The Donor Committee for Enterprise Development

Review of Donor-Supported Business Environment Reforms Programmes and Practices in Rwanda

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Executive Summary

This report details the findings of a review into the practice of supporting business environment reform (BER) in Rwanda. The review was conducted on behalf of the Donor Committee for Enterprise Development (DCED) and was designed to contribute to the improvement of donor and development agencies' policies and practices in private sector development (PSD) in general and business environment reform in particular, as well as to encourage a better understanding of the various approaches, processes and mechanisms donor and development agencies use to support BER.

The review was guided by the 2008 DCED publication, entitled *Supporting business environment reforms: practical guidance for development agencies*, which contains a distillation of the lessons learned by donor and development agencies in their support of business environment reforms in developing countries.

The Review Team's findings are presented within four main themes of donor-supported BER programmes, summarised below.

Theme 1: Frameworks for the support of PSD-BER

This theme of the review focused on the national frameworks that shape BER-support interventions. The Review Team sought to identify the major frameworks that were used to guide donor-supported BER programmes and to understand how agencies work within these. Rwanda has formulated a number of frameworks to guide its social and economic development. Chief among these are the Vision 2020, which aims to bring medium income levels to US$900 by 2020, and the Economic Development and Poverty Reduction Strategy (EDPRS) 2008 – 2012, which focuses on economic growth, job creation, skills development, innovation, and economic diversification. In addition, there are several sector strategies related to PSD have been produced dealing with issues such as trade, exports, SME development, handicrafts and industry development. A comprehensive PSD strategy is planned.

The Ministry of Finance and Economic Planning (MINECOFIN) is responsible for the coordination and management of external aid. It does so with the support of the Aid Coordination Unit, which is financed by a basket fund of six donors under the United Nations Resident Coordinator's Office. Both units are fully integrated within government offices. The government and its development partners maintain regular and transparent dialogue through the Development Partners Coordination Group, the highest coordination structure in Rwanda. The Budget Support and Harmonization Group monitors the implementation of the Partnership Framework, which outlines commitments in terms of macroeconomic stability, public financial management, and policy formulation. Cluster and sector working groups allow all stakeholders to hold technical discussions with regard to budgeting, sector planning, and prioritization according to strategic plans and policies.

The Ministry of Trade and Industry (MINICOM) is the main government ministry responsible for PSD. However, the Rwanda Development Board (RDB) has a strong role in the implementation of government services for PSD. The MINICOM chairs the Private Sector Development Working Group.

Lessons for donor and development agencies: aligning programmes with national framework:

Because the review sought to identify how donor and development agencies support BER in Rwanda, it sought to distil the key findings into lessons for donor and development agencies. Below are the lessons from Rwanda in aligning programmes with national frameworks.

Lesson 1: Programmes designed around specific and well-defined problems faced by the private sector tend to reflect a systemic approach and appear to work well.

Lesson 2: The articulation of demands for reform can be a complicated matter. While government is the principle actor in the reform process, other actors have an important role to play in articulating their own needs and priorities, especially the business community. Donor and development agencies need to find ways to ensure that business concerns are connected to the government reform agenda.

Lesson 3: The use of research studies, surveys and competitiveness bench-markings contributes to a stronger demand for reform, as do programmes that strengthen the voice of the private sector and the mechanisms for PPD. While this may be a first-step it is not always enough to stimulate reform that can be sustained over the long term.

Lesson 4: Governments can influence the representation and role of business membership organisations. While this is not necessarily a problem, it raises questions regarding how donor and development agencies can find strategic and politically acceptable ways to support the balancing of reform priorities across government, the business community and civil society.

Lesson 5: Many donor and development agencies recognise the political dimensions of reform, but are hard-pressed to deal directly with these issues. Strong government leadership of reforms helps agencies to achieve their programme objectives, but on its own, does not necessarily deal with all the challenges of creating a conducive business environment.

Lesson 6: A useful starting point for donor and development agencies to support more effective PPD can be within specific sectors or at the sub-national level. These dialogue process can then be encouraged to bubble-up to a national, economy-wide platform.

Lesson 7: Support for PSD can be a broad and multi-dimensional topic involving many donor and development agencies, government line-ministries, and business and civil society organisations. Thus, a single committee structure is not always enough. BER may require a specific focus amongst participating donor and developing agencies and their partners.

Lesson 8: Strong government leadership aids the coordination of donor and development agency.

Lesson 9: It can be difficult for non-resident donor and development agencies to participate effectively in national coordination structures. Processes and mechanisms need to be found to improve this.

Lesson 10: National PSD and BER-support coordinating structures often overlook the regional dimensions of reform.

Theme 2: Designing BER-support programmes

This theme examined the ways in which agencies designed their BER-support programmes. It examined how agencies responded to requests from government and other actors, and sought to identify the information and processes they used in the programme design phase.

While Rwanda is confronted by a set of clearly defined binding constraints, many of business environment reform programmes have tended to focus on short-term reform opportunities, such as those suggested by the World Bank *Doing Business* indicators. It is hoped that this will, in the long-term, build confidence and skills within government and its partners in tackling the larger constraints to private sector development and economic growth. However, as private investment has not increased as expected, donor agencies are attempting to work with government to deepen the focus of reforms and tackle the binding constraints to PSD.

Most programmes reviewed appeared to respond to local demand or were generally aligned with government frameworks, thus reflecting government's demand for reform assistance. There is also evidence that donors have responded to specific government demands for assistance. The Government of Rwanda was mainly responsible for expressing its demands to donor and development agencies for support with reforms and many respondents highlighted the strong reform drive of government.

There was very little evidence of business-driven reforms found by the Review Team. Agencies seem to focus less on demands of the private sector. This appears to be largely because of the pro-active approach government takes to these issues, as well as to the relative small size and, thus weakness of the organised business sector.

Lessons for donor and development agencies: designing BER-support programmes

Below are the lessons from Rwanda in designing BER-support programmes:

Lesson 11: Many BER-support programmes have not yet come to dealing with the binding constraints to PSD and economic growth. While this may be because these constraints go beyond the business environment (i.e., to other elements of the investment climate), it also appears that many programmes are still focused on the "quick wins" and short-term outcomes.

Lesson 12: An agreed private sector development strategy, formulated by government with the participation of the private sector, civil society and relevant donor and development agencies can provide a valuable framework for coordinating and aligning donor assistance in BER.

Lesson 13: A critical challenge for donor and development agencies is how to go beyond first-order reforms and to deepen the reform process and help programme partners become more focused on the key reform topics. Linking first-order to second-order reforms requires careful and honest analysis and evaluation of what programmes have achieved in their first phase and the design of subsequent phases that take these achievements further.

Theme 3: Managing BER support programmes and projects

This theme examined the way agencies manage their BER programmes. It sought to understand the ways in which agencies promoted local ownership and accountability, and the extent to which sustainability was ensured.

Government was found to be generally a very strong and effective lead agent in business environment reforms. However, there was a general concern raised by most if not all respondents regarding the limited capacity of government beyond the most senior levels. Government is small and the skill gaps between senior levels and lower ranks are significant.

Many business environment reforms have been enacted, but many respondents acknowledged poor implementation as a constraint to the long-term sustainability and impact of these reforms. The low capacity within government and among private sector partners constitutes one of the main impediments to effective implementation.

In some cases, donor agencies support specific capacity building activities. However, the rotation of government officials across ministries and agencies was seen as an obstacle to this. In other cases, donor agencies integrate capacity building in their programmes and focus on specific infrastructure investments in an effort to address specific bottlenecks.

Many respondents acknowledged that the communication of reforms was weak. Very little attention had been given to promoting reforms within government agencies or across the Rwandan business community. Few agencies seem to have a comprehensive communication strategy. However, a number of agencies indicated this was an emerging priority.

The strong government leadership in reform process implies a strong domestic ownership of these reforms. However, it is unclear how deep this goes in the public sector. In addition to the inadequacies of communication, a number of respondents expressed concerns regarding strategies that had been drawn up by external consultants without significant involvement of related line ministries.

Lessons for donor and development agencies: managing BER support programmes and projects

Below are the lessons from Rwanda in managing BER-support programmes:

Lesson 14: Many donor and development agencies overlook the important role of communications and the media in their BER-support programmes. However, there is growing awareness that such oversights should be quickly addressed.

Lesson 15: Domestic ownership of reforms must go beyond government ownership. While governments must own and be in control of the reform process, there are many other domestic actors that should be involved in pushing for reforms. Donor and development agency support for BER should include support for an open and more pluralistic society in which a range of actors can participate in social dialogue.

Lesson 16: Limited capacity within government can reduce the capability of government to lead reform process.

Lesson 17: Government leadership of reform processes requires good government coordination. It is important that there is clarity within government and its development partners as to which government ministries, departments or agencies have the mandate to lead reforms.

Lesson 18: The challenge for implementing reforms and achieving long-term sustainability often revolves around the capacity of programme partners, especially government partners. While implementation can be enhanced through programmes that apply proven models (such as one-stop facilities) and awareness raising activities, ultimately it is the capacity of the key actors to manage reforms that directly influences a successful and sustainable outcome.

Lesson 19: The use of national consultants can build national capacity. Many agencies recognise this and link national consultants with international consultants on specific assignments.

Lesson 20: Where national experts or consultants can't be found, donor and development agencies should consider finding these in other countries of the region before seeking them from further afield.

Theme 4: Monitoring and evaluating BER-support programmes

This theme considered the use of monitoring and evaluation mechanisms and processes within BER-support programmes. It sought to understand how agencies monitored and evaluated their programmes, the extent to which they involved programme partners in these processes and how they attempted to measure the impact of their programmes.

Most agencies reported that they have a monitoring and evaluation framework for their programmes in line with their overall policies and procedures. In some cases, agencies have dedicated staff for this purpose and link progress reporting to the disbursement of programme funds.

Most agencies operating in Rwanda are required to report their progress (i.e., financial and implementation progress) to the MINECOFIN on a quarterly basis. This can now be done on-line. However, only a few programmes appear to ensure participation by domestic stakeholders in monitoring and oversight.

Overall, programmes are inserted into the EDPRS, which is monitored in the context of the twice-yearly Joint Sector Reviews. The PSD Working Group contributes to this by assessing fulfilment of indicators in preparation for the Joint Sector Review, on the basis of the EDPRS indicators. Some agencies have applied EDPRS indicators to their own monitoring frameworks.

There appears to be increasing awareness of the importance of impact assessment in business environment reform. However, few agencies seem to actually measure results at the impact-level and in particular long-term impacts of BER support. One multi-donor programme is working towards applying the DCED Standard for results measurement. Very few respondents knew of the DCED Results Measurement Standard.

Lessons for donor and development agencies: monitoring and evaluating BER-support programmes

Below are the lessons from Rwanda in monitoring and evaluating BER-support programmes.

Lesson 21: The DCED Results Measurement Standard could be promoted and applied by BER-support programmes.

Lesson 22: Linking development programme indicators with government development goals is a valuable first-step. However, BER-support programmes need to design indicators that are more closely aligned to reform priorities and the binding constraints of PSD and economic growth.

Lesson 23: In most cases the monitoring and evaluation of BER-support programmes appears to be focused on internal (i.e., agency) needs, rather than on reporting back to domestic programme partners or the broader community.

Lesson 24: Donor and development agency programmes are rarely assessed in terms of their long-term impact. Greater effort should be invested in this area.

Lesson 25: Collaborative or joint programming can help agencies to apply their various strengths in support of BER. This can improve the quality of advice provided by donor and development agencies.

Table of contents

List of text boxes

List of acronyms

BER	Business environment reform
BEWG	Business Environment Working Group (DCED)
BMO	Business membership organisation
CPAF	Common Performance Assessment Framework
DCED	Donor Committee for Enterprise Development
DFID	Department for International Development (United Kingdom)
EDPRS	Economic Development and Poverty Reduction Strategy
GIZ	*Deutsche Gesellschaft für Internationale Zusammenarbeit* (German International Cooperation)
IFC	International Finance Corporation
JICA	Japan International Cooperation Agency
MINECOFIN	Ministry of Finance and Economic Planning
MINICOM	Ministry of Trade and Industry (Government of Rwanda)
PPD	Public-private dialogue
PSD	Private sector development
RDB	Rwanda Development Board
RESC	Rwanda Economic and Social Council
SNV	Netherlands Development Organisation
TMEA	TradeMark East Africa
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organisation
USAID	United States Agency for International Development

1 Introduction

> Development agencies support the programmes of partner governments. While there are diverse views regarding the role development agencies can play in reducing poverty through private sector development, much can be gained by coming to agreement on key principles and practices.
>
> – Donor Committee for Enterprise Development (2008) *Supporting Business Environment Reforms: Practical Guidance for Development Agencies*, p. 1.

Supporting economic growth, employment creation and poverty reduction through private sector development (PSD) has become a major focus of many donor and development agencies. Within this field, increasing attention has been given to supporting developing country governments in their efforts to improve the business environment in which private enterprise operate. To this end, the Donor Committee for Enterprise Development (DCED) established the Business Environment Working Group (BEWG) in 2001 to examine the ways in which donor-supported business environment reform (BER) programmes are designed, implemented and monitored. This led to the publication of guidelines for donor and development agencies in 2008. The donor guidance, entitled *Supporting business environment reforms: practical guidance for development agencies* (hereafter referred to as the "Donor Guidance"), presents a distillation of the lessons learned by donor and development agencies in their support of business environment reforms in developing countries.[1]

In 2010, the DCED initiated a pilot project to review BER support programmes and practices in three countries: Bangladesh, Kenya and Rwanda. This report presents the findings of the Rwanda BER programme and practice review conducted in May 2011. Simon White, a consultant to the BEWG, Corinna Küsel from German International Development (GIZ) headquarters in Germany, Adot Killmeyer-Oleche representing the United Nations Industrial Development Organization (UNIDO) in Vienna, Farid Hegazy from GIZ Rwanda, Amos Wanyiri representing the UK Department for International Development (DFID) in Tanzania, and Melina Heinrich from the DCED Secretariat in Cambridge formed the Review Team and prepared this report.

The Review Team is grateful for the support of the Private Sector Development Sub-Cluster and specifically its co-chair, Esther van Damme from the Royal Dutch Embassy in Rwanda in assisting with organising the review and commenting on its findings. It is hoped that the review and its findings will be of practical assistance to the future work of members of the Private Sector Development Sub-Cluster and other development partners in Rwanda.

1 The guidance is available in English, French, Spanish and Arabic.

1.1 Defining BER-support programmes and practices

BER-support programmes are donor and development agency programmes that help developing country governments, and other programme partners, to improve the business environment in which private enterprises operate. The DCED donor guidance defines the business environment as "a complex of policy, legal, institutional, and regulatory conditions that govern business activities. It is a sub-set of the investment climate and includes the administration and enforcement mechanisms established to implement government policy, as well as the institutional arrangements that influence the way key actors operate (e.g., government agencies, regulatory authorities, and business membership organisations including businesswomen associations, civil society organisations, trade unions, etc.)". Along with other PSD initiatives, the business environment affects the performance of private enterprises in both the formal and informal economies. BER promotes the development of markets that encourage competition and enhance the effectiveness and sustainability of other development interventions.

A conducive business environment is one of the pre-requisites for economic growth and poverty reduction. While poverty reduction requires more than just economic growth, growth is an essential ingredient. However, in many developing and transition countries, the business environment is underdeveloped and incapable of properly supporting market-led growth; private enterprises suffer excessive regulatory barriers. Thus, in most respects, regulatory costs are higher than in developed economies. Poor business environments are also more likely to have a disproportional negative impact on women-owned businesses, which are more likely to remain informal. However, it is recognised that good regulations are necessary to secure benefits, protect workers, consumers and the environment and to promote the rule of law and for the efficient functioning of market economies.

The DCED identified four levels at which business environment reform can be supported (i.e., regional, national, sub-national and sectoral). Reforms can also address key functional areas that affect business activity. See Box 1.

Box 1: Function level of business environment reform

Reforms can also address key functional areas that affect business activity, including:

- Simplifying business registration and licensing procedures;
- Improving tax policies and administration;
- Enabling better access to finance;
- 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; and
- Improving access to market information.

Source: DCED (2008) Donor Guidance

1.2 Purpose of the review

The Rwanda BER programme and practice review was conducted for two reasons:

1. To improve donor and development agencies' policies and practices in private sector development in general and business environment reform in particular; and
2. To improve donor coordination through a better understanding of the various approaches, processes and mechanisms donor and development agencies use to support BER.

The review aims to benefit participating donor and development agencies at headquarter and field levels. At the field level, the review highlights the challenges faced in supporting BER, identify best practices and lessons learned, and improve collaboration between agencies and with programme partners, such as government partners and business representatives.

The review is not considered an evaluation of BER programmes or specific donor agencies. Where an evaluation would typically examine the outcome and impact of a BER-support programme and measure this against the resources contributed to the programme, this review focussed on the practice of supporting reform in developing countries. Thus, the focus of the review was on *how* donor and development agencies go about the processes associated with:

- Assessing the business environment and identifying reform priorities;
- Designing and managing business environment reform programmes; and
- Monitoring and evaluating BER outcomes and impacts.

While examining these practices, the review endeavoured to identify how donor and development agencies are:

- Working with programme partner, such as developing country governments, business membership organisations and other civil society organisations;
- Collaborating with other donor and development agencies engaged in BER at the country level;
- Harmonising their programme interventions with key national development plans and frameworks;
- Measuring the results of their programme interventions and benchmarking change; and
- Promoting sustainability of reform efforts.

While the central focus of this review was on the donor programmes and practices in supporting BER, there are times when the broader issue of donor support for PSD was included. Some agencies believe it is not useful to distinguish too much between BER and PSD. PSD is a broader development theme for many agencies in which support for BER is but one approach. It is for this reason that reference is sometimes made to PSD-BER.

1.3 Review approach and methodology

The Review Team visited Kigali for one week (23-27 May 2011) and met with a wide range of donor and development agencies, as well as their programme partners, such as representatives of the Government of Rwanda and the Private Sector Federation (PSF). Prior to the review week, members of the Private Sector Development Sector Working Group provided background information on their BER-support programmes. This information is summarised in Annex 1.

The Review Team first met with the Private Sector Development Sector Working Group on the first morning of the review week, Monday May 23, 2011. This provided the opportunity for the team to outline in detail the purpose and process of the review and to discuss with the group some of the major issues affecting PSD-BER in Rwanda. Following the week of consultations, the team met again with the group on the last day, Friday May 27, 2011 to present and discuss their findings. Annex 2 contains a list of all the respondents to the review.

The review focused on four main themes of donor-supported BER derived from the DCED donor guidance:

1. Frameworks for the support of BER: This theme of the review focused on the national frameworks that shape PSD-BER interventions. The Review Team sought to identify the major frameworks that were used to guide donor-supported PSD-BER programmes and to understand how agencies work within these. This included frameworks for promotion donor coordination and collaboration.
2. Designing BER-support programmes: This theme examined the ways in which agencies designed their PSD-BER support programmes. Did the agencies respond to requests from government or other actors? What information did they use and how did they go about the process of design?
3. Managing BER-support programmes and projects: This theme examined the way agencies manage their BER programmes. It sought to understand the ways in which agencies promoted local ownership and accountability, and the extent to which sustainability was ensured.
4. Monitoring and evaluating BER-support programmes: This theme considered the use of monitoring and evaluation mechanisms and processes within PSD-BER programmes. It sought to understand how agencies monitored and evaluated their programmes, the extent to which they involved programme partners in these processes and how they attempted to measure the impact of their programmes.

In all the above themes, the Review Team attempted to assess the practice of donor-supported BER against the principles contained in the Donor Guidance. Annex 3 contains a description of the approach and methodology used and a list of the questions asked of respondents.

This report is organised around the four main themes of the review. The next chapter deals with the framework for the support of PSD-BER. Chapter 3 deals with designing PSD-BER programmes. Chapter 4 deals with managing BER-support programmes and projects. Chapter 5 deals with monitoring and evaluating BER-support programmes.

2 Frameworks for donor support

This chapter focuses on the national frameworks that shape PSD and BER interventions. The Review Team sought to identify the major frameworks that were used to guide donor-supported PSD-BER programmes and to understand how agencies work within these.

To investigate this issue, six questions were asked:

1. To what extent does the agency adopt a systemic approach to reform (refer to DCED Principle 1)?
2. To what extent do the agency's programmes respond to local demands for reform (refer to the first part of DCED Principle 3)?
3. To what extent does the agency's programmes stimulate a demand for reform and work with drivers of change (refer to the second part of DCED Principle 3)?
4. To what extent does the agency's programmes demonstrate an understanding of the political economy of reform and the capacity to respond to it (refer to DCED Principle 2)?
5. To what extent does the agency focus on what the private sector needs through public-private dialogue (refer to DECD Principle 6)?
6. To what extent does the agency participate in donor coordination mechanisms at headquarter and field levels (refer to DCED Principle 13)?

The findings are presented in the sub-sections below.

2.1 Systemic approaches to supporting BER

A number of agencies in Rwanda are engaged in supporting PSD in a systemic manner through an integrated set of programme interventions. Support for BER is generally one element of the portfolio of many agencies. Other fields include value-chain development and programmes that support the integration of regional markets. Thus, many agencies appear to be working across different levels, particularly macro and meso levels, as well as at regional, national, district and local levels.

While broad, national-level interventions have been the initial focus of a few agencies, such as those focused on reforms associated with the *Doing Business* indicators, there are signs that these reforms are now going deeper. The International Finance Corporation (IFC), for example, refers to its new phase of reforms as “Doing Business Plus”. On the other hand, a number of agencies were found to focus only on specific aspects of BER or PSD. This is partly determined by agencies’ specialised expertise or implementation modalities.

The TradeMark East Africa (TMEA) programme (see Annex 1) deals with regional economic integration and addresses a good range of the cross-border aspects of BER, including standards and norms, trade-related regulation and administration, as well as building capacity to develop and improve services at the borders. This clearly defined sphere of operations perhaps helps in identifying a realistic spread of issues to be addressed, which might not be immediately replicable. However, the existence of a unifying challenge (i.e., regional economic integration) defines the types of operations to be implemented. Such a practice could prove to be more cost-effective for the broader group of donors.

LESSONS FROM PRACTICE

Lesson 1: **Programmes designed around specific and well-defined problems faced by the private sector tend to reflect a systemic approach and appear to work well.**

Box 2: **DCED Donor Guidance Principle 1: Adopt a systemic approach to reform**
As far as possible, development agencies should adopt a systemic approach to business environment reform. They should consider the whole system, including all the relevant formal and informal institutions, the "rules of the game", cultural and social norms and other key elements, such as the existing stock of regulations and the processes of reform in each case. In an interactive system of reform change in one area influences the possibilities of reform in other areas. Reform is not a one-off act, but a process of adapting to new challenges and changes. Such reform includes relatively specific or narrowly focused reforms, those that involve a degree of trial and error (e.g., pilot reforms), as well as more comprehensive reforms of a grander scale. There is often pressure on development agencies to reform one part of this system in order to achieve rapid and measurable outcomes, yet in reality, other parts of the system may be just as important. The implementation and enforcement of reforms is an important element that is often not emphasised enough in support programmes. While development agency support for reforms that achieve quick wins can be useful to build support for larger reforms, these piecemeal efforts are wasted if they do not take into account a systemic and integrated approach. Success and sustainability in reform is often the product of an integrated approach to dealing with the problems faced by the private sector.

2.2 Responding to local demand

Most programmes reviewed appeared to respond to local demand or are generally aligned with government frameworks, thus reflecting government's demand for reform assistance. Many agencies' programmes contribute directly to the reform priorities under the Economic Development and Poverty Reduction Strategy (EDPRS). There is also evidence that donors have responded to specific government demands for assistance, such as a request to improve specific *Doing Business* Indicators or other specific demands from the Ministry of Trade and Industry (MINICOM) or the Private Sector Federation (PSF). There were some comments made regarding "supply-driven approaches" taken by donor agencies, but these were few.

The Government of Rwanda was mainly responsible for expressing its demands to donor and development agencies for support with reforms. Many respondents highlight the strong reform drive of government.

There was very little evidence of business-driven reforms found by the Review Team. Agencies seem to focus less on demands of the private sector. This appears to be largely because of the pro-active approach government takes to these issues, as well as to the relative weakness of the organised business sector. A number of respondents referred to the Rwandan private sector as "first generation enterprises", which are not yet very well represented in business associations. Thus demands from the private sector are less clearly articulated.

The Netherlands Development Agency (SNV) was focuses on local and district level demands. This programme attempted to link demand at this level and within specific value chains to the district offices of the PSF.

LESSONS FROM PRACTICE

Lesson 2: **The articulation of demands for reform can be a complicated matter. While government is the principle actor in the reform process, other actors have an important role to play in articulating their own needs and priorities, especially the business community. Donor and development agencies need to find ways to ensure that business concerns are connected to the government reform agenda.**

Box 3: DCED Donor Guidance Principle 3: Respond to and stimulate the demand for reform and drivers of change

Development agencies respond to domestic demand for reform by adding value to reform processes through technical assistance, financing, training and other forms of skills transfer, as well as information and experience sharing. They can also influence the direction and pace of change by mobilizing and exploiting drivers of change. These are forces that expand the opportunity for reform within the political economy of the country. Drivers of change include strong political leadership, the emergence of political or economic crisis, the processes of globalization, and the demand for increasing competitiveness. In most cases, there is a mix of drivers that contribute to change and not a single event. The strategic exploitation of successive drivers of change is key to the success of sustainable reform.

Reform support programmes should maximise the opportunities that stem from broader calls for reform, such as when a new government has been elected. Indeed, political change and some forms of political crisis can provide opportunities to push through bold business environment reforms. However, there are times when this demand is not apparent or weak. In such a situation, development agencies can stimulate a demand. However, they must be careful not to be too prescriptive or imposing.

It is often necessary for development agencies to recognise the importance of individuals as change agents, whether they be representatives of the government or the private sector. Working with individuals who can motivate and mobilise reform efforts is important, but it is advisable to broaden and institutionalise this engagement as quickly as possible.

2.3 Stimulating a demand for reform

As indicated above, many donor agencies considered the strong reform-oriented nature of government an advantage. There was very little need expressed for donors to stimulate the desire for reform within government, as this was already well established. The uses of research and competitiveness indicators were often cited as important elements in the drive from reform. This included the World Bank's *Doing Business* rankings and the general thrust towards greater regional integration.

Demand for reform appeared significantly less among the private sector. While the PSF is generally recognised as the peak business membership organisation (BMO) in Rwanda, it was seen as being extremely close to government and generally weak. While the team heard different perspectives on this topic, it is clear that the PSF requires more support and a closer connection to the Rwandan business community.

Some agencies have supported research into core constraints for the private sector. For example, the GIZ has commissioned studies on reducing red tape in Rwanda[2] and supported the Business and Investment Climate Survey.[3] These studies have fed into the dialogue processes between government and private sector. The regional TMEA programme also aims to support the voice of the private sector through its business advocacy component.

It is perhaps time for the PSD reform agenda to shift away from government-led demand toward a private sector–led demand, and identify ways to address the weaknesses of the private sector, for which demand was expressed by the PSF during the review.

LESSONS FROM PRACTICE

Lesson 3: **The use of research studies, surveys and competitiveness bench-markings contributes to a stronger demand for reform, as do programmes that strengthen the voice of the private sector and the mechanisms for PPD. While this may be a first-step it is not always enough to stimulate reform that can be sustained over the long term.**

Lesson 4: **Governments can influence the representation and role of business membership organisations. While this is not necessarily a problem, it raises questions regarding how donor and development agencies can find strategic and politically acceptable ways to support the balancing of reform priorities across government, the business community and civil society.**

2.4 Incorporating the political dimensions of reform

Most agencies appear to be very aware of the political economy of reform in Rwanda and donor programmes are designed in ways that respond to the political economy. Some of the major political economy issues identified by respondents included the following:

- The strong role played by government in leading and directing private sector development;
- Centralised decision making within government structures;
- Concern by donor agencies that interventions and investment by government and government affiliated institutions risk to crowd out private sector participation.

2 SBP (2008): *Cutting the Cost of Red Tape in Rwanda*: https://www.smallbusinessinstitute.co.za/wp-content/uploads/2019/12/Cutting_Cost_of_Red_Tape_Report_Rwanda.pdf

Wolfgang Veit (2011): *Competing Approaches to Measuring Business Regulation. Reducing Red Tape in Rwanda*, Cologne Business Discussion Papers: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1865240

3 Private Sector Federation (2008): Business and Investment Climate Survey.

While the strong role played by government was seen as an advantage to donor programming, there were concerns that in the field of PSD and BER, this risks the crowding out of the opportunities available to the private sector. Government typically responded to this criticism by indicating that the private sector was small and immature and needed time to develop. Government interventions in the economy were seen as a means of filling a void that the local private sector could not fill. However, other referred to this and a "chicken and egg" situation in which the private sector was less able to develop because government had reduced the space available to it. In some cases it was noted that government saw the need recently to reduce its direct involvement and to allow the private sector to come to the fore. Indeed, there were many references made to the need for "private sector led" development in Rwanda. Thus, there is a strong need for promoting the voice of the private sector in development and to enhancing PPD at all levels. This signals the need to move to the next level and strengthen the private sector's self-expression and support structures. Perhaps, a concerted effort at formulating and adopting a common private sector development strategy would be a critical first step in this direction.

Box 4: DCED Donor Guidance Principle 2: Understand and respond to the political economy of reform

Business environment reform processes are intimately connected with the political economy of change. This includes the system of accountability and governance exercised within and on the state, the extent to which the state is open or captured, and the extent to which its policy-making processes are open to influence. Because business environment reform is fundamentally a process of political contestation, there are no formulas that may be imported from elsewhere. Each society needs to determine the political settlement that best accommodates its competing interests and then find the appropriate technical solution that suits that political settlement. Development agencies can support these processes with lessons from other countries that can be adapted, as well as by encouraging the process to be transparent (i.e., no secret policy making), evidence-based and equitable so that those who represent the interests of the poor are able to influence it as much as those who represent the interests of the rich and powerful.

There will be times when key local stakeholders resist proposals for reform because they do not understand the benefits of the proposed reform, are used to things as they are and fear change, or because they benefit from the status quo. Thus, the challenge of the reform is building effective reform coalitions to get the best possible reform past that opposition. Development agencies can respond to resistance to reform by understanding where the resistance comes from and why; raising awareness and promoting the benefits of reform; recognising that those who are doing well in a poor business environment (e.g., where competition is reduced) may have something to lose; promoting coalitions of those who support reform – that is building constituencies for change; using regional organisations to support change; and promoting broader and deeper levels of public-private dialogue. Activities to discuss and design reforms should be seen in the wider context of the political economy – they release reform energies and reinforce a growing demand for reform. These kinds of changes help developing and transition country governments overcome governance bottlenecks. While development agencies cannot change the political economy of a country, a better understanding of these issues will improve the design and execution of reform programmes.

LESSONS FROM PRACTICE

Lesson 5: Many donor and development agencies recognise the political dimensions of reform, but are hard-pressed to deal directly with these issues. Strong

government leadership of reforms helps agencies to achieve their programme objectives, but on its own, does not necessarily deal with all the challenges of creating a conducive business environment.

2.5 Supporting and responding to public-private dialogue

Public-private dialogue, while incipient, takes place in different forums. In past years, the President of Rwanda has held a dialogue with representatives of the private sector on an annual basis. However, while it was decided that this dialogue format should in future take place twice a year, the last of these events was in 2009.

The Rwanda Economic and Social Council (RESC) has provided a broad platform for PPD. The Prime Minister chairs the Council, which is also made up of two representatives from government, nominated by Cabinet, two representatives from the business community, one of whom must be the chairperson of the PSF, a representative of civil society, a representative of the trade unions, and representatives of “religious confessions”.

The IFC has recently made a proposal to government to replace the RESC with a PPD process. However, while the proposal has been formally approved, the concept paper prepared for this purpose is still under review at the Cabinet level. This process would be organized through the Rwanda Development Board (RDB) and focus on both crosscutting and sectoral issues.

Other regular PPD platforms focus on specific thematic areas, e.g., on taxes, and the environment.

Donors are supporting specific PPD interventions, and in particular support the PSF with technical inputs, such as by supporting research on business constraints. In 2011, the PSF plans to focus its advocacy efforts on four areas: energy, tourism, ICT, and agriculture, mainly coffee, tea and dairy sector.

There appears to be a division of labour among donors in this area, with some agencies supporting and advising on PPD structures on the public side and others on strengthening the private sector (i.e., the advocacy function of the PSF).

Box 5:	DCED Donor Guidance Principle 6: Focus on what the private sector needs through public-private dialogue

Reform programmes should focus on the private sector, since they can create demand for reform and can contribute to the design of reform programmes and provide feedback on proposed reforms (e.g., through regulatory impact assessments); it can also provide technical expertise, and organisational and management support. Many private firms express their views through their representative organizations. However, these representative organizations rarely represent the entire private sector and are predominately made up of larger, formal enterprises. Small and/or informal firms, including women-owned enterprises, are often less involved in these kinds of structures; consequently, their views are often systematically neglected. Development agencies can support private sector representative organisations in their efforts to reform the business environment, but care should be taken not to interfere directly in domestic politics. They can also make use of formal facilities established to make possible the involvement of different development agencies and the private sector in the support of business environment reforms.

Public-private dialogue is an essential ingredient to effective and sustained business environment reform. The quality and depth of effective business environment reform is related to the intensity and institutionalization of public-private dialogue. While many developing and transition countries have little tradition of constructive dialogue and cooperation between the government and the private sector, such dialogue changes the political economy by empowering allies of reform and enlarging the “reform space” by increasing awareness of the scope and depth of the problem. While dialogue can take both formal and informal forms, it is important for dialogue to be linked to specific reform agendas. In its early stages, public-private dialogue takes time to develop. It is important to build trust and confidence in the process and all parties need to see the benefits of regular, structured dialogue. Development agencies should support public-private dialogue, but should not drive the process.

It is particularly important for development agencies to help small and informal enterprises find a “voice” in the processes that support public-private dialogue. Public-private dialogue processes that are facilitated or supported by development agencies should include a wide range of the private sector representatives and, where possible, endeavour to obtain the views of the less organized business sector.

LESSONS FROM PRACTICE

Lesson 6: **A useful starting point for donor and development agencies to support more effective PPD can be within specific sectors or at the sub-national level. These dialogue process can then be encouraged to bubble-up to a national, economy-wide platform.**

2.6 Promoting donor coordination

Overall, donor coordination and harmonisation appear to work well. The government is very clear and direct in setting priorities for development in general, including within the field of PSD. The Private Sector Development Sector Working Group appears to work well and there is evidence of good information sharing between members. While some question the extent to which the working group provides for specific collaboration, it is clear that this mechanism contributes, in the very least, to improved opportunities for collaboration through its regular meetings and the sharing of information. Programmes such as the IFC’s and TMEA have been jointly funded by a number of donors.

According to some respondents, there is scope for a closer and stronger engagement by the working group with the government, which is largely limited to the Common Performance Assessment Framework (CPAF). There is a need for a clearer and more binding framework of coordination, which may be created by the PSD Strategy, which is in the process of being formulated. It is envisaged that a PSD strategy will pave the way for a clearer division of labour among donors. It could also improve buy-in from a range of other actors, including the private sector. In the future, it might also constitute the basis for a sector-wide approach. There also appears to be scope for more thematically focused coordination sub-groups within the overall PSD theme.

Box 6: DCED Donor Guidance Principle 13: Ensure good donor coordination

Development agencies should avoid duplication of reform efforts and coordinate the their programmes with other development agencies. Collaboration among development agencies engaged in business environment reform shares risks and provides access to a larger pool of expertise. Even small steps, such as information sharing, can contribute to the more effective delivery of development resources. Where possible, multi-agency mechanisms should be used to support business environment reform and to promote agency coordination. Key elements to successful coordination are:

- A commitment by all parties to coordination and collaboration;
- Recognition at headquarter-level of the importance of coordination in the field - to allow country offices to participate meaningfully in local coordination processes;
- Regular processes and mechanisms for information sharing;
- Leadership and facilitation - this can be provided by the host government or by a nominated development agency;
- Identifying agency competencies and capabilities, and using this as a basis for a clear division of agency responsibilities; and
- Reporting on experiences in the field - successes, challenges, emerging lessons.

Developing and transition country governments can work with the development community to support, enhance and, where necessary, lead coordination and collaboration efforts. In some countries, a high-level government ministry convenes and chairs a development coordination committee; in other countries this role is rotated amongst members. In addition, development agencies should recognise the importance of supporting regional organisations. These organisations demonstrate the value of regional coordination and information sharing that can be used to enhance national reform efforts.

The government sets the division of labour for donor coordination. However, PSD falls outside this framework and, as a result, all agencies can be involved in PSD. This leads to a very broad framework, which makes coordination more difficult.

The Review Team noted with interest the issues raised by some respondents concerning the role of third-party non-government organisations that had been commissioned by donor or development agencies to implement programmes. These organisations were seen as being accountable to foreign donor agencies and not the government or other domestic stakeholders in Rwanda. Thus, there was a concern as to how these arrangements contribute to or impede donor-government harmonisation, alignment and coordination.

Finally, the role of non-resident agencies in national coordination efforts was discussed. It appears as though many donor and development agencies without permanent representation in Rwanda do not participate actively in the donor coordination mechanism, as least in the Private Sector Development Working Group. With the exception of JICA, this includes many Asian development partners.

LESSONS FROM PRACTICE

Lesson 7: **Support for PSD can be a broad and multi-dimensional topic involving many donor and development agencies, government line-ministries, and business and civil society organisations. Thus, a single committee structure is not always enough. BER may require a specific focus amongst participating donor and developing agencies and their partners.**

Lesson 8: **Strong government leadership aids the coordination of donor and development agency.**

Lesson 9: **It can be difficult for non-resident donor and development agencies to participate effectively in national coordination structures. Processes and mechanisms need to be found to improve this.**

Lesson 10: **National PSD and BER-support coordinating structures often overlook the regional dimensions of reform.**

3 Designing BER-support programmes

This chapter examines the ways in which agencies in Rwanda design their PSD-BER support programmes. It seeks to explain how responsive agencies are to local demands and how they decide which reforms to address.

Three questions were asked of respondents:

1. To what extent does the agency focus on the binding constraints to business growth and scope reforms accordingly (DCED Principle 7)?
2. To what extent does the agency align reforms with national development plans (DCED Principle 12)?
3. To what extent does the agency sequence business environment reform measures and allow sufficient time for these to be realised (DCED Principle 8)?

The findings on these questions are presented below.

3.1 Focus on the binding constraints

According to most respondents, the binding constraints to business growth in Rwanda include the country's transport and energy infrastructure, a skills shortage and access to finance. In addition, being landlocked was described as a key challenge for economic development and competitiveness, especially in the context of regional integration.

Box 7:	**DCED Donor Guidance Principle 7: Focus on the binding constraints to business growth and scope reforms accordingly**
The success of business environment reforms is not determined by how the government does in reaching an artificial goal such as adopting a law, but by the effect reforms have on the behaviour of existing and potential businesses. Steady focus is needed if firms are actually to see material changes in their environment that induce more risk-taking, more investment, more innovation, and other desirable behaviours. Because there may be many areas of the business environment that require reform, the impact of reform is enhanced by assigning a high priority to those that have a strong bearing on the cost of doing business and the effective functioning of markets. These priorities vary from country to country, as well as across local business environments within the same country and between men and women. The greatest impact of reform will come from focusing on the most binding constraints to business activity. Development agencies often focus on the symptoms – the instruments themselves – of bad regulatory systems only to find that the system is resilient, adjusts and reverses the reform in a myriad of ways. If the same problems are created over and over again, development agencies should take a broad approach that changes wrong incentives facing governments and businesses. Governments that exhibit a pattern of poor regulation require changes to the system of producing regulation, whereas governments that are doing generally well, but have isolated and significant problems could benefit from narrow or one-off reforms in those areas.	

To date, the BER agenda has largely been defined by shorter-term reform priorities of the government, partly influenced by the reform steps suggested by international competitiveness rankings such as the World Bank's *Doing Business*. While the fast pace of development partners appreciated regulatory reforms and the associated "good press" for Rwanda, there were concerns that improvements of the regulatory environment had not translated into actual increases in private investment.

The government increasingly recognises the need to go beyond a focus on laws and regulations, addressing the binding constraints to competitiveness (e.g., "Doing Business Plus"). Development partners are reorienting their programmes accordingly. Examples include TMEA's infrastructure investments (e.g. one-stop border posts, transport corridors) and the DFID-funded Access to Finance programme. Moreover, many PSD-BER programmes include capacity-building or skills development components (see 4.5). Some development partners also support the Government in its policy formulation by commissioning research on business bottlenecks while development partners also increasingly channel support to sector-specific business environment reform and developing particular value chains.

LESSONS FROM PRACTICE

Lesson 11: **Many BER-support programmes have not yet come to dealing with the binding constraints to PSD and economic growth. While this may be because these constraints go beyond the business environment (i.e., to other elements of the investment climate), it also appears that many programmes are still focused on the "quick wins" and short-term outcomes.**

3.2 Align with national development plans

Rwanda has formulated a number of frameworks to guide its social and economic development (See Box 8). In addition to these, several sector strategies related to PSD have been produced dealing with issues such as trade, exports, SME development, handicrafts and industry development. A comprehensive PSD strategy is planned.

Box 8: Frameworks for social and economic development in Rwanda

- Vision 2020 (aim: medium income level status, i.e. 900 US$ by 2020)
  - Key pillars: Human resource development, knowledge-based society, private sector development
- Economic Development and Poverty Reduction Strategy (EDPRS) 2008 – 2012
  - Focus on: economic growth, creation of employment, skills development, innovation, economic diversification
  - EDPRS monitoring Framework sets targets and policy actions, and suggests architecture for joint government and development partner monitoring (Joint Sector Reviews)
- Sectoral strategies related to Private Sector Development
  - Trade Policy, Export Policy, SME Policy, New Industrial Policy / Industrial Master Plan, Handicrafts Strategy
  - Ministry of Trade and Industry: Strategic Plan from 2009 – 2012

The Ministry of Trade and Industry (MINICOM) is the main government ministry responsible for PSD. However, the Rwanda Development Board (RDB) has a strong role in the implementation of government services for PSD.

The External Finance Unit of the Ministry of Finance and Economic Planning (MINECOFIN) coordinates and manages external aid. It does so with the support of the

Aid Coordination Unit, which is financed by a basket fund of six donors under the United Nations Resident Coordinator's Office. Both units are fully integrated within government offices. The government and its development partners maintain regular and transparent dialogue through the Development Partners Coordination Group, the highest-level coordination structure in Rwanda. The Budget Support and Harmonization Group monitors the implementation of the Partnership Framework, which outlines commitments in terms of macroeconomic stability, public financial management, and policy formulation.

Box 9:	**DCED Donor Guidance Principle 12: Align business environment reforms with national development plans**
Development agencies should align private sector development with broader economic, social and environmental policies and include business environment reforms in their efforts to promote private sector development, economic growth, gender equity, and poverty reduction. Similarly, support for reform of the business environment should be integrated into national planning instruments, development policies and global agendas (e.g., Poverty Reduction Strategy Papers, Private Sector Development Strategies, and the Millennium Development Goals). However, care should be taken when applying generic programme planning frameworks as many of these are based on broad poverty reduction perspectives that can be limited in terms of the role of the private sector and the importance of the business environment. Moreover, reform packages that are supported by development agencies should support the integration of policy, legal, regulatory, institutional, procedural, and technological and social solutions. Addressing one element alone (e.g., a new policy) is rarely good enough. While it is not possible to change all elements of the system at once, careful attention must be given to the ways changes in one area (e.g., the review of labour laws and regulations) will affect other areas (e.g., the role of regulatory authorities).	

Clusters and Sector Working Groups allow all stakeholders to hold technical discussions with regard to budgeting, (cross) sector planning, and prioritization according to strategic plans and policies. The Private Sector Development Working Group is one such group. The MINICOM chairs this group.

The implementation of EDPRS is monitored regularly, twice a year, through the Joint Sector Review and is based on a Common Performance Assessment Framework (CPAF). This provides the basis for disbursement of general and sector budget support.

Lesson 12: **An agreed private sector development strategy, formulated by government with the participation of the private sector, civil society and relevant donor and development agencies can provide a valuable framework for coordinating and aligning donor assistance in BER.**

3.3 Sequence reforms over sufficient time

Until recently, the Government focused on the "low-hanging fruit" as a means to achieve immediate results. According to some respondents, the fast pace of regulatory reforms has helped to build confidence among investors in the government's willingness to reform, and to build momentum for future reform. Respondents felt that the political will to reform the business environment was high among senior government officials. However, given that private investment in Rwanda has not yet increased as much as hoped, the strategy of prioritising "quick wins" seems not to have been very effective.

The government and its development partners are aware of this, and are shifting their focus to tackle binding constraints such as the quality of infrastructure and skills shortages (see 3.1). Was targeting “quick wins” the best strategy in Rwanda? Will large-scale increases in private investment only be seen when early reforms are complemented by reforms that tackle binding constraints? These are questions perhaps open to debate.

Box 10:	**DCED Donor Guidance Principle 8: Sequence business environment reforms and allow time**
While a focus on the binding constraints to business growth is essential, the design of reform support programmes may not necessarily begin with these. It is often important to consider first-stage reform support programmes that build experience and confidence among reform stakeholders by focussing on those reforms that are the easiest or have the most immediate impact on the business environment and the performance of the private sector. If properly selected and designed, these reforms will demonstrate how reform can create improvements for business, while building competencies and confidence among programme partners. Development agencies should accept that systemic reform takes a long time. They need to be realistic when setting targets and timeframes for business environment reforms, particularly in a country context where the understanding and capacity for good governance are limited.	

LESSONS FROM PRACTICE

Lesson 13: **A critical challenge for donor and development agencies is how to go beyond first-order reforms and to deepen the reform process and help programme partners become more focused on the key reform topics. Linking first-order to second-order reforms requires careful and honest analysis and evaluation of what programmes have achieved in their first phase and the design of subsequent phases that take these achievements further.**

4 Managing BER-support programmes and projects

This chapter reports on the ways donor and development agencies manage their BER-support programmes. It seeks to better understand the ways in which agencies promote local ownership and accountability, and the extent to which sustainability is ensured.

Six questions were asked of respondents:

1. To what extent does the agency apply a clear communication strategy and make strategic use of the media (refer to DCED Principle 10)?
2. To what extent does the agency ensure domestic ownership of reform efforts (refer to the first part of DCED Principle 4)?
3. To what extent does the agency work with government as the lead agent (refer to DCED Principle 11)?
4. To what extent do agency programmes address the implementation gap by ensuring new or revised policies, laws and regulations are realised (refer to DCED Principle 9)?
5. To what extent do agency programmes strengthen the role and capacity of key stakeholders to engage in and manage BER (refer to DCED Principle 5)?
6. To what extent do the agency's programmes appear to balance international and national expertise in BER (refer to DCED Principle 14)?

The responses to these questions are presented below.

4.1 Communicating to programme partners and the public

Many respondents acknowledged that the communication of reforms was weak. Very little attention had been given to promoting reforms within government agencies or across the Rwandan business community.

It was acknowledged that the process of "deepening reforms" should involve a strong communication process in which government officials, at all levels, were encouraged to understand the purpose and meaning of reforms and for businesses to understand what the reforms mean to them.

The PSF identified communication with the business community as a major shortcoming. So far, communications had been ad-hoc and not institutionalised.

Few agencies seem to have a comprehensive communication approach—the main exception being TMEA, which, among other things, trains journalists on how to report on regional integration issues, raising awareness of civil society on regional integration, supporting the PSF in developing a communication strategy.

Box 11:	DCED Donor Guidance Principle 10: Formulate a communication strategy and use media strategically

Business environment reform processes should include an assessment of the role communication plays when a new way of doing things is being adopted. Planning a communication strategy requires answers to three key questions: Why is the work important? Which people should be made aware of it? What are the issues that need to be tackled? A sound communication strategy is crucial to developing and maintaining public awareness of business environment reforms and relevant issues. Communication should focus on the benefits of change, rather than on the costs of the status quo; a clear vision of the future system should be presented. Special attention should be given to working with the media. Print and electronic media can become powerful allies for development agencies in their efforts to raise awareness of the need for business environment reform and communicate the broader purpose of reform programmes.

LESSONS FROM PRACTICE

Lesson 14: **Many donor and development agencies overlook the important role of communications and the media in their BER-support programmes. However, there is growing awareness that such oversights should be quickly addressed.**

4.2 Ensuring domestic ownership

The strong government leadership in the reform process implies a strong domestic ownership of these reforms. However, it is unclear how deep this goes in the public sector. This is closely related to the concerns raised regarding communications above.

In addition to the inadequacies of communications, a number of respondents expressed concerns regarding strategies that had been drawn up by external consultants without significant involvement of related line ministries and the private sector.

Box 12:	DCED Donor Guidance Principle 4: Ensure domestic ownership and oversight of reform efforts

Development agencies should be unbiased brokers that bring together different stakeholders in the reform of the business environment. Domestic stakeholders should take full responsibility for the design and management of business environment reform programmes. While development agencies will support and work with these stakeholders, they should refrain from leading reform efforts themselves or usurping the responsibility of their programme partners. To ensure sustainable results in the long run, it is important that the national government and private sector have full ownership of the business environment reform process.

Organisational oversight is key to ensuring domestic ownership of reform efforts. While the presence of a high-level official at the centre of government or a high-level committee accountable to the centre has proved to be a success factor for business environment reform, it is also important that the designated oversight and management authority cuts across the whole of government. Involving representatives of the private sector (including representatives of businesswomen) and other key stakeholders in oversight structures and processes is also important.

Furthermore, there were concerns expressed about the leadership of non-government and private sector organisations, which was largely considered to be weak. The weakness in non-government institutions creates an imbalance in which many key partners to reforms and other development processes are less capable of meaningfully engaging in these processes.

Concerns were also raised about the roles played by international non-government organisations, which were running programmes and were not accountable to the Government of Rwanda or the Rwandan business community. These organisations tended to operate on behalf of foreign donor or development agencies and were seen as largely accountable to these. Thus, this was considered a threat to local ownership of reforms and PSD initiatives.

LESSONS FROM PRACTICE

Lesson 15: **Domestic ownership of reforms must go beyond government ownership. While governments must own and be in control of the reform process, there are many other domestic actors that should be involved in pushing for reforms. Donor and development agency support for BER should include support for an open and more pluralistic society in which a range of actors can participate in social dialogue.**

4.3 Working with government as the lead agency

Government is generally a very strong and effective leading agent. However, there appears to be increasing cooperation with private sector, mostly through PSF.

Box 13: DCED Donor Guidance Principle 11: Work with government as the lead agent

Unlike other private sector development interventions, government is a primary actor in the process of business environment reform. Government and the other organs of the state enact laws and regulations that govern the behaviour of the private sector. It protects the interests of consumers, workers, owners of property, providers of finance, other businesses, and the environment; and it is responsible for discharging the rule of law and raising taxes to invest in public goods. The relationship that is formed between government and the private sector is of critical interest in business environment reform, as is the way government goes about regulating business activities. It can do this in ways that are transparent, predictable and equitable while reducing the burden on business.

Successful reform support requires a close working partnership with government in which development support adds value to government reform efforts. Development agencies should provide flexible support, information and guidance, and encourage government to take full ownership of reform efforts. This is consistent with the Paris Declaration on Aid Effectiveness; Ownership, Harmonisation, Alignment, Results and Mutual Accountability. In situations where government leadership is weak or unresponsive, it may be necessary to support processes that encourage leaders to pay more attention to reform, such as through the support of government think tanks or public-private dialogue.

There was a general concern raised by most if not all respondents regarding the limited capacity of government beyond the most senior levels. Government is small and the skill gaps between senior levels and lower ranks are significant.

In PSD, there is an unclear division of labour between the policy-making institutions and those involved in implementation. That is, between MINICOM and the RDB. There is also room for improvement in coordination between MINICOM and other ministries involved in PSD. In addition, PSD is strongly guided by top level of government to whom agencies do not always have direct access. One of the downsides of strong government ownership in PSD is that this can lead to slower decision-making processes as everything has to be validated by government before it is implemented.

LESSONS FROM PRACTICE

Lesson 16: **Limited capacity within government can reduce the capability of government to lead reform process.**

Lesson 17: **Government leadership of reform processes requires good government coordination. It is important that there is clarity within government and its development partners as to which government ministries, departments or agencies have the mandate to lead reforms.**

4.4 Addressing the implementation gap—making reforms a reality

The review found that most donors are committed to supporting the government in filling the implementation gaps, especially in terms of strengthening public sector capabilities. However, while many business environment reforms have been enacted, many respondents acknowledged poor implementation as a constraint to the long-term sustainability and impact of these reforms. The low capacity within government and among private sector partners constitutes one of the main impediments to effective implementation.

Donor agencies such as the Japanese International Cooperation Agency (JICA) supported specific capacity building activities in order to boost the capacity of government officials engaged in reform processes. However, the rotation of government officials across ministries and agencies was seen as an obstacle to this. In other cases, donor agencies focused on specific infrastructure investments in an effort to focus on specific bottlenecks. These included, for example, one-stop border posts, the introduction of cargo scanning and the development of transport corridors. There were also programmes that sought to raise awareness among government officials and the private sector of the cost of administrative burdens and the need for reforms.

While not focussed on PSD, the Swedish International Development Agency (SIDA) has established twinning arrangements between Swedish and Rwandan universities and supports a wide range of research efforts.

Box 14: **DCED Donor Guidance Principle 9: Address the implementation gap**
Often, business environment reforms focus on policies, laws and regulations, but overlook the specific challenges associated with ensuring reforms are enforced and implemented. Development agencies should emphasise the importance of implementation. This includes a commitment to developing the competencies and capacities of development agencies and their partners to make reforms work – emphasising the need to address the often more complex issues associated with poor governance, organisational weaknesses and corruption.

LESSONS FROM PRACTICE

Lesson 18: **The challenge for implementing reforms and achieving long-term sustainability often revolves around the capacity of programme partners, especially government partners. While implementation can be enhanced through programmes that apply proven models (such as one-stop facilities) and awareness raising activities, ultimately it is the capacity of the key actors to manage reforms that directly influences a successful and sustainable outcome.**

4.5 Strengthening the role and capacity of key stakeholders

Most agencies and programme partners acknowledged that poor capacity was a critical risk factor affecting the effectiveness and sustainability of reform efforts. Many donor programmes were found to integrate capacity building within their programmes, rather than have separate capacity building programmes. A number of agencies were found to run specific capacity building programmes. For example, SNV supports capacity building at the district level and JICA provides support for the training of civil servants.

Agencies were found to apply different capacity building approaches, such as:

- Twinning with institutions from other countries;
- Matching local and international consultants;
- Trainee and intern schemes; and
- Sending staff to international training centres.

Box 15: **DCED Donor Guidance Principle 5: Strengthen the role and capacity of key stakeholders**

Recognising local stakeholders and developing their capacity to participate in business environment reform is critical for successful and sustainable reforms. This can include strengthening the role and capacity of state agencies, the private sector and other civil society structures, as well as supporting better dialogue and advocacy, and building the capacity or ability of state agencies to manage reform programmes. While capacity development among state agencies can be a legitimate and useful response to the situations created by failed or weak states, working with other programme partners such as the private sector is equally important. Similarly, overly strong and interventionist states often require a counter-balance that is created by the private sector and other civil society groups. It is often necessary to support the embedding of regulatory reform processes into the systems of government or parliament. However, while capacity development is important, agencies should not support the reform of state agencies that artificially substitute self-regulatory market based mechanisms (e.g., accreditation, certification, membership of professional bodies). Development agencies should support a change in the culture in which business reforms occur, such as through the introduction of a client-oriented culture that encourages public agencies to treat their private sector clients in a more professional, accountable and transparent manner.

When building local capacity, development agencies need to disseminate relevant information on the developmental experiences of middle income and developed countries so that developing countries can draw upon historical evidence to make more informed choices about policies and organisations. Development agencies can also learn from the experiences of other agencies and other programme partners located abroad. However, it is always important to remember that solutions that work in one context need to be adapted to suit another.

4.6 Balancing the use of international and national consultants

Government has a policy to request agencies to make use of domestic consultants to the extent possible.

Many agencies are eager to balance international and national expertise, but domestic capacity constraints limit the availability of qualified domestic consultants. In practice, therefore, agencies often have to resort to international consultants, also considering government pressure for speedy implementation. A few agencies still follow the policy of tied aid or conditionality in which consultants must be sourced from the donor country.

Tandems of international and local consultants were considered as useful approach to integrate local knowledge and perspectives, as well as to build local capacity.

The Review Team also observed the practice of agencies commissioning consultants from the East Africa region. This provides an outsider perspective, draws on regional experience and encourages advice within a regional context. In some cases, experts from the region were more acceptable to domestic programme partners than those from developed countries.

Box 16:	**DCED Donor Guidance Principle 14: Balance international and national expertise**
In order to build national capacity, development agencies should encourage and assist their programme partners to work with expert international bodies and consultants that are knowledgeable about good practices used in countries facing similar problems. While development agencies can facilitate access to best practices and cross-country experiences, care should be taken to balance the involvement of international consultants with national consultants. Development agencies and their programme partners should be prepared to spend the time and effort to guide consultants in the local context. They should ensure skilled nationals are engaged in reform programmes and provide incentives to keep them in the country and engaged in reform efforts. However, development agencies should take care to avoid hiring staff from the very ministries or agencies that are trying to lead reforms.	

LESSONS FROM PRACTICE

Lesson 19: **The use of national consultants can build national capacity. Many agencies recognise this and link national consultants with international consultants on specific assignments.**

Lesson 20: **Where national experts or consultants can't be found, donor and development agencies should consider finding these in other countries of the region before seeking them from further afield.**

5 Monitoring and evaluating BER-support programmes

This chapter reports on the use of monitoring and evaluation mechanisms and processes within BER-support programmes. It seeks to better understand how agencies monitor and evaluate their programmes, the extent to which they involved programme partners in these processes and how they attempted to measure the impact of their programmes.

Six questions were asked of respondents on this topic:

1. To what extent does the agency ensure that a clear monitoring and evaluation framework is in place for all its BER-support programmes?
2. To what extent are monitoring and evaluation indicators linked to identified needs and demands for reform?
3. To what extent does the agency ensure participation by domestic stakeholders in the monitoring and oversight of reform efforts (refer to the second part of DCED Principle 4b)?
4. To what extent does the agency attempt to measure the long-term impact of its BER-support programmes?
5. To what extent is the agency able to exert quality control and influence on its BER-support programmes and projects (refer to DCED Principle 15)?
6. Do you have any good examples or case studies concerning the effectiveness or impact of your BER-support programmes?

The responses to these questions are presented below.

5.1 Monitoring and evaluation frameworks

Most agencies reported that they have a monitoring and evaluation framework for their programmes framework in line with their overall policies and procedures. In some cases, dedicated staff were assigned to these functions and agencies linked progress reporting to the disbursement of programme funds.

Very few respondents knew of the DCED Results Measurement Standard. However, one programme that is working towards applying the DCED Standard for results measurement is TMEA. TMEA has a full monitoring and evaluation work stream with a Kenya-based director in charge of its monitoring and knowledge management. This function is closely integrated with programme planning, comprehensive results chains have been formulated and baseline studies have been undertaken.

LESSONS FROM PRACTICE

Lesson 21: The DCED Results Measurement Standard could be promoted and applied by BER-support programmes.

5.2 Linking indicators to the demands for reform

Overall, programmes are inserted into the EDPRS, which is monitored in the context of the twice-yearly Joint Sector Reviews. The fulfilment of the CPAF indicators constitutes the basis for the budget support disbursements.

The PSD Working Group contributes to this by assessing fulfilment of indicators in preparation for the Joint Sector Review, on the basis of the EDPRS indicators. Some agencies have applied EDPRS indicators to their own monitoring frameworks.

DFID provides support to the government's statistical office in order to improve domestic monitoring capacity.

LESSONS FROM PRACTICE

Lesson 22: **Linking development programme indicators with government development goals is a valuable first-step. However, BER-support programmes need to design indicators that are more closely aligned to reform priorities and the binding constraints of PSD and economic growth.**

5.3 Involving local stakeholders

Only a few programmes appear to ensure participation by domestic stakeholders in monitoring and oversight. SNV referred to the use of local Joint Coordinating Committees to discuss monitoring and evaluation reports on a regular basis and to use these reports to plan for the coming phase of the project. While TMEA and Access to Finance Rwanda involve domestic stakeholders, including private sector representatives in their National Oversight Committees.

Most agencies operating in Rwanda are required to report their progress (i.e., financial and implementation progress) to the Ministry of Finance and Economic Planning (MINECOFIN) on a quarterly basis. This can now be done on-line.

LESSONS FROM PRACTICE

Lesson 23: **In most cases the monitoring and evaluation of BER-support programmes appears to be focused on internal (i.e., agency) needs, rather than on reporting back to domestic programme partners or the broader community.**

5.4 Measuring long-term impacts

There appears to be increasing awareness of the importance of impact assessment in business environment reform. However, few agencies seem to actually measure results at the impact-level and in particular long-term impacts of BER support.

Partly, impact studies have been used as part of end-of-programme evaluations. For example, impact assessments are undertaken on selected parts of the GIZ reform-support programme (i.e. red tape study). The United States Agency for International Development (USAID) is in the process of finalising an impact assessment of its coffee sector interventions between 2000 and 2011.

LESSONS FROM PRACTICE

Lesson 24: **Donor and development agency programmes are rarely assessed in terms of their long-term impact. Greater effort should be invested in this area.**

5.5 Ensuring quality

The review team did not find any specific mechanisms for quality assurance within business environment reform programmes beyond those that are used by most programmes, such as appraisal and review mechanisms, and internal and independent evaluations. Some donor and development agencies made use of the comparative advantages of specialized agencies and programmes by pooling their resources and allowing specialised agencies to implement, such as the IFC or the TMEA.

Box 17:	**DCED Donor Guidance Principle 15: Promote quality assurance in development agency support of business environment reform**
Development agencies should ensure they provide the best possible advice and assistance to their partners when supporting reforms that lead to a better business environment. This requires agencies at headquarter and field-office levels to be familiar with current international best practice and responsive to the needs, capacities and expectations of their public, private and civic partners. Development agencies should encourage the transparent review and assessment of their programmes in collaboration with government, the private sector and other development agencies; they should support and participate in peer review processes and contribute to the improvement of business environment reform programmes through knowledge management, training and seminars, study tours and any other activities that promote the exchange of information and experience toward more effective support programmes.	

LESSONS FROM PRACTICE

Lesson 25: **Collaborative or joint programming can help agencies to apply their various strengths in support of BER. This can improve the quality of advice provided by donor and development agencies.**

Annex 1: Summary of Rwanda BER-support programmes

Below is a brief some of the major BER-support programmes currently in operation in Rwanda.

GERMAN DEVELOPMENT COOPERATION

Gesellschaft für Internationale Zusammenarbeit (GIZ)

Programme/project name: Promotion of Economy and Employment

The Programme has two components: (1) Business Environment and (2) Skills Development and Labour Market

For the purpose of this document (relevance) information will only be provided for Component 1. The Component puts a focus on the following intervention areas of relevance to BER:

- Public Private Dialogue: A cooperation/division of labour exists with the World Bank. Whereas the WB advises the public side (PPD is hosted at Rwanda Development Board) in putting in place the necessary structures, the GIZ programme strengthens the private side (namely PSF) with the design and implementation of instruments (e.g. Business and Investment Climate Survey, Red Tape Assessment, Demands of the Rwandan Private Sector) to provide evidence-based arguments and to set its advocacy agenda in PPD.
- Introduction of an instrument to assess the potential negative impact of regulation on the private sector, namely regulatory impact assessment (RIA).
- Capacity Development of the Ministry of Trade and industry (MINICOM), with the aim that the ministry takes better informed decisions that are more favourable for the private sector.
- Value-Chain approach, to improve turnover, customer base, exports and investments and to identify local and sectorial constraints and business impediments to feed the sectorial PPD when the structure is in place.

Programme/Project Start Year: June 2010

Programme/Project End Year: May 2013

Total cost of programme: EUR 7,6 million (of which only EUR 1,6 million are for Business environment)

For further information contact:

Dr. Farid Hegazy

EMBASSY OF THE KINGDOM OF THE NETHERLANDS' PRIVATE SECTOR PROGRAM

The Embassy of the Kingdom of the Netherlands is active in rural economic development, with a focus on private sector stakeholders (farmers, cooperatives, small and medium enterprises). Within rural economic development, our main themes are rural infrastructure and capacity building. Rural infrastructure helps private sector stakeholders to produce goods and bring them to the market. Capacity building strengthens districts, employees and companies so that the Rwandese can further develop their private sector.

RURAL ECONOMIC DEVELOPMENT, WITH A FOCUS ON INFRASTRUCTURE AND CAPACITY BUILDING				
Grouping	Activity[4]	Intended output	Duration	Total amount
A RURAL INFRASTRUCTURE				
Rural roads	16806 HIMO / Help-page	Poor farmers gain income and are linked to markets	2007 - 2011	24.148.768 Euro
Marshland development	16806 HIMO / GAA	Poor farmers engage in sustainable rice production and are linked to markets		
Agricultural intensification	14580 Catalyst	Private sector stakeholders enabled to increase agricultural production and trade	2006 - 2011	22.000.000 Euro (including Burundi and DRC)
Energy	19940 MININFRA	30.000 rural electricity connections, 1 megawatt hydropower generation	2009 - 2014	29.900.000 Euro
Local economic development	17215 CDF	(Rural) private sector is stimulated as districts take away binding constraints	2007 - 2011	15.000.000 Euro
Subsidy to government for infrastructure, energy, water projects	ORIO	Depends on project	On-going	No projects in Rwanda so far
Reforestation (PAREF)	19462 PAREF/ BTC	10.000 ha planted, increases biomass energy	2008-2012	9.960.000 Euro
Financial infrastructure	18133 BPR	Private sector stakeholders have access to financial services and credit	2008 - 2011	2.701.296 Euro
B CAPACITY BUILDING				
Strengthening districts				
Training of district officials	Part of different projects.			
Skills development for the labour market				

[4] Activities with number: delegated activities, without number: non-delegated activities

TVET	Nuffic, WDA	TVET qualification framework, capacity of WDA strengthened.	2009 - 2013	
TVET	19160 GTZ silent partnership	Support to TVET providers to train according to labour market needs and support policies enabling institutions	2009 - 2013	5.000.000
Study grants	Nuffic	Graduates that are useful for companies and districts	On-going	Variable
TVET and business competition	19815 PSF	Better skilled graduates & more new companies (mostly in rural areas)	2009 - 2013	4.200.000 Euro
Strengthening Rwandese companies				
Knowledge transfer	PUM, Dutch ministry of agriculture	Knowledge transfer to Rwandese companies to improve performance	On-going	On average 40 missions per year
Link Rwandese SMEs to Dutch partners	Matchmaking facility	Investment, trade or knowledge transfer between Dutch and Rwandese companies.	On-going	Variable
Access to credit for innovative ideas	PSI	'Marriage' between Rwandese and foreign companies, leading to more and better performing companies.	On-going	Variable
Support to SMEs	19280 Rwanda Tea trading	Public Private Partnership. Support to tea farmers and linkage to markets.	2009 - 2012	1.000.000 Euro
Support to SMEs, improve investment climate	18252 IFC – SMEs (REDP), Investment Climate (RICRP)	More and stronger SMEs, better trained (labour of) SMEs. Better investment climate.	2008 - 2011	1.800.000 Euro
Investment Climate Facility	ICF	Better investment climate	2007 - 2010	15.000.000 Euro (in total for ICF, not only Rwanda)

TRADEMARK EAST AFRICA RWANDA PROGRAMME

TMEA facilitates regional integration and the establishment of an East African common market. It adopts an integrated approach to address trade-related competitiveness, with a regional perspective with a view to supporting border-based trade infrastructure. Focuses on reducing transporting costs to facilitate trade; integrated border management to reduce import-processing time & building and one-stop border-posts; reviewing standards and tariffs to promote harmonisation and eliminate non-tariff barriers to trade. All of these have a direct impact on the cost structure of firms

The programme addresses a national commitment to regional integration within the East African Community. In addition, TradeMark East Africa covers 6 countries (Democratic Republic of Congo, Kenya, Rwanda, Southern Sudan, Uganda, and Tanzania) to help government mainstream regional integration into line ministry operations.

TMEA's programmes will have a direct influence on the way NTBs are treated within the region and, thus influence the level of regional exports and imports in each country, affecting the market as a whole. In this way, both incentives and disincentives to trade can be address from the wider perspective of the regional market and how that drives priorities for BER at the national level.

The entire programme addresses key binding constraints to business growth and is aligned to Vision 2020, specifically its regional integration priorities.

The communications strategy is quite well developed to address border-based trade infrastructure and promote awareness about the regional integration agenda of the EAC – both to traders and to service providers. We were informed that, for Rwanda, US$ 65 million has been allocated for 4 border posts.

The weak private sector results in a situation whereby the government is the automatic leader and driver of business environment reform.

Additional constraints that were highlighted include:

- Finding other progress indicators than the "doing business" index, which cannot reflect certain aspects of reality. The costs of energy and transport go deeper than could be captured in the index.
- There is a need to get the private sector going by addressing supply-side issues and developing value-chains.
- Opening up the economy could produce a net loss in the beginning

TMEA is very serious about M&E, and has conducted baselines to enable their conducting impact assessments in the future. A perception survey on the EAC was also conducted to determine general awareness levels and identify key BER aspects (such as trade facilitation, border management, doing business, etc.).

TMEA is the only agency we met that has built in the standard on results management into its programme management system.

For further information contact:

Mr. Mark Priestley, Country Director, Rwanda

INTERNATIONAL GROWTH CENTRE: RWANDA

The IGC held preliminary discussions with the Government of Rwanda in March 2010 to discuss possible areas of collaboration, and the IGC's Rwanda country office was established in November 2010. The IGC team consists of the Country Director, Richard Newfarmer, the Senior Advisor, Uzziel Ndagijimana, and country economists, Laura Collinson and Jonathan Argent. The Government has asked the IGC to support government programmes in four areas: trade and diversification; agriculture; infrastructure, and finance.

The IGC Growth Forum was held on 17th February 2011 at the Serena Hotel and designed around a visit from Professor Paul Collier at the request of Ambassador Claver Gatete, Vice-Governor of the National Bank of Rwanda. Its purpose was to bring international experience to bear on critical issues highlighted by Rwandan policy-makers. Participants included a number of government institutions, including BNR, MINECOFIN, MINICOM, RDB and the President's Office, academia, the private sector, and the IGC's host institution in Rwanda, the Institute for Policy Analysis and Research (IPAR).

Projects:

- IGC-Rwanda Growth Forum (Research Project 2011-02)
- Who's Getting Globalized? Intra-National Trade Costs and World Price Pass-Through in South Asia and Sub-Saharan Africa (Research Project 2011-01)
- Diffusion of technologies within social networks – evidence from a coffee training programme in Rwanda (Agriculture Programme) (Project 2010-10)
- Agricultural Policy, Gravity and Welfare (Trade Programme) (Research Project 2010-07)
- Social networks, phone money transfers, and rainfall shocks: Evidence from Rwanda (Finance programme) (Research Project 2010-06)

http://www.theigc.org/country/Rwanda

ACCESS TO FINANCE RWANDA

AFR's aim is to figure out and finance ways that will help a million or more individuals and small businesses in the country get access to financial services. This means a great deal more than mere proximity, but includes both the vertical and horizontal aspects of the financial service sector. "Access" also includes notions of financial services tailored to different market segments so they are appropriate, affordable, user-friendly and - in the final analysis - actually wanted by consumers. This means that the financial service providers need to understand their customers sufficiently well to deliver those according to consumers' capabilities. This remains an enormous challenge for Rwanda.

AFR is in essence an investment fund, backed initially by DFID and the World Bank, with KfW from Germany and USAID is expected to join sometime later this year. It will be necessary attract further donors from public and private sectors, and to this extent, AFR is indeed a mechanism for donor coordination, as well as a means of reducing transaction costs for individual donors working in the financial sector.

AFR is aligned to national strategies in that it addresses the poverty reduction objective and is likely to begin with a review of the SACCO sector and develop an adjusted SACCO model that is more sustainable. The challenge is to balance economies of scale while maintaining proximity, and since this all depends on the consumers' willingness and ability to pay, the answers are not easy to define.

In this respect, national capabilities in the financial sector pose an additional challenge to improving proximity. The policy regulatory framework is there, but the capacity to implement many aspects of the policy remains lacking.

AFR operates on the premise that the main results of the programme will not be visible in the near future (a 15-year outlook) although it operates on the basis of a 3-year programme. It has developed a results-oriented approach to designing its programmes, using the LogFrame (at the project level) and FINSCOPE (at the macro/goal level). The LogFrame is based n 2008 baselines with targets covering outreach, loan volumes, savings and MSME development.

Given low levels of capacity, the aim is to produce a strong local team over the next four years.

Communications are a recognised weak link and it is anticipated that such communications will be based on evidence-based results (primarily using FINSCOPE to determine success rates). A website is planned to support the communications campaign.

It should be noted that the programme is only just being launched, so concrete operations are still to be implemented.

For further information contact:

Mr. Ian Robinson

Technical Director, Access to Finance Rwanda, Kigali

UNITED NATIONS ECONOMIC COMMISSION FOR AFRICA

Focusing on the ICT sector, the UNECA has adopted a very comprehensive approach to developing its ICT programme, which has been under operation since 2001. It is designed in 5-year phases and is currently about to begin Phase III (also known as NICI III). Current planning extends through 2020, in compliance with the Vision 2020 horizon.

The programme addresses a national priority to promote and ICTs as a driver of economic and other productive operations in the country. The national ICT development programme was adopted from the outset to accompany the development of other sectors of the economy (e-government, private sector development, communications development, cyber security, etc.) meaning that it evolves with the economy and addresses emerging needs as well as long-term sustainability issues.

Through its holistic (systemic) approach, the programme is "in synch" with the economy, although the concrete nature of expected results (cables, hardware and software) has so far not come up against any friction.

The programme addresses the needs of all sectors of the economy and treats ICT development as a crosscutting issue. A multi-donor programme, designed with modest resources ($300,000 to $500,000) has fully benefited from PPD since it is co-chaired by the Office of the President, the ICT ministry and UNECA. A ministerial committee was established in July 2010. It oversaw the formulation of an ICT Strategic Plan, which was finalised in July 2011 and is now ready for submission to the Cabinet. It will only need two weeks to get cabinet clearance

The communications strategy is quite well developed. There is a governmental Committee of Experts, which reviews the programme's progress and updates its work plan annually. In addition, there is a newsletter, and e-platform in New York and one for East Africa, onto which national data, especially indicators, are uploaded. Furthermore, a discussion forum also exists.

An emerging development is the change in the cybercafé business model into a "tele-service centre" model, whereby the establishment offers internet-based services for paying bills (water, power, etc.) as well as a buyer-seller platform and other internet-driven possibilities. 2 pilots are planned and will eventually be transferred t the private sector.

UNECA has learned the lesson of excluding M&E planning in its project proposals. Phases 1 and 2 apparently did NOT have M & E and implementation in Phase 1 was only 35%, it improved to 80% in Phase 2 and the present introduction of M&E results from an evaluation conducted last May. Impact indicators have been identified and a (permanent?) system will be established at MINECOFIN to maintain the national perspective.

For further information contact:

Mr. Mactar Seck, ICT Policies and Systems Development Officer

SIDA

Current focus is not on enterprise development, rather VUP Umurenge (social security) and one of the three pillars of the EDPRS. This is not directly linked to enterprise development.

BER is not really a priority for SIDA at the moment. Focus areas include: democracy and human rights (CSOs and media); security and demobilisation; natural resources and environment; research (covering a wide range of topics - environment, medicine, peace studies, applied mathematics, etc.) through twining with Swedish universities.

SIDA is also supporting the Auditor-General’s Office to facilitate the implementation of public finance reform; as well as One UN. All these have an indirect impact on the business environment reform.

Considers there is a good level of demand for reform, especially in terms of regional integration. Considers also that Rwanda might not be “in need of” the Trademark EA approach and is better placed to focus on internal needs (e.g. creating jobs and emphasising productivity)

SIDA bases its approach on its participation in the Trademark EA NOC, and relies fully on Trademark’s structures and systems. There is a link to TMEA through SIDA’s interest in microfinance as a support to the social security system.

SIDA is not focusing on BER and, for this reason, has not attended any coordination group meetings since August 2010.

SIDA recognises the tremendous challenge that is capacity building in Rwanda, and that it will be a challenge to achieve good implementation, build capacity and produce good results.

SIDA’s programme is anchored on the objectives stated in national development policy documents (EDPRS, Vision 2020).

SIDA believes that M&E systems should address long-run sustainability and capacity issues, but it relies on Trademark’s system without imposing SDA’s own processes.

For further information contacts:

Mr. Lars Johansson, First Secretary, Development Cooperation

Annex 2: List of Respondents

The Review Team met with the following respondents during the review week.

Annex 1: List of respondents

Robert Bayigamba, President, Private Sector Federation, Kigali
Mr. Thomas Bedenbecker Coordinator Economy and Employment, German Development Cooperation, Kigali
Mr. Stephen F Berlinguette Economist, United States Agency for International Development, Kigali
Ms. Laura Collinson In-Country Economist, International Growth Centre, Kigali
Ms. Esther van Damme First Secretary Economic Development, Embassy of the Kingdom of the Netherlands, Kigali
Mr. Wim Douw Senior Investment Promotion Officer / Program Manager Rwanda IC Program, Investment Climate Advisory Services in Africa, World Bank Group, Nairobi (interviewed by telephone)
Ms. Lucy Mamganga Mariam Fye Senior Private Sector Development Specialist, World Bank, Kigali
Mr. Dmitry Gershenson Resident Representative, International Monetary Fund, Kigali
Ms. Nilgün Gökgür Consultant for PSD Strategy, Boston MA, USA
Mr. Andre Habimana Head, United Nations Industrial Development Organization, Kigali
Mr. Emmanuel Hategeka Permanent Secretary, Ministry of Trade and Industry, Government of Rwanda, Kigali
Ms. Heike Hoess Junior Advisor, GIZ
Mr. Lars Johansson Swedish Embassy / Sida, Kigali
Ms. Alice Kantarama Trade Specialist, Private Sector Federation
Ms. Fina Kayisanabo Agribusiness Specialist, United States Agency for International Development, Kigali
Mr. Douglas Kigabo Economist, DFID Rwanda, Kigali
Mr. Roger Munyampenda

CEO, Private Sector Federation, Kigali
Mr. Lamech Nambajimana Program Officer, International Labour Organization, Kigali
Mr. Alexis Ndayisaba Program Coordinator, Aid Coordination and Crosscutting issues, Japan International Cooperation Agency, Kigali
Mr. Mark Priestly Country Director, Trade Mark East Africa, Kigali
Mr. Juergen Reinhardt United Nations Industrial Development Organization, Vienna
Mr. Ian Robinson Technical Director, Access to Finance Rwanda, Kigali
Mr. Samuel Sangwa Program Director, Rural Development and Economic Infrastructure, Japan International Cooperation Agency, Kigali
Mr. Mactar Seck ICT Systems Development Specialist, UNECA
Mr. Francois Sihimbiro Agri-business project officer, SNV, Kigali
Mr. David Tommy, Ethiopia Country Director (based in Addis Ababa)
Mr. Michiel Verweij Agri-business advisor, SNV, Kigali
Mr. Kiiza Yosam Director, Finance and Administration, Private Sector Federation
Ms. Lindsay Wallace Team Leader, Economic Growth, DFID Rwanda/Burundi, Kigali

Annex 3: BER review; approach and methodology

Purpose of the review

There are two broad reasons for conducting a review of BER-support programmes and practices at the country level:

1. To improve donor and development agencies' policies and practices in private sector development in general and business environment reform in particular; and
2. To improve donor coordination through a better understanding of the various approaches, processes and mechanisms donor and development agencies use to support private sector development and business environment reform.

The review will benefit participating donor and development agencies at headquarter and field levels. At the field level, the review will highlight the challenges faced in supporting BER, identify best practices and lessons learned, and improve collaboration between agencies and with programme partners, such as government partners and business representatives.

A review of BER-support programmes is not considered an evaluation of these programmes. Where an evaluation would typically examine the outcome and impact of a BER-support programme and measure this against the resources contributed to the programme, this review will focus on the practice of supporting reform in developing countries. Thus, the focus of the review is on how donor and development agencies go about the processes associated with:

- Assessing the business environment and identifying reform priorities;
- Designing and managing business environment reform programmes; and
- Monitoring and evaluating business environment reform outcomes and impacts.

While examining these practices, the review will identify how donor and development agencies are:

- Working with programme partner, such as developing country governments, business membership organisations and other civil society organisations;
- Collaborating with other donor and development agencies engaged in BER at the country level;
- Harmonising their programme interventions with key national development plans and frameworks;
- Measuring the results of their programme interventions and benchmarking change; and
- Promoting sustainability of reform efforts.

The above points are just some of the challenges agencies face when supporting BER in developing countries. The 2008 DCED donor guidance lists a wide range of these challenges, which will form the basis of the review.

Criteria for reviewing strategic sectors within participating agencies

The Review Team will meet with donor and development agencies and their programme partners to discuss BER support programmes and practices. The questions below will be used as a guide for these consultations.

1 Frameworks for the support of PSD-BER

The frameworks the agency adopts for its support of PSD-BER will be assessed with the following criteria:

1.1 To what extent does the agency adopt a systemic approach to reform (DCED Principle 1)?

1.2 To what extent do the agency's programmes respond to local demands for reform (DCED Principle 3a)?

1.3 To what extent does the agency's programmes stimulate a demand for reform and work with drivers of change (DCED Principle 3b)?

1.4 To what extent does the agency's programmes demonstrate an understanding of the political economy of reform and the capacity to respond to it (DCED Principle 2)?

1.5 To what extent does the agency focus on what the private sector needs through public-private dialogue (DECD Principle 6)?

1.6 To what extent does the agency participate in donor coordination mechanisms at headquarter and field levels (DCED Principle 13)?

2 Designing BER-support programmes

The way the agency designs its BER-support programmes will be assessed with the following criteria:

2.1 To what extent does the agency focus on the binding constraints to business growth and scope reforms accordingly (DCED Principle 7)?

2.2 To what extent does the agency align reforms with national development plans (DCED Principle 12)?

2.3 To what extent does the agency sequence business environment reform measures and allow sufficient time for these to be realised (DCED Principle 8)?

3 Managing BER-support programmes and projects

The way the agency manages its PSD-BER support programmes and projects will be assessed with the following criteria:

3.1 To what extent does the agency apply a clear communication strategy and make strategic use of the media (DCED Principle 10)?

3.2 To what extent does the agency ensure domestic ownership of reform efforts (DCED Principle 4a)?

3.3 To what extent does the agency work with government as the lead agent (DCED Principle 11)?

3.4 To what extent do agency programmes address the implementation gap by ensuring new or revised policies, laws and regulations are realised (DCED Principle 9)?

3.5 To what extent do agency programmes strengthen the role and capacity of key stakeholders to engage in and manage BER (DCED Principle 5)?

3.6 To what extent do the agency's programmes appear to balance international and national expertise in BER (DCED Principle 14)?

4 Monitoring and evaluating BER-support programmes

The agency's use of monitoring and evaluation in BER-support will be assessed with the following criteria:

4.1 To what extent does the agency ensure that a clear monitoring and evaluation framework is in place for all its BER-support programmes?

4.2 To what extent are monitoring and evaluation indicators linked to identified needs and demands for reform?

4.3 To what extent does the agency ensure participation by domestic stakeholders in the monitoring and oversight of reform efforts (DCED Principle 4b)?

4.4 To what extent does the agency attempt to measure the long-term impact of its PSD-BER support programmes?

4.5 To what extent is the agency able to exert quality control and influence on its BER-support programmes and projects (DCED Principle 15)?

4.6 Do you have any good examples or case studies concerning the effectiveness or impact of your BER-support programmes?

Annex 4: Schedule of Meetings

MONDAY 23 MAY 2011	
9:00AM-12:00 noon	**PSD Working Group** Introductions and initial briefing
11:30AM-2:00PM	**Review Team meeting**
2:00-3:30PM	**German Development Cooperation** Mr. Thomas Bedenbecker (Coordinator Economy and Employment) and Heike Hoess
4:00-5:00PM	**Embassy of the Kingdom of the Netherlands** Ms. Esther van Damme (First Secretary Economic Development)
TUESDAY 24 MAY 2011	
10:00-11:30AM	**International Monetary Fund** Mr. Dmitry Gershenson (Resident Representative)
2:00-3:30PM	**SNV** Mr.MichielVerweij (Agri-business advisor) and Mr. Francois Sihimbiro (Agri-business project officer)
4:00-5:00PM	**Japan International Cooperation Agency** Mr. Samuel Sangwa (Program Director, Rural Development and Economic Infrastructure) and Mr. Alexis Ndayisaba (Program Coordinator, Aid Coordination and Crosscutting issues)
4:00-5:00PM	**Trade Mark East Africa** Mark Priestly (Country Director Rwanda)
WEDNESDAY 25 MAY 2011	
9:00AM – 10:30PM	**Private Sector Federation** Roger Munyampenda (CEO), Mr.KiizaYosam (Director, Finance and Administration) and Ms. Alice Kantarama (Trade Specialist)
11:00AM-12:30PM	**World Bank Group** Mr.Wim Douw (Senior Investment Promotion Officer / Program Manager Rwanda IC Program, Investment Climate Advisory Services in Africa, Nairobi - interviewed by telephone)
1:00-2:00PM	**Ministry of Trade and Industry** Mr. Emmanuel Hategeka (Permanent Secretary)
3:00-4:00PM	**World Bank** Ms. Lucy Mamganga Mariam Fye (Senior Private Sector Development Specialist)
4:30-5:30PM	**United Nations Industrial Development Organization** Dr. David Tommy, UNIDO Country Director (based in Addis Abbaba), Mr. Andre Habimana (Head of Operations Kigali), Mr.Juergen Reinhardt (UNIDO Headquarters Vienna)

	International Labour Organization Mr. Lamech Nambajimana (Program Officer)
THURSDAY 26 MAY 2011	
8:15-9:30AM	**UK Department for International Development** Ms. Lindsay Wallace, Team Leader Economic Growth, Rwanda/Burundi Mr. Douglas Kigabo, Economist
9:00-10:30AM	**Swedish Embassy** Mr. Lars Johansson
10:00-11:30AM	United States Agency for International Development Ms. Fina Kayisanabo, Agribusiness Specialist Mr. Stephen Berlinguette, Economist
11:30AM to 1:00PM	**International Growth Centre** Ms. Laura Collinson, In-country economist
11:30 to 1:00PM	**Economic Commission for Africa**
2:00-3:30PM	**Review Team Meeting**
4:00PM	**Access to Finance Rwanda** Mr. Ian Robinson (Technical Director)
FRIDAY 27 MAY 2011	
10AM-12:00	**PSD Working Group** De-brief and presentation of initial findings and conclusions