



Business Environment Working Group Meeting

13 June 2017, Rome (FAO Building)

Minutes of the Meeting

Approved by BEWG Members by email 30 June 2017.

PRESENT	
Farid Hegaz (ILO)	Fulvia Farinelli (UNCTAD)
Stefanie Springorum (GIZ)	Eva Galvez Nogales (FAO)
Andreja Marusic (World Bank Group)	Henrik Vistisen (Danida)
Alexander Widmer (SDC)	Simon White (Consultant to BEWG)
Liliana de Sá Kirchknopf (SECO)	Joined by telephone (poor connection, not able to contribute to the discussion):
Jan Meijer (Netherlands)	Juergen Reinhardt (UNIDO)
Toru Homma (JICA)	Lindsay Napier (DFID)
Neil Satchwell Smith (Gatsby Africa)	

Welcome and introductions

At 9:15AM Farid Hegazy (ILO) opened the meeting and welcomed everyone. A special welcome was extended to the representative of JICA, as this was his first meeting after JICA joined DCED officially as a member, as well as to the representative of Gatsby Africa, as an observer and potential member.

All participants were invited to introduce themselves.

Meeting Agenda

The agenda of the meeting was adopted.

Minutes of the Last Meeting (14 March 2017)

AGREEMENT: The Minutes of the Last Meeting had been previously approved by email and were noted. There was no business arising from the Minutes.

Business Arising from the Work Plan

Work Item 1: Business Environments for Inclusive Business

Simon White, on behalf of Melina Heinrich-Fernandes (Secretariat) and Birgit Seibel (GIZ), provided the following update: The DCED scoping paper on the Enabling Environment for Inclusive Business was presented by the DCED Secretariat at the G20 GPIB and Inclusive Business Action Network (IBAN) Policy Dialogue on Inclusive Business in Berlin in May.

The plenary session to present and discuss the paper was organised with GIZ's support and moderated by Professor Ted London of Michigan's Ross School of Business. Some 76 participants attended from developing countries, representing policymakers, donors, multilaterals and NGOs, mostly with an Inclusive Business background. Evidence on the topic from Private Sector Development programmes was rather new to them.

The presentation was very well received; it was also widely disseminated via twitter and the conference website. The Inclusive Business Action Network will continue to develop and disseminate knowledge in this area.

AGREEMENT: It was agreed that the objectives of the work plan item have been achieved.

Work Item 2: BER and Labour Productivity

Alexander Widmer (SDC) gave a presentation on the results of the report on BER and Labour Productivity. The main findings are (from the presentation):

- Productivity is key to development. However for firms in least developed economies labour regulation and inadequately trained workers are far less important than corruption and access to finance.
- All industries can be flagged for employment growth and low or even decreasing productivity, but variations between regions are very large
- Labour productivity profits strongest from firm based drivers as training, innovation, employee engagement, incentives, occupational safety and health.
- Firm-based drivers are influenced by framework conditions like incentives and regulation on training and lifelong learning, fiscal incentives for basic research, limitation of working hours, work-life balance promotion, work force participation in decision making, health and safety standards.
- Success factors of good practice projects are partnerships with stakeholders, customization of interventions, market system development.
- Rising prominence of skills related projects, and growing significance of private sector partnerships.

Implications for Donor Agencies (from the presentation):

- The five workforce-related framework conditions become more relevant as economies mature.
- Obtain more localized and up-to-date data for choice of relevant industries. The report's tables and graphs can serve as a benchmark.
- Project stakeholders should co-determine the relevance of particular interventions
- A project attempting to provide tangible benefits and system change would strive to include companies (micro level), intermediaries (meso) and government bodies (macro).
- Donors should consider the findings in the design and implementation of projects and programmes

The Meeting discussed the report, its findings and possible next steps. The findings were welcomed, recognising this is a complex topic. Some of the comments raised:

- Unsure how the findings of the report can be connected to areas of practice. The definition of a business environment used in the report is somewhat different to the DCED definition.
- Often it is not enough to look at the drivers for reform. The context in which these drivers operate can vary dramatically, along with the national stages of development.
- Not all agencies deal with labour reforms from a BER perspective.
- Might be useful to have more examples.
- JICA had complemented the text of the annex related to its project in Ethiopia, but this was not considered. It was agreed that the text should be adapted.
- World Banking Doing Business report is adding a section on labour issues, which needs to incorporate these findings. This will be an important development because DB is a widely read and closely followed publication.
- Labour legislation reform is a very sensitive topic, but an important one.

There was some discussion regarding the formulation of an annex. It was generally agreed that the technical report does not lead directly into the formulation of a full annex because there are not enough practical conclusions. The idea of a longer executive summary or policy paper, which is shorter than an annex, but captures the report's practical findings.

AGREEMENT: It was agreed that the report is approved with the complements provided by JICA. A Policy Brief is produced to draw out the findings and practical lessons, along with key questions for future clarification.

ACTION: Task Team to consider a structure for the Policy Brief and engage a consultant to prepare the brief.

Work Item 3: Public Procurement for SMEs

Andreja Marusic (World Bank Group) and William Nielsen (Consultant, by telephone) provided a presentation on this report. The report had been through two rounds of revision and was presented to show findings and consider next steps. The report draws from three cases: Korea, Mexico and India, as well as from other secondary studies. Lesson learnt (from the presentation):

- Improved data collection is needed and will need to be coupled with monitoring, evaluation and enforcement mechanisms.
- Public procurement can be used to address socio-economic policy agendas, with varying results being achieved. In some cases, aspects of corruption or informality of the private sector pose greater obstacles. Balancing agendas must be considered and in some cases prioritized.
- Procurement reforms are best by efficiency standards, but direct SME-targeted assistance is best for maximizing engagement with SMEs albeit at potentially higher costs.
- Winning a procurement contract provides growth and employment benefits to the SME in short term and potentially longer term as well.
- Policies used in developed countries are not necessarily effective in developing countries.

- Set-asides, Financial assistance, and Small lot sizes are the most commonly used preferential tools for SMEs based on Benchmarking Public Procurement surveys. They have all been found to be beneficial to SMEs as well with varying cost effectiveness for the government.
- The gender component of public procurement is often ignored, but worthy of addressing.

The report and presentation was then discussed:

- Generally seen as a useful piece of work, which the Working Group appreciated.
- Fulvia: Question about whether women's ownership is falsely presented in order to gain a procurement preference. There was no evidence found on this.
- Jan: Important to know how and when to balance procurement initiatives compared with other SME development interventions, including sub-contracting by large firms to small firms. It would also be useful to understand how these findings apply to specific sector. Sometimes miss a conclusion or wrap-up at the conclusion of each chapter.
- Stefanie: Interested to explore how this connects with business environment reform work being done in the World Bank Group and by others. There have been data challenges, which make it difficult to select cases (e.g., a Kenya case was planned, but there was not enough data. No African cases were chosen, primarily for the same reason.)
- Andreja: The scope of this work has grown. There are many gaps in this work that need to explore further. It would be good to have evidence on public procurement and growth – the Brazil study hints at this, but overall there is a lack of data.

AGREEMENT: It was agreed to accept the report, subject to an amendment from SDC. It was also agreed to prepare a Policy Brief (similar to the brief agreed to on BER and Labour Productivity).

ACTION: Task Team to consider a structure for the Policy Brief and engage a consultant to prepare the brief.

Discussion of the 2017/18 BEWG Work Plan and Budget

Farid provided a general overview of the draft work plan and budget. He then facilitated a discussion of the main items.

Work Item 1: BER and Labour Productivity

AGREEMENT: This work item was agreed to. It was also agreed to changing the output from a "DCED Guidance Annex" to a "Policy Brief".

Work Item 2: Public Procurement for SMEs

AGREEMENT: This work item was agreed to. This work item was agreed to. It was also agreed to changing the output from a "DCED Guidance Annex" to a "Policy Brief".

Work Item 3: Creating better business environments for micro and small enterprises

Farid provided an overview of this work item and its intention. Andreja highlighted the relevance of this work to what the WBG is doing, especially related to high-growth MSEs. In addition, reforms that foster formalisation are important, but appear to have a limited impact on the informal economy. Is it more feasible to create an intermediary status for informal and unregistered firms? Should we always be forcing formalisation? Furthermore, the focus of the study needs to be clear: SME versus MSME?

Fulvia indicated that UNCTAD has a strong interest in early growth MSE and entrepreneurship development. However, are we confident that this will come up with something new? Farid is hopeful we can come up with something, if not new, presents a systematic way of approaching this topic.

Jan indicated this is a broad topic. There may be a need to give it some focus. Thus, it will be important to frame the study, via TOR, etc. The focus is on whether or not to specifically focus on enterprise size or type, before considering donor interventions.

AGREEMENT: The work item was agreed to. The focus is on the MSE sector. It was further agreed that there be some focus on high-growth MSEs. Possible additional financial support may be available from the World Bank Group (Andreja to follow up) and UNCTAD (Fulvia to follow up).

Work Item 4: Webinar Series

Stefanie Springorum spoke to this item. The primary idea is to prepare a 5-6 minute video which might be available via the DCED website and YouTube. In addition to the list of topics contained in the work plan it was agreed to add the political economy of BER. There is a need to scope the topics out and to develop a prioritised list of topics to be addressed. The success of this undertaking depends on the ability of the BEWG members to mobilise interested participants in their organizations to participate actively to the Webinars.

AGREEMENT: This work item was agreed to. It was understood that an approach (and cost) to this work should be developed, beginning with the original DCED Donor Guidance. Although, it could also be useful to cover the two topics addressed this year. There are potential future funds for this work item from Germany (BMZ/GIZ).

Work Item 5: BER and Investment Promotion

Toru Homma spoke to this item, which JICA has originally proposed. This was followed by discussion, which highlighted:

- The importance of including domestic and foreign investment;
- Ensuring the work item is carefully framed — there is a lot of work done on this topic and it will be important to ensure the BEWG contribution is focused;
- Ensuring that environmental and social safeguards are kept high in promoting investment and evaluating the impact and sustainability of favourable taxation regimes for foreign investment.

Two new member joined the Task Team: UNIDO and UNCTAD.

AGREEMENT: This work item was agreed to.

Work Plan and Budget in Total

AGREEMENT: The Work Plan and Budget for 2017/18 (with the above revisions) was approved.

See Annex 1: Final BEWG Work Plan and Budget for 2017/18

BER and Green Growth

In the meeting later in the day, the BEWG and the Green Growth Working Group received presentations on the reports produced. It is not anticipated that any further work on BER and Green Growth will be undertaken.

BER and Gender

In the meeting later in the day, the BEWG and the Women's Economic Empowerment Working Group received presentations on the reports produced. It is not anticipated that any specific further work on BER and gender will be undertaken.

The reports are available from: <http://businessenvironmentreform.co.uk/berf-themes/berf-gender/>

Other business

Fulvia Farinelli indicated an interest in a future work item on entrepreneurship, migrants and BER. She was encouraged to formulate a short note outlining the possible focus and scope of this.

Farid recognised that Alexander Widmer will be leaving the BEWG. He was thanked for his participation in and support of the BEWG.

Jan Meijer also indicated he would not be able continue in the BEWG and will be replaced by another representative from the Netherlands. Farid also thanked him for his support.

Neil Satchwell Smith thanked the meeting for allowing him to observe and would like to be kept on the mailing list.

Next Meeting

AGREEMENT: Next face-to-face meeting would be early-December 2017 (proposals for venues welcome); next Teleconference in late-September 2017.

Close of Meeting

Farid Hegazy closed the BEWG meeting at 15:00.

Brief report: Joint BEWG- Women's Economic Empowerment Working Group (15:45 to 16:00)

The Consultant, Katherine Miles, presented the report ('Policy Guide') and two case studies (1 'Advancing Women's Financial Inclusion through Gender-Sensitive BER' and 2 'Gender-Sensitive BER and Informality'). All members appreciated these outputs. The case studies provided useful detail on some of the principles and general recommendations of the policy guide.

Brief Report: Joint BEWG-Green Growth Working Group Meeting (16:00 to 16:45)

The Consultant, Matthias Ploeg, presented background and rationale for the study and the Policy Guide and associated case studies and fact sheets. The meeting expressed an appreciation for the guide and the tools it contains. The two groups remain open to exploring further cooperation arrangements in the future.



Business Environment Working Group

Work Plan and Budget 2017/18

1 July 2017 to 30 June 2018

As agreed at the BEWG Meeting in Rome on 13 June 2017.

1 OVERVIEW

1.1 Strategic aim

Established by the Donor Committee for Enterprise Development (DCED) in 2002, the Business Environment Working Group (BEWG) serves as a platform for professional peers to share information and knowledge on donor-supported business environment reform in developing countries and to identify, promote and support good practices in this field. The BEWG strives to help agencies and their programme partners to strategically and effectively position business environment reform as a part of an integrated private sector development strategy and to enhance the synergies between these reforms and broader development objectives. While the BEWG primarily serves the interests of member agencies working in this field, it also endeavours to reach out to programme partners (i.e., developing country governments, business membership organisations and other civil society organisations), to directly learn from and contribute to the work of these actors.

The mission of the BEWG is to serve as a multi-donor platform for sharing knowledge, experience, and best practices in supporting business environment reforms. The BEWG supports its members in their efforts to deal with the political and technical challenges they experience in designing, managing, financing, and measuring business environment reform programmes.

1.2 Three-year vision

Our vision is that development and donor agencies provide support to business environment reforms in the most efficient and effective way applying best practice and global knowledge.

1.3 Collaboration with other working groups

The BEWG has not established any formal arrangements with other working groups. However, a number of BEWG members are also members of other working groups, including

the Green Growth Working Group (GGWG), and the Women's Economic Empowerment Working Group (WEEWG).

In 2016/17 there were joint work items undertaken with the GGWG and the WEEWG.

1.4 Main recent achievements of the group and associated costs

In the last Financial Year (2016/17), the BEWG achieved the following:

- **Supporting Local and Regional BER:** With the completion of a technical report on subnational (local) and regional BER in 2015/16, the BEWG produced an annex to the Donor Guidance on this topic, which synthesised the principles, methods and lessons learned in supporting subnational and regional BER.
- **Business Environments for Inclusive Business:** Beginning in 2015, work was undertaken to examine how donor and development agencies can support the growth of inclusive businesses through BER. An expansive study was commissioned and published in 2016. The DCED Secretariat presented this Scoping Paper at the G20 Global Partnership for Inclusive Business (GPIB) and Inclusive Business Action Network (IBAN) Policy Dialogue on Inclusive Business in Berlin in May 2017 and was very well received.
- **BER and Gender:** following a general scoping study in 2015/16 on gender, the BEWG, published an annex to the Donor Guidance on BER and Gender. In addition, in collaboration with the WEEWG, the BEWG supported various additional work items, namely a short basic guide for policy makers based on the paper 'Business Environment Reform and Gender' as well as two detailed case studies on financial inclusion and informality, which were finalised in June 2017. Furthermore, fostering cooperation with individual BEWG members, the BEWG provided comments on two DFID financed studies: (a) Scoping Study on Gender Differences in Enterprise Surveys; and (b) Scoping Study on Customary Law and Women's Entrepreneurship, even though these two studies were not undertaken in the framework of the BEWG.
- **BER and Labour Productivity:** a report on this topic was completed in June 2017, examining the relative importance of the availability of a highly qualified and productive workforce for enterprise development and the role of donor and development agencies in supporting BER in these fields. A Policy Brief on this topic will be produced in 2017/18.
- **Public Procurement for SMEs:** a report was finalised in June 2017 analysing the various models of preferential treatment of SMEs in public procurement and evaluating the impact that such policies have had on SME development. A Policy Brief on this topic will be produced in 2017/18.

BUDGET 2016/17

<i>Item</i>	<i>Contributed by members</i>	<i>DCED Trust Fund</i>	<i>Total US\$</i>
1. Beyond National BER			
Production of Annex	0	10,000	10,000
2. BER and Gender			
Consulting fees	Additional funds provided from DFID via BERF	25,000	25,000
3. BER and Labour Productivity			
Consulting fees	0	25,000	25,000
5. Public Procurement for SMEs			
Consulting fees	30,000 [Source: World Bank Group]	30,000	60,000
BEWG Coordination and Support			
Coordinator (Fees and Travel)	0.00	20,000	20,000

Total	30,000	110,000	140,000
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1.5 Main goals for FY 2017-2018

The goals for the BEWG for 2017/18 are to:

1. Be better able to articulate the link between business environment reform, private sector development and the achievement of broader development outcomes, as well as to cite evidence that demonstrates this link; and
2. Continue to provide practical information, knowledge and resources that help donor and development agencies, and their programme partners, to design, manage, finance, and measure business environment reform programmes.

2 ACTIVITIES (2017/18)

The following activities are planned in 2017/18:

2.1 BER and Labour Productivity

Following the production of the technical report on BER and Labour Productivity in June 2017, the BEWG will prepare a Policy Brief on this topic synthesising the principles, methods and lessons learned.

Work Item Objectives (2017/18):

- Preparation of a Policy Brief.

Activities (2017/18):

- Commission a consultant to prepare the Policy Brief.

Work Item Outputs:

- Policy Brief

Budget and Sources:

- Budget: \$10,000
- Source: Requested from DCED Trust Fund

Task Team

- Alexander Widmer (SDC) and Liliana de Sá Kirchknopf (SECO) – Co-Team Leaders
- Farid Hegazy (ILO)
- Henrik Vistisen (Denmark)

2.2 Public Procurement for SMEs

Following the production of the technical report on Public Procurement for SMEs in June 2017, the BEWG will prepare a Policy Brief on this topic synthesising the principles, methods and lessons learned.

Work Item Objectives (2017/18):

- Preparation of a Policy Brief.

Activities (2017/18):

- Commission a consultant to prepare the Policy Brief.

Work Item Outputs:

- Policy Brief

Budget and Sources:

- Budget: \$10,000
- Source: Requested from DCED Trust Fund

Task Team

- World Bank Group (Andreja Marusic and Daniel Reyes)
- GIZ (Stefanie Springorum)
- ILO (Farid Hegazy)

2.3 Creating better business environments for micro and small enterprises (MSEs)

It has long been recognised that a poor business environment can disproportionately affect small enterprise development. However, it is unclear whether this requires reforms that are specifically attuned to the needs, constraints and dynamics of small enterprises or whether these effects are simply a reality small enterprises face due to their size and limited resources. For example, should different legal and regulatory frameworks be created for small enterprises, or do parallel business environments create incentives for staying small? It is also a challenging fact that in many countries, many if not most, of the MSEs are not formalized and therefore the adaptation of the business environment could be considered as an important contribution for the reduction of informality among SMEs. The BEWG will examine these issues more closely by commissioning research on size/type differentiation in legislation and regulations. This could include a focus on informal microenterprises. This research will consider the theory and practice behind these differentiated approaches review the published evidence regarding the effects these approaches have on small enterprise growth, employment creation and investment. Special consideration will be given to the influence of the business environment on supporting early-stage business growth (possibly including 'entrepreneurial ecosystems') and the effects of labour laws and regulations for small enterprises. Some consideration will be given to promoting high-growth MSEs.

Work Item Objectives (2017/18):

- Better understand the theoretical models underpinning the rationale for BER and small enterprises;
- Review donor practices related to these models; and
- Review the available evidence on BER and small enterprises.

Activities (2017/18):

- Commission a consultant to undertake the study.

Work Item Outputs:

- Publication of a report on the Theory and Practice of BER for Small Enterprise Development.

Budget and Sources:

- Budget: \$35,000
- Source: Requested from DCED Trust Fund. Additional financial support may be available from the World Bank Group and UNCTAD.

Task Team

- ILO (Farid Hegazy)
- World Bank Group (Andreja Marusic)
- Siobhan Kelly (FAO)
- GIZ (Stefanie Springorum)

2.4 Webinar Series

Since 2008, when the Donor Guidance was published, the BEWG has produced a wide range of documents on how donor and development agencies can support business environment reform. This includes numerous annexes and other important reference documents, which have been published in recent years:

- Policy Brief on Public Procurement for SMEs (forthcoming)
- Policy Brief on BER and Labour Productivity (forthcoming)
- Supporting Local and Regional Business Environment Reforms (2016)
- Supporting Business Environment Reforms within Industry Sectors (2016)
- Gender and Business Environment Reform (2016)
- Supporting quality infrastructure in developing and transitional economies (2014)
- Measuring Business Environment Reform (2013)
- How BER can be complemented with industrial policy support (2013)
- How BER can promote formalization (2011)
- [The Political Economy of Business Environment Reform: An Introduction for Practitioners](#) (2011)

To strengthen the key messages of these documents and annexes and to improve the access to these by key audiences, the BEWG will commission the production of a series of short webinars. Each webinar will run for around 5-6 minutes—possibly longer—and will focus on a specific topic. They will include short interviews with authors and BEWG members. The webinars will be made available through the DCED website as well as on YouTube.

Work Item Objectives (2017/18):

Increase the access donor and development agencies and their programme partners—in their headquarters as well as in the field—have to BEWG documents and annexes.

Activities (2017/18):

Commission a series of short webinars on key topics (to be selected from those listed below):

- The Donor Guidance (general);

- Local and regional BER;
- BER in industry sectors;
- Gender and BER;
- BER and QI;
- Measuring BER;
- BER and industrial policy;
- BER and formalization;
- Public Procurement for SMEs;
- BER and labour productivity; and
- Political Economy of BER.

Work Item Outputs:

- Webinars uploaded to DCED website and YouTube

Budget and Sources:

- Budget: \$20,000
- Source: Requested from DCED Trust Fund. Additional financial support may be available from Germany (BMZ/GIZ).

Task Team

- GIZ (Stefanie Springorum)
- ILO (Farid Hegazy)

2.5 BER and Investment Promotion

Developing country governments undertake BER in order to grow their economy through increases in private investment. Often, these reforms are conducted in tandem with specific measures to attract more private investment. This would include local (i.e., domestic) private investment and foreign-direct investment (FDI). However, the links between BER and investment promotion, and the ways these interventions can be used to support and complement each other, have been under-explored. The BEWG will seek to understand these dynamics better, by reviewing donor and development agencies' efforts to support BER and promote private investment.

Work Item Objectives (2017/18):

To identify best practices in supporting BER and inward FDI promotion.

Activities (2017/18):

- Commission a consultant to examine donor and development agencies activities in this field.

Work Item Outputs:

- Publication of a report.

Budget and Sources:

- Budget: \$25,000
- Source: Requested from DCED Trust Fund

Task Team

- JICA (Toru Homma)
- World Bank Group (Andreja Marusic)
- GIZ/BMZ (Stefanie Springorum)
- SECO (Alain Bühlmann)
- UNIDO (Juergen Reinhardt)
- UNCTAD (Fulvia Farinelli)

3 BUDGET 2017/18

ITEM	MEMBER CONTRIBUTION	REQUESTED FROM TF	TOTAL US\$
1. BER and Labour Productivity			
Production of Policy Brief	0	10,000	10,000
2. Public Procurement for SMEs			
Production of Policy Brief	0	10,000	10,000
4. BER and Micro and Small Enterprises			
Consulting Fees	0*	35,000	35,000
Webinar Series			
Webinar design and production	0**	20,000	20,000
BER and Investment Promotion			
Consulting Fees	0	25,000	25,000
BEWG Coordination and Support			
Coordinator (Fees and Travel)	0	20,000	20,000
TOTAL	0	120,000	120,000

* Additional financial support may be available from the World Bank Group and UNCTAD.

** Additional financial support may be available from Germany (BMZ/GIZ).