



Project “Improving Environment for Businesses at Local Level through Regulatory Reform”

Consultations with the Business Sector in Novi Pazar

Report



OPTIMUS – CENTER FOR GOOD GOVERNANCE

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I. Introduction

Since September 2012 the city of Novi Pazar, the Standing Conference of Towns and Municipalities (SCTM) - the National Association of Local Authorities in Serbia and OPTIMUS - Center for Good Governance have been implementing the project "Improving Environment for Businesses at Local Level through Regulatory Reform". The project is supported by the Swiss State Secretariat for Economic Affairs (SECO).

The goal of the Project is to create a better business enabling environment and increase Novi Pazar's competitiveness by removing the obstacles for entrepreneurs. The regulatory reform that will be implemented through simplification of administrative procedures from the city authorities' competence, will enable the business sector to save time and money, ensure greater legal certainty and reduce the risk of doing business. The Project will contribute to building sustainable regulatory mechanisms for passing local regulations that would ensure low costs and low risk of doing business while the local administration increases transparency and efficiency of work.

The main stages in Project implementation are as follows:

1. Systemic review and inventory of all administrative procedures at the City level (Inventory of Administrative Procedures);
2. Consultations with the business sector along with the identification of obstacles and complicated procedures and collection of recommendations for simplification/elimination of administrative procedures;
3. Analysis of administrative procedures that apply to entrepreneurs, preparation of recommendations for simplification, improvement or elimination of administrative procedures; improving the flow of documentation and processes related to administrative procedures;
4. Adoption of recommendations by passing legal acts; setting up an Internet registry on the City's website; establishment of a regulatory body, introduction of the regulatory impact assessment principle and internal monitoring.

II. Types of Consultations with the Business Sector and Communication Campaign

The Project involves active participation of the business sector and the entire interested public in identifying the obstacles to doing business related to the work of the local government and in accordance with that, active efforts in preparing the proposal to overcome them. Methodologically speaking, this participatory approach to regulatory reform ensures wider legitimacy and recognizes the issues that the entrepreneurs face in exercising their rights and obligations.

Besides proposals for simplification of administrative procedures by the local administration employees in the first phase of the project, the proposals of the business sector representatives and citizens will also be examined in preparation of the recommendations that OPTIMUS intends to propose to the Working Group for adoption.

The businesses and citizens can address the local government stating specific proposals, remarks and comments in the following ways:

- sending an e-mail to regulatornareforma@novipazar.org
- sending a letter by post to the City Administration's address
- inserting into a suggestion box in the City Service Center

- at the focus group meetings.

The consultation stage was accompanied by intensive communication campaign that informed the citizens and entrepreneurs about the initiative and invited them to actively participate and contribute to the reform. The following was implemented:

- Promotional material was produced in the form of posters that were put up in public places in all bodies, institutions and public enterprises of the City
- Chyron set up at TV Jedinstvo and Regional Television of Novi Pazar and broadcast 15 times a day for the period of 11 days
- Enabled media presence at focus groups, namely Regional Television of Novi Pazar.

III. Conducting Focus Groups

a) Methodology



Focus group, as a qualitative investigative technique, involves group conversation with the representatives of target group concerning a specific topic. It results in joint conclusions and recommendations in order to improve specific area of activity being processed. The focus groups within this project examined certain administrative procedures under the competence of the City of Novi Pazar as well as other problems facing the business sector.

Proposals for simplification of administrative procedures given at focus groups included the reduction of taxes and fees, elimination of documents accompanying the submitted request, shortening the deadlines for case resolution, reduction of information, improvement and standardization of forms and general simplification of procedures in the city administration.

b) Selection of administrative procedures addressed at focus groups

In the first stage of the project, the total of 193 administrative procedures implemented in the city administration were listed. One hundred and fourteen procedures related to legal entities and entrepreneurs (business procedures) were identified while the remaining belong to the civil administrative procedures group.

Based on the results of economic analysis prepared for business-related administrative procedures, the procedures with highest costs for economy, longest waiting period for case resolution and the highest frequency on an annual basis were identified. With that regard, 21 administrative procedures representing 18.4% of the total number of business-related administrative procedures were selected for the consultation process. In the period of February 19-21, 2013 there were five focus groups attended by the total of 37 participants.

The focus groups were held on the following topics: 1) property and legal relations and economic activities; 2) planning and construction; 3) occupancy of public space; 4) environmental protection; 5) the effect of the

local tax administration, inspection departments, public enterprises and planning documents on the business transactions of enterprises and entrepreneurs. The first four focus groups examined the 21 identified procedures, and the fifth focus group considered the obstacles for the business sector in the areas not covered by administrative procedures i.e. those that relate to the operation of public enterprises and inspections and planning documents.

c) Focus group participants

In cooperation with the relevant city administration departments, a list was prepared containing 80 potential participants-parties who submitted request for implementation of selected administrative procedures or are eligible for the focus group participation on some other ground. Selected enterprises, entrepreneurs and other institutions in the area of construction, hospitality industry, trade, telecommunications, craftsmanship etc. represent relevant factors for discussion and consultations on selected topics. Out of 80 invited enterprises and entrepreneurs, 37 participated in focus groups in the city of Novi Pazar.

d) Identified obstacles and proposals to overcome them



The focus group participants stated that the services provided by the city administration for the greatest part do not satisfy their needs and expectations and that is one of the threats to their successful business operation. Most criticisms referred to the poor efficiency of the city administration, which is reflected in long periods waiting for certain decisions, licenses and permits, as well as uncertainty in the outcome of the procedure. Resolution of requests submitted by the parties to the competent department often lasts for a very long time which

could jeopardize their business. The damage that the business sector suffers due to the lack of timeliness in implementation of procedures also has a financial impact - owing to the reduced or unrealized gain as well as the time spent.

This is confirmed by the statement of a trade sector representative who said: “In one case, it took 8 months to obtain the construction permit for building a department store. Despite the fact that both funds and the land for construction were provided in advance, the waiting period for the permit was so prolonged that the investor started thinking about moving the construction to Jagodina where conditions were much more favorable.”

Textile industry representative confirms the slowness of the local administration through his story: “We had to wait 6 months for a reconstruction permit for a structure that we own downtown. We did not incur any revenue that we planned pertaining to that building and we were not able to hire two salespersons during that period.”

Transparency in the city administration work has also been assessed as insufficient, concerning the implementation of administrative procedures. This particularly relates to the lack of providing timely information to the party on the required documentation that is to be enclosed with the request. Forms, that are currently being used, do not always contain the list of all the documents necessary for the case resolution procedure. There are no forms for some procedures, so the party must directly address the competent employee in order to get the information related to the documents, since there is no other way to find that out. It often happens that due to the poor information the party has to return several times in

order to provide another necessary document. This is particularly the case with the construction-related administrative procedures which is discouraging the party to construct a new building for the purposes of further business development.

The telecommunications company representative talks about his experience: “In order to construct a primary and secondary telecommunications network one has to provide a prior permit with the accompanying documentation. This documentation differs from one municipality to another and they all made us go back to obtain an additional document. We do not know in advance which documents to prepare and that is very time-consuming for us.”

The amounts of certain local taxes and fees are not in line with the conditions provided by the local government. The same amount of fee is charged for the land equipped by utilities as for the land without that. So, the parties are forced to provide water, sewerage, road etc. at their own expense while the others in the same zone already have those amenities.

Furthermore, the zoning is not in accordance with the attractiveness of certain locations. Thus, the charges are the same for all business entities regardless of the fact that their revenues differ due to the attractiveness. As for the public space, the fee for using the city construction land should not be charged since the City is the beneficiary and the party is only the lessee. Taxes are charged on several grounds, and it frequently happens that for one administrative procedure one has to pay a republic tax and as many as three local taxes/fees.



Certain administrative procedures in the area of urban planning and construction (construction permit, certificate of occupancy, rehabilitation, adaptation and construction of additional structure) are very complicated and require fundamental, systemic changes. This also applies to the procedures in the area of environmental protection (environment impact assessment, producing the study, approval of the study etc.) that are rather expensive, last long and require additional engagement of the experts in the area. This is feasible through the amendment of the republic regulation governing this subject matter.

Generally speaking, the business community representatives, participants of the focus groups, expect the local government to remove or at least reduce the administrative barriers that are hindering normal business operation. They would be most grateful if they could dedicate themselves completely to their own activities while the local administration enables quality service from their scope of competence. In that sense, the most important thing is for the administrative procedures to be conducted in a quick, simple, transparent, financially-friendly and accurate way while complying with the legal regulations.

In order for that to come true, it is necessary to shorten the deadlines for case resolution, reduce the number of documents submitted with the request, enable ex officio obtaining of documents, extend the validity of certain documents, reexamine the amount of taxes and fees, prescribe the forms for submitting requests, start an initiative with the republic bodies to amend the regulations in order to simplify complicated procedures. Local government should accept these proposals for simplification of administrative procedures and in that way show the accountability towards the business sector and the citizens in general.

e) **Summary results of the consultations (focus groups and other forms)**

Despite the intensive communication with the public in the abovementioned ways, there was no sufficient public response.

- Only one email was received by a party suggesting that taxes and other fees should be paid directly at the Public Revenue Administration (at a window that would be established in that location) instead of paying it in a bank or post office as is the case now. In that way, one would avoid paying postage fee and the employees would have insight into payments.
- The city administration did not get a single letter by post so far.
- So far, there were no letters in the suggestion box in the City's Service Center.

Aggregate results from the focus groups meetings

Number of participants	Number of processed administrative procedures	Total number of proposals	Number of proposals to be analyzed through regulatory reform	Number of additional proposal to be considered by the city administration
37	21 (18.4% of the total number of business-related administrative procedures)	70	64 (60 for the local level + 4 for the republic level)	6

Overview of the proposals by focus group participants that will be analyzed through regulatory reform, by type of proposal

Proposals that will be analyzed through the regulatory reform (total of 64)

Shortening the deadline for case resolution	Ex officio obtaining of documentation	Introduction of standardized forms for submission of requests	Reduction of tax/fee	Extending the validity of documentation	Specifying the deadline for republic institutions
21 (32.8%)	22 doc. (34.4%) for 14 procedures	15 (23.4%)	1 (1.6%)	1 (1.6%)	4 (6.2%)

f) **Results of individual focus groups**

I focus group: Property and Legal Relations and Economic Activities

Focus group held on: February 19, 2013

Number of participants: 8 (out of 13 invited)

Administrative procedures processed during the consultations: 1. water requirements, 2. conversion of arable agricultural land to non-agricultural use, for building structures, 3. identifying the land for regular use

of structure, 4. conversion of the usage right over construction land into ownership right for a fee, 5. conversion of arable agricultural land to non-agricultural use, in order to grow forests, artificial meadows and pastures.

No.	Code	No. of proposal	Title of administrative procedure/proposals	Level to which the proposal applies
1	PRV.2.1		Water requirements	
		1	Shorten the deadline for case resolution from 60 to 5 days	City
		2	Facilitate obtaining the consent from PE "Srbija šume", by specifying the deadline for issuing consent	Republic
		3	Introduce standardized form for submission of request containing all elements of administrative procedure	City
2	PRV.2.4		Conversion of arable agricultural land to non-agricultural use, for building structures	
		4	Shorten the deadline for case resolution from 60 to 5 days	City
		5	Document – Location information should be obtained ex officio	City
		6	Introduce standardized form for submission of request containing all elements of administrative procedure	City
3	IMV.2.1		Identifying the land for regular use of structure	
		7	Shorten the deadline for case resolution from 60 to 5 days	City
		8	Document – Notification of the possibility to form a land parcel (confirming the project of parceling and reparceling) should be obtained ex officio	City
		9	Introduce standardized form for submission of request containing all elements of administrative procedure	City
4	IMV.2.2		Conversion of the usage right over construction land into ownership right for a fee	
		10	Shorten the deadline for case resolution from 60 to 5 days	City
		11	Introduce standardized form for submission of request containing all elements of administrative procedure	City
5	PRV.2.9		Conversion of arable agricultural land to non-agricultural use, in order to grow forests, artificial meadows and pastures	
		12	Shorten the deadline for case resolution from 60 to 5 days	City
		13	Facilitate obtaining the consent from the line ministry, by specifying the deadline for issuing consent	Republic
		14	Introduce standardized form for submission of request containing all elements of administrative procedure	City

II focus group: Planning and Construction

Focus group held on: February 19, 2013

Number of participants: 6 (out of 20 invited)

Administrative procedures processed during the consultations: 1. Determining the construction land use fee, 2. Verifying the parceling/reparceling project, 3. Issuing decisions on adaptation, reconstruction, rehabilitation, change of purpose, construction of additional structures, 4. Certificate of occupancy, 5. Construction permit.

No.	Code	No. of proposal	Title of administrative procedure/proposals	Level to which the proposal applies
1	PKN.1.5		Determining the construction land use fee	
		1	Shorten the deadline for case resolution from 60 to 10 days	City
		2	Reduce the construction land use fee by 20%	City
		3	Introduce standardized form for submission of request containing all elements of administrative procedure	City
2	URB.2.1		Verifying the parceling/reparceling project	
		4	Shorten the deadline for case resolution from 60 to 10 days	City
		5	Introduce standardized form for submission of request containing all elements of administrative procedure	City
3	URB.3.4		Issuing decisions on adaptation, reconstruction, rehabilitation, change of purpose, construction of additional structures	
		6	Shorten the deadline for case resolution from 60 to 10 days	City
		7	Document – Location Information should be obtained ex officio	City
		8	Introduce standardized form for submission of request containing all elements of administrative procedure	City
4	URB.3.8		Certificate of occupancy	
		9	Shorten the deadline for case resolution from 60 to 10 days	City
		10	Document – Construction Permit should be obtained ex officio	City
		11	Introduce standardized form for submission of request containing all elements of administrative procedure	City
5	URB.3.16		Construction permit	
		12	Shorten the deadline for case resolution from 60 to 10 days	City
		13	Facilitate obtaining the fire protection approval from the Ministry of Interior for the main design, by	Republic

No.	Code	No. of proposal	Title of administrative procedure/proposals	Level to which the proposal applies
			specifying the deadline for issuing the approval	
		14	Introduce standardized form for submission of request containing all elements of administrative procedure	City

III focus group : Occupancy of Public Space

Focus group held on: February 20, 2013

Number of participants: 9 (out of 12 invited)

Administrative procedures processed during the consultations: 1. Occupancy of public space – outdoor or indoor garden, 2. Occupancy of public space – setting up a kiosk, 3. Occupancy of public space with construction material, 4. Digging up streets and other public spaces, 5. Occupancy of public space – setting up tents, campers, circus tents etc.

No.	Code	No. of proposal	Title of administrative procedure/proposals	Level to which the proposal applies
1	KOM.1.8, KOM.1.9		Occupancy of public space – outdoor or indoor garden	
		1	Shorten the deadline for case resolution from 60 to 5 days	City
		2	Document – Decision on Registration should be obtained ex officio	City
		3	Extend the validity of the document – Consent of the PE " Construction Directorate for the City of Novi Pazar "	City
		4	Introduce standardized form for submission of request containing all elements of administrative procedure	City
2	KOM.1.11		Occupancy of public space – setting up a kiosk	
		5	Shorten the deadline for case resolution from 60 to 5 days	City
		6	Document – Decision on Registration should be obtained ex officio	City
		7	Document – Program on the Temporary Use of the Space for Public Purposes should be obtained ex officio	City
		8	Introduce standardized form for submission of request containing all elements of administrative procedure	City
3	KOM.1.5		Occupancy of public space with construction material	
		9	Shorten the deadline for case resolution from 60 to 5 days	City

No.	Code	No. of proposal	Title of administrative procedure/proposals	Level to which the proposal applies
		10	Document – Decision on the Structure Construction Permit should be obtained ex officio	City
		11	Document – Decision on Traffic Alteration should be obtained ex officio	City
		12	Introduce standardized form for submission of request containing all elements of administrative procedure	City
4	KOM.2.8		Digging up streets and other public spaces	
		9	Shorten the deadline for case resolution from 60 to 10 days	City
		10	Document – Construction Permit should be obtained ex officio	City
		11	Introduce standardized form for submission of request containing all elements of administrative procedure	City
5	KOM.1.4		Occupancy of public space – setting up tents, campers, circus tents etc.	
		12	Shorten the deadline for case resolution from 60 to 5 days	City
		13	Introduce standardized form for submission of request containing all elements of administrative procedure	City

IV focus group: Environmental Protection

Focus group held on: February 20, 2013

Number of participants: 6 (out of 15 invited)

Administrative procedures processed during the consultations: 1. Deciding on the need for environmental impact assessment 2. Determining the scope and contents of the environmental impact assessment study, 3. Deciding on giving approval for the environmental impact assessment study, 4. Deciding on the need for a baseline environmental impact assessment, 5. Determining the scope and contents of the baseline environmental impact assessment study, 6. Deciding on giving approval for the baseline environmental impact assessment study.

No.	Code	No. of proposal	Title of administrative procedure/proposals	Level to which the proposal applies
1	ZZS.1.1		Deciding on the need for environmental impact assessment	
		1	Shorten the deadline for case resolution from 30 to 5 days	City
		2	Document – Location Information should be obtained ex officio	City
		3	Document – Location Permit should be obtained ex	City

No.	Code	No. of proposal	Title of administrative procedure/proposals	Level to which the proposal applies
			officio	
2	ZZS.1.2		Determining the scope and contents of the environmental impact assessment study	
		4	Shorten the deadline for case resolution from 70 to 15 days	City
		5	Document – Location Information should be obtained ex officio	City
		6	Document – Location Permit should be obtained ex officio	City
3	ZZS.1.3		Deciding on giving approval for the environmental impact assessment study	
		7	Shorten the deadline for case resolution from 70 to 15 days	City
		8	Document – Location Information should be obtained ex officio	City
		9	Document – Location Permit should be obtained ex officio	City
4	ZZS.1.4		Deciding on the need for a baseline environmental impact assessment	
		9	Shorten the deadline for case resolution from 30 to 10 days	City
		10	Document – Location Information should be obtained ex officio	City
		11	Document – Location Permit should be obtained ex officio	City
5	ZZS.1.5		Determining the scope and contents of the baseline environmental impact assessment study	
		12	Shorten the deadline for case resolution from 25 to 10 days	City
		13	Document – Location Information should be obtained ex officio	City
		14	Document – Location Permit should be obtained ex officio	City
6	ZZS.1.6		Deciding on giving approval for the baseline environmental impact assessment study	
		15	Shorten the deadline for case resolution from 25 to 10 days	City
		16	Document – Location Information should be obtained ex officio	City
		17	Document – Location Permit should be obtained ex officio	City

V focus group: Obstacles for business development and proposals to overcome them: the effect of the local tax administration, inspection departments, public enterprises and planning documents on the business transactions of enterprises and entrepreneurs

Focus group held on: February 21, 2013

Number of participants: 8 (out of 20 invited)

The participants did not consider individual administrative procedures during this focus group. Instead, they were given an opportunity to provide other remarks and proposals concerning the operation of the city bodies, institutions and enterprises.

The most important comments relate to the following issues:

- Lack of updated spatial plans and urban development plans is hindering new investments and business development planning. General and detailed regulation plans do not comply with the current needs for construction of the new business premises.
- Insufficient number of suitable locations with appropriate space area is making it impossible to build larger business premises. The industrial zone has to be improved with utility equipment which will provide conditions for realization of capital investments in the area of doing business.
- Inconsistency in implementation of the Strategic Plan for Sustainable Development of Novi Pazar particularly relates to priorities for economic development. The annual city administration's agenda should include the projects stated in this planning document.
- Insufficient communication between the city administration and local and republic public enterprises and other companies leads to poor coordination of works, especially in the road infrastructure area. In order to reduce the costs and avoid overlapping of work particularly when it comes to digging up streets, it is necessary for the city administration to plan the infrastructure works in a better way.
- Cooperation between the Department of Urban Planning and Construction and public enterprises is especially important in the process of issuing construction permits. A one-stop-shop for issuing construction permits should gather all relevant entities in one place and establish institutional cooperation so that this important procedure could be implemented efficiently.
- Obtaining certain approvals from the public enterprises and institutions that are needed for administrative procedures in the city administration last for way too long. For some procedures the same document is obtained with every renewal of the request, so it is necessary to extend the validity of those documents. This particularly relates to the approval of the Construction Directorate of the City of Novi Pazar while applying to occupy public space and to the extension of construction permit validity.