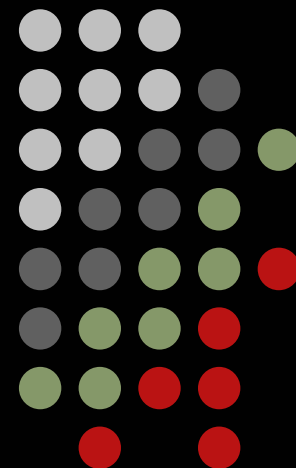


Reforming the Business Environment

Emerging trends and challenges

Martin Clemensson, ILO





Outline

- DCED's Business Environment Working Group
- What are we talking about?
- Does the BE matter?
- Two main approaches
- Cairo conference outcomes
- Emerging lessons learned
- Areas of controversy – knowledge gaps
- Resources

**Being small has
its disadvantages**

**Small donor agencies
are also disadvantaged**



DCED's Business Environment Working Group



- Donors shifting from BDS to VC to BE
- BE – new area: need to learn, need to coordinate, need to agree on ethics...
- DANIDA, DFID, GTZ, ILO, Netherlands, NORAD, OECD, UNIDO, World Bank/IFC
- Two studies on what donors do about BE and how they do it
- Cairo global BE conference November 2005

The Promise of Reforming the Business Environment



Scale – all enterprises and all people will benefit: create the right conditions for economic growth and poverty reduction will follow

What are we talking about?

Commonly agreed BE factors



- Stable macroeconomic environment based on sound fiscal and monetary policies
- Framework conditions should not affect SMEs unfavourably
- Open capital markets
- Enterprise culture
- Access to global markets: trade policy
- Access to government procurement opportunities
- Low barriers to entry (compliance costs) and exit (bankruptcy penalties)
- Flexible labour markets
 - ILO issue: balance need to reduce regulatory burden with basic protection and rights of workers in MSEs



However...

- Policies and regulations often outdated, too complex, not known
- High cost of compliance
- Unintended anti-SME biases
- SMEs not represented in policy design
- Gap between national policy and local implementation
- Lack of coordination and leadership
- Conflicting government approaches
 - supporting subsidized services vs. removing obstacles

Two main approaches



- a) BE reform to stimulate macroeconomic growth
 - Benchmarking, e.g. Doing Business
 - Regulatory impact assessments
 - Reduce the cost of doing business, e.g. the “Regulatory Guillotine”
 - Research and information
 - Champions and change agents

- b) Poverty-focused BE reform
 - Target aspects of the BE that are likely to have poverty reduction impact
 - Involve the poor
 - Strengthen advocacy groups and business associations, Public-Private Dialogue



Pre-Cairo situation

- Increasing interest among donors for BE reform
- Many assessment tools – but they didn't influence design and implementation
- Does size matter?
- Sub-national reforms
- Lack of donor co-ordination and collaboration
- Why are some countries reforming faster than others?
- Representation and PPD
- M&E and measuring the impact of donor-supported BE reforms



Since Cairo:

- Volume of donor-supported reform has grown
- More guidance on “how to”, e.g. Doing Business 2007
- The political economy of reform – what role do donors play in managing reform processes?
 - Drivers of change
 - Institutional self-interest and change
- What role for multi-national enterprises?

Cairo follow-up by the Donor Committee



- a) **Award** for best example of high impact, sustainable, coordinated, donor support towards BE reform
- b) **Guiding principles** for donor support of BE reforms
- c) **Policy briefs**
 - The importance of enterprise size
 - How to promote public-private dialogue
 - How to build demand for reform of the BE
 - The role of the private sector in reforming the BE
 - The link between the Informal Economy and the BE
 - Local (i.e. sub-national) dimension to BE reform
- d) **Regional consultative BE conferences**, starting with Asia

BE conference for Asia

Bangkok, 29 Nov – 1 Dec, 2006

www.enterprise-development.org/bangkok



45 papers

13 agencies
presenting

COUNTRIES COVERED

Afghanistan

Bangladesh

Cambodia

China

India

Indonesia

Laos

Mongolia

Pakistan

Philippines

Thailand

Vietnam

Plus regional and sub-regional
overviews and comparisons

Some lessons learned



1. Diagnostic tools and proven good practice make it easier to prioritise
2. Information helps create demand for change
3. Crisis and political change provide opportunities for bold reforms
4. Pilots are powerful for learning and demonstration
5. Incentives and implementation capacity can be created without fundamental public sector reform
6. Empowering supporters through education and dialogue can build coalitions for reform

Controversies and knowledge gaps



1. What is the impact of BE reform on poverty reduction? On employment?
2. How to sustain BE reform efforts?
3. “The minimalist approach” vs. targeted public policy
4. BE reform and value chains
 - Where are the BE constraints in the value chain?
 - Benchmark value chain costs between countries
 - Value chain-specific PPD

Resources



- www.businessenvironment.org
- www.enterprise-development.org
- www.doingbusiness.org
- www.itcilo.org/ee
- www.ilo.org/seed
- rru.worldbank.org
- www.ifc.org
- www.gtz.de
- Asia BE conference 29/11 – 1/12
 - www.enterprise-development.org/bangkok
- Africa BE conference October 2007
- clemensson@ilo.org



The BE Promise Still Holds!