Beyond National Business Environment Reform: A Review of Donor Agency Support for Regional and Local Business Environment Reform

Business Environment Working Group

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The DCED is the long-standing forum for donors, foundations and UN agencies working in private sector development, who share their practical experience and identify innovations and formulate guidance on effective practice.

The BEWG serves as a platform to share information and knowledge on donor-supported business environment reform in developing countries and to identify and support good practices and new approaches in this field. For more information on the DCED BEWG, please visit the DCED website at https://www.enterprise-development.org/organisational-structure/working-groups/overview-of-the-business-environment-working-group/

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Executive summary

This is the final report for the Beyond National Business Environment Reform project. The Donor Committee for Enterprise Development (DCED) commissioned this review to identify donor and development agency experiences in supporting business environment reform (BER) at regional (i.e., supra-national territories) and local (i.e., subnational territories) levels, and to identify good practices and lessons learnt.

While it is difficult to map accurately over time, there appears to be a general increase in the range of donor and development agency funded BER programs operating at regional and local levels. This does not appear to be occurring at the expense of national programs. Instead, local and regional BER efforts are developed to complement national programs. Indeed, there are many examples of donor and development agencies pairing national BER programs with regional or local BER programs.

Working at regional and local levels provides a uniquely different perspective to BER, not afforded to national level work. While all forms of regional and subnational reform typically involve national government authorities to some degree, the focus of regional or subnational reform is both unique and significant.

This study has not found any evidence comparing the impact or effectiveness of local or regional BER programs with national BER programs. Thus, it is not possible to assess whether local or regional programs have a greater or lesser impact. Instead, evaluations of reform efforts tend to focus on specific functional areas or on issues such as capacity building and public-private dialogue. These may have local, national or in some cases regional dimensions to them.

Local Business Environment Reform (LBER)

Many donor and development agencies cite LBER as important because of its proximity to the private sector. Local municipalities and other subnational government entities often have the power to introduce legal and regulatory provisions with the effect of severely inhibiting business growth.

LBER is characterised by its focus on local business environment issues. These may be the result of standardised local business environment assessments, such as the World Bank Group's Subnational Doing Business (SNDB) reports, or from a specifically designed local assessment process. One of the flagships of a donor-supported LBER program is the SNDB reports. These reports capture differences in business regulations and their enforcement across locations in a single country.

Some of the more common LBER themes are:

- Formalising local enterprises through local business registration and licensing reform
- Local construction permit reform
- Local taxation reform
- Local regulatory reform
- Local investment promotion
- Local land reform and local area planning

Most LBER involves working with local partners, such as a local municipality or other subnational authorities, as well as with relevant national or central government ministries, departments or agencies. This is because LBER often involves some degree of national reform to enable the desired local changes.

The advantages and disadvantages of LBER are presented. The most commonly cited advantage of LBER was the ability of reformers to respond to unique local conditions, making implementation easier and deepening the involvement of local counterparts. LBER is considered by many to be more closely connected to local decision makers, making reforms more practical and easier to achieve.

Regional Business Environment Reform (RBER)

Donor and development agencies support RBER largely because of the high levels of impact these programs promise. Working at the cross-border regional level affects more than one nation state and, by implication, larger markets and a larger population of businesses and employees. Thus, regional reforms can, in theory, have a larger impact than many national level programs. Because countries are more prepared to learn from and adopt the practices of neighbouring countries, there are more opportunities to leverage additional resources for reform programs.

RBER differs from national and local BER in one major way: most regional bodies do not have the legal authority over regional business environments. Indeed, the term 'regional business environment' is somewhat of a misnomer. Nation states have authority over their own territories and participate in regional structures as members.

Regional Doing Business (RDB) reports have been developed to capture differences in business regulations and their enforcement across countries in a single region. They provide data on the ease of doing business, rank each location and recommend reforms to improve performance in each of the indicator areas. However, unlike the SNDB reports, which attempt to tailor its indicators and data collection methods to suit the country and localities under assessment, the RDB reports usually draw from the global (national) Doing Business database and present the data in a manner to suit comparison within a region.

Some of the more common RBER themes are:

- Regional programing
- Regional economic integration and harmonisation
- Regional trade and investment
- Peer-to-peer learning
- Regional public-private dialogue

Many donor and development agencies have described their RBER in terms of regional planning. Thus, while the regional business environment does not necessarily frame this work, agencies are working with the national governments across a defined region. A number of donor agencies support regional programing facilities focused on BER at various levels, for example, the Investment Climate Facility for Africa.

The advantages and disadvantages of RBER are presented. The major advantage of RBER identified was the level of impact these reforms can have. However, there was general recognition that regional reforms can take a long time. Indeed, up to 10-15 years, depending on the political economy.

The final chapter presents a series of good practices in local and regional BER and considers future research needs. Good practices in LBER include:

- Map all relevant actors in the local business environment and assess the extent to which they have political and legal authority with regards to business regulation and the mandate to design and implement LBER.
- Benchmark local business environment assessments so that reforms can be monitored overtime; these measures can inform LBER design and can measure reform outcomes.
- Use local business environment assessments to compare across localities within a single country so as to highlight and distil good local practices.
- Undertake a gender analysis of the impact the local business environment has on businessmen and women, and their male and female employees, including informal firms and workers.
- Ensure local business environment assessment involve a participatory process in which the local private sector is actively involved. Results should be publicly validated and debated.
- Support local business representation and PPD process and structures, ensuring equal representation of women and men, and a diverse range of enterprise sizes and sectors.
- While it is important to involve the local private sector in setting by-laws, this rarely occurs. However, there has been some success, over time, in creating local taskforces between local government and local business councils to consider these issues and make joint proposals.
- Ensure women's' economic empowerment policies and programs specifically address the challenges facing local businesswomen, and mainstream gender programming into all LBER interventions.
- Work with local partners to promote local ownership and sustainable reforms.
- Distinguish between those reforms that can be fully undertaken by the local entity (e.g., municipal bylaws) and those that require national reform.
- Coordinate between local and national partners where required.
- Identify and support strong local leadership and champions, such as a progressive mayor or an informed chamber of commerce president.
- Hold local officials accountable for specific reforms.
- Build stakeholder engagement and trust between public and private stakeholders engaged in LBER.
- Design and outreach and communications strategy so local business environment concerns are shared with national agencies (e.g., national chamber of commerce and other business associations, as well as the national local government association) to bring local business environment issues to the attention of national BER processes.

Good practices in RBER include:

- Design a program to suit the capacity of the regional partner: While there is no proven formula to choosing the right regional partner it is important to learn from past experience. Because some regional partners will be non-negotiable it will be important to bolster reform support with capacity building measures.
- Choose regional agencies with a technical mandate and body of expertise where possible and appropriate; these agencies can be good RBER partners rather than those will a broad and often general mandate.
- Work with a combination of program partners and build coalitions of partners around agreed reform efforts; most successful RBER programs work with national government ministries and regional economic communities as well as civil society and the private sector at both national and regional levels.
- Because many regional business organisations are a poor representation of the region's business community it is important to form program linkages with national business representative organisations.
- Invest in peer-to-peer learning.
- Communicate a vision of the big picture — describe how regional integration and harmonisation is good for the country and region.
- Enhance civil society participation and programming in reforms driven by local, national and regional structures. National legislatures and judiciaries should also be closely involved in the discussions concerning regional reforms.
- Focus on bigger, integrated programs using basket fund facilities, rather than multiple donors funding poorly coordinated program components.
- Ensure all reform programs contain capacity building support to help partners learn from the reform process and to promote sustainable reform processes.
- Construct regional integration projects that are country-focused to achieve greater support for regional integration.

Finally, some suggestions for further research are presented. These include the need to better understand the volume and impact of national BER programing, compared with local and regional reforms, as well as a better understanding of the role of local and regional BER in achieving the Sustainable Development Goals.

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List of acronyms

ACET	African Centre for Economic Transformation
BER	Business environment reform
BEWG	Business Environment Working Group (DCED)
COFEMER	*Comisión Federal de Mejora Regulatoria* (Federal Commission for Regulatory Improvement), Mexico
DANIDA	Denmark’s Development Cooperation
DCED	Donor Committee for Enterprise Development
EC	European Commission
ECOWAS	Economic Community of West African States
GIZ	Germany: *Deutsche Gesellschaft für Internationale Zusammenarbeit*
ICFA	Investment Climate Facility for Africa
IDRC	International Development Research Centre
IFC	International Finance Corporation (part of the WBG)
IGAD	Intergovernmental Authority on Development
JICA	Japan International Cooperation Agency
LBER	Local business environment reform
MENA	Middle East, North Africa
NORAD	Norwegian Agency for Development Cooperation
OHADA	*Organisation pour l'Harmonisation en Afrique du Droit des Affaires* or ‘Organisation for the Harmonization of Business Law in Africa’ in English
PPD	Public-private dialogue
RBER	Regional business environment reform
RDB	Regional Doing Business (regional reports using World Bank Doing Business data)
SADC	Southern African Development Community
SDC	Swiss Agency for Development and Cooperation
SDGs	Sustainable Development Goals
SNDB	Subnational Doing Business (subnational reports benchmarking World Bank Doing Business data at the subnational level)
SECO	Swiss State Secretariat for Economic Affairs
UNCTAD	United National Conference for Trade and Development
WBG	World Bank Group

1 Introduction

1.1 Background

In 2008, the DCED published guidelines on business environment reform (DCED 2008). These guidelines provide a valuable overview of good practices in business environment reform (BER). They define the business environment as a sub-set of the investment climate, consisting of a complex of policy, legal, institutional, and regulatory conditions that govern business activities. This definition includes the nature of the relationship between public, private and civil actors and how these actors interact. Where the investment climate has an overall effect on private sector activities, the business environment is directly affected by government decisions at national, provincial and local levels.

Developing country governments, with the support of donor and development agencies, undertake BER because of the significant influence this has on the development of the private sector, leading to economic growth and the generation of livelihoods and the creation of jobs. BER changes the behaviour of private enterprises by:

- Reducing business costs: so firms are able to increase profits so that these may be further invested to increase market share so that output and employment is increased;
- Reducing risks and uncertainty: by improving the quality and stability of government policies, laws and regulations in order to reduce the cost of capital and increase the number of attractive investments in the market; and
- Increasing competitive pressures: firms become more competitive by making market entry easier and by stimulating the efficiency and innovating incentives of the market.

The Donor Guidance recognises a number of ‘functional areas’ of BER that donor and development agencies have typically focused on. While BER can focus on general business environment issues, most reforms are concentrated on one or more of the following:

- Simplifying business registration and licensing procedures;
- Improving tax policies and administration;
- Improving labour laws and administration;
- Improving the overall quality of regulatory governance;
- Improving land titles, registers and administration;
- Simplifying and speeding up access to commercial courts and to alternative dispute resolution mechanisms;
- Broadening public-private dialogue processes with a particular focus on including informal operators, especially women;
- Improving access to market information; and
- Enabling better access to finance.

1.2 Relevance of Local and Regional Reforms

While BER typically occurs at the national level, the DCED Guidance describes how reforms can also be undertaken at a regional or supra-national level (i.e., comprising more than one nation state in a geographic region) as well as at local levels (i.e., within subnational jurisdictions). While the objectives remain the same (i.e., to reduce costs and risks, and increase competitive pressures) the functional areas of regional and local BER may differ. Thus, the DCED Business Environment Working Group initiated a review entitled, Beyond National Business Environment Reform, to better understand the issues affecting support for BER at regional and local levels and to identify best practices in this field.

There are many reasons donor and development agencies may support BER at local and regional levels. This review examines these reasons and looks at how an increasing number of agencies combine local, national and regional BER programs. While local BER (LBER) may focus on issues such as local licensing and permits and local taxes and levies, depending on the powers of subnational authorities, regional BER (RBER) often focuses on reforms allowing businesses to produce and trade more easily with their neighbours and among other international markets. This includes, in particular, support to trade facilitation and regulatory cooperation and harmonisation in areas related primarily to the conduct of business, but also in relation to trade-related infrastructure (e.g., transport, energy).

1.3 The Review

The DCED commissioned Simon White, an independent consultant, to undertake this review, which has two objectives: First, to identify BER experiences at regional and local levels. Second, to present a first collection of good practices and lessons learnt.

This work was undertaken in two stages.

The first stage was a scoping exercise, designed to define the parameters of the project and to frame the research questions. This involved an email survey of interested donor and development agencies. Fourteen agencies responded to the survey and a draft Scoping Report was presented and discussed among the DCED's Business Environment Working Group.

The second stage involved a more in-depth review of local and regional BER programs as well as interviews with key informants. Annex 1 contains a list of all respondents covering both stages.

This report is the final review report. It presents the full findings of the project.

2 Taking Reform Beyond and Within National Boundaries

This chapter provides a brief overview of the support donor and development agencies are providing to local and regional BER.

While it is difficult to map over time, there appears to be a general increase in the range of donor and development agency funded BER programs operating at regional and local levels. This does not appear to be occurring at the expense of national programs. Instead, local and regional BER efforts are developed to complement national programs.

Working at regional and subnational levels provides a uniquely different perspective to BER, not afforded to national level work. While all forms of regional and subnational reform typically involve national government authorities to some degree, the focus of regional or subnational reform is unique and significant.

There are many examples of donor and development agencies pairing national BER programs with regional or subnational BER programs. In some cases, donor agencies support BER at all three levels. For example, in East Africa, Danida supports trade facilitation in the region through its support to TradeMark East Africa (TMEA), as well as national BER in Tanzania (BEST-Dialogue) and local BER in the Dodoma region of Tanzania through the Local Investment Climate project.

2.1 The Functional Areas of Local and Regional BER

Figure 1, below, provides a summary of the focus local and regional BER programs have in terms of the functional areas identified in the DCED (2008) Donor Guidance.

This figure shows how LBER tends to focus most on:

- Simplifying business registration and licensing procedures: this includes support for decentralisation programs, e-regulation;
- Improving tax policies and administration: this includes support for decentralisation and tax simplification;
- Improving the overall quality of regulatory governance;
- Improving land titles, registers and administration;
- Broadening public-private dialogue processes with a particular focus on including informal operators, especially women; and
- Enabling better access to finance.

Only a few respondent agencies indicated they were supporting local reforms focused on simplifying and speeding up access to commercial courts and to alternative dispute resolution mechanisms. This is discussed in more detail in the following chapter. In addition to the above functional areas, agencies supported capacity building of local authorities and business membership organisations.

Figure 1: Agency support for BER in Functional Areas — Regional and Local

BER Functional Areas (1)	**Local BER**	**Regional BER**
Simplifying business registration and licensing procedures	Danida GIZ Netherlands (e.g., e-regulation-project in Benin, via multi-donor facilities and programs) SDC (e.g., decentralisation) USAID UNCTAD World Bank Group	
Improving tax policies and administration	Danida GIZ SDC (e.g., decentralisation) SECO (e.g., tax simplification in Colombia) USAID UNCTAD World Bank Group	
Improving labour laws and administration	Danida	IDRC (e.g., research into labour practices)
Improving the overall quality of regulatory governance	Danida DFID (e.g., local regulations and planning) SDC (e.g., support to public regulators and utilities) SECO (e.g., overall quality of regulatory governance (Colombia construction sector) UNCTAD World Bank Group	Canada (e.g., regulatory cooperation and harmonization) GIZ (e.g., regional approaches to business regulations such as SPS and TBT standards, Intellectual Property Rights, Competition Policy) UNCTAD (e.g., impact of regulations on entrepreneurship)
Improving land titles, registers and administration	Danida DFID SECO UNCTAD World Bank Group	
Simplifying and speeding up access to commercial courts and to alternative dispute resolution mechanisms	GIZ World Bank Group	UNCTAD
Broadening public-private dialogue processes with a particular focus on including	Danida GIZ	

informal operators, especially women	SDC (e.g., supporting business organisations in dialogue)	
Improving access to market information	Danida	
Enabling better access to finance	Danida	
Other: Trade Facilitation	GIZ (e.g., quality infrastructure) SDC (e.g., support to public utilities)	Canada DFID EC (e.g., economic partnership agreements and regional trade agreements, cross border infrastructure) GIZ (e.g., strengthening regional organisations, optimising customs and trade procedures, regional branding, stakeholder dialogue) Netherlands UNCTAD World Bank Group
Other: Capacity building	Danida JICA Netherlands UNCTAD	
Other: Investment agreements		UNCTAD
Other: Technology and innovation	UNCTAD	
Other: Competition laws		UNCTAD

SOURCE: Author survey of donor and development agencies, 2016.

Note: The World Bank Group's support for BER is spread across a range of organisational units. The work reviewed in this report largely focuses on the Investment Climate Unit and the Development Economics Vice Presidency.

Many agencies are involved in regional programing of their BER support, which is different from RBER. While RBER focuses on the region's business environment, regional programing focuses on national reforms within the region, and possibly even subnational reforms. Thus, while RBER is often likely to involve national level reforms (e.g., customs reforms) this is done from a regional perspective (e.g., harmonising national trade regimes across the region).

Where they exist, RBER programs focus on a range of functional areas, as the above figure shows. Chief among these are regional economic integration and trade facilitation. However, RBER was also found to deal with:

- Simplifying business registration and licensing procedures;
- Improving tax policies and administration;
- Improving land titles, registers and administration;
- Simplifying and speeding up access to commercial courts and to alternative dispute resolution mechanisms;
- Broadening public-private dialogue processes with a particular focus on including informal operators, especially women;
- Improving access to market information; and
- Enabling better access to finance.

2.2 Agency Engagement in Local and Regional BER

Most donor and development agencies design thematic products or programs to support BER. Figure 2, below, provides a summary of kinds of ways respondent agencies are engaged in support for local and regional BER.

Figure 2: Level of agency engagement in local and regional BER

Agency	Local BER	Regional BER
Canada	Quality of governance Public private dialogue Improving market access	Regional programing (e.g., Canada-Americas Business Environment Reform project, Pan Africa Sustainable Economic Growth Strategy, Pan Africa Regional Development Program Strategy) Support for regional Subnational Doing Business studies (e.g. Central America and the Caribbean)
Danida	Responding to practical problems of businesses (e.g., local government services, local regulation). Capacity building for business advocacy of business membership organizations.	Improving access to markets (including access to expertise, technology and finance) Regional economic integration Regional quality infrastructure Trade facilitation
EC	Capacity building for local authorities Public private dialogue Micro-finance programs Women's economic empowerment	Aid for Trade Special economic zones Value chain improvements Women's economic empowerment Support for regional Subnational Doing Business studies (Lagging Regions project)
GIZ	Local business environment surveys Local one-stop-shop	Facilitating regional integration, including policy, legal and regulatory standardisation and harmonisation (e.g., SPS and TBT

	Local PPD PPD on the simplification of business registration Quality infrastructure Regional development strategies Simplification Business Permit and Licensing System	standards, IPR, Competition) Trade agreements Publications on 'vertical cooperation' (i.e., linking regional and national reforms)
IDRC	Impact evaluations on local "business simplification" Local e-governance initiatives	-
JICA	One Village One Product program Local sectors and cluster support (e.g., National Industry Cluster Capacity Enhancement program)	Capacity building to regional organisations (e.g., Long-term experts to EAC) Special economic zones
Netherlands	Programing through multi-donor facilities and programs (e.g., Investment Climate Facility for Africa, Wold Bank Group) Local e-regulation initiatives	Regional trade facilitation (e.g., Trade Mark East Africa, TMEA, and Accelerating Trade in West Africa, ATWA) Programing through multi-donor facilities and programs (e.g., Investment Climate Facility for Africa, Wold Bank Group)
Norad	Local BER focused on sector initiatives (e.g., oil, renewable energy, fish, agriculture) Programing through multi-donor facilities and programs (e.g., Investment Climate Facility for Africa, Wold Bank Group)	Programing through multi-donor facilities and programs (e.g., Investment Climate Facility for Africa, Wold Bank Group)
SDC	Decentralisation Local value chains and M4P approaches	Regional economic development
SECO	Support for subnational Doing Business Reports Addressing local business environment problems	Support for regional Doing Business reports (e.g. South East Europe)
UK DFID	Livelihoods and market systems programs Urbanisation processes and role of cities	Regional programing Facilitating regional trade
UNCTAD	Decentralisation – entrepreneurship, e-governance and technology policies	Regional perspectives on entrepreneurship, competition, trade and investment
USAID	Development and use of local BE indicators (e.g., Vietnam Provincial Competitiveness Index) Women's economic empowerment Support for subnational Doing Business	Women's economic empowerment Support for regional Subnational Doing Business studies

	studies	
WBG	Subnational Doing Business reports and reforms Range of local BE issues WBG works with cities, districts, provinces, and autonomous regions	Regional Doing Business reports Regional integration

SOURCE: Author survey of donor and development agencies, 2016.

Donor and development agencies are increasingly formulating multi-layered responses to the problems private enterprises face. By supporting regional, national and local level programs, these interventions complement and mutually support each other. Each level of reform presents a unique perspective from which to better understand and respond to the constraints and opportunities for private sector development.

2.3 Evidence of Impact

This review has not found any evidence comparing the impact or effectiveness of local or regional BER programs with national BER programs. Thus, it is not possible to assess whether local or regional programs have a greater or lesser impact.

There is a variety of evidence dealing with specific business environment topics, such as trade facilitation (e.g., Moïse & Le Bris 2013, Topalova 2010) and business registration. For example, Bruhn (2011) studied the impact of a business registration reform program in Mexico, which simplified local business registration procedures and reduced the time required to register an enterprise at the municipal level from 30 to two days.[1] Similarly, Ellis, *et.al.,* (2006) evaluated the issuing of local licenses in Entebbe, Uganda and found reform reduced time spent on registering a business by 90 per cent and compliance costs by 75 per cent, while local revenue collection increased by 40 per cent.

Despite the lack of evidence comparing the effectiveness of national BER with regional or subnational reforms, many respondents said the anecdotal evidence was compelling. They were very enthusiastic about regional and subnational reforms and spoke passionately about these fields being an important and relevant focus of BER. There was some admission that local and regional BER takes time. At the regional level, especially, a lot of funds are invested into travel and meetings and it can be hard to convince ministers and taxpayers these funds are well spent.[2] Despite this, the practitioners interviewed expressed very strong support for the benefit of reform support at this level.

There does not appear to be a substantive difference in the outcomes and impacts of reforms based on their local, national or regional nature. Instead, evaluations of reform efforts appear to focus on specific functional areas (e.g., business licenses, taxation,

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1 Also see Kaplan, *et.al.,* (2011).

2 In East Africa the TradeMark East Africa program established a video conferencing system, which has proved useful for regional meetings and has gained popularity, especially among ministers who have little time for travel. This has effectively reduced some program costs.

construction permits, removal of non-tariff barriers to trade) or on issues such as capacity building and public-private dialogue (PPD).

2.4 Local and Regional Reforms and the SDGs

Many donor and development agencies ask: how can local and regional BER be used to contribute to the Sustainable Development Goals (SDGs)? The recent adoption by the United Nations in 2015 of the SDGs presents a call to action for governments and business around the world (United Nations 2015). The new goals came into effect on 1 January 2016 and guide the government development decision making over the next 15 years. The SDGs should also influence the decisions of business and private sector development.

The SDGs affect private sector development in two ways. First, they contain goals that address the development of the private sector, both directly and indirectly. Second, they provide a clear direction for the private sector to become engaged in the full implementation of the SDGs.

The SDGs call for the integration of economic, social and ecological objectives and policies. This demands the alignment of private sector and industry development policies with economic, social and ecological objectives and integrated into development policies and programs that stimulate sustainable development. While the SDGs highlight the role private enterprise can play in transforming markets to achieve sustainable development outcomes, the role of government and public policy is not dismissed. Indeed, the role of public policy in achieving sustainable development is clearly recognised. To this end, the Organisation for Economic Cooperation and Development (2013) and the United Nations Environment Program (2011) describe how green growth can be placed at the heart of development and describe how a wide range of crosscutting themes can be integrated, including policies to scale up private sector investment in resource efficient and more resilient, greener sector practices. Both these documents provide overarching recommendations, which include the role of local institutions, regulations and incentives for green growth. The DCED has established a substantial knowledge base on PSD and green growth.[3] Also see the International Labour Organization's Green Jobs program.[4]

Overall, respondents were not able to highlight specific examples of relevance linking the SDGs with local or regional BER. However, this issue is featuring more strongly in donor programing and it is likely to emerge as an issue requiring further research.

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3 Go to: http://www.enterprise-development.org/implementing-psd/green-growth/

4 Go to: http://www.ilo.org/global/topics/green-jobs/lang--en/index.htm

2.5 Gender and Local and Regional BER

This study included an examination of the role of gender. It asked: to what extent are barriers different for men and women? How are they different and how do we effectively measure those differences?

There was general recognition among respondents of the role gender plays in BER at all business environment levels. The European Commission and the United States Agency for International Development (USAID) are supporting women's economic empowerment programs at regional and subnational levels, while the technical cooperation programs of Denmark (Danida), Germany (GIZ) and Switzerland (Swiss Agency for Development and Cooperation, SDC, and Swiss State Secretariat for Economic Affairs, SECO) indicate they are supporting the improvement of local public-private dialogue (PPD) processes, which include improvements in the participation and representation of women. In some countries, Denmark supports capacity building of women led business membership organizations that specifically work towards economic market integration of women.

There is a general demand for greater awareness among local and regional BER partners of the influence of gender on identifying local and regional business environment constraints and barriers. These are challenges facing public officials and business representative structures alike.

Being aware of the gender dimensions of BER and incorporating these challenges into reform programing is also a challenge for donor and development agencies. For example, Jobes (2010) found TMEA to be overlooking the concerns of gender in its regional trade and border audits. However, TMEA appears to have subsequently responded to these concerns and ensured gender is integrated into its programing and evaluations. TMEA funded the East Africa Women in Business Platform and Women in Cross-Border Trade program in 2011, dealing with formal and informal women traders, respectively. See Annex A.3.13 for further details.

In October 2015, TMEA launched a US$4.5 million Women and Trade program. Funded by the Kingdom of the Netherlands, the program targets 25,000 women traders in Uganda, Kenya, Rwanda, Burundi, Tanzania and South Sudan. After one year of operation, a second five-year phase is envisaged for 2017 costing US$ 15 million.[5] Frank Matsaert, TMEA's chief executive officer, is reported to have said, it is "important to continually advocate for balanced frameworks and policy change that will nurture the growth of women in cross border trading…. Women's inclusion is very important to improving the region's overall business competitiveness." [6]

[5] For more information on TMEA's gender programing go to: http://gender.trademarkea.com

[6] TradeMark East Africa (2015) "TradeMark East Africa commits USD 4.5 million to empower women entrepreneurs in East Africa" 15 October 2015, accessed 20 May 2016: https://www.trademarkea.com/news/trademark-east-africa-commits-usd-4-5-million-to-empower-women-entrepreneurs-in-east-africa/

3 Local Business Environment Reform

Many donor and development agencies cite subnational or local BER as important because of its proximity to the private sector. Local municipalities and other subnational government entities often have the power to introduce legal and regulatory provisions with the effect of severely inhibiting business growth. These costs to doing business can vary dramatically from one location to another. In addition, they can accumulate and become very difficult for businesses to navigate. Furthermore, in some jurisdictions, subnational government authorities have an important role to play in the implementation of national policies and programs, as well as in the enforcement of national laws and regulations.

3.1 Focus of LBER

Donor and development agencies support LBER through programs focussing on most of the functional areas defined in the Donor Guidance. The more common are:

- Simplifying business registration and licensing procedures: this includes support for decentralisation programs, e-regulation);
- Improving tax policies and administration: this includes support for decentralisation and tax simplification);
- Improving the overall quality of regulatory governance;
- Improving land titles, registers and administration;
- Broadening public-private dialogue processes with a particular focus on including informal operators, especially women; and
- Enabling better access to finance.

Only a few respondent agencies indicated they were supporting local reforms designed to improve access to new markets. While there are local issues affecting trade, most of these reforms focus on regional market integration, improving cross-border trade and broader trade and competitiveness issues. These issues are explored further in the following chapter dealing with RBER.

LBER does not typically focus on simplifying and speeding up access to commercial courts or introducing alternative dispute resolution mechanisms. These functional areas are often left to national judiciaries. However, there are federal state examples, where state governments undertake these reforms (e.g., the GIZ in Nigeria has supported state government reforms in this area).

In addition to the above functional areas, donor and development agencies often support capacity building programs for local authorities and local business membership organisations.

All Doing Business indicators (discussed later in this chapter) have a time component (e.g., starting a business, construction permits, registering property, paying taxes, trading across borders, enforcing contracts, and resolving insolvency) and typically have a subnational dimension. The extent of this dimension varies hugely across indicators and depends on what level of government designs and enforces regulations. Indicators likely to have a considerable subnational dimension are construction permits, starting a business, registering property, getting electricity, and trading across borders. This is less so for other indicators, such as paying taxes, enforcing contracts, and resolving insolvency. However, even in the most centralised country-context, the poor performance on enforcing contracts may be driven by poor court administration techniques in the courts of a specific city and not by policies or laws set at national level.

The mapping of donor and development agency support for LBER found a wide range of reform topics. This included:

- Responding to practical problems of businesses;
- Quality of governance;
- Public private dialogue;
- Improving market access;
- Capacity building for local authorities;
- Micro-finance programs;
- Women's economic empowerment;
- Quality infrastructure;
- Impact evaluations on the simplification of local business laws and regulations;
- Local e-governance and e-regulation initiatives;
- Urbanisation processes and role of cities;
- Decentralisation programs;
- One Village One Product program;
- Local sectors, value chains, livelihoods, market systems and cluster support;
- Supporting local BE indicators (including subnational Doing Business Reports); and
- Programing through multi-donor facilities and programs (e.g., Investment Climate Facility for Africa, Wold Bank Group).

A key issue affecting LBER is the authority assigned by nation states to their subnational entities. Many respondents highlighted the importance of an early assessment of the devolution of powers to subnational governments and an examination of the extent and clarity of these powers. Federal systems typically devolve significant powers to state governments. These powers are usually well laid out in the national constitution. However, other levels of government (e.g., local authorities, village councils) may not be constitutionally determined and the limits of their authority may be unclear or subject to frequent changes. Unitary systems may also face these problems to a greater or less extent.

Furthermore, certain central government functions may be in the process of devolution or decentralisation, making it difficult to precisely determine the political, administrative and financial control a subnational authority has over a specific function area.

3.2 Globalisation and the Importance of Local Governance

As national markets become more integrated into the global economy, the significance of the local appears to be growing. Within this context, greater attention is given to the role of subnational government authorities and, in particular, to urban economies and city governance (for example, see Department for International Development 2010).

In their study of foreign direct investment and competitive cities, Juni Zhu, *et.al.,* (2015) suggest that, while the legal and regulatory framework is usually determined at the national level, city entities function within these national frameworks and have significant potential to change the dynamic of the local economy. Examples of regulations, policies and administrative procedures at both levels are illustrated in the figure below.

Figure 3: National and City Influences on Investment

National	**City**
Trade/Investment agreements	Local one-stop shops
Export/Import licenses	Construction permits
Customs	Technical certificates
Visas	Activity licenses
Company registration	Property registration
Foreign purchase or lease of land permits	Land use certification
Sector incentives	Local incentives
Foreign-direct investor sector restrictions	
Income taxes	

SOURCE: Juni Zhu, *et.al.,* (2015, 11)

Of course, cities are not the only subnational entities local reform programs work with. Depending on the country, there may be other players at subnational level, such as state governments in Mexico, autonomous communities in Spain, and regional governments in Italy. Even port authorities can be involved in driving and managing local reform efforts. These entities can have an important role in the business and regulatory environment and may be responsible for huge differences in the business and regulatory environment at subnational level.

Juni Zhu, *et.al.,* (2015) describe how city entities can lobby their central government for changes and improvements in conditions for foreign direct investment, which is decided at national level (e.g., customs, export and import licenses, visas). However, city-based investment promotion agencies may play a strong role in fast-tracking investment procedures at the city level (e.g., through the issuing of businesses licenses and construction permits). Even under the same overall regulatory framework, differences in the performance of local administrative and regulatory bodies can make an important difference to investment levels.

Figure 4, below, examines the influence of local control over investment decisions more closely. It identifies the factors local authorities have most control over as ‘soft power’, used to describe the image of the city, local leadership (e.g., presence of a proactive mayor), along with the presence of proactive and responsive investment promotion intermediaries. Other factors include local infrastructure, the availability of land, and fiscal and non-fiscal ‘sweeteners’ or incentives.

Figure 4: Major factors foreign investors consider when they make location decisions

Category	Factor	Local Control
Location endowment	Proximity to major markets/distributors	N
	Natural resources	S
Relationship with city	Personal connections between firm and city	N
	"Soft power": city image, proactive mayor, proactive and responsive investment promotion intermediaries	F
General business environment	Macroeconomic stability and growth potentials	N
	Institutional and regulatory environment	S
	Labour availability, skill, and cost	S
	Infrastructure and availability of land	F
	"Sweetener": fiscal and non-fiscal incentives	F
Level of sector development	New opportunities due to a neighbouring country or city moving up the value chain	N
	Presence of forward- and backward-linkages firms	S
	Presence of similar firms/competitors	S

Level of Local Control: **N** = None, **S** = Some, **F** = Full.

SOURCE: Juni Zhu, *et.al.,* (2015, 9-10)

Hindson and Meyer-Stamer (2007) use the term 'locational quality' to define the range of factors that make a location attractive for business. Locational quality is "the result of market processes, government intervention and collective action". While on the one hand, they argue locational quality involves a "more holistic perspective" than national BER, on the other hand, they claim it has a "narrower perspective due its focus at a local or regional territory".

Critiquing LBER approaches through a local economic development framework, Hindson and Meyer-Stamer (2007) describe in Figure 5, below, how LBER is considered an expert-based reform process based on traditional research methods. In contrast, local economic development is treated as a broadly participatory process, involving local actors and emphasising action-learning methods. While it could be argued that the processes associated with LBER have evolved in the last decade and have incorporated greater levels of public-private participation and lesson learning, there remains value in identifying how local economic development processes intersect with LBER. Indeed, there appears to be significant opportunity to highlight those areas where LBER approaches can be used to complement and support local economic development.

Figure 5: Comparing Local BER and LED Approaches

Local Business Environment	Participatory LED approaches
Diagnosis • External expert based • Documentary sources & survey methods • Lengthy, slow and costly • Diagnostic capacity not transferred substantially to local actors	Diagnosis • Little attention to traditional research methods • Participatory appraisal of competitive advantage • Rapid, low cost, high capacity transfer to local actors
Dialogue • Seen as a distinct stage following diagnosis • No clear follow up strategy to ensure action	Dialogue • Not seen as a distinct stage in process • Built into all phases from diagnosis to M&E
Prioritisation of actions • Experts provide recommendations • Experts provide detailed reform plans	Prioritisation of actions • Participatory • Flows from diagnosis • Involves local actors • Based on quick, visible results
Implementation • Carrying out of detailed plans • Reliance on external expertise • Time consuming	Implementation • Action flows directly from diagnosis • Incremental, cumulative, self re-enforcing change
Monitoring and evaluation • Objective indicators tied to plans • Amendments to plan based on indicators	Monitoring and evaluation • Participatory • Focus on learning • Continuous feed back & adjustment

SOURCE: Hindson and Meyer-Stamer (2007)

LBER is characterised by its focus on local business environment issues. These may be the result of local business environment assessments, such as the World Bank Group's SNDB project or from a specifically designed local assessment process. For example, Figure 6, below, presents a wide range of issues identified by OPTIMUS in Serbia.

Figure 6: Serbia: Local Business Environment Concerns

In Serbia, the agency known as OPTIMUS identified a number of problems with the local business environment:

- Inefficient administration, slow, costly and complicated administrative procedures;
- Non-effective legislation adopted on both the national and local level;
- Differences between local governments in implementing national legislation and in quality and effectiveness of public services;
- Lack of transparency and access to information for businesses, enabling bribery and corruption;
- Undeveloped vertical linkages in consultation process of adopting SMART regulations;
- National authorities lack information on local economic development priorities, institutions, practices and results in each local government – no tracking system and coordination in place;
- Lack of analytical basis, quality and quantity of data on investment opportunities and local potentials, most municipal websites poor, most are not in English, low level of investment promotion at the local level, poor local knowledge and capacities for fulfilling the needs of investors and implement the new Investment Law;
- Poor human capacities for introducing and accelerating improvements, resistance to change in administrations, lack of institutionalized capacity building process for local public employees;
- E-solutions in providing public services still rare and poor;
- Rare one-stop-shop solutions and ex officio exchange of documents between public authorities (obligatory by the Law);
- Lack of planning documents;
- Lack of transparent mechanisms of communication and cooperation with the business community;
- No mechanisms for monitoring and evaluation of practices and initiatives, and their impacts on business sector.

SOURCE: Pavlović (2015)

Some respondents to this review described how LBER is typically very ‘practical’ in its focus. It deals with issues affecting the local business sector and its results are more tangible, more directly experienced by the business sector, than many national BER results. Practitioners have also described a stronger focus on lesson learning and the sharing of information across local jurisdictions.

The Tanzania Local Investment Climate project has highlighted the importance of outreach and communication. Local business environment concerns should be shared with national agencies (e.g., national chamber of commerce and other business associations, as well as the national local government association). This helps to bring local business environment issues to the attention of national BER processes.

3.3 Local Business Environment Assessment

Over the last decade, increasing attention has been given to the role of the local economy in national economic growth and development. As nationally oriented business environment assessment tools have been refined, such as the annual World Bank Doing Business Reports and the World Economic Forum Global Competitiveness Reports, the demand for subnational data has increased.

3.3.1 World Bank Group Subnational Reports

One of the flagships of a donor-supported LBER program is the World Bank Group's Subnational Doing Business (SNDB) reports. These reports capture differences in business regulations and their enforcement across locations in a single country or region (i.e., group of countries).

The annual global Doing Business assessments have often been criticised for focusing on the business environment of the main political or commercial capital of the country and ignoring local differences. In more recent years, Doing Business has sought to capture data from two major cities in countries with more than 100 million inhabitants, but this still does not go far enough to measure the significant variations found between the major urban centres and other locations. The SNDB project attempts to address this problem.

In parallel to the introduction of the SNDB project, the World Bank Group piloted a number of Rural Investment Climate surveys to identify local business environment constraints and barriers. For example, in 2006 some 3,000 firms and household enterprises were surveyed in Indonesia in six Kabupaten localities: Malang, Sumbawa, Barru, Kutai, Badung, and Labuhan Batu (see McCulloch 2014).

Where the national Doing Business report presents a birds eye view of the national business environment, the SNDB reports aim to get a more granular, locally sensitive understanding of the business environment as it affects business owners and managers across the country. There is also a greater emphasis on identifying lessons from local reform experiences and sharing these with other subnational authorities across the country.[7]

SNDB provides data on the ease of doing business in specific locations and ranks each location. It recommends reforms to improve local performance in each of the indicator areas. In 2015-2016, the World Bank Group undertook Subnational Doing Business studies in the Dominican Republic, Poland, South Africa, Spain and six countries in Central America. On-going studies include those in Afghanistan (five cities), Kenya (ten cities), Mexico (31 states and Mexico City) and the United Arab Emirates (three emirates).[8]

The figure below lists the range of SNDB reports produced since 2006.

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7 An informative YouTube video on the SNDB project is worth viewing: 'Subnational Doing Business' (3:23 minutes) accessible from the [SNDB page](#) under Multimedia

8 Subnational reports are available on the Doing Business website at https://www.doingbusiness.org/en/reports/subnational-reports

Figure 7: List of Subnational Doing Business Reports

Reports from 2015 • Poland • South Africa • Spain • Central America and the Dominican Republic Reports from 2014 • Nigeria • Mexico • Egypt Reports from 2013 • Colombia • Italy Reports from 2012 • Hargeisa • Kenya • Russia • Mexico • Indonesia Reports from 2011 • South East Europe • Juba • Philippines Reports from 2010 • Colombia • Indonesia • Kenya • Pakistan • Zanzibar	Reports from 2009 • India • Mexico • Russia • Veneto Reports from 2008 • China • Colombia • Egypt • Morocco • Nigeria • Philippines • South East Europe Reports from 2007 • South Asia • Mexico Reports from 2006 • Brazil • Mexico

SOURCE: World Bank Group, Subnational Doing Business, Accessed 15 May 2016
http://www.doingbusiness.org/reports/subnational-reports#sub-menu-item-link

In 2014, the SNDB project reported on the case of Nigeria. While Lagos represents Nigeria in the annual global *Doing Business* report, this does not reflect the realities of many private enterprises in such a large federal country. *Doing Business in Nigeria 2008* for the first time went beyond Lagos to measure the regulatory and business environment in the largest business city of ten additional locations. *Doing Business in Nigeria 2010* expanded the study to measure the largest business city of all 36 states and Abuja in the Federal Capital Territory. The 2014 edition, the third in the series of SNDB reports, updates the 2010 data. It focuses on four topics: starting a business, dealing with construction permits, registering property and enforcing contracts.[9] The Nigeria SNDB project has stimulated a

9 These indicators measure the procedural efficiency of a simple business case, by following an entrepreneur from the beginning to the end of a basic regulatory process, recording

range of LBER projects in the country. For example, the German-funded and GIZ-managed Pro-Poor Growth and Promotion of Employment in Nigeria Program contained a component designed to support the creation of an effective and reliable administrative and legal framework for private businesses and investors in three States (i.e., Niger, Ogun and Plateau). This program used the 2010 SNDB assessment as baseline data and sought to improve the performance of the three states in the 2014 assessment. The program also supported the establishment of one-stop-shop investor centres in each state.

One of the first countries to employ the SNDB methodology was Mexico. Since its first assessment in 2006, there have been four additional assessments and significant reforms have been documented. A sixth assessment is underway and will be published in September 2016. A case study of the Mexico SNDB project identifies the report's success in triggering four mutually reinforcing activities (Asia-Pacific Economic Cooperation and International Finance Corporation 2009):

- Competition at the state level: by identifying regulatory and procedural differences among cities and by ranking them according to the ease of doing business.
- Peer-to-peer learning across states: SNDB records reforms and good practices, which provide a platform for states to share their experiences to improve their business environment and their standing relative to themselves and peers.
- Cooperation between different government levels and among different government agencies in order to simplify and centralise procedures: for example, this kind of cooperation is required for the creation of one-stop- shops where users can incorporate their businesses, register property or get operation licenses at the same place.
- Policy innovation within the highest-ranking states: as they face the need to keep improving commercial regulations to maintain their edge relative to their peers.

The SNDB project in Nigeria reinforces these themes. While mapping Nigeria's regulatory environment "proved challenging… the results are worthwhile". The report identifies local regulatory bottlenecks and local good practices, disseminates information on international best practices, and provides important information for reform design and progress tracking. By highlighting local differences in business regulations and enforcement within Nigeria, the report promotes peer-to-peer learning and fosters competition for reform among the states (Papahgi and Sanchez-Ortega 2010).

Increasingly, SNDB reports are used to inform the design of both national and regional BER programs. The World Bank Group has a global network of Indicator-Based Reform Advisors who work with developing country governments to understand and respond to the national and SNDB data. Similarly, more attention is being given to the lessons learned from the SNDB project. See the figure below.

every step and the associated time and cost. The data is based on the relevant laws, regulations, decrees and fee schedules, as well as questionnaires administered through some 430 local experts, including lawyers, business consultants, accountants, architects, building engineers, government officials, and other professionals routinely administering or advising on legal and regulatory requirements.

Figure 8: Lessons Learned from the Subnational Doing Business Case Studies

Kenya (2013)

- Breaking product-line and departmental silos works wonders
- "If it works, don't fix it!" Use existing in-country reform tools and mechanisms, rather than create new ones
- Seize opportunities as they arise when trying to meet client needs
- Anchor reform efforts within broader government programs and strategies
- Engage with the client to achieve full buy-in and commitment
- Encourage peer-to-peer learning and healthy competition to spur reforms
- Empower a high-level cross-ministerial steering committee to oversee the process

Mexico (2007)

- Lessons Learned: How Bringing Benchmarks to the Local Level Empowers Reformers
- Brings a global benchmark to the local level
- Eliminating excuses for a difficult business environment, since the solution is next door
- Local partners and local ownership are essential.
- Avoid the traps of political partisanship
- Get the word out
- Leverages impact, and produces replicable and scalable results

Mexico (2009)

- It's all about commitment — long-term commitment towards reform can lead to policy innovation in property registration and reduce the time and costs of business entry
- Have a credible source of information
- Focus, focus, focus — focus on tackling one type of reform at the time
- Build stakeholder engagement
- Design a marketing strategy
- Hold officials accountable for specific reforms

Nigeria (2010)

- In the absence of a reliable countrywide telecommunications infrastructure, build a team presence on the ground and build local capacity
- Trust but verify... and be prepared to adjust course in midstream.
- Involve the public sector early on to validate your findings and get buy-in
- Choose the right partner: focus on substance first and on simplicity of administration second
- Engage the support of your World Bank Group (WBG) colleagues to manage relations on the ground and maximize project outreach

SOURCE: Kenya: IFC (2013); Mexico 2009: Asia-Pacific Economic Cooperation and International Finance Corporation (2009); Mexico 2007 Capaul, *et.al.,* (2007); Nigeria Papahgi and Sanchez-Ortega (2010)

International Finance Corporation (IFC 2015) documents good practices in the state of Oaxaca in Mexico. Here, in 2013, the World Bank Group and the Federal Commission for Regulatory Improvement (COFEMER) commenced collaboration on local business environment reforms. COFEMER has the mandate to improve the regulatory framework in Mexico, and was pushing for the state government of Oaxaca to pass a regulatory reform law as well as working with the municipality of Oaxaca de Juárez on different initiatives for business regulation simplification. The World Bank Group's provided technical assistance to help COFEMER in this work.

The World Bank Group's SNDB Unit leverages the Doing Business methodology and focuses on capturing local differences in business regulations or in the implementation of national laws. Projects include a strong engagement with national, state and municipal policy makers, development of local capacity and promotion of regulatory reforms through peer-to-peer learning. The Unit's key deliverables include:

- New micro level data comparable across locations in the same country, with 189 economies worldwide and with over 430 subnational cities;
- Customization of indicators built following the Doing Business methodology relevant to specific sectors or activities (e.g., environmental and industrial licenses for SMEs manufacturing steel products in 19 cities across Spain);
- A detailed analysis of regulatory bottlenecks at the national, state and local levels for each location;
- The documentation of local good practices that can be replicated without necessarily introducing new laws at the national level;
- Tailor-made reform recommendations in each area analysed and for each location benchmarked;
- A strong engagement model to build government capacity and motivate reforms; and
- Peer-to-peer learning to disseminate good practices and promote knowledge exchange.

3.3.2 Other Subnational Assessments

While the SNDB project is the most common LBER assessment tool used around the world, there are other agencies with experience in this field.

The Asia Foundation has conducted a series of Economic Governance Indexes in countries throughout South and Southeast Asia. This includes Bangladesh, Sri Lanka, Vietnam, Cambodia, and Indonesia. Economic Governance Indexes are country-specific diagnostic tools used to assess and rank sub-national units (e.g., provinces, states, districts) on various aspects of their regulatory environments. For example, the Asia Foundation project on Provincial Business Environment in Vietnam was instrumental in facilitating sound competition between provinces on pertinent business environment issues. It also contributed to an increase in local and national ownership of the project by the national business membership organization, the Vietnam Chamber of Commerce and Industry, enhancing effectiveness and turning key survey findings into reform-oriented messages for local leaders (see Asia Foundation and Vietnam Chamber of Commerce and Industry 2011 and Hang 2005). Malesky and Merchant-Vega (2011) claim these assessments have become an important tool to provide relevant economic governance information to policy makers, business leaders and citizens. The overall rationale for this tool stems from the idea that good economic governance practices explain why some sub-national units out-perform others in spite of having similar initial endowments.

USAID developed and continue to build from the Vietnam Provincial Competitiveness Index, which also became the base for USAID's work in El Salvador on the Municipal Competitiveness Index.

German Technical Cooperation has had a long involvement in supporting local business environment assessments and reforms. This includes a program in the mid-2000s in the Philippines, which focused on improving local and national business environments. This program introduced a Philippine City Competitiveness Ranking, conducted by the Asian Institute of Management in eight cities. Local business simplification procedures were supported in two cities (Gross 2004).

The World Bank Group's Investment Climate department in Morocco in 2013 conducted another local assessment of note. The project assessed the quality of service delivery at the subnational level in three areas, considered to be critical for the private sector and in which there was, allegedly, a significant discrepancy in regulatory implementation at subnational level. These areas, which were selected through dialogue with a private-public sector platform, the National Committee on the Business Environment, were: VAT reimbursements, public procurement delays, and construction and usage permits. A set of tailored quantitative and qualitative indicators were designed to measure discrepancies in implementation across three cities (i.e., Agadir, Kenitra, and Temara).

The analysis confirmed there were indeed considerable discrepancies across cities, huge variability in processing times, and uneven service delivery associated with high levels of discretion. The analysis of the indicators highlighted:

a. Differences in the quality of service were visible at the point of service (i.e., where there is interaction between the user or entrepreneur and the agency), but the causes of delay were often to be found along the procedural chain;
b. Probability of excessive discretion and uneven service delivery increased with overly formalistic requirements, lack of a risk-based approach, and lack of a clear standards and information base;
c. Need for investment in basic infrastructure (e.g., files and workflow management systems).

The baseline data and findings were used to produce a set of recommendations to reform the laws and breach the implementation gap. The Moroccan authorities used the recommendations to improve the construction permitting process. Further reforms were made to the public procurement process, with new legislation passed in March 2016. A second data collection cycle to gauge whether the implementation gap on permitting has been carried out is underway.

3.4 LBER Partners

Respondents of this review were asked two questions regarding their LBER partners: Which actors should be engaged in local-level BER and who is responsible for what in LBER?

As described in the beginning of this chapter, the choice of partner for LBER is often a result of an analysis of the political and legal powers of subnational government entities.

For example, in many countries, regional authorities perform a strong planning and strategic role, but are less involved in the governance of the business sector. Local municipalities, on the other hand, often wield significant legal and regulatory authority over the local business community and, as a result, are important local partners. Juni Zhu, *et.al.,* (2015, 9) write that “investors always invest locally… It is local conditions that ultimately drive firms’ final decisions, and many of them can be directly influenced by local governments”.

Despite this, the range of possible LBER is broad. Respondents to this study identified the following range of public, private and civil society actors:

- Autonomous local public agencies (OSS, Investment promotion, State Internal revenue agencies)
- Local government authorities and the local chapters of local government associations
- Local business representative organisations
- Local revenue agencies
- Local business advocacy platforms
- Local public utilities
- Local interest groups, including farmers groups
- Local banks
- Local branches of national government ministries
- Local experts
- Non-government organisations
- State government ministries
- Sub-national regional authorities

Most LBER involves working with local partners, such as a local municipality, as well as with relevant national or central government ministries, departments or agencies. This is because LBER often involves some degree of national reform to enable the desired local changes.

One respondent recommended practitioners invest substantial time in mapping the business environment actors to better understand their roles and powers. Many central government ministries, departments and agencies influence the local business environment. The relationship between these central government entities and regional, district, local and village councils and authorities needs to be clearly understood. Variations in the powers of city and town municipalities also need to be understood before reforms are designed.

An important LBER partner is the local business community. This is often represented through a local membership organisation and in many cases these are local branches of a national business representative body. However, this is not always the case.

Many local business representative organisations face the same challenges their national counterparts face. They can lack the organisational, financial or technical capacity to effectively represent and advocate for local businesses. They can also be unrepresentative of the diverse range of women and men who own and manage businesses or all sizes in the area.

A study into subnational level PPD in Tanzania examined the Tanga Regional Business Council and found regular meetings were held, including periodic breakfast meetings, under the auspice of the national chamber of commerce. However, this was not the case in all regions of Tanzania. Typically, PPD was found to be infrequent or non-existent at the regional and district levels (IBM 2013).

The Danida-funded Local Investment Climate project in Tanzania expressed concern regarding the limited trust between the private and public sector. This was either due to historical background of the role of the private sector (i.e., Tanzania's Socialist past) or the negative 'mind-set' of local officials toward the business sector. The project also found the local business membership organisations were very disorganised, weak and with limited skills for presenting a clear case for reform. The project undertook a local business environment study in late 2014 covering four local government areas (i.e., Kigoma, Kasulu, Dodoma, and Kongwa). A priority finding of this study was the lack of PPD. As a result, the project chose to support the establishment and strengthening of regional business councils. To date, the project has supported about eleven regional and district business councils. Through these mechanisms, additional local business environment concerns are identified.

Figure 9: Lessons Learned from the Local Investment Climate Project, Tanzania

Supporting local PPD is not a straightforward process. Each locality is unique. Trust between public and private actors is often lacking and time is required to get dialogue going and to establish a momentum.

It is important to involve local councillors in the implementation of local PPD agreements. Quick buy-in by the local council is important if PPD agreement are to progress. In one example, the Local Investment Climate Project facilitated meetings between Kongwa councillors and the Kongwa district business council to reach an agreement, which all parties signed. These meetings are now held annually, before the local budget process is completed.

While it is important to involve the local private sector in setting by-laws, this rarely occurs. However, there has been some success, over time, in creating local taskforces between local government and local business councils to consider these issues and make joint proposals.

Local PPD does accelerate the reform process. PPD agreements are time-bound and assigned to specific individuals, organisations or institutions for action. These agreements are monitored and report-backs made at each meeting.

Supporting a district business council in one area, has led to a guide for support in other areas. This "model" development has reduced the time and cost taken to support reforms in other localities.

3.5 Key Themes in LBER

There are a number of key themes that emerge in donor and development agency support for LBER. These are briefly presented below with selected examples from programs.

3.5.1 Formalising Local Enterprises — Local Business Registration and Licensing Reform

A common feature to the Subnational Doing Business (SNDB) reports is an assessment of the costs and times required to start a business. While SNDB methodology generally focuses on firms of a particular size and character, the registration process is also a central concern for agencies wishing to reduce the size of the local unregistered and unlicensed business sector. Thus, while business registration and licensing reforms are considered beneficial for the local business community in general, there is often an interest by local municipalities and other authorities to reduce the overall level of firm informality.

The previously cited, the Ellis, *et.al.,* (2006) report on reforms of the local licensing system in Entebbe, Uganda describes an early DFID-funded LBER intervention in this field. This project introduced a simplified trade licensing process in the Entebbe Municipality, involving only the provision of basic information by the business owners, payment of a fee, and immediate issue of the license document – all in one place and time. The reform was found to have brought the following benefits (Development Alternatives and Bannock Consulting 2005):

- A cheaper and shorter process: compliance cost dropped by 75 per cent and was estimated at two per cent of per capita GDP after the reform. Average registration time reduced to 30 minutes, down from two days.
- Better business-government relations: businesses feel that the attitude of the registration staff is much more positive and pro-business.
- More businesses registered: registration levels have improved by 43 per cent. In the first year, four times more businesses registered than in the previous year.
- More government revenue: total revenue collection has increased by 40 per cent through more registrations. Individual businesses pay less on average.
- Reduced administrative costs for government: Entebbe municipality estimates a ten per cent reduction in administrative costs. Administrative time effort by staff is down by 25 per cent. There are reduced waiting lines and hassles for businesses.
- Health and safety inspections more targeted & prioritized: inspectors can now target their visits on high-risk businesses.
- Better knowledge of business profiles and sectors: a new computerized system and improved compliance gives the local authority better information.

These reforms were implemented without changes to national laws, which would have been very difficult and slow to achieve. Instead, other legal means were found to make change. In cases such as this, regulatory barriers to formalization can be reduced without large-scale legal change, but rather through small incremental change.

A number of respondents referred to the need to provide the right incentives to informal businesses. These should be financial incentives as well as behavioural incentives. In this way, informal business owners can see practical benefits to formality.

The World Bank Group (2013) has produced useful resources for practitioners in this field.[10]

3.5.2 Local Construction Permit Reform

The issuing of local construction permits is another common SNDB indicator. The building permit system is a set of laws and procedures that all building practitioners, such as builders, architects, specialised design consultants, and contractors, abide by when engaging in the construction of a new building or in the modification of an existing building that has structural implications. The building permit is the core instrument of the construction regulation system. It grants legal permission to start construction. Local municipalities or a specialised local authority usually grant these permits.

Local building construction reforms are complex. They focus on the relationship between the central authority, which sets the standards, and the local authorities required to enforce them. It is often challenging for central governments to overcome problems such as conflicting policy objectives, difficult communication with municipalities, inconsistent legal enforcement on the ground, weak feedback from end-users and municipal services, limited accountability, constrained resources on the ground, reluctance to innovate on the part of the municipalities, and inconsistent procedures developed by local bodies. Building permit reforms also take time and do not follow a simple blueprint (Moullier 2009).

The Netherlands supported the World Bank Group in its construction permit reforms in Moscow City. Similarly, SECO supports the IFC in Colombia to improve the overall quality of regulatory governance, with a special emphasis on the construction sector. This includes municipal simplification (i.e., simplification of procedures in the issuing of construction permits in different cities) and the introduction of a Green Building Code (e.g., elaboration of local green building codes that could include different types of incentives (tax, procedural).

3.5.3 Local Taxation Reform

Local taxation also features in a number of SNDB reports. Subnational authorities can introduce a wide variety of taxes, fees, levies, licenses, and other revenue-raising instruments; each of which affect the local costs of doing business.

In Colombia, SECO supports an IFC program on improving tax policies and administration. This project supports local tax authorities within a broader national tax simplification program. Similarly, SDC has supported fiscal decentralisation projects in Latin America. This has included LBER dealing with local taxes and public fees.

The Tanzania Local Investment Climate project has described the problems created by multiple taxes imposed on small business by district authorities, which creates an

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10 World Bank Group (2013) *Reforming Business Registration, A Toolkit for the Practitioners*, World Bank Group, Washington DC, available from: https://openknowledge.worldbank.org/handle/10986/17634

World Bank Group (2010b) *How to Reform Business Licenses*, Investment Climate Advisory Services, World Bank Group, Washington DC, available from: https://openknowledge.worldbank.org/handle/10986/27868 unfriendly atmosphere between the local business community and the local government. The project argues for the streamlining of these taxes to promote business growth. For example, local government authorities are authorised to assign a five per cent crop levy on the market price of agricultural products. However, it is unclear how this market price is set and who determines it. Furthermore, the geographical location and associated transportation costs are not accounted for in these calculations.

The World Bank Group (2013) has produced a useful resource for practitioners in this field.[11]

3.5.4 Local Regulatory Reform

Improvements to the quality of local regulation are a focus of LBER. This has included the local application of the red tape guillotine reform methodology.

The World Bank Group Investment Climate Unit supports local efforts to improve business regulation. This involves tackling administrative constraints, improving service delivery and enhancing transparency on business regulations at the subnational level to foster firm productivity, economic growth and job creation. At the subnational level the business regulation work focuses on:

- Promoting regulatory simplification of sector specific licenses and permits for agribusiness, automotive, light manufacturing, tourism, transport sectors, among others.
- Promoting regulatory simplification of permits and licenses linked to establishing operations in industrial zones in specific localities.
- Helping to enable transactional online portals and e-registers of business permits and licenses in any given locality (single-portal for business approach), and improve back-office processes to enable faster issuance of permits and licenses.
- Fostering the improvement of subnational level business inspections from basic scoping and assessment to reorganization, operational changes, risk-based approach and enhancing transparency.
- Assisting with the implementation of national level regulations at the subnational level in areas like construction permitting, including activities related to capacity building, monitoring and evaluation and sharing international best practices.
- Providing a framework to measure and improve service delivery with subnational authorities and in close partnership with the private sector.

In the Western Balkan countries, the IFC implemented the Subnational Competitiveness Program between 2007 and 2010, which was financially supported by the Swiss State Secretariat for Economic Affairs and the Swedish International Development Agency. See Figure 10, below. The program adopted a local 'regulation guillotine' method of reform in

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11 World Bank Group (2010a) *A Handbook for Tax Simplification*, Investment Climate Advisory Services, World Bank Group, Washington DC, available from: https://openknowledge.worldbank.org/handle/10986/28206

order to reduce the costs and time required for the implementation of business administrative procedures, enhance the capacities of local authorities for resolving administrative procedures and issuance of permits, and set up a transparent and legally secure registry of administrative procedures that contains required information for businesses and general public. The first subnational Doing Business report was also conducted over the same period and published in 2008. This project highlights the complementary role played between subnational benchmarking the competitiveness programing.

Figure 10: IFC's Subnational Competitiveness Program, Western Balkan countries

Phase 1: **Preparation of administrative procedures inventory**	Local officials mapped all existing administrative procedures affecting businesses and citizens, and compiled all supporting documentation for the electronic Inventory of administrative procedures.
Phase 2: **Consultations with the business and civil sectors**	Focus groups and workshops were convened for individual entrepreneurs, representatives of business associations, chambers of commerce, and civil society. The consultations produced feedback on the administrative procedures, along with recommendations for simplification.
Phase 3: **Analysis and preparation of recommendations**	In each locality, a working group composed of officials systematically reviewed the inventory, and made recommendations for local and Republic level in terms of: the elimination or simplification of documents, submission forms and steps; elimination of information, shortened deadlines; reduction in related stamp duties and fees, elimination of administrative procedures etc. The working groups took into consideration the recommendations from focus groups and workshops, incorporating inputs of all stakeholders in the decision-making process.
Phase 4: **Adoption and implementation of recommendations**	City and municipal authorities adopted recommendations and relevant legal acts; new Internet-based Registries of administrative procedures were established in each locality and a system of quality control was introduced to monitor new regulations.

SOURCE: Živković, *at.al.,* (2015)

These reforms continued beyond 2010 and after the IFC's program concluded. The regulatory reform work has continued under the auspice of the Standing Conference of Towns and Municipalities—*ubaci drugi deo naziva SKGO*—the national association of local authorities in Serbia. This program, conducted in collaboration with SECO and the OPTIMUS-Centre for Good Governance, is titled Improving Environment for Businesses at Local Level Through Regulatory Reform. It aims to improve the local business environment by "simplifying unnecessary, complicated and non-transparent administrative procedures and enhancing the general regulatory framework, striving to ensure a solid implementation of regulations in the future, and to prevent the adoption of regulations that would unnecessarily burden the business sector". The program focuses on achieving (Živković, *at.al.,* 2015):

- Simplified and cheaper issuance of licences, permits, decisions and approvals upon the request of businesses;

- Created sustainable regulatory mechanism for passing high-quality local regulations that will ensure low costs and operating risk; and
- Increased transparency and efficiency of local public administration through an electronic registry of all administrative procedures of the local self-government.

The United National Conference for Trade and Development (UNCTAD) conceived a web-based e-government system to help developing countries and countries in transition work towards business facilitation through transparency, simplification and automation of rules and procedures relating to enterprise creation and operation. This system contributes to greater transparency and efficiency in the public service, improved governance and cost reductions. While this program has mainly been introduced at a national level, it has been introduced to the City of Moscow with notable success.

USAID has focused on what services local governments provide (e.g., registration, licensing, IDs, local taxation) and how well they provide these. This has occasionally been done through improved service centres with improved business processes, as in Georgia, Bosnia and Morocco.

3.5.5 Local Investment Policy and Promotion

The World Bank Group (WBG 2010) provides advice to subnational authorities on local investment policy and promotion. While national investment policies and programs, and the efforts of national investment promotion agencies have a major role to perform in this field, there are actions local entities can take. This includes the development of local one-stop-shops for investors, the creation of special economic zones, and the streamlining and facilitation of local regulatory and administration systems.

Subnational development, says the WBG (2010, 60) “is likely to be better achieved by addressing the investment-limiting factors in the region itself, for example, by improving infrastructure, lowering administrative barriers, and simplifying investment regulations”.

The WBG Investment Policy and Promotion Group of the Investment Climate Unit helps subnational authorities develop and implement strategies to better retain and grow investment, promote economic development and create jobs. Its partners include heads of city and local governments, economic development or other special units in mayoral offices, or subnational entities interacting with investors.

The Investment Climate Unit contributes to the subnational agenda by focusing on investment policy and promotion. Investment policy and promotion reforms help developing economies better integrate their private sectors with global and regional value chains, and better retain and attract FDI. Reforms address the legal, regulatory, and administrative impediments to investment both at the national and at the subnational level. They also promote steps towards maximizing the potential benefits of foreign direct investment and its interaction with the domestic economy to foster sustainable development. At the subnational level this work follows the investment lifecycle:

- Investment strategy: Preparing development-oriented investment policy reforms by helping subnational authorities clarify objectives, prioritize and design an investment policy reform agenda, and implement reforms leading to measurable outcomes.

- Investment entry and establishment: Supporting subnational governments address legal, regulatory, procedural and de facto barriers to business entry and start-up.
- Investment attraction and incentives: Defining policy and institutional arrangements conducive to the attraction of foreign direct investment. Such support includes proactive investment promotion efforts, sector targeting, outreach, and investor aftercare. It also covers support in improving the effectiveness of investment incentives, working with subnational governments to identify how incentives can better contribute to investment growth as well as other policy objectives (such as fostering linkages, skills upgrading and diversification).
- Investment protection: Strengthening investor confidence to help clients retain and expand foreign direct investment through measures addressing unlawful expropriation, protection against internationally recognized arbitrary actions or payment transfers, and currency convertibility. At the subnational level, this includes minimizing investment risks by promoting best practices in conflict management and risk mitigation.
- Domestic value addition, linkages and spill-overs: Promoting good practices in investment policy to foster linkages and spill-over effects of foreign direct investment to local economies.

In Kosovo, the Swiss-funded Promoting Private Sector Employment program supported a new market system process for the coordination of three municipalities in strategic tourism planning by creating the Destination Management Organization, known as 'West of Kosovo'. This organization combined municipal contributions with funds raised through a specifically created business-membership organization with some thirty members and a cooperation agreement between the University Haxhi Zeka of Peja/Peć, and the University of Luzern (Swiss Cooperation Office 2016). The Swiss Cooperation Office (2016) found it was too early for Kosovo to attract international tourists and instead, should focus its efforts on developing the local and regional market, improving and strengthening the local offer and tourism micro, small and medium-sized enterprise capacities so they can compete in the international market.

3.5.6 Local Land Reform and Local Area Planning

A key question for practitioners concerns the extent to which LBER is integrated with the other local economic development instruments, such as land use zoning and town planning.

The improvement of local land titling, registration and administration is feature of a number of LBER programs. For example, SECO in Colombia is supporting the improvement of land titles, registers and administration. This is done through the strengthening of data management systems necessary for a functioning cadaster, and using pilots to test the system in different regions. However, beyond land titling, registration and administration is the integration of other local regulatory instruments, such as land use zoning and town planning.

This issue often emerges within the context of green growth and the integration of economic, social and environmental policy objectives, as prescribed by the SDGs. In his discussion on construction permits, Moullier (2009) describes how building construction reforms are gradually adding new policy objectives in their reform efforts, such as energy conservation and environmental sustainability. However, he warns these may increase business costs and cites best practice reform experiences showing how new policy objectives, including those going beyond the improvement of public safety, can be combined with effective red tape reduction programs and more efficient and streamlined processes.

DFID describe how the recent economic crisis “provides opportunities to rethink the parameters of urban growth with appropriate regulatory frameworks emphasising low-carbon solutions for energy generation, locally sourced food and products, and the potential for recycling” (Department for International Development 2010, 6)

Increasing attention is given to the processes of urbanisation and improving the regulations of cities. Municipal regulations and planning can have a significant influence on whether urbanisation drives economic growth or leads to malfunctioning slums. DFID is preparing a policy paper on the challenges of urbanisation.

UNCTAD supports the Science, Technology and Innovation for Sustainable Cities program, which responds to rapid increases in urbanisation. This program explores new ways of planning and governance based on inclusive leadership, addressing local needs and providing long-term perspectives. Innovative ways of governance put in place an overall framework for equitable strategic metropolitan regulation and planning that protects the environment, provides basic and business services to the poor, and resolves land disputes that may arise from urban sprawl, especially in peri-urban communities.

3.5 Advantages and Disadvantages for LBER

The figure below presents an overview of the advantages and disadvantages of LBER, as identified by respondents.

The major, most commonly cited, advantage of LBER was the ability of reformers to respond to unique local conditions, making implementation easier and deepening the involvement of local counterparts. LBER is considered by many to be more closely connected to local decision makers, making reforms easier to achieve.

Figure 11: Advantages and Disadvantages of Local BER

ADVANTAGES	DISADVANTAGES
• Reforms are more closely connected to local decision makers, making reforms easier to achieve; • Responds to unique local conditions, making implementation easier and deepening the involvement of local counterparts; • Local governments play an important role in the formalisation of informal enterprises; • Responds to practical local business concerns; • Allows for a differentiated ("comparative advantage") approach that responds to local circumstances; • Provides for the opportunity to pilot reforms, which can then be replicated in other localities or up-scaled nationally; • Local actions make it better to deal with problems of fragility and conflict.	• Low levels of capacity in local governments and local business associations; • Effective local BER is often dependent on successful national level reform—success in local BER must be integrated with national reforms (i.e., vertical integration); • Key government ministries, departments and agencies at the local level are under the control of centralised, national headquarters; • Less influence regarding key infrastructure (e.g., transport, telecommunication, energy, water) or other public investment program decision making also linked to fiscal decentralisation; • Lower value for money compared with national BER because the number of beneficiaries is likely to be fewer; • A high level of sub-national imbalances creates local winners and losers and requires a mechanism to share experiences and drive other localities towards the same reforms; • Less access to national innovation and knowledge hubs (as they are very often located in capital); • Depending on the circumstances, less access to financial agencies and business development services.

SOURCE: Author

4 Regional Business Environment Reform

Donor and development agencies support RBER through programs largely because of the high levels of impact these programs promise. Working at the regional level affects more than one nation state and, by implication, involves larger markets and a larger population of businesses, employees and potential consumers. By capitalising on potential economies of scale and avoiding duplication, regional reforms can, in theory, have a larger impact than many national level programs.

Danida described how it supports RBER to exploit economies of scale: larger markets and sources of expertise, technology transfer and capital. Danida's experience shows that most businesses start in one country and expand to another. The lack of consistency of business environments between the countries undermines the potential of the business to grow, become competitive, create jobs and contribute in economic growth and poverty reduction.

Because countries are more prepared to learn from and adopt the practices of neighbouring countries, there are more opportunities to leverage additional resources for reform programs.

RBER differs from national and local BER in one major way: most regional bodies do not have the legal authority over regional business environments. Nation states have authority over their own territories and participate in regional structures as members. In practice, RBER involves a process whereby regional bodies adopt a reform for the region, which member states are then required to ratify or 'domesticate' by passing specific policy, legislation or regulation within their own jurisdictions. This is not dissimilar to the way the United Nations works with its member states. However, from a BER perspective it is important to recognise that RBER, while applying a regional perspective and dealing with regional partners, requires reform at the nation level.

While regional business environments are comprised of a patchwork of national business environments within a region, increasing attention is given to integrating these environments and harmonising the policy, legal and regulatory frameworks of member states. This is undertaken in an effort to reduce the costs and risks associated with regional trade and investment and to open up new markets to stimulate private sector led growth.

4.1 Regional Business Environment Assessments

4.1.1 World Bank Group Regional Doing Business

Regional Doing Business (RDB) reports capture differences in business regulations and their enforcement across countries in a single region. They provide data on the ease of doing business, rank each location, and recommend reforms to improve performance in each of the indicator areas.

Unlike the SNDB reports, which attempt to tailor indicators and data collection methods to suit the country under assessment, the RDB reports typically draw from the global (national) Doing Business database and present the data in a manner to suit comparison within a region. For example, the 2013 Doing Business in East Africa report indicates how, over the previous eight years, five of the economies in the East Africa Community had implemented a total of 74 institutional or regulatory reforms aimed at improving the improving the business environment for local entrepreneurs. The largest numbers were in the areas of starting a business (11 reforms), registering property (9 reforms) and dealing with construction permits (8 reforms). However, there are examples of RDB reports prepared for specific regional purposes (e.g., OHADA).[12]

Figure 12: List of Regional Doing Business Reports

Reports from 2015 • Central America and the Dominican Republic* Reports from 2013 • East African Community • g7 + Reports from 2012 • Arab World • OHADA Reports from 2011 • South East Europe* • East African Community	Reports from 2010 • Arab World • East African Community Reports from 2009 • Arab World • Landlocked Economies • Small Island Developing Reports from 2008 • Small Island Developing States • South East Europe 2008* Reports from 2007 • Organization of Eastern Caribbean States • South Asia*

* These reports include regional and subnational assessments.

SOURCE: World Bank Group, Regional Doing Business, Accessed 15 May 2016

http://www.doingbusiness.org/reports/regional-reports

The RDB reports do not only focus on a geographical region. They also focus on countries brought together by other commonalities. For example, in 2013, a RDB report was produced on the g7+ group: a country-owned and country-led global mechanism established in April 2010 to monitor, report and draw attention to the unique challenges faced by fragile states. The g7+ report is a special report on the business regulations of the economies in this group: Afghanistan, Burundi, the Central African Republic, Chad, the Comoros, the Democratic Republic of Congo, Côte d'Ivoire, Guinea, Guinea-Bissau, Haiti, Liberia, Papua New Guinea, Sierra Leone, the Solomon Islands, South Sudan, Timor-Leste and Togo. The report finds all g7+ economies have improved their business regulatory environment since 2005, narrowing the gap with the best performance observed globally by Doing Business. Sierra Leone, Burundi, Guinea-Bissau, Timor-Leste, Côte d'Ivoire, Togo and the Solomon Islands are among the 50 economies globally that have made the biggest improvements relative to their earlier performance. The report presents a hypothetical economy combining the best regulatory practices observed in 2012 among the g7+ economies, referred to as the "best of the g7+". It was found this hypothetical economy would, if it existed, rank at tenth place in the global ranking on the ease of doing business.

12 OHADA is the *Organisation pour l'Harmonisation en Afrique du Droit des Affaires* or 'Organisation for the Harmonization of Business Law in Africa' in English.

However, among the 185 economies covered at the time by Doing Business, g7+ economies have an average ranking of 160 on the ease of doing business.

The Netherlands supported a number of RDB studies, including those on MENA Region ('Arab World') and OHADA.

4.1.2 Other Regional Assessments

There is a wide range of global and regional assessment tools used to measure various business environment issues. For example, the World Economic Forum's Global Competitiveness Report. These reports have been used to promote regional dialogue on issues affecting trade, competitiveness and investment. This was done in April 2015 when the World Economic Forum held an East Asia Regional Meeting to look at how countries in the Association of Southeast Asian Nations (ASEAN) group compare (Jones 2015).

In the Southern Africa Development Community (SADC) region, German Technical Cooperation conducted regional business climate surveys across the region designed to identify constraints to private sector development. These surveys were conducted by national business representative organisations and the results used to underpin business advocacy efforts.

In the East Africa region, the WBG, working with the East African Community, and with TMEA's support, launched a Common Market Scorecard in 2014. The scorecard examines selected commitments made by the partner states under the Common Market Protocol, outlines progress in removing legislative and regulatory restrictions and recommends reform measures. This new tool is publicised in all EAC countries to deepen understanding of the different issues under the Common Market Protocol among various stakeholders and to encourage Partner States to undertake recommended reforms. The Scorecard ahs also facilitated extensive coverage by the media on identified projects and programs. The scorecard approach fosters peer learning, public-private dialogue at the national and regional level, and the adoption of best practice in the region, while strengthening the regional market and the growth of the private sector. The second Scorecard, the 2016 EAC Scorecard, will be launched in late 2016.

4.2 RBER Partners

When supporting RBER respondent agencies indicated they work with the following range of public, private and civil society actors:

- Regional economic communities;
- Regional development banks and institutions;
- Regional reform programs;
- Bureau of Standards;
- Chambers of commerce and industry;
- Customs;
- Export and investment promotion agencies;
- Other donors and their programs;
- Professional associations;
- Regulatory agencies;

- Thematic agencies;
- Regional business associations; and
- Regional think tanks.

Access to markets is often inhibited by poor regional economic integration. Thus, there is a strong interest in improving the legal and regulatory environment across the region and harmonising this across all member states. Within this context, regional trade and investment regimes are particularly important. However, there are other issues that require attention at the regional level, such as migration, land, labour markets and financial markets. Regional economic communities play a major role in this. They provide an essential mechanism for regional harmonisation and economic integration.

A number of specialist regional agencies have proved to be effective partners in regional BER. A good example of this is the Intergovernmental Authority on Development (IGAD) in Eastern Africa.[13] IGAD works with the seven countries in the Horn of Africa, Djibouti, Eritrea, Ethiopia, Kenya, Somalia, Sudan and Uganda, to promote development and drought control in the region. The IGAD mission is to assist and complement the efforts of the Member States to achieve, through increased cooperation in food security and environmental protection, the promotion and maintenance of peace and security and humanitarian affairs, and economic cooperation and integration.

TMEA describes how it works with a range of program partners:

- East African national government ministries: In each of the partner states, the Ministries of East African Cooperation typically coordinates regional integration policy making and implementation. TMEA focuses technical assistance with East Africa Community ministries in each member state to improve their leadership and coordination of regional integration.
- East Africa Community Secretariat and Institutions: TMEA supports regular high-level dialogue with the East Africa Community, its partner states and development partners on the regional trade and integration agenda through stakeholder forums and the Arusha roundtable meeting series.
- Civil Society: TEMA supports civil society through grants and the creation of regional dialogue platforms on key issues affecting trade and growth.
- Private Sector: TMEA works with the private sector supporting research and advocacy that will facilitate the ease of doing business in East Africa.

When asked about the kinds of actors donor and development agencies should be working with in RBER, one respondent indicated there is no science in choosing the right regional organisation to partner with. While there are often problems with organisational capacities, capabilities, bureaucracy, and the political machinations of regional organisations, these issues can be addressed through effective programing. Donor and development agencies have a substantial body of experience working with these organisations and, while they continue to make mistakes, are generally able to recognise the internal and external challenges regional organisations face.

13 For more information on IGAD go to: http://igad.int

Similarly, when it comes to working with the private sector at a regional level, there can be challenges to find effective and representative program partners. In a study conducted by the East African Business Council and published by the International Trade Centre, Bonge (2012) identified the following constraints faced by business representative organisations to participating in trade policy formulation:

- Financial resources: Most associations are financed from membership contributions and limited funds from donors. However, a number of members do not pay their contributions on time. As such, most association have limited financial resources.
- Staff: A number of associations still maintain lean secretariats with one or two staff; others do not have secretariats at all. This limits their capacity to do research and engage governments in evidence-based advocacy.
- Training in advocacy and trade negotiations: Even with well-staffed secretariats, associations grapple with capacity to engage with experts in trade negotiations.
- Access to information: A number of associations at national level who are not members of regional associations such as East African Business Council and Eastern Africa Farmers Federation, among others, still have limited information of EAC integration and cannot fully participate in trade policy dialogue.

Because many regional business organisations are a poor representation of the region's business community, it is important to form program linkages with national business representative organisations.

4.3 Key Themes in RBER

While regional integration is a central focus of most RBER programs, there are a range of other, more specific topics and elements making up donor and development agency support programs. These include the following functional areas:

- Regional programing;
- Regional economic development;
- Simplifying business registration and licensing procedures;
- Improving tax policies and administration;
- Improving land titles, registers and administration;
- Simplifying and speeding up access to commercial courts and to alternative dispute resolution mechanisms;
- Broadening public-private dialogue processes with a particular focus on including informal operators, especially women;
- Improving access to market information;
- Enabling better access to finance;
- Trade agreements and regional trade facilitation;
- Improving access to markets and market information;
- Aid for Trade;
- Capacity building to regional organisations;
- Special economic zones;
- Value chain improvements;
- Women's economic empowerment;
- Publications on 'vertical cooperation' — linking regional and national reforms; and

- Programing through multi-donor facilities and programs (e.g., Investment Climate Facility for Africa, Wold Bank Group).

Key questions for many donor and development agencies involved in, or considering, the support of RBER: What kinds of reform are best suited for RBER? Which kinds of reforms reflect the binding constraints on firms and growth, and what is the nature of this problem? The responses to these questions are reflected in the following discussion.

4.3.1 Regional Programing

Many donor and development agencies have described their RBER in terms of regional planning. Thus, while the regional business environment does not necessarily frame this work, agencies are working with the national governments across a defined region.

GIZ has recently produced a publication on what it describes as 'vertical cooperation'. This refers to approaches that combining national and regional development cooperation (see Jaspert 2015). This includes regional partnership programmes (e.g., programs supporting ASEAN, CARICOM, EAC, ECOWAS, SAARC and SADC), support for regional economic cooperation (e.g., Promotion of Regional Trade in Central Asia and the Programme on Regional Economic Cooperation and Integration in Asia), support for Open Regional Funds (e.g., the Open Regional Fund for Foreign Trade Promotion in South-East Europe), and national level capacity building support for regional economic integration.

Jaspert (2015) identifies a number of different instruments for vertical cooperation, which can be clustered into three main categories: staff, communication and program conceptualisation. She proposes the following approaches:

- The relevance of vertical cooperation should be clearly communicated by commissioning partners and management.
- It is important to create a stronger awareness on the issues of vertical cooperation among national and regional program staff.
- The assessment of vertical cooperation potentials should be a mandatory part of appraisal and evaluation missions.
- Whenever possible, vertical cooperation between programs should be reflected in shared indicators.
- It is important to find a pragmatic approach that combines a stronger institutionalisation of vertical cooperation in the preparation and evaluation process of programs with the necessary flexibility to respond to national diversity.
- If vertical cooperation is to be successful it must be beneficial for all stakeholders involved, or at least there must be some sort of incentives for active vertical cooperation.
- Invest in communication to lay the foundation to explore cooperation potential and to keep already existing cooperation alive.
- Collect and record the experiences of stakeholders engaged in vertical cooperation to generate lessons learnt and support peer learning and exchange across regions.

The figure below presents a matrix for thinking about the conditions for vertical cooperation.

Figure 13: Conditions for Vertical Cooperation

Condition for vertical cooperation	What does it mean?	How can it be achieved?
Common interest in cooperation	National and regional programs must have a shared interest in vertical cooperation, both must benefit from vertical cooperation	Coordinated planning and shared objectives
(Political) will for cooperation	Openness of programs on national and regional level to cooperate and share networks and contacts	Identification and communication of clear benefits Decentralised personnel and personal relationships between program managers Additional resources and assistance for national processes through regional programs in the context of vertical cooperation
Common topics for cooperation	Thematic overlaps and inter-linkages as a precondition for vertical cooperation	Thematic priorities on regional and national level can only be influenced to a limited extent Governmental negotiations and project planning
Shared objectives	Shared objectives as additional catalyst for cooperation	Shared indicators
Personal relationships	Beyond technical guidelines, persons and their personal relationships matter	Invest in personal relationships and contact between programme staff relational programme manager

SOURCE: Jaspert (2015)

A number of donor agencies support regional programing facilities focused on BER at various levels. One such example is the support provided by various agencies to the Investment Climate Facility for Africa (ICFA). The ICFA works to improve the climate for investment in Africa by removing barriers to doing business. It is based in Africa and is a partnership between governments, private companies and development partners, exclusively focused on providing tangible improvements to Africa's investment climate.

ICFA aims to work with receptive African governments to make the continent an even better place to do business, systematically focusing on areas where practical steps can be taken to remove identified constraints and problems. There are three objectives:

- Build the environment for investment climate improvement: by encouraging, developing and working with coalitions to drive through change, and by supporting dialogue between businesses and governments.

- Get the investment climate right: by working in partnership with governments to create a legal, regulatory and administrative environment that enables businesses of all sizes and at all levels to grow, invest and create jobs.
- Encourage business to respond: by improving Africa's image as an investment destination by publicising improvements in the investment climate.

ICFA focuses on eight priority areas identified to maximise impact:

- Property rights and contract enforcement;
- Business registration and licensing;
- Taxation and customs;
- Financial markets;
- Infrastructure facilitation;
- Labour markets;
- Competition; and
- Corruption and crime.

The African Centre for Economic Transformation (ACET) is another example of an agency providing regional support to BER. ACET is based in Accra, Ghana, and advises African governments on economic policy and institutional design. This transcends, but includes business environment reform and contributes to the enabling environment of African economies.

4.3.2 Regional Economic Integration and Harmonisation

Regional economic integration and harmonisation is a central concern for many donor and development agencies in their support for RBER. While regional integration opens up markets and improves investment opportunities, many respondents also described how it improves the conditions for regional projects in general. For example, West Africa has achieved substantial success in regional integration. This makes it easier to support reforms in other areas, beyond trade and investment.

The WBG's Investment Climate Unit helps governments implement reforms on specific investment policy issues of regional integration, offer practical tools to review regional integration progress and steer reform momentum, and increase effectiveness of investment promotion to maximize regional complementarities. Technical assistance at the regional level may include the use of reform implementation scorecards. The growing alignment of domestic reform frameworks with regional best practices requires regular compliance checks to monitor progress, track achievements, uncover adverse practices, and motivate political lobbying tool for further reforms. Tailored scorecards can serve as a practical tool to consolidate comparative data on such compliance.

The World Bank Group's Investment Climate Unit also supports regional reform dialogue. Focused regional implementation dialogue can help bring together representatives of the private sector, member states, and regional organizations to set reform priorities, which contribute to the creation of a more fluid regional investment space.

Global Affairs Canada supports the Canada-Americas Business Environment Reform, 'CANAMBER', project with the World Bank Group. This project provides technical assistance in business regulatory reforms, tax simplification, and business entry, licensing and competition reform in at least 12 countries in Latin America and the Caribbean. Canada also supports the Pan Africa Regional Development Program, which promotes collaboration and harmonization in Africa's regional economic communities and across the continent. This aims to reduce trade costs and improve the functioning of regional markets. Canada has supported the Economic Community of West African States (ECOWAS) Seed Harmonisation project, which has since been emulated by COMESA.

The Regional Economic Integration Support Program is a four-year program (2013-2017) funded by the European Union to support economic growth and poverty alleviation in the Southern African Development Community (SADC) through various interventions in some selected areas of regional economic integration. The Regional Economic Integration Support Program promotes investment in SADC by supporting measures aimed at improving the investment climate and doing business environment in the region. This is in order to attract both regional and foreign direct investment.

Key interventions to improve the investment climate are mainly through:

- Supporting the implementation of elements of the SADC Regional Action Program for Investment, which include the development and implementation of the Investment Policy Framework so that Member States can implement regulatory reforms and benchmark themselves against best practices;
- Providing a platform through the Investment Promotion Agencies forum to facilitate peer to peer learning opportunities among the Southern African Development Community investment promotion agencies in areas of excellence;
- Facilitating the development and maintenance of the Southern African Development Community Investment Regime Database as a transparent regional investment information platform for potential investors; and
- Through the SADC Model Bilateral Investment Treaty Template, assist Member States to review the current content of their investment treaties in the light of regional development goals for sustainable development.

Major initiatives include:

- Facilitating Cross-Border Payments;
- Promoting a Level Playing Field for Tax Systems;
- Reducing Technical Barriers to Trade;
- Promoting Safer Markets for Agricultural Commodities and Agro-Processed Goods - Sanitary and Phytosanitary Measures;
- Promoting Intra-SADC Trade-in Services; and
- Facilitating Market Access to the European Union through Economic Partnership Agreements.

GIZ is supporting regional integration in the EAC and SADC. GIZ has also supported Nepal with its integration into the South Asian Association for Regional Cooperation (SAARC) region. This work deals with a wide range of business environment issues, including quality infrastructure.

UNCTAD also assists developing countries in understanding the impact of competition policies in maximising the benefits from liberalization and integration into the world economy. It provides advice, on the basis of the Model Law on Competition, in preparing competition laws and setting up regulatory frameworks for enforcement of completion law, promoting the creation of a "competition culture" among the supporting institutions at the national and regional level. In this context, UNCTAD provides training of trainers programmes, including through the use of distance learning for sustaining capacity building at the national and regional level and promotion South-South cooperation. For example, in 2015 UNCTAD organized a training workshop on the relevance of regional integration, international cooperation and the contribution of competition policy to development in COMESA (Common Market for Eastern and Southern Africa) countries.

4.3.3 Regional Trade and Investment

The promotion or regional trade and investment is a major focus of RBER.

Possibly one of the best-known regional trade programs, which also deal with the related topic of regional integration, is TradeMark East Africa. TMEA is a large six-year $500m donor-funded program focusing on trade facilitation and regional integration in East Africa. TMEA has its headquarters in Nairobi and has offices in Arusha, Bujumbura, Dar es Salaam, Kampala, Kigali and Juba. It is a not-for-profit organisation that receives funding from a number of donor agencies, including: Belgian Development Cooperation, Danida, Kingdom of the Netherlands, Swedish International Development Agency (SIDA), and Department for International Development (UK Aid).

TMEA's original program goal was to increase growth and reduce poverty in the East African Community. This was to be measured by two indicators: the rate of real GDP growth per annum in East Africa region and the percentage of women and men living on less then USD$1.25 (PPP) per day in region. TMEA's purpose was originally formulated in terms of integration and competitiveness: "Greater regional integration and trade competitiveness in East Africa". TMEA has developed a theory of change that articulates the overall goals and purposes of the program. TMEA's strategy spans the following three areas: increased market access, enhanced trade environment (including investments in hard and soft infrastructure) and business competitiveness (i.e., policy reforms, export capability and transport and logistics).

UNCTAD assists developing countries in identifying their trade and transport facilitation needs at a regional level, and helps them program the implementation of specific trade and transport facilitation measures. Long waiting times at borders, inappropriate fees, cumbersome formalities, and inadequate or unclear rules and regulations, can all become serious obstacles to trade, and as a consequence adversely affect investment, employment and trade-led development. UNCTAD organizes workshops and seminars at the regional and national levels, publishes relevant information and training material, and provides technical assistance through numerous projects.

UNCTAD also produces i-guides, designed in collaboration with the International Chamber of Commerce, to provide investors with online, up-to-date information on business costs (e.g., wage and non-wage labour costs, termination indemnities, taxes, rent values, utility prices and transport costs), relevant rules and licensing requirements (e.g., customs clearance, obtaining work permits and repatriation of funds), opportunities and conditions. They are developed jointly with local, national and regional governments. For example, an i-guide was carried out for the EAC.

The European Commission supports the Aid for Trade framework. This is linked to economic partnership agreements and other trade cooperation setups. This creates opportunities for facilitation and support to national and local private sector development, productivity and competitiveness within the context of Aid for Trade and value chains.

GIZ supports ECOWAS with reducing trade cost. This support is also provided in Central Asia. GIZ also focuses support on trade agreements by monitoring of the fulfilment of obligations, the use and the impact of the trade agreements (e.g., CARIFORUM-EU-EPA) is an important early step of regional integration.

UNCTAD organizes training courses at the regional level on investment promotion, as well as on international investment agreements. These are targeted at government officials in charge of the negotiation of investment treaties and the management of investor-State disputes as well as government officials working in the area of international and national investment policies, including investment promotion. In 2015, for example, a regional course, entitled ‘Reforming the International Investment Regime’, was organized in the Republic of Belarus, with the participation of fourteen other countries from the region.

The WBG Investment Climate Unit supports regional integration through its Scorecard methodology. Regional Scorecards allow member states of regional integration initiatives to track progress in identifying meaningful barriers to regional trade and investment and offers recommendations for eliminating these barriers. The first Scorecard was the 2014 EAC Scorecard and this methodology is being used in several other regions.

4.3.4 Peer-to-Peer Learning

Many respondents highlighted the benefits of RBER in terms of the promotion of best practices and peer-to-peer learning. There are great opportunities for lesson learning. Where reforms are implemented in one country of the region, it can be easier to diffuse the experiences of these experiences to other countries in the region. Many countries are more open to learn from their peers and to consider adopting the practices of their neighbours than they are the practices of North American or European counties.

The WBG’s Investment Climate Unit pays particular attention to this issue. Peer-to-peer learning can help government understand the constraints to regional investments and improve their capacity to implement reforms towards greater regional integration. The Investment Climate Unit disseminates regional best practices, showcases countries’ achievements, builds capacities in using technical instruments for investment driven development, and sensitise governments to reform opportunities.

4.3.5 Regional Public-Private Dialogue

A number of respondents highlighted the challenges with regional PPD structures. These problems begin with the challenges of regional public and private representation. Many regional business representative structures are not closely connected to their national constituencies. Thus, business representatives do not reflect the views of a diverse range their national business community. Indeed, many of these representatives do not have the authority or official mandate to reflect national business communities. Accountability and reporting-back to national business constituents is often poor.

Government representation in regional PPD structures also faces challenges. Many national government representatives within regional structures do not represent the most appropriate or relevant line ministry or agencies. National governments are often represented by foreign affairs. In those cases where national ministries of commerce or trade are involved, the appropriate departments or agencies may not be (e.g., customs, inspections).

Thus, while regional PPD is considered an important element in successful regional BER, it faces many challenges and constraints.

4.4 Advantages and Disadvantages of RBER

The figure below presents an overview of the advantages and disadvantages of RBER, as identified by respondents.

The major, most commonly cited, advantage of RBER was the level of impact these reforms can have. However, there was general recognition that these reforms can take a long time. In some cases, this can take 10 to 15 years, depending on the political economy of the region. Moreover, impact assessments comparing the impact and effectiveness of regional and national BER have not been undertaken.

Figure 14: Advantages and Disadvantages of RBER

ADVANTAGES	DISADVANTAGES
• Regional interventions have a larger impact because one intervention reaches more countries, markets, people, and companies––thus regional interventions become more than the sum of their parts; • Intraregional trade, particularly in Africa, is underdeveloped and has significant potential to contribute to economic growth; • Able to push multiple countries into competition for improvement; • Regional programs offer more opportunities to generate income and reduce costs to consumers, not only by increasing intraregional trade, but also access to external markets; • Shared national interests may facilitate regional cooperation; • Regional programs take into account the added value that countries have in terms of their production potentials and market demand; • Provides for a more comprehensive overview of cross-border interplay between BER, trade flows and value chains; • Can have demonstration effects, along with a healthy competition to improve.	• Take more time and are more political • Regional bodies are quite bureaucratic and slow to act — and there may be many actors involved • Regional agreements and commitments are more difficult to reach than on national or local level • Most of the implementation takes place at the national or local levels and ratification of regional agreements takes time • Difficult to monitor compliance and to ensure a productive dialogue between national and regional units • Regional interventions need to take into account the needs and desires of the many

SOURCE: Author

Both LBER and RBER are generally connected to the nation-state. There are many instances where LBER cannot be concluded without national reforms. However, this relationship is much stronger in the regional domain. Most, if not all, RBERs require reform at the national level because regional structures do not have the legislative powers to pass policies, laws or regulations, without approval by national parliaments or related structures.

Despite this, RBER provides an important dimension through which to view and assess the problems of the private sector in the region. These problems are typically related to access to markets and to the obstacles faced when attempting to trade or invest across national borders. Related to this, is the need for a more harmonised legal, regulatory and standards framework across the region.

RBER enlarges the size of market opportunities for private enterprises and increases competitive pressures. From a reformers perspective, it also provides the opportunities for peer learning and creates a momentum for reform reaching beyond national boundaries.

5 Good Practices and Lessons Learned

A number of good practices and lessons learned can be distilled from the experiences of donor and development agencies working at local and regional levels. These are summarised in this chapter. While many of these practices are relevant to BER at any level or in any sector, attention is given to their specific application in the local or regional context.

5.1 Good Practices in LBER

The following good practices in LBER have emerged through this review:

Map all relevant actors in the local business environment and assess the extent to which they have political and legal authority with regards to business regulation and the mandate to design and implement LBER.

Benchmark local business environment assessments so that reforms can be monitored overtime; these measures can inform LBER design and can measure reform outcomes.

Use local business environment assessments to compare across localities within a single country so as to highlight and distil good local practices.

Undertake a **gender analysis of the impact the local business environment** has on businessmen and women, and their male and female employees, including informal firms and workers.

Ensure local business environment assessment involve a **participatory process** in which the local private sector is actively involved. Results should be publicly validated and debated.

Support local business representation and PPD process and structures, ensuring equal representation of women and men, and a diverse range of enterprise sizes and sectors.

While it is important to involve the local private sector in setting by-laws, this rarely occurs. However, there has been some success, over time, in creating **local taskforces between local government and local business councils** to consider these issues and make **joint proposals**.

Ensure women's' economic empowerment policies and programs specifically **address the challenges facing local businesswomen**, and mainstream gender programming into all LBER interventions.

Work with local partners to promote local ownership and sustainable reforms.

Distinguish between those reforms that can be fully undertaken by the local entity (e.g., municipal bylaws) and those that require national reform.

Coordinate between local and national partners where required.

Identify and support strong local leadership and champions, such as a progressive mayor or an informed chamber of commerce president.

Hold local officials accountable for specific reforms.

Build stakeholder engagement and trust between public and private stakeholders engaged in LBER.

Design and outreach and communications strategy so local business environment concerns are shared with national agencies (e.g., national chamber of commerce and other business associations, as well as the national local government association) to bring local business environment issues to the attention of national BER processes.

5.2 Good Practices in RBER

The following good practices in LBER have emerged through this review:

Design a program to suit the capacity of the regional partner: While there is no proven formula to choosing the right regional partner it is important to learn from past experience. Because some regional partners will be non-negotiable it will be important to bolster reform support with capacity building measures.

Choose regional agencies with a technical mandate and body of expertise where possible and appropriate; these agencies can be good RBER partners rather than those will a broad and often general mandate.

Work with a combination of program partners and build coalitions of partners around agreed reform efforts; most successful RBER programs work with national government ministries and regional economic communities as well as civil society and the private sector at both national and regional levels.

Because many regional business organisations are a poor representation of the region's business community it is important to **form program linkages with national business representative organisations**.

Invest in peer-to-peer learning.

Communicate a vision of the big picture — describe how regional integration and harmonisation is good for the country and region.

Enhance civil society participation and programming in reforms driven by local, national and regional structures. **National legislatures and judiciaries** should also be closely involved in the discussions concerning regional reforms.

Focus on **bigger, integrated programs using basket fund facilities**, rather than multiple donors funding poorly coordinated program components.

Ensure all reform programs **contain capacity building support** to help partners learn from the reform process and to promote sustainable reform processes.

Construct **regional integration projects that are country-focused** to achieve greater support for regional integration.

5.3 Future Research Needs

This review has only scratched the surface of an extensive body of experience around the world in local and regional BER. While some important questions have been addressed, there remain a number of other questions to be answered and gaps in knowledge. The following topics and issues have emerged:

The trend toward local and regional BER

While this report assumes there is a general increase donor and development agency interest in local and regional BER, there is little objective evidence of this. It would be useful to know if this is indeed a trend in agency programing and whether more funds are being spent on these dimensions of BER.

The impact of local and regional BER

More knowledge is needed on the impact of local and regional BER and specifically how this compares with national level reforms. To-date, this appears to be determined by the subject of the reform, rather than on the territory in which reform is framed. However, with the growing popularity of the SNDB project, there is a need to better understand the potential impact of reforms across local and regional dimensions.

Sustainable development and local and regional BER

There is a need to better understand how local and regional BER can be used to achieve the SDGs. This would include examples of how local and regional BER programs are integrating social, economic and environmental objectives in reform programs spanning local, national and regional territories.

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Appendices

A.1 List of Respondents

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A.2 Agency Responses: Level of Agency Involvement in Local and Regional Business Environment Reform

Below is an overview of the information provided by respondent agencies to the question: What is your agency doing in support of regional and sub-national BER and is there any kind of information, advice or guidance that would help you in doing this work?

A.2.1 Canada Global Affairs

Some aspects of the Trade and Investment for Growth program focus on national and regional programing in BER. At the regional level, Canada tends to engage on reducing risks and business costs, and improving market access. Ultimately, much of Canada's programing in regional BER relates to quality of governance, public private dialogue processes (via P3s in infrastructure), and improving market access.

The agency's Inter-American Regional Program (IAP) is funding the Canada-Americas Business Environment Reform (CANAMBER) project with the World Bank Group. This project supports demand-driven technical assistance in business regulatory reforms, tax simplification, and business entry, licensing and competition reform in at least 12 countries in Latin America and the Caribbean.

The Pan Africa Regional Program's work in this area is mainly guided by:

- Global Affair's Sustainable Economic Growth Strategy – One of the focus areas of the Sustainable Economic Growth Strategy is building economic foundations through: improving legal/regulatory frameworks and systems to stabilize economies; and supporting governments and private sector companies to expand their business and integrate into regional and global markets.
- The draft Pan Africa Regional Development Program Strategy, which supports collaboration and harmonization at the sub-regional and continental levels and improving regional integration and trade. The latter aims at reducing trade costs and improving regional market functioning.

A.2.2 Denmark's Development Cooperation

Businesses need an enabling environment in all levels: local, national and regional. In the case of Tanzania, this is because local business environments affect the way all businesses operate. So a company located in Ilala district in Tanzania may face a different business environment from the one located in Kibondo district. The work of the local trade officer who is responsible for licensing of the businesses in his/her district, the district health officer who certifies all the food related businesses, the revenue officer who is responsible for collection of local revenue from the business as per relevant by-laws, the work of the district surveyor, lands planning and lands officer and the like will all affect the businesses operating in a certain district. This provides the rationale of government and development partners to equally pay attention in the local BER.

Regional BER is also very important as it provides the businesses to exploit economies of scale in many ways: larger markets and source of expertise, technology transfer and capital. Danida's experience shows that most businesses start in one country and expand to another and the lack of consistency of business environments between the countries undermines the potential of the business to grow, become competitive, creates jobs and contribute in economic growth and poverty reduction. The case in point is the working permit and procedure for non-Tanzanians and this has recently affected a number of foreign companies operating in Tanzania. Most of these companies do not comply with these requirements and some companies have employed foreigners illegally. With the new administration enforcement, some companies had to let their key workers go as they could not fulfil the requirements.

In Tanzania, the Danish Embassy has decided not to support the national generic and crosscutting reforms because of slow progress and implementation at national level. Previous national level reforms were not implemented. Thus, greater attention is given to local reform programing. This has also been found in Vietnam and, more recently, Ghana. The Embassy is very interested in this local reform initiative because it believes this is relevant and impactful if it is well implemented. There is no any guidance in doing this work and this has compelled the implementers to rely on the project document, as there is nothing that can guide their work. So starting has been difficult and the transaction cost has been very high, as the Embassy has been forced to be very close to the implementers to help digest some of the things together.

The Embassy is also interested in the regional BER. However, at the moment, local BER is a greater priority.

A.2.3 European Commission

Regional level: Aid for Trade support frameworks is a mainstream activity at the regional level linked to EPA and other trade cooperation setups. An important issue here is the opportunities for facilitation and support to national and local private sector development, productivity and competitiveness within the context of Aid for Trade and value chain concept.

Local level: The European Commission has capacity building programs for local authorities. The commission can also refer to support to micro-finance, dialogue with civil society actors (e.g., chambers of commerce and industry, professional associations, the TVET system). The importance of capacity within chambers, professional association, their linkages at national, regional and international levels is certainly a key issue for investment promotion programs.

In addition, the issue of 'exclusive economic and investment zones' within countries is something frequently appearing.

Overall women economic empowerment is an important matter where it is necessary to define what kind of reform actions (e.g., national, local or regional) need to be examined.

The lack of comprehensive industrial policies, and their implementation, and the lack of master plans in any given economy, reduces planning interventions with equitable impact at regional and national levels.

A.2.4 Germany: Deutsche Gesellschaft für Internationale Zusammenarbeit

At the regional level GIZ works on facilitating regional integration (e.g., support to the SADC Secretariat and the EAC Secretariat). Also the project facilitating the integration on NEPAL in SAARC is an example of support BER at regional level, including the component of quality infrastructure. Likewise GIZ's work in reducing trade cost at (under the name tag 'trade facilitation'), for instance in ECOWAS and also in Central Asia, are further examples of programme activities on improving BER at the regional level.

Monitoring the fulfilment of obligations, the use and the impact of the trade agreements (e.g., CARIFORUM-EU-EPA) is an important early step of regional integration, followed by standardization and harmonization of (sometimes even setting regional framework for weak) national policies on regional level (SPS and TBT standards, Intellectual Property Rights, Competition Policy).

GIZ has recently produced a publication on "vertical cooperation" referring to GIZ experiences in combining national and regional approaches to development cooperation.[14] This includes regional partnership programs (e.g., programs supporting ASEAN, CARICOM, EAC, ECOWAS, SAARC and SADC), support for regional economic cooperation (e.g., Promotion of Regional Trade in Central Asia and the Program on Regional Economic Cooperation and Integration in Asia), support for Open Regional Funds (e.g., the Open Regional Fund for Foreign Trade Promotion in South-East Europe), and national level capacity building support for regional economic integration.

In addition:

- Philippines: Simplification Business Permit and Licensing System;
- Yemen: Local Business Environment Survey, PPD on the simplification of business registration, and strategy for regional development in Taiz;
- Mozambique: PPD on regional and local level;
- Ghana: Business and Investment Climate Survey and PPD on regional level and in Accra;
- Nigeria: local (state) PPD and one-stop-shops, tax (state) simplification and local (state) commercial law reform;
- Bosnia: local PPD in several sectors;
- Tajikistan: reduction of trade barriers and PPD Regional Network Development Forum
- Tajikistan, Uzbekistan, Kazakhstan, Kyrgyz Republic: Single Windows and One Stop Shops for trade and customs and simplification of administrative processes for exports.

A.2.5 International Development Research Centre

In Canada, the IDRC does not have a specific blueprint for support to BER for regions or local levels. However, the centre has supported the impact evaluations of business

[14] Jaspert, J. (2015) *Vertical cooperation in practice; Experiences of GIZ programs in the area of sustainable economic development*, Working Paper, September, Commissioned by the Sector Project Sustainable Economic Development, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Eschborn

simplification programs in Lima, Bogota, and the Caribbean (i.e., Dominican Republic). More recently, IDRC has supported several e-governance initiatives to increase transparency in the application of laws and regulations, central to any business environment reform.

A.2.6 Japan International Cooperation Agency

JICA is not very involved in regional BER. JICA responds to requests from national governments and there is no systematic ways to receive requests from a region, although JICA is able to send long-term experts to East African Community, for example. Similarly, JICA may work with sub-national government authorities, but only through national governments.

JICA does work on Special Economic Zones where business environment is differentiated from the rest of the country. JICA's work is about conducting feasibility studies (including physical designs of the zones), supporting the authority or agency supervising SEZs in their capacity building, and providing sovereign loans to develop the zones or the surrounding infrastructure.

JICA also provides support the national governments to provide support to businesses in local (rural) areas (including so called "One Village One Product", clusters, and community-based tourism), but we do not deal with BE reform. In stead we help them create/strengthen support schemes and/or platforms.

Through the National Industry Cluster Capacity Enhancement (NICCEP) project, JICA supports cluster and this support can include BER (e.g., voluntary rules among members concerning product quality). Support is also provided for study visits to other areas (domestic and international) so partners are able to observe what they can do and that they are able to create business linkages with others.

A.2.7 Netherland Ministry of Foreign Affairs

The Netherlands provides support to **regional trade facilitation** in East Africa through TradeMark East Africa, to which the Netherlands is the second largest contributor after DFID. TMEA aims to contribute to prosperity by increasing trade through increased physical access to markets; enhanced trade environment; and improved business competitiveness. TMEA works in the countries of the East African Community and their neighbours. The Dutch participation is managed from The Hague, while our embassies in the respective countries contribute at the overall program level and the country specific level.

Building upon the experience with TMEA, a similar initiative in West Africa (Accelerating Trade in West Africa, ATWA) is being developed together with Denmark (DANIDA), ECOWAS and WAEMU. The design phase will continue until the end of 2016. In addition to focusing on reducing costs of trade on trade corridors, the program will focus on informal trade with special attention for challenges facing women cross border traders and women's enterprises. Following the example of TMEA we will focus on forward and backward linkages; namely issues affecting not only traders but also the ability of entrepreneurs to access markets across borders and, if needed adapt their business practices to reach out to lucrative markets in other countries. Improving the business climate is one of the main objectives of the program.

The Netherlands works through **multi-donor facilities such as** the Investment Climate Facility for Africa (ICF). The Netherlands has sponsored a number of interventions that take place on a city- or municipal level, or on regional business law harmonization in cooperation with OHADA. These interventions include single windows for permits, capacity building, improvement of stock markets, etc. Some examples of projects are:

- Municipal Capacity Building in South Africa (local).
- Construction permits in the region of Dakar, Senegal (local).
- Harmonization of business laws in West and Central Africa together with OHADA (regional).

Similarly, the Netherlands has contributed to WBG's FIAS, through which WBG also conducted a (small) number of local and regional interventions. Examples are (see attachment for more):

- Doing Business Reform in the MENA Region (regional)
- West Africa Trade Logistics (regional)
- EAC Investment Climate Reform Program (regional)
- OHADA Uniform Acts Reform phase 2 (regional)
- Construction permits in Moscow City (local)

It has to be noted that the majority of FIAS and ICF projects are conducted on a national level with the central governments of the countries.

In Benin, the Netherlands plan to launch the eRegulation-project aimed at simplifying procedures for investment, promoting transparency and "democratizing" access to business information, via an easy access-for-all platform. This project was postponed because of the suspension of bilateral aid to Benin last year. Meanwhile, the part on eRegistration with UNCTAD has started already with direct support from The Hague. Regionally, through the "Approche Communale" project that aims at improving trade between Benin and Nigeria in agro-business. Additionally the embassy contributes to tackling logistical barriers, by co-funding the agro-logistics study performed by Buck Consultant International in coordination with our regional colleague based in Nigeria, and the Hague.

In Indonesia, the Netherlands work to improve the investment climate through stronger cooperation between the political and economic diplomats on rule of law related to trade and investment related issues, like tax, licensing, land issues, dispute settlement, etc. (IDLO, CILC program, etc.). Improve investment climate through bilateral relationships between Dutch and Indonesian (government) Institutions with a focus on knowledge transfers (MoU customs, Tax, BI); Lobby through EU, and cooperation with neutral and capable third parties, like World Bank (MDFTIC), OECD. Top sector agro-food focusses on negotiations regarding phytosanitary and veterinary import requirements through the Indonesia-Netherlands Working Group on Agriculture, Forestry and Fisheries (WGAFF).

Stronger cooperation between the economic department and Erasmus Huis on creative industry like smart cities, by organizing seminars, etc., with focus from the economic department on improved regulations for doing business.

While not specifically targeted at local or regional BER, it is worth mentioning that the Netherlands is a participant in a number of IFC investment climate programs at country level. Currently, we are active in Kenya and Indonesia, and consider to participate in Mali, Ethiopia and Uganda as well. The size of our contribution and the types of activities vary between the countries and programs.

A.2.8 Norwegian Agency for Development Cooperation

NORAD is doing a lot on BER. It has a specialized unit for the oil sector, as well as renewable energy and fish. On all these areas, there is work being done with respect to improved BER. In PSD, NORAD is also engaged in this through multi-donor efforts (i.e., in partnership with the World Bank, IFC, UNIDO, etc.).

NORAD works both on national level on local level, but mostly on sectors. The agency is currently defining which countries and sectors are of the highest interest. While this work has not yet concluded, it is likely that Myanmar, Tanzania and Ethiopia will be the key target countries. With respect to sector – the hypotheses is renewable Energy, light manufacturing and agriculture.

A.2.9 Swiss Agency for Development and Cooperation

SDC has several projects promoting Regional Economic Development, although mostly from a Governance point of view, i.e. ensuring that the decision making and financing mechanisms are appropriate, i.e. effective, participatory, accountable, transparent, etc. BER-related elements play a minor role and are not the central focus of this engagement. However, when dealing with the SDC M4P/MSD projects, many value chains are affected by constraints at the level of Subnational or Regional BER. In these instances, political economy tools like the stakeholder analysis are applied in order to identify with whom to work on what.

In addition, it might well be that a network of practitioners like BEAM-exchange has already undertaken, is interested to explore among its members or to commission a study in order to find out effective ways of changing market systems in relation to Regional and Subnational BER.

A.2.10 Swiss State Secretariat for Economic Affairs

SECO has supported the subnational Doing Business Report in different countries (e.g. South Africa, the Balkans, Egypt). In some cases this informs then a program/project being implemented (e.g. in South Africa Urban Development with the WB). Generally, it is very relevant for MICs to help reduce less advanced regions or focus on urban areas with many challenges.

A.2.11 UK Department for International Development

DFID has an increasing level of interest in local level BER. Our livelihoods and sometimes our market systems programs have looked at these issues in the past, and DFID has an increasing focus on urbanisation and how urbanisation process can either make cities engines for growth or malfunctioning slums – municipal level regulations such as planning rules are an important part of this. We are in the process of drafting a policy paper on urbanisation which will touch on this. There's probably less of a focus on regional BER, with the exception of BER issues linked to trade and trade facilitation or regional transport. DFID does do a lot of regional programing, but I'm not aware that there's an explicit BER focus to much of this, except in the areas previously mentioned.

A.2.12 United National Conference for Trade and Development

UNCTAD supports entrepreneurship policies and provides assistance to governments on the drafting and implementation of national entrepreneurship strategies and action plans. There is increasing demand to decentralise UNCTAD's work and to look especially at regulatory aspects from a regional perspective. For example, the work on the implementation of UNCTAD's Entrepreneurship Policy Framework in Ecuador involved workshops and action plans in Quito and Guayaquil. For larger countries this is even more pronounced. In Brazil, for example, UNCTAD has been involved in the elaboration of entrepreneurship action plans at the state level (i.e., Rio de Janeiro). In Cameroun and Tanzania the same will happen this year.

UNCTAD has also conceived a web-based eGovernment system to help developing countries and countries in transition work towards business facilitation through transparency, simplification and automation of rules and procedures relating to enterprise creation and operation. This system can contribute to greater transparency and efficiency in the public service, improved governance and cost reductions. So far, UNCTAD's e-regulations program has been implemented not only at the country level, but also at the city level (the city of Moscow), with notable success.

Through its program on Science, Technology and Innovation for Sustainable Cities, UNCTAD is assisting rapidly urbanizing locations to find new ways of planning and governance based on inclusive leadership, addressing local needs holistically and providing long-term perspectives. Innovative ways of governance put in place an overall framework for equitable strategic metropolitan regulation and planning that protects the environment, provides basic and business services to the poor, and resolves land disputes that may arise from urban sprawl, especially in peri-urban communities.

UNCTAD organizes training courses at the regional level on investment promotion, as well as on international investment agreements. The regional training courses are targeted at government officials in charge of the negotiation of investment treaties and the management of investor-State disputes as well as government officials working in the area of international and national investment policies, including investment promotion. In 2015, for example, a regional course "Reforming the International Investment Regime" was organized in the Republic of Belarus, with the participation of fourteen other countries from the region.

UNCTAD's iGuides, designed in collaboration with the International Chamber of Commerce, provide investors online with up-to-date information on business costs (including wage and non-wage labour costs, termination indemnities, taxes, rent values, utility prices and transport costs), relevant rules and licensing requirements (including customs clearance, obtaining work permits and repatriation of funds), opportunities and conditions. They are developed jointly with local, national and regional governments. For example, an iGuide was carried out for the East African Community (EAC). In the case of

Morocco, two Investment Guides were carried out, one at the national level and one focussing on the Oriental region.

UNCTAD assists developing countries in identifying their particular trade and transport facilitation needs and priorities at a regional level, and helps them program the implementation of specific trade and transport facilitation measures. Long waiting times at borders, inappropriate fees, cumbersome formalities, and inadequate or unclear rules and regulations, can all become serious obstacles to trade, and as a consequence adversely affect investment, employment and trade-led development. UNCTAD organizes workshops and seminars at the regional and national levels, publishes relevant information and training material, and provides technical assistance through numerous projects.

UNCTAD also assists developing countries in understanding the tole of competition policies in maximising the benefits from liberalization and integration into the world economy. It provides advice, on the basis of the Model Law on Competition, in preparing competition laws and setting up regulatory frameworks for enforcement of completion law, promoting the creation of a "competition culture" among the supporting institutions at the national and regional level. In this context, UNCTAD provides training of trainers programs, including through the use of distance learning for sustaining capacity building at the national and regional level and promotion South-South cooperation. For example, in 2015 UNCTAD organized a training workshop on the relevance of regional integration, international cooperation and the contribution of competition policy to development in COMESA countries.

A.2.13 United States Agency for International Development

A number of USAID missions have begun to utilize subnational indicators—at the municipal level mostly—for various projects to address the points at which behaviours must change for national policy to become local reality. Although the occurrence of such projects is ad hoc (i.e., not driven by central USAID policy), USAID in Washington does promote this work, occasionally with TDY assistance. USAID believe implementation happens at the local level and that's where the indicators should be targeted.

In Vietnam, USAID developed and continue to build from the Vietnam Provincial Competitiveness Index, which was the base for USAID's work in El Salvador on the Municipal Competitiveness Index.

It would be useful to have “some sort of architecture” on what kinds of things can be measured locally, and how these measures can be made.

From the gender perspective, USAID has been involved with the development and deployment of the APEC Dashboard for Women's Empowerment. This has created useful benchmarks for addressing gender constraints on a regional level by providing indicators that each economy can use to create action plans. The Dashboard incorporates a good bit of the World Bank's Women, Business and the Law findings. It would be useful to capture increasing research on the impact of either type of indicator.

A.2.14 World Bank Group

The Investment Climate team of the Trade and Competitiveness Global Practice at the World Bank Group is working on a number of projects at local (sub-national) and regional levels. WBG has several projects currently underway and is seeing increased interest in this type of work.

With respect to the local or subnational scope, the WBG works with cities, districts, provinces, and autonomous regions in countries in various parts of the world.

With respect to the regional scope, an important part of the WBG's regional integration work stream involves working with members of regional integration initiatives to support their domestic and regional efforts toward creating a regional investment area.

The WBG would very much welcome experiences from others who have worked on similar initiatives, particularly lessons on data collection and analyses, the types of impact and results that were observed, best institutional and coordination practices and legal and regulatory issues.

The Bank's Global Indicators Group and SNDB Team produce fresh data that serves as entry points for many other WBG products. The SNDB Team has ongoing projects every year and is currently supporting projects in Afghanistan, Colombia, Kazakhstan, Kenya, Mexico, and three EU member states (i.e., Bulgaria, Hungary, and Romania).

A.3 Agency Responses: Elements of Regional and Local Business Environment Reform

Below is an overview of the information provided by respondent agencies to the question: What elements of Regional and Sub-National BER shape your work in BER: what functional areas do you focus on and what actors do you support and work with?

A.3.1 Canada Global Affairs

Functional areas for Regional BER: Trade facilitation and trade-related infrastructure. Actors supported: National governments and regional bodies such as APEC, ASEAN.

The key areas supported by the Pan-Africa Regional Program are:

- Trade Facilitation
- Regulatory Cooperation and Harmonization
- Trade Related Infrastructure (project preparation facilities and soft infrastructure such as Integrated Border Management)

Canada mainly works through continental organizations such as the African Development Bank (ADB) and the United Nations Economic Commission for Africa (UNECA), as well as regional organizations such as TradeMark East Africa (TMEA).

3.3.2 Denmark's Development Cooperation

Local DANIDA BER projects are designed to address anything issue relevant to the local economy and investment. Projects support local PPDs, one-stop centre initiatives for registrations and licensing, district business database, land use plans and land administration, etc. The agenda depends on the diagnosis of the specific local business environment and the identified constraints.

There are a number of functional areas that come into play, including:

- Business registration and licensing
- Better access to finance
- Regulatory governance at local level
- Lands registration and administration
- PPDs

Local BER projects work with local government authorities, regional administrations, local and national business associations, interest groups including farmers groups, local banks, Tanzania Revenue Authority at local level, Association of Local Authorities in TZ and experts in various relevant topics.

A.3.3 European Commission

At the regional level: Evolution of negotiations of EPA/Regional Trade Agreement framework certainly important.

Functional Areas and Actors involved in EC work: Cross border infrastructure, regional Economic Communities, Regional Thematic agencies, Ministries, Regulatory agencies, Customs, Bureau of Standards, Export and Investment Promotion Agencies (of partner countries), chambers of commerce and industry, professional associations, other donors and their funded programs especially WB, WTO etc.

Increasingly, through blending, the EC expects to start working with investment funds, business incubators etc.

A.3.4 Germany: Deutsche Gesellschaft für Internationale Zusammenarbeit

The key functional areas in GIZ support for regional BER are intuitional strengthening of regional organizations concerned with BER and stakeholder dialogues (e.g., between regional authorities and national one in the different RECs to ensure harmonization of business regulation). In addition, GIZ works on optimizing customs and administrative trade procedures and on improving quality infrastructure (mostly together with the PTB).

Stakeholder dialogues between public and private and civil society actors on regional level, where the national dialogue is weak (Caribbean examples: regional trade and investment promotion through Caribbean Export Development Agency, creation of a network of coalitions of services industries).

GIZ also supports regional branding to ease market access in Europe.

A.3.5 International Development Research Centre

IDRC's program on Employment and Growth focuses on promoting employment for vulnerable groups through sustainable, responsible business practices. Our program aims to fund research that will support socially responsible businesses. Our focus is on labour practices, especially in Asia. How they are being implemented within the business sector (mainly global value chains present in locally based business), how these practices could be improved, and how to evaluate them and scale them up. IDRC works with think tanks and NGOs alongside business associations interested in improving labour practices.

A.3.6 Netherland Ministry of Foreign Affairs

In the abovementioned initiatives (TMEA and ATWA) the Netherlands focuses mostly on regional trade facilitation. TMEA works closely with national governments, the EAC secretariat, local business organizations and other stakeholders, and a wide range of development partners. Although the programs are regional, the business climate at the national level is an important determining factor for enterprises and traders who engage in regional trade. Efforts are made to align national procedures and regulatory frameworks so that traders and entrepreneurs can benefit from the opportunities of increased regional integration. In some sectors such as agriculture regional trade is essential to enable countries to achieve food security and promote sustainable agriculture through better use of natural endowments (mainly land and water).

The ICF and FIAS executes the projects on behalf of the Netherlands. The Ministry does not have a direct role in the implementation and do not actively steer the focus of non-national interventions. The focus of local interventions seems to lie on permitting and business regulations, while regional reforms are generally broader and include trade facilitation and harmonization of business law.

Capacity-building programs and PPP benchmarking would help our embassy in Bamako to enhance Business climate support for Mali, Niger and Burkina Faso.

A.3.7 Swiss Agency for Development and Cooperation

Obviously the answer depends on the local context and the specificities of SDC projects in a given geographic area. For instance, SDC has experienced that in the frame of its fiscal decentralization projects in Latin America, improving sub-regional BER, in particular related to local taxes and public fees, has played a major and effective role also for boosting sub-regional development. In MSD projects SDC has realized how important it is to support the development of business organisations for them to influence sub-regional BER towards public authorities. Also with regards to services or infrastructures of public interest (e.g., water utilities), SDC has seen that working on BER is a fundamental prerequisite for them to function properly (defining responsibilities, authorizations, financing mechanisms, fees, etc.)

A.3.8 Swiss State Secretariat for Economic Affairs

In Colombia, SECO's support to regional and sub-national BER has been limited to a few specific interventions that contained sub-national activities. A more programmatic approach is currently being developed in the frame of a larger competitiveness program. SECO is currently active in:

- Improving tax policies and administration: IFC Tax Simplification – support to tax authorities at the subnational level (Cali) in the frame of a broader tax simplification program.
- Improving the overall quality of regulatory governance: a special emphasis has been put on the construction sector: IFC municipal simplification (simplification of procedures in the issuing of construction permits in different cities); Green Building Code (elaboration of local green building codes that could include different types of incentives (tax, procedural, etc.);
- Improving land titles, registers and administration: SECO is currently contributing to the strengthening of data management systems necessary for a functioning cadaster. Pilots to test the system are planned in different regions.

A.3.9 UK Department for International Development

As noted above, most of DFID's support of BER at the local level is targeted at urban planning, land tenure and agriculture. Far less work is being done at the regional level.

However there are some DFID programs working on regional trade and trade facilitation, for example Trademark East Africa.

DFID works with a range of partners, primarily the WBG through the FIAS trust fund, as well as DCED and a range of private contractors and NGOs.

A.3.10 United National Conference for Trade and Development

UNCTAD focuses mainly on the regulatory aspects that have an impact on entrepreneurship, investment and trade promotion (including competition policies) and are dealt with differently from region to region, e.g., activities aimed at building entrepreneurs' confidence in the regulatory environment and at guiding them through the start-up administrative process, enhancing the benefits of formalization. Through the E-government and Science, Technology and Innovation for Sustainable Cities UNCTAD also provides assistance at the local and municipal level. Among the main areas of intervention:

- Entrepreneurship policies
- Investment attraction policies, investment agreements and iGuides
- Trade facilitation, trade policies and trade agreements
- Competition policies and regional integration
- E-government
- Science, Technology and Innovation for Sustainable Cities

A.3.11 United States Agency for International Development

For subnational, USAID tend to work with municipalities and the business communities that they serve. In El Salvador, this took the form of creating Municipal Competitiveness Councils with the mayor and business people. USAID has tended to focus quite simply on what services local governments provide (e.g., registration, licensing, IDs, local taxation) and how well they provide those. This has occasionally been done through improved service centres with improved business processes, as in Georgia, Bosnia and Morocco.

USAID needs to do more on the information side to promote awareness of changes (or their lack). In Vietnam, the press has been heavily involved in reporting annual changes in the VPC Index. That is not true everywhere.

A.3.12 World Bank Group

At <u>local level</u> the World Bank Group Investment Climate Unit helps subnational authorities develop and implement strategies to better retain and grow investment, promote economic development and create jobs. Partners may include heads of city and local governments, economic development or other special units in mayoral offices, or subnational entities interacting with investors.

The Investment Climate Unit contributes to the subnational agenda by focusing on:

1 Investment Policy and Promotion: Investment policy reforms help developing economies better integrate their private sectors with global and regional value chains, and better retain and attract FDI. Reforms address the legal, regulatory, and administrative impediments to investment both at the national and at the subnational level. They also promote steps towards maximizing the potential benefits of FDI and its interaction with the domestic economy to foster sustainable development.

At the subnational level the Investment policy and promotion work follows the investment lifecycle, covering the following key areas:

- Investment strategy: Preparing development-oriented investment policy reforms by helping subnational authorities clarify objectives, prioritize and design an investment policy reform agenda, and implement reforms leading to measurable outcomes.
- Investment entry and establishment: Supporting subnational governments address legal, regulatory, procedural and de facto barriers to business entry and start-up.
- Investment attraction and incentives: Defining policy and institutional arrangements conducive to the attraction of FDI. Such support includes proactive investment promotion efforts, sector targeting, outreach, and investor aftercare. It also covers support in improving the effectiveness of investment incentives, working with subnational governments to identify how incentives can better contribute to investment growth as well as other policy objectives (such as fostering linkages, skills upgrading and diversification).
- Investment protection: Strengthening investor confidence to help clients retain and expand FDI through measures addressing unlawful expropriation, protection against internationally recognized arbitrary actions or payment transfers, and currency convertibility. At the subnational level, this includes minimizing investment risks by promoting best practices in conflict management and risk mitigation.
- Domestic value addition, linkages and spillovers: Promoting good practices in investment policy to foster linkages and spillover effects of FDI to local economies.

2. Business regulation and Indicator-based Reform Advisory: The investment climate in specific localities contributes to form investment location decisions in many cities and regions around the world. Tackling administrative constraints, improving service delivery and enhancing transparency on business regulations at the subnational level are key actions to foster firm productivity, economic growth and job creation. At the subnational level the business regulation work focus on:

- Promote regulatory simplification of sector specific licenses/permits for agribusiness, automotive, light manufacturing, tourism, transport sectors, among others.
- Promote regulatory simplification of permits/licenses linked to establishing operations in industrial zones in specific localities.
- Help to enable transactional online portals/E-registers of business permits/licenses in any given locality (single-portal for business approach), and improve back-office processes to enable faster issuance of permits/licenses.
- Foster the improvement of sub-national level business inspections from basic scoping and assessment to reorganization, operational changes, risk-based approach and enhancing transparency.
- Assist with the implementation of national level regulations at the subnational level in areas like construction permitting, including activities related to capacity building, monitoring and evaluation and sharing international best practices.

- Provide a framework to measure and improve service delivery with subnational authorities and in close partnership with the private sector.

3. Benchmarking investment climate at the subnational level, in collaboration with the Doing Business Subnational team): Additionally, the Doing Business Subnational Unit work leverages the Doing Business methodology to create new micro level investment climate indicators across a number of locations within the same country. By abstracting from larger differences in the legal and regulatory frameworks across countries, Doing Business Subnational Unit focuses on capturing local differences in business regulations or in the implementation of national laws. Projects include a strong engagement component with national, state and municipal policy makers, development of local capacity and promotion of regulatory reforms through peer-to-peer learning.

The Development Economics Vice Presidency houses both Doing Business and Subnational Doing Business, and is an important player in driving the WBG subnational agenda on Business Enabling Environment issues. The Vice Presidency seeks to increase understanding of development policies and programs by providing intellectual leadership and analytical services to the Bank and the development community. The Vice Presidency is the research and data arm of the World Bank.

Doing Business Subnational Unit has been conducting projects for more than a decade—not just in collaboration with Investment Climate, but also other parts of the WBG, such as the Urban Global Practice, as well as independently working directly with client governments, such as the cases of Italy, Spain, etc.

Key deliverables include:

- New micro level data comparable across locations in the same country, with 189 economies worldwide and with over 430 subnational cities.
- Customization of indicators built following the Doing Business methodology relevant to specific sectors or activities (e.g., environmental and industrial licenses for SMEs manufacturing steel products in 19 cities across Spain).
- A detailed analysis of regulatory bottlenecks at the national, state and local levels for each location.
- The documentation of local good practices that can be replicated without necessarily introducing new laws at the national level.
- Tailor-made reform recommendations in each area analyzed and for each location benchmarked.
- A strong engagement model to build government capacity and motivate reforms.
- Peer-to-peer learning to disseminate good practices and promote knowledge exchange.

At the regional level, the Investment Climate Unit helps governments implement reforms on specific investment policy issues of regional integration, offer practical tools to review regional integration progress and steer reform momentum, and increase effectiveness of investment promotion to maximize regional complementarities.

Technical assistance at the regional level may include:

- Reform implementation scorecards: The growing alignment of domestic reform frameworks with regional best practices requires regular compliance checks to monitor progress, track achievements, uncover adverse practices, and motivate political lobbying tool for further reforms. Tailored scorecards can serve as a practical tool to consolidate comparative data on such compliance.
- Regional reform dialogue: Focused regional implementation dialogue can help bring together representatives of the private sector, member states, and regional organizations to set reform priorities, which contribute to the creation of a more fluid regional investment space.
- Peer-to-peer learning: Often governments lack understanding of constraints to regional investments or capacities to implement reforms towards greater regional integration. Focused peer-to-peer learning can help: disseminate regional best practices; showcase countries' achievements; build capacities in using technical instruments for investment driven development; and sensitize governments to reform opportunities.

A.3.13 TradeMark East Africa: Women in Trade Program results

Eastern African Sub regional Support Initiative for the Advancement of women — Phase I 2011-2013; Phase II 2014-2016 (on going):

- Increase in number of women trading through organised groups across borders through the formation of one regional WCBT association and five national associations as the recognised platform to engage with policy makers at various levels on issues affecting them. The associations currently have a membership of 4,396 women cross border traders (2065 operating in Uganda; 952 Kenya, 243 Tanzania, 836 Rwanda and 300 from Burundi). These traders have benefited from various capacity building initiatives to enable them effectively participate in trade and access new markets.
- Improved service delivery and trading environment at borders: 88 government officials from Uganda, Rwanda, Burundi and Kenya were trained in gender dimensions of cross border trade, to ensure that the officials understand and appreciate the gender dimensions to enable them provide better policies and better service delivery at border points with a gender lenses. There are 13 women in the border Management committees, where they engage directly with representatives from various public agencies particularly customs and police officials on ways to improve the trading environment.
- Women cross border traders have increased access to trading information as recorded by over 50% increase in visits (3619 traders) to the resources centres established at six border posts. These centres provide the women traders with trade and immigration related information to empower them transact efficiently at the borders, increase their understanding of border procedures and reduce time spent crossing the borders which is an immeasurable gain for these women who face a number of challenges including time poverty

- Five Hundred WCBTs were provided with simplified and translated Customs and Common Market protocols, and information on the 'Simplified Trade Regime (STR). In addition, at least 540 women traders receive market and trading information through weekly dissemination by SMS that is simplified from the regional trade intelligence network (RATIN). The created database helps save time and costs associated in locating and mapping out the informal cross border traders by policy makers and development partners. The existing database also provides a platform for results monitoring and measurement. In a survey conducted in May 2013 amongst the 540 recipients of this information, 18 per cent had recorded increased income through utilising this information to access new markets and diversify their trade.
- National lobby meetings with 173 decision makers of Ministries of Gender, MEAC, Revenue Authorities, National Bureau of Standards, Ministry of Internal Affairs, and Ministry of Agriculture were held across the region. As a result, there was increased awareness on women traders' issues among government officials and commitment to address challenges faced. Currently EASSI is engaging with the ministries of Trade in Kenya, Tanzania and Uganda to ensure that gender issues are incorporated in the national trade policy that are under review/formulation.

East African Women in Business Platform hosted by the East African Business Council represents 3,000 business and professional women in the region. Phase I 2011-2013; Phase II in design:

- Conducted research on the barriers faced by women-owned businesses in EAC. The findings informed various policy processes including the development of an EAC Strategy on Promoting Business Women and Women's Socio-Economic Empowerment as directed by the 25th meeting of EAC Council of Ministers
- Increased knowledge of business women across the EAC region on EAC trade regime and customs regulatory framework through trainings
- Increased networking and business linkages for 3,000 women-owned businesses through the development of a regional business directory for business women to provide detailed information on women-owned/run businesses in the EAC region(*business and owner, products and services offered, location, sector etc) and i*nformation on national and regional women and professional women associations operating with the EAC region.
- Increased advocacy for improved business climate for business women in the region through various dialogue platforms including the EAC secretariat
- Enhanced collaborative partnership with Trade Support Institutions through a Memorandum of Cooperation with the ITC under the *Global Platform for Action on Sourcing from Women Vendors* to promote business women; and a Memorandum of Cooperation with Chamber Trade Sweden to strengthen policy advocacy focused on the harmonisation of policies related to business women with the EAC and the promotion of investment in Green Technology and related policy advocacy initiative with the EAC.
- Contributing to enhance Access to Affordable Finance for Women-Owned Businesses in the EAC through technical input in the development of financial

facility for women-owned businesses by the East African Development Bank to address the challenges that constrain access to credit by women. Negotiation for this facility still on-going.

ProFemme Rwanda — June 2012-2014, with extension to 2015; Phase II on-going:

- Facilitated the establishment of 25 women cross border traders cooperatives from the six border districts.
- Over 2,400 women cross border traders have been sensitized, Furthermore, the project has facilitated 15 among the 25 cooperatives to get loans for a total of about 100,000$ from different microfinance institutions.
- 168 women cooperatives leaders trained on co-operatives management, business cycle management and customs procedures. This has resulted in effective governance and operations of the cooperative and service delivery to the members.
- Contributed to the reduction in time of registration of CBT co-operatives from 180 days to 120 days. Profemmes aims to continue working with Rwanda Cooperative Agency to further reduce the number of days it takes to complete the registration process
- Increased representation and advocacy on issues affecting women traders: Profemmes developed five position papers on key challenges of women in cross border trade. The position papers have been used in advocacy both at national and regional level. Position paper on the registration timelines was submitted to RCA and facilitated the decentralization of the registration process to enable the women to register at district level. The position paper on gender gaps in the EAC protocols was submitted to the Secretary General's forum and the Ministry of EAC for action. Profemmes will be monitoring the implementation of their recommendations in collaboration with other civil society organisations.
- Project recorded growth in personal income increased by at least 100 per cent, from roughly RWF20,000-30,000 (US$27-42) then to RWF50,000-60,000 (US$70-83). This increase improved livelihoods and reduced the incidence of poverty amongst the co-operative members and their families.

In 2016/17 Pro-Femmes/Twese Hamwe plans to expand the work that has been done so far while replicating what has been successful and strengthening networks for sustainability of the project's achievements. The project will focus on 4 components:

- Capacity building to support formalization of cross border businesses;
- Improving access to finance for small cross border traders;
- Improving access to market and market information;
- Advocacy for the improvement of the environment in which SCBT operate in and for better accountability and policy implementation in the context of the EAC, CEPGL&COMESA protocols.

The project will be implemented in nine districts.

Uganda Women Entrepreneurs Association Limited — October 2015- on-going:

- Study conducted to establish whether the common external tariff is a constraint to the women in trade in Uganda in order to further inform the upcoming EAC CET review process. The study identified the key products for women processors and urban traders and the impact of the CET on these products, and examined the levels of CET awareness among the women. Interventions are to be designed to sensitise the traders and a policy advocacy campaign for the application of favourable rates for the key sectors the women are involved (agro-processing; crafts; textiles and clothing).
- The Association has trained over 1780 women urban traders and women lights processers in EAC trade procedures and processes and has established 5 business hubs to enhance the participation of women traders from Uganda in regional and international trade through training, certification, advocacy and sharing experiences/lessons.
- Institutional and technical capacity strengthening for the SSWEA and COWE secretariat (*Strategic planning, grant management, governance, advocacy)*
- 1,400 Women entrepreneurs from Juba and women informal cross border traders from Nimule border trained on trade procedures and business management skills
- 75 women honey farmers mobilised, trained and linked to markets/buyer.
- Evidence based policy positions developed highlighting specific gender related constraints to cross border trade for advocacy and dialogue with government departments/agencies.