



Fighting informality in the time of coronavirus: enhancing business inspections in Serbia

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Overview

Business inspections are an important mechanism for maintaining fair and equal conditions for all market participants. However, in order to play this crucial role, the inspections regime needs to be designed and implemented properly. This means coordination, standardization and transparency of procedures, and integrity of inspectors. Active participation of citizens and businesses in reporting irregularities is also crucial. The importance of well-functioning business inspections is even more relevant during crisis periods, when the grey economy tends to increase and the evasion of regulatory framework and market rules becomes more frequent. The Serbian government has stepped up its business inspections procedures during the Covid19 crisis by establishing a new contact centre, where irregularities and complaints can be reported and taken forward for further action.

Serbia is engaged in a comprehensive business inspections reform programme, with support from the EBRD. The EBRD has been supporting the Serbian Government in its business inspections reform since 2017, as part of the MoU on Investment Climate and Governance signed by the Government and the EBRD in 2015.

The reform has generated significant results so far: a) better coordination of inspections oversight; b) standardisation of inspections oversight through the development of control lists with uniform questionnaires; c) changes and adjustments to the legal framework (laws, bylaws and procedures); d) increased transparency of inspections work, including through the creation of a new website www.inspektor.gov.rs; e) better training of inspectors; and f) enhanced data management, including through new software (e-Inspektor¹) to connect all inspections internally, as well as to connect inspections with different external data registers relevant for inspections oversight such as cadastre, ministry of interior, and business registries.

Initial performance of the reform programme showed a more active role of citizens and businesses was required. It was recognised early on that, along with the process of enhancing inspection capacity, it was vital to encourage citizens and business entities to report irregularities, including those on inspector activity. However, with only seven phone lines in total for reporting irregularities and complaints, it was difficult to monitor the application of more than 1,000 laws and by-laws in Serbia. Furthermore, reports were often not processed properly, due to the unclear division of inspections jurisdiction and insufficient cooperation between inspections. An enhanced approach was therefore needed.

A new Contact Centre was created to address the problems. The government, again with EBRD support, decided to establish a new Contact Centre as a unique place where citizens and businesses could report market irregularities, such as unregistered entities and the associated unfair competition, as well as irregularities or complaints regarding the work of inspectors. These issues would then be taken

¹ E-Inspektor is a software platform for digitalization of overall work of inspections that will enable transparency and equalization of inspection oversight and provide access to all data registries necessary for conducting inspections oversight.

forward for further action. The key objectives of the new Centre, therefore, were: a) decrease the shadow economy; b) improve the transparency, efficiency and coordination of inspection oversight; and c) draw important lessons from statistics of complaints/reports and responses/reaction of inspections.

The Covid-19 crisis has accelerated the introduction of the new Centre. Originally, the Contact Centre was scheduled to be launched in late-April 2020. However, recognising that during a crisis the informal economy tends to grow and evasion of regulatory framework and market rules becomes more frequent, the government brought forward the date to second half of March, soon after the official lockdown was imposed. This was one of the key Covid-19 policy measures taken by the government. Among other objectives, it was designed to prevent rising prices of basic products, protective equipment and disinfectants, food and medical supplies during the crisis period.

The Contact Centre has been highly active in its first three months. Between its establishment in mid-March and mid-June, the Contact Centre received over 4,000 reports. Approximately 40 per cent of those have been transferred to inspections for further processing. Of the remaining 60 per cent, some did not fall under the jurisdiction of business inspections, while others were handled within the Contact Centre, which provided further information, explanations and legal interpretation. Most cases which were transferred for further processing, fall under trade and labour

inspections. These results clearly confirm the relevance of the Contact Centre during the Covid-19 pandemic, even though little was done to promote its usage and despite the fact that it still does not include all business inspections.

Developing the digital functionality of the Contact Centre will further enhance its functionality. The next steps of the project include full integration of all business inspections (43) with the Contact Centre, including through the connection with the business inspections digital platform eInspektor. Due to strong interest and a very high number of inquiries, it has been decided to develop an additional functionality – the Chatbot – a software application used to conduct on-line conversation via text or text-to-speech, in lieu of providing direct contact with a live human agent. The Chatbot, which will be available 24 hours a day, seven days a week, will decrease pressure on Contact Centre operators and educate third parties, thereby decreasing the number of reports that do not fall under inspections jurisdiction.

Full commitment of the government is a key ingredient for the successful implementation of such a comprehensive reform. In the case of Serbia, the Ministry for Public Administration, in charge of coordinating business inspections, understood this well right from the start. The Ministry, together with the EBRD, has engaged a consultant with a strong track record. The EBRD's local presence will help ensure good coordination and support for further implementation.

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One Exchange Square
London EC2A 2JN
United Kingdom
www.ebrd.com

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