

Chapter 1

Sub-National Regulation: An Introduction

Sub-national political entities across the globe have an important function in fostering a sound business climate. These sub-national political entities may be states, provinces, regional governments or municipalities. While its powers and associated activities will vary from country to country, as will the actual legal definition of a regulation, each sub-national entity, to one degree or another, plays a regulatory role with respect to private sector activities. The consequences of ineffective, insufficient, or, in some instances, inappropriate regulation generally have adverse effects on investment and economic development.

Fostering a sound business climate is a development prerogative which contributes to private sector development and positive economic outcomes. The benefits which may accrue include increased investment, productivity, and employment as well as reduced corruption. Among other critical features, enhancing the investment climate requires removing obstacles to “doing business,” and providing efficient and effective legal and regulatory frameworks that promote competition and growth.

Before making a decision to engage in the simplification project, project teams need to assess the appropriateness of carrying out reforms at the sub-national level and not at the national level. Depending on particular conditions in each country and available analytical information (e.g., Doing Business data, Investment Climate Assessment, or FIAS Administrative Barriers study) as well as on the analysis of existing initiatives, it may be advisable not to start a stand-alone project with a municipality, but rather either incorporate the municipal simplification initiative in the bigger business environment project or start from the simplification of the national business regulation if the major bottlenecks are identified at that level.

For the purposes of this toolkit we assume that the existing analytical information clearly identified business regulations at the sub-national level as a major bottleneck that inhibits private sector growth and contributes to the increasing level of informality. Another assumption is that there are no other similar programs or a broader program and the simplification project at the sub-national level can be implemented as a stand-alone initiative. In some cases the municipal simplification projects were catalysts to the broader national-level business environment reforms.

Thus, the emphasis in this toolkit is on business regulation at the sub-national level. Most of the materials and information we collected for this toolkit are based on the reforms done at the municipal level. We use terms municipal and sub-national here interchangeably as the simplification approach described in this toolkit can be used equally at both levels. Municipal activities in relation to entrepreneurs can be grouped into three basic areas of regulation:

1. General commercial (e.g., registration/licensing, sales/marketing restrictions);
2. Operational permissions (e.g., various permits such as construction, advertising, municipal zoning, transportation);
3. Safety requirements/standards (labor and workplace standards, environmental, health, etc).

In Lima, Peru, several steps are required in order to obtain a license to operate a business:

An Illustration of a Regulatory Process

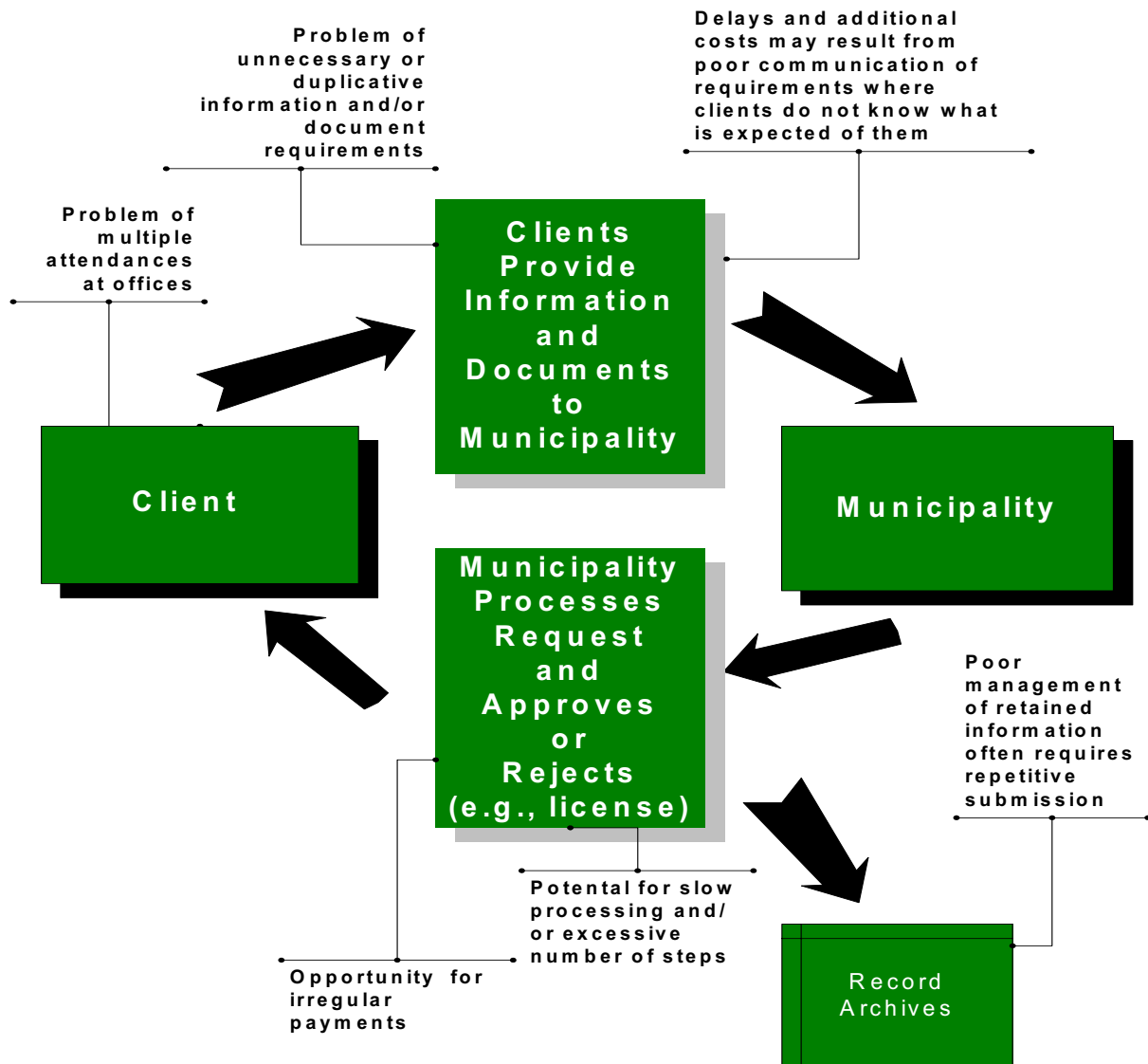
Obtaining a Business Operating License in Lima, Peru	
1.	Verify unique business name of company
2.	Present documents for commercial registration before notary
3.	Deposit 25% of capital in a bank
4.	Register with Mercantile Registry
5.	Legalize/register accounting records
6.	Obtain taxpayer number
7.	File certified floor plans with Ministry of Works
8.	Obtain Use Compatibility Certificate
9.	Obtain technical report from INDECI
10.	Obtain municipal operating license

Source: The World Bank (2004), *Doing Business in 2005: Peru*, Washington D.C., 2004

Municipalities have jurisdiction to regulate certain aspects of social or economic activity. To do so, they establish policy objectives, such as protecting the health and safety of their citizens, regulating a business activity, or controlling land development. These policy objectives are implemented by way of legal instruments and regulatory processes.

The detail associated with any given regulatory process may initially seem to be overwhelming. Consequently, it may be helpful to characterize each process from a “macro-perspective.” For example, a regulatory process may be characterized as having clients (citizens or businesses) who provide information (inputs) to the regulatory body (municipality) and receive an “outcome” (an approval, rejection or request for further inputs). The chart below provides a visual representation of these “essential elements” and may also assist in identifying possible problem areas on a preliminary basis. Each of these elements can then be further analyzed in order to diagnose issues and implement reforms.

Regulatory Processes at a Glance



This manual is intended to be:

- a practical guide to the issues and questions that arise in any simplification initiative;
- a toolkit or roadmap to design and implement the programs of the simplification of business regulations at the sub-national level;
- applicable to a variety of sub-national, including municipal, regulatory processes.

An attempt has been made to include concrete examples of simplification initiatives to illustrate approaches to municipal regulatory reform and, where available, the ensuing results and lessons learned.

The intended audience for this document is project team members seeking guidance as to how to proceed with a simplification initiative within a municipality. Project teams are comprised of individuals from various donor organizations, including IFC SME facilities, consulting companies, think tanks and academic institutions.

Chapter 2

Simplification of Business Regulations

The Benefits of Simplification

Businesses in less developed countries normally face heavier administrative costs, more regulatory procedures and longer processing times.¹ These adverse aspects of regulation affect both businesses *and* municipalities, in that the economic activity of many family enterprises, micro-enterprises and small enterprises remains part of the “informal economy.” The effect on business is a decreased ability to assert legal or economic rights and greater susceptibility to demands for informal payments. The effect on municipalities is a systemic impediment to expanding their tax base and, in the long run, generating greater revenue.

Because of the size and inherent economic importance of this economic activity, it is recognized by policy-makers that moving enterprises from the informal to formal economies has implications for both municipal economic development and regulatory reform. Changing how municipalities approach regulation can positively impact economic growth. Regulatory reform, through simplification, is a means by which municipalities can create positive, long-term economic benefits within their jurisdictions.

The emphasis of this document on sub-national regulation is based on the fact that interaction between “government” and “business” occurs at the local or regional level. National regulatory policies may influence or affect investment decisions, but post-investment operations are influenced by other levels of government having legal authority over such operational activities - significantly those at the municipal level. This is not to deflect from the importance of national regulatory policies, but the consequences of local regulation have to be addressed as a topic of concern and interest.

Defining Simplification

Simplification involves not only a business process change but also a *cultural* change in how municipalities view those whom they regulate, and how those who are regulated perceive the value and effectiveness of the regulatory processes.

Simplification, as a basic concept, is the act of reducing or eliminating elements of a process in order to reduce complexity and inefficiency. Simplification does not mean compromising core standards with respect to health, safety, the environment or labor. In this toolkit, the concept of simplification refers specifically to limiting unnecessary municipal regulatory processes involving the private sector.

One example of achieving efficiencies through simplification can be found in the Canadian province of Ontario. In Canada, both the federal and provincial governments can incorporate companies as well as register businesses for a variety of requirements. Prior to July 2002, a Client who wanted to incorporate both provincially in Ontario and federally had to undertake two separate incorporation/registration processes in which some of the same information was filed twice. The benefits for the Client of simplifying the registration process became evident and both levels of government worked to create a new simplified registration system. The result of this new system now permits a person incorporating electronically with the Government of Canada to also file an Ontario Initial Information Return as part of the same electronic registration

process. Upon incorporation, Industry Canada automatically transmits the corporate information required for Ontario purposes to the computer system maintained by the Ministry of Consumer and Business Services. This initiative has contributed to greater accessibility, increased regulatory compliance, and more efficient registration processing.

Simplification can be achieved by implementing a four-phase reform process. The four phases are:

- Diagnosis
- Process Design
- Implementation
- Evaluation

For project teams seeking to provide a rationale for simplifying one or more regulatory processes, the reasons can be grouped into three broad categories.

Good for the Private Sector

Simplified regulatory procedures, when combined with service improvement initiatives, usually result in less complicated, less costly, and shorter regulatory approval processes. Streamlining municipal business processes, when coupled with the introduction of service standards or simple “one-stop shops,” can mean an improvement in service quality for clients – the private sector.² Experience in the Philippines and Bolivia indicates that clients are reporting better service.

Regulatory reform increases the benefits that Clients gain from formalizing their business process – an important factor for Clients to consider.

Entrepreneurs weigh the cost and benefits of formalization and formality, and pursue the course that will maximize their material and personal well-being. Consequently, government decisions that affect the costs and benefits of formalization and formality will influence the decisions of entrepreneurs – formal as well as informal.... Simply put, it has to pay to formalize.³

Streamlining processes makes paying taxes and fees more convenient. In some scenarios, simplification may even result in payment reductions.

By 1997, regulatory reform involving business and occupational licenses in Indianapolis, U.S.A., resulted in savings for businesses of approximately \$620,000 by eliminating fees, labor and overhead expenses.⁴

Evidence from the Philippines and Bolivia also indicate that mandating short application processing or inspection times can demonstrably lead to a decrease in corruption (i.e., informal payments).⁵ It also suggests that business proprietors appreciate efforts by the municipal government to provide an environment where their business activities can further develop, thus fostering goodwill.

Good for the Municipality

Project teams should impress upon municipalities that a simplification initiative is a relatively *low risk* activity for the municipality that results in a vital change to the way micro and small enterprises take part in the formal business sector.

This low risk level is a result of a combination of factors. Business regulation can be directly addressed through government action, unlike other issues that Clients face such as access to funding.⁶ Also, reform of business regulatory processes raises less opposition than other more politically sensitive issues.⁷ It is arguable that the relative costs to the municipality in engaging in a simplification process are minor compared to the gains and widespread support by the community in response to the municipality's efforts.

Improved management of regulatory processes can result in an increase in formal business registrations. The business regulation process is vitally important to businesses in the early stages of development, as an onerous regulatory system is a disincentive to formal business creation.⁸ Easier business licensing regime means greater participation in the formal economy.

Reductions in regulatory requirements saw an increase in registrations in Ethiopia and Morocco in 2003-2004 of 48% and 21%, respectively.⁹ In Quezon City in the Philippines, the number of new business permits issued rose 69.4% between 2001 to 2002 as a result of changes in the business licensing process.¹⁰ The use of the "one-stop shop" concept in Sragen in Central Java (Indonesia) saw a 450% increase in company registrations and a 76% percent increase in building construction permits in the 2003-2004 period.¹¹

The purpose of simplification is not only to eliminate those activities of little value, but also to add value in making changes in cost, quality and time.¹² An increase in business registration (and participation in the formal economy) may result in an increase in the municipal tax base, leading to increased revenues for the municipality.

Dagupan City, in the Philippines, saw a 13% increase in city revenue between 2001 and 2003 because of business registration process improvements.¹³

Simplification should also result in greater transparency and reduced corruption. Greater transparency results in (i) Clients being better informed about by-law requirements and business processes and (2) a reduction in opportunities to solicit informal payments in connection with "unauthorized" steps in a given process.

In the case of Gradiska, Bosnia, a series of concerns were highlighted in the regulatory (business licensing) process, including a lack of transparency in the procedures for issuing permits and the inspection of business entities. Recommendations for reform include increased transparency with respect to administrative requirements and the development of a consistent inspection system.¹⁴

Good for Municipal Employees

Simplification makes business processes more efficient. The implication for municipal employees is that as business processes become streamlined, especially combined with service delivery initiatives such as "one-stop shops," Client satisfaction increases. The frustration of facing uncertainties, such as unknown requirements or processes, visiting multiple offices, attending the same office multiple times or not knowing when the approval process will be completed, is reduced. Increases in Client satisfaction contribute to a more positive work environment for municipal employees. In La Paz, Bolivia, it has been suggested that employee satisfaction increased following the city's simplification initiative with respect to business license registration.¹⁵

Simplification is also beneficial from a human resources perspective. Governments can better assess employee training and resource requirements with a clear and refined regulatory process. Training ensures that employees are equipped with the knowledge they require to effectively perform their jobs. Helping municipalities to define resource requirements ensures that municipalities (as employers) have the necessary funding to carry out the performance of employees' functions associated with the reformed business process. Better definition of resource needs may permit staff to be deployed to other organizational units within the municipality in need of employees.

Simplification May Have Short-Term Costs

It is not to be suggested that simplification is always a cost-free process. There may be instances where simplification results in municipal job losses and/or reduced sources of municipal revenue. However, based on case studies of simplification initiatives examined, the benefits, such as increased economic activity, increased business efficiency, and greater employee and Client satisfaction; appear to outweigh short-term costs.

Simplification in Practice

Project teams should note that an extensive review at the time of writing revealed that the number of case studies involving municipal deregulation for which documentation is available is small and occurs, most often in Latin America, where the potential benefits have been recognized and initiatives undertaken. However, a general approach used in Latin America could easily be applied in other regions. Surely, project teams should tailor the design of the actual project to the circumstances existing in a particular country.

Annex C contains 11 case studies covering municipalities and other sub-national governments for which information is available. The developing interest in regulatory simplification at the municipal level in Latin America can be traced to a significant success story in Bolivia. It is anticipated that this toolkit will be "customized" on a regional basis to include the results of future simplification projects. The Municipality of La Paz, Bolivia has undertaken a successful simplification initiative, and the results of that effort represent a compelling illustration as to why simplification of regulatory processes should be seriously considered by municipalities.

The original business licensing procedure in La Paz was complicated, involving a process that required the applicant to satisfy forty-five different steps involving six different bodies before the license could be approved. The application process was structured so as to require personal interaction with municipal officials in each of these bodies.

The post-simplification process reduces not only the number of steps for the applicant but also the number of actors in the process. In addition, several aspects of a One-Stop Shop have been introduced in La Paz's simplification initiative. Prior to simplification, the applicant was required to visit a number of different counters at the Municipal Taxpayer Registry in order to obtain a license. This has been replaced with one "Special Counter" to reduce waiting and processing times.

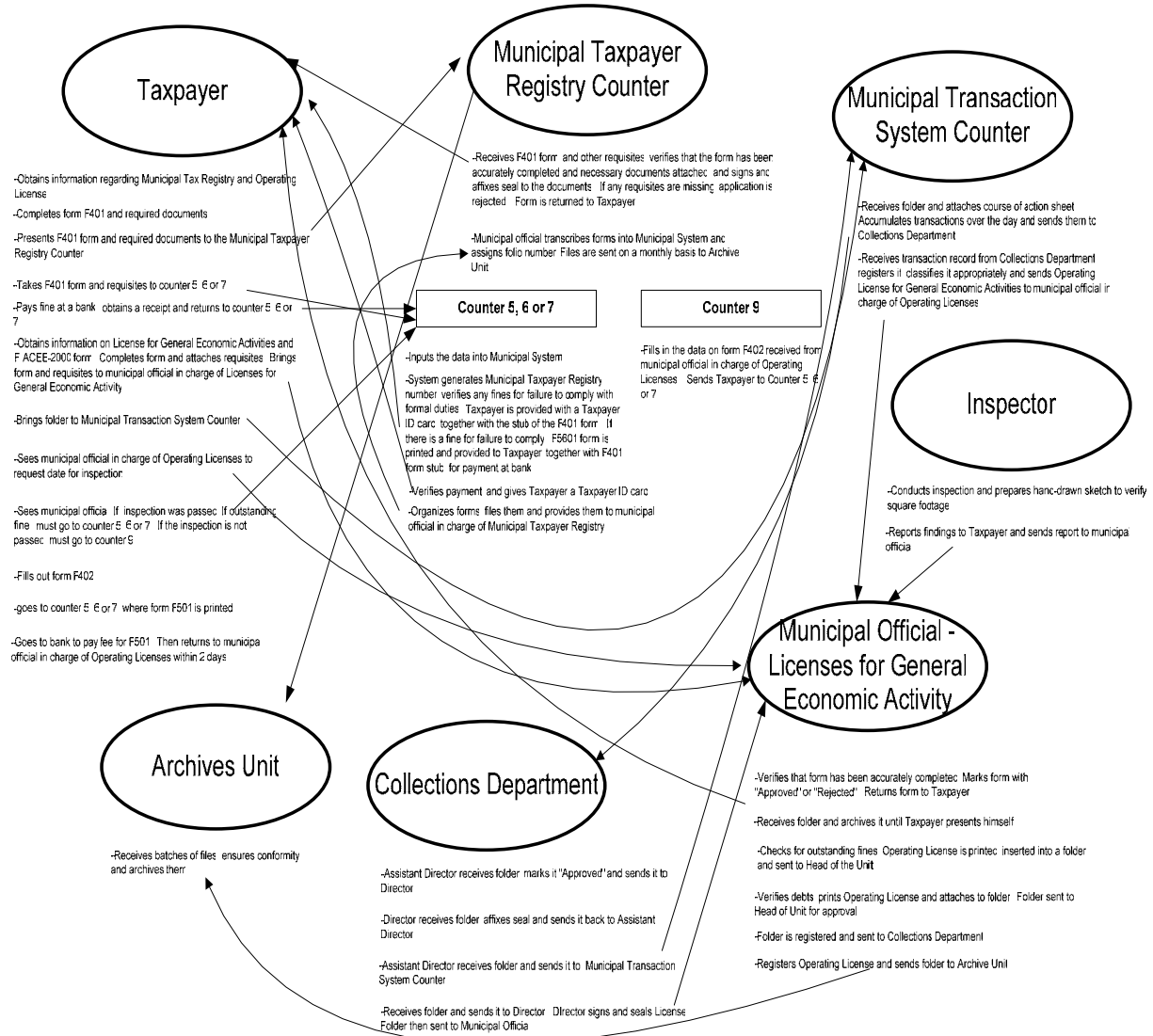
The table below shows the changes in performance, determined in the course of an external audit of that municipality's regulatory process simplification initiative, and reflects not only the changes "pre" and "post" simplification but also on-going adjustments over time as part of the evaluation process. In addition to the General Economic Activity (GEA) license, the results associated with two others – Food and Beverages (F&B) and Electronic and On-line Games (E&OG) - are also indicated.

Selected Variables	Before Simplification	After Simplification	First Inspection	Second Inspection	Third Inspection
Number of people in waiting line	-	-	4 – 12	11	9
Completion time per General Economic Activity (GEA) procedure	13 days	30 minutes	20 minutes	26 minutes	1 day
Completion time per Food & Beverages (F&B) procedure	33 days	3 days	4 days	2 - 10 days	3 days
Completion time per Electronic & Online Gaming (E&OG) procedure	43 days	3 days	3 days		5 days
Number of requirements requested for GEA	10	7	7	7	6
Number of requirements requested for F&B	16	12	12	12	9
Number of requirements requested for E&OG	13	11	11	11	10
Number of GEA steps	33	11	11	14	13
Number of F&B steps	38	23	23	26	22
Number of E&OG steps	50	23	23	26	22
Number of Operating Licenses issued per day (average)	-	-	17	17	16

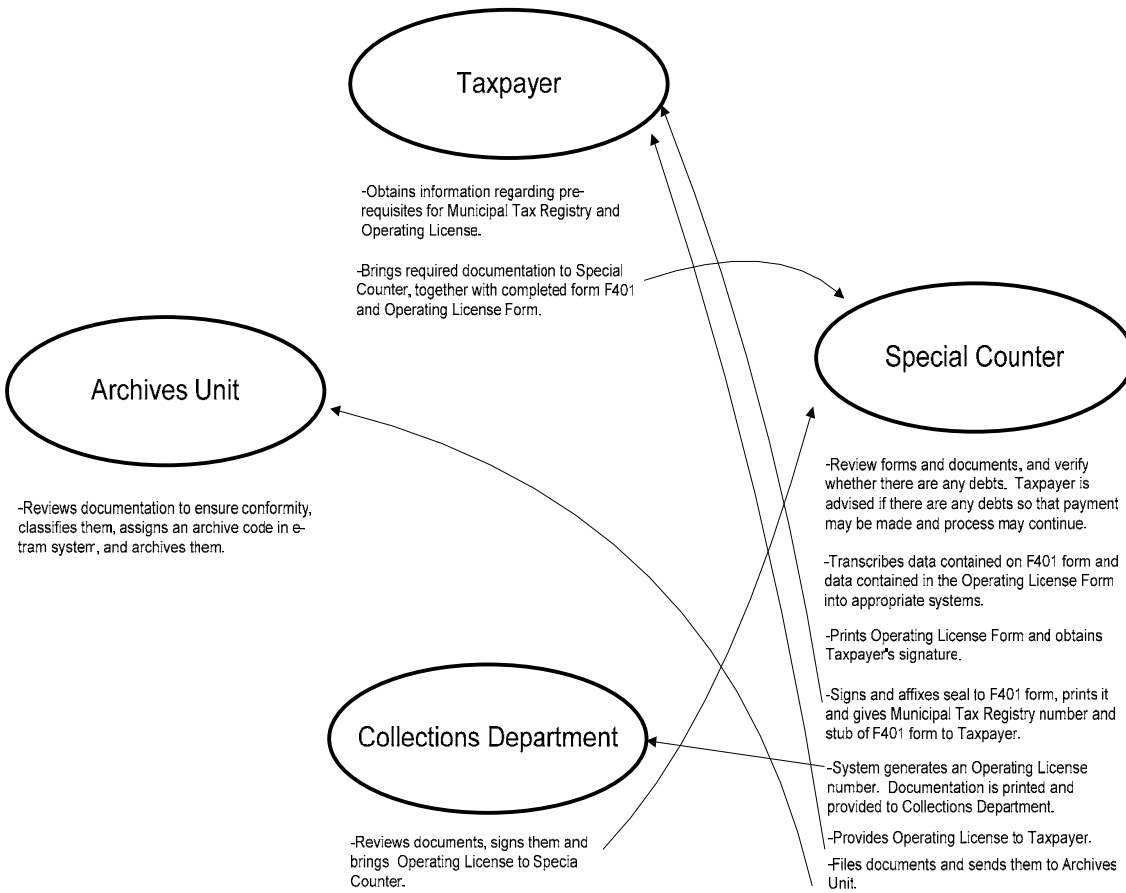
Source: Centro de Estudios Bonaerense, *Evaluation of One-Stop Shop, Municipality of La Paz, Bolivia: Third Inspection*, April 2004

Licensing for Economic Activities in the General Sector

Pre-Simplification Process



Licensing for Economic Activities in the General Sector Post-Simplification Process



Chapter 3

Preliminary Considerations for Simplification

Changing the structure or activities of any organization, including municipalities, causes concern among interested stakeholders.

- Clients, both businesses and citizens, are concerned that the change will be too slow or will make things worse rather than better.
- Employees are concerned that jobs will be lost or that duties will become more onerous or obsolete.
- Managers are concerned about being able to effect the change or that failures or delays will be blamed on them.
- Political leaders are concerned that service disruptions may cost the municipality revenue or serve to irritate constituents.

In many countries the problems facing small and medium size enterprises can be characterized as falling into a number of common categories. These problems may be identified from comparisons to performance levels in other municipalities or, alternatively, from complaints received from clients or feedback from municipal employees.

It should be noted that benchmarking acceptable service performance levels is difficult to do in the abstract. For example, what constitutes an “excessive” amount of time to complete a process requires consideration of a variety of specific factors, such as the amount of financial, physical and technological resources available, the training of municipal employees, and the nature of the process in question.

In making the decision about supporting the municipality simplification efforts, project teams should clearly evaluate the cost and benefits of such programs. The cost will include actual project expenditures – staff time, travel, training, workshops, equipment, software, etc. as well as an opportunity cost to channel the existing scanty resources to other reform initiatives. The benefits could be evaluated in the reduced cost for the private sector to comply with simplified regulations and for the public sector to administer such regulations. For instance, an expensive project to simplify business regulations and install sophisticated software to handle these requirements in a small municipality with limited number of business transactions will not have the benefits that can be achieved with the same budget in much more business-populated region.

Project teams should consider the following criteria, to determine whether a simplification initiative may be appropriate:

Criteria for Simplification: A Checklist of Problems

- A lack of information provided to Clients about the process in question?
- The existence of multiple locations in order to complete all steps in a process?
- An excessive amount of time required to complete the process?

- A requirement to submit numerous forms, often with duplication of information?
- A requirement to provide multiple copies of supporting documentation?
- A requirement to pay various fees at different locations?
- A requirement to have documents notarized and presented in person?
- Insufficient coordination and sharing of information among municipal agencies?
- A lack of deadlines by which applications must be approved?
- The exercise of discretionary powers of individual officials?
- A significant number of complaints from the business community about the process?

Answers to some of these questions could be obvious and would not require a sophisticated survey. Additionally, as mentioned above, the project team should use the existing analytical information to underpin the necessity and scope of the simplification program.

The best source of information that would help making a decision about the project will be the ultimate beneficiary of such reforms – entrepreneurs. Project team may organize a focus group meeting to get the first-hand information about the municipal requirements for doing business and perception of entrepreneurs about these requirements. Such focus groups will help the project teams identify the starting points in approaching the design of the reform.

There are a couple of detailed instruments that the project teams can use to hold such focus groups. More details can be found in the FIAS *Manual for Identification and Removal of Administrative Barriers to Investment* (2005) and in the ECA region “Early Warning System” (2003).

Answers to some questions in the checklist can also be obtained from the public officials engaged in administering regulations for doing business. Project teams can use meetings or individual interviews with them.

A. Ensure Political Commitment

Strong commitment and visible support from the political and senior official levels of municipalities are essential prerequisites in any simplification initiative. This commitment provides the basis for the simplification team to work through the issues to ensure that the new regulatory processes are established and work.

It is important to ground possible political desire for simplification into a concrete commitment. Mayors or municipal councilors may resign or be defeated in elections or withdraw that support when special interests complain about the personal or business implications associated with a change in process (e.g., where the use of a specific, external service provider might stop with a change in a regulatory process). One way of “locking in” a political commitment to simplification is to have the municipality publicly enter into an “agreement” or memorandum of understanding committing itself to simplification. It’s important that the general public as well as the municipality officers are aware about such commitment from the mayor or the head of the regional administration. A public event marking the signing of such agreement should definitely be held. This will ensure that any future change in municipal policy toward particular simplification initiatives involves careful consideration of the consequences.

Use a Memorandum of Understanding to Ensure Commitment

Such an agreement or memorandum of understanding (MOU) could be with an external agency (e.g., IFC), an organization within the country working on simplification initiatives, or a state/provincial or national government promoting simplification.

In Nicaragua, the cities of Granada, Leon and Masaya used the resources of the Nicaraguan Association of Municipalities (AMUNIC) to undertake a review of existing processes and make recommendations for simplification. The use of an MOU helped facilitate the acceptance of a simplification initiative started by one municipal council by the next council which took office following elections.

In Bolivia, IFC financed the use of consultants to assist La Paz and a number of other municipalities in undertaking and completing simplification initiatives.

In Costa Rica, six technical agencies signed an interagency agreement to formally recognize their commitments to revamping an enterprise registration process.

Twenty-one states in Mexico signed agreements with municipalities in their jurisdictions to promote deregulation at the local level.

Agreements were considered an important component of a simplification initiative in Colombia to streamline guidelines for administrative rules, define service delivery models, and specify institutional requirements.

How to Write a Memorandum of Understanding

An MOU is a statement between a municipality and each participating institution to form a relationship in order to generate mutually beneficial activities. It provides a general description of the responsibilities that are to be assumed by each of the parties in their pursuit of specific objectives. It is not legally binding or enforceable against the parties but rather an expression of their mutual intentions.

A carefully crafted MOU will allow for a greater flow of communication between the parties and will add to the efficiency of the project itself. What follows is an outline of the elements that would be found in such a document, setting out key aspects. Annex D contains an illustrative example of a MOU.

Common Elements of a Memorandum of Understanding

An MOU generally contains a series of elements to recognize the purpose of the relationship and structure the obligations of the parties. Common elements usually consist of:

Parties

This section must clearly identify the parties to the MOU. It is desirable to properly identify the key players involved in executing the objectives of the MOU in the body of the document (these may not necessarily be “named” parties to the MOU). Possible players could include national government officials, municipal government officials, councils, committees, and the entity or entities providing technical assistance.

Purpose

This section should outline the purpose for both the simplification initiative and the MOU itself. Given the nature of the MOU, emphasis should be placed on cooperation and coordination

between the parties. Any principles reflecting a framework for the simplification initiative may also be outlined in this section.

Authority

This section should clearly state that all parties have the authority to enter into the MOU. It is preferable, but not necessary, to list the desired, specific legal authorities allowing the parties to enter into the MOU.

Responsibilities of the Parties

The responsibilities of each party should be clearly delineated, even though a comprehensive list of the specific duties does not need to be included. However, if any of the parties have explicit functions to perform within the arrangement, these should be specifically identified and outlined.

The section should be broken down into subsections, one for each of the parties to the MOU, with another regarding general or mutual responsibilities of both parties. Given the open nature of MOUs, the language should reflect that the parties “commit to” or “undertake” their various responsibilities.

Confidentiality

It is important to consider including a section addressing how confidential information should be handled.

Term of MOU

The MOU should also specify the length of the relationship in terms of time. The document should also state that it will become effective on the date that it is signed by the parties or on some later agreed-upon date. An MOU without such a provision could be seen as ambiguous.

Generally, the provisions in the MOU should be broad and general in scope; however, depending on the nature of the relationship contemplated in the MOU, the language may nonetheless reach a certain level of specificity. For instance, in the “Responsibilities” section, if one party is to perform certain specific functions, this should be clearly stated in very explicit language. Other sections, such as the “Confidentiality” section, might also require an elevated degree of specificity, depending on the parties involved or the subject matter of the MOU.

Other sections can be added as necessary. A “Definitions” section may be useful if there are complex terms or words that have a meaning specific to the agreement.

B. Build a Simplification Team

Simplification initiatives may be sponsored by donor agencies, but need to be co-sponsored and driven by the municipality. In some instances, an external team of consultants should be engaged. Recent studies conducted in Bolivia and Colombia recommended that consulting firms should be hired to carry out certain components of the simplification program. In other instances, especially where funding is not available to engage consultants, teams of municipal officials may undertake the project. In the context of a successful municipal process design, the team must be, “cross-functional” in nature (i.e., involving individuals with different skill sets) and

include members representing all aspects of the simplification initiative. An optimal solution could be a team consisting of external advisors and assigned municipal officials.

The completion of a simplification initiative will need to consider both political and technical skill sets. A review of successful municipal regulatory process design initiatives in other countries suggests that individuals having these skill sets should be part of any simplification project team:

- Political expertise:** to provide leadership, advice and recommendations to achieve the simplification initiative's political objectives and address possible resistance to change. Ideally, this should be a representative from the Mayor's Office.
- Legal expertise:** to provide advice and recommendations with respect to the application or interpretation of legal authorities, oversight mechanisms and potential conflicts where agreements (e.g., MOU), multiple laws or jurisdictions are involved.
- Operational expertise:** to examine design proposals in terms of business flow and context, stakeholder perspective, governance structures (e.g., provision of authority to one-stop centers) and feasibility in terms of change strategies. Ideally, this should include individuals with knowledge of the existing process as well as those with business design skills.
- Technology expertise:** to the extent that technology is used as part of the existing process or contemplated as part of the process design, to provide technological advice on mainframe and legacy systems, Internet tools and system interfaces, information security, technical architecture and data flows.
- Information and record-keeping expertise:** to provide advice on how records are maintained and the retention of information.
- Communications expertise:** to manage private sector consultations and organize initiatives to publicize the designed process.

In addition to individuals having these skill sets, there is a requirement for another set of participants who have experience with the existing and/or contemplated process design, namely:

- A management representative from each of the departments or agencies affected by the initiative; and
- Employees who are working with the current business process *and* will be working with the new process.

It is important that these individuals have a good understanding of the current municipal process, the departments and functions, and the specific problems or issues associated with the current process. The role of employees is important because they actively use the process and work closely with Clients.

Members of a simplification project team should:

Demonstrate project "ownership": Token participation in the project team eventually leads to cynicism about the initiative, which eventually leads to a lack of commitment. A sincere dedication to seeing the initiative succeed will build enthusiasm. At a personal level, members will need to feel that their specific roles and unique personalities are appreciated and used.

Articulate a clear vision: This is accomplished by ensuring team members understand and share the objectives and goals of the simplification initiative. It also permits team members to

know what needs to be done next, by whom in terms of role definition, and by when to achieve the objectives of the simplification initiative.

Convey confidence: Management and stakeholders need to see that the team can manage/guide the transition to a new process. Any fear of effecting change can be fatal to the initiative, especially when resistance is met.

Communicate clearly: Team members should be encouraged to communicate their ideas and concerns frequently and openly. Legitimate conflicts should be addressed openly in order to promote the most appropriate choices in the simplification design.

Leadership: The team should also have strong leadership through a project manager. Coupled with this is a requirement that authority and decision-making lines are understood by all team members.

C. Create a Strategic Plan

A fundamental first step for project teams that have been tasked with promoting a simplification initiative is to create a coherent strategic approach in order to organize specific goals, roles and responsibilities, resources, and associated tasks. Such strategic plan should also serve as a core of the project proposal project to secure financing from the donor agencies or management approval within their organization.

Municipalities in Bosnia and El Salvador used “action plans” to carry forward their simplification initiatives. In El Salvador, administrative procedures for formalizing microenterprises and small businesses were simplified by designing and implementing a plan to eliminate and/or simplify prerequisites governing their formalization. In Gradiska, Bosnia, recommendations made to create a simplified regulatory process were included in an action plan, which then formed part of the municipality’s main Development Strategy.

A simplification initiative may be viewed as having different levels. At one level, the exercise can be simply characterized as involving basic “project management” concepts applied to a business process design. In this regard, typical World Bank or other donor project cycle principles (i.e., project identification, preparation, appraisal, approval, implementation, supervision and evaluation) provide appropriate frameworks.

At another significant level, the exercise involves *structurally changing the delivery of a service* by the municipality. The key objective is to not only achieve the design but also to change the attitude toward the process by stakeholders. This latter aspect is to ensure the municipality’s ongoing maintenance of the simplified regulatory process.

A third level is the “human” elements of reform. Simplification means moving from one “way” associated with a particular regulatory process to a new “similar yet different way.” At the end of the transition, there may be “winners” and “losers” in such an exercise, which means -- prior to completion of the simplification -- there will be

Creating a Strategic Plan

A strategic plan for a simplification initiative must concern itself with managing three principal aspects:

- The regulatory process design itself
- The policy framework surrounding and supporting the regulatory process
- The considerations associated with changing a process in a political environment.

those who support change and those who resist. This support or resistance will occur both passively and actively. For example, an inability to make a complete, comprehensive text of a municipal building code available in one document may be construed as passive resistance to change. Sometimes people have a difficult time moving from “the way things are done.”

Complicating things further is the fact that the resistance may be unrelated to a simplification initiative. A municipal election may result in a change in councilors who politically may not wish to see completion of an initiative simply because it was initiated by the preceding council. Similarly, projects may face resistance because stakeholders may not wish to provide a mayor promoting such an initiative with political capital derived from its success.

In Nicaragua, three municipalities involved in a simplification process signed Memoranda of Understanding with external agencies, in part to ensure political continuity for their simplification initiatives following the election of new municipal councils.

Preliminary considerations in constructing a strategic plan involve a need to:

Describe the purpose and rationale: People need to understand *why* change is necessary. This involves ensuring that the purpose is explained in understandable terms and invokes a need to communicate with, initially, internal and, later, external audiences. Simplification is intended to provide tangible benefits to municipalities, but this may not be perceived as obvious and may need explanation or elaboration. Communicating the purpose should come from the municipal leadership to better ensure acceptance by employees, citizens and businesses.

Outline the anticipated result: Stakeholders need to understand *what* the outcome will be. This involves translating the concept of simplifying a particular process into a portrait of what's going to be different for the participants in that process. Will Clients stand in a line or sit in a waiting area? Will employees have to deal with another office or only other people in the same office? The portrait should not overwhelm employees to the extent that they question their role in the new process. For example, overemphasizing the role of technology in a designed regulatory process may make employees afraid of job losses and opposed to embracing changes in job functions.

This does not mean a detailed description or plan but it does mean that the outcomes must adhere to certain guiding principles. These principles can be found in the municipality's regulatory policy, which serves as one component of the framework surrounding the regulatory process to be simplified. Other components include the municipality's communications policy and, where inspections occur in relation to some processes, its inspection policy. If the municipality does not have any of these policies or they are inadequate, this means ensuring the policy framework supports simplification objectives and becomes part of the strategic plan.

Create plans: Stakeholders need to know *how* things will change. This involves project management aspects as well as transition management. While a project team may (or may not) have a direct role in the implementation of the simplification initiative, there will be a project “supervision” or “monitoring” role that will involve ensuring that these plan components are addressed.

Invite participation: Stakeholders want to understand *where* they stand in any simplification initiative. A change in a regulatory process or the act of transitioning to that changed process invariably results in questions about purposes, outcomes, plans and related topics such as timing or service standards. Informing them of the outcome is helpful, but involving them in the design process contributes to greater acceptance. If they participate in the process, they share

a responsibility in the result. They will help identify problems and potential solutions. With respect to employees, clients or other stakeholders, it also means that consultations become an important component in any simplification initiative.

Monitor implementation: Stakeholders need to know *how* things will change. This involves both project management aspects and transition management. Project teams, to the extent they have an advisory role in the implementation of the simplification initiative, should ensure that these aspects are adequately addressed.

When addressing the “human” element of simplification, in part, the strategic plan should consider:

- **“Old” and “new.”** Implementation also involves managing transition and making municipal officials understand that simplification involves not only moving to the “new” process but leaving the “old” one. It also involves ensuring that the “new” process does not revert to simply being a minor variation of the old one. This means that the municipality’s policy framework must be structured to ensure no steps, additional fees or any other unauthorized changes to processes are reintroduced.
- **Support and resistance.** Simplification involves releasing the “old” and embracing the “new,” which some people do not want or like to do. Understanding who will support change and who will resist it helps manage tension to the simplification initiative. This is an ancillary aspect of the diagnosis phase: how things are done now and who may be adversely affected in the future if a change in one or more steps is made.
- **Conduct and attitude.** This involves examining and revising the current regulatory process as to how municipal employees perform functions within the process in question. This needs to be factored into the simplification initiative at both a diagnosis and design phase and using service standards to define expected performance levels.
- **Problems and solutions.** Ironically, the emphasis is on problems as opposed to solutions. The solutions come out of the design phase as refined following consultations. However, acceptance of the solutions is derived from acknowledging and understanding the problems. This means that communications play an important role in informing stakeholders. Municipal leaders, in describing the purpose of the initiative to reduce resistance and promote acceptance, need to explain the problem to be solved rather than the solution.

The Elements of a Strategic Plan

I. Project Team Level

A project team should initially:

- Assess the development context of simplification of business regulations with respect to the country’s overall development priorities.

This would include an examination of the Country Assistance Strategy (CAS), the Poverty Reduction Strategy Plan (PRSP), and the project pipelines of multilateral development banks and bilateral donor agencies.

- Assess the general capacity of the municipality to undertake a simplification initiative.

A key determination will be the degree to which a municipality may rely on internal resources to undertake a simplification initiative and how much external resources may contribute to achieving the objective. Also, what resources and/or support from other agencies within the country at the federal, provincial/state, and local levels are available.

II. Municipal Level

Assuming sufficient capacity to carry out a simplification initiative, a project team should help the municipality to:

- Develop a sound policy framework to support the design of the regulatory process.

Any effective involvement of citizens or businesses in the use of a regulatory process must be supported by other ancillary aspects. For example, public trust in a process will be buttressed by access to the underlying legal authorities. This means that a regulatory policy must support transparency and a communications policy and plan that ensure public access to, or publication of, relevant legal authorities. It also means that the potential for abuse of any regulatory process is minimized to the extent possible. For example, a process to issue licenses to sell food may involve health-related inspections. Municipal policy in the area of inspections now becomes important, and the municipality should ensure that it circumscribes the discretion of inspectors so as to not compromise the main food license process.

- Establish effective oversight and governance.

Governance in this context means the organization of responsibilities for decision-making as they apply to the simplification initiative. It may involve an oversight committee and use project status reports as a means to monitor progress. If key decisions need to be made during the simplification design, an oversight committee approval may facilitate proceedings. If the municipality has an existing project governance model, it can be used here. If not, the municipal officials will need to define a governance model for the project to describe how project-related decisions will be made and who will make them before the project begins.

III. Joint Simplification Team Level

Upon its formation, a cross-functional team of external advisors and municipal officials to manage/oversee the simplification initiative (“simplification team”) should:

- Define the purpose of the initiative and outline its objectives.
- Examine the results of other simplification initiatives to find applicable “lessons learned.”
- Define simplification team roles and responsibilities.
- Subject to refinement later in the initiative, understand who may “support” or “resist” any process design.
- Create a communications strategy plan to provide -- on an on-going basis -- accurate information to stakeholders.
- Create a consultation process to permit participation and feedback from stakeholders as the initiative continues. This includes soliciting comments from employees and managers (and permitting sufficient time for input) as to how to change the regulatory process.
- Schedule and assign specific tasks associated with the initiative.

- Identify specific constraints that will affect process design.
- Establish specific milestones (in time or process) to determine progress toward short-term and long-term goals.
- Conduct a Regulatory Impact Assessment of the existing process.
- Organize a comprehensive review of the existing process at a “step-by-step” level.
- Create a detailed step-by-step description of the existing process.
- Create a process map to visually illustrate the existing process.
- Map the existing process to the applicable legal authorities.
- Measure the performance indicators within the existing process.
- Consider the role of technology in any design of the proposed process.
- Consider how best to make the proposed process accessible to Clients (e.g., using a One-Stop Shop).
- Create a step-by-step description of the proposed process.
- Create a process map to visually describe the proposed process.
- Map the proposed process to the applicable legal authorities and municipal policies, including its regulatory policy.
- Communicate to employees and managers their roles in the proposed process.
- Consult with stakeholders as to the proposed process.
- Assess the impact of the proposed process on the municipality as well as citizens and businesses that will use the process.
- Revise the proposed process in light of feedback received from employees, managers and external stakeholders as well as the results of regulatory impact assessment process.
- Finalize the Implementation Plan.
- Explain to employees and managers the revised process.
- Train employees and/or managers in using any technology to be deployed or procedures to be followed as part of implementing the new process.
- Publish a description of the new process for external stakeholders as well as any applicable legal authorities associated with the process.
- Structure any related processes to minimize their effect on performance measures associated with the process (e.g., inspections).
- Actively communicate the implementation of the new process to stakeholders (e.g., advertise its existence) and, if warranted, create symbols to permit easy recognition of the process (i.e., brand the process).
- Prepare an Implementation/Monitoring Report to document lessons learned from the initiative.
- Establish time frames for evaluation of the new process.
- Measure performance indicators and compare them to initial indicators to evaluate the process after implementation.

Chapter 4

Simplification: A Four-Phase Approach

Ensuring the simplification of a municipal regulatory process involves first defining objectives, analyzing the existing process, designing a new process, and then implementing that process.

Associated with the main task will be a secondary examination of related processes (e.g., inspections, payments, etc.) which also will require consideration in terms of whether or not they are required or how they should be structured.

A third consideration is the policy framework surrounding municipal regulatory processes. Whether it concerns changing existing processes or designing new ones, the municipality should adhere to certain principles in creating regulations and associated processes. These principles are articulated in a regulatory policy and require municipalities to carefully assess the consequences of regulatory choices as well as to consult and communicate such choices prior to making decisions. Project teams should clearly understand the municipality's approach in the development or review of any regulatory policies or regulations.

The balance of this chapter will provide project teams with a framework to consider these elements. Included in Annex A is a WorkBook to help project teams structure the planning and implementation of a simplification initiative. Relevant definitions may be found in Annex B.

Transparency and good government require consideration of the views of stakeholders in any regulatory process. Before undertaking any simplification initiative, project teams should recognize the importance of involving the private sector in this activity. As beneficiaries of the transition to a newer, simpler process, meaningful and on-going consultations with the private sector will serve to ensure that the process design will reflect the needs of users. As a result, consultation and communication processes form a significant component of any simplification initiative.

Project teams should recognize that simplification is not an isolated exercise. On-going maintenance of efficient regulatory processes requires periodic review of performance measures and action where those measures indicate a reduction in performance. A number of performance measures are discussed in this section.

Project teams should also recognize that simplification provides an opportunity to emphasize on-going attention to regulatory management by a municipality. The design of regulations and associated management processes is at the heart of government; mayors and councilors should be encouraged to provide incentives to municipal officials to foster the good design and management of regulatory processes.

A. The Diagnostic Phase

1. Define Purpose and Objectives

Defining the objectives of the process in question is important since the municipality should have objectives as its focus and not procedures. The project should focus at this stage on ensuring *what* is done instead of *how* it is done.

Simplifying Regulatory Processes		
Instead of a regulatory process that...		Ensure a regulatory process that...
Is designed to eliminate risk on non-compliance...	→	Achieves a balance between the risk and the cost of mitigating the risk and with a reasonable burden on businesses.
Has a significant administrative cost, either for the municipality or the Client...	→	Is streamlined to the extent possible to reduce cost, time and complexity.
Has evolved without an examination of possible consequences...	→	Has mitigated consequences, to the extent possible.
Has enforcement that is process-centered...	→	Is adaptive, results-based, and structured to address risks in order of priority.
Overlaps or conflicts with other regulatory processes or jurisdictions...	→	Is harmonized with other processes within the municipality, and does not place the municipality at a competitive disadvantage with other jurisdictions.

Source: This table is derived from material found in “From Deregulations to Regulatory Reform: The Next Steps,” Deregulation and Regulatory Reform Office, Government of British Columbia.

2. Conduct Capacity Assessment

A project team should first assess the capacity of a municipality, both in terms of existing operational and functional capacity to perform the regulatory process and its capacity to undertake a simplification initiative. “Capacity,” in this context, means the resources and capabilities of the municipality -- including its political leadership, management and employees, finances and technology -- to deliver services to the citizens and businesses and to achieve the objectives of simplifying municipal regulatory processes effectively, efficiently and in a sustained manner.

Since the initiative may already face both internal and external resistance, a capacity assessment will help ensure that any potential barriers to success are identified and the scope of the anticipated simplification initiative is appropriate. For example, proposing a large investment in information technology may not be appropriate for a municipality with limited money and/or personnel who can provide technical support.

Assessing capacity involves four aspects:

- Physical capacity.
- Human capacity.
- Financial capacity.
- Technological capacity.

Physical Capacity: Assessing physical capacity involves broadly examining the physical infrastructure. Can the personnel performing functions that form part of any process be co-located to reduce time and effort? Can inspectors be easily dispersed to various parts of the municipality to speed up their assignments? Is the location of the office(s) convenient for citizens and businesses? Is there sufficient space to accommodate personnel as well as

Clients? Is there sufficient office equipment and supplies? Is there a convenient location that can be used to consolidate client service functions?

As an example of addressing physical capacity issues, one part of the simplification initiative in La Paz, Bolivia was to install shelving in order to better organize the municipality's archives.

Human Capacity: Assessing human capacity refers to examining the applicable human resources, including staff levels, skill levels and pay levels. Design implications from this assessment include asking whether the municipality's staff have the required skills to undertake a simplification initiative. Are there enough employees to handle work loads?

Financial Capacity: Assessing financial capacity includes examining the broader financial constraints and challenges of the municipality, including its operational budgets and related shortfalls. It also includes determining whether the municipality has the required resources to undertake all or part of a simplification initiative. If not, what financial resources are available to assist? If new technology is being considered, does the municipality have the financial resources to implement such technology? Assessing financial capacity has important implications, especially with respect to requirements for external funding.

Technological Capacity: Assessing technological capacity requires examining the municipality's technology infrastructure. What technology base (types of technology and degree of deployment) does the municipality have? Will the purchase of additional technology be necessary? Ranging from basic office equipment to sophisticated hardware and software, how such technology is integrated into the regulatory process will have key implications for the design of that regulatory process.

Capacity assessment can be accomplished through a series of interviews/discussions with the political leadership and key municipal managers to objectively examine competencies, resources and limitations, not only of management but also of employees who will have a role in any design exercise as well as have a "front line" role of dealing with Clients in any new process. The capacity assessment and related consultations and analyses should be collaboratively undertaken by project teams and municipal stakeholders.

3. Conduct Detailed Analysis of Process

a) Assessing the Impact of the Existing Regulatory Process

One tool used in regulatory review processes is a Regulatory Impact Assessment (RIA). RIAs are also commonly used in the design phase to assess the impact of proposed changes to regulatory processes. See Section B.6 further. However, RIAs may also be used during the diagnosis phase in a more limited manner to assess the degree to which the regulatory process in question is consistent with the municipality's regulatory policy.

As part of the diagnosis phase, project teams may find it helpful to use the questionnaire found in Section B.6 (modifying the questions as appropriate) to obtain a strategic sense of where changes in regulatory process may be most beneficial.

**Assessing Existing Processes
The Example of Gradiska, Bosnia,
Analysis of Administrative and Regulatory Costs of Doing Business**

Fifteen existing procedural guides for clients were analyzed. These procedural guides outlined specific instructions on what documentation and procedures were to be completed for different business offices. These included:

- Municipal citizen registration system, counter services, and election lists
- Citizens' status (general administrative procedures)
- Offering of legal aid
- Exercising of demobilized soldier and disability rights
- Independent business and other activities
- Incorporation of enterprises
- Local procedures for entrepreneurship activities
- Issuance of urban permits
- Issuance of construction permit/licence
- Reports to urban planning and construction/building inspection
- Issuance of use permits
- Issuance of sanitary permits for the location, design and use of facility
- Permits and fees from the utility area
- Issuance of certificates for agricultural production
- Issuance of agricultural permits.

Two focus groups were organized:

- Municipal employees working on processing administrative procedures
- Business people within the municipality of Gradiska.

A survey was conducted that examined administrative and regulatory costs.

b) Mapping Existing Elements of Process

Following the strategic review of the regulatory process as a whole, a project team should conduct a detailed analysis of the activities associated with the process in question. Designing a business process requires an understanding of the elements of the existing process. This necessitates a review of the existing regulatory process by conducting an "as is" or "baseline" analysis, which involves:

- Reviewing the country's "Snapshot of Business Environment" and related "Doing Business" indicators and information on the [World Bank's Doing Business Database](#).
- Identifying all documents required to accompany the request in order to start the process.
- Identifying and analyzing each step in the processing of information.
- Identifying and analyzing the activities triggered by the request.
- Identifying and analyzing the results of the processing of information.

It is particularly important to note:

- (a) the step;
- (b) the purpose of the step;
- (c) who performs the step (and how many persons are involved in the step);
- (d) time elapsed since start of process;
- (e) documentation required by each step;
- (f) documentation generated by the step; and
- (g) location(s) of the activity.

Why document the process in this elementary manner? There are a number of reasons:

- The process may not have been previously documented.
- Legitimate changes in steps may have been introduced over time but not documented.
- Ad hoc changes may have been introduced by officials, over time to elicit informal payments, for unknown reasons, or at the request of elected officials.

Related Processes

In the diagnostic phase, related processes such as inspections also need to be examined. For example, inspections are an activity that may form part of the process or be a “post-process” verification activity to ensure compliance with regulatory requirements. Where they occur, inspections are an important aspect of ensuring regulatory compliance; yet they may also create significant bottlenecks in that they can produce time delays, cause the duplication of steps in the process or give rise to demands for informal payments. The subject of better structuring inspections is addressed in Section C.4.

A further question is whether the related process (e.g., an inspection) is required at all. It is important to consider not only how they are carried out but the underlying rationale and legitimacy of such related or ancillary processes.

Illustrative Process Analysis

Step	Activity
1.	In Office No. 1, the Client presents (1) a letter or application form containing the required information and (2) supporting documents to Clerk No. 1.
2.	Clerk No. 1 reviews the application form for completeness, checks the supporting documentation to determine whether any documentation is missing and may assist the Client in completing form where data fields within the form are incomplete.
3.	If the application form is complete and all documentation present, Clerk No. 1 will accept the application and documentation for transmittal to Clerk No. 2.
4.	A record of the application and documentation is logged manually or electronically either by Clerk No. 1 or another person within Office No. 1 designated to perform this task.
5.	In Office No. 2, the Client presents a fee in an acceptable financial instrument to Clerk No. 3.
6.	A record of the processing fee receipt is logged manually or electronically either by Clerk No. 3 or another person within Office No. 2 designated to perform this task.
7.	The application and supporting documents are received by Clerk No. 2 in Office No. 1 for further processing.
8.	Clerk No. 3 in Office No. 2 forwards the fee to the Office No. 3 (Finance) for deposit to municipal bank account and issues receipt.
9.	Client provides copy of receipt to Clerk No. 1, who provides to Clerk No. 2
10.	If further documentation is required, Clerk No. 2 in Office No. 1 will make written request to the Client for additional documents.
11.	If an inspection is required, Clerk No. 2 in Office No. 1 will assign an inspector.
12.	Inspector No. 1 in Office No. 4 contacts the Client to arrange a time and date for an inspection.
13.	Inspector No. 1 visits Client’s premises and conducts inspection.

14.	Inspector No. 1 prepares inspection report.
15.	Inspector No. 1 files inspection report in Office No. 4 (Inspection files) and sends copy of report to Clerk No. 2.
16.	Clerk No. 2 in Office 1 receives report, notes completion of inspection; files inspector's report (positive) in Client's file, notes all requirements for request have been met; prepares request for issuance of approval (e.g., license, permit) and passes file to Clerk No. 4 in Office No. 1. OR Clerk No. 2 receives report, notes completion of inspection; files inspector's report (negative) in Client's file, notes failure to meet requirements for request; and passes deficiency form to Clerk No. 4.
17.	Clerk No. 4 receives request for issuance of approval; prepares approval for signature by Municipal Official No. 1 in Office No. 1. OR Clerk No. 4 receives deficiency form indicating negative inspection report and prepares letter noting deficiencies.
18.	Municipal Official signs approval (e.g., license, permit) and returns approval to Clerk No. 4. OR Municipal Official signs letter noting deficiencies and returns letter to Clerk No. 4.
19.	Clerk No. 4 sends approval or letter of deficiency to Client and sends copy to Clerk No. 5 in Office No. 1.
20.	Clerk No. 5 mails approval or letter of deficiency
21.	Client receives approval or letter of deficiency.

The above illustration shows six people in three offices working through an approval process involving an inspection, but it does not take into account any verification of submitted documentation. Once compiled, the results may be characterized in a manner similar to that presented in the process table below:

Illustrative Process Table

Step No.	Description of Step	Purpose of Step	Performed by	Time Elapsed	Document Submitted	Document Created	Location of Activity
1	Submission of request and documents	Initiate approval process	Client	0 days	Application & Other documents	None	Office No. 1
2	Review of submitted documents	Ensure completeness of application	Clerk No. 1	0 days	None	None	Office No. 1
3.	Transmittal of file	Further processing	Clerk No. 2	1 day	Application & Other documents	None	Office No. 1
4.	Record of application	Records receipt of	Clerk No. 1 or	1 day	None	Record of Receipt of	Office No. 1

		completed application and required documentation	designated individual			application	
5.	Submission of fee	Payment of Required Fee	Client	0 days	Cash, check or acceptable financial instrument	None	Office No. 2
6.	Receipt of payment of fee	Ensure payment of associated fee	Clerk No. 3	0 days	None	Receipt	Office No. 2 (copy to Office No. 1)
7.	Receipt of file	Further processing	Clerk No. 2	3 days	None	None	Office No. 1
8.	Forwarding of fee	Deposit fee	Clerk No. 3	1 day	None	Entry on Payments Received Document	Office No. 3 (copy at Office No. 2)
9.	Request for additional documentation	Seek required documentation	Clerk No. 2	4 days	None	Letter	Office No. 1
10.	Assignment of inspector	Initiate inspection	Clerk No. 2	7 days	None	Inspection Request	Office No. 4 (copy Office No. 1)
11.	Arrangement of inspection	Fix time and date of inspection	Inspector No. 1	8 days	None	None	Office No. 4
12.	Inspection	Conduct inspection	Inspector	13 days	None	Inspection Notes	Office No. 4
13.	Preparation of Inspection Report	Indicate results of inspection	Inspector	17 days	Inspection Notes	Inspection Report	Office No. 4
14.	Submission of Inspection Report	Report on results of inspection	Inspector	20 days	Inspection Report	None	Office No. 1 (copy Office No. 4)
15.	Request for issuance of approval	Complete process	Clerk No. 2	25 days	Inspection Report	Request for issuance of approval	Office No. 1
15	Request for Deficiency Letter	Provide notice of deficiencies	Clerk No. 2	25 days	Inspection Report	Deficiency Letter	Office No. 1
16	Processing request for issuance of approval	Complete process	Clerk No. 4	30 days	Request for Approval	Approval	Office No. 1
16	Processing preparation of Deficiency Letter	Provide notice of deficiencies	Clerk No. 4	30 days	Request for Letter	Deficiency Letter	Office No. 1
17.	Signature of approval or Deficiency Letter	Completes Process	Official No. 1	34 days	Approval	Signed Approval or Deficiency Letter	Office No. 1
18	Transmittal of approval or Deficiency	Send client approval or deficiency	Clerk No. 4	35 days	Signed Approval or Deficiency	None	Office No. 1

	Letter	letter			Letter		
19	Mailing of approval or letter	Send client approval or deficiency letter	Clerk No. 5	36 days	Signed Approval or Deficiency Letter	None	Office No. 1

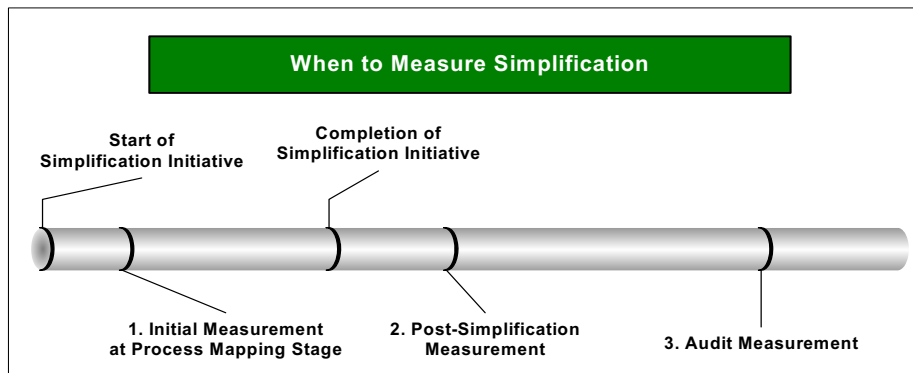
By assembling this information in a process table, project teams and municipal officials will be able to better understand the specific elements of the process being considered for simplification. A template of the above Process Table is found in Annex E.

4. Define Performance Indicators

“What gets measured gets done.”¹⁶

Fundamental to the simplification process are performance targets. Project teams will need to ensure that performance is measured from the very inception of the initiative to ensure that performance targets are met. Without accurately recording data, project teams will not be able to determine whether the municipality has met its goals.

In order to determine whether a simplification initiative has been successful, it is necessary to conduct an evaluation, essentially taking a “before” and “after” snapshot of performance. To do this, the diagnostic phase should include a benchmarking exercise to capture performance indicators prior to the process design.



Intuitively, “faster” and “more municipal revenue” seem obvious candidates but there are no uniformly defined performance indicators. A survey of simplification efforts to date reveal certain common “objectives” but still no precise definitions which would permit accurate international comparisons of how changes in policy and process affect performance.

Clients usually measure the effectiveness of simplification in terms of whether the number of “inputs” required has diminished and whether the total time and cost of completing the process have been reduced. Municipalities, on the other hand, consider revenue-generation, increased economic development, positive Client feedback, cost reduction, and efficiency as key performance indicators.

The following are factors which should be considered when “measuring” simplification.

Number of Documentary Requirements

The number of documents (e.g., certificates, licenses) required to be submitted in connection with a request associated with the process in question.

Clients are generally required to provide information and/or documentation in order to begin the regulatory process. Sometimes, in order to complete one process, a second process must be initiated (e.g., a business license registration requires tax number issuance).

An application form providing contact information is often a minimum requirement. What follows is supporting documentation to prove some aspect of the Client's status or the request for copies (sometimes notarized) of incorporation or identity documents, leases, certificates or statements of registration with another municipal or government office. In La Paz, Bolivia, the pre-simplification municipal business license requirements numbered 16 for establishments seeking to sell food and alcoholic beverages, 13 for those seeking to operate electronic arcades or on-line/Internet cafes, and 10 for those seeking to engage in general economic activities.¹⁷

Each preliminary requirement introduces a point where the process may fail to begin, causing delays in obtaining the approval, multiple visits by Clients, more time spent by municipal employees. One objective of a simplification initiative is to examine each preliminary requirement and remove it if it is not necessary, or if it can be satisfied by reference to another process. For example, if another office within a municipality has already determined that the requested documentation or information is satisfactory -- for the purposes of another process -- then there may be no real need to request the documentation a second time. In some countries, the issuance of a passport requires a criminal record check. If a Client has a passport, he or she has obviously satisfied a criminal record check requirement, and proof of a valid passport should mean that such a check is not required a second time.

Number of Steps in Process

The number of individual elements associated with a particular process.

This is one of the more obvious performance indicators to measure. Each municipal process can be broken down into a series of steps. Each step means a potential point where delays can occur, with more time required by Clients to address the step, more opportunities for officials to seek informal payments, or more situations where simple human error may occur. An objective of a simplification initiative is to reduce the number of steps to the minimum required.

Number of Visits at an Office

The number of times a Client (or representative) has to attend a municipal office to complete one or more steps in a process.

This indicator is important because it contributes to delays in completing regulatory processes. An increase in the number of attendances may occur because Clients and/or municipal employees may not fully understand the process steps or the information required to complete the process. Fragmented processes (e.g., filing of documents in one office; payment of fees in another) also cause an increase in the number of attendances.

The use of "One-Stop Shops" is one way of reducing attendances. See Section C.2 for a discussion of One-Stop Shops.

Time to Complete Process

The number of days, or hours, between the date of the submission of a request to initiate a process, with all required supporting documentation, and the date of the associated approval.

This is the most visible and valuable performance indicator, because it reflects the benefits associated from efficient processes, namely, increased volume of completed requests, increased revenue as well as intangibles such as increased client satisfaction, and increased employee morale.

The less time needed to complete an individual process, the better the efficiency of the municipal office. An objective of a simplification initiative is to reduce the time to complete the process to the minimum required.

Cost to Client

The cost to a Client as represented by (i) filing fees and (ii) cost of time spent attending municipal offices in connection with uncompleted requests.

Fees commonly serve as a significant revenue source for municipalities. An objective of a simplification initiative is to reduce the cost of the regulatory process to the *Client*. This need not mean a decrease in municipal revenue, since an increase in the volume of applications would result in an overall increase in municipal revenue.

Clients would benefit, since ancillary costs would decrease. Less requirements would mean less supporting documentation and less cost to produce such documents. Less time attending municipal offices would permit Clients to spend time more productively on business.

It is arguable that any comprehensive measurement of the total cost to a Client should also refer to fees for secondary documentation required for submission as part of the request as well as fees paid to unofficial brokers to submit the request on behalf of the Client. This can occur when the Client does not know and cannot learn all the elements of the regulatory process in question. It is easier to pay a broker, since it may take less time to complete the regulatory process. A further cost element to consider, though more difficult to establish, is informal payments made to municipal officials to facilitate an approval process.

It is important to note that reducing the cost of *becoming* formal is different from the cost or benefit of *being* formal.

Cost to the Municipality

The cost to the municipality consists of overheads to administer the procedures including staff, office, utility, equipment costs.

Usually it is quite difficult to measure the administrative cost per procedure. However, it is advisable to identify the administrative cost of, for example, the department issuing licenses per each issued license.

Simplification reforms allow municipalities to reduce such cost as new procedures are easier and more streamlined. This indicator helped the municipality a lot providing visible benefits of the efforts to simplify their procedures.

It can also be used as a valid argument to convince the management of other municipalities when expanding the simplification project to new municipalities.

Time to Complete Inspection

The number of days, or hours, between the date of the submission of a request to initiate a process, with all required supporting documentation, and the date of the submission of the inspection report.

For regulatory processes that require an inspection, this performance measure can serve as an indicator of how the inspection step in the process affects the overall time and cost of a regulatory process.

Generally, the fewer the number of days to complete an inspection, the faster the regulatory process. Less time to complete inspections often reflects policy measures (e.g., time-limited inspection periods, the use of inspection checklists) to induce such faster times. Less time to complete inspections also means less ability to inhibit the regulatory process with correspondingly less opportunity, where it may occur, for municipal officials (whether inspectors or not) to request informal payments.

5. Analyze Existing Legal Authority

One important element of the diagnostic phase is a legal review. Breaking down the process into its constituent elements should also involve reviewing municipal documentation, including any by-laws or municipal regulations and interviews with stakeholders (i.e., municipal employees, Clients). Once the steps in a process have been identified, a secondary, *legal* analysis should be conducted to determine which of the steps are based on provisions embodied in the applicable laws, by-laws, decrees, regulations or orders (“Legal Authority”).

This legal analysis permits the simplification team to assess those steps which are essential and those which are not, within the existing legal framework. Furthermore, it serves to alert the simplification team to areas where legal reform may be required. It also permits the simplification team to ensure that contemplated steps in the redesign fall within the governing Legal Authority.

In Peru, for example, a legal analysis of the business license process uncovered that many of the “requirements” for obtaining a business license had no legal foundation. These steps had been included in the process simply because “this was the way things had always been done.” The legal analysis, carried out by a lawyer who was a part of the simplification team, enabled those managing the simplification process to determine which of the steps were critical (since they were founded on the applicable laws and regulations), and which could potentially be removed if no other justification or rationale was found for their inclusion.

Nova Scotia

The Canadian province of Nova Scotia undertook a review of legal authorities as part of a simplification initiative.

The Province was determined to remove inconsistencies and conflicts between federal, provincial and municipal levels of government.

Between 2001 and 2004, 35 acts and 112 regulations were reviewed, with many of these repealed, updated, reviewed, and simplified.

Consistent with the municipality's regulatory policy, the Legal Authority should be made in advance of when it is to apply, operate prospectively, and be publicized or otherwise made available to those to whom it applies.

A key consideration, especially where inspectors are used in a regulatory process, is that the Legal Authority applies prospectively. This means that the Legal Authority should avoid conferring the power to create rules on a case-by-case basis. An example would be: "No person shall operate a store that, in the opinion of the inspector, has lighting that creates unsafe conditions." In order to be prospective, the Legal Authority should specify the criteria to determine what lighting conditions are unsafe.

In verifying the Legal Authority that will underscore the regulatory process, consideration will have to be given to administrative and constitutional law principles in force in the country in question. However, some general issues should be considered:

- What is the relevant Legal Authority? All of the laws, regulations, by-laws, orders, etc., that apply to the process under review must be identified and then examined.
- Is the Legal Authority still in force?
- Has the Legal Authority been amended? If so, have the steps in the process been updated to reflect the amendments?
- Is the scope of the Legal Authority sufficient to cover all aspects of the contemplated process design? If not, then consideration may have to be given to possible legal reform.
- Is each step contemplated in the anticipated process design covered under the specific Legal Authority? If not, are those steps that are not covered under another Legal Authority?
- Is the Legal Authority in more than one language? If so, is one version narrower in scope? If yes, is its scope sufficient to cover all aspects of the anticipated design?
- Does any step contemplated in the anticipated process design conflict with any other requirement imposed by another Legal Authority in force?
- Does the Legal Authority avoid permitting an individual to make rules or decide compliance on a case-by-case basis?
- Does the Legal Authority contain vague language to permit enforcement officers to enforce it in any manner they wish? If so, the anticipated process design should attempt to address the potential for subjectivity through the creation of a clear, objective policy on how to interpret the Legal Authority.
- Is the Legal Authority insufficient, adequate or excessive for the purposes of dealing with the particular process?

Colombia
Since 1991, Colombia has issued a series of decrees to simplify procedures and eliminate regulations:
<i>Decree 1250</i> – Simplified bureaucratic procedures and implemented one-stop windows for all user services.
<i>Decree 410/71</i> – Delegated responsibility for business, bidder, and non-profit organization registries as well as for arbitration and conciliation centers to the Chamber of Commerce.
<i>Law 527/99</i> – Granted legal force to registration by electronic means.

The process of verifying the Legal Authority will permit the simplification team to evaluate the legal foundation of the existing process and to design a process that complies with applicable laws. It also serves to alert the simplification team to areas in which legal reform may be required, or where uncertainties in the Legal Authority should be addressed through policy guidelines. For example, if the Legal Authority permits individuals to make rules or decide

compliance on a case-by-case basis, there is a strong potential for subjectivity, which could in turn lead to uncertainty, delays, extra costs and inefficiencies. When a legal review uncovers the potential for subjectivity, steps may be incorporated in the process design (such as the implementation of an inspection policy) to reduce subjectivity and minimize this deficiency in the Legal Authority until such time as it can be amended.

6. Ensure Regulatory Policy Supports Simplification

Examining a municipality's regulatory policy is important in any simplification initiative since it provides the framework that will govern any regulatory process design.

Assessing Regulatory Policy: A Checklist

A municipality's regulatory policy should:

- Define the objectives of each regulatory process.
- Support the good design of regulatory processes.
- Require reviews to revise outdated steps in regulatory processes or eliminate obsolete processes.
- Ensure the effective implementation of regulatory processes.
- Provide measured, adequate and sufficient enforcement.
- Avoid conflicts with other regulatory processes.

A sound regulatory policy should ensure that the design of any change in regulatory processes is consistent with the other elements of that process and with other regulatory processes. These principles will ensure that the changes will be implemented effectively and enforced with a balanced commitment of resources.

Crafting or Revising a Regulatory Policy

In order to simplify existing regulatory processes, maintain designed regulatory processes, and facilitate simplification of other regulatory processes, project teams should ensure that municipalities adopt certain fundamental principles that will guide simplification initiatives and ongoing regulatory activity. These principles should be codified in a municipal regulatory policy and published so as to ensure that all stakeholders understand how the municipality will manage its regulatory processes.

Principles for a Municipal Regulatory Policy: A Checklist

Before a municipality develops or changes a regulation, or a process (including a document or information requirement), the regulatory authority within the municipality should ensure that:

- The regulation is necessary, limited as appropriate, and publicly justified.
- The regulation's impact is assessed and the benefits are found to outweigh the costs to citizens and businesses.
- Any adverse impact on the capacity of citizens and businesses to generate income and employment is minimized.
- Other options to conform to the municipality's objectives, without imposing a regulatory requirement, are given positive consideration.
- The regulation, as well as that of any ancillary instruction or guidance, will be clear, simple, and in plain language.

- Citizens and businesses will be informed before the regulation takes effect, given time to comply, and be clearly informed what happens in the event of non-compliance.
- Information and administrative requirements are limited to what is absolutely necessary and impose the least possible cost on citizens and businesses.
- Citizens and businesses are consulted, and they have sufficient opportunity to participate in developing or modifying the regulation, information requirement or process.
- The municipality will adhere to agreements or arrangements that it enters into.
- The regulation's enforcement or compliance will be directed so that the limited resources of the municipality are used where they will have the most positive effect.
- Coordination with other municipal offices, governments or agencies, where appropriate, will occur.
- Regular periodic review of the regulation or process will be conducted to ensure that it is still necessary or effective.

B. The Design Phase

Once there is a clear picture of the existing regulatory process, the next phase involves designing and simplifying that process. There are a number of different aspects to consider in approaching simplification. It is important to emphasize that this phase requires thinking in terms of “business process re-engineering” -- of changing a regulatory process, or aspects of it, to improve the performance indicators that have been determined as being important to the municipality.

1. Simplify Information Submission

This aspect of the design phase involves:

- Examining each requirement to determine whether a submission is necessary.
 - If yes, considering whether an alternative can be used. (e.g., evidence that some acceptable agency has already accepted/examined the documents in question).
 - If no, removing the requirements which are not necessary.
- Examining the means by which information is submitted.
 - If no forms are used, using forms to ensure only limited information is required.
 - If forms are used, simplifying forms to use plain language and remove any unnecessary information fields.
- Documenting these possible changes for consideration in the design phase.

Two further aspects to consider are the lack of coordination between departments within a municipality and the perceived need to verify a request. In the first instance, for example, the need to submit evidence to obtain one approval from another agency may sometimes be accompanied by a need to submit the same information for another approval in another department.

With respect to verifying information, a culture change may be required in that municipalities need to “presume” that the Client is telling the truth when making a request for an approval. This “presumption of truth” means that less supporting documentation will be required. Less documentation means less time needed to prepare a request and less processing and storage by the municipality upon receipt of a request. Simplification initiatives in Bolivia and Nicaragua have embraced this presumption as a core tenet.

2. Simplify Identification

The next aspect to consider is the identification of the Client or, in cases where the Client has multiple dealings with the municipality, the identification of the matter and its association with the Client. Sometimes people with the same name may make a request under the same regulatory process, or variations in the spelling of names may occur, which causes delays and possible confusion in the processing of matters under the regulatory process. Avoiding confusion involves ensuring that:

- A Client number is assigned to each Client dealing with the municipality and recorded.
- Where a Client has more than one dealing with the municipality, a separate file number is assigned to each matter.
- The Client is provided with the file number.
- The Client is instructed to refer to the file number in each inquiry with a municipal official.
- Municipal employees are trained to use the Client/file number in connection with each document provided or created in connection with each request.

Simplifying identification helps ensure that documentation is placed in the correct file and assists in organizing a filing system that permits staff to have easy access for inquiries or in conjunction with further steps in the process.

3. Examine Time Frames

Each step in a process takes time to complete. The question then becomes whether the time taken, as determined during the comprehensive review, is excessive, since one of the objectives is to reduce the “time to complete process.”

The effects of simplification on time frames can be significant. For example, initiatives in Mexico City have substantially reduced the approval time for formalities related to new businesses. Prior to reforms, the average approval time was 46 days for low-risk activities and over 200 days for higher-risk “controlled” activities:

Maximum Permissible Response Times for Formalities Related to Business Openings (Sistema de Apertura Inmediata de Empresas)				
Formality	Low-Risk Activities		Controlled Activities	
	Before	After	Before	After
Notice of Opening	1 hour	Immediate	-	-
Registration of Fixed-Point Pollution Source or Wastewater Discharge	15 days	4 days	-	-
Zoning Certificate	15 days	2 days	1 day	1 day
Fire Safety Authorization	15 days	Eliminated	15 days	Eliminated
Construction License	1 day	1 day	1 day	1 day
Land Use License	-	-	21-30 days	5 days
Operational Safety Authorization	-	-	Immediate	Immediate
Evaluation of Environmental Impact	-	-	30, 45, 60, or 90 days	6 days
Operating License	-	-	30 days	Eliminated
Authorization for Industrial Operations	-	-	15 days	Eliminated
Total	46 days	7 days	over 200 days	21 days

Source: FUNDES, *International Practices and Experience in Business Start-Up Procedures - Final Report*, June 1999.

This aspect of the design involves:

- Examining each step to determine the time actually taken to complete that step.
- Examining what influences the time taken. For example, sending an individual to another office to pay fees means there is time taken to travel to that office, to wait at that office until the fee is actually paid, to take a receipt back to the first office to prove payment was made or, alternatively, to wait until the second office communicates to the first office that the fee has been paid.
- Determining how the time taken can be reduced. For example, making payment in the first office at the time of the submission of the request would eliminate all time associated with the second office.
- Documenting these possible time-reducing changes for consideration in the design phase.

4. Design Process

In addition to examining information submission, Client identification, and time frames for step completion, simplification involves taking a series of steps that currently exist and reducing them to the minimum number required. This involves:

- Determining whether the location of the steps can be combined (e.g., whether certain steps done in different offices can be done in one office).
- Determining whether any related or ancillary processes (e.g., inspections) are necessary and, if so, whether they should be streamlined or simplified.
- Determining whether the performance of steps can be done by fewer people.
- Determining whether service standards can be imposed to reduce the time needed to complete a step.
- Determining whether a step is necessary. For example, if the Director of an Office has to sign an approval, unnecessary time delays may occur if that official is out of the office on business or on vacation. Does the Director of an Office need to sign an approval? If appropriate audit mechanisms exist, the issuance of an approval need not be done by only one official. In order to avoid possible delays, several officials could be authorized to issue approvals.
- Creating a process map to describe the revised process. Understanding the revised process is important to identify all aspects of the contemplated changes; raise questions as to linkages between steps; and provide officials, employees and stakeholders a common vehicle with which to communicate. It maps those who perform steps with activities and maps steps within the whole process.
- Examining the proposed changes in terms of the municipality's organizational structure and information technology systems.
- Removing those elements that are not necessary or that can be combined with other elements.

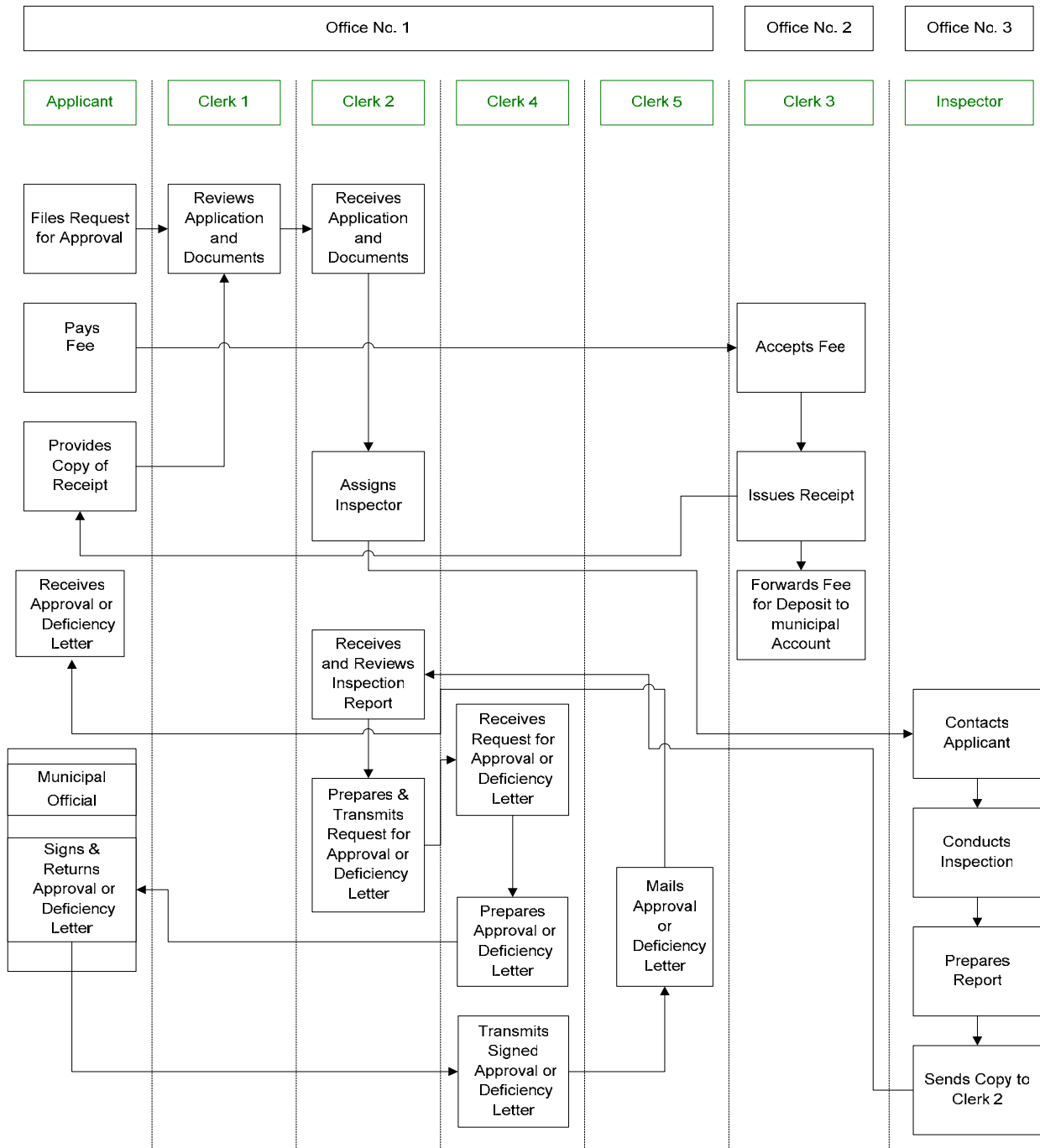
Process Map

A process map is a visual representation of the work-flow and illustrates the document/information requirements, how they are submitted and what happens to them in the course of creating an approval.

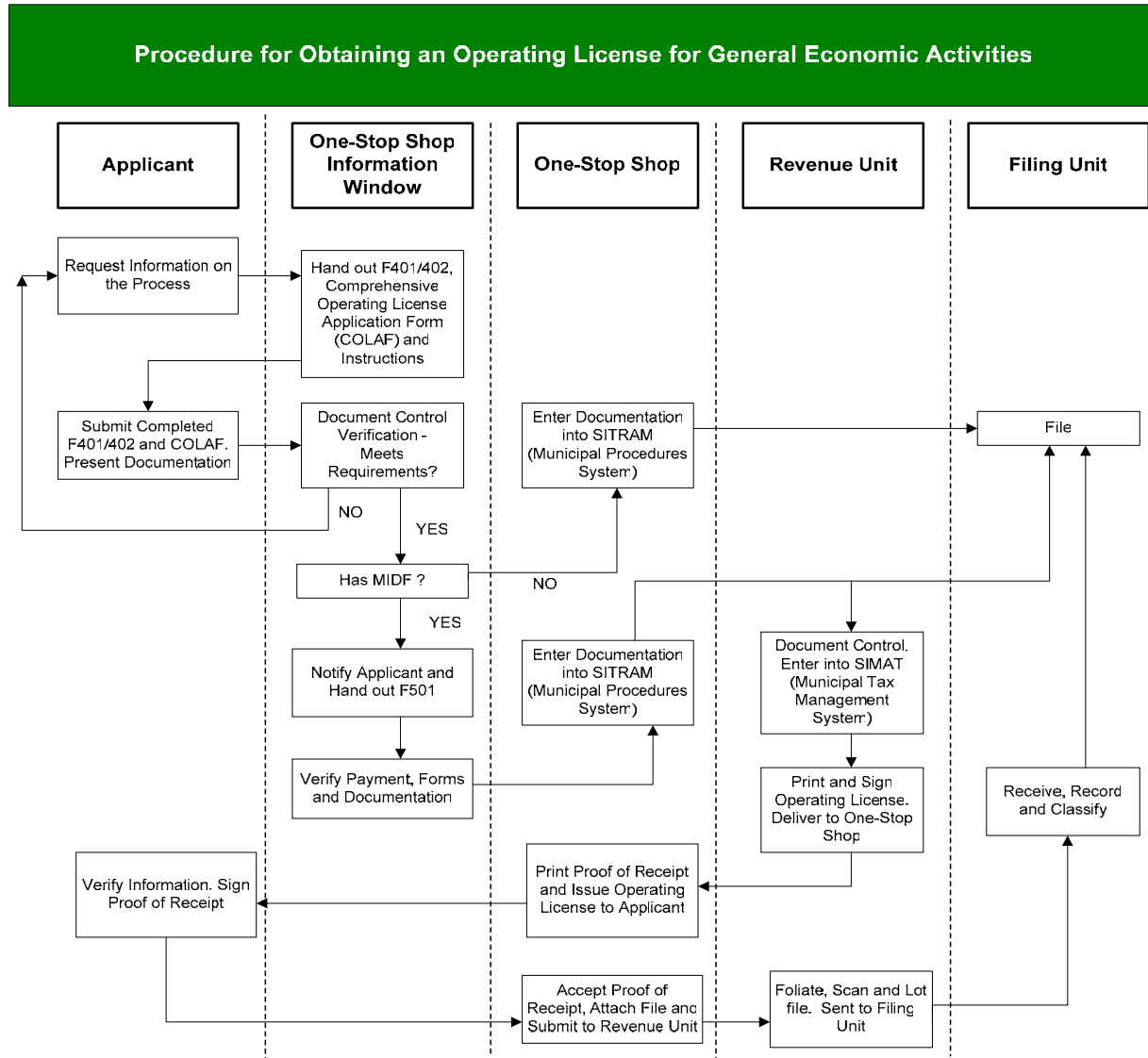
A good process map will allow people unfamiliar with the process to understand the work-flow and the activities and information associated with each step.

Software programs such as Microsoft Visio, Excel or Power Point or their equivalents can be used to easily create process maps, but it can also be a paper-based process.

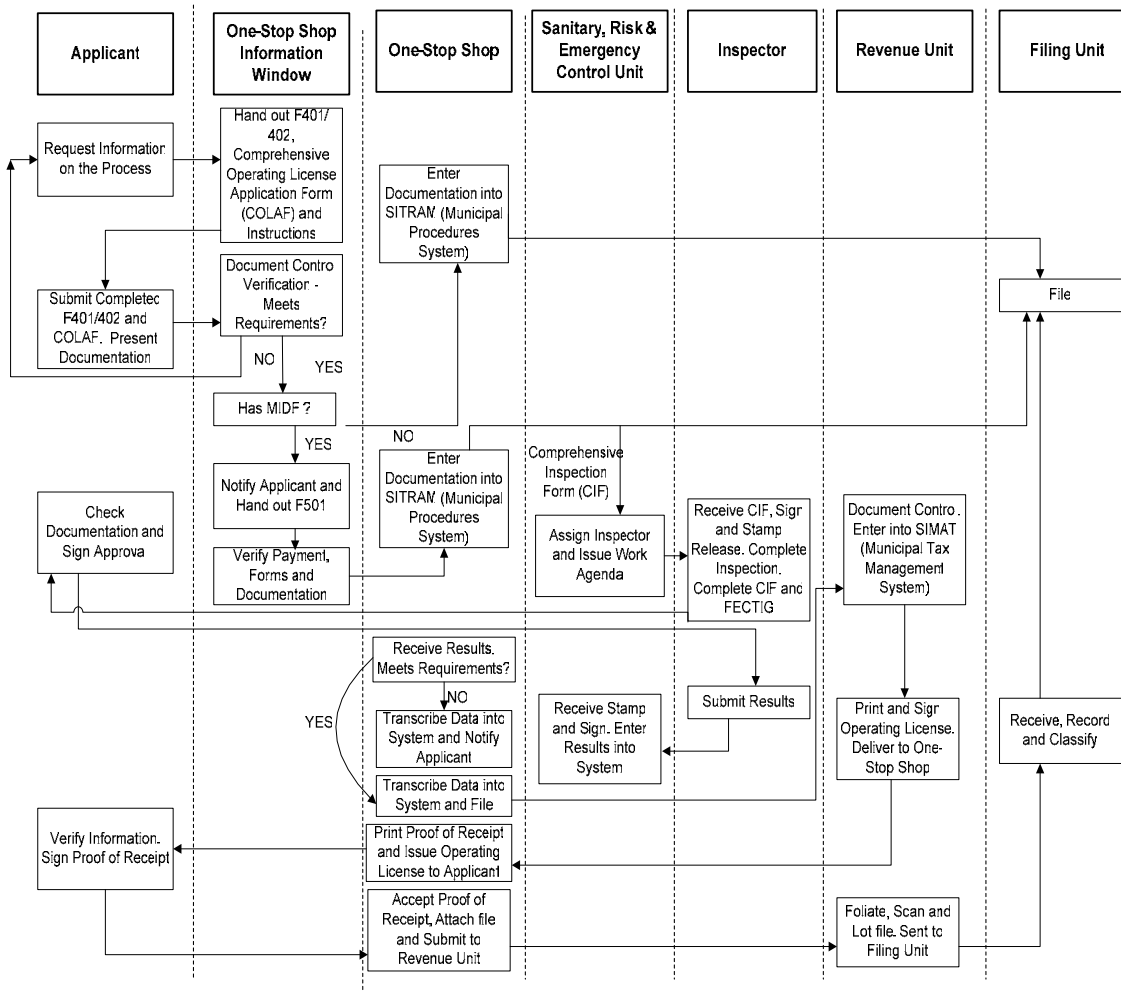
Process Mapping: An Illustration



Applying this technique to the processes to obtain a license for (i) general economic activity and (ii) food and beverage establishments in La Paz, Bolivia results in process maps like these:



Procedure for Obtaining an Operating License for Food and Alcoholic Beverage Retailing Establishments



5. Consider the Role of Technology

For the purposes of simplification, an important consideration is the fact that information technology can have a useful, even important, role in the design of a regulatory process. Indeed, the proposed implementation of new technology may serve as a catalyst to simplification. It should be noted that the use of technology is not a panacea and will not be beneficial if the associated regulatory process is not streamlined. However, the use or non-use of technology should not dictate whether or not simplification should occur. It may be feasible, and desirable, to reform a regulatory process even if no change in technology is contemplated or no use of technology is even considered.

As noted earlier, any municipal regulatory process involves inputs, steps and outcomes. The use of technology is well suited to the management of inputs, steps and outcomes because they involve the communication, distribution and processing of information. In many parts of the world, suitable technology is readily available.

The Benefits of Technology

In terms of process design, the inherent capabilities of software and associated hardware means that information technology may contribute to a simplification initiative by allowing a municipality to:

- (a) Convert individualized steps into routine transactions.
- (b) Reduce steps by permitting more direct communication (i.e., removing intermediates that previously had the role of relaying information).
- (c) Permit multiple steps in a process to occur simultaneously.
- (d) Track inputs and outcomes to ensure service standards are being met.
- (e) Organize and provide statistical information about the process for evaluation purposes.
- (f) Permit the redeployment of employees to more complex tasks in order to make the process faster.
- (g) Eliminate the effect of geography -- to the extent personal contact is not required -- by permitting the submission of information over large distances.

Technology may also contribute to increased transparency by permitting the widespread and easy dissemination of process requirements. An example can be seen in La Paz, Bolivia, where the only complete, up-to-date, *single* copy of the municipality's building code was scanned and then placed on the city's web site in order to be accessible by citizens and businesses.

An obvious step in any simplification initiative is whether the municipality has the resources to incorporate and deploy technology, which means asking:

- Does the municipality have the capacity to plan the deployment of technology?

It makes little sense to consider technology solutions if the municipality does not have the people to determine how to incorporate it into the business processes. Consultants may be used to provide a comprehensive solution but the use of experts has to be factored into the cost of the simplification initiative.

- Are other municipalities or levels of government to be involved in the design process?

The multijurisdictional deployment of technology may permit the municipality to leverage the work of other governments or levels of government.

- What is the state of the municipality's information technology infrastructure?

Operating a web site requires web servers. Providing employees with computers requires training personnel to show employees how to use the technology. Such an infrastructure requires support personnel to maintain hardware, to answer questions when Clients or employees have questions, or to fix problems with hardware or software that malfunction. It also requires a program to recruit, train and retain IT personnel.

The Benefits of IT

Quezon City, in the Philippines, realized the benefits of several IT-related initiatives:

- A central database for tax assessment and payment.
- Elimination of fake tax receipts.
- A "cleansed," reliable list of business taxpayers.
- Limits on the discretion of municipal employees to determine tax amounts payable.

- Are there the ability, willingness and desire of Clients to operate in an electronic environment?

While municipalities may want to permit Clients to submit information electronically, this also assumes that they can or want to do so. If the vast majority of citizens do not have a computer or Internet access, building a web site makes little sense. Similarly, in multilingual countries, the number of languages in which service is to be provided influences the degree to which available information and services will be used. Finally, the education levels of citizens and their ability to use technology similarly affect the “uptake” of services.

- Does the legislative framework permit the municipality to operate in an electronic environment (given that the operation of a program in a particular manner is derived from a legal authority)?

This question would arise in the context of a Client submitting information as opposed to a municipality’s internal use of technology. For example, if a document to be submitted as part of the contemplated design still requires the signature of a notary, it must be determined whether the Legal Authority permits the omission of that requirement or permit an electronic equivalent. If the Legal Authority does not or is unclear, then the possible use of technology may require a change in the Legal Authority -- the timing of which has to be factored into the simplification project plan and added as a task to complete. If timing is an issue (e.g., due to political reasons such as upcoming elections), it may be necessary to avoid the use of technology in some instances until such time as the Legal Authority can be changed.

- Can the municipality afford the indirect and direct costs of using technology in connection with the process being designed?

This question concerns the existing degree of development (e.g., the nature and extent of existing telecommunications and service infrastructure) and capital availability to fund the transformation of municipal business processes.

Considering the Role of Technology: A Checklist

Factors in the deployment of technology involve consideration of:

- The current state of planning mechanisms within the municipality and its Information Technology infrastructure.
- Whether other governments will be involved in the design process.
- The ability of potential Clients to use technology.
- Current legislative and policy frameworks that may influence the use of technology in connection with the designed process.
- Whether funding is available for the deployment of technology.

Considering the role of technology in a simplification initiative has a number of ancillary benefits. It permits municipal policy-makers to become aware of the issues to be addressed in developing strategies for the deployment of technology. It also helps create a framework for municipal officials that structures their planning and prepares them for dealing with contractors in information technology projects. It will also assist the preparation of proposal solicitation documents (e.g., terms of reference).

6. Assess the Proposed Process

After designing the regulatory process but before providing it to stakeholders for comment, it is important to assess the proposed design against the principles of the municipality's regulatory policy. The initial development of that policy was designed to provide a framework against which to review proposed policies and regulatory processes. The object is to ascertain whether the proposed regulatory process is consistent with the principles of that regulatory policy. One tool to use in conducting this assessment is a Regulatory Impact Assessment (RIA) Statement; another is a Business Impact Test (BIT). While not panaceas, they provide useful tools to review the quality of proposed processes and design changes.

Regulatory Impact Assessment

A Regulatory Impact Analysis is a tool that can be used to assess both the possible implications of a proposed regulatory process and the current consequences associated with existing process.

RIAs have been recognized and used as a tool in most OECD countries and, to a much more limited degree, in developing countries in order to understand or, at least, gauge the economic and social impact of regulations and associated regulatory processes.

In order to avoid possible confusion, it should be noted that an RIA is distinct from a related tool -- the Sustainability Impact Assessment (SIA). An SIA is a process used to identify economic, social *and environmental* impacts of a proposal. The European Union (EU) has used SIAs in the context of trade agreements. Our focus here is to discuss the use of an RIA process to ensure the appropriateness of the proposed design of a regulatory process in the context of a simplification initiative.

An RIA is a process to collect evidence to support decisions to be made in connection with the process design. There are three main components to an RIA:

- (a) Posing questions in a structured manner to ensure all aspects of a proposal are considered. "Step C requires a Client to submit Documents 1, 2, 3. Do we want this to happen?"
- (b) Examining the potential impact of choices in the design. "Doing X increases the likelihood of Y. Do we want this to happen?"
- (c) Communicating to planners and decision-makers the consequences of proposed choices and to stakeholders so they understand how the changes may affect them.

Using the requirements of the municipal regulatory policy as a framework, the questions usually found in an RIA Statement primarily focus on the regulatory requirements underpinning the process. Here, the questions, drawn from a number of RIA frameworks, have been adapted to focus not only on the regulation but also on the process.

Category	Questions	Yes	No
<i>Is the Legal Requirement or Process Justified?</i>	Are the municipality's specific objectives in having the legal requirement or using the process defined?		
	Is use of the legal requirement or the process necessary to address the problem?		
	Is there a legal basis for all aspects of the legal requirement?		
	Do all steps of the process have a legal basis?		
<i>Is the Process Design Results-Based?</i>	Does the design reflect a commitment to a results-based approach to achieve the municipality's objectives?		
	Is the proposed process change the most effective and efficient means of intervention?		
<i>Is the Legal Authority/ Process Description Written in Plain Language?</i>	Are the requirements written in plain language?		
	Are the legal and process requirements publicly and easily available to Clients?		
<i>Have Consultations Been Conducted?</i>	Have stakeholders had an opportunity to present their views during the development of the legal requirements or process?		
	Have stakeholder views had an impact on the final design of the legal requirements or process?		
<i>Has a Cost-Benefit Analysis Been Conducted?</i>	If the legal requirements or process impose a burden on citizens or businesses, has a formal cost-benefit analysis of them been completed?		
	Is there a reasonable balance of benefits and costs?		
	Have those to whom the benefits accrue been identified? Have those who will pay the costs been identified?		
	What, specifically, will be the impact on small and medium size businesses?		
	If a formal cost-benefit analysis is not required, have the impacts of the legal requirements or process been examined?		
<i>Has a Competitive Analysis Been</i>	Has the impact of the proposed legal requirements or process on the municipality's economic competitiveness been assessed?		

<i>Conducted?</i>	Have the legal requirements or the process been compared with equivalent regimes in other relevant jurisdictions (e.g., neighboring municipalities or regions)?		
<i>Has Duplication with Other Jurisdictions Been Avoided?</i>	Do the legal requirements or process avoid overlap with requirements imposed by the other governments (e.g., national government)? Can the municipality harmonize its legal requirements with those in other jurisdictions?		
<i>Do Service Standards Exist?</i>	Does the process design ensure that those who administer the legal requirements will respond to Clients in a timely way?		
<i>Do Sunset Review and Expiry Provisions Exist?</i>	Has the legal requirement been amended to insert a review provision or an expiry provision?		
	If not, have the reasons these types of provisions cannot or should not apply to the legal requirements been identified?		
<i>Enforcement</i>	How will compliance with the legal requirements be monitored and enforced?		

Business Impact Test

A related type of assessment, forming in one sense a subset of an RIA, is a Business Impact Test (BIT) - a tool designed to allow municipal officials to understand and evaluate the impact on business of proposed policies or processes (including changes). While an RIA examines the impact on both government and private sector, a BIT considers only the impact on the private sector. A BIT may be a preferable alternative to consider if there are questions as to the capacity of municipal officials or their project teams to conduct an RIA. A BIT narrows the scope of the assessment for municipal officials, especially where the concern relates to the impact of a policy or process change on small or medium size businesses.

BITs are useful as they permit to:

- (a) understand how businesses respond to regulation;
- (b) assess alternatives;
- (c) identify unintended and unexpected effects; and
- (d) enable businesses to provide input.

The object is to minimize the compliance cost of regulations and regulatory processes, while allowing the municipality to achieve its public policy objectives.

The BIT methodology is based on conducting a survey of businesses that seeks answers to questions about:

- The direct impact on business operations, including prices, products/services, access to markets, relations with suppliers, investments, etc.

- Possible concerns with the design and structure of the policy or process, including compliance and information submission requirements.
- Potential operational/personnel costs and benefits, if any, to the respondents, both initially and on a “going forward” basis.
- Views as to whether the regulations are necessary and appropriate.
- “Demographic” business information (e.g., location, employment, sales, etc.) to permit analysts to examine responses based on criteria such as area within a region or municipality or size.

The use of a survey permits the collection of responses “in person,” by telephone or electronic means (via the Internet).

Whether an RIA or a BIT is used, the objective is to validate the designed process against the fundamental principles. It is important to emphasize that an effective validation program does not involve having a “gatekeeper” agency with the power to block regulatory proposals. The process is not intended to create another layer of bureaucracy but rather to change the culture within the municipality’s departments to internalize the principles of the regulatory policy and consider the process as the delivery of a service. Consequently, an essential element is involving stakeholders in consultations as early as possible in the process.

It is important to note that expectations of these regulatory analysis tools should be tempered, since even in developed countries, the practical application of the process sees few full benefit-cost analyses done. Generally, the omissions occur in assessing the benefits to stakeholder and the government, although cost categories are frequently neglected as well. The quality of analysis can vary between regulatory departments and even between different branches within a department. Not surprisingly, determining direct costs is better addressed than indirect costs.

Despite these weaknesses, these types of processes do force officials to examine information that is valuable in making policy or process decisions. They also cause officials to expressly consider the impact upon all stakeholders.

7. Involve Stakeholders through Consultations

Consultations reflect one or more processes whereby governments seek the views of individuals or groups affected by a proposed policy, program or service. Consultations can range from public meetings or the use of advisory committees to the more sophisticated use of polling and focus groups. In a simplification initiative, either before process design has been finalized or immediately afterward, consultations assist in framing unresolved issues or in evaluating proposed choices in the process design.

A “stakeholder” may be considered an individual, a business or any group of individuals or businesses who may be affected by the outcome of the simplification initiative. This could be individual citizens or businesses that have to use the regulatory process in question or citizen advocacy groups interested in better municipal government or other government departments or external agencies that have a role in the simplification initiative.

The benefit of consulting with stakeholders is that it helps in the development of the simplification initiative. This ensures that:

- Stakeholders understand the proposed changes in the regulatory process.

- Stakeholder needs and opinions with respect to the regulatory process are reflected in the proposed changes.
- Stakeholder *expectations* are managed by ensuring that they do not exceed the municipality resources or legal mandate.

Most importantly, from a political perspective, consultations accommodate the desire of stakeholders to be consulted about new processes they will use. To the extent they do not already do so, in managing any municipal regulatory policy and processes under that policy -- including any simplification initiative -- project teams need to ensure that consultations become routine means for municipalities to assess stakeholder views. That should be done at all stages of the simplification reforms -- starting from initial design and finishing with the evaluation of the completed reforms. While such an approach reflects a commitment to democratic values, it also provides a means to validate the policy choices and methods chosen as part of the simplification initiative.

To provide a framework for the application of consultation mechanisms to the management (including change) of municipal regulatory regimes, including the process or processes being simplified, the municipality should consider adopting a formal consultation policy.

Conducting Consultations

In the context of a simplification initiative, consultations involve:

- Identifying internal and external Clients and stakeholders.
- Defining the objective of the consultation process. Here it is to seek input from stakeholders as to the appropriateness of the revised regulatory process.
- Defining the process for the initial consultation and subsequent discussions, if any.
- Ensuring a representative selection of *both* users and stakeholders to participate in the consultations.
- Fixing a schedule for consultations.
- Determining the municipal resources available to participate in the consultations. This includes both technical officials as well as those responsible for the consultation process.
- Considering the use of focus groups -- prior to the formal consultation process and depending on the nature of the changes proposed -- with "Client-facing" employees (i.e., those having direct daily contact with those making requests for approvals); and Clients that reflect the diversity of Clients.
- Clarifying objectives by involving Clients and staff; and ensuring everyone understands and agrees on the purpose of the consultation and their role in it.
- Determining how the results of the consultations will be collected (e.g., interviews, questionnaire/survey methods; ongoing feedback mechanisms; focus groups; polling).
- Consolidating and analyzing the results of consultation sessions.
- Determining conclusions from the analysis.
- Preparing the report.
- Communicating findings to those consulted and the public through the publication of the complete report or summary.
- Developing, where necessary, a plan to revise the proposed regulatory process based on consultation results.
- Ensuring that a developed mechanism of consultations sustains after project completion.

The Elements of a Consultation Policy

A consultation policy should express a municipality commitment to open dialogue with stakeholders. The policy serves as a framework that both a municipality and the public can use as a guide during any decision-making process but especially important in considering process changes in a simplification initiative. A well-structured consultation policy is a key part of improved decision-making.

In drafting a consultation policy, there are at least eight common elements, addressing:

Purpose

A common introductory element is a statement as to the municipality's purpose in the policy. In keeping with its regulatory policy, a municipality states usually its commitment to transparency and dialogue with the public.

Conceptual Statement

Not all citizens or businesses within the municipality may be familiar with the concept of consultation. A municipality therefore should clearly define the concept of "consultation" and explain how it seeks to define the term.

Objectives

This section lists the objectives or goals the municipality seeks to accomplish through consultations. Generally, common objectives include:

- 1) Promoting communication and understanding;
- 2) Fostering strong relationships with stakeholders;
- 3) Encouraging public participation and involvement;
- 4) Ensuring consistency in regulatory policy and processes; and
- 5) Ensuring municipal transparency and accountability.

Procedure

The procedure for conducting consultations is the key aspect supporting a municipality's policy. An accurate determination of stakeholder/ community views involves using appropriate consultation techniques and methods. These techniques, to be effective, should be clearly and accurately set out in the policy.

A project team must first determine what levels of consultation are appropriate for their particular municipality. Features that may influence the levels of consultation include but are not limited to: the size of the municipality; the average age and education of the citizens; diversity within the community; and the geographic location of the municipality. Cultural traditions and national influences could also impact the procedure to be adopted.

An effective means of presenting procedure in a consultation policy is through the use of a chart. The one below represents various types of consultations.

Type	When to Use It	Explanation
INFORM	Where a decision has already been made.	Providing the community with clear, balanced information to assist them in understanding problems and issues, as well as options, alternatives and solutions.
ASK	Where information is needed to help in making a decision. Can be used when a decision is nearing completion.	Information is given to, and views sought from, the public. Community feedback will be one of the factors that influence the decision; however, specialist or technical advice may carry more weight.
INVOLVE	Where there is a consensus view or a single community is affected. The decision would be improved by involving the community in the details of the decision.	Working with the community throughout the decision-making process to ensure their issues and concerns are identified, understood and considered.
COLLABORATE	Where decisions are truly shared between the Council and community. The Council will not make the decision alone, but will be a joint participant in a broader process or partnership.	Partnering with the community in each aspect of the decision, including developing alternatives and choosing solutions.
EMPOWER	Where the decision is a community responsibility, and the Council wishes to provide assistance.	Placing final decision-making in the hands of the community.

Source: Consultation policy, City of Auckland, New Zealand.

A project team should develop the most appropriate level of consultation depending on the context of the particular situation or decision. Timing is also important, as “when” consultation is used is almost as important as “how” it will be applied. If other issues will be taken into account during the process (i.e., budgetary concerns), they should also be addressed. Using the table above, consultations in connection with a simplification initiative would reflect Category 2 (Ask).

Publicizing Consultations

The policy should clearly state the method by which the public will be informed of consultations and the process by which they can become involved.

Evaluation and Review

How often any policy, including a consultation policy, is reviewed by the municipal council is important. A timeline for review supports accountability, as is seeking public input as a method of evaluating the policy’s effectiveness.

Discretion of the Municipal Council

The Mayor and municipal council were elected to be the leaders of the municipality. In the context of consultations, it is necessary for there to be a certain level of discretion afforded to the municipal council with respect to consultations. The discretionary features should be

outlined in the policy clearly so as to avoid any ambiguity or loss of trust or confidence in the municipal leadership's commitment to transparency and openness.

Other sections may be added as necessary. For instance, a "Definition" section may be added if there are complex terms or words that have a specific meaning within the policy.

A model Consultation policy can be found in Annex G.

8. Finalize Reform Implementation Plan

As may be expected, any legislative or administrative initiative will rarely proceed "as planned." Unforeseen political or technical events intervene and require adjustments to proposed process changes or timetables. As the design phase ends and implementation begins, a project team should:

- Ensure that outstanding issues are managed, periodically reviewed, and resolved.
- Ensure that people with decision-making authority make the necessary decisions to resolve issues as promptly as possible.
- Where issues have been resolved, ensure that the result is reflected in the process design and communications plan.
- Ensure that residual/outstanding risks have been identified and documented for tracking -- with each aspect of the simplification initiative being examined for risks.
- Construct a contingency strategy for each identified risk.
- Determine if any testing is required (e.g., in connection with the deployment of any technology).
- Ensure that dates have been applied to all tasks (e.g., training) and that schedules have been updated.
- Plan a "dry run" of the new regulatory process.
- Communicate changes in the Implementation Plan to those involved in the implementation phase.
- If changes are required in dates, communicate the revised schedule to external stakeholders.

C. The Implementation Phase

1. Develop Operations Manual

To assist municipal staff in performing their day-to-day "front-line" operations once simplification reforms have been undertaken, an Operations Manual should be developed that clearly summarizes the new policies, processes and procedures. The Manual should be tailored to the specific initiative being undertaken by the municipality.

An Operations Manual serves as a functional "quick reference" guide for staff as well as a key training tool for the municipality's officers. A well-structured Operations Manual is a key part of creating an efficient and effective business system. The Operations Manual should be user-friendly, contain graphical depictions of specific procedures (i.e., flow charts), FAQ's, standard forms and examples of completed forms, and a detailed index. In drafting an Operations Manual, there are at least ten common elements:

How to Create an Operations Manual

Develop a single standard format.

Use a standardized format for each individual chapter of the Operations Manual.

Create a table of contents.

Structure the table of contents to highlight distinct business operations. For example, "Applications for New Business License" would be one chapter.

Create a list of definitions.

Include brief definitions of key terms applicable to each business process being addressed in each particular chapter.

Develop a step-by-step summary of procedures.

Include a brief narrative summary of the key process steps involved for the particular activity being addressed in the chapter.

Construct a graphical summary of processes in the form of a flow chart with boxes.

Include a description of the step-by-step process in graphical form.

Create a checklist.

Include a simple checklist containing key questions for municipal staff to ask the applicant/client, key documents to request from the applicant/client, key instructions and other information to be conveyed to applicants/clients, and reminders.

Prepare applicable forms.

Include a list of the forms applicable to the particular business process, with the proposed forms to be used, including sample completed forms, contained in an appendix to each chapter.

Establish guidelines and policies.

Include any relevant guidelines, procedures and expectations (e.g., cash handling/order processing, security and emergency procedures).

Outline frequently asked questions.

Include a list of frequently asked questions and answers, with a particular emphasis on typical problems and issues germane to the activity being addressed in the chapter.

Include an index.

Include a detailed index at the end of the manual to permit quick access based on topics and keywords.

During initial training, feedback should be sought from municipal staff (i.e., users) as to suggestions for improving the manual based upon which revisions should be incorporated.

2. Train Employees

Implementing a design process should involve training in the operation, administration, and maintenance of the new process. In order for the regulatory process to be effective, and depending on the degree of change involved, “front-line” staff need not only to know “how” the process works but also be in a position to answer questions from Clients about how the changes affect them.

Training should be incorporated into the Implementation Plan and considered from three perspectives: the organization as a whole; the characteristics of the relevant positions; and the needs of the individuals who hold or will hold those positions. In doing so, a variety of aspects have to be addressed:

- Identification of
 - Training objectives;
 - Current employees requiring training; and
 - Missing skill sets required as a result of changes in process or technology.
- Funding for training in the simplification initiative’s budget.
- Integration of anticipated training into the project schedule to avoid “last minute” training.
- Preparation of training materials.
- Mechanisms to
 - Provide ongoing support and training;
 - Identify new or transferred employees who need training; and
 - Map the skill level of employees and adjust training methods accordingly.

Earlier in this toolkit, it was indicated that an important consideration was getting stakeholders to understand *why* change is necessary, *what* the outcome will be, *how* things will change, and *where* they stand in any simplification initiative. While some employees should have been involved to some degree in the design phase, training serves as a vehicle to inform *all* managers and employees as to the final process design choices and their respective roles and responsibilities. It helps them to understand how things will change and where they stand.

3. Make the Process Accessible and Convenient

The major problems in any regulatory process, including official registration, are normally related to the complexity of the process and the length of time it takes to process applications. In order for any regulatory process to appeal to a large number of users, whether citizens or businesses, it must be accessible and responsive. Achieving this objective involves consideration of the *physical location* of any process.

Indonesia One-Stop Shops

The establishment of One-Stop Shops in five Indonesian regions saw:

- Increased training in:
 - service standards,
 - organizational management, and
 - licensing processes.
- Apprenticeship programs

Clients usually have to begin a process by attending one or more municipal offices, and simply making it easier for them to do so removes one impediment to greater “uptake.” This is especially important when one of the municipality’s objectives is to increase its tax base by promoting the conversion of informal businesses to formal members of the municipal economy.

This necessitates (1) creating central access points and (2) promoting greater accessibility through “multiple” central access points. Often associated with simplification efforts and successful in a number of countries, these access points are commonly known as “One-Stop Shops.”

An important caveat to note is that the creation of access points without an associated simplification of policy or processes may simply create another level of bureaucracy.

“One-Stop Shops”

The basic idea of a One-Stop Shop is to permit a Client to make contact with a single entity to obtain all the necessary approvals in one streamlined and coherent process and obtain different services in one location. To facilitate access, One-Stop Shops are usually located at a convenient place. One-stop shops should be considered as providing services, rather than directions.

The One-Stop Shop should:

- Empower citizens and businesses with easy access to information;
- Provide guidance and services by providing forms and guidelines;
- Accept completed applications and fees; and
- Serve as a location for follow-up at later steps in the approval process.

Accessibility

An important factor to consider in using One-Stop Shops is accessibility, which here means providing “multiple points of central access.” Instead of having one location, consideration should be given to having multiple locations of One-Stop Shops so as to promote and ensure access. This may be more of a possibility where technology permits the decentralized collection of requests and information and easy transfer to a central processing location (if one is still required). However, if the municipality is small, it could be sufficient to have one access point, to minimize the administrative overheads to maintain multiple access points.

Benefits of One-Stop Shops

For the municipality, a well-organized One-Stop Shop will normally increase efficiency by reducing the time it takes to process the required approvals (e.g., licenses or registrations). This is especially true of One-Stop Shops with full authority to process and approve applications, since this

Accessibility: Costa Rica

One problem facing entrepreneurs was the need to attend numerous offices (at least six) to register their businesses.

A simplification initiative sought to introduce a “networked one-stop shop,” using information technology to enter data once to complete six registration procedures.

An initial objective was to allow data entry by entities across the country, fostering development of a decentralized and accessible service for enterprise registration.

will eliminate having to refer them to another department or office. In most cases, it also reduces the cost for the municipality to administer these procedures.

For Clients, the consolidation and integration of services minimize time and cost, since the central location eliminates multiple visits to numerous locations. Similarly, by providing a variety of services over the counter and in one place, a One-Stop Shop can also reduce unnecessary delays and corruption, increase accountability and enhance transparency.

In general, a One-Stop Shop will contribute to a positive environment for Clients and employees. A study of regional One-Stop Shops in Indonesia¹⁸ indicated that the number of business license applications has increased since the development of One-Stop Shops in each of the regions studied. In the city of Sidoarjo, Indonesia, a total of fourteen licenses formerly required 141 supporting documents. This was reduced by more than 50% to 65 supporting documents for the same licenses. The use of the One-Stop Shop concept in La Paz, Bolivia has demonstrated a considerable reduction in steps, time and costs.

Whereas the creation of a One-Stop Shop can help in creating a favorable business environment, it is not the only factor. One-Stop Shops need to be supported by other reforms to truly be effective. For example, the study of One-Stop Shops in Indonesia noted that a conducive business environment was not created merely through the establishment of One-Stop Shops but was also followed by other activities, such as setting up an incentive system for businesses with business licenses, giving loan guarantees and more stringent enforcement for those businesses not meeting requirements stated in local regulations.

One-Stop Shops Succeed With...	One-Stop Shops Fail With...
High hierarchical status and authority.	No authority -- being only a place where forms are collected and then referred to other agencies.
Central location.	Located far from businesses, making accessibility difficult.
Qualified personnel and ongoing training.	Lack of supporting facilities.
Transparent and standardized fees.	No fixed or published fees.
Regulations and guidelines concerning tasks and functions of the One-Stop Shop.	Missing or inadequate regulations to provide a frame of reference for the One-Stop Shop's activities.
Commitment of local government.	Lack of support from local governments.
Communication strategy.	Lack of awareness among main stakeholders.

Factors Affecting the Success of One-Stop Shops

While they may vary in different regions, the following factors contribute to the success of such institutions:

High hierarchical status and authority: The authority given to One-Stop Shops by the local government will greatly affect their effectiveness. A One-Stop Shop with the authority to issue licenses will normally be more efficient. In Indonesia, it was found that the main problem in achieving a successful One-Stop Shop is that often the various departments currently approving licenses resist transferring authority to process and approve applications.

Quality of personnel: The effectiveness of a One-Stop Shop is strongly related to the quality and professionalism of its personnel. It is important for the One-Stop Shop to hire qualified personnel and provide sufficient training to permit them to easily address the issues that may arise. The staff also need to be very familiar with the approval processes they manage. Hence, the One-Stop Shop must commit to offering courses and training to its staff on an on-going basis. For example, the successful re-engineering of administrative processes in La Paz included training and workshops held for municipal employees.

Clear regulations and/or guidelines about tasks and functions: Having well-defined regulations about the functions and main tasks of the One-Stop Shop as well as standard working procedures or guidelines will prevent any irregular or informal application process from developing. This helps maintain Client confidence, since the knowledge and expectations of Clients will map with the process(es) they are expected to follow. In Indonesia, the performance of the One-Stop Shop was found to be generally good if working procedures were followed.

Communication strategy: Another indicator of an effective One-Stop Shop is the public awareness of its existence. A One-Stop Shop cannot produce the intended results if the public and potential Clients are not aware of its existence and the services it offers. A communications strategy need not be complex or complicated. The experience in Indonesia suggests public awareness programs using radio, brochures, leaflets or signs displayed in crowded places will be effective.

Transparent and standardized fees: Establishing fixed fees will assist potential Clients by permitting them to know the cost of any approval process prior to undertaking such process. Using standardized fees and publicizing them will also discourage the practice of charging extra, unofficial fees to speed up the registration process.

Commitment of local government: The commitment of local government is also important to the efficiency and existence of One-Stop Shops. This can be accomplished by clearly stating the One-Stop Shop's tasks and functions and providing full authority to manage approval processes.

Location: An inadequate location may cause business people to be unaware of its existence or unwilling to come to the One-Stop Shop, especially where transportation is cumbersome or difficult to obtain.

A Checklist for Establishing a One-Stop Shop

Municipalities should:

- Ensure that clear regulations are in place with respect to working procedures.

- Provide the One-Stop Shop with as much authority and autonomy as possible with respect to authorizing approvals.
- Hire qualified personnel and commit to their ongoing development and training.
- Choose a central location, close to the business community.
- Develop a communication strategy to increase public awareness of the existence of the One-Stop Shop and the services it offers.
- Develop, publish and widely publicize a set of standard fees for the various services.

4. Establish Service Standards

In the context of a simplification initiative, merging a designed regulatory process with better performance requires service standards to establish performance levels. Creating and communicating service standards permit Clients to learn how long it will take the municipality to provide the service, how much will it cost, and what they can do if they are not satisfied. Service standards inform Clients and stakeholders as to the kind of service they can expect from the designed regulatory process.

Such standards contribute to the municipality's objective (as stated in its regulatory policy) of greater transparency. Knowing how municipal regulatory requirements are expected to be implemented is as important as knowing what the requirements are. The definition of such standards also contributes to better employee morale (and confidence) by permitting municipal employees to know the level of performance expected of them.

The need for service standards in one simplification initiative has already been noted. One of the recommendations that came out of a review of "One-Stop Shops" in Indonesia was to implement a service standard. The recommendation highlighted transparency in terms of cost, time and procedures of a licensing application as a means to solve problems with respect to service efficiency and effectiveness. The review report also recommended that complete information pertaining to costs, time and procedures be made available to Clients in the form of a brochure, leaflet or information board.

Standards generally incorporate a number of components:

- Description**, in plain language, outlining the service to be provided.
- Principles** describing the quality of the services a Client may expect to receive.
- Delivery targets** indicating the key aspects of access, response timeliness and accuracy. These targets help to establish realistic expectations among Clients, based on what the agency can deliver, and establish performance expectations for the agency. They should answer a number of questions. When can a Client submit an application? How long will it take to get the necessary action on the part of the municipality? What are the municipality's goals in reducing errors that may arise during the course of the regulatory process?
- Costs** showing, in advance, the costs of a service to help Clients to form realistic expectations about the services.
- Complaint and redress mechanisms** giving Clients a means to resolve their concerns when they feel the agency has not met its promised service standards. They also provide an important way for the municipality to evaluate and improve the services.

Overall, the creation of service standards should result in performance indicators that are visible and measurable and are realistic and consistent with service objectives. The successful

implementation of service standards involves (1) the participation of stakeholders in defining the standards and measuring success; (2) communication to all stakeholders; and (3) analysis of actual service delivery against clearly defined benchmarks through statistical indicators and stakeholder interviews, where applicable and/or appropriate.

It is important to emphasize that they should be published and made known to Clients and be reviewed regularly in order to reflect any change in circumstances.

A Checklist for Developing Service Standards

- List the services associated with the regulatory process in question.
- Decide which services should have service standards (i.e., where it is appropriate or necessary).
- Determine client satisfaction levels.
- As appropriate, consult with Clients and staff to ask about desirable or necessary changes in service levels and to measure Client expectations.
- Set the standards to be achieved.
- Train staff to know what is expected of them.
- Provide any necessary equipment to improve productivity (e.g., computers, kiosks).
- Determine how to monitor performance against the service standards.
- Determine the consequences of not meeting defined service standards (e.g., failure to approve a request within a specified period of time means that the request is automatically approved).
- Decide what records of the monitoring process will be retained for on-going or future evaluation.

5. Ensure Inspections Are Structured and Transparent

As noted above, regulatory processes may have related or ancillary processes associated with them. One major type of related process is that of inspections, which can serve as a verification tool to ensure regulatory compliance. In some instances inspectors serve more than one function. In Nicaragua, for example, municipal inspectors also serve a tax-related function since physical inspections assist in determining the value of assets held, which becomes a factor in assessing sales taxes.

It is important to note that the question of whether an inspection is necessary at all needs to be considered. A physical inspection of a Client's premises or property may not be required in all regulatory processes. In a general licensing context, the utility of an inspection may be limited, particularly in cases where alternative compliance mechanisms may be available. For example, a decision to accept an applicant's sworn declaration may meet the objective previously achieved using an inspection. However, in other contexts, such as those involving the health and safety of citizens and workers, inspections are a fundamental means of ensuring compliance.

Inspections may influence the regulatory process in several respects. A slow inspection process may cost both the Client and municipality in terms of time, and also may give rise to the solicitation of informal payments. While inspections may not necessarily be eliminated in a simplification exercise, they can be better structured to reduce time, cost and the potential for abuse.

While examining the inspection process, it is worthwhile to consider whether the regulatory process can proceed pending the completion of the inspection or whether the inspection requirement acts as an impediment to the completion of the regulatory process. In some processes, delays can be avoided by continuing with the approval process on the understanding that the approval, if granted in the interim, may be revoked in the event of an unsatisfactory inspection. The municipality will fulfill its mandated duty of conducting an inspection but the Client is not unreasonably delayed in seeking the necessary approvals. In other processes, where health or safety concerns are prominent, a delay may be a prudent and reasonable approach on the part of the municipality. In these cases, the issue becomes how best to minimize the delay.

The Use of an Inspection Policy

Inspection policies contribute to better transparency by permitting Clients to understand what requirements frame an inspector's conduct and what criteria are to be applied in the inspection process. A better informed Client is less susceptible to manipulation and better able to respond to attempts to solicit informal payments. Similarly, inspection policies are useful to inspectors, as they provide a framework for them to understand what is expected in the performance of their duties.

The language used in an inspection policy should be as specific as possible. At a minimum, each policy should have provisions pertaining to the:

Initiation of an Inspection

Where an inspection is distinct from the request (application) process and does not automatically occur, the Client must be instructed as to how to request and schedule an inspection. This might occur where there are multiple inspections, as in the case of a building permit process.

Scheduling an inspection should be as easy as possible. As with other transparency measures, the business hours of the municipality's office must be displayed so that Clients who would prefer to schedule an inspection by speaking directly to a municipal employee can do so without difficulty. In keeping with improving service standards, the municipality may wish to create an automated telephone request line or an Internet web site so that Clients can make requests after business hours.

Whatever the communication channel chosen, there are two immediate commitments to be made by the municipality:

- Proper instructions should be outlined for Clients as to the required information to provide when requesting an inspection.
- The office must respond to requests promptly.

If not requested in person, a Client should be notified, at a minimum, the following business day after a request for an inspection is made. At that point, the municipality should also inform the Client as to the name of the inspector and the time and date of the inspection.

Assignment of Inspector

Where the number of inspectors is low, inspectors may be tempted to focus on those Clients who present more opportunities for soliciting informal payments. This distorts the “time to complete” the regulatory process. To avoid this distortion, municipalities need to decide how inspectors are to be selected to conduct the inspections, and, at a minimum, the ability of inspectors to choose the order in which Clients receive inspections is to be minimized or eliminated.

Given this requirement to have inspectors assigned using a system that limits instances of corruption, the simplest method is to use a random allocation system. In La Paz, Bolivia, this approach has been integrated into the city’s simplification initiative.

A conflict of interest issue can be anticipated between Clients and inspectors. Should a Client require a different inspector, for example due to a previous relationship, a new inspector must be assigned. This will alleviate any reasonable concern on the part of Clients as to bias.

Timing of Inspections

To reduce delay in the licensing process, a time requirement should be imposed on inspectors to complete their work. This, in turn, requires a time requirement on the part of municipalities to ensure a prompt assignment of inspectors.

As noted above, a requirement to assign an inspector within one business day of receipt of an application or request is not unreasonable. Similarly, a requirement to complete an inspection within three business days after the assignment of an inspection has been communicated to the inspector should be considered. In Bolivia, simplification initiatives also took into account inspections and produced startling results in terms of reducing the inspection time of the municipal business licensing processes.

Simplification in Bolivia: Reducing the Time of Inspections

Municipality	Inspection Time Reduced to
La Paz	3 days
Los Altos	3 hours
Cochabamba	2 days
Santa Cruz	3-5 hours
Trinidad	2.9 days

Source: FUNDES

It is recognized that some allowance must be made for unforeseen circumstances or unanticipated delays, but such circumstances should be explained and documented by the inspectors as part of the report they should file within the specified time frame.

Training

Each inspector should be thoroughly knowledgeable regarding the inspection criteria in order to be able to answer any questions the Client may have during or after the inspection. Accordingly, all inspectors should be trained to the municipal standard.

Criteria for Inspections

To reduce uncertainty and promote transparency for Clients as well as facilitate training for, and provide guidance to, inspectors, municipalities should provide specific criteria for each inspection and mandate adherence to these criteria. This will also provide a means to evaluate the inspection. Any inspection policy should remove an inspector's discretion with respect to inspection criteria.

An inspection checklist can provide a framework for the inspection, as well as the criteria upon which the Client will be assessed. Municipalities should clearly state that in any inspection the inspector cannot deviate from the municipality's prescribed checklist. The use of such a checklist limits the inspector's latitude in conducting an inspection and both permits the inspector to justify his/her inspection and allows the municipality to provide a means of ensuring the inspector's accountability. Such a checklist should be limited to "yes," "no," or "not applicable" responses.

If the Client or a representative is present and available, inspectors should be required to review the checklist with the Client immediately following the inspection (before leaving the premises). This permits the Client to better understand the inspection process and criteria. It will also have an educational function to the extent that others consult the Client with respect to their experience with inspections. In the course of this interview, the inspector should address any issues or difficulties found during the inspection. Any deficiencies found during the inspection should be raised here with recommendations, as appropriate, for improvement.

In keeping with the concept of changing attitudes towards Clients, an inspection policy should also address the approach to be taken by the inspector. Training should be implemented in order to instill in inspectors an attitude of objectivity and fairness.

Written Inspection Report

Rules should be developed that require a written inspection report, to be submitted by the inspector within a specified time frame (e.g., no later than two business days from the date of inspection). Submitting a complete report and checklist in a timely manner should form part of the inspector's job responsibilities.

The checklist used by the inspector should accompany the written report. The report should require the inspector to expand on answers given in the checklist by requiring that any "no" or "not applicable" answers on the checklist be described with sufficient detail so as to allow the Client a chance to understand the inspector's decision.

The report should indicate whether the Client has "passed," "conditionally passed," or "failed" the inspection. If the Client has failed the inspection, detailed reasons must be given as to the inspector's rationale behind the decision.

An inspector's name and the date of the inspection should be prominently displayed on the front of the report. This will demand credibility and accountability on behalf of the inspectors. To ensure greater accountability, the completed report must be signed by both the inspector and the inspector's supervisor.

The report should be mailed to the Client upon completion.

□ Appeal Process

Consideration should be given to an appropriate appeal process by which Clients can have inspectors' decisions reviewed by the municipality. The process must outline a time restriction for making appeal requests, the cost for appeals, and the turnaround time for a decision on appeal from the municipality.

A model Inspection Policy, illustrating these concepts, can be found in Annex H.

6. Communicate to Clients and Municipal Employees

Meaningful communication between the municipality and stakeholders results in a stronger, more effective regulatory process, since it permits the municipality to:

- Ensure awareness, understanding and transparency.
- Develop relationships with stakeholders.
- Reduce employee and Client concerns and misunderstanding about change.
- Manage employee, stakeholder and public expectations.

Simplification and Making Public Communication a Priority - Nova Scotia, Canada

As part of a comprehensive red-tape reduction program, the Province of Nova Scotia highlighted the need for public communication.

The program managers determined that businesses need to know where and how to interact with the government. The government communicates with stakeholders in a variety of different ways, including:

- Discussion papers, which are circulated before most legislative reforms are drafted;
- Public meetings;
- Surveys;
- Meetings with stakeholders;
- Committees (i.e., Task Force) that travel the province to gain insights from the public;
- News releases, which are issued when legislation is introduced or regulations come into effect (an average of 1750 news releases and media advisories are issued annually);
- Orders in Council, publicized through the *Nova Scotia Royal Gazette*; and
- Government web sites

The Government of Nova Scotia also introduced its own Internet search engine to make it easier to find information on programs and services.

An important element in simplification initiatives, whether large or small, is reducing resistance to change. Both internal participants (employees, managers, municipal councils) and external stakeholders (citizens, businesses, funding institutions) are interested in the outcome and want to know *on an on-going basis* about the initiative and how it may affect them -- whether it provides benefits or creates obligations. Overall support is enhanced by communicating the benefits. Accordingly, a communications strategy is an important component of simplification implementation.

Making communication an element of the simplification initiative has several policy implications:

- (a) Any instruction or guidance (including changes) is to be clear, simple and in plain language;

- (b) Citizens and businesses should be informed and consulted before new regulations take effect, given time to comply and, clearly told what happens in the event of non-compliance.
- (c) Regular periodic review of the regulation or process should be conducted to ensure that it is still necessary or effective.

These elements target *transparency* and the need for *consultations* and *evaluation*, and will help ensure that any simplification initiative is effective *over the long term*.

An illustrative list of communication materials that could be used to promote a simplification initiative would include:

- Periodic print publications;
- Online communications;
- Meeting and conference materials
- Media relations and public relations materials;
- Legal and legislative documents;
- Communiqués;
- Surveys;
- Annual reports;
- Signage; and
- Speeches.

Constructing a Communications Strategy

A communications strategy for a simplification initiative should address:

- Objectives:** There is a need to communicate what the municipality hopes to achieve in informing stakeholders about the simplification initiative. This is accomplished by referring to the municipality’s overall objectives. The idea is to say, for example, to say “The municipality is committed to communication, awareness and transparency. As part of that commitment, we are pleased to inform you of a change in the regulatory process in order to make it easier for citizens to file an application for X.”
- Audiences:** Framing the messages to be communicated depends on the clear identification of one or more audiences. The primary audience in any simplification initiative is the stakeholders.
- Messages:** Crafting messages involves two key elements, namely, strategic targeting and consistency. Define all the essential messages and determine which messages to aim at which audiences. A message typically consists of three key points repeated numerous times.

Communications with Stakeholders

In the context of a simplification initiative, a team managing a simplification initiative should:

- Determine stakeholder expectations in terms of public communication and information dissemination.
- Consider creating a distinctive trademark or logo to be attached to all municipal information or communications concerning the simplification initiative.
- Identify appropriate stakeholders as target audiences.
- Use plain language in any communication to the public.
- Ensure no discrimination in language or message and incorporate appropriate gender and cultural representation.
- Establish the most appropriate media to advertise the information that will reach the greatest number of stakeholders.
- Create a process to approve all materials to be communicated to the stakeholders.
- Evaluate the communications process based on performance, success, ease of use, and internal and public feedback.

- Tools/Activities:** The choice of tools and/or activities will flow from the selection of audiences, messages, or a combination of the two. As an example, formal reports may serve as tools to communicate with funding institutions and municipal sponsors, while e-mail messages may work well with municipal employees. Press releases and interviews in the media may be more effective for reaching external stakeholders.
- Resources:** It is important to emphasize that the communication activities need to be mapped to time and resources (e.g., people and money) available in order to both establish and manage expectations.
- Assessment and Adjustment:** The longer term promotion of the results of a simplification initiative (e.g., new process, new centralized location) requires assessment of the audiences' reaction to the effectiveness of the strategy. This can be accomplished with simple, open questions:
 - What do you read/see/hear?
 - What works/doesn't work?
 - What information do you need that you are not currently supplied with?
 - How often do you want us to communicate with you?

In developing its specific communications strategy, the simplification team should ensure consistency with the municipality's overall communications strategy, if it has one. Once a strategy is developed, then a detailed, monthly communications plan can be developed, the performance of which can be measured against the original objectives contained in the strategy.

Preparing a Communications Plan

The Communications Plan outlines the roles and responsibilities in connection with the review, approval and dissemination of information about the simplification initiative as well as events, documents and milestones associated with it.

A Checklist for Preparing a Communications Plan

Based on the guidance provided by the Communications Strategy, a project team should:

- Ensure specific responsibilities are assigned to (i) identify and assess stakeholder needs; (ii) prepare communication materials; (iii) approve the various types of communications; and (iv) handle ad hoc communication requirements as they develop.
- Develop a complete Communications Plan (see template below), providing sufficient detail.
- Disseminate Communications Plan to simplification initiative supporters (Team Members, Mayor's Office, funding institutions).
- Ensure "buy-in" of simplification initiative supporters.
- Ensure communication-related tasks are noted in the project schedule.
- Track stakeholder contacts made with the municipality concerning the initiative.
- Update the Communications Plan when significant changes occur.
- Obtain ongoing feedback from Simplification Team members as to the effectiveness of the communications efforts.

Mapping a Communications Plan

A useful tool is a Communications Map which outlines the relevant documents or events associated with a simplification initiative and the related communication requirements.

Illustrative Communications Map

Event/ Document	Time	Form	Means of Communication	Intended Audience
Simplification Project Plan	Start & Agree Upon Updates	Document	Internal Web site; Paper Report	Municipal Councilors; Municipal Officials, Municipal Employees
Simplification Project Start	Project Start	Meeting	Internal Web site	Municipal Employees
Team Meetings	Weekly	Document	Internal Web site, Minutes of Meetings	Municipal Employees
Simplification Project Status Reports	Monthly	Document	E-mail	Municipal Councilors; Municipal Officials, Municipal Employees
Major Milestone Announcements	As completed	Document	Email, Public Press Releases, Newspaper Advertisements	Municipal Councilors; Municipal Officials, Municipal Employees, Public, Specific Stakeholders
Start of Consultations	Prior to Consultations	Document	Letter to stakeholders (including Chambers of Commerce), Web site, Newspaper Notices	Municipal Councilors; Public, Specific Stakeholders
Project Completion Report	End of Project	Document	Email, Public Press Releases, Newspaper Advertisements	Municipal Councilors; Municipal Officials, Municipal Employees, Public, Specific Stakeholders
Promotion of Designed process	On-going		Newspaper Advertisements; Billboard Advertisement; Web site; Public Presentations to Stakeholder Groups	Public, Specific Stakeholders

Using Plain Language

Whether it is related to media communications, process instructions for use by Clients or actual formal text relating to a regulatory policy statement or process, the emphasis in advocating the use of plain language is to meet the objective of communicating effectively. This is achieved by writing for -- and reaching -- the intended and expected audience, given their reading level, interest and experience.

Using Plain Language: A Checklist

In drafting policy or process related materials, a project team should consider:

- Organizing the rules or the description of process steps in a logical sequence with informative headings.
- Avoiding too many concepts in single sentences. (e.g., separate general rules from exceptions).
- Structuring complex but nearly identical concepts into separate sections or subsections (e.g., if the general rule or process requirement applies in a number of different circumstances, itemize the circumstances separately).
- Using common words, with a preference for short words, and short sentences.
- Using the active voice rather than the passive. (e.g., “the owner must provide two letters of reference” instead of “at least two letters of reference must be provided.”)
- Avoiding the use of double negatives. (e.g., “a person must do X” instead of “a person must not refuse to do X”).
- Publishing the proposed rules/process description to solicit feedback from the intended audience.

Organize a Public Relations Event to Promote Awareness of Initiative

The importance of communicating the initiative to internal and external stakeholders cannot be overstated. Municipal officials should organize a public relations event aimed at stakeholders, especially Clients, to highlight the implementation of the simplification initiative. Engaging in such an event also benefits the municipality by raising awareness of the simplified process, which may further draw business owners to become part of the formal economy.

One example of a public relations event that can be organized is a half-day seminar where all interested business people and business owners can learn about what the new process will entail. The event should be publicized in local media outlets and by posters and pamphlets.

Checklist for Organizing a Public Relations Event

- Select a municipal official to oversee the event.
- Determine the type of event best suited for the purpose of the initiative.
- Target groups of stakeholders, including municipality employers and employees, current and potential Clients, and political supporters.
- Develop a plan, event date, and event location.
- Formulate a publicity plan to decide when and how media outlets should be contacted.
- Determine schedule of events, speakers and topics.
- Prepare programs and printed materials.
- Consider offering refreshments and snacks to participants.

D. The Evaluation Phase

The completion of the implementation phase concludes the transition from “old” to “new” processes but not the end of the simplification initiative. The evaluation phase is intended to measure the effectiveness of the process changes.

1. Prepare Post-Initiative Assessment Report

The Evaluation Phase begins with a Post-Initiative Assessment Report, which examines and documents the initiative's outcomes, whether the original objectives were met, and how effective the management practices were in keeping the project on track. A timely and comprehensive Post-Initiative Assessment Report will identify ongoing issues to monitor as well as provide some "lessons learned" to assist municipal officials (both in the municipality engaged in the initiative and in others) in planning and managing future regulatory simplification projects. Consideration should be given to using an objective third party to prepare the report. For example, an evaluation of La Paz's initiative was conducted by an independent auditor from Argentina.

The preparation of this report should occur within an appropriate period of time following the implementation of the designed process (e.g., six months). Again, in keeping with extending acceptance of the initiative as broadly as possible, stakeholders -- both inside and outside the municipal government -- should be consulted as to their experience in both establishing and using the revised process. Interviews and Client surveys are two tools to consider when gauging views on the revised process.

In addition to formal reviews, the project team should observe the implementation of the initiative on a day-to-day basis to determine whether any fine-tuning of the process may be required. Managers may notice that minor adjustments are required in the performance of day-to-day operations. If, however, structural issues arise that were not anticipated in the planning stage, then a formal review of the initiative should be conducted at the earliest possible time to address and resolve the issues.

The Post-Initiative Assessment Report should focus on two key aspects:

- A "gap analysis" examining the differences between the planned requirements, schedule, and budget and what actually resulted, when it occurred and the degree of deviation from the plan.
- A "lessons learned" exercise.

A "lessons learned" exercise is the collection and analysis of feedback on events that happened during the initiative. It provides an opportunity for the simplification team and stakeholders to discuss things that happened during or because of the initiative: successes, unanticipated or unintended outcomes and possible alternatives (i.e., how things might have been done differently). A major source of such information should be ultimate beneficiaries of these reforms – entrepreneurs. The focus should be on behaviors or tactics rather than on the actions of individuals. If reforms are successful the private sector would "vote" by the increasing level of compliance with municipal requirements being simplified. Recommendations may then be made to others who might undertake a similar initiative.

Preparing a Post-Initiative Assessment Report: A Checklist

- Allow sufficient time to pass before an effective Post-Initiative Assessment Report is prepared (e.g., 6 months after the launching of the simplified procedures).
- Consider retention of independent evaluator.
- Conduct gap analysis.
 - Reviewing original objectives;

- Documenting current performance indicators;
- Comparing original objectives to results; and
- Comparing original pre-simplification performance to current performance.
- Solicit feedback from internal and external stakeholders.
- Schedule and conduct a “lessons learned” exercise and, in doing so:
 - Identify participants;
 - Retain an independent facilitator (i.e., not previously connected to the initiative);
 - Ensure the facilitator reviews available project material; and
 - Hold a structured session in a conducive environment.
- Document positive and negative results from stakeholder feedback and lessons learned in the Post-Initiative Assessment Report.
- Draft recommendations for possible changes/improvements.
- Disseminate evaluation results to key stakeholders.
- Archive the report and associated project material to ensure future accessibility.

2. Post-Implementation Evaluation

There are three specific points in time where a measurement of performance indicators should be made. As previously noted, the first is at the diagnosis phase when the existing regulatory process is initially mapped. The second measurement should occur when results can or should be expected (e.g., 6 months) following the implementation of the designed, simplified process. This measurement is intended to determine whether the changes made have actually resulted in improvements. The third measurement serves an audit function and may occur -- as in the case of La Paz -- 12 to 18 months following implementation of the simplified process. This audit is intended to ascertain whether there has been any deterioration in performance since the completion of the simplification initiative and may also uncover steps or requirements that have been reintroduced into the regulatory process.

In addition to the performance indicators identified in Section A.4, two specific indicators that can be examined post-implementation are Percentage Increase in Municipal Revenue and Percentage Increase in Compliance.

Percentage Increase in Municipal Revenue

*The percentage change in municipal revenue as measured by a comparison of total municipal fee revenue associated with a regulatory process in a fixed period **following** the implementation of changes resulting from the simplification initiative with the corresponding period immediately **preceding** the implementation of changes.*

A measurable performance indicator remains the percentage increase in revenue that a municipality generates from the process in question. The selection of a measurement time frame may vary, but the objective is to compare revenue in any period prior to any change in municipal regulatory process with revenue for a similar period after the business process change.

Municipal revenue in case studies of “One-Stop Shops” as well as from simplification initiatives shows that revenue has increased. The question is often only “by how much.”

Percentage Increase in Compliance

*The percentage change in Clients as measured by a comparison of the total number of Clients within the municipality who file a request in connection with a regulatory process in a fixed period immediately **following** the implementation of changes resulting from the simplification initiative with the corresponding period immediately **preceding** the implementation of changes.*

It is to be recognized that the actual Clients are a subset of all those who could make an application. If possible to obtain, another significant measurement would be the number of businesses known to be active in the municipality and who may file an application in connection with the regulatory process; -- this is an indicator of possible applicants opting out of the process. This preliminary statistic may serve as an indication of the size of the informal business sector that should comply with the municipal requirement but does not.

An example of this may be seen from recent business license registration statistics of Lima, Peru. The number of potential Clients can be ascertained by those who obtained a Certificado de Aptitud de Establecimiento (CAE I) certificate. The number who obtain such a “process input” and who subsequently make an application for a license represent the percentage of those who comply. The large difference between potential Clients and those who actually file an application reflects those lost to the informal economy, in part, by reason of excessive formality in the regulatory process in question (business registration).

Reducing the time or cost of the regulatory process for Clients contributes to increasing compliance. The higher the number, the more successful the simplification initiative.

Business Operating Licensing Statistics - Lima, Peru		
Year	2002	2003
Potential Clients Who Obtained CAE I	2,537	2,340
Applications Presented for Licenses	1,169	814
Applications Approved	843	703

Source: Municipality of Lima.

Chapter 5

Conclusion

This toolkit attempts to help project teams and municipalities address two objectives. The first is the need to regulate, whether to protect the public, raise municipal revenue or control or influence the development of specific economic activities. The second is to assist small and medium-size enterprises in job creation and business development in order to promote economic growth and reducing poverty. These objectives can be reconciled by reducing the time, effort and cost of complying with regulatory requirements at the municipal level. Municipalities can accomplish this by simplifying regulatory processes and their surrounding frameworks.

Municipal regulatory reform requires a “culture change” by changing attitudes and moving toward a service mentality where individuals and businesses become “Clients” who are presumed to be honest and truthful in what they provide to municipal officials and who should be encouraged to undertake economic activities. This is distinctly different from an attitude where citizens and businesses “need” permission in every instance.

Specific simplification initiatives involve the technical examination of processes to systematically re-examine the authority and purpose of each input and administrative action. The emphasis is first on “why” something is needed, followed by “how” it is done.

However, simplification is not simply a mechanical process of eliminating inputs or steps in a particular process. It also involves ensuring that municipalities remain committed to reducing regulatory burdens by structuring their regulatory policy to promote good regulatory design and implementation. To do this means that municipalities have to recruit relevant stakeholders to assist them in ensuring that any deviation from that commitment undergoes examination. Change is permitted and even necessary but, when done in as transparent as manner as possible, abuse is minimized.

Simplification will rarely succeed without strong leadership and a dedicated commitment on the part of elected and administrative officials. What simplification does involve is further development of municipal structures to assist officials in the development of policies and processes to achieve their objectives.

In some instances, given appropriate infrastructure, the increased availability of technology and public access points permits municipalities to provide services more easily. The same technology can permit citizens and businesses to have an increased ability to reference legal/reference materials and to participate in complex/time-sensitive processes. The obvious implications of technology encourage transparency by municipalities and communication between municipalities and Clients.

The result of any simplification initiative is greater efficacy in the business regulation process combined with improved efficiency in performance by municipal offices. The outcomes of effective simplification of business regulations at the subnational level will be both economic and social. Making it easier for entrepreneurs to enter markets and operate more effectively will benefit private sector development, investment, employment, and poverty reduction.