



The Donor Committee for Enterprise Development

Business Environment Working Group Meeting

11 November 2013, Vienna

Meeting Minutes

[Approved by email by 25 January 2014]

PRESENT

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Marc Banzet, Canadian DFATD, Ottawa Virginia Brown, USAID, Washington DC Tim Green, DFID (by telephone) Farid Hegazy, ILO, Geneva (BEWG Chair) Beat Heggli, WB Group, Washington DC Steffen Kaeser, UNIDO Peter Ladegaard, WB Group, Washington DC	Rick Meis, Dutch Ministry of Foreign Affairs, The Hague Cory O'Hara, USAID, Washington DC Alexandra Oppermann, GIZ, Eschborn Juergen Reinhardt, UNIDO, Vienna Ashley Aarons, DCED Secretariat
APOLOGIES	
Matthias Altmann, EC Jan Eriksen, NORAD Lasse Møller, Danida Edgard Rodriguez, IDRC	Alexander Widmer, SDC, Berne Jim Tanburn, DCED Secretariat Simon White, Consultant to BEWG

1 MEETING OPENED WITH INTRODUCTIONS

Farid Hegazy opened the meeting and welcomed all members.

2 BUSINESS ARISING AND MEETING AGENDA

There was no business from the last meeting not separately covered by the current meeting agenda. The meeting's agenda was adopted.

3 REPORT ON WORK ITEMS

3.1 Cooperation with Green Growth Working Group (GGWG)

Farid Hegazy gave an update on this work item, describing how a Terms of Reference (ToR) for a joint work item had been shared with the BEWG, comments from the BEWG had been provided to the GGWG and incorporated in an amended ToR. There has been a small delay to the work item, and a call for proposals will shortly be announced. The GGWG is leading on this work item, with regular inputs to be sought from the BEWG, including comments on a first draft.

It was agreed that the final ToR be shared with the BEWG for final comments and additional suggested references.

3.2 Guidance on BE diagnostic tools

Tim Green gave an update on this work item, outlining that the draft report has been completed and that next steps involved the consultants testing their hypotheses by looking at trends in a wider database of individual investments. Key messages from the draft report were presented. The priority determinant of firm investment was the expected profitability of the investment; more profitable investments led to higher risk being accepted. However knock-out risk factors that could block consideration of new investment include sanctions, high levels of political instability and civil unrest, and poor security situations. Industries in the extractive sector tended to tolerate higher risk, likely related to their more extensive experience in risky environments and the fixed locations of natural resources. Market-seeking firms also had a limited choice of where to invest. Doing Business Reports and Global Competitiveness Reports were useful in providing background information, with commercial sources such as the EIU more valuable for detailed information.

The BEWG suggested that: more could be found out on what drives efficiency seeking firm investment, as only one such example was included; the terminology could be made more consistent, potentially in line with BEWG definitions; further resources could be looked at, such as MIGA's Annual World Investment and Political Risk Reports; insights on whether any engagement in certain markets was also driven by CSR or support for development impacts, and whether this varied between OECD and non-OECD home country, would be valuable; a larger sample could be useful to draw conclusions on the extractive sector, which is a very broad sector. Tim Green noted though that there may not be time for more interviews.

It was agreed that further comments should be made to Tim Green by 20 November 2013. Tim Green will communicate comments to the consultants.

3.3 Measuring BER results

Farid Hegazy stated that Simon White had provided an update on this item in writing, which noted that the case studies and annex had been completed and uploaded to the DCED website. Jim Tanburn and Simon White visited Danida on 8 October 2013 to speak on results measurement. Work has also commenced on expanding the table of sample outputs, outcomes and impact indicators that are contained in the annex.

It was agreed that comments on or resources for this work item should be shared with Simon White by the end of 2013.

3.4 Quality Infrastructure (QI)

Steffen Kaeser gave an update on this work item, noting that following comments from the BEWG in July in The Hague, and later from key standard setting bodies, a final draft version of the technical report on QI and a draft donor guidance annex have both been developed.

The BEWG suggested that: Section 5 could be clearer on whether JICA and the WB support no relevant activities or there was no data available; further consideration could be given to enforcement, potentially as a paragraph in the guidelines or within further work; Principle 17 in the Annex might not be appropriate, as the Annex has a more technical focus, while the principle leans potentially more towards work the BEWG/development agencies could separately take up. Agency efforts to communicate the completed work would be valuable, while other ways of dissemination, such as through webinars or tutorials, could also be

considered. It was also noted that once the work was completed, QI analysis could be included in reviews of specific sectors or countries as part of other work.

It was agreed that comments or resources on this work item should be shared with Steffen Kaeser by 27 November 2013.

4 BEWG Strategic Planning

4.1/ 4.2 BEWG Strategic Planning 1 and 2

In view of a good number of 'first-timers' in attendance, Farid Hegazy introduced the exchange with an overview of DCED/BEWG fundamentals (governance structures, working procedures, budget planning). He then outlined some of the key messages from the BEWG Member Survey, in particular consensus on the core objectives of the group around the value of sharing information and identifying good practice. The survey also identified ongoing support for developing new guidelines, research and success stories in the near term. The process has so far tended to be one of sharing information and experiences across members, then distilling this into normative guidance based on consensus, with contested issues highlighted.

It was less clear what technical areas the group should confine itself to. There was particular interest in looking more at Industrial Policy, sectoral-level BER, trade and regional integration, transparency, and PPPs. More broadly, BEWG members were interested in expanding their focus to include the broader investment climate (IC).

Though good practice had been identified by the group, communication of this has been less successful. Farid Hegazy noted that there are several targets for good practice guidelines - the policy level, programme development and project staff. Marc Banzet highlighted that BEWG work had been particularly useful at the development agency policy level, helping frame policy, develop a common language and allowing joint programmes; Peter Ladegaard noted, though, that the guidelines had not been packaged in the right way to have a higher level impact. Farid Hegazy noted the value of BEWG work in programme development. Reaching out at the project level was viewed as the most significant challenge. This can be especially difficult as much BER work is part of larger thematic programmes that are not purely BER focused.

Suggestions for better dissemination included: organising conferences, or other events, on key issues, such as the 2010 conference on informality (though it was also noted that conferences in the past had focused more on developing common understandings than dissemination); organising debates on contested topics such as the compatibility of BER and Industrial Policy; developing webinars or tutorials on BER for member staff and external audiences on specific tools, or a short crash course introducing people to BER; and packaging all the DCED's BER work into one publication. It was noted that the group could give itself a target for a number of member-led sharing/promotional events. Suggestions for the development of guidelines themselves included: including projects in the development of good practice guidelines; having more examples in the guidelines; and being more specific in the guidelines.

Members also highlighted the value of considering success at the jobs and economic development level, further innovating and gap analysis of tools for agencies, though it was felt that reaching programme staff was the current key challenge and should be addressed first.

This session focused on outlining interests and issues rather than specific tasks. However, it was agreed that specific external knowledge sharing activities could be included as future work items.

4.3 BEWG Strategic Planning 3

4.3.1 BER-related target in Post-2015 framework/SDGs

Tim Green suggested that the BEWG should support the inclusion of a BER related target in the Post-2015 framework/the Sustainable Development Goals (SDGs). Specifically the process of developing the SDGs as overseen by the Open Working Group on Sustainable Development is early on, and members of the BEWG should flag such a target as important within the Open Working Group's next meeting, to be held 25-27 November 2013, in order to ensure it stays on the agenda. The group could also further consider what such a target should be and develop a common position.

BEWG members highlighted the value of economic targets in the Post-2015 framework/SDGs and that it was a good use of the BEWG. As such the group agreed to take this forward in principle. Caution was noted that the work could be controversial; the feasibility of finding such an indicator, that was also easy to communicate, was unclear; and that the target should fit with other MDG themes. Practically, it was noted that for several members at the next Open Working Group meeting, it would be their colleagues representing their agency not themselves, and they would have to lobby internally. Further, members are also in agglomerated groups with other countries, and as such may not have the floor.

It was agreed that BEWG members would if possible highlight the value of such a goal at the next Open Working Group meeting and the support in principle of the BEWG, in particular DFID and DFATD. A work item will also be considered for the next Annual Work Plan.

4.3.2 Sector-specific BER

Juergen Reinhardt noted that though the original DCED BER guidance had included sector-specific BER as one of its categories, previously the group hadn't focused on specific sectors; however it could be valuable to look at this now. There was particular interest in focusing on two sectors that are key to a number of members - agribusiness and extractives. It was noted that there is an existing literature and experiences that could be reviewed and learnt from; however there is little programme guidance available making this more valuable. The WB is aiming to develop a group on the extractives sector, potentially a useful group to collaborate with. A focus on sectors could also allow QI to be considered, and support dissemination through further links with programmes and events on the specific themes. Caution was noted though in that: much of donor activity was more governance and industrial policy oriented, such as strengthening mining ministries capacity; the Global Donor Platform for Rural Development has done much work on agribusiness; and it was unclear what the final product would be.

It was agreed that members would further consider, and discuss with relevant colleagues, which sectors' further investigation would be useful. An item on sectoral BER could be included in the next BEWG work plan if specific agencies would like to drive it.

4.3.3 Inclusive Business Support

Marc Banzet outlined the work of the G20 in supporting inclusive businesses within its Private Investment and Job Creation Pillar, which is now finished. This includes several reports delivered by the Pillar which recognised BER as a key element of supporting inclusive businesses. The G20 Inclusive Business Challenge also looked at what are inclusive businesses and their main challenges. This work on inclusive businesses connects significantly to poverty, the Bottom of the Pyramid and the private sector as innovators, and there is also much civil society interest. It is less clear though how the BEWG could take this forward, and no progress had been made to-date, though it is a two year work item. A stocktaking or conceptualisation task could be valuable, and DFATD could help provide some of the required funds.

It was agreed that Marc Banzet will take this forward and aim to make progress before the Annual Meeting. BMZ/GIZ have expressed their interest to contribute to this work item by sharing experience on e.g. inclusive Business Policies.

5 ANY OTHER BUSINESS

Agencies gave respective updates. The **World Bank Group** is undergoing reorganisation into 14 practice areas. The Investment Climate (IC) work will be included within the Trade and Competitiveness Practice Area. The Doing Business reports will be moved to a separate diagnostics team. This reorganisation will be outlined more at the FIAS Consultative Committee of Donors Meeting. There is interest in looking more at industry specific regulatory reform (note possible link to sectoral BER), transparency (and its connection to sustainability and inclusiveness), and tax transparency.

CIDA has merged with the Canadian Ministry of Foreign Affairs to form the **Canadian Department of Foreign Affairs, Trade and Development (DFATD)**. Restructuring is ongoing, particularly at lower levels, and Marc Banzet's team will be in the Global Issues and Development Branch, specifically in the Global Sustainable Growth Bureau. The Bureau will manage relations with regional development banks and institutional issues with the Bretton Woods Institutions, while technical advisors and an extractives team will also be brought in. As such, the Bureau will have a stronger advisory role and connection to creating programmes for global goods. DFATD is considering what areas to look at more; for example, focus on women's entrepreneurship development will increase and a recent guidance note on this has been released.

USAID is focusing on a number of initiatives, including the Global Climate Change Initiative, Feed the Future and Power Africa, while it still has a large investment in health and a focus on post-conflict countries. The budget for stand-alone IC programmes has declined, as some countries have graduated out of such assistance, and as IC is increasingly included in specific sector programmes. This raises a challenge as the people involved may not have IC backgrounds. There is increasing IC interest in competition, regulatory transparency and trade facilitation; procurement; new programmes on standards; and cross-cutting areas, such as the application of science and innovation. Connecting IC work to investors is a key concern.

GIZ may be affected by the change of government in Germany. GIZ is increasingly looking at: how to foster innovation; how to build on the G20 Inclusive Business Challenge and build up a global network of inclusive businesses; and work in specific sectors. A workshop is planned on public private dialogue (PPD) in early 2014 with the World Bank Institute, which will support PPD practitioners on the ground through knowledge exchange. It will take stock of recent developments in PPD knowledge and tools, explore how PPD is used to foster inclusive development, discuss specific PPD cases, explore critical PPD related topics, and help build capacity to effectively manage and monitor a PPD process during the PPD life cycle.

Netherlands Ministry of Foreign Affairs is currently under reorganisation. Food Security work is being moved from the PSD team to the Environment team, while the PSD team will oversee the new Dutch Good Growth Fund; this is currently under development, and should be operational 2014-17. Defining public goods after the MDGs is also a priority.

UNIDO had a change of leadership earlier in the year, and organisational changes are expected in 2014. New approaches and activities are still under consideration, with partnerships an important priority. Juergen Reinhardt's Unit has been renamed the Competitiveness, Business Environment and Upgrading Unit. UNIDO's 2013 General Conference will be held in Peru in December, and work is ongoing on a new Lima Declaration.

ILO had a new DG last year and is currently restructuring. Changes within the Enterprises Department have not been large, and have included a merger with a small unit on Social Finance and a new Deputy Director from the Employers Group. A new brochure has been launched on 'Enabling Environment for Sustainable Enterprise (ESSE)', and it is aimed now, not just to assess the business environment, but go through the whole cycle from assessment to advocacy to reform.

6 NEXT MEETING

It was agreed that the next meeting would be a teleconference in early March. The next face-to-face meeting would provisionally be the day before the 2014 Annual Meeting.