



<https://www.oecd-opsi.org/innovations/economic-reforms-governance-model/>

Economic Reforms Governance Model

An Economic Reform Governance Model to reform design and delivery of citizen- and business-centric public services was introduced in 2016. Aim of the Model was to eliminate barriers, ensure transparency, develop digital public services and expand competitiveness through increasing engagement of civil society and businesses in the reform process. Implementing 136 reform initiatives by passing 55 legal acts enabled the government to create more favorable social-economic opportunities for citizens.

Innovation Summary

Innovation Overview

Since 2015, Azerbaijan has faced new challenges stemming from the high volatility of crude oil prices all over the world. As a response to these challenges, the President of Azerbaijan initiated the Economic Reforms Governance Model to accelerate the reforms for the improvement of the business environment through innovative solutions, develop and promote innovation mindset.

The Model addresses two challenges:

1. Do things faster. Existing mechanisms that governed design and delivery of public services involved multiple iterations across several government agencies and layers.

Bringing reforms/innovative projects into life through existing mechanisms took a lot of time, despite heavy efforts of all stakeholders.

2. Do things better. Although the Government was eager to listen to the voice of citizens, there was limited room for engaging civil society/citizens actively in design of public services in a structured way. The Model questioned what voices were at the table, who was missing, and how decisions are being made in economic reform management.

In due course, the specific objectives were to initiate a new Reform Model that learns and improves over time and serves as (1) a digital collaboration platform that eliminates coordination failures across government agencies and layers and (2) an inclusive mechanism facilitating citizen-centric public service design and delivery, especially for – women, people with disabilities and elderly– who may have additional difficulties in accessing public services.

New Model is comprised of following key elements under “organization” and “innovative tools” pillars:

(Organization) A commission to coordinate the reform efforts and increase agility of reforms; 19 working groups to increase collaboration and inclusiveness, suggest necessary initiatives for improvement in specific areas.

(Innovative tools) Communication platform; Engagement platform/digital calendar; Analytical benchmarking tool.

The tools were developed by the Center for Analysis of Economic Reforms and Communication to facilitate particular working groups and other users.

1. Communication platform. The platform helps to replace many communication channels with only one digital channel and considerably reduces both the failures and the risk of delays in coordination process. More importantly, it helps to reduce paper usage significantly since all communication among working groups and within commission is conducted digitally.

2. Engagement platform/digital calendar. The Digital Calendar ensures that all stakeholders effected by the reforms are heard and creates an inclusive and collaborative environment to design and push the reforms through innovative manners. The Digital Calendar brings transparency to the operations of the working groups and enables and facilitates public participation and inclusiveness in the decision-making process. As an engagement platform, the calendar aims to foster social inclusiveness in reforms by stimulating public-private dialogue via digital tools.

3. Analytical benchmarking tool. Key function of the tool is to enable convenient comparison in order to evaluate current business environment and find out best practices for potential reapplication. The tool has high capacity of visualization of results, enabling viewing scores in various formats such as bar charts, line charts and column charts as well as exporting data as excel file. During the development of the benchmarking tool, it was inspired by the concept of a global benchmarking jointly launched by the IMF, CIAT, IOTA and the OECD.

Equipped with above-mentioned tool the Model is an innovation in reform design because:

(Agility) The tool enables users to quickly analyze the current state of business environment in their respective field without a need to refer to different indices/reports. The tool also enables users to save time on such analysis via fast and convenient data collection and visualization options.

(Accountability) The tool is open to public, similarly the targets of working groups of the Commission are also publicly available in the platform. Hence anyone can review the reports and judge the success of specific working group against their objectives.

(Inclusiveness) everyone can use the tool to analyze the current state, strengths and

development areas of the country. Using this user-friendly tool in combination with engagement platform, citizens can analyze particular areas and submit their ideas accordingly;

(Predictability) The tool enables to define the investment attractiveness of the country in international and regional context. Assessment of countries' reform practices and strategies based on real analysis provides great opportunity to evaluate the sustainability and volatility in the investment environment.

(Global usability) Free incentive-based tool is open for global use and it can significantly affect the agility in analysis benchmarking of business environment in other countries.

Innovation Description

What Makes Your Project Innovative?

The Model is innovative for the following reasons:

- Communication platform developed in Azerbaijan was the first such solution;
- Engagement platform allowed convenient feedback & idea submission from public;
- Benchmarking tool, introduced for analytical information support for reform and investment related decision makings;
 - The institutional framework established a bridge among institutions, thus driving capability building and collaboration and faster alignment among institutions;
 - Introduced agile working principles in the reform process which strengthened and accelerated reforms;
 - Introduced Predictive Impact Analytics of all legal acts based on a new mechanism that combined the elements of RIA.
 - Moreover, the Model cultivates innovation mindset for all team members as they continuously brainstorm on innovation reforms. This also helps to drive collaboration and innovation mindset within institutions with the aid of members who play the role of change agent.

What is the current status of your innovation?

During the last 4 years the Model passed through 3 phases: establishment (2016-2017), progression (2017-2018) and innovation phases (2018-2019). In the 1st stage the core of the Model was designed, and implementation started. During 2nd phase, implementation of operational plans started, and all the parties worked intensely on reforms. In the innovation phase which declared as environmentally-friendly stage, many digital platforms and analytical tools were launched, such as benchmarking, "Public-Private Dialogue" Platform, communication platform that helped to further increase the coordination and efficiency. Finally, the most recent innovative tool is the Digital Calendar (<https://azranking.az/en/protocols-announcements>) launched with the objective to increase public participation and transparency. Innovation phase proved to be important in ensuring the sustainability and continuous development of the Model itself. The Center is also focused on reforming the Model itself ongoingly.

Innovation Development

Collaborations & Partnerships

The Model was developed with close engagement of the Presidential Office, the Center for Analysis of Economic Reforms and Communication and related Institutions. This cooperation has helped to design an institutional framework to take the agility of reforms to the next stage and develop innovative tools. More than 300 participants from 36 government agencies, private sector, academia and civil society (41 NGOs) collaborate on voluntary basis within Public-Private Dialogue Platform.

Users, Stakeholders & Beneficiaries

Below are the main beneficiaries:

- Citizens: providing everyone with equal access to improved public services;
- People with disabilities and elderly: digitalizing public services facilitated convenient utilization of public services without a need to visit institutions physically;
- Civil society: to be directly involved in the reform process;
- SME owners: improvements in public services were targeted at removal of barriers, reduction of burden and creation of opportunities for business.

Innovation Reflections

Results, Outcomes & Impacts

Since launch, the Model involved 300+ people who spent 789K work-hours, attended 627 meetings to design 136 initiatives and pass 55 legal acts, and improvement in several aspects were achieved:

- Economically, the reforms paralleled sustainable GDP growth (38 billion USD in 2016 to 47 billion USD in 2018), 33% increase in non-oil exports between 2016-2018 and a growing number of new businesses by year that doubled between 2016-2019;
- On social aspect, the Model helped to provide equal services to all groups of population. For instance, easier process for establishing a new business resulted in twice more businesses established by females in 2019 compared to 2016;
- Environmentally, the Model helped to reduce paper use despite increasing communication. Introduction of communication platform and establishment of digital journeys in most reforms (e-procurement, e-court) helped to significantly reduce paper usage. A separate evaluation of the Model was conducted by McKinsey & Company.

Challenges and Failures

1. Need for improvement of reform experience was an obstacle at the beginning: Organized trainings, enabled knowledge sharing and introduced digital benchmarking tool to guide working group members;
2. People raised concerns regarding the applicability and effectiveness of the new Model: Constantly educated people, monitored their activity and replaced inactive members;
3. No digital tools existed to facilitate feedback from public: Designed a digital engagement tool enabling convenient feedback via web-platform;

4. No electronic infrastructure existed to facilitate communication process as number of people involved in the Model increased: Launched a digital communication platform;

5. Concerns on financing and need for budgetary allocations: Teams are designated from existing institutions which results in almost no incremental costs, enabling the Model to be financially sustainable. So far, the use of existing resources are maximized at all levels.

Conditions for Success

The low-cost/high-impact nature of the Model has proved its efficiency and success by fulfilling the following conditions:

(Effective coordination) ensure the efforts are coordinated in a more sustainable way and each reform can build upon the learnings of previous reforms. Have a responsible institution in charge of coordination of reform efforts;

(Continuous collaboration) efficiently bring reform teams from relevant institutions together and set a process enabling their continuous mutual and collaborative work based on enthusiasm, motivation and creativity;

(Agile institutional framework) take the agility in the design and implementation of government reforms to improve business environment to the next stage via sustainable institutional framework;

(Inclusiveness) increase engagement of citizens, civil society organizations and businesses in the reforms process;

(Innovation and technology) ensure innovation is an indispensable part of the process across all above pillars.

Replication

Inclusiveness and innovative tools of the Model increase its potential to be replicated on local and global levels. Emerging economies face challenges in the reform process because of limited reform experience, lack of innovative tools to facilitate coordination and regular analysis. Due to this, the Model can be free of charge replicated in other countries with minor adjustments to accelerate reforms. Initial discussions are in progress with several countries, including Afghanistan, Kenya and, Uganda for the reapplication of the Model. Furthermore, IFC vice-president Hans Peter Lankes, during his visit to Azerbaijan in September, 2019, informed his intention to promote it for reapplication in other countries. On local level, several institutions (e.g. AzerSu OJSC, AzeriGas PU) have already started adapting and replicating certain elements of the Model. There are many examples of the working group members who, inspired by the Model's success, initiated reforms in their institutions.

Lessons Learned

Certain lessons learned through this journey are particularly important in terms of re-applicability of the Model in other contexts:

- Changing the mindsets of people took time but was the most important enabler of success;

- Collaborative work of representatives of different institutions helped achieve things much faster;

- The novelty of the management style (involving diagnostics, implementation and impact analysis for each topical working group) caused concerns among people at the

beginning, but with the first achievements of the initiative, the initial concern was replaced with enthusiasm and motivation.

- Effective institutional framework helped drive collaboration and keep costs low;
- Introduction of innovative tools facilitated coordination;
- Approach for involving private sector, and civil society helped ensure the effectiveness of reforms via early feedback.

Anything Else?

Since establishment of the Model, Azerbaijan significantly improved its business environment carrying out 136 reform initiatives in 19 areas in order to create more favorable economic and social opportunities for citizens. Several international organizations recognized the Model's successes: the World Bank's Doing Business report recognized Azerbaijan as a top 10 economy that improved in most areas in 2017 and 2018. Same report ranked Azerbaijan as a top 25 economy for doing business in 2018. Moreover, World Bank highlighted Azerbaijan as one of top 20 reformist countries among 190 countries in "Doing Business 2020". Other reports such as Global Competitiveness Report, Economic Freedom Index also reported improvements in the business environment. In 2019, World Intellectual Property Organization (WIPO) rewarded the Center for Analysis of Economic Reforms and Communication with "IP Enterprise Trophy" for designing and implementing the "Economic Reforms Governance Model" successfully.