

# Creating Better Business Environments for Enterprise Development: Asia Overview Paper

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# Introduction

- Aim is to generate interest in identifying generic lessons from Asian experiences that may have broader applicability.
- The business environment is important because of the links with growth in output, employment and poverty.
- My practical experience (bias) has been focused on Southeast Asia (especially the Mekong region).

# Outline of Discussion

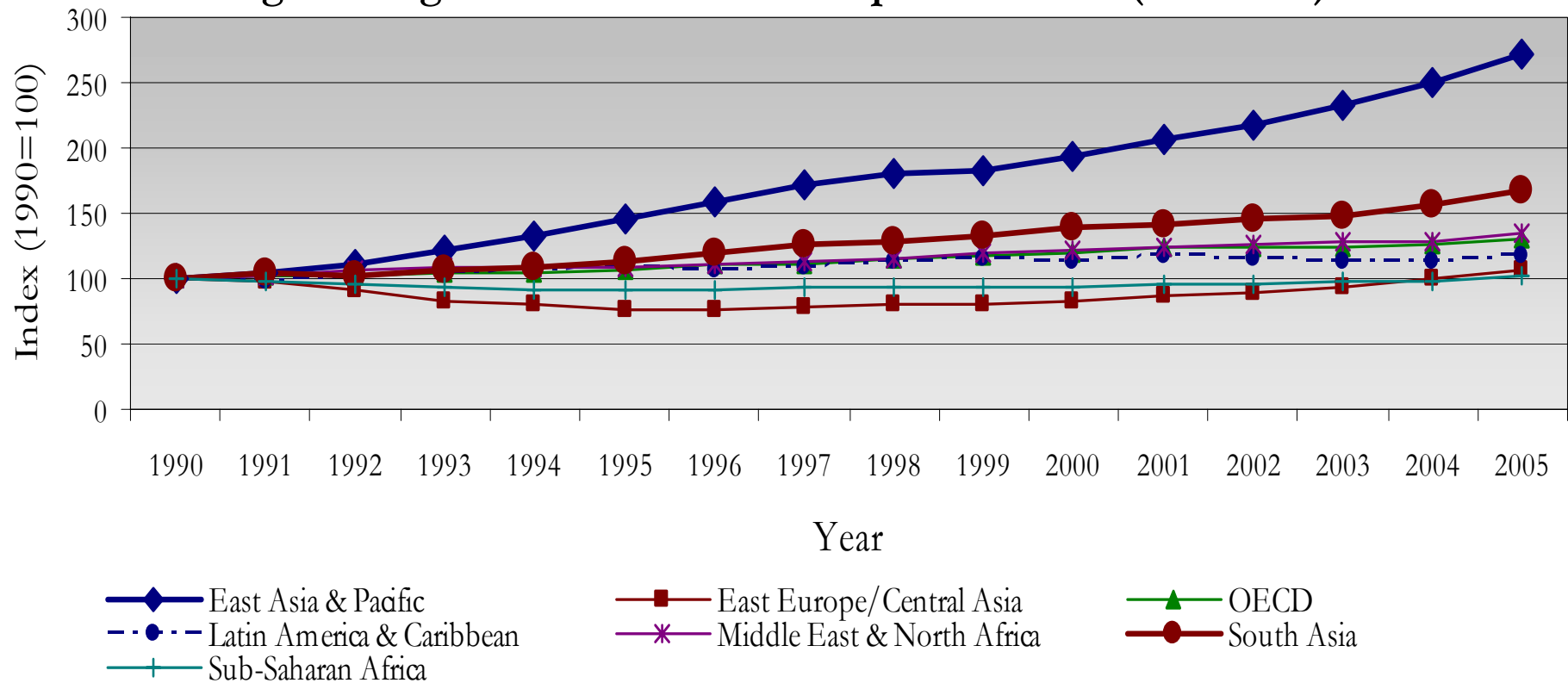
- Key developments in Asia related to BE reforms
- Common Asian experiences with BE reforms
- Common issues in planning BE reforms
- Implications for Donor support to BE reform.

# Key developments in Asia related to BE reforms

- Remarkable recovery since the Asian crisis
- Innovation and productivity growth have generated economic growth
- With sharp declines in poverty. Poverty incidence in Asia fell from 32% in 1990 to 19% today.
- But not all are benefiting
- Further improvements needed

# Per Capita Incomes

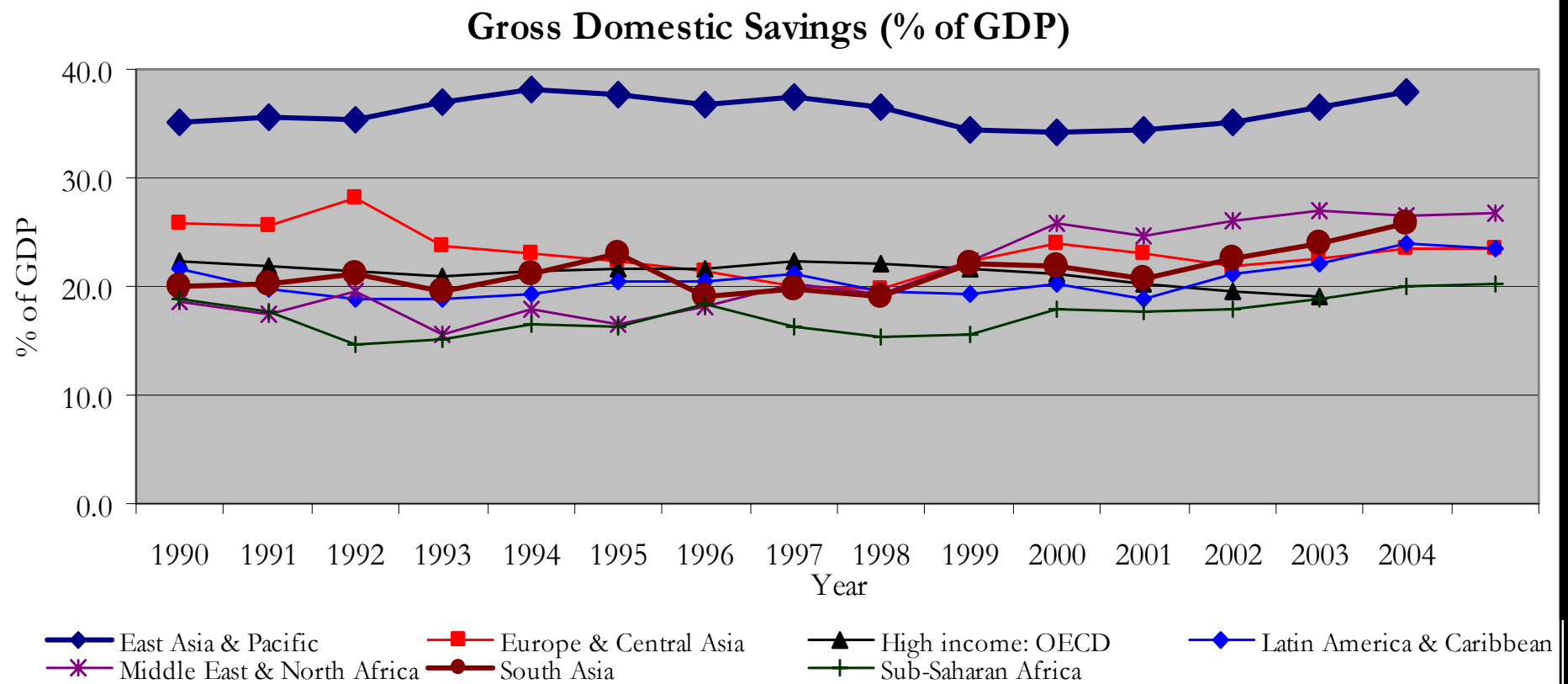
Figure: Regional Growth in Per Capita Incomes (1990=100)



# Common Asian experiences with BE reforms

- Modest changes can have big impacts
- No single model
- Limited knowledge
- Start with credible reforms that have short-term impacts
- Learn from experiences.
- Consultative approaches
- Anticipate resistance and pressures to backtrack
- Land reform important, but difficult
- Reform is a process

# Gross Domestic Savings



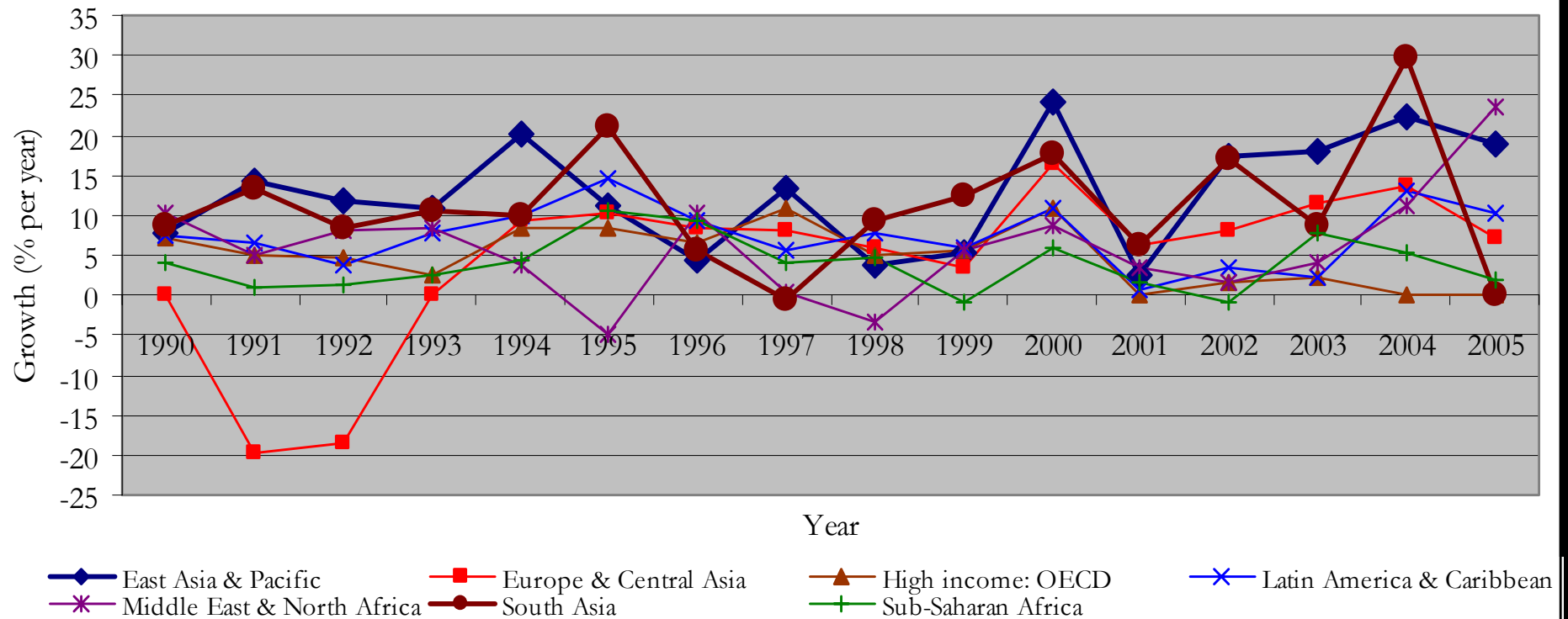
# Common issues in planning BE reforms

- Priority reform areas
  - ◆ Property right protection is critical.
  - ◆ Regulatory reform: remove barriers
  - ◆ Competition
  - ◆ Openness to imports and FDI
  - ◆ Labor market flexibility
  - ◆ Developing a supportive administrative apparatus



# Export Growth

Figure Export Growth (% per year)



# Common issues in planning BE reforms

- Processes
  - ◆ Changing official and social attitudes
  - ◆ Use consultative approaches
  - ◆ Actual practices – not formal laws – matter
  - ◆ Media and information dissemination

# Implications for Donor support to BE reform.

- **Develop country specific approaches**
  - ◆ Country specific bottlenecks
  - ◆ Differentiate between urban and rural bottlenecks
  - ◆ Need for more analysis and attention to sector/industry specific bottlenecks
  - ◆ Fewer, but more substantive, analytical studies of national level issues

# Implications for Donor support to BE reform.

- **Coordination**
  - ◆ **Coordinate and specialize**
  - ◆ Policy coherence
  - ◆ But competition in ideas is desirable.
- **Initiating and planning programs of support**
  - ◆ Be humble
  - ◆ And do no harm
  - ◆ Don't try to do everything at once

# Implications for Donor support to BE reform.

- **National ownership of reform processes**
  - ◆ **Changing attitudes**
  - ◆ Aim to strengthen capacity of existing institutions
- **Sustaining gains from business environment reforms**
  - ◆ Improving policy and regulatory making processes
  - ◆ Better advocacy.
  - ◆ Identify adjustment costs
  - ◆ Medium-term support to developing market institutions

# Implications for Donor support to BE reform.

- Sustainability: accountability, monitoring and evaluation
  - ◆ Improve results based monitoring
  - ◆ Ensure frank, independent evaluation of major donor programs.
  - ◆ Public Sector Accountability

# Summary and Follow-up

- Hopefully, other conference papers will improve on and add substance to knowledge on Asian experience.
- Recipient countries need to
  - ◆ work with their private sector to prioritize bottlenecks to PSD. “Get the important things right”.
  - ◆ Improve processes to remove regulatory barriers to business development and ensure improved regulatory quality.
  - ◆ Facilitate competition and openness
- Donors need to critical assess country specific bottlenecks, their comparative strengths, in planning support and evaluate the impacts of support.

# Thank-you

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# Practical BE reform impacts (not for use)

- Dramatic reductions in VN: poverty fell from 58% in 1993, to 24.1% in 2004
- More revenue to improve access to goods, services and international experiences. Better public services and infrastructure.
- People have more time for leisure, civil participation, and education.
- Increased incomes and economic freedom creates civil vibrancy and demand for more reforms.
- Some negative impacts of rapid growth on environment and social adjustment