

Regulatory Reform Impact Assessment in Business development in Albania.

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Abstract

Since October 2005, a declared priority of the Government of Albanian (GoA) has been the improvement of the legal framework, which impacts on business climate, through the establishment of a Regulatory Reform Task Force. Regulatory Reform is based on the principle of eliminating bureaucracy, barriers and subjectivity through the simplification of the existing regulatory framework and creation of a longer-term and sustainable system designed to raise the quality of legislation.

The European Union Progress Reports have called for further efforts from Albania to establish a system for Regulatory Impact Assessment to assessments conducted on the progress of Regulatory Reform in the field of business registration, licensing, etc.,

The quality of regulations is vital to the economic capability and well-being of a country. The economic analysis seeks especially to determine which government actions provide the greatest net benefits for the country as a whole and not only for specific sub-groups benefited from a policy (e.g. farmer, unions, government workers). That is, to consider if the country will be better off with or without this regulation. The first question to be answered is if there is an economic need for the regulation.

Referring to above, in this paper will present the steps doing by Albanian Government to establish a regulatory impact assessment (RIA) system, also we would like to present the best practice on Europe and America of impact assessment on small business development and the last objectives of this paper is identification of methodologies for impact assessment on small business development emphasising the positive and negative side of cost-benefit analysis as main method used for assisting decision making in public sector managers.

1. General view of regulatory reform in Albania

Poor quality of laws and regulations can seriously hamper economic growth and the sustainable development. Regulatory costs and lack of security constitutes significant barrier to the private sector investment and economic growth.

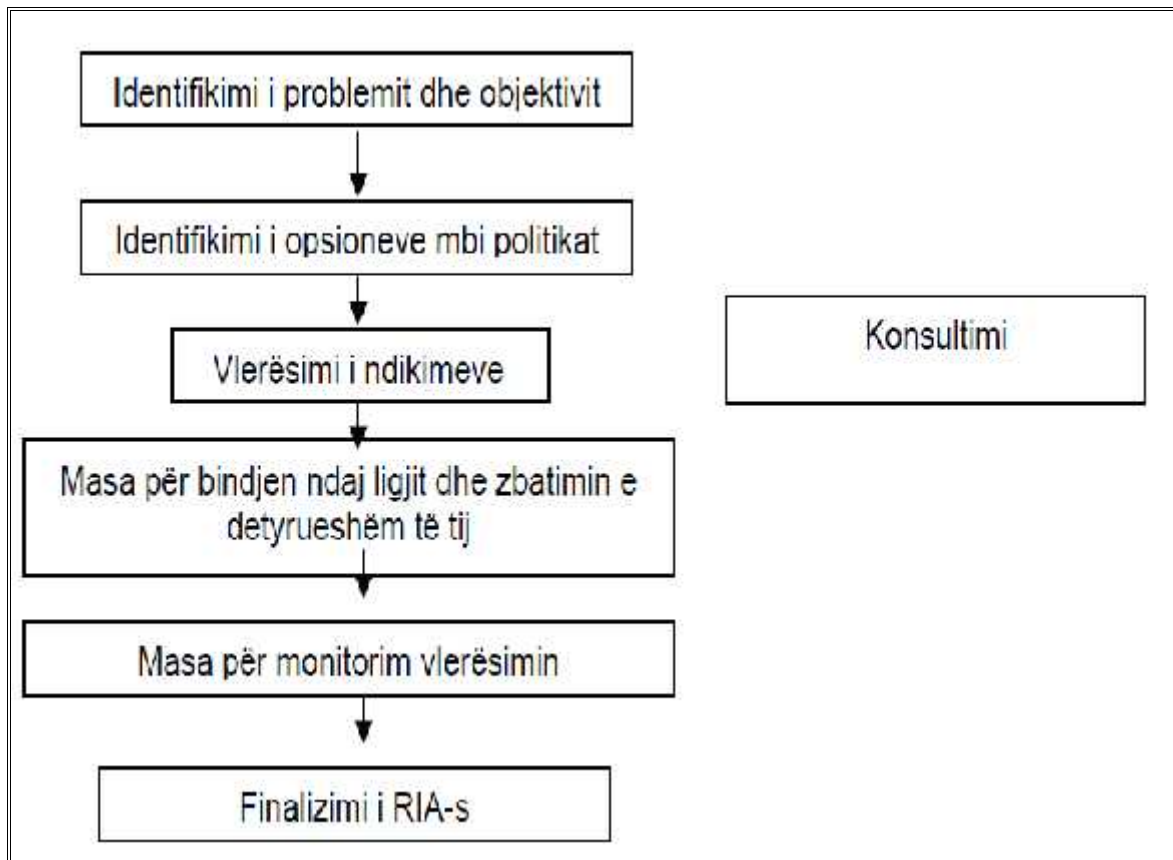
Disadvantages of the process of policy-making in Albanian are already evident, this is the main reason that politics is committed to the strengthening process of better regulation. Establishment of a Regulatory Impact Assessment (RIA) is a key element in the process of improving the production capacity and the quality of regulations favorable to business.

Regulatory Impact Assessment (RIA) is a key tool for improving the efficiency and effectiveness of regulatory decision-making. Having assessed the potential effects of a new regulatory proposal, RIA gives decision makers the evidence in terms of positive and negative impacts of a new regulation. This allows the adoption of more efficient and effective regulations and improving the quality of the regulatory environment.

RIA also improves the transparency and clarity of regulation. So, RIA is a key component of any program for regulatory reform.

Procedural scheme of implementation RIA is presented by the following graph¹.

¹October 2010, Albania (METE) “ Guide for evaluation IR”



²The implementation of RIA in Albania is expected to continue in two phases:
 First phase: building a system by amending the initial RIA accompanying the current legal framework and Budgetary Assessment;
 Second phase: Implementation of a comprehensive RIA system through a special law on RIA, a central coordination unit RIA, RIA units in line ministries etc.

2. Experiences of other countries

European Union official annual meetings stressed that the rapid process of approximation of legislation with the *acquis communautaire* RIA system is necessary because it helps to transpose the quality of the regulatory framework. This conclusion is also highlighted in the report of the OECD Investment Reform Index for 2010.

In OECD report for Investment Reform Index, report where the creation of RIA system has an important place, the comparison with year 2006, left Albania in this regard still outside positive evaluation of the region. According to the report:

²October 2010, Albania (METE) "Guide for evaluation IR"

-Serbia is the first country in the region which has started the implementation of this system for years and is further consolidating implementing institutions.

-Moldova has institutionalized creating RIA system and the group has created public-private consultation to review all impact assessments (IA) conducted by line ministries.

-Macedonia has officially established RIA and systematically conducts impact assessments (IA) since January 2009.

-Croatia, which started its implementations since 2005, not yet considered in an advanced stage in RIA

While Albania has made little progress in terms of RIA compared to 2006, although there have been some good efforts in this direction. According to the report, Albania is back Serbia, Croatia, Romania, Moldova and Macedonia despite many good achievements in regulatory reform.

Creating RIA system is considered by the OECD as a key step to guarantee the quality of the regulatory framework, which enables a wide consultation and coordination between all stakeholders and creates the necessary legal and institutional framework to preserve the achievements in terms of regulatory reform. Also creating RIA system is more appropriate framework to ensure sustainability of reforms undertaken mainly to improve the legislation

3. Vleresimi i Impaktit të Zhvillimit të Klimes së Biznesit.

Business climate, also called business activity environment is a concept of the invisible, complex and elusive. However, if the business climate of a country becomes useful, it has spectacular consequences and measurable in terms of life in markets, the number of new firms that enter the market each year, the share of new firms with high growth and an increase in the country's attractiveness to foreign investors.

The business climate is a term that shows how business development is supported by the state, regional and local policies, local communities as business networks and working relationships facilitate business activities. A good business climate allows businesses to perform their jobs with minimal interference from the authorities, allowing access to high quality inputs and consumers with low cost, offering investment opportunities with less risk and higher return compared with other countries. Developing Business Climate-like any other policy area must be assessed regularly.

New businesses are created from a combination of factors, such as availability of skilled people, access to capital and the existence of promising business opportunities where risks are outweighed by the expected benefits. Analogous factors affecting the growth of firms and foreign investors' decisions. These factors can be caused by several different policy areas that are responsible for developing business climate.

- Availability of skilled people could be affected by the rules that improve the functioning of labor markets by providing business support and technology services, in addition the availability of training, with special focus on spreading the entrepreneurial and managerial knowledge.
- The amount of capital can be positively affected by the creation of a legal and institutional framework to better capital markets, providing credit and loan guarantees supportive government may affect the use of entrepreneurs.
- Business opportunities are conditioned also by rules, e.g. regulation of the entry in various sectors of the economy, administrative simplifications to start a business, government control over business activities, access to international markets, bankruptcy legislation, the regulation of transfer of knowledge from universities.

Developing Business Climate-like any other policy area should be evaluated regularly. Decision makers of various government agencies, business organizations and taxpayers in general also need a feedback on the performance of the measures taken in order to improve the business climate.

Assessment can be addressed to all strategy or focus on a specific set of measures such as subsidies, a project, a program or a campaign or a regulation. The results of the evaluation report should include and provide expert opinion and whether these interventions will be successful in terms of different criteria such as effectiveness, efficiency, impact, relevance and stability.

4. Some of the methods of Impact Assessment

There is a wide economic validation technique. The selection of the technique depends on the specific impact, which is reviewed and the availability of data. In some cases, it may be possible application of several techniques for the evaluation of impacts, which could constitute a useful combined control on the reliability of predictions made. There are three main ways of calculating the economic values: -The use of market prices; -use information on individual preferences; -transfer benefits.

One of the main methods of evaluation and most used is the method of cost-benefit analysis (CBA). CBA, as a means of economic analysis, has the potential to help public managers to take decisions, as part of the political process in a rational way. CBA allows public managers to evaluate alternative options available comparing the benefits and costs of each option. Through this process it is expected that public managers will be able to decide which option will generate higher net benefits.

Cost-benefit analysis is widely used in decision-making, however, the debate about the use of this method has been extensive. Different study groups, different topics in the debate have divided into three main categories: (Swartzman, 1982) ethical, political and methodological.

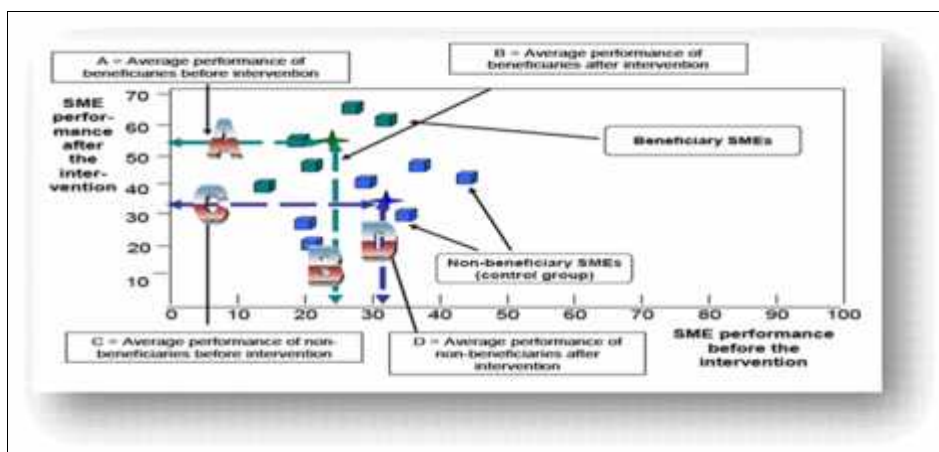
Supporters of CBA in the process of decision making argue that a policy developed under the CBA is ethical because it is based on the ethics of utilitarianism. On the other hand, Ackerman (2008) argues that the CBA contains deep ethical problems and continuous logical contradictions and party abuses.

The main concern of ethics here is the notion that not all things can be monetized in appreciation values, not things that are "too precious", especially in relation to human health, the nature environment and its sustainability (Ackerman, 2008, p31).

In addition to these ethical issues have arisen regarding the link between CBA and redistribution, to CBA seen as deficient in terms of redistribution of welfare (Dunn, 2007, p.235). Welfare and distribution problems are internal problems among generation. The problem occurs for example in generation because the available resources should be provided for people who can produce more efficient products and services.

From this perspective, where debates over the use of the CBA method are ongoing, we judge that an alternative method that can be used is one of inferential method, Difference to Differences

Differences. Operation of the method is shown in the graph. This method consists in selecting a key variable which is able to express the success of the intervention.³



CONCLUSIONS AND RECOMMENDATIONS

-By insuring a method for improving the quality of regulatory decision making, RIA can assist policymakers in addressing regulatory needs in Albania.

-There is a model of 'best practices'. Need for changes in institutional capacity, changes in objectives, changes in state policy and procedures, changes in legal systems, the roles of civil

³Evaluation and Impact Assessment of Business Climate Development, PéterFutó Institute of Sociology and Social Policy Corvinus University, Budapest, 2011

society, business sector development and market , will be the basis for process improvement and gradual development over time.

-Taking into account the existing capacity constraints in the Albanian public administration, the immediate launch of a comprehensive system of RIA deemed premature, launch of an RIA light system is more favorable for Albania conditions as actually happened in Albania.

-Since the Albania has already launched such an initiative, to enable the successful implementation of the process is necessary in parallel with the launch of RIA to build the capacity which will enable its implementation and the establishment of a supportive institutional infrastructure which actually is very necessary referred Albania status.

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