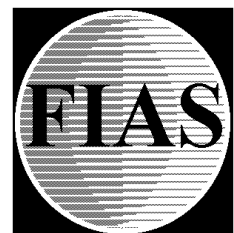


A manual for the identification and removal of administrative barriers to investment

Module 6: Monitoring,
evaluation and continual
assessment

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



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 Monitoring and evaluation of the reforms agreed in the action plan and other aspects of the business environment.....	2
Monitoring outcomes and impact	3
Verifying that agreed actions have been implemented.....	3
Updating template information	4
Repeat of survey(s)	4
Other feedback instruments	5
Data related to project input.....	5
Integrated analysis of monitoring instruments.....	6
Role of steering committee in monitoring and subsequent revision of action plan.....	8
2 How to make self-assessment of administrative barriers a regular activity of the government?	9
Regulatory impact.....	9
Quality management systems	10
A Appendix Report preparation.....	11
Preparation of a report based on results obtained using surveys and feedback mechanisms.....	11
B Appendix Survey and feedback mechanisms	13

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 Monitoring and evaluation of the reforms agreed in the action plan and other aspects of the business environment

Box 1: Building monitoring into administrative barriers work

A factor that is linked to a more successful implementation phase is the institutionalization of monitoring into the reform strategy:

Two of the most able of the FIAS clients – judged not only in terms of what they have accomplished, but also in terms of sustaining the reforms over two years or more – are Latvia and the Tomsk Oblast in Russia. In both countries, FIAS assisted with a baseline survey and a follow-up survey.

The other FIAS client countries rarely institutionalized monitoring of results into their reform strategies. Monitoring of progress in moving ahead with the reform agenda was more common, but did not seem to compensate for other weaknesses in the reform strategy. In Croatia, for example, a two-person secretariat assessed implementation every three months, at least for the first year. This process did not seem to increase ministerial accountability for performance, however.

FIAS has also learned a number of other lessons regarding assessment, which administrative barrier project teams should apply.

In initial project negotiations, 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 report is written.

Rather than waiting for reforms to be completed before monitoring impacts on the ground, establish a systematic monitoring system within the implementation process. The monitoring should be based on the intermediate milestones that are set down in the action plan. The quality of monitoring is only as good as the action plan.

Monitoring should be done by a third party, separate from the government, such as a donor, a local consultant, or a private sector organization, and financed as part of the overall multiyear financing package. The modes of monitoring, such as the collection of information and public access to that information, should be agreed from the beginning of the project.

Consideration should be given to building up the advocacy work of private sector bodies is likely to be one of the most effective forms of self-assessment in client countries. Private sector bodies can, for example, be charged with monitoring if the monitoring method has been agreed with all parties

Use the monitoring information to provide incentives for countries to implement on schedule.

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)

Moreover, FIAS increasingly concerned with the issue of effective monitoring and evaluation is progressively developing a comprehensive approach and toolkit to see to the proper execution of this phase.

[A full discussion on this matter is being prepared, in consultation with FIAS' Point-person for this Initiative, Ms. Jacqueline Coolidge]

The following actions should be taken during this phase.

Table 1: Monitoring phase

MONITORING PHASE	
Recommended FIAS procedure to prepare an administrative barriers report	Primary purpose of this step
FIAS conducts annual internal assessment called PIMS. Annual monitoring process based on tracking progress against the agreed milestones in the action plan is launched. Monitoring involves the counterpart, private sector and FIAS.	Implementation (feedback process sustains political attention to the agenda, particularly over changes of government)
FIAS launches ARCS to determine if business perceptions have changed.	Implementation (provide additional incentives for sustaining reform on schedule, and disincentives for failure)
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 2005)	

Monitoring outcomes and impact

Task 1: Monitoring

After about one year Task 2 and 3 in Module 3 should be repeated, compared with the results from the first year and analysed to show which procedures show signs of improvement and which do not. This process can help identify which reform efforts are working as intended and which ones are not (and which therefore may need to be revised). It can also help identify new problems for possible inclusion in an updated action plan.

Verifying that agreed actions have been implemented

The first step in monitoring is a simple verification exercise that the agreed reforms included in the action plan (i.e., project outcomes) have been carried out as specified and on time. This verification exercise should be carried out by the Secretariat by contacting the relevant authorities listed in the action plan as being responsible for carrying out each item.

The output should be a very simple report, stating whether or not the agreed reform has taken place (e.g. was the law amended as envisioned? Was the procedure eliminated? Were brochures prepared and distributed?) If the answer is “no” or “not fully”, the secretariat should identify and report the reason (e.g. parliament voted against the amendment; the procedure has not yet been eliminated but is scheduled for elimination on a particular date; the brochures have been printed but not yet mailed because there is insufficient budget to pay for postage etc.).

Updating template information

The procedure templates should be updated on a regular basis (preferably every year). A copy of the old templates should be sent to all the relevant agencies, along with a blank template for the current year (see Module 1, Appendix 2, and refer to Module 3 Administrative Procedure Templates).

For Part A (General Information), and Part B 1, (Description of Procedure) the agency should be requested to note any changes from the previous year.

In Part B 2, the agency should be requested to provide the relevant data for the past year for the volume of transactions, processing speed, rejection rates, appeals, etc.

Part C (Opinion of the Head of the Institution) does not necessarily have to be completed every year, but should be completed at least once every two years, in conjunction with the business survey.

The secretariat should prepare a report noting all significant changes in procedures and use it to update the Investor's Guide (see Module 4). The secretariat should also produce a summary of all significant trends, including significant changes in the volume of transactions, the processing speed, rejection rates, and appeals, and submit it to the steering committee for review.

Repeat of survey(s)

The survey(s) of administrative and regulatory costs should be repeated at least once every two years (see Module 3). Of course, the survey part should be done on the sample that affected by the changes

Preferably the same survey firm should be hired to repeat the survey(s), and the sample should be, to the greatest extent possible, the same size and structure as the original.

Either the survey firm or other local consultants with relevant expertise should be hired to provide an analysis comparing the results of the original survey with the follow-up survey(s), highlighting significant changes and trends including over all changes in:

- the rating of obstacles
- the amount of time required to complete procedures
- the costs required to complete procedures
- satisfaction with service delivery
- general opinion if things are going for the better

In addition, the repeat of the survey(s) may reveal more subtle trends, including:

- a shift in sources of complaints (e.g. from one agency to another)
- a shift in types of complaints, (e.g. from complaints about delays to complaints about bribes or other costs)
- a shift in the type of company affected by the barrier (e.g., from small firms to medium firms, from manufacturing firms to service firms; from foreign firms to local firms)
- removal of some obstacles, showing others which were in the shadow before (e.g. extensive waiting in one institution is removed, highlighting that some other institutions are slow too)
- removal of most severe obstacles, creating a whole new perspective underscoring new obstacles (e.g. some obstacles were so severe that others seemed to be insignificant, when they were not)
- changes in regulations can themselves create some new obstacles

This report should be reviewed by the secretariat and presented to the steering committee. This material should be useful in assessing which reforms in the action plan have been successful, and which have not.

Other feedback instruments

In addition to the templates and survey(s) described in the preceding sections, the secretariat can administer or coordinate a variety of other self-assessment instruments for identifying problems, such as collecting complaints and suggestions, meeting with businesspeople in focus groups, and using structured feedback mechanisms. These instruments can be applied also at other stages of the reform process.

[Section under revision/development]

Data related to project impact

In addition to the research described, the secretariat should monitor other national (and regional/local data) including the following:

- new business formation¹

¹ Note that "new company registration" is, on the one hand, an excellent indicator of the "impact" of reforms to remove administrative barriers. On the other hand, the quality of such data in most of our client countries is usually low. Most company registration agencies record "new registrations" but fail to record the vast majority of company closures. Some relevant

- FDI/GDP
- gross domestic private investment
- private sector employment
- revenues from business taxes
 - profit tax
 - VAT
 - customs revenues
 - etc.
- productivity data
- exports/GDP
- country rankings (e.g., country risk, bribery, economic freedom, competitiveness)

Integrated analysis of monitoring instruments

The information outlined above should be integrated into a single report analyzing the progress with the reforms included in the action plan and with administrative barriers in general.

The hope of course is that all the reforms in the action plan will have been implemented on schedule, that they will have had the desired impact, and that there will be steady improvement in the business environment, leading to new investment, employment, value-added, exports, and tax revenue.

However, the normal course of reforms is never so straightforward. Some agreed reforms will be derailed; some that are enacted will prove to be ineffective; while improvements can take place in some areas without any deliberate action on the part of government.

data on closures may be available from bankruptcy courts, but they tend to exclude the usually larger group of firms that close without going through any bankruptcy procedures. Even if we are interested only in entry, most company registration agencies in our client countries do not make a clear distinction between a new company and one that is merely changing its name, location, line of activity, and/or major shareholders. If one medium-sized company breaks itself into several new small companies in order to qualify for a new "small business tax regime", it is usually counted as several new companies. If we want to track the number of "economically active formal companies", the most reliable and up-to-date source of information in most countries is from the tax authorities.

While it may be impossible in many cases to prove that a reform led directly to a series of improvements (lower delays/costs in administrative procedures leading to a higher rate of investment), the monitoring instruments can provide a great deal of useful evidence about the efficacy of reforms.

In this regard, a comparison between the data contained in the templates and the data contained in the business survey may prove to be enlightening. For example:

The government may have enacted a reform designed to simplify registration or licensing, with the intention that it would reduce delays. However, over time, the business survey may show that there has been no improvement in the amount of time required to complete the procedures. The templates may also fail to show an improvement in processing time. However, the templates may also show that there has been a large increase in the volume of applications (perhaps due to the simplification in registration procedures or perhaps due to beneficial changes in business taxation or the general business cycle). In this case, the lack of improvement in processing time might not be evidence of a failure of the effort to streamline procedures, but may be explained by a backlog due to a failure to increase staff resources in line with the growing volume of applications.

The report should be structured primarily on the items in the action plan, and should focus on an assessment of whether reform efforts have been successful or not.

If there is little or no evidence of success, then every effort should be made to explain why the reform was not effective. If a reform was not fully implemented, there should be a full explanation of what had been implemented, what had not been implemented (or only partially implemented, or implemented in a way significantly different from the measures specified in the action plan), and why the measures were not implemented.

For reforms that were implemented, but for which there was not significant evidence of success (e.g. no improvement in processing time or cost or level of customer satisfaction), an analysis of the relevant data should be offered, along (if possible) with an analysis of why the reform failed and preliminary recommendations for revisions to improve the effectiveness of the attempted reforms.

It may also be important to note instances where the business survey showed improvements, but the improvements seem to be unrelated to the specific reform effort (e.g. fewer complaints about export procedures, but also lower volumes of exports, perhaps associated with a deteriorating exchange rate).

However, a general analysis of all relevant investment procedures, based on the templates and business survey, should also be included in the report.

Role of steering committee in monitoring and subsequent revision of action plan

The monitoring/evaluation report, based primarily on the items included in the action plan, should be submitted to the steering committee for their review.

For reforms that have strong evidence of success, the steering committee may vote to remove them from the next version of the action plan.

For reforms that have not been fully enacted, the steering committee may decide to make extra efforts to get the reforms on track.

For reforms that have been enacted but for which there is little evidence of positive impact, the steering committee may consider a new strategy (e.g. if amending the relevant law had no effect, maybe the agency staff need training or a better incentive structure).

Finally, the monitoring report may provide evidence of new problems, which the steering committee may vote to add into a new version of the action plan.

The procedures described in Module 4 for development of the original action plan should be repeated in order to complete the new action plan, and the cycle begins again.

2 How to make self-assessment of administrative barriers a regular activity of the government?

The goal of this manual has been to present a methodology as well as a variety of instruments for a government to assess the administrative barriers faced by investors. FIAS can offer assistance in several stages of this process, but the ultimate goal is that the know-how is transferred to the government to institutionalize the self-assessment process so that it becomes a regular activity.

The experience and skills developed during the self-assessment process described in this manual can complement, become an integral part of, or encompass instruments like regulatory impact or quality management systems.

In particular, the question in Part C the Templates about the “purpose” of a procedure, is important to lay the basis for an assessment of regulatory impact. The analysis should explore whether the “purpose” is still relevant (especially as market mechanisms become more robust and competition takes over the role once assigned to government regulation), or whether the purpose can be accomplished more efficiently, with less burden imposed on businesses.

Regulatory impact

In the OECD member countries there exists a variety of instruments to assess, in a systematic manner, the impact on businesses of new policy initiatives and the resulting regulations.

These instruments can be institutional, such as the establishment of bodies like regulatory affairs offices, which oversee regulatory reform activities. The OECD reports that the role of these mechanisms in promoting reform varies widely but they have in common a review of regulation according to consistent criteria by specialized analysts.² Some of these institutions:

- Participate directly in the development of new regulations and review of existing regulations on the basis of mandatory quality standards. This enables them to intervene at an early stage when regulatory proposals are of poor quality. Such institutions have been set up in Australia, Canada, the Netherlands, the United Kingdom and the United States.

² OECD (1997), *The OECD Report on Regulatory Reform: Synthesis*, Paris.

- Act as advisors in setting the general framework policies for regulatory reform and encouraging ministries to comply. Such institutions have been set up in France, Germany and Sweden.
- Review existing regulations and set specific priorities for action by the ministries. Such institutions have been set up in Mexico and Japan.

Institutions like these often make use of and oversee instruments like the regulatory impact analysis, which is a method of systematically examining the economic and social benefits and costs of proposed or existing legislation, considering alternative means of attaining the objectives of regulations, and communicating information to relevant decision-makers. The criteria for submitting a regulatory impact analysis for draft legislation may in fact institutionalize the requirements to consult with stakeholders and to estimate, possibly by means of feedback instruments, the direct and indirect costs imposed on businesses.

Quality management systems

The self-assessment process described in this manual can also become an integral part of efforts by institutions to introduce quality management systems (QMS). One of the basic principles for implementing a QMS is the capacity of the institution to evaluate the quality of services offered by analyzing the results received and implementing a monitoring system. The suggestions described in this manual for using self-assessment instruments complement the QMS principles of assessing how an institution's clients' needs are being met, whether the services offered are appropriate for the needs of the client, as well as whether additional improvements are necessary in understanding the procedures, in ensuring accessibility of information, in client orientation, as well as in implementing directions and instructions.

As the experience of the OECD countries shows, there will always be a need for systematic review of the impact of new and existing regulations and procedures. It is up to the reform-minded government to decide which resources and instruments to utilize in institutionalizing the comprehensive self-assessment process so that it becomes a regular activity of government.

[To be expanded by the Regulatory Governance Committee. Peter Ladegaard and Margo Thomas.]

A Appendix Report preparation

Preparation of a report based on results obtained using surveys and feedback mechanisms

In order to present the findings of the results in the most concise and accessible manner, FIAS presents the following guidelines for the outline of such a report:

- *Executive summary.* The executive summary should describe the most important or interesting information contained in the descriptive text of the report, including the goal, the object investigated, the methodology used and the main conclusions. The executive summary is also the last section written since it reflects any changes made in the main text of the report. When applicable, the executive summary can also be distributed to the media when there is a press conference about the results of the survey.
- *Introduction.* The introduction should list the major sections of the report, following the table of contents. The introduction should also contain the goal of the study undertaken, the hypotheses observed by the authors, and the audience this paper is meant for.
- *Methodology.* This section should describe the methodology in sufficient detail so that the study could be replicated by a third party. This section must specify the units of analysis, the methods of data collection, the methods of data analysis, as well as the limitations in undertaking the study. It is necessary to describe in detail how each of the steps of the study was undertaken.
- *The results of the report.* This section contains a descriptive text of the results obtained and the conclusions regarding the results (if necessary, the raw data can be contained in the attachments to the report). In describing the results obtained during the research, the main criterion is clarity, so that the results obtained can be used in the future and by others who chose to replicate the study. The information should be presented in charts and tables, which can easily be read and understood and contain the most important information.
- *Issues for discussion.* This section presents some issues that may require further investigation or research, or conclusions for which it is difficult to find clear reasons in the context of the research undertaken. It is also important to describe here any instances where the methodology was not observed. This is also the section to list recommendations for future studies based on the experiences and lessons learned from the current study.

- *Sources.* Any sources used in preparing the report.

It is not necessary to follow precisely the structure outlined above. However, by covering the main points mentioned above, the report will contain useful information on the study undertaken. This structure can also be used as a checklist for ensuring that all the necessary steps are followed when implementing the study.

B Appendix Survey and feedback mechanisms

	Brief description	Costs	Sample	Data collection	Validity and reliability of data
Administrative and Regulatory Cost Survey (ARCS)	Survey designed by FIAS in cooperation with counterparts to reflect in a valid and reliable manner the general population of investors. Designed to be repeated after a certain period to compare changes.		<u>Scientifically valid sample</u> : the sampling methodology is worked out by FIAS to reflect the general population of investors.	<u>Interviews</u>	<u>The most valid and reliable data</u> , which can be applied to the general population of investors.
Survey with pre-determined sample	Surveys with scientifically determined methodology, which allows the survey to be repeated at a later date to obtain data that can be compared over time. The units of analysis may vary depending on the specific goal of the survey.	<u>High costs</u> : depending on the method of distribution, use of polling firms or sociological experts, data collection, data processing.	<u>Scientifically valid sample</u> : respondents are chosen on the basis of strict, pre-determined criteria.	<u>Interviewing or self-administered surveys</u>	<u>The most valid and reliable data</u> , which can be applied to the population under investigation.
Questionnaire with opportunity sample	Large variety of types of questionnaires, allowing the institution to utilize available channels of distribution, but as a result there is reduced scientific validity to the sample and data obtained.	<u>Costs can vary</u> : depending on the length of the questionnaire and methods of distribution.	<u>Opportunity sample</u> : no strictly specified criteria for creating the sample. Sample is generally determined only after data are collected and processed.	<u>Various ways of collecting data</u> : depending on method of distribution: self-administered at the institution, by mail, by internet; interviewing at the institution or by telephone.	<u>Limited validity and reliability of data</u> : depends on the sample that is formed.
	ion			n	eliability of data
Feedback form	A brief questionnaire on one page to ascertain general information from the businessperson. A type of self-administered survey.	<u>Relatively low costs</u> : The feedback page must be prepared and the results must be collected and analyzed. Costs depend on method of distribution.	<u>Opportunity sample</u> : response rate largely depends on interest of businesses to participate.	<u>Various possible ways of collecting data</u> : depending on method of distribution: self-administered at the institution, by mail, by internet; interviewing at the institution or by	<u>Low level of data validity and reliability</u> : limited amount of information that can be collected, information is general.

	Brief description	Costs	Sample	Data collection	Validity and reliability of data
				telephone.	
Collection and analysis of proposals and complaints	Input sought through a variety of channels, but based on the initiative of businesses	<u>Low costs:</u> It is necessary to establish a channel to receive proposals and designate an employee to review the proposals received.	<u>Opportunity sample:</u> any business that desires to express its opinion.	<u>Passive data collection:</u> only unsolicited proposals, but these can be provided through a variety of channels.	<u>Low level of validity and reliability:</u> information received cannot be applied to the population, but it may pinpoint a specific problem or trend.
Unstructured interviews (meetings with businesspersons)	By meeting with business representatives it is possible to determine their problems and concerns, as well as the reasons for those problems. Informal discussions can also lead to possible solutions.	<u>Low costs:</u> Requires a discussion leader and someone to take minutes.	Individual businesspersons or business representatives selected through transparent and externally justifiable means.	During the course of the meetings ideas are expressed, written down and collected.	The participants should be knowledgeable in their fields or sufficiently representative of their members. If this is the case, they are reliable sources for pinpointing problems.
Focus or experimental groups	Determining the opinion of businesses about an institution's product, service, procedure or innovation. It is cheaper to organize focus groups at the outset than to fix later mistakes.	<u>Middle-level costs:</u> Requires organizing the group, observing it, and a competent employee who knows the specifics of the issue and who will aggregate the results and ultimately introduce the necessary changes.	An experimental group that is sufficiently representative of the target audience.	Writing down and collecting comments and attitudes about a specific product.	Good validity and reliability of data, if the experimental group sufficiently reflects the target audience.

