

NATIONAL PERSPECTIVE Session – part 2

REGULATORY REFORM TO REDUCE ADMINISTRATIVE BARRIERS TO BUSINESS IN ALBANIA

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ABSTRACT

Well-functioning regulatory system is an essential component of modern society. In societies where the rules works well, strengthen governance, promote prosperity and stability. A good regulatory system provides a stable environment for business by reducing transaction costs, providing security and encouraging healthy competition, and increasing international competition, investment, growth and employment.

After the 1990s the governments of many countries of the world supported their economic development and reducing poverty and expanding with reforms acceleration to improve the business climate through regulatory policies and reducing administrative barriers. Improving the environment in this period became the norm for developing countries seeking sustainable growth and development. The inability of large hamper growth and addressed mainly to macroeconomic levels, both through extensive legal reforms and regulatory ones.

However, extensive reforms are difficult to implement and support. Successful reform requires overcoming personal interests in public and private sectors, overcoming the fear of change, complexities of the uncertainties of change in dynamic environments, economic and social.

Development of comprehensive regulatory reform strategy, offers good opportunities for donor coordination: planning and support, as well as pursuing a comprehensive approach to aid, rather than supporting activities and fragmented interventions. The existence of a clear strategy, comprehensive regulatory reform also helps donors by facilitating the provision of budget support and technical assistance in a systematic and continuous long term periods. In this situation was included also Albania, which introduced for the first time in the list of countries assessed by the World Bank study regarding facilities for doing business, so in Doing Business 2004.

Key words: Regulatory policy, administrative barriers, transaction costs, regulatory reform, regulatory impact assessment, capacity building, procedures.

Introduction

Reforming the business environment is a broad agenda, but at its core is regulatory reform, particularly for small enterprises that are disproportionately harmed by regulatory costs, barriers to entry, risks and uncertainties, and associated costs of corruption.

Economic transition requires massive legal change. Such legal change goes beyond policies and formal instruments, since the role and style of regulation in society is deeply embedded in traditions, capabilities, interests and the organizing of power. Far reaching legal change, called "regulatory reform" stretches from the collection of existing legal instruments into the institutions, processes and capacities of government, and even further, into the institutions of the rule of law, and the changing relationship between the state, market and society.

Much development work is focused on adjustments to the legal system to support new economic and democratic needs. But such works is very slow. The challenge is finding ways to shift the complex system of instruments and behaviours to support of rapid economic growth needed to produce ambitious poverty reduction promised and growth welfare. The experience has told that there are always time lags between market change and legal change, the task is to shorten the lag so that legal system "catch up" with market needs.

The high degree of difficulty of the problem makes that reformers either under validate or fear of it. No single approach to the displacement of this welter of rules, institutions and interests, would be enough. Experience shows that:

First, stable regulatory reform should be part of a broader program, supported by macroeconomic, microeconomic, and governance changes.

Secondly, there are no magic rules that tell us that these reforms should be included in a sustainable program of action, which starts immediately and focus in the results. It should enjoy political commitment, adopting a set of tools proven in other countries that face similarly problems, and invests in institutional capacity and human resources.

1. Development history of Regulatory Reform, literature review.

Studies have been recently focused about how regulatory reforms scale are being developed in different countries and how these experiences can be used in the design of reforms in other countries. Increasingly, studies are examining the plan of the political economy of reform and are trying to tie the design of reform processes and instruments.

There is no ideal model for the "right" regulator system. The exact role that markets and governments can play varies from country to country and from sector to sector.

Regulation of business existed in the ancient period. It is understood that these regulation have been more developed in the area that today we call business, but in that period *were* called trade. At that time there have standardized weights and measures, where the information coming from *antiquity* gold may have operated as an international currency and

as a key element of regulation. Also the use of national currencies as an exchange instrument has been a strong reason to promote regulation.

In China, a national currency system existed and paper currency was invented. Sophisticated law existed in Ancient Rome. In the European Early Middle Ages, law, standardisation and the power of the after the decline of Rome, but regulation existed in the form of norms, customs and privileges; this regulation was aided by the unified Christian identity and a sense of honour in regard to contracts⁴².

Beginning in the late 19th and 20th century, much of regulation in the United States of America was administered and enforced by regulatory agencies. At the federal level, one the earliest institutions was the Interstate Commerce Commission, which had its roots in earlier state-based regulatory commissions and agencies.

In the 1930, lawmakers believed that unregulated business often led to injustice and inefficiency. In the 1960 and 1970 concern shifted to regulatory capture, which led to extremely detailed laws.

The idea of regulatory capture has controlled discussions of economic regulation and regulatory reform for more than two generation. Its origin comes immediately after World War II as "capture thesis" tht dominated the closing decades of the 20th century, the basic definitions of which are quite clear and already accepted. Indeed one of the most surprising things about the genealogy is the extraordinary degree of consensus about regulatory capture across a broad spectrum of economists, historian, and scholars of law, politics, and public administration.

The capture thesis first originated not in law and economics but in the fields of political science and public administration. For the most part early formulation of capture theory were mildly reformist in orientation-usually concluding with call for something like increased judicial review or enhanced executive supervision or a higher level of administrative formality in regulatory practice in order to reign-in or counter-balance industry influence.⁴³

According to Stigler "regulation is acquired by the industry and is designed and operated primarily for its benefits."⁴⁴

"Regulation itself was invariably controlled by leaders of the regulated industry, and directed toward ends they deemed acceptable or desirable."⁴⁵

The theory of "regulatory capture" as a form of deregulation, finished as a short sighted theory that stood behind it.⁴⁶

Obviously the study of regulation is not something new. It is rooted in economic and political science, legal, public and management disciplines that means going back a century or more.

⁴² www.wikipedia.com

⁴³ Theodore J. Lowi (1969), "The End of Liberalism ", f 14.

⁴⁴ George J. Stigler(1971), "The Theory of Economic Regulation," *Bell Journal of Economics and Management Science* 2: f 21.

⁴⁵ Gabriel Kolko (1963), "The Triumph of Conservatism: A Reinterpretation of American History", f. 2-3.

⁴⁶ William J. Novak (1985), "A Revisionist History of Regulatory Capture", f. 29.

Theories of regulation have merged in different ways in the practice of regulatory reform. As a result, the concept of regulatory reform has assumed several meanings over the last 30 years.

Since the 1960, the economists have studied the microeconomics of regulatory intervention in markets. Theories based on concepts such as market and government failure and transaction costs tried to define the effects of regulation in specific situations.

Normative and positive theories of regulations based on concepts of private interest and public interest tried to explain how the regulation is used in the political economy, and to predict the form and pace of regulatory reform. The modern school of law and economics applied neoclassical ideas to the analysis of legal problems.⁴⁷

Meantime modern regulation began in the age of industrialization in response to sometimes spectacular market failure.

According to Stiglitz, the concept of market failure remains a powerful framework to think about regulation in many contexts. In his essay Stiglitz identifies a series of failures of the contemporary market irrationality and the spread of justice. He relied on his extensive experience as a public official, argues that..."robust regulatory governance, the implementation of well-conceived, can effectively compensate these market limitation."⁴⁸

Market failure theory encompasses a powerful set of ideas, and it will inevitably remain a pillar of any modern approach to regulation. But it should not be the only-nor perhaps even the principal-intellectual foundation for a new era of regulatory engagement.

Since the 1960 influential new research on government failure has helped to drive the movement for deregulation and privatization. Yet even as the study of government failure was flourishing, some very different ideas were sprouting in the social sciences with profound implications for our understanding of human behavior and the role of government.⁴⁹

Some of these ideas, particularly from the field of behavioral economics, have begun to nudge their way into discussions of regulatory purpose, design, and implementation. Yet even here, the process is far from complete; and many other exciting new lines of research-on everything from social cooperation to co-regulation - have hardly been incorporated at all.

During the 1980s often it is said that we live in an age of deregulation and that the state has been forced to retreat to reduce burdens on businesses. Under these statements is the belief that a decade of more of deregulation has reduced state intervention in markets.⁵⁰ To be blunt, this is largely a myth, and one that interferes with efforts to improve the effectiveness of the state in protecting public interests.

However it belongs to the past, because in 2000 American Scott Jacobs, father of "Regulatory Reform" will declare that: Far from living in an age of deregulation, we live in

⁴⁷ Scott Jacobs & Peter Ladegaard (2009), "Regulatory Governance in Developing Countries", f. 4.

⁴⁸ Joseph Stiglitz (1985), "Credit Markets and the Control of Capital", kap I, f.147.

⁴⁹ David Moss & John Cisternino (2009), "New Prospective on Regulation", f. 7.

⁵⁰ Derregullimi – ose e thënë ndryshe liberalizimii rregulloreve/ rregullimeve,

the golden age of regulation.⁵¹ From environmental protection to consumer protection, safety and health, labour standards, and social justice rules such as equal opportunity, no government activity in OECD countries has grown faster since 1980 than government regulatory functions.

Even during the administrations of Reagan and Thatcher - the quintessential "deregulation" crusades - the quantity of regulations measured in number of rules and their length increased in both the United States and the United Kingdom. And regulatory constraints are becoming more stringent. Regulatory standards have never been higher in the developed countries than they are today. International standards are increasing rapidly. That is not to say that they are keeping up with new risks and technological changes, but that is another argument entirely.

The number and scope of government (domestic and international) regulations have increased so rapidly in almost all OECD countries that the term "regulatory inflation" was coined by the OECD in the early 1990s, which means that multiple rules are therefore redundant. In fact, the level of regulation is increasing so quickly that governments cannot possibly enforce all rules, nor can citizens and businesses comply. Regulatory compliance is probably declining as regulatory inflation continues.

In the economic sphere, too, regulation is increasing. The essential difference is that new market regulations tend to be pro-competitive, replacing more costly and less effective forms of government intervention, such as state ownership. It might be surprising that, in the United Kingdom, regulation grew fastest in the 1980s, the decade of privatisation. This is because large new regulatory regimes and institutions were established as the state changed its role from owner to regulator.

Prime Minister Thatcher was the biggest regulator in UK history, because she introduced the biggest market liberalization in UK history. The UK "Big Bang" in many respects codified what had already been going on in practice, and moreover tightened up regulation in many respects.⁵²

The deregulation myth arose because liberalization in international capital markets and privatization in a few key infrastructure sectors such as telecommunications and to a lesser extent energy and transport released powerful new market forces, which became a symbol for generalized government retreat, though governments were actually building many new regulatory programmes and institutions.

The idea that market liberalisation and deregulation are synonyms is misconceived, and when put naively into practice has led to regulatory gaps, market failures such as dominance, and consumer abuses such as safety hazards. For that reason, the deregulation myth is dangerous.

It is easy to dispose of another myth. The state is not withering away in the face of markets. If anything, the average size of the governments in the OECD area, measured in government revenues as a percentage of GDP, increased slightly from the mid-1980s to the mid-1990s. This is perhaps a natural consequence of the growing role of the state in insuring

⁵¹ Scott Jacobs (1999), "The second Generation of Regulatory Reform", f 23.

⁵² The OECD (1997), "Report on Regulatory Reform", f. 43.

citizens against risks as dynamic markets increase insecurity and of welfare effects of aging societies.⁵³

A third myth, too, deserves deflating. It is often said that globalization is driving market liberalization at the national level. The popular story is that governments are doing just fine on their own, but are being forced into unwanted and harmful reforms by international pressures.

In reality, most reform is driven by purely domestic needs: stubborn levels of structural unemployment, lagging growth rates, diversion of fiscal resources into propping up loss-making state-owned enterprises, and consumer demands for innovations like mobile phones and cheaper services and products.⁵⁴

Likewise, most benefits of reforms are enjoyed by domestic consumers and producers. It is for domestic reasons that supply-side reforms to stimulate competition and reduce regulatory inefficiencies have become central to effective economic policy.⁵⁵

The real policy challenge today is not resistance against a ruthless programme of deregulation driven by markets. The challenge is to manage the quality, transparency, and effectiveness of the burgeoning regulatory state to ensure that the new kinds of regulations and institutions contribute to social and economic progress. The real problem may not be the size of the state (as suggested by those who focus on deregulation or regulation as a test of effectiveness), but the effectiveness of the state itself. In some important areas, such as capital movements and investments, governments have lost substantial control of market decisions. For other reasons, regulatory tools are losing relevance to markets (as factors of production become more mobile and global, and as product cycles shorten) and to civil societies (as societies become more diverse, informed, and oriented toward choice). These forces - weighted against increasing regulatory interventions - must cause us to question traditional methods of state action, and look for new ways to harness markets in the social interest.

“The notion that big intervention of the state associated with economic efficiency, is corrected. The level of intervention cannot be as important as its quality”.⁵⁶ La Porta used institutions as binding element of government. For a better governance better institutions are needed. The economic crises of last decades has shows the importance of state institutions and its necessity control. The set up of the institutions of reform is a precondition to its positive results and implementation of the regulatory agenda.

Today many studies in different fields of economy show that “There are two reasonable explanations to have effective regulatory institutions, *an economic and a politic one*.

Economic logic is to ask how effectively corrected market failure and how to develop instruments and institutions to correct it.

⁵³ Scott Jacobs (2000), “The Golden Age of Regulation”, f. 11.

⁵⁴ A side effect of liberalisation is that it has allowed national resources are used to support social program. Privatisation in the United Kingdom has transformed many state-owned enterprise, the enterprise exhausted in the state budget to tax-paying enterprise.

⁵⁵ Scott Jacobs 2000), “The Golden Age of Regulation, f. 12.

⁵⁶ La Porta et al (1998), “The Quality of Governement”, f. 16.

Politic logic asks if and how the politic should delegate the power to independent institutions such as regulatory structure and commissions. Both approaches are complementary and have much in common.⁵⁷

According to Cesar Cordoves the four core functions of an oversight body that should be assigned for a successful reform are: 1. Co-ordination and supervision, where government has the purpose to implement and monitor a regulatory policy through setting up the procedures and machinery to ensure the quality of new or existing regulations.

Main instrument are RIA Regulatory Impact Assessment, administrative simplification and standard cost model (SCM). 2. Challenge and scrutiny, first based on an independent assessment on the quality of a regulation (*i.e.*, RIA, SCM calculations) The oversight body advises the government and seeks support from other ministries for its view about the quality of a draft with (but sometimes without) approval from the drafting regulator.

A *second* and rarer implementation of the challenge function is to give special powers to the oversight body to enforce quality criteria or a specific programme.

3. A third function of an oversight body is to assist regulators in improving the quality of their regulations. Key support tasks include the publication and dissemination of extensive written guidance and manuals. As well conducting training on regulatory quality issues has been an important way to support regulators in complying with new disciplines, and to raise awareness and promote a cultural change among regulators and regulatees. Training programmes are organised into three types:

- a) High level briefing on the framework for best practice regulation requirements;
- b) General training on RIA and use of the Business Cost Calculator (BCC), and a comprehensive seminar series on preparing RIAs, using the BCC and undertaking cost-benefit analysis.
- c) Third level have been engaged in delivering specific expertise to regulators in the context of their development of particular regulations through mechanisms such as a “help desk” which provides expert input directly, or through the ability to fund the employment of outside experts to complete specific tasks.

4. The fourth core function consists in the advocacy function can be internal to the administration, as well as external. Institutions have a mandate to recommend quality regulation through specific deregulation/ reregulation initiatives to ministries, regulators or agencies.⁵⁸

Again, this crisis has exposed a regulatory failure: regulators failed to prevent the exploitation of poor and poorly educated borrowers by lenders. These people were not able to ascertain well the risks associated with various lending provisions, such as variable-rate mortgages with negative amortization, in a period in which interest rates were at a historically low level. The lenders should, of course, have been able to do a better job of risk assessment, but because of another set of market failures, they did not. The result is a

⁵⁷ I. Bartle & P Vass (2007), “Independent economic regulation: A reassessment of its role in sustainable development”, *Utilities Policy*, f, 15, 261-269.

⁵⁸ Cordova-Novion, C. & S. Jacobzone (2011), “Strengthening the Institutional Setting for Regulatory Reform: The Experience from OECD Countries”, f. 12.

massive social and economic disaster: people are losing their homes and their life savings, and our economy is facing a meltdown.

By its nature, a regulation restricts an individual or firm from doing what it otherwise would have done. Those whose behaviour is so restricted may complain about, say, their loss of profits and potential adverse effects on innovation. But the purpose of government intervention is to address potential consequences that go beyond the parties directly involved, in situations in which private profit is not a good measure of social impact.

“The design of regulatory structures and systems has to take into account:

a) Asymmetries of information, since the regulator is often at an international disadvantage relative to the regulated; b) moral hazard, since there often problems in ensuring that a regulator’s behavior is consistent with social welfare (for example he is not beholden to those whom he is supposed to be regulating); c) human fallibility, since mistakes are inevitable, and we need to minimize the costs of such mistakes. Well-designed regulation takes into account the limitations of implementation and enforcement. While no regulatory system is perfect, economics with well-designed regulations can perform far better than those with inadequate regulation. Regulation can both enhance markets and protect those who might otherwise suffer in unregulated markets.⁵⁹

In the last decade regulation as an instrument to achieve economic and social targets, has increased dramatically. The element that leads regulations is the private behaviour regulation. This type of arrangement became a fundamental tool of government in the management of complex societies and various thereby allowing competing interests to be balanced.

In short, regulation is necessary because social and private costs and benefits, and hence incentives, are misaligned. Such misalignment leads to problems not only in the short run but also in the long run. Incentives to innovate are distorted.

In recent assessments of the European Commission “better regulation remains an important instrument contributing to the policy for strengthening competitiveness and supporting sustainable growth and employment.”⁶⁰

Regulatory reform started at 70s is not a single effort, but a dynamic, long-term effort, and a multidisciplinary process. Since the beginning it showed that it would be enduring and perhaps forever. In the field of business it took a fast developing, particularly in Eastern European Countries, due to the opening of markets.

Since the 1980s ...governments have adopted the term as part of an effort to improve service to the public, but on the other side regulation is considered as a tool to reduce administrative barriers and to provide a more structured environment and a friendly policy to investors.⁶¹

⁵⁹ Joseph Stiglitz (2009), “New Perspectives on Regulation”, f. 12- 21.

⁶⁰ European Commission (2010), “Better Regulation”, f. 29.

⁶¹ Frank Sader (2000), “Do One stop shops” Work?

In general every government, trying to reduce bureaucracy, by means of implementing cost-effective administrative arrangements and removing administrative barriers in many areas of activity.

Administrative barriers issues are resulting very problematic after the year 2007 Attention has focused to reducing administrative barriers on trade, investment and venture. Many developing countries gave the priority to removing bureaucracy. In this sense, the removal of barriers is only one part of a number of policies designed to increase performance and productivity, and thus can not be treated as a separate issue, or particular issue.⁶²

In this literature review the question that arises is how this reform, already launched in Albania, has helped to improve the business climate, namely by simplifying administrative barriers, which at the beginning of 2005 had become unaffordable by business.

What's the contribution of reform instruments such as one stop shops or guillotine to reduce administrative barriers in Albania and how they are implemented, based on theoretical definitions and experiences in many countries?

2. Red-type concept/administrative barriers, reducing and their measurement

Business regulation has been on the international agenda for several years but they a large part of the countries seeking to develop successful reforms remain so even today. Most governments wish to create an environment that will strengthen development and ensure the growth of a competitive business sector. Good competitiveness requires good framework conditions and a focus on the regulatory environment.

Nowadays business barriers considered:

- Dynamic development and complexity of advanced societies creating an ongoing need for new regulation
- Lack of effective voices on the part of the business community
- Vested interests in maintaining laws within the business community
- Conflicting policy goals
- Reducing "red tape" for businesses which is not core business for lawmakers
- Lack of clear responsibilities on the part of public authorities
- Lack of coordination between public authorities
- Time pressure in the law process.

This list of barriers shows that there are significant obstacles on the path towards better business regulation and fewer administrative burdens. Recognition of the existence of these barriers is a first step on the way to alleviating the "red tape" problem.

Creating an effective organizational framework is imperative in the effort to reduce administrative burdens. Dedicated institutions with sufficient resources and efficient instruments are necessary to change the conduct of government institutions, and convince officials that the improvement of business regulation and the reduction of administrative

⁶² OECD Report (2006), "Cutting Red Type: National Strategies for Administrative Simplification", f 108.

burdens is an important consideration in the law preparatory work. Organizational structure and incentives are closely connected, since the creation of effective organizations to improve business regulation and reduce administrative burdens is not in itself a guarantee that action will take place. It needs to be followed by strategies and incentives to effectively engage the relevant government institutions (line ministries, departments, etc.) in the efforts concerning better business regulation.

The motto "Less paper = less work" is the fundamental objective of this new concept of Regulatory Reform. Red-type is a priority of the political agenda. Business and citizens complain that they spend more time and devote significant resources to activities such as filling out forms required to obtain a permit or license, business information reporting, notifications of changes etc.

Red type is costly, not only for the time and money spent on applications filling, but also in the context of reducing the productivity and innovation in business. Particularly for small business this is a burden and simultaneously discourages the people who want to start a new business. These effects are more expensive in global markets, where the efficiency of internal regulations and administrative environment can affect business competitiveness.⁶³

Many governments are now embedding programmes to cut red tape within their overall regulatory quality systems. In the past, administrative simplification was often undertaken on an ad hoc or sectoral basis. This contributes the most significant innovation of recent years: a break with the past. Strategies to simplify regulations focus on two dimensions:

1. Examining the administrative burden that will be introduced by new regulations before they are implemented, and
2. Reforming existing burdensome regulations.

Although the majority of countries still put greater emphasis on reviewing existing regulations than on reforming them, there is a trend towards examining new legislation or regulation before it is introduced to try to minimise any new administrative burdens. This is mainly done during the Regulatory Impact Assessment (RIA) process – an exercise to determine the likely effect of any new regulation before it is implemented.

While the focus of RIAs is not specifically on reducing administrative burdens, they do assist in stemming the tide of new burdensome regulation. RIAs ensure that regulatory proposals or existing regulatory arrangements are subject to a transparent, publicly accountable and rigorous analysis to determine if they are proportional means of meeting regulatory objectives.⁶⁴

Some countries have also introduced special procedural measures to assess the impact of regulation on small and medium enterprises (SMEs) in particular, including the assessment of alternatives that might accomplish the stated objectives while minimising the impact on small businesses. Measuring the burden of regulatory procedures tends to be on business, often with special consideration for small and medium sized businesses, but there has also been a trend towards measuring and reducing the burdens imposed on others, including private citizens and the not-for-profit sector.

⁶³ OECD Report (2003), "From Red Tape to Smart Tape, Administrative Simplification in OECD Countries", f167.

⁶⁴ OECD Report (2006), "Cutting Red Tape: National Strategies from Administrative Simplification", f 108

In many cases, measuring systems are based on the Standard Cost Model (SCM) developed in the Netherlands, which has been introduced or adapted by a number of other countries. The strength of the model is not only its high level of detail in the measurement of administrative costs, but also the fact that the numbers obtained are consistent across policy areas. Moreover, the model allows governments to set numerical targets for burden reduction and to measure progress towards these targets over time.

2.1. What tools can help in cutting red type/reducing administrative burdens?

There are tools that governments can use to cut through red tape, and to ensure that they manage their requests for information and regulatory requirements in a way that minimises the time and resources needed to comply by those affected by the regulations. Such tools or mechanisms not only help ensure that governments can fulfil their aim to cut red tape; they also improve the transparency and accountability of administrative regulations. *The basic tools* used for administrative simplification, such as one-stop shops and process re-engineering, have remained effective

A. Konceptti mbi One Stop Shop-in dhe format e tij.

The term one-stop shop (OSS) originated in the United States in the late 1920s. One-stop shops are single interfaces for business start-ups and have become popular in many economies.

OSS has been since the 1920s⁶⁵, mainly in retail trade. OSS has been a popular idea, but difficult in practice. "By the 1980s, governments have adopted the term as part of an effort to improve service to the public, who had undergone a metamorphosis from simple user or recipient of public services, to clients who were entitled to expect the same standard of service they could expect from a retailer. But on the other hand is considered as a tool to facilitate administrative barriers and to provide a more structured environment and a policy friendly to investors'.⁶⁶

Types of OSS have been different in different countries. The first model was the model "a door" (one door), which means looking to create a one-stop shop, first instincts are often to bring together representatives of various government agencies in one place. This approach is often described as a "door" or "one roof". This model can be relatively easy to implement. Ease is a fact that normally does not require any changes in legislation or ministerial responsibilities. What this model includes it is effective cooperation between different ministries and agencies.

Model window. If, by going through "a door", the customer finds no counterpart some, but only one (or several, from which he can go to each of them), this is a different kind of organization: an approach "a window" or "table". Advantage of an approach "window" is that the officer is authorized to accept documents for government bodies. It follows that the

⁶⁵ Giant Martin (1920), "One-Stop Shopping Solution, Convenience-it's a beautiful thing!", f 41,

⁶⁶ Frank Sader (2000), "Do One stop shops" Work? Washington, D.C.: Foreign Investment Advisory Service (FIAS), f 27

applicant should normally only deal with one person and do not have to go to the tax office or meet with a tax official, or to any other office.

One more stop? In some cases, such as the Enterprise Center Formalities (CFE) established in France, has created a new organization to coordinate the functions of registration. This avoids the need for major restructuring of the primary bodies responsible for registration. "In terms of administrative activity, it can be considered as "one more stop", because it adds a new function, without any corresponding reduction elsewhere. This means that it includes an increase in the cost of administrative functions and reduces deadlines only to the extent that it allows functions to set or return back provides a one stop shop making you flatter other agencies to speed up their operations. On the other hand, from the standpoint of the applicant still has the advantage of being able to deal with a single organization".⁶⁷

However one-stop-shop (OSS) is one of several government institutional substitutes often adopted to circumvent or to speed up existing procedures where they are not functional.

In practice all governments that tried to implement this form of OSS, encountered considerable resistance to various government agencies responsible for various administrative procedures. Most important was that ministries and other agencies feared that the creation of the OSS such an act would result in limiting their authority and mandate, which would quickly lead to intense ground battles within the government bureaucracy. Issue becomes more important if such an OSS is politically feasible, so if a single agency should actually be given that much authority and power. Therefore the government usually stays away from placing such a structure, OSS, in the strict sense. Instead it tends to rely on a form coordinating mechanism where various authorities maintain their mandates and responsibilities of existing.⁶⁸

Concept One-stop shops became popular in 1980 as a tool to encourage investment, often as a substitute for investment promotion agencies. The basic idea is that an investor would only need to be in contact with a single entity to obtain all necessary documents in a process of effective and coordinated, rather than go through a maze of different governmental bodies. So one-stop-shop provides a place where businesses and citizens can obtain all the information necessary for their questions, or can perform various transactions, such as complete an application.

OSS concept further hiked in 2008 where three were key elements: i) OSS communications services to investors, which is mainly related to communication channels (media, radio, television, newspapers, magazines); ii) Facilities for the purchase of land for investment projects, and iii) OSS coordination with line ministries.

B. Guillotine and basic concept

Giving Guillotines concept takes a special importance for two reasons: The first has to do with the clarification of the concept of guillotine, that despite the underlying is the word

⁶⁷ Investment Climate Advisory Service/ World Bank Group (2010), "How Many Shops in One-Stop Shop" A Review of Recent

Developments in Business Registration, f.4.

⁶⁸ Andrew Stone (2006), "Establishing a Successful One Stop Shop: The case of Egypt", f.5.

elimination, removal or cutting, it has not to do with the concept of a guillotine, human eliminating, used for the first time in 1793 in France in the period the monarchy. This phenomenon has given that term negative sense. Second, to make more informed than that which will be discussed below, is the regulatory guillotine as economic concept and directly relates to regulatory reform.

"Regulatory Guillotine⁶⁹" is not something new. It was used in some variants in the past 20 years."First successful pioneering used the guillotine has been the Swedish government in 1980, which was faced with regulatory confusion caused by a century of accumulated rules. So basically it was a legal reform. In 1990 it was used by Mexico and in the late 1990s was implemented in South Korea, including the reform of the financial crisis.⁷⁰

Guillotine is an innovative instrument of reform that is designed to overcome the difficulties imposed by extensive reforms and regulatory support and accelerate reforms of the business environment in the future.

In 2000, Jacobs and Associates Inc...assesses experiences and develops a more systematic strategy guillotine mainly for countries in rapid economic transition towards market moving. In the period 2003-2007 the guillotine was applied successfully in Ukraine, Moldova, Kenya, Croatia and Bosnia. The guillotine process is based on three strategies:⁷¹

- A *political strategy* that sustains vigorous top-down political support from the prime minister and key ministers, and builds public support for radical reform affecting many stakeholders;
- A *legal strategy* to create an over-arching legal framework that enhances legal security and transparency, rather than creating legal chaos;
- An *administrative strategy* to carry out a highly structured "top-down" review process with clear filters and incentives for reform.

There are strong reasons why the guillotine has become essential in the field of reforms. Many countries that have made progress in improving the regulatory environment for business recognize that, despite their efforts, the economy continues to suffer from high-cost and high-risk regulatory environments that deter investors. Entrepreneurs and international indicators agree that that there is still much progress to be made in making many national economies an attractive place to do business. Meanwhile, competition for markets and for foreign direct investment is intensifying throughout the world.

The guillotine eliminates and simplifies many regulations in a short period at low cost, while strengthening the government's ability to focus on regulations needed to protect health, safety, and the environment. If the guillotine is successful, the costs and risks of doing business in the national economy will be visibly reduced, improving competitiveness, investment, and job creation.⁷²

⁶⁹ Koncepti "Gjotinë Rregullatore" është markë tregtare e Jacobs & Associates Inc.

⁷⁰ Scots Jacobs, Jacobs & Associates, & Irina Astrakan (2006), "Effective and Sustainable Regulatory Reform: The regulatory Guillotine in Three Transition and Developing Countries", f.18.

⁷¹ Scott Jacobs (2005), "The Regulatory Guillotine Strategy" Preparing the Business Environment in Croatia for Competitiveness in Europe", f. 10.

⁷² S. Jacobs/ Jacobs and Associates (2008), "The Regulatory Guillotine; A National Commitment to Better Regulation", f 2.

Regulatory Guillotine is a quick way of achievement, approaches that can deliver short-term results. This combination of simplicity and speed, and the results achieved to date, provide a relatively promising premise for reform, and for the use of her achievements as a basis for further reforms. Regulatory Guillotine is a simple and fast testing tool.⁷³

The regulatory guillotine is a *flexible* method but is specifically designed through a precise sequence to produce good results even where resistance is high. Essentially, it is a means of rapidly reviewing a large number of regulations, and eliminating those that are no longer needed. It counts the regulations that exist, and then reviews them against clear criteria, using an orderly and transparent process built on extensive stakeholder input.⁷⁴

The regulatory guillotine is intended for those situations where governments are moving rapidly through transition process from state-led growth to market-led growth. It is based on the view that the regulatory reform is vast and systematic, and that isolated and marginal reforms must be replaced by board-scale and systematic reforms that extend across the public sectors. It is expressly designed to:

- Reverse incentives in the reform process, and so overcome some of the barriers that have slowed or blocked board-based regulatory reform in the past. These barriers include high political and administrative costs, intense and passive insider resistance to change, and lack of planning on how to sustain change into the future. It is designed to reduce the costs of reform within a political and legislative system that is already overburdened with difficult reforms;
- Create a sustainable process for the future quality control and legal security, mainly by establishing a quality checklist and review process and creating a comprehensive and central regulatory registry with positive security;
- Create the institutional infrastructure for continuous and effective regulatory reform implementation, including establishment of mechanisms of interministerial coordination and cooperation, strengthening the engines of reform, and building core capacities for regulatory analysis.

A rapidly spreading regulatory reform tool is the Regulatory Guillotine, a reform strategy used by OECD countries in the 1990s, and extensively refined, and systematized by Jacobs and Associates to speed up regulatory simplification and highlights the positive sides:

1. Produces rapid results (4-18 month) in cutting hundreds or thousand regulations and reducing regulatory costs on business;
2. Improves management of regulation by producing of comprehensive map that can be used to create an electronic registry;
3. Increases reform capacities by reducing the politically and administrative costs of reform and eroding the capacities of insiders to block change;
4. Creates the political economy and organization for continuing “better regulation” reforms;
5. Stimulates public participation and the support of active private partners for reform that are useful in sustain momentum for “better regulation” tools such as RIA.

⁷³ Scott Jacobs/World Bank (2006), “Business Licensing Reform: A Toolkit for the Development Practitioners”, f17.

⁷⁴ Scott Jacobs & Cesar Cordova, Jacobs and Associates (2008), “Regulatory Guillotine Flyer, a National Commitment to Better Regulation”, f 12.

With these results we can say that the guillotine enhances the credibility of the reform strategy and the potential for further reforms, more aggressive in the future. Guillotine process has not always a complete success. He has weakness that the government should decide on its plan to correct in the next stage of reform.

Guillotine review requires about 4-6 months preparatory and it requires about 10-12 months to be completed depends on the number and complexity of the instruments under review. Guillotine is designed to work quickly and must be completed within 18 months.

So guillotine is only one step in the long process of preparing the administrative arrangements to use wisely.

C. Process re-engineering

Process re-engineering, as its name implies, refers to simplifying an administrative process, such as applying for a licence, and is principally used in cutting red tape for business.

What has changed in recent years is the increasing use of technology in cutting red tape. One-stop shops, whether for filling out a tax form or applying for a business licence, are increasingly offered online rather than in a physical office, for example. This raises issues of co-ordination among ministries and government agencies. E-government services may be increasingly linked in future to provide a “whole-of-government” access point.

Many of the tools and programmes developed in different countries have focused on reducing administrative burdens imposed by the central government. But there has also been an increasing trend towards considering the burdens imposed by lower levels of government and to adapting and using the simplification tools that have been developed and tested at the central government level at lower levels as well.

The focus is not entirely on the use of electronic methods of achieving burden reduction, however. Process re-engineering, including the simplification of licensing procedures, continues to play an important role in reducing administrative burdens but more could be done to reduce burdens imposed by lower levels.

3. Achievements of the national registration centre

NRC is the only institution responsible for business registration in Albania. It serves as one single window where all processes of business registration are carried out, including the registration fees for the effect of national and local (municipal) level, social and health insurance and labor Inspectorate.

Currently, the institution develops its activity in 31 offices across the territory of the Republic of Albania. NRC operates on the basis of an integrated electronic system that performs data link between all service windows NRC headquarters in Tirana. It is created in accordance with standards and best practices for electronic business registration with the support of the Millennium Challenge Agreement for Albania.⁷⁵ Today, through the new system of registration to NRC, the business has possible to register within 24 hours and only via an

⁷⁵ NRC Report for METE 2010, page 2.

application form, which costs only 100 ALL, provided that the law 9723 dated 03.05.2007 "On the National Registration".

On this basis, starting businesses registered for the period 2008 were registered 17,773 businesses, 2009 were registered 13,240 businesses, and for 9 month period of 2010 were registered 12,891 start-up businesses.

This system is able to arrange the data in the correct way and give the opportunity to inform group of interested in real time regarding the status of their application. Full computerization of existing data according to court records archives makes it possible:

1. Giving the extracts of data registry on the electronic way.
2. Minimizes time delivery service and the time to review the application of registration specialist.
3. Enables simplification and standardization of business registration procedures

Also, the NRC has failed to meet the commercial register in electronic form by throwing all the existing data of the subjects being realized this goal in a short time. Publication and dissemination of data and supporting documents to enable the protection of third parties, is one of the main principles of the NRC. This publication has increased transparency and confidence on the part of the procedures offered by NRC. NRC has created opportunities for businesses to submit balance sheets in an electronic format which has bilateral impacted directly and is also in favor of subjects and the work of the NRC. Implementation of electronic data system is intertwined with the NRC's achievements since its creation has led to increasing transparency and reducing corruption in the context of Albania's objectives in this field.

As a result of the implementation of NRC electronic system performs on real-time all changes and deregistration that companies make.

Changes and deregistration for the period 2008 till 2010 were: in 2008 were changed 13,763 businesses and 3,597 were deregistered, in 2009 were changed 15,775 businesses and 5,449 were deregistered in 2010 were changed 14,040 businesses and 3,056 were deregistered.

The Albanian Government immediately after the approval of NRC law proceeded with the approval of law no. 9880 "On electronic signature "that took place on 25.02.2008 and the law on Bankruptcy on May 2009, which further facilitated the work of the NRC. Referring Doing Business Report of World Bank 2011, Albania has improved also 4 other places in the rankings, which except 5 features (simplification of formalities in recording, recognition and improvement of procedures on line, removal or reduction of post registration procedures, establishment or improvement of OSS, as well as removal or reduction of minimum capital requirement) described in this report, has influenced the improvement of tax payment system⁷⁶. In fact the reforms undertaken by Albanian Government to improve the business climate have affected especially in improving the image of Albania in the eyes of foreign investors.

⁷⁶ Doing Business/World Bank 2009/2011, page 19

3.1. What are the achievements of the NLC today?

National Licensing Center (NLC) - has today, 10 wickets in Tirana and other cities. Based on law no. 10081 dated 23 February 2009 "On establishment of the National Centre of Licenses and Permits in the Republic of Albania", opened the way for reforming the licensing system as discussed in Albania. With the introduction of this law it was reduced the number of licenses and permits from 200 to 64 categories and sub-categories only, 46 of which are issued by the National Licensing Centre.

Even the center, as the NRC has basically one-stop service shop (with one stop only), which constitutes one of the essential issues of deregulation system in Albania. NLC offers shortened procedure, rapid and transparent, reducing the costs associated with the process of licensing which costs 100 lek for businesses, thereby removing most of the administrative barriers, reducing the degree of informality and in this way has significantly improved the business climate in Albania. This was achieved with the operation of the center starting from June 9, 2009.

According to the aforementioned law licenses, permits and authorizations in Albania are divided into three main groups. In the first group entered the permits and licenses issued by the NLC in collaboration with other institutions, in the second group included only given licenses by the NLC. Licenses/permits of group 1 and 2 are examined and approved by the NLC. Legal deadlines for their adoption are respectively no longer than 2 and 4 days. The third group includes licenses/permits that require the approval of other government institutions. Legal terms for this group rang from 10 and 90 days.

Survey to monitor the performance of the NLC in the period April-November 2010, conducted by Partners Albania, Center for Change and Conflict Management, with the support of "Threshold Programme of the Millennium Challenge Corporation" for Albania II, it was proven that and an increasing number of businesses are using large counters NLC regional districts for their licensing needs. While over 95 % of respondents stated that licensing procedures with a stop are "very clear" or "obvious". (Page 5) 84 % of respondents stated that the application for a permit / license new is "easy" or "very easy". Approximately 70 % of respondents consider it "very easy" to get a response from NLC staff and that they were "satisfied" or "very satisfied" when asked about the general experience with the NLC. 34 % of respondents were using the website to NLC to obtain information on licensing. 84 % of respondents who need a license / permit before the foundation NLC accept that NLC has significantly reduced the time and effort to get a license / permit in Albania.

The license of the third group remains increasingly difficult due to the complexity it presents. So by 12 % of respondents have visited NLC three or more times to get a license and a third group that 6 % of them find it difficult or very difficult" to apply for a license / permit group third.

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