Chapter 1

The Roadmap: A New Approach to Development

> *Officials note that delays [to obtain a work permit] are typically one month in length although private sector sources noted that delays can be as long as six months. The process is difficult and non-transparent. While the Labour Commission notes that it has internal guidelines to determine whether applicants should be approved, these guidelines are not available to the public. There are also allegations of corruption; the most severe was made by one business person who claimed to have paid US$ 5,000 to secure a residence permit.*
>
> "The Entrepreneur Roadmap To Tanzania", 1996

> *Immigration officials assert that they have improved their issuance times since 1996 for Class A and Class B permits. Officially, typical processing times for Class A and Class B permits are two and four days respectively. Private sector interviewees stated that although delays have fallen from an average of one month for Class A permits and up to six months for Class B permits, the process usually takes approximately more than a week for Class A permits and two weeks for Class B permits. Longer delays have also been reported.*
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> *In 1996 investors widely criticized the permit allocation process for its difficulty and lack of transparency. Today, investors state that the process is fairly transparent and Immigration Officials generally adequately explain what needs to be submitted to get a Residence Permit.*
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> "The Investor Roadmap of Tanzania", 1998

This book is foremost about the Roadmap – a diagnostic tool developed by The Services Group, the U.S. Agency for International Development (USAID), and the Foreign Investment Advisory Service (FIAS), a joint IFC-World Bank Group Agency, to systematically identify and address bureaucratic obstacles to investment in developing countries. This customer service-oriented approach to improving government efficiency has many antecedents in developed countries, but is just beginning to be applied in an analytical and comprehensive way to the developing world. As such, it represents a dynamic approach to addressing stubborn obstacles to economic growth.

Two, this book is about investment, particularly foreign investment, and the benefits that it brings and the conditions that are necessary to attract investment to a developing location. The foreign investor can create an immediate and lasting impact on a developing nation. Often, the investor brings much needed foreign currency into the country, employs local citizens and trains them, and frequently exports their goods, improving a country's trade position. Finally, the investor often attracts other investors.

As desirable as foreign investment is, the global competition to attract such investment is fierce. Companies are faced with a wide variety of choices of where to establish their foreign operations, and countries are offering increasingly more enticing packages of

investment incentives. As a result, the competition to attract such investment grows stronger every year, and a country that doesn't take aggressive steps can be left far behind.

Three, this book is about – but not exclusively about – Africa and the continent's efforts to generate sustainable economic growth. For decades, well-meaning donors have been trying to "fix" governments and stimulate growth in developing nations. This has been particularly prevalent in Africa over the past 25 years. Teams of "experts" have been hired by western governments and donor agencies to write reports explaining how developing governments should change. Governments have adopted wide-ranging and often politically difficult "structural" reforms. In response to the increasing competition for investment, African policy makers rushed to make changes to their investment landscapes. New laws, including improved foreign investment codes, tax codes, and foreign exchanges controls were enacted. These changes were put in place abruptly in order to become immediately competitive.

Despite all these changes, Africa for the most part remains a poor continent. Nearly 50 percent of its population is estimated to live in absolute poverty. It is estimated that African economies will have to create 17 million new jobs each year to stay stabilize unemployment rates at their currently high levels.[1] While foreign direct investment (FDI) has been growing worldwide at an unprecedented rate in the 1990s, African countries have captured only a very small proportion of total global investment flows. While many reasons have been cited for Africa's failure to capture a larger share of global investment flows, many observers are increasingly pointing to the continent's inefficient and complex bureaucratic procedures as deterring and frustrating potential investors, thereby denying African economies the benefits of foreign capital, expertise, and technological know-how.

Although these governments have frequently enacted significant market-oriented reforms, changing the great bureaucracies within the governments has been neglected. Many investors, although initially attracted by improved incentives, have left countries because many vestiges of the controls from years past are firmly entrenched in the civil service. Many countries, particularly those that have emerged from centrally planned economies, face the daunting task of reforming public sectors with too many employees, with too many controls, that implement too much bureaucracy. The result is extremely long delays in processing requests, corruption, and ineffectiveness.

It has become increasingly clear to many countries that this cannot continue. Governments cannot control such factors as the size of the population nor the proximity to oceans for shipping. Governments can't immediately upgrade infrastructures such as roads, nor immediately increase citizens' standards of living. However, governments do have control over the level of regulation; the amount of corruption; the length of delays processing documents; and the effectiveness of the civil service.

To address these issues, a number of governments have been implementing a methodology called "The Investor Roadmap." The Roadmap is a tool to unify all of the agencies and departments within a government with whom an investor is required to interact by law. It uses corporate reengineering techniques to place the customer – the investor – as the central focus of these various agencies and departments. The purpose of this book is to explore this methodology, and to examine the impact that it is having on developing countries worldwide.

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This book is aimed at the donor community, developing country policy makers, and academics and others concerned with development and the transition of countries from government-controlled to market-oriented economies. This book is not a "how-to" guide on conducting an Investor Roadmap. Rather, it seeks to describe a non-polemical and pragmatic approach to reforming or "re-inventing" developing country bureaucracies. To a large extent the Roadmap represents a new approach for bringing about effective and sustainable change in developing countries. The Roadmap approach – like most development theories and approaches – is not a panacea, and cannot compensate for or overcome a lack of governmental political will to reform. It can, however, illuminate a path for change, and enable governments and national policy makers and officials to identify the best means for traversing that path.

Likewise, this book is not a Roadmap. It contains no case studies, and readers interested in a specific country will not find a detailed discussion of all the investment processes in any selected location. This book does contain, however, substantive anecdotal information drawn from the respective Roadmap studies conducted in over 20 countries. While illustrative, rather than exhaustive, they do capture both the difficulties faced by investors in many developing or transitional economies, and the important changes made by governments as a result of the Roadmap to ameliorate these obstacles.

Finally, the lessons of this book are not limited to those primarily interested in the areas of investment promotion or business expansion. Although the *Investor* Roadmaps focus on eliminating the administrative constraints facing investors, the Roadmap's value as a diagnostic tool is much broader. As the early chapters of this book will make clear, the Roadmap's *customer-oriented, process improvement approach* is applicable to most, if not all, areas of public sector service provision, from healthcare to agriculture exports, and from customs clearance to obtaining a residential building permit. In short, this approach focuses on improving the efficiency and responsiveness of government bureaucracies to their "customers" – whether these are investors, farmers, micro enterprises, or ordinary citizens. From a developmental perspective, therefore, the Roadmap approach has the clear potential to transform the way government is managed in the developing world. Clearly, the long-term value of the Roadmap approach is its potential contribution to good *governance*.

Origin of the Investor Roadmap

The first investor Roadmap was conducted by The Services Group in Ghana in 1995.[2] This exercise was literally designed to create an investor services guide that mapped out and illustrated for investors all the steps needed to establish and operate a business. The resultant complexity that was captured, however, provided a sharp wake-up call to the Ghanaian authorities and to donors as to just how difficult the bureaucratic investment climate actually was for investors.

This insight was particularly jarring because there was a widespread assumption that the extensive policy reforms introduced under the country's structural adjustment program

(SAP) had adequately improved the investment climate. Consequently, this experience sharply illustrated the difference between *policy* reforms and *procedural* reforms, and the inadequacy of policy reforms in and of themselves to facilitate investment. More broadly, it also demonstrated the utility of the Roadmap approach as a way to identify and demonstrate to governments the complexity of their investment processes and procedures.

The Roadmap methodology was subsequently refined by The Services Group in Namibia, Uganda, and Tanzania. USAID and FIAS have both actively supported the evolution and use of the Roadmap, and the initial Roadmap exercises in Ghana, Uganda, and Namibia were jointly financed by the two agencies. Subsequently, USAID and FIAS have independently conducted Roadmap exercises, using TSG consultants, although FIAS has also conducted several Roadmaps using internal FIAS staff.

Today, the term "Roadmap" is still used to describe the exercises conducted by both USAID and FIAS, although there are methodological differences in the content of the Roadmaps conducted by TSG for USAID, and those conducted by FIAS. As will be described in detail in this book, Roadmaps conducted by TSG for USAID can entail several stages: an analysis of the procedural climate, "process improvement" workshops to identify solutions to problematic procedures, and the use of long-term implementational assistance. FIAS Roadmaps, by contrast, typically include only an analysis and identification of the procedures governing investment. In addition, some consulting groups have also conducted "roadmaps," but these are typically limited to a select procedural area such as corporate registration.

Why is the Investor Roadmap Significant?

Since the initial Roadmap in Ghana in 1995, Roadmaps have been conducted in more than 20 (?) countries worldwide *(see Figure 1.1).* In countries where Roadmaps have successfully taken place, a variety of procedural and bureaucratic changes have taken place. These changes are characterized by the following:

> *Elimination of unnecessary tasks:* Governments typically implement new procedures and tasks without eliminating the old. Many government employees perform functions that at one time had relevance to government goals and objectives, but that have not subsequently been changed in accordance with new policies. In Malawi, for example, the Ministry of Surveys had a lengthy process that included checking of surveys conducted by government surveyors over 4 times. When introduced, this procedure was as government surveyors were undertrained and surveys were not taken frequently as land changed hands infrequently.
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> Once Malawi adopted a more free-market approach and the transfer of land became more commonplace, this redundant quality control process quickly began to cause backlogs in the process, and requiring the Surveyor General to personally check every survey became unwieldy. Following completion of the Investor Roadmap in 199-, the Malawian government decided to reduce the number of reviews that were required. Consequently, it is now easier for an investor to acquire a land title and to undertake land development. This change

also reduced the cost that the government incurred in conducting and reviewing a survey.

Empowerment of Employees: Although many U.S. corporations have recently recognized the benefits of allowing employees to make decision have been slow to overhaul the formally top-down management styles that were symbolic of centrally-planned economies. However, as governments move from a controlled-oriented approach to a service mentality, it becomes increasingly important that the public servants that interact with the public be given the mandate to shape their own jobs.

Under the Roadmap exercise in Tanzania, for example, Customs officials not only made recommendations as to what procedural changes should be enacted, but they were charged with the task of seeing the change through. This approach led to two direct advantages: the employees charged with implementing changes were very familiar with the problems because they are associated with them on a regular basis and ???

Figure 1.1 : map showing where Roadmaps have been conducted worldwide

Cooperation with the private sector: Long viewed as self-interested at best and adversaries at worst, the private sector is now being invited to participate in creating change by helping governments to identify problems and solutions. The Investor Roadmap methodology incorporates the private sector's experience with the investment process. In a number of Roadmap countries, governments actively invite the private sector's cooperation in designing investor-friendly policies, laws, and procedures.

Cross-departmental cooperation: As in many large, multifaceted organizations, government agencies are typified by their degree of isolation from one another. Often investors find themselves shuttling back and forth between government agencies attempting to complete processes. Using process improvement work groups, the Investor Roadmap has brought together officials from multiple agencies to improve procedures that cut across traditional institutional boundaries. This approach has been used to modify the issuance of work permits in … and the issuance of tourism-related permits in Kenya and the Dominican Republic. The establishment of a multi-agency working group in Tanzania has resulted in the introduction of a single bill of entry, a reduction in the number of goods requiring a pre-shipment inspection, and institution of a random inspection system, among others. As a result of these changes, average customs processing times have fallen by several days.

As a result of these and other Roadmap-induced changes, investors are finding it increasingly easier to establish businesses in these nations. What had once been so daunting that only a brave few or those that had the money to pay facilitators would dare take on the process of investing in a country. In particular, these changes have produced a number of concrete benefits to investors, including:

> *Reduced number of forms:* Prior to the 1996 Roadmap, a bank in Tanzania was required to complete over 100 forms to become licensed. In Tanzania's efforts to attract a more vibrant financial sector, the number of required forms has been reduced by more than 50 percent.
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> *Reduced Corruption: to be completed with similar examples*
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> *Reduced Processing Times: to be completed with similar examples*
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> *Helpful government officials:* The Roadmap's approach teaches governments the importance of meeting the needs of the customer – that is, the investor. Accordingly, processes and procedures have been revised using the customer's perspective. In … for example, … In Namibia, customer service training sessions have instructed governmental employees in the art of assisting, rather than discouraging, the investor.
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> *Clear, transparent processes: to be completed with similar examples*

Much of the work is done with the assistance of outside consultants. However, the key word is "assistance." Rather than simply writing a report and leaving it behind, the consultants are asked to facilitate the implementation of the changes. The consultants are specialists in process improvement techniques, but the expertise of the specific tasks comes from the civil servants. This partnership enables the development of changes that are feasible and pragmatic. These solutions are *government-driven*, not *consultant-driven*.

What makes this transformation so effective is that such changes are much more likely to be implemented effectively than changes which are recommended in a report drafted by "experts." This may well be the new model for donor assistance for developing nations. Rather than driving change from the outside, donors are now moving towards assisting government-led change.

For these reasons, the Roadmap has generated tremendous excitement within USAID, in the governments in the countries where it has been performed, and in regional organizations such as COMESA. The purpose of this book is to explain the purpose and function of the Roadmap, to examine its strengths and weaknesses, to explain why so many are so excited about its potential, and finally, to explore its potential as a broader tool of development.

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As a final note, readers should be aware that this book cites examples of bureaucratic obstacles in many countries. These examples are used to illustrate the types of problems faced by investors in many developing countries, rather than to highlight the negative aspects of an individual country. In fact, it should be borne in mind that -- to the credit of these governments -- many of the obstacles cited here have subsequently been modified or otherwise improved. In particular, the Tanzania Roadmap is quoted extensively because of all the countries where Roadmap exercises have been undertaken to date, Tanzania proved to be one of the most difficult places to establish a business. As a result, the examples of Tanzanian administrative constraints are strikingly illustrative. Nonetheless, as will also be discussed throughout this book, Tanzania has made impressive strides to ameliorate or eliminate many of these obstacles since they were first identified in the 1996 Roadmap exercise.

End Notes

[1] African Economic Report -- 1988, p. 18.

[2] This Roadmap was carried out by the late Robert Rauth of TSG, who pioneered the initial development of the Roadmap's procedural focus and further refined this methodology in the subsequent exercises in Namibia, Uganda, and Tanzania.