



The Donor Committee for Enterprise Development

Business Environment Working Group Teleconference

Meeting Minutes

(FINAL 30 April 2014)

Tuesday, 8 April 2014, 3:00PM Central European Time

PRESENT	APOLOGIES
Farid Hegazy (ILO and Chair of the BEWG)	Lasse Møller (Danida)
Juergen Reinhardt (UNIDO)	Edgard Rodriguez (IDRC)
Alexandra Oppermann (GIZ)	Peter Ladegaard (IFC)
Tim Green (DFID)	Rick Meis (Netherlands)
Gabin Hamann (European Commission)	Jim Tanburn (Secretariat)
Maria Campo-Perfecto (European Commission)	
Nicholas Klissas (USAID)	
Melina Heinrich (DCED Secretariat)	
Simon White (Consultant to the BEWG)	

1 Welcome, introductions and confirmation of the agenda

Farid Hegazy (Chairperson) welcomed all members and asked everyone to introduce him or herself. The meeting agenda was agreed to, with an addition that allows for members to share their agency updates (see 5.2, below).

2 Business arising from the last meeting

There was no business arising.

3 Report on Current Work Items

3.1 Cooperation with the Green Growth Working Group

Simon White and Farid Hegazy provided an update on this item. The new chair of the GGWG is Kees van der Ree (ILO) who has indicated that the group will soon be commissioning a consultant to undertake this work and plans for a draft report ready in July 2014.

It was agreed that the BEWG and GGWG will hold a joint meeting on 8 July 2014 (as a part of the BEWG meeting) in Geneva at which the draft consultant's report will be presented and discussed.

3.2 Guidance on BE diagnostic tools

Tim Green spoke on this topic. While he needs to check with his colleague, he understands the final report has been completed.

It was agreed that Tim would share the final report with BEWG members as soon as possible and provide an update on the next steps DFID is planning on this topic.

3.3 Quality Infrastructure annex

In Steffen Kaeser's absence, Juergen Reinhardt provided an update. He indicated that the annex has not yet been completed, but that this should be done by 30 April 2014, after which the final version will be circulated to BEWG members for their information.

It was agreed that Juergen would liaise with Steffen to ensure the annex is produced in the same format as the other donor guidance annexes.

3.4 Measuring BER Results

In Lasse Møller's absence, Simon White spoke on the draft work in progress that had been circulated earlier. He encouraged members to comment on the choice of business environment reform domains and to provide any documents agencies may have that describe their work in this area.

It was agreed that the "functional areas" contained in the donor guidance should be covered. It was further agreed that members would provide their comments to Simon by Friday, 25 April 2014.

4 Report on Items from new strategic plan

Farid Hegazy reported on the November 2013 strategic planning meeting. He described how members were interested in expanding the focus on the business environment to include some elements of the investment climate. However, it was agreed that this would be further discussed at the BEWG meeting in July 2014. There were a few specific topics that were considered for further investigation and development before they are considered for adoption as a work item. These were then discussed.

4.1 BER-Related Target for Post-2015 Frameworks

Tim Green and Marc Banzet are leading on this. Tim spoke on the background of this topic. DFID is planning to commission some work on this topic to identify possible targets. Marc confirmed his agency's interest in this topic. This was shared by a number of group members.

It was agreed that members would consult with their agencies to determine their interest in this item and how to proceed. This topic will remain an item for the BEWG to monitor to identify the opportunity for BEWG to contribute to this process. It was agreed that members would share their views on this by the end of next week (i.e., Friday, 18 April 2014).

4.2 Sector-Specific BER

Juergen Reinhardt indicated that not much has been done on this item since the November 2013 meeting. Alexandra also indicated her interest in this, despite the lack of work that has occurred since the last meeting. Gabin Hamann, Farid Hegazy, Nicholas Klissas, and Marc Banzet described their agencies' interest in this topic.

It was agreed that this item remains very important to a number of agencies and that Juergen and Alexandra will prepare a short concept note on how this could be developed as a work item for consideration at the July BEWG.

4.3 Inclusive Business Support

Marc Banzet spoke on the concept note he circulated in the morning (see Attachment 1). He indicated that it may be possible to finance the proposed consultancy out of un-

earmarked DCED funds. Alexandra Oppermann indicated that while GIZ may not be able to contribute financially, she is happy to participate and provide “in kind” support.

It was agreed that the concept note should be adopted and that the work will proceed.

5 Any other business

5.1 DFID: Legal Assistance for Economic Reform – LASER

Simon White spoke on the new DFID Legal Assistance for Economic Reform (LASER) programme. He referred to the brief information sheet distributed and encouraged members to share comments with Laura Chappell at DFID.

5.2 Brief agency updates

GIZ: recently held a PPD workshop, in which the importance of sector-level dialogue was raised. In addition the development of a global indicator for PPD was discussed. BMZ has commissioned GIZ to create the global Inclusive Business network to promote and replicate inclusive business models. Alexandra will share information on both these initiatives.

Canada: The restructure is still underway.

European Commission: Awaiting new commission after coming elections. Within the Inclusive Business topic, there is growing interest in social enterprise.

USAID: CLIR report on power being produced, under Power Africa initiative. This will be ready in about a month.

UNIDO: General Conference adopted new Lima Declaration, mandating the organization to promote inclusive and sustainable industrial development (ISIS). Some reorganisations underway with the new DG appointed last year.

DFID: Expanding business environment work under economic growth. LASER is a part of this expansion, as is land and land registration.

ILO: Over the last 18 months have been doing national business environment assessments, especially in Honduras where a very large assessment with the biggest enterprise survey ever done in the country was done. Now moving into support for reforms based on this assessment and an agreed national reform action plan. Farid will circulate the concept note (looking for funding) on this.

6 Next Meeting

The DCED Annual Meeting is on 9-10 July 2014 in Geneva. [Draft programme](#) is available on the DCED website.

Next BEWG meeting: 8 July 2014. This will include a joint meeting with the Green Growth Working Group.

Farid and Simon will revert with proposed times and agenda.

Attachment 1: Inclusive Business and BER

Prepared by Marc Banzet (Canada)

The Opportunity of Inclusive Business

There is an increasing recognition of inclusive business models as a concrete means to channel private sector investment and operations to poor communities. Promoting inclusive business approaches achieve social and economic objectives, and government is well-positioned as a catalyst to encourage and scale up inclusive businesses through supportive policies.

Inclusive business models are a private sector approach to providing goods, services and livelihoods on a commercially viable basis, either at scale or scalable, to people at the base of the pyramid by making them part of the value chain of companies' core business as suppliers, distributors, retailers or customers. Companies benefit by generating profits, developing new markets that contribute to long-term growth, driving innovation, and strengthening value chains. Poor people, either as consumers or producers in an inclusive business, benefit through expanded opportunities, including improved capacity to meet basic needs, greater productivity, increased incomes, and more empowerment of individuals and communities. Apart from these direct benefits, inclusive businesses create a systemic impact to society at large. Inclusive business models function in difficult market conditions and successful ventures help to enhance these market conditions and replicate the models in other areas. This creates incentives for others to enter the same market, build on the improved market environment and spur the development of new markets.

Constraints for Inclusive Business Models

However, private-sector actors often run up against barriers in establishing these types of business models. Inclusive business markets are inherently risky and difficult to reach. Market information about poor communities is rarely available. Poor people lack information about available choices. The regulatory environment for entry into the market is lacking or onerous, leading business activity into the informal space. Companies find it hard to obtain financing, because of the risks involved, but also because the nature of commercial transactions among the poor, being primarily based on barter or cash and outside the scope of mainstream financial services. Finally, the lack of physical infrastructure and public services such as schools or health care creates challenges for both companies and the poor. Failure to address these constraints represents a missed opportunity to leverage the potential economic and social impact of private sector development on the poor.

Business Environment Reform for Inclusive Business

While private actors are the main drivers behind these business models, evidence shows that government action has often been decisive for the success and growth of these innovative approaches. This is particularly true of efforts to address business environment constraints. The business environment is the complex policy, legal, institutional, and regulatory conditions that govern business activities. Carefully targeted interventions are necessary to enhance the business environment for inclusive business, and ultimately the impact on poverty alleviation.

Inclusive businesses present special challenges in addressing business environment reform. They typically operate in extreme low-income contexts where there are significant infrastructure gaps, a high prevalence of informality, and insufficient human capital to enable participation in broader value chains. Likewise, inclusive businesses models are usually high risk ventures. While innovative, they take time and effort to develop. Companies may not be able to bear these costs and overcome significant business environment barriers at the same time. Critically, there is a need to balance regulation so that well intended policies do not

unintentionally stifle the innovation of inclusive business models, and to develop a systemic perspective for understanding the impact of these reforms on markets and the broader economy.

Responding to the Challenge of Inclusive Business

In response, government can create the right instruments that reduce business costs, reduce risks and stimulate the efficiency and innovating incentives of the market. By creating a healthy business environment, business are encouraged to change their behaviours in ways that lead to increased levels of investment and innovation, and the creation of more and better jobs. Moreover, sector-specific business environment reforms in agriculture can have a substantial pro-poor impact.

As well, governments can play an important role in developing strategies and policy instruments that empower poor people by giving the poor greater opportunities to participate in markets and reducing the risks and vulnerability poor people tend to experience at levels greater than others in the business environment. Adopting an inclusive business approach to business environment reform places focus on those markets in which poor women and men have the opportunity to participate in and address the poor as resilient, creative entrepreneurs and value-demanding consumers.

DCED can help identify appropriate entry points for development agencies to support business environment reform that focuses on the poor and promotes inclusive business development. This work complements efforts that aim to promote inclusive business models, seek partnerships with inclusive businesses, or provide financing or other support.

The indicative timeline to develop a donor guidance document is as follows:

- Circulate initial concept paper for comments by April 2014 (current step)
- Draft Terms of Reference for a consultant to be agreed by July 2014 then contracted by the Secretariat
- Discuss initial consultant's report at the in-person meeting in the Fall 2014
- Complete final report by January-February 2015
- Have initial draft ready including an annex to the donor guidance for the Spring BEWG teleconference in 2015
- Publish document on DCED website by April-May 2015

References

IFC (2012). *Policy Note on the Business Environment for Inclusive Business Models*. In response to the G20 Challenge on Inclusive Business Innovation.

IFC (2013). *Policy Note on Inclusive Business Policies: Recommendations for Governments and Donors*. Presented to the Development Working Group of the G20.

DCED (2008). *Supporting Business Environment Reforms: Practical Guidance for Development Agencies*.

Endeva (2013). *Inclusive Business Policies: How Governments can Engage Companies in Meeting Development Goals*.