



From Red Tape to Red Carpets

Enhancing the Competitiveness Impacts of Business Enabling Environment (BEE) Reforms

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THE STRATEGIC DECISION MATRIX

Category	Aspects to consider	Rating (1 = unacceptable, 7 = optimal)
Expected impact and risk	There is a trade-off between the estimated size of the impact and the risk. For example, cost modeling may often yield relatively small impacts, but the estimates are more reliable. In estimating benefits foregone, the potential may be huge, but the risk (uncertainty) may be significant.	1 – 7
Action required	Repealing a regulation, passing a new law, administrative business reengineering, introduction of one-stop shops.	1 – 7
Responsible organization	Government (national, local); parliament; selected agencies; private sector associations	1 – 7
Time dimension	Likely time between launch and effective reform	1 – 7
Advocacy	Champions, support organizations	1 – 7
Opposition	Reverse score (1 = insurmountable, 7 = negligible)	1 – 7
Resources required/cost	Cost of advocacy campaign; investment in new ICT infrastructure, etc. (reverse scoring)	1 – 7
Summary	This may be a threshold value for the average score; for example, targeted reforms need to score at least a 3.5 average rating.	Average

A REGULATORY TYPOLOGY

Level of law/ regulation	Area of constraint	Type of enterprise primarily affected	Section of the VC affected	Stakeholders for reform
WTO rules/free trade agreements	Regulation is clear but time consuming or expensive to comply; implications of obligations often not clearly understood	All	Export-oriented value chains; government (through transparency requirements)	National government; however, once the agreement is ratified, reforms are difficult
Standards for goods and services in export markets	Regulation may not be clear, or access may be difficult; it is time consuming or expensive to comply	Medium	Depending; e.g., GlobalGAP permeates the entire value chain, while HACCP may only affect the processor/exporters	Set by export markets, international conventions; exporters, however, can pursue better access
National, implemented nationally	Regulation is often not fully justified; administrative application may vary across agencies (e.g. customs and health authorities)	Small/micro (since the relative impact of the cost of compliance is greater)	Producers of raw materials	Firms involved
National, implemented locally	Poor regulations leave too much administrative discretion; opportunities for corruption	All, but impact is greater on MSMEs	Producer, precursor industries	Associations
State/local	Regulations are contradictory	Domestic	Input suppliers	Associations
National support structures, including private "self-regulators"	Key regulations either do not exist (quality standards), or are poorly implemented	Primary impact is on transactions along the value chain, since lack of (enforced) quality standards raise risks, and may expose legitimate producers to unfair competition	Exporters; brand images	Associations



BRAZIL CASHEW NUT CASE STUDY

Short list of constraints	Experts
<p>Tax related regulations: No compensation or refund of tax credits from exporters (ICMS (state) and PIS/Cofins (federal)).</p> <p>Collection of state value added taxes (ICMS) by cashew grade. There could be no encouragement of producers to classify the cashews by grade because they will be charged higher taxes.</p>	Producers, intermediaries and processors of all sizes, state government representatives
<p>Rural and Urban Labor Regulations: Social charges in addition to direct minimum wage and labor environment requirements (Ministry of Labor). Cashew harvest cannot be automated and total labor costs lower the competitiveness of Brazilian cashew nut in the international market.</p>	Producers and processors of all sizes, Ministry of Labor representatives
<p>Health and Safety requirements to import raw cashew: Non-tariff barriers make it difficult to import raw cashews from Africa, influencing local price levels.</p>	R&D institution EMBRAPA, large processors
<p>Raw cashew standard quality compliance to qualify for minimum price acquisition programs and subsidized working capital financing by CONAB: Program could be extended to more producers. Though interesting, budget for this program is very limited anyway, oriented to very small producers and able to reach less de 1% of cashew production. Rural micro-credit schemes by Banco do Nordeste should prove more efficient.</p>	Producers, technical assistance (EMATERCE) and financing institutions CONAB, Banco do Nordeste and Banco do Brasil).
<p>Land Statute: Federal law puts in risk the right of land property in land leasing contracts.</p>	Producers of all sizes, Ministry of Agrarian Development representatives

POLITICAL FEASIBILITY

Political considerations	
<ul style="list-style-type: none"> the degree of geographic centralization of the value chain under review 	<ul style="list-style-type: none"> Expected size of impact in terms of financial, time, political, etc. costs
<ul style="list-style-type: none"> the degree of specificity of the regulation to the value chain 	<ul style="list-style-type: none"> Past reform initiatives and reason for outcome.
<ul style="list-style-type: none"> Level of government at which the regulation is promulgated/ implemented 	<ul style="list-style-type: none"> Current or near term government reform initiatives are planned and who is championing them
<ul style="list-style-type: none"> Historical factors that have led to or support the current regulatory framework. 	<ul style="list-style-type: none"> Degree of political centralization
<ul style="list-style-type: none"> Existing incentive structure that has led to or support the current regulatory framework. 	<ul style="list-style-type: none"> Public-private organizational role and structures
<ul style="list-style-type: none"> Possibilities for refining the existing incentive structure 	<ul style="list-style-type: none"> "Winners" and "losers" in policy implementation
<ul style="list-style-type: none"> Support/opposition in and outside of government. 	<ul style="list-style-type: none"> Degree to which other value chains or private sector actors may be hurt by the reforms
<ul style="list-style-type: none"> Leverage supporters/opponents have to support their own interests. 	