

MONITORING AND EVALUATION DURING THE BULLDOZER INITIATIVE – 50 INVESTMENT CLIMATE REFORMS IN 150 DAYS

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The Bulldozer Initiative in Bosnia and Herzegovina is an example of a public-private dialogue that successfully overcame the lack of political will and capacity at the government level through a bottom-up approach. The initiative mobilized the local business community to “bulldoze” business environment barriers by identifying concrete legislative changes and advocating for their 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. This paper describes how the initiative was driven by monitoring and evaluation techniques that can be beneficial for other investment climate interventions.

Evaluation begins early to select qualified proposals

Through media outreach and a travelling roadshow, the Bulldozer Committee, composed of 20 local business associations and five international agencies (IMF, World Bank, USAID, EC, and OHR), invited entrepreneurs to submit which “roadblocks” they faced while trying to do business in Bosnia, and their suggestions for reforms. The Committee received about 250 submissions on issues such as enterprise law, banking and finance, tax, exports, trade, labour, environment, and so on.

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. Filtration criteria included compliance with EC standards and international good practice, implementation and political feasibility, and coordination with existing reform efforts.

The rigorous and transparent selection process insured that individual entrepreneurs could not exploit the process to serve their own interests without rendering real economic benefits to a sector of the economy. Furthermore, it helped to build 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.

Each Bulldozer reform **proposal indicated the specific laws to be amended** 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 in this example:

The Roadblock Submission Form

| # | Reform title | Juris-diction | 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,” each of which constituted an event for the business community. Each Plenary Session was typically attended by 40 to 50 representatives of the participating organizations, plus sometimes the press. All proposals were publicly discussed, and a vote was held at the end of the sessions (each participating organization had one vote) to select the best 50 proposals to present to the governing bodies.

The output of this Phase I was thus a package of 50 proposed reforms. The outcome was positive: after a strong advocacy campaign, the government and parliaments enacted the 50 reforms. The deadline of 150 days from start of the process to adoption of the reforms was missed – but by a mere 37 days.

The success of the initiative was cemented in Phase II. It employed a more decentralized process that relied on six sub-national Bulldozer Committees to collate and filter proposals from their respective regions. This phase further demonstrated the thoroughness of the selection and tracking process for each proposed amendment. Approximately 95 percent of the proposed ideas did not make it through the selection process. About 60 percent of the Phase II final proposals were implemented, a remarkable result given the gradual transfer of project ownership from the donor community to the local entrepreneurs.

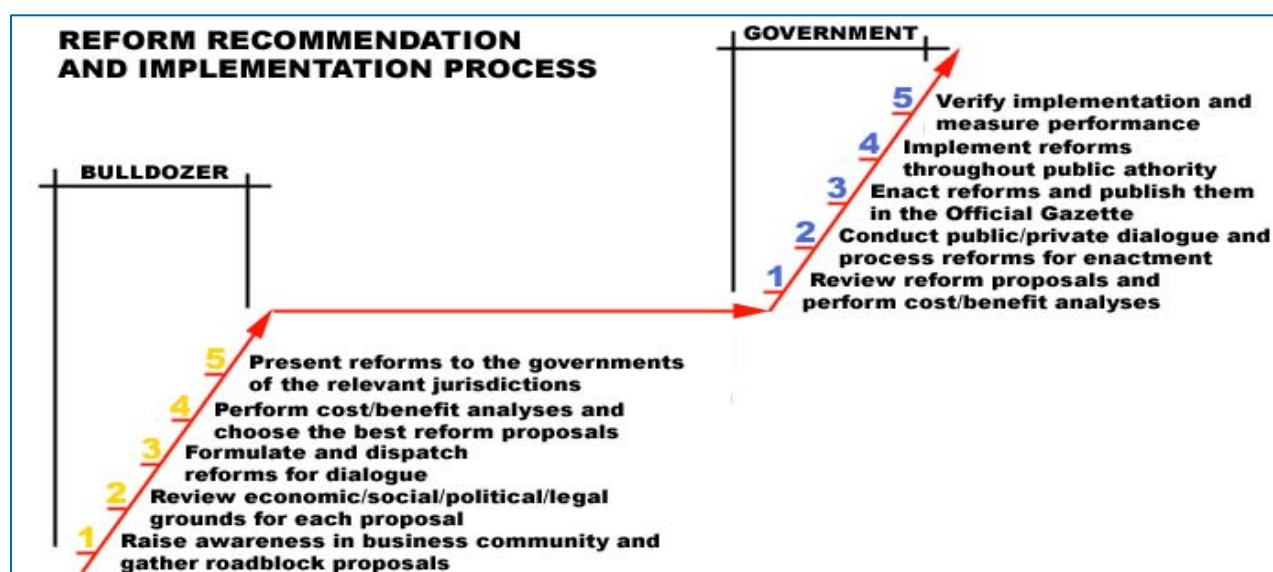
The table below indicates the rigor of the process of evaluating and selecting reform proposals. Each column represents the various filtration stages.

| BULLDOZER PHASE II – FIRST PLENARY SESSION | Forms distributed to entrepreneurs by regional committees | Proposals received by regional committees | First filter (done in Regional Committees) | Second filter (done by national Bulldozer Board) | Third filter (done 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 |
|---|---|---|---|--|--|---|--------------------------------------|
| <i>Total</i> | 3650 | 366 | 54 | 31 | 21 | 19 | 12 |
| <i>Ratio</i> | | → 100% | 15% | 8.5% | 6% | 5% | |

The 50 reforms selected in Phase II after three plenary Sessions demonstrate that once it is 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 from Phase I and II were enacted and published in the Official Gazette (the initial target outcome), the work of the Bulldozer Committee 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 be usefully divided into 10 steps – five were the responsibility of the Bulldozer Committee, and five were the responsibility of the government.

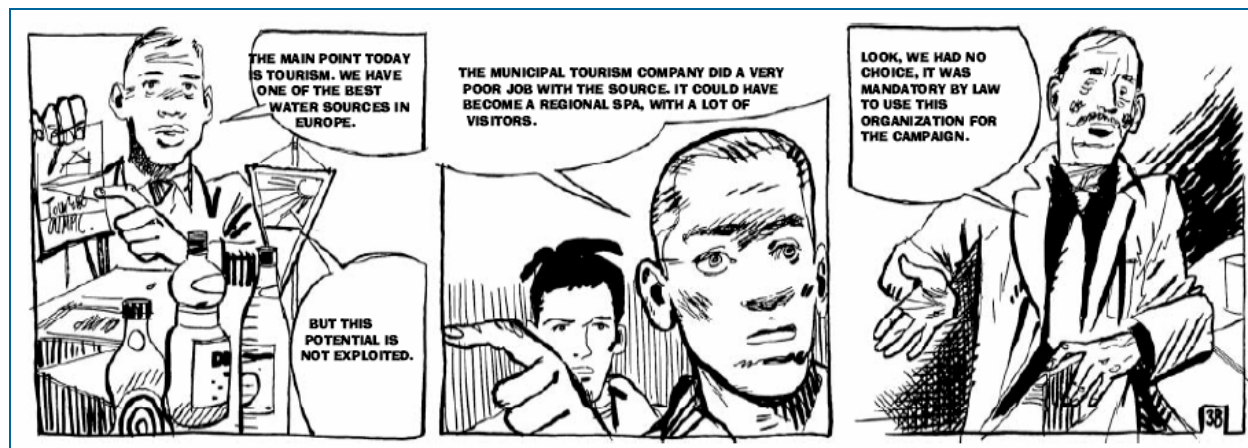
A bi-annual Bulldozer publication informed the public on the progress of the initiative. The relevant government body received a score for each reform that was proposed during the initiative (a visual scale was used to that effect – see figure above). The score was awarded by the Bulldozer Coordination Unit following investigation on each of the points. The message sent to the population – and the government itself – was that simply enacting a reform is not enough – the process must be taken through to full implementation if it is to deliver practical benefits.

Engaging the public in monitoring implementation – the Max comics

The Bulldozer Initiative created a comic strip, "Max," to build public support. 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 proposed 50 reforms and was distributed to 80,000 people. The second Max story, which centered on an argument between Max and a government official over the value of the reform effort, was distributed to 200,000 readers through five newspapers.

Max not only dramatized how regulations hurt the average person, but also educated people on the reform process and benefits. It played a helpful role in engaging the general public in monitoring the implementation process; 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 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. The Bulldozer team did not set, ex-ante, a standardized set of indicators and benchmarks for each reform. Ex-post, albeit sometimes relying on anecdotal evidence, the team tried to answer key questions: did the reforms 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?

The results were published in February 2004 in a public information brochure. On reform #23, for instance, which shifted the sales tax collection from point of sales to point of import or production, the team found that, based on the Republika Srpska tax revenue collection service, revenues in the 3 months following full implementation jumped by 6.1 million Konvertible Marks a month (an increase of about 3 million euros per month). The brochure page in the annex and the table below show how results were presented to the public. The brochure was very popular; it focused on practical, tangible benefits of each reform for both the government and the business community.

| | | |
|--|--------------------------------------|---|
| <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 has increased 17% after the reform as compared to the previous year.</p> | <p>POTENTIAL IMPACT</p> <p>→</p> | <p><input checked="" type="checkbox"/> Create more jobs</p> <p><input checked="" type="checkbox"/> Bring more tax revenue to the authorities</p> <p><input checked="" type="checkbox"/> Free up capital for investment</p> <p><input type="checkbox"/> Boost exports</p> <p><input type="checkbox"/> Reduce the administrative burden</p> <p><i><input checked="" type="checkbox"/> Reduce the gray economy</i></p> |
| <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> | <p>POTENTIAL IMPACT</p> <p>→</p> | <p><input type="checkbox"/> Create more jobs</p> <p><input checked="" type="checkbox"/> Bring more tax revenue to the authorities</p> <p><input checked="" type="checkbox"/> Free up capital for investment</p> <p><input type="checkbox"/> Boost exports</p> <p><input type="checkbox"/> Reduce the administrative burden</p> <p><i><input type="checkbox"/> Reduce the gray economy</i></p> |

The Max Comix, brochures and other similar efforts did a great service to the Bulldozer Initiative. Having a piece of paper at hand that describes how exactly a particular new law should work; entrepreneurs could demand appropriate actions and services from the government agencies. They also could report back to the Initiative if something on paper did not reflect the reality. In essence, informed entrepreneurs acted as M&E agents for the reform process, to the benefit of all the parties involved.

About the Author

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Moving sales tax point of collection



Marinko Sulic
General Manager
Bobita Co. d.o.o.

How would you rate the impact on your business?

"I would say that the effects have been very beneficial to our firm since all of our business is focused on the import and production of alcoholic drinks – an excisable product. Our administration has become much more streamlined and noticeably simpler and we no longer have to fear if we are inadvertently 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."

Tax Administrations have been struggling to collect sales tax on excisable goods at the retail level – the system has helped fictitious companies develop a complicated and almost untraceable chain of sales from one "wholesaler" to another. This has resulted in sub-optimal collection of revenues for all levels of government in BiH. The concomitant overreaction by the BiH authorities has also meant that legitimate businesses have found it harder to conduct their regular operations. The Bulldozer Committee suggested changing the point of collection of the sales tax on excisable goods back to the import or production level.

REFORM
SUMMARY



RS Official Gazette 23/07/03;
Issue 60-II, Page 1, Item 637

RS revenue collection:
•6.8 million KM / month before
•12.9 million KM / month after
→ 89% INCREASE

Result:

6,1 Million
KM/month

Average monthly increase in excisable tax
revenue collection in RS since reform
implementation as compared to previous year

BOBIT A CO. from Citluk in Herzegovina has noted an improvement in business conditions since the reform began to be fully implemented for all excisable goods on August 1st 2003. The company's administrative requirements have become simpler, as it now settles its tax obligations immediately upon import or production of goods. This means that the company can sell goods to any wholesaler without exhaustive checks regarding the buyer's legal status, as the goods are sold with the tax already included in the price. This reduces the company's business risk since, according to the old system, it would have had to assume tax obligations for all goods sold to any rogue or fictitious companies.

HOW WAS IT
USED?

Business Climate Improvement Indicator:

- ☐ 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:



The smaller administrative burden has meant that BOBIT A CO. can concentrate on importing and producing alcoholic beverages instead of undertaking various checks of their customers' corporate provenance. The new system has significantly reduced company paperwork; this is welcomed by businesses since it means lower operating costs. Retailers do not have to mingle with the tax on excisable items anymore. All the goods they buy are now tax included. In turn, the new system creates a fairer market from the consumer point of view, as pricing becomes consistent throughout one market. On its end, the governments of BiH are seeing benefits in terms of speedier and more efficient collection of revenues, as the new system has reduced opportunities for tax evasion. As a result, the governments need to spend less time and money on regulation and frequent audits of suspicious firms.

WHAT WERE
THE BENEFITS?

THE ADVENTURES OF MAX



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