SOUTHERN AFRICA GLOBAL COMPETITIVENESS HUB

The Swaziland Investor Roadmap: Implementation Strategy Memorandum

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Table of Contents

I. Introduction

International experience suggests that successful administrative reform occurs after several preconditions have been met. Usually sequenced in seven stages, these preconditions include identifying problems and stakeholders, creating Action Plans for reform, ensuring political will, and monitoring and evaluating results. In partnership with the Swaziland Investment Promotion Agency (SIPA) the U.S. Agency for International Development's Southern Africa Global Competitiveness Hub, through the Swaziland Investor Roadmap project, has completed or begun the first five of seven stages. It is the aim of this strategy report to help guide SIPA through the final stages, as outlined below.

1) Identify stakeholders and problems. The first phase requires that problems and their impact on a target group must be identified. For example, the Swaziland Investor Roadmap defined a beneficiary of reform – local and foreign investors – and evaluated the investment climate in Swaziland at the administrative, procedural, and regulatory level and noted constraints to efficient business startup and operations. In parallel, government and private sector stakeholders were identified.

2) Pinpoint root causes. Second, to begin to address the problems identified, the root causes of these issues must be pinpointed. This is necessary because programming the solution required to address a constraint is dependent on its cause. If a regulation is of high quality but poorly implemented, revising regulations is a waste of time. International experience suggests that several common factors are responsible for the existence of barriers to investment, including:

- Poor policy formulation, where administrative systems and laws cannot achieve their stated goals because the procedures required to implement policy are inherently intrusive, excessively complicated, and difficult to administer;
- Reasonable policies but persistent problems of unreformed or poorly performing agencies;
- Conflicts of law that lead to confusion in the implementation of procedures;
- An insufficiently developed legal and regulatory framework that encourages excessive discretionary decision making or individual negotiations;
- Inadequate intra-agency coordination and poor multi-agency decision making processes;
- Insufficiently trained personnel;
- Insufficiently motivated personnel; and
- Lack of administrative capacity to implement regulations, such as skills, technology, personnel, or funding.

3) Build consensus around existence of problems. Third, a consensus about the existence of problems must be achieved. Validating the complaints of the "end user" of an administrative process – in this case, investors – through an independent analysis and describing the economic impact of the constraints, often does this. The Investor Roadmap used several tools to validate the complaints of investors, including identifying trends among the 36 investors and private stakeholders interviewed, comparing Swaziland's performance to regional and global competitors, highlight deviance from international best practices, and performing a management logic analysis of procedures and systems. Where applicable, the cost of administrative procedures was calculated in monetary terms, time, or documentary requirements. Finally, a Presentation of Findings was delivered to a mixed audience of public and private stakeholders to make the case that administrative, procedural, and regulatory improvements in Swaziland are warranted.

4) Define Action Plan for change. The acknowledgement of problems must be translated into a coherent plan for change. There are several ways to create such a plan, including a self-motivated process of putting together a plan based on comprehensive recommendations for change, programming a multi-agency workshop to create of refine Action Plans, creating technical working groups with a mandate to craft solutions, or formulating a top-down agency reform plan. The essential content required to prepare an Action Plan are recommendations stating what should be done and a statement of what the reform's overall goal is. The 2005 Swaziland Investor Roadmap included a detailed matrix of recommendations – intended to solve each of the issues identified – that could be used to create Action Plans for reform. A good Action Plan should result in identifying:

- Specific recommendations for action
- Clearly defined responsibilities of individuals and agencies
- Timeframes for completing proposed actions
- Required inputs to achieve the action
- Expected output, including how the change will benefit the targeted population
- Current status, to enable monitoring of the Action Plan

It should be noted that Action Plans may be refined overtime based on external factors or more in depth analysis. It is best if all revisions are vetted against principles that guide what makes for an efficient procedure and the overall goal of the reform. In the case of Swaziland, the overall goal of the reform is to improve the enabling environment for investors.

5) Secure, maintain political will and momentum for reform. Political will and momentum for change are necessary prerequisites for implementing change. At its best, this momentum-building effort includes two thrusts: a) a senior level engagement process designed to convince government leaders of the need for reform to successfully implement policy; and b) a middle level public management energizing and advisory process aimed at creating will to make changes among implementing staff. Senior level discussions held among various stakeholders, including the Prime Minister, Minister of Enterprise and Employment, SIPA's Executive Leadership, the (former) U.S. Ambassador, and Hub representatives were intended to achieve the former objective, while the February 2007 Process Improvement Workshop was designed to achieve the latter.

6) Structure and support reform. In most countries, the successful implementation of multi-agency reforms must be coordinated and pushed by at least one self-interested actor. In Swaziland, SIPA is the logical choice to spearhead the implementation of Action Plans based on its mandate to promote and facilitate inward investment and sponsorship of the recent Process Improvement Workshop. A crucial consideration for SIPA, discussed later in this report, is what institutional structure is required to ensure that individuals working on reform plans are appropriately motivated and supported in making changes.

Support for implementation can include a variety of activities. In some cases, it is necessary to establish and institutional framework to support reform, including a senior level Steering Committee and technical working groups. In other cases, specialized research and analysis may be required to evaluate potential implications of change. The support of a meeting or workshop facilitator may also be useful to solve ensure that multi-actor meetings produce results.

7) Monitor and evaluating results. Monitoring is an important part of implementing a successful change effort. As discussed later in this report, monitoring can be done by a variety of actors, including private sector organizations and local universities. The Action Plans should be structured to identify measurable benchmarks for performance linked to the outputs specified. For example, if no process guide exists, a measurable benchmark is the publication of a new guide. At the same time, qualitative and quantitative measurements should be considered as well, such as surveying process users and recalculating the cost to complete startup in Swaziland.

Periodically and or at the end of the reform process, a formal evaluation should be conducted. The evaluations should be structured to assess the changes made in their own terms. Internal or external evaluators can conduct the evaluation.

II. Options for Implementation Structures

In considering what structures are necessary to advance implementation of multi-agency reforms, there are several options that have been tried. These approaches range in formality and complexity, and preliminary evidence suggests that some work better in developed countries. Four models for administrative reform are summarized below:

1) Pro-active organization model. Pro-active agency-led reforms are those directed and led by individual organizations. In this approach, the will for reform, reform direction, and commitment to monitor progress are vested with individual agencies. These reforms may arise out of an external analysis of agency performance, such as an Investor Roadmap, an internal evaluation, or in response to changing agency mandates or economic conditions. International experience suggests that this model is most successfully applied in developing economies where government capacity is high, the need to improve services is internalized, and public sector incentives support agencies and individuals making improvements on a continuous basis. This model presupposes that need for and goals of reform are clear and that agencies can undertake comprehensive reform programs with limited external pressure and assistance.

2) Reform agency model. A secondary approach is to create an administrative reform agency that is responsible for initiating, supporting, and ensuring reforms occur throughout a government's bureaucracy. This model is often tried where civil service performance is poor across government and senior political leaders have determined there is a need for comprehensive structural, administrative, and personnel reforms. This approach is often long-term in nature, requiring multi-year plans to improve service and capacity across all (or most) agencies. This approach also requires an upfront investment in resources to create, legally empower, and staff a new administrative reform agency. Often, it is necessary to link the reform agency to the highest level of government, such as the Prime Minister's office, to ensure that the agency is sufficiently empowered. Usually, the agency's mandate will define the scope of the administrative, personnel, and regulatory reforms required to be achieved.

3) Standing Steering Committee and Secretariat model. A third approach is to create a high-level, standing Steering Committee and Reform Secretariat tasked with providing direction to and political will for reform. The primary role of the Steering Committee is to manifest sufficient political will to make regulators accountable for implementing reforms, solve implementation problems, and serve as a decision-making body in regard to reform proposals generated by the Secretariat.

In this model, the Steering Committee will be supported by a secretariat that undertakes the day-to-day coordination and implementation of reforms, any required analytic research, and outreach to stakeholders. This model has been applied in recent years in post-communist countries where a large body of anti-market regulations requires elimination and revision. In some cases, the Secretariat is the source of expertise for recommendations and reform plans – relying on outside consulting resources as needed – and in other case it is tasked with soliciting expert opinion from stakeholders, technocrats, and private sector specialists, such as lawyers, accountants, and freight forwarders, in hearings, panels, or individuals interviews.

The members of the Steering Committee are usually senior government officials ranking at the Principal Secretary level and above and leading private sector leaders. Best practice suggests that the Committee should include private and public sector representatives and be chaired by a Prime Minister. Depending on the authority, reputation, and abilities of other individuals in government, the Committee can also be chaired by a Deputy Prime Minister or Minister responsible for economic or private sector affairs. A critical consideration is how to ensure that the Committee has power to compel other agencies, including Ministries, to implement reforms as directed by the Committee, so the choice of chairman should be informed by an assessment of what's required to impel other Minister's to see reforms through their own bureaucracies. This approach also usually requires an upfront investment in resources to create, legally empower, and staff the Committee and its Secretariat.

4) *Ad hoc* Steering Committee and Working Group model. A fourth approach involves the creation of an *ad hoc* high-level Steering Committee tasked with ensuring that a more discreet set of reforms are implemented across a specific set of agencies. The primary role of the Steering Committee is to manifest sufficient political will to make regulators accountable for implementing reforms, solve implementation problems, and serve as a decision-making body in regard to reform proposals generated by the Secretariat.

As with the previous approach, the members of the Steering Committee are usually senior government officials ranking at the Principal Secretary level and above and leading private sector leaders. Best practice suggests that the Committee should include private and public sector representatives and be chaired by a Prime Minister. Depending on the authority, reputation, and abilities of other individuals in government, the Committee can also be chaired by a Deputy Prime Minister or Minister responsible for economic or private sector affairs. A critical consideration is how to ensure that the Committee has power to compel other agencies, including Ministries, to implement reforms as directed by the Committee, so the choice of chairman should be informed by an assessment of what's required to impel other Minister's to see reforms through their own bureaucracies.

In this model, the workings of the Steering Committee can be supported by an agency with a stake in seeing the reforms implemented. Ad hoc working groups comprised of public and private sector representatives with knowledge of the technical area being discussed generate the technocratic solutions developed in this approach in large measure. The working groups would report problems, results, and accomplishments to the Committee on a periodic basis. This approach assumes that once the set of issues identified in a working group's terms of reference are sufficiently addressed, it would be disbanded.

III. Implementation Strategy Recommendations

Of these four models, the *ad hoc* Steering Committee and working group model may be the most appropriate for several reasons:

- **Nucleus of working groups is formed.** The February Process Improvement Workshop was successful in convening decision-makers and process experts to discuss the current shortcomings of business startup procedures and recommendations for improvement. Additionally, momentum has been created to implement the solutions discussed. It is important to note that evaluations of the workshop mentioned that getting the attendees together to discuss issues and recommendations was of considerable value and should be repeated. Therefore, SIPA has already created the nucleus of working groups that can be tasked with identifying and implementing solutions.

- **Lack of self-direction of agencies.** Based on the fact that few Roadmap recommendations were implemented since 2005, it is apparent most agencies will not undertake reforms without external guidance and pressure. Therefore, the *ad hoc* Steering Committee and working group model can provide both external urgency as well as a structure within which agencies can implement change.

- **Expense of setting up new structures will add delay and cost.** Given budget pressures and inefficiencies in Swaziland's public service, it is not recommended to create a new reform agency. Rather, SIPA should be allowed to attempt to implement the Roadmap recommendations, acting as an advocate for investors.

- **Assures multi-agency participation.** International experience with public sector reform suggests that maintaining the buy-in of implementers is vital. The *ad hoc* Steering Committee and working group model offers avenues for participation of stakeholders that should ensure that all stakeholders have a sense of ownership of reforms.

- **Can serve as a model for other investment climate reforms.** The *ad hoc* Steering Committee and working group is highly portable. This supports replicating successes to other areas where reform is needed. Assuming implementation shows results, SIPA should publicize its successes under the model and engage new agencies in a similar process.

- **SIPA mandate and Minister's mandate already support this approach.** Both SIPA and Minister Dlamini have expressed support for the *ad hoc* Steering Committee and working group model and anticipate seeing concrete results. Therefore, abandoning this approach in favor of another would add additional time, effort, and (potentially) cost to implementation.

- **Model can be quicker and more nimble, responsible.** The *ad hoc* Steering Committee and working group model can add needed flexibility and reduce the time required of participants. SIPA can create specialized working groups as needed, calling on the services of the right civil servants and respected members of the private sector to solve problems with which they have expertise.

IV. Managing Working Groups

Managing working groups requires sustained attention from SIPA. Given that the participants are not paid for their time, SIPA must be sensitive to ensuring that the members are treated with respect, tasked with an appropriate workload, and credited for their efforts. SIPA will need to offer resources, such as meeting space, research capacity, and report production, to support the functions of its working groups. As such some rules for managing working groups are outlined below:

- **Ensure that the selection of members is transparent and inclusive.** The formation of a working group that includes private sector participation represents an attempt to broaden inputs into how government functions. Therefore, it is particularly important to ensure that the process of inviting individuals to participate is clear, transparent, and well documented. It is also important to note that working groups should not only include uncritical individuals, as the working group members should challenge one another to create bold, meaningful solutions.

- **Write a Terms of Reference for each working group that specifies roles, responsibilities, and what completion looks like.** The working group members should have a clear idea of what is being asked of them. In most cases, the participants are asked for their ideas, knowledge of appropriate research and best practices, and political support for change. The Terms of Reference should indicate a realistic pace of working group activities and timetable for it to complete its operations.

- **Plan the time required of working group members.** A schedule of meetings and outcomes should be established for each working group based on feedback from members. The pace of outputs should be realistic yet ambitious. Given that participation is voluntary, the working groups should be given a realistic workload and supported by SIPA, as needed, in the production of reports, research, and other needed inputs.

- **Make sure all meetings are substantive.** International experience suggests that reform efforts often suffer from the inapposite use of individuals' time. Particularly when trying to solicit private sector input, it is important to avoid wasting people's time. Each meeting should have an agenda, clear objective, and lead to a concrete outcome. Participants should know coming in to a working group meeting what is expected of them and what result the meeting is intended to produce. To plan a schedule appropriately requires knowing what the inter-relationships are among members and what inputs are required to make a decision.

- **Choose measurable yardsticks.** As discussed previously, the working groups need to be working toward measurable changes. In their work, the participants must be able to pinpoint how each change can be monitored for impact on investors.

V. Monitoring and Evaluation

Evaluation and monitoring should be an on-going and frequent effort to consistently the pace of the reforms. Streamlining administrative procedures is an iterative process where adjustments have to be made to respond to the eventual changes in private investors' needs, and monitoring should be the principal instrument to make the necessary adjustments.

For these reasons, the authorities should consider the introduction of an evaluation system. It is proposed that the following instruments be developed:

- **Surveys.** Surveying investors on their perception of the performance among the relevant agencies can quantify the perception of performance and the impact of reforms. SIPA can easily design and implement a survey as part of its facilitation services or, alternatively, enlist the SFE-CC to conduct the surveys. The purpose of these surveys is to provide feedback from enterprises on the constraints faced by the private sector and to measure the quality of governance and public services delivery. The surveys might also establish the basis for several internationally comparable indicators that can track changes in the business environment over time to assess the impact of market-oriented reforms.

- **Development of benchmark indicators.** As indicated in the draft Action Plans, it is essential to identify clear, measurable benchmarks that indicate what the impact of reforms may be on investors. In some cases, these benchmarks can be simple. For example, if the MoEE pledges to introduce a new, simplified form, its mere existence is a benchmark. In other cases, more complex benchmarks should be established, such as tracking the overall time it takes to complete the procedures discussed in the workshop. The ultimate goal of the Roadmap reform effort is to improve the regulatory interaction for investors in the dimensions discussed at the workshop related to Principles of Procedural Efficiency.

- **Consultation and dialogue with relevant agencies.** In some cases, it will be clear from agencies involved in the process if changes have been made. However, SIPA must identify how changes are communicated within the agencies involved to ensure that if decision-makers announce a change in policy or practice it filters down to the front office staff. For example, when immigration suggests that the nationalities requiring visas has been clarified, SIPA may wish to visit immigration posts to verify that the officers on duty have received an official internal communication and are following the revised practice.

- **Publication of periodic reports on the results of the reforms.** A common oversight of government agencies is to publicize new policies, procedures, and reforms. It is important for SIPA to track and explain its progress in coordinating Roadmap reforms. Success breeds more success, so SIPA should be sure to communicate its progress in streamlining the investment regime, including through announcements on its website and updates in its process guide and checklists.

- **Conduct a formal evaluation.** Based on the existing Action Plans, the timing for a formal evaluation can be determined. It is recommended that an outside expert familiar with the Roadmap methodology and history conduct the evaluation. The Evaluation should be able to measure qualitative and quantitative improvements in the Swazi investment climate, the status of implementing Action Plan recommendations, and the impact of reforms on investors.