



International
Labour
Organization

ASSESSING

RED TAPE

TO IMPROVE THE ENABLING
ENVIRONMENT FOR
SUSTAINABLE ENTERPRISES



EESE business,
create jobs

Enabling Environment for Sustainable Enterprises



RED TAPE

WHAT IS RED TAPE?

Red Tape is what makes life difficult for enterprises. Red Tape is often described as a collection or sequence of forms and procedures required to gain public/official approval for something, especially when oppressively complex and time-consuming. In other words, Red Tape is a short-hand term for unnecessary or excessively complicated regulations and administrative processes that have financial as well as opportunity costs for enterprises when complying with national and local laws and regulations and administrative processes. It must be stressed that not all regulation is Red Tape. Regulation is necessary and useful when it enables enterprise formation, growth and job creation.

WHY DO WE ASSESS RED TAPE?

- To shed light on excessively complicated regulations and administrative processes and institutional bottlenecks faced by enterprises;
- To identify policies and laws that are particularly complicated for enterprises to comply with;
- To examine how women and men in business might be affected by red tape differently;
- To give enterprises a voice for constructive dialogue with government in legal and regulatory reform processes;
- To provide a platform for ILO constituents to advocate for a more enabling environment for sustainable enterprises;
- To provide solid evidence on priority areas for regulatory reform and red tape reduction.

HOW DO WE ASSESS RED TAPE?

Red Tape is assessed using a mix of secondary and primary data. The most important information is obtained through an enterprise survey using a standard questionnaire to identify red tape issues that allows the quantification of compliance costs that enterprises incur annually.

The methodology for calculating total compliance costs for enterprises in a given geographical location or sector is transparent and rigorous and is based on data collected through the survey. The costs of complying with regulations are obtained from enterprises through the survey.

In estimating the costs of compliance, enterprises are being asked to distinguish between internal costs and the cost of hiring external professional services, such as business consultants, lawyers, accountants etc.



to assist in complying with rules and regulations. The extent to which an enterprise has to source external services and advice is indicative of compliance being either too time consuming or complex.

Statistical analysis is done to calculate compliance costs for surveyed firms such as: initial registration; annual registration; tax compliance costs; labour regulations; exporting; importing; doing business with government, etc. Troublesome regulations are split and analysed into two types - those that affect all firms (annual registrations, tax costs and labour regulations) - and those affecting only a subset of firms (initial registration, exporting, importing, participation in government procurement). Total compliance costs for the enterprise population in a given administrative area or sector is derived through economic extrapolation of the compliance costs for the sample.

WHAT SUPPORT WILL THE ILO PROVIDE?

The ILO will be able to support you in a comprehensive manner through technical assistance throughout the process from design to implementation to validation of findings and follow-up to recommendations. In particular, the ILO can assist with:

- Designing the methodological framework
- Designing and adapting the enterprise questionnaire
- Providing presentation and workshop templates
- Identifying a representative enterprise sample
- Training of interviewers and enumerators
- Conducting statistical analysis and calculation of compliance costs
- Drafting of Red Tape report
- Moderating of workshops
- Providing technical assistance in implementing recommendations and monitoring their impact

WHAT ARE EXAMPLES?

The ASSESSING RED TAPE methodology was piloted in South Africa where two municipalities in the Free State Province were assessed and compared. The work was done in three inter-related phases: a) conceptualisation and development of survey instrument and sampling framework, b) fieldwork, interviews, data capture and c) analysis, report writing and validation of findings.

After thorough desk review a representative enterprise survey (414 enterprises of different sizes, in different economic sub-sectors) identified the most troublesome regulations on municipal, provincial and national levels and key administrative and procedural problems were uncovered.

The compliance costs for firms of different sizes, in different sectors were quantified at ZAR80.5 million annually for the enterprise sample. Tax, business registration, labour laws, import and export and government procurement were identified by enterprises as the main red tape drivers. Extrapolating the findings of the sample to the total enterprise population in the Free State amounted to some ZAR3,8 billion annual compliance costs, representing about 2.6% of the Free State's GDP. The report has provided solid evidence on priority areas for regulatory reform and has informed the national inter-ministerial red tape reduction initiative with Department of Small Business Development (dsbd) and Department for Cooperative Governance and Traditional Affairs (cogta) and South African Local Government Association (SALGA).

HOW LONG DOES IT TAKE?

Assessing and quantifying Red Tape in a rigorous and methodologically sound way takes time. Up to 12 months should be planned for designing the methodological framework, adapting the questionnaire, identifying a representative sample, training of interviewers and implementing the survey. Data analysis and quantification and drafting the report usually require another 2-3 months. As Red Tape is a sensitive matter, ample time should be given to validation by the business community to begin with and then with government and organised labour. Past experiences, have shown that depending on the complexity of the situation in a country up to a year may sometimes be required for validation and agreeing on recommendations.

The entire process may therefore last about 24 months.

Where do I get more information?

ASSESSING RED TAPE is a product of the ENTERPRISES department and is overseen by the Enabling Environment for Sustainable Enterprises (ESEE) Team. For further information please contact ees@ilo.org