract for temporary and occasional jobs	It is possible to enter into an employment relationship through a contract for temporary and occasional jobs, as well as through an oral agreement, with the obligation to register on the ICT portal for Seasonal Workers
Registration and deregistration of workers were done through CROSO (Central Register of Compulsory Social Insurance) by providing around 35 pieces of information about the employer and the worker	Registration and deregistration of workers are done through the ICT portal for Seasonal Workers, with electronic entry of around 3-5 key data about the worker
The contract for temporary and occasional jobs did not allow the employer to choose the shift and days when the worker would work but specified a fixed time period, assuming the worker would work every day	Possibility to choose shifts (morning or afternoon) and specify certain days when the worker will work
Registration and deregistration must be done at least one working day before starting work or before any upcoming changes	Registration, deregistration, or changes are recorded no later than the day of starting work (by 10 am for the morning shift, by 3 pm for the afternoon shift)
The average monthly time required for the registration and deregistration procedure of seasonal workers was approximately 5 hours	These procedures take only a few minutes, regardless of the period for which the worker is engaged

On the payday, the employer submitted a tax return for each employee individually through ePorezi	The tax return is automatically generated, and at the end of the month, the employer is provided with a monthly calculation for all engaged workers in the previous month through the ICT portal for Seasonal Workers
The amount of taxes and contributions depended on the agreed-upon monthly salary	The amount of taxes and contributions is a fixed daily amount per worker, determined at the beginning of each year for that year
The base for tax and contribution calculation was the Gross 1 salary.	The basis for tax and contribution calculation constitutes one thirtieth of the lowest monthly contribution base - the daily amount of the employer's obligation
Assuming that the individual was unemployed, the monthly expenses amounted to 10,200RSD on taxes and contributions (for 20 working days)	In the same scenario, the amount was 6,000 RSD in 2020 and 8,406 RSD in 2023
Any form of engagement for an unemployed individual automatically lead to the suspension of social rights and benefits through the National Employment Service (NES)	Unemployed individual working seasonally in agriculture and registering through the ICT portal does not lose his rights through the National Employment Service (NES)
An employer could engage the same worker on the same jobs for a maximum of 120 days in a working year based on the contract	For the same worker performing the same tasks, the employer can engage them for a maximum of 120 days in a working year, considering the total days of engagement through the ICT portal and the contract for temporary and occasional jobs
Throughout the year, the employer could hire seasonal workers based on the contract	Through the ICT portal for Seasonal Workers, the employer can engage seasonal workers for a maximum of 180 days
Labor inspectors were responsible for monitoring seasonal workers	Labor inspectors, tax inspectors, and agricultural inspectors, each within their respective jurisdiction, conduct supervision of the engagement of seasonal workers.

Source: NALED, GIZ (2020), Analysis of the effects of seasonal employment reform in agriculture

### Reform steps

In order to understand the steps and measures taken to introduce a new system for engaging seasonal workers, here are the most significant reform steps and activities implemented in Serbia

- A detailed ex-ante analysis of the seasonal worker engagement system, including a comparative analysis of best practices in Croatia and Hungary
  - A detailed analysis of the seasonal worker engagement system has been implemented
  - Basic reform directions have been defined
  - A proposal for a draft law on simplified employment for seasonal work in specific areas has been defined
  - A communication strategy has been developed
- Preparation of the Law on Simplified Employment for Seasonal Jobs in Specific Areas, with by-laws
  - Regulation on registration and deregistration of seasonal workers
  - Regulation on the content of the certificate of seasonal worker employment
- Development of a software for electronic registration of seasonal workers
  - IKT portal sezonskiradnici.gov.rs
  - A guide for electronic registration of seasonal workers has been developed
  - A mobile application Sezonci has been developed
- Service centers (contact points for employer and worker inquiries) have been established in local government units
  - As a rule, organizational units with responsibilities for agriculture and rural development within municipal and city administrations (often including units for finance, economy, or local economic development)
- Media- communication campaign
  - Informing workers and employers about the new legal framework through the media
  - Development of manuals, video guides, and more
- Detailed ex-post analysis of the seasonal worker employment system one year after system implementation
  - Determined effects of the reform
  - Provided recommendations for further improvement.

## References

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