



Consolidated Report Back; Plenary and Breakouts

Three Conference Themes

1. What are the priorities for business environment reform in Africa?
2. Implementing successful business environment reforms in Africa
3. What have we learned?

- Conference: a meeting of donors – with their programme partners
 - Greater emphasis could be put on the issues facing African governments and businesses (these actors should set the priority)
- Important to focus on lessons learned from practical experience (evidence), rather than theoretical concepts
 - Practice should inform theory

CONFERENCE THEME 1:

**WHAT ARE THE PRIORITIES
FOR BUSINESS ENVIRONMENT
REFORM IN AFRICA?**

- There is an increasing demand for BE reform in Africa, despite some resistance
- BE reform is a key issue for private sector development in Africa, but not the only issue
 - Macro, meso and micro-level interventions should be integrated
 - Requires close and regular dialogue between government, private sector and civil society (including women)
- Informal economy is an urgent concern for BE reform in Africa
 - Sign of a poor BE, Dominated by women and the poor
 - Need for a systemic approach to reducing formality (includes areas such as tax reform, business registration, etc.)
 - Needs to be given greater attention in the reform process
- Gender
 - Eliminating discrimination, removing barriers, promoting competitiveness
 - Need to better understand the ways women and men are influenced by the business environment – disaggregate data by sex
 - Priorities: property rights and financial reform

- The long view counts when designing reforms - aim for sustainable growth and not boom/bust
- Measuring reforms and outcomes (DB) is necessary, but has limitations
 - Important to focus on the causes of a poor BE, rather than just the symptoms
 - Diagnostics must involve stakeholders to understand and react to the real problems
- There is a need for a better information base on the experiences of enterprises in Africa so we can better understand the constraints and priorities for reform (like Gemini studies; some kind of observatory)

- Improving governance and reducing corruption are priorities for BE reform in Africa
 - Reforming administrative systems can help to move from personalised to rule based systems and promote individual responsibility and accountability
 - However, this is not the only intervention required to reduce corruption – need to look at other systems and ways of increasing the demand for these reforms, such as PPD.
- Regional integration is a critical step toward global integration, but must begin at the national level
 - Regional integration is a learning experience and there is a need for more information and knowledge sharing, recognising the diversity and uniqueness of each REC
 - Benchmarking the performance of REC bodies and the performance of regional economies can drive reforms
 - OHADA is a useful initiative deserving further support

- Increasing involvement by China in Africa in terms of private investment and ODA
 - Chinese have taken a risk that many other western investors have not
 - Take care with how we respond: not xenophobic or anti-competition
 - Need to engage China in dialogue on African PSD (e.g., DCED)

CONFERENCE THEME 2:

**IMPLEMENTING SUCCESSFUL
BUSINESS ENVIRONMENT
REFORMS IN AFRICA**

- Evidence based reforms are key
 - Evidence and data should inform reform design and implementation
- BE reform is about the policy, legal, regulatory and institutional framework for PSD – within this, special attention should be given to:
 - Improving regulation, competition and competitiveness
 - Addressing the binding constraints to business growth
 - Addressing weaknesses in government capacity (regulation and administration)
- However, there are other less specific domains that require attention when promoting reform for PSD leading to economic growth and poverty reduction
 - Effective public-private dialogue (including dialogue with groups that are often marginalised, such as women and the poor)
 - Decentralisation and the need to address spatial inequalities
 - Infrastructure
 - Reforms that directly address the informal economy
- While technical specialities are essential, some issues like competition and regulatory reform are too important to be left to specialists and should be mainstreamed into everything we do
- Need to give further attention to monitoring the impact of BE reforms on change and on enterprise and economic growth and poverty reduction
 - Need for more compelling case studies of success
 - Need for agreed indicators, frameworks and methods for evaluation
- We need practical operational guidance on how to manage regulatory reform programmes
 - Managing the stock and flow of regulation

- BE reform is about systemic change:
 - Understand the political economy of the status quo and of change
 - Examine the incentive systems for formalising and remaining informal
 - Promote rule of law, competition and transparency
 - Help governments to regulate better
 - Help business to participate in systemic change
 - Work with a broad range of actors: beyond just the public and private (e.g., civil society, media)
- Mass media is important role creating domestic demand for business environment reform
 - Giving a voice to entrepreneurs and representatives of BMOs
 - Liberalisation of media industry is a way of creating a more diverse and commercial media landscape
- Donor agencies and their reform partners must:
 - Coordinate and harmonise (Paris Declaration)
 - Requires national leadership and accountability and dedicated modalities (e.g., budget support, pooled funds, specialised facilities). However, small agencies may find these modalities less appropriate.
 - Concern with parallel donor activities (still happening)
 - Consider the incentives for reform (as well as the disincentives)
 - Clarify donor interests - do not assume these coincide with country interests
- Donor agencies should:
 - Ensure domestic ownership and control of reform
 - Build the capacity for implementation among their reform partners
 - Coordinate among themselves better
 - Not always set the agenda

- The private sector is a critical player in the design, management and evaluation of BE reforms
 - Establish reform modalities to effectively engage the private sector in sustained way (e.g., advocacy funds, BMO support)
 - Ensure the voice of SMEs, informal sector and chamber of commerce is integrated BE reform programmes
- It is essential to build constituents and alliances in the reform process:
 - A combination of leadership from the top and bottom-up advocacy
 - Build stakeholder ownership and commitment: identify and engage key stakeholders
 - Identify, support and empower reform champions
 - Work with the media to put out an accurate and positive story about the reform
- There are demand and supply side responses to private sector development – for BE reform this means:
 - Support regulatory reforms before enterprise development
 - Consider the issues that reduce the capacity of the business community to take up new opportunities that result from BE reform, but take care to ensure these responses:
 - Can be effectively delivered (capacity of delivery agents)
 - Are sustainable (need for market-base approaches)

- The judiciary is an important stakeholder in business environment reform and must be included in the process
 - Training and awareness raising among the judiciary is necessary
 - Commercial courts can help, but should not be seen as a palliative to broader judicial reforms
- In post-conflict situations we need to analyze where people's interests lie and how this relates to the drivers of the conflict
 - Diagnostics of BE situation must include a conflict analysis and analysis of political economy
 - While some businesses will have benefited from conflict, the private sector has an important role in peace-keeping; need to promote non-discriminatory and inclusive development
 - Immediately following a conflict, there is a window of opportunity and openness for reform - setting up a PPD can seize on this opportunity; assess all stakeholders - including those that are related to the conflict. Link short-term goals with long-term perspectives.
 - One size does not fit all – we must differentiate countries
 - Unanswered question: what differentiates this approach to BE reform from other approaches in very low capacity settings

CONFERENCE THEME 3:

WHAT HAVE WE LEARNED?

Donor Guidance

Donor Committee for Enterprise Development

- Established in 1979 – until 2005, known as the Committee of Donor Agencies for Small Enterprise Development
- Sustainable development can only be driven by a dynamic private sector; external agencies can only contribute to that dynamism if their efforts are coordinated.
- In the quest for harmonization and effectiveness, the Committee works on:
 - Defining best practice in priority themes, in participatory ways
 - Disseminating best practice and successful experiences between countries
 - Increasing capacity of development practitioners to improve their effectiveness

45 Member Agencies

African Development Bank
Agence Francaise de Developpement, France
Asian Development Bank
Australian Agency for International Development
Austrian Development Cooperation
Belgian Directorate General for Development Cooperation
Canadian International Development Agency
Department for International Development, UK
European Bank for Reconstruction and Development
European Commission
Finnish Ministry of Foreign Affairs, Finland
Food and Agriculture Organization
Ford Foundation
German Agency for Technical Cooperation (GTZ)
German Federal Ministry for Economic Coop. and Dev. (BMZ)
Inter-American Development Bank
International Development Research Centre
International Fund for Agricultural Development
International Labour Office
International Trade Centre
Irish Department of Foreign Affairs

Italian Ministry of Foreign Affairs
Japan Bank for International Cooperation
Japan International Cooperation Agency
Kreditsanstalt für Wiederaufbau, Germany
Ministère Francaise des Affaires Étrangères, France
Ministerio de Asuntos Exteriores y de Cooperacion, Spain
Netherlands Ministry of Foreign Affairs
New Zealand Aid
Norwegian Agency for Development Cooperation
Organisation for Economic Co-operation and Development
Royal Danish Ministry of Foreign Affairs
seco (Swiss State Secretariat for Economic Affairs)
Soros Foundation / Open Society Institute
Swedish International Development Agency
Swiss Agency for Development Cooperation
United Nations Capital Development Fund
United Nations Conference on Trade and Development
United Nations Development Fund for Women
United Nations Development Programme
United Nations Industrial Development Organisation
US Agency for International Development
World Bank Group - FIAS (Foreign Investment Advisory Service)
World Bank Group - SME Department
World Bank Institute

Previous Donor Guidance

- *Small and micro-enterprise finance: Guiding principles for selecting and supporting intermediaries*, 1995 (“Pink Book”)
- *Business Development Services for Small Enterprises: Guiding Principles for Donor Intervention*, 2001 Edition (“Blue Book”)

Purpose of Donor Guidance:

- Practical guidance to donor agencies to improve the way they support of business environment reforms in developing countries, which lead to economic growth and poverty reduction:
 - Based on lessons learned
 - Generally applicable, but practical guidance that help donor staff design, implement and monitor reform programmes
 - A framework of basic good practice principles
 - Highlight issues that remain unresolved and where there is not yet a consensus on good practice
- Reflect a **multi-donor agenda** on business environment reform

Intended Readers

- Staff and consultants of international development agencies (**bilateral and multilateral**) at headquarter and field levels
 - Some understanding of private sector development
 - Not experts in business environment reform
- However, it is hoped that **development partners** from client governments and the private sector may also find the guidance useful

The Demand for Donor Guidance

POLICY

Paris Declaration on Aid Effectiveness; Ownership, Harmonisation, Alignment, Results and Mutual Accountability

Report of the International Conference on Financing for Development, Monterrey (UN)

Policy Framework for Investment (OECD)

Using ODA to Promote Private Investment for Development: Policy Guidance for Donors (OECD)

Promoting Pro-poor Growth: Policy Guidance for Donors (OECD)

Reflecting a Multi-Donor Agenda to Supporting Business Environment Reform

Donor Committee for Enterprise Development
Supporting Business Environment Reforms: Practical Guidance for Development Agencies

Focus on Development Agencies (Donors)

Operationalising policy-level directions so they can be applied by donor staff and consultants

Managing Investment Climate Reforms (IFC)

10 IFC Business Environment Tool Kits

Other specific guides produced by development agencies

PRACTICE

Sources of Information

- Key policy frameworks
 - Paris Declaration, Monterrey Consensus, OECD document
- Recent technical reports and document
 - World Development Report 2005, Doing Business reports, Africa Commission, donor agency reports, toolkits and guides
 - DECD (BEWG) research reports (2002, 2004)
- Donor agency evaluations and case studies
- DCED conferences: Cairo (2005), Bangkok (2006)

Process of Guidance Preparation

- Rough draft presented for discussion at Asia Consultative Conference (Bangkok, 2006)
- Significant revision of draft 2007 Q1-2
- Peer review of draft 2007 Q3
- Africa Consultative Conference (Accra) Nov 2007
- Open for comments 2007 Q4
 - Direct submissions and comments
 - DCED website and blog
- Finalisation and distribution 2008 Q1
- Follow-up: ensuring the guidance is used
 - Awareness raising
 - Training

Session 4.4: Guidance Feedback

- Clearer guidance on donor coordination
 - More emphasis on the commitments of donor agencies to the Paris Declaration
- Stronger emphasis should be given to the link between national BE reform and:
 - regional and sub-national reform efforts
- Document is too long – should be more executive
 - Challenge to cover all areas and be concise
- Add a chapter on current situation and trends in developing countries
- Linking BE reform to BDS and value chains
- Too much of a donor perspective
- Too much of an international perspective

- Different countries are at different levels and the support for BE reform will vary with these contexts
- Ensure there is country ownership of BE reform
 - This is an essential starting point - should be a General Principle
 - Donors should be aligning with country frameworks (e.g., PRSP)
- Focus should be given to the implementation of reform
- Show the link between competitiveness and better BEs
- Highlight and specify the gender dimension to BE reform
- Emphasise the use of media as a driver of change
- Look at the demand for reform, rather than just the supply
- Make specific suggestions on how donors can work more effectively with the private sector