

PROCEEDINGS OF THE REGIONAL CONFERENCE:

**THE ROLE OF PARLIAMENTS IN PROMOTING COMPETITIVENESS
AND ECONOMIC GROWTH BY IMPROVING THE BUSINESS
ENVIRONMENT IN WESTERN BALKAN ECONOMIES**

The role of Parliaments in stimulating the competitiveness and economic growth through improvements in the business enabling environment in the countries of Western Balkans

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The role of Parliaments in stimulating the competitiveness and economic growth through improvements in the business enabling environment in the countries of Western Balkans

1. The impact of global financial and economic crisis on the region and possibilities to surmount it

The current global financial crisis is probably the most severe for the world's financial system since Great Depression from 1929. It began in the developed world, as a subprime crisis in the USA and has been rapidly spreading to developing and transition economies.

At the start, many analysts failed to grasp fully the character of the crisis. The focus was almost exclusively on market regulation and the supervision of financial institutions, the remedies were considered to be of a regulatory nature. Whereas little attention was devoted to the root global macroeconomic causes of the crisis. It was hoped, until autumn 2008, that economies immune from the direct fallout of the subprime crisis would overcome the problems with sufficient strength to pull along the entire world economy. However, the crisis has gone far beyond the financial sector and has seriously affected the real economy.

It is now apparent that growth is declining sharply in all regions of the world. Emerging and developing markets were almost immediately hit by the sharp rise in risk aversion and the resulting sudden stop of capital inflows. The shock was especially severe for capital-importing countries, notably in Central and Eastern Europe, where it compounded preexisting imbalances and prompted calls for IMF assistance.

As the Western Balkans countries did not have high share of unrecoverable loans, they were spared the impact of the primary financial crisis, and until September 2008, prevailing opinion was that they would not be affected by the crisis. The financial systems of Western Balkans' countries felt the first strong disturbance impact coming from the capital markets, when foreign institutional investors started withdrawing from their national markets, while the second strong impact was manifested in withdrawal of foreign currency savings in the last quarter of 2008.

Beginning of 2009, Western Balkans' countries started facing secondary effects of the crisis: (i) the export of their goods and services slowed down because of weakening foreign demand, and (ii) the import of capital was aggravated and definitely less than before. Reduced capability to take loans and the downfall of exports resulted in reduced production, extraordinary increase in number of illiquid companies, resulting in turn in lay-offs and reduced growth rate, even the fall of real GDP.

The new situation demands that countries in the region adopt much stronger economic policy measures in order to ensure long-term macroeconomic and financial stability as a fundamental prerequisite for reviving their economic growth.

Pradeep S. Mehta, Secretary General, CUTS International:
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“Ideas of protectionism cannot work in a world which has now been integrated in many ways -- prominent among these being multinationals, financial markets and specialization in production nurtured carefully over long periods of time. The global economy represents a mosaic of intertwined fortunes – knee jerk severing of links can only prompt its further collapse and should never be viewed as a sensible strategy.

“In this hour of crisis, self pitying developed countries should spare a thought for those which not only have far less than what the former do but are in many cases sliding deeper and deeper into abject poverty. Protectionist steps resemble last ditch measures to abandon a sinking ship (the global economy) without lifejackets. A much better solution would be to put in collective efforts to make the ship seaworthy.

“Developed countries would themselves reap great benefits if they spent a tiny proportion of their own humongous bail-out packages in improving the fortunes of the developing world as the reaction in terms of increased demand for years to come would stabilize their own economies.

“The swift conclusion of the Doha Round is therefore imperative for evolving consensus in a world threatened through discordant economic policies, unmindful of the commonness in economic destiny that has been nurtured since the 1980s”.

Gordana Čomić

In the autumn of 2008, it became obvious that the repealing of certain regulations in USA in 1999, has enabled the human greed to do everything it wanted on the financial markets, who remained unregulated. In addition, it became clear that at the global level we were facing the era of regulation.

As this is a time of crisis, as there will be very little money for investments, as there will be deficit problems, it became clear to us Parliamentarians that our executive branches of power will step aside and tell the people ‘let your Parliamentarians explain to you the problems you will be facing in the time of crisis’. That is the way it goes in the time of crisis and there are numerous evidences illustrating this kind of governments’ behavior. However, we have run for office exactly because we aspire to be both the dam and the bridge to the government and citizens respectively; the citizens we turn to every four years seeking their votes, trying to share the hope for the time ahead of us.

Our societies and countries in the Western Balkans (or Southeast Europe) share many common problems. Although in different stages of European integrations, with different resources available for managing the crisis, we essentially share the common problem.

We the Parliamentarians run for office because we want to change our societies, to modernize our countries, to fulfill all the conditions and qualify, as countries, to become full-fledged members of the EU. All these activities are to be conducted in the time of crisis, which will result in lay-offs, freezing and even reducing the salaries and pensions, and in doing so we don’t have nobody to emulate to. We don’t have a possibility to say ‘look how they are handling the situation’, because the countries I would name as examples of successfulness have started, in this time of crisis, intensively to lay-off employees, their budget deficit has grown, losses on the

financial markets are being covered from the budget, and their biggest banks are nationalized.

One colleague from the UK Parliament said 'I am looking at my own hand and I can't believe what I am doing, I am voting for nationalization of the UK banks'. In that context, our assessment was that the best way of finding adequate solutions was to share the experiences at the meeting like this one, and to discuss what kind of regulation we should introduce in the future.

At the global level, we are witnessing a debate overshadowed with fear of potential protectionism. I am referring to debate on introduction of quality regulation needed to mitigate the consequences of the first and second waves of crisis, and on setting up some new agreement, similar to the Bretton Woods Agreement from 1944, on which economic and financial world, as we knew it, is or was founded for the past fifty years.

Our idea is that, as we share similar problems and similar heritage, we, as Parliamentarians, can share even the good future, for the benefit of those who are electing us to our national parliaments. My personal idea is to view the context of financial and economic crisis through prism of human rights protection and fight against poverty.

If we lose from sight these two aspects the future of our children will be exposed to greater risk compared to the future of their peers from developing countries. These countries have much more resources and are able to cope with this crisis as crises are quite natural phenomenon for economies and in the last sixty years, we had some eleven, even more of these crises.

In the context of financial and economic crisis, we the Parliamentarians have the obligation to tell the people we represent that reforms are still possible and that better life is possible, that crisis will pass and all that will happen thanks to the network of regulation we, in the parliaments, are going to adopt. Sometimes we shall adopt laws under the pressure from the Government, sometimes under the pressure of interest groups, whether aware of those pressures or not. However, I shall be comforted by the idea that I can call some of you from the regional countries' parliaments and say 'look what is my Government doing to me, what is the situation with your Government, can the two of us, as good friends- Governments, do something together in order to come up with good regulation for our countries, and consequently for the regional cooperation'?

Vesna Pusić

To be honest, the Parliaments in the countries of the region were the only barrier to the natural tendency of the executive power to move to some kind of authoritarianism, and we were encouraging the attempts to establish more or less accountable democracies, i.e. some kind of accountability toward voters.

Therefore, I find the destruction of authority and reputation of the Parliament extremely dangerous activity. We as MPs, especially in this region, have neglected our own importance, our reputation, in order for our parliaments to be able to perform that very important function- **to be a barrier to quite natural tendency toward authoritarianism**, which is characteristic for every executive power, and in our region even more so, bearing in mind that we have relatively weak democratic traditions.

In that regard, our concern for the reputation of the Parliament is much more important and much more serious than the concern for our own reputation as MPs. That is the chance we are giving to the development of democratic institutions and

raising the awareness that the authorities, *de facto* must be submitted to checks and balances, and must be accountable to those who have elected it.

In that sense, I find this kind of communication very good, because we are experiencing similar situations, share similar experiences and we are in position to use, both positive and negative aspects of our work. Therefore, what we know or have learned, easy or hard way no matter, is almost always useful to our neighbors.

Ljubisav Ivanov Singo

In the transition process, not just in Macedonia but in the other countries in the region as well, we have implemented greater level of liberalization than the one currently in place in the EU countries or USA. We have gone from socialism to capitalism, while developed western countries started going back toward socialism. They were saying that the market should regulate all the relations, and now they say that the state should also have its fair share on the market. We have striped our countries of power and now, again, we have to adopt some laws to give some of the powers back to the state, which have been rescinded during the liberalization period.

We have introduced, almost completely liberalized economy, we have abolished the customs, we have abolished business barriers (for foreign investors), and now we are witnessing the introduction of protectionism in the most developed countries of the world. Obama says: 'we shall give 800 billion \$ for the stabilization of the domestic financial system, but you should buy locally produced goods and local raw materials'. The Greeks, who have bought some banks in Macedonia are saying: 'we are going to rehabilitate the banks in Greece but not the banks outside of Greece', and these are practically their banks. Berlusconi is saying: 'we will give some money to FIAT, but only for FIAT in Turin but not for FIAT factories out of Italy'. Sarkozy said the same regarding the French car industry, and the British I won't even mention, they were the first to introduce protectionism.

All of a sudden, it turns out that we, in the Balkans are the only with liberal economies. It looks as if they are now to learn from us.

2. The role of Parliaments in the process of solving the global financial and economic crisis

The Parliaments should play an important role in the process of facing the economic crisis and taking measures to overcome it. In these difficult times, it is important, more than ever to promote business friendly legislations and regulations. Promoting such conducive business environment is as much the responsibility of governments as it is the responsibility of parliaments.

Parliaments are facing an important challenge of adopting coherent, effective, and stable regulations. Investors need quality regulations, ensuring legal security and stability, regulations enabling the development of market economy. The creation of favorable, market oriented legal and regulatory environment requires the existence of: (i) high-quality, market oriented laws and (ii) adequate institutional infrastructure necessary for their implementation.

In the last couple of years, intensive legislative activity in the Western Balkans countries has resulted in the development of significant number of high-quality laws. Preliminary preparations for the EU accession, agreements reached with the IMF and the World Bank, ratification of CEFTA Free Trade Agreement (2006), had significant impact on intensifying the legislative activities in the countries of the region. Because of these processes, we had experienced a significant improvement in quality of numerous laws, but some deficiencies remain. *On the other hand, current financial and economic crisis will require some changes of the existing regulations in order to*

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Law enforcement is much more serious problem, compared to mere adoption, because we lack completely, or if we do have them, the institutions in charge of their implementation are functioning poorly. The implementation of regulations in the Western Balkans countries still represents a key problem within reform process, due to lack of experience or adequate institutional infrastructure. Parliaments are involved in monitoring the implementation of regulations primarily through: (i) direct parliamentary supervision of Government activities and (ii) parliamentary monitoring of laws enforcement, through supervision of law enforcement agencies.

Beriz Belkić

Fundamental role of the state is to ensure legal framework for the implementation of economic activities. Notably, security of ownership, contract enforcement, simplicity of procedures, and everything else enabling better economic environment within the society. This role of the state is irreplaceable, and obviously additionally reinforced and promoted after we witnessed the situation in which the market is unable to handle the situation on its own, and that human greed is quite unpredictable. When it comes to this role of the state, we as representatives of the people, i.e. legislative power, in this time of crisis, can't remain passive. We must take a kind of initiative, some kind of strong pressure on our Governments, to overcome together these new problems related to the economic crisis, and to make them at least tolerable.

The basic characteristics and conditions that we in Bosnia and Herzegovina are experiencing in this time of crisis are as follows: (i) no common market, (ii) slow

regulatory reform process, (iii) slow implementation of strategies for improving competitiveness within country. We have quite unfavorable economic system, and very little attention is paid to the regional approach in solving our economic problems. We haven't seen much benefits even from the previous regional initiatives, such as Stability Pact, OECD Investment Compact etc. These initiatives were not very beneficial for us.

The current situation is simply pushing us to adopt the regional approach, to undertake regional economic policies harmonization, of course not denying and respecting the right of each country to introduce some specific measures. Global approach, general approach, should now become regional.

Now, we have Regional Cooperation Council that opens the door for cooperation among Southeast European countries. We have expressed commitment to think regionally and to solve current problems at regional level. There are number of initiatives, business forums, which in time of crisis are gaining on importance. It looks as if the awareness regarding regional cooperation is the least present at the location where it actually should be present- in the Parliaments as legislative bodies, and Governments as executive power.

Aleksandar Damjanović

In the time of financial and economic crisis, maybe we shouldn't be waiting for the Government to react, maybe the Parliaments and parliamentary committees should be in a state of permanent-session, in this time of crisis. Of course, coordination within the Parliament and committees must be strong and active. What would be contrary to all this, is if the Parliament would simply give up and let the Government, in this time of crisis, to rule through decrees and bylaws; to let the Government prepare package of measures and take all the responsibility on itself. This might mean avoiding the responsibility of MPs, both of the opposition and the ruling parties. I think this kind of approach is completely wrong.

Important issues, such as whether to give priority to cutting public spending or stimulating the economy, supporting national economic growth or addressing social issues, as well as those issues related to quality of the judiciary, might be reviewed even at the parliamentary sessions.

It is hardly expectable that any individual or any country in the region could come out of the crisis on its own, without addressing the issue from the aspect of the region as a whole. If the parliamentary procedures are good, if we have consensus regarding key issues, both within parliamentary majority and minority, than the time needed for some acts to be adopted is of lesser importance.

The crisis can be seen as an opportunity for reaching an adequate and accountable policy in terms of government response to it. The crisis is not just an opportunity for us, but it also underlines the necessity for closer regional cooperation, thus enabling fast sharing of experiences in order to avoid making mistakes.

It would be important to ask our European friends, when they come to visit our countries, to spend at least one third of their time in our parliaments, as they do with the members of governments. I think this would strike a good balance.

Nataša Vučković

All our parliaments are bothered by the fact that we are coming from countries characterized by a lack of parliamentary and democratic tradition, and this is inducing executive branches in our countries to keep on spreading their competencies permanently and even allowing themselves certain freedom in behavior in respect to the parliaments, maybe even more so than allowed by the constitutions. I think that this dynamics of relationship between the parliament and the government can't be accepted, and the role of parliaments is to insist on changing this dynamics.

In that context, it is important to strengthen the control function of the parliament *through parliamentary monitoring of regulatory bodies* and independent agencies.

Looking upon my experience from the Serbian Parliament, it looks to me as if the parliament misunderstands its role in terms of just setting up certain regulatory agency and selecting the members of that body. I think that Parliament, as legislative but also as representative body, has the obligation even to control their work.

These bodies are independent in their work, but the control of the law enforcement and their functioning must be the responsibility of the Parliament. I think we are not paying due attention to the annual reports of these regulatory bodies. Are we discussing them thoroughly? Are we discussing them only in parliamentary committees? Is that enough, or should we pay greater attention to the work of these bodies?

Miko Iličković:

Political dimension of Copenhagen criteria demands stability of institutions that are guaranteeing democracy, rule of law, human rights and rights of minorities. Therefore, we as MPs, being half-politicians and half-experts (lawyers, economists, engineers) have twofold role: (i) how to correct or make right or stop, devastating Governments' moves or to straighten up the Governments with our limited capacities, and on the other hand (ii) as politicians, whose job is to sell future to the citizens, how to perform that role in the best possible way?

This is really a big problem, because we are thinking less and less about things such as a common good or benefits for the citizens. Therefore, our starting position, in this time of crisis, is very bad. How to make things better? Montenegro, as majority of other countries in the region, still does not have stabile institutions. Real power is still not residing within the institutions of the system. How to transfer that power to the institutions, in these, somewhat chaotic times, which are result of the negative impacts of the financial and economic crisis? We were unable to deal with these basic challenges in due time.

If you have a situation when the ruling majority in the Parliament has uncritical approach regarding Governments' proposals, even in the legislative part where you are obligated to do your job, and the opposition still has a habit of voting against everything, than you simply can't expect great things from the Parliament.

If you have a situation when the ruling majority is running its fifth consecutive mandate in office with good chances of further electoral victories, than your role is not to defeat the opposition but to try to change something within the ruling circles- to

change yourself. As a rule, this scenario is very unlikely. Therefore, the whole process will depend on the awareness of the political elites that they have to change. They have to give in to something that is coming. The people, ordinary citizens in this region will, as always, do what is prescribed or voted by the parliament. I believe in the power of parliament. I believe that power of the parliament is in fact the freedom of citizens.

Reviewing the draft laws in parliamentary committees. In all the countries of Western Balkans, competent parliamentary committees are reviewing draft laws, before they are reviewed at the plenary session.

The work of parliamentary committees in Western Balkans countries is increasingly more transparent and professional, and representatives of administrative bodies, including ministries and agencies, often contribute to their work. The importance of committees is enhanced, scope of their competences widened, irrespective of their number, organizational model or size. The committees should provide for better efficiency in the work of the parliament. Still, their work can be improved significantly, because they are not exercising their role, within parliamentary process, in a quite desirable way. Often, more attention is paid to the work at the plenary session, rather substantial, professional debates that should be conducted in the competent committees.

3. The importance of regional cooperation and harmonization with the EU legislation for building the competitiveness of the region

Slavica Đukić Dejanović

We are all aware that difficulties facing the countries in the region in this transitional period, both in terms of politics and economy are not minor. Although, in the last couple of years we have recorded some kind of growth, the region is still exposed to challenges because of the global financial crisis, which has steadily moved from the point of being just a discussion issue to our everyday reality. Therefore, it is important to encourage the current and potential investments, and the parliament, as the highest legislative body, can play an important role in doing so. Exactly because of that, the constant dialogue between countries and businesspersons within the region is so important, as well as their mutual support and understanding.

Through an intensive cooperation between parliaments and parliamentary bodies, we can indeed, improve the position of business entities in the region in that first, but very important area, which is called legislation.

Hido Bišćević, RCC *Joint, coordinated, and common handling of the economic crisis impacts, from the aspect of the region as a whole*

In this important moment in time for the world, Europe, and even this region as a part of Europe, it is necessary to raise the awareness, among the parliaments of the region, on the magnitude, depth and duration of the crisis and everything the crisis may bring with it.

This crisis has hit the region in the worst possible moment. It is realistic to expect that the international community will not be involved in the region, to extent as it was in the previous 20 years. Namely the European Union, because the entire political energy will be directed to solving the crisis within the EU, while much less energy will be devoted to non-EU countries, including the Western Balkans. This definitely requires greater political accountability and self-responsibility of political leaders and leaderships in the countries of Western Balkans. The crisis is gradually, but unavoidably coming to our region. This year will be decisive for the entire historic and strategic perspective of the region.

The crisis can also provide certain chances and opportunities. However, in this moment ***it is necessary to preserve the Euro-Atlantic perspective of the countries in the region, at any cost.*** The entire crisis can be summarized in several key pillars-points that should be taken into account. These are:

- (i)** Joint, coordinated, and common handling of the economic crisis impacts, from the aspect of the region as a whole; (joint activities of all the governments and parliaments in the region),
- (ii)** Acceleration of reforms, as necessary prerequisite for maintaining links with Euro-Atlantic integrations (structures)
- (iii)** Faster solving of unresolved conflicts in the region,
- (iv)** Implementation of big regional developmental projects.

Twenty years ago this region has missed a historic opportunity and we cannot make the same mistake 20 years latter. In that regard, this crisis is carrying within a greater level of responsibility and urgency to solve certain problems. We should prove that the region is able to keep up the pace with the Euro-Atlantic structures...

Countries of the region cannot face the crisis individually. We need joint, coordinated action that would open the doors for joint regional projects.

Safet Softić

I would like to say something regarding those issues, which I think that we, meaning the countries of Western Balkans, should try to do ourselves and to establish as good regional cooperation as possible.

I can't say that regional cooperation was at some high level, but that was maybe due to good economic performances of the region. However, taking into account the current situation it is necessary to start setting up the basic elements for strategic actions in the countries of the region, and to achieve quality regional cooperation among legislative, executive, and judicial bodies. This is even of greater importance as the role of legislative bodies (parliaments) and executive bodies in each individual country is extremely important in this time of crisis.

Bearing in mind that all of us in this region are, more or less, on the path toward the EU, the first element of cooperation at the level of parliaments could be the analysis of mutual harmonization of regulations in different, important economic and infrastructural areas. If we would manage to harmonize our regulations in this respect, we, as a region, would have much bigger potential for attracting strategic investors.

If we would establish quality regional cooperation, and if I may say *daily communication*, whether we are talking about *economic or legal-political system*, our joint activity within the region would definitely be less painful and with less negative effects on the population. Establishment of quality and strong cooperation, on the long run, would definitely result in significant progress for all the countries in the region. By doing so, we would be firmly on our road toward the EU membership, which is the main goal of all the Western Balkans countries.

Nikola Novaković

Coming, maybe, from the youngest democracy in the Western Balkans, I can tell you that only after the adoption of the constitution in Serbia, we moved to regulate other areas, and especially the relations within the Parliament and the relations of the Parliament with other branches of the power.

The old National Assembly Book of Procedures had to be changed, because it turned out that, without those changes, the Book of Procedures is just a weight, which is preventing us from moving forward. It looks as if we have managed to change those things within the old Book of Procedures that needed to be changed, so our Parliament now resembles any other parliament, with the difference that now we just might be able to work even faster than the others might.

In drafting the Law on Parliament we shall be focused and insist on the maximal increase, both qualitative and quantitative, of the control and supervisory function of the Parliament. I think, if we manage to push through this new law draft, we are going to come up with a law that would be good for everybody in the region. In drafting the law, we haven't started from the scratch. We actually used your solutions, solutions of the countries in the region, our neighbors.

I am surprised how little, rare and superficially have our parliaments cooperated in the past. In my view, this has to be changed in the near future. Maybe we can use this global crisis, because as legislative bodies we can hardly handle this huge global economic crisis, but on the other hand, we can do everything at our disposal to be as ready as possible for the end of the crisis and the recession for continuation of the reforms. I think we should significantly accelerate the work of our parliaments, adoption of new laws, and regulating all those areas that would bring us closer to the spirit of the *acquis communautaire*.
The *acquis communautaire* is constantly changing. Therefore, if we do not start to work very quickly to harmonize our legislation with the European one we will never catch up. Neither individually nor together.

Velimir Jukić

In the last ten years or so, not just the Bosnia and Herzegovina but the entire region has been recording significant economic growth rates actually quite high growth rates compared to the rest of Europe. However, let us not forget that all of us started from a very low level, so although the economic growth effects are significant they are still not at the level as we expect them to be.

We are still lagging behind in comparison to European Union average level of development, or at least behind majority of EU countries. I think that we, the MPs should focus on identifying those issues and challenges that might, if solved, produce the best effects. Very often we measure our work in quantitative way, i.e. how many regulations we have adopted, etc. I think that effects of adopted measures would be much better indicator of our successfulness. Therefore, I think we should, and this is a kind of logical conclusion of today discussions, focus our attention on identifying those problems, which, if solved, can produce the best effects. This regulatory dimension is very important.

It is well known that Western Balkans countries, except for Albania, in the last couple decades were part of a single country. We lived together so we share so much common features, including some still valid regulations from the period of ex Yugoslavia. Even the legislation we have been adopting in the meanwhile is pretty much harmonized. Somebody said here that by aligning our legislations with the *Acquis Communautaire*, we are also harmonizing the legislations of the countries in the region. I couldn't agree more, because by doing so we shall harmonize our regulations at the regional level.

However, I think that in the period behind us we didn't have quality cooperation. It would be good and useful to try to talk in a different way, maybe in a more concrete way. To discuss about things we intend to do in future, to discuss the regional dimension of what we do and to improve our cooperation.

In the previous discussions some regional investments projects were mentioned. These are the projects that we can design together, starting from some big infrastructural projects, and even smaller ones. I think we can find a common interest in those projects and I am convinced it is much easier and simpler to obtain necessary funds to invest in those projects if we approach them together.

Several speakers were talking about how the others are doing this, how the European Union was launched etc. That is exactly the kind of experience we should be learning from. I think we haven't learned enough from that example and that we should be defining and designing our cooperation in a different way, in order to enrich it in terms of its contents.

Finally, I would like to recommend to all of us to improve our cooperation to intensify our discussions.

Sead Dizdarevic

I think that future regional cooperation should be based on the following three principles:

- (1) We should insist on the things that are bringing us together, not on those that are separating us,
- (2) When cooperating, to make maximal efforts so that everything would go smoothly regardless of the borders,
- (3) Not to miss the opportunity for the better future, not to go back to the past.

Therefore, in this context I would be in favor of *applicability of efficiency principle*, which is in force in all EU member states. When I say this I mean that (i) we should be adopting the laws faster, (ii) we should be cost efficient and save money when adopting the laws, (iii) still that the speed does not affect the quality.

This cooperation can be partially implemented through the network of Parliamentary Committees for Economy. By formalizing this network and intensifying the cooperation of Parliamentary Committees for Economy of Western Balkans countries, we would be in a position to enable sharing of information in the area of economic legislation and economic policies, which are very important from the aspect of economic crisis that is facing the countries in the region.

The Committees would be able to, mutually monitor the way in which regulations are being proposed, as well as the role of the very Committees and working bodies within the process. They would be able to monitor the role of Committees for Economic affairs on the path of their respective countries toward the EU. Working bodies would also play an important role; they would identify the regulations, which should be initiated by other working bodies that are, according to the Constitution, authorized to propose the specific regulation and send it to the parliamentary procedure. Thus, they would shorten the whole procedure of regulation adoption, and we would not be forced to wait for the Government to prepare those regulations in the first place.

Vesna Pusić

In the accession process of some country toward the EU, people instinctively think of political reforms, because the political criteria were always the priority for the countries in the region, and they were always deemed as the most controversial issues. However, in time, the so called economic criteria proved to be the most complicated ones. They represent a proof and confirmation that the country can function as a competitive economy, as a market economy able to survive within European context. Once the excitement goes down in respect to political issues, out of all the other issues perhaps the most interesting one and certainly the biggest opportunity for the new members states and all the EU members states as a whole is the fact that regardless of the size of the individual country, whether with population of a million or two or 90 millions, once within the EU each of these countries is suddenly faced with the market of approximately half a billion people.

This is of course either a tremendous opportunity or a great danger. Most often both. The big question all of us are facing now is how to prepare ourselves for that immense opportunity and at the same time great danger. What will be the final outcome? Would it be a fantastic jump-start for all the countries in the region or something that will devastate national economies? Both scenarios are possible. Although we haven't experienced devastating effects so far, in this concrete economic crisis, we shouldn't forget this possibility. Devastation is even when we miss the chance to do something, to miss the chance means that we have failed.

4. Reform of the business environment: the role of parliaments

Systemic revision of the existing legislation. Majority of Western Balkans countries have recognized the need of undertaking comprehensive elimination or replacement of redundant or unnecessary regulations, as an import precondition for establishment of investment enabling environment.

Comprehensive elimination or redundant or unnecessary regulation includes setting up a registry of all the regulations relevant for the economy in the given country, in order to identify redundant and inefficient regulations. This process should result in recommendations for the Government regarding regulations, which need to be eliminated and those that should be changed or kept, followed with the setting up of an electronic database with all the regulations, which are in force in the given country. Such a database would enable entrepreneurs and companies to know, which regulations are applicable.

Croatia, Macedonia, and Republic of Srpska have already implemented a comprehensive revision of their respective legislations and undertook one-time elimination of redundant and unnecessary regulations, through the program of so called “regulatory guillotine”.

In Republic of Srpska the focus was on inspections, while the reform in Croatia and Macedonia was more comprehensive and included all the regulations relevant for the economy.

This reform is ongoing in Albania and already visible progress has been achieved, in terms of deregulation of licensing system and business registration. Serbia and Bosnia and Herzegovina have also started with the process, but at the state level of Bosnia and Herzegovina nothing has been done yet in this respect.

<p>Igor Radojičić Reform of business environment in Republic of Srpska</p> <p>All the transitional changes couldn't happen over night, nor could the appropriate regulations be passed in line with some fast procedure, because we are dealing here with time consuming processes. The lack of local knowledge on market economy systems, European legislation and standards is additional problem, as well as the change in mentality and the practical implementation of changes within business environment, once the new laws are adopted.</p> <p>The role of the parliaments is twofold: (i) irreplaceable and most important in the part relating to adoption of appropriate laws that refer to establishment of market mechanisms, but also (ii) control, in order to be able to monitor the implementation, benefits and gaps of the adopted legislation.</p> <p>In my presentation I would limit myself on examples from Republic of Srpska, which relate to reform of the business environment in the recent past:</p> <ol style="list-style-type: none">1. Reform dictated by the international community, so called ‘Bulldozer’ was implemented in the period 2002-2004.2. Reform of the business environment, so called ‘Guillotine’ was implemented in period 2006-2008.
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1. International community was not focused on the economy to much, when it comes to its involvement in Bosnia and Herzegovina (except huge donors' help immediately after the end of the civil war in Bosnia and Herzegovina), and definitely not focused on the regulatory reforms. We had one exception and that was the so called 'Bulldozer' reform, which was launched by the Office of the High Representative in Bosnia and Herzegovina, which implementation was followed by a huge media campaign and political pressure in the period 2002–2004. The campaign slogan was '50 economic reforms in 150 days'. This campaign was a result of a survey among business persons and international organizations, including IMF, World Bank, USAID, and the European Commission. According to the scope of proposed and forced reforms, the 'Bulldozer' was not systematic in its approach, but rather a result of a campaign, suggestions, and interests of certain business entities, while the Governments were kept aside from the entire process. This Project covered variety of different areas including transport, finances, organizing of different chambers, registration of business entities, trade, tourism, labor market, and issues relating to operations of companies. Bearing in mind such a huge scope of activities and different areas, the Project was quite unbalanced and superficial, covering different measures and laws, implementing on one hand full reform of the chamber of commerce systems both in B&H and in RS, and on the other hand protecting the fruit and walnut trees. The Parliaments in Bosnia and Herzegovina have adopted these reforms under the strong pressure from the international community, in line with fast procedures, without any possibility to impact already drafted regulations. The effects of this reform, or better said campaign, are visible even today, whether positive or negative ones, but they are definitely not perceived as an example of systematic approach to the issues of regulatory reforms and thorough improvement of the business environment.

2. The positive example of cooperation with the international community is the so called 'Regulatory Guillotine'. Republic Srpska has implemented the 'Guillotine' in the period 2006-2008, taking a systematic approach in cooperation with the international partners. Besides formalities regarding licensing, granting various approvals and consents, the 'Guillotine' covered the inspections procedures and inspection subjects in the Republic Srpska. The reform was implemented thanks to cooperation of the Government of Republic Srpska with other institutions, such as Chamber of Commerce, Government Department of Inspections, and the business community. We have systematically collected the data and produced an inventory of all the formalities and inspection procedures, and audit subjects. The result was significant reduction and changes of the existing formalities. Regarding inspection procedures and audit subjects, out of 2474 measures only 1040 have remained, and 1434 of them were eliminated. Another result of the reform was establishment of a database containing the list of all the procedures and approvals, as well as inspection procedures and audit subjects, in the appropriate registries, which is publicly accessible online. As a follow-up to the 'Guillotine' we started implementing the RIA process- Regulatory Impact Assessment process on the business environment. We have tested RIA on the pilot project- the Law on Tourist Fee, which is supposed to enter the parliamentary procedure.

Andreja Marušić: What Is Srp and Why it is Being Implemented

In they everyday life, citizens and entrepreneurs are faced with numerous regulations, and complex and costly business environment is hindering economic growth and

competitiveness of Republic of Serbia. SRP is the process that is being implemented with aim to annul or change, in short period of time, inefficient regulations, i.e. all the regulations that are either not applied or antedated or, which are simply imposing the obligation of unnecessary administrative procedures thus putting the burden of costs on the economy.

SRP is being implemented because of the business operators, therefore we expect the biggest contribution from them in terms of identifying regulations that should be eliminated or changed, as they are deeply familiar with all the problems in their daily operations.

Objectives of the SRP are:

- 1) Reducing administrative costs for businesses for at least 25% until 2011;
- 2) Accelerating and reducing administrative procedures;
- 3) Improving international rating of our Republic.

SRP is being implemented in phases:

Inventory phase- making the inventory of all the regulations in force in Republic of Serbia (February 2, 2009- March 31, 2009);

Regulation analysis phase – analyzing the regulations that directly or indirectly affect the economy (March 31, 2009- September 1, 2009). In this phase all business operators can actively participate in the reform by giving their suggestions in terms which regulations should be eliminated and which changed, and how;

Recommendation drafting phase (September 1, 2009- December 15, 2009); The Government adopts recommendations by December 31, 2009: Recommendations implementation phase (December 13, 2009)

Recommendations on which regulations should be eliminated and which should be changed are given in three packages. One for regulations under the competency of Ministries and the Government (bylaws), the second for laws (Parliament) and the third for regulations under the competence of independent regulatory bodies.