

# Balkan Standard Cost Model

*Our way of measurement*

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# Agenda

- ▣ Background of Balkan SCM
- ▣ Differences between SCM and BSCM
- ▣ What we measure
- ▣ How we measure
- ▣ Results
- ▣ Lessons learned

# Background of Balkan SCM

- Developed in 2006 during “Guillotine” project in Republika Srpska
  - Latest version created during pilot round of Regulatory Reform project on sub-national level
- We have adapted sophisticated tool, International SCM, and applied it to support BEE reforms to:
- I. measure the impact of the reforms in terms of cost savings for businesses;
  - II. help drive the reform agenda by enabling policymakers to build stakeholder support and target reforms recognizing that “what gets measured, gets done”; and,
  - III. support our regional monitoring and evaluation framework.

## International SCM

measures the administrative burdens on private businesses

Quantity comprises of the size of the population of businesses affected and the frequency that the activity must be completed each year.

## Balkan SCM

measures administrative burdens for both private businesses and citizens  
*(accent on business ones)*

Frequency represents actual numbers of formalities in the year preceding the Regulatory Reform process.

# SCM vs. BSCM 2

<i>International SCM</i>	<i>Balkan SCM</i>
<i>Familiarization with the information obligation</i>	<input checked="" type="checkbox"/>
<i>Information retrieval</i>	<input checked="" type="checkbox"/>
<i>Assessment</i>	
<i>Calculation</i>	<input checked="" type="checkbox"/>
<i>Presentation of figures</i>	
<i>Checking</i>	
<i>Correction</i>	
<i>Description</i>	
<i>Settlement/payment</i>	<input checked="" type="checkbox"/>
<i>Internal meetings</i>	<input checked="" type="checkbox"/>
<i>External meetings</i>	<input checked="" type="checkbox"/>
<i>Inspection by public authorities</i>	<input checked="" type="checkbox"/>
<i>Correction result from then inspection by the public authorities</i>	
<i>Training/updating on the statutory requirements</i>	
<i>Copying, distribution, filing, etc.</i>	<input checked="" type="checkbox"/>
<i>Reporting/submitting information</i>	<input checked="" type="checkbox"/>
	<i>Opportunity costs</i>

# What we measure and when we do it?

□ It is designed to:

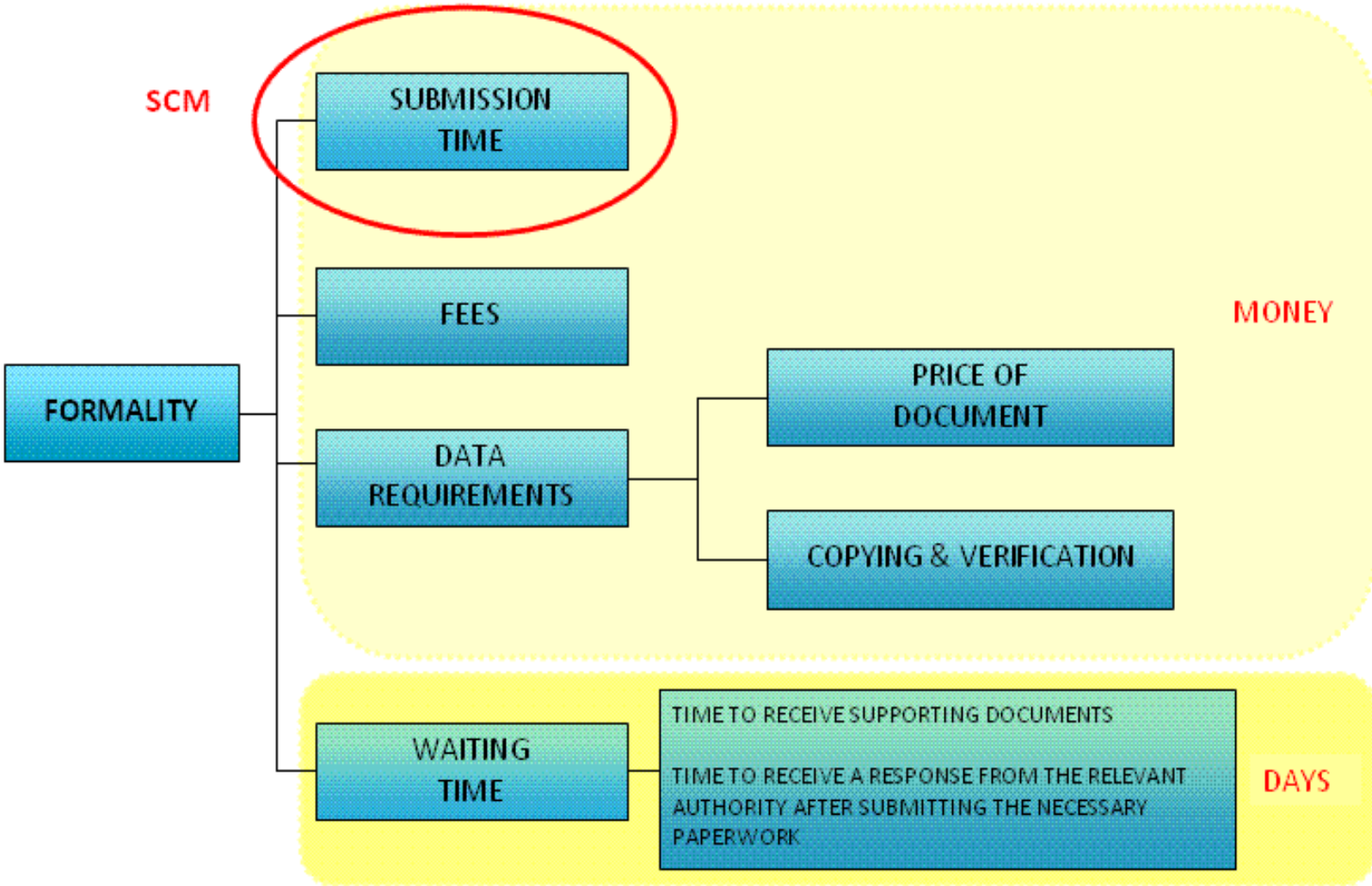
- *Measure the actual direct costs borne by businesses in complying with the regulations, requirements, and administrative procedures imposed by public authorities.*
- *Quantify and monetize the indirect costs incurred by businesses in complying with business formalities*

1. After the inventory of formalities is completed to measure the baseline costs incurred by businesses.

2. In subsequent phases of the stock review to:

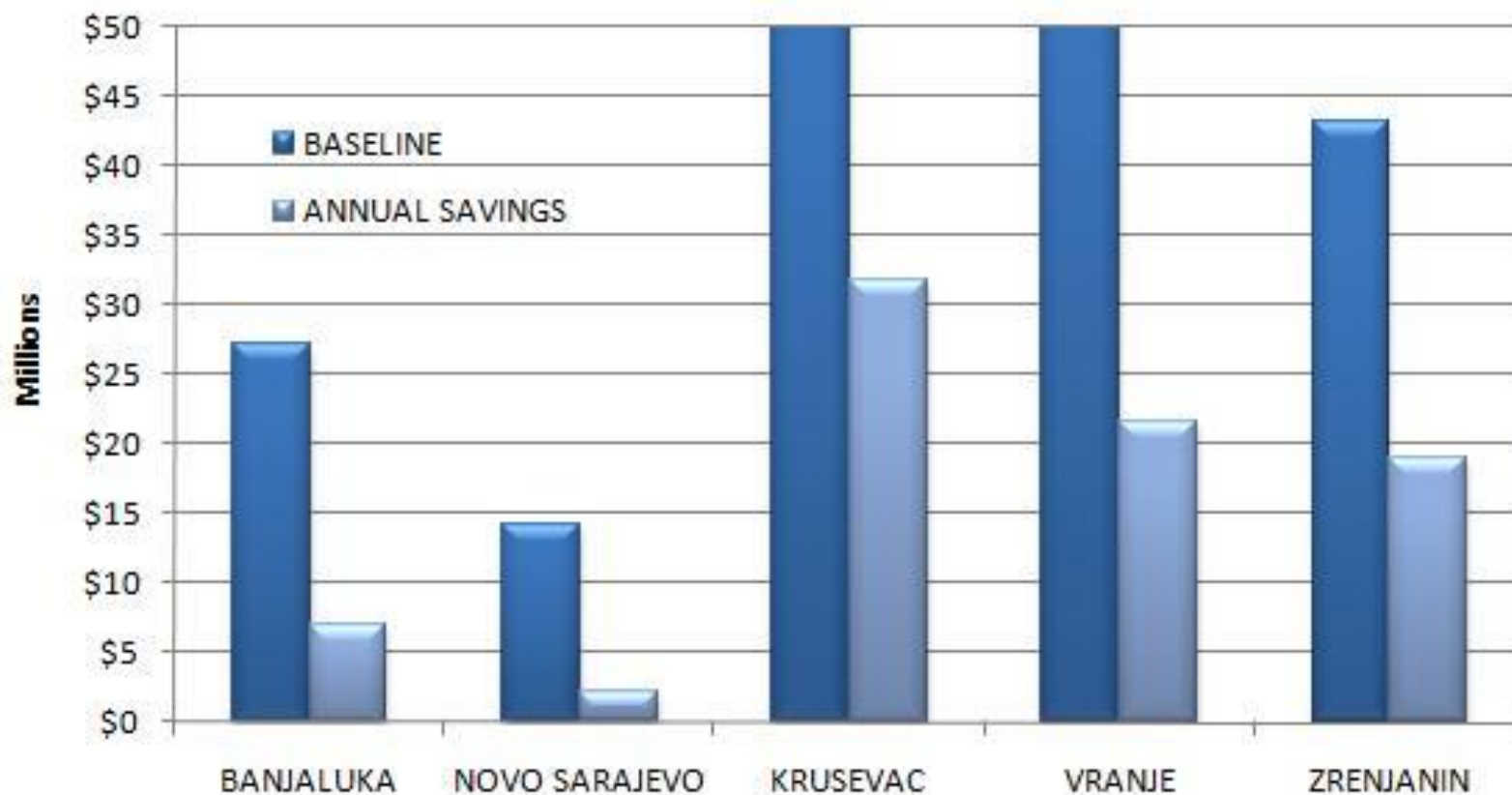
- ✗ provide estimates of the changes in costs as a result of recommendations for reforms;
- ✗ calculate the cost of formalities after the implementation and validation of the reforms; and
- ✗ calculate the cost savings generated by the reforms.

# How we measure?



# Results – pilot round of municipalities

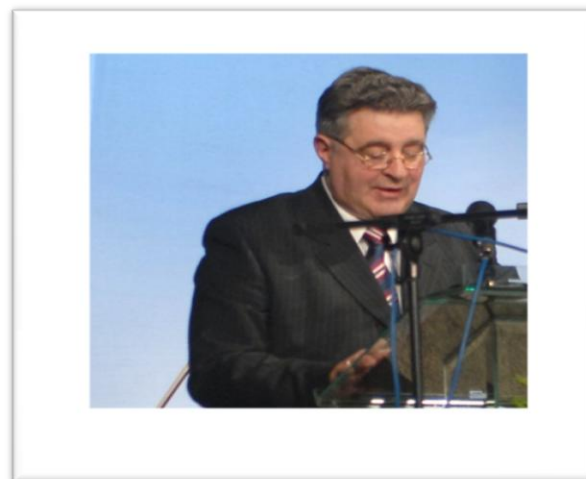
## BASELINE COST OF FORMALITIES AND EX-POST ANNUAL SAVINGS GENERATED FOR FIRMS



# Lessons learned - 1

- ❑ **Build support for reforms: “What gets measured, gets done.”**
  - Ex ante \ ex post measurement tool
  - language and metric for articulating the importance and scope of the reforms.
  - This enables champions and mayors to explain more concretely—not only to stakeholders but also to their public administration—how the burdens imposed on businesses by regulations limit investors’ productive capacities and resources for investment

The mayor of Vranje, Serbia: *“By going through the process of reviewing the formalities and measuring the time and cost of compliance, city officials now understand in concrete monetary terms how reforms to formalities and business procedures can impact business and, ultimately, their decisions on where to invest”.*



# Lessons learned - 2

- ❑ ***Using focus groups for data collection and validation improves flexibility and saves money***
  - cheap and flexible instrument for collecting and validating data;
  - Local business associations can be essential for building trust, increasing the number of participants, and improving the quality of the participation.
  - Businesses have to be assured that they will not be penalized for frank feedback, and they need to know what's in it for them.
  - Useful for “taking the temperature” of the business climate and proactively identifying emerging issues of concern for businesses, in a cost effective way.

# Lessons learned - 3

## ❑ **Target “high-value” formalities for reform.**

- **85/15 rule** - we focus the review and reforms on the 15 percent of the regulations that, according to our experience, account for roughly 85 percent of the administrative compliance costs.
  - Baseline: pointing out the most frequent and the most expensive formalities
  - Savings: BSCM pointing out the formalities with the biggest possible savings and real savings
- Our goal is to push for deeper reforms to improve governance and fiscal accountability by focusing the discussion and the importance of avoiding the use of regulations and fees as extra-budgetary mechanisms for financing the bureaucracy.