



SIGMA

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**HOW CAN ADMINISTRATIVE PROCEDURES
EITHER FOSTER OR HAMPER ECONOMIC DEVELOPMENT?**

EXPERIENCE OF AN OUTSIDER DEALING WITH PUBLIC BUREAUCRACIES

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Overall, public bureaucracies around the world cause problems for practitioners trying to set up or develop a business. However, differences exist in terms of standardization, transparency, uniformity, quality, as well as the speed of services rendered.

Specifics for Serbia stem from its communist past, as well as from the organized chaos under the Milosevic regime during the 1990ies. They are also strongly rooted in the mentality and the level of technology, as well as education levels the Serbian public administration disposes of.

The following observations regarding the functioning of public bureaucracies in Serbia in recent time can be made:

1. Achievements

Several recent positive developments can be mentioned in Serbia due to: 1. democratic changes in the country and the influence of internal structures trying to bring the existing system in line with European standards, and 2. the impact of foreign donors and institutions that support changes and promote the EU accession process. The following examples highlight these developments:

1. Modernization of general services to the public, in particular at municipal level. For example, the procedure of issuing certain documents on the status of physical persons has been simplified and occurs now within substantially shorter delays in almost all municipal administration departments. This is due not only to the use of new equipment and information technology, but also because of organizational changes - Improved public access, as well as use of new organizational principles, in particular in those departments that have direct contacts with the public, better staffing of positions that serve as contact points for communication with clients, , as well as application of procedures that enable a more efficient transfer of documents and information within the system.
2. Faster procedures within public administrative bodies. This has been achieved due to new legal acts (i.e. laws and regulations defining procedures in a way as to simplify them and eliminate unnecessary intermediary steps), as well as due to ICT and organizational changes pushed through on popular demand in the framework of democratic change. Another reason is an ongoing process of decentralizing tasks to local and regional administration to enable faster change, as well as stronger support for national economic development. These faster procedures allow applicants to receive most permits, certificates or other documents needed to start a new business or develop an already established one within a reasonable time frame.
3. More transparency in the decision making processes of public administration has already gained ground in Serbia. Public support to more transparency has enabled better media oversight at all levels of public administration. Press conferences, as well as presentations by key personnel from within public administrative bodies spread information on their activities, as well as on the way decisions are prepared and implemented. Media access to most documents has improved, while reports by administrative bodies and publicly-owned companies to monitoring bodies (be it at local, regional or national level) also contribute to more transparency. The extent to which information can be declared confidential information has been narrowed even within departments of police and military institutions, so that even those bodies are open to monitoring and oversight by public or civil bodies. Nongovernmental organizations in Serbia have substantially contributed to more transparency in overall public administration activities through their activities. Public procurement procedures are better defined and implemented through competent bodies on all levels.
4. Better communication among departments within local administrations has also contributed to more efficient functioning of public administration in Serbia. New organization, ICT, as well as a new management approach enables better fluctuation of information through those departments within the municipality which need to communicate in order to bring certain document or decision. And that enables on the one hand to bring decisions of better quality and on the other to reach them and deliver faster than before. Certain departments have been restructured and created in more functional way, while other clustered those activities which naturally represent consequent activities or steps in processing, analyzing information and bringing decision.
5. More openness towards entrepreneurship among municipality leaders and staff of relevant services within local public administration has taken root over the last few years. A number of community and regional leaders, as well as municipal officials have understood that

development of their municipalities and regions depends on their actions. A generational change has occurred among holders of public office at municipal and regional level bringing in a fresh approach to planning, implementing, controlling and supervising activities. Problems inherited from the former regime that have been amassing over the years force these officials to search for new and creative ways to handle them in order to ensure their political and/ or institutional survival, as well as an improvement in living conditions of the populations they answer to.

6. Openness to change and will to learn has become apparent within the new personnel employed in public administrations at all levels. These new officials compensate for a lack of experience with more openness to change, as well as with the will to gain new knowledge and competencies leading to a gradual improvement in the quality of human resources not only in Ministries or in municipalities, but also in agencies and other public or PPP bodies supplementing activities of state or local administration.
7. Substantial parts of staff are willing to help clients or others who submit information or apply for documents to be issued, in particular those who are directly in contact with citizens. In Serbia, unlike in some developed countries where clients often communicate with administrations via telephone and internet through standardized automated telephone/ internet responses that might not correspond to applicants' needs or questions, most communication still occurs through contact with human beings thus ensuring speed and clarity. Furthermore, in Serbia, an applicant can reach public officials working on his/ her case due to the system of letting applicants speak exclusively with staff collecting their applications or submissions. This might be more expensive for public administration in terms of resources, but it benefits clients/applicants, which should also be valued.

2. Problems and Disadvantages

However, there are a number of issues which still need to be addressed in Serbia for public administration to be functioning as efficiently and professionally as in EU member states. Among these, the following are to be emphasized:

1. The problem of real estate currently publicly controlled through centralized decision making and procedures. In the lead-up to war, the Milosevic regime strongly centralized control over real estate that had earlier been managed by municipalities or other local and regional bodies by transferring land titles, as well as ownership of property on real estate to the Republic of Serbia. Up until today, each change in ownership or use of real estate can only occur through tender procedures. As a practical consequence, municipalities are not even entitled to dispose of municipal buildings, town halls and other assets.

As a consequence, for any use of land or buildings on the territory of a particular municipality, approval by central government bodies is needed, with procedures ranging from a couple of months to more than a year. In cases where foreign investors show interest and start negotiating with municipal officials, they are surprised to find out that they would need to get an additional permit from a central state body, as well as going through a tendering procedure where all kind of surprises can spoil any reasonable arrangement. So, changes in legislation are urgently needed, as a first step to turn property on real estate back to municipalities where it has traditionally been and further, to simplify procedures for the use of real estate destined for investment or sale in order to foster local or regional economic development.

2. The problem of concentration of competencies with mayors/presidents of municipalities, as well as lack of delegation. Recent changes in legislation defining local self-governments/ municipalities have led to the practice where almost all decisions that fall under the competency of executive bodies are to be signed by the mayor/president leaving him/ her completely overburdened. Earlier, in addition to the mayor/ president of the municipality, the president of the municipal board, as well as certain of its members were also competent to issue/ sign documents. At present, in theory, a city manager, as well as a city architect, if elected, could take over some tasks. In reality however, transfer of power from a mayor/ municipality president to other officers usually does not occur, in particular where holders of different posts are members of a ruling coalition belonging to different parties.

3. The problem of politicization of ministries, as well as their local affiliates, with political parties striving to position their people in key posts. This applies to some Ministries and via their regional or local offices, throughout the whole territory of Serbia as well. On the one hand, this has an impact on the quality and knowledge of office holders; on the other hand, it prevents effective inter-ministerial and intra-ministerial cooperation. Not to mention the potential for violating the principle of equality before the law. It can even provoke competition among ministries, as well as different interpretations of one and the same law/regulation leading to its uneven practice and application.
4. Lack of local competencies, as well as absence of regional NUTS II and III¹ levels in Serbia. The strong centralization of Serbia during 1990ies led to an erosion of authority of local and regional bodies to regulate any issues that by EU standards would normally fall into their responsibility. For example, what concerns the economy and economic development, besides control over communal enterprises, a municipality has almost no competencies.

For the largest part, Serbia does not have NUTS II regions with only Vojvodina and Kosovo representing such entities. Furthermore, there exists no NUTS III level. Instead, the central state designates representatives as heads of so-called “Districts”, which however do neither dispose of elected bodies nor budgets, but are simply affiliates of the center. Regionalism is still widely suspected to be an instrument of separatism and an attack on the territorial integrity of Serbia. So, there is a strong need to educate top politicians on the fact that regionalism is needed in order to efficiently address citizens’ concerns or economic development at the relevant level of integration/territorial unit. In addition, it would need to be stressed that regions represent the outcome of integration of municipalities or other local territorial units and are not a product of the disintegration of the central state.

5. The Agency for the Registration of Economic Entities (competent to register all public and private companies in Serbia) is too centralized with its local offices merely having post office character causing huge bottlenecks in the registration of start-ups and practically blocking the development of any legal entity in the Serbian economy. In spite of the proclaimed minimal delay necessary, a lot of companies that have submitted papers before June 15, 2005 still have not received documentation as to whether they have been duly reregistered. Instead, anybody asking for excerpts from the registry was urged to pay an additional fee to get it earlier (although after the elapse of legal term the Agency should have issued the document). Not to mention that local offices cannot issue any kind of documents, but are strongly dependant on the Belgrade head office.
6. Too much incompetent staff is still employed in municipalities and other local public administrative bodies. Some of them are remnants from earlier times, but unfortunately a lot of the newly hired staff is of the same quality chosen according to their political affiliation, not for their knowledge or experience. It goes without saying that the actions of an incompetent public administration official can cause great damage in terms of lost time and money.
7. Poor cooperation between municipalities and regional chambers of commerce. This problem prevails in most regions/ municipalities, one reason being the staff remnant from the Milosevic era resistant to change. Another aspect is the municipalities’ new-found readiness to move into territory previously the sole domain of the chambers of commerce in an aim to foster economic development, sometimes causing permanent clashes with top officials of Chambers.
8. Lack of service mentality. Staff in public administration continues to treat claimants from a position of power and not like rendering services to clients, in spite of numerous training courses. This results in arrogant behavior, slowness of work and sometimes even in various forms of corruption and blackmailing.
9. Non-standardized services — too much still depends on who renders services or to whom these services are rendered. This indicates that there still is a lot to be done concerning the organization of public administrative services, such as education and training of staff emphasizing the importance personal integrity. The mentality “to fix” something for friends,

¹ NUTS — Nomenclature for Unified Territorial Statistics - is the expression the EU uses to define different hierarchical administrative levels. The stratification ranges from NUTS I (Member State) to NUTS V (municipalities).

fellow party members or relatives what would otherwise not be done for others needs to be stamped out. Monitoring and control of activities within the system also need to be addressed.

10. Customs, as well as other core state security organs linked to finance which have predominantly been deemed instruments of power in the past, have kept some of their negative behavior up until today. In these services, in particular in customs, the financial police, as well as in the financial inspectorate, some officers use undue means to fulfill their norms to earn their salary without due effort and diligence (for example by punishing marginal omissions or negligence in documents of a client/controlled entity). Another motivation is to benefit from an additional source of income by exerting pressure on clients/inspected entities, which in turn are ready to do favors to escape a reprimand for minor lapses that would normally be tolerable. This is possible due to often vague provisions in certain regulations or laws, or due to the scope of discretion they dispose of. Some officials are found lacking in even basic manners when dealing with clients/representatives of inspected entities.

Having in mind the above, it can be concluded that:

- Additional education and training is strongly needed for public administration officers;
- a strong public advertising campaign would be needed;
- a lot of regulations need to be adjusted to EU regulations;
- a lot is to be done regarding conflict of interest and public administration officers, including adequate punishment of inappropriate behavior.