



Business Environment Working Group

Tuesday, 11 June 2019, Vienna

Minutes of the Meeting

Approved by BEWG members via email circulation

PRESENT

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| Andreja Marusic (World Bank Group, BEWG Co-Chair) | Thomas Cieslik (BMZ) |
| Stefanie Springorum (BMZ/GIZ, BEWG Co-Chair) | Catherine Masinde (World Bank Group) |
| Kåre Johard (SIDA) | Siobhan Kelly (FAO) |
| Michelle McKenna Stewart (DFID) | Chris Somerville (DFA, Ireland) |
| Anastasia de Santos (USAID) | Dirk Willem te Velde (ODI) |
| Toru Homma (JICA) | Stephen Gelb (ODI) |
| Juergen Reinhardt (UNIDO) | Srikanth Mangalam (Prism Institute) |
| Noriko Takahashi (UNIDO) | Goran Vranic (World Bank Group) |
| Peter Stoffelen (Netherlands) | Merten Sievers (ILO) |
| Henrik Vistisen (MFA of Denmark) | Simon White (Consultant to BEWG) |

APOLOGIES

Severine Deboos (ILO)

1. Opening, welcome and introductions

Andreja Marusic (World Bank Group), BEWG co-chairperson and chair of this meeting, welcomed all participants and opened the meeting at 10:00CET.

2. Minutes of Last Meeting

The draft minutes were reviewed and approved.

AGREED: The Minutes of the Meeting, 26 March 2019, were approved.

There was no business arising from the minutes of the previous meeting.

3 Agency updates

See Annex 1. Members are requested to forward their updates for inclusion in Annex 1.

4 Use of new technologies in regulatory delivery

Stefanie Springorum introduced the topic and then asked Goran Vranic (World Bank Group) and Srikanth Mangalam to present the research report ([link to PowerPoint](#)).

The study analyses cases of using emerging technologies in regulatory delivery activities, identifies benefits arising from this application to SMEs and governments, and develops a

maturity model for applying innovative technologies in regulatory rule-making and delivery domains (e.g., regulatory rulemaking, business registration, business licensing/permitting, inspection management). The analysis involves relevant innovative technology applications already implemented by various regulators as well as evaluate the accessibility and cost-effectiveness of the existing open source and proprietary tools, many of which are cloud-based. The case studies and maturity model will assist practitioners in designing reform project initiatives that will benefit from the use of innovative technologies to deliver the results earlier in the reform implementation timeframe. The selected case studies are focusing on more mature and developed economies, to identify good practices that can be piloted by reform practitioners in medium-income countries to test and further refine the maturity model and develop the delivery framework.

Conclusions and recommended future work

Goran and Srikanth highlighted the nascent nature of this work and the need for further research. They made the following recommendations for future work:

- More detailed site-specific assessments to validate and strengthen maturity model framework
- Widen review to include more country cases, regulatory applications and technology applications (challenge in gathering information)
- Test maturity model framework in controlled environments – starting with middle income and replicating to developing and transitional economies
- Development of formal toolkit/framework

Discussion

Catherine Masinde indicated the World Bank Group is taking some of this work forward, including the 'digital moon-shot' and another fifty case studies.

Many members expressed an appreciation of the work.

Issues raised:

- Need for more developing country examples and for cost-benefit analysis.
- Cyber security issues may need to be considered in the future.
- More practical information as an implementer (costs and benefits).
- Use of digital technology and regulatory delivery appears to be a high priority for donor and development agencies.
- Can BEWG add the digital technology dimension to its existing and ongoing work agenda (e.g., PPD, business registration)?
- Can further work be done on digital technology and the functional areas identified in the DCED Donor Guidance?
- The report may need significant editorial input and an upgrading of the tables and graphs.

AGREED

- It was agreed that the report be accepted, following final revisions (31 July 2019)
- Simon White to assist in preparing a Policy Brief (2-3 pages) in dialogue with the authors.
- Simon White and task team to liaise with DCED Secretariat regarding further editing of the report and its publication.

5 Promoting structural and economic transformation through BER

Kåre Johard (SIDA) and Michelle McKenna Stewart (DFID) provided a brief introduction to the work item. ODI was commissioned to do this study, which is due for completion on 30 June 2019.

Dirk Willem te Velde and Stephen Gelb (ODI) gave a presentation on the final draft study report ([link to PowerPoint](#)).

This study examined how donors can support Economic Transformation (ET) through Business Environment Reform (BER). It discusses emerging findings on definitions of ET, drivers of ET and how BER might promote them, current practices and challenges for donors in promoting and implementing BER to promote ET, and practical implications for donors and areas for further research.

General donor challenges in implementing BE and ET:

- Lack of mandate to pursue ET as an objective
- No definition of ET in use
- Inadequate knowledge management systems on what works
- Short-term programming cycles vs. the long-term processes
- Lack of understanding the theory of change on ET reaching the poor and the poorest of the poor
- Failure to work effectively with government
- Failure to address coordination failures and vested interests
- Lack of iterative and portfolio approach to BER and ET

The following recommendations are proposed to address the above challenges:

- Agencies need to go through a learning process to frame support for ET
- Agencies need to improve their understanding of the synergies between BE activities and ET
- Agencies need to follow a set of practical steps to implement BER in ways that also promote ET

Comments

The following comments were raised:

- ET is a very broad topic. It involves a broad, comprehensive analysis and can lead to over generalised outcomes.
- Some concern that the recommendations proposed by ODI are very generic and too broad. Can these recommendations be better focused?
- The theory of change appears to be missing a layer of intervention: where and how BER contributes to sector and economic transformation

AGREED: The following points were agreed:

- BEWG Members provide comments directly to ODI on or before 17 June 2019

6 Business Environment Reform Webinars

Stefanie provided a brief update on the webinar series. The future of BEWG webinars was discussed.

AGREED: The following was agreed:

- **Quarterly webinars**
- **Simon will coordinate in collaboration with the DCED Secretariat regarding a calendar of webinars (synchronizing with other DCED webinars)**
- **Agreed, first-order webinars – Simon will liaise with leads to set dates:**
 1. **BER and Investment Promotion (JICA to lead)**
 2. **Digital Technologies (WBG to lead)**
 3. **Measuring BER (WBG to lead)**
 4. **Gender and BER (need to find a non-WBG case study) (USAID to lead)**

7 Work Plan

The draft work plan and budget has been submitted to the ExCo, but was discussed for further input, clarification and agreement. The work plan was revised based on this discussion.

Key issues discussed:

- **BER in fragile contexts:** important topic with strong interest among the BEWG.
- **New and emerging trends in PPD:** This work item would provide an opportunity to take the BEWG's work on digital technologies for BER further to look at how digital technologies can be used for improved PPD.
- **Business and Investment climate conference (June 2020):** A working title will be: 'What has happened 15 years after Cairo' (DCED conference in 2005). This would be held alongside the DCED 2020 Annual Meeting. The conference would provide an opportunity to revisit the DCED Donor Guidance of 2008, including the business environment definition. This could be done at or alongside the next DCED Annual Meeting: this could include agencies providing an update of their 'PSD/BER Journey.'
- **Special Economic Zones:** What works in BER-related issues: would need to go beyond a narrow definition of BER. Would also be good to consider the issue of land. JICA has done some work on SEZ and manufacturing in Africa and Asia and could contribute to this. UNIDO would also be eager to participate in this topic. Broad support for this topic.
- **Simple Company Forms to Foster Entrepreneurship:** This will not be pursued by the BEWG. The WBG will be following this item up and will keep the BEWG informed.
- **Possible new item: What can the private sector do to improve the business environment?** There was a lot of interest in this topic. It could be done as a scoping research paper, but it is unclear how this could be financed now. It was proposed that this could be a major theme of the proposed investment climate conference.

8 Working Group chair

Stefanie Springorum is no longer able to continue to co-chair the BEWG. All members thanked Stefanie for her work as chair. In the absence of nominations for co-chair, Andreja will continue to chair the working group.

AGREED: It was agreed that Andreja will continue to chair the working group.

9 Close of meeting

At 16:45CET, Andreja closed the meeting, thanking members and presenters for their constructive and active participation.

10 Joint Workshop with Business Environment and Market Systems Development Working Groups

Introduction

At 17:00CET, Jim Tanburn opened a joint meeting between the Business Environment Working Group (BEWG) and Market Systems Development Working Group (MSDWG).

Susanne Thiard-laforet (Chair, Market Systems Development Working Group) and Andreja Marusic (Chair, Business Environment Working Group) gave short opening remarks representing the interests of each working group in this topic.

Promoting structural and economic transformation through business environment reform

Dirk Willem te Velde (ODI) gave a brief presentation on the BEWG-commissioned report on promoting structural and economic transformation through business environment reform.

Kåre Johard (SIDA) thanked Dirk for his work. He indicated that the report would be concluded by 30 June 2019 and a webinar will be held at a later date. Michelle McKenna Stewart (DFID) highlighted the interest in a guidance document for donor and development agencies.

Market systems development and economic transformation

Matt Ripley (Consultant) gave a brief presentation on the MSDWG-commissioned study on market systems development and economic transformation. This report finds that MSD has many points of intersection with ET at the micro, meso and macro levels. However, these programmes primarily support within-sector productivity, especially in agriculture. There is an opportunity for MSD to play a number of other roles in supporting different types of transformational change:

- Seeding innovation in new and emerging sectors or addressing ‘rules of the game’ constraints to allow these innovations to prosper.
- Scaling modern sectors that are already showing promise for economic transformation; and
- Supporting economic livelihoods in sectors where people in poverty are currently engaged, while diversifying rural employment opportunities in complementary sectors, such as tourism.

Proposed adjustments to the MSD approach:

- Adapting sector selection criteria;
- Engaging more in the ‘rules of the game’ and addressing political economy constraints;
- Getting clearer on how systemic change leads to transformational economic change;
- Introducing a more strategic approach to portfolio management both within and between programmes;

- Utilising a broader range of facilitation tools.

Gun Eriksson Skoog (ILO) indicated that the MSDWG found a great deal of value in this work. At the very least, some kind of donor guidance would be useful, but more research would also be fruitful. The MSDWG also need to further discuss this work.

Joint presentation and discussion

Stephen Gelb (ODI) ([link to PowerPoint](#)) and Matt Ripley spoke about the synergies of the two studies and conclusions for the working groups.

Topics raised in the discussion:

- Integration of sector-specific issues and cross-sectors issues is important to create systemic reform (e.g., agriculture and food systems);
- DCED could prepare a paper that provides its definition of ET;
- DCED website on ET;
- Important to think about the political economy of market systems and business environments;
- There are programs that span business environment and market systems;
- Could be useful for market systems projects to know how to think about BER and BER projects to know how think about market systems;
- It can be dangerous to focus only on sectors and do this for a number of years with the exclusion of others;
- Missing a focus on private investment;
- Important that a market systems approach is better understood and applied in other fields (it is a way of thinking, which could be applied to BER).

The way forward

There was broad agreement on continuing to work together on this common, shared agenda.

Summary and close

Jim Tanburn closed the meeting at 18:40.

Annex 1: Agency updates

Germany

BMZ update

The BMZ current priorities in Private Sector Development and Private Sector Engagement (see also Member update ppt on DCED Website) are:

- Development Investment Fund (*Entwicklungsinvestitionsfonds*)—three pillars:
 1. Africa Connect: Loans with a timeframe of 3-7 years of max. 4 Mio. EUR.
 2. Africa Grow: Structuring of a “fund of funds” to provide growth capital for African SMEs.
 3. Business Network for Africa: Combining consulting & support services to help German companies enter new markets.
- Reform Partnerships: Started in 2017, open end, 100 Mio. per country, running budget 800 Mio., support to countries that show initiative to improve their investment climate with a focus on improving the investment framework conditions and supporting specific sectors.
- The Special Initiative, Training and Job Creation: In order to realise employment-related investments with companies, the Special Initiative works in three areas of intervention:
 - 1) Cluster: Attractiveness of business locations and industries is fostered
 - 2) Business & Invest: Demand-based and direct project development together with companies as well as identification of investment barriers
 - 3) African Mittelstand: Strengthening the African Mittelstand, e.g., enhance supplier industry.

In 2019, the Special Initiative will be active in six *Reformpartnerländer* (reform partner countries) Morocco, Tunisia, Ethiopia as well as Senegal, Côte d’Ivoire and Ghana. For any of those countries and in collaboration with the partner governments, 2 competitive economic clusters with growth and employment potential are/will be identified (additional Clusters can be added in future). Currently, the 2 Compact-Countries Egypt and Rwanda are considered as potential new partner countries of the Special Initiative.

GIZ update

GIZ with Expertise France, SNV and British Council implements the Technical Assistance Facility (TAF) for improving the business environment and wider investment climate through a structured dialogue on behalf of the EC. The project starts in September 2019 and has a duration of three years, a budget of 11,670,000 EUR. Output 1 delivers TA upon open calls and request of ACP governments entities, Business Associations, EU Delegations or Regional bodies. It supports business environment and investment climate improvement initiatives resulting from the formal and informal private and public sector dialogue process, with a special focus on strategic ACP value chains. Birgit.Seibel@giz.de can be contacted for more information.

JICA

JICA puts focus on Asia and Africa in the area of PSD. In Asia, comprehensive approach in some focused countries (Indonesia, Vietnam, Myanmar, Philippines, Bangladesh, India and Pakistan) is taken or planned, in order to make strong linkages between investment promotion (incl. SEZ management) and local industry development to make impact. Bangladesh’s BIPIC Project is such an example. In Africa, entrepreneur and enterprise development platform development is conducted or planned in several countries such as

Ethiopia, Kenya and Ghana etc., based on the achievement of industrial human resource development through Kaizen approach.

Two new survey projects have started for two years. One is to take stock and pilot in some Asian countries to apply Industry 4.0 based new technology on industrial development cooperation in manufacturing industries. Another one is to take stock and pilot on emerging start-up/entrepreneur support cooperation approaches in several Asian and African countries.

Sweden: SIDA

As of 2019, Sida has a new overarching vision and 3-year operational plan, giving increased attention to, among other things, extreme poverty and fragile contexts, as well as to promoting innovative and locally owned solutions. Sida also has a new 4-year global strategy for sustainable economic development (totalling around USD 420 million), focusing on areas such as private sector development, digitalization and migration as a positive force for development. Around 10 BER-specific country programmes are ongoing.

United Kingdom: DFID

DFID's primary centrally managed/global programme on the business environment (Business Environment for Economic Development – BEED) closed on 31st March 2019. This included the Business Environment Reform Facility (BERF), a technical assistance facility for supporting DFID countries offices, supporting to the Women, Business and the Law Report and a partnership with IFC/FIAS on good regulatory practice, gender and agribusiness. A number of lessons have been learned from the programme, including the difficulty of tracking and measuring impacts of business environment reform programmes within the programme cycle.

DFID are scoping out a new investment climate and economic transformation programme, building on lessons learned from BEED. The aim of the programme will be to unlock economic transformation and boost inclusive growth by targeting barriers to investment and the creation of good quality jobs in productive sectors for the poorest in society. It is currently being designed around three pillars:

1. Coordination and implementation support with a small number of DFID partner countries to test in-depth support to government to target reforms at the sector level that could quickly unlock investment deals and unlock economic transformation
2. Demand-led technical assistance that can be drawn down by country offices or partner governments as required to identify potential barriers, diagnose solutions or implement reforms
3. Promoting global standards through driving improvements in global surveillance products

United States: USAID

USAID published our [evidence report](#) around Theories of Change for High-Growth SMEs. We are working on a USAID Employment Strategic Framework, which I expect will come out by the fall. Our Administrator emphasizes [the Journey to Self-Reliance](#), for which BER is important especially for government capacity. [Prosper Africa](#) is a new U.S. Government-wide initiative focusing on strengthening economies ties between the U.S. and the continent. Finally, the U.S. will stand up the [new Development Finance Corporation](#) as of Oct 1 this year.

World Bank Group: Progress on restructuring and the realignment of PSD issues

Last year we reported ongoing restructuring. This is now complete and teams in place. All the PSD topics which had been fragmented during earlier restructurings are back in one Department under one Global Director, Caroline Freund. You will be seeing even more consolidation and coordination of PSD work programs going forward. We are all very excited about this development.

IFC has also been restructured to implement the IFC 3.0 Strategy.

Last year we reported that IFC was moving to a “creating markets” approach to development, with a focus on enabling countries to leverage the private sector to deliver development outcomes. Both and the WBG would, therefore, work to remove upstream constraints to allow private investment into infrastructure, education, health, etc. (the MFD agenda). IFC has set up an Upstream unit to support this work, alongside a strong results framework AIMM, to monitor progress on the creating markets agenda.

Progress on work program reported in 2018

- **Quality Infrastructure:** we reported the ongoing design and preparation of a QI toolkit which was nearing completion. The toolkit was completed and launched in Berlin in November 2018. At 6 pilots have been implemented. An impact assessment of these pilots is planned in 2020. This is a growing area of WBG engagement, with rapidly growing demand. We plan the development of a QI index starting 2020 in partnership with several other partners; a QI conference in 2021; and QI Facility in partnership with WTO and other donors (in discussion). This proposal will be discussed in a special session of the Aid for Trade Global Review Conference in Geneva on July 4, and all donors and partners are invited.
- **Regulation of shared economies:** last year we reported plans to embark on this work program starting with a review of examples of how countries are regulating the shared economy. We have partnered with various institutions, including Stanford University, to review at least 50 cases on the regulation of shared platforms. This work is ongoing and due to be completed in the Fall. We would appreciate your feedback on it.
- **Agile regulation and integrated service delivery:** last year we reported plans to design a maturity model for technology driven regulation. We initiated a study of about 50 case uses to explore existing approaches. Goran will speak about this in more detail shortly. This study was co-funded by the BEWG.
- **Addressing regulatory unpredictability:** last year we initiated a work program on regulatory unpredictability, initially focusing on Africa. Some initial proposals have been made on how to address this work program, and a module developed to be delivered through the WBG’s flagship Enterprise Surveys methodology. This will allow the systematic collection of data on firm perspectives on the drivers of regulatory unpredictability. This will be a totally new data set which will help triangulate firm level perspectives on productivity, etc.
- **Impact measurement of regulatory reforms:** we proposed to commence an impact assessment work program, initially covering the WBG projects. This has progressed more slowly than we expected due to funding constraints. We will continue to seek partnership as the IDA 19 replenishment is concluded.

The Good Regulatory Practices program funded by DFID is closing, with plans to move to a second phase. The USAID part of this program is still ongoing and has just been replenished. This program aims to test approaches to strengthening the regulatory management system in developing countries, including deployment of tried and tested methodologies such as public consultation, feedback loops, ex-ante and ex-post impact assessment of regulation, etc. Seventeen pilots were implemented to test various GRP elements. A report is being finalized to draw lessons from the pilots with a view to suggesting a scale up and replication approach where appropriate.

Development of new offerings

The WBG has developed several new offerings to support ongoing advisory and lending programs.

- **Women Business and the Law:** this is a highly demanded advisory offering which aims to operationalize the WBL index prepared by the WBG. This index, and the proposed advisory program mirror the DB approach although it will seek to deepen the advice provided. The methodology has already been piloted in Saudi Arabia with some interesting results less than 6 months into the project. There are plans to implement it in the WeFI program which promotes women's access to finance, as well as other AFR, MENA and SAR countries on a demand basis.
- **Agile regulation and Integrated Services Delivery:** as part of the WBG Digital Moonshot initiative, it is proposed to aim for a full technology driven integrated services to businesses in what is known as "the investor journey". This approach is based on the principal of "once only" where businesses provide information to government only once into a fully automated and integrated database which deploys AI, blockchain and other technologies to deliver services. This is a moonshot for many target countries in AFR, MENA, SAR and even the Caucasus, but we believe it is doable over time.