

Product Market Regulation in Romania: A Comparison with OECD Countries

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PRODUCT MARKET REGULATION IN ROMANIA: A COMPARISON WITH OECD COUNTRIES¹

-PART I

Marianne FAY*

Donato DE ROSA*

Cătălin PĂUNA *

Abstract

Less restrictive product market policies are crucial in promoting convergence to higher levels of GDP per capita. This paper benchmarks product market policies in Romania to those of the OECD countries by estimating OECD indicators of Product Market Regulation (PMR). The PMR indicators allow a comprehensive mapping of policies affecting competition in product markets. Comparison with OECD countries reveals that Romania's product market policies are less restrictive of competition than most direct comparators from the region and not far from the OECD average. Nonetheless, this achievement should be interpreted in light of the fact that PMR approach measures officially adopted policies. It does not capture implementation and enforcement, the area where future reform efforts should be directed if less restrictive policies are to have an effective impact on long-term growth prospects. Part I : a comparative analysis of Romania's PRM and Inward-oriented Policies.

Keywords: regulation, product markets, administrative reforms, inward looking policies, outward looking policies

JEL Classification: L51

Introduction

On January 1, 2007, Romania became a member of the European Union. This achievement was in part made possible by a substantial reform effort that has allowed Romania to make impressive progress towards long-term stability and sustained growth in the last six years.

Nonetheless, the income gap with the new member states of the EU remains large. In order to sustain growth and improve competitiveness, a second generation of reforms has been put in place to help the country's successful integration in EU and global

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* Europe and Central Asia Region, The World Bank.

markets. A cornerstone of this reform agenda is the implementation of less restrictive product market policies that enable firms to put resources, both capital and labor, to their most efficient use.

This paper presents a comparative analysis of Romania's performance in product market regulation (PMR). The approach used relies on a methodology developed by the OECD (Conway, Janod and Nicoletti 2005), that measures the degree to which domestic policies inhibit or promote competition. The data – which are derived from a self-reported survey – is policy-focused as opposed to perception based (or based on market outcomes). It is available for OECD members and Brazil. Data for Romania were first collected in 2002 in the context of an OECD country study on Romania (OECD 2002a) and then again in early 2006.

The key finding is that Romania's product market policies appear to be less restrictive of competition than most direct comparators from the region and not far from the OECD average (as estimated on the basis of data collected in 2003). This result is particularly impressive when compared to its earlier score: OECD (2002a), employing an earlier version of the PMR methodology, found that product market policies in Romania were among the most restrictive compared to OECD countries. This implies that over the past few years Romania has engaged in a comprehensive reform effort across a wide array of product market policies. Such striking improvement is in line with the findings of other surveys such as *Doing Business*, which shows Romania to have improved its ranking from 71 out of 155 countries in 2005 to 49 out of 175 in 2006.

There are, however, two important caveats to this otherwise impressive achievement. The first is that the PMR approach measures officially adopted policies. It does not capture implementation and enforcement. In fact, interviews with business association suggest a significant gap between officially adopted policies, on the one hand, and implementation and enforcement, on the other. While Romania has achieved impressive results in terms of having laws that are more conducive to private sector development, the lack of a greater effort in terms of implementation and enforcement would substantially reduce the impact of the policies adopted in recent years that could hurt the competitiveness of the Romanian economy in the longer run.

The second is that the analysis compared Romania in 2006 with OECD countries in 2003 (the latest year in which a PMR survey was conducted). This does not detract from the remarkable progress Romania has made and certainly allows for a relevant comparison between Romania and other countries of the region just prior to their joining the EU. However, it does imply that Romania's excellent performance leaves no room for complacency. Most OECD countries have actively continued to improve their product markets over the last three or four years. As such, the present paper overestimates how Romania ranks relative to competitors today.

The present paper provides a detailed look at the various components of product market regulation and suggests areas in which further progress could be made, at least with respect to official policies. Some steps to improve implementation are also proposed. These include (i) greater political commitment at the highest level to take the lead in application and enforcement of rules and regulations; (ii) changes in the institutional architecture of the government to improve oversight and coordination; and (iii) implementation of measures to enhance the capacity of the public administration, especially its lower echelons, to support the reform agenda.

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We now turn to a presentation of the PMR methodology and a discussion of the choice of benchmarks, before presenting the results of the benchmarking exercise, looking first at inward oriented policies before briefly discussing outward oriented policies (which, as of January 1, 2007, are largely governed by EU rules and agreements). The last section concludes with some suggestions for next steps.

The PMR Methodology

A regulatory environment propitious to competition in product markets is widely believed to have positive repercussions on long run economic performance (Nicoletti and Scarpetta 2003) and productivity convergence (Conway *et al.* 2006a and 2007). This may occur by promoting a more efficient allocation of resources both across and within sectors (Nickel 1996). A more competitive environment may also stimulate innovation and technological diffusion, thus enhancing dynamic efficiency (Aghion *et al.*, 2001).

Product market regulation (PMR) is measurable through a methodology developed at the OECD relying on the OECD regulatory indicators questionnaire. The methodology and key findings of the PMR for OECD countries are presented in Nicoletti *et al.* (1999) and Conway *et al.* (2005). The PMR indicators summarize information on economy-wide and industry-specific regulatory provisions.

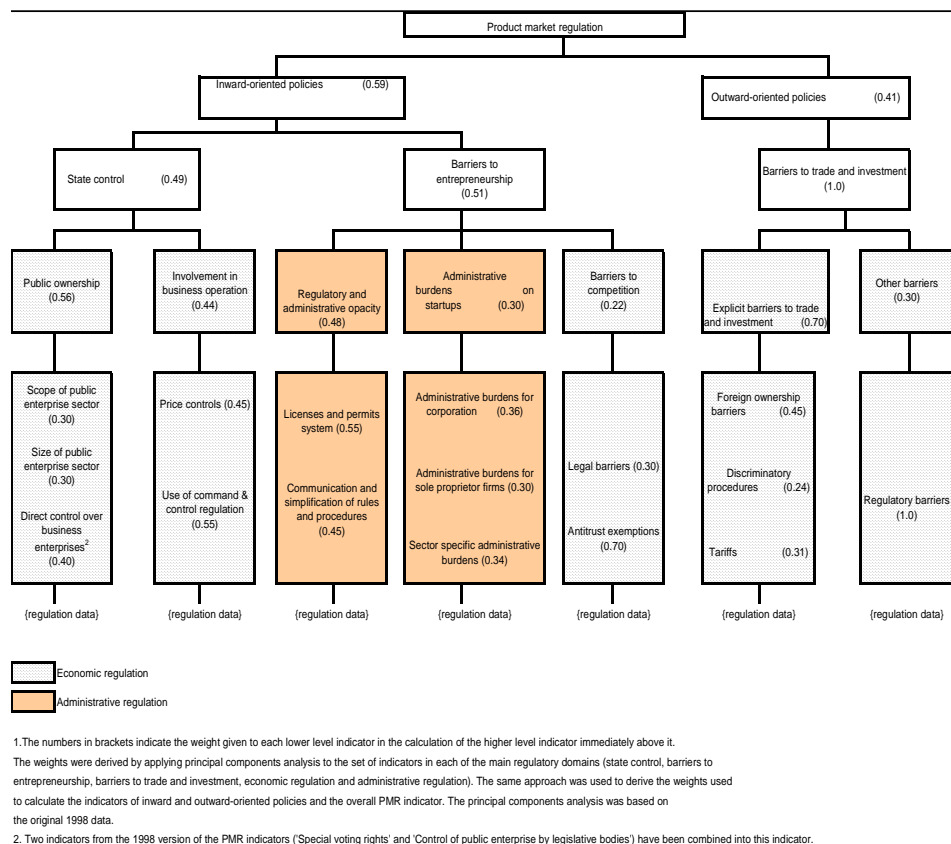
The PMR indicators are designed to reflect regulations that have the **potential to restrict competition** in areas where competition is viable. By construction, they have a number of features which make them useful not only for analysis, but, more importantly, for policy advice, since they allow to pinpoint specific policies that hamper competition in product markets. First, PMR indicators are focused on enacted **policies** and not on outcomes, implying that they are '**objective**', in that they are not based on opinion surveys. Second, since the summary PMR indicator is constructed as the average of well defined components, PMR scores can be related to **specific underlying policies**, thus providing precise inputs in the phase of policy recommendation. Finally, PMR indicators focus on regulatory measures that affect the economy at large and can therefore be considered as **comprehensive** measures of regulatory restrictiveness. Their advantages notwithstanding, PMR indicators are not designed to capture **informal** regulatory practices nor the effective **enforcement** of regulations, since they are only concerned with formal compliance with a number of criteria.

Data were collected for Romania for the purpose of the present exercise, covering four of the six "sections" of the OECD product market regulation database.¹ The first section deals with general regulatory policy issues, concerning public ownership; market access and competition issues; market structure and vertical relationships in utilities and other network industries. The second section covers regulatory and administrative policies, such as processes and capacities in the public administration. The third section covers regulation in transportation industries, focusing on market access, business conduct, and market structure in road freight, railways and passenger air travel. The final section covers regulation in retail distribution, focusing on the regulatory environment, industry behavior and prices. Information from Doing Business 2006 was used for a fifth section of the PMR - administrative burdens on startups.

Figure 1

¹ The OECD questionnaire adapted for Romania is provided in Annex 2. For a comprehensive reference see www.oecd.org/eco/pmr.

The PMR indicator system



Source: Conway et al. (2005).

The structure of the PMR system is shown in Figure 1. The system is composed of 16 basic or 'low-level' indicators, each capturing a specific aspect of the regulatory regime as described in Box 1. The basic indicators are progressively aggregated in more comprehensive policy areas. The highest level of aggregation corresponds to the summary measure of product market regulation in the country.

Box 1. The 16 low-level PMR indicators

These indicators cover a wide range of product market policies and include:

INWARD ORIENTED POLICIES

State control: Public ownership

Scope of public enterprises: this indicator measures the pervasiveness of state ownership across business sectors as the proportion of sectors in which the state has an equity stake in at least one firm.

Size of public enterprise: reflects the overall size of state-owned enterprises relative to the size of the economy.

Direct control over business enterprises: measures the existence of government special voting rights in privately-owned firms, constraints on the sale of state-owned equity stakes, and the extent to which legislative bodies control the strategic choices of public enterprises.

State control: Involvement in business operations

Price controls: reflects the extent of price controls in specific sectors.

Use of command and control regulation: indicates the extent to which government uses coercive (as opposed to incentive-based) regulation in general and in specific service sectors.

Barriers to entrepreneurship: Regulatory and administrative opacity

Licenses and permits systems: reflects the use of 'one-stop shops' and 'silence is consent' rules for getting information on and issuing licenses and permits.

Communication and simplification of rules and procedures: reflects aspects of government's communication strategy and efforts to reduce and simplify the administrative burden of interacting with government.

Barriers to entrepreneurship: Administrative burden on corporations

Administrative burdens for corporations: measures the administrative burdens on the creation of corporations.¹

Administrative burdens for sole proprietors: measures the administrative burdens on the creation of sole proprietor firms.²

Sector-specific administrative burdens: reflects administrative burdens in the road transport and retail distribution sectors.

Barriers to entrepreneurship: Barriers to competition

Legal barriers: measures the scope of explicit legal limitations on the number of competitors allowed in a wide range of business sectors.

Antitrust exemptions: measures the scope of exemptions to competition law for public enterprises.

OUTWARD ORIENTED POLICIES

Barriers to trade and investment: Explicit barriers

Foreign Ownership barriers: reflects legal restrictions on foreign acquisition of equity in public and private firms and in the telecommunications and airlines sectors.

Tariffs: reflects the (simple) average of most-favoured-nation tariffs.

Discriminatory procedures: reflects the extent of discrimination against foreign firms at the procedural level.

Barriers to trade and investment: Regulatory barriers

Regulatory barriers: reflects other barriers to international trade (e.g. international harmonisation, mutual recognition agreements).

Source: reproduced from Conway, Janod and Nicoletti, 2005

The indicators are calculated on the basis of the qualitative and quantitative information obtained from questionnaire answers. Qualitative data are assigned a

¹ Data from Doing Business in 2005 was used to construct this indicator.

² This indicator is not available for Romania as information about it was not included in the adapted questionnaire for Romania.

numerical value that allows ordering each of the possible responses to a given question. Quantitative information is ranked by subdividing it into categories based on a system of thresholds. The coded information is then normalized over a scale of zero to six. These data are then aggregated into basic or 'low-level' indicators by assigning subjective weights to the various regulatory requirements. Given the normalization of the basic data, all the low-level indicators also have a scale of zero to six, reflecting increasing restrictiveness of regulatory areas.¹ A detailed description of the low level indicators is presented in the Annex.

Basic indicators are then aggregated into broader regulatory domains. Higher level indicators are calculated as weighted averages of their constituent lower level indicators. The attribution of lower-level indicators to each higher-level indicator, and the weights used in the aggregation, are based on principal component analysis (Nicoletti *et al.*, 1999). At the highest level of aggregation the overall indicator of product market regulation summarizes the restrictiveness of the regulatory framework in the product market. The structure of the PMR system, with progressive levels of aggregation, has the advantage of allowing a decomposition of higher-level indicators, with an increasing degree of detail, into the values of the more disaggregated indicators, each corresponding to specific regulatory provisions.

Choosing Benchmarks

The most obvious benchmarks for Romania are Bulgaria (for which data are available for 2006), and the countries of Central and Eastern Europe that are also OECD members (Czech Republic, Hungary, Poland and the Slovak Republic collectively referred to as the OECD CEE). The fact that the data are from 2003, when the OECD CEE were at about the same point as Romania in 2006 relative to their accession to the EU, makes them even better benchmarks. Nevertheless, when interpreting comparative results, it should be kept in mind that comparators are likely to have made further progress since 2003.

Additionally, comparison with Romania's 2002 PMR results provides an indication of the progress made in product market policies. However, since the 2002 PMR was estimated using an earlier methodology, the 2006 and 2002 scores for Romania are not strictly comparable. Nonetheless, both the order of magnitude and the relative standing of Romania clearly show an impressive drive towards adoption of product market policies that are less restrictive of competition in recent years.²

Extension of the benchmarking exercise to Brazil, Mexico and Turkey offers a broader perspective on other middle income countries (MICs) with different historical experiences. Finally, comparison with the OECD or high income EU15 countries helps identify longer-term objectives for policymakers.³

¹ The calculation of low-level indicators, including the weights used, is based on Conway et al. (2005).

² See Nicoletti and Scarpetta (1999) for a description of PMR 1998 results. Conway et al. (2005) re-estimate PMR 1998 indicators using the PMR 2003 methodology and show that orders of magnitude and country rankings remain virtually unchanged.

³ The EU15 includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and United Kingdom.

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These benchmarks are used in the graphs. Romania's score relative to the full set of countries (30 OECD members in 2003, Brazil in 2004 and Bulgaria in 2006) is shown in Appendix I for all PMR indicators.

The Romanian Context

Until 2000, Romania was one of the poorest performing economies of Central and Eastern Europe. The turnaround in 2000 was preceded by a protracted and precipitous decline in GDP, a peaking of the poverty rate to 36 percent, and inflation of 54 percent per year. EU accession aspirations and the opening of official entry negotiations with the EU in December 1999 spurred Romania's commitment to reforms. This led to significant macroeconomic consolidation and impressive growth in recent years.

As a result of the reforms, the economy has been growing at a robust 5 to 6 percent per year over the last six years. The main drivers for this growth have been investment and exports - and occasionally domestic consumption - that responded strongly to improved confidence in banks and macroeconomic stabilization. Inflation declined from above 40 percent in 2000 to 4.9 percent in 2006, the lowest level since the start of the transition. Fiscal consolidation, characterized by a cut in public expenditures of around 4% of GDP, allowed for a reduction in both inflationary pressures and the consolidated budget deficit. The latter shrank from 4.1 percent of GDP in 2000 to 1.7 percent in 2006. In addition, a combination of sustained growth and external migration permitted a substantial decrease in registered unemployment, down to around 5 percent of the labor force.

The EU accession process also set the stage for a broad and sustained structural and institutional reform agenda. Privatization of commercial companies picked up, especially in banking and the energy sector, though it slowed down somewhat in 2006. Foreign direct investment (FDI) substantially increased after 2000, with inflows exceeding 5-6 percent of GDP per year recently. Institutional and governance reforms advanced, with the first generation measures, focused on the establishment of the legal framework and the redesign of the institutional architecture of the public sector, either adopted or in the process of being implemented.

Important steps were also taken to upgrade the regulatory framework for businesses, remove administrative barriers and enhance the business climate. A major step forward was the adoption by the government, starting with 2001, of an annual Action Plan to remove administrative barriers to businesses.¹ The implementation of the Action Plan, updated annually, is overseen by a working group representing stakeholders, and its results are measured through surveys. This has led to the simplification of administrative and regulatory procedures and the decrease of the transaction costs for business entry and operation. As a result, Romania was ranked as the second most dynamic reformer in the world by the World Bank *2007 Doing Business* report in terms of improving the legal and regulatory framework for business.

These remarkable achievements notwithstanding, important aspects of the regulatory environment still need to be improved. This is true with regard to the quality of the rules and regulations, but more so with respect to their efficient enforcement. Business surveys suggest that sizeable regulatory obstacles to resource allocation

¹ This was supported by a program with the World Bank (the PSAL and subsequent PAL programs).

remain, unnecessarily increasing the transaction costs for companies and hampering job creation. Some of these will be further documented in the paper.

A central element of the regulatory reform agenda to be pursued by Romania is the continued implementation of less restrictive factor and product market policies and, even more so, the strengthening of the institutional framework for their effective implementation. This would encourage a more efficient allocation of resources and improve labor productivity. This is especially important given the significant gaps that Romania has in terms of incomes and productivity with EU members and the demographic trends laying ahead. Romania entered the EU with an estimated per capita income level of about 35% of the average for EU-15.¹ In addition, employment and participation rates, albeit improving recently, remain among the lowest in the EU. Evidence suggests that the reforms are paying off and that Romania is gradually, but constantly, catching up with the EU.

Benchmarking Production Market Policies in Romania

Enhancing competition in product markets has been found to positively affect GDP per capita by providing incentives to firms to reallocate resources to more productive activities, increase innovation and technological diffusion. In addition, less restrictive regulations may positively affect employment by reducing the rents that some firms extract from overregulation and force firms to expand their activities².

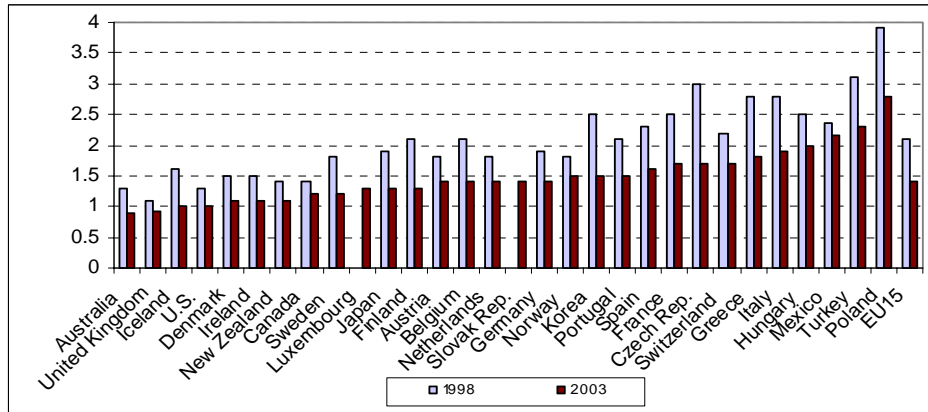
Benchmarking product market regulation has proved to be a useful tool for monitoring the performance of policies and institutions in OECD countries and for identifying specific policy gaps, thus offering the opportunity to benefit from the experience of other member states. Two surveys have been conducted so far collecting data for 1998 and 2003. Results from these surveys point to a convergence in product market policies across OECD countries, with substantial improvements achieved by countries that originally exhibited relatively restrictive product market regulations, such as Poland, Turkey, Czech Republic, Greece, Italy, France, Mexico, Korea, Hungary, and Spain (**Error! Reference source not found.**) Substantial improvements in easing product market policies have been also achieved among EU15 countries where the average PMR score fell from 2.1 in 1998 to 1.4 in 2003. While this reflects the increasing harmonization of EU common market rules, the PMR benchmarking may have been instrumental in fostering this improvement.

¹ Eurostat.

² Conway, Janod, Nicoletti (2005).

Figure 2

Product Market Regulation among OECD Countries, a Comparison between 1998 and 2003

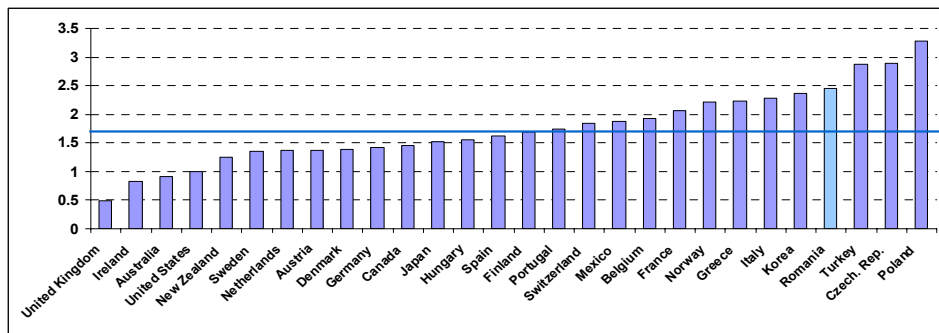


Source: Conway et al. (2005). Note: the 1998 data were re-based to be made more comparable to the 2003 data, given the change in methodology. This explains the slight differences in the data for 1998 between Figure 2 and Figure 3.a.

This positive effect is very much noticeable in Romania. In 2002 it ranked towards the bottom of the league of the 28 countries for which the overall PMR indicator was available. In 2006, out of 33 countries, Romania can confidently be ranked as one of the “middle of the road” countries; a remarkable progress by any measure (Figure 3.a and 3.b).

Figure 3.a

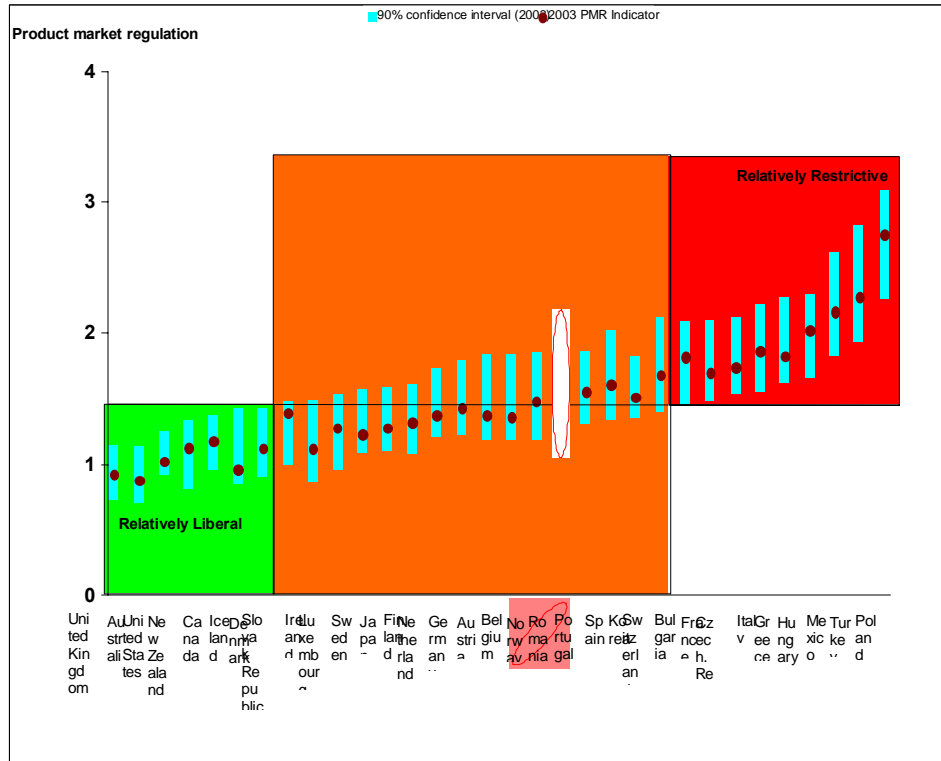
Product Market Regulation – Romania’s Ranking in 2002



Source: Nicoletti et al. (1999) and OECD (2002a). Note: Data refer to 2002 for Romania and 1998 for other countries. Methodology changed somewhat in 2003 so the ratings are not strictly comparable between Figures 3.a and 3.b. For details on the change see Conway et al (2005).

Figure 3.b

Product Market Regulation – Romania’s Ranking in 2006



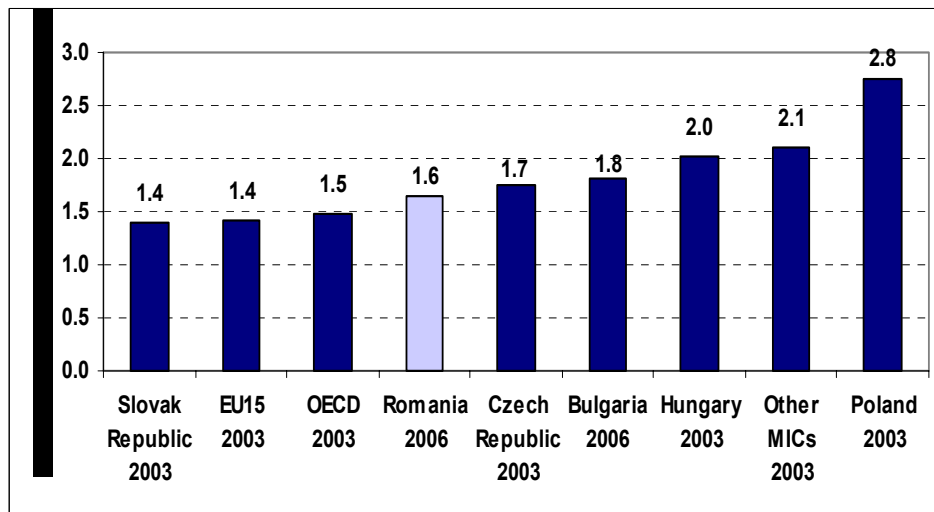
Source: Conway, Janod, Nicoletti (2005) and, for Bulgaria and Romania, World Bank estimates based on information provided by Bulgarian and Romanian authorities and Doing Business in 2005. Note: the values refer to 2006 for Romania and Bulgaria, 2004 for Brazil, and 2003 for all other countries.

Note: Values refer to 2006 for Bulgaria and Romania and 2003 for all other countries. The confidence intervals are calculated using stochastic weights on the low-level indicators to generate a distribution of overall PMR indicators for each country. The 90 per cent confidence intervals are calculated from that distribution. Indicator values for the 'relatively liberal' and 'relatively restrictive' countries are significantly different at the 90 percent level of confidence (Conway, Janod, Nicoletti, 2005).

Today, rules and regulations governing Romania's product market policies are less restrictive than most other middle income countries. Even relative to its closest comparators, Bulgaria in 2006 and the OECD countries of Central and Eastern Europe in 2003, Romania appears to be among the less restrictive countries, positioning itself slightly above the OECD and EU averages (Figure 4).

Figure 4

Product Market Regulation in Romania: A Comparison with OECD Countries
Product Market Regulation - Country Comparison

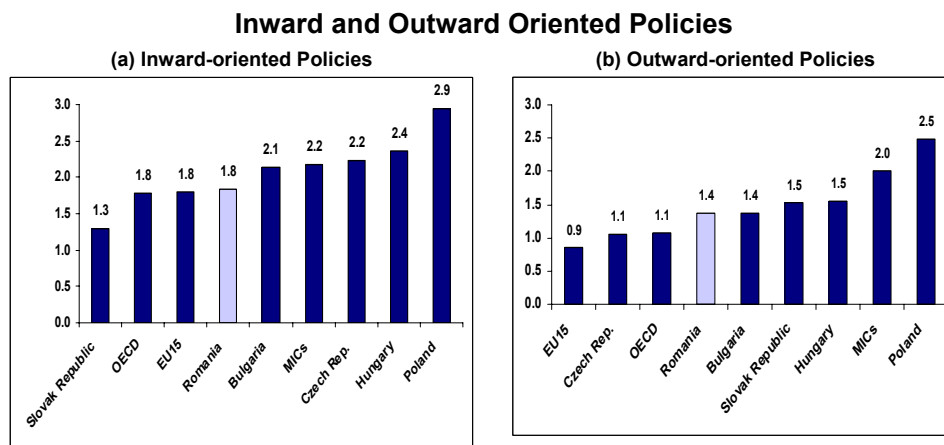


Source: See Figure 3. Note: Other MICs are Brazil, Mexico, and Turkey. OECD CEE include Czech Republic, Hungary, Poland, and Slovak Republic. The values refer to 2006 for Romania and Bulgaria, 2004 for Brazil, and 2003 for all other countries. Romania's 2002 score was calculated using a different methodology so is not strictly comparable.

We now turn to an analysis of the various components of the PMR indicator, in order to examine in greater detail some of the drivers of this excellent performance, but also to identify remaining sources of restrictiveness of product market regulation. A useful approach in doing so is to decompose the indicator into inward and outward oriented policies. The former include policies and regulations that determine the degree of state control and barriers to entrepreneurship, while the latter reflect policies and regulations that affect barriers to trade and investment. Detailed description of the basic indicators included in the indicators of inward and outward oriented policies follows in the next sections.

In general, average performance seems better in all countries for outward- than for inward-oriented policies (Figure 5). This is certainly due to the requirements imposed by international agreements - such as the WTO charters, and, for EU countries, membership of the European Union - which are more binding in matters concerning trade and foreign direct investment. Greater reform challenges, as well as greater cross-country variation, lie with the regulations that fall under the category of inward-oriented policies. Within this general framework, Romania's product market regulations appear to be more restrictive of competition than the OECD and EU averages for outward oriented policies and around the OECD and EU averages for inward oriented policies.

Figure 5



Source: See Figure 3. Note: Other MICs are Brazil, Mexico, and Turkey. Values refer to 2006 for Romania and Bulgaria, 2004 for Brazil, and 2003 for all other countries. Romania's 2002 score was calculated using a different methodology so is not strictly comparable. For full data set see Appendix I.

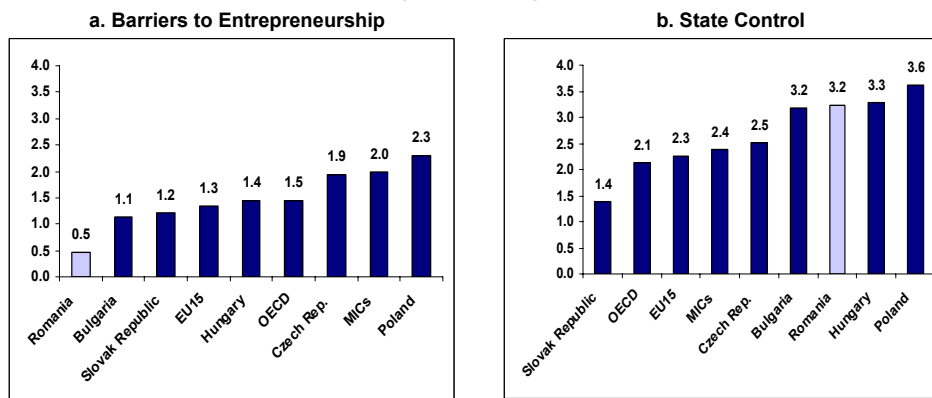
The fact that Romania positions itself around the EU average for inward oriented policies suggests that it has already met most of the requirements of the *acquis communautaire*. More generally, the great progress observed since 2002 in inward-oriented policies can be attributed to both the implementation of the *acquis communautaire* (e.g. competition policy), and to implementation of less restrictive policies in areas that are subject to domestic discretion. This indicates that the government has been diligent in complying with international commitments in domains that are often controversial from the standpoint of gathering sufficient domestic consensus.

As for outward-oriented policies, the data, hence the ranking and score, reflect policies in place as of the spring of 2006. A number of these have changed by the mere fact of Romania joining the EU and therefore becoming governed by EU trade policies and agreements. Inward and outward oriented policies and the underlying indicators are discussed in details below.

Inward-oriented Policies

In order to identify the drivers of Romania's progress since 2002, inward-oriented policies can be decomposed into two broad categories: indicators of state control and barriers to entrepreneurship (Figure 6).

Barriers to Entrepreneurship and State Control



Source: See Figure 3. Note: Other MICs are Brazil, Mexico, and Turkey. Values refer to 2006 for Romania and Bulgaria, 2004 for Brazil, and 2003 for all other countries. Romania's 2002 score was calculated using a different methodology so is not strictly comparable. For full data set see Appendix I.

Barriers to entrepreneurship (such as barriers to competition, regulatory and administrative opacity, and administrative burdens on start-ups) which were already low in 2002, have since declined further in 2006, thus placing Romania in a better position than all comparator groups, including other middle income countries, pre-accession Central European countries, as well as the OECD average.

Visible but still limited progress has been made in the area of state control, where Romania still lags behind the OECD and EU averages and far from the performance of its more direct comparators, such as the Slovak Republic in 2003. Nonetheless, Romania's disengagement from state control since 2002 mirrors the evolution of state control in the OECD, where countries that had relatively restrictive policies in 1998 have succeeded in reducing the extent of state control in 2003 by removing price controls and reducing reliance on coercive, as opposed to incentive-based, regulations.

Barriers to Entrepreneurship

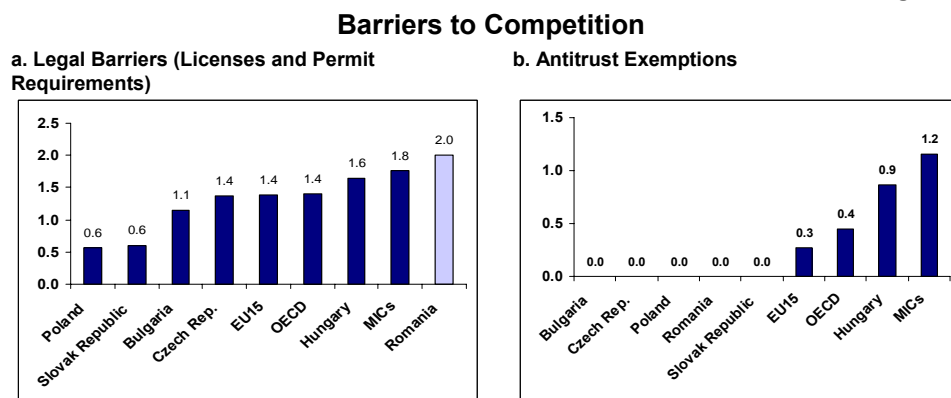
Barriers to Competition

In terms of barriers to competition (as measured by licenses and permits requirements and antitrust exemptions) Romania's performance is comparable to both the rest of the EU and other MICs (Annex Table A1.3). This is largely due to Romania's diligence in incorporating EU rules and practices in national legislation. This resulted in the elimination of antitrust exemptions for state-owned enterprises (Câmpeanu *et al.*, 2003). In this regard Romania fares very well and even better than EU15 and the average for the OECD countries (Figure 7).

On the other hand, Romania's performance in terms of other legal barriers to competition, in the form of explicit legal limitations on the number of competitors allowed in certain business sectors, appears to have worsened relative to 2002. This

could well be due to the change in methodologies. Whatever the reason, this appears to be one of the few categories in which Romania does not rank well. As in many other OECD and EU countries, this result appears to be driven by the existence of legal restrictions to entry in network and utilities sectors, such as rail, road and air transport infrastructure; electricity generation, transmission, distribution and supply; and gas production, transmission, distribution and supply; and telecommunications (see Table A2.10 for details).

Figure 7



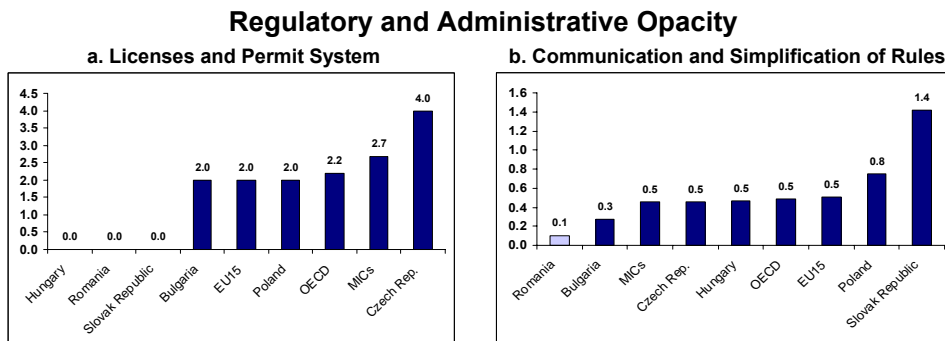
Source: See Figure 3. Note: Other MICs are Brazil, Mexico, and Turkey. Values refer to 2006 for Romania and Bulgaria, 2004 for Brazil, and 2003 for all other countries. Romania's 2002 score was calculated using a different methodology so is not strictly comparable. For full data set see Appendix I.

Regulatory and Administrative Opacity

Romania scores well in terms of regulatory and administrative opacity (Annex Table A1.3). It has made substantial progress in the simplification of licenses and permits, (Figure 8a) while maintaining its 2002 best practice positioning in terms of communication and simplification of rules and procedures (Figure 8b). The indicator captures aspects of the government's communication strategy and its efforts to reduce and simplify the administrative burden of interacting with the government.

This reflects the substantial efforts made by Romania in streamlining licensing regimes since the previous PMR survey (OECD 2002a). Indeed, the simplification of licensing procedures has been a central theme of the country's Action Plans for improving the business environment. Important milestones in the simplification process include: the reduction of the number of products and services requiring licensing; the removal of some barriers to free trade, the elimination of some import-export licenses; the simplification of licensing procedures for retailers through the elimination of ex-ante licenses, the use of voluntary assumption of responsibility statements, the strengthening of ex-post control and monitoring; the establishment of the one-stop shop and the elimination of some licenses; the adoption of the Silent Approval Law (2003), which establishes a maximum period of 30 days for the approval of a certain set of licenses and authorizations from the moment of the application.

Product Market Regulation in Romania: A Comparison with OECD Countries
Figure 8



Source: See Figure 3. Note: Other MICs are Brazil, Mexico, and Turkey. Values refer to 2006 for Romania and Bulgaria, 2004 for Brazil, and 2003 for all other countries. Romania's 2002 score was calculated using a different methodology so is not strictly comparable. For full data set see Appendix I.

Romania has also implemented a number of reforms to improve the communication of rules and procedures to affected parties. The annual Action Plans to improve the business environment contain communication components whose aim is to enhance the interaction between the administration and the business community, some of which are discussed in Box 2.

Box 2. Romania's efforts at simplification and better communication of rules and regulations

Measures adopted as part of the Plans include the development of a government site targeting communication with businesses (www.mdp-mediuaferi.ro), which contains updated information relevant for companies, such as changes in legislation, explanation of implementation norms for laws, links to relevant ministries and government agencies, funding opportunities.

Most of the important pieces of legislation impacting upon the business climate, such as the Silence-is-consent Law, the Decisional Transparency Law, the Free Access to Public Information Law, also benefited from broad media dissemination campaigns, including TV, radio and newspapers presentations, brochures and posters, direct free access telephone information lines to the government. Other traditional means of communication, such as meetings with relevant stakeholders, including businesses associations were broadly used, and company surveys were carried out, including by FIAS, to capture satisfaction with the changes and suggestions for further measures.

To improve the interface between government and companies, an e-government site (www.e-guvernare.ro) was established. The site allows businesses to access various forms and documents relevant for the interaction with the authority. A stakeholders group, which includes the most important business associations, oversees the implementation of the Action Plans

Improvements in this domain are reflected in firm level surveys. For instance, BEEPS data suggest that the percentage of senior management time devoted to dealing with public officials in connection with regulation or access to public services has declined from over nine percent to less than two percent between 2002 and 2005.¹

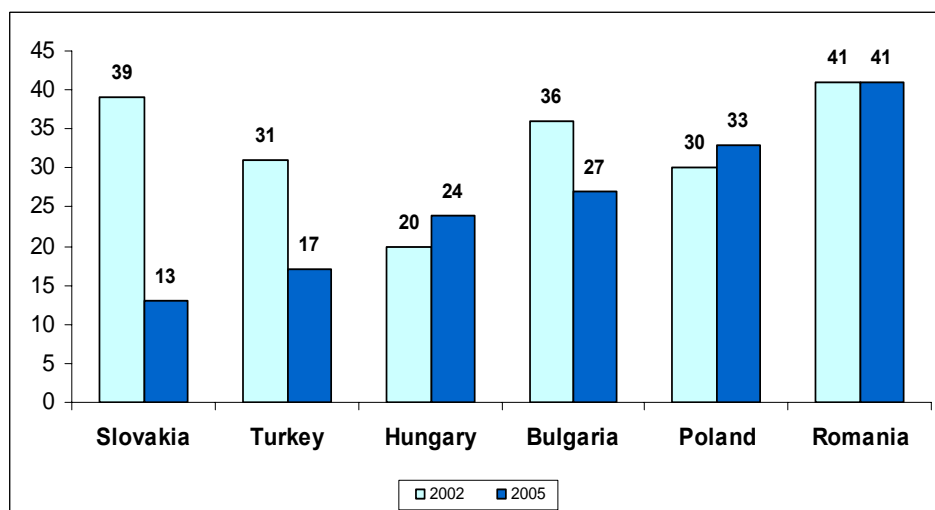
¹ The 2002 and 2005 BEEPS surveys ask the question "What percent of senior management's time in 2001 was spent in dealing with public officials about the application and interpretation of laws and regulations and to get or to maintain access to public services?"

Nonetheless, despite these substantial efforts and achievements, the communication strategies of the authorities only partially succeeded to reach the mass of companies impacted upon. Many firms still complain about a gap between the provisions of the rules and their practical implementation, while others continue to find the access to relevant information difficult. Surveys suggest, for example, that many companies have not even heard about the Silent Approval law.

Perhaps as a result the improvements in the rules and regulations were not reflected in perception-based indicators. Thus, Doing Business 2007 ranks Romania 116th out of 172 countries in terms of dealing with licenses, even though Romania does well in the overall ease of doing businesses. A similar finding is reported by the BEEPS surveys that report that 40% of firms consider licenses to be a problem for doing business in the country. This is substantially worse than among comparator countries, and does not appear to have improved markedly since 2002 (Figure 9).

Figure 9

**Business Licenses as a Problem for Doing Business
(Percent of Firms Indicating Business Licenses and Permits
as a Problem for Doing Business)**



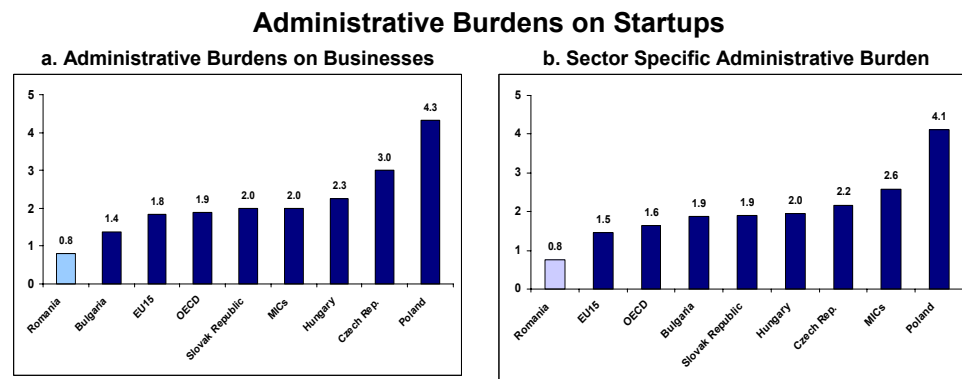
Source: EBRD-WB BEEPS, 2005.

Surveys and discussions with companies suggest that, while a limited number of firms seem to be severely affected; most of the difficulties arise for those requesting production and construction licenses. The procedures for obtaining a construction authorization and the certificate for urbanism seem to be long. The procedures to subsequently connect buildings to utilities, mainly gas and electricity, are also long and relatively costly. This paper recommends continuing the simplification of these procedures, as this is critical to the smooth implementation of projects financed from the EU structural and cohesion funds, especially in infrastructure and environment.

Product Market Regulation in Romania: A Comparison with OECD Countries
Administrative Burdens on Start-Ups

Romania's policies in terms of facilitating the creation of new firms remain liberal relative to 2002, since administrative burdens are lower than among comparators for startups in general, and in specific service sectors, such as road transport and retail distribution (Figure 10). The indicator of administrative burdens for corporation measures the number of procedures, number of days, and the minimum capital required to start a limited liability company.

Figure 10



Source: See Figure 3. Note: Other MICs are Brazil, Mexico, and Turkey. Values refer to 2006 for Romania and Bulgaria, 2004 for Brazil, and 2003 for all other countries. Romania's 2002 score was calculated using a different methodology so is not strictly comparable. For full data set see Appendix I.

The burden on business creation is substantially lower than in other countries even the EU15 and the OECD. The number and duration of procedures, as well as the cost involved in starting a company is lower in Romania than in other middle income countries and on a par with the best practice of top performers in the EU, such as Ireland or the UK.

This could, however, be partly driven by the fact that slightly different data and methods were used to calculate this indicator for Romania. A homogenization procedure was therefore necessary to make its score comparable to the other countries (see Table A2.8 for details). However, this excellent ranking is consistent with Doing Business' data that rank Romania as the 7th best country (out of 175) in terms of ease of starting a business (it was the 6th in 2005).

Romania's rankings and good performance vis-à-vis the ease of starting a business reflect the continued simplification and reduction (down to five) of the company registration procedures, especially after 2004. These took central stage in three consecutive Action Plans (2004, 2005, and 2006) for the reduction of administrative barriers to entry and operation of businesses, and were part of the PSAL/PAL programs. The establishment of one-stop shops for firm registration played an important role in this progress. The measures implemented through the Action Plans followed the recommendations of two World Bank/FIAS reports (2002 and 2004).

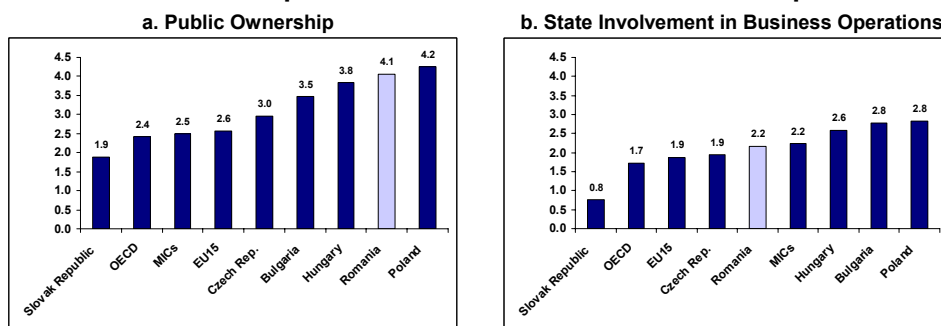
State Control of the Economic Activity

Despite the decline in state control since 2002 (a trend that started in 1999), Romania's performance still lags behind that of the OECD average and the EU 15.

The gradual reduction of the state's presence in the economy was a crucial element of the reform package associated with Romania's EU pre-accession commitments. As a result, between 1999 and 2006, most of the commercial companies held in the portfolio of the privatization agency AVAS and in the banking sector were privatized. The energy sector was unbundled and important privatizations took place in electricity and gas distribution. The national oil company was also privatized, although the government retains a golden share in Petrom. In parallel, price liberalization in many sectors and the adjustment of energy tariffs reduced direct state involvement in services and improved the efficiency of resources allocation. Nevertheless, public enterprises still represent a substantial part of the economy and important energy generation companies, whose governance requires further improvement, continue to be managed by the state. Some energy tariffs have not yet reached import price parity.

Figure 11

Public Ownership and State Involvement in Business Operation



Source: See Figure 3. Note: Other MICs are Brazil, Mexico, and Turkey. Values refer to 2006 for Romania and Bulgaria, 2004 for Brazil, and 2003 for all other countries. Romania's 2002 score was calculated using a different methodology so is not strictly comparable. For full data set see Appendix I.

The two measures of state control in the PMR system are public ownership and state involvement in business operations (through price controls and coercive as opposed to incentive-based regulation). A look at Figure 11 reveals that Romania does not favorably compare with OECD and EU averages and is closer to the more restrictive pre-accession CEE with respect to both indicators.

Public Ownership

The aggregate indicator for public ownership covers size and scope of public enterprise sector, as well as direct control over business enterprises. Given that there is much more variation among EU15 or OECD countries for these indicators, we show the full set of comparators (Figure 12). We find that while the scope of the public sector is below the OECD average, both the degree of control exercised by the state over public enterprises and the size of the public enterprise sector are above the OECD average.

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The indicator for size is the largest in the sample, suggesting that the public sector remains significant in Romania. This may, however, be an artifact of the methodology: the approach follows a perpetual inventory method whereby an initial estimate of the public enterprise sector is reduced by an amount equivalent to the value of privatization receipts, as captured in the general government budget.

This approach may be creating an upward bias in the computation of the “size” indicator for Romania. This is because a large segment of the Romanian economy was privatized through mass privatization (vouchers scheme) whereby the state did not receive any privatization proceeds. A large number of enterprises were acquired by domestic investors and, oftentimes, the price component of the deal was not the most important. Rather the divestiture of the large public industrial sector, with the quality of its assets often questionable, took primacy in the privatization process. Sometimes the privatized companies were allowed, as part of the privatization contract, to retain part of the privatization proceeds for restructuring and upgrades. In addition, several large privatization deals, done with strategic investors, came to closure after the period of analysis covered in the present paper.

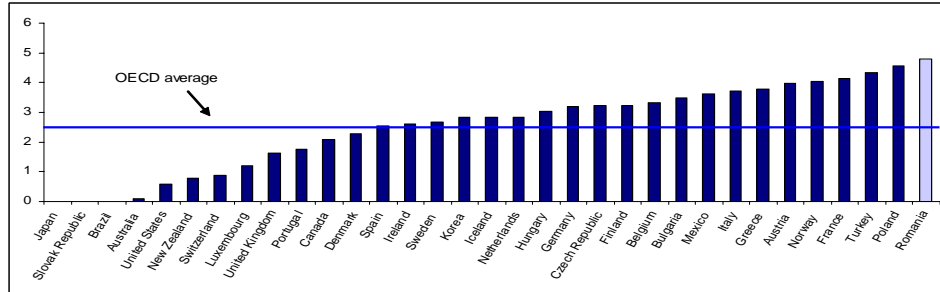
Nevertheless, other sources confirm that the Romanian public enterprise sector remains important. Its size was estimated at around 30% of GDP in 2005 by the Romanian National Institute for Statistics (this has decreased in 2006, as several important privatization deals, especially in banking and energy, went through, such as that of the largest bank, BCR). As to its scope, it is also relatively wide given that the state holds important equity stakes in the largest firms in several sectors, such as electricity, gas, oil, banking (CEC bank), rail and road infrastructure and municipal utilities.

Nonetheless, when looking at the scope of the public sector, which captures the extent to which the state holds equity stakes in the largest firm in different sectors, Romania is close to the OECD average and in a better position than several EU15 countries (Figure 12b). Romania’s standing worsens when public ownership is further examined from the point of view of the pervasiveness of the formal control exerted by public bodies on public enterprises (Figure 12c). This result is driven by the presence of a golden share retained by the government in the oil sector. The golden share implies that important decisions can be taken only with a share of 75% of the board votes. The fact that the government controls more than 25% of the votes gives it the power to interfere with decisions concerning mergers or acquisitions, changes in the controlling coalition, acquisition of equity by foreign investors, choice of management or other strategic management decisions.

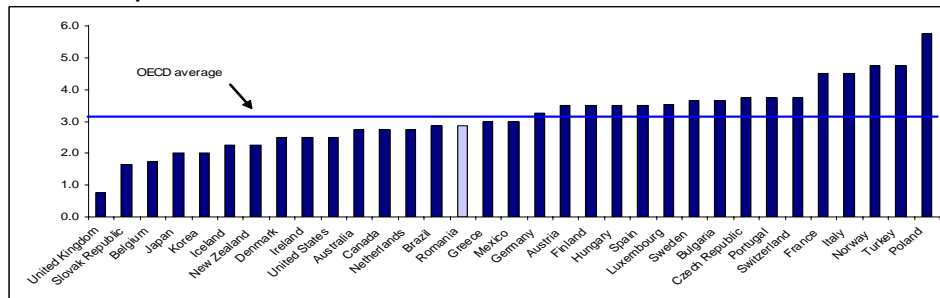
Figure 12

Public Ownership: Size, Scope and Extent of Control over Public Enterprises

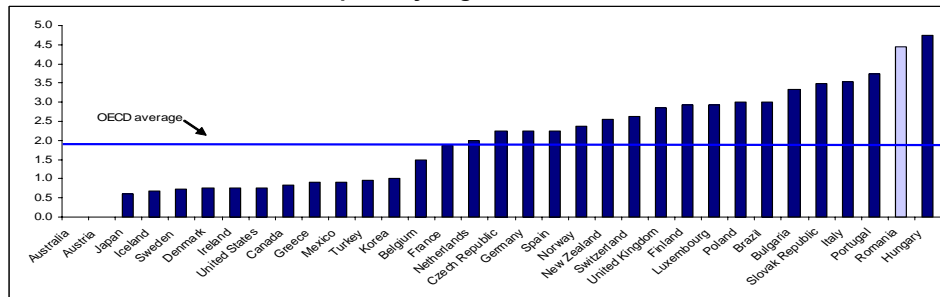
a. Size of the Public Enterprise Sector



b. Scope of the Public Sector



c. Control of Public Enterprise by Legislative Bodies



Source: See Figure 3. Note: Other MICs are Brazil, Mexico, and Turkey. Values are for 2006 for Romania and Bulgaria and for 2003 for all other countries. Romania's 2002 score was calculated using a different methodology so is not strictly comparable. For full data set see Appendix I.

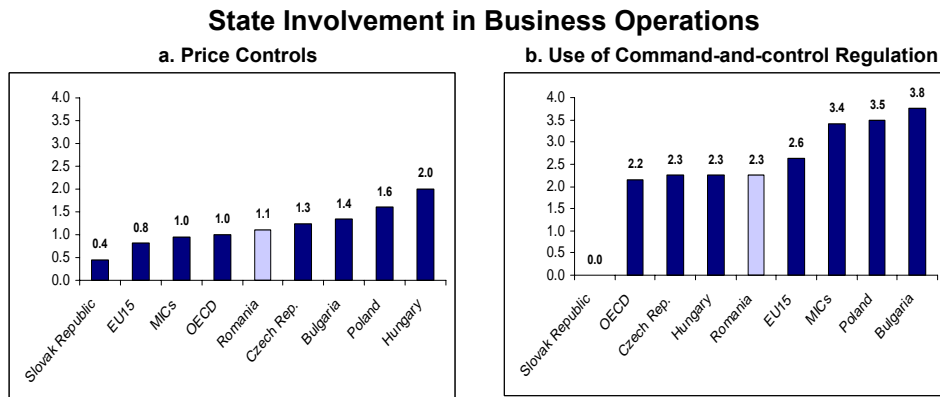
Involvement in Business Operation

Regarding state intervention in the overall economy, the use of price controls has substantially decreased since the first phase of transition (World Bank 2004). (The variable measures the existence of price regulation or administrative control of prices

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in air travel, road freight, telecommunications, and retail distribution sectors). However, prices for some utilities remain administered, especially in the energy sector, where tariffs are below import parity, despite significant adjustments taking place in recent years. Tariffs are also below cost recovery in the case of the least efficient electricity and heating generators.

Figure 13



Source: See Figure 3. Note: Other MICs are Brazil, Mexico, and Turkey. Values refer to 2006 for Romania and Bulgaria, 2004 for Brazil, and 2003 for all other countries. Romania's 2002 score was calculated using a different methodology so is not strictly comparable. For full data set see Appendix I.

As to the use of command and control regulation, it remains significant, albeit to a lesser degree than the EU15 average and on par with the OECD average (

Figure 13). Overall, it is in line with comparator groups, although Romania's performance is still far from that of the best practice countries (Australia, New Zealand, Slovakia to cite a few). The indicator reflects the extent to which government uses coercive (as opposed to incentive-based) regulation, in general and in specific service sectors (Box 3).

Romania's relatively good comparative score is driven by the fact that authorities have pursued a regulatory reform agenda driven by the highest OECD standards of regulatory quality, for instance by enshrining in legislation best OECD practices such as the considerations of alternatives to regulation as part of the process of adoption of new legislation. Nonetheless, weak implementation may defeat the purpose of the rules themselves.

**Box 3. What the PMR survey means by
“command and control” regulation**

The contrasting use of “command-and-control” and “incentive-based” regulation appear to have been brought into common usage by Schultze who wrote in a 1977 lecture about economic efficiency: “We tend to see only one way of intervening – namely removing a set of decision from the decentralized and incentive-oriented private market and transferring them to the command-and-control techniques of government bureaucracy” (page 6)

In this context, the PMR attempts to measure the extent to which the cost of new regulation is assessed, and whether alternatives are considered before implementing new regulations. About half of the indicator weights are allocated to the following two questions (the full make-up of the indicator is provided in Annex table A2.5):

Regulators are required to assess alternative policy instruments (regulatory and non-regulatory) before adopting new regulation. (Current answer: yes).

Explanation. The use of a wide range of mechanisms for meeting policy goals, not just traditional regulatory controls, helps to ensure that the most efficient and effective approaches are used. Approaches may include green taxes and subsidies, voluntary agreements, information programs such as eco labeling, self-regulation, permit-trading schemes, and performance-based regulation (where a sector or industry must comply with a standard but can broadly choose how to meet it). Note that the question only refers to whether the obligation exists as a specific provision in a specific legislative act, not whether the spirit of it is in fact respected. A positive answer to the question would require the existence of a normative act explicitly ruling out regulation as the default option

Guidance has been issued on using alternatives to traditional regulation. (Current answer: no).

Explanation. The regulatory process is governed by a standard procedure, outlining the steps to be taken to issue new regulation. For instance, the procedure may include binding ex ante regulatory impact assessment (RIA). Box 3 offers a discussion of alternatives to traditional regulation.

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Comparisons with Full Sample

Table A1.1

PMR

	Product market regulation	Inward-oriented policies	Outward-oriented policies
Australia	0.9	0.9	0.9
United Kingdom	0.9	1.2	0.5
Iceland	1.0	1.4	0.4
United States	1.0	1.2	0.8
Ireland	1.1	1.4	0.6
Denmark	1.1	1.3	0.9
New Zealand	1.1	1.3	0.9
Canada	1.2	1.2	1.2
Sweden	1.2	1.5	0.9
Luxembourg	1.3	1.6	0.8
Japan	1.3	1.5	1.0
Finland	1.3	1.7	0.8
Belgium	1.4	2.0	0.5
Netherlands	1.4	1.8	0.8
Austria	1.4	1.8	0.8
Slovak Republic	1.4	1.3	1.5
Germany	1.4	1.9	0.8
Norway	1.5	1.9	0.9
Korea	1.5	1.7	1.3
Romania	1.6	1.8	1.4
Portugal	1.6	2.0	0.9
Spain	1.6	2.1	0.9
Switzerland	1.7	2.1	1.1
France	1.7	2.1	1.1
Czech Republic	1.7	2.2	1.1
Bulgaria	1.8	2.1	1.4
Greece	1.8	2.2	1.3
Italy	1.9	2.3	1.3
Brazil	1.9	1.8	1.9
Hungary	2.0	2.4	1.5
Mexico	2.2	2.1	2.3
Turkey	2.3	2.6	1.8
Romania 2002	2.4	2.6	2.2
Poland	2.8	2.9	2.5

Note: The values of indicators refer to 2006 for Bulgaria, 2004 for Brazil, and to 2003 for all other countries (Conway et al. 2005).

State Control

	State control	Public ownership	Involvement in business operation
Australia	0.6	0.8	0.3
Iceland	1.1	1.8	0.3
United States	1.2	1.2	1.2
Denmark	1.3	1.7	0.8
Slovak Republic	1.4	1.9	0.8
New Zealand	1.4	1.9	0.8
Japan	1.5	0.8	2.4
Canada	1.7	1.7	1.5
Korea	1.7	1.8	1.5
United Kingdom	1.7	1.9	1.6
Mexico	1.9	2.3	1.4
Sweden	1.9	2.2	1.6
Netherlands	1.9	2.5	1.2
Austria	1.9	2.2	1.6
Ireland	2.0	1.8	2.1
Luxembourg	2.0	2.6	1.2
Germany	2.2	2.8	1.5
Switzerland	2.2	2.4	2.1
Finland	2.3	3.2	1.3
Belgium	2.4	2.2	2.6
Brazil	2.4	2.1	2.8
Czech Republic	2.5	3.0	1.9
France	2.7	3.3	1.9
Spain	2.7	2.7	2.7
Portugal	2.7	3.1	2.2
Norway	2.8	3.5	1.8
Greece	2.8	2.4	3.3
Turkey	2.8	3.1	2.5
Romania	3.2	4.1	2.2
Italy	3.2	3.8	2.3
Bulgaria	3.2	3.5	2.8
Hungary	3.3	3.8	2.6
Poland	3.6	4.2	2.8
Romania 2002	3.9	4.6	3.1

Note: The values of indicators refer to 2006 for Bulgaria, 2004 for Brazil, and to 2003 for all other countries (Conway et al. 2005).

Table A1.3

Barriers to Entrepreneurship

	Barriers to entrepreneurship	Administrative burdens on startups	Regulatory and administrative opacity	Barriers to competition
Romania	0.5	0.7	0.1	0.6
United Kingdom	0.8	0.7	1.2	0.4
Canada	0.8	0.9	0.5	0.7
Ireland	0.9	0.5	2.1	0.3
Norway	1.0	1.0	1.2	0.6
Sweden	1.1	1.2	1.1	0.6
Finland	1.1	1.3	1.2	0.4
Bulgaria	1.1	1.4	1.2	0.4
Australia	1.1	1.0	1.2	1.5
New Zealand	1.2	0.8	2.2	0.4
United States	1.2	1.0	1.3	1.5
Slovak Republic	1.2	1.9	0.7	0.3
Luxembourg	1.2	1.8	1.1	0.1
Denmark	1.2	0.5	2.1	1.7
Portugal	1.3	1.7	1.2	0.5
Brazil	1.3	1.5	1.4	0.6
Romania 2002	1.3	1.3	2.1	0.1
Italy	1.4	2.4	0.4	0.6
Japan	1.4	1.9	1.2	0.6
Hungary	1.4	2.3	0.4	1.1
Germany	1.6	1.6	2.2	0.5
Iceland	1.6	1.4	2.4	0.7
Greece	1.6	2.6	0.6	0.5
Spain	1.6	2.8	0.4	0.4
France	1.6	1.9	1.3	1.4
Belgium	1.6	1.7	2.2	0.6
Austria	1.6	2.8	0.4	0.8
Netherlands	1.6	1.6	2.5	0.6
Korea	1.7	2.2	1.2	1.0
Switzerland	1.9	1.7	3.1	0.7
Czech Republic	1.9	2.3	2.3	0.5
Mexico	2.2	3.1	0.4	2.9
Poland	2.3	3.7	1.5	0.3
Turkey	2.5	2.7	3.4	0.5

Note: The values of indicators refer to 2006 for Bulgaria, 2004 for Brazil, and to 2003 for all other countries (Conway et al. 2005).

Barriers to Trade and Investment

	Barriers to trade and investment	Explicit barriers	Other barriers
Iceland	0.3	0.5	0.1
Belgium	0.3	0.5	0.1
United Kingdom	0.4	0.5	0.2
Ireland	0.5	0.8	0.2
Finland	0.6	1.0	0.2
Germany	0.6	0.6	0.7
Netherlands	0.7	1.0	0.3
Spain	0.7	0.7	0.6
Austria	0.7	1.0	0.2
Luxembourg	0.7	1.1	0.2
United States	0.7	1.1	0.2
Norway	0.8	0.9	0.6
Sweden	0.8	1.2	0.3
Portugal	0.8	1.2	0.3
Denmark	0.8	1.0	0.7
New Zealand	0.8	1.3	0.2
Australia	0.9	1.4	0.2
Czech Republic	0.9	1.4	0.3
Japan	0.9	1.4	0.3
France	1.0	1.5	0.3
Switzerland	1.0	1.5	0.4
Canada	1.1	1.7	0.4
Italy	1.1	1.7	0.4
Greece	1.2	1.4	1.0
Korea	1.3	1.9	0.4
Bulgaria	1.3	2.0	0.4
Romania	1.3	1.9	0.5
Hungary	1.4	2.1	0.6
Slovak Republic	1.6	1.6	1.5
Turkey	1.7	2.5	0.6
Brazil	1.9	2.3	1.5
Romania 2002	2.1	2.7	1.3
Mexico	2.4	3.4	1.0
Poland	2.4	3.0	1.7

Note: The values of indicators refer to 2006 for Bulgaria, 2004 for Brazil, and to 2003 for all other countries (Conway et al. 2005).

Table A1.5

State Control: Values of the Low-level Indicators

	Scope of public enterprise sector	Size of public enterprise sector	Direct control over business enterprises	Use of command & control regulation	Price controls
Australia	2.8	0.1	0.0	0.4	0.0
Austria	3.5	4.0	0.0	2.2	1.3
Belgium	1.8	3.3	1.5	4.5	1.0
Brazil	2.9	0.0	3.0	4.2	1.3
Bulgaria	3.7	3.5	3.3	3.8	1.4
Canada	2.8	2.1	0.8	1.3	2.0
Czech Republic	3.8	3.2	2.3	2.3	1.3
Denmark	2.5	2.3	0.8	1.4	0.0
Finland	3.5	3.2	2.9	1.4	0.3
France	4.5	4.1	1.9	3.0	0.3
Germany	3.3	3.2	2.3	1.8	0.5
Greece	3.0	3.8	0.9	5.1	2.3
Hungary	3.5	3.0	4.8	2.3	2.0
Iceland	2.3	2.8	0.7	0.0	0.3
Ireland	2.5	2.6	0.8	3.8	0.8
Italy	4.5	3.7	3.5	1.9	2.0
Japan	2.0	0.0	0.6	3.0	2.5
Korea	2.0	2.8	1.0	1.1	2.0
Luxembourg	3.5	1.2	2.9	1.5	0.0
Mexico	3.0	3.6	0.9	1.7	1.0
Netherlands	2.8	2.8	2.0	1.7	0.3
New Zealand	2.3	0.8	2.6	0.8	0.0
Norway	4.8	4.0	2.4	2.2	0.8
Poland	5.8	4.6	3.0	3.5	1.6
Portugal	3.8	1.7	3.8	2.0	1.8
Romania	2.9	4.8	4.4	2.3	1.1
Romania 2002	4.5	5.0	4.5	3.1	2.6
Slovak Republic	1.6	0.0	3.5	0.0	0.4
Spain	3.5	2.5	2.3	4.4	0.8
Sweden	3.7	2.7	0.7	2.3	1.0
Switzerland	3.8	0.9	2.6	1.2	2.6
Turkey	4.8	4.3	1.0	4.4	0.6
United Kingdom	0.8	1.6	2.9	2.3	0.4
United States	2.5	0.6	0.8	1.5	0.8

Note: The values of indicators refer to 2006 for Bulgaria, 2004 for Brazil, and to 2003 for all other countries (Conway et al. 2005).

Barriers to entrepreneurship: Values of the Low-level Indicators

	License and permits system	Communication and simplification of rules and procedures	Administrative burdens for corporations	Sector specific administrative burdens	Legal barriers	Antitrust exemptions
Australia	2.0	0.2	1.3	0.3	1.6	1.5
Austria	0.0	0.5	3.0	3.4	0.3	1.0
Belgium	4.0	0.3	1.8	1.7	1.6	0.0
Brazil	2.0	0.6	0.5	1.3	2.0	0.0
Bulgaria	2.0	0.3	1.4	1.9	1.1	0.0
Canada	0.0	1.0	0.8	0.9	0.9	0.6
Czech Republic	4.0	0.5	3.0	2.2	1.4	0.0
Denmark	4.0	0.0	1.0	0.3	1.4	1.9
Finland	2.0	0.3	1.3	1.1	1.4	0.0
France	2.0	0.3	2.0	1.6	2.2	1.1
Germany	4.0	0.3	2.3	1.4	1.4	0.0
Greece	0.0	1.1	2.3	2.9	1.6	0.0
Hungary	0.0	0.5	2.3	2.0	1.6	0.9
Iceland	4.0	0.7	1.3	1.6	2.3	0.0
Ireland	4.0	0.2	0.8	0.3	0.9	0.0
Italy	0.0	0.5	2.8	2.1	1.9	0.0
Japan	2.0	0.3	1.5	2.3	1.4	0.3
Korea	2.0	0.0	2.7	1.9	1.9	0.6
Luxembourg	2.0	0.0	2.5	0.3	0.3	0.0
Mexico	0.0	0.3	3.3	3.2	1.9	3.5
Netherlands	4.0	0.9	2.0	1.3	1.9	0.0
New Zealand	4.0	0.3	1.0	0.8	0.3	0.4
Norway	2.0	0.2	1.0	0.9	2.2	0.0
Poland	2.0	0.8	4.3	4.1	0.6	0.0
Portugal	0.0	2.6	1.5	1.8	1.4	0.0
Romania	0.0	0.1	0.8	0.8	2.0	0.0
Romania 2002	4.0	0.0	1.0	1.4	0.0	0.0
Slovak Republic	0.0	1.4	2.0	1.9	0.6	0.0
Spain	0.0	0.6	2.8	2.4	1.1	0.0
Sweden	2.0	0.0	1.0	0.9	2.0	0.0
Switzerland	6.0	0.0	2.3	0.8	2.2	0.0
Turkey	6.0	0.5	2.3	3.2	1.4	0.0
United Kingdom	2.0	0.2	0.8	0.6	1.4	0.0
United States	2.0	0.4	0.8	1.0	1.4	1.6

Note: The values of indicators refer to 2006 for Bulgaria, 2004 for Brazil, and to 2003 for all other countries (Conway et al. 2005).

Table A1.7

**Barriers to Trade and Investment: Values
of the Low-level Indicators**

	Ownership barriers	Discriminatory procedures	Regulatory barriers	Tariffs
Australia	2.4	0.0	0.0	1.0
Austria	1.5	0.3	0.0	1.0
Belgium	0.3	0.0	0.0	1.0
Brazil	2.0	0.7	1.3	4.0
Bulgaria	3.0	0.0	0.0	2.0
Canada	2.9	0.5	0.0	1.0
Czech Republic	2.0	0.7	0.0	1.0
Denmark	1.2	0.5	0.7	1.0
Finland	1.5	0.0	0.0	1.0
France	2.3	0.5	0.0	1.0
Germany	0.3	0.7	0.7	1.0
Greece	1.3	2.0	0.7	1.0
Hungary	1.9	1.2	0.0	3.0
Iceland	1.1	0.0	0.0	0.0
Ireland	1.2	0.0	0.0	1.0
Italy	2.8	0.7	0.0	1.0
Japan	2.4	0.3	0.0	1.0
Korea	2.2	0.0	0.0	3.0
Luxembourg	1.5	0.3	0.0	1.0
Mexico	2.8	1.4	0.0	6.0
Netherlands	1.2	0.5	0.0	1.0
New Zealand	2.3	0.0	0.0	1.0
Norway	1.9	0.3	0.7	0.0
Poland	3.7	0.3	1.6	4.0
Portugal	1.6	0.7	0.0	1.0
Romania	0.8	0.0	0.0	5.0
Romania 2002	2.0	1.2	0.7	5.0
Slovak Republic	2.3	1.1	1.6	1.0
Spain	0.8	0.3	0.7	1.0
Sweden	1.5	0.7	0.0	1.0
Switzerland	2.0	1.1	0.0	1.0
Turkey	3.1	0.7	0.0	3.0
United Kingdom	0.3	0.3	0.0	1.0
United States	1.8	0.0	0.0	1.0

Note: The values of indicators refer to 2006 for Bulgaria, 2004 for Brazil, and to 2003 for all other countries (Conway et al. 2005).