



BOSNIA-HERZEGOVINA STREAMLINING PERMITS AND INSPECTIONS REGIMES ACTIVITY (SPIRA)

Completion Report

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Bill of Rights for Small and Medium Enterprises in Bosnia-Herzegovina

This bill of rights was drafted to promote future reform related to small and medium businesses. SPIRA hopes that the principles in this bill will become the framework for governing future policies, actions, regulatory interpretations, and allocation of resources.

Small and medium enterprises (SMEs) in Bosnia-Herzegovina have the following rights:

1. To be treated and protected equally by the government, its institutions, agencies, bodies, and agents at all levels throughout Bosnia-Herzegovina, regardless of the individual business' characteristics, including size, ownership, type, geographic location, and any other characteristic that may result in denial of fair and equal treatment and protection.
2. To form free and nonexclusive associations and organizations; to promote their common interests and issues; to seek protection from or influence policies that they consider to be detrimental to common economic prosperity.
3. To be continuously, timely, and accurately informed of all current and planned future actions of governments, their institutions, agencies, bodies, and agents that pertain to economic and other policies affecting businesses, their owners, employees, and the local communities in which those businesses operate.

Moreover, SMEs have the right to expect and demand of governments, their institutions, agencies, bodies, and agents at all levels to:

4. Establish and maintain a taxation and fee system that encourages SME start-up and growth.
5. Create comprehensible and transparent budget and expenditure processes.
6. Provide efficient and effective protection against corruption.
7. Ensure a simple and predictable regulatory environment. Establish an efficient and cost-effective permitting process.
8. Work with the business community to develop, promote, and maintain education, training, and informational resources that assist the founding, operation, and expansion of businesses.
9. Establish and maintain easy access to information and resources necessary to support businesses in their relationships with governments, their institutions, agencies, bodies, and agents at all levels.
10. Support and promote programs that provide access to capital, financing, and other financial incentives for small business start-up, operations, and expansion.
11. Expand opportunities for SMEs to provide products and services to governments, their institutions, agencies, bodies, and agents at all levels.
12. Be responsible and accountable for prioritizing spending of governments, their institutions, agencies, bodies, and agents at all levels.
13. Establish and maintain an adequate and efficient system of infrastructure that supports the efficient movement of freight, the timely delivery of commercial goods and services, and adequate mobility of employees and customers.
14. Support and promote organizations that are representative of SMEs and confer with appropriate organizations prior to making decisions that affect small and medium business registration, operation, sustainability, prosperity, and growth.
15. Coordinate with public and private educational institutions to ensure that they are responsive to businesses' needs through developing the appropriate skills in the future labor force.
16. Participate in the regulatory development process and develop and propose solutions to issues of spatial and urban planning.

ACRONYMS

BAM	Bosnia-Herzegovina Konvertible Mark
DFID	Department for International Development
EDMWS	Electronic Document Management and Workflow System
ELMO	Enabling Labor Mobility project
FBiH	Federation of Bosnia-Herzegovina
GAP	Governance Accountability Project
HR	Human Resources
IFC	International Finance Corporation
IMS	Inspection Management System
MTR	minimum technical requirements
OSCE	Organization for Security and Co-operation in Europe
RS	Republika Srpska
SME	small and medium enterprise
SPIRA	Streamlining Permits and Inspections Regimes Activity
UNDP	United Nations Development Programme
USAID	United States Agency for International Development



RANKO ČUKIČIĆ

Municipal employees in Mrkonjić-Grad process business registration applications using SPIRA's rapid registration process. Rapid registration reduced business registration time to a day in most cases, representing a 97 percent reduction in processing time.

INTRODUCTION

Small and medium enterprises (SMEs) are one of the underpinnings of developed economies, producing financial prosperity and social stability. Bosnia-Herzegovina's government recognizes that businesses are an engine for growth that can reduce unemployment, increase foreign trade reserves through exports, and provide a larger tax base. Yet instead of fostering business development, the legal, regulatory, and administrative environment governing business registration, construction permitting, and inspections deterred SME growth by creating overly complex, confusing, and slow procedures. As a result, the regional report from the United Nations Development Programme's (UNDP's) Early Warning System labeled Bosnia-Herzegovina "one of the most burdensome permit and inspections regimes in the region." The high cost of compli-

ance, in terms of lost time and revenue, penalized businesses that operated formally. The size of the gray economy (20 to 40 percent of total economic output by some estimates¹) reflected how poorly the government served business; businesses operated in the shadow economy as a survival response to the government's failure to provide clear, streamlined, and timely services.

In April 2004, the U.S. Agency for International Development (USAID) carried out the "SME Intervention and Gap Analysis," a participatory analysis of the economic environment focusing on removing barriers to SME growth. Building on the priorities identified through this exercise, USAID designed the four-year, \$12.8 million Streamlining Permits and Inspections Regimes Activity (SPIRA) to foster business development and

1. Sources include the World Bank and the International Monetary Fund. Friedrich Schneider estimated the gray economy in BiH at 34 percent of GDP. (Schneider "The Value Added of Underground Activities: the Size and Measurement of the Shadow Economy of 110 Countries all over the World," presented at Workshop of Australian National Tax Centre, ANU, Canberra, 2002. Available at rru.worldbank.org/Documents/PapersLinks/informal_economy.)

spur private sector-led growth and employment by reducing legal, regulatory, and administrative barriers. From September 2005 through September 2009, SPIRA focused on reforming business processes. Working closely with government institutions and other donors in three key areas — business registration, construction permitting, and inspections, SPIRA achieved (and,

in many cases, exceeded) contract targets. In April 2008, the project received additional funds for a fourth component focusing on investment promotion activities in Srebrenica.

CONTEXT AND CHALLENGES

The complexity of Bosnia-Herzegovina's political structure creates a special challenges. The state is

SPIRA RESULTS AT A GLANCE

- Both entity governments adopted legislation to introduce the minimum technical requirement (MTR) shift across most industry sectors. By shifting the obligation for a business to demonstrate MTR compliance from pre- to post-registration, SPIRA reduced business registration time by 76 percent, exceeding contract targets.
- SPIRA developed and promoted the rapid registration process, which reduced business registration time for unincorporated businesses by 97 percent, exceeding the contract target. The process has been implemented in 11 municipalities to date.
- Urban permitting process time was reduced* by 71 percent, exceeding the contract target spurring local interest, which has led to 11 installations of the streamlined system at nine sites.
- As a result of extensive public awareness activities, 35 additional RS municipalities volunteered to implement rapid registration. SPIRA trained the RS SME Development Agency staff to develop and install the streamlined process.
- SPIRA completed the first investors' reference manual for BiH. It contains detailed explanations of how to obtain permits needed to build or renovate a building, regulations related to building permits, and contacts to apply for building permits.
- SPIRA-trained government staff reduced and streamlined RS business-related laws, resulting in a 46 percent reduction in laws and an improved business environment.
- SPIRA delivered more than 2,000 training programs to more than 1,500 government staff members.
- SPIRA managed the development and implementation of the Inspection Management System. More than \$800,000 in hardware and software was installed in the RS. The similar equipment and software system were delivered to FBiH and Zenica-Doboj Canton Inspectorate Administrations. However, the system was not fully operational in the FBiH or in the Zenica-Doboj Canton due to technical issues.
- SPIRA helped develop a telephone hotline and establish online inspection checklists, making public for the first time all the requirements for each type of inspection. These measures increased inspector transparency and accountability.
- SPIRA helped generate 40 full-time jobs in Srebrenica and facilitated a deal that will result in a \$7.4 million (10 million BAM) investment in the area.
- SPIRA completed investment attraction training for officials and staff in Srebrenica.
- While USAID did not include assistance to the government of Brčko District in the initial project conception, the district was interested in project activities. SPIRA provided assistance with MTR shift legislation and implemented the Electronic Document Management and Workflow System's urban and construction permitting processes.

**Based on the results attained in the city of Banja Luka and calculated in relation to process duration established in process mapping.*

CONTRACT TARGETS AND SPIRA RESULTS

Contract: 30 percent reduction in business registration time.

Result: 97 percent reduction in unincorporated business registration time.

Contract: 50 percent reduction in construction permitting time.

Result: 71 percent reduction in construction permitting time.

Contract: Develop and deliver inspection training to 500 staff members at government institutions.

Result: Held 1,976 training sessions; more than 700 staff members trained in inspection-related measures.

Contract: Strengthen the capacity of the Srebrenica mayor's office to assess new business and investment proposals.

Result: Facilitated a deal that generated 40 new full-time jobs for the local population.

made up of two entities — the Federation of Bosnia-Herzegovina (FBiH) and the Republika Srpska (RS) — and the autonomous Brčko District, each of which has its own unique political structure. The FBiH has three levels of government (municipality, canton, and entity), while the RS has only the municipality and entity levels. The Brčko District is considered an autonomous municipality and establishes its own laws. The entity and cantonal levels are particularly complex, as they are composed of a multitude of ministries (140 at last count) and assemblies (16). All three levels of government establish laws and regulations affecting business registration, construction permitting, and inspections. Meanwhile, overlapping mandates and a lack of coordination translates into the promulgation of redundant, inconsistent, and contradictory laws. As a result, investors were unable to obtain clear information on how to open and operate a business. To further complicate matters, poor record keeping and a lack of training for government staff meant that procedures developed for registration, permitting, and inspections were characterized by irrelevant or duplicative requirements, and little advice or guidance was available to businesses that were trying to comply with the law.

In April 2008, the project began helping municipality officials initiate investment promotion activities in Srebrenica, one of the most economically depressed areas of the country, with little financial and human capital. At

the beginning of SPIRA's assistance, municipal officials did not understand the value of attracting investment or possess the skills needed to attract it.

APPROACH TO PROJECT IMPLEMENTATION

SPIRA included four components and used a two-pronged approach, addressing both legal and process reform. Business permitting activities focused on legal reform and streamlining the registration process, significantly reducing the time it takes to start a business. The construction permitting component reformed entity and cantonal laws, combined two of the three permits required by businesses, and worked closely with all three levels of government to develop an Electronic Document Management and Workflow System (EDMWS) that simplified procedures by facilitating communications among all institutions concerned with issuing an urban permit. Inspection activities also focused on legal reform at the entity and cantonal levels, as well as the development of the Inspection Management System (IMS), which rationalizes the inspection process by defining inspection procedures, organizing all relevant inspection laws in one place, and reducing the potential for corruption. In Srebrenica, the project collaborated closely with municipal officials to develop the skills and knowledge critical to attract future investors, developing an investor attraction plan, and helping arrange a deal that generated 40 new full-time jobs for the local population.

“ Before USAID/SPIRA, registration was very complicated. Our clients had to go to Zenica [the canton administration center] located approximately 80 km from here to get two documents. Another document had to be obtained from Visoko [50 km away]. These documents were not issued that day, so to secure them took several trips. SPIRA’s rapid registration resolved issues with the tax administration and police so that these documents can be produced within the municipality. Now I officially request the documents from Vareš authorities, and businesses don’t have to ask for them.”

**JADRANKA RADOS,
REGISTRATION OFFICER,
VAREŠ**

CHAPTER ONE

STREAMLINE BUSINESS PERMITTING

CONTEXT AND CHALLENGES

Business permitting or registration establishes the legal status of a business for purposes of general liability and government regulation, and ideally creates a record that the public and investors can use for market research and economic planning. Before SPIRA’s interventions, Bosnia-Herzegovina’s business registration systems were considered to be one of the most cumbersome in the region, ranking 150th out of 178 countries globally. To avoid the system, many businesses operated in the “gray economy,” which decreased the government’s tax revenues.² The registration process, unchanged since the break-up of Yugoslavia,

took an average of 56 days in the FBiH and 33 days in the RS.³ In 2005, no companies surveyed in the FBiH and only 1.2 percent in the RS said the government was “doing enough” to improve business conditions in Bosnia-Herzegovina.⁴ There are two categories of business: (1) incorporated or limited liability businesses and (2) unincorporated businesses. The United Kingdom’s Department for International Development (DFID) was working to streamline the process for incorporated businesses; USAID directed SPIRA to focus on the registration process for unincorporated businesses.

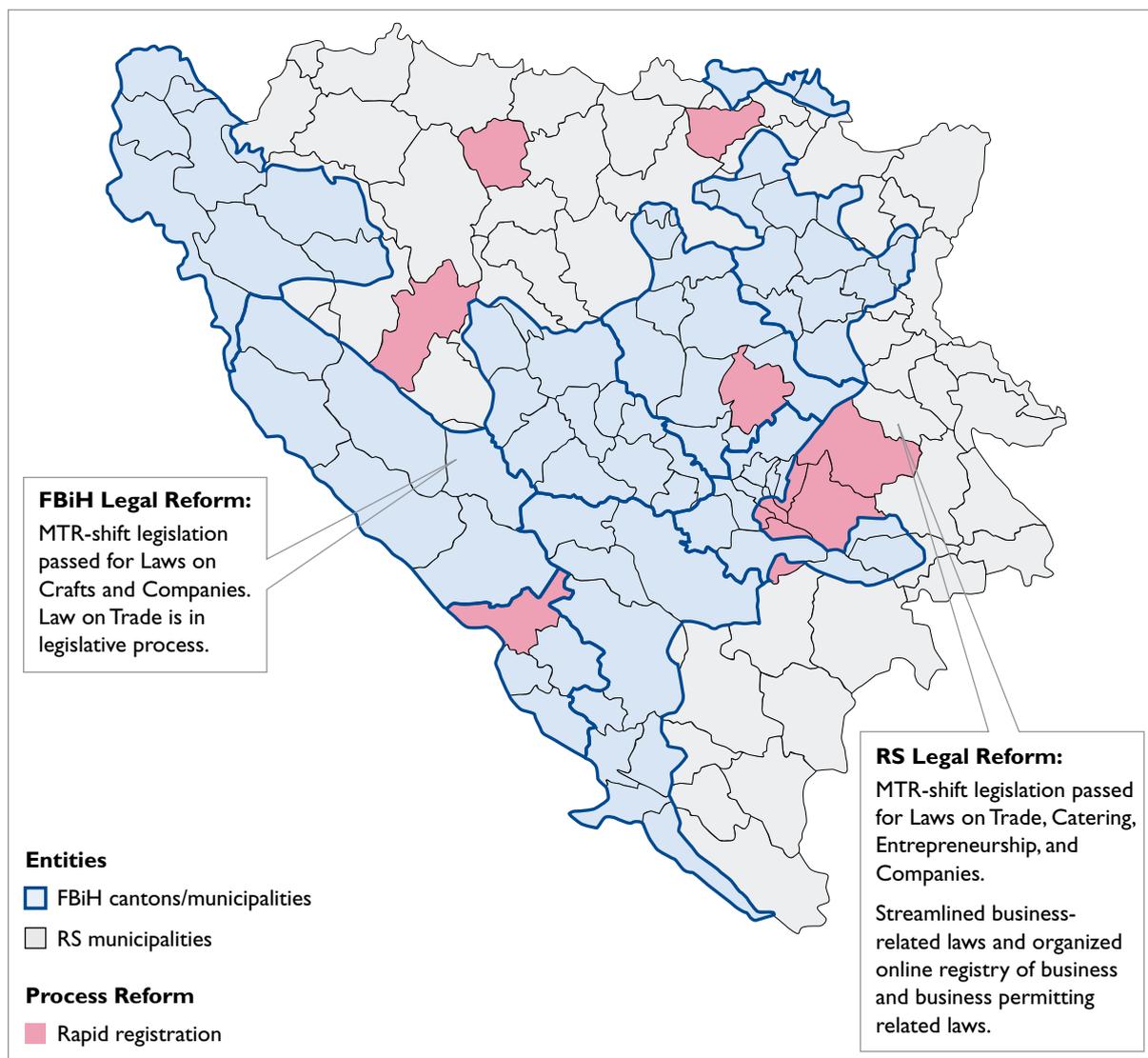
When SPIRA began, the permitting process included registering

2. World Bank, *Doing Business 2008*.

3. SPIRA, *Long and Winding Road*, 2006. (Report produced in 2006 documenting the business environment in BiH.)

4. Southeast Europe Enterprise Development, *2005 Business Barometer Report for the FBiH and 2005 Business Barometer Report for RS*.

BUSINESS PERMITTING STREAMLINED: SPIRA ACTIVITY SITES



Noting that many surveys did not capture the entire business startup time frame, SPIRA defined the process from the perspective of the business. SPIRA measured the process from the submission of a registration file to the time the business attained legal capability to invoice another party (i.e., engage in its first business transaction).

with four different government agencies and acquiring more than 20 documents, which often meant multiple lengthy trips outside the municipality. To obtain a business permit in the small town of Vareš, entrepreneurs had to make multiple trips to the canton administration center 80 kilometers away to collect certification of no tax liability. Entrepreneurs received little or conflicting guidance from officials and were obliged to provide documenta-

tion that was not only irrelevant to business registration, but also often impossible to obtain. “I had experience with business registration before the war,” said an entrepreneur in Banja Luka. “You had to go through 14 or 15 different offices, day in and day out. It took months to register your business.”

One of the lengthiest parts of the process was verification of compliance with minimum technical

requirements (MTRs), which required each business to be inspected by an independent commission. MTR commissions were organized on an ad hoc basis and staffed by personnel with little training. It often took months to put a commission together and schedule visits to businesses, making the process unnecessarily slow. In a survey, 37 percent of businesses in the FBiH and 17 percent in the RS reported that MTR compliance verification took more than 10 days.

Before SPIRA interventions, the permitting process for unincorporated businesses included three major steps:⁵

1. *Pre-registration.* Under the old permitting process, Ranka Marković would have had to register R&M her clothing store,⁷ collecting documentation (much of it irrelevant) from various state authorities, including the tax administration, the pension fund, and the health care fund. This task would have required numerous trips outside the municipality. When she finally established her store, she would then have to await a visit from the MTR commission to evaluate whether she was in compliance.
2. *Registration.* Once she met all documentation requirements, R&M would have been officially registered with the municipality and legally recognized by the entity.

3. *Post-registration.* Ranka would then have to visit tax authorities, open R&M's bank account, and pay a signage fee.

METHODOLOGIES

Following SPIRA's two-pronged approach of legal reform and process reform, the project analyzed entity laws and mapped registration procedures to identify unnecessary steps. Parts of the business registration process that were not required by law or were irrelevant were either removed altogether (verification of the legality of the facility) or postponed until after registration was completed (MTR compliance verification).

Legal reform focused on moving MTR compliance verification from pre-registration to post-registration, which cut the time it took for a business to begin operations by 76 percent. Instead of waiting for an inspection, the business owner signs a written statement that he or she is in compliance with MTRs. SPIRA assessed the business environment and targeted laws that covered businesses involved in catering, crafts, and trade — which comprise more than 80 percent of all registered businesses in Bosnia-Herzegovina. To develop draft laws, the project formed working groups in both entities, including ministry, cantonal, and municipal officials. The project first gained buy-in from top officials, then turned its focus to municipal and cantonal of-

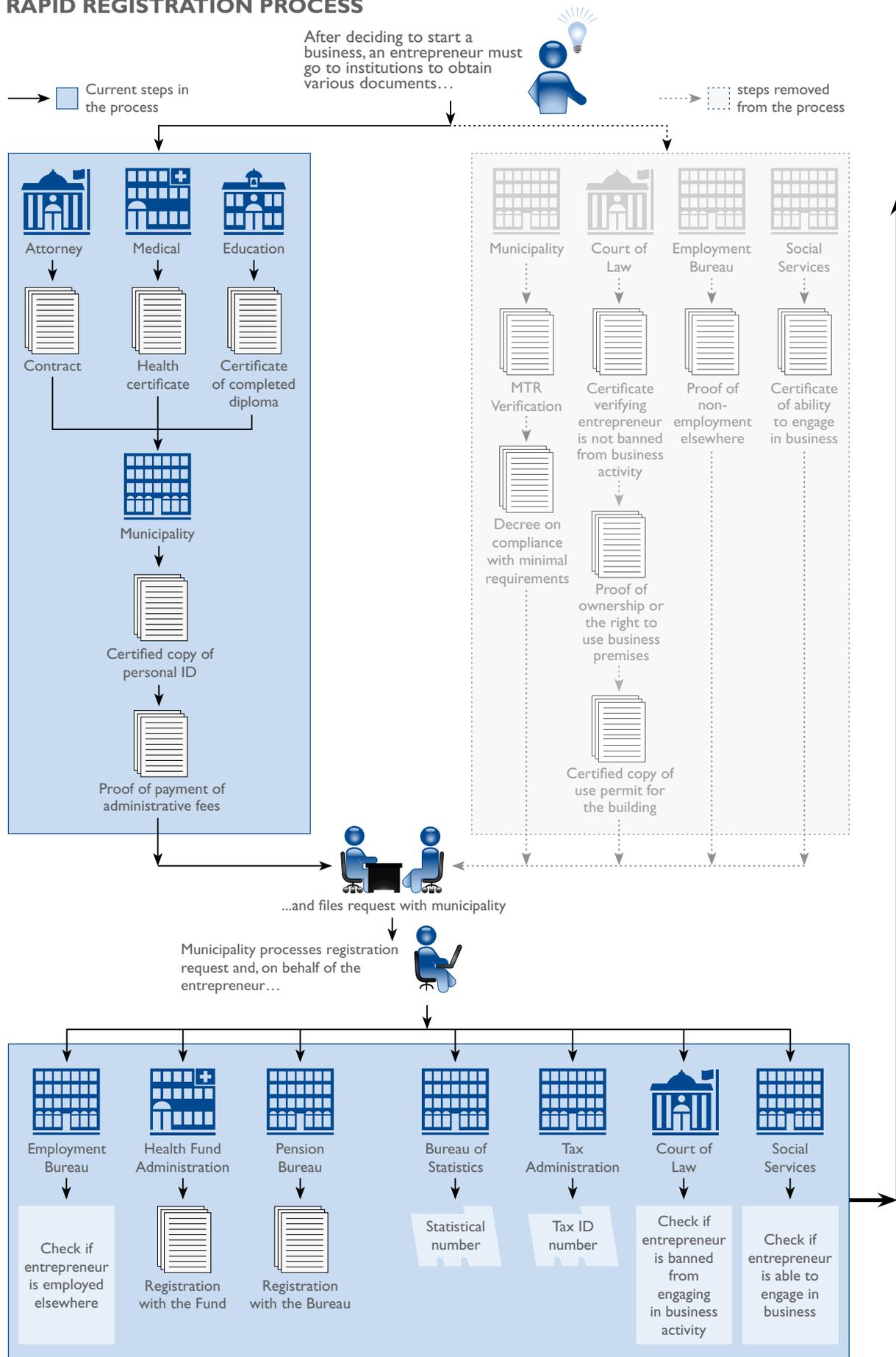
A baker leased space in an illegally built building in Novo Sarajevo. Though the law does not allow illegally constructed buildings to be connected to utilities, his shop, like many others, was connected to public utilities and met all sanitary requirements.

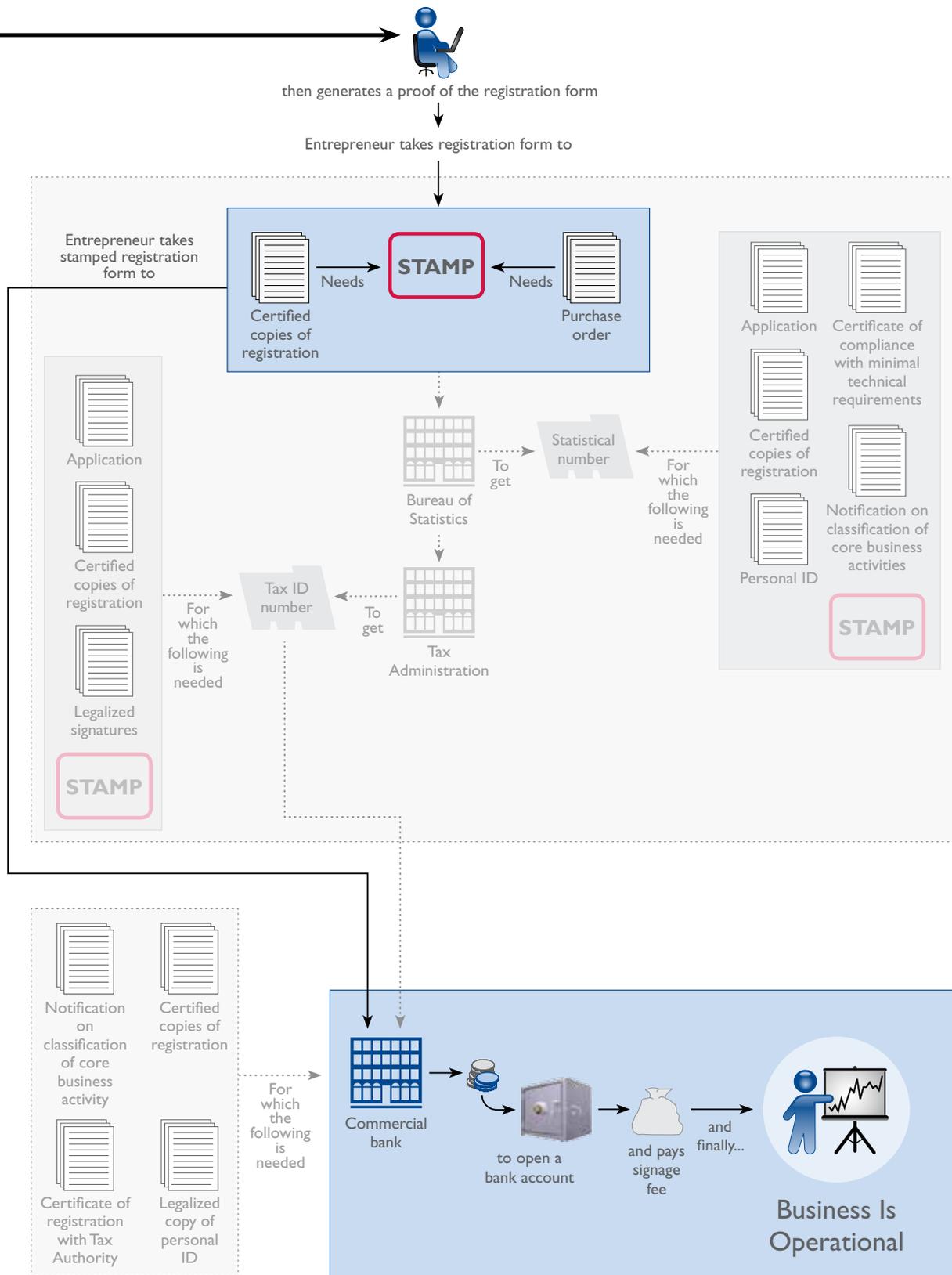
The baker applied to register his business and underwent MTR verification. Although his shop met all requirements, his application was rejected because he was unable to present a user permit certifying that the facility was legally built.

While illegal construction should be addressed, incorporating it into the business registration process stifles economic growth and adds an extra irrelevant check to the procedure. SMEs locating in illegally constructed buildings are penalized in the business registration process; this issue should be addressed in the construction permitting process, which is specifically designed to regulate building construction.

5. At the direction of USAID, SPIRA focused its efforts on unincorporated businesses, which undergo a different registration process than incorporated businesses, which register with the court.

RAPID REGISTRATION PROCESS





Business owner Ranka Marković prepares merchandise in R&M, her new store in Mrkonjić-Grad. She was pleasantly surprised when it only took a day to register her business. “We could focus on our business rather than on paperwork,” she said.

RANKA ĐUKOVIĆ



“ There are a lot of requirements... and I do not know if they’re necessary.... I understand that my store has to comply with sanitary requirements — I mean, I sell food — but I couldn’t register the business until I had proof of land ownership for my building... I had to obtain a construction permit...and my land was last registered in the books of the Austro-Hungarian Empire, so I had to correct my great-great-grandfather’s mistakes.”

BANJA LUKA BUSINESS OWNER

officials. In 2006, SPIRA received the support of the RS prime minister, and MTR reform was incorporated into amendments to the laws on catering, crafts, and trade. RS officials were so impressed with the positive effect of the new MTR provisions that they extended them to legislation covering all businesses by incorporating it into the law on companies. In 2008, the FBiH adopted post-registration MTR verification in legislation covering businesses in the catering and crafts sectors. At the time of this report, legislation that would extend the MTR shift to trade businesses was stalled.

To reduce the complexity of business-related laws in the RS, SPIRA collaborated with the World Bank and the International Finance Corporation (IFC) to compile, analyze, and streamline the laws, eliminating duplicate and contradictory regulations

and cutting the number of laws by 46 percent. SPIRA then joined forces with the RS Ministry of Economic Relations and Coordination to design two easy-to-maintain Web-based registries focused on business-related laws.⁶

In 2006, on the basis of a SPIRA analysis,⁷ the project developed the concept of rapid registration, a streamlined redesign of the entire business permitting process. Both RS and FBiH governments agreed to form working groups to adapt and pilot the concept at two sites. To alleviate the burden on both the entrepreneur and the registration officer, the project consolidated all registration forms, removed unnecessary requirements, and located most work within the municipality. Links were established between municipal registration officials and agencies that supplied documentation for registration, such as tax authorities. Where

6. At the direction of USAID, SPIRA focused its efforts on unincorporated businesses. The registry is available at www.regodobrenja.net/index.php?akc=novosti&jezik=1.

7. *Long and Winding Road*, 2006.

“ I was surprised at how quickly the registration process went. In my previous experience working at another business, it took 15 days for just one part of the business registration process to be completed. ”

**RANKA MARKOVIĆ,
CO-OWNER OF R&M
CLOTHING STORE,
MRKONJIĆ-GRAD**

“ Wherever I go I talk about the speed and efficiency of registering. I expected the procedure to last at least seven days, not one. ”

**MUSTAFA KAPETANOVIĆ,
OWNER, BOOKSTORE
BAMBY, VAREŠ**

entrepreneurs previously had to visit each of these agencies, rapid registration enabled the agencies to provide documentation directly to the municipality. In some cases, this meant working with cantonal and entity officials to delegate responsibility to the municipality. The result was a win-win situation: entrepreneurs now make just one visit to the municipality to fill out paperwork, and the registration official, serving as the liaison between the municipality and other agencies, has clear guidelines to perform his or her job and advise entrepreneurs.

In 2007, SPIRA chose the two RS municipalities of Laktaši and Mrkonjić-Grad to pilot rapid registration. Results exceeded expectations and contract targets. Rapid registration reduced permitting time by 97 percent, to just one day, in both locations, demonstrating that even small, less economically robust municipalities could benefit from adopting these simple procedures. For Ranka Marković, instead of waiting the RS average of 33 days to receive her business permit and making multiple visits to the municipality and other agencies, she and her husband went to the municipality, filled out the necessary paperwork, and registered their business in one day.

In 2008, SPIRA convinced the FBiH government to pilot the process in two municipalities, Posušje and Vareš. “Despite the municipality’s poor economic conditions,” said Vareš Registration Officer Jadranka Rados,

“we’ve seen an over 100 percent increase in the registration of new businesses — from three a month to six or seven a month.” The impact of the reform impressed officials, and the FBiH passed MTR shift legislation covering all businesses. SPIRA’s strategy shows that successful process reform not only produces results, but can also be a driver for legislative reform.

SPIRA worked with municipalities, such as Vareš, to communicate changes to the community. Collaborating with USAID’s Governance Accountability Project (GAP), SPIRA used municipal forums to disseminate success stories on rapid registration, encouraging pilot municipalities to promote reform to their colleagues.

IMPACT

SPIRA’s two-pronged strategy allowed the project to effectively leverage successes in one area to encourage reform in another, vastly exceeding the contract target of a 30 percent reduction in registration time. The MTR shift legislation resulted in a 76 percent decrease in registration time. Pilot rapid registration results, in turn, spurred more interest. In the RS, pilots triggered an immediate demand for rapid registration by six other municipalities. In 2009, RS officials asked SPIRA to present rapid registration results at a meeting of mayors, prompting expressions of interest from 35 more municipalities. SPIRA provided training on rapid registration for officials in the RS SME Development Agency and five regional

Vareš entrepreneur Mustafa Kapetanovic used the rapid registration process to open his own business, Bookstore Bamby. “Now I’m the boss,” he said explaining how starting his own business has affected his life. “Before I used to work for the boss.”

DARIA KABOLI



“ I loved the [rapid registration] process. It was fast and everyone was very helpful. I expected it to take much longer because my husband registered his business before. It took him months to do it. I’d recommend this procedure to anyone interested in opening a business. ”

VAREŠ BUSINESS OWNER

development agencies, guaranteeing more successful implementations of the process. As a result of SPIRA’s assistance, at least 67 percent of RS municipalities will be using this process within two years. FBiH Prime Minister Mustafa Mujezinović was so impressed with rapid registration that in July 2009, he asked SPIRA to implement it in all FBiH municipalities. At the time of publication, FBiH officials were finding ways to fund this additional work.

Rapid registration reduced the business permitting time by 97 percent and had spillover effects as well. Some municipalities left the traditional permitting procedures in place alongside the new ones, offering businesses a choice. SPIRA found that even when businesses chose the traditional process, municipal officials, now better equipped to perform their job, processed the permits more quickly.

Throughout the project, SPIRA successfully leveraged the impact of legal and process reform to push further reforms. The impact of the MTR shift excited RS officials and led to quick implementation of rapid registration pilots, which resulted in many more municipalities expressing interest in the process. Motivated by the success of the rapid registration pilots, the FBiH adopted MTR shift legislation and now wants to implement rapid registration everywhere. Both the RS and FBiH were so impressed by the results of the MTR shift among trade, craft, and catering businesses that they included these provisions in laws governing all businesses by incorporating them into the company law. Thus, all businesses, regardless of size or structure, are now covered by this reform.⁸ The autonomous Brčko District, seeing the increased economic activity among SMEs in the RS and FBiH, approached the project to obtain information

8. The exceptions, for obvious public safety reasons, are businesses that handle hazardous or dangerous materials.

“ I really like the new legal provisions [MTR shift] — it’s the most practical solution I’ve seen in the last 10 years. It makes life much easier for new businesses. ”

BANJA LUKA BUSINESS OWNER

“ I told all my friends and family how easy the process was. ”

**NEBOJŠA KAURIN,
OWNER,
FRIZERSKI SALON
KAURIN, MRKONJIĆ
GRAD**

“ The word is out that registration is done in 24 hours, and people can’t believe it. Whenever a new person registers, they tell their friends about the process, which is great. People will be encouraged more and more to start their own businesses. ”

**HAMDO FATIC,
MAYOR OF VAREŠ**

about this legal reform. Brčko District MTR Verification Officer Goran Gajić said, “I talked to people from Banja Luka, Bijeljina, and the RS Ministry of Economy, and they explained how this system works... We came to the conclusion that we’d benefit greatly from this streamlined procedure and asked SPIRA to help us.” He added, “I expect that we’ll have even better results than the RS or FBiH.” Brčko officials are currently incorporating the MTR shift provisions into their own legislation.

Surveying business owners, the project found significant improvement in their experience over baseline survey data measuring the traditional permitting process.⁹ Forty-nine percent of respondents found the courtesy of staff involved in handling applications good or very good, and 61 percent found municipal staff knowledge to be good or very good, up 28 percent and 24 percent, respectively, from baseline results. Compared with previous findings, 16 percent more respondents found staff to be very willing to answer questions about the permitting process, and 21 percent more said the procedures were very clear. Forty-eight percent of the respondents said the availability of information about what forms were required was good or very good; this was a 17 percent increase from baseline survey results.

Perceptions changed not only among those directly affected by the MTR shift and rapid registration, but also among the general public. SPIRA’s outreach and the municipalities’ own advocacy efforts resulted in 150 articles in local media about the rapid registration process. The process also attracted international attention, with SPIRA staff featured in a *Wall Street Journal* article on business development in Bosnia-Herzegovina.¹⁰

BEST PRACTICES

No matter how effective or obvious a change might seem, SPIRA had to gain stakeholders’ trust and buy-in to implement reform. Many of the strategies employed by SPIRA can be used by other projects to streamline business, legal, regulatory, and administrative reform in Bosnia-Herzegovina.

Seek high-level buy-in. If support for reform is first obtained from top officials, it is easier to sell changes at lower levels of government. Prime minister buy-in for the MTR shift and rapid registration package facilitated cooperation among lower-level officials, who were directly affected by the changes.

Prove the concept. Once the concept of reform and streamlining was developed by working groups, it was important to demonstrate and fine-tune it through

9. In December 2007, the project conducted a baseline survey, “An SME Perspective of Public Services,” to establish data for comparison with future SPIRA results, available at dec.usaid.gov/index.cfm?p=search.getCitation&CFID=4408&CFTOKEN=68197454&id=s_9AC04110-D566-FC5C-D2D562511105C2C5&rec_no=153505.

10. Kampschror, Beth, “Bosnian Territory Opens Doors for Business,” *Wall Street Journal*, May 15, 2007.

SUCCESS STORY

Rapid Registration Improves Municipal Economies



Entrepreneur Dragica Milošinović, owner of Salon MILA tailor shop, recently registered her business in a day using Mrkonjić-Grad's rapid registration process. "The fact that I could register quickly meant that I could focus on my business and on earning a living for myself," she said.

The small towns of Mrkonjić-Grad and Vareš are buzzing with new activity since the implementation of the rapid registration program. "We are a small city with few resources," said Vareš registration officer Jadranka Rados. "It makes people optimistic when they see that more activities are going on in town — people feel like we're progressing."

Rapid registration streamlines the permitting process, enabling most unincorporated businesses to register in a day — a reduction of 97 percent. When Dragica Milošinović lost her job, she decided to open a tailoring business. When she went to register at Mrkonjić-Grad's municipal office, she was stunned to receive her business permit the next workday. "I appreciated the quick process because I didn't have to waste my time," she said. "I could start focusing on my business right away."

The process has encouraged many people to start their own business. Vareš has seen a 100 percent increase in the number of applications each month. Ahmed Likic, owner of City Bar Café, registered a business in Vareš in 2003. "It took 20 days just for the MTR verification," he said. "Then it took an additional 10 days for all the papers to be ready. Registering [my current business] in one day is unbelievable." The experience encouraged Likic to pursue additional entrepreneurial activities. "I was so happy about the speed of the process," he said, "that I decided to start another business. I purchased a plot of land and am starting blueberry cultivation."

For Mrkonjić-Grad, rapid registration contributed to the municipality winning an Organization for Security and Co-operation in Europe (OSCE) Beacon Award for its dedication to SMEs. The award recognizes municipal governments that support the dissemination of best practices and encourages them to share their experiences with other municipalities. "We've broken the old superstition that nothing can be done on time or quickly," said Mayor Zoran Tegeltija. "We've finally proved that everything can be done in one place and efficiently."

implementation. To prove the concept, SPIRA selected two candidates to test the system, convinced decision makers of the benefits of participating, implemented the new concept, and closely tracked the results.

Choose pilot locations with care. SPIRA was able to ensure pilot success, in part, by choosing municipalities where local officials were excited about reforms. After implementation, these officials became some of the project's best advertisements, inspiring their peers to also implement reforms. Hearing about the procedure from another municipality is one of the most effective forms of public relations. Projects should also pick compelling sites. For example, if a small, economically disadvantaged city like Vareš can benefit from rapid registration, more highly developed municipalities are sure to recognize the value the process will have for them.

Incorporate flexibility and scalability in process reform. Rapid registration was designed so that it could be easily modified to fit the needs and requirements of a municipality, rather than forcing the municipality to change to fit the process. Allowing officials to continue to do business in a way that works for them, albeit streamlined, ensures that reform will be effective and sustainable.

Offer choices; don't impose. SPIRA designed rapid registration as an alternative to the old process, not a replacement. Pilot municipalities can offer entrepreneurs the choice of the old process or rapid

registration, allowing businesses to decide which is right for them.

Change must be incremental. The idea of overhauling the entire business registration framework and process was overwhelming to government officials. The project took small steps so that change was manageable.

Use existing forums for peer discussion of project activities. Both SPIRA and GAP benefited enormously from joint participation in municipal meetings. These gatherings served as a forum where municipalities could advocate SPIRA-led reforms among their peers, building enthusiasm for rapid registration.

RECOMMENDATIONS

Continued assistance to further streamline the registration process is key to economic growth among SMEs, which form the foundation of Bosnia-Herzegovina's developing market economy. Future donors and projects could bolster SPIRA reforms through the following recommended interventions.

Finish roll-out of rapid registration. SPIRA looked for ways to ensure the continued implementation of rapid registration. Five regional development agencies and the RS SME Development Agency received training and are committed to implementing rapid registration in municipalities throughout Bosnia-Herzegovina. In the FBiH, the prime minister is searching for ways to implement the procedure throughout the entity. Officials — including those in USAID,

at the U.S. Embassy, and in the prime minister's office — should follow up to ensure continued implementation of rapid registration.

Centralize, expand, and automate business registration. Currently, incorporated and unincorporated businesses follow different registration processes that are handled by different government institutions. If a business wants to operate countrywide, it must register separately in each entity and in Brčko District. This structure unnecessarily complicates the process and makes it difficult to gather accurate data on businesses throughout the country. Registration should be standardized for all businesses and recognized throughout Bosnia-Herzegovina. To increase the ease

of registration, all information should eventually be submitted online.

Establish a central database of all businesses in Bosnia-Herzegovina. SPIRA found that one of the primary goals of registration — the ability to produce nationwide statistics on types and locations of businesses — has not been achieved. There are 158 different business registries in Bosnia-Herzegovina: the tax administration (1), the central bank (1), the High Judicial and Prosecutorial Council (1), the statistics bureau (1), the courts (12), and the municipalities (142). Information is rarely, if ever, shared among these databases. As a result, it is impossible to gather national statistics on the number and types of businesses operat-

Vareš Registration Officer Jadranka Rados has received positive feedback from clients using SPIRA's rapid registration process. "One local businessman who registered in Vareš using the improved registration system also opened a branch office in Sarajevo," she said. "He said in comparison to Vareš, where he registered his business in a day, it took him a month in Sarajevo just for the MTR verification!"

DARIA KABOLI



ing in Bosnia-Herzegovina. A centralized database would include both incorporated and unincorporated enterprises and would be continuously updated so the government could provide appropriate services and forecast revenues, and so investors could obtain accurate information about the current status of business nationwide or in a particular area.

Develop a procedure for de-registering a business, including streamlining bankruptcy proceedings. Most business databases in Bosnia-Herzegovina are misleading and inaccurate, primarily because no procedure exists for de-registering a business. Enterprises that have not existed for years remain on the books as if they were currently operating, and there is no way to remove them.



DARIA KABOLI

Due to laborious permitting procedures, many buildings in Bosnia are built illegally without the required urban, construction, and use permits. The value of illegal construction in Bosnia-Herzegovina is estimated at \$12.5 billion (17 billion BAM).

CHAPTER TWO

STREAMLINE CONSTRUCTION PERMITTING

“ Administrative procedures need to be simplified. You need 53 signatures and approvals to obtain a construction permit in Sarajevo — which does not attract foreign investors. If this situation is not resolved, investors will move to other places.”

**GIULIO MORENO,
REPRESENTATIVE OF THE
EUROPEAN BANK FOR
RECONSTRUCTION AND
DEVELOPMENT**

CONTEXT AND CHALLENGES

One in five businesses surveyed in SPIRA’s baseline report were in the process of or had just completed construction. Despite high demand and the potential for generating revenue, the permitting process is extremely time-consuming, outdated, and fraught with uncertainty. Builders must obtain three permits, which takes an average of 536 days.¹¹ For one Sarajevo businessman, it took 22 years. This discourages investment and encourages the proliferation of illegal construction. The value of illegal construction in Bosnia-Herzegovina is conservatively estimated at \$12.5 billion (17 billion BAM).¹² Baseline survey

results show that business investment in construction alone has a sizeable monetary value, with the average construction investment amounting to \$115,808 (157,500 BAM) (compared with per capita GDP of \$4,731 or 6,435 BAM¹³). This number represents an enormous amount of capital with no practical value, as illegal property can neither be used for collateral nor legally sold. The permitting conundrum’s effects reach beyond stifled private investment to include missed opportunities for the state to generate revenue.

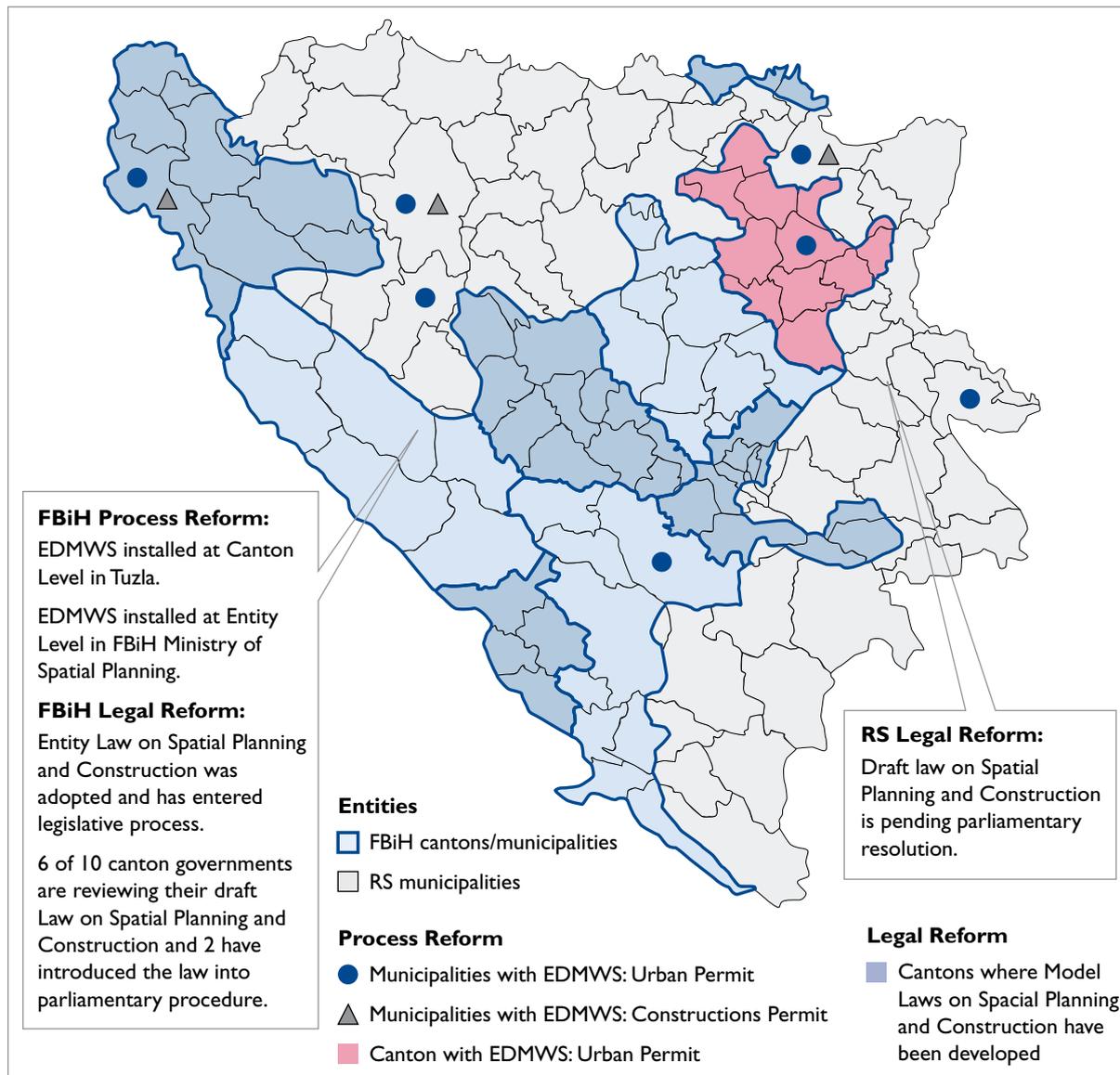
For business owners and investors, obtaining permits was an arduous task that included three separate steps. To construct a

11. BiH average, SPIRA baseline survey, “An SME Perspective of Public Services.”

12. Number based on an estimate by the FBiH minister of spatial planning and construction of 54,000 illegal buildings. This number was doubled to include the RS, then multiplied by the average investment per building of 157,500 BAM to equal 17 billion BAM.

13. BiH Agency for Statistics 2008 (latest available data).

CONSTRUCTION PERMITTING STREAMLINED: SPIRA ACTIVITY SITES



business facility or a private residence, an owner had to obtain an urban permit, establishing the location and the ability to connect to utilities; then a construction permit, authorizing new building or renovation; and finally a use permit, verifying that construction was completed according to approved standards. In the permitting process, the owner made multiple unnecessary trips to collect the same

documentation used for previous permits.

Construction permitting legislation, like business registration, was scattered throughout laws, making it difficult for owners to verify compliance with legal codes. Inefficiencies in the administrative process compounded this legal maze. One of the chief problems with issuing permits, as experienced by a Banja Luka

“ I’ve been waiting since 1984 [to get the construction permit]...because this piece of land [where my business is built] is nowhere in the [municipality’s spatial] plan. Two years ago [in 2005], I got the permits. I have had this store since the Olympic games [in 1984]...They gave me the papers, but the land is still not in the [spatial] plan.”

SARAJEVO BUSINESS OWNER

businessman, was a dire lack of complete or precise land use plans¹⁴ on which the municipality could base decision-making. Often, municipalities worked from several land use documents that, through years of use and reproduction, no longer contained accurate or legible information. Incorrect records made it difficult to determine available utilities and other prerequisites for construction or to resolve fundamental issues such as land ownership. The dearth of accurate information could halt the permitting process altogether. Construction permitting decisions were characterized by a lack of coherent strategy, resulting in similar land parcels being treated differently on the basis of subjective measures. This convoluted system provided numerous opportunities for corruption.

METHODOLOGIES

Pursuing a two-pronged approach, SPIRA focused on both legal and process reform in the highly sensitive domain of construction permitting. SPIRA conducted an in-depth assessment of the regulatory constraints to construction permitting in both entities¹⁵ and found that the laws on spatial planning and construction¹⁶ required updating. In the RS, SPIRA gained political buy-in to assemble working groups and held hearings to develop and debate a new draft of the law.

Analysis showed significant redundancies between the urban permit and the construction permit, so the law combined them into a single procedure. To provide an overall strategy for the development of land parcels, the law introduced zoning, a new concept in the region. In the RS, the draft law was adopted in October 2007; however, vested interests have put up fierce resistance, stalling legal reform.

The FBiH working group began developing a new law on spatial planning and construction that included the same key provisions as the proposed RS law. In July 2009, in a landmark decision, the FBiH assembly adopted the first draft of the law, an important step in the legislative process. In the Federation, the construction law must also be reformed on the cantonal level, so SPIRA created a model law that each canton can adapt. The recent progress on the entity-level spatial planning law has motivated six of the 10 canton governments to review their draft model laws, and two have introduced the law into parliament.

To make construction permitting laws easier for investors to locate and use, SPIRA developed a Web-based registry of construction-related regulations that organizes all relevant laws into a database. SPIRA also developed the first *Investors Reference*

14. The term “land use plan” is used for readers who are unfamiliar with the land use planning system in the former Yugoslavia. The people from the area will be familiar with the term “spatial plan.”

15. *Long and Winding Road*, 2006.

16. Spatial plan laws cover issues including land use and construction or renovation of buildings.

A municipal employee in Banja Luka's municipality uses the SPIRA-developed Electronic Document Management and Workflow System to facilitate the processing of an urban permit. The system has reduced permitting time by 71 percent.

RANKO ČUKOVIĆ



“ Quite often in my work, I see investors who are prevented from working legally. When that happens, what else can an investor do but work illegally; that is, without adequate paperwork.”

**ABID JUŠIĆ,
MINISTER OF SPATIAL
PLANNING OF SARAJEVO
CANTON**

Manual, detailing permitting procedures for construction and renovation. Both the registry and the manual are posted on the Web site of Bosnia-Herzegovina's Ministry of Foreign Trade.¹⁷

To streamline the building permitting process, SPIRA chose two municipalities — Banja Luka and Tuzla — to pilot the EDMWS, a document exchange system that simplifies the urban permitting process. SPIRA-led working groups, including all stakeholders, closely collaborated to map procedures, remove duplicate or unnecessary steps in the process, and establish standards for consolidating the steps into one permit application.

A major part of the urban permitting process required the investor/entrepreneur to provide extensive documentation to utility and other service providers. The EDMWS was designed to link the municipality to these providers, so that investors need

to submit only one application directly to the municipality, which then electronically submits the documents to the appropriate providers. The success of the first pilots led to the installation of the system in seven more sites at both canton and entity levels. In Banja Luka, Bihać, and Brčko, the project tailored the system to cover construction permitting, creating models for future duplication. To ensure sustainability, the project complemented the system with intensive hands-on training of municipal staff. “Staff like the [EDMWS] and think it's a quality system that will help them [perform their jobs],” said Siniša Jovanović, section chief of the spatial planning section of the Brčko District. “What we really like is that [system experts] spend time with each municipal staff member individually so that they know how to properly use the system.”

In Tuzla, the project expanded the functions of the EDMWS by

17. www.mvte.gov.ba/registry

“ I was going to change my existing facility into a pizza place. [Municipal officials] said, ‘No, you cannot do this, but we will give you a permit for a paint shop.’ Give me a break — if I wanted to sell paints, I’d apply for that permit! [Officials] didn’t ask me to finance the development of the [spatial] planning document, but I had a feeling they were expecting me to make a ‘contribution.’ It took me two years to get the construction permit for my pizza place.”

BANJA LUKA BUSINESS OWNER

implementing MapInfo, a GIS database that allows the municipality to produce accurate digital pictures of land with relevant geospatial data; in the past, this was done by hand, using outdated and incomplete maps. The MapInfo software has significantly reduced errors in land use plans and allows the municipality to accurately update its cadastre records.

As with other components of the project, government officials received support in publicizing legal and process changes. They learned the value of transparency and developed public relations skills.

IMPACT

The importance of reform efforts in the construction permitting process as a predecessor to further economic development in Bosnia-Herzegovina cannot be overstated. SPIRA’s efforts have contributed to significant reform in this sector and have created models on which future reforms can build. The passage of the revised laws on spatial planning and construction in the FBiH alone will lead to a significant reduction in the amount of time and the number of documents needed to obtain a combined urban and construction permit. Complementing legal reform, the EDMWS has already reduced the length of the urban permitting process by 71 percent in Banja Luka, exceeding the contract target of 50 percent. The system is expected to produce similar results throughout Bosnia-Herzegovina, spurring more interest and leading to wider implementa-

tion. So far, the system has been implemented at nine sites: seven municipalities, Tuzla Canton, and the FBiH Ministry. Now that it has been adapted to the ministry and canton levels, it provides an easily replicable and adaptable model for other municipalities, cantons, and ministries.

Business satisfaction with the permitting process has increased compared to the project’s baseline survey results. In July 2009, 40 percent of businesses reported that the availability of information about permitting was good or very good, an increase over baseline survey results. Businesses also reported increased willingness among municipal staff to answer questions about the permitting process (5 percent over baseline results). And 41 percent of entrepreneurs rated the helpfulness and knowledge of municipal staff as good or very good, an increase over baseline data.

Those who were directly affected by the EDMWS were not the only ones who changed their opinion of the permitting process. SPIRA’s public awareness efforts helped develop a more positive perception of the process among the general population. Public awareness campaigns and the municipalities’ own advocacy efforts resulted in 160 articles about construction permitting reform, and SPIRA helped municipalities organize more than 25 public hearings attended by more than 750 people to debate the laws on spatial planning.

“ This market is interesting to foreigners, but investors are burdened by complicated procedures and crime, so only those who are patient can survive.”

**TIE SOSNOWSKI,
DIRECTOR,
FOREIGN INVESTORS
COUNCIL**

BEST PRACTICES

Building permitting is fraught with controversy, but SPIRA’s reforms have created effective methodologies to push even the toughest changes through the political system. The strategies that worked can serve as a guide for future interventions that will lead Bosnia-Herzegovina closer to European Union accession.

When you encounter a roadblock, devise an alternative route. SPIRA faced many challenges in gaining consensus on reforms to the laws on spatial planning and construction, and then on winning support for these reforms. When amendments to the RS law were thwarted, the project took a new approach and redrafted the law, which gained more traction.

Ensure high-level buy-in. Obtaining high-level support for

changes, especially controversial changes, is the key to preparing the way for effective legislative reform. Building key alliances can move forward even the most difficult efforts.

Choose pilot locations with care. The EDMWS was a success, in part, because officials at pilot sites were passionate about reform and excited about the system. Their dedication allowed the project to work closely with them to develop a system that would be extremely effective and efficient.

Understand your customer. Projects must understand their customers’ business processes and must concentrate on the end-users to ensure that the system will be well-received and fully utilized. Establishing systems without consulting with users

In Banja Luka, employees enter applications into EDMWS to process urban permits. The system allows the information to be exchanged directly between the municipality and external institutions, like utility companies, alleviating the burden on the business owner.

RANKO ČUKOVIĆ



ELECTRONIC DOCUMENT MANAGEMENT AND WORKFLOW SYSTEM: AUTOMATING THE PERMITTING PROCESS

1. Investor brings request for an urban permit to the municipality.
2. Municipal official advises applicant on all required documentation and provides all necessary forms.
3. Once forms are submitted, municipal official scans the application and enters information into the EDMWS.
4. The municipal official, via the EDMWS, sends information to related utilities to request consents.
5. Each utility processes the request internally.
6. Consent or disapproval document is electronically returned to the municipal official.
7. Municipality collects all the approvals from the system and processes the request for the urban permit.
8. Municipality contacts the investor and issues the permit.

can create extra work for them or change related processes, causing resentment. Make sure to include all relevant parties in system design discussions.

Use flexibility and scalability in process reform. For the information technology aspects of your program, build a flexible platform that is easily adapted. The EDMWS was designed so that users can customize it. The customization and installation process takes about three weeks.

Automation is only part of the solution. Automation achieves maximum results when the processes are also streamlined. Real process reform requires an in-depth analysis of current procedures and the elimination of duplicate and unnecessary steps.

RECOMMENDATIONS

Bosnia-Herzegovina could still significantly improve its construction permitting legislation and processes. Future donors and projects could bolster SPIRA reforms and move the country closer to this goal by the following recommended interventions.

Support RS construction permitting legislation. The project has made significant headway on reforming the laws on spatial planning and construction. Future interventions should help push this reform through in the FBiH, RS, and Brčko, standardizing the construction permitting process throughout Bosnia-Herzegovina.

Support FBiH canton-level construction permitting legislation. SPIRA developed the model

canton law on spatial planning and construction. Future projects should help secure the passage of this law at the canton level to complete the legislative reforms promoted under SPIRA.

Develop associations and advocacy groups to champion legal reform. One of the key issues in construction permitting is that no strong professional associations exist to advocate for reform. The draft law on spatial planning and construction established chambers of engineers for this purpose. Future projects should develop and strengthen such groups so they can play a forceful role in the reform process.

Continue to roll out streamlined procedures. Once legislation is enacted, the EDMWS must be adapted to accommodate the combined urban and construction permit. The system can then be expanded to the use permit, effectively covering all parts of the permitting process. This platform should be implemented horizontally across municipalities and vertically at all levels of government. In addition, MapInfo software should be installed in all municipalities to help create more accurate cadastre maps and spatial plans.

Consolidate construction-related institutions. Construction is overseen by a host of government ministries, making regulations and oversight unreliable and incoherent. The creation of a state-level ministry of spatial planning and construction, eliminating the 14 ministries currently working in this area, would enable the de-

SUCCESS STORY

EDMWS Reduces Urban Permitting Time by 71 Percent



ALMIRALIC

A municipal employee in Tuzla receives an application for an urban permit and reviews it to ensure completeness before it is entered into the system for processing. Tuzla was one of two municipalities to pilot the EDMWS urban permitting software and use it at the canton and municipal levels.

In the past, when entrepreneurs in the RS submitted an application for an urban permit, they expected to wait at least 152 days, the average time it took to receive a permit. However, the electronic document and workflow management system (EDMWS), designed specifically to streamline the cumbersome urban permitting process, has resulted in a 71 percent decrease in the time it takes to process a permit in Banja Luka municipality. Dragoljub Davidović, mayor of Banja Luka, said, “Bosnia-Herzegovina has very long and complicated administrative procedures that...investors must deal with [when applying for an urban permit]. The introduction of the EDMWS improved our efficiency and shortened procedures, while increasing construction activities in the city.” The city has been so pleased with the results that it has implemented the EDMWS for constructions permitting as well, effectively covering two-thirds of the permitting process.

In July 2009, Tuzla Canton began using the EDMWS for the urban permit. The system significantly reduced the amount of paperwork and travel time for entrepreneurs, who used to have to gather extensive documentation from outside agencies. This information is now collected electronically by the municipality — the application is submitted, scanned into the database, and sent electronically to external agencies for review and approval.

The system benefits not only entrepreneurs, but also municipal staff. Sabina Begić, head of the spatial planning unit in Tuzla, said, “This year, we had 7,000 permit applications, as we were working on legalizing buildings. In an average year, we have 2,000.” Processing this much paperwork takes time, and the EDMWS has streamlined the work of municipal staff. In addition, SPIRA installed the MapInfo GIS software in Tuzla, allowing the municipality to create and use accurate land and cadastre maps that staff used to draw by hand. Begić said, “We’re now able to see the exact parcel of land and all information relevant to the permitting process — significantly reducing the number of errors.” The system also enables better management and oversight, and reduces the time it takes to pull data for reports.

The streamlined process has produced so much positive feedback that it was extended beyond the Tuzla and Banja Luka municipalities and implemented in seven other sites. “We look forward to using the EDMWS,” said Zoran Tegeltija, mayor of Mrkonjić-Grad. The system is working so well that it was adapted and installed in the Tuzla Canton and the FBiH Ministry, meaning that the model can be rolled out at all levels of government with only slight modifications for each site.



ALMIR ALIĆ

Citizens submit their permit applications at the Brčko District municipal office. The EDMWS was installed for both the urban and construction permits in Brčko, effectively covering two-thirds of the permitting process and significantly reducing the time needed to process permits.

SPIRA's work not only changed processes, it changed government officials' perspective on serving their citizens.

“ The urban permit must be skipped... Investors must not waste their time visiting so many institutions, gathering all the necessary consents. This should be done by...civil servants because it is their duty! ”

**SALKO OBHOĐAŠ,
FBIH MINISTER OF
SPATIAL PLANNING**

velopment of an all-encompassing set of laws to foster a more business-friendly construction permitting process that complies with European Union standards and attracts investment.

Provide assistance on zoning. Now that zoning will be implemented for the first time in the region with the adoption of laws on spatial planning and construction, officials will need technical assistance to develop zoning plans and policies.

Develop a Bosnia-Herzegovina-wide land use strategy. Currently, no national land use strategy exists that can guide lower-level governments in establishing zoning and urban development plans. An entity-level plan should be developed and lower-level government officials should be trained to use it.

Increase online access to construction-related information. Zoning plans and other construction regulations should be consolidated and made available to the

public online. This will promote continued private investment, especially foreign direct investment.

Resolve long-standing issues with illegal structures. SPIRA's interventions targeted laws related to the construction permitting process, but deep underlying problems must be addressed for continued reform in this sector. New legislation is needed to bring illegal structures into the formal economy.

Reform cadastre and property records. Cadastre and property records are incomplete and sometimes inaccurate, which delays the permitting process and makes it impossible to permit some buildings. In organizing these records, officials should consider how taxes affect ownership, as many families choose not to update ownership records to avoid this extra financial burden. Ownership legislation should be reformed to promote transparency in land ownership rather than punish it.



RANKO ČUKIĆ

Inspectors receive training on how to use the IMS. SPIRA conducted 1,976 training courses for 700 inspectors throughout the life of the project.

CHAPTER THREE

STREAMLINE INSPECTIONS

“ Some important people here [in Mrkonjić-Grad] have [competing] restaurants and wanted me out of business... Sanitary inspectors came out to my place 30 times. I know for a fact that if you exclude my place, they did not conduct more than 30 inspections...I closed [my shop]. ”

**MRKONJIĆ GRAD
BUSINESS OWNER**

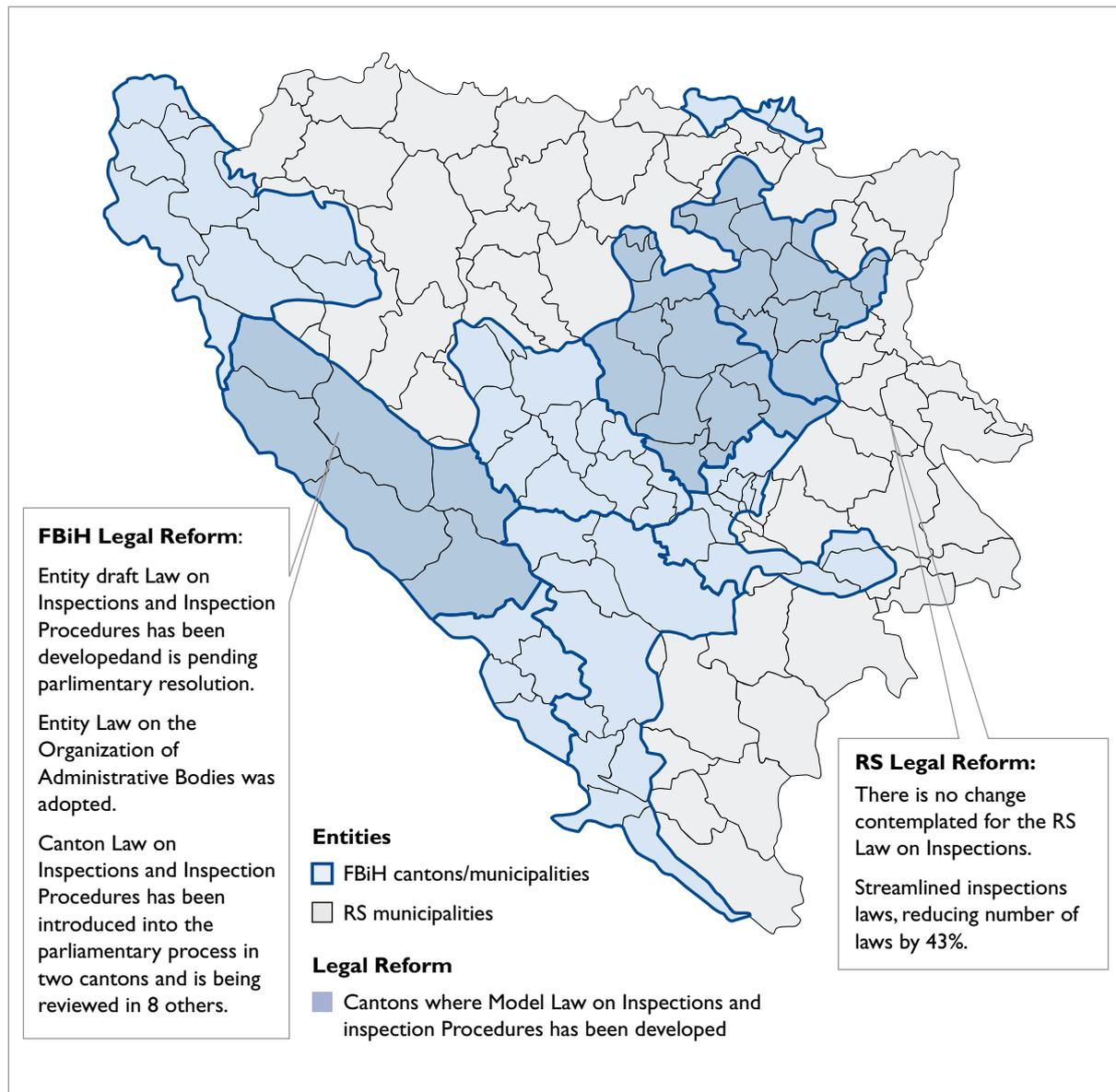
CONTEXT AND CHALLENGES

Government’s obligation to business goes beyond providing services such as business registration and permits to include fair enforcement of regulatory requirements. The primary role of inspections is to protect public and private interests by ensuring compliance with laws, while educating business owners on maintaining proper standards and keeping the cost of compliance to a minimum. In Bosnia-Herzegovina, a highly decentralized, unorganized, and unaccountable inspection system has not only failed to uphold laws, but also enabled heavy-handed measures and corrupt practices that pit inspectors against business owners. Regulatory provisions were unreasonable and requirements were so complex, confounding, and inconsistent that business owners had great difficulty meeting — or even understand-

ing — their legal obligations. As a result, inspection-related issues were highly unpopular and politically sensitive.

When SPIRA first began, inspectorates were decentralized, housed within their respective ministries at the entity and canton level. This meant that they enforced the policies and regulations of their own ministries, a practice that led to abuses. Some businesses were not inspected at all, while others were subjected to excessive oversight. The decentralized structure also led to a hodge-podge of overlapping and contradictory laws and by-laws; they overregulated in some cases and created loopholes in others. To rationalize this domain, the World Bank sponsored the development of new inspection laws that were enacted in both entities in January 2006. (Some provisions of the new law were declared unconstitutional

INSPECTION PROCEDURES STREAMLINED: SPIRA ACTIVITY SITES



in the FBiH in February 2006. See discussion in the following sections.) The laws stipulated the consolidation of entity-level inspectorates, which took place in the RS and FBiH in 2006. Five cantons consolidated soon afterward, and three more consolidated during the project as a result of SPIRA's efforts. Currently, only two canton inspectorates remain unconsoli-

dated. This restructuring allowed inspection administrations to begin implementing measures to organize resources and tasks more efficiently, ensure regular uniform application of the law, and increase accountability.

Consolidation was just the first step in bringing order to the system. It became clear that inspectors did not understand their

role as advisors to businesses, and they showed varying levels of mastery of the job. Few resources or continuing education programs were available to them. Because the inspectors never received proper training, they could not properly advise businesses on compliance measures or the appeals process, which reduced accountability and made decisions difficult to challenge. Inspections were often ad hoc and non-standardized, with the result that some risky violations went unnoticed while less threatening infractions were punished with heavy fines. The inspections were uncoordinated; businesses were visited several times for different types of inspections, rather than having all verifications completed at one time. All these factors meant that inspectors did not fulfill either of their two primary roles as protectors of public interest and advisors to the business community; rather, they were perceived as rent-seeking enforcers of arbitrary regulations.

“ I don’t have a problem with them per se. I do mind when they come in and are just itching to give me a fine. They have never told me, ‘Look, this is wrong. We’ll be back in a few days, so make sure to fix it.’ They just want the money.”

SARAJEVO BUSINESS OWNER

METHODOLOGIES

SPIRA’s two-pronged approach focused on both legislative and process reform. The first legislative efforts focused on changing the provisions in the World Bank inspections law that had been declared unconstitutional in the FBiH. SPIRA met extensively with the minister of justice and a constitutional court judge to clarify the disputed provisions. It established a working group in July 2007 to draft a new law for the FBiH, and the group delivered the draft law to the minister in December 2007. SPIRA

convinced the justice minister to invite the FBiH inspectorate to comment on the draft. Differing opinions led to two versions of the law, and SPIRA served as mediator between the minister of justice and the inspectorate, helping create a final version that was acceptable to both parties. The law was finalized in May 2009 and scheduled to be on parliament’s agenda in September. The law includes key provisions that will push significant reform of the inspection process; it is essential to establish the structure of the FBiH inspection administration and to clarify its scope and authority.

To ensure that FBiH cantonal laws reflect changes in the entity law, SPIRA worked with officials to develop a model law that all cantons can use to revise their legislation. Currently, two canton parliaments are reviewing the amended laws; laws in the other eight cantons are in various stages of development.

While the law on inspections clarified the overall organization of inspections, to further clarify each inspector’s obligations and establish standard procedural and behavioral guidelines, SPIRA drafted reforms to the FBiH law on the organization of administrative bodies. The reforms codified inspection methods, record maintenance requirements, professional and educational requirements, and a code of conduct.

The RS adopted the World Bank’s inspection law in 2006. As part of World Bank-IFC collaboration with SPIRA, inefficient

“With the help of USAID/SPIRA, the FBiH law on inspections was amended, and we made a model cantonal law on inspections. The law is being delivered to all the cantons to enable harmonized operations and better organization of cantonal inspections. This will enable high-quality performance of inspections and implementation of international conventions ratified by BiH...”

**KATA SENJAK
FBiH CONSTITUTIONAL
COURT JUDGE**

and obsolete inspection-related laws were streamlined in the RS. The removal of these laws simplified the legal structure governing inspections, promoting investment and making it easier for businesses to navigate.

To complement the legislative streamlining, SPIRA improved processes by developing the Inspection Management System (IMS), which automates the entire process. SPIRA worked with the RS and FBiH inspectorates to identify opportunities for process automation, organization, and compilation of data and to assess the capacities of inspectors to effectively use information technology. In collaboration with entity inspection administrations, SPIRA developed IMS software. With USAID’s Enabling Labor Mobility (ELMO) project and the World Bank, SPIRA procured hardware to support the IMS. The system includes extensive training modules to ensure its sustainable use. The modules cover specific training for staff who will provide ongoing maintenance and support, as well as general training for end-users. The system was successfully implemented and became fully operational in the RS. At the point in development when the system was ready for installation and testing, the technical differences related to the software between the SPIRA project and the Federal Administration for Inspection Services (FAIS) led to the FAIS’s decision not to implement the system.

The result in the RS is a system that greatly improves the ability of entity inspectorates to deliver

efficient and transparent services, relieving the heavy burden previously carried by businesses. For the first time, managers can plan, execute, monitor, and evaluate inspections on the basis of risk, which promotes efficiency and accountability. Inspections conducted at the entity and canton levels can be monitored in one centralized place within each entity. The system is flexible enough to allow managers to produce reports based on different types of data to inform policy and management. To increase transparency, the system tracks (and thus prevents) retaliatory actions by inspectors against complainants. The system, which employs risk-management algorithms, randomly assigns cases to inspectors. They carry laptops and mobile printers while they conduct inspections, referring to inspection checklists to guide their evaluations. If an inspector has a question, he or she can refer back to historical case information and legal codes. The IMS generates the appropriate forms, which are printed onsite, signed by the business owner, and imported into the IMS. This process facilitates tracking and standardization and significantly reduces the amount of time inspectors spend on each inspection.

To further promote transparency and accountability, SPIRA encouraged both entities to install an anonymous inspection hotline that allows citizens to request and provide feedback on inspections. The hotlines are advertised in the press and on the inspectorates’ Web sites, giving citizens a way to appeal inspection results or report corruption. (See the success story

“ The inspection management system has brought us international attention. Representatives from neighboring countries — including market inspectorates in Montenegro and Slovenia, labor inspectorates in Bulgaria, and the general inspectorate of labor of Portugal — are coming to the IMS launch to learn about the system.”

**SLAVKO SUBOTIĆ,
GENERAL DIRECTOR**

on page 36.) To establish a uniform code of conduct, the project developed a code of ethics and trained inspectors in both entities.

Training and the development of manuals further support SPIRA's interventions and increase the information and resources available to help inspectors in their work. At the beginning of the project, most inspectors lacked awareness of their roles and lacked the critical background knowledge needed to perform effectively. To supplement the legislative and process work, SPIRA conducted 1,976 training sessions for 700 inspectors on topics such as legal codes, market inspections, risk-based inspections, the code of ethics, the IMS, and computer skills.

SPIRA also developed two key manuals: a market inspection guide and a construction inspection guide. The development of market inspections is a key stipulation for European Union accession. SPIRA's market inspections manual describes standard international procedures and best practices; it was distributed with training and is currently in use by more than 200 inspectors.

The results of SPIRA's analysis of construction inspections in both entities revealed that effective construction inspection simply did not exist in Bosnia-Herzegovina. More than half the government's planned positions were not filled. To establish some guidelines and promote a framework for best practices, SPIRA developed a construction inspection manual, the first of its kind in the region. The manual and the accompanying training increased inspectors'

capacity to review and analyze contractor practices and materials, accurately report findings, and make recommendations for improvement.

As in the arena of business and construction permitting, SPIRA supported government officials in their efforts to communicate changes, resulting in 39 print articles over the course of the project. Most notably, the director of the RS inspection administration has begun to hold regular press conferences to update the public on reforms.

IMPACT

Successful reform of inspections is critical and will pave the way for Bosnia-Herzegovina's economic growth. SPIRA made great strides in building momentum for inspection reform, pushing for the consolidation of inspectorates, successfully convincing three cantons to merge their operations (a prerequisite for further reform), and paving the way for more effective, accountable, and efficient inspection management. When legal reforms first developed by the World Bank stalled in the FBiH because of questions of constitutionality, SPIRA successfully developed a new law, which at the time of publishing, was being prepared for government review. Its development represents a great success: for the first time, inspection issues are on the political agenda and are being debated. The passage of the law will codify significant reforms that streamline and clarify the role of inspections. SPIRA also developed a model inspections law for cantons; it

“ I was honestly surprised that [inspectors] did not start issuing fines immediately. They found some issues to be fixed, and they said, ‘Look, you have to fix this and that. We’ll be back in a month to check this, so you should fix it by then.’ ”

BANJA LUKA BUSINESS OWNER

is currently being considered by parliament in two cantons.

Legal reform and the consolidation of inspectorates provided the basis for the development of the IMS, which organized regulations into 1,442 checklists in the FBiH entity and cantonal administrations and more than 700 in the RS. For the first time, businesses can view checklists online and see the criteria against which they will be evaluated. The IMS has resulted in more targeted inspections as inspectors move toward a risk-based evaluation process.

To complement core legal and process activities, SPIRA developed training and two manuals to improve overall inspector capacity. Focusing on technical knowledge, SPIRA trained more than 700 inspectors in 1,976 separate training classes on subjects like market and construction inspections. These inspectors now have the tools to perform their jobs more effective-

ly. A constructions inspector in the RS said, “The manual for construction inspectors is a great idea and tool. We will be able to train new inspectors much more easily, and we now have a reference of regulations to consult when we encounter an unfamiliar issue. [The manual is] very practical and useful.” The knowledge that inspectors have gained is not only improving the quality of inspections, but also helping businesses comply with regulations. As a business owner in Banja Luka said, “[Inspectors] are not issuing fines to new businesses. They tell them what’s wrong, what needs to be changed, and set a deadline for fixing the problems.”

To promote transparency and accountability, SPIRA also developed and conducted training on both entities’ new codes of ethics and helped establish an inspection hotline through which businesses can request information or lodge complaints. Citi-

INSPECTION TRAININGS	NUMBER OF INSPECTOR TRAINED		
	FBiH	RS	TOTAL
Inspection-related trainings (all)*	1634	247	1881
IMS-related trainings	835	65	900
KEY INSPECTION TRAINING EVENTS			
Study tour to Ireland for inspectors from the RS, FBiH, and Brčko, focusing on the role and function of inspectors and how inspection services are implemented in a European environment.			17
Education for inspectors on the new FBiH law on minor offenses, which emphasizes the rights of businesses in the inspection process and informs inspectors of the procedures they can take to rectify infractions without unnecessarily burdening businesses.			418
Market inspection training conducted by Slovenian Chief Market Inspector.			300
Slovenia study tour focusing on updating inspections to meet European Union standards.			10
Training on developing inspection checklists			158
IMS training			900
Constructions inspections training			26

* See Annex A for a full list of Inspection Training Events

zens are taking advantage of the hotline: 711 calls were received from April through June 2009. Business owners have confirmed that inspectors are taking a more collaborative approach, working with the owners to ensure compliance. Of businesses surveyed by the project, 91 percent reported receiving a written explanation of their inspection, and 77 percent received information about where and when they could appeal the rulings. As a result, the businesses surveyed expressed higher satisfaction rates with inspection procedures than in the project's baseline study: 39 percent of the businesses said that inspections caused a negligible burden on operations, and negative ratings on inspections decreased.

The businesses directly affected by the SPIRA interventions were not alone in changing their perception regarding inspections; public awareness efforts helped develop a more positive opinion among the general population as well. Public awareness campaigns and the inspectorates' own advocacy efforts resulted in 39 articles in local media about legal and process reforms.

BEST PRACTICES

Inspections were an unpopular topic because of the long-standing perception among businesses — and among the inspectors themselves — that the latter's primary job was to levy fines on enterprises. SPIRA's work has taken the first step in reconciling inspectors and businesses so they can work together to support public safety and a healthy economy. SPIRA-led reforms

have created some effective methodologies for pushing even the toughest changes through the political system. The strategies employed in the project can serve as a guide for future interventions that will lead Bosnia-Herzegovina toward sustainable economic growth.

Persistence pays. When two provisions of the World Bank's inspection law were declared unconstitutional, SPIRA worked closely with the concerned parties to draft a new law. Meanwhile, because the law was controversial and slow to be enacted, the project looked for other avenues to reform inspections. SPIRA successfully secured reforms to the FBiH law on the organization of administrative bodies, broadening the proposed legal reform and clarifying inspection procedures.

Build on existing initiatives. Coordination with other USAID projects and donors — including ELMO, the World Bank, and the IFC — was key to pushing through reforms, such as streamlining inspection regulations in the RS and designing the IMS.

Secure high-level buy-in. The successful implementation of the IMS can be attributed, in part, to high-level champions in the inspectorates. These supporters effectively communicated the value of the system and reforms to their employees, facilitating the introduction of the new technology.

Understand your customer. Projects must understand the business processes of their customers and concentrate on the end-users

“ These concrete and systematic training sessions helped me in my day-to-day inspection work. ”

**RADAN BLAGOJEVIĆ,
RS MARKET INSPECTOR**

SUCCESS STORY

Inspection Hotlines and Checklists Promote Accountability



RANKO ČUKOVIĆ

An inspector receives training on IMS, a system designed to enable overall management of the inspections process, standardize inspections procedures, increase transparency, and reduce corruption.

Two complaints about inspections were the lack of transparent criteria and the lack of an accessible appeals process. Businesses often did not know what criteria they would be evaluated on or what recourse they had. One Sarajevo businessman said, “[Inspectors] have never told me, ‘Look, this is wrong. We’ll be back in a few days, but you make sure to fix it.’ They just want the money: 50 marks for this, 100 marks for that.” As a result, inspections in both the RS and FBiH were often ineffective and rent-seeking opportunities abounded.

In 2007, to promote accountability, SPIRA encouraged both the RS and FBiH inspectorates to establish and publicize hotlines through which business owners could anonymously provide feedback or complain about the inspection process. Calls are recorded and reports produced, which the chief inspectors then review. If follow-up seems necessary, an investigation is undertaken. Slavko Subotić, general director of the RS inspection administration, said, “We’ve found that a significant number [of the calls we receive] are very useful... [In some cases], we determined that disciplinary action was needed.” To date, the inspectorate has investigated 14 complaints and taken 12 disciplinary actions, resulting in the removal of three inspectors and criminal investigations and suspensions of five more.

Before SPIRA’s interventions, businesses often had a hard time complying with legal requirements for safety and sanitation. Regulations were scattered throughout various laws and were not very accessible to the general public. Inspectors often conducted inspections with little regard for or knowledge of legal codes. “They’d keep quiet, write things down, and give me a bill when they were done,” said a business owner in Banja Luka. To promote transparency and establish a standard set of guidelines for inspections, SPIRA helped develop checklists based on laws and regulations. These checklists are an integral part of the IMS; they are the basis for inspections and are publicly available on the inspectorates’ Web sites, allowing businesses to check the criteria ahead of time and ensure compliance.

“ I was pleasantly surprised when [the inspectors] advised me what I can do better and how to fix some infractions they spotted. This was new. ”
VAREŠ BUSINESS OWNER

to ensure that the system will be well-received and fully utilized. Establishing systems without consulting users can create extra work or change related processes, causing resentment. Make sure to include all relevant parties in system design discussions.

Provide training for sustainable automation. The IMS is a highly complex system that requires in-house technical knowledge to maintain. SPIRA trained in-house specialists to fully maintain and further develop the system. The project also trained inspectors as resources for their peers, ensuring that everyone has access to help in using the IMS.

RECOMMENDATIONS

While SPIRA has helped inspection reform gain traction in Bosnia-Herzegovina, significant steps remain to be taken before the country meets European Union accession standards. Future projects should build on SPIRA's work to broaden and deepen change in this sector.

Encourage cantons to adopt standardized inspection laws. So far, two of the 10 cantons have adopted the new inspection law. The remaining cantons must adopt the law to ensure that the business community receives the same treatment throughout the country.

Complete consolidation of inspectorates. Currently, two canton-level inspectorates are still decentralized. Consolidation is necessary for more effective functioning and the installation and utilization of the IMS.

Expand the installation of the IMS. To cover the entire country, the IMS must be rolled out to all FBiH cantons and at the FBiH entity level, as well as in the Brčko District. The IMS is installed and operational throughout the RS.

Establish standard qualifications and certifications for inspectors. While the FBiH inspection law and the law on the organization of administrative bodies establish minimum educational standards for inspectors, more must be done to improve the status and quality of inspectors. Certifications and specializations should be required, and inspectors should be encouraged to increase their knowledge and help improve the overall system.

Separate market and food safety inspections. To meet European Union inspection standards and comply with international best practices, Bosnia-Herzegovina must separate market and food inspections and create distinct guidelines and training so that both types follow international best practices.

Improve the appeals process. The current appeals process for a business owner who disagrees with the results of an inspection is cumbersome and lengthy and involves filing a complaint with the court. The process should be taken out of the already overburdened court system and transferred to an independent body within the inspectorate. Training and development of staff in this department would ensure a more streamlined and timely appeals process.



ALMIRALIC

Unemployment is high in Srebrenica, a once booming industrial area in Bosnia-Herzegovina. SPIRA worked to improve investment opportunities and create jobs in the municipality. SPIRA worked with Bos Agro Foods, a company with a berry processing plant in Potočari-Srebrenica.

CHAPTER FOUR

SREBRENICA ASSISTANCE

CONTEXT AND CHALLENGES

Srebrenica is in one of the most economically depressed areas of Bosnia-Herzegovina. During the war, it was the site of the worst genocide in post-World War II European history. Its broken buildings and lack of economic vitality are reminders of the terrible events that took place there. Since the war, Srebrenica has received limited attention from the state and entity governments, and while it has received significant funds from international donors, interventions have often been uncoordinated. To further compound these problems, municipal officials have little or no training in their jobs, making them ineffective advocates for the region and unable to successfully coordinate donor and investor activities. As a result, the area continues to show low economic growth and little investment.

In July 2007, at the request of the U.S. ambassador, SPIRA conducted an assessment of the business environment in the

municipality. In April 2008, the project received funds to conduct investment promotion activities in Srebrenica through August 2009. In an effort to develop local capacity to promote and manage economic development, SPIRA focused on building municipal officials' skills to attract and direct local and international investment.

SPIRA faced both political and economic challenges to its work in Srebrenica. During the 2008 municipal elections, ethnic tensions flared up again. Not long after the elections, the world economic crisis began, exacerbating an already difficult economic situation. The crisis led to 200 layoffs by Sase Mine, the largest employer in the area, and caused auto component manufacturer Cimos, another important employer, to put 25 employees on rotating unpaid leave. In the face of these challenges, SPIRA focused on building the long-term skills of municipal staff that will allow Srebrenica to continue to develop.

METHODOLOGIES

SPIRA's work built on its 2007 assessment and focused on improving the municipality's ability to attract new domestic and foreign investment. One of the key stepping stones for economic recovery is the ability of local government officials to promote investment opportunities and respond to investors' needs. To demonstrate the value of attracting investment and to provide a roadmap for future activities, the project developed two investment promotion workshops for government officials and nongovernmental organizations (NGOs). The training covered best practices in economic development, including relevant models and planning tools used by municipalities facing similar circumstances. The training resulted in improved and consistent contact among municipal officials, NGOs, and the business community, which previously had had little interaction. Officials and community stakeholders collaborated to draft an investment attraction action plan and a municipal factsheet for distribution to potential investors. This information has already been provided to several international firms known to be investing in the Balkans and will be available on the municipality's revamped Web site.

To ensure that economic development activities help alleviate youth unemployment, SPIRA worked with the NGO Friends of Srebrenica to develop a youth

unemployment survey. The survey will also examine labor demand in an effort to tailor vocational training initiatives to business needs. The survey report will provide municipal officials with information about unemployment and will include recommendations for specific activities to target youth.

SPIRA also conducted an intensive three-week training focusing on human resources (HR) management and the implementation of a municipal HR plan. Officials learned international best practices in local government management and identified changes to the municipality's organization that would improve overall effectiveness and respond to impending budget cuts. Training materials are housed with the municipality for future reference and will be used by other projects — such as UNDP's Municipal Training System project¹⁸ — to train other Bosnia-Herzegovina municipalities on HR management.

IMPACT

Despite a gloomy economic environment and limited resources, SPIRA was able to build local capacity to attract investment and broker a business deal that generated additional employment. SPIRA worked with the Bos Agro Food Company, a Swedish firm that has a berry-processing facility in Potočari-Srebrenica. Through SPIRA's efforts (see the success story on page 42), the border with Serbia was opened

18. A project focused on building municipal capacity and training.

for commercial traffic, and 40 new full-time jobs were created for the local population.

Training promoted collaboration among NGOs and municipal officials, improved local understanding of activities to attract investment, and identified key areas where interventions should continue. The increased capacity of the municipality is already producing results. For several years, FDS, a local tobacco company, had been trying to invest \$7.4 million (10 million BAM) to develop a hotel, but the company had struggled with local officials to identify a building site. In June 2009, FDS and municipal officials came to an agreement, and the project will move forward, increasing employment opportunities in the region.

BEST PRACTICES

Further economic development in Srebrenica requires long-term vision and commitment, especially given the current global economic climate. Through its work, SPIRA has developed the following best practices to ensure that future activities continue to promote a more healthy business environment and build on project successes.

Persistence pays. Despite the economic climate, SPIRA continued to contact companies in the area and outside the country to promote Srebrenica and entice future investment. Persistence and hard work paid off when the project identified Bos Agro Foods, which had a business interest in investing more in its Srebrenica facility.

Promote public-private partnerships in development. Before SPIRA training and activities, communication and interaction among government officials, NGOs, and other stakeholders was limited. By opening training events to all interested parties, the project brought these groups together to discuss common problems and solutions.

Work around controversial elections. Local elections were held in the middle of SPIRA's training efforts. To maintain impartiality, the project had minimal contact with municipal officials during the lead-up to the election and waited to deliver training until after the results were announced. By waiting, SPIRA was able to effectively target the government officials who would be leading future municipality activities.

RECOMMENDATIONS

While SPIRA's activities produced awareness and momentum for change in the municipality, significant work remains to be done. Future donors and USAID projects can build on SPIRA's successes by taking the following considerations into account.

Focus on local workforce development. Future projects should strengthen partnerships among the municipality, local businesses, and NGOs — as well as those with various RS authorities, including the ministries of labor and education, and the regional development agency — to develop training programs to increase job skills in the local population. Further economic development cannot take place

SUCCESS STORY

New Jobs Create Hope for a Better Future



ALMIRALIC

Forty new full-time employees were hired at Bos Agro Foods when the Skelani border was opened in June 2009. SPIRA worked closely with Bos Agro Foods to liaise with Bosnian and Serbian officials to open the border to commercial traffic.

Internationally, Srebrenica is known as the site of one of the most horrific events of the war in Bosnia-Herzegovina. The municipality remains physically, economically, and psychologically isolated, even 14 years after the Dayton Agreement. However, after many years of reflecting on the past, the municipality is looking toward a better future. In a time of economic turmoil, news of 40 new jobs created excitement and hope for the entire community. "This is my first full-time job since I moved to this region 15 years ago," said Stojka Pirgić, a mother of two in her forties, who will now be able to provide for her family after years of uncertainty.

In 2004, the Swedish company Bos Agro Food established a small factory in Potočari-Srebrenica to process and freeze berries grown in the surrounding region. The facility was operating at 40 percent capacity and employed 35 full-time workers. Recently, the company experienced increased demand for its product, but Bosnia-Herzegovina producers were unable to meet the increased demand for fresh berries. Bos Agro located producers in Serbia, but because the border crossing in the immediate area was closed to commercial traffic, it was unable to transport the berries to its plant for processing. After months of discussions with government officials, Bos Agro General Manager Armin Glamoč was ready to sign a contract with a processor in Serbia to freeze the berries there. As part of its investment promotion activities, SPIRA began working with Bosnia-Herzegovina state and entity officials, as well as Serbian officials, to open the border crossing. "I no longer had the time or the energy to push this change," Glamoč said. "SPIRA showed us how we could convince the government to move forward."

In June 2009, the Skelani border crossing was opened for commercial traffic and 1,500 additional tons of berries were transported to Potočari. The factory is now operating at 80 percent capacity and was able to sustainably hire 40 more full-time employees. "Thanks to a friend of mine, I heard about the new jobs and applied," said Jovan Sirić who had recently lost his job. "A few days later, I started working at Bos Agro Food. [The situation] is ideal, and I now have plans to start a family of my own."

The effects of the border opening go beyond the 40 new jobs. For Bos Agro, the increased sales will allow the company to pursue its long-term goal of working with Bosnia-Herzegovina producers to source all berries locally, improving the region's overall economic status. The border opening is also expected to help other local businesses — including the Sase Mine and the Zinc Coating Factory — that have incurred increased costs and delays waiting at the main border crossing in Zvornik.

without a workforce whose skills match the needs of investors and businesses.

Support the development of local entrepreneurs. Entrepreneurship is an important form of social and business activity. SPIRA worked with Friends of Srebrenica and the OSCE to identify and support potential local entrepreneurs. The Business Center in Srebrenica already has some capacity to help prepare business plans; this capacity should be strengthened. State and entity institutions should help develop an entrepreneurship curriculum for secondary schools.

Encourage regular donor coordination meetings. Because of the high volume of international donors and projects working in the area, collaboration and communication are key to ensuring that interventions are complementary. Establishing monthly donor coordination meetings that include municipal officials and local stakeholders would increase communication among all parties and ensure more coherent and effective development.

Encourage regular communication between the government and the people. SPIRA's activities promoted increased dialogue among local officials, stakeholders, and the population, but the municipality could also benefit from a communication plan that ensures ongoing interaction between the government and the people. In addition to communicating with the local population, Srebrenica

officials must take a more active role in shaping the city's reputation. Improving the municipality's Web site and other communication pieces can ensure that the area is known for more than the horrific events during the war.

Further develop the Memorial Center Potočari-Srebrenica. Currently, the memorial center attracts more than 100,000 domestic and international visitors annually. Srebrenica attracts about 30 to 40 percent of those visitors during its July 11th commemoration. The center has social and economic development potential that could be realized through offering other services, such as a Memorial Summer University, local guided tours, and a marked commemorative trail. But it needs help to develop a strategic plan and establish facilities, such as conference rooms and a research and documentation center. It also needs help with services like parking, translation, dining, and souvenirs.

Develop tourism in Srebrenica. Recent Roman archeological findings at nearby Skelani and the natural beauty of the surrounding area offer the potential for increasing visitor stays in the area. Lake Perucac could offer summer sports activities, and the many mineral springs could entice tourists to spend several days in the area. Tourism development activities should be coordinated with USAID's upcoming Fostering Interventions for Rapid Market Advancement project.



DARIA KABOLI

As Bosnia-Herzegovina looks towards the future, it is important that SPIRA's interventions continue to be replicated. This work will improve the business environment for SMEs and support continued economic growth.

CONCLUSION

As this report demonstrates, SPIRA exceeded several of the goals set forth in the project's four-year contract and implemented legal and process reforms that are fostering private sector growth and economic development. These visible and compelling results are changing the public perception of government services and will go a long way toward making Bosnia-Herzegovina a more attractive site for future domestic and international investment.

Business registration time for unincorporated businesses has been reduced to one day in most cases, and urban permitting time is down by 71 percent. The business sector's perception of inspectors has improved, and transparency has increased. Srebrenica has a plan to attract future investment and has already succeeded in generating 40 new full-time jobs. Legal reforms in the permit-

ting and inspection sector are ready for debate and enactment. The country has new registration procedures that can be rolled out nationally to improve the investment climate, as well as an electronic document management system that streamlines the urban permitting process. The IMS establishes standards for all inspectors, permits more effective inspections management, and provides public access to inspection standards.

With each success, the project has generated local excitement and interest in continuing reform. For example, pilot municipalities have generated so much enthusiasm for rapid registration that 35 additional municipalities in the RS have requested installation of the system, and the FBiH wants to implement it throughout. The impact of the reforms has spilled outside the project's mandate, as when both

the RS and FBiH adopted MTR shift legislation in their laws on companies, a law that was not originally targeted. However, SPIRA's work is not finished. Bosnia-Herzegovina has 150 municipalities, and SPIRA has installed its business friendly solutions in only a small portion of them. For the project to be truly successful, rapid registration, the EDWMS, and the IMS must be installed throughout both entities and the Brčko District.

It is important that current and future donors continue to capitalize on the momentum and political good will generated by SPIRA activities. As legal measures make their way through government and streamlined processes and systems are rolled out to more sites, the country will become a stronger competitor for domestic and international investment, generating new jobs and improving the economic status of all citizens of Bosnia-Herzegovina.

CONTRACT TARGETS AND SPIRA RESULTS

Contract: 30 percent reduction in business registration time.

Result: 97 percent reduction in unincorporated business registration time.

Contract: Draft amended legislation covering business registration, construction permitting, and inspection procedures.

Result: All legislation drafted and introduced to government.

Contract: Develop and deliver business registration, construction permitting, and inspection training to 500 staff at government institutions.

Result: Delivered more than 2,000 training programs to more than 1,500 government staff.

Contract: 50 percent reduction in construction permitting time.

Result: 71 percent reduction in construction permitting time.

Contract: Develop and implement an inspection management information system.

Result: IMS installed and running in RS entity and at regional and one cantonal level.

Contract: Equip inspectorates with hardware and software that enable inspection planning and monitoring.

Result: 29 desktop computers, 215 laptops, 6 servers, and other periphery equipment and software valued at more than \$800,000 were procured, delivered, and installed.

Contract: Strengthen the capacity of the Srebrenica mayor's office to assess new business and investment proposals.

Result: Facilitated a deal that generated 40 new full-time jobs for the local population and holds the potential of a \$7.4 million (10 million BAM) investment.

Annex A - SPIRA TRAINING (FINANCED UNDER CLIN 1)

IMS-related

Date	Location	Number of Participants	Subject	IMS-Related?
11/07/06	Mostar	100	Educational training for inspectors on the new FBiH Law on Minor Offenses	NO
11/14/06	Bihac	43	Educational training for inspectors on the new FBiH Law on Minor Offenses	NO
11/15/06	Livno	28	Educational training for inspectors on the new FBiH Law on Minor Offenses	NO
11/21/06	Zenica	48	Educational training for inspectors on the new FBiH Law on Minor Offenses	NO
11/23/06	Travnik	70	Educational training for inspectors on the new FBiH Law on Minor Offenses	NO
11/28/06	Tuzla	74	Educational training for inspectors on the new FBiH Law on Minor Offenses	NO
11/30/06	Sarajevo	125	Educational training for inspectors on the new FBiH Law on Minor Offenses	NO
03/13/07	Sarajevo	17	Educational training for inspectors on the new FBiH Law on Minor Offenses	NO
03/28/07	Banja Luka	25	Extended session of the Association of Trade and Tourism to define the "New Market Inspection Work Policy".	NO
05/28/07	Sarajevo	104	Educational training for federal and cantonal market inspectors titled: "Experiences of Republic of Slovenia in the process of EU joining from the aspect of the market inspection and consumers' protection".	NO
05/29/07	Banja Luka	25	Educational training for the representatives of the business community titled: "Experiences of Slovenia in working with market inspection".	NO
05/30/07	Banja Luka	70	Educational training for entity and municipal market inspectors of Republika Srpska titled: "Experiences of Republic of Slovenia in the process of EU joining from the aspect of the market inspection and consumers' protection".	NO
07/12/07	Sarajevo	15	USAID-SPIRA Inspection Working Group meeting titled: "Initial system diagram process for Inspection Management System (IMS), designed to be used by both entities".	YES
09/27/07	Sarajevo	76	Educational training for federal and cantonal market inspectors titled: "Presentation of proposed changes in the work of market inspection and the specificities of the market inspection in entities of BiH".	NO
09/29/07	Banja Luka	114	Educational training for entity and municipal market inspectors of Republika Srpska titled: "Presentation of proposed changes in the work of market inspection and the specificities of the market inspection in entities of BiH".	NO
12/13/07	Bjelašnica	18	Working group of cantonal representatives in charge of drafting the cantonal law on inspections. Members briefly presented given solutions in the proposed model of this law and the priority tasks and goals that would be achieved by adopting this law. Cantonal representatives presented their objections, comments, suggestions, and proposals on the proposed model of this law.	NO
02/07/08	Sarajevo	13	Presentation titled "Collecting elements for development of inspection check lists" was held at the Federal Administration for Inspection Services. The process of developing inspection check lists was explained.	YES
02/11/08	Zenica	54	Presentation titled "Collecting elements for development of inspection check lists" was held at the Cantonal Administration for Inspection Services. The process of developing inspection check lists was explained.	YES
02/14/08	Sarajevo	43	Presentation titled "Creating inspection check lists and experiences of the Republika Srpska Administration for Inspection Services in developing check lists."	YES

Date	Location	Number of Participants	Subject	IMS-Related?
03/21/08	Sarajevo	147	Seminar for inspectors of Federal Inspection Administration and inspectors of Zenica Cantonal Administration for Inspection Services with presentations titled: "Experiences of RS Administration for Inspection Services in the process of reforming inspection bodies with special attention to the concept, form of check lists that are a basis for the future IMS system," "Developing, installing, practical possibilities and the importance of IMS," "Practical implementation of the FBIH Law on Minor Offenses," "Practical implementation of the and the most frequent violations of the F BiH Law on Administrative Procedure," and 5. "Brief overview of the activities on adoption of the FBIH Law on Inspections, new legal solutions and current status in the process of the law adoption."	YES
04/10/08	Zenica	23	Workshop for chief inspectors of Cantonal Administration for Inspections in Zenica, directors of cantonal administrations for inspections in Federation, and the members of the FBIH Inspection Working Group, with presentations titled: "Procedure and the manner of developing inspection checklists," "Development, installation, practical possibilities and importance of IMS," and "Defining education program for inspectors."	YES
05/28/08	Goražde	15	Workshop for inspectors of Cantonal Administration for Inspections in Goražde, with presentations titled: "Implementation and the most frequent violations of the FBIH Law on Administrative Procedure," "Practical implementation of the FBIH Law on Minor Offenses," and "Procedure and the manner of developing inspection checklists."	YES
06/13/08	Bihać	11	Workshop for inspectors of Cantonal Administration for Inspections in Bihać, with presentations titled: "Implementation and the most frequent violations of the FBIH Law on Administrative Procedure," "Practical implementation of the FBIH Law on Minor Offenses," and "Procedure and the manner of developing inspection checklists."	YES
09/18/08	Široki Brijeg	40	Workshop for inspectors of Cantonal Administration for Inspections in Široki Brijeg, with presentations titled: "Implementation and the most frequent violations of the FBIH Law on Administrative Procedure," "Practical implementation of the FBIH Law on Minor Offenses," and "Procedure and the manner of developing inspection checklists."	YES
09/23/08	Livno	20	Workshop for inspectors of Cantonal Administration for Inspections in Canton 10, with presentations titled: "Implementation and the most frequent violations of the FBIH Law on Administrative Procedure," "Practical implementation of the FBIH Law on Minor Offenses," and "Procedure and the manner of developing inspection checklists."	YES
10/16/08	Sarajevo	48	Workshop for inspectors of Cantonal Administration for Inspections in Canton Sarajevo, with presentations titled: "Implementation and the most frequent violations of the FBIH Law on Administrative Procedure," "Practical implementation of the FBIH Law on Minor Offenses," and "Procedure and the manner of developing inspection checklists."	YES
10/24/08	Sarajevo	181	Presentation for all federal and cantonal inspectors on the software implemented in Tuzla Canton to support inspection work. Subject at the workshop was "electronic recording of the inspection supervision."	YES
10/29/08	Orašje	20	Workshop for inspectors of Cantonal Administration for Inspections in Central Bosnia Canton, with presentations titled: "Implementation and the most frequent violations of the FBIH Law on Administrative Procedure," "Practical implementation of the FBIH Law on Minor Offenses," and "Procedure and the manner of developing inspection checklists."	YES
11/13/08	Travnik	56	Workshop for inspectors of Cantonal Administration for Inspections in Posavina Canton, with presentations titled: "Implementation and the most frequent violations of the FBIH Law on Administrative Procedure," "Practical implementation of the FBIH Law on Minor Offenses," and "Procedure and the manner of developing inspection checklists."	YES
11/20/08	Mostar	75	Workshop for inspectors of Cantonal Administration for Inspections in Herzegovina - Neretva Canton, with presentations titled: "Implementation and the most frequent violations of the FBIH Law on Administrative Procedure," "Practical implementation of the FBIH Law on Minor Offenses," and "Procedure and the manner of developing inspection checklists."	YES
12/18/08	Zenica	49	Workshop for cantonal inspectors of Zenica-Doboj Canton, with presentations titled: "Implementation and the most frequent violations of the FBIH Law on Administrative Procedure" and "Practical implementation of the FBIH Law on Minor Offenses."	NO

Date	Location	Number of Participants	Subject	IMS-Related?
12/19/08	Zenica	59	Workshop for cantonal inspectors of Tuzla Canton, with presentations titled: "Implementation and the most frequent violations of the FBiH Law on Administrative Procedure" and "Practical implementation of the FBiH Law on Minor Offenses."	NO
11/03/08-11/07/08	Bihać	16	Educational training for the Una-Sana cantonal inspectors about the process and the manner of developing inspection checklists.	YES
11/25/09 - 11/28/09	Široki Brijeg	17	Educational training for the West- Herzegovina cantonal inspectors about the process and the manner of developing inspection checklists.	YES
12/08/08 - 12/12/08	Goražde	15	Educational training for the Bosnia-Podrinje cantonal inspectors about the process and the manner of developing inspection checklists.	YES
01/07/09 - 01/09/09, 01/12/09 - 01/16/09	Livno	14	Educational training for the Canton 10 cantonal inspectors about the process and the manner of developing inspection checklists.	YES
12/09/09 - 12/13/09	Orašje	13	Educational training for the Posavina cantonal inspectors about the process and the manner of developing inspection checklists.	YES
TOTAL:		1881		

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