

Facilitator's Manual

# Local Red Tape Reduction

To Improve the Business Climate

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# Content

<b>1. Introduction</b>	<b>4</b>
<b>2. Improving the LBC in the context of LED</b>	<b>5</b>
2.1 <i>Business Climate and LED</i>	6
2.2 <i>Important dimensions of the business climate</i>	6
2.3 <i>The importance of the local level for a favourable BC</i>	9
2.4 <i>Local Red Tape</i>	11
<b>3. BC and LED in SA</b>	<b>12</b>
3.1 <i>Core problems of BC in SA</i>	12
3.2 <i>Initiatives to address BC in SA</i>	13
<b>4. The underlying framework for the LRTR Process</b>	<b>13</b>
4.1 <i>The impact model for LRTR</i>	13
4.2 <i>Systemic and facilitative interventions as the key to LRTR</i>	15
4.4 <i>Actors and roles in a LRTR process</i>	17
4.5 <i>Principles of LRTR</i>	21
<b>5. LRTR within the LBC process</b>	<b>23</b>
5.1 <i>Stand alone versions</i>	23
5.2 <i>Starting point to a bigger process</i>	24
5.3 <i>Result of a broader process</i>	25
5.4 <i>Focus sector versions vs. generic versions</i>	25
<b>6. The Local Red Tape Reduction Process</b>	<b>27</b>
6.1 <i>Scoping Phase</i>	29
6.1.1 <i>Host Organisations and Process Focus</i>	29
6.1.2 <i>Contracting</i>	30
6.1.3 <i>Action Research and Mobilisation</i>	32
6.2 <i>Assessment Phase</i>	34
6.2.1 <i>Red Tape Issue Identification &amp; Selection</i>	35
6.2.2 <i>Analysis and Selection of Champions</i>	36
6.3 <i>Institutionalisation Phase</i>	38
6.3.1 <i>Consultation and Implementation</i>	38
6.3.2 <i>Measures to Sustain the Process</i>	39
6.4 <i>Evaluation Phase</i>	40
<b>Annex A: Organisational Assessment Tools</b>	<b>43</b>
<b>Annex B: Workshop Tools</b>	<b>45</b>
<b>Annex C: Example of a Facilitation Cycle</b>	<b>49</b>

## 1. Introduction

Improving the Business Climate (BC) has become an important topic in the international discourse on private sector development. As many past efforts to increase the global competitiveness of developing economies have not been able to outweigh the negative effects of disadvantageous legal, political and institutional frameworks of the partner countries, donors and partner governments have started to shift their focus more and more on systematically analyzing and influencing a country's business climate.

Responding to the growing demand for practical approaches to reduce Red Tape, GTZ's Local Economic Development (LED) – Project in South Africa has developed a facilitation model for Red Tape reduction at local level. The model aims at supporting local stakeholders in the reduction and avoidance of bureaucratic costs both for the public and the private sector by facilitating a multi-stakeholder discussion and a joint action process in a locality.

This document is a manual for LED practitioners who wish to implement the Red Tape facilitation model. It addresses public sector LED officials, private LED consultants and members of private or public sector LED support institutions alike. The chosen structure to present the facilitation model to this target group aims at generating a profound understanding of the aim, the logic and the structure of the model. We therefore do not aim at providing a rigid recipe to the reader, but rather to try to enhance the general understanding of the tool in order to enable LED practitioners to use it flexibly and in different settings.

As shown in the figure below, the manual is part of a wider series of materials on LED sponsored by GTZ and InWEnt, drawing on GTZ's facilitation model on Red Tape Reduction. The LOCATI training materials provide inputs on how local stakeholders can be prepared for, sensitised to and capacitated in red tape reduction. The Resource Handbook contextualises red tape reduction in South Africa, provides case studies and links to services providers, funding and further resources.

It is suggested to become familiar with the materials on Red Tape Reduction. They can be combined and adapted flexibly to design a process from sensitisation trainings to implementation - according to the specific needs of a locality.

	Generic Sequence of Processes		
Materials	1. Sensitisation and Training		2. Facilitated Implementation
Service Provider Materials	LOCATI LED Trainer's Manual*	LOCATI Red Tape Reduction Trainer's Manual**	GTZ Facilitator's Manual on Local Red Tape Reduction **
Participants Materials	LOCATI LED Participant's Manual*	LOCATI Red Tape Reduction Participant's Manual**	
Supporting Materials	Resource Handbook on Local Red Tape Reduction**		
* Available from InWEnt ** Available from GTZ and InWEnt			

## 2. Improving the LBC in the context of LED

Improving the Business Climate is a crucial element of successful private sector promotion at the local and regional level. Only in the context of a favourable business climate can the local economy reach its full potential. Initiatives which pursue Local Economic Development (LED) will only show very limited and isolated effect on the local economy if they are designed within a disadvantageous or even hostile local business climate.

One of the most important elements of a favourable BC is the absence of ineffective and time-consuming regulations and rules, administrative processes and procedures. These rules, regulations and procedures, which produce unnecessary costs for doing business, - the so-called "Red Tape" -, characterize public-private sector interaction in many localities in South Africa and elsewhere.

The following chapter aims at unpacking the links between LED, an improved local Business Climate and Red Tape further by answering the following questions: How are LED and improving the Business Climate connected? What do we mean when we talk about the Business Climate? What relevance does the local level have for an improved Business Climate? How does the reduction of local Red Tape contribute to a better Local Business Climate?

## **2.1 Business Climate and LED**

An improved Business Climate reduces the “costs of doing business” for companies. It can unleash new entrepreneurial potential, create incentives for business expansion and investments and can facilitate a better participation in technical progress and higher productivity rates. The **development objectives** of improving the Business Climate are thus identical to those of LED: to increase the competitiveness of the economy and create better income and job opportunities for the local population. There is also a wide overlap in **instruments** between the two approaches: Similar to LED, improving the Business Climate builds on interventions such as a better public-private dialogue, an increased service orientation of the public sector towards its entrepreneurs, and an increased competitiveness of the economy via improved locational factors.

Improving the business climate is therefore not an entirely new approach for private sector promotion, especially at local level. It is rather a clearer conceptualization of traditional elements of LED which reflect the conviction that better framework conditions for the local economy create important benefits for all firms, but especially for traditional LED target groups such as SMMEs and emerging entrepreneurs. This becomes clear in the case of the costs of Red Tape: In most cases, it is exactly the small and medium enterprises which have to pay the highest share of these costs, as regulatory compliance with administrative rules, regulations and procedures involves important economies of scale, and small firms are many times disproportionately disadvantaged by the lack of service orientation and appreciation of public administration.

## **2.2 Important dimensions of the business climate**

How is the business climate defined? Due to the heterogeneous institutional and political background of the different actors involved, the developed concepts and even wordings that are being used differ quite significantly.

With regard to the terminology used in the current international discussion on this topic, the most frequently found expressions to describe the framework conditions that influence businesses are Business and Investment Climate (BIC), Business Environment (BE) or Business Enabling Environment (BEE, not to be confused with the South African abbreviation of Black Economic Empowerment) and Business

Climate (BC). While the BIC often focuses specifically on the attraction of new and mostly international investors, the latter terms imply a slightly broader understanding of the subject, as they put a stronger emphasis on existing firms and local entrepreneurs as potential beneficiaries of reforms. Differences between the terms of BE and BC are less clear to perceive, and an assessment of the international literature suggests to understand these terms as synonyms. We generally share this synonymous understanding, but have opted for the use of the term Business Climate, as we feel that this expression reflects best the aim of reforms to improve the multi-layer and multi-character framework conditions for businesses in an impact-oriented, systemic and holistic way.

Despite these terminological details, a remarkable congruence can be found with regard to the definition of core elements of a favorable BC. Most donors and practitioners agree that the most relevant BC elements are:

- Macroeconomic strategies
- Governance issues
- The policy, legal and regulatory framework
- The organizational framework
- Access to services such as business and financial services and infrastructure

Macroeconomic framework conditions have been in the focus of development co-operation since the implementation of Structural Adjustment Programmes (SAP) in the late 80s. Many empirical studies show that macroeconomic stability is a crucial ingredient of a favorable business and investment climate, and several countries, including South Africa, have shown promising results with regard to stabilizing their macroeconomic indicators. However, the SAP initiative has also revealed that macroeconomic stability is a necessary, but not sufficient element of a favorable business climate.

Recently, the focus of private sector development has therefore been put more and more on governance issues, the legal and regulatory environment, the organizational framework and capacity of the political and administrative institutions and their capability to provide the necessary services. The following table depicts the key areas of these different dimensions of the Business Climate.

Core elements of the Business Climate	Key areas and problems
Governance issues	Rent seeking mechanisms, corruption
Policy, legal and regulatory framework	Property rights, business registration, employing, import and export, taxation, resolution of commercial disputes etc.
Organisational framework	Institutional set-up of public and private sector institutions, capacity of government, capacity of advocacy institutions
Access to services	Access to high quality business services, access to finance, adequate social and economic infrastructure

The importance of well-functioning government institutions and their managerial and administrative capacity for a favourable business climate and successful private sector development becomes clear if one looks at the various interaction points between private and public sector in day to day business life. When asking businesses about the most typical and frequent reasons for interaction with government, the answers are:

- a. business registration
- b. building permits
- c. other permits (e.g. environmental issues, health and safety issues)
- d. issues related to the availability, use and acquisition of real estate
- e. issues related to environmental impact (accidents, complaints by neighbours etc.)
- f. taxes and fees, traffic related issues (availability and quality of roads, parking lots / parking permits, connection of business site to public transport, etc.)
- g. infrastructure related issues (availability and quality of water, electricity, and possibly other services)
- h. government as a customer / buyer, information and communication in general
- i. government-sponsored business promotion programmes

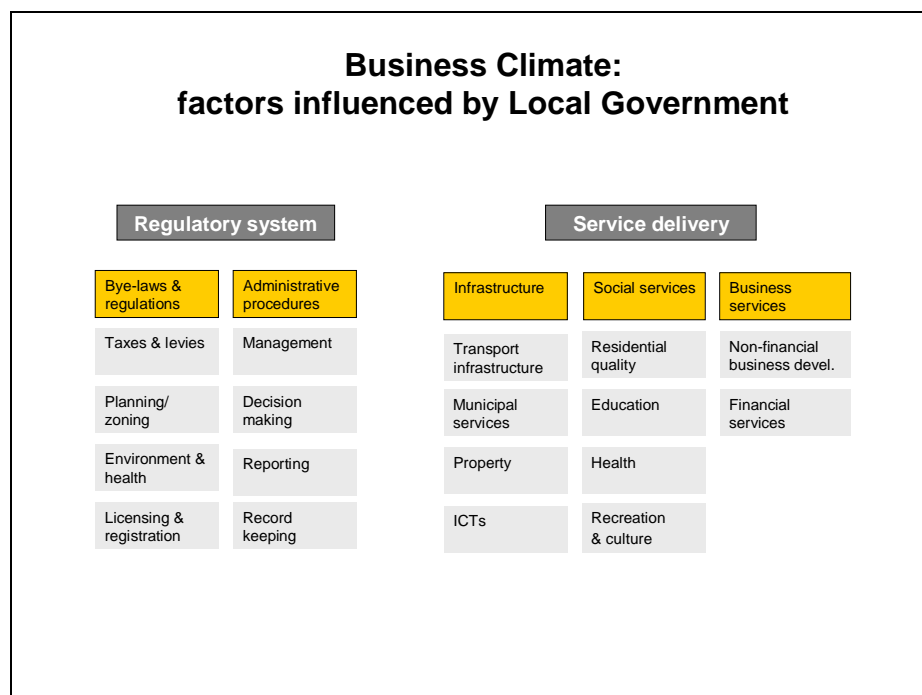


This list shows clearly the variety of policy fields where a lack of service delivery, ineffective rules, regulations and procedures, a weak organizational structure or governance problems such as corruption can put enormous obstacles to businesses and their growth.

## 2.3 The importance of the local level for a favourable BC

When we look at the main dimensions of the BC as outlined above, it becomes clear that many issues that influence a country's general BC are not under local control. Labour laws, environmental standards etc. are in most cases topics of national legislature and regulation. Furthermore, national level plays an important role in the allocation of funds for private sector promotion policies and measures.

Nevertheless, the local level has an important role to play in creating a favourable business climate. It is local officials who implement and control a variety of policies or regulations, and it is local government which can make them very cumbersome by a lack of will, capacity or customer orientation. The local level is an important actor in infrastructure development, and the satisfactory delivery of basic services is one of the most important tasks of local government. Finally, local government can influence the effective provision of business and financial services in the area significantly. The following graphic depicts the different factors of the local Business Climate that are directly or indirectly influenced by local government.



However, it is not only the private sector which bears the cost of unfavorable factors of the local business climate. Effects on local government itself can also be very critical in terms of high administrative costs, low tax revenues and, last but not least, political discontent of the electorate.

The benefits of an improved local business climate for LED stakeholders – public sector, private sector and civil society – can therefore be summarized very clearly: the local public sector improves its financial basis and political delivery by increasing its administrative efficiency, political effectiveness and fiscal performance. The local private sector profits from better framework conditions via a reduction of transaction costs and improved locational factors. Civil society benefits from an improved local business climate in the form of higher economic growth, facilitating income and job creation and an increased public budget.

Nevertheless, the local level will only be able to influence the business climate to a certain degree. Many interventions at local level which target the improvement of the local business climate have to be seen as complementary to broader macro-level reforms. This complementary role can have significant importance for reforms at higher levels in the following ways:

First, the local level is an important terrain for the identification of problematic BC issues and potential solutions, and can operate as a crucial sounding board and feed-back source with regard to the success of BC reforms.

Second, reforms are not only implemented as a result of one-way vertical pressure and clear top-down policy guidelines. Bottom-up pressure – through public entities like SALGA (South African Local Government Association) or private advocacy bodies such as Business Membership Organisations – can play an important role in pressuring for reforms.

Last but not least, local level is an important implementation level for national reforms, especially when it comes to wide-scale capacity building and organizational development. Most improvements of policies and laws at national level will only show very limited effect if not complemented by technical assistance to local government structures with regard to implementation and communication.

## **2.4 Local Red Tape**

The approach of reducing local Red Tape – as presented in this manual - is a proactive and locally-driven approach for a better local business climate. Although Red Tape is only one of many dimensions of an unfavourable local business climate, its can produce immense costs both for the local private and public sector – and therefore create serious disadvantages of the locality in comparison with other regions.

Red Tape stands for regulations and rules, administrative processes and procedures which are not or no longer effective in achieving their policy goal, and which therefore produce suboptimal and undesired social outcomes. Although many of such rules and regulation impacting on LED are not born by local decisions, local actors are by no means powerless with regard to the local regulatory environment, especially within decentralized structures. In the South African case, the provincial and national legal and regulatory framework is complemented by a number of local by-laws created by the local council. These local government regulations amount to an average 6% of the overall recurring compliance costs for businesses.<sup>1</sup>

Furthermore, an important percentage of Red Tape costs are produced not by regulations themselves, but by the inefficient procedures applied in order to implement these regulations, and the suboptimal service interface between public and private sector. Streamlining processes and increasing the service orientation of local officials can therefore play an important role in reducing efficiency costs and compliance costs.

The focus on the local Red Tape is also motivated by the fact that this level provides a practical and action-oriented sphere for intervention and quick success. While regulatory reforms at the upper levels are often characterized by complex procedures and endless timeframes, Red Tape reduction at local level benefits from the relative clarity of actors and issues, and can thus produce much faster results. These results not only have the direct effect of improving the regulatory environment, but contribute to an atmosphere of trust-building between different stakeholder groups and thus can help improving the local enabling environment on more general terms. If these local interventions are systematically linked with the provincial and national level (e.g. through regular feed back loops), the dynamics at local level can provide important

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<sup>1</sup> Small Business Project (2004): Counting the cost of Red Tape for business in South Africa. Headline report, Johannesburg, p. 11.

momentum and inputs for bigger reforms, which again benefit the local level in the medium run.

### **3. BC and LED in SA**

#### ***3.1 Core problems of BC in SA***

In the South African LED context, a reduction of local Red Tape aims at specifically addressing three core problems which hamper local development in South Africa at present:

First, the South African local governments are challenged by a serious capacity shortage especially in the rural areas. By reducing local Red Tape e.g. through streamlining bureaucratic procedures and improving the local government's knowledge management and interdepartmental co-operation, the amount of work for public servants can be significantly reduced. Additionally, an increase in administrative transparency can minimize rent-seeking behaviour of public servants and thus further increase administrative efficiency.

Second, due to the country's recent history, the South African economy is characterized by a serious fragmentation according to social groups, geographical areas and firm size classes. Several policy measures have been designed and implemented by the South African government in order to create a more homogeneous economic and socioeconomic structure. An important element of this policy is the promotion of small and medium enterprises (SME) with a specific focus on previously disadvantaged individuals. For these emerging entrepreneurs, Red Tape produces serious barriers to entry and thus counteracts the above-mentioned policy measures. As the source of a significant amount of present local Red Tape can be found in "old" municipal bylaws and rules of the Apartheid era that have been inherited by the newly formed local municipalities, Red Tape can even directly contradict the development agenda of the new government.

The third core problem that the Red Tape reduction process aims to tackle is also a legacy of Apartheid. Due to the country's history, South Africa is characterized by a very high level of distrust between the public and the private sector, which results in a severe lack of public-private communication especially at local level. The absence of trust and willingness to co-operate produces multiple negative effects for local economic development. Experiences have shown that fostering issue-focused public-

private co-operation processes with benefits for all parties involved – such as Red Tape reduction - is a very promising approach to overcoming this problem.

### **3.2 Initiatives to address BC in SA**

A Resource Handbook – part of the wider series on materials on Local Red Tape Reduction by GTZ and InWEnt mentioned in the introduction – provides an overview of BC initiatives in South Africa. It includes a summary of the current red tape initiatives in South Africa, how they fit into national policy, how Red Tape Reduction came onto the policy agenda in South Africa and how far it has taken root in the country. Furthermore, the Resource Handbook includes:

- a guide to service providers, featuring names and contact details of organisations that provide services on red tape reduction and on improving the environment for business more generally.
- a list of funding organisations that consider applications for red tape reduction initiatives within municipal areas.
- case studies showing a number of approaches to Local Red Tape Reduction
- websites containing further information on red tape reduction and BC initiatives.

## **4. The underlying framework for the LRTR Process**

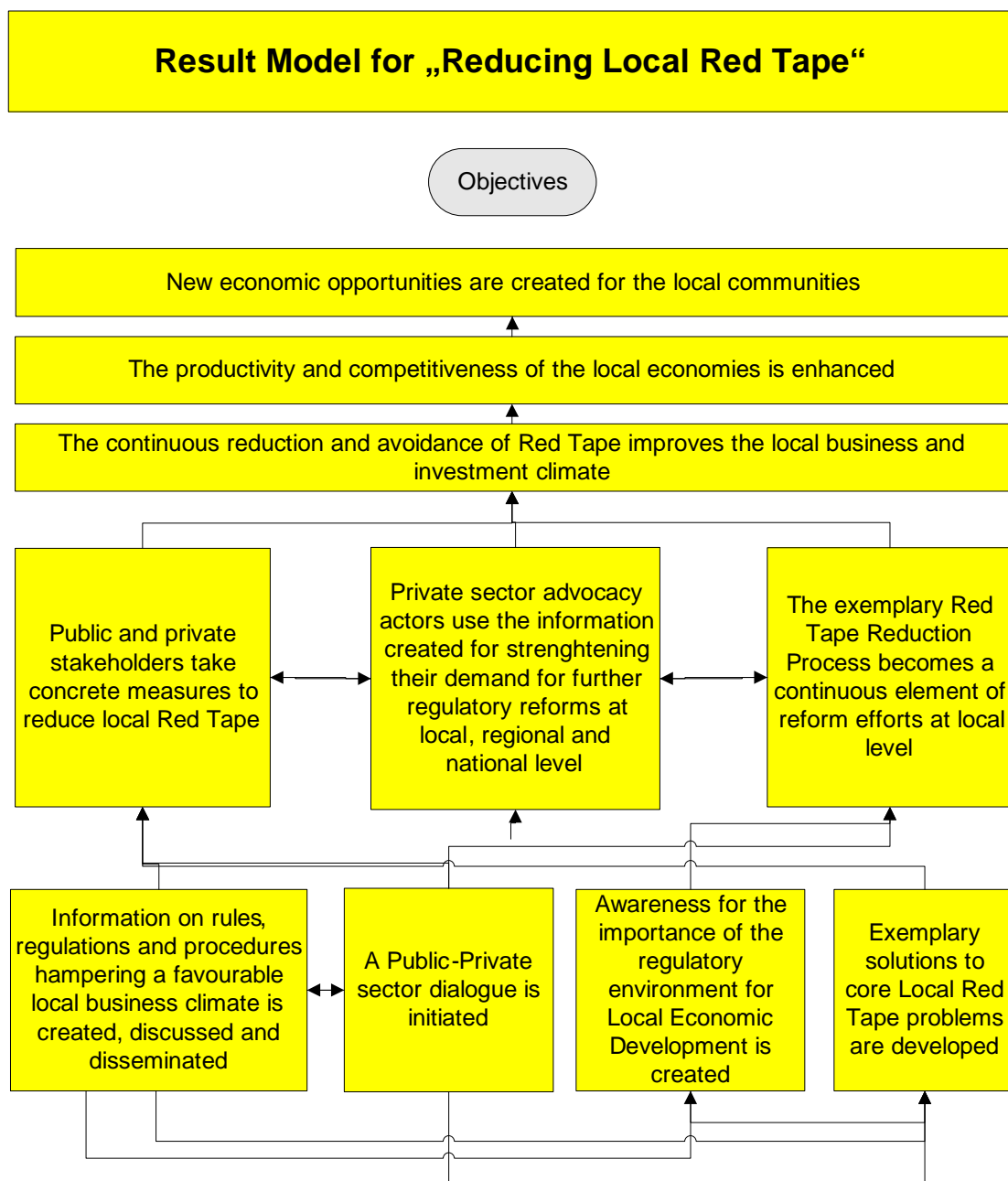
### **4.1 The impact model for LRTR**

Local Red Tape Reduction (LRTR) aims at improving the competitiveness of an area in the following way: The reduction of local Red Tape contributes to the improvement of the local business and investment climate by reducing the monetary and time costs of doing business in the locality. Resources are released and incentives are created for new investments. As a result, the reduction of Red Tape helps increasing the local efficiency, productivity and competitiveness, leading to the creation of new economic opportunities for the local community.

In the short run, facilitating a multi-stakeholder discussion and action around local Red Tape reduction produces the immediate effects that several specific local Red Tape problems are being tackled, more complex ones get investigated further and issues that lie beyond local control get communicated to higher levels.

However, the facilitation model does not only aim at some ad-hoc interventions, but at producing results of a much broader and long-term character. The facilitated interview and workshop series functions as a trigger for kick-starting catalytic interventions, increased advocacy activities and a continuous public-private dialogue around the reduction of local Red Tape, which result in a continuous and on-going local process around the reduction and avoidance of Red Tape beyond the time limit and topical focus of the external interventions.

The following graphic depicts both the short-term and longer term effects in the form of an impact model.



## ***4.2 Systemic and facilitative interventions as the key to LRTR***

Experience in various fields of development cooperation has proven that the design and implementation of reforms requires a holistic and systemic perspective and an iterative and participatory approach.

This counts even more for the improvement of the Business Climate, and, more specifically, Red Tape Reduction. A LRTR process cuts across a number of different sectors and policy fields with different objectives, each of them following their own logic and goals, and it requires the commitment and support of a variety of stakeholders with different interests and different working patterns. Reducing local Red Tape has therefore to be seen as a complex, diverse and pluralistic process, which cannot be simply implemented and controlled through one-dimensional hierarchical planning and management. Bringing a multitude of actors to work together and complement each other requires systemic and facilitative interventions towards change.

Facilitating change in a local system has to be based on a systemic understanding of the local context. LRTR operates within a variety of different systems – the economic system, the political and administrative system, the social and cultural system (or systems), all of which collectively make up the specific local context. At the borders of the locality, these different local systems again interact with other systems at local, provincial and national level, e.g. the national tax regime.

Inducing change therefore requires an approach that sufficiently takes the specific dynamics, the complexity and interrelatedness of a locality and its actors into account. Such a systemic approach is based on seven main assumptions:

1. Understanding the local context implies the knowledge of the different elements it comprises and the understanding and awareness of the multiple, complex and reciprocal relationships and linkages through which these elements are connected.
2. Each system follows its own logic, which functions as a perfectly rational guiding principle for the system's actors. Being aware of these different systems' logics is crucial for understanding the local context in its totality.
3. Systemic change can only be done by or with the local actors.
4. In order to bring systemic change along, the internal actors must be aware of the local characteristics and the issues that might inhibit the local systems's performance.

5. Systemic change cannot be linearly planned, but can only be achieved step-by-step and in a flexible manner. The main triggers to change a local system are likely to be only revealed as the change process unfolds. The interconnectedness of the different factors and actors make it impossible to understand and predict all the reactions of all the elements at a certain point.
6. Problems that reduce a system's performance are likely to be benefiting someone from within the system, otherwise they would have been eliminated already by the system itself. This phenomenon can often be observed in the form of invisible vested interests or hidden agendas by certain system actors, e.g. public service officials benefiting from ineffective rules and regulations.
7. Every local context is unique. A systemic approach aims at exploring the specific triggers or leverage factors of this uniqueness. For example, in one case certain by-laws might produce immense unnecessary costs. In other cases, the by-laws are generally favourable to local business, but extra costs are produced by the lack of service orientation of public sector officials.

These assumptions show clearly that approaching local Red Tape from a systemic perspective requires a specific type of external intervention, as the logic of problem identification and problem solving from the outside would not render the desired results. We call this specific type of intervention "facilitation".

Why is facilitation so crucial for systemic interventions in the local business climate? The common definition of facilitation already contains the main answers to this question: Facilitation is understood as "a process of decision-making guided by a facilitator who insures that all affected individuals and groups are involved in a meaningful way and that the decisions are based on their input and made to achieve their mutual interests."<sup>2</sup>

The concept of facilitation therefore directly relates to the key requirements of systemic intervention: It is conceptualized as a process unfolding as opposed to the one-time implementation of an ambitious plan. It aims at including all affected actors – and their interrelations -, thus looking at systems rather than single actors or elements. The idea that solutions have to be born by the internal actors themselves based on their inputs and knowledge and not on some mere transfer from outside is clearly reflected. And finally, facilitation aims at creating decisions that correspond with the mutual interests of all different actors involved in a balanced way.

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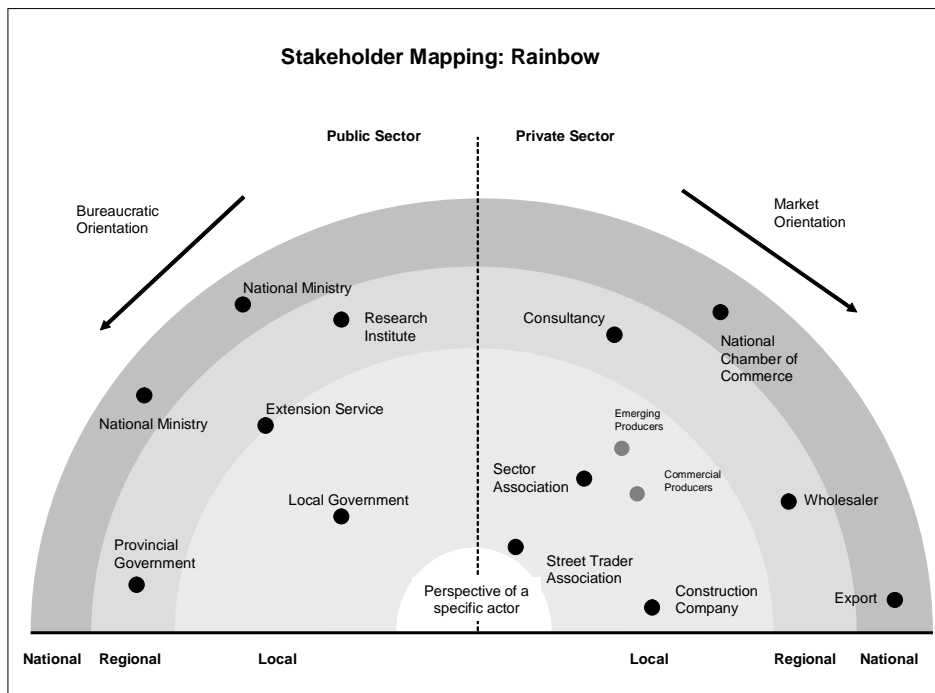
<sup>2</sup> <http://www.nymir.org/zoning/Glossary.html>



## 4.4 Actors and roles in a LRTR process

Looking at local Red Tape from a facilitation perspective, two very important conclusions with regard to actors and their roles in a LRTR become obvious: First, the external facilitator has a very specific role to play, which does only partially overlap with that of a technical consultant who prepares more or less ready-made answers to implement. Second, a successful LRTR process has to involve various **active** actors, each of which also has an important and specific role to play.

Before we look in more details at the different roles to play, it is important to have a clear picture of the multiple stakeholders, who are involved – to a different degree – in a LRTR process. The following graphic depicts these stakeholders with regard to their public and private sector character and the level they are acting at (local/regional/national) from the perspective of a specific actor at the core.



This picture shows clearly the multitude of individuals and organizations linked to a LRTR process. However, not all stakeholders are and have to be immediate actors in an LRTR process, and, depending on the roles to play, participation can vary in intensity and time.

A useful model to better understand and analyse the different stakeholder roles in a process such a LRTR is Bigg's classification of participation (S. Biggs, 1989). Here, he differentiates between four types of participation.

1. Contractual (inclusion through assignments)

2. Consultative (inclusion of perspectives and proposals)
3. Collaborative (inclusion in conceptual designs)
4. Collegiate (inclusion through full partnership)

Based on this model, we will now further explain and explore the different roles involved in the LRTR process.

### **Local host(s)**

Each LRTR process needs a well-defined and committed local host. Many times, the local host contributes financial resources to the process. But even in cases where the funding is completely external, the host's commitment should be made explicit by a significant contribution in kind and time.

The local host is the first entry point for the facilitator with whom the exact aim of the process, the terms of reference for the facilitation, the timeframe and the contribution from the local host's side has to be clarified. The participation of the local host is of a ***collegiate character***, which includes the involvement of the local host in all crucial steps and decisions of the process. The facilitator reports to the local host.

The local host gives credibility and commitment to the process – not only during, but also after the intervention – and is thus the core source for mobilization of local stakeholders. Depending on the context, there can be multiple hosts to a LRTR process, e.g. the local government in conjunction with the local chamber. Although highly appreciated, such a multiple host structure is not always feasible from the very beginning, as it already requires stable and good relations between public and private sector.

### **Local stakeholders**

Consultative participation of a wide variety of stakeholders plays a crucial part in a LRTR process. With LRTR being a multistakeholder process that cuts across various policy fields, stakeholder consultation generally has to be understood broad in the sense that private sector, public sector and civil society need to be consulted at various steps of the process in order to obtain and share relevant information and opinions and to create broad commitment to the process. However, such ***consultative participation*** does not necessarily imply the active participation of a wide range of stakeholders in the decision making and implementation process.

Effective consultative participation is a difficult task. Consulting the right people at the right time is probably the most important success factor of the process. Also, the degree to which different stakeholder groups should be consulted varies. Without intense consultation of the private sector – who is without doubt the most important source of information for identifying burning Red Tape issues, for imagining concrete improvements and for measuring improvements – any Red Tape process will be rendered useless.

### **Local champions**

The line between consultative participation and **collaborative participation** is not – and cannot - be always well-defined. As explained above, the private sector – chambers, associations, businesses, street traders – has a very strong consultative role to play at various steps of the process. But ideally, the participation of the private sector does not stop there. In a LRTR process, the role of the private sector should be conceptualized and motivated much broader, focusing not only on the private sector as an informer to, but as an active co-driver of the process.

Local stakeholders should become LRTR champions by taking an identified red tape issue forward. They are guided by the facilitator but are clearly responsible to bring the issue to a point, where red tape has become smart tape. Local champions thereby regularly report to the facilitator and the host.

Local champions thereby learn on the job how to reduce local red tape. It is not the facilitator who does the main work after the identification of red tape issues, but the local champions. They are the key to a successful LRTR process, as they not only help to build the first momentum, but also to create the ownership to sustain the process over a longer period of time.

Ideally, they should be recruited from the private and the public sector. Utilizing the potential of a team of local champions implies not only to consult, but to actively collaborate with them and to include them in the conceptualization of the process and its elements as well as – to a certain extent – in the decision making process.

### **Local decision makers**

LRTR aims at improvements of rules and processes in the public, and to a certain extent also in the private sector. It therefore touches administration processes which are often highly complex and defined by a diverse regime of technical and legal regulations. The participatory approach of LRTR should therefore not be mistaken for collegiate participation in the sense of an involvement of a broad range of

stakeholders at all stages of the final decision making and implementation. Many local Red Tape issues which are identified and analysed through consultative participation will require further detailed research and the involvement both of technical and political decision makers – e.g. the Heads of Departments, the Municipal Managers or the councillors - before a solution to the problem can be defined in detail and implemented. It is the task of legitimised local decision makers to evaluate the advantages and risk of a specific solution to the benefit of the public.

Handing over the proposals to the formal administrative or political channels of decision making does not have to imply the end of broader participation, however. Consultative stakeholder participation in the form of feed-back loops and collaborative participation in the sense of joint implementation can complement the decision making and implementation processes.

### **The external facilitator**

Based on what has been said so far, the core task of the external facilitator could be described as the organization and management – with decreasing intensity over time – of the interaction process of the different stakeholders involved. In a sense, the involvement of the facilitator is that of a **contractual participation**.

However, facilitation should not be misunderstood as a completely opposing concept to consulting. In contrast to this, the question around the right format for external intervention on Red Tape Reduction should not be “facilitator or consultant?”, but rather “How to best combine the features of facilitation with the concept of ‘classic’ consulting?” When municipalities or other hosts ask for assistance in Red Tape Reduction, most of them expect a consultant, who, with good technical knowledge on the topic, will be able to present them a well-informed solution in line with good practice and success stories – and rightly so!

However, there are different ways of approaching this result. Interpreting this expectation as a request for an isolated desktop study without a clear participatory approach and process-orientation would surely contradict the systemic facilitation approach introduced above and would probably struggle hard with implementation, regardless of the excellent technical quality the proposed expert solution might have.

Fulfilling the requested consulting role in a participatory or facilitative role, in contrast, puts the emphasis on the following tasks: take the responsibility for steering the process, involve the right participants, make the group workable. Such an approach requires to a certain extent also to leave the own opinion and ideas behind, as the main task is to facilitate the development of local solutions with local buy-in. However,

this does not imply to leave all expert knowledge behind. It is at the same time the task of the facilitator to link the local actors to external knowledge and good practice – by opening and challenging views, bringing in resources on the topic, presenting and opening the discussion on good and bad practices etc.

#### ***4.5 Principles of LRTR***

If we recapitulate what has been said so far on the goals, the approach, the actors and the roles, it is not difficult to deduct the main underlying principles of a LRTR process. At the end of this chapter, we will therefore summarize the most important messages in the form of three key principles to local Red Tape Reduction:

**The principle of competitiveness:** The vision above has stated clearly that Red Tape Reduction aims at increasing the local competitiveness. Business is interested in cutting Red Tape in order to reduce their costs of doing business, and public sector is interested because of the direct effect of cutting administration costs as well as because of the indirect benefit of supporting existing and attracting new enterprises. Initiatives and proposals for cutting local Red Tape therefore have to be measured carefully against this aim - which includes a clear calculation of costs and benefits of the planned interventions in the regulatory framework.

Increasing the local competitiveness aims at making the area and its businesses more competitive than other municipalities – regionally, nationally and even internationally. Supporting the development of endogenous solutions which are suited to the area's specifics, which make the area unique in its business-friendliness and efficiency and which can be marketed in competition to other areas is therefore an important element of strengthening the local competitiveness. The mere introduction of “outside solutions” – often termed as best practice and resulting in just another “one-stop-shop” – is not sufficient, as external solutions must be developed further and fitted into the local context by local actors. Therefore, the finding of homegrown solutions should be encouraged, and creative thinking on the part of the local actors is sometimes more essential than importing great ideas that worked elsewhere.

**The principle of process and action orientation:** Exploring the local Red Tape context – and designing solutions for improvements - is an incremental process with surprises waiting around each corner. Policy issues and actors are linked by a complex network of interrelations, and many times, the development of proposals requires detailed technical research and debate. Facilitating LRTR must therefore

take a clear incremental approach in the form of a step-by-step process. Defining the next steps can often only be done on the basis of the previous step. This requires flexibility in the planning and implementation of interventions, and a clear management of expectations: systemic intervention in the local regulatory context will in many cases not be able to come up with “quick and big” (and many times unfeasible) interventions, but rather with a number of smaller improvements which allow relatively easy implementation, and often prepare the ground for more challenging interventions – in the course of the longer process.

Incrementalism is also required in the light of the fact that large-scale, intensive changes can be perceived as a threat to local actors and provoke adverse reactions. In contrast, a variety of small and incremental changes instead of one ambitious big change gives the actors which are involved sufficient time to adjust.

**The principle of participation:** We have stated above that LRTR will only be successful as a multistakeholder process with broad and systematic participation of a variety of actors. In reality we often find that the local context is characterized by isolated stakeholder groups with only a minimum level of communication and trust. Public sector and private sector hardly collaborate, and different public departments are captured in a “silo-mentality”, in which highly specialized actors take decisions which are perfectly in line with the logic of their department, but which can provoke adverse and even counterproductive effects with regard to the broader context of development.

The different forms of participation which can be applied to design the facilitation process have been described extensively above. Here, we therefore only want to underline once more the general importance of participation as a key principle to successful Red Tape Reduction: Although it might be difficult to encourage active participation and dialogue at the beginning of the process, this does not justify an isolated planning approach without a clear emphasis on participation. Only through participation is it ensured that the right local solutions are found, that the necessary momentum for implementation is built, and that an institutionalization of the process can be envisaged. In other words, participation is the key to the sustainability of the process through acceptance and commitment of the local stakeholders. Only through participation – in its various forms and phases - will a LRTR process be able to be successful and sustainable over time.

Furthermore, participation and an active public-private dialogue produces important benefits far beyond the concrete Red Tape initiatives. Through working together

focussed on clear tasks and objectives, public and private sector are given the opportunity to build networks and trust, which are the prerequisites for an active and stable public-private dialogue also on other topics of Local Economic Development.

## **5. LRTR within the LBC process**

Starting a LRTR initiative can take various forms: It can be part of a broader initiative to improve the local business climate or an LED process, it can be the starting point for such broader initiatives, thus helping to prepare the ground for more complex interventions, or it can be a stand-alone version which addresses a very specific demand on Red Tape reduction.

Also, the focus of the LRTR process can vary: the format allows both for the design of focus sector versions as for more generic interventions across all sectors. Finally, depending on the context of the municipality, LRTR can start with a clear focus on either public or private participation, or can facilitate an intensive public-private dialogue from the very beginning.

The decision of which format to apply depends on the local demands and needs as well as on the existence of basic prerequisites, such as a certain degree of implementation capacity on the public sector or organized private sector side.

### **5.1. Stand alone versions**

Red Tape can technically be separated from other LED topics quite easily. It is based on a clear definition and tools like a mapping of actors allow the identification of relevant stakeholders independently from the broader LED context. It allows the realization of quick and targeted results within a rather short timeframe and a limited amount of input.

Nevertheless, a successful Red Tape reduction as a stand-alone process is based on certain prerequisites: First of all, public sector must show interest and openness to buy into a process which promotes the critical analysis of present practice of regulation and administration. Resources in time and money must be made available from different stakeholder groups, and these groups must show willingness to cooperate across different sectors and policy fields, Furthermore, implementation capacity is required to put the developed proposals into practice, and to sustain the process. Last but not least the LRTR facilitator needs a good knowledge and understanding of the locality, its institutions, stakeholders and issues.

Stand-alone version: Advantages and prerequisites	
Advantages	Prerequisites
Well-defined focus	Openness of public sector
Short time-frame	Trust and communication between different actor groups
Limited amount of inputs wrt money, time and persons	Implementation capacity within local institutions
	Good local knowledge of facilitator

Given these prerequisites, stand-alone versions of LRTR are many times found in rather advanced local contexts with a strong culture and history of public-private dialogue and well-developed institutions to manage and drive the process. In less potential LED contexts, it might be more advisable to build LRTR into a broader and longer-term LED process or at least introduce the perspective to do so.

## ***5.2 Starting point to a bigger process***

The perspective of introducing the perspective of a longer and broader LED process leads us to the possibility of applying LRTR as the starting point to a bigger process. LRTR at the beginning of an LED process can add enormous value in the following ways: it mobilizes important stakeholders, it promotes public-private dialogue, sets the field for further interventions, builds trust, gives participants the opportunity to show their commitment and willingness to cooperate and helps to promote some quick wins before starting more complex issues. In this setting, and in a context with rather inexperienced local actors, the main focus can be on rather simple formats and quick wins, as important objectives include the development of dialogue and trust, which can reduce the relative importance of designing and implementing complex technical solutions.

Starting point to a broader LED process: Advantages and prerequisites	
Advantages	Prerequisites
Promotes public private dialogue	See above
Sets the field and generates experiences for further interventions	
Gives local stakeholders the opportunity to practically show and prove their commitment	
Helps to promote quick wins before tackling more complex LED issues	



### **5.3 Result of a broader process**

A third possibility is to facilitate LRTR as a result of a broader LED process. In LED discussions (e.g. during a PACA), Red Tape often comes up as one of the main obstacles to local economic growth, and specific initiatives are demanded to tackle this problem.

In such a case, a LRTR initiative can build on a number of advantages: it can benefit from the already ongoing dynamic of an LED process and the already existing mobilisation of local stakeholders, it can build on local champions that have already been identified through the broader process, and it works within a context and timeframe of a bigger process which can increase its alignment with the local LED agenda and its visibility.

However, care must be taken that the LRTR process does not have to compete intensely with other initiatives of the process for necessary resources such as budget, time, commitment of decision makers etc. If too many initiatives are being parallelly driven by a limited number of stakeholders and champions, the risk is evident that the process will suffer in the long run.

<b>Part of a broader LED process: Advantages and prerequisites</b>	
<b>Advantages</b>	<b>Prerequisites</b>
Is clearly demand oriented	Enough resources in terms of finance and time from local stakeholders
Builds on existing momentum and commitment	Good sequencing of the broader process and its several initiatives to avoid overlapping of too many parallel initiatives
Can rely on already existing local champions	
Can use the broader process's management infrastructure, networks and popularity	

### **5.4 Focus sector versions vs. generic versions**

Another decision to take when embarking on a LRTR process is the question whether to focus on specific sectors or approach the topic from a generic point of view. There are valid arguments for both options. Many Red Tape problems are generic in a sense that they impact on all businesses regardless the sector they are operating in. General business licencing procedures can be an example for this. However, other rules, regulations and procedure impact very specifically or

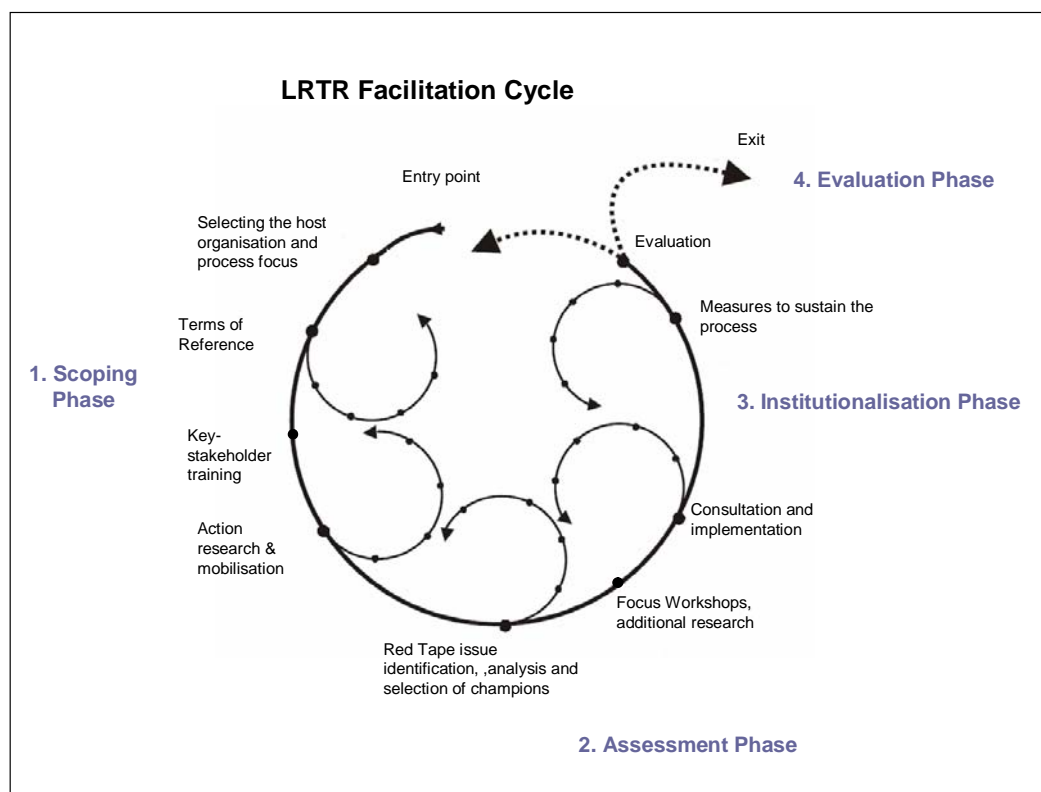
exclusively on one or a number of sectors – e.g. signage regulations on tourism and retail.

Splitting the initiative according to sectors or subsectors can thus add value with regard to the level of detail and specificity that the problem identification and the design of proposals can reach. On the other hand, splitting into sectors can reduce the critical mass of private sector actors that jointly confront public sector with their complaints and ideas. Which option to take should therefore be decided on the basis of the local context in terms of number of private sector actors, their degree and form of self-organisation (e.g. the existence of strong sectoral institutions), the dominance of certain sectors in the area etc. A good option can be to combine process elements that focus on sectors with more generic elements and interventions, e.g. starting the problem identification sectorally and then bringing together issues and actors across sectors at a later stage of the process.

## 6. The Local Red Tape Reduction Process

This section describes the four cornerstones or phases of a red tape reduction process. It provides guidelines and ideas but not a strict recipe for implementation. The sections above have shown that systemic change is usually a non linear process, which cannot be rigidly planned. Each local system has unique and complex features, which will be increasingly understood only in the course of the process. Each LRTR process therefore has to be designed according to the local circumstances and constantly and flexibly adapted to new insights and developments.

While we intend to prepare a facilitator for most eventualities of LRTR, most processes are likely to be much simpler than presented here. This becomes apparent in the figure below. Four main phases and the most important steps are distinguished, which in one or the other form can make part of the whole LRTR process. The smaller cycles within the main process cycle stand for the iterative progress of the process. The four main phases shown below form the structure of this manual section and will be discussed in turn.



Annex C features an example of a pilot LRTR process structured according to these

main phases and steps. It lists tasks and time requirements in order to illustrate one possible outcome of a LRTR process.

How long a LRTR process will take depends on many variables but mainly on the scope of the exercise: a focused process dealing with a single issue like business licensing might only take 3 months, with an input of 5 to 10 consultant days; a broader focus on LRTR in general might take more than 12 months, with an input of more than 20 consultant days. In determining the timeframe of the process, consider showing the empty facilitation cycle of the figure above to your main local partners and let them indicate their main activities, events and deadlines in the projected process timeframe. Then do an overlay with the LRTR phases and steps and discuss the potential conflicts.

## 6.1 Scoping Phase

### Phase Steps<sup>3</sup>

- Assess and select host organisations and define the process focus
- Contracting, preparatory training
- Action research & mobilisation

### 6.1.1 Host Organisations and Process Focus

In a LRTR process, the facilitator intends to capacitate the local actors in red tape reduction and create the necessary ownership to sustain, respectively institutionalise the process in the locality. In order to achieve this institutionalisation, the LRTR process has to evolve around local organisations. Some of these can become process hosts and the respective selection is usually the entry point and most decisive step in the facilitation cycle.

Section 4.4 of this manual describes the roles of the main actor groups in the LRTR process and thereby also gives an indication of the basic qualities of the potential hosts. With an effective Public Private Dialogue being one of the main building blocks of LRTR, it is clear that in most processes both a public and a private sector actor should become hosts. Note that the host organisations are closely related to the thematic focus of LRTR. The hosts will represent their members or constituency and decisively inform and influence the process. Hence, there are four questions to be answered at the start of a LRTR process:

1. What is the stakeholder and organisational landscape of the locality?	2. What could the thematic or sectoral focus be and what form of LRTR process can be conducted (stand-alone, starting-point, outcome)?
3. What is the history and current state of the Public Private (LRTR) Dialogue and how should the process therefore <i>capacitate</i> the actors to live up to their roles to sustainably engage in LRTR – respectively, what is the basic process?	4. Who should participate (contractual, consultative, collaborative) and which organisations or organisational units can serve as process hosts (collegiate participation)?

There are a number of tools to make an initial appraisal of an organisation and its cooperative ability. In preparation of a more extensive diagnosis they help to identify the relevant 'hot-spots', initiate change processes, assess the capacity for self-

<sup>3</sup> Note that the steps are not necessarily conducted in a logical sequence but rather in a parallel manner.

reflection and problem-solving in an organisation. Annex A1 to A3 explains three tools suitable for this purpose:<sup>4</sup>

### Stakeholder Mapping: Rainbow

This version of stakeholder mapping is specifically useful in LRTR as it differentiates between public and private actors and levels of governance. The illustration can be enhanced with overlays characterizing linkages between actors like tensions, partners and memberships, etc.

#### Example

Consider a situation where a facilitator is tasked by local government with a specific thematic focus in LRTR. Stakeholder mapping and cooperation analysis might reveal a strongly dysfunctional economic sector due to heavy rivalry, or a suitable private sector host cannot be identified at all. In such a case, the process design will have to cater for the lack of a unified private

### Cooperation Analysis

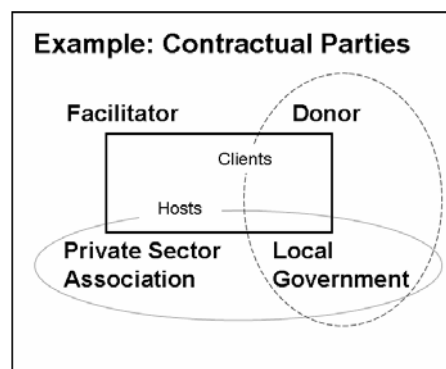
The analysis of network connections between potential host organisations is the core of this tool. The same (expandable) set of questions on cooperation patterns, such as trust or benefits from interaction, is asked to all potential process hosts. By comparing the possibly diverging answers, tensions and conflicts can be identified.

### Organisational Profile

This tool allows for the analysis of the degree and form of self-organisation of a given actor. The strength and weaknesses of a number of organisational criteria are assessed and provide a clear profile.

## 6.1.2 Contracting

With a first overview of the stakeholders, their functioning and cooperation networks in mind, the LRTR process can be designed together with the client(s) and the selected process hosts. Clear commitments have to be secured from all parties involved. The design of the process should be formulated in a contract - the most vital prerequisite of any participatory facilitation process.



<sup>4</sup> Note that there is an inexhaustible number of such tools. See for instance Senge, Peter M., *The fifth Discipline Fieldbook (Strategies & tools for building a Learning Organisation)*, Nicholas Brealey Publishing, London, 1994)

The contracting process, managing expectations with the client *and* host organisations, will ...

- formulate a unique selling point – “why is a LRTR process required?”
- clarify goals and no go areas (compare evaluation phase)
- determine desired and undesired results
- determine the form of results
- agree on time and form of reporting and process adaptation/correction
- create transparency of key milestones relating to client, hosts, target group and issue (compare LRTR facilitation cycle)
- outline expected duration of process and exit strategy of the facilitator
- estimate costs and discuss budget (personnel and third party)
- formulate a target group for participants, stakeholders and the public (contractual, consultative, collaborative participation)
- map out decision making processes related to or affected by the process
- agree on roles and range of influence of client, hosts, facilitator, consultant, participants and media
- agree on commitment and responsibilities
- clarify expected form, frequency and standard of facilitated elements (trainings, workshops, informational conferences, meetings, etc.)
- create a trusting working relationship
- agree on next steps (what, by when, from whom in writing!) and next meeting
- encourage first feedback session: How do we feel so far about the process?  
When will this process be a real success for me? What are my fears?

**PPD Charter**

Consider establishing a special ToRs or cooperation agreement between the main actors of the public and private sector: the development of a “charter” between two or more parties could codify intentions, communication patterns, strategic goals, etc. of the Public Private Dialogue in a locality. With an initially disrupted PPD, this might also be the outcome of a LRTR process.

The clarification of roles, commitments and responsibilities of local government officials is specifically important. It is inherent in the LRTR approach that the main work will remain with the regulator. Especially the mayoral, managerial and departmental levels need a strong buy-in

**Linkages to top down reforms:**

The Resource Handbook accompanying this manual lists a number of South African Business Climate initiatives. Experience shows that the commitment of local stakeholders increases if the results of the LRTR correspond to these initiatives or can be channeled to higher levels of government

into the process. It might be extremely disruptive to the process if a specific municipal department only becomes involved at a later stage and refuses to participate.

A common understanding of the process and the clarity on activities, outcomes and goals can be enhanced by an initial **LRTR training** for local key stakeholders. Building local capacity on LRTR is an important step in the institutionalisation of the process. Training might be especially relevant if the stakeholders are completely unfamiliar with the approach or have diverging expectations. Training modules can be found in the *Trainer's and Participant's Manuals on Cutting Local Red Tape* (compare the introduction to this manual). It might also be advisable to provide a contextual overview on LRTR in South Africa. The *Resource Handbook on Cutting Local Red Tape* of the same publication series will provide the necessary information.<sup>5</sup>

### 6.1.3 Action Research and Mobilisation

The step of action research serves to provide an overview of red tape issues in the locality via interviews, clarify the issues already known and engage into data mining of existing documents and materials related to the process. The step builds on the established first stakeholder landscape, cooperation analysis and other tools potentially applied to get an initial insight into the locality. It is best conducted together or in close cooperation with representatives of the host organisations. The action research phase will introduce them to their (potentially new) role in LRTR and thereby contribute to the institutionalisation of the approach.

The prime target group of the action research step is the constituency of the host organisations – such as the members of a local business association and local government officials. Thereby, these stakeholders are mobilised in that they are informed about the process, their red tape concerns are gathered and they are invited to participate in the subsequent phases and steps of the process. It is thereby important to make sure that the main cornerstones of the process (compare contracting) clearly come across.

#### Dialogue or Conflict?

The quality and extent of the PPD in the locality is the prime factor determining the steps of action research. If conflict levels are relatively high, care will have to be taken not to further antagonize the stakeholders. The issues gathered in the private sector might have to be pre-discussed with the host representatives and only then carried into the municipal

The red tape issue identification is an iterative process between the private and the public sector. The information gathered by a private sector stakeholder is treated as hypothesis on a potential red tape issue, verified with other private sector

<sup>5</sup> Compare with the introductory section to the manual. All materials can be downloaded from [www.led.co.za](http://www.led.co.za)



stakeholders and finally carried into all the respective sections of local government. This process serves to clearly understand the red tape issue and to identify and mobilise the public and private stakeholders concerned around the particular issues. During this iterative action research process, the stakeholder map will be populated and the local context increasingly understood. It becomes clear who is required to participate in a contractual, consultative or collaborative way. Note that one also can involve external stakeholders like experts on specific red tape issues.

To give an example, enquiries with two local hotels reveal that it took them up to 8 months to legally erect a directive sign to their premises. They are at bad terms with the municipality because they are losing customers. Both these hotels provide a detailed account of the cumbersome procedure they went through. However, interviews with further hotels indicate a very efficient procedure – although the the regulation on tourism signage is generally perceived as unjust and unclear. Inquiries with the local municipality reveal that the two protesting hotels are located close to the main street, where private street signs compete with regular traffic signage. Furthermore, the respective municipal unit complains about being understaffed. It becomes clear that the issue is not a faulty regulation, but that the delays are due to the special location of the two hotels and the understaffed municipal unit in charge. Furthermore, there seems to be a general lack of information provided by the municipality.

The information to be gathered in the action research phase primarily relates to potential red tape issues, their clarification and the history and state of the respective PPD. The broad cornerstones of the information gathered are ...

- the basic facts of the business or municipal unit
- the most important red tape issues hindering the organisational unit
- the clarification of these issues according to the following criteria
  - basic problem statement and symptoms of the red tape issue
  - map or illustrate the issue (steps, time requirements, ...)
  - past and potential roles of the process hosts with regard to the issue
  - other actors involved
  - measures that could be introduced/undertaken to solve the issue.<sup>6</sup>

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<sup>6</sup> Questionnaires of Regulatory Impact Assessments (RIA) provide a more extensive list of questions. A [Local Business Enabling Environment Survey Instrument](http://www.worldbank.org/urban/led) can be downloaded from [www.worldbank.org/urban/led](http://www.worldbank.org/urban/led)

## 6.2 Assessment Phase

Phase Steps	<ul style="list-style-type: none"> <li>• Red Tape issue identification &amp; definition</li> <li>• Analysis and selection of champions, focus workshops, additional research</li> </ul>
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The action research step will have prepared the ground, mobilised the stakeholders and delivered the necessary information for the design of the assessment phase, which basically consists of a one big or a series of small workshops. The prime objective of this phase is to initiate the work on Red Tape reduction. Essentially, this involves the selection and analysis of issues, goal setting and determination of clear responsibilities.

The design of the assessment phase depends on many variables, as can be seen in the box below. This section lists a generic workshop design mainly for a stand-alone version of a LRTR process, without a specific sectoral focus, and a relatively established PPD. We consider this setting to be the most extensive one and facilitators embarking on processes in other settings can flexibly select the required workshop elements to create a specific design.

<b>Basic Setting</b>		
<b>1. What is the process form?</b>  Starting-point of a larger process Stand-alone process Outcome of a larger process	<b>2. What is the focus?</b>  General focus? Sectoral focus?	<b>3. What is the state of the PPD?</b>  Established PPD Emerging PPD
<b>Workshop set-up informed by action research</b>		
<b>A. What are the issues?</b>  Multi issue workshop Single issue workshop	<b>B. Should the public <i>and</i> the private sector be in the workshop?</b>  Common workshop? Separated workshops?	<b>C. Who should participate?</b>  All stakeholders? Only stakeholder representatives?

Whatever the setting, when starting the assessment phase it might be advisable to bring all participants to the same level by defining Red Tape:

## Options for LRTR definition

Elements	Core question to be asked	Tools & Materials	Result
1. Introduction on Red Tape and LED	-	Materials in the <i>Resource Handbook</i> and the <i>Trainer's Manual on Cutting Red Tape</i> ; external speakers and experts	Sensitization for (inter-) national context, shared understanding of importance of Red Tape Reduction for LED
2. Definition of Red Tape	-	Materials in the <i>Trainer's Manual on Cutting Red Tape</i>	Introduction to common definition of Red Tape
3. Assess benefits and costs of Red Tape reduction for both sides	What are the costs and benefits for public and private sector of a Red Tape reduction?	<i>Interaction Matrix</i> – see Annex B1	Create will to cooperate, stakeholders see the benefits of LRTR

### 6.2.1 Red Tape Issue Identification & Selection

In a multi-issue workshop and specifically if a large number of red tape issues were identified, respectively are expected to come up, it is advisable to prioritise issues. This step repeats the basic question on what red tape issues are at hand and then proposes five possible filtering

#### Media

With a relatively established PPD, consider inviting a journalist of a local newspaper to the main workshop. An article covering the main objectives of the process might enforce the commitment of the process hosts. Furthermore, it might uncover stakeholders which were not contacted

options: according to actors, local control, LED relevance, implementation feasibility and problem levels. For the rationale of these filtering options, compare the column on results in the table below. The outcome are a number of prioritised issues which are taken further in the process. Lower ranking issues should be 'parked' and taken up again once the first round in the facilitation cycle is completed. The following workshop block can take up to 4 hours.

Elements	Core question to be asked	Tools	Result
1. Identification of Red Tape issues for intervention	Which Red Tape issues influence most on your work?	Brainstorming with cards, eliminate duplicates, cluster and pin to board	Local issues identified  Understanding of Red Tape applied to local level
Apply any or all of the following filter options in order to prioritise issues – depending on the goal of the process and what is encountered in the workshop			

2a. Filter Option I: separation according to actors	Which issues refer to public sector internal matters, private sector internal matters and which to the link between the public and private sector?	Discuss card by card, clarify issues, cluster according to type of issue on three boards  Experience shows that issue clarification can take up to two hours!	Issues are clarified and the sorting by the main actors involved ensures that all or only specific types of issues can be considered
2b. Filter Option II: local control	What aspect (regulation, process, and interface) of these issues is under local, district, provincial or national control?	Discuss board by board, card by card, (clarify issues), rank issues according to influence level with locally controlled on top	Issues are clarified and locally controlled issues are elevated, issues that cannot be managed are separated
2c. Filter Option III: relevance for LED	Which of these issues under local control have a direct impact on LED?	<i>Pareto Tool</i> – see Annex B2	Issues relevant for LED are highlighted
2d. Filter Option IV: implementation feasibility	>	<i>The three criteria</i> – see Annex B3	The implementation feasibility of the issues is highlighted
2e. Filter Option V: Define problem levels	What problem levels are involved in this issue: regulation, rules, processes, services, and interface?	Mark and sort issues according to problem levels. See Annex B4	The red tape problem levels are highlighted to define the difficulty of implementation
3. Selection of Red Tape issues for further analysis	Do you agree to take the filtered issues forward?	Take top-ranking issues; let the participants define working groups or plan single-issue follow-up workshops with <i>Pfeiffer's six questions</i> – see Annex B5 Decide on a way forward for parked issues: a) leave for later analysis b) channel to higher levels of government	Prioritised Red Tape issues are selected and ready for analysis

## 6.2.2 Analysis and Selection of Champions

As outlined above, the selection of champions is a decisive step in the facilitation cycle. It will be the champions – guided by the facilitator – who implement the identified solutions. It is advisable to look out for potential champions already in the scoping phase.

In a multi-issue workshop with a number of stakeholders it is advisable to split into working groups for the analysis, as not everybody might be interested in all the issues. High ranking officials or the host organisation representatives might switch between the groups. It can also be decided to do follow-up, single-issue workshops for the analysis. Consider that the issue selection might already take up to 4 hours. Moreover, key stakeholders might not be present or key inputs have to be

researched again. Even with a thorough action research step to prepare the assessment phase, it is very likely that research has to be continued to complement the initial assessment in the workshop – essentially with the same iterative approach. A precondition for the analysis of the issues is a well facilitated session – almost certainly with one facilitator per working group. Experience shows that participants need guidance to clearly define problem levels and corresponding activities and goals. The following workshop block again can take up to 4 hours.

Elements	Core question to be asked	Tools	Result
Analysis Option 1: Process Mapping	Given the different actors, what steps are involved in the issue and what resources are involved (time, money)?	Mapping with cards – see <i>Annex B6</i> for an example  (this step might not be possible with all issues)	Preparation exercise to form a common understanding of the problem
Analysis Option 2: Define problem levels	What problem levels are involved in this issue: regulation, rules, processes, services, and interface?	Highlight the problem levels on the map. See <i>Annex B4</i>	Problem levels are defined to identify the main thrust of a solution
Analysis Option 3a: Problem definition	What is the core problem, symptoms, causes and impacts of the issue?	Brainstorm on cards, clarify and cluster to form a <i>problem tree</i> – see <i>Annex B7</i>	The issue problem is fully and clearly defined
Analysis Option 3b: Solution	What are the corresponding activities, outputs and purposes?	Translate causes, core problem and impacts into activities, outputs and purposes to form a <i>goal tree</i> – see <i>Annex B7</i>	A basic intervention is designed
Analysis Option 3c: Solution	Does the solution solve the identified problems?	Brainstorm, compare to mapping and problem tree	Solutions are evaluated
Analysis Option 3d: Alternatives	Are there alternative solutions leading to the same outcome?	Brainstorm, possibly repeat analysis options	Alternative perspectives of solutions are uncovered and solutions are confirmed / rejected.
Way Forward: Selecting a champion	>	Create a simple business plan with <i>Pfeiffer's six questions</i> – see <i>Annex B5</i> – and set clear milestones  Alternatively, decide on a follow-up single workshop	A champion is selected and the way forward is defined
Report Back to Plenum	-	If working groups or single issue workshops were held, the results of the analysis are reported back to all stakeholders / participants, preferably by the issue champion. Allow for reactions and inputs.	All participants have an overview of the upcoming activities and can give their input

## 6.3 Institutionalisation Phase

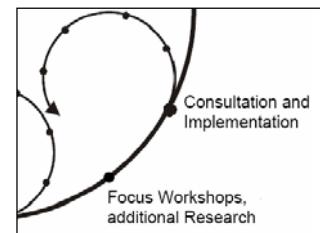
### Phase Steps

- Consultation and implementation
- Measures to sustain the process

In the assessment phase activities for the selected red tape issues have been identified in a participatory manner. This approach has created an initial PPD, which now has to be sustained. We consider the implementation of the identified activities and the creation of concrete results already a part of the institutionalisation phase. The first results – preferably achieved within a few months - will establish the credibility of the process by practically showing what can be done to reduce red tape. PPD is only an activity, respectively a precondition, for the elimination of red tape as the output. The outcome, however, should be a continued effort to create ‘Smart Tape’.

### 6.3.1 Consultation and Implementation

The role of the facilitator in this phase is essential and relatively more time consuming than the assessment phase. There are no tools but only broad guidelines which can be provided for this phase. Experience shows that specific issues might be solved very quickly; other issues might



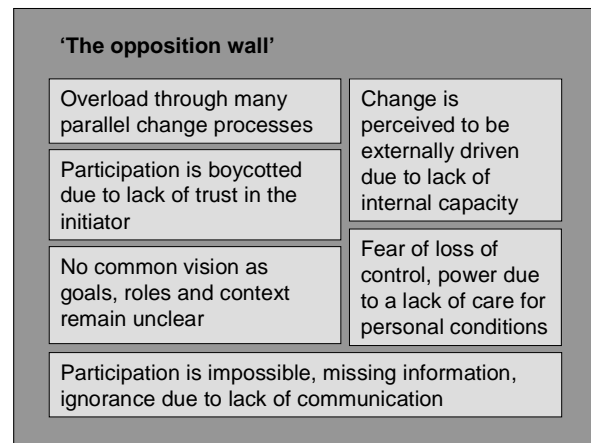
have to be reassessed completely, because new facts are uncovered during the consultation and implementation step. Recall that the LRTR facilitation cycle is not a linear process but consist or shortcuts and detours, represented by the inner circles of the facilitation cycle. The broad guidelines for the implementation and consultation step are here presented via the roles a facilitator might have to perform.

#### Continued facilitation of PPD

The planned solutions and activities will now be specified and operationalised by the champions. The facilitator can thereby organise further workshops or establish contact with external experts. Foremost, however, the facilitator’s role is to encourage and secure the *continued dialogue* between all stakeholders. The suggested adaptation of regulations, procedures, processes, or services will have to be communicated properly and the consultative process has to be re-initiated to ensure that red tape is transformed into smart tape.

## Assistance – consulting and counselling

First of all, the facilitator has the option to directly provide thematic input, implying that the facilitator temporarily takes up the role of a consultant. Secondly, he or she might take up a mediating or counselling function by providing motivational support or solving conflicts. Recall that implementation is the core of a systemic change process and



opposition to change is a common and natural phenomenon. Participation is the best means to incorporate opposing views. Last but not least the facilitator should take up the role of a trainer and capacitate champions and host organisation representatives to perform the necessary tasks and remind and inform them of the wider context.

## Monitoring – appraisal of progress

The facilitator needs to be in constant contact with the issue champions and monitor progress. It is thereby advisable to set clear milestones and deadlines. If issues get stuck the facilitator might not only provide assistance but also has the option to elevate the issue to the host organisation representatives. Experience has shown that regular champions meetings, where the progress of each issue is reported, create an environment where the stakeholders remain informed about the process and where the commitment can be sustained.

### 6.3.2 Measures to Sustain the Process

Once the facilitation cycle with the prioritised red tape issues is almost completed, the facilitator should focus on the ‘formal’ institutionalisation of the process. Given the state of the PPD, this step might already have been prepared in the contracting step. Note that formal institutionalisation blends with the evaluation phase. The completion of the facilitation cycle is taken as an opportunity to evaluate progress and ask the question on the longer term way forward.

There are many forms in which the PPD on LRTR can be institutionalised. First, the process hosts can meet on a **regular** basis if the state of the PPD does not suggest a high probability of spontaneous contacts. LRTR might for instance be taken into the existing structure on LED. Regular meetings have the disadvantage that they are not

demand oriented and might become futile. In such a case – and when the state of the PPD allows for it - *irregular* meetings, called once the need arises, might be more advisable. Second, regular or irregular, the meetings can have a *formal* or *informal* character – formal workshops as in the facilitation cycle are an example for the first, a mayor's breakfast with leading businesses in the locality is an example for the latter. Again, the state of the PPD is a decisive variable which option is chosen.

In any case, it has to become clear who can call a meeting, when it takes place and what form it will have. The essential prerequisite for a functioning PPD on LRTR is that the constituency of the hosts can bring their requirements and problems into the agenda. This is only possible if the host representatives were capacitated to perform their function in the course of the process – foremost in the research step. There are basically three options for the facilitator:

1. The facilitator engages in a second round of the process cycle because the objectives were not and cannot be expected to be reached by the hosts and participants in the medium term.
2. The facilitator encourages to institutionalise the PPD on LRTR and monitors the second round of the process cycle from a distance.
3. The facilitator exits because the objectives of the process have been reached completely.

## **6.4 Evaluation Phase**

This manual mainly provides guidance to the activities of a LRTR process. However, what is of ultimate interest for the clients and hosts are the impacts of the process. Systemic change processes are demand oriented approaches – the stakeholders not the facilitator or donor define the specific process goals! This implies that the activities cannot be determined at the start but will only be defined over time. At the beginning of a process, it is not yet clear whether preparatory trainings are required (demanded) or which red tape issues will be analysed and implemented. The impacts, however, are supply oriented: the facilitator suggest a structure of the process and provides (supplies) a vision. The suggested impact is a veritable selling point of the facilitator versus the clients.

This context largely explains why we consider evaluation as an integral part of a LRTR process. More specifically, evaluation serves a number of purposes:



- 1) The three way forward choices towards the end of a process mentioned in the last section show that progress evaluation decisively informs process steering.
- 2) Besides being a selling argument, the setting of objectives is a key element of contracting. The clients and hosts should be fully informed and agree on impacts, goals, outputs and services.
- 3) The generic facilitation cycle and the hierarchy of objectives can therefore be used to *design and evaluate* the process in a participatory manner together with the clients and hosts. In a sense, this is an element of capacity building, as a clear relation between objectives and activities is often missing in municipal development initiatives in South Africa.<sup>7</sup>
- 4) If the process is financed by a third party, like a donor or a national development fund, a clear, impact oriented evaluation structure will positively contribute to the reporting requirements to this client.
- 5) Last but not least, the thinking and discussion of objective hierarchies greatly increases the understanding and thereby contributes to learning processes on LRTR.

The following hierarchy of objectives, designed according to the GTZ concept of result chains, respectively the logical framework approach, provides a generic evaluation framework with example indicators and potential verification sources.

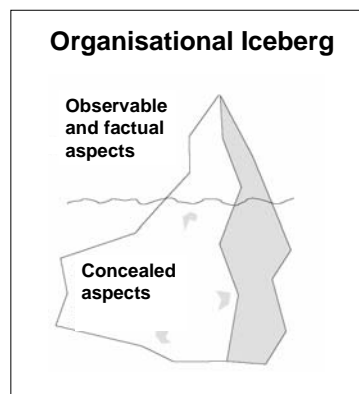
Objectives	Indicators	Example	Verification
Impact (the process only contributes to these impacts)			
1) New economic opportunities are created for the local community	Economic Growth and employment in relation to national average	Gross geographic product, local employment figures	Official statistical sources
2) The productivity and competitiveness of the local economy is enhanced	Market share of economic sectors / businesses in relation to national average	VAT statistics, regional levy statistics	Official statistical sources
Process goal			
3) The continuous reduction and avoidance of Red Tape improves the local business and investment climate	Regulatory Impact Assessments (RIA), number of businesses in relation to national average	External studies, business licensing statistics	Available external studies and local statistics
Use of services of the process by local actors			
4a) The public & private sector take concrete measures for LRTR	Number of implemented LRTR issues	-	Meeting with process hosts

<sup>7</sup> Note that GTZ provides the Compass of Local Competitiveness. It is a performance measurement tool for territorial development / Local Economic Development (LED) initiatives, based on the Balanced Scorecard (BSC) method.

4b) Private sector advocacy actors use the information created for strengthening their demand for further regulatory reforms at local, provincial and national level	Private sector hosts continually research LRT issues with their members and channel them to the public sector	Number of issues implemented after the finalisation of the process	Meeting with private sector hosts, stakeholders
4c) The exemplary LRTR process becomes a continuous element of reform efforts at local level	Number of completions of the facilitation cycle	-	Meeting with process hosts
Output / services of the facilitated process			
5a) Information on rules, regulation and procedures hampering a favourable LBC is created, discussed and disseminated	Main outputs of all workshops are disseminated to the wider public	Emails, newsletters, articles in local newspapers	Monitoring of communication efforts
5b) A PPD is initiated	A trusting relationship with active communication between the public & private sector has evolved	Working relationships between private and public sector actors before and right after the process	Evaluation at exit with a Cooperation Analysis (Annex A2)
5c) Awareness of the importance of the regulatory environment for LED is created	Number of stakeholders sensitised	Outreach of action research, etc.	Stakeholder Mapping (See Annex A1)
5d) Exemplary solutions to core local Red Tape problems are developed	Number of solutions designed in the main workshops	-	Documentation according to tools in Annex B

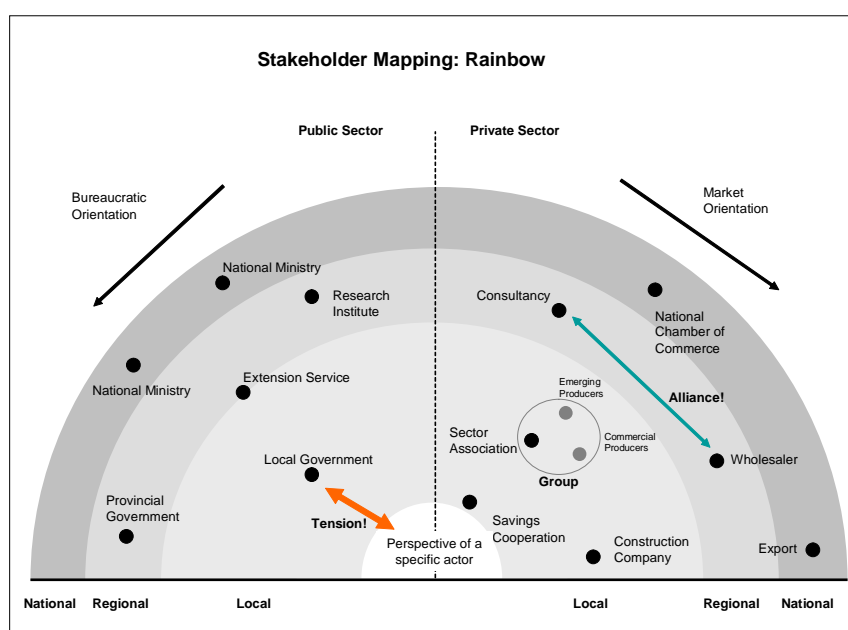
## Annex A: Organisational Assessment Tools

The following tools are largely self explanatory. They follow a systemic view of organisations and serve to roughly characterise organisations and their network connections at the beginning of a change process – but can be expanded and used throughout the process. They thereby help to initiate the readiness to change, the ability of self-assessment and the problem solving orientation of the actors involved. The tools should be applied



together with the actors in a participatory fashion. Both objective and subjective views on an organisation are gathered. Specific tools should be changed, added or dropped if the requirement arises, like a construction set. It is important that each tool is used to *gather different perspectives, perceptions and interpretations of an organisation* – partners, clients, and organisational sub-units, staff or members might have a different understanding of the organisation. Note that it is often overseen that the invisible parts of an organisation or a context are difficult to comprehend. Factual aspects like the number of staff are much more readily accessible than concealed aspects, like staff attitude. The latter, however, is more likely to define and drive an organisation.

### Annex A1



## Annex A2

Cooperation Analysis between the Public and Private Sector									
Elements	How is <i>the cooperation</i> assessed?	Local Government				e.g. Chamber of Commerce			
		++	+	-	--	++	+	-	--
Goal	"We periodically define goals"		●				●		
Agreement	"We have a clear understanding of duties and liabilities"				●				●
Agreement Compliance	"We stick to our agreement"	●				●			●
Communication	"We provide contact persons and adequate means of communication"			●					●
Trust	"We inform actively on our agenda"				●	●			
Benefits & Opportunities	"We benefit from the cooperation and derive opportunities"	●							●
Costs & Risks	"The cooperation involves considerable costs and risk"				●				●
...	...								
...	...								

## Annex A3

### Organisational Profile

Criteria	Explanation	++	+	-	--
Strategy	The organisation has formulated goals and a medium term planning, which describes purpose, clients, products, services and partners.			●	
Goal Coherence	The staff / members show through their behaviour their agreement with the declared goals		●		
Centre of Expertise	The organisation is focussing on tasks, which can be solved competently			●	
Market position and client orientation	The products of the organisation are in demand; the organisation pursues its competitive advantages and is client oriented				●
Task structure	Tasks involve the whole cycle from planning, to implementation to evaluation				●
Staff management	The organisation appoints qualified staff at the right time and at the right place, staff has clear mandates and is adequately supported and trained				
Incentives	Staff/members knows the performance criteria and they are periodically evaluated and rewarded				
Relations	Conflicts are immediately, openly and directly discussed with all stakeholders				
Delegation	The decision making power is situated where the experience and information are in place				
Decisions	Decisions are take timely and clearly & unmistakably				
Management	The management is interested in staff expectations, client orientation, limiting factors and future trends				
Cost transparency	The organisation knows the cost of its services and utilizes resources efficiently				
Administration	Administrative processes are efficient				
Cooperation	The organisation cares for relations to other organisations and is capable to manage and foster cooperation				
Information and self-assessment	The organisation provides timely, decision-relevant and client-specific information, has a system of self-assessment and incorporates lessons learnt				
Adaptability and Perspective	The Organisation adapts to new situations quickly and invests in the research & development of products / services				

## Annex B: Workshop Tools

### Annex B1

Interaction matrix		
The Interaction Matrix is illustrated in the table below. It is possible to increase the number of partners in the left hand column. This makes sense if there are sub-groups whose interests differ significantly, for example in the case of formal and informal businesses. In this example, the facilitator would split the business row into two: formal and informal.		
Interaction between Local Government and Businesses		
	Benefits & opportunities of collaborating to reduce red tape	Costs and risks of collaborating to reduce red tape
For local government	1	2
For businesses	3	4

The interaction matrix is designed to help participants get a better understanding of the costs and benefits to potential partners of collaborating over an issue: in this case local government and business over red tape reduction. The information generated in the matrix enables one partner to understand more clearly the perspective of the other. It also provides insights into where opportunities for collaboration might lie and where collaboration is likely to be most difficult.

The participants respond by writing their observations on cards, starting with field 1, then 2, etc. For example, the question for field 1 is “What are the benefits and opportunities for local government in collaborating with business over red tape reduction in their locality?” It is best for everyone to concentrate on one field at a time so that there is sharing of the observations and discussion.

To simplify the analysis, the facilitator clusters the cards and eliminates duplicates. If the number of cards per participant is reduced to, say, two for each box, this also simplifies the process, but this may result in loss of richness.

## Annex B2

### *The Pareto Rule*

The Pareto Principle is a selection criterion and is also known as the 80-20 Rule. Each participant gets a number of points equal to 20% or 1/5 of the cards (e.g. 35/5=7), having eliminated duplicates. Each participant then places her/his dots (or makes a mark) on the cards to reflect his/her prioritisation of the issue/idea/action. Participants may spread their votes between cards or place all of them on one card.

## Annex B3

### *The Three Criteria: a means for selecting initiatives for rapid, visible results using local resources*

There are three possible answers when testing a proposal against the criteria: 1 = No; 2 = Maybe; 3 = Yes. After having answered the questions, the score is obtained by multiplying the numbers allocated to each question. The proposal with the highest score is the most feasible and should be chosen for implementation.

Issue	Can you do it with local resources?	Can you start doing it immediately?	Can you expect a visible result within 3 months?	Score
Registering informal traders	3	3	3	$3 \times 3 \times 3 = 27$
Environmental assessments	1	1	1	$1 \times 1 \times 1 = 1$
...	1	2	3	$1 \times 2 \times 3 = 6$

The objective of this exercise is to select activities which show results fairly quickly. This step is important to foster the **credibility** of the process. Once the stakeholders had a first success, longer term activities can be approached. Recall that systemic change rather follows incremental than revolutionary steps.

## Annex B4

### Red Tape Problem Levels

The type of red tape issue gives an indication on the feasibility of implementation, the required resources and approaches.

Type	Examples	Approach	Resources	Difficulty
Regulations (by-laws)	Taxes, levies, planning, zoning, licensing, environment	Policy Setting	On legislative and executive levels, long consultative process, external expertise might be required	+
Procedures and Processes	Management, decision making, reporting, record keeping	Organisational Development	On management level, relatively short consultative process, can be done with local resources	-
Services	Infrastructure, social services, business services	Municipal Service Delivery	On all levels of government, potential conflict with parallel initiatives (IDP,...)	+
Interface	Information,	Customer	On staff and management level, relatively short consultative process, can	-

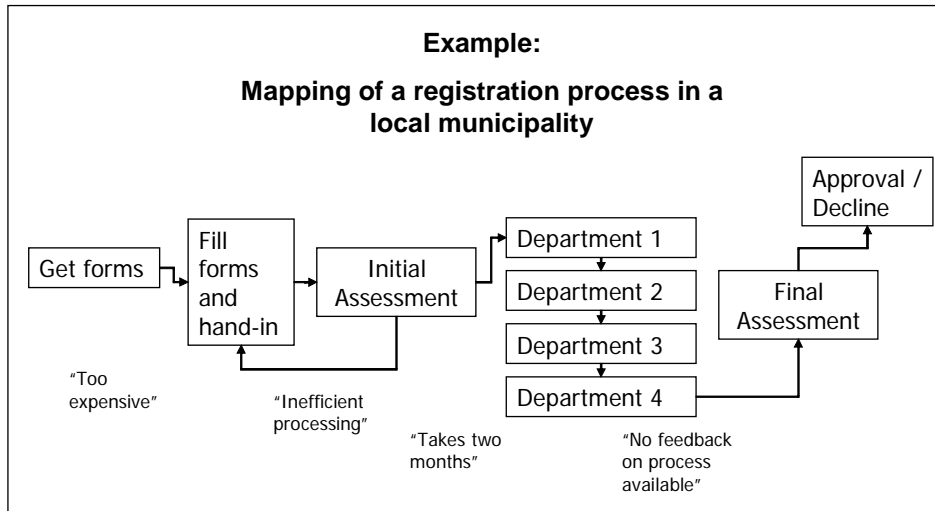
## Annex B5

### Pfeiffer's Six Questions

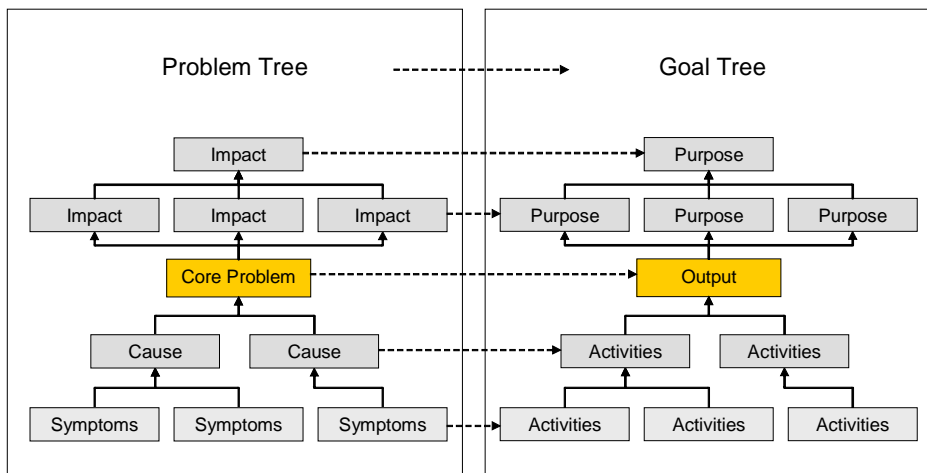
Pfeiffer's six questions is a simple tool for planning the practical implementation of an activity. It serves as an initial check list that helps ensure that the most important issues have been considered. It also helps anticipate possible weaknesses and potential problems that could arise in the implementation process. To apply this tool, all six questions must be answered.

1) How exactly will you do it?	2) Who is responsible?	3) Who has to collaborate?
4) What are the resources you need?	5) When do you start?	6) How do you know that you have started?

## Annex B6



## Annex B7



The facilitator asks the participants to note symptoms, causes and the core problem on cards. These are pinned to a board and in a facilitated discussion the cards are clustered to a problem tree. An example of a *core problem* (compare the mapping in Annex B4) is that “the registration process takes over 4 months”. One cause could be that “the assessment office staff is not qualified”. The respective symptom might be that “staff is unfriendly and does not give clear information”. In the goal tree, the corresponding *activity* would be to “train staff and fill vacancies” and the *output* could be that “the registration process takes 2 weeks”.



## Annex C: Example of a Facilitation Cycle

The following example of a general, multi-issue LRTR process is inspired by the experience of a pilot process in a medium sized town in South Africa.

Phase	Step	Tasks	Weeks elapsed	Consultant Days
Scoping Phase	Entry point	Informal talks with the Municipal Manager (MM), LED unit and Chamber of Commerce	-	0.5
	Selecting host & process focus	<ul style="list-style-type: none"> <li>Agree on hosts, a process format and focus</li> <li>formal meeting with MM, Councillors and LED officer</li> <li>formal meeting with the Chamber of Commerce</li> </ul>	2 weeks	0.5
	ToRs	Set-up Terms of References	4 weeks	0.5
	Key stakeholder training	LRTR training for municipal departmental heads and chamber representatives	7 weeks	1
	Action research & mobilisation	<ul style="list-style-type: none"> <li>Businesses of the most important economic sectors of the locality and the municipal departments are interviewed</li> <li>Stakeholders are mobilised and invited to a general, multi issue workshop</li> </ul>	13 weeks	4
Assessment Phase	RT issue identification, analysis, champions selection	<ul style="list-style-type: none"> <li>One day multi issue workshop; 7 issues are prioritised, broadly analysed and champions defined</li> <li>Press release</li> </ul>	14 weeks	1
	Focus workshops, additional research	<ul style="list-style-type: none"> <li>Focus workshops with and assistance to all 7 champions to analyse the issues in detail</li> <li>interviews with further stakeholders</li> </ul>	20 weeks	4
Institutionalisation Phase	Consultation and Implementation	<ul style="list-style-type: none"> <li>Champions consult stakeholders on the identified solutions</li> <li>Council takes respective decisions</li> <li>Progress report meetings with all all champions at week 20 and 25</li> </ul>	30 weeks	2
	Measures to sustain the process	<ul style="list-style-type: none"> <li>Meeting with hosts to agree on regular meetings to discuss red tape issues</li> <li>Report back workshop on the solved issues; definition of way forward</li> </ul>	35 weeks	1
Evaluation Phase	Evaluation	<ul style="list-style-type: none"> <li>Final report to the process hosts</li> </ul>	40 weeks	2
	Exit	-	-	-
Total			40 weeks	16.5 days