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Assessing the transferability of policy measures towards undeclared work

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Contents

- Outlining the overall approach
- Cross-national policy transfer – conceptual overview
- Evaluating policy transferability and applicability – a practical framework
- Country case studies: Bulgaria and Croatia



GREY project: key outputs

Working Paper No. 1, 2 and 3

Baseline assessments:
BG, HR and FYROM

- Extent and nature of undeclared work
- Review of institutional set-up and policy approach used
- Assessing barriers to formalisation
- Identifying needs

Working Paper No. 4

Conceptual framework to understanding policy approaches

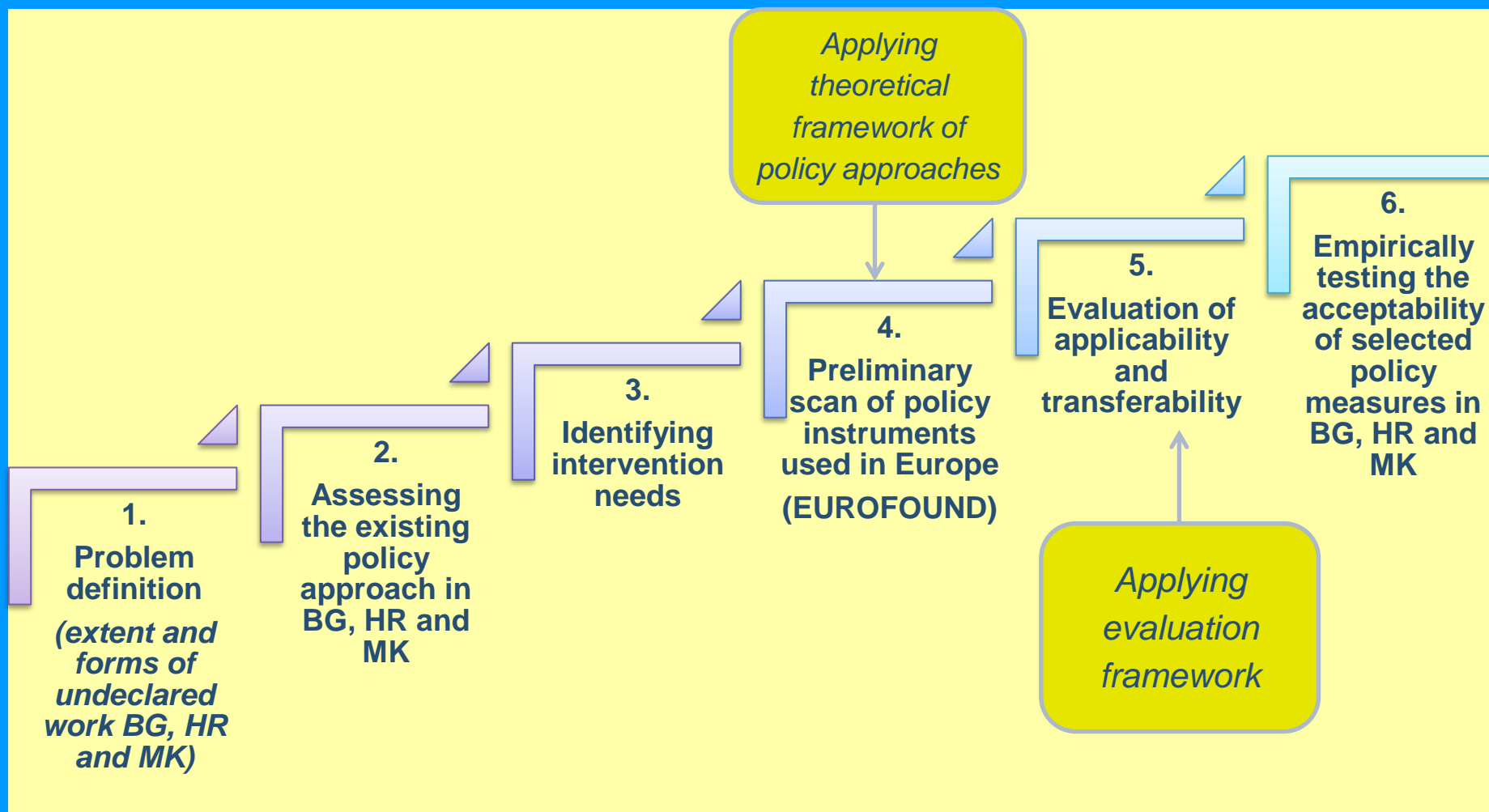
- Review of hypothetical policy choices
- Developing a heuristic conceptual framework of policy measures

Working Paper No. 5

Evaluating policy measures: transferability and applicability

- Policy transfer - literature review
- Developing a framework for transferability assessment
- Preliminary scan of policy measures in Europe
- Rapid appraisal of applicability and transferability

Overall approach to assessing policy transferability



Why is it difficult to transfer foreign policy models?

- Lack of time and resources to conduct systematic scanning / evaluations
 - Limited awareness of sufficient range of alternatives
 - Limited understanding of how foreign programs work
 - Contradicting (or missing) data on outcomes / success of foreign programs (success to whom?)
- Use of shortcuts / mixed scanning / inspiration, borrowing 'smart ideas' and generic concepts

Transferability obstacles

- ***Uninformed transfer***: limited understanding how foreign policies operate
- ***Incomplete transfer***: key features that make it work in the original settings neglected
- ***Inappropriate transfer***: limited fit between social, economic, political and ideological contexts

(Dolowitz and Marsh, 2000)

Main variables in prospective policy assessment

- Similarity in problems and goals
- Policy performance (including lessons from ‘failure’)
- Differences in settings

Mossberger and Wolman, 2003

Prospective policy evaluation

- Balancing between *de-contextualisation* and *over-contextualisation* of foreign policy models
- “Does it work?” VS “How does it work?” (in what respect, for whom, under what conditions): summative VS formative evaluation
- Mechanism (M) \Leftrightarrow Context (C) = Outcome (O)

Examining how programs work – key elements

Core mechanisms	Contingent features	Effects, vulnerabilities
<p>Basic mechanism (causal power, transferable)</p>	<p>Support or directly implement the basic mechanism:</p> <ul style="list-style-type: none"> • Implementing features • Optional features (no essential functional role) • Supportive features (budget, infrastructure, etc.) 	<p>Intended effects (effectiveness and cost-effectiveness)</p> <p>Secondary benefits and costs</p>

Source: Adapted from Bardach, E. (2004)

Evaluating policy transferability and applicability

Transferability

- *Can we expect similar results?*
- Fit between problems, policy goals/objectives
- Magnitude of “reach” vs. cost effectiveness of the measure
- Fit between target groups

Applicability

- *Can it work for us?*
- Enforceability in local setting
- Political / social acceptability
- Resources, admin. capacity
- Structural features likely to impact implementation

Transferability questions

Construct	Criteria	Questions to ask
Transferability (generalizability)	Fit between problems	What is the prevalence of the issue in the local context?
	Fit between objectives / goals	Is the measure targeting the same priority objective in the donor and target context?
	Magnitude of “reach” vs. cost effectiveness	Will the intervention broadly “cover” the target group? Is it proportionate to the costs involved?
	Target group characteristics	Are they comparable to the country of origin? Will any differences in characteristic affect implementation in the target setting?
<i>Can we expect similar results?</i>		

Source: adapted from Buffet, C., Ciliska, D., & Thomas, H. (2011) *It worked there. Will it work here?* National Collaborating Centre for Methods and Tool, Canada.

Applicability questions

Construct	Criteria	Questions to ask
Applicability (enforceability in local context)	Political acceptability	Is there political opposition in the current climate? Does the measure contradict the interests of any important stakeholders?
	Social acceptability	Will the target population be interested in the intervention? What are the likely adaptation costs?
	Resources and administrative capacity	Financial, human resources, training required? Administrative / enforcement capacity in place?
<i>Can it work for us?</i>	Existing institutional / policy infrastructure	Is the measure's potential impact contradicting / cancelling out / overlapping with other existing policies? Is the institutional and legislative infrastructure in place (maturity)?

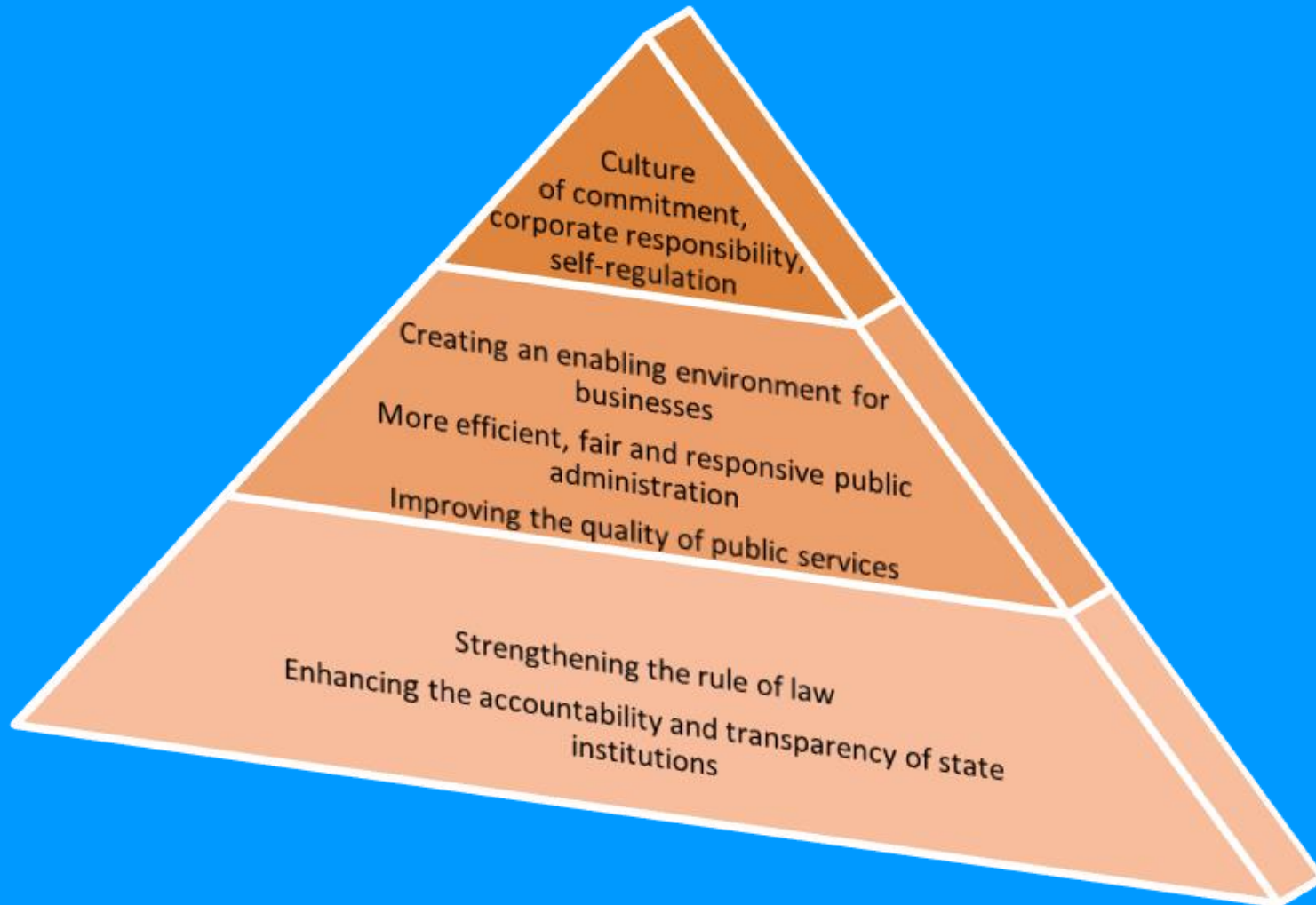
Source: adapted from Buffet, C., Ciliska, D., & Thomas, H. (2011) *It worked there. Will it work here?* National Collaborating Centre for Methods and Tool, Canada.

Bulgaria - overview

- Undeclared work: needs assessment
- Assessing the existing policy approach
- Defining broader intervention clusters
- Scanning for prospective policy instruments used in Europe
- Preliminary appraisal of transferability and applicability



Bulgaria: the undeclared economy policy pyramid





Intervention clusters and prospective instruments for transfer

Stimulating formalisation of vulnerable employment

- non-standard forms of work
- high-risk sectors (construction, tourism, agriculture, etc.)
- low-wage earners

Creating an enabling environment for businesses

- reducing compliance costs for micro-businesses
- simplification of tax and regulatory regimes
- encouraging compliant behaviour / restrict unfair competition

Overall government strategy and coordinated policy response

- legal definition of undeclared work, national action plan
- coordination at strategic and operational level

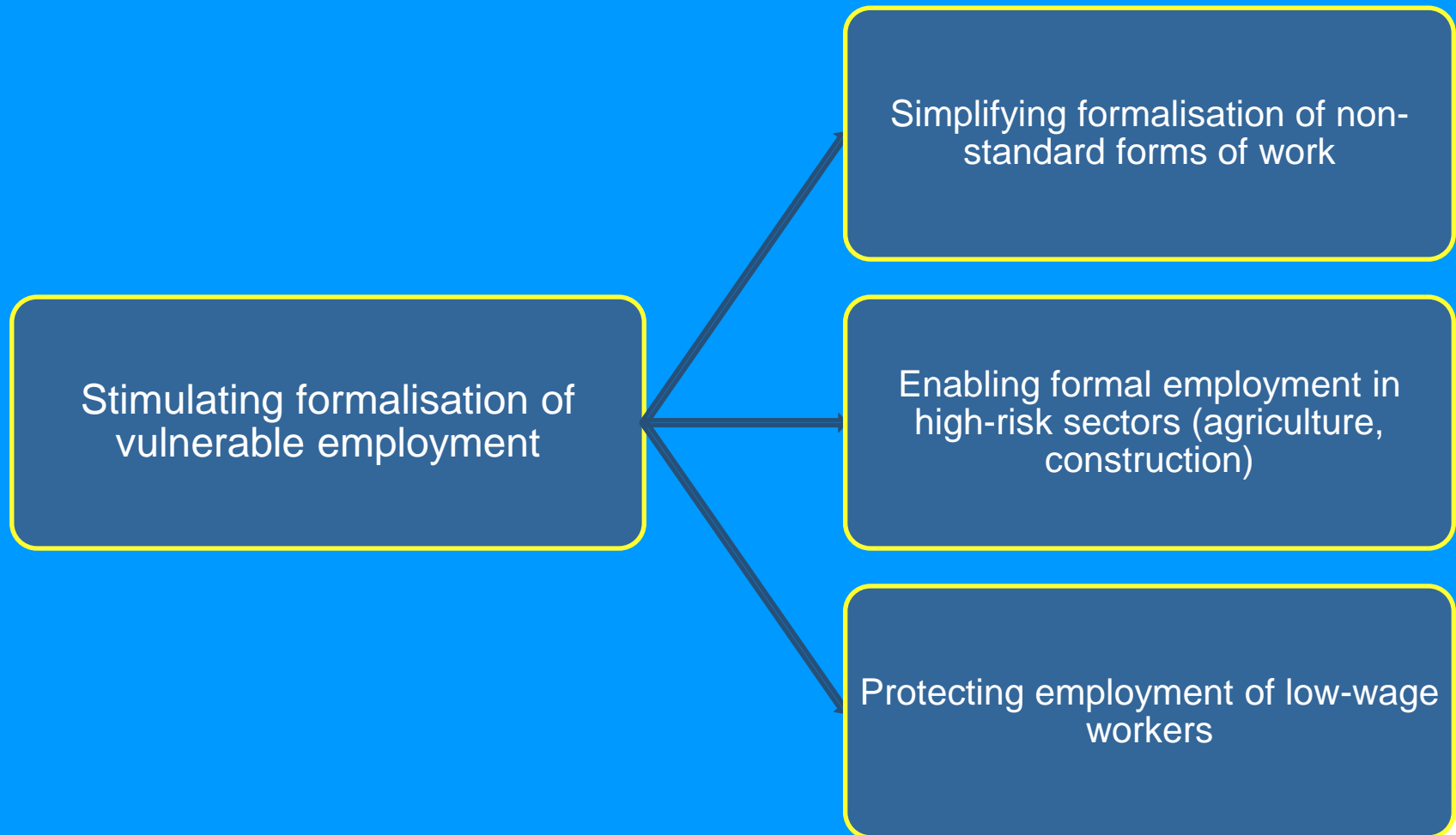
More efficient, fair and responsive control system

- shift from repression to responsiveness in inspections
- more effective and objective risk assessment
- customer-orientation, better communication with citizens, e-services

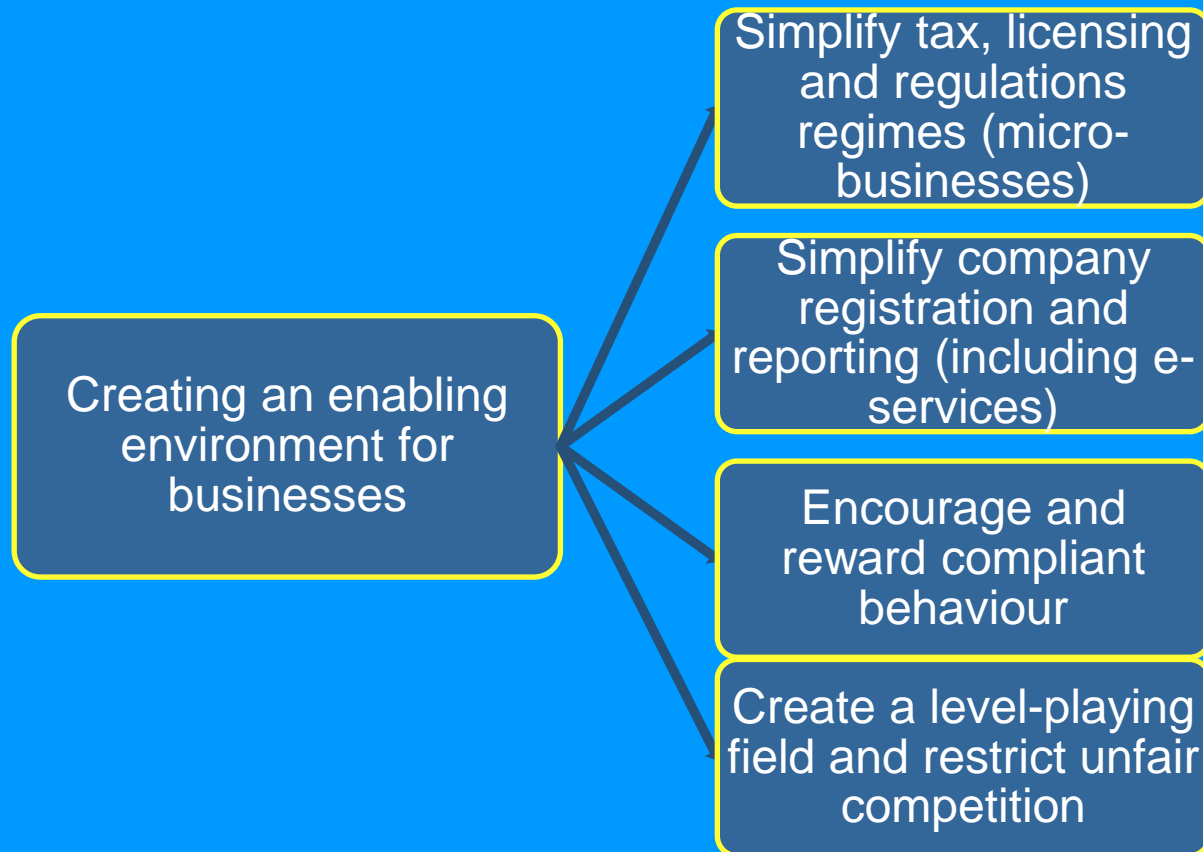
Strengthening tax morale and a culture of commitment

- Stimulating self-regulation and corporate responsibility
- Ensuring sustainability of public campaigns

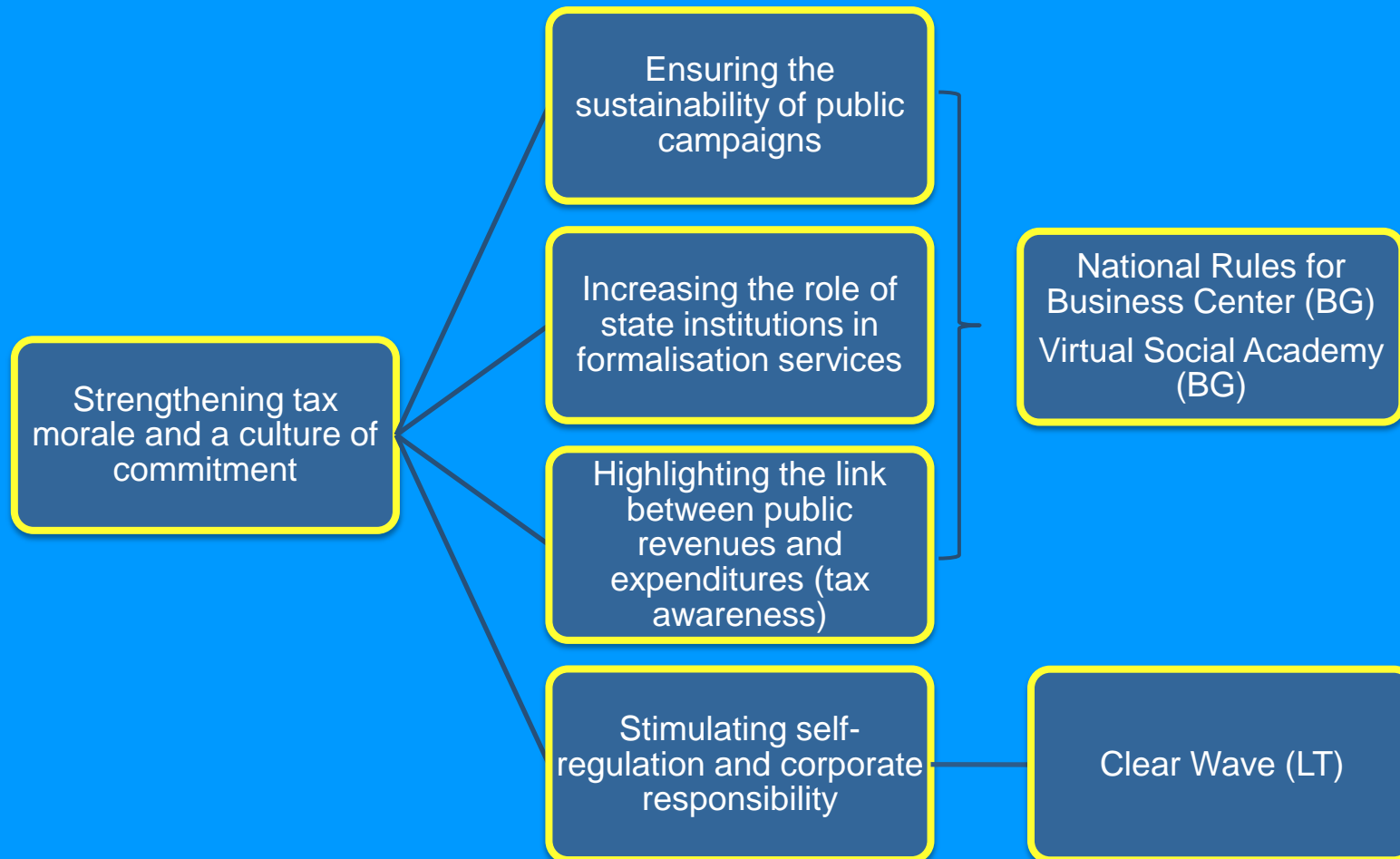
Stimulating formalisation of vulnerable employment



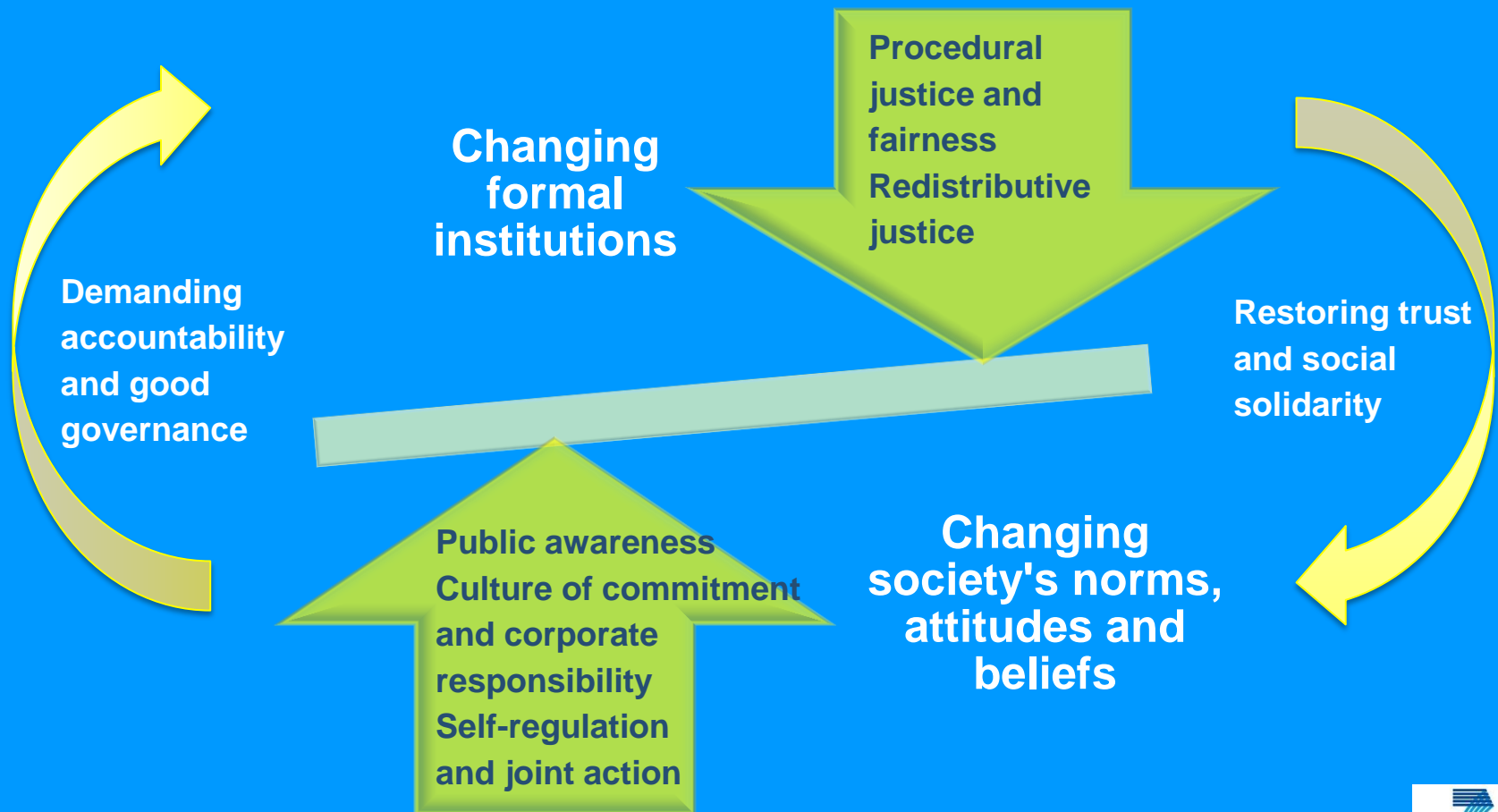
Creating an enabling environment for businesses



Strengthening tax morale and a culture of commitment

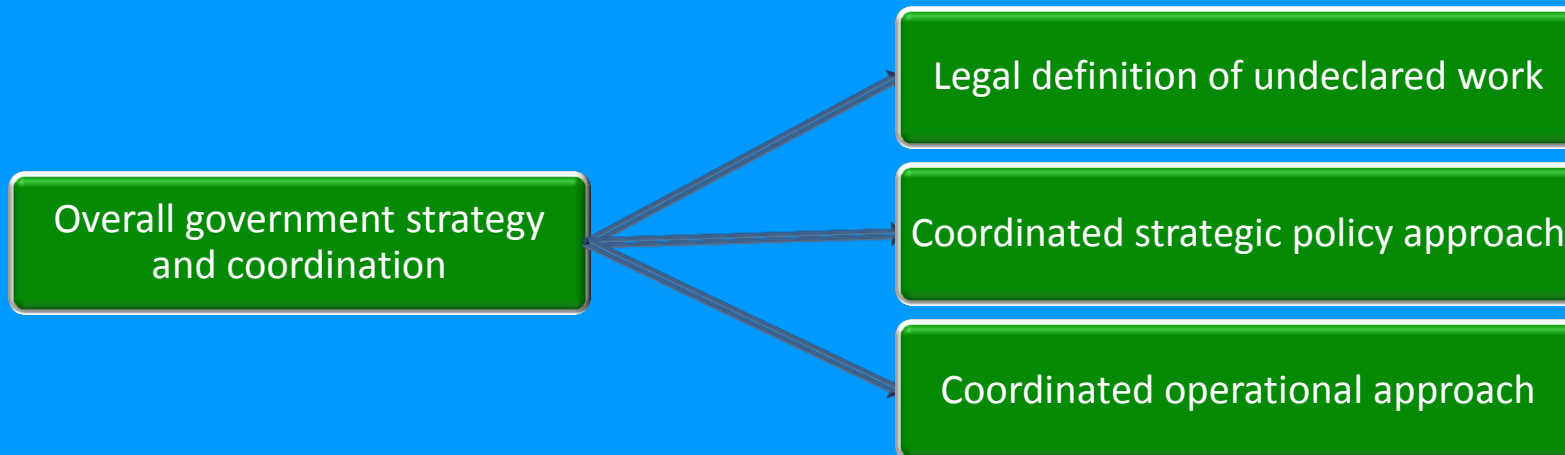


Balancing out the asymmetry between formal and informal institutions



Overall government strategy and coordinated policy response

- The policy approach towards undeclared work in Bulgaria is characterised by too many measures, often overlapping or even cancelling out their respective effects, but no overall systemic approach (CSD, 2011).
- In order to streamline the numerous and fragmented policy efforts that directly or indirectly target undeclared work, a more coordinated approach should be considered at strategic, as well as at operational level.



Legal definition of UDW and coordinated approach at strategic and operational level

One of the relevant policy mechanisms expected to be beneficial for Bulgaria is to introduce a legal definition of undeclared work in the national legislation, which is lacking at the moment.

A national strategy to counteract undeclared work will need to become a political priority as Bulgaria has the highest share of informal economy in the EU. So far, there has not been an official national strategy in Bulgaria to focus these efforts and provide policy direction.

- Strategic level: national strategies and action plans, inter-ministerial committees, special working groups or single coordination bodies;
- Operational level: inter-institutional monitoring groups and joint task forces

More efficient, fair and responsive control system

Enforcement bodies have in recent years improved their accountability, strengthened their inspection capacity and started to implement more targeted risk assessment approach. Nevertheless, there are areas for further improvement:

- Develop genuine customer-oriented approach and improve communication with citizens (incl. through e-services).
- Ensure greater political independence and transparency of the control system.
- More targeted and balanced approach to inspections and sanctions (including automated intelligence).
- Enhancing the efficiency and operational capacity of control bodies, including capabilities to conduct complex financial investigations and complex data matching.



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Proposed good policy initiatives

- OASIS – Belgium
- E-government in social security sector – Belgium
- Notification letters from Tax and Customs Board – Estonia

Responsive regulation approach. Risk assessment and investigation capabilities.

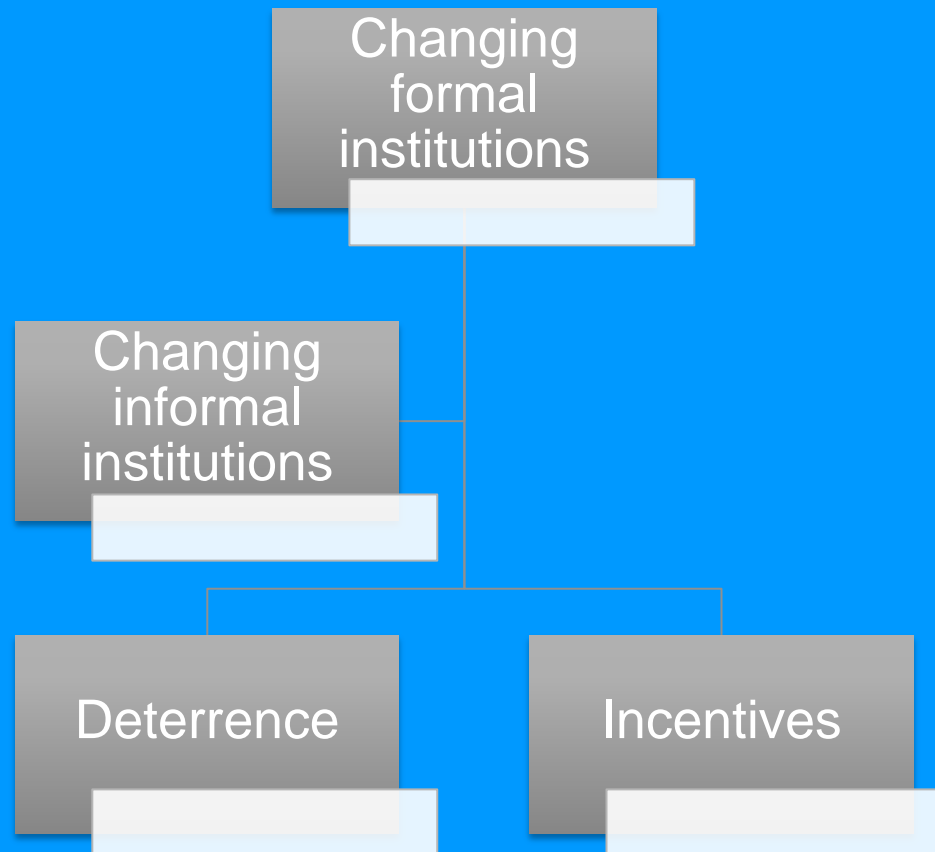
- The business, especially micro and small firms should see the state administration not as a purely sanctioning authority, but as a service orientated one.
- Voluntary tax cooperation could be further enhanced in Bulgaria and this would save resources. By using 'sticks', inspection bodies therefore additionally amplify the gap between the authorities and taxpayers.

NRA - a contemporary business intelligence solution (Oracle Business Intelligence Enterprise edition Plus).

- Actionable tax intelligence and real time responses.
- Lesser subjectivity in enforcement of checks and audits.
- Tax non-compliance diagnostics – calculation of cost.
- Tax compliance enforcement – calculation of cost.
- Proactive Detection and Alerts.



Ways forward - Croatia



Improving formal institutions

- Combatting corruption.
- Increasing transparency.
- Citizen involvement.



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Improving formal institutions (2)

- Improving coordination of agencies.
- Increasing knowledge about taxpayers and the undeclared realm.
- Reducing inequality.



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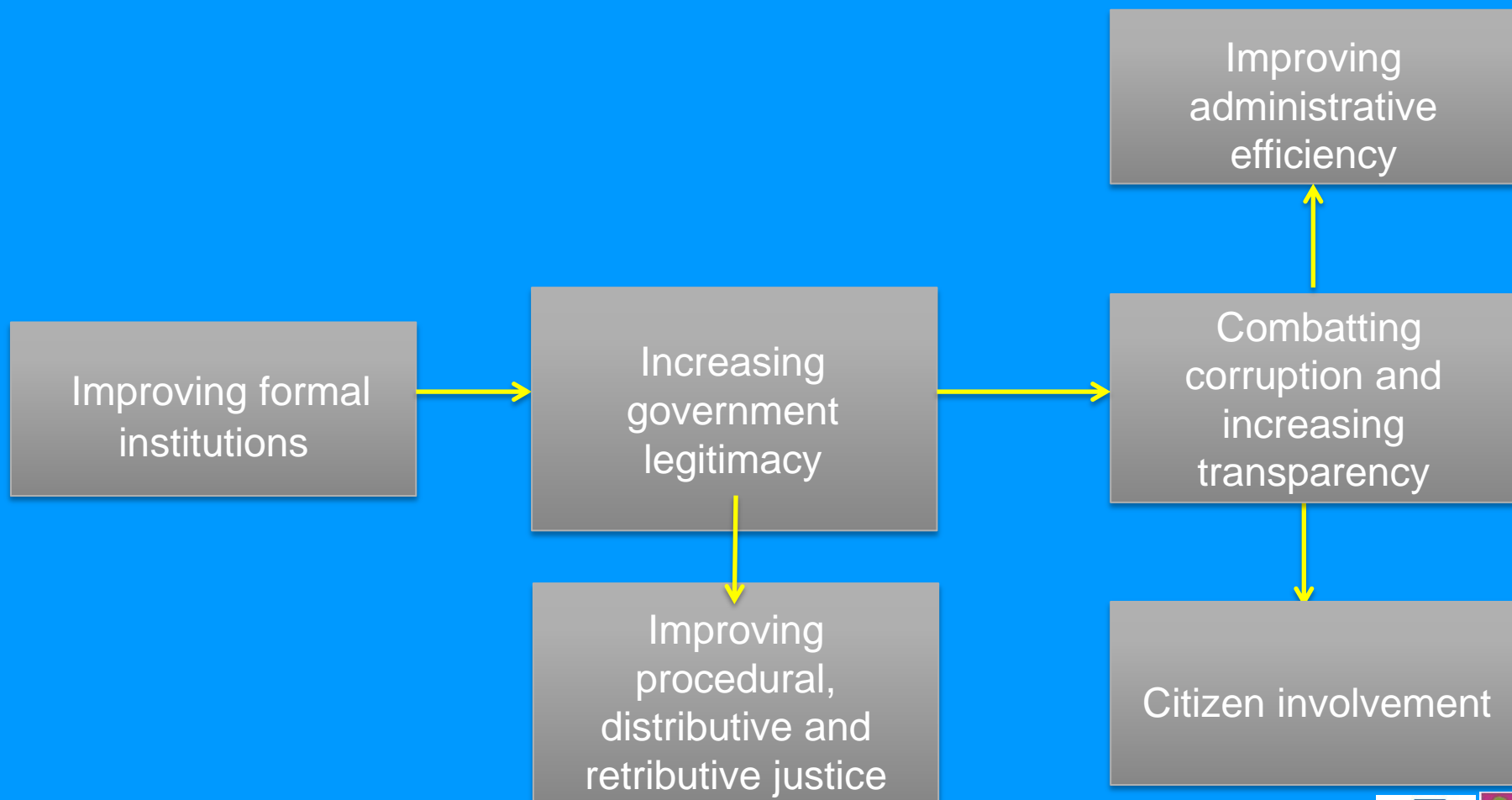


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Improving formal institutions (3)

- Developing a friendly relationship between the state and taxpayers.
- Changing the surveillance approach.
- Improving social dialogue.

Improving formal institutions (4)





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Improving informal institutions

- Raising awareness about the importance of taxation.
- Raising awareness about the positives of formality.
- Improving tax knowledge.

Improving informal institutions

Targeting informal
institutions



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graph LR; A[Targeting informal institutions] --> B[Raising awareness]; A --> C[Improving tax knowledge];
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Raising awareness

Improving tax knowledge



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Thank you for listening

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