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**MODERNIZING INSPECTION  
AUTHORITIES PROJECT**

**- Survey of companies' perception on inspections in  
Macedonia -**

**Prepared by**  
Center for Development Policies  
**IDEAS DePo**  
Skopje

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MODERNIZING THE INSPECTION  
AUTHORITIES  
**Assessment of the inspection authorities in Macedonia**

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**DISCLAIMER**

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## **LIST OF ABBREVIATIONS**

SABEM – Second Assessment of the Business Environment in Macedonia (2017)

BA - Baseline Assessment of the Business Environment in Macedonia (2017)

IT – Information Technology

MSME's – Micro, Small and Medium Enterprises

USAID - United States Agency for International Development

CEED Macedonia – Center for Entrepreneurship and Economic Development Macedonia

## I. EXECUTIVE SUMMARY

This study was conducted to assess the current situation, track changes and provide valuable recommendations regarding the inspection system in Republic of Macedonia, as part of the ongoing project "Modernizing the Inspection Authorities Project". It was carried out in the period of June-July 2018 and under the supervision of Jovan Madjovski from CEED Skopje and Center for Development Policies IDEAS DePo, which coordinated all activities related to the survey and assisted the process in various manners.

The study was consisted of two parts: Online survey and In-depth interviews. Due to the nature of the online survey, where the questionnaire had to be brief, areas that may have been affected by inspection authorities may not have been included in the questionnaire and use of simple statistical techniques may introduce an element of subjectivity into the interpretation and analysis of the data. Therefore, additional in-depth interviews were conducted, to provide us with rich descriptive data, which enabled us to receive feedback, recommendations and examples on questions which we found to be of biggest importance for analyzing the inspection authorities in Macedonia. The respondents involved in the online survey were companies registered in the CEED members base, and all of the companies have their operations in Macedonia. It was distributed to 1500 companies and it was answered by 113 companies.

Main findings from this part of the study are:

**The most frequent inspections were carried out by the State Labor office, identified by 62.07% of the participants.** Other frequent inspections were the ones by SLI- Sector for Inspection Supervision in the field of occupational safety and health (39.66%), Public revenue office (47.41%) and the Market Inspectorate (38.79%).

- **Out of the total companies, 73% have not experienced delays in getting licenses.** This is a slight improvement since the last study (Second Assessment of the Business Environment in Macedonia), which indicated that 65% of companies have not experienced delays in getting licenses.
- **There was no conclusive finding**, regarding which licenses/consents/permissions are typically delayed, if there are delays in the procedure, or, which is the area (legislation), in terms of legal compliance companies have the biggest problem
- **If any remarks/irregularities were found during the inspection, majority of the companies, 52.13%, received a warning and 44.68% received a fine.** The percentage of participants that selected Fiscal Fine has significantly increased from the SABEM, jumping double, from 23.73% to 44.68%.
- **After completing the inspection, 56.03% of the companies were given deadline with sufficient time to resolve the irregularities**, and 25.86% were immediately sanctioned.
- **This survey points an issue that needs to be immediately addressed, since a total of 82.76% of the companies either don't find the regulations clear or are not aware of them.**
- Another issue that needs to be immediately addressed is providing a clear scope and detailed information regarding the inspection, **since 43.97% received partially clear information and 25.86% received unclear information or weren't given any information.**
- **31.03% weren't presented with any documents during the inspection, inspection warrant was presented to only 28.45% and identification document was presented to only 24.14% of the companies.** These indicators again, point to obvious need to establish clear rules about handling inspections. Presenting identification documents, inspection order document, and a list of legal requirements for the audit should be a required from all inspectors.
- Out of the total number of companies, 51.72% were visited by two inspectors, 34.48% were visited by one inspector and 6.04% were visited by 3 or more inspectors. The usual duration for the majority of companies that have been subject to inspection, the audit took several hours 58.62% and 41.38% of the companies had to engage 2 employees.

- **Only 50% or 58 of the respondents have answered positive where presented with the findings from the inspection** while 27.59% or 32 respondents have said that they are only sometimes presented with the findings and allowed to enter remarks in the report. This states the need for standardized procedure during inspections which will include presentations of inspection findings.
- **48.28% or 56 out of 116 respondents answered that insisting to find an irregularity that will be punished is their biggest problem when being faced with inspection/supervision** and it corresponds to the findings when companies were asked if they feel like their company has been a “target” for more inspection with 48.28% or 56 respondents answering positively to the statement.
- **A high percentage of 68.10% or 79 respondents have declared that they have never filed a complaint, and of those that have filed a complaint** a high number of respondents 38.79% or 45 answers reflected that none of their complaints has been accepted.
- **69.83% or 81 respondents said that inspections services are used as a tool for the Government to pressure companies.**

The sample of businesses interviewed during the in persons interviews of the study were chosen with a non-probability, convenience sampling method.

In order to explore different views, experiences, beliefs and/or motivations of individuals on specific matters surrounding the topic of the study, the sample was focused on **6 different sectors which have high significance for the national economy: Retail, IT, Manufacturing, Financial, Foodservice/Catering industry and Food Production, including at least one small or micro and at least one large size company from each of the industries.**

The findings from this study were similar to the problems identified from the online survey, and interviewees pointed the need for standardization of the inspection procedure, recommended timely announcements for inspections, stated the need for a clear list of demands regarding documentation and a clear legal frame.

## 2. INTRODUCTION

In well-established and functional legal and economic system, inspections are very good indicator for compliance of businesses and citizens with legal regulations. However, when the legal system is stained with a number of deficiencies, inspections could turn into a powerful instrument for political and economic pressure and corruption. Therefore, establishing a well-functioning system of inspections based on clear regulation with no need for expert interpretation, and transparent enforcement rules could be a very important step in creating a good, level playing field for all businesses. In the Macedonian system where the legislation is being changed far too frequently, and with no public debate or participation from stakeholders, the entire area of inspection system, which is very sensitive, should be carefully examined. This study sheds light on the inspection system in Macedonia and the responses from participating companies could be taken in consideration when creating specific policy instruments related to improved legal compliance. <sup>1</sup>

It is expected that the findings from this study will add value towards introducing a modern, business friendly and predictable inspection system that will seek to achieve enhanced efficiency of inspection authorities, as well as voluntary compliance by implementing best practices and principles into the inspection process.

Methodology used for this paper includes conducting online survey of companies, in-depth quantitative and qualitative analysis of the data, in-depth interviews with companies, desk research, etc. The research underpinning the analysis of this paper was done under the supervision of CEED Skopje and Center for Development Policies IDEAS DePo, which coordinated all activities related to the survey and assisted the process in various manners.

Detailed questionnaire for both, the online survey and in-depth interviews, was developed in a joint effort of all partners of the Project. (Appendix I and Appendix II, respectively)

This study was divided in two sections, online survey and in-depth interviews with companies from secondary, tertiary and Quaternary industries. The online survey was distributed to 1500 companies and it was answered by 113 companies. T

The sample of businesses interviewed during the in-depth interviews of the study were chosen for convenience and they included two or more companies (various company sizes) from six of the main industries in Macedonia.

Detailed questionnaire for both, the online survey and in-depth interviews, was developed in a joint effort of all partners of the Project. (Appendix I and Appendix II, respectively)

### 3. ONLINE SURVEY

#### Aims of the study

The online survey, as a sophisticated quantitative research method comprised of questionnaire, was used with the intention of efficient gathering of data from a set of respondents. Besides this, by conducting this survey, which is comprised from a set of questions included in previous studies on the same topic (Baseline Report 2016, SABEM 2017), we are able to compare the data with those previous studies, enabling us to examine if there are any changes, positive or negative, regarding the inspection authorities in Macedonia.

#### Sample

The respondents involved in this survey were companies registered in the CEED members base, and all of the companies have their operations in Macedonia. A member from CEED was responsible for distributing the questionnaire to its members. Controls were used to eliminate duplication of the responses.

#### Data Collection Method

The questionnaire for the online survey was comprised with total of 23 questions; 19 structured questions with optional choice responses (of which 3 with multiple choice options, and 16 with one choice option), and 4 open ended questions.

The online survey was carried out in the period of June-July 2018, and out of the 1,500 companies contacted during the online survey, 113 completed the questionnaire.

#### Data Analysis Methods

Simple statistical techniques were used to tabulate the results from the online survey part of this study. The primary data were analyzed using a percent of response. To compute the percent of response, of the multiple-choice questions and single choice question, the number of responses to each choice was divided by the total number of respondents who answered the question. To analyze the open-ended questions, the answers were grouped using excel, for ex. In question 1, the answers were grouped in 6 groups (0-5; 5-10; 10-15; 15-20; 20-50; 50-100) using count if's formulas, or using filters to group them by words.

#### Limitations of the Study

This study may be limited through the use of a questionnaire as a data collection instrument and due to the scope of interviewees. Because questionnaires must generally be brief, areas that may have been affected by inspection authorities may not have been included in the questionnaire. The study may also be limited by the use of a nonprobability, convenience sampling method. The sample of businesses interviewed during the in persons interviews of the study were chosen for convenience and may not be representative of the total population of businesses. Finally, the use of simple statistical techniques may introduce an element of subjectivity into the interpretation and analysis of the data. All attempts have been made to minimize the effects of these limitations on the study.



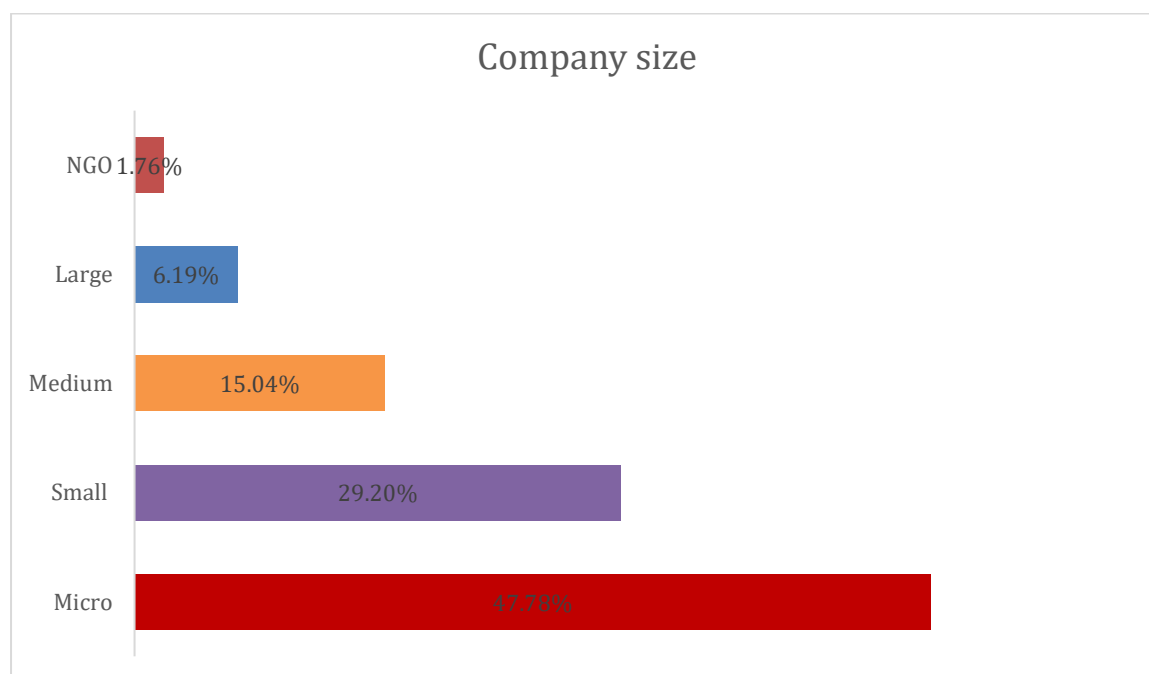
## Findings

Given the fact that most of the questions included in this questionnaire are the same as the questions from the Second Assessment of the Business Environment in Macedonia 2017 and the Baseline Assessment 2017, this report will compare results from the three studies, wherever possible. The findings will follow the flow of the questionnaires and their structure is aligned to the structure of the questionnaire.

### Profile of respondent companies

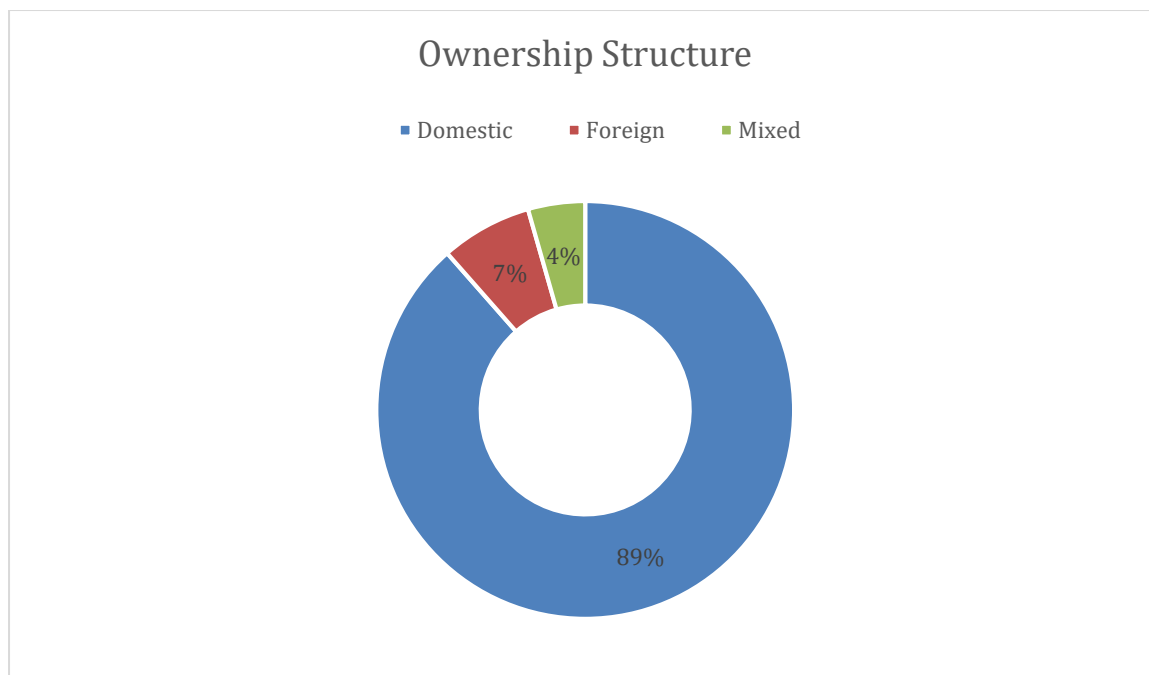
#### 1. Company size

From the 116 surveyed companies, the largest portion are micro and small companies, 47.78% and 29.20%, respectively, which represents a total of 76.98%. Statistically, more than 98% of Macedonian companies are MSMEs (micro, small, and medium enterprises), however, for the purpose of getting views and opinions of larger companies, 6.19% of the surveyed companies are large. The rest of the companies participating in this study are medium sized companies, and their percentage in this survey was 15.04%.



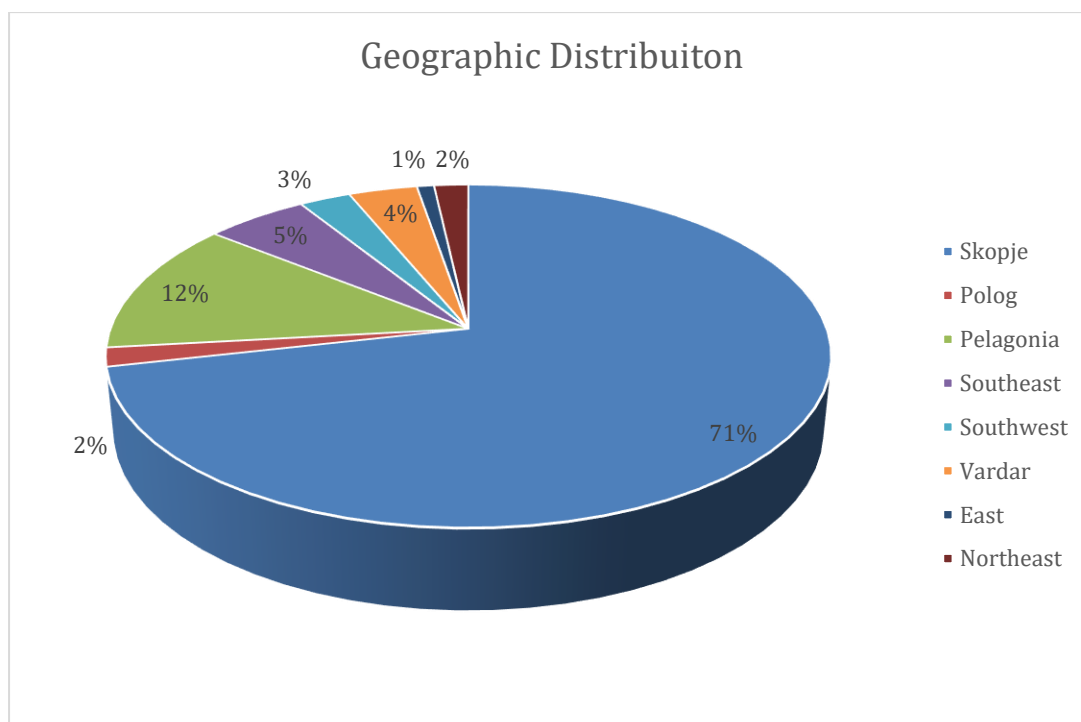
#### 2. Ownership structure

In terms of ownership, most of the respondent companies, 88.49% are local companies, 7.07% are foreign owned companies and 4.42% of companies have mixed foreign and domestic ownership.



### 3. Location of the business

The respondent companies are distributed in all of the eight planning regions in the country: Skopje, Polog, Pelagonia, Southeast, Southwest, Vardar, East and Northeast. The planning regions used in this survey are defined according to the Macedonian legislation. 70.79% of surveyed companies are located in the Skopje region; second most represented region in this survey is Pelagonia region with 12.38% companies, Vardar region with 3.53% companies, Polog and Northeast with 1.76% of companies, East with 0.88%, while the Southeast region is represented with 5.30% and the Southwest with 2.65%.



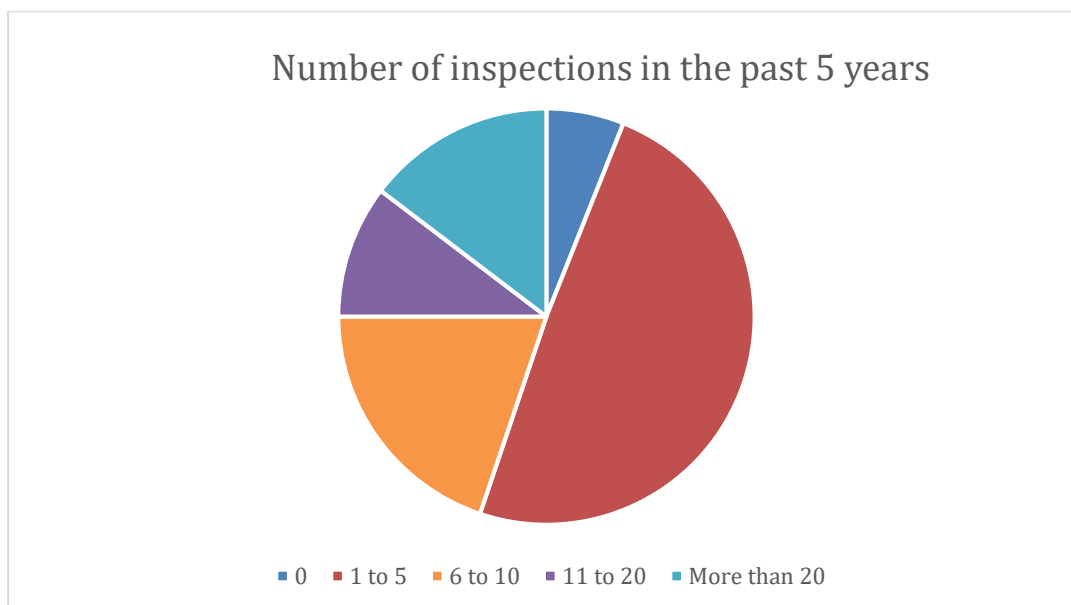
## Survey Findings

### 1. Number of inspections in the past 5 years

## Survey of companies' perception on inspections

Almost half of the participants (57 out of 116) have been subject to inspection from one to five times in the previous 5 years, 23 of the participants have been subject to inspections from six to ten times in the previous 5 years and 12 of the participants have been subject to inspections from ten to twenty times in the previous 5 years.

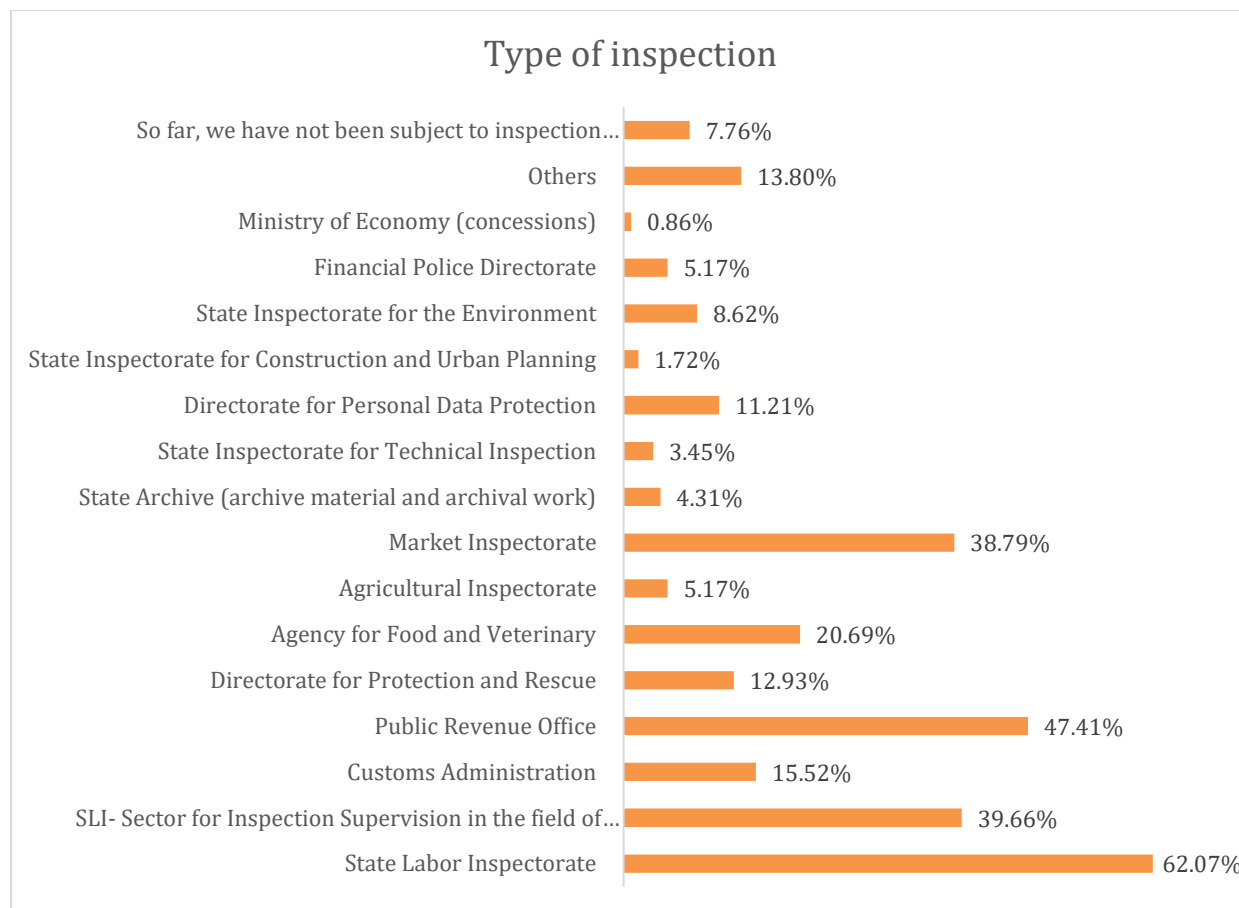
Only 7 of the participants responded that they haven't been subject to inspection in the previous 5 years and the rest of the 17 participants have been subject to inspection for more than 20 times in the previous 5 years.



## **2. Types of inspections**

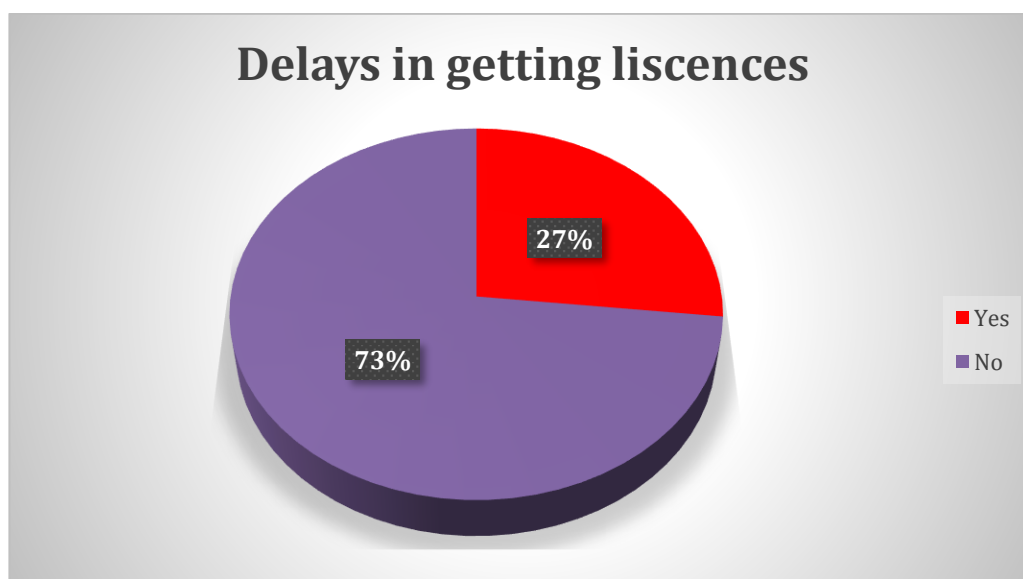
This was a multiple-choice question, allowing participants to select more than one response, from 16 listed inspection bodies and the 17<sup>th</sup> option being “we haven't been subject to inspection”. Four of the most frequent inspections were by the State Labor Inspectorate (62.07%), SLI- Sector for Inspection Supervision in the field of occupational safety and health (39.66%), Public revenue office (47.41%) and the Market Inspectorate (38.79%). Although the pattern is the same as in SABEM (Second Assessment of the Business Environment in Macedonia 2017) and BA (Baseline Assessment of the Business Environment in Macedonia 2017) conducted in 2017, the percentages have increased by double and more. SLI – Sector for Inspections Supervision in the field of occupational safety and health, increased for 30%, from 8.87%(SABEM);9.50% (BA) to now being 39.66%, and State Labor Inspectorate increased more than double going from 22.56%(SABEM); 18.57% (BA) to 62.07%. Public revenue office inspections were selected by 26.50% (SABEM) and 26.13%(BA) of the participants, while in this study they were selected by 47.41% of the participants.

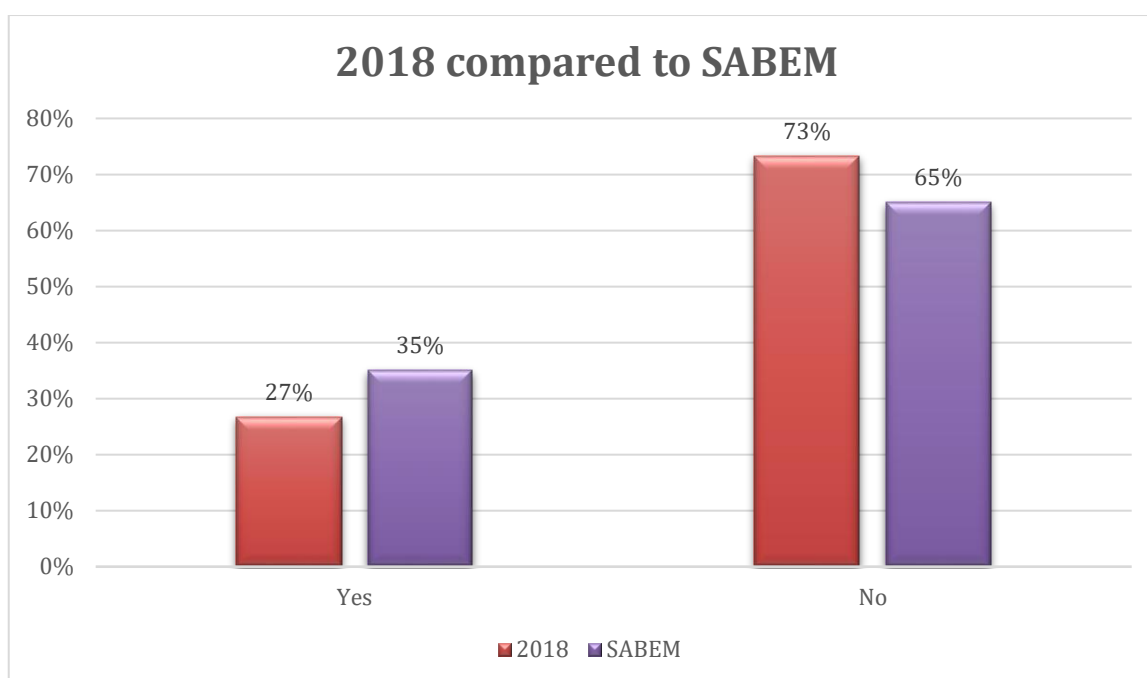
The rest of the offered choices were chosen with small percentage which was in the range of 0-20%.



### 3. Delays in getting licenses

This question was a single choice question with two possible answers, Yes and No. Out of the total number of companies, 73.28% have not experienced delays in getting licenses. Although this number is by 7% percent lower than the results from SABEM, still, 26.72% is an indicator that requires urgent attention by the authorities. As mentioned in the previous sentence, these results are similar but slightly better to the results from SABEM, where 65% of the companies answered No, and 35% answered Yes.





**4. Which licenses/consents/permissions are typically delayed, if there are delays in the procedure**

There was no conclusive finding coming from the answers for this question, without any obvious pattern or trend that could be singled out, with the exception for construction permit which was pointed out by 7 of the survey participants and permit to import/export/treat waste pointed out by 8 of the survey participants. The rest of the respondents either skipped the question, left “/” mark or gave different answers, e.g. license to import fine glass, permit to use public land, license to import fridges, license for work, etc.

**5. In terms of legal compliance, which is the area (legislation) where your company has biggest problem**

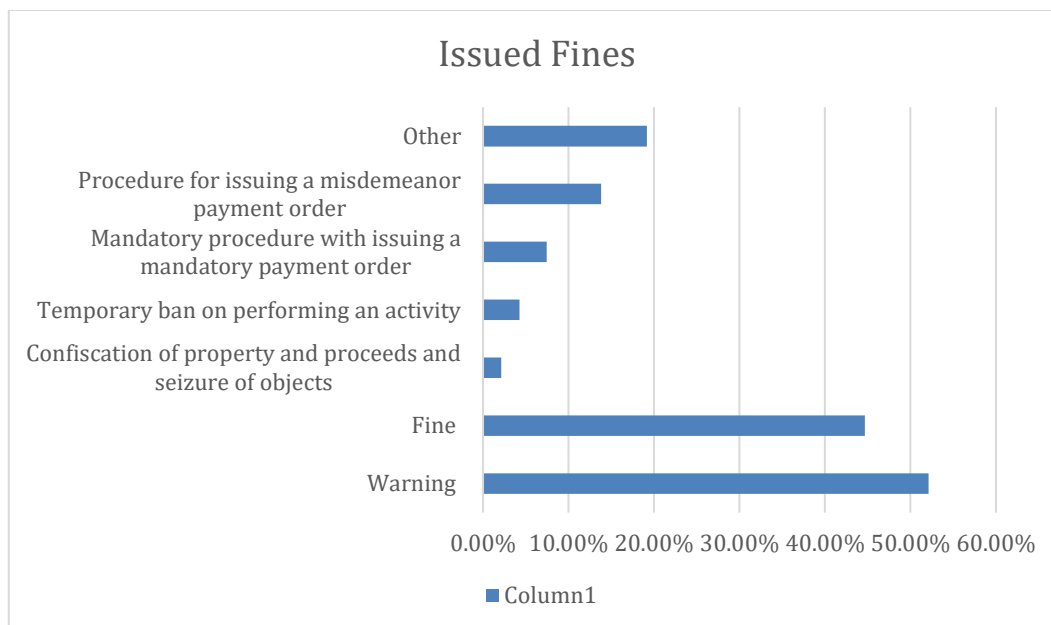
This is an open-ended question, however, similar to the responses from SABEM, the companies did not emphasize any particular area that creates biggest problems in terms of legal compliance. Responses to this question do not provide any obvious pattern or trend that could be singled out.

**6. Issued fines**

This was a multiple-choice question where the participants were given 7 possible answers. The way this question was structured – “Have you been imposed with a sanction/measure? If yes, what kind of sanction/measure were you imposed with?” – made participants skip the question, and only 2/3 of the participants answered the question. We can safely assume, that the one third that skipped the question hasn’t been imposed with a sanction.

The largest percentage of participants selected Warning (52.13%) and Fine (44.68%). The percentage of participants that selected Fiscal Fine has significantly increased from the SABEM, jumping double, from 23.73% to 44.68%.

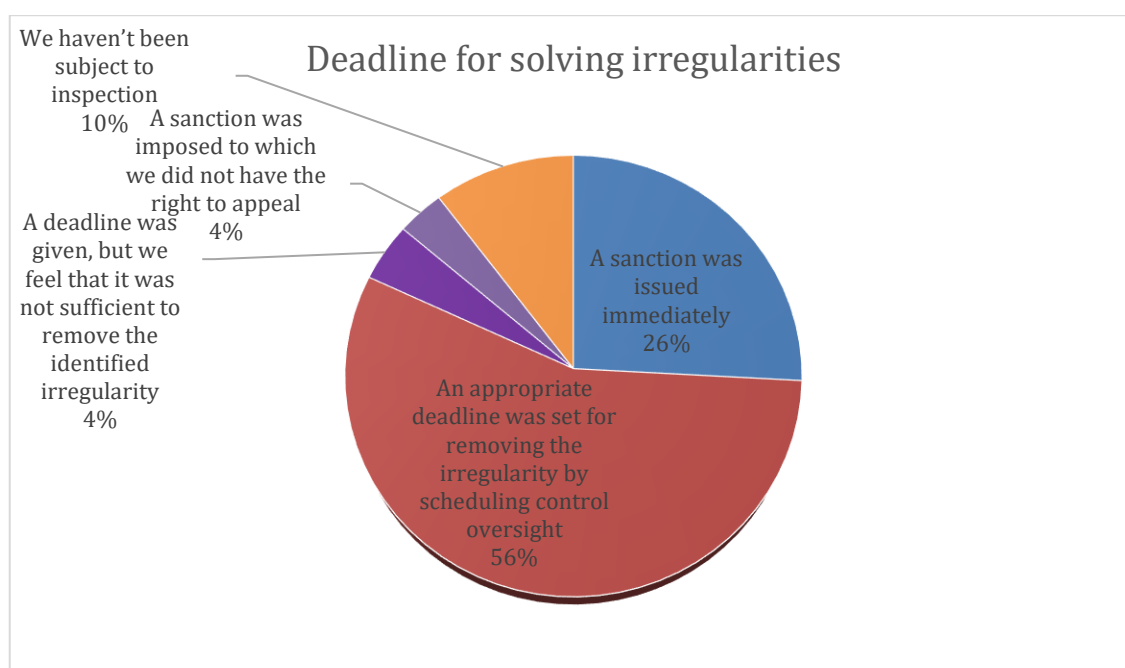
The rest of the given choices were under the 20% range, with the following results: Confiscation of assets and material possessions (2.13%), Temporary ban of professional activity (4.26%), Mandate procedure with mandate payment order (7.45%), Misdemeanor payment order procedure (13.83%) and 19.15% of the participants selected Other.



**7. Deadline for solving irregularities**

After completing the inspection, 56.03% of the companies were given deadline with sufficient time to resolve the irregularities, while 4.31% were provided with deadline which was not sufficient to resolve the irregularities. This represents a positive change from the SABEM report, where 41.86% of the companies were given sufficient time to resolve the irregularities, and 6.20% were given deadline that wasn't sufficient.

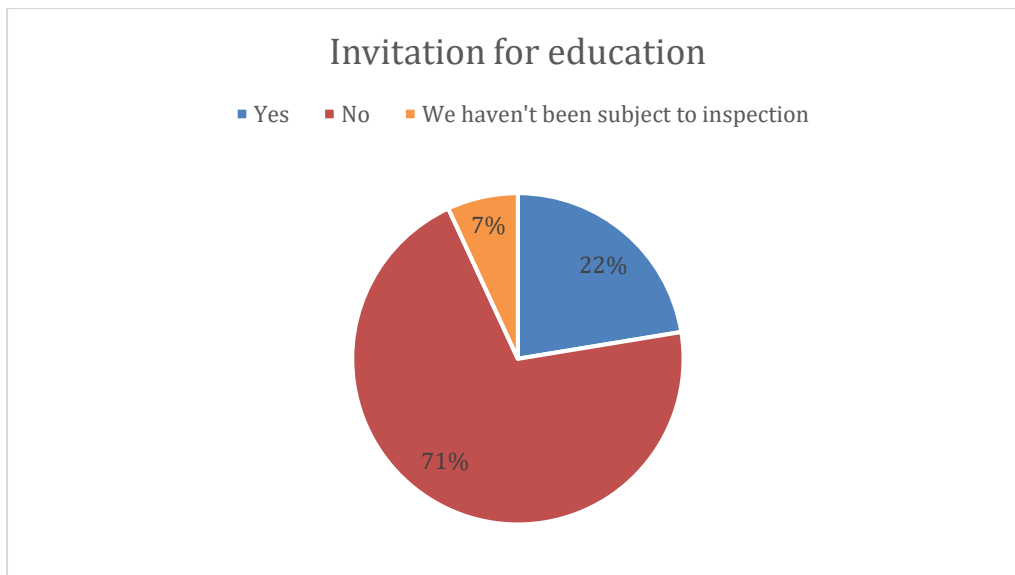
From the rest of the 39.66% of the companies, 25.86% were immediately sentenced with a financial fine, 3.45% were sanctioned with no right to appeal and 10.34% haven't been subject of any inspection in the last 5 years.



### 8. Invitation for education

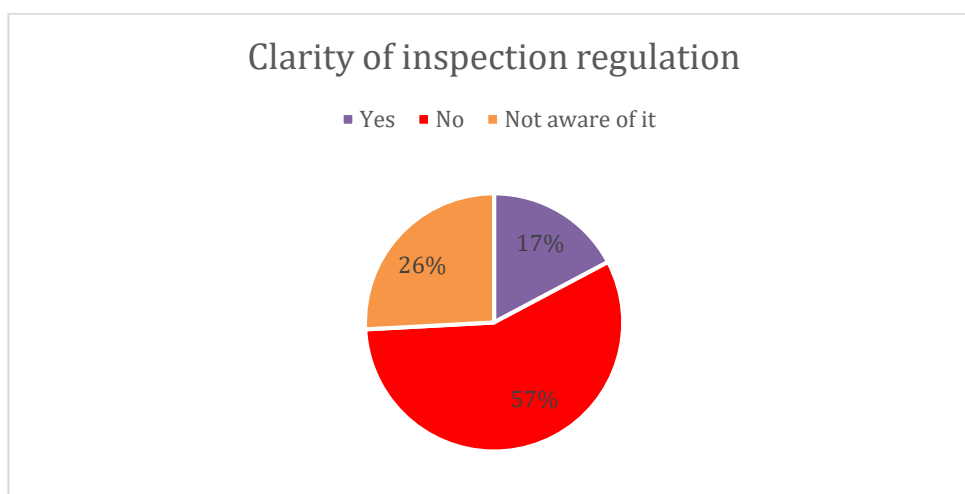
During the inspections, only 22.41% of the companies received invitation for education from the inspection officers – which is almost 100% increase from the SABEM survey results where this percentage was 11.63%.

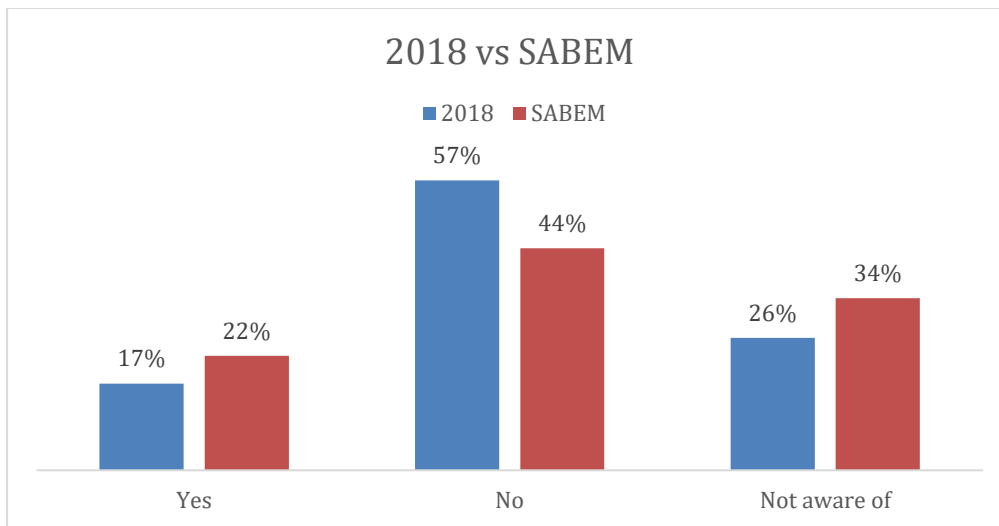
Further, 70.69% of the companies did not get any invitation for education, while 6.90% haven't been subject to inspections.



### 9. Clarity of inspection Regulation

In order to stay compliant to the legal frame, companies need to have clear, easy to comprehend and easily accessible inspection regulation. This survey points an issue that needs to be immediately addressed, since a total of 82.76% of the companies either don't find the regulations clear or are not aware of them. Out of this 82.76%, 56.90% of the participants do not find these regulations clear and additional 25.86% are not aware of them. Only 17.24% of the companies find the regulations to be clear and easily available.





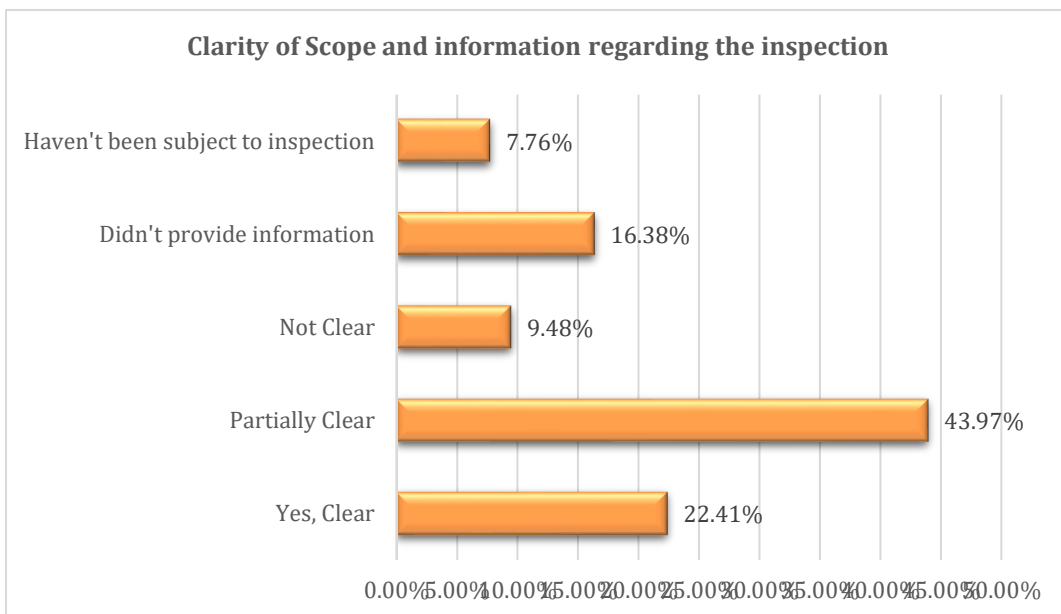
**10. Getting clear information about the scope and manners of conducting the inspection**

During the inspection procedures, the companies should expect to get clear information about the scope and methods in which the inspection will be carried out.

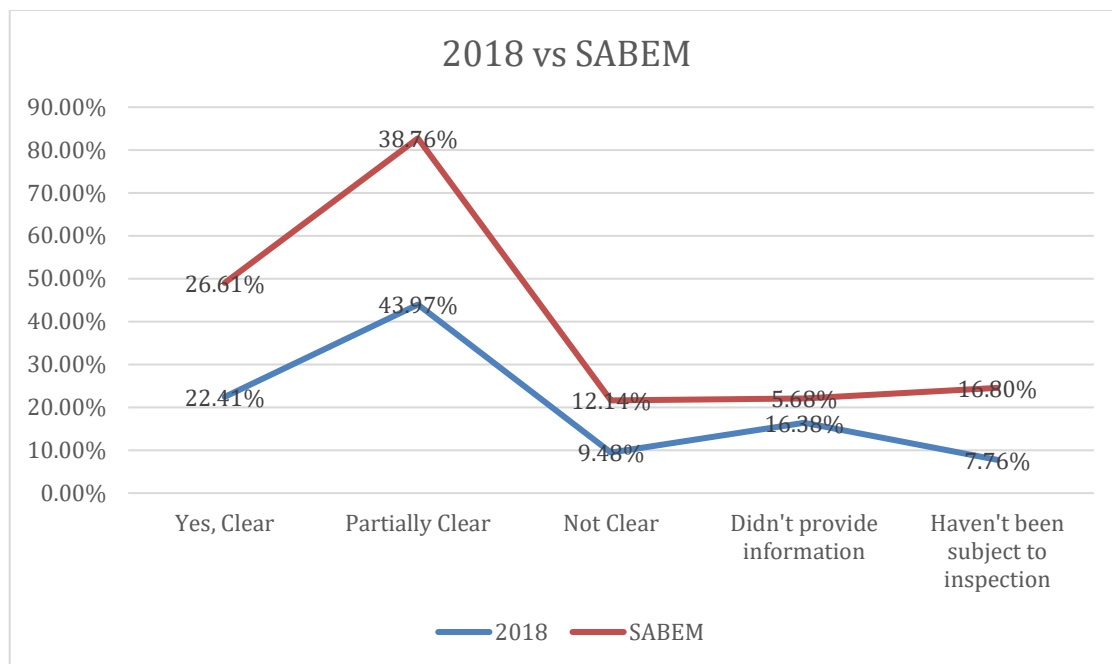
Survey data shows, that only 22.41% of the participants received clear information about the inspection, and 43.97% received partially clear information.

The percentage of companies that received unclear information or weren't given any information was 25.86%, 9.48% said they received unclear instructions and 16.38% weren't given any information. The rest of the companies, 7.76% haven't been subject to inspection yet.

This numbers are similar to the SABEM survey.

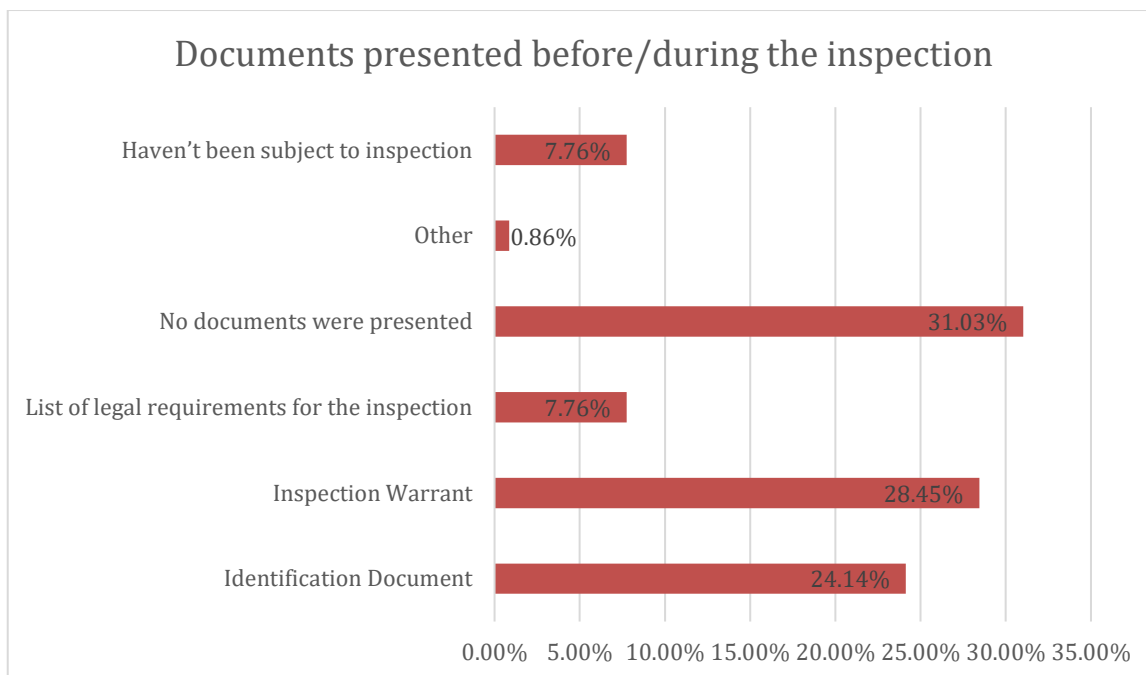




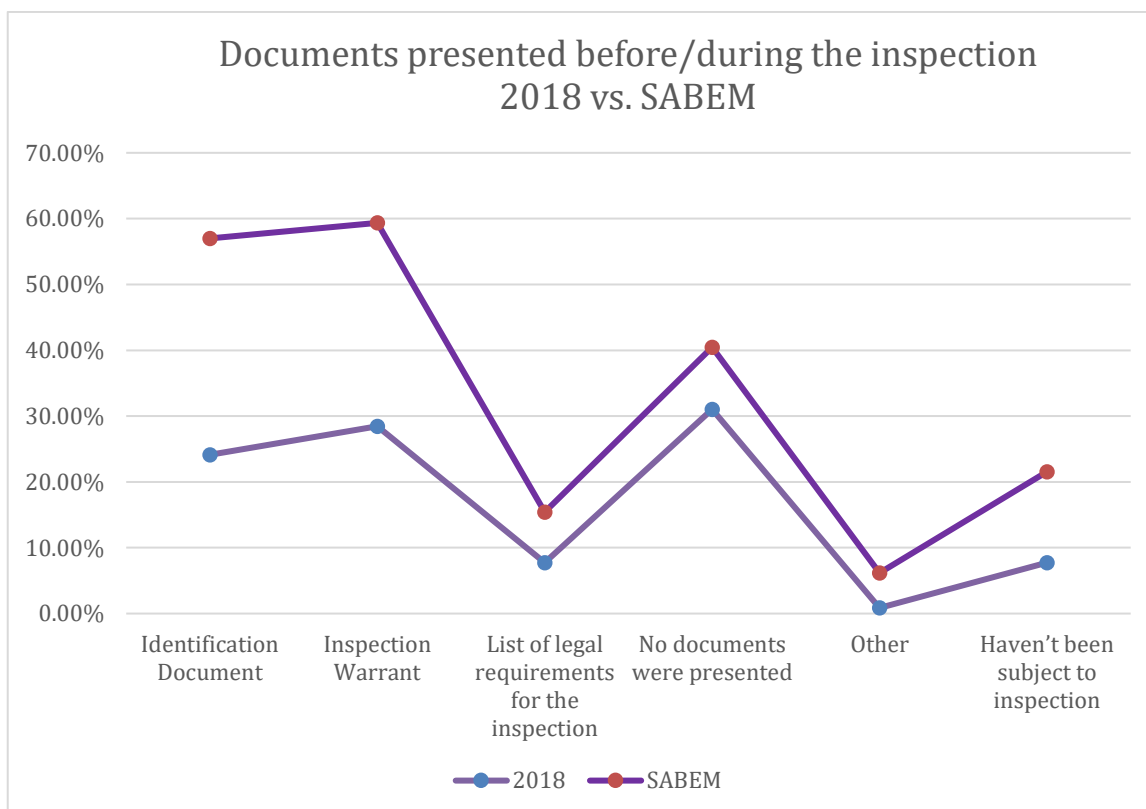


## II. Documents presented before the inspection

According to best practice, inspectors have to present certain documents to the companies subject to audit, such as identification documents, inspection order documents, list of legal requirements, etc. The indicators show that there is big increase in the percentage of companies that weren't presented with any documents during the inspection, and increase from 9.45% (SABEM 2017) to 31.03%. More than half of the participants, 60.35% were presented with some sort of a document. A list of documents was presented to 7.76% of the companies, inspection warrant was presented to only 28.45% and identification document was presented to only 24.14% of the companies. These indicators again, as in the SABEM survey point to obvious need to establish clear rules about handling inspections. Presenting identification documents, inspection order document, and a list of legal requirements for the audit should be a must for any inspection procedure; therefore, it should be clearly and officially required for all inspection officers and all inspections. If that is not a case, there could be cases where criminals may enter companies presenting themselves as inspection officers while in fact trying to commit a crime.

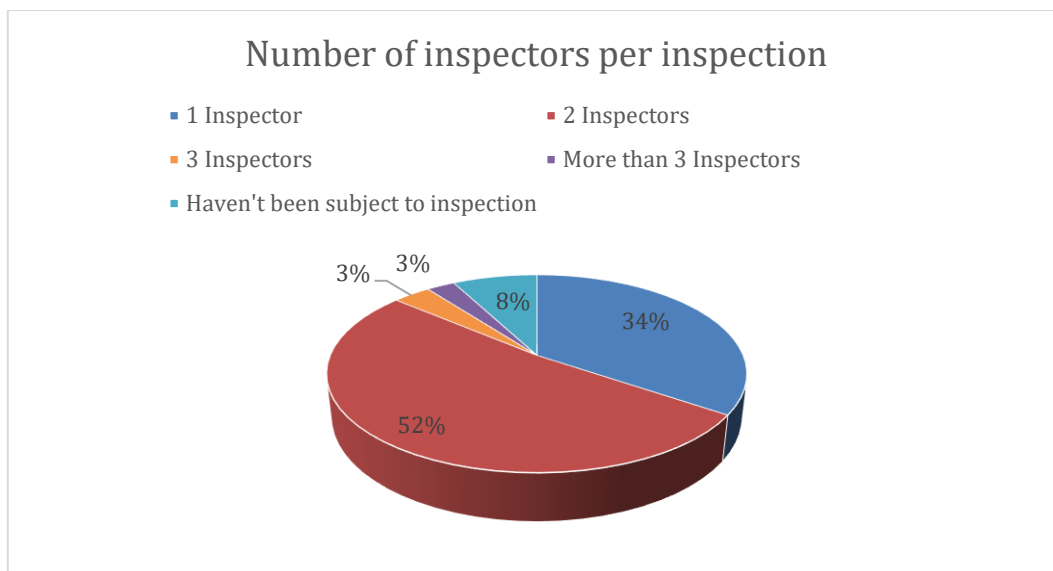


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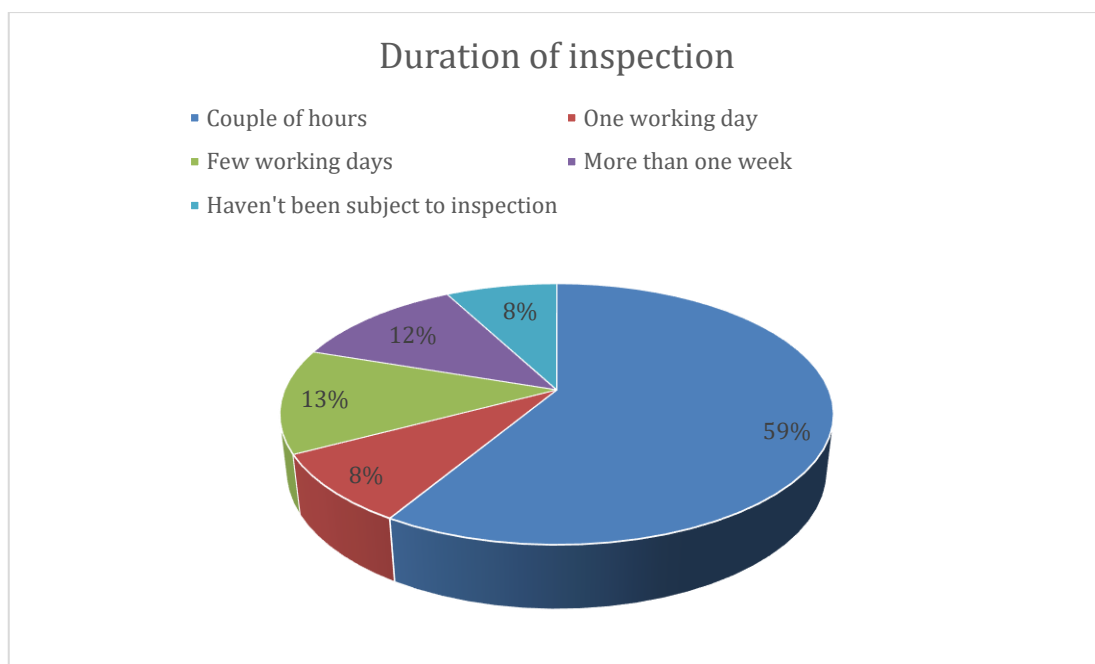
## 12. Number of Inspectors per inspection

These findings were very similar to the findings from SABEM. Most of the participants, 51.72% were visited by two inspectors, 34.48% were visited by one inspector and 6.04% were visited by 3 or more inspectors.



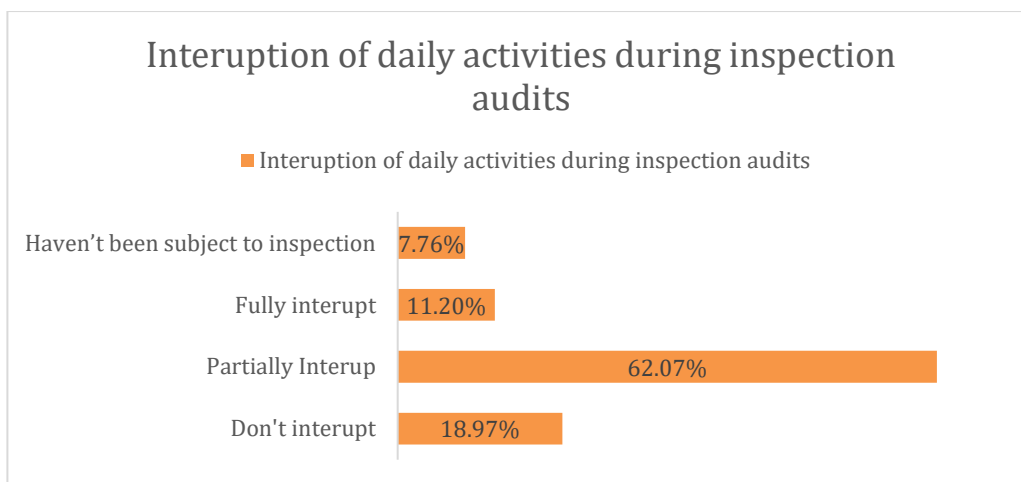
**13. Average time of inspection**

For the majority of companies that have been subject to inspection, the audit took several hours 58.62%. 12.93% of the companies experienced audits that took several consecutive working days, or more than one week 12.00%. Inspections lasting one working day were the case for 8.62% of the companies.



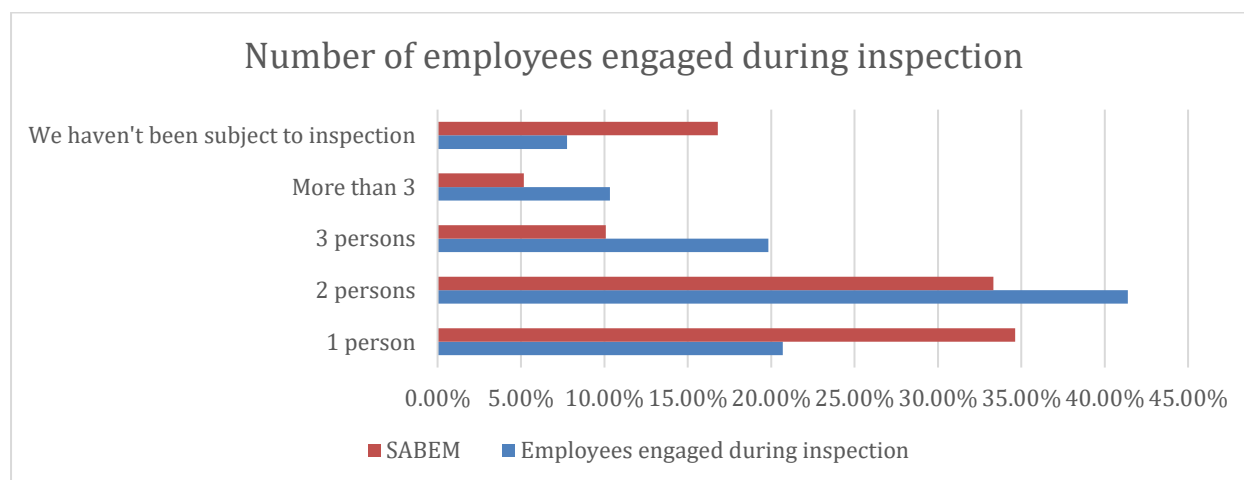
**14. Interruption of daily activities during the inspection**

62.07% of the companies responded that the inspections partially interrupt daily activities, and 11.21% responded that they fully interrupt daily activities. This represents a majority of the companies that find inspections to be interrupting their daily activities, which is to be expected. 18.97% of respondents felt that the inspectors didn't interrupt their daily activities, and 7.76% have never been subject to inspection.



**15. Number of employees engaged during the inspection**

Almost half of the companies, 41.38%, had to engage 2 people during the inspection. Comparing the results from this study with the ones from the SABEM survey, we can see that companies are engaging more people than before during inspections. Only 20.69% have engaged one person, while 19.83% engaged 3 persons, and 10.34% engaged more than 3 persons. This represents an important indicator because scarce resources of the companies in terms of management or other authorized personnel should not be taken away from regular professional activities for the inspection purposes.

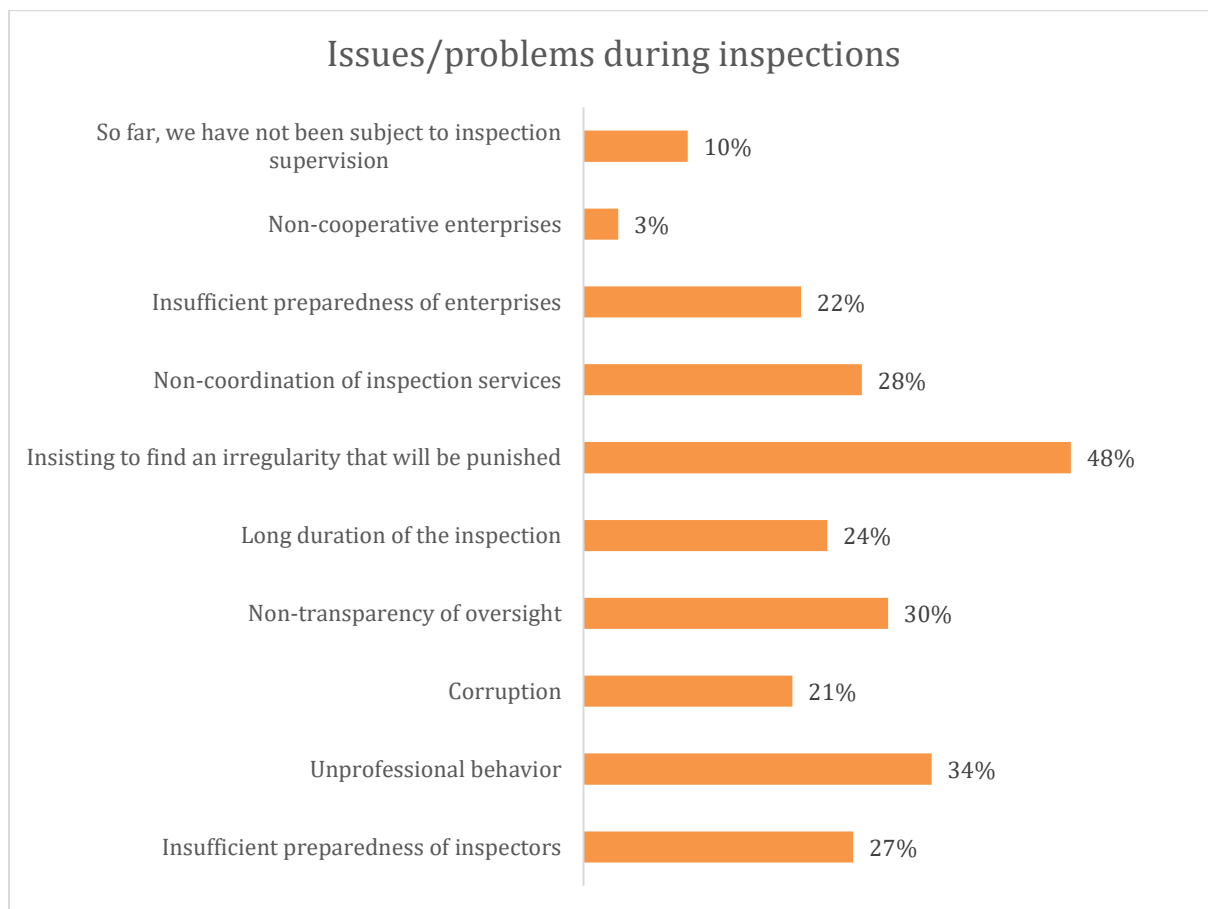


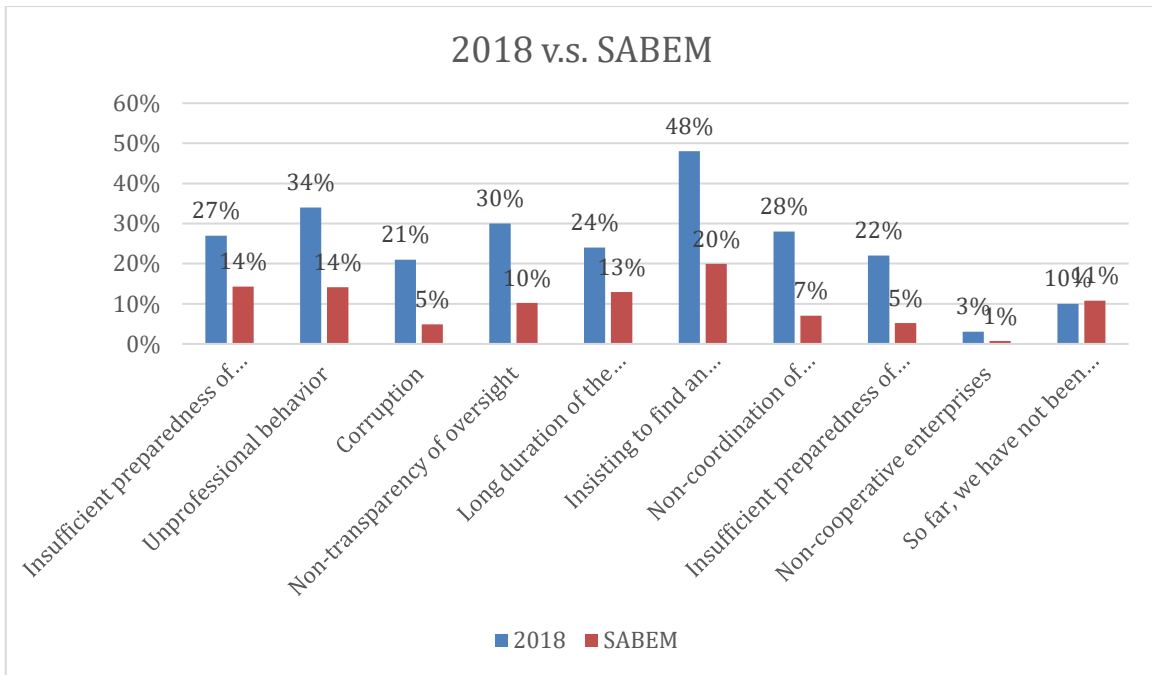
**16. Noted issues/problems during inspections**

The survey data reflects 48.28% or 56 out of 116 respondents answered that insisting to find an irregularity that will be punished is their biggest problem when being faced with inspection/supervision. Secondly, 34.48% or 40 respondents has recognized unprofessional behavior to be the biggest problem. As third biggest problem was the non-transparency of oversight with 30.17% or 35 answers, followed by 27.59% or 32 respondents recognized non-coordination of inspection authorities and 26.72% or 31 respondents answered insufficient preparedness of inspectors. Compared to the results from SABEM, there has been a large increase in the percentage of companies who found corruption to be the biggest problem, from 5% (2017) to 21% (2018).

## Survey of companies' perception on inspections

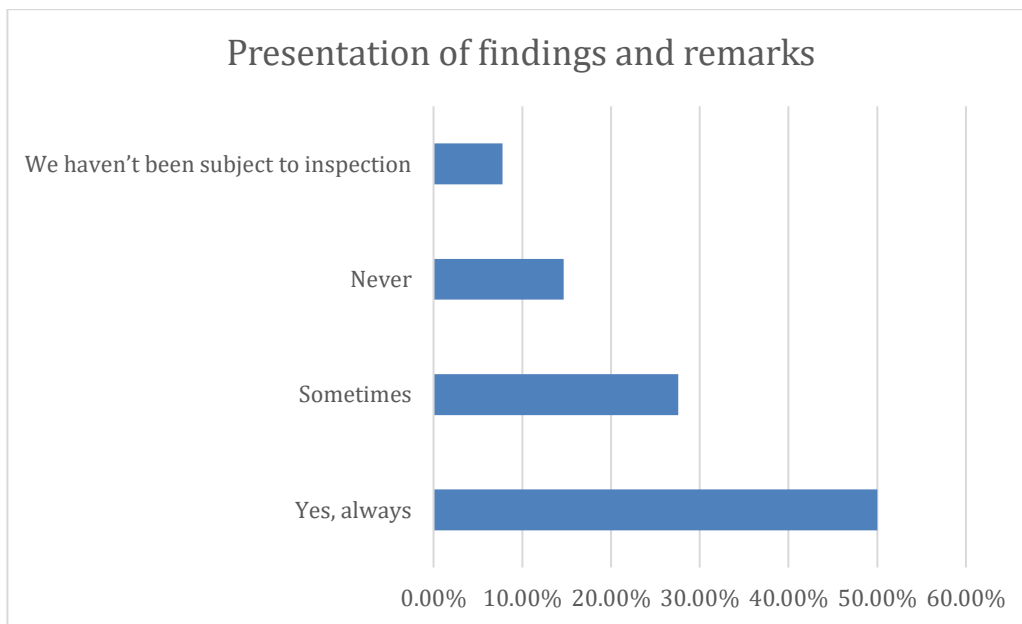
Besides this, another aspect that needs immediate attention, is the double increase in percentage in companies who find the worst problem to be inspectors insisting to find irregularity, going up from 20% in 2017 to 48% in 2018.

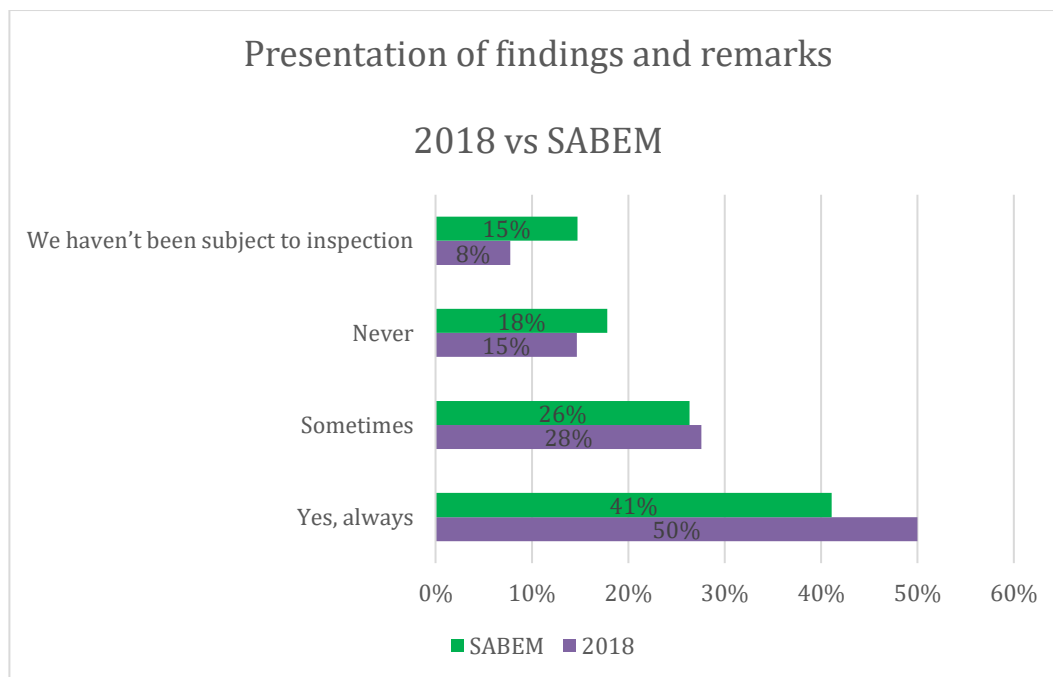




**17. Presentation of findings and remarks at the end of the inspection**

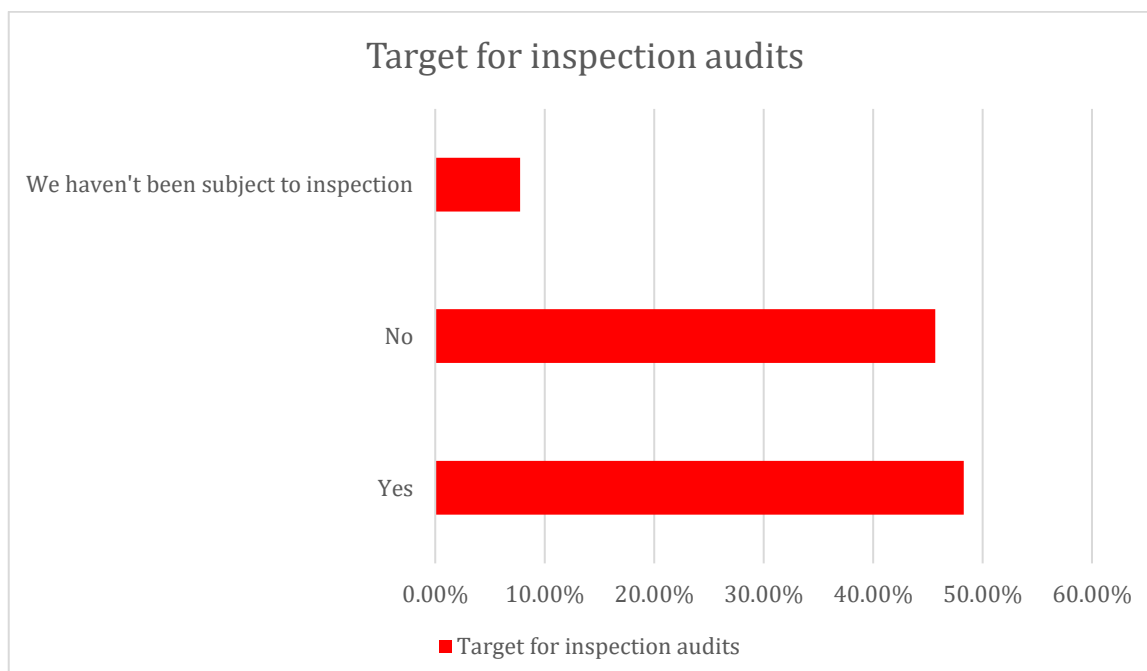
Whether respondents have been presented with the findings at the end of the inspection and remarks, 50% or 58 of the respondents have answered positive, while 27.59% or 32 respondents have said that they were only sometimes presented with the findings and allowed to enter remarks in the report. On the other hand, 14.66% or 17 respondents claimed that they have never been presented with the findings nor were allowed to enter remarks in the report. Interestingly, 7.76% or 9 respondents have never been a subject to inspection.





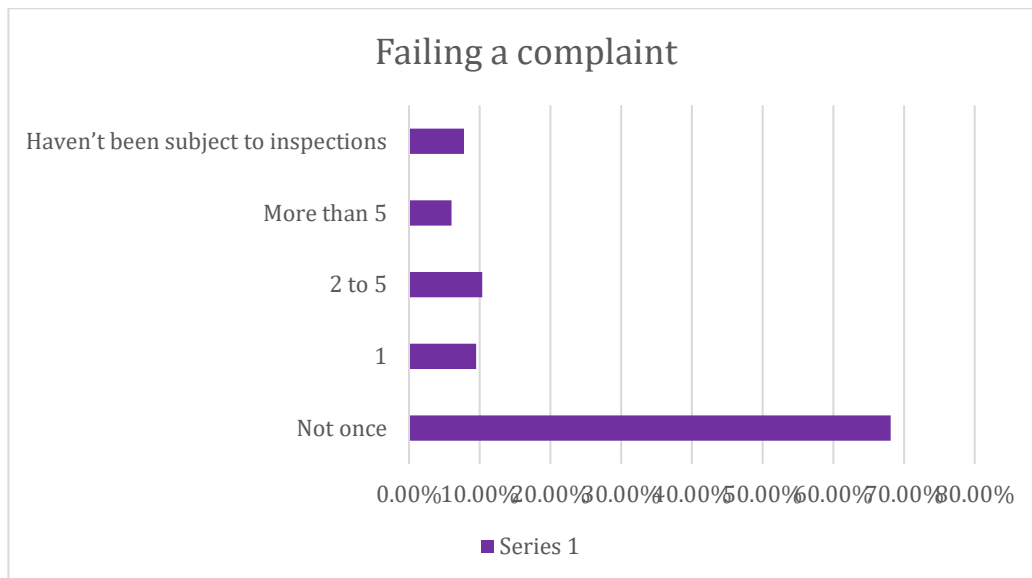
### 18. Target for inspections

The survey provided almost balanced data regarding answers considering whether respondents feel like their company has been a “target” for more inspection with 48.28% or 56 respondents answering positively to the statement, conversely 44.83% or 52 respondents answered negatively. 7.76% or 9 respondents have claimed they have never been a subject to inspection.



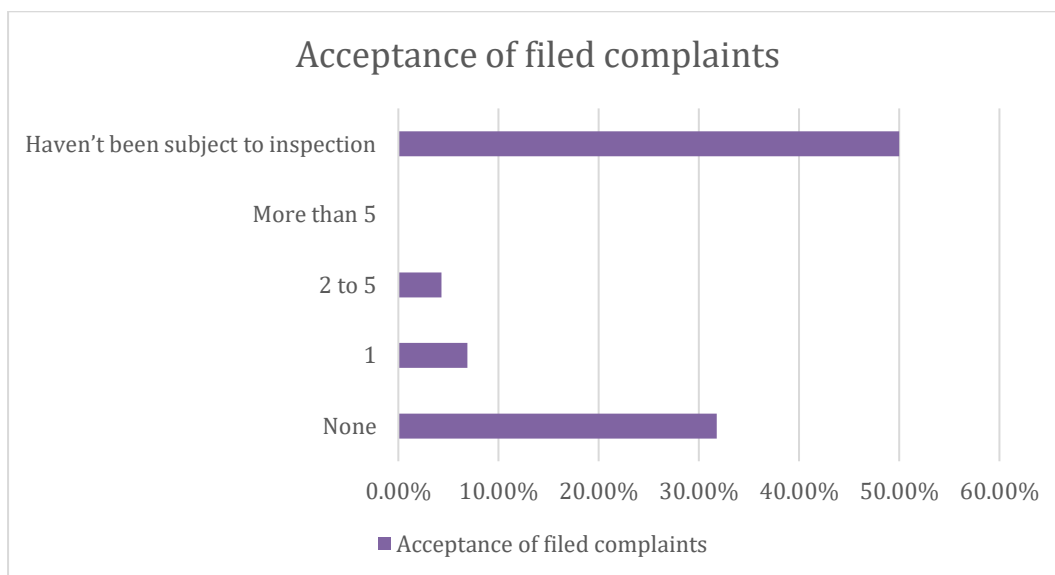
**19. Filing a complaint**

At the question whether they have filed a complaint to the relevant institution after the supervision over the past 5 years, a high percentage of 68.10% or 79 respondents have declared that they have never filed a complaint, 10.34% or 12 replied that they have filed a complaint 2 to 5 times, while 9.48% or 11 have said they have filed a complaint once. 5.17% 5 respondents said they have filed a complaint more than 5 times, while 6.90% respondents have never been a subject to inspection.

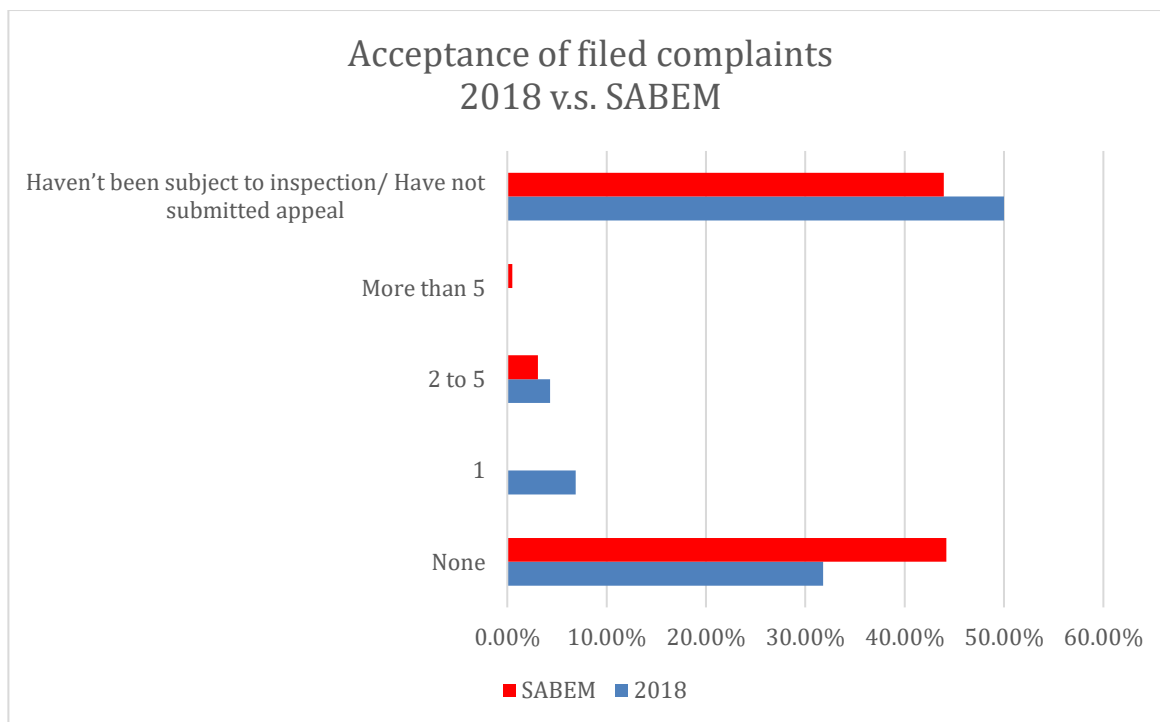


**20. Acceptance of filed complaints**

Adding to the previous question, whether the filed complaints have been accepted, a high number of respondents 38.79% or 45 answers reflected that none of their complaints has been accepted. Half of the sample, 50.00% or 58 respondents have never been a subject to inspection/ never filed a complaint. 6.90% or 8 replies claimed one complaint has been accepted, while 4.31% or 5 respondents had 2 to 5 complaints accepted.

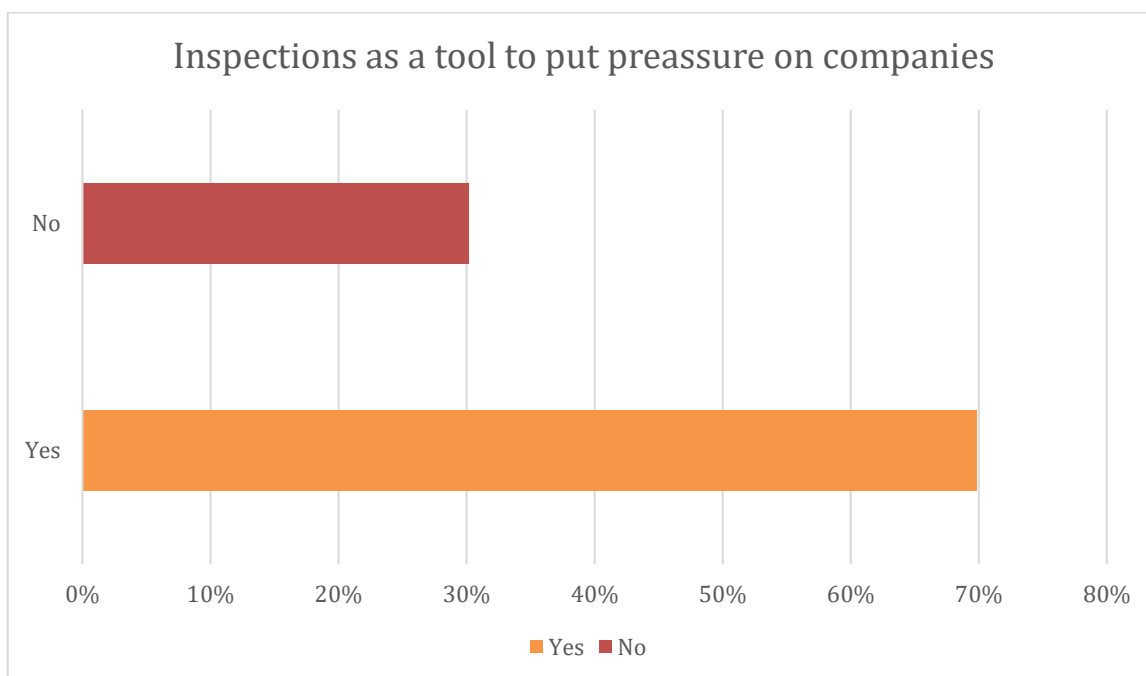






**21. State institutions using inspection bodies as a way to put pressure on companies**

When faced with the statement whether state institutions use the inspections for pressure over companies for achievement of certain goals, 69.83% or 81 respondents have positively responded to the statement. Conversely, 30.17% or 35 have replied negatively. These are alarming results that need immediate attention.



## 4. IN DEPTH INTERVIEWS

### Aims of the study

Although both methods, survey and in-depth interviews, are used to gather information, the in-depth interviews produce rich descriptive data, which surveys do not, since the data collected from surveys are more statistically significant. By conducting in-depth interviews, we were able to receive feedback, recommendations and examples on questions which we found to out of biggest importance for analyzing the inspection authorities in Macedonia.

### Sample

The sample of businesses interviewed during the in persons interviews of the study were chosen with a non-probability, convenience sampling method.

In order to explore different views, experiences, beliefs and/or motivations of individuals on specific matters surrounding the topic of the study, the sample was focused on **6 different sectors which have high significance for the national economy: Retail, IT, Manufacturing, Financial, Foodservice/Catering industry and Food Production, including at least one small or micro and at least one large size company from each of the industries.**

By this we will also be able to indicate if different key drivers may be important in different markets and that some key drivers may be important across all market segments.

### Data collection methods

This study was done using qualitative data collection methods, by conducting semi-structured interviews. The interviews were consisted of 10 key questions that help to define the areas to be explored, but also allowed the interviewer or interviewee to diverge in order to pursue an idea or response in more detail. This approach was chosen due to the flexibility, particularly compared to structured interviews, because it allows for the discovery or elaboration of information that is important to participants but may not have previously been thought of as pertinent by the research team.

### Data analysis methods

The information gathered from the interviews was analyzed by using the framework analysis. This approach is particularly suited to the analysis of cross- sectional descriptive data enabling different aspects of the phenomena under investigation to be captured.

Steps from the framework analysis:

- 1.) Read/review completed sets of interviews. Record general summaries e.g., most respondents were positive about the program, most were negative, there were mixed responses, etc.
- 2.) Where appropriate, encode responses
- 3.) summarize coded data (e.g., most interview respondents indicated that....., or there was little agreement among respondents)
- 4.) pull quotes to illustrate key findings.

### Findings

The findings will follow the flow of the questionnaires and their structure is aligned to the structure of the questionnaire.

**1. What should be changed in the approach of the inspection authorities and inspectors in terms of timely announcement of their visit and in terms of providing a clear list of documents and information the company needs to provide during the inspection?**

All of the companies suggested that timely announcement of the first inspection and a clear list of documents should become a standard. Currently there is no standard regarding timely announcement of the inspection and providing a clear list of needed documents, and all of the interviewees have different experiences regarding this matter. Some of the companies have never experienced announced inspections, one of the companies has been notified by phone every time before the inspection, and one of the companies responded that the first visit is never an audit and is used to schedule the audit and to explain what they need to provide (in terms of documents) for the audit. Also, most of the companies suggested that the re-inspection should be unannounced.

**2. If you haven't received a timely notice for the inspection, do you think the first inspection should be without a charge and the fine to be issued during the re-inspection?**

There was a consensus among all interviewees that in a case of unannounced but also announced first inspections, no fines should be issued, and for most of the companies this a common experience, but again they suggested that it should be standardized.

One of the interviewees suggested that in a case of unannounced audit, the inspectors should help the companies and guide them on what they need to do, in order to be compliant with the by-laws.

**3. Should the inspection bodies issue a financial fine paired with a ban for working at the same time, which can lead to the accrual of unpaid fines?**

The findings from this question can be divided in two groups, one group supporting that a financial fine should be issued paired with a ban for working, and the other group against pairing financial fine with ban for working. There wasn't a cardinal rule regarding the differences in answers between small, medium or large companies, since they all gave different responses.

Two of the interviewees suggested that although they support pairing a financial fine with ban for working, companies should be allowed, in a certain time frame, to fix the irregularities and comply with the by-laws, before the ban is activated.

**4. If you have been visited by different inspectors working at the same inspection service, have you noticed that they have different interpretations on the by-laws, which creates confusion and inability for your company to adjust to those by-laws?**

All but one company, reached a consensus that inspectors have different interpretations on the by-laws, which creates confusion and inability for the company to adjust to the by-laws.

Companies pointed out that these different interpretations on the by-laws, are partially due to unclear and poor written laws.

For example. It is forbidden to sell energy drinks to kids under 14 years. How can the store check if the kid is 14 years old or 15 years old, when the country doesn't issue mandatory ID's until the person is 18 years old.

**5. Would you prefer multiple inspections at the same time, instead of having them dispersed throughout the year?**

The findings from this question were inconclusive. Most of the respondents prefer having audits dispersed throughout the year out of various reasons: they are afraid of chaos in the workplace, they have tight monthly deadlines and can't devote a day or two solely for inspections or they feel that dispersed inspections are more thorough and if an irregularity appears, it will be easier to find a solution. Some of the respondents prefer multiple inspections at the same time but they didn't provide any specific reason why is this the case. One of the companies responded they have no opinion regarding this question.

**6. Have you noticed any changes in the approach of the inspection authorities and the way they conduct the inspections? Are these changes positive or negative?**

Most of the companies responded that there are no changes, positive or negative, and added that this matter is solely based on individual basis, pointing out that most of the inspectors have decent behavior.

Three of the companies wanted to point out that there is a positive change in the approach of inspectors and the way they conduct their work.

**7. What are the most important observations/findings from the inspection bodies that visit you most often?**

**How do you evaluate these findings? As a result of a unclear legal framework or more as a result of the way in which Inspectors interpret the by-law?**

There aren't any observations/findings that stand out according to interviewees. However, all of them were conclusive that most of the findings from the inspections they were subject to, are due to unclear legal frame.

"The government is using the unclear legal frame to collect money from business, when money is needed."

"Sometimes the inspections are used, with the help of the unclear legal frame, to create unfair competition in the sector"

"The legal frame is very wide and not detailed, so it leaves space for manipulation"

**8. How would you rank the expertise and professional behavior of the inspectors? Where do you see their failings?**

Again, there was no conclusive finding coming from the answers for this question. For some of the interviewees, the expertise and professional behavior of the inspectors was satisfactory, while some of the interviewees firmly stated the need for improvement in their professional conduct. Two of the interviewees pointed out the lack of understanding the inspectors have, regarding the business environment and how business is done in Macedonia, which directly influences on how they approach audits.

Interviewees suggested regular audits, on how inspectors conduct the inspections, on their net worth, assets and origin of the assets, and regular exams on regulations and by-laws.

**9. Do you think there is a lack of proportionality between some offences and their penalty amounts?**

All of the interviewed companies, except one, firmly stated the same opinion that there is a lack of proportionality between offences and their penalty amounts. Some of them also stated that the penalties in general are high.

The one company that didn't think there is a lack of proportionality between the offences and their penalty amounts, also recommended that the penalty amounts should increase, so that everyone starts to respect the law.

**10. Further, fines can disproportionately impact companies who are economically disadvantaged and may lead to the accrual of multiple unpaid fines. This can in turn compound a company disadvantage, especially when facing barriers to legal assistance. Do you think the penalties should be adjusted proportionately on company size and income?**

Three of the companies responded that penalties shouldn't be adjusted based on company size and income and all of these companies are medium/big size companies. Their reasoning behind this opinion is because micro and small companies don't get as many inspections as the big companies (some of the micro and small companies don't get any inspections at all) and because the inspectors are far stricter with the big companies – therefore these conditions represent one way of proportionate adjustment. One of the companies provided the following example: During inspections, the inspectors are

## Survey of companies' perception on inspections

precisely measuring the temperature in our fridges where we keep meat products and they are issuing penalties even if there is a small (+- 2 degrees Celsius) deviation from the standard, whereas small stores and farmers market sellers don't get this type of inspections and farmers market sellers don't even keep their meat in fridges.

The rest of the companies firmly stated that the penalties should be adjusted proportionately on company size and income.

### ***11. Do you think there should be flexible payment options for fines?***

When posed with this question, all of the companies responded that flexible payment options for fines should exist. This makes a consensus, that flexible payment options for fines should be introduced.

## 5. CONCLUSION AND RECOMMENDATIONS

### Conclusion

The aim of this study was to explore and examine the nature and work of the inspection authorities in Republic of Macedonia. A qualitative and quantitative approach were adopted to provide insights on the inspections that companies engage in on a day-to-day basis.

It has also identified a range of factors influencing the inspections and the way inspectors make their decision. Although this was a relatively small-scale exploratory study, confidence in the generalizability of the headline findings is enhanced by the high level of consistency in the findings and the notable consensus among participants.

The apparently high level of consistency across the participating companies during the in-depth interviews, suggests that the issues identified may be generic and relevant to other companies.

In view of the remit of this study, aspects relating to inspection system weaknesses and potential improvements dominate in the account of findings.

### Recommendations

The study participants identified a range of areas for attention in relation to improvement of the inspections services in Macedonia. The following recommendations for improvement are based on the study findings:

#### • **Standardized process/procedure for conducting inspections**

##### - ***Before the audit***

All of the participants showed consensus that the inspection system in Macedonia should introduce standardization of the inspection procedures. They suggested that the first visit for inspection audit should be timely announced and a clear list of needed documents for the audit should be provided, which will enable them to prepare before the audit.

##### - ***During the audit***

The indicators from the online survey, as in the SABEM survey point to obvious need to establish clear rules about handling inspection audit. Presenting identification documents, inspection order document, and a list of legal requirements for the audit should be a must for any inspection audit procedure; therefore, it should be clearly and officially required for all inspection officers and all inspections. If that is not a case, there could be cases where criminals may enter companies presenting themselves as inspection officers while in fact trying to commit a crime.

##### - ***After the audit***

Besides this, companies suggested that after the first audit, no matter if it is announced or unannounced audit, should be from an advisory nature, and companies should be given time to correct irregularities before a fine is issued.

After the audit, inspector must present their findings and remarks, since during both studies in 2017 and 2018, 44% and 43% of the companies, respectively, said that they haven't received or sometimes received the remarks and findings from the inspection.

#### • **Correcting the legal frame and laws**

Companies suggested that the laws should be more specific and thorough. This will result in two ways:

## Survey of companies' perception on inspections

- Government authorities/inspectors/individuals, won't be able to use the unclear frame work as a "tool" for putting pressure on companies through inspections.
- Companies will be able to avoid irregularities caused by the unclear laws, and will be able to have better compliance to the legal frame.
- There won't be different interpretations on the by-laws by inspectors

### • **Controlling the Inspectors**

Interviewees suggested regular inspections and observations, on how inspectors conduct the inspections, on their net worth, assets and origin of the assets, and regular exams on regulations and by-laws. This will prevent inspectors from using their position to put pressure on companies and blackmail them.

### • **Flexible payment options for fines**

By introducing flexible payment options for fines, companies (especially micro and small companies) will be able to handle the financial burden from the fine more easily, and fines won't pose a threat to their operations.

## APPENDICES

### APPENDIX I

#### Online Survey Questionnaire

1. How many times over the last 5 years your company was subject of inspection supervision? (open ended question)

2. Which inspection authority most often performed control in your company over the last 5 years? \* This issue allows selection of more than one of the offered options. Please select one or more of the offered answers.

- State Labor Inspectorate
- Sector for Inspection Supervision in the field of occupational safety and health
- Customs Administration
- Public Revenue Office
- Directorate for Protection and Rescue
- Agency for Food and Veterinary
- Agricultural Inspectorate
- Market Inspectorate
- State Archive (archive material and archival work)
- State Inspectorate for Technical Inspection
- Directorate for Personal Data Protection
- State Inspectorate for Construction and Urban Planning
- State Inspectorate for the Environment
- Financial Police Directorate
- Ministry of Economy (concessions)
- Others
- So far, we have not been subject to inspection supervision

3. Do you encounter delays for obtaining the necessary licenses / permits / consents in your area of work, that take longer than the legal or usual deadlines?

- Yes
- No

4. If there is a delay in the procedures for the necessary licenses, specify for which licenses / permits / approvals is it for? (open ended)

5. In which area/law your company faces the largest problems for compliance with the legislation? \* Please specify textually. If multiple areas / laws are a problem, concisely and briefly specify in a small paragraph or separated by. (open ended)

6. Have you been imposed with a sanction/measure? If yes, what kind of sanction/measure were you imposed with? \* This question allows choosing more than one of the offered options. Please select one or more of the offered answers

- Warning
- Fine
- Confiscation of property and proceeds and seizure of objects
- Temporary ban on performing an activity
- Mandatory procedure with issuing a mandatory payment order
- Procedure for issuing a misdemeanor payment order
- Other

7. If a certain irregularity has been established during the supervision, have you been given a deadline to remove it or a sanction was issued immediately?

- A sanction was issued immediately



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- An appropriate deadline was set for removing the irregularity by scheduling control oversight
  - A deadline was given, but we feel that it was not sufficient to remove the identified irregularity
  - A sanction was imposed to which we did not have the right to appeal
  - We haven't been subject to inspection
8. Were you given invitation for training/education during the inspection?
- Yes
  - No
  - We haven't been subject to inspection
9. Do you consider the regulation that regulates the inspection surveillance is clear and easily accessible?
- Yes
  - No
  - We are not familiarized
10. Were you given clear information and guidance by the inspector on the scope of the inspection and how it will be performed
- Yes, completely clear
  - Partially clear
  - Unclear
  - We weren't provided with any information
  - We haven't been subject to inspection
11. When starting/performing supervision, which of the following documents were presented to you by the inspector?
- Identification document
  - Inspection Warrant
  - List of legal requirements according to which the inspector will supervise
  - No documents were presented
  - Other
  - We haven't been subject to inspection
12. How many inspectors performed the supervision (on average)?
- One
  - Two
  - Three
  - More than three
  - We haven't been subject to inspection
13. How long did the inspection/supervision lasted (on average) ?
- Couple of hours
  - Entire work day
  - Several days
  - More than a week
  - We haven't been subject to inspection
14. Whether and to what extent inspectors obstruct the normal workflow in the company?
- They don't obstruct the normal workflow
  - They partially obstruct the normal workflow
  - They fully obstruct the normal workflow
  - We haven't been subject to inspection
15. On average, how many people from your company were involved during the inspection/supervision (for joining the inspectors, document delivery, data provision, etc.).

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- 1
- 2
- 3
- More than 3
- We haven't been subject to inspection

16. According to you, which is the biggest problem when you are faced with inspection/supervision? \*  
This issue allows for more choice from one of the offered options. Please select one or more of the offered answers.

- Insufficient preparedness of inspectors
- Unprofessional behavior
- Corruption
- Non-transparency of oversight
- Long duration of the inspection
- Insisting to find an irregularity that will be punished
- Non-coordination of inspection authorities
- Insufficient preparedness of enterprises
- Non-cooperative enterprises
- So far, we have not been subject to inspection supervision

17. Have you been presented with the findings at the end of the inspection/supervision and were you allowed to enter your remarks in the report?

- Yes, Always
- Sometimes
- Never
- We have never been subject to inspection

18. Did you, at any time, felt that your company was a "target" for more inspections?

- Yes
- No
- We have never been subject to inspection

19. How many times over the past 5 years have you filed a complaint to the relevant institution after the supervision?

- Never
- One
- 2-5
- More than 5
- We have never been subject to inspection

20. How many of the complaints you filed in the past 5 years have been accepted?

- None
- One
- 2-5
- More than 5
- We have never been subject to inspection

21. Do you think that state institutions use the inspections for pressure over companies for achievement of certain goals?

- Yes
- No

## APPENDIX II

### In-depth interviews with focus groups

#### Questions

1. What should be changed in the approach of the inspection authorities and inspectors in terms of timely announcement of their visit and in terms of providing a clear list of documents and information the company needs to provide during the inspection?
2. If you haven't received a timely notice for the inspection, do you think the first inspection should be without a charge and the fine to be issued during the re-inspection?
3. Should the inspection bodies issue a financial fine paired with a ban for working at the same time, which can lead to the accrual of unpaid fines?
4. If you have been visited by different inspectors working at the same inspection service, have you noticed that they have different interpretations on the by-laws, which creates confusion and inability for your company to adjust to those by-laws?
5. Would you prefer multiple inspections at the same time, instead of having them dispersed throughout the year?
6. Have you noticed any changes in the approach of the inspection authorities and the way they conduct the inspections? Are these changes positive or negative?
7. What are the most important observations/findings from the inspection authorities that visit you most often?  
How do you evaluate these findings? As a result of a unclear legal framework or more as a result of the way in which Inspectors interpret the by-law?
8. How would you rank the expertise and professional behavior of the inspectors? Where do you see their failings?
9. Do you think there is a lack of proportionality between some offences and their penalty amounts?
10. Further, fines can disproportionately impact companies who are economically disadvantaged and may lead to the accrual of multiple unpaid fines. This can in turn compound a company disadvantage, especially when facing barriers to legal assistance.  
Do you think the penalties should be adjusted proportionately on company size and income?
11. Do you think there should be flexible payment options for fines?

