

Day 3

Final Keynote Address

Scott JACOBS, Scott Jacobs and Associates, Washington DC

A most valuable output from this conference is what did not happen. We did not have to debate if business environment reform is needed. A broad consensus has emerged that it IS needed as a fundamental plank of the development strategy.

The body of evidence now available is persuasive that improvement of the business environment broadens and speeds up economic change, and is well worth additional investments from governments, donors, and private interests.

To be more precise, business environment reform is not a complete solution to development bottlenecks, but it is the best of the partial solutions that fall within our ability to accomplish to support a higher level of economic performance. In terms of sequencing, business environment reforms are a precondition to increase the value of investments in human and enterprise capacities and in infrastructure.

The atmosphere is very different here than in the first conference in Cairo in Dec 2005. I reread the excellent conference report written by Jim Tanburn after the Cairo conference, and most of the issues and solutions in 2005 are the same. That is the good news – the issues and broad approaches are pretty well defined now, indicating a more mature field. This allows us to refine our work and learn from each other more effectively.

However, the approach is quite different. The paper coming out of Cairo in early 2006 concluded with 18 “Topics we want to know more about” – The paper that came out of the Bangkok conference last year asked – where could the Donor Committee add value? The paper coming out of this conference presents “an initial guide” for reformers working in this field. This more practical approach to reform is exactly what people were seeking from the donor committee, and in my view will be a major success.

The sense of confidence has built over time as well as the sense of humility. Questions were asked over and over – does it work? How can we do it better? Do we know enough? How can reforms work better in African realities?

Those are questions that are needed now.

The fact is that the road to improving the business environment is littered with failures. We have not done very well. Some indicators show that the business environment is getting worse in Africa, not better. The number of clear successes in business environment reforms is small as this conference, despite its intent,

revealed. Donors and reformers are over-promising results given the disappointments of past efforts.

I'm thinking of leaving my husband," complained the economist's wife.

"All he ever does is stand at the end of the bed and tell me how good things are going to be."

At this time we need less talk and more action. We need humility, skepticism and clearer focus on the end-goals of reform: lower costs and lower risks for business.

Some challenges reformers and donors still face

- Systemic change – moving from piecemeal and uncoordinated reforms to broader reforms that aim to change how governance systems work. Picking the low hanging fruit is blinding us to the fact that whole orchard is dying.
- Political economy – not enough in this conference. How to energize, mobilize, sustain the political energies for reform. The most valuable commodity in Africa is the political capacity to push reforms and mobilize societies for reform. One of the things that makes our jobs difficult is that we work with the hidden side of public policy, the invisible costs, the opportunities lost, the years wasted, the lives diminished. Citizens never marched down the road to applaud a better business registry. University students never rioted to demand regulatory impact analysis. We used to call for broad consensus on reform, but this is impractical and unnecessary. There is a more realistic sense how to build effective reform coalitions, and ways to deal with the intense resistance that meets reform. We recognize now coal
- Results – A consultant is someone who will tell you tomorrow exactly why a prediction he made yesterday did not happen today. To what extent is documentation and communication of reforms done so that citizens understand the importance and relevance to them. Peter Laadegarrd mentioned case in Kenya when during the licensing reform, the ministry of agriculture asked if they could remove three unnecessary licenses. The reformers replied, "we did that last year." I was personally disappointed by the lack of documentation of the actual business impacts of reforms – and this includes the Kenya case that I presented. We are not working hard enough here. How about a good method for evaluating the impacts of business environment reforms? It does not now exist.
- Distributional issues. Gender issues: disproportionate benefits – likely to amplify the benefits of capacity building. The elephant in the room is the informal sector, which mobilizes the entrepreneurial energies of most Africans and will continue to do so for a long time. How can we talk about

poverty reduction if we don't talk about improving the informal sector itself, without always talking as if the only solution is to make them formal?

- Focus on free and competitive Markets as pro-poor strategy – There was much more discussion in this conference of the technology of reform than on market impacts, market efficiency, and response to reform. Yet competition in free markets empower those with ideas – reward hard work and merit – liberate human skills and talents for better uses – open new opportunities for self improvement – and increases household income through several mechanisms. Competition itself can be promoted in many ways – such as opening borders in small economies, or through competition laws and institutions.
- A constrained approach – the business environment is only one way that society improve itself. Good governance and effective regulation are other ways. We have to be sure that the business environment agenda does not replace our commitment to good environmental quality, safe food, and other public policies.
- Holding donors up to higher account. A sustained subtext of criticism of donor fragmentation, lack of coordination, rigid models, lack of flexibility, lack of experience in adapting general solutions, a preference short-term and easy reforms rather than the longer-term and systemic reforms. The pool fund in Ghana is a good example of a more efficient and coherent structure to provide resources with a longer-term horizon.

Less talk, more action. The higher levels of confidence in this room is clear – Africa is ready to move, to set the agenda, to use donors more effectively. This is the time for a thousand reforms to bloom. Let's get reforms going to push down the costs and risks facing businesses. We don't need more diagnostics and surveys. We need to take reform risks, innovate, pilots, new ideas – reinforced by more rigorous evaluation, and a global learning process in which information is cycled and recycled, lessons are learnt, communicated, digested, and used to develop better and better reforms over time.

We seem to work with the intangible, when we know that the goal of our work is of the utmost importance in human terms, in real lives. Poverty is not just about not having goods. There is a poverty of the spirit that comes with not being able to use your skills and talents. There is a poverty of the mind that comes with being trapped into grinding work without hope of improvement. Does business environment reform reduce poverty?

There is no question that liberating the energies of the African entrepreneur to use his or her skills, ideas, and energy reduces many kinds of poverty. Business environment reform is a wonderful agenda – practical, realistic, and well worth the investment of valuable time, energies, and resources.

This is the last of the three conferences organized by the Donor Committee. The 180 papers prepared for the three conferences are a great resource on the website. I hope that a good selection of the conference papers will result in a book. I want to say a big thank you to GTZ and the donor committee and Simon White – which has done tremendous work over 3 years to stimulate our minds and help us learn.