

Ráchel Pocsarovszky

DOING BUSINESS IN THE BALKANS

HÉTFA Research Institute
Business Trust and Entrepreneurship Research Programme
Research Background Paper No. 6

Ráchel Pocsarovszky

DOING BUSINESS IN THE BALKANS

HÉTFA Institute for Economic and Social Research
Business Trust and Entrepreneurship Research Programme
Research Background Paper No. 6

ISBN 978-963-89112-1-6
ISSN 2062-3798

January 2011
Budapest

HÉTFA Research Institute
H-1051 Budapest
Október 6. u. 19. IV/2.
Phone: +36-30-730-6668
Fax: +36-1-700-2257
info@hetfa.hu
www.hetfa.hu

CONTENTS

Abstract.....	2
Executive Summary	3
Albania	7
Bosnia and Herzegovina	10
Bulgaria.....	13
Croatia	16
Macedonia	19
Romania.....	22
Serbia	26
References.....	28
Annex – Competitiveness Indexes	30
About the Author	31

DOING BUSINESS IN THE BALKANS

ABSTRACT

The aim of this study is to explore the opportunities of doing business in the Balkans. Assessing some of the well known international competitiveness indexes and surveys, we introduce how easy it is to do business in Albania, in Bosnia and Herzegovina, in Bulgaria, in Croatia, in Macedonia, in Romania and in Serbia. The study displays the changes of the economical environment in these countries during the last few years, and summarizes the main tendencies in the examined region.

In our analysis we used the Global Competitiveness Index (GCI) edited by the World Economic Forum (WEF), the Doing Business Index (DBI), the dataset of the Worldwide Governance Indicators (WGI) and the BEEPS, all of which were established by The World Bank. We also used the Economic Freedom Index published by the Heritage Foundation, the World Competitiveness Yearbook issued by the International Institute for Management Development (IMD), and the surveys of the Global Entrepreneurship Monitor (GEM).

EXECUTIVE SUMMARY

According to various business surveys one particular impact of the 2008–2009 global recession is that more than half of the entrepreneurs perceived that it was more difficult to start a new business in 2009 than in 2008. GEM surveys found that the majority of entrepreneurs in factor driven and efficiency driven economies (Croatia, Bulgaria, Bosnia and Herzegovina) saw fewer opportunities for their businesses, even though these countries tended to suffer less economic decline on average than innovation-driven economies (BOSMA–LEVIE [2010]). Moreover, referring to the WGI scores of The World Bank, the countries we examined in our study presented a significant improvement since 1996. The authors of the Doing Business Report stated in 2007 that Eastern Europe has witnessed a boom in new business entry, which rivaled the rapid growth in East Asia in the past (*Doing Business* [2006a]). This growth has slowed but still remains: the Doing Business Report of 2010 found that during the past five years about 85% of the economies made it easier to do business (*Doing Business* [2009]). Countries of the Balkans also improved during the last few years. In 2010 Bulgaria, Croatia and Macedonia were all among the top business reformers of the Doing Business measurement. Not only these economies, but all the others we assessed, made it simpler to start a business, strengthened property rights, enhanced investor protections, increased access to credit, eased tax burdens and expedited trade while reducing costs over the last four to five years. It is Macedonia where doing business is the easiest among the examined countries. Bulgaria and Romania also received relatively high scores. However, analyzing the competitiveness measurements of the IMD and World Economic Forum we found that Croatia and Bosnia and Herzegovina are regional leaders alongside Macedonia (PORTER–SCHWAB, [2008]; SCHWAB [2010]).

Figure 1 – Positions of the assessed countries on the rank of Doing Business Index

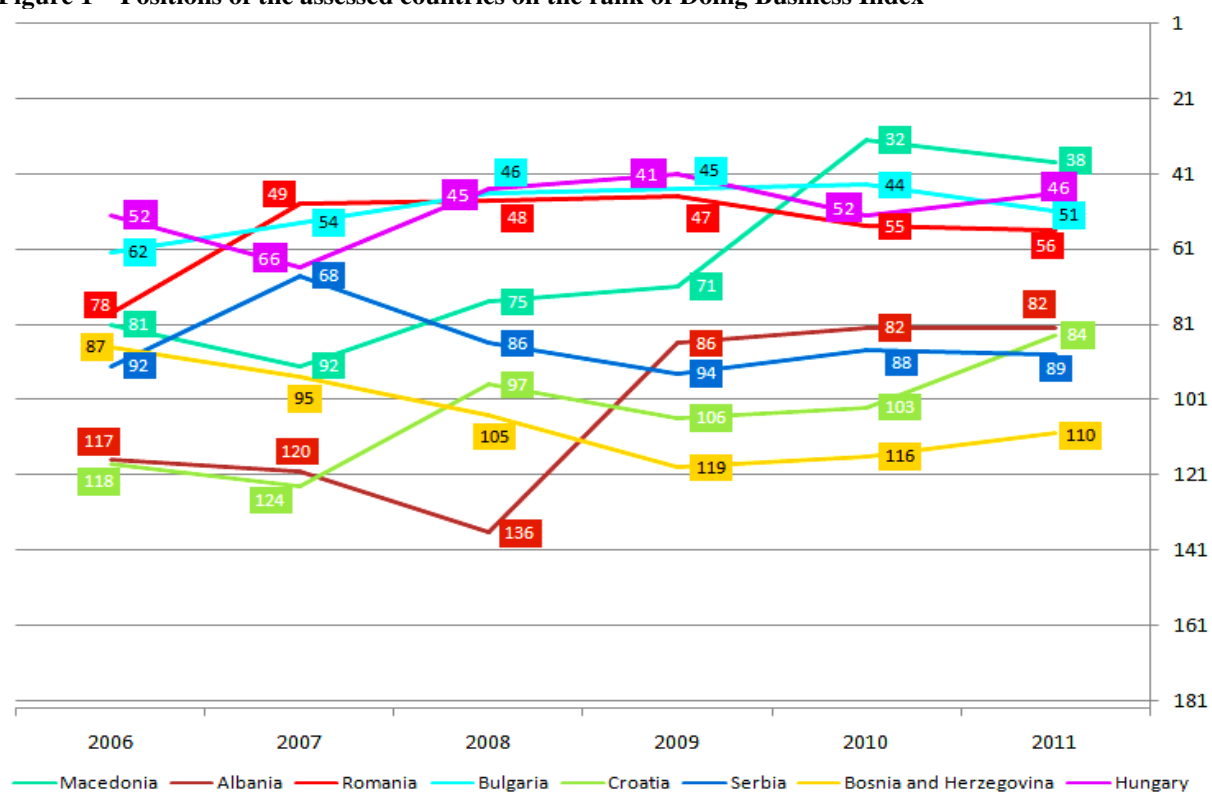


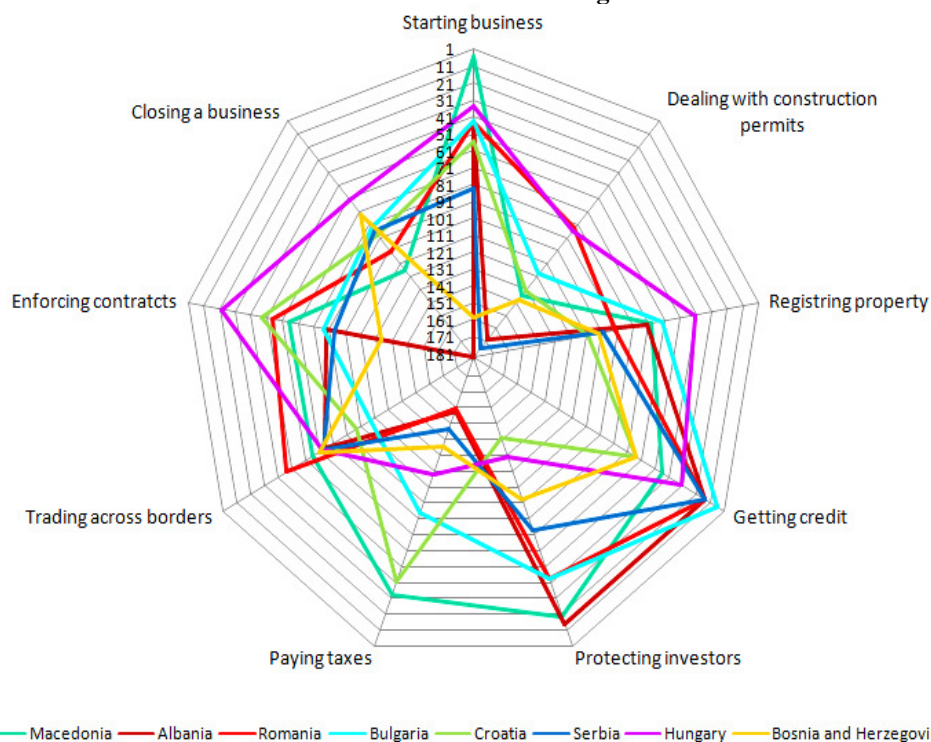
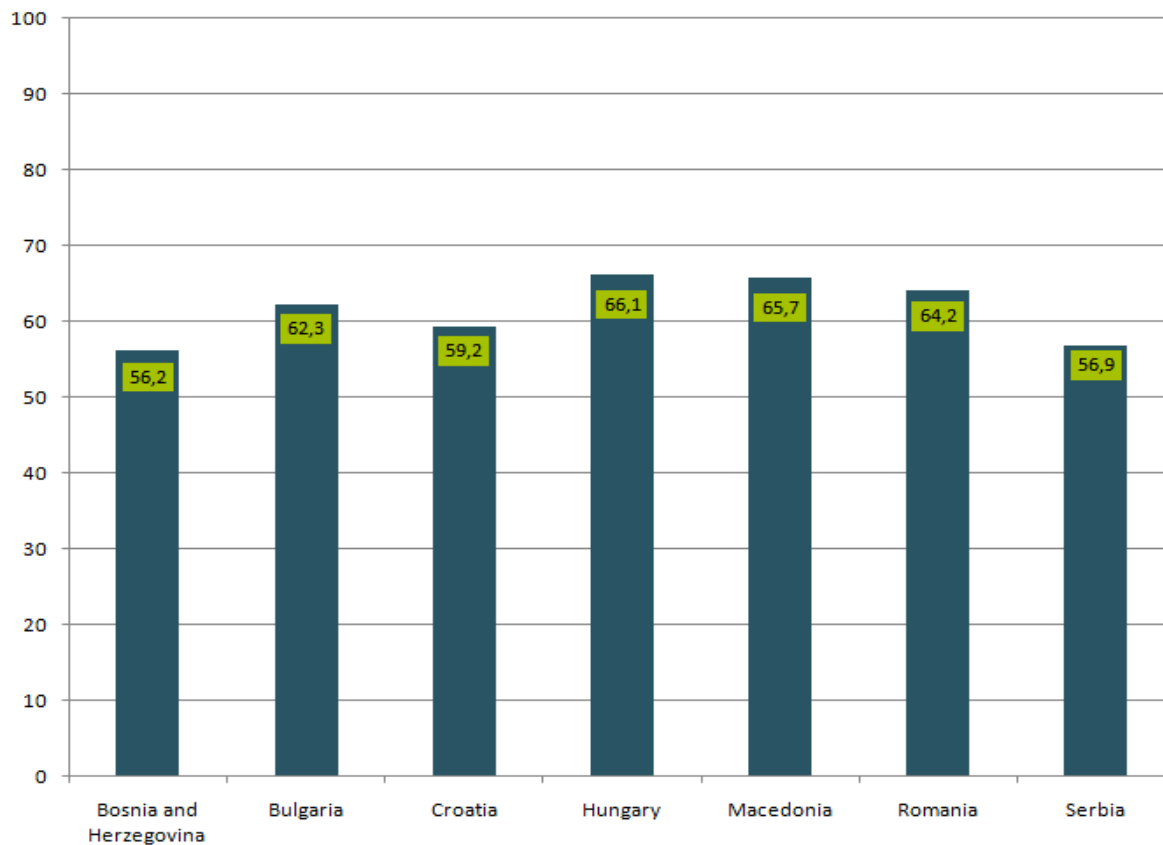
Figure 2 – Positions of the assessed countries on the rank of Doing Business Index in 2010Source: *Doing Business 2011 (Doing Business [2010])***Figure 3 – Rates of Economic Freedom Index in 2010**
(scale from 0 to 100 where 100 represents the maximum freedom)Source: *Economic Freedom Index Database*

Table 1 – Scores of the Global Competitiveness Index
(scale from 1 to 7 where 7 represents the maximum level of competitiveness)

	2006	2007	2008	2009	2010
Hungary	4,0	4,0	4,1	4,1	4,3
Romania	4,0	3,9	4,0	4,0	4,2
Bulgaria	4,2	4,2	4,2	4,0	4,1
Croatia	4,5	4,4	4,2	4,2	4,0
Macedonia	3,8	3,7	3,9	3,9	4,0
Albania	3,6	3,5	3,6	3,7	3,9
Serbia	n/a	3,8	3,9	3,8	3,8
Bosnia and Herzegovina	3,8	3,5	3,6	3,5	3,7

Source: *The Global Competitiveness Report 2010–2011* (SCHWAB [2010])

Surveys of the BEEPS, the GCI and GEM both found that corruption is the main problem in the economies of the Balkans. Corruption hinders the proper functioning of jurisdiction, slows bureaucracy and generates burdensome effects on businesses. Another problematic issue in the Balkans is the poor infrastructure: telecommunication, transport and energy supply need to be improved. Similar to other countries in Europe, inefficient tax regulations, bureaucracy and uneasy access to finance are also problematic in the Balkans. A major strength of the region is innovation: more and more firms spent funds on research and development in recent years. Education, labor regulations and the health systems are generally evoking satisfaction. It is undoubted that the economies of the Balkans are going through a long term progress, which makes them remarkable destinations for foreign investments as well.

Table 2 - BEEPS survey on problems of doing business in 2008
– percentage of firms indicating issues are a problem

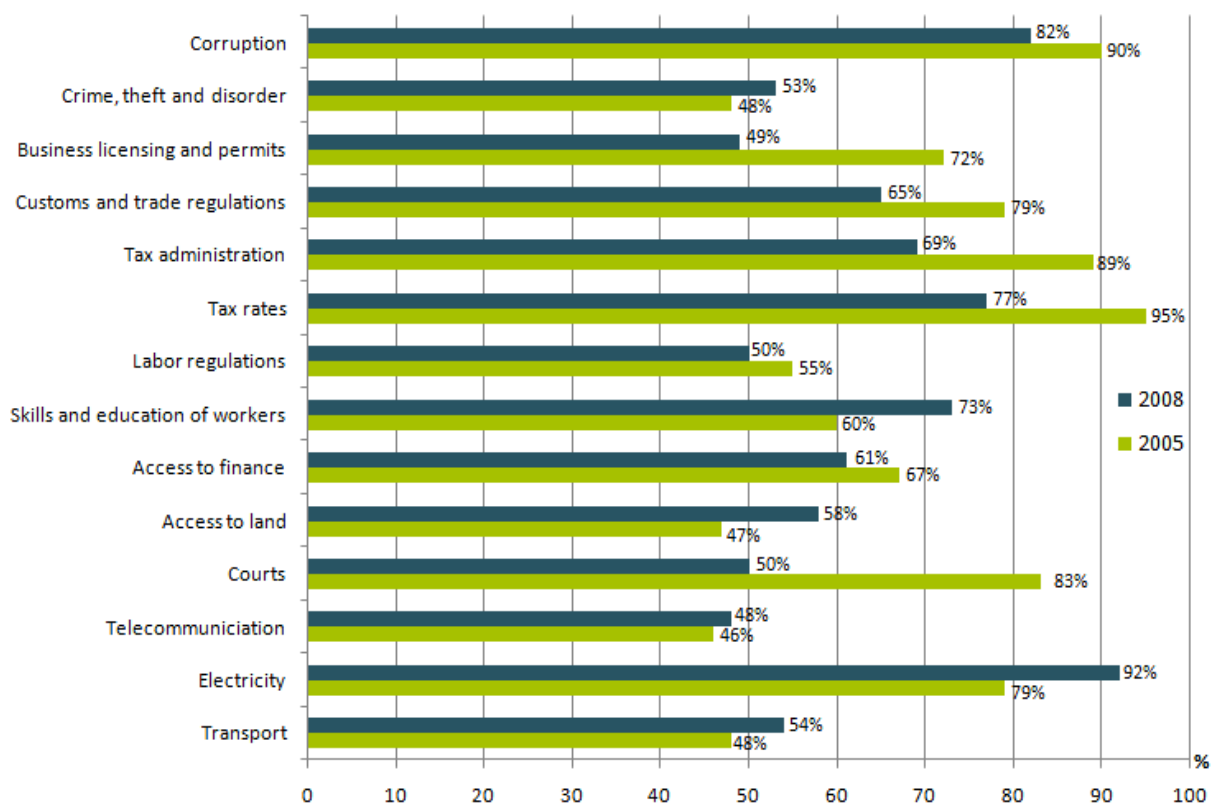
	Albania	Bosnia and Herzegovina	Bulgaria	Croatia	Hungary	Macedonia	Romania	Serbia
Transport	54%	40%	46%	31%	26%	43%	55%	46%
Electricity	92%	47%	59%	38%	37%	51%	56%	49%
Teleco- mmunica- tion	48%	38%	59%	39%	30%	39%	45%	29%
Courts	50%	62%	64%	69%	33%	66%	72%	58%
Access to land	58%	34%	34%	27%	6%	41%	59%	37%
Access to finance	61%	72%	63%	57%	35%	72%	75%	70%
Skills and education of workers	73%	56%	62%	61%	25%	47%	78%	54%
Labor regulations	50%	47%	60%	50%	56%	40%	72%	54%
Tax rates	77%	85%	85%	79%	98%	72%	95%	72%
Tax adminis- tration	69%	74%	73%	66%	85%	67%	91%	52%
Customs and trade regulations	65%	38%	38%	26%	20%	44%	57%	49%
Business licensing and permits	59%	60%	59%	39%	62%	59%	80%	47%
Crime, theft and disorder	53%	59%	66%	39%	25%	55%	60%	46%
Corruption	82%	69%	70%	56%	75%	70%	82%	69%

Source: *BEEPS Database*

ALBANIA

According to the various indexes, the main problems in Albania are related to corruption and tax regulation. The surveys of the BEEPS reveal that corruption remained the second biggest problem both in 2005 and in 2008. The satisfaction with the infrastructure has also declined, and complaints about electricity have risen so greatly that it became the most problematic issue in 2008. Concerning tax regulations, the amount of time spent dealing with public officials or public services has doubled during the three years observed in this study. However, in relation to business licensing and permits, customs and trade regulations, a significant progress has been achieved.

Figure 4 – BEEPS survey on problems of doing business in 2005 and in 2008
– percentage of firms indicating issues are a problem in Albania



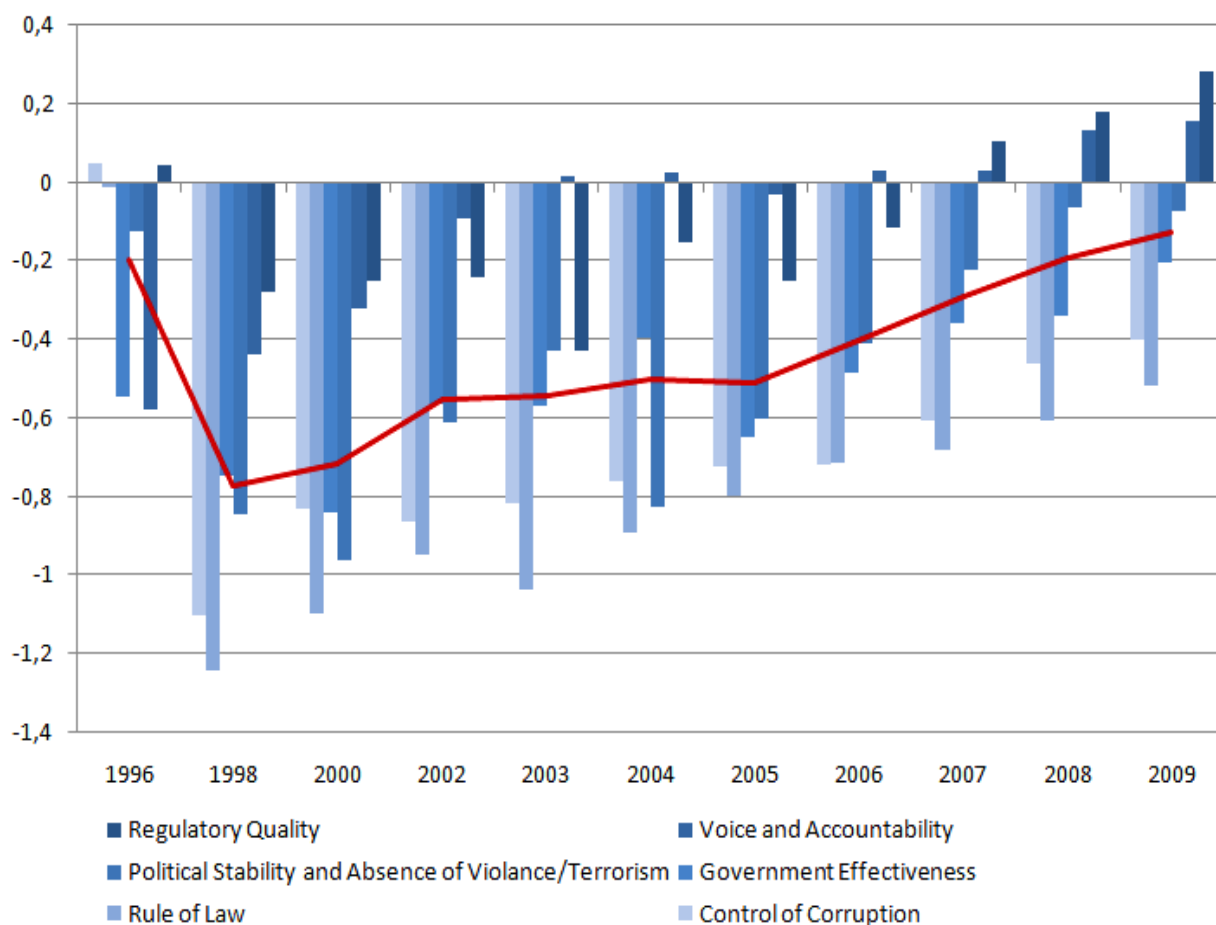
Source: BEEPS Database

The Index of the WEF shows that corruption and tax regulation remained a great problem in 2010 as well (SCHWAB [2010]). As an improvement, the government managed, to some degree, to mitigate the problems of the infrastructure compared to 2008. Despite the developments, Albania still remains in the lower third of the of the GCI ranking, and also in that of the Doing Business Index. Doing Business named Albania as a top reformer in 2007, as a new company law was introduced which helps to protect investors and thus encourage investment. As a result, in terms of the protection of investors, Albania rose from 165th place to 14th place in 2008 (*Doing Business* [2008]). The Albanian legal system now grants foreign and domestic investors equal rights of ownership of local companies following the principle of national treatment. In 2010 paying taxes became easier: the government amended several laws, thus taxpaying became less costly for companies with the reduction of social security contributions and the introduction of electronic filing and payment.

Besides these improvements, no progression has been made in connection with construction permits, and, when evaluating the country through the property registration, it is the last economy in the Doing Business ranking. Although business closure has been made easier in the country in 2009, Albania is still in last place in the ranking in this category. But as each of the analyzed indexes show, the country has certainly went through some prosperous changes, and the WGI index also displays a stable development since 1996.

Figure 5 – Aggregated results of Worldwide Governance Indicators in Albania from 1996 to 2009 and the average rates of the country

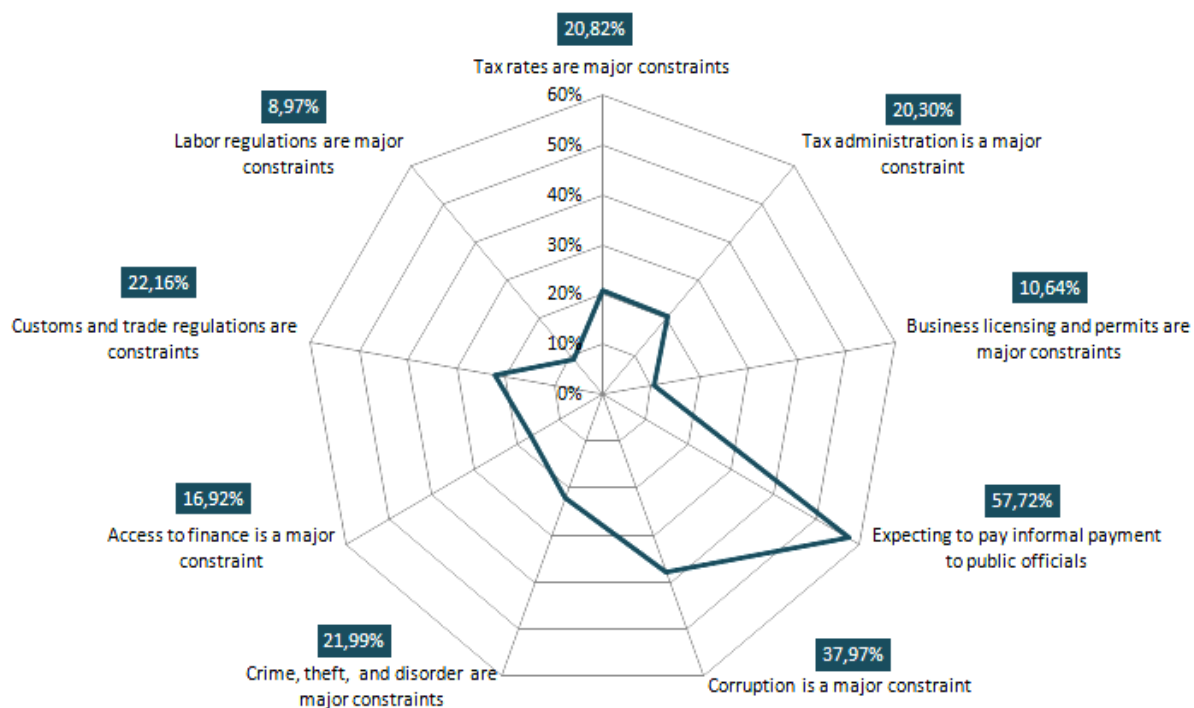
The six governance indicators are measured in units ranging from -2.5 to 2.5, with higher values corresponding to better governance outcomes.



Source: WGI Database

The Global Entrepreneurship Monitor showed that Albania has been affected by the economic crisis to only a limited extent (BOSMA–LEVIE [2010]). Continuing with structural reforms and upgrading the infrastructure is a key element for the country's competitiveness. Albania also needs to make progress regarding the rule of law and notably the fight against corruption, as well as the proper functioning of state institutions, especially the independence of the judiciary. Administrative and enforcement capacity require further strengthening.

Figure 6 – GEM survey on the percentage of firms indicating various constraints in 2009

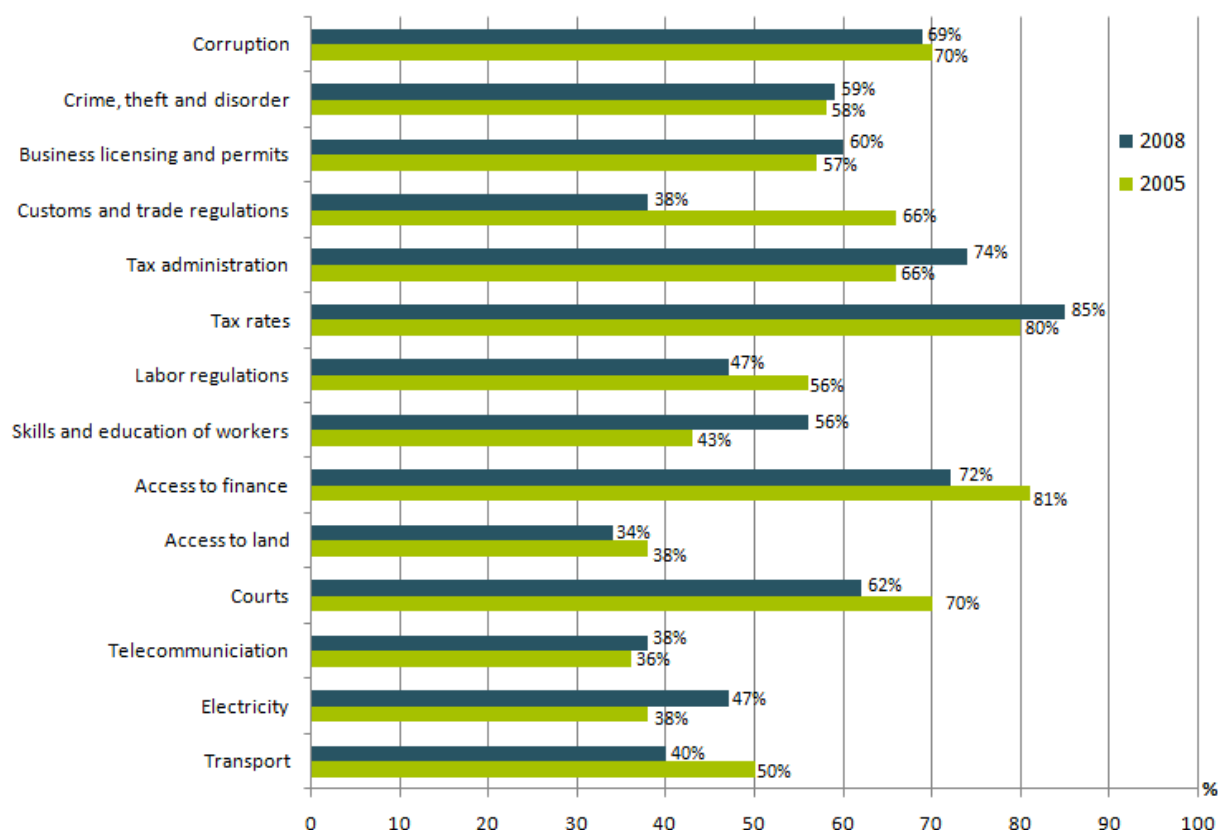


Source: *Global Entrepreneurship Monitor 2009* (BOSMA–LEVIE [2010])

BOSNIA AND HERZEGOVINA

After several years of robust growth and monetary stability, the economy of Bosnia and Herzegovina deteriorated markedly in 2009, partly because of the global economic crisis. As a result of the recession, the macroeconomic situation became fragile and Bosnia and Herzegovina obtained IMF-support. According to BEEPS in 2008, tax rates became the biggest perceived problem, but the extent of corruption and access to finance are also major problems in this country. The Global Competitiveness Index states that bureaucracy, corruption and financing problems are also relevant (SCHWAB [2010]). Although the conditions of registering property improved in 2010, as delays have been reduced, in this category Bosnia and Herzegovina was the 13th in 2007, and only the 65th in 2010 in the Doing Business ranking. The economy is in the bottom third of the Doing Business and GCI rankings, and the GEM surveys also show that the country is the least competitive among the efficiency driven states. The entrepreneurial environment had improved but it remained one of the region's most difficult and inefficient economies. The recession made people more pessimistic, as, according to the GEM surveys, every second respondent saw good opportunities for starting business in the next six month in 2008, whereas in 2009 this rate reduced to 35%.

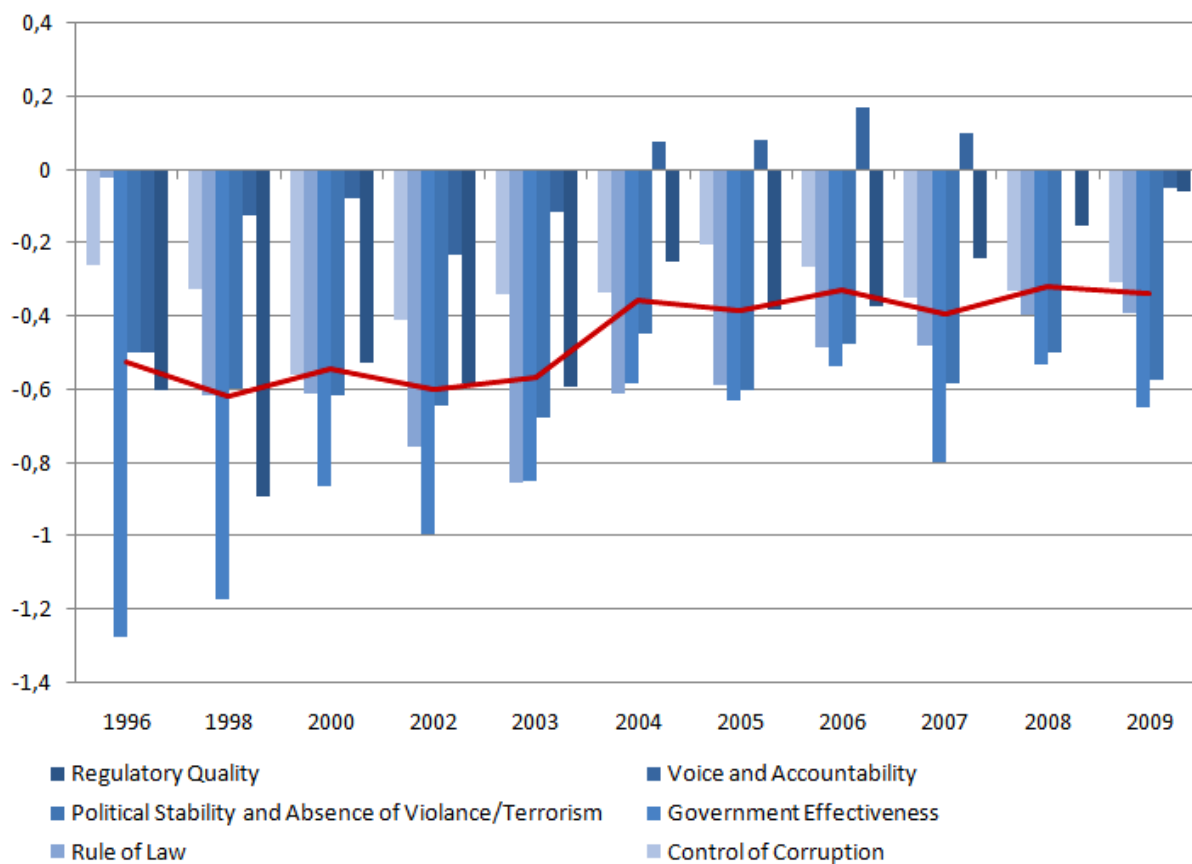
Figure 7 – BEEPS survey on problems of doing business in 2005 and in 2008
– percentage of firms indicating issues are a problem in Bosnia and Herzegovina



Source: BEEPS Database

Figure 8 – Aggregated results of Worldwide Governance Indicators in Bosnia and Herzegovina from 1996 to 2009 and the average rates of the country

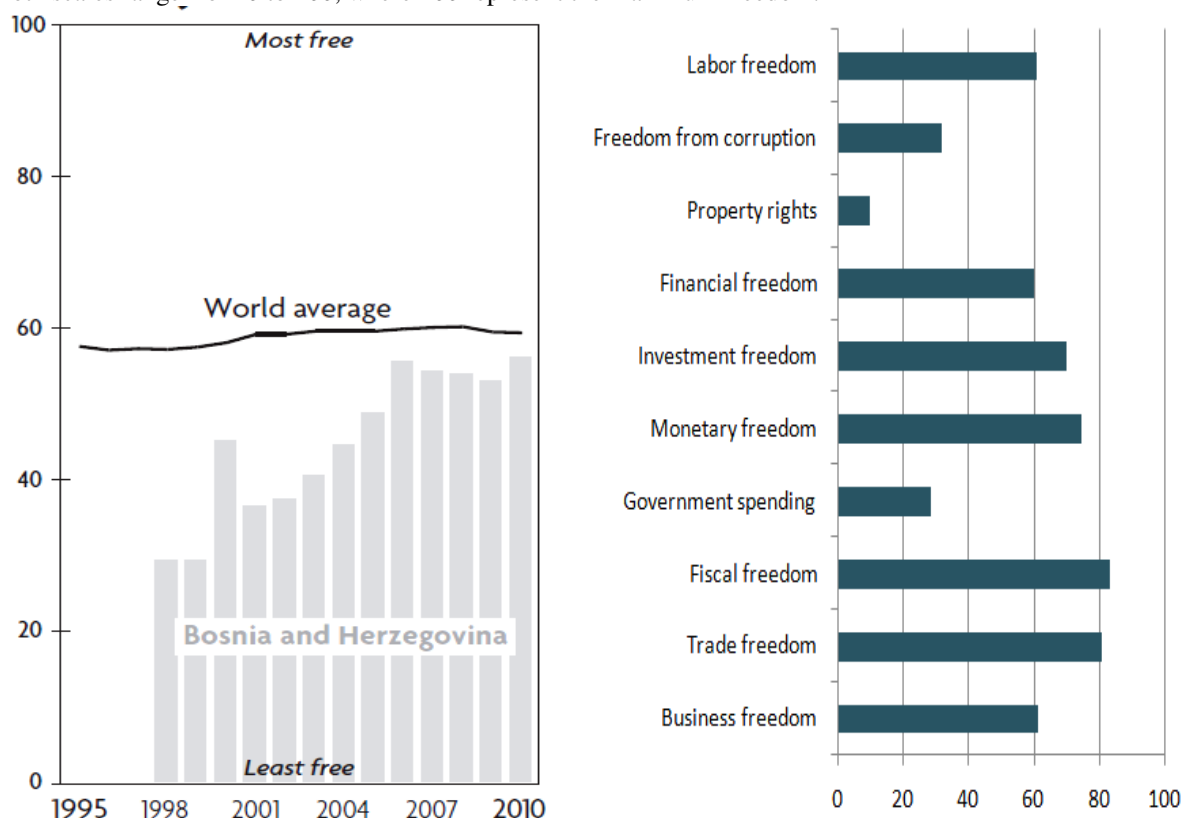
The six governance indicators are measured in units ranging from -2.5 to 2.5, with higher values corresponding to better governance outcomes.



Source: WGI Database

However, measures of the WGI index and the Economic Freedom Index show a constant improvement in the country. Bosnia and Herzegovina got better scores in fiscal freedom, investment freedom, and labor freedom compared to last year. But it is undoubted that further reforms are needed to tackle bureaucracy and reduce petty corruption.

Figure 9 – Scores of the Economic Freedom Index in Bosnia and Herzegovina from 1995 (left) and in 2010 (right)
Both scales range from 0 to 100, where 100 represent the maximum freedom.

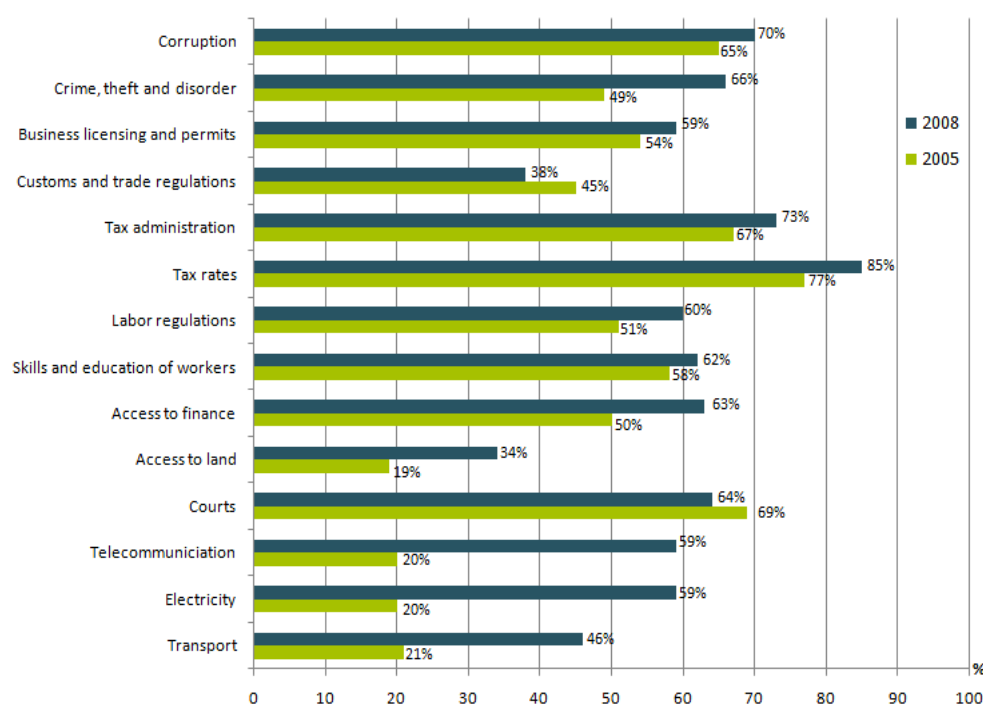


Source: *Economic Freedom Index Database*

BULGARIA

Bulgaria has made substantial progress toward long-term stability and sustained growth in the last few years. However, there are some institutional weaknesses that could hamper macroeconomic stability and retard growth. Weak property rights, lingering corruption, and burdensome bureaucracy continue to reduce economic freedom. Developing a more independent judicial system would also appear to be a key area for reform. Beside corruption, crime and infrastructure are also problems in the country. The indexes of BEEPS and GCI show that these parts of the economy have not improved by the beginning of 2010 (SCHWAB [2010]). Overall, however, the country received good scores from the various analyses. The GCI index ranked the economy in 71st out of 139 places. According to the Doing Business Index, of the countries we assessed in this study, only Macedonia is ahead of Bulgaria.

Figure 10 – BEEPS survey on problems of doing business in 2005 and in 2008
– percentage of firms indicating issues are a problem in Bulgaria



Source: BEEPS Database

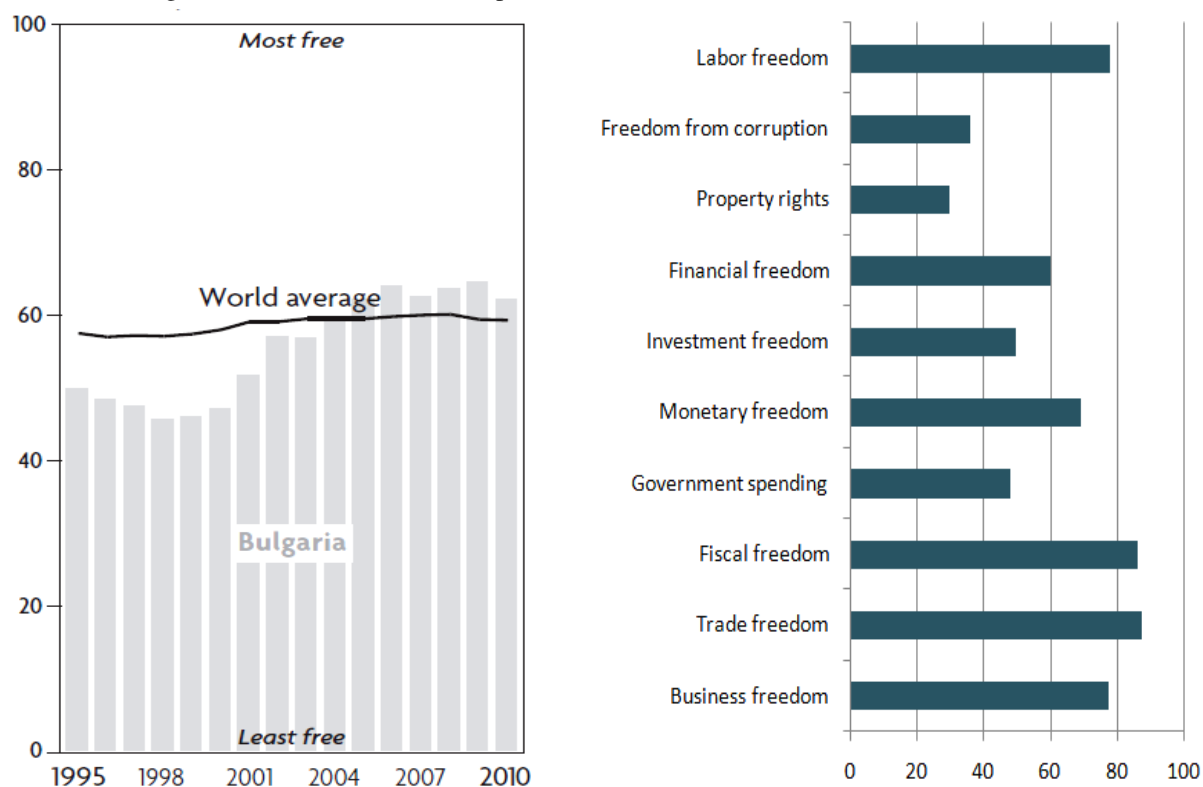
Doing Business stated that in 2006 Bulgaria was a top business reformer (*Doing Business* [2006]). In the last couple of years inspections were made more transparent and liabilities got more clearly defined in the construction sector. Despite this improvement, dealing with construction permits became more difficult in 2008, as the fees for obtaining the permits were increased by about 16%. Stricter environmental requirements mean that companies in Sofia now have to obtain a certificate of energy efficiency before and after construction. This adds two more steps and eight days for dealing with construction permits. But business start-ups were made easier both in 2009 and in 2010. In 2009 the Bulgarian government reduced the paid-in minimum capital requirement to about 24% of gross national income per capita and made the company registry more efficient.¹ In 2010 the government

¹ Source: Business Reforms in Bulgaria: <http://www.doingbusiness.org/reforms/overview/economy/bulgaria>

further reduced this minimum capital requirement. Another strength of the Bulgarian economy is that, compared to other economies in Eastern Europe and Central Asia, Bulgaria has fewer restrictions on foreign equity ownership. As a weakness, the IMD highlights that auditing and accounting practices are not enough adequately implemented in businesses, and ethical practices are also poorly implemented in companies. It is also a problem in Bulgaria that management education doesn't meet the needs of the business community, and university education doesn't meet the needs of the competitive economy. Environmental laws and compliance also mean a barrier as they hinder the competitiveness of businesses. The Heritage Foundation gave a score of 62,3 to Bulgaria's economic freedom, making the country the 75th freest in the 2010 Economic Freedom Index. Its overall score is 2.3 points lower than last year, reflecting losses in investment freedom and freedom from corruption, as well as a growth in government spending, but long-term development is still demonstrable in the country.

Figure 11– Scores of the Economic Freedom Index in Bulgaria from 1995 (left) and in 2010 (right)

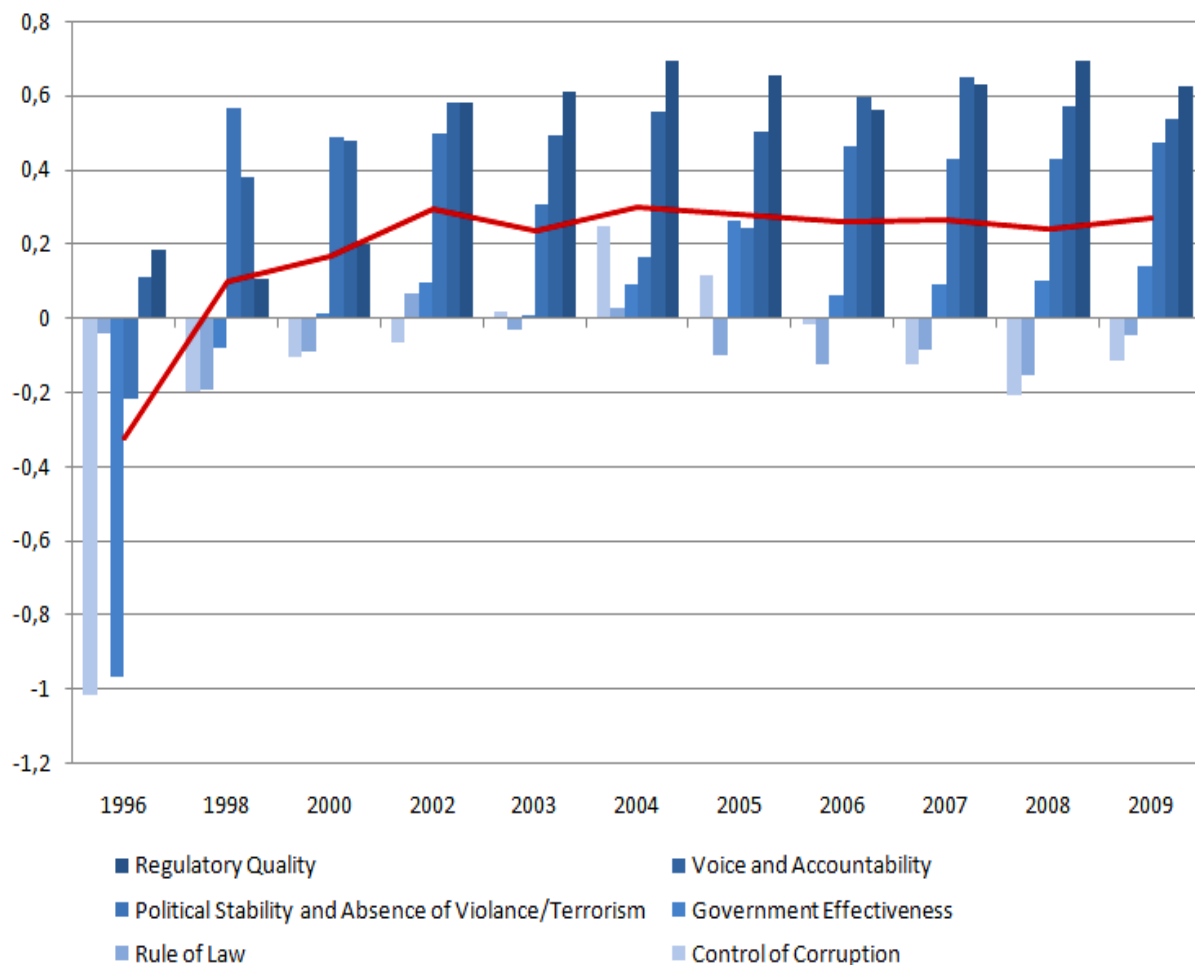
Both scales range from 0 to 100, where 100 represent the maximum freedom.



Source: *Economic Freedom Index Database*

Figure 12 – Aggregated results of Worldwide Governance Indicators in Bulgaria from 1996 to 2009

The six governance indicators are measured in units ranging from -2.5 to 2.5, with higher values corresponding to better governance outcomes.

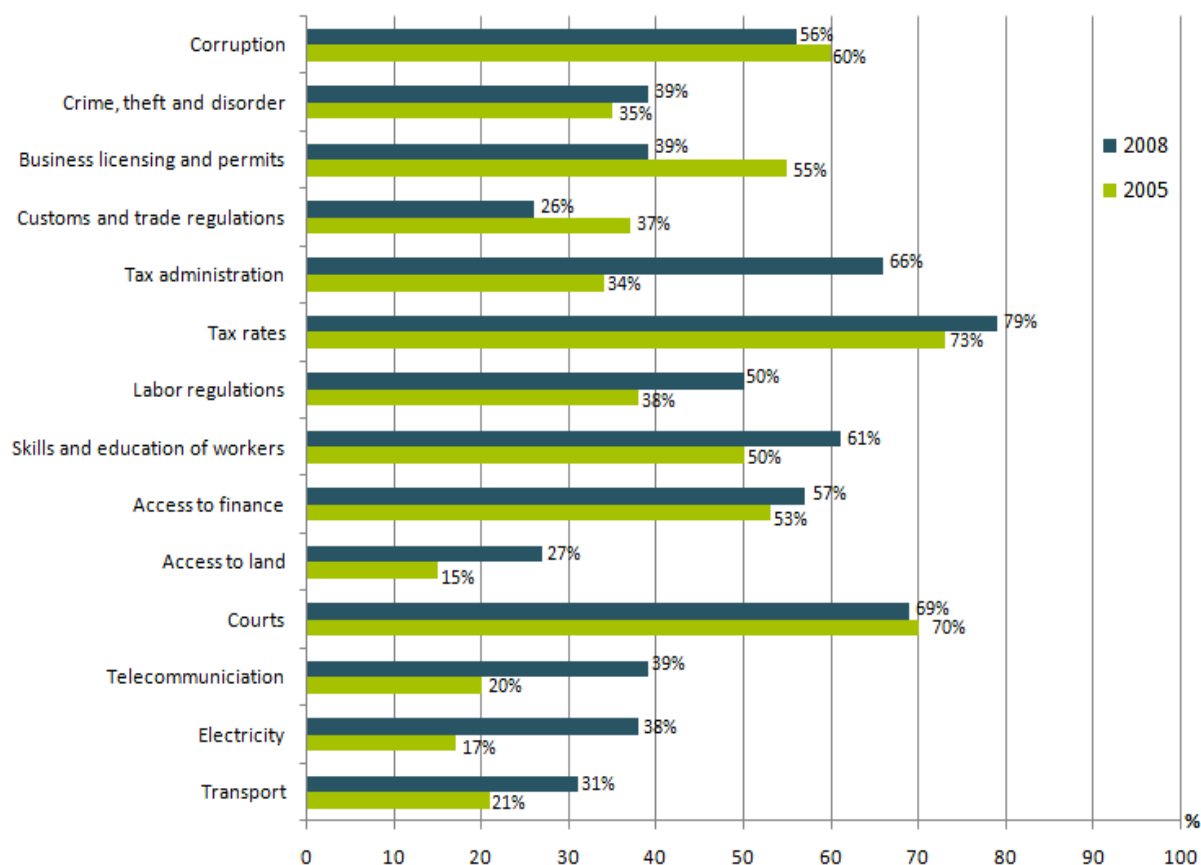


Source: WGI Database

CROATIA

Croatia was strongly affected by the economic crisis but its impact has been mitigated by a resilient banking sector and strong foreign reserves. Enhanced structural reforms and the adoption of a credible medium-term fiscal strategy would be essential to improve its competitiveness. Tax rates and tax administration were the most problematic features of the Croatian economy in 2008 according to the BEEPS, and GCI shows that inefficient bureaucracy and tax regulations remained one of the most severe problems in 2010 too (SCHWAB [2010]). In Croatia corruption also appears to be a significant barrier of development, but its presence has been mitigated somewhat. Innovation is a strength of the country: the number of firms that have spent funds on research and development between 2005 and 2008 have almost doubled.

Figure 13 – BEEPS survey on problems of doing business in 2005 and in 2008
– percentage of firms indicating issues are a problem in Croatia



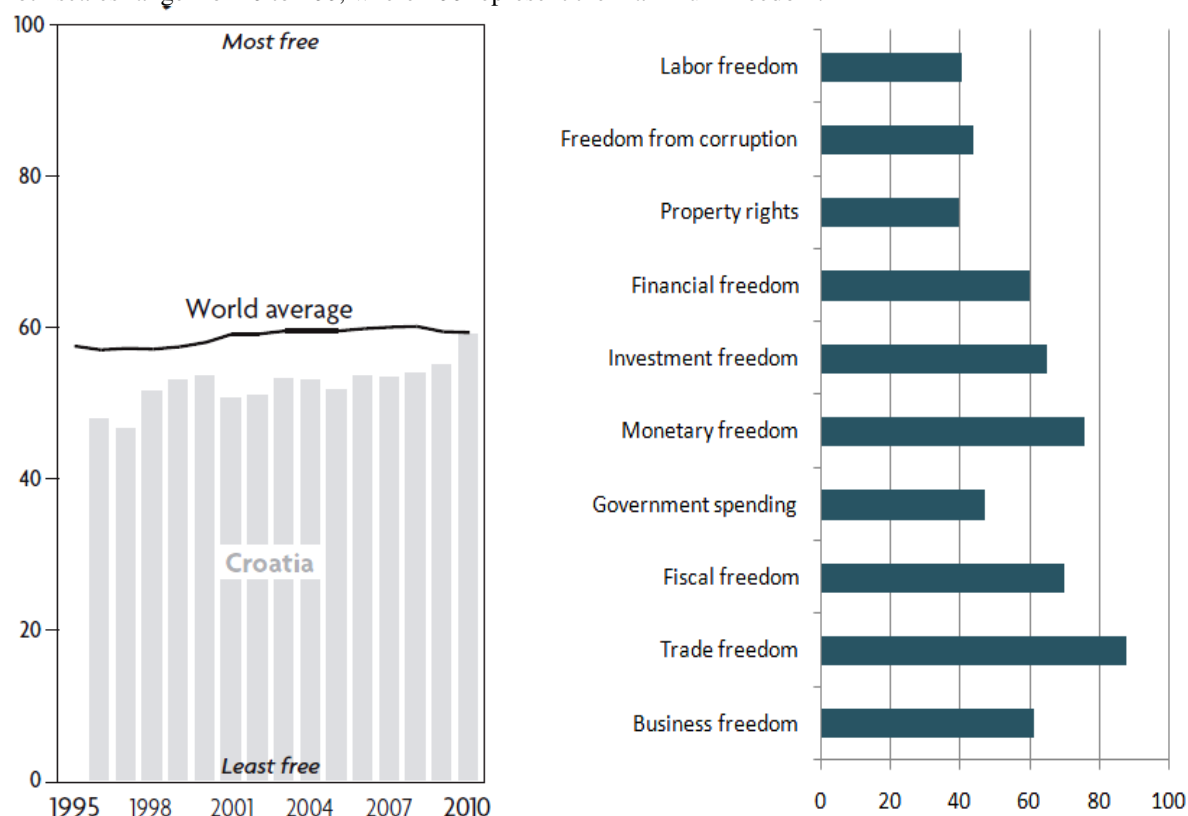
Source: BEEPS Database

According to the Doing Business Index, access to credit for businesses in 2007 has improved by implementing a unified system of securities registry and by setting up a new private credit bureau (HROK).² Besides the further easing of doing business in Croatia, it is a challenge for the economy to diminish unemployment and increase employment rate. In the Economic Freedom Index Croatia is the 92nd freest country in 2010. As the IMD notes, Croatia has made notable improvements that have affected its overall economic freedom score and the country scores above the world average in trade freedom, investment freedom, and monetary freedom.

² Website of the office: <http://www.hrok.hr>

Figure 14 – Scores of the Economic Freedom Index in Croatia from 1995 (left) and in 2010 (right)

Both scales range from 0 to 100, where 100 represent the maximum freedom.



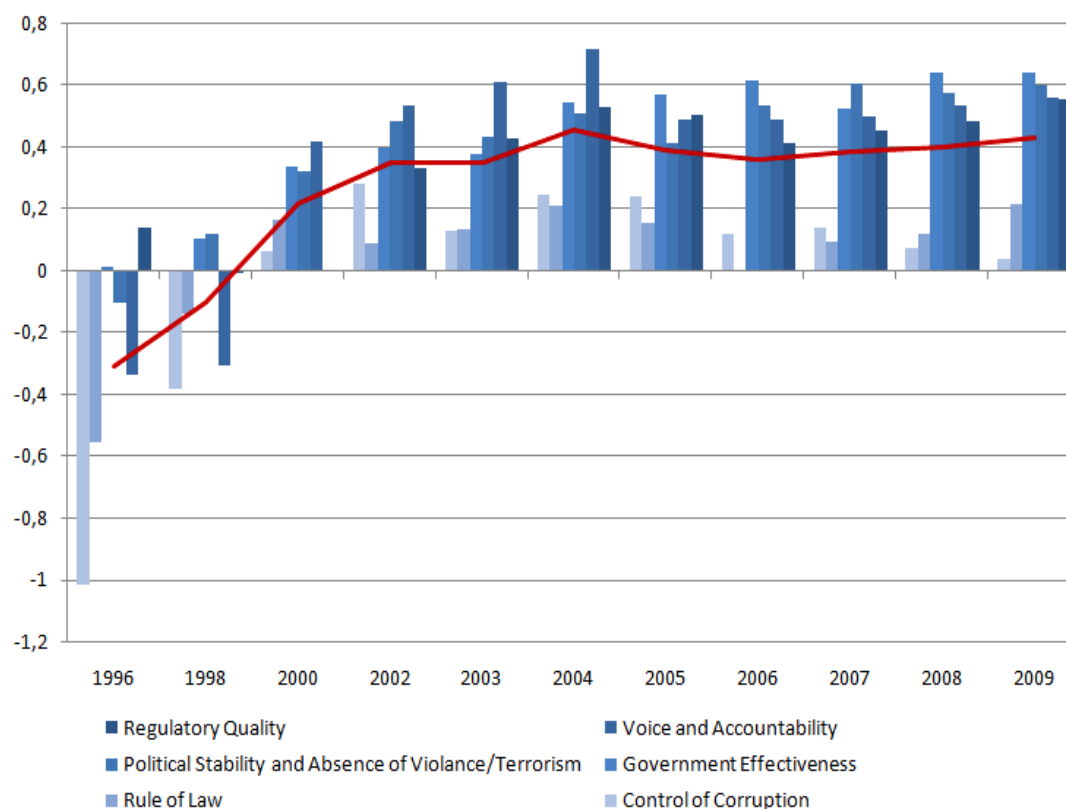
Source: *Economic Freedom Index Database*

Management of public finance has been enhanced, and regulation is more streamlined. Croatia has also created a more competitive financial system by implementing efficient, regulatory frameworks and privatization. Burdensome and non-transparent administrative regulations, particularly at the local level, continue to challenge entrepreneurs, resulting in lower levels of productivity and job growth. The institute also added that, despite some progress, Croatia's overall regulatory environment remains burdensome and inefficient.³ But thanks to the modernization, the country's financial system has become more efficient and competitive, and access to financing for entrepreneurial activity is not difficult. Referring to the GEM surveys, Croatia achieved good scores in entrepreneurial rates, but the improvement seems to have recoiled (BOSMA–LEVIE [2010]). Measures of the WGI confirm this, as the average scores the economy achieved have not risen in the last few years.

³ Source: Economic Freedom Index 2010 about Croatia: <http://www.heritage.org/index/country/croatia>

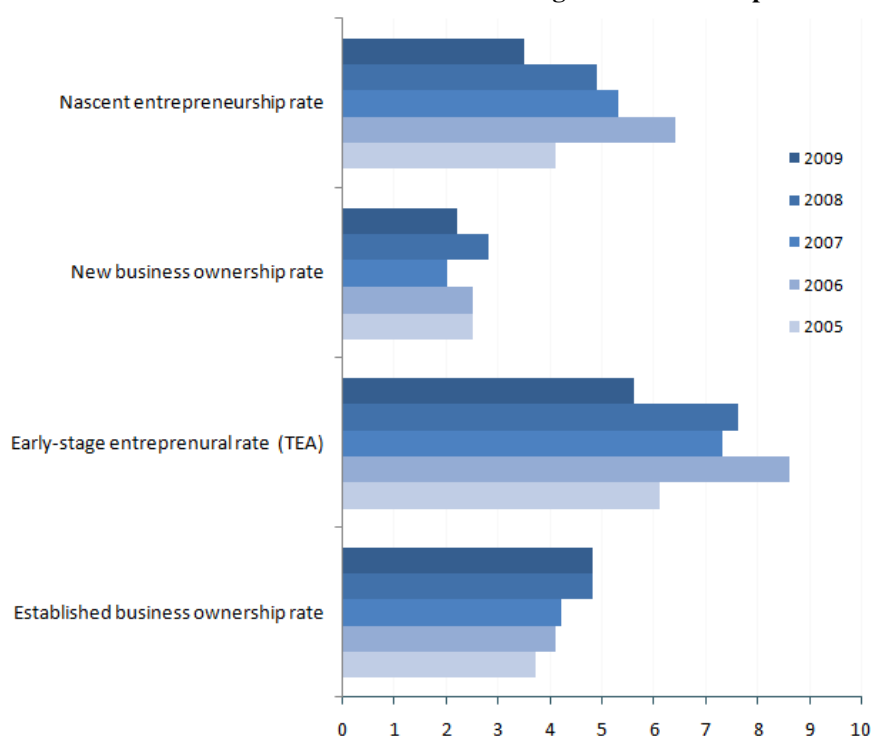
Figure 15 – Aggregated results of Worldwide Governance Indicators in Croatia from 1996 to 2009

The six governance indicators are measured in units ranging from -2.5 to 2.5, with higher values corresponding to better governance outcomes.



Source: WGI Database

Figure 16 – Measures of the GEM from 2005 to 2009 concerning to various entrepreneurial rates



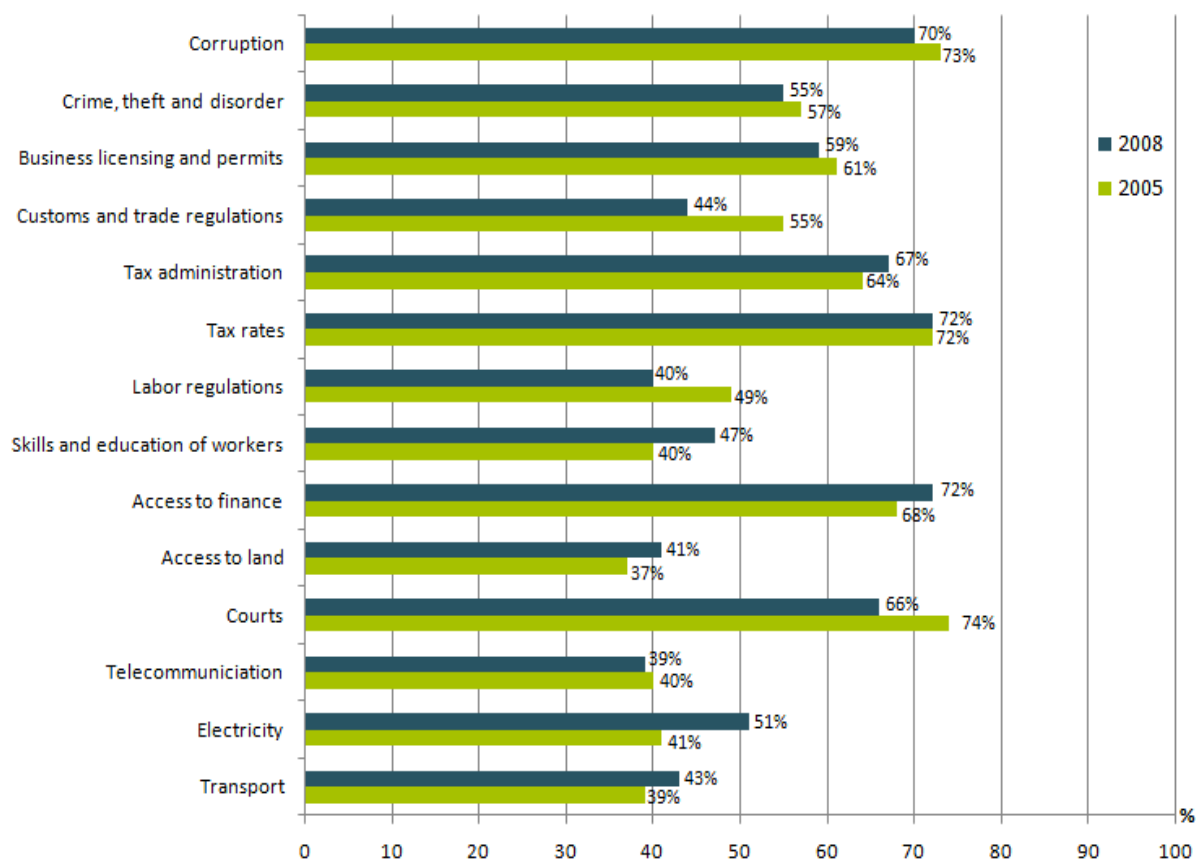
Source: 2009 Global Report (BOSMA-LEVIE [2010])

The TEA rate is the proportion of people aged 18-64 who are involved in entrepreneurial activity as a nascent entrepreneur or as an owner-manager of a new business has decreased.

MACEDONIA

The Former Yugoslav Republic of Macedonia has the most competitive economy among those countries that were assessed in this study. The country was also naturally affected by the economic crisis, but the slow-down of growth was mitigated by a stable banking sector and sustained private consumption. The measures of the GEM in 2009 showed that the entrepreneurial perceptions were mainly positive in the country. Almost every second respondents felt that there will be good opportunities for starting a business in the next six months, and 80% of them considered entrepreneurship to be a desirable career choice. In comparison with other countries from the region included in GEM, Macedonia was the leading country concerning the desire to start business in the next 3 years (BOSMA–LEVIE [2010]). According to the BEEPS, Macedonia managed to mitigate the level of corruption since 2005 and red tape was also perceived as a smaller problem in 2008, but, still half of the respondents said it is a burden for entrepreneurs. During the three years examined in the BEEPS, the situation of infrastructure has worsened.

Figure 17 – BEEPS survey on problems of doing business in 2005 and in 2008
– percentage of firms indicating issues are a problem in Macedonia

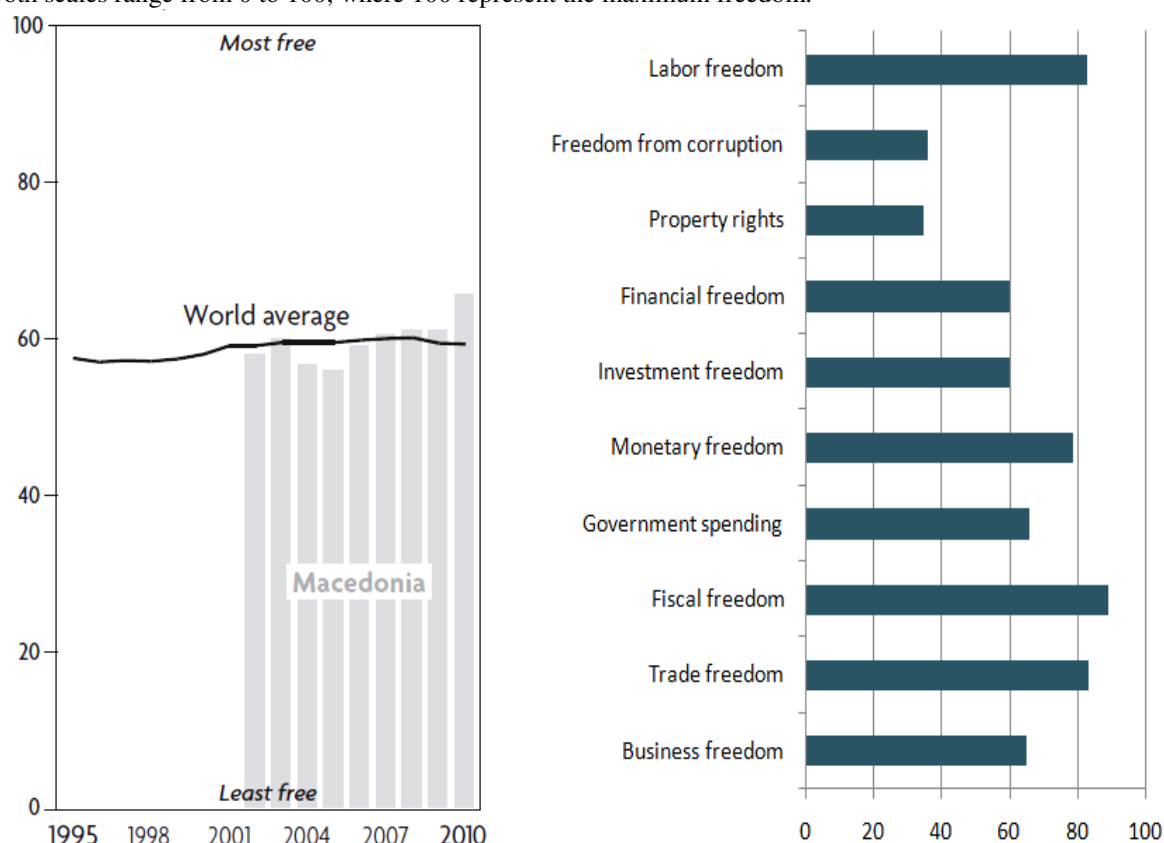


Source: BEEPS Database

According to the Doing Business Index, Macedonia was a top reformer in 2006 and in 2008 (*Doing Business* [2006b, 2007]). In 2009 business start-up was simplified in FYR Macedonia by integrating procedures at a one-stop shop. Getting credit, protecting investors and trading across borders were all eased, and in 2010 the one-stop shop innovation was further improved. The Heritage Foundation ranked Macedonia to the 56th place on the Economic Freedom Index in 2010. As the institute points out, reforms in labor market flexibility

and regulation of investment enabled Macedonia's economy to achieve one of the highest score improvements in 2010. Macedonia also enjoys high levels of trade freedom, fiscal freedom, and monetary freedom. Personal and corporate income tax rates are very competitive, and tax administration has been strengthened. Monetary stability is relatively well maintained. Macedonia is generally open to global trade, and the financial sector has weathered the global financial crisis relatively well. However, Macedonia still lacks sufficient institutional support for property rights and remains involved in the fight against corruption. The court system is prone to corruption, political interference and inefficiency; human trafficking, smuggling of drugs and weapons remain serious problems.

Figure 18 – Scores of the Economic Freedom Index in Macedonia from 1995 (left) and in 2010 (right)
Both scales range from 0 to 100, where 100 represent the maximum freedom.

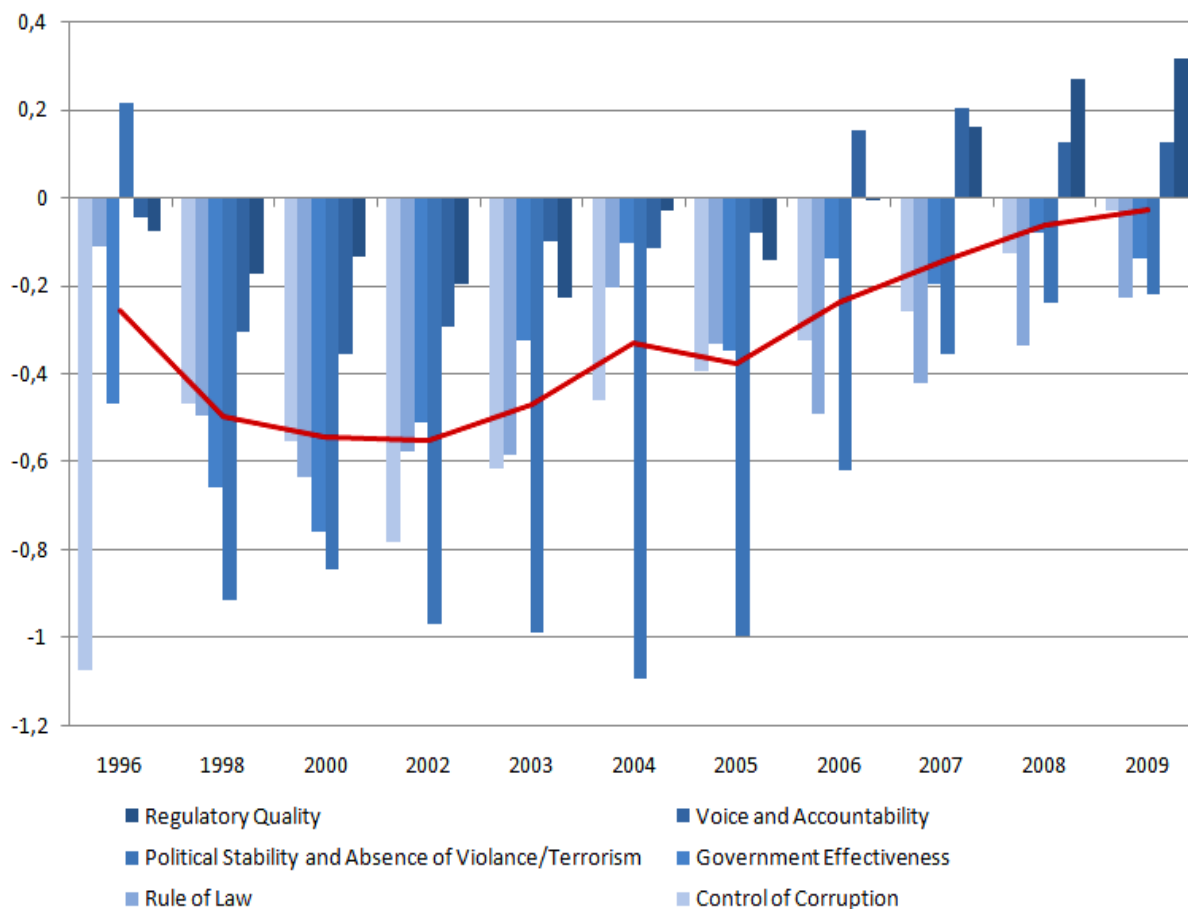


Source: *Economic Freedom Index Database*

The overall freedom to establish and run a business in Macedonia has improved with recent regulatory reforms. Starting a business now takes an average of four days, compared to the world average of 35 days. But the lack of effective rule of law and the uncertainty of property rights, especially in registering real property and obtaining land titles, undermine investment and development. However, WGI scores show that Macedonia constantly improved during the last few years.

Figure 19 – Aggregated results of Worldwide Governance Indicators in Macedonia from 1996 to 2009

The six governance indicators are measured in units ranging from -2.5 to 2.5, with higher values corresponding to better governance outcomes.

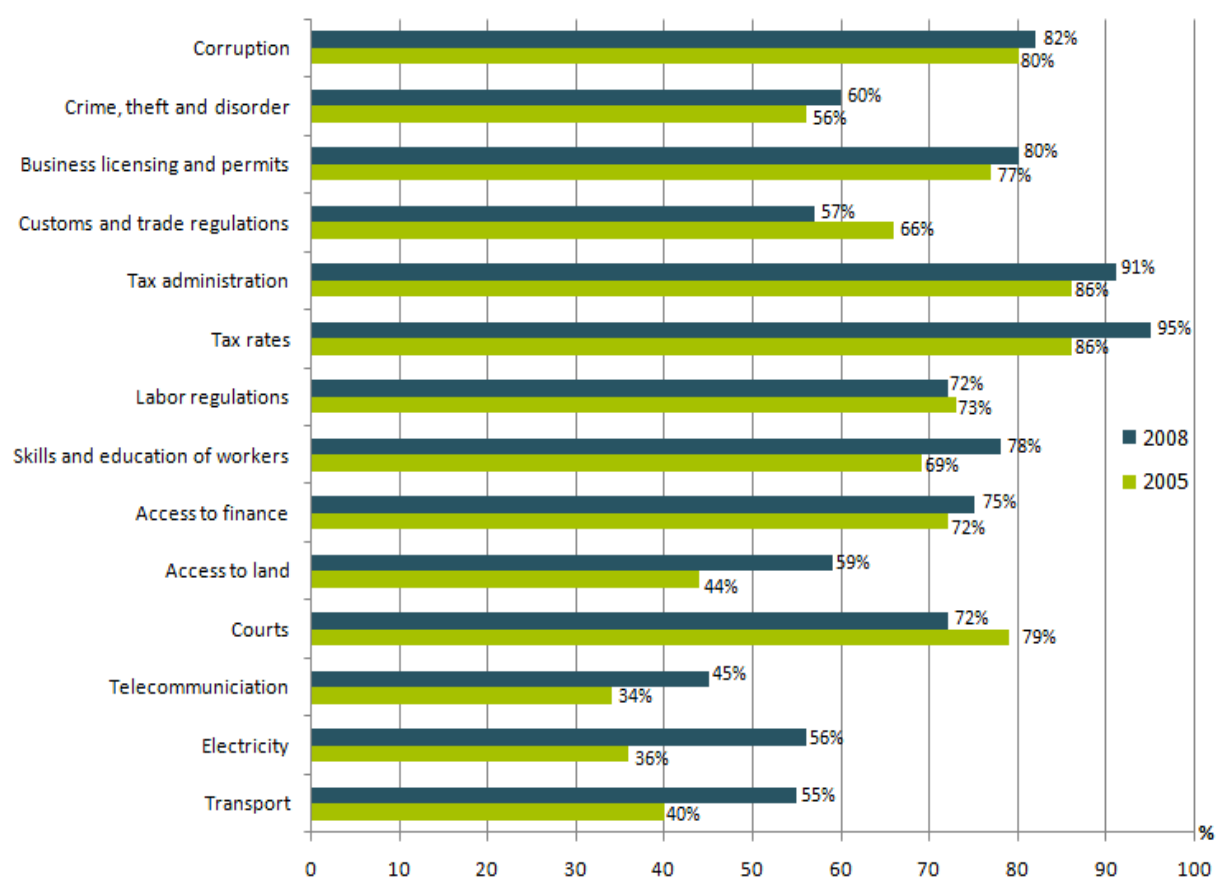


Source: WGI Database

ROMANIA

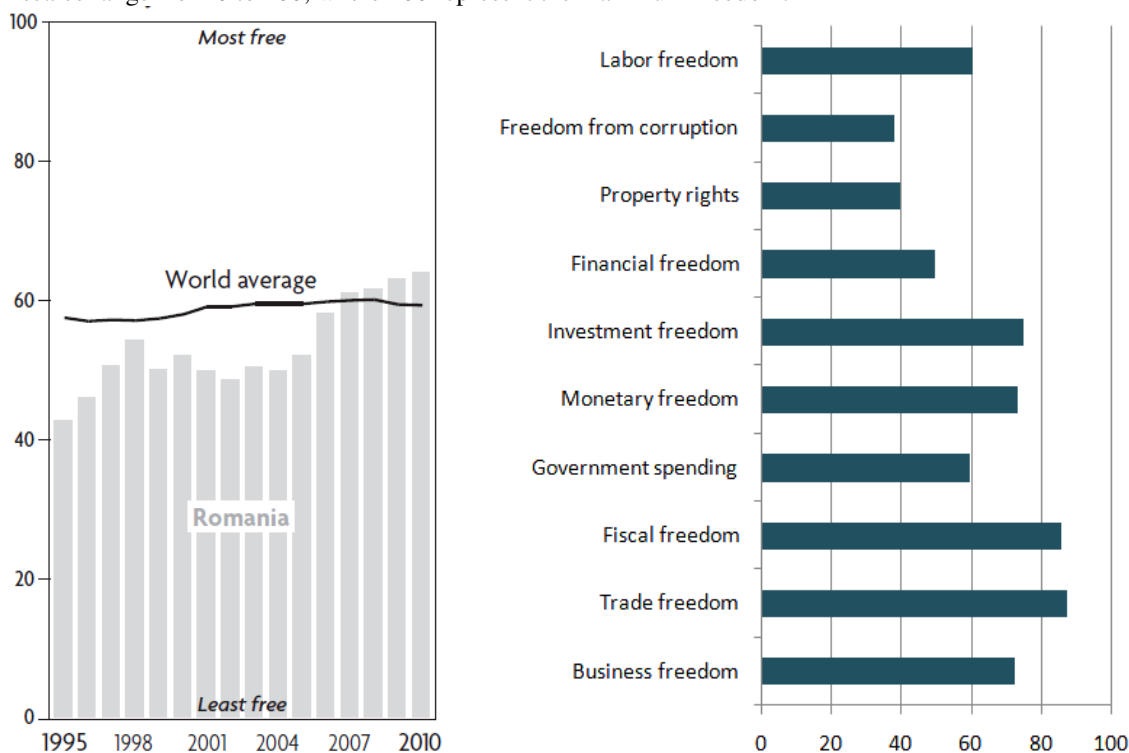
Romania has gone through much improvement, and economic reforms that are consistent with the Maastricht criteria. To achieve further improvement, however, the country needs to tackle corruption, high tax rates and burdensome tax administration. These are the biggest barriers on the path towards a more efficient economy according to the BEEPS survey. World Economic Forum adds that access to finance, infrastructure and bureaucracy are parts of the most severe problems in the country (SCHWAB [2010]). According to the Doing Business Index, in 2009 paying taxes also became more costly for companies, as a new tax on profit was introduced (*Doing Business* [2009]). According to the IMD's assessment, it is a challenge for Romania to maintain investors' interest against the background of the current crisis. It would also be important to increase the innovative potential of enterprises, particularly SMEs, through technology transfer and business supportive infrastructure. As for economical freedom, the Heritage Foundation found that the country improved in half of the ten economic freedoms.

Figure 20 – BEEPS survey on problems of doing business in 2005 and in 2008 – percentage of firms indicating issues are a problem in Romania



Source: BEEPS Database

Figure 21 – Scores of the Economic Freedom Index in Romania from 1995 (left) and in 2010 (right)
Both scales range from 0 to 100, where 100 represent the maximum freedom.

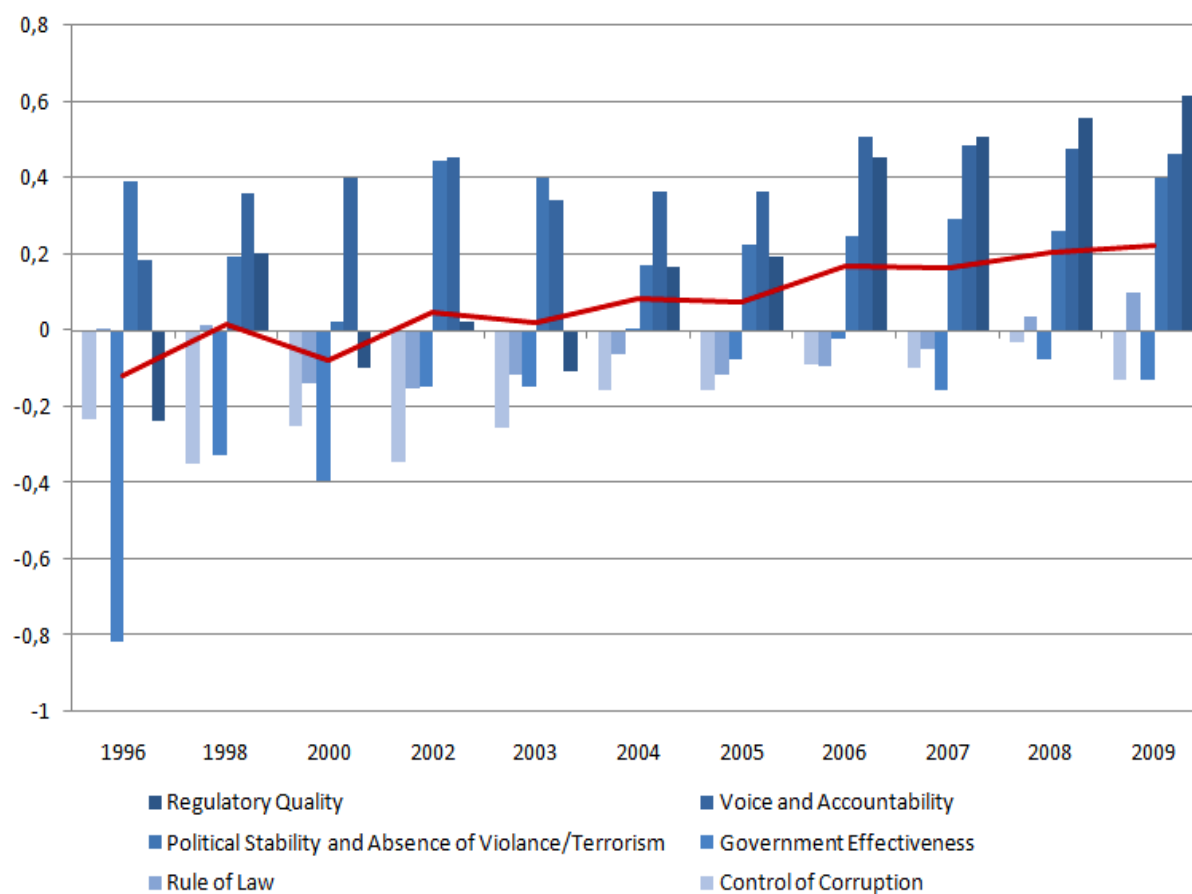


Source: *Economic Freedom Index Database*

The overall entrepreneurial framework has become more streamlined and efficient. Recent structural reforms include privatization in the banking sector, a reduction in the public-sector wage bill, and tax administration reform. However, the country still faces institutional challenges, widespread corruption, and a strict labor market that undermines dynamic job growth. Although Romania has made some progress in the fight against corruption, the judiciary system remains vulnerable to political interference and inefficiency. The overall freedom to start, operate, and close a business is relatively well protected under Romania's regulatory environment.

Figure 22 – Aggregated results of Worldwide Governance Indicators in Romania from 1996 to 2009

The six governance indicators are measured in units ranging from -2.5 to 2.5, with higher values corresponding to better governance outcomes.

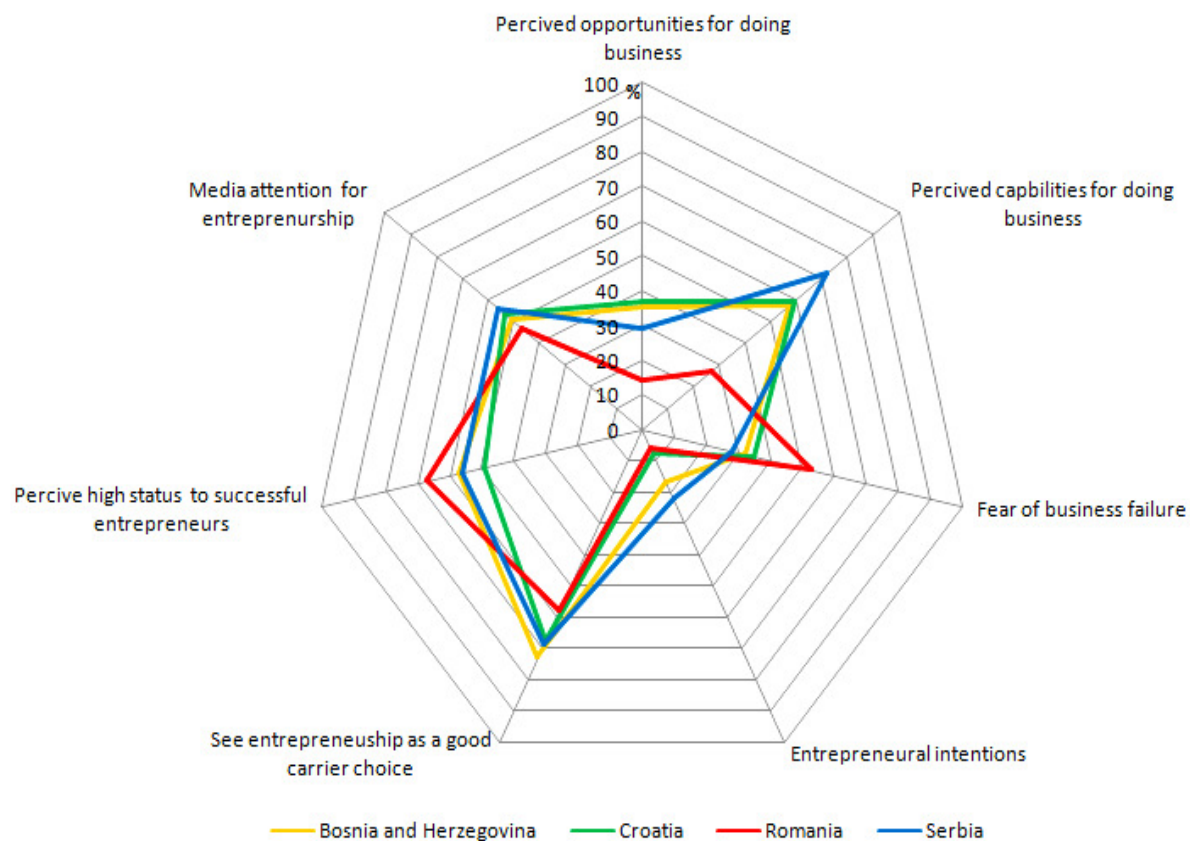


Source: WGI Database

There is a greater fear of business failure in Romania and the perceived opportunities and capabilities are lower than in other countries of the regions which took part in the GEM survey (BOSMA–LEVIE [2010]). Presumably, this is an effect of the greater pressure caused by the global recession. However, Romania was still the most competitive country according to the GCI index among the countries we examined (SCHWAB [2010]).

Figure 23 – Survey of the GEM among entrepreneurs in 2009

Percentage of the respondents answering for questions on their attitudes and perceptions toward entrepreneurial activity

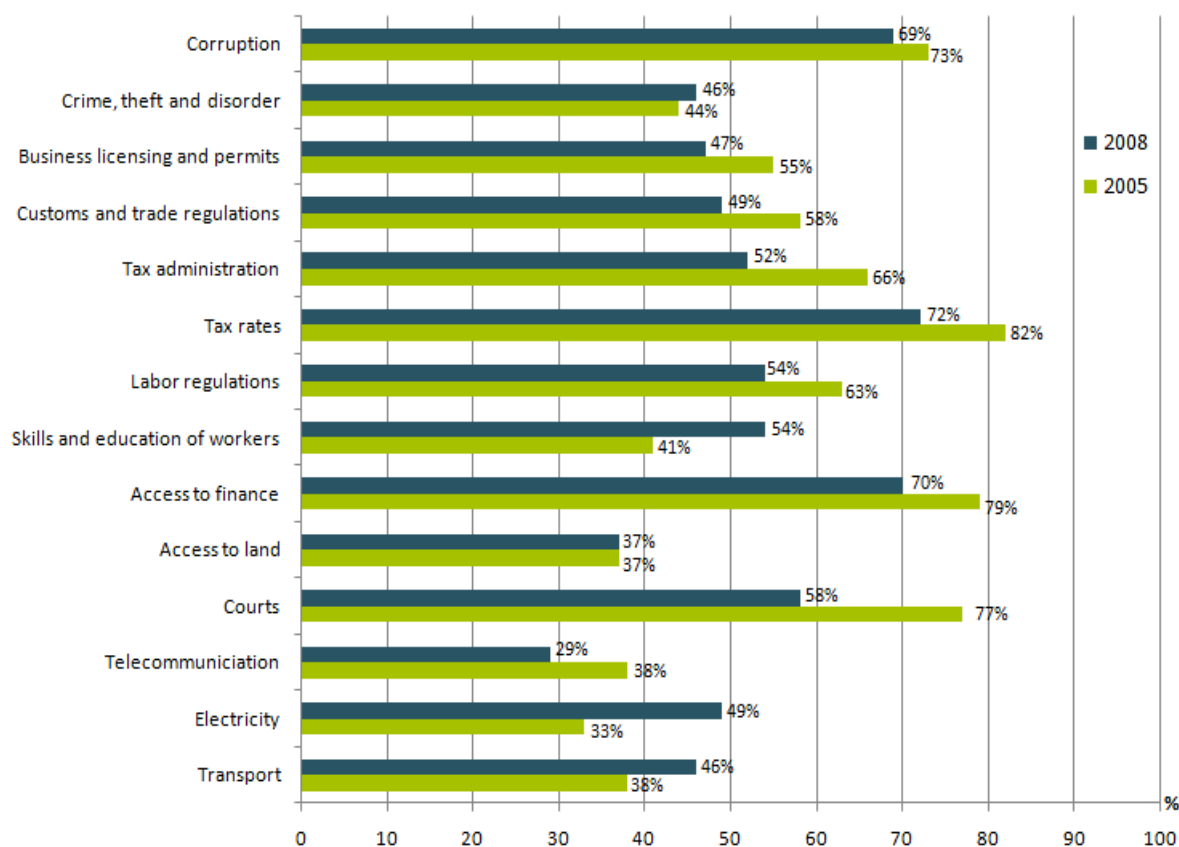


Source: 2009 Global Report (BOSMA–LEVIE [2010])

SERBIA

Serbia was strongly affected by the economic crisis and turned to the IMF and the EU for financial assistance. The country needs to accelerate economic reforms and ensure sustainability in public finances. But inefficient bureaucracy and corruption hinders progression in the country. Besides corruption, the lack of proper electricity also became a major problem in Serbia in 2008, according to the BEEPS surveys: in 2005 it was only the 14th largest barrier mentioned by entrepreneurs, in 2008 it became the 6th. Access to finance remained the second biggest problem in the country in 2008 and GCI shows that it was problematic in 2010 as well (SCHWAB [2010]). As an improvement, the Doing Business Index found that Serbia eased the procedure of starting and closing business, as well as getting credit, but it remained in lower third of the countries in the ranking (*Doing Business* [2010]).

Figure 24 – BEEPS survey on problems of doing business in 2005 and in 2008
– percentage of firms indicating issues are a problem in Serbia

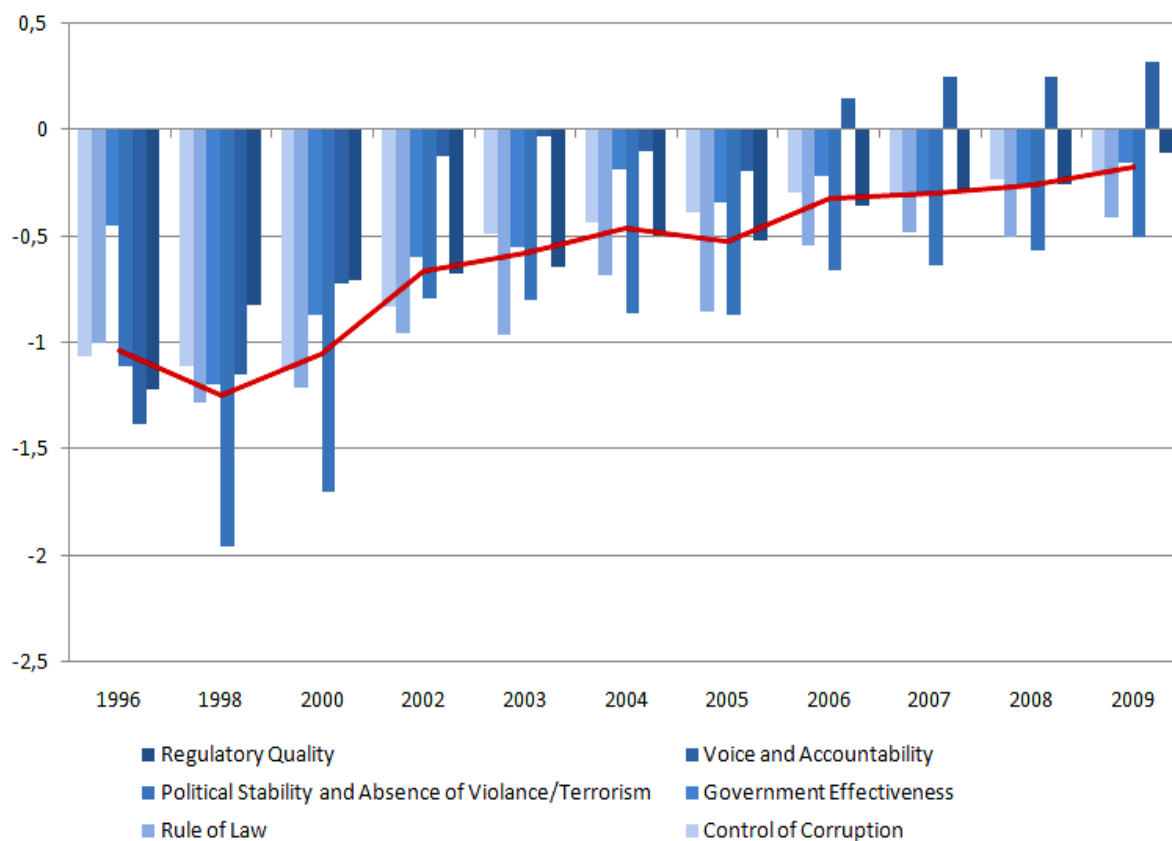


Source: BEEPS Database

In the Economic Freedom Index Serbia ranked as the 104th freest economy in the 2010. Its score has increased by 0,3 points since last year, reflecting the competitively low individual and corporate income tax rates, and business formation procedures that became more efficient. But Heritage Foundation also states that further reforms are needed to tackle bureaucracy, reduce corruption, and reform the current weak judicial system which is vulnerable to political interference. As was experienced in the other countries, Serbia also presented a long term development, as the WGI scores display. According to the GEM survey, in 2009 72% of the questioned entrepreneurs in Serbia said that there are enough capabilities for doing business in the country (BOSMA–LEVIE [2010]).

Figure 25 – Aggregated results of Worldwide Governance Indicators in Serbia from 1996 to 2009

The six governance indicators are measured in units ranging from -2.5 to 2.5, with higher values corresponding to better governance outcomes.



Source: WGI Database

REFERENCES

Databases:

BEEPS DATABASE:

The World Bank Group [2010]: BEEPS At-A-Glance 2008.

Available: <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXT/ECAREGTOPANTCOR/0,,contentMDK:20720934~pagePK:34004173~piPK:34003707~theSitePK:704666,00.html>

ECONOMIC FREEDOM INDEX DATABASE:

The Heritage Foundation [2010]: Index of Economic Freedom World Ranking.

Available: <http://www.heritage.org/index/ranking>

IMD DATABASE:

Institute for Management Development [2010]: IMD World Competitiveness Yearbook 2010.

Available: <http://www.imd.org/research/publications/wcy/index.cfm>

WGI DATABASE:

The World Bank [2010]: Worldwide Governance Indicators.

Available: <http://info.worldbank.org/governance/wgi/index.asp>

Documents:

BOSMA, NIELS – LEVIE, JONATHAN [2010]: 2009 Global Report. Global Entrepreneurship Monitor.

Commission of the European Communities [2009]: “Enlargement Strategy and Main Challenges 2009–2010”. Brussels, COM 2009. 533.

Doing Business [2010]: Doing Business 2011 – Making a Difference for Entrepreneurs. Washington, DC, The World Bank – International Finance Cooperation.

Doing Business [2009]: Doing Business 2010 – Reforming through Difficult Times. Washington, DC, The World Bank – International Finance Cooperation.

Doing Business [2008]: Doing Business 2009. Washington, DC, The World Bank – International Finance Cooperation.

Doing Business [2007]: Doing Business 2008. Washington, DC, The World Bank – International Finance Cooperation.

Doing Business [2006a]: Doing Business 2007 – How to reform. Washington, DC, The World Bank – International Finance Cooperation.

Doing Business [2006a]: Doing In Business 2006 – Creating Jobs. Washington, DC, The World Bank – International Finance Cooperation.

European Communities [2005]: Regional Cooperation in the Western Balkans. A policy priority for the European Union, Belgium.

Investing Across Borders [2010]: Investing Across Borders 2010 – Indicators of foreign direct investment regulation in 87 economies. Washington, DC, Investment Climate Advisory Services – The World Bank.

- JAP, JUSTIN [2007]: Serbia: Faster, more orderly exit. In: Celebrating Reforms 2007. Washington, DC, The World Bank: Doing Business.
Available: <http://www.doingbusiness.org/reforms/case-studies/2007/bankruptcy-reform-in-serbia>
- JERSILD, TOM – SKOPLJAK, ZORAN [2007]: Serbia: How to double business entry in two years. In: Celebrating Reforms 2007. The World Bank: Doing Business. Washington, DC.
Available: <http://www.doingbusiness.org/reforms/case-studies/2007/starting-a-business-in-serbia>
- LARSON, ADAM – MINOSKI, KIRIL – MORRIS, JANET [2007]: Macedonia: Employing Macedonia's youth. In: Celebrating Reforms 2007. Washington, DC, The World Bank: Doing Business.
Available: <http://www.doingbusiness.org/reforms/case-studies/2007/youth-employment-in-macedonia>
- LOBET, JEAN-MICHEL [2009]: Albania: Seizing the opportunity for effective legal reform. In: Celebrating Reforms 2009 Washington, DC, The World Bank: Doing Business.
Available: <http://www.doingbusiness.org/reforms/case-studies/2009/legal-reform-in-albania>
- OTTER, JAQUELINE DEN [2009]: Serbia: Cross-border trading reforms in post-war Serbia. In: Celebrating Reforms 2009. Washington, DC, The World Bank: Doing Business.
Available: <http://www.doingbusiness.org/reforms/case-studies/2009/cross-border-trading-reforms-in-post-war-serbia>
- PORTER, MICHAEL E. – SCHWAB, KLAUS [2008]: The Global Competitiveness Report 2008–2009. Geneva, World Economic Forum 2008.
- SCHWAB, KLAUS [2010]: The Global Competitiveness Report 2010–2011. Geneva, World Economic Forum 2010.

ANNEX – COMPETITIVENESS INDEXES

The Global Competitiveness Index of the WEF counts with a weighted average of many different components, each measuring a different aspect of competitiveness. These components are grouped into 12 pillars of economic competitiveness (institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, innovation, market size, business sophistication, innovation) utilizing 111 indicators. The rates of the GCI are based on business surveys and on international datasets.

The World Bank's Doing Business Index benchmarks the regulations that enhance business activity and those that constrain it. The report presents quantitative indicators on business regulation related to starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. These quantitative measures include the number of procedures and how many days they need, the costs that a regulation takes as well as examining all the licenses and the obligations required. Doing Business indicators are built on the basis of standardized case scenarios with specific assumptions, such as the business being located in the largest business city of the economy. The sources of the index are regulations and calculations of the authorities regarding the time and cost needed for compliance.

The World Bank's business surveys published in the BEEPS dataset highlight key indicators on topics including problems of doing business, informal payments and corruption, finance, labor, crime, infrastructure, and innovation. The entrepreneurs who take part in the survey are from different sectors of the economy. Unlike the BEEPS, the Worldwide Governance Indicators aggregates the views on the quality of governance provided not only by enterprises, but also by a large number of citizens and experts. This data is gathered from a number of survey institutes, think tanks, non-governmental organizations, and international organizations. It contains aggregate indicators of six dimensions of governance (regulatory quality, voice and accountability, political stability and absence of violence, government effectiveness, rule of law, control of corruption). The six governance indicators are measured in units ranging from -2.5 to 2.5, with higher values corresponding to better governance outcomes.

The Economic Freedom Index (EFI), published by the Heritage Foundation, measures ten components of economic freedom, assigning a grade in each using a scale from 0 to 100, where 100 represents the maximum freedom. These ten components are: business freedom, trade freedom, fiscal freedom, government spending, monetary freedom, investment freedom, financial freedom, property rights, freedom from corruption, labor freedom. The sources of the used data are international databases and surveys.

The IMD's World Competitiveness Yearbook rates countries in four categories: economic performance, government efficiency, business efficiency, and infrastructure. The ranking is based on international datasets and on business surveys conducted by the IMD.

The surveys of the GEM are conducted among a representative sample of at least 2000 adults. Entrepreneurs answered questions on their attitudes toward and involvement in entrepreneurial activity, thus the survey evaluates both the entrepreneurial activities, attitudes and perceptions.

ABOUT THE AUTHOR

Ráchel Pocsarovszky (1989): Student of political science at the Corvinus University of Budapest. Since 2010 she participates in projects at the HÉTFA Research Institute as a research assistant. Her research field is administrative burden reduction. She has taken part in the evaluation of the long-term national strategy for Hungarian SMEs, as well as in the assessment of entrepreneurial associations.