

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

Module 2: Prerequisites and
preparation

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Leaders in Investment Climate Solutions
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Contents

About this manual	1
How this manual is structured.....	1
Intended audiences for each module.....	1
Acronyms and abbreviations used in the manual	1
1 Prerequisites and preparation for an administrative barriers study.....	2
Government institutional support	5
Other private sector participants	8
The steering committee.....	8
Functions of the steering committee	10
Putting together a steering committee.....	10
Obtaining authorization from a high-level political authority .	11
Selection of public and private sector participants	12
Designating a secretariat for coordination of the work of the steering committee.....	14
Guidelines for structured dialogue with the private sector	20
Relations with the private sector: new directions	20
Selecting the dialogue partner(s)	21
Regular meetings of businesses with government leaders.....	22
Capacity-building of business associations	23
A note on the dialogue between local government and local businesses	24
A Appendix.....	26
Appendix 1: Executive decree establishing the steering committee (sample).....	26

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.

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 Prerequisites and preparation for an administrative barriers study

The cycle of reform to improve the business environment does not and cannot happen on its own. For successful implementation, the following elements should be considered and provided for: institutional support (including political support, the active involvement of the civil service and a secretariat), financial resources (domestic and/or international) and the participation of representatives from the business community. The final section of the Overview describes how FIAS can help a client government identify the prerequisites and establish an agenda for reform.

Box 1: Creating enabling project conditions

FIAS should invest substantially in this phase so as to more selectively choose projects, consult early with the World Bank and the IFC, set initial priorities by consulting available benchmarks, identify key country players, negotiate with the counterpart on the entire program, and identify longer-term and more stable financing arrangements. Specifically, FIAS staff should:

- Use FIAS leverage in negotiating preconditions for its involvement in a country. This requires that one first clarify a short list of concrete conditions that increase the chance of success.
- Rather than simply accepting the requesting institution as the counterpart, counterparts should be selected after a review of options in the country itself, following communications with the World Bank country desk and other knowledgeable donors on the ground. These communications will help FIAS assess and respond to the pressures and incentives acting on the client government (the political economy). A better understanding of the conflicting pressures and incentives for reform faced by the counterpart will improve FIAS relations with its counterpart over the implementation phase.
- Be proactive in selecting the counterpart institution, building relations, and assisting the government to strengthen the implementing capacities of the counterpart as a precondition for FIAS involvement. The litmus test is the capacity to get results over the longer-term.
- Look for six capacities in client country counterparts:
 - have a longer-term agenda and mandate
 - have an active inter-ministerial component
 - be authorized, connected, or accountable for results to the centre of government
 - have strong relations or an active involvement with the private sector
 - be credible to donor organizations on the ground

- command the resources needed to get the job done.
- Work harder to get counterparts at the centre of government, and to involve private sector organizations in counterpart arrangements. If the counterpart is a ministry, request that the invitation come from the centre of government to raise the project profile and provide an inter-ministerial mandate.
- Agree on the monitoring process with the client so that expectations and processes are clear before the project begins. A simple principle should apply: no monitoring, no project. It is too late to discuss monitoring after the project is approved.

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

When an administrative barriers assessment and removal project is carried out with any form of FIAS participation, FIAS must first secure a client government sign-off or acceptance in principle for the project, prior to becoming fully engaged. Furthermore, FIAS must secure an assurance that the client will make the outputs of the project or program in question (in particular, any reports) publicly available. This work is often done in what is referred to as the project preparation phase. Other stakeholders that FIAS must ensure its coordinates with, and secure the support of, at this juncture include the World Bank and IFC resident and country teams.

As stated earlier, the FIAS methodology for assessment and removal of administrative barriers to investment 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. It is thus also critical that the identification mission select the appropriate methodology for the client country, based on the different strengths and weaknesses of these various methodologies.

If the standard FIAS methodology is selected, and looks likely to be signed-off on by the client (either during the identification mission or shortly thereafter), the FIAS task team leader responsible for the identification mission must then make a series of critical determinations about project design:

- Is a full-blown administrative barriers study required?
- If not, what issues should be focused on?
- Are some or all of the problems already understood, because of other recent diagnostic work?
- Is a survey required?
 - If so, what type of survey?
 - How extensive a survey?

- What is the level of client capacity and support for the project, and what role should FIAS play?
- Are experts needed and, if so, in which areas?

In order to make these determinations, the FIAS task team leader will need to collect and review key studies and documents, as well as (potentially) conduct a series of meetings with public and private sector representatives, possibly including one or more business focus groups.

The following actions should be taken during this phase:

Table 1: Project preparation phase

Recommended FIAS procedure to prepare an administrative barriers report	Primary purpose of this step
Brief scoping mission by task manager to client country to establish contacts and begin discussions with the client country, possible counterparts, and donors. FIAS identifies the client, with a public sector counterpart and a private sector counterpart	Diagnostic, Implementation
Task manager negotiates FIAS participation and precondition criteria with the selected country client. The agreement lays out the institutional preconditions for launching the project, defines the priority areas and desired outputs, identifies any further surveys that are needed, and lays out explicitly the FIAS role through the implementation and monitoring phases.	Implementation: establish commitment to implementation from the beginning, with modalities for making it happen.
Task manager helps the client country co-finance by locating a donor able to finance 50 percent of the administrative barriers study over the next year. Alternatively, in consultation with the client, task manager prepares a multi-year financing plan and opens discussions with donors for financing commitments to cover the life of the project. (This step might come after the letter of request).	Diagnostic, implementation: Establish stable financing stream for the period of FIAS work
FIAS receives letter of request from country counterpart. If applicable, the negotiated agreement and financing plan is	Diagnostic, Implementation: Client states level of commitment

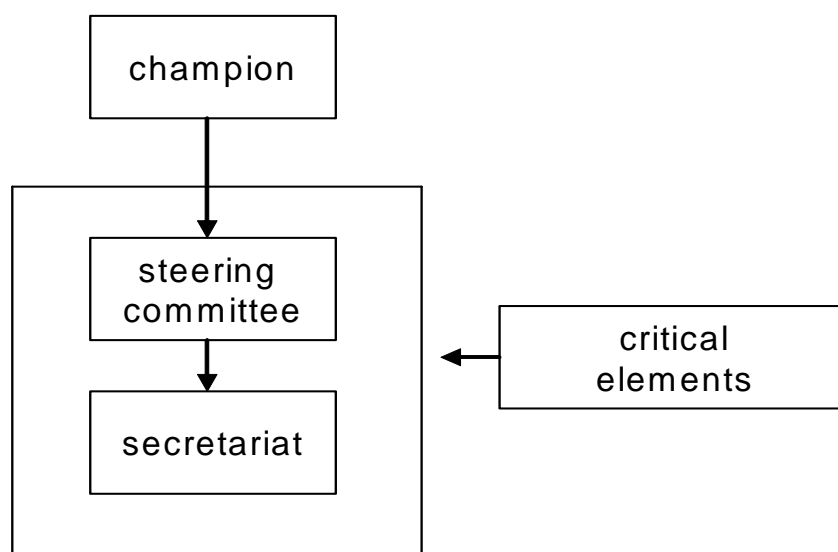
attached to the letter.	of government to the review and reform process
Task manager prepares project brief and it is approved by FIAS management. If applicable, task manager circulates negotiated agreement and financing plan to FIAS management, or informs FIAS management that negotiations were unsuccessful in reaching agreement.	Implementation: FIAS management agrees to level of commitment by client and 2-3 FIAS plan
FIAS identifies the consulting team and local partners. FIAS brings in specialized expertise in the priority areas agreed in the scoping mission, as required.	Diagnostic, Solution Design: involve the skills needed to diagnose and provide more elaborated options for the solutions
Source: Adapted from Jacobs & Associates, Assessment of the Program of the Foreign Investment Advisory Service to Reduce Administrative Barriers to Investment, 1995-2004 (9 September 2004)	

FIAS experience in implementing administrative barrier to investment assessment and removal projects shows that, to a large degree, the success or failure of the undertaking is determined by the outcomes of a well-conducted project preparation mission.

Government institutional support

In order to generate and sustain any government institutional support, it is sometimes *helpful* to establish the following institutional relationship:

Figure 1:



Effective political leadership and organized constituencies for reform are however more important than any individual or group of political champions, such that the critical elements of the above set of relationships truly reside in the steering committee for reforms and its secretariat. Indeed, over-reliance on political champions can sometimes be a high-risk strategy. Non-political stakeholders (such as, for instance, prominent but apolitical business leaders if available) should thus also be involved as counterparts at the highest levels of program leadership.

For effective reform program, FIAS believes it is necessary to have these institutions working together, and that the relationship among them be made explicit and clear.

The Champion

One of the initial prerequisites is the identification of a champion who understands that the reduction of administrative barriers is a necessary step in the economic reform process. Political support at the highest level is important not only to jump-start reforms, but also to intervene when resolution of the issue has reached an impasse at the lower levels. This champion does not necessarily have to be the counterpart with whom the FIAS team works on a regular basis, but he or she does need to be a very senior policy maker, preferably the president, prime minister, a deputy prime minister, or a senior minister with a mandate for economic policy reform.

Box 2: Central oversight of the reform process by an authority that cuts across the whole of government

The presence of a high-level official at the centre of government or a high-level committee accountable to the centre proved to be a success factor. Reforms managed by line ministries or agencies without clear authority over other ministries seem to slow down and stop in a year or two. *Ad hoc* committees do not perform well, probably because they were outside of the mainstream of the policy process and could not sustain action over a multi-year program. Nor are ad hoc committees able to follow reforms through the entire implementation process.

- In Tomsk, for example, the development and implementation of the administrative barrier reduction action plan was overseen by the Vice-Governor with authority over the whole of government.
- In Latvia, the Prime Minister operated as the “champion” of the reform effort.
- In Turkey, the inter-ministerial committee was first chaired by an Undersecretary of the Prime Ministry, a career bureaucrat with little influence over the ministries. Nothing was accomplished for two years. After a change in government, the committee was chaired by the influential Minister of Economy, and implementation suddenly accelerated.

- In Senegal, nothing happened for years under a succession of ministries and the IPA, until a high profile presidential investment advisory group picked up the FIAS agenda, at which time progress suddenly accelerated.

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

However, as noted above, over-reliance on the champion can cause its own project risks:

Box 3: A tempting but risky strategy

The most frequent explanation from task managers for why administrative barrier projects produced few results was that ministers change or that elections changed the government. The explanation in the Project Completion Report for Jordan is typical: “There was no immediate follow-up. The Minister was replaced shortly after the study, so was the head of IPC.” Indeed, reliance by FIAS on the request letter as a proxy of government commitment pushes FIAS into the dangerous strategy of relying on single champions.

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

The steering committee

The steering committee is the institution established at the outset of the reform activities that oversees the reform process. It should have a mandate to promote and advocate reforms in collaboration with relevant agencies. The steering committee is set up by the champion, and is most commonly composed of senior (career) civil servants (such as state secretaries or heads of agencies) as decision-makers, and prominent, respected representatives of the business community as advisors. The participation of the heads of the civil service throughout the cycle of reform process ensures that the decision that is made can realistically be implemented, while the participation of business representatives helps ensure the relevance of the reforms. The steering committee will be discussed in more detail on the next page (The Steering Committee) and will be referred to throughout the manual.

The secretariat

At the same time, the steering committee should be supported by a dedicated unit, whose job is the day-to-day handling of the reform agenda, including all aspects of the cycle of reform. The secretariat staff act as intermediaries or facilitators who, in consultation with the steering committee, are given the task of identifying problems, facilitating a structured dialogue between the stakeholders, developing and shepherding the action plan, preparing draft legal acts (with the assistance of the steering committee or local consultants), coordinating the implementation activities and donor assistance, reporting on progress, and evaluating the effectiveness of the changes implemented. The secretariat should report to the head of the steering committee. (See page 14, Designating a Secretariat for coordination of the work of the steering committee.)

Other private sector participants

In addition to the private sector participants on the steering committee, there are several other areas where broader private sector participation would be beneficial. They may be active at various points in time, and not always involving the same people, (see page 20, Guidelines for structured dialogue with the private sector). These may include:

- a focus group (or series of focus groups) to:
 - review the list of procedures and the templates/survey instruments
 - give informal feedback/anecdotes about the procedures
 - review the results of the business survey and help interpret the findings.
- participants in roundtable workshop to present the draft report
- private sector members of the technical sub-groups
- follow-up discussions for monitoring the impact of the action plan.

The steering committee

The composition of the steering committee will vary from country to country. The general principle is that it should be an advisory body to oversee the efforts of identifying and removing administrative barriers. It should be composed of roughly 6 – 12 members, including representatives of key ministries and agencies that interact with businesses on a regular basis, and a diverse range of representatives from the business community.

It is important to include representatives of government agencies that will be affected by the proposed reforms, since these are the people who have the most detailed knowledge both of their mandated goals and responsibilities (e.g. ensuring safe building practices) and their established procedures. In many cases, they have sound ideas of their own for improving efficiency and quality of service. In other cases, they may need some direction from the champion to encourage their cooperation. The public sector representatives on the steering committee are the decision-makers for developing the action plan, and are accountable for its implementation and monitoring.

It is also important to include representatives of the business community as advisors on the steering committee because they can identify, often in precise detail, which procedures are most problematic, and what can be done to improve them. It is important to involve a diverse group from the business community, including both large and small firms, foreign and domestic, old and newly established, representing both manufacturing and services. If available, then existing, active business associations (e.g. chamber of commerce, foreign investors' association, small business associations, manufacturers' associations, and employers' association) can each be invited to send a representative.

FIAS recommends that the steering committee include roughly equal numbers of public and private sector representatives, in order to avoid dominance by one side or another during discussions.

In some countries, a similar body might already exist and instead of setting up a new structure the already existent body (with or without changes in its functions and personnel) can be given the mandate to oversee the self-assessment and subsequent reform activities. The institutional structure that best corresponds to the needs of the individual country can best be determined by the representatives of that country.¹

Box 4: A successful steering committee: the Latvian model

Latvia's Administrative Barriers Assessment and Reduction Steering Committee was composed of senior civil servants from all key ministries and state institutions affecting the investment climate and served as an umbrella institution whose status of direct reporting to the Prime Minister provided it with a mandate to invite other state institutions to participate as deemed necessary. It also included representatives of the private sector such as the Foreign Investors Council in Latvia (FICIL, which included the foreign chambers of commerce), the Latvian Chamber of Commerce and Industry and other business associations.

¹ For an example from Africa, see Wells and Buehrer "Cutting Red Tape: Lessons from a Case-Based Approach of Improving the Investment Climate in Mozambique" in FIAS Occasional Paper no. 14, op.cit.

Functions of the steering committee

The *core functions* of the steering committee are as follows:

- identify administrative barriers to investment:
 - review, adapt, evaluate and approve the instruments used for self-assessment of administrative barriers (templates and survey instruments)
 - review the analysis of templates and survey
- maintain an ongoing dialogue between government and the private sector:
 - serve as a forum for structured discussion of problems that have been identified;
 - organize a high level dialogue between the senior policy makers in the country and the chosen representatives of the private sector (e.g. annual or biannual meeting with the prime minister/president to discuss the identified problems)
- reach an agreement on the reform initiatives and specify concrete actions that can be implemented:
 - develop an action plan for removal of administrative barriers and improvement of the business environment
 - submit the action plan for approval to the political level (usually the cabinet)
- monitor the impact of actions implemented:
 - monitor the implementation of the action plan through regular reporting by government agencies
 - monitor the on-the-ground-effect of the implemented actions through regular interaction with the private sector representatives and through business surveys.

Putting together a steering committee

Putting together a steering committee involves the following:

- obtaining authorization from a high-level political authority
- selecting/nominating the:
 - public sector participants (decision-makers)
 - private sector participants (advisors)
- designating a secretariat for coordination of the work of the steering committee
- finding consultants for technical assistance in substantive and organizational issues.

Obtaining authorization from a high-level political authority

The steering committee is headed by a political champion, such as the prime minister, deputy prime minister, minister of economy or finance, or any other political authority who in the given country, oversees the economic reform processes and has the political backing needed to pursue these reforms. The steering committee is established by an executive decree of the prime minister or the president. Such a decree is necessary because, first, the political champion is aware of his/her responsibilities and second, the members of the steering committee see that they are responsible to the highest political level.

The executive decree establishing the steering committee (see Sample 1) includes the following:

- mandate of the committee official titles and names of chairman, deputy chairman and members
- deadlines by which the committee has to produce certain outputs, e.g. carry out the templates and the surveys, submit the draft action plan to the highest political level (the cabinet of ministers, or the president)
- deadlines for reports by the responsible government institutions on implementation of the action plan to the chairman of the committee and secretariat, e.g. monthly or quarterly reports or reports by certain fixed dates
- deadlines for submission of the reports on implementation of the action plan to the highest political level (the cabinet of ministers, or the president)
- designation of the secretariat to support the work of the steering committee.

The executive decree should be structured such that even in the case of a change of political leadership, the continuity of the steering committee and the reform effort is ensured.

Selection of public and private sector participants

Experience from a number of countries clearly shows that the success of the work of the steering committee and the whole reform process will to a great extent depend on the persons nominated to the steering committee and the quality of people working in the secretariat. Therefore, the selection of public and private sector representatives for the steering committee should be given careful consideration. The optimal size range is about 8 – 12 people, roughly evenly divided between public sector and private sector representatives.

Selection of public sector participants

The following are some of the criteria that one could take into account when selecting the participants from the **public sector**:

- One representative from each of the key government institutions that oversee the most important procedures that are included in the templates and survey:
 - For example, if within the course of self-assessment of administrative barriers it is intended to cover visa, residence permit and work permit issuance procedures and there are separate agencies for each of the three procedures and they report to the same ministry, a representative of the ministry should be included in the steering committee. This will enable all levels of authority to be involved in the process and will also allow keeping the size of the steering committee manageable.
- Civil servants with the decision making power:
 - In the best-case scenario, the steering committee should include the highest-ranking civil servant responsible for the specific policy area or the head of the agency that deals with a specific issue (e.g. state secretary of a ministry; head of customs service or immigration service). If, for some reason, this were not possible or desirable, an alternative would be a lower ranking civil servant who has access to the political authority.

In addition to these criteria, it is also of great importance that the individual civil servants selected to represent a certain government institution possess:

- positive attitude and willingness to contribute to the development of the country

- ability to digest criticism
- ability to come up with constructive suggestions.

Depending on the legal culture and tradition of the country, there may be different ways to appoint representatives to the steering committee. For example, it may be possible to designate a public sector representative to the steering committee without seeking formal approval from their respective institution. In other cases, there may be a requirement or expectation to solicit formal nominations from the institutions whose participation in the steering committee is required.

Both ways of composing the steering committee are workable. However, in overall planning of the self-assessment of administrative barriers, adequate time will have to be allocated for the formal establishment of the steering committee, especially in case formal nominations from the institutions are required.

Selection of private sector participants

If the selection of the public sector participants is clearly based on the institutional perspective with relatively little possibilities for manoeuvre, then the selection of the **private sector** representatives is more discretionary and trickier. In general, there are two alternative approaches. The preferred approach is that a number of business associations or chambers of commerce, as organizations, are included in the steering committee and it is the task of those associations or chambers to nominate their specific participants for each occasion (e.g. the president, the chairman, a board member, the head of a relevant committee etc.). The alternative approach is that the government selects individual businesses/businessmen to be participants of the steering committee.

The first approach of relying on the already existent business associations is definitely recommended in cases where a diverse range of such associations is active and legitimately represents the interests of their members. The second approach of the public sector selecting individual businessmen to represent the concerns of the general population of businesses can be used in cases where there are reasons to believe that the associations are underdeveloped, pursue narrow interests and/or do not have internal democratic procedures to solicit views of their members, or in case there are no business associations. Regional or municipal level governments will most likely choose to involve individual businessmen in dialogue.

Regardless of which approach is chosen, following are some of the criteria that should be observed when selecting **private sector** participants for the steering committee:

- there should be a range of interests represented, including both foreign and domestic investors, large and small businesses, manufacturing and services, and a range of industries
- there should *not* be a perception that the group is dominated by businesses that already have a “good relationship” with the government
- the individual participants should represent the common interest of a certain group of businesses or an industry sector and bring up, for discussion, the problems that apply to the group of businesses or an industry sector as a whole
- some of them should have experience of business environment and culture in other (more developed or competing) countries (e.g., foreign investors)
- they should commit to devote reasonable amount of time for the work of the steering committee
- they should represent the concerns and interests of the group or branch of businesses and should not try to pursue their personal interests/agenda.

The underlying principle is that the private sector participants of the steering committee should represent a diverse community and be composed such that there is a balance of industries, nationalities and/or ethnicities, political affiliation, and size of businesses.

A government may also choose to limit the representation of the private sector to the steering committee to a more specific business community, such as foreign investors or small businesses, depending on the overall objective of the reform effort. Government also has an alternative to establish the steering committee without any private sector representation; however FIAS strongly recommends that legitimate private sector representatives be included in the steering committee in an advisory capacity.

Designating a secretariat for coordination of the work of the steering committee

The steering committee should be supported by a dedicated unit, whose job is the day-to-day handling of the reform agenda, including all aspects of the cycle of reform. The secretariat acts as an intermediary or facilitator of the structured dialogue between the two principal stakeholders – the public and the private sector representatives. The secretariat, of at least three people, should report to the head of the steering committee.

Unless the steering committee is set up as a separate government structure, the secretariat will need to have an institutional/structural home that will employ the staff, provide financing and help to liaise with other government institutions and donors. It is acceptable to hire local consultants to staff all or part of the secretariat, but it still needs an established reporting relationship within the government.

In some cases it may be obvious or already mandated where the secretariat needs to be located. However, if there is some room for manoeuvre, the following questions may help in deciding where to place the secretariat:

- Is there a historic or traditional institutional reason to locate the secretariat with a particular agency?
- Is there access to the political champion?
- Is there access to other government agencies?
- Is there access to the business community?
- Is there a sufficient budget, or can a sufficient budget be designated?
- Is there flexibility in allocation of financing and expenditures?

Specifically, the following types of institutions may be feasible locations for the secretariat, taking into account the questions listed above.

- ***With the national investment promotion agency:*** Often, an investment promotion agency (IPA) is the first forum to which foreign investors express their complaints and concerns. On the basis of these concerns a government may undertake a comprehensive assessment of administrative barriers to investment. In addition, the IPA is generally mandated to interact with the investor community on a regular basis, so its staff should be able to initiate and maintain dialogue with investors (provided they have attained their trust). Questions to consider, though, are whether the IPA has (a) the legal mandate to directly interact with ministries and other government agencies or (b) has a sufficiently constructive relationship with its supervising ministry that it can work together with ministry staff in pursuing the reform agenda. An additional concern is that the IPA may be structurally distant from the center of government.
- ***With the small and medium enterprise (SME) agency:*** Similarly, and especially if the main focus for removal of administrative barriers is to improve the business environment for SMEs, the secretariat can be housed here.

- ***At the centre of government:*** This could be the prime minister's or president's office or the state chancellery, or such similar administrative oversight institution. From the center of government, the secretariat can follow up with commitments expressed by government agencies and monitor their implementation, since generally the agencies are accustomed to reporting there anyway. However, a question to consider is whether the secretariat could relatively freely interact with and solicit the views of the business community and whether the business community would feel comfortable to engage in open discussions with the staff, if the secretariat were located in the center of the government.
- ***Within a ministry:*** If the champion is a particular minister, then it may be efficient to establish the secretariat within the relevant ministry. This would allow the secretariat to interact with the champion on a regular basis. Although the ministry might be relatively distanced from the private sector, this is not an insurmountable issue, provided such relationships can be developed.

The implementation of the functions of the steering committee listed above is ensured by the secretariat and the core tasks of the secretariat within these defined functions are as follows:

- Identification of administrative barriers to investment:
 - Identify all the necessary procedures required for business establishment process and for the operation of an enterprise.
 - Review the generic templates and adapt them to the relevant procedures in the country and translate in the appropriate language.
 - Work with the business community and/or FIAs to contract a polling firm to carry out the administrative and regulatory costs survey(s).
 - In cooperation with the polling firm, review the generic questionnaire for the ARCS survey(s) and adapt them to the relevant procedures in the country.
 - Send the templates to the agencies (or administering agency or consultants) in advance, and visit the relevant agencies to interview them and fill out the templates for each of the procedures and collect copies of all the applications and forms, which must be completed as part of the investment process. The description of templates and instructions for filling them out are provided in Module 3.)

In cooperation with the business community and/or FIAS, receive and review the report on the results of the survey from the polling firm.

Gather the input of businesses by arranging meetings to discuss any relevant concerns. For details on arranging these meetings and documenting the issues discussed, see Module 3.

Based on the completed templates, the survey results and the inputs from businesses, prepare a draft self-assessment of administrative barriers report. For details, see Module 3.

Circulate the draft report to the members of the steering committee and other government institutions for feedback and commentary and where appropriate, incorporate their feedback into the report. For details about circulation of the draft report self-assessment of administrative barriers see Module 3.

Based on the inputs received from the above-mentioned steps, finalize the draft report. For details, see Module 3.

- Maintain an ongoing dialogue between the government and the private sector:
 - Following the circulation of the draft administrative barriers to investment report, organize presentation/conference for public and private sectors to discuss the findings and aim to reach a consensus on how to proceed with reforms. The presentation of the report is described in detail in Module 4.
 - Establish good working relations and network with partners in the private sector in order to be able to gather their informal opinions and ideas.

Reach an agreement on the reform initiatives and concrete actions that can be implemented:

- Draft and coordinate an action plan for removal of administrative barriers and improvement of the business environment. Development of the action plan will require legal expertise to carry out analysis of legislation, to formulate and where appropriate to assist with drafting the possible amendments; and will often require specialized expertise (e.g. in tax reform, customs reform, cadastre reform, etc.). See Module 4.
- Revise and update the action plan to reflect new problems, submitting it for review and adoption as described above.
- Monitor the impact of actions implemented:

- establish and rigorously implement an internal, formal mechanism within the government whereby the responsible institutions regularly report to the steering committee on the status of implementing the reforms that they have undertaken in the action plan
- monitor and measure the on-the-ground impact of the implemented actions through regular interaction with the private sector representatives, the templates and the business surveys
- prepare regular reports for the highest political level on the status of implementation of the action plan, based on both the internal reporting and external monitoring, and other necessary measures to reduce the administrative barriers and improve the business environment.

A detailed description of the monitoring system is provided in Module 6.

In addition to these four major functions, the secretariat might also have additional tasks, such as handling the media on issues related to its day-to-day activities, maintaining contacts with different international institutions and organizations, both within the country and outside (e.g. European Commission and its delegation in the country, the World Bank, OECD, etc.), disseminating information about its own activities and the status of its efforts, etc.

Staff of the secretariat

The secretariat, to be successful in its efforts, should not be merely an administrative body, which carries out the tasks given by the chairman of the steering committee and handles business complaints. The secretariat has to be very proactive, outgoing, and open to contacts with businesses, so as to create a solid reputation of trust and competence within the business community. To achieve this, the selection of the staff of the secretariat is of tremendous importance.

The staff of the secretariat should ideally be government staff from a ministry or agency responsible for proposing and/or implementing economic reforms intended to improve the business environment. This could be staff of an investment agency, the investment department of the ministry of economy, ministry of industry, ministry of development, or ministry of finance, or such similar agencies. Alternatively, the secretariat can be staffed by local consultants. It is also important that the staff of the secretariat leaves no doubt about their interests, or in other words it should be absolutely clear that secretariat is not working for any particular party or business interests, but to improve the general situation for all businesses.

The skills, personality, traits and professional qualifications required for the staff of the secretariat, in brief, are as follows:

- Skills and personality traits:
 - strong commitment
 - willingness to handle details
 - ability to leverage resources
 - ability to grow and develop
 - tenacity
 - flexibility
 - persuasiveness
 - political neutrality.
- Professional qualifications:
 - fluent in the state language and English (or other language, widely used in the business community of the country)
 - degree in law (preferred), economics or public administration
 - private sector experience desirable.

A means to attract qualified candidates for these staff positions in the secretariat is to emphasize the following attributes of the job:

- high-profile work (visibility in both government and business community)
- assist in making real changes in the country
- work with international financial organizations, foreign embassies, European Commission, and regional entities.

Guidelines for structured dialogue with the private sector

It has emerged from FIAS experience that relations with the private sector in carrying out administrative barrier assessment and reduction work is a critical element to overall program success. Some emerging lessons from FIAS experience include the following:

Relations with the private sector: new directions

- Seek a continuing role in the reform process for reform-minded private sector associations. One option that has worked well is to include private sector organizations directly in the counterpart team, to work with throughout the project. Such a team will prepare the way for private sector participation in the planning, implementation and monitoring phases.
- Invest time in consolidating public-private sector dialogue within the reform process -a gap in current donor programs.
- Carefully select private sector partners in order to encourage the emergence of reform-minded interests.
- Seek opportunities to apply understanding of business needs and contacts with the business community within the PSD work of the World Bank.
- Consider building advocacy capacities of private sector organizations, so that they can function more effectively as constructive proponents of pro-market reforms, rather than protecting their sectoral interests.

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

From a practical standpoint, all of the above must, however, begin with an identification of private sector counterparts, and the development of a structured relationship with them, involving them in the reform process. The fundamentals of how to set about this task are outlined in the following pages of this manual.

Selecting the dialogue partner(s)

A crucial consideration is the government's selection of the dialogue partner(s). Some of the most useful dialogue partners in developing and transition economies have proven to be business associations that are internally democratic and can nominate informed and constructive representatives for discussions with government.

The following checklist can be used to determine whether a particular business association can be a strategic partner for dialogue with government institutions:

Table 2: checklist

	Questions	Remarks
1.	Is this business association a genuine stakeholder in the issue?	Regarding the issue under discussion, does this particular business association have the proposed issue on its agenda? Are they interested in its resolution?
2.	Does the business association represent the sector or group that it purports to represent?	This is to determine the position of the business association on a national or regional basis. Are there other associations that claim to represent the same constituency? It is possible that several associations may simultaneously claim to represent, for example, customs brokers, or even the entire business community. If possible, the various groups should be invited for consultations. This may avoid accusations of favouritism or cronyism.
3.	Does the leadership of the business association represent the majority of its members' interests?	In contrast to the question about whether the business association represents a sector or group, this is a question about the internal workings of the association: is it under the control of an individual or a particular group or it indeed represents the majority of its members?
4.	Is the business association internally democratic?	Are there sufficient opportunities for a rotation of members and the leadership? Even if this does not occur because there may be a very capable leadership, could it happen?

Even if the answer to these questions is “no” or “don’t know”, the government counterparts should consider whether a particular business association has the ability to grow and to develop the criteria listed above.

It is important to note that not all business associations should be involved in all issues. It is useful to have a sector-specific list of business associations, whose representatives can be called on for discussions when necessary. When there are cross-sectoral or macroeconomic issues, the government institutions can invite associations representing several sectors, or the broader business associations like the national or regional chambers of commerce or foreign investors’ associations.

An observation generally applicable to developing and transition economies is that a special effort will have to be made to work with the foreign chambers of commerce (if one exists), because the foreign investor community is a particularly valuable resource – not simply for the financial resources they provide, but also for their knowledge of international best practices, their awareness of local problems in comparison with competing investment locations, and the fact that very often they are accustomed to some form of interaction with the government.

Regular meetings of businesses with government leaders

FIAS experience shows that effective public-private dialogue is the motor of administrative barrier reduction.

In addition to separate meetings with various levels of technocrats in the government, the organization of a regular high-level dialogue between the leader of the country and the representatives of the private sector (e.g. annual or biannual meeting with the prime minister/president to discuss the identified problems) is an important component of effective public-private dialogue.

For example, the Council of Baltic Sea States recommended the establishment of foreign investors’ councils in its member states that are transition economies. One of the main functions of these councils is to organize high-level meetings between the prime minister and ministers and the CEOs of mother companies investing in a country. The purpose of these meetings is to establish a forum in which issues of concern to the investment community can be discussed and examples of international best practices can be presented. In Latvia, the high-level meeting has become an important means to assess the status of implementation of the action plan to reduce administrative barriers and improve the business environment and to come up with new ideas and subsequently revise and update the action plan. The preparations for the high-level meeting create a momentum for activity and mobilize both sides to review and consider the issues in depth.

Certainly, there is a risk that meetings like this may become exclusive events where only the interests of some investors and businesspersons are represented. The government must therefore make a special effort either to include different groups in a meeting, or to have several such meetings with different groups. Also, efforts must be made to include concerns of yet undeveloped business sectors (especially if the country has good conditions for developing such branches).

All in all, it should be clear that this dialog is not only between government and developed and strong industries, because such a procedure will only help develop the already established businesses.

Some of the benefits of regular meetings between government and business leaders include the following:

- this is a forum at which investors can express their concerns and the government can commit to resolve them, or explain why it is not possible to do so
- it is also an excellent public relations tool for the government to show the international community that it is serious about reform and open to constructive criticism
- preparations for the meeting can reactivate, if necessary, the work and interest of the steering committee, since its members will be accountable to government leaders as well as to leading businesspeople
- it is a good forum for reviewing and revising the action plan.

Capacity-building of business associations

An important by-product of drawing business associations into dialogue with government institutions is that it becomes necessary for them to develop their ability to react to changing circumstances, as a result of which the capacity of these non-governmental organizations increases.

In the initial stages, it will not always be possible to enlist the assistance of competent and well-functioning business associations. Much of the initial work of the government may be to strengthen the capacity of these associations. It is possible that the secretariat may not only need to articulate the viewpoints of the government, but also to assist an embryonic business association in articulating and formulating their problems, researching possible solutions, drafting position papers on specific issues and preparing the association for dialogue with the government.

Administrative barrier reduction programs can benefit, in building business capacity, from lessons learned by various donor programs in this regard. A key source of best practices in this area is the Center for International Private Enterprise (CIPE).

Box 5: Center for International Private Enterprise

CIPE (www.cipe.org) is an affiliate of the US Chamber of Commerce with the mission of fostering free market development worldwide. Business associations are an important component of its work since they are strong advocates for economic policies that improve the business environment and increase trade opportunities. The Center is experienced with the difficulties that these organizations face and has worked with business associations around the world for nearly two decades, providing technical assistance through such tools as the CIPE Primer on Chamber Models, specialized training curricula, and its award-winning "Virtual Business Association" which provides information, tips, and resources on association management.

A note on the dialogue between local government and local businesses

The dialogue mechanism can be introduced in sub-national regions and municipalities between the local government and local businesses as well. However, due to the smaller resources and capacities at the local level, often there are no business associations that meet the recommended criteria listed above. In addition, often the problem is not lack of communication between businesses and local government officials, but rather a lack of communication that is open and transparent and that allows all interested parties to interact. To resolve this problem, local governments have to put an effort in persuading local business community that open and constructive dialogue is necessary to create a better business environment.

It is nevertheless important to establish and maintain discussions at the local level, particularly when the local government is interested in finding out what are the concerns of businesses, in implementing a reform agenda, and ultimately in monitoring and evaluating the effects of that reform. One solution is that there are regular (for example, monthly) meetings between local government leaders and individuals from the business community.

In selecting which businesspersons to invite to the discussions, particular attention should be paid to identifying individuals who have demonstrated their ability to engage in constructive conversations. These meetings should follow the principles described in the Module 4, on organizing and facilitating the meetings as part of the structured dialogue, particularly regarding written documentation of ideas expressed and commitments undertaken. In addition, the minutes should be made publicly available to the press as well as to other businesses.

One of the items on the agenda for the follow-up meeting should be a review of the status of implementation of the commitments expressed at the prior meeting.

A Appendix

Sample 1: Executive decree establishing the steering committee

[This document is an English translation of the original Order of the Prime Minister of Latvia on the establishment of the Working Group, which was the public-private sector committee that subdivided into substantive areas (immigration, residence and employment of foreigners; enterprise registration, tax administration and customs; construction and land registration; and inspections) and submitted the first Action Plan to the Prime Minister and subsequently to the Cabinet of Ministers for adoption].

February 10, 1999

Order No. 40 of the Prime Minister

Riga

On the Establishment of a Working Group

1. In order to develop an action plan and draft normative acts for improving the business environment based on the recommendations presented in the report “Administrative Barriers to Investment in Latvia” by the Foreign Investment Advisory Service of The World bank Group, to establish a Working Group with the participation of the following persons:

Head of the Working Group:	J. Kanelis Assistant to the Minister of Economy
Deputy Head of the Working Group:	A. Liepiņš Director, Investment Department of the Latvian Development Agency
Members of the Working Group:	
M. Ankalniņš	Executive Director of the Latvian Transit Business Association
D. Azanda	Member of the Board of Directors, Privatization Agency
R. Blezurs	President of the British Chamber of Commerce in Latvia
R. Bluķis	Deputy State Secretary, Ministry of Internal Affairs
S. Bukingolts	Vice President of the American Chamber of Commerce
M. Dzērvīte	Deputy Director General of the State Revenue Service
J. Endziņš	Deputy to the Head State Notary of the Enterprise

	Register of the Republic of Latvia
J. Gavars	Director General of the Latvian Chamber of Commerce and Industry
Z. Grauze	Head of the Consular Information and Analysis Division of the Consular Department, Ministry of Foreign Affairs
L. Grava	Attorney of the Legal Division, Latvian Development Agency
J. Grīns	President of the Swedish Chamber of Commerce in Latvia
I. Kalniņa	Director of the Land Book Department, Ministry of Justice
G. Kalniņa	Director of the Taxation Politics Department, Ministry of Finance
B. Laizāne	Adviser to the Prime Minister
M. Lurkins	Representative to the German-Latvian Union of Enterprises
D.Papāns	Chief Specialist of the Legislation Division of the Civil Rights Department, Ministry of Justice
I. Preimate	Deputy State Secretary, Ministry of Economics
R. Puriņa	Deputy State Secretary, Ministry of Welfare
S. Putniņa	Legal Adviser, Legal Division, Latvian Development Agency
V. Slaidiņa	Director of the Legal Department of the Ministry of Environmental Protection and Regional Development

2. For the Head of the Working Group to present the action plan to the Prime Minister by May 1, 1999.
3. For the Working Group to develop and, in accordance with the manner prescribed by law, submit the draft normative acts described in paragraph 1 above to the Cabinet of Ministers.

(signed)

Prime Minister

V. Krištopans