



# *Introduction to* Business Environment Reform (BER)

DEVCO C4 Trade and private sector development (TPSD)  
Annual Seminar 2020

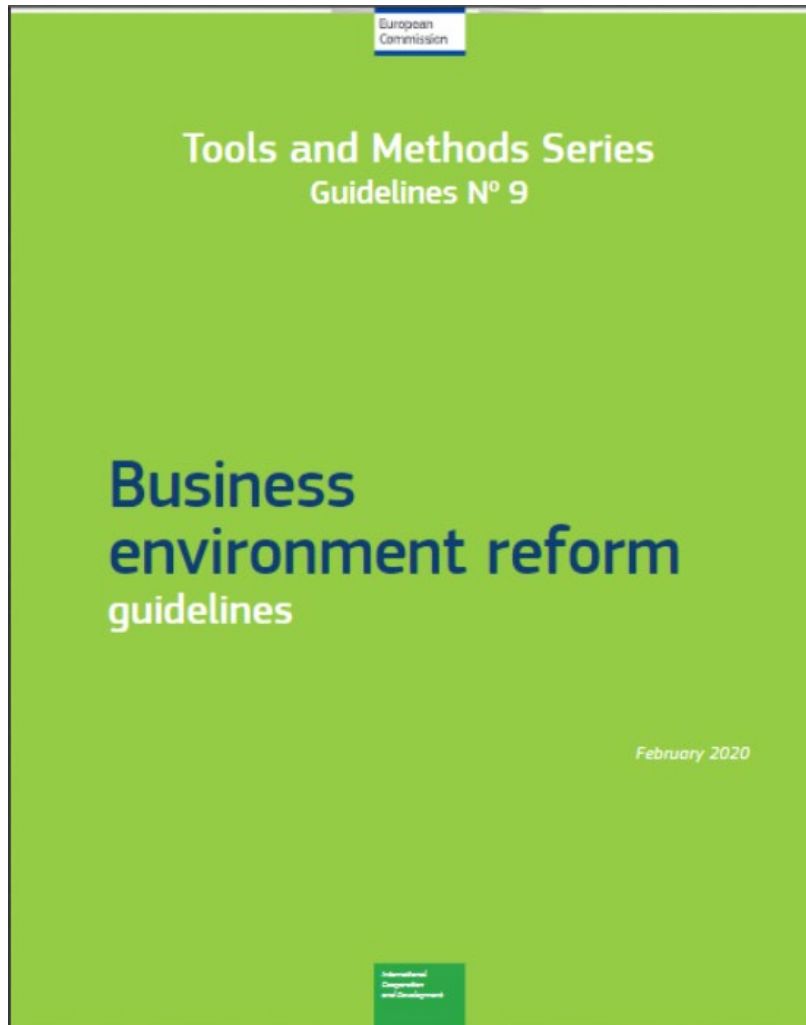
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*Laura Atienza, Devco C4*

*Emmanuel Moyart, TPSD Facility*

# Business Environment Reform guidelines

<https://europa.eu/capacity4dev/t-and-m-series/documents/guidelines-ndeg9-business-environment-reform>



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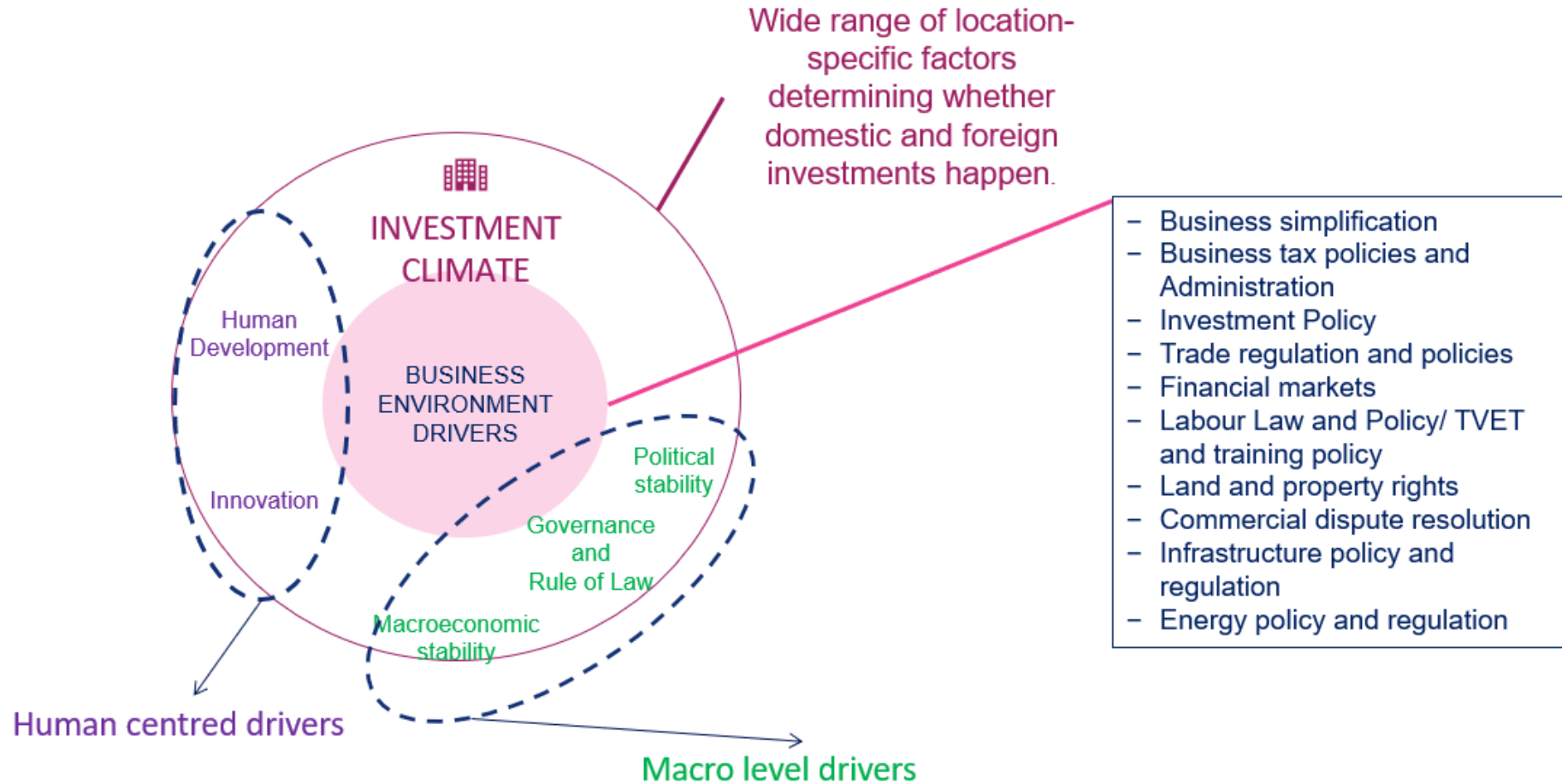
1. Key Concepts
2. Ten main functional areas of BER
3. Cross-cutting issues
4. Implementing BER

# 1. Key concepts

Investment Climate

Business Environment Reform

# Investment Climate



# Handbook



- Overview of Pillar 3
- Present the key drivers of investment climate
- How can the EU contribute further?

# Business Environment

The Donor Committee for Enterprise Development (DCED) define the business environment as “a complex of policy, legal, institutional, and regulatory conditions that govern business activities. More specifically it includes:

- Policy and legal framework – the policies, laws and regulations that affect business,
- Regulatory and administrative framework – the ways in which policies, laws and regulations are enforced, and
- Institutional arrangements – the ways in which government and businesses represent themselves and communicate with each other, e.g. through “government agencies, regulatory authorities, and business memberships organisations including businesswomen associations, civil society organisations, trade unions, etc.”<sup>4</sup>

# Business environment reform (BER)

- **Business Environment:** 1 of the 6 elements of the broader Investment Climate
- **Business Environment Reform (BER):** *“Policy, legal, regulatory and institutional reforms to improve the functioning of markets and reduce transaction costs and risks associated with starting, investing in, operating and closing a business” (World Bank)*
- Influence in the development of the private sector in a country:
  - Reduces business costs; Reduces risks; Promotes new business entry;
  - Positive social and environmental externalities
- BER can and should take place at **multiple levels**: Regional, National, Sub-National, Specific sectors, industries or value-chains
- Key Role of World Bank’s annual “**Doing Business**” Report



# World Bank « Doing Business »



Source: Doing Business database.

Note: Labor market regulation is not included in the ease of doing business ranking.

**Easy framework**

**Drives narrow reforms**

**Comparability**

**Formal sector only**

**Data collection**

**Western best practices**

**Reform entry points**

**Common Law biased**



## 2. Ten functional areas of BER

# BER Ten Functional Areas



Business Simplification



Business Tax Policy and Administration



Investment Policy



Trade regulation and policies



Financial Markets



Labour Law and Policy/ TVET and Training Policy



Land and Property Rights



Commercial Dispute Resolution



Infrastructure Policy and Regulation



Energy Policy and Regulation



## Business Simplification

All aspects of **business entry**, from the initial formation of a legal entity, obtaining of all required business licenses to competition policy.

### *Illustrative Interventions:*

- Increase transparency and simplify registration and licensing issuance procedures
- Establish one-stop shops (OSS) to facilitate company registration and licensing
- Reduce minimum capital requirement to form a legal entity
- Use company registration databases as systems to collect information on MSMEs to guide policy.

### Reforming business administration policy in Jordan

- Budget support of EUR 55 million to upgrade Jordan's legislative framework on bankruptcy and insolvency.
- Upholding of shareholders agreements, the movable assets law, the companies law and removal of the goodwill tax.
- Capacity building programmes with relevant agencies implemented.



## Business Tax Policy and Administration

Tax certainty, transparency and clear tax payment procedures are important to business. A good tax system should ensure that all taxes are proportionate, not arbitrary and convenient to taxpayers.

### *Illustrative Interventions:*

- Review of tax code and regulations with focus on corporate income taxes/profit tax, social security contributions
- Reduce the number and complexity of taxes
- Simplify tax compliance process (incl. reduction of the number of filings per year and per tax, introduction of electronic filing and payment systems)
- Simplify VAT compensation / recuperation schemes
- Digitalization of taxes processes and data / information, eliminating duplication and opportunities for fraud and corruption.
- Support to the design/discussion/signature of regional tax agreements, tax incentives and indirect taxes

## Enhancing Domestic Resource Mobilisation (DRM) in Egypt

- Egyptian Ministry of Finance and the OECD (EU financed): DRM programme through a better tax and exchange of information (EOI) system.
- The design of tax policies and international tax cooperation around 3 clusters:
  - (a) Cluster A on implementing the international standards on EOI and benefiting from the EOI instruments in tax transparency,
  - (b) Cluster B on capacity building to tax MNEs fairly and effectively address BEPS, and
  - (c) Cluster C, on evidence-based policy decisions through internationally comparable Revenue Statistics data.
- Training to stakeholders and training of trainers to increase understanding by taxpayers of the requirements for them to comply with Egypt's international tax rules.



## Financial markets

Reform needs in this area focus on financial sector regulation – including bank regulation, securities law, microfinance regulation and credit information laws and regulations-, fostering competition of financial service providers, and insolvency frameworks.

### *Illustrative interventions*

- Revising microfinance and bank legislation to increase lending to entrepreneurs and MSMEs
- Revising/creating legislation for credit cooperatives
- Support the establishment of credit bureaus to increase information
- Support public private dialogue on insolvency reform

### **Uganda Yield Investment Fund**

- Fiscal policy not attractive to investors, and lack of possibility of registering the Fund as an investment company
- Policy paper with IFAD to be presented to the SB4U platform and the Ministry of Finance

### **Uganda EE-IBE Facility**

- With the World Bank (through the Rapid Response Facility) will carry out a depth analysis of the interest rate spread in the country.
- Conclusions will be used both for programming and eventually support some regulatory changes in the banking sector.



## Labour Law and Policy / TVET

Labour market and employment regulations contains rules governing arrangements for individual contracts, mechanisms for collective action, technical and vocational training and education (TVET) policies. The challenges for governments are to balance labour flexibility with worker protection, and to develop effective skills policies, feeding into education, training and labour market policy, to tackle skill imbalances and mismatches, based on reliable information on market demand, and to support decent job creation.

### *Illustrative interventions*

- Recruitment and retention of employees' skills and knowledge. In particular TVET.
- Promote innovation through accessible training, networking opportunities, equipments.
- Implementation of ILO international conventions, fundamental workers' rights, freedom of association and unionisation
- Decent work and minimum wages
- Occupational health and safety, preventing sexual harassment and discrimination of women at work.

## SOCIEUX+ Expert Facility support in Benin

- Technical assistance to better design and manage sustainable strategies and policies on employment, labour market and social protection.
- One stop shop for employment promotion in Benin: supported the Ministry of Labour to implement strategic reforms under the National Plan for the Promotion of Employment 2017-2025.
- Result: development of a technical monitoring tool for evaluation of policies implemented, tools for the operational management of Action Plans, and a Strategic Plan for implementing integrated services to promote employment



## Land and Property Rights

Insecure title to land prevents people from taking full advantage of its productive uses, while a secure title allows the use of property as collateral for a loan, as well as providing a valuable insurance and savings tool. Secure and stable regulatory frameworks for expropriation and secure land tenure have a major impact to encourage new investments and retain those established, in particular in FCAS. Reforms to improve land administration, including the land registration system and the surveying and mapping system are often key BER priorities in developing countries.

### *Illustrative interventions*

- Assessing institutional frameworks and capacity of land registry and technical assistance to address shortcomings
- Automation and digitalisation of land registration and surveying and mapping systems.
- Increasing transparency of land administration system, by making land-related information publicly available including all fees
- Improve land dispute resolution
- Reform construction permits

## Supporting legal and policy reform for women's tenure rights in Malawi

- Under customary law, women's land rights in Malawi are guaranteed. Despite this, they lack decisionmaking power over how the land is used. In 2018, the government passed the Community Land Bill which defines the process and procedures for recognition of rights in customary estates.
- In conjunction with the passing of this law, the EU is funding an action that works with the government to foster legal and social recognition of land rights. This action began by identifying customary estates for delimitation, accompanied by guidelines stipulating how the barriers that women face in accessing land are taken into account.
- Meanwhile, the action is promoting women's land rights at all levels, including training for local officials, and awareness raising to the wider public.



# Break-out rooms

- Discuss what examples you can identify in your work as BER related actions
- Discuss whether there are improvements of regulations/policies that have been identified during the implementation of programmes and if these are part of policy dialogue, or public-private dialogue

# 3. Cross-cutting issues

# BER and Gender

## Characteristics of women entrepreneurs and Women led Business

- Smaller businesses
- Low productivity sectors
- More informal businesses
- Unequal access to resources
- Limited education & professional experience
- Less time
- More socio-cultural constraints

## Participation of women in networks and policy agenda setting

- Less represented in local or national government
- Less present in support organisations
- Fewer relevant networks
- Lack information about investment climate
- Lack influence
- Lack access to policy dialogue process

## Impact of Business Environment and Investment Climate

- Legal provisions may discriminate
- Legal and regulatory environment may affect women owners differently
- Sector specific regulations
- Lack understanding of regulatory environment
- Potentially greater exposure to corruption

# BER and Gender (2)

## WHAT CAN BE DONE

- Improve Investment climate for MSME – Identify reforms with disproportionately impact on micro businesses
- Improve policy in sectors where women are represented
- Promote reforms to adress women-specific measures
- Improve gender responsive policy process: consider the whole policy cycle

# BER and Gender (3)

## REFERENCES

- Business environment reform and Gender, DCED 2016
- Gender-sensitive business environment reform: Why does it matter?, DCED 2017
- Assessment framework for Growth-Oriented Women Enterprises (GOWEs), ILO/AfDB
- GenderCLIR diagnostic, USAID
- Gender Dimensions of Investment Climate Reform, A Guide for Policy Makers and Practitioners, The World Bank 2010, Simavi, Manuel, Blackden.

# Environment, CC and natural capital

- BER should promote and support the transition to a green economy
- The main objectives of mainstreaming the environment and CC include:
  - Identifying and avoiding harmful direct and indirect environmental and climate impacts of programmes on investments;
  - Recognising and realising opportunities for enhancing environmental conditions, thereby bringing additional benefits to development and economic activities;
  - Scaling up best practices in terms of ecosystem services and green jobs;
  - Promoting improved environmental and climate change dialogue with partner countries;
  - Identify potential risks of an investment project or technical assistance programme by assessing its exposure and sensitivity
- Per functional area and Resources, provided in the Guidelines

# Pro-poor interventions

- Many ways to make BER interventions more pro-poor and better internalising long term drivers of sustainable development. During all phases of a BER intervention but maybe more importantly at the design phase, it is essential that impact will be related to increasing opportunities for the poor.
- The compliance with ILO conventions, human, social and labour rights, and social protection, are important aspects that have to be considered in BER programmes.
- References in the Guidelines

# Micro and small enterprises (MSEs)

## Informal sector

- MSE-oriented business environment reforms boost economic growth and transformation:
  - Women's economic empowerment
  - Encouraging formalisation of employers and/or of companies, incl. through cooperatives
  - Improving labour and labour-related legal and regulatory regimes
  - Promoting entrepreneurship and social groups/cooperatives for production and credit
  - Address the problems found in disadvantaged regions
  - Focus on industries in which poor people are more highly represented
  - Support regular public-private dialogue in which MSEs and the informal sector are better represented and more involved.



# Fragile and conflict-affected states

- Principles for action
  - Planning, design, implementation and evaluation of BER needs to be flexible and adaptable in FCAS situations. Baseline data and constant monitoring
  - Smaller-scale changes can be more effective than sweeping reforms in very fragile contexts
  - Post-conflict conditions may present opportunities for positive social reforms, such as the inclusion of women in power structures
  - Timeframes are longer
  - Incorporate political economy assessment and conflict sensitivity analysis
  - Internalise and reflect long term needs to avoid short term improvements coming at the expense of long term growth.

# Governance

- Improving how policies, laws and regulations are developed and strengthened as well as how they are implemented in the real world.
- Analysing and Addressing Governance in Sector Operations, Ref Doc 4
- Improving the quality of regulatory governance is also a priority. Such as improving the process of legal and regulatory reform, regulatory impact analysis (RIA) prior to the introduction of new rules, improving PPD and increasing transparency.
- References provided in the Guidelines

# Digitalisation

- Digital solutions are integrated into BER interventions in numerous ways. For example through digitalised registries, eServices (e-banking, e-health, online education...), eGovernment, and overall ICT sector regulation. Examples:
  - Reform of national and regional regulatory frameworks for affordable connectivity
  - Legal frameworks for privacy, data sharing, eID, esignature, etc
  - Policy and legal frameworks to promote innovation and remove barriers such as mobile payments
  - E-Government to improve transparency, services, cut red tape and costs
  - Court automatisisation and case management systems for commercial courts
  - Customs clearance

# 4. Implementing BER

Delivery modalities of BER

Diagnostics, Gender sensitive diagnostic assessment

Measurement and Evaluation of BER Initiatives

# Delivery modalities for BER

- **Technical assistance**
- **Budget support**
- **Multi-donor facilities**

# Technical assistance

Project	Description	EU contribution (EUR mn)
Zambia Energy Efficiency Support Programme	Energy - mainstreaming energy efficiency in national agenda, market development	25
Economic Governance	Governance - general business enabling environment and regulatory reforms, land titling; skills development	24
Support to Effectiveness and Transparency in Management of Public Resources (EFFECT)	Governance - enabling environment, investment climate (PFM)	17
Support to Sustainable and Climate-smart Crop Production and Gender-sensitive Land Management Practices	Agriculture – climate-smart agriculture, productivity improvements, land management	12
Performance Enhancement Programme (PEP II)	Governance / Agriculture - enabling environment, investment climate	10
Aviation Sector Support Programme II	Transport - enabling environment; capacity building, knowledge transfer and legislative assistance	5.6

# Budget support

Objective: Investment Climate Improvement

Partner country: Senegal

Budget: EUR 30 million over 2019-2022

Modality: SDG-Contract

Date of signature: 2018

Policy dialogue and variable tranche indicators on:

- Simplification of administrative procedures for the private sector: increase number of Large and Medium enterprises using tax tele-declaration and tele-payment (tax digitalisation)
- Reduction of delays for the registration of employment contracts with the Ministry of Employment
- Improve commercial justice mechanisms (reductions of delays in issuance of judgments by the Commercial Court of Dakar and improve transparency/publications, setting up of a commercial Court of Appeal)
- Formalisation of the economy (self entrepreneurship statute included in the law and increased number of registered)

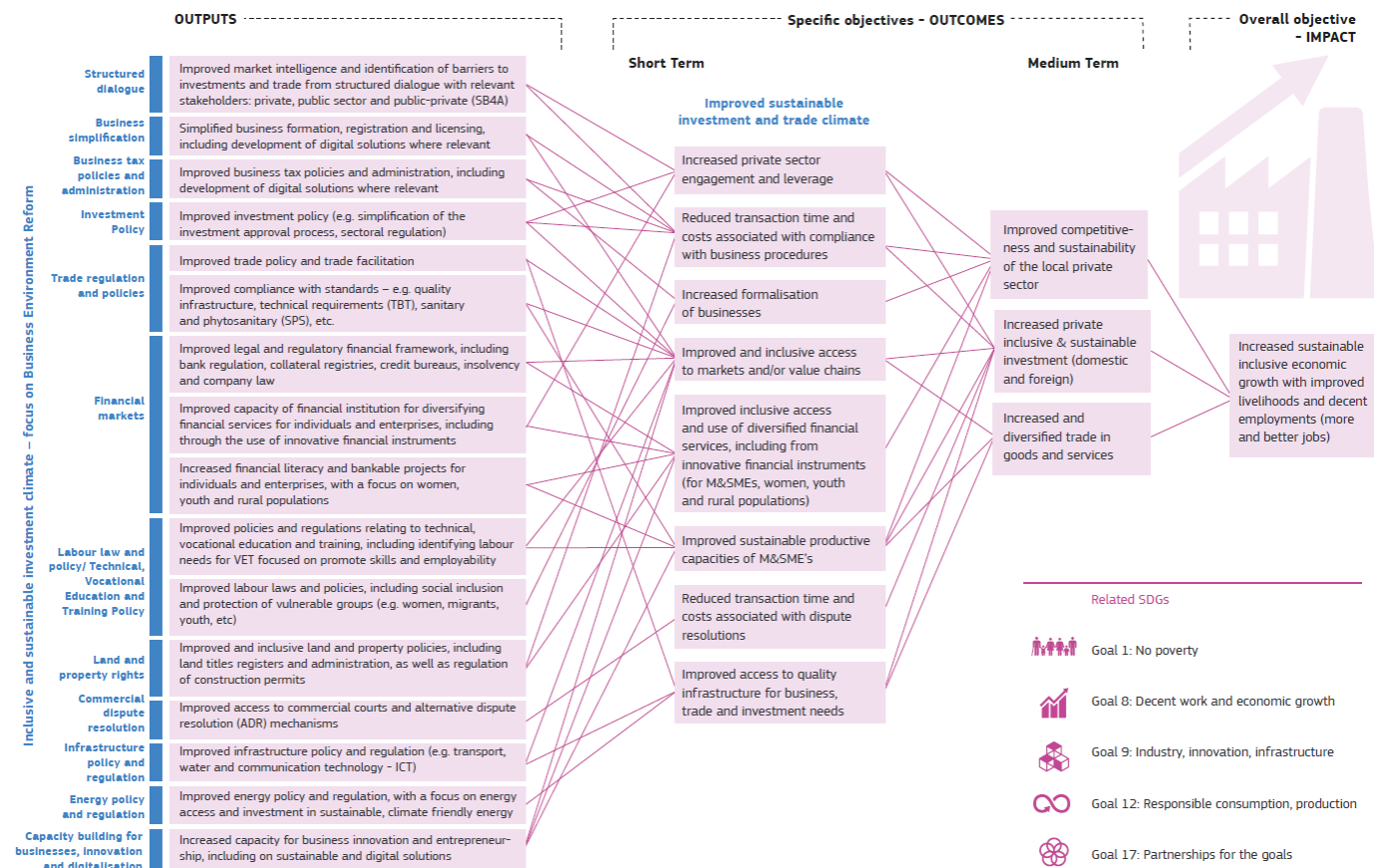


# Formulating a BER programme

- BER Diagnostic Process: Scope, Research, Stakeholder consultation, Political Economy and Conflict Analysis, Recommendations for Reforms
- Gender sensitive diagnostic assessment : Identify role of women and men in the economy; Analyse Business environment constraints on women; Understand social and political dynamics;
- References in the Guidelines



# Measurement and Evaluation



<http://indicators.developmentresults.eu/>

### Safety and Rule of Law



- Negative trend in Africa, although no deterioration overall for SADC countries
- 3 SADC countries are in the top down performers: DRC, BW, ZAM
- 7 countries show negative trend: DRC (-7.9) , BW (-4.2) , Zambia (4.1), MZ, SA, LES, eSW)
- best performers MAD (6.2) and TZ (5.2), that are amongst the 10 best performers in Africa

### Participation and Human Rights



- Positive trend:
  - Africa: +0.7
  - SADC: +0.4
- 4 SADC countries in top-10 (NAM, MAU, RSA, SEY- BW NOT ANYMORE!)
- 1 SADC country in bottom-10 (DRC)
- Highest increase since 2008: MAD +7.1 and Seychelles +7.3
- Highest decrease since 2008: MZ (-5.2 participation and rights) and Botswana (-4.3 gender and rights)

### Sustainable Economic Opportunity



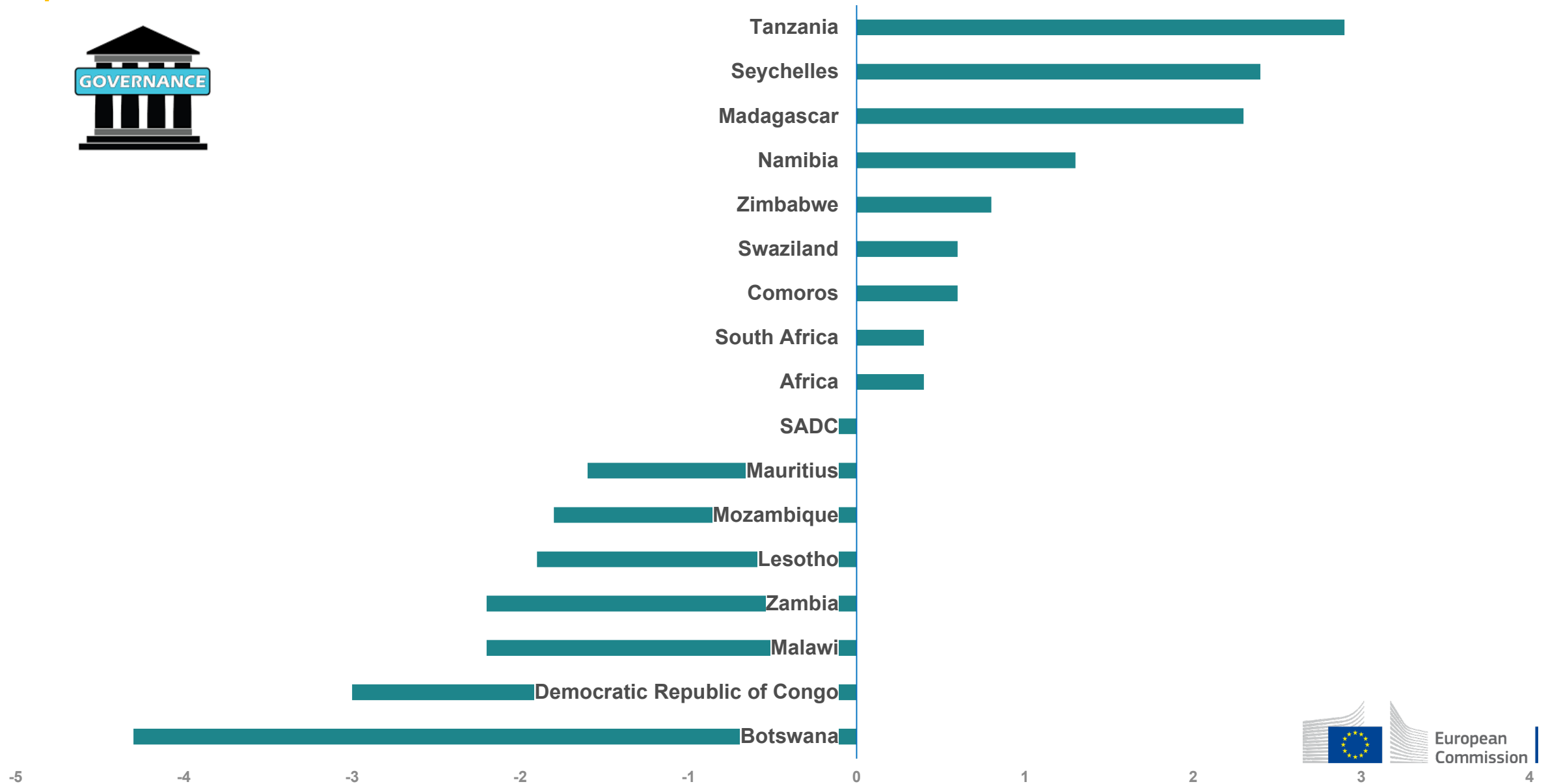
- negative trend:
  - Africa: +0.1
  - SADC: -0.9
- 4 SADC countries in top-10 (MAU, RSA, SEY, NAM-not BW)
- 3 SADC countries in bottom-10 (ANG, DRC, COM)
- Highest increase since 2006: Zim, TZ and RSA
- Highest decrease since 2006: LES, Malw, DRC

### Human Development



- Negative trend:
  - Africa: +0.9
  - SADC: -0.2
- 4 SADC countries in top-10 (SEY, MAU, BW, RSA)
- 2 SADC countries in bottom-10 (ANG, MADA)
- Highest increase since 2006: Com +4.1 & TZ +3.7
- Highest decrease since 2006: BW -6.7 & MAU -4.3

## SADC Mo Ibrahim trends 2013-2017



# Thank you



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