

WORKING GROUP 5 CASE STUDY – BOSNIA AND HERZEGOVINA

Monitoring and Evaluation during the Bulldozer Initiative

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Background to the Bulldozer – 50 investment climate reforms in 150 days

The Bulldozer Initiative in Bosnia and Herzegovina is an example of a public-private dialogue methodology that successfully overcame the lack of political will and capacity at the government level through a bottom-up approach.

Using an innovative grassroots and public awareness methodology, the initiative mobilized the local business community to bulldoze barriers by identifying concrete legislative changes and advocating for their adoption and implementation. By delivering fast results – 50 reforms in 150 days – the initiative won the confidence of entrepreneurs and empowered them to institutionalize permanent grassroots reform committees.

The force of this lobby group created political will by putting public pressure on the politicians to do their part to enact the reforms. Most importantly, it carried investment climate reform the last mile by delivering concrete, quantifiable results in all sectors of the economy. Over time, the initiative, which started in November 2002, established a dynamic of reform and public-private partnership that facilitated the tackling of more complicated structural reforms.

Evaluation begins early – deciding which proposals to put before the public and politicians

Through media outreach and a travelling roadshow, the Bulldozer Committee invited entrepreneurs to submit suggestions for reforms. The Committee received about 250 submissions, on issues spanning all sectors of the economy: enterprise law, banking and finance, tax, exports, trade, labor, environment and so on. They included for example compulsory fees for professional associations, double taxation issues, cumbersome administrative procedures, and job-destroying labor practices.

Within the Bulldozer Committee, each proposal was studied in detail by a qualified group of lawyers and economists, who evaluated the proposals, developed legal solutions and assessed the likely consequences for the economic environment. Each reform was subjected to a rigorous cost/benefit analysis, and industry experts were invited to comment on ideas before they were taken to the next stage.

This way, the Bulldozer Committee ensured that individual entrepreneurs could not exploit the process in order to serve their own interests and without rendering real economic benefits to a sector of the market. Furthermore, such rigorous evaluation ensured the credibility of the Bulldozer process by making certain that no half-baked or ill-considered proposals got as far as being presented to the public and the politicians who would have to decide on them.

The Roadblock Submission Form

BULLDOZER EFFORT
ROADBLOCK SUBMISSION FORM

Submitted by: _____

| Private Business | Overseas Agency | Local Businesses Agency | International Agency | Business Council |
|---|-----------------------------------|---|-----------------------------------|-----------------------------------|
| <input type="checkbox"/> CEO / Manager | <input type="checkbox"/> Director | <input type="checkbox"/> Director | <input type="checkbox"/> Director | <input type="checkbox"/> Director |
| <input type="checkbox"/> Other employee | <input type="checkbox"/> Other | <input type="checkbox"/> Other | <input type="checkbox"/> Other | <input type="checkbox"/> Other |
| <input type="checkbox"/> CEO / Manager | <input type="checkbox"/> Director | <input type="checkbox"/> Business Association | <input type="checkbox"/> Other | <input type="checkbox"/> Other |
| <input type="checkbox"/> Other employee | <input type="checkbox"/> Other | <input type="checkbox"/> Other | <input type="checkbox"/> Other | <input type="checkbox"/> Other |
| <input type="checkbox"/> CEO / Manager | <input type="checkbox"/> Director | <input type="checkbox"/> Other | <input type="checkbox"/> Other | <input type="checkbox"/> Other |

* Please provide: _____
 Contact person: _____, Email/Information: _____

Roadblock title: _____

Issue details:

1- _____
 2- _____
 3- _____

Why is this a roadblock?

1- _____
 2- _____
 3- _____

Business impact:

Admission fee: _____

REMARKS: Please indicate the procedure or regulation that needs to be amended as well as the article number. Information response stage the original will be sent on your request to implementation.

Once formatted, each Bulldozer reform proposal was a few pages long and indicated the specific laws to amend in each jurisdiction. It included the text of existing articles, shown side by side with the new text recommended for adoption. The format was designed to allow for easy monitoring and evaluation, and summarized in tracking tables for each reform such as this example:

| # | Reform title | Jurisdiction | Concerned law | Specific articles |
|----|--|----------------|---|--------------------------------|
| 20 | R20 Statewide Amendments of Provisions on Training and Volunteer Labor | FBiH | Federation Labor Law (Official Gazette FBiH 43/99; 32/00) | Art.26; Art.27; Art.28 |
| | | RS | RS Labor Law (Official Gazette RS 38/00; 40/00; 41/00; 47/02) | Art.29; Art.30; Art.31; Art.32 |
| | | Brcko District | Brcko District Labor Law (Official Gazette BD 7/02) | Art.21; Add 2 new articles |

The Bulldozer Coordination Unit presented a subset of 70 reforms to all members of the committee. This presentation took place during three “Plenary Sessions” that each constituted an event for the business community. Each Plenary Session was typically attended by 40 to 50 participants, plus sometimes the press. All proposals were publicly discussed, and a vote was held at the end of the sessions.

The group of five international agencies who initiated and backed the Bulldozer process (IMF, World Bank, USAID, EC, OHR) had a veto power that could be used to prevent a reform proposal from being adopted – a veto power that was given up in later phases of the initiative, as it became important to pass on ownership and control to the local stakeholders. The Committee, which was composed of about 20 different associations (which each had a vote) in addition to the five international agencies, then voted on the best 50 proposals to present to the governing bodies.

Phase II further demonstrated the thoroughness of the selection process for each proposed amendments. Approximately 95% of the proposed ideas did not make it through the selection process. This means that the data processing and legwork to obtain 50 reforms was significant. Criteria of ease of implementability were added to the Phase I criteria of macroeconomic stability, EC standard application, sound development practice compliance and political feasibility.

Having learned from Phase I, the Regional Bulldozer Committees considered all those factors when pre-selecting reforms and discussing them with their local entrepreneurs. The table below indicates the rigour of the process of evaluating and selecting reform proposals.

| BULLDOZER PHASE II – FIRST PLENARY SESSION | Forms distributed by committees | Proposals Received by committees | Proposals pre-selected by committees | Selected Proposals sent to Bulldozer Board | Selected proposals by Bulldozer Board | Proposals vetted by IMF, WB, EC, USAID, OHR | Proposals selected in First Plenary Session for inclusion into final book of 50 | Proposals on hold for further review |
|---|---------------------------------|----------------------------------|--------------------------------------|--|---------------------------------------|---|---|--------------------------------------|
| Northwest | 500 | 29 | 27 | 8 | 7 | 6 | 6 | 1 |
| Northeast | 700 | 40 | 20 | 10 | 5 | 4 | 4 | |
| Banja Luka Region | 600 | 70 | 40 | 10 | 4 | 2 | 2 | 2 |
| Sarajevo Region | 450 | 132 | 32 | 12 | 9 | 7 | 5 | 3 |
| Herzegovina | 200 | 15 | 10 | 4 | 3 | 1 | 1 | 2 |
| Central Bosnia | 1200 | 80 | 25 | 10 | 3 | 1 | 1 | 4 |
| Total | 3650 | 366 | 154 | 54 | 31 | 21 | 19 | 12 |
| <i>Ratio</i> | | → 100% | 42% | 15% | 8.5% | 6% | 5% | |

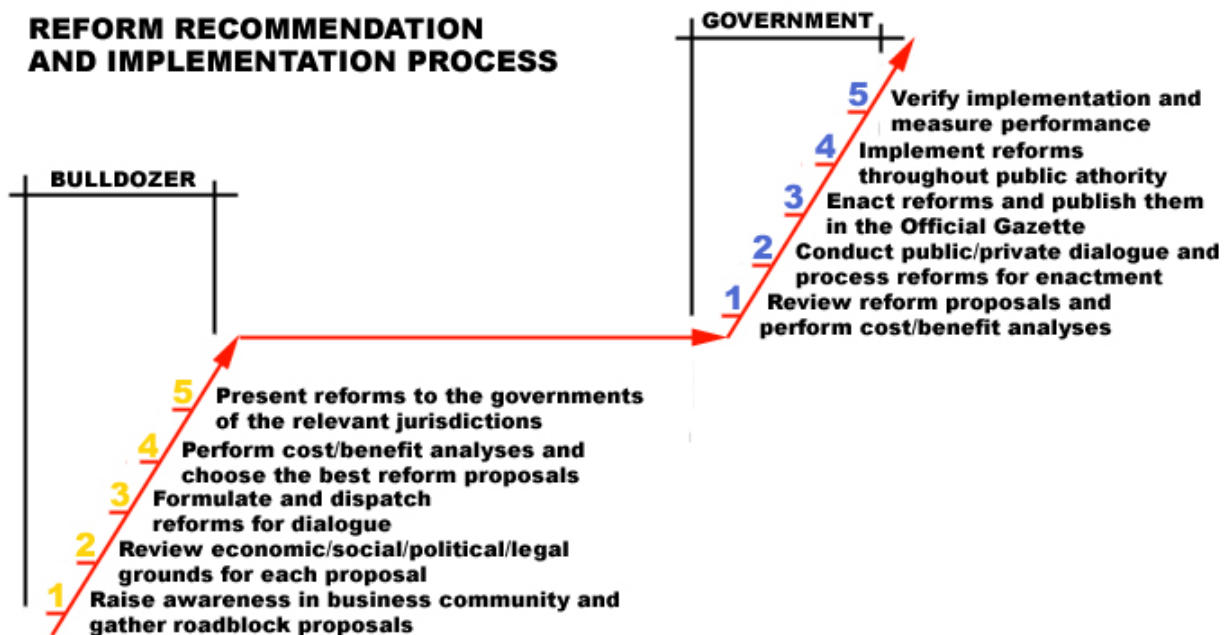
The 50 reforms selected in Phase II after three Plenary Sessions demonstrate that once engaged in a reform process, the private sector is quick to expand its reform ideas to society at large. Issues such as national holidays and the rights of disabled persons that have made it to the final package

illustrate the willingness of participants to broaden the scope of their work beyond issues of immediate concern to entrepreneurs.

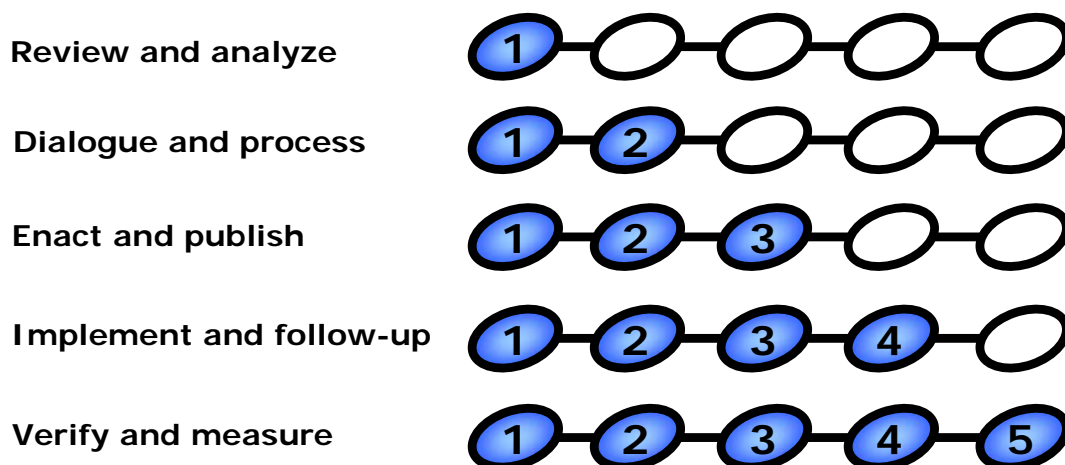
From proposal to enactment – evaluating the government’s performance in implementation

Even when reforms were enacted and published in the Official Gazette, the work of the Bulldozer was far from over. Committee members had an important role in monitoring implementation and discussing individual reforms with ministers and departmental working groups. A reform can be considered fully implemented only when citizens and entrepreneurs begin to benefit from it.

Designing and implementing Bulldozer reforms was a process that can usefully be divided into 10 steps – five were the responsibility of the Bulldozer Committee, and five were the responsibility of the government.



A bi-annual Bulldozer publication informs the public in this regard. The relevant government body receives a score for each reform that was proposed during the initiative. The message sent to the population – and the government itself – is that simply enacting a reform is not enough – the process must be taken through to full implementation if it is to deliver practical benefits.



Some reforms have an immediate impact, starting to deliver benefits almost as soon as they are published in the Official Gazette, or even before – investors, knowing that a reform is in the pipeline, may decide to speed up investment to be operational when the reform is implemented. Other reforms may take as much as two years between adoption and full implementation.

Engaging the public in monitoring implementation – the Max comics

The Bulldozer Initiative created a comic strip, "Max," to build public support. Max helped humanize the reforms and the reformers and changed the image of the private sector. The challenge was to get the public to understand that bad business regulation was hurting the country and that the businessperson had a central role in creating jobs and economic growth. The public tended to view entrepreneurs as selfish and greedy, not as risk-takers who benefit society.

Max tells the tale of a young man, a former rock star, who wants to start an insulation business but discovers how hard it is to get through all the red tape required for setting up a legal company. The first Max story was published as part of an advocacy brochure explaining the 50 reforms that had been proposed and was distributed to 80,000 people. The second Max story, which centers on an argument between Max and a government official over the value of the reform effort, was distributed in 200,000 newspapers.

Max not only dramatized how regulations hurt the average person, but also educated people about the reforms and the reform process – and played a helpful role in engaging the general public in making sure that the reforms which were passed were implemented on the ground; if people don't know about reforms, they can't benefit from them.

In this extract from the second Max story, Max happens to be present at a meeting in which a local government official complains that he had to engage the official tourism promotion organization to conduct a publicity campaign for a spa located in the region – not being aware that one of the recently-enacted Bulldozer reforms had opened up this market to competition.



Comics can be so effective in spreading information because they use drama and humor to educate without being overly didactic or preachy. Unlike brochures, they have a long shelf-life. People rarely throw out comics – they either save them or give them to a friend. Even though BiH had no history of adult comics, Max was widely read.

Assessment of impact

Impact assessment is a key means of setting future reform priorities, improving the dialogue process and increasing both quality and “implementability” of the proposed reforms. Through indicators and benchmarks developed during Phase II, teams involved with the initiative assessed results of Phase I as well as planned and managed the consequences related to reform choices. Key questions they had to answer were: Did the reform reach their goals? Did the ultimate beneficiary benefit from the reform? How do Bulldozer reforms facilitate sustainable development? What is the reform’s influence on the civil society at large? Do the reforms correspond to the country’s own reform process, and do they help align the country’s reform process with the agenda of international agencies?

Quantifiable measurement for each of these categories was attempted for the first batch of 50 economic reforms performed under Bulldozer Phase I. Results got published February 2004 in a public information brochure. Here are examples of results for the Bulldozer reforms number 1, 23 and 43:

REFORM 17' 23'
Moving sales tax point of collection

How would you rate the impact on your business?
"I would say that the effects have been very beneficial to us. From now on, if our business is located on the import and production of excisable goods, we are available product, the administration has become much more transparent and efficiently simpler and we no longer have to fear we are automatically breaking the law every time we sell our goods to a new customer, since our prices are inclusive of tax. This has been a step in the right direction!"

6,1 million KM/month

Business Climate Improvement Indicators:

- Created more jobs
- Brought more tax revenue to authorities
- Freed up capital for investment
- Boosted exports
- Reduced administrative burden
- Reduced gray economy

Government Implementation Performance:

1 2 3 4 5

THE ADVENTURES OF MAX

| | | |
|--|------------------------------|---|
| <p>"R01 Harmonization of LLC Minimum Capital Requirement"</p> <p>has lowered the amount needed to create a limited liability company from as much as 10,000 KM to 2,000 KM in all jurisdictions. Subsequently, numbers of companies being registered have increased in many locations, especially regarding conversion of home-based activities to limited liability companies. The reform also lowered the minimum share from as much as 2,000 KM to 100 KM, now enabling up to 20 small investors with 100 KM each to start up a business. In Tuzla Canton, registration of LLC have increased 17% after the reform as compared to the previous year.</p> | POTENTIAL OUTCOME | <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Create more jobs <input checked="" type="checkbox"/> Bring more tax revenue to the authorities <input checked="" type="checkbox"/> Free up capital for investment <input type="checkbox"/> Boost exports <input type="checkbox"/> Reduce the administrative burden <input checked="" type="checkbox"/> Reduce the gray economy |
| <p>"R23 Principles on Moving Sales Tax Point of Collection"</p> <p>has moved the point of collection of sales tax for excisable goods from point of sales to point of import or production. Full implementation started on August 1st 2003, only three months after the adoption of the bulldozer reform by all jurisdictions. Increase in tax revenues jumped immediately following the change. In the RS, revenue collection went from an average 6.8 million KM per month before the reform to an average 12.9 million KM per month after (a 89% increase). In the Federation, the increase, slightly lower due to cantonal discrepancies, still represents a 45% increase in tax revenues for the Entity's budget.</p> | POTENTIAL OUTCOME | <ul style="list-style-type: none"> <input type="checkbox"/> Create more jobs <input checked="" type="checkbox"/> Bring more tax revenue to the authorities <input type="checkbox"/> Free up capital for investment <input type="checkbox"/> Boost exports <input checked="" type="checkbox"/> Reduce the administrative burden <input checked="" type="checkbox"/> Reduce the gray economy |
| <p>"R43 Easing collateral transferability"</p> <p>has given the opportunity to banks to resell packages of loans to other banks. So far since the implementation of this reform, 327 commercial and consumer loans with a total face value of approximately KM 90 million have been sold in BiH, involving at least four commercial banks in the process.</p> | POTENTIAL OUTCOME | <ul style="list-style-type: none"> <input type="checkbox"/> Create more jobs <input checked="" type="checkbox"/> Bring more tax revenue to the authorities <input checked="" type="checkbox"/> Free up capital for investment <input type="checkbox"/> Boost exports <input type="checkbox"/> Reduce the administrative burden <input type="checkbox"/> Reduce the gray economy |

Beside the attempts to measure specific results achieved by each individual reforms, the Bulldozer’s biggest impact was in creating a constructive dialogue between the private and the public sector.

Author:

Benjamin Herzberg is a Private Sector Specialist in the Investment Climate Department of the World Bank working on investment climate reform, competitiveness, regulatory improvement and public-private dialogue mechanisms. He joined the World Bank Group in 2003.

Previously he was Senior Business Development Advisor at the Office of the High Representative (OHR) in Bosnia Herzegovina, responsible for developing strategies aimed at eliminating legal and regulatory obstacles to business competitiveness and investment growth. At the OHR, he developed and headed the "Bulldozer Initiative" project, an innovative methodology that elicited the broad participation of local businesspeople in identifying, lobbying for and securing implementation of legislative reforms that do away with pointless bureaucracy and legislative bottlenecks obstructing business growth.

He previously served as the Economic Advisor to the OSCE Mission to Bosnia Herzegovina, where he produced business development, training and advocacy programs promoting public-private partnerships and private-sector participation in civic society, and worked on projects to stimulate investment in the SME sector. The "YES" program (Youth Entrepreneurship Seminars) that he created there has since then been implemented in five different countries by OSCE and the World Bank.

Herzberg studied in France and Great Britain, and holds a post-graduate degree in Geography and Environment from the Universite des Sciences et Techniques, Lille, France and a Summa Cum Laude Master's degree in Geography from the Universite de la Sorbonne, Paris, France.

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