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**STATUS OF PROGRAMME IMPLEMENTATION**

**PROMOTING AN ENABLING ENVIROMENT FOR ENTREPRENEURSHIP AND SME  
DEVELOPMENT**

**REVIEW OF POLICY APPROACHES FOR SOLVING PROBLEMS IN LEGAL AND  
INSTITUTIONAL FRAMEWORKS, WHICH HINDER ENTREPRENEURSHIP  
AND ENTERPRISE DEVELOPMENT**

Note by the secretariat

*Summary*

The present document, which was mandated by the programme of work of the Committee for Economic Cooperation and Integration, draws on the outcomes of the International Conference on Reducing Barriers to Entrepreneurship and Encouraging Enterprise Development: Policy Options organized on 18 – 19 June 2007 as well as on contributions by the members of the network of experts on entrepreneurship and enterprise development. Country experiences in promoting an enabling environment for entrepreneurship and SME development are examined in more detail in a synopsis of good practices, which is being prepared by the secretariat.

This Review identifies major obstacles to enterprise development in the catching-up economies of the ECE region, highlights the legal, administrative, taxation, and financing barriers to new and operational enterprises, identifies some good practices in reducing those barriers and presents conclusions based on the policy recommendations to Governments developed by the above-mentioned International Conference.

The Committee is expected to endorse the recommendations agreed by the International Conference on Reducing Barriers to Entrepreneurship and Encouraging Enterprises Development: Policy Options.

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## INTRODUCTION

1. As stipulated by the programme of work of the Committee for Economic Cooperation and Integration (CECI) for 2006-2008 and beyond, the present document reviews policy approaches to solving problems in legal and institutional frameworks, which hinder entrepreneurship and enterprises development. It draws on the findings of the background note prepared by the secretariat for the International Conference on Reducing Barriers to Entrepreneurship and Encouraging Enterprise Development: Policy Options (International Conference) organized on 18 – 19 June 2007, the outcome of this Conference as well as on contributions by the members of the network of experts on entrepreneurship and enterprise development.
2. Country experiences in promoting an enabling environment for entrepreneurship and SME development are examined in more detail in a Synopsis of good practices in promoting an enabling environment for entrepreneurship and SME development mandated by the Programme of Work of the Committee for 2008, which is being prepared by the secretariat.
3. The review of policy approaches is submitted for discussion. The Committee is expected to endorse the recommendations agreed by the above-mentioned International Conference.

### I. MAJOR OBSTACLES TO ENTERPRISE DEVELOPMENT

4. Well-grounded policies aimed at reducing obstacles to entrepreneurship and enterprise development require good practical knowledge of regulatory and institutional barriers faced by would-be entrepreneurs, including their scope and importance for the start-ups and already operational enterprises. Company surveys conducted by national associations of entrepreneurs and small and medium enterprises (SMEs), as well as those carried out by the international organizations and NGOs (Organization for Economic Cooperation and Development, World Bank, European Bank for Reconstruction and Development, Transparency International and World Economic Forum) in the mid-2000s enable a better understanding of outstanding issues in this area.<sup>1</sup>
5. In particular, the above-mentioned enterprise surveys indicate that entrepreneurs from both developed and catching-up economies,<sup>2</sup> perceive major obstacles to doing business in a similar way. Factors mentioned by company representatives from all regions included inefficient bureaucracy, inadequate access to finance and too high taxes. At the same time, entrepreneurs from the catching-up economies of the region also included in the top five impeding factors

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<sup>1</sup> The following studies were used in the preparation of this paper: OECD's SME and Entrepreneurship Outlook (2005), OECD - Asia-Pacific Economic Cooperation (APEC) Member Policy Makers Survey and the Survey of SME's Perceptions of Barriers to Access to International Markets (2006), World Economic Forum's Global Competitiveness Report 2005-2006, UNECE's Small and Medium-Sized Enterprises in Countries in Transition. 2003, Doing Business project survey (<http://www.doingbusiness.org/>), EBRD's Micro, Small and Medium-sized Enterprises Strategy (2006), and Transparency International's Global Corruption Report (2006).

<sup>2</sup> The term "catching-up economies" is used to define the group of ten new EU Member States (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia), countries of South-East Europe (Albania, Bosnia and Herzegovina, Croatia, Montenegro, Serbia and The former Yugoslav Republic of Macedonia), as well as the countries of Eastern Europe, Caucasus, and Central Asia (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, the Russian Federation, Tajikistan, Turkmenistan, Ukraine and Uzbekistan).

complicated tax regulations and corruption. Other factors, such as political instability, inflation and foreign currency regulations seem to have been, on average, less important. According to the same surveys, factors such as cumbersome tax regulations and corruption were perceived by entrepreneurs from the catching-up economies as the fourth and the fifth-ranking impediments to doing business.

6. While the rankings in individual catching-up economies differ, most of the surveyed business executives referred to three clusters of factors inhibiting entrepreneurship and enterprise operation: inefficiency of governance (Government bureaucracy and corruption), taxation issues (taxation regulations and taxation rates), and inadequate access to finance.

7. The participants of the above-mentioned International Conference on Reducing Barriers to Entrepreneurship also emphasized the importance of cultural and psychological barriers, in particular, with regard to women entrepreneurs, entrepreneurs belonging to ethnic minorities and young entrepreneurs. The Conference recommended alleviating these barriers to enterprise growth through a series of measures, which should be gender-sensitive and should inter alia encourage and stimulate entrepreneurial spirit, particularly among young people, and help them understand the opportunities offered by entrepreneurship.

## **II. LOWERING ADMINISTRATIVE BARRIERS**

8. The administrative barriers faced by entrepreneurs include those encountered when starting a new enterprise or operating an already existing one. In the first case, they relate to a number of steps, stipulated by law, which usually include obtaining an operational permit, notarizing the company deeds, opening a bank account and registering and/or obtaining authorization from various Government agencies. Administrative barriers to the already existing enterprises relate to excessive reporting requirements and the associated paperwork, inadequate information on changes in norms and regulations, and ruinous penalties for violations of regulations. While not specific to catching-up economies, the administrative procedures related to the establishment and operation of enterprises are perceived as a major hurdle for entrepreneurs in nearly all countries in that group.

9. To deal with administrative barriers to entrepreneurship, catching-up economies follow largely similar policies drawing on existing good practices as well as on recommendations of international organizations. They focus on streamlining the legislative basis for enterprise registration and operation, simplifying the procedures to follow and decreasing their number, reducing the amount of time required for entrepreneurs to start operations, lowering the financial burden associated with enterprise establishment and alleviating the supervisory burden incurred by the already operational enterprises.

10. To these ends, the World Bank and the European Commission inter alia advise Governments to:

- (a) create single access points (one-stop shops) to administer the establishment of enterprises;
- (b) standardize paperwork and make enterprise registration electronic;

- (c) eliminate the involvement of courts and notaries in the registration;
- (d) reduce the start-up fees to reflect only administrative costs;
- (e) introduce temporary business licences to ensure the prompt operations' start in 'standard' circumstances; and
- (f) impose 'silence is consent' rule so that once the deadline for processing applications is over, the enterprise should be automatically considered as registered.

11. Broadly following the above-mentioned recommendations, the catching-up economies put emphasis on various specific means of alleviating the administrative burden.

12. Several Governments have focused on streamlining and harmonizing the regulations which determine the registration and operation of enterprises (Albania, Belarus, Croatia, Moldova, the Russian Federation, Tajikistan, Ukraine, Uzbekistan), simplifying the procedures to follow and reducing their number (Belarus, the former Serbia and Montenegro, Uzbekistan) and introducing the single window approach for start-ups (Lithuania, Romania, the Russian Federation, The former Yugoslav Republic of Macedonia, Ukraine and Uzbekistan). In the Republic of Moldova, for example, the Government, in cooperation with the private sector, has reviewed as many as 1000 relevant laws and regulations, and has repealed 100 and revised 200 of them to render them more conducive to entrepreneurship.

13. Serbia and The former Yugoslav Republic of Macedonia have eliminated the requirement of a general business permit for most business activities that carry no significant environmental, health or security risks. Several countries (e.g. Bosnia and Herzegovina and Romania) have eliminated the mandatory use of services of both notaries and judges in the process of registration.

14. Croatia, Moldova and Serbia have introduced electronic systems of company registration that have significantly reduced delays, and Croatia has also adopted and implemented legislation on the use of electronic signature. Montenegro and Serbia currently apply the 'silence is consent' rule to the company registration process.

15. The efforts of Governments in this area seem to bear fruit. Over the last four years, in many of the catching-up economies the number of procedures associated with enterprise registration has tended to decrease. As a result, during the period of 2003-2006, the average number of days dedicated by an entrepreneur to starting a company decreased by approximately 32 per cent in the new EU members, by 30 per cent in the South-East European countries, and by 26 per cent in the countries of Eastern Europe, Caucasus, and Central Asia. At the same time, in 2006, setting up a company in a catching-up country took on average 32 days, which is twice as long as in 6 developed market economies selected for comparison<sup>3</sup> (15 days on average).

16. Policy makers in the catching-up economies also endeavour to reduce the cost of establishing an enterprise. Albania, for example, has undertaken a number of measures to

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<sup>3</sup> Data from the following OECD countries were used for comparisons: Finland, France, Germany, Japan, the United Kingdom and the United States.

simplify and eliminate redundant procedures in the registration and operation of economic entities. These measures include the modification of the commercial registry law to reduce the time needed for enterprises to be formally registered in court, removal of licensing requirement for companies not engaged in food production and processing, and creation of a one-stop web portal for SMEs featuring the electronic versions of relevant laws and regulations.

17. During the period of 2003-2006, the average overall cost of establishing an enterprise in a catching-up economy as a percentage of Gross National Income (GNI)<sup>4</sup> per capita decreased by approximately 12 percentage points in the South-East European countries, by 6 percentage points in the countries of Eastern Europe, Caucasus, and Central Asia, and by 5 percentage points in the new EU members. Albania, Georgia, Latvia, Romania, the Russian Federation, Slovakia and Ukraine demonstrated the most dramatic reduction of registration costs. In all of these countries, the costs were more than halved over the period of 2003-2006. Other countries, notably Armenia, Azerbaijan, Bulgaria, Croatia, Hungary, Kazakhstan, Kyrgyzstan, Lithuania, Serbia, Slovenia, The former Yugoslav Republic of Macedonia and Uzbekistan, have also shown significant progress in this area. At the same time, by the end of the indicated period, the costs of starting a business in catching-up economies still remained four times higher than in the reference group of selected developed market economies.

18. The policy approaches towards the minimal capital requirements have varied among countries. According to the World Bank, over the last four years in some countries (such as The former Yugoslav Republic of Macedonia, Ukraine and Uzbekistan), the minimum capital requirements increased, while in others (Bosnia and Herzegovina, Bulgaria, Georgia, Poland and Serbia) they fell significantly. In 2006, in Azerbaijan, Montenegro, Kyrgyzstan and Romania, the capital requirements were either equal or close to zero. However, in Bulgaria, Poland, Tajikistan, The former Yugoslav Republic of Macedonia and Ukraine they ranged from over 90 to 379 per cent of GNI per capita.

19. Policy makers in Belarus, Tajikistan and Uzbekistan have concentrated efforts on facilitating enterprise operations. In particular, they have extended the validity of operational licences, reduced the number of inspections incurred by operational enterprises and improved coordination between tax institutions. The Government inspections have become fewer and the percentage of inspected SMEs has also decreased. Business operators have had to spend less time on dealing with inspectors.

20. In this context, the International Conference recommended to Governments to implement consistently measures facilitating enterprise establishment, giving consideration to this end to the recommendations of the World Bank and the European Commission. It also recommended to simplify the procedures governing operational enterprises, in particular through reducing the number of required permits and licences and increasing their validity terms, improving coordination among various supervisory agencies and reducing the overall number of inspections borne by enterprises.

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<sup>4</sup> The Gross National Income (GNI) measures the total domestic and foreign income claimed by the residents of the economy. GNI per capita is the Gross National Income divided by the mid-year population. (World Bank website, <http://www.worldbank.org/data/countrydata/aag.htm>)

### III. IMPROVING TAX ADMINISTRATION

21. According to the latest surveys, in the catching-up economies taxation is considered as one of the most important components of the business environment. In particular, Governments have to consider addressing both the issue of tax burden and that of associated administrative burden, related to the number of taxes paid and the amount of time companies have to spend dealing with tax obligations.

22. The limited information available shows that during the 2000s, Governments in the catching-up economies have endeavoured to improve tax administration focusing on:

- (a) lowering the tax rates;
- (b) introducing a single tax and/or special taxation schemes for SMEs;
- (c) reducing the number of taxes to be paid; and
- (d) simplifying the tax administration for enterprises, including through administering taxation on-line.

23. According to the World Bank assessment, policy makers in a number of countries have simplified tax regimes in their efforts to create an attractive corporate tax environment.

24. A range of measures has been implemented to this end. Recently, Croatia, for example, has put in place an e-Government project enabling on-line submission of income and other taxes. Legislation allowing for on-line tax filing has been approved in The former Yugoslav Republic of Macedonia and is currently under consideration in Bosnia and Herzegovina. In the Russian Federation, the calculation of the corporate tax base has been made more transparent and the VAT rate was lowered.

25. The country efforts to reduce the overall tax burden on enterprises are reflected in company survey results. The company tax rates have decreased in many catching-up economies and, as a result, the percentage of business operators perceiving tax rates as a problem has dropped recently in all groups of catching-up economies.

26. The data provided by the World Bank show that in 2006 the profit tax rate in the catching-up economies was half as high as in the six leading market economies selected for comparison. However, the payroll taxes as a percentage of gross profit were significantly higher in the first group of countries as compared with the OECD countries (with the exception of France).

27. Belarus, Georgia, Latvia, Tajikistan and Uzbekistan have reduced the number of taxes to be paid by enterprises, while Albania and Uzbekistan have introduced special tax regimes for SMEs.

28. Overall, however, the number of tax payments in the catching-up economies remains significantly higher than in the OECD countries. While the new EU-members seem to have been closing this gap, in the mid-2000s the number of taxes to be paid by enterprises in South-East

Europe and the countries of Eastern Europe, Caucasus, and Central Asia was 2 – 3 times higher than in OECD countries. The same applies to the amount of time companies have to spend to comply with the taxation requirements, which in the same period, as compared with the OECD economies, was particularly elevated in the countries of Eastern Europe, Caucasus, and Central Asia.

29. The above-mentioned discrepancies may indicate further directions for policy action aimed at aligning the taxation systems to the needs of enterprises. The International Conference also emphasized the need to consider, where appropriate, implementing targeted measures of tax incentives for SMEs.

#### **IV. FINANCING OF START-UPS AND SMEs**

30. Access to finance is regarded by enterprises as one of the three most important factors influencing the business operations. At the same time, adequate financing for SMEs is known to be constrained by the perceived high credit risk by banking institutions. The commercial banks often reject project proposals by SMEs because of inadequate collateral, poor financial state of the applying enterprises, and insufficient clarity of business plans. Barriers to bank finance are particularly high for those start-ups whose competitive strength is based on research and development and innovation, because those companies often lack physical assets which can be used as collateral. In the same way, in some countries of the region, women entrepreneurs face difficulties in fund-raising because they don't have property of their own to be used as collateral.

31. In order to facilitate access to finance to emerging enterprises, countries use a variety of policy measures such as:

- (a) modifying the legal requirements to facilitate the use of company assets as collaterals;
- (b) creating the legal basis for sharing the information on borrowers among financiers;
- (c) developing alternative sources of financing;
- (d) facilitating the development of leasing; and
- (e) promoting micro-financing.

32. Regulators in Ukraine, for example, have introduced changes in credit legislation. In particular, it has introduced a new collateral law, allowing enterprises to use a broader range of assets as collateral and allowing creditors to appropriate those in case of non-payment without a lengthy court trial.

33. The introduction of credit registers accumulating all information on financial obligations of enterprises not only improves the enterprise access to finance but also facilitates its exit from the market in case of bankruptcy. In recent years, Kazakhstan has introduced new laws to encourage sharing of information on borrowers, and Bosnia and Herzegovina, Bulgaria, the Russian



Federation and Ukraine have established credit registers (bureaux) and created a legal basis for banks to share information with those institutions.

34. While recently, banks in catching-up economies have increasingly provided finance to start-ups and SMEs, given the persisting weakness of the financial system in those countries, some Governments have developed alternative sources of financing for small and medium-sized enterprises.

35. In particular, Governments in Armenia, Kazakhstan, Kyrgyzstan and Uzbekistan have developed, in co-operation with the private sector, special programmes, which include loan guarantees and loan facilities for SMEs. Similar services are also extended in cooperation with international financial institutions and private funds.

36. Governments have also drawn on the assistance of international institutions to foster the development of leasing facilities for SMEs. In Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan they have introduced a number of laws and taxation rules making the leasing operation more attractive for domestic and foreign investors.

37. In a number of catching-up economies Governments have introduced legislative and regulatory changes, which facilitate the supply of micro-finance for SMEs. Tajikistan has created an enabling legal and regulatory framework for this sector, while Georgia and Uzbekistan have adopted legislation to strengthen the lending capacity of micro-finance institutions, including those not belonging to the banking sector (credit unions).

38. The growing sophistication of financial systems in the catching-up countries as well as the development of alternative sources of financing for SMEs have contributed to the alleviation of the access to finance problems and this is reflected by company surveys conducted by the EBRD and the World Bank. During 2002 – 2005, the percentage of companies considering the access to finance as a problem decreased in all groups of catching-up economies, and most importantly in the countries of Eastern Europe, Caucasus, and Central Asia. However, according to the World Economic Forum 2006 survey, in the mid-2000s entrepreneurs in these countries still found it more difficult to obtain a bank loan without collateral as compared with their counterparts from developed market economies.

39. The International Conference recommended to Governments to design, in consultation with banking institutions, measures facilitating the access of SMEs to bank finance, in particular special credit schemes for long-term investment financing with prolonged grace periods, loan guarantees provided via public-private SME-focused programmes, and more favourable collateral acceptance rules. Governments were also advised, drawing on assistance from international financial institutions, to develop alternative forms of funding for start-ups and SMEs, in particular financing from specialized public-private funds, leasing, micro-financing, etc., as well as to support the “investment readiness” of enterprises through training and other awareness-raising initiatives that enhance their ability to attract finance.

## V. FACILITATING THE EXPANSION OF SMEs ABROAD

40. Foreign expansion of enterprises in general and SMEs in particular is considered as one of the prerequisites of enhanced economic efficiency in today's global economy. At the same time, surveys by international organizations, OECD in particular, show that SMEs are underrepresented in the internationalized sector of the economy, and international trade in particular.

41. Exporting and investment abroad by SMEs are hindered by a number of barriers, which relate both to internal weaknesses of enterprises and external conditions of their operation. The former include inadequate access to financing and shortage of working capital, insufficient information on business opportunities and markets abroad, and lack of communication with potential customers, while the latter include home and host country regulations unfavourable to exporting, importing and cross-border investment, and the lack of relevant incentives from Governments.

42. The Government actions aimed at reducing these barriers focus on facilitating the access of foreign traders and investors to information on markets and relevant regulations. The findings from the OECD - Asia-Pacific Economic Cooperation (APEC) Member Policy Makers Survey and the Survey of SME's Perceptions of Barriers to Access to International Markets (2006), emphasize also the importance of promoting the SME participation in global value chains and clustering as a means of overcoming trade barriers.

43. Throughout the UNECE region, Government regulations that companies have to apply when operating outside their home markets are complex and change frequently. In order to address this issue, in the United Kingdom, for example, all changes in regulations enter into force only twice a year, which significantly reduces the amount of time required to find out which of them apply at any given moment. The United Kingdom Government has also created an online trade "single window", which integrates information provided by the relevant departments (revenue and customs, trade and industry, and environment). Along the same lines, in Sweden a one-stop information centre has been set up to provide access to information on Swedish trade rules and regulations to potential exporters from developing countries.

44. Several catching-up countries have promoted enterprise cluster development at regional, interregional and cross-border levels. In 2005, Slovenia created the National Centre of Clusters and Technology Network, providing a platform for cooperation between companies, technology networks, investors and the Government. Similarly, the Czech Republic offers financial grants to create an infrastructure enabling the establishment of clusters, including those with foreign partners.

45. It was argued at the International Conference that further assistance to foreign traders and investors by Governments can focus on providing them with additional information resources, including measures facilitating the intellectual property rights protection for SMEs, foreign traders' innovation and technological capacity, as well as costs of applying the international standards for exporters.

46. In the context of facilitating the SME expansion abroad, the International Conference recommended to member-States, in line with the OECD recommendations, to create mechanisms that facilitate the participation of SMEs in the trade policy process, assist exporting enterprises in diagnosing and understanding the business environment they face in host countries, and design programmes that help firms to overcome trade barriers.

## VI. REDUCING CORRUPTION

47. Enterprise surveys conducted in the early 2000s provided evidence of high corruption perceptions in the catching-up economies and signalled that illegal payments during the business registration and operation were quite common. The 2002 and 2005 company surveys showed that about a quarter of the interviewed companies in the countries of Eastern Europe, Caucasus, and Central Asia and in South-East Europe considered unofficial payments frequent, and this finding is confirmed by the data provided by Transparency International.

48. Recently, the catching-up economies have endeavoured to improve overall public governance and intensified their fight against corruption in a number of areas. In particular, this concerns:

- (a) the reform of the judicial system;
- (b) tax reform;
- (c) institutional reform, including the establishment of new anti-corruption advisory bodies, and
- (d) enhanced accountability of civil servants.

49. In Belarus, Ukraine and Kazakhstan, for example, comprehensive state programmes to fight corruption have been put in place, aiming inter alia at enhancing the efficiency of law-enforcing agencies and establishing effective mechanisms for the prevention of corruption, i.e. law enforcement.

50. Georgia, Kyrgyzstan, Ukraine and Kazakhstan have started reforms of their judicial systems intended to increase the independence of courts and ensure adequate remuneration for judges in order to reduce the incentives for bribe taking.

51. Tax reform has also contributed to reducing the incentives of tax authorities to accept bribes. Albania, Bosnia and Herzegovina, Georgia, Poland and Slovakia have introduced new tax systems that intend to contribute to reducing corruption by ensuring greater transparency, increasing the capacity and incentives for enterprises to pay taxes and limiting tax officials' ability to abuse their prerogatives and collect bribes. A number of member-States, notably Belarus, Kazakhstan, Kyrgyzstan and Ukraine, are considering simplifying taxation procedures and introducing on-line systems of interaction between Government officials and companies in order to reduce possibilities for tax evasion and bribes.

52. The reform of institutions in the catching-up economies has contributed to fighting corruption through establishing specialized anti-corruption advisory bodies. Croatia has set up a special office for fighting corruption and organised crime. Georgia has established an anti-corruption working group composed of Government officials and NGOs with the goal of developing an anti-corruption strategy. In other countries (e.g. Armenia, Bosnia and Herzegovina, and Serbia) the anti-corruption activities are coordinated among several ministries, agencies and prosecutors' offices. In Kazakhstan, the Government has streamlined the functions of enforcement agencies to avoid duplication in investigating corruption cases. Montenegro's Ministry of Finance has signed a memorandum of understanding with business associations to ensure their participation in drafting the relevant legislation.

53. Finally, an effort has been made to increase the transparency of operation and the accountability of civil servants. Policies aimed at raising the effectiveness of civil service include recruitment through competitive exams and continuous professional training of civil servants. In 2004, the Parliament in Kyrgyzstan adopted a law, according to which civil servants could be temporarily suspended from duties in case of a conflict of interest resulting in an improper benefit for a third party. At the same time, the legal requirements to declare incomes by public officials also have been strengthened in a number of countries. Both in Poland and Romania, public employees disclosing breaches of the law inside the institutions in which they worked were provided legal protection.

54. At the international level, all countries of the UNECE region have become parties to at least one of the major conventions related to fighting corruption. The United Nations Convention against Transnational Organized Crime has received the largest number of ratifications by the catching-up countries. All the new EU Member States have ratified the Council of Europe Civil Law Convention on Corruption and the Council of Europe Criminal Law Convention on Corruption. These two conventions have been also ratified by about half of the countries of Eastern Europe, Caucasus, and Central Asia. Finally, the OECD Anti-bribery Convention has been ratified by seven of the catching-up economies, including the Czech Republic, Hungary, Poland and Slovakia, which are OECD members, and also by Bulgaria, Estonia, and Slovenia.

55. To summarize, the recent years have borne witness to intensified Government action against corruption. However, its effects on enterprise development are not easy to quantify. While longer time series are not available, the limited data for 2002 - 2006 from the EBRD-WB Survey and from Transparency International attest to a certain improvement in the corruption situation in the new EU members in the first place, while in the countries of Eastern Europe, Caucasus, Central Asia and South-East Europe progress seems to have been less significant.

56. In this context, the International Conference recommended to central and local Governments to implement systemic measures aimed at improving public governance, and alleviating corruption and unofficial payments by enterprises. Strengthened independence of judges, enforcement of taxation rules penalizing illicit payments, the establishment of anti-corruption public-private advisory bodies and enhanced accountability of civil servants should serve the interests of emerging entrepreneurs and enterprises. At the same time, the Conference recommended to encourage business operators to embrace and enact the ten principles spelled out by the United Nations Global Compact.

## VII. CONCLUSIONS

57. The available information provides evidence that recently Governments of catching-up countries have endeavoured to reduce the administrative barriers to enterprise establishment through the simplification of registration procedures, introduction of standardized forms and a “single window” approach for business registration, facilitation of online registration, reduction of administrative costs and minimal capital requirements for start-ups, and introduction of the “silence is consent” rule in registration. In order to facilitate the operations of the already existing enterprises, Governments have reduced the number of required permits and licences, increased their validity terms, improved coordination among various supervisory agencies and reduced the number of inspections imposed on enterprises.

58. The efforts of Governments have borne fruit resulting in a considerable reduction in the number of days required for an entrepreneur to set up a company and lower costs associated with business registration. While progress in reducing administrative barriers is to be recognized in all groups of catching-up economies, they still remain an important impediment. The number of days an entrepreneur has to spend to set up a company in an average catching-up country is still twice as high while the cost of starting a business four times higher than in a group of developed market economies selected for comparison. Further policy action by Governments could focus on consistent implementation of international good practices in this area summarized in the recommendations of the World Bank and the European Commission.

59. A number of catching-up countries have undertaken to simplify the taxation procedures, reducing the number of taxes to be paid and lowering the tax rates for enterprises. In 2006, the profit tax in the catching-up countries was half as high as in the group of leading market economies selected for comparison. However, the payroll taxes in the catching-up countries were significantly higher, and the same applies to the number of tax payments and the time required to companies to comply with taxation requirements. In this area, Governments could continue simplifying the tax administration and reducing the number of taxes to be paid by enterprises. They might also consider assessing the impact of payroll taxes borne by companies on the development of entrepreneurship.

60. Governments have endeavoured to improve the access of start-ups and SMEs to financing through facilitating the use of a broader range of assets as collateral, setting up credit registers, developing non-bank loan and guarantee facilities for SMEs, leasing and micro-financing. As a result, the percentage of companies considering the access to finance a problem has decreased in all groups of catching-up economies. Further policy action in this area could focus on designing special credit schemes for long-term investment financing of SMEs with prolonged grace periods, and introducing more relaxed collateral acceptance rules. At the same time, Governments may wish to support the “investment readiness” of enterprises through training and other awareness-raising initiatives that enhance their ability to attract finance.

61. In order to reduce barriers to SME expansion abroad, Governments have facilitated the access of foreign traders and investors to information on markets and relevant regulations. To this end, they have increasingly provided the relevant information on line and assisted exporters in improving their understanding of business environment in home and host countries. In the future, in line with the OECD-APEC recommendations, Governments might consider

strengthening their information support for SMEs in the area of IPR protection and international standards, further facilitating the involvement of small and medium-sized enterprises in trade policy design and implementation, as well as enabling their participation in global value chains.

62. In order to reduce the potential for corruption during the process of enterprise registration and operation, Governments have strengthened the relevant law enforcement, increased the independence of courts and judges, rendered the taxation systems more transparent and strengthened the accountability of civil servants. While the effects of these policy actions are not easy to quantify, the limited data available attest to a certain improvement in the corruption situation in the new EU countries, while in the other sub-regions the survey results are less convincing. Future anti-corruption measures should be consistent and complement each other in all areas concerned, and should benefit from the strengthened cooperation of Governments with other stakeholders.

63. The research by the secretariat as well as the outcome of the International Conference also attest to the need for enhanced public-private cooperation in the design and implementation of enterprise development policies at national and sub-national levels, and more active participation of all relevant stakeholders in the drafting and implementation of normative and regulatory acts in this area.

64. The information on good practices in reducing barriers to enterprise development could also be used in demand-driven capacity-building programmes for Government officials, company managers and would-be entrepreneurs within requesting member States.

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