

## REPORT

### Day 1

#### Session: Improving Development Agency Support of Business Environment Reforms

The main purpose of discussions held within the above session was to identify reliable and feasible tools to be used for a better coordination and corroboration of development agencies' activities in supporting business environment reforms.

Actual practice shows that despite fruitful activity of donor agencies in supporting and implementing business environment reforms further steps shall be undertaken for improving the quality of deliverables and avoiding overlapping. As an initiative in this sense has been presented the Practical Guidance for Development Agencies, which addresses the following major issues for consideration:

- What to support – the SoW
- Why to support – the objective
- Whom to support – stakeholders
- How to support – general principles

The demand for such guidance has been crystallized, inter alia, based on activities implemented by the World Bank Group, having as one of the main priorities to support countries' development. Given the bilateral and multilateral dimension of implemented activities a key question has arisen: what is the role to be played by donors?

Certainly the main role to be played by development agencies is to support reform initiatives. Yet, is there a common understanding of tools to be used and messages to be delivered based on experience of developed countries and practice of international organisations? Is it possible to identify best practices in supporting business environment reforms, and do such practices exist?

Potential generalities of guidance have raised certain concerns among participants:

- Application of general principles & best practices

It is obvious that any single reform of business environment shall be tailored to specific countries requests and needs, and in this respect one of the concerns raised was if we shall talk about business environment reforms in general or rather decentralize and fragment it by clusters, for example. Related but a more specific issue related to a need for a segmentation and fragmentation of best practices by areas, e.g. informal sector, SMES.

The diversity of legal cultures, regulatory framework and institutional organisation of countries would not allow to specific in details, and to identify a single best practice for a single case. This argument makes sense in case of a guidance in implementing reform, yet development agencies shall identify with their stakeholders means to implement best practices, and it is at the latter's discretion the tools to be used.

Another issue raised within these discussions related to the language used – is it correct to use 'business environment reform' instead of, for example, 'better regulation' as the OECD practice shows? The rationale for such a clarification lays on the fact that the former terminology endorses primarily the need for a public sector (having many

goals) reform in the interest of the private sector while the latter is specific about business friendly regulation to be promoted and implemented.

The common understanding in this sense is that business environment reforms embark not only the issue of better regulation but shall focus on tangent initiatives as well, e.g. public administration reform and budget reform.

➤ The initiator of reform

The common understating is that there are no strict rules on who shall initiate a business environment reform – it is rather an interactive exercise, which would not succeed if either of the parties – donor agencies and states will not commit for it.

Yet it shall me mentioned that the private sector shall be always considered as a driving force for implementing reforms. As the experience of some countries shows, donors shall directly assist the private sector and civil society in reform initiatives so that another imperative tool is fruitfully implemented – public private partnership. In this respect cluster approach could be well used.

From donor agencies and countries' experience some of the learnt lessons have been identified and guidance for better reform implementation made:

- In most cases regulatory/legal and institutional frameworks are of a high quality while implementation lacks consistency and legitimacy.

This is one of the arguments for tailoring business environment reforms and focusing on concrete stakeholders, especially regulators who represent the executive power in a state.

- Human factor plays an important role in not promoting and implementing reforms.

There is a paramount need for changing the mind set of public officials, so that along with institutional capacity building a similar exercise shall be used, if needed, in relation with human resources of regulators. This argument is true for the private sector as well where business culture shall be cultivated.

- Media proved to be a specific pillar for reform.

The role of media shall not be underestimated. As experience of many countries shows media, as a fourth power in a state, plays an important role in building the understanding among stakeholders of reform and branding it.

- Role of the parliaments.

Parliaments across the world play indeed an important role in policy making, yet in countries with a less effective checks & balances systems implementation of legislative deliverables, i.e. laws, lack consistency and legitimacy (as identified above). The experiences of some countries show the role of parliaments to be played in direct dialogue with donors and private sector as well as an additional filter for passing high quality policies.

- Reduced costs for donor coordination.

It has been identified a need for reducing the costs for donor coordination by corroborating strategic paper, e.g. Practical Guidance for Development Agencies, Paris Declaration, etc.