


Better Regulation in Armenia – Case of the Guillotine Reform



Second Preparatory Meeting of 20th OSCE ECONOMIC AND ENVIRONMENTAL FORUM
“Promoting Good Governance and Combating Corruption
in Support of Socio-Economic Development”
[Dublin, 23-24 April 2012](#)

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Regulation and Growth

Post-Crisis Growth

- Export, investment and trade growth is the key driver to rehabilitate the economy in the global post-crisis period;
- New workplaces will be created, in case business is ready to expand and recruit more employees;
- Regional competition for attracting investment becomes tougher;

Regulation Objective

- Create a flexible, competitive business environment promoting entrepreneurship development as well as workplace creation;
- Obviously, the creation of open competitive market requires simple and transparent rules for **doing business**.

Regulation Reforms

Situation before the reform

- A large number of complicated and contradictory regulations (about 25,000 laws and regulations);
- Poor quality of regulations fuels corruption,
- Inflow of new regulations - the Government adopts about 25 new regulations and rules each week.
- High costs are due to government requirements.

Reforms

Since 2008 the Government has initiated a number of reforms addressed at:

- ✓ Deregulation, regulatory simplification and smart regulation;
- ✓ Elimination of administrative hurdles for doing business;
- ✓ Creating special regulatory regimes for SMEs.

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First Results

Early results: -e-Government (**e-registry, e-license, e-payment, DataLex**)

In process: **e-notary, e-cadastre, e-construction permits;**

A view from the outside:

- In 2011 WB "DB 2012" Armenia advanced to **6 points** and now occupies 55th place;
- Armenia is in the list of first **10 top** reformer countries of 2011;

The Problem:

The results are obvious, but the reforms should be systematic.

- Rapid Regulatory Simplification Project (**regulatory guillotine**)

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Rapid Regulatory Simplification Project Background

- In October 2009 the **Prime Minister requested** OSCE's assistance in negotiating and fund-raising for the implementation of a Rapid Regulatory Simplification Project;
- After carrying out assessment of feasibility and evaluating the impact of the exercise in other countries, **OSCE** invited internationally renowned expert **Mr. Scott Jacobs** to Armenia;
- During two visits of the expert in early 2011 and consultations with the President, PM, key ministers and international development partners a **decision** to launch the project has been taken;
- **OSCE** has been requested by country's leadership and other partners to champion the process and co-ordinate donors;

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What is the Regulatory Guillotine™

- The Guillotine is a systematic and transparent process across the government for simplifying regulatory regimes.
- It rapidly **counts** all regulations affecting businesses – the first complete inventory of regulations
- It **reviews** all regulations against simple filters.
- It **eliminates** unnecessary regulations and **simplifies** regulations that are too complex.
- It creates an online registry of regulations
- It moves from start to finish in 12-24 months.

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Results of the Regulatory Guillotine™

	Target of Reform	Number of Regulations In reform	% of regulations eliminated	% of regulations simplified
Korea (11 months)	Regulations	11,125	-48.8%	21.7%
Mexico (9 months)	Formalities	2,038	-54%	27%
Kenya (14 months)	Business Licenses	1,325	-23.8%	28.6%
Moldova (6 months)	Regulations	1,130	-44.5%	12.5%
	Fee-based Permits	400	-68%	20.3%
Ukraine (12 weeks)	Regulations	14,000	-36 %	7.2%
Croatia (12 months)	Business Regulations	1,451	-15%	10%

How does the Regulatory Guillotine Operate?

- A central unit – the independent Guillotine Unit – is created by Prime Minister to oversee the whole process.
- Ministries count all regulations (the inventory) and the central unit puts them into an electronic database.
- Each regulation is reviewed 3 times against checklists to answer 3 questions:
 - Is it legal?
 - Is it necessary for Armenia's future?
 - Is it business friendly?

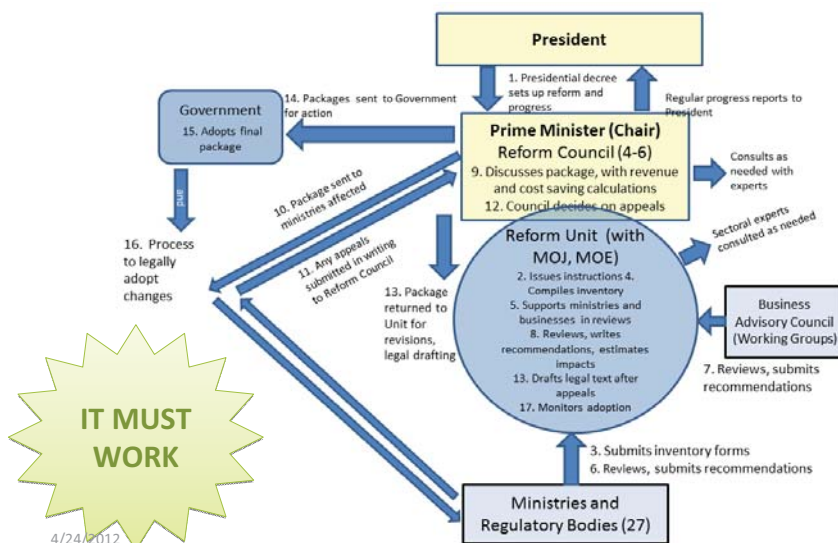
How does the Regulatory Guillotine Operate?

- First review is by the ministries themselves, who must demonstrate that their regulations are legal, needed, and **business friendly**
- **Second review** is by business associations, NGOs, and private sector companies, using the same checklist
- Guillotine unit **reviews** each regulation again, and makes the final recommendations to eliminate or simplify regulations not justified as legal, needed, or business-friendly.
- Reforms are **adopted** as a consolidated package by the Cabinet (reforms to decrees) and Parliament (reforms to laws).

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The Organization of Regulatory Guillotine in Armenia



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From Simple to Complex

In accordance with Presidential decree, **17 spheres** have been identified where Guillotine should be implemented within the framework of the project.

Priority sectors for the year 2012:

- Public services (Utilities);
- Transport and communication sector;
- Health (drug quality control).

Priority sectors for the year 2013:

- Tax and Customs;
- Social Sphere;
- And others.



Tax and Customs Regulations

Regulatory problems in tax and custom spheres:

- Complicated and contradictory tax laws;
- Frequently changed rules of the game;
- Regulatory framework (by-laws) sometimes is not consistent with the law;

Tax and customs compliance is not easy:

For example- tax compliance time is equal to **500 h per year** (for SMEs);

Limitation - regulation simplifications should not result reduction of state revenues.

Tax and Customs RG

- Separate easier regulatory regime for SMEs;
- Liquidation of ambiguous and contradictory provisions;
- Risk-based inspection system in tax and customs spheres.
- New Law on inspections;
- Reduction of reporting and compliance norms;
- Non-trade regulation compliance - easier and electronic;
- Transparency.

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Benefits of the Reform

Business, Consumers, Workers

- More efficient, less costly, and faster compliance with administrative procedures
- Safer and more predictable business environment and legal system
- Platform for active engagement in the creation of the regulatory framework
- Higher FDI and domestic investment



Government

- Growth and workplace investment
- Good governance
- Clearer and simpler regulations reduce space for corruption
- International recognition in implementing reforms
- Improved international ranking (DB, WEF)
- Create trust between private and public sector **PPD Platform**
- Strengthen inter-ministerial cooperation, professionalism and ethical standards of State administration
- Protect citizens and environment

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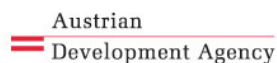
Sustainability

- Regulatory Impact Assessment
 - A continuous process to help the policy-maker fully think through and understand the consequences of possible and actual effects in public, private and voluntary sectors.
 - A tool to enable Government (the Governmental staff of RA) to seek independent scrutiny, of the evidence and the potential positive and negative effects of any proposed new regulation and compliance to RIA requirements.
 - Developed RIA manual for public service specialists, experts including
 - a. clear methodology including check-lists for assessing economic (including competition and budgetary), social, healthcare, nature protection, anticorruption impacts,
 - b. Tools for administrative burden identifications and administrative costs measurement.

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Project Partners



Monitoring – Donor Board

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