2014:32

Sida Decentralised Evaluation

Andrea Spear
Dejan Kavalec

Review of IFC 'Investment Climate Regulatory Advisory Project' (ISCRA) in Bosnia and Herzegovina, 2011-2014

Final Report

Sida

Review of IFC 'Investment Climate Regulatory Advisory Project' (ISCRA) in Bosnia and Herzegovina, 2011-2014

Final Report
June 2014

Andrea Spear
Dejan Kavalec

Sida Decentralised Evaluation 2014:32
Sida

Authors: Andrea Spear and Dejan Kavalec

Sida Decentralised Evaluation 2014:32

Commissioned by the Embassy of Sweden in Bosnia and Herzegovina

Date of final report: June 2014

Published by Citat 2014

Art. no. Sida61760en

urn:nbn:se:sida-61760en

This publication can be downloaded from: http://www.sida.se/publications

SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

Address: S-105 25 Stockholm, Sweden. Office: Valhallavägen 199, Stockholm
Telephone: +46 (0)8-698 50 00. Telefax: +46 (0)8-20 88 64
E-mail: info@sida.se. Homepage: http://www.sida.se

Table of Contents

Abbreviations and Acronyms

AMC	Association of Municipalities and Cities (1 in the Federation and 1 in the Republika Srpska)
BiH	Bosnia and Herzegovina ('State')
CCS	Compliance Cost Savings
CDMA	Capacity Development for Municipal Associations
CILAP	Capacity Building in Land Administration Project
EDA	Economic Development Agency, Banja Luka, Republika Srpska
EU	European Union
FBiH	Federation of Bosnia and Herzegovina ('Entity')
GAP	Governance Accountability Project
GIZ	German International Cooperation agency
IFC	International Finance Corporation (World Bank)
IPA	EU Instrument for Pre-Accession Assistance
ILDP	Integrated Local Development Project
ISCRA	IFC's Sida-funded
ISO	International Standards Organisation
KM	Bosnia and Herzegovina convertible mark, *konvertibilna marka*
LED	EU Local Economic Development programme
LOD	EU Local Democracy Reinforcement programme
M&E	Monitoring and Evaluation
MoFTER	National-level Ministry of Foreign Trade and Economic Relations
MTS	Municipal Training Systems Project
NERDA	Northeast Regional Development Association (based in Tuzla, FBH)
OECD	Organisation for Economic Cooperation and Development
OSCE	Organisation for Security and Cooperation in Europe
PARF	Public Administration Reform Fund
PLOD	Centre for Promotion of Local Development, based in Bihać, FBH
REDAH	Regional Economic Development Association for Herzegovina (based in Mostar, FBH)
RIA	Regulatory Impact Assessment
RS	Republika Srpska ('Entity')
SCM	Standard Cost Model (World Bank model for measuring compliance cost savings)
SCTM	Standing Conference of Towns and Municipalities of Serbia
SDC	Swiss Development Cooperation
SEK	Swedish krona
Sida	Swedish International Development Cooperation Agency
SLS	Strengthening Local Government project (GIZ)
SMEs	Small and Medium Enterprises
SNV	Netherlands international aid agency
SOG	BiH-languages abbreviation for AMC (SOG RS, SOG FED/FBH)
USAID	US Agency for International Development

Preface

The Embassy of Sweden in Sarajevo, Bosnia and Herzegovina, commissioned Indevelop (www.indevelop.se) in March 2014 to carry out an evaluation of the 'Investment Climate Regulatory Advisory Project' (ISCRA) which is implemented by the International Finance Corporation (IFC) between 2011 and 2014. The evaluation was commissioned through Sida's framework agreement for reviews and evaluations.

The evaluation was carried out between March – June 2014, with two field visits to Bosnia and Herzegovina during April - May. The evaluation report was finalized in after feedback from IFC and the Embassy on the draft report.

The review was carried out by Andrea Spear (member of Indevelop's core team of professional evaluators), with support from Dejan Kovalac (national consultant). Quality assurance was provided by Ian Christoplos while Jessica Rothman provided project management and ensured compliance to Indevelop's quality assurance system.

Executive Summary

I. Objectives of the ISCRA Project and of this Review

This Report assesses the 3.5-year 'InveStment Climate Regulatory Advisory' Project (ISCRA**),** implemented by the International Finance Corporation (IFC). The project started in November 2011 and was to finish in January 2015; it is now to be extended at no cost to Sida until 30 June 2015.

ISCRA activities centre on:
1. institutionalising good practices in regulatory reform;
2. improving the business and investment climate; and
3. strengthening the competitiveness of specific agribusiness value chains.

ISCRA built on earlier IFC regulatory reform and investment development projects, also supported by Sweden and other donors since 2007. The main beneficiaries are municipalities, Federation BiH cantons, the Federation BiH and Republika Srpska Entity Governments and their relevant ministries, and selected National Government authorities.

This Review has three main objectives:
1. To identify the progress of the ISCRA programme
2. To document lessons learned
3. To assess options and provide guidance for an Exit Strategy.

II. Results and Findings

Between 2007 and June 2015 (if the no-cost extension proceeds), IFC will have implemented regulatory reform programmes at 23 municipalities, 4 cantons, and dozens of Entity and National agencies. ISCRA is the final phase of this endeavour, and possibly the most successful, as experts had gained experience, lessons learned were applied, and approaches were refined. So far, ISCRA has proved to be been more efficient and focused than its predecessors, with clearer results. The project, its activities and its priorities remain highly relevant, complementing those of other donor programmes and aligning well with Sida's existing and future country and regional strategies.

Most municipal, cantonal and government officials interviewed by the Team gave high marks to IFC, saying their expectations had been fully met to date. They were particularly satisfied with IFC's methodology and approach and its dedicated, professional experts. Ownership of the reforms and outputs appeared high. The project's high visibility and wide media coverage heightened awareness of regulatory reform in general. Expressions of interest for local-level projects exceeded the supply of experts available.

The ISCRA team has made considerable progress in its first 2.5 years, and it expects to achieve most of the ambitious project's desired results by the time the project ends in June 2015.

The activities and outputs are progressing systematically, generally in line with the plans set out in the semi-annual reports. Given the challenges, it is notable that the IFC team has made such good progress towards its desired results. Risk management has been effective in keeping up momentum in a number of areas, despite political and other challenges. The remainder of the project will have to be managed carefully in order to achieve the targets, with national elections scheduled for late 2014 and key pieces of legislation and administrative reform still in the pipeline.

To date (May 2014) the progress relating to the desired results is as follows:

- E-Registries are operational in the 6 municipalities and 3 cantons where work was completed in 2012 and 2013. Work is underway in 4 municipalities at present, and one more is expected to join the programme soon. Therefore, by the end of the project in June 2015, e-Registries are expected to be up and running in 11 municipalities and 3 cantons.
- In addition, the BiH Ministry of Foreign Trade and Economic Relations (MoFTER) established an e-Registry in 2013.
- Regulatory control functions/teams are now operational in the same 6 municipalities and 3 cantons, as well as in the FBiH Secretariat of Government. MoFTER expect to establish them in 2014. Again, by the end of the project, regulatory control teams are projected to be functioning in 11 municipalities and 3 cantons.
- Nearly 1300 business-related procedures have been simplified or eliminated, exceeding the desired result of 1000.
- The improvements have been greatest in terms of shorter deadlines and other time savings, as well as simplified forms and processes. Lower fees and charges are notable in some municipalities, but many are reluctant to cut, given budget pressures.
- Nevertheless, IFC remains confident that work in the pipeline will ensure that the targets for direct cost savings (US$6 million) will be met. To date, the project has identified $2 million in direct cost savings. The target for indirect cost savings ($26 million) has already been well and truly surpassed, at $46 million.
- The Foreign Direct Investment Law has been reviewed and improved, and is undergoing approval processes. Experts think it may be approved by Parliament by the end of 2014, as the improvements are not considered controversial or political.
- Investor support services and aftercare programmes started up in 2012, under FIPA's management. They may be decentralised in 2014-15. The ISCRA 'desired result' for aftercare focused primarily on the agribusiness sector, but so far only 10% of the investors targeted by the aftercare programme were in agribusiness.
- Agribusiness value chain work for fruit, vegetables and dairy products is ongoing. Competitiveness analyses for these, plus meat, were completed in 2012. Targeted investment promotion strategies for agribusiness value chains are proceeding less quickly than expected at Entity level, but are expected to be finished in 2014. The National strategy will be drafted when the Entity strategies are finished. IFC expects it to be finished by the end of the project in 2015. In the meantime, IFC may also assist FIPA to develop plans to target potential investors strategically.
- The Food Labelling Rulebook consistent with EU guidelines was prepared and adopted in 2013. IFC has also assisted on microbiological sampling work, but no Sampling Rulebook has been prepared.

- Numerous import/export procedures were simplified for key export sectors, including agribusiness.

In the remaining year to June 2015, IFC plans to complete:
- regulatory reform programmes with five municipalities (the current four and a new one to start later in 2014)
- legislative and regulatory reform work in progress at various government agencies
- agribusiness support activities (entity and national strategies, investment promotion plans)
- FIPA support activities (investment aftercare and promotion)
- investment promotion support to 10 municipalities
- handover to an organisation(s) that will carry on the local regulatory reform work
- M&E and impact assessments
- documentation of lessons learned.

III. Lessons Learned and Suggestions for Improvement

Even with good results, there is always room for learning and improving. Analysis and interviews with a variety of stakeholders yielded some useful lessons and suggestions for both IFC and any successor. Key messages highlighted the importance of consulting, following up and monitoring. Many of the suggestions related to improving the methodology to underpin more sustainable regulatory reform. Some of the more important suggestions are listed below. The full set of findings, lessons and recommendations is at Section 8. The methodology is summarised in Annex 9: Exit Strategy, Attachment A: Methodology, based on the checklist and other information provided by IFC.

- Allow more flexible timelines for municipalities that need more time to absorb the assistance and build internal capacity to support the reform agenda.
- Add to the methodology comprehensive training and mentoring for designated municipal officers on the Standard Cost Model and Compliance Cost Savings calculations so that they can use these in ongoing reform efforts.
- Adjust the methodology to give more emphasis to the broader business impact; the 15% 'most burdensome' procedures may need to be supplemented by others that will make a difference for businesses. That is one of the reasons the Review recommends much stronger business input, and suggests a mechanism for efficiently securing and filtering such input throughout the reform process. The Review also suggests that women entrepreneurs and SMEs be more strategically engaged.
- Institute 'follow-up' as an integral part of the methodology – both for monitoring implementation over a longer period and for supporting a 'continuous improvement' mind-set. The Review suggests that in the remaining year of the project, IFC revisit the municipalities and canton that underwent the programme in 2007-2011, in order to monitor progress and provide refresher support as needed.
- Upgrade the e-Registry software so that 'hits' and use of the Registries can be tracked and measured. This would correct a major weakness in the current M&E system, since the e-Registries are a main output of the ISCRA Project and their use should be one of the indicators monitored for success. Likewise, as a sustainability issue, awareness of the e-Registries needs to be improved.
- Any new project should focus more on the vertical and horizontal harmonisation of rules, procedures and good practices between cantons and municipalities in

FBiH and between lower and higher levels throughout the country. This is an important objective for all stakeholders.
- A new project should also seek a more geographically balanced approach and attention to smaller local authorities.

IV. Impact and Sustainability

The Review found that the IFC regulatory reform effort since 2007 has indeed contributed to greater transparency, predictability and administrative accountability in the institutions that undertook the streamlining process and are maintaining e-Registries and permanent regulatory control functions. Importantly for longer-term impact and sustainability, the IFC projects were credited with changing mind-sets, introducing a more service-oriented culture, and institutionalising good practices through legal instruments and defined functions. However, systematic follow-up needs to be built into the methodology to ensure that the good practices and new mind-sets become entrenched.

The Review also found that the investment aftercare programme and the related networks and data collection have improved the government's understanding of and coordination on investor issues and enhanced the credibility of the Foreign Investment Promotion Agency. Nevertheless, this work is embryonic and needs to be consolidated. The aftercare networks in particular will need monitoring and support in order to meet their objectives of retaining and increasing investment.

The agribusiness component is still underway, and it is too early to comment on its potential impact. However, the more strategic approach that will emerge, linking the two Entities and the National Government, will clearly represent important progress.

V. Next Steps

IFC is planning to exit local regulatory reform activities, and would like to hand over the activities to a local team comprising the two Associations of Municipalities and Cities (AMCs) and the Centre for Promotion of Local Development ('PLOD Centre', which brings together a group of local development experts with experience in IFC regulatory reform projects to date), plus at least two Regional Development Agencies (RDAs).

The Review Team has reviewed IFC's Exit Strategy of mid-2013, the AMC-PLOD initial proposal to Sida of end-2013 (endorsed by IFC), and other options. After extensive discussions with IFC, the potential handover partners and other relevant parties, and an analysis of organisation self-assessments, the conclusion is that the proposed team comprising PLOD, current IFC experts, AMCs and RDAs is probably the most realistic option for continuing the good work that IFC has initiated. No single one of them could do it alone. The RDAs do not have the close IFC and IFC-expert connection that PLOD has, nor do they have experience in the regulatory reform process like the two PLOD project directors have. PLOD took the initiative to put a team together and prepare a proposal. If they can manage it well and if the others – including IFC - do their part well, then it may work. If the group can make a success of the first set of 4-5 municipalities under IFC tutelage, that should give them a good head start, and open doors for the next set. That plus IFC's public endorsement, mentoring and systems could help mitigate the risk of not having the IFC/World Bank clout.

The AMC-PLOD team, including RDAs to strengthen the business element, is preparing an improved, more comprehensive and substantive proposal to submit to Sida in coming weeks. IFC has prepared a Handover Roadmap that would ensure a well sequenced transition, with IFC training, guiding and overseeing the new team during the most critical phases of implementing a new round of regulatory reform programmes at 4-5 municipalities in the first half of 2015. IFC would exit at end-June 2015.

The Review Team suggests that Sida give positive consideration to the new proposal, provided it meets a number of conditions, set out in the Exit Strategy Assessment Paper attached to this Review at Annex 9.

Brief technical description of the ISCRA Project

Title	InveStment Climate Reform Advisory Project
Agreement number	Trust Fund #TF071786
Location	Bosnia and Herzegovina
Implementer	International Finance Corporation
Contracting authority	Sida, Ferhadija 20, 71000 Sarajevo Programme Officer : Nedim Bukvić
Beneficiaries	Municipalities, Cantons, Entity Governments, National Government agencies, businesses
Signing date	28 November 2011
Starting date	1 November 2011
End date	31 January 2015
Trust Fund end date	31 December 2014
- IFC's proposed no-cost extension	To 30 June 2015
Total Sida disbursements to Trust Fund	SEK 19.5m (=US$2 896 495 with interest income to Dec. 2013)
- Upon signing	SEK 8m
- 8 Jan. 2012	SEK 10m
- 9 Jan. 2013	SEK 1.5m
Administration fee	5%
Progress Reports	
- 1/11/11-30/6/12	Due 31 July 2012
- 1/7/12-31/12/12	Due 31 January 2013
- 1/1/13-30/6/13	Due 31 July 2013
- 1/7/13-31/12/13	Due 31 January 2014
- 1/1/14-30/6/14	Due 31 July 2014
- 1/7/14-31/12/14	Due 31 January 2015
- 1/1/15-30/6/15	With no-cost extension: Due 31 July 2015
Other funding sources	(From IFC's Semi-annual Report to December 2013)
Ministry of Finance of Austria	US$210,000
Anticipated Client Cash Fees: cost-sharing	US$280,000
Anticipated Client In-Kind Contribution	US$755,000
Total Project Funding:	**US$4,141,495**

Source: Various project documents

1 Introduction

1.1 THE ISCRA PROJECT

The 'InveStment Climate Regulatory Advisory' Project (ISCRA**)** was designed and is being implemented by the International Finance Corporation (IFC), a member of the World Bank Group, under an Agreement with Sida that runs from 1 November 2011 to 31 January 2015. It is likely to be extended to 30 June 2015.

The Project has three specific objectives:

1. To institute a more business-friendly investment climate and reduce administrative compliance costs for businesses
2. To enhance attraction and retention of foreign investment
3. To improve the competitiveness of selected agribusiness value chains, based on competitiveness analyses for fruit, vegetables, and meat and dairy products.

IFC began working on the first objective in 2007, along with some economic development work. With the ISCRA Project, it branched into the second and third objectives, while maintaining the first as its main priority. It is being managed by a senior IFC Project Director, implemented by a team of IFC coordinators and local legal and economic experts, and monitored by an M&E expert.

The ISCRA team has made considerable progress in its first 2.5 years, and it expects to achieve most of the project's desired results by the end of the project in June 2015. This report assesses the progress and lessons learned to date, and provides some suggestions for the final phase and exit.

1.2 PURPOSE AND OBJECTIVES OF THE REPORT

The Swedish Embassy in Bosnia and Herzegovina (BiH) contracted Indevelop in March 2014 to conduct a Review of the ISCRA Project, and to assess the potential Exit Strategy. The assignment took place between March and June 2014, with final reports to be submitted by 18 June.

1.2.1 Objectives of the Review

The ToR for the ISCRA Review set out three overall objectives:

4. To identify the progress against the desired results of the ISCRA programme
5. To document lessons learned
6. To assess options and provide guidance for an Exit Strategy.

The ToR and further discussions with the Embassy established the following specific objectives:

1. to evaluate progress towards the desired results, as reflected in the ISCRA Programme 2011-14 framework of verifiable indicators of outputs and outcomes

2. to examine the effects and sustainability of IFC's Sida-supported regulatory reform efforts since 2007
3. to assess complementarity and synergies between the ISCRA and similar donor programmes, including new ones started in 2013/14
4. to offer, in a separate paper, advice on the options for an Exit Strategy, including possible handover candidates.

1.3 REVIEW SCOPE AND METHODOLOGY

1.3.1 Scope

Following Sida Review guidelines and principles, the Review Team undertook desk analysis and field interviews to assess:

- relevance of the assistance
- quality of the project design and implementation
- progress toward desired results
- efficiency of IFC implementation
- effectiveness of IFC implementation
- extent to which 'crosscutting issues' such as gender equality, environment sustainability and poverty reduction were reflected in the project design and results
- sustainability

Please see the Evaluation Matrix at Annex 3 for a list of the key issues, questions, methods and sources that were used to review each topic.

1.3.2 Review Methodology

The Work Programme (Annex 4) comprised four phases:

1. Pre-mission preparation: inception report, consultations with the Embassy and IFC, initial data collection and review, preparation of questionnaires/surveys, and organisation of 2 missions (10 days)
2. Field work and continued data collection and analysis, including initial and mid-term briefings with the Embassy, and interviews with more than 50 people, i.e.: stakeholders, municipalities, cantons, entity and national governments, private sector, donors) (15 days)
3. Development of initial findings and recommendations, and presentation to the Embassy (2 days)
4. Post-mission follow-up, report preparation and finalisation (15 days).

These four phases included the following steps and activities:

1. Data collection; analysis of documentation, financial and narrative reports, reviews, audits, and other sources of information; initial consultations with the Embassy and IFC
2. Methodology/work programme design
3. Preparation of questionnaires tailored to each group of people to be interviewed (for discussion with Embassy and refinement during the course of the field missions)
4. Mission organisation
5. Meetings with the Embassy and IFC at the beginning of the first mission to discuss analysis, key issues, approach, questionnaires, draft report outline, etc.

6. Refinement of questionnaires and meeting schedule, as necessary, following these discussions
7. Structured and semi-structured interviews (most based on tailored questionnaires) with:
    - IFC Project Director and Team
    - AMC FBiH and AMC RS Directors and relevant staff
    - PLOD (potential partner with AMCs in a new project to take IFC work forward)
    - Beneficiaries of the ISCRA assistance since 2011 (9 municipalities, 3 cantons, 4 entity and 4 national government representatives)
    - Experts contracted by IFC to deliver the regulatory reform activities
    - End users of the assistance outputs (private sector represented by Employers Associations, Chambers of Commerce, Foreign Investment Council, Regional Development Agencies
    - Other organisations that could potentially participate in future regulatory reform endeavours (same bodies as above)
    - Donors and international organisations working at the local level in BiH.
8. Checking and double-checking with a variety of sources project assumptions, facts, figures, findings, praise, complaints, recommendations, etc., to ensure accuracy, relevance and usefulness
9. Formulating findings, conclusions and recommendations on the Review and the Exit Strategy
10. Discussion of these with the Embassy and IFC at the middle and end of the field missions
11. Writing the Draft Review and Exit Strategy Reports
12. Quality Assurance
13. Submission of Draft Reports to the Embassy (and any stakeholders it nominates) for comment
14. Finalisation of the Reports and submission to the Embassy/Sida.

Review Team Consultations*

- Met Embassy 3 times
- Met IFC 5 times
- Interviewed 9 of 10 municipalities assisted since 2011: Bosanska Krupa, Srebrenik, Tuzla (2012); Vitez, Zivinice (2013); Visoko, Illidza, Zenica, Prnjavor (2014). (Teslić (2013) unavailable; sent Qs.) Also interviewed Bihać, which was assisted in the previous cycle.
- Interviewed 3 of 3 cantons: Una-Sana (2012), Zenica-Doboj (2013), Tuzla (2013-14)

  Government: interviewed 8 ministries/agencies:
  - RS: Min. of Agriculture, Construction (MoER unavailable: sent Qs)
  - FBiH: Min. of Industry, Secretariat of Government
  - BiH: MOFTER, FIPA, Food Safety Agency, PARF
- Business: interviewed 6 organisations at national, entity and cantonal level: Foreign Investors Council, FBiH Employers Association, Zenica Employers Association, Chamber of Commerce of Canton Sarajevo, NERDA, REDAH
- Exit Strategy: met PLOD Centre (3 times), AMCs (3 times), NERDA, REDAH
- Donors: interviewed USAID/Sida-GOLD, SDC, GIZ, EU.

*Please see Annexes 4 for Work Programme and Consultations details.

1.3.3 Review Challenges and Limitations

The timing, well before the end of the project (now June 2015), meant that the agribusiness component was still underway, and 40% of the municipalities were about one-third of the way into the 8-10 month reform process. A number of local governments were still recovering from the 7 February troubles, which led to loss of equipment, data, premises, etc. (Rioters stormed cantonal and municipal buildings in a number of cities, setting fire and stealing equipment.)

Many of the laws that IFC has played a role in developing at higher levels were slowly moving through the administrative hurdles. Adoption and implementation were likely to be affected by the national elections later in the year. The Foreign Investment Promotion Agency (FIPA) was not able to provide an updated version of the detailed action plan for 2014.

The floods affected post-mission follow-up, delaying responses to surveys and requests for further information. Despite repeated calls, the team did not receive responses from the Republic Srpska Government, the Banja Luka Chamber of Commerce, nor the mayors of Teslić and Tešanj.

All this made it difficult to collect and verify data and calculate result predictions. Nevertheless, it was possible to verify that the results to date are generally positive, and that IFC's M&E and data collection systems appear to be quite thorough. Another verification of results and documentation of lessons learned should be carried out in mid-2015.

2 Programme Relevance and Harmonisation

2.1 RELEVANCE OF ISCRA OBJECTIVES AND PRIORITIES

The ISCRA Project's objectives and priorities are described in the box below. They reflected well-documented needs in 2011, when the project was designed, and they were aligned with national and local development priorities. The Project built and expanded on IFC's similar work since 2007, taking into consideration the findings of Sida's 2010 Review of the IFC Subnational Competitiveness Programme and other lessons learned.

The bottom-up approach adopted by IFC from the beginning has over the long run delivered a number of successes, which have in turn spawned more interest in regulatory reform (and in bottom-up approaches, according to IFC). The objectives and priority areas remain highly relevant today, as BiH's regulatory reform agenda gradually becomes entrenched, quality investment becomes more crucial, and agribusiness remains a key potential growth and export sector. (Agribusiness is a mainstay of the economy. Attracting quality investment is a priority in transition economies.)

Objectives and Desired Results of ISCRA Assistance Programme: 2011-2014

Overall Aims:

1. To increase the relative competitiveness of BiH through reforms of the policy, regulatory institutional and operational frameworks for investment at all four levels of Government (local, cantonal, entity and national).

2. To facilitate BiH's integration into the European Union

Overall objective of the assistance: To help clients simplify and rationalise policy, regulatory, administrative and transparency barriers to investing and operating in BiH.

Specific objectives:

4. To institute a more business-friendly investment climate and reduce administrative compliance costs for businesses
5. To enhance attraction and retention of foreign investment
6. To improve the competitiveness of selected agribusiness value chains

Desired Results (some are mutually supporting and cut across all three areas)

1. A more 'business-friendly' investment climate and reduced compliance costs
   - A. Compliance costs reduced by $32m (direct $6m and indirect $26m)
   - B. At least 1000 administrative procedures (documentation, fees, processing time, forms and information requirements) streamlined and simplified in 11-12 municipalities, 2-3 cantons and both entity governments
   - C. Sustainable permanent regulatory reform frameworks in place at Entity and National levels (Regulatory Reform Units at Entity level, including RIA)
   - D. Transparency and predictability enhanced via up-to-date E-registers of rules, regulations, procedures for licences, permits and approvals, etc.

E. Other important legal reforms undertaken to support the objectives

2. To enhance attraction and retention of foreign investment
   A. FDI law and policies at national and entity level reviewed and improved to reflect international best practice
   B. Targeted investment promotion strategies in place for selected value chains
   C. Investor support services and aftercare programmes operational for the agribusiness sector

3. To improve the competitiveness of specific agribusiness value chains
   A. Food Safety authorities adopt sampling and labelling rulebooks for the selected VCs aimed at advancing harmonisation of BiH and EU regulations
   B. Administrative burden reduced for a sample of import/export procedures under Entity and National regulations for key export sectors, including 1-2 VCs of agricultural inputs and final products
   C. 2 B and C above.

Source: IFC ISCRA Project Proposal, November 2011

Nevertheless, some questions were raised in interviews regarding the relevance of the cost savings targets, given the difficult financial situation of the local authorities and the fact that many municipalities are small with relatively low turnover. Some questioned if these cost-savings targets might, on occasion, have been accorded too much priority, including in terms of selecting municipalities for regulatory reform work.

Regarding selection processes, the regulatory reform work was mainly concentrated in Federation BiH in the period under review. Only two RS municipalities have participated in the current project: Teslić and Prnjavor. The other eight, plus three cantons, were from central and northern Federation.[1] The previous cycle (2007-2011) featured 12 municipalities and one canton. (*See last page of Annex 8 for the list*.) These were spread fairly equally between RS and FBiH, and included two organisations in Herzegovina. The current project has had no work in Herzegovina. IFC said it was because they received no expressions of interest from the region.

Comment by IFC ISCRA Project Leader

"We independently contacted, based on the discussion with the RS Government, municipalities in the east (5 municipalities were contacted from poor regions and our assistance offered), but they all rejected due to 1) lack of interest; 2) didn't have sufficient business activity to justify this work; 3) other more urgent projects took take away all of their staff resources."

Is ISCRA support coherent with Sweden's country/regional strategies? Does it add value to the overall Swedish effort to promote human rights and democracy? The objective of Swedish cooperation in BiH is to support democratic, fair and sustainable development, as well as progress towards EU accession. The ISCRA objectives relate

[1] Municipalities: Bosanska Krupa, Srebrenik, Tuzla (2012); Vitez, Zivinice,Teslić (2013); Visoko, Illidza, Zenica, Prnjavor (2014). Cantons: Una-Sana (2012), Zenica-Doboj (2013), Tuzla (2013-14).

closely to Sweden's BiH Country Strategy for Development Cooperation 2011- 2014, particularly to the first and second pillars*: democracy, human rights and gender equality*; and *market development.* ISCRA helps underpin democratic processes and the decentralisation agenda by helping local authorities strengthen their ability to provide efficient services to citizens and businesses. The agribusiness value chain analyses and market development strategies fit well with Sweden's market development pillar, including EU integration.

Similarly, ISCRA's objectives meld well with several aspects of Sweden's new Regional Results Strategy 2014-2020 (*comments in italics*):

1) Increased economic integration with the EU and a functioning market economy

- Strengthened capacity of institutions for economic integration with the EU *(One of the overall ISCRA objectives is to facilitate EU integration. Entity and National-level regulatory reforms frequently focus on consistency with EU rules, guidelines and regulations. Further work is required on vertical and horizontal harmonisation.*)
- Competitive small and medium-sized enterprises (*SMEs will benefit from both the regulatory reforms aimed at improving the business environment, and the agribusiness strategies and related quality infrastructure work.)*

2) Strengthened democracy, greater respect for human rights and more developed rule of law

With a focus on strengthened public administration and judiciary

- A more efficient public management with the administrative capacity to implement reforms for EU integration (*The IFC regulatory reform work builds capacity aimed at more efficient and transparent public management and harmonisation with EU guidelines, etc.*)
- Public services delivered with better quality based on principles of non-discrimination and equal rights, and with less corruption (*ISCRA's objectives, plans and activities focus on transparent, predictable, accountable public services. The e-Registries listing rules/permits, procedures, documentation requirements, fees, deadlines, responsibility, etc., remove discretion and thus have an impact on discrimination and corruption*).

Thus, the ISCRA project fits well with the proposed Results/Outcomes table for the Regional Results Strategy 2014-2020, as set out in the ToR:

Results:	Possible Outcomes
1. A regulatory framework conducive to trade and economic development is implemented.	The key institutions for the regulatory framework (inspections, health and safety standards, certification, land administration, etc.) will have received increased capacity rendering them more competent and reform oriented, and allowing them to implement necessary policies and strategies, which will in turn lead to increased trade and economic development of the region.
2. Productive SMEs increasingly contributing to employment.	Sub-regional or business sector programmes will create jobs by removing obstacles to growth, establishing new trade links and raising competence. Support to a country´s SME development strategy can strengthen competitiveness, improve the dialogue between the private and public sector, and strengthen the position of female entrepreneurs.

Any follow-on project would have to focus more on vertical/horizontal integration of regulatory reforms, on public-private sector dialogue, and on strengthening female entrepreneurs. It would have to closely coordinate with other donors who are also working on vertical integration, PPD and gender issues in BiH (*see Annex 7.*)

Are there clear synergies between ISCRA and similar Swedish projects (e.g., PARF, CDMA, CILAP)? There are clear synergies between ISCRA regulatory reform objectives and those of the Public Administrative Reform Fund (PARF). [However, our interview indicated that PARF seemed 'off track' and needed to consult donors – including Sida – before initiating some pending activities that may have been addressed by donors already.]

ISCRA complements Sida's 'Capacity Development for Municipal Associations' (CDMA) programme, which focuses on capacity building of the Associations of Municipalities and Cities (AMCs) so that they can represent the interests of their constituents (municipalities and cantons) at higher levels, as well as encouraging good practices at local levels (among other things). This means that when ISCRA regulatory reform activities identify laws and other areas that need reforming at higher levels, the AMCs' (formerly Sida-funded) legal and finance experts can take action. Regarding Capacity Building in Land Administration Project (CILAP), ISCRA work to reform construction laws and permits around the country is complementary.

2.2 HARMONISATION WITH OTHER DONORS' PROJECTS

Generally, the Project represents a continuum of relatively longstanding efforts to improve the business environment and the agribusiness sector. All donors consulted (USAID, SDC, GIZ, EU) recognised the relevance of the IFC regulatory reform projects to the sustainability of their own efforts to support and strengthen local authorities and local democracy.

Local, entity and national government officials also stated that the assistance complemented other programmes. Many, for example, considered that their experience with the Sida-USAID Governance Accountability Project (GAP) project set the foundations for the more business-focused IFC project. GAP streamlined administrative procedures and facilitated citizen service centres/one-stop shops at numerous municipalities around BiH. As the Illidza (Sarajevo) Municipality IFC Project Coordinator said, "These good practices - especially the e-Registry - are a natural continuation of what we put into place under GAP, ISO, etc.".

Have designers and implementers sought complementarity and synergies as the projects evolved? The IFC ISCRA Project Director said they had consulted and advised other implementers (e.g., GOLD) and donors (e.g., GIZ, USAID) regarding synergies in approaches and coverage, particularly at the local level. These donors confirmed they had discussed local development issues with IFC. IFC receives funding from a number of donors, giving it a built-in opportunity to seek complementarities. No evidence of duplication was found by the Review Team.

A list of relevant donor-financed programmes is at Annex 7.

3 Quality and Coherence of Design

3.1 QUALITY OF DESIGN

The ISCRA project concept paper and design was an 8-page document attached to the November 2011 Trust Fund Agreement between IFC and Sida. It set out the objectives, activities and desired results listed at 2.1 above (though not in that format), and provided a detailed list of activities by national and subnational component, a brief sequencing matrix, funding summary, risk management measures, and M&E/results indicators. The paper noted lessons learned from its previous Subnational Competitiveness Programme. The detailed planning was to be done after signing.

Clients reported high satisfaction with the IFC methodology - be it for regulatory reform, for designing the investment aftercare system, or for value chain analysis and strategy development. The methodology typically involves a systematic logical approach to developing systems, capacity, data and resources. In the course of implementing the activities, IFC typically commissions studies and needs analyses, holds consultations and training sessions, offers intensive mentoring to encourage 'learning by doing', and prepares manuals, procedures, guides, codes of conduct, forms, data management systems, organisation structures, etc. (*See Annex A of the Exit Strategy for the regulatory reform methodology, attached at the end of this Report*.)

Has the design proved to be realistic in delivering the desired results, meeting expectations and managing risks? The ISCRA design, while quite basic, was straightforward and addressed the main issues and needs. The list of proposed activities and outputs was detailed and specific enough to track. Considerable work has taken place in the first two of three years that this Review covers, with good results on a number of fronts (*see Section 4*). Clients confirmed that their expectations were generally met.

Nonetheless, analysis and interviews indicate that, based on the partial results to date, the original proposal and design, including the strong focus on agribusiness, may have been optimistic about what could be achieved in such a short period of time (given election cycles, political and economic challenges, etc.). This might have been avoided with more extensive pre-project risk analysis.

The main risks listed in the design paper were 'client absorption and implementation capacity', 'resistance to change, even after reforms have been adopted', and 'double-dip recession'. Probably the political risks encountered during the project should have been included in this list, as they were predictable. Generally, risks appear to have been managed well and innovatively, with little major interruption to activities (except for a few months set-back in some activities following the February 2014 troubles). *See Section 4 for more on risk management*.

Was the design flexible enough to be refined to meet evolving needs and requirements? The approach was flexible enough to be tailored to individual needs and situations, while remaining standardised enough to ensure consistent quality and outputs.

To what extent have the concept, assumptions, risks, strategies, baselines, indicators and results frameworks proved appropriate in terms of monitoring and achieving the desired results? As mentioned above, the list of proposed activities and outputs was specific enough to monitor. The 'logframe' provided in the original design paper attached to the Agreement was unique (not a normal logical framework) and not especially user-friendly; it is also included in the semi-annual reports, in addition to the list of core indicators below. While it provides the necessary progress-related information, it is not clear why there are just two main headings: *reduction in compliance costs* and *capacity building*. Some of the activities and outputs listed under these respective headings are not necessarily related to them. The 'logframe' would be more useful if it were set out in a more logical fashion, and if all the indicators were specific and measurable.

The concept/design paper said IFC would determine the baselines and targets during the first phase. When asked about the baselines, IFC responded that they were zero. The indicator list below is clear enough, but changing targets can make monitoring a bit difficult to gauge. The totals achieved have been verified for the items in **blue** (the most important indicators of progress), and are disaggregated in the table on simplification of procedures in Annex 8.

IFC ISCRA Achievements vs. Core Indicators: 11/2011-12/2013

Results of all national and sub-national activities.

Source: IFC Fourth Half-Yearly Report to Sida, July-December 2013

Indicator	Total Target*	Total Achieved by 31 Dec 2013
Output Indicators		
Number of entities provided with advisory services	40	39
Number of reports (assessments, surveys, manuals, strategic option reports) completed	22	20
Number of regulations drafted or contributed to drafting	130	126
Number of business procedures proposed for improvement or elimination	1680	1663
Number of media appearances	761	766
Number of training events, seminars, workshops	133	86
No of participants at training events, seminars, workshops	1200	1312
Number of women participants at training events, seminars, workshops	600	621
Number of participants providing feedback on satisfaction	840	780
Number of participants reporting satisfied or very satisfied with workshops, training, seminars, etc.	710	724
Outcome indicators		
Number of entities implementing changes	35	21
Number of recommended regulations adopted	108	107
Number of recommended procedures improved or eliminated	1254	1242
Number of firms benefit from reformed licensing requirements	21,800	1355
Number of construction permits obtained	1,700	374

Number of occupancy permits obtained	1,000	257
Implementation of an e-registry of administrative procedures	15	10
Creation/revision of a new/reorganised institution for regulatory management and reform	14	9
Impact indicators[2]		
Investment generated (in million US$)**	43	0
Direct Compliance Cost Savings for businesses (US$ million)	6	2.44
Indirect Compliance Cost Savings for businesses (aggregate private sector savings in US$ million)	26 ***	46

* In general, new and more improved indicators have been added and targets have been revised up in most outcome indicators to better represent what the Project intends to do on the ground.

**This was previously called "Increase in FDI that Project helped to facilitate through our activities (in million US$)." This will be measured at the end of 2014, and compared with baseline year. It will also be measured at the end of 2015.

*** This target was $32 million, but since we separated direct cost savings ($6 million) and indirect ($26 million), this target is now split between these two indicators.

To what extent do the outcome indicators reflect the stated objectives? Are they realistic? The outcome indicators relate closely to the 'overall aims and objectives' and the first two 'specific objectives'. The first three outcome indicators show the progress of reforms to business regulation. They are realistic measures.

The second three show how businesses are utilising the streamlined permits in key areas figuring in the World Bank 'Doing Business' indicators. These would be easier to understand if they related to a 'pre-reform' baseline. The targets are quite ambitious; the large number outstanding at December 2013 when the table above was completed reflects unfinished business (e.g., improved laws being adopted and implemented, reforms being completed by the end of the project in mid-2015, etc.).

The e-Registry indicator is the major transparency indicator, and shows how many e-Registries have been installed in the latest period versus the target number. The last indicator relates to institutional sustainability; it shows how many regulatory reform/control functions/team/systems have been established in participating municipalities, cantons, etc. These two indicators are realistic and easy to verify.

Are the indicators and claims (Standard Cost Model) on cost savings for business valid measures? The $32 million target set for both direct and indirect savings at the beginning of the project was later revised to $6 million in direct savings and $26 mil-

[2] Compliance cost savings is a methodology applied by IFC to measure savings for the private sector from reforms. Savings are measured compared to baseline data taken before project activities started. Savings can be direct and indirect. Calculations for **direct costs** include: official fees, stamp duties, other official payments to government bodies, other financial costs, including the cost of hiring lawyers, accountants, consultants, travel, etc, in order to complete official procedures, labour costs: staff time, gross salary/wages**. Indirect costs** include the opportunity cost of capital idled by bureaucratic delays and waiting time. Source: IFC semiannual report to Sida, Dec. 2012. For a full explanation of CCS, please see www.eglearning.org/sites/default/files/Guidelines_for_Compliance_ Cost_Savings_ template_-_basic_-_100928.pdf

lion in indirect savings (e.g., including time and other intangible savings). It would be useful to have a further breakdown into time and cost savings, because as can be seen from the huge 'indirect savings' figures, the time savings are significantly higher than the actual savings on fees and charges. There is nothing wrong with that, but it does show that perhaps the priorities should be revisited. This goes back to the issue raised in Section 2.1 and in 2010. It should be noted here that the Standard Cost Model that was used in the previous cycle (2007-2011) was modified to offer a more accurate and flexible method that overcame a number of difficulties in calculating compliance cost savings (CCS) and advising on potential budget impacts for local authorities. The main difference, according to IFC experts, is that "SCM includes gross costs and savings, while CCS includes net costs and savings (CCS implied discounting, the reduction of future savings to present value). This is why CCS is more reliable and takes into account the time-value of money. This methodology does not inflate savings and discounts them to the baseline year for comparison purposes. This model can be used across the board at many levels of government to enable reliable comparison of business burden".

Are the E-registry indicators valid? The e-Registry indicators above are premised on a target of 15. By the end of December 2014, IFC expects to have implemented e-Registries in 10 municipalities, 3 cantons and 1 national government office. Now that Cazin Municipality has just been added (to start in mid-2014), by June 2015, IFC is likely to meet the target of 15. In terms of transparency and predictability, the e- Registries can contribute enormously - if a critical mass of regulations and procedures is uploaded, and if these are harmonised across an equally critical mass of municipalities and cantons.

There is still a way to go to institutionalise good practices, including motivating people to utilise the e-Registries and ensure that officials respect them. An important indicator and management tool that is missing is the 'number of hits' on the e-Registry in each institution. When the software was commissioned, no one thought to include the capability to measure the use of the Registry. IFC has undertaken to rectify this.

In short, the project requires solid baselines and tracking tools to effectively measure and attribute larger impacts like investments and reinvestments, use of e-Registries, actual savings to business by municipality, exports generated due to food labelling consistent with EU requirements, etc. Perhaps the 'impact assessment' that IFC plans for mid-2014 will add value in this sense.

Did the design pay due attention to the ultimate impacts on poverty alleviation, gender equality, environmental sustainability and human rights? Directly, these issues were not mentioned in the design, although indicators are included for female participants in workshops, seminars, etc., and in business consultations. Indirectly, the activities for improving the business environment could have an eventual impact on poverty alleviation by enhancing investment and employment prospects. Some of the regulatory reform activities may have an impact on the environment through revised construction and other laws, the agribusiness strategies, and harmonisation with EU regulations.

However, because IFC projects do not appear to draw attention to different challenges in gender, environment and poverty reduction, they may reinforce the marginalisation of isolated areas. Concerning environment sustainability, capacity for environmental impact assessment is likely to be a factor in BiH's ability to access EU support in future; as such, this is an area where compliance issues may need to be addressed.

3.2 ACCURACY OF THE 'THEORY OF CHANGE'

ISCRA's success in terms of sustainability will depend largely on two factors:

1. institutionalisation of systems encouraging 'continuous improvement and reform' and good practices; and
2. changes in mind-set and behaviour of the main target groups: local authorities and higher levels of government.

The underlying assumptions in this regard were not spelled out in the design. However, if they had been, they would plausibly be along the following lines:

1. IFC's international profile will allow it to be an effective agent of change at various levels.
2. Laws, decrees, instructions, guidelines, manuals, trained staff, etc., will institutionalise good practices such as regulatory impact assessment, quality control, etc.
3. The increased transparency relating to fees, deadlines, documentation, etc., offered by the e-Registries and official instructions will reduce corruption.
4. Local authorities and government agencies will maintain and regularly update their e-Registries.
5. Civil servants will adopt a more service-oriented mind-set and practices.
6. Local authorities and government agencies will maintain and sustain the regulatory control teams, and give them the authority to take the initiative and act as necessary.

Have the underlying assumptions proved relevant and accurate throughout implementation? The assumptions are highly relevant. It is too early to verify if they will prove accurate over the longer run. Experience suggests that they may need further attention.

IFC's profile and connections to the World Bank have opened doors and secured action that would not otherwise have been possible. This assumption has underpinned its risk management strategies and proved effective.

Other agents for change also exist and should be tapped. These include the mayors of communities that have successfully implemented the reform programme and reaped benefits in the form of new or expanded businesses. (*See Exit Strategy Assessment*.)

Legal instruments and written guidance and templates have been effective in change management and in institutionalising good practices such as RIA, continuous improvement, etc. They are also important for sustainability, because laws usually stay when people and administrations change.

E-Registries are a basic tool to enhance transparency and predictability of administrative procedures and rules. By listing the rules and regulations, the prescribed number of documents to present, the deadlines for approvals, the costs, etc., they remove the scope for administrative discretion, and therefore help to reduce corruption. They have had some unexpected positive consequences, according to a number of mayors and officials interviewed: “The clear, well defined responsibilities have led to an easier, more rewarding job and therefore more efficient, happier service staff”.

How have the expected changes in behaviour contributed to achievement of the objectives? Mayors and other officials consistently highlighted that changes in mind-set and behaviour have been among the most important ‘spillover effects’ of the regulatory reform programmes. For example, officials said that the brainstorming and analysis that occurs at the beginning of each programme (in selecting procedures, etc., for reform) has engaged a variety of staff members and encouraged them to think outside the box for the first time. In addition to creating a stronger sense of ‘public service’, this has inspired a number of officers to take things further and start thinking about how to make other improvements. This ‘continuous improvement’ mind-set and practice is an ideal outcome in terms of sustainability - if it can be documented and ‘continuously’ encouraged. This is possibly where the Associations of Municipalities and Cities (AMCs) can play a role, as they are thinking about forming a Working Group on Regulatory Reform and an expert’s network comprised of regulatory reform officers in municipalities and cantons.

The Review Team was impressed by the enthusiasm displayed by many of those who had participated in the regulatory reform processes 7-20 months before the interview. The fact that they were still motivated months after the project had finished was a good sign. Some municipalities’ regulatory reform teams were meeting regularly to review proposed procedures or new implementing regulations, or approve changes to the e-Registry – in other words, doing exactly what was expected, and enjoying it.

That said, it is clear from interviews with some municipalities from previous cycles that regular monitoring, training and revitalisation are required in order sustain the changes. This is because administrations change, people move, experts retire, etc.

4 Progress toward Desired Results

4.1 THE THREE COMPONENTS

ISCRA activities centre on three main areas: (1) regulatory reform, (2) investment climate improvement, and (3) agribusiness value chain analysis and strategic planning. Regulatory reform is by far the largest component. This section describes each of the three components and provides a brief summary of the achievements and key issues to date.

4.1.1 Regulatory Reform Programme

Under ISCRA, during 2012-2014, IFC experts have assisted 10 municipalities, three cantons[3] and several entity and national ministries, to undertake regulatory reform measures to improve the 'ease of doing business'. The methodology employs a systematic approach to:

1. simplify local formalities related to business,
2. enhance transparency and predictability, and
3. institutionalise regulatory control, oversight and 'continued improvement'.

The approach typically comprises a <u>mini-guillotine</u> (mapping, analysing, and simplifying or eliminating procedures); a <u>transparency mechanism</u> (electronic registry listing each permit, procedure, exhaustive list of documents required, responsible bodies, deadlines, fees, etc.); and a <u>permanent regulatory control, quality management and monitoring function</u>.

Regulatory reform results to date: Since late 2011, IFC experts have assisted 10 municipalities, 3 cantons and 30 Government agencies to undertake regulatory reforms (*see Annex 8*).

- They have simplified or eliminated 1242 procedures and yielded direct potential compliance costs savings for business of US$2 435 569.
- E-Registries are operational in the 6 municipalities that participated in the programme in 2012 and 2013, the 3 cantons, and the National Ministry of Foreign Trade and Economic Relations (MoFTER). The MoFTER e-Registry is notable. Containing 74 import/export permits from MOFTER, BiH Veterinary office, and BiH Plant Protection Office, it is the first registry of its type at the national level and is fully integrated into the government's official website.

[3] Municipalities: Bosanska Krupa, Srebrenik, Tuzla (2012); Vitez, Zivinice,Teslić (2013); Visoko, Illidza, Zenica, Prnjavor (2014). Cantons: Una-Sana (2012), Zenica-Doboj (2013), Tuzla (2013-14).

- Regulatory reform teams/functions have been designated in all the municipalities and cantons, and the FBiH Secretariat of Government. One will also be established in MoFTER by mid-2014.
- Numerous laws, regulations and other legal and administrative instruments have been written, drafted or improved in order to underpin the regulatory reform and other IFC ISCRA support activities. Many have been adopted; quite a number are pending implementation. These include some 'big wins' such as the Company Law package at National Level, the Construction Laws at Entity and Canton level, the Regulatory Reform Framework in FBiH and the mandatory RIA in the Republika Srpska. (*See Annex 8).*

How satisfied are clients/beneficiaries with the results to date? How does this compare to the ISCRA indicators*?* The municipalities, cantons and higher-level government officials participating in the project gave high marks to IFC for its methodology, its professionalism, and its experts' dedicated assistance. Virtually all the clients and beneficiaries the Review Team interviewed expressed high satisfaction with both the process and the results. This is important, because in international business, it is claimed that "*If the negotiating partners are satisfied with the process, they are usually satisfied with the result*."

This is one area where a weak link in the methodology has been identified: both businesses and some municipalities told the Review Team that the current limited consultation of business at the beginning of the regulatory reform 'guillotine' was not enough, and that the private sector should be more involved and better represented throughout the whole process. This would help ensure that procedures chosen for reform include the major ones that will make a difference for businesses. It would also strengthen ownership of the process and inject business realities into the analysis, streamlining, etc. All sides agreed that in the current political and economic situation, it is important to aim for realistic solutions that are as 'win-win' as possible.

How useful to business have the E-registries proved to be*?* IFC's M&E expert, who interviews selected business people a few months after the local projects finish, verifies that the e-Registries are operational, if they had been used, and what businesses' reaction was. Reports show they were pleased with the transparency and reductions in time – even more so than the cost reductions (which have been relatively minor in some cases).

A drawback is that at present it is not possible to monitor use of the e-Registries because the software was designed without a 'hit tracking' capability. Apparently, one municipality (Bosanska Krupa) was able to develop such a tool. IFC has committed to rectify this oversight.

Mayors and heads of citizen service centres report that it is mostly younger people who use the e-Registry, about 30% of clients in the municipalities that have followed it. They say these people come with the documents they have downloaded and printed. Older people, they say, prefer 'face-to-face contact' and are not comfortable using the internet, or don't have a computer and printer, or don't 'trust the web'. (See Recommendations section).

4.1.2 Investment Climate Improvements

In 2011, IFC signed an agreement with the BiH Council of Ministers (CoM) for two projects: (1) Foreign Direct Investment Law improvements (MoFTER) and (2) Foreign Investment Promotion Agency's Aftercare Programme (CoM).

(1) FDI Law: The FDI law was analysed and amended, though not as much as some had hoped. The biggest change was the removal of the 49% equity limit for foreign investors in the private media and information sector. The MoFTER Assistant Minister told the Review Team it would be submitted to the Council of Ministers in June.

(2) FIPA Investor Aftercare Programme

2012: FIPA and IFC cooperated to improve the aftercare methodology and FIPA planning and reporting. An IFC expert trained FIPA staff and helped to select/train members of a network of some 15 relevant government agencies, plus municipalities and cantons.

2012: Initial round of the 'new and improved' aftercare programme. Local partners selected appropriate investors in their specific locality. Because most FDI in BiH is now reinvestment, they decided to focus more attention to existing investors, rather than 'investment promotion'.

2012 & 2013: 'Aftercare' Officers visited some 60-70 investors in 2013; a similar number of visits is planned for 2014. In 2012-2013, approximately 10% were agribusiness-related, lower than what was originally planned. The Director said this was because there was not enough agribusiness-related FDI in the localities they chose.

2014: FIPA contemplates a progressive transfer of aftercare responsibility to local levels (cantons, municipalities, regional development agencies), and is developing more networks to this end. The FIPA Director said it did not have sufficient staff or budget to conduct the Aftercare activities itself.

***Aftercare project results to date*:** The Director said FIPA started to collect information on investors, etc., in 2006, but did not put it to optimal use.

- IFC's systematic approach allowed FIPA to:
  - 'vastly improve' information collection, analysis and utilisation
  - set up an institutional network (in cantons, municipalities)
  - 'follow through' on aftercare (surveys show numerous satisfied clients)
  - report in a meaningful and useful fashion.
- Institutions are taking investment/aftercare issues management more seriously. Investors appear to be more satisfied with FIPA and institutions.
- Indicators are more concrete and verifiable.
- FIPA is more visible and its "new way of reporting shows that it is actually doing something useful" (quoting Director of FIPA).
- Drawing on the analysis and contacts with foreign investors, FIPA sent a paper suggesting concrete measures on sectoral business environment reform to the CoM; it was adopted and sent to relevant institutions for consideration and action.
- According to FIPA, the majority of the investors participating in the programme expected to reinvest in the coming year. FDI inflows, including reinvestments, remained steady between €250 and €300m in both 2012 and 2013, according to FIPA's website.
- A recent IFC survey indicated that several Tešanj investors had benefitted.

During their interviews, the Review Team visited a number of municipalities that were officially part of the 'aftercare network' as well as participants in the IFC regulatory reform programme. Only a few of the mayors or senior officers were aware of the aftercare network. Some were vaguely aware of "some FIPA training". The aftercare programme may benefit from a solid communications and coordination strategy targeting key local officials.

(3) Investment Promotion

IFC said it helped four municipalities (Tešanj, Zivinice, Zvornik and Novi Grad) and Una-Sana Canton to create investment promotion material. Plans exist to help another 10 municipalities with such materials during 2014-15. In addition, IFC plans to assist FIPA on strategic investor targeting. The agribusiness programme at Entity/National level also has an investment promotion element.

4.1.3 Agribusiness Programme

The Agribusiness programme aims to enhance the competitiveness of dairy, fruit and vegetable value chains through a well-informed strategic approach to product development, trade and investment; improved food safety and other regulation in line with EU standards and guidelines; and streamlined export-import procedures.

Results to date:

- Three Value Chain Competitiveness Analyses for meat, dairy, fruit and vegetable products: for Republika Srpska, Federation BiH and National BiH (Dec. 2012). All three governments adopted the recommendations, agreed to focus on fruits, vegetables and dairy, and instructed the respective Ministries of Agriculture to prepare strategies (with IFC's continued expert assistance).
- Three Agribusiness Strategies: two Entity and one National. Entity strategies being prepared at present; the national strategy and targeted investment promotion plans will follow later in 2014.
- National Food Safety Labelling regulations/guidelines, prepared with the BiH Food Safety Agency (completed 2013).
- Work with agriculture and veterinary authorities on microbiological sampling and other issues, aimed towards compliance with EU requirements (ongoing)
- Regulatory reform activities (to reduce administrative burden, including in import/export procedures) in numerous government agencies (e.g., RS Ministry of Agriculture, Forestry and Water Management, RS Veterinary Institute "Dr. Vaso Butozan", RS Agricultural Institute, Federal Ministry of Agriculture, Water Management and Forestry, Federal Institute for Agriculture of Sarajevo, Federal Agro-Mediterranean Institute of Mostar, BiH Ministry of Foreign Trade and Economic Relations, BiH Veterinary Office B&H, etc. According to IFC, BiH Veterinary Office streamlined 48 procedures in 2014 and linked their website to the MoFTER e-Registry of import/export procedures. The RS and FBiH Ministries of Agriculture streamlined 36 and 32 agribusiness-related procedures, respectively, in 2013.
- Training activities for government officials on a variety of issues (e.g., food safety regulations and requirements).

Feedback from clients was very positive. The RS Ministry of Agriculture, for example, praised the work on the Agribusiness value chains, saying IFC's methodology, external experts and approach were "serious, coherent, thorough and realistic", and the strategy delivered was a "workable" one. He said IFC's work far surpassed that of previous (UN) assistance, and that his expectations had been exceeded.

The Food Safety Agency was also quite satisfied with the methodology, approach, expert and end-product. The Director particularly appreciated the expert who worked 'hand in hand' with officers and the working group to deliver a labelling regulation that was fully consistent with the latest EU guidelines. "It was a good process, a good text and a smooth adoption. IFC was flexible, efficient and collaborated well."

ISCRA Project Leader's Comments on the Agribusiness Programme Achievements

"First, a Rulebook on labelling has been adopted at national level. This is one of the rare regulations on national level that is a single regulation for the country. And it is fully aligned with the new 2014 EU directive. This has been tried to be adopted before IFC project, but no success. Efforts on streamlining agri export and import permits did yield significant savings on national and entity levels. Also, for the first time, comprehensive competitiveness assessments have been carried out in BiH agribusiness sectors. And these assessments have been adopted and endorsed by the Government, who then moved to prepare Strategies. This is the first time such strategies have been developed in the country with close collaboration of RS and FBH. Same value chains have been selected and agreed by entities and state. This, in itself, is a strong success."

4.2 STATE OF PLAY

Progress toward Achieving the Objectives and Desired Results of the IFC ISCRA Programme: 2011-2014

	Status at May 2014
Overall Aims:	
1. To increase the relative competitiveness of BiH through reforms of the policy and regulatory institutional	BiH has shown a steady improvement in its ranking in the Global Competitiveness Index[4], from 107 of 134 countries in 2008/09 to 87 of 148 in 2013/14. (For comparison, Swit-

[4] *The Global Competitiveness Report*'s competitiveness ranking is based on the Global Competitiveness Index (GCI), which was introduced by the World Economic Forum in 2004. Defining competitiveness as *the set of institutions, policies and factors that determine the level of productivity of a country*, GCI scores are calculated by drawing together country-level data covering 12 categories – the 12 pillars of competitiveness – that together make up a comprehensive picture of a country's competitiveness. The 12 pillars are: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size, business sophistication and innovation. See: www.weforum.org/reports/global-competitiveness-report-2013-2014.

and operational frameworks for investment at all four levels of Government (local, cantonal, entity and national).	zerland is #1 of 148; see footnote.) While this is encouraging, the World Bank's 'Doing Business' indicators are more relevant for investment climate ratings. (See below.)
2. To facilitate BiH's integration into the European Union.	Harmonisation and alignment of BiH legal frameworks and regulatory practices with EU norms will facilitate EU integration. IFC has contributed to this at all four levels of government since 2008.
Overall objective of the assistance: To help clients simplify and rationalise policy, regulatory, administrative and transparency barriers to investing and operating in BiH.	IFC's ongoing efforts to introduce good regulatory practices (e.g., mini-guillotines, e-Registries, regulatory impact assessment, permanent regulatory control functions) at municipal, cantonal and entity levels have yielded a number of good outcomes in terms of simplifying procedures and improving transparency, predictability and accountability. Efforts at the national level are underway, with similar aims.
Specific objectives:	
1. To institute a more business-friendly investment climate and reduce administrative compliance costs for businesses	BiH's 'Doing Business' ranking has worsened since 2007, from 95 of 181 in 'ease of doing business' to 110 of 183 in 2011 and 131 of 189 in 2014 (rankings refer to the previous year's data). Denmark, a benchmark country, has maintained a ranking of 5-7 over the same period. Singapore is #1. IFC's and others' efforts to <u>improve the business environment and streamline administrative red tape</u> will eventually build up enough critical mass to influence the Doing Business statistics and ratings. It is recommended that any follow-up programme continue to focus heavily on the elements underpinning the DB components. Re <u>compliance costs</u>, considerable savings have been calculated (see Desired Results, 1B below).
2. To enhance attraction and retention of foreign investment	BiH FDI statistics are in need of work at national level. According to the FIPA website quoting Central Bank statistics: FDI stock was €5.6 bn in Dec 2012, including equity and reinvestments of €4bn; and, FDI inflows including reinvestments totalled €355m in 2011, €285m in 2012 and €252m in the first 9 months of 2013. UNCTAD's World Investment Report Fact Sheet for BiH in 2013 (latest) shows FDI inflows of US$380 in 2011 and US$633 in 2012, and stocks of US$7.7bn in 2012. IFC said BiH Central Bank statistics showed FDI inflows of KM 566m in 2011and KM 676m in 2012. IFC stated that registered FDI totalled 558 businesses in 2011, 517 in 2012 and 614 in 2013. ISCRA has contributed to: • improvements in the FDI law • investor services (aftercare programme) and FDI reporting and data management, strengthening vertical linkages from state to local levels • streamlined business procedures and greater transparency and predictability at subnational levels • investment promotion strategies at selected municipalities IFC experts are also working on investment strategies for the agribusiness sector.
3. To improve the competitiveness of agribusiness value chains for fruit, vegetables, and dairy products	IFC's contributions the VC work (methodology, experts, value chain analysis on fruit, vegetables, meat and dairy; competitiveness assessments; and strategy development for

	fruit, vegetables and dairy) were deemed 'serious', 'thorough', 'coherent' by relevant Government departments. IFC also assisted the Food Safety Agency to develop a Food Labelling regulation consistent with 2014 EU rules. This is one of the few national-level regulations adopted in recent years without entity regulations. It will contribute to export competitiveness. IFC also assisted on microbiological sampling, and training of officials on regulatory issues. And eased the administrative burden (see 3B).
Desired Results (some are mutually supporting and cut across all three areas)	
1. A more 'business-friendly' investment climate and reduced compliance costs	
A. At least 1000 administrative procedures (documentation, fees, processing time, forms and information requirements) <u>streamlined and simplified</u> in 11-12 municipalities, 2-3 cantons and both entity governments	**Total: 1242 procedures simplified** by December 2013 and 1290 by May 2014 (90% of the number recommended) During 2012 and 2013, **1151** administrative procedures were streamlined and simplified in <u>6 municipalities and 3 cantons</u>. This equals 80% of total recommendations and 94% of business-related procedures recommended for simplifying, an excellent success rate. Mayors played a key role. **91** procedures were streamlined at <u>national and entity</u> level in 2012-13, or 44% of the number recommended for simplification. An additional 48 were improved in the first half of 2014, bringing the total to **139** and 67%, respectively.
B. Compliance costs reduced by US$32 million: $6 million in direct savings and $26 million in indirect savings.	**Direct compliance cost savings in 2012-2013 totalled US$2,435,569**. A number of municipalities, cantons and central government bodies are still working on reforms that will deliver savings. IFC expects the $6m target to be surpassed by June 2015**.** Indirect savings have already passed the $26m target ($46m); they are less tangible/visible.
C. Transparency and predictability enhanced via up-to-date E-registers of rules, regulations, procedures for licences, permits and approvals, etc.	E-Registries have so far been established in 6 municipalities and 3 cantons, and in MoFTER. By the end of the project, the project will have established e-Registries in 11 municipalities and 3 cantons, as well as in MoFTER. Their use may be enhanced through more regular promotion and awareness-building. The software should be upgraded to include the capability to track 'hits'.
D. Sustainable permanent regulatory reform/control frameworks in place at municipal, cantonal, Entity and National levels (Regulatory Reform Units at Entity level, including RIA)	Under the project, regulatory control teams have so far been established in 6 municipalities, 3 cantons and the FBiH Government Secretariat. MOFTER is planning one as well. By the end of the project, regulatory control teams are expected to be in place in 11 municipalities, 3 cantons, both entity governments (RS in previous project) and MOFTER.
E. Other important legal reforms undertaken to support the objectives	IFC provided legal assistance (including drafting and expert advice) in a variety of areas related to business, investment and agribusiness. (See Annex 8 for a list of laws, regulations, decrees, decisions, etc.) IFC has provided significant support for review of three systemic laws – Construction Law in RS and Business Registration and Company Law in FBiH. Other had tried to systemically restructure these Laws and failed. Implementation of adopted RS Construction code and public debate on Company and Business Registration Laws indicates positive outcomes and changes.

2. To enhance attraction and retention of foreign investment	
A. FDI law and policies at national and entity level reviewed and improved to reflect international best practice	An RIA of the existing FDI Law was conducted in 2013 and most of the improvements/clarifications it recommended, plus others suggested by the Foreign Investment Council, were incorporated into amendments that will be sent to the Council of Ministers for approval before mid-2014, and then submitted to Parliamentary processes. This follows the first (pilot) RIA assisted by IFC in 2010. IFC says the changes strengthened clarity and predictability. IFC also assisted to improve the transparency of BiH's incentives schemes.
B. Targeted investment promotion strategies in place for selected value chains	IFC assisted four municipalities (Tešanj, Zivinice, Zvornik, Novi Grad) and Una-Sana Canton to develop investment promotion materials. Another 10 municipalities are in line. A national agribusiness plan is foreseen once the entity-level strategies are completed and approved (during 2014), with a detailed outreach plan and promotional activities.
C. Investor support services and aftercare programmes operational for the agribusiness sector	FIPA very satisfied with the expert contracted by IFC, and by the methodology, systems and templates delivered by the ISCRA Project. The FIPA Aftercare Programme has targeted more than 60 investors annually since 2012. The Aftercare Network now includes some 30 municipalities, cantons and government agencies which are to jointly assess and address investors' needs. However, awareness of the aftercare programme needs to be improved in the municipalities participating in the network. Feedback has generally been good (except for some Tuzla investors). About 10% of the enterprises assisted by the aftercare programme have been in agribusiness "due to the small number of such businesses in the targeted municipalities/cantons".
3. To improve the competitiveness of specific agribusiness value chains	
A. Food Safety authorities adopt sampling and labelling rulebooks for the selected VCs to advance harmonisation of BiH and EU regulations	Food Safety Agency Labelling Rulebook, consistent with EU 2014 requirements, adopted in 2013. IFC also helped with microbiological sampling issues ahead of EU Vet. Officers' mission. Food Safety Agency is very satisfied with IFC's assistance.
B. Administrative burden reduced for a sample of import/export procedures under Entity and National regulations for key export sectors, including 1-2 VCs of agricultural inputs and final products	IFC has assisted the BiH Veterinary Office and Indirect Tax Authority to assess import/export procedures/regulations, and proposed 55 for simplification in 2013. Similarly, IFC helped RS Min. of Agriculture streamline 36 and FBiH 32. E-Registry for import/export permits established in MoFTER (2014) following streamlining of procedures.
C. 2 B and 2C above.	Value chain competitiveness studies completed for meat, dairy, fruit and vegetables at Entity and National Levels. Strategies are being developed for the competitive sectors (fruits, vegetables, dairy products). (See 2B above.)

4.3 IFC PLANS FOR THE FINAL YEAR

In remaining year to June 2015, IFC expects to:

- Complete regulatory reform packages at Visoko, Illidza, Zenica, Prnjavor and Cazin Municipalities
- Complete legislative and regulatory reform work in progress at various Entity and National institutions, e.g.:
  - FBiH Regulatory Impact Assessment(RIA) follow-up & capacity building
  - comprehensive RIAs on four laws (import-export of goods, veterinary-medicine products, tourism, spatial planning and land use)
  - Federation BiH Company and Business Registration systemic laws (now going through Parliament)
  - advocate and 'push' for action at all levels
- Complete agribusiness support activities through entity and national strategy implementation, including targeted investment promotion plans
- Support FIPA to hand over aftercare to municipal and cantonal governments
- Help FIPA design outreach programme to target specific potential investors
- Implement a well-planned and sequenced Exit Strategy for local-level regulatory reform work, in line with the Handover Roadmap prepared in May 2014
- Finalise M&E and impact assessments
- Document lessons learned.

Extent to which gains can be attributed to the ISCRA programme
Since the programme effectively started in 2012, and much of the work is still ongoing, it may be too early to measure actual material gains.

The overall gains in the indices related to competitiveness and the declines in the 'ease of doing business' ratings cannot be attributed to IFC or the ISCRA programme. However, IFC may wish to study carefully the reasons for these changes and take appropriate action in future activities.

As mentioned in Section 3 above, the project could benefit from solid baselines and tracking tools to effectively measure and attribute the eventual gains. Perhaps the 'impact assessment' that IFC plans for mid-2014 will highlight evidence-based attributable gains. For example, it would be useful to measure the relationship between the guillotine-inspired fee cuts and subsequent revenues on the same items at municipalities that participated in the regulatory reform process. The impact assessment team could start at Bosanska Krupa, to test its claim of a 30% increase in revenues directly attributable to higher volumes resulting from lower-cost procedures.

At the very least, it will identify some areas where the next regulatory reform team can benefit in developing M&E baselines and indicators for their planning and reporting documents.

5 Management Efficiency

Has the project been implemented in a timely, streamlined and cost-effective manner?

The ISCRA project built on the experience and lessons learned in the first phases, and refined the approach further. As a result, the 2011-2014 cycle has been visibly more focused and efficient. IFC staff and the experts who have worked on the regulatory reform projects since 2008 agreed this is the case.

The project has largely been implemented in a systematic, well planned fashion, according to both clients and the experts contracted to deliver the services. Clients express high satisfaction, media coverage is extensive and favourable, and demand for the programme is healthy. The methodology and approach are replicable and are based on international good practice.

Some activities are behind schedule, partly due to slow administrative processes at government departments, political issues, etc. For example, taking the agribusiness competitiveness work from assessments to final strategies and action plans is taking longer than expected.

Of the total SEK 19.5 million (US$2 878 127) provided by Sweden for this project, ISCRA charges amounted to US$1 954 399. After crediting interest earned ($18 368), the balance at 31 December 2013 was US$942 096, according to the unaudited Trust Fund Report of January 2014. This was more or less in line with the projected outlays, plus interest.

IFC noted in its semi-annual report to end-December 2013 that ISCRA was 'slightly underspent' because some activities were progressing more slowly than expected and because client organisations were contributing more to the cost-sharing than had been predicted. The latter finding is good news.

IFC has noted a measurable increase in ownership and commitment since it started requiring cost-sharing in the second phase of the 2007-2011 projects. For the regulatory reform programmes, for example, municipal cost-sharing ranges from KM 5000 to KM 10 000 on average, while the in-kind contribution can exceed KM 25 000. IFC's share is usually around KM 85 000.

The Agreement contains a clause that if funds remain unspent at the end of the project (i.e., Trust Fund ends 31 December 2014), these funds should be returned to Sida (unless an extension is agreed). It is unlikely that any funds will remain in the fund at the end of the project.

Reporting

IFC has sent six-monthly reports to the Embassy at the intervals set in the Agreement (see Technical Information sheet immediately after the Executive Summary). These reports have been thorough and have presented a detailed picture of activities and progress to date.

It would have been useful to have had a separate column in the indicators tables for achievements during the half year in question. The cumulative totals and the moving targets made assessment of progress during any one period difficult to calculate.

6 Management Effectiveness

6.1 QUALITY OF MANAGEMENT

Has ISCRA been implemented in the most well managed, accountable, appropriate manner? ISCRA appears to have been implemented well to date, given all the challenges of working with government agencies in Bosnia and Herzegovina. The reporting to Sida indicates they are capable of managing multiple tasks and projects, and are working systematically toward results. In fact, a clear focus on results is evident in their planning, their activities and their reporting.

The IFC team running ISCRA has a heavy workload, and staff are working on non-ISCRA projects as well, in BiH and in the wider region. Other bilateral agencies who work with IFC (e.g., SDC, GIZ) reported they found them very professional.

Clients, beneficiaries and experts contracted by IFC have lauded IFC's professionalism, its project management, methodology, management of expectations, quality control, team-building, etc.

Of the 30 client/beneficiary organisations interviewed, very few were less than 'very satisfied', with 'expectations fully met'. A few said that, as a matter of principle, they never gave top marks, so they would tick 'satisfied' but they had no complaints.

Team Building and HR Management
IFC has received high marks from staff and 12 external experts, most of whom have been working with the organisation for several years. Following are a sampling of comments from the survey.

Economic expert 1: "The quality and transparency of the terms of reference, selection criteria, selection process are on the highest level, especially regarding project objectives, scope of work, deliverables and specific inputs. IFC staff was present on a daily level with complete support in all project activities. IFC staff applied best practice described in leadership theory, as well as human resource management. The basic result was clear goals, satisfied employees, successful results, high reputation."

Economic expert 2: "All expectations, milestones and deliverables were realistic."

Legal expert 1: "Contracting process was efficient and contract strictly determined activities, realistic and precise goals."

Legal expert 2: "IFC implemented best practice in managing HR."

Legal expert 3: "Team spirit is good. Common success is the target of the whole team. Support to each individual to fulfil tasks."

Legal expert 4: “IFC staff enabled cooperation of all experts engaged in different municipalities to exchange experiences and work together to achieve better results. All activities under contract are conducted as per written agreement. Deadlines are strictly respected. Monthly reports are sent on activities conducted during previous month. Reporting done so that each activity can be quantified, in order to determine % of completion. Response is received same day re acceptance.”

Investment expert: “The management of this project has been really good so far. It has always been very clear what needs to be done. IFC has also been very good at setting expectations, always aiming high but knowing that it is a complex environment. I also feel that IFC project management has been very efficient at communicating with the clients and setting expectations with them. I can say that since 2011, it has been great working on this project and to see how far we have gotten.”

Agribusiness expert: ´Very satisfied with procurement and contracting process. Too early to judge on the rest as only in place for 2 months.”

Quality of procurement processes
A survey of the external experts contracted by IFC for ISCRA activities revealed that the procurement, contracting, management and team-building were seen to have been executed professionally

6.2 QUALITY OF OUTPUTS AND ACTIVITIES

ISCRA had a variety of outputs and activities:

1. Guillotine (and its methodology)
2. Improvement of laws, regulations and other legal instruments
3. Improvement of procedures (simplification, deletion)
4. Electronic Registries
5. Regulatory Reform/RIA ‘control’ functions/teams
6. Investment Aftercare Systems
7. Investment Promotion Strategies (Municipal, Agribusiness)
8. Agribusiness Value Chain Analysis and Strategy Development
9. Laws, decisions, decrees, instructions, guidelines, manuals etc., to underpin the above

The Review Team reviewed a sample of these outputs and interviewed clients and users. Generally the quality was perceived to be good, and the clients were satisfied.

Have outputs/services reached the right people, delivered the right products, and been followed up appropriately? According to clients interviewed, IFC’s services and outputs have reached the relevant people (having a local team helps in this sense) and delivered what was promised to date (based on needs and consultations). It is too early to check on follow-up, because many of the services are ongoing.

However, a lesson learned from the 2007-2011 period was that follow-up was necessary for sustainability, and IFC may need to follow up with some of the municipalities and government departments that underwent regulatory reforms in that period, to verify if the e-Registries and regulatory control teams are up to date and operational.

How effective have risk management strategies and actions proved to be in light of the actual challenges encountered in implementing the project? Good risk management is a necessity in BiH. IFC has performed well in both risk analysis and risk management during the project period. The following excerpt from its latest semi-annual report to Sida illustrates how IFC approaches risk management.

Risk Management Excerpt from the December 2013 Half-Yearly Report to Sida

Issue*: Prolonged political instability in the country and a further deepening of political crises slightly affected Project spending and Project implementation.*

Mitigation strategy: The Project has cooperation agreements signed at all government levels, giving us more leverage and security. We further developed mitigation strategy in three directions:

1. There are no indications there will be a shift in the commitment of governments to work with us. The Project works with civil servants that will remain in place irrespective of who is in power. The Project has a solid track record and trust within different political parties, so we do not expect a shift in attitudes toward the Project itself. Thus far, this mitigation strategy seems to be working in most cases, and most of the Project activities have been implemented on time.
2. We engaged IFC senior management to leverage with senior government officials for activities not being implemented on time. We also incorporated key regulatory work at the entity level (Construction Law and four key rulebooks in Republika Srpska and Company and Business Registration Law in Federation BiH) into the new World Bank's Development Policy Loan to Governments, whereby governments receive budget support when they implement laws and conditions. We also have strong commitment from existing clients to continue with reform efforts. Overall, we really stepped up our engagement and support to governments to have significant legislative reforms accomplished at the entity and national levels.
3. As of December 2013, Project is slightly underspent, resulting in a slight revision of budget, with a 10 percent reduction, to adjust for lower spending projections and a slight delay in implementing a few activities. If the political deadlock continues at the entity and national levels, with governments not adopting laws and regulations (if the deadlock controls the parliaments), we might face further delays in spending and implementation. To account for the existing slight delay and the possibility of future delays in the election year, we will seek a **no-cost six-month extension for the SIDA administration agreement** (until June 30, 2015) to enable completion of all activities after the elections, and detailed monitoring and measurement of the impact.

Given the election year, the work of parliaments will most likely be affected, resulting in expected delays. Hence, the Project team has a mitigation plan to focus on:

1. supporting only key legislation undergoing the parliamentary adoption process; and
2. putting the majority of efforts into work at the government level and in implementing legislation already adopted, to close the implementation gap and maximize impact on the ground for businesses.

Source: IFC ISCRA Fourth Project Progress Report, July-December 2013

6.3 STAKEHOLDER RELATIONS AND OWNERSHIP

All the beneficiaries interviewed by the Review Team were either ‘satisfied’ or ‘very satisfied’ with IFC’s assistance to date. They particularly appreciated IFC coordinators’ and experts’ professionalism, hands-on assistance, mentoring, and willingness to “be on call 24/7” during intensive phases. Stakeholders at all levels also spoke very highly of the methodology and the outputs.

In most cases, the Review Team perceived strong ownership of the reforms and the systems or laws that resulted. The IFC approach of mentoring, rather than unilaterally ‘doing’ many activities has encouraged ownership and transferred skills in a sustainable fashion. This can justify proceeding more slowly than expected in some cases.

A couple of the clients said ownership could have been improved through more direct contact with IFC and the external experts, e.g., in cases where the experts tended to work ‘in isolation’ (e.g., company law drafting).

Ownership and awareness of regulatory reform responsibilities were weak in Bihać Municipality, which had experienced considerable staff turnover since the project was completed in 2010. The e-Registry had not been updated since it was installed, nor had the regulatory control team met. The Head of the Citizen Service section said it would be useful if IFC could give them some ‘refresher’ assistance, to revitalise the reform process. This could be particularly timely in coming months, as they are restructuring.

Strengthening Business Linkages in Regulatory Reform Processes
Feedback from municipalities, business groups and the experts delivering the services indicated that stronger and more systematic involvement of business throughout the regulatory reform process could lead to better outcomes.

The findings of the Review indicated that business input into and involvement in the regulatory reform process could and should be strengthened considerably. This was highlighted in the 2010 Review as well. While improvements were made, business involvement is still in many ways a 'missing link'.

IFC agreed that the methodology did not include the ideal ‘critical mass’ of business input, even though the objective was to improve the business/investment environment. Often IFC was only able to consult 10% of businesses with a direct stake in the streamlining process. The IFC Project Director reported: “*We would invite to a focus group session the 50 companies that had used the procedures in the previous year, but in the end only 5 would show up*.”

At present, business input is mainly sought by IFC just after the initial mapping stage. A few weeks or months later, business groups are presented with the final product. 'Regulators' are not involved in the focus group sessions, although World Bank methodology suggests this is a good practice - and it can be, at relevant stages of the process. Indeed, the World Bank, OECD and other international organisations stress the importance of involving such stakeholders *throughout* the process. It would therefore be 'good practice' to seek business input at several stages of the regulatory reform process, so that nothing is a surprise at the end, and all sides will feel they have gained something positive ('win-win').

As explained in the Exit Strategy Assessment Paper (*see Annex 9*), strengthening business input in an efficient manner may require a good 'intermediary' to pull it all together: i.e., to participate in the identification and analysis of formalities at each locality, consult the relevant companies and business groupings, gather their input, analyse it and turn it into constructive solutions, present these to the team working with municipal/cantonal departments on each formality/procedure, offer business groupings the opportunity to hear and discuss the other side's views, re-consult business, etc., until the most optimum and realistic solution is achieved. This type of process reflects good practice elsewhere.

Stakeholder Feedback

Government Feedback:

- **RS**: Ministries of Agriculture and Construction very satisfied with IFC support on the Agribusiness value chain work and the new Construction Law, respectively.
- **FBH**: Secretariat of Government: very satisfied with IFC; Min. of Industry: satisfied, but would have liked closer involvement ("experts drafted Company Law in isolation"),
- **FIPA**: very satisfied with IFC expert, methodology, systems. Would have liked a more ambitious approach on FDI Law.
- **MOFTER**: very satisfied with IFC support, FDI RIAs (2010, 2013), amendments to FDI Law, e-Registry, and other work.
- **Food Safety Agency**: very satisfied with IFC support on the Food Labelling regulation.

Business Feedback:

- **Employers Association**: "IFC was the first to actually 'do' something, instead of saying 'this should be done'." "IFC is good about involving us: regularly invite us to consultations, seminars, etc."
- **Employers Association of Zenica**: "Focus Group useful, good to see both Municipality and Canton engaged. Would like more systematic involvement." Had not had an opportunity to use e-Registry at Canton yet, but "good to know it exists". (Visoko Mayor said she had found the Canton e-Registry useful.)
- **Foreign Investors Council**: "IFC and World Bank have great projects." "Very happy with new Company Law." "Amended FDI Law has cosmetic changes only; partly satisfied with definition issue on private and public media; still work to do. Nevertheless, the law is not bad; it's pretty flexible." "Have heard good things about the Aftercare Programme, but some members in Tuzla are not satisfied with it."
- **NERDA**: Organised a Focus Group for IFC Tuzla regulatory reform work. Believes greater business involvement could yield good results. (NERDA is well connected, engaged with key regulatory reform players.)
- **REDAH**: Has had no contract with IFC on regulatory reform issues. Believes numerous municipalities in Herzegovina are ready for the regulatory reform programme. It could play a useful role, given ties to business and local authorities.

6.4 VISIBILITY

IFC is adept at public relations, and uses a professional PR consultant to good effect. The project is highly visible, with considerable media coverage. This has heightened interest in both regulatory reform and in participating in the project. According to IFC, the strong media interest, plus advocacy by IFC, has encouraged more donors to take an interest in 'bottom-up' approaches to reform and development.

IFC's Half-Yearly Reports	Media 'Mentions'	Presentations, Workshops, Events	# Participants
Nov 2011-June 2012	197	25	308
July 2012-December 2012	193	9	137
January 2013-June 2013	622	23	338
July 2013-December 2013	144	14	285
Total	1156	71	1068
Source: IFC Reports to Sida			

IFC's 'core indicators' in its latest semi-annual report (to Dec. 2013) lists 766 media appearances from inception to date, 86 workshops, presentations and training events, and 1312 participants, including 621 women (47%).

6.5 CROSSCUTTING ISSUES

The ISCRA programme as a whole does not have specific gender, environment or poverty reduction targets or indicators, apart from women's participation in training and related events. As mentioned in Section 3, ISCRA activities may indirectly contribute to gender equality, environmental sustainability, human rights and poverty reduction through regulatory reform, harmonisation with EU laws, and improvements in the business and investment environment.

IFC maintains gender targets for its training activities (half of attendees should be women), and tends to honour them on an overall basis. As noted above, women made up nearly half of the participants in IFC training events, workshops and seminars from November 2011 to December 2013.

IFC also tracks women's participation in its business consultations; this averages 20-30% of the total participants. The under-representation of women entrepreneurs should be an area for attention, perhaps in consultation with other donors, the Gender Centre and the AMCs, which are planning to become more active in local-level gender issues.

In line with good practice, agribusiness work should address gender equality, non-discrimination (different agribusinesses can have major impact on whose businesses are supported) and environmental issues. To date, there are no measurable results in these areas.

6.6 PERFORMANCE VIS-À-VIS 2007-2011

It is interesting to refer to the conclusions and suggestions for improvements from the 2010 Review of the Subnational Competitiveness Programme (SNC) (below). It is evident that IFC has adopted a more strategic approach in the current cycle, and that it has improved consultations and publicity. The 2014 Review finds that nonetheless there is still room to improve consultation with business and to target awareness-building more effectively. In addition, although the SCM was improved, questions continued to be raised in 2014 about the heavy focus on cost savings. Perhaps more education/awareness-building is required on that front as well.

Conclusions and Suggestions for Improvements, 2010

Round 1: RS Government and BiH Municipalities Regulatory Reform

Generally the methodology has been sound. The RS Government guillotine approach was classical and systematic, produced reasonable results and has had some follow-up. Management and communications appear to have been good. The Municipalities methodology has been improving continuously, based on lessons learned in each project. Management and communications appear professional.

However, the timeframes for each set of municipality projects (less than one year) may have been too short to ensure lasting impact. A lack of systematic awareness-building about changes (e.g., registries and streamlined regulations) has also reduced potential impact. These issues can be redressed if the programme is continued.

In addition, questions have been raised about the results generated by **Standard Cost Model** (mostly well above or well below the actual results as measured by the M&E team). The SCM is reportedly being altered in Washington to correct for some deficiencies; it remains to be seen how it will work as a realistic tool in future, and how its results/projections to date will be modified to reflect the changes.

Round 2: FBH Inspectorate and Government Agencies Regulatory Reform

While it is a good introduction to the possibilities of regulatory reform for inspectorates and FBH agencies, the 'mini-guillotine' approach in the end just 'skims the surface'. Both of these projects are important, and it will be important to see them through; this could require a lot more time than initially contemplated.

Phase 1: The methodology and results-orientation were strong, and the project had the broad support of the Prime Minister, the Inspectorate and the business community – an enviable achievement! However, given the entrenched bureaucratic resistance and the general electoral cycle-related problems, there is a case for more cautious timing, strategic planning and risk management in future interventions.

Phase 2: In the FBH Government Agencies mini-guillotine, the objectives were not clearly stated – except 'to streamline business and citizen procedures'. While this is happening slowly but surely, feedback from various stakeholders indicates that the approach may have been too quick ('too ambitious') and even superficial, with possibly **too much focus on potential cost savings, rather than the impact on the broader business community** (i.e., filtering by cost and frequency did not necessarily consider the breadth of impact on business). Generally, communications and awareness-building should be more proactive – especially with business and especially in raising awareness of positive changes.

Summary of Project Management Suggestions

- Require a more strategic approach to programme and project planning: strategic thinking, risk analysis, timeframe realities, issues management, risk management.
- Target business and other stakeholders more appropriately for consultations – include people actually dealing with the problems on a day-to-day basis and employ professional facilitators to manage consultation sessions to ensure constructive outcomes.
- Incorporate feedback to business as part of regular activities and reporting.
- Make awareness-building (e.g., publicity, advertising) an integral part of future projects, to improve understanding of changes and benefits.
- M&E: use feedback and analysis to improve systems, approaches and projects 'as you go'

(i.e., don't stop with reporting – actively feed results to project implementers and to the upcoming planning processes).

Source: Subnational Competitiveness Programme Review, 2010

The table below is based on one in the 2010 Review. It shows the relative improvement in IFC's perceived strengths from one review cycle to the next.

Rough Rating of IFC Team's Strengths in Implementing SNC & ISCRA	**2010**	**2014**
(2010 for 2007-2010 SNC cycle; 2014 for 2012-2014 ISCRA cycle)	1-5 (5 = top)	
Harmonisation with country objectives/strategies, donor coordination, beneficiary ownership	4	4.5
Relevance (programme meets real, well documented needs, priorities)	5	5
Effort, professionalism, responsiveness, results-orientation of IFC team	5	5
Effectiveness, efficacy (management, planning, consultation, communication,)	3.5	4
Results and impact to date	3*	4*
Attention to sustainability	3*	4*
**either not enough information or too soon to calculate definitively*		

7 Sustainability and Next Steps

7.1 SUSTAINABILITY

Sustainability issues and findings were partly covered in Section 3.2. Below, the Review sums up findings relating to specific sustainability-related questions from the ToR.

Has ISCRA calibrated and sequenced its activities to beneficiaries' ability to absorb and sustain the outputs? Drawing on lessons learned from 2007-2011, IFC has given more attention to sequencing its activities. Feedback from experts and beneficiaries indicates that, for the local-level regulatory reform activities, further flexibility may be needed in the approach, which is based on a step-by-step methodology and tight timelines. Some municipalities are better equipped than others to absorb and use the assistance, and to sustain the outcomes.

The Review Team found that some municipalities from the previous cycle (2007-11) had not been sustaining the outcomes. This underlines the need for regular follow-up, which is not foreseen in the current methodology.

Regarding the Investment Aftercare activities, the programme in now in its second full-implementation year (2012 was the start-up phase). FIPA's Director told the Review Team they were planning to hand over the programme to the 'Aftercare Network' (comprising municipalities and cantons), since FIPA does not have the budget or resources to manage it over the longer term. FIPA is to continue its coordinating role for investor grievances and servicing (municipalities are to feed issues information to cantons, entities and FIPA, and FIPA is to coordinate follow through). It is likely that FIPA may require more support in coming years, given the challenges it faces.

What has been the effect at Entity and National levels of IFC's regulatory reform programme since 2007? What is the likelihood of institutionalising RIA at Entity and National level? The RS Government's regulatory reform framework is operational and sustainable, and is underpinned by mandatory light Regulatory Impact Assessment (RIA) since April 2013.

The FBiH Government is moving in the same direction, but more slowly. The Secretariat of Government has a regulatory reform body since 2013, and is preparing the legal instruments for mandatory RIA.

At the National level, IFC assisted MoFTER to set up an e-Registry for trade-related procedures in 2013and undertake RIAs. MOFTER plans to establish a regulatory reform function in 2014. The Assistant Minister at MoFTER said in the interview that a National-level RIA framework was necessary (IFC has prepared an 'Instruction' report for guidance.) He suggested that the Economic Planning Agency might be the right 'home' because it monitors strategy; however, he was not sure. So at the national level, RIA is not likely to be in place before the project ends. However, the EU is reported to be developing a National-level RIA project.

Are the outcomes (e.g., Regulatory Reform functions, e-Registries) sustainable in terms of beneficiaries' budgets and resources? *(Beneficiaries = municipalities, cantons, entity and national government agencies)* This is obviously a matter of internal management and political will. IFC has endeavoured to address this issue by helping the beneficiaries prepare the necessary legal instruments to institutionalise the e-Registries (transparency platforms) and the regulatory reform functions (e.g., a legal obligation to review and authorise all new rules, procedures and fees; to monitor the e-Registry and to authorise all changes to it). This will help to ensure that budgets and resources are allocated. IFC also trains the designated officers and provides the software for the e-Registries. As one mayor said, "E-Registries represent a commitment that changing governments will find hard to reverse."

Are the outcomes sustainable and relevant enough to lead to the desired impacts (i.e., a competitive investment climate in BiH)? Since 2007 and by the end of this project in June 2015, IFC will have assisted 22-23 municipalities and 4 cantons, and up to 50 Entity and National government departments to undertake regulatory reform activities. The outcomes are relevant to the objectives and desired results, but will need to be nurtured for some time in order to be sustainable. As pointed out in the 2010 Review, regulatory 'guillotines' are just a first step. For example, in terms of transparency and predictability – and the impact on corruption – the e-Registries will play a role, but they are just a small part of the overall solution. IFC's achievements since 2007, combined with those of other programmes, are taking the country in the right direction. However, there is still a long way to go to make BiH an attractive destination for FDI. The combination of donor support over the years has created good foundations; upcoming ones, if well sequenced, will further consolidate the gains.

What has been the impact on sustainability of challenges experienced during the project (including political turmoil)? As mentioned above, project activities have continued despite prolonged political uncertainty and the turmoil that culminated in FBiH in February 2014. The risk management strategies have proved to be adept in many cases – e.g., working with permanent staff instead of political appointees, securing legal instruments to institutionalise change, etc. These are important sustainability measures. However, since the success of many reform activities and outcomes depends heavily on political will, IFC has faced challenges in municipalities, cantons and government departments where the project is not a political priority. Institutionalising good practices will continue to require much effort in coming years.

How strong are Beneficiaries' commitment, ownership, willingness and ability to maintain and build on the outputs and outcomes of the ISCRA Project*?* The Review Team interviewed some 30 institutions and more than 50 people who have participated in the ISCRA project. By and large, they appeared to have a strong commitment, ownership and willingness to sustain the reform agenda. Regarding ability: attitudes and skills are important. Young, enthusiastic professional staff, if supported with appropriate systems and environment, can further institutionalise good regulatory practices and mind-sets.

Very importantly, mayors and senior officials alike highlighted the mind-set changes that had occurred as a direct result of the ISCRA project. As mentioned in Section 3.2, officials commented that the e-Registries' exhaustive lists of what was required for each procedure and permit (documents, deadlines, costs, accountability) clarified and defined jobs at several levels. Service staff in particular have reported they find their jobs easier and more rewarding because they know exactly what is expected of them. Service Centre heads report more efficient, happier service staff, and more effective, evidence-based performance management. (Obviously staff members who preferred the old system are not happier, but generally job satisfaction has risen, according to municipal officials.)

The other change that is important for sustainability is that the brainstorming and analysis at the beginning of each programme (in selecting procedures, etc., for reform) has engaged a variety of staff members, encouraging them to think outside the box and take a different perspective. In addition to creating a stronger sense of 'public service', this has inspired a number of officers to think about how to make other improvements. This 'continuous improvement' mind-set and practice is an ideal outcome in terms of sustainability, if it can be documented and continuously encouraged.

To what extent would continued Swedish support for ISCRA-type activities contribute to sustainability and long-term impact*?* Continuing the regulatory reform programme in particular would fill an important need that links and underpins the other donor programmes addressing local and regional development issues. In fact, systematic institutionalisation of regulatory reform good practices (transparency, predictability, reasonable deadlines and costs, administrative accountability) will enhance other programmes' ability to deliver impacts.

The most important long-term potential outcomes of the regulatory reform efforts are likely to be greater horizontal and vertical harmonisation of rules, regulations and procedures, and of a new way of thinking and acting regarding service provision to citizens and the business community. This melds well with the objectives of most donor programmes in BiH and the Region. (*See Section 4.9 of the Exit Strategy Assessment in Annex 9, as well as Annex 7 of this Review.)*

If anything, the approach should be 'stepped up', and perhaps it can be in coming years, using multipliers at the sub-regional areas (e.g., the Regional Development Agencies, the AMCs, etc.). That could be a subject for further analysis.

7.2 NEXT STEPS

7.2.1 Remainder of ISCRA Project to June 2015

As explained in Section 4.3, during the remaining 12 months, IFC plans to complete:

- regulatory reform work with five municipalities (the current four and a new one to start later in 2014);
- legislative and regulatory work in progress at various government agencies
- agribusiness support activities (entity and national strategies, investment promotion plans)
- FIPA support activities (investment aftercare and promotion)
- investment promotion support to 10 municipalities

- handover to an organisation(s) that will carry on the local regulatory reform work
- M&E and impact assessments
- documentation of lessons learned.
-

7.2.2 Exit Strategy

As IFC has advised it will not continue the local-level regulatory reform work in BiH beyond the end of the ISCRA project, the Review Team was requested to assess the IFC Exit Strategy and the options for a handover to another organisation.

Following considerable analysis and discussions with IFC, the Centre for Promotion of Local Development (PLOD Centre), the AMCs and other possible stakeholders, the Review Team has concluded that the overall approach proposed by the PLOD-AMC team, and endorsed by IFC, is a good way to move into the next phase of local-level regulatory reform efforts. As mentioned above, it complements other donors' activities that are planned for the same period (2015-2019).

In a nutshell, the approach – to be set out in a new proposal in June – would have a local team comprising PLOD, IFC external experts and the two AMCs take over the IFC methodology and systems and continue to deliver the regulatory reform programme to a maximum 24-26 municipalities and 3-4 cantons over a 5-year period. The AMCs would be integral participants, with the aim of continuing to support the reform effort after the next project finishes. The AMC-PLOD team would also include partners that would focus on enhancing business linkages, to address the weaknesses discussed above. These are likely to be 2-3 Regional Development Agencies or other bodies that have strong business and local-level connections.

The Review Team concluded that the AMCs are well placed to assume a longer-term role in promoting and monitoring regulatory reform at local levels. They bring to the table a number of elements that will enhance the chances of sustainability of the reform efforts: in-house expertise on regulatory and finance issues, Presidency bodies that can reinforce commitment and advocacy, mayors who can act as champions, local expert networks, ability to use peer reviews to good effect, ability to take issues to higher levels, etc. The proposed project will give the AMCs the additional knowledge, skills, systems and exposure necessary to carry on over the long term.

The organisation self-assessments (attached to the Exit Strategy) indicated that the AMC-PLOD team, together with business-related partners – ***as a group*** – should be capable of taking the regulatory reform agenda forward, provided a number of conditions are met. PLOD has so far been positive about considering and adopting suggestions emerging from the Review. Because most of the improvements proposed in the Review Report came from municipalities and IFC experts themselves, it is likely that the AMC-PLOD team, with so many of these experts on board, would take them seriously. This could lead to stronger impact over time.
The Review Team therefore suggests that the Embassy give positive consideration to the new proposal to be submitted by the AMC-PLOD team, provided some important conditions are met. These are set out in the attached Exit Strategy Assessment Paper.

8 Conclusions, Findings, Lessons, Recommendations

8.1 CONCLUSIONS

The ISCRA team has made considerable progress in its first 2.5 years, and it expects to achieve most of the ambitious project's desired results by the end of the project in June 2015. The project and its activities and priorities remain highly relevant, and complement those of other donor programmes. Clients and beneficiaries are quite satisfied with the process and results to date. Most said their expectations had been fully met, and several emphasised that any delays were their fault, not IFC's. External experts, local and international, expressed satisfaction with IFC management and team-building. Ownership appeared solid.

The activities and outputs are progressing systematically, generally in line with the plans set out in the semi-annual reports. Risk management has been largely effective in dealing with recurring political and other challenges. Nevertheless, the remaining year will have to be managed carefully in order to achieve the targets, with national elections scheduled for late 2014 and key pieces of work, legislation and administrative reforms still in the pipeline.

Overall, continued interventions are needed to consolidate gains to date and build upon the foundations that are being established at all levels. 'Guillotine' processes are by nature 'quick fixes'. Combining these with e-Registries and permanent regulatory reform functions has set the bases for continuing to deepen and broaden the reforms and good practices. This, together with other donor efforts, such as the 'business friendly municipalities' initiative of GIZ/GOLD/SDC, will increase the momentum towards a better business environment and employment creation.

Vertical and horizontal efforts are required to harmonise and link the reforms and good practices at all levels (State, Entity, Canton, Municipal). This is an area that requires comprehensive strategic thinking by donors and implementers alike.

8.2 A FEW KEY LESSONS

Lessons can be drawn from every section of the Review. Here are a few that stand out in terms of applying good practices. The rest are incorporated into the Findings and Recommendations.

IFC noted a major increase in ownership and commitment since it started requiring cost-sharing in the second phase of the 2007-2011 projects.

Lesson learned: cost sharing is a good ownership and sustainability tool.

Some IFC clients said the process would have been more efficient and the end-product better if there had been more direct contact between the Ministry and IFC and the external experts, in the few cases where the experts worked 'in isolation'. Similar views prevailed regarding relatively sparse business consultations during local-level regulatory reforms. There was strong support from mayors, experts and business representatives for a 'permanent' mechanism to involve business throughout the regulatory review process. This is in line with international good practice, and World Bank and OECD guidance.

Lesson learned: Close and regular consultation leads to better results. "Satisfaction with the process leads to satisfaction with the result."

Bihać Municipality participated in the regulatory reform project in 2010. It was the municipality with the single largest number of procedures mapped and streamlined to date (see Annex 8). At an interview in 2014, they reported that the e-Registry had not been updated since it was installed, nor had the regulatory control team met. The Head of the Citizen Services section said a 'refresher' course of action was needed to entrench and revitalise the reform process.

Lesson learned: Follow-up is a key sustainability mechanism.

8.3 FINDINGS, LESSONS AND RECOMMENDATIONS

1. <u>Sustaining Regulatory Reform</u>

Findings on Improving the Methodology (related to sustainability)

Some municipalities are more well equipped than others to absorb and use the assistance, and to sustain the outcomes. Further flexibility may be needed in the approach, which is based on a step-by-step methodology and tight timelines.

Time savings and simplification appear to matter as much or more than cost savings for businesses interviewed in M&E follow-up. They also imply important efficiency gains for local authorities. At present, frequency of use and cost savings appear to have a more heavily weighted role in selection of the 15% 'most burdensome' procedures, etc., for streamlining.

Dedicated and well sequenced training for local authorities on the Standard Cost Model and Compliance Cost Savings calculations is required. The current one training session is not enough. Several of the municipalities interviewed said they wanted to be able to understand and use the SCM as part of the ongoing regulatory control function. The relevant experts agreed. They suggested, based on experience to date, that such training should include one or more municipality officer(s) designated by the mayor to become the official repository of the methodology (i.e., working-level permanent staff, preferably economists or finance officers). This training should be delivered at different times during the reform process – maybe three days over three months, with the first training session occurring very early in the process. At least one session should be for calculation of baseline costs, and another for calculation of savings. The designated people should apply what they have learned under the supervision of the STM/CCM expert. This approach will contribute to the sustainability of the regulatory control function, because the designated officers will be able to apply the cost savings methodology as they continue the reform process.

Recommendations

IFC: In consultation with the experts, incorporate into the regulatory reform timelines the (criteria and) flexibility to allow certain local government beneficiaries more time to absorb and utilise the assistance in a sustainable fashion. While incisive action and tight deadlines characterise the IFC methodology, in some cases the 'quick results' of the guillotine may not deliver sustainable change if the implementation part of the project (establishment of an e-Registry and a permanent regulatory reform team, awareness building, etc.) is too quick to allow for proper absorption.

IFC: In selecting business-related procedures for further analysis and improvement (simplifying or eliminating), consult a greater 'critical mass' of business to ensure that the broader business impacts are reflected in the actions that follow. The one set of business consultations early in the process focusing on the 'most burdensome 15% of procedures' (calculated on the basis of direct cost and frequency of applications) may not necessarily produce an optimum impact on the business environment, according to municipalities and experts interviewed.

IFC: Use the final municipality programme (Cazin, mapping to start in coming weeks) to pilot more extensive SCM/CCS training for municipal officers, in line with the suggestion above. Refine the approach afterwards and build it into the Handover and methodology for the next project.

IFC: For utility and transparency, consider expressing savings in KM, as well as US$ at the IFC monitoring/reporting level, as this will be easier to track in the long term.

Findings on Follow-Up

Findings indicated that the regulatory reform programme in a number of municipalities and cantons inspired a number of officers to take things further and start thinking about how to make other improvements. This 'continuous improvement' mind-set and practice is an ideal outcome in terms of sustainability. It must be documented and continuously encouraged.

Mayors from the most successful municipalities in the ISCRA project offered to be 'champions for the cause'. This powerful set of 'agents for change'. includes the mayors of communities that have successfully implemented the reform programme and reaped benefits in the form of new or expanded businesses and employment, increased revenues, etc.

The Review Team found that municipalities from the previous cycle (2007-2011) require follow-up in the form of 'refresher' training, mentoring and technical assistance in order to ensure that e-Registries and regulatory reform control functions are operating as they should. Administrations and people have changed, affecting institutional memory and motivation.

Findings also suggested follow-up visits by M&E officers at 6 months, 1 year, 2 years and 5 years. The 6-month and 1-year suggestions date back to the 2010 Review.

Recommendations
IFC: 'Continuous improvement' is a key goal of the ISCRA and any other regulatory reform project. In the Handover process, IFC should support the AMCs in their plans to form Working Groups on Regulatory Reform, as well as an experts network comprised of regulatory reform officers in municipalities and cantons. This will support sustainability, visibility and peer review

IFC: In the Handover process, encourage the handover partners to enlist the mayors who have offered their good offices. They will need them (because IFC will not be there to use its profile and clout after mid-2015).

IFC: During the last year of the ISCRA project, revisit the municipalities and the canton from the 2008-2011 programme and offer them, as necessary, 'refresher' mentoring to revitalise the e-Registry and regulatory control and 'continuous improvement' functions. As a number of municipalities are undergoing restructuring during this period, this would be a very opportune time to provide follow-up support.

IFC: Upgrade the regulatory reform methodology to include regular follow-up monitoring at 6-month, 1-year, 2-year and 5-year intervals (or as otherwise decided), plus education and encouragement in order sustain the changes. Ensure that this approach is adopted by the handover partners for the next stage. (This can be part of the longer-term role for the AMCs, but during the next project period it should be an integral part of the project implementation plan.)

Sida: Ensure that the new PLOD-AMC proposal includes actions to support continuous improvement. The post-CDMA project should include activities to support the proposed Working Groups on Regulatory Reform and the Expert Networks, as well as relevant IT, legal and municipal finance support, as suggested in the Exit Strategy.

Sida: Verify, via the July-December 2014 and January-June 2015 Semi-Annual Reports and any interim reporting that may be necessary, that appropriate follow-up has taken place with all the municipalities and the canton from the previous cycle (2007-2011).

Sida: Verify that regular reporting, as described above, is included in ISCRA through June 2015, and in the next project**.**

2. E-Registries

Findings:
The Review Team found that it is impossible to monitor use of the e-Registries, because the software was designed without a 'hit-tracking' mechanism. As this is an important indicator and management tool, IFC has committed to rectify this oversight. The ISCRA Project Director told the Review Team he had sought a proposal to upgrade the software from the developer.

Stronger and longer awareness building is required for the e-Registries. There is still a way to go to institutionalise good practices, including motivating people to utilise the e-Registries and ensuring that officials respect the deadlines, fees, etc., set out therein.

Recommendations:
IFC: Give priority to upgrading, before December 2014, the e-Registry software in all locations assisted since 2007 (municipalities, cantons, government offices), so that the use of the e-Registry can be monitored.

IFC: Explore, with municipalities, cantons and government offices (and behavioural economists/ social psychologists) ways to motivate people to use the e-Registries. A first step would be a permanent and innovative mechanism to regularly remind people that the Registries exist and how to use them.

IFC: Incorporate an indicator to monitor use of e-Registries in ISCRA's final year.

IFC: In consultation with the handover partners, determine how and where to set up an e-Registries helpdesk function, both for the next project period and for the longer term (e.g., in the AMCs).

Sida: Verify, via the July-December 2014 Semi-Annual Report and any interim reporting that may be necessary, that the e-registry software at all municipalities, cantons and government offices has been updated for tracking before yearend 2013.

3. Selection Criteria

Findings
One of the potential improvements most frequently mentioned by municipal and cantonal officials and by experts was vertical and horizontal harmonisation of rules, procedures and practices should be accelerated between cantons and municipalities in FBiH and between lower and higher levels throughout the country. Vertical integration is the objective of a number of donor programmes, none of which has ISCRA's hands-on business regulation focus. In the upcoming programme, greater impact could result from selecting a critical mass of municipalities under a particular canton to undergo the regulatory reform process before or in parallel with the cantonal authorities. Issues where local regulatory reform depends on legislative or other action higher up could also be dealt with, with the help of the AMCs.

ISCRA has concentrated on central and northern BiH. No municipalities or cantons in Herzegovina were involved (two participated in the previous project). The current selection criteria give an advantage to the more industrialised areas which offer potentially high compliance cost savings and take the benefits to a broader range of businesses. Many smaller municipalities are deemed 'unsuitable' or 'unready' for the process, which is time- and resource-intensive. However, there are enough which are ready and motivated (the Review Team encountered several, including in Herzegovina, when evaluating the CDMA programme). The proposed handover partners (PLOD-AM), committed in the proposal submitted to Sida in December 2013, to work more with smaller municipalities.

These two findings relate to Sweden's Regional Results Strategy for 2014-20, which retains a strong public administrative efficiency, EU integration and SME development focus. Of course, the top criteria for participating in regulatory reform programmes should remain political will and motivation to reform.

Recommendations
IFC: As part of the Handover process, assist as necessary the handover partners to develop plans and criteria to target specific municipalities under the four cantons that have gone through the process already (Herzegovina-Neretva, Una-Sana, Zenica and Tuzla), with the aim of securing vertical and horizontal harmonisation of rules, procedures, practices, etc., among a 'critical mass' of population centres. In choosing future cantons for the programme, attention should also go to the relevant municipalities, for a 'pyramid effect'. The handover partners should also consider a 'critical mass' strategy for the RS, as well as how to address vertical linkages up to the Entity and State level, where local regulatory reform is dependent on legislative or other action higher up.

IFC: As part of the Handover process, in assisting the handover partners and experts to select municipalities and cantons for the first year of the next project, together revise the current selection criteria so as to ensure a better geographic balance and more attention to smaller local authorities and SME needs..

Sida: Ensure that the PLOD-AMC revised proposal and subsequent action plans include strategies for the desired 'pyramid' of a critical mass of municipalities and cantons in FBiH, as well as for dealing with smaller local governments.

4. Consultations with Business (related to impact and utility of Reforms)

Findings
Feedback from municipalities, business groups and experts indicated that stronger and more systematic involvement of business throughout the regulatory reform process could lead to better outcomes. This is supported by international good practice.

Weaknesses in business consultation were signalled in the 2010 Review as well. While improvements were applied in the current 2011-14 project, further improvements are required in terms of seeking constructive input, managing expectations and ensuring regular reality checks throughout each regulatory reform programme. The Exit Strategy Assessment paper attached addresses this issue in detail. The PLOD-AMC team currently plans to partner with RDAs and certain Chambers to gather and filter business input, as per the suggestions in the Exit Strategy, in order to secure a critical mass of business input.

Women entrepreneurs can be a force for change. To date, participation of women in IFC's business consultations has amounted to just 20-30% of the total. This under-representation should be an area for attention.

While SMEs may make up a majority of participants in IFC-facilitated business focus groups, it is nevertheless important for reporting and monitoring to document SMEs as a percentage of the total number of individual businesses consulted, and to ensure that SME needs are met in the follow-through action.

IFC: Revise consultation practices and methodology to seek business input at several stages *throughout* the regulatory reform process. At times it will be particularly useful to have business and municipality officials exchanging views together, instead of totally excluding municipal officers from the consultation process. This represents international good practice. Consider piloting this in the Cazin municipality project.

IFC: As part of the Handover process, analyse with the handover partners (including RDAs, etc.) what might be an ideal 'critical mass' of business input (e.g., 80% of companies using a particular procedure). The RDAs and other select business 'multiplier agents' could play an important role in collecting and filtering this sort of information from companies, as explained earlier in this Review. With IFC M&E officers, develop an indicator to use in reporting to Sweden for the rest of the ISCRA project and for the next project.

IFC: Review the business consultation methodology and experience to date to see if there is a reason for the low numbers of **women** participating in business consultations. Discuss with donors, the Gender Centre and the AMCs (which are planning to become more active in local-level gender issues) on how to coordinate in encouraging women to be more involved in the regulatory reform consultations.

IFC: Monitor **SME** participation in business consultations as well, with the aim of ensuring that SME needs are adequately met in the reform process.

Sida: Request updates on improvements in business consultations in IFC's semi-annual reports, including on the 'critical mass' issue.

5. Investment Aftercare Programme

Findings

The Review Team visited a number of municipalities that were both participants in the regulatory reform project and in the 'Investment Aftercare Network'. Only a few of the mayors or senior officers were aware of the aftercare network. Some were vaguely aware of "some FIPA training". This, plus discussions with other stakeholders, indicated that the embryonic aftercare networks will need monitoring and support for some time in order to meet their objectives of retaining and increasing investment.

Recommendations

IFC: In the final year of assistance to FIPA, IFC may wish to invest in a solid communications and coordination strategy targeting key local officials in the Aftercare Network. This will be important to the sustainability of the Aftercare Network. There may be some synergies with IFC's plan to assist 10 municipalities with investment promotion. (Fancy brochures have a limited shelf life so other sustainability elements are required.)

6. Agribusiness Strategies

Findings
In line with good practice, agribusiness work should address gender equality, non-discrimination and environmental issues. The ISCRA Project does not have results indicators for these areas.

Recommendations
IFC: Ensure that the agribusiness work at Entity and National levels includes results indicators for gender equality, non-discrimination and environmental sustainability.

Sida: Request IFC to report briefly on gender, non-discrimination and environment sustainability in the 2014 and 2015 half-yearly reports.

7. Reporting

Findings
The overall gains in the indices related to competitiveness and the declines in the 'ease of doing business' ratings cannot be attributed to IFC or the ISCRA programme. The results of this and the previous project will eventually influence the indicators, once a critical mass of municipalities, cantons and higher level institutions are all operating under the same principles and systems (vertical and horizontal harmonisation).

However, as with most donor projects, attribution remains a challenge. The project requires solid baselines and tracking tools to effectively measure and attribute larger impacts like investments and reinvestments, use of e-Registries, *actual* savings to business by municipality, exports generated due to EU-consistent food labelling, etc.

A separate column in the indicators tables for achievements during the half year in question would facilitate monitoring and evaluation. The cumulative totals and moving targets made assessment of progress during any one period difficult to calculate.

The ISCRA Project does not address gender, non-discrimination or environmental sustainability in a proactive fashion.

Recommendations
IFC: Study carefully the reasons for the changes in the BiH Competitiveness and *Doing Business* indicators, and take appropriate action in future activities. This applies to the handover partners as well.

IFC: Use the impact assessment it plans in mid-2014 to measure the relationship between the guillotine-inspired fee cuts and subsequent revenues on the same items. The impact assessment team could start at Bosanska Krupa, to test its claim of a 30% increase in revenues directly attributable to higher volumes resulting from lower-cost procedures.

IFC: Add a column to the 'core indicators' table in all the 2014 and 2015 semi-annual reports to list achievements during the specific half year.

Sida: Encourage IFC to use the mid-2014 impact assessment to look into attribution.

Sida: Request IFC to insert in its half-yearly reports a column in the indicators tables documenting measurable achievements during the half year in question.

Sida: Request IFC to report on ISCRA's contribution to gender equality, non-discrimination and environmental sustainability in its half-yearly reports. Request it and future implementers to develop realistic indicators to measure progress.

Annex 1 – Terms of Reference

Review of IFC Investment Climate Program (ISCRA), and Developing an Exit Strategy

Date: 7 February 2014
Case number: UF2011/76994

Background

The project to be reviewed is part of a IFC Facility (trust fund) Advisory Services Program. The program lasts from November 2011 until January 2015. The purpose of the program is three fold:

1. Reduction of administrative costs for business
2. Improving investment policy and incentives in BiH
3. Increasing competitiveness of selected sectors in BiH

IFC's project under review is oriented towards the relevant public sector institutions. First, Sida/ Embassy would like to make an external check on progress as the project is nearing completion date.

Secondly, in order to assist its own planning processes during the period of the new Result Strategy for Development Cooperation (2014-2020), the review of the project should look into exit strategy for reducing regulatory burden on local level and definition of mechanisms to continue regulatory reform work in municipalities not covered by the project.

Review Purpose and Objective

The purpose is threefold:

1. The review should be result based, i.e. should **check on verifiable indicators at outcome and output levels of the ISCRA programme 2011-2014**. The result review will be limited in scope, with focus on official records, compliance cost saving (methodology applied by World Bank Group to measure business savings from regulatory reforms) data from IFC, beneficiary interviews and focus groups as main methods

2. The review should examine the effects and sustainability of regulatory reform on entity and national level done by IFC (with Sida support) since 2007 had on other donors and influx of several projects in 2013/2014 in this area. It should also examine complementarities and synergies and how important was this pioneering work?

3. The review should provide an **Exit Strategy options paper** for local level regulatory reform programme 2011-2014. The specific objectives of the ISCRA' Exit Strategy paper are:
   a. To identify, in consultation with IFC staff members and other stakeholders, the **functions, outputs, processes and procedures developed and operated by IFC that should be considered for transfer**, if any, at the end of the project implementation period.
   b. To **describe the main alternative exit strategies available** to IFC ISCRA/Sida, their **preconditions** and the **assessed potential for sustainability**, specifically to:
      i. Assess if the Entity Associations of Cities and Municipalities (**AMCs**) are interested to assume responsibility for and absorb into their own programmes and services the functions and services provided by IFC's ISCRA project, as well as
      ii. Assess if there is a **minimum capacity at AMCs** (financial and technical) required, assuming it is recommended they are to become hosts of IFC ISCRA activities and services and
      iii. Assuming there is minimum capacity at the AMCs, identify the **steps to be taken by the AMCs to prepare for a handover**
      iv. If it is deemed that AMCs cannot absorb fully, then the review should look to see if there are **other institutional partners** or other organizations that can assist in this process (business associations and business service providers including those in private and NGO sectors)

v. Assess if Entity Associations of Cities and municipalities can become a functional vehicle for bottom-up approach to regulatory reform, i.e. if they need certain strengthening of functions to review laws and regulation's affecting local communities and if they can effectively advocate for regulatory and legislative changes at higher levels coming from experience on municipal level.

Scope and Delimitations

The scope of review, as described, is a result verification review of IFC ISCRA, for which standard Sida evaluation criteria should be applied and an analytical Exit Strategy paper for regulatory reform work on local level.

Due to the specific constitution of BiH, there are many levels on the institutional side that are responsible for business development, as there are many support providing organizations in both the private and civil sector across the country.

A common problem that permeates the institutional and real sector is that very few organizations are able to act nationally. **Donor coordination is not an easy task** with multiple institutions on the BiH sharing responsibility and generally suffering from poor cooperation and coordination between themselves, but limited functionality exists within the Sector for **aid coordination at the Ministry of Finance and Treasury of BiH.**

Throughout the period covered by the **now expired Country Development Strategy**, in the **private sector development portfolio,** Swedish support has been oriented towards identifying and helping SMEs with growth and job creating potential, through a business sector competitiveness approach. Important active Sida projects in this sector are the following: FIRMA (www.firmaproject.ba), FARMA (www.farmaproject.ba), CREDO (www.redah.ba and www.edabl.org) and GOLD (www.goldproject.ba) The former shall not be subject of this review and are just listed for background information.

As mentioned, Sweden is about to adopt a new 7 year Regional Result Strategy for the 4 countries of Western Balkans (BiH, Serbia, Kosovo and Albania). Below is an excerpt on the Economic Development Result Area of the Strategy:

In order to provide effective support, <u>Sweden will need to focus on a few selected sub-areas where Swedish contributions effectively can lead to increased employment and economic growth. B</u>ased on the Swedish experiences in the region and in order to be complementary to EU, the focus of Swedish interventions should be to (i) improve the regulatory framework for trade and business, and (ii) support SMEs and entrepreneurship.

Regulatory framework. It is expected that a well-designed support to strengthen key institutions responsible for regulatory, legal and administrative reform, implemented together with competent partners, will be complementary to the adaption of the EU acquis and have a significant effect on trade and on economic development of the region. This would include improving land administration to secure ownership as well as quality infrastructure in order to facilitate trade. According to an assessment of IFC, many of the necessary institutions are in place, but the legislation needs to be developed and harmonized as well as its implementation facilitated and monitored.

SME support. There is a general consensus globally that small and medium-sized enterprises (SMEs) play a vital role for economic development and job creation. Evidence shows that small firms create the most jobs because start ups are very productive initially, but there is also a tendency that many of them fail to grow. SMEs in developing and transition countries tend to be more stagnant as compared with their developed country peers due to amongst others a disabling business environment for SMEs which hinders their growth. The business climate for SMEs is difficult also in the Western Balkans. EC and OECD have recently analysed the progress of the Western Balkans in the implementation of the Small Business Act for Europe.

Results:	**Possible outcomes**
1: A regulatory framework conducive to trade and economic development is im-	The key institutions for the regulatory framework (inspections, health and safety standards, certification, land administration, etc.) will have received increased capacity rendering them more competent and reform oriented and

plemented.	allowing them to implement necessary policies and strategies , which will in turn lead to increased trade and economic development of the region.
2: Productive SMEs increasingly contributing to employment.	Support to a country´s SME development strategy can strengthen competitiveness, improve the dialogue between the private and public sector, and strengthen the position of female entrepreneurs. Sub-regional or business sector programmes will create jobs, by removing obstacles to growth, establishing new trade links and raising competence.

Organisation, Management and Stakeholders

The consultant is responsible for the organization and management of the whole assignment as well as quality assurance. In an inception phase, the consultant is expected to present its methodology for organization of the assignment, including quality control. Participation by IFC representatives and national counterpart representatives in the assignment is expected and encouraged, as well as in the commenting on the reporting deliverables. The readership is Sida/Embassy, and managements of IFC and national partners as appropriate.

Review Questions and Criteria

Following the identification of main objectives and outcomes, the main questions that the review should answer are to be organized along standard Sida yardsticks: effectiveness, impact, relevance, sustainability and efficiency. ISCRA's logframe and the core project indicators (attached) should be assessed.

As part of review criteria, a more detailed analysis will look into the specific project achievement from the beginning of the project until the present time. In the recent project progress report covering the period July 2013-December 2013, it is stated that severe political turmoil in BiH caused delays in some of the planned project activities and that the political turmoil is expected to intensify during the election year. The project is probably going to request a 6 month extension at no cost.

The review should look into the direct savings for business indicators claimed by the project and give an opinion on their validity and the overall gains for businesses. The review should examine the indicators of E-registries and provide an opinion on their usefulness to businesses. In particular the review should comment on the outcome level indicators for relevance/realism to stated objectives. The consultant should verify that the outcome objectives are achievable during the project period, including a possible 6 month no cost extension.

The review should judge the satisfaction with IFC ISCRA services by a sample of the beneficiaries (municipalities, cantonal and entity governments representatives, as well as national level government representatives from MOFTER) in face to face meetings. Output indicators point to high satisfaction. Can this be easily verified? In this respect the review should comment on the sustainability aspect of the project, including institutional and financial sustainability considerations. If Sweden should continue to support ISCRA activities in the future, what is the likelihood of sustainability and overall long term impact. As part of the review should analyse the future potential to institute Regulatory Impact Analysis at entity (Federation BH and Republika Srpska) and national (MOFTER) level.

Finally, the review should assess the result definition of Economic Development Area of the new Result Strategy against the background of the current project and provide some lessons learned from the current project that could be useful for Sida to assess what to do or what not to do when it comes to the business environment and regulatory frameworks.

The review should also comment on sustainability of specific project activities with Governments of Federation BH and Republika Srpska, as well as MOFTER, such as the RIA, comment on the sustainability of this process (as Governments at entity level formed RIA units and are operating).

The review should examine the effects and sustainability of regulatory reform on entity and national level done by IFC (with Sida support) since 2007 had on other donors and influx of several projects in 2013/2014 in this area.

The review should comment on the sustainability of the reforms provided by the ISCRA project and also how they fit in the overall regulatory reform project landscape, particularly those projects financed through the Public Administration Reform Fund (PARF), coordinated by PARCO, support to AMCs

and Capacity Building in Land Administration Project (CILAP) which Sweden also supports. Sida will extend the existing project aiming at capacity development of AMCs for another year. However, it is also planned to enter into the new programme, jointly with other donors (SDC, USAID…?) mid 2015 which will focus on further strengthening position of AMCs in the LG sector in BiH. Moreover, some other planned projects (Strengthening sub-municipal institutions --Mjesne Zajednice) will incorporate significant involvement of both AMCs.
Attached is the overview of (almost) all ongoing and planned projects in the LG sector in BiH. The consultant should comment on the potential, if any, for complementarities and synergies also with EU programming?

Exit strategy of the local level regulatory reform IFC ISCRA programme

On the actual transfer of ISCRA methodology for the local level regulatory reform component, the review should check that the two entity Associations of Cities and Municipalities are in fact candidates for the transfer of ISCRA activities and provide a roadmap of steps to be taken if the assessment is positive. This roadmap could include other institutions, organizations and business service providers that would could be potential partners to the AMCs, and how they can pair up with AMCs to do this compelling work. Idea is to have maybe another 25 municipalities covered in period of 3-4 years, which is monumental task.

Approach and Methodology

The consultant is free to suggest method and approach. Regarding the review of ISCRA the Embassy recommends a participatory approach focussing on beneficiary interviews and focus groups as the main methods. Regarding the Exit Strategy, the Embassy recommends an organizational assessment of the AMCs and potential NGO partners (maybe to be recommended by AMCs) to identify the possibility to host ISCRA activities. A positive assessment should also produce a roadmap of steps to be taken for future handover of activities.

Time Schedule

The assignment should be carried out February - May 2014, including one field mission.

Reporting and Communication

The consultant under this assignment shall deliver the following:
-Inception report
-Draft and Final Review report
-Draft and Final ISCRA Exit strategy

The consultant shall adhere to the terminology of the OECD/DAC Glossary on Evaluation and Result Based Management. The methodology used must be described and explained in the final report. All reports shall be written in English language and limited to 10-15 pages without annexes. Reports should have an executive summary.
The inception report should be delivered latest mid March.
All draft reporting following field mission should be submitted before end April.
Following comments to draft reports, the assignment should be completed latest end May 2014.

Resources

The Embassy proposes a budget ceiling of 500 000 SEK for this assignment including back office support and facilitating a local/national assistant for logistical and interpretation purposes.

Annex 2 – Inception Report

Available as a separate document.

Annex 3 – Evaluation Matrix

Review Questions	Evidence/Indicators	Sources and Methods
Relevance of ISCRA Assistance		
• Is the programme necessary and based on documented evidence and regular needs assessments? • Is the ISCRA programme relevant to the overall regulatory reform agenda in BiH? • Do its objectives relate closely to those of Sweden's country and regional programe strategies (e.g., the new Regional Result Strategy 2014-2020)? • Are there clear synergies between ISCRA and similar Swedish projects (e.g., PARF, CDMA, CILAP)? • Does it fill gaps in other assistance programmes? • To what degree are the beneficiaries drivers of change? • How does the programme *complement* other Swedish support to human rights, democracy and freedom of expression, and *add value* to the overall Swedish effort to promote human rights and democracy? • Have designers and implementers sought complementarity and synergies as the projects evolved?	• Needs identified by IFC before and during Project delivery • Coverage of other donor programmes • Gaps filled by ISCRA • Synergies between ISCRA and other Swedish projects in BiH • Synergies between ISCRA and Swedish country and regional strategies • Clients/beneficiaries' ability to drive change	• Sweden's BiH and regional strategies and country programmes • Analytical reports on BiH and regional regulatory reform issues • ISCRA background documentation (**henceforth this means *all documentation***, including concept paper, results framework, plans, reports, correspondence, audits, all outputs, surveys, M&E, feedback from training, etc) • Interviews with Embassy, IFC, partners, other donors, municipality officials, entity and national government officials, external experts • Interviews with stakeholders
Quality of the ISCRA Programme Design and Logical Framework		
• Does the design address the <u>real needs</u> and expectations of the direct beneficiaries and end users (businesses, agri-businesses, foreign investors, etc)?	• Needs: original and evolving • Expectations: original and evolving • Risks: original and evolving	• ISCRA programme documents and results frameworks: original and revised versions • Needs assessments and other baseline in-

• Has the implementation design proved to be realistic in terms of delivering the desired results, meeting expectations and managing risks? • Has it been flexible enough to be refined to meet evolving needs and requirements? • To what extent have the concept, assumptions, risks, strategies, baselines, **indicators** and results frameworks proved appropriate in terms of monitoring and achieving the desired results? • To what extent do the outcome indicators reflect the stated objectives? Are they realistic? • Are the indicators and claims (Standard Cost Model) on cost savings for business valid measures? • Are the E-registry indicators valid? • Did the design pay due attention to the ultimate impacts on poverty alleviation, gender equality, environmental sustainability and human rights?	• Extent to which the design targeted the right people and tailored the services/outputs appropriately • Extent to which the programme design (e.g., concept, assumptions and strategies) addressed identified and evolving needs, expectations and situations (e.g., flexibility to respond to evolving requirements) • Baselines established to underpin the results framework • Suitability/measurability of results indicators and verification sources • Extent to which 'crosscutting issues' such as gender equality, environmental sustainability, human rights and poverty reduction are reflected in the design, desired results, implementation plans	formation: original and revised facts, figures and other evidence (e.g., regular surveys) • Interviews with stakeholders
Theory of Change: • Have the ISCRA's underlying assumptions proved relevant and accurate throughout implementation to date? • To what extent have the expected changes in mindset and behaviour occurred among the main target groups (local authorities and higher levels of government)? • How have these changes contributed to the achievement of the objectives?	• Assumptions and underlying reasoning, evidence • Extent to and direction in which mindset and behaviour have changed so far • Extent to which the Clients/Beneficiaries have proved to be effective change agents	• ISCRA programme documentation • Surveys, statistics and other relevant documentation, as available • Interviews with stakeholders
Results and Effectiveness of ISCRA Implementation		
• To what extent has the Programme attained the desired results to date? • What are the overall gains for business? • How satisfied are clients/beneficiaries with the results to date? How does this compare to the ISCRA indicators? • How useful to business have the E-registries proved to be? • Has the Project been implemented in the most well man-	• Extent to which the overall objective has been achieved • Results achieved vs 'desired results' • Outputs/services delivered vs annual action plans • Quality of outputs and services • Follow-up and responsiveness to customer needs • Customer satisfaction with outputs, services, implementation • Extent to which outputs led to desired results and outcomes	• Programme documentation • Interviews with stakeholders (including focus groups of relevant businesspeople) • Interviews with M&E officers • Feedback from stakeholders (surveys, post-training evaluation forms, etc) • Legislative and regulatory action, docu-

aged, accountable and appropriate manner? • How effective have risk management strategies and actions proved to be in light of the actual challenges encountered in implementing the project? • Have outputs/services reached the right people, delivered the right products, and been followed up appropriately? • How high was the quality of the services, activities and other outputs? • What is the outlook for achievement of objectives and desired results to the end of the assistance period (Dec. 2014 or June 2015)?	• Effectiveness of risk management strategies and actions vs actual risks encountered • Effectiveness as viewed by other stakeholders • Timeliness and ease of comprehension of narrative and financial reporting • Transparency and accountability of the implementer	ments
Efficiency of ISCRA Implementation		
Has ISCRA been carried out in a timely, streamlined and cost-effective manner? - Has spending been carried out transparently, within budget and according to plan? - Were activities/outputs delivered on time, within budget?	• Timeliness of Swedish funding disbursements • How Swedish funding was used • Extent to which activities, outputs, services were delivered on time, as per Plan • Extent to which activities, outputs, services were delivered within budget, as per Plan	• Programme documentation • IFC/WB/IBRD financial reports and databases • Interviews with stakeholders and donors • Interviews with M&E officers
Sustainability		
• What has been the impact at Entity and National levels of IFC's regulatory reform programme since 2007? • Are the outcomes (e.g., Regulatory Reform functions) sustainable in terms of beneficiaries' budgets and resources? (Beneficiaries = municipalities, cantons, entity and national government agencies) • What is the likelihood of institutionalising RIA at Entity and National level? • Are the outcomes sustainable and relevant enough to lead to the desired impacts (i.e., a competitive investment climate in BiH)? • Is there sufficient ownership, commitment and capacity in	• Extent to which ISCRA has calibrated and sequenced its activities to beneficiaries' ability to absorb and sustain the outputs • Impact on sustainability of challenges experienced during the Programme (including political turmoil) • Beneficiaries' commitment, ownership, willingness and ability to maintain and build on the outputs and outcomes of the ISCRA Programme • Extent to which gains can be attributed to the ISCRA programme (if sufficient information is available)	• Programme documentation • Interviews with stakeholders • Needs assessments • M&E assessments to date

the AMCs and other potential 'handover' partners to sustain the aims and gains post-support? • To what extent would continued Swedish support for ISCRA-type activities contribute to sustainability and long-term impact?		
Next Steps		
• What lessons have been learned that might be applicable to future endeavours? • What improvements or changes in approach might assist the ISCRA programme in the final stages? • Do the proposed Exit Strategies from IFC and AMC-PLOD provide realistic ways forward? Are there other options?	• Sustainability issues above • Human, financial, institutional capacity and mandates • Needs • Priorities • Complementarity of donor programmes	• Interviews with stakeholders and donors • Analyses of ISCRA and similar projects • Donor plans to 2020 • Capacity/organisation assessments • Auditors' reports • Needs assessments of the potential handover partners

Annex 4 – Work Programme & Consultations

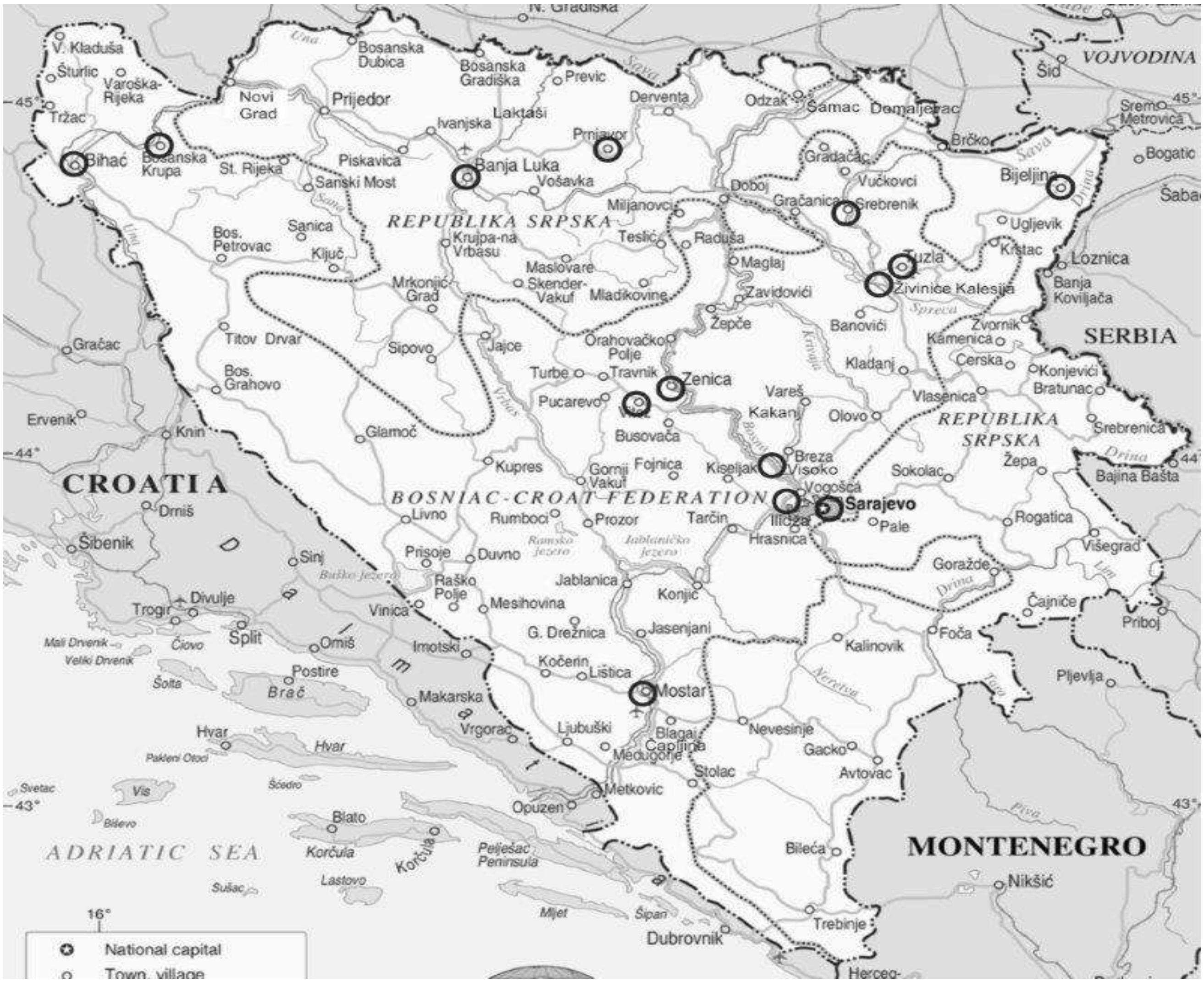
ISCRA Review, BiH, Work Programme and Consultations March-June 2014

Dates	Location	Work Programme & Consultations
March-April	Home	• Prepare Proposal • Discuss ToR, proposal, meetings, documentation, etc, with the Embassy Programme Officer • Review project documentation, country papers, donor reports, other relevant material • Prepare Inception Report • Prepare detailed Mission Work Plan and Report Outline • Prepare/translate tailored Questionnaires for meetings • Organise meetings and logistics
7 April	Sarajevo	• **Swedish Embassy**: Nedim Bukvić, ISCRA Prog. Officer, Mario Vignević, CDMA Prog. Officer • **IFC Project Team**: Tarik Šahović, Senka Eminagic, Mirjana Galonja, Rozana Seremet
8 April	Sarajevo	• **Zenica/Doboj Canton**: Munib Husejnagić, Premier ; Haris Hrgić, Coordinator for IFC ; Romana Brkić, Minister of Justice ; Head of PR (excellent English); +2 officers • **Zenica Municipality:** Bernardina Hadziselimovic, Coordinator for IFC + 2 more officers
9 April	Banja Luka Prnjavor	• **AMC RS**, Banja Luka Office: Slavica Rokvić, Legal Officer • **Govt.of RS**: Miladin Gaćanović, Asst.Minister – Min. of Spatial Planning, Civil Engineering, Ecology • **Govt.of RS:** Vladislav Trifković, Min. Agriculture • **Prnjavor Municipality:** Žana Pekić, Head of Local Economic Dev Dept
10 April	Bosanska.Krupa Bihać	• **Bosanska Krupa Municipality**: Armin Halitović, Mayor ; Elmedina Kavazović, Chief of Cabinet • **Centre for Promotion of Local Development** (PLOD): Zrinka Delić, Director
11 April	Bihać Vitez	• **Una/Sana Canton**: Haris Komić, ex. Coordinator for IFC • **Bihać Municipality**: Alisa Mahmutagic; Svetlana Kurbegovic; Mr Lipovaca, head of civil service; head of Citizen Services Centre, head of IT. • **Vitez Municipality**: Muhamed Rebihić, Assistant to Mayor for Entrepreneurship and Local Development
15 April	Bijeljina	• **AMC RS:** Aco Pantić, Secretary-General
16 April	Tuzla Srebrenik	• **Tuzla Munici**pality: Svjetlana Kakeš, Coordinator of Municipality's Departments ; Siniša Mihajlović, Head Dept. of Administration and General Affairs, Dijana Dizdarević-Radovanović, Dinka Huremović, IT Expert • **Srebrenik Municipality**: Nedim Mujčinović, Coordinator for IFC and

		IT Administrator • **Tuzla Canton**: Jasna Hifziefendić, ex. Coordinator for IFC Project
17 April	Tuzla Živinice Sarajevo	• **RDA Northeast BiH (NERDA)**: Enes Drljević, Director ; Zlata Odobašić, Prg.Officer • **Tuzla Canton Govt**: Mirela Omerović, Advisor to PM for Intl.Cooperation and Development Programees • **Živinice Municipality**: Hasan Muratović, Mayor ; Suada Kuljaninović, Head of General Service Dept. ; + 2 officers • **Govt. of Federation BiH**, Secretariat of Govt: Mirsada Jahić ; Asst. to Secretary • **Embassy of Sweden**: Pelle Persson, Director Cooperation ; Nedim Bukvić, ISCRA Programme Officer
18 April	Sarajevo	• AMC FBiH: Vesna Travljanin, Director ; Šejla Hasić, Prg.Officer • IFC: Tarik Šahović, Senka Eminagić, Mirjana Galonja
4 May	Mostar	• **RDA Herzegovina (REDAH)**: Nevzet Sefo, Head Econ Dept.
5 May	Mostar	• **Govt.of Federation BiH** / Ministry of Industry : Jasmina Pašić, Asst.Minister for Legal and Economic Affairs ; Marinko Bošnjak, Asst.Minister for Industry • **Food Safety Agency BiH**: Džemil Hajrić, Asst.Director • **RDA of Herzegovina: REDAH**: Ivan Jurilj, Director; Nevzet Sefo, Head Economic Dept.
6 May	Sarajevo	• **Ilidža Municipality**: Haris Gudić, Coordinator for IFC • **Chamber of Commerce Canton Sarajevo**: Muamer Mahmutović, Secretary • **FIPA**: Jelica Grujić, Director • **PARCO**: Aneta Raić, Head of Donor Coordination, Finance, Monitoring and Evaluation Unit ; +1 officer
7 May	Sarajevo	• **SDC**: Joseph Guntern, Director of Cooperation; Alma Zukorlić, Project Office; Regula Bäbler, Governance & Migration & Dev Adviser; Almir Tanović, Economic Dev Prog. Officer • **IFC:** Tarik Šahović
8 May	Sarajevo Visoko	• **USAID/Sida GOLD Project**: Mark McCord, Director ; Almedina Šuvalija, Depty.Director • **MoFTER** BiH: Dragiša Mekić, Asst.Minister, Foreign Trade Policy and Foreign Investment ; Zehra Selimović, Head of Foreign Investment Section • **Visoko Municipality**: Amra Babić, Mayor, +1 officer • **GIZ**: Karin Rau,Programme Mgr for Local Self-Govt & Econ Dev.
9 May	Sarajevo	• **Foreign Investment Council**: Bojana Škrobić Omerović, Executive Director, +1 officer • **AMC FBiH**: Šejla Hasić, Programme Officer
12 May	Sarajevo	• **Assoc.of Employers FBiH**: Seid Fijuljanin, Marketing and Membership Coordinator
13 May	Sarajevo	• **Embassy of Sweden**: Pelle Person, Nedim Bukvić, Mario Vignjević • **EU Delegation to BiH**: Martin Schieder, Head of Operations Section II (Economic Development, Natural Resources, Infrastructures) ; Maja Došenović, Prg.Manager ; Dženana Hodžić, Political Adviser

14 May to 22 June	Home	• Mission follow-up • Report writing • Addressing comments and completing final Reports

INTERVIEWS MAP



Annex 5 – Interview Guide

Questions for Local and International Experts

Your Name:
Your title (eg, in the ISCRA regulatory reform project are you a legal/technical adviser or an economic adviser)?
Your main contact persons at IFC:
Which other specialities do you have?
Which IFC Project(s) have you worked on **since 2008**? Please list:
- Municipality regulatory reform project and dates:
- Kantona regulatory reform project and dates:
- Entity or National Government Agency and dates and topics:

Type of expertise/advice provided in previous projects?
Any experience in other donor projects in BiH? If so, please list briefly.
On average, how many days per week did you typically spend at each municipality or canton during the regulatory reform process? Did you spend more time during specific periods? If so, please specify.

A. How well did IFC perform in contracting you?

1. Quality and transparency of your terms of reference, selection criteria, selection process?
2. Was IFC staff responsive to your questions on ToRs, applications, etc?
3. Was the contracting process efficient and clear (efficiency of contracting process; clarity of specific activity and IFC expectations; thoroughness of your individual work/action plans;
4. Were performance measures, milestones and deliverables set out in your contract? If so, were they realistic?
5. Do you have any suggestions for improving the expert procurement/contracting process in a future project?

B. How can the Project be improved?

1. What challenges did you encounter in meeting the objectives set out in your ToR and how did you deal with them?
2. How relevant to BiH's needs was the project design, methodology and approach?
3. What would you change in applying the IFC approach and methodology to a new batch of municipalities/cantons in coming years? In other words, how would you improve the process in order to achieve better impact over the long term?
4. What should be the main criteria for selecting municipalities/cantons to participate in the project, based on your experience?
5. How can the participatory approach be improved?
6. Do you think the Standard Cost Model and Compliance Cost Model are the best solutions for quantitative assessment of costs and benefits of regulatory reforms?
7. Should municipal and cantonal officers receive additional training and 'learning by doing' in order to improve their understanding and usage of the SCM, CCM?
8. How would you structure a new cycle of regulatory reform assistance (2015-2019) to ensure the greatest possible sustainability and impact?

Questions for municipalities, cantons, entities, national governments:

1. How satisfied are you with IFC ISCRA delivery and achievements to date?
(tick √ the right response below)

Tick √ Correct response	**Response**	**Definition**
	Very satisfied :	*They fully completed everything on time and met all our expectations.*
	Satisfied :	*They delivered most of what they committed to in a timely fashion and worked well with us*
	Dissatisfied :	*They did not deliver what we expected.*
	Other :	*They tried, but circumstances outside their control prevented them from delivering what was needed.*
Additional comments :		

2. What were the most important results?
List outputs and results

3. In your view, how sustainable are the outputs and results of the ISCRA projects?
a. Institutional sustainability
b. Financial sustainability (budget, parliament, tax revenues, fees, etc)

4. What positive and negative feedback have you had from administrators and users ?
a. Administrators?
b. Users (businesses, citizens)

5. What improvements and reforms are still needed to achieve your objectives?
a. Business environment improvements and objectives?
b. Regulatory reforms and objectives?

6. What lessons were learned and how should they be applied to ongoing and future efforts?

Annex 6 – Documents Reviewed

- Sida-IFC Agreement and Proposal for ISCRA Project, Nov. 2011
- IFC's four annual progress reports, covering the half-yearly periods, Nov. 2011 to Dec. 2013
- Sida Regional Results Strategy 2014-2020
- IFC-Sida 7/4/2014 financial statement
- SNC BiH: M&E Core Indicators Results, IC Information Sheets by FY
- Sida 2010 Review of IFC's Subnational Competitiveness Programme
- Sida documents on its other relevant projects: PAR, CILAP, CDMA, including recent CDMA Evaluation
- IFC and PLOD MoUs with AMCs 2011 and 2012
- IFC Exit Strategy internal paper, June 2013 (IC Project 587227)
- IFC Regulatory Reform Methodology May 2014
- IFC Handover Roadmap May 2014
- PLOD-AMC Proposal to Sida, Dec 2013
- Donor reports (eg, GOLD, GIZ, EU, etc)
- Local Government and Local Development Donor mapping documents
- FIPA documents

- OECD, World Bank and IFC documents on regulatory reform good practices and standard cost model
- EU methodology manual for assessing administrative costs imposed by legislation
- World Bank *Doing Business* Report 2014
- World Economic Forum *Global Competitiveness Report* 2014
- UNCTAD *World Investment Report 2013*
- US State Department *BiH Investment Environment 2013*

Project outputs:

- M&E and other reports for 6 municipalities and one canton, including excel files on # procedures mapped, analysed and improved, CCS
- Training/workshop surveys of satisfaction
- Draft BiH FDI Law
- Draft BiH Company Law
- Draft BiH Business Regulation Law
- BiH Food Labelling Rulebook
- Draft Regulatory Reform Strategy for FBH
- Draft RIA Decree for FBH (and previous decree)
- RS Construction Law
- Agribusiness Value Chain competitiveness assessments for RS, FBH, BiH
- Investment Aftercare Reports
- FIPA Action and Work Plans for 2013 (2014 ones not available)
- Inventories of Fiscal and Para-Fiscal Incentives for BiH, FBH, RS, Tuzla Canton
- RS Tourism Sector Incentives Inventory
- Investment Brief Tešanj Dec 2013

- Other documents n.e.s. provided by local, entity and national government officers

Annex 7 – Donor Projects List

ONGOING DONOR INITIATIVES IN THE FIELD OF LOCAL DEVELOPMENT / LOCAL GOVERNANCE								
	Initiative	**Donor**	**Imple-menter**	**Objectives**	**Timeframe**	**Budget (US$)**	**Key Part-ners**	**Target Local Governments (LGs)**
1.	**Municipal Water and Sanitation**	Sida	Various consultants and contractors	Establish co-financing arrangement for municipal infrastructure projects with EIB via: • Institutional capacity building of ca 35 waste water utilities in the areas of operational efficiency and sustainability, • Selective investments to the 6-8 waste water treatment facilities.	2013 - 2016	18.8 M (=EUR 14,5 M)	ca 35 LGs and public utilities	TBD
2.	**Solid Waste Man-agement**	Sida	Grontmij	Increase human and technical capacity for solid waste management in a number of BiH municipali-ties, improve the legal framework for waste man-agement and raise public awareness.	Jan 2010 - Dec 2014	15.3 M (=EUR 11,8 M)	34 LGs	Bijeljina, Bratunac, Busovača, Čapljina, Čelić, Čitluk, Jablanica, Kalesija, Konjic, Kostajnica, Kozarska Dubica, Lopare, Milići, Mostar, Novi Grad, Novi Travnik, Osmaci, Oštra Luka, Prijedor, Prozor-Rama, Sapna, Srebrenica, Stolac, Šekovići, Teočak, Travnik, Ugljevik, Vitez, Visoko, Vlasenica, Zavidovići, Zenica, Zvornik, Žepče

ONGOING DONOR INITIATIVES IN THE FIELD OF LOCAL DEVELOPMENT / LOCAL GOVERNANCE								
	Initiative	**Donor**	**Imple-menter**	**Objectives**	**Timeframe**	**Budget (US$)**	**Key Part-ners**	**Target Local Governments (LGs)**
3.	**Growth Oriented Local Development (GOLD)**	USAID, Sida	Deloitte Consulting LLP	Assist local communities in achieving their economic growth and development goals: • Promote integrated and inclusive LED planning and implementation, • Help unlock the economic potential of municipal assets and promote new investments, • Engage stakeholders to improve public service delivery and business enabling environments reforms, • Promote new direct investments and support competitive supply chains that will create new jobs.	2013 – 2018	USD 18.5	20-25 LGs, private sector actors	TBD?
4.	**Open Regional Fund for Moderni-sation of Municipal Services (ORF MMS)**	BMZ, SDC	GIZ	Regional cooperation is used by providers of municipal services in SEE countries as a tool to modernize their system of delivery – technical improvements and more efficient management schemes – in accordance with EU standards	2013 - 2016	10.6 M	LGs, reg. assoc. & networks, gov'ts, gov. agencies, CSOs, local utilities, users/ con-sumers, RCC	TBD in the region of SEE
5.	**Waste Water Treatment Project**	Sida	Mostar and Živinice	Improving waste water treatment in select LGs (mechanical and biological treatment).	2012 - 2015	6.5 M (=SEK 40 M)	2 LGs	Mostar and Živinice

ONGOING DONOR INITIATIVES IN THE FIELD OF LOCAL DEVELOPMENT / LOCAL GOVERNANCE								
	Initiative	**Donor**	**Imple-menter**	**Objectives**	**Timeframe**	**Budget (US$)**	**Key Part-ners**	**Target Local Governments (LGs)**
6.	**Srebrenica Regional Recovery Project for Economic Development (SRRP for ED)**	The Netherlands	UNDP	Contribute to advancing local economic development in the Srebrenica region by tapping into the existing opportunities for sustainable economic growth and triggering job creation, income generation, increased competitiveness of the region, improved public-private dialogue as well as the creation of business-friendly environment supported by the local and entity authorities.	2013 - 2016	5.4 M (the Netherlands: 4.4 M)	BiH MHRR, RS MALSG, RS SME Agency, Extension Services	Srebrenica, Bratunac, Milići
7.	**Program for Local Self-Government and Economic Development (ProLocal)**	BMZ German	GIZ	Improving competitiveness of selected business locations, fostering public-private dialogue, implementation of Small Business Act, strengthening of municipal mgmt capacities in economic development, inter-municipal cooperation and networking/lobbying	2013 – 2015	5.2 M	BiH MoFTER	Municipalities in 1. Central Bosnia (Tešanj, Teslić, Žepče), 2. North of Banja Luka (Srbac, Laktaši, Gradiška, Kozarska Dubica), 3. Herzegovina (Konjic, Jablanica, Prozor-Rama?)
8.	**Integrated Local Development Project (ILDP 2)**	Swiss Dev. Coop, UNDP	UNDP	Support further consolidation of the local strategic planning system in BiH by: • Enhancing its vertical integration within the higher government strategic and financial planning frameworks, Supporting a critical mass of LGs to apply a harmonized approach to strategic planning and mgmt.	2012 - 2015	5.1 M	BiH MHRR, FBiH MoJ, RS MALSG, both AMCs, 2 cantons, 40 LGs	Bihać, Bijeljina, Bosanska Krupa, Bosanski Petrovac, Bugojno, Bužim, Cazin, Doboj, Doboj Istok, Doboj Jug, Gračanica, Gradačac, Jablanica, Jajce, Kostajnica, Kotor Varoš, Ključ, Laktaši, Livno, Ljubinje, Ljubuški, Lopare, Maglaj, Mrkonjić Grad, Nevesinje, Novo Sarajevo, Odžak, Orašje, Osmaci, Posušje, Prijedor, Prnjavor, Sanski Most, Srbac, Srebrenik, Šamac, Trnovo, Velika Kladuša, Vlasenica, Zenica
9.	**Governance Project in Municipal Water and Environmental Development (GOV-WADE 3)**	Swiss Dev. Coop.	Una Consulting	Municipalities and Cantons apply principles of good governance in the provision of quality services within the wastewater mgmt sector and thus contribute to the improvement of basic living conditions for their population and to the protection of natural resources.	2010 - 2013	4.7 M	Una Sana Canton, 6 core LGs in north-west BiH	Bihać, Bužim, Cazin, Bosanska Krupa, Sanski Most, Prijedor

ONGOING DONOR INITIATIVES IN THE FIELD OF LOCAL DEVELOPMENT / LOCAL GOVERNANCE								
	Initiative	Donor	Imple-menter	Objectives	Timeframe	Budget (US$)	Key Part-ners	Target Local Governments (LGs)
10.	**Reinforcement of Local Democracy (LOD 3)**	EU	UNDP	Contribute to democratic stabilization, reconciliation and further development by: • Facilitating permanent partnerships between CSOs and LGs, • Generating unified and transparent mechanism for CSO financing, • Encouraging CSOs to specialize and profes-sionalize their activities.	2012 - 2014	2.7 M (= EUR 2 M)	15 LGs (4 to be selected)	Bosanska Krupa, Čapljina, Kozarska Dubica, Livno, Lukavac, Ljubinje, Novi Grad, Srbac, Stari Grad Sarajevo, Teslić, Žepče
11.	**Applying the Hu-man Security Concept to Stabi-lize Communities in Canton 10**	UN HSTF	UNHCR, UNDP, UNICEF, IOM	Ensure sustainability by facilitating stakeholder own-ership; Enhance joint / shared capacity of the cantonal and municipal authorities to provide social services to decrease personal and community insecurities; Strengthen capacity of schools, cantonal and munici-pal authorities to prevent discrimination and violence; Ensure critical areas in Canton 10 im-prove local responsiveness to community safety risks and threats; Empower local communities to improve access to employment to ensure econom-ic sustainability of return.	2013-2017	2.5 M + 650 K Canton	Cantonal gov., 6 LGs, CSOs, CSW, public insti-tutions	Canton 10 LGs (Drvar, Bosansko Grahovo, Glamoč, Livno, Kupres, Tomislavgrad)
12.	**BIRAC Region Advancement and Cooperation Pro-ject**	The Nether-lands	UNDP, UNICEF (UNHCR)	Contribute to socially inclusive and integrated devel-opment of the Birač region through effective mobilisa-tion of development partnerships and resources, designing of the regional development strategy and empowering of all community stakeholders to jointly undertake development actions.	2013-2016	2.1 M	5 LGs	Bratuanc, Milići, Srebrenica, Vlasenica, Zvornik

ONGOING DONOR INITIATIVES IN THE FIELD OF LOCAL DEVELOPMENT / LOCAL GOVERNANCE								
	Initiative	**Donor**	**Imple-menter**	**Objectives**	**Timeframe**	**Budget (US$)**	**Key Part-ners**	**Target Local Governments (LGs)**
13.	**Municipal Train-ing System Project (MTS 2)**	Sida, UNDP	UNDP	Improve LG performance by: • Consolidating the newly created training system structures and functions, • Direct capacity building, • Development of critical system tools, incl. E-learning, • Development of the system's enabling envi-ronment, focusing on the training market, HRM and partnerships.	2012 - 2015	2.1 M	BiH MoJ, FBiH MoJ, RS MALSG, both AMCs	n/a
14.	**Capacity Devel-opment of Munici-pal Associations (CDMA)**	Sida	VNG	• Strengthen and institutionalize the AMCs, strengthening their independency, mandates, and accountability to their constituencies, • Develop strategies, enhancing the capacities to act as democratic, legitimate, transparent, effective and sustainable institutions, • Bridge lack of in-house expertise.	May 2010 - Dec 2013	1.95 M (=Euro 1.5 M)	Both AMCs	n/a
15.	**Integrating the Concept of Migra-tion and Develop-ment into Relevant Policies, Plans and Activities in BiH**	Swiss Dev. Coop.	UNDP	Contribute to establishing conducive environment for migrants who are willing to promote and proac-tively support the country's development in rele-vant areas of transition and socio-economic pro-gress at all institutional and social levels;	Jul 2013 – Jul 2015	0.97 M	BiH MHRR, 10 LGs	Jajce, Ključ, Laktaši, Ljubuški, Maglaj, Nevesinje, Posušje, Prijedor, Sanski Most and Velika Kladuša
16.	**Vrbas River Basin Environment and Tourism Develop-ment Programme**	Gov. of Japan, Coca Cola Co.	UNDP	• Improve environmental protection, awareness and knowledge, • Increase utilization of touristic and development potentials of the river basin, • Strengthen local governance, policy frameworks and capacities.	2012 – 2014	0.8 M	11 LGs, RS Min. of education and CBC, Kanjon Club, NGOs	Banja Luka, Bugojno, Celinac, Donji Vakuf, Gornji Vakuf-Uskoplje, Jajce, Knezevo, Laktasi, Mrkonjic Grad, Srbac, Šipovo
17.	**Be the Change, Small Grants Programme**	Sida	CPCD	Empower citizens and CSOs, particularly CBOs and community initiatives to become a real and effective agent of change in the communities they live in and in the society as a whole.	2013 - 2014	0.81 M (=SEK 5.4 M)	Membership based CBOs, community initiatives - inf. citizens groups	

ONGOING DONOR INITIATIVES IN THE FIELD OF LOCAL DEVELOPMENT / LOCAL GOVERNANCE								
	Initiative	**Donor**	**Imple-menter**	**Objectives**	**Timeframe**	**Budget (US$)**	**Key Part-ners**	**Target Local Governments (LGs)**
18.	**Increasing capaci-ties of DA USC and support to economic devel-opment in NW B&H** (part of EU support under IPA 2008 to local and regional economic develop-ment –capacity building initiatives)	EU	Development Agency of Una-Sana Can-ton (DA USC)	Overall objective: to speed up the process of regional development and create an adequate business environment. Specific Objective: - Build capacities of the DAUSC, and establish instruments and development functions - Improve capacities of key stakeholders in the process of development management and absorp-tion of funds for development projects Target groups: DA USC and other LED/RED stakeholders: USC public institutions, 8 munici-palities in USC and three municipalities in Canton 10; private companies and NGOs.	July 2012-July 2014	0.55 M (=EUR 0.4 M, EU contr: 0.2 M, the rest by USC)	DA USC is the contract awarded party, as the project is to support running operations and capacity building of the agency.	Una-Sana Canton, with possible wider ef-fects

ONGOING DONOR INITIATIVES IN THE FIELD OF LOCAL DEVELOPMENT / LOCAL GOVERNANCE								
	Initiative	**Donor**	**Imple-menter**	**Objectives**	**Timeframe**	**Budget (US$)**	**Key Part-ners**	**Target Local Governments (LGs)**
19.	**Business Friendly Certification (BFC) – Interna-tional Quality Seal for business friend-ly municipalities**	GIZ ORF MMS	GIZ ORF MMS	Business Friendly Certification of LGs in SEE increases the predictability of the business envi-ronment by enabling them to be certified for the quality of services they offer to business accord-ing to a single regional set of criteria. As a result, investors can choose from a wider pool of local communities offering a comparable quality of services. The BFC SEE can also be viewed as a tool in presenting the SEE region as a single (or at least a more coordinated) investment offer.	2011-2013	0.43 M, *regional not only BiH	National Alliance for LED – NALED (SER), As-soc. of LGs – ZELS & Chamber of Commerce (FYROM), Faculty of Economics, Univ. of Rijeka (CRO), FBiH Min. of Dev, Entrepr. & Crafts & RS Min for Econ. Rela-tions & Reg. Coop. (BiH)	4 pilot LGs in BiH
20.	**Value Chains for Employment Pro-ject**	Embassy of Nor-way	UNDP	Create new and strengthen existing value chains in agriculture and food processing industry to enable income generation and make effective linkages with the market. Support is provided to: • Primary production • Product quality and certification • Business management • Product development • Promotion • Sales	2013-2014	0.15M	BiH MoFTER	Prozor-Rama

ONGOING DONOR INITIATIVES IN THE FIELD OF LOCAL DEVELOPMENT / LOCAL GOVERNANCE								
	Initiative	**Donor**	**Imple-menter**	**Objectives**	**Timeframe**	**Budget (US$)**	**Key Part-ners**	**Target Local Governments (LGs)**
21.	**Core Municipali-ties Initiative**		OSCE Mission to BiH	To address governance failures in institutionally weak and politically challenging units of local self-government (that contribute to inter-ethnic tensions and discrimination, and hamper reconcil-iation) by: • Strengthening the core functions of the municipal councils and assemblies (repre-sentative, decision making, and oversight functions) • Strengthening management capacities, regu-latory framework and procedures of the MA/MCs • Strengthening Leadership at the local level • Promoting social cohesion and reconciliation initiatives • Amending regulatory framework and inter-nal regulations to uphold the rule of law, re-move discriminatory provisions and enable effective citizens' participation in legislative process	2014		30 LGs	TBD at the beginning of 2014

ONGOING DONOR INITIATIVES IN THE FIELD OF LOCAL DEVELOPMENT / LOCAL GOVERNANCE								
	Initiative	**Donor**	**Imple-menter**	**Objectives**	**Timeframe**	**Budget (US$)**	**Key Part-ners**	**Target Local Governments (LGs)**
22.	**Associations of Municipalities and Cities Support project**		OSCE Mission to BiH	To strengthen capacity of the Associations of Municipalities and Cities to support municipal councils and assemblies, and foster structured inter-municipal and inter-institutional co-operation, by: • Establishing Associations of Municipalities and Cities' support service for municipal councils /assemblies • Strengthening the inter-institutional co-operation between Associations of Munici-palities and Cities and key governmental bodies representing and supporting interests of local governments • Strengthening the role and engagement of the AMCs in promoting and establishing in-ter-municipal co-operation	2014		RS and FBiH Associations of Munici-palities and Cities	

PLANNED DONOR INITIATIVES IN THE FIELD OF LOCAL DEVELOPMENT / LOCAL GOVERNANCE								
	Initiative	**Donor**	**Imple-menter**	**Objectives**	**Timeframe**	**Budget (US$)**	**Key Partners**	**Target Local Governments (LGs)**
1.	**Support to Local Communities**	Sida, SDC	Selection through tender	Enhance institutional capacities of LGs and local communities, increase citizens participatory role in the society and ensuring better access to services.	2013 – 2018 (Inception /01.11.2013-31.07.2014)	8.5 M	Selected LGs and local com-munities, AMCs	LGs across the country
2.	**Support to AMCs**	SDC	Selection through tender	Strengthen institutional and professional capacities of two entity AMCs in line with shaping their roles as moderators in the vertical dimension of DLG devel-opment.	2014- 2018	2 M	Both AMCs	AMCs and (indirectly) LGs coun-try-wide

PLANNED DONOR INITIATIVES IN THE FIELD OF LOCAL DEVELOPMENT / LOCAL GOVERNANCE								
	Initiative	**Donor**	**Imple-menter**	**Objectives**	**Timeframe**	**Budget (US$)**	**Key Partners**	**Target Local Governments (LGs)**
3.	**Capacity Devel-opment of Mun. Associations (CDMA)**	Sida	VNG	Strengthen and institutionalize the AMCs, strengthen their independency, mandates, and accountability to their constituencies.	2014 - 2016	1.2 M (=SEK 8M)	Both AMCs	AMCs and (indirectly) LGs coun-try-wide
4.	**Constitutional Reform (&Loc. Dev?) focus TBD after external review in 2013**	SDC	Selection through tender	Constitutional reform processes with focus on munic-ipal development.	2014 - 2018	2.5 M	TBD	Selected LGs
5.	**Municipal Envi-ronmental and Economic Gov-ernance Project**	SDC	Selection through tender	Enable LGs improve their democratic governance and provide public services in an inclusive, effective and efficient manner particularly in regard to the economic and environmental sectors.	2014 - 2018	7.5 M	LGs, Cantons, Aquasan net-work, AMCs	Selected LGs
6.	**Water Supply and Sewage Disposal for Tuzla and Zenica**	Switzer land/ SECO	Selection through tender	Improve water supply and wastewater systems; strengthened capacities and efficient operation of public utilities.	2014 - 2018	12.5 M	LGs, water utilities	Tuzla, Zenica
7.	**Strengthening local governance**	USAID, Sida	Selection through tender	• Policy support in local government reform pro-cesses, • Enhancing local government service delivery.	TBD	TBD	TBD	TBD
9.	**EU Support to the Local Economic Development in BiH**	EU	Various contractors	The **global objective** of this CfP is to stimulate eco-nomic growth and employment generation. The **spe-cific objective(s)** of the CfP are: 1. Support the implementation of measures at the local level which will contribute to improvements in the operational framework for the SME sector. 2. Support improvements in innovation and competi-tiveness of local actors in partnerships. 3. Contribute to improvements in the business envi-ronment through better infrastructure and services. These objectives will be achieved through initiatives undertaken at the local level consistent with the overall aim of improving the economic stability	2014-2016	EUR 3 M	There are applicants to be contract awarded – evaluation on-going; contrac-tors to be known by end 2013/beginning 2014	TBD

PLANNED DONOR INITIATIVES IN THE FIELD OF LOCAL DEVELOPMENT / LOCAL GOVERNANCE								
	Initiative	**Donor**	**Imple-menter**	**Objectives**	**Timeframe**	**Budget (US$)**	**Key Partners**	**Target Local Governments (LGs)**
10.	**Reinforcement of Local Democracy (LOD 4)**	EU	UNDP	Contribute to democratic stabilization, reconciliation and further development by: • Facilitating permanent partnerships between CSOs and LGs, • Generating unified and transparent mechanism for CSO financing, Encouraging CSOs to specialize and professionalize their activities.	2014 - 2016	2.7 M (=EUR 2 M)	At least 10 LGs	TBD
11.	**Annex VII Ac-tion: Support to Durable Solutions of Revised Annex VII DPA Imple-mentation Strate-gy**	EU	UNHCR in partnership with UNDP, UNICEF and IOM	Overall objective: To enable national actors to ad-dress the remaining obstacles to solutions for dis-placed persons and returnees in accordance with the Revised Annex VII DPA Implementation Strategy goals. Three specific objectives: SO1: To provide durable housing solutions to vulner-able returnee and IDP families SO2: To provide sustainable economic opportunities to returnee and IDP families SO3: To enable vulnerable returnees and IDPs to access their rights and inclusive social services	2014-2016	9.6 M (=EUR 7 M)		20 LGs

Annex 8 – ISCRA Results

Results of ISCRA Project: November 2011 to May 2014

1. **Mini-guillotines performed at 10 municipalities, 3 cantons, 12 FBH Government agencies, 10 RS Government agencies and 8 national Government agencies**. ¶

   - 10 Municipalities: Bosanska Krupa, Srebrenik, Tuzla, (2012); Vitez, Zivinice, Teslić (2013); Visoko, Illidza, Zenica, Prnjavor (2014). (IFC plans to do one more, Cazin, in 2014-15.)
   - 3 Cantons: Una-Sana (2012), Zenica-Doboj (2013), Tuzla (2013-14).
   - 12 FBH Government agencies (General Secretariat; Ministry of Justice; Ministry of Energy Industry and Mining; Ministry of Finance, Ministry of Health; Ministry of Trade; Ministry of Environment and Tourism; Federal Administration for Inspection; Federal Agro-Mediterranean Institute; FBiH Ministry of Agriculture, Water and Forestry; FBiH Agriculture Institute, FBIH Ministry of Transport and Communication);
   - 10 RS Government agencies (RS Inspectorate; RS Ministry of Trade and Tourism; RS Ministry of Economic Relations and Regional Cooperation; RS Ministry of Spatial Planning, Civil engineering and Ecology; RS Ministry of Transport and Communications; RS Ministry of Agriculture, Forestry and Water Management; Agricultural Institute of RS; Veterinary Institute 'Vaso Butozan'; RS Agency for Breeding and Selection of Livestock; RS Institute for Public Health),
   - 8 National Government agencies: (MOFTER; State Food Safety Agency; State Veterinary Office; State Directorate for Plant Health Protection; FIPA; Institute for Metrology; Foreign Trade Chamber of BiH; Indirect Taxation Agency) . *Not all of these institutions adopted all the recommendations*.

2. **Results of guillotines (procedure-streamlining process)**: **See Table following Point 8.**

3. **E-Registries at 10 municipalities, 3 cantons, 0 Entity Government agencies, 1 National Government agency**

   - 10 Municipalities: Bosanska Krupa, Srebrenik, Tuzla (2012); Vitez, Zivinice, Teslić (2013); Visoko, Illidza, Zenica, Prnjavor (2014).
   - 3 Cantons: Una-Sana (2012), Zenica-Doboj (2013), Tuzla (2013-14).
   - 0 Entity Government agencies: both entity registries were established during previous projects and are not part of ISCRA.
   - 1 National Government-level agency: MOFTER (2014)

4. **Regulatory control/reform teams in place at 10 municipalities, 3 cantons, 1 Entity Government agency, 1 National Government agency**

   - 10 Municipalities: Bosanska Krupa, Srebrenik, Tuzla (2012); Vitez, Zivinice, Teslić (2013); Visoko, Illidza, Zenica, Prnjavor (2014).
   - 3 Cantons: Una-Sana (2012), Zenica-Doboj (2013), Tuzla (2013-14).

- 1 Entity Government agency: FBH Secretariat of Government. The FBIH Unit was further developed with the new Rulebook on Internal Organization of General Secretariat foreseeing 5 civil servants within the department.
- 1 National Government-level agency: MOFTER (2014)
  Note: RS RIA Unit (est. under previous project to 2010) is sustainable and the Unit is functioning well. In RS, Light RIA is mandatory when considering and adopting regulation; in effect since April 2013.

Legislation and Legal Instruments[5]

6. Republika Srpska:

- •Construction-related Instruction on issuing permits, 2014 — adopted
  - Instruction for Issuing Construction Permits
- 4 Construction-related Rulebooks, Dec 2013 — adopted
  1. Rule Book on Content of Technical Documentation,
  2. Rule Book on Calculating the Allowance for City Construction Land,
  3. Rule Book on Technical Supervision of Buildings and Soil,
  4. Rule Book on Issuing Site Permit
- Law on Spatial Planning and Construction, April 2013 — adopted
- RS Law on Changes and Amendments to the Law on Crafts & Entrepreneurial Activities July 2013; in effect in Dec 2013 — adopted
- Law on Administrative fees and taxes in RS (Ministry of Finance) July-2013 — adopted
- RS Ministry of Agriculture, Forestry and Water Management:
  Instruction on the method of work and procedure in certain administrative procedures, No.: 12.1-8278/13 of 16 July 2013 — adopted
- RS Ministry of Agriculture, Forestry and Water Management: Decision on determining the cost of the registration and approval of location and/or major project documentation for the construction or reconstruction of facilities in the veterinary sector, April-2013 — adopted
- RS RIA Decree on mandatory light review, April 2013. — adopted
  Updated e-register & streamlining of permits and licences (from previous project)
- Decree, Min. of Agriculture: streamlining licences and permits, 2012-13 — adopted

7. Federation BiH

- New Company Law, (date tba) 2014 — drafted
  (currently in public debate phase, before going for 2nd Reading)
- Amended Business Registration Law, (date tba) 2014 same as Co. Law — drafted
- Streamlined Corporate Income Tax Law (done under different project): 1st Reading 2014 — drafted
- Decree on E-Registry for FBH (date tba, expected in 2014) — drafted
- RIA Decree, adoption expected in May 2014
  (replaces previous decree with a more workable instrument) — drafted
- General Secretariat of Government Rulebook on Internal Organization, Jan 2014 — adopted
- FBiH Decree to Amend Decree on Amount and Option for Payment of Quality Control of Export and Import Goods — adopted
- Construction Laws Tuzla Canton (Oct 2013) and Zenica Canton (Dec 2013) — adopted
- Regulatory Reform Strategy, June 2013 adopted (but action slow at MoJ) — adopted
- FBiH Ministry of Agriculture, Water Management and Forestry: Decision on calculating

---

[5] When laws are **'adopted',** they are published in the Official Gazette immediately. In some cases, when certain pre-requirements for implementation apply (e.g., time to comply), a bridging period exists from the date of adoption until actual implementation and enforcement (going into effect),

the cost of determining compliance with the conditions for performance of registered activities in the field of food and tobacco industry, April - 2013 — adopted

- Instruction on method of work and procedure in certain administrative procedures in FBH Ministry of Agriculture, Water Management and Forestry, March-2013 — adopted
- Instruction on method of work and procedure in certain administrative procedures in jurisdiction of FBiH Agriculture Institute (March-2013) — adopted

8. BiH National Government: Ministry of Foreign Trade & Economic Relations (MoFTER)

- FDI Law (to go to Council of Ministers in early June 2014) — pending
- 4 Guidelines on Food Safety, Dec 2013 — adopted
- Food Safety Labelling Rulebook, June 2013 — adopted
- Decree on Establishing E-Registry in MoFTER, July 2013 — adopted
- 'RIA Instruction' Report for MoFTER (not law)
- Decree on Simplifying and Streamlining Admin. Procedures, July 2013 — adopted
- Decree to Amend Decree for classification of export/import goods, Jan 2013 — adopted

Other IFC Projects (not laws)

- Agribusiness value-chain analyses on meat, fruit, veg, dairy, Dec 2012 — adopted
- Strategies to increase investment in agribusiness value chains, (tba) 2014. — drafting
- National framework action plan on Agribusiness Promotion (awaiting Entity Strategies finalisation and approval: 2014) — pending

IFC ISCRA and Subnational Competitiveness Programmes, 2008 to 2014
Regulatory Reform in Municipalities and Cantons: Procedures Mapped, Streamlined

Year	Municipality/City	A. # Procedures mapped (B: Business Procedures)	B. # Procedures recommended for simplification or elimination	C. # Procedures simplified or eliminated (Business Only*)	C/B % Business procedures only
	Regulatory Reform Activities Conducted in 2011-2014 under IFC ISCRA Project				
2012	Bosanska Krupa (FBH)	161 (B:130)	130	130	100
2012	Srebrenik (RS)	141 (B:97)	90	90	100
2012	Tuzla (FBH)	286 (B:181)	181	169	93
	subtotal	**588 (B:408)**	**401**	**389**	**97**
2013	Vitez (FBH)	146 (B:112)	144 (B:112)	112	100
2013	Zivinice (FBH)	156 (B:92)	145 (B:89)	79	89
2013	Teslić (RS)	158 (B : ?)	138 (B: ?)	95	69
	subtotal	**460 (B:362)**	**427 (B:339)**	**286**	**84**
	Est. Direct Compliance Cost Savings (CCS) (ongoing)	***not available during Review***	***not available during Review***	***US$ 1 441 894***	
2014	Visoko (FBH)	132+ (B: ?)	ongoing	ongoing	
2014	Illidza (FBH)	250+ (B: ?)	ongoing	ongoing	
2014	Zenica (FBH)	250+ (B: ?)	187 (B: ?)	ongoing	
2014	Prnjavor (RS)	149 (B: ?)	ongoing	ongoing	
	subtotal				
	Cantons FBiH				
2012	Una-Sana Canton (Bihać)	201(B:141)	141	141	100
2013	Tuzla Canton	251(B:181)	247(B:181)	178	98

2013	Zenica-Doboj Canton	225 (B:166)	220 (B:157)	157	100
	subtotal	**677 (B:488)**	**608 (B:479)**	**476**	**99**
	Tentative figures for CCS for Una-Sana Canton at Dec 2012: Direct: US$277 674; Indirect: US$13 439 218. Statistics for the other two cantons are not available.				
	TOTAL Local Procedures streamlined in 2012-2013	**1725 (B:1258)**	**1436 (B:1219)**	**1151**	**94%**
	Government				%
	RS : RS Ministry of Economic Relations and Regional Cooperation; RS Ministry of Spatial Planning, Civil engineering and Ecology; RS Ministry of Transport and Communications	12	12	5	42
	FBH: General Secretariat; Ministry of Justice; Ministry of Energy Industry and Mining; Ministry of Finance	14	14	7	50
	BiH: MOFTER	21	8	4	50
	National : FIPA, BH Institute for Metrology, BH Foreign Trade Chamber, Taxation Agency	37	37	6	16
	Subnational: FBH Ministry of Health; FBH Ministry of Trade; RS Ministry of Trade and Tourism; FBH Ministry of Environment and Tourism; Federal Administration for Inspection; RS Inspectorate	11	11	1	9
	National: State Food Safety Agency, State Veterinary Office , State Directorate for Plant Health Protection	57	57	48 (new in Jan-June 2014)	84
	Subnational: Federal Agro-Mediterranean Institute; FBH Ministry of Agriculture, Water and Forestry; FBH Agriculture Institute; RS Ministry of Agriculture, Forestry and Water Management; Agricultural Institute of RS; Veterinary Institute "Vaso Butozan"; RS Agency for Breeding and Selection of Livestock; RS Institute for Public Health	68	68	68	100
	Total Government procedures streamlined in 2012-2014 (May)	**220**	**207**	**91(139)**	**67**
	Govt. Est. Direct Compliance Cost Savings (CCS)			***993 675***	
Regulatory Reform Activities Conducted in 2008-2011 under Previous IFC Projects					
		A	**B**	**C**	**C/B**
		# mapped	# proposed for improvement	# simplified or eliminated	C/B %
9/08-	Banja Luka (RS)	182 (B: 78)	165 (B: 161)	same as proposed	100

6/09	~~Mostar (FBH)~~	112 (B: 75)	56 (B: 48)	same as proposed	100
	Novo Sarajevo (FBH)	132 (B: 70)	45 (B: 40)	same as proposed	100
9/09-6/10	Gorazde (FBH)	162 (B: 85)	146 (B: 133)	same as proposed	100
	Modrica (RS)	140 (B: 69)	111 (B: 105)	same as proposed	100
	Novi Grad (RS)	153 (B: 83)	145 (B: 135)	same as proposed	100
	Siroki Brijeg (FBH)	143 (B: 96)	88 (B: 85)	78 (B: 75)	88
	Zvornik (RS)	167 (B: 73)	125 (B: 113)	same as proposed	100
6/10-6/11	~~Prijedor (RS)~~	0	0	0	-
	Bijeljina (RS)	286*	407 (B: 310)	351 (B: 309)	86 (B: 99)
	Doboj (RS)	217*	327 (B: 205)	234 (B: 175)	72 (B: 85)
	Tešanj (FBH)	231*	219 (B: 191)	148 (B: 122)	68 (B: 64)
	Visegrad (RS)	209*	338 (B: 250)	277 (B: 203)	82 (B: 81)
	Bihać (FBH)	406*	487 (B: 320)	397 (B: 314)	82 (B: 98)
	Herzegovina-Neretva Canton	163 (B: 146)	125 (B: 113)	110 (B: 103)	88 (B: 91)
		A	**B**	**C**	**C/B**
9/08-6/11	**Government**	# mapped	# proposed for improvement	# simplified or eliminated	C/B %
	RS:	9 + 1 for RIA	9 (B: 9) + 1 RIA	5 (B: 5)	56
	FBH:	453 (B: 68)	352 (B: 337)	128 (B: 115)	36 (B: 34)
	BiH (MoFTER)	2 for RIA	2 RIAs	2 RIAs conducted	100

Annex 9 – Exit Strategy Assessment

EXECUTIVE SUMMARY

The International Finance Corporation's (IFC) 3.5-year, Sida-funded 'InveStment Climate Regulatory Advisory' Project (ISCRA) is to be completed in the next 12 months (including a no-cost extension to 30 June 2015). In March 2014, in addition to commissioning a Review of the project to date, the Swedish Embassy sought a paper assessing the IFC exit strategy and advising on future steps.

IFC began its regulatory reform work in Bosnia and Hercegovina (BiH) in 2007. By the end of 2014, IFC will have implemented regulatory reform programmes at 22 municipalities and 4 cantons, and numerous Entity and National agencies. The ISCRA programme was the final phase of this endeavour, and possibly the most successful, as experts had experience, lessons learned were applied and approaches were refined. The project has had high visibility and very good media coverage. Numerous mayors and municipal and cantonal officers interviewed by the Team were clearly satisfied with both the process and the support they had received from IFC experts. Expressions of interest sent to IFC exceeded the supply of experts available.

IFC is ready to move on because, as the Project Director said, "We feel comfortable that the approach on the ground is working". IFC developed a tentative Exit Strategy in June 2013. This concluded that the best option to take over the regulatory reform work would be a joint effort of the two Associations of Municipalities and Cities (AMCs) and an NGO. In December 2013, a group comprised of the two AMCs and the Centre for Promotion of Local Development (PLOD Centre) of Bihać submitted a proposal to the Swedish Embassy, with the endorsement of IFC.

While the proposal had a number of weaknesses, its proposed approach offered a good way forward and good value for money. The approach included a totally local team with very strong credentials, including experienced project managers and some of the most highly-rated IFC experts. The team would use the proven IFC methodology and systems, which they knew well, to deliver regulatory reform services to an (originally proposed) 24 local governments over a 3- to 4-year period. (Currently they are considering possibly 24-26 municipalities and 3-4 cantons over a 5-year period.) The integral participation of the AMCs would aim to ensure that the reform effort could be sustained once the project finished.

As part of the assessment, the Review Team undertook extensive analysis and discussions with IFC, AMCs, PLOD, experts, other potential players, municipalities and cantons. The findings indicated that the approach for a new project, as proposed by the AMC-PLOD team, was in line with documented needs, aspirations and goals. With additional partners to strengthen the business connection (still a weak link), the approach would be even stronger. Accordingly, PLOD has held consultations with two Regional Development Agencies (Northeast: NERDA and Herzegovina: REDAH), both supported strongly by Sweden over the years. They, and perhaps other strategic partners, are likely to play an important role in securing better business input into the regulatory reform process.

In addition, the AMCs and PLOD are now addressing the proposal's weaknesses in strategic thinking and planning and have conducted self-assessments vis-à-vis specific criteria, including analysing their respective roles and resource allocations. The result of this process so far is promising, and a more cohesive team approach is emerging, with proactive leadership by PLOD. They plan to submit a refined proposal in June.

The Review Team explored other options to the AMC-PLOD group, and concluded it would be difficult to find another local group that could meet the criteria by bringing together top-rated IFC experts, access to IFC tools and support, and the sustainability element embodied in both the local expertise and the AMCs. The only other option would be to issue an international tender, which would extend the lead time and cost considerably.

Conditions for success

The findings related to the Exit Strategy highlighted five important conditions for the success and sustainability of the proposed project. The reversal of any one of them could pose a significant risk in terms of achieving the desired outcomes. In assessing a new proposal and any other options that may arise, Sida may wish to consider how to address these issues, for example, in terms of seeking assurances in any new agreement. This is important because the Embassy may have to exercise more regular and direct oversight than it has with IFC. The five conditions are:

1. The proposed management team (Director and Chief Project Coordinator) commit full time for the duration of the project
2. The current top-rated IFC experts commit full-time to the project for at least 4 years
3. The AMCs remain full partners with clearly defined roles and responsibilities throughout the project, including hands-on implementation from the early stages
4. IFC completes the handover process as spelled out in the IFC Handover Plan attached
5. The Team is able to successfully use the IFC 'brand' (methodology, technology, systems, etc.) to open doors, secure cost-sharing, and motivate local officials in order to deliver the desired changes in procedures, practices, mindsets and behaviour .

It is recommended that Sida make any project agreement contingent on a favourable pre-audit of the two AMCs and PLOD.

Given the impact on BiH of recent extraneous events such as natural disasters (e.g., 2010 and 2014 floods) and political upheavals (e.g., the February 2014 troubles), Sida may wish to ensure that the Proposal contains realistic strategies to address such risks and to ensure that the regulatory reform momentum continues despite recurring crises.

Related to this, Sida may wish to ask IFC to use its upcoming 'impact assessment' exercise to quantify the individual revenue benefits that municipalities have reaped from the regulatory streamlining and transparency process over the past three years. If others besides Bosanska Krupa can show measurable increases directly linked to the regulatory reforms, this will provide the next team with valuable ‘selling points’. Interviews indicated that the revenue-strapped local authorities are more willing to implement regulatory reforms if they perceive a real benefit in terms of income. Convincing evidence is necessary.

In summary, the Review Team suggests that Sida give positive consideration to a refined proposal from the AMC-PLOD consortium. Continuing the regulatory reform programme would fill an important need that links and underpins the other donor programmes addressing local and regional development issues. The proposed approach appears to complement, not duplicate, other programmes planned for the next few years (see list at Annex 7 in the main Review Report). In fact, systematic institutionalisation of regulatory reform good practices (transparency, predictability, reasonable deadlines and costs, administrative accountability) will enhance other programmes' ability to deliver impacts.

The most important long-term potential outcomes of the regulatory reform efforts are likely to be greater horizontal and vertical harmonisation of rules, regulations and procedures, and of a new way of thinking and acting regarding service provision to citizens and the business community. This melds well with the objectives of most donor programmes in BiH and the Region.

If anything, the project should be 'stepped up', and perhaps it can be in coming years, using multipliers at the subregional areas. That could be a subject for further analysis in the next year or so.

1 Introduction

1.1 PURPOSE OF THIS PAPER

The 39-month IFC "Investment Climate Programme" (ICSRA) funded by Sweden began in November 2011 and is scheduled to finish on 31 January 2015. IFC has indicated it will seek a 6-month no-cost extension, dating from the time the Trust Fund ends on 31 December 2014.

In March 2014, the Swedish Embassy commissioned a Review of the programme to date. As part of the Review, the Embassy asked the Review Team to prepare a short paper discussing options and providing guidance and recommendations for the exit strategy. The final paper will be submitted to the Embassy together with the Review at end-May.

1.2. BACKGROUND

ISCRA was designed to build and expand on earlier IFC regulatory reform and investment development projects, also conducted with Swedish (and other donor) support. ISCRA's three main activity areas have been: regulatory reform, investment aftercare and promotion, and agribusiness value chains. The main beneficiaries ('IFC clients') have been municipalities, Federation BiH cantonal authorities, the two Entity Governments and their relevant ministries, and selected National Government agencies. **This paper focuses on the exit strategy for regulatory reform activities at the municipal and cantonal level.**

1.2.1 IFC Regulatory Reform Efforts

Under ISCRA, during 2012-2014, IFC experts have assisted 10 municipalities, three cantons and several entity and national ministries, to undertake regulatory reform actions to improve the 'ease of doing business'. The methodology (see Attachment A) employs a systematic approach to:

1. simplify local formalities related to business,
2. enhance transparency and predictability, and
3. institutionalise regulatory control, oversight and 'continued improvement'.

The approach typically comprises a mini-guillotine (mapping, analysing, and simplifying or eliminating procedures); a transparency mechanism (electronic registry listing each permit, procedure, exhaustive list of documents required, responsible bodies, deadlines, fees, etc); and a permanent regulatory control, quality management and monitoring function.

Altogether since 2007, IFC experts have assisted more than 20 municipalities, 4 cantons and several Government agencies to undertake such reforms. The ISCRA project built on the experience and lessons learned in the first phases, and refined the approach further. The methodology and approach are replicable and are based on international good practice. Clients express high satisfaction, and demand for the programme is healthy.

1.2.2 IFC Exit Strategy

In its Agreement with Sida signed 28 November 2011, IFC made the following undertaking: "*Finally, mechanism and focal point(s) for client to continue regulatory reform work in remaining 80% of municipalities and 60-70% of cantons will be instituted as exit strategy.*" (*sic*)

Well before it prepared an exit strategy, IFC approached the Associations of Municipalities and Cities (AMCs) in 2011 to gauge their interest in cooperating with IFC on subnational regulatory reform. AMC RS signed an MoU with IFC for possible cooperation in November 2011 and AMC FBH signed a similar MoU in December 2012 (see Attachment B). These MoUs later formed the basis for IFC's exit strategy paper.

In June 2013, IFC prepared a brief 7-page Exit Strategy paper exploring two options:
1) handover to AMCs
2) handover to a joint AMC-NGO partnership.

IFC preferred Option 2, as it deemed that the AMCs alone did not have the capacity to undertake the task. The 'strategy' was approved by IFC's Management in mid-2013, but was not shared with Sida, although it was mentioned in IFC's six-monthly reports and when IFC submitted to Sida the PLOD-AMC Proposal.

In December 2013, Sida received a detailed Project Proposal for continuing key aspects of IFC's regulatory reform work with local authorities. The submitting Group comprised the Associations of Municipalities and Cities of the Federation BiH and the Republika Srpska, and the Centre for Promotion of Local Development (PLOD). PLOD Centre, based in Bihać in NW BiH, is primarily a group of current and former consultants for a variety of donor programmes focusing on local development, including IFC's ISCRA and subnational competitiveness projects, Sida-USAID and EU projects. The proposal outlined a 42-month, €2.5 million programme targeting 24 municipalities, to be selected on the basis of the criteria IFC has used to date.

1.3. SCOPE, APPROACH AND METHODOLOGY

Given this background and the ToR requirements, the Inception Report proposed the following approach and methodology. This was approved by the Embassy before the two fact-finding missions in April-May 2014. This Paper is structured in line with the approved approach. Section 4 covers each of the nine points listed below. Sections 5-9 provide the assessments referred to in Points 3, 4, 5 and 6. Section 10 offers conclusions and recommendations.

1.3.1 Approach and Methodology

1. Identify, in consultation with IFC and stakeholders, which ISCRA activities, outputs, processes, procedures, services, etc, are high-priority, sustainable and suitable for transfer to another institution to continue to deliver

2. Establish priorities and minimum institutional criteria, in order to measure candidates' capacity to deliver the services on a sustainable basis (to discuss with the Embassy and IFC)
3. Assess the AMC-PLOD proposal, in light of this analysis, and discuss it with the relevant stakeholders (Embassy, IFC, AMCs, PLOD, relevant municipalities)
4. Explore if the Associations of Municipalities and Cities (AMCs) are indeed willing and capable of assuming ISCRA activities on a long-term basis, in full knowledge of the major commitment it would entail. This would require in-depth discussions with the AMCs, basic organisational assessments (and possibly a full 'pre-audit' by a trusted auditor)
5. Identify other institutional partners or organisations that could participate in this process
6. Set out the steps to prepare for a handover, in consultation with IFC
7. Identify what further support the AMCs and partners might need to take over key activities on a sustainable basis
8. Document what existing and planned donor programmes might be able to contribute, including ongoing support from IFC
9. Explore the possibility of incorporating support for at least part of the documented needs into the new Sida-SDC programme (in planning stages) to support AMCs and local self-governance from 2015. This will follow on from the current 'Capacity Development for Municipal Associations' (CDMA), one of the goals of which was to prepare AMCs to take over relevant projects when donors exited.

The Review Team undertook extensive analysis and discussions with IFC, AMCs, PLOD, experts, Regional Development Agencies, municipalities and cantons. (See list of interviews at Attachment xx of the Main Review Report.) The overall Review contains findings, lessons learned and recommendations that are also valid for the Exit Strategy.

2 Key Outputs and Findings

The outputs and findings emerging from the approach described in Section 1 are set out briefly below. Further information is included in the assessments.

1. *Identify, in consultation with IFC and stakeholders, which ISCRA activities, outputs, processes, procedures, services, etc, are high-priority, sustainable and suitable for transfer to another institution to continue to deliver.*

Relevant ISCRA outputs, etc, that are high-priority, sustainable and suitable for handover and replication include:

- IFC municipal and cantonal regulatory reform methodology, templates, systems, and cost-sharing cooperation model
- The 'mini-guillotine' management system
- Standard Cost and Compliance Cost Models and training system
- E-Registry software and intellectual property and training system
- The permanent 'regulatory control/quality management' system
- The regulatory reform experts trained and employed by IFC who have proved to be the most professional, reliable and motivated

2. *Establish priorities and minimum institutional criteria, in order to measure candidates' capacity to deliver the services on a sustainable basis (to discuss with the Embassy and IFC).*

Selection Criteria were prepared, discussed with IFC and the Embassy, addressed by PLOD and the AMCs in their organisational assessments, and used to consider other possible candidates.

Draft Selection Criteria for Partners
in the Post-ISCRA Regulatory Reform Programme

Strong belief in and commitment to regulatory reform and good practices in regulatory systems (transparency, predictability, value for money, accountability).

Human Capacity: A 'critical mass' of staff and other resources with the expertise, professionalism and motivation to play key roles in the Project and to continue the initiative after the Project ends. ('Expertise' means considerable experience in implementing IFC regulatory reform projects at municipal and cantonal level.)

Management skills: Excellent project and change-management skills, including in design, implementation, coordination with partners, risk and conflict management, team dynamics

Advocacy skills: Proven ability to deliver results in complex political situations.

Financial capacity: Ability to develop a realistic 3-5 year financial plan and ensure timely funding of the necessary inputs and outputs. Appropriate systems to ensure high-quality management and reporting, as confirmed by independent audits before the project and at yearly intervals.

Innovation and sustainability: Ability to deliver sustainable changes in mindsets, behaviour and systems at local and higher levels. This will require creative thinking in project design

and delivery, and in managing conflicts and politics.

3. *Assess the AMC-PLOD proposal, in light of this analysis, and discuss it with the relevant stakeholders (Embassy, IFC, AMCs, PLOD, relevant municipalities).*

The initial proposal was assessed (*see Section 6 below*) and discussed in depth with stakeholders – especially PLOD and the two AMCs. The idea and approach were sound, and the project would provide continuing employment for ISCRA's top local experts, while preparing the AMCs to take over key elements of the regulatory reform agenda in future. It represented good value for money.

The partners agreed to strengthen the substance of the proposal, as well as strategic thinking and planning, and broaden the alliance. They plan to submit a more comprehensive proposal to Sida after the Review is finished. The AMCs are expected take a more active role in drafting this time.

4. *Explore if the Associations of Municipalities and Cities (AMCs) are indeed willing and capable of assuming ISCRA activities on a long-term basis, in full knowledge of the major commitment it would entail. This would require in-depth discussions with the AMCs and a basic organisational assessment.*

The Team held in-depth discussions with the AMCs (Directors and relevant staff) in FBiH and RS. The AMCs are keen to assume relevant regulatory reform activities, as they see these as part of their core business.

Both AMCs have had tentative cooperation agreements with IFC since 2011/12. The AMCs and PLOD signed MoUs in 2013, and subsequently delivered a joint proposal to Sida in December 2013. However, the AMCs did not have an active role in drafting that proposal, and therefore were not fully across the scope of the project and its requirements. They had not fully considered their respective roles during the project period and thereafter.

Following our discussions, the AMCs and PLOD began to conduct critical self-assessments of their capacity and capabilities, and have more clearly defined their roles. They have been consulting each other more closely. The organisation assessments show that they now have a much clearer idea of what they need to contribute to the project, their strengths and weaknesses, and how they would manage. The broader Group (AMCs, PLOD, other partners) plans to meet in late May to further define roles, structure of project, division of labour, etc.

It is the Team's assessment that the AMCs are capable of participating in the project as a full partner, provided they receive the support listed in the Handover plan, and as mentioned below.

It is recommended that Sida commission a thorough pre-audit of the AMCs, perhaps together with the pre-audit for the post-CDMA project, the design of which is expected to start in September.

5. *Identify other institutional partners or organisations that could participate in this process.*

The Team discussed the possibility of either preparing a competing bid or joining the current bidding team with the Regional Development Agencies in Northeastern BiH (NERDA) and Herzegovina (REDAH). (EDA of Banja Luka was not interested; SERDA of Sarajevo was not available.)

NERDA and REDAH were mainly interested in participating with the current team, and subsequently held discussions with the PLOD team leader, whom they know well, given his RDA work in NW BiH. They expressed interest in participating in the project, to fill the key role of securing and filtering business inputs into the regulatory reform processes in each municipality and canton. This would resolve a documented weakness in the approach and methodology. (See Section 7 below for details.)

The Team also discussed possible roles related to business input with the Employers Association FBH and Zenica, and the Foreign Investors Council.

No existing organisation - apart from academia - had a regulatory reform speciality, though many local groups have delivered local development projects for donors. The question was: who would be interested and motivated enough to pull together a good team and design a workable project?

The Team checked with other donors about potential alternatives for such a project, but most only mentioned EDA, which has its hands full with the new CREDO NW project and is not interested. We did hear good things about the proposed PLOD team from donors (e.g., EU) and other third parties.

In short, it is unlikely - but not impossible - that another local group would develop a strong competing bid. The AMC-PLOD team has commitments from most of the leading IFC experts; access to the IFC tools, methodology and support; and the sustainability elements that the AMCs can eventually offer.

The other option for Sida would be to issue an international tender. However, unless the international bidders had a IFC/World Bank-type profile and image, it would be difficult to match the PLOD-AMC team's local experience and price. Moreover, the 'local' solution is in line with good aid practice, and fits well with Sida's own objectives for the CDMA project, which was designed in part to prepare the AMCs to take over donor projects upon their exit.

6. *Set out the steps to prepare for a handover, in consultation with IFC.*

IFC has prepared an initial detailed Handover timetable. The first draft (12 May 2014, *Attachment H*) set out a monthly step-by-step action plan for mentoring and overseeing the new team as they carry out their first set of regulatory reform activities in 4-5 municipalities. (*See Assessment at #9 below*.)

As part of the Handover, IFC plans to organise a major media launch and endorsement of the new team, and to allow them to use the IFC 'brand' as appropriate for the methodology, e-Registry, project templates, etc. (See footnote #1). This would help mitigate the risks posed by the new team not having IFC's international clout and repute to facilitate 'door opening' and implementation efforts.

7. *Identify what further support the AMCs and partners might need to take over key activities on a sustainable basis.*

The Organisation Assessments contain Human Resource allocation tables with a column for IFC Assistance during the proposed handover period. (*See Attachments E, F, G, H.*) Since many of the people listed in the PLOD table are current or former experts from the ISCRA projects, their training would be tailored to any new functions they will be undertaking. Training will also cover any changes in approach resulting from the Review Recommendations.

The designated AMC staff members will need practical training and hands-on learning on all aspects of the regulatory reform programme. IFC and the existing experts will be able to share this task, through training sessions and ensuring AMC involvement in the whole process at municipal and cantonal levels. This will be particularly important for the economic/finance officers and M&E staff (e.g., analytical and STM/CCM methodologies, impact assessments), the legal officers (analytical and technical methodologies, working group management, implementation oversight, motivating, etc), IT officers for e-Registry set up, helpdesk, networking, etc. AMCs would like all employees to be exposed to the regulatory reform training, so perhaps a general module could be designed by IFC for this purpose. This could also be used for AMC-organised awareness-building and training for members.

Additional complementary support could be built into the post-CDMA project design, since it is scheduled tentatively to start up at a propitious time (from mid-2015, *see #10 below*). This could take the shape of expanded support for legal and municipal finance officers, for higher-level advocacy, for committee and working group activities, for analysis and propagation of good practices in regulatory matters, for vertical and horizontal harmonisation of policy implementation, and for EU integration activities. This would be in line with the priorities and recommendations of the CDMA Evaluation (February 2014). By the time the post-CDMA design work starts with SDC and the AMCs (tentatively September 2014), the specific regulatory reform-related priorities and needs will be clearer.

It will be important for the AMCs to incorporate their medium- and longer-term regulatory reform activities and visions into their new Strategic Plans, since the AMC Plans will form the basis for donor support in coming years.

The Strategic Plans also institutionalise the AMCs' mandate to conduct such activities, and can therefore strengthen ownership by the municipalities and cantons. It is therefore important that the AMCs complete the new strategic planning process before starting both the new regulatory reform project and the post-CDMA project design.

8. *Document what existing and planned donor programmes might be able to contribute, including ongoing support from IFC*

IFC will not provide any formal ongoing support, beyond the Handover Programme which would end on 30 June 2015 (the end of the 6-month no-cost extension period).

Complementary programmes are being implemented or planned by the donors listed below. All have synergies with the proposed continuation of regulatory reform assistance. A number have activities that could contribute to capacity building and sustainability – for example, the MTS could incorporate regulatory reform and M&E training modules.

- **Sida**: Capacity Development of Municipality Associations (CDMA, ends 2014); a post-CDMA project with SDC; funding Municipal Training System (MTS; *see UNDP below*)
- **USAID-Sida:** 'Growth Oriented Local Development': GOLD (working with 48 municipalities on local economic development; implementing the GIZ 'Business Friendly' municipalities/cities certification programme)
- **GIZ:** 'Business Friendly' municipalities/cities certification initiative, Private-Public Sector Dialogue, vertical strategies alignment from local to higher authorities
- **SDC**: co-financing the GIZ 'Business Friendly' initiative; supporting the UNDP-delivered Integrated Local Development Programme (ILDP) to harmonise vertical strategic planning; also supporting the 'Mayors for Development' initiative
- **EU**: Local Economic Development (LED), Local Democracy (LOD), IPA II (*see Review Report Annex xx: List of Donor Local Development Projects*)
- **UNDP**: Sida-funded Municipal Training System – MTS 2; SDC-funded ILDP
- **OSCE**: support to AMCs and municipal councils.

A number of programmes are components of a larger Regional Balkans/Eastern Europe approach. Sida will be following its Regional Programme increasingly in the next programme cycle.

9. *How would the <u>AMCs-PLOD Proposal add value</u> to other donor interventions?*

This type of regulatory reform activities is not included in other donor programmes, as far as the Review Team could ascertain. The closest is the GIZ/GOLD 'Business Friendly' certification programme for municipalities, which will benefit from the continuation of the regulatory reform efforts. Moreover, the PLOD Centre, the AMCs and the RDAs are all involved in other local development interventions; this is likely to enhance the synergies.

<u>Institutionalising regulatory reforms aimed at continuous improvement of the business environment</u> at the municipal and cantonal levels will underpin most of the other donor efforts, which largely focus on local development, 'business friendliness' and local government skills building. Several interviewees noted that the regulatory reform programme fills an important need that links and supports other local and regional development activities. Systematic institutionalisation of regulatory reform good practices (transparency, predictability, reasonable deadlines and costs, administrative accountability) enhances other programmes' ability to deliver impacts.

The key 'value added' will lie in the Project's contribution to the sustainability and longer-term impact of overall local development efforts by: (1) creating a permanent transparency mechanism (the e-registries); (2) encouraging changes in service-orientation mentality and behaviour; (3) instituting permanent regulatory oversight and quality control functions in local authorities; and (4) promoting vertical and horizontal harmonisation of rules, procedures and practices between cantons and their municipalities (and at higher levels).

As the Illidza Municipality Project Coordinator said, "these good practices - especially the e-registry - are a natural continuation of what we put into place under GAP, ISO, etc".

10. *Explore the possibility of <u>incorporating support for at least part of the documented needs into the new Sida-SDC programme</u> (in planning stages) to support AMCs and local self-governance from 2015. This will follow on from the current 'Capacity Development for Municipal Associations' (CDMA), one of the goals of which was to prepare AMCs to take over relevant projects when donors exited.*

It is timely to start thinking about sequencing assistance to the AMCs to fit in with the 'post-CDMA' programme that is to be designed later in 2014. As highlighted in #7 above, the AMCs will need to build up their internal capacity to eventually take over the relevant parts (i.e., municipal and cantonal work) of the IFC and post-IFC Regulatory Reform projects. Some of this will happen in the course of the PLOD-managed project (esp. training and 'learning by doing').

The post-CDMA project could design activities and support to strengthen AMCs' capacity to assume the longer-term role. For example, support for legal and finance officers/experts could extend to support for regulatory reform advocacy and technical expertise; support for organisational strengthening could include M&E capacity; support for committee and analytical work could extend to regulatory reform issues; etc.

The Review Team met SDC to discuss its activities with IFC, as well as plans for the new Sida-SDC programme. SDC was amenable to incorporating specific activities to underpin the AMCs' objectives for a longer-term role in promoting and monitoring regulatory reform at municipal and cantonal levels, and conducting relevant advocacy at higher levels.

Both AMC FBiH and AMC RS stressed that they see such activities as **core services**. If they are incorporated in the Strategic Plans, core services tend to be endorsed by the Presidencies and Members, This would facilitate the roll-out of the new Regulatory Reform Project. Hence, as mentioned in #7 above, it is important that the Strategic Plans be completed and adopted by the membership before the start of the post-CDMA design work and the new regulatory reform project.

3. Assessment of IFC's Internal 'Exit Strategy' Paper

In June 2013, IFC prepared a brief internal Exit Strategy paper exploring two basic options:

1. Handover to AMCs
"*The RS and FBiH Association of cities and municipalities expressed sincere interest in continuation of the regulatory reform work on the local level. MoUs were signed with IFC to jointly work on these activities*." (page 5)

2. Handover to a joint AMC-NGO partnership
"*The Associations and local partner/NGO will jointly negotiate with municipalities in BiH about their participation in Exit Strategy and will make sure that the regulatory reform is implemented in all larger towns and municipalities of Bosnia and Herzegovina with significant concentration of businesses*." (pg. 3)

IFC preferred Option 2, as it deemed that the AMCs did not have the capacity to undertake the task alone, and that a local partner/NGO experienced in public administration reforms would allow an AMC-NGO team to work with more municipalities per year.

The IFC paper, on page 5, offered some initial thoughts on what might be the roles of IFC, the AMCs and NGO(s). (*See Table below*.)

IFC Exit Strategy Paper, June 2013: Potential Roles of IFC and Local Partners

<u>IFC's role</u> would be to provide 'knowledge transfer': • IFC methodology on regulatory simplification work on local level • detailed training materials on first inventory of administrative procedures, analyses and preparation of recommendations for their improvement, and establishment of regulatory bodies (training modules developed by IFC; presentations, examples, etc) • training on Compliance Cost Savings model (CCS) for calculating the compliance costs for businesses • software to establish and manage the E-Registry of administrative procedures • monitoring and evaluation system for tracking the implementation of the reforms • list of experts who worked on the IFC regulatory reform projects.
The <u>AMCs' role</u> would be to: • "lead regulatory reform work throughout BiH" • engage one employee per Association to undergo training on regulatory methodology and work on implementation together with other local partners • (these employees) would continue to work on regulatory reform implementation at the local level within their Associations over the long term • work together with NGOs on identification of participating municipalities and nego-

tiations • identify, with local partners, participating municipalities and secure financial contribution of selected municipalities • complete regulatory simplification in a minimum of one locality per association annually • provide support in organising training, conferences and other events • monitor established E-Registers and regulatory quality control bodies in municipalities • undertake other (unspecified) related activities • appoint additional staff to be trained and to work with the leading partner/NGO on implementation • undertake each year a short survey of municipalities in several key administrative procedures and services offered to businesses, and publish results annually.
The local <u>technical partner/NGO's role</u> would be to: • provide all needed technical expertise to implement regulatory simplification in multiple localities annually • provide network of key experts and consultants • identify, with other local partners, participating municipalities • provide technical expertise and project implementation • coordinate all programme-related activities with municipalities • "be a service to Associations in this task" • provide capacity building in Associations to better ensure good governance principles. *Source*: IFC's 'Exit Strategy' internal paper, June 2013.

IFC set out its capacity-building plan on page 4:
"During Exit Strategy, staff from both Associations will be trained to support future local regulatory reforms.
It is aimed to increase their skills in:

- *the process of adopting the smart and business friendly regulations by providing the opinion to higher level authorities on draft laws and bylaws related to local level;*
- *how to build the capacities of the municipalities for successful continuation of regulatory streamlining in the future;*
- *helping the local governments to mobilize funds for the implementation of reforms at the local level;*
- *instituting good governance principles in local authorities and linking that with national level reforms;*
- *strengthening the relations between the public and private sector bringing the sense of ownership and trust; and"* (sic)

"… The <u>main objective is to assist the Associations with the training materials</u> that focus on an on-going training process of its employees which will ensure that they understand the principles and approach of the regulatory reform…"
"Capacity building will be provided as follows:

- *Training program for employees of the Association of cities and municipalities of RS and FBiH on regulatory reform;*
- *Technical training program for employees of the Association of cities and municipalities of RS and FBiH on regulatory reform based on the regulatory reform process and gained experience in municipalities where IFC already provided assistance, and*
- *Transfer of database of local technical experts throughout the country that IFC already trained.*

Training will be delivered using the training modules on the regulatory reform methodology, developed by IFC, as well as through the tailored technical assistance provided by IFC team."

Assessment: The Team agreed with IFC's conclusion that the AMCs were not ready - nor well placed - to take over the regulatory reform programme at this point in time. However, with proper well sequenced involvement and capacity building, they could plausibly take over key aspects of the work that would support the institutionalisation of regulatory good practices at local levels over the longer term. Working hand in hand with a team of people with experience in IFC projects would allow the AMCs to develop, in a 'learning by doing' environment, the skills, knowledge and expert networks necessary to carry on into the future. Hence, the Team agreed with IFC's Option 2.

The Paper did not include an in-depth evaluation of the AMCs' capacity nor did it mention possible NGOs that could fill the role listed above, or the criteria IFC might use to identify them. In fact, the NGO option appears to have been added as an afterthought.

The capacity-building section focused solely on the training materials and assistance that IFC would provide to the AMCs (not the NGOs). This section was not comprehensive or cohesive, nor did it link with the roles the paper projected for either IFC or the AMCs.

The exit strategy paper did not foresee any continuing IFC support after ISCRA finished. The relatively small amount of capacity-building envisaged in the short time remaining before the end of the project (then December 2014) would have been unlikely to sufficiently prepare the AMCs for the monumental task ahead.

In order to consider the PLOD-AMC Proposal, Sida needed more information on how IFC planned to phase out and hand over the relevant elements of the ISCRA project. IFC therefore prepared a detailed Handover Roadmap in mid-May; it is at Attachment H. Section 9 below briefly assesses this plan.

4. Assessment of the Dec. 2013 Initial Proposal to Sida from PLOD and the AMCs

IFC's exit strategy led to the proposal delivered by IFC to Sida at end-2013 on behalf of PLOD Centre and the two AMCs. The proposal outlined a 3- to 4-year programme targeting 24 municipalities to be selected on the basis of the normal IFC criteria used to date.

The Review Team analysed the proposal and discussed it with all three partners, as well as with IFC. The Team was impressed with their ideas and their commitment to continue to institutionalise regulatory reform at local levels. The AMCs appeared to be the 'natural' repository for longer-term promotion and monitoring of regulatory reform at the municipal and cantonal levels. And PLOD Centre could offer an established project management team and technical experts with hands-on experience in delivering the ISCRA reforms.

While the 2013 proposal was well structured, it did not convince the Review Team that the partners were fully prepared for the magnitude of the task they proposed to carry out: i.e., institutionalising sustainable guillotine, e-Registries and regulatory control functions in 24 municipalities in three years.

The proposal had a number of weaknesses, including inconsistencies in timelines, logic and style, indicating that possibly different people had prepared different parts and no one had done a thorough check or edit. Although the AMCs had been involved in the 'idea' since early 2013 and had signed a tentative MoU with PLOD on cooperation, they had hardly been involved in drafting the Proposal. This led to a number of erroneous assumptions and assertions regarding the AMCs' roles. For the project to be successful, the AMCs must be integral participants, and their role at each stage of the project needs to clearly and comprehensively set out in the Proposal.

The three partners agreed they needed to do further in-depth thinking about how the proposed programme would work in terms of well defined roles, resource allocation, costs, timeframes, ambition, phase-in/phase-out, sustainability, etc. They decided to improve and resubmit the proposal in June. They agreed to take into consideration the Review findings and recommendations in future planning.

5. Assessment of Other Options

As per the ToR and discussions with the Embassy, the Review Team also discussed the exit strategy with other potential players – especially the Regional Development Agencies in Northeastern BiH (NERDA) and Herzegovina (REDAH). Both have strong linkages to businesses and municipalities in their respective regions and have managed a number of business development/business environment-related programmes with Swedish support over the years. The objective of the discussions was to seek their views on the IFC regulatory reform programme to date in their regions, and to explore their interest in contributing to possible next steps. (The ISCRA has concentrated on central and northern BiH, with no activities at all in Herzegovina; it is foreseen that the next cycle will redress this.)

Strengthening Business Linkages

The findings of the Review indicated that business input into and involvement in the regulatory reform process could and should be strengthened considerably. This was highlighted in the Midterm Review in 2010, and while improvements were made, it is still in many ways a 'missing link'. IFC agreed that the methodology did not include the ideal 'critical mass' of business input, even though the objective was to improve the business/investment environment. Often IFC was only able to consult 10% of businesses with a direct stake in the streamlining process. "*We would invite to a focus group session the 50 companies that had used the procedures in the previous year, but in the end only 5 would show up*," reported the IFC Project Director. Business was basically consulted once, just after the mapping and initial analysis of procedures.

This weakness was also evident in the PLOD proposal, which replicated the IFC methodology. Therefore, the Review Team gave some thought to how business input might be strengthened, and discussed it with the partners and NERDA and REDAH. It was clear that the RDAs, with their regional links to businesses, municipalities and cantons, might be able to play a valuable role in gathering and filtering business input into the process, and in managing expectations.

Additional organisations that might possibly play a role are the Chamber of Commerce of Banja Luka, the Foreign Investment Council, and others that could analyse and gather and filter business views on specific issues, ensuring that the broad spectrum of business – from SMEs to major foreign investors – has an input.

NERDA, REDAH, and others can play a vital role in bringing on board the business community; ensuring that the issues tackled in the simplification, streamlining, etc, are the ones that make the most difference; and pursuing a 'fair' process that will deliver 'realistic and fair' solutions.

Strengthening business input requires a good 'intermediary' to pull it all together: i.e., participate in the identification and analysis of formalities at each locality, consult the relevant companies and business groupings, gather their input, analyse it and turn it into constructive solutions; present them to the team working with municipal/cantonal departments on each formality/procedure, offer business groupings the opportunity to hear and discuss the other side's views, re-consult business, etc, etc, until the most optimum and realistic solution is achieved. This would be in line with good practice elsewhere.

At present, business input is mainly sought by IFC just after the initial mapping stage - and 'regulators' are not involved in the focus group sessions (although WB methodology suggests this is a good practice - and it can be, at relevant stages of the process). Then, a few weeks or months later, they are presented with the final product. It would therefore be 'good practice' to involve business input at several stages, so that nothing is a surprise at the end, and all sides feel they have gained something positive ('win-win').

How It Might Work

For example, on construction permits – a key issue in most municipalities – the RDAs could do some initial analysis and organise both focus groups and individual consultations in order to secure the input of, say, 80% of direct stakeholders.
They could filter the comments and complaints into constructive suggestions and solutions that would add value to the whole streamlining process.

And – at key points in the process - they could act as a link between the administrative streamlining teams and businesses, so that the end-results – not just the initial proposals – would also incorporate business input and would ideally represent the most realistic options available.

Together with the AMCs, the RDAs (and perhaps business associations) might also be able to play an ongoing role in:

(1) monitoring the implementation (e.g., surveying the users of the municipal and cantonal services that were improved), and
(2) liaising with businesses and regulatory control teams to ensure continuous improvements.

The RDAs (especially NERDA and REDAH) and PLOD discussed this briefly at a meeting in Bihac in mid-April, and NERDA and REDAH expressed interest in participating in the project in this role. PLOD and the AMCs are happy to include them (and possibly others such as the Chamber of Commerce in Banja Luka) in the revised project proposal. To this end, they are having further discussions in coming weeks.

Other Options

The other Option would be for Sida to issue a local or international tender calling for expressions of interest and proposals to continue the regulatory reform work at the local level.

6. Organisational Assessments

The ToR suggested that the Team conduct organisational assessments to ascertain each partner's capabilities. In the interest of time and ownership, it was deemed more appropriate at this stage for the potential partners in the endeavour to conduct thorough self-assessments to determine exactly how they would structure and co-manage the proposed project.

The Team had detailed discussions with each partner and encouraged them to think through their specific roles and to identify the underpinning systems, resources and capabilities (staff, networks, expertise, management skills, financial systems, complementary projects, etc). The Team devised a set of selection criteria (see box below) and a template that each partner could use to guide its 'strategic thinking' and self-assessment process.

Draft Selection Criteria for Partners in the post-ISCRA Regulatory Reform Project

<u>Strong belief in and commitment to regulatory reform</u> and good practices in regulatory systems (transparency, predictability, value for money).

<u>Human Capacity:</u> A 'critical mass' of staff and other resources with the expertise, professionalism and motivation to play key roles in the Project and to continue the initiative after the Project ends. ('Expertise' means considerable experience in implementing IFC ISCRA projects at municipal and cantonal level.)

<u>Management skills</u>: Excellent project and change-management skills, including in design, implementation, coordination with partners, risk and conflict management, team dynamics, etc.

<u>Advocacy skills</u>: Proven ability to deliver results in complex political situations.

<u>Financial capacity</u>: Ability to develop a realistic 3-5 year financial plan and ensure timely funding of the necessary inputs and outputs. Appropriate systems to ensure high-quality management and reporting, as confirmed by independent audits before the project and at yearly intervals.

<u>Innovation and sustainability</u>: Ability to deliver sustainable changes in mindsets, behaviour and systems at local and higher levels. This will require creative thinking in project design and delivery, and in managing conflicts and politics.

The Team also encouraged the AMCs to consider how they might manage a longer-term role in regulatory reform promotion, monitoring and oversight, and what they would need to do in the next 4-5 years in order to progressively assume these responsibilities. These priorities, in turn, would need to be incorporated into their Strategic Plans, which are to be prepared during 2014 with the support of the CDMA project, also funded by Sweden.

AMC FBiH, AMC RS and PLOD have completed their initial draft **Organisation Assessments** (***Attachments E, F and G***)**.** The partners will continue to work on these issues, individually and together, in coming weeks. They plan to use this process to develop a refined Proposal, to be submitted to the Swedish Embassy in June.

Comments on the Assessments

The AMC FBiH and AMC RS Assessments present a realistic if brief picture of the organisations and their capabilities. Each identifies the resources, including in-kind contributions, it would dedicate in principle to the proposed project. The allocated time per officer is their initial estimate and may well prove to be a bit high; this may be clarified before the new project proposal is submitted. The partners plan to meet the last week of May to work on a more comprehensive plan of action, division of labour, etc.

The AMCs would meet many of the criteria set out above, but not all. For example, they do not have 'expertise in IFC ISCRA projects'. That is why the project foresees both a dual role for the AMCs – a mix of capacity-building and actual implementation work.

The AMCs each plan to hire a legal and an economic/finance officer under the project. These officers would be dedicated full time to the project with the objective of developing the expertise necessary to carry on and assume the role of Legal/Technical and Economic/Finance Coordinators over the longer term once the project ends. (See PLOD Centre Organisation Assessment resource allocation table for a description of this role; it is one of the overall Review's suggestions for improvements.)

The PLOD Centre Organisation Assessment presents a reassuring picture vis-à-vis the criteria, with a strong team, solid systems and a good track record of implementing donor projects. The EU, for which they have implemented several projects, gave them a very good rating in an interview with the Review Team.

At present, both the proposed Director and Project Coordinator are working full time in other organisations – the former in the Una-Sana Canton RDA and government, and the latter at Bihać University, plus some project work. Founders of PLOD Centre, both worked on IFC ISCRA projects as economic analysts. The former was also Coordinator of the IFC project at Una-Sana Canton in 2012. Both have impressive CVs. They are planning to return to PLOD Centre full time should the group win the project.

Core Team of Local Experts

In the ISCRA Programme, IFC has built up a core team of six or so BiH local experts who are familiar with all aspects of implementing the methodology in municipalities and cantons.

PLOD's 'resource allocation' chart includes most of these people. Most were highly recommended by IFC and municipalities/cantons in discussions with the Review Team, which also interviewed each expert. Importantly, the PLOD allocation list also includes the IFC M&E officer on a part-time basis. As mentioned above, the new team would be led and managed by two people who have also worked on IFC regulatory reform projects.

Even with this strong base, they will need additional experts in order to develop a 'core group of local-level regulatory reform experts' that will be able to implement the ambitious programme proposed: 4-8 municipalities and 1-2 cantons per year during a

3+2 period (a shorter period would not be recommended). This is because they will need one legal/technical expert for each municipality and one economist/finance expert for every two municipalities.

This is where the AMCs can add additional value and support sustainability. Each AMC plans to assign or recruit specialist officers to become the long-term experts who will underpin the AMCs' continuing role in regulatory reform after the proposed project finishes. These people will be trained by IFC and mentored through a hands-on role in project implementation activities. The AMCs expect that by Year 2, their designated legal and economic/finance officers would have gained enough experience to assume 'expert' roles in the project. By the end of the project, these officers are expected to have sufficient expertise to become 'Coordinators' of the economic/finance and legal experts who will carry on with regulatory reform assistance to local authorities.

Importantly, the AMCs can establish a network of municipal- and canton-level regulatory reform experts who have actually carried out the projects. (IFC said it would provide a list of the 'best' local-level experts in the municipalities/cantons that have implemented the reforms well.) Some of these may be allowed by their mayors (RS and FBiH have different rules) to participate in training and provide services for a fee under this project (i.e., to deliver project activities in their areas of expertise). Plus they can mentor and give advice to their counterparts who are undertaking or thinking about participating in the regulatory reform programme. (The AMCs have developed similar networks of local specialists in other areas of expertise.)

This network, plus the ex-IFC experts, should then be able to carry on over the long term, until (*this is the long-term objective*) all municipalities and cantons are using the same system, harmonising regulations and procedures, and helping each other to institutionalise continuing good practices in regulatory management, with the AMCs providing advocacy, monitoring and peer review functions.

7. Handover Roadmap

A well sequenced transition process is crucial, in order to allow the new team (and client municipalities) to benefit from a structured 'learning by doing' experience as the new team takes over the ISCRA regulatory reform programme from IFC. This would help them to gain confidence, refine their own structure and approach where necessary, and progressively adopt the methods, systems, templates, M&E approaches, etc.

To ensure a smooth handover, <u>IFC has developed a Handover Roadmap</u> that would start in the third quarter of 2014 and continue until the end of the extension period in June 2015. During this time, IFC would guide the handover partners through every step of planning, managing and implementing the regulatory reform methodology for a set of 4-5 municipalities. The IFC Project Director clarified that *"IFC will only pay for IFC experts we bring. We will cover their staff-time and transport. IFC will decide which expert(s) will come to which session/discussion/workshop*."

IFC has said it will not be available after 30 June 2015, although it is possible that current ISCRA staff might be willing to respond to occasional requests for advice.

<u>Assessment</u>: The Roadmap at ***Attachment H*** spells out most of the steps required for a thorough handover of the regulatory reform programme at municipal and cantonal levels. The Review Team believes this is a good presentation of current thinking. The Handover plan should be developed further in coming months, as the upcoming project takes shape and as the needs of the partners become clearer. At that point, the design should also take into consideration relevant findings from the Review. *For example:*

The AMCs should be an integral part of all activities, including the monthly monitoring meetings, etc. The original Handover Roadmap overlooked them in a number of activities. This has now been corrected, but their participation may have to be monitored during the handover process.

Findings from the Review indicate that the training on cost savings calculations should include municipality officers, including one or more municipality officer(s) designated by the mayor to become the official repository of the methodology. This training should be delivered at different times during the reform process – maybe three days over three months, with the first training session occurring very early in the process. The designated people should apply what they have learned under the tutelage of the Standard Cost/Compliance Cost Model experts. This approach will contribute to the sustainability of the regulatory control function, because the designated officers will be able to apply the cost savings methodology in future reforms and streamlining of procedures. (Several mayors, municipal officers and experts suggested this approach.)

The timing and sequencing of the training on verification, monitoring and evaluation will be important since M&E staff may not start working until well into the first projects. IFC and the project team may wish to discuss how this can be planned so that the relevant project and AMC officers can immediately apply the skills. It would seem preferable that this training be carried out by the current IFC M&E expert, who would hopefully be available to guide the first M&E exercises six months after the first sets of municipal projects finish. (The 20 May PLOD organisation assessment indicates that the current IFC M&E officer may be part of the team for 100 days per year.)

It will be important to start working on the new team's image-building and communications strategy (website, brochure, etc) already in late 2014. IFC's advice and lessons learned will be valuable inputs.

For the training and discussion on business consultations (*March in the Handover Plan*), the RDAs and any other business-related partners should be involved. The whole team should develop together the plan that they are expected to present to IFC. This should cover not only business consultations, but also business engagement. While this plan will focus on the 4-5 selected municipalities, it should be drawn up with a view to its application and continued refinement throughout the reform and implementation process, as per the Review recommendations.

Regarding the involvement of cantons (*April-May*), the team should take into consideration the relevant recommendations on vertical integration from the Review. These recommendations suggest that for greater impact, a critical mass of municipalities under a particular canton should undergo the regulatory reform before or in parallel with the cantonal authorities. These suggestions came from both municipal and cantonal officials, and from IFC experts.

8. Conclusions and Recommendations

Following the Review and analytical process, including lengthy discussions with PLOD Centre members (current Executive Director, the proposed Project Director/Team Leader and proposed Project Coordinator), its potential partners, IFC and technical experts, the Review Team believes the approach proposed by the PLOD-AMC team is a good way to move into the next phase of regulatory reform efforts.

The approach offers a totally local team with very strong credentials, including some of the most highly-rated IFC experts and experienced project management officers. They propose to use the proven IFC methodology and systems, which they all know well, to deliver regulatory reform services to up to a maximum 24-26 municipalities and 3-4 cantons over a 5-year period. The integral participation of the AMCs aims to ensure that the reform effort will be sustained once the project finishes.

Based on long discussions with the AMCs, and drawing on previous work which allowed the Team to acquire a good understanding of the AMCs, the Review Team believes that the AMCs are natural partners to assume a longer-term role in promoting and monitoring regulatory reform at local levels. They bring to the table a number of elements that will enhance the chances of sustainability of the reform efforts: in-house expertise on regulatory and finance issues, the Presidency bodies that can reinforce commitment and advocacy, mayors who can act as champions, local expert networks, ability to use peer reviews to good effect, ability to take issues to higher levels, etc. This project will give the AMCs the additional knowledge, skills, systems and exposure necessary to carry on over the long term.

The organisation assessments indicate that the AMC-PLOD team, together with business-related partners, can – as a group – satisfy most of the selection criteria. Moreover, they have shown flexibility in considering and adopting a number of findings and suggestions emerging from the Review so far. Because most of the suggestions for improvements that will appear in the final Review Report came from municipalities and IFC experts themselves, it is likely that the AMC-PLOD team, with so many of these experts on board, will take them seriously. This should lead to stronger impact over time.

Therefore, the Review Team believes that the Embassy should give positive consideration to the AMC-PLOD team's new proposal.

That said, there are some issues that will need to be managed carefully and which the Embassy should take into consideration in assessing a new proposal. This is important because the Embassy may have to exercise more regular and direct oversight in the next project than it has with IFC.

Conditions for Success

The findings of the various assessments described above highlighted a number of important conditions for the success and sustainability of the proposed project. The reversal of any one of them could pose a significant risk in terms of achieving the desired outcomes.

First of all, it will be important to keep the IFC/World Bank 'brand' at the forefront of the regulatory reform effort. This 'connection' opens doors, motivates people, enhances confidence, and generally carries 'clout'. IFC has offered to host a major media launch and endorsement of the new team/project at a point where it will have the most impact – possibly just before signing the contracts with the first four municipalities. IFC will also allow the partners to use the IFC brand on the methodology, e-Registries, etc. It is important that this undertaking form part of the handover agreement.

Secondly, while the proposed Team appears to be capable of directing, managing and delivering the next stage of regulatory reforms, Sida may wish, in any agreement, to seek the following commitments:

1. The proposed management team (Director and Chief Project Coordinator) commit full time for the duration of the project
2. The current top-rated IFC experts commit full-time to the project for at least 4 years
3. The AMCs remain full partners with clearly defined roles and responsibilities throughout the project, including hands-on implementation from early stages
4. IFC completes the handover process as spelled out in the Handover Plan.

The Embassy may also wish to make any agreement contingent on a favourable pre-audit of the AMCs and PLOD by the framework auditor.

Thirdly, as the 7th February troubles and recurring floods show, extraneous events such as political instability and natural disasters can affect municipalities' and cantons' capacity and desire to implement regulatory efficiencies. This can seriously affect project planning and implementation.

Thus, the Embassy may wish to ensure that the new Proposal contains realistic strategies to address such risks and to ensure that the regulatory reform momentum continues despite recurring crises.

The Embassy may wish to ask IFC to use its upcoming 'impact assessment' to quantify the individual revenue benefits that municipalities have reaped from the regulatory streamlining and transparency process over the past three years. Interviews indicated that the revenue-strapped local authorities are more willing to implement regulatory reforms if they perceive a real benefit in terms of income. Hard evidence is necessary.

The mayor of Bosanska Krupa, for example, said that even though they cut fees and charges on a number of procedures, their income expanded 30%, due to increased volumes resulting directly from the reforms. He and other mayors who have successfully implemented the reforms, including in the face of adversity, have offered to share their experience and expertise with other municipalities. Well documented 'selling' points and local champions can play an important role in sustaining regulatory reform momentum, even in times of crisis.

Annex A to Exit Strategy Assessment
Methodology Checklists for Regulatory Reform and Investment Aftercare

A. Step-by-Step Methodology to Institutionalise Regulatory Reform Good Practices

Regulatory reform good practice checklist, based on experience from ISCRA and other IFC activities (supplied by IFC)

1. **Initiation of Project and Inventory preparation**:
   a. Analysis of the capacity and potential of the municipality.
   b. Agreeing with municipality to jointly implement regulatory reform.
   c. Signing of the cooperation and mobilizing staff and consulting resources.
   d. Identification and selection of potential partners in the work and defining the working group (WG) structure.
   e. Municipality adopts relevant decisions officially initiate the regulatory reform process and appoint civil servants and provide office and other logistical support.
   f. Providing training to municipal officials in the review process and simplifying regulations for the working group (WG) and implementation workshop.
   g. Initiating mapping of all administrative procedures on municipal level.
   h. Completing the mapping of the first inventory.
   i. Review of municipal IT structures and installation of software required for future E Register
   j. Collection of relevant economic indicators (frequency for all requests issued by the Client, fees, charges, etc.)

2. **Consultations with business and civil sector**
   a. Publishing the first inventory online for public viewing.
   b. Initiating consultation with business and civil community.
   c. Completion of consultations with representatives of business and civil community.
   d. Designing and launching communication campaigns.
   e. Completing baseline costs for the first inventory.

3. **Analysis and recommendations for streamlining the procedures**
   a. Identification of top 15% of the most burdensome procedures and initiation of legal qualitative analysis of mapped administrative procedures
   b. Initiate consultations with municipal officials on streamlining of top 15% of most burdensome procedures.
   c. Initiation of legal qualitative analysis of all mapped administrative procedures.
   d. Consultation with WG about the quality of all recommendations.
   e. Prepare a set of recommendations to streamline /improve administrative procedures; prepare set of draft legal acts to reflect agreed changes
   f. Send the entire legislative package for Mayor's approval.

4. **Adoption and implementation of recommendations**:
   a. Mayor holds consultative meetings and adopts recommendations.
   b. Mayor and Municipal Council (if required) adopt official decrees (legislation) in order to enable the enforcement and implementation of simplified and streamlined procedures documents. Vacacio legis (time from adoption to implementation) given to municipal officials (usually 30-60 days) to adjust procedures and prepare to start enforcing reformed procedures.
   c. Mayor/Municipal Council adopts a decree to establish a permanent body/function for regulatory reform that will control the stock and flow of administrative procedures within the municipality and monitor the maintaining and functioning of the E-Register.
   d. Data entry into E-Register begins.

5. **Regulatory body and E-Registry established**
   a. Regulatory oversight function established as per the decree, and responsible parties designated and briefed on their responsibilities (*workshop and peer support network*)
   b. E-Registry data entry finalized, including updates related to the adopted changes.
   c. Final review of the accuracy and pilot run of the Registry on provisional web site.
   d. Official launching of the fully operational E-Registry.

6. **Monitoring and Evaluation:**
   a. M&E officer initiates the monitoring and evaluation 6 months after the completion. Dedicates 2 weeks per municipality to do the following tasks.
   b. Verify if the Regulatory Unit is functional and doing its job as planned.
   c. Verify if E-Registry is online and functioning.
   d. Review the list of administrative procedures conducted in the municipality with a special focus on procedures pre-selected for monitoring.
   e. Check the process with municipal officials, in terms of deadlines, documents, fees, etc.
   f. Get from municipal officials a list of businesses that used selected procedures in previous 2 months.
   g. Choose (randomly) one third of businesses for interview.
   h. Interview the businesses on the process, average time and cost required to for the relevant procedure.
   i. Upon finalizing the visits, calculate and compare all collected data with the results shown at completion of the regulatory reform process.
   j. At regular intervals: M&E Officer checks if the E Register is online and functional, as well as if the information, leaflets, submission forms are available in the one-stop-shops/citizen service centres.

B. Criteria for Institutional Sustainability of E-Registries

√ Decree on Establishing an E-Registry
√ Instruction how to apply the Decree
√ Regular Request sent to all departments for review and update of procedures in Registry
√Workshop on Registry for representatives of all departments
+Regular oversight by Regulatory Control Team
+M&E by external M&E Officer at 6 months, 1 year, 2 years and 5 years

C. Criteria for Institutional Sustainability of Regulatory Reform Functions (Team, Unit, Office, Dept, etc)

√ Rule Book on Internal Organization of Municipality establishing the Unit or assigning tasks OR Official appointment of respective civil servants to conduct these tasks within an existing department
√ Decree on Regulatory Reform
√ Instructions/manual how to apply the Decree, including submission forms
√ Training
+ M&E by external M&E Officer at 6 months, 1 year, 2 years and 5 years
+ Yearly Peer Reviews (eg, by a AMC Regulatory Reform WG)

Checklist for Institutional Sustainability of Investment 'Aftercare' Functions
(*not part of handover as currently envisaged, but helpful for those interested in continuing the good practices*)

1. **Design and capacity-building**
   a. Agree on the Aftercare program with the relevant institutions that administer the aftercare program in Bosnia and Herzegovina that is based on the collaborative network
   b. Signing the cooperation with relevant institutions.
   c. Identify and select new potential partners (municipalities and cantons in the Federation BiH and municipalities in Republika Srpska) to join the already established collaboration network for providing the investor aftercare program.
   d. New partners adopt relevant decisions and formally select focal points who will be working to implement the Aftercare Program
   e. Draft the annual Aftercare Program with the Action Plan describing the mechanism, activities, number of investors to visit, responsible partners, timeline and expected results (M&E) of the aftercare program for the specific year; agree upon the Program with the network partners; finalize the Program and share it with the partners.
   f. Provide capacity-building events to new partners (presentation of the program and practical training) on the role of municipal/ cantonal focal point in attracting investments and aftercare program and on preparing the investment briefs to present the locality's investment opportunities
   g. Responsible institutions will prepare the annual Media campaign plan outlining communication channels and formats to promote results of the aftercare program

2. **Practical implementation of the Aftercare Program**
   a. In February hold the preparation meeting of the collaborative network for the specific year to review results from the previous year and planning activities and responsibilities of the network partners in the specific year including the selection of target companies to visit following specific criteria and preparation of a tentative visits' timeline.
   b. Partners agree to carry out visits
   c. Each network partner including involved in the visit must send thank you notes to investors with the list of agreed next steps.
   d. Each partner must write a brief report on the visit, clearly outlining next steps to be taken by each. The reports' emphasis must be on the outstanding issues raised by investors that were collected in the course of the visits and the proposals on how to address them.
   e. Each partner should follow-up with the investor on the agreed next steps in the shortest time possible as to capitalize on the recently established relationship.
   f. Implement the Media campaign plan by announcing the aftercare visits, success stories and other relevant data from the aftercare program on the websites of network partners and in the media. Prior to mentioning any detail about the visited company that is not a common knowledge a company's prior consent should be obtained.

3. **<u>Monitoring and Evaluation</u>**
   a. Each network partner that conducts the aftercare visit fills in the Aftercare Questionnaire and sends it to other partner from the team (for the common visits). The submission deadline is 15 days after the visit date.
   b. Each network partner should keep a record of the aftercare visits by filling in the Excel sheet "Evidence of aftercare visits" with all key data (Data on visits, Data on visited company including outstanding issues raised by visited investors). For their individual visits the partners should send the sheet "Evidence of aftercare visits" to aftercare coordinator institution.

c. At the two half-year meetings scheduled on an annual basis, partners will take stock of all the collected information and review the progress of the aftercare program for the period of half-year/ year. The outcome of the meeting is the report on the results of the meeting outlining pending activities and agreed next steps to make sure, that investors are getting the agreed support.
d. At the end of the year, aftercare coordinating institution will complete the Final Report on the yearly aftercare activities, with a proposal of measures to improve the investment climate based on the investors' outstanding issues collected on the aftercare visits.
e. It is strongly suggested that each partner establish and update its own system for monitoring investors through the *investment policy indicators*. This will allow partners individually to monitor and evaluate the investment activities in their localities. The investment policy indicators include the documented enquiries, leads, commitments and investments.

Review of IFC 'Investment Climate Regulatory Advisory Project' (ISCRA) in Bosnia and Herzegovina, 2011-2014

This Report assesses Sweden's 2011-14 support to institutionalise good practices in regulatory reform at all three levels of government in Bosnia and Herzegovina; improve the investment climate; and develop competitiveness strategies for selected agribusiness value chains.

The Review found that the assistance, delivered by the International Finance Corporation, contributed to ground breaking work in all three areas. It facilitated new mind sets, greater transparency and a more systematic approach to regulatory reform in 11 municipalities, 3 cantons, and several Entity and National Government agencies. The investment 'aftercare' project set in place a system for coordinated servicing of foreign investors. The agribusiness value chain work is the first to achieve an integrated and strategic approach across entity and national lines. Provided strict conditions are met, IFC's Exit Strategy to hand over regulatory reform activities to a local group could help ensure that the momentum will be sustained.

SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

Address: S-105 25 Stockholm, Sweden. Office: Valhallavägen 199, Stockholm
Telephone: +46 (0)8-698 50 00. Telefax: +46 (0)8-20 88 64
E-mail: info@sida.se. Homepage: http://www.sida.se

Sida