

SECTION 3. MONITORING AND EVALUATION OF THE IMPACT OF REFORMS

During the section meeting the participants have heard the following presentations:

Andrei V. Sharov, Director of the Department of State Regulation in Economy of the Ministry of Economic Development and Trade of RF

Topic: "Administrative Barriers in the Russian Economy from the Point of View of the State".

Dmitry A. Avdienko, Director for Development of the Russian National Center for Public Opinion Survey ('VTSIOM')

Topic: "Factors and Conditions Contributing to and Restraining Development of Small Businesses in RF: Regional Peculiarities"..

Denis E. Vorontsov, Director for Research of the Media Navigator marketing agency; and *Grigory V. Kisunko*, Head of FIAS Project for Survey of Administrative Barriers in Land and Real Estate Transactions in RF, monitoring expert.³ Topic: "Administrative Barriers in Land and Real Estate Transactions: Results of 2005 Survey in Several Regions of RF".

Boris V. Kuznetsov, Chief Research Fellow of the Inter-Departmental Analytic Center, consultant of the World Bank.

Topic: "Analysis of Survey Results Regarding Costs Incurred by Businesses to Clear the Administrative Barriers"..

General discussion points of the participants of the section meeting:

1. **Importance of Monitoring.** All speakers and participants of the discussion have unanimously recognized that monitoring is a tool necessary to track the reform efficiency. Moreover, they voiced an opinion that only monitoring will allow to assess the impact of reforms upon business environment. The general consensus was that any reforms (including a self-government reform which was a discussion point at the section meeting) need to be monitored.
2. **Importance of Systematic Monitoring.** All participants of the discussion agreed to the idea formulated in the presentation delivered by A.V. Sharov: monitoring must serve as the basis for implementation of complex decisions, be an informational basis for forward-looking assessment of impact of reforms upon the business environment.
3. **Measurement Tools.** On a number of occasions the participants of the discussion and speakers raised an issue of selecting the measurement tools and indices developed on the basis thereof. Everyone agreed that the requirements to such tools are fairly stringent: they must be clear, verified (reliable), and unequivocally interpretable. However, the common opinion was that such requirements are not always and may not always be met, taking into account the present status of small businesses (avoidance of responses, concealing information, lack of trust to the surveyors).
4. **Costs incurred by small businesses to clear the administrative barriers.** The matter of how to calculate the costs of small businesses to clear the administrative barriers was raised not only in the presentations, but also in the debates of the

discussion participants. The following matters were subject of the discussion in connection with the costs of small businesses:

- **Method of calculation** of the aggregate financial costs. The speakers presented various cost calculation methods which were a subject of discussion between their authors. This theme was recognized to be important, but only by those participants who are immediately involved in the study of this subject.
 - An opinion shared by all participants of the discussion was that businessmen are not so concerned with the amount of payments which they have to make, but with the fact that such **payments are unpredictable and may not be forecasted**. It is a general opinion that the businessmen are willing to make payments, they only want to know what they have to pay for and when.
 - In addition, there are "**time delays**", that is delays in issuance of various permits which directly cause losses to the businessmen (reduced or lost profits).
5. **Litigation as a Tool to Clear Administrative Barriers.** This issue was raised because only the judiciary, in the opinion of the World Bank representative, can play a role of an arbitrator in resolution of administrative issues. The government and the government officials may not perform evaluation and audit in respect of their own activities. In the course of the discussion it transpired that there are both positive and negative examples of influence of the judiciary upon resolution of issues related to administrative barriers. All participants concurred that currently the judiciary bodies still fail to play a significant role in this process. In addition, entrepreneurs do not have a high level of trust to the court as a mediator in resolution of their disputes. It was also said that the existing practice is insufficient and there is a lack of trust by entrepreneurs to obtain resolution of these issues using legal means. Further, corruption of the judiciary should be taken into account, something which many participants of the discussion spoke about. If we recognize a high level of dependence of the judiciary, a question arises whether improvement of the legislation is required if the ultimate authority, the court, will still resolve the disputes subject to its own benefit only.
6. **Self-Government Law.** The participants discussed the impact of adoption of Law No. 131 (Self-Government Law) upon the burden of administrative barriers for small businesses. The participants voiced different opinions on the matter. Some of the participants think that self-government will result in increased legal instability. Nobody denied that currently the business environment substantially varies from region to region. Some of the participants of the discussion believe that adoption of the Self-Government Law will result in such rules varying from municipality to municipality. Representatives of the regions (Samara, for example) believe that municipalities do not have any leverage to influence the business, thus, the matter of increasing the burden of administrative barriers in connection with the self-government reform is purely theoretical in nature.
7. **Introduction of "curator system".** This issue was raised by the representatives of the regions who spoke about the existing tendency for the legislative introduction of "curator system" in the regions. In their view, this should not be

allowed, since it revives the "telephone rule", a widely spread phenomenon of the Soviet times, which by its nature is contrary to the prevalence of legislative norms. At the same time, other participants of the discussion (including representatives of the Moscow mayor's office) said that today it is the "curator system" that guarantees the efficiency of various projects (including investment ones), it allows to preclude sabotage by the administrators. The majority of the discussion participants agreed that the "curator system" should not be given a status of the law; however, this practice should not be absolutely discarded.