

A manual for the identification and removal of administrative barriers to investment

Module 1: About the manual:
the cycle of reform

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FIAS
Leaders in Investment Climate Solutions
International Finance Corporation and
The World Bank Group



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To the reader

Administrative barriers have been identified as serious impediments to investment, both domestic in foreign, in emerging markets today. While most governments have already enacted far-reaching policy and legal reforms, investors complain that practical, day-to-day problems caused by bureaucracy and red tape still hold them back. Such bureaucracy also lowers the productivity and competitiveness of existing firms, and generally retards economic growth and employment (see *World Bank, World Development Report 2005, Making Markets Work* and *Doing Business in 2006: Creating Jobs*)

This manual provides detailed guidance to governments who have decided to embark on a systematic program of removal of administrative barriers to investment, including:

- identifying the key administrative barriers to the start-up and operation of businesses in a particular country and developing concrete recommendations for reform
- prioritizing those reform recommendations, in cooperation between the public and private sectors and developing an action plan for removal of administrative barriers
- ensuring sound implementation of the action plan
- monitoring the impact of the reforms that were implemented.

The manual was prepared by FIAS in cooperation with several of its client governments, and based on its experiences in over 40 countries from 1995 – 2004. We expect the manual to be up-dated and improved on a regular basis, and thus FIAS welcomes your feedback at our website: www.fias.net.

Sincerely,

Michael Klein,
Vice President
Investment Climate
The World Bank Group

Foreword

As desirable as investment is, the global competition to attract such investment is fierce. Companies are faced with a wide variety of choices regarding where to establish their foreign operations, and countries are offering increasingly more enticing packages of investment incentives. Governments have often adopted wide-ranging, market-oriented, and politically difficult “structural” reforms and significant policy shifts. However, the administrative changes in their bureaucracies necessary to ensure that new policies and laws are truly effective have often been neglected. Public sector sluggishness, corruption, and ineffectiveness stymie these countries’ reform efforts.

Table 1: Senior management time spent dealing with Government and interpreting law

South Asia	15.38%
East Asia –Developing	14.83%
Central & Easter Europe	13.89%
Middle East & North Africa	13.47%
Sub-Saharan Africa	12.40%
Former Soviet Union	8.18%
East Asia NICs / China	6.45%
OECD	5.82%
Average	9.68%
Source: Batra, Kaufmann, Stone, The Investment Climate Around the World: Voices of the Firms from the World Business Environment Survey	

Reforms that reduce business burdens and increase the transparency of regulatory regimes support entrepreneurship, market entry, and economic growth that, in turn, should produce high-paying, high quality jobs. Reforms that reduce administrative barriers (including red tape and paperwork burdens) contribute to good governance –improving the quality, objectivity, and professionalism of government regulatory bodies and reducing the opportunities for corruption and bribery. They bring about major changes to the attitudes and behaviour of firms, workers, and Government. This culture change reinforces the effect of regulatory reform by freeing up valuable time and individual initiative, and thus entrepreneurial and innovative energies within an economy.¹

¹ OECD, *Global Forum on Governance: Regulatory Issues and the Doha Development Agenda* (25 March 2003)

It has become apparent to many countries that the problems cited above cannot be allowed to persist. Customer-oriented improvements in the processes through which Government services are delivered to the public are increasingly being implemented. To facilitate and catalyse this sort of reform, the first Administrative Barriers Study was conducted in Ghana in 1995.

Since 1995, FIAS has worked to reduce administrative barriers to investment in more than 60 countries and sub-national jurisdictions, in addition to its substantial other work to improve the investment climate.

About this manual

This manual, and the accompanying tools (a business survey questionnaire and a set of templates for government agencies), describe how to assess administrative barriers to investment. Its purpose is to help government agencies, business associations, foreign aid agencies, and consultants interested in carrying out such an assessment.

How this manual is structured

This manual is structured into six separate modules.

Module 1: About the manual: the cycle of reform

Module 2: Prerequisites and preparation

Module 3: Identifying barriers

Module 4: Public-private dialogue

Module 5: Action plans

Module 6: Monitoring, evaluation and continual assessment

Intended audiences for each module

Very few individuals will be willing and able to read the entire manual!

Senior decision-makers in government and foreign aid agencies will probably only want to read Module 1.

Whoever will be responsible for the overall assessment of administrative barriers (**team leader and staff of the secretariat**) should initially read Module 1 and 2. They can study the remaining modules as the project progresses.

There will probably be an individual or **team responsible for the business survey** (administrative and regulatory costs survey, usually contracted to a local survey company). In addition to Module 1 and 2, they should especially read Module 3 and Module 6.

There will probably be another individual or team responsible for the templates for government agencies. In addition to Module 1 and 2, they should especially read the relevant sections in Module 3 and Module 5.

Whoever is primarily responsible for the **dialog** between the public and private sectors, and the preparation of the **action plan** should focus on Module 2, Module 4 and Module 5.

Acknowledgements

Jacqueline Coolidge, FIAS' Product Coordinator for Administrative Barriers to Investment, prepared this manual. She was greatly assisted by major inputs from Lars Grava, Sanda Putnina, Gregory Kisunko, and Domagoj Ilic and with support of the Latvian Development Agency (special thanks to Maris Elerts and Martins Zemitis).

Much of the inspiration and design of the manual was based on the successful experiences of the Government of Latvia in removal of administrative barriers from 1998 – 2003, for which they were recognized by the European Commission Enterprise Directorate General as “CC-Best”² and a positive example for other EU accession countries. Special recognition in this regard should go to Andris Liepins, Deputy State Secretary of the Ministry of Economy in Latvia, and to Monty Akesson, the President of the Foreign Investors Council in Latvia.

In particular, the preparation of the manual benefited from a pilot “self-assessment” exercise in Riga and Liepaja, Latvia in November of 2001, including visiting delegations from Bosnia and Herzegovina, Bulgaria, and Macedonia. This exercise included Baltic Data House, which carried out the Administrative and Regulatory Costs Survey of businesses in Latvia.

This manual also was reviewed by or received valuable input from a large number of people, including: Gokhan Akinci, Geeta Batra, Steve Butler, Inguna Dobraja, Sean Duggan, Jean Paul Gauthier, Scott Jacobs, Kelly Johnson, Jacques Morisset, Roy Pepper, Svetlana Proskurovska, Xiaofang Shen, Marc Shiman, Mike Stevens, Andrew Stone, Margo Thomas, Nigel Twose, Lou Wells, and participants in the FIAS conference on Removal of Administrative Barriers to Investment in S. E. Europe (Sarajevo, February 2003).

The FIAS methodology for administrative barriers to investment was originally inspired by the work of Hernando De Soto.³ It was further developed within FIAS by Robb Smith and Jim Emery⁴. USAID and The Services Group provided additional financing and support, respectively.

² EU Candidate Country – Business Environment Simplification Task Force.

² Hernando de Soto, *The Other Path: the Invisible Revolution in the Third World* (New York: Harper and Row, 1989).

³ Hernando de Soto, *The Other Path: the Invisible Revolution in the Third World* (New York: Harper and Row, 1989).

⁴ J. Emery, M. Spence, L. Wells, T. Buehrer, “Administrative Barriers to Foreign Investment: Reducing Red Tape in Africa, FIAS Occasional Paper 14, 2000.

FIAS Manager Joseph Battat (1999 – 2003) commissioned and provided oversight for the project. Tanjina Rahman edited the first version manual. Sean Duggan, Susan Winning and Montaha Feghali re-formatted the manual into modular form. FIAS and the Government of Luxembourg provided co-financing to develop the original manual. The manual also benefited from administrative barriers projects carried out in Latvia and other countries, co-financed by FIAS, EU/Phare, the Government of Switzerland, USAID, DFID, the Swedish International Development Agency, and the World Bank.

Acronyms and abbreviations used in the manual

AB	Administrative barriers
ARCS	Administrative and regulatory cost survey
BIS	Business intermediary survey
CMB	Citizenship and migration board
ES	Enterprise survey
GDP	Gross domestic product
FDI	Foreign direct investment
FIAS	Foreign Investment Advisory Service
IPA	Investment promotion agency
LoI	Letter of intent
MI	Ministry of interior
MW	Ministry of welfare
OECD	Organization for Economic Co-operation and Development
S-A	Self assessment
SES	State employment service
SME	Small and medium enterprises
QMS	Quality management systems
ToR	Terms of reference
VAT	Value added tax

1 An introduction to the manual

The first question to ask is whether a country is ready for a FIAS administrative barriers study at all. Many potential clients still have major problems at the policy and legislative level, (e.g. many restrictions against private sector investment, a very poor commercial legal framework etc.). A study of administrative barriers to investment is intended for countries who have an acceptable (if flawed) policy and legal framework for private investment, and a demonstrated openness to further reforms.

Table 2: Sample checklist to identify countries most ready to benefit from removal of administrative barriers

Precondition	Possible Positive Indicators
Positive movement toward an open market environment	<ul style="list-style-type: none"> • Previous completion of an ICA or a FIAS diagnostic, with a positive government response in resolving identified problems • Success of a related World Bank or other donor project under the current government • Adoption of three or more legislative changes in the past two years that open the investment environment for investors • Government is addressing through other reforms fundamental rule of law issues such as improving court functioning and reducing corruption
Political will and commitment	<ul style="list-style-type: none"> • Willingness to agree with FIAS on a two to three year commitment to the full set of diagnostics, action planning, implementation, and monitoring • The country is signatory to an investment agreement or other external arrangement that requires action • The government commits to entering a sustained working partnership with the private sector to address the problems
Reform capacity and FIAS counterpart	<ul style="list-style-type: none"> • The government is ready to create a long-term inter-ministerial committee at the centre of government, with a dedicated secretariat, to act as the FIAS counterpart over the two to three year project • The government has already established a dialogue with the private sector to identify or resolve problems
<p>Source: Jacobs & Associates, Assessment of the Program of the Foreign Investment Advisory Service to Reduce Administrative Barriers to Investment, 1995-2004 (9 September 2004)</p>	

Administrative barriers to investment: what is studied?

A standard study of administrative barriers to investment examines all the steps an investor has to go through in order to start a new business in a particular country or region, including several of the routine interactions between businesses and government agencies during normal business operations. These steps are as follows:

- **start-up procedures:** immigration procedures for foreign investors; registration procedures for both domestic and foreign investors (including company registration, tax registration, social funds, and statistical registration), anti-monopoly clearance (if applicable), and a sample of sectoral business licenses (e.g. transport, construction)
- **locating procedures:** key aspects of site development including land allocation and registration, site development, building permits, utility connections, inspections, and occupancy permits
- **operating procedures and reporting requirements:** tax administration, import/export procedures, foreign exchange procedures, product certification, labour regulations, and government inspections.

The study includes a detailed *description* of each of the procedures (as an investment guide); and an *analysis* including the problems experienced by investors, inter-regional and international comparisons, and the strengths and weaknesses of the current procedures. The study also contains many detailed *recommendations* for improvement. Increasingly, administrative barriers studies may however focus only on a few of these procedures, depending on the needs and priorities of the client, the existence of other recent studies and surveys covering some of these issues, and other such factors.

It should be noted that the FIAS administrative barriers methodology is only one of a number of diagnostic and reform implementation methodologies which can be applied as a tool to identify, prioritize, and/or remove administrative barriers to investment.

There is, for instance, a wide variety of regulatory barrier diagnostic tools available within the World Bank Group alone. Each has different strengths and weaknesses, and different potential applications. The following chart describes a few of these tools.

Table 3: World Bank Group regulatory barrier diagnostic tools available

		Issues Dealt with				
		General PSD Constraints ⁵	Admin. Barriers	Informality	Land Market	Sector Specific Policy
T O O L S	ICA	√√	√			
	FIAS FDI Diagnostic	√	√		√	
	Admin. Barriers		√√	√	√	
	Doing Business (DB)	√	√	√		
	Logistics / Value Chain Diagnostic	√	√			√√
	McKinsey Sectoral Diagnostic Approach	√	√	√√	√	√√

√ Dealt with well √√ Dealt with very well

Assessment of administrative barriers to investment

Some tools

In addition to this manual, the main self-assessment tools (presented in detail in the later modules include:

- a set of *templates* to gather information and data from government agencies
- a standard *business survey* to gather comparable information about businesses' experiences with the same government agencies
- a format (outline) for an administrative barriers study
- sample reporting forms, letters, and other relevant tools to help in organizing and carrying out the study.

⁵ Access to Credit; Education; Contract Enforcement; Infrastructure; Macro-economic Stability; Etc.

Potential outputs

The output of an administrative barriers study can provide:

- ***A Roadmap of administrative procedures:*** The first step is the preparation of an investor's guide or "roadmap" based on detailed identification and documentation of current procedures for the formal establishment and operation of businesses. At a minimum, such a guide improves transparency and helps in understanding the official requirements.
- ***A policy and regulatory review:*** The outputs of the self-assessment templates and the survey of regulatory and administrative costs can be used to identify problem areas (e.g. complaint among investors; processes that seem significantly more costly or time-consuming than in other countries, etc.). Some of the analysis is carried out by specialized experts, who also make recommendations for improvement, to be included in the complete Study of Administrative Barriers to Investment.
- ***An agenda for dialog:*** These problem areas can provide an agenda for dialogue between the public and private sectors on administrative reforms, with a public-private sector consultative mechanism to bring together the two principal sides of a discussion about needed reforms.
- ***An action plan for removal of administrative barriers to investment:*** The discussions should establish which recommended reforms are highest-priority from the private sector's point of view; which are feasible from the government's point of view, and concrete proposals for implementation, including responsibilities, deadlines, and monitorable indicators.
- ***A monitoring and evaluation system:*** Both the self-assessment templates and the business survey will form the baseline against which agreed reforms (as contained in the action plan) will be evaluated. They should be repeated at intervals (e.g. once every two years) to assess progress, to identify which reforms are on track and which are not, and to adjust the reform strategy accordingly.
- ***Capacity building:*** The project should include a strong capacity building component, aimed at developing the institutional capacity for an ongoing review of the business environment and assigning the responsibility for follow-up and policy recommendations to an appropriately-mandated entity, with the full support of the government and stakeholders in the public and private sectors.

The role of FIAS

It is expected that there will be a range of capabilities and capacity among FIAS clients. Those with ample resources and a significant pool of well-qualified, committed staff in government, access to well qualified local consultants, and a cooperative and interested private sector may be able to undertake most of the analysis with minimal oversight from FIAS (or similar institution that is both experienced and disinterested). Other clients may need extensive assistance from FIAS and international consultants.

Box 1: Defining the client

FIAS should explicitly define the client focus of its administrative barriers work to include the ministries responsible for reforming, and reform-minded private sector associations, to encourage its staff to invest more in developing relations with those stakeholders and including them in the process.

Source: Jacobs & Associates, Assessment of the Program of the Foreign Investment Advisory Service to Reduce Administrative Barriers to Investment, 1995-2004 (9 September 2004)

FIAS involvement in the conduct of an administrative barrier assessment and removal project should thus be viewed as modular in nature, involving FIAS taking on anywhere from just a few to most of the elements in the administrative barrier assessment and removal methodology, from the variety of elements that make it up.

FIAS input into the process can include the following:

- Help with preparation/training for the up-coming administrative barriers work.
- Help with tailoring the instruments (survey + templates) to fit the specifics of the client country.
- Supervising baseline survey.
- Help with analyzing the output of the instruments and identifying the most problematic areas.
- Help with identifying/organizing expertise to investigate identified problem areas in more depth (experts will write analysis/recommendations for inclusion in administrative barriers report).
- Help with preparing overall analysis and recommendations, by either:
 - Helping with drafting the report, or

- Reviewing draft report prepared by the client.
- Help facilitating the dialog between government and business community and help guiding the writing of an action plan (e.g. help in identifying private sector representatives; reviewing action plan, etc.).
- Help in finding specialized expertise for implementation of elements of action plan as needed.
- Help in establishing the monitoring system and analyzing the results (comparison of second round of survey and templates with baseline survey).

At a minimum, countries that want a FIAS seal of approval will need to contract with FIAS for a review of the design and results of templates and surveys, the analysis and recommendations concerning administrative Barriers to investment produced, the composition of the steering committee and working groups charged with overseeing the implementation of overall or specific reforms, and the action plan for implementing these reforms. FIAS expects that such clients will make the outputs of such locally-driven reform programs (including any reports) publicly available and contribute data from the templates and surveys to the FIAS database, for purposes of cross-country comparison.

In the majority of cases, it should be expected that FIAS (or similar institution that is both experienced and disinterested) will coach the client in the methodology and provide guidance, supervision and quality control. An indicative list of resources and budget is presented in Sample 1.

Another factor which increasingly needs to be taken into account in determining the proper role for FIAS to play in a client country through a proposed administrative barrier assessment and removal program is the particularly history of a country in terms of prior work in the area of related private sector development enhancing reforms. For instance, FIAS need not implement the full administrative barrier assessment and removal methodology, and in particular its full diagnostic phase, if a country has already recently conducted an investment climate assessment, USAID-sponsored Investor Roadmap Study, or some such similar research.

Common factors

Countries that gain the most from the FIAS work appear to share some common factors, as do those who fail to gain value from the FIAS work.

Success factors include:

- *A two to three year time horizon for implementation.* The key to success seems to be sustaining the reform process over two to three years, when results begin to appear. The other success factors seem to be important because they predict sustainability.
- *Central oversight of the reform process by an authority that cuts across the whole of government.*
- *Active management and resourcing of the reform process.* Active management seems to be best characterized by a dedicated and accountable secretariat, backed up by active and interventionist political oversight over time.
- *On-going business-government dialogue.* The intensity and institutionalization of government-business dialogue seems predict the results of reform.
- *Institutionalization of results monitoring.* Results monitoring that is integrated into the reform process from an early stage seems to sustain political and bureaucratic attention to the reform process.
- *Interest in and active exploitation of a longer-term relationship with FIAS.* Success seems related to the longer-term presence of FIAS to help guide reform and bolster the efforts of reformers.
- *A more consultative report development process.* The key difference seems to be the level of effort made by FIAS to involve ministries in active discussions about the problems and reforms, rather than using the ministries simply as information collection tools.

2 Overview

It bears noting, at the outset of this chapter, that this manual focuses on the practicalities of conducting an administrative barriers assessment project –a project which is essentially diagnostic in nature. Prior to entering fully into this discussion, though, the manual’s authors would thus like to stress the following:

The process of preparing the administrative barriers assessment report should be integrated into a results-oriented process of change. That is, preparation of the report should be designed to support the more important stages of implementation and capacity-building.

Coverage

The *standard* administrative barriers assessment and reduction program covers the full range of procedures that most investors experience in establishing a new business. The usual list relevant for most countries includes the following:

- immigration and expatriate visas, work permits, and residence permits
- investment approval (if any) and other preliminary authorizations
- registration procedures, including:
 - company registration
 - tax registration
 - social security registration
 - municipal registrations
 - other
- a sample of sectoral business licenses (from line ministries)
- local and municipal business licenses
- registration of intellectual property (trademarks, etc.)
- access to land and land titles or long-term leases (especially from government agencies)
- registration of title/lease

- construction and building permits
- environmental permits and approvals
- utility hook-ups, including:
 - water/sewerage
 - electricity
 - telephone
 - other relevant public services (e.g., gas, heat, local access/private roads, internet, etc.)
- reporting/paying taxes
- import/export procedures
- foreign exchange procedures
- hiring/firing procedures for labor
- product certification/standards, and
- key government inspections:
 - fire
 - sanitary
 - worker safety
 - environment etc.

As noted earlier, increasingly, administrative barriers studies may however focus only on a few of these procedures, depending on the needs and priorities of the client, the existence of other recent studies and surveys covering some of these issues, and other such factors. Again, depending on the particularly history of a country in terms of prior work in the area of related private sector development enhancing reforms, the full administrative barrier assessment need not be implemented if a country has already recently conducted an investment climate assessment, USAID-sponsored investor roadmap study, or some such similar research.

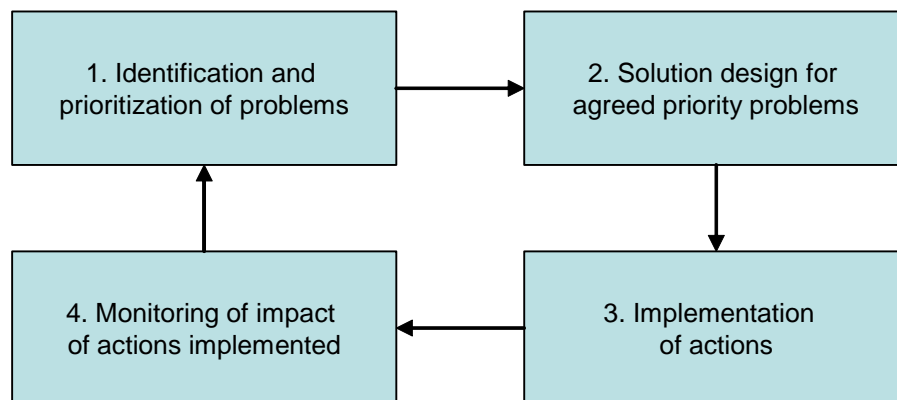
Overview of the cycle of reform and tasks

The purpose of this overview is to present a model for introducing a comprehensive approach to change. An important result of implementing the recommended model is the introduction of a transparent decision-making process that involves and takes into account the views of the interested parties, and where the decision-makers and executives are obliged to assume responsibility for their actions. This model will serve as the basis for the following descriptive sections of the manual.

The model is the cycle of reform, which is composed of four parts (see the diagram below). The basic principles are:

- a methodical identification and prioritization of problems
- the use of specialized expertise to develop detailed recommendations for the highest priority problems
- the implementation of a reform program, and
- a regular reporting and assessment of the effectiveness of these activities, along with the means to identify new problems.

Figure 1: Identification and prioritization



The rest of this chapter presents a list of the main tasks, each of which are described in greater detail in later modules.

Pre-requisites for the work of an administrative barriers study include the nomination of a high-level political champion, a steering committee” including senior technocrats from the main agencies involved in administrative procedures for investment as well as representatives of the business community, and a secretariat to carry out the bulk of the day-to-day work of the administrative barriers study and follow-up activities. These are described in great detail in Module 2.

The tasks outlined below are primarily the responsibility of the steering committee and the secretariat, which will be in charge of the bulk of the work of identifying administrative barriers and overseeing their removal.

Phase 1: Project preparation and identification of administrative barriers

Assuming the groundwork for a successful project has been properly laid during a thorough and well-conducted project preparation phase, the first step in the cycle of reform is the identification of the main administrative barriers deterring investment, and to determine the highest-priority issues for the reform agenda. There are several methods or a combination of methods that a reform-oriented government (or public-private partnership for reform) can use, but it is important that these efforts are comprehensive and are preferably coordinated by an institution like the steering committee and its secretariat (described in greater detail in Module 2).

Task 1: Project preparation (FIAS, local counterparts/consultants, focus group of businessmen)

A FIAS team⁶ should visit the client country to meet with the local counterparts (preferably, some sort of steering committee and/or secretariat for reform) and one or more focus group(s) of business representatives to review and agree on the list of procedures to be covered, the format of the templates and business surveys, and to provide any necessary training to carry out the initial investigation of barriers.

Task 2: Collect data from agencies on administrative procedure templates (local secretariat)

The secretariat should collect information, data, and material on official requirements for all the relevant procedures in the country.

⁶ The composition of the teams for the tasks assumes an average level of FIAS engagement with a client country. An initial effort in a particular country should, at a minimum, involve the oversight of FIAS or a similar organization that is both experienced and disinterested. More active FIAS involvement can help countries develop the capacity to carry out such assessments with out external assistance in the future.

FIAS has prepared standard procedure templates, which document administrative procedures, information requirements, official fees and processing time, and responsible officials within the public institutions and agencies. A detailed description of the templates is included in Module 3 of this manual. A set of standard templates is available in Sample 2 and can be freely accessed and used by interested governments.

Task 3: Carry out survey(s) and analyse the results (local consultants)

The survey project team should consist of a FIAS staff member responsible for the survey, local counterparts, and a local contractor heading a team of surveyors and data entry personnel. A structured sample of firms (or intermediaries - lawyers, accountants, etc.) should be interviewed by local surveyors in a face-to-face interview, using a questionnaire tailored to the relevant procedures in the country. The sample should be representative of the business community, but may be a stratified sample to ensure adequate coverage of key sectors and/or ownership forms (e.g. FDI). The survey instrument options and detailed instructions for carrying each of them out are presented below in Module 3.

Task 4: Additional input from businesses (FIAS and/or local business association)

In addition to the regulatory and administrative costs survey(s) and the administrative procedure templates, another important method to gather the input of businesses is simply to meet with a diverse range of business representatives and intermediaries to discuss their concerns. This may provide a qualitative context, and anecdotal evidence, for the results of the survey and the templates. It may also help identify other problem areas that should be considered in preparing the reform agenda. This is described in greater detail in Module 3.

Task 5: Preliminary analysis of administrative barriers and preparation of self-assessment report on administrative barriers to investment (local secretariat)

On the basis of information from Task 2, Task 3 and Task 4 above, a preliminary draft report on administrative barriers should be prepared by the secretariat (with assistance from FIAS as deemed necessary).

The report should include flow charts of the investment procedures. Time requirements cited by agencies in the templates should be compared with the findings of the administrative and regulatory costs survey(s). The cost (official and unofficial) of each form, permit, and approval should be factored into an estimate of the entry cost for legally established enterprises. The data collected from the administrative cost survey and from the templates should be compared and discrepancies noted. The templates also contain sections to gather statistical data including the volume of applications received, the rejection rate, the appeals rate, outcome of appeals, number of staff involved in processing applications, etc. This is described in greater detail in Module 3. The objective in collecting this data is to determine sources of inefficiency and opportunities for enhanced efficiency in the administration of the procedures.

Task 6: Decide on which procedures need more in-depth investigation (local counterparts and FIAS)

On the basis of the information gathered in Task 1, Task 2, Task 3, Task 4, and Task 5, local performance measures should be established. These measures should be defined, as appropriate, in terms of time delays, costs, and quality of services. These performance measures should be used to establish agency benchmarks and can be compared with similar performance measures developed by other developing and transition economies.

On this basis, the steering committee and FIAS should identify the most problematic procedures, which need to be investigated in more depth by specialized consultants (see Module 3.)

Phase 2: Solution design

Task 7: Investigation of identified problem areas and detailed recommendations (solution design-FIAS and specialized consultants)

A team of experts on the agreed problem procedures should carry out field-work in the country to discuss and review the data collected by the local secretariat and the business survey. In addition, the expert team should meet with the steering committee, secretariat, representatives of the private sector (focus group), and local facilitators and experts in order to conduct an in-depth review and analysis of selected administrative procedures (see Module 3).

Task 8: Finalization of a draft report on administrative barriers (secretariat, specialized consultants, and FIAS)

The final draft report on administrative barriers to investment should be composed of a *description* of each of the procedures; an *analysis* including the problems experienced by investors, inter-regional and international comparisons, and the strengths and weaknesses of the current procedures. The report should also contain many detailed *recommendations* for improvement, which are useful for setting the framework for discussions between the business community and the government. Annexes should include copies of required forms, as appropriate. This report is based on Task 5 and Task 7, discussed above (see Module 3).

Task 9: Present findings to public and private sectors (steering committee, secretariat, consultants, and FIAS)

Following circulation of the draft report, a workshop should be held with public and private sector representatives (including the business focus group, other interested members of the business community, and representatives of the agencies covered by the administrative barriers study as well as the champion and other senior policy-makers), to discuss the findings and recommendations, and hopefully to reach consensus on how to proceed with reforms. In particular, feedback from stakeholders will be needed in order to help prioritize the impediments identified in the draft report, both in terms of urgency (which impediments represent the most severe bottlenecks) and the degree to which they are already being addressed by the government and other experts. The workshop should also identify or clarify responsibilities within the government for the implementation of reforms (see Module 4).

Task 10: Outline an action plan for removal of administrative barriers to investment (steering committee)

The output of the workshop should be considered by the steering committee, which will be responsible for developing an action plan (see Module 4), indicating priorities (e.g. five to six areas to concentrate reform efforts over the coming year) and allocating responsibilities, including:

- what problems need to be solved
- what reforms will be undertaken to solve these problems

- who will be responsible for implementing the reforms
- when they should be completed, and
- how they should be assessed.

Task 11: Development of an action plan (steering committee in collaboration with key stakeholders)

The steering committee, having established priorities and a framework for the action plan (Task 10) should have two to three months to develop a full action plan. For each of the five to six priority areas, the steering committee should appoint technical subgroups, each composed of three to four technocrats from the relevant agencies, and three to four knowledgeable and interested private sector representatives to work out detailed proposals.

The detailed recommendations should be reviewed by the steering committee before the final action plan is agreed and sent to the government for review and adoption (see Module 4).

Task 12: Preparation of final report (secretariat and FIAS)

A final version of the report should be prepared, which reflects any changes or amendments to the draft, and will incorporate the outcomes of the workshop and the concrete recommendations of the solution design phase (see Module 4).

Adoption of action plan by government and implementation

Task 13: Review and adoption of the action plan by government

The action plan prepared by the steering committee needs to be reviewed and formally adopted by the government before many measures can be implemented. These may include amendments to legislation that must also, eventually, be approved by parliament (see Module 5).

Task 14: Implementation of action plan

Implementation is the responsibility of the government, according to the assignments specified in the action plan. The steering committee should monitor the implementation of the action plan within the government, solicit views of the business community on the effect of attempted changes on the ground and prepare regular reports to the government on the status of implementation of the action plan (see Module 5). However, there are a number of ways in which FIAS can play a valuable role in seeing to the successful implementation of recommended reforms.

Monitoring and evaluation of reforms

Task 15: Monitoring

About one year after the action plan has been formally adopted, Task 2 and Task 3 should be repeated, and compared with the results from the first round, and analysed to indicate which procedures show signs of improvement and which ones do not. This process can help identify which reform efforts are working as intended and which ones are not (in which case, they may need to be revised). It can also help identify new problems for possible inclusion in an up-dated action plan (see Module 6).

At this point, the cycle of reform comes full circle to the beginning, where the monitoring of impact also becomes a tool to identify new priorities. By analysing the impact of the actions implemented, the reform-oriented government can simultaneously identify areas where problems continue to exist or where new ones have arisen, or where they simply were not viewed as priorities earlier.

The self-assessment cycle of reform

A flow-chart of the procedure is presented below in Figure 2.

Once the action plan has been adopted and the monitoring stage begins, the regular cycle of reform begins again. After some time, it is useful to reinitiate the self-assessment cycle of reform to gain a comprehensive evaluation of reforms undertaken (see Figure 3.)

Placing this description into the familiar cycle of reform, it looks like this:

Figure 2: Flowchart

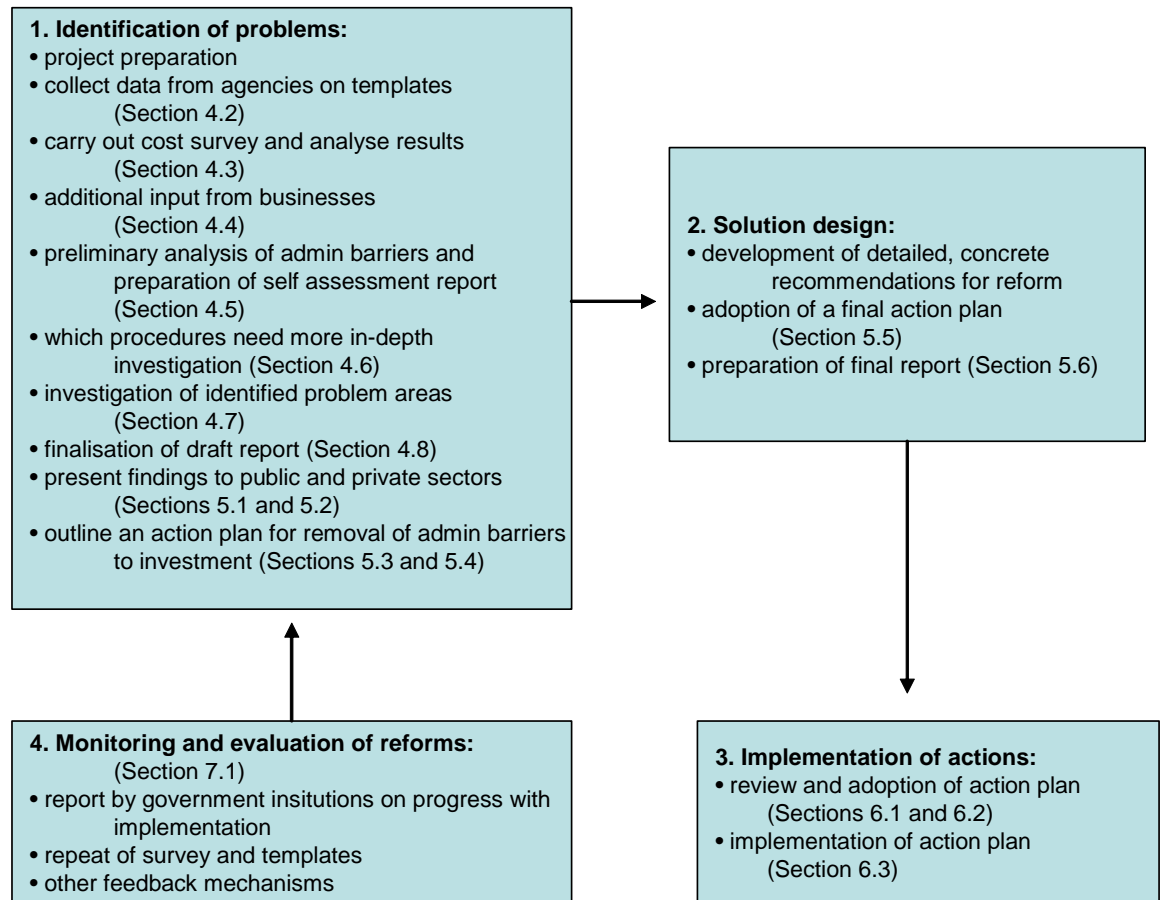
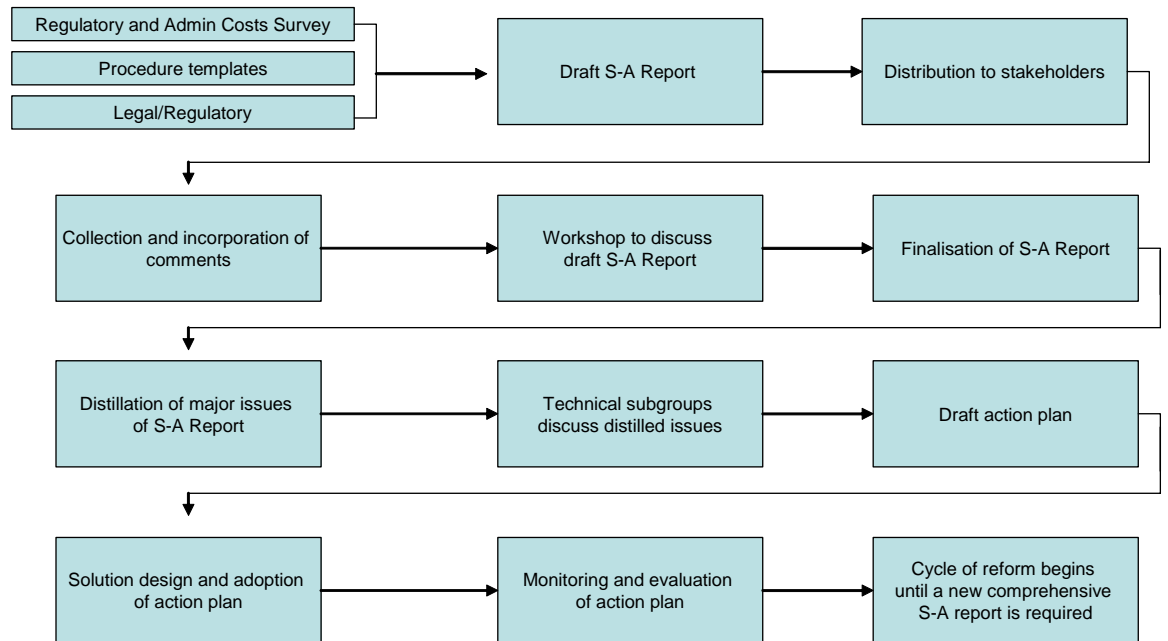


Figure 3: Cycle of Reform



A Appendix

Sample 1: Indicative budget for self-assessment and removal of administrative barriers to investment (for a period of eight to nine months)

In-kind contributions (+/- 25%)

Champion	Senior decision-maker high in government	1 work week
Steering committee	5 senior technocrats	2 work weeks each
	5 leading private sector (business assoc.) representatives	1 work week each
Technical/secretariat	Head of secretariat (middle technocrat)	8 work weeks
	2 Secretariat staff (MBA/legal training)	14 work weeks each
	2 clerical	4 work weeks each
	2 interpreters	12 work days each
	2 translators	500 pages each
	1 driver	30 work days each
	10 issue-specific business representatives	1 work week each
Meeting/conference facilities	Seminar: 1 large hall for 75 people	1 day
	Focus groups: 3 rooms for 12 people each, 2 times	2 hours each
	Steering committee: 1 room for 12 people, 4 times	2 hours each
	Technical subcommittees: 1 room for 6 people, 12 times refreshments for above	4 hours each
	Press conference: 2 times	½ hour each
Photocopying and distribution of templates (for review and commentary), draft report, final report	Report	250 pages, 75 copies
	Templates	750 pages

Cash requirements*

Item	Amt. (US\$)
FIAS fees (incl. overheads)	40-60,000
Survey expert	7-10,000
Template expert	10-15,000
Dialog expert	10-15,000
Procedure expert (e.g., registries)	12-18,000
Procedure expert (e.g., construction permits)	15-20,000
Local survey company	15 - 45,000
International air travel	10 - 45,000
Other travel expenses	10 - 20,000
Misc. (translation, communication, etc.)	5 -10,000
Total (usual range)	175-225,000

* If approved by FIAS management, FIAS will provide between $\frac{1}{4}$ - $\frac{1}{2}$ of total cost (depending on overall size of project, wealth of country, amount of previous work, etc); balance sometimes paid for by other donors.

Sample 2: Set of standard templates

Procedures and templates

	General Procedures that are common to all countries in which FIAS Administrative Barriers Studies have been done	Template prepared	Remarks
A. Start up			
16	Expatriate employment and residency		
	residence permits	+	
	work permits	+	
	visas		Can be derived from residence permit template
17	Business registration		
	company registration	+	
	taxpayer registration		Can be derived from company registration template
	statistical registration		Can be derived from company registration template
	municipal approval/registration	+	
	foreign investment approval/registration		Can be derived from municipal approval/registration template
	foreign economic activity/customs registration		Can be derived from municipal approval/registration template
	registration of issuance of shares		
	anti-monopoly clearance		
18	Licensing	+	Must be adapted for each separate license
19	Intellectual Property Registration (Trademarks; Patents)		
B. Locating			
20	Identifying/acquiring/leasing land and buildings		
	lease of land	+	
	lease of buildings		Can be derived from lease of land template
	privatization of land	+	

	privatization of buildings		Can be derived from privatization of land template
21	Real estate assessment		
	building assessment (inventorization)	+	
	land assessment		Can be derived from building assessment template
22	Real estate title registration	+	
23	Construction approval	+	
24	Utility connections	+	
C. Operating			
25	Tax reporting	+	Must be adapted for each separate tax
26	Value added tax refund	+	
27	Foreign exchange control		
28	Customs procedures	+	Must be adapted for each separate customs procedure
29	On-site inspections	+	
30	Product/Service certification		